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Economic Update

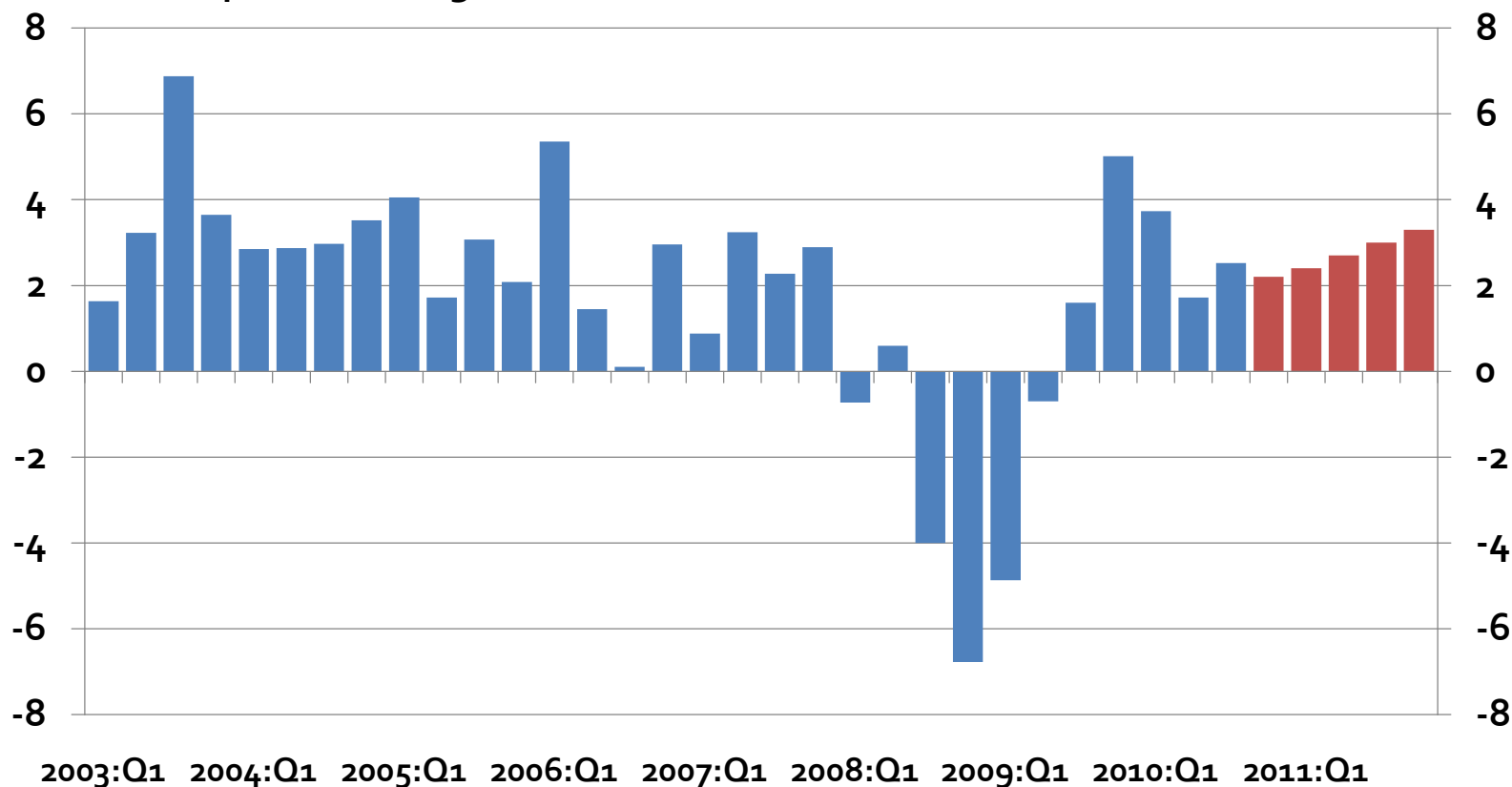


The views expressed are those of the author and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

Economic conditions are expected to strengthen in 2011.

Real U.S. GDP Growth

Annualized percent change

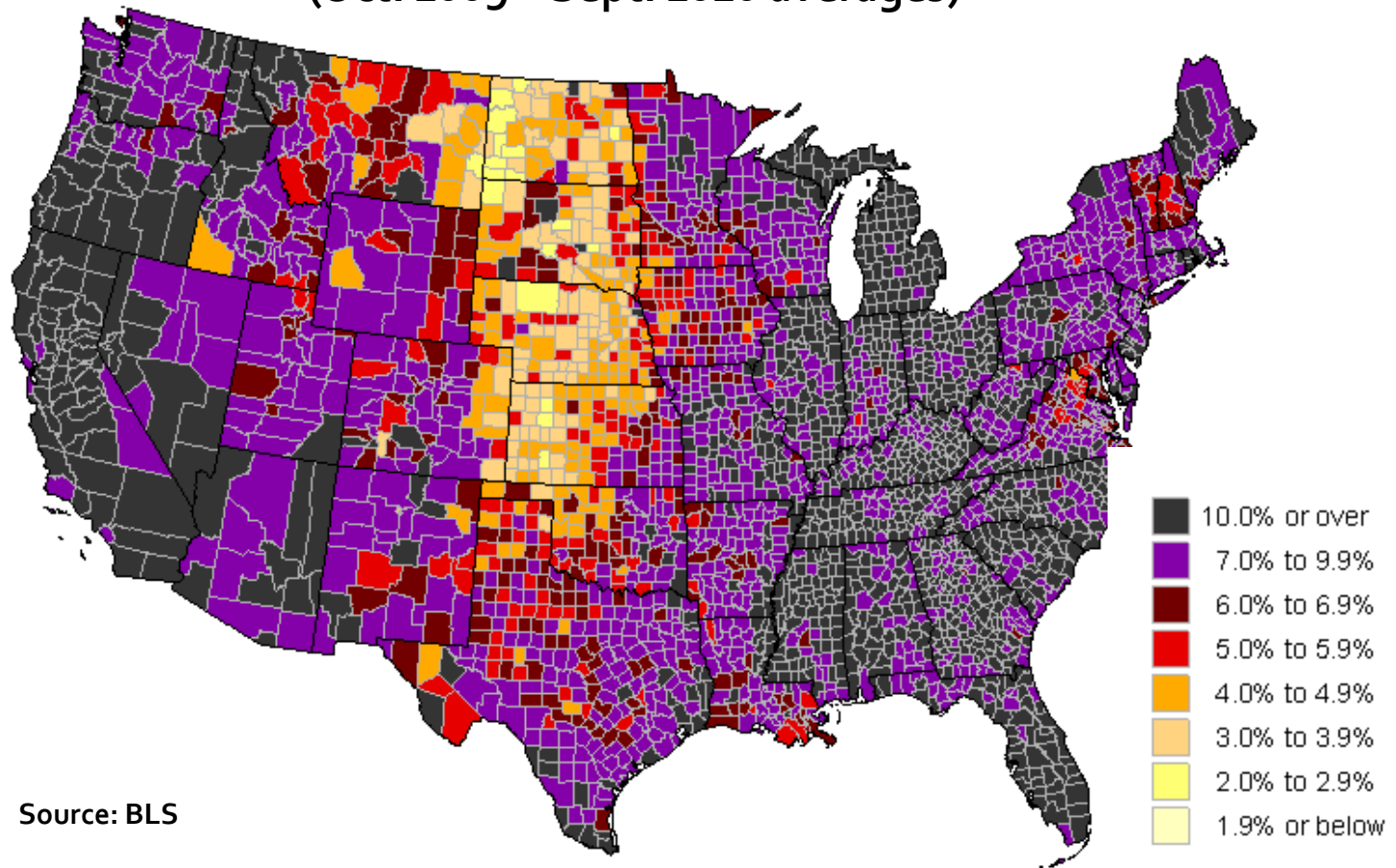


Calculations based on Bureau of Economic Analysis data



*Economic moods are often based on jobs, jobs,
or lack of jobs.*

**Unemployment Rates
(Oct. 2009 – Sept. 2010 averages)**

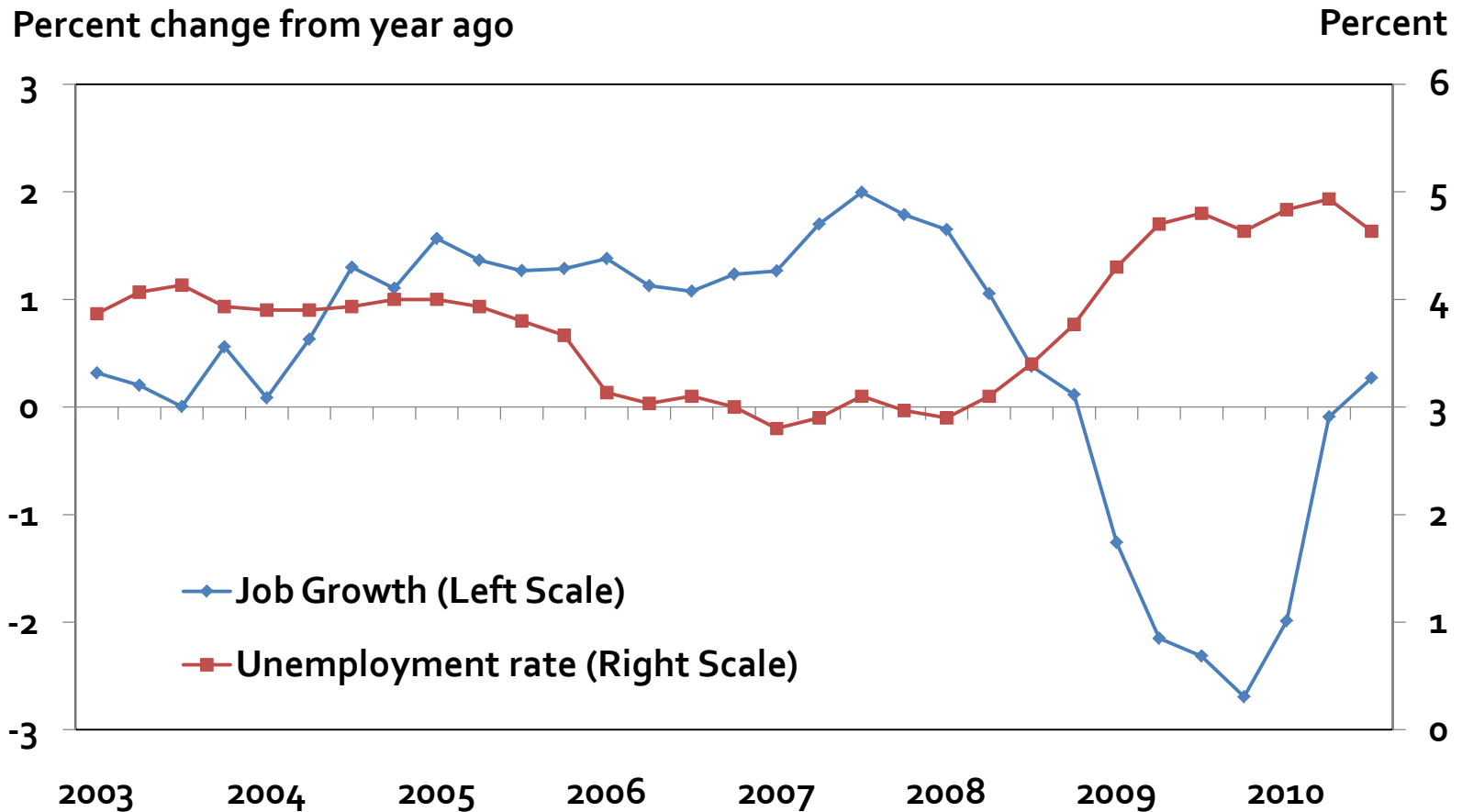


Source: BLS



Nebraska's challenge is a lack of surplus workers.

Nebraska Job Growth and Unemployment Rates



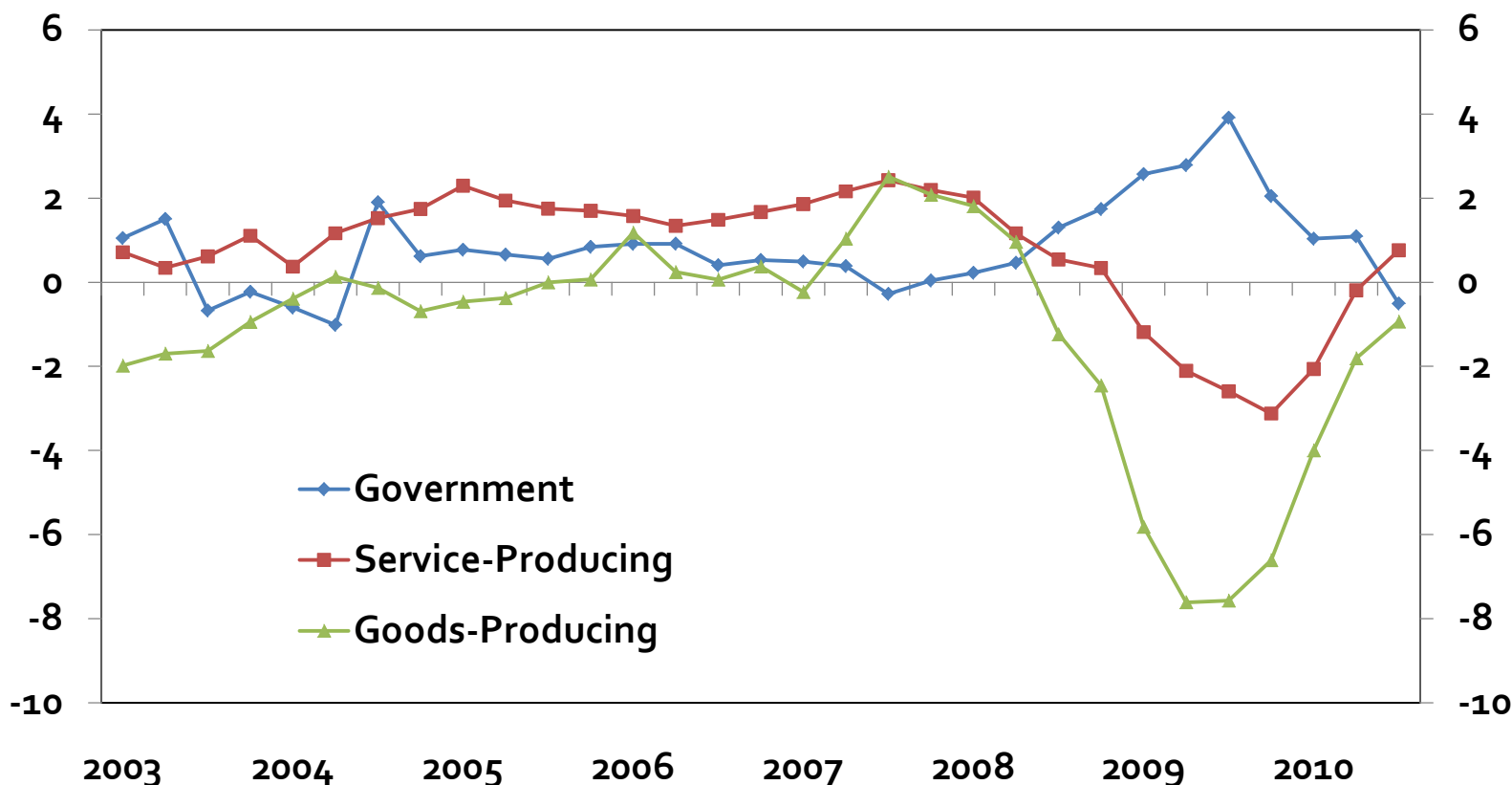
Source: BLS



Similar to national trends, the private sector has been adding jobs since the beginning of the year.

Nebraska Job Growth by Sector

Percent change from year ago



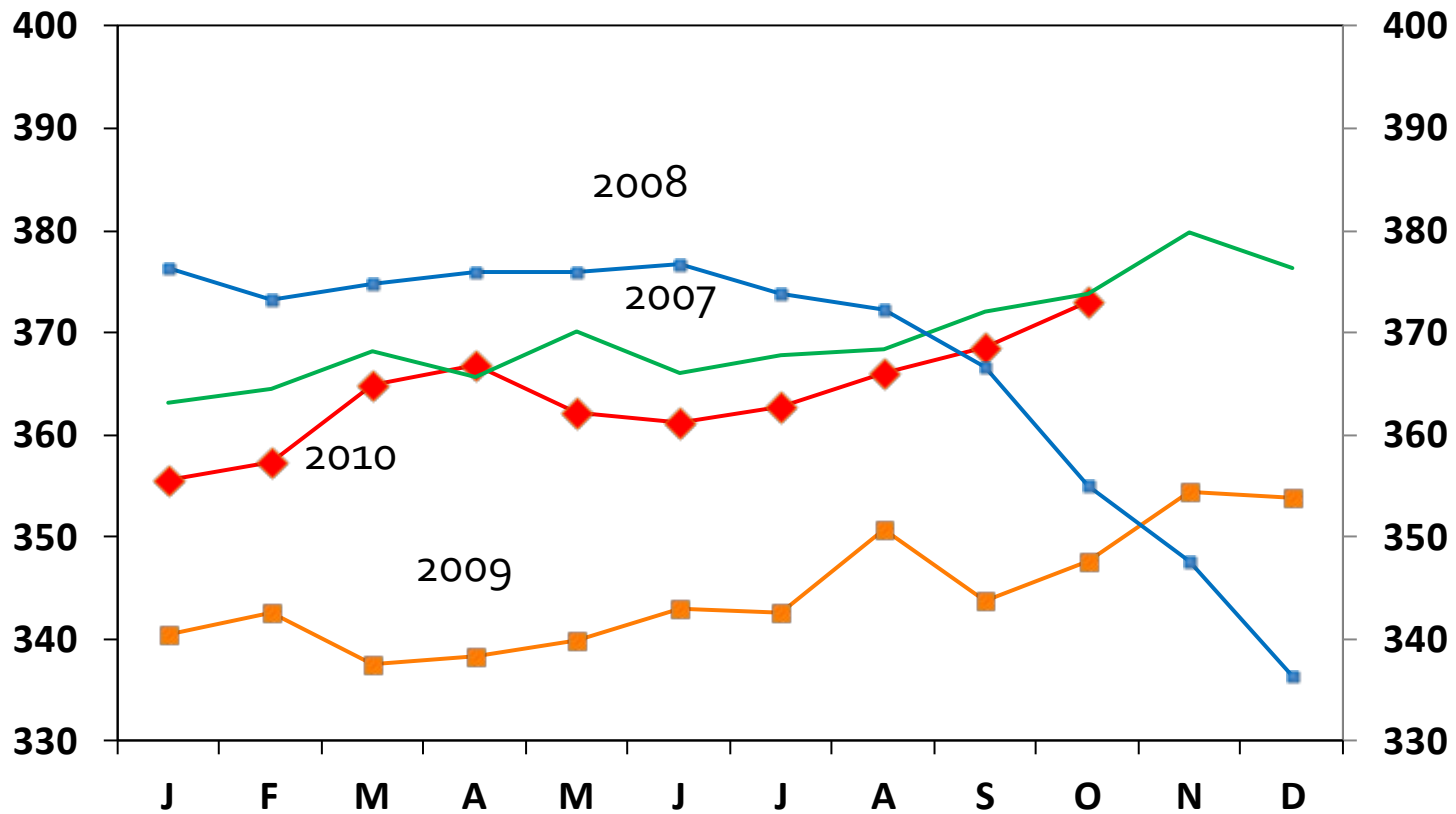
Source: BLS



Consumer spending is on the rise.

U.S. Monthly Retail and Food Sales

Billion dollars



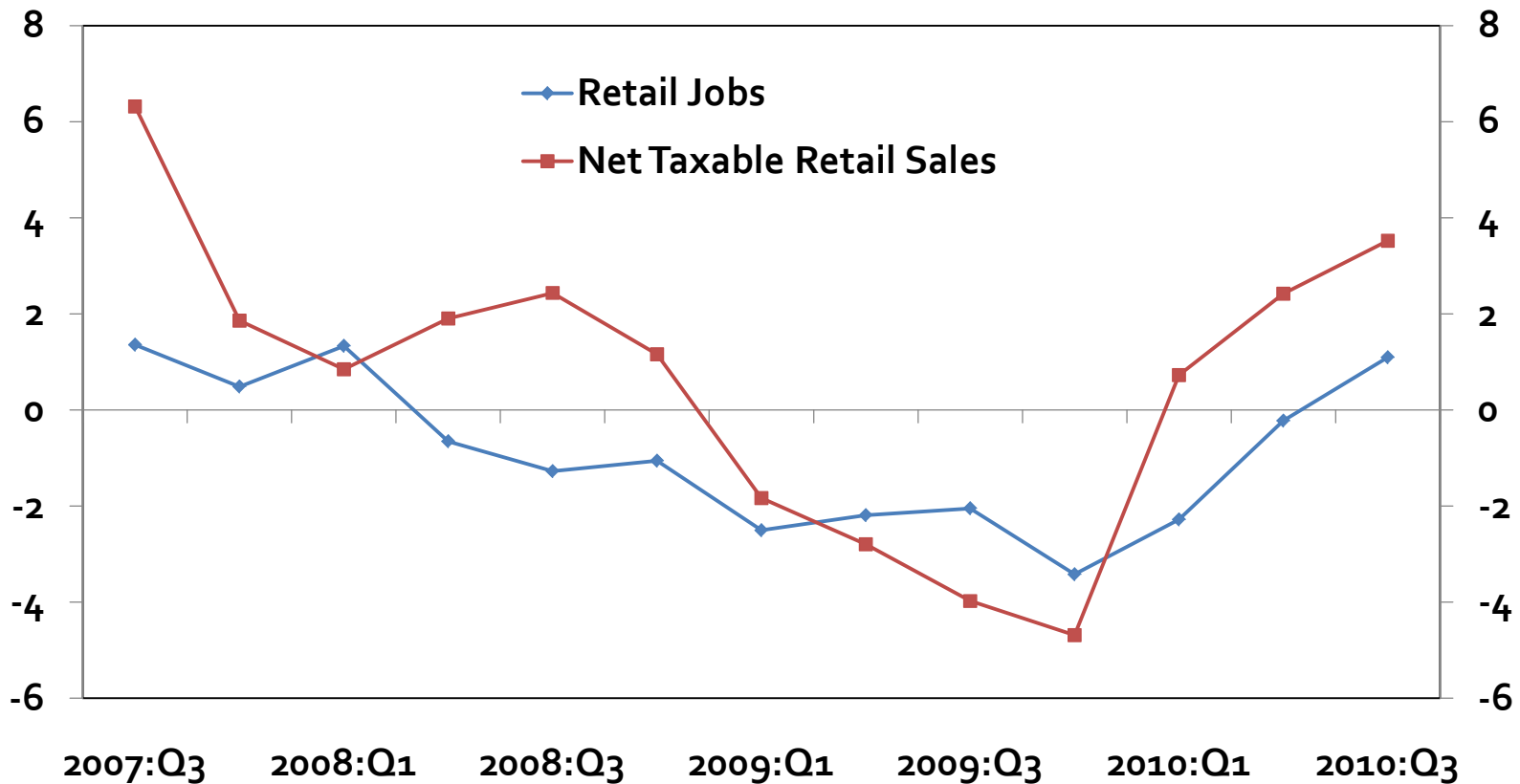
Source: U.S. Census Bureau



Retail spending and jobs are rising, just in time for the holidays.

Nebraska Retail Jobs and Sales Growth

Percent change from year ago



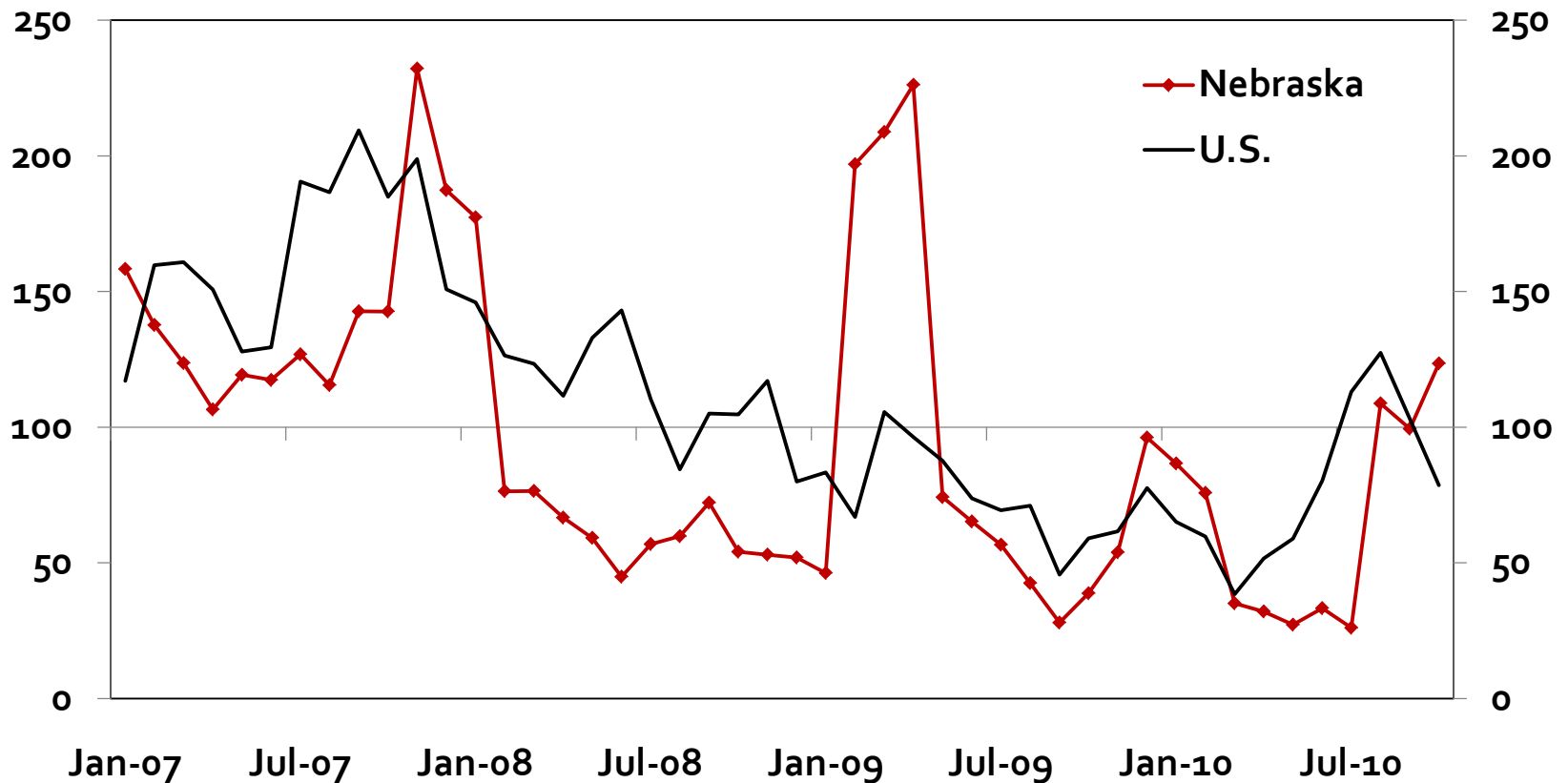
Source: BLS and Nebraska Dept. of Revenue



Commercial construction activity rebounded.

Value of Commercial Construction Contracts

Index (Oct 2005=100)

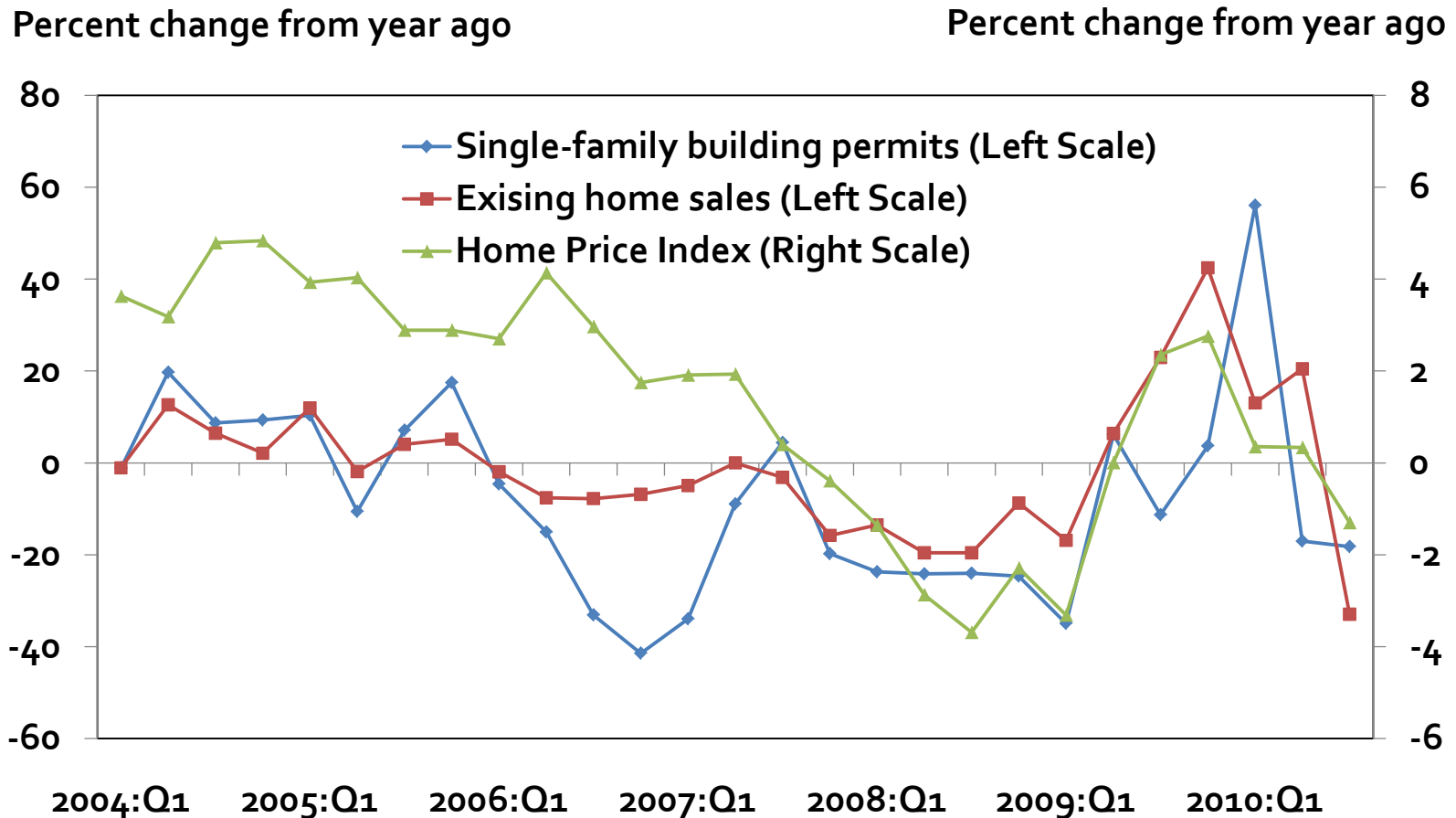


Source: FW Dodge



Residential markets are a big drag on the Nebraska economy.

Nebraska Residential Real Estate Markets



Source: Census Bureau and FHFA



Manufacturing activity is on the rebound.

