

U.S. & Colorado

Economic Update

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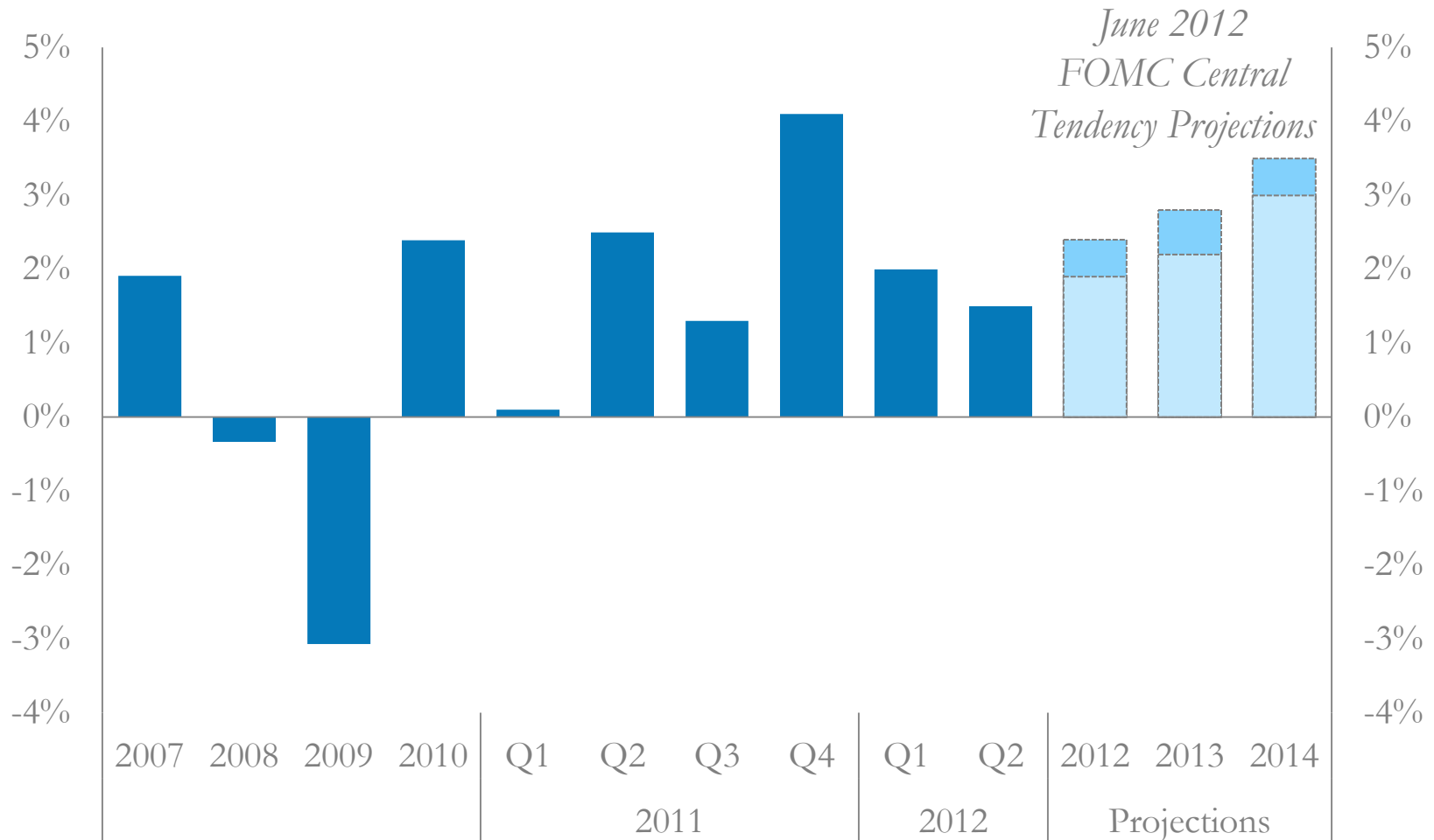


U.S. GDP growth slowed in the second quarter and is expected to continue to grow at a modest pace.



REAL GROSS DOMESTIC PRODUCT (GDP)

Annualized Percent Change from Previous Period

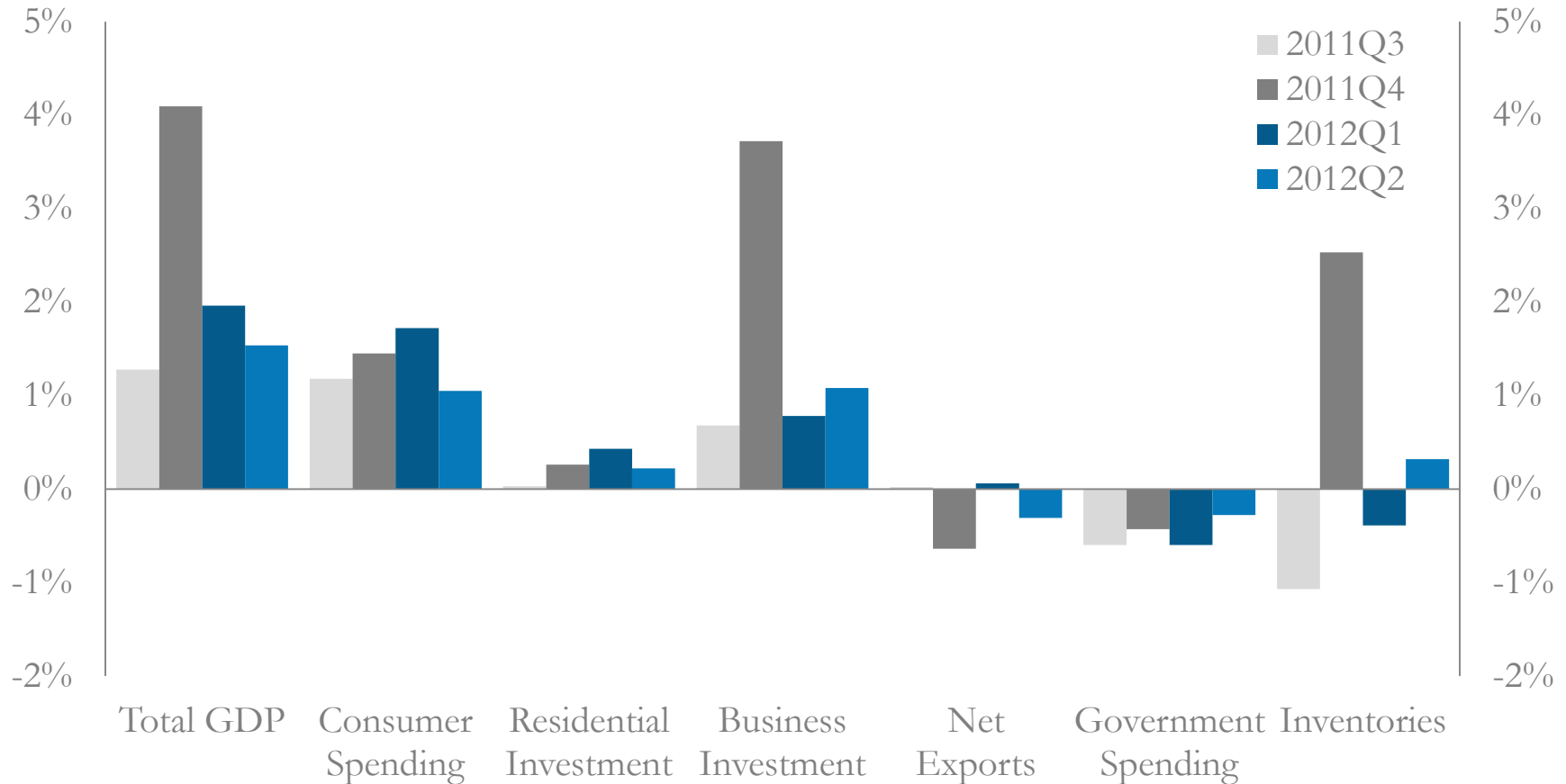


Consumer spending makes up more than 70% of GDP.



CONTRIBUTIONS TO PERCENT CHANGE IN GDP

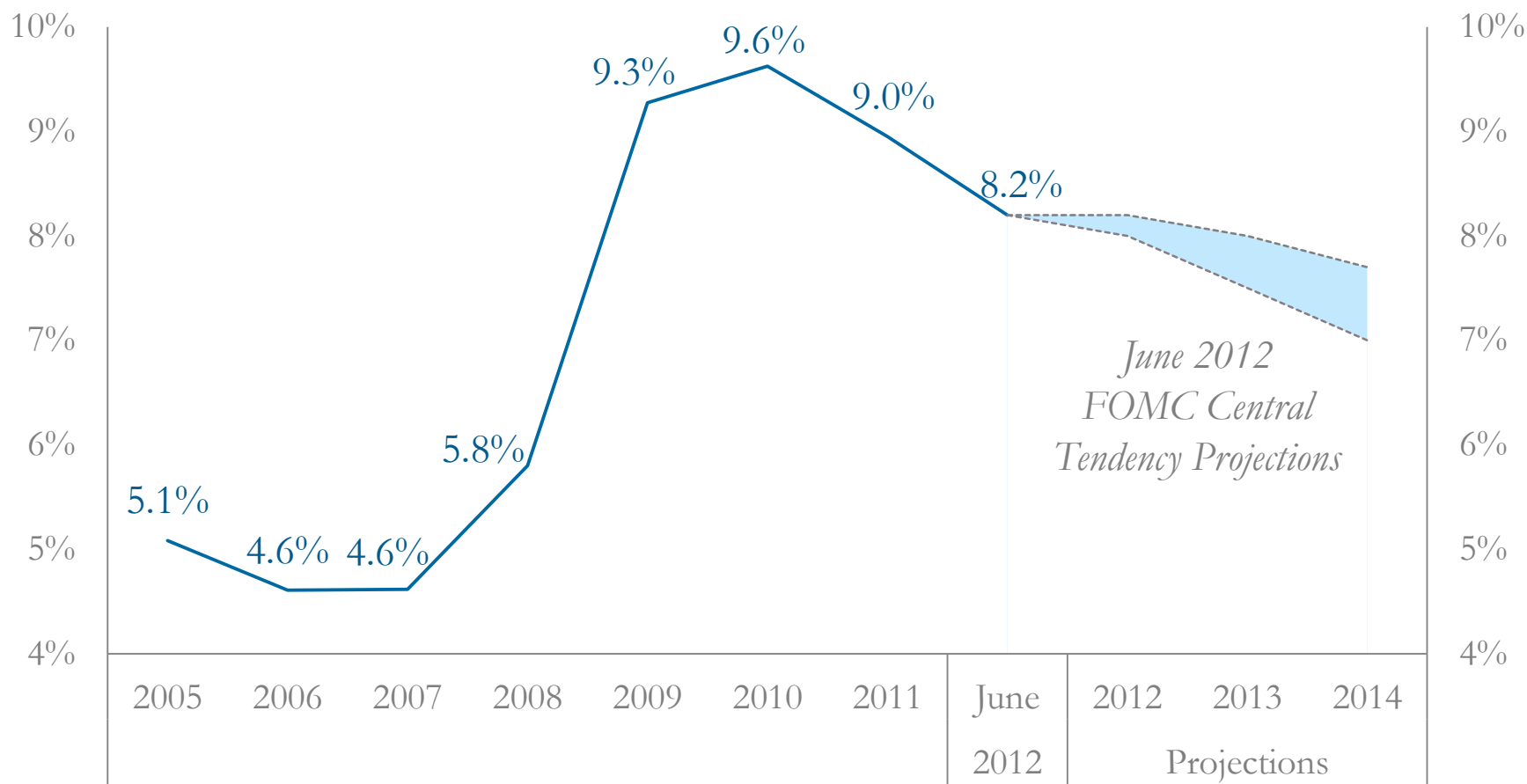
Annualized Percent Change from Previous Period



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



U.S. UNEMPLOYMENT RATE

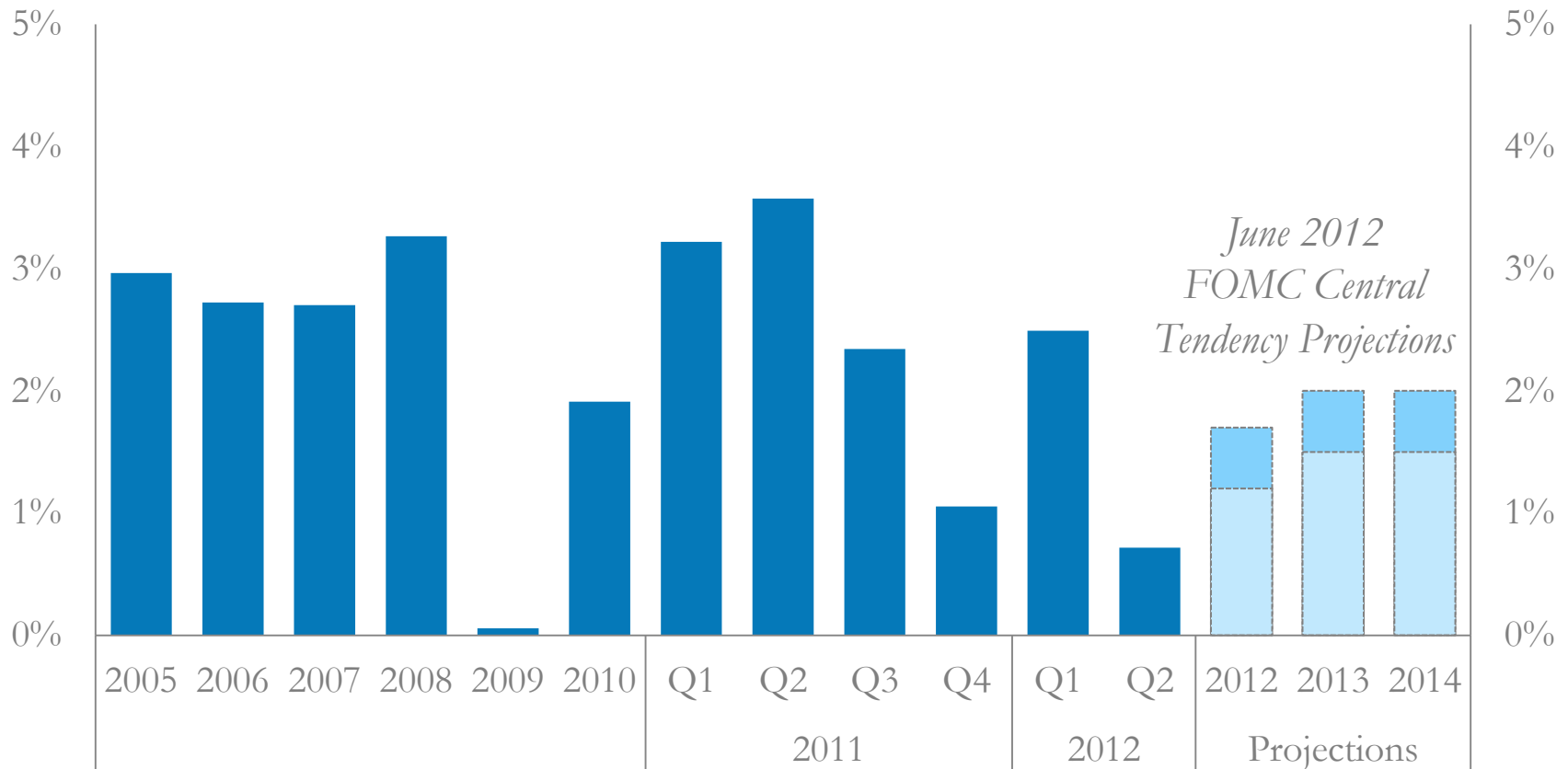


Inflation increased earlier this year but moderated in the second quarter as oil prices fell.



PERSONAL CONSUMPTION EXPENDITURE (PCE) INFLATION

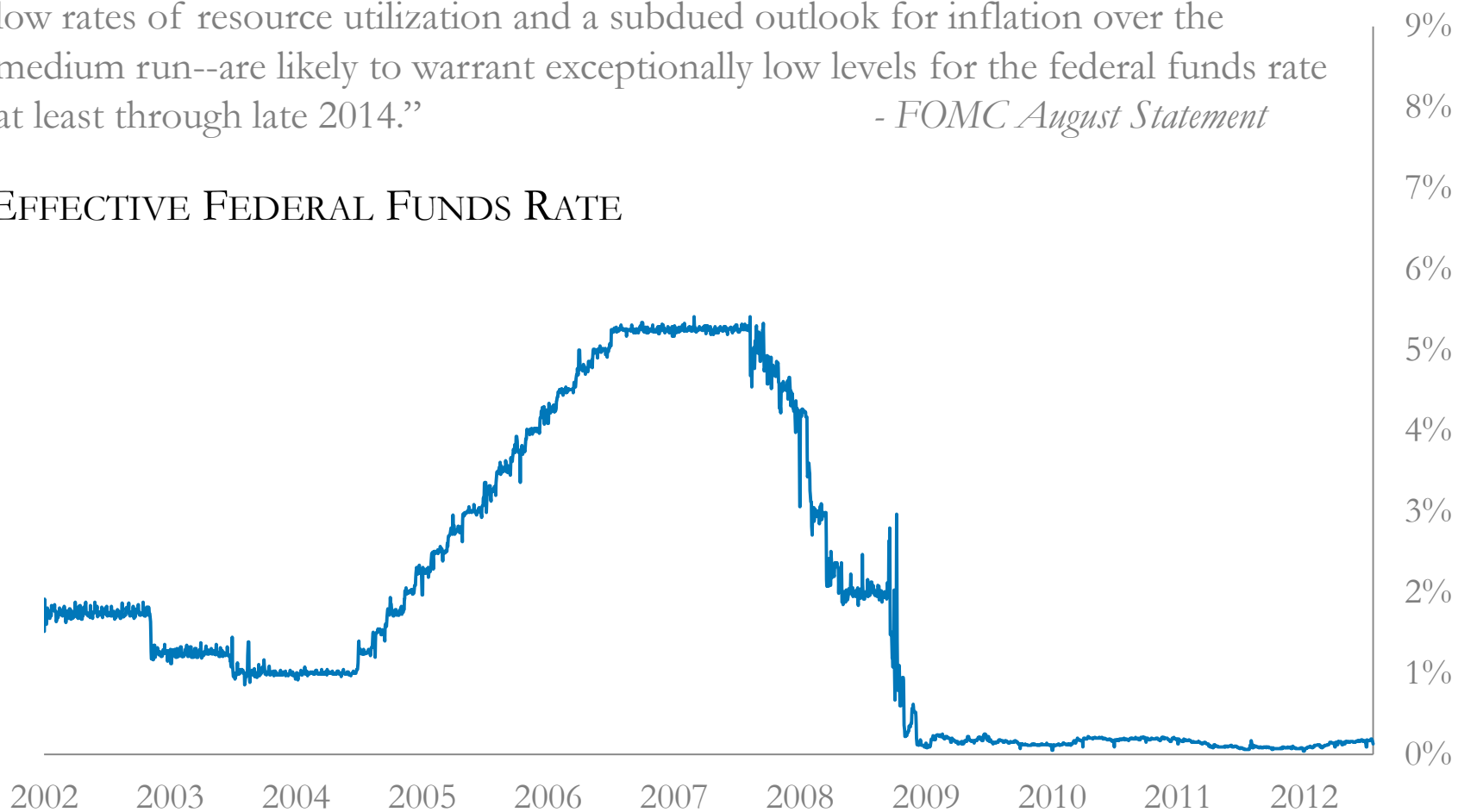
Annualized Percent Change from Previous Period





“...the Committee decided today to keep the target range for the federal funds rate at 0 to 1/4 percent and 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.”
- *FOMC August Statement*

EFFECTIVE FEDERAL FUNDS RATE

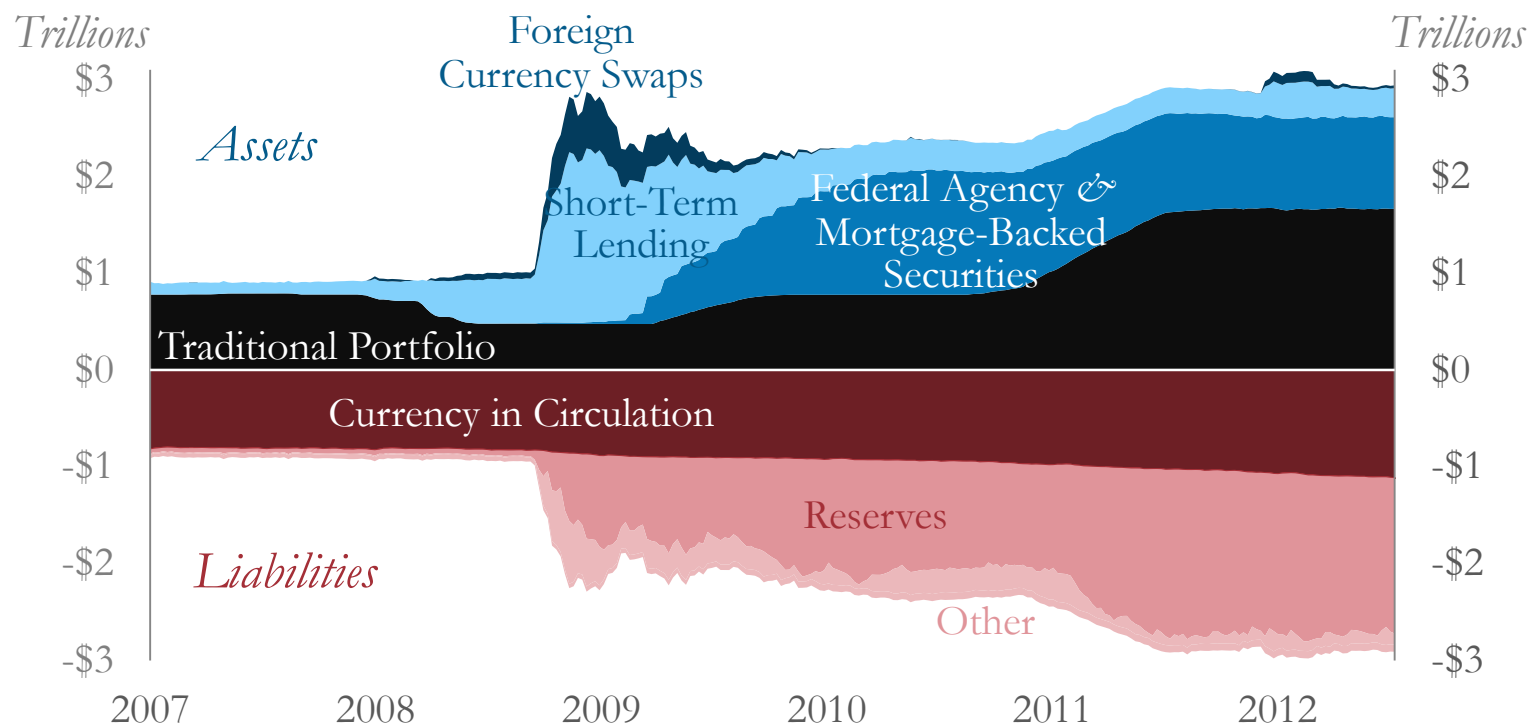




“The Committee also decided to continue through the end of the year its program to extend the average maturity of its holdings of securities as announced in June, and it is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities.”

