

ECONOMIC OUTLOOK FOR NEBRASKA AND THE U.S.

Alison Felix
Senior Economist
Federal Reserve Bank of Kansas City

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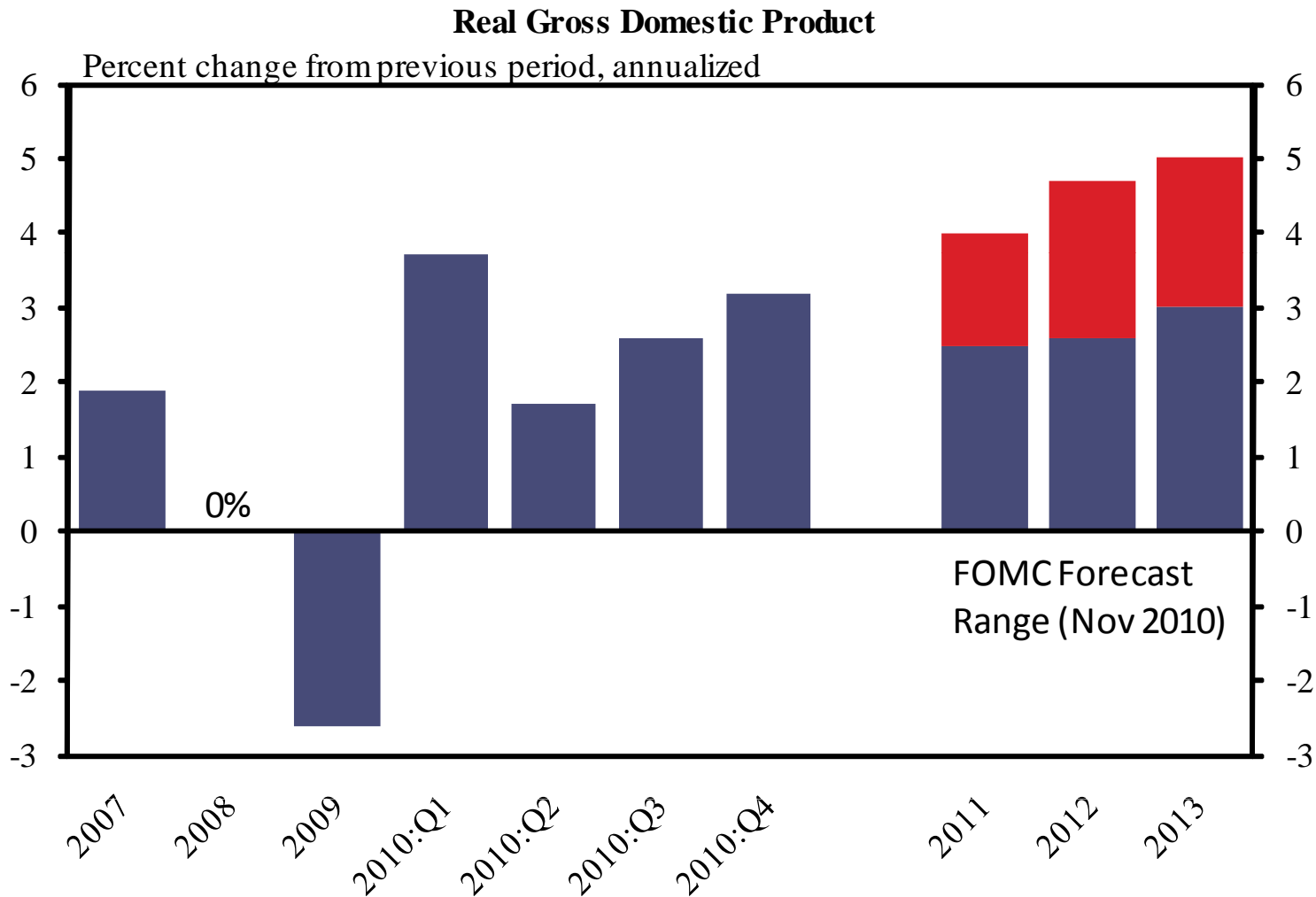
U.S. Economic Overview



- Incoming data suggest that the U.S. economy continues to recover at a modest pace.
 - ▣ Manufacturing activity is expanding.
 - ▣ The energy and agriculture sectors are booming.
 - ▣ Consumer spending is well above year-ago levels.

- However, the U.S. economy faces many challenges over the next few years.
 - ▣ Unemployment rates are likely to remain stubbornly high.
 - ▣ Residential construction activity remains weak, constrained in part by excess housing supply, falling prices and high foreclosure rates.
 - ▣ Eventually fiscal and monetary stimulus must be removed.

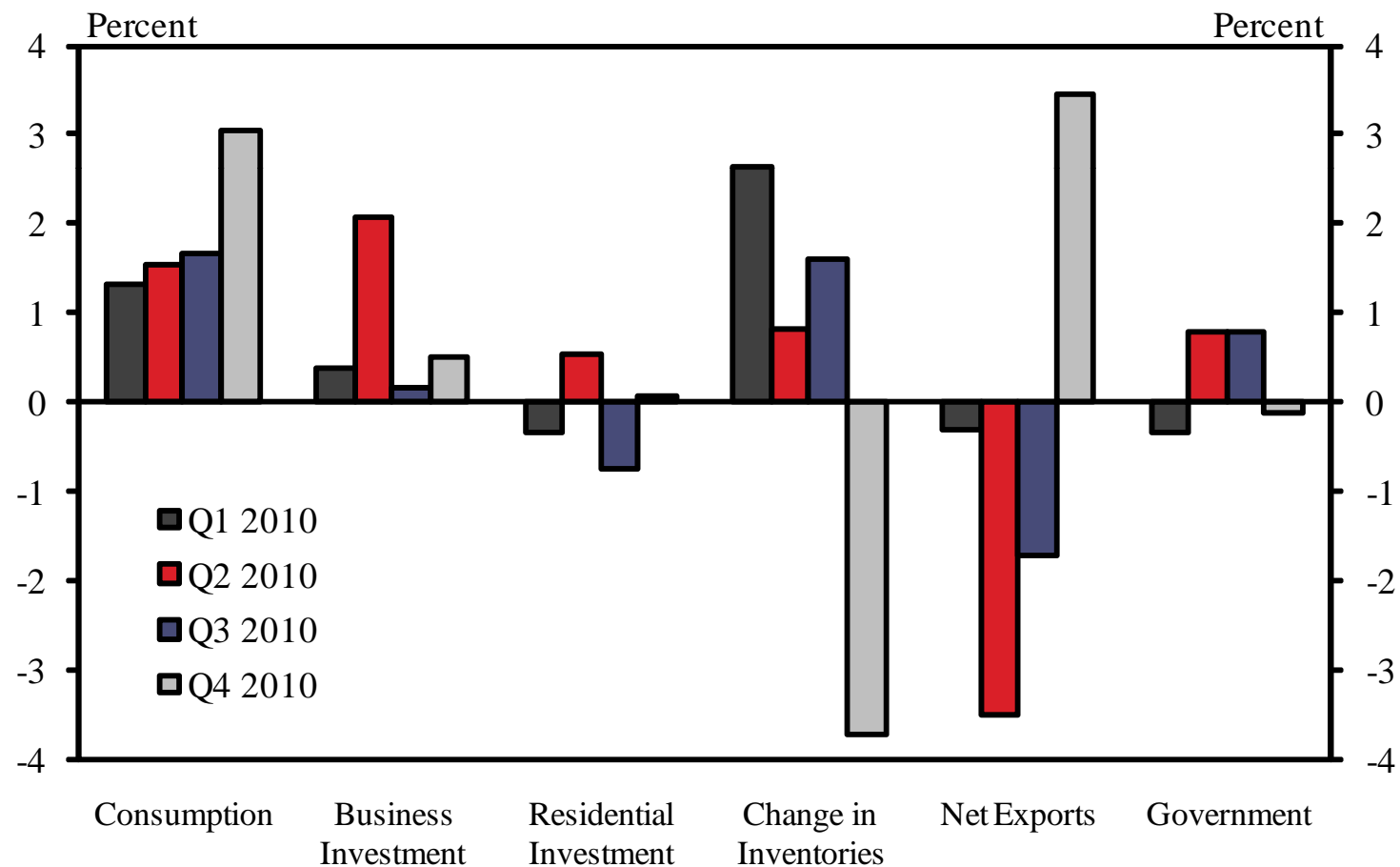
A moderate recovery is expected to continue over the next few years.



Source: Bureau of Economic Analysis; FOMC

Consumption is starting to contribute more to GDP.

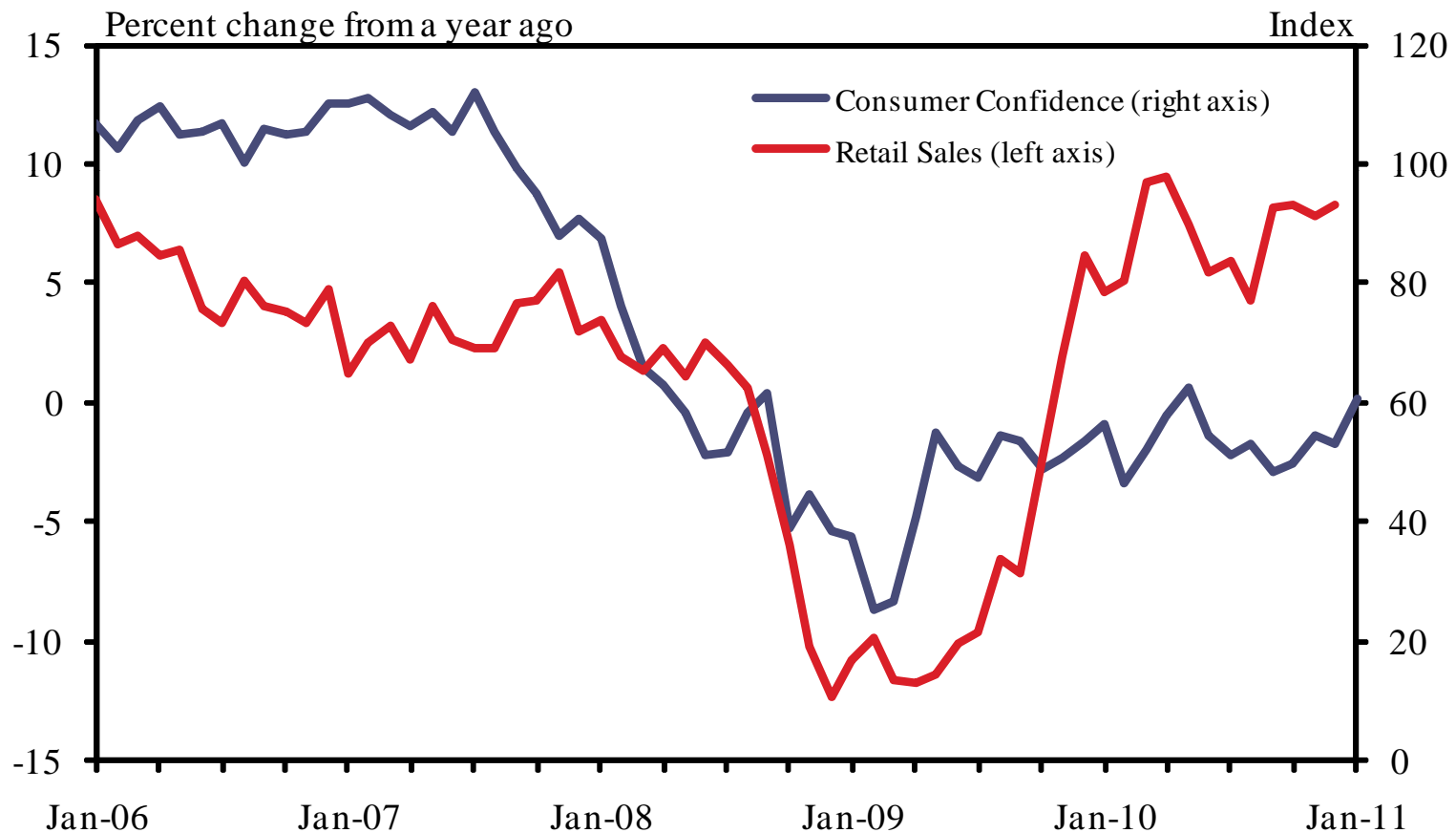
Contributions to Percent Change in Real GDP by Component
Seasonally adjusted at annual rates



Source: BEA

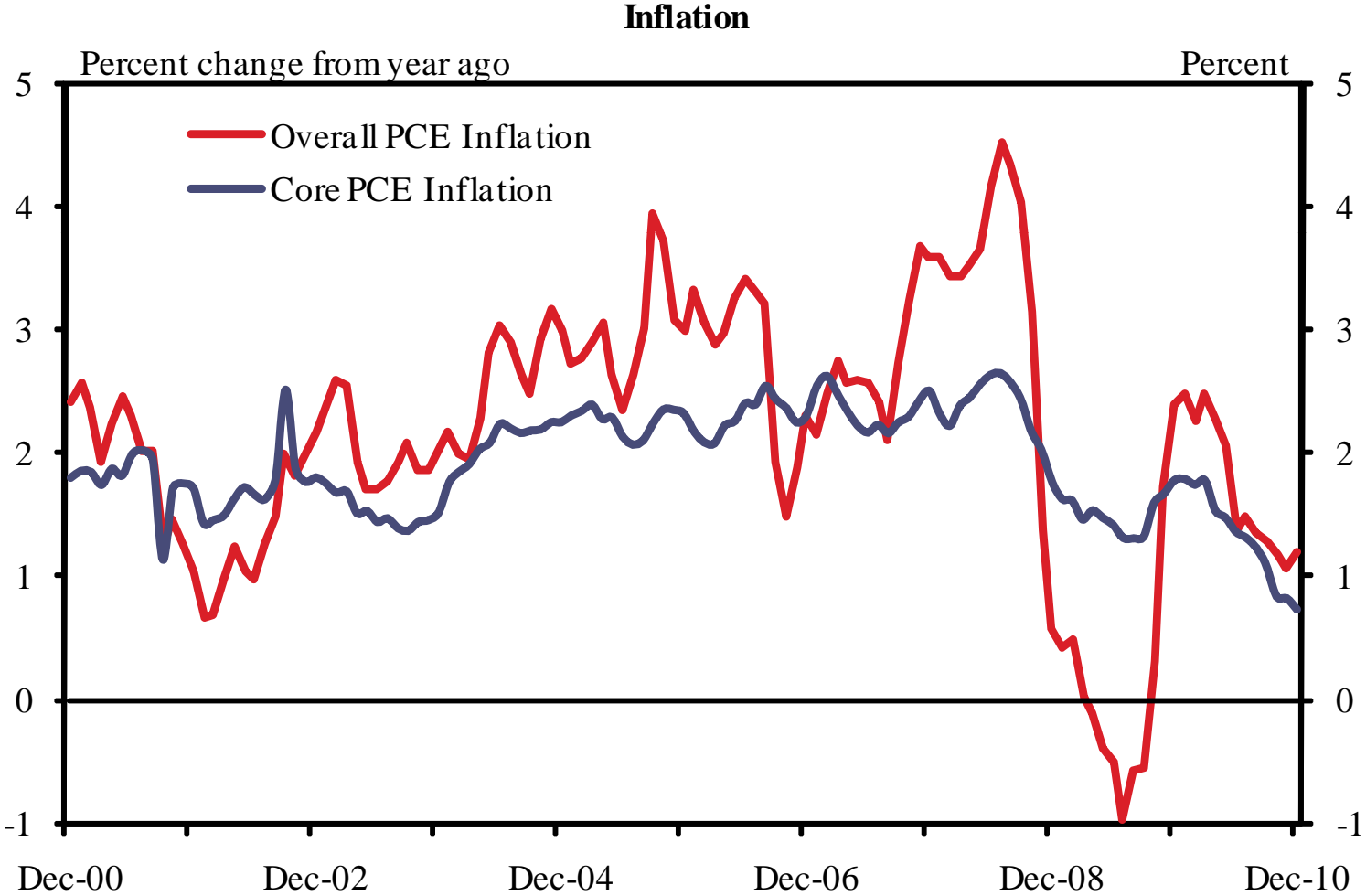
Consumers are spending more as confidence levels gradually increase.

Retail Sales and Consumer Confidence



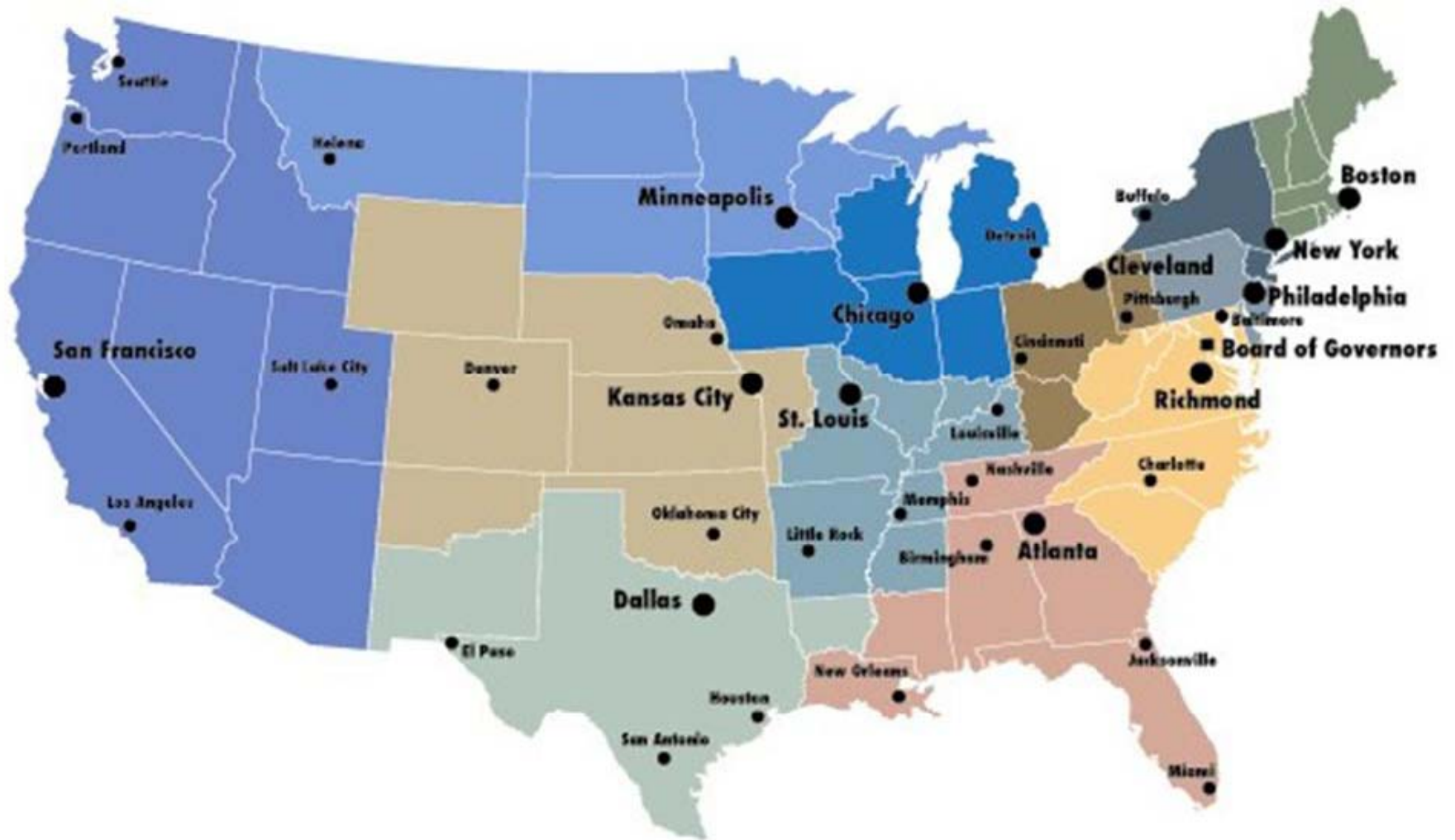
Source: Census Bureau and Consumer Confidence Board

Inflation pressures remain subdued.



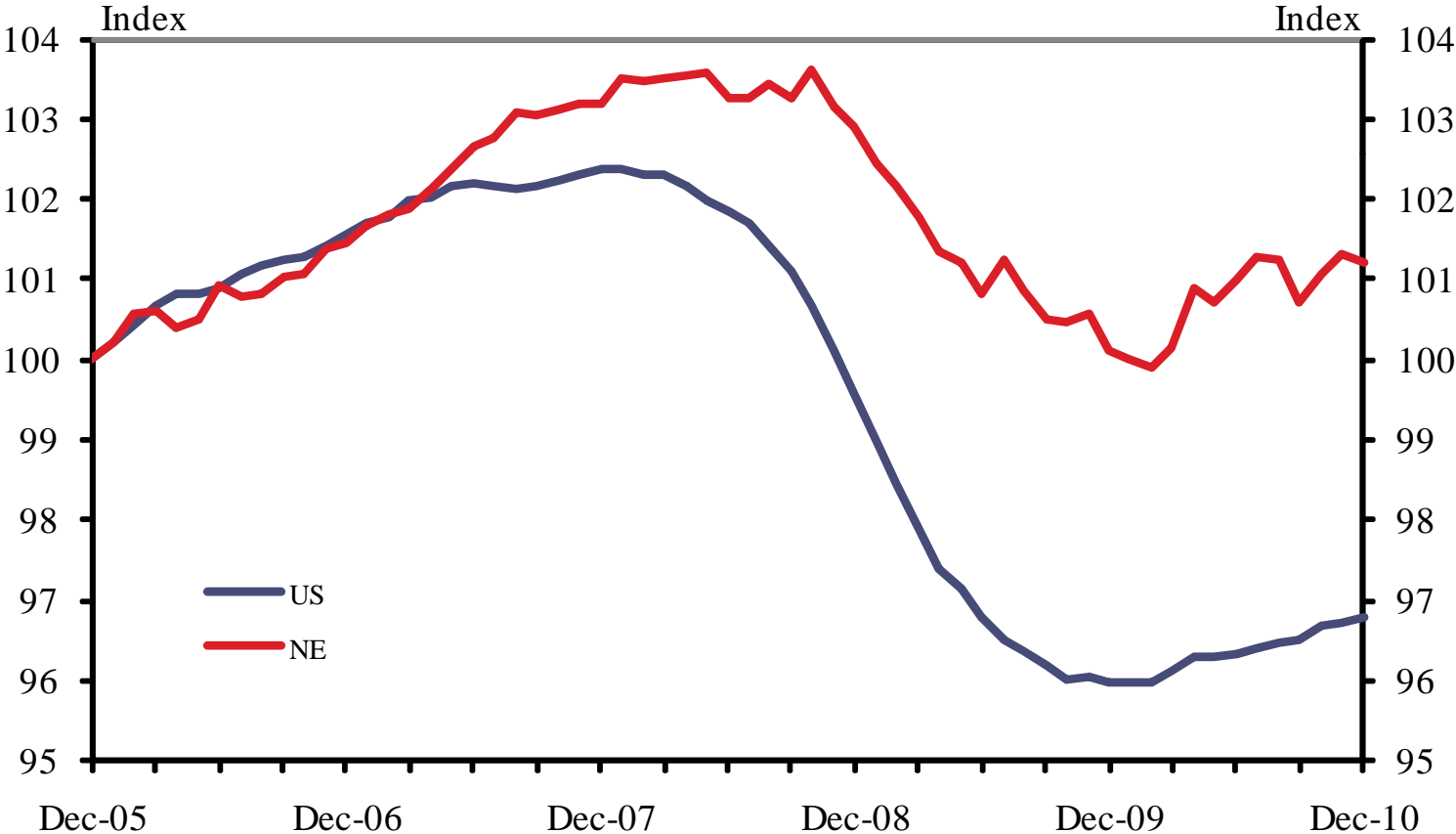
Source: Bureau of Economic Analysis

The Tenth District of the Federal Reserve



Employment fell sharply during the recession but increased in 2010.

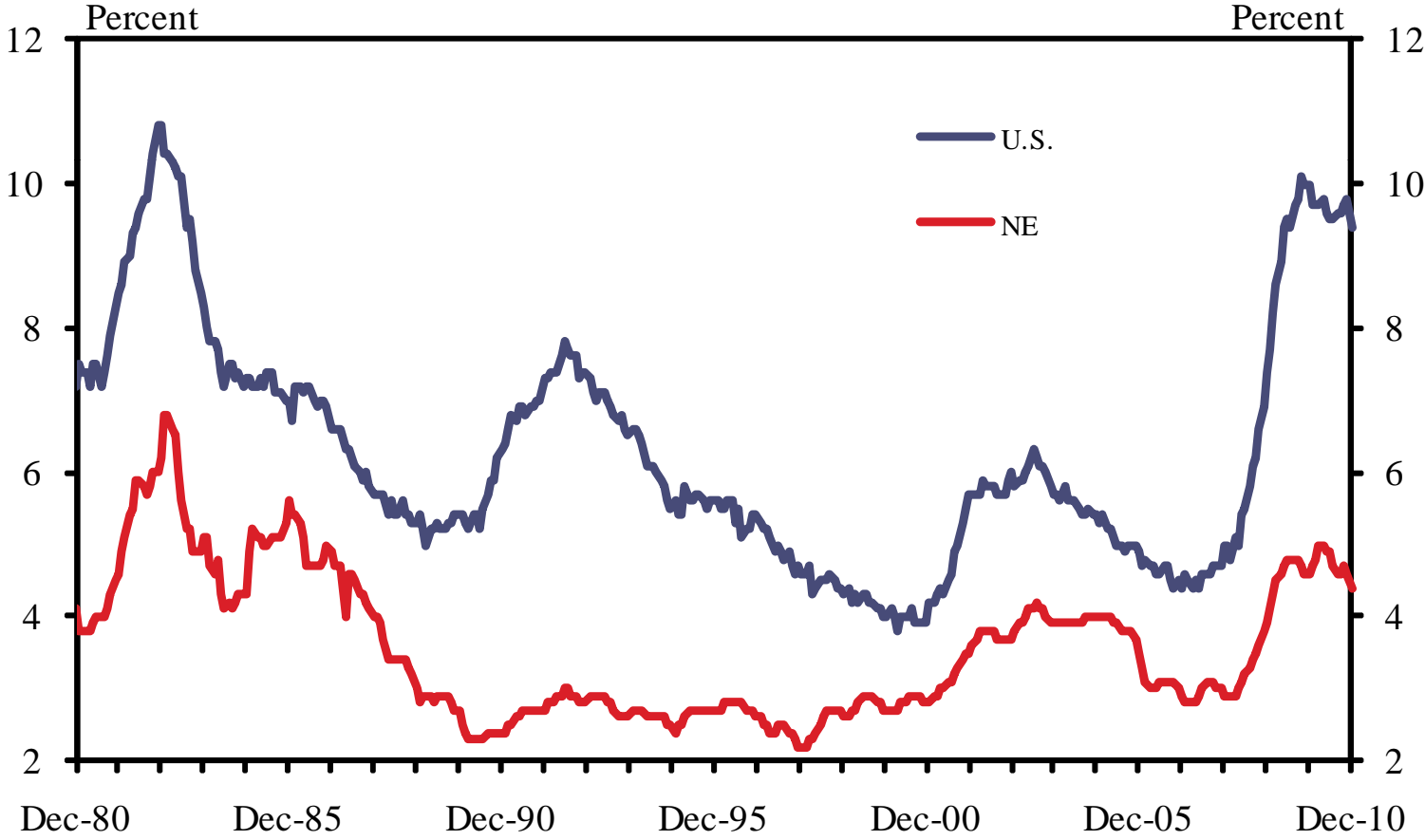
Nonfarm Employment (Excluding Federal Government)
Seasonally adjusted



Source: Bureau of Labor Statistics

Unemployment rates remain elevated.

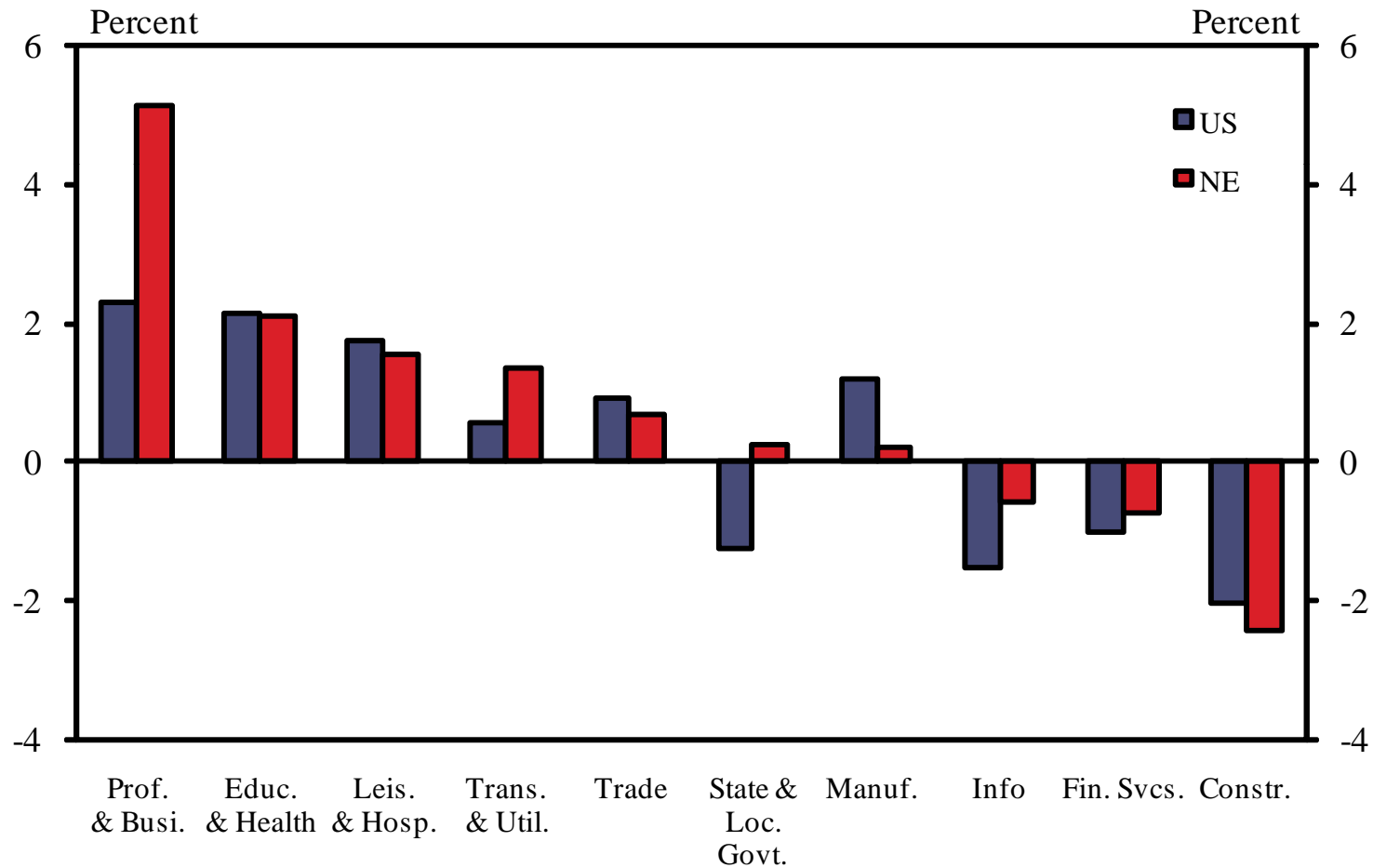
Unemployment Rate
Seasonally adjusted



Source: Bureau of Labor Statistics

Employment increased in most industries in 2010.

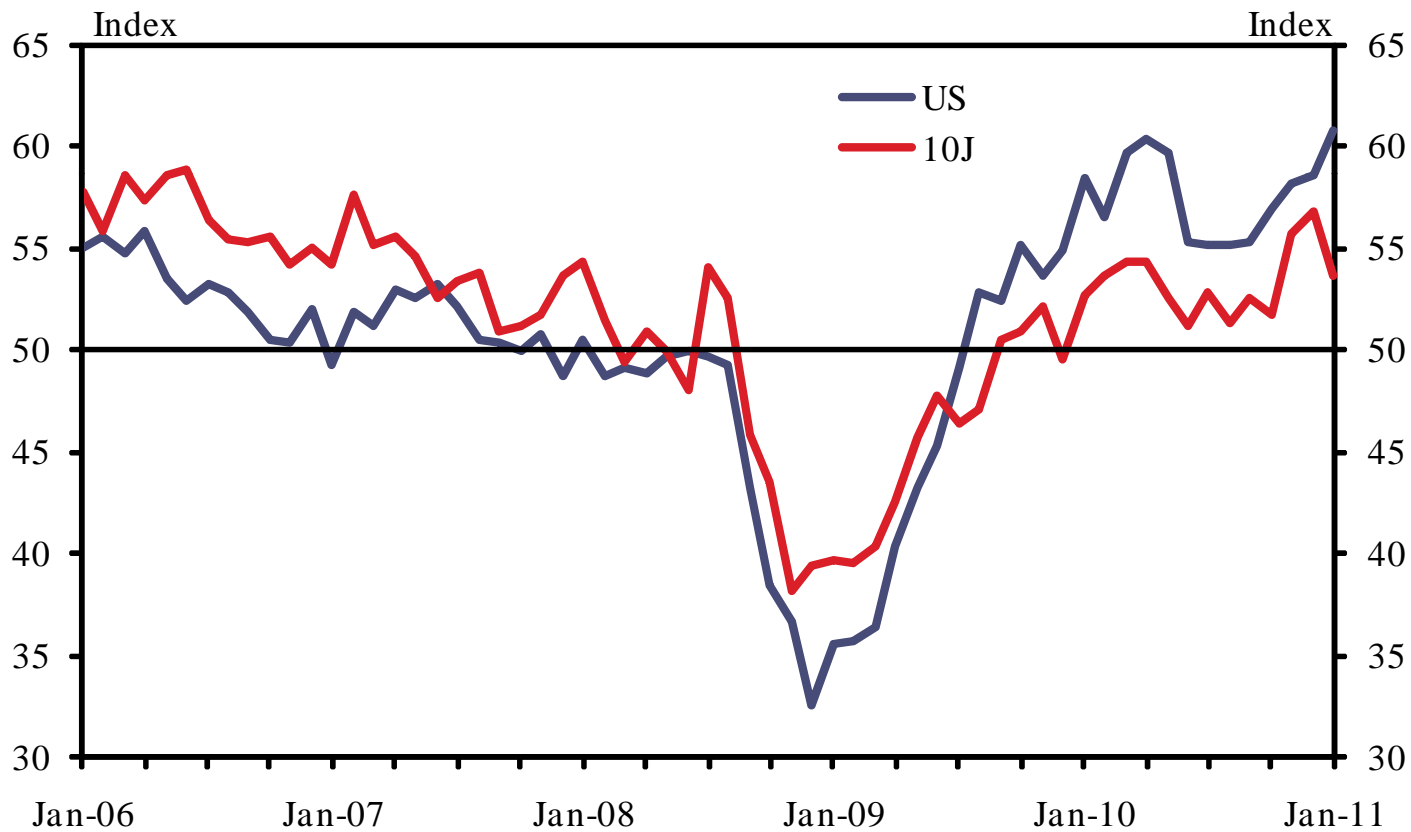
Employment Growth by Industry, Dec. 2009 to Dec. 2010
Seasonally adjusted



Source: Bureau of Labor Statistics

Manufacturing activity continues to expand.

Manufacturing Activity
Seasonally adjusted; month-over-month

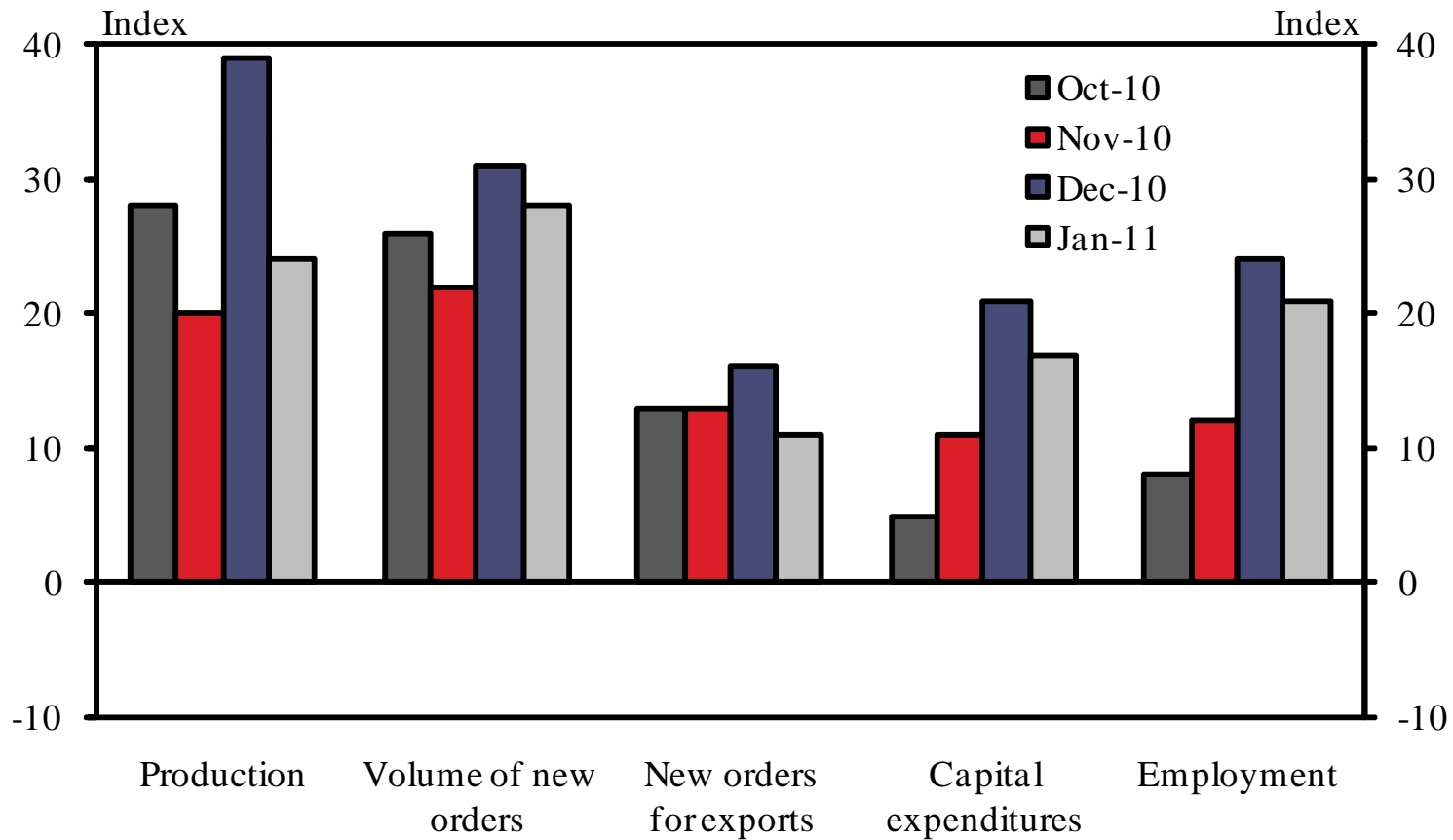


Sources: ISM, FRBKC Manufacturing Survey

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

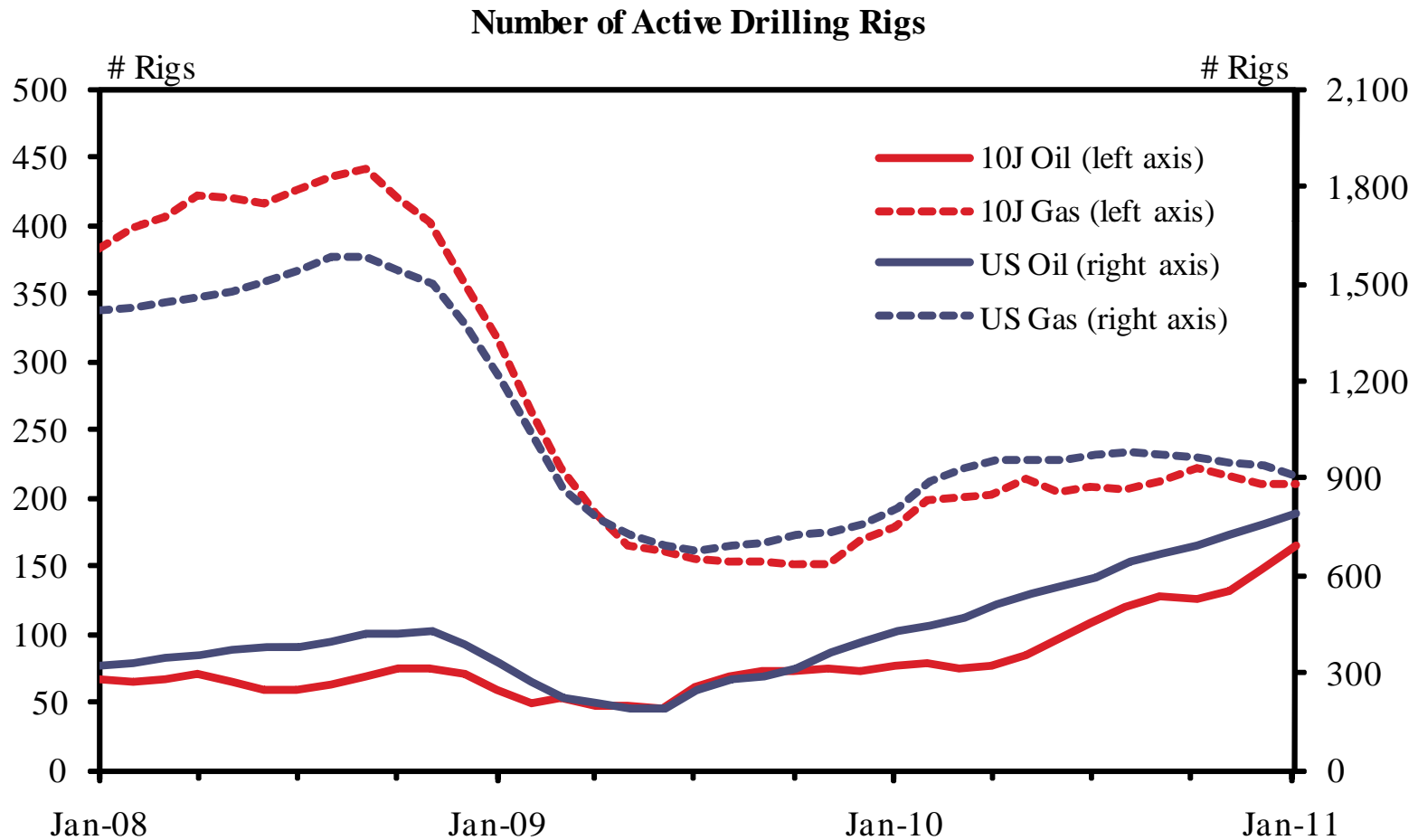
Manufacturers expect further expansion over the next six months.

Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead



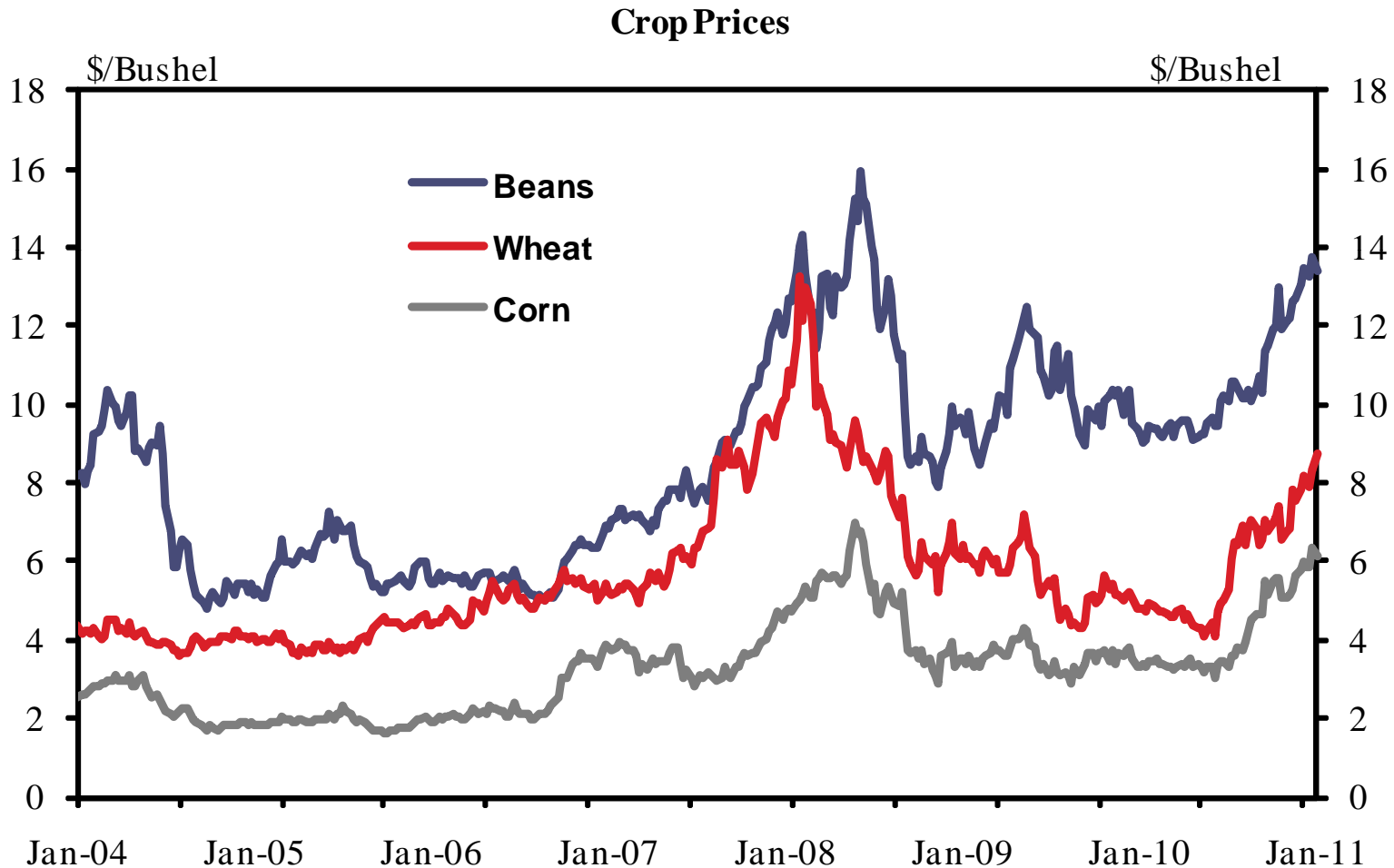
Source: FRBKC Manufacturing Survey

The energy sector is expanding, especially for oil producers.



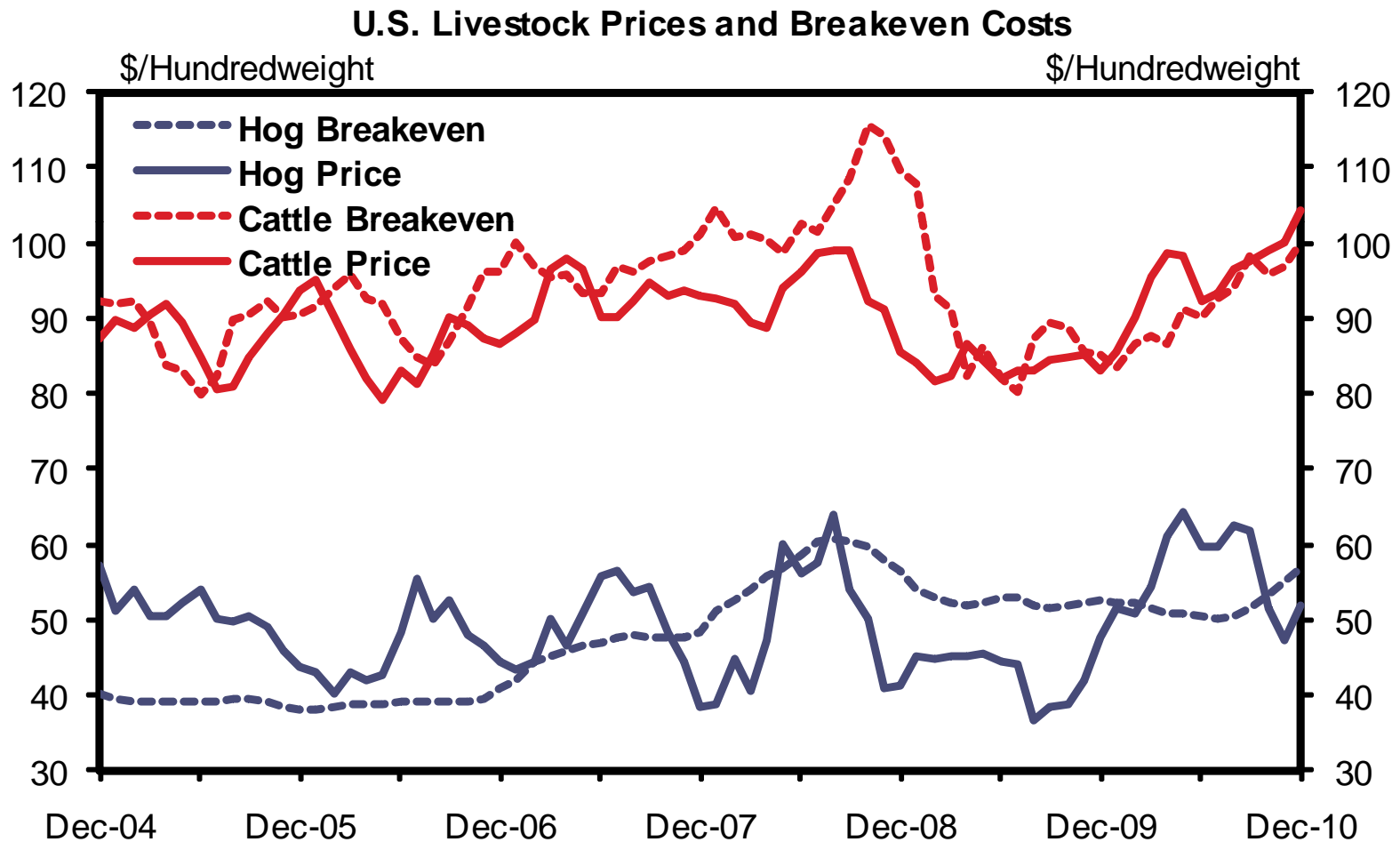
Source: Baker-Hughes

Lower supplies and increased demand have led to higher crop prices.



Source: Commodity Research Bureau

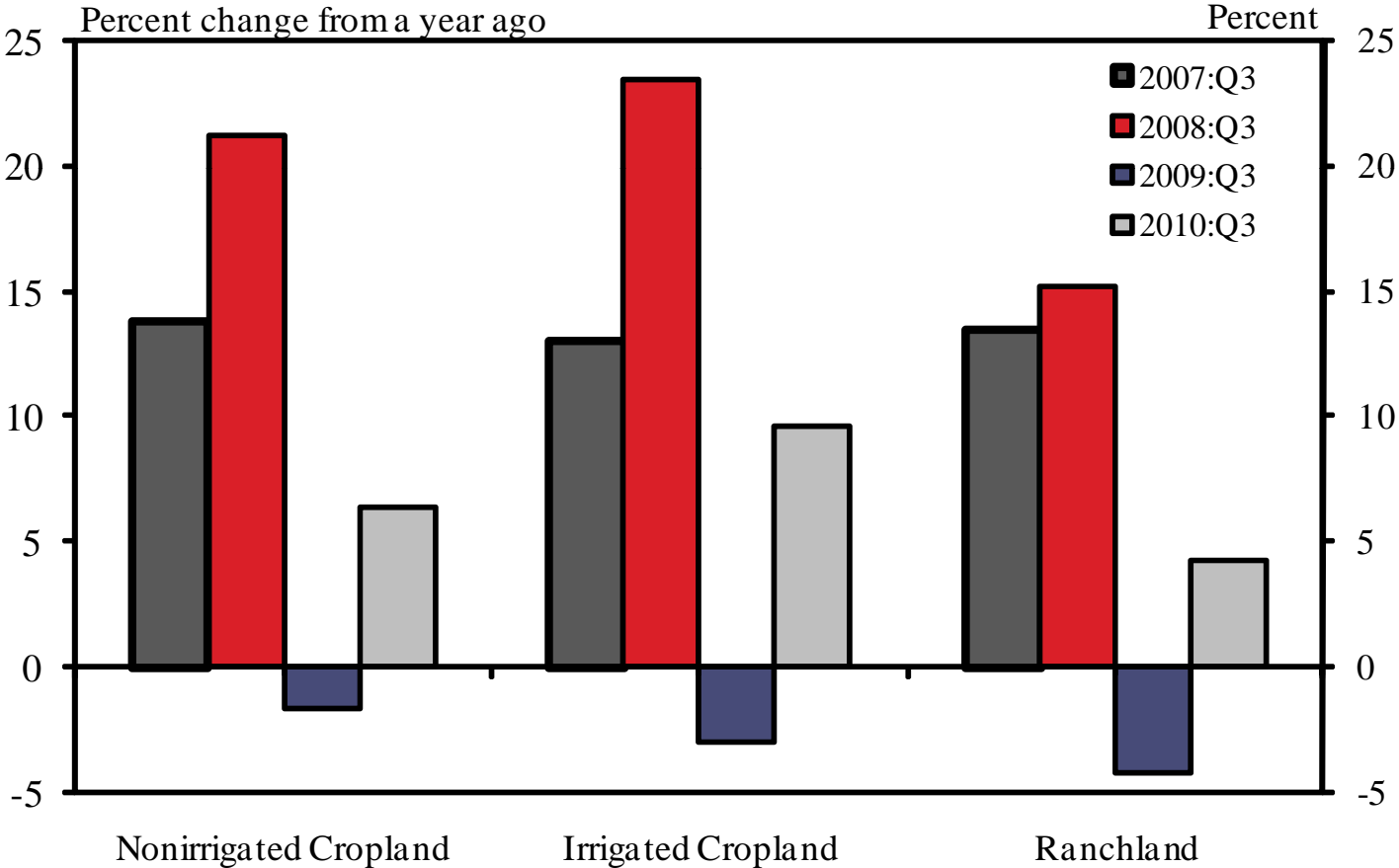
Incomes increased for livestock producers in 2010.



Source: USDA and Iowa State University

Farmland values are increasing.

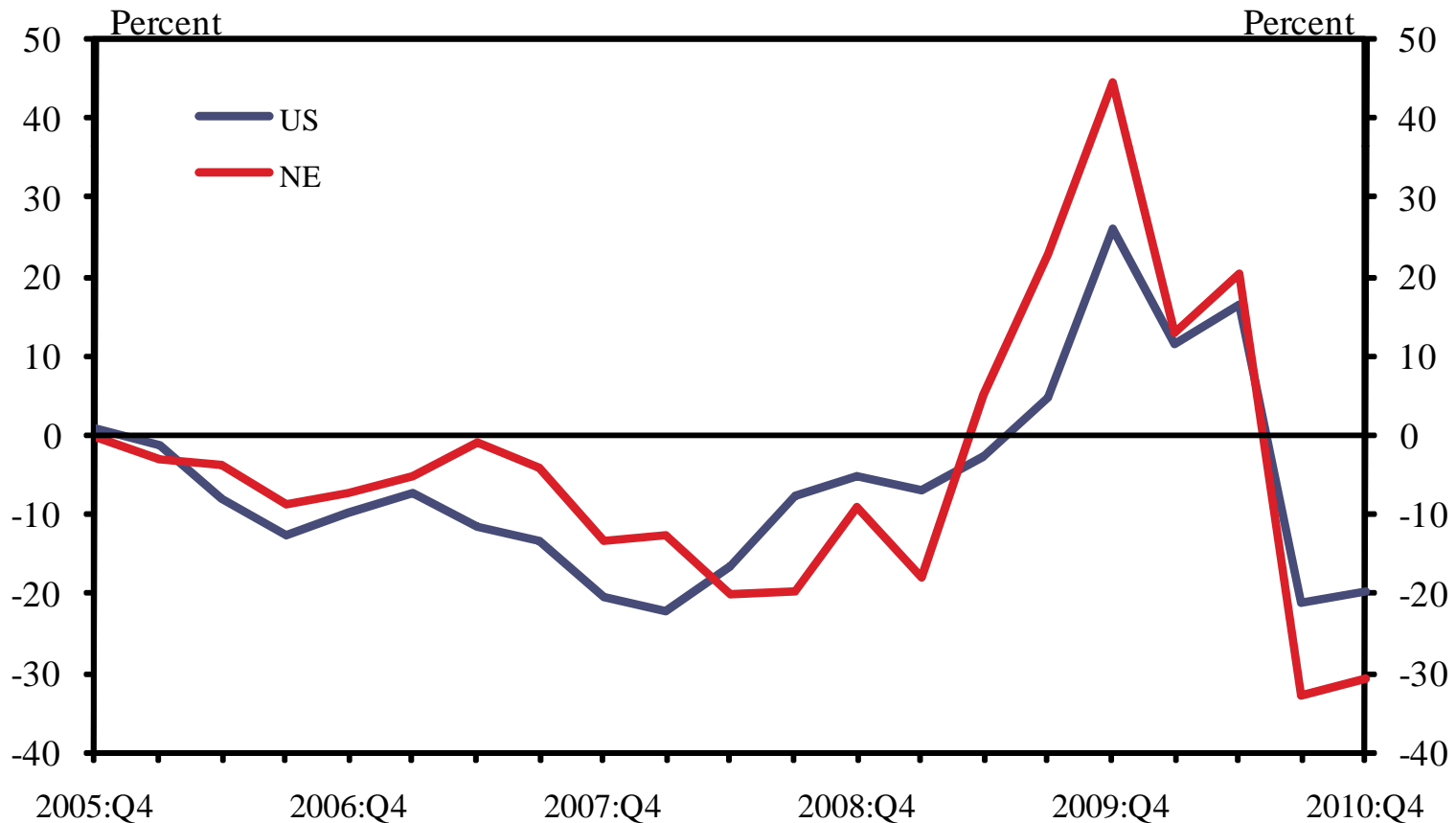
Tenth District Farmland Values



Source: FRBKC Ag Survey

As expected, home sales plummeted after the expiration of the tax credit.

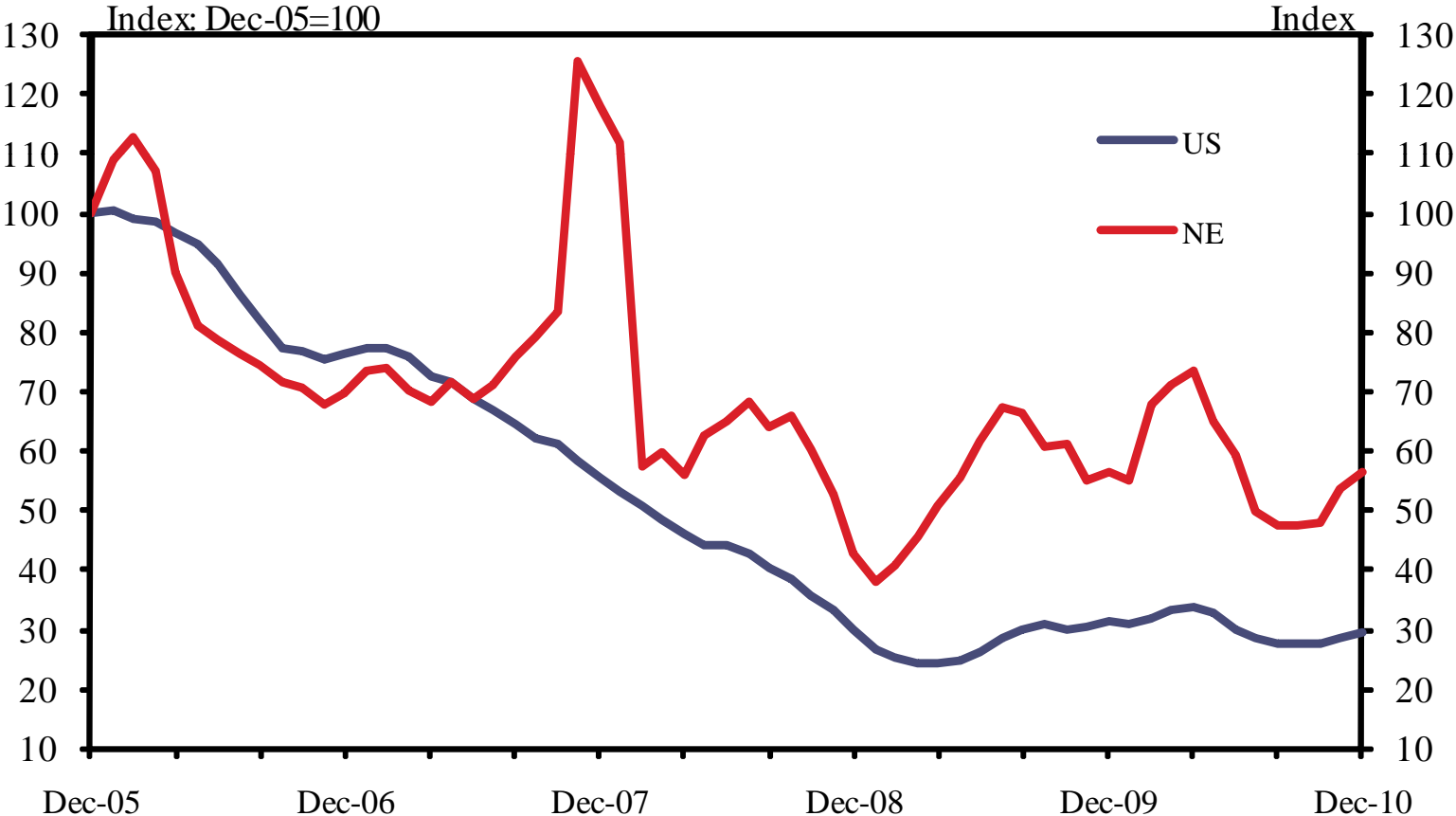
Existing Home Sales
Year-over-year



Source: NAR

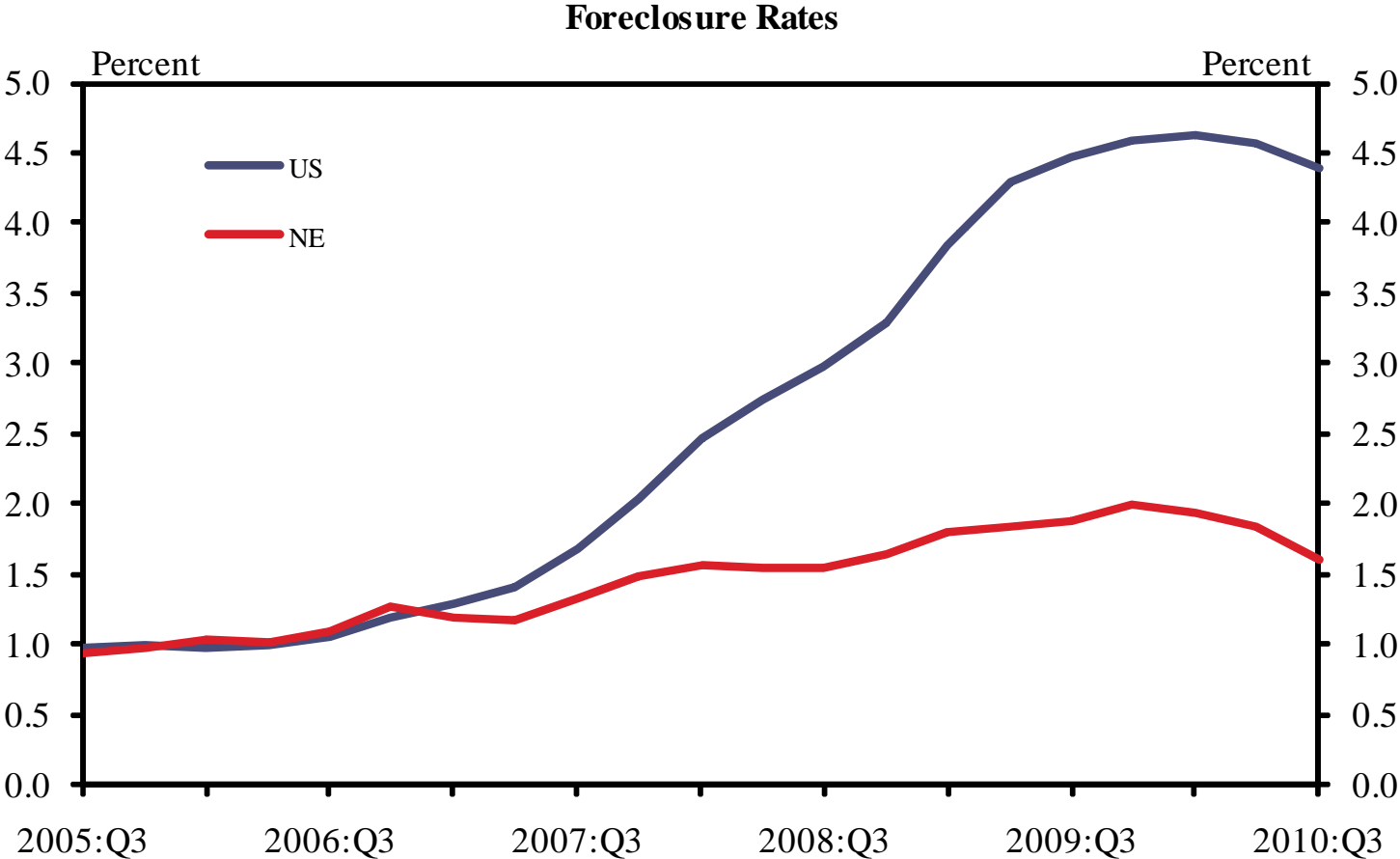
Residential construction activity remains slow.

Value of Residential Construction Contracts
Seasonally adjusted



Source: FW Dodge

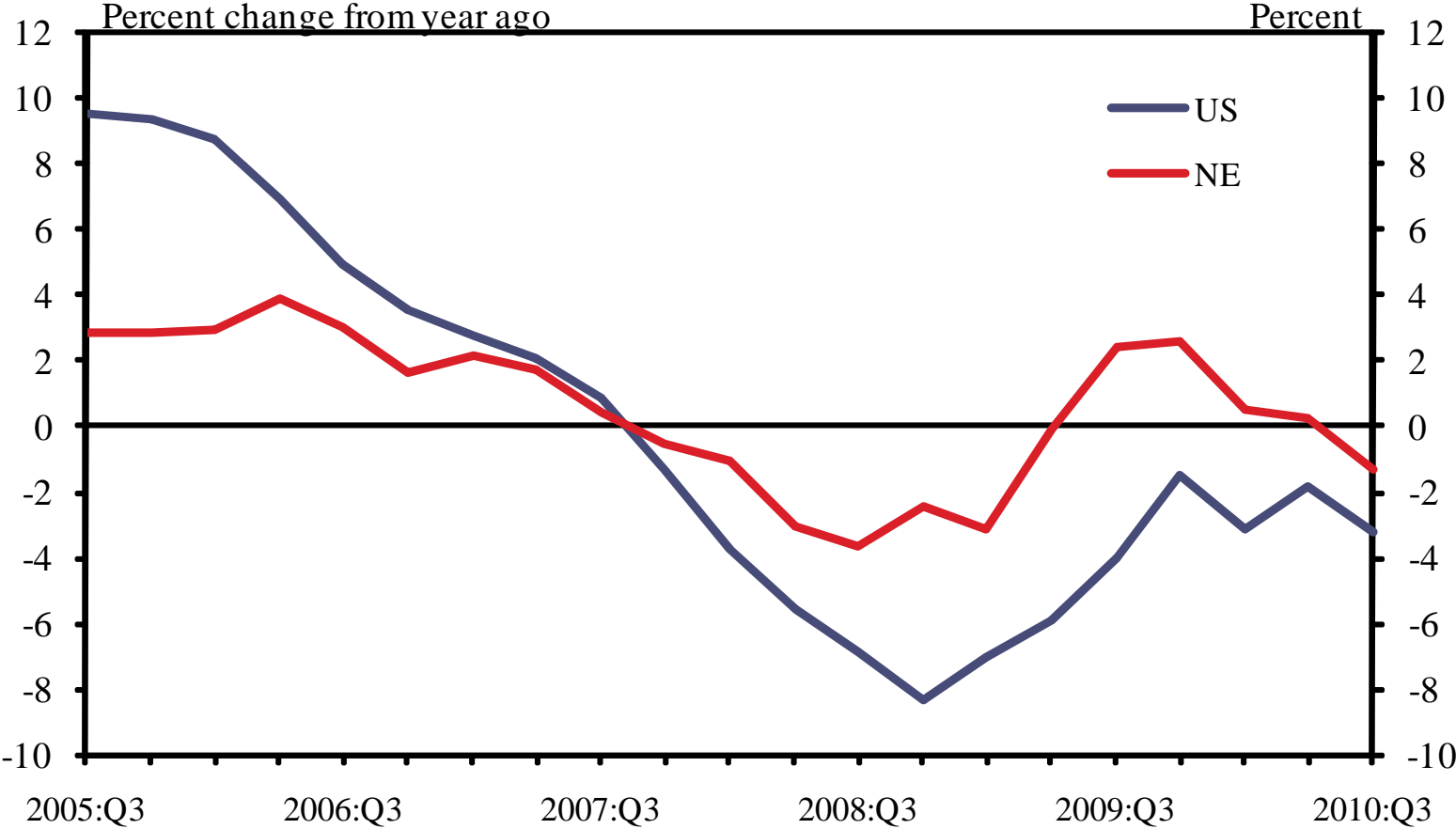
Foreclosure rates are much lower in Nebraska than in the nation.



Source: Mortgage Bankers Association

Home prices have held up relatively well in Nebraska.

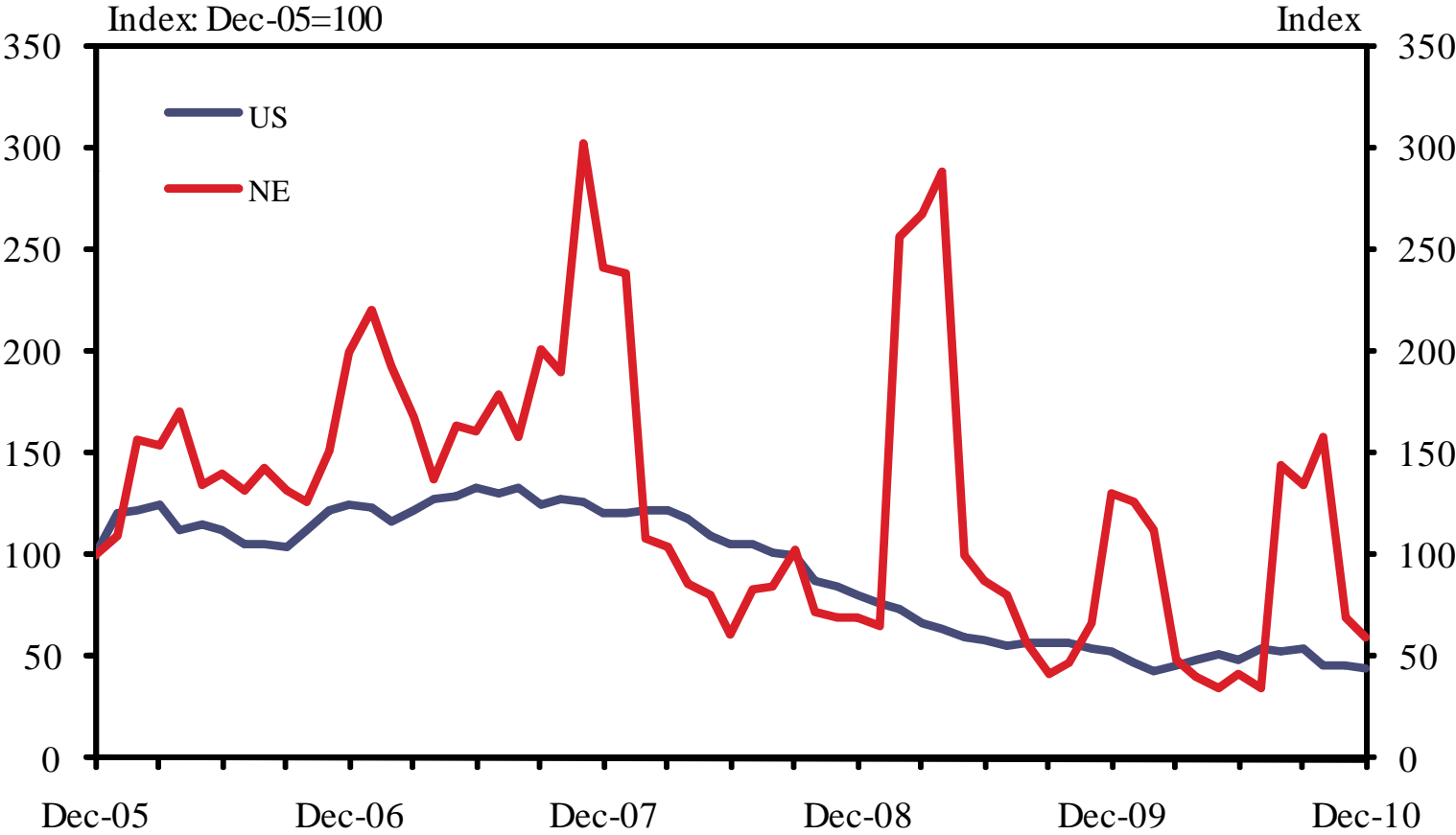
Home Price Appreciation
Seasonally adjusted



Source: FHFA

Commercial construction activity is weaker than pre-recession levels.

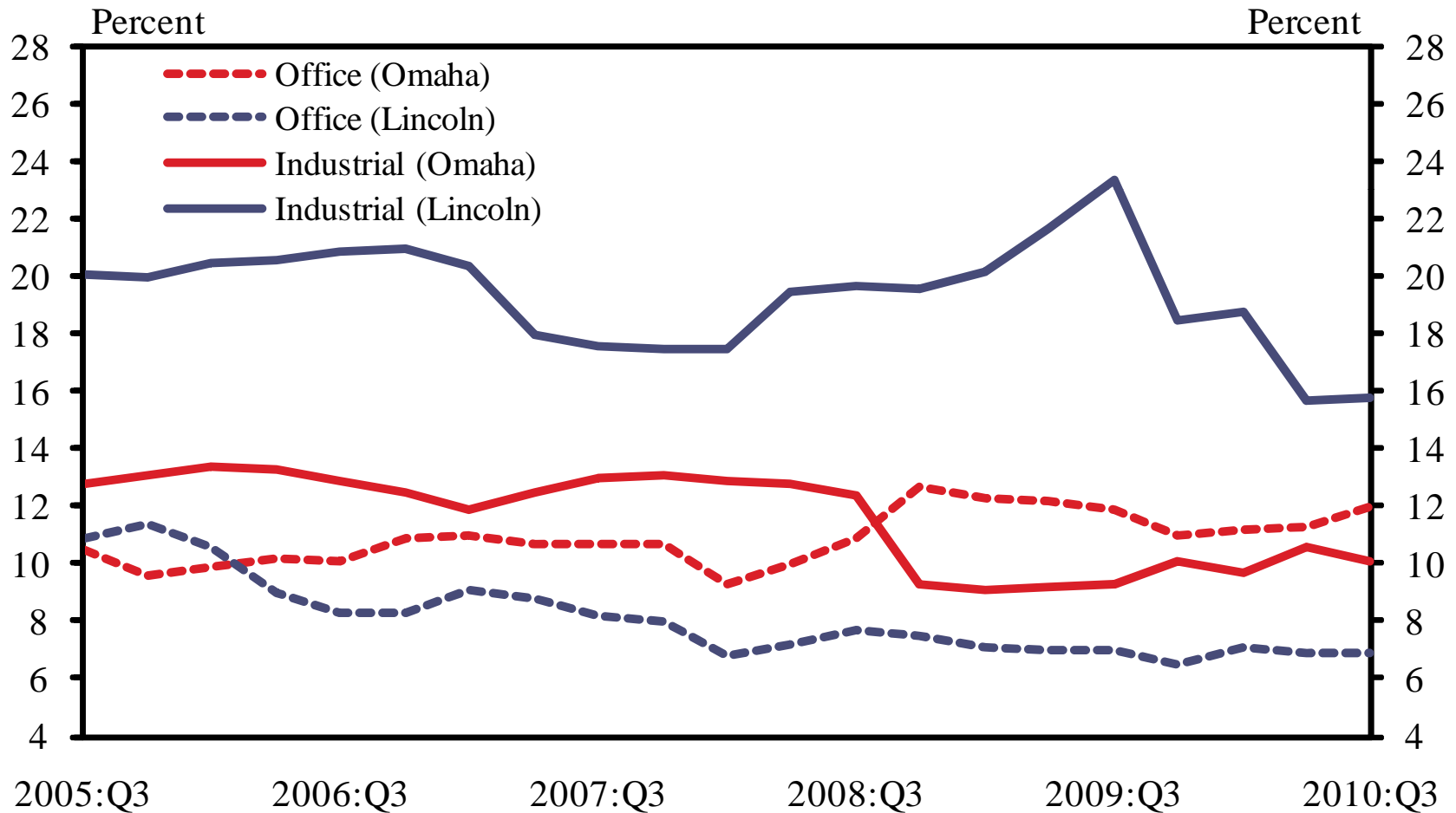
Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.



Source: F.W. Dodge Inc.

Office and industrial vacancy rates have remained stable in Nebraska.

Commercial Vacancy Rates



Source: Torto-Wheaton Research

Conclusions



- The Nebraska economy held up much better than the U.S. economy during the past recession and is recovering faster due in large part to a healthy agriculture sector.

- The U.S. economy is expected to continue to recover gradually over the next few years.
 - ▣ Weak residential construction activity, low consumer confidence and high unemployment will likely prevent a more robust recovery.

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