The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
The U.S. economy continues to grow at a moderate pace.

**Real Gross Domestic Product (GDP)**
*Annualized Percent Change from Previous Period*

- **Q3 2011**: 2.6%
- **Q4 2011**: 2.4%
- **Q1 2012**: 2.5%
- **Q2 2012**: 1.3%
- **Q3 2012**: 4.1%
- **Q4 2012**: 2.0%
- **Q1 2013**: 1.3%
- **Q2 2013**: 3.1%
- **FOMC Central Tendency Projections**
  - **2012**: High 1.8%, Low 1.7%
  - **2013**: 2.3%
  - **2014**: 3.0%

*Source: Bureau of Economic Analysis & Federal Open Market Committee (FOMC) December 2012 Projections*
Consumer spending was the primary driver of economic growth in 2012.
Unemployment rates remain elevated and are expected to gradually decline in coming years.

**Unemployment Rates**

*Seasonally Adjusted*

- **United States**
  - 2005: 9.6%
  - 2008: 8.9%
  - 2010: 7.8%
  - 2012: 7.3%

- **Colorado**
  - 2005: 5.1%
  - 2008: 7.6%
  - 2010: 7.6%
  - 2012: 6.0%

**Source:** Bureau of Labor Statistics & Federal Open Market Committee (FOMC)  
*December 2012 FOMC Central Tendency Projections*
Inflation remains near the 2 percent target.

**PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)**

*Percent Change Year-over-Year*

**Headline Inflation**

**Core Inflation**

Source: Bureau of Economic Analysis
“… the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and currently anticipates that this exceptionally low range for the federal funds rate will be appropriate at least as long as the unemployment rate remains above 6.5 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee’s 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.”

*FOMC December Statement*

**Effective Federal Funds Rate**

*Source: Board of Governors of the Federal Reserve System*
“...the Committee will continue purchasing additional agency mortgage-backed securities at a pace of $40 billion per month. The Committee also will purchase longer-term Treasury securities after its program to extend the average maturity of its holdings of Treasury securities is completed at the end of the year, initially at a pace of $45 billion per month.

-FOMC December Statement
Job gains continue, with Colorado outpacing the nation in growth.

**Nonfarm Employment**

*Index 100 = December 2002, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Past 10 Years</th>
<th>Past Year</th>
<th>Peak to Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>3.0%</td>
<td>1.4%</td>
<td>-2.9%</td>
</tr>
<tr>
<td>Colorado</td>
<td>6.5</td>
<td>2.3</td>
<td>-1.9</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics/Haver Analytics
Most states have experienced positive job growth over the past year.

DECEMBER 2012 NONFARM EMPLOYMENT
Year-over-Year Percent Change, Seasonally Adjusted

Percent Change
Year-over-Year

United States
1.4%

2.5 to 3.6%
1 to 2.5
0 to 1
-1 to 0
-1.8 to -1

Source: Bureau of Labor Statistics/Haver Analytics
Colorado continues to enjoy broad-based growth across industries.

**DECEMBER 2012 PAYROLL EMPLOYMENT**

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent Change Year-over-Year</th>
<th>Share of Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>United States</strong></td>
<td>5.9%</td>
<td>5.2%</td>
</tr>
<tr>
<td><strong>Colorado</strong></td>
<td>6.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Construction</td>
<td>3.6%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>3.3%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>3.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.8%</td>
<td>10.7%</td>
</tr>
<tr>
<td>Other Services</td>
<td>2.7%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>2.6%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>2.6%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>2.3%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>2.3%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>1.2%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>0.9%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Local Government</td>
<td>-0.2%</td>
<td>2.4%</td>
</tr>
<tr>
<td>State Government</td>
<td>-2.4%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>-3.4%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Despite increases over the past year, construction employment is still 28 percent below pre-recession levels.

**DECEMBER 2012 PAYROLL EMPLOYMENT**

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Sector</th>
<th>Change from Peak (Dec. 2007)</th>
<th>Share of Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>15.1%</td>
<td>10.7%</td>
</tr>
<tr>
<td>State Government</td>
<td>14.7%</td>
<td>4.3%</td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>14.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>10.0%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>5.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>2.9%</td>
<td>12.2%</td>
</tr>
<tr>
<td>Other Services</td>
<td>2.9%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Local Government</td>
<td>1.6%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>-4.0%</td>
<td>15.3%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-5.4%</td>
<td>10.6%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>-6.7%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-9.5%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-11.5%</td>
<td>5.8%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>-11.9%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Information</td>
<td>-28.3%</td>
<td>2.9%</td>
</tr>
<tr>
<td>Construction</td>
<td>-28.3%</td>
<td>5.2%</td>
</tr>
</tbody>
</table>
Residential construction activity has picked up considerably.

**Value of Residential Construction**
*Percent Change, Cumulative Year-to-Date January through November 2012*

Source: McGraw Hill/F.W. Dodge

*United States*
28.3%
However, construction activity remains at low levels relative to historical highs.

**RESIDENTIAL PERMITS**

*Index 100 = November 2002, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Past Year</th>
<th>Peak to Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year-to-Date thru October</td>
<td></td>
<td></td>
</tr>
<tr>
<td>United States</td>
<td>31.3%</td>
<td>-59.0%</td>
</tr>
<tr>
<td>Colorado</td>
<td>116.0</td>
<td>-47.9</td>
</tr>
</tbody>
</table>

Source: Census Bureau  
Note: Monthly permit data is unrevised and may not sum to year-end totals.
Construction activity is strongest in the Denver metro area.

**2012 RESIDENTIAL PERMITS BY COUNTY**
*
Number Issued Year-to-Date through November

<table>
<thead>
<tr>
<th>County</th>
<th>Single Family</th>
<th>Multi-Family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Denver</td>
<td></td>
<td></td>
</tr>
<tr>
<td>El Paso</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Douglas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Larimer</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arapahoe</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Weld</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jefferson</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adams</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Boulder</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mesa</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pueblo</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Counties</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Census Bureau
Activity is about half of what it was at peak levels.

2012 Residential Permits by County
Number Issued Year-to-Date through November

- Denver
- El Paso
- Douglas
- Larimer
- Arapahoe
- Weld
- Jefferson
- Adams
- Boulder
- Mesa
- Pueblo
- Grand
- Other Counties

Source: Census Bureau
Home prices are rising in most states...

FHFA PURCHASE-ONLY HOME PRICE INDEX (2012Q3)

Source: Federal Housing & Finance Agency (FHFA)
...yet prices remain below peak values.

**FHFA Purchase-Only Home Prices (2007Q1 – 2012Q3)**

*Seasonally Adjusted*

United States

-16.6%

Source: Federal Housing & Finance Agency (FHFA)
Improvements in infrastructure and non-residential construction activity have varied across the country.

**Value of Non-Residential & Non-Building Construction**

*Percent Change, Cumulative Year-to-Date January through November 2012*

---

Source: McGraw Hill/F.W. Dodge
Oil drilling has increased sharply over the past two years, but natural gas drilling has declined.

**Active Drilling Rig Counts**

**United States**

- **Natural Gas**
- **Crude Oil**

**Colorado**

*Source: Baker Hughes*
Mining activity made up slightly more than 4% of Colorado state domestic product in 2011 and is a growing sector in the regional economy.

Source: Colorado Oil & Gas Conservation Commission (COGCC) & U.S. Department of Energy, Energy Information Administration
Manufacturing activity has slowed over the past 3 months.

**MANUFACTURING ACTIVITY**

*Diffusion Index, Seasonally Adjusted, Month-over-Month*

Manufacturing activity has slowed over the past 3 months.

**Manufacturing Activity**

*Diffusion Index, Seasonally Adjusted, Month-over-Month*
Manufacturers in the Tenth District still expect higher levels of activity over the next six months but have become less optimistic.

**Tenth District Manufacturing Expectations**

*Diffusion Index, Seasonally Adjusted, Six Months Ahead*

Source: Federal Reserve Bank of Kansas City
Growth slowed sharply in Europe in 2012 and is expected to remain slow in 2013.

**World Economic Outlook Projections**

*Percent Change over Prior Year*

- **2010**
- **2011**
- **2012**
- **2013**

### Advanced Economies
- Germany
- France
- Italy
- Spain
- UK

### Emerging & Developing Economies
- China
- India

Source: International Monetary Fund (IMF) (October 2012 World Economic Outlook)
Exports to Europe make up 19 percent of total exports from Colorado.

COLORADO EXPORTS BY TRADING PARTNER

Billions

2005 2006 2007 2008 2009 2010 2011

2011 2012

NOVEMBER 2012 YTD

Percent Change

Total Trade 10.9% SHARE*
All Other 6.4 30.9%
Japan 10.8 5.4
Mexico 14.4 10.3
Canada 31.4 21.0
China 6.3 13.5
Eurozone -3.1 19.0

Source: WISERTrade Note: Eurozone includes the 27 EU member countries and China includes Hong Kong, Taiwan, and Macao. *2011 Share
National & Colorado Economic Update

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This presentation will be available at: http://www.KansasCityFed.org/Denver/