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.
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

Percent change year-over-year

Source: Bureau of Labor Statistics
Has Nebraska’s unemployment rate peaked?

Unemployment Rate

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.
Manufacturing activity has bottomed

U.S. and Tenth District Manufacturing Production Indices

Index

Tenth Federal Reserve District

U.S.

Sep-04 Sep-05 Sep-06 Sep-07 Sep-08 Sep-09

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

Percent change from previous year

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

-10
-8
-6
-4
-2
0
2
4
6
8
10

Away-from-home sales
At-home sales

2006
2007
2008
2009

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

- Ethanol production capacity
- + Idled plant capacity
- + Plants under construction

Renewable Fuels Standards

Corn-based ethanol

Source: Renewable Fuels Association and FAPRI

Federal Reserve Bank of Kansas City – Omaha Branch
Regional, Public and Community Affairs Division
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)

10 year average ($70.4 billion)

Source: USDA
What will drive farmland values?

Nebraska Nonirrigated Farmland Values

Source: Federal Reserve Bank of Kansas City
Today’s Roadmap

- The “Great Recession” ends in Nebraska.
- The Ag Boom ends.
- The “letter” of this recovery is …
What is the “Letter” of Recovery?

U.S. Real GDP Growth

Percent

Source: Bureau of Economic Analysis and Federal Reserve projection
# Federal Reserve Economic Projections

*(June 24, 2009)*

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<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Longer Run</th>
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<tr>
<td>Real GDP Growth</td>
<td>-1.5 to -1.0</td>
<td>2.1 to 3.3</td>
<td>3.8 to 4.6</td>
<td>2.5 to 2.7</td>
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<tr>
<td>April ’09 projection</td>
<td>-2.0 to -1.3</td>
<td>2.0 to 3.0</td>
<td>3.5 to 4.8</td>
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<td>Unemployment Rate</td>
<td>9.8 to 10.1</td>
<td>9.5 to 9.8</td>
<td>8.4 to 8.8</td>
<td>4.8 to 5.0</td>
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<td>April ‘09 projection</td>
<td>9.2 to 9.6</td>
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<td>7.7 to 8.5</td>
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<td>PCE Inflation</td>
<td>1.0 to 1.4</td>
<td>1.2 to 1.8</td>
<td>1.1 to 2.0</td>
<td>1.7 to 2.0</td>
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<tr>
<td>April ‘09 projection</td>
<td>0.6 to 0.9</td>
<td>1.0 to 1.6</td>
<td>1.0 to 1.9</td>
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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)

- Consumer Credit
- Mortgage debt

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

- The “Great Recession” ends in Nebraska.
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- The “letter” of this recovery is ...
- The Federal Reserve exit strategy
With the Fed Funds Rate at the zero bound, the Fed has expanded its balance sheet.

Federal Reserve Balance Sheet: Assets

Billion Dollars

- Short-term Lending to Financial Firms
- Rescue Operations
- Operations Focused on Broader Credit Conditions
- Other Assets
- Treasury Portfolio

Source: Federal Reserve Board of Governors
Unlike the Great Depression, money stock (M2) has edged up with a surge in the monetary base.
What is the future path of interest rates?

Fed Funds Rate

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

www.kansascityfed.org/omaha