

Colorado in the Recession and Recovery



FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER BRANCH

Colorado Real Estate and Economic Summit

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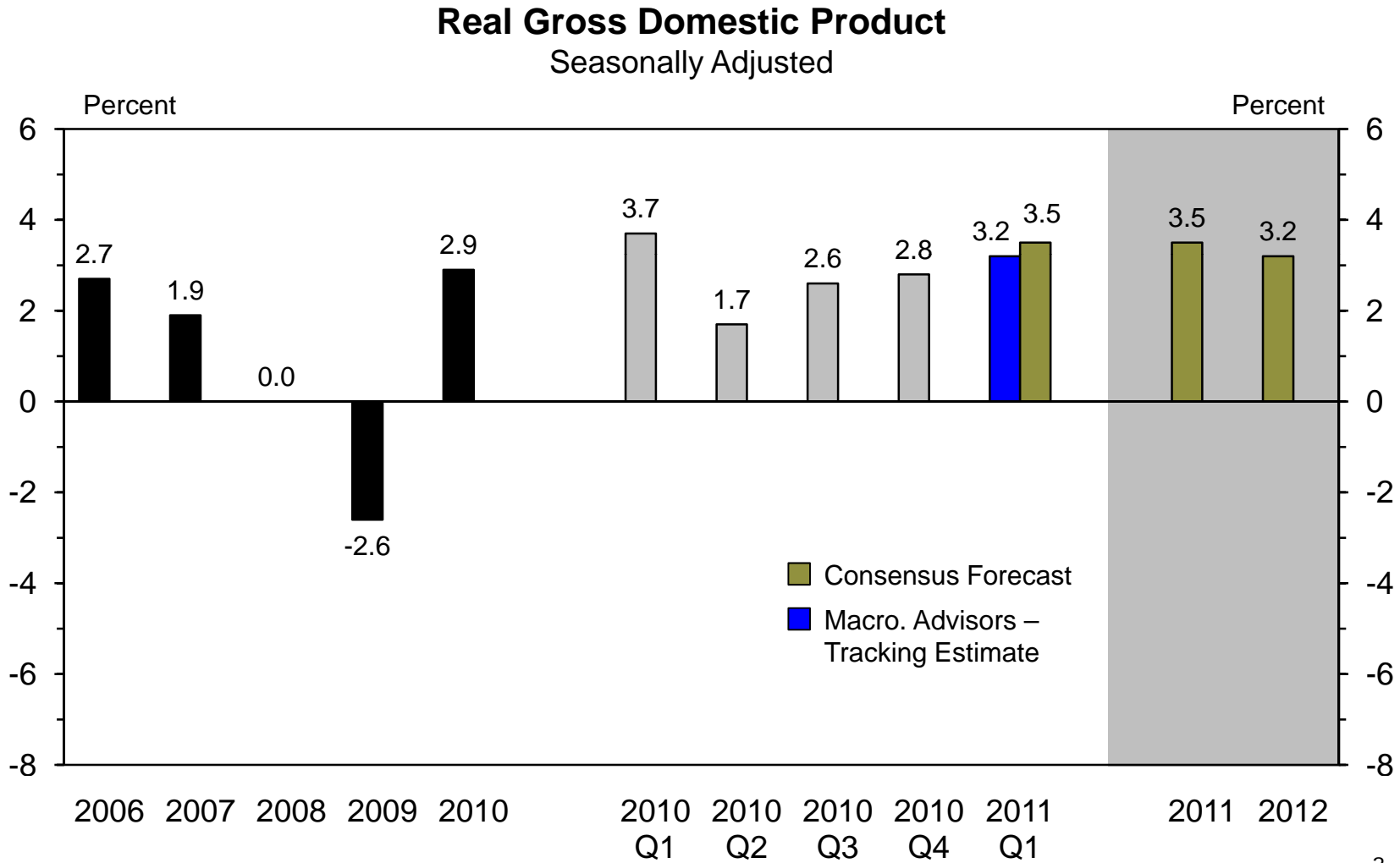
We only need a few things for recovery...

1. Solid economic growth
2. Private sector job gains
3. Normal income growth
4. Normal consumer spending
5. Reduction in household debt
6. Increase in the savings rate
7. An end to the real estate debacle

... right?

