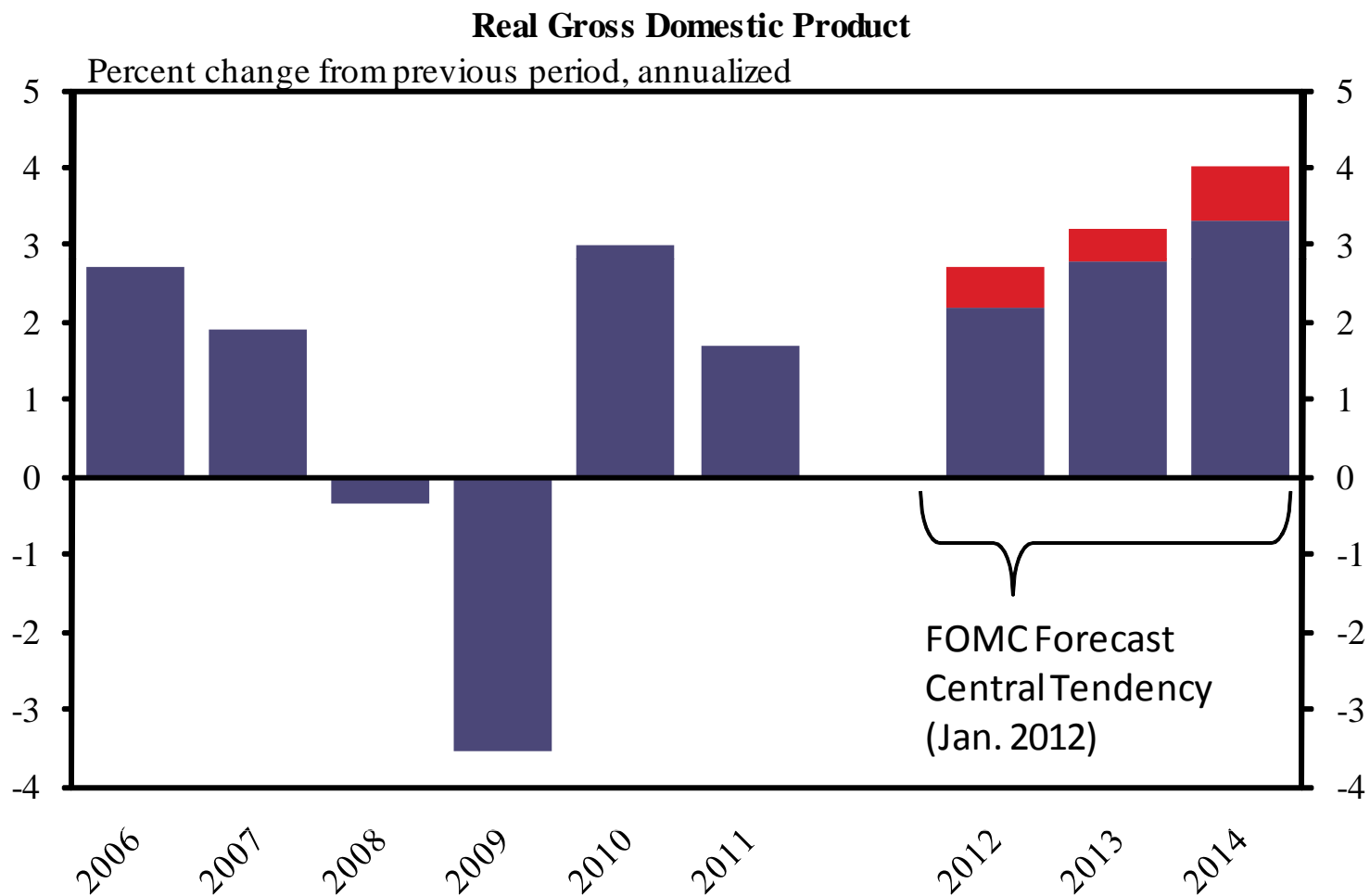


RECESSION AND RECOVERY IN NEBRASKA AND THE U.S.

Alison Felix
Senior Economist
Federal Reserve Bank of Kansas City

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.

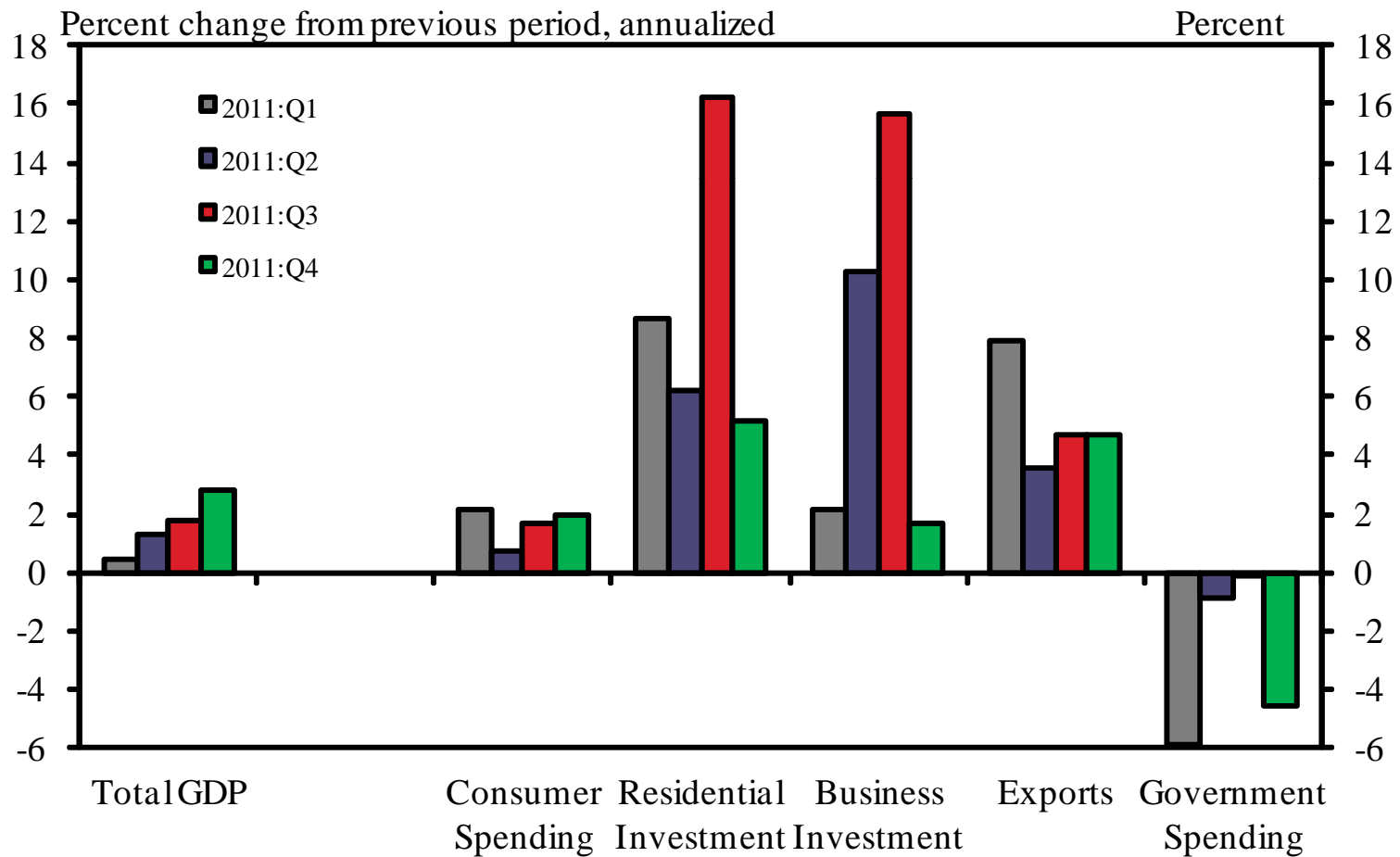
After slowing in the first half of 2011, growth is picking up.



Source: Bureau of Economic Analysis; FOMC

Consumer spending and inventory investment contributed to the increase in fourth quarter GDP.

