



FEDERAL RESERVE BANK *of* KANSAS CITY

# Economic Conditions and Outlook for the U.S., Tenth District, and Low- and Moderate-Income Communities

*COMMUNITY DEVELOPMENT ADVISORY COUNCIL  
FEDERAL RESERVE BANK OF KANSAS CITY*

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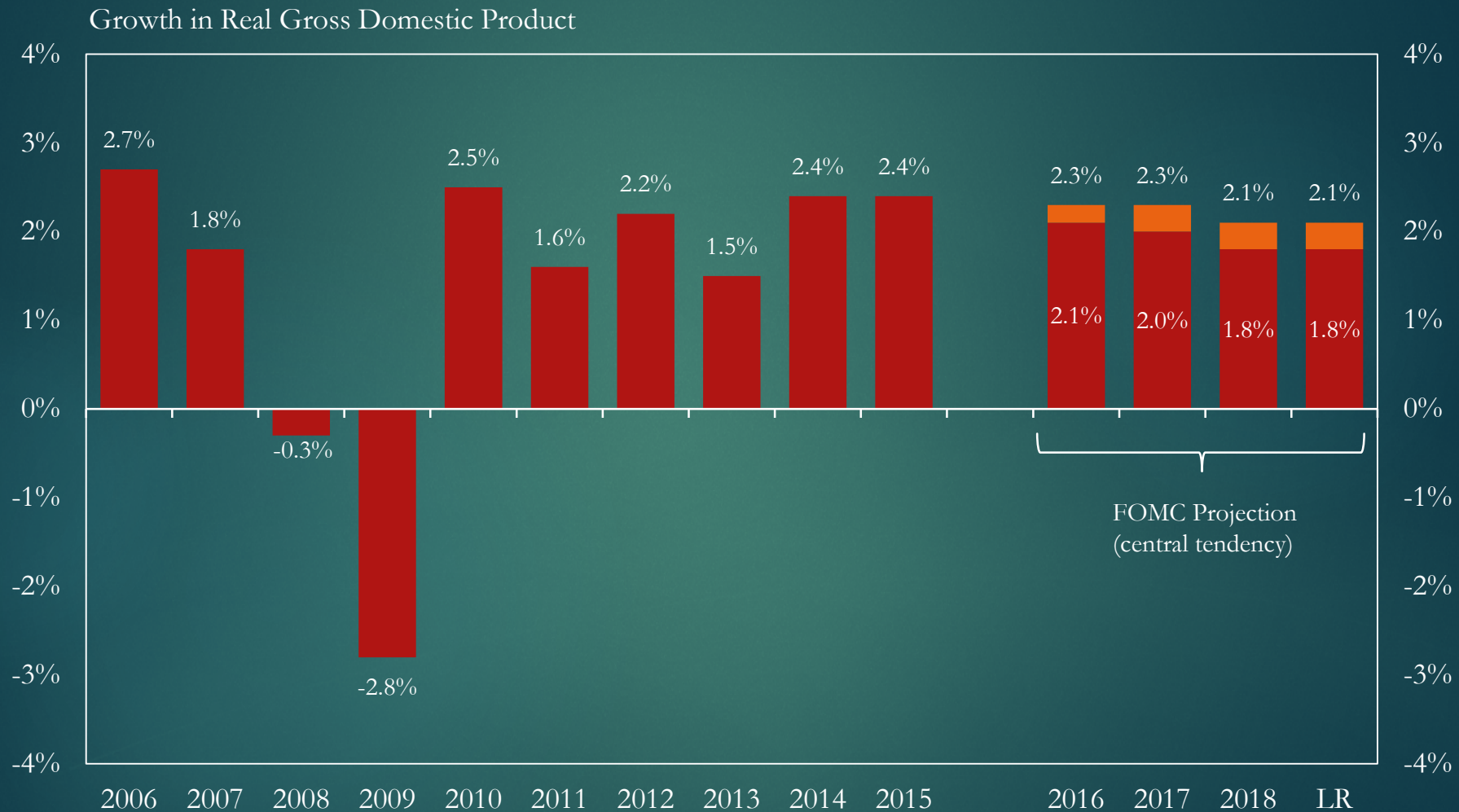
# Overview

- ▶ The U.S. economy continues to recover, but at a moderate pace
- ▶ The Tenth District Economy is growing more slowly and suffering some setbacks around energy
- ▶ Survey results suggest that the LMI economy is still struggling
- ▶ Employment growth has picked up steam and has been relatively strong over the last several months
- ▶ The residential real estate market was very strong through late 2014, but sales and price growth have slowed moderately since
- ▶ Rent has become unaffordable in many places, but rent growth varies significantly across cities; rent is generally unaffordable for those in the bottom half of the wage distribution

# General Economic Conditions and Outlook

The U.S. economy is expected to continue its moderate expansion over the near term.

