U.S. & Regional
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.
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*

<table>
<thead>
<tr>
<th>Year/Quarter</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>'12Q2</td>
<td>1.6%</td>
<td>2.5%</td>
<td>2.2%</td>
</tr>
<tr>
<td>'12Q3</td>
<td></td>
<td>0.1%</td>
<td>2.6%</td>
</tr>
<tr>
<td>'12Q4</td>
<td></td>
<td>2.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>'13Q1</td>
<td></td>
<td>1.8%</td>
<td>3.0%</td>
</tr>
<tr>
<td>'13Q2</td>
<td></td>
<td>4.5%</td>
<td>2.9%</td>
</tr>
<tr>
<td>'13Q3</td>
<td></td>
<td>3.5%</td>
<td></td>
</tr>
<tr>
<td>'13Q4</td>
<td></td>
<td>4.6%</td>
<td></td>
</tr>
<tr>
<td>'14Q1</td>
<td>-2.1%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>'14Q2</td>
<td>2.0%</td>
<td>2.6%</td>
<td>2.6%</td>
</tr>
</tbody>
</table>

*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.
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. personal income growth has exceeded consumer spending growth in recent months, leading to a slight increase in the savings rate.

U.S. CONSUMPTION & SAVINGS

Index 100 = August 2004

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

**August 2014 Percent Change Year-over Year**
- 2.7%
- 2.6%
- 5.4%

Source: Bureau of Economic Analysis/Haver Analytics
Retail sales have picked up over the last few months.

**Real Retail & Food Service Sales**

*Index 100 = August 2004, Seasonally Adjusted*

- August 2014 Year-over-Year
  - United States 3.2%

*Source: Federal Reserve Bank of St. Louis*
Unemployment rates have declined and are expected to fall further as the economic recovery strengthens.

**Unemployment Rates**

*Seasonally Adjusted*

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U-3</td>
<td>6.1%</td>
<td>5.6%</td>
<td>5.4%</td>
<td>5.1%</td>
</tr>
<tr>
<td>U-5</td>
<td>7.5%</td>
<td>5.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>U-6</td>
<td>12.0%</td>
<td></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, AUGUST 2014**

*Seasonally Adjusted*

![Map showing unemployment rates across the United States, with some states highlighted in darker colors.]
Most states have experienced positive job growth over the past year.

**PAYROLL EMPLOYMENT, AUGUST 2014**

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

![Map showing year-over-year percent change in payroll employment across the United States for August 2014. The map highlights states with various percentage changes, with a national average of 1.8%. The darkest blue color indicates states with over 3% growth, and the lightest gray indicates states with 0 to 1% growth.](image)

Source: Bureau of Labor Statistics/Haver Analytics
Employment has been increasing in Colorado and in the nation over the past four years, with Colorado gains outpacing the nation.

### Payroll Employment Growth

*Index 100 = August 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>5.5%</td>
<td>1.8%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Colorado</td>
<td>12.0%</td>
<td>2.3%</td>
<td>4.1%</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, August 2014**

*Seasonally Adjusted*

**Top Performing Industries**

- Natural Resources & Mining: 11.7%
- Health Care & Social Assistance: 5.0%
- Manufacturing: 4.7%
- Leisure & Hospitality: 4.6%
- Construction: 3.7%
- Professional & Business Services: 2.6%
- Private Educational Services: 2.2%
- Local Government: 2.1%
- Retail Trade: 2.0%
- State Government: 0.8%
- Wholesale Trade: 0.5%
- Other Services: 0.2%

**Worst Performing Industries**

- Transportation & Utilities: -0.8%
- Information: -2.0%
- Federal Government: -2.1%
- Financial Activities: -3.5%

*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 March</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*

United States: -7.2%

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

**MANUFACTURING ACTIVITY**

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

- **U.S.** 57.1
  - August 2014
- **Kansas City** 53.0
  - September 2014

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

**Hotel Occupancy Rates**

*Denver*

<table>
<thead>
<tr>
<th>Month</th>
<th>Jan</th>
<th>Mar</th>
<th>May</th>
<th>Jul</th>
<th>Sep</th>
<th>Nov</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rates</td>
<td>30%</td>
<td>40%</td>
<td>50%</td>
<td>60%</td>
<td>70%</td>
<td>80%</td>
</tr>
</tbody>
</table>

10-Year Range

- 76.4%
- 70.3%
- 66.7%

**Airport Traffic**

*Seasonally Adjusted, Index 100 = July 2004*

- **Denver International Airport**

- **United States**

Source: Colorado Hotel and Lodging Association, Denver International Airport
Energy production has been a driver of economic growth in several states.

**Active Oil and Gas Drilling Rig Counts**

*August 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*
Crop prices have fallen alongside favorable growing conditions, reducing profit margins for crop producers.

**U.S. Crop Prices**

Dollars per bushel

- **Soybeans**
- **Wheat**
- **Corn**

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

Source: USDA and Iowa State University
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 showing Headline Inflation and Core Inflation with 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

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.”

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