

# Recession and Recovery in Colorado and the U.S.

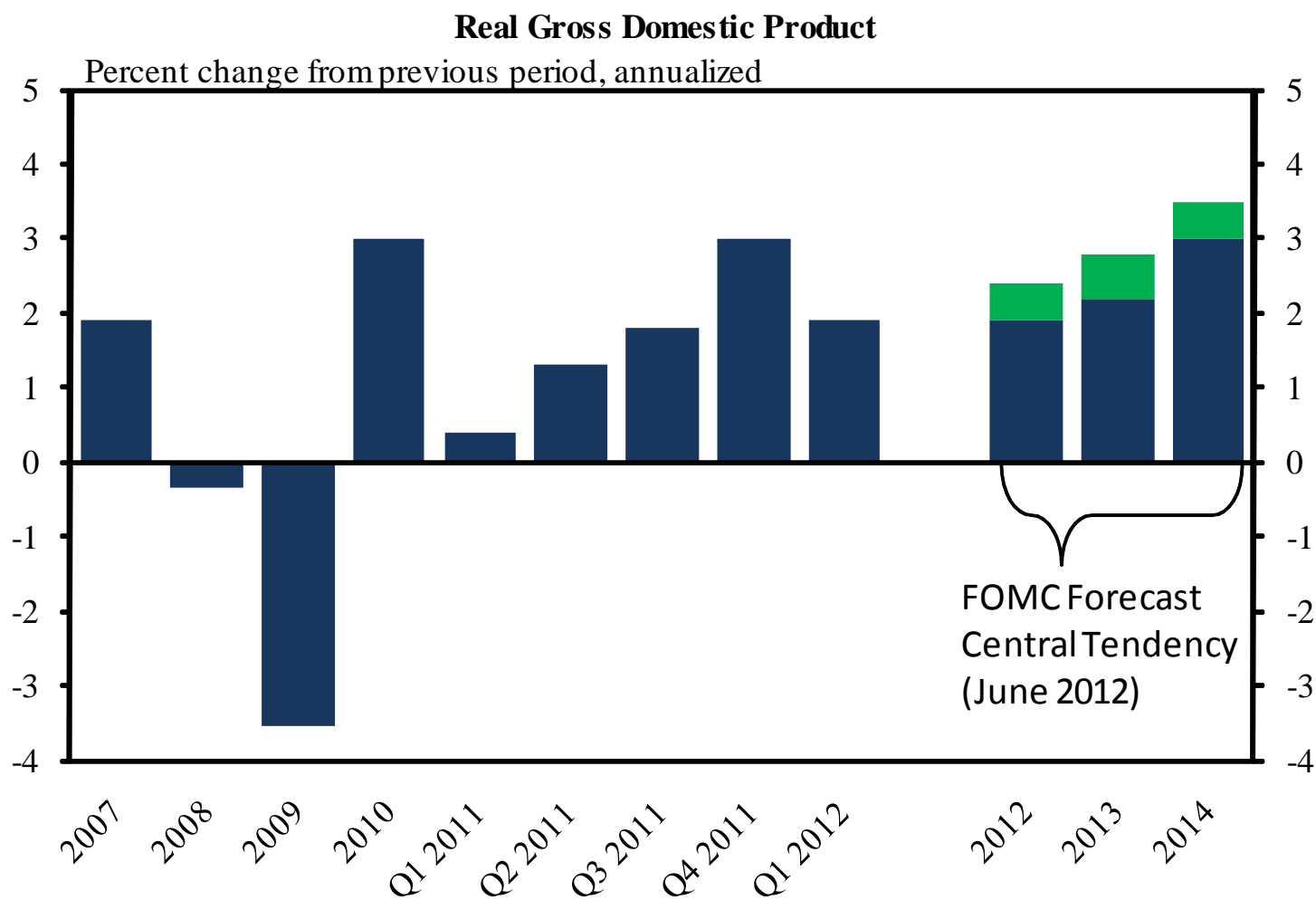


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The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

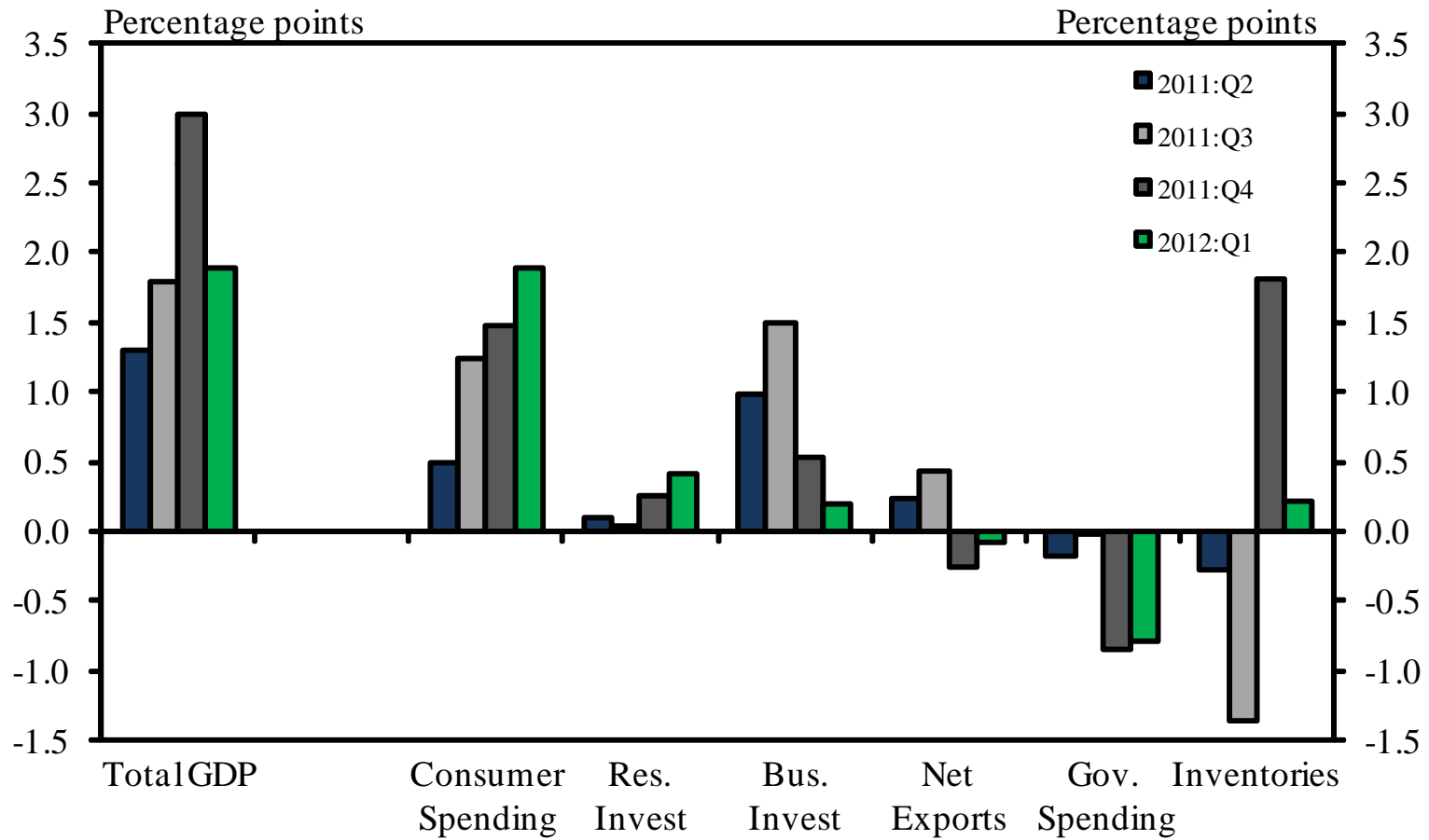
# The U.S. economy is expected to continue to grow at a modest pace.



Source: Bureau of Economic Analysis; FOMC

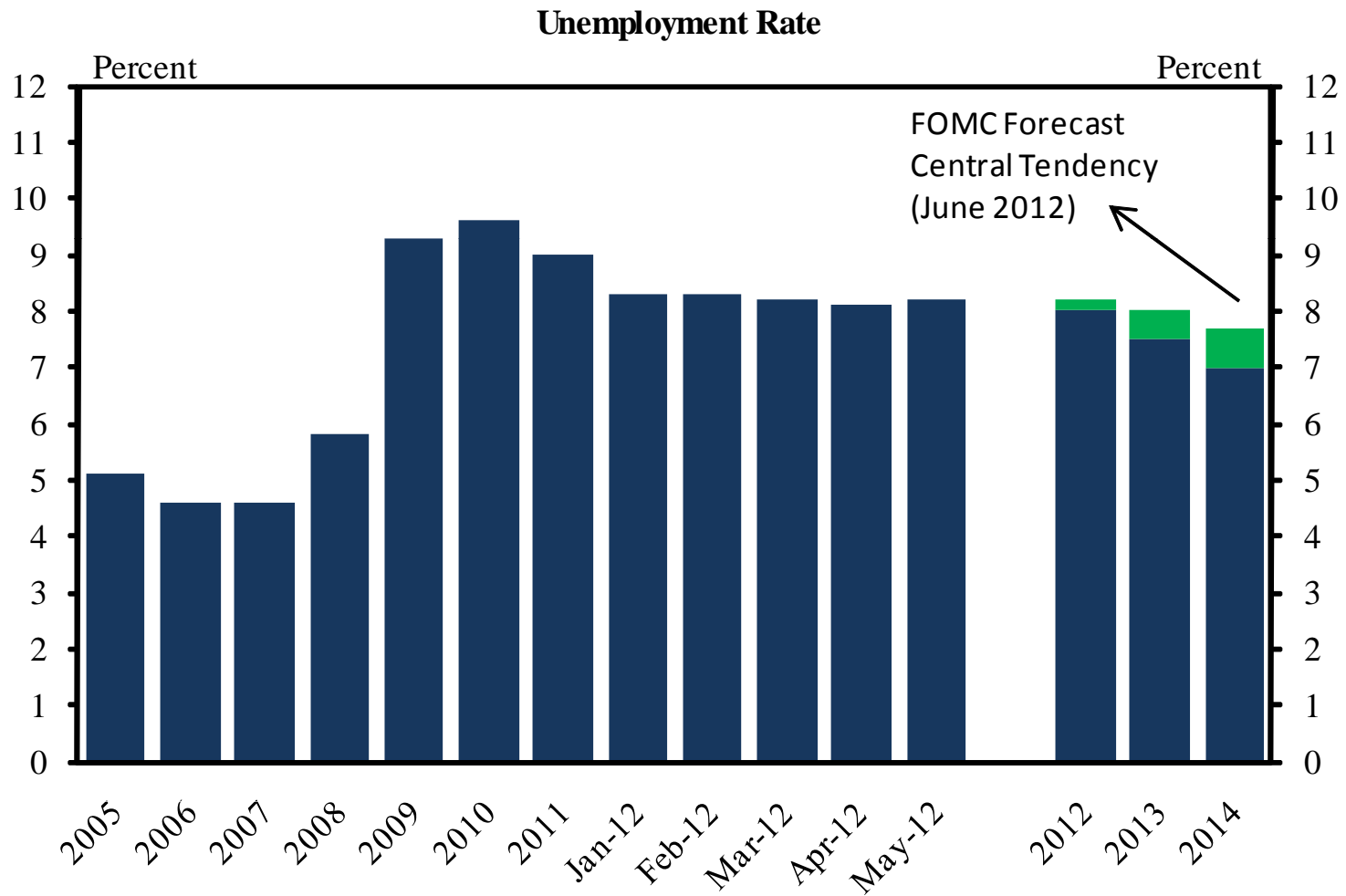
# An increase in consumer spending has led to stronger GDP growth in the U.S.

