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Regional Economic Update



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.

Today's Roadmap

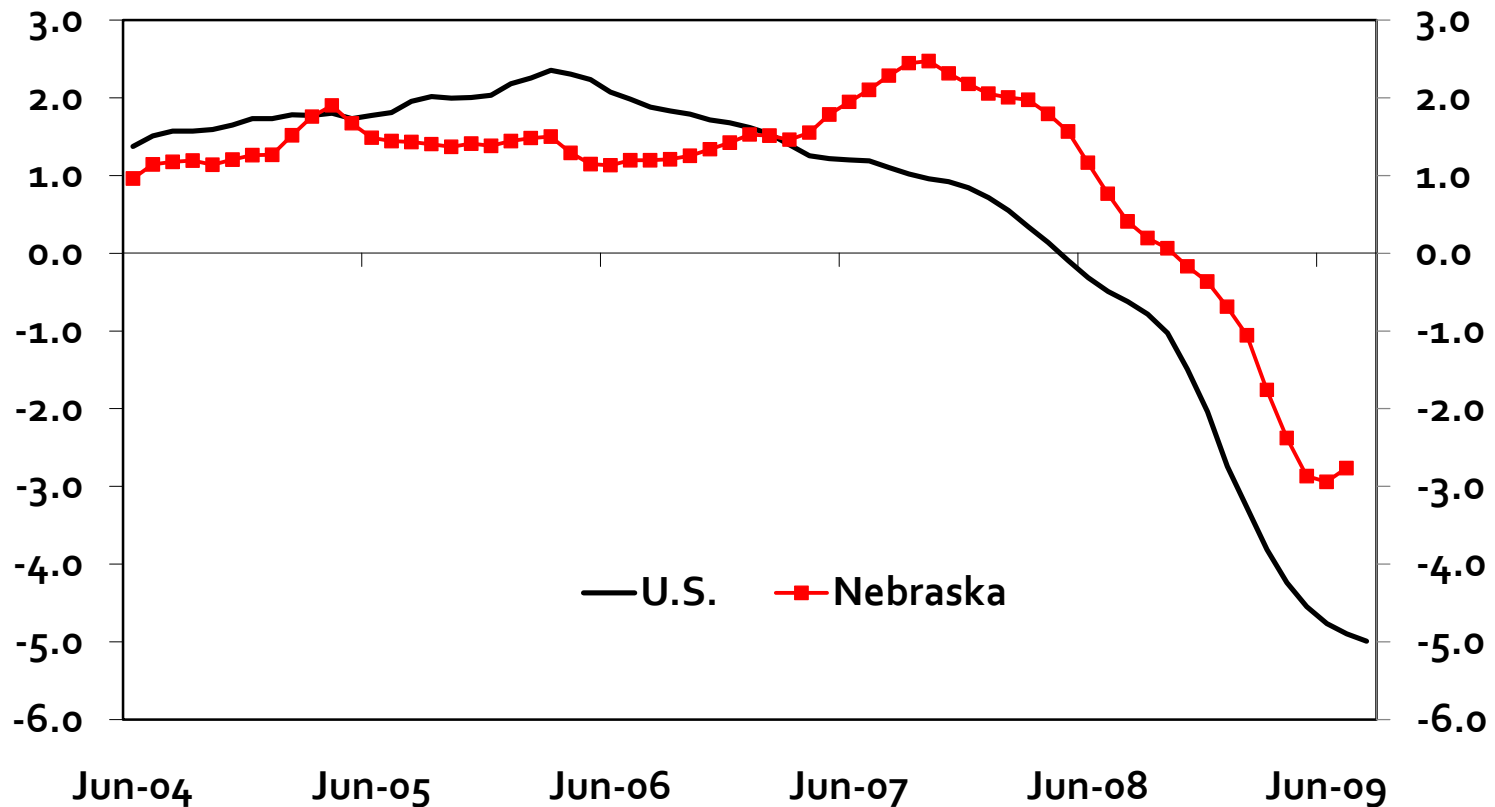
- The “Great Recession” ends in Nebraska.
- The Ag Boom ends.
- The “letter” of this recovery is ...
- The Federal Reserve exit strategy



Nebraska's economy is performing better than the nation as a whole.

Private Non-Farm Employment Growth

Percent change year-over-year (three-month moving average)



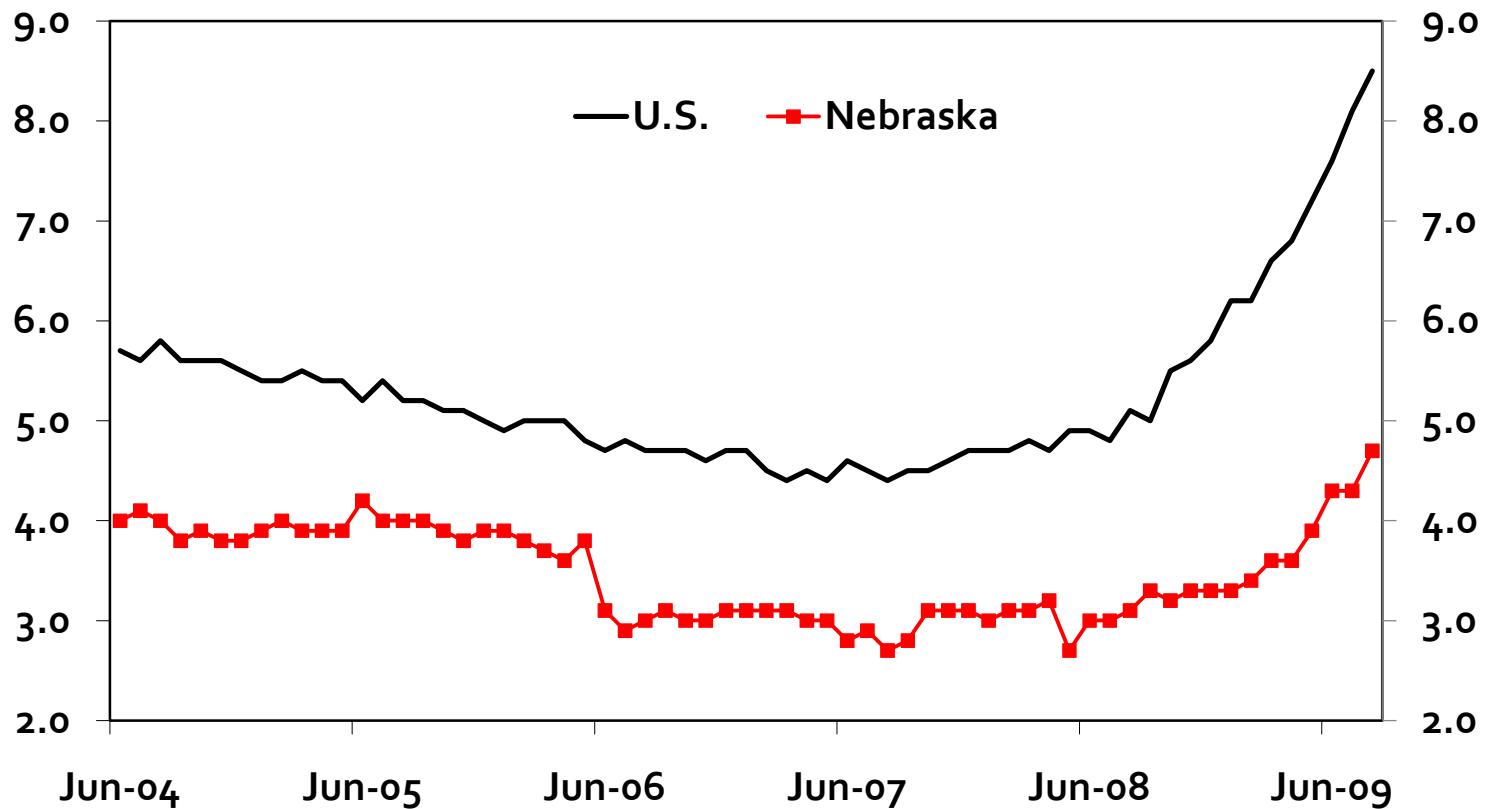
Source: Bureau of Labor Statistics



When will Nebraska's unemployment rates peak?

Unemployment Rate

Percent



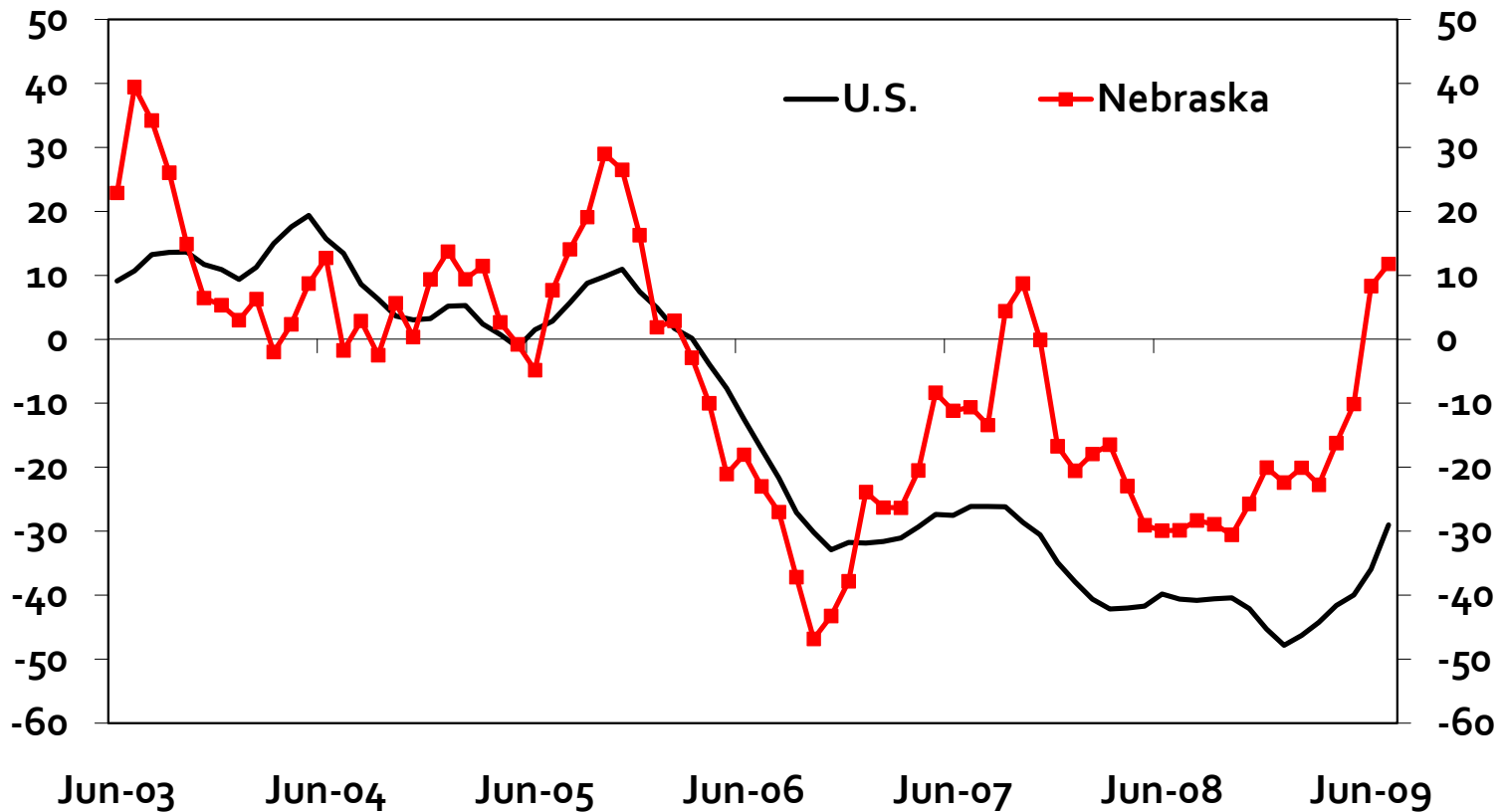
Source: Bureau of Labor Statistics



Housing appears to have bottomed. But, how sustainable is the recovery?

Single Family Building Permits

Percent change from previous year (3-month moving average)

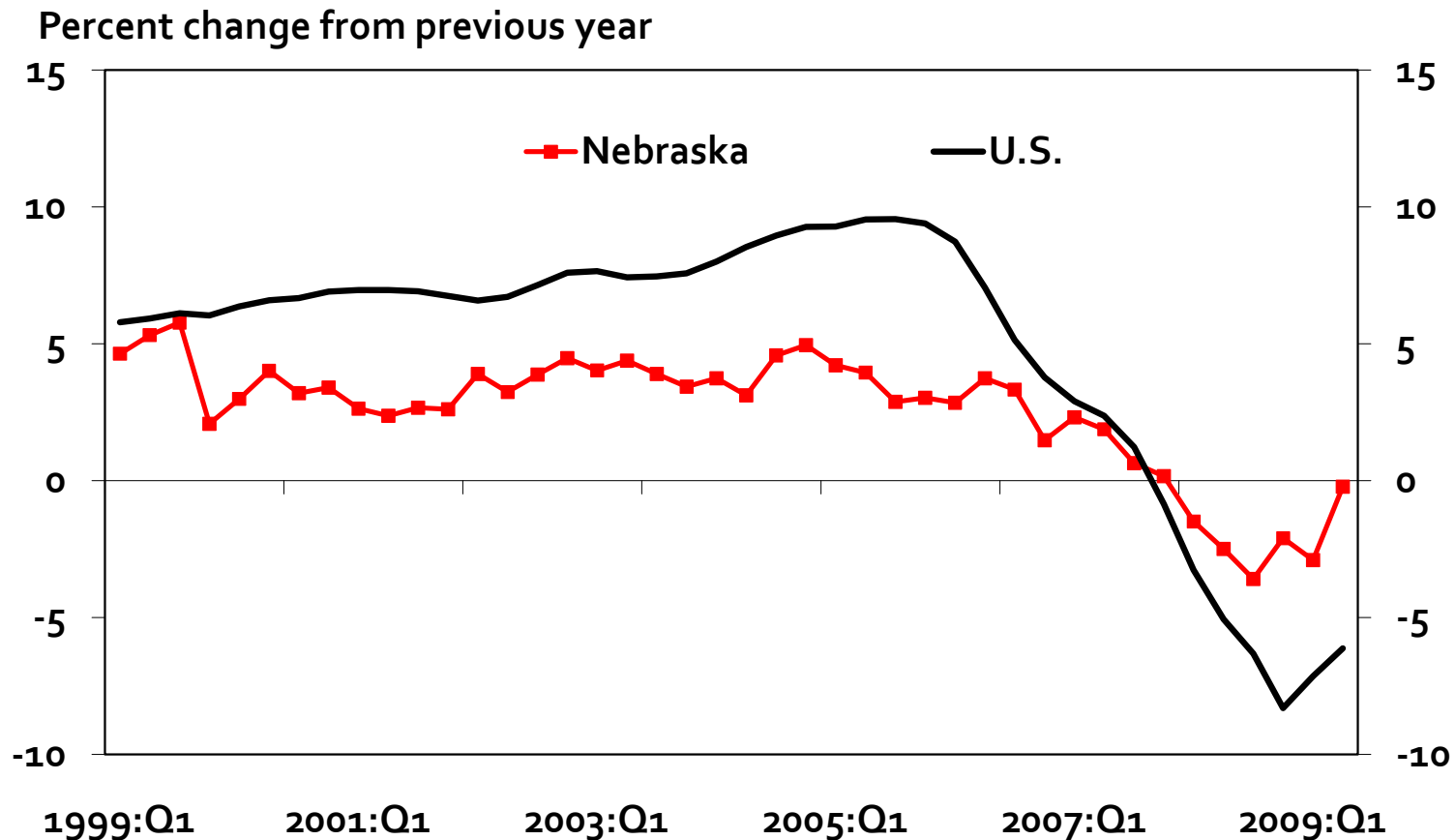


Source: U.S. Census Bureau



Home prices have held up better than the nation.

Repeat Sales Home Price Index (Purchase Only)

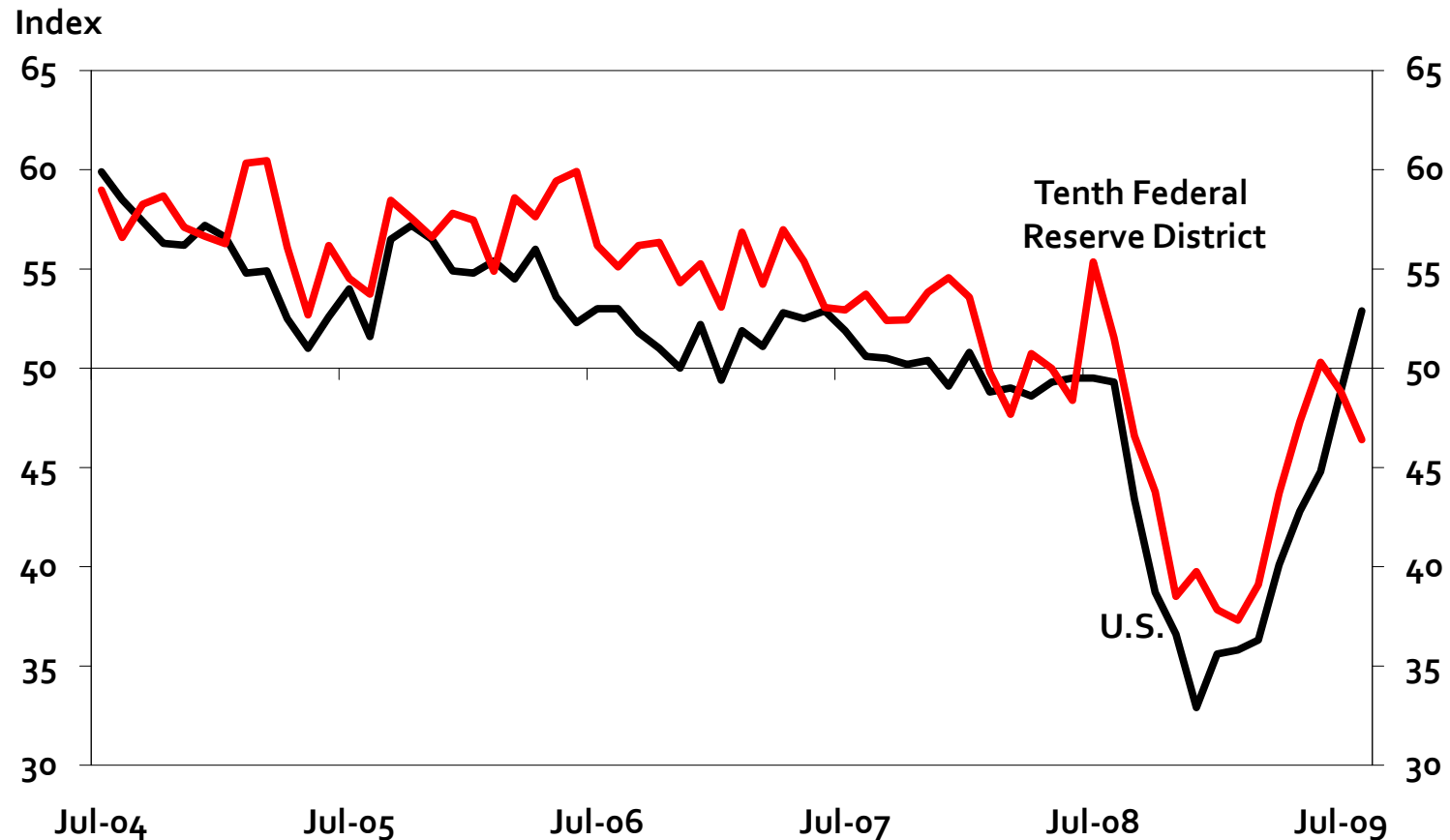


Source: Federal Housing Finance Agency



Manufacturing activity has bottomed

U.S. and Tenth District Manufacturing Production Indices



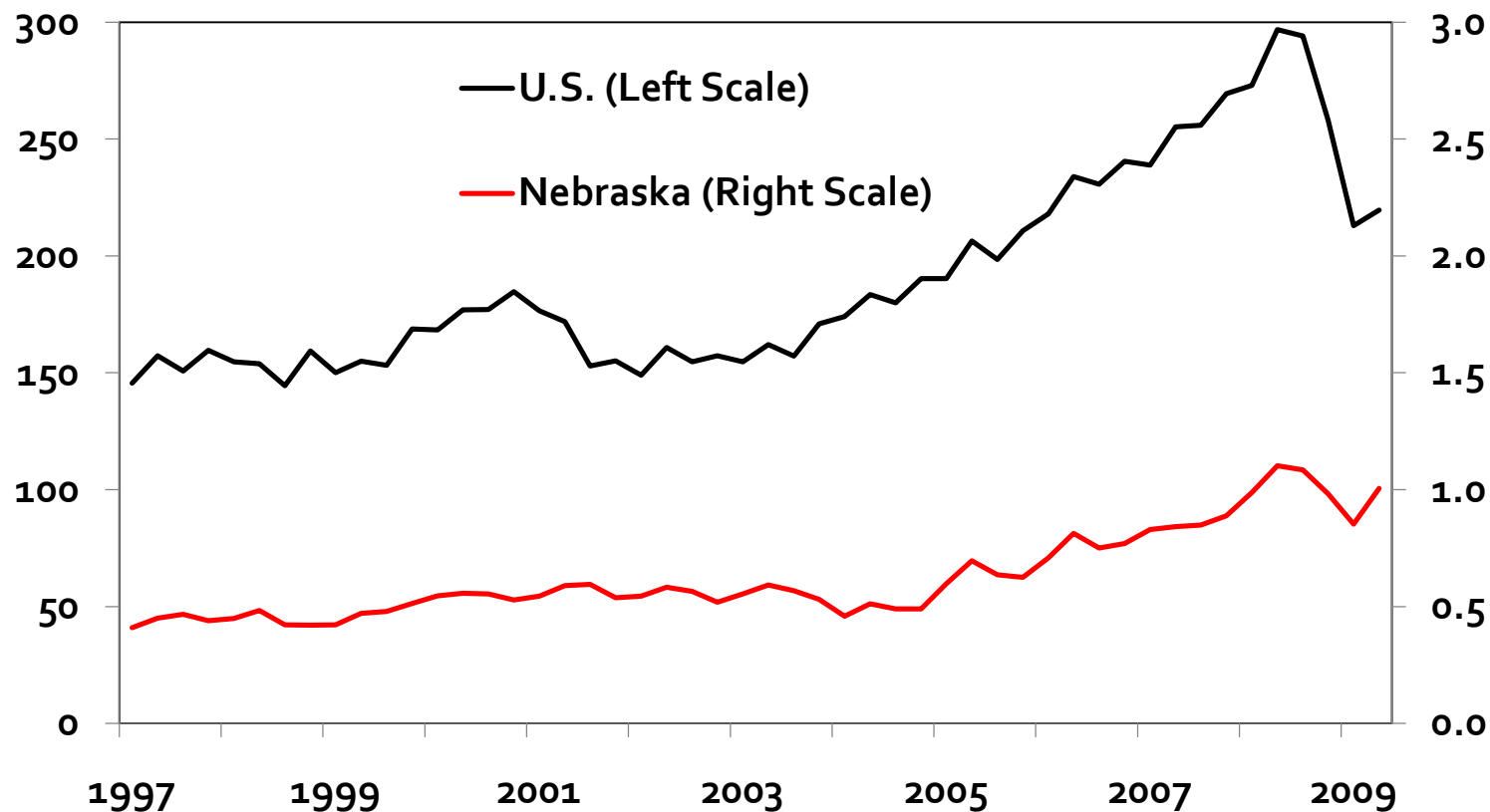
Source: Institute of Supply Management and Federal Reserve Bank of Kansas City



After contracting in 2008, could manufactured exports improve further in 2009?

Manufactured Exports

Billion dollars

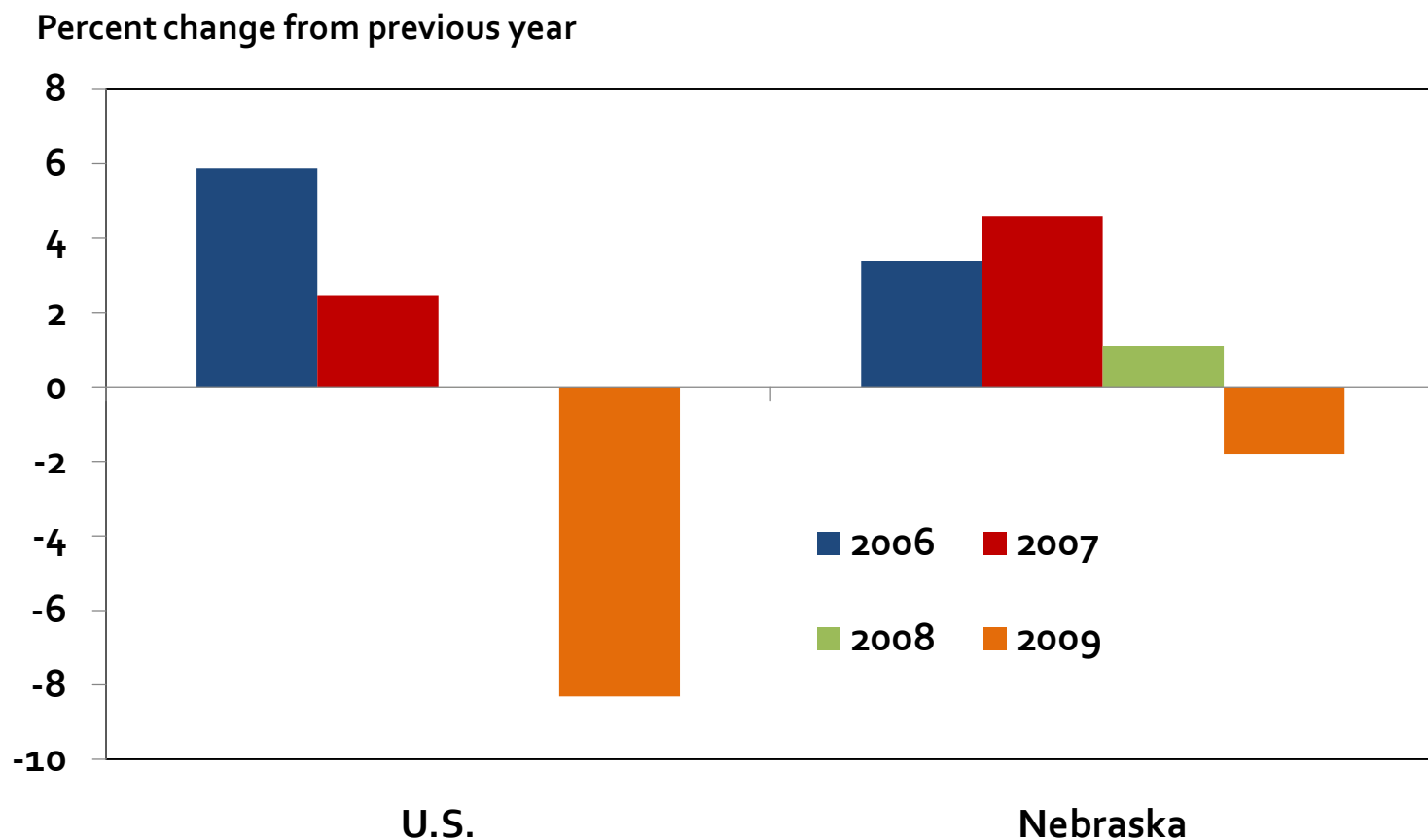


Source: WISERTrade



Consumer spending has fallen sharply.

General Sales and Use Taxes



Source: U.S. Census Bureau, Nebraska Department of Revenue
2009 data are first quarter



Today's Roadmap

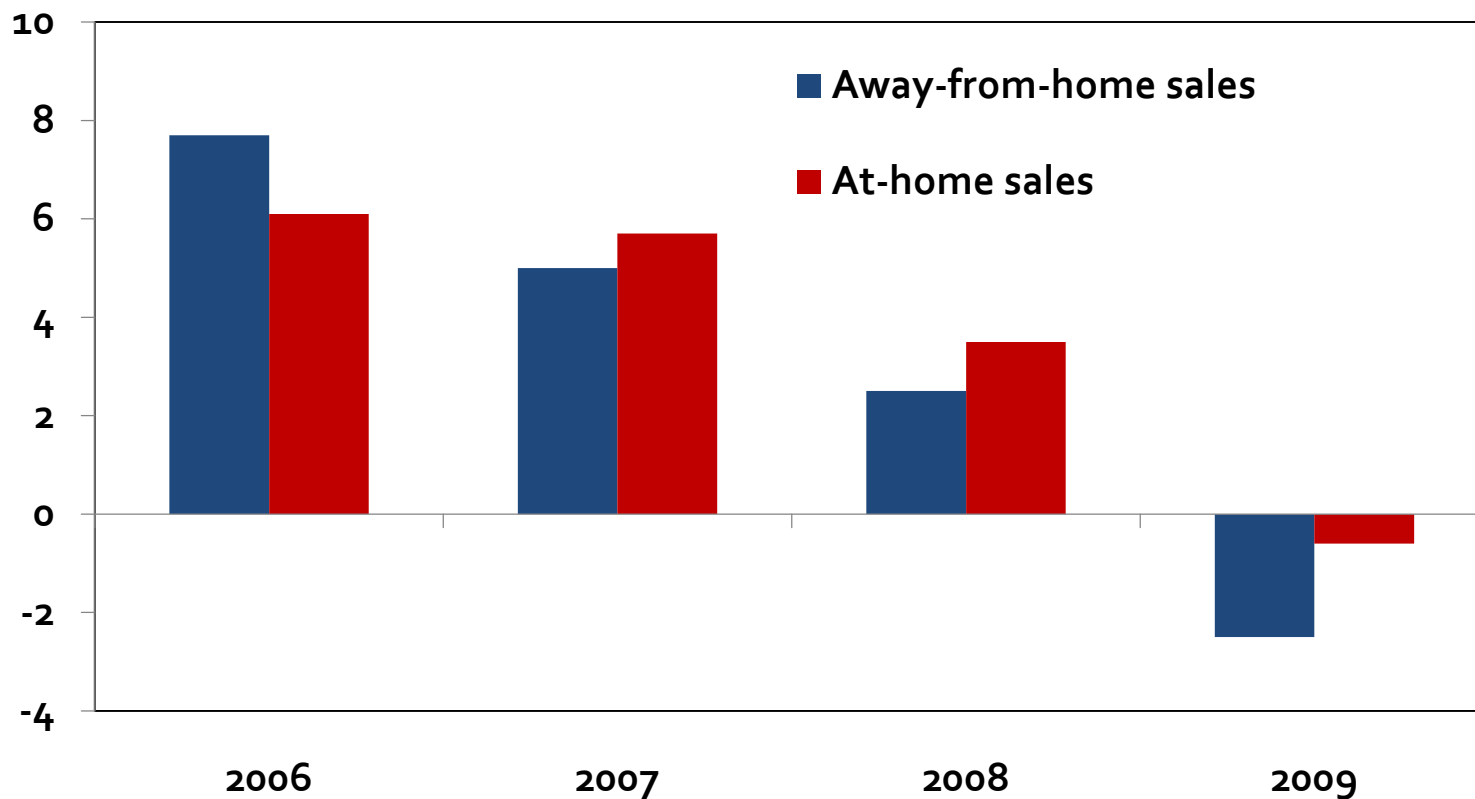
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Food sales decline, especially at restaurants.

U.S. Food Sales

Percent change from previous year



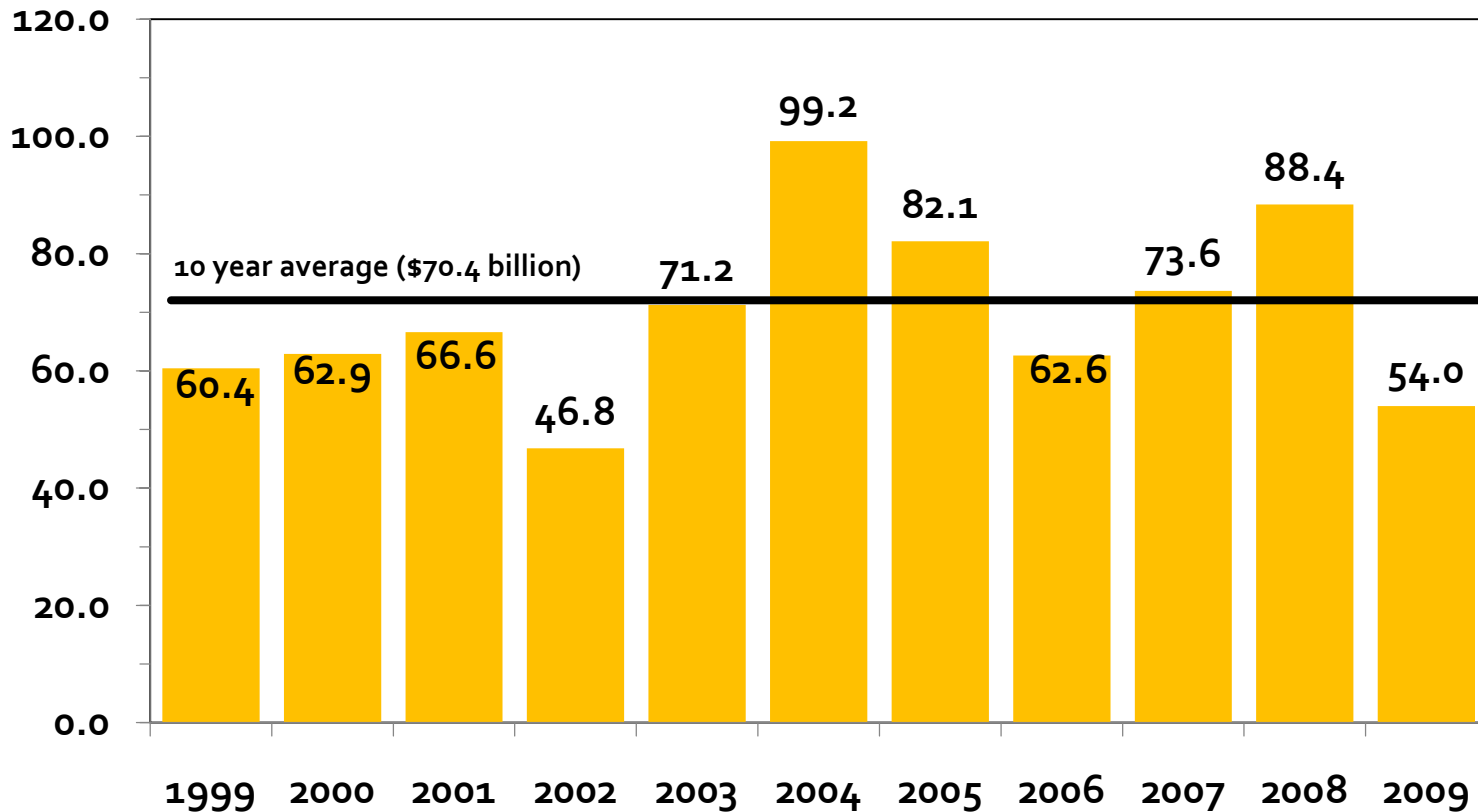
Source: USDA
2009 data are year-to-date through June



Narrower crop margins and livestock losses leads to a sharp decline in farm incomes.

U.S. Real Net Farm Income

Billion dollars (2008 constant dollars)