- FOMC August Statement

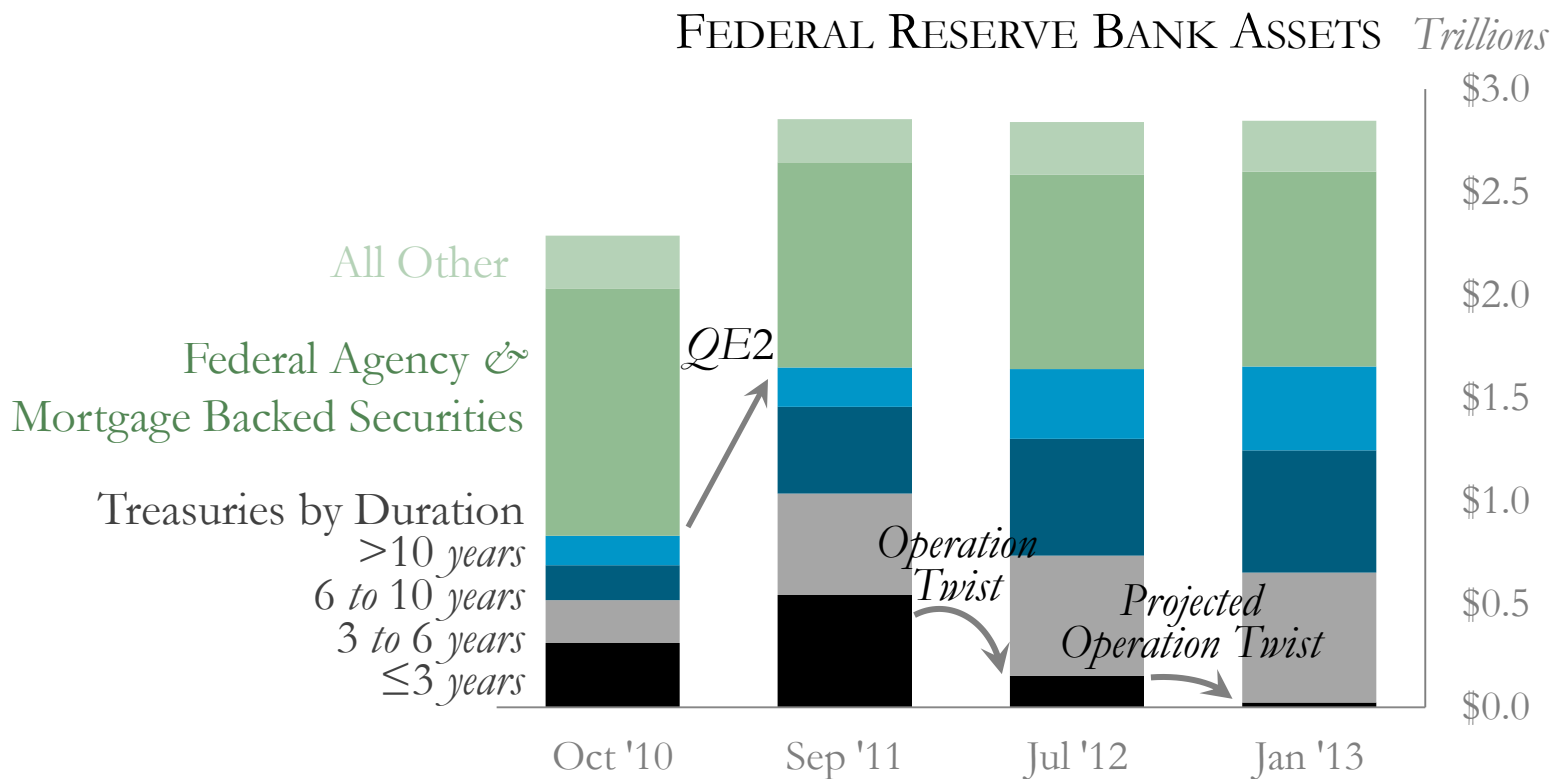
FEDERAL RESERVE BALANCE SHEET





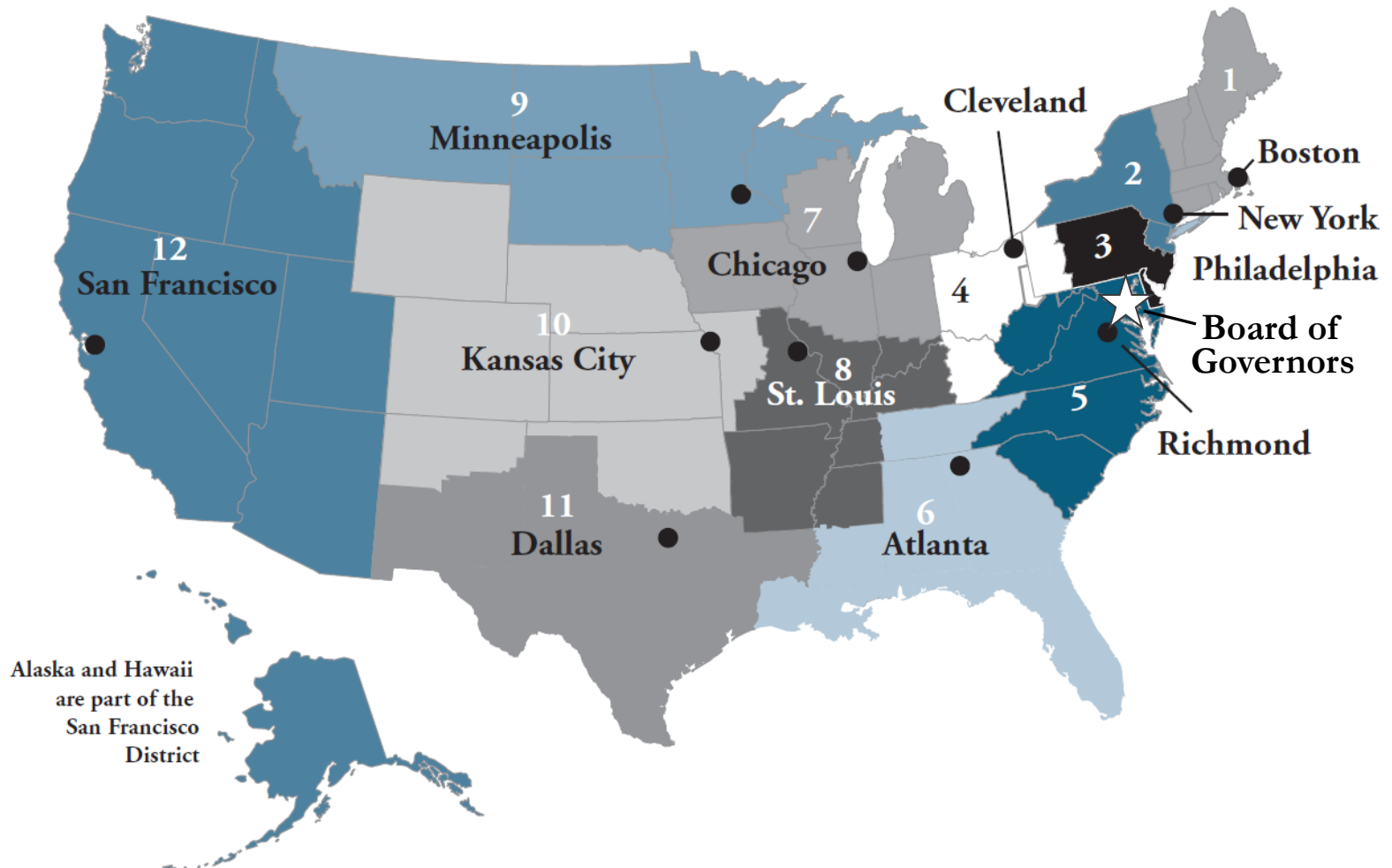
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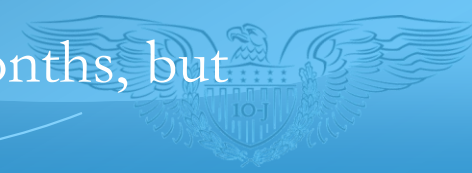




FEDERAL RESERVE BANK DISTRICTS

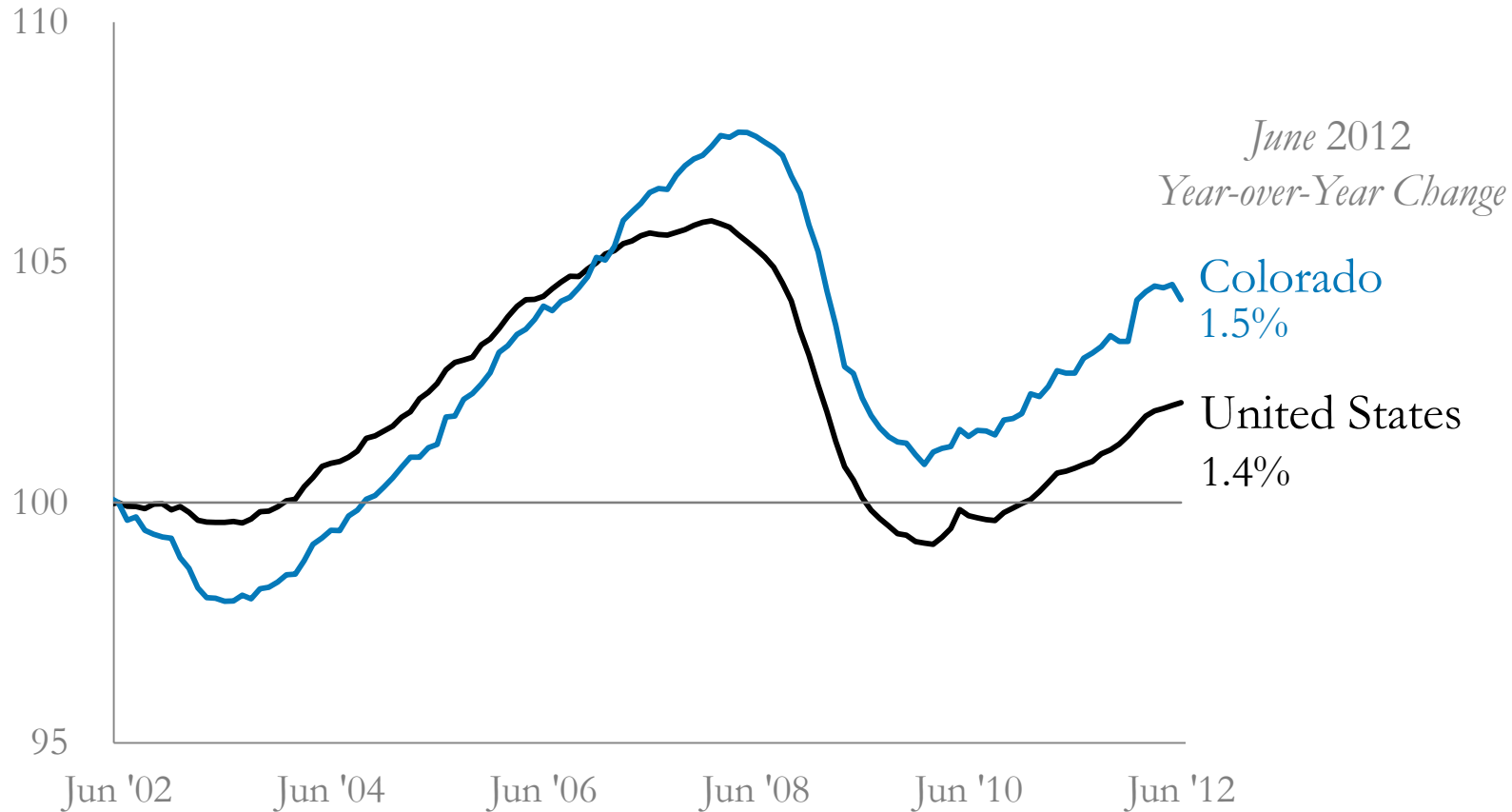


Employment growth has slowed over the past few months, but remains well above year ago levels.



NONFARM EMPLOYMENT GROWTH

Index 100 = June 2002, Seasonally Adjusted

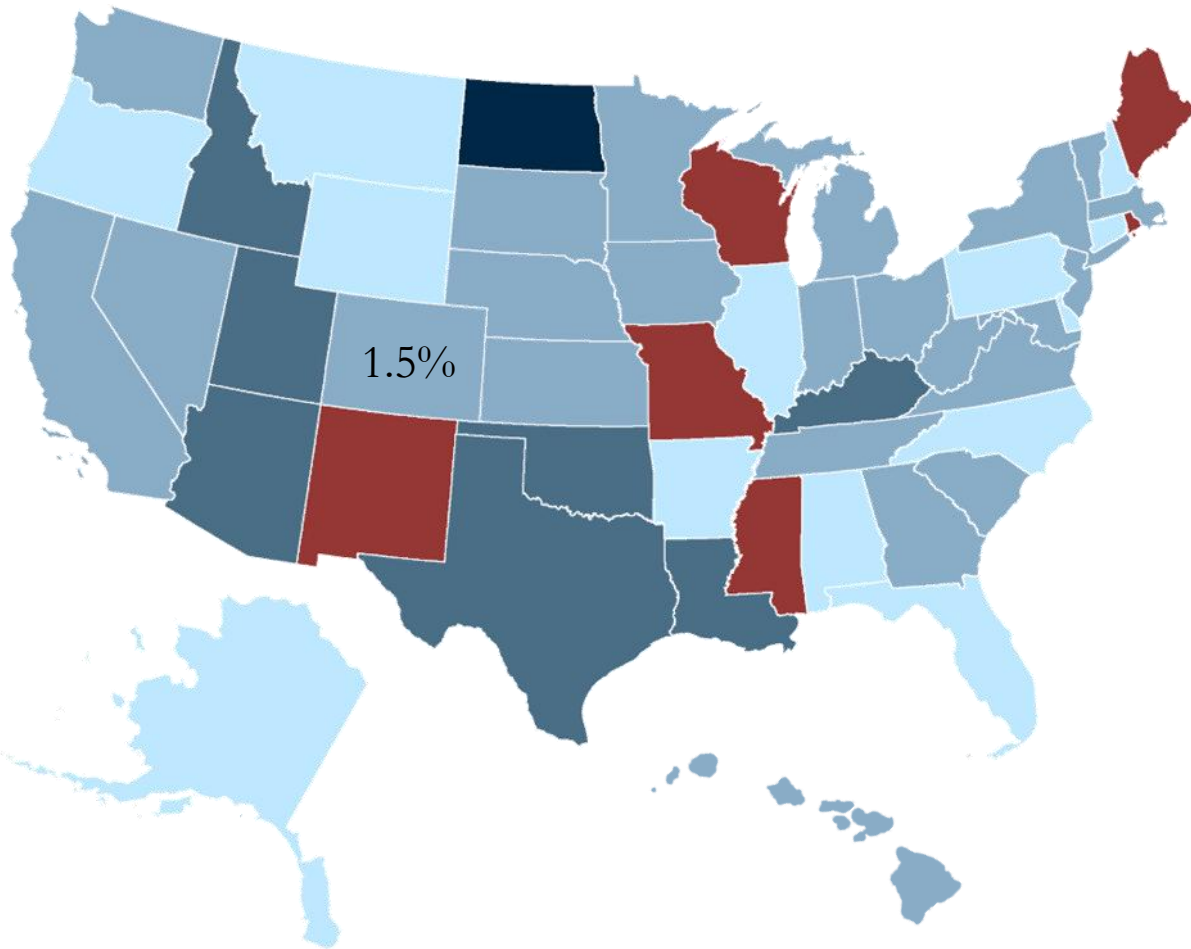




Most states have experienced employment gains over the past year.

