U.S. & Colorado Economic Update

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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.
Despite a weak first quarter, U.S. economic growth is expected to resume 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 June FOMC meeting*
Consumer spending has been the primary driver of economic growth over the past six months.
Unemployment rates have declined in the U.S. and Colorado and are expected to decline further as the economic recovery strengthens.

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Unemployment Rates
Seasonally Adjusted

United States

Colorado

Source: Bureau of Labor Statistics & Federal Reserve Board

*June 2014 Projections.
In recent months, inflation has been moving toward the FOMC’s two percent target.

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

*Percent Change Year-over-Year*

![Graph of Headline Inflation and Core Inflation](image)

- **Headline Inflation**
- **Core Inflation**

**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.”

- June 2014 FOMC Statement
“Beginning in May, the Committee will add to its holdings of agency mortgage-backed securities at a pace of $15 billion per month rather than $20 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of $20 billion per month rather than $25 billion per month.”

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

**MAY 2014 NONFARM EMPLOYMENT**

*Year-over-Year Percent Change Seasonally Adjusted*

United States

1.7%

Source: Bureau of Labor Statistics/Haver Analytics
Job gains continue, with Colorado outpacing the nation in growth.

**PAYROLL EMPLOYMENT GROWTH**
*Index 100 = May 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>5.2%</td>
<td>1.7%</td>
<td>0.1%</td>
</tr>
<tr>
<td>CO</td>
<td>12.3%</td>
<td>3.0%</td>
<td>4.0%</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, May 2014**

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th>Top Performing Industries</th>
<th>Colorado</th>
<th>United States</th>
</tr>
</thead>
<tbody>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>9.9%</td>
<td>8.0%</td>
</tr>
<tr>
<td>Construction</td>
<td>4.9%</td>
<td>4.7%</td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>4.3%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>2.5%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>2.2%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>2.2%</td>
<td>0.8%</td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>2.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Local Government</td>
<td>2.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>1.3%</td>
<td>-1.4%</td>
</tr>
<tr>
<td>State Government</td>
<td>0.8%</td>
<td>-1.6%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>0.5%</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Other Services</td>
<td>0.1%</td>
<td></td>
</tr>
<tr>
<td>Financial Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal Government</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

### Change in Payroll Employment, May 2014

*Seasonally Adjusted*

**Top Performing Industries**
- Natural Resources & Mining: 27.2%
- State Government: 26.6%
- Private Educational Services: 22.4%
- Health Care & Social Assistance: 20.6%
- Leisure & Hospitality: 9.9%
- Professional & Business Services: 7.5%
- Other Services: 4.5%
- Local Government: 2.5%
- Federal Government: 0.8%

**Colorado**

**United States**

**Worst Performing Industries**
- Retail Trade: -0.3%
- Wholesale Trade: -2.7%
- Financial Activities: -4.2%
- Transportation & Utilities: -5.6%
- Manufacturing: -6.5%
- Information: -11.1%
- Construction: -18.7%

Source: Bureau of Labor Statistics
Colorado and Denver benefit from strong population growth and net in-migration.

**Population Growth**

*Total Resident Population, Average Annual Growth*

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

**Value of Residential Construction**

*Index 100 = May 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>5.2%</td>
</tr>
<tr>
<td>Colorado</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

Source: McGraw Hill/F.W. Dodge
Outside of Denver county, permitting activity remains well below pre-recession levels.

2014 Residential Permits by County
Number Issued Year-to-Date through May 2014

<table>
<thead>
<tr>
<th>County</th>
<th>Single Family</th>
<th>Multi-Family</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></td>
<td></td>
<td>4.6%</td>
<td>-52.3%</td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td></td>
<td></td>
<td>4.7%</td>
<td>-38.5%</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 (2014Q1)

Percent Change Year-over-Year, Seasonally Adjusted

United States
6.6%

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

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

*Percent Change Peak to Current, Seasonally Adjusted*

**United States**

-7.9%

Source: Federal Housing Finance Agency
Commercial vacancy rates have been decreasing as economic activity in the Denver area continues to pick up.

**Commercial Vacancy Rates**

- **United States Office**
- **Denver Office**
- **United States Industrial**
- **Denver Industrial**

Source: Torto-Wheaton Research
The manufacturing sector has been gaining strength over the past few months.

**Manufacturing Activity**

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

- U.S.: 55.3 (June 2014)
- Kansas City District: 53.0 (June 2014)

*Source: Institute for Supply Management & Federal Reserve Bank of Kansas City*
The tourism industry remains a key sector for the state, and tourism activity has been increasing in recent months.

**HOTEL OCCUPANCY RATES**

*Denver*

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

**AIRCRAFT TRAFFIC**

*Seasonally Adjusted, Index 100 = Mar. 2004*

- Denver International Airport
- United States

*Source: Colorado Hotel and Lodging Association, Denver International Airport*
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: