

U.S. Economic Conditions



FEDERAL RESERVE BANK *of* KANSAS CITY
DENVER BRANCH

Mark C. Snead

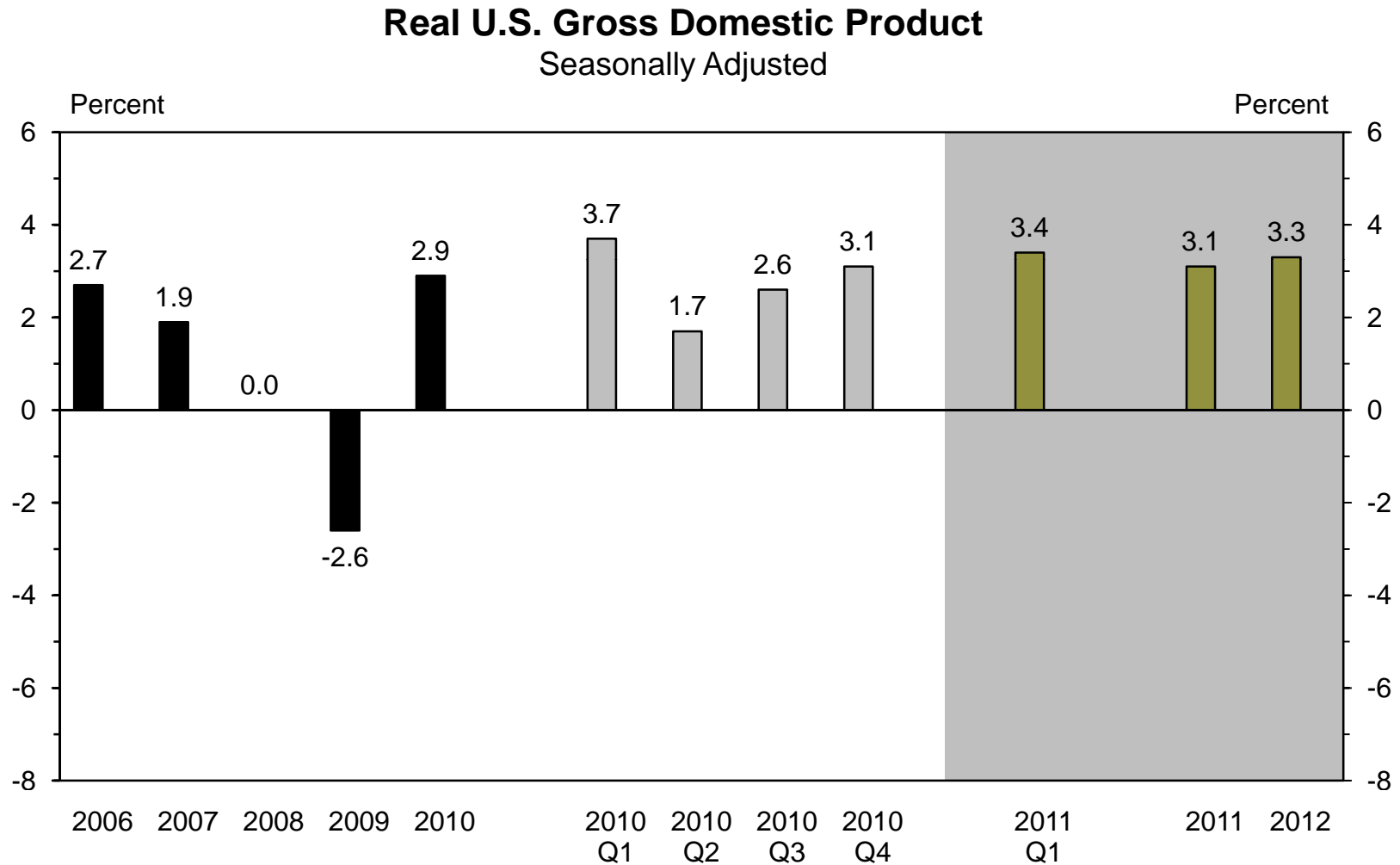
**Vice President and Branch Executive
Federal Reserve Bank of Kansas City
Denver Branch**

We only need a few things for recovery...

- Moderate growth in GDP
- Steady private sector job gains
- Resumption of income growth
- Normal spending by consumers
- Reduction in household debt
- Increase in the savings rate
- An end to the real estate debacle

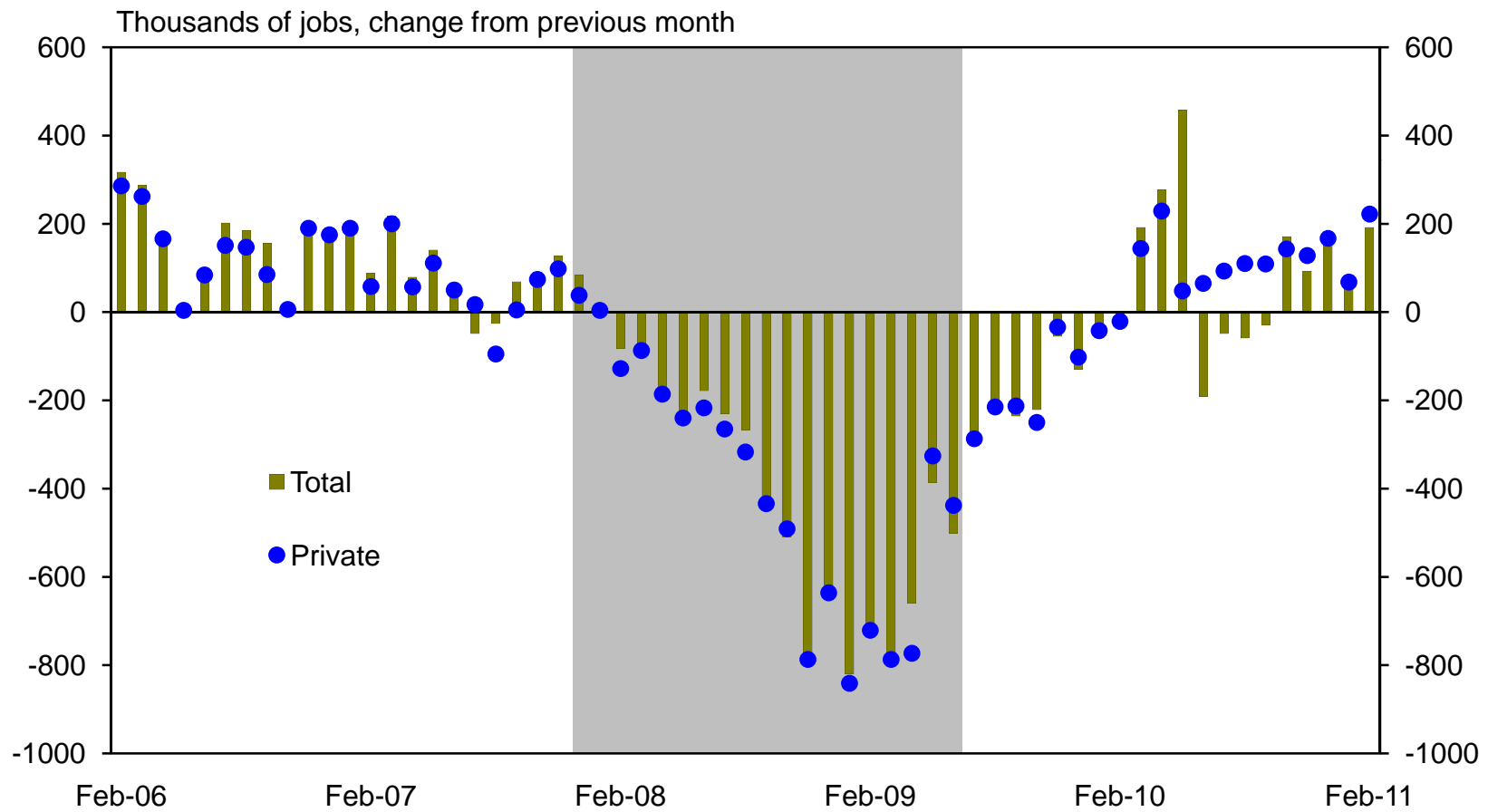
... right?

