

# U.S. and Colorado Economic Conditions

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FEDERAL RESERVE BANK *of* KANSAS CITY  
DENVER BRANCH

## **Mark C. Snead**

Vice President and Branch Executive  
Federal Reserve Bank of Kansas City  
Denver Branch

We only need a few things for recovery...

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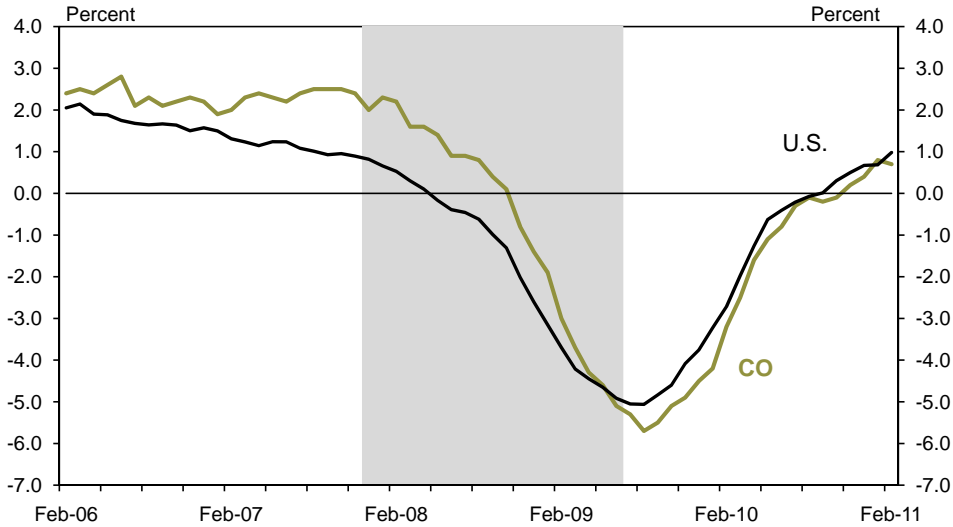
- Moderate growth in GDP
- Steady private sector job gains
- Resumption of income growth
- Normal spending by consumers
- Reduction in household debt
- Increase in the savings rate
- An end to the real estate debacle

... right?

# Colorado job gains now positive yr/yr

150,000 jobs lost; 10,000 recovered; 1 qtr lag behind U.S.

**Growth in Total Nonfarm Employment**  
Year-over-year



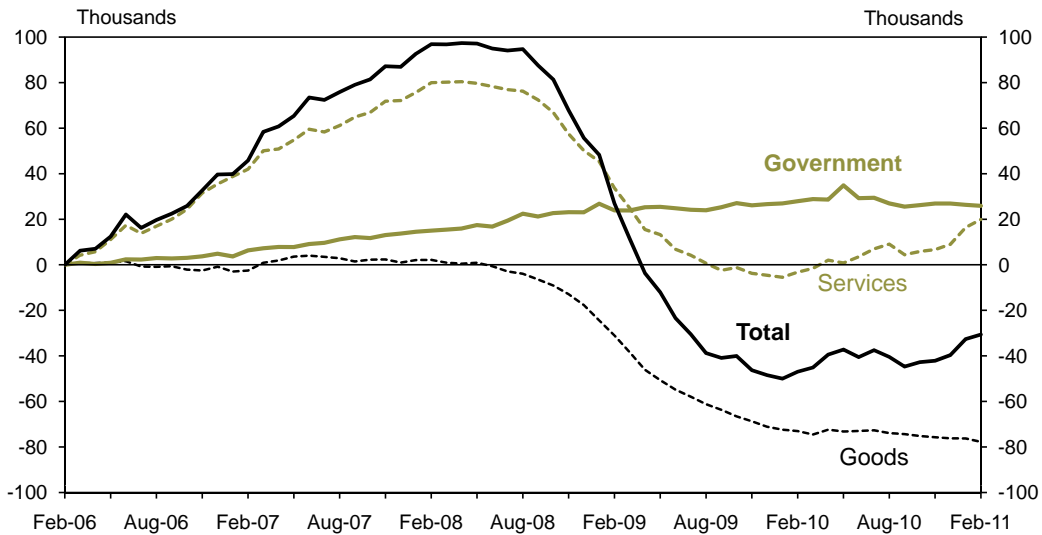
Source: Bureau of Labor Statistics

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# Goods sector remains the story of the recession

