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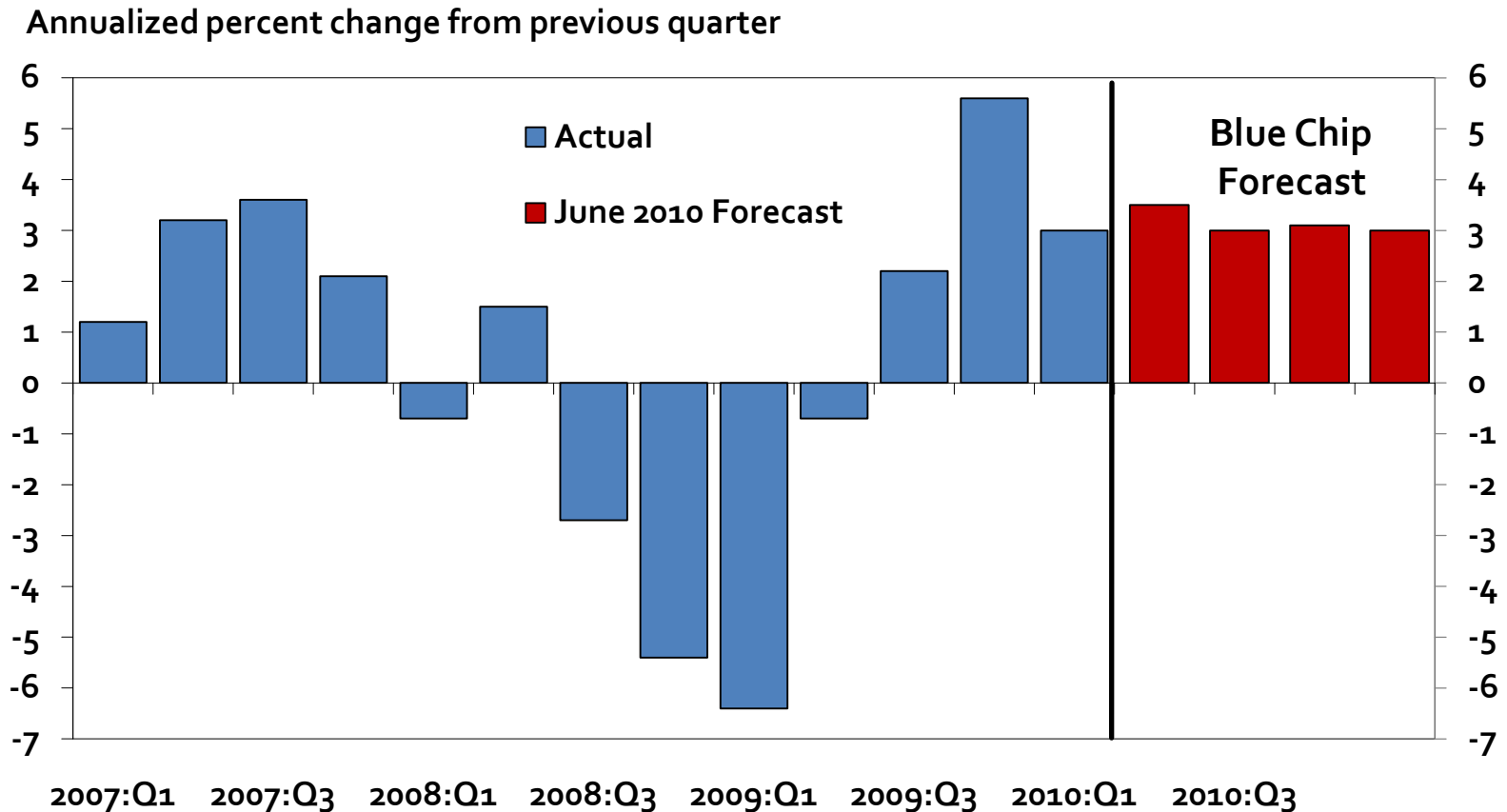
# Macroeconomic Update and Implications for Agriculture



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.