Contributions to Percent Change in Real GDP



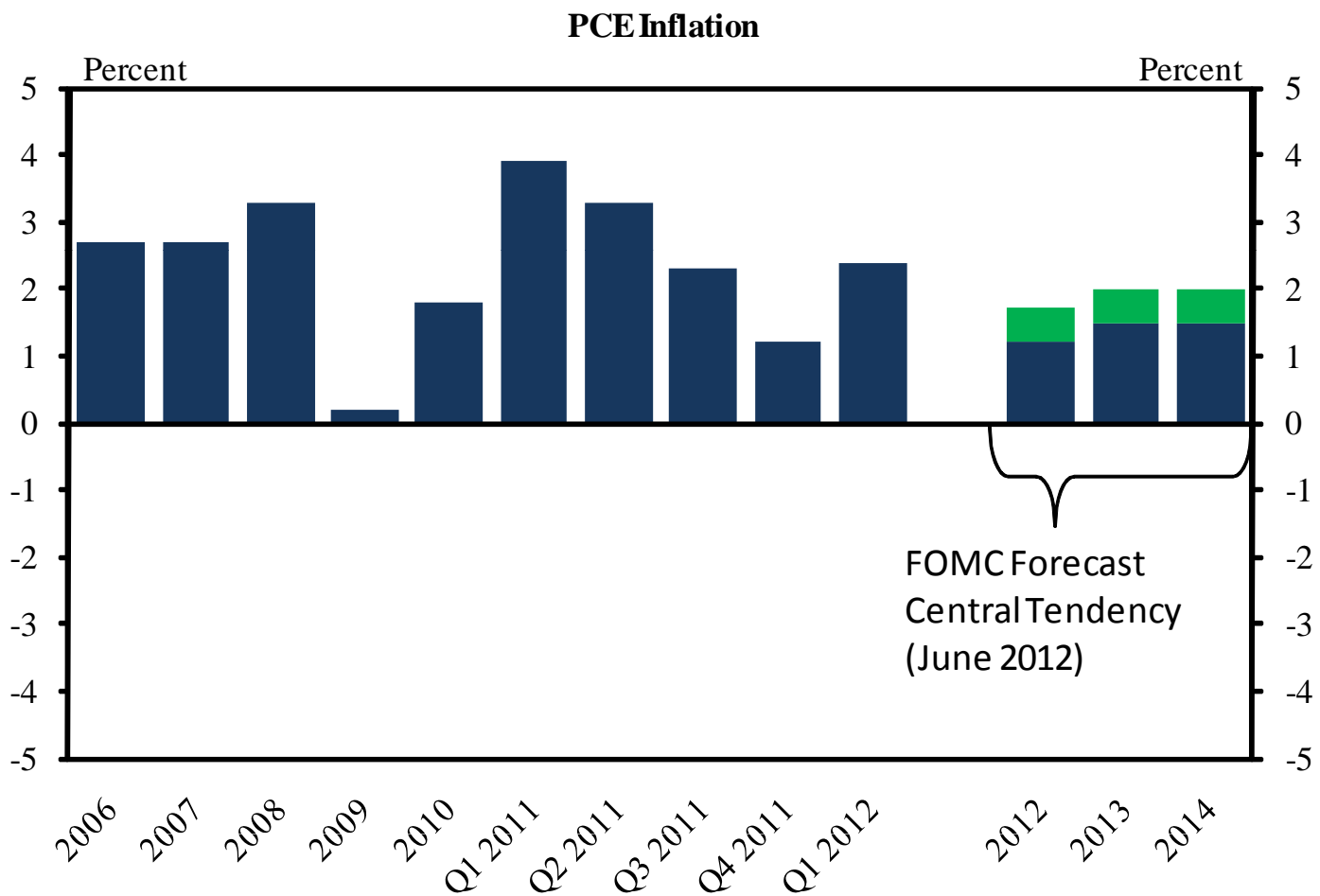
Source: Bureau of Economic Analysis

# Unemployment rates have fallen over the past year but remain stubbornly high.



Source: Bureau of Labor Statistics; FOMC

Inflation increased earlier this year due to higher gas prices, but the increase is expected to be temporary.

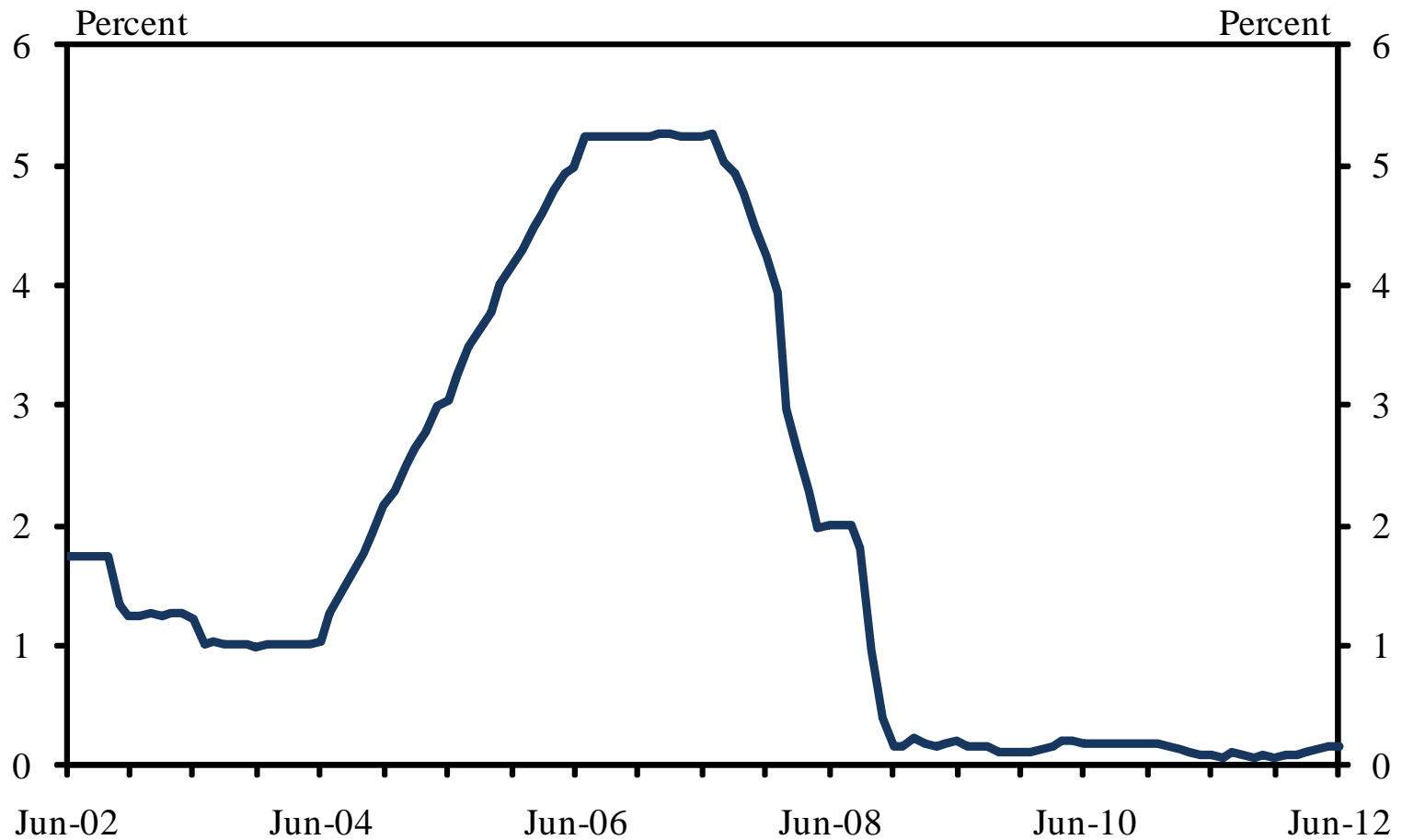


Source: Bureau of Economic Analysis; FOMC

Note: Quarterly inflation shows the compounded annual rate of change.

FOMC June Statement: “the Committee... currently anticipates that economic conditions – including low rates of resource utilization and a subdued outlook for inflation over the medium run – are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.”

### Fed Funds Rate

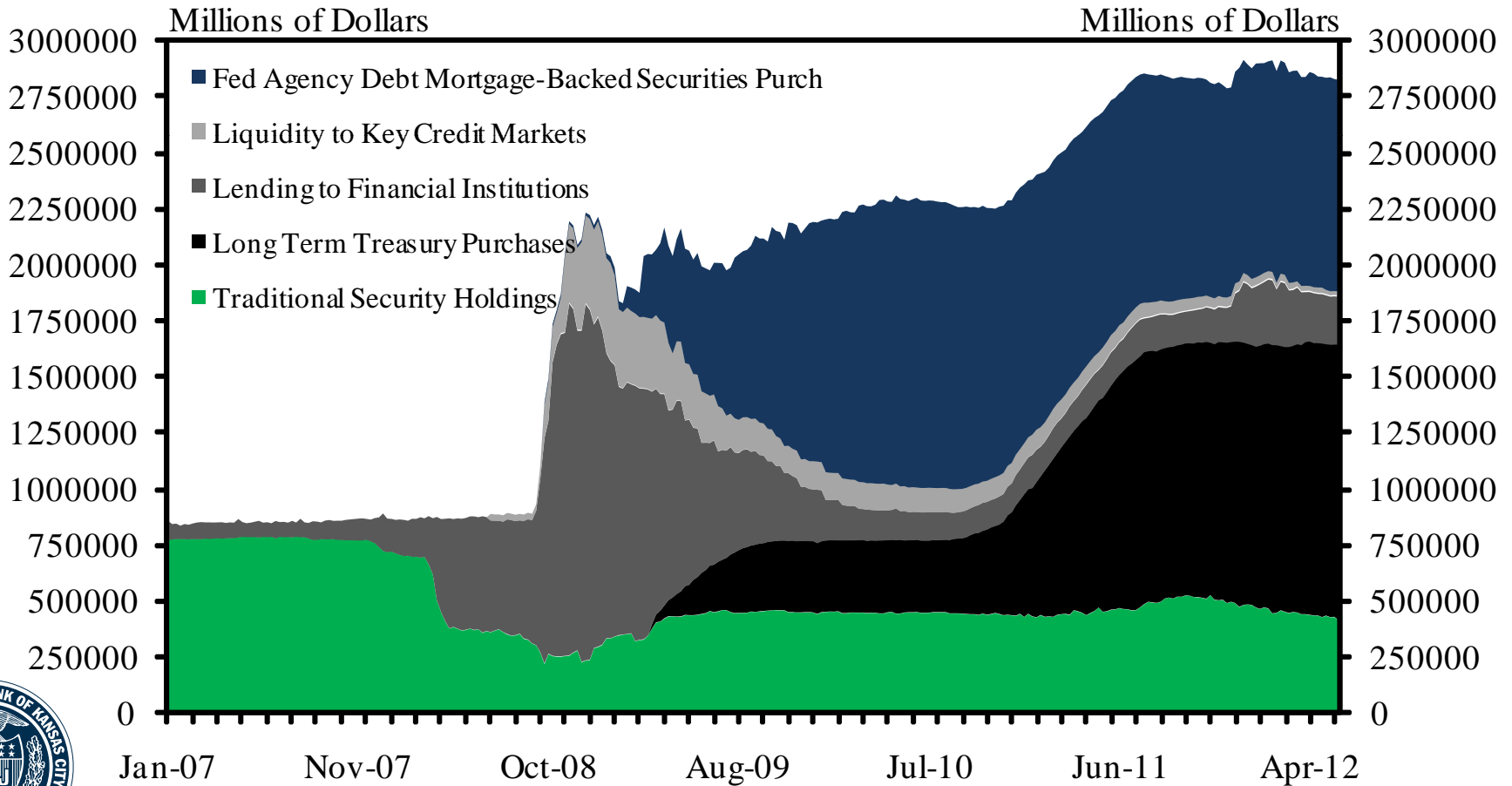


Source: FOMC



FOMC June Statement: “The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities.”

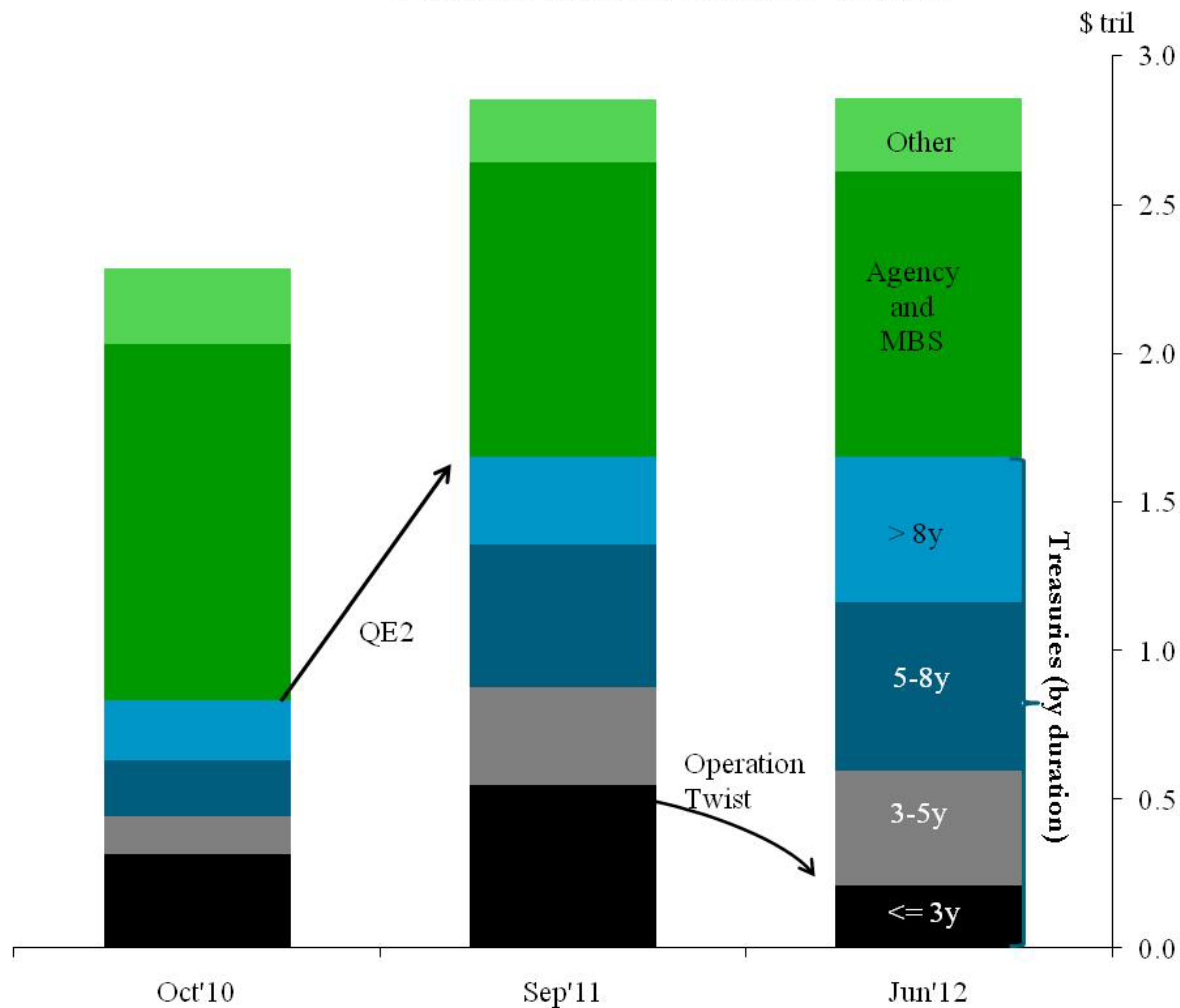
### Federal Reserve Balance Sheet



Source: FOMC

FOMC June Statement: “The Committee also decided to continue through the end of the year its program to extend the average maturity of its holdings of securities. Specifically, the Committee intends to purchase Treasury securities with remaining maturities of 6 to 30 years at the current pace and to sell or redeem an equal amount of Treasury securities with remaining maturities of 3 years or less.”

### Federal Reserve Banks' Assets

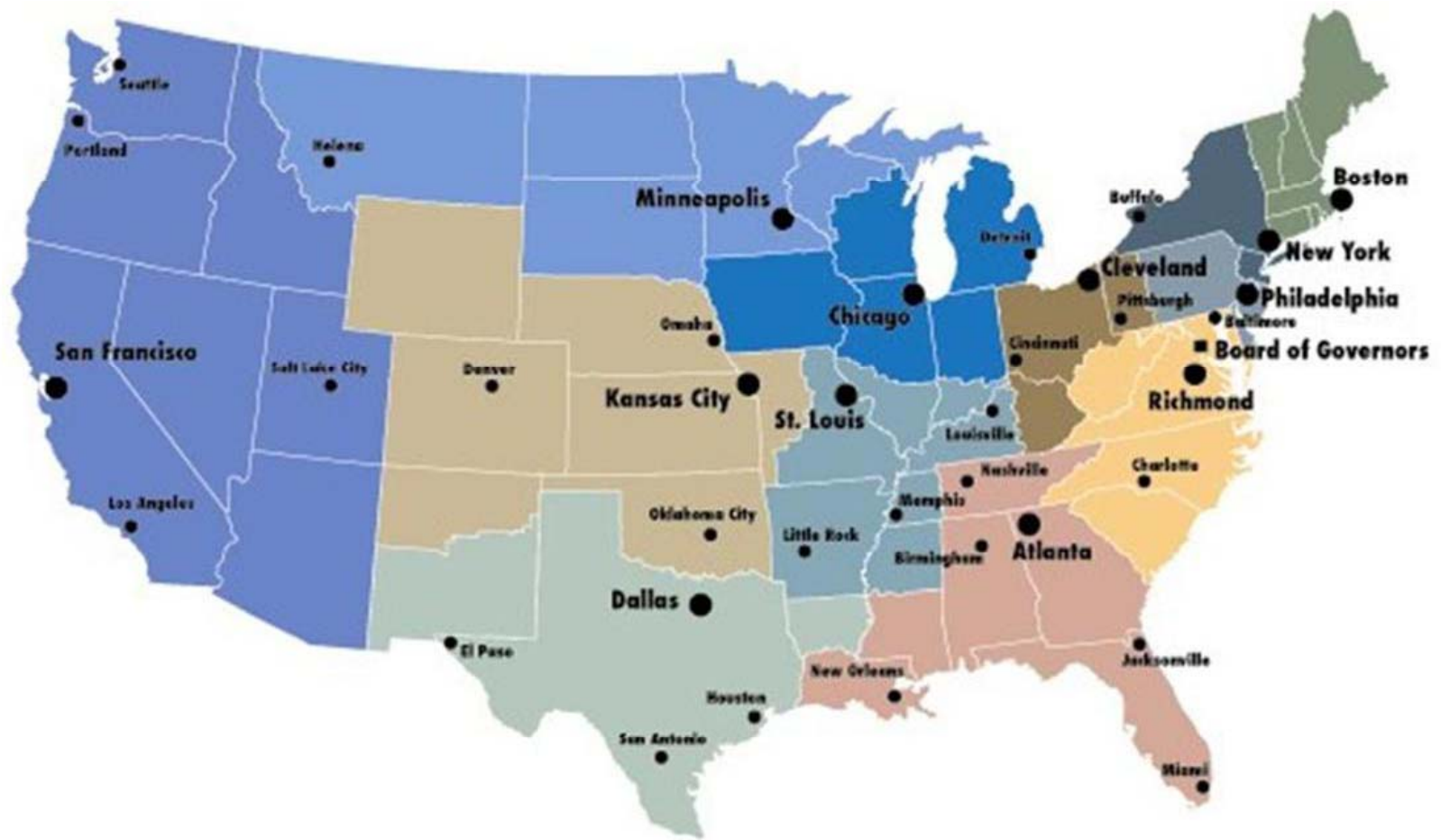




# The Tenth Federal Reserve District

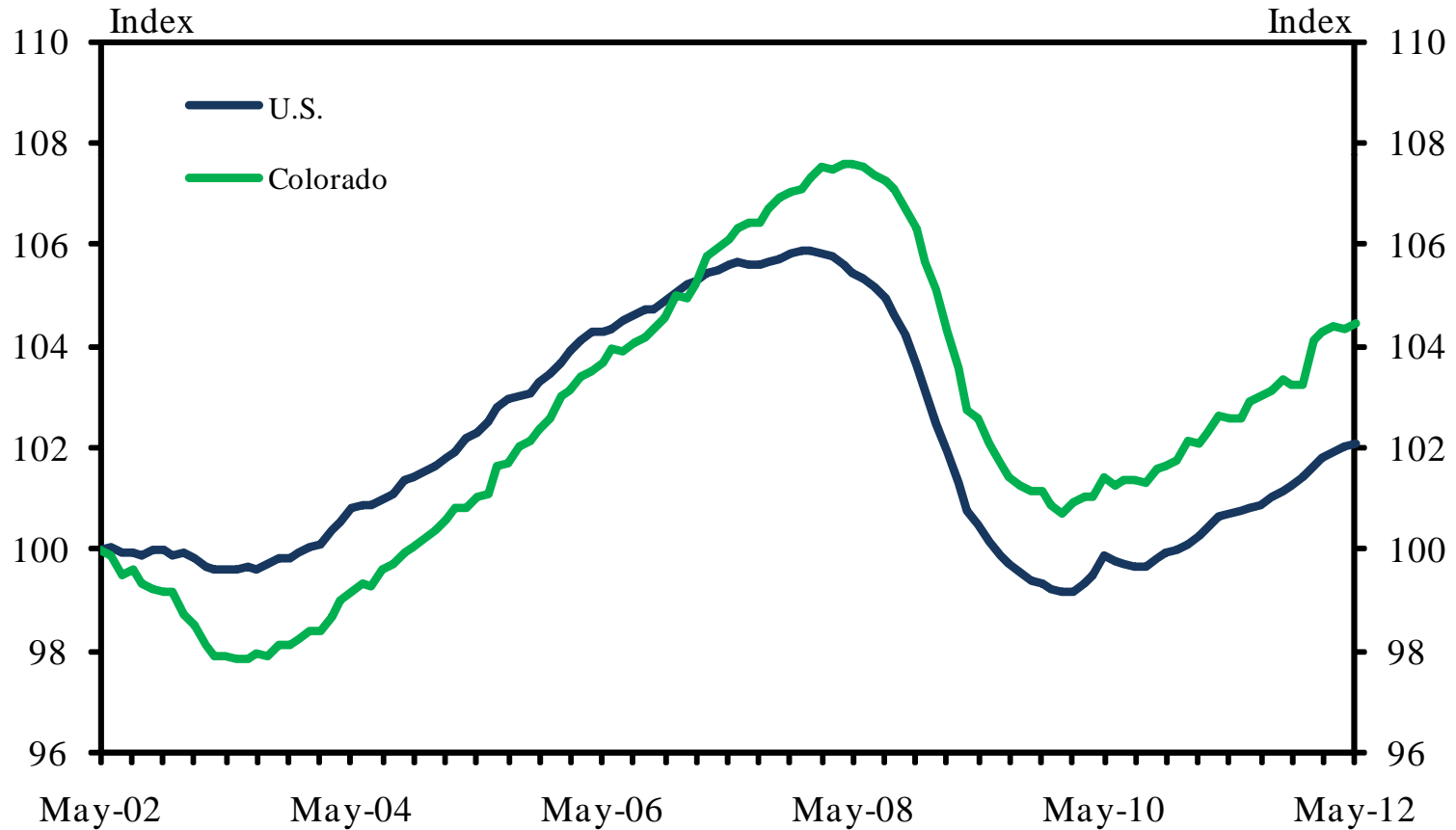
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Colorado employment has increased 3.7% since early 2010 but is still down more than 2.9% from peak levels.

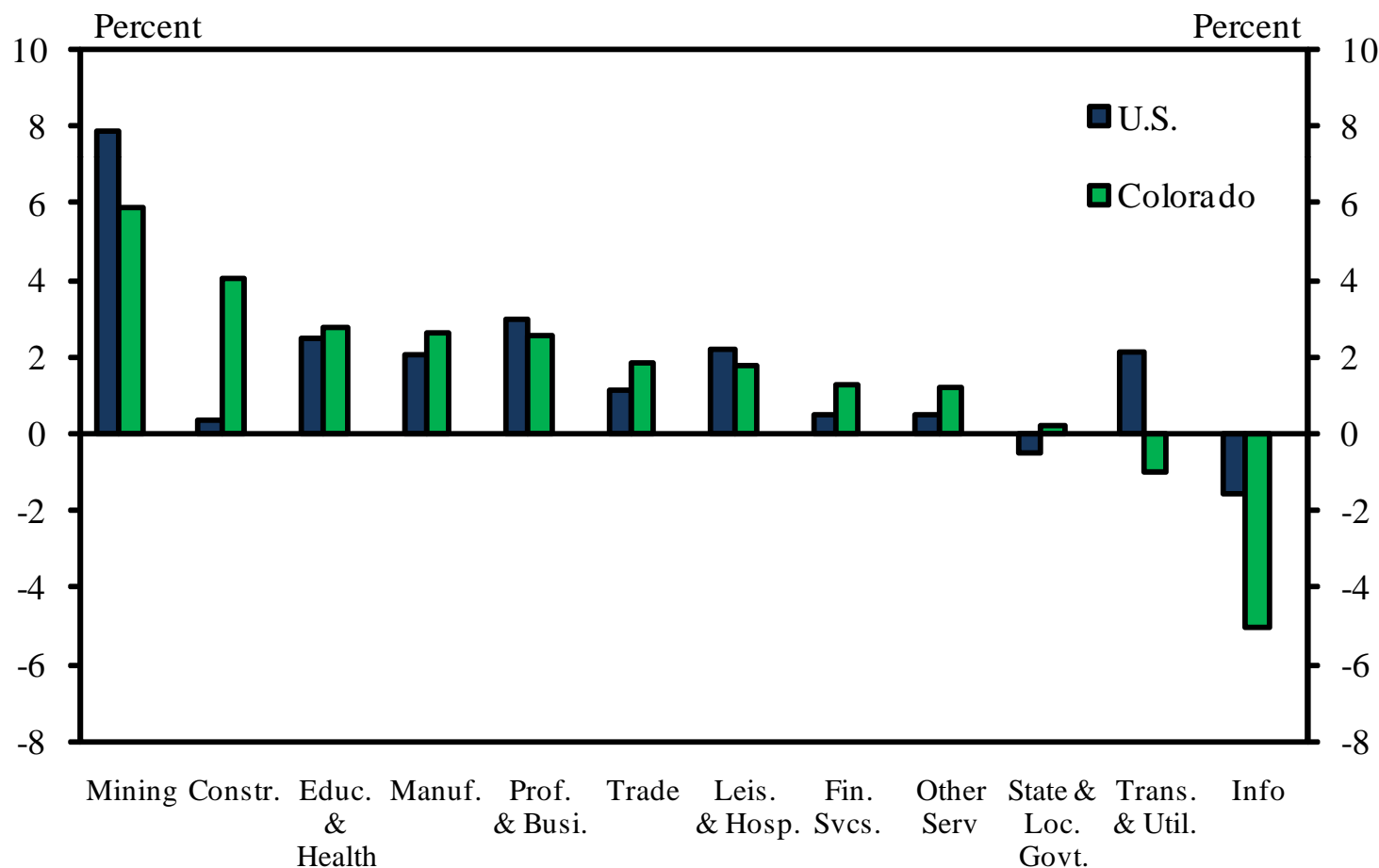
**Total Nonfarm Employment**  
Seasonally adjusted



Source: Bureau of Labor Statistics

# Most industries experienced employment gains over the past year in Colorado and the U.S.

**Employment Growth by Industry**  
May-12 over May-11

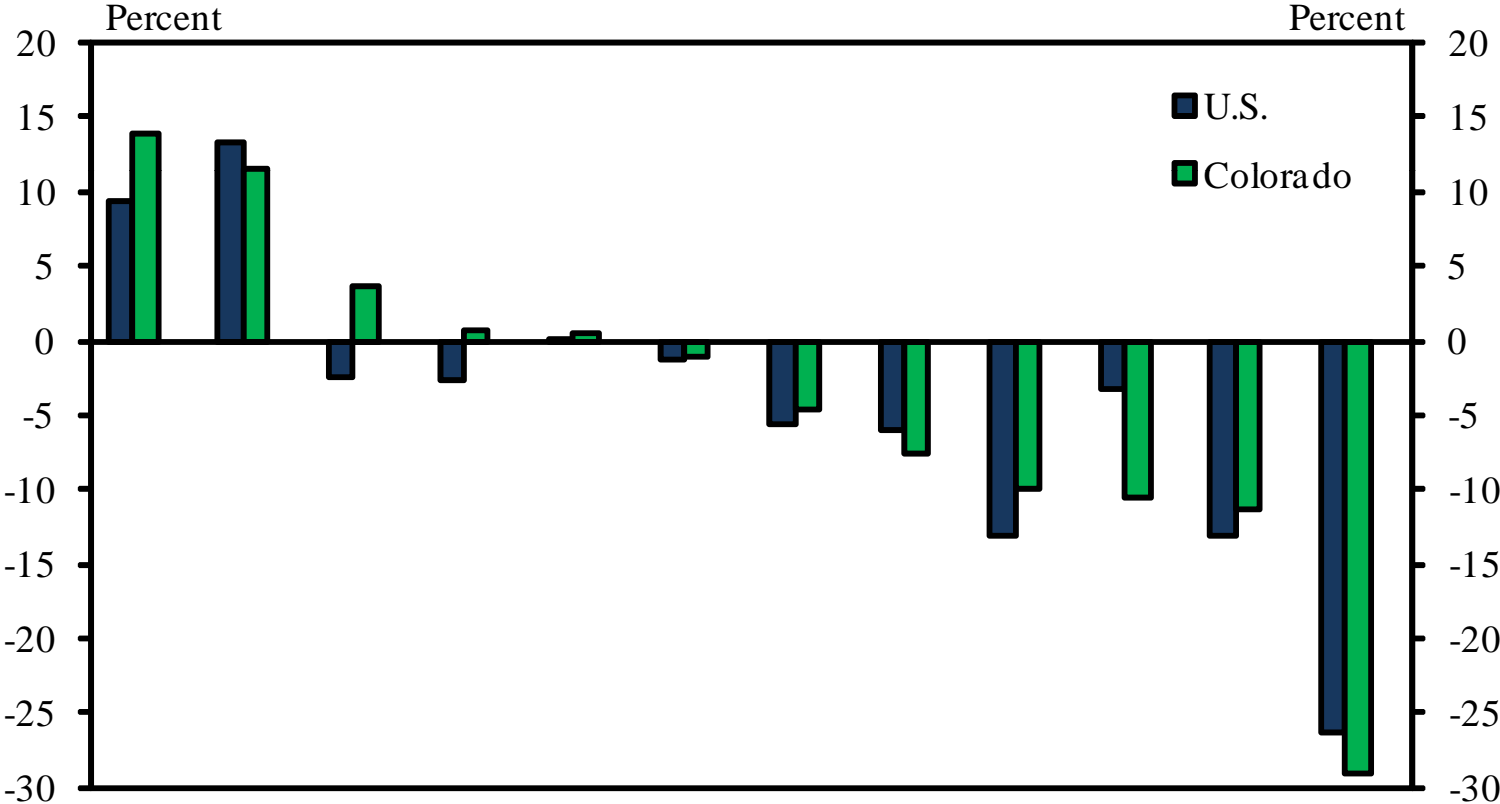


Source: Bureau of Labor Statistics



# Colorado employment is still down more than 10% in the information, manufacturing, transportation, and construction industries.

**Employment Growth by Industry**  
May-12 over Dec-07



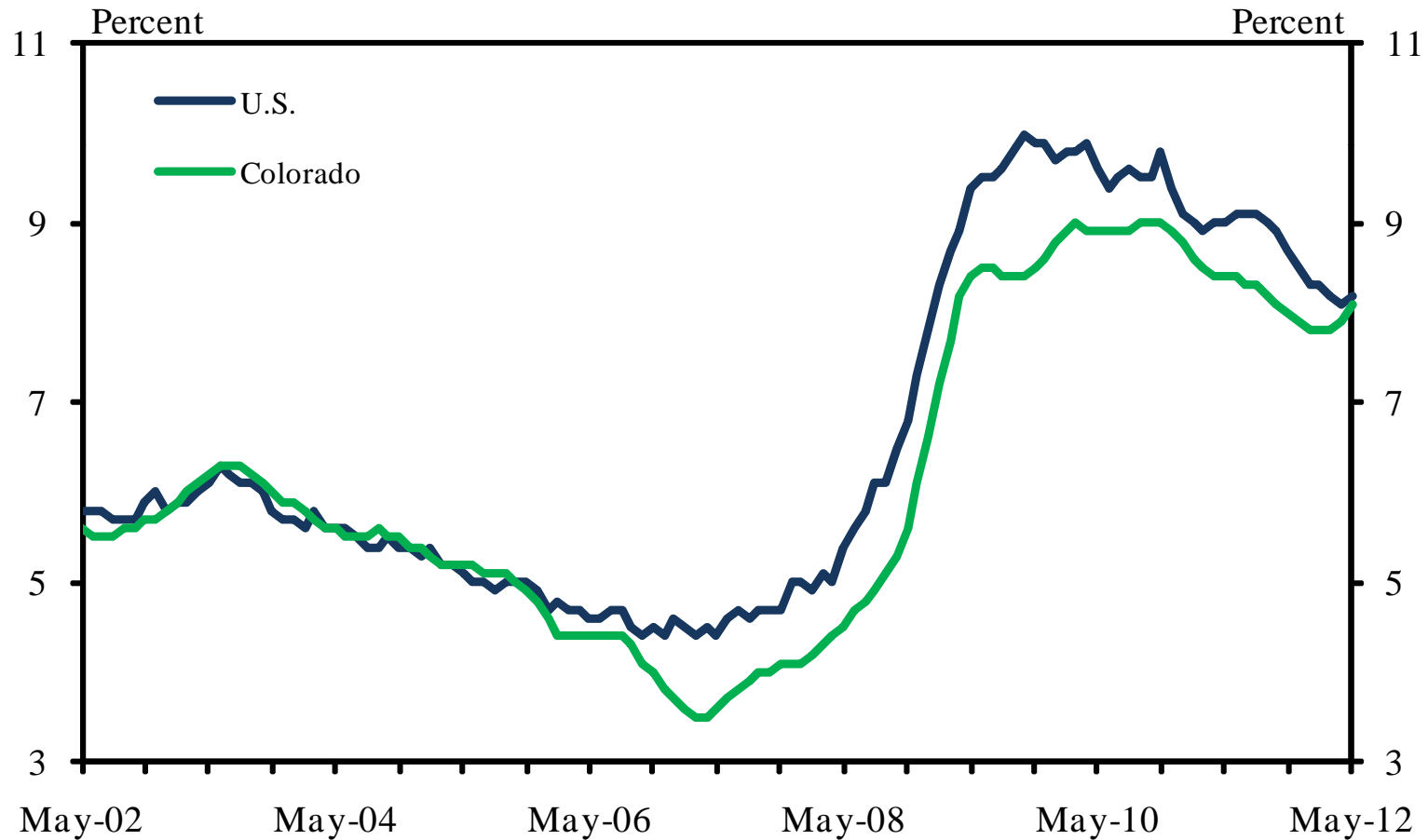
Educ. & Health    Mining    State & Loc. Govt.    Other Serv.    Leis. & Hosp.    Prof. & Busi.    Trade Svcs.    Fin. Svcs.    Manuf.    Trans. & Util.    Info    Constr.

Source: Bureau of Labor Statistics



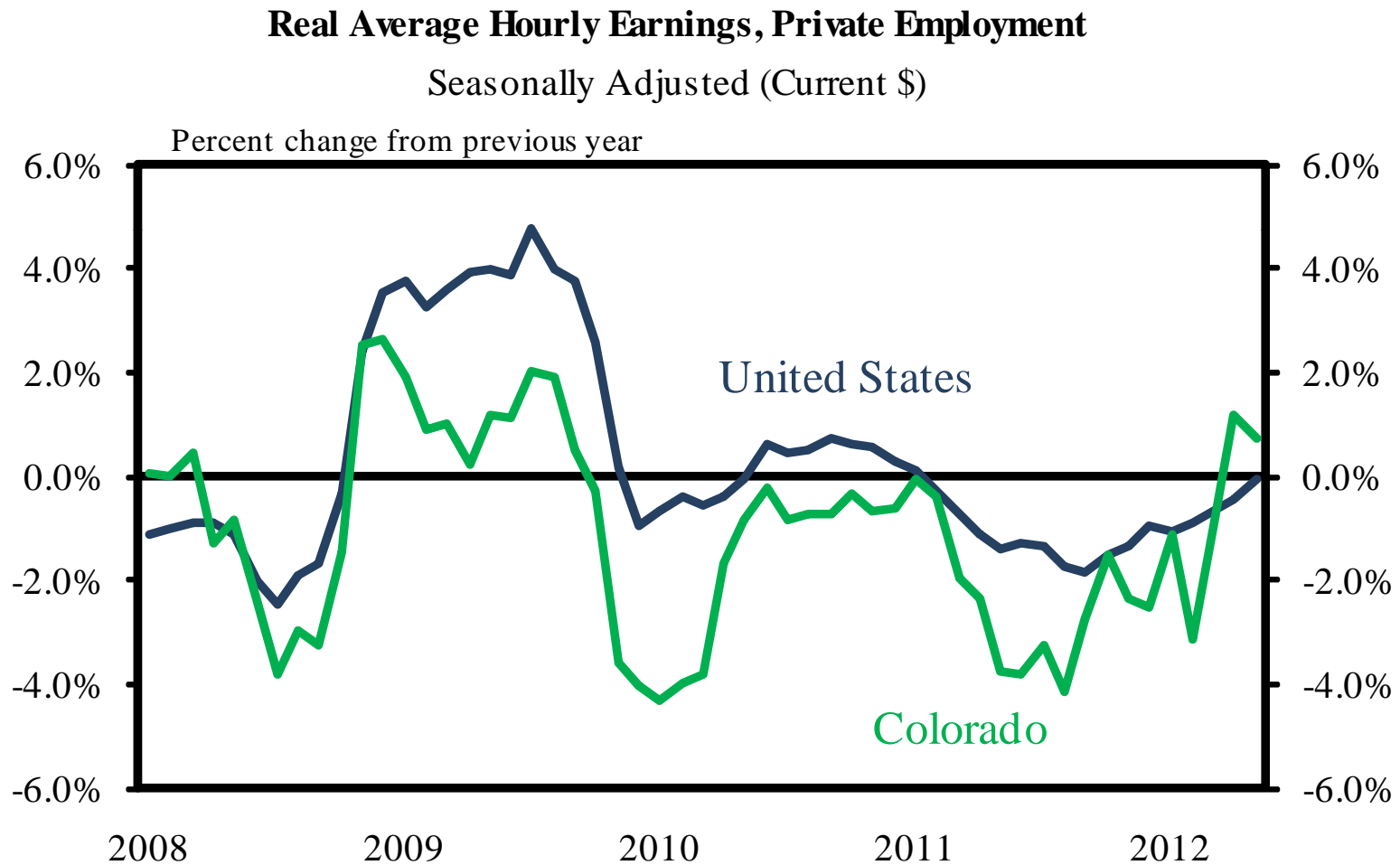
The Colorado unemployment rate is below its peak rate but has increased over last two months.

**Unemployment Rate**  
Seasonally adjusted



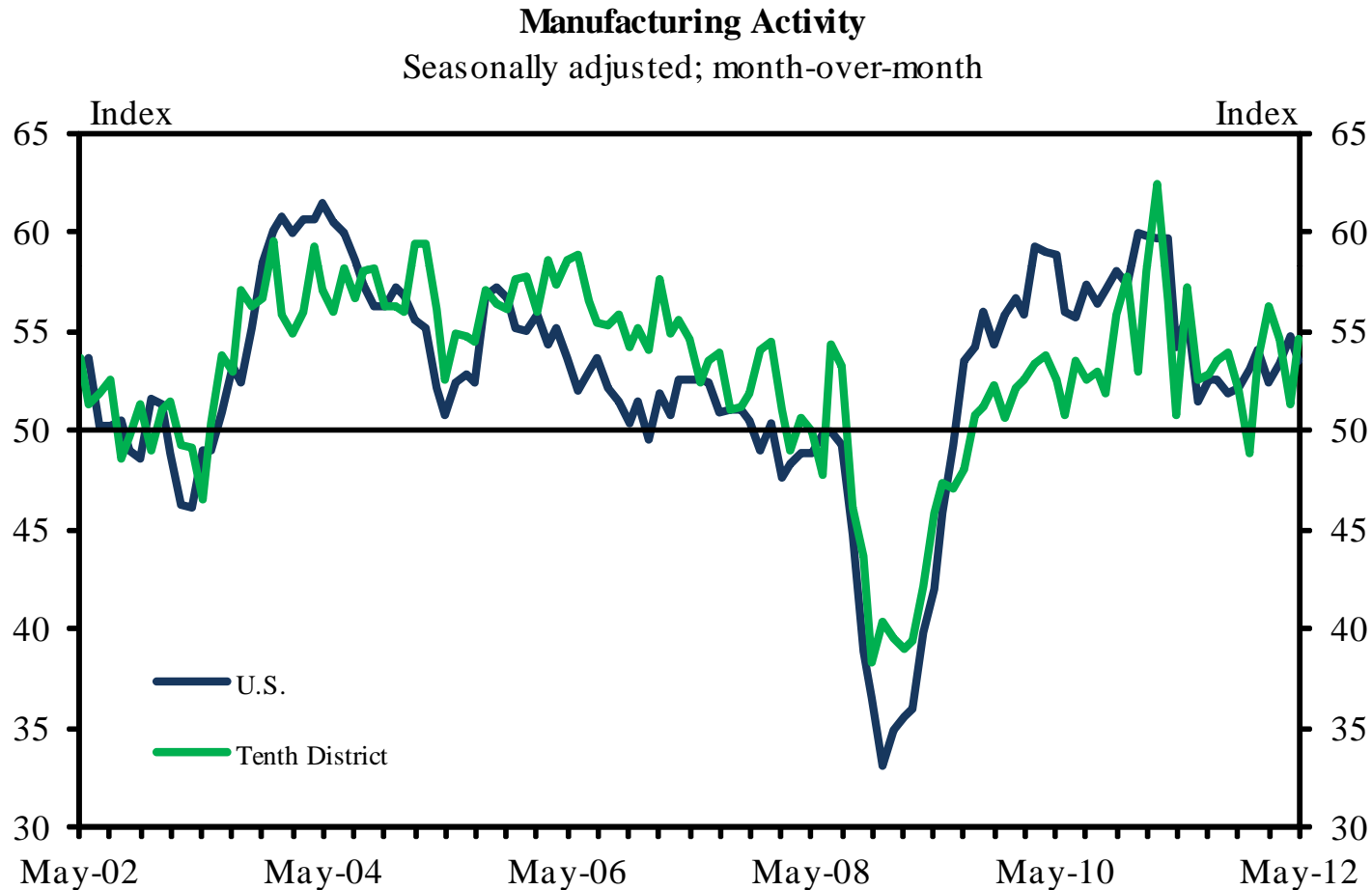
Source: Bureau of Labor Statistics

After real wage declines in 2010 and 2011, real earnings are now above year-ago levels.



Source: Bureau of Labor Statistics

# The manufacturing sector has been expanding for over two years.

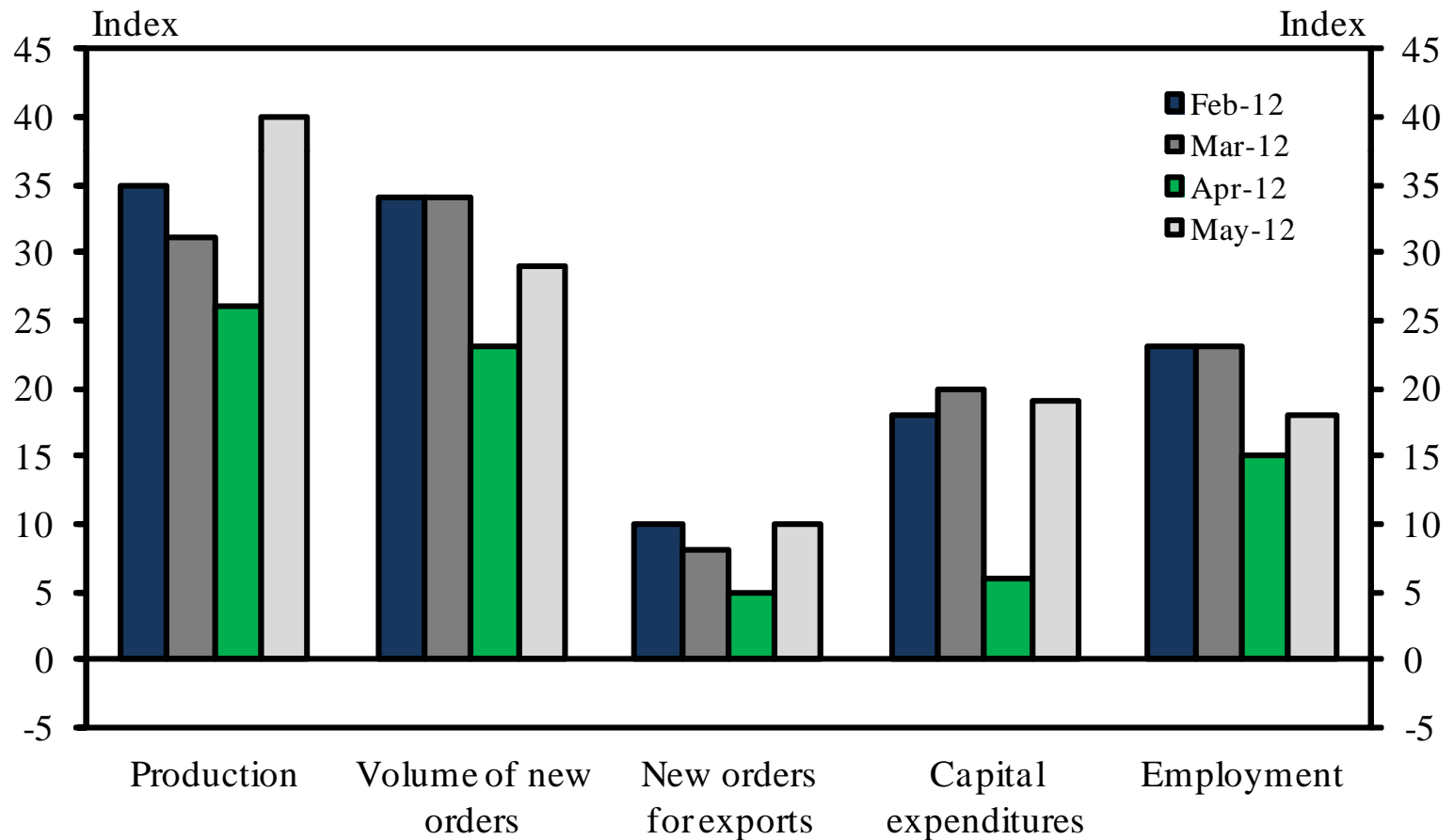


Sources: ISM, FRBKC Manufacturing Survey

Note: 10J index is computed on ISM basis (50 = zero change)

# Manufacturers in the Tenth District expect higher levels of activity over the next six months.

**Tenth District Manufacturing Expectations**  
Seasonally adjusted; six months ahead

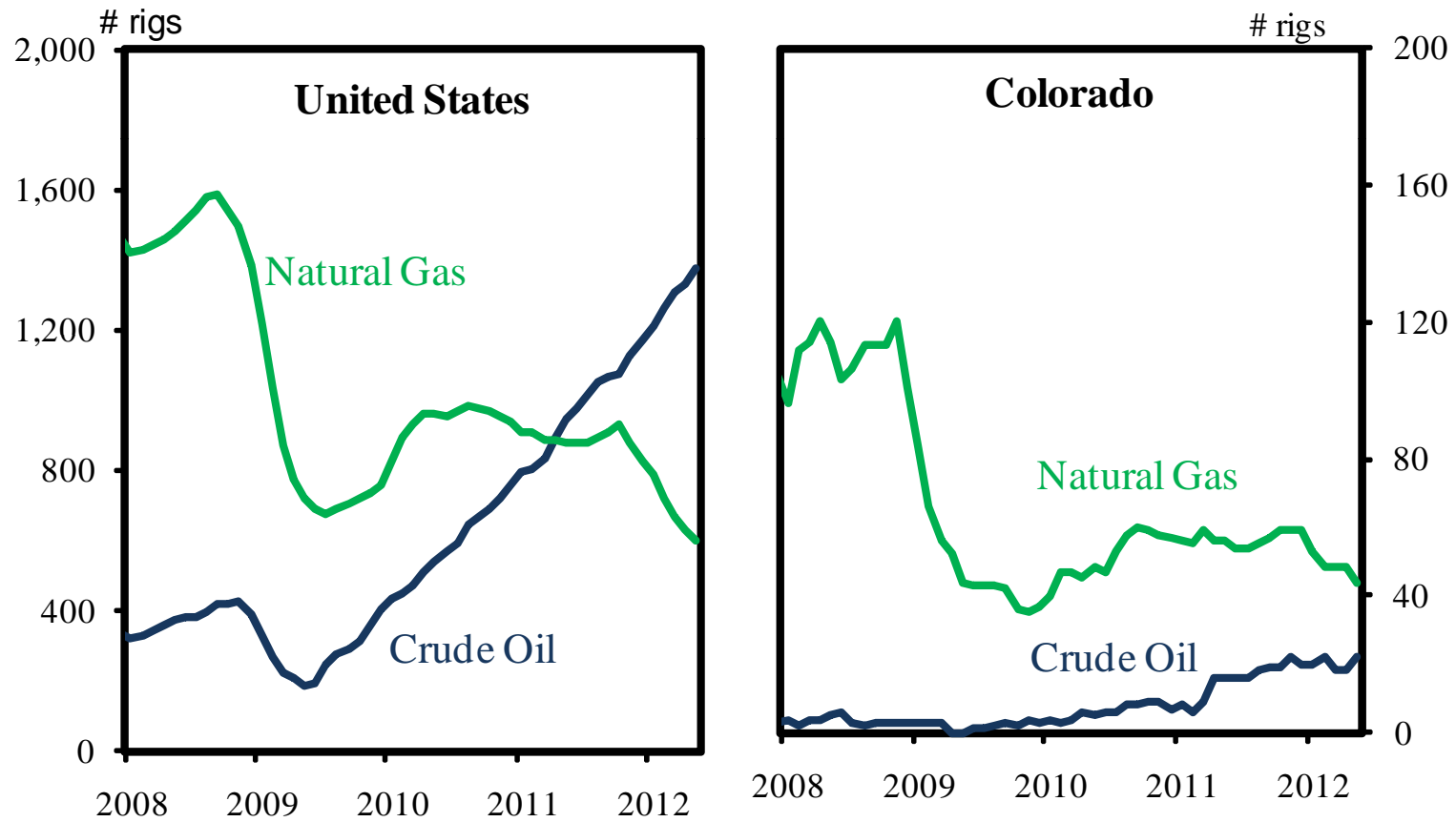


Source: FRBKC Manufacturing Survey



# Drilling activity is responding to prices with oil drilling up and natural gas drilling down.

U.S. and Colorado Drilling Rig Counts

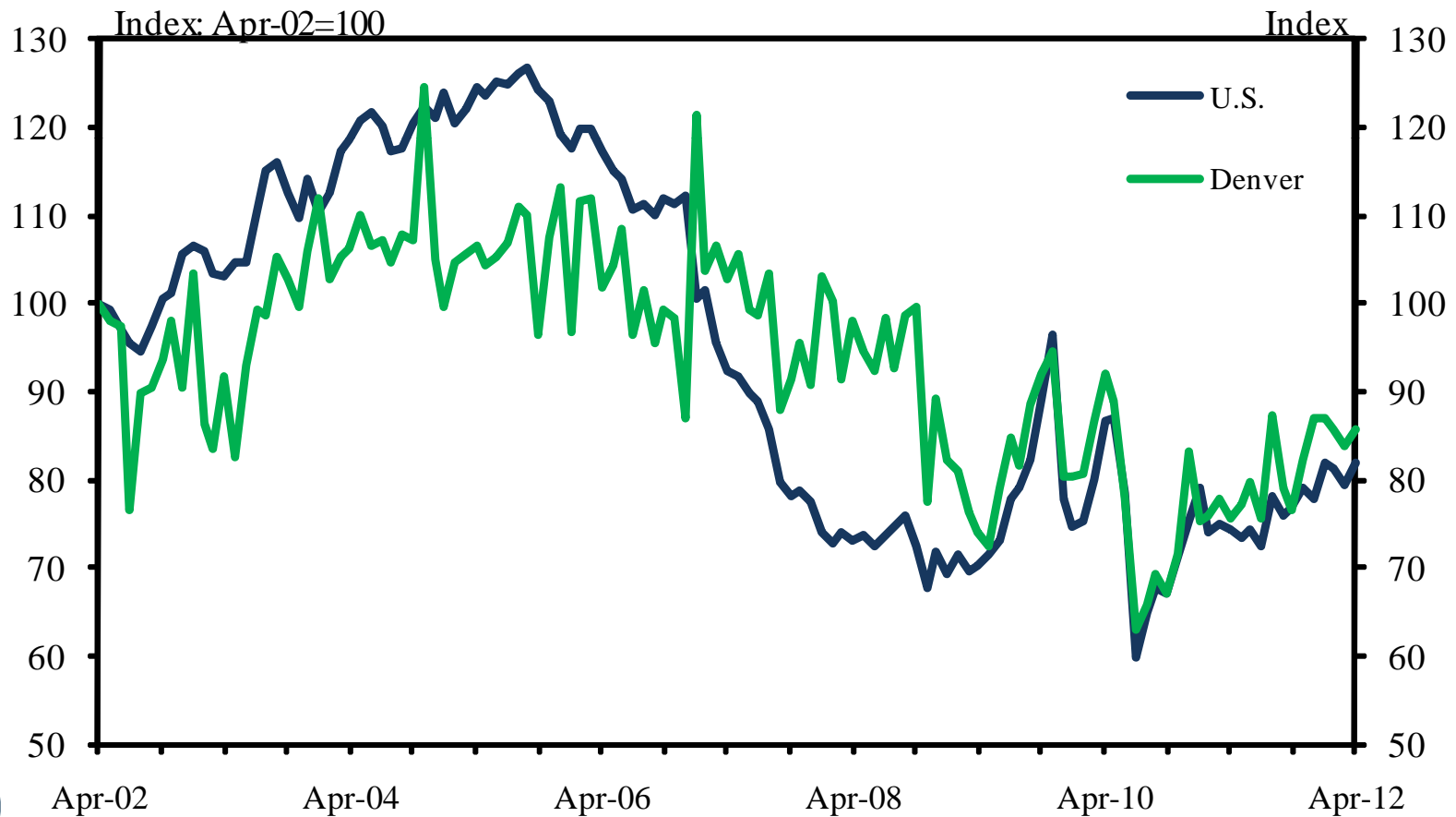


Source: U.S. Department of Energy, Energy Information Administration and Baker Hughes



# Home sales continue to increase but remain below pre-recession levels.

**Existing Home Sales**  
Seasonally adjusted

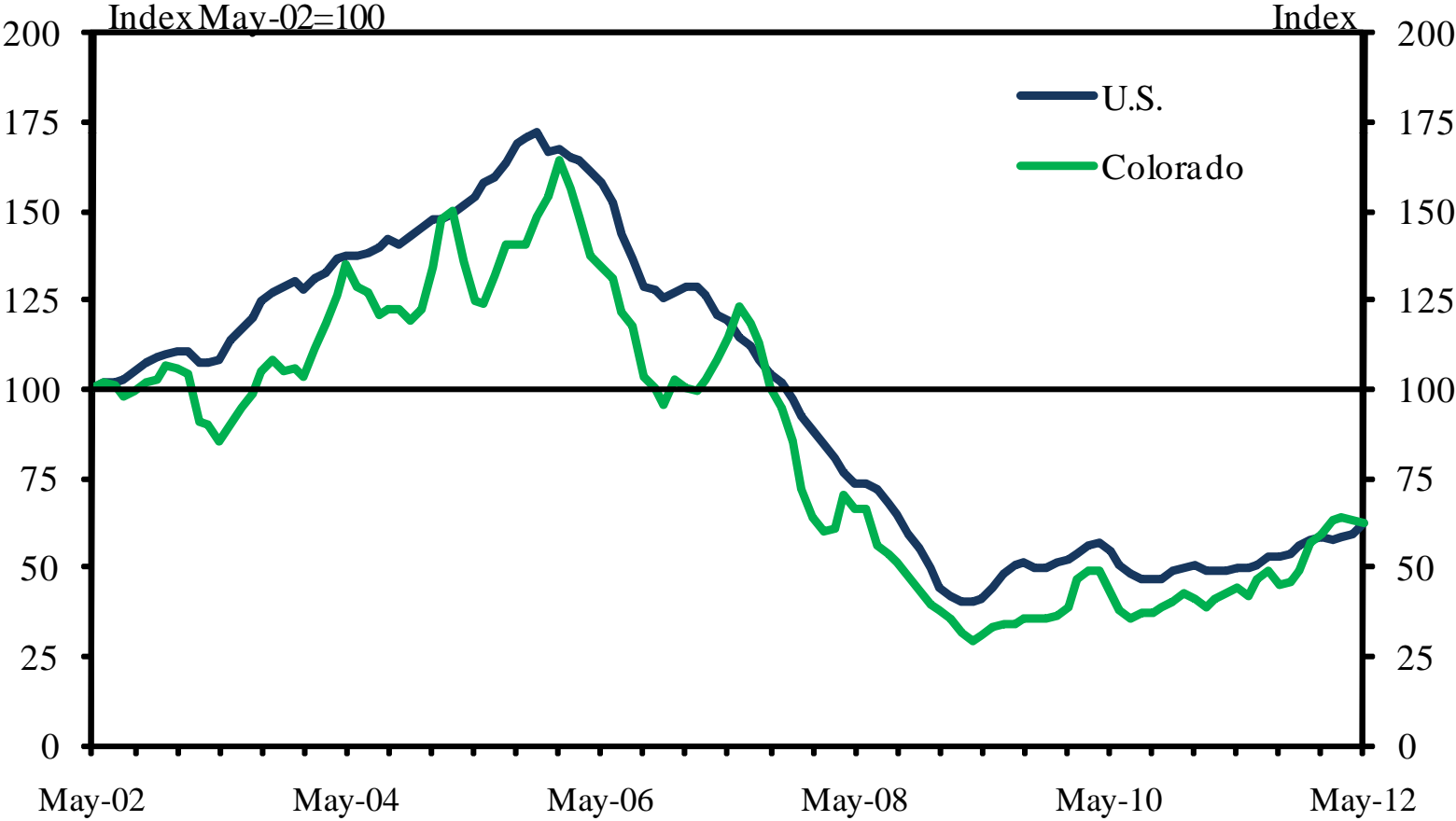


Source: NAR and Kansas City Regional Association of Realtors

# Residential construction activity is increasing from weak levels.

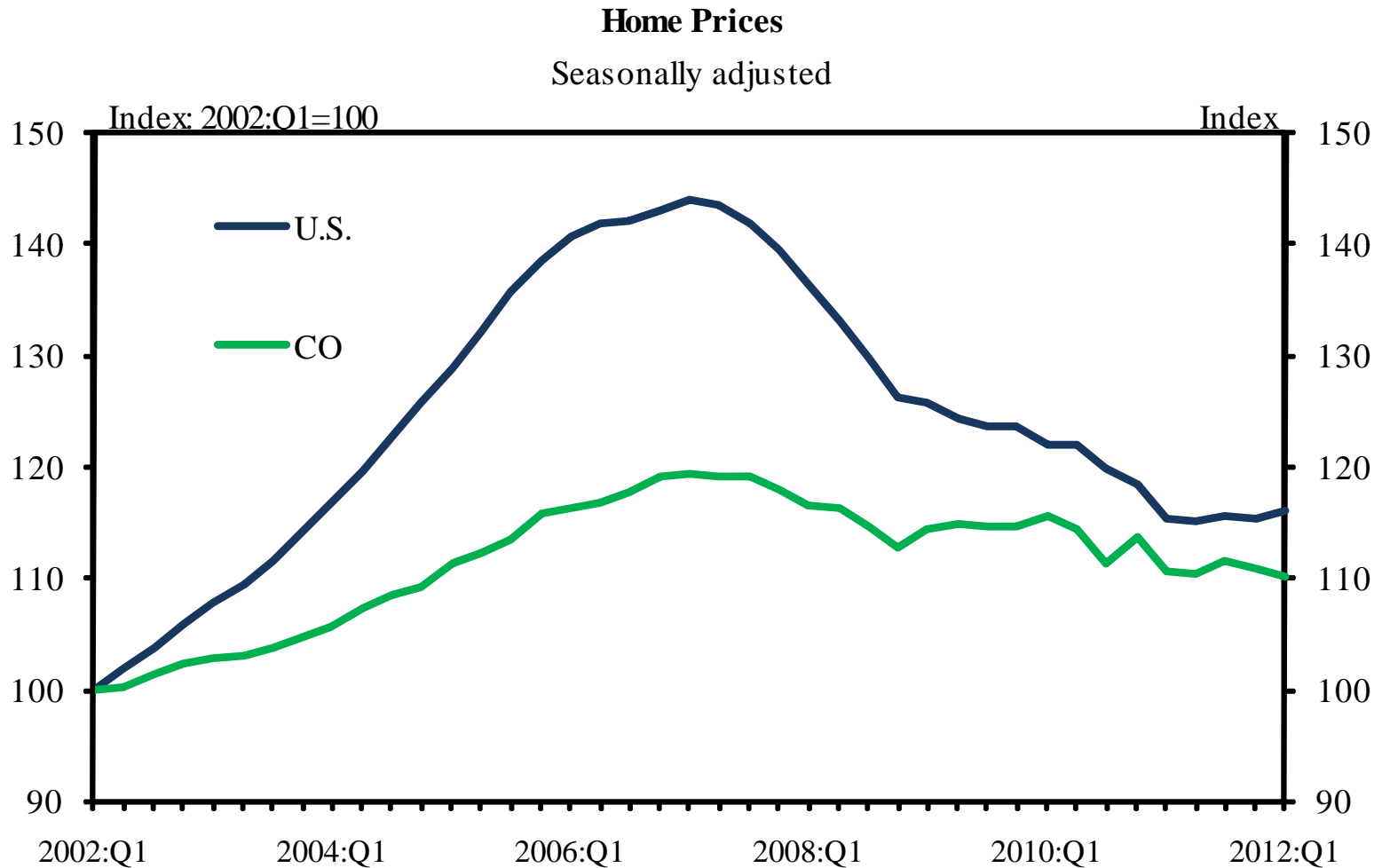
## Value of Residential Construction Contracts

Seasonally adjusted, 3 mo. moving avg.



Source: FW Dodge

Home prices in Colorado have held up much better than in the nation over the past few years.

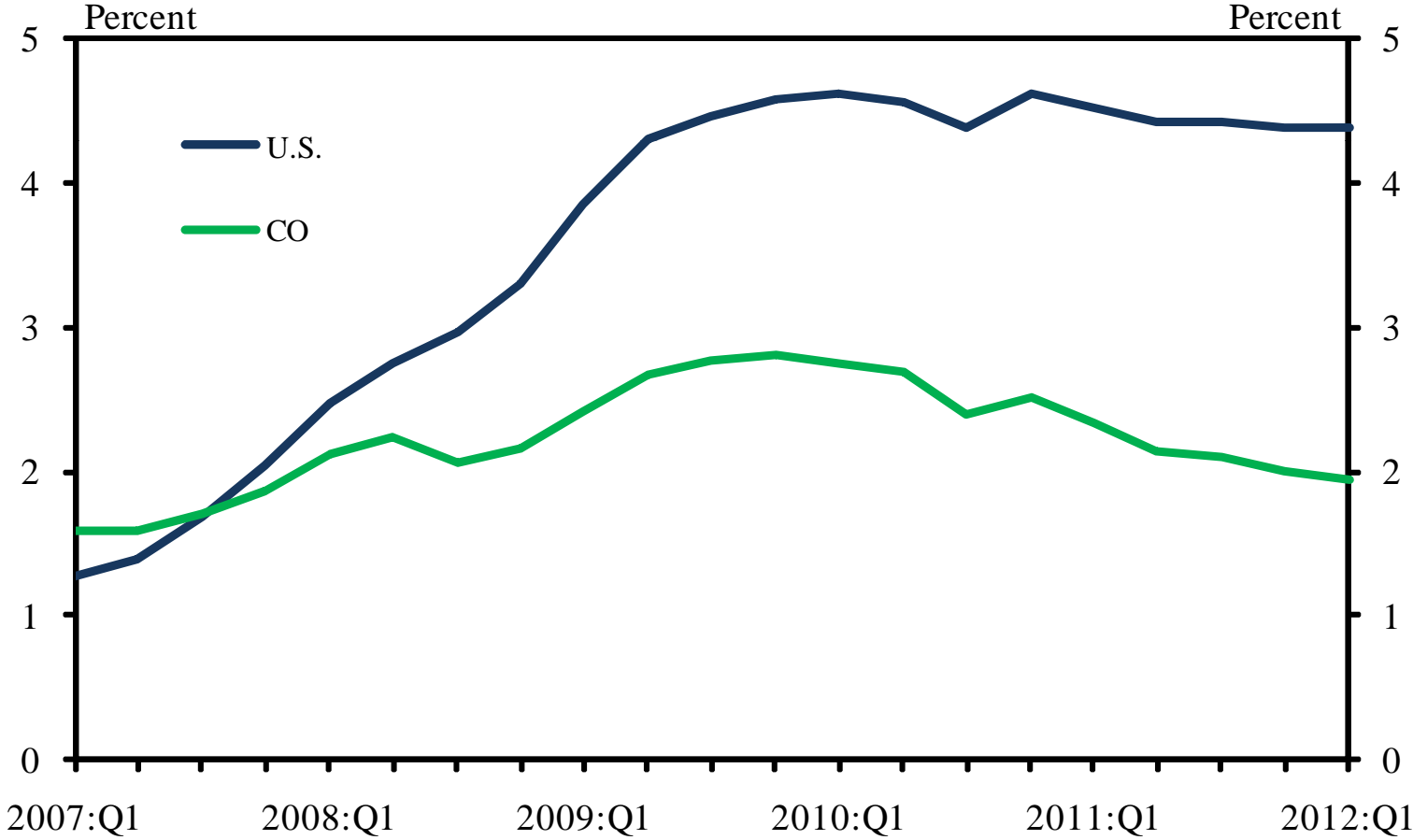


Source: FHFA - purchase only index



# Foreclosure rates in Colorado are much lower than national rates.

Foreclosure Rate

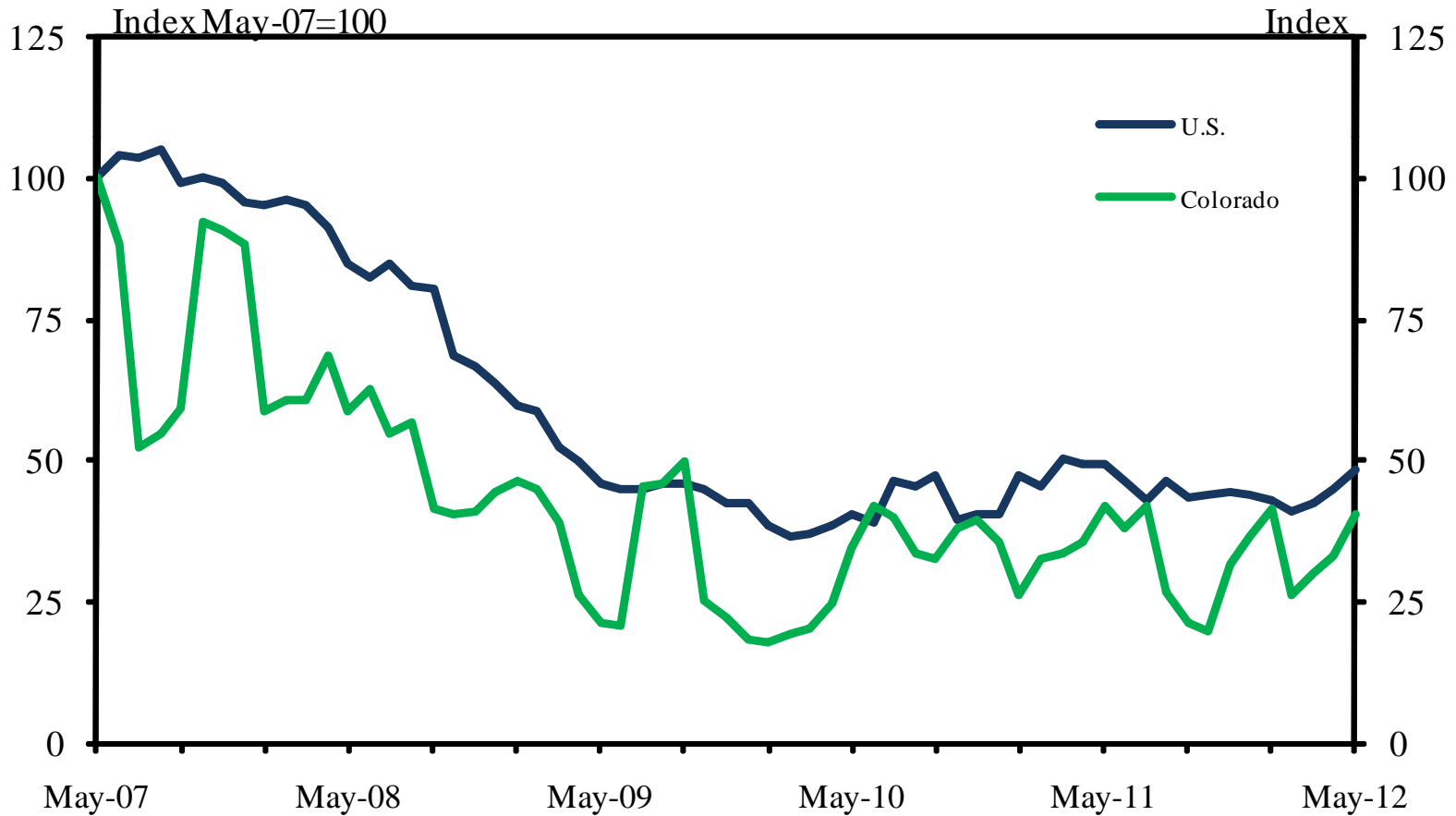


Source: Mortgage Bankers Association



# Commercial construction activity has been slow to recovery in Colorado and the U.S.

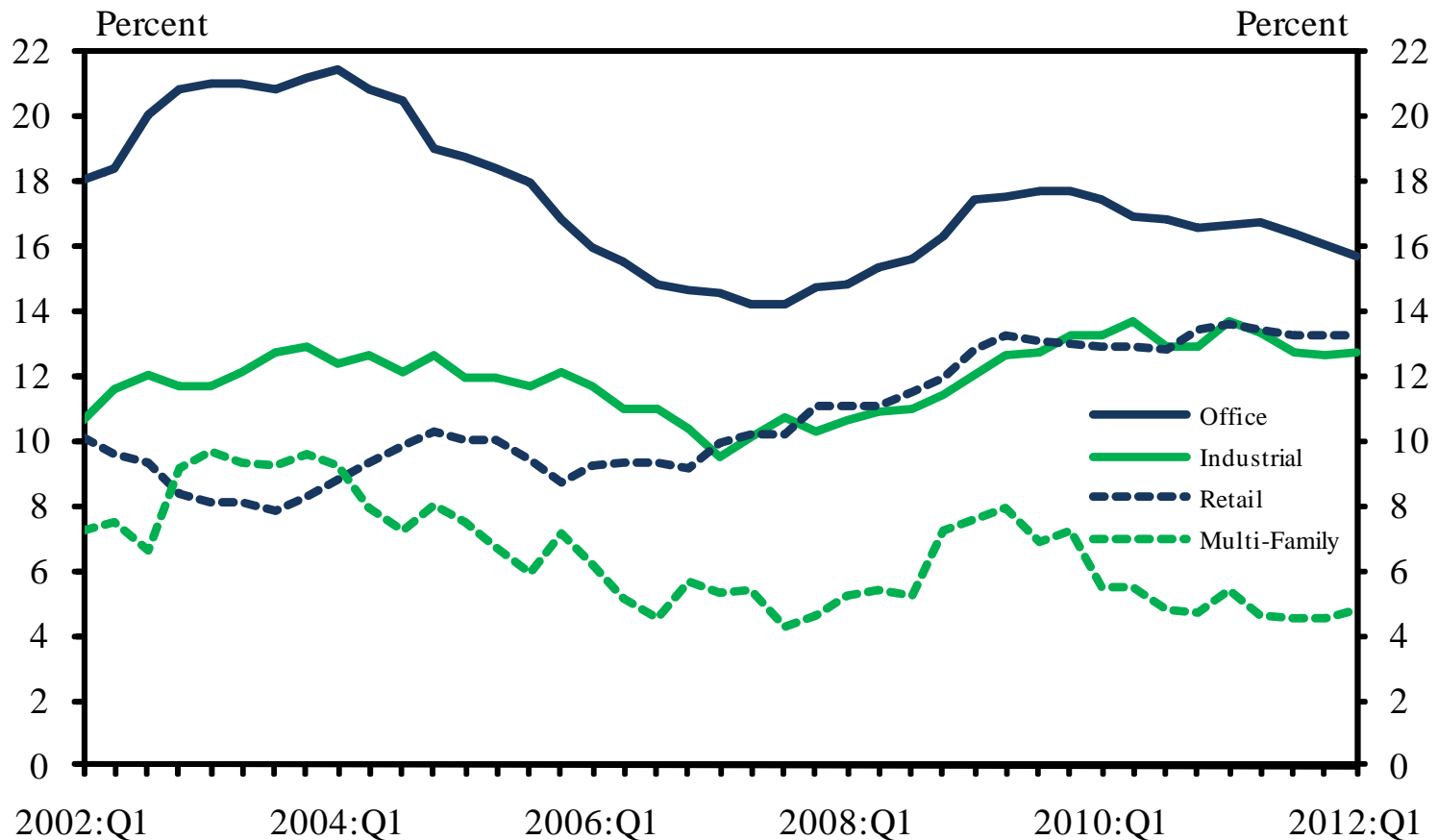
**Value of Commercial Construction Contracts**  
Seasonally adjusted, 3-month moving average



Source: FW Dodge

# Commercial vacancy rates have fallen over the past year in Denver.

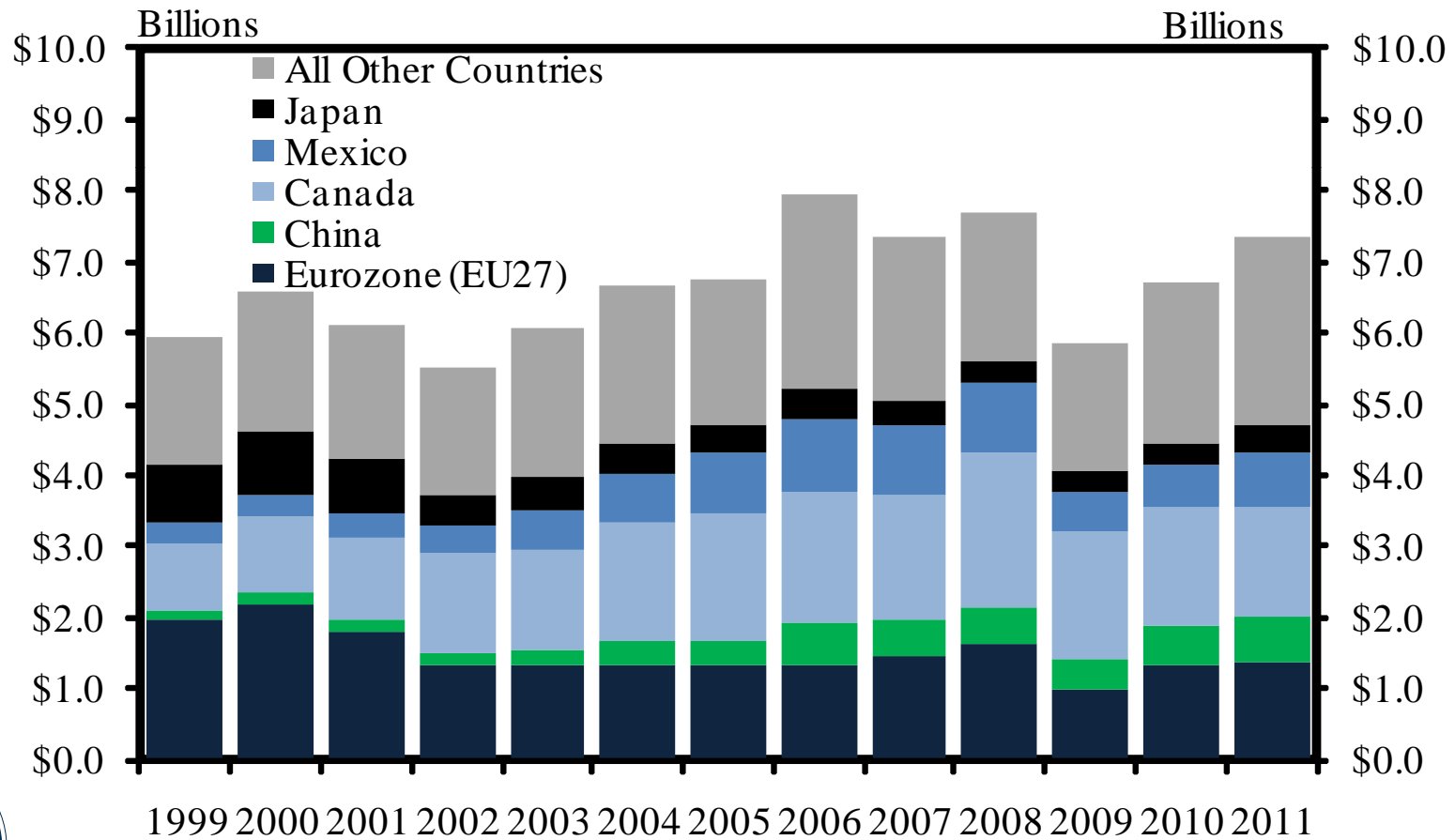
Denver Commercial Vacancy Rates



Source: Torto-Wheaton Research

# Exports to Europe make up almost 19% of all Colorado exports.

Colorado Exports



Source: U.S. Census Bureau.





# Conclusions

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- The U.S. and Colorado economies are expected to continue to recover at a moderate pace with broad-based employment gains and rebounding housing market activity.
- However, there continue to be risks to the recovery including uncertainty about the European debt crisis and fiscal contraction at the Federal level.