GDP growth is accelerating once again



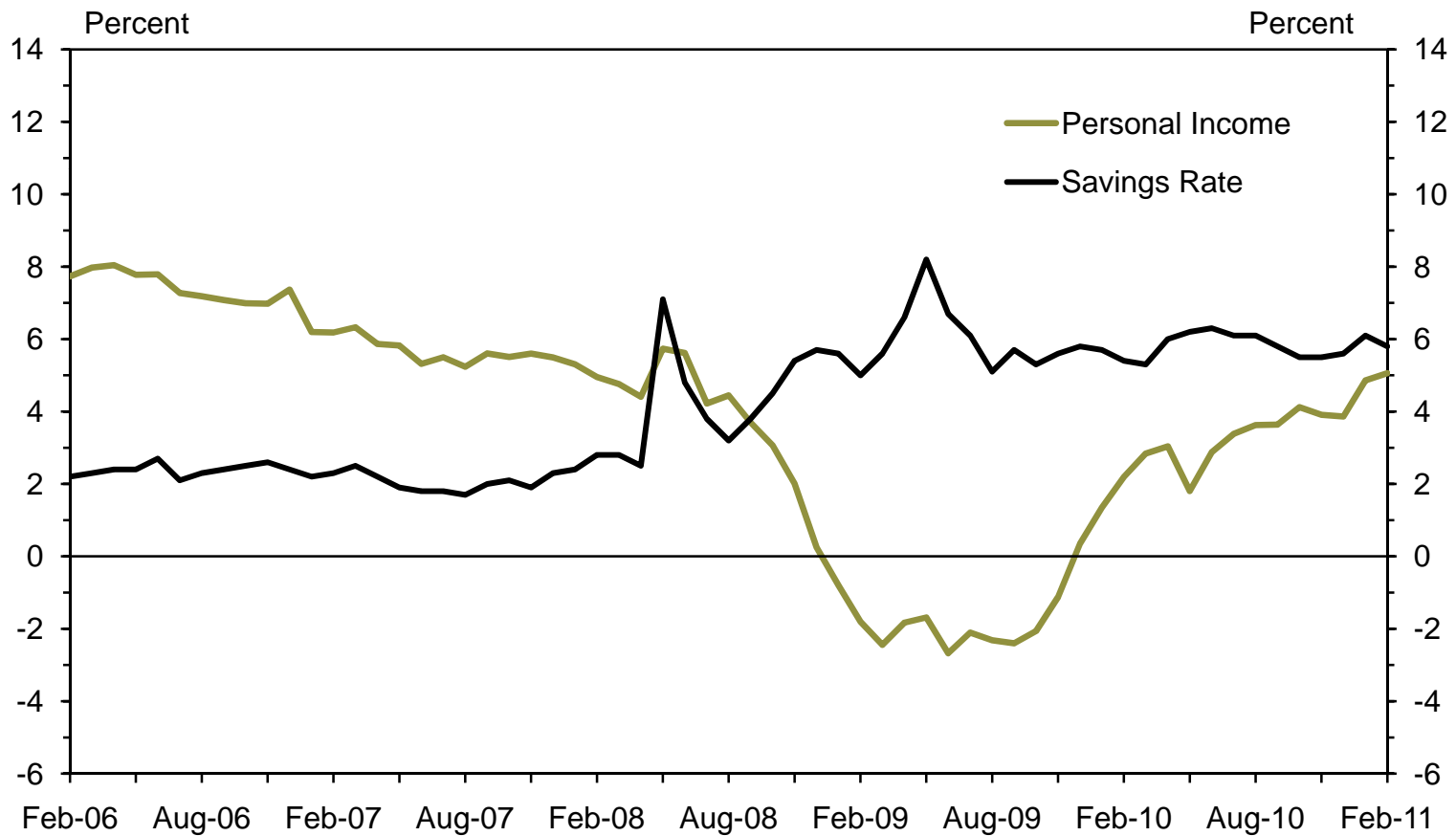
Consistent pvt. sector job gains since early 2010

U.S. Total/Private Nonfarm Employment Seasonally Adjusted



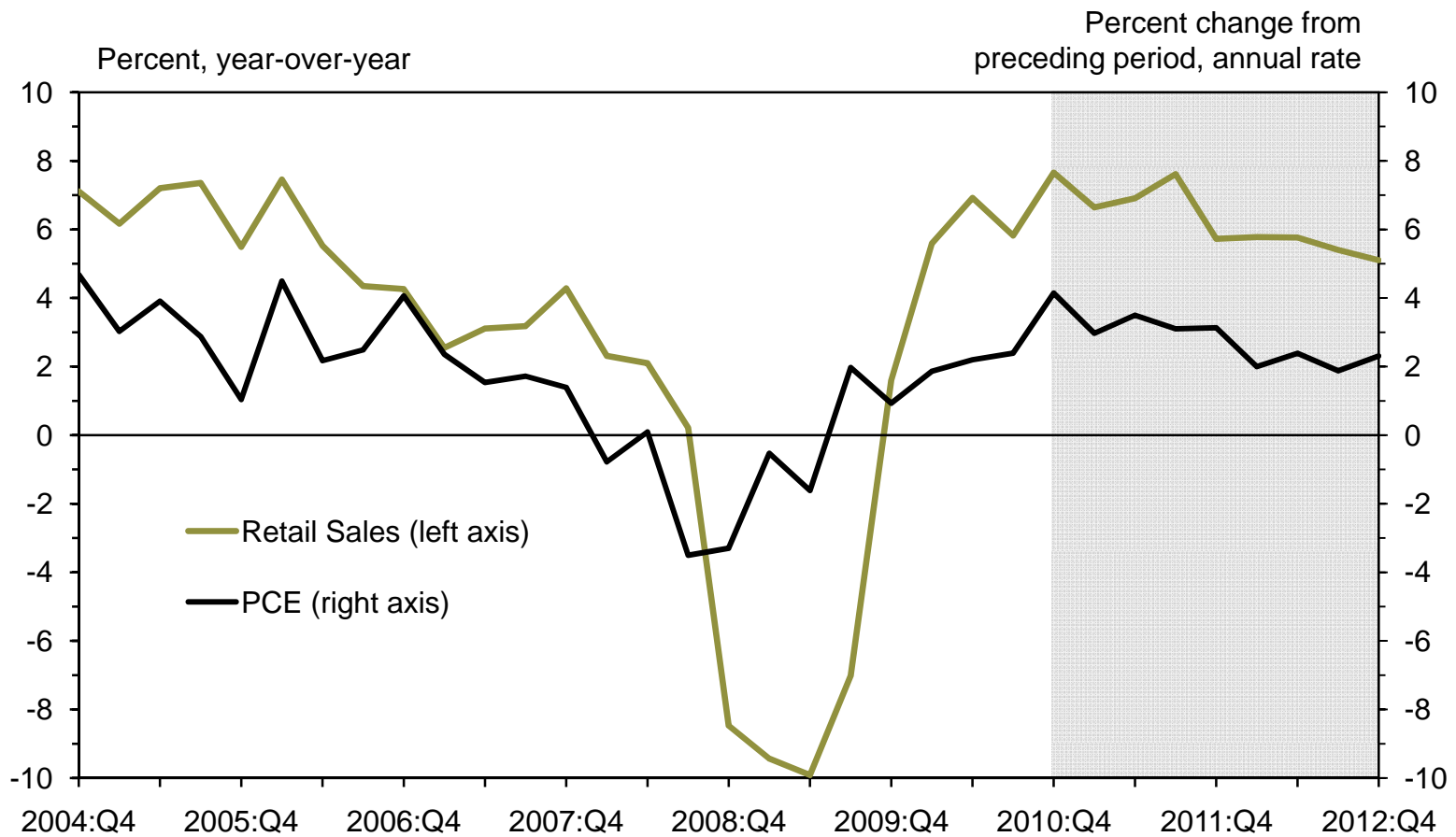
Moderate income growth and rebound in savings

Growth in U.S. Personal Income vs. Personal Savings Rate



Consumer spending much stronger than expected

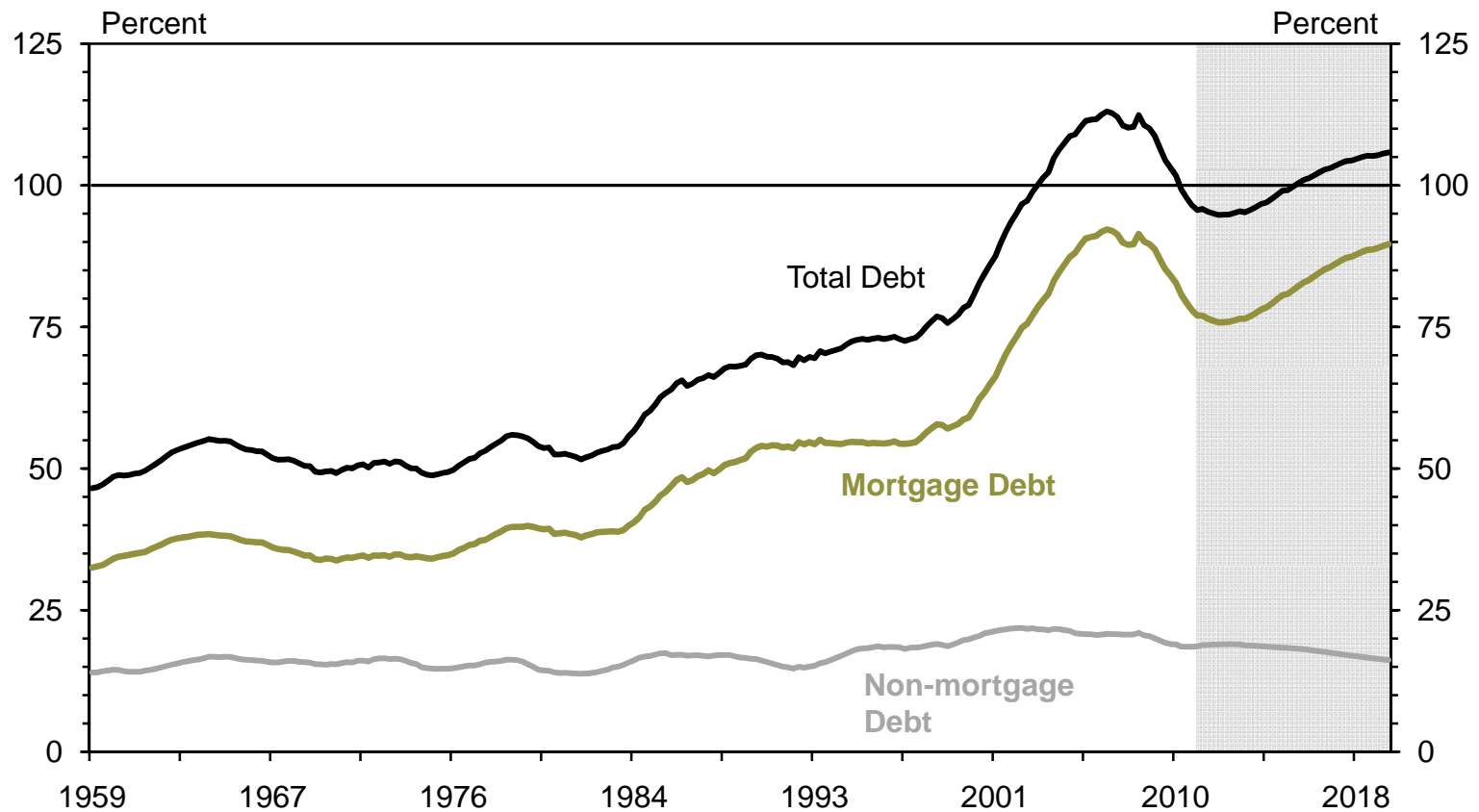
U.S. Retail Sales vs. Personal Consumption Expenditures Seasonally Adjusted



Household de-leveraging is slowly underway

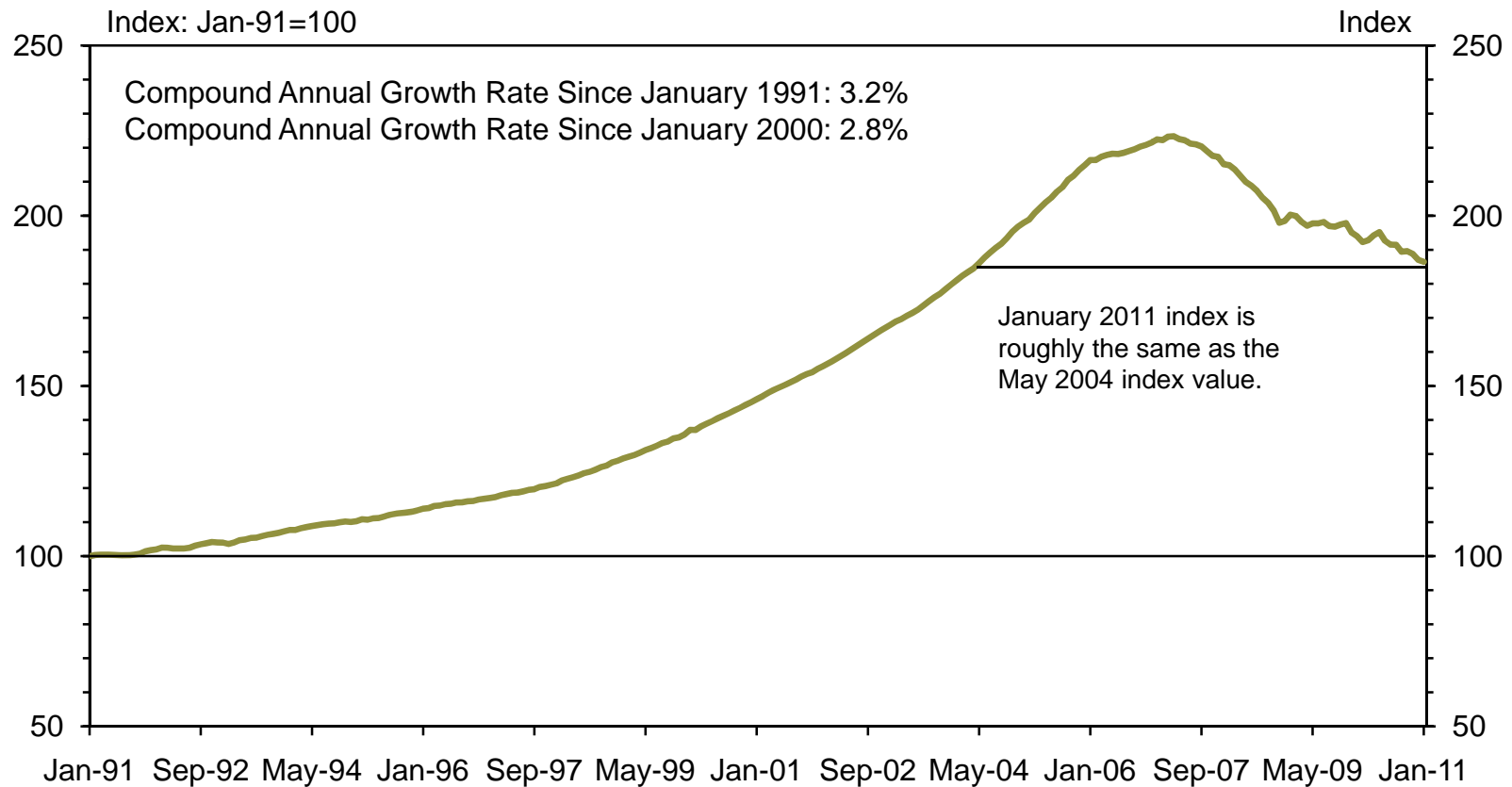
debt is highly concentrated in mortgages