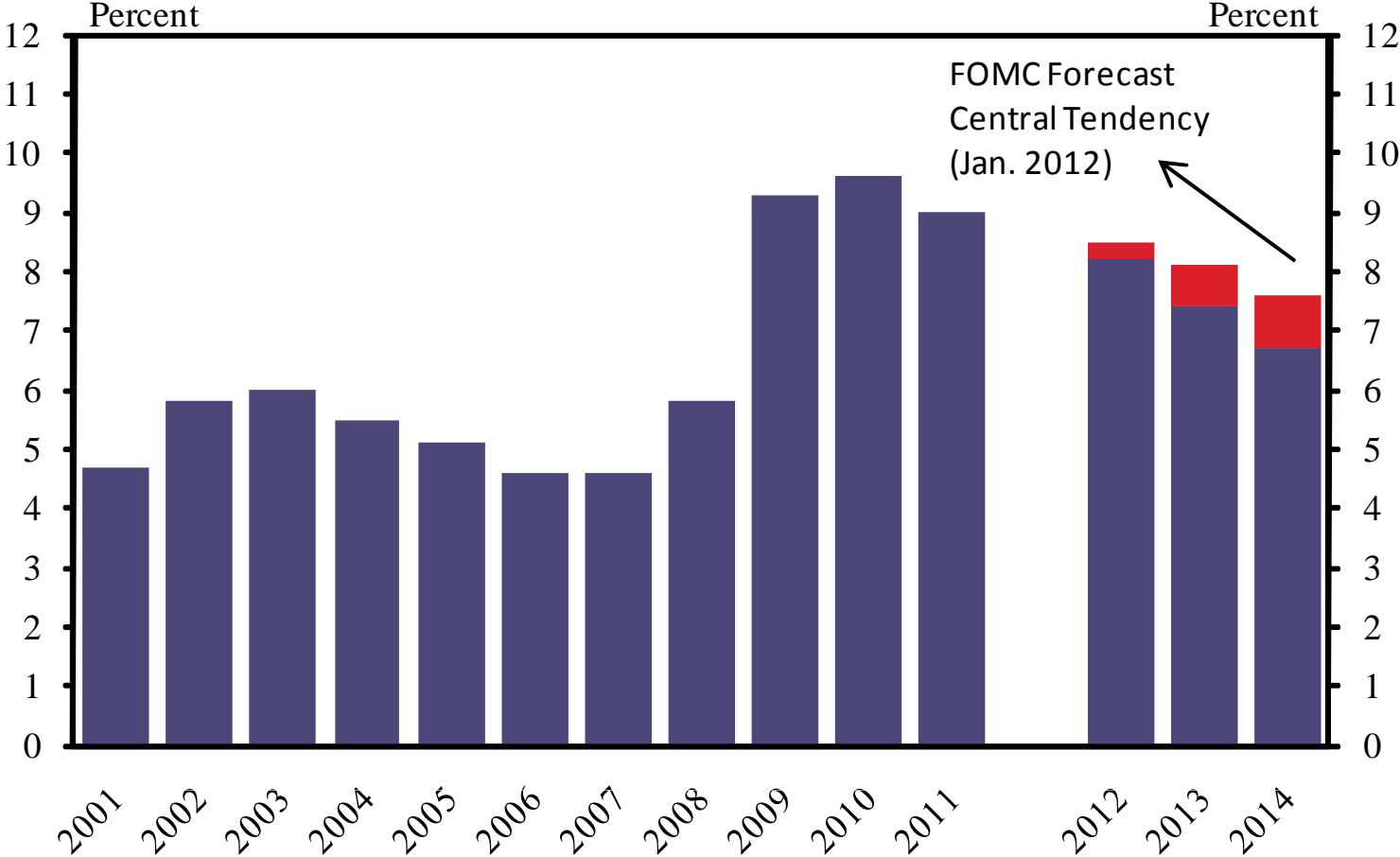
Growth in Components of Real GDP



Source: Bureau of Economic Analysis

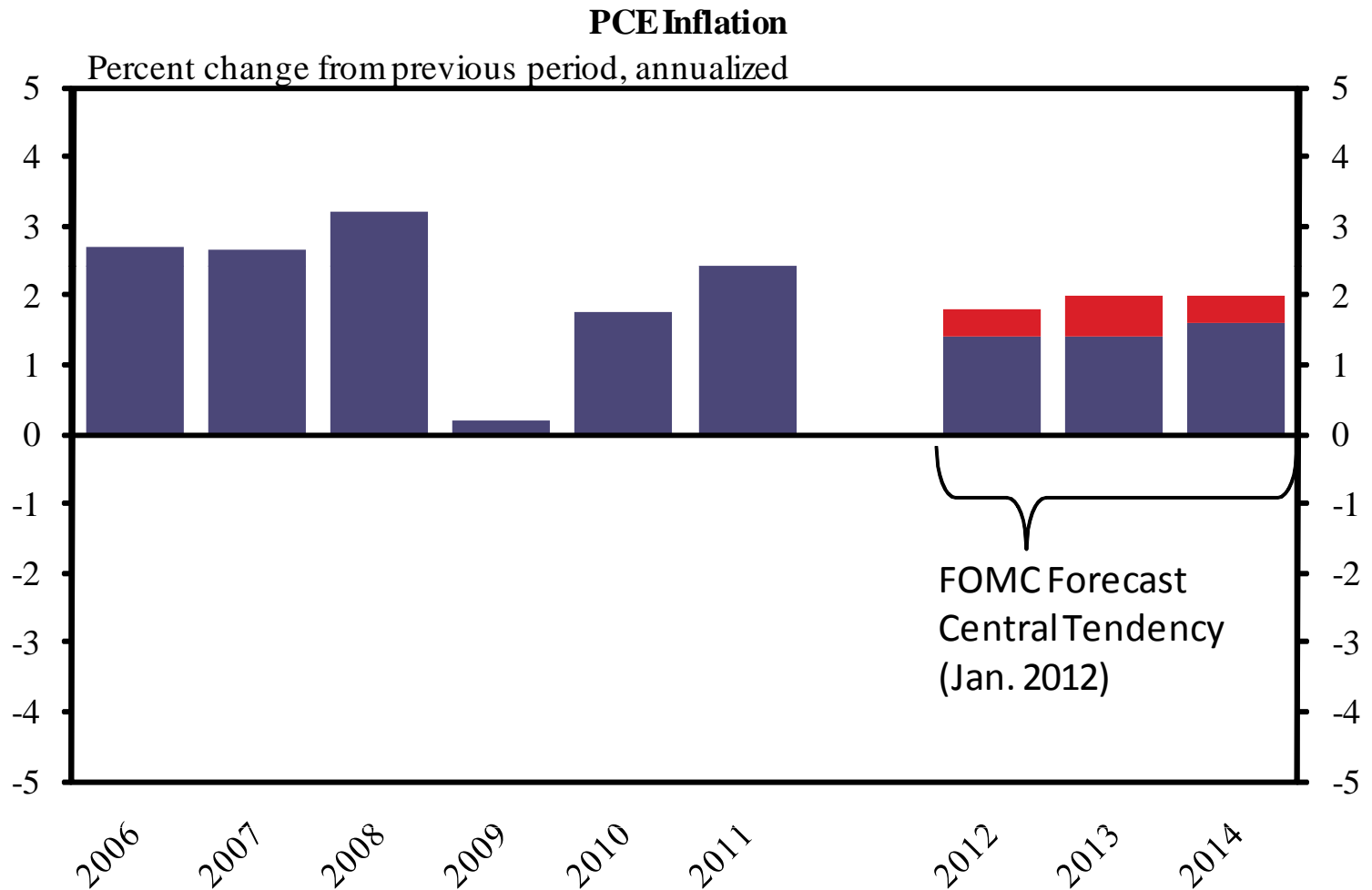
Unemployment rates have fallen over the past year but remain stubbornly high.

Unemployment Rate



Source: Bureau of Labor Statistics; FOMC

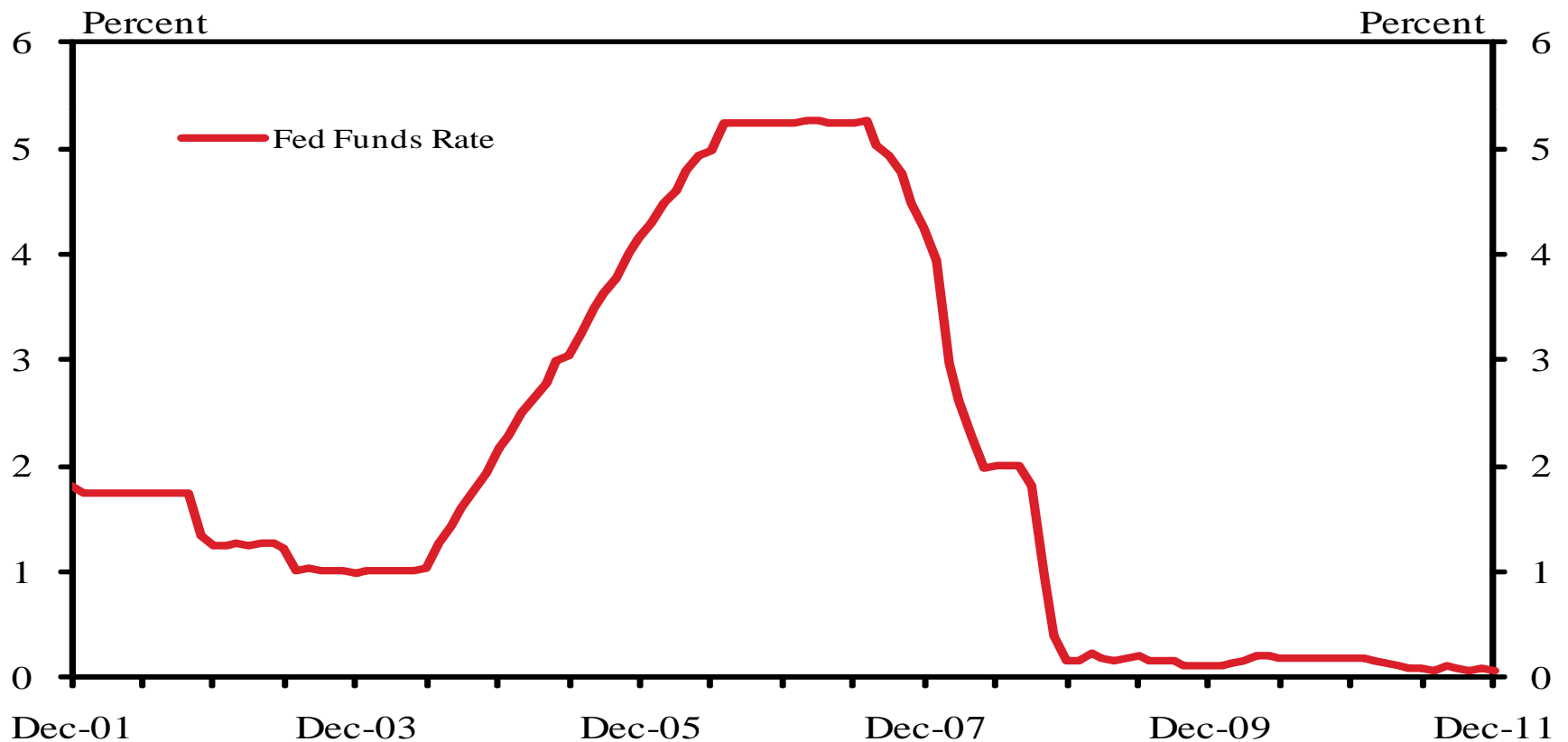
After increasing in the first half of 2011, inflation has moderated and is expected to be below 2% in 2012.



Source: Bureau of Economic Analysis; FOMC

FOMC January 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.”

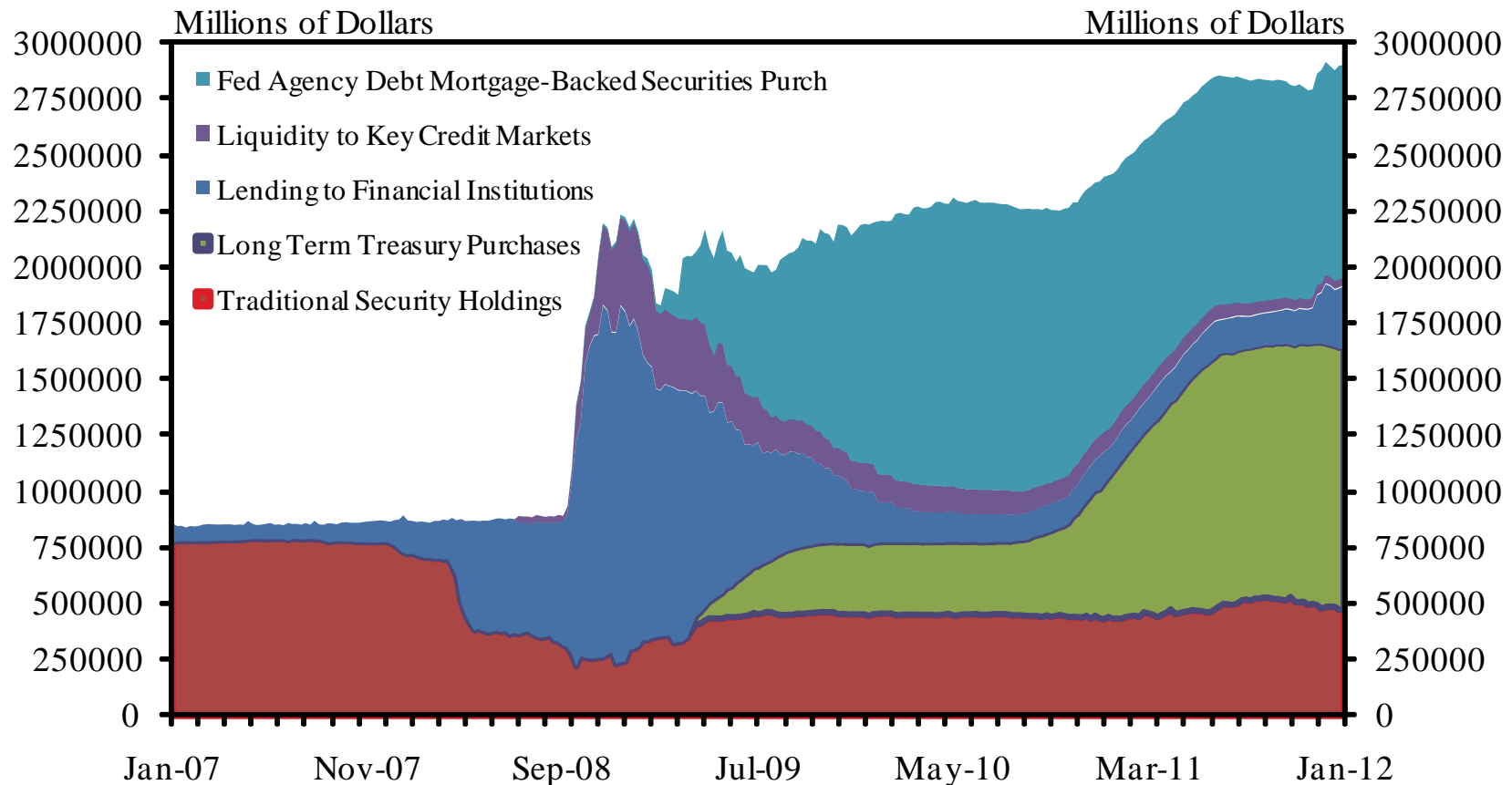
Fed Funds Rate



Source: FOMC

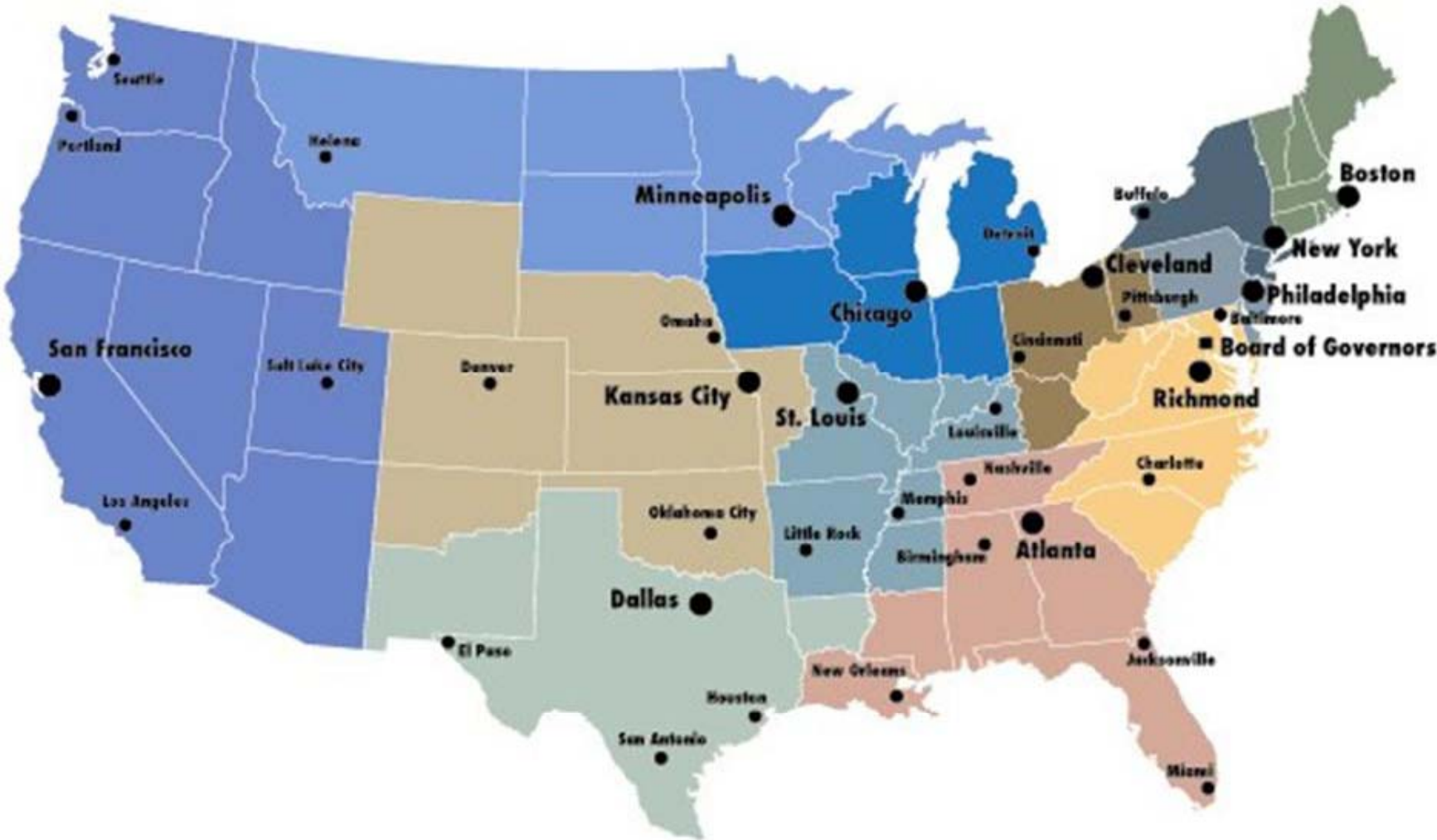
FOMC January Statement: “The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction.”

Federal Reserve Balance Sheet



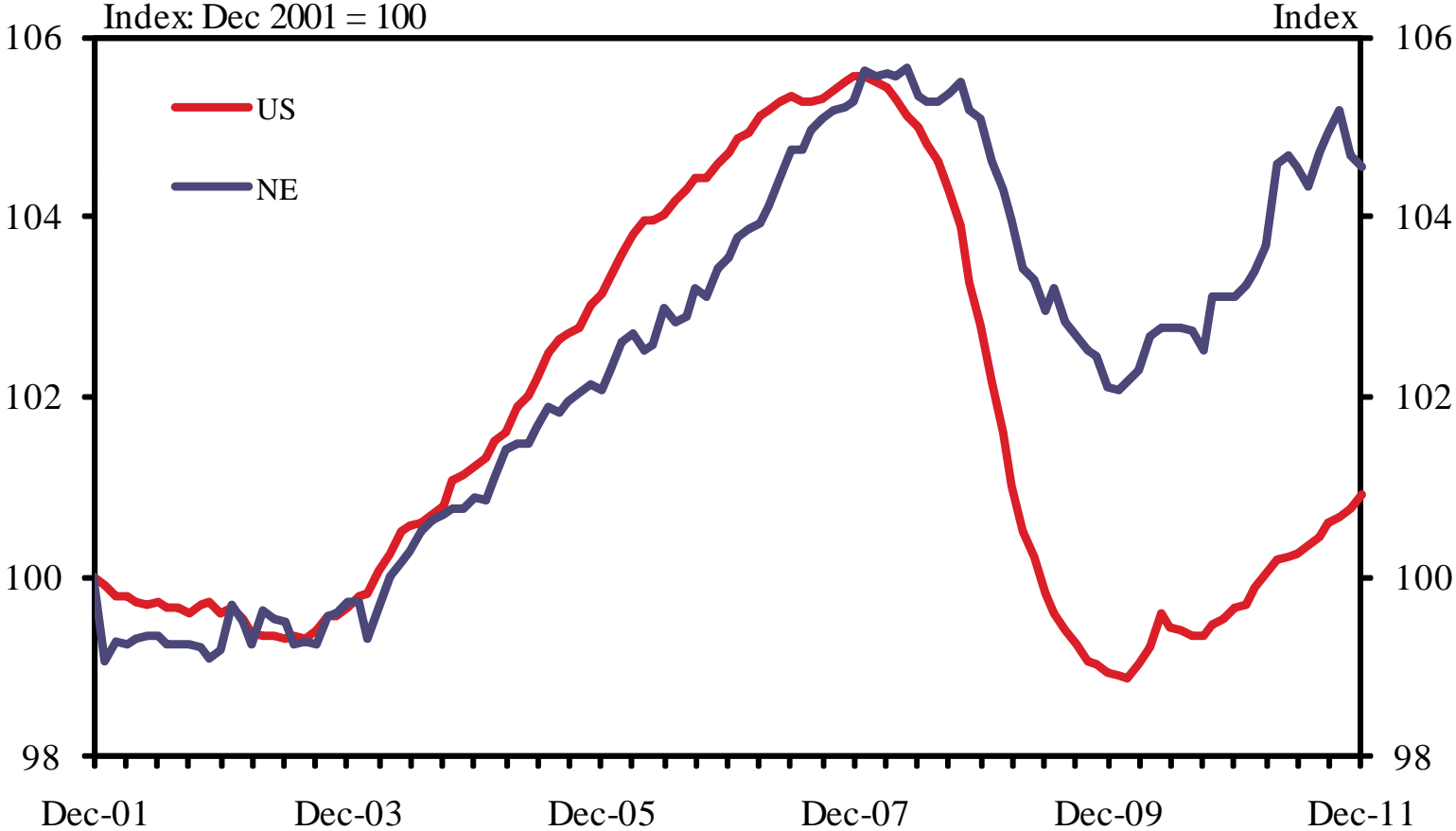
Source: FOMC

The Tenth District of the Federal Reserve



Employment in NE is approaching pre-recession levels after gains over the past 2 years. .

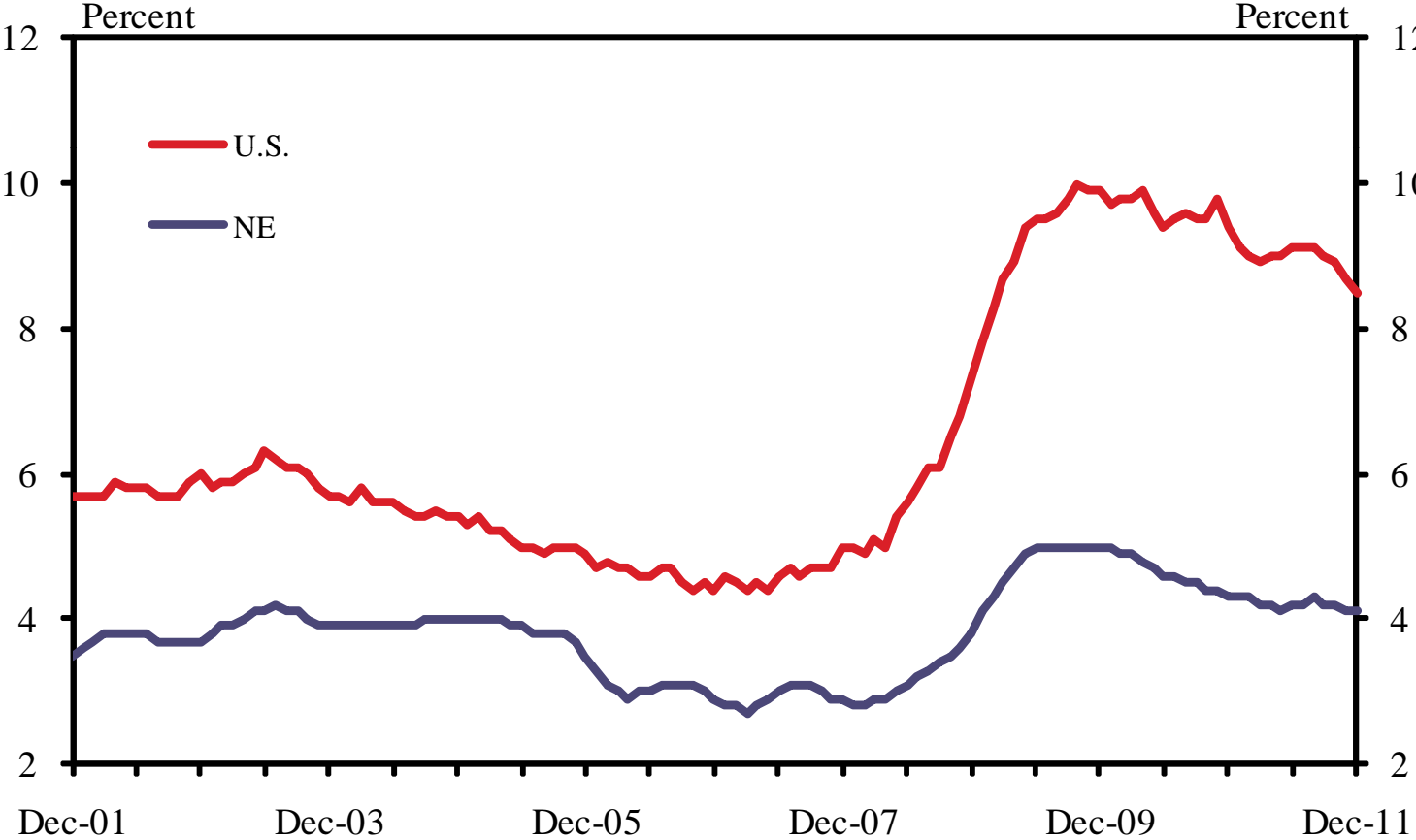
Total Nonfarm Employment
Seasonally adjusted



Source: Bureau of Labor Statistics

The unemployment rate in Nebraska is much lower than the national rate.

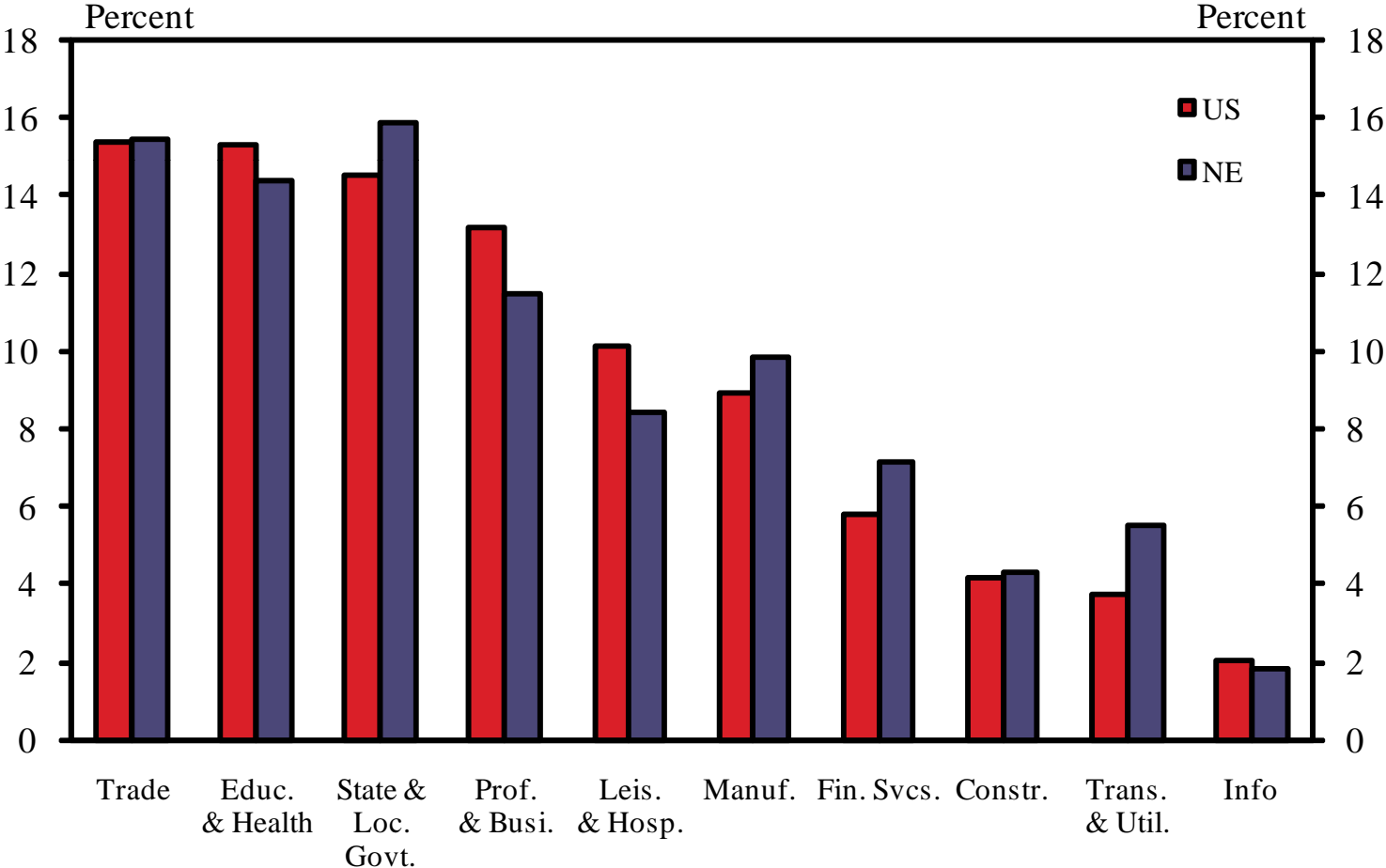
Unemployment Rate
Seasonally adjusted



Source: Bureau of Labor Statistics

NE has a higher share of workers in government, manufacturing, finance and transportation jobs.

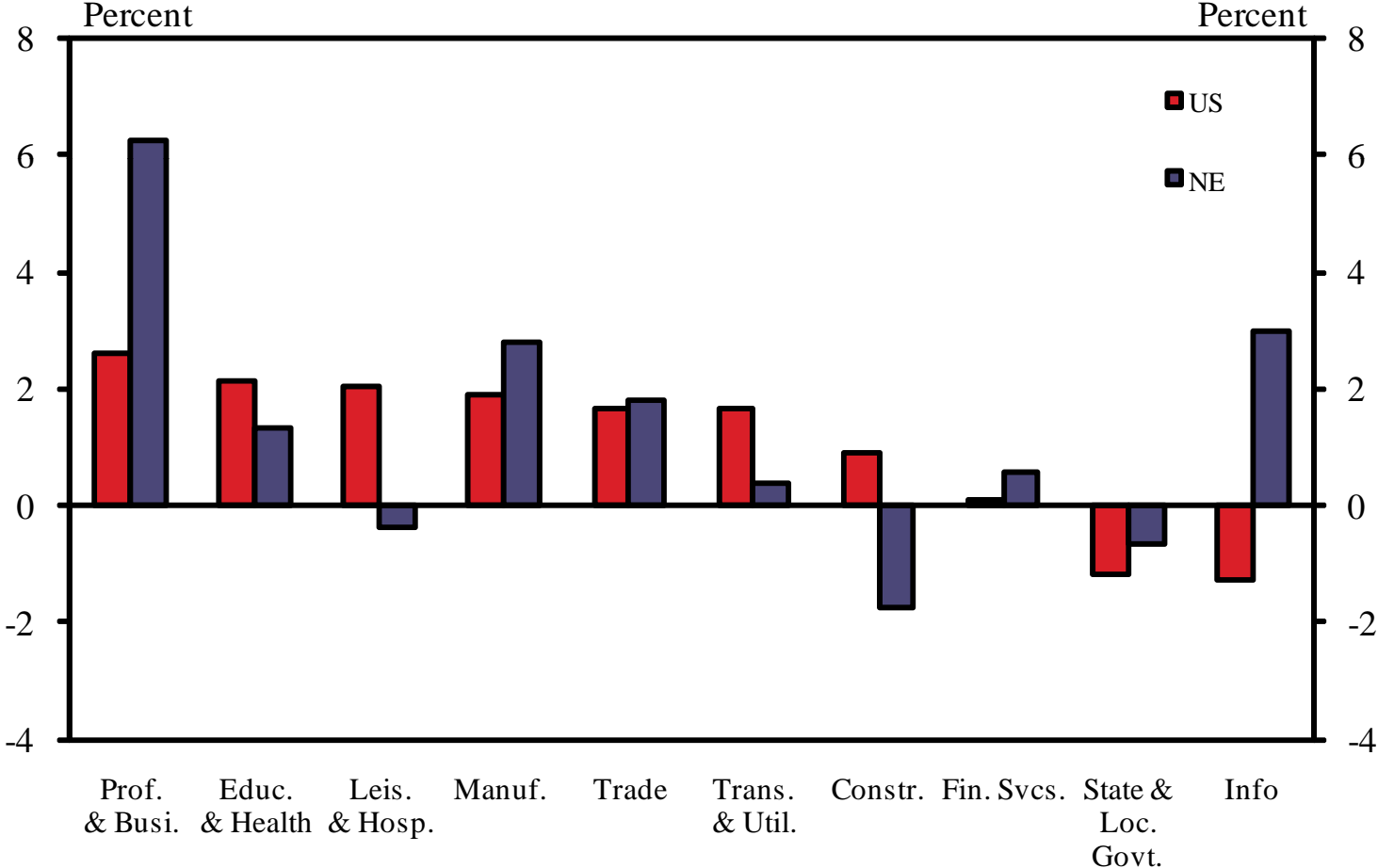
Employment Share by Industry
Seasonally adjusted



Source: Bureau of Labor Statistics

Employment in professional and business services grew quickly over the past year in Nebraska.

Employment Growth by Industry
Dec-11 over Dec-10

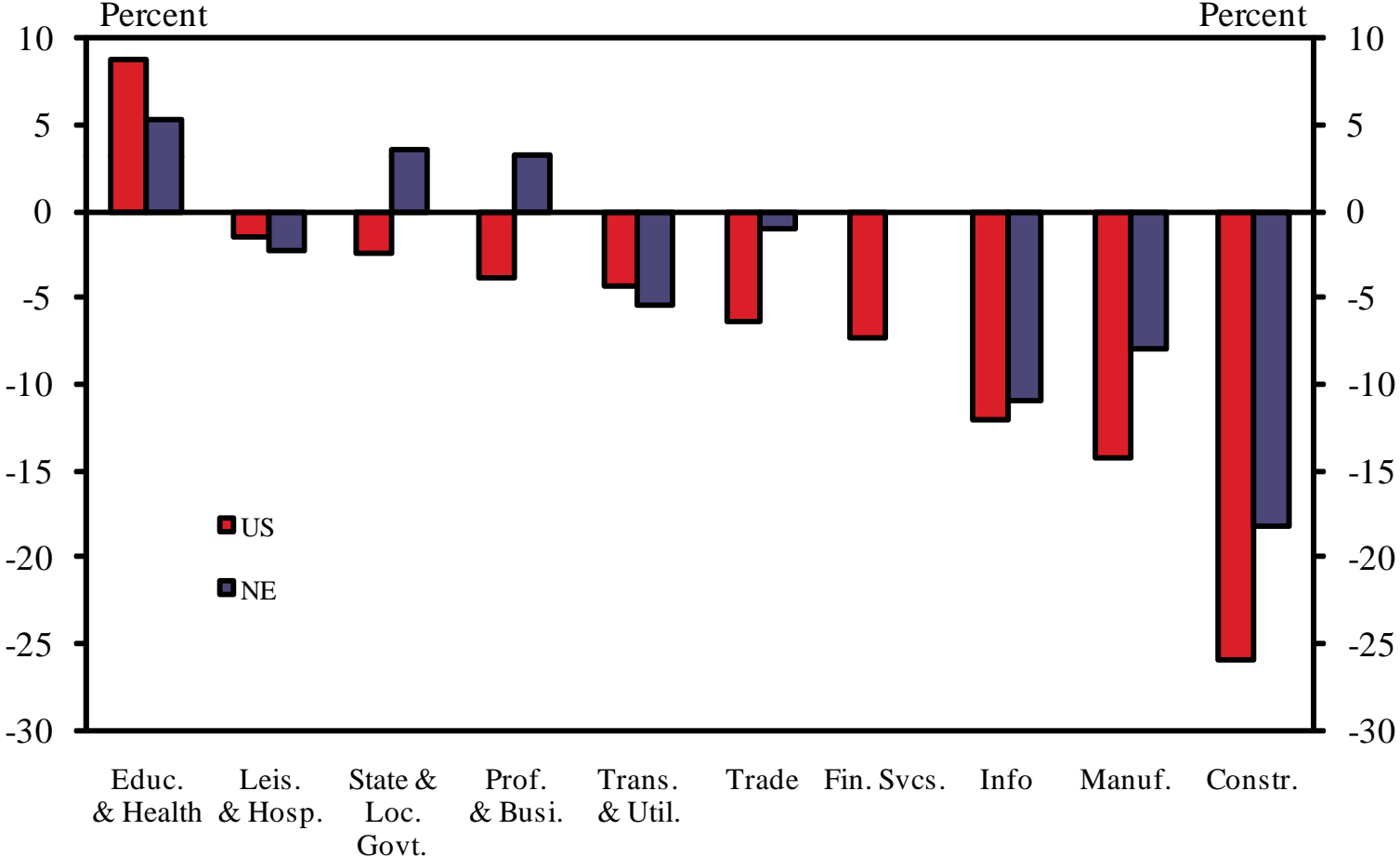


Source: Bureau of Labor Statistics

Since the recession started, employment has fallen in every industry except healthcare in the U.S.

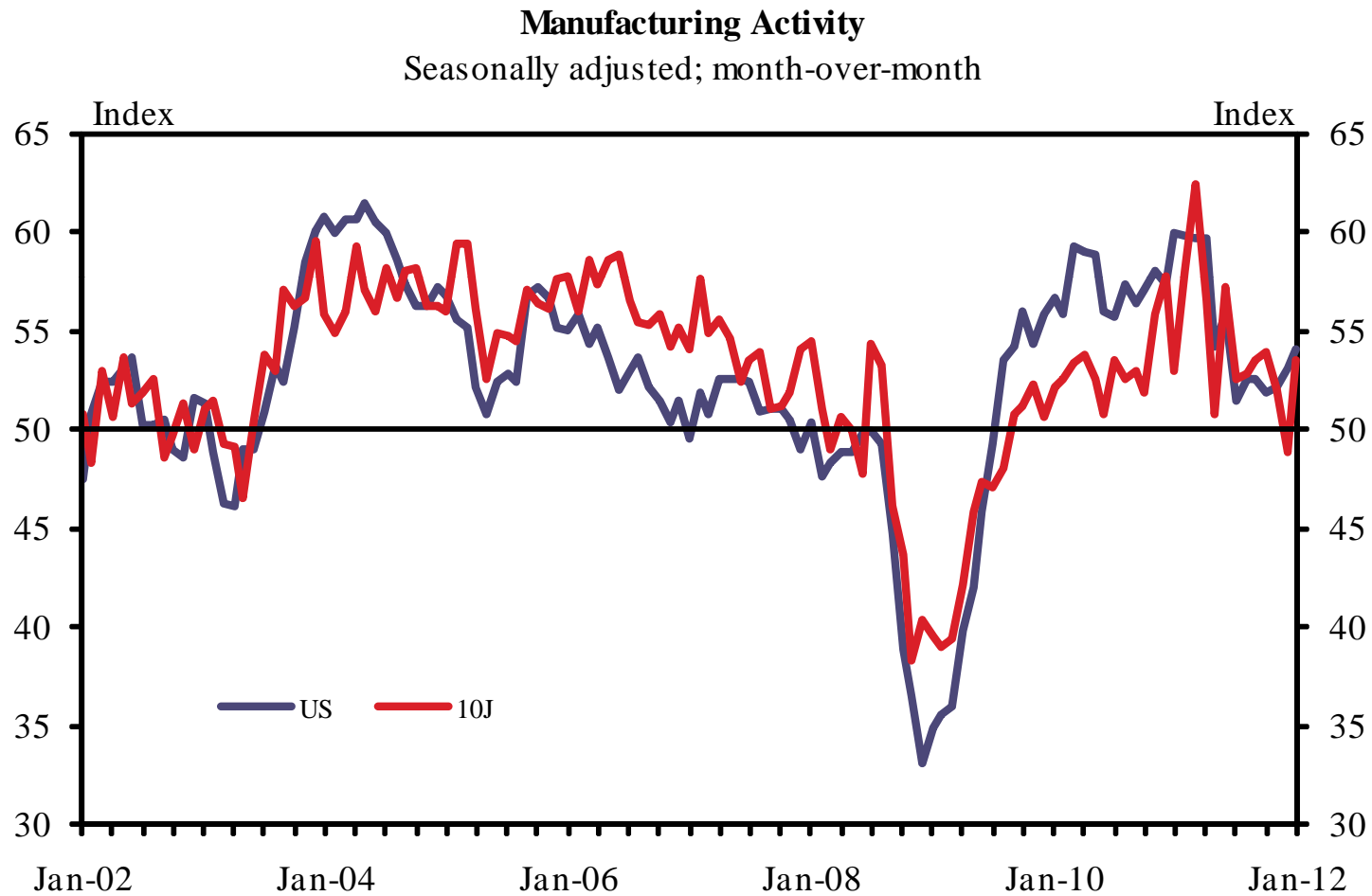


Employment Growth by Industry
Dec-11 over Dec-07



Source: Bureau of Labor Statistics

The manufacturing sector has been expanding for over two years.