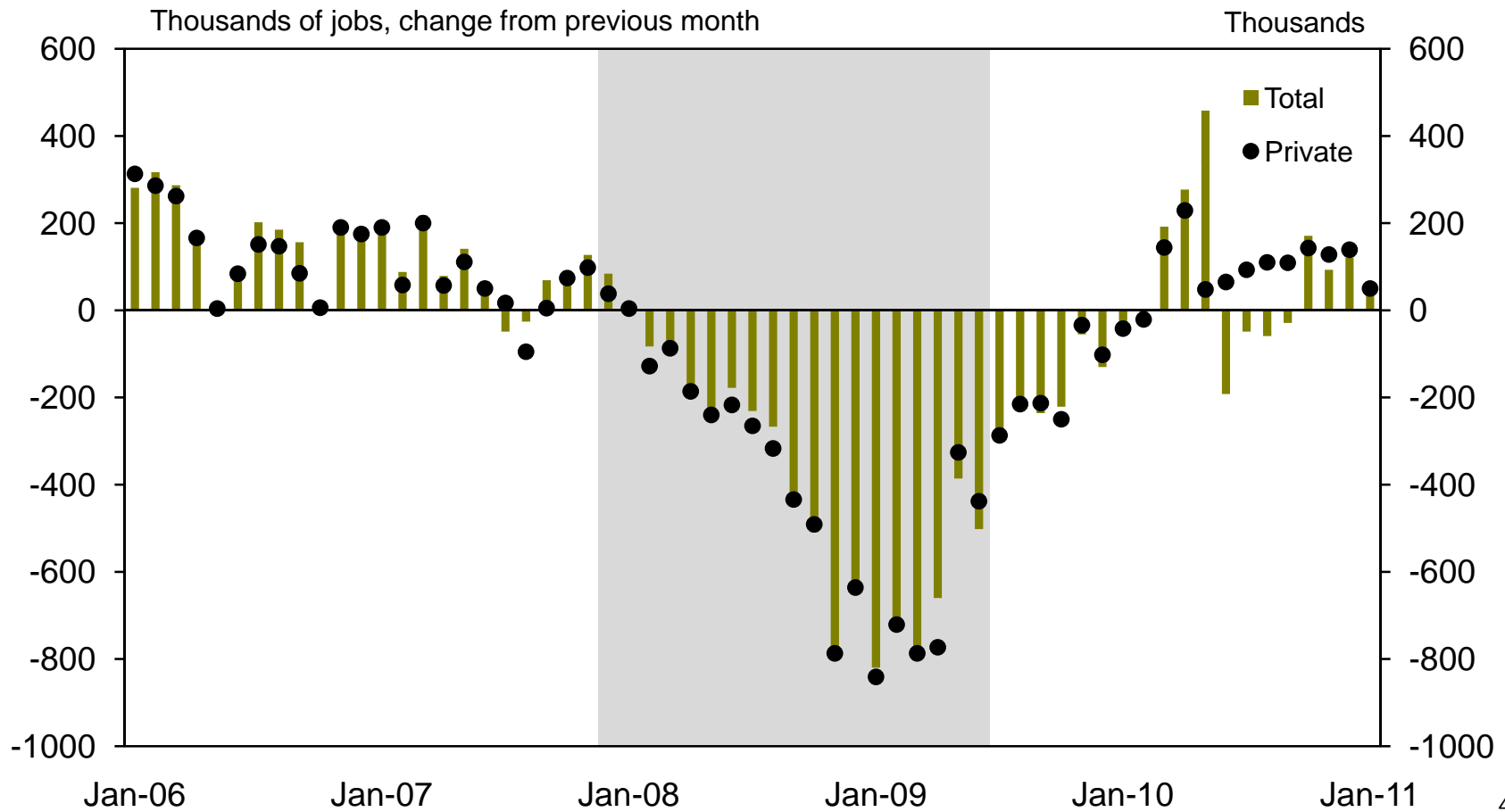
GDP growth is accelerating once again

tracking estimates suggest 3.0-3.5% growth currently



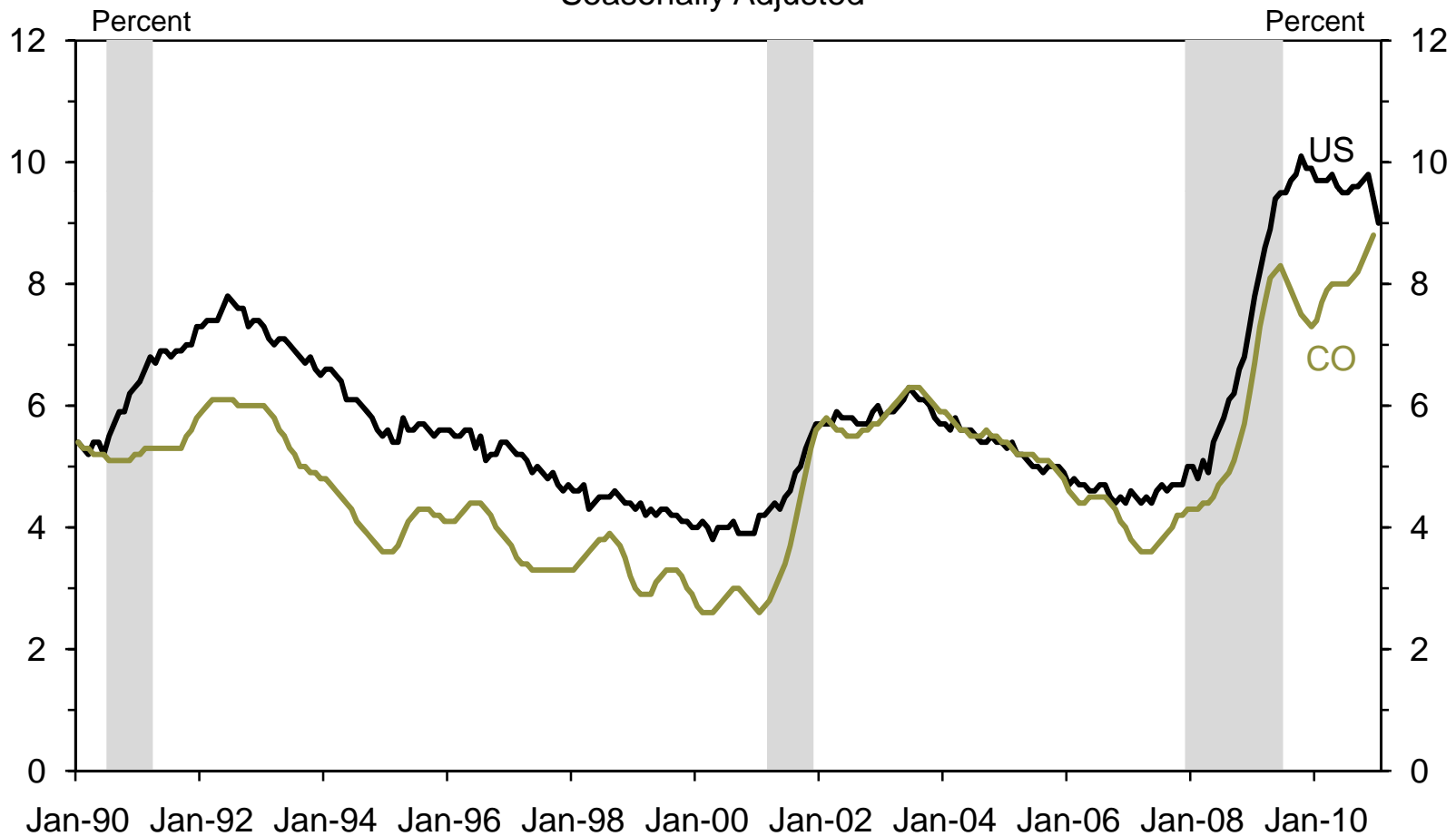
Consistent private sector job gains since Jan 2010

U.S. Total/Private Nonfarm Employment
Seasonally Adjusted



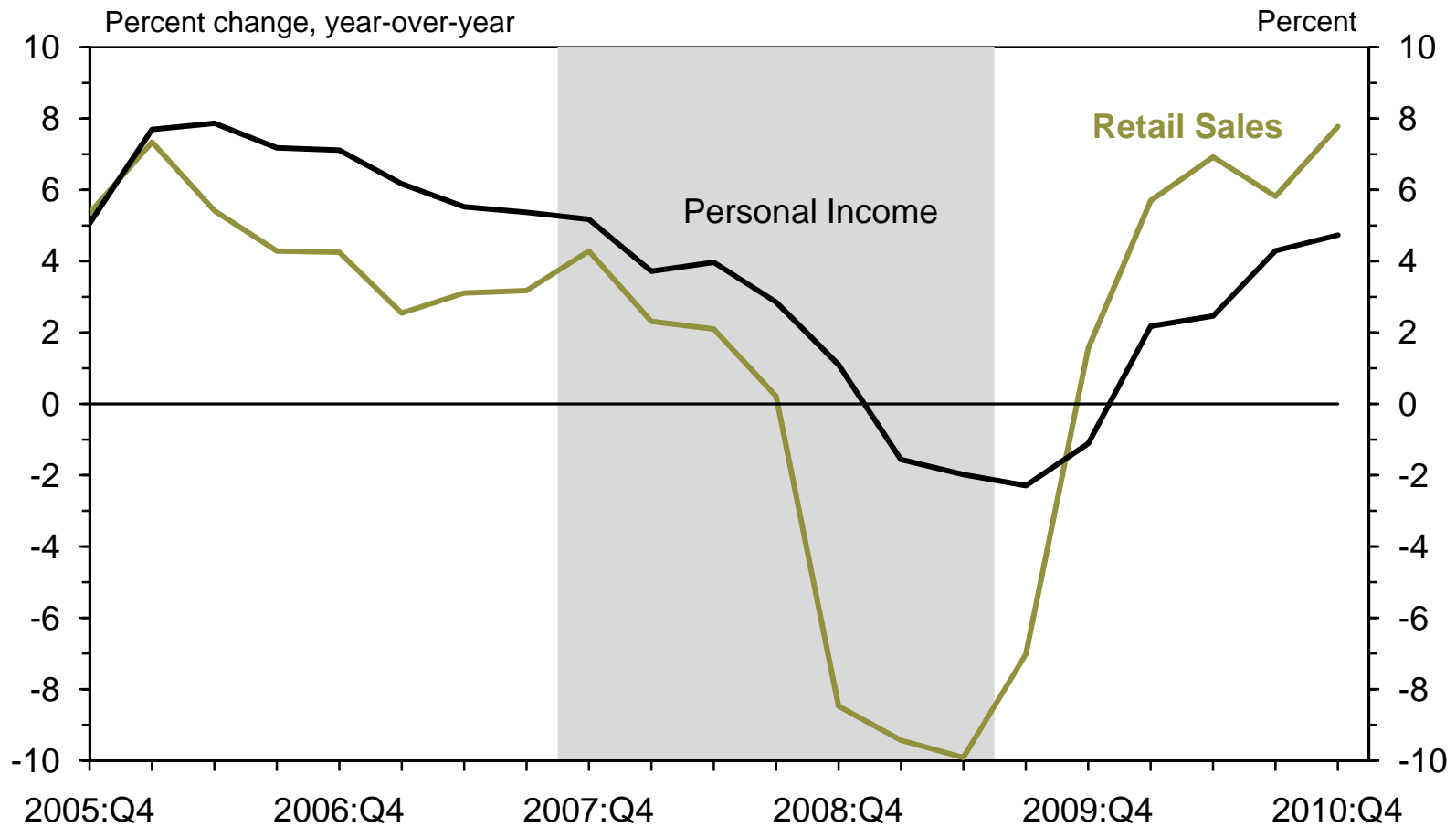
U.S. jobless rate should fall about 1% per year normal 5-6% rate reached in 2014/15

U.S. and Colorado Unemployment Rate
Seasonally Adjusted



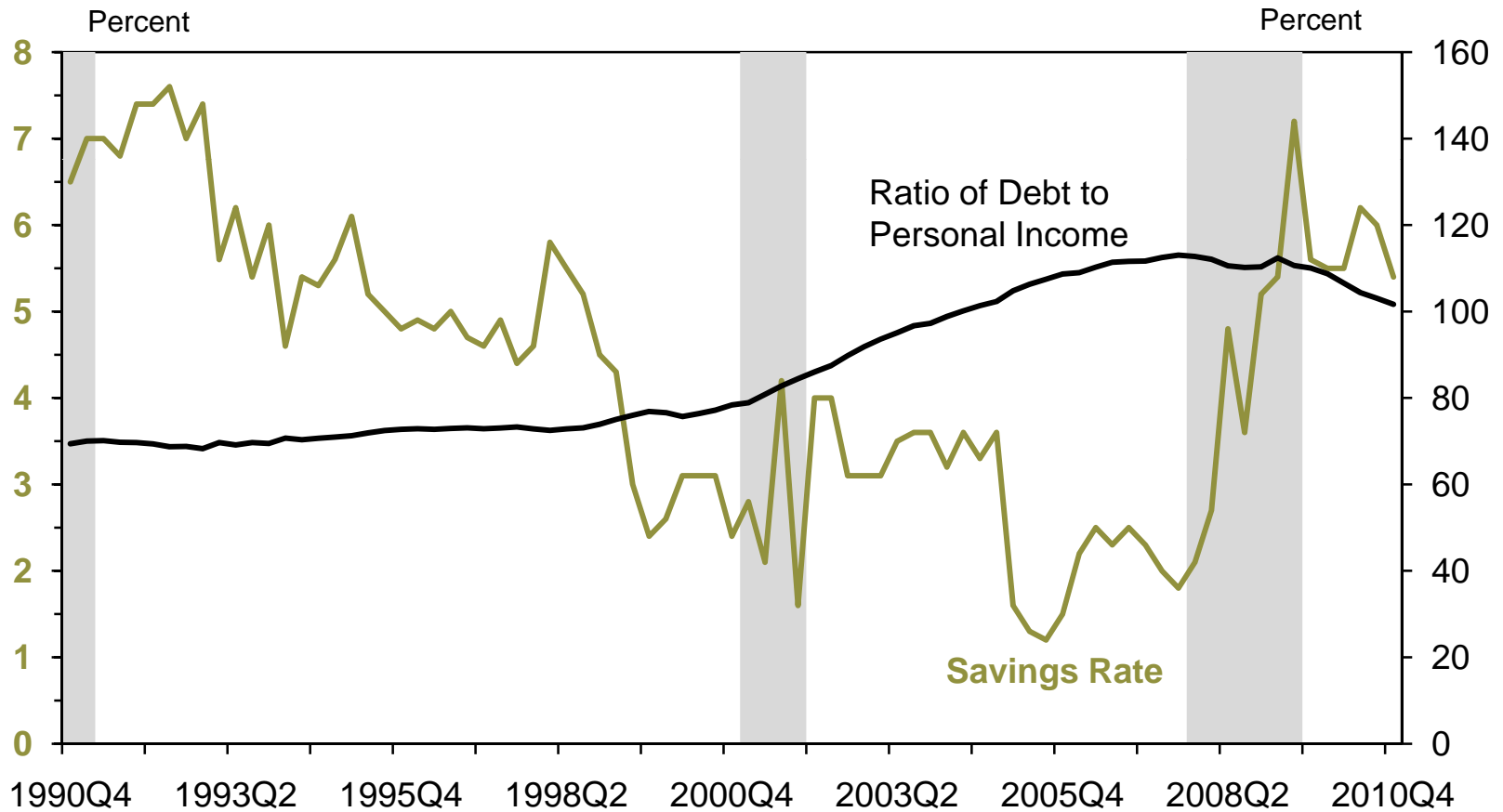
Income and spending gains stronger than expected