U.S. Debt to Personal Income Ratios



No clear bottom in U.S. housing prices but long-run gains remain near inflation

U.S. Monthly Home Price Index Purchase-Only, Seasonally Adjusted

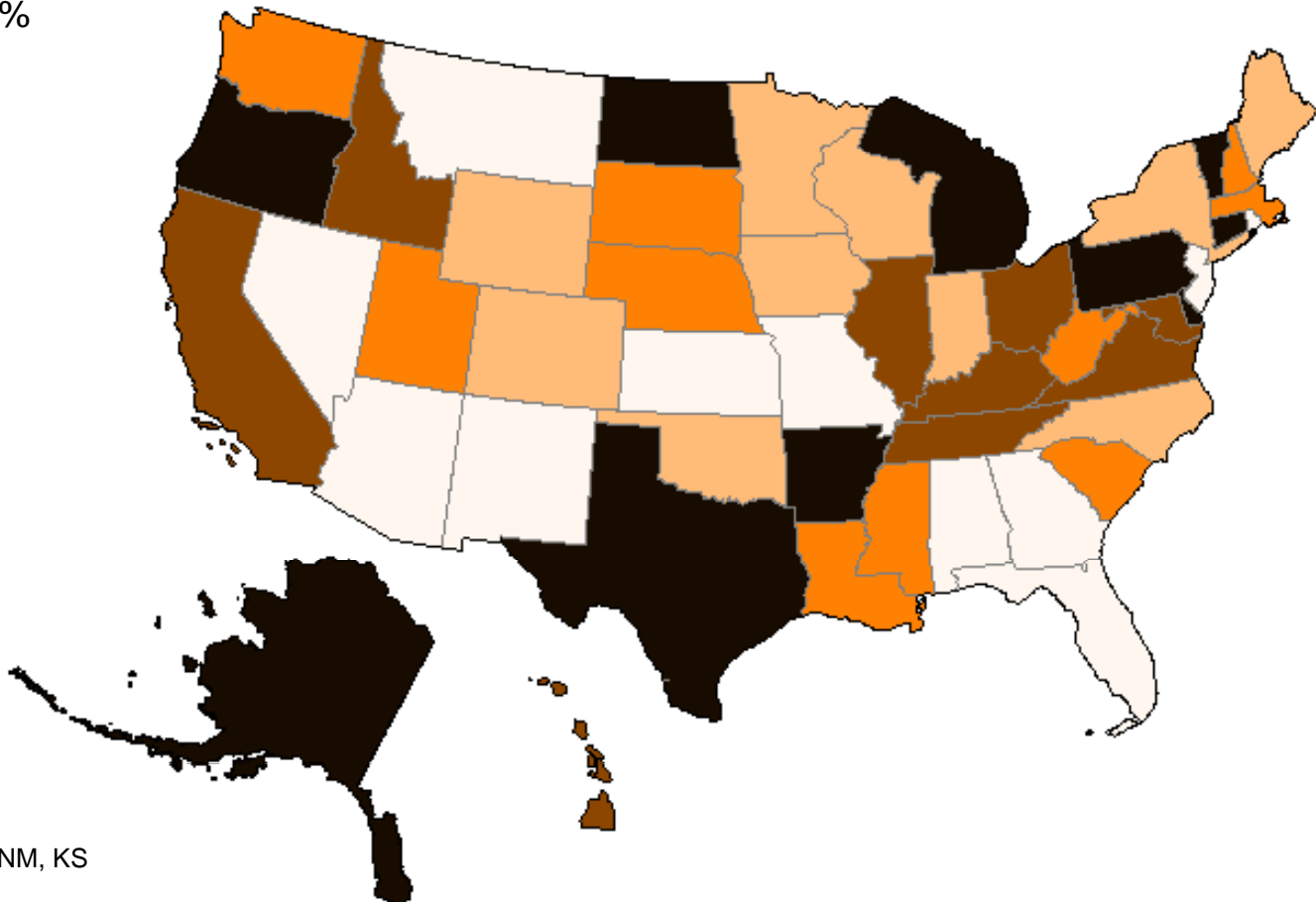
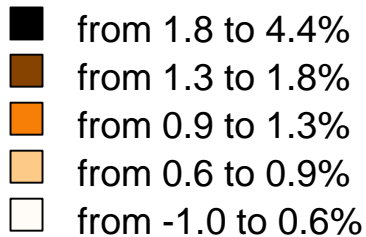


Most states now adding jobs, pockets of weakness

AZ/CA/FL/MI adding jobs

Total Nonfarm Employment Growth
Feb-11 over Feb-10

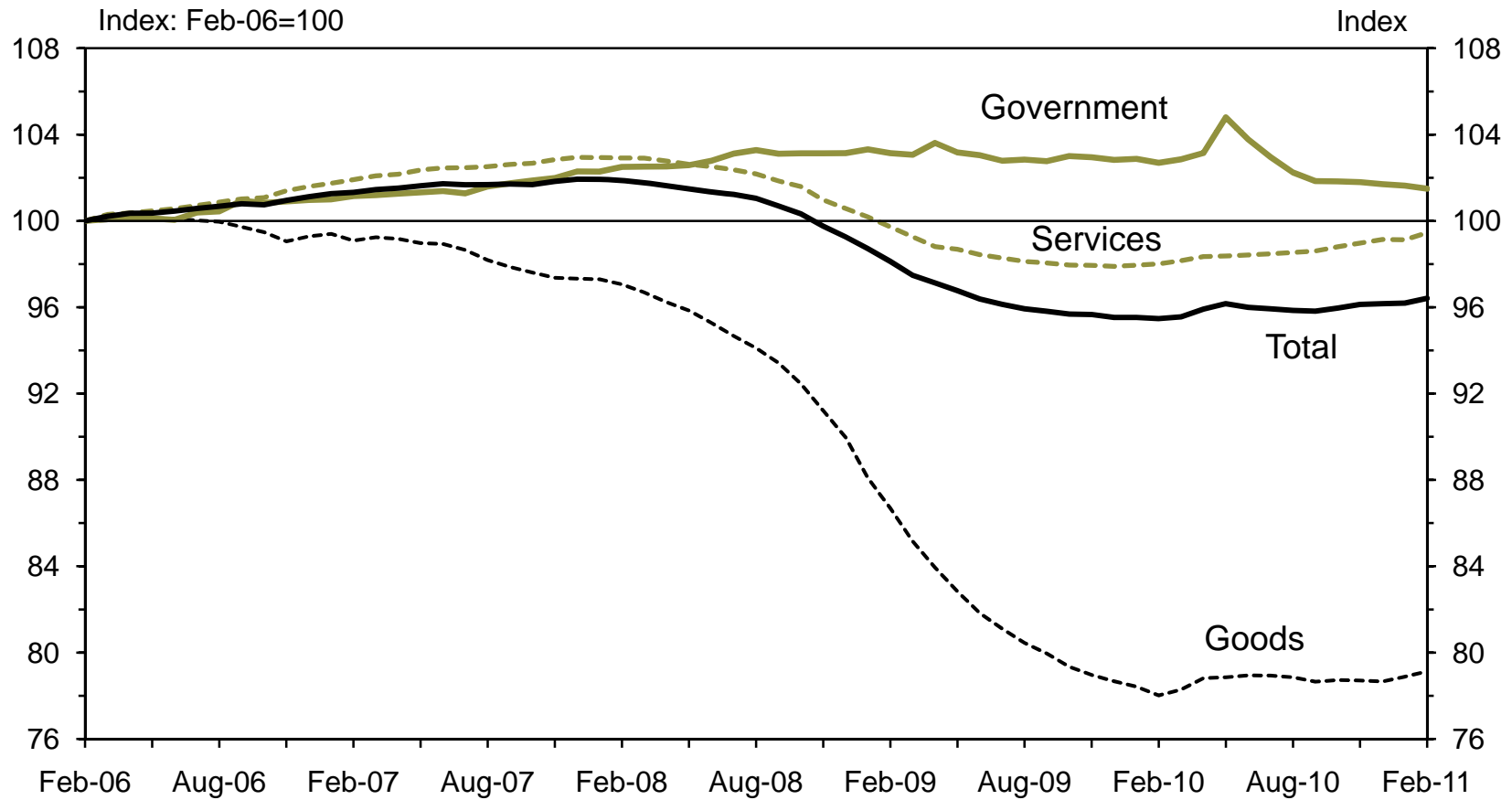
1. North Dakota: 4.4%
2. Vermont: 2.8
3. Texas: 2.5
4. Alaska: 2.5
5. Oregon: 2.0
6. Arkansas: 2.0
7. Pennsylvania: 1.9
8. Michigan: 1.8
9. Delaware: 1.8
10. Connecticut: 1.8



