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.
After a weak first quarter, U.S. economic growth picked up in the second quarter and is expected to expand at a moderate pace over the next few years.

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

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

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

*Note: Projections as of September FOMC meeting*
Consumer spending and private investment have been the primary drivers of economic growth over the past year.

**CONTRIBUTIONS TO REAL GDP**

*Percent Change at Seasonally Adjusted Annualized Rates*

Source: Bureau of Economic Analysis / Haver Analytics
Consumer confidence has increased this year, and is now at its highest level in more than seven years.

**CONSUMER SENTIMENT**
Index 100 = Q1: 1966

Source: University of Michigan, Haver Analytics
Household debt as a share of income has declined since 2008.

**Household Debt as a Share of Disposable Income**

*Seasonally Adjusted*

Source: Federal Reserve Board, Haver Analytics
Household net worth has increased with rising home and equity prices.

Household Net Worth as a Share of Income
Seasonally Adjusted

Source: Federal Reserve Board, Haver Analytics
U.S. consumer spending growth has moved closely in line with personal income growth over the past two years.

**U.S. Consumption & Savings**

*Index 100 = August 2004*

- **Real Personal Consumption Expenditures**
- **Real Disposable Income**
- **Personal Savings Rate**

**Source:** Bureau of Economic Analysis/Haver Analytics
Unemployment rates have declined and are expected to fall further as the economic recovery strengthens.

**Unemployment Rates**
*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Year</th>
<th>U-3</th>
<th>U-5</th>
<th>U-6</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2%</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>2007</td>
<td>3%</td>
<td>5%</td>
<td>11.1%</td>
</tr>
<tr>
<td>2008</td>
<td>6%</td>
<td>8%</td>
<td>16.7%</td>
</tr>
<tr>
<td>2009</td>
<td>9.6%</td>
<td>11.1%</td>
<td>16.7%</td>
</tr>
<tr>
<td>2010</td>
<td>11.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>11.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>11.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>11.8%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Source:** Bureau of Labor Statistics & Federal Reserve Board

*September 2014 Projections.*
Although unemployment rates have fallen, rates remain elevated in many parts of the U.S.

**Unemployment Rates, September 2014**

*Seasonally Adjusted*

![Map showing unemployment rates across the United States](image)

- **United States**: 5.9%
- **Over 7%**: California, Nevada, Oregon
- **6 to 7%**: Alaska, Colorado, Hawaii, Kansas, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, New Mexico, New York, Ohio, Texas, West Virginia
- **5 to 6%**: Alabama, Arizona, Arkansas, Connecticut, Delaware, Florida, Georgia, Indiana, Iowa, Kentucky, Maryland, Montana, Nebraska, North Carolina, North Dakota, Oklahoma, South Carolina, South Dakota, Tennessee, Utah, Virginia, Wisconsin
- **4 to 5%**: Arizona, Arkansas, Colorado, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Michigan, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Tennessee, Utah, Vermont, Washington, West Virginia
- **Less than 4%**: Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Virginia, Washington, West Virginia
Most states have experienced positive job growth over the past year.

**PAYROLL EMPLOYMENT, SEPTEMBER 2014**

*Year-over-Year Percent Change, Seasonally Adjusted*

<table>
<thead>
<tr>
<th>United States</th>
<th>1.9%</th>
</tr>
</thead>
</table>

<table>
<thead>
<tr>
<th>Year-over-Year Percent Change, Seasonally Adjusted</th>
<th>-1 to 0</th>
<th>0 to 1</th>
<th>1 to 2</th>
<th>2 to 3</th>
<th>Over 3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over 3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 to 3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1 to 2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 to 1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>-1 to 0</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics/Haver Analytics
Employment has been increasing in Colorado and the nation over the past four years, but New Mexico has struggled to recover.

**PAYROLL EMPLOYMENT GROWTH**

*Index 100 = September 2004, 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>5.6%</td>
<td>1.9%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Colorado</td>
<td>12.6%</td>
<td>2.8%</td>
<td>4.9%</td>
</tr>
<tr>
<td>New Mexico</td>
<td>3.4%</td>
<td>0.8%</td>
<td>-3.9%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics
Job gains have been broad-based across industries in the U.S. and Colorado over the past year.

**Change in Payroll Employment, September 2014**

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent Change Year-over-Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>11.9%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>6.8%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>5.5%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>4.5%</td>
</tr>
<tr>
<td>Construction</td>
<td>3.7%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>3.4%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>2.3%</td>
</tr>
<tr>
<td>State Government</td>
<td>1.9%</td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>1.7%</td>
</tr>
<tr>
<td>Local Government</td>
<td>1.6%</td>
</tr>
<tr>
<td>Other Services</td>
<td>0.9%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>0.0%</td>
</tr>
<tr>
<td>Information</td>
<td>-1.1%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-2.1%</td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>-2.5%</td>
</tr>
</tbody>
</table>

**Top Performing Industries**

**Colorado**

**United States**

**Worst Performing Industries**

Source: Bureau of Labor Statistics
The finance, energy and healthcare industries have been the strongest contributors to growth in the New Mexico economy over the past year.

