2024

ECONOMIC FORECAST

VECTRABANK®

WELCOME

A TIMELINE OF EVENTS

March 18, 2020
CDC Encourages
Work from Home

March 15, 2020
Feds Cut Interest
rates to 0-0.25

May 2020
George Floyd / BLM

Late 2020 / Early 2021
Mask Mandates
become the norm

January 6, 2021
U.S. Election Fall Out

March 2022
Disruption in Energy

September 2022
Pandemic Eases (3 years)

March / April 2023
Banking System Stress
Deposit Uncertainty

Ongoing 2024
Market Volatility
Regional Bank Sector

April 1, 2020
Infusion of liquidity
Launch PPP

February 2021
Vaccines become more
Readily available

January 2021
Excess Cash / Supply Chain

May 4, 2021
PPP Funds Exhausted

Summer 2021
Economy shows
Signs of recovery

May 2021
Great Resignation

February 24, 2022
War in Ukraine

Summer 2023
Office Market /
Commercial Property Stress

Excess Liquidity / Loan Sales / Record Low Mortgage / Unprecedented Change

Bank Stress / Deposit Flight / Market Uncertainty

March 2022 – July 2023 Fed Funds Target Rate moves from 0.00% to 5.25%

HENRY SOBANET

CFO / Senior Vice Chancellor for Administration and Government Relations, Colorado State University Systems

VECTRABANK COLORADO

2024 ECONOMIC FORECAST

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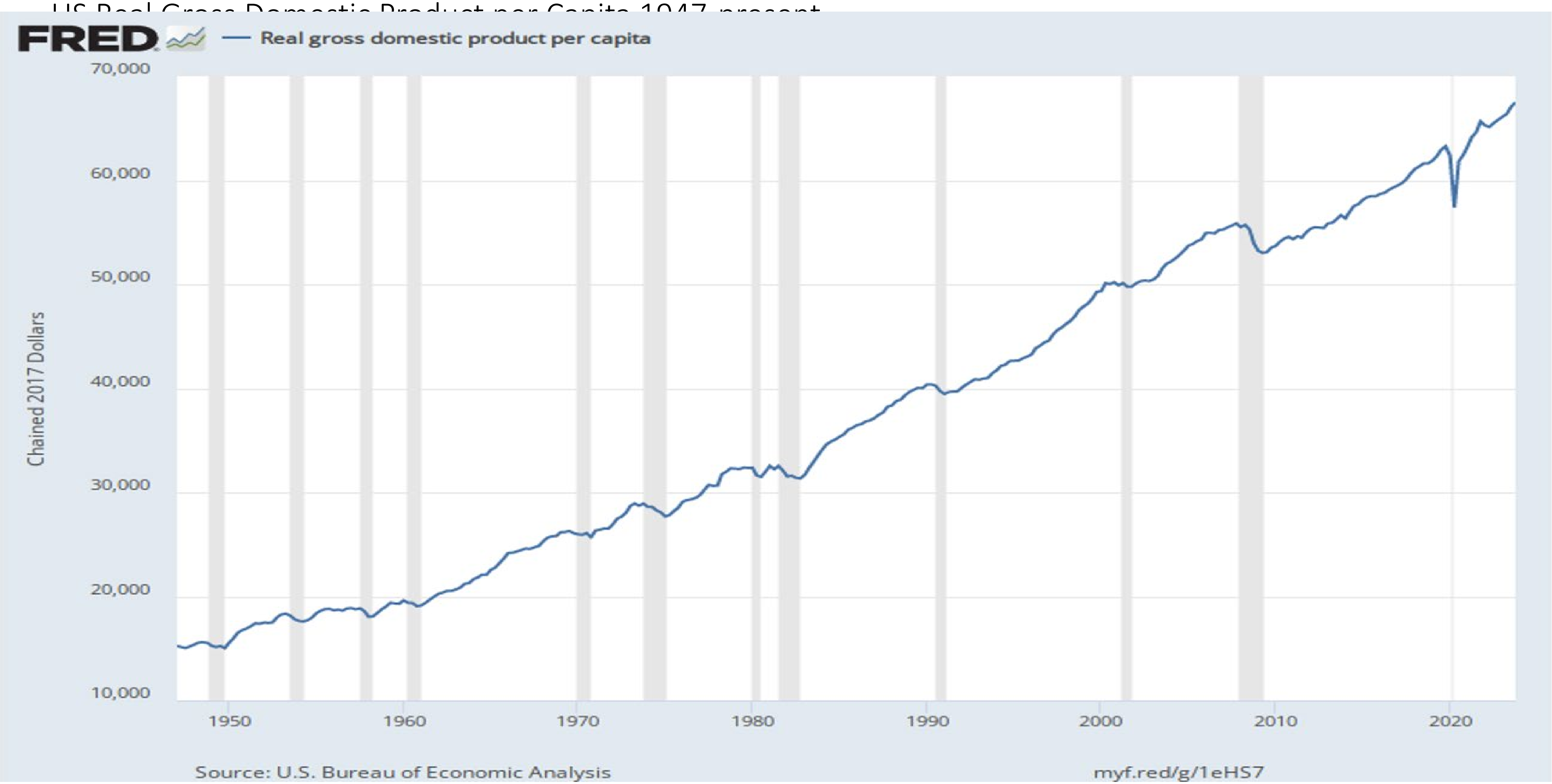
Perspective on CO economic issues 2024

