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.
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>Period</th>
<th>2011Q4</th>
<th>2012Q1</th>
<th>2012Q2</th>
<th>2012Q3</th>
<th>2012Q4</th>
<th>2013Q1</th>
<th>2013Q2</th>
<th>2013Q3</th>
<th>2013Q4</th>
<th>FOMC Central Tendency Projections*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.9%</td>
<td>3.7%</td>
<td>1.2%</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% 2.8% 3.0% 2.5%</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.2% 3.0% 2.5%</td>
</tr>
<tr>
<td>2016</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>3.0%</td>
</tr>
</tbody>
</table>

*Note: Projections as of March FOMC meeting*

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

![Graph showing contributions to real GDP from various sectors with a focus on personal consumption expenditures and gross private domestic investment, with a notable 2.4% increase in real GDP by '13Q4.](image-url)
Unemployment rates have declined in the U.S. and Colorado and are expected to decline further as the economic recovery strengthens.

Unemployment rates have declined in the U.S. and Colorado and are expected to decline further as the economic recovery strengthens. Unemployment rates are influenced by various factors, including economic growth, labor market conditions, and demographic changes. The Federal Reserve and other economic institutions monitor these trends closely to inform monetary policy decisions.

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*

Source: Bureau of Economic Analytics
Inflation expectations remain stable.
“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

Source: Federal Reserve Board
“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*

The map shows the year-over-year percent change in nonfarm employment across the United States. The darker shades indicate a higher percentage change in employment growth. The United States as a whole experienced a 1.7% increase in employment. States like Nevada and Texas showed significant growth with increases of over 3%. The data are sourced from the 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></th>
<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></td>
<td>-0.5%</td>
</tr>
<tr>
<td>CO</td>
<td>11.7%</td>
<td>2.7%</td>
<td>2.6%</td>
<td></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*

<table>
<thead>
<tr>
<th>Industry</th>
<th>United States</th>
<th>Colorado</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>7.7%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Natural Resources &amp; Mining</td>
<td>4.5%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Professional &amp; Business Services</td>
<td>3.9%</td>
<td></td>
</tr>
<tr>
<td>Leisure &amp; Hospitality</td>
<td>2.3%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Health Care &amp; Social Assistance</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>Retail Trade</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>State Government</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>Local Government</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>Financial Activities</td>
<td>1.2%</td>
<td></td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>1.3%</td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>0.6%</td>
<td></td>
</tr>
<tr>
<td>Private Educational Services</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>-0.1%</td>
<td></td>
</tr>
<tr>
<td>Other Services</td>
<td>-0.5%</td>
<td></td>
</tr>
<tr>
<td>Transportation &amp; Utilities</td>
<td>-3.1%</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 about half of Colorado industries.

**CHANGE IN PAYROLL EMPLOYMENT, JANUARY 2014**

*Seasonally Adjusted*

- 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%
- 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%

**Top Performing Industries**: United States

**Worst Performing Industries**: Colorado
The housing market and residential construction activity are improving across most of the nation.

**Value of Residential Construction**

*Annual Percent Change, 2012 to 2013*

Source: McGraw Hill/F.W. Dodge
Residential construction activity has picked up over the last few years, but remains well below pre-recession levels.

**Value of Residential Construction**

*Index 100 = January 2004, 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>9.1%</td>
<td></td>
</tr>
<tr>
<td>Colorado</td>
<td>25.6%</td>
<td></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

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

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*

![Map showing annual percent change in non-residential & non-building construction across the United States. The map indicates the following trends: Over 50%, 25 to 50%, 0 to 25%, -25 to 0%, -50 to -25%, and Below -50%. The United States as a whole shows a -2.3% change.](map.png)
Manufacturing activity expanded over the past two months.

**MANUFACTURING ACTIVITY**

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

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

<table>
<thead>
<tr>
<th>Trading Partner</th>
<th>2013</th>
<th><strong>2012</strong></th>
<th>SHARE**</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Trade</td>
<td>11.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>All Other</td>
<td>8.9</td>
<td>30.2%</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>8.7</td>
<td>5.2</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>12.3</td>
<td>10.4</td>
<td></td>
</tr>
<tr>
<td>Canada</td>
<td>-12.1</td>
<td>23.7</td>
<td></td>
</tr>
<tr>
<td>China*</td>
<td>6.5</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td>Eurozone</td>
<td>-1.3</td>
<td>16.8</td>
<td></td>
</tr>
</tbody>
</table>

**Billions**

**Annual Percent Change**

Source: Census Bureau

Note: Eurozone includes the 27 EU member countries. *Includes Hong Kong, Taiwan & Macau. **2012.
For additional information on the regional economy: