

# U.S. and Regional Economic Conditions

---



**Mark C. Snead**

Branch Executive and Regional Economist

Federal Reserve Bank of Kansas City

Denver Branch

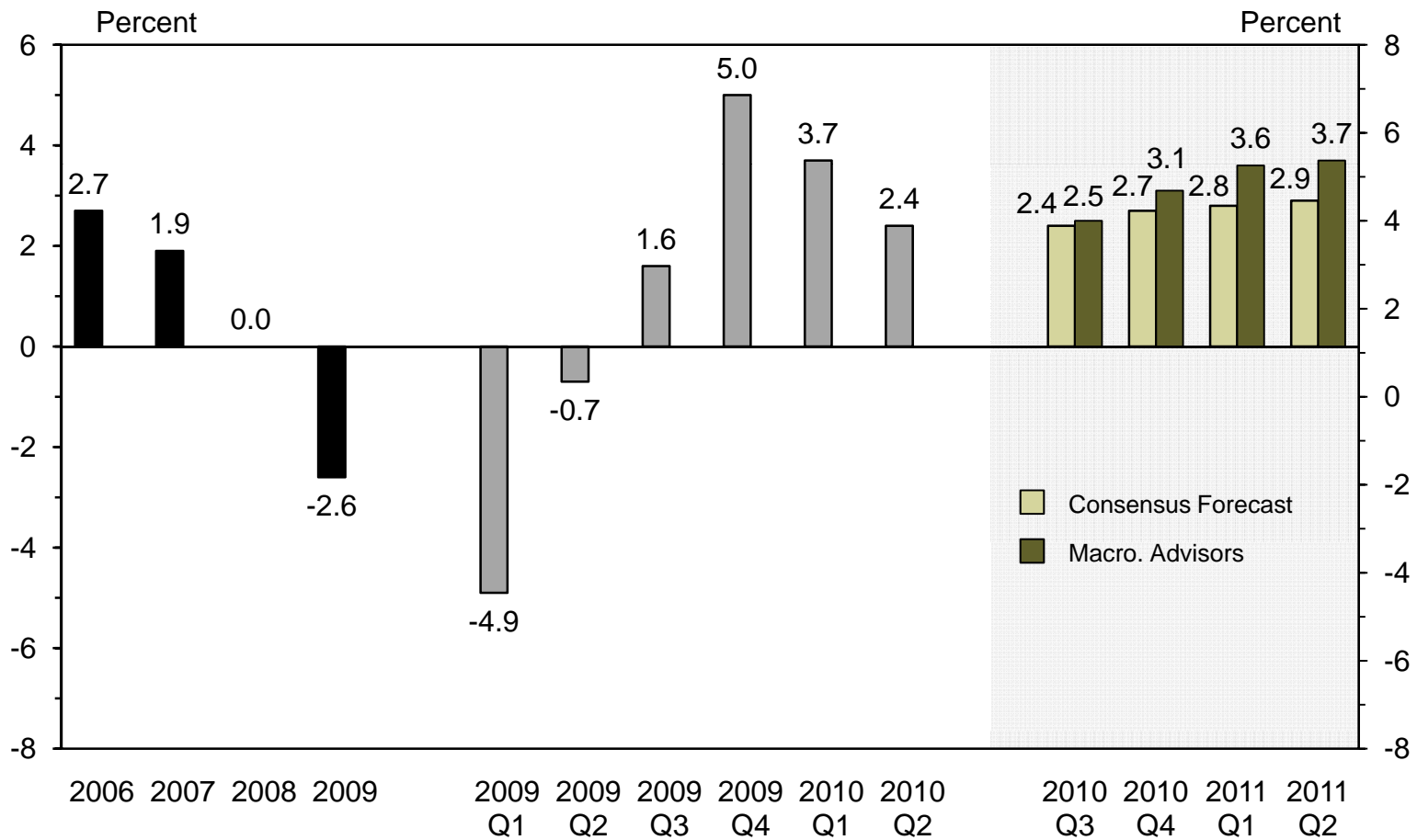
# Is the Recovery Sustainable?

---

- Recent weakness in data has shifted the debate
- How does recovery compare to prior cycles?
- Any fuel underlying consumer spending?
- Housing and commercial real estate remain greatest domestic risks
- Access to capital remains constrained
- Fiscal issues emerging as major LR challenge
- District is about 1 qtr behind U.S. / NM 2 qtr?

# 3.0-3.5% GDP growth expected in '10 and '11

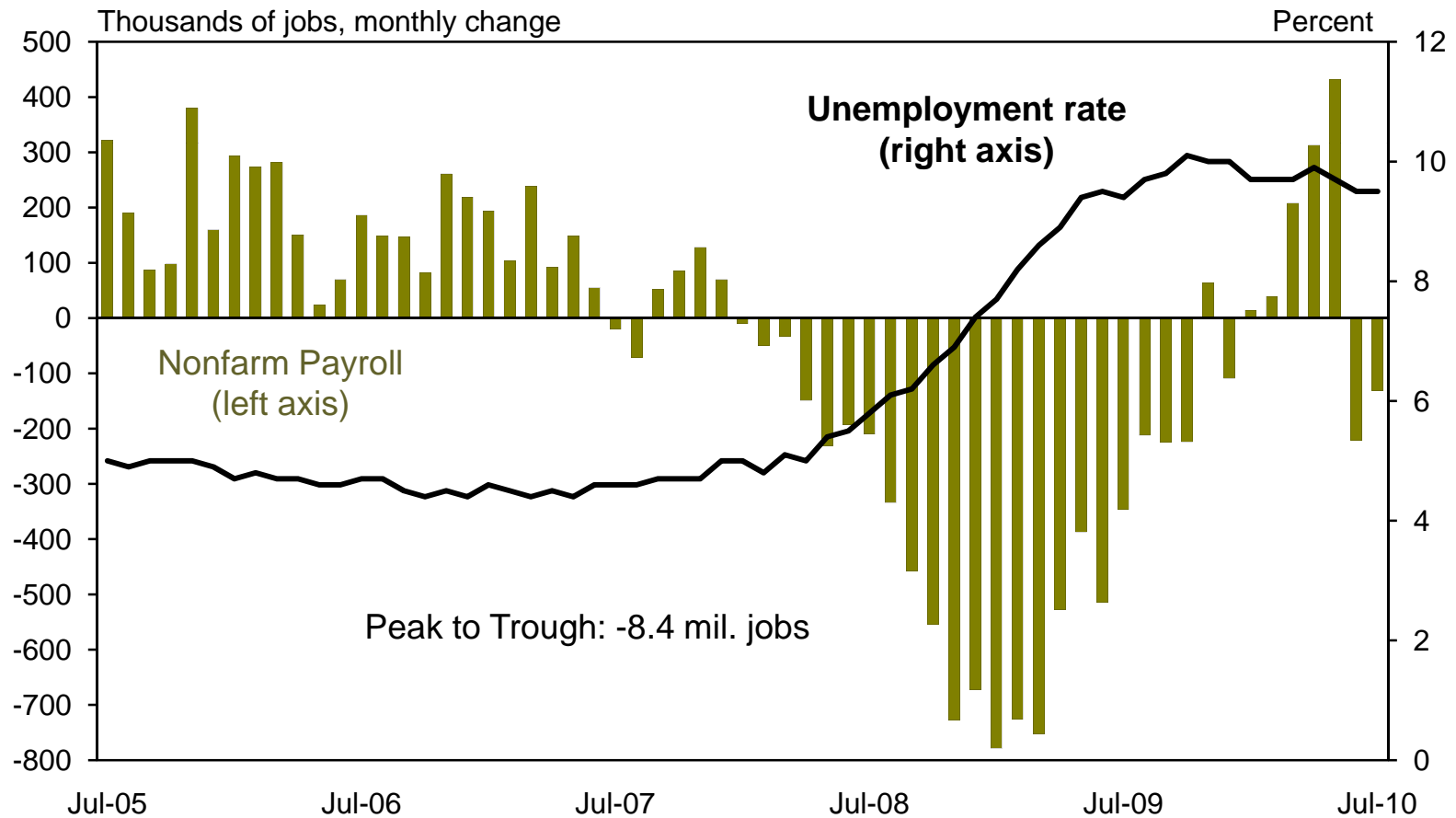
**Real Gross Domestic Product**  
Seasonally Adjusted