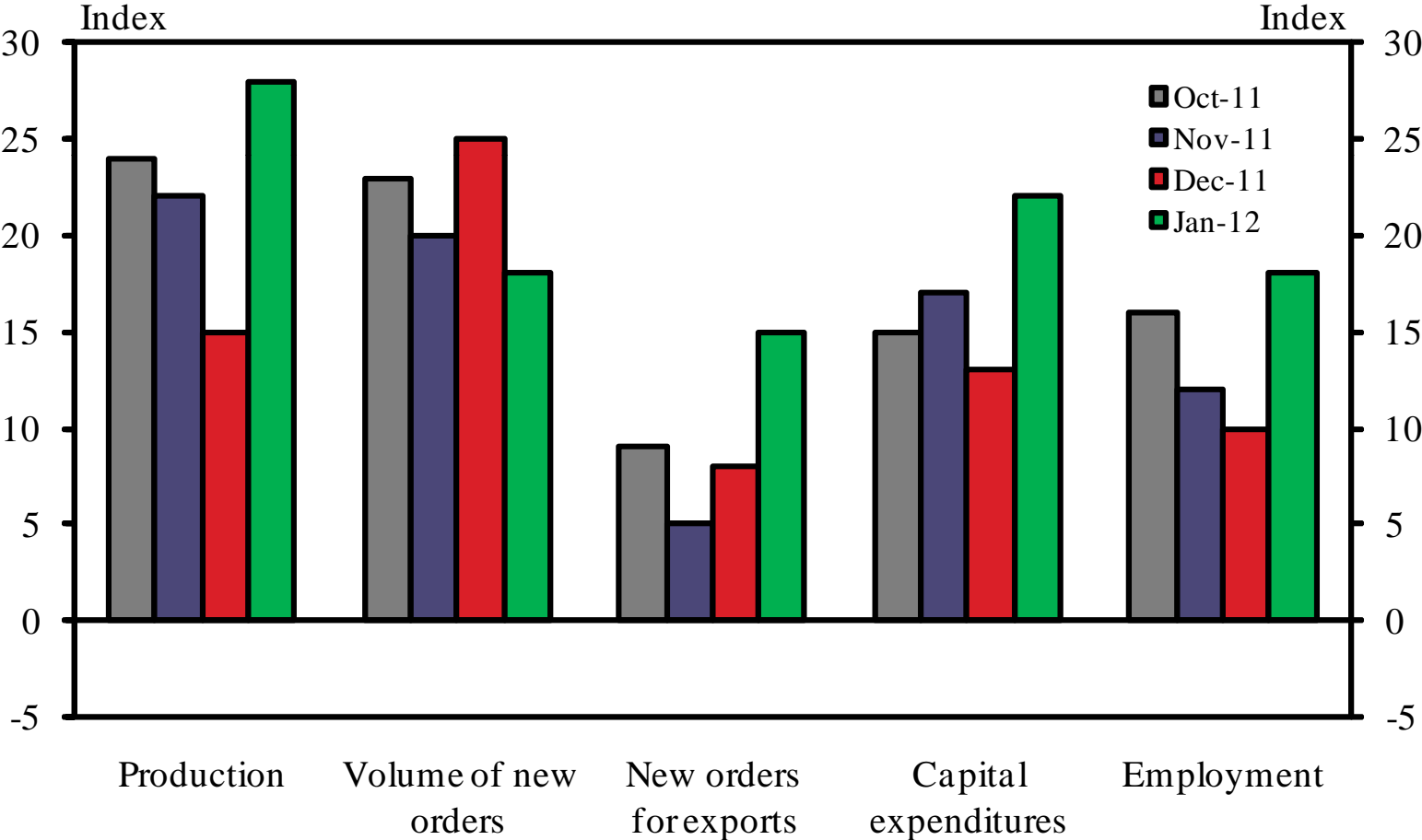
Sources: ISM, FRBKC Manufacturing Survey

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

Manufacturers in the Tenth District expect increased activity over the next six months.



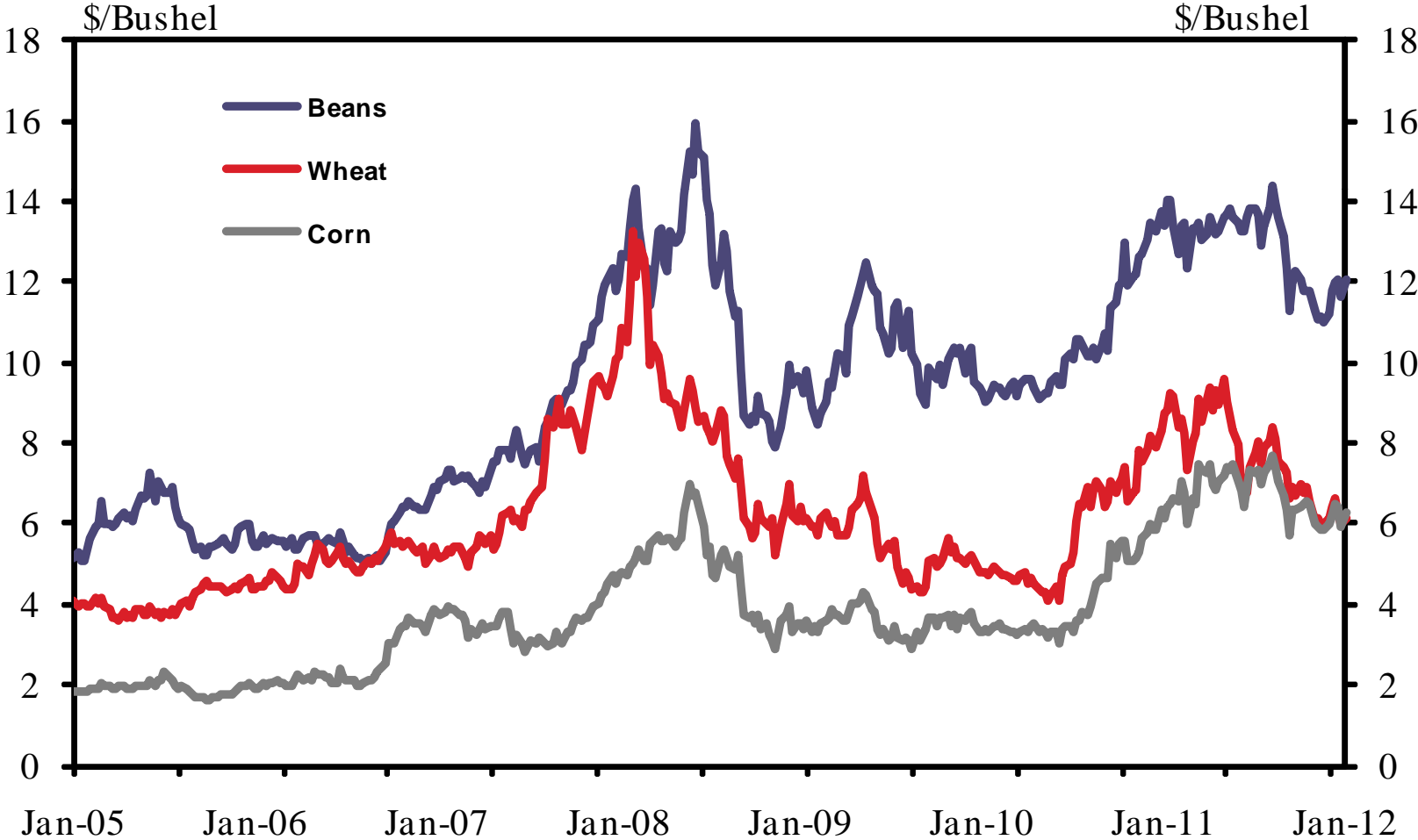
Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

Crop prices have fallen somewhat from high levels last summer.

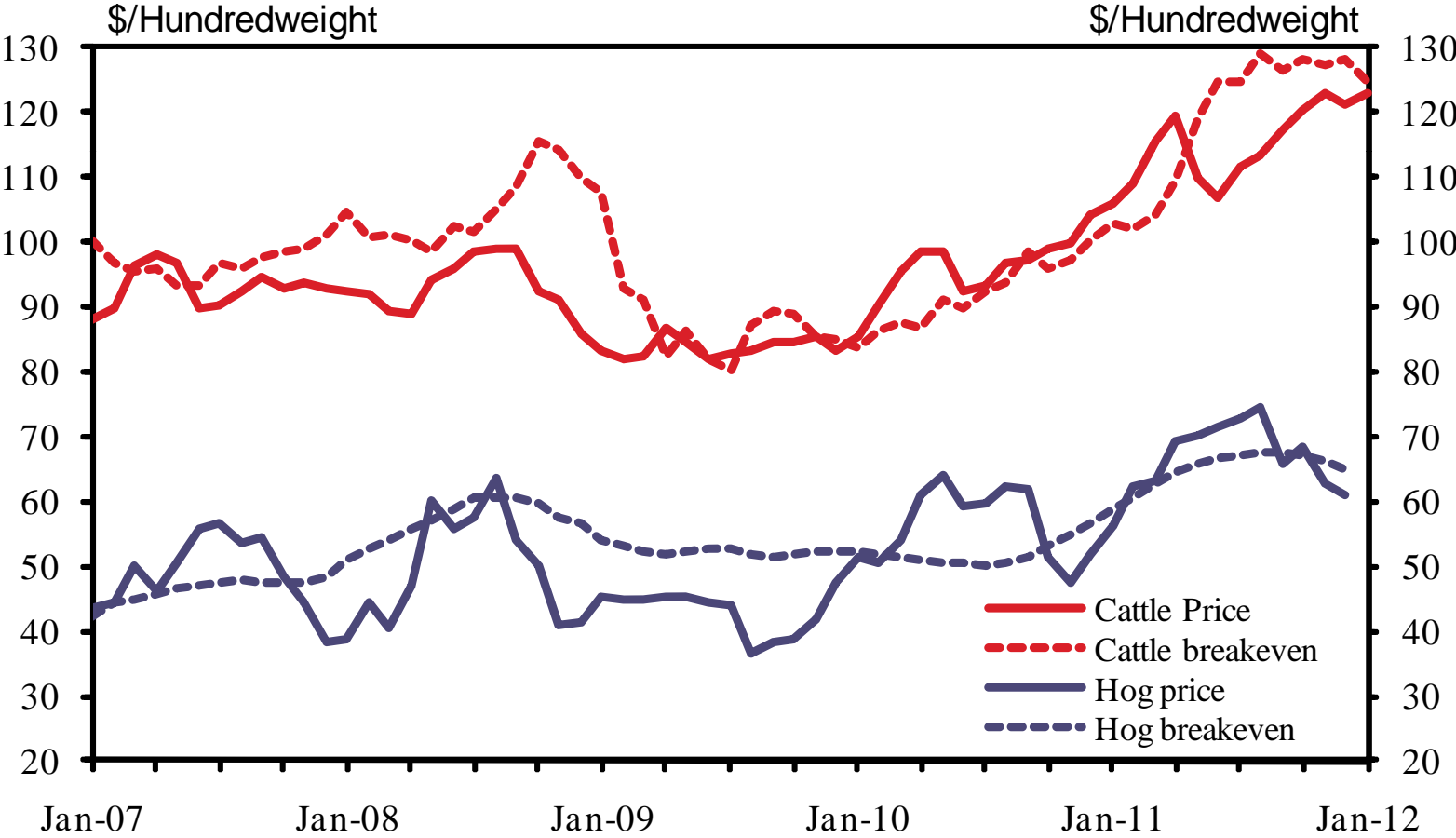
Crop Prices



Source: Commodity Research Bureau

High input costs are trimming profit margins for livestock operators.