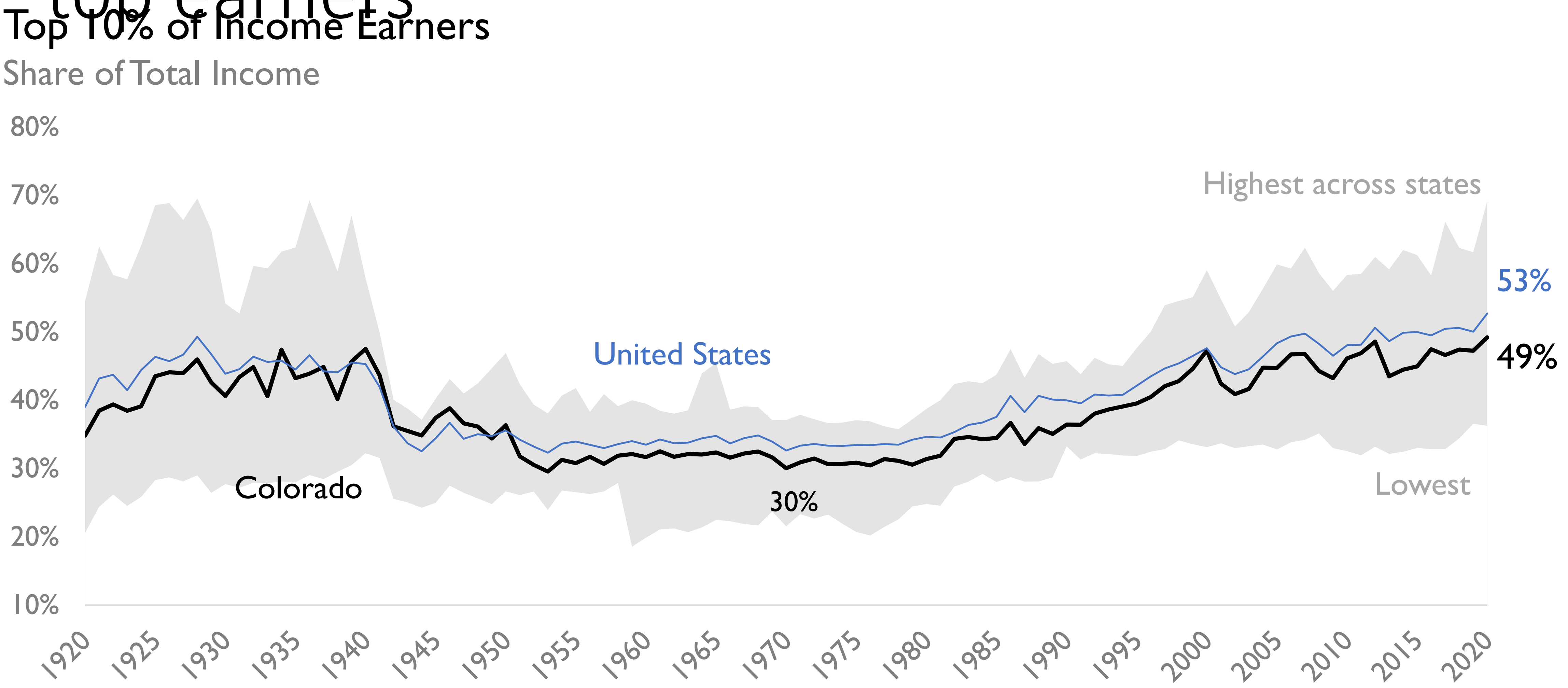
Henry Sobanet

Nice reminder: The economy is usually expanding

US Real Gross Domestic Product per Capita 1947-present



Rising share of income concentrated among top earners



Source: Frank (2023). "U.S. State-Level Income Inequality Data." Available at: https://profiles.shsu.edu/eco_mwf/inequality.html
Data are based on federal income tax records and are through 2020.

It’s déjà vu all over again!

Top issues 2023

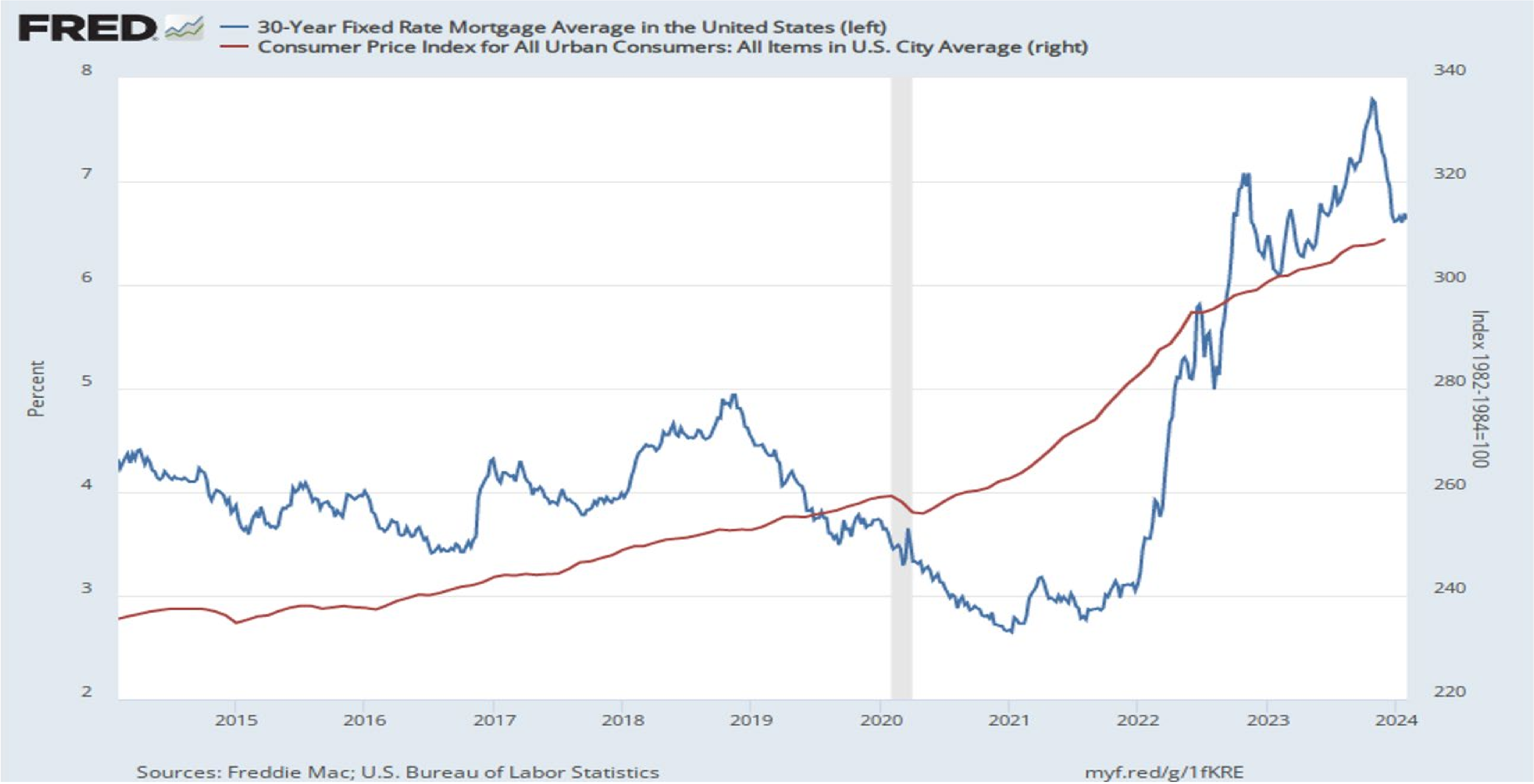
- Inflation
- Workforce availability and morale
- Housing affordability
- Overall sentiment / “recession chatter”
- Ukraine war

Top issues 2024

- Federal Reserve Policy
- Presidential election
- Housing affordability
- Slowly returning consumer sentiment
- Ukraine war / Middle East / China*

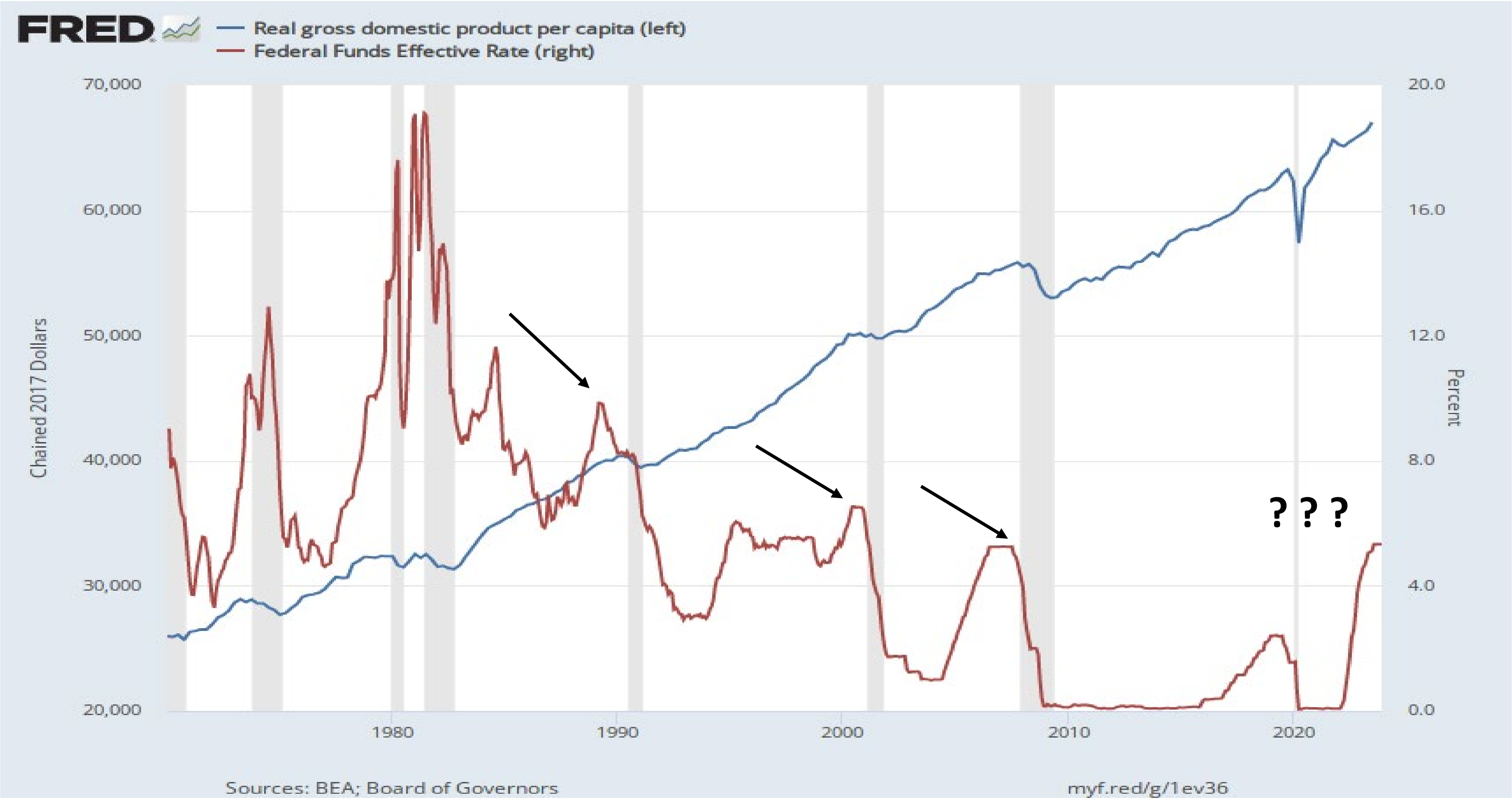
Inflation and Housing Costs Have Hurt Morale

