Resilience of the U.S. Economy

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

• Economic growth in the U.S., and in Nebraska, has been resilient in the face of numerous risks and uncertainties.

• Alongside a strong labor market, consumption has remained a primary driver of growth.

• Growth appears likely to be more subdued in 2024, with agriculture also softer in the year ahead.
Economic growth has been solid over the past year.

**Real GDP Growth**

- Percent change from previous year

**Contributions to Real GDP Growth**

- Percentage points

**Sources:** BEA, Wolters Kluwer, Haver Analytics.
Economic activity in Nebraska has also been strong.

Real GDP

Percent change from previous year

<table>
<thead>
<tr>
<th>Quarter</th>
<th>U.S.</th>
<th>Nebraska</th>
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</thead>
<tbody>
<tr>
<td>Q1-2023</td>
<td>3.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Q2-2023</td>
<td>2.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Q3-2023</td>
<td>5.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Q4-2023</td>
<td>3.5%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

Sources: BEA, Haver Analytics.
Inflation has moderated substantially, but there are still risks of some persistence.

**U.S. Consumer Prices**

Percent change from previous year

- Overall Inflation Rate
- Inflation Rate Excluding Food and Energy (Core)

**Contributions to Core PCE**

Percent change from previous year

- Core Services ex Housing
- Core Goods
- Housing
- Core PCE

**Sources:** BLS, Haver Analytics
A key factor to solid economic activity, labor markets have remained strong.

Sources: Federal Reserve Bank of Kansas City, BLS, Haver Analytics
Wage growth has moderated somewhat, but still remains higher than before the pandemic.

Cost of Labor

Percent change from previous year

Average Hourly Earnings
Employment Cost Index

Sources: BLS, Haver Analytics
In Nebraska, income growth has been among the strongest in the nation since 2000.

Real Per Capita Personal Income

Percent Change, Q1 2020 to Q3 2023

Top 5 States

Bottom 5 States

Sources: BEA, Haver Analytics
Consumer spending has been strong despite some signs of increased debt and reduced savings.

Sources: Affinity Solutions, University of Michigan, Federal Reserve Bank of New York Consumer Credit Panel, Haver Analytics, BEA, Federal Reserve Bank of St. Louis.
The housing market has also supported household balance sheets as prices have remained firm.

Sources: Zillow, Haver Analytics.
And financial markets have strengthened despite the persistence of higher interest rates.

**Financial Conditions**

- S&P 500 (left)
- KCFSI (right)

**Federal Funds Rate**

- Effective Rate
- 2013 Long Run Projection
- 2018 Long Run Projection
- 2023 Long Run Projection

**Sources:** Yahoo Finance, Federal Reserve Bank of Kansas City, Federal Reserve Board of Governors, Federal Reserve Bank of St. Louis.
Although the U.S. economy has been resilient, growth may be slower in the year ahead.

In Nebraska, and throughout the Midwest, thinner profit margins in agriculture could dampen growth.

Sources: USDA, Federal Reserve Bank of Kansas City.
Concluding Thoughts

• The U.S. and Nebraska economy appears poised to grow further in 2024, but possibly at a slower pace.

• Numerous risks remain, however.
  • Inflation persistence and potential implications
  • Interest rates and financial markets
  • Global growth / China
  • Commercial real estate
  • Geopolitics
  • Weaker ag economy