

Jason Henderson
Vice President and Branch Executive
Federal Reserve Bank of Kansas City – Omaha Branch
www.kansascityfed.org/omaha
February 9, 2012

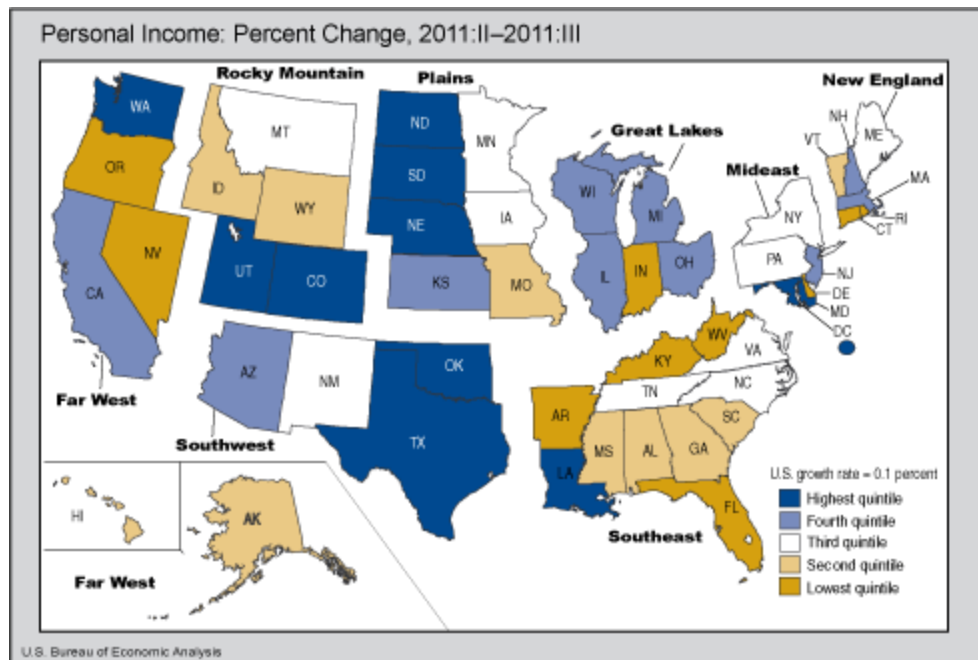
Nebraska's Economic Outlook



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.

Nebraska had strong income gains through the third quarter of 2011.

State	Personal Income Growth 2010:YTD to 2011:YTD
(1) North Dakota	10.5
(2) Texas	6.8
(3) Oklahoma	6.5
(4) South Dakota	6.4
(5) Minnesota	6.1
(5) Nebraska	6.1
(7) Iowa	5.8
(7) California	5.8
(9) Colorado	5.7
(9) Idaho	5.7
U.S. Average	5.0



- Farming
- Mining
- Durable Good Manufacturing

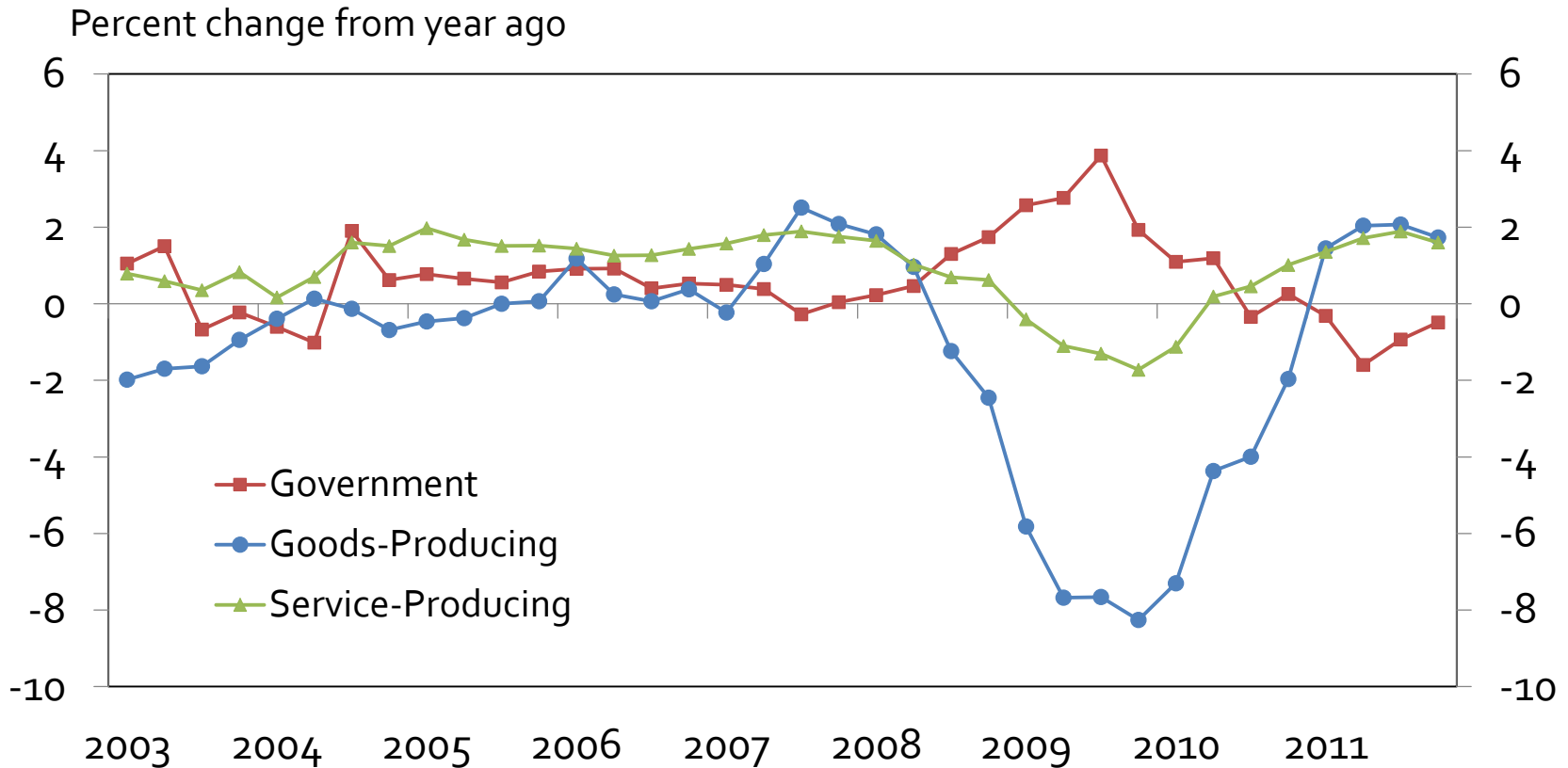
Source: Bureau of Economic Analysis

Note: Year-to-Date information through third quarter



The private sector posts solid job gains.

Nebraska Job Growth by Sector

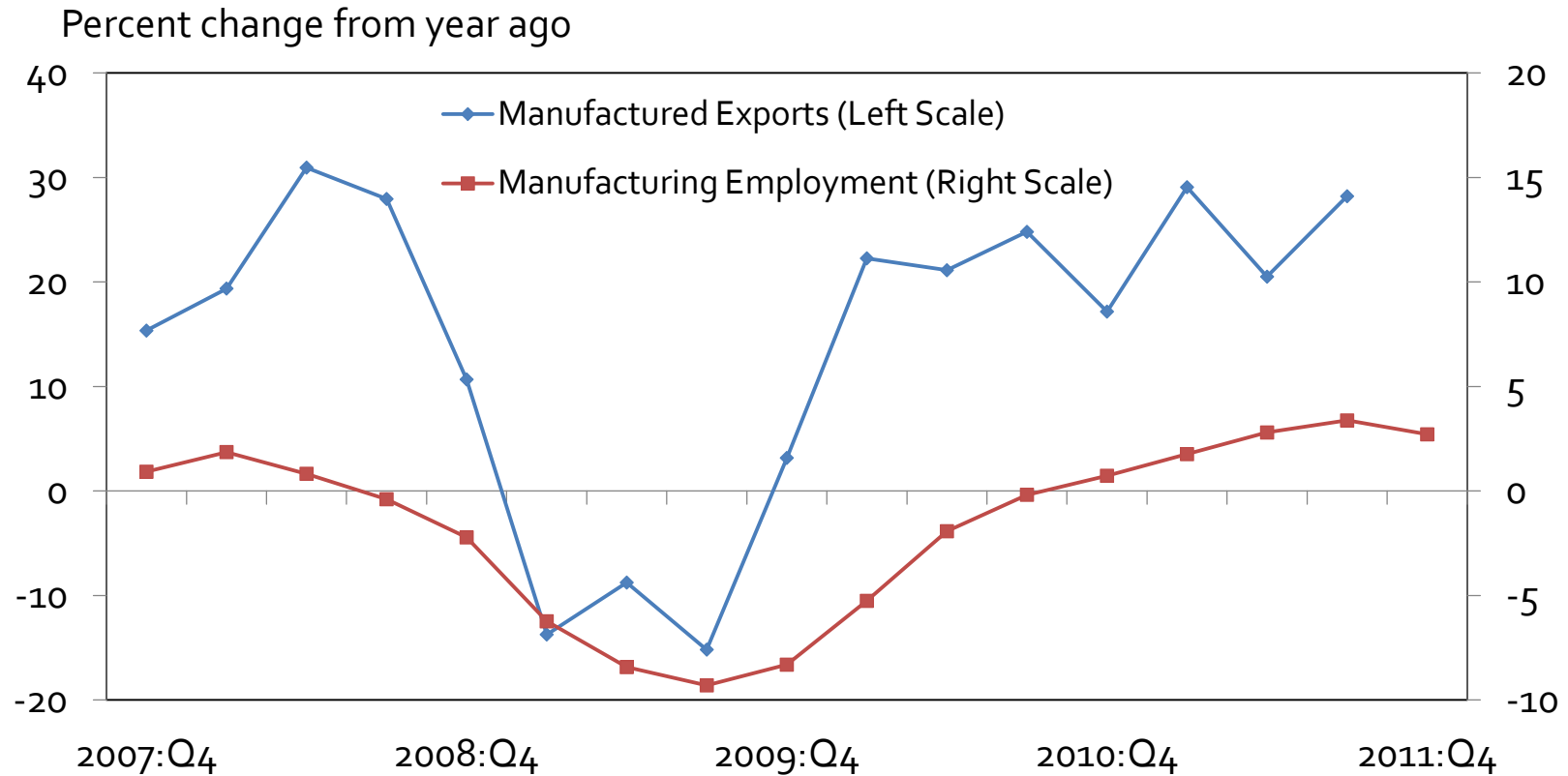


Source: Bureau of Labor Statistics



Nebraska's factories tap global markets.

Nebraska Manufactured Exports and Manufacturing Employment

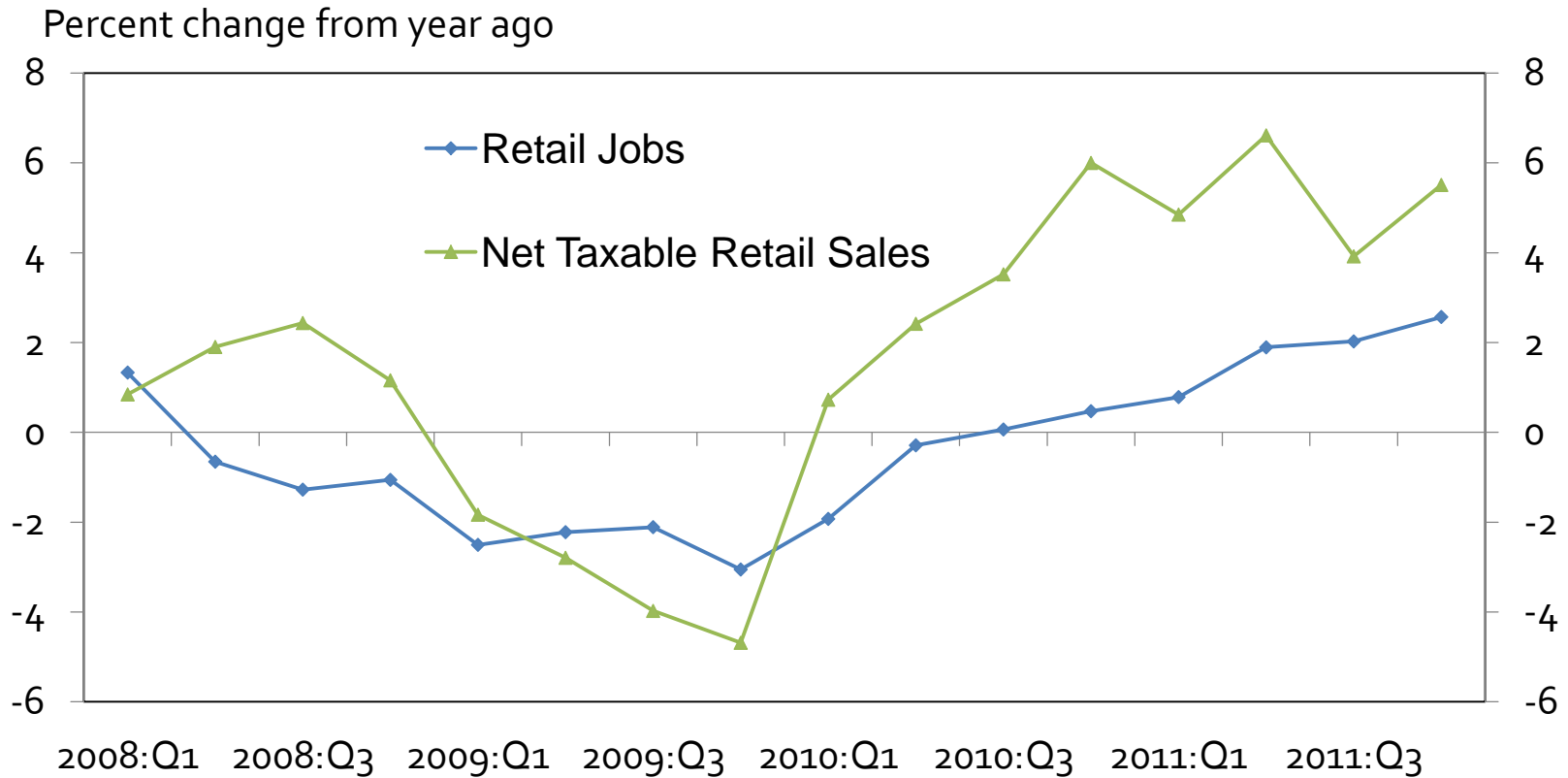


Source: Bureau of Labor Statistics and WISERTrade



Retail sales were strong after a summer soft spot.

Nebraska Retail Sales and Retail Employment



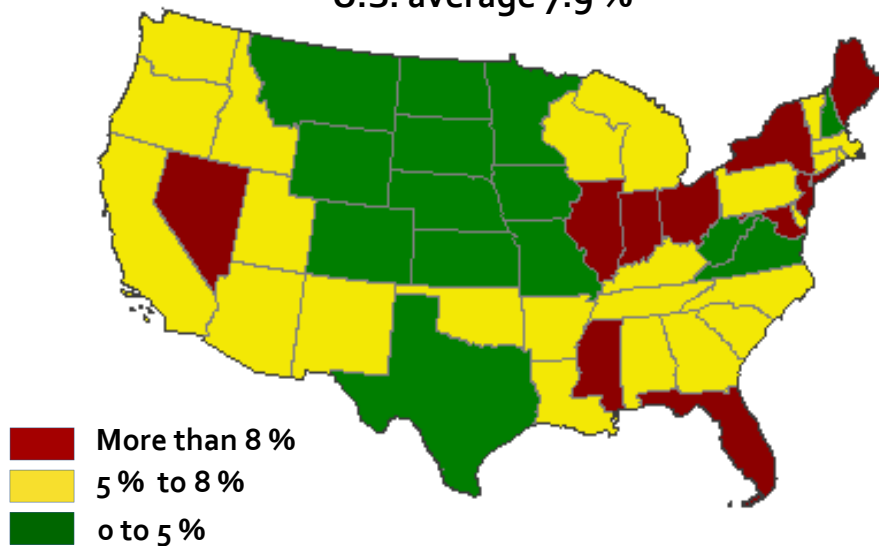
Source: BLS and Nebraska Department of Revenue
Note: 2011 retail sales data is through November



Nebraska's housing market appears to have hit a bottom.

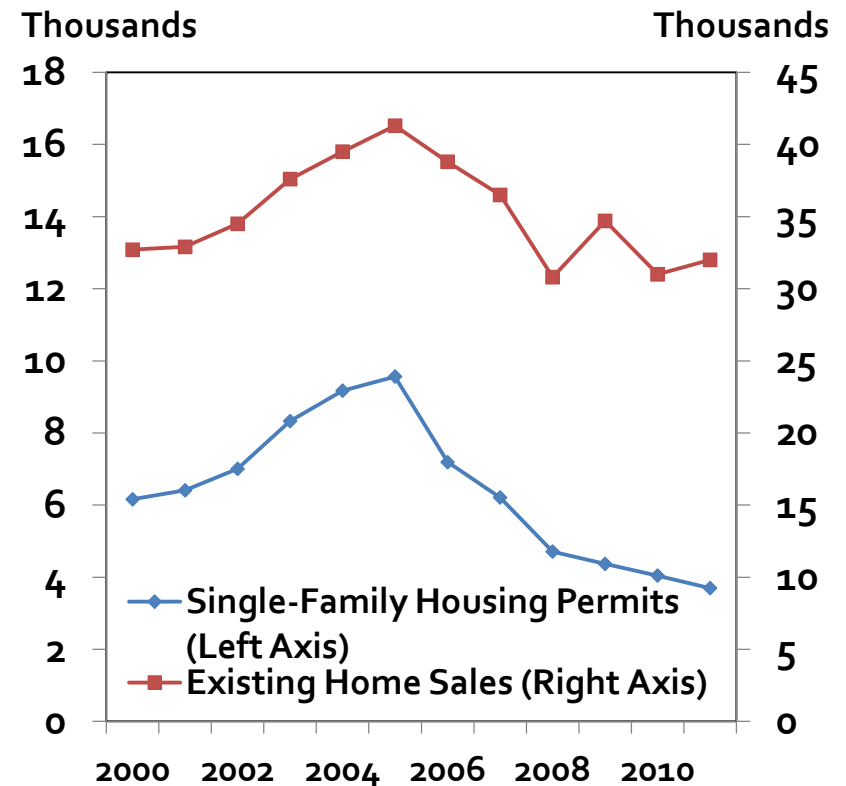
Seriously Delinquent Mortgage Loans (percent of all mortgage loans serviced, Q3 2011)

U.S. average 7.9 %



Source: Mortgage Bankers Association

Nebraska Housing Permits and Existing Home Sales



Source: U.S. Census Bureau

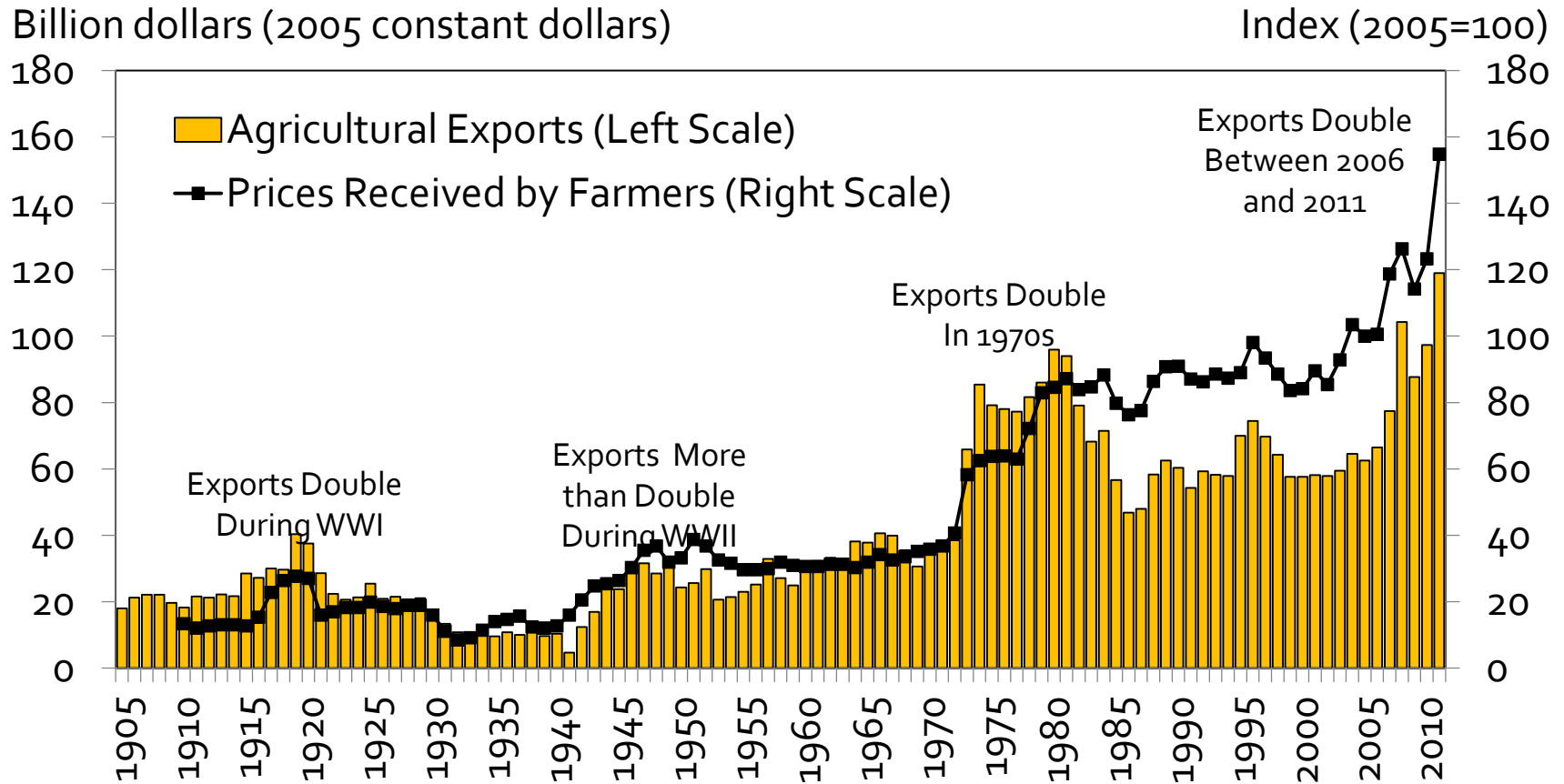


Can Agriculture Fuel the Nebraska Economy?

NEBRASKA ECONOMY



U.S. agricultural exports and farm prices

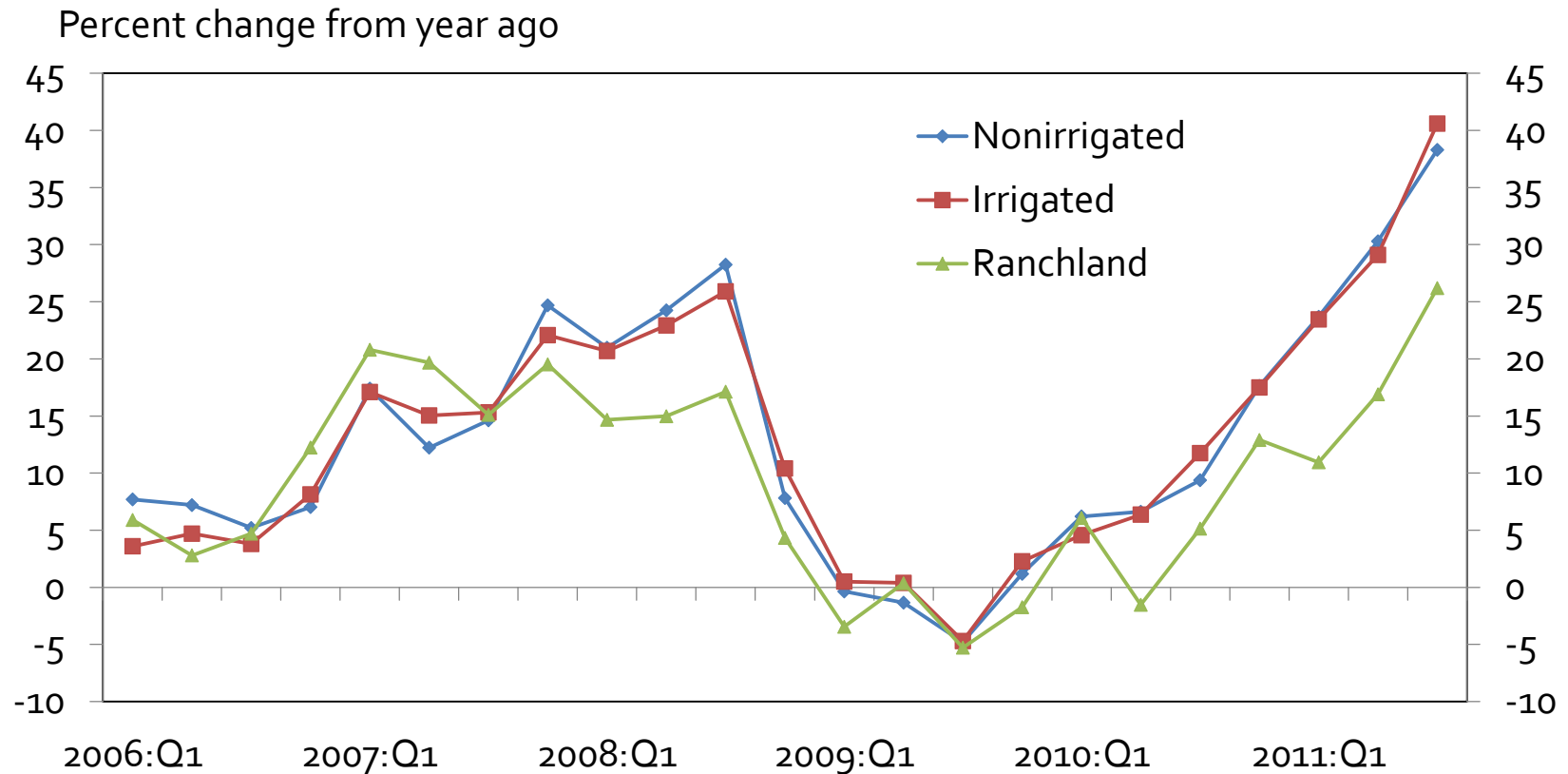


Calculations based on U.S. Census Bureau and U.S. Department of Agriculture data deflated with consumer price index from the Federal Reserve Bank of Minneapolis.



Is this a farm bubble?

Tenth District Farmland Value Gains

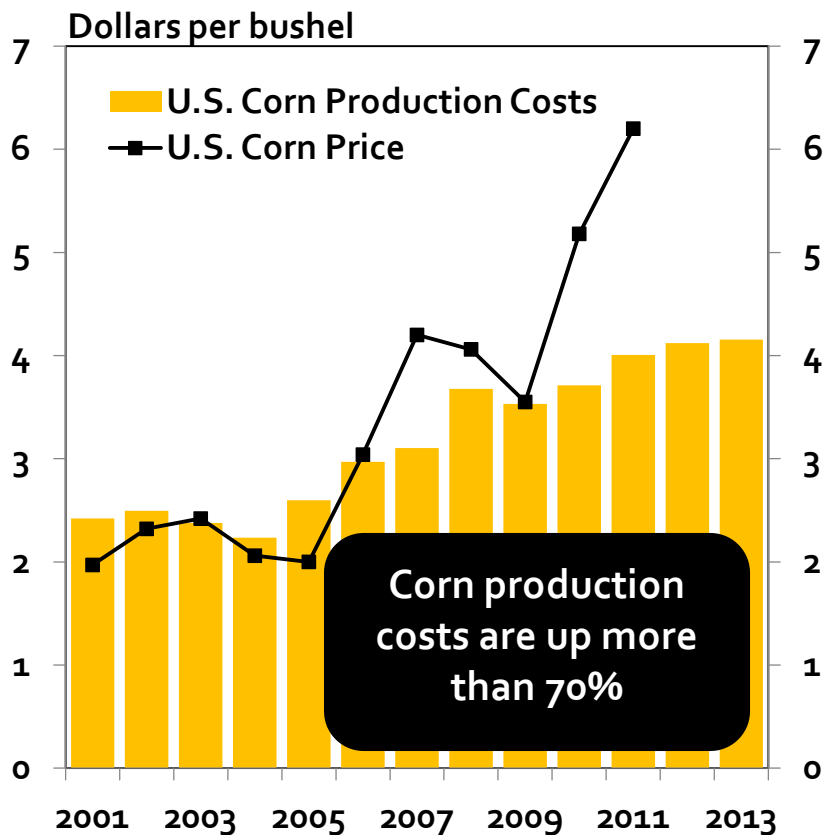


Source: Federal Reserve Bank of Kansas City



What will farmers do if margins narrow?

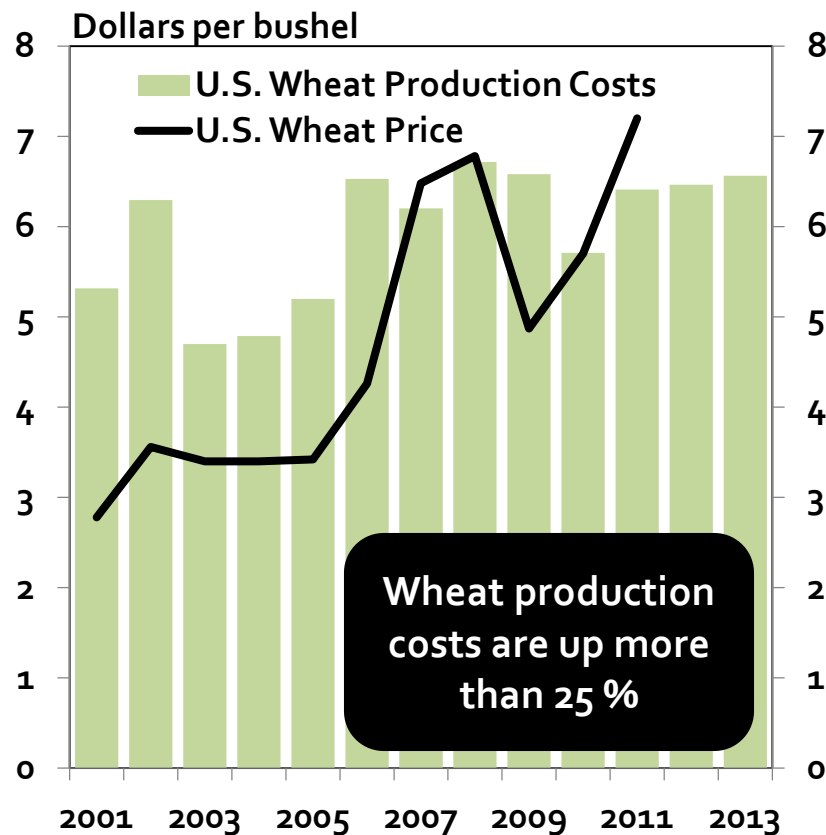
U.S. Corn Production Costs and Prices



Source: USDA

Note: 2012 and 2013 costs of production is based on a 150 yield average.