Govt. modest drag in CO late in cycle

**Colorado Nonfarm Employment Gains/Losses**  
Seasonally Adjusted

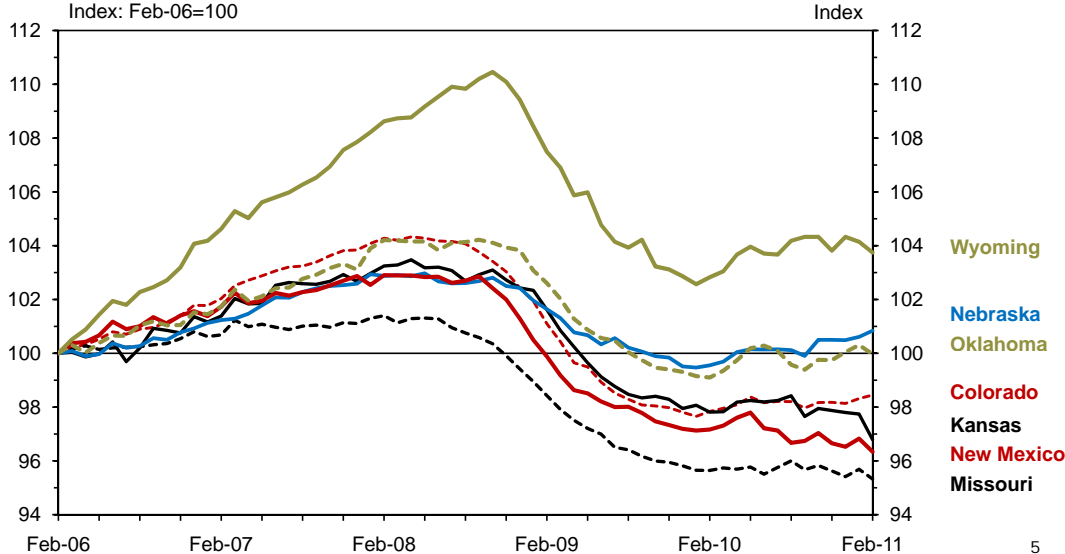


Source: Bureau of Labor Statistics

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# CO in the middle of the pack among labor markets in the Tenth District

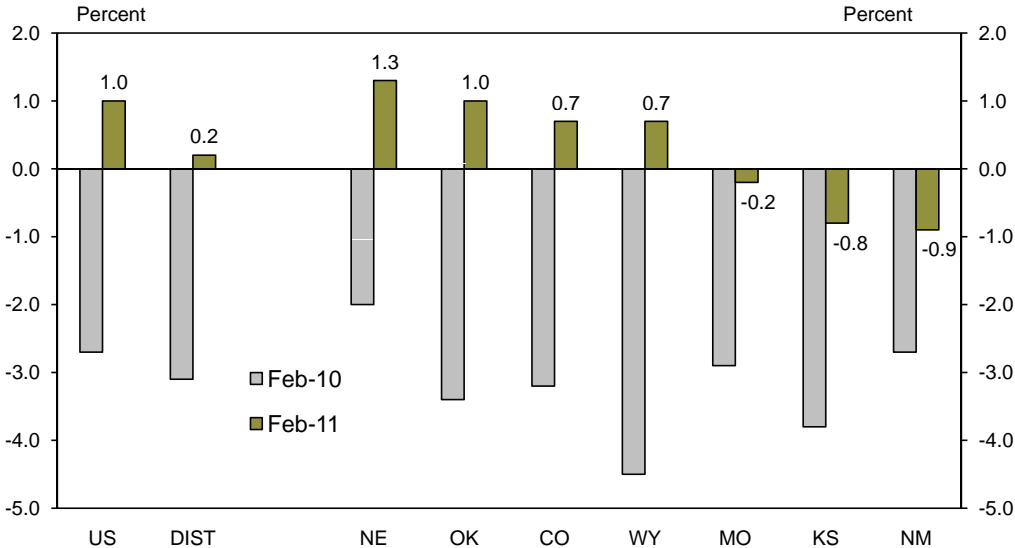
**Total Nonfarm Employment**  
Seasonally Adjusted



Source: Bureau of Labor Statistics

# Agricultural and energy states continue to lead KS has recent data anomaly in construction

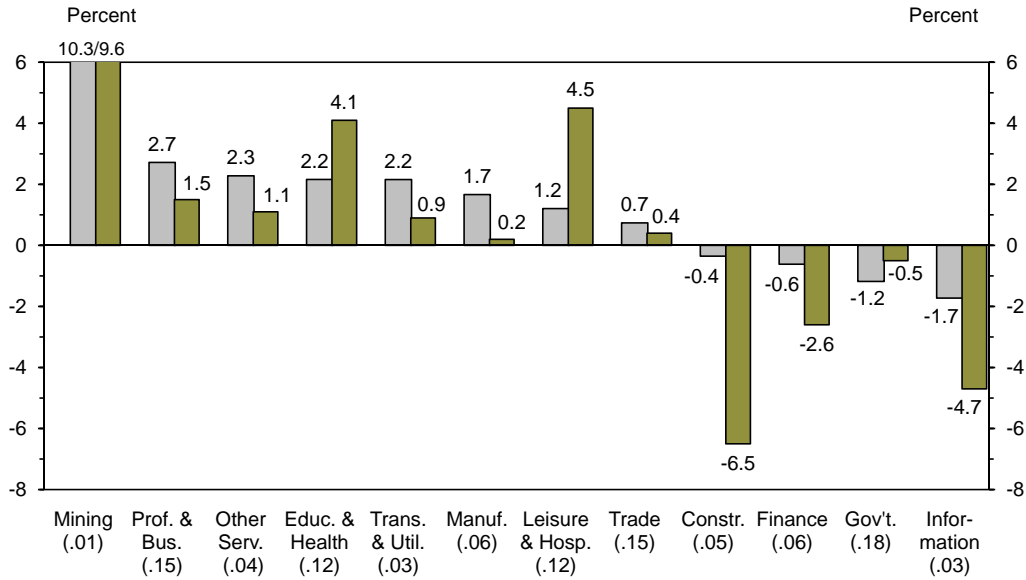
**Total Nonfarm Employment**  
Year-over-year