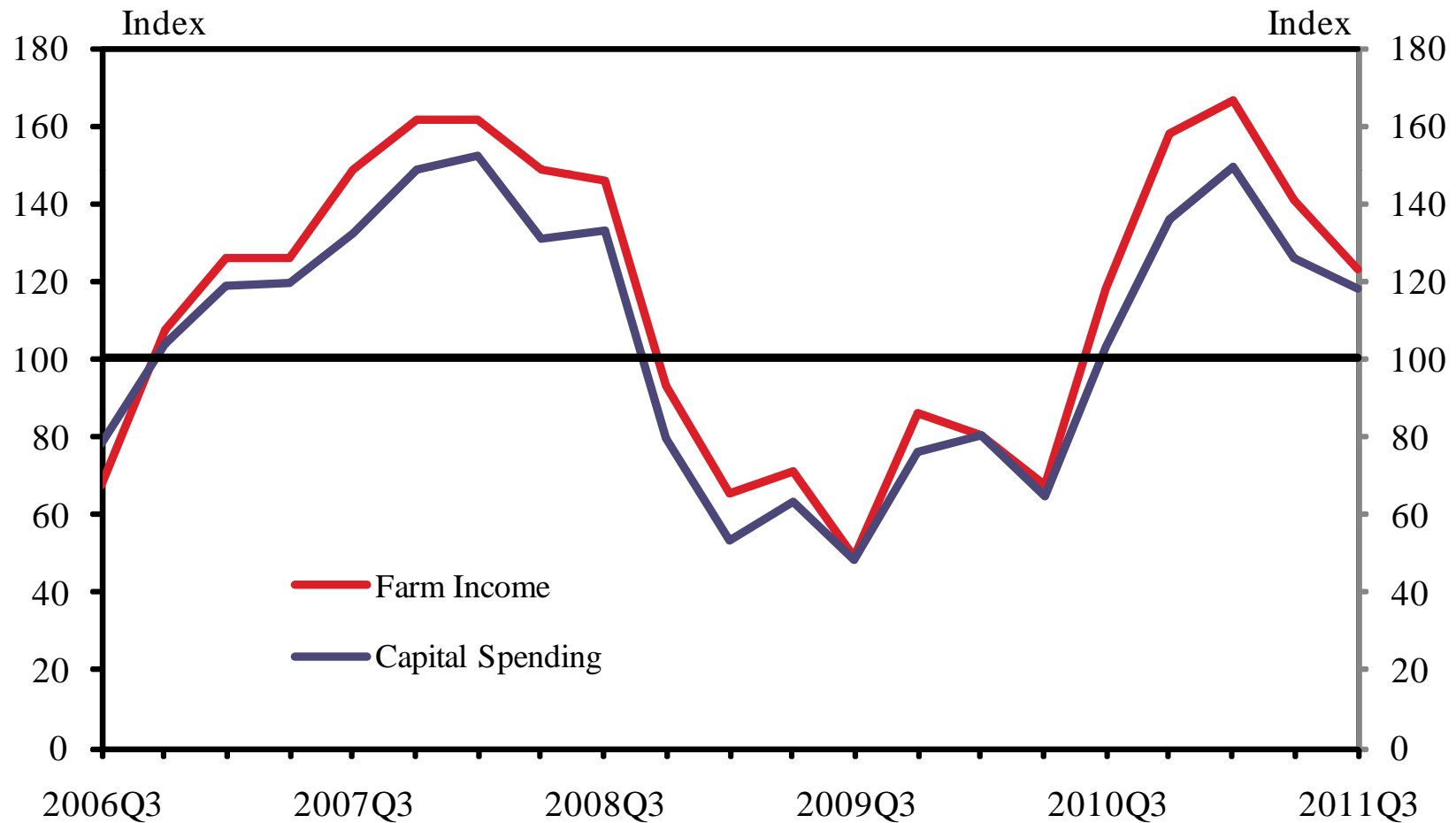
U.S. Livestock Prices and Breakeven Costs



Source: USDA

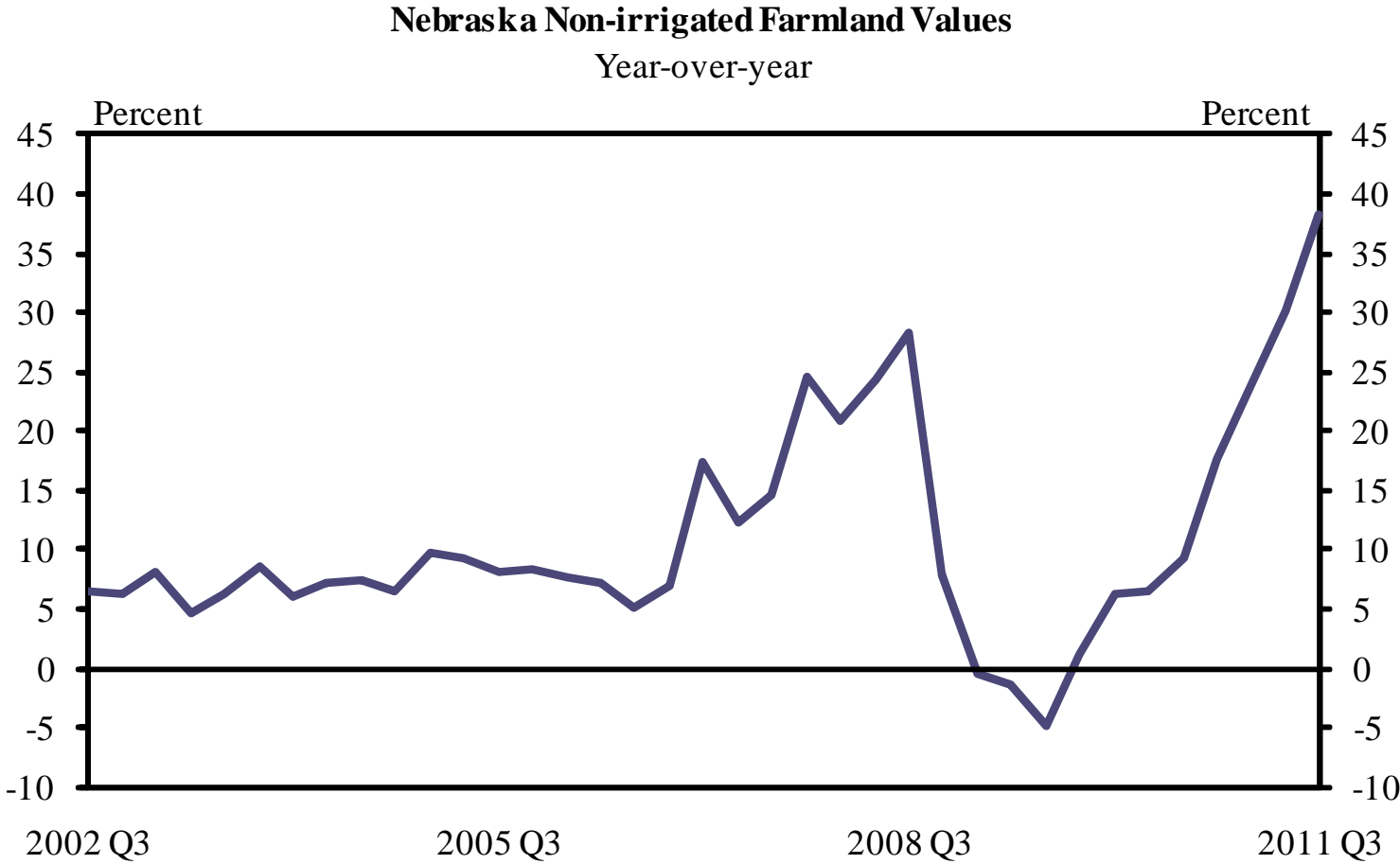
Ag bankers continue to report that farm income and capital spending are higher than a year ago.

Tenth District Farm Income and Capital Spending



Source: FRBKC Ag Credit Survey

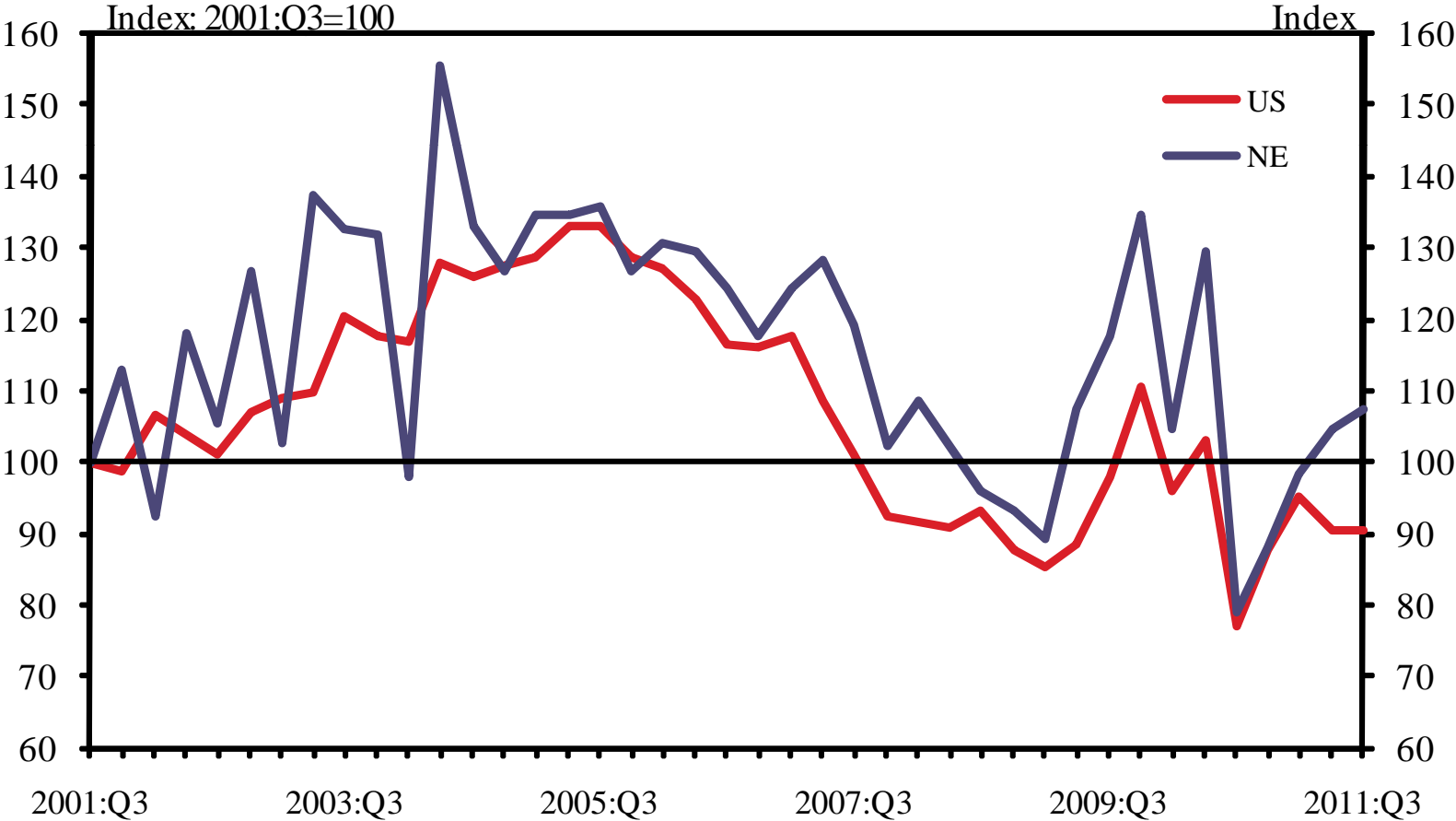
Farmland prices have increased sharply in Nebraska.



Source: FRBKC Agricultural Credit Survey

Home sales activity rebounded over the past year but remains below pre-recession levels.

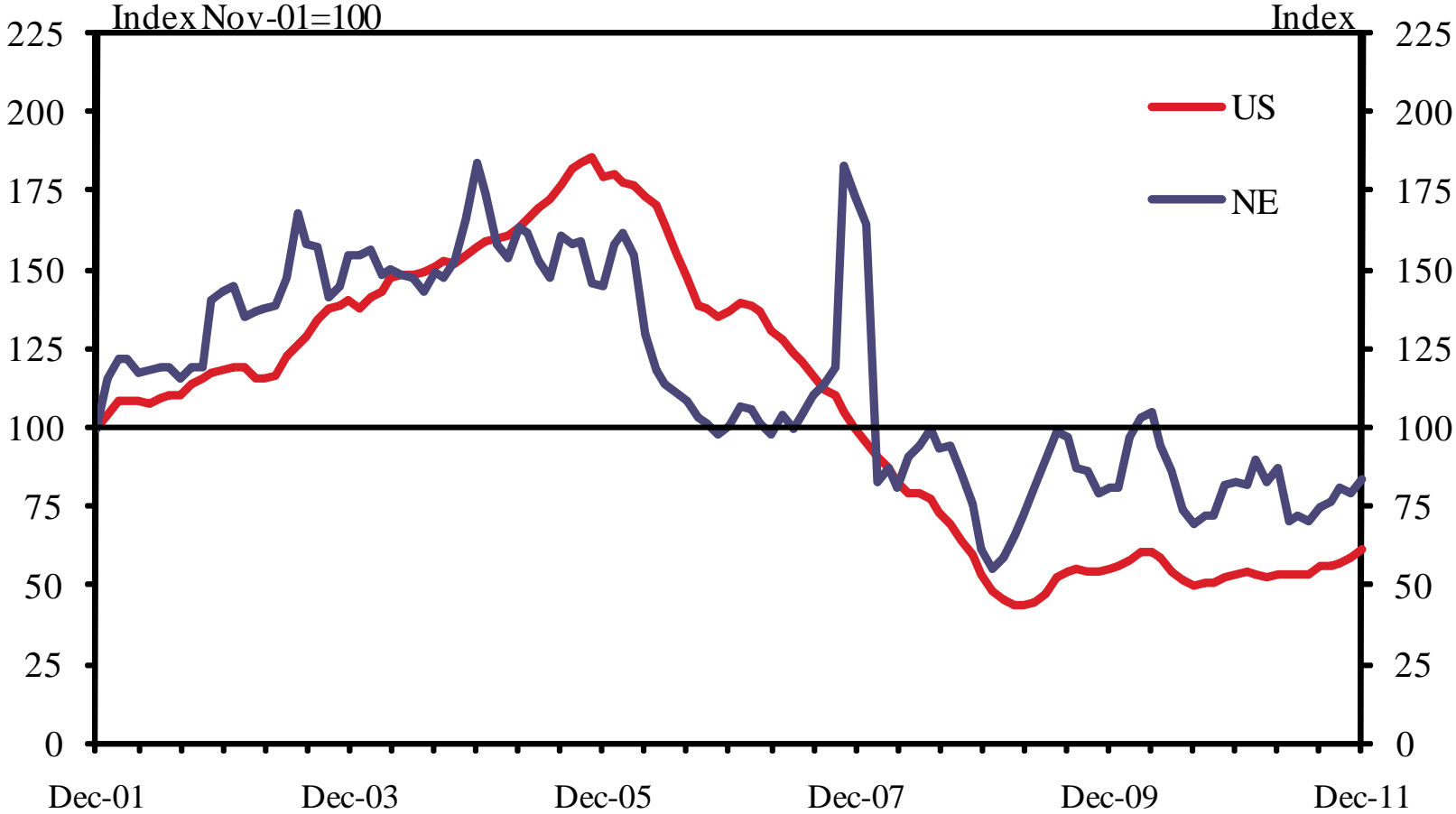
Existing Home Sales
Seasonally adjusted



Source: NAR

Residential construction activity remains weak but has increased over the past few months.