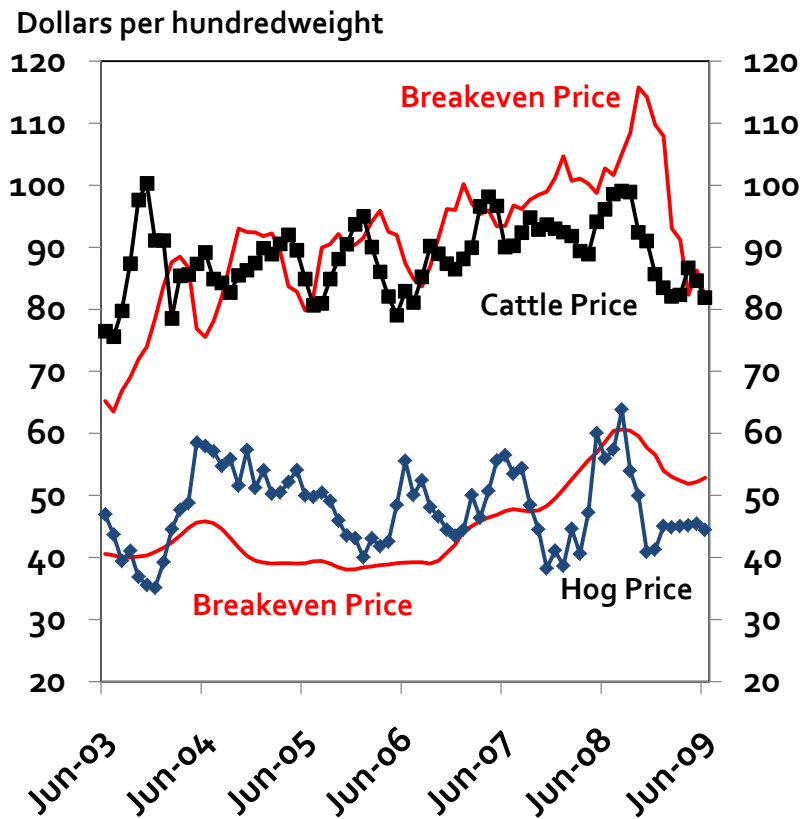


Source: USDA

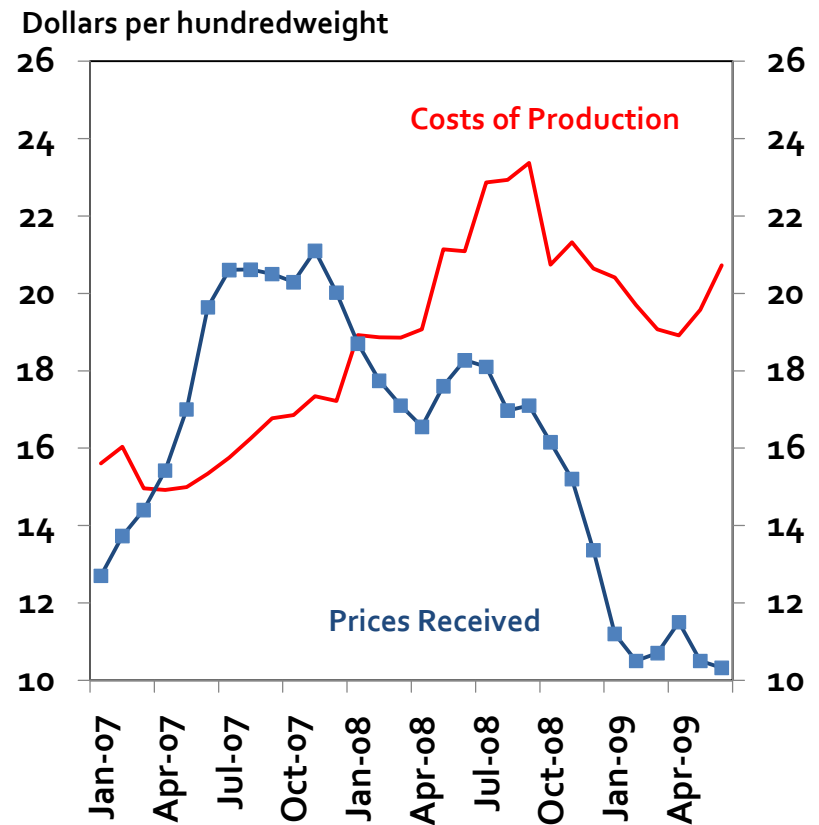


Livestock, poultry, and dairy producers struggle to post profits

CATTLE AND HOG PRICES AND BREAKEVENS



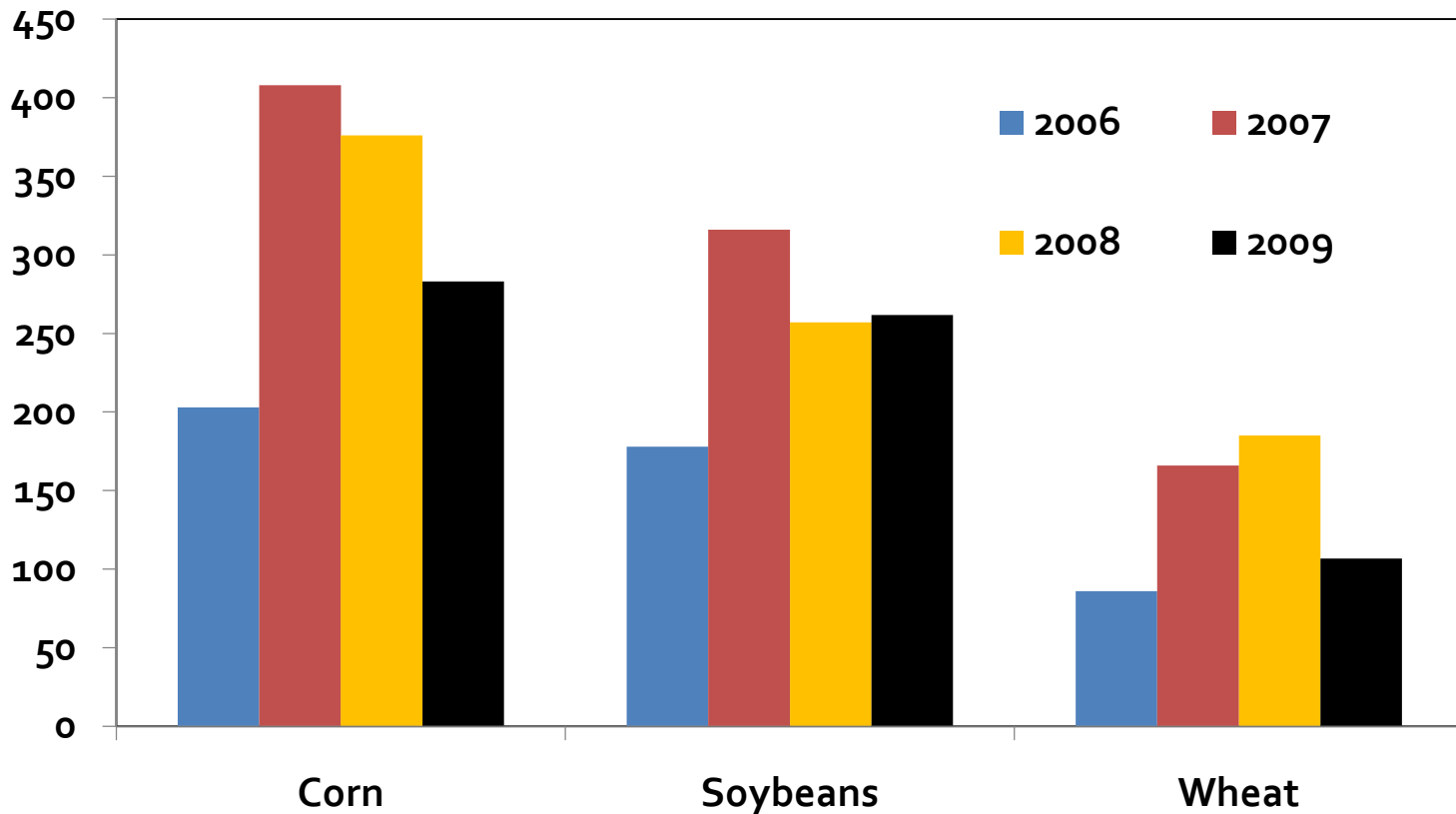
CALIFORNIA MILK COSTS AND PRICES RECEIVED



Will crop margins narrow in 2010?

Crop Net Returns above Variable Costs

Dollars per acre

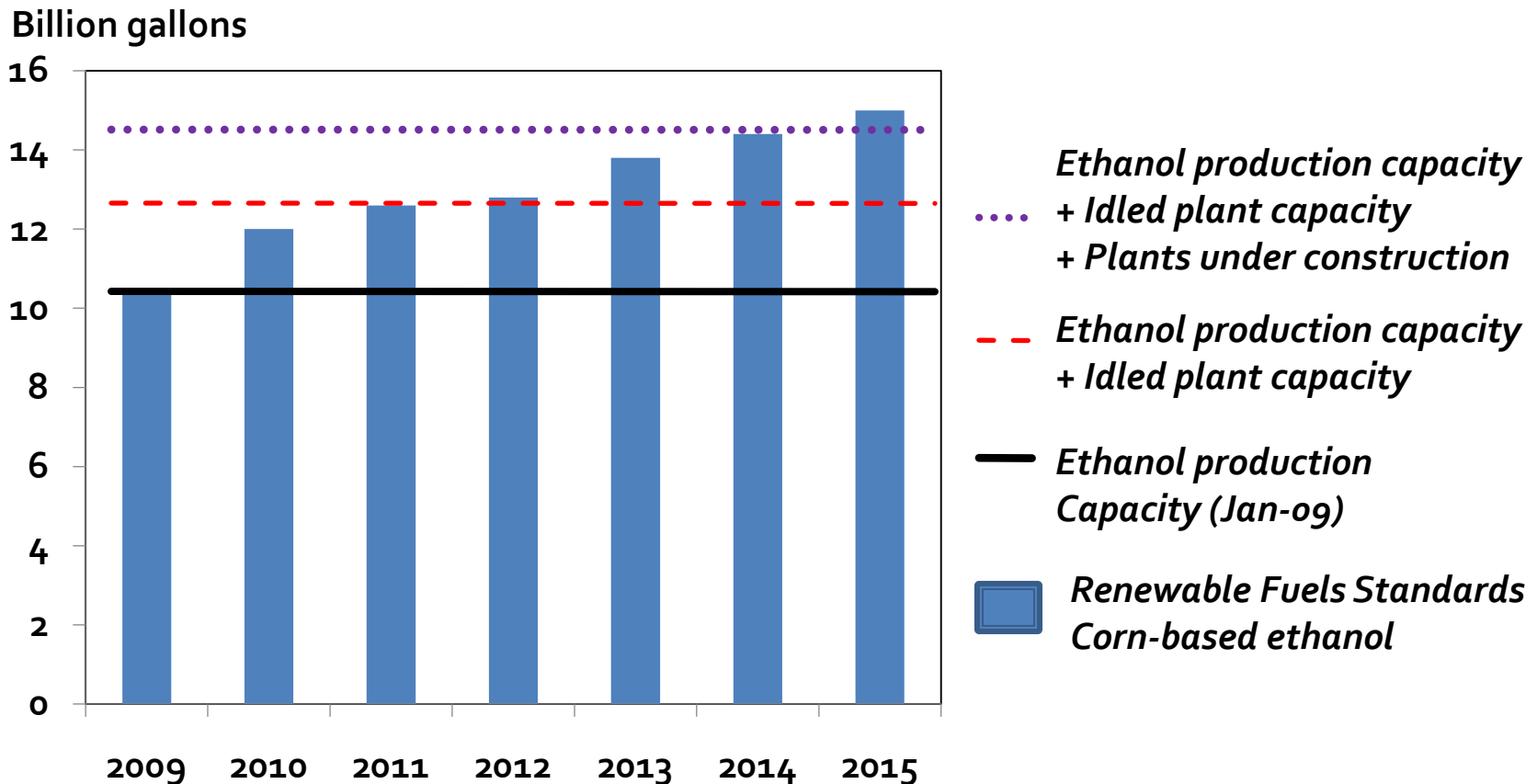


Source: USDA



How many more ethanol plants do we need?

Corn-based Ethanol Mandate in Renewable Fuels Standards



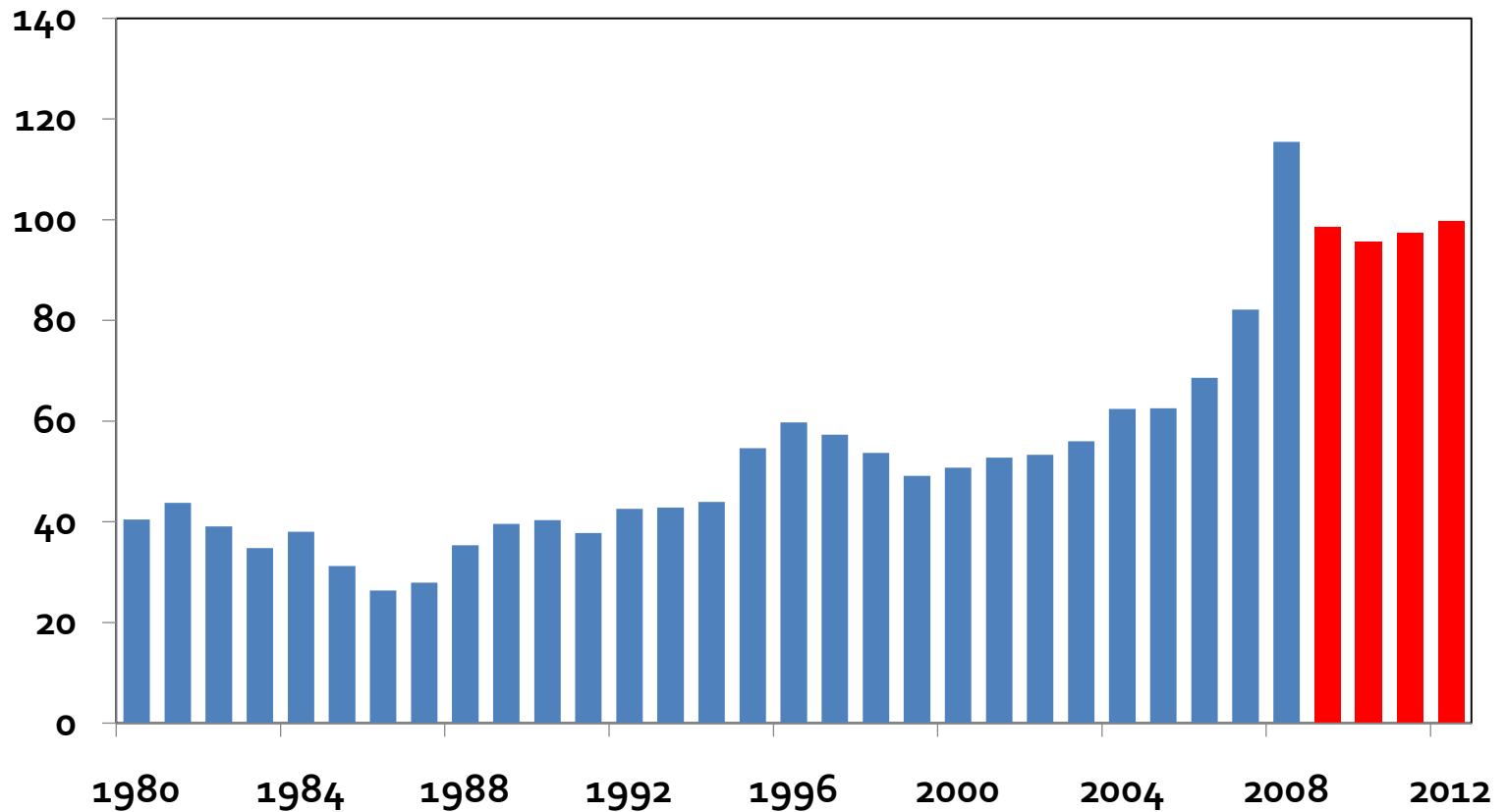
Source: Renewable Fuels Association and FAPRI



Will agricultural exports rebound in 2010?

U.S. Agricultural Exports

Billion dollars



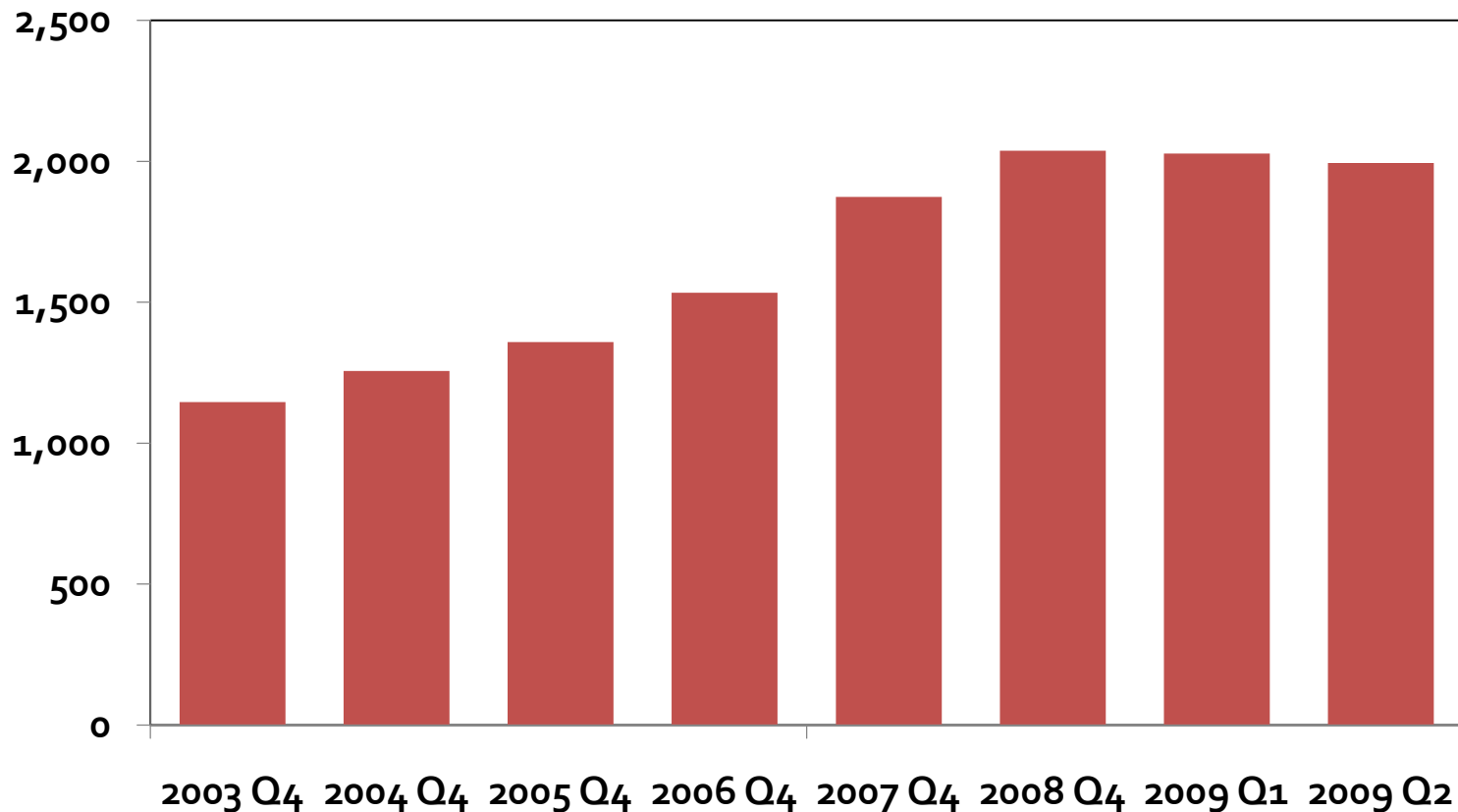
Source: USDA, fiscal years



What will drive farmland values?

Nebraska Nonirrigated Farmland Values

Dollars per acre



Source: Federal Reserve Bank of Kansas City



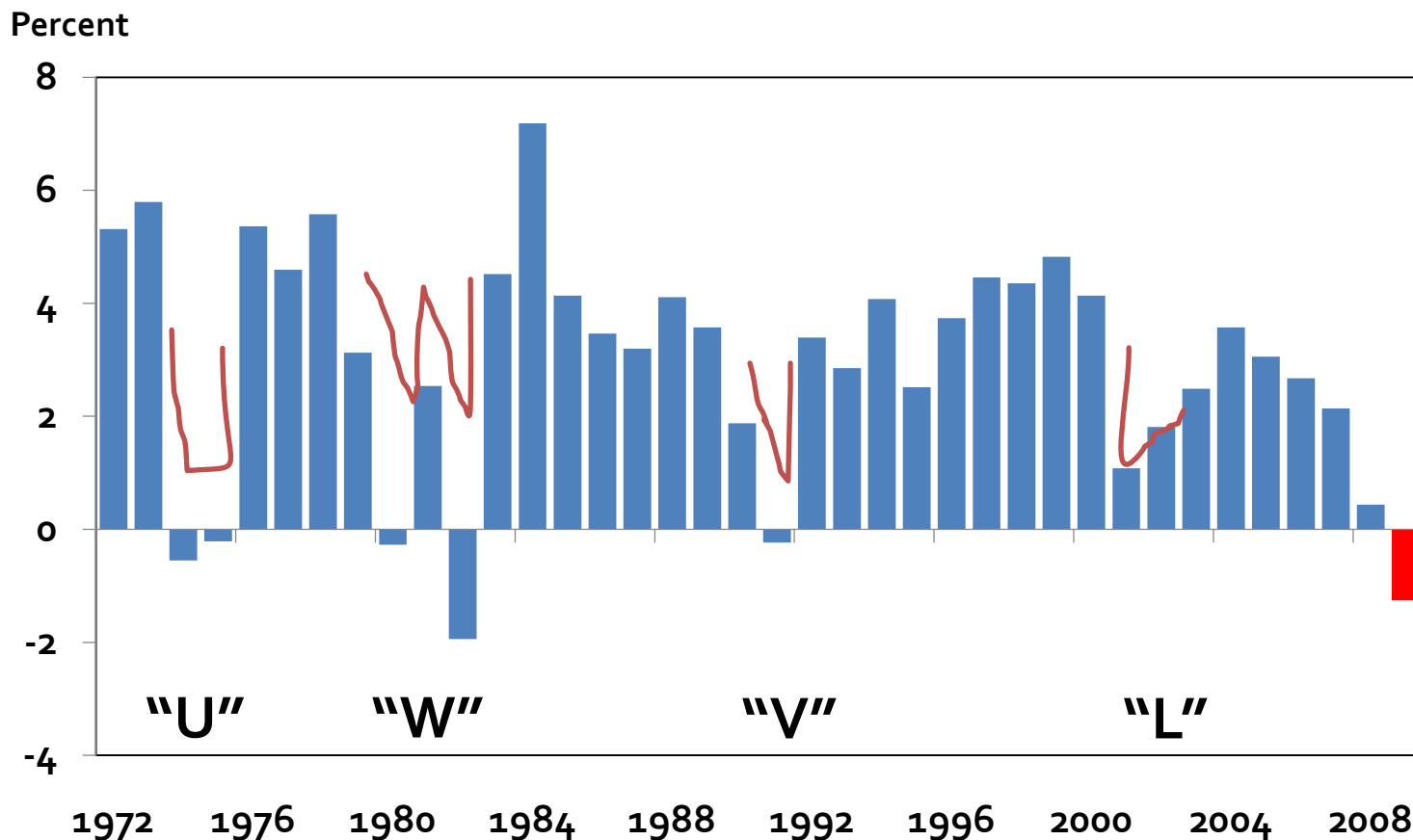
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What is the "Letter" of Recovery?

U.S. Real GDP Growth



Source: Bureau of Economic Analysis and Federal Reserve projection



Federal Reserve Economic Projections

(June 24, 2009)

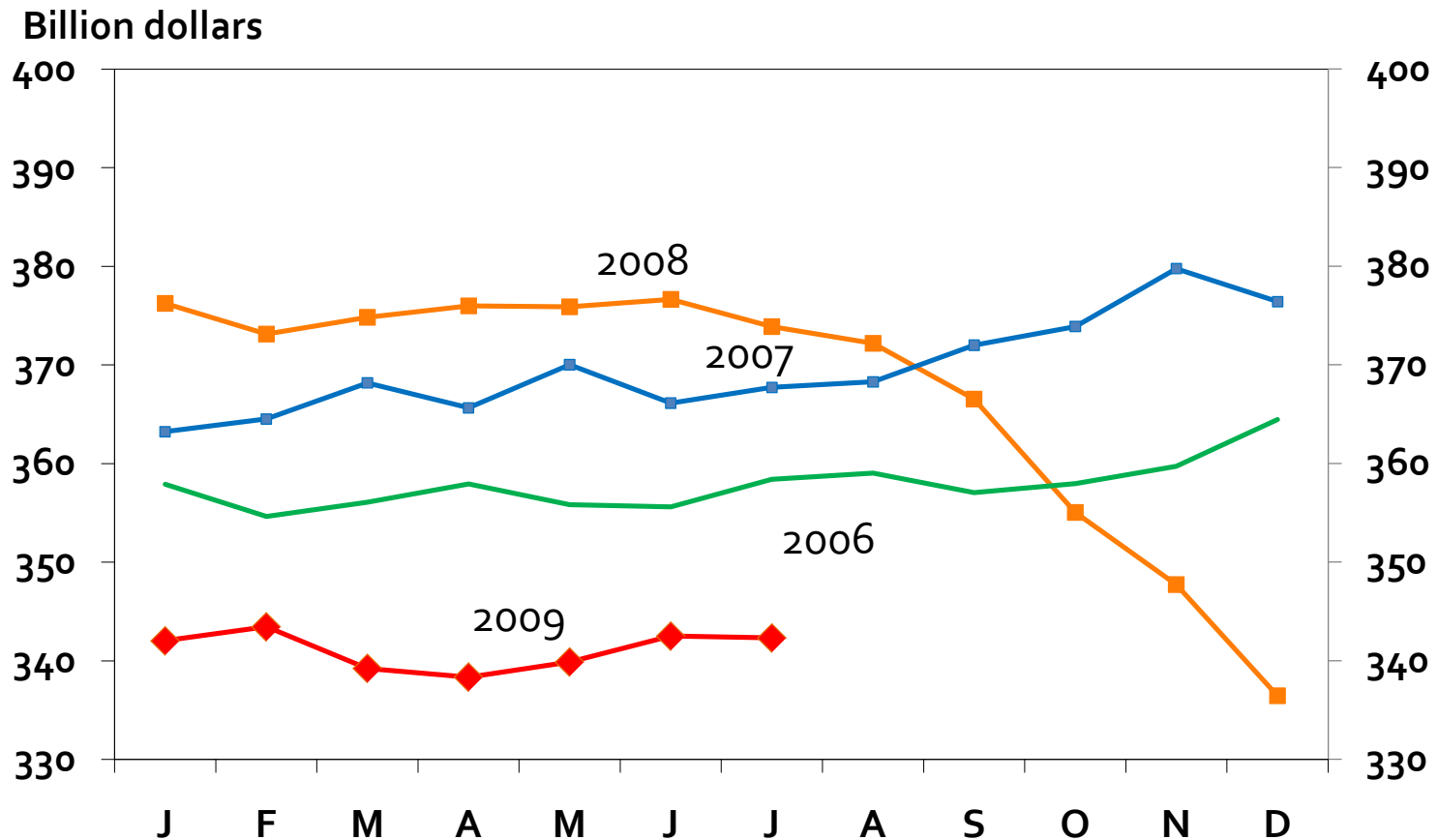
	2009	2010	2011	Longer Run
Real GDP Growth	-1.5 to -1.0	2.1 to 3.3	3.8 to 4.6	2.5 to 2.7
April '09 projection	-2.0 to -1.3	2.0 to 3.0	3.5 to 4.8	
Unemployment Rate	9.8 to 10.1	9.5 to 9.8	8.4 to 8.8	4.8 to 5.0
April '09 projection	9.2 to 9.6	9.0 to 9.5	7.7 to 8.5	
PCE Inflation	1.0 to 1.4	1.2 to 1.8	1.1 to 2.0	1.7 to 2.0
April '09 projection	0.6 to 0.9	1.0 to 1.6	1.0 to 1.9	

Source: Summary of Economic Projections, Minutes of the Federal Open Market Committee, June 23-24, 2009.
Available at www.federalreserve.gov



Will consumers spend this holiday season?

U.S. Monthly Retail and Food Sales



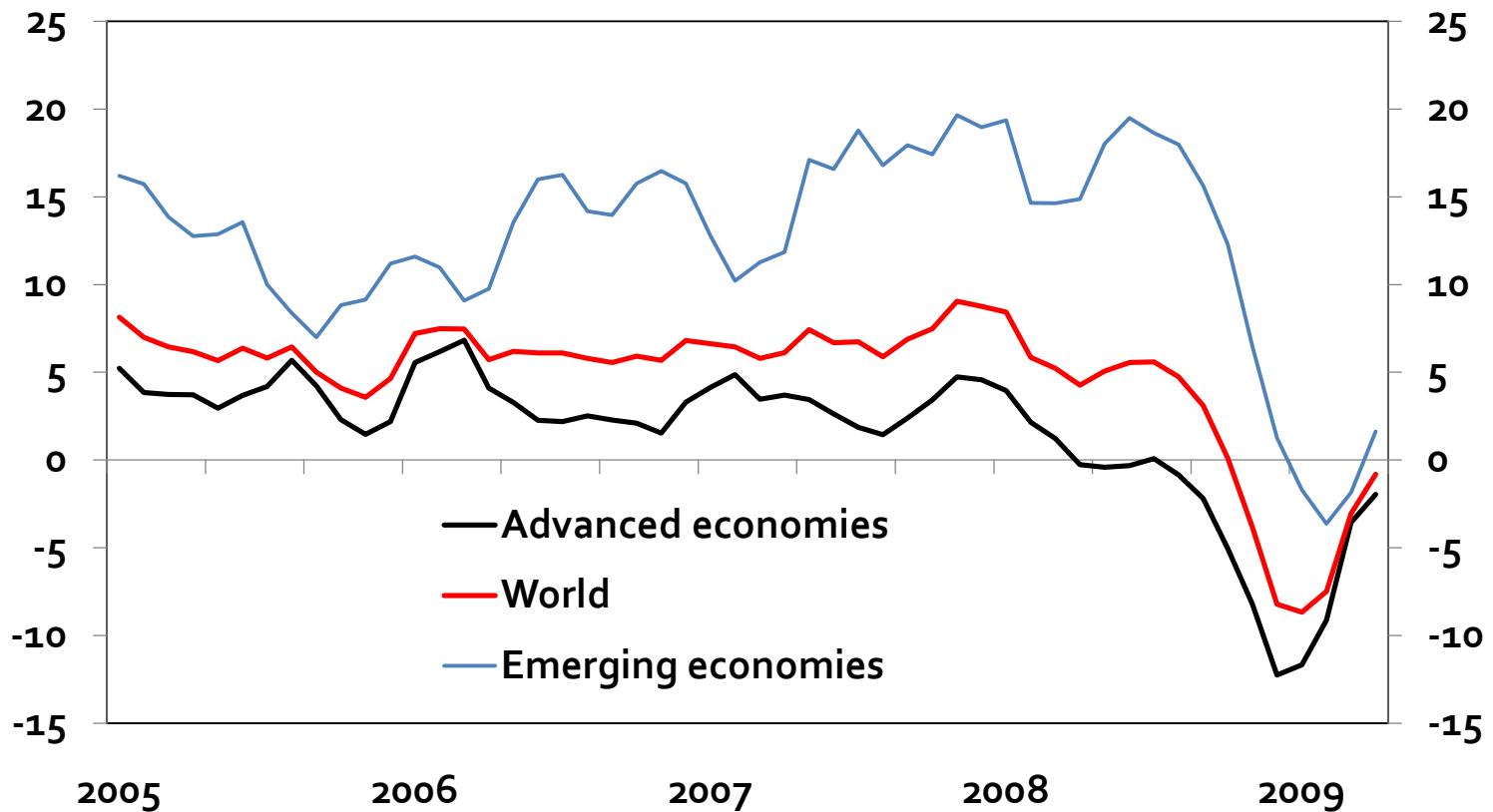
Source: U.S. Census Bureau



Will the global spending rebound continue?

Retail Sales

Annualized Percent Change (3 month moving average)