# Census hiring was expected to produce cycle

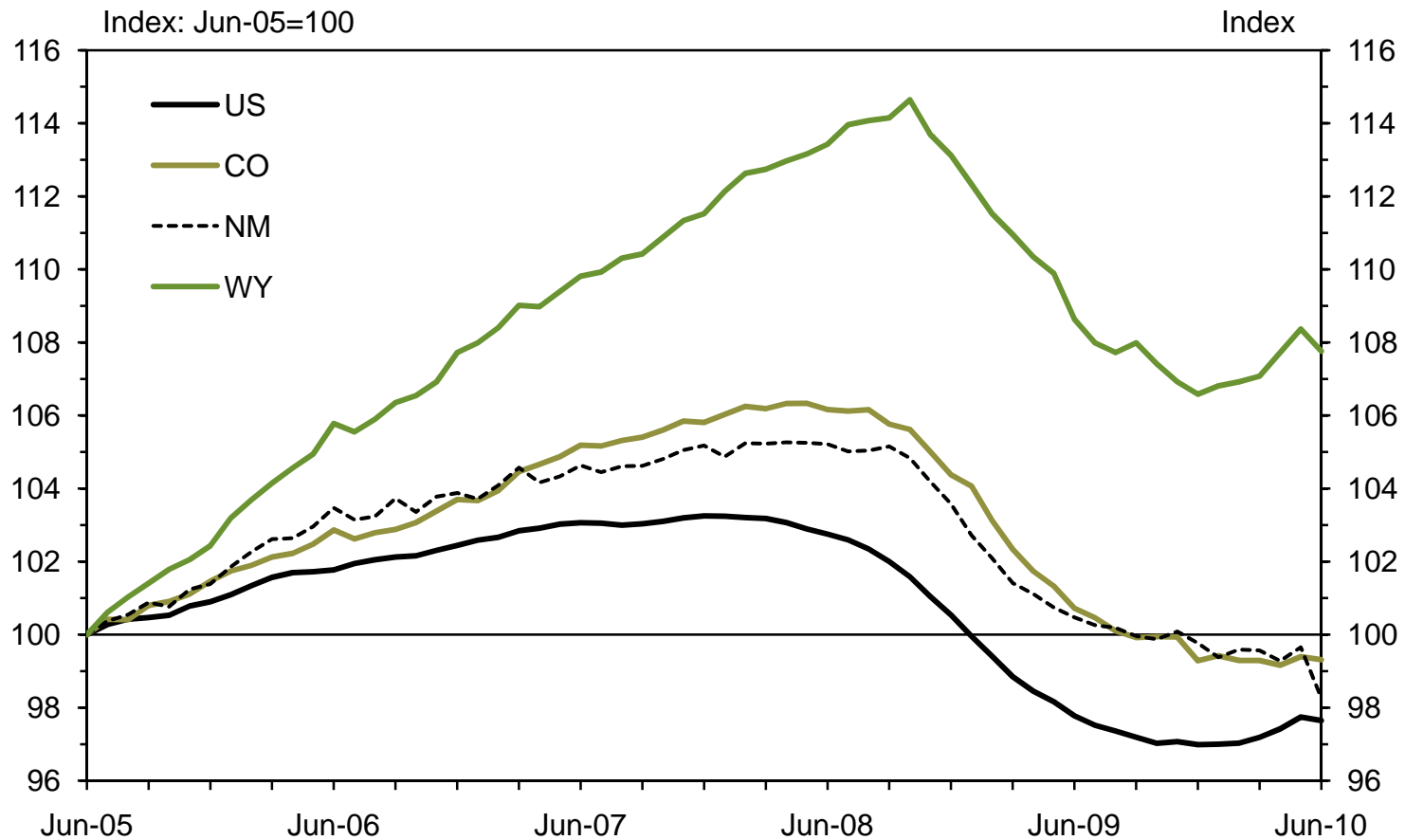
## Slightly weaker than initial projections for 2010

**Nonfarm Payroll Employment and Unemployment**  
Seasonally Adjusted



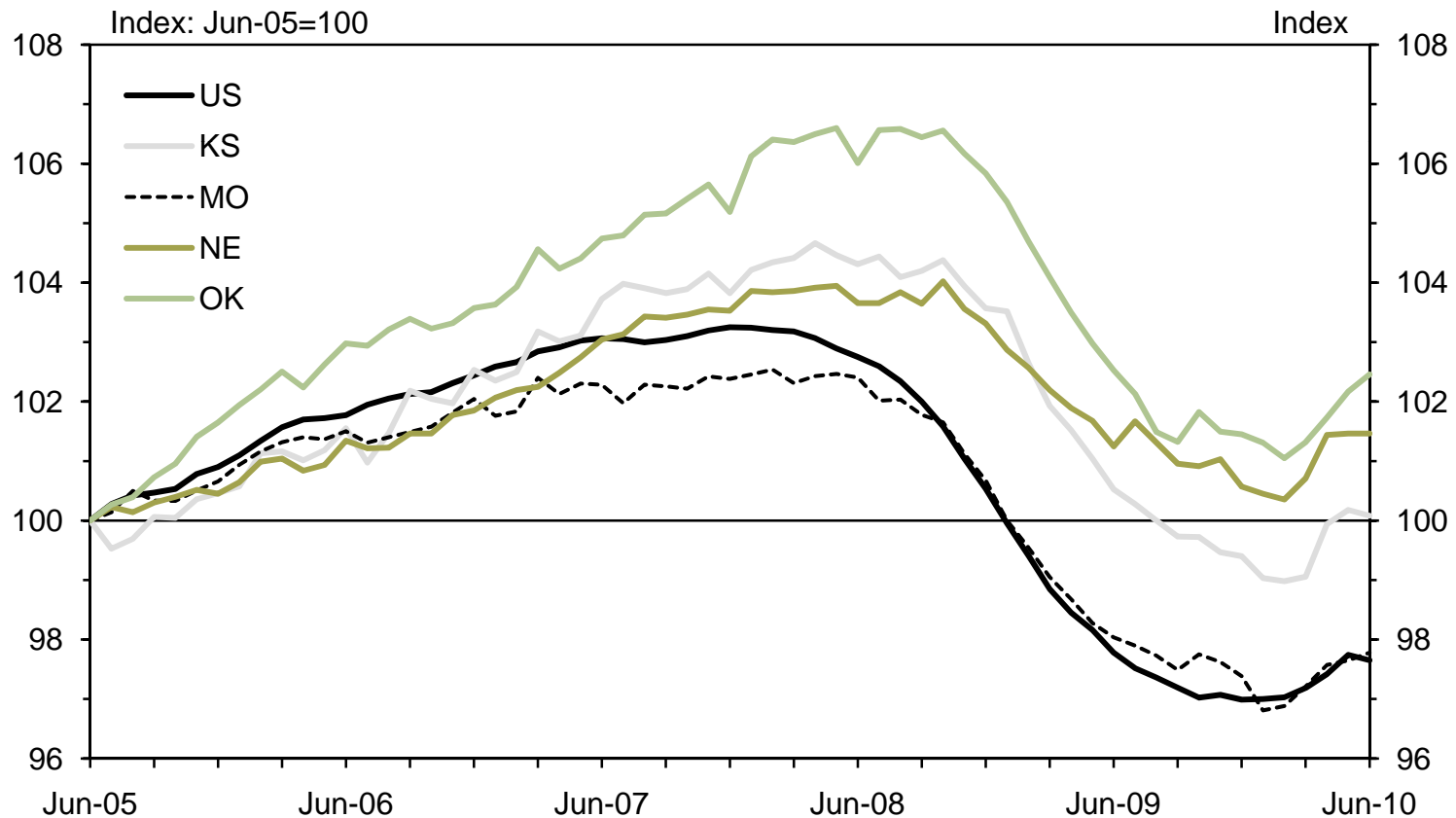
# State Cycles: CO/NM show no bounce yet, WY hit by energy cycle