30-yr mortgage rate (L) vs Consumer Prices (R) 2014-present

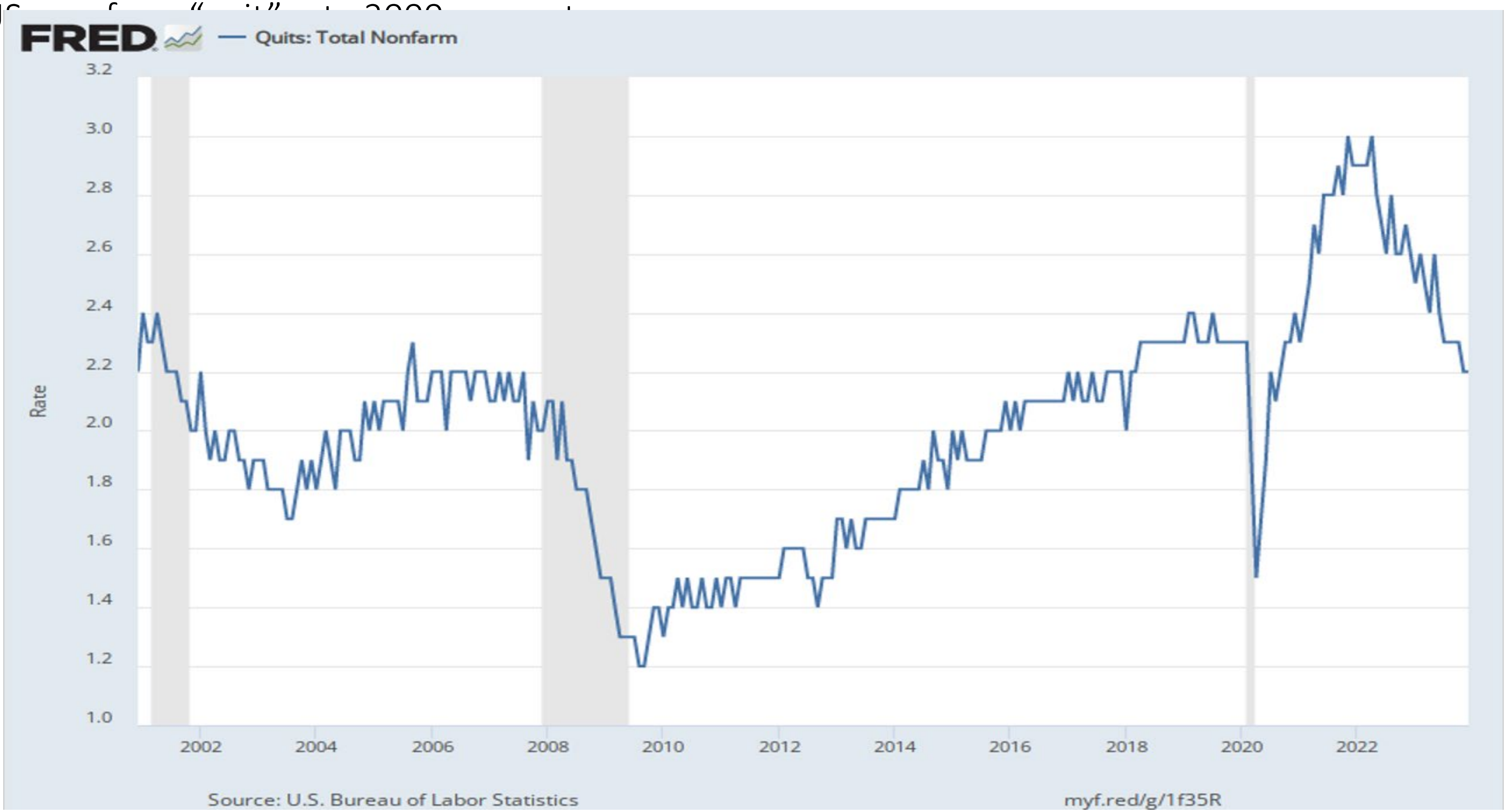


Interest rates matter

Real GDP per capita (L) vs Federal Funds effective rate (R), 1970-present

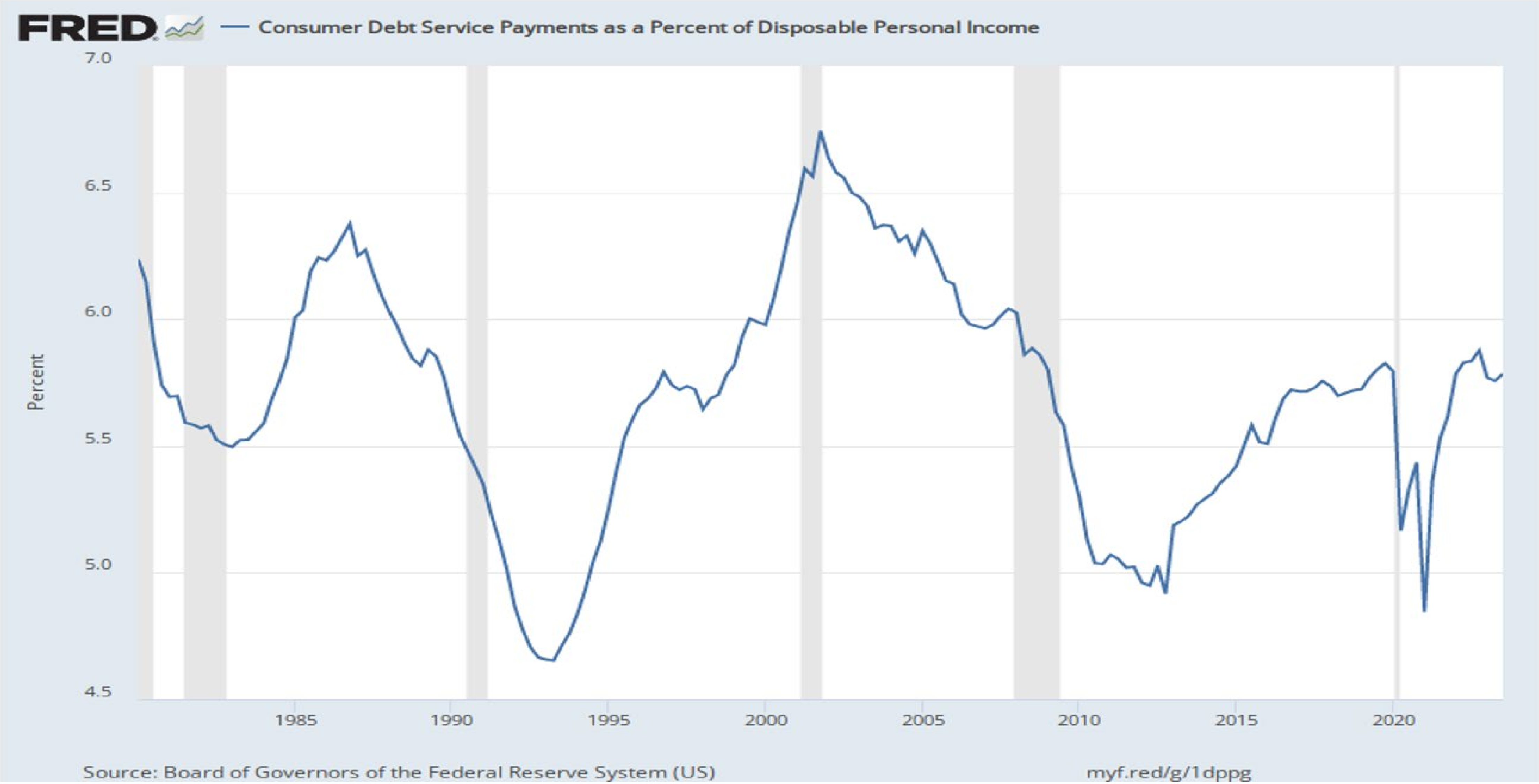


You can take this job and…great idea, boss!



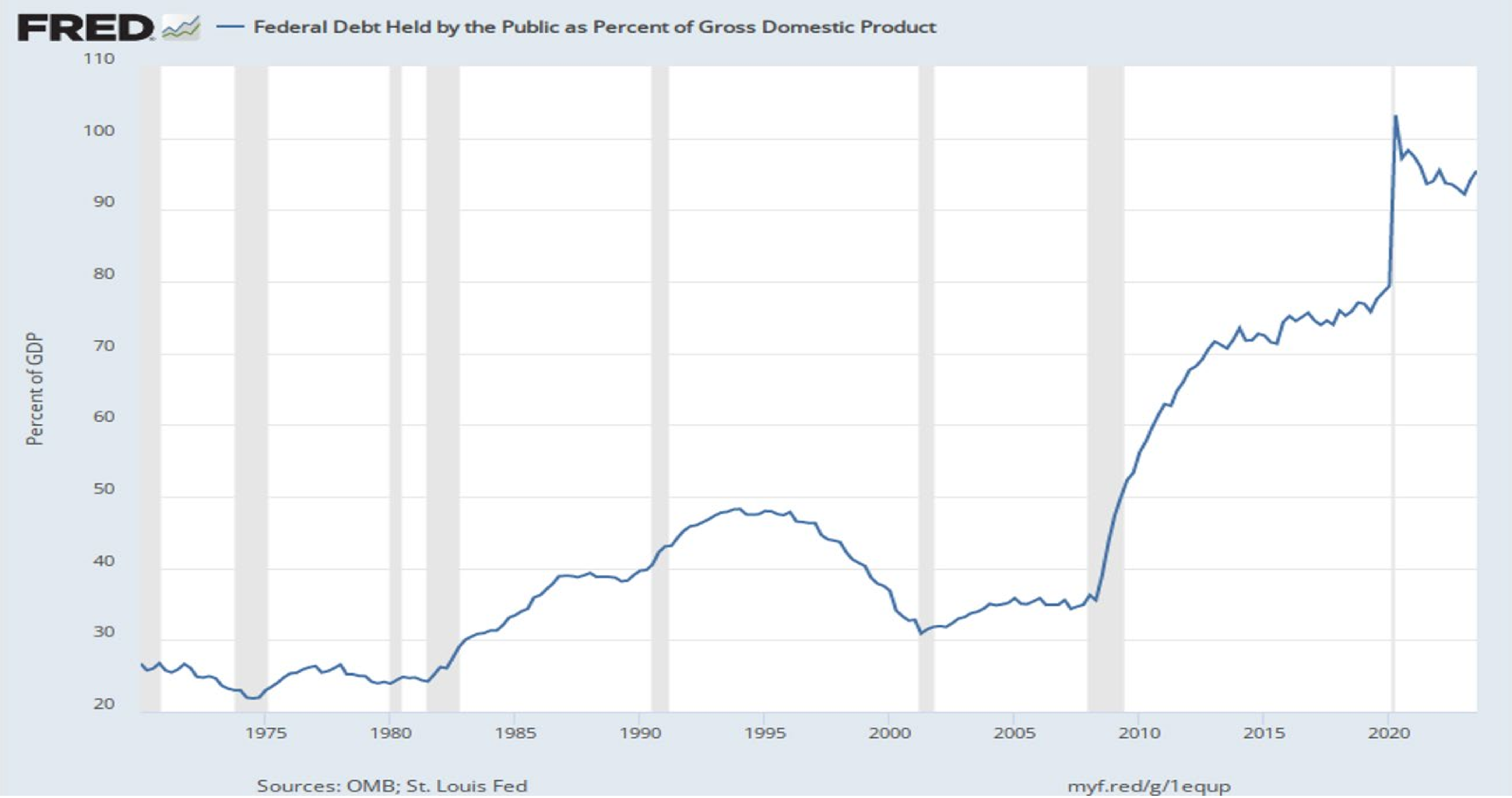
I will gladly pay you Tuesday…

Consumer Debt Service as % of Disposable Personal Income (1980-present)



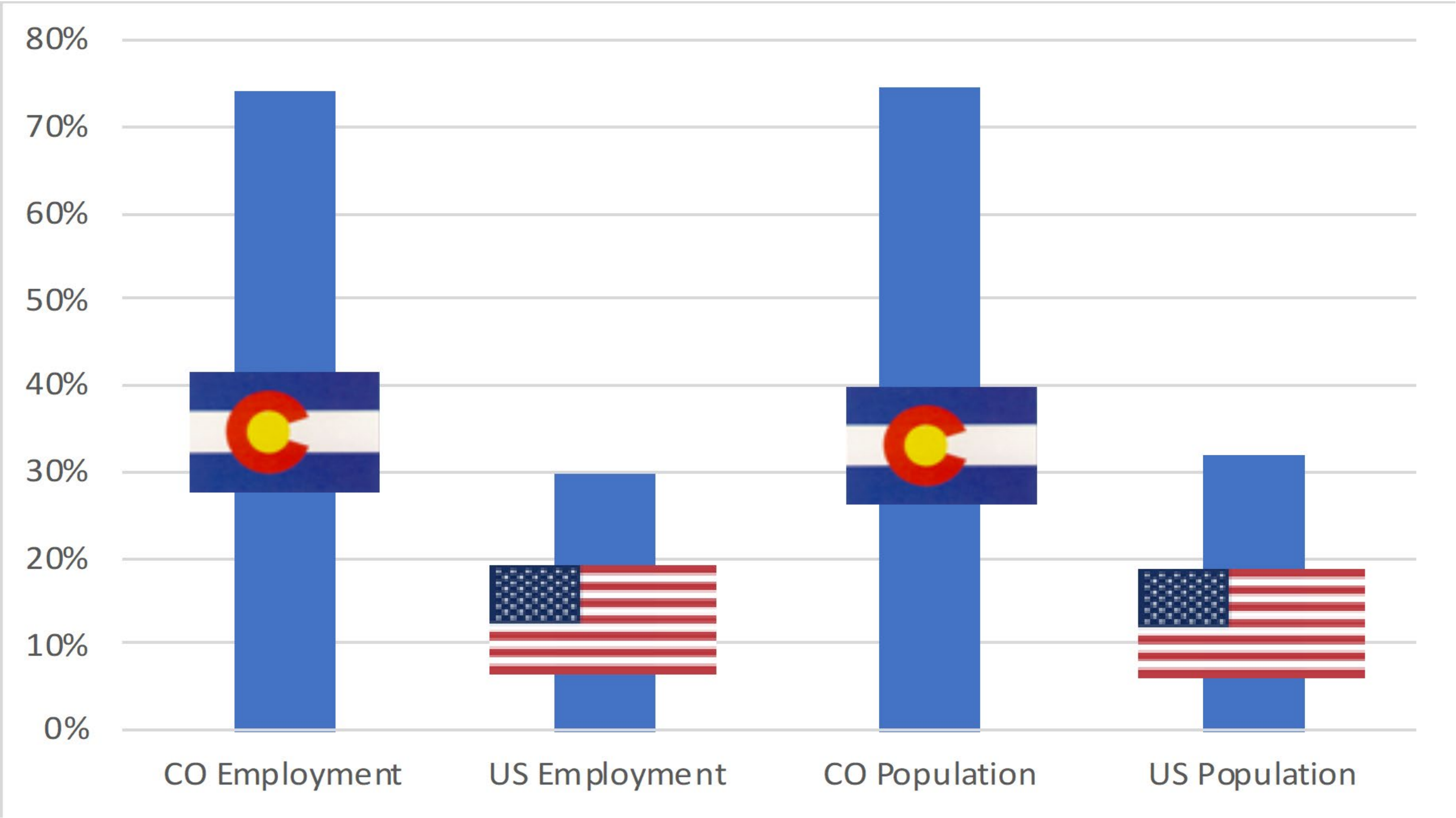
It’s totally fine*

Federal Debt Held by the Public, % of GDP (1970-present)



A really good run…

US and CO Employment and Population 1990-2020

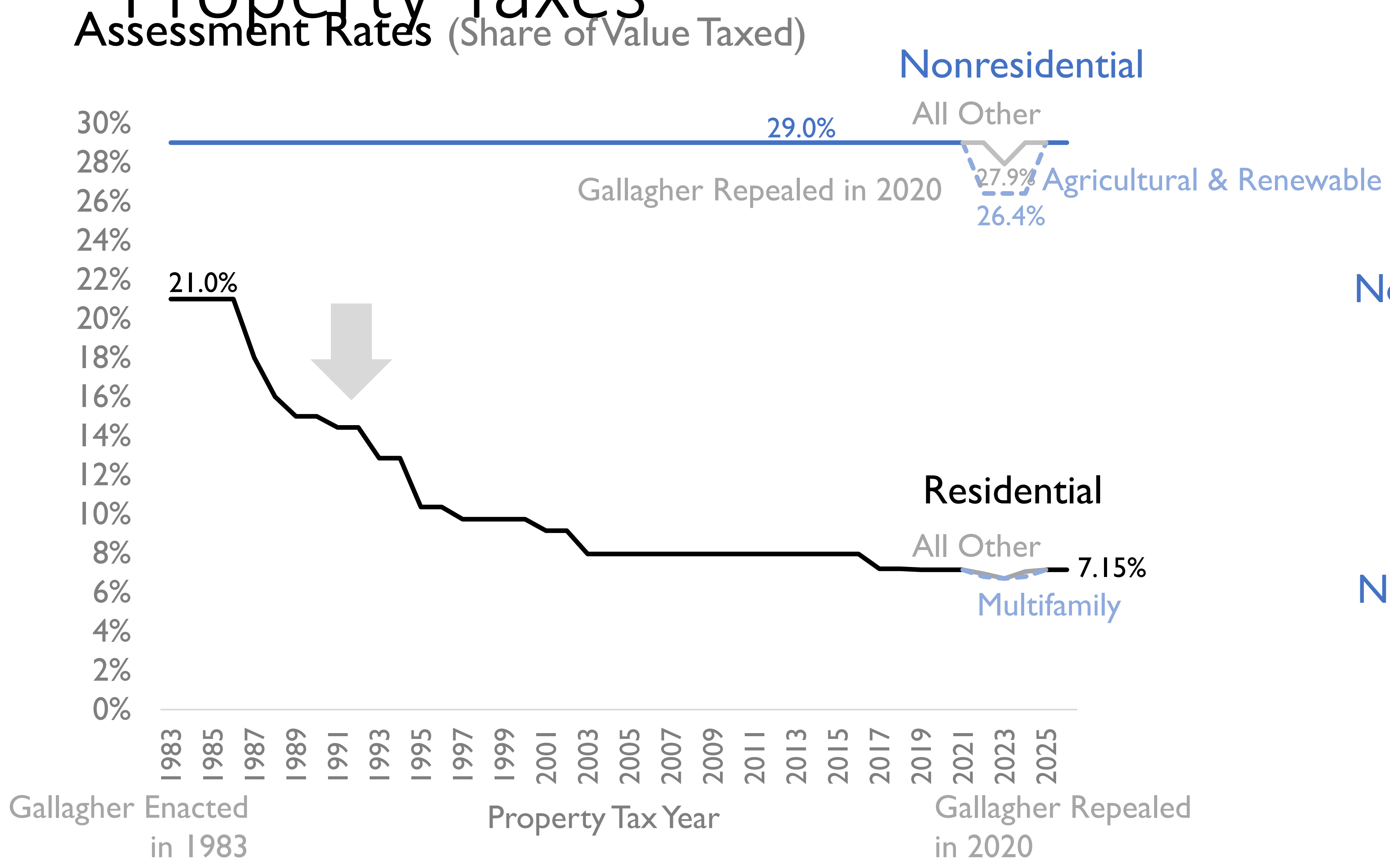


Source: Colorado Legislative Council Staff, Office of State Planning and Budgeting

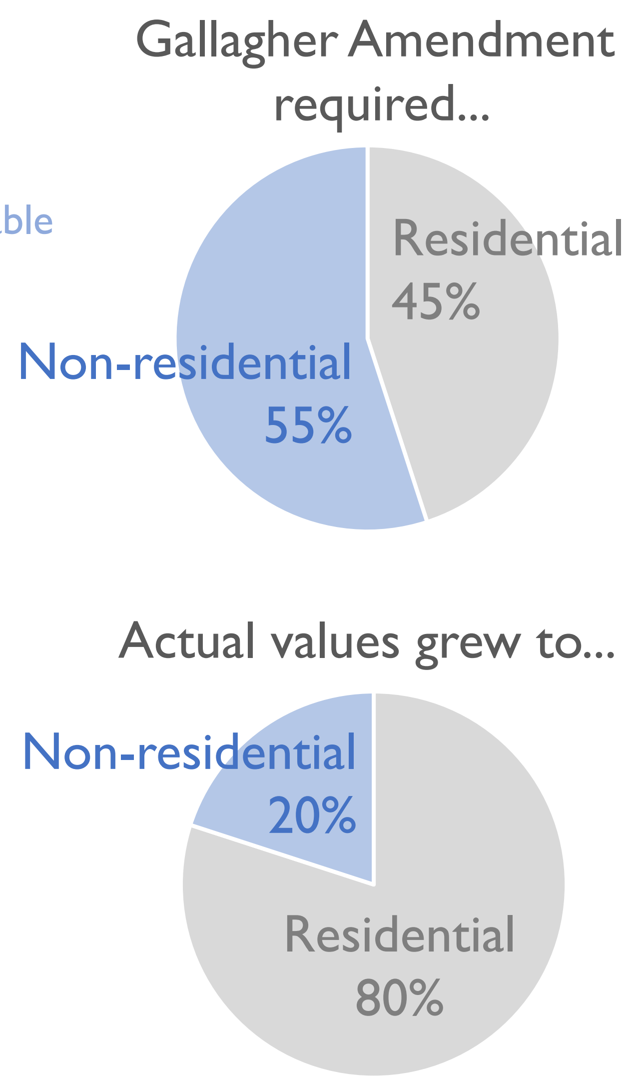
Some points of reference to clarify the view…

- Economic and government systems are nearing the end of implementing massive monetary and fiscal stimulus
- Federal Reserve is keeping all options open
- Added new policies through the IIJA, IRA, and the CHIPS act
- Larger context still governs the major trends at play:
  - ✓ Aging population will affect spending patterns and the demand for health care
  - ✓ Long-term production shifts to ***services*** from ***goods*** probably puts the overall economic growth rate on a slower path
  - ✓ Colorado’s historic advantages over the rest of the country are diminished

Property Taxes

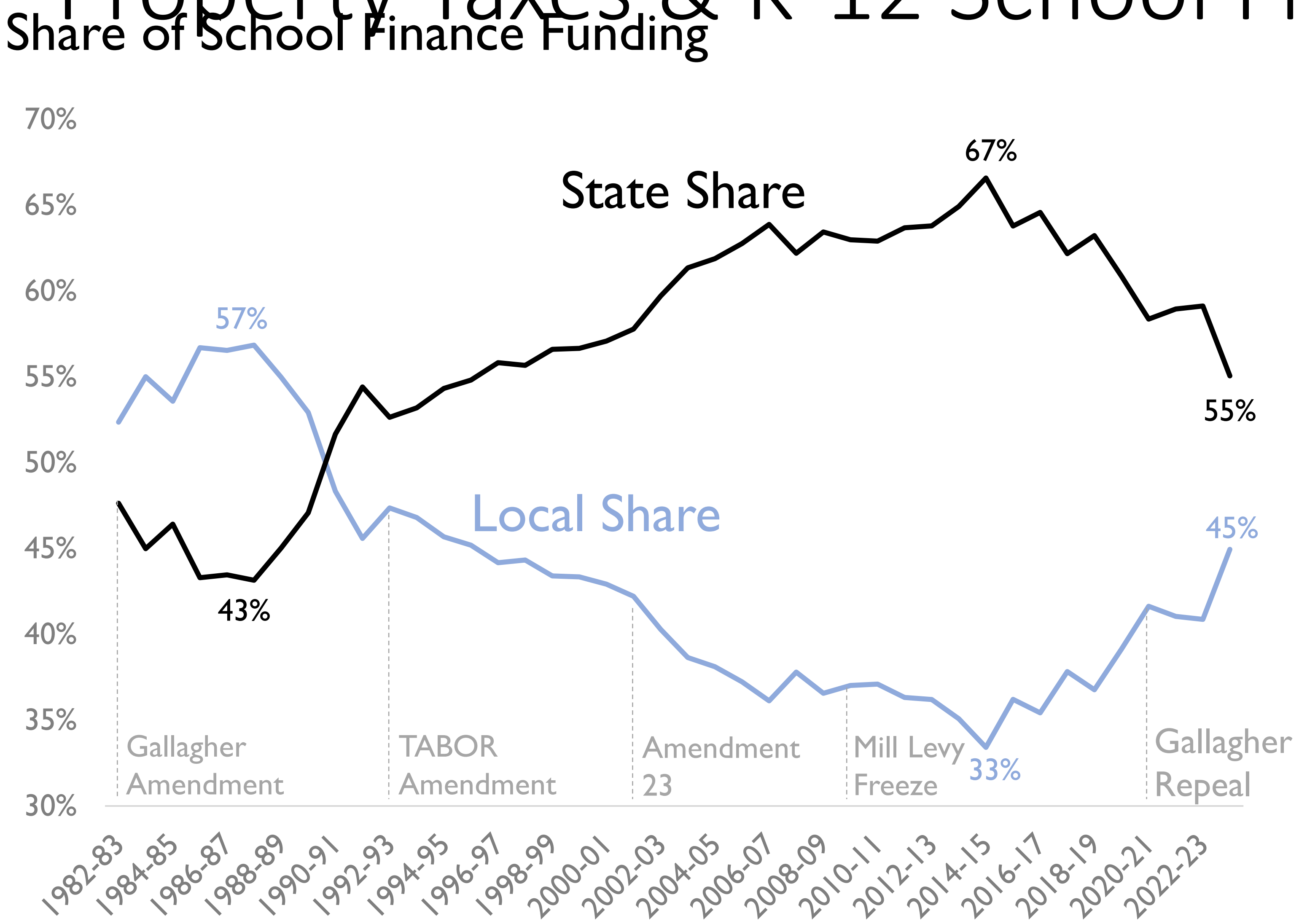


Assessed Value Shares



Source: Colorado Department of Local Affairs, Division of Property Taxation.