Manufactured Export and Employment Growth

Percent change from year ago



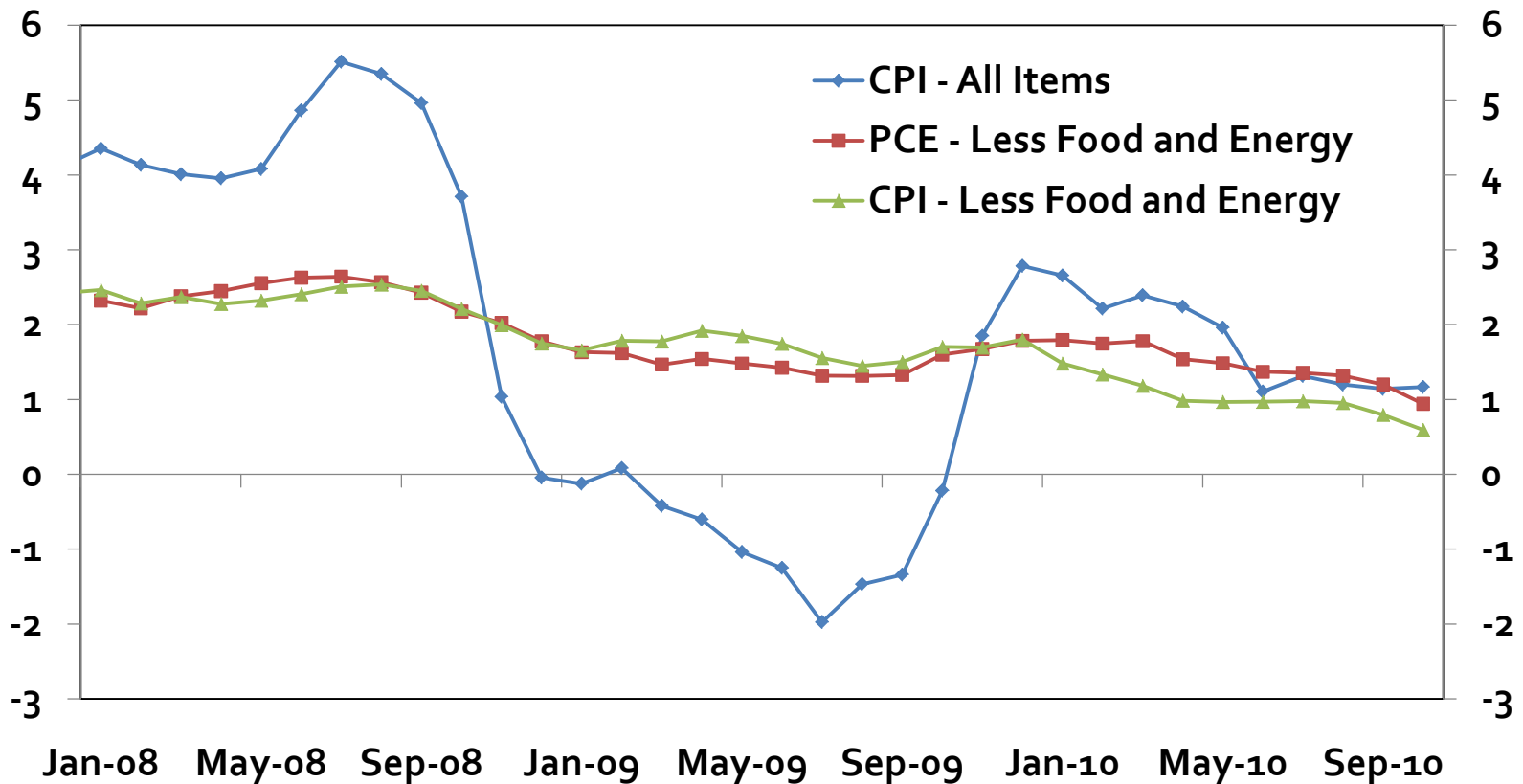
Source: BLS and WISERTrade



Consumer prices continue to edge down.

Consumer Price Inflation

Percent change from year ago



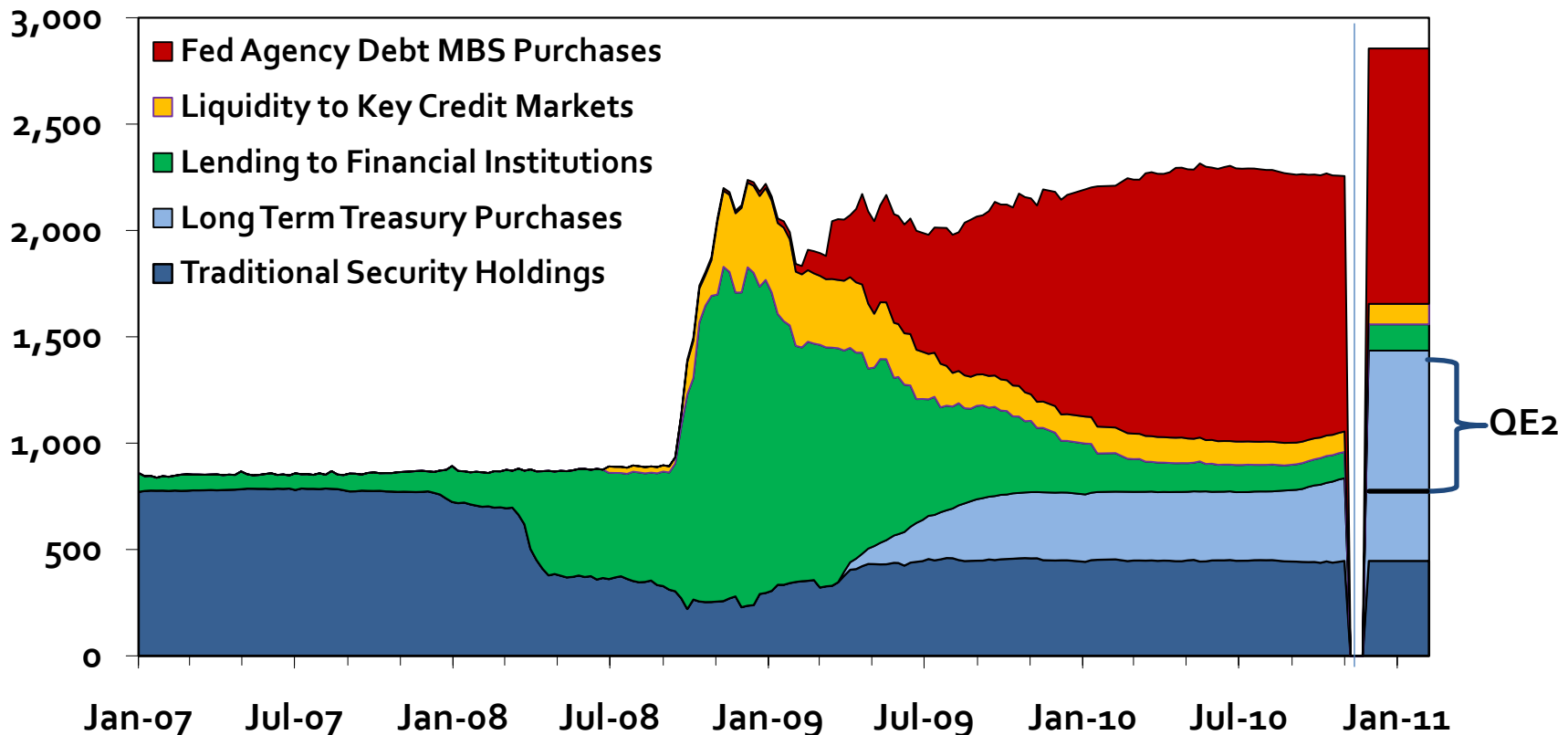
Source: Bureau of Labor Statistics



Quantitative easing (QE) is designed to expand the Federal Reserve balance sheet to lower long term rates.

Federal Reserve Balance Sheet: Assets

Billion Dollars



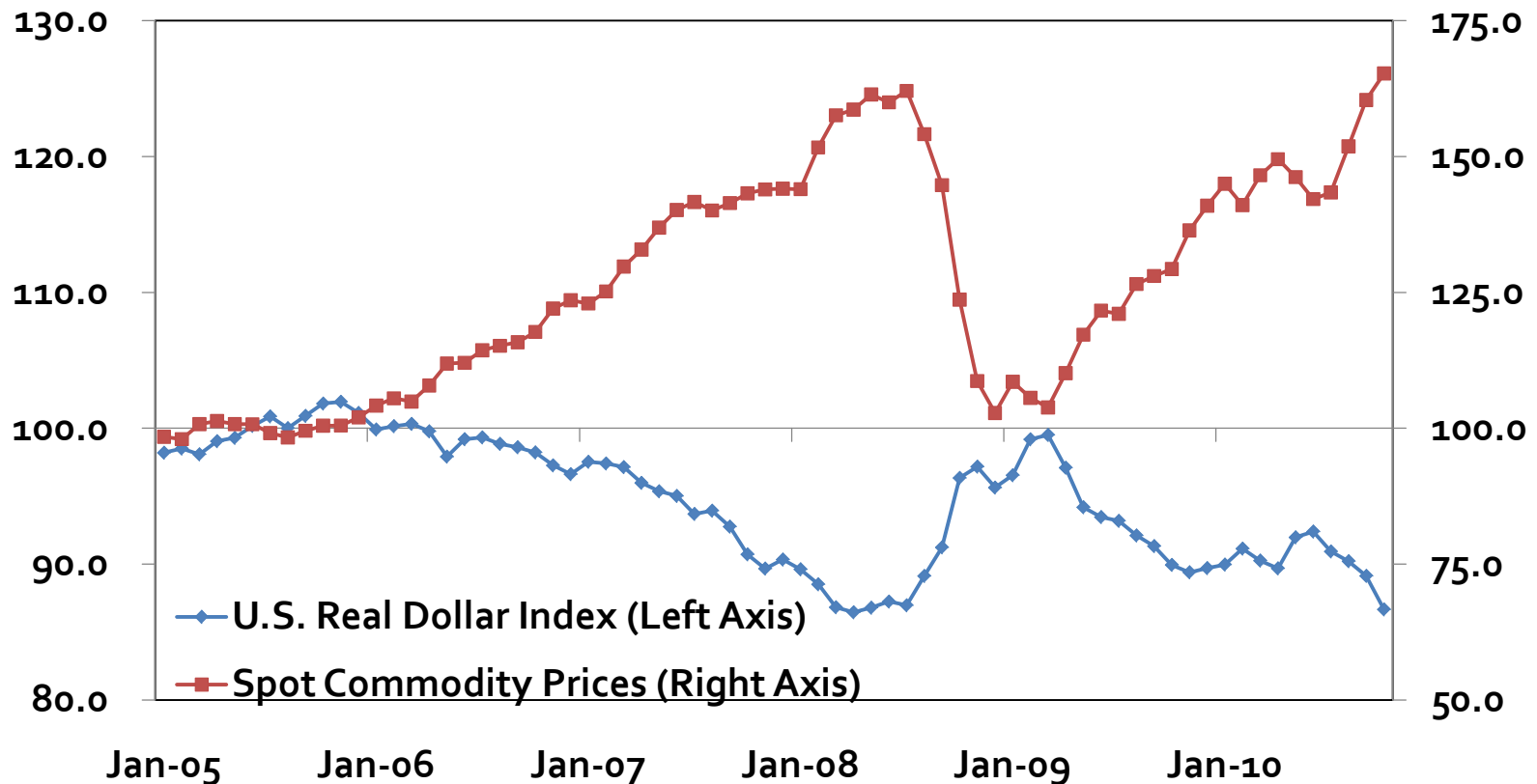
Source: Federal Reserve Bank of Cleveland



A side effect of QE is a weaker dollar, which is associated with higher commodity prices.

U.S. Exchange Rates and Commodity Prices

Index (2005 average = 100)



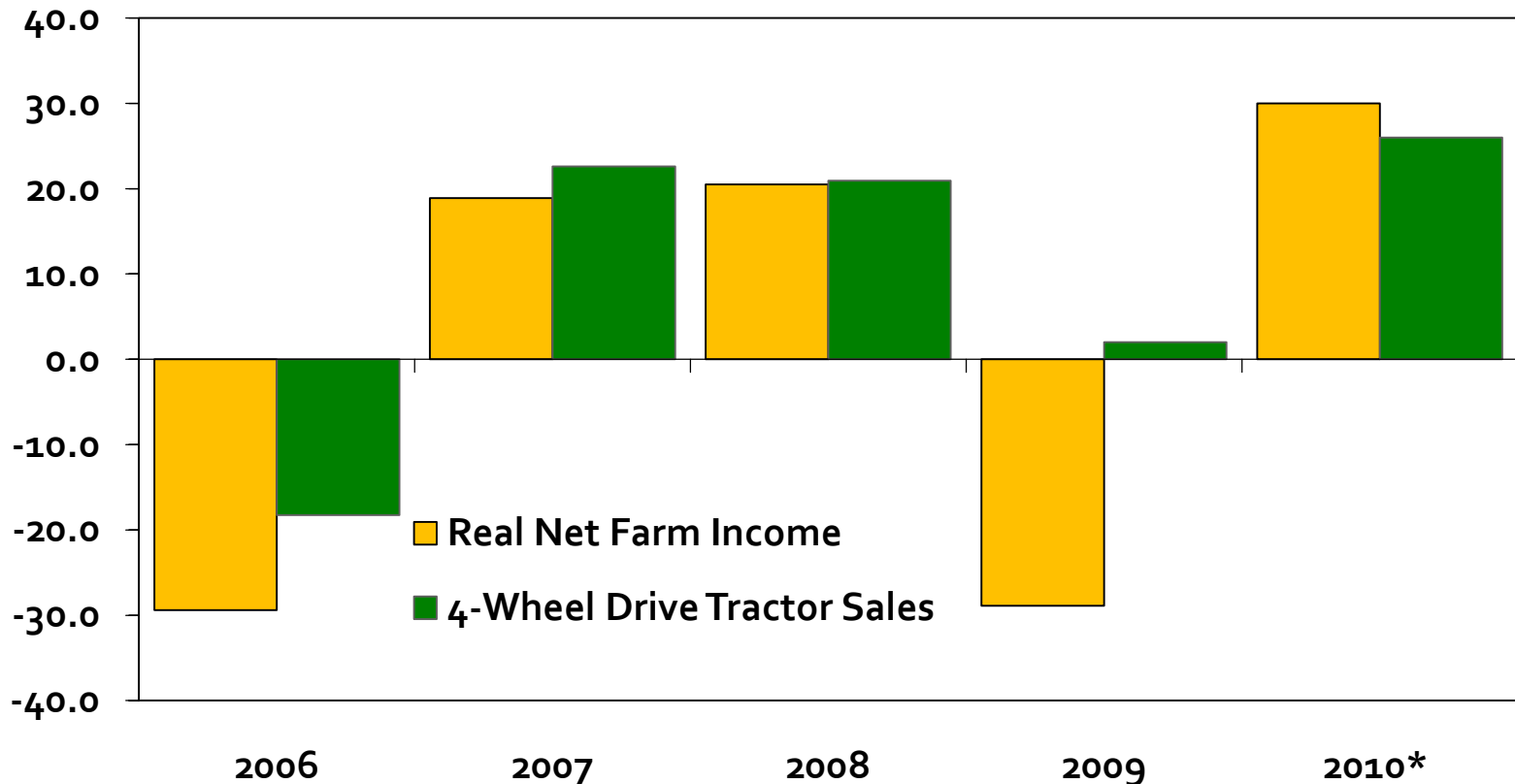
Source: Commodity Research Bureau and Federal Reserve Board of Governors



Stronger farm incomes boost agricultural equipment sales.

U.S. Real Net Farm Income and Agricultural Equipment Sales

Percent change from previous year



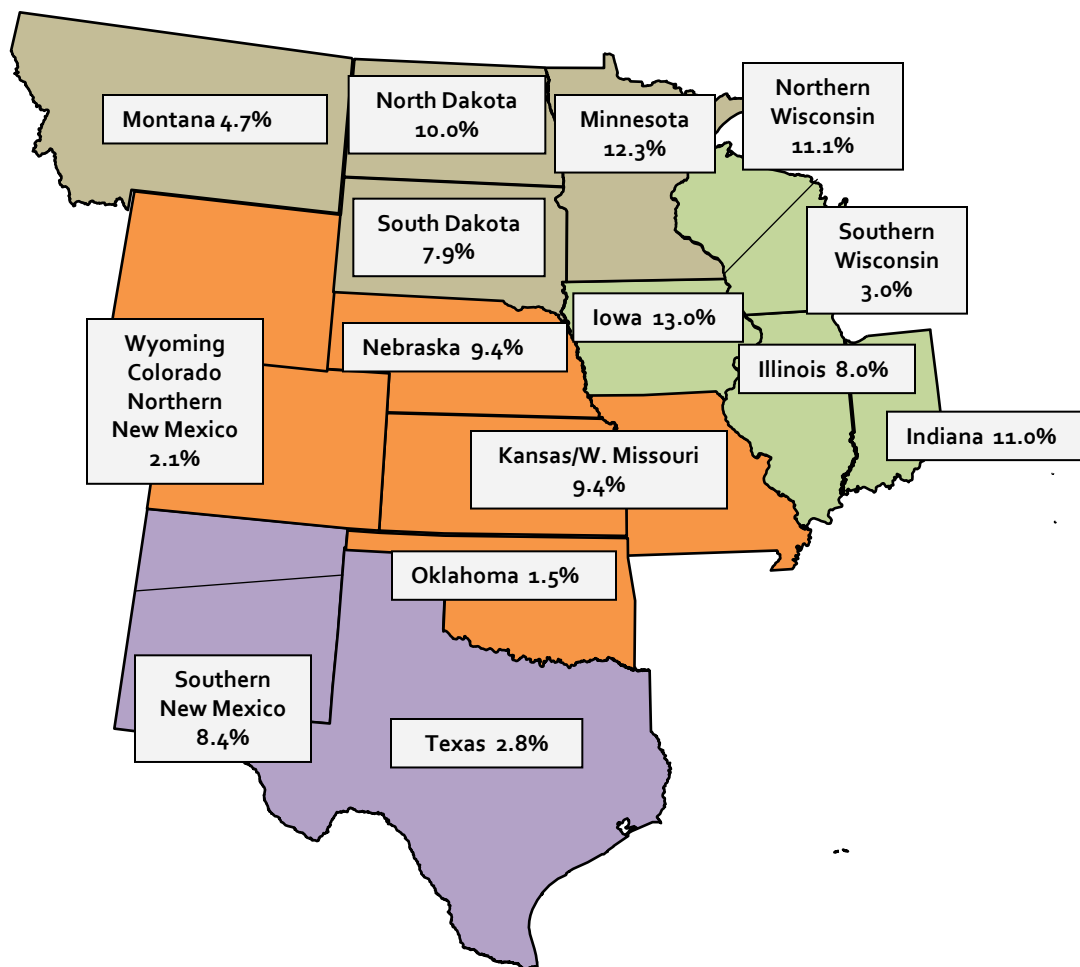
Source: Association of Equipment Manufacturers and USDA

* Tractor Sales data are year-to-date through October and Net Farm Income forecast for 2010 dated November 30, 2010.



Good Quality Farmland (Non-irrigated Cropland) Values

(Percent change Third Quarter 2009 to Third Quarter 2010)



Source: Federal Reserve District Surveys (Chicago, Minneapolis, Kansas City, Dallas)



Conclusions

- The modest recovery is underway, led by rural Nebraska.
 - Consumers are spending.
 - Service industries are expanding.
 - Manufactured exports are rising, led by agricultural exports
 - But, national unemployment rates remain high and inflation is low.
- Quantitative easing is having an impact.
 - The yield curve has steepened since June.
 - Side effects are emerging – exchange rates have fallen, pushing up commodity prices.
- Success will be determined by the exit strategy.



Federal Reserve Bank of Kansas City Omaha Branch

For additional information on
the Nebraska economy

www.kansascityfed.org/omaha

