RECESSION AND RECOVERY IN NEBRASKA AND THE U.S.

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The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
After slowing in the first half of 2011, growth is picking up.
Consumer spending and inventory investment contributed to the increase in fourth quarter GDP.

Growth in Components of Real GDP

Percent change from previous period, annualized


Source: Bureau of Economic Analysis
Unemployment rates have fallen over the past year but remain stubbornly high.

Source: Bureau of Labor Statistics; FOMC
After increasing in the first half of 2011, inflation has moderated and is expected to be below 2% in 2012.

Source: Bureau of Economic Analysis; FOMC
FOMC January Statement: “The Committee… currently anticipates that economic conditions – including low rates of resource utilization and a subdued outlook for inflation over the medium run – are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.”

Fed Funds Rate

Source: FOMC
FOMC January Statement: “The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction.”

Federal Reserve Balance Sheet
The Tenth District of the Federal Reserve
Employment in NE is approaching pre-recession levels after gains over the past 2 years.

![Total Nonfarm Employment](chart)

Source: Bureau of Labor Statistics
The unemployment rate in Nebraska is much lower than the national rate.

Unemployment Rate
Seasonally adjusted

Source: Bureau of Labor Statistics
NE has a higher share of workers in government, manufacturing, finance and transportation jobs.

Source: Bureau of Labor Statistics
Employment in professional and business services grew quickly over the past year in Nebraska.

Source: Bureau of Labor Statistics
Since the recession started, employment has fallen in every industry except healthcare in the U.S.

Employment Growth by Industry
Dec-11 over Dec-07

Source: Bureau of Labor Statistics
The manufacturing sector has been expanding for over two years.

Manufacturing Activity
Seasonally adjusted; month-over-month

Sources: ISM, FRBKC Manufacturing Survey
Note: 10J index is computed on ISM basis (50 = zero change)
Manufacturers in the Tenth District expect increased activity over the next six months.

Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead

Source: FRBKC Manufacturing Survey
Crop prices have fallen somewhat from high levels last summer.

Source: Commodity Research Bureau
High input costs are trimming profit margins for livestock operators.

U.S. Livestock Prices and Breakeven Costs

Source: USDA
Ag bankers continue to report that farm income and capital spending are higher than a year ago.

Tenth District Farm Income and Capital Spending

Source: FRBKC Ag Credit Survey
Farmland prices have increased sharply in Nebraska.

Source: FRBKC Agricultural Credit Survey
Home sales activity rebounded over the past year but remains below pre-recession levels.
Residential construction activity remains weak but has increased over the past few months.

![Graph showing the value of residential construction contracts over time, with a trend line indicating an increase over the past few months. The graph is labeled "Value of Residential Construction Contracts" and notes that the values are seasonally adjusted, 3 month moving average.]
Home prices in Nebraska have outperformed the national prices.
Foreclosure rates in Nebraska are lower than in other parts of the nation.
Federal government debt levels have increased significantly over the past few years.

Source: Congressional Budget Office
Note: According to the CBO, "The alternative fiscal scenario incorporates the assumptions that all expiring tax provisions (other than the payroll tax reduction) … are extended; that the AMT is indexed for inflation after 2011 …; that Medicare's payment rates for physicians' services are held constant…; and that the automatic enforcement procedures specified by the Budget Control Act of 2011 do not take effect. The budgetary effects under the alternative fiscal scenario also include the incremental interest costs associated with projected additional borrowing."
Projected reductions in the deficit rely on the expiration of many current policies.

Deficits Projected in CBO’s Baseline and Under an Alternative Fiscal Scenario

Percentage of Gross Domestic Product

Additional Debt Service
Prevent Spending Cuts
Extend Tax Policies
Baseline

Source: Congressional Budget Office
State government tax revenues increased in FY 2011 but remained below pre-recession levels.

Source: US Census Bureau
Among the top 25 Nebraska export countries, EU countries combine for 9.5% of exports.
The pace of the U.S. economic recovery slowed in the first half of 2011, but growth picked up in the second half of last year.

The Nebraska economy has outperformed the U.S. over the past few years due, in large part, to the strength of the agriculture sector.

Both the U.S. and Nebraska economies are expected to continue to recover over the next couple of years.

However, economic growth may rely more heavily on private demand in the U.S. as problems persist in Europe and the U.S. federal government faces high debt levels.
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