**Total Nonfarm Employment**  
Seasonally Adjusted

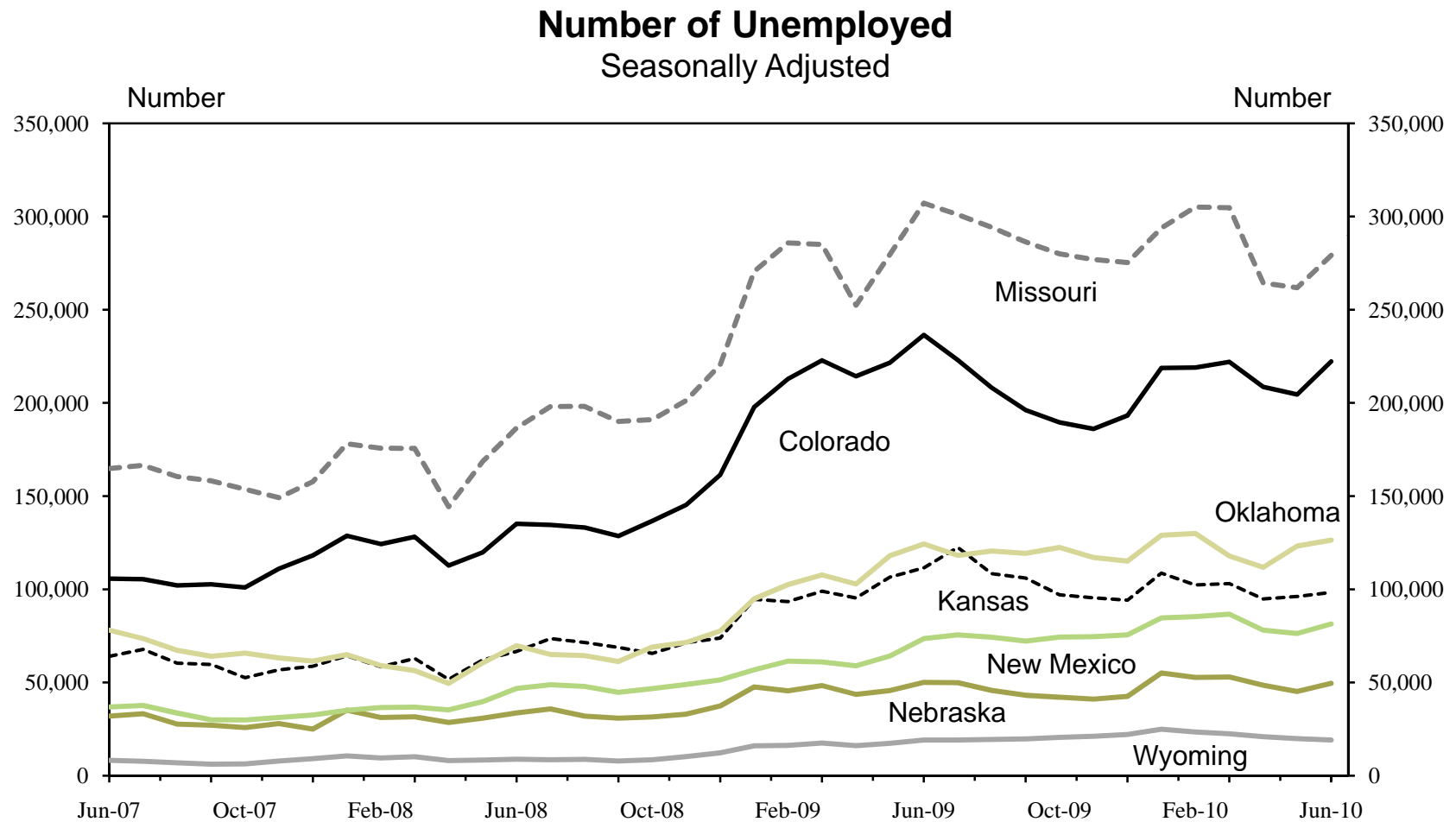


# State Cycles: NE smallest job loss, OK energy cycle, KS energy/mfg, MO long-run issues, all show bounce

## Total Nonfarm Employment Seasonally Adjusted

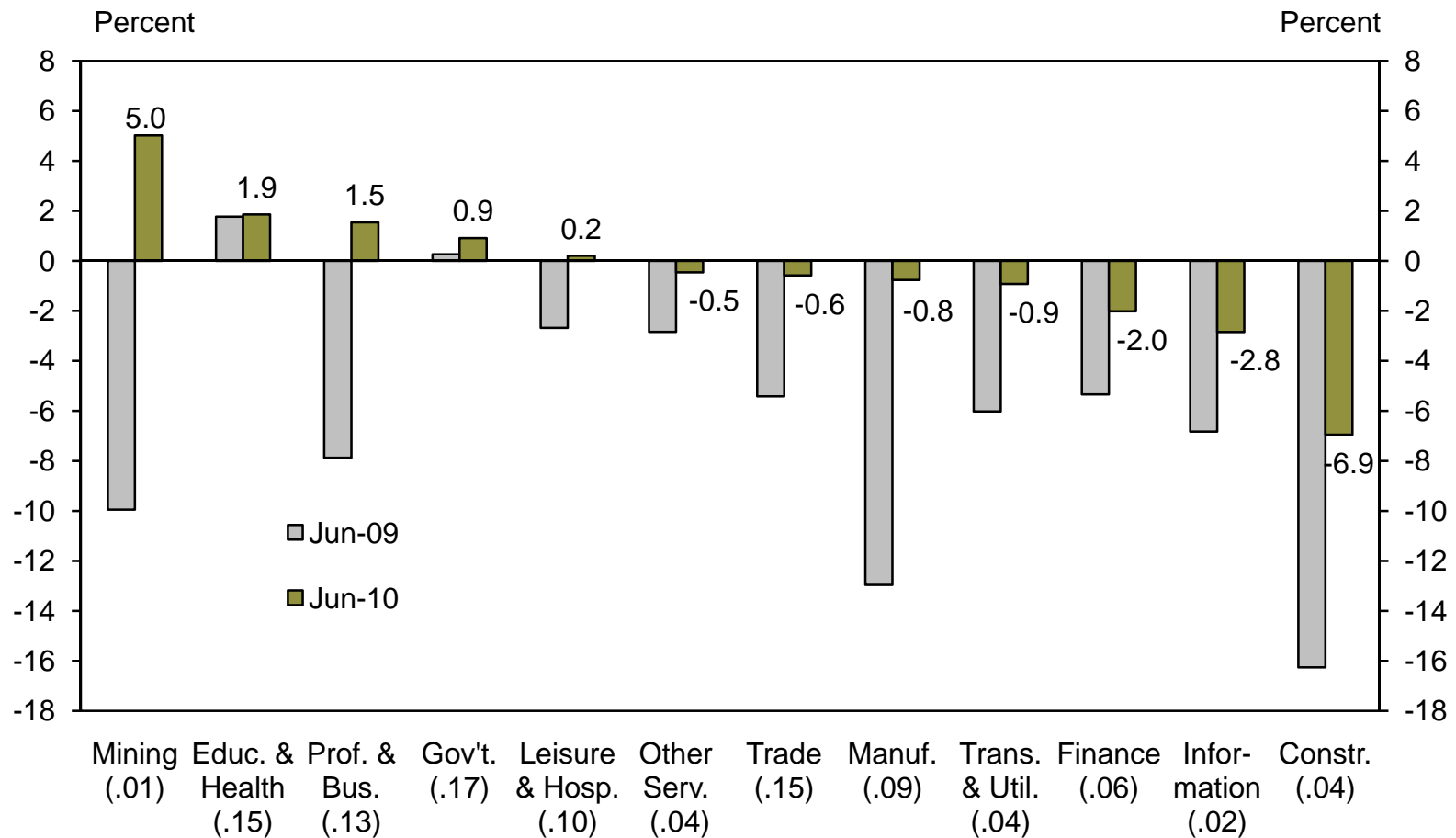


# Number unemployed is much better measure than unemployment rate



# Across the board improvement in hiring energy/temp empl./health bounce; govt weakens

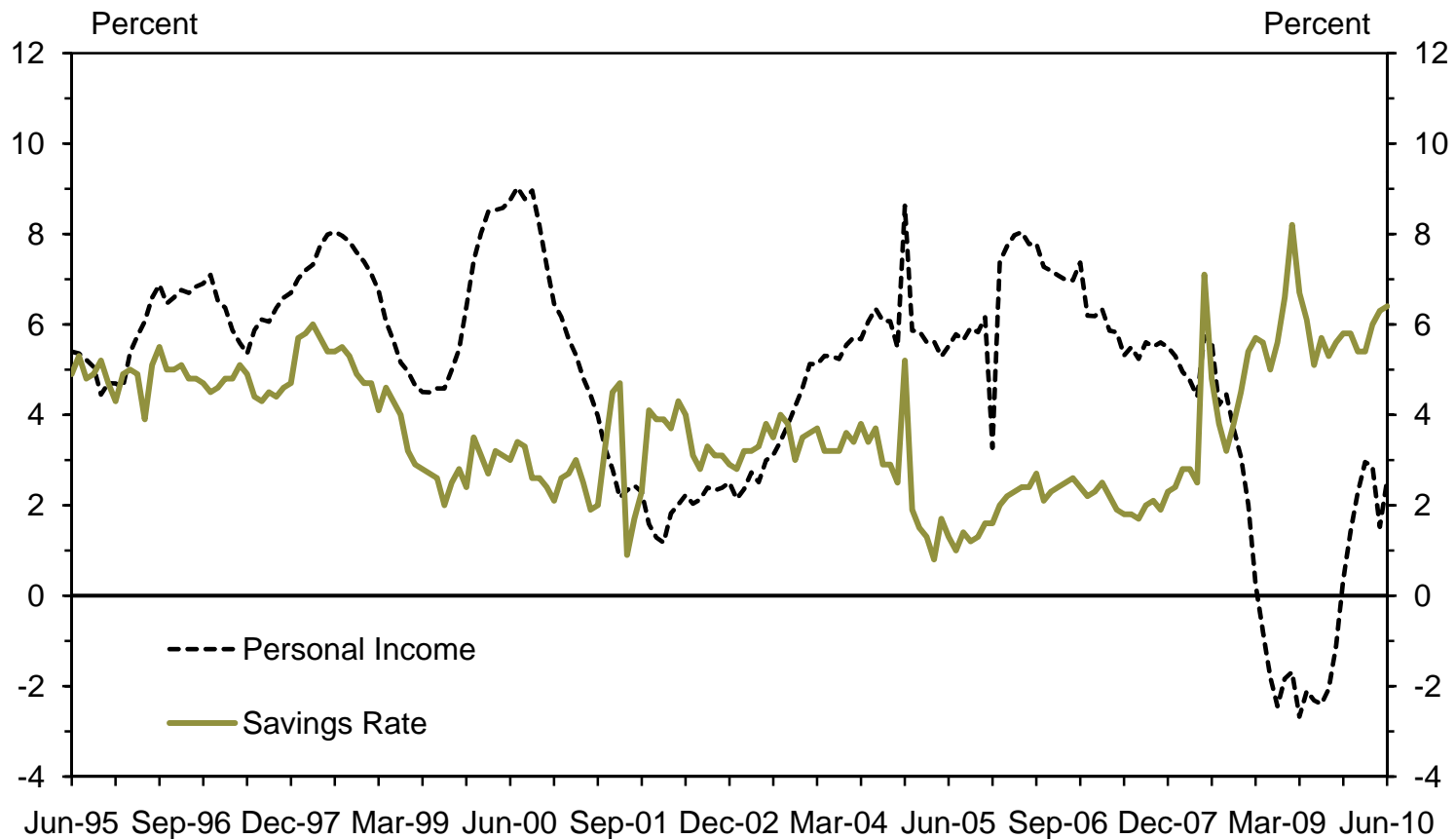
**Nonfarm Job Growth by Industry**  
United States





