



FEDERAL RESERVE BANK *of* KANSAS CITY

U.S. & District Economic Outlook

Nebraska LEAD Program

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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.

Overview of the Federal Reserve System

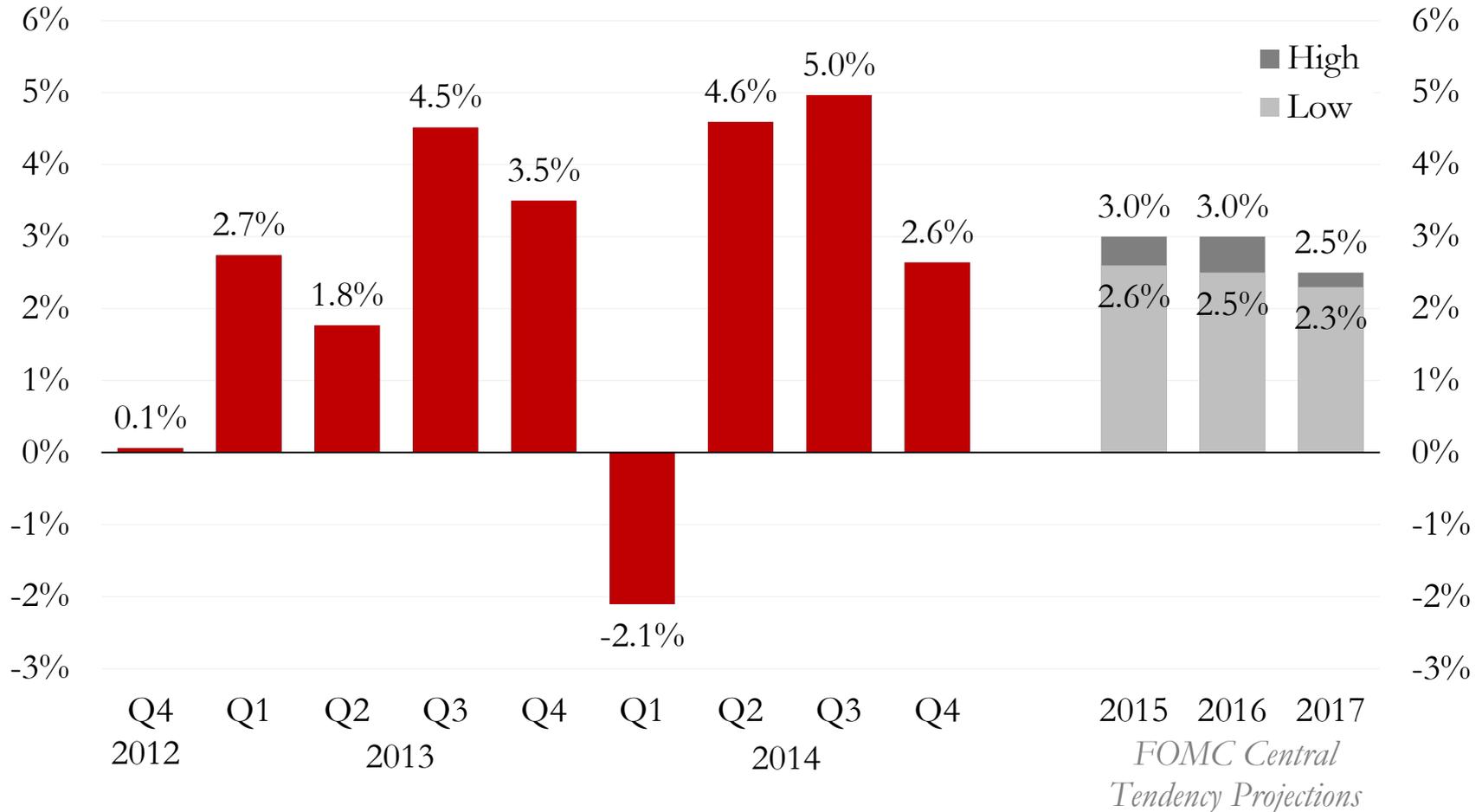
- The “Fed” consists of three main entities:
 - Board of Governors: federal agency located in D.C., 7 governors appointed by U.S. President, confirmed by Senate
 - Federal Reserve Banks: 12 total; semi-independent by design
 - Federal Open Market Committee: 19 members
- Fed’s primary responsibilities fall within four general areas:
 - Lender of last resort – provide liquidity in times of crisis
 - Monetary policy – promote full employment and low inflation
 - Bank regulation – help ensure safety and soundness of member banks
 - Financial services – bank for banks, bank for U.S. government

U.S. Economic Update

The U.S. economy grew 2.4% in 2014 compared to 2.2% in 2013.

REAL GROSS DOMESTIC PRODUCT (GDP)

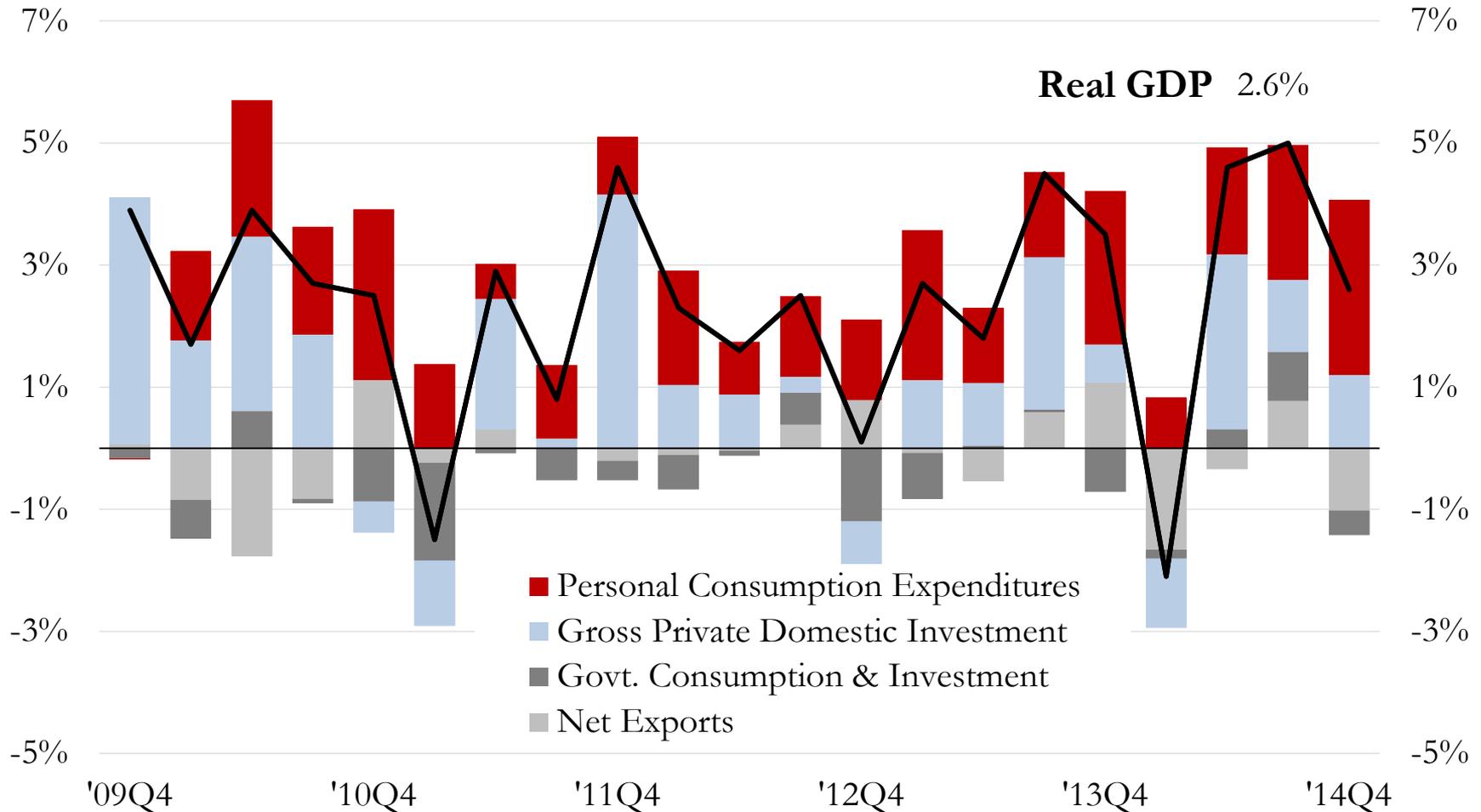
Annualized Percent Change from Previous Period



Consumer spending has been the primary driver of economic growth over the past year.

