ECONOMIC OUTLOOK
FOR
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.
U.S. Economic Overview

- Incoming data suggest that the U.S. economy continues to recover at a modest pace.
  - Manufacturing activity is expanding.
  - The energy and agriculture sectors are booming.
  - Consumer spending is well above year-ago levels.

- However, the U.S. economy faces many challenges over the next few years.
  - Unemployment rates are likely to remain stubbornly high.
  - Residential construction activity remains weak, constrained in part by excess housing supply, falling prices and high foreclosure rates.
  - Eventually fiscal and monetary stimulus must be removed.
A moderate recovery is expected to continue over the next few years.

Source: Bureau of Economic Analysis; FOMC
Consumption is starting to contribute more to GDP.
Consumers are spending more as confidence levels gradually increase.

Source: Census Bureau and Consumer Confidence Board
Inflation pressures remain subdued.
The Tenth District of the Federal Reserve
Employment fell sharply during the recession but increased in 2010.

Source: Bureau of Labor Statistics
Unemployment rates remain elevated.

Source: Bureau of Labor Statistics
Employment increased in most industries in 2010.

Source: Bureau of Labor Statistics
Manufacturing activity continues to expand.

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

Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead

Source: FRBKC Manufacturing Survey
The energy sector is expanding, especially for oil producers.

Source: Baker-Hughes
Lower supplies and increased demand have led to higher crop prices.

Source: Commodity Research Bureau
Incomes increased for livestock producers in 2010.
Farmland values are increasing.

Tenth District Farmland Values

Percent change from a year ago

Nonirrigated Cropland  Irrigated Cropland  Ranchland

Source: FRBKC Ag Survey
As expected, home sales plummeted after the expiration of the tax credit.
Residential construction activity remains slow.

Value of Residential Construction Contracts
Seasonally adjusted

Source: FW Dodge
Foreclosure rates are much lower in Nebraska than in the nation.

Source: Mortgage Bankers Association
Home prices have held up relatively well in Nebraska.

Home Price Appreciation
Seasonally adjusted

Percent change from year ago

Source: FHFA
Commercial construction activity is weaker than pre-recession levels.

Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.

Source: F.W. Dodge Inc.
Office and industrial vacancy rates have remained stable in Nebraska.

![Commercial Vacancy Rates Chart](chart.png)

Source: Torto-Wheaton Research
Conclusions

- The Nebraska economy held up much better than the U.S. economy during the past recession and is recovering faster due in large part to a healthy agriculture sector.

- The U.S. economy is expected to continue to recover gradually over the next few years.
  - Weak residential construction activity, low consumer confidence and high unemployment will likely prevent a more robust recovery.
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