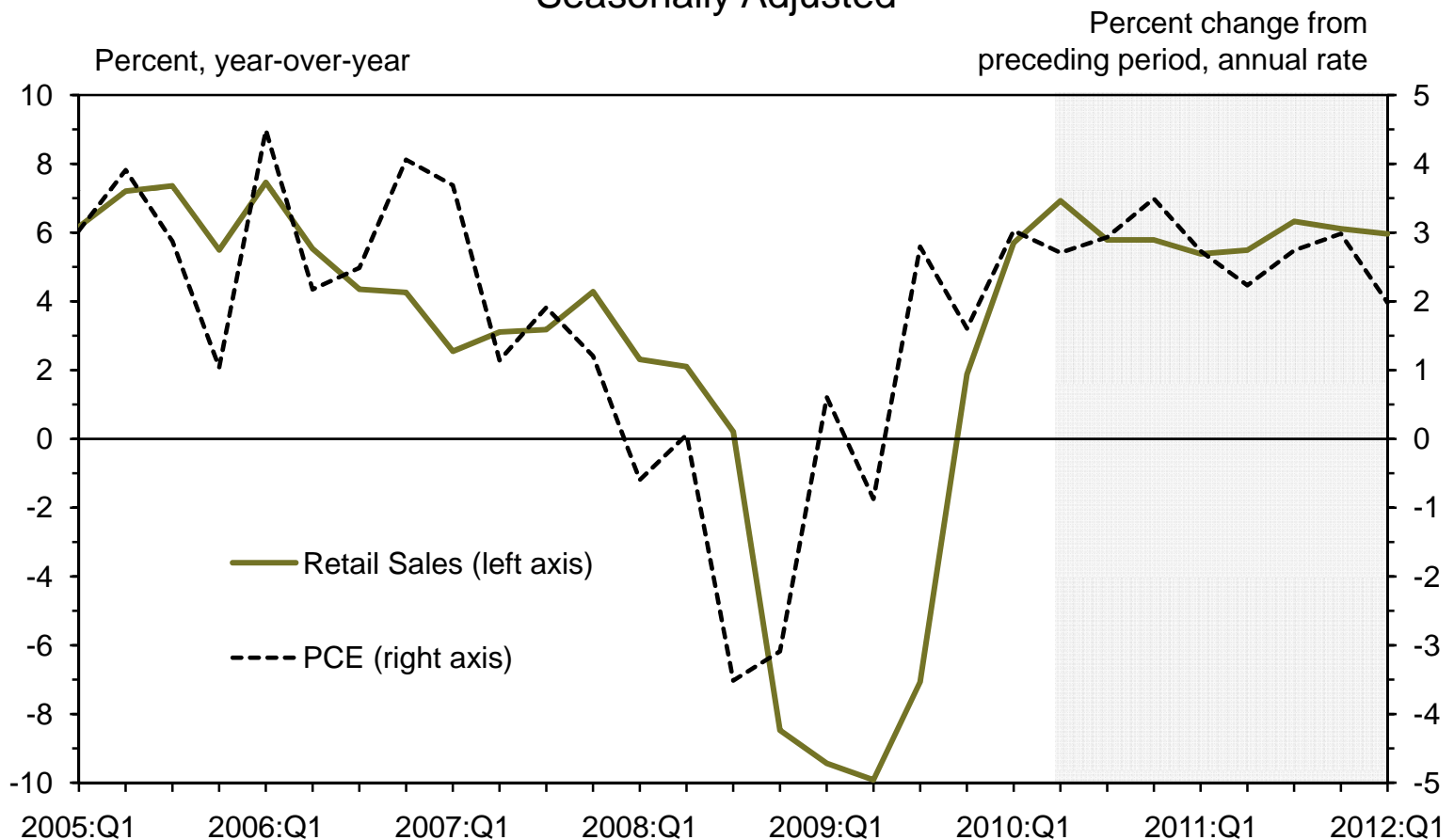
# Income bounce weaker than expected; savings rate stronger

Growth in Personal Income vs. Personal Savings Rate



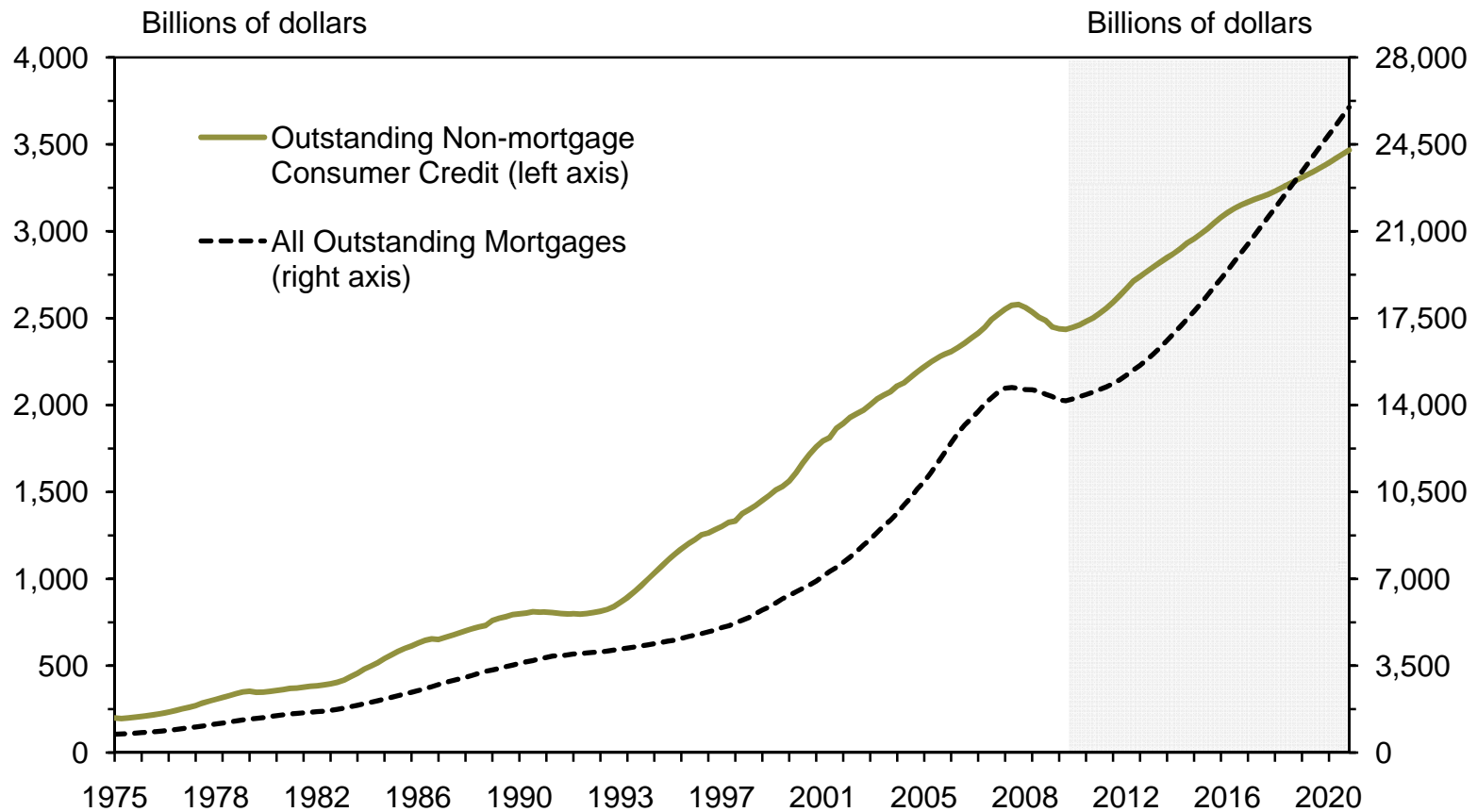
# Forecasts suggest 'normal' consumer spending recovery

## Retail Sales vs. Personal Consumption Expenditures Seasonally Adjusted



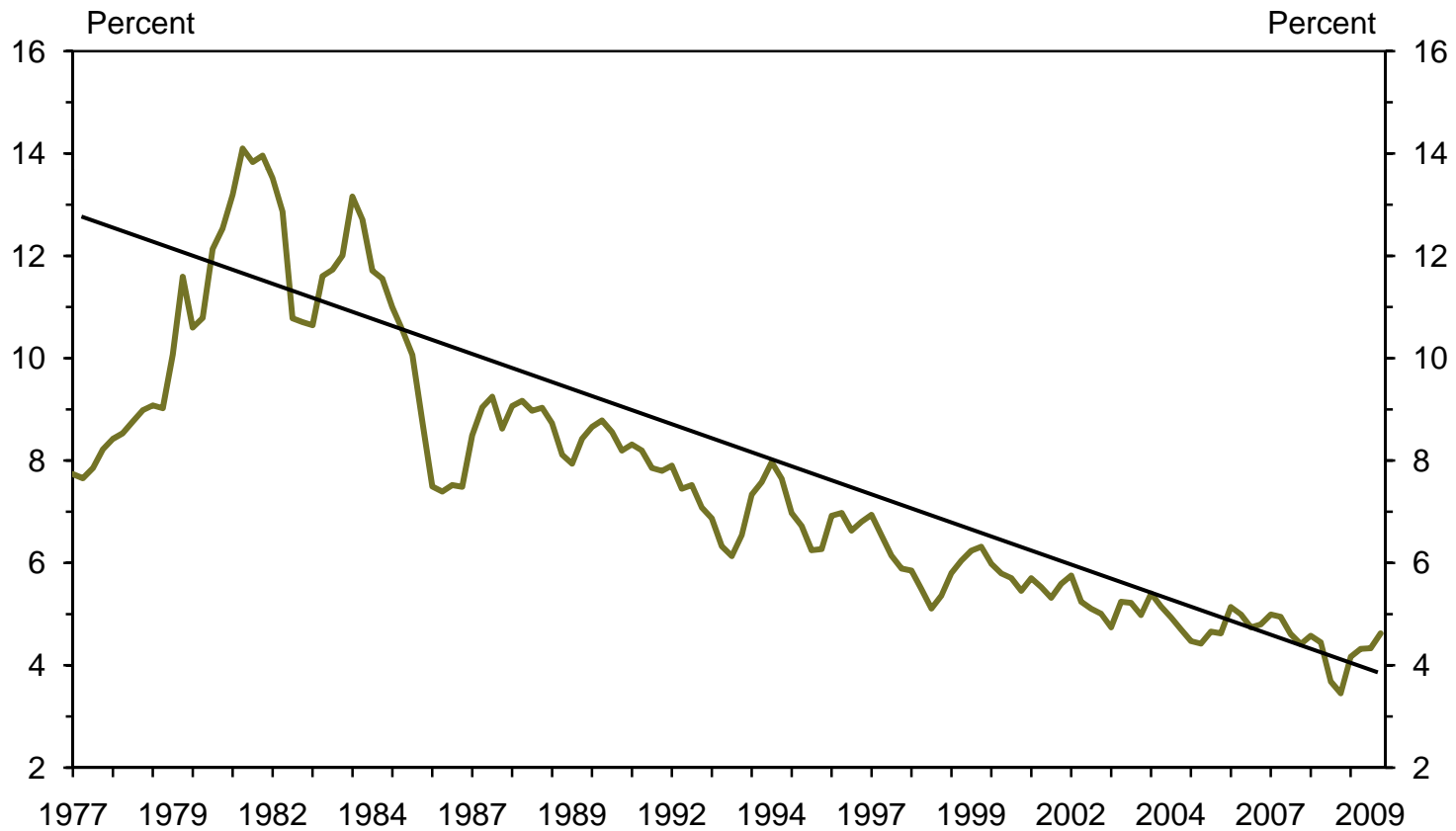
# No major deleveraging of the household sector is expected: cyclical adjustment