CONTRIBUTIONS TO REAL GDP

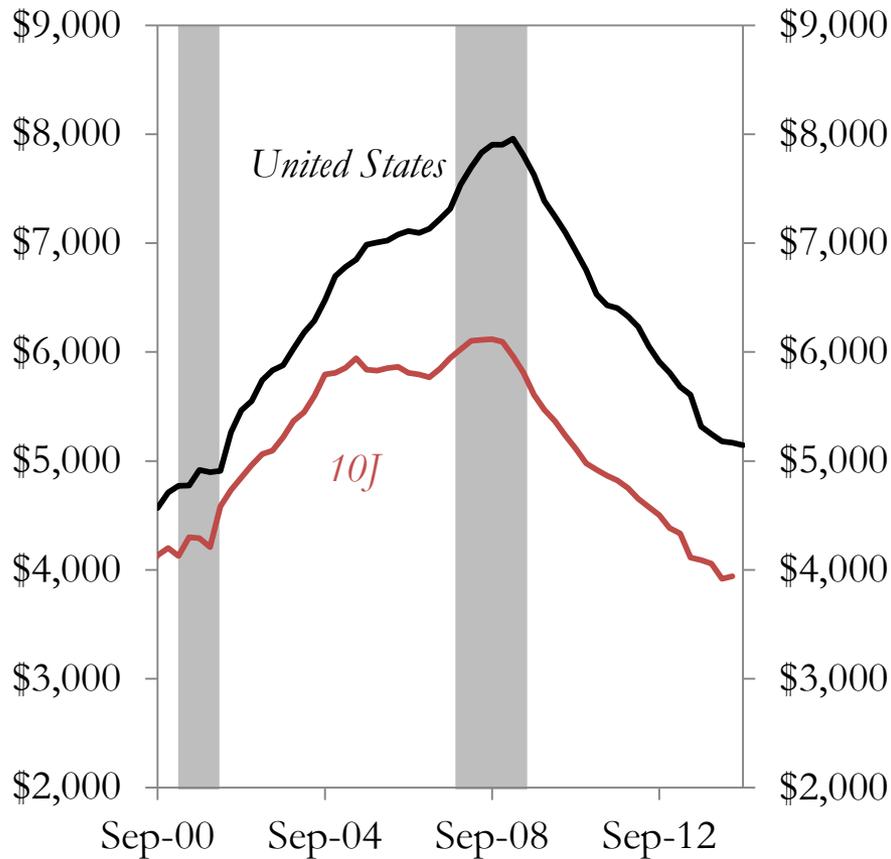
Percent Change at Seasonally Adjusted Annualized Rates



Consumers debt levels stabilized in some categories, while increasing in others.

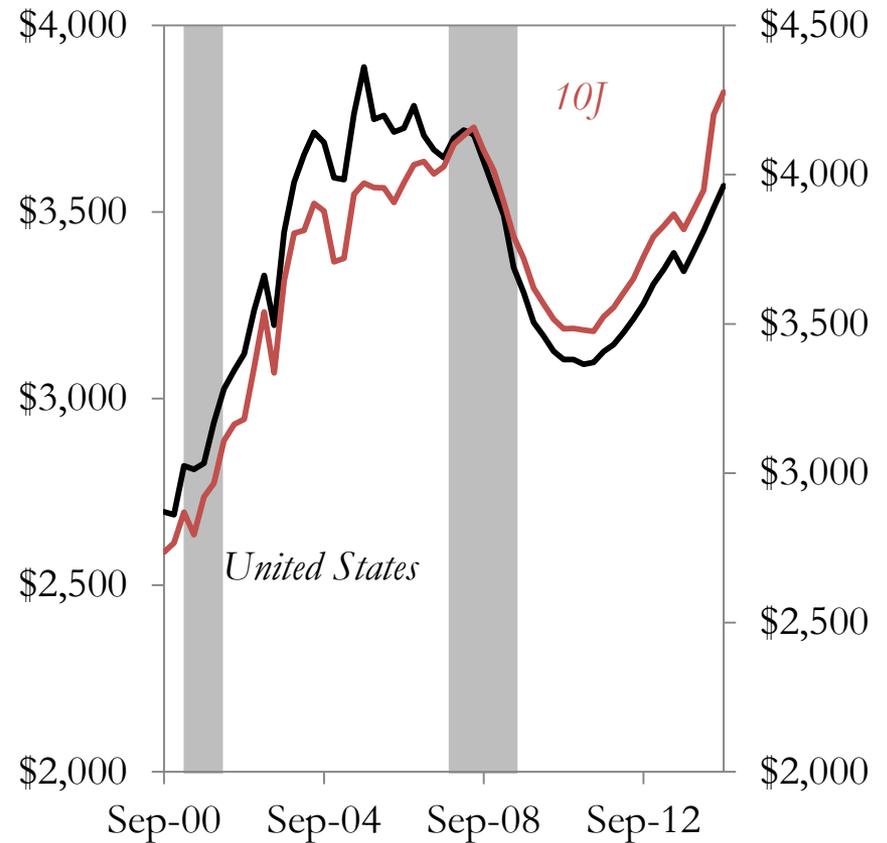
Revolving Debt

Real Dollars, Seasonally Adjusted



Auto Debt

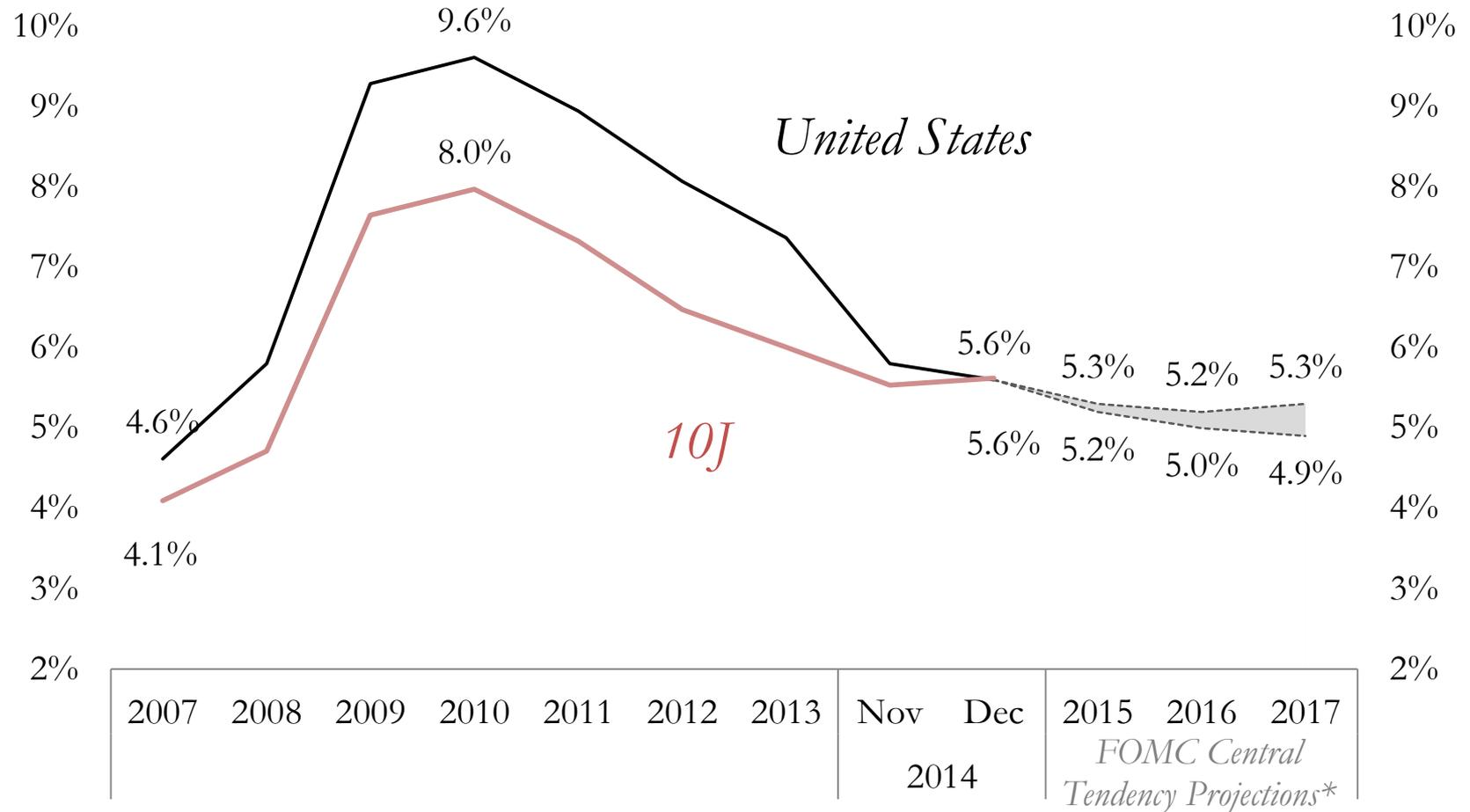
Real Dollars, Seasonally Adjusted



Unemployment rates gradually declined and are expected to moderate further in the coming years.

UNEMPLOYMENT RATES

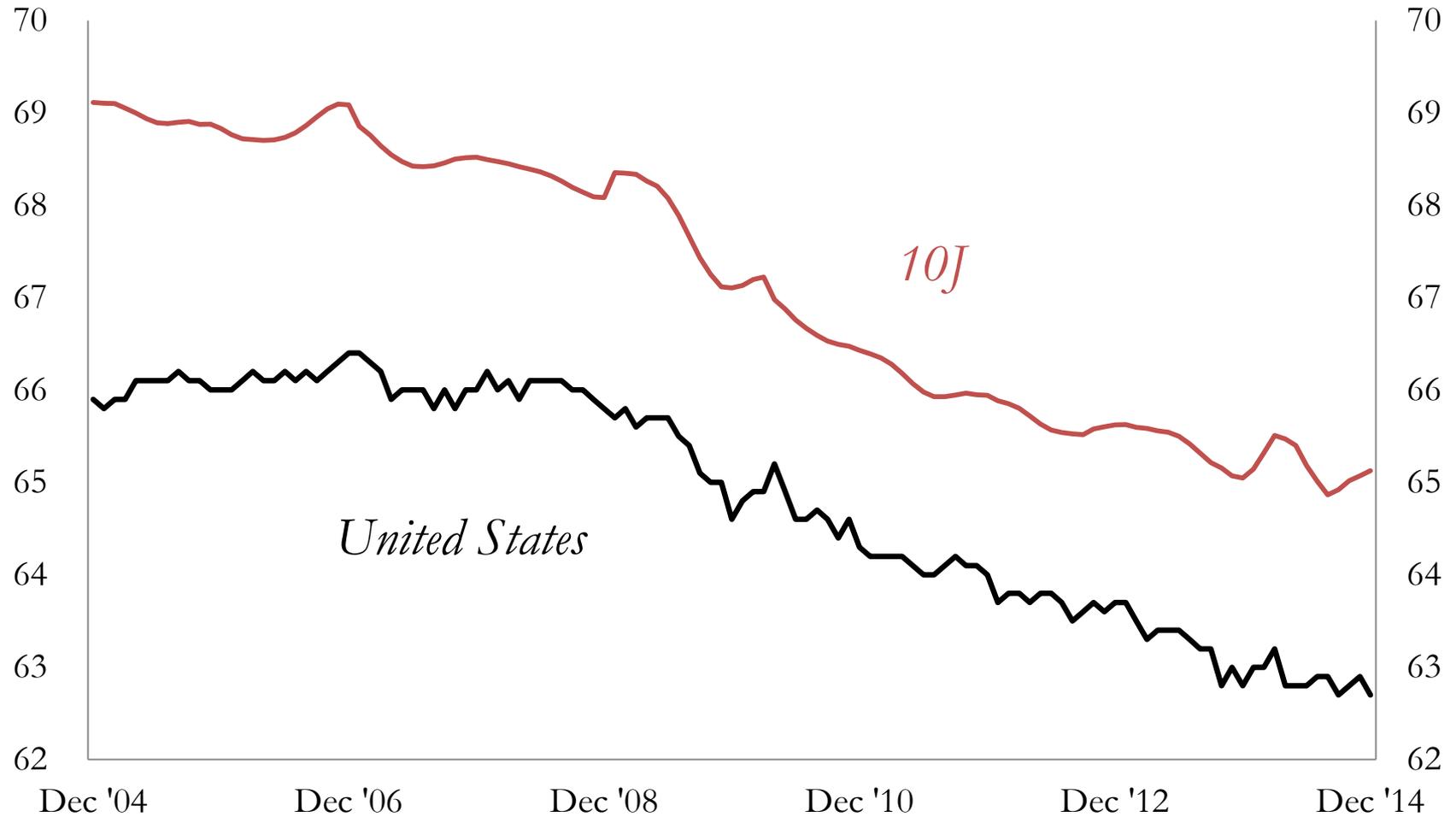
Seasonally Adjusted



Labor force participation rates have continued a steady decline.

LABOR FORCE PARTICIPATION

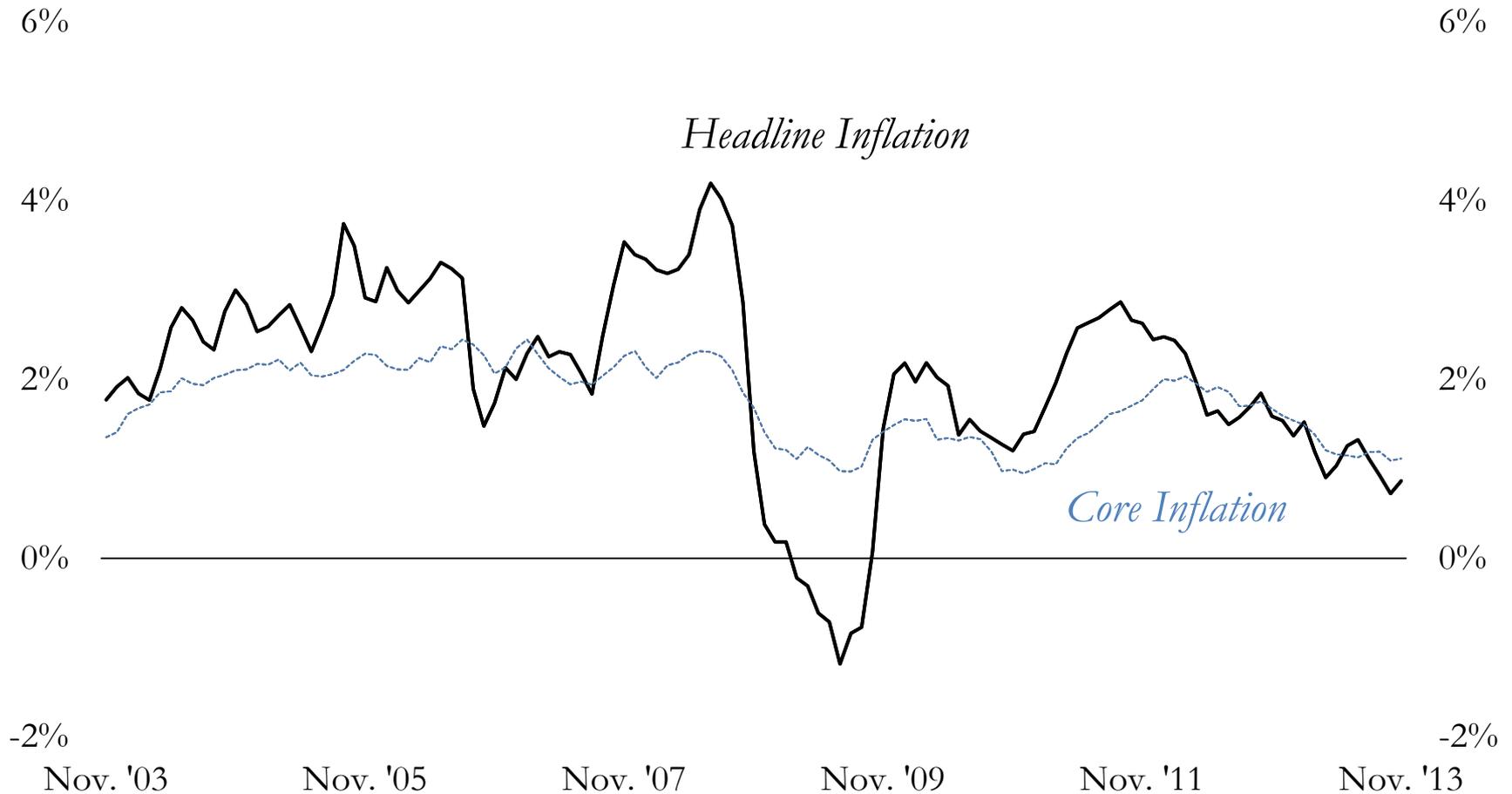
Percent



Inflation remains below the FOMC's 2 percent target.

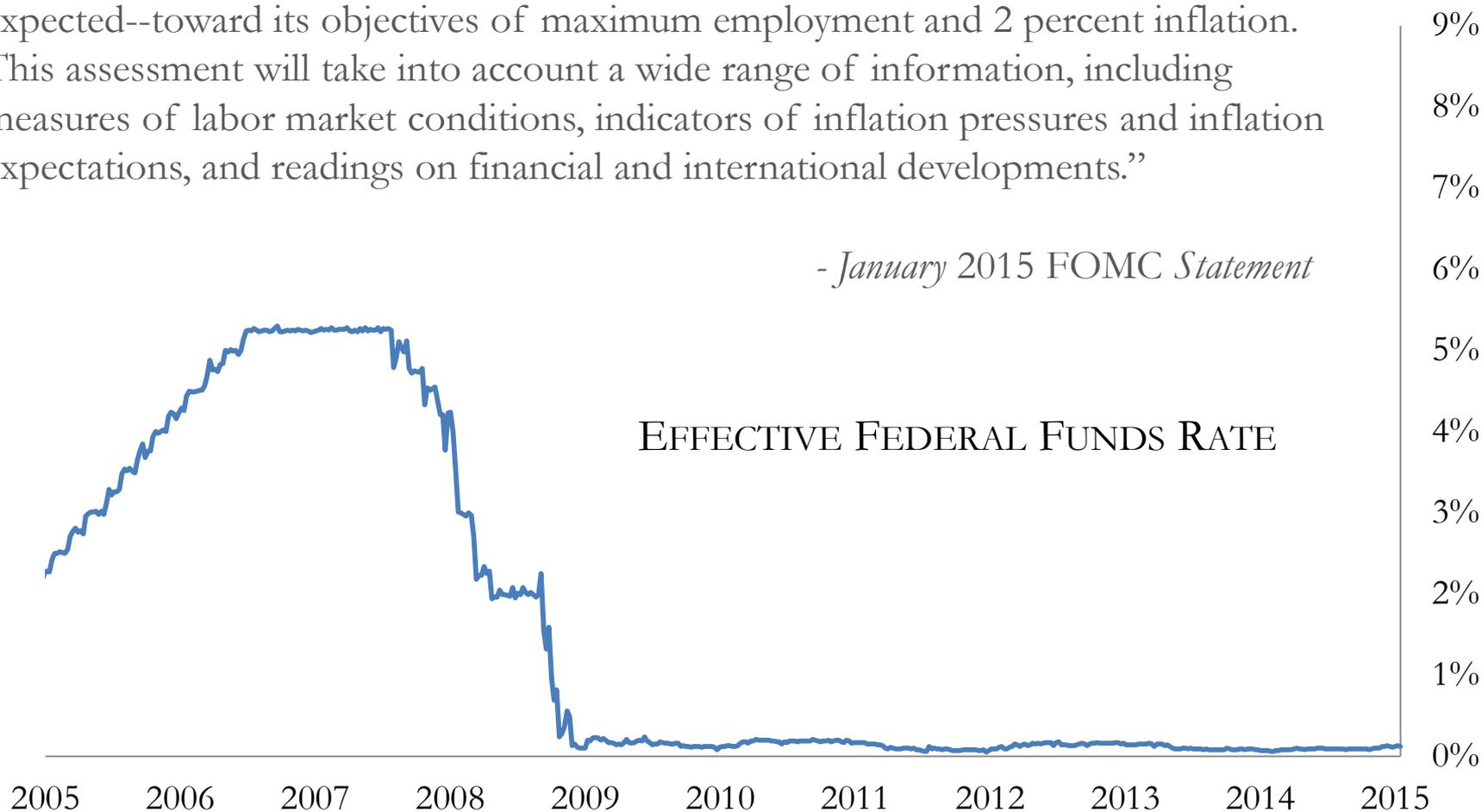
PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year



“the Committee today reaffirmed its view that the current 0 to 1/4 percent target range for the federal funds rate remains appropriate. In determining how long to maintain this target range, the Committee will assess progress--both realized and expected--toward its objectives of maximum employment and 2 percent inflation. This assessment will take into account a wide range of information, including measures of labor market conditions, indicators of inflation pressures and inflation expectations, and readings on financial and international developments.”

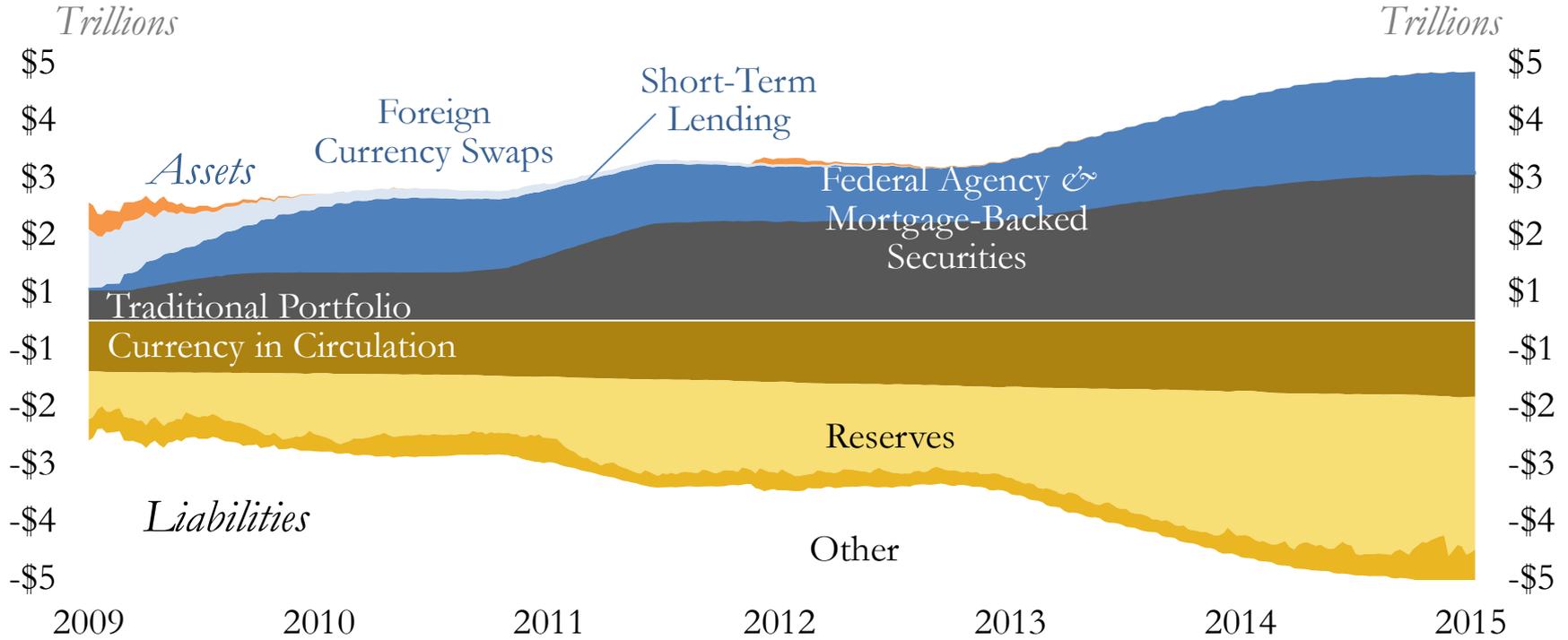
- January 2015 FOMC Statement



“The Committee is maintaining its existing policy of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction.”

- January 2015 FOMC Statement

FEDERAL RESERVE BALANCE SHEET

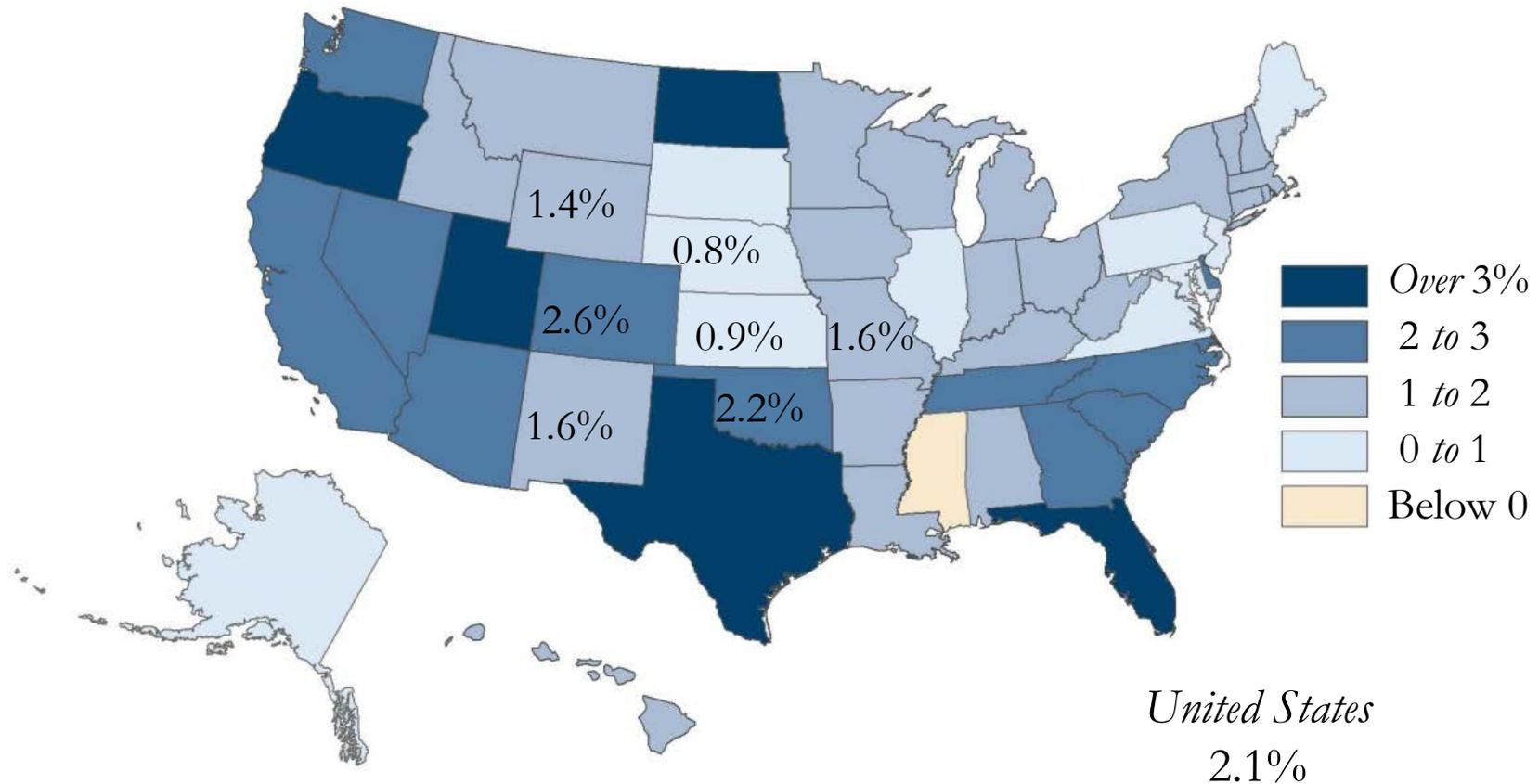


Regional Economic Update

Most states experienced positive job growth over the past year.