Source: Bureau of Labor Statistics

# Divergence between U.S. and CO job gains in several key sectors

**Total Nonfarm Employment by Industry**  
Feb-11 over Feb-10

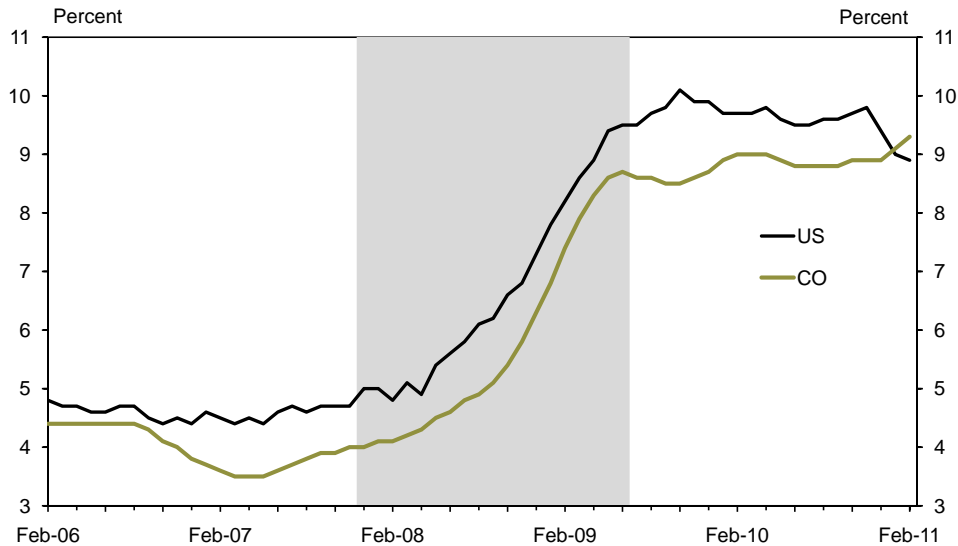


Source: Bureau of Labor Statistics

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# Colorado jobless rate now above U.S. number unemployed remains persistently high

**Unemployment Rate**  
Seasonally Adjusted

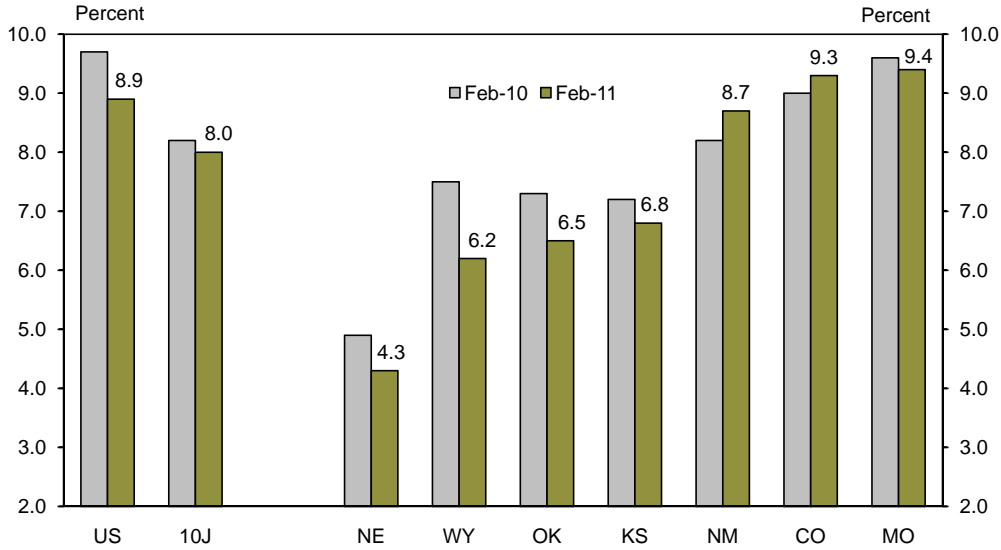


Source: Bureau of Labor Statistics

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# CO/NM putting upward pressure on District jobless rate

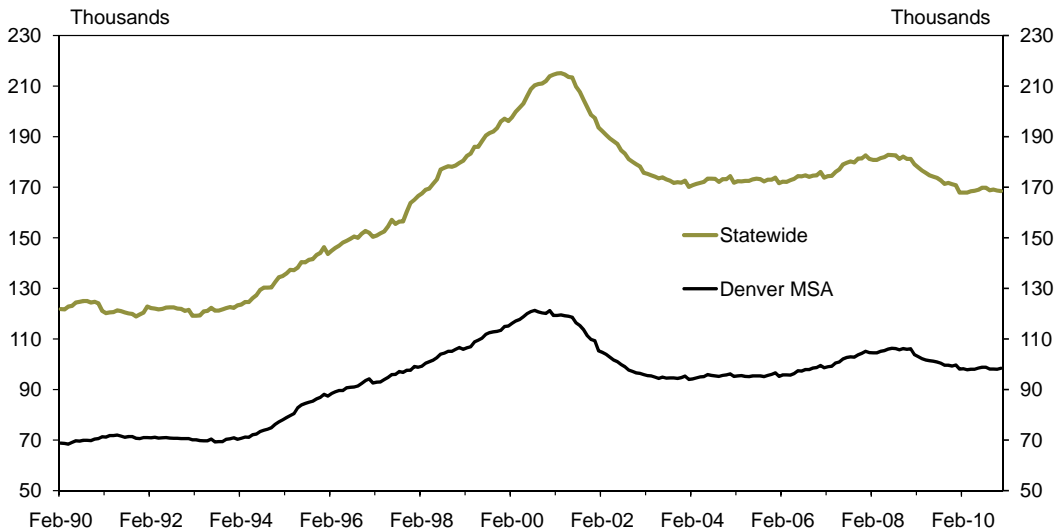
**Unemployment Rate by State**  
Seasonally Adjusted



Source: Bureau of Labor Statistics

# Rising Tech activity has not turned into net hiring

**Colorado Advanced Technology Employment**  
Seasonally Adjusted

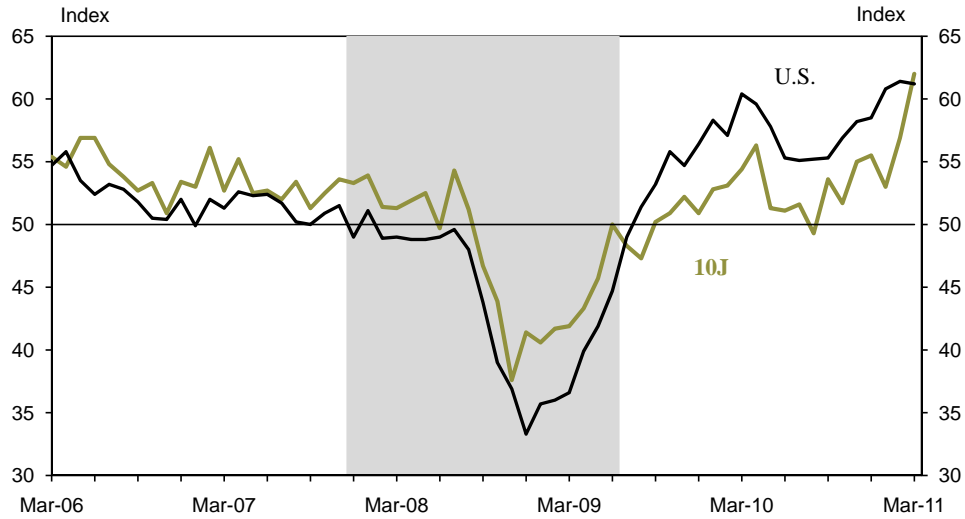


Source: Bureau of Labor Statistics

# Survey data suggest surge in 10J mfg. activity

## CO receiving little mfg. boost

**Manufacturing Indices**  
Seasonally Adjusted, Month-over-month

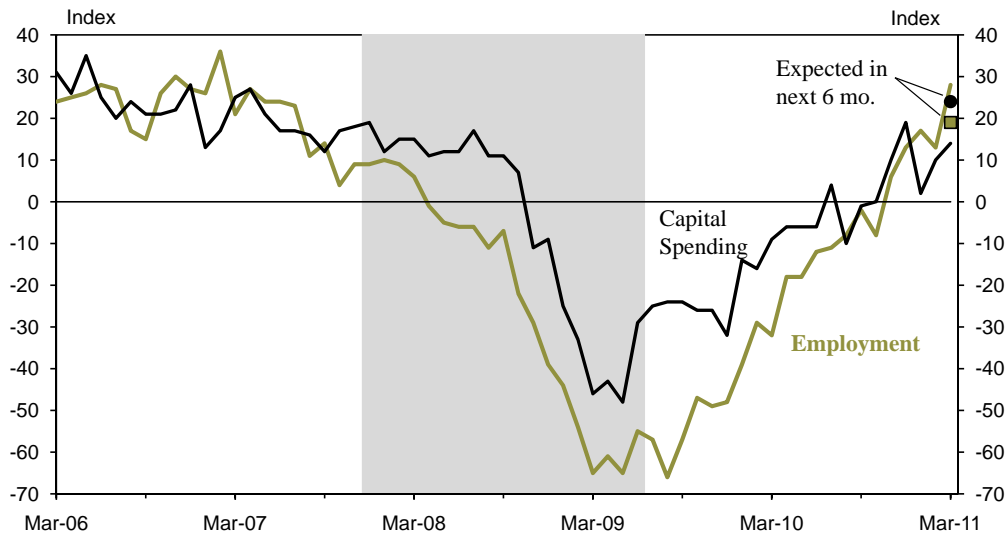


Source: ISM, FRBKC Manufacturing Survey  
Note: 10J index is computed on ISM basis (50 = zero change)

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# Gains in both capital spending and hiring in mfg.

**Tenth District Manufacturing Indices**  
Year-over-year

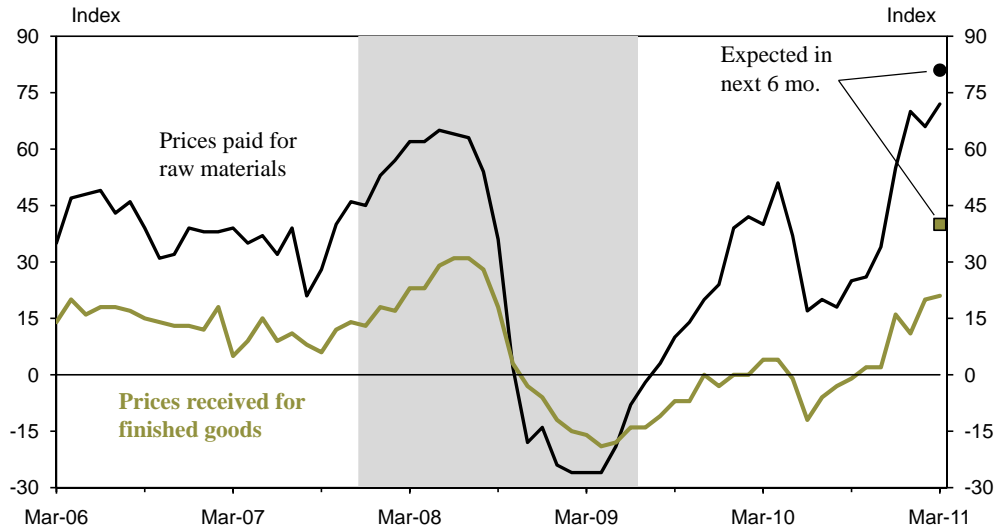


Source: FRBKC Manufacturing Survey

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## Survey data confirm rise in raw materials prices finished goods prices now rising, expected to rise further

**Tenth District Manufacturing Price Indices**  
Seasonally Adjusted, Month-over-month

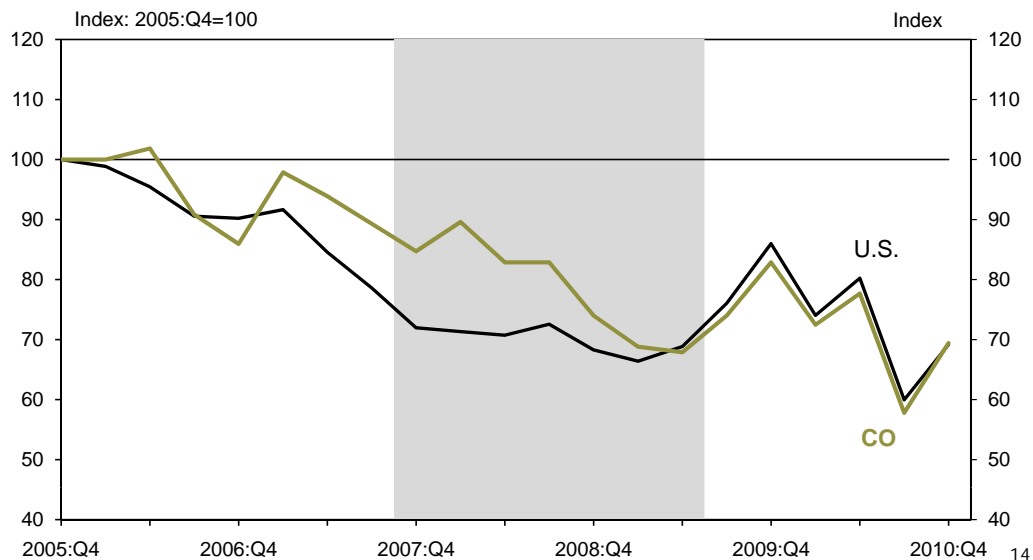


Source: FRBKC Manufacturing Survey

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## Q4 bounce in U.S. and CO existing home sales but weakness returns in latest monthly U.S. data

**Sales of Existing Homes**  
Seasonally Adjusted

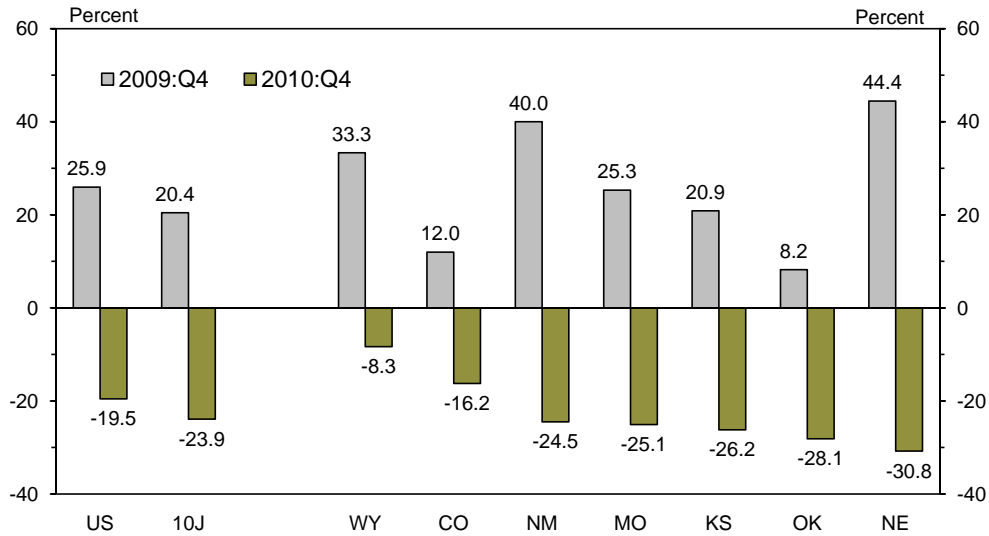


Source: National Association of Realtors

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# 10J existing home sales trail U.S. through 4<sup>th</sup> quarter NE and NM experience sharpest reversals

**Growth in Existing Home Sales**  
Year-over-year

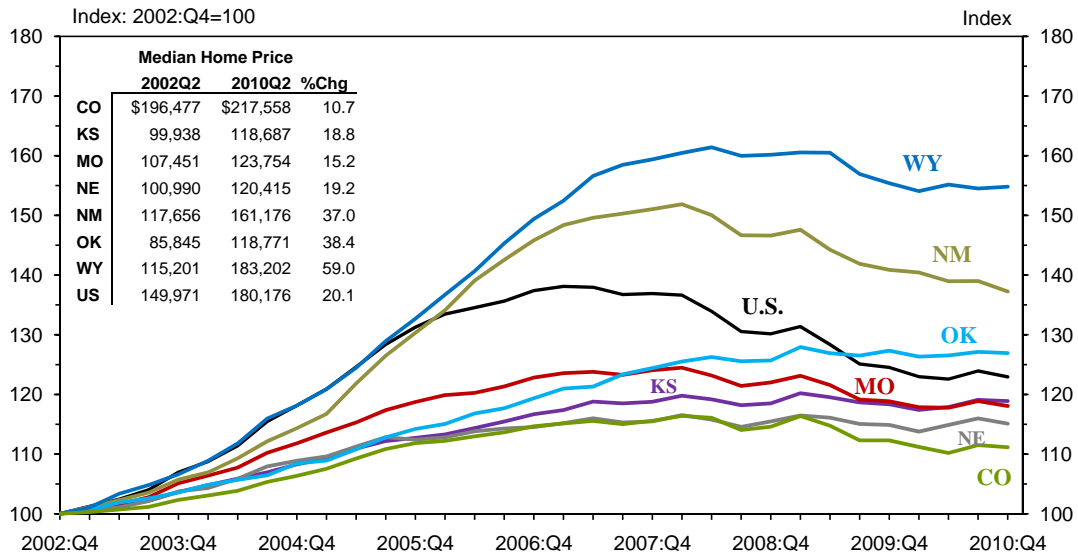


Source: National Association of Realtors

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# 10J homes price gains now range around U.S. gain CO has smallest gain in cycle among 10J states, but highest price

**FHFA Repeat Sales Home Price Index**  
Seasonally Adjusted



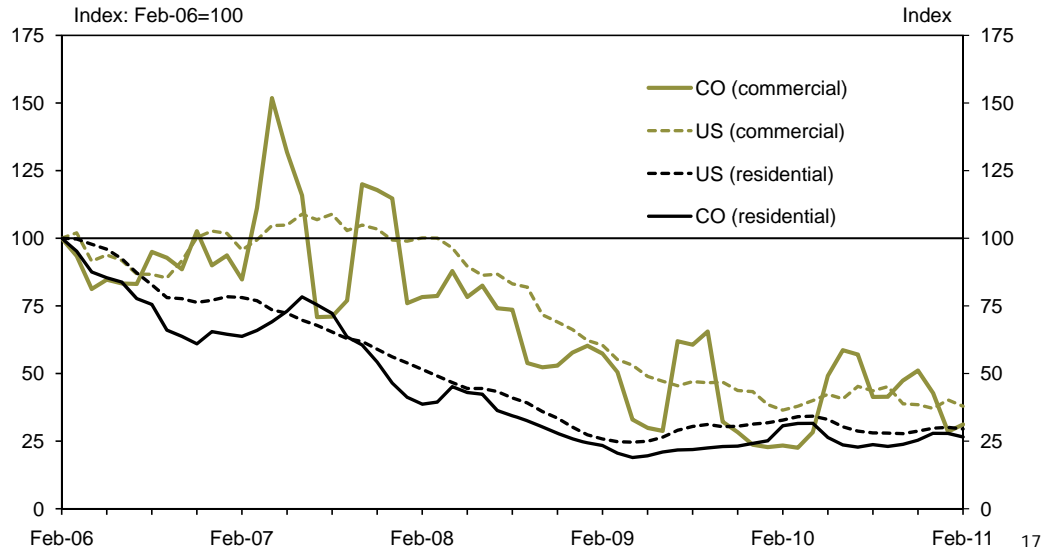
Source: FHFA

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# Commercial and residential construction continue to bounce along bottom

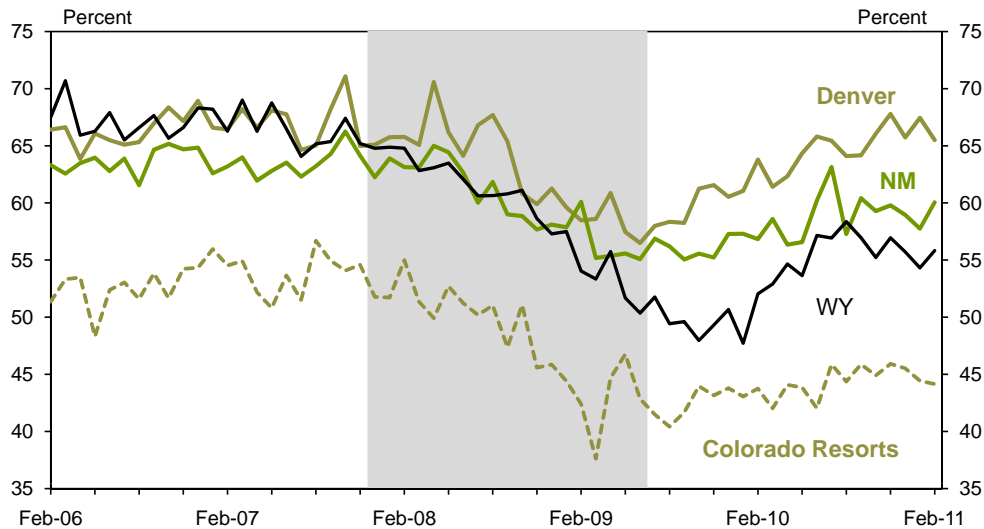
**Value of Residential and Commercial Construction Contracts**  
Seasonally Adjusted, 3-mo. moving average



Source: F.W. Dodge

# Hoteliers in Mtn. states report mixed lodging results

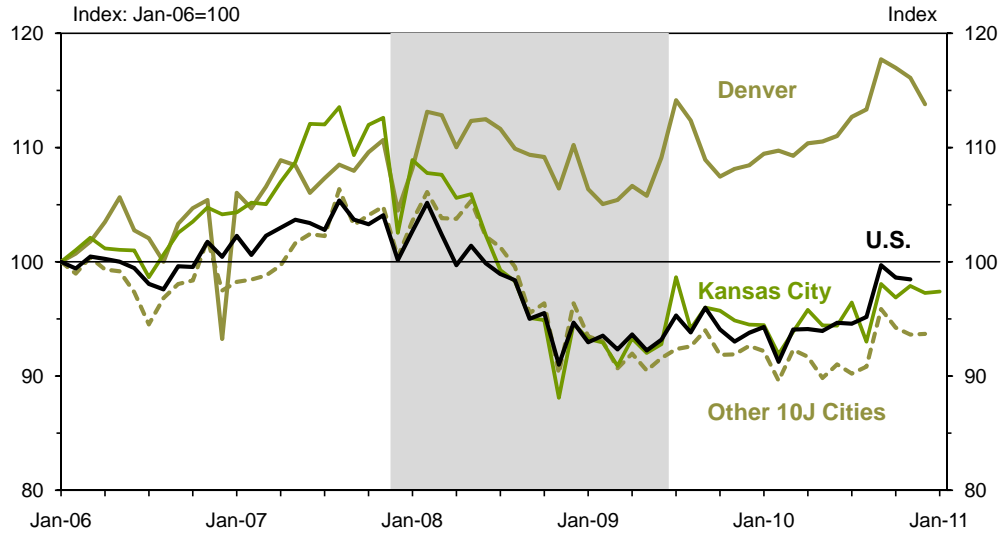
**Hotel Occupancy Rates**  
Seasonally Adjusted



Source: Rocky Mountain Lodging Report

## Denver air traffic resumes long-run growth trend other 10J cities well below pre-recession levels

**Airport Passenger Traffic**  
Seasonally Adjusted

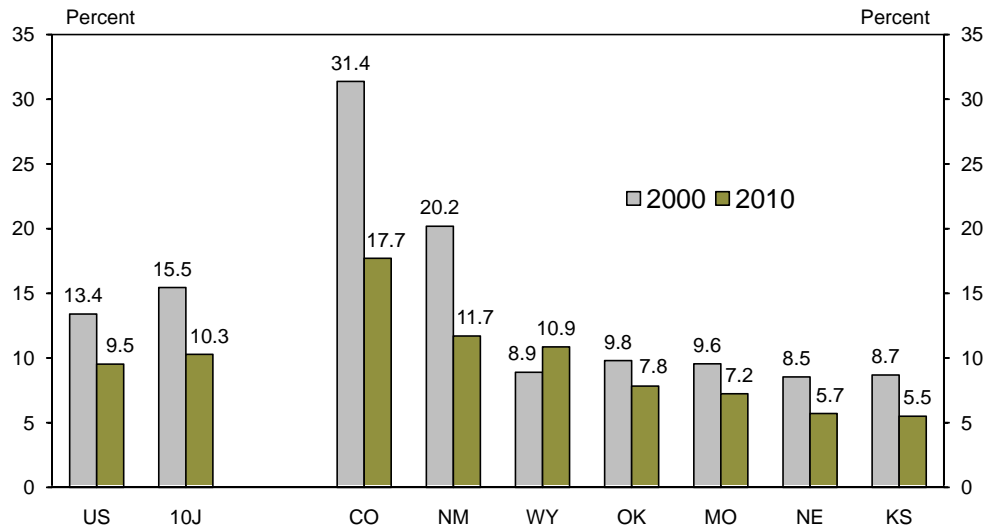


Source: District Airports

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## 10J population gains exceed U.S. in 2000s high in-migration states of CO and NM decelerate sharply

**Growth in Population**  
Decade-over-decade

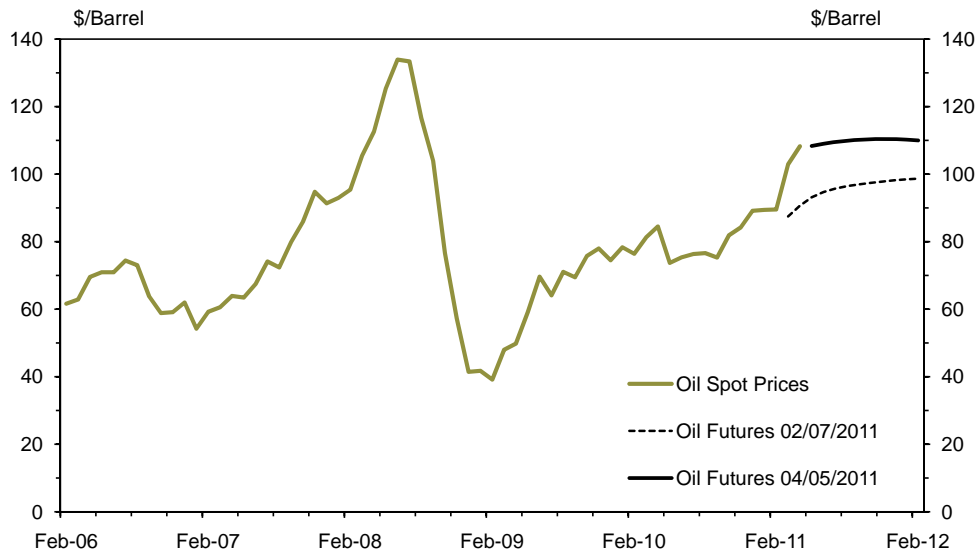


Source: U.S. Census Bureau

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# Crude futures suggest \$100+/-/bbl through 2012

