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October 20, 2009

# Can Omaha Lead the Recovery?



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.

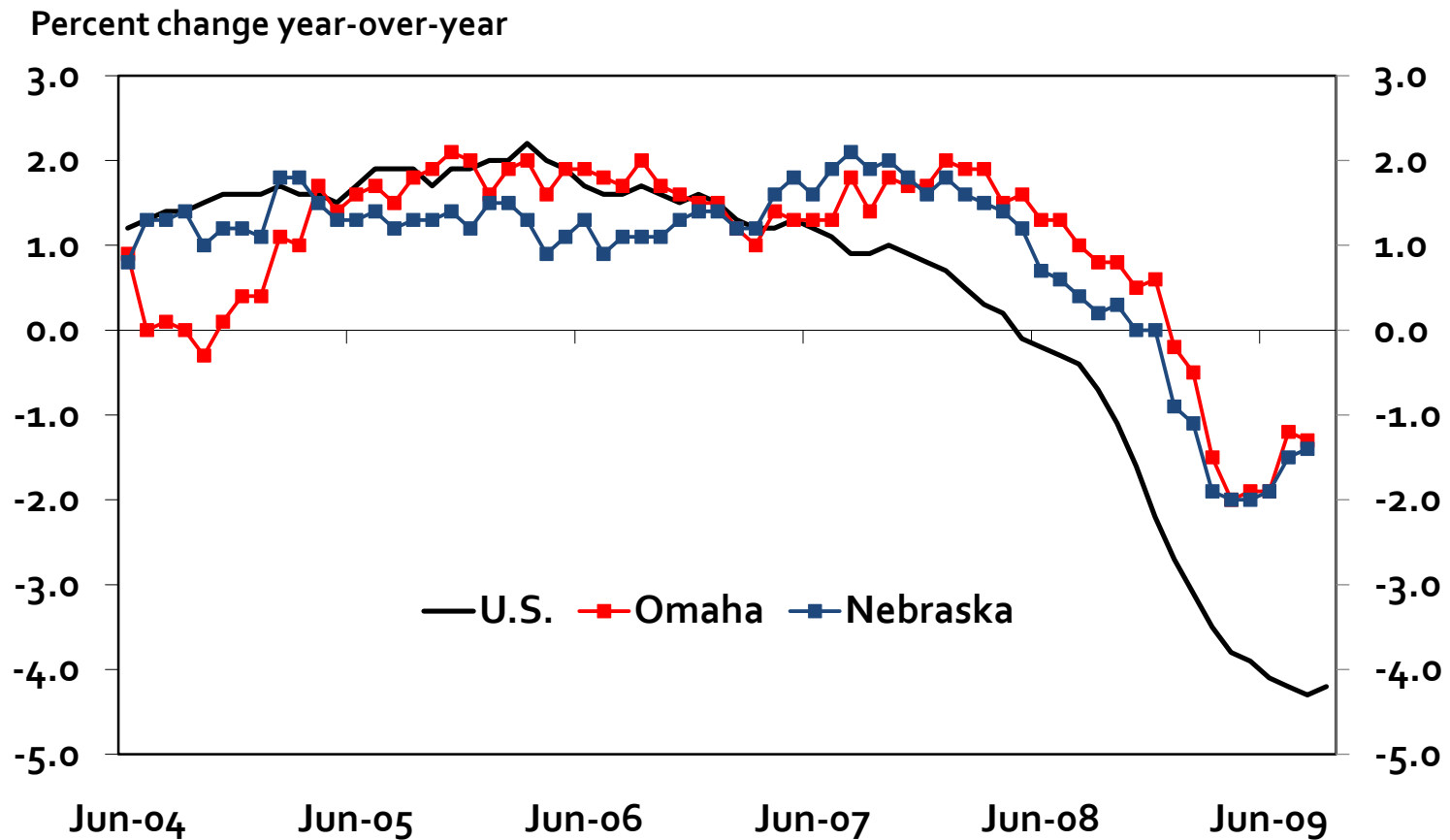
# Today's Roadmap

- 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 starting to add jobs.

