

Jason Henderson
Vice President and Branch Executive
Federal Reserve Bank of Kansas City – Omaha Branch
www.kansascityfed.org/omaha
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Economic and Policy Outlook

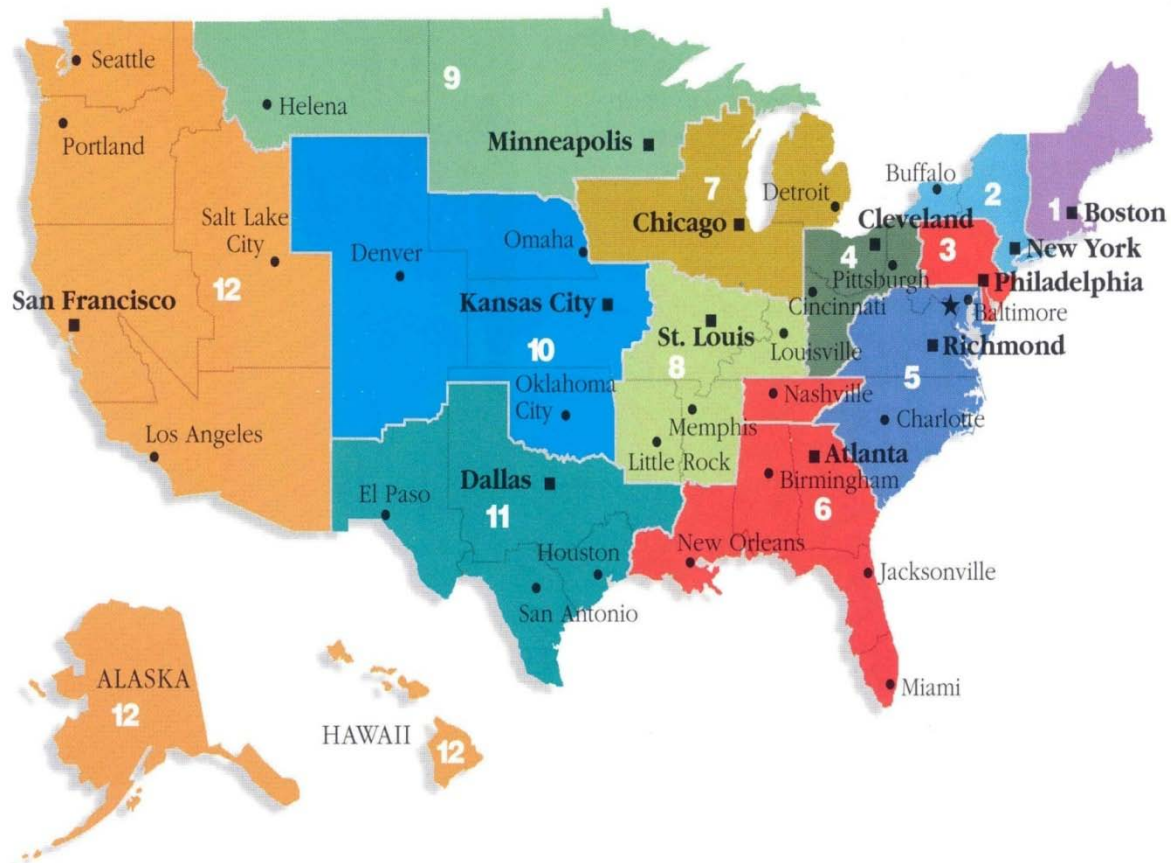


The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Federal Reserve System

- Formed in 1913
- Board of Governors (DC)
 - Government employees
- Federal Reserve Banks
 - 12 banks and 25 branches
 - Non-profit corporations
 - Regional board of directors
 - Bankers
 - Business leaders
 - Community leaders
- Functions
 - Monetary policy
 - Bank Supervision
 - Payments System

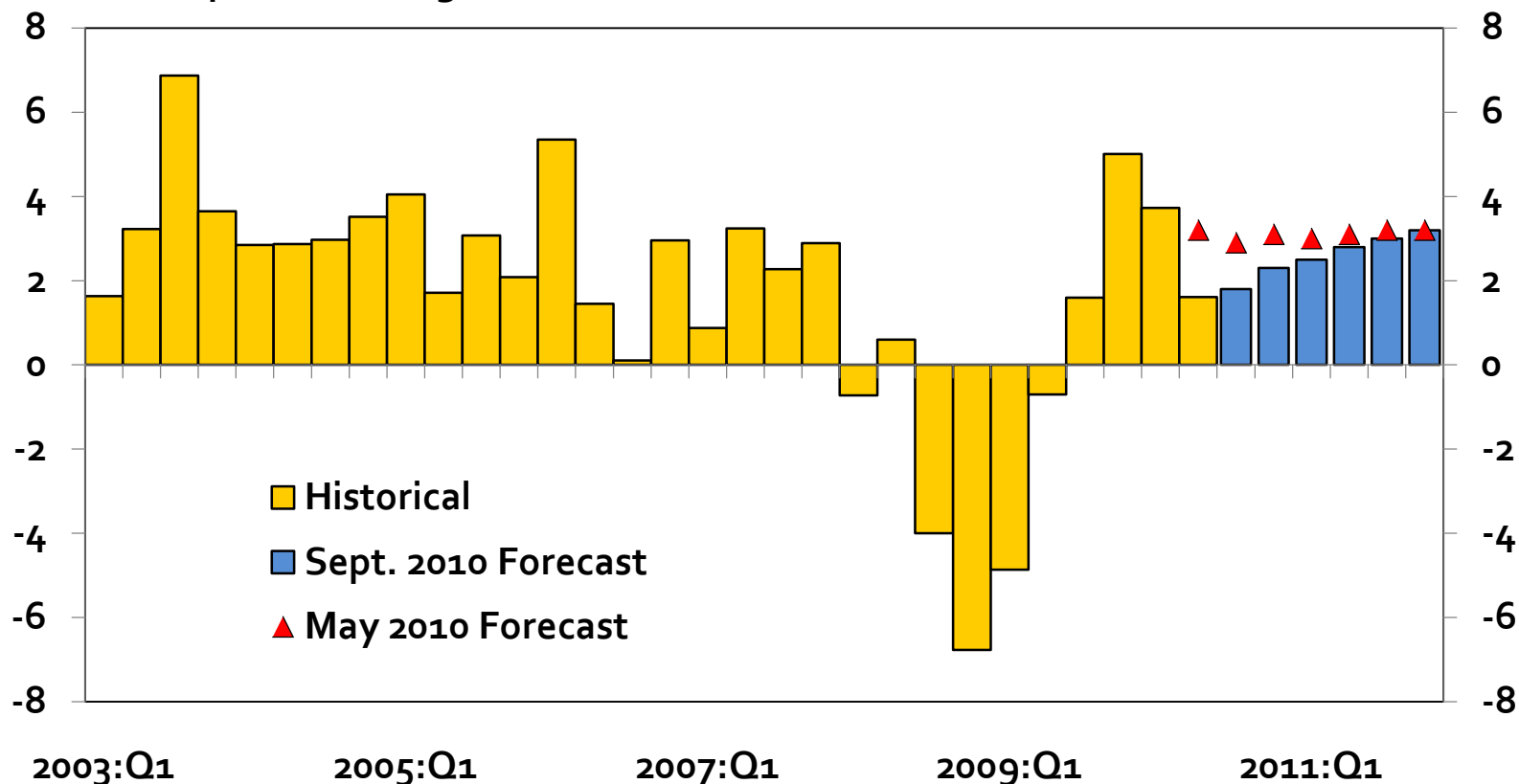
Federal Reserve Banks



Will the summer lull in economic conditions persist?

Real U.S. GDP Growth

Annualized percent change

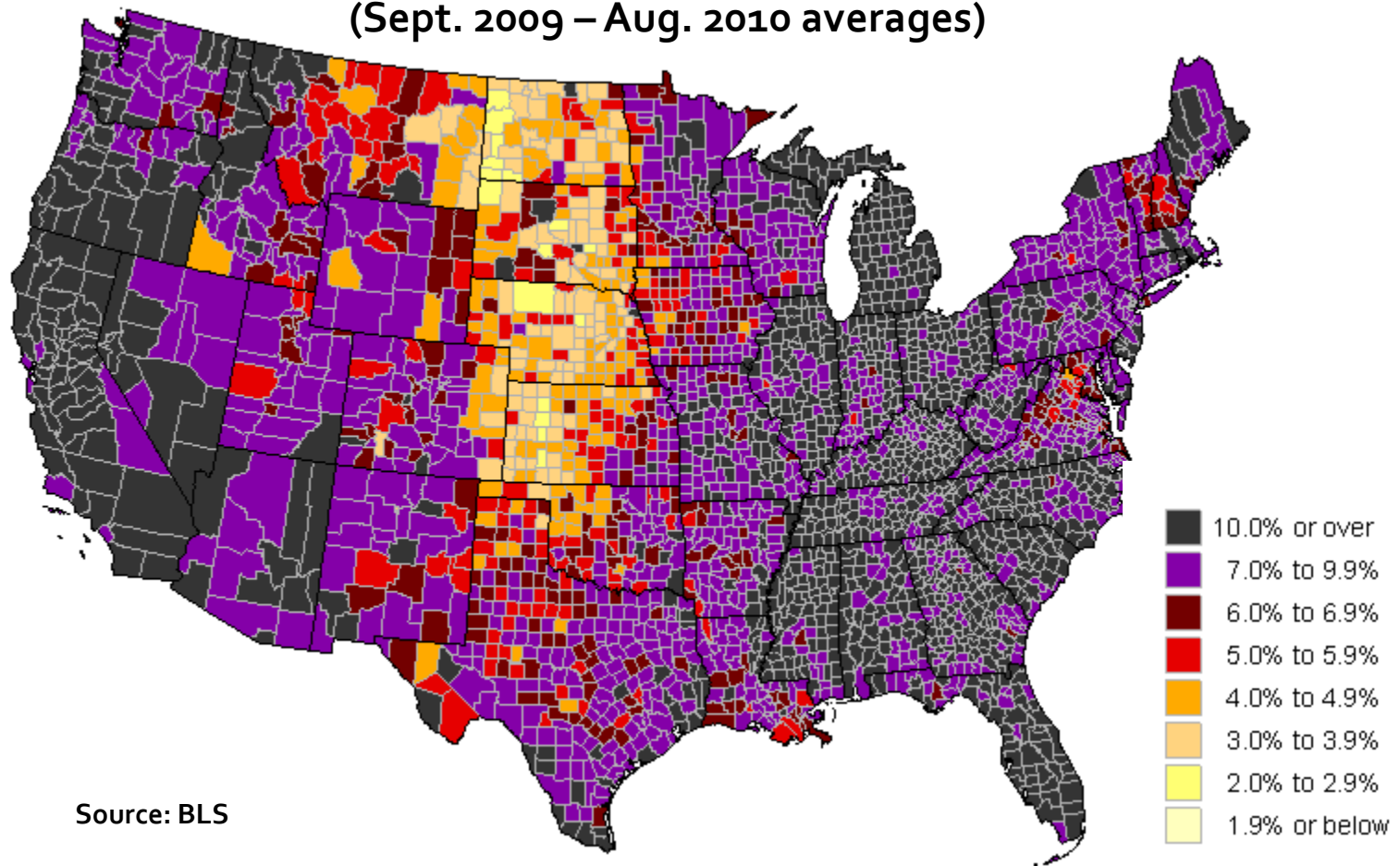


Calculations based on Bureau of Economic Analysis data



Economic conditions are about jobs, jobs, or the lack of jobs.

Unemployment Rates
(Sept. 2009 – Aug. 2010 averages)