### Change in Payroll Employment, September 2014

**Seasonally Adjusted**

- **Top Performing Industries**
  - Financial Activities: 7.8%
  - Information: 6.8%
  - Natural Resources & Mining: 5.3%
  - Other Services: 4.6%
  - Education & Health Services: 3.5%
  - Retail Trade: 2.1%
  - Transportation & Utilities: 1.3%
  - State Government: 0.0%
  - Construction: 0.0%
  - Leisure & Hospitality: -0.7%
  - Wholesale Trade: -0.9%
  - Local Government: -1.0%
  - Federal Government: -1.0%
  - Professional & Business Services: -1.9%
  - Manufacturing: -7.6%

- **New Mexico**
  - United States

**Source:** Bureau of Labor Statistics
Industry mix has been one driver of differences in employment growth.

**Employment Shares by Industry**
*Seasonally Adjusted, September 2014*

Source: Bureau of Labor Statistics
The residential construction sector is recovering, but activity remains well below peak levels.

### U.S. Residential Permits

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Percent Change Year-to-Date August</th>
<th>Past Year</th>
<th>Peak to Current*</th>
<th>Current Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Permits</td>
<td>5.8%</td>
<td>-52.8%</td>
<td></td>
</tr>
<tr>
<td>Single Family</td>
<td>0.3%</td>
<td>-62.7%</td>
<td>62.3%</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>16.6%</td>
<td>-18.8%</td>
<td>37.7%</td>
</tr>
</tbody>
</table>

*Source: Census Bureau/Haver Analytics  *Peak over the past 10 years.*
Home prices are rising in most states...

FHFA PURCHASE-ONLY HOME PRICE INDEX (2014Q2)
Percent Change Year-over-Year, Seasonally Adjusted

United States 5.2%

Source: Federal Housing Finance Agency
...yet prices remain below pre-recession values in many states.

**FHFA Purchase-Only Home Price Index (2007Q1 – 2014Q2)**

*Percent Change Peak to Current, Seasonally Adjusted*

![Map of the United States showing percentage changes in home prices](image)

- **United States**: -7.2%
- **Over 20%**
- **10 to 20**
- **0 to 10**
- **-10 to 0**
- **-20 to -10**
- **Below -20%**

*Source: Federal Housing Finance Agency*
The manufacturing sector has gained strength in 2014.

**MANUFACTURING ACTIVITY**

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

Source: Institute for Supply Management & Federal Reserve Bank of Kansas City
Tourism activity has picked up this year in Colorado.

**Hotel Occupancy Rates**

*Colorado*

- 10-Year Range
- 2014
- 2013
- 10-Year Average

**Airport Traffic**

*Seasonally Adjusted, Index 100 = August 2004*

- Denver International Airport
- United States

Source: Colorado Hotel and Lodging Association, Denver International Airport
Despite declining airport traffic, tourism activity has picked up slightly in New Mexico over the past year.
Energy production has been a driver of economic growth in several states.

Active Oil and Gas Drilling Rig Counts
September 2014

Source: Baker Hughes & Department of Energy, Energy Information Administration/Haver Analytics
Oil and natural gas production has increased sharply in the U.S. over the past five years.

**Crude Oil Production**
*Monthly, Seasonally Adjusted*

**Marketed Natural Gas Production**
*Monthly, Seasonally Adjusted*

*Source: Energy Information Administration*
Crop prices have fallen alongside favorable growing conditions, reducing profit margins for crop producers.

U.S. CROP PRICES

Dollars per bushel

Source: Wall Street Journal
The profitability of the livestock sector has improved with lower crop prices, improved pasture conditions, and higher livestock prices.

**U.S. LIVESTOCK PRICES**

Dollars per hundredweight

- **Cattle Price**
- **Cattle Breakeven**
- **Hog Price**
- **Hog Breakeven**

*Source: USDA and Iowa State University*
Inflation remains below the FOMC’s two percent target.

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

*Percent Change Year-over-Year*

Headline Inflation

Core Inflation

FOMC’s Target Inflation Rate

Source: Bureau of Economic Analytics
“In determining how long to maintain the current 0 to 1/4 percent target range for the federal funds rate, the Committee will assess progress--both realized and expected--toward its objectives of maximum employment and 2 percent inflation….. The Committee continues to anticipate, based on its assessment of these factors, that it likely will be appropriate to maintain the current target range for the federal funds rate for a considerable time after the asset purchase program ends, especially if projected inflation continues to run below the Committee's 2 percent longer-run goal, and provided that longer-term inflation expectations remain well anchored.”

- September 2014 FOMC Statement

**Effective Federal Funds Rate**

Source: Federal Reserve Board
“Beginning in October, the Committee will add to its holdings of agency mortgage-backed securities at a pace of $5 billion per month rather than $10 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of $10 billion per month rather than $15 billion per month.”

Federal Reserve Balance Sheet

- September 2014 FOMC Statement
For additional information on the regional economy: