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.
Overview of the Federal Reserve System

• Primary Functions
  – Monetary Policy: promote full employment and price stability
  – Payments Services: bank for banks; bank for federal government
  – Banking Supervision and Regulation: ensure safety and soundness of banks

• Structure
  – Board of Governors
    • Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.

  – Federal Reserve Banks
    • There are 12 Regional Reserve Banks, each serving a unique district. These are semi-independent by design.

  – Federal Open Market Committee (FOMC)
    • Comprised of the 7 members of the Board of Governors and the 12 Reserve Bank Presidents (only 5 presidents are voting members on a rotating basis).
    • Charged with conducting monetary policy to promote economic growth and price stability.
Regional Federal Reserve Banks and Branch Locations
Functions

– Regional research and policy support covering the economies of Colorado, New Mexico and Wyoming

– Economic, financial education, and community development outreach

– Examinations of Colorado, Wyoming and northern New Mexico financial institutions

– Cash processing and distribution

– Money Museum

– Around 165 employees
U.S. economic growth picked up in the second half of 2013.

**Real U.S. Gross Domestic Product**

*Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates*

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</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1.1%</td>
<td>2.8%</td>
<td>4.1%</td>
<td>3.2%</td>
<td>2.8%</td>
<td>3.0%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

*Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics*

*Note: Projections as of December FOMC meeting*
Private consumption and investment were the primary drivers of economic growth in 2013, as the government sector limited overall gains.

**Contributions to Real GDP**

*Percent Change at Seasonally Adjusted Annualized Rates*

Real GDP 3.2%

Source: Bureau of Economic Analysis / Haver Analytics
Unemployment rates have declined in the U.S. and Colorado and are expected to decline further as the economic recovery strengthens.

Unemployment Rates
Seasonally Adjusted

United States

Colorado

Source: Bureau of Labor Statistics & Federal Reserve Board

*December 2013 Projections.
Inflation remains below the FOMC’s two percent target.

PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)
Percent Change Year-over-Year

Source: Bureau of Economic Analytics
“The Committee also reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to 1/4 percent will be appropriate at least as long as the unemployment rate remains above 6-1/2 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. … The Committee continues to anticipate … that it likely will be appropriate to maintain the current target range for the federal funds rate well past the time that the unemployment rate declines below 6-1/2 percent, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal.

- January 2014 FOMC Statement

Effective Federal Funds Rate

Source: Federal Reserve Board
“...the Committee will add to its holdings of agency mortgage-backed securities at a pace of $30 billion per month rather than $35 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of $35 billion per month rather than $40 billion per month.”

- January 2014 FOMC Statement

Source: Federal Reserve Board
Strong employment growth over the past two years has helped Colorado to surpass its pre-recession level of employment.

**PAYROLL EMPLOYMENT GROWTH**
*Index 100 = December 2003, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Past 10 Years</th>
<th>Past Year</th>
<th>Dec. '07 to Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>5.2%</td>
<td>1.7%</td>
<td>-0.6%</td>
</tr>
<tr>
<td>CO</td>
<td>10.4%</td>
<td>1.9%</td>
<td>1.3%</td>
</tr>
</tbody>
</table>

*Source: Bureau of Labor Statistics*
U.S. and Colorado employment has increased in most industries over the past year.

**Change in Payroll Employment, December 2013**

*Seasonally Adjusted*

- Construction: 6.0%
- Professional & Business Services: 4.7%
- Private Educational Services: 3.7%
- State Government: 3.5%
- Health Care & Social Assistance: 2.7%
- Local Government: 2.5%
- Natural Resources & Mining: 2.0%
- Leisure & Hospitality: 1.5%
- Wholesale Trade: 1.0%
- Manufacturing: 1.0%
- Retail Trade: 0.9%
- Other Services: 0.6%
- Information: 1.0%
- Financial Activities: -2.6%
- Transportation & Utilities: -2.8%
- Federal Government: -2.9%

**Top Performing Industries**

**Colorado**
- United States

**Worst Performing Industries**
Despite recent increases, employment remains below pre-recession levels in about half of Colorado industries.

**Change in Payroll Employment, December 2013**

*Seasonally Adjusted*

- Private Educational Services: 23.4%
- Health Care & Social Assistance: 19.7%
- State Government: 16.7%
- Natural Resources & Mining: 16.5%
- Professional & Business Services: 7.7%
- Leisure & Hospitality: 6.4%
- Local Government: 4.4%
- Other Services: 3.2%
- Federal Government: 1.9%
- Retail Trade: -3.1%
- Wholesale Trade: -3.1%
- Manufacturing: -8.5%
- Financial Activities: -8.7%
- Transportation & Utilities: -9.7%
- Information: -12.1%
- Construction: -26.3%

*Top Performing Industries*

*Worst Performing Industries*

*Source: Bureau of Labor Statistics*
Residential construction activity has picked up over the last few years, but remains well below pre-recession levels.

**Value of Residential Construction**

*Index 100 = December 2003, Seasonally Adjusted Three-Month Moving Average*

<table>
<thead>
<tr>
<th>Percent Change Year-to-Date</th>
<th>Past Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>26.2%</td>
</tr>
<tr>
<td>Colorado</td>
<td>31.7%</td>
</tr>
</tbody>
</table>

Source: McGraw Hill/F.W. Dodge
Home prices are rising and have surpassed pre-recession levels in Colorado.

FHFA Purchase-Only Home Price Index

Index 100 = 2003:Q3, Seasonally Adjusted

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Year-Over-Year</th>
<th>2007:Q1 to Current</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>8.4%</td>
<td>-9.8%</td>
</tr>
<tr>
<td>Colorado</td>
<td>10.3%</td>
<td>9.0%</td>
</tr>
</tbody>
</table>

Source: Federal Housing Finance Agency
Manufacturing activity expanded at a modest pace in January.

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

Source: Institute for Supply Management & Federal Reserve Bank of Kansas City
Energy activity has increased in Colorado, especially oil production.

**Colorado Oil & Gas Rig Counts**
*Number of Active Drilling Rigs*

**Colorado Oil Production**
*Thousand Barrels per Month, SA*

*Source: Baker Hughes & Department of Energy, Energy Information Administration/Haver Analytics*
For additional information on the regional economy: