Economic Overview and Outlook for the Nation and the Tenth District

Community Development Advisory Council

Kelly Edmiston
March 27, 2012
Economic Overview and Outlook

• Output Growth
• Employment
• Factors Affecting Future Performance
OUTPUT AND EMPLOYMENT
GDP Growth by Industry

Source: Bureau of Economic Analysis
Typical Recession Path

Change, real GDP, Annual Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Change, real GDP, Annual Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>3.1</td>
</tr>
<tr>
<td>1980</td>
<td>-0.3</td>
</tr>
<tr>
<td>1981</td>
<td>2.5</td>
</tr>
<tr>
<td>1982</td>
<td>-1.9</td>
</tr>
<tr>
<td>1983</td>
<td>4.5</td>
</tr>
<tr>
<td>1984</td>
<td>7.2</td>
</tr>
<tr>
<td>1985</td>
<td>4.1</td>
</tr>
<tr>
<td>1986</td>
<td>3.5</td>
</tr>
<tr>
<td>1987</td>
<td>3.2</td>
</tr>
</tbody>
</table>
Quarterly GDP Forecasts

Change, real GDP, Annual Rate

Actual
Forecast

Historical Average

Source: Blue Chip Economic Indicators (Jan 2012)
## Consensus Forecasts

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012F</th>
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</thead>
<tbody>
<tr>
<td>Real GDP Growth</td>
<td>3.0</td>
<td>1.7</td>
<td>2.3</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>9.6</td>
<td>8.9</td>
<td>8.2</td>
</tr>
<tr>
<td>Consumer Prices</td>
<td>1.6</td>
<td>3.1</td>
<td>2.3</td>
</tr>
</tbody>
</table>

Source: Blue Chip Economic Indicators (Jan 2012); Consensus Forecasts (Mar 2012); U.S. Bureau of Labor Statistics
Job Growth by Sector

Source: U.S. Bureau of Labor Statistics

Percent, year-over-year

<table>
<thead>
<tr>
<th>Sector</th>
<th>Percent, year-over-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manuf.</td>
<td>8.2</td>
</tr>
<tr>
<td>Educ. &amp; Health</td>
<td>13.9</td>
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<tr>
<td>Trans &amp; Util</td>
<td>3.6</td>
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<tr>
<td>Leisure &amp; Hosp.</td>
<td>10.1</td>
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<tr>
<td>Prof. &amp; Bus.</td>
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<tr>
<td>Trade</td>
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<tr>
<td>Other Serv.</td>
<td>4.0</td>
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<tr>
<td>Finance</td>
<td>5.7</td>
</tr>
<tr>
<td>Mining &amp; Constr.</td>
<td>6.0</td>
</tr>
<tr>
<td>Information</td>
<td>2.2</td>
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<tr>
<td>Fed Govt.</td>
<td>2.5</td>
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<tr>
<td>SL Govt.</td>
<td>16.3</td>
</tr>
</tbody>
</table>
The Jobs Deficit

Chart computes the employment level that would be required to keep the unemployment rate at the December, 2007 level, given structural trends in the labor force participation rate. The structural trend in labor force participation rates is discussed in Van Zandweghe (2012).
Unemployment and Labor Force Participation Rates

Source: U.S. Bureau of Labor Statistics
Expanded Unemployment Rate (U.S.)

Source: U.S. Bureau of Labor Statistics

- U-6: 17.4% in Feb-08, 14.9% in Feb-12
- U-3: 10.1% in Feb-08, 8.3% in Feb-12

Dates:
- Feb-08, Aug-08, Feb-09, Aug-09, Feb-10, Aug-10, Feb-11, Aug-11, Feb-12
Share of Unemployment that is Long-Term (U.S.)

Source: U.S. Bureau of Labor Statistics
County
Unemployment Rates

Source: U.S. Bureau of Labor Statistics
CONSIDERATIONS GOING FORWARD
Housing

CONSIDERATIONS GOING FORWARD
Existing Single-Family Home Sales

Demand Constraints

• Economy/Financial Security
• Uncertainty about Market
• Household Formation
• Credit Availability

Source: Area Realtors Associations
Months Supply of Existing Homes (District)

Source: Albuquerque, Denver, Kansas City, Oklahoma City, Omaha, and Tulsa Residential Realtors
Existing Single-Family Home Prices (U.S.)

Source: FHFA, Standard & Poor's/Case-Shiller, National Association of Realtors
Serious Mortgage Delinquency Rates
Kansas City MSA
Consumer Spending

CONSIDERATIONS GOING FORWARD
District Consumer Activity

Source: Federal Reserve Bank of Kansas City
Personal Income Growth

Source: Bureau of Economic Analysis
Average Debt per Consumer

4-quarter moving average

Source: Federal Reserve Bank of New York Consumer Credit Panel / Equifax
Energy Prices

CONSIDERATIONS GOING FORWARD
U.S. Average Gas Prices (1992 – 2012)

Source: U.S. Department of Energy
Brent Crude Oil Prices (1970 – 1992)

Source: U.S. Department of Energy
U.S. and World Debt

CONSIDERATIONS GOING FORWARD
Federal Debt (% of GDP)

Source: Congressional Budget Office
European Debt Crisis

2011 Net Govt. Debt, Percent of GDP

2011 Govt. Deficits, Percent of GDP

Source: Organization for Economic Co-operation & Development
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