## U.S. Consumer Credit



# Was household leveraging fully irrational?

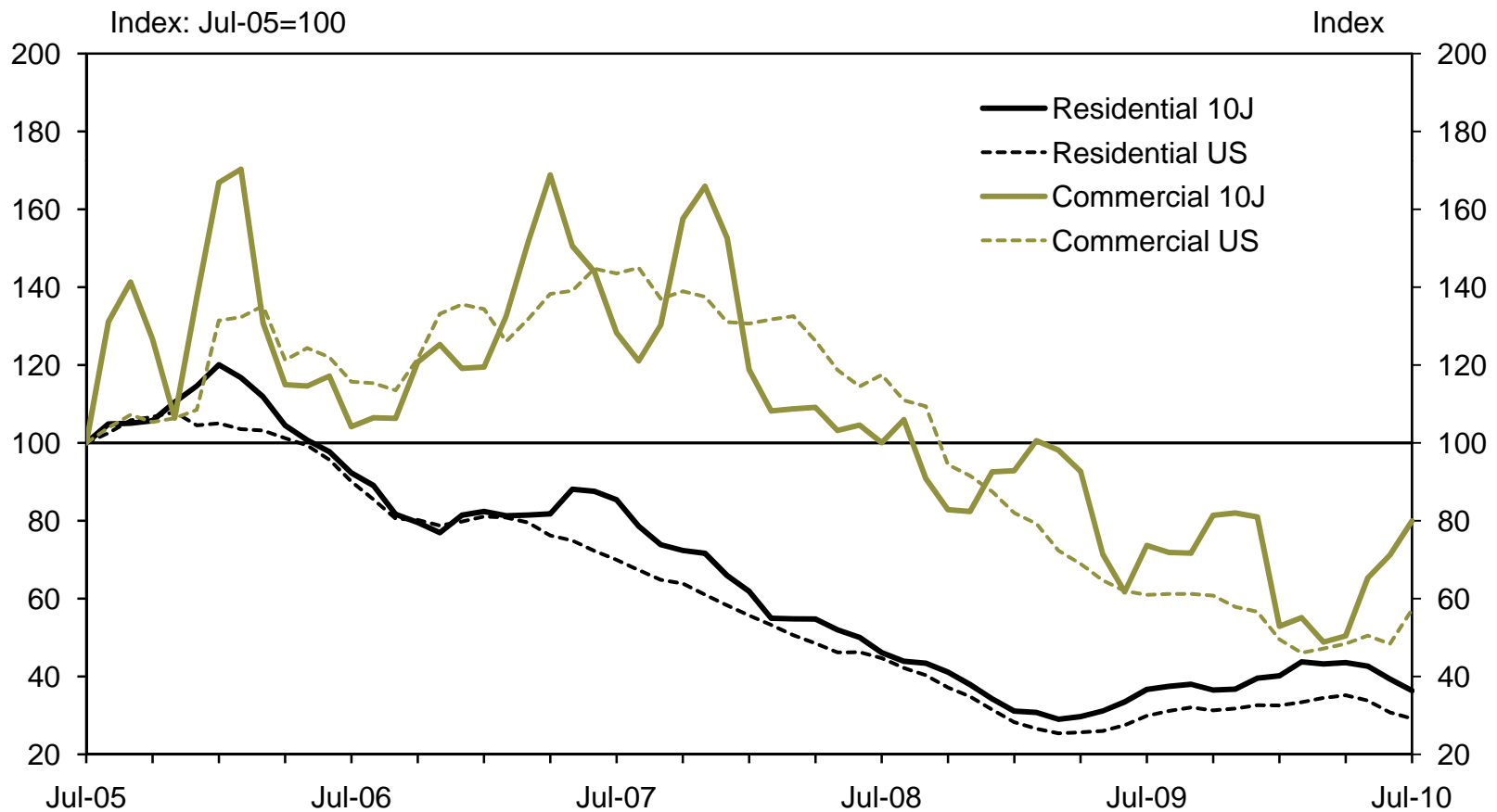
## Long-Term Treasury Bond Yields



# District commercial and residential construction tracking U.S. trends

## Value of Commercial & Residential Construction Contracts

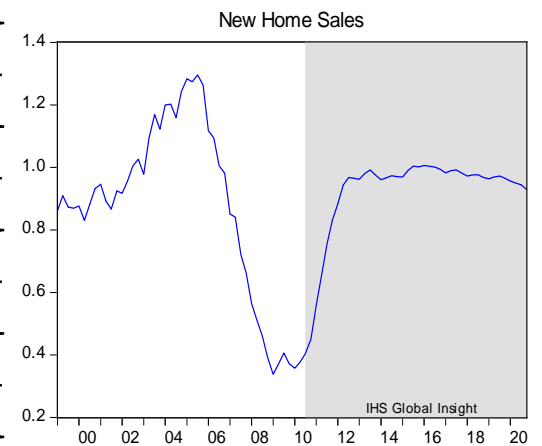
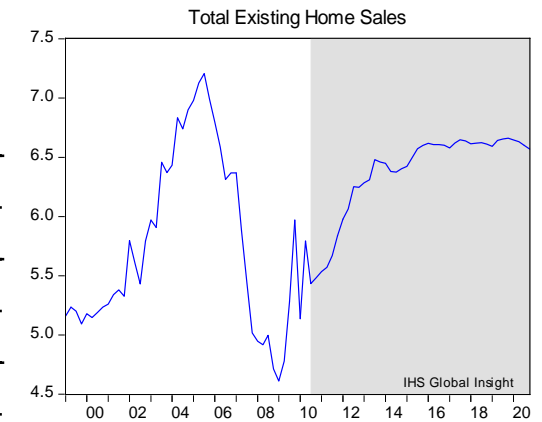
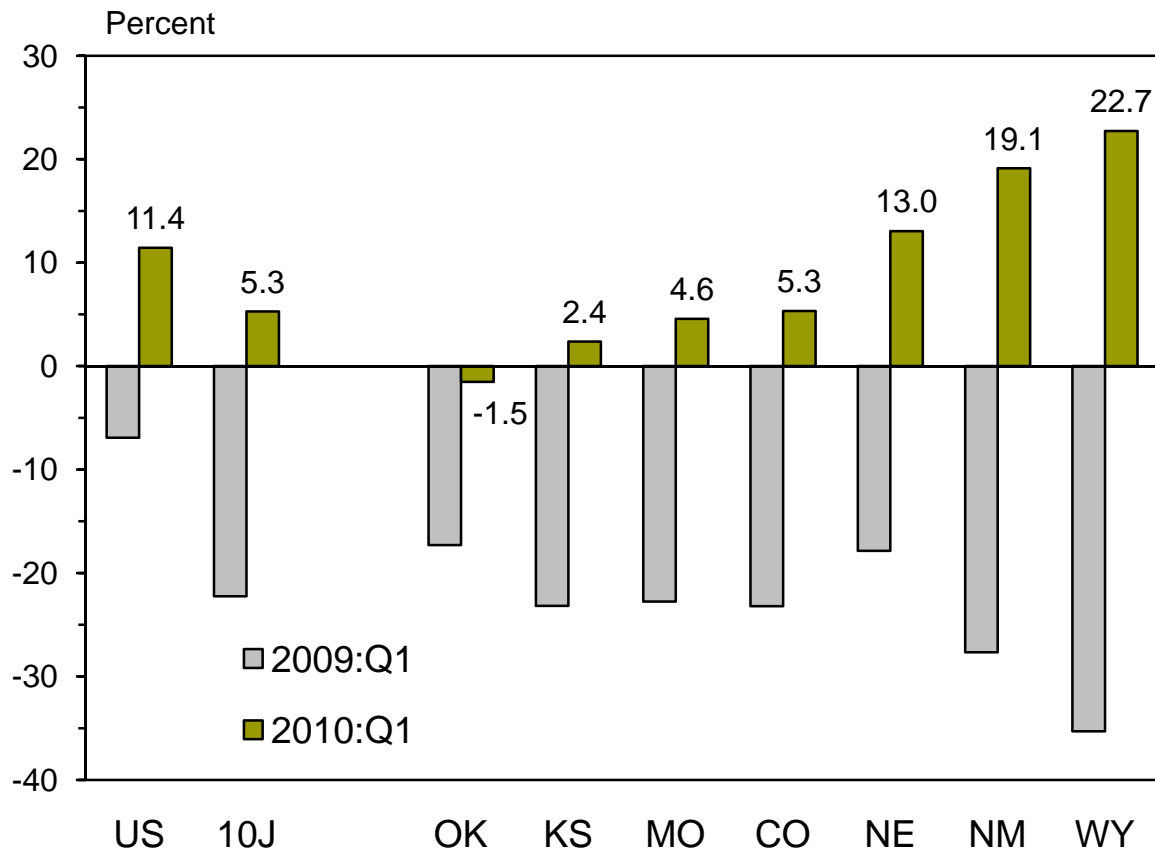
Seasonally Adjusted, 3-mo. mov. avg.



# Home sales volume up in most district states

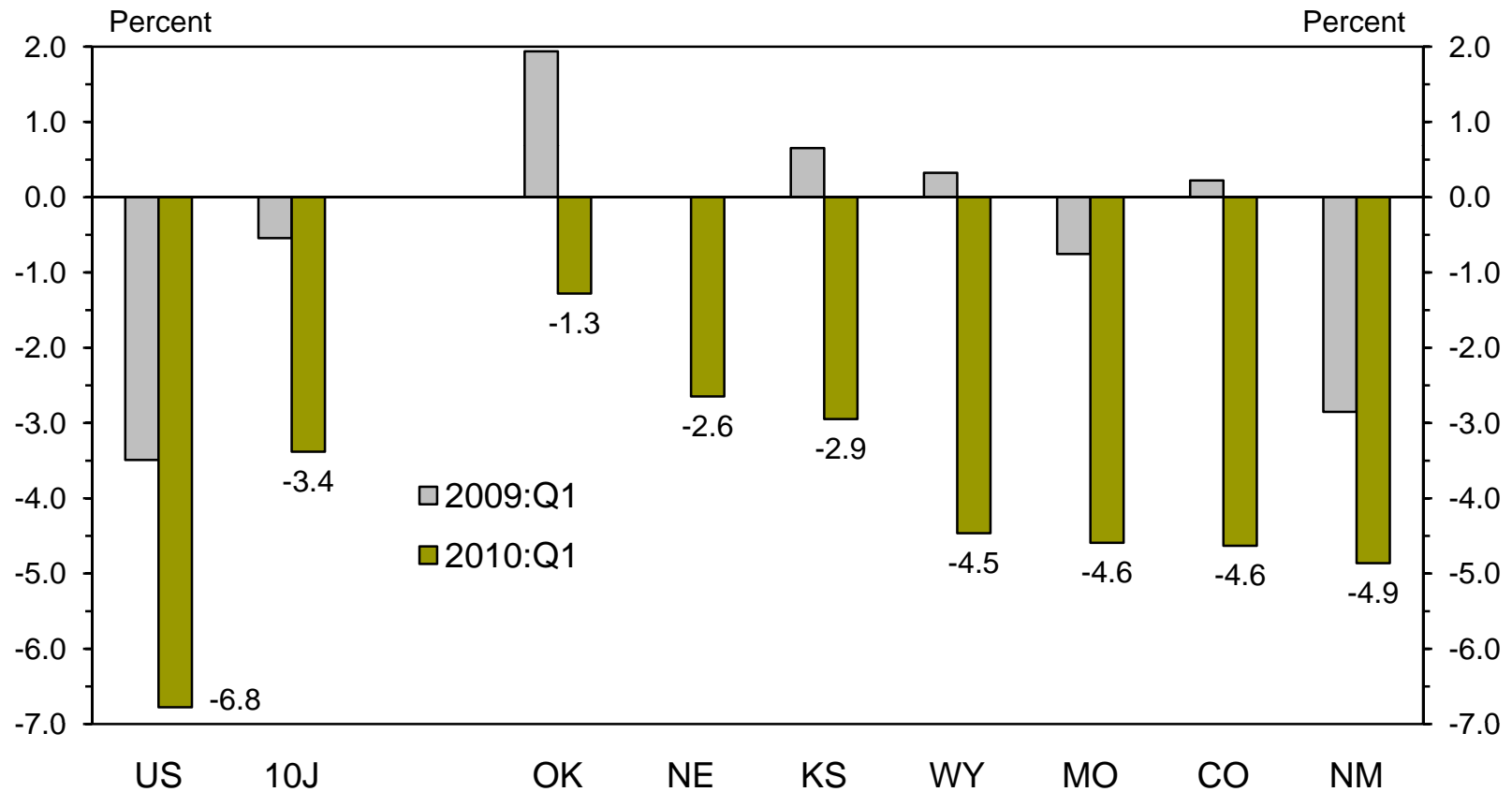
## tax credits still driving activity in latest data

**Sales of Existing Homes**  
Seasonally Adjusted



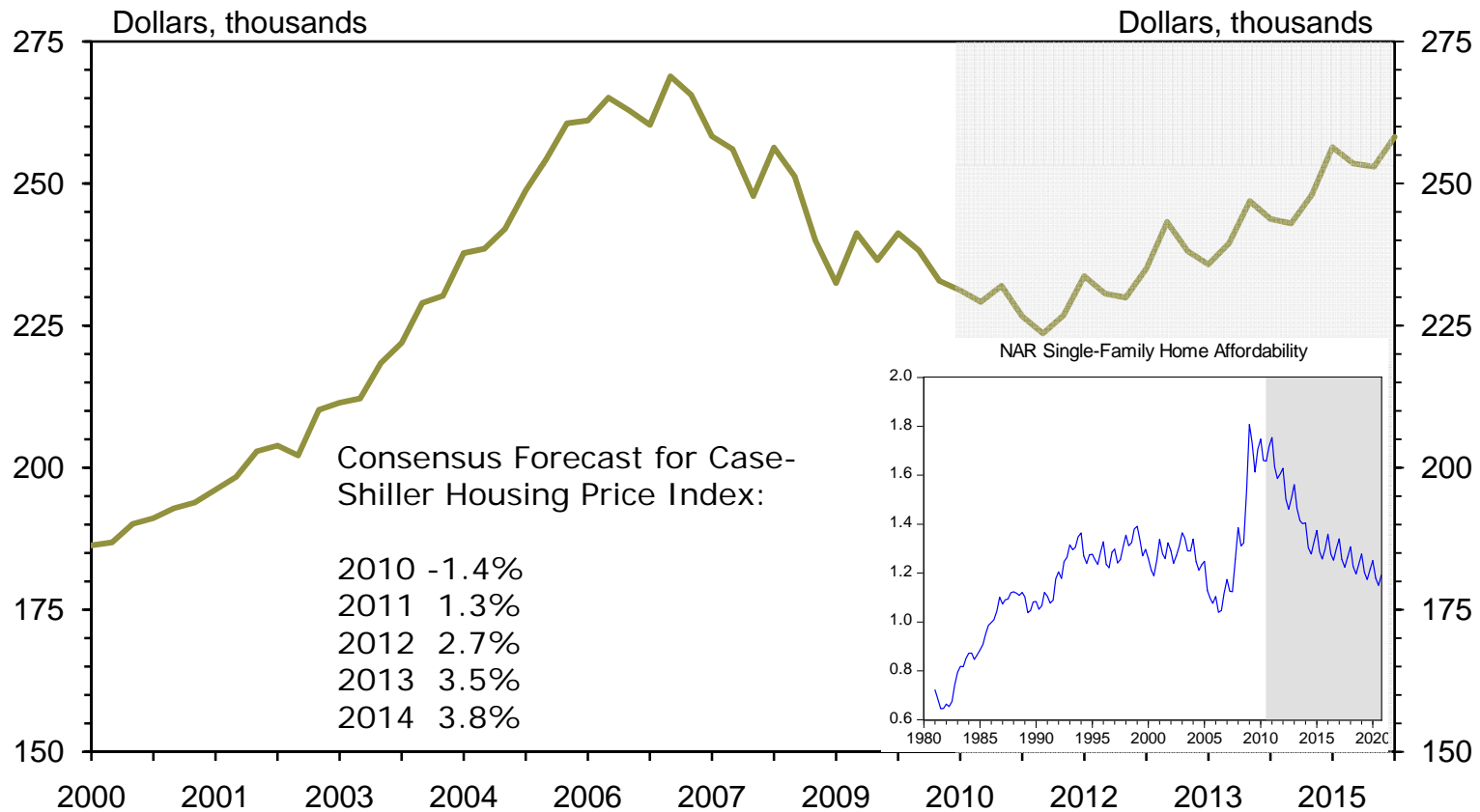
# But no clear bottom in District home prices

