

Economic Outlook



FEDERAL RESERVE BANK *of* KANSAS CITY

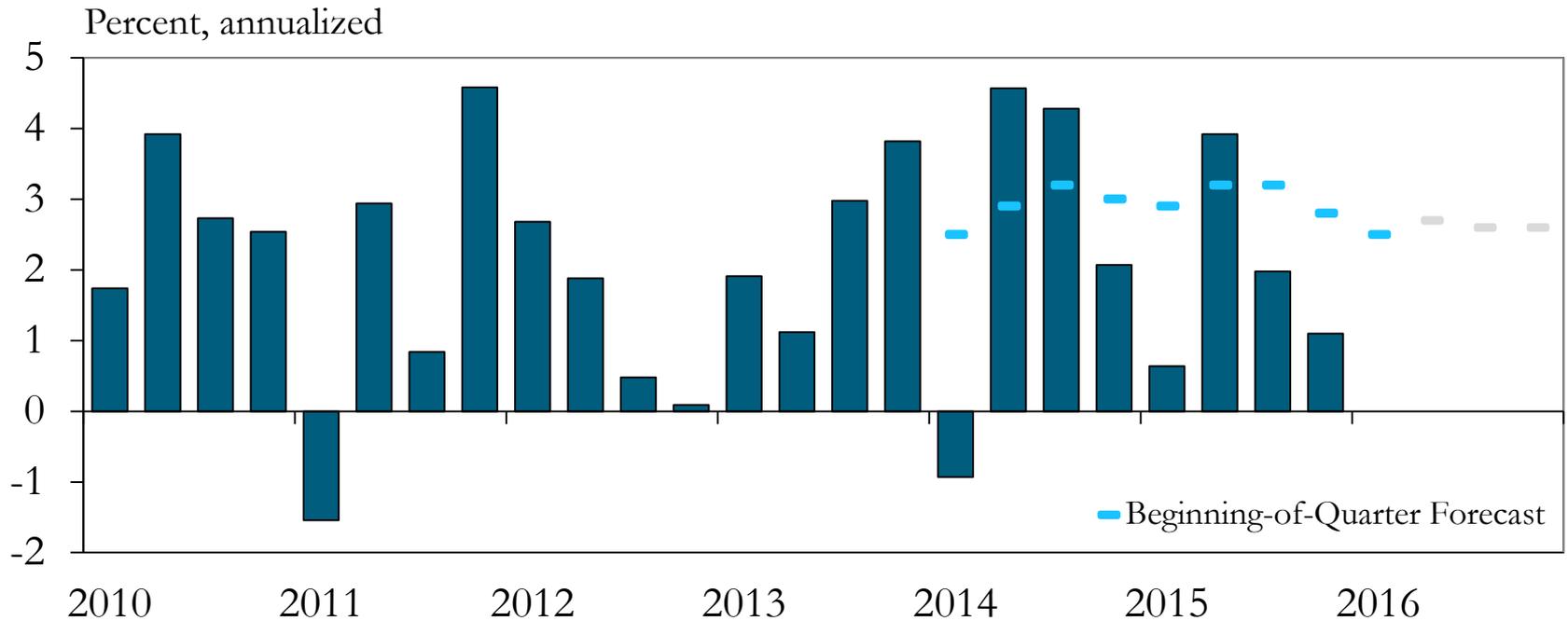
CFA Society Meeting
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Federal Reserve Bank of Kansas City



Economic growth, while generally below initial forecasts, has been consistently positive.

U.S. Real GDP Growth

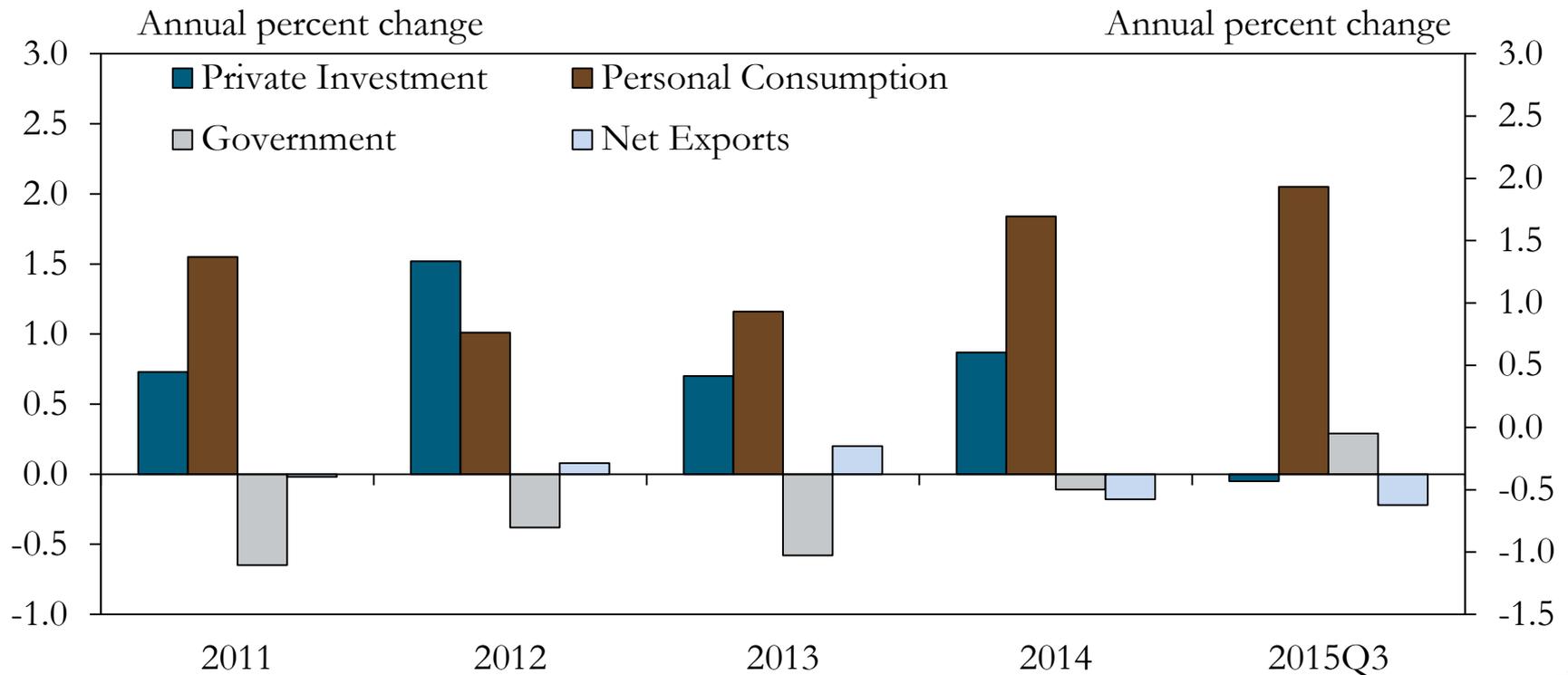


Sources: Bureau of Economic Analysis, Haver Analytics, Blue Chip Financial Forecasts and Macroadvisers.



Personal consumption has been the driving force to recent GDP growth.

Contribution to U.S. Real GDP Growth



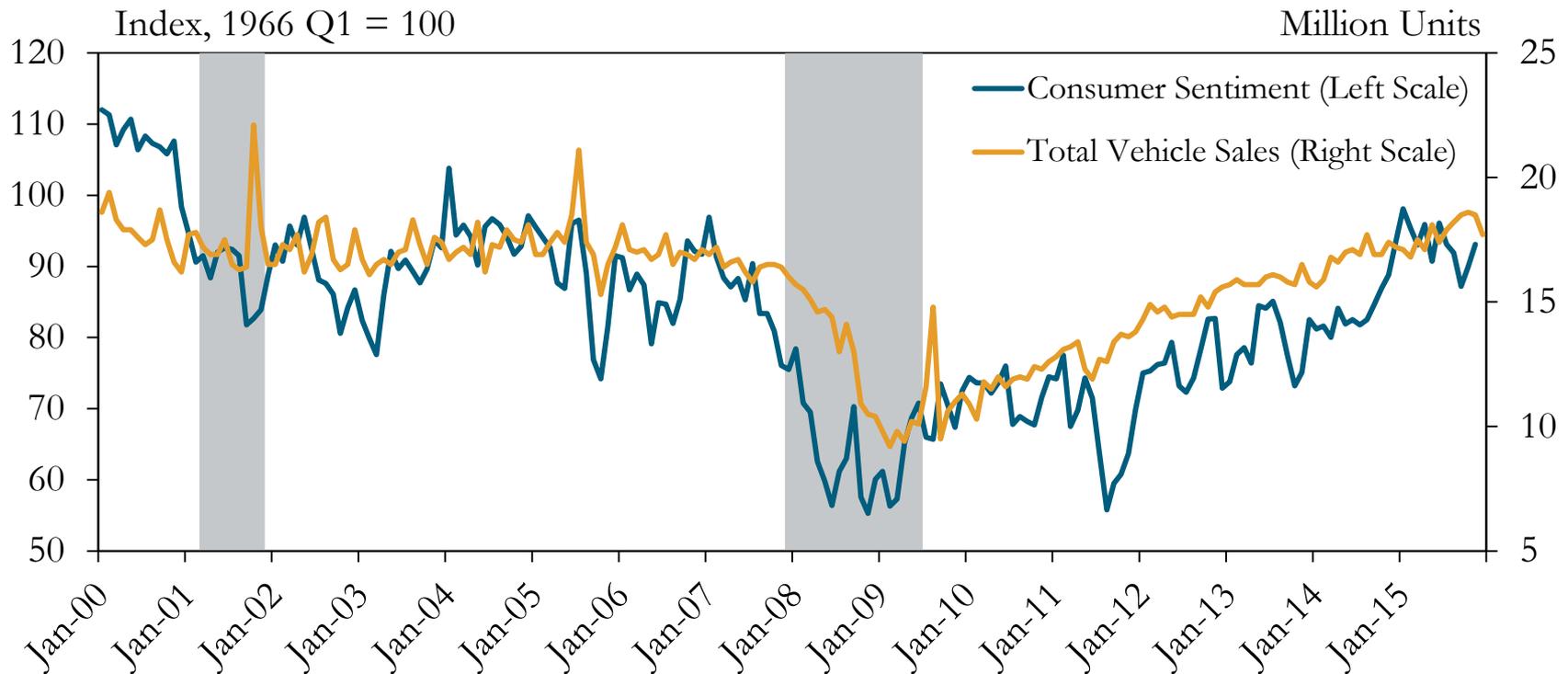
Source: Bureau of Economic Analysis

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Despite some dips this year, consumer confidence has been steadily improving.

Consumer Sentiment Index and Vehicle Sales



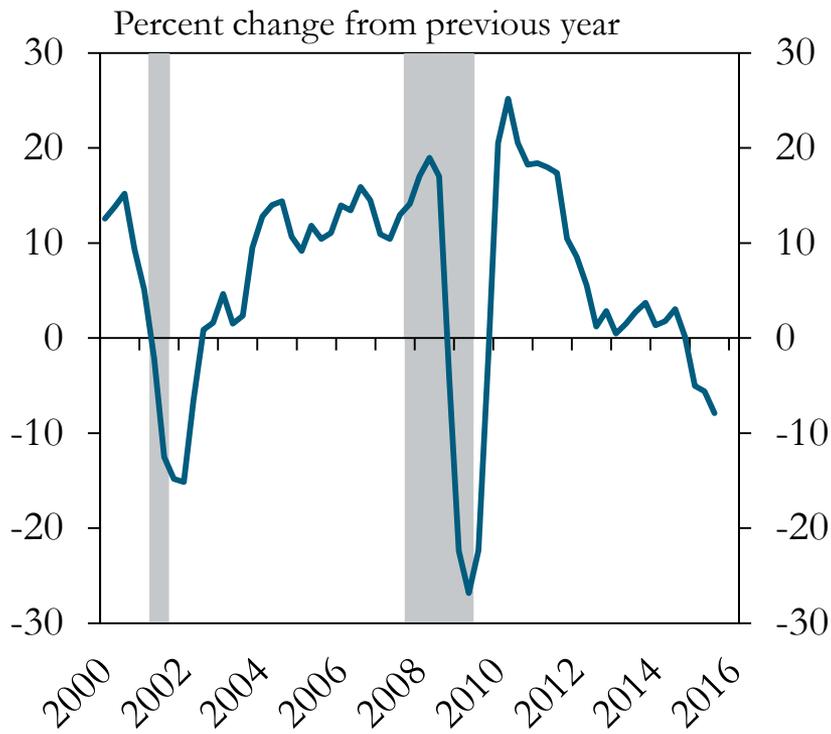
Source: University of Michigan, BEA and Haver Analytics.

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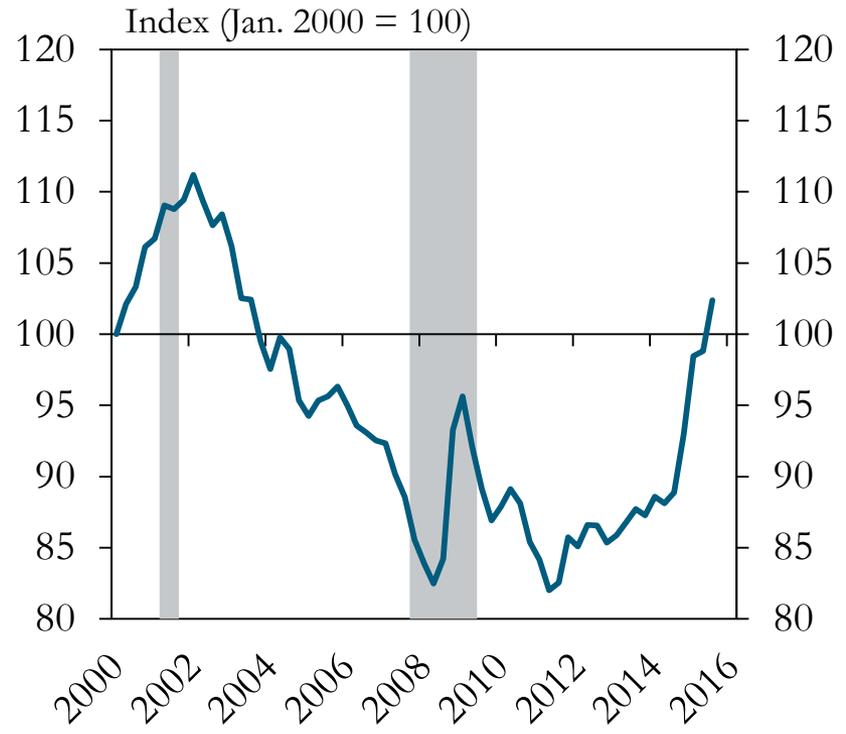


Exports have been notably weak due, in part, to a stronger dollar.

Value of U.S. Exports



Value of U.S. Dollar*



* Nominal Trade-weighted broad index

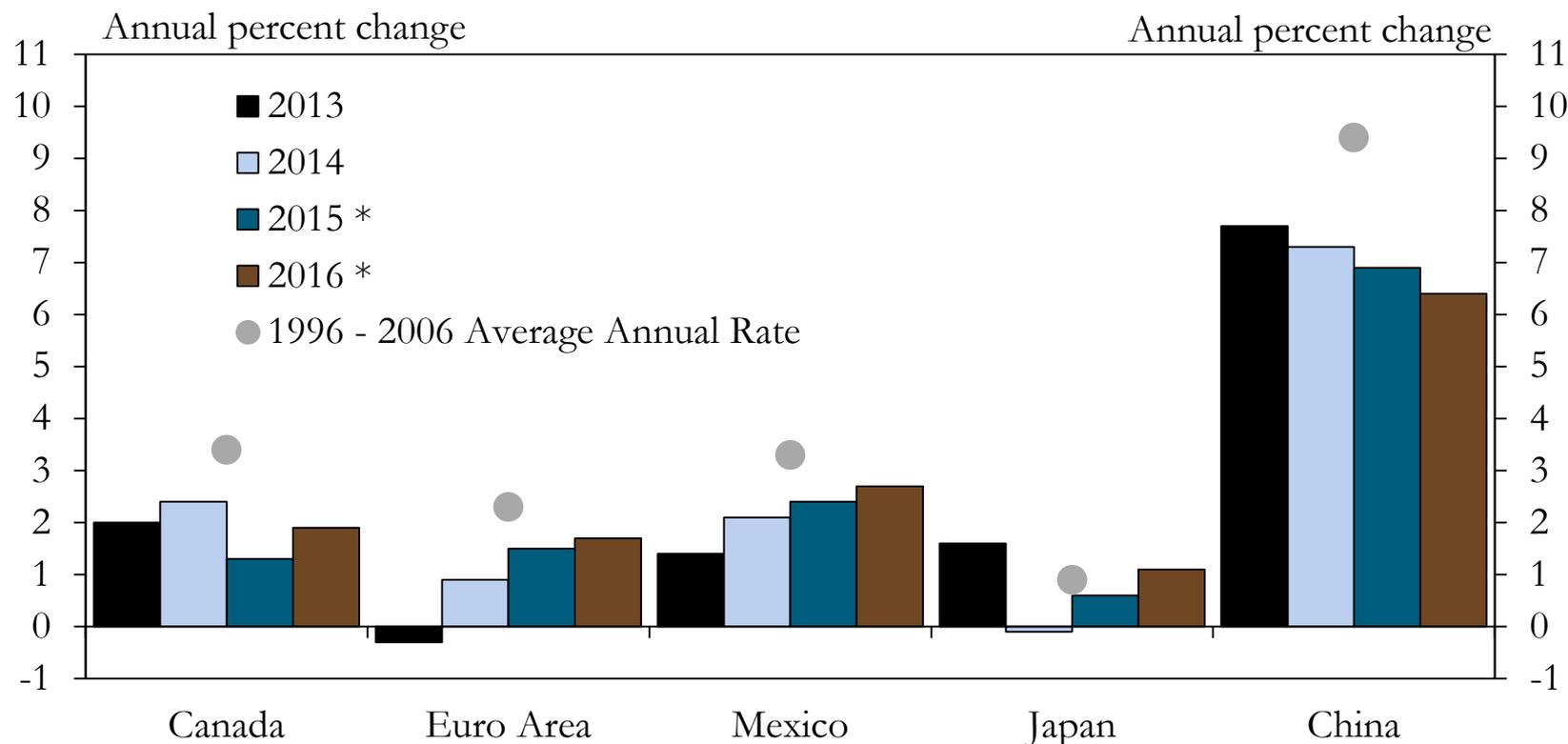
Source: Federal Reserve Board and Haver Analytics

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The stronger dollar reflects relatively weak global growth in 2014 and 2015.

Global Real GDP Growth



* Forecast

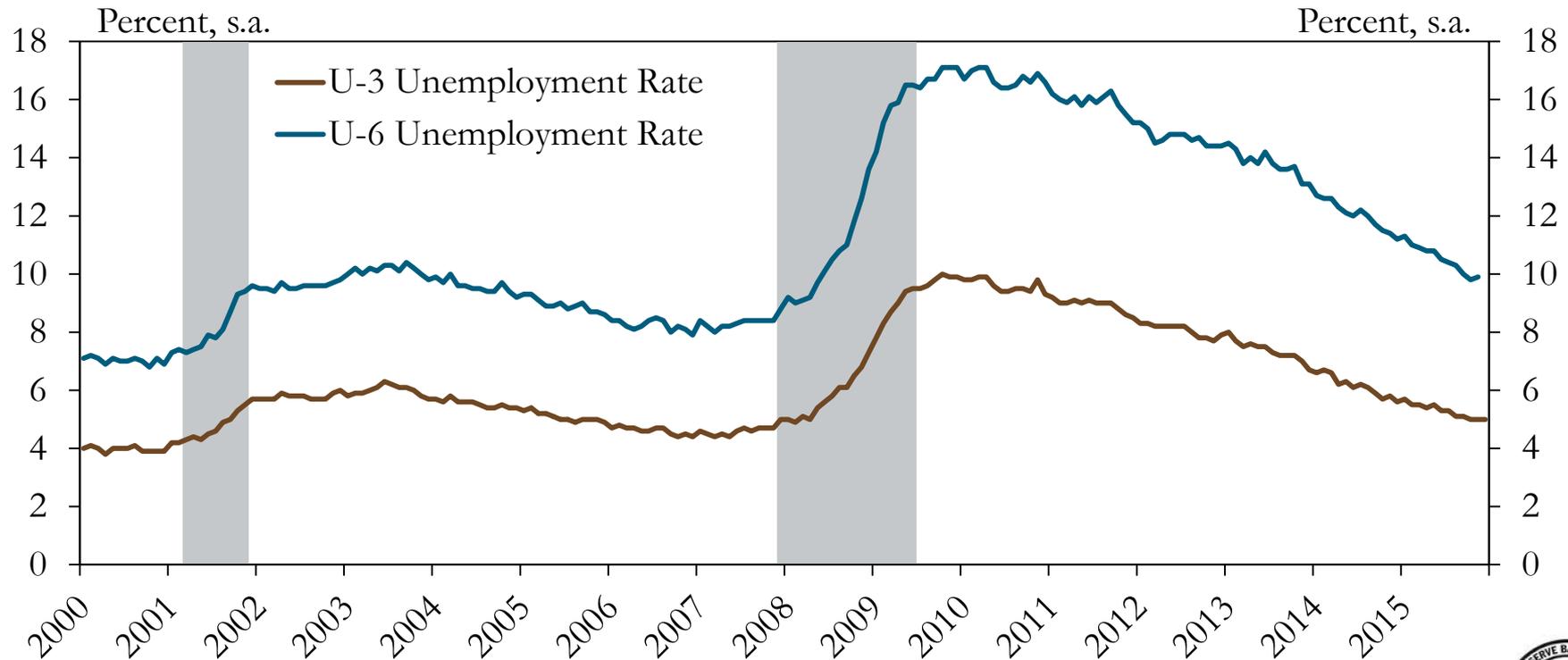
Sources: IMF and Blue Chip Financial Forecasts

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In labor markets, unemployment rates have continued to decline.

U.S. Unemployment Rates



Source: Bureau of Labor Statistics, Haver Analytics

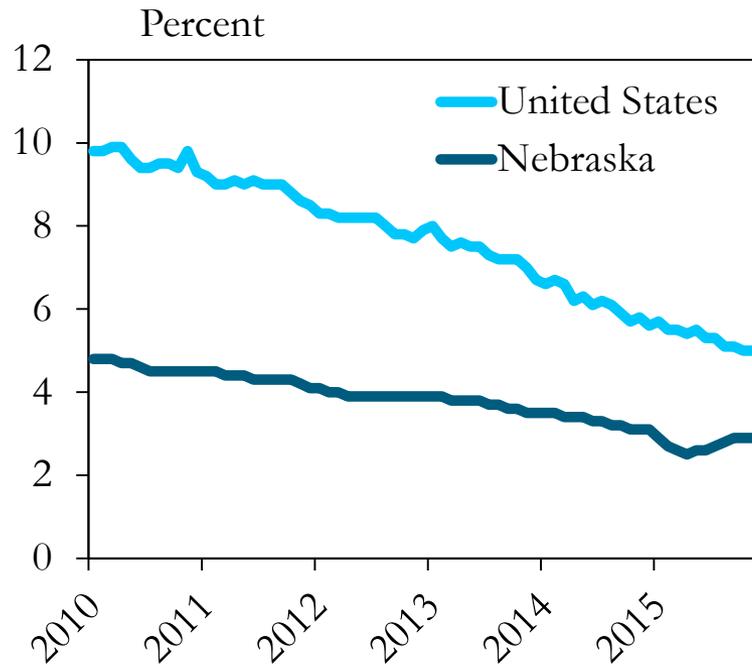
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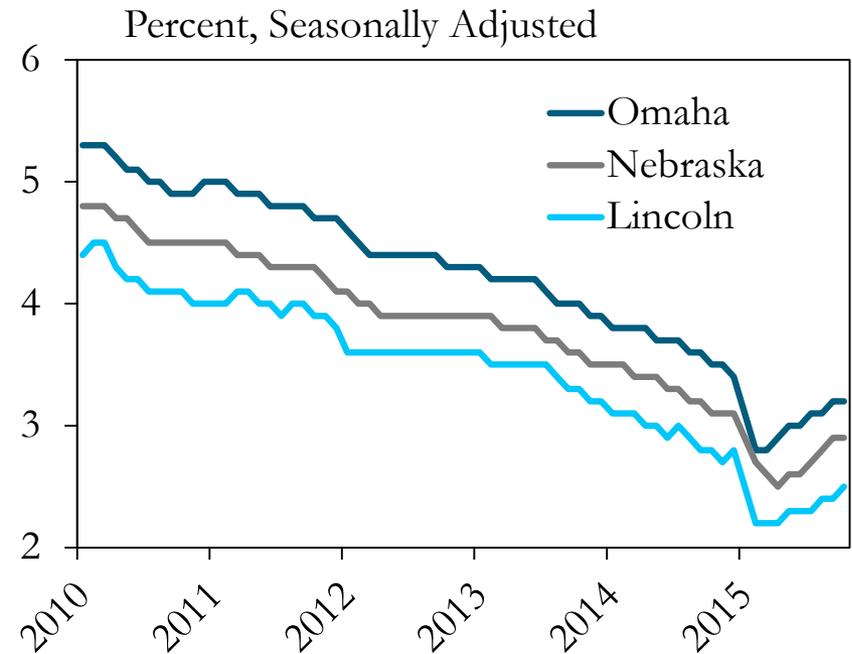
On a regional level, Nebraska's unemployment has risen slightly, but remains very low.

Nonfarm Unemployment Rates



Sources: Bureau of Labor Statistics and Haver Analytics.

Omaha and Lincoln Unemployment Rates

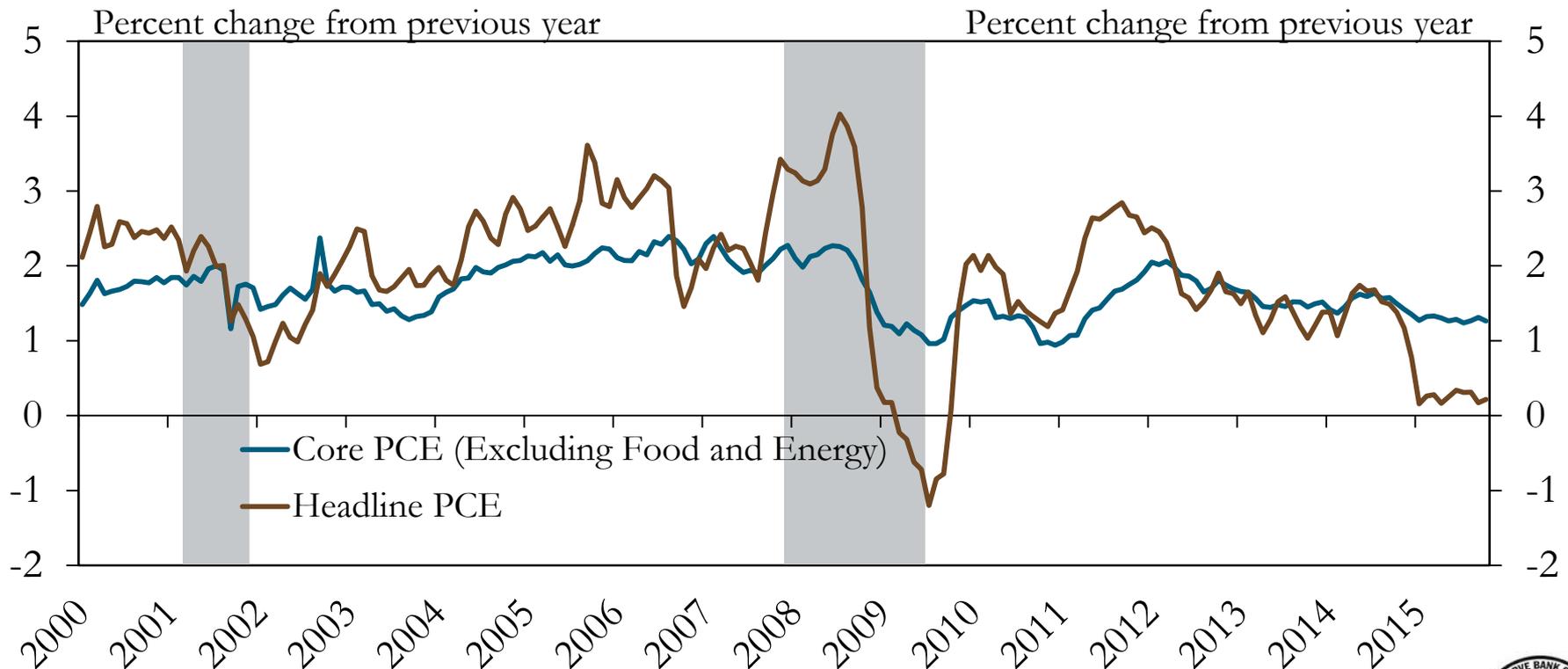


Sources: Bureau of Labor Statistics and Haver Analytics.



On the other side of the Fed's mandate, lower energy prices and a strong dollar have dampened inflationary pressures.

Personal Consumption Expenditures



Source: Bureau of Economic Analysis

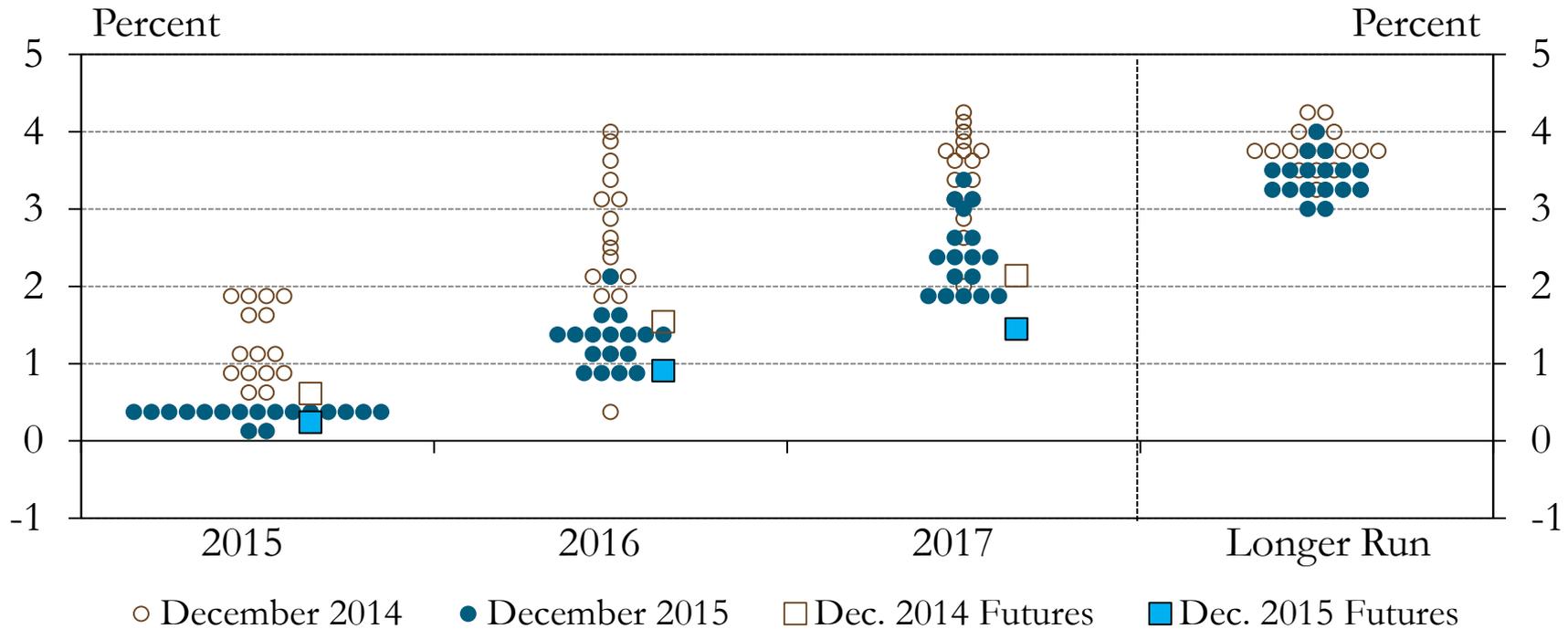
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The Fed Funds target rate increased (by 25 bp) for the first time since June 2006.

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



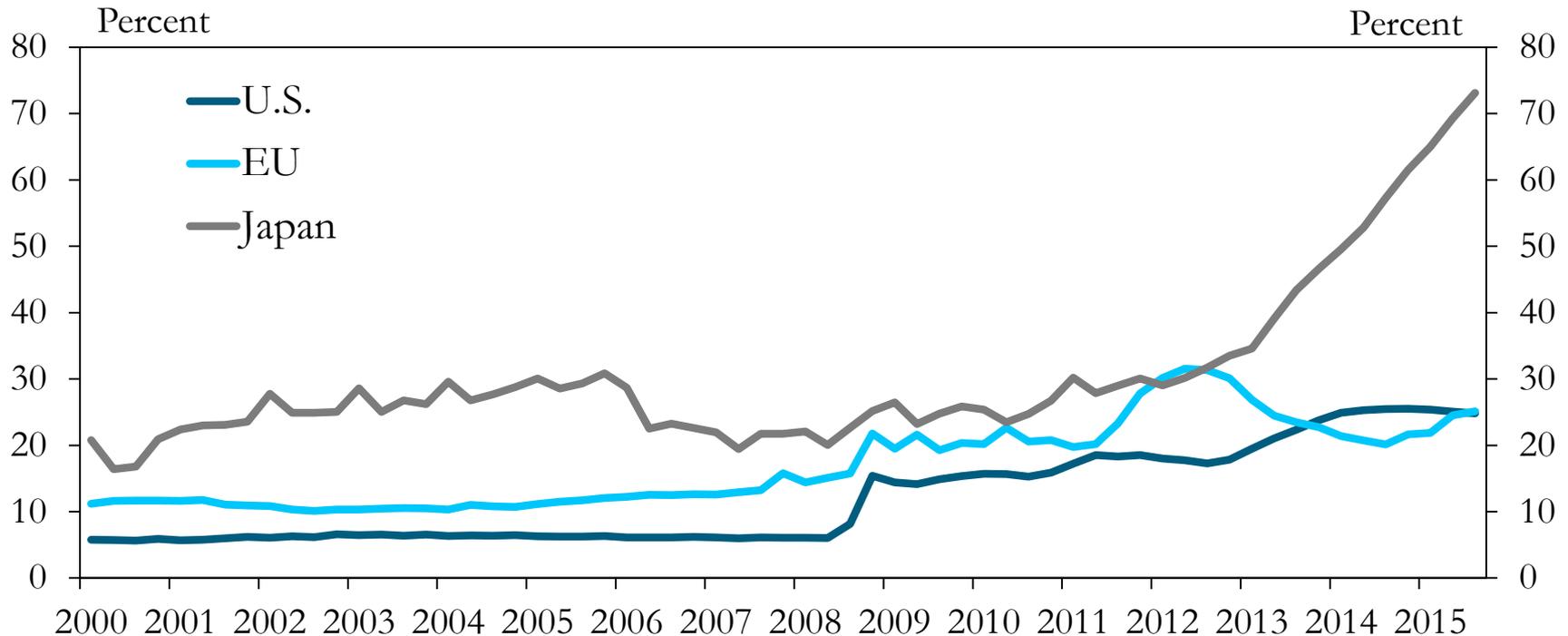
Sources: FRB, Summary of Economic Projections and barchart.com.

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Globally, monetary policies began diverging in 2015.

Central Bank Assets as a Percent of GDP

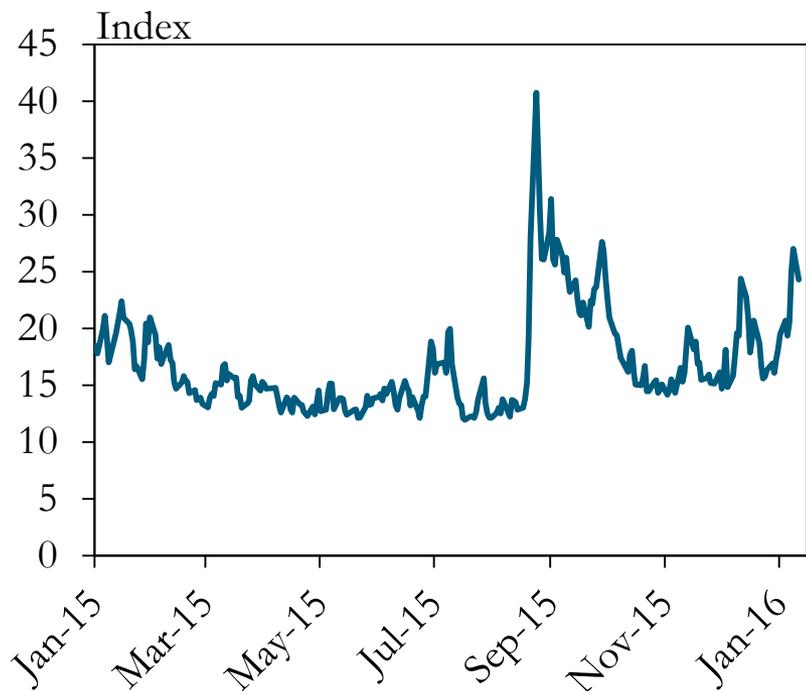


Sources: Federal Reserve Board of Governors, European Central Bank, Bank of Japan and Haver Analytics.



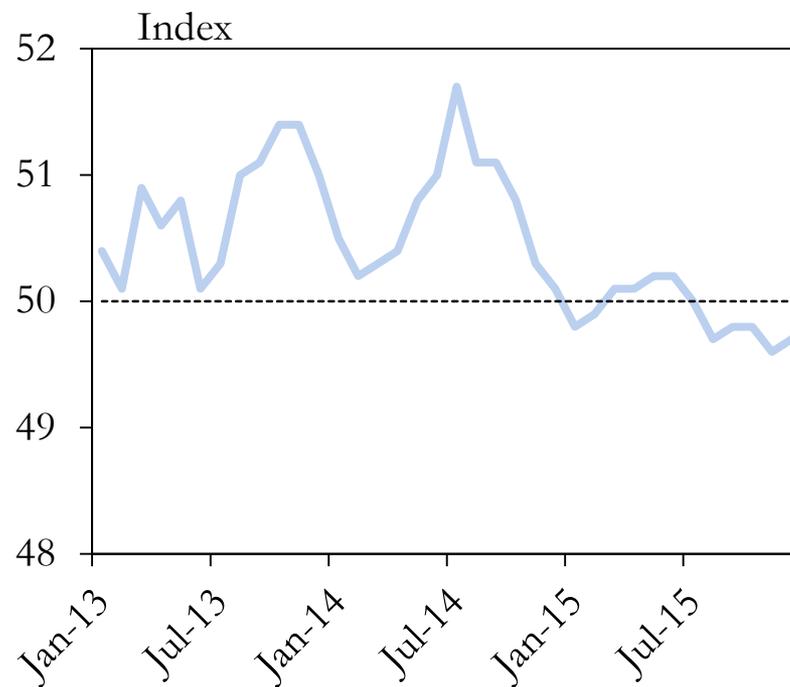
Uncertainty appears to have increased once again,
as growth concerns in China have intensified.

CBOE Volatility Index (VIX)



Sources: *Wall Street Journal* and Haver Analytics.

China Purchasing Managers' Index (PMI)



Sources: China National Bureau of Statistics, Haver Analytics and Caixin.



Conclusions

- The U.S. economy continues to expand modestly, despite soft growth globally.
- Commodity-dependent and export-based regions or industries in the U.S. continue to struggle.
- Central bank monetary policy paths steadily diverged in 2015 with further emphasis on data dependence.