Source: International Monetary Fund



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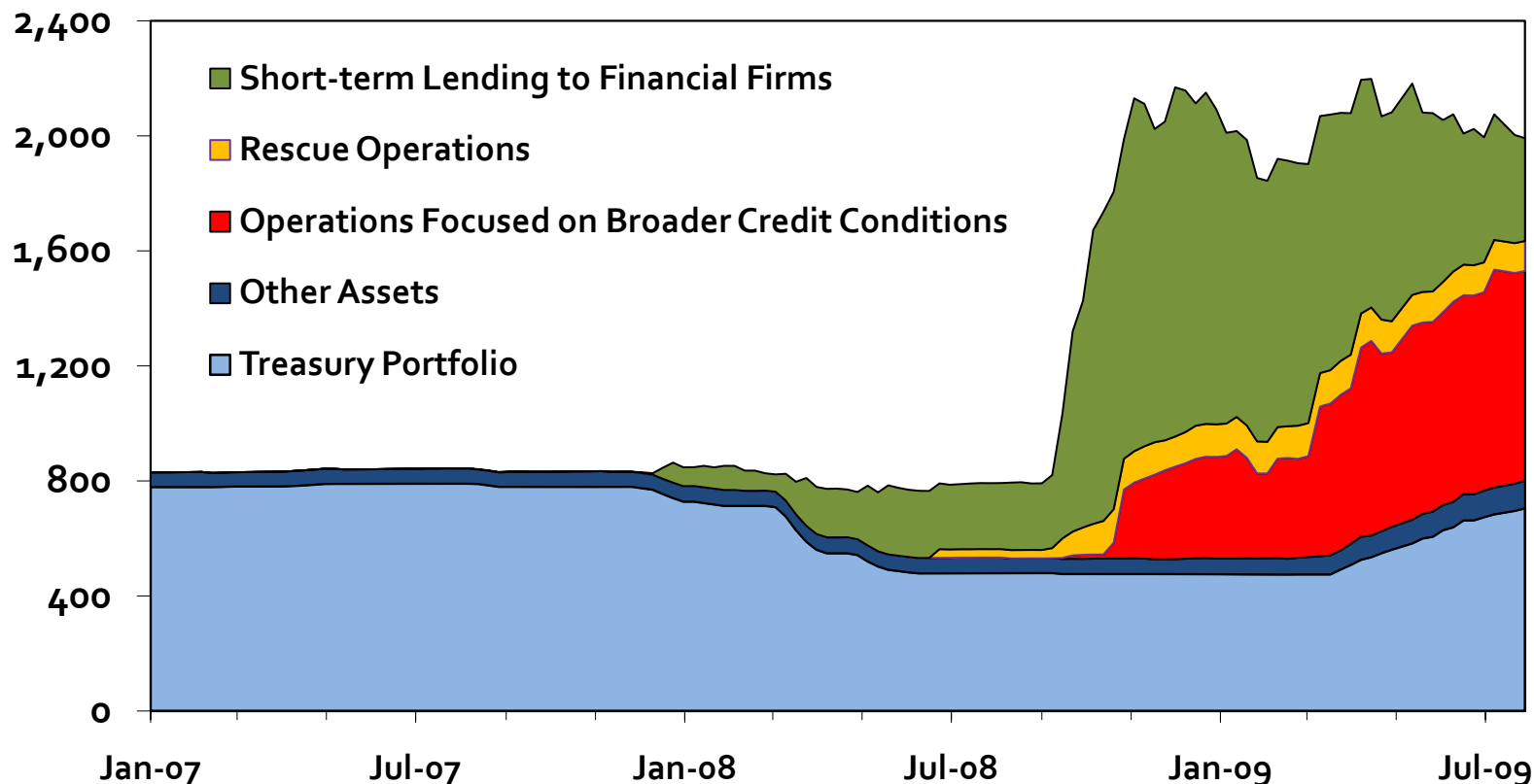
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The Fed has expanded its balance sheet.

Federal Reserve Balance Sheet: Assets

Billion Dollars



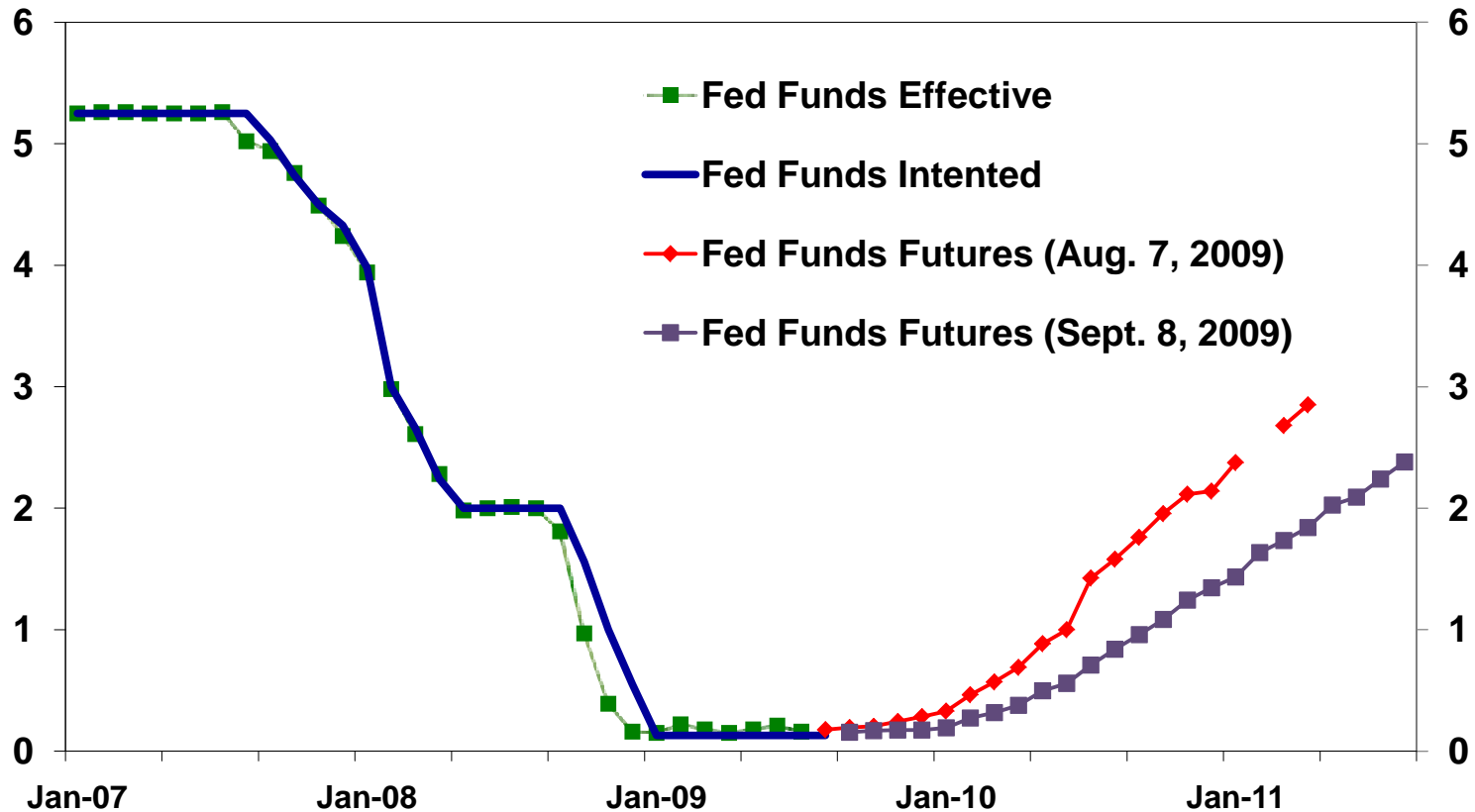
Source: Federal Reserve Board of Governors



What is the future path of interest rates?

Fed Funds Rate

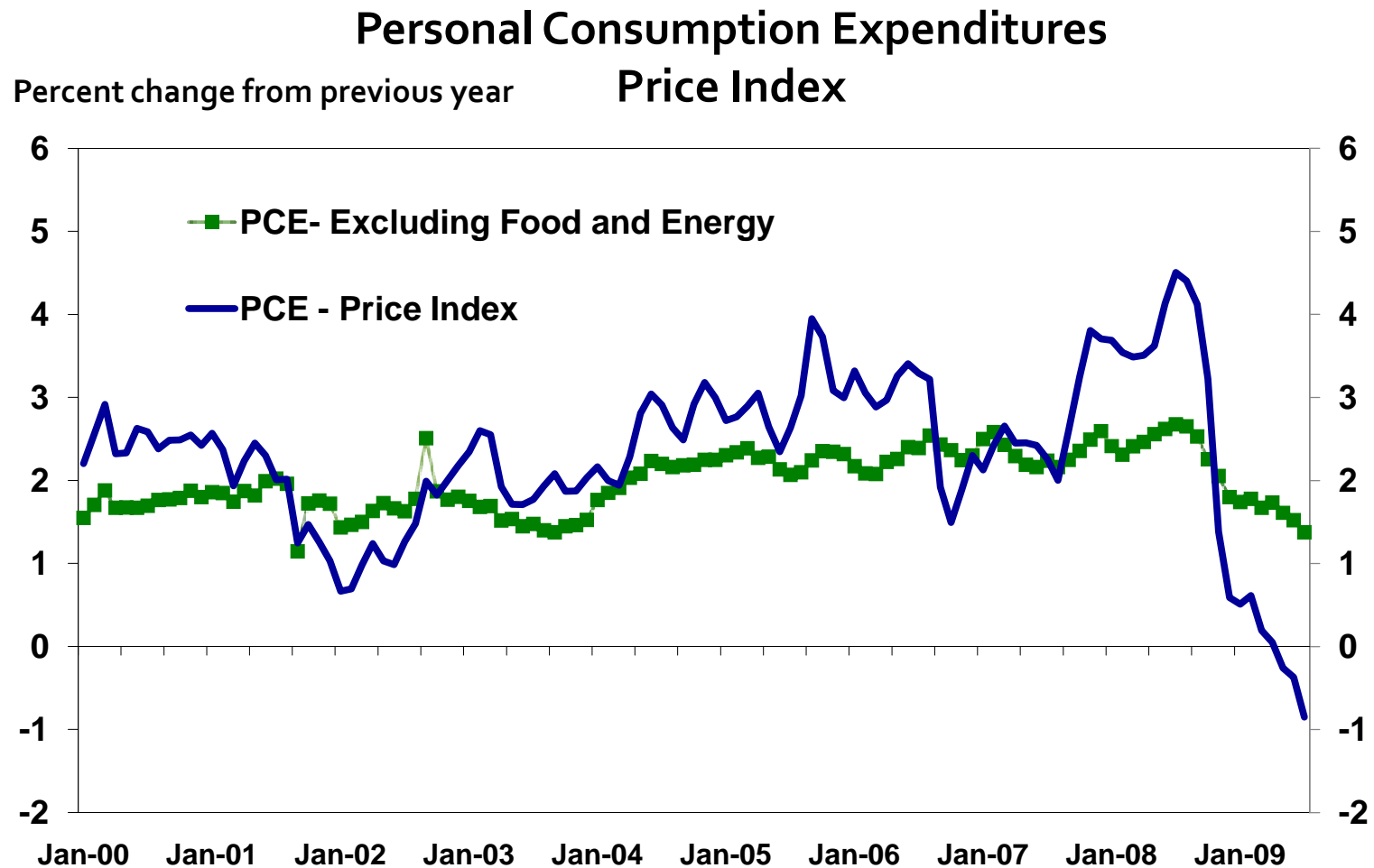
Percent



Source: Federal Reserve Board of Governors and CME Group



Is Inflation or Deflation the Concern?



Source: Bureau of Economic Analysis



Conclusion

- The recession appears to be ending in Nebraska
- Will the farm boom bust in 2010?
- The outlook hinges on consumer spending.
- As the recovery strengthens, questions will switch from growth to inflation.
- Will the recovery lift the Nebraska economy in 2010?



For More Information

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Omaha Branch

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