**FHFA Repeat Sales Home Price Index**  
Year-over-year growth



# Home prices are expected to languish through 2011

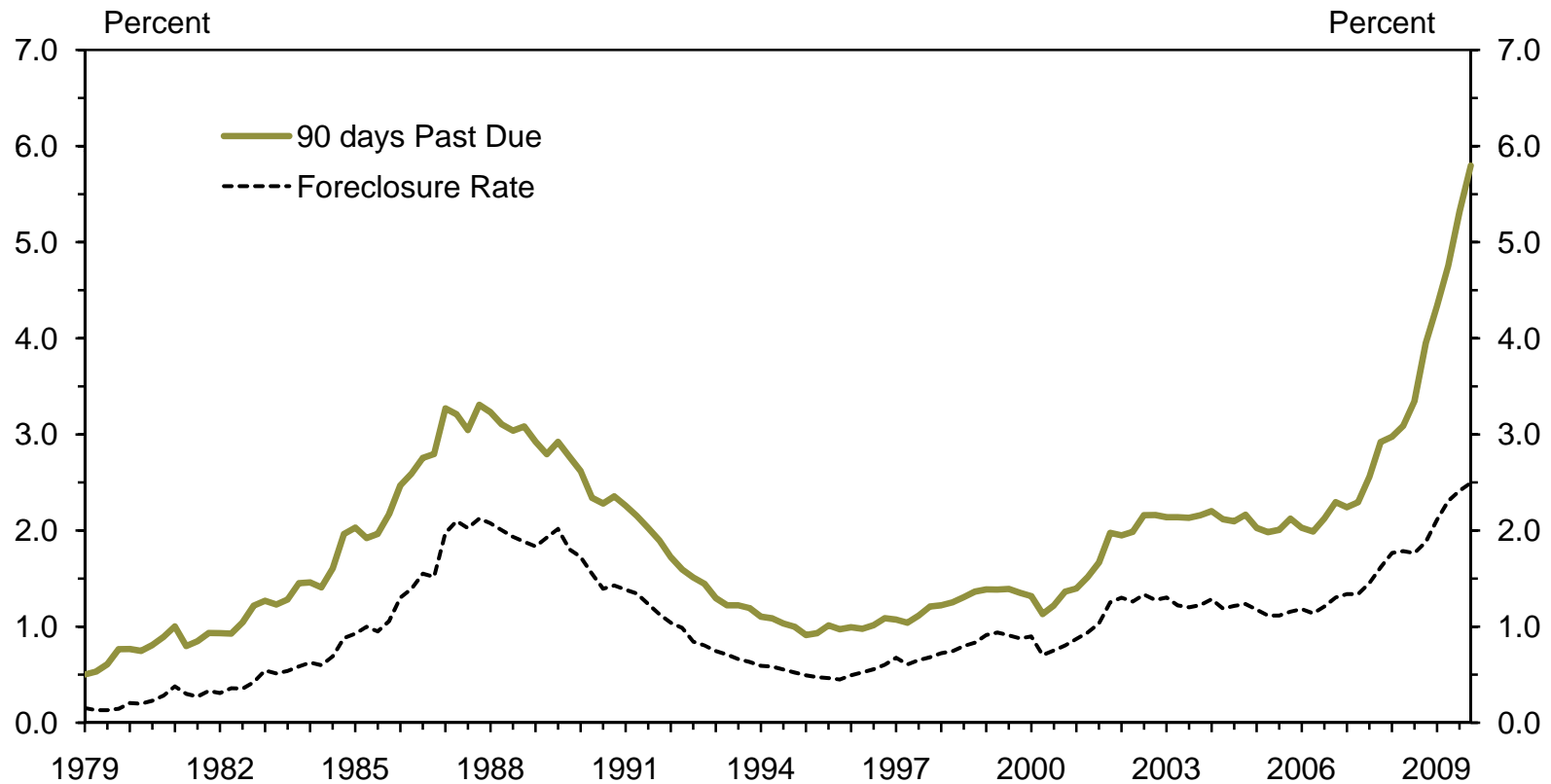
**Average Sales Price of a New 1996-style Single-family Home  
Seasonally Adjusted**





# No peak reached in late mortgages or foreclosures

## Tenth District Mortgage Foreclosure and Delinquency Rates



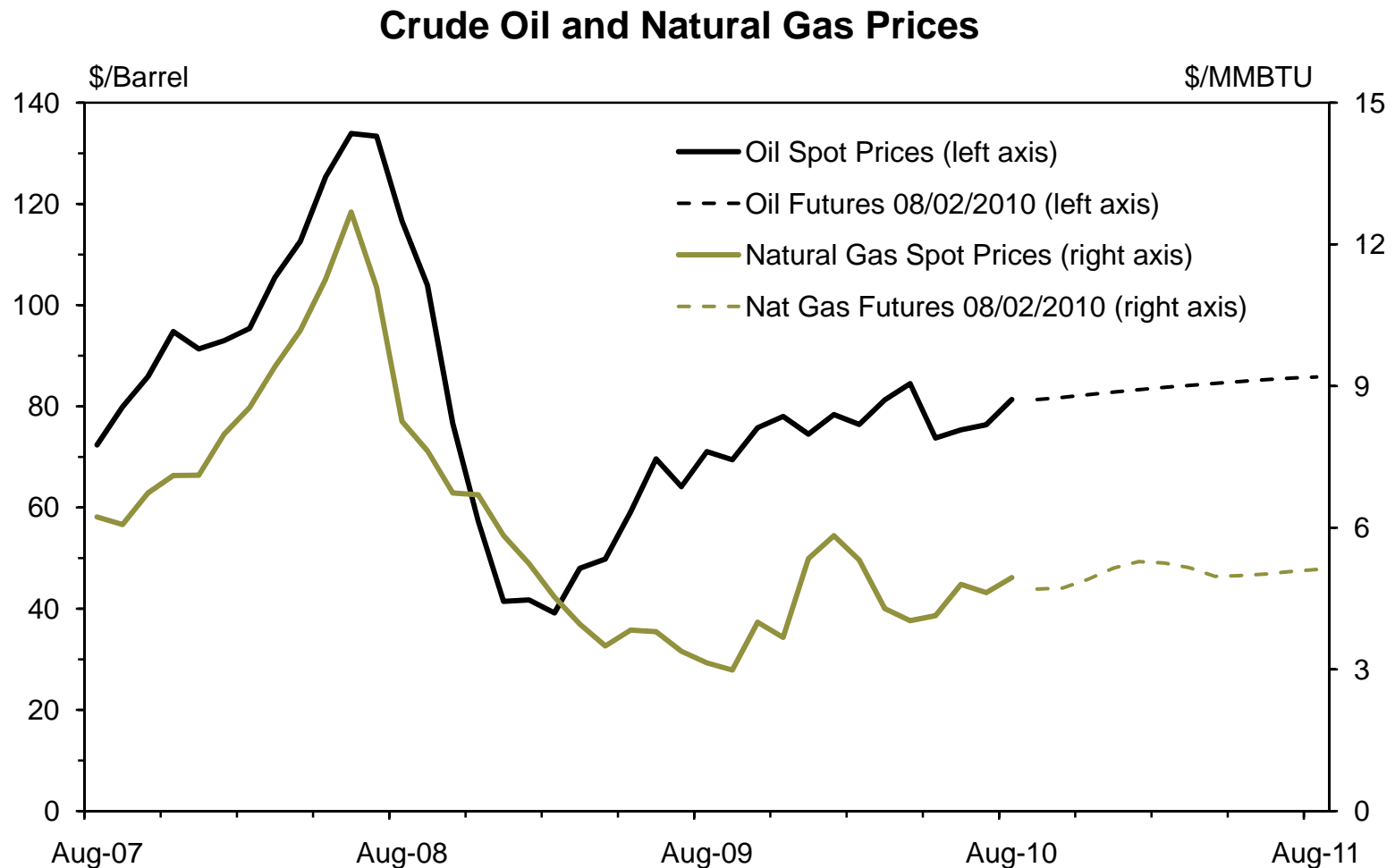
# Are Banks Lending? Which Ones? For What?

---

- Roughly half of all banks added loans in past 12mo
- Strength determines who increased lending
- CLD loans have collapsed (-25%) at all size banks
- Other CRE loans up (10%) at all size banks
- 1-4 family resid loans up (5%) at all size banks
- Comm & Indust loans up (1%) at small banks, collapsed (-20%) at large banks

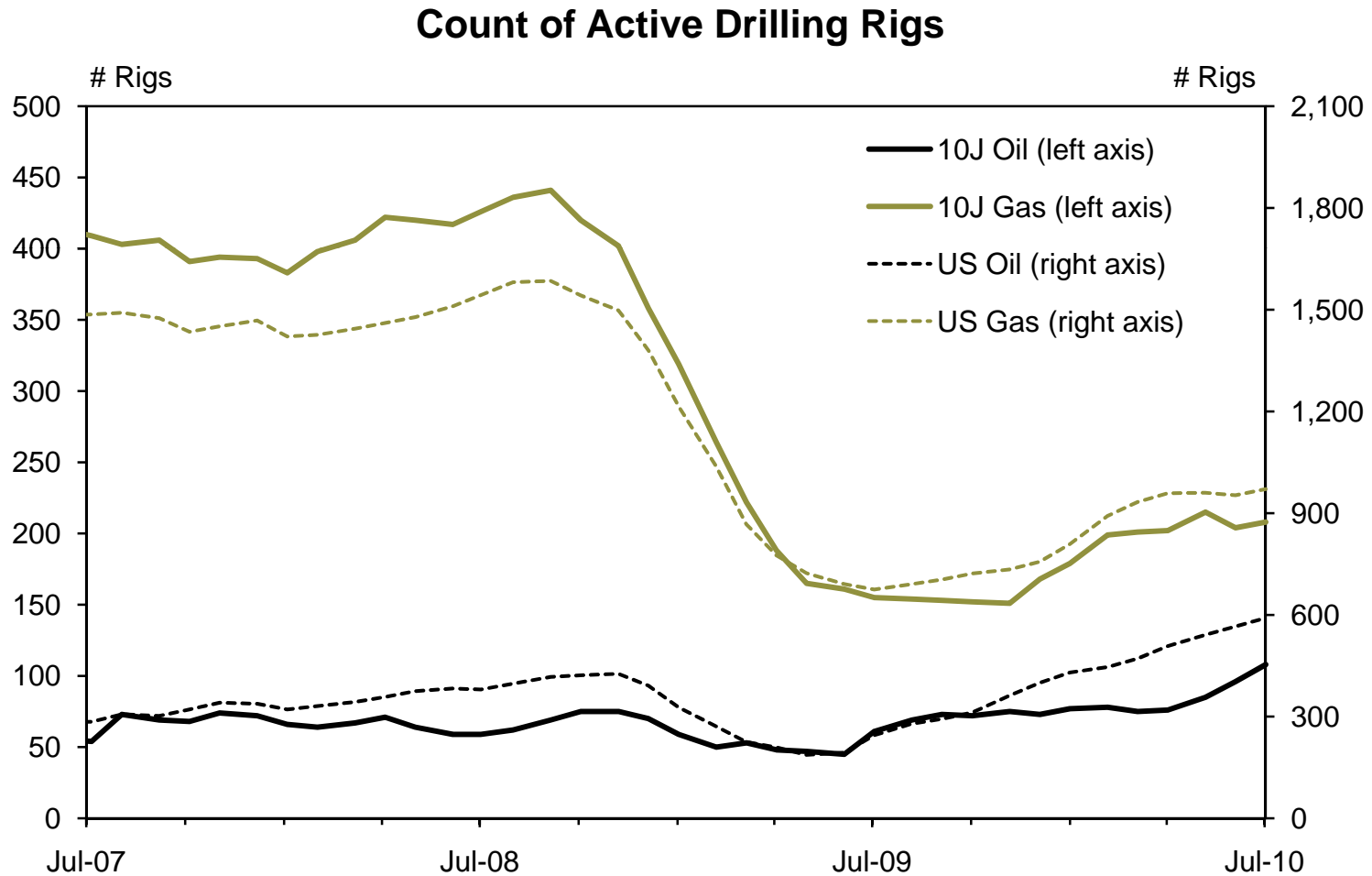
# Oil price attractive to producers, neutral to consumers;

## Natural gas prices remain well off pre-boom lows



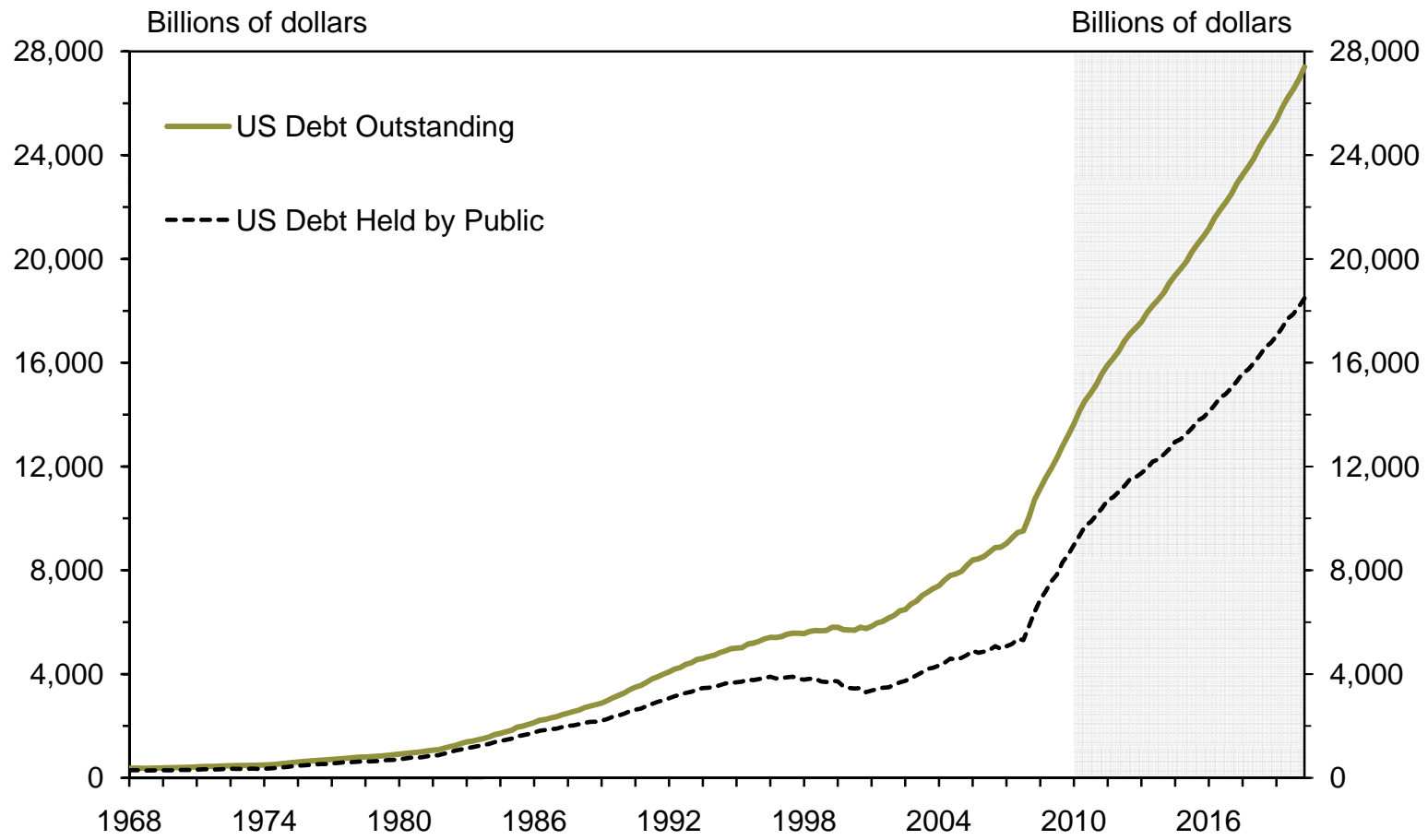
# Drilling activity responded to prices

(oil leads nationally, 10J at disadvantage)



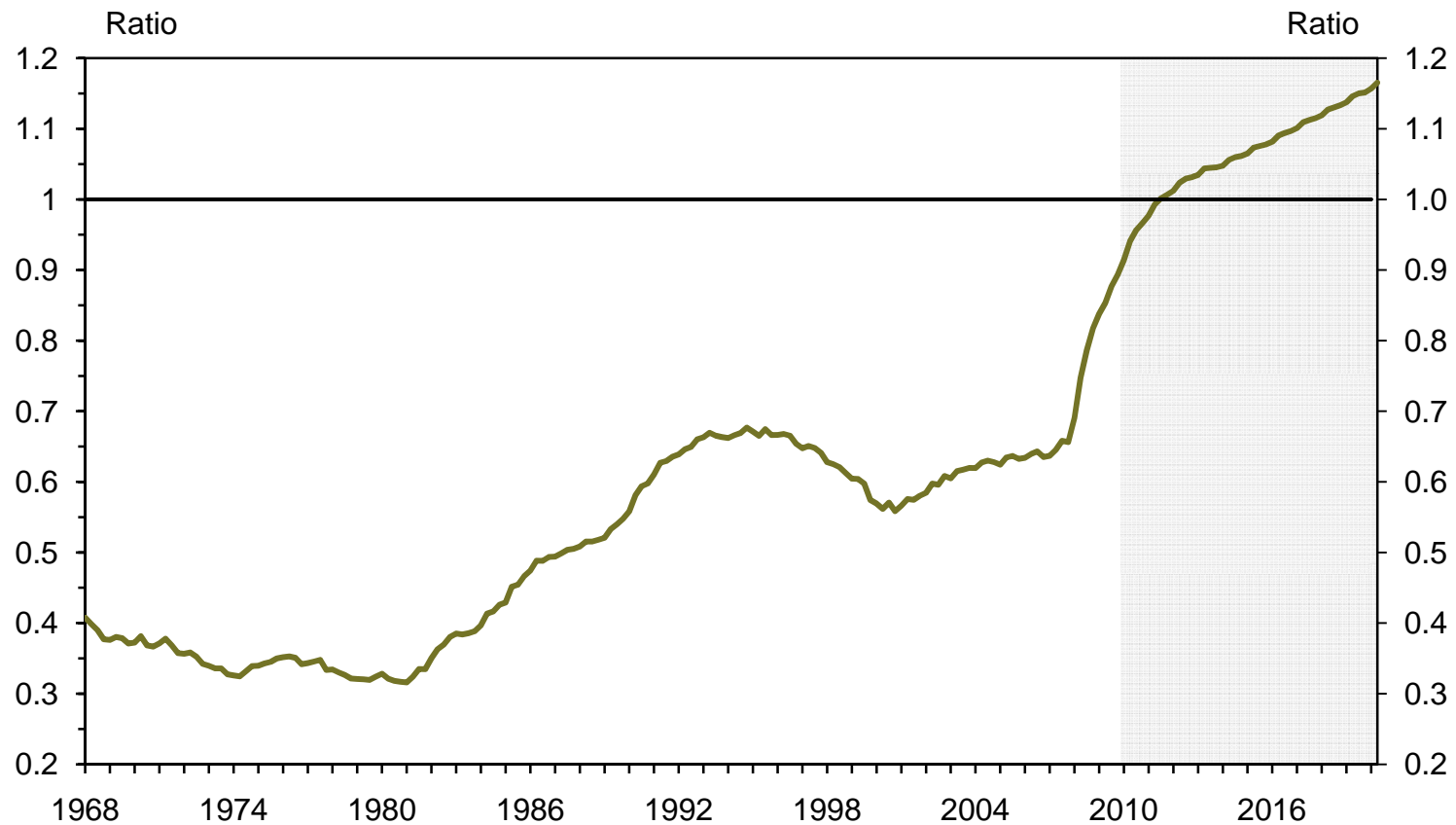
# U.S. fiscal stance suffers in recession, believed problematic at these levels

## U.S. Federal Debt Outstanding



# Federal debt expected to exceed 100% of GDP

U.S. Federal Debt Outstanding as a Percentage of GDP



# U.S. and Regional Economic Conditions

---

Questions?

[mark.snead@kc.frb.org](mailto:mark.snead@kc.frb.org)