# Recently, real GDP has risen, but forecasters expect just above trend growth.

## Real GDP Growth

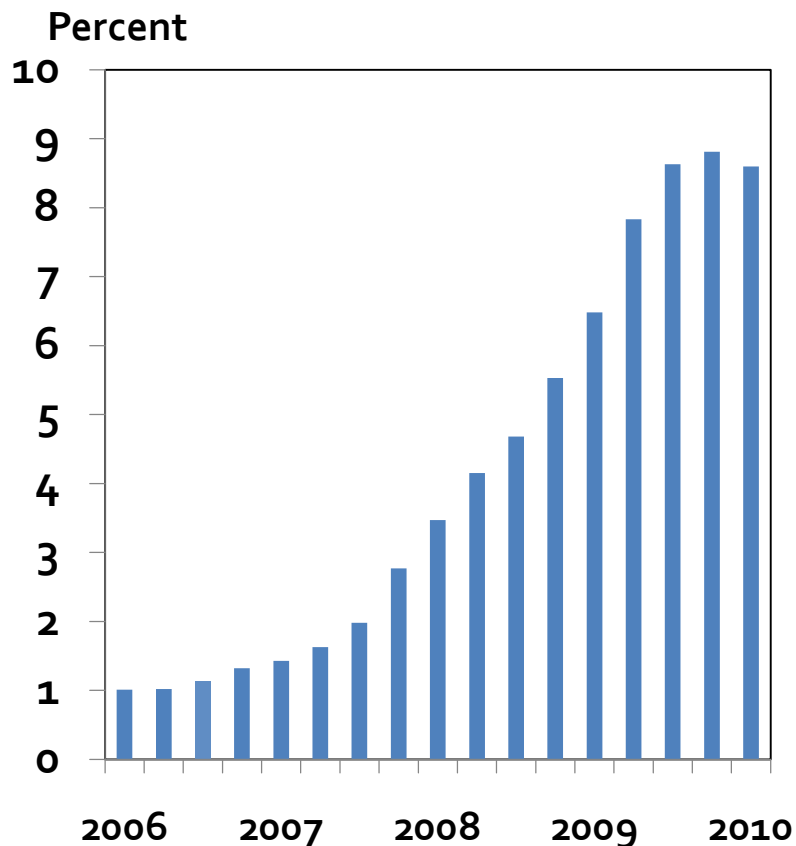


Source: Bureau of Economic Analysis and Blue Chip Economic Indicators

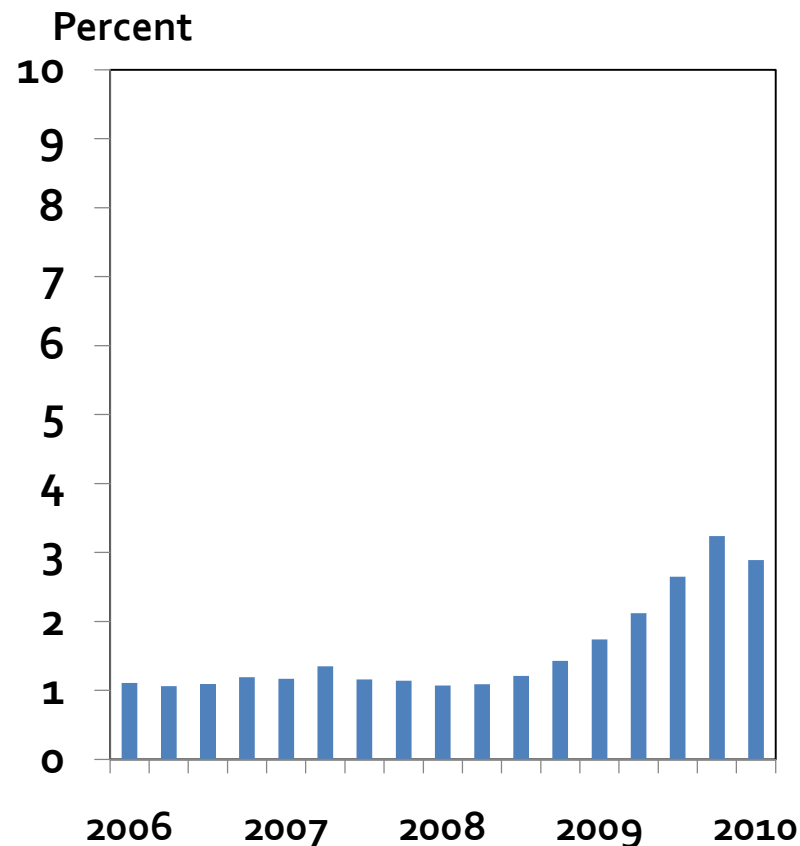


# Elevated delinquency rates and tight credit is one reason forecasters are expecting 'slow' growth.

## Delinquency Rate on Commercial Real Estate Loans



## Delinquency Rate on Agricultural Loans

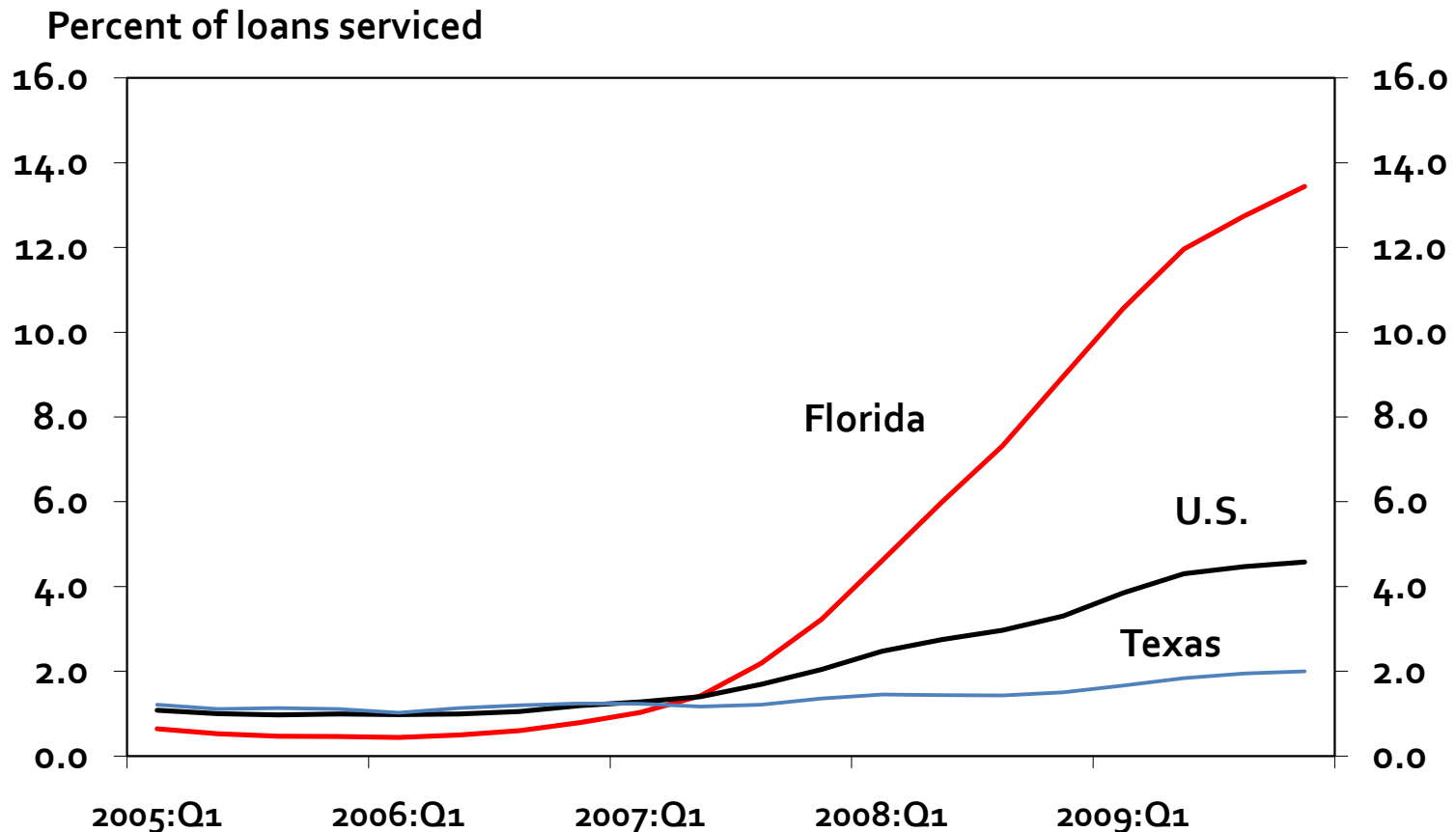


Source: Federal Reserve Board of Governors



# Another factor weighing on the recovery is the uncertainty of the housing rebound.

## Home Foreclosure Inventory

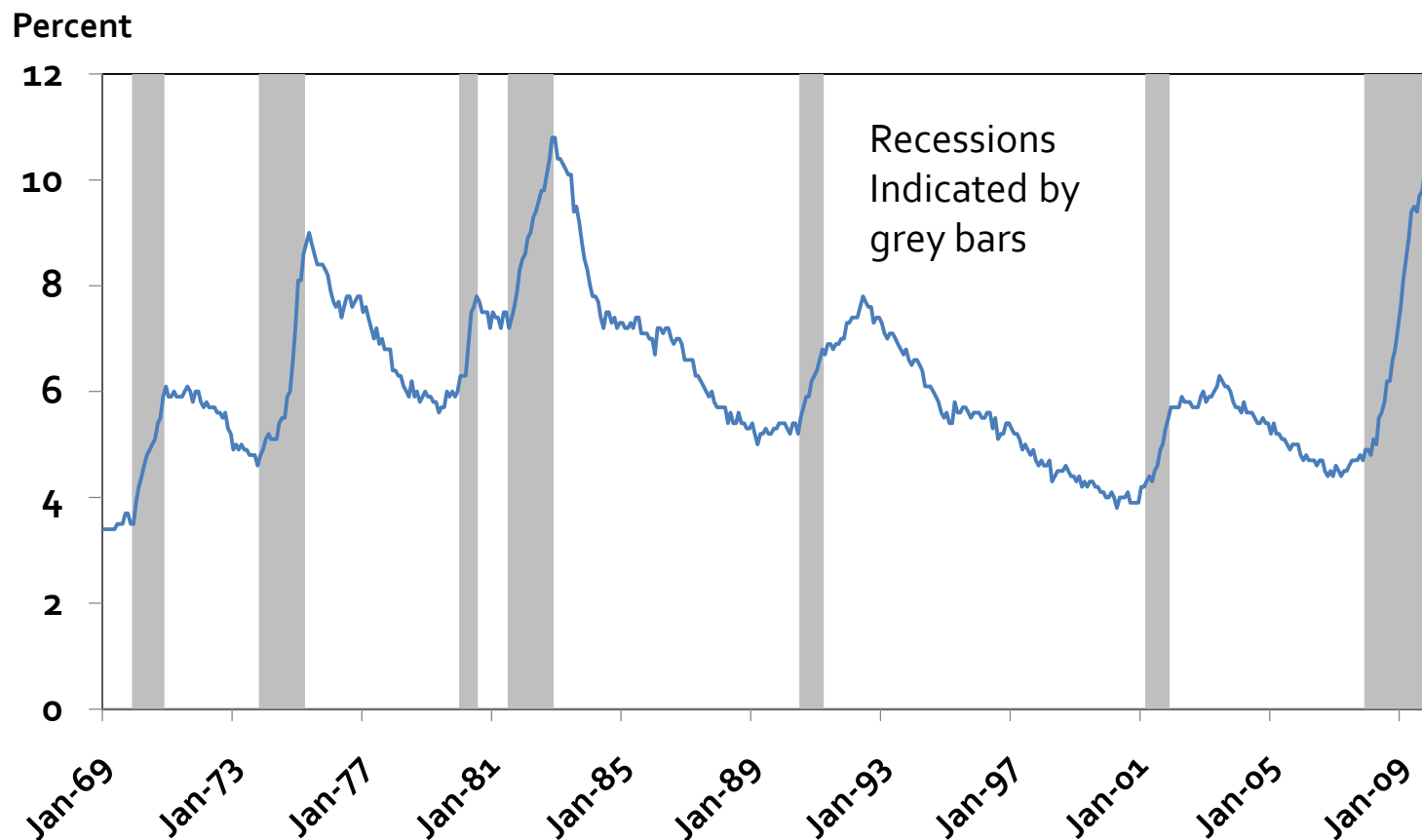


Source: Mortgage Bankers Association



# An elevated unemployment rate is often cited as the biggest contributor to the expected 'slow' recovery.

## U.S. Unemployment Rate

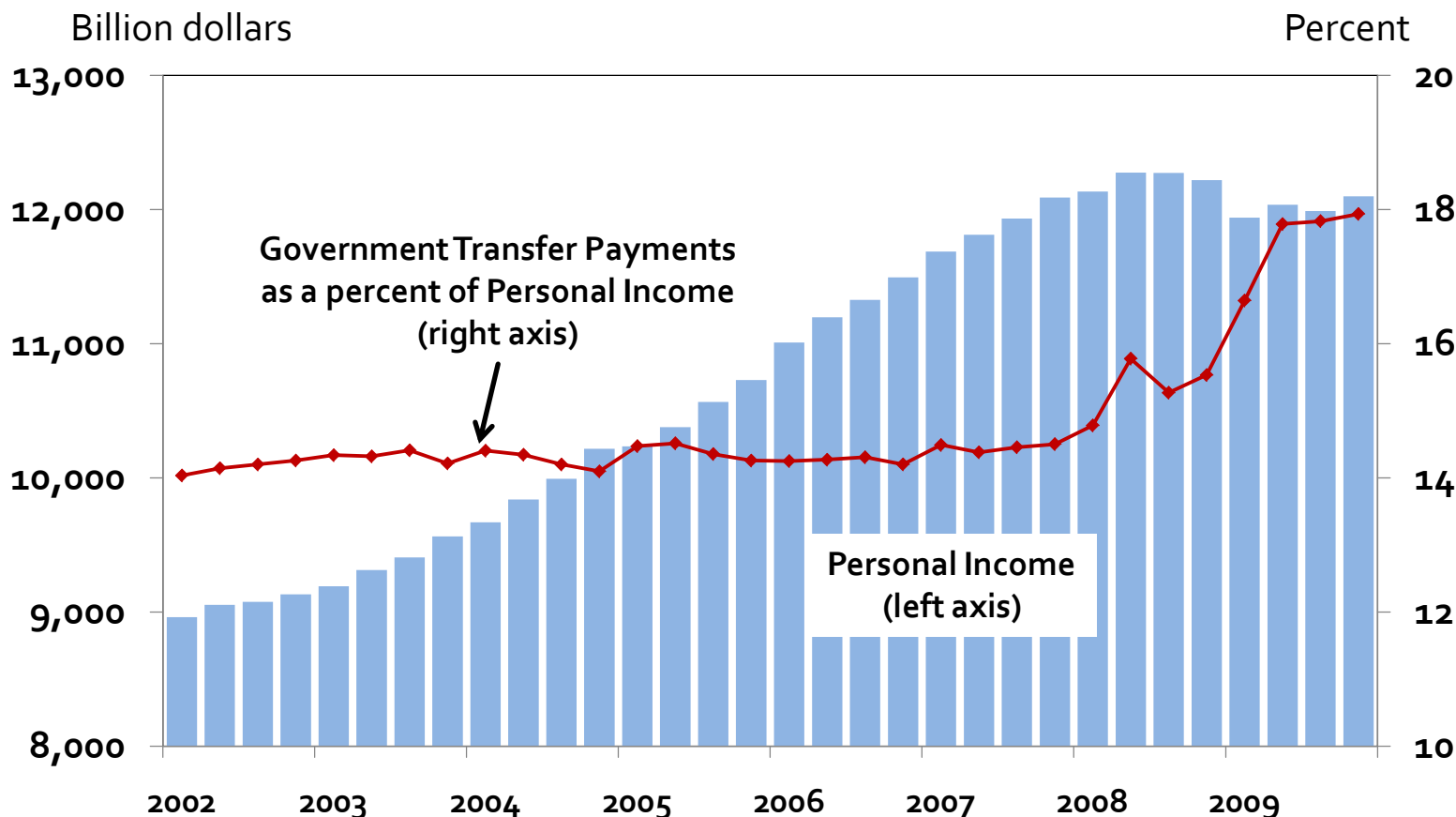


Source: Bureau of Economic Analysis and Bureau of Labor Statistics



# Government transfer payments have supported personal income, which has helped consumption.

## Personal Income and Share of Government Transfer Payments

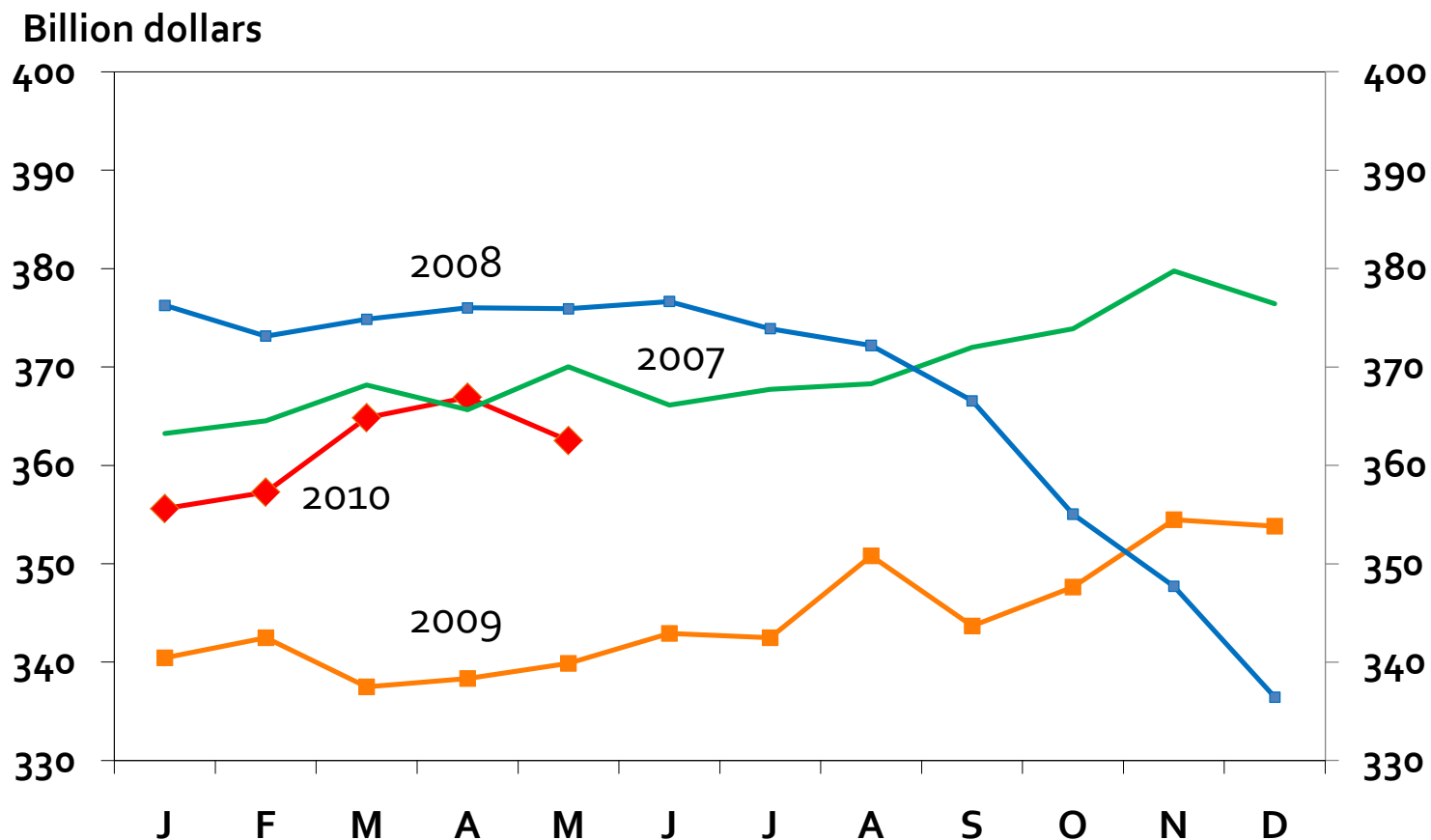


Source: Bureau of Economic Analysis



# 2010 retail sales are above year-ago levels.

## U.S. Monthly Retail and Food Sales



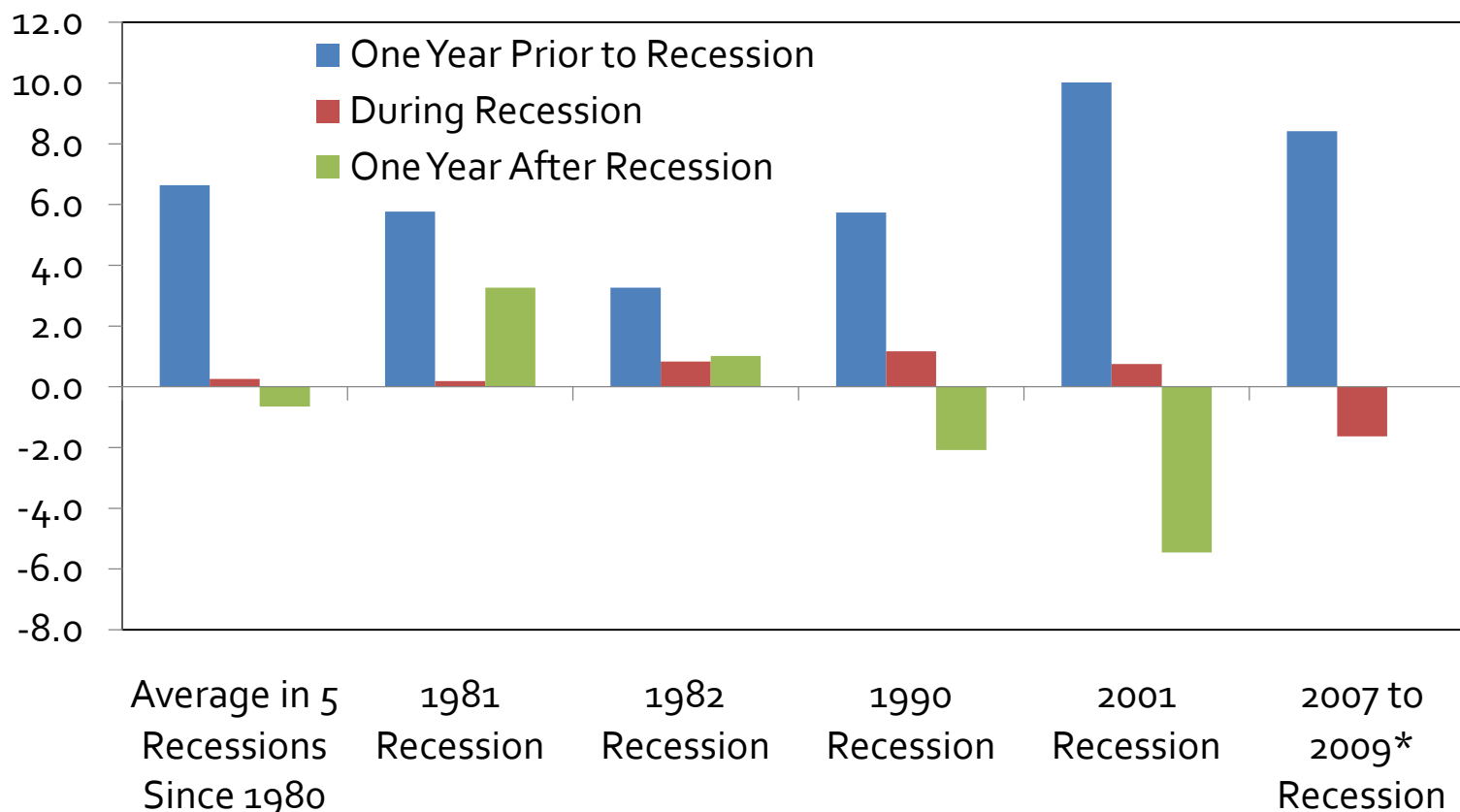
Source: U.S. Census Bureau



# Meat and milk spending tends to decline in jobless recoveries.

## U.S. Per Capita Expenditures on Beef, Pork, Poultry, and Milk Products

Percent change



Calculations based on Bureau of Economic Analysis data

\* The National Bureau of Economic Research indicates the recession started in Dec. 2007. At the time of publication, the end of the recession has yet to be specified.

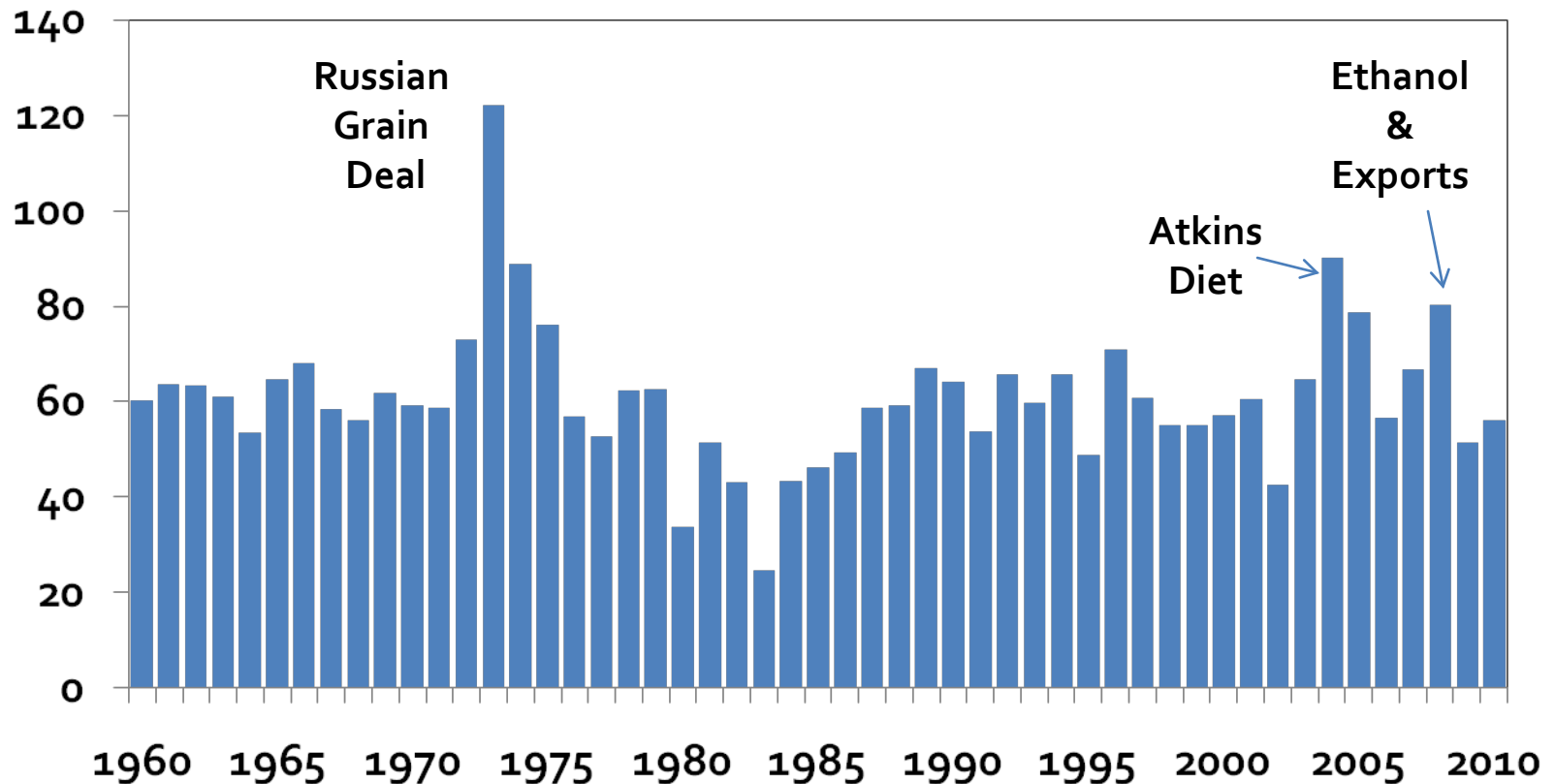




# Traditionally, surging demand leads to spikes in net farm income.

## Real U.S. Net Farm Income

Billion dollars



Source: USDA

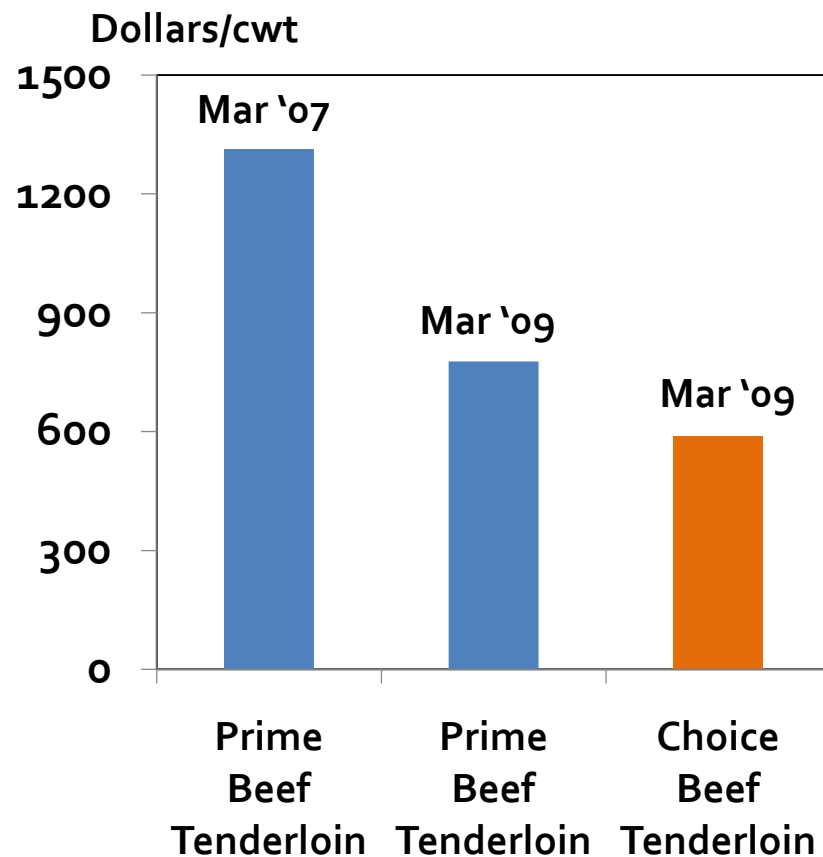


# Given the severity of this recession, could the beef industry learn something from high fashion?

## Price of Jeans

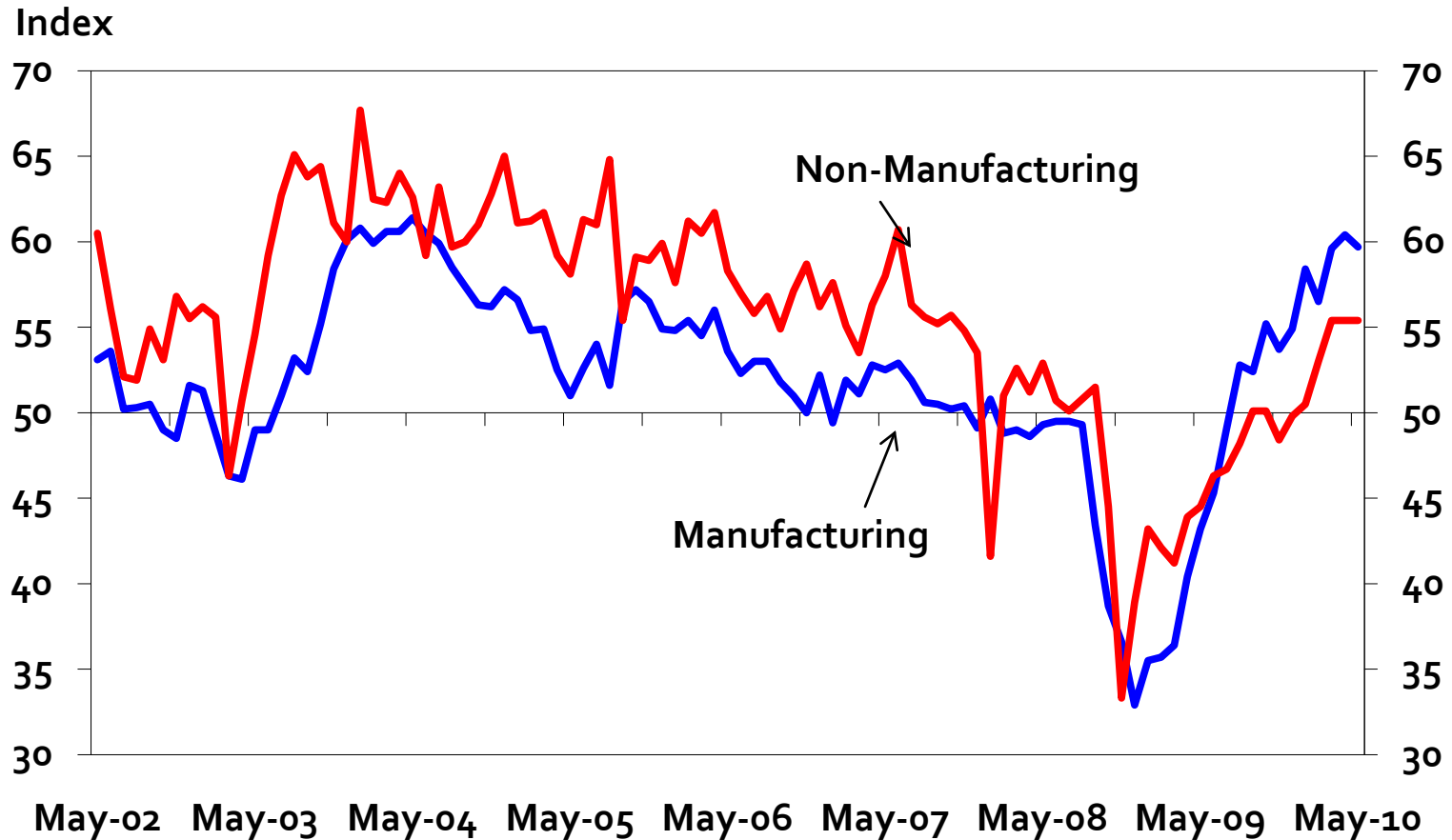


## Price of Beef Tenderloin



# Business activity is expanding.

## U.S. Manufacturing Activity Indices

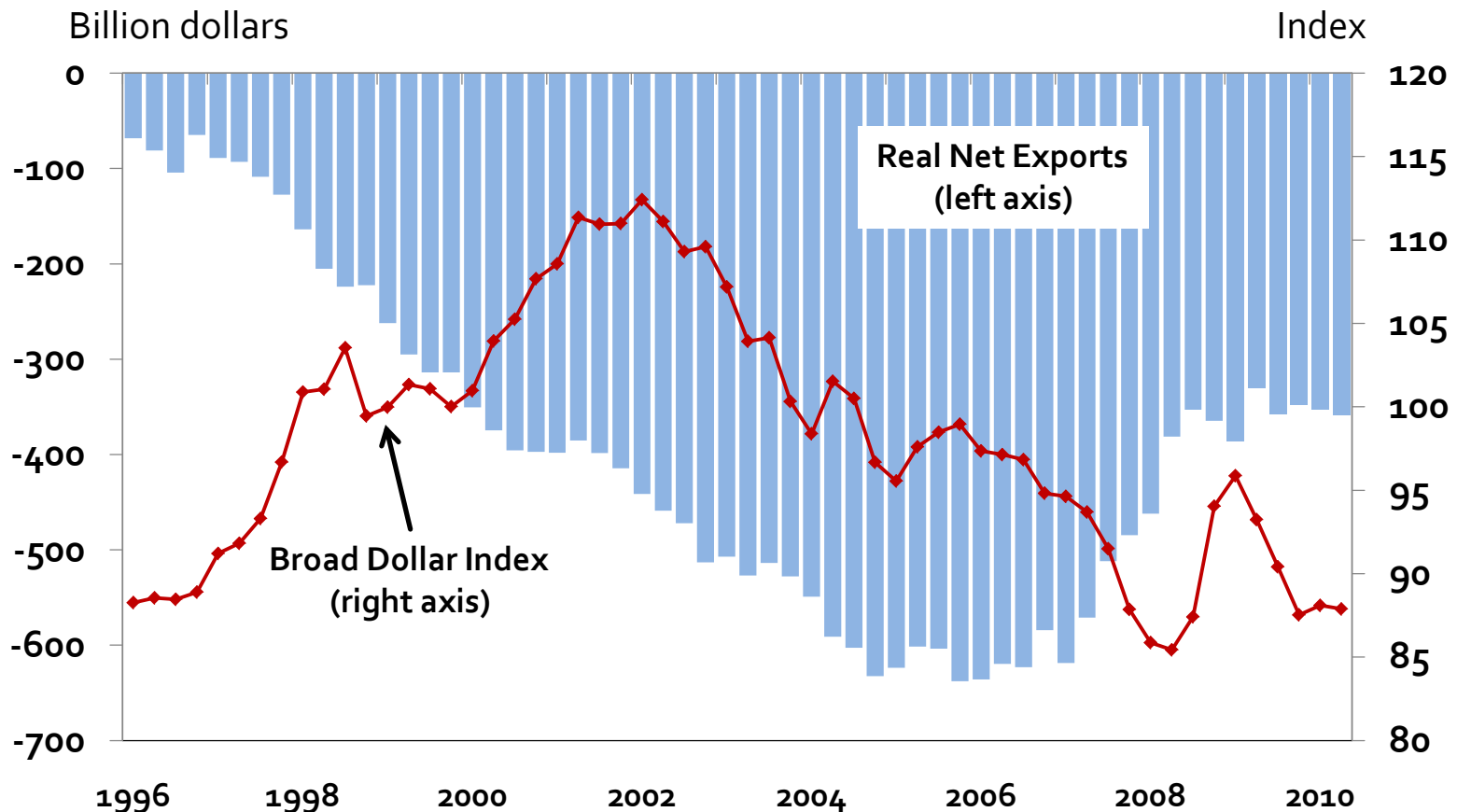


Source: Institute of Supply Management



# The value of the dollar has come off its financial crisis peak, and net exports are essentially flat.

## U.S. Real Net Exports of Goods and Services and Value of the Dollar

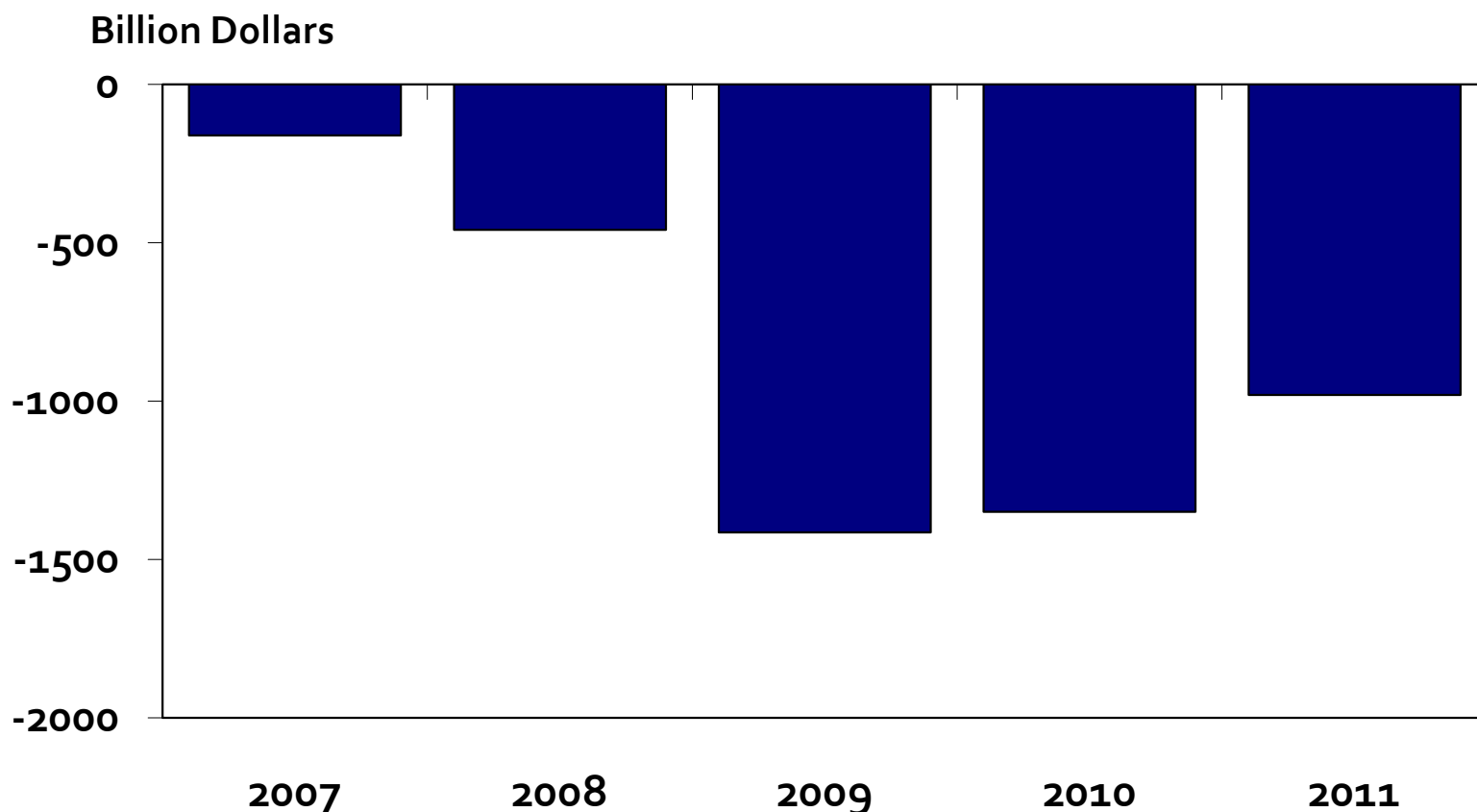


Source: Bureau of Economic Analysis and Federal Reserve Board of Governors



In the short run, deficit spending provides stimulus to the economy. However, it can present long run challenges.

### Federal Budget Deficit Projections



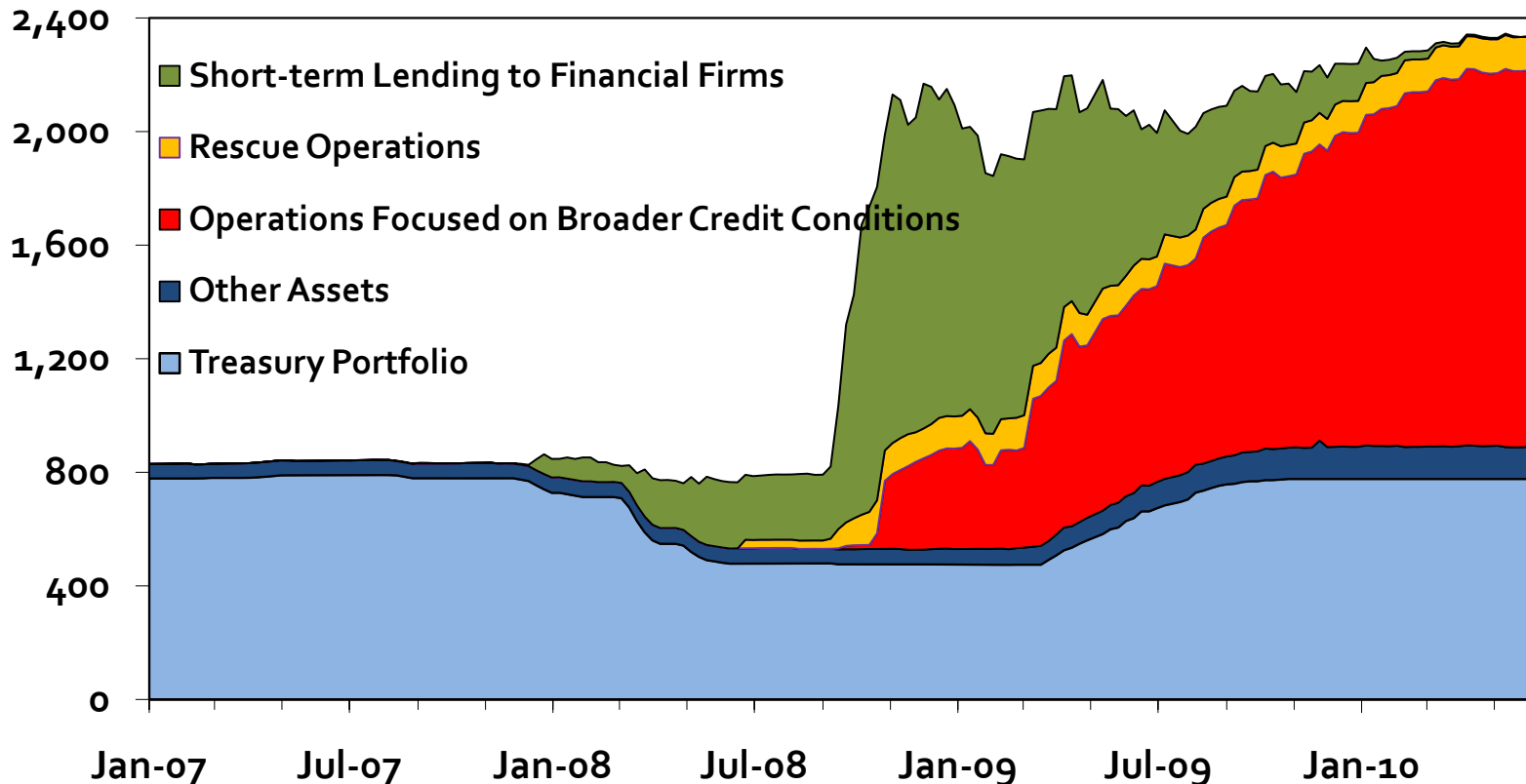
Source: Congressional Budget Office, January 2010



# To combat the financial crisis and recession, the Federal Reserve has expanded its balance sheet.

## Federal Reserve Balance Sheet: Assets

Billion Dollars

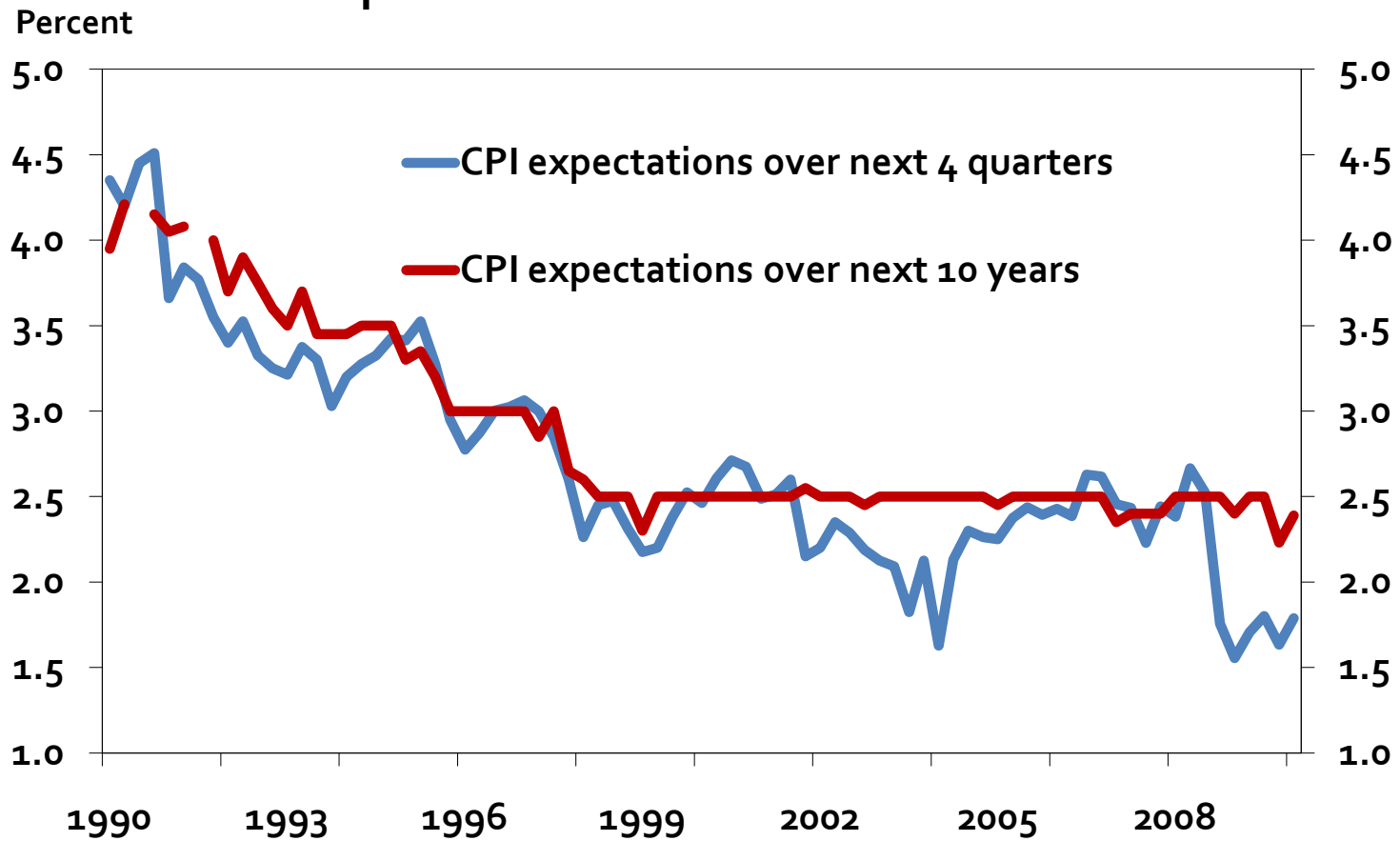


Source: Federal Reserve Board of Governors



# Inflation is expected to remain contained.

## Average Annual Inflation Expectations: Consumer Price Index

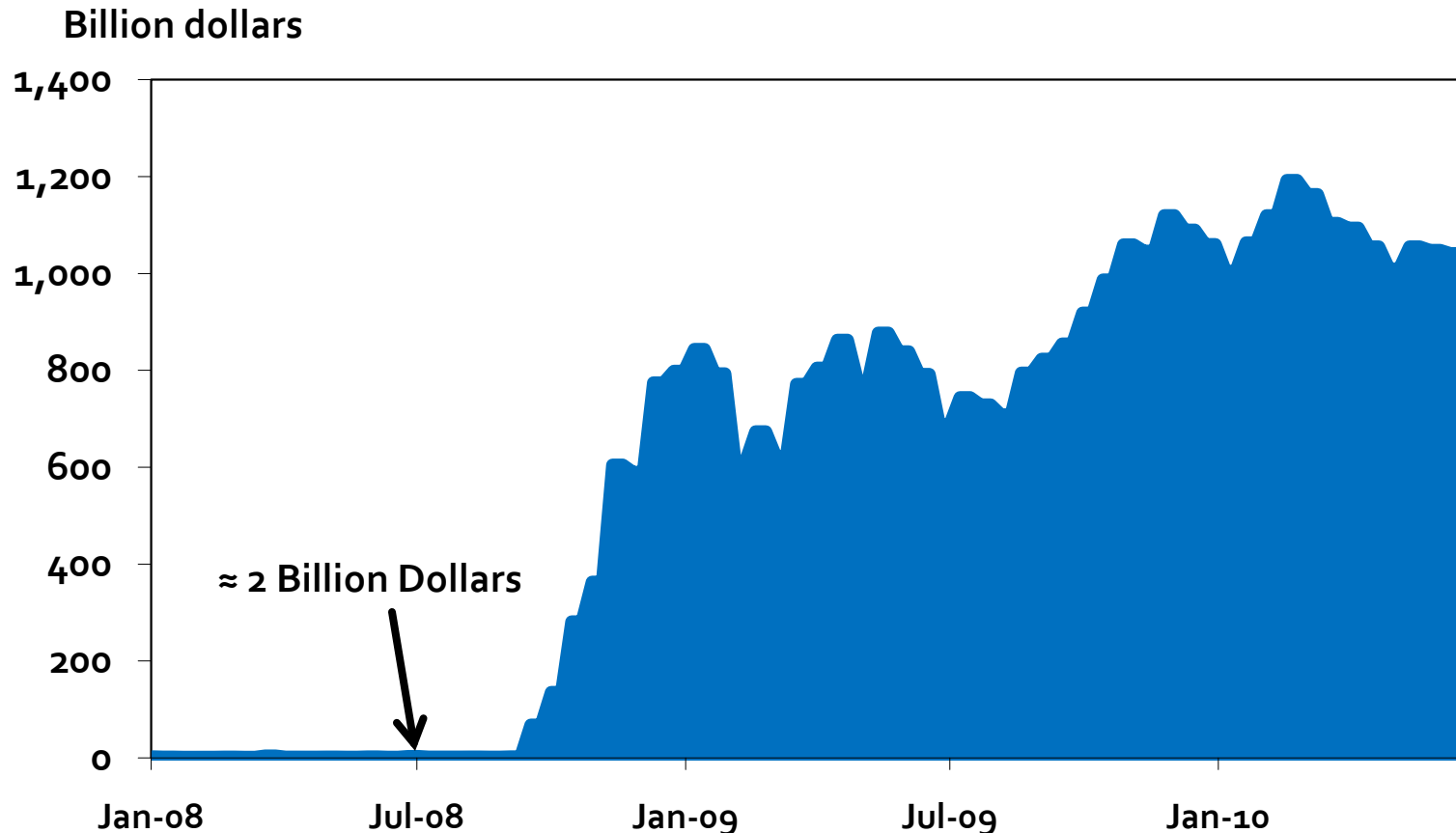


Source: Survey of Professional Forecasters



# Excess reserves held at the Federal Reserve have surged.

## Excess Reserves of Depository Institutions



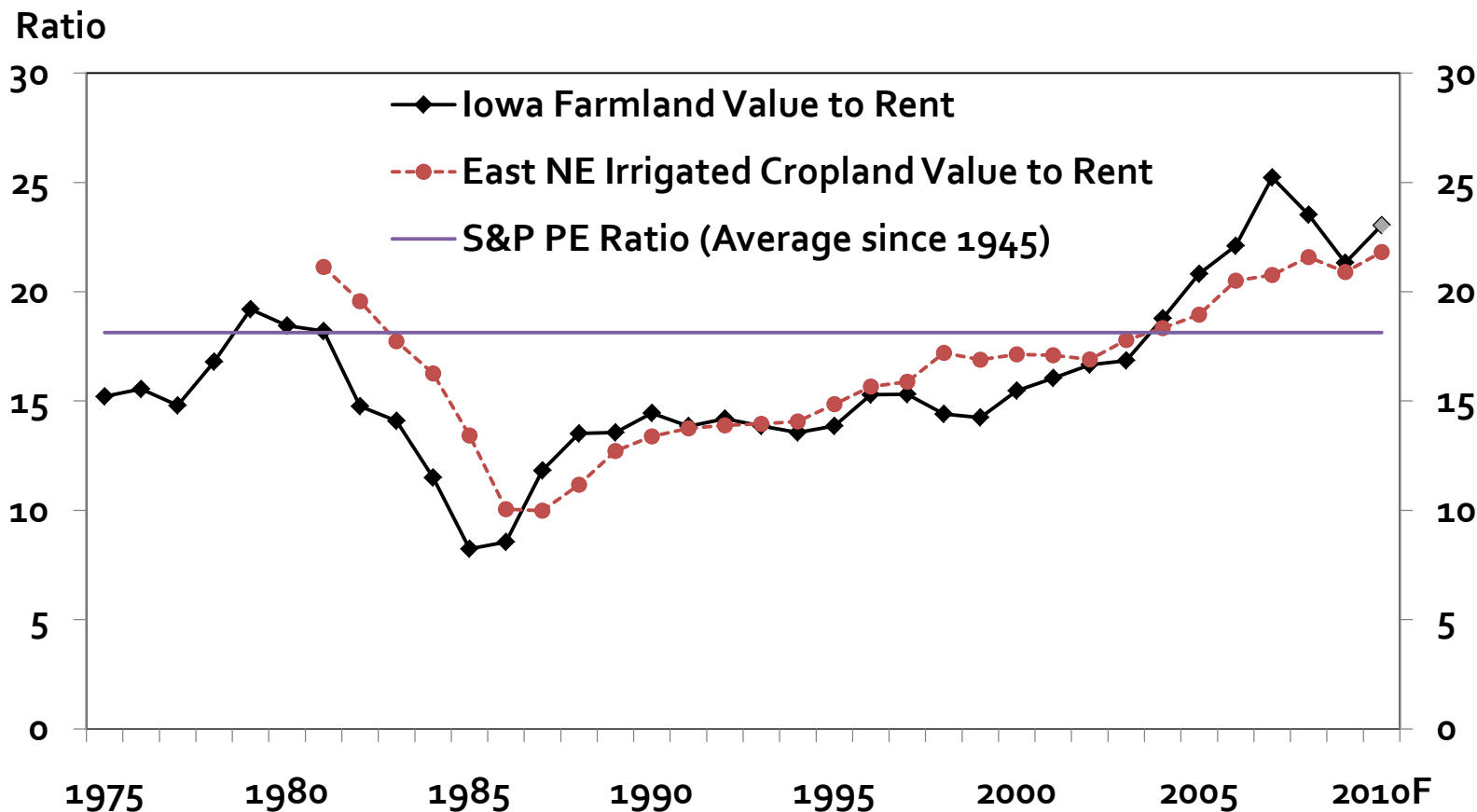
Source: Federal Reserve Board of Governors





# Will farmland values continue to be supported by farm and nonfarm demand?

## Farmland Values to Rent Ratio



Calculations based on Iowa State University and University of Nebraska data



# Conclusions

- More positive signs are appearing in the economy
- But challenges exist (e.g., elevated unemployment rate, the U.S. economy deleveraging, monetary, and fiscal)
- How will exiting the accommodative monetary policy (U.S. and abroad) impact the recovery?



# For More Information

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