Growth in U.S. Retail Sales and Personal Income
Seasonally Adjusted



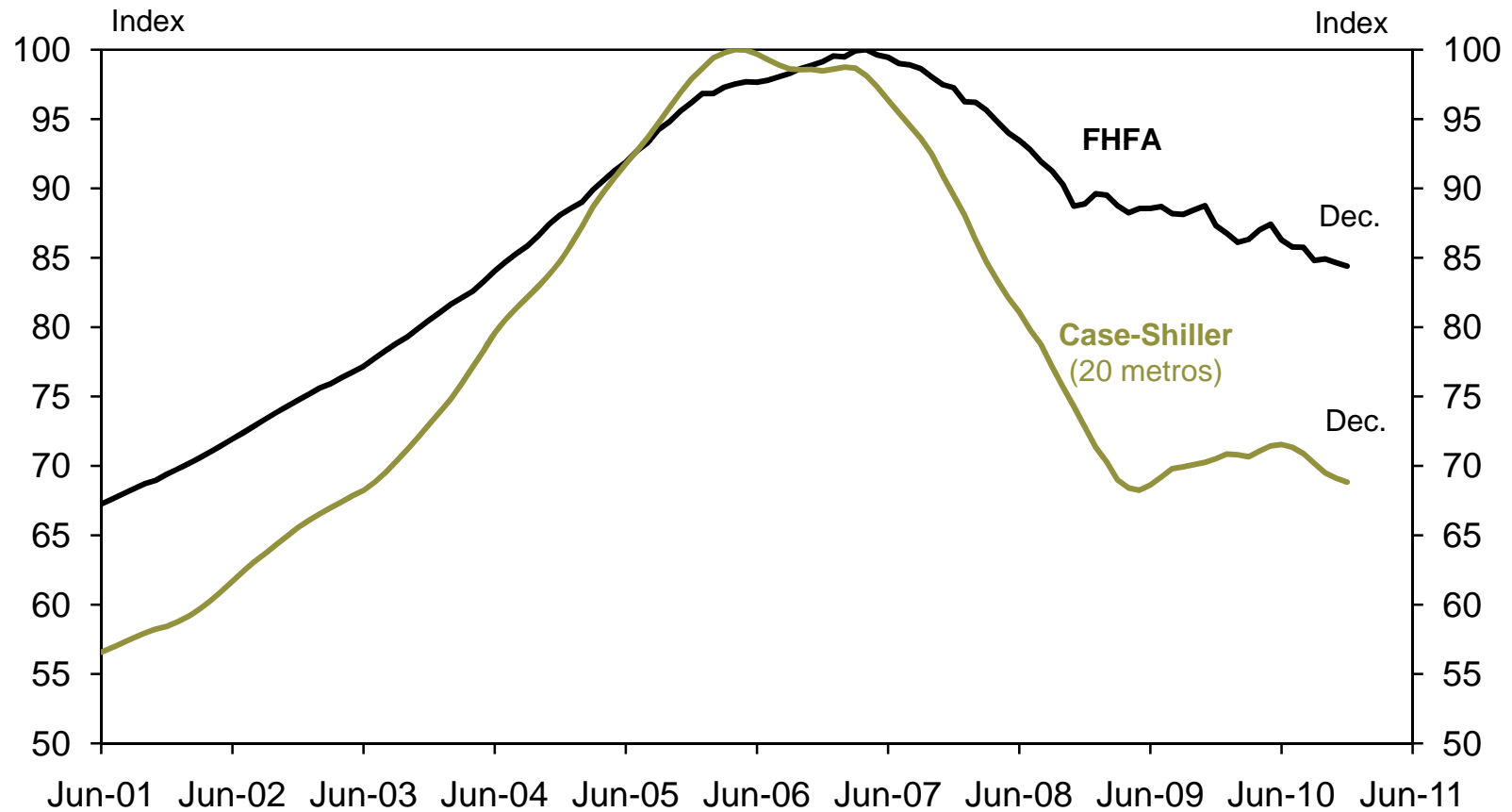
Households are reducing debt and saving more

U.S. Personal Savings Rate and Debt-to-Personal Income Ratio



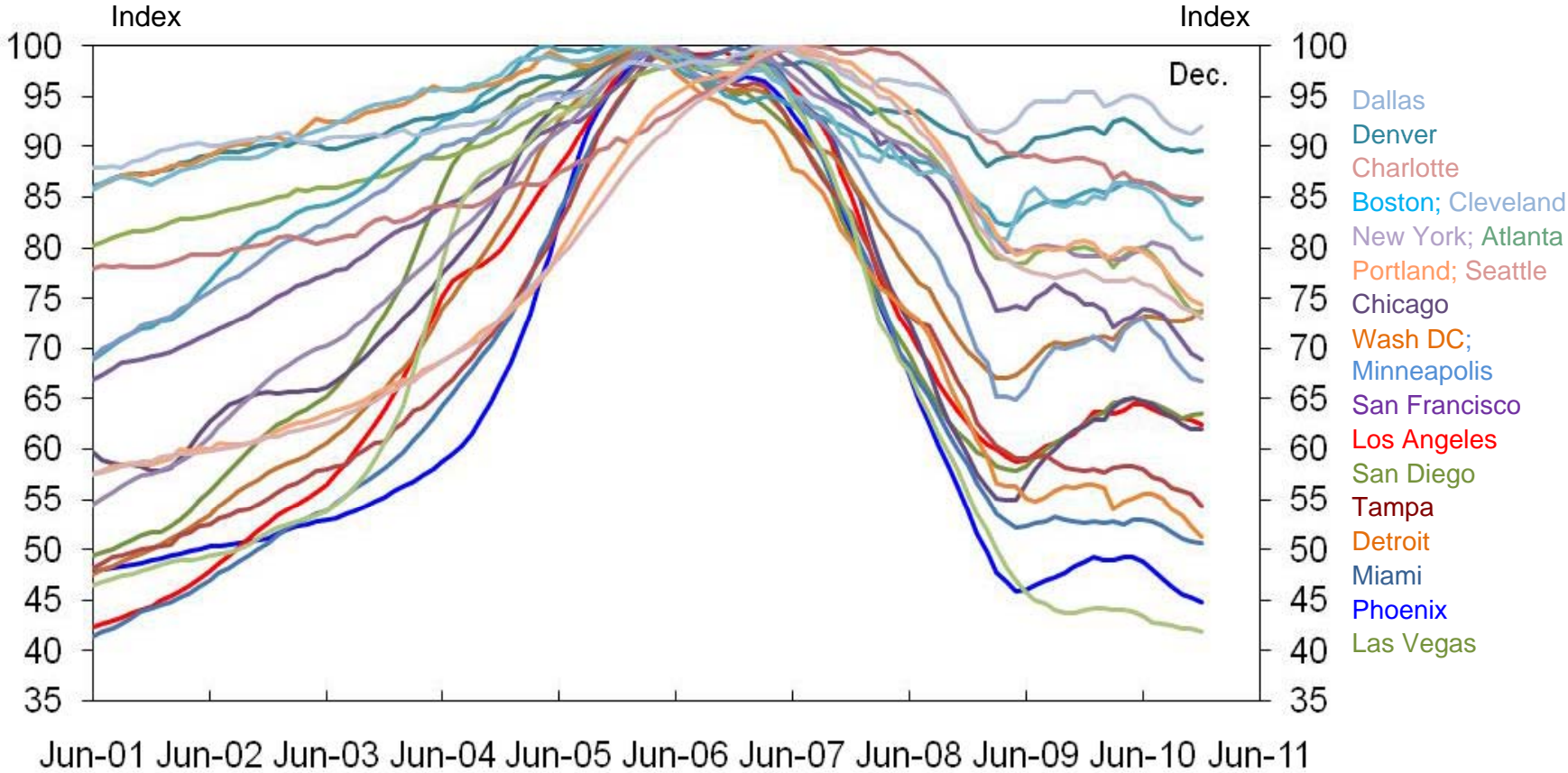
No clear bottom in U.S. housing prices but long-run (20-year) gains remain near inflation

