U.S. and Regional Economic Conditions

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Gradual recovery continues nationally and in the 10th District

- U.S. recovery continues to exceed expectations
- Troubling weakness in recent data?
- 10th District is about 1 quarter behind U.S.
- Labor market recovering slowly, long transition
- Housing and commercial real estate remain greatest domestic risks
- Access to capital remains constrained
- Fiscal issues emerging as major LR challenge
3%+ GDP growth expected in ‘10 and ‘11

Real Gross Domestic Product
Seasonally Adjusted

Source: Bureau of Economic Analysis, Macroeconomic Advisors, Blue Chip Consensus Forecasts
Does recent job report indicate hiring stall?

Nonfarm Payroll Employment and Unemployment
Seasonally Adjusted

Thousands of jobs, monthly change

Unemployment rate (right axis)

Jun-05 Jun-06 Jun-07 Jun-08 Jun-09 Jun-10

Peak to Trough: -8.4 mil. jobs

Source: Bureau of Economic Analysis, Bureau of Labor Statistics
Forecasts suggest ‘normal’ consumer spending recovery

Retail Sales vs. Personal Consumption Expenditures
Seasonally Adjusted

Source: Bureau of Economic Analysis, Census Bureau, Global Insight IHS
State Cycles: CO/NM show no bounce yet, WY following energy cycle

Total Nonfarm Employment
Seasonally Adjusted

Index: May-05=100

Source: Bureau of Labor Statistics
State Cycles: NE smallest job loss, OK energy cycle, KS energy/mfg, MO long-run issues, all show bounce

Total Nonfarm Employment
Seasonally Adjusted

Index: May-05=100

Source: Bureau of Labor Statistics
Jobless rates in district states remain below U.S.
CO job gains lag U.S. in most sectors

Nonfarm Job Growth by Industry
May-10 over May-09

Source: Bureau of Labor Statistics
District manufacturing rebounded along with U.S. factories, but weaker bounce

Tenth District Manufacturing Indexes
Month-over-month

Source: FRBKC Manufacturing Survey, ISM
Oil prices remain attractive to producers, neutral to consumers

Source: Bloomberg Energy Services
... but natural gas prices remain below pre-boom lows
Drilling expansion has slowed
(oil leads nationally, 10J at disadvantage)

Count of Active Drilling Rigs

Source: Baker-Hughes
District commercial and residential construction tracking U.S. trends

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

Source: F.W. Dodge, Inc.
Existing home sales up in most district states (tax credits driving activity)

Sales of Existing Homes in District States
Seasonally Adjusted

Source: National Association of Realtors
But no clear bottom in District home prices

FHFA Repeat Sales Home Price Index
Year-over-year growth

Source: FHFA
Home prices are expected to languish through 2011

Average Sales Price of a New 1996-style Single-family Home
Seasonally Adjusted

Consensus Forecast for Case-Shiller Housing Price Index:

- 2010  -1.4%
- 2011  1.3%
- 2012  2.7%
- 2013  3.5%
- 2014  3.8%

Source: Global Insight IHS
No peak reached in late mortgages or foreclosures; workouts take hold

Tenth District Mortgage Foreclosure and Delinquency Rates

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<thead>
<tr>
<th>Year</th>
<th>90 days Past Due</th>
<th>Foreclosure Rate</th>
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<tr>
<td>2009</td>
<td>0.0</td>
<td>0.0</td>
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</tbody>
</table>

Source: Mortgage Bankers Association
No major deleveraging of the household sector is expected: cyclical adjustment

U.S. Consumer Credit

Outstanding Non-mortgage Consumer Credit (left axis)

All Outstanding Mortgages (right axis)

Source: Global Insight IHS
Was household leveraging fully irrational?

Source: Global Insight IHS
U.S. fiscal stance will continue to deteriorate

U.S. Federal Debt Outstanding

Source: Global Insight IHS
Federal debt believed problematic at these levels

U.S. Federal Debt Outstanding as a Percentage of GDP

Source: Global Insight IHS
U.S. and Regional Economic Update

Questions?

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