DECEMBER 2014 NONFARM EMPLOYMENT

Year-over-Year Percent Change, Seasonally Adjusted

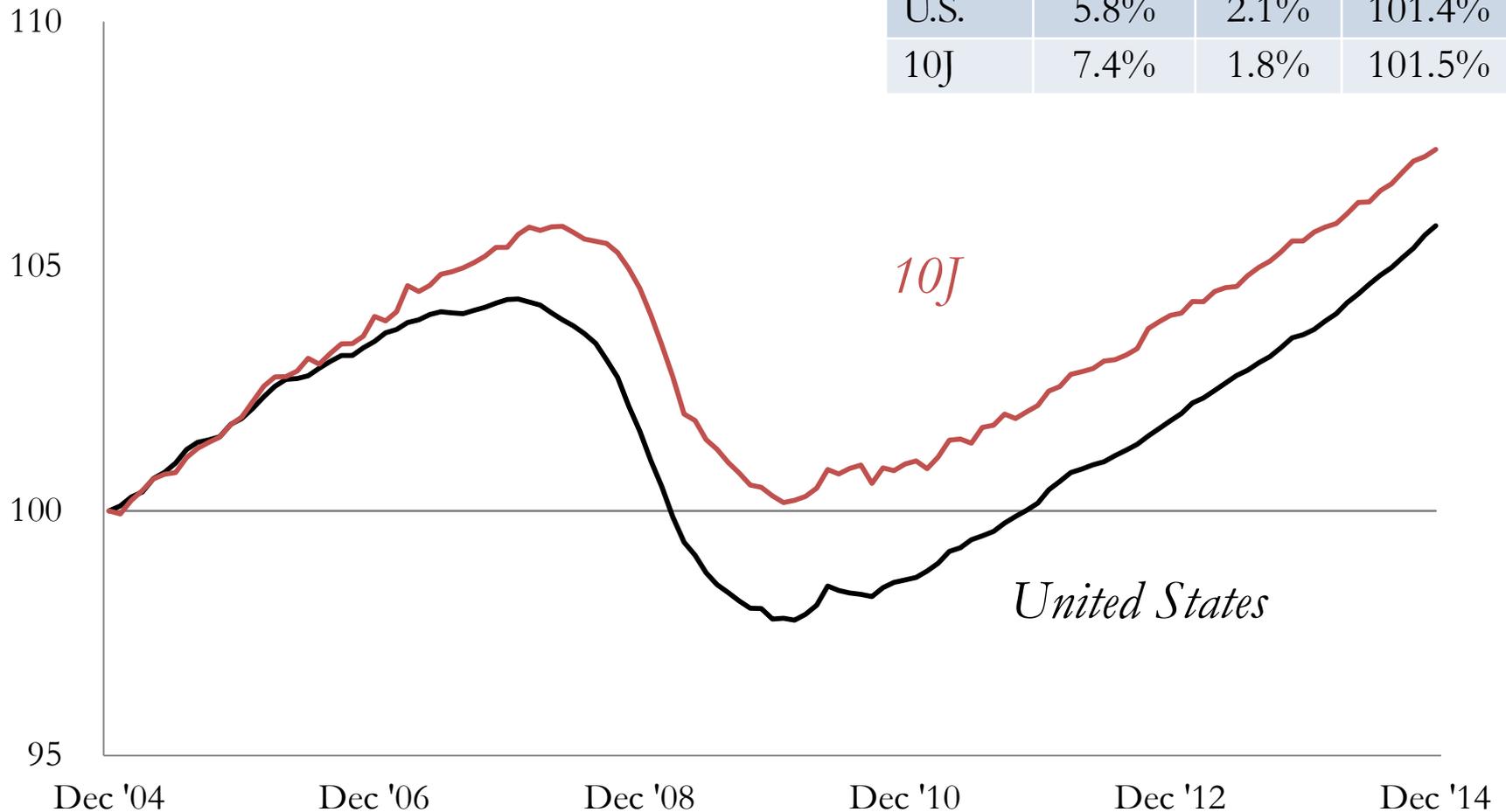


Job gains continue nationally, but at a slightly slower pace in the District.

NONFARM EMPLOYMENT

Index 100 = December 2004, Seasonally Adjusted

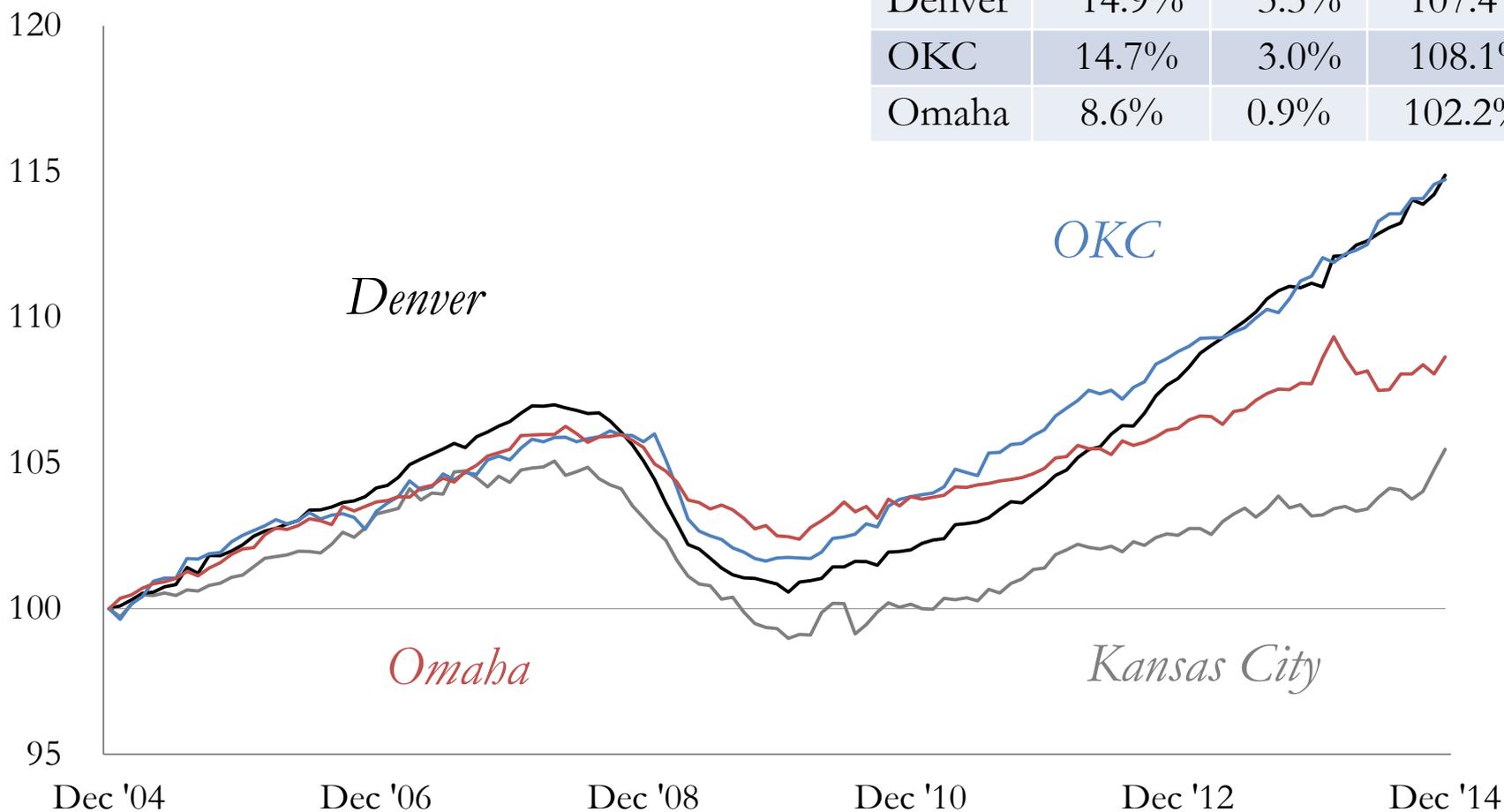
<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>	<i>Peak to Current</i>
U.S.	5.8%	2.1%	101.4%
10J	7.4%	1.8%	101.5%



Job gains have varied considerably across metropolitan areas.