U.S. Wheat Production Costs and Prices



Source: USDA

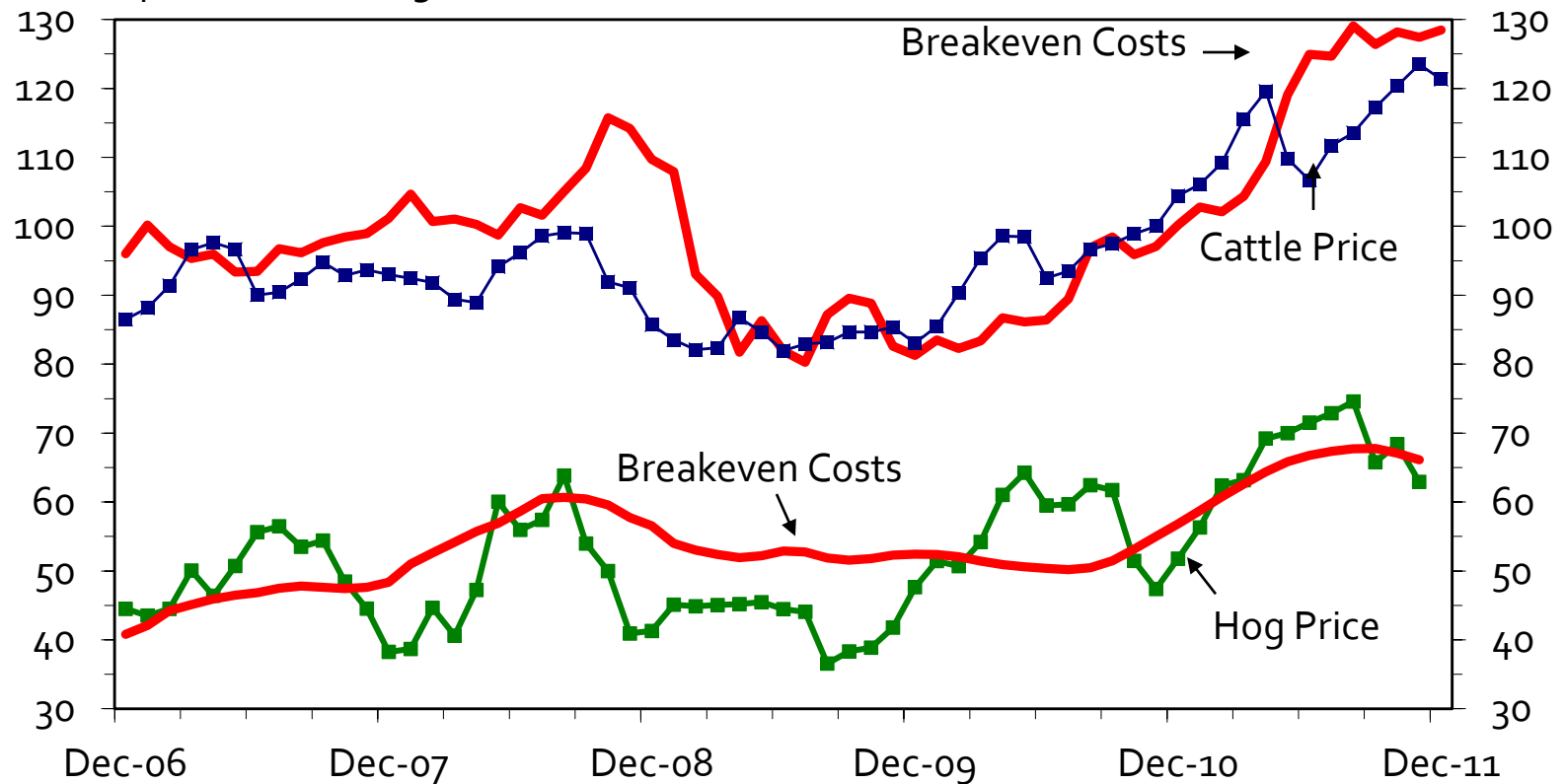
Note: 2012 and 2013 cost of production is based on a 45 bushel yield.



High feed costs strain livestock profits.

Livestock Breakeven Costs and Prices

Dollars per hundredweight



Source: USDA and Iowa State University

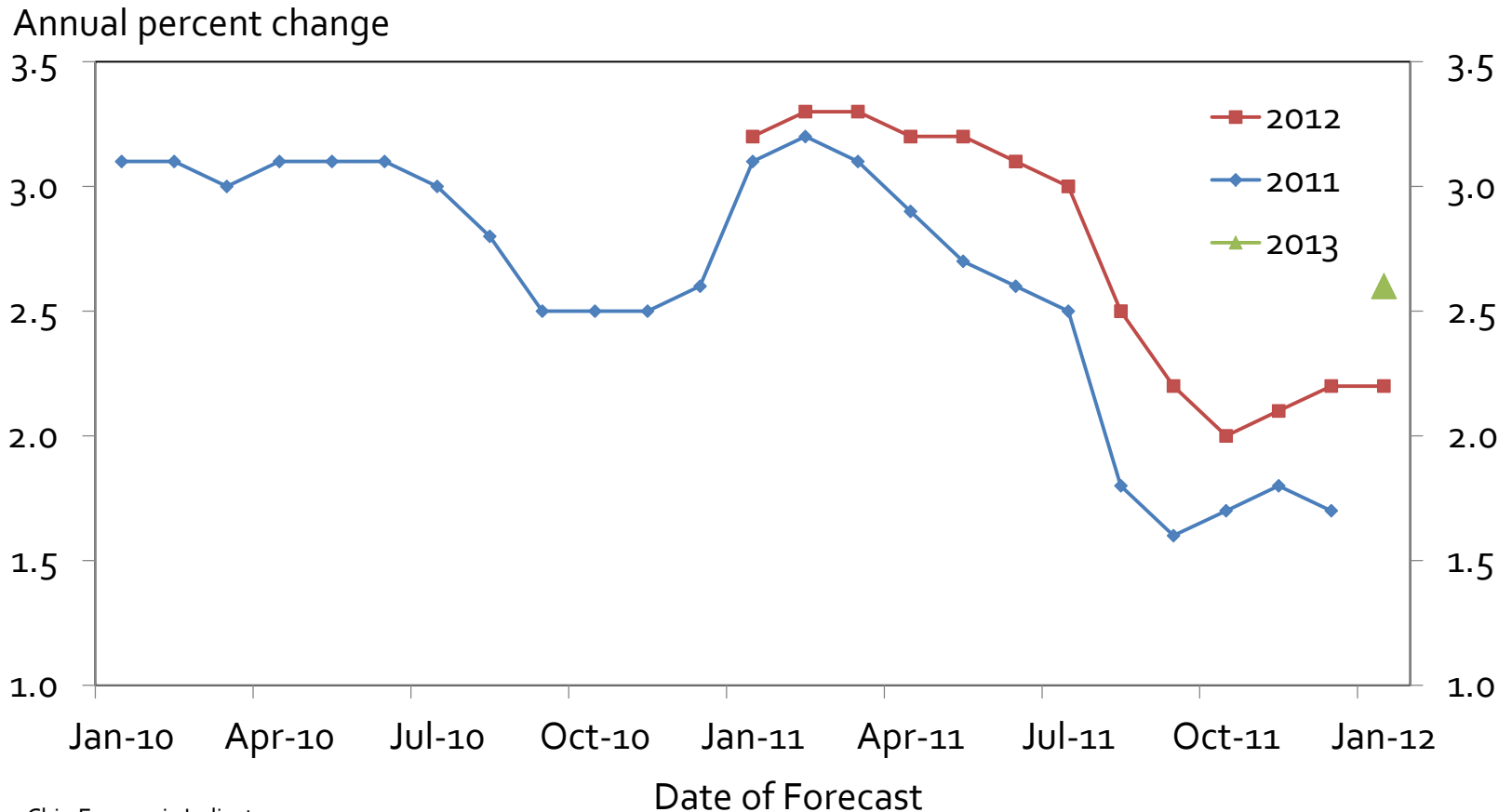


What are the Risks?



Economic forecasts have rebounded, but sluggish activity is expected.

U.S. Real GDP Growth



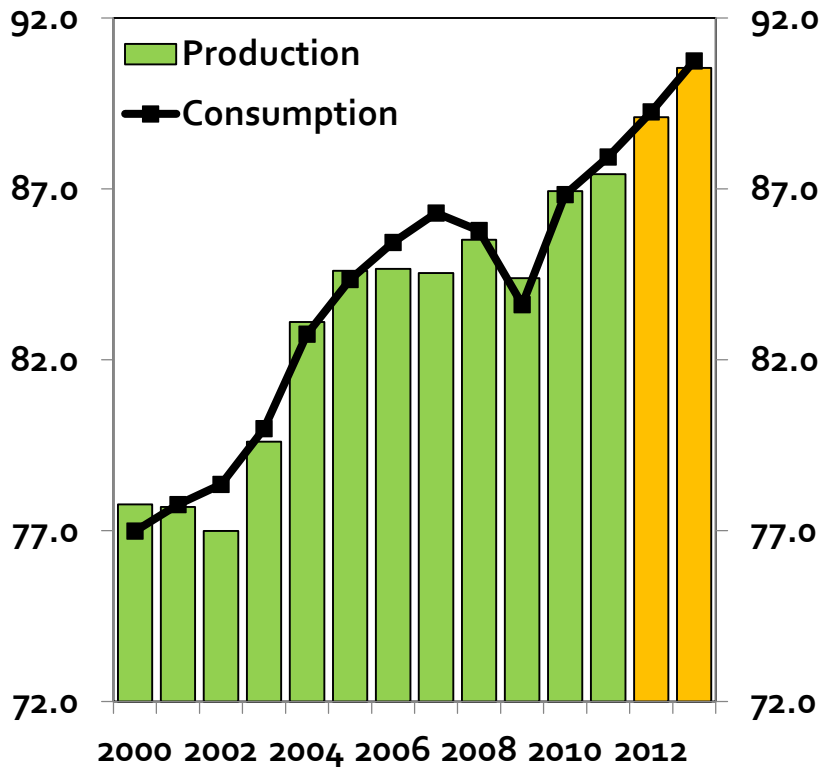
Source: Blue Chip Economic Indicators



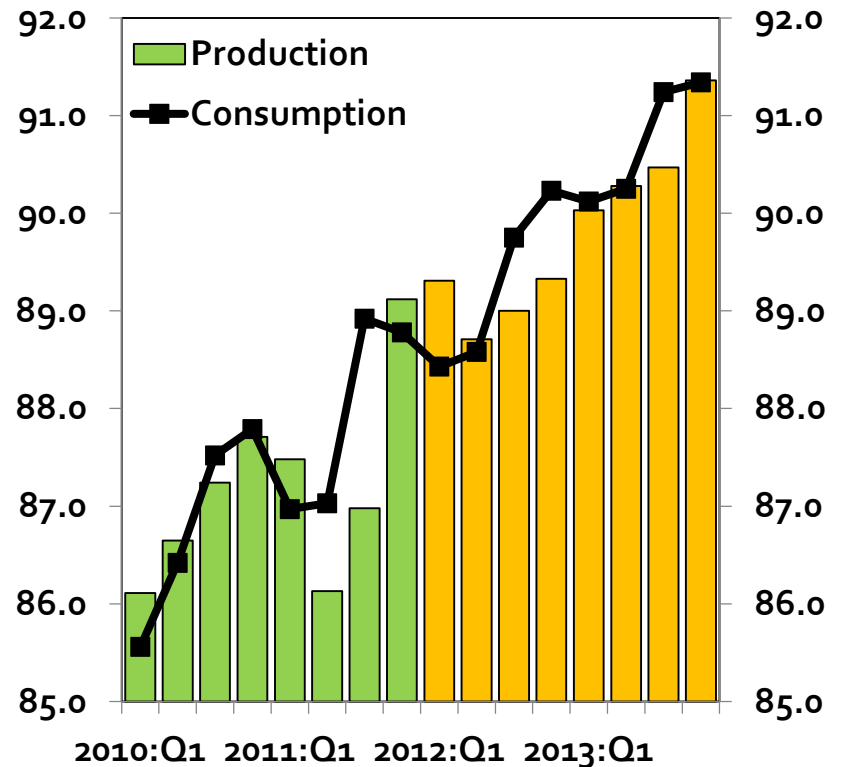
What are the implications of tight commodity supplies on Midwestern economies?

World Crude Oil Production and Consumption

Million barrels per day



Million barrels per day

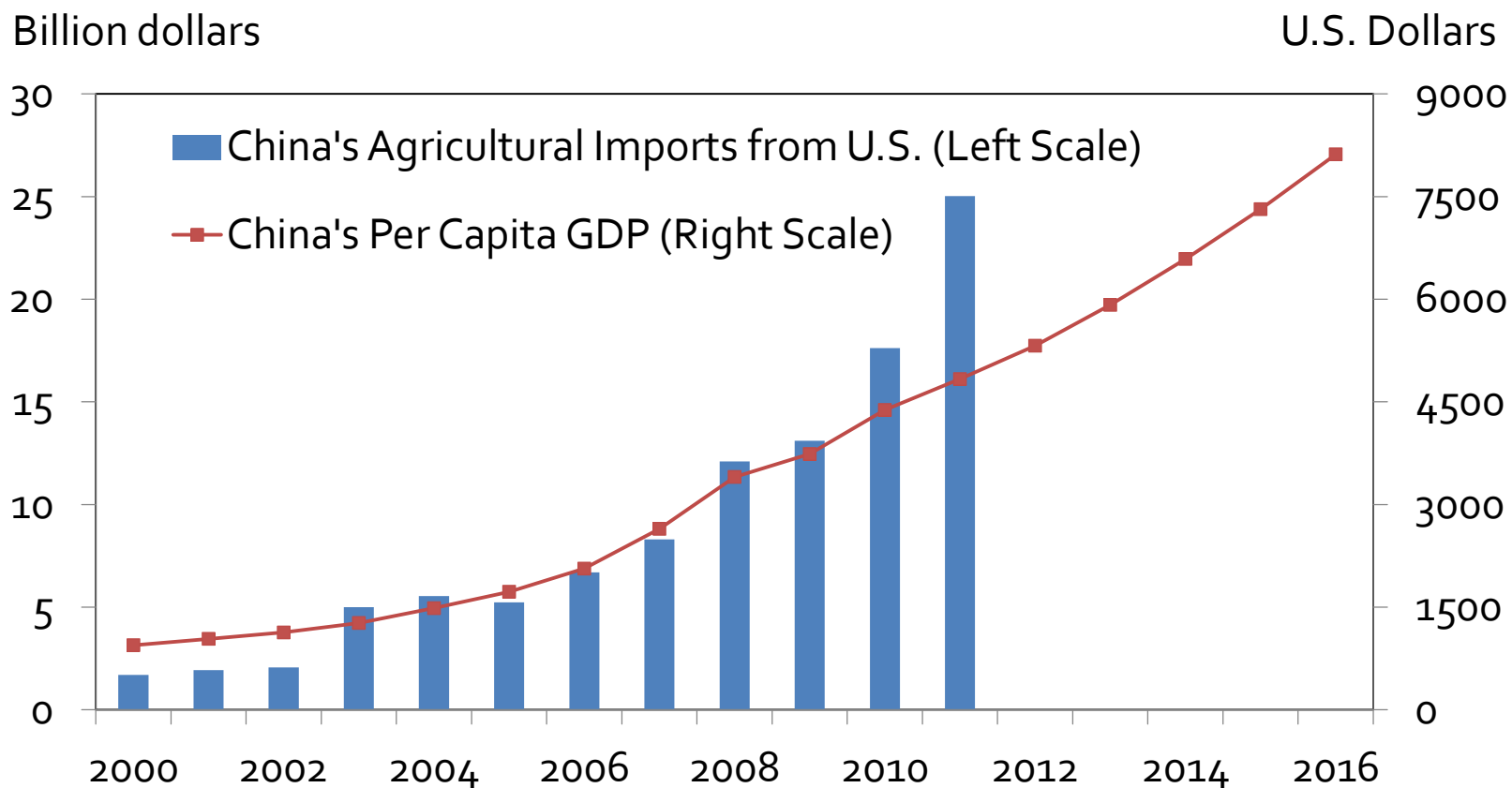


Source: Energy Information Administration
EIA Forecasts for 2012 and 2013 data.



Will export demand continue to grow?

China's GDP Growth and Ag Imports from U.S.

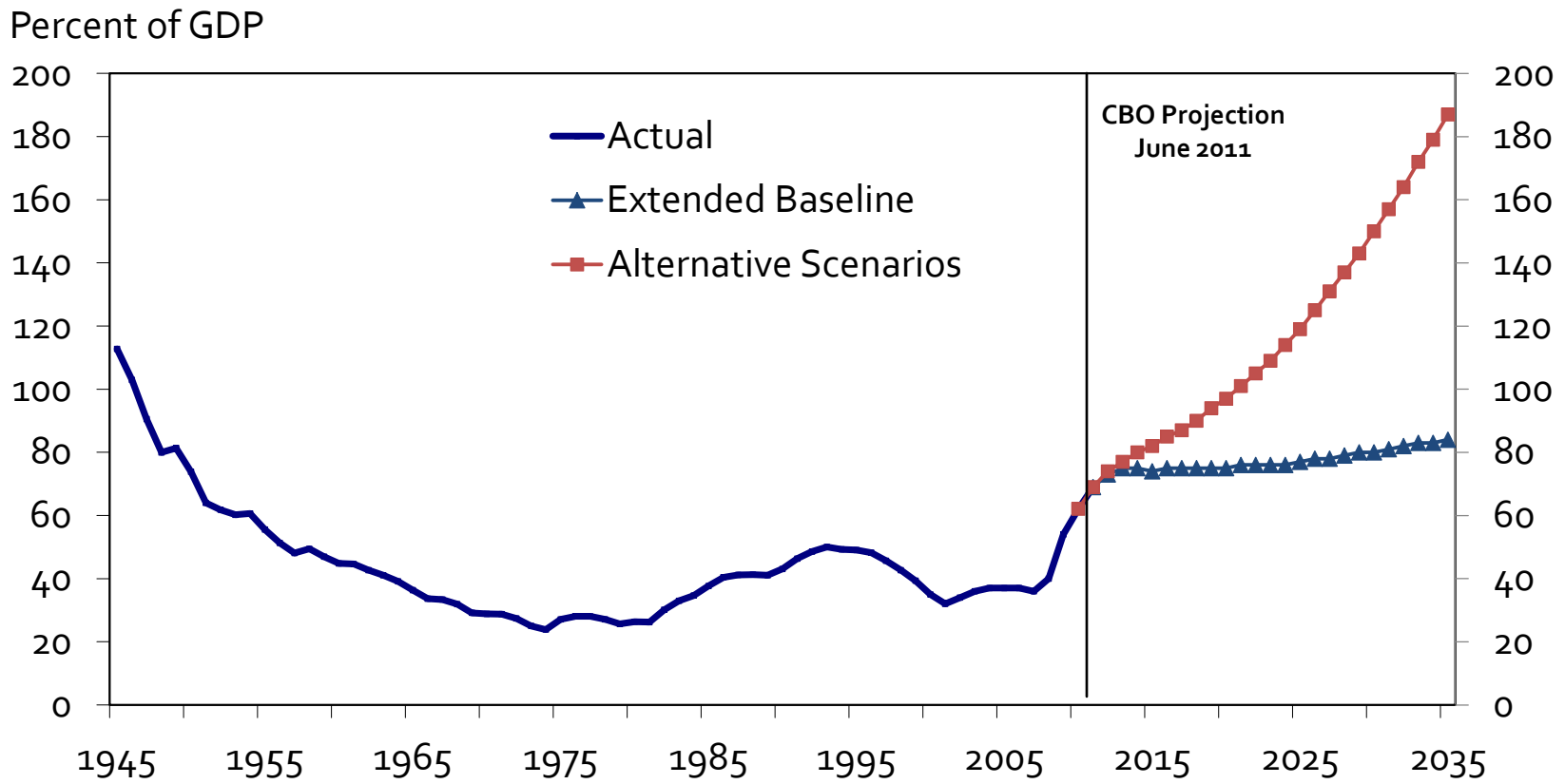


Source: USDA



How does federal government debt affect economic conditions?

Federal Government Debt as a Percent of GDP

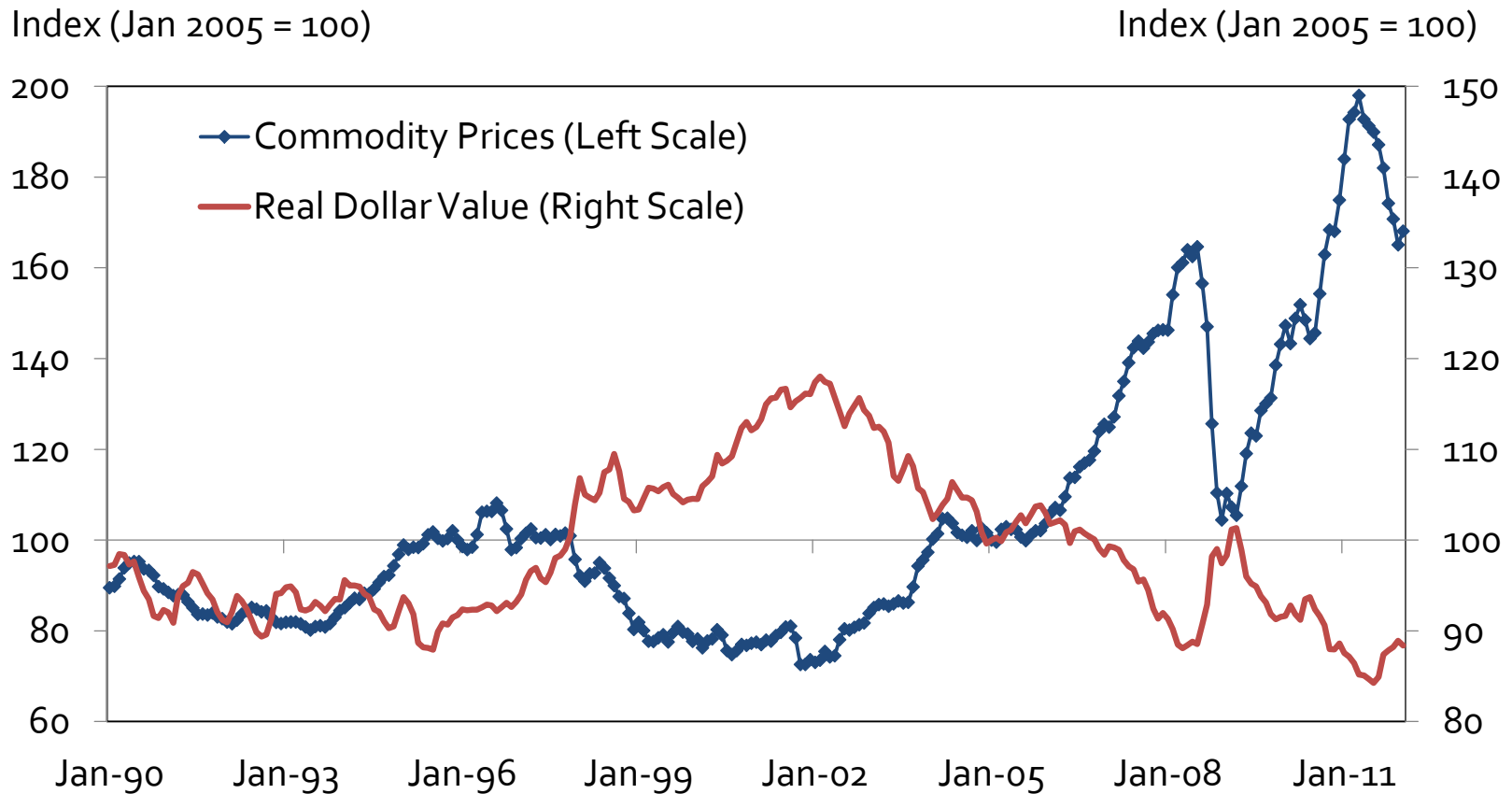


Source: Congressional Budget Office



How will financial market stress shape the dollar, commodity prices, and exports?

Commodity Prices and the Value of the Dollar

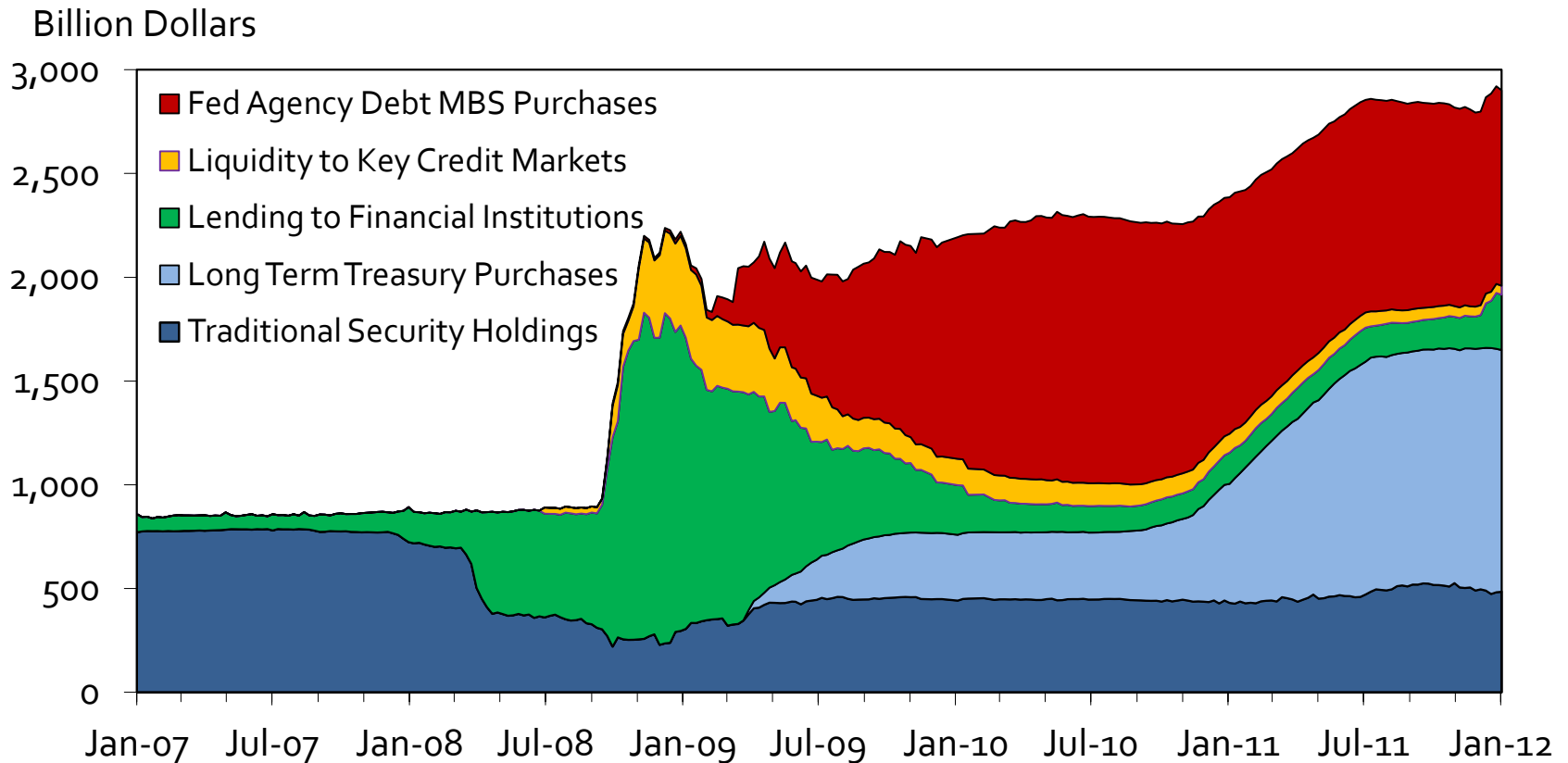


Source: Commodity Research Bureau and Federal Reserve Board of Governors



To stimulate or not to stimulate: the FOMC debate

Federal Reserve Balance Sheet: Assets



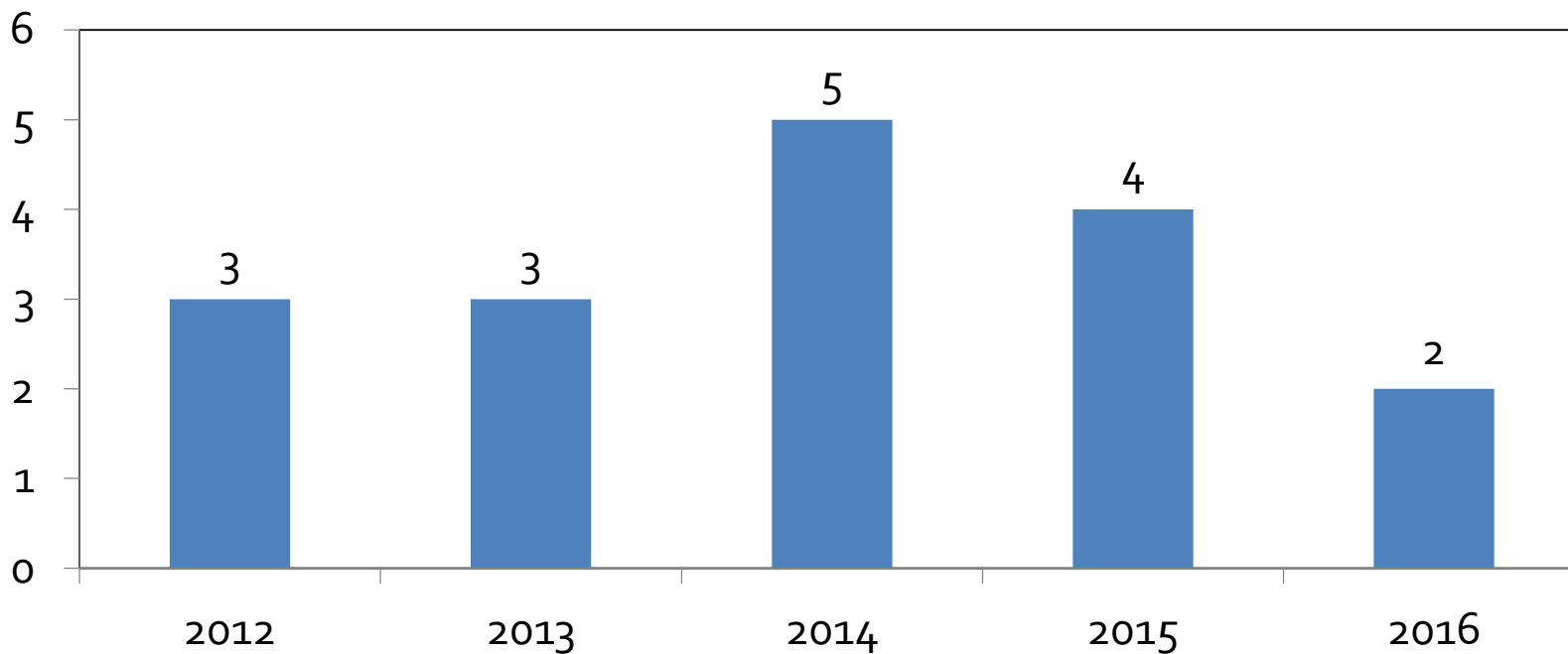
Source: Federal Reserve Bank of Cleveland



When will interest rates turn higher?

Overview of Federal Open Market Committee (FOMC) Participants Assessments of Appropriate Monetary Policy (Appropriate Timing of Policy Firming)

Number of Participants



Source: Federal Reserve Board of Governors



Conclusions

- After another summer soft spot, recent economic data suggest modest growth ahead.
- A rebound in commodity markets and manufacturing have underpinned stronger gains in the Nebraska economy.
- Financial markets will shape economic activity in the near term.
- Agriculture could underpin the Nebraska economy again in 2012.