## Total Non-Farm Employment Growth



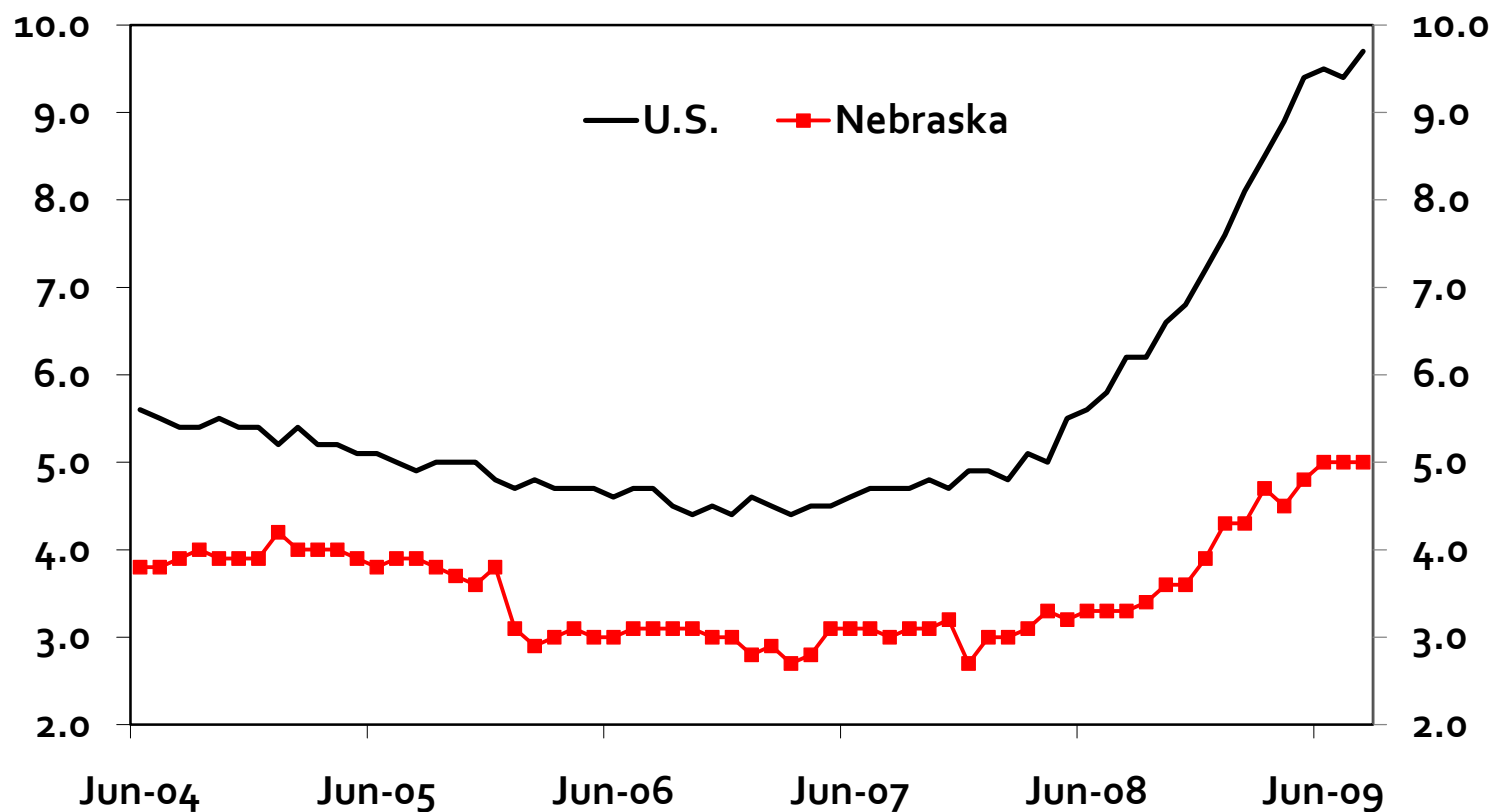
Source: Bureau of Labor Statistics



# Has Nebraska's unemployment rate peaked?

## Unemployment Rate

Percent



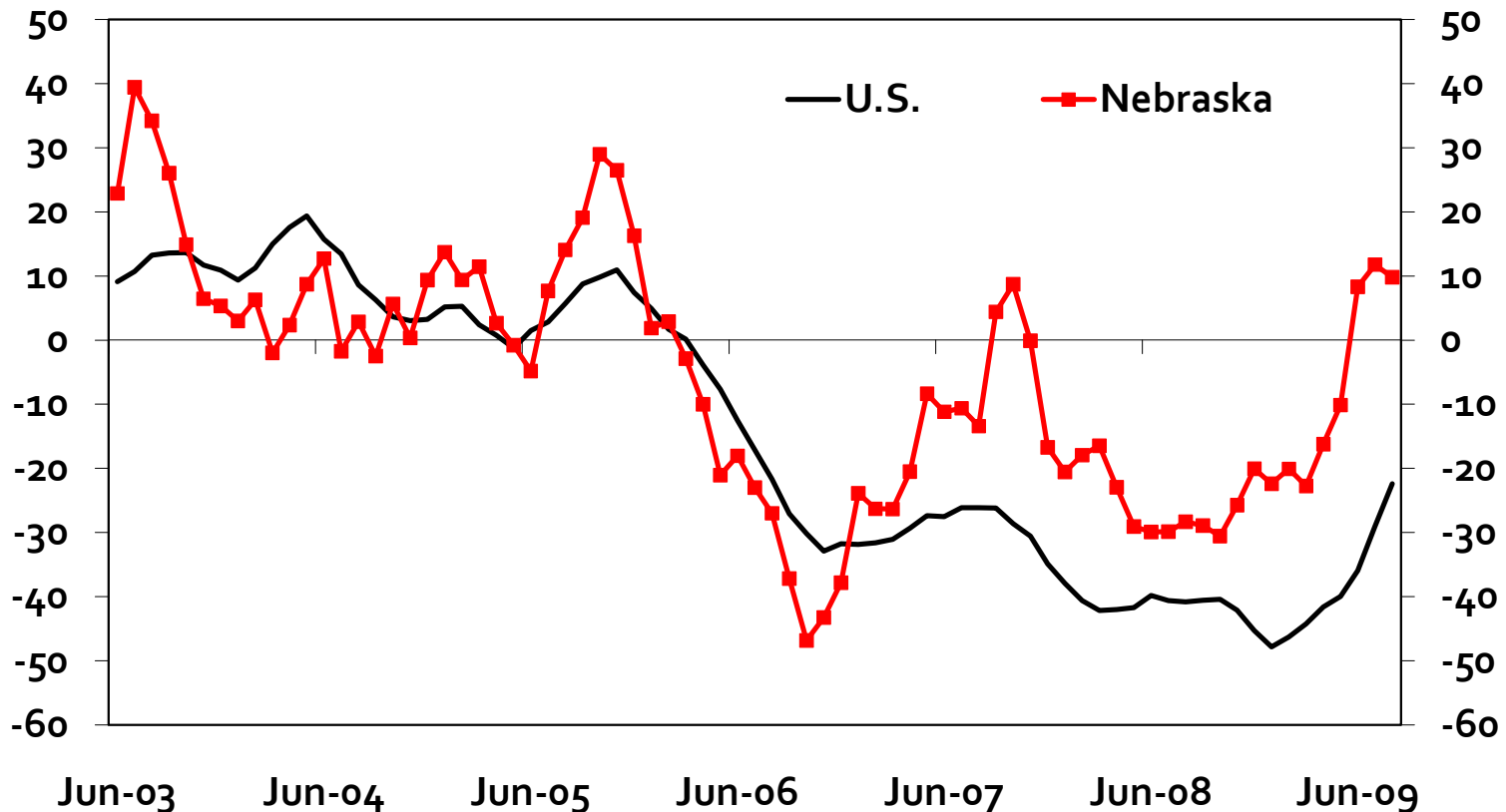
Source: Bureau of Labor Statistics



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

## Single Family Building Permits

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

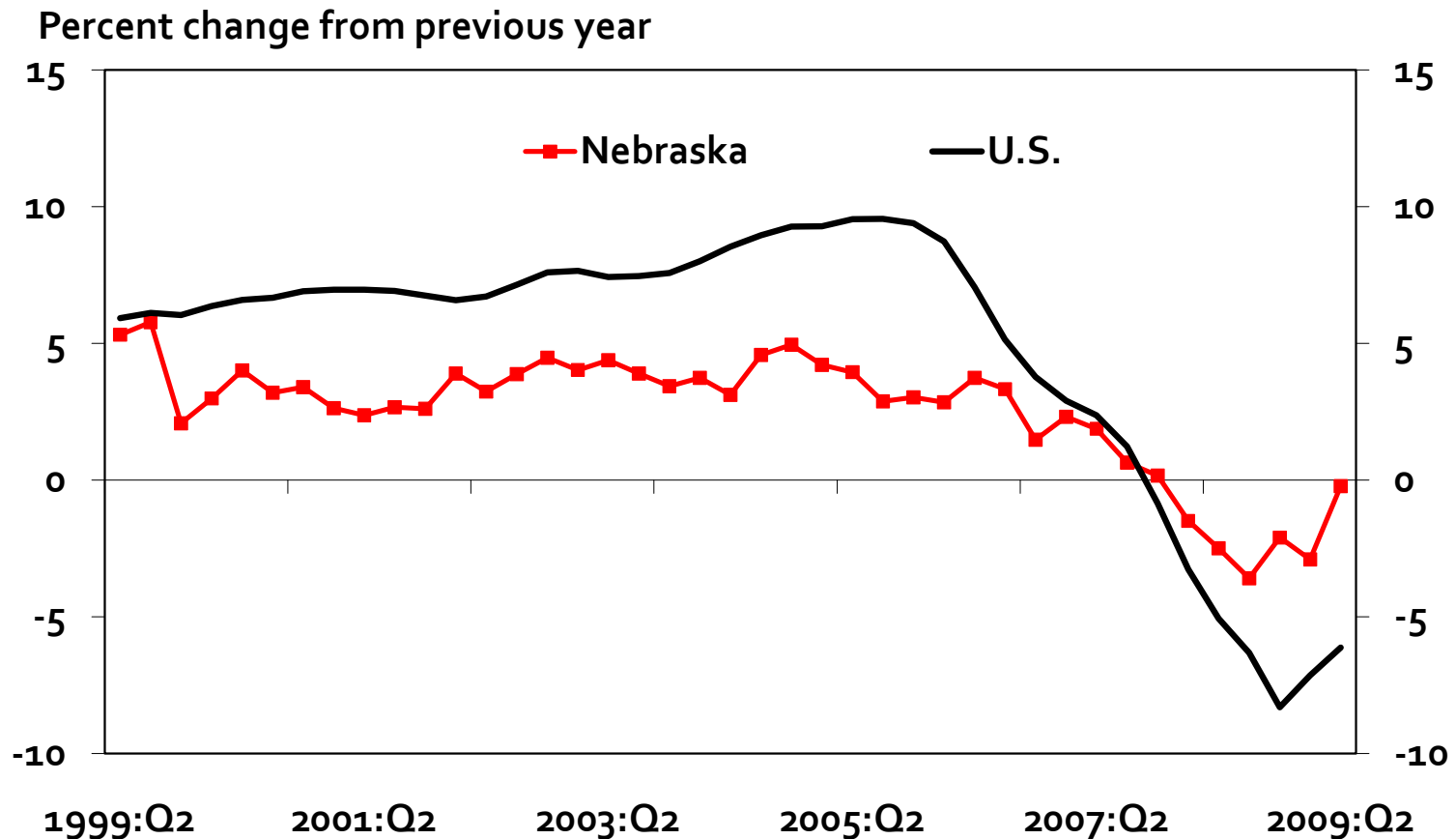