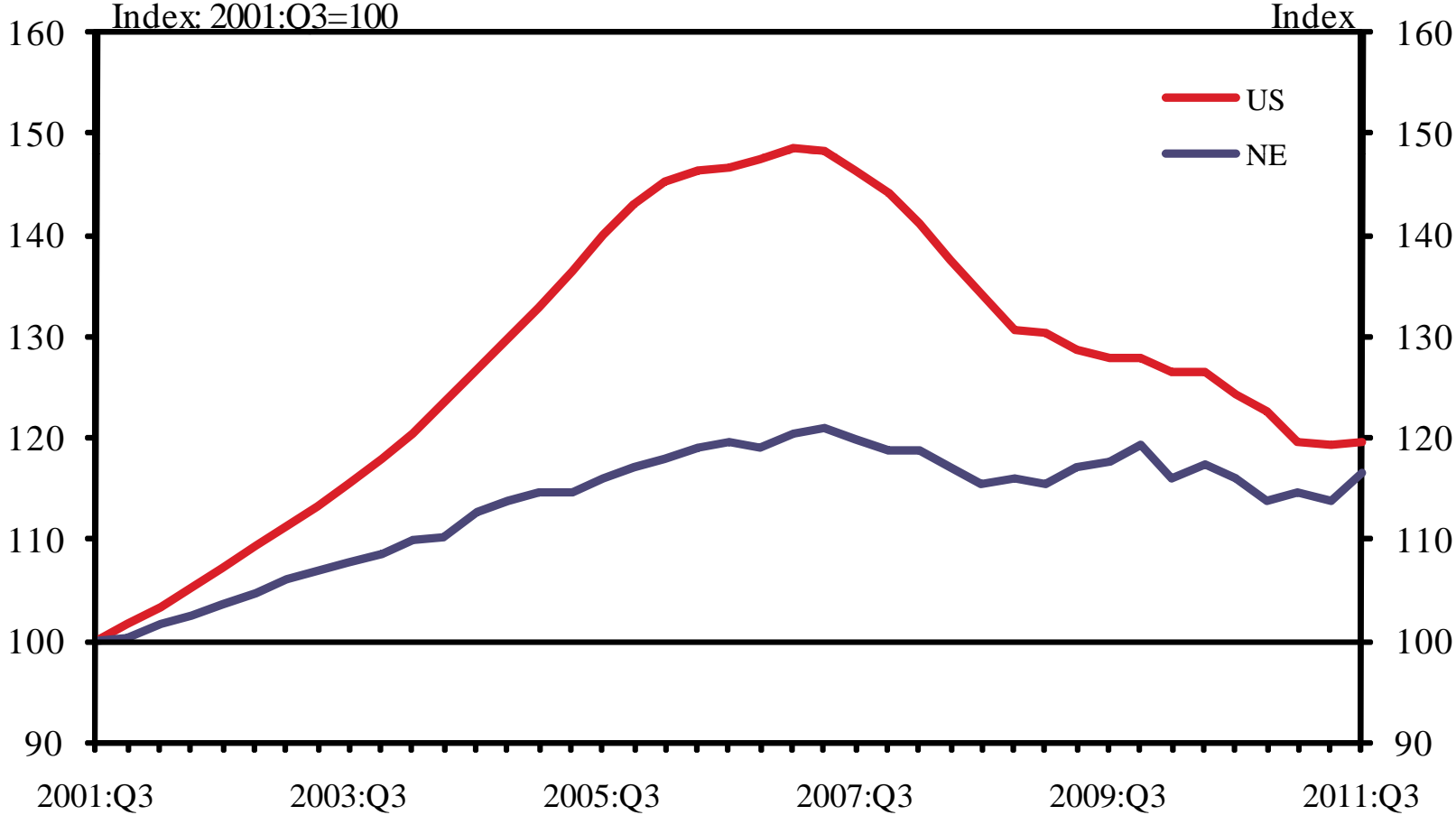
Value of Residential Construction Contracts
Seasonally adjusted, 3 mo. moving avg.



Source: FW Dodge

Home prices in Nebraska have outperformed the national prices.

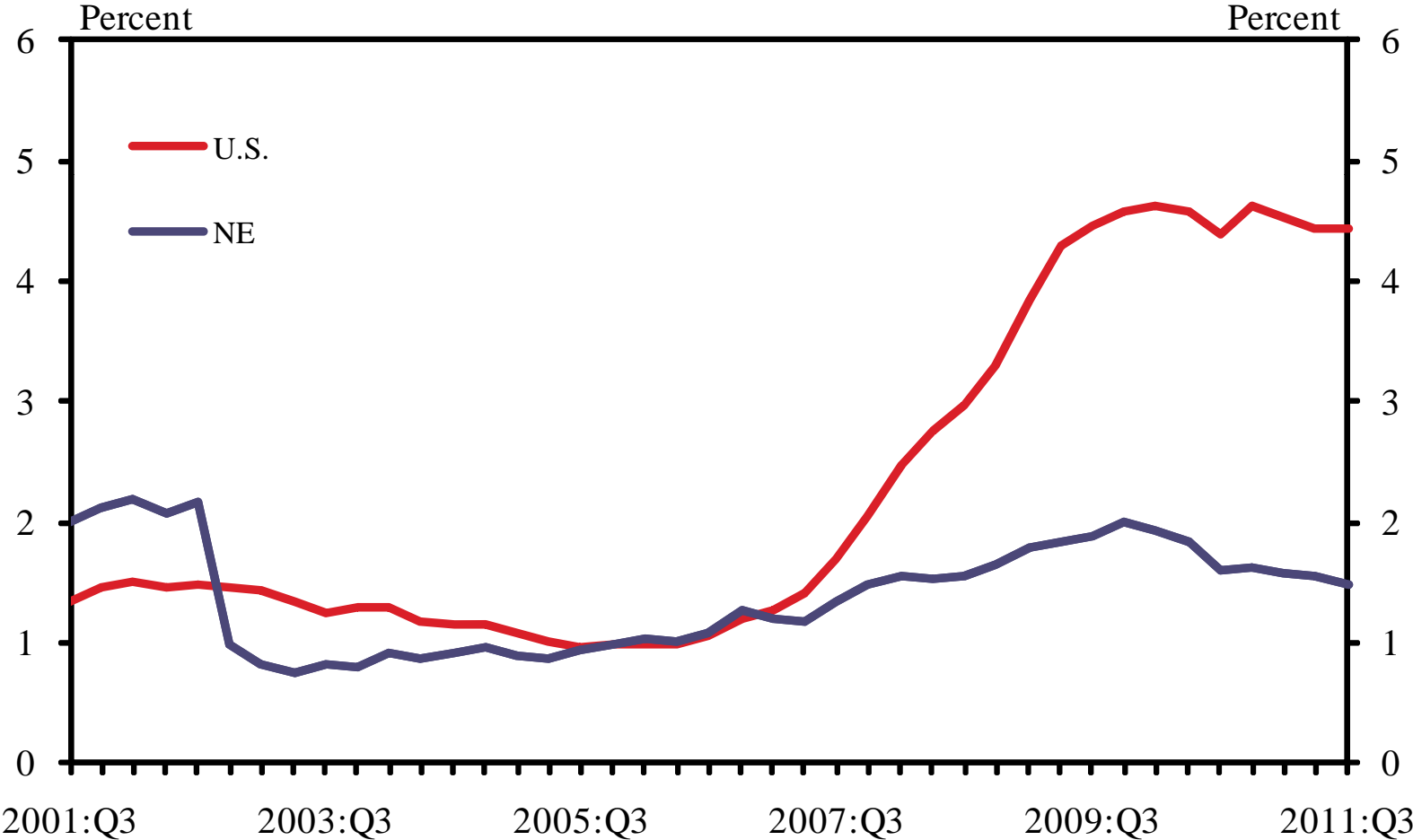
Home Prices
Seasonally adjusted



Source: FHFA purchase only index

Foreclosure rates in Nebraska are lower than in other parts of the nation.

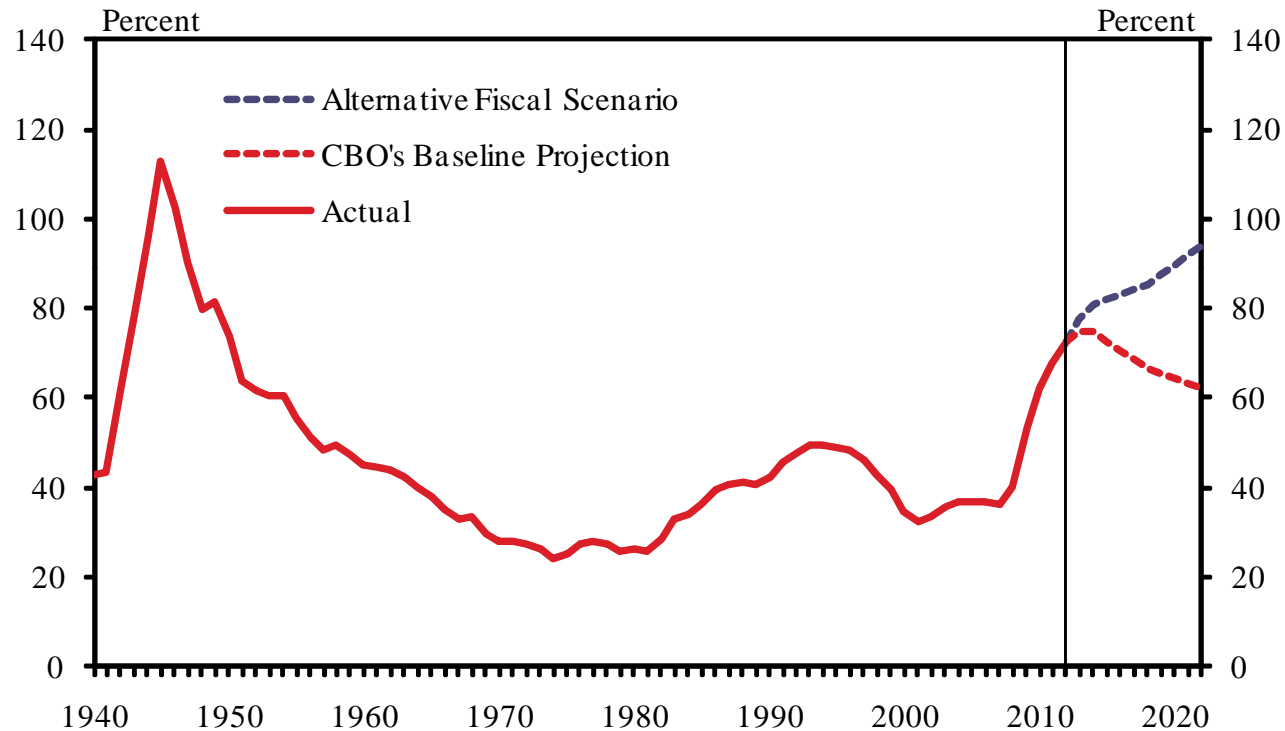
Foreclosure Rate



Source: Mortgage Bankers Association

Federal government debt levels have increased significantly over the past few years.

Federal Government Debt as a Percent of GDP

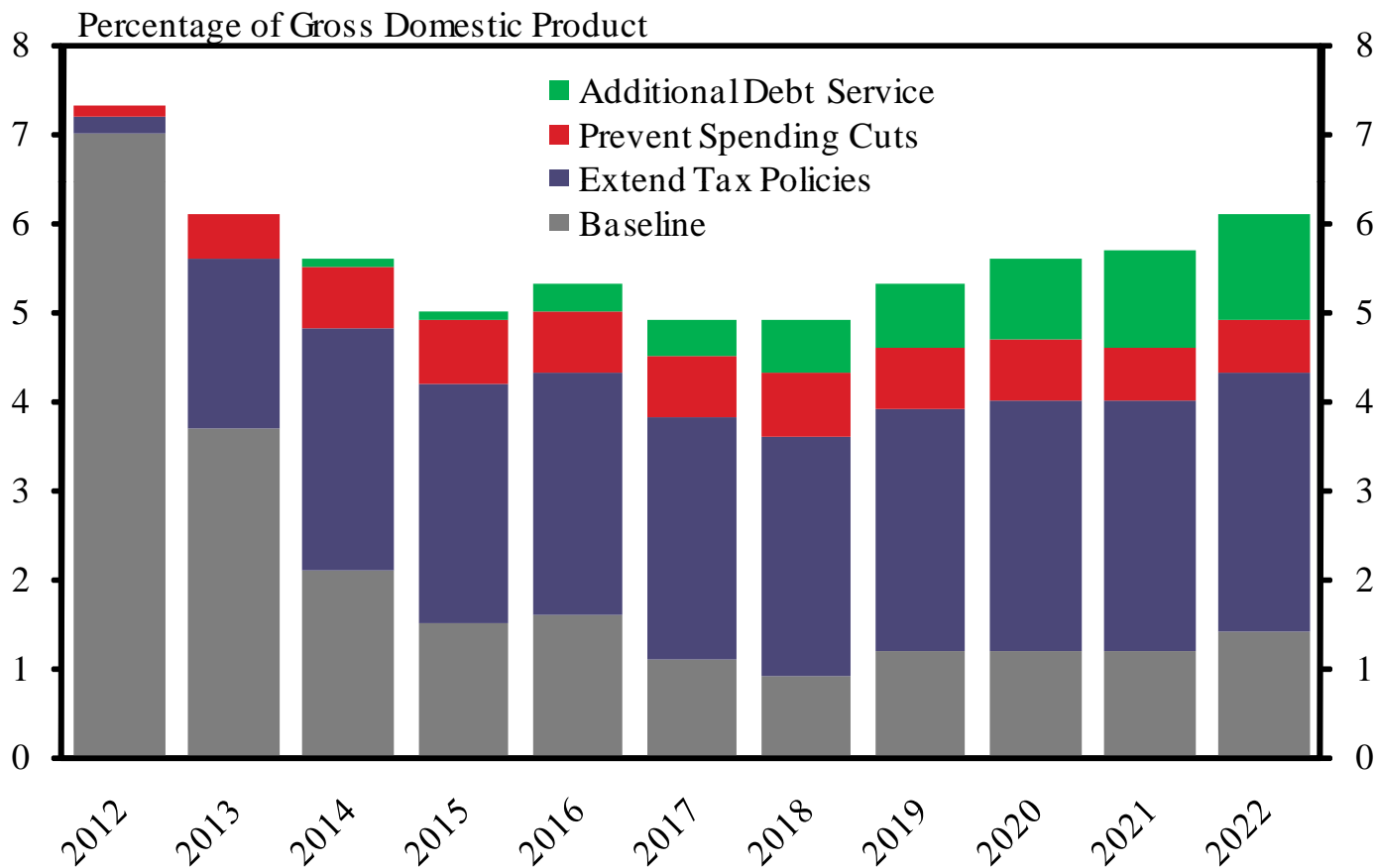


Source: Congressional Budget Office

Note: According to the CBO, "The alternative fiscal scenario incorporates the assumptions that all expiring tax provisions (other than the payroll tax reduction) ... are extended; that the AMT is indexed for inflation after 2011 ... ; that Medicare's payment rates for physicians' services are held constant... ; and that the automatic enforcement procedures specified by the Budget Control Act of 2011 do not tax effect. The budgetary effects under the alternative fiscal scenario also include the incremental interest costs associated with projected additional borrowing."

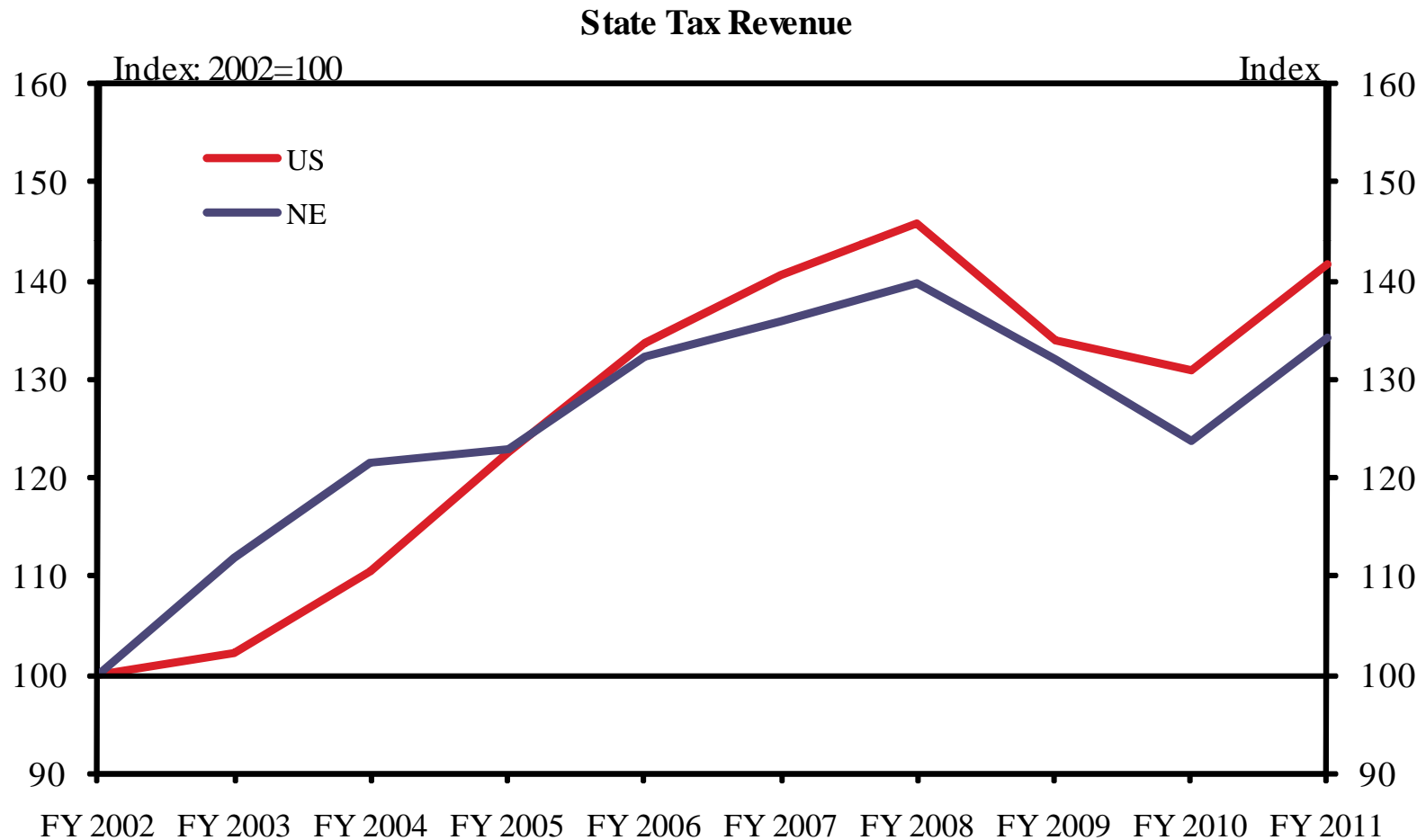
Projected reductions in the deficit rely on the expiration of many current policies.

Deficits Projected in CBO's Baseline and Under an Alternative Fiscal Scenario



Source: Congressional Budget Office

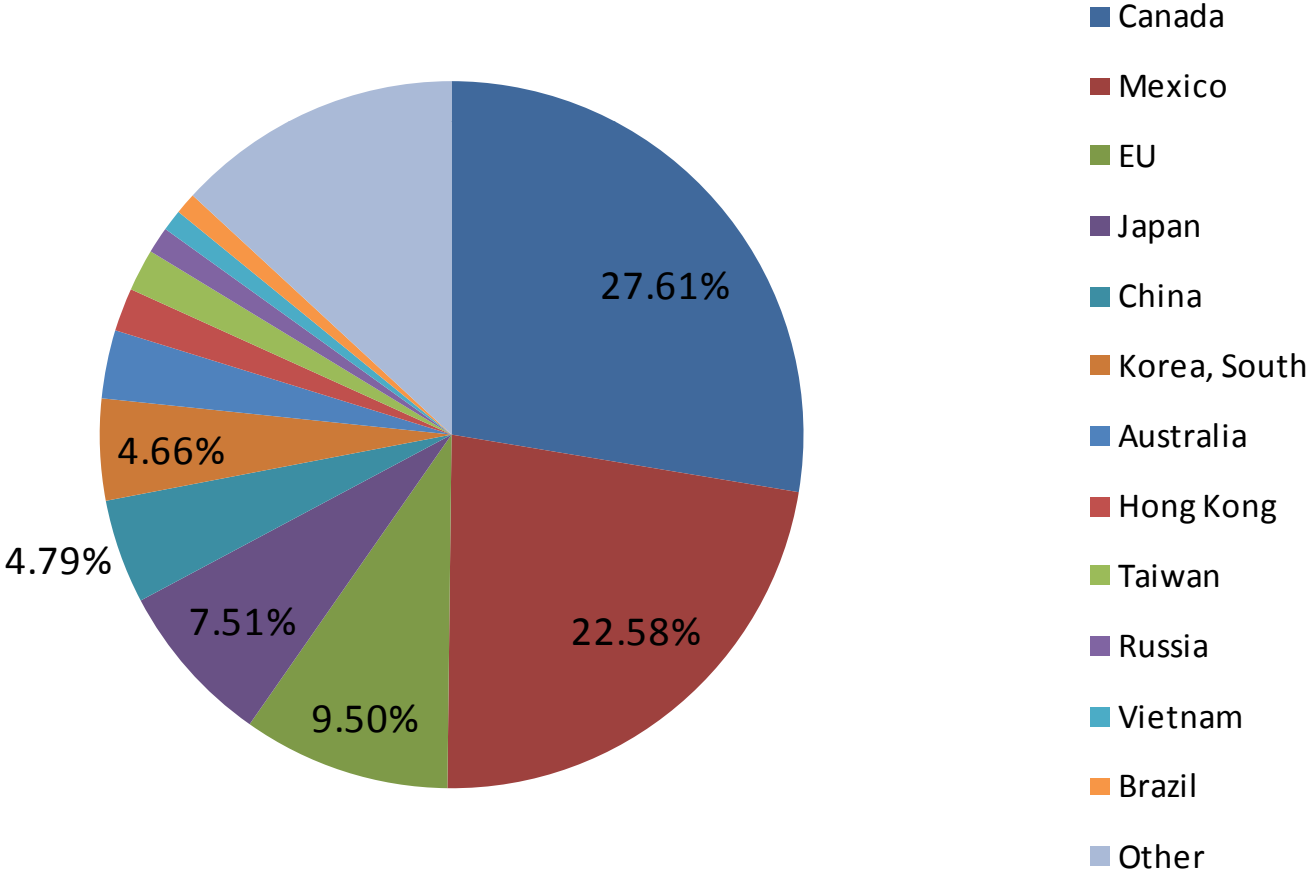
State government tax revenues increased in FY 2011 but remained below pre-recession levels.



Source: US Census Bureau

Among the top 25 Nebraska export countries, EU countries combine for 9.5% of exports.

Nebraska Exports by Destination



Conclusions



- The pace of the U.S. economic recovery slowed in the first half of 2011, but growth picked up in the second half of last year.
- The Nebraska economy has outperformed the U.S. over the past few years due, in large part, to the strength of the agriculture sector.
- Both the U.S. and Nebraska economies are expected to continue to recover over the next couple of years.
- However, economic growth may rely more heavily on private demand in the U.S. as problems persist in Europe and the U.S. federal government faces high debt levels.

Presentations can be found online at:
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