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 is expected to continue 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*

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>4.9%</td>
<td>3.7%</td>
<td>2.8%</td>
<td>0.1%</td>
<td>1.1%</td>
<td>2.5%</td>
<td>4.1%</td>
<td>2.4%</td>
<td>3.0%</td>
<td>3.2%</td>
<td>3.0%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Low</td>
<td>0%</td>
<td>1%</td>
<td>2%</td>
<td>3%</td>
<td>4%</td>
<td>5%</td>
<td>6%</td>
<td>2%</td>
<td>3%</td>
<td>3.0%</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 March 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*

- Personal Consumption Expenditures
- Gross Private Domestic Investment
- Govt. Consumption & Investment
- Net Exports

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*

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>Colorado</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>4.6%</td>
<td>4.3%</td>
</tr>
<tr>
<td>2007</td>
<td>9.6%</td>
<td>9.0%</td>
</tr>
<tr>
<td>2008</td>
<td>6.7%</td>
<td>6.1%</td>
</tr>
<tr>
<td>2009</td>
<td>5.9%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>5.6%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>5.6%</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>5.2%</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>5.6%</td>
<td></td>
</tr>
<tr>
<td>Jan 2014</td>
<td>6.7%</td>
<td>5.9%</td>
</tr>
<tr>
<td>Feb 2014</td>
<td></td>
<td>5.6%</td>
</tr>
</tbody>
</table>

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

*March 2014 Projections.*
Inflation remains below the FOMC’s two percent target.

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

*Percent Change Year-over-Year*

![Graph of PCEPI showing Headline and Core Inflation, with years from Jan. '04 to Jan. '14, and inflation rate levels marked from 2% to -2%.]
Inflation expectations remain stable.

Inflation Expectations

University of Michigan
1-Year

University of Michigan
5-Year

Survey of Professional Forecasters:
1-Year Ahead

Source: Philadelphia Fed & University of Michigan
“To support continued progress toward maximum employment and price stability, the Committee today reaffirmed its view that a highly accommodative stance of monetary policy remains appropriate. 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.”

- March 2014 FOMC Statement

**Effective Federal Funds Rate**
“Beginning in April, the Committee will add to its holdings of agency mortgage-backed securities at a pace of $25 billion per month rather than $30 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of $30 billion per month rather than $35 billion per month.”

-March 2014 FOMC Statement
Most states experienced positive job growth over the past year.

**January 2014 Nonfarm Employment**

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

Source: Bureau of Labor Statistics
Strong employment growth over the past two years has helped Colorado to surpass its pre-recession level of employment.

PAYROLL EMPLOYMENT GROWTH
Index 100 = January 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>5.3%</td>
<td>1.7%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>CO</td>
<td>11.7%</td>
<td>2.7%</td>
<td>2.6%</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, January 2014**

*Seasonally Adjusted*

- **Top Performing Industries**
  - Construction: 7.7%
  - Natural Resources & Mining: 6.7%
  - Professional & Business Services: 4.5%
  - Leisure & Hospitality: 4.1%
  - Health Care & Social Assistance: 3.9%
  - Retail Trade: 2.3%
  - State Government: 2.2%
  - Local Government: 1.3%
  - Financial Activities: 1.3%
  - Wholesale Trade: 1.3%
  - Manufacturing: 1.2%
  - Private Educational Services: 0.6%
  - Information: 0.3%

- **Colorado**
  - Transportation & Utilities: -0.5%
  - Other Services: -0.1%

- **United States**
  - Federal Government: -3.1%

*Source: Bureau of Labor Statistics*
Despite recent increases, employment remains below pre-recession levels in about half of Colorado industries.

**Change in Payroll Employment, January 2014**

*Seasonally Adjusted*

**Top Performing Industries**
- State Government: 25.9%
- Natural Resources & Mining: 21.5%
- Private Educational Services: 19.7%
- Health Care & Social Assistance: 19.0%
- Leisure & Hospitality: 8.1%
- Professional & Business Services: 8.1%
- Other Services: 3.3%
- Federal Government: 1.9%
- Local Government: 1.5%

**Worst Performing Industries**
- Retail Trade: -1.0%
- Wholesale Trade: -3.1%
- Financial Activities: -4.2%
- Transportation & Utilities: -5.3%
- Manufacturing: -8.2%
- Information: -9.9%
- Construction: -21.4%

**Source:** Bureau of Labor Statistics
The housing market and residential construction activity are improving across most of the nation.

**Value of Residential Construction**

*Annual Percent Change, 2012 to 2013*

**United States**

24.4%
Residential construction activity has picked up over the last few years, but remains well below pre-recession levels.

**Value of Residential Construction**

*Index 100 = February 2004, 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>6.5%</td>
</tr>
<tr>
<td>Colorado</td>
<td>18.1%</td>
</tr>
</tbody>
</table>

Source: McGraw Hill/F.W. Dodge
Residential permitting activity has increased, especially for multi-family, but activity is still well below peak levels.

2013 Residential Permits by County

Number Issued Year-to-Date through December 2013

<table>
<thead>
<tr>
<th>County</th>
<th>Percent Change Year-to-Date</th>
<th>Past Year</th>
<th>Peak to Current*</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>19.7%</td>
<td>-54.5%</td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>16.8%</td>
<td>-41.0%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Census Bureau
*Peak year-to-date over the past 10 years.
Home prices are rising in most states...

FHFA Purchase-Only Home Price Index (2013Q4)

Percent Change Year-over-Year, Seasonally Adjusted

United States: 7.7%

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

**FHFA Purchase-Only Home Price Index (2007Q1 – 2013Q4)**

*Percent Change Peak to Current, Seasonally Adjusted*

![Map showing home price index changes across the United States. The states are color-coded to indicate different percentage changes.](image)

**United States**

-8.9%

*Source: Federal Housing Finance Agency*
Infrastructure and non-residential construction activity has been slower to recover and has varied across the nation.

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

*Annual Percent Change, 2012 to 2013*

United States

-2.3%

Source: McGraw Hill/F.W. Dodge
Manufacturing activity expanded over the past two months.

**Manufacturing Activity**

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

ISM 53.2  
February 2014

Kansas City 52.1  
District  
February 2014

Source: Institute for Supply Management & Federal Reserve Bank of Kansas City
Tenth District manufacturers continue to expect increased levels of activity over the next six months.

**Tenth District Manufacturing Activity**

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

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
Colorado exports increased in 2013, but continue to make up a fairly small share of overall economic activity in the state.

**COLORADO EXPORTS BY TRADING PARTNER**

*Billions*

<table>
<thead>
<tr>
<th>Trading Partner</th>
<th>2013 Total</th>
<th>2013 SHARE**</th>
</tr>
</thead>
<tbody>
<tr>
<td>All Other</td>
<td>8.9</td>
<td>30.2%</td>
</tr>
<tr>
<td>Japan</td>
<td>8.7</td>
<td>5.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>12.3</td>
<td>10.4</td>
</tr>
<tr>
<td>Canada</td>
<td>-12.1</td>
<td>23.7</td>
</tr>
<tr>
<td>China*</td>
<td>6.5</td>
<td>12.9</td>
</tr>
<tr>
<td>Eurozone</td>
<td>-1.3</td>
<td>16.8</td>
</tr>
</tbody>
</table>

Source: Census Bureau
Note: Eurozone includes the 27 EU member countries. 
**Includes Hong Kong, Taiwan & Macau.**

**Annual Percent Change**

<table>
<thead>
<tr>
<th>2013</th>
<th>Total Trade</th>
<th>All Other</th>
<th>Japan</th>
<th>Mexico</th>
<th>Canada</th>
<th>China*</th>
<th>Eurozone</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>11.3%</td>
<td>8.9%</td>
<td>8.7%</td>
<td>12.3%</td>
<td>-12.1%</td>
<td>6.5%</td>
<td>-1.3%</td>
</tr>
</tbody>
</table>
For additional information on the regional economy: 