Source: U.S. Census Bureau



# Home prices have held up better than the nation.

## Repeat Sales Home Price Index (Purchase Only)

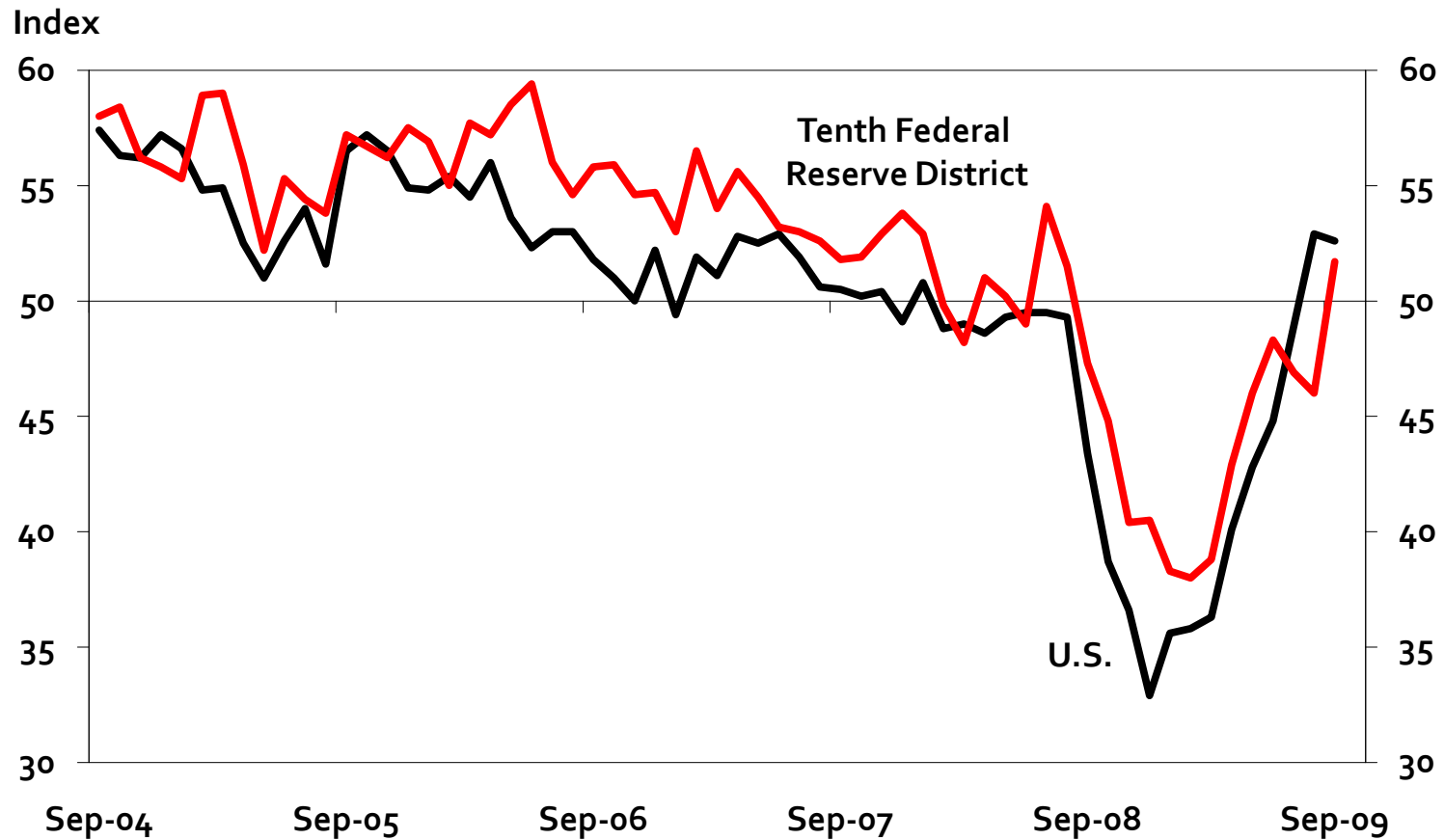


Source: Federal Housing Finance Agency



# Manufacturing activity has bottomed

## U.S. and Tenth District Manufacturing Production Indices



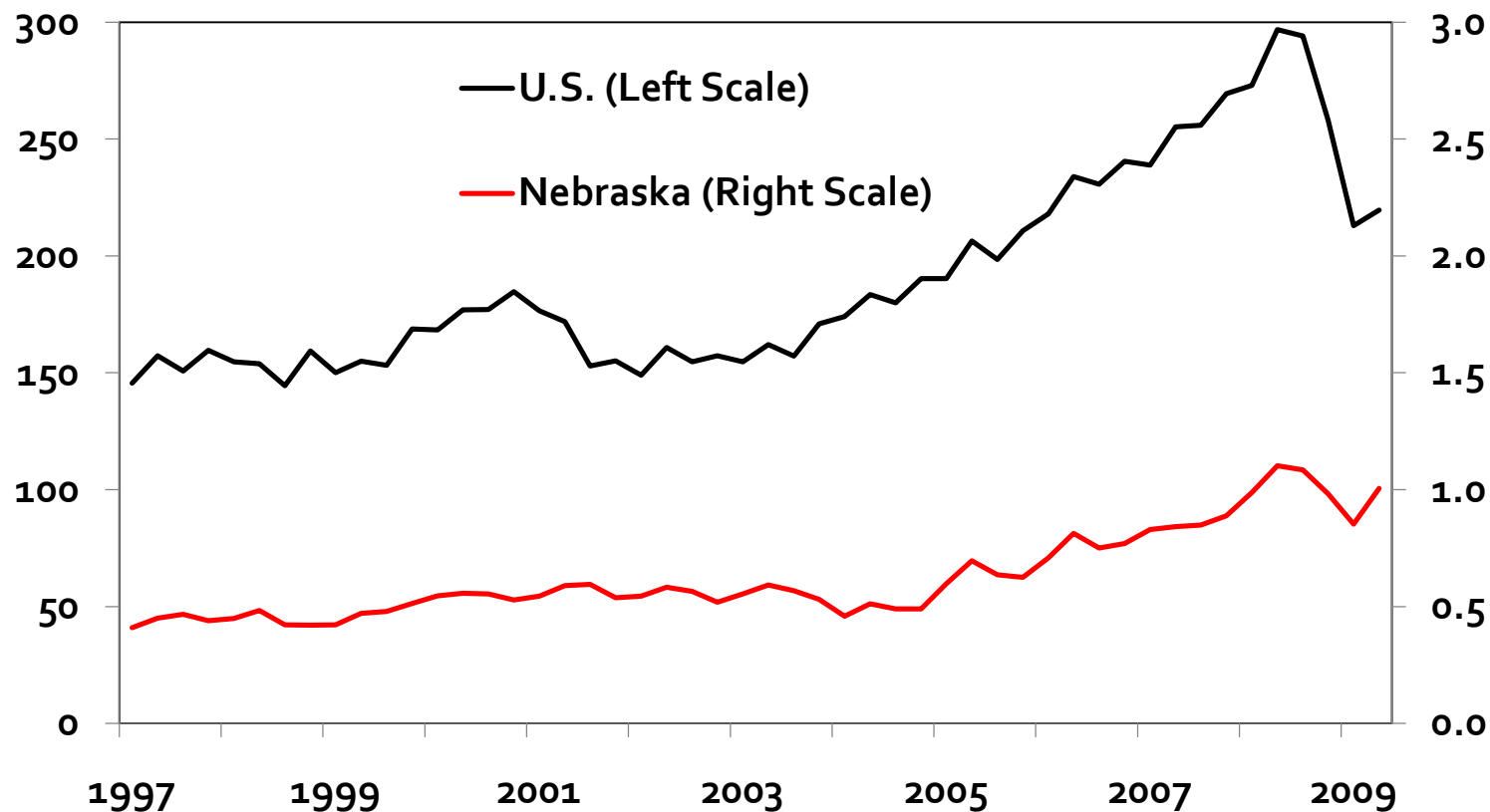
Source: Institute of Supply Management and Federal Reserve Bank of Kansas City