Property Taxes & K-12 School Finance



Contributed to a higher state share…

- Gallagher reduced the residential assessment rate (lower local share)
- Amendment 23 requires Total Program funding to grow by inflation plus enrollment (increasing funding requirements)

Source: Colorado Legislative Council Staff

Surely, we can all get along…

Local control

Sufficient school funding

Functional over time

Good for Households

Lower taxes

Works statewide

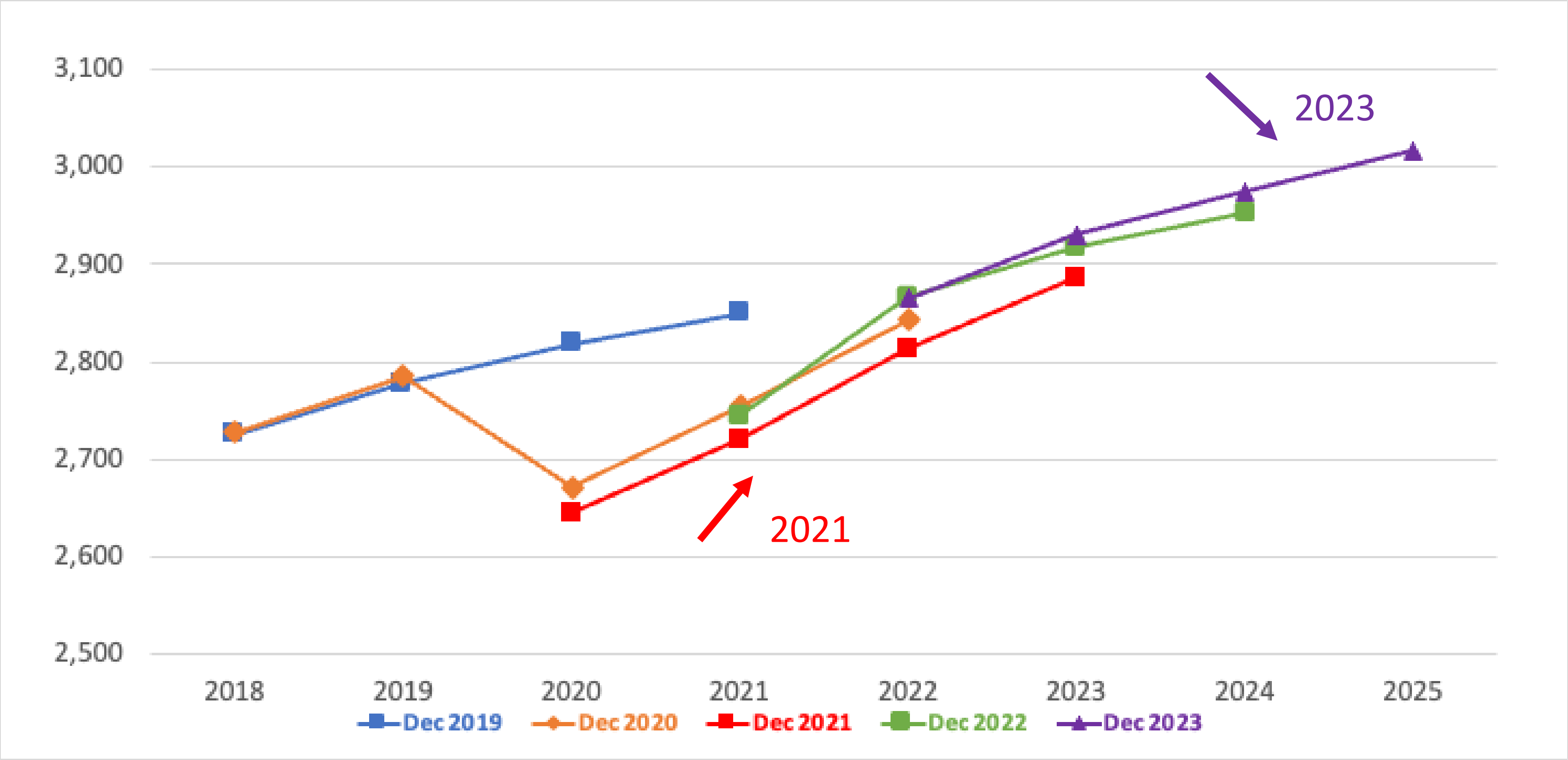
Good for business

ColoradoCast Key Variables

Yield Spread (10 years - 2 years) +	Employment in Employment Services +	Initial Claims for Unemployment Insurance –
Wilshire 5000 +	Housing Prices (Case Shiller) +	Risk Premium (Corp 10 year – T Bill 10 year) –

ColoradoCast Q4 2023: Steady growth ahead

Dec ’19 - ‘23, CO Employment Forecasts ‘000s of non-farm jobs



Source: Colorado Legislative Council Staff

Horseshoes and Hand Grenades…

2023

- 2023 Colorado legislation on **housing** and business policy…long-term fiscal policy for education and infrastructure is fragile
- Possible **debt ceiling fight** in Congress would affect financial markets
- **Climate adaptation** and carbon emissions reduction
- **Artificial intelligence** adoption is growing rapidly in many disciplines
- **Automation of work** will continue with a mix of benefits and transition costs
- Economic commentary is mixing more and more with social commentary…

Today

- 2024 Colorado legislation on **housing** will be tried again…property tax policy still not settled
- **Federal Reserve** policy
- **"Soft landing"** is a very likely scenario
- **Climate adaptation** and carbon emissions reduction
- **Artificial intelligence** may or may not be the end of everything or the fix for everything
- Economic commentary is mixing more and more with social commentary…**presidential election** will heighten this overlap

THANK YOU!

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NICK
SLY

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

Please click here to view Nick's presentation.

THANK YOU