NONFARM EMPLOYMENT

Seasonally Adjusted



*June 2012
Year-Over-Year Change*

- More than 3%
- 2 to 3%
- 1 to 2%
- 0 to 1%
- 1 to 0%

*United States
1.4%*

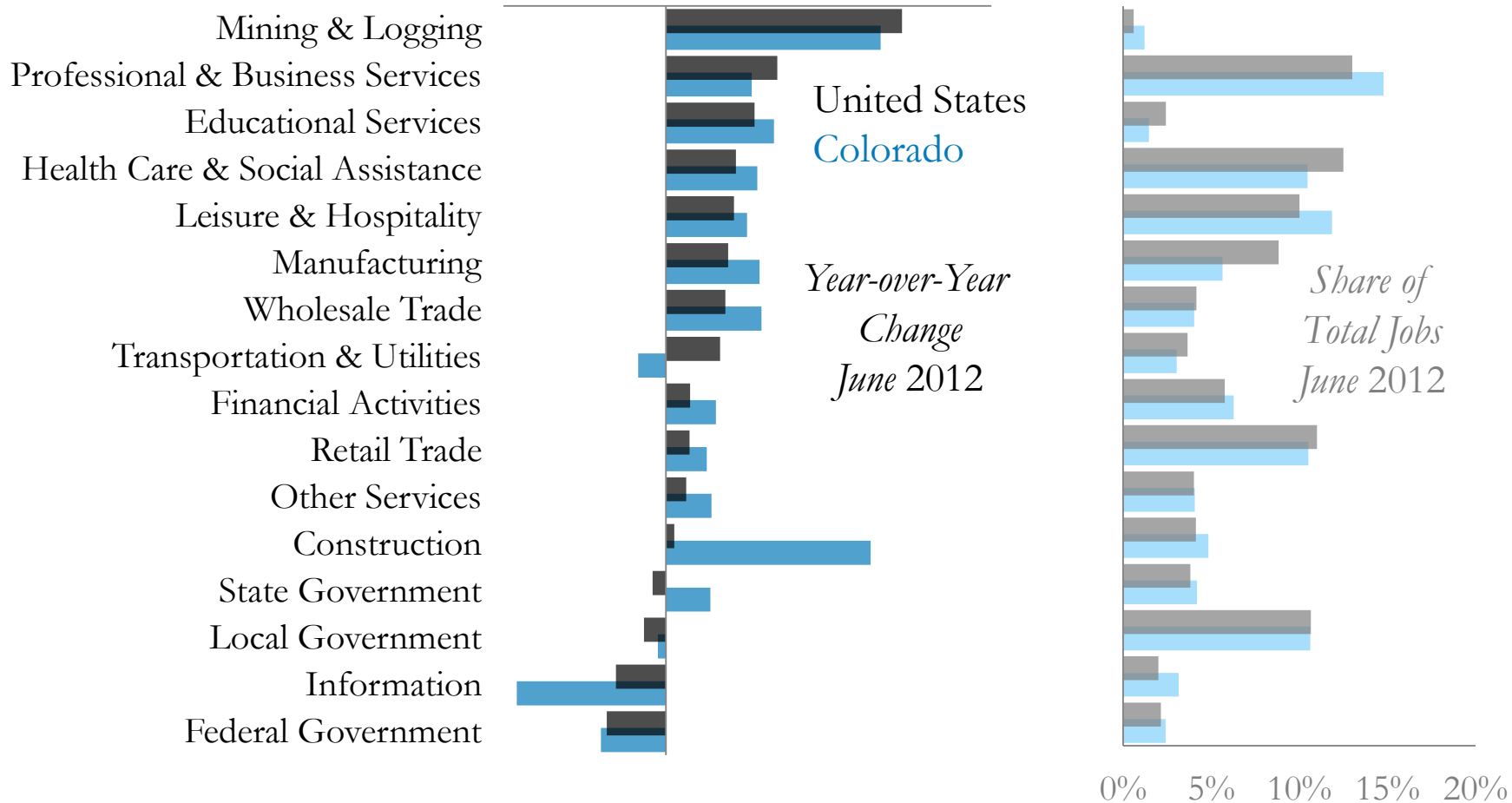
Most industries experienced employment gains over the past year in Colorado and the U.S.



CHANGE IN NONFARM EMPLOYMENT BY INDUSTRY OVER THE PAST YEAR

Seasonally Adjusted

-5% 0% 5% 10%



In Colorado, employment is still down more than 10% in manufacturing, transportation, and construction.



CHANGE IN NONFARM EMPLOYMENT BY INDUSTRY SINCE THE RECESSION STARTED

Seasonally Adjusted

-30% -20% -10% 0% 10% 20%

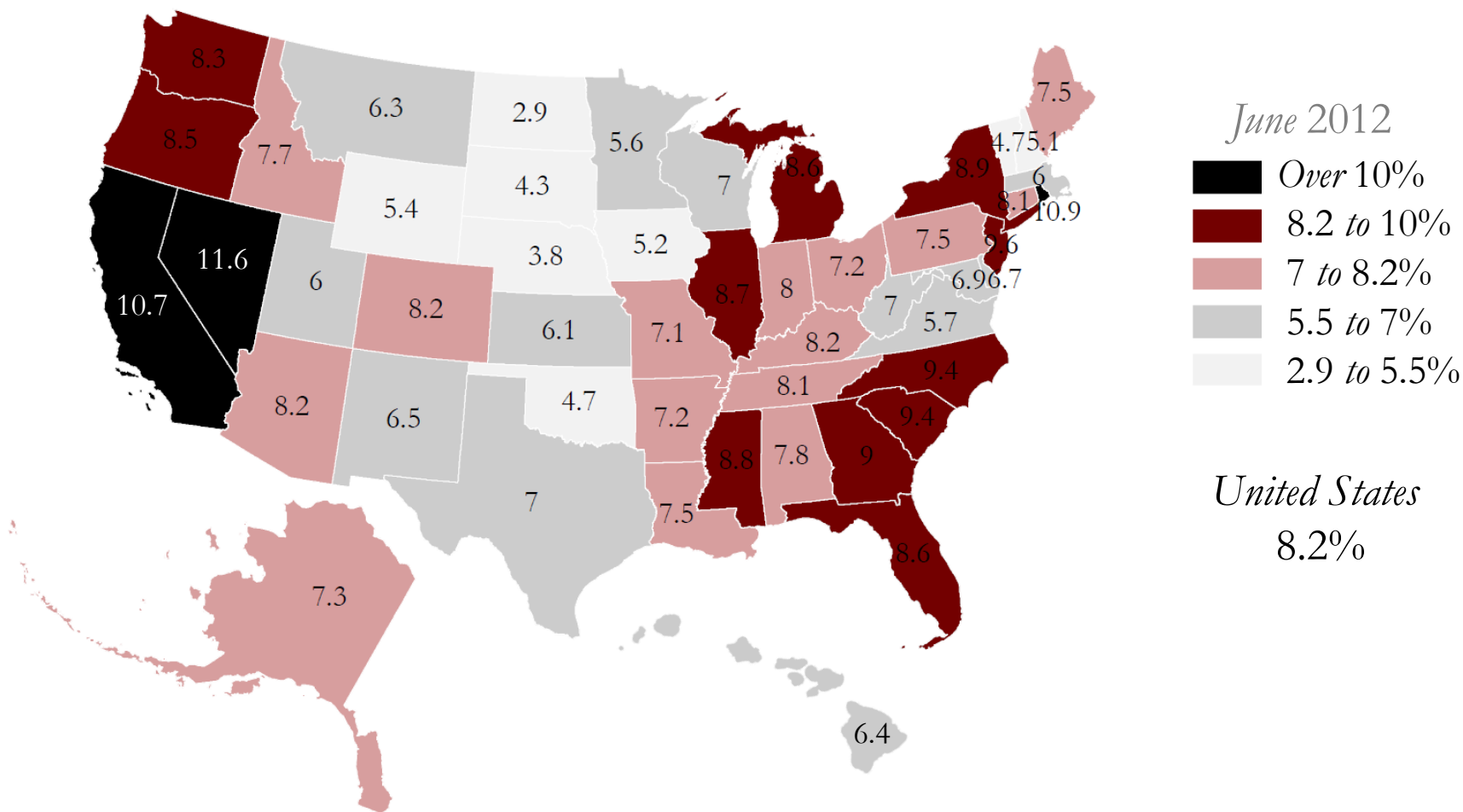


Although unemployment rates have fallen, rates remain high across much of the country.



UNEMPLOYMENT RATE

Seasonally Adjusted



Consumer confidence has fallen in recent months.



CONSUMER CONFIDENCE INDEX

Seasonally Adjusted

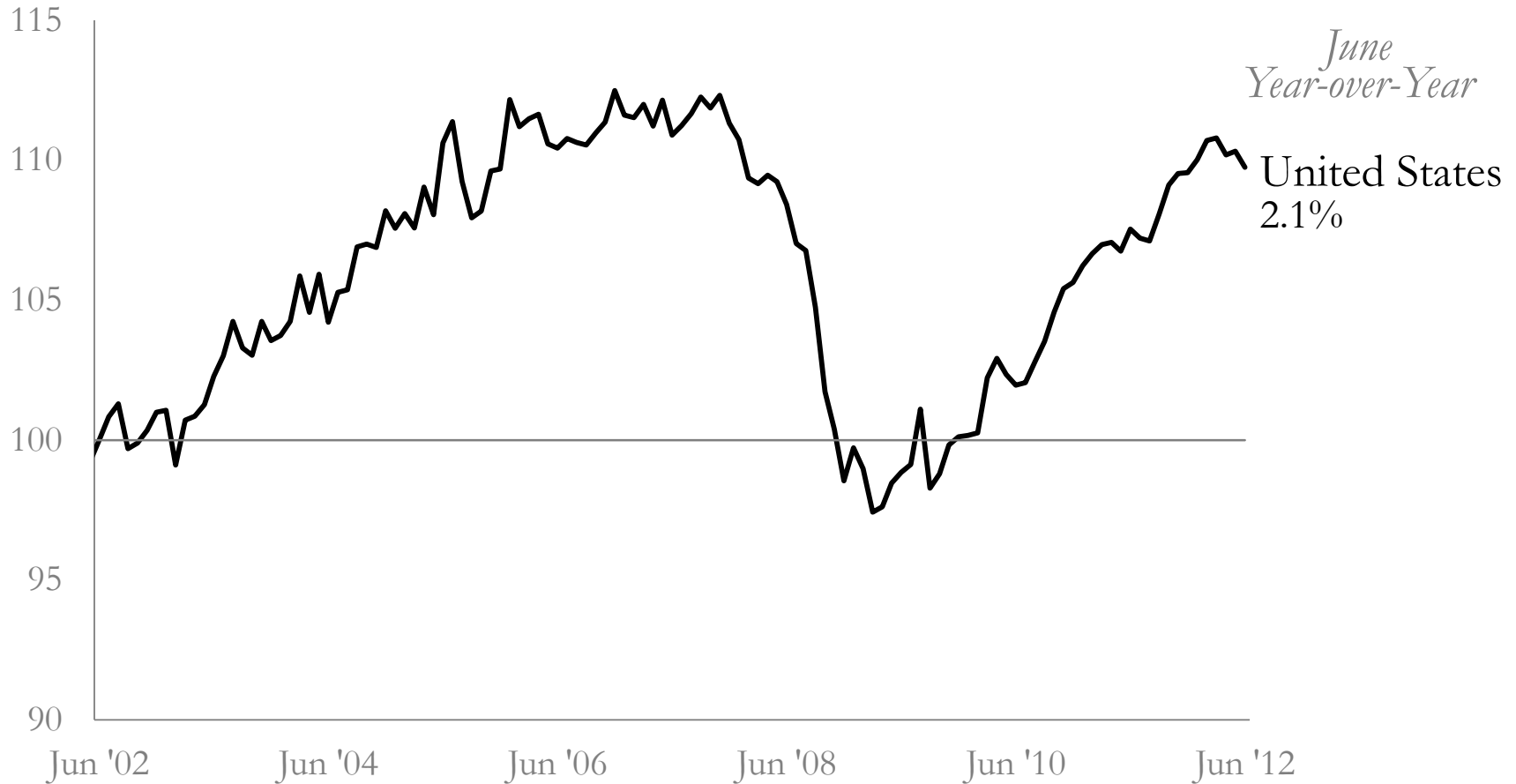


Slower employment growth and lower confidence have contributed to slower consumer spending growth.



REAL RETAIL & FOOD SERVICE SALES

Index 100 = June 2002, Seasonally Adjusted



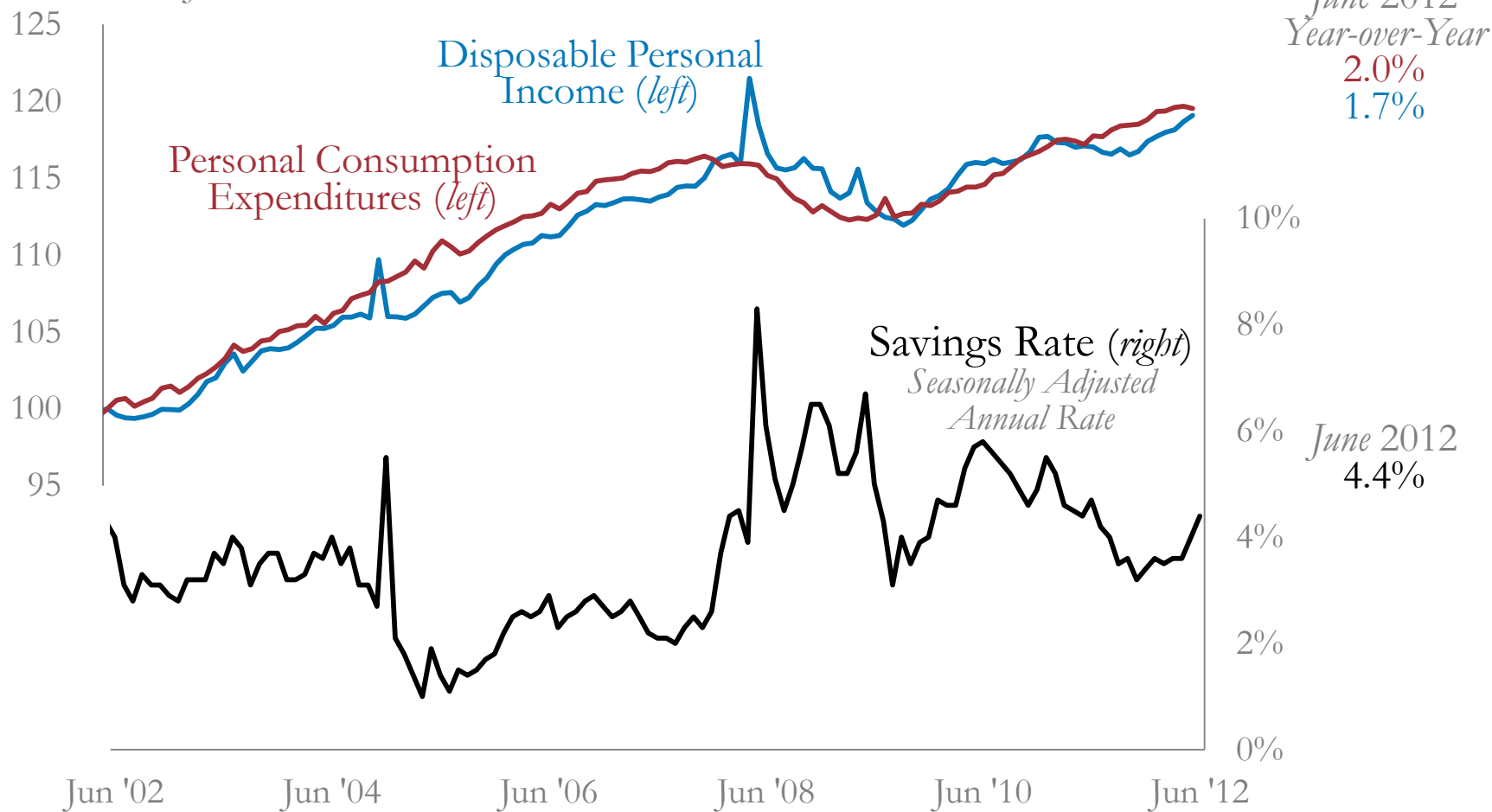
Over the past two months personal income gains have outpaced growth in consumer spending leading to a higher savings rate.



REAL PERSONAL INCOME & SPENDING

Seasonally Adjusted Annual Rate

Index 100 = June 2002

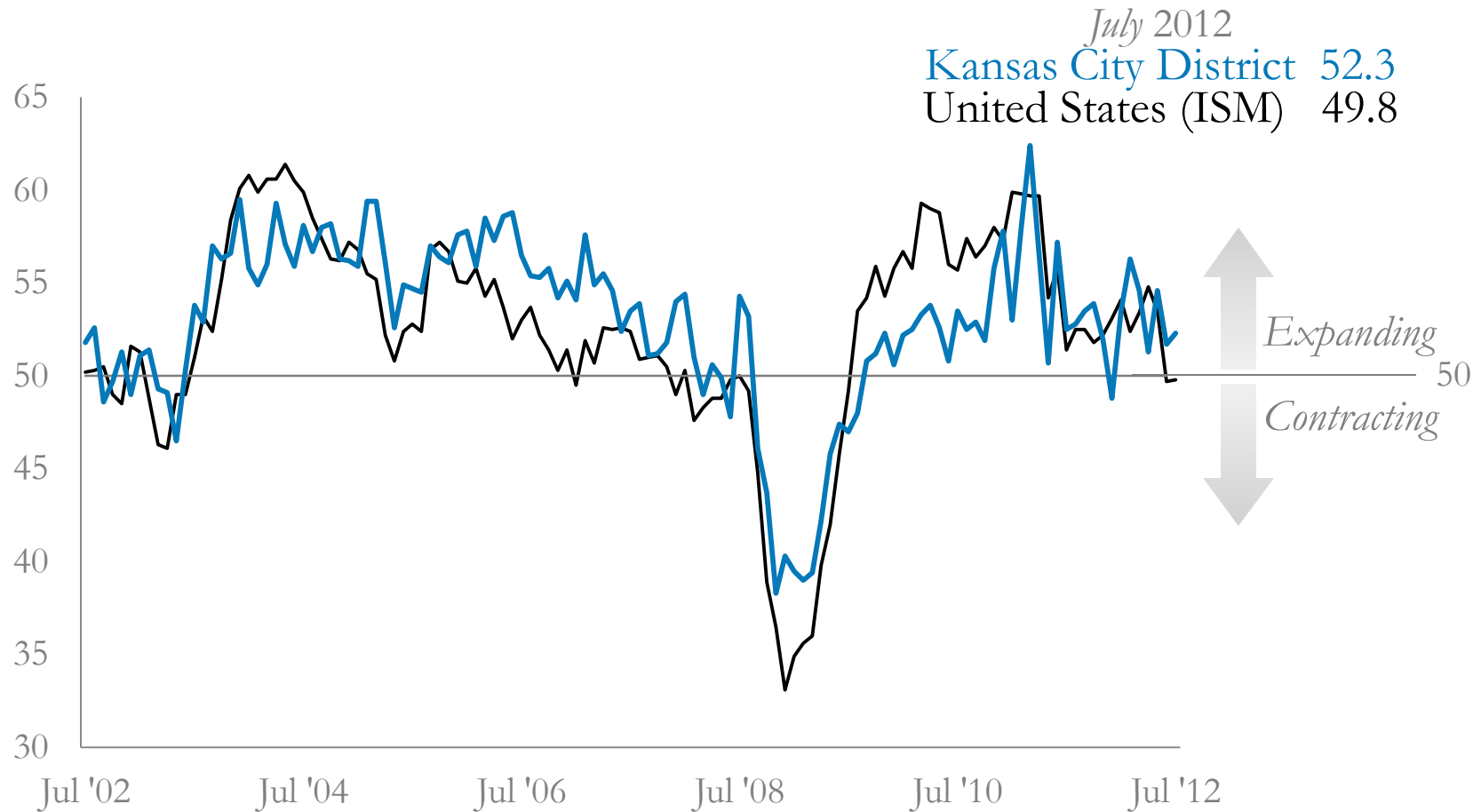


The manufacturing sector continues to expand in the Tenth District, but the pace of growth has slowed.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month



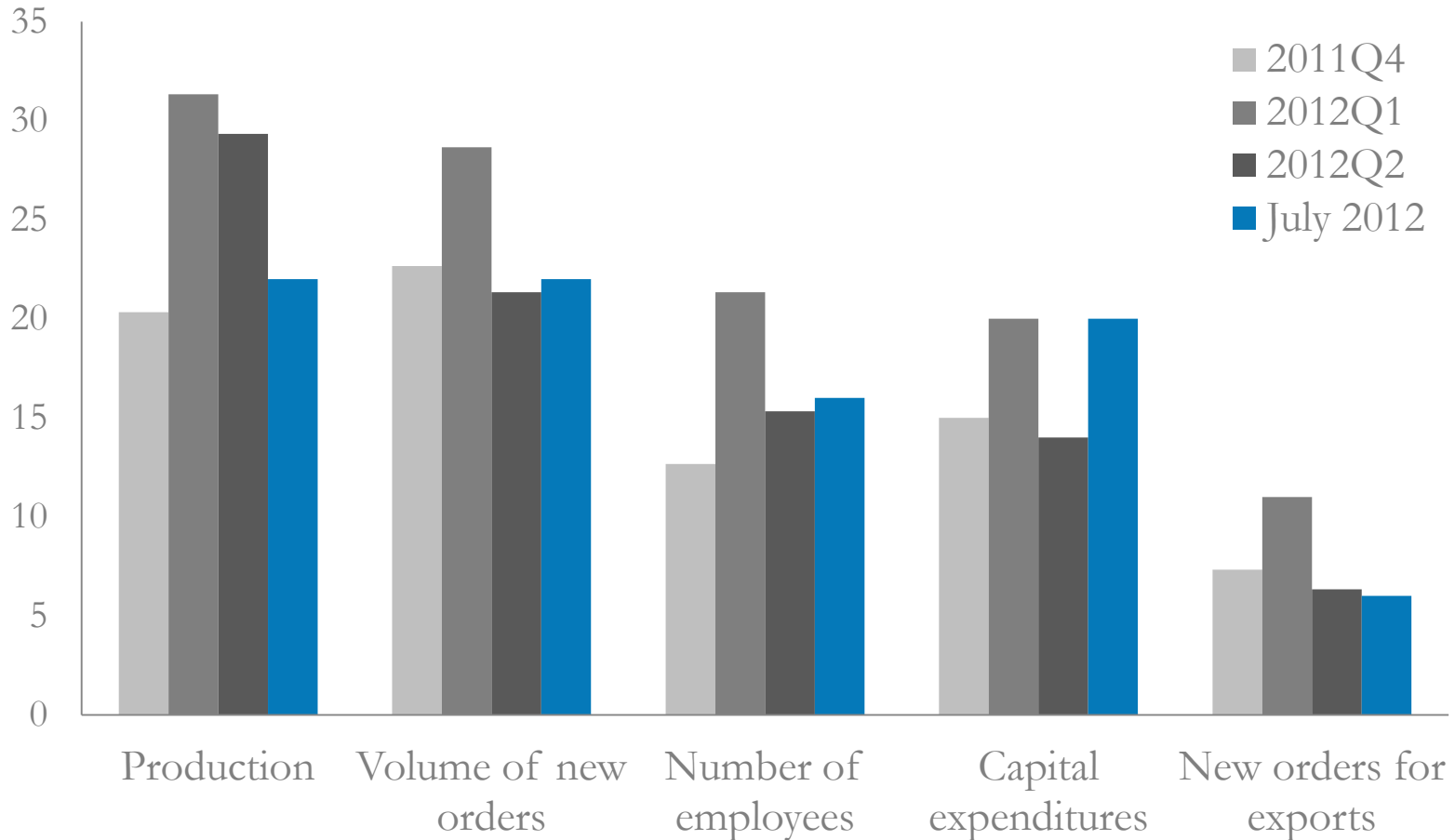
Note: Federal Reserve Surveys are computed on an ISM Basis (50 = no change)

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

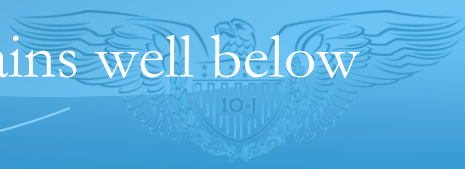


TENTH DISTRICT MANUFACTURING EXPECTATIONS

Diffusion Index, Seasonally Adjusted, Six Months Ahead

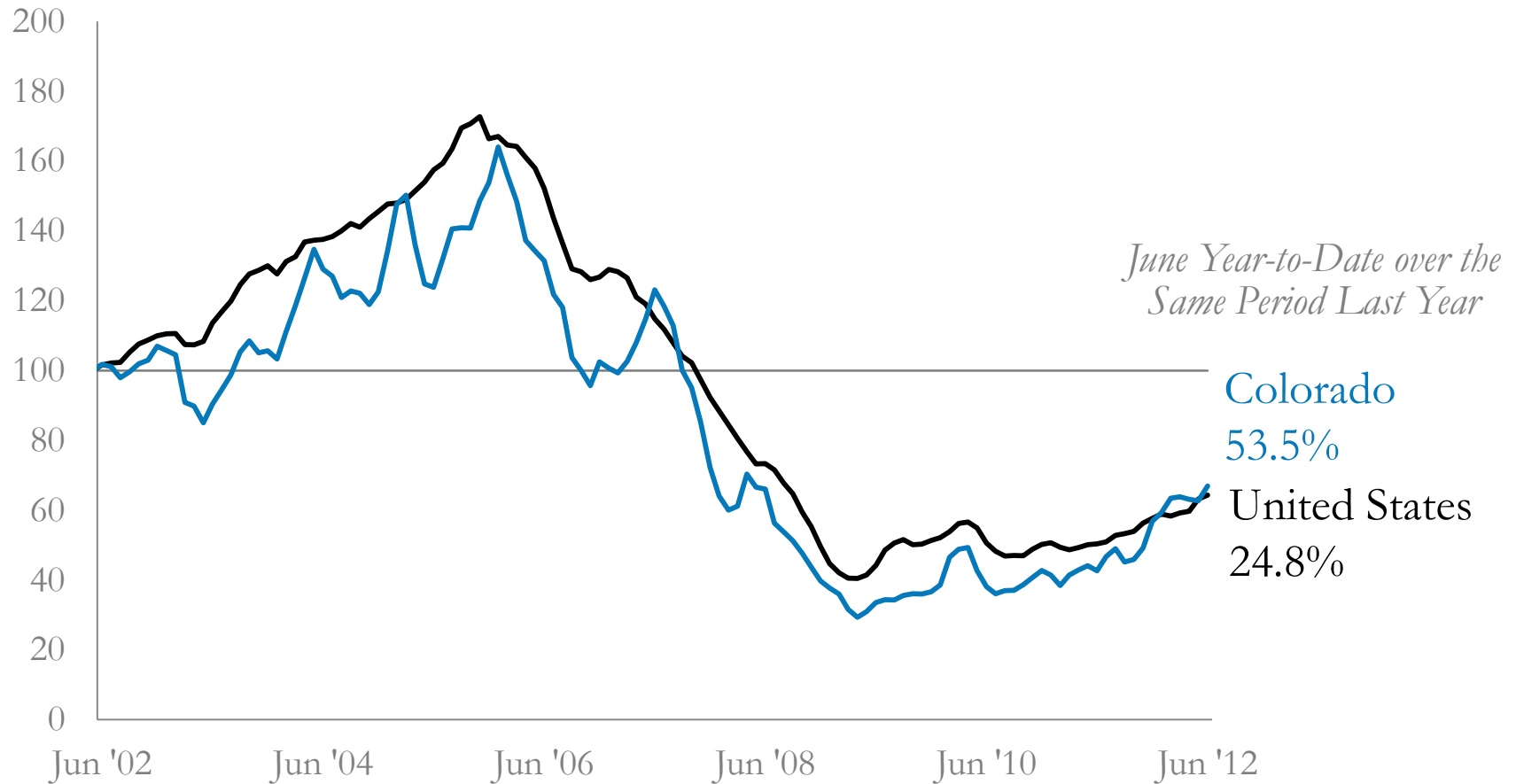


Residential construction activity is picking up but remains well below pre-recession levels.



VALUE OF RESIDENTIAL CONSTRUCTION CONTRACTS

Index 100 = June 2002, Seasonally Adjusted, Three-Month Moving Average

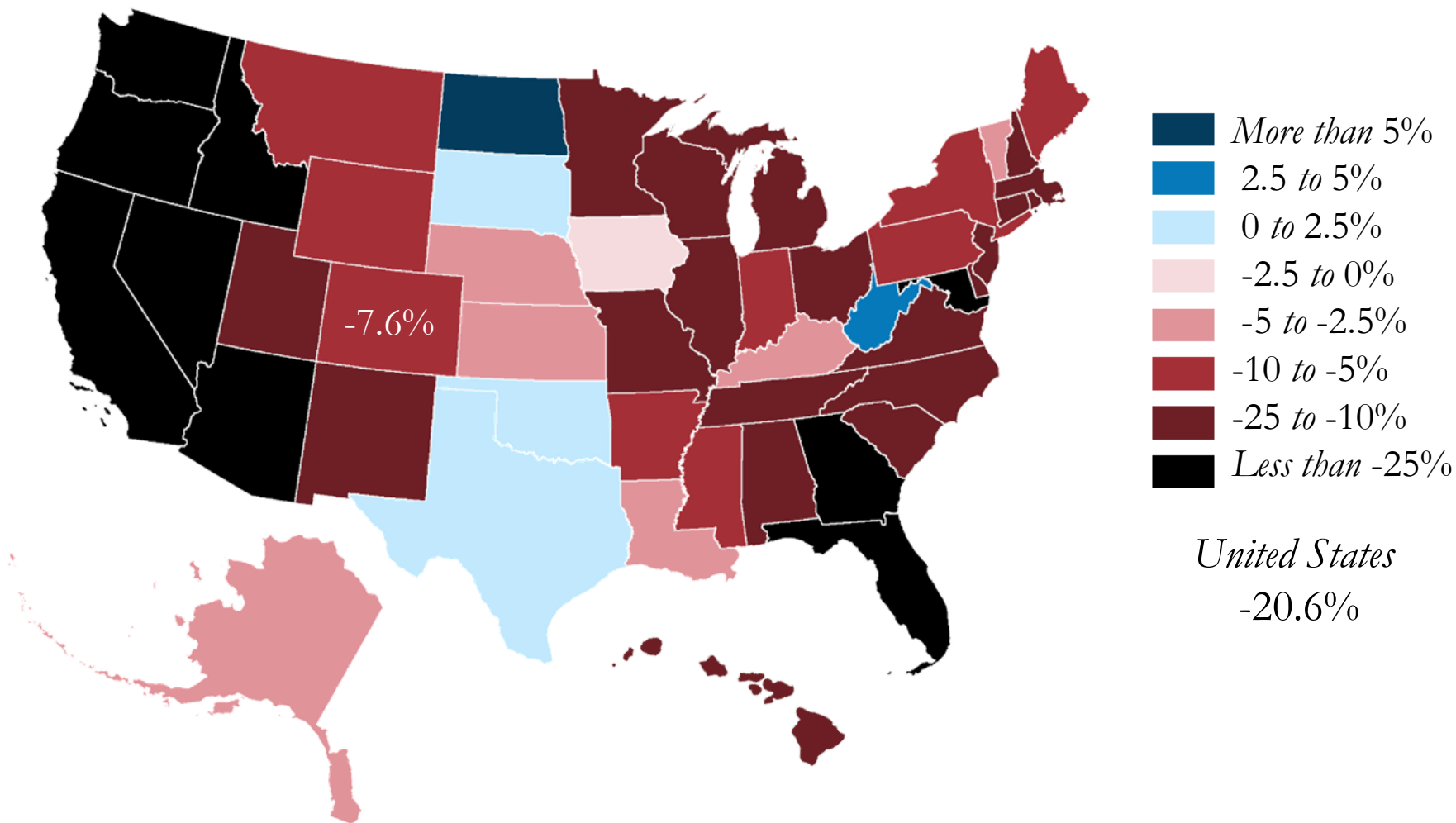


Home prices fell sharply over the last few years in many parts of the country.



CHANGE IN HOME PRICES FROM PEAK (2007Q2) TO CURRENT (2012Q1)

FHFA Purchase-Only Index

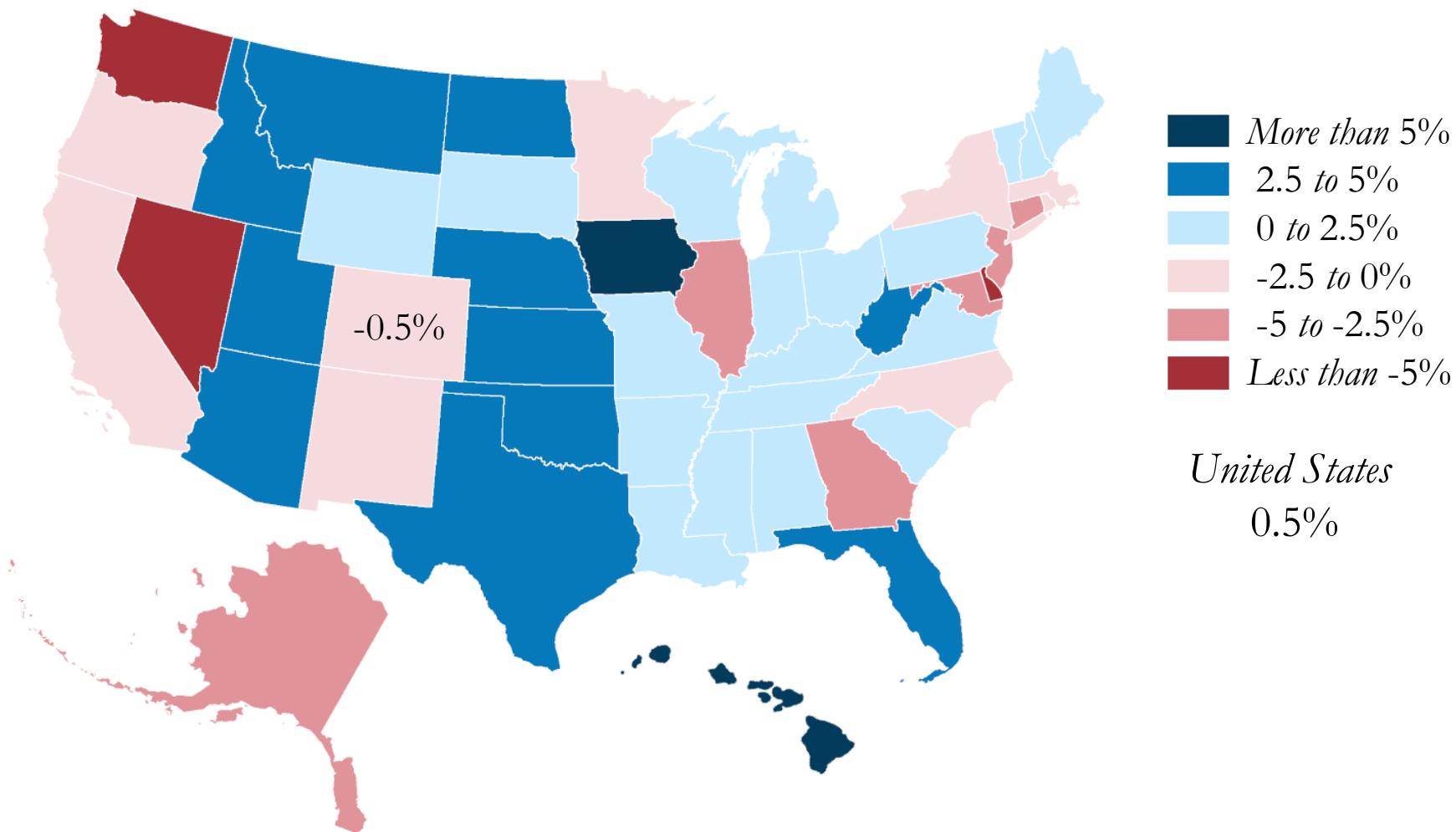


However, home prices have stabilized over the past year.



CHANGE IN HOME PRICES YEAR-OVER-YEAR, 2012Q1

FHFA Purchase-Only Index



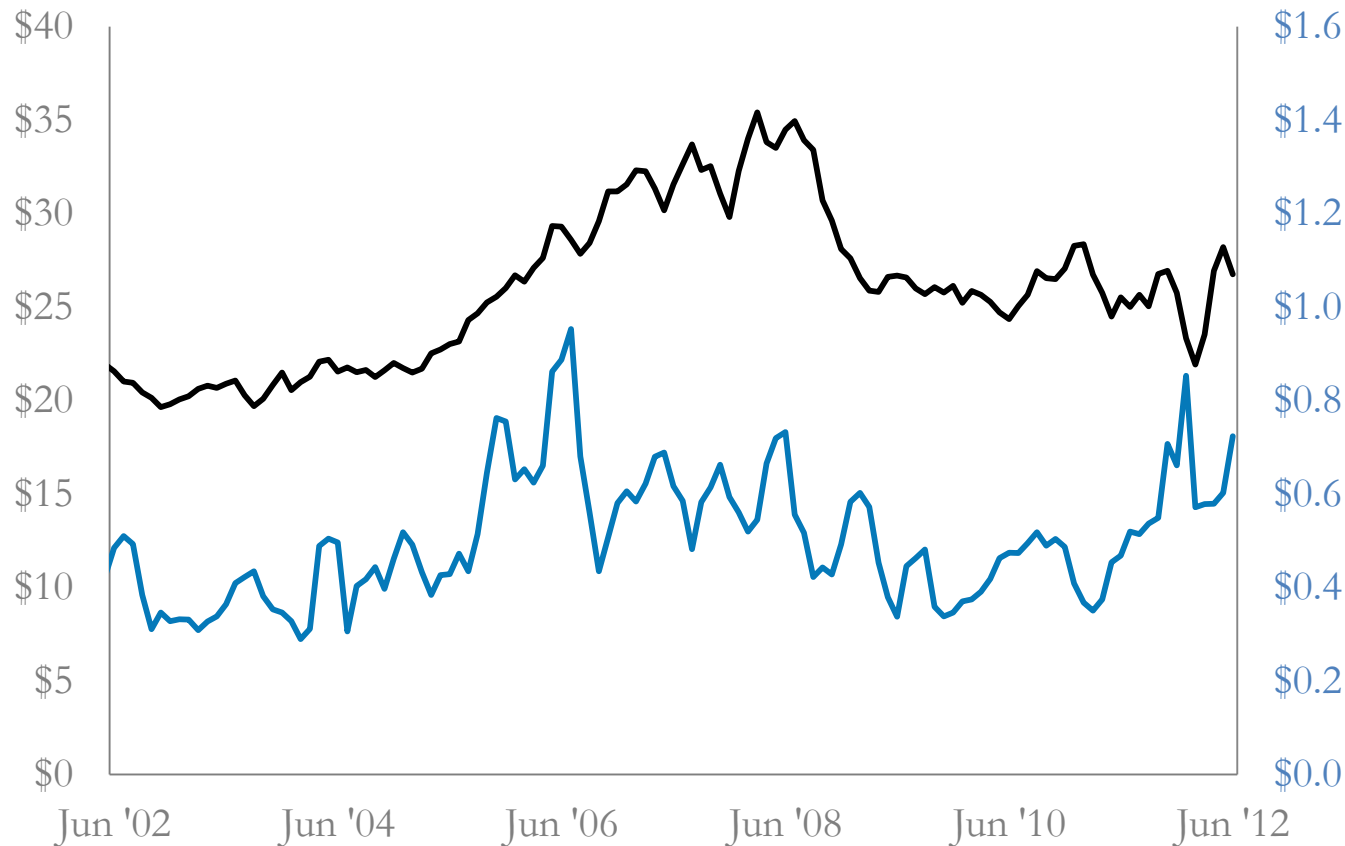
Non-residential construction activity has also increased sharply in Colorado over the past year.



VALUE OF NON-RESIDENTIAL & NON-BUILDING CONSTRUCTION
Seasonally Adjusted, Three-Month Moving Average

United States, Billions

Colorado, Billions



*June Year-to-Date
 over the Same
 Period Last Year*

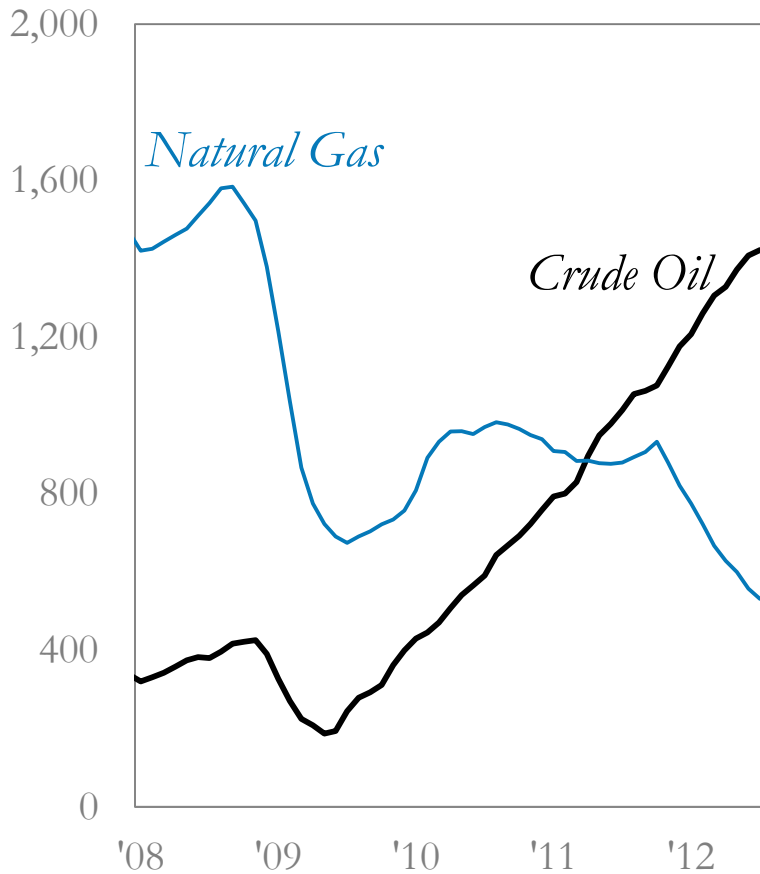
United States
 -3.5%

Colorado
 61.5%

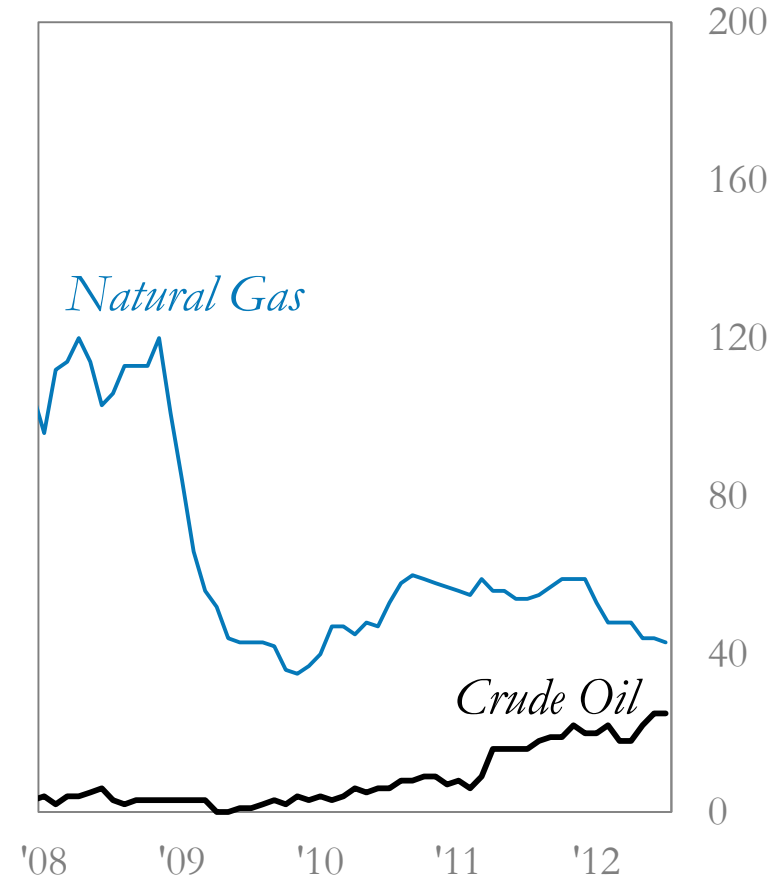
Drilling activity is responding to prices with oil drilling up and natural gas drilling down.



U.S. RIG COUNT



COLORADO RIG COUNT

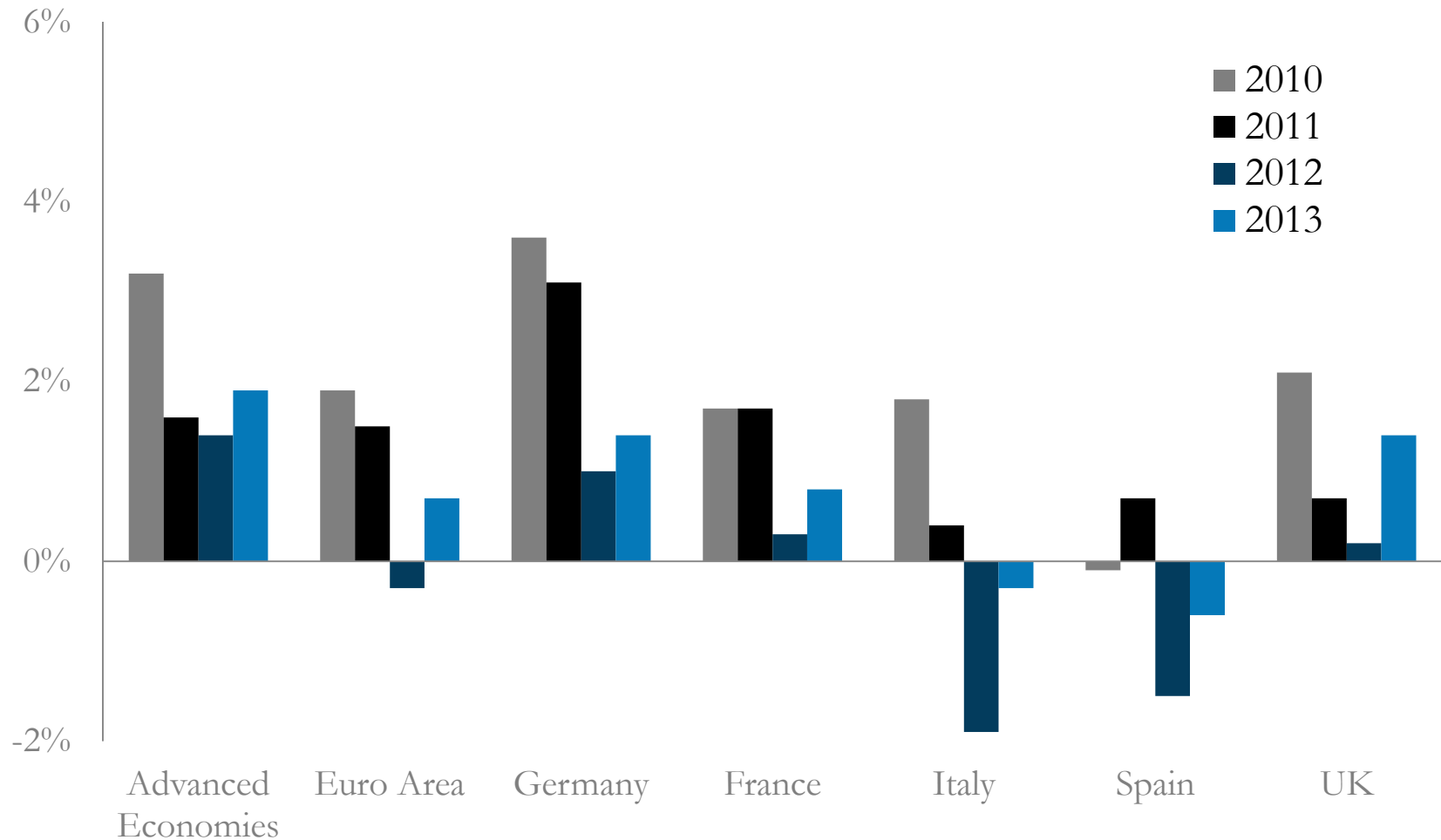


Growth has slowed sharply in Europe this year and is expected to remain slow in 2013.



WORLD ECONOMIC OUTLOOK PROJECTIONS

Percent Change

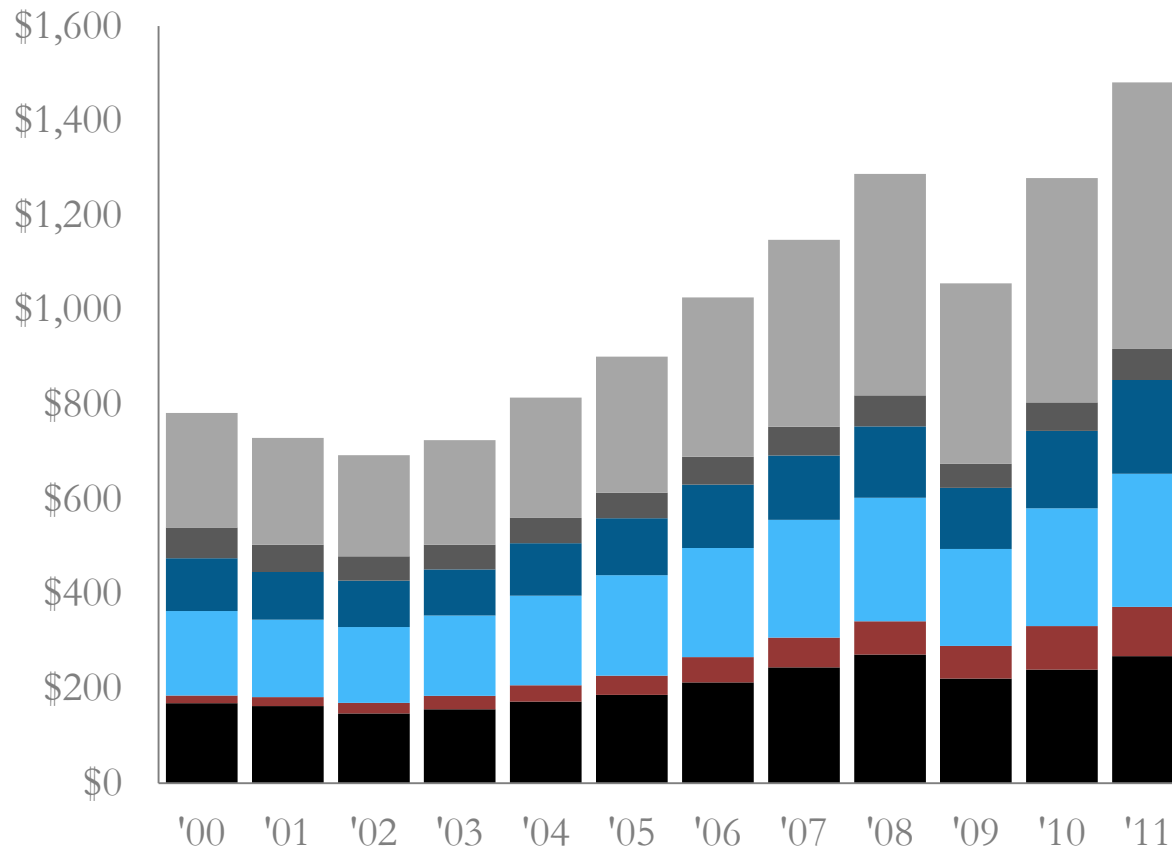


Exports to Europe make up about 18% of total U.S. exports.



U.S. EXPORTS BY TRADE PARTNER

Billions

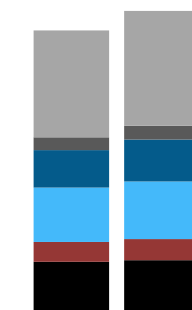


MAY 2012

YEAR-TO-DATE

Percent Change

Trade Partner	Percent Change	SHARE*
Total Trade	6.8%	38.1%
All Other	7.5	38.1%
Japan	6.2	4.5
Mexico	12.5	13.3
Canada	5.8	19.0
China	6.0	7.0
Eurozone	3.0	18.1



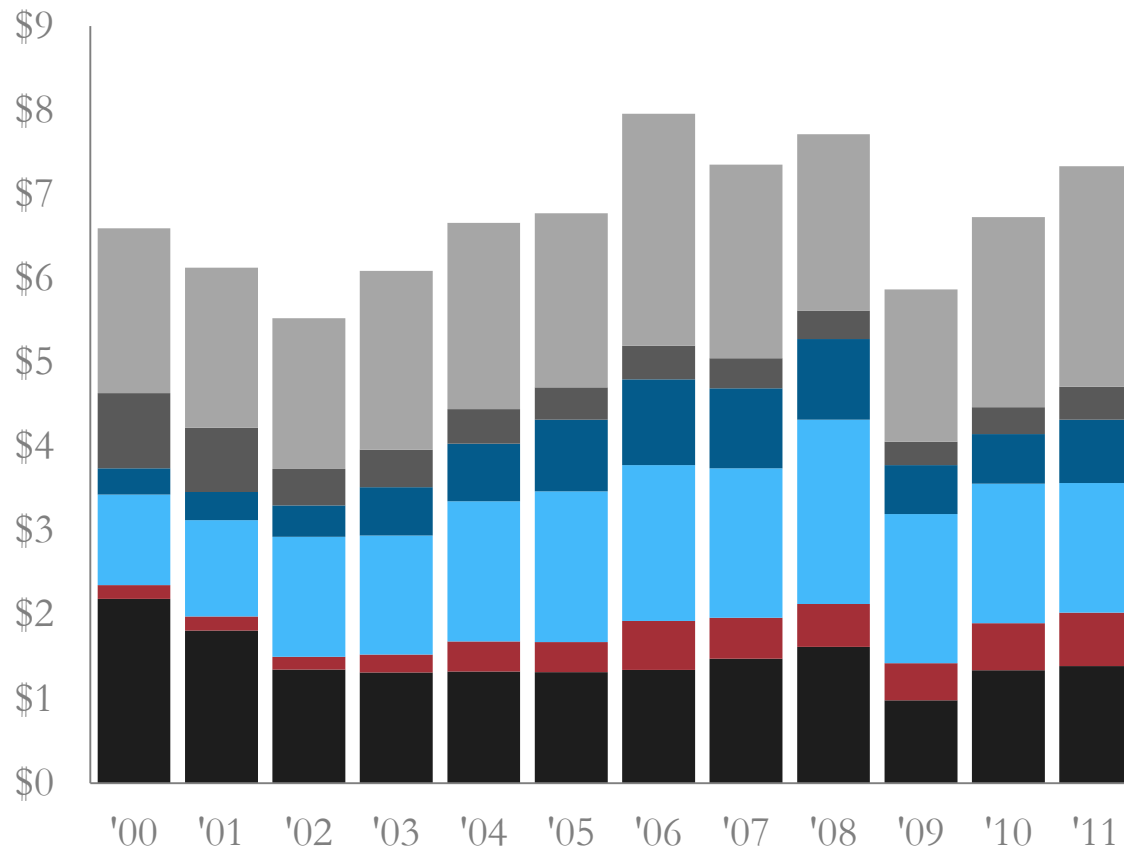
'11 '12
YTD through May

Exports to Colorado make up almost 19% of total Colorado exports.



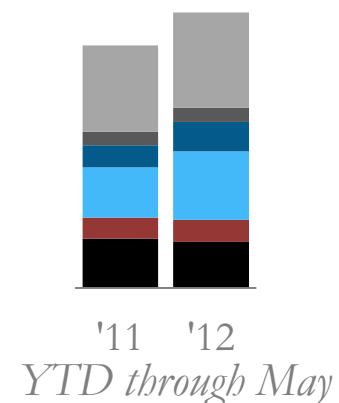
COLORADO EXPORTS BY TRADE PARTNER

Billions



MAY 2012
YEAR-TO-DATE
Percent Change

Trade Partner	Percent Change	SHARE*
Total Trade	13.5%	SHARE*
All Other	10.0	35.8%
Japan	4.5	5.4
Mexico	33.7	10.3
Canada	36.4	21.0
China	3.9	8.7
Eurozone	-6.2	19.0

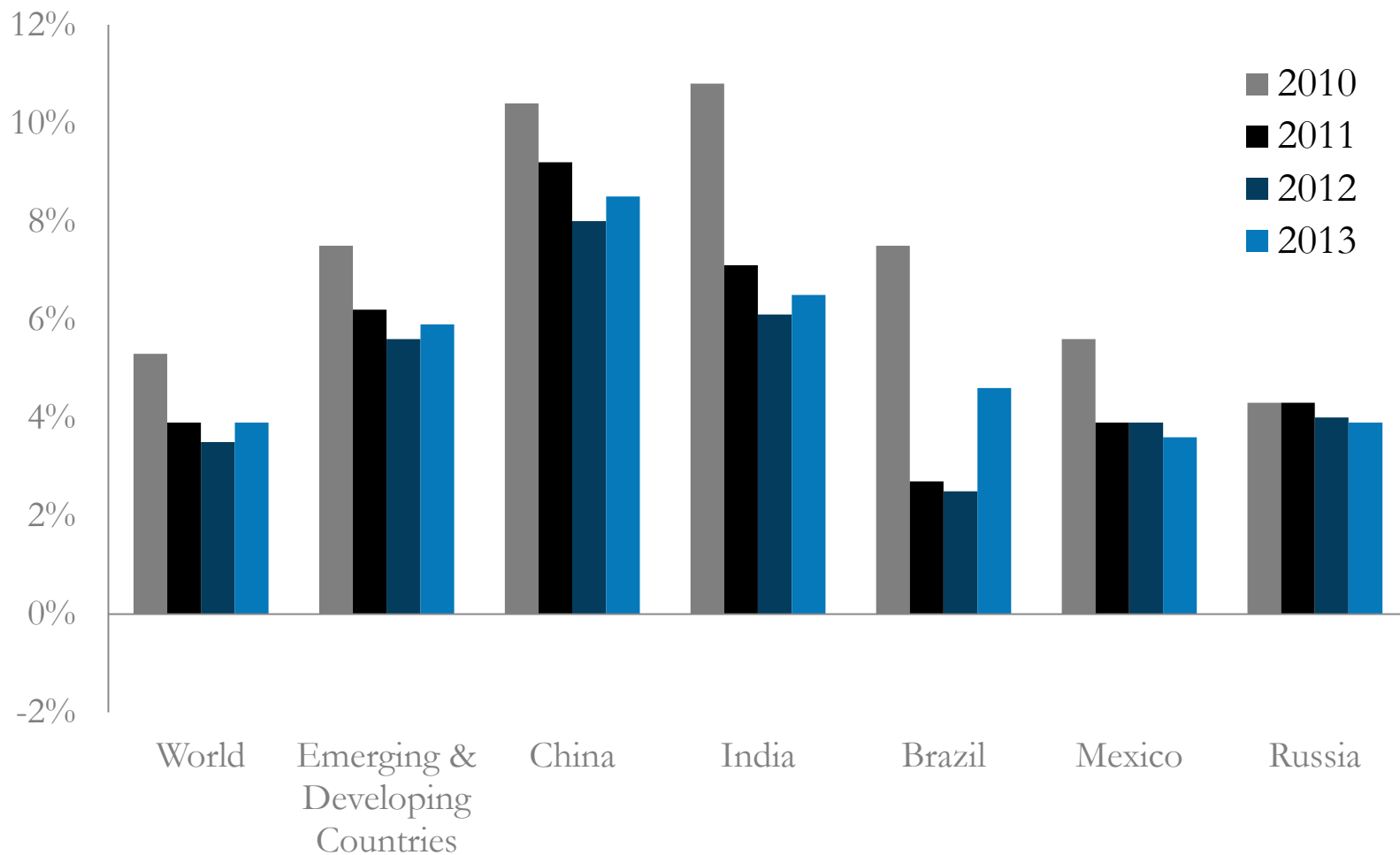


Growth has also slowed somewhat among emerging and developing countries, but growth is expected to pick up next year.



WORLD ECONOMIC OUTLOOK PROJECTIONS

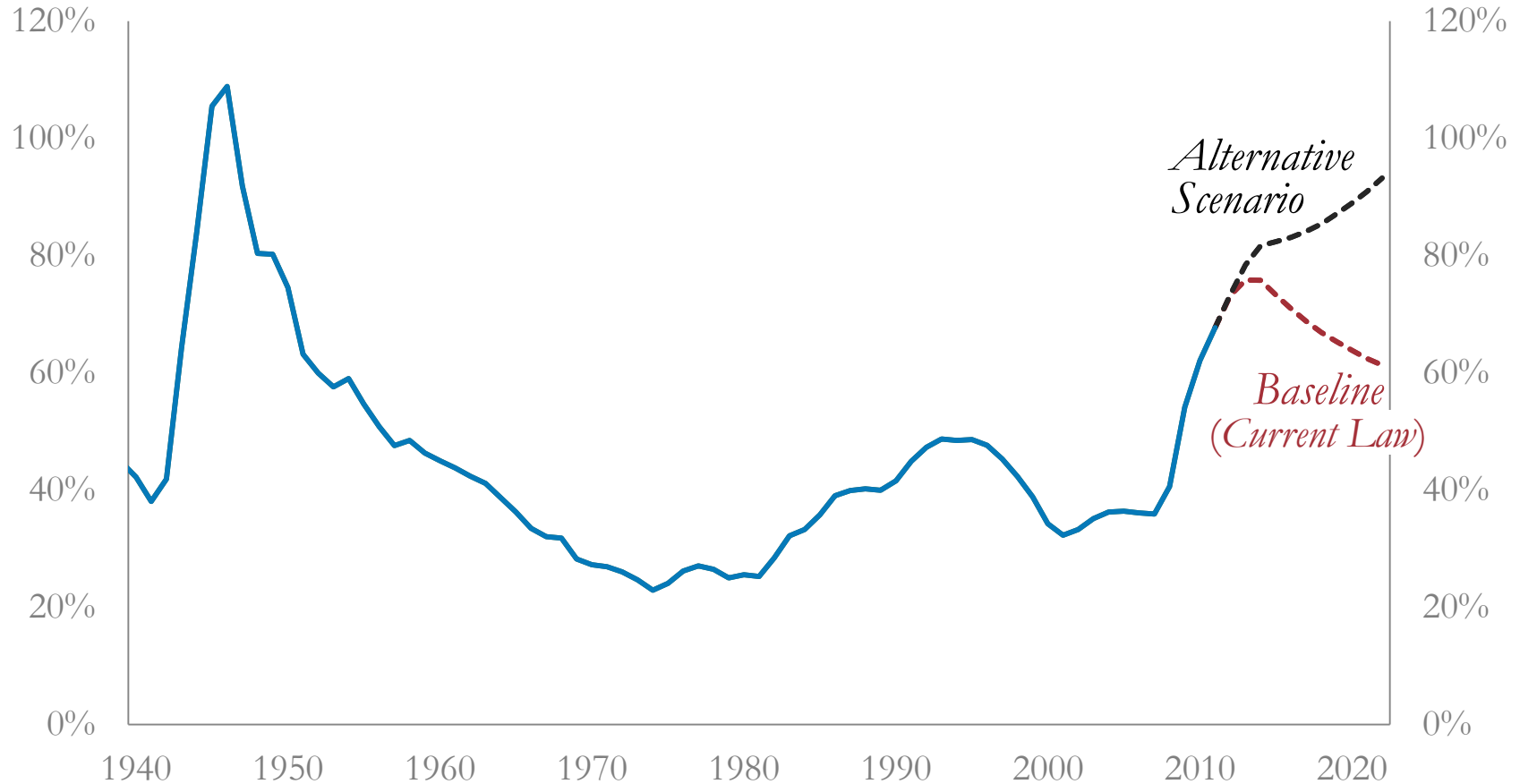
Percent Change



U.S. Federal government debt levels have increased significantly over the last few years.



U.S. DEBT TO GDP RATIO

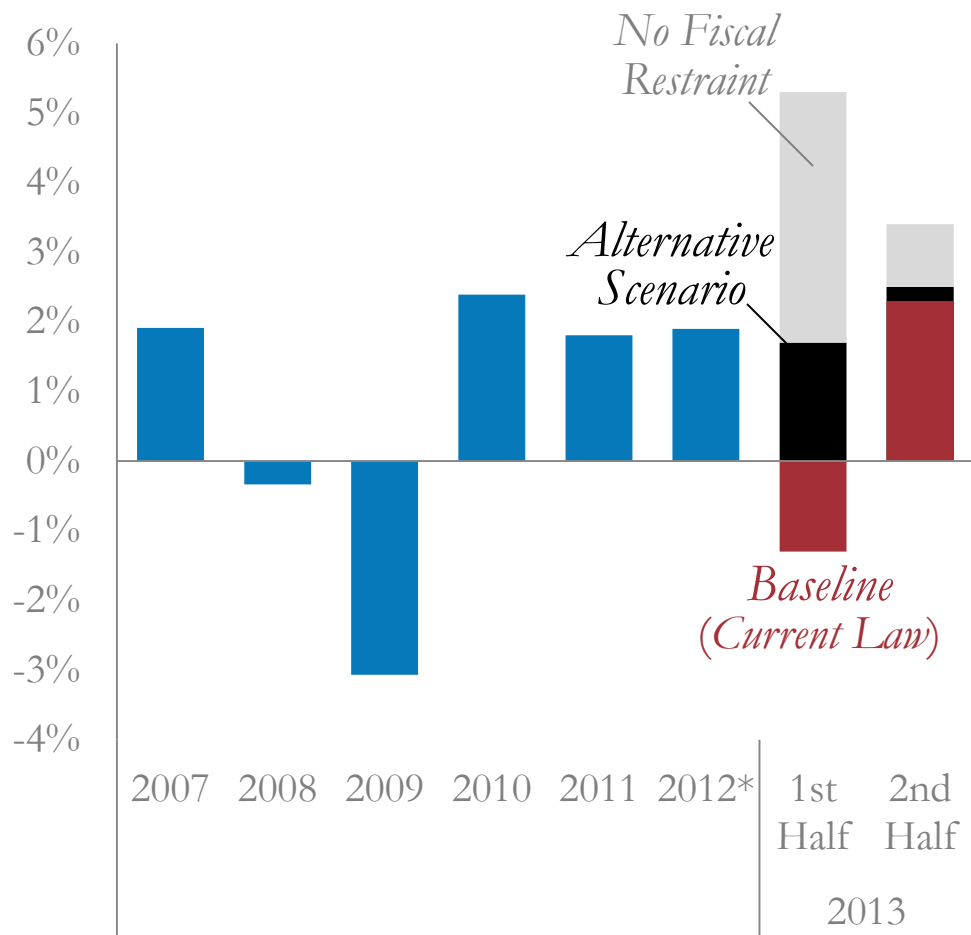


Under current law, several tax increases and spending cuts could lead to a slowdown in economic growth next year.



GDP & THE "FISCAL CLIFF"

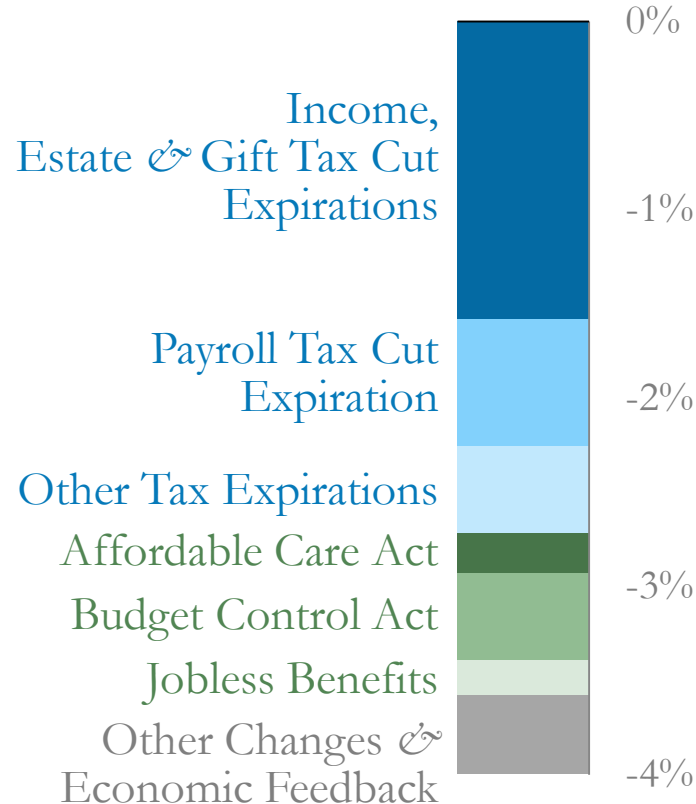
Percent Change



CBO Projections

DEFICIT REDUCTION As a Percent Change of GDP

FY 2013



U.S. & Colorado *Economic Update*

This presentation will be available at
<http://www.kc.frb.org/denver/>

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