U.S. Single-Family House Price Level
Seasonally Adjusted



Size of price run-up related to size of correction

Case-Shiller Home Price Indices for 20 Metro Areas
Seasonally Adjusted

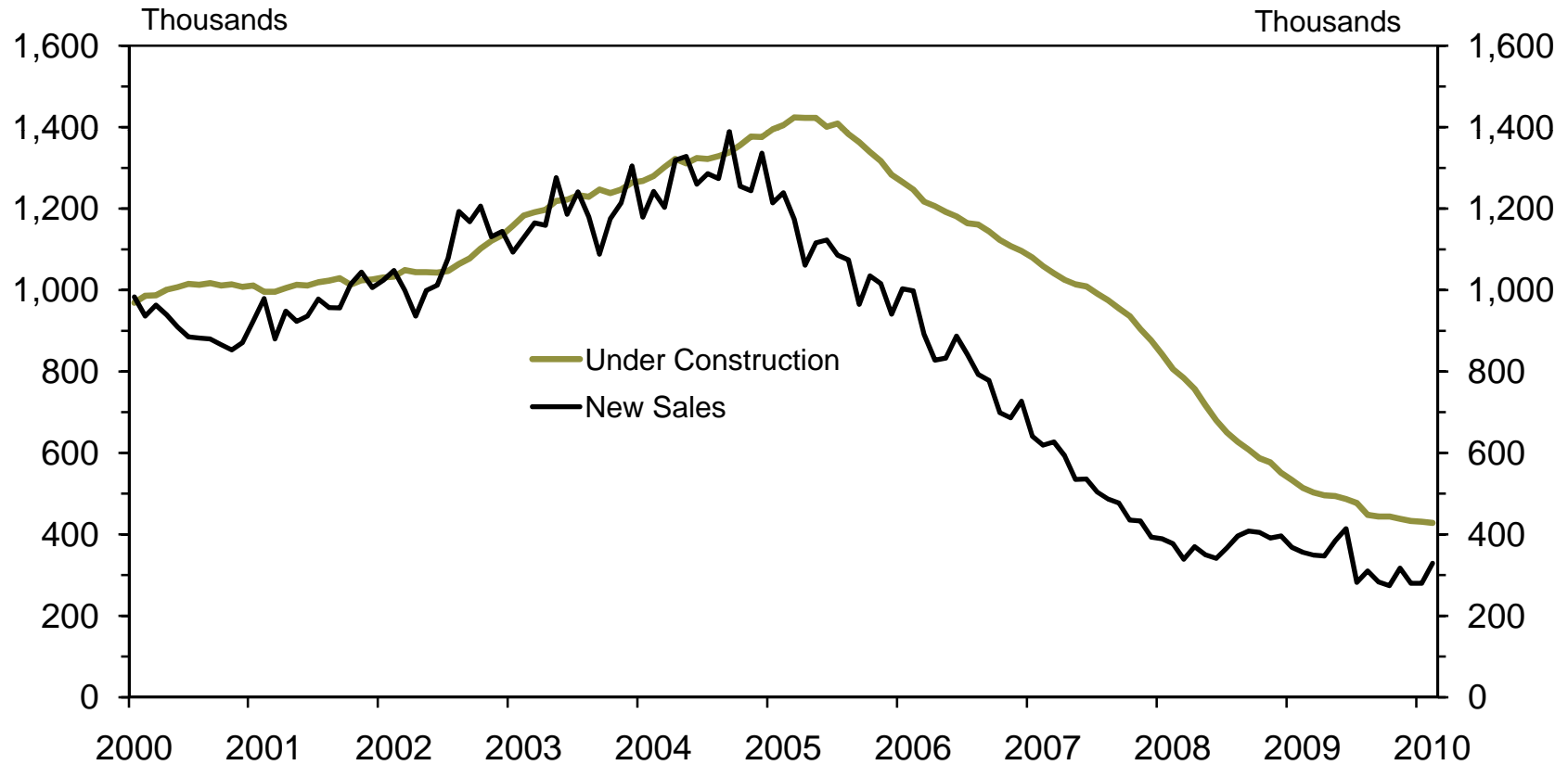


Source: FHFA

Gap remains between construction and sales

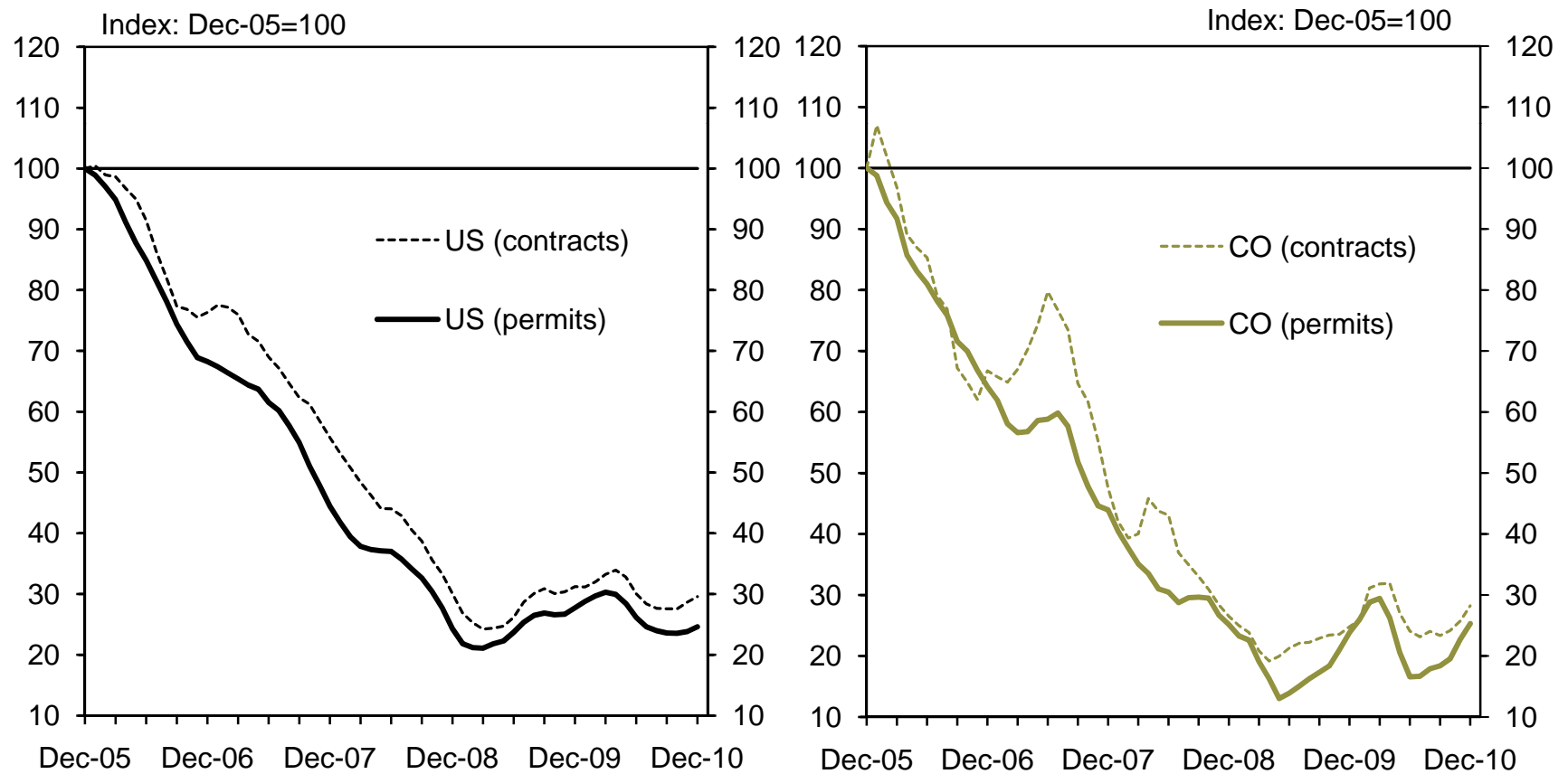
has narrowed since late 2005

New Residential Construction for Sale
Seasonally Adjusted



CO new home construction tracking the U.S.

**Value of Residential Construction Contracts;
Single-Family Housing Permits**
Seasonally Adjusted

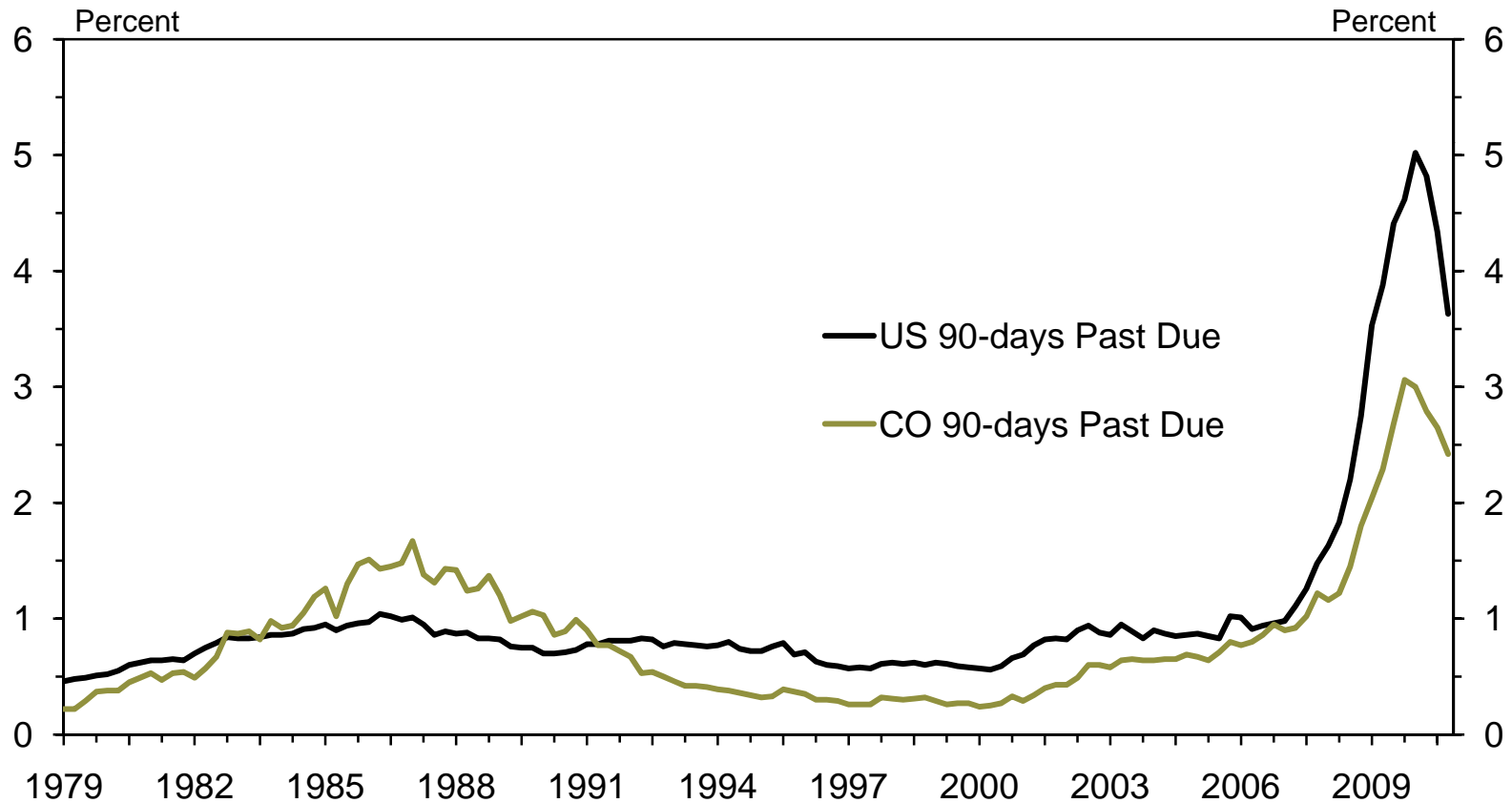


Critical peak in past due rates

shadow inventory remains a concern

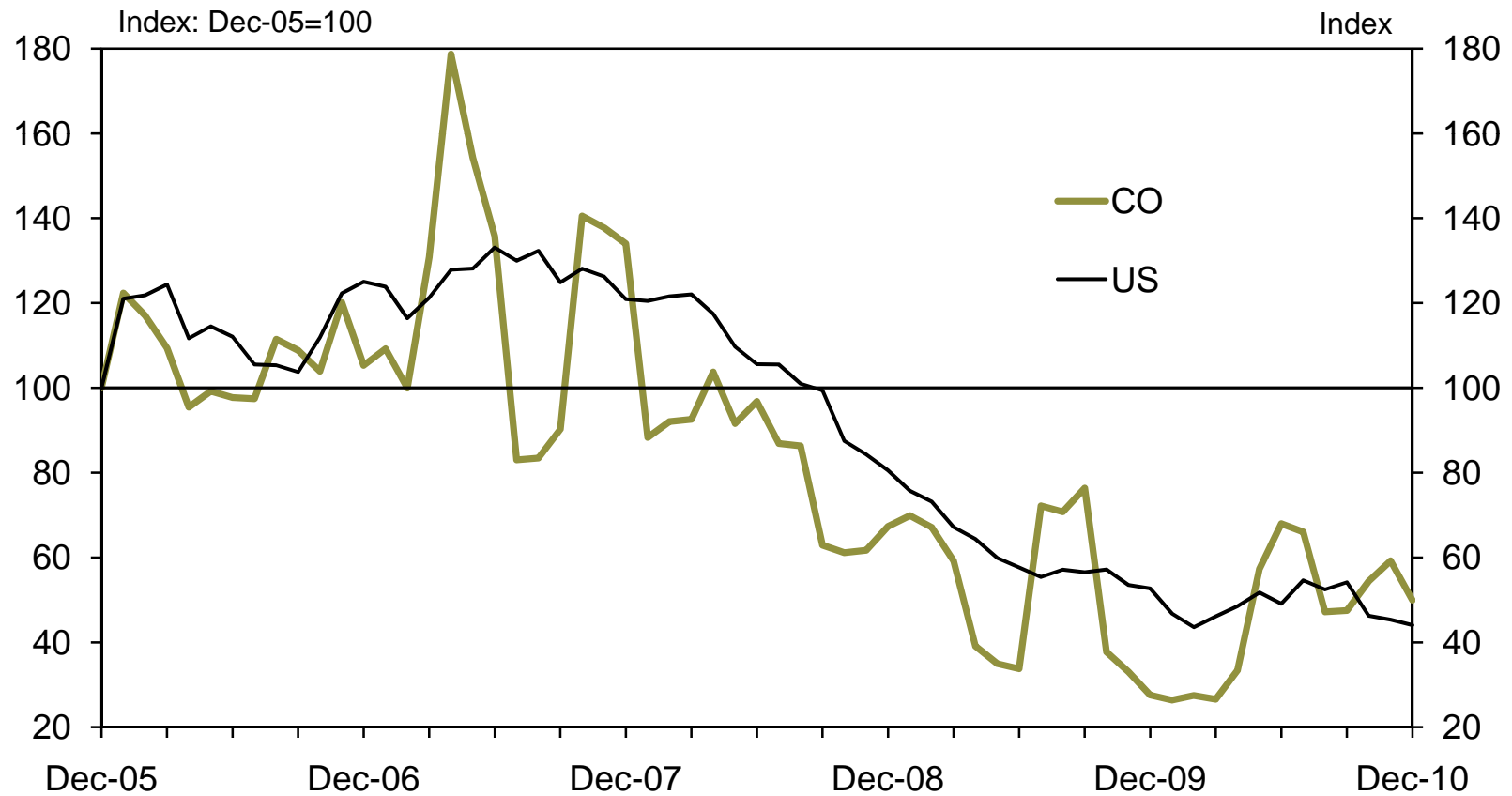
Mortgage Delinquency Rates

U.S. and Colorado



Is the bottom at hand in commercial construction? Or just noise?

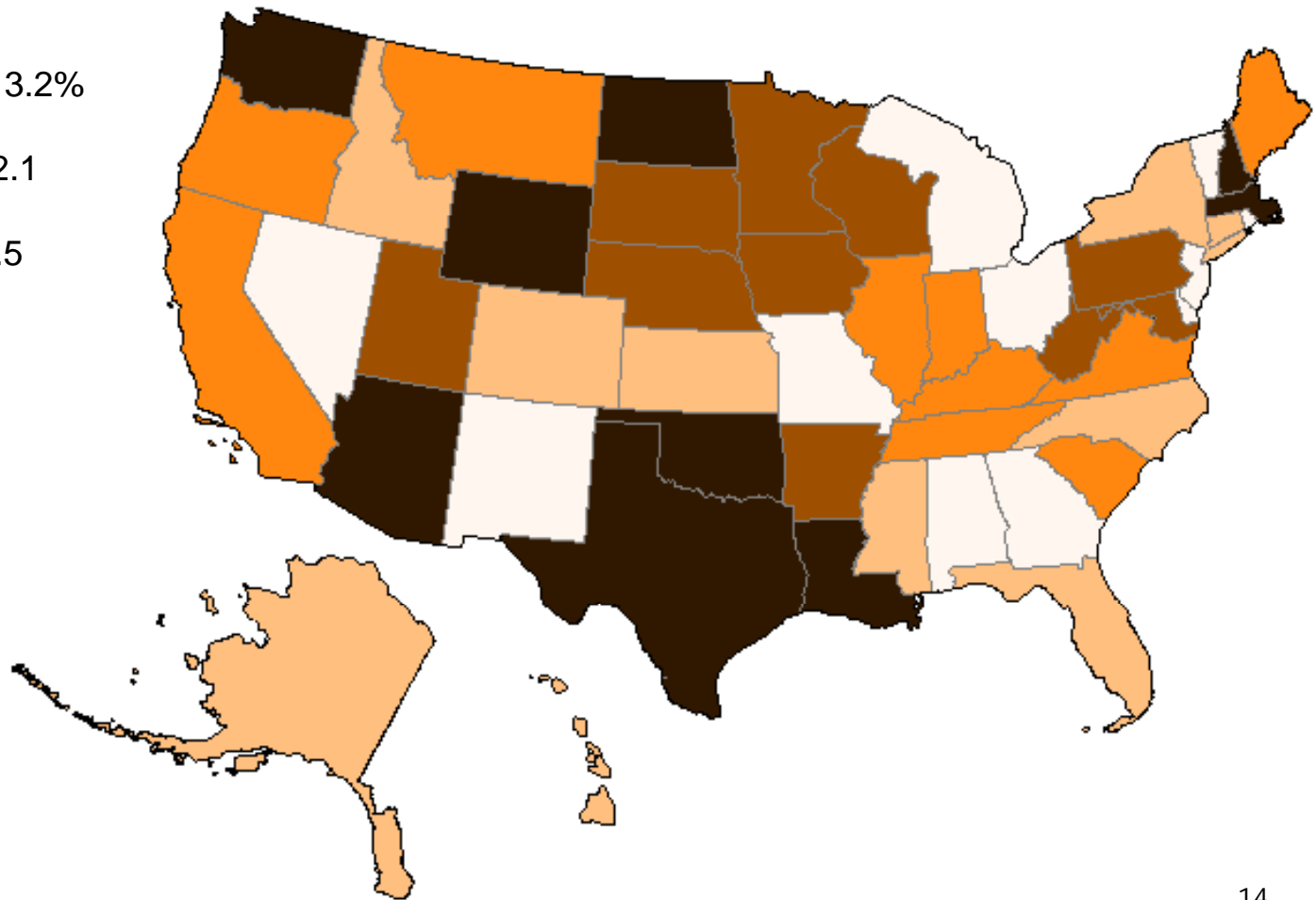
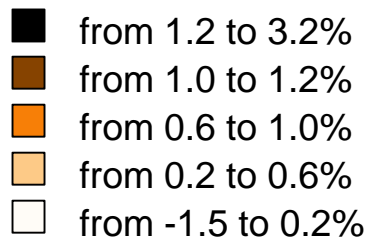
Value of Commercial Construction Contracts
Seasonally Adjusted, 3-mo. moving average



Most states now adding jobs; weakness remains in several Mtn. states; AZ/CA/FL adding jobs

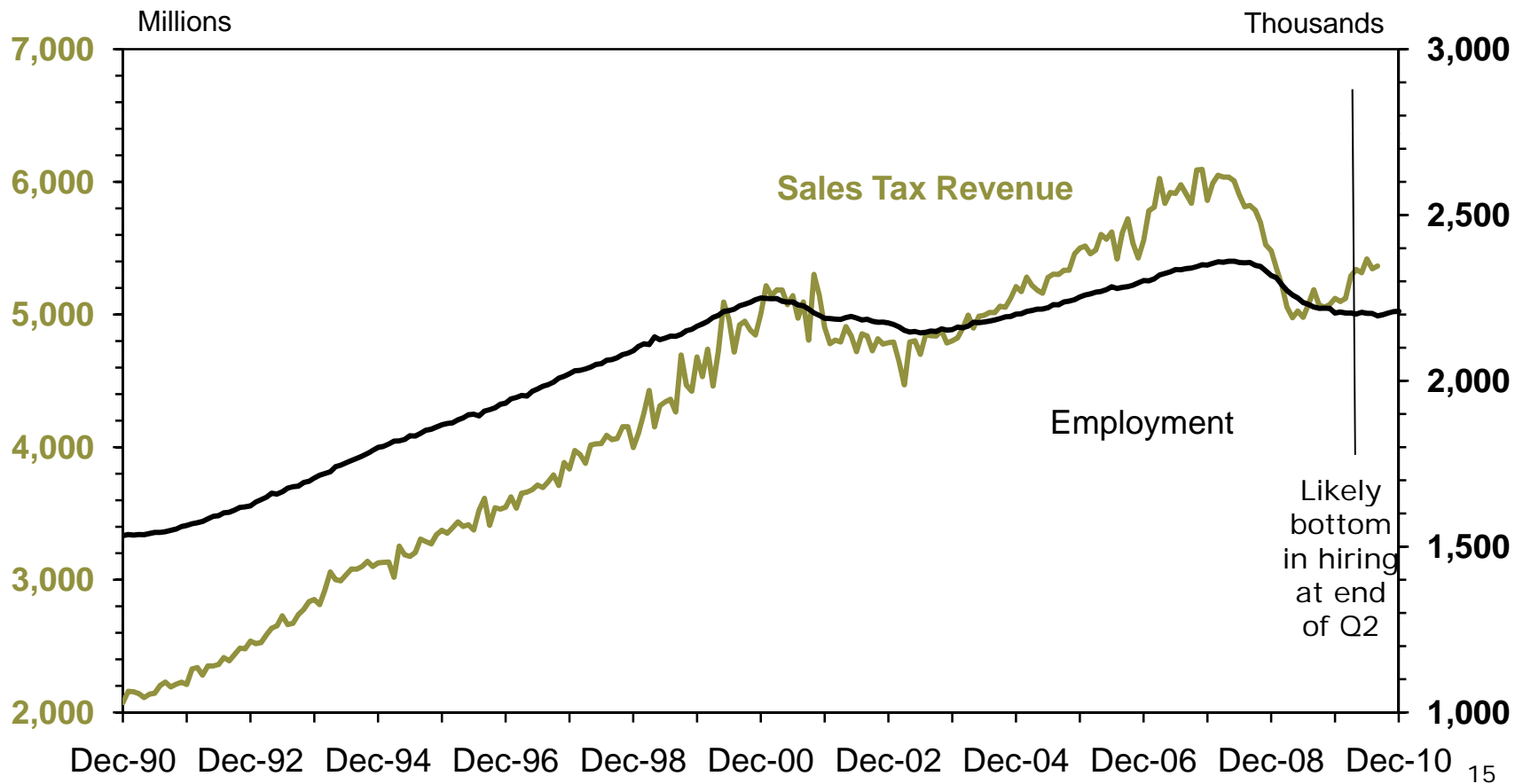
Total Nonfarm Employment – YTD Percent Change from Dec. 2009

1. Washington D.C.: 3.2%
2. Texas: 2.3
3. New Hampshire: 2.1
4. North Dakota: 1.7
5. Massachusetts: 1.5
6. Oklahoma: 1.4
7. Arizona: 1.4
8. Louisiana: 1.4
9. Wyoming: 1.4
10. Washington: 1.2



Sales tax revenue and upcoming revisions to job data confirm end of recession in CO

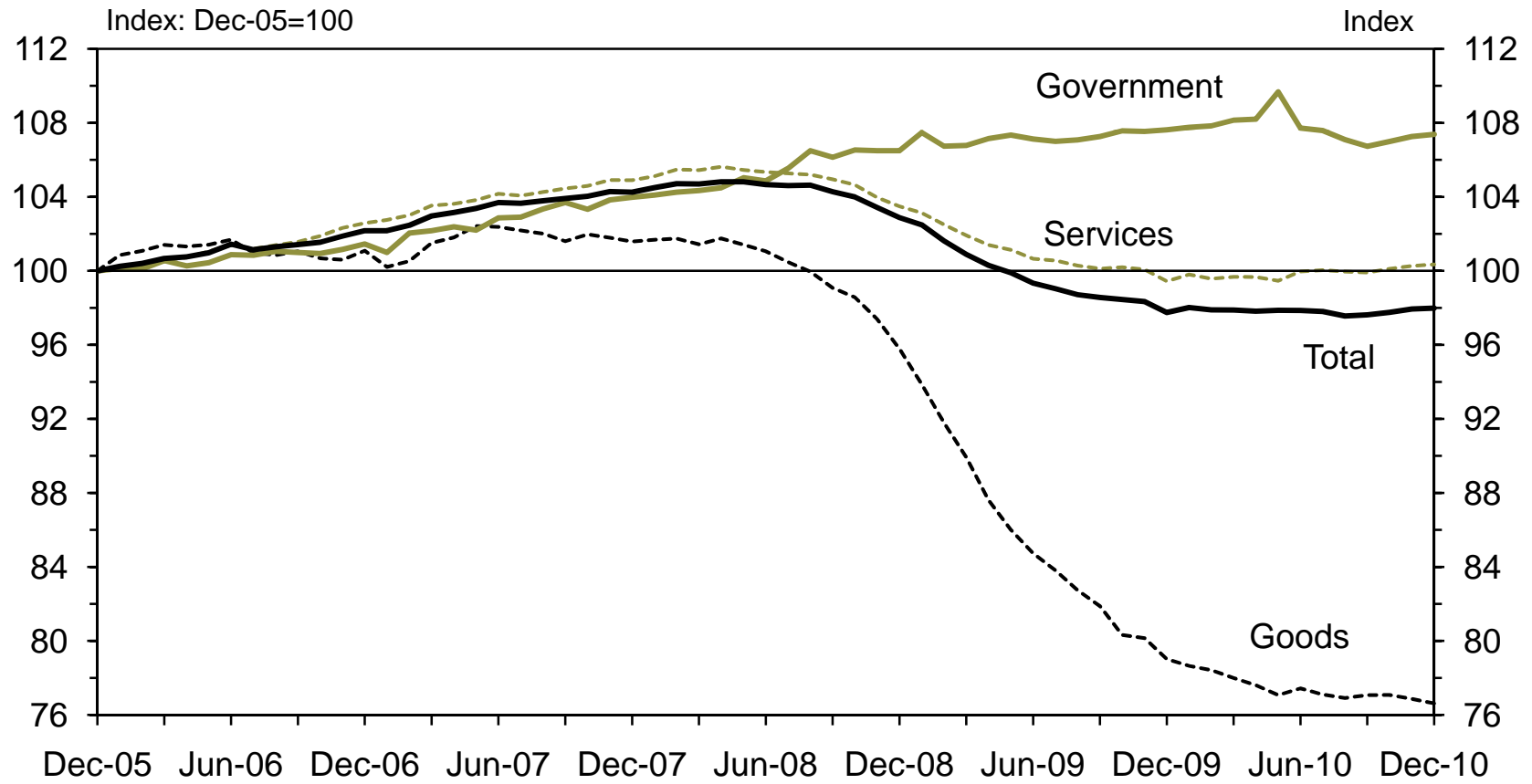
Colorado Nonfarm Employment and Sales Tax Revenue
Seasonally Adjusted



Source: Bureau of Labor Statistics, Colorado Department of Revenue

Some rebound in Govt. hiring; revisions will boost goods-producing jobs

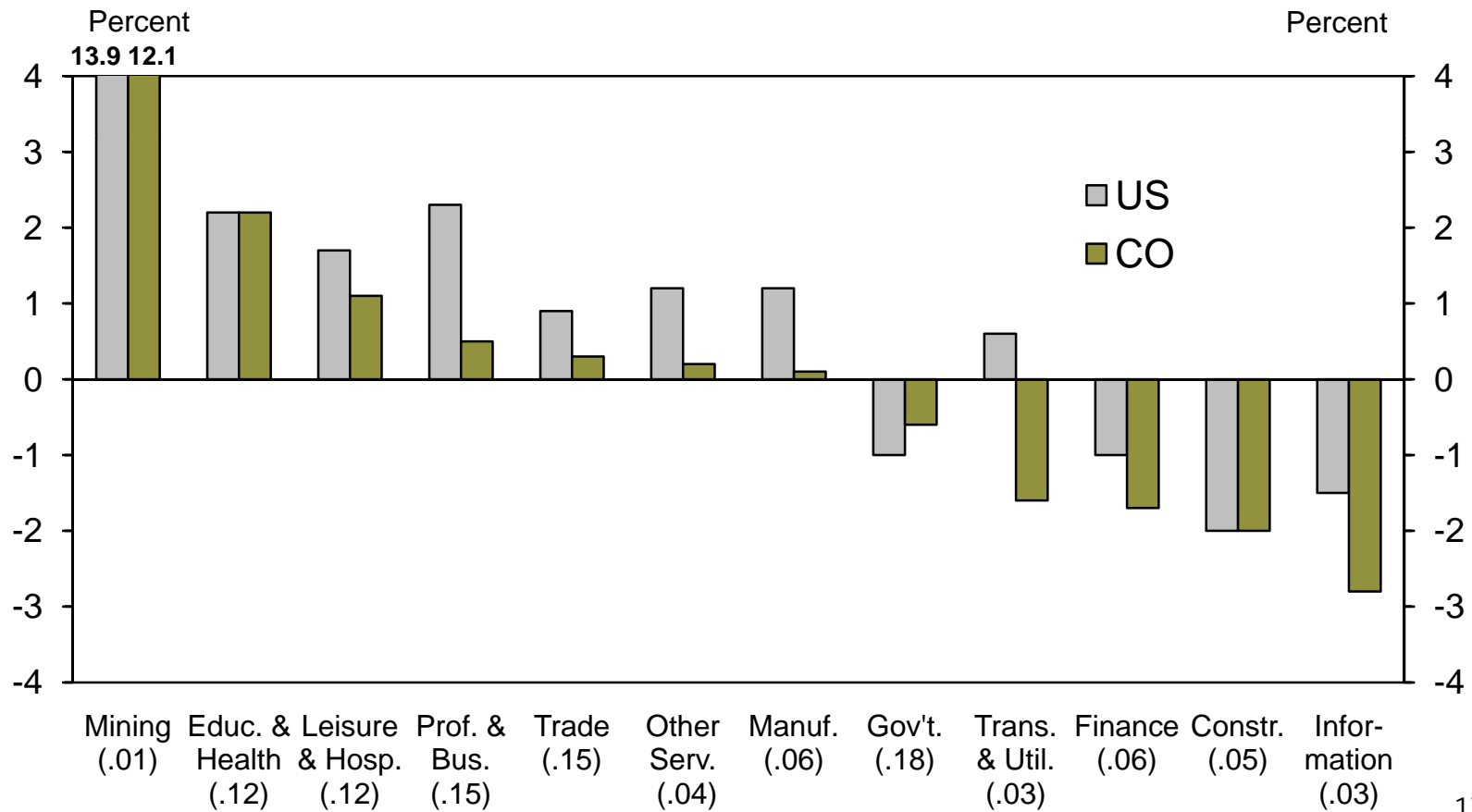
Colorado Employment
Seasonally Adjusted



Colorado hiring now looks very national-like

Govt./Finance/Construction/Information acting as a drag

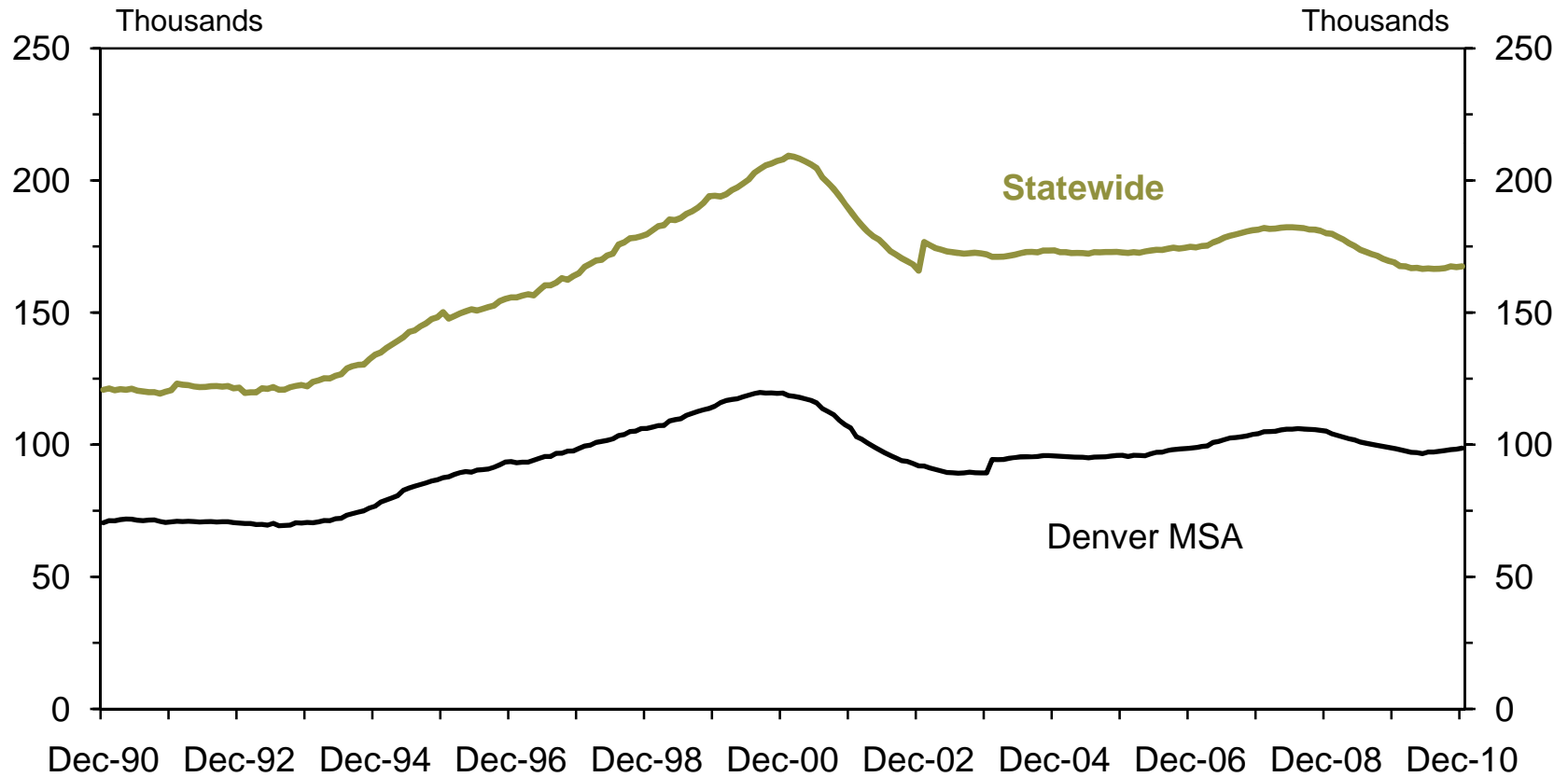
Nonfarm Employment Growth by Industry
Dec-10 over Dec-09



Source: Bureau of Labor Statistics – Industry Share of CO Employment in parentheses

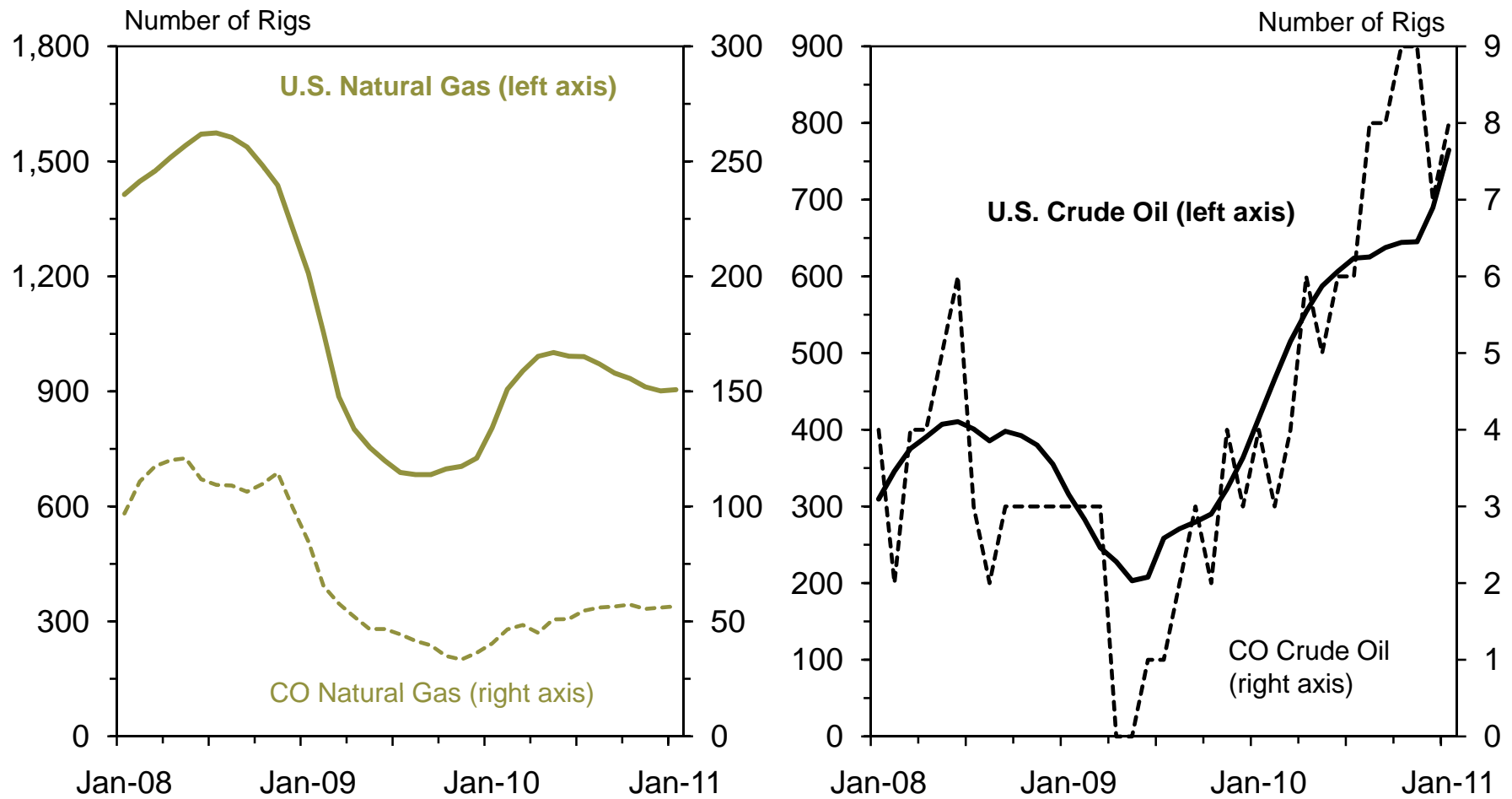
Some evidence of a bottom in Tech hiring