## West Texas Intermediate Oil Spot Price & NYMEX Futures

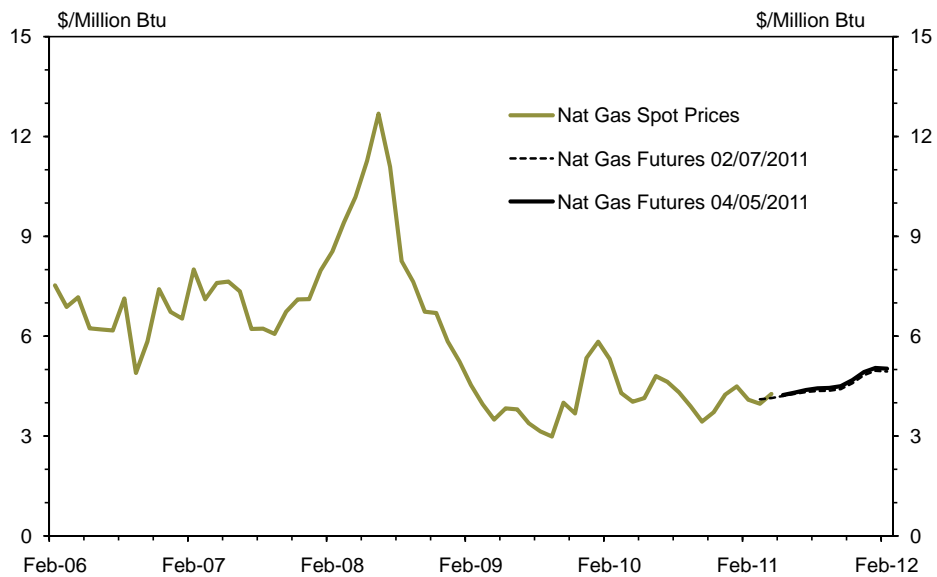


Source: Bloomberg Energy Services

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# Natural gas futures suggest ceiling around \$5/mcf

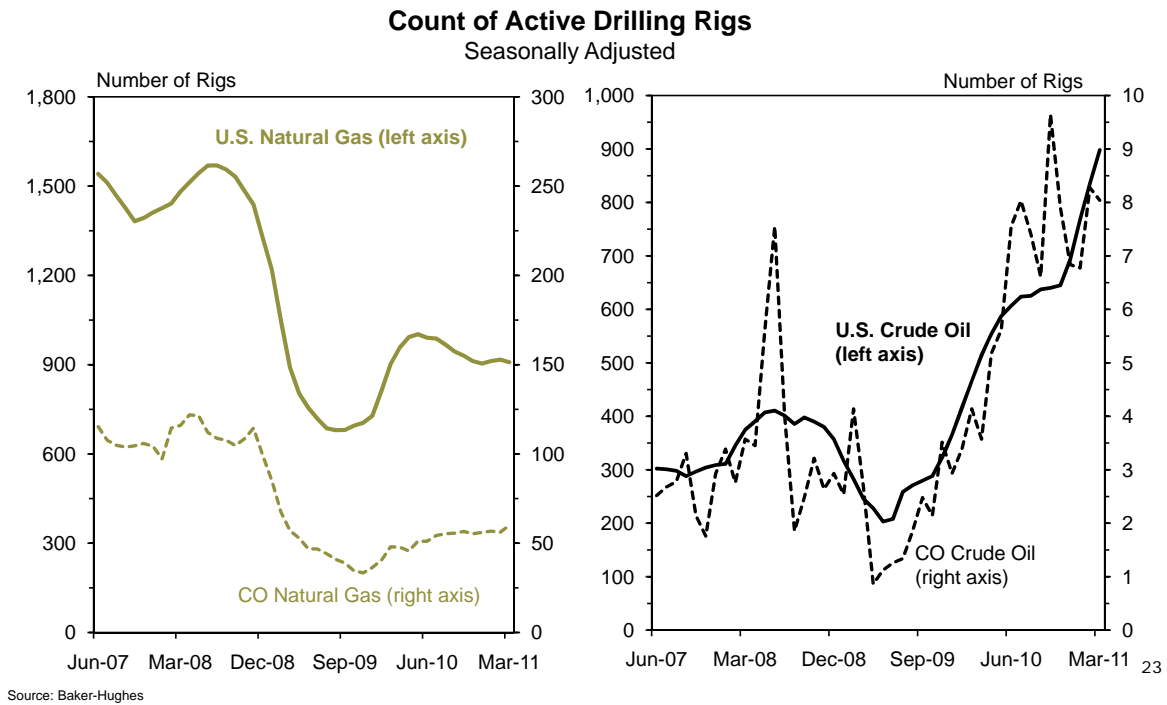
## Henry Hub Natural Gas Spot Price & NYMEX Futures



Source: Bloomberg Energy Services

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



## Risks to the recovery?

- Rising interest rates (mortgage rates)
- Rising energy/commodity prices
- International instability
- 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?

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- 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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## U.S. and Colorado Economic Conditions

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

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