NONFARM EMPLOYMENT

Index 100 = December 2004, Seasonally Adjusted

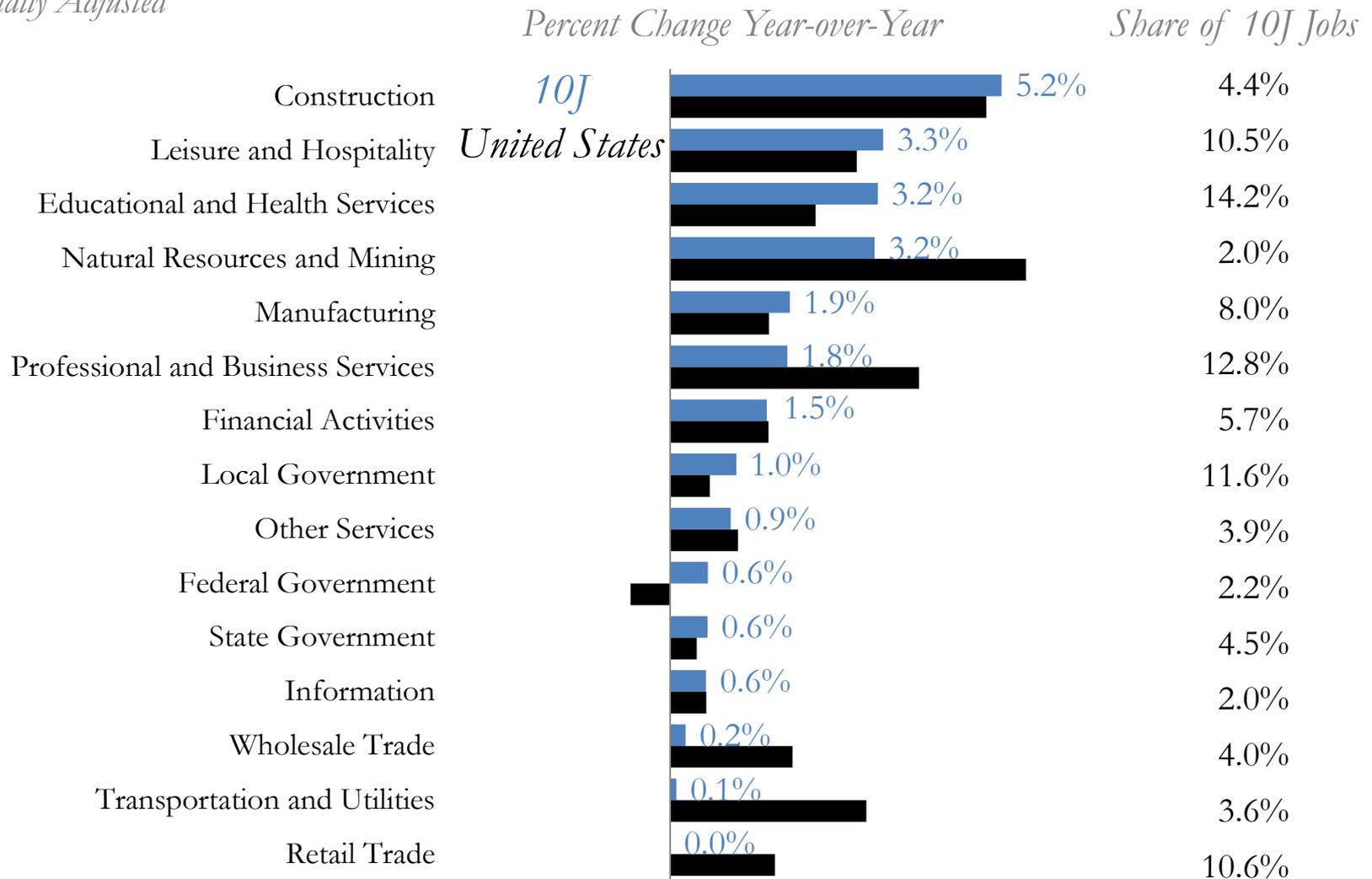


Metropolitan Area	Percent Change	Past 10 Years	Past Year	Peak to Current
KC	5.5%	5.5%	2.2%	100.4%
Denver	14.9%	14.9%	3.3%	107.4%
OKC	14.7%	14.7%	3.0%	108.1%
Omaha	8.6%	8.6%	0.9%	102.2%

Employment growth has been broad based in the U.S. and 10th District.

DECEMBER 2014 PAYROLL EMPLOYMENT

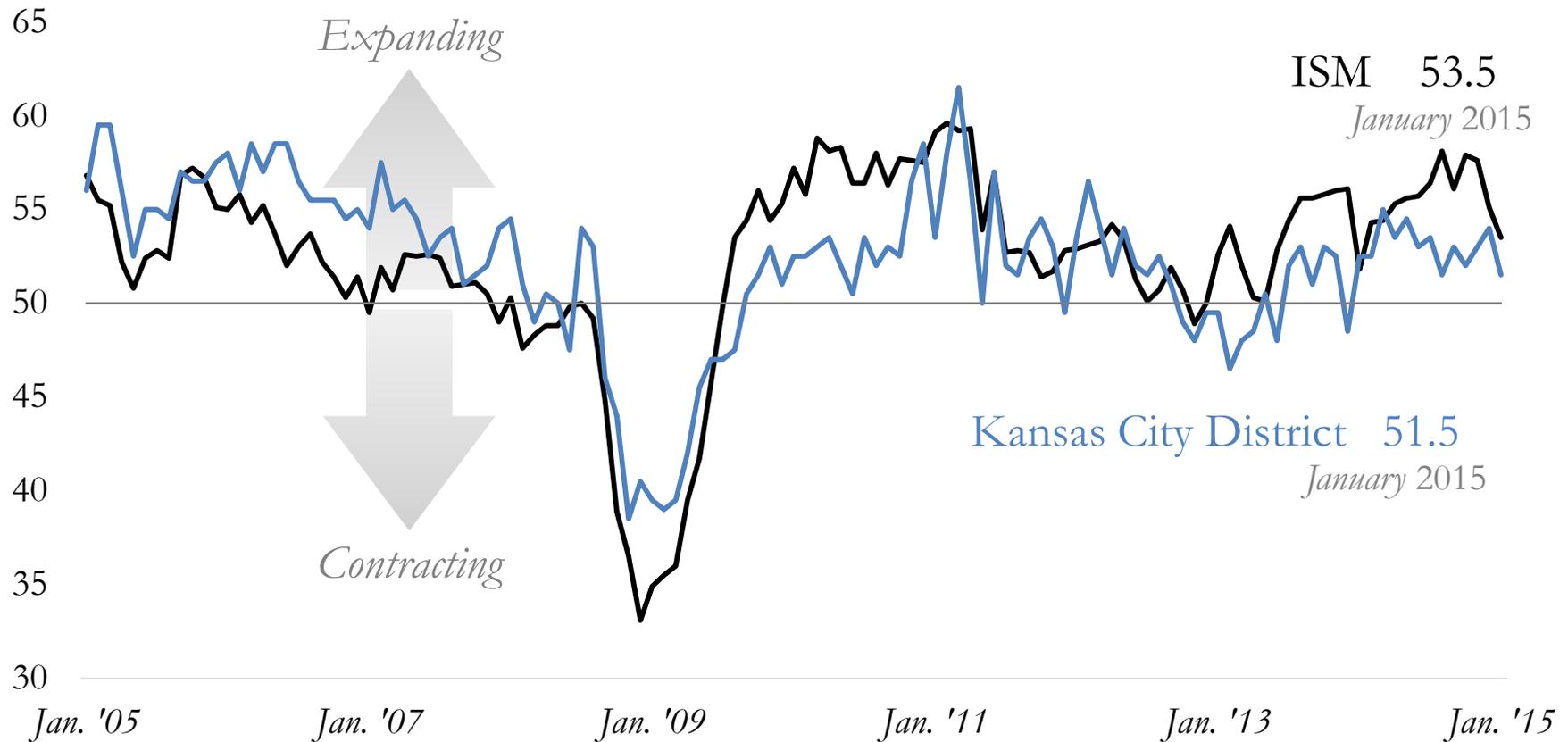
Seasonally Adjusted



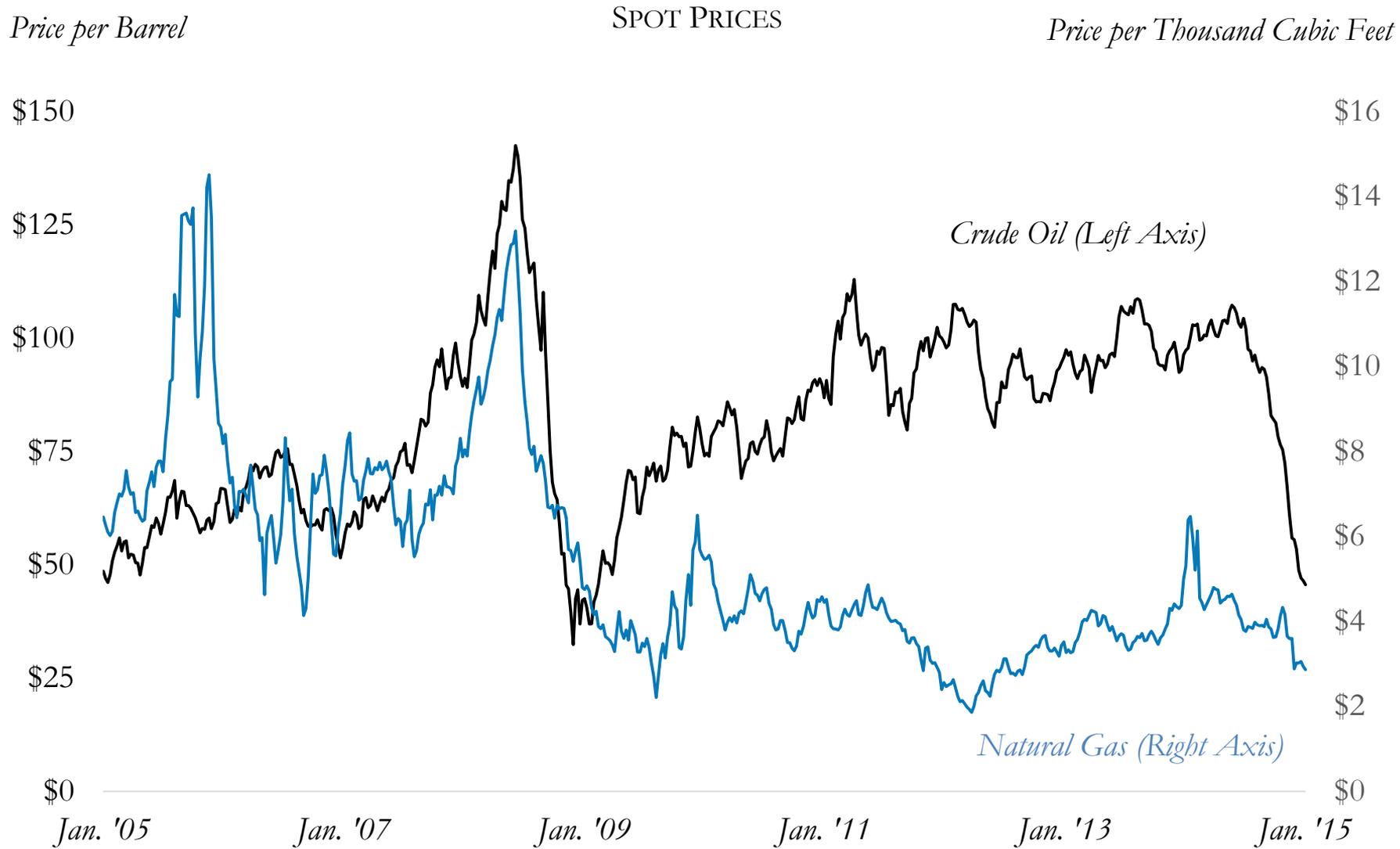
Manufacturing activity has recently slowed in the U.S. and the 10th District.

MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month

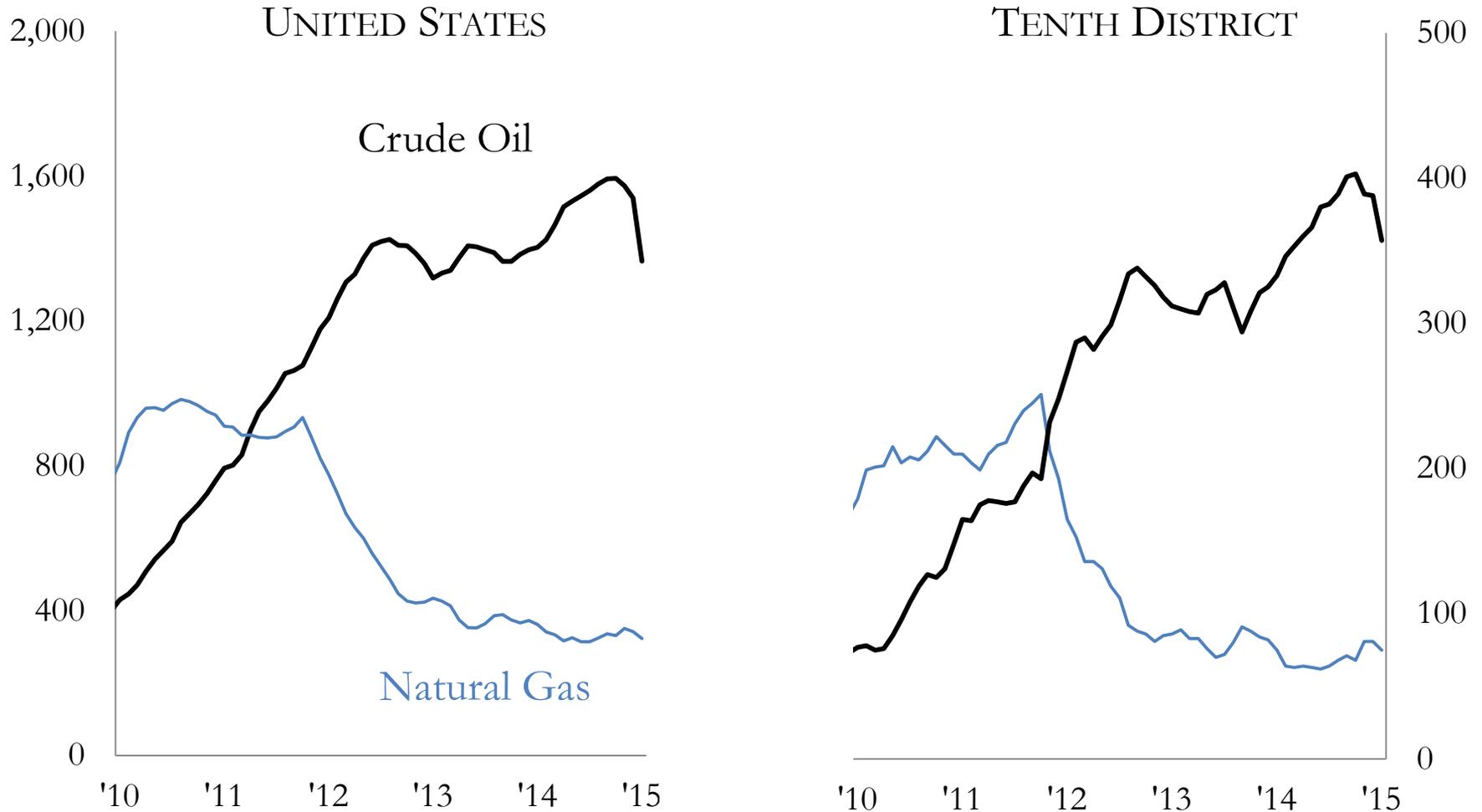


Crude oil prices have dropped to 5 year lows, while natural gas prices remain low.



Drilling of new oil wells has decreased sharply.

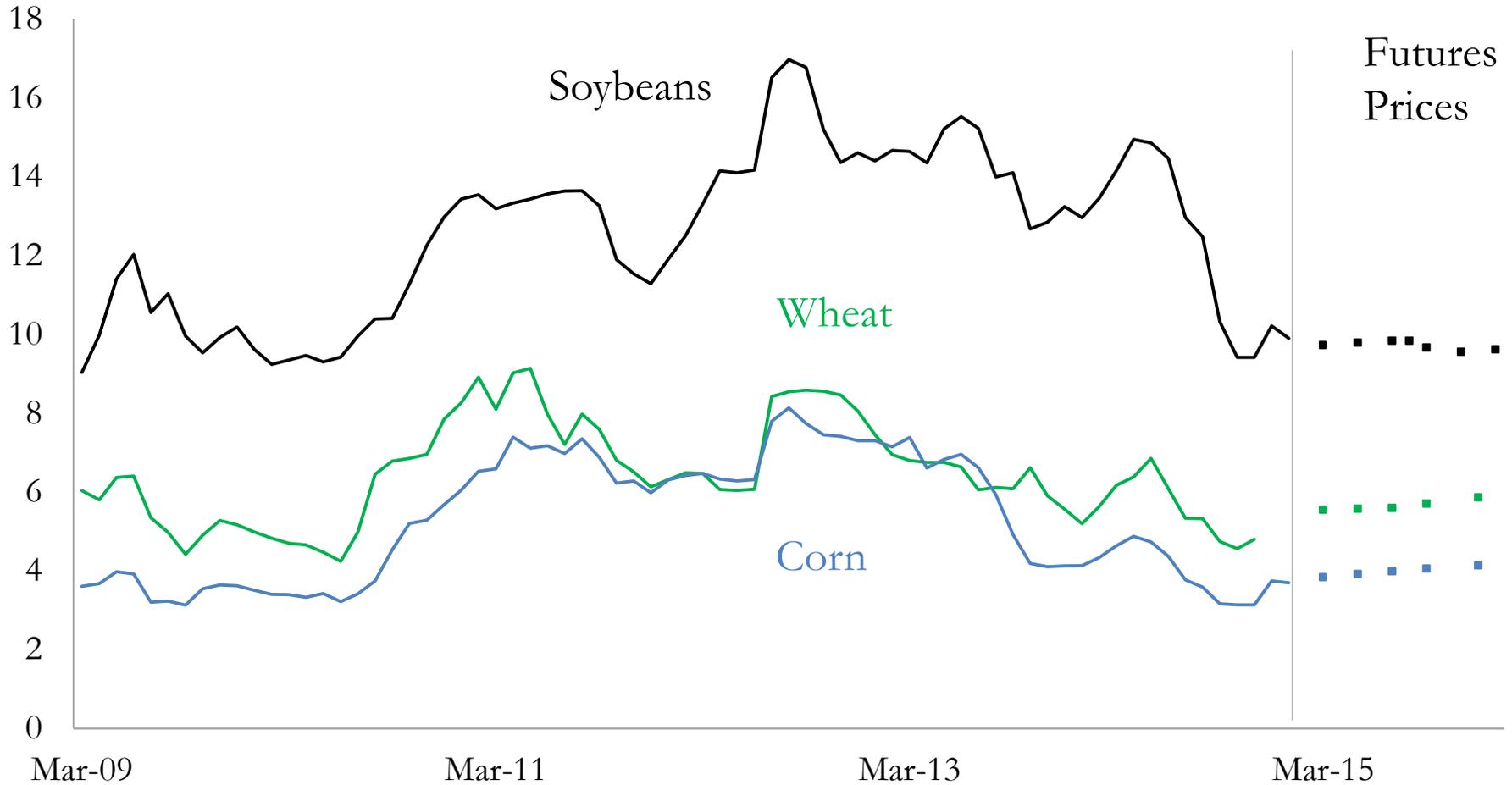
ACTIVE DRILLING RIG COUNTS



Crop prices have turned lower, with mostly flat futures prices.

CROP PRICES

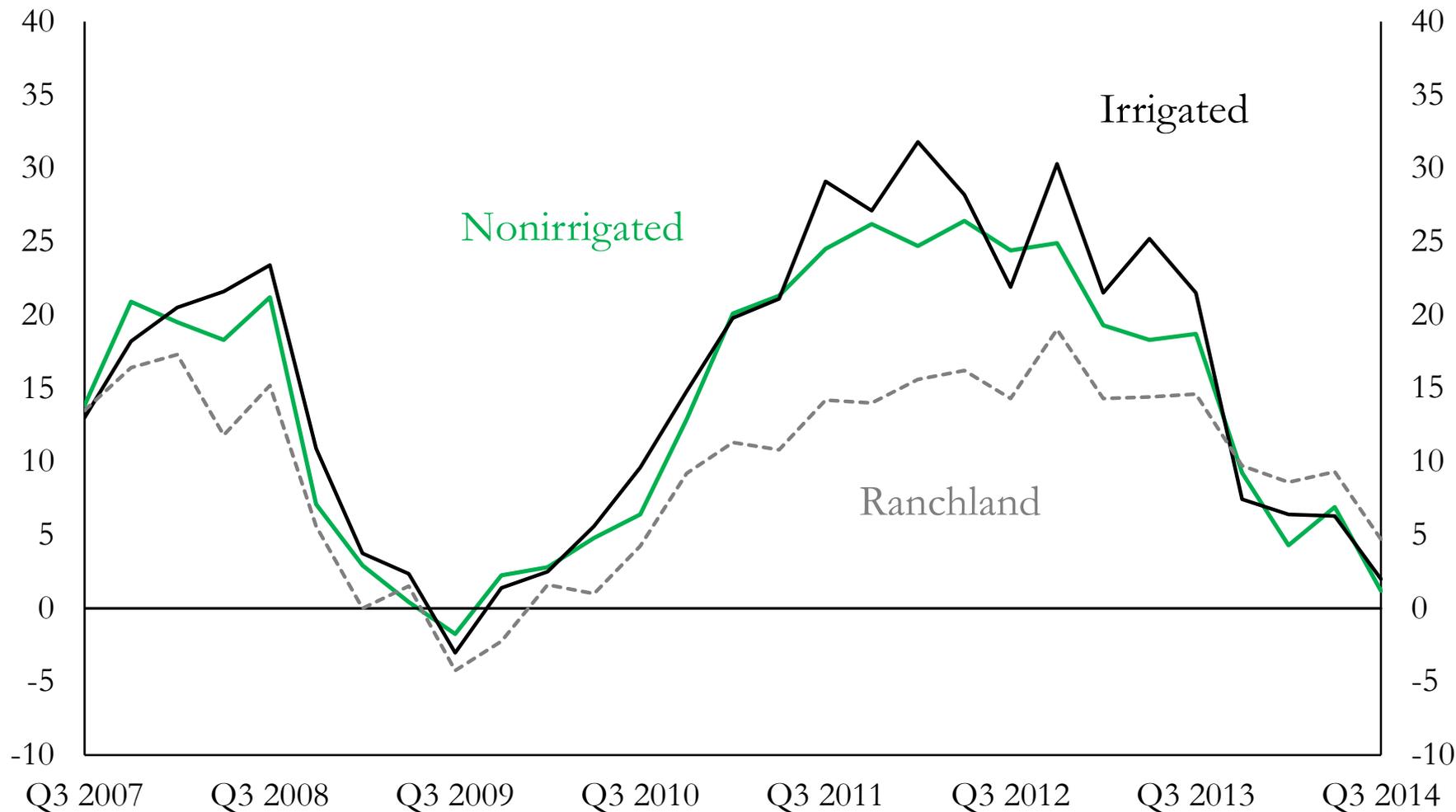
\$/Bushel



Farmland appreciation has slowed due to lower farm income.

TENTH DISTRICT FARMLAND VALUES

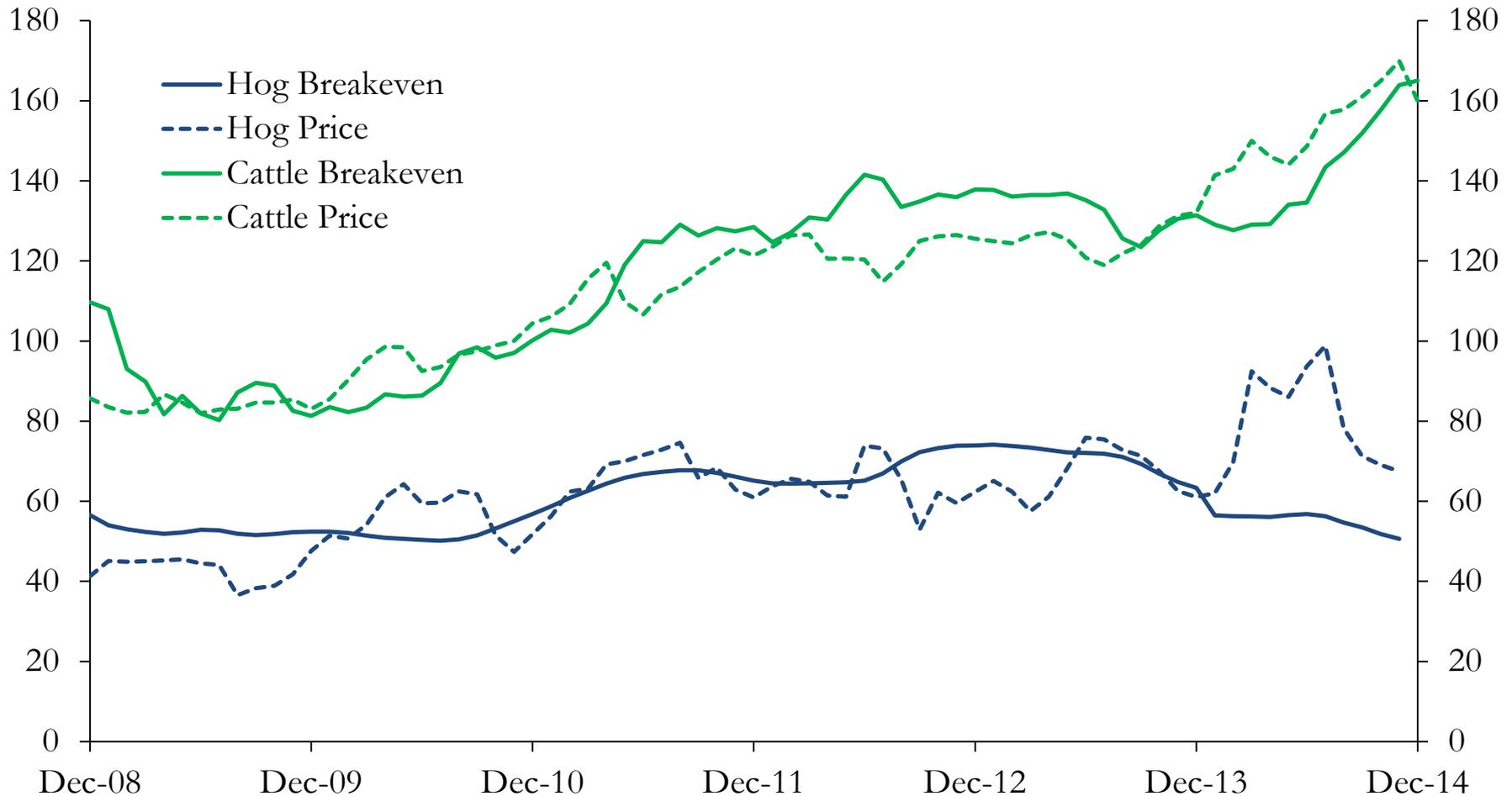
Percent change from previous year



Cattle breakeven price has recently fallen below market price, while margins remain wider for hog producers.

LIVESTOCK PRICES AND BREAK EVEN COSTS

Dollars per hundredweight



Summary

- U.S. economic growth remains moderate.
- The District economy is experiencing broad based growth across sectors and metro areas.
- Oil prices have fallen to 5 year lows, which may boost consumer spending.
- Slower growth is expected in oil producing states.
- Crop producers are seeing lower profit levels, while some livestock producers are seeing increases.

Questions?

- For more information about the 10th District economy, subscribe to:
 - Midwest, Nebraska, Oklahoma, and Rocky Mountain Economist
 - Regional Databooks
- <http://www.kc.frb.org/research/regionaleconomy/>