Colorado High-Tech Employment
Seasonally Adjusted



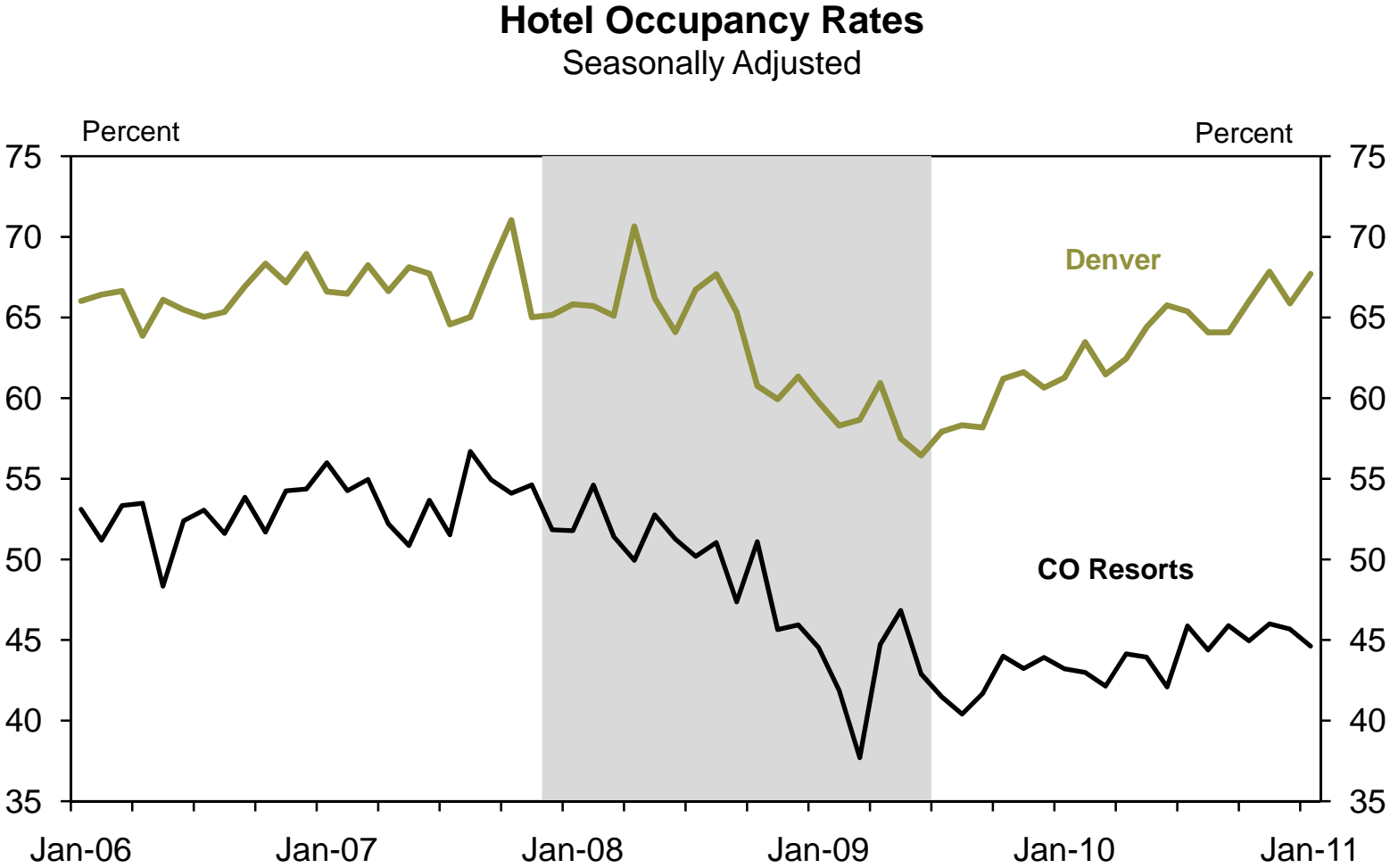
Shift in exploration toward crude accelerates in U.S. and CO

Count of Active Drilling Rigs
Seasonally Adjusted



Source: Baker-Hughes

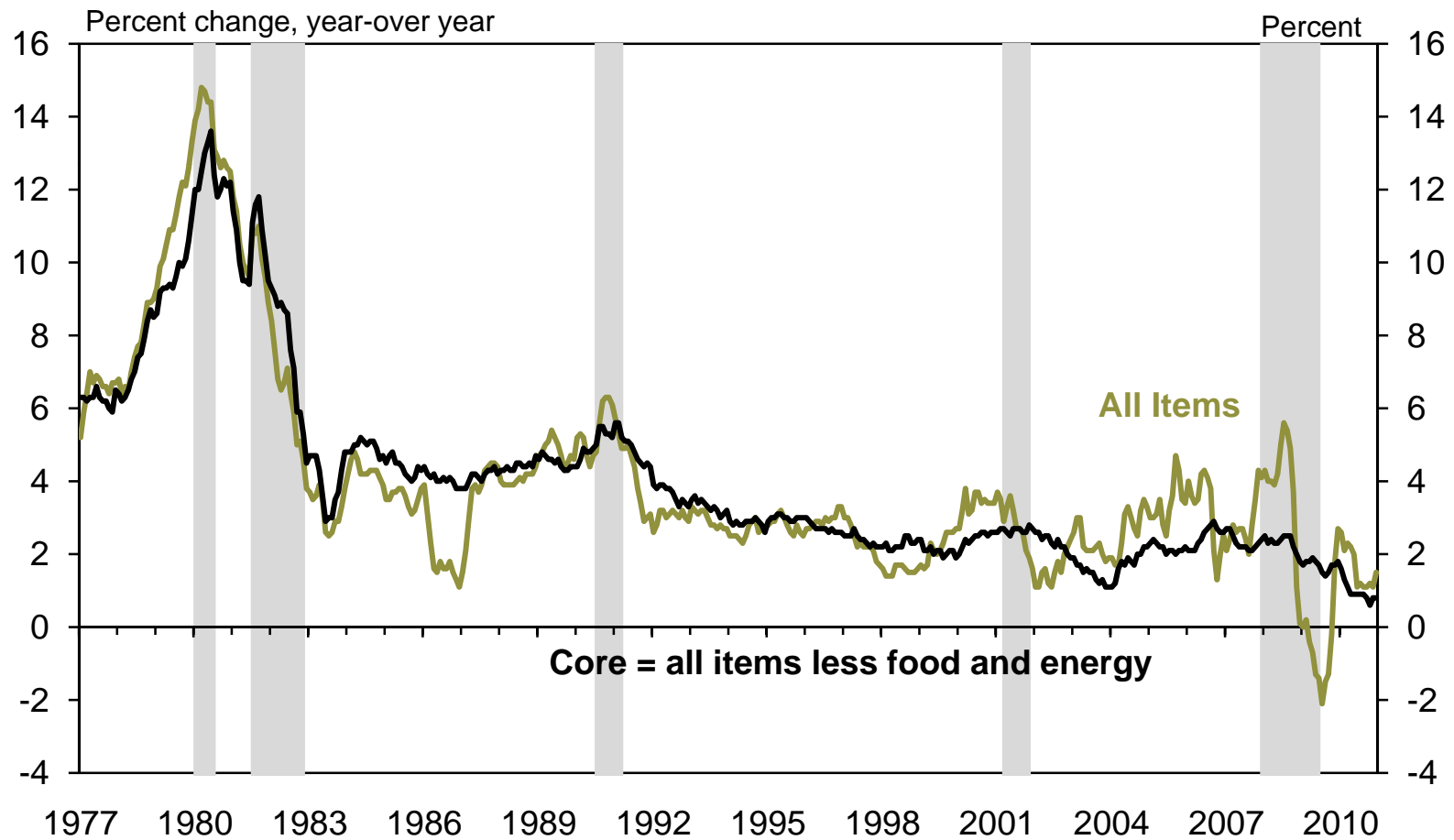
Tourism and resort activity strengthening



Source: Rocky Mountain Lodging Report

Commodity price pressure \neq inflation

Consumer Price Index: All Items and All Items less food and energy
Seasonally Adjusted



Risks to the recovery?

- Rising interest rates (mortgage rates)
- Rising energy/commodity prices
- Federal/state/local budget overhang
- Another down leg in real estate
- Household de-leveraging takes longer than expected
- Short expansion

What makes the recovery sustainable?

- Federal Reserve stimulus – current (and future?)
- Fiscal stimulus – tax package, ARRA wanes after 2011
- Strong financial position of corporate sector
- Resumption in household debt growth
- Growing replacement needs – households/firms
- Virtuous cycle – capitalism, invisible hand

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Presentation will be available at:
<http://www.kansascityfed.org/Denver>