Negative growth: NJ, MO, NV, NM, KS

Late downturn in government hiring offsetting private sector jobs gains

U.S. Employment
Seasonally Adjusted

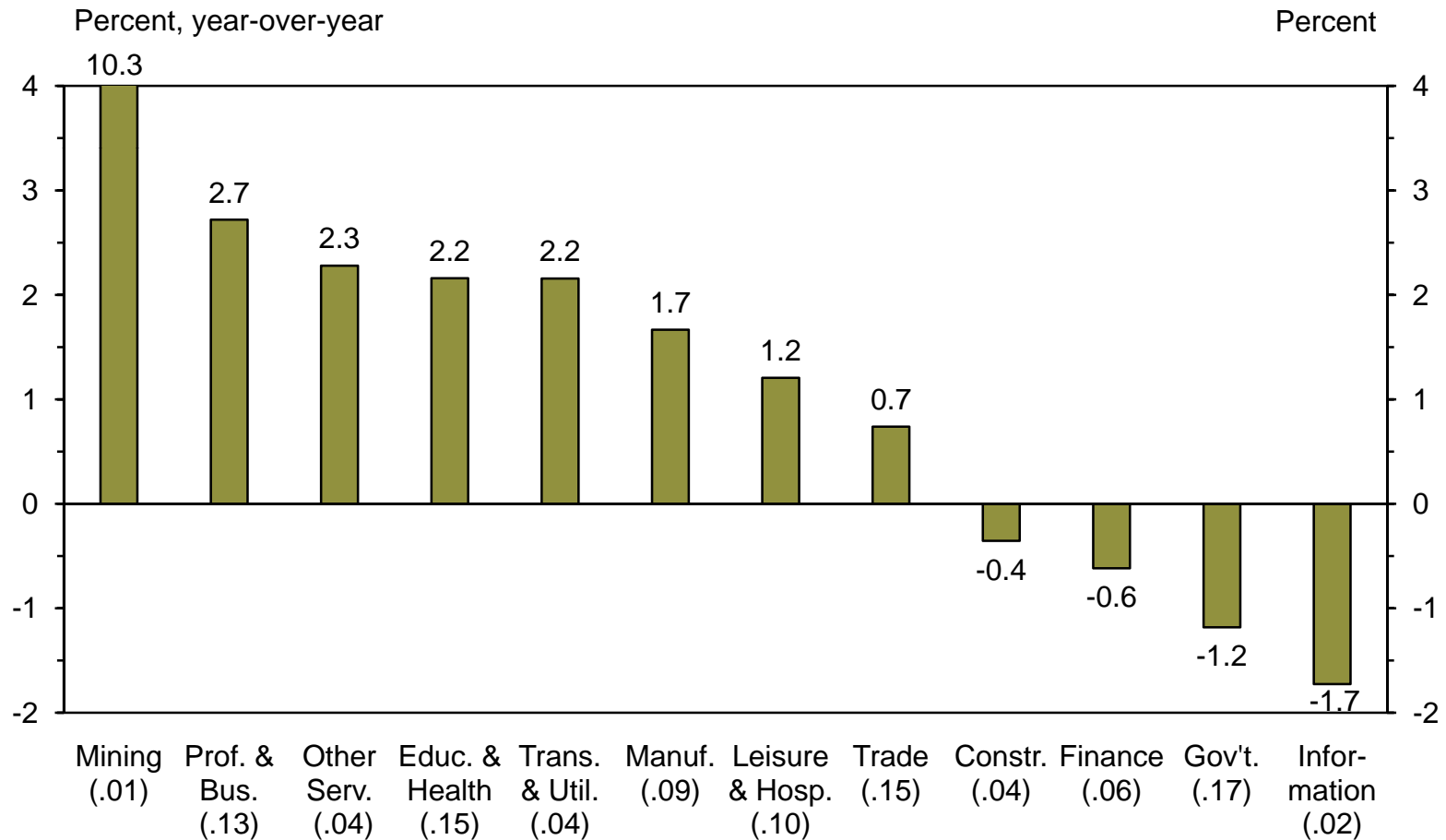


Most U.S. industry sectors now adding jobs

Govt./Finance/Construction acting as a drag

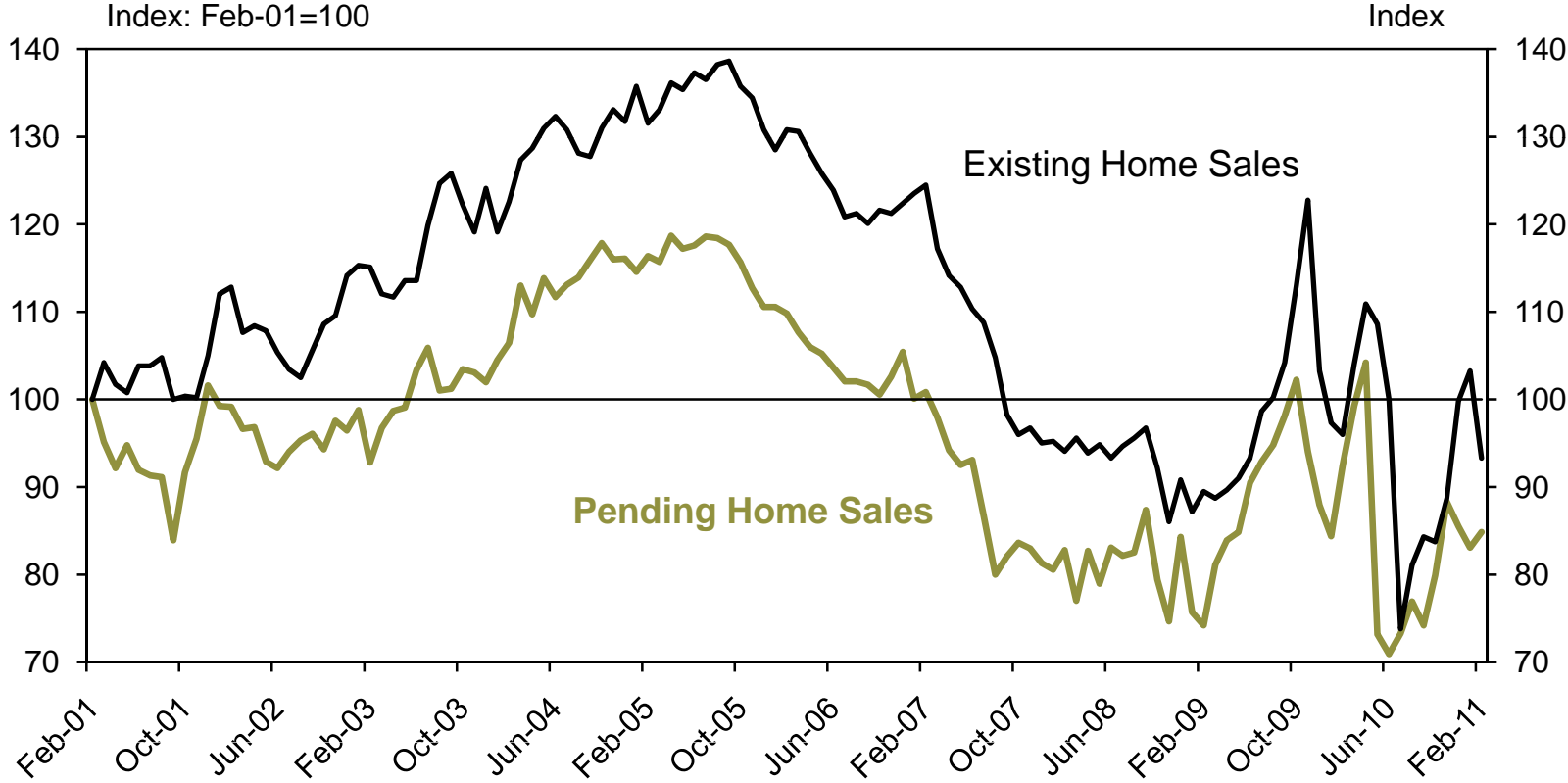
U.S. Nonfarm Job Growth by Industry

Feb-11 over Feb-10



Recent existing home sales data suggest further softness

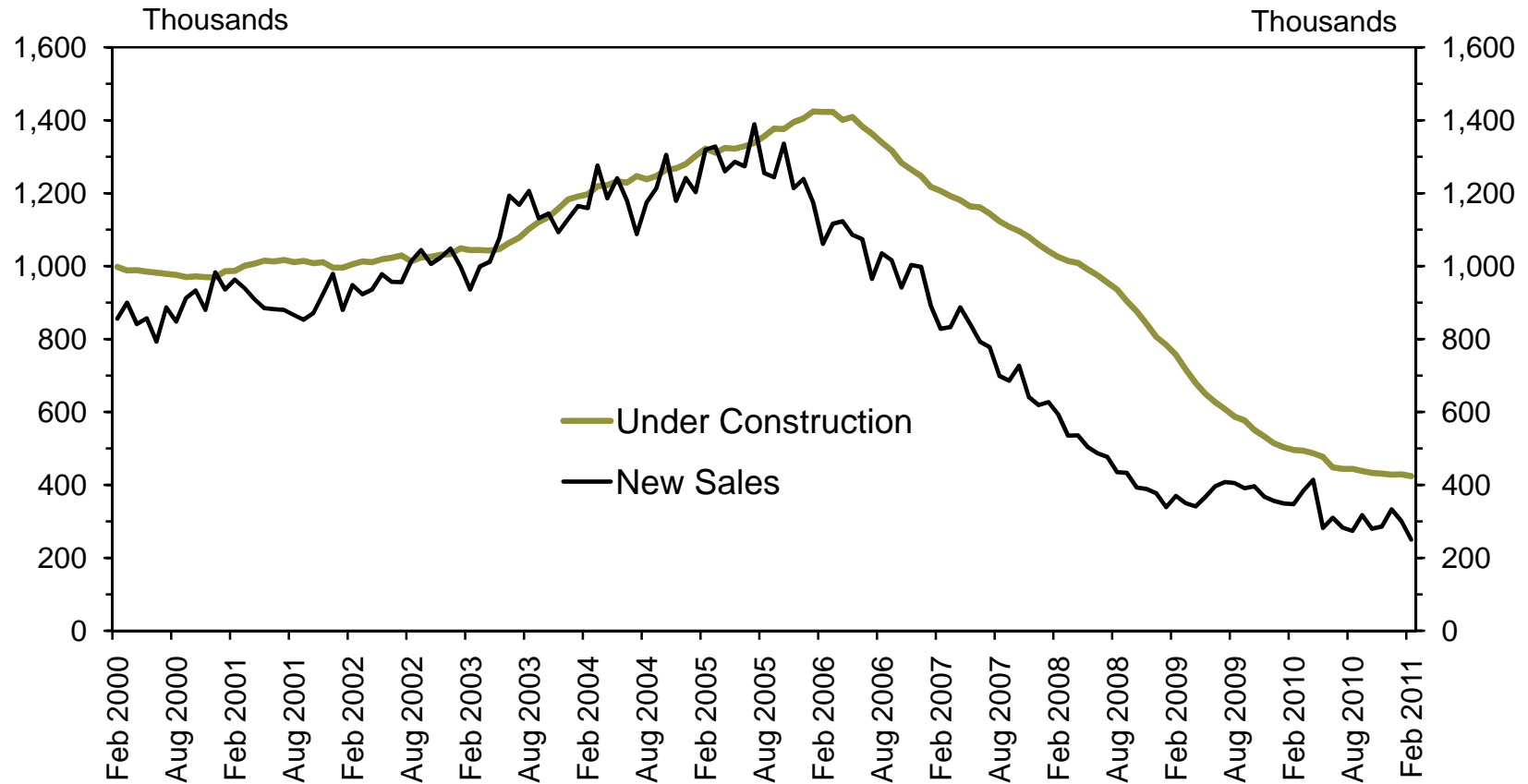
Existing Home Sales and Pending Home Sales Index
Seasonally Adjusted



Source: National Association of Realtors

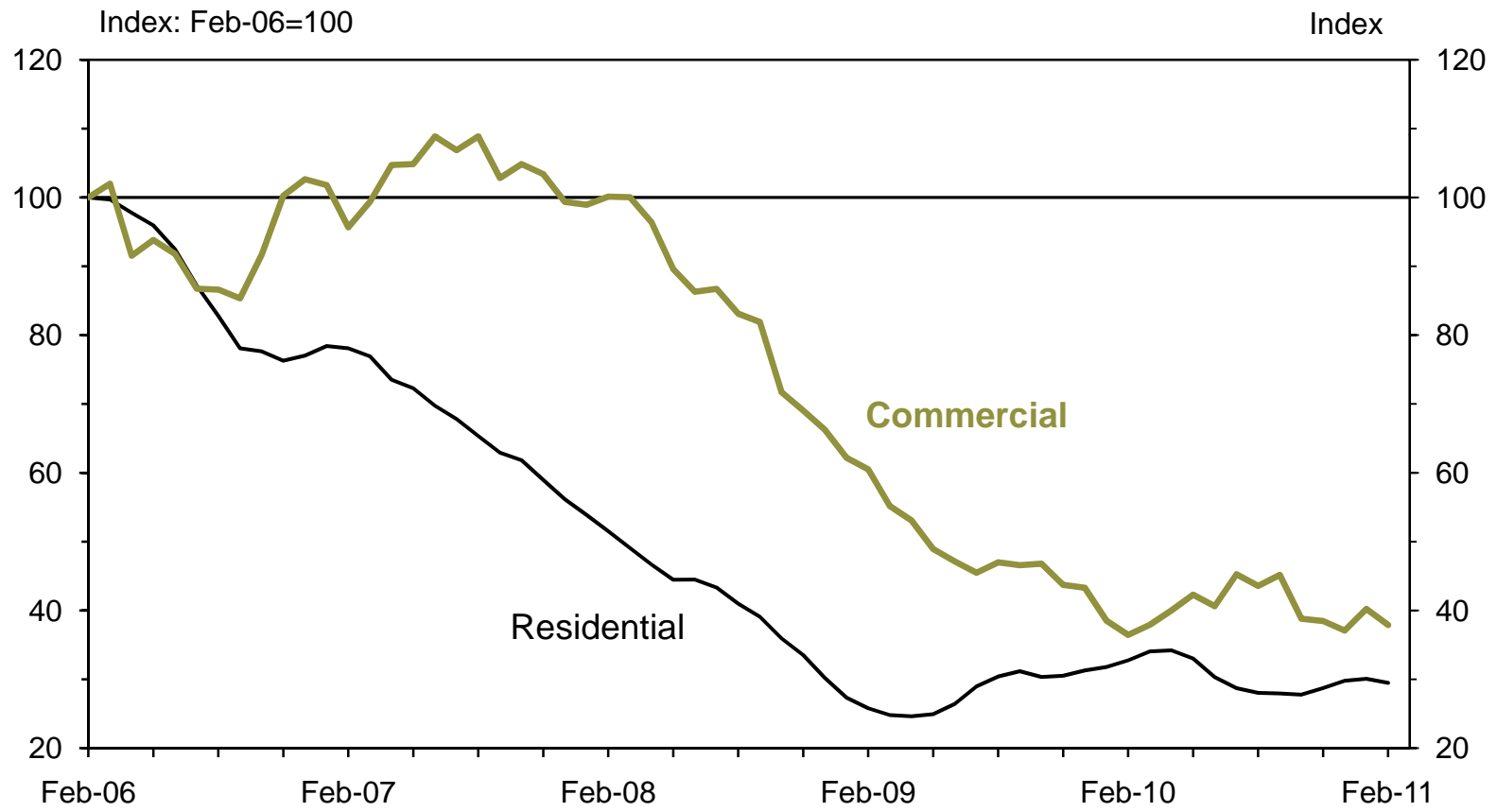
Gap remains between new construction and sales has narrowed since early 2009

U.S. New Residential Construction and Sales
Seasonally Adjusted



Construction still bouncing on bottom both residential and commercial

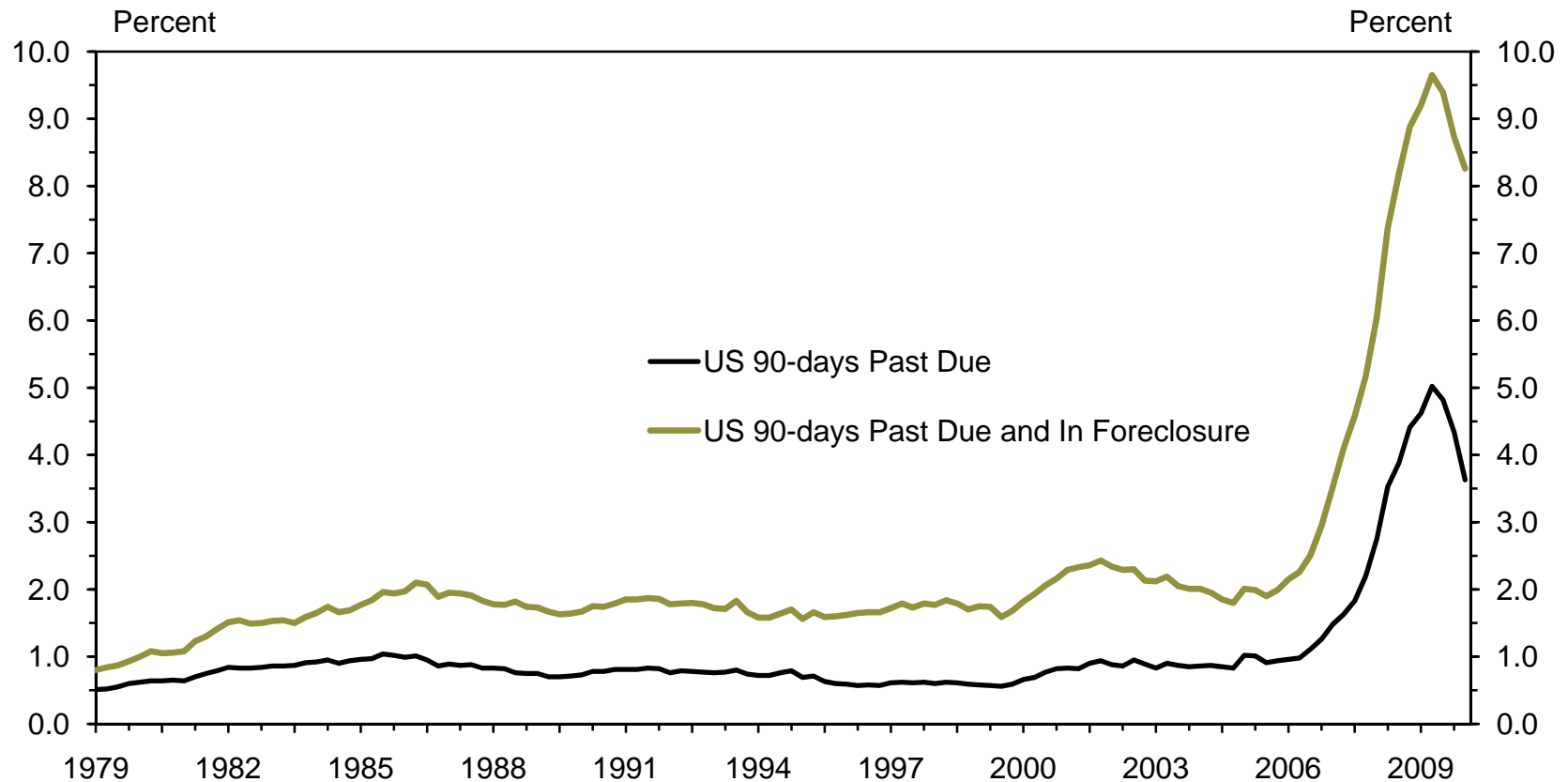
Value of U.S. Commercial and Residential Construction Contracts
Seasonally Adjusted, 3-mo. moving average



Critical peak in past due and foreclosure rates

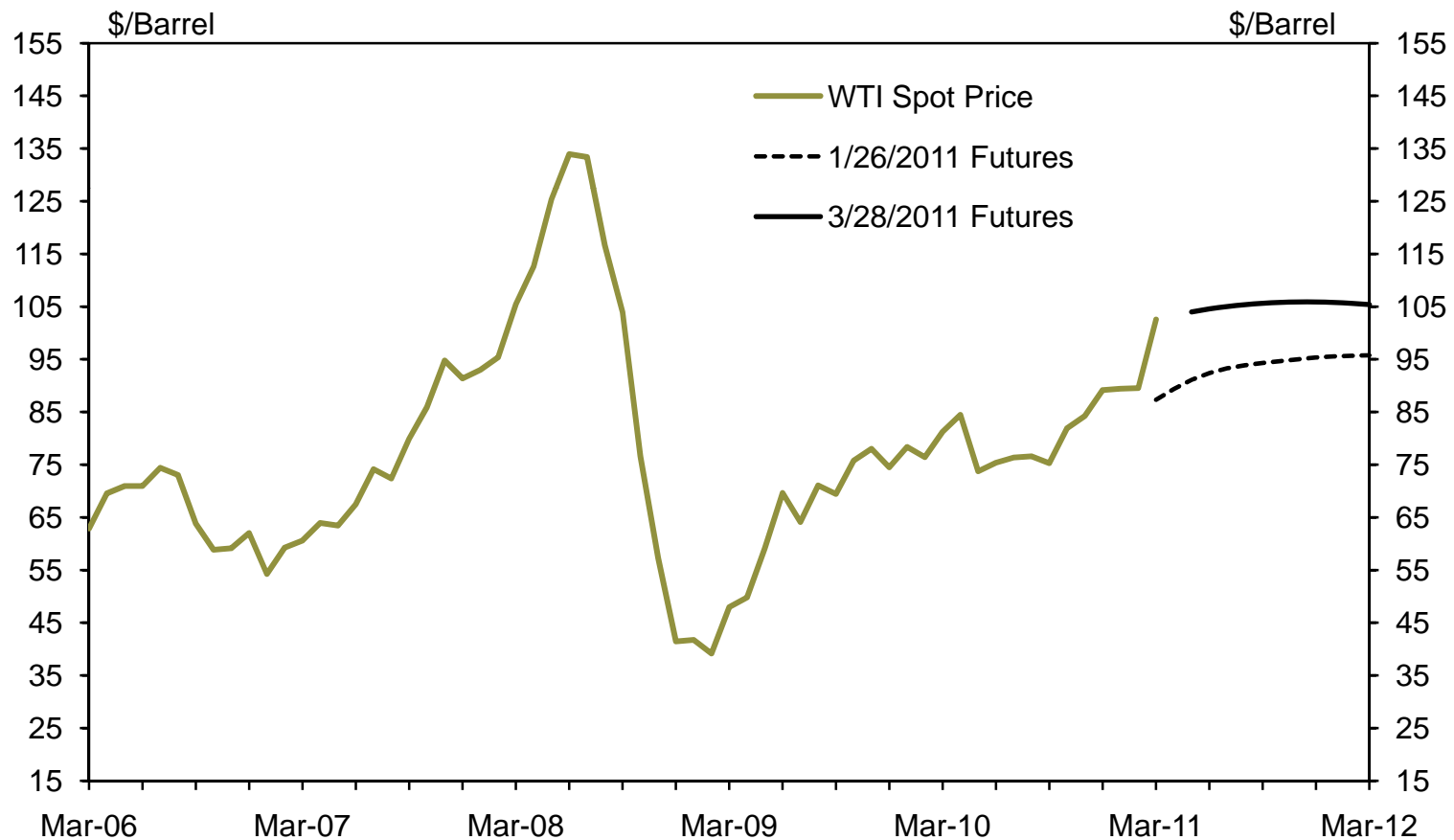
shadow inventory remains a concern

Mortgage Foreclosure/Delinquency Rates United States



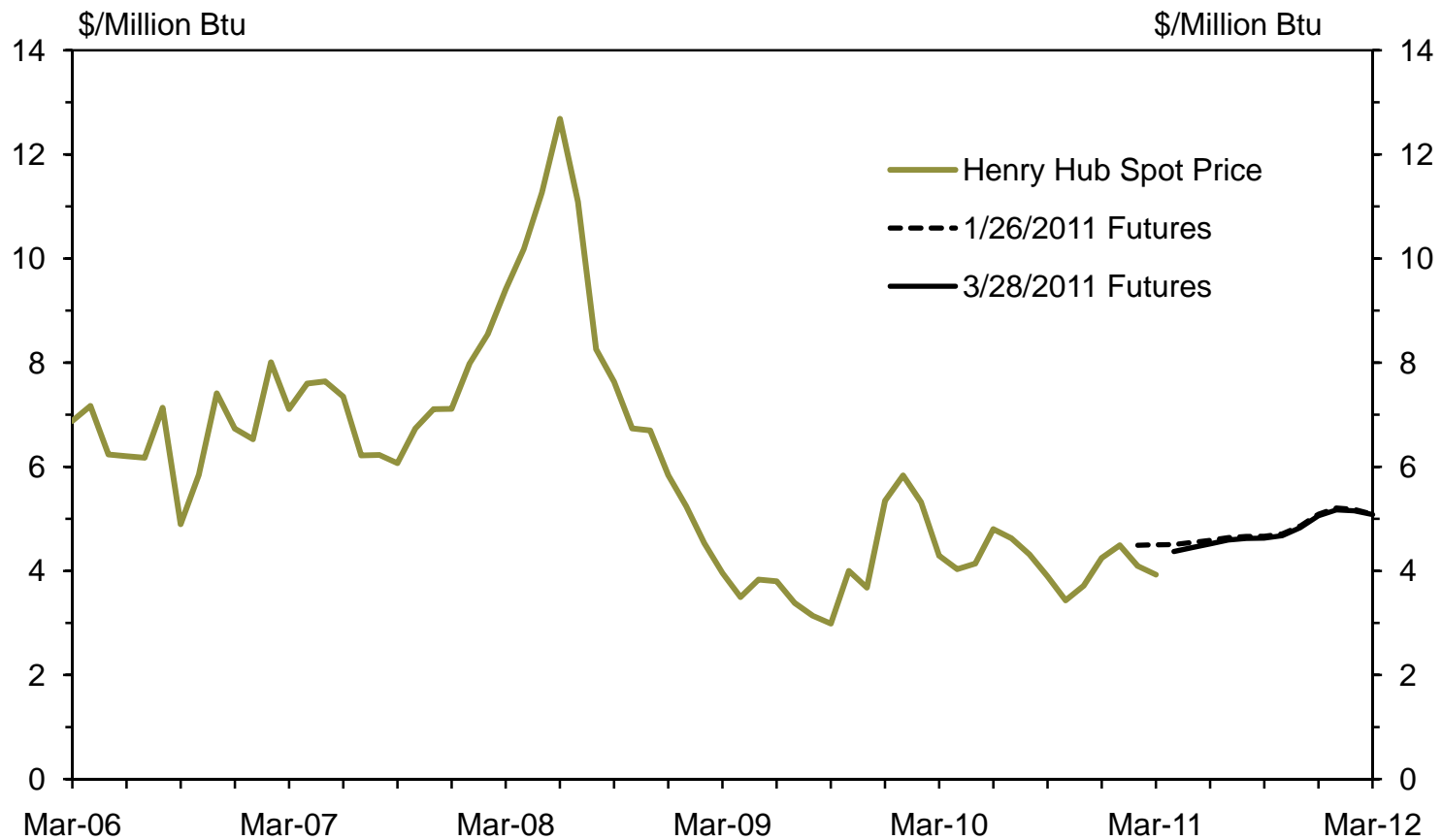
Crude futures suggest \$100+/bbl through 2012

West Texas Intermediate Oil Spot Price & NYMEX Futures



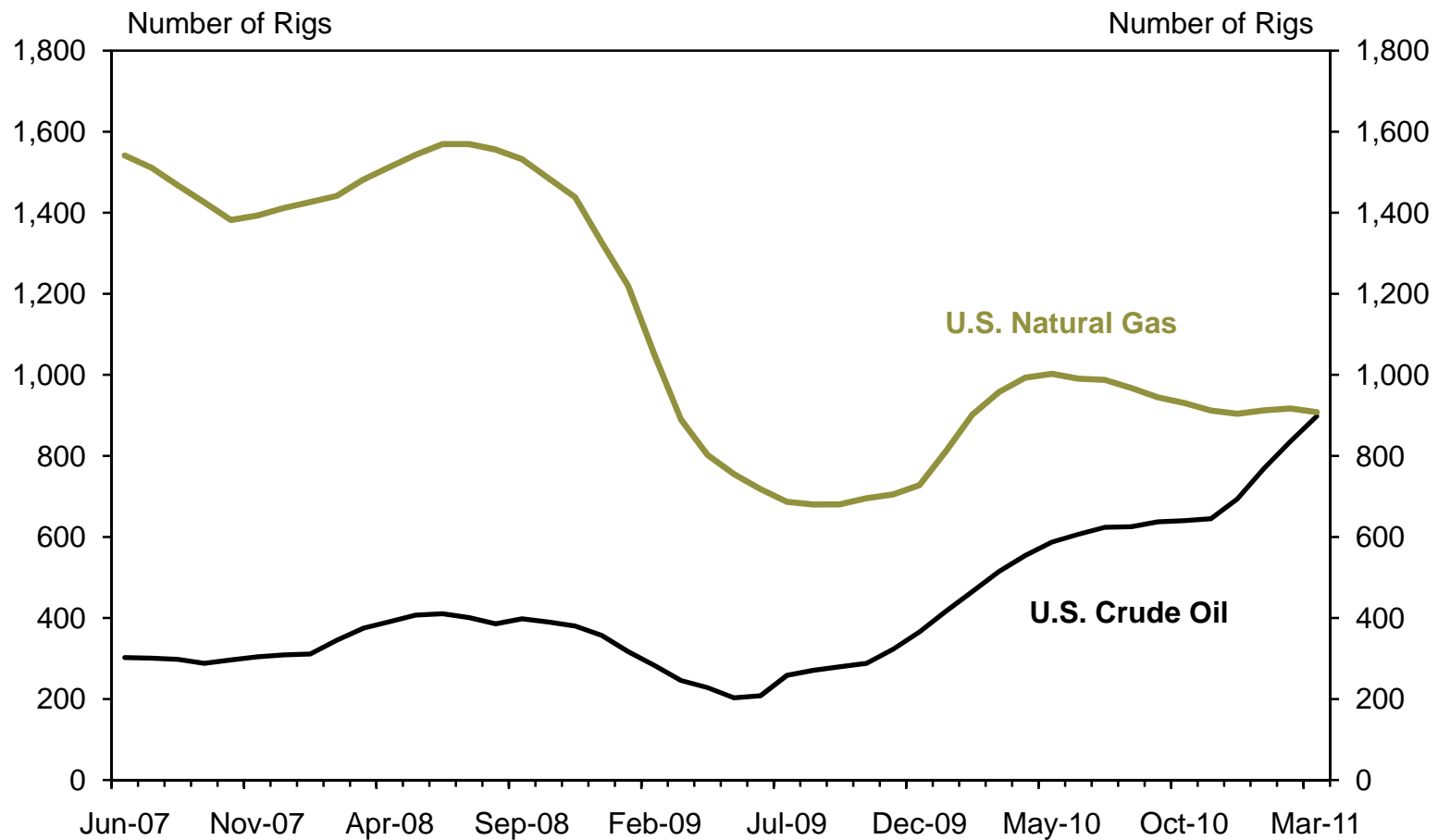
Natural gas futures suggest ceiling around \$5/mcf

Henry Hub Natural Gas Spot Price & NYMEX Futures



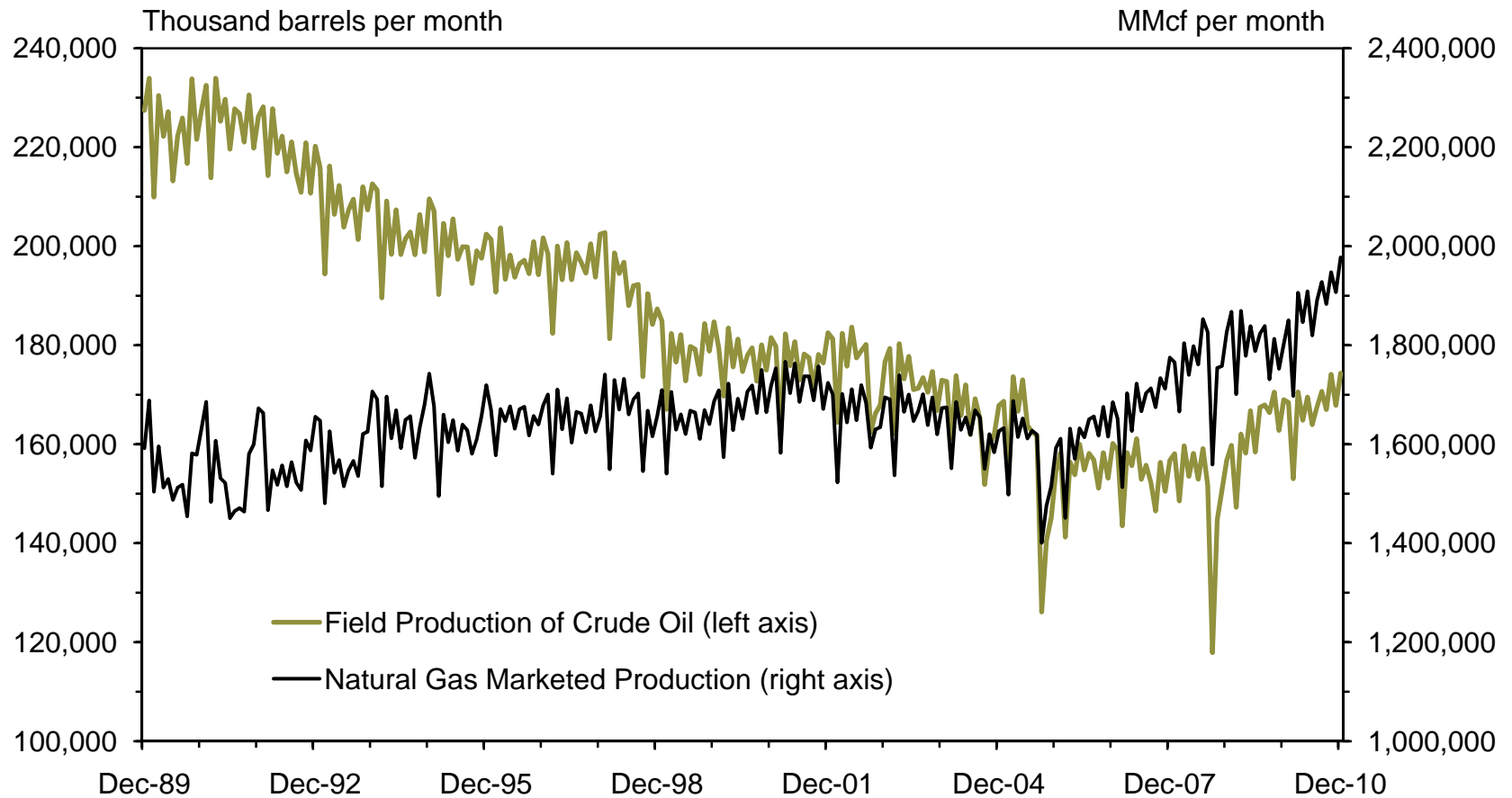
Shift in exploration toward crude accelerates

Count of Active Drilling Rigs
Seasonally Adjusted



Crude and natural gas output continue to climb

U.S. Crude Oil and Natural Gas Production
Seasonally Adjusted



Risks to the recovery?

- Rising interest rates (mortgage rates)
- Rising energy/commodity prices
- International instability
- Federal/state/local budget overhang
- Another down-leg in real estate
- Household de-leveraging takes longer than expected
- Short expansion

What makes the recovery sustainable?

- Federal Reserve stimulus – current (and future?)
- Fiscal stimulus – tax package, ARRA wanes after 2011
- Strong financial position of corporate sector
- Resumption in household debt growth
- Growing replacement needs – households/firms
- Virtuous cycle – capitalism, invisible hand

U.S. Economic Conditions

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Presentation will be available at:
<http://www.kansascityfed.org/Denver>