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

## Manufactured Exports

Billion dollars



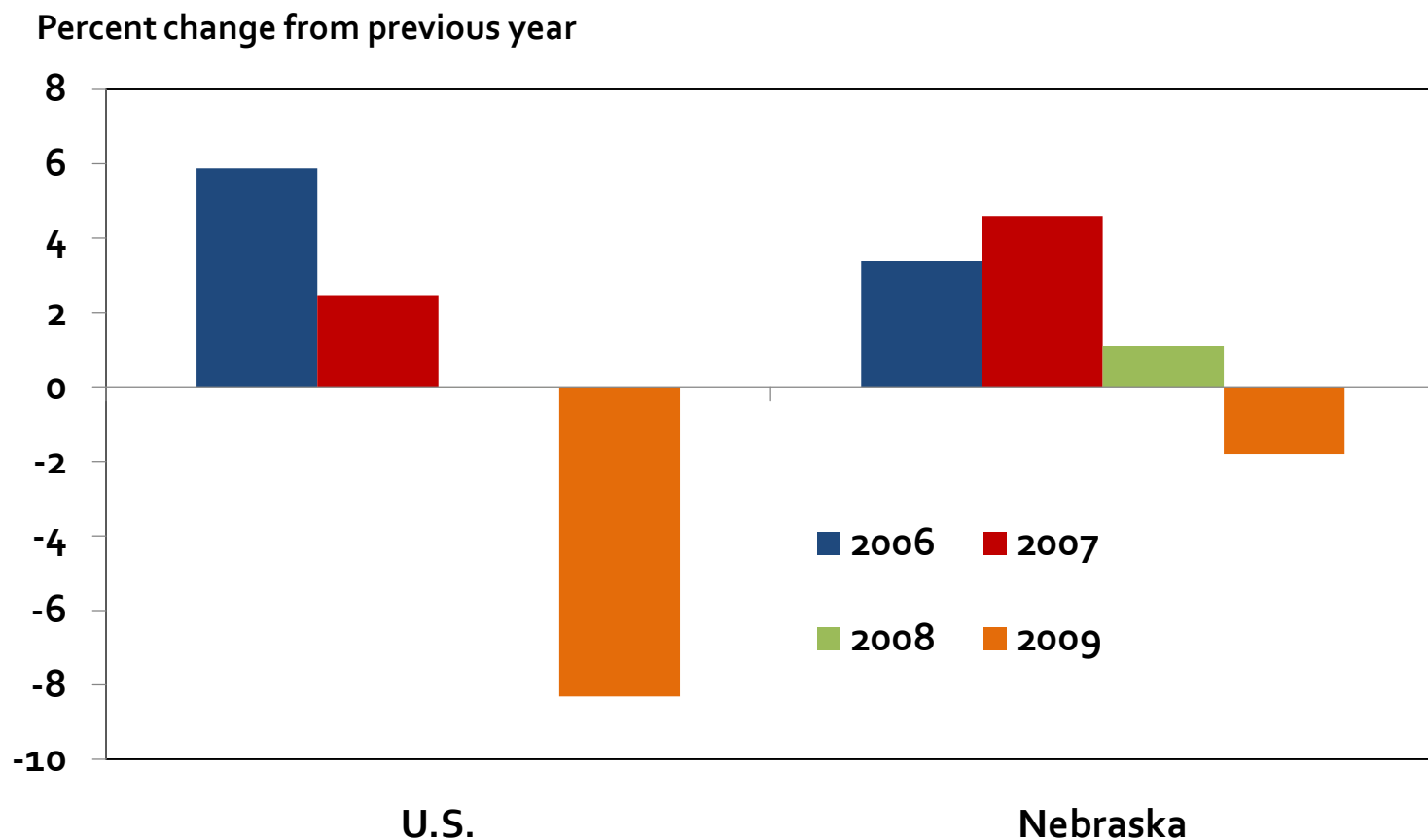
Source: WISERTrade





# 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

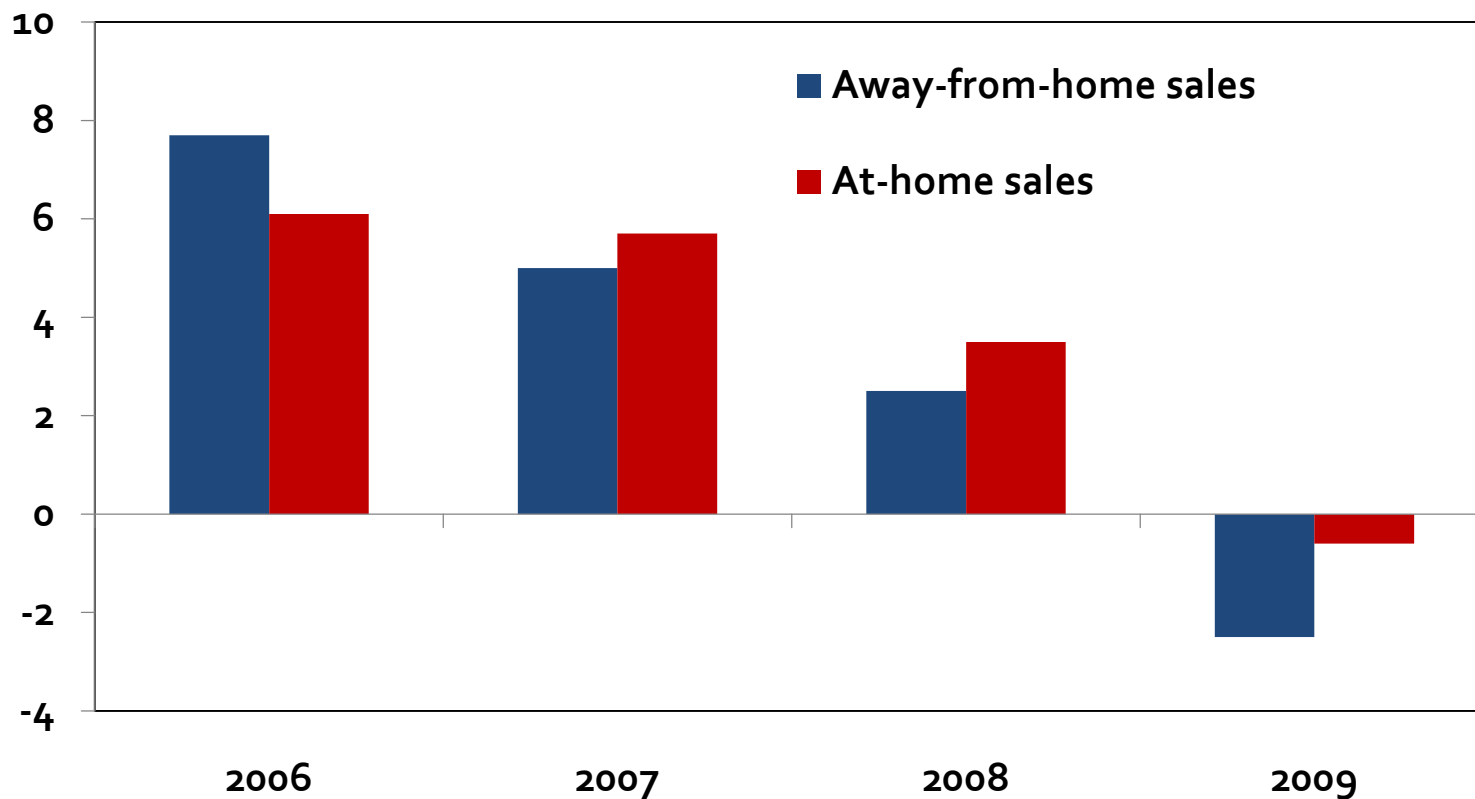
- **The “Great Recession” ends in Nebraska.**
- **The Ag Boom ends.**



