

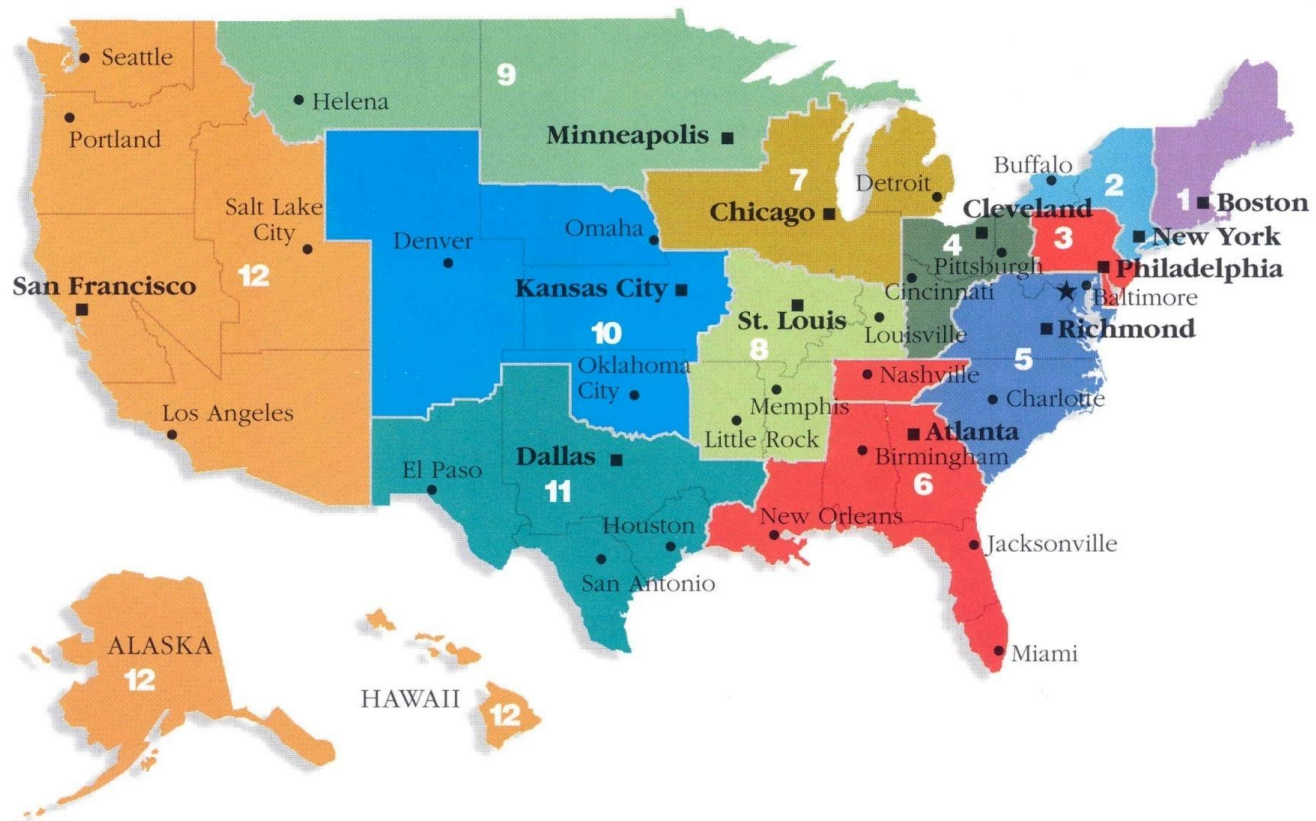
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September 27, 2011

Regional Economic Update



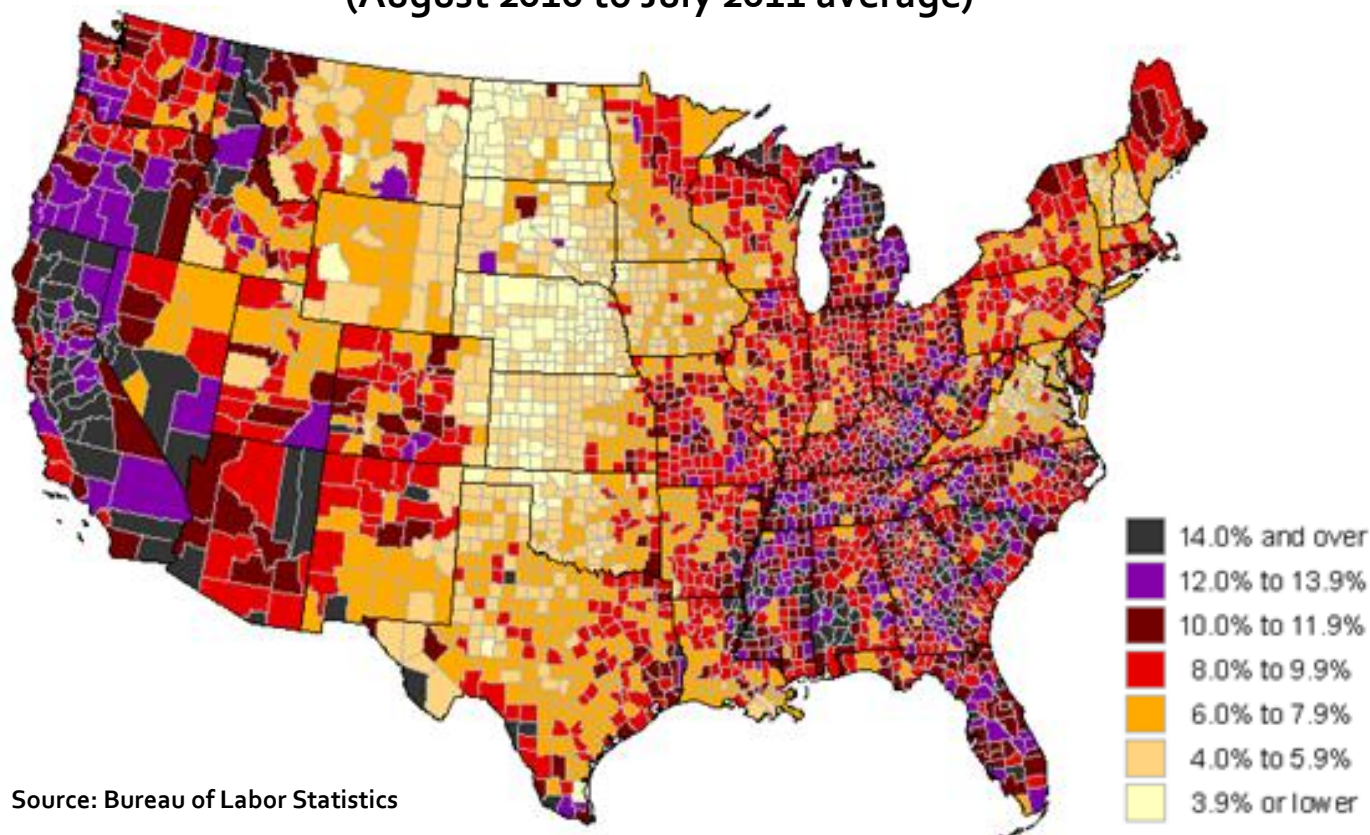
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Federal Reserve System



The Great Plains enjoys lower unemployment rates.

Unemployment Rates by County (August 2010 to July 2011 average)



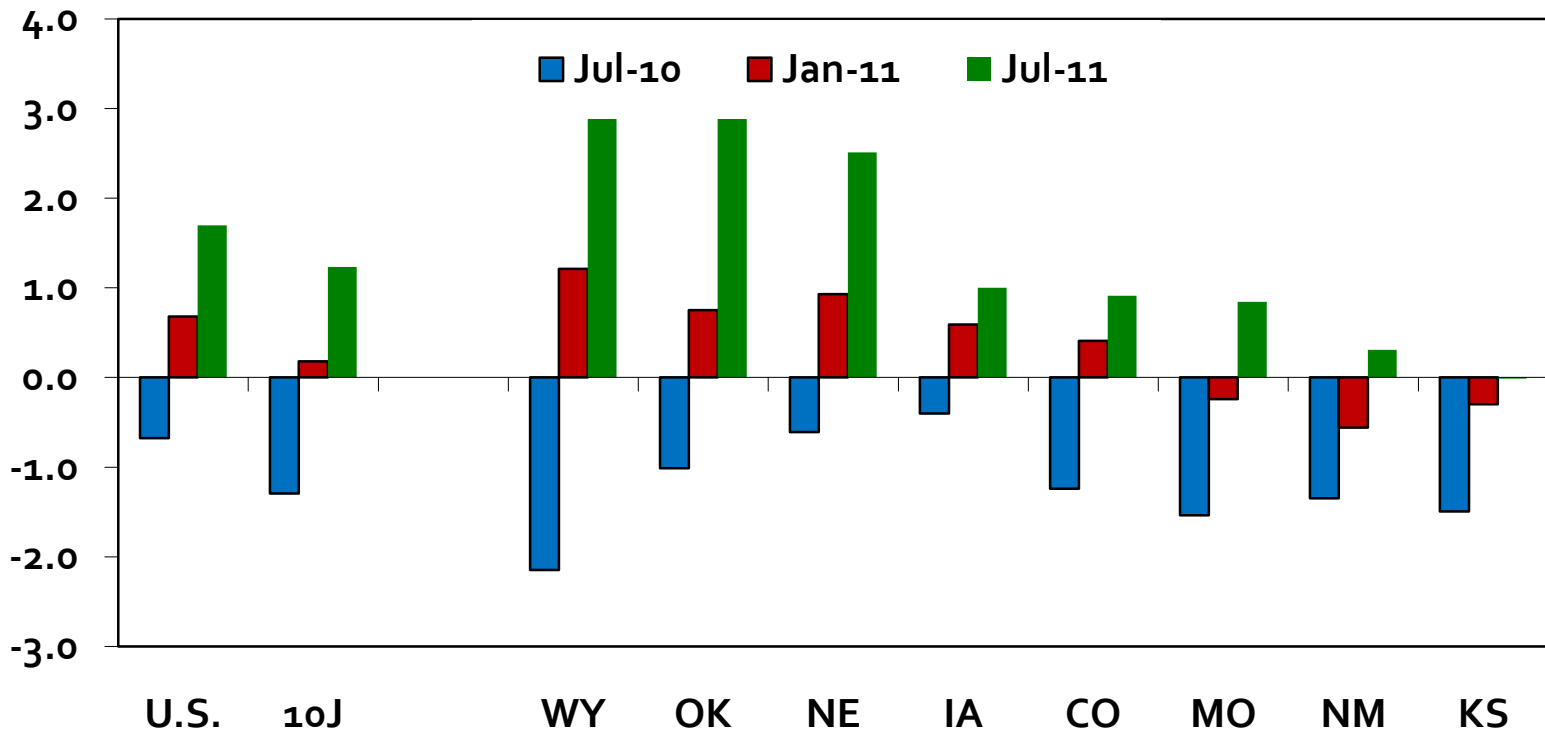
Source: Bureau of Labor Statistics



Commodity markets appear to be shaping Midwestern economic activity.

Non-farm Job Growth

Percent change from year-ago (three-month moving average)

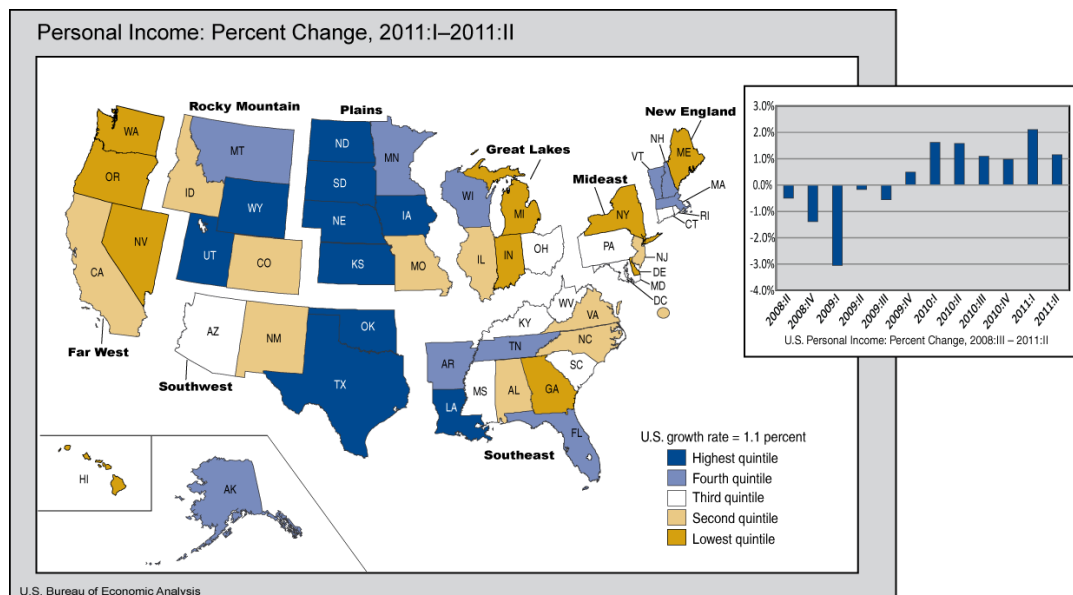


Source: Bureau of Labor Statistics



Income growth is the fastest in the Midwest.

State	Personal Income Growth 2010:Q2 to 2011:Q2
(1) North Dakota	13.3
(2) Texas	7.3
(3) Iowa	7.2
(3) Nebraska	7.2
(5) South Dakota	7.0
(5) Oklahoma	7.0
(7) Kansas	6.8
(8) Minnesota	6.7
(9) California	6.4
(10) Wyoming	6.3
U.S. Average	5.4



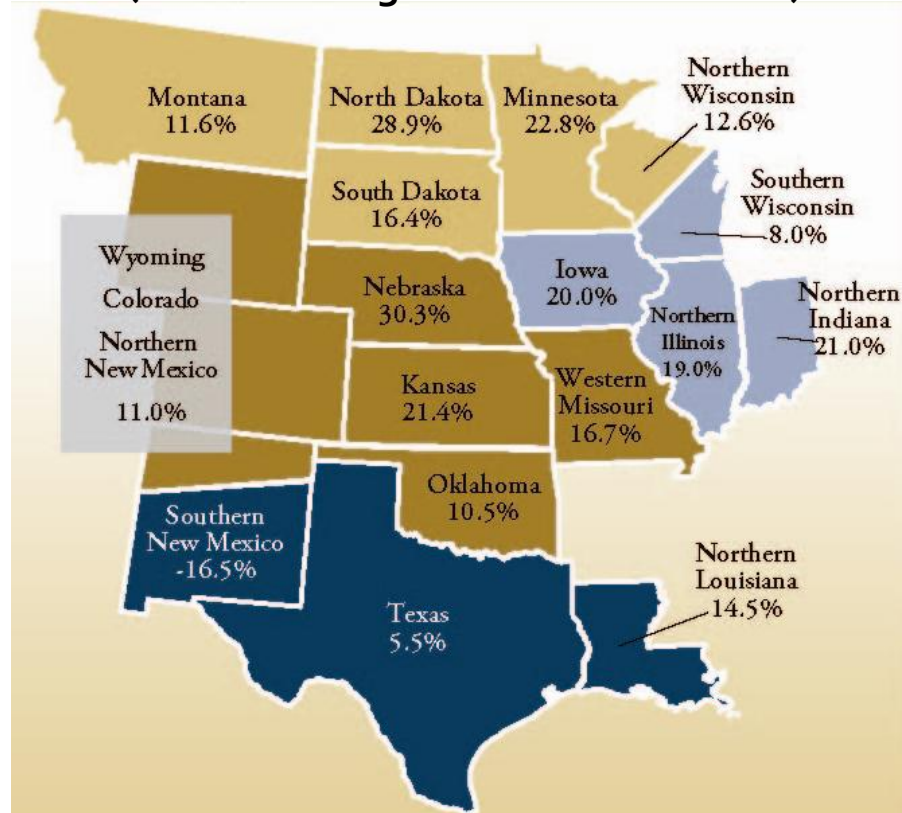
- Farming
- Mining
- Durable Good Manufacturing

Source: Bureau of Economic Analysis



Robust energy and agricultural prices spur cropland value gains.

Non-irrigated Cropland Values
(Percent change 2010:Q1 to 2011:Q1)



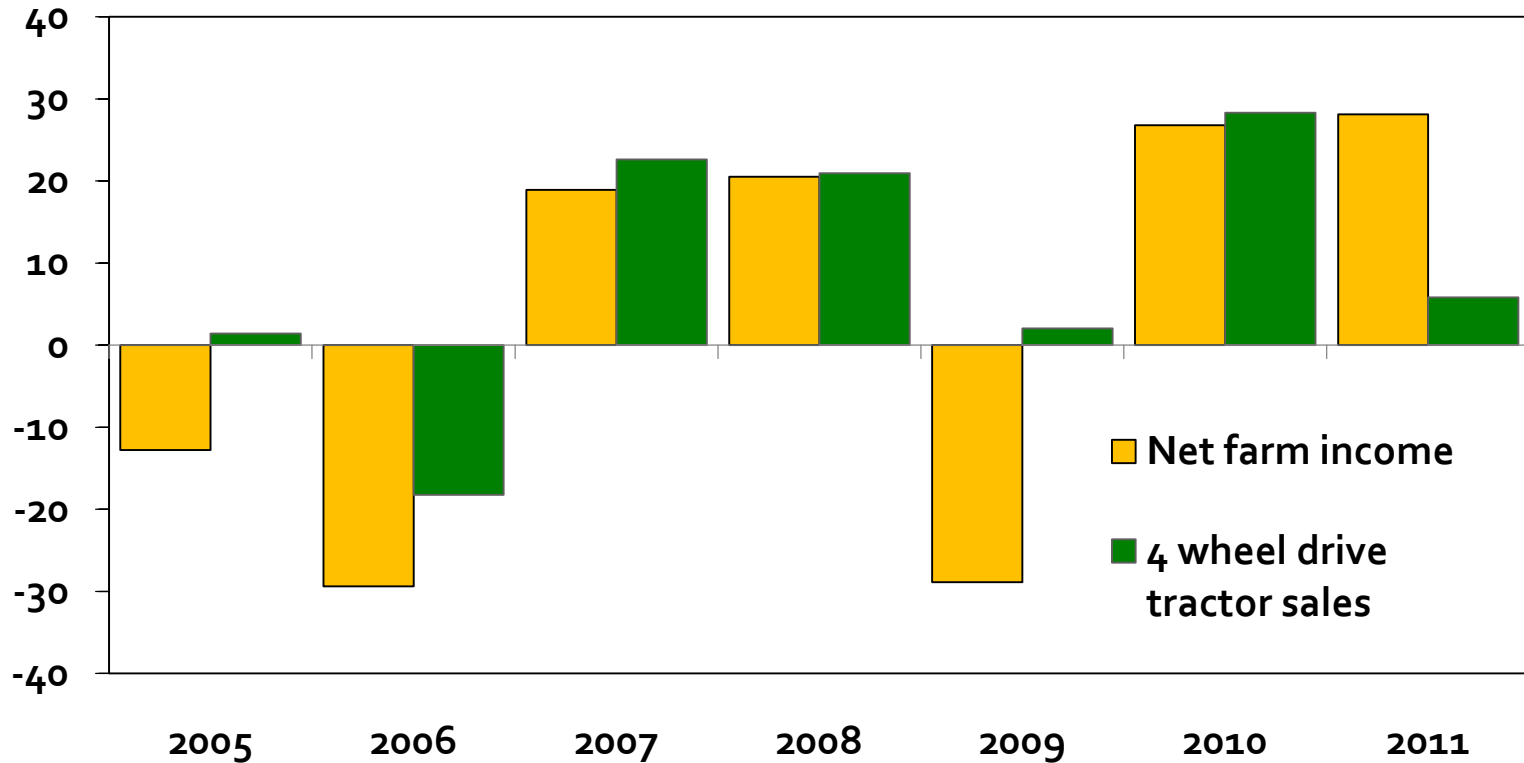
Source: Agricultural Finance Databook, Federal Reserve Bank of Kansas City



Rising farm incomes spur capital spending.

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

Percent change from year ago



Source: USDA and Association of Equipment Manufacturers

Note: 2011 Agricultural Equipment Sales are YTD through August



The manufacturing rebound is led by exports.

Nebraska Manufacturing Employment and Export Growth



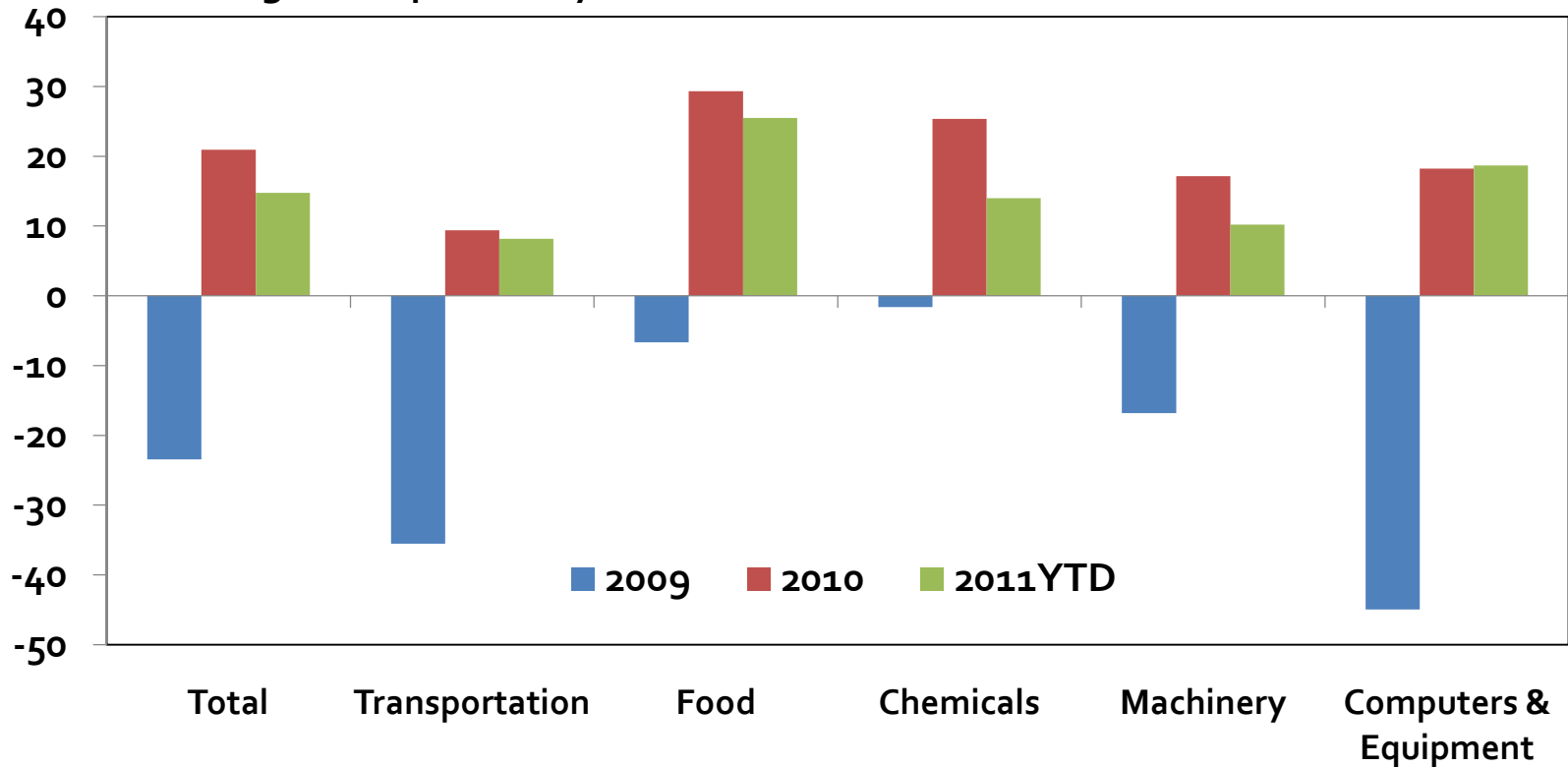
Source: Bureau of Labor Statistics and WISERTrade



Manufacturers tapped global markets.

Manufactured Exports (Tenth Federal Reserve District)

Percent change from previous year



Sources: WISER Trade



With rising incomes, retail sales surged.

Nebraska Retail Employment and Sales Growth



Source: BLS and Nebraska Department of Revenue
Note: Second quarter 2011 retail sales data is through May

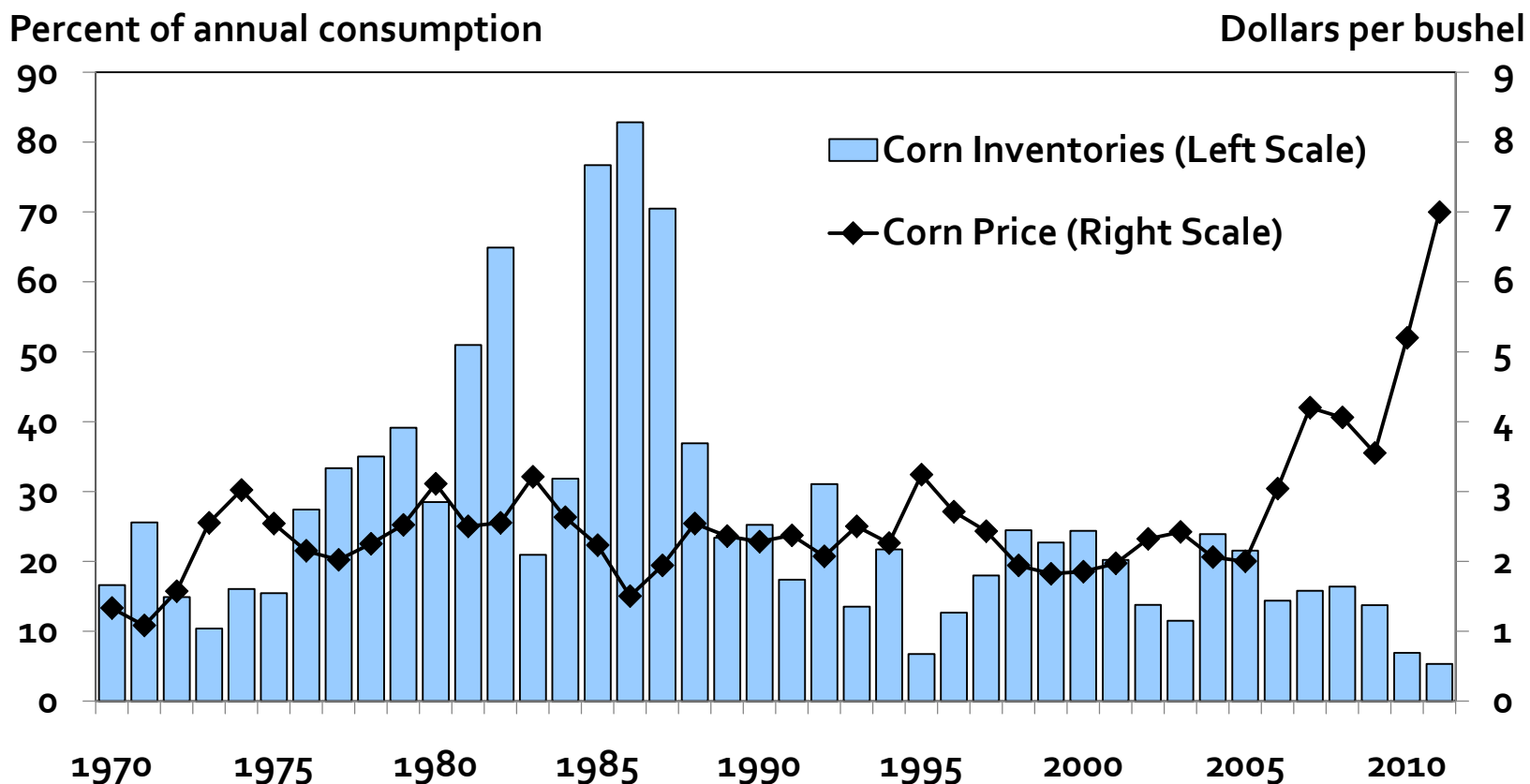


Will the Growth Continue?



Strong demand and tight supplies underpin high agricultural prices.

U.S. Corn Prices and Inventories

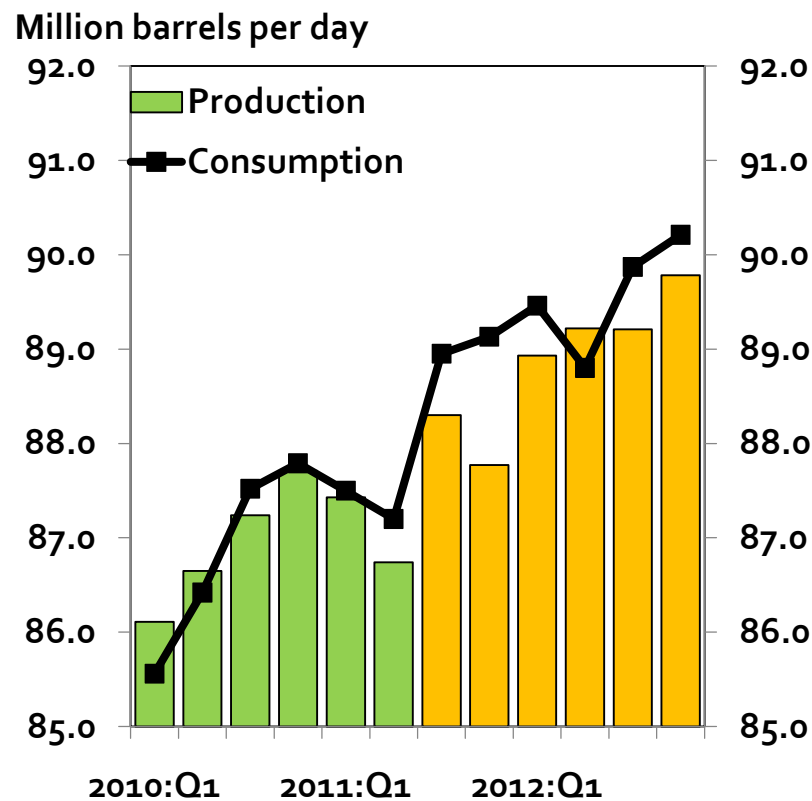
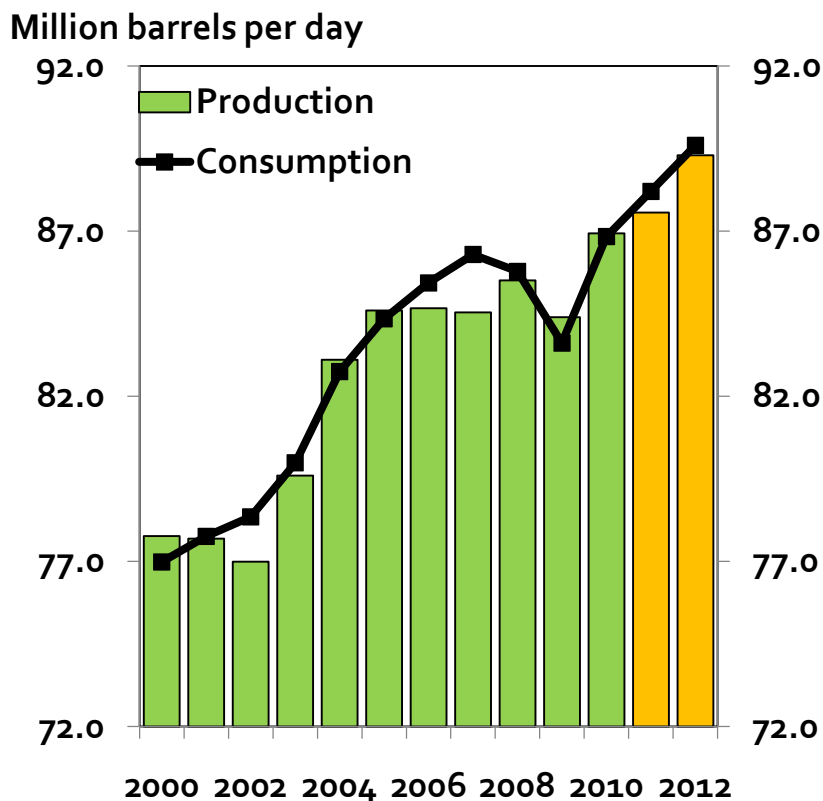


Source: USDA



If forecasts hold, world energy consumption could outstrip production.

World Crude Oil Production and Consumption

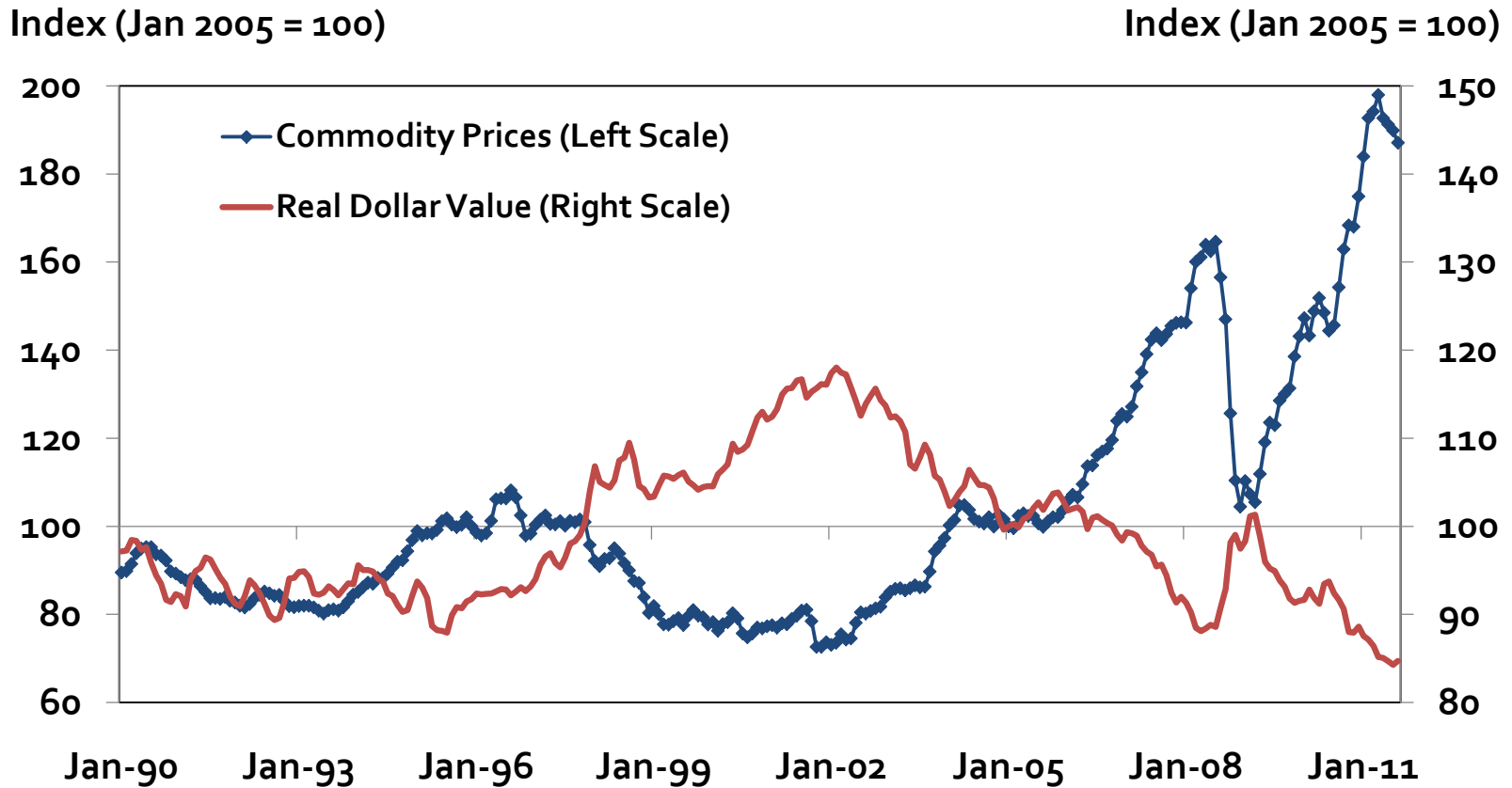


Source: Energy Information Administration
EIA Forecasts for 2011 and 2012 data.



A weak dollar supports high commodity prices.

Commodity Prices and the Value of the Dollar

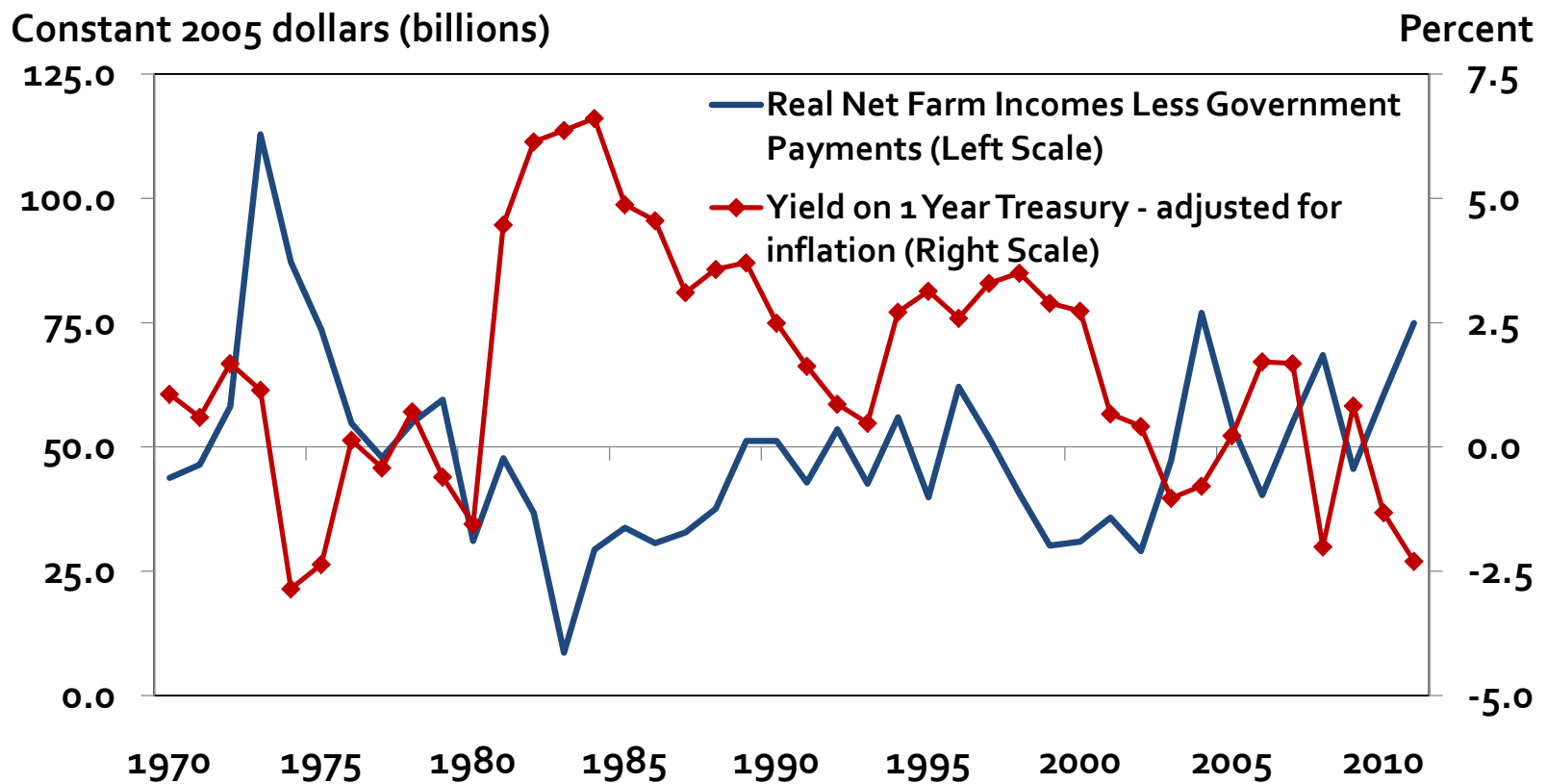


Source: Commodity Research Bureau and Federal Reserve Board of Governors



Farm incomes rise in low interest rate environments.

Farm Incomes and Interest Rates

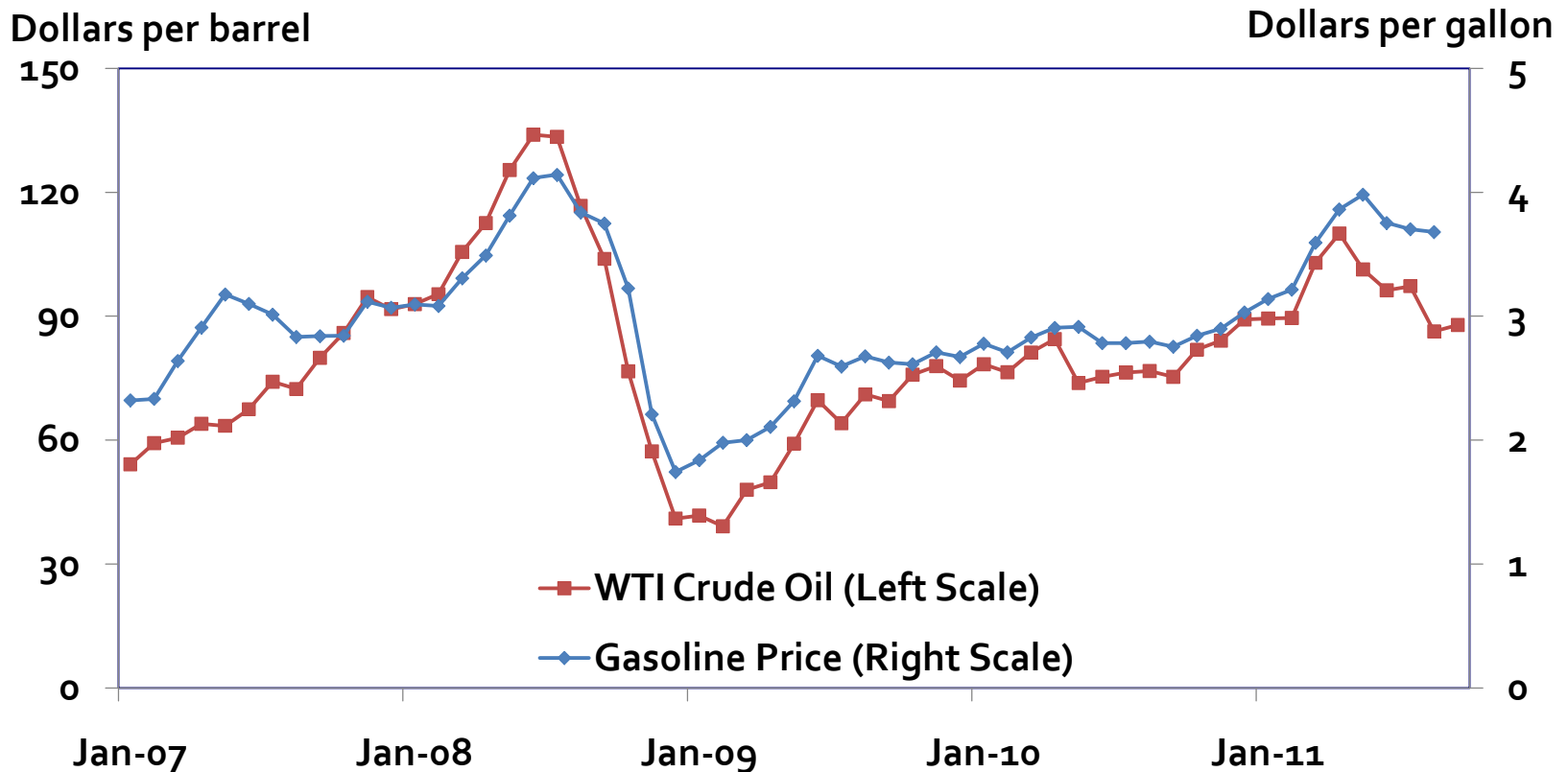


Source: Henderson and Briggeman (2011), "What are the Risks in Today's Farmland Market?" *Main Street Economist*, Issue 1.



High energy prices trim growth.

Crude Oil and Gasoline Prices



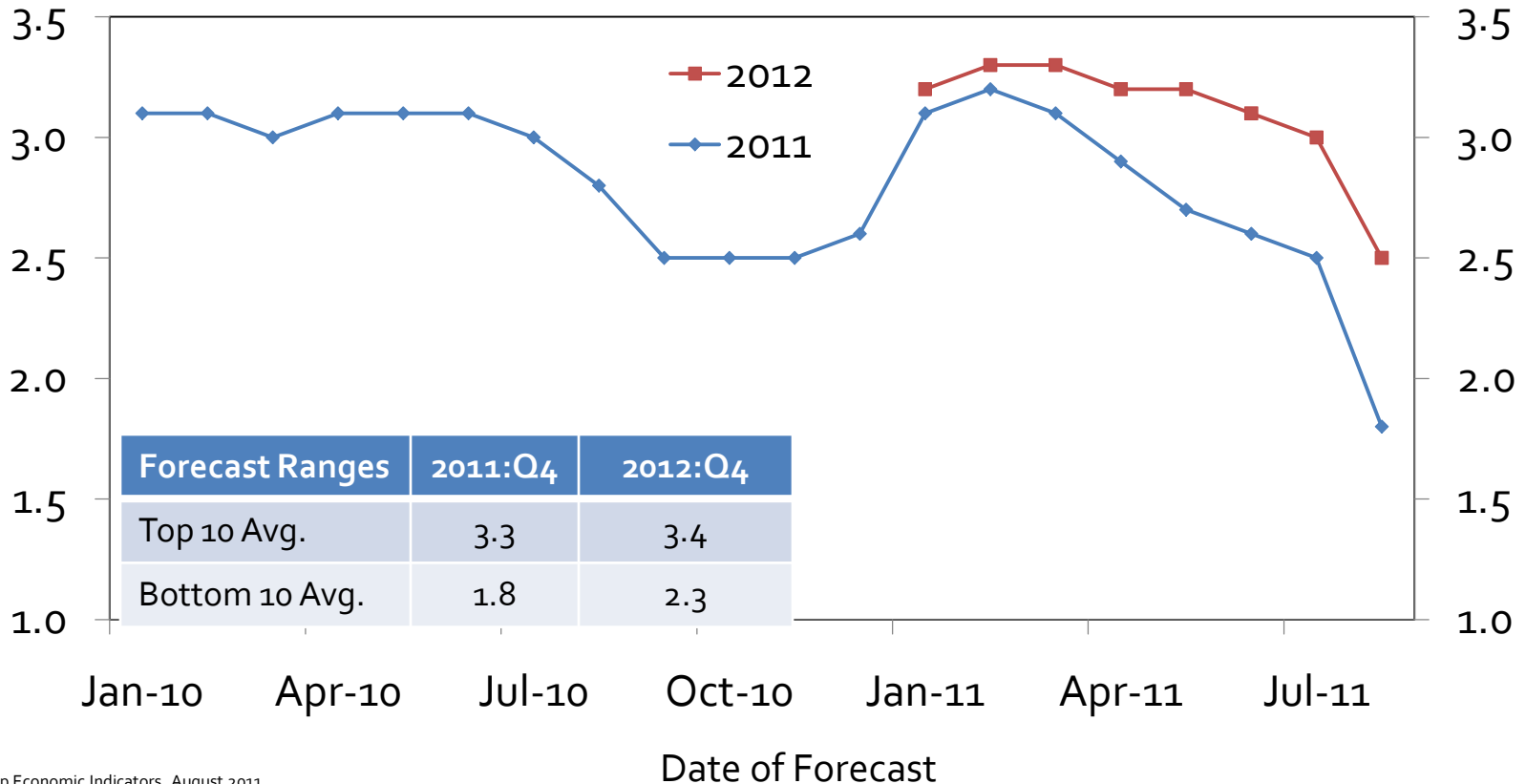
Source: Commodity Research Bureau and Energy Information Administration



Economic forecasts dropped sharply in August.

U.S. Real GDP Growth

Annual percent change



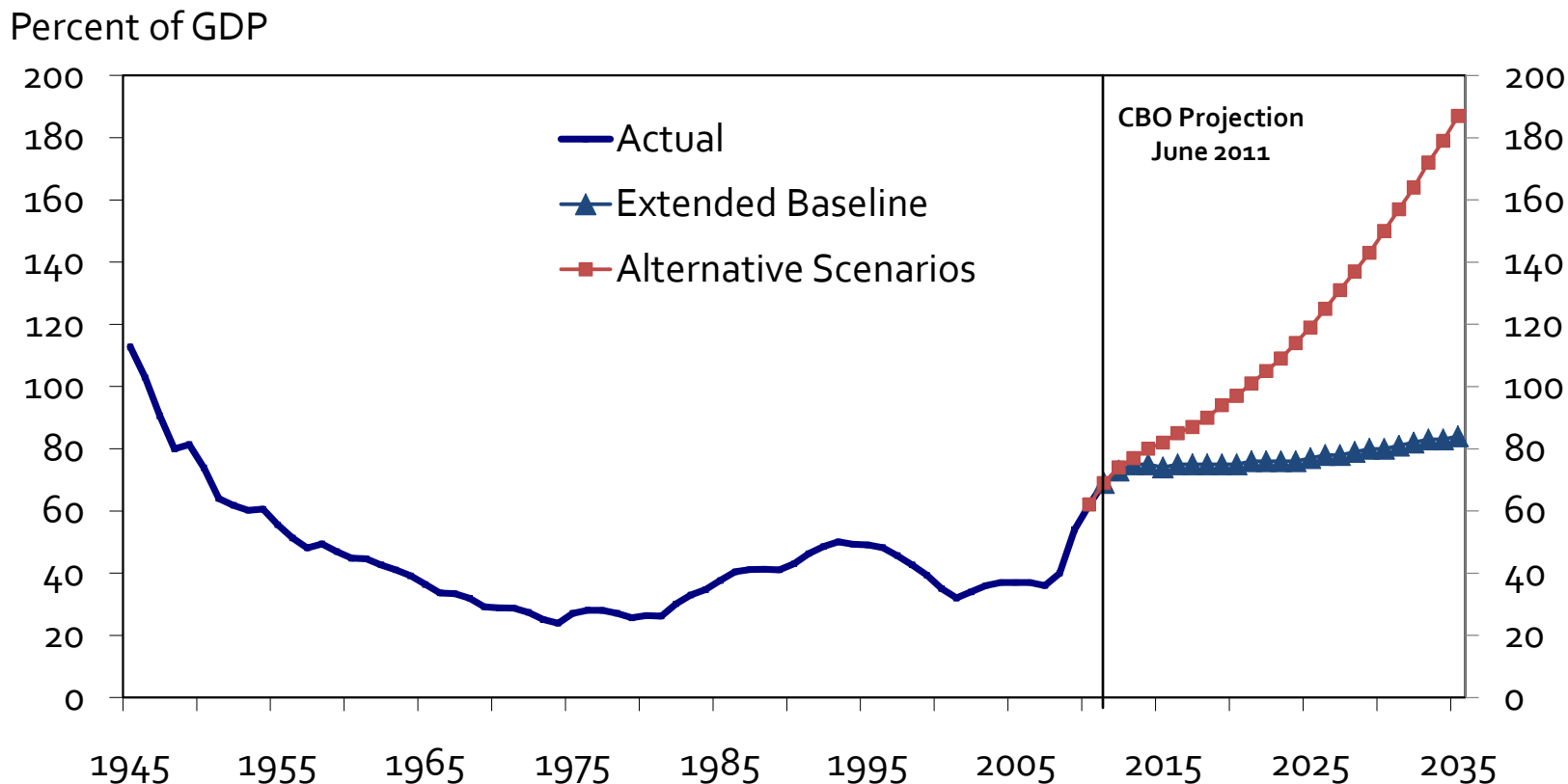
Source: Blue Chip Economic Indicators, August 2011



Sovereign Debt

Will the federal government be able to control U.S. debt accumulation?

Federal Government Debt as a Percent of GDP

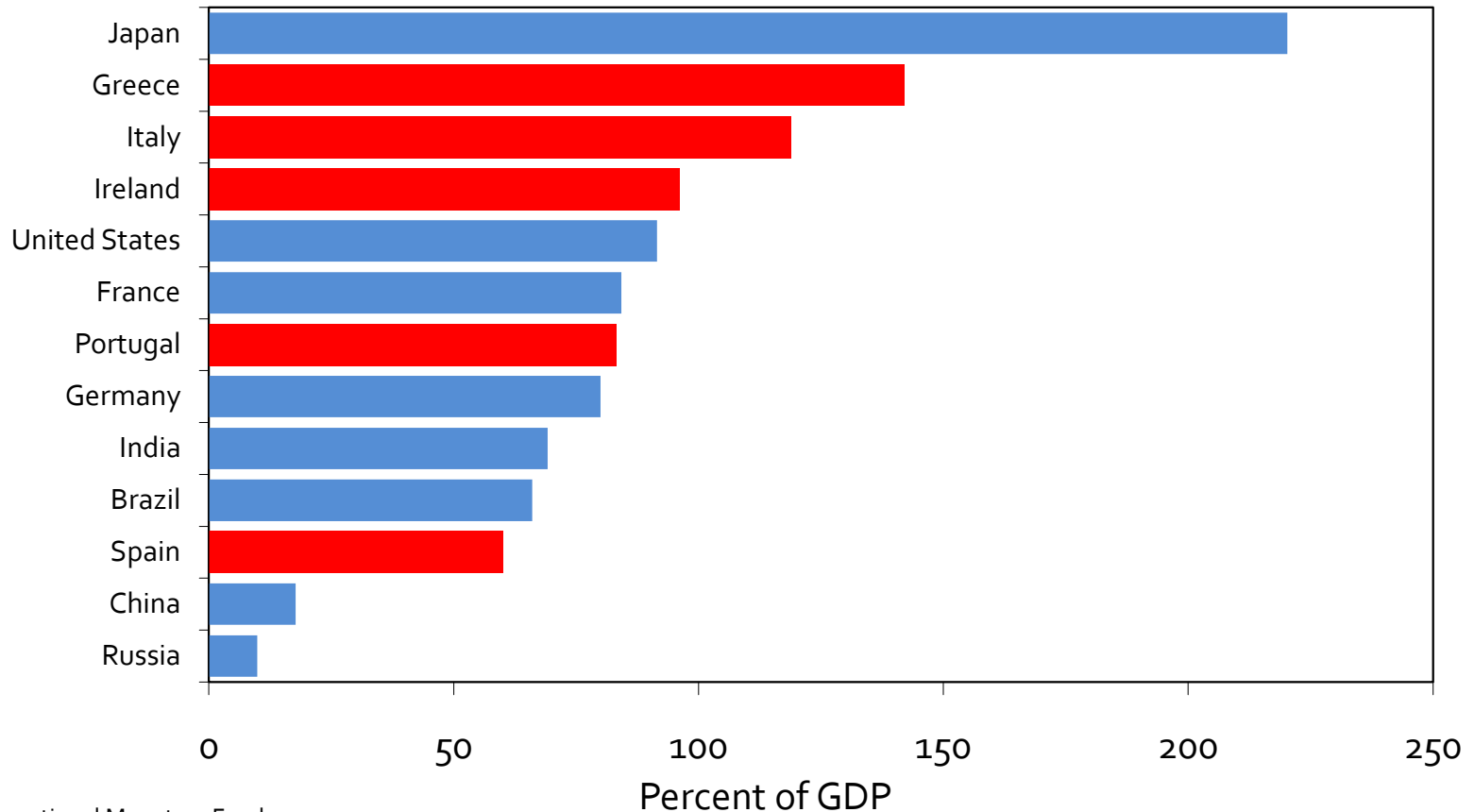


Source: Congressional Budget Office



Will Greek debt crisis spread?

General Government Gross Debt



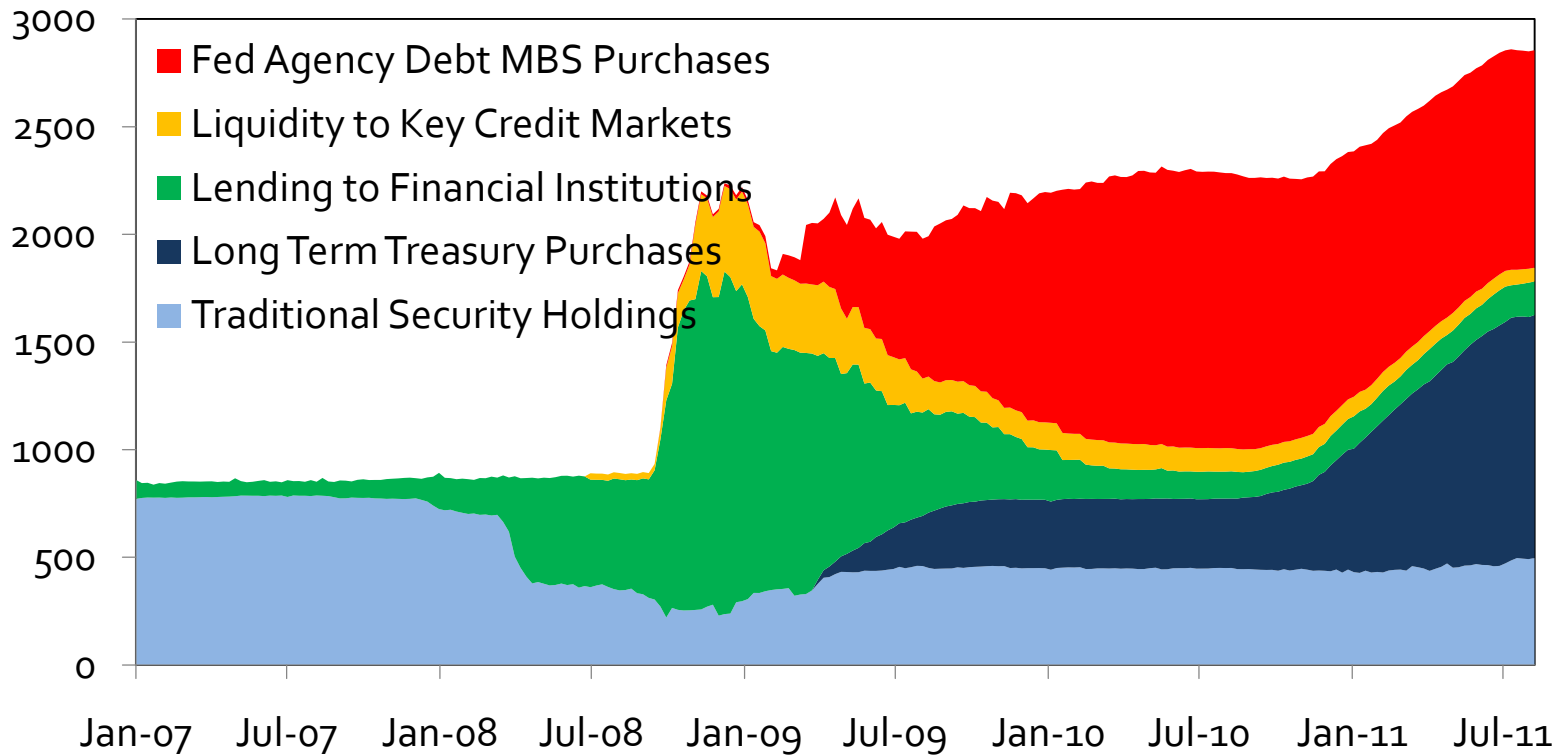
Source: International Monetary Fund



What is the goal of "Operation Twist"?

Federal Reserve Balance Sheet: Assets

Billion Dollars



Source: Federal Reserve Bank of Cleveland



Conclusions

- Commodity markets are shaping the Midwest economy.
- Strong agricultural and energy demand boost exports.
- Similar to U.S., rising commodity prices slowed growth.
- The commodity boom could continue in the near term.
 - Strong demand and tight supplies are a recipe for higher prices.
 - A weak dollar is associated with higher commodity prices.
 - Farm incomes rise with low interest rates.
- By tapping strong global demand for commodities, the Midwest economy could strengthen further.



For More Information on The Nebraska Economy and Rural America

www.kansascityfed.org/omaha