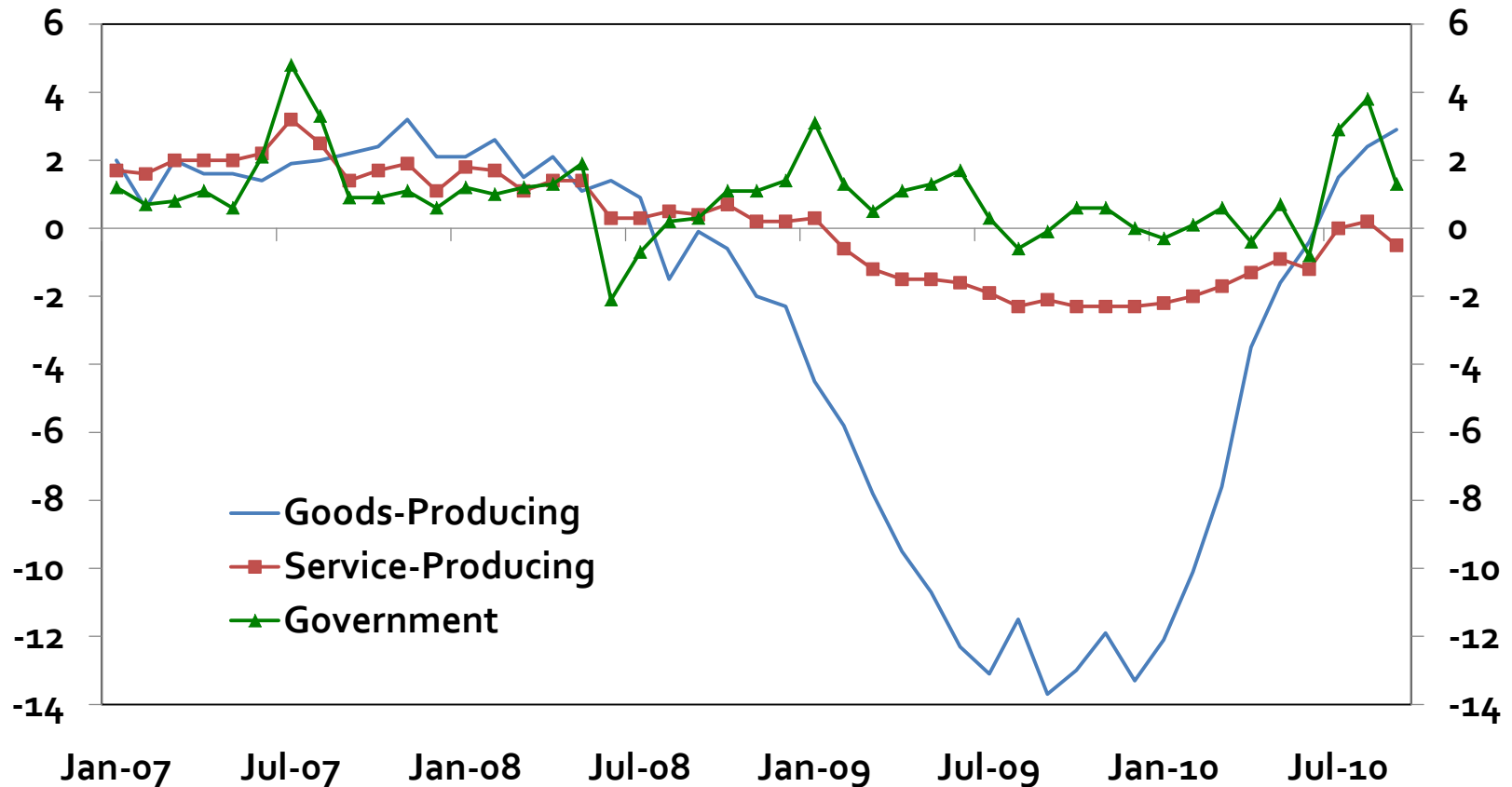
Source: BLS



A rebound in manufactured jobs leads the Kansas economy.

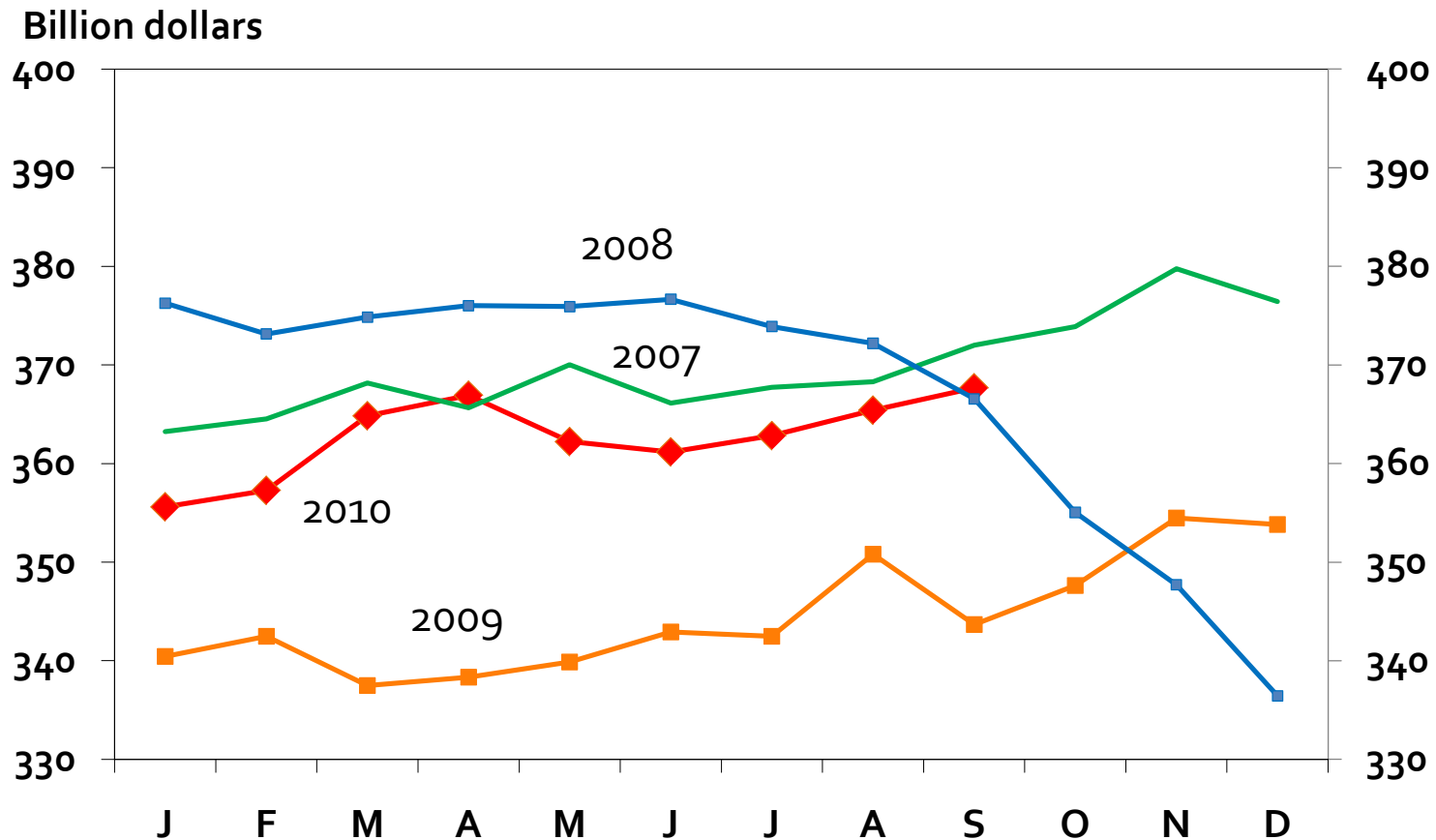
Kansas Job Growth by Sector

Percent change from year ago



Consumer spending is on the rise.

U.S. Monthly Retail and Food Sales

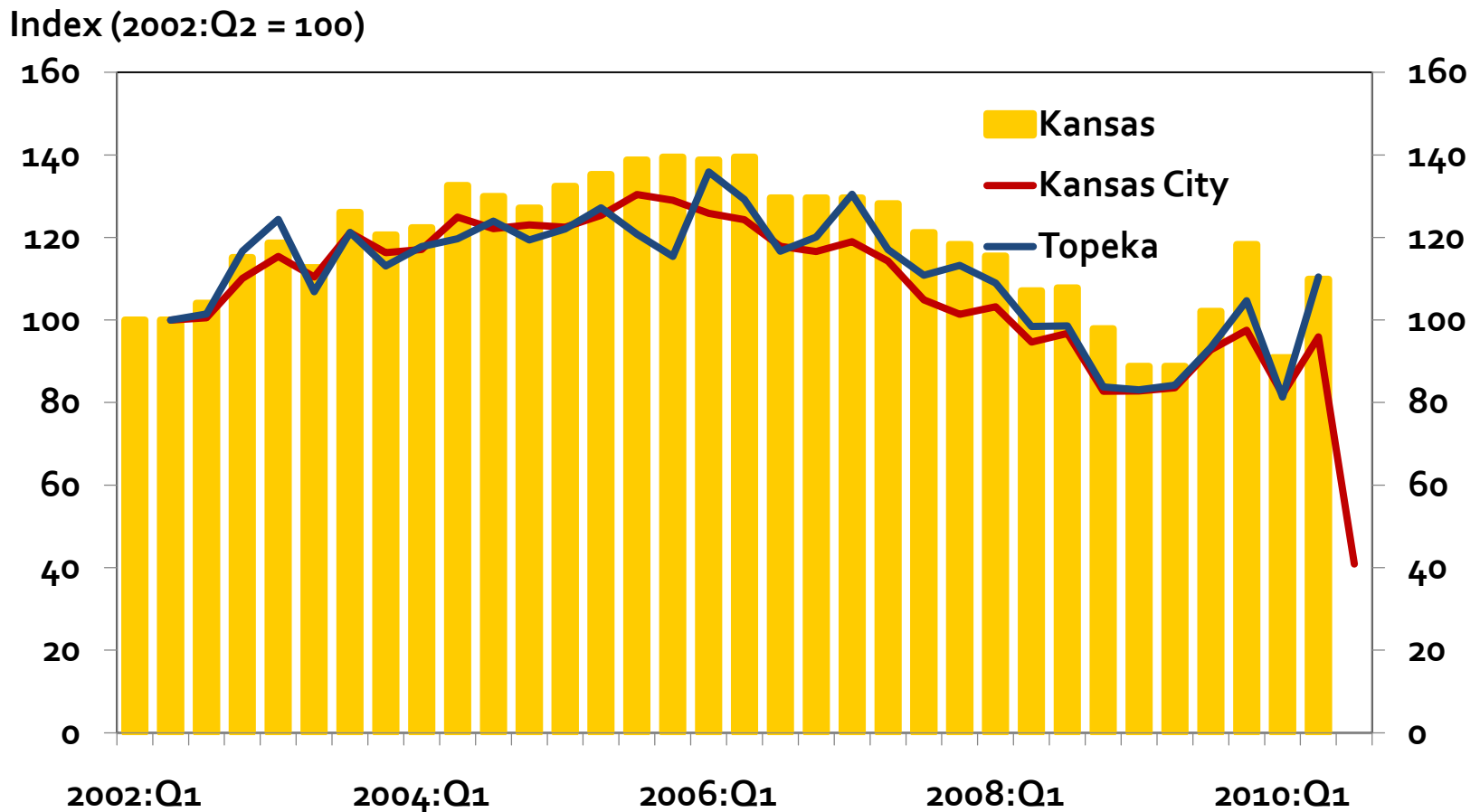


Source: U.S. Census Bureau



Home sales plummet after the end of the tax credit.

Kansas, Kansas City, and Topeka Home Sales



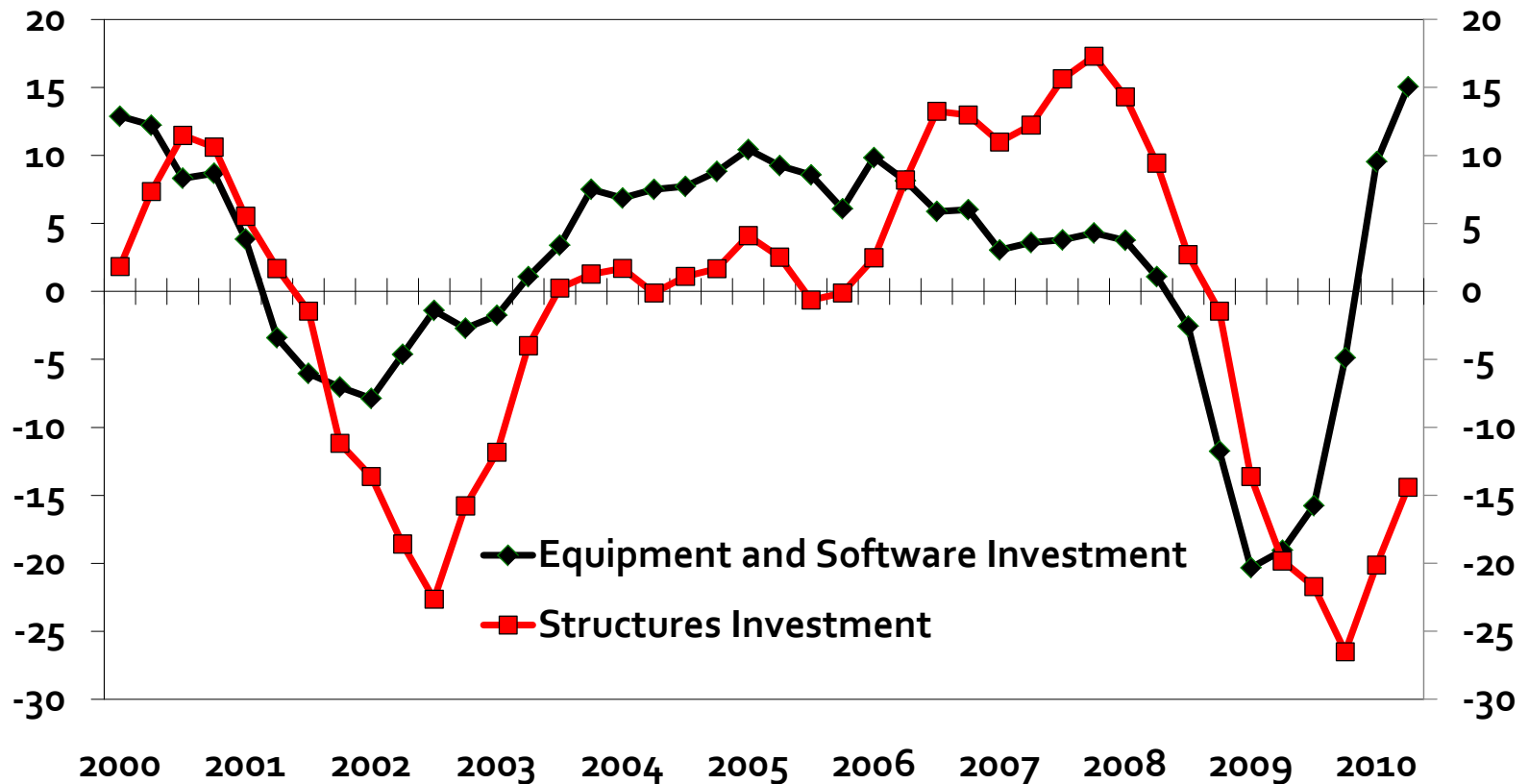
Source: National Association of Realtors and local realtors association



Business investment is beginning to rebound.

Nonresidential Fixed Investment

Percent change from year ago



Source: Bureau of Economic Analysis



Can we expect additional support from export activity?

Economic growth is stronger in emerging countries. However growth is expected to slow.

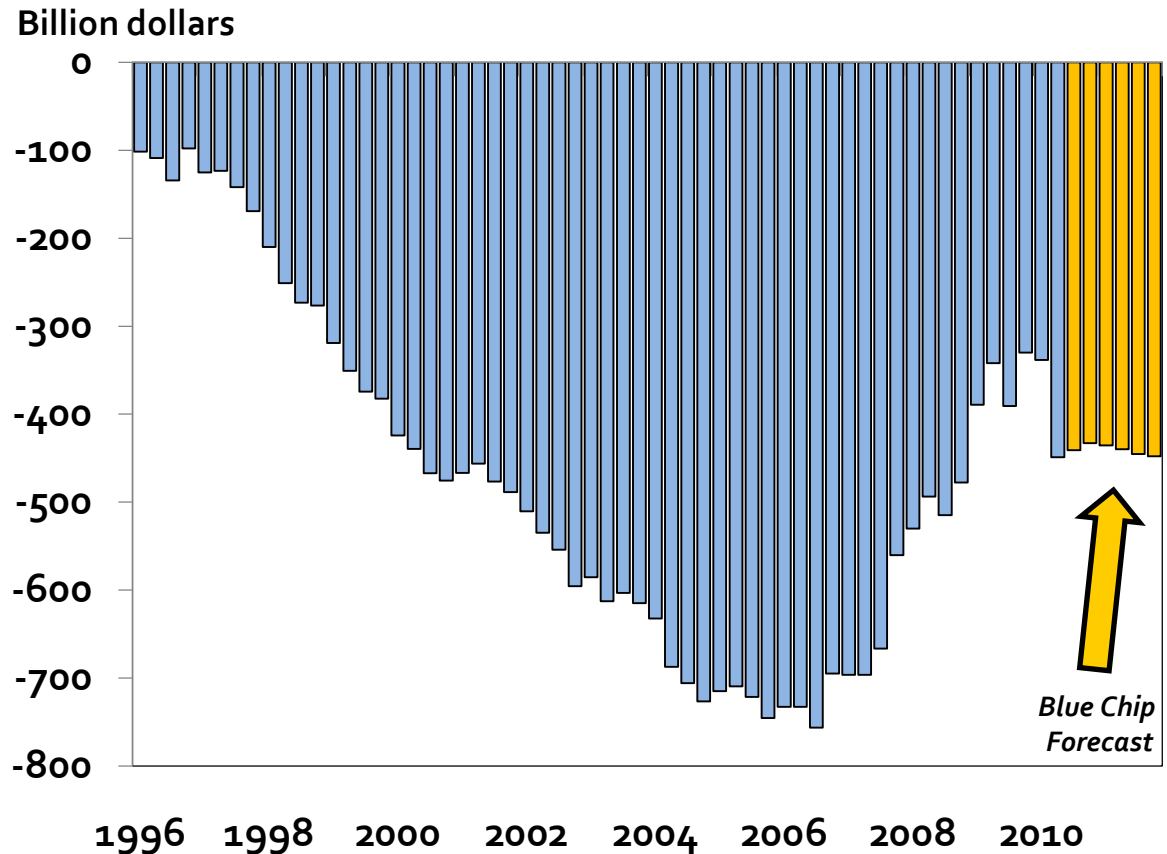
Annual GDP Growth

	2010	2011
Brazil	7.3%	4.8%
Russia	4.8%	4.4%
India	8.4%	8.1%
China	10.0%	9.0%
Hong Kong	5.6%	4.5%
Korea	6.1%	4.1%
Taiwan	7.1%	4.2%
Canada	3.3%	2.8%
Mexico	4.5%	3.7%
Eurozone	1.4%	1.4%



Source: Blue Chip Forecast

U.S. Real Net Exports

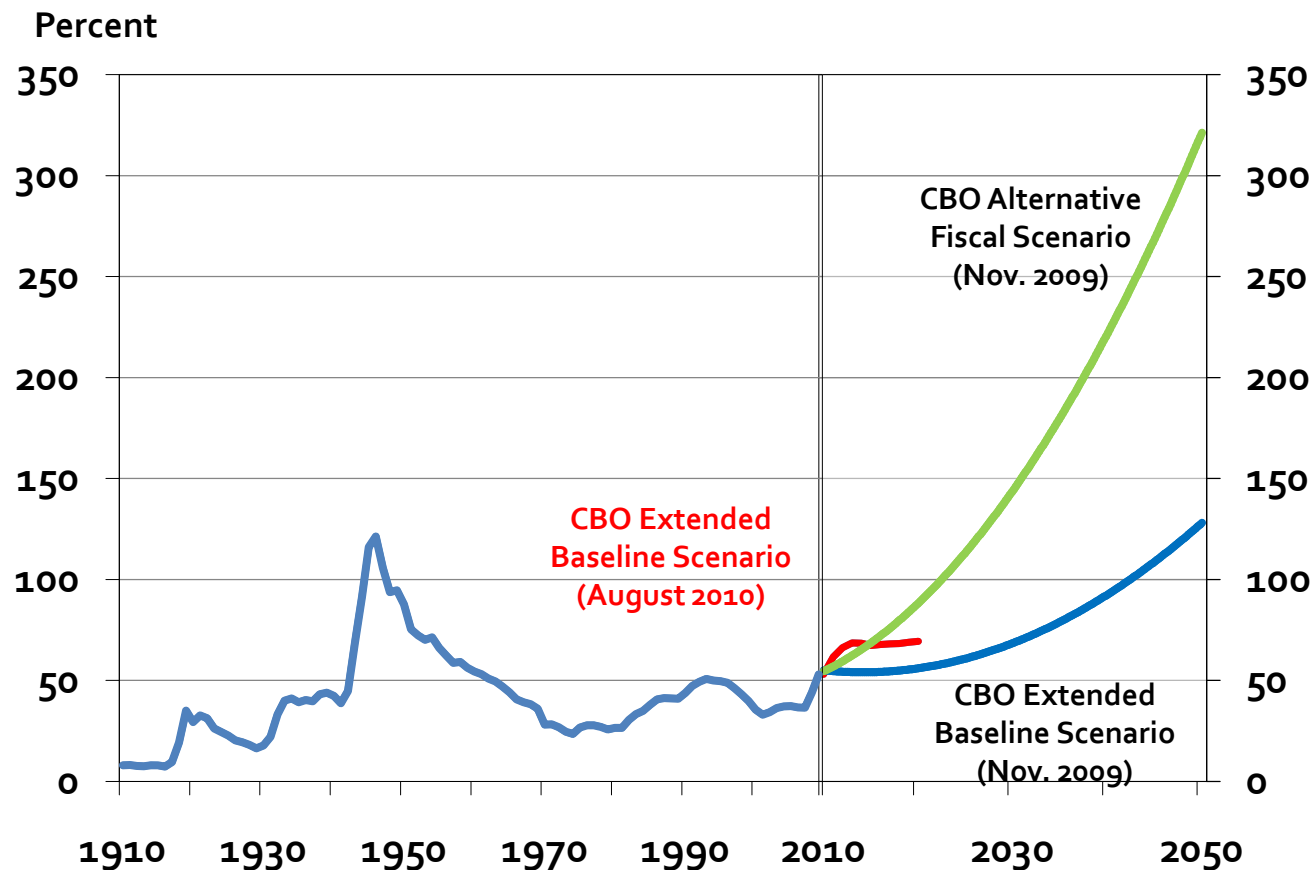


Source: Bureau of Economic Analysis and Blue Chip forecast October 2010



How will surging federal debt levels affect economic conditions long-term?

U.S. Debt as a Percent of GDP



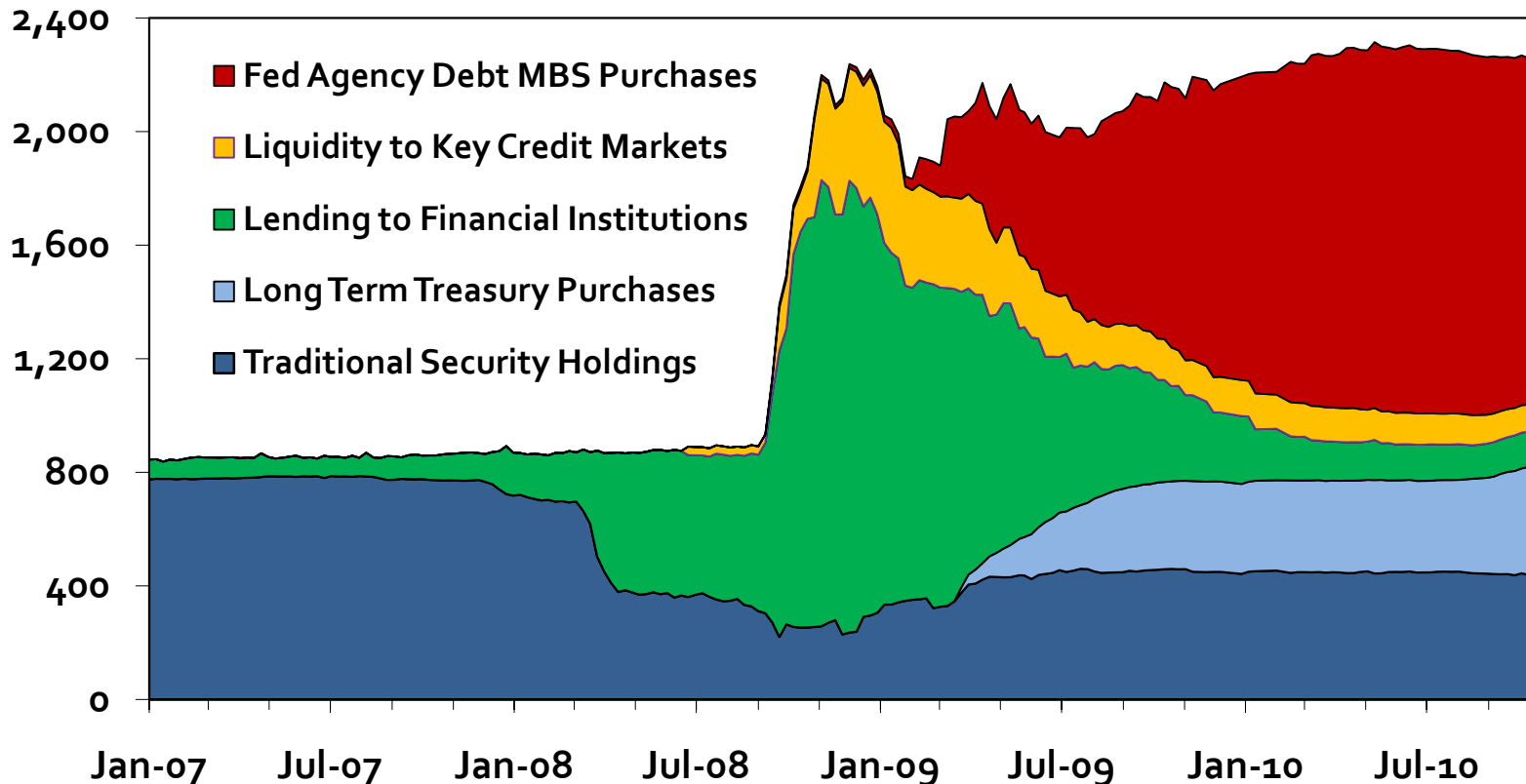
Source: Congressional Budget Office



Quantitative easing (QE) is the expansion of the Federal Reserve balance sheet to lower long term rates.

Federal Reserve Balance Sheet: Assets

Billion Dollars

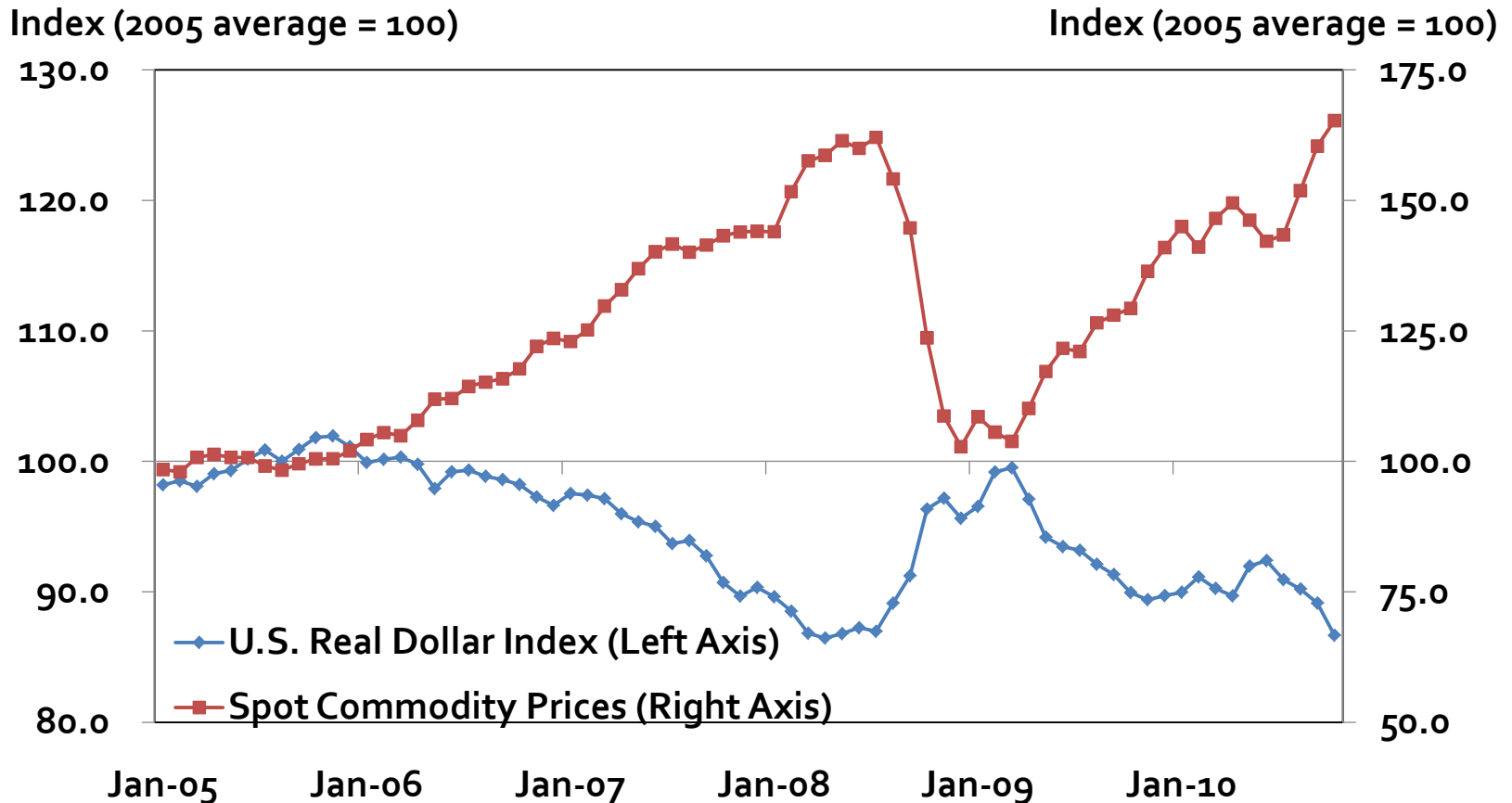


Source: Federal Reserve Bank of Cleveland



One side effect of QE is a weaker dollar, which is associated with higher commodity prices.

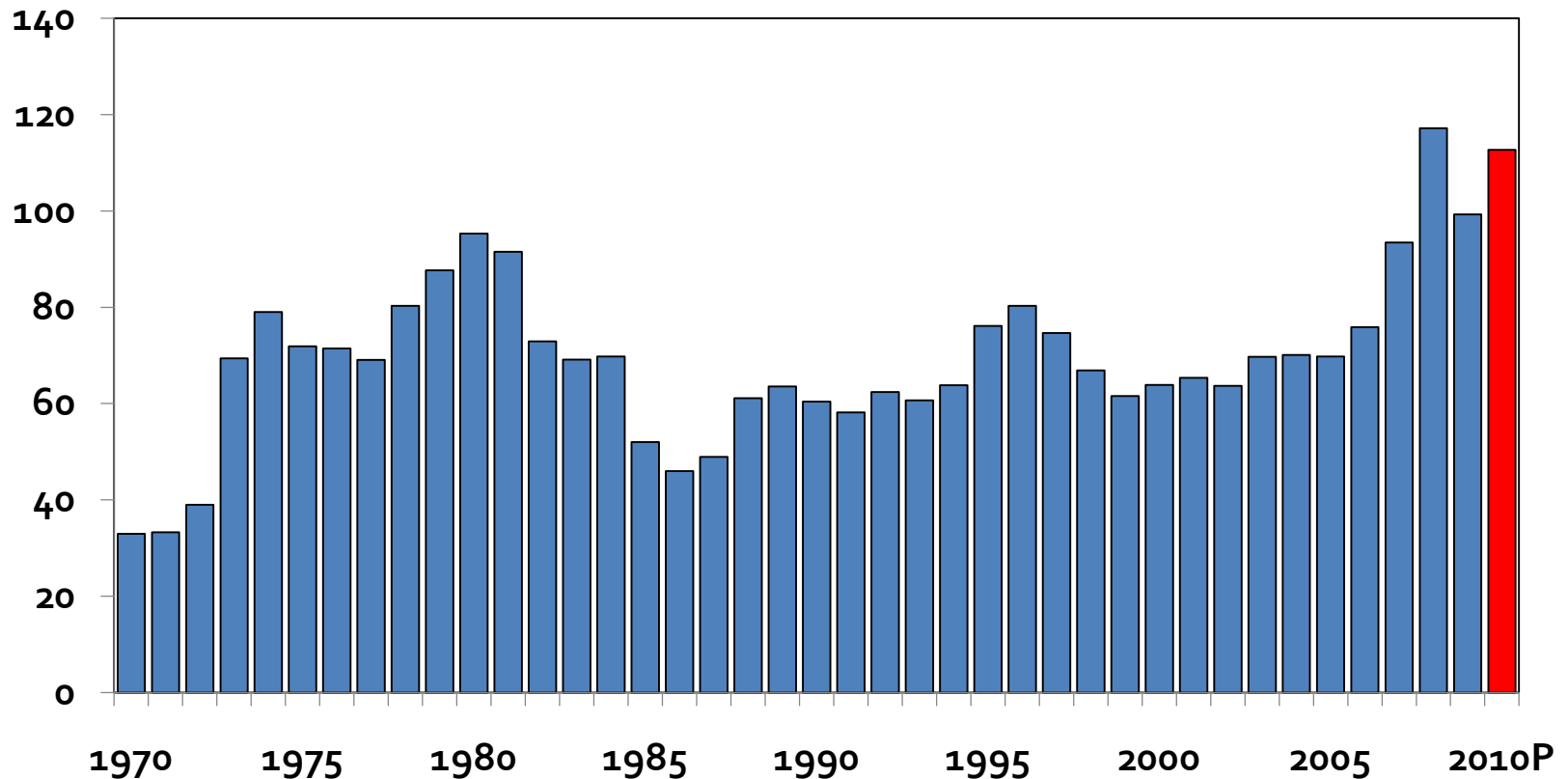
U.S. Exchange Rates and Commodity Prices



U.S. agricultural exports have rebounded.

Real U.S. Agricultural Exports

Billion dollars (constant 2010=100 dollars)



Source: USDA

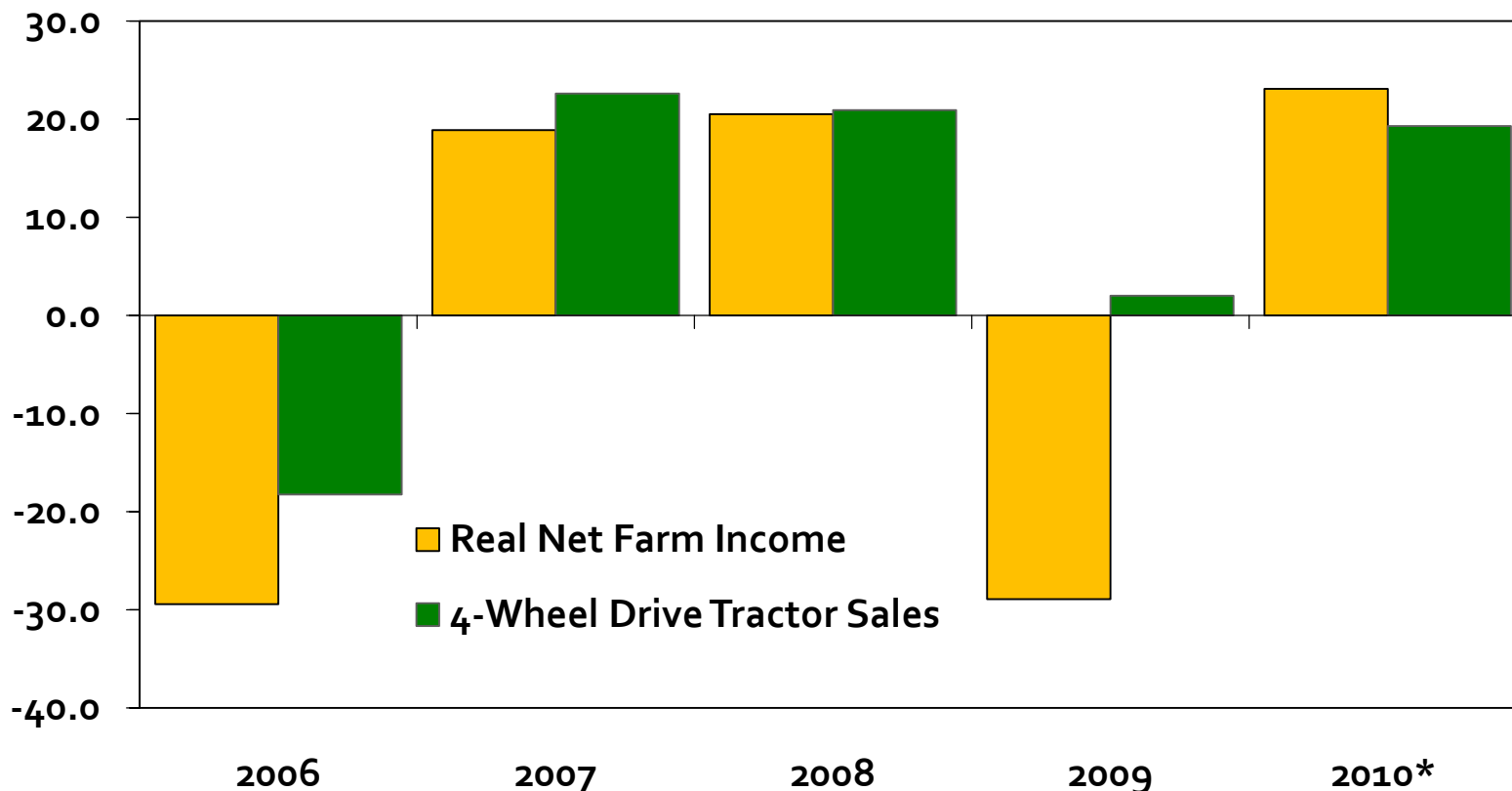
* 2010 projection based on export growth through July 2010



Stronger farm incomes boost agricultural equipment sales.

U.S. Real Net Farm Income and Agricultural Equipment Sales

Percent change from previous year



Source: Association of Equipment Manufacturers and USDA

* Tractor Sales data are year-to-date through July and Net Farm Income forecast for 2010 dated August 31, 2010.

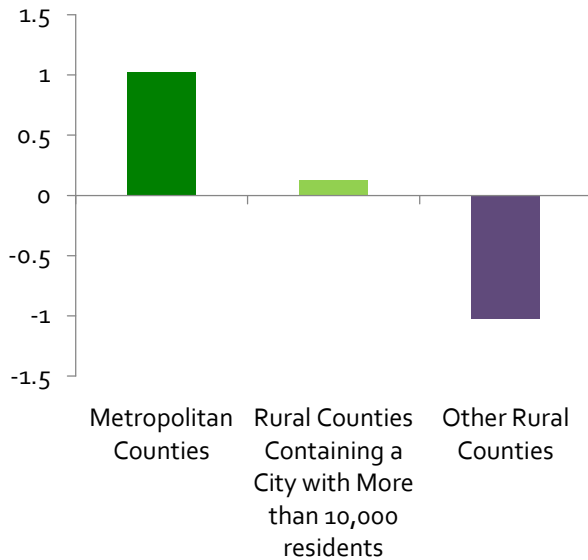


Rural Kansas continues to struggle with population.

- Many Kansas counties struggle to maintain population levels, which limits labor availability and local demand.

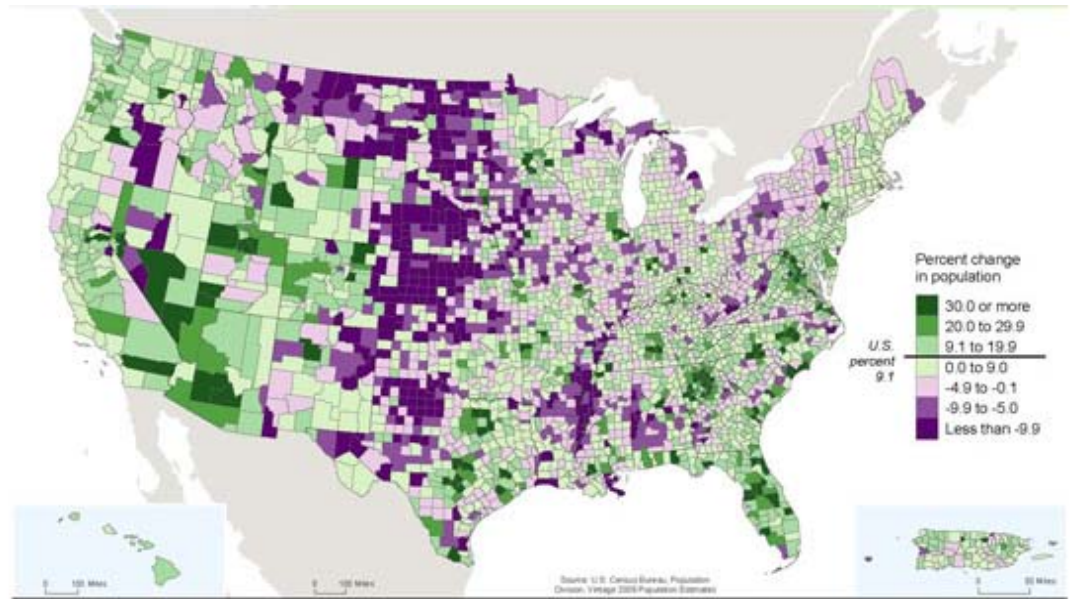
Kansas Population Growth by County Type

Annualized percent change 2000 to 2009



Calculations based on U.S. Census data

U.S. Population Growth: 2000 to 2009



- The quality of local labor pools is also a concern.
- How do Kansas communities attract and retain the best and brightest?



Conclusions

- Despite a summer lull, a modest economic recovery is underway.
- Economic gains have been led by rural America and commodity markets.
- To QE or not to QE, that is the Federal Reserve's question.
- Rural America's eternal question – how can rural communities attract and retain people?



Federal Reserve Bank of Kansas City Omaha Branch

The Main Street Economist:
a bi-monthly publication discussing agriculture and rural America

Agricultural Credit Survey:
a quarterly survey of agricultural credit conditions in the Tenth Federal Reserve District

Agricultural Finance Databook:
a quarterly summary of national agricultural finance conditions

**For Additional Information on
Agricultural and Rural Issues**

www.kansascityfed.org/omaha

