U.S. Economic Update

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The views expressed 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.
The Federal Reserve System consists of 12 Regional Reserve Banks and the Board of Governors.
The Board of Governors has gone through recent changes, with vacancies still remaining.

Jerome H. Powell  
Chairman  
Term Ending: January 31, 2028

Randal K. Quarles  
Vice Chairman for Supervision  
Term Ending: October 13, 2021

Lael Brainard  
Governor  
Term Ending: January 31, 2026

Marvin Goodfriend  
Nominee – Governor

Richard Clarida  
Nominee – Vice Chairman

Michelle Bowman  
Nominee – Governor

Open Seat
Outlook Themes

• The U.S. economy has gained momentum in recent years alongside a strengthening global economy, and despite concerns about trade.

• Alongside a strong U.S. economy and some signs of inflationary pressures picking up, the Fed has continued to raise rates gradually.

• Despite modest recent increases in longer-term rates, the yield curve has flattened over the past year.
The U.S. economy has continued to expand, and at a slightly faster pace than a year ago.

**U.S. Real GDP Growth**

Percent change from previous year, SAAR

Note: 2018 Q2-4 are forecasts from Macroeconomic Advisors as of May 3. Sources: BEA, Macroeconomic Advisors and Haver Analytics.
Personal consumption has remained a primary component of growth, and investment has picked up.

**U.S. Real GDP Growth by Component**

Sources: BEA and Haver Analytics.
The global economy has also improved, particularly in Europe, Japan, and commodity-dependent countries.

**Real GDP Growth**

Percent change from previous year

- **2001-2007 Annual Average**
- **2015**
- **2016**
- **2017**
- **2018 Forecast**

Sources: IMF, Blue Chip Forecasts, and Haver Analytics.
A number of regional economic indicators have reached or exceeded pre-recession highs.

Manufacturing Activity

ISM
KC Fed

FHFA House Price Index

Index, Q1:2007 = 100

Sources: ISM, FRB KC, FHFA, Haver Analytics.
In Nebraska, economic growth has slowed, possibly due, in part, to tightness in labor markets.

**Nebraska GDP Growth**

Percent change from previous year, SAAR

**Employment Growth**

Percent change from previous year, SA

Source: BEA, BLS, Haver Analytics.
U.S. labor markets have also continued to strengthen.
Inflation has been subdued in recent years, but has ticked up recently.

Sources: BLS, FRB STL, Board of Governors, and Haver Analytics.
The Fed has begun to raise rates, gradually. But long-run expectations have been revised lower.

Appropriate Pace of Policy Firming
Target Federal Funds Rate at Year-End

With momentum in the economy, the Fed has begun to (also gradually) reduce the size of its balance sheet.

Source: Federal Reserve Board and Haver Analytics.
Longer-term rates have inched higher, but spreads have narrowed.

**Interest Rates**

- Fed Funds Target
- 2-Year Treasury
- 10-Year Treasury

**Spread Btw. 10yr and 2yr Treasury**

Sources: Federal Reserve Board, Haver Analytics.
Equity markets have also been a focus of recent concern.

CBOE Market Volatility Index

Shiller Cyclically Adjusted S&P Price to Earnings Ratio

Concluding Remarks

• The U.S. economy appears well-positioned for further growth despite some risks.

• Regionally, growth in Omaha and Lincoln has mirrored the nation. The outlook is less optimistic in rural areas.

• With a strengthening economy and inflation closer to the 2% target, the Fed has maintained a gradual pace of policy normalization.
Questions?

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