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The Tenth District Economy: Current Conditions and Prospects for Recovery

- Colorado outperformed early but is now the weakest state in the District
- Early signs of stability are emerging in the District although significant headwinds remain
- Among key industries in this cycle:
  - Signs of recovery in metro housing; non-metro weakening
  - Manufacturing has stabilized
  - Commercial real estate remains a trouble spot but stronger than U.S.
  - Hiring remains weak in key goods-producing industries
  - Energy collapse restricting growth
- Loss of momentum makes it unlikely that CO will lead the nation in the recovery
CO jobless claims peak along with U.S.

Initial Unemployment Claims
Seasonally Adjusted

Source: U.S. Department of Labor
Colorado has outperformed U.S. over cycle....
... but is underperforming U.S. in 2009

Total Nonfarm Employment
Seasonally Adjusted

Index: Jan-09=100

Source: Bureau of Labor Statistics
CO job loss looks most national-like among District states

Nonfarm Job Growth by State
Year-over-year

Source: Bureau of Labor Statistics
Jobless rate in CO and most of district remains well below U.S.

Unemployment Rate, August 2009
Seasonally Adjusted

U.S. Unemployment Rate:
August 2009: 9.7%

Source: Bureau of Labor Statistics
Goods sectors weighing on CO; Govt. and health care providing boost

**Nonfarm Job Growth by Industry**
Aug-09 over Aug-08

Note: Number in parentheses is the industry's share of total nonfarm jobs in Colorado in Aug-09
Source: Bureau of Labor Statistics
Key industries losing jobs at 10%+ rate

Downward momentum remains

**Job Growth by Key Industry**
Year-over-year percent change

Source: Bureau of Labor Statistics
Colorado budget issues remain severe
Sales tax decline exceeds U.S.

Growth in Sales Tax and Gross Receipts
Year-over-year

Percent


U.S.
CO

Source: Census Bureau
Colorado should receive at least as much fiscal stimulus as the nation

Per Capita Stimulus Package Spending
U.S. and Tenth District

Source: Wall Street Journal, July 1, 2009
Manufacturing output has returned to neutral in District

**Month-over-month PMI Indexes**
Seasonally Adjusted

Note: 10J index is computed on ISM basis (50 = zero change)
Source: FRBKC Manufacturing Survey
CO residential construction has matched national decline
CO commercial construction showing signs of life

Value of Commercial Construction Contracts
Seasonally Adjusted, 3-mo. mov. avg.

Source: F.W. Dodge, Inc.
Bottom in metro area existing home sales?

Sales of Existing Homes in Major Metro Areas
Seasonally Adjusted

Index: Jul-04=100

Source: District metro-area realtors' associations
Metro area home prices have made a clear bottom…

Average Price of Sold Homes in Major Metro Areas
Seasonally Adjusted

Source: District metro-area realtors’ associations
... but prices in the non-metro areas peaked late and are falling

Housing Price Index in Non-metro Areas
Not Seasonally Adjusted

Index: 1995:Q1=100

Source: Federal Housing Finance Agency
Correction in inventory supports a bottom in housing in District

Inventories of Unsold Homes in Major Metro Areas
Seasonally Adjusted

Index: Jul-04=100

Source: District metro-area realtors' associations
Colorado foreclosure rate continues to rise

State nearing Oil-Bust highs

Foreclosure Rates

Source: Mortgage Bankers Association
Colorado non-performing bank assets continue to increase

**Ratio of Nonperforming Assets to Total Assets**
Seasonally Adjusted

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Source: FDIC
Collapse in drilling activity weighs on state

Mining investment down 50% in 2 quarters

Source: Baker-Hughes
Bounce in crude oil prices; Natural gas remains soft

Natural Gas and Oil Prices

$/MMBTU

$/Barrel

Source: Bloomberg Energy Services
Colorado’s economic cycle tied to energy cycle

Total Nonfarm Employment
Seasonally Adjusted

Normalized Index


Source: Bureau of Labor Statistics
Hotel occupancy rates remain weak

Hotels are weakest segment of commercial RE

Hotel Occupancy Rates
Seasonally Adjusted

Source: Rocky Mountain Lodging Report
Some improvement in air traffic in Denver and District

Airport Passenger Traffic
Seasonally Adjusted

Index: Jul-04=100

Source: District Airports
Colorado in the Recovery

- Clear signs of stabilization
- Housing correction largely completed in metro areas
- Substantial weakness remains
  - Hiring in key industries remains weak
  - Energy will constrain state growth
  - Housing downturn in non-metro areas
- Lack of current momentum suggests that CO is unlikely to outperform the nation in the short-run
- Fiscal issues remain a concern beyond 2009