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.
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*

![Chart showing real U.S. GDP growth from 2011Q4 to 2013Q4 and projections for 2014-2016]*

*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

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.

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*

---

Headline Inflation

Core Inflation

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

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

**FEDERAL RESERVE BALANCE SHEET**

**Assets**
- Traditional Portfolio
- Foreign Currency Swaps
- Short-Term Lending
- Federal Agency & Mortgage-Backed Securities

**Liabilities**
- Currency in Circulation
- Reserves
- Other

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*

<table>
<thead>
<tr>
<th>Industry</th>
<th>United States</th>
<th>Colorado</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>6.0%</td>
<td>-2.6%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>4.7%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>3.7%</td>
<td>-2.9%</td>
</tr>
<tr>
<td>State Government</td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>2.7%</td>
<td></td>
</tr>
<tr>
<td>Local Government</td>
<td>2.5%</td>
<td></td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>1.5%</td>
<td></td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>Retail Trade</td>
<td>0.9%</td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td>0.6%</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>1.0%</td>
<td></td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-2.6%</td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>-2.8%</td>
<td></td>
</tr>
<tr>
<td>Federal Government</td>
<td>-2.9%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics

Top Performing Industries:
- 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%)

Worst Performing Industries:
- Federal Government (-2.9%)
- Transportation & Utilities (-2.8%)
- Financial Activities (-2.6%)
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**

- Colorado: Various industries showing positive changes
- United States: Various industries showing positive changes

**Worst Performing Industries**

- Colorado: Various industries showing negative changes
- United States: Various industries showing negative changes

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

*Source: McGraw Hill/F.W. Dodge*
Residential permitting activity is also increasing, particularly for multi-family housing.

**2013 Residential Permits by County**

*Number Issued Year-to-Date through December*

<table>
<thead>
<tr>
<th>County</th>
<th>Single Family</th>
<th>Multi-Family</th>
<th>Peak*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adams</td>
<td>1,200</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>Arapahoe</td>
<td>1,500</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Boulder</td>
<td>2,000</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Denver</td>
<td>4,500</td>
<td>6,000</td>
<td></td>
</tr>
<tr>
<td>Douglas</td>
<td>3,500</td>
<td>5,000</td>
<td></td>
</tr>
<tr>
<td>El Paso</td>
<td>7,000</td>
<td>8,000</td>
<td></td>
</tr>
<tr>
<td>Grand</td>
<td>500</td>
<td>1,000</td>
<td></td>
</tr>
<tr>
<td>Jefferson</td>
<td>2,500</td>
<td>3,500</td>
<td></td>
</tr>
<tr>
<td>Larimer</td>
<td>3,000</td>
<td>4,000</td>
<td></td>
</tr>
<tr>
<td>La Plata</td>
<td>1,000</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Montrose</td>
<td>1,500</td>
<td>2,500</td>
<td></td>
</tr>
<tr>
<td>Mesa</td>
<td>1,000</td>
<td>1,500</td>
<td></td>
</tr>
<tr>
<td>Pueblo</td>
<td>2,000</td>
<td>3,000</td>
<td></td>
</tr>
<tr>
<td>Weld</td>
<td>3,000</td>
<td>4,000</td>
<td></td>
</tr>
</tbody>
</table>

**Percent Change Year-to-Date**

- United States: 20.1% (Past Year), -54.9% (Peak to Current*)
- Colorado: 22.9% (Past Year), -36.5% (Peak to Current*)

*Source: Census Bureau*  
*Peak year-to-date over the past 10 years.*
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*

- **ISM** 51.3
- **January 2014**

- **Kansas City** 52.3
- **District**
- **January 2014**

Source: Institute for Supply Management & Federal Reserve Bank of Kansas City
Manufacturers’ expectations increased sharply in January.

**Tenth District Manufacturing Expectations**

*Seasonally Adjusted, six months ahead*

Index

<table>
<thead>
<tr>
<th>Index</th>
<th>'13Q2</th>
<th>'13Q3</th>
<th>'13Q4</th>
<th>Jan, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volume of New Orders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Number of Employees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Expenditures</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Orders for Exports</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Source: 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: