Regional Economic Update

Nathan Kauffman
Omaha Branch Executive and Economist
Federal Reserve Bank of Kansas City

May 12, 2015
Overview of the Federal Reserve System

The “Fed” is the Central Bank of the U.S.

- Board of Governors: 7 members, each appointed by U.S. President
- Federal Reserve Banks: 12 Banks, 24 Branches
- The Federal Open Market Committee (FOMC) has 19 members, 12 voting.

Primary functions:

- Monetary Policy – pursue maximum employment and stable prices
- Bank Regulation – ensure safety and soundness of banks.
- Financial Services – bank for banks, and bank for federal govt.
- Lender of Last Resort – provide liquidity in times of crisis
U.S. economic growth has been relatively strong despite some temporary weakness.

**U.S. Real GDP Growth**
Quarterly Percent Change, Seasonally Adjusted at Annualized Rate

Source: BEA, Macroadvisers, and Haver Analytics
Housing markets have gradually recovered.

U.S. Housing Starts and Prices

Sources: U.S. Census Bureau, FHFA, and Haver Analytics
On net, lower oil prices should be a boost to the U.S. economy.

U.S. Crude Oil and Gasoline Prices

Sources: Wall Street Journal, EIA, and Haver Analytics
Labors market conditions have steadily improved.

**U.S. Labor Market Conditions**

- **Unemployment Rate (Left Scale)**
- **KC Fed LMCI - Activity (Right Scale)**
- **KC Fed LMCI - Momentum (Right Scale)**

Source: Bureau of Labor Statistics, Federal Reserve Bank of Kansas City, and Haver Analytics
In many ways, the regional economy has also returned to pre-recession form.

Unemployment Rates

Source: Bureau of Labor Statistics, Haver Analytics
* Includes Dakota and Dixon Counties (NE), Woodbury and Plymouth Counties (IA), and Union County (SD)
The number of jobs in the region exceeds pre-recession levels.

**Total Nonfarm Payroll Employment**

Index (Jan. 2008 = 100)

- NE, IA, & SD
- Siouxland
- Omaha

Source: Bureau of Labor Statistics, Haver Analytics
Housing activity has fluctuated somewhat, but prices have strengthened notably.

**Housing Starts**

- % change from year ago (3-mo. mov. avg.)
- Source: FHFA and Haver Analytics

**House Prices**

- Index (2006:Q1 = 100)
- Source: FHFA and Haver Analytics
Export activity has risen considerably, driven by manufactured exports.

Real Value of Nebraska Exports

Billion Dollars

Source: WISERTrade
Personal income far exceeds 2008 levels.

Per Capita Personal Income
Change from 2008 to 2014

% change 2008 to 2014
- Less than 5
- 5 - 8
- 9 - 12
- 13 - 16
- 17 - 20
- More than 20
Yet, much has changed in the region’s economy since 2008.
U.S. farm incomes surged, but have recently fallen back.

**U.S. Real Net Farm Income**

Billion Dollars (Constant 2009 Dollars)

Source: USDA

* Forecast for 2015.
The changes in farm income have been driven by sharp changes in crop prices.

**U.S. Crop Prices**

- **Corn (left scale)**
- **Soybeans (right scale)**

Sources: *The Wall Street Journal*, Haver Analytics
Farm real estate values look very different from 2008.

Nebraska Farmland Values
Annual Gains

Percent change from the previous year *

Source: Federal Reserve Bank of Kansas City
Many regions have also shifted more to a service-based economy since 2008.

### Change in Employment

**Percent change from Jan. 2008 to Jan. 2015**

- **Goods-Producing Industries**
  - Siouxland
  - Nebraska
  - South Dakota
  - Iowa

- **Private Service-Providing Industries**

**Source:** Bureau of Labor Statistics, Local Area Unemployment Statistics

### Change in Employment

**Percent change from Jan. 2008 to Jan. 2015**

- **Education, Health Services**
  - Nebraska
  - South Dakota
  - Iowa

- **Leisure and Hospitality**

**Source:** Bureau of Labor Statistics, Local Area Unemployment Statistics
In Nebraska, employment growth across counties has diverged recently.

Nebraska Employment Growth by County Dependency

Source: Bureau of Labor Statistics, Local Area Unemployment Statistics
Farm-dependent and manufacturing-dependent counties are typically in rural areas.

Nebraska Counties by Economic Dependency

- Farming Dependent
- Manufacturing Dependent
- Government Dependent
- Services Dependent
- Unspecified

Source: USDA
Income growth has slowed in areas more dependent on the farm economy.
By some measures, though, rural economies remain strong.

Nebraska Unemployment Rates
January 2015

Source: Bureau of Labor Statistics
Concluding Thoughts

• The regional economy has surpassed pre-recession marks by many measures.

• Many people, however, have not felt the recovery.
  • Slow wage growth
  • Less than full-time employment
  • Somewhat slow housing recovery
  • Transition in types of jobs available

• Changes in the farm economy have also driven many changes in the region’s economy since 2008, with some rural headwinds recently.
Questions?

Nathan Kauffman
Omaha Branch Executive and Economist
Federal Reserve Bank of Kansas City
Email: nathan.kauffman@kc.frb.org
Website: http://www.kansascityfed.org/omaha/

www.kansascityfed.org/publications/research/ne/