# Food sales decline, especially at restaurants.

## U.S. Food Sales

Percent change from previous year

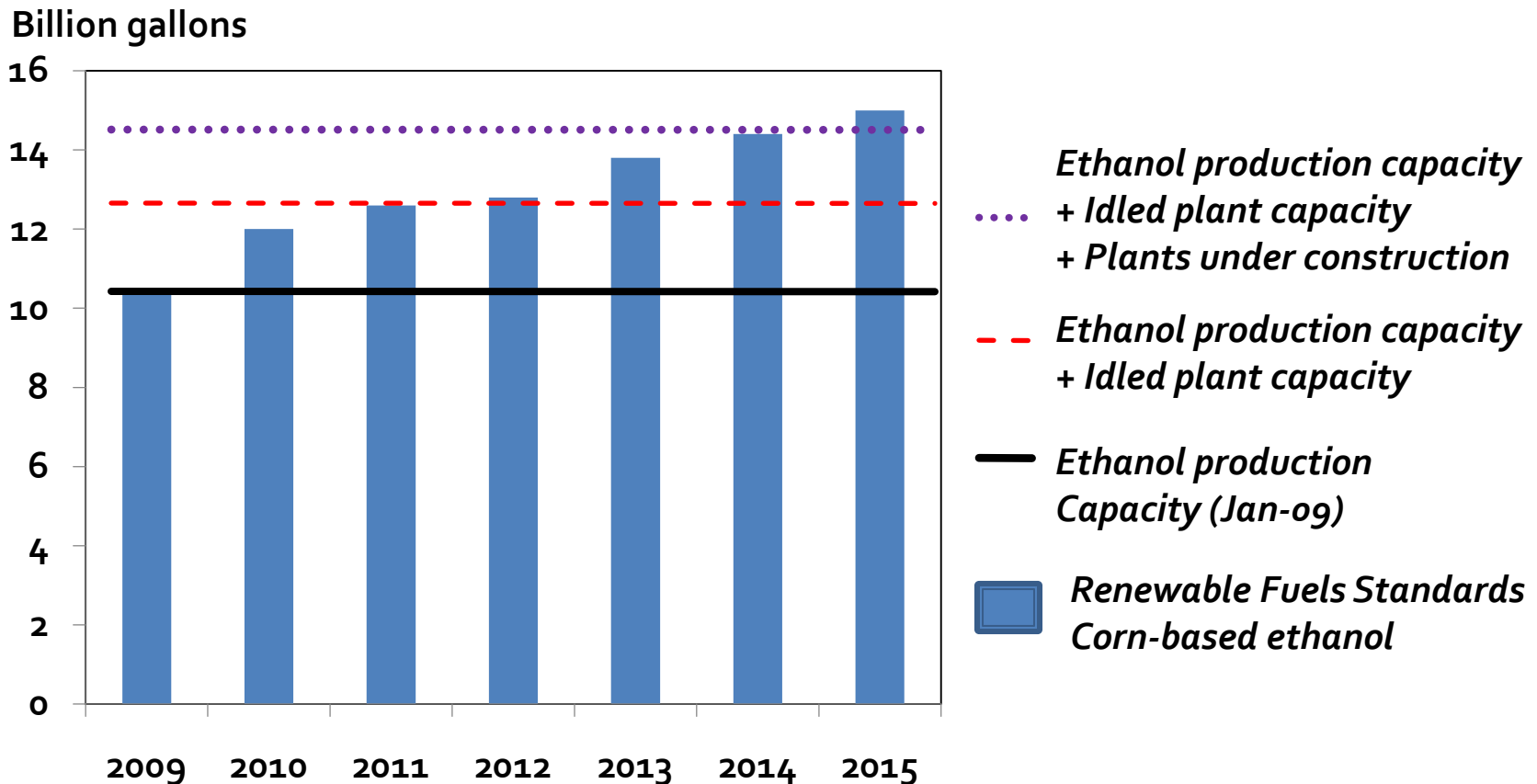


Source: USDA  
2009 data are year-to-date through June



# How many more ethanol plants do we need?

## Corn-based Ethanol Mandate in Renewable Fuels Standards

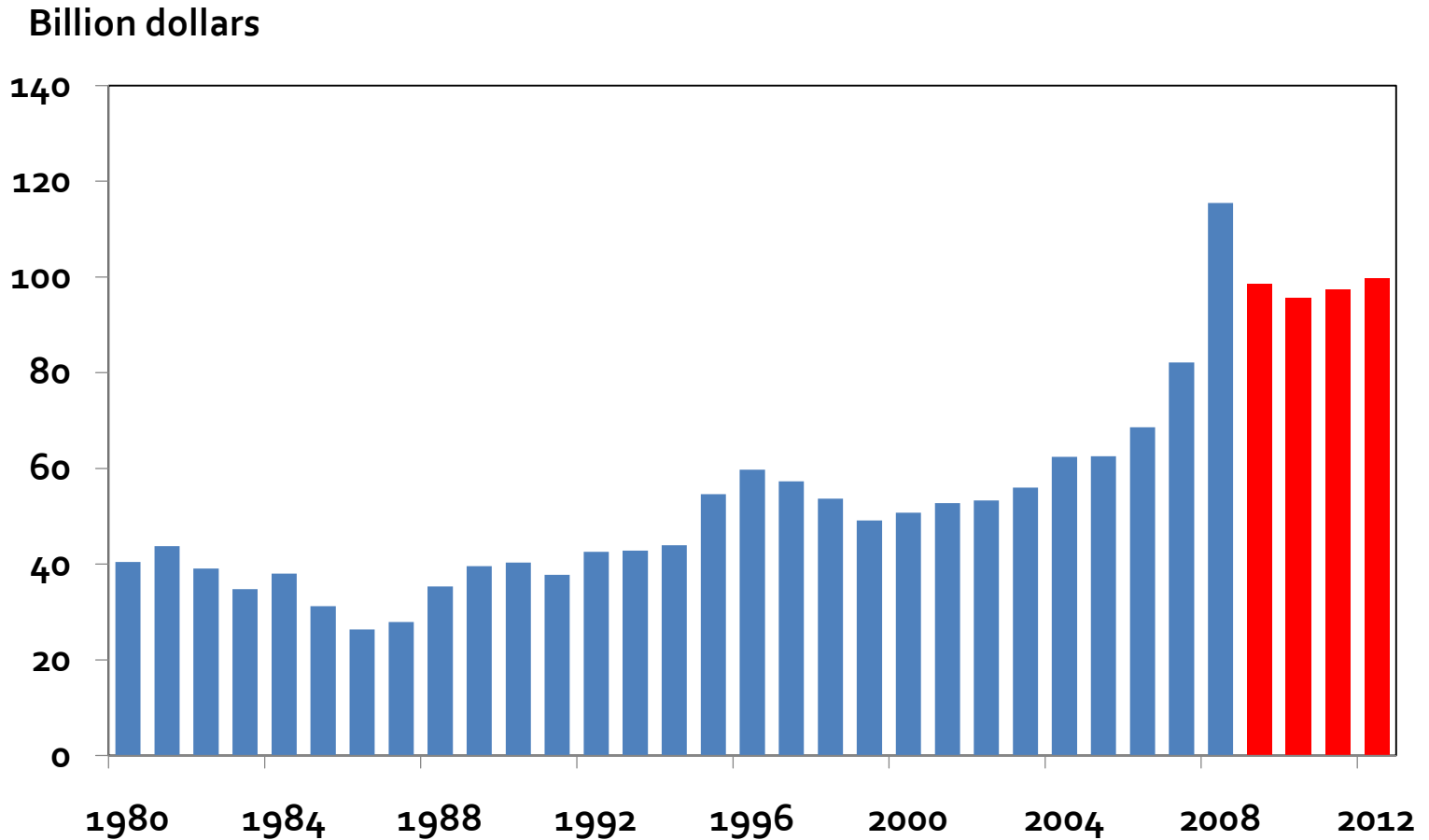


Source: Renewable Fuels Association and FAPRI



# Will agricultural exports rebound in 2010?

## U.S. Agricultural Exports



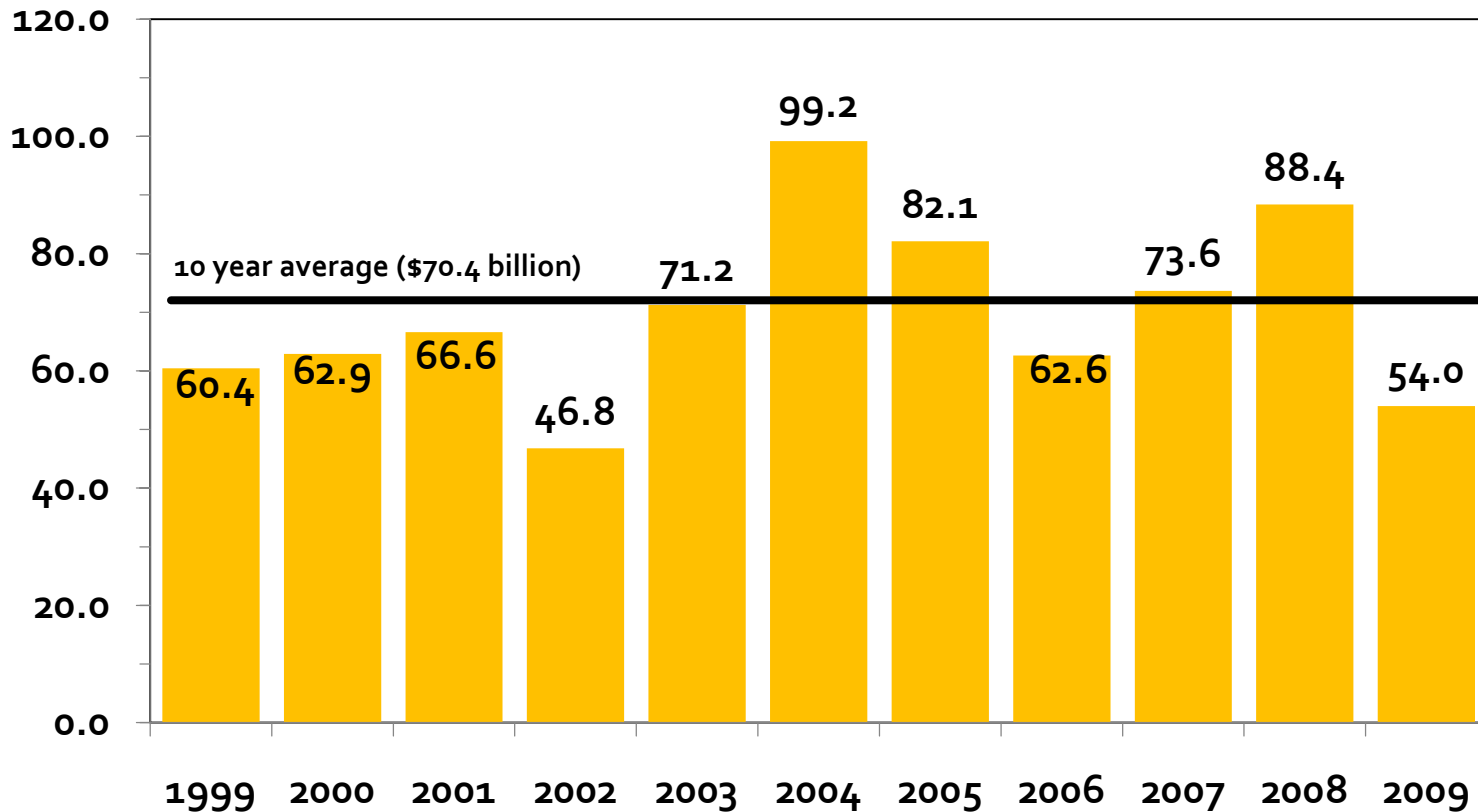
Source: USDA, fiscal years



# *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



# What will drive farmland values?

## Nebraska Nonirrigated Farmland Values

Dollars per acre



Source: Federal Reserve Bank of Kansas City



# Today's Roadmap

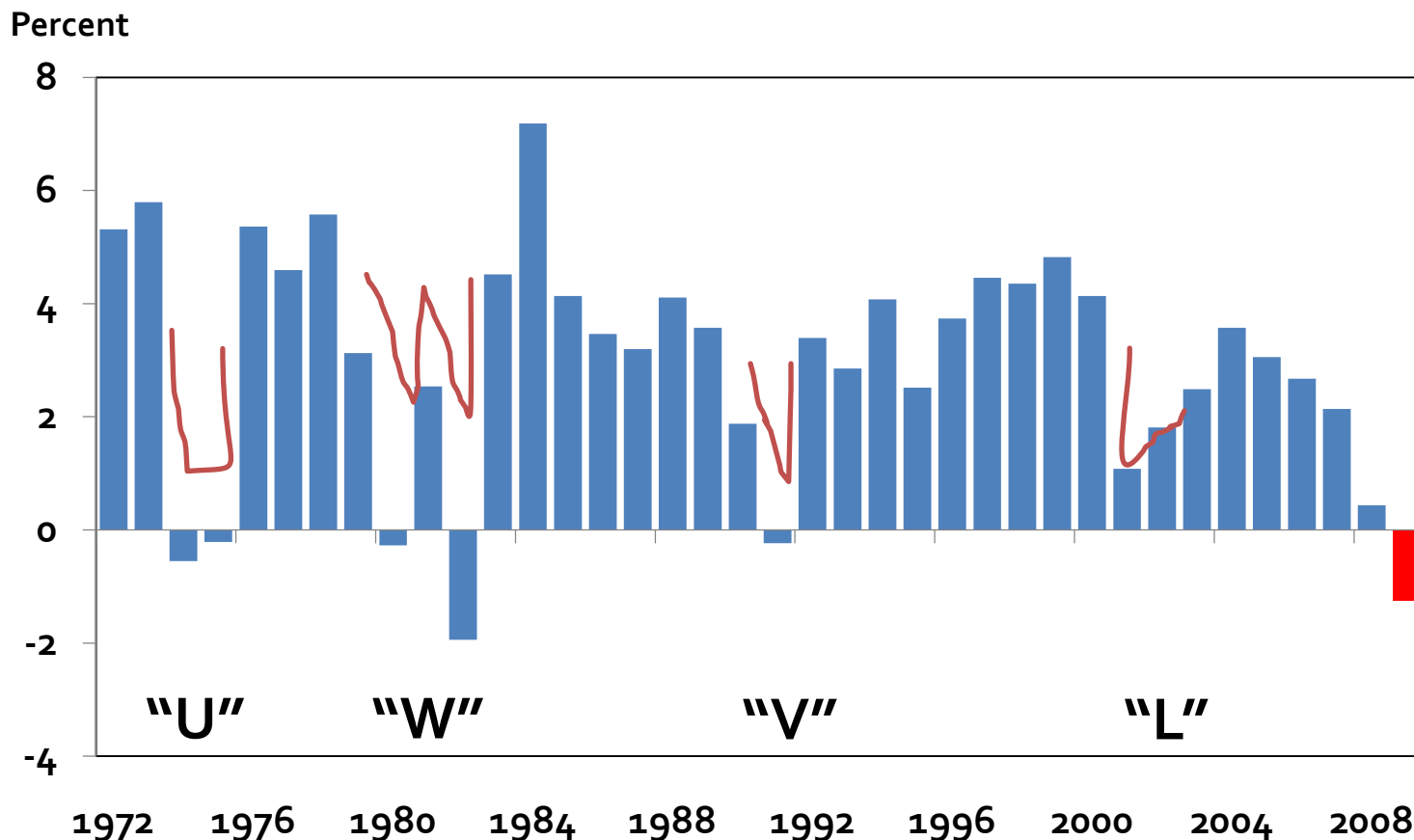
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# What is the "Letter" of Recovery?

## U.S. Real GDP Growth



Source: Bureau of Economic Analysis and Federal Reserve projection



# Federal Reserve Economic Projections

## (June 24, 2009)

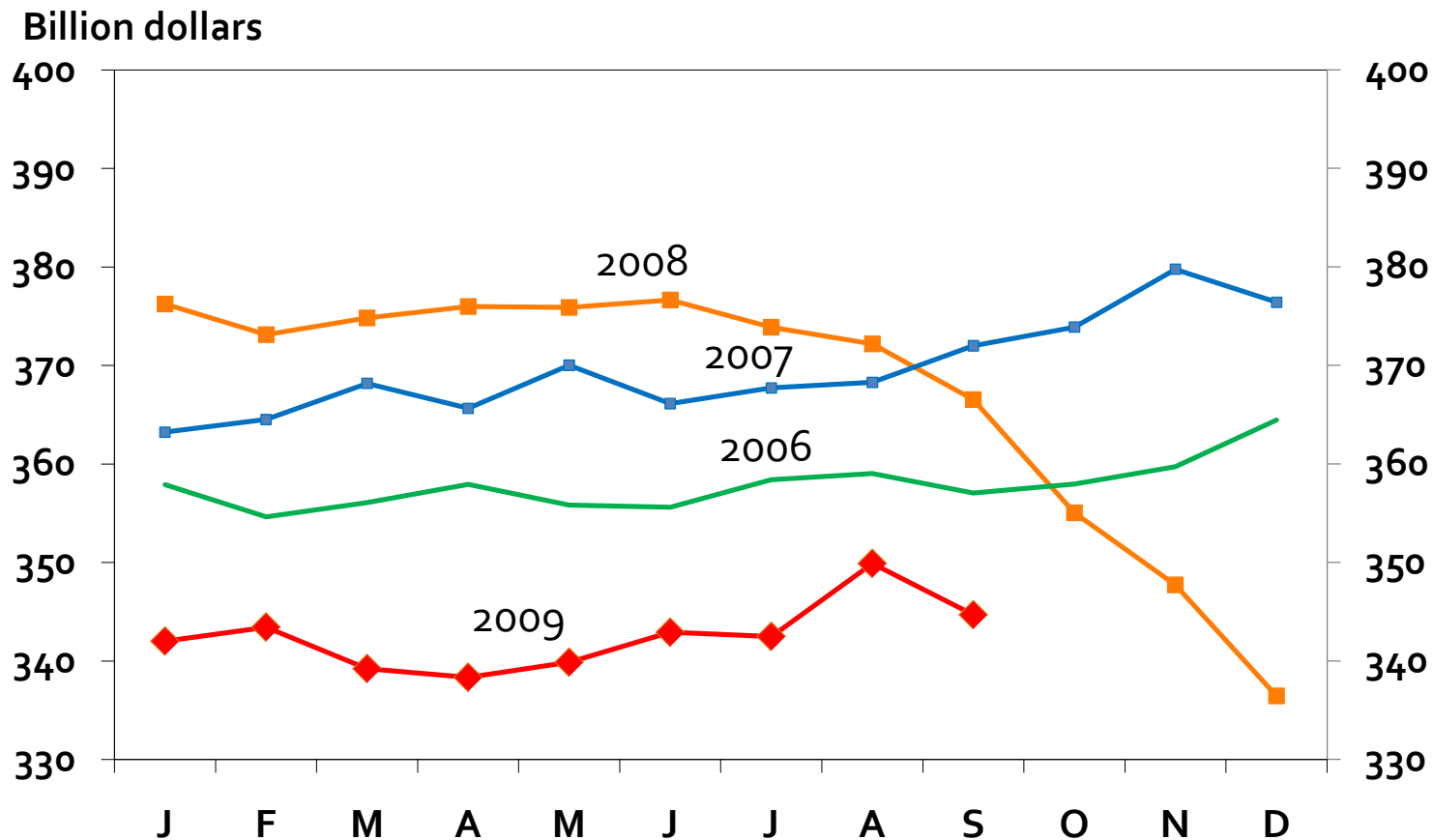
	2009	2010	2011	Longer Run
Real GDP Growth	-1.5 to -1.0	2.1 to 3.3	3.8 to 4.6	2.5 to 2.7
April '09 projection	-2.0 to -1.3	2.0 to 3.0	3.5 to 4.8	
Unemployment Rate	9.8 to 10.1	9.5 to 9.8	8.4 to 8.8	4.8 to 5.0
April '09 projection	9.2 to 9.6	9.0 to 9.5	7.7 to 8.5	
PCE Inflation	1.0 to 1.4	1.2 to 1.8	1.1 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](http://www.federalreserve.gov)



# Will consumers spend this holiday season?

## U.S. Monthly Retail and Food Sales



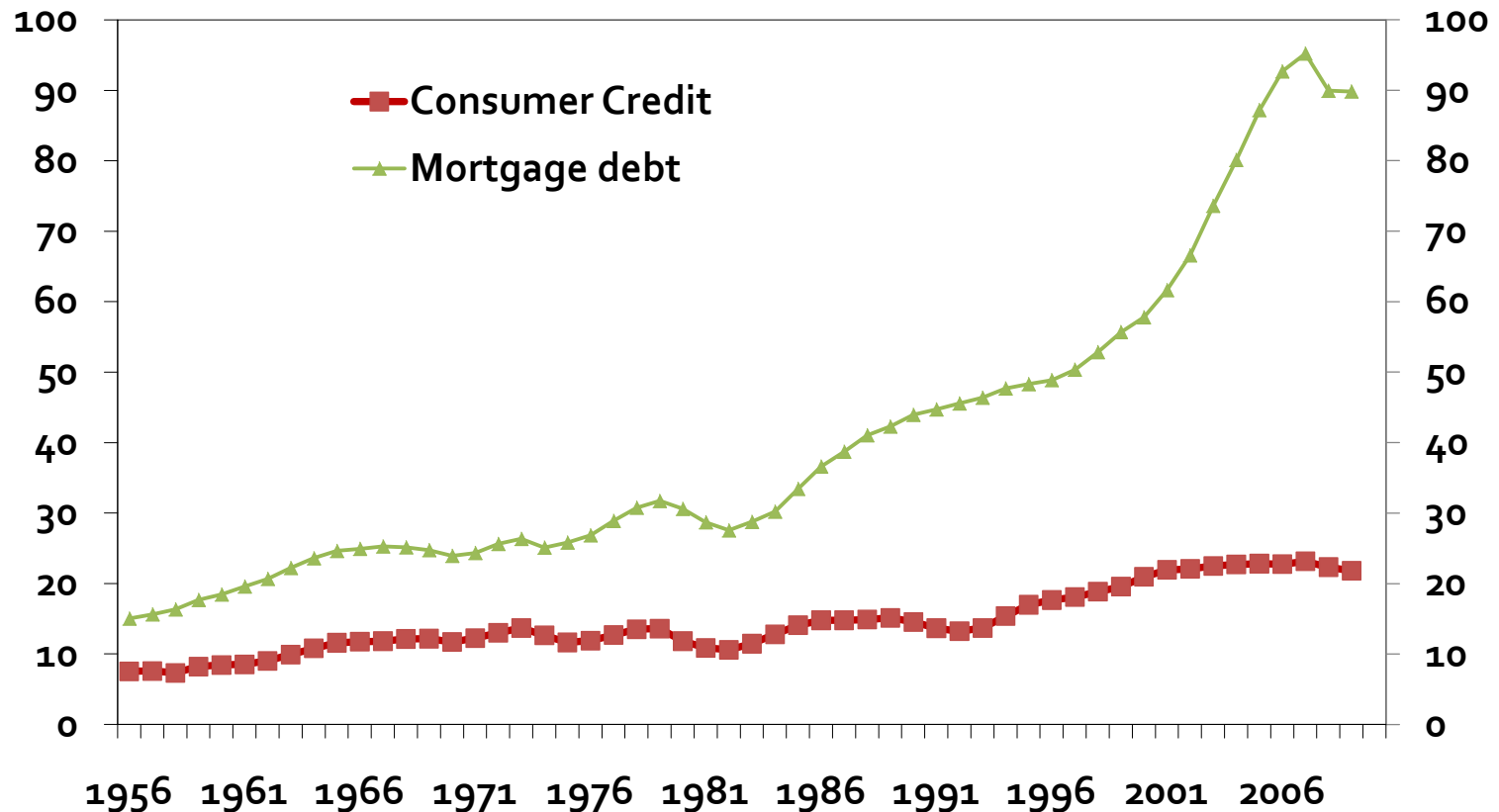
Source: U.S. Census Bureau



# Does the U.S. have a too much debt?

## Real Household Debt Outstanding per Household

Thousand Dollars (2008 dollars)



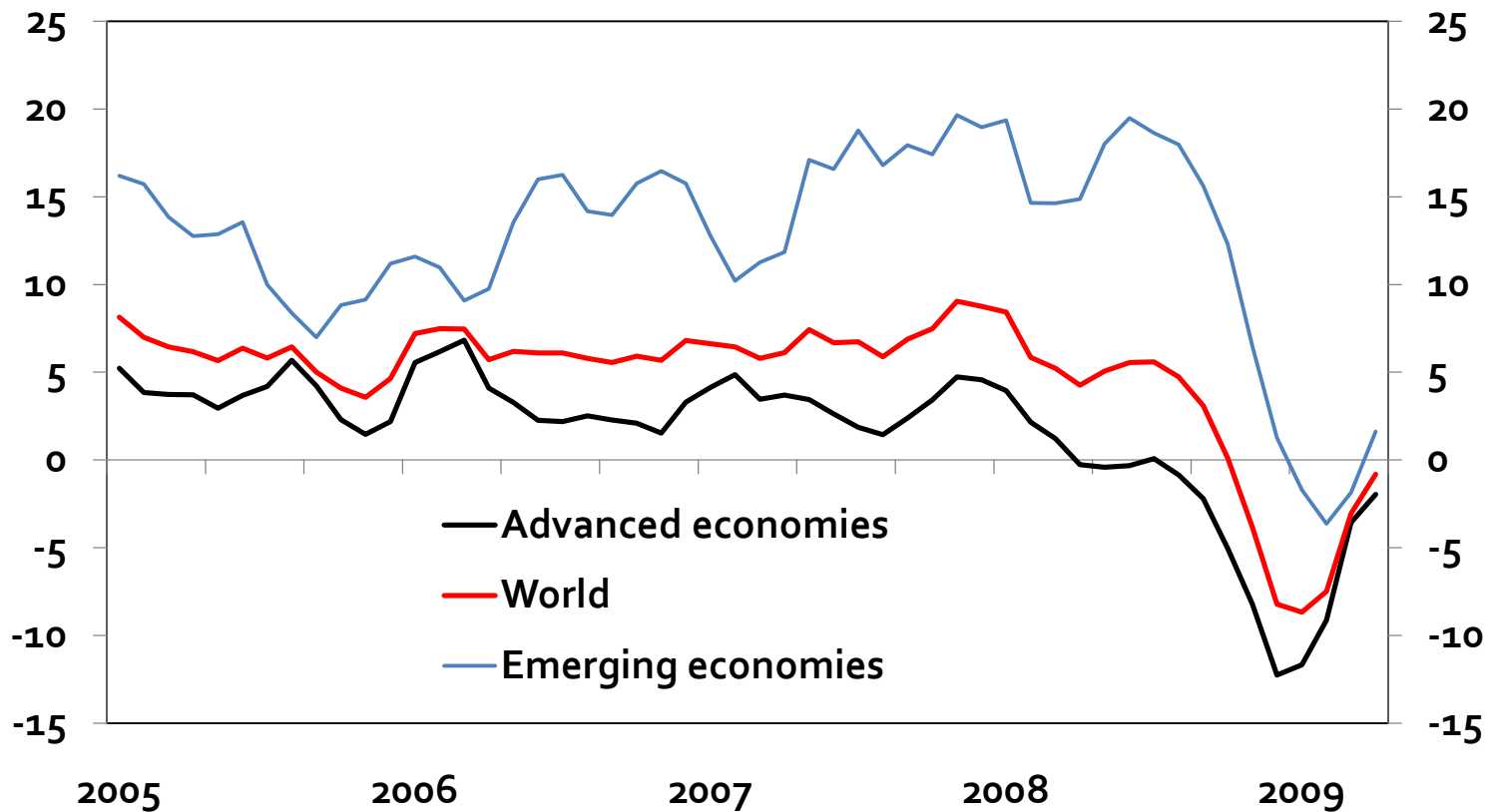
Calculations based on Federal Reserve and Census data



# Will the global spending rebound continue?

## Retail Sales

Annualized Percent Change (3 month moving average)



Source: International Monetary Fund



# Today's Roadmap

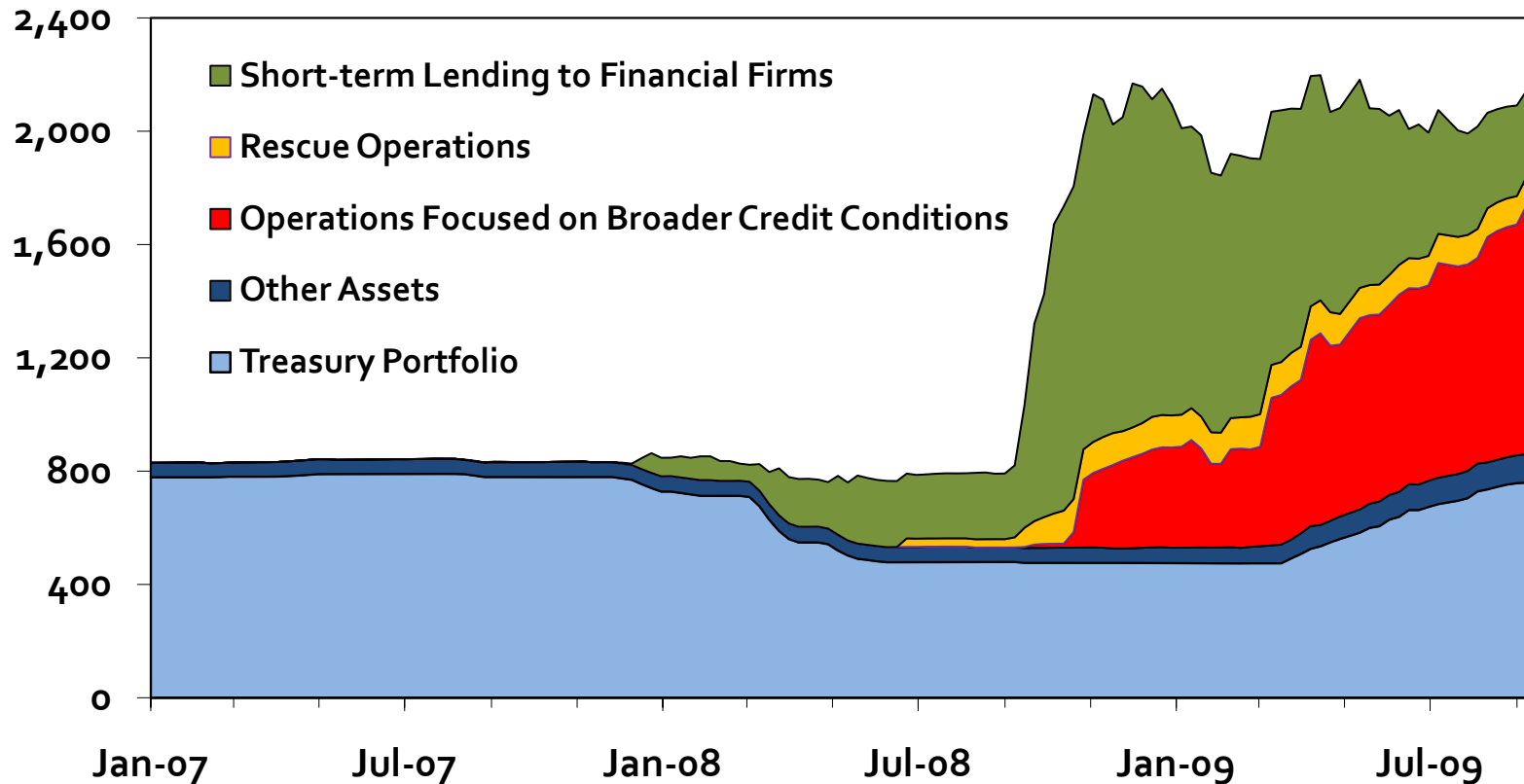
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*With the Fed Funds Rate at the zero bound, the Fed has expanded its balance sheet.*

## Federal Reserve Balance Sheet: Assets

Billion Dollars

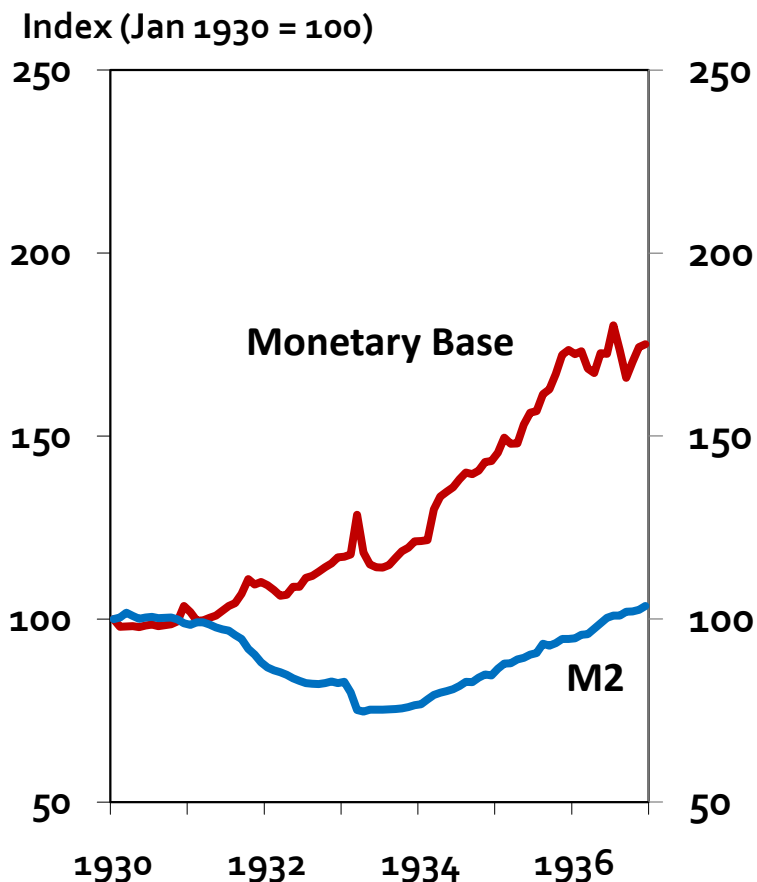


Source: Federal Reserve Board of Governors

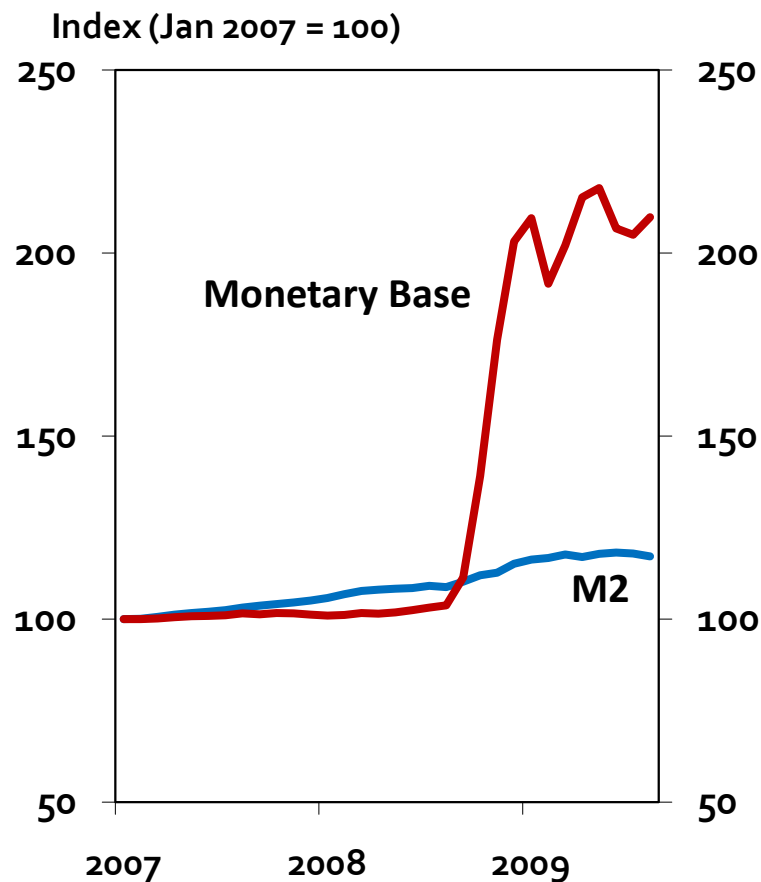


*Unlike the Great Depression, money stock (M2) has edged up with a surge in the monetary base.*

## Growth in Monetary Aggregates



Source: Federal Reserve Bank of St. Louis, Friedman and Schwartz



Source: Federal Reserve Board of Governors

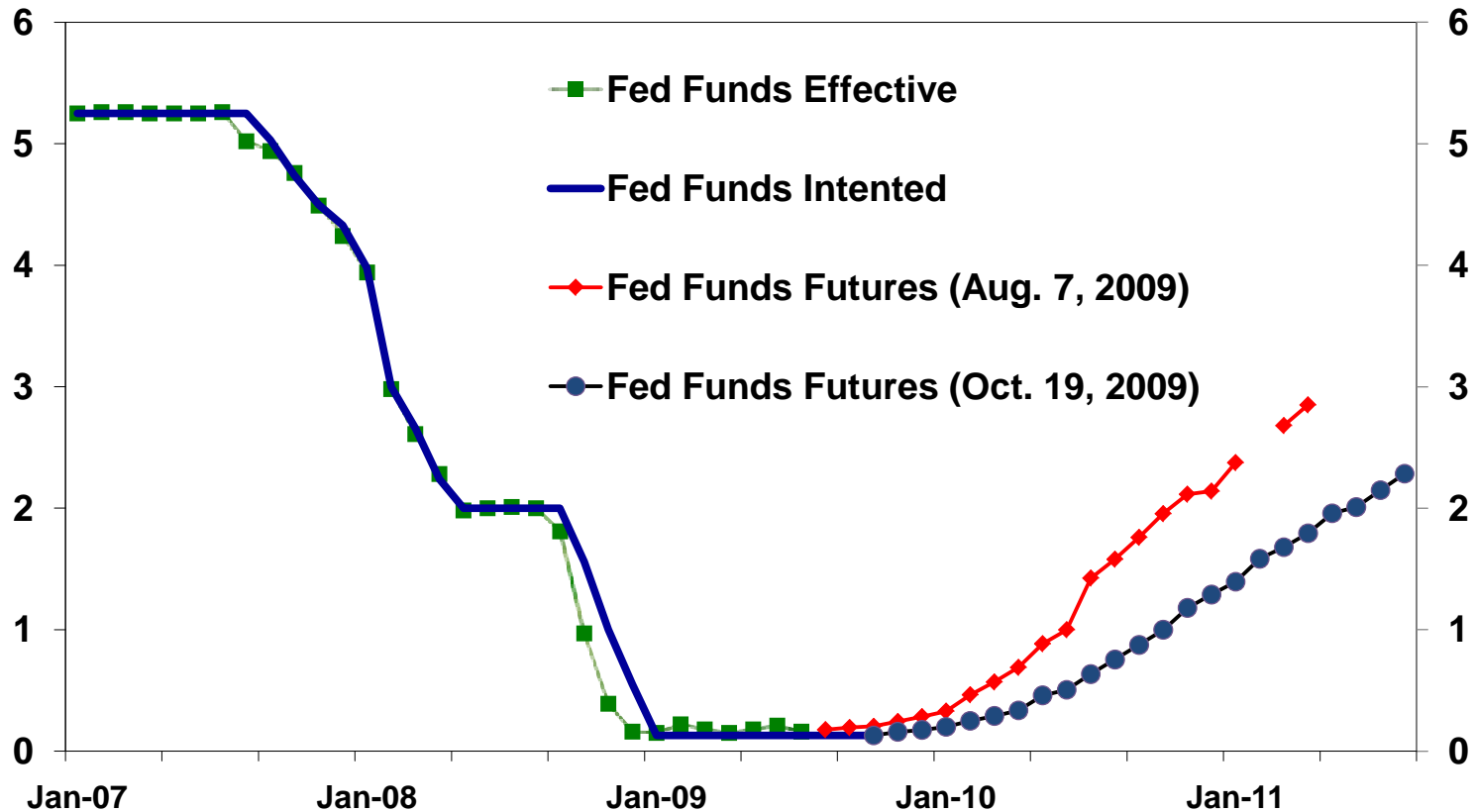




# What is the future path of interest rates?

## Fed Funds Rate

Percent



Source: Federal Reserve Board of Governors and CME Group



# 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

Federal Reserve Bank of Kansas City –  
Omaha Branch

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