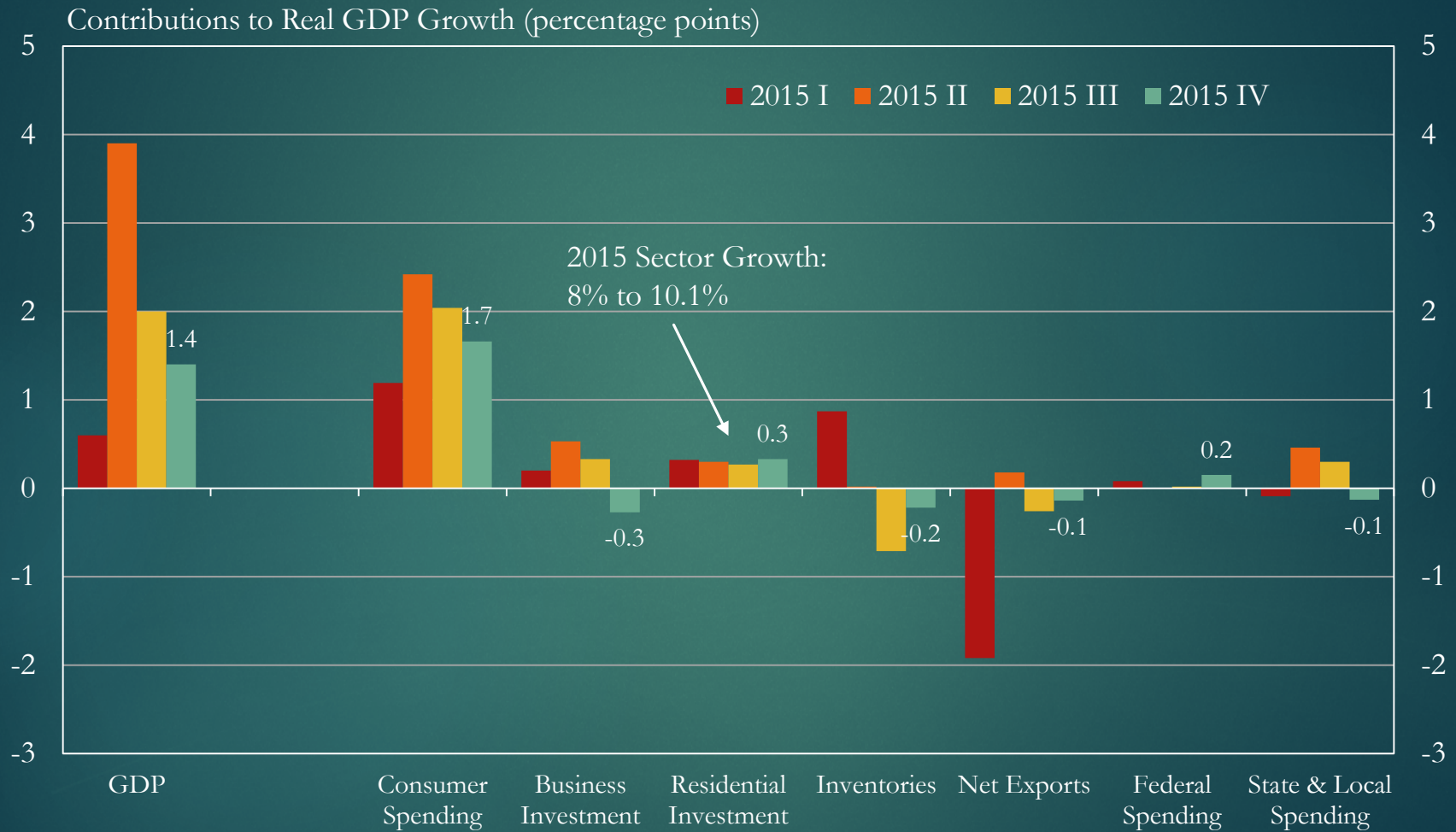
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Sources: Bureau of Economic Analysis/Haver Analytics; FOMC, Summary of Economic Projections (March 2016)

Real GDP growth recently has slowed; growth in consumption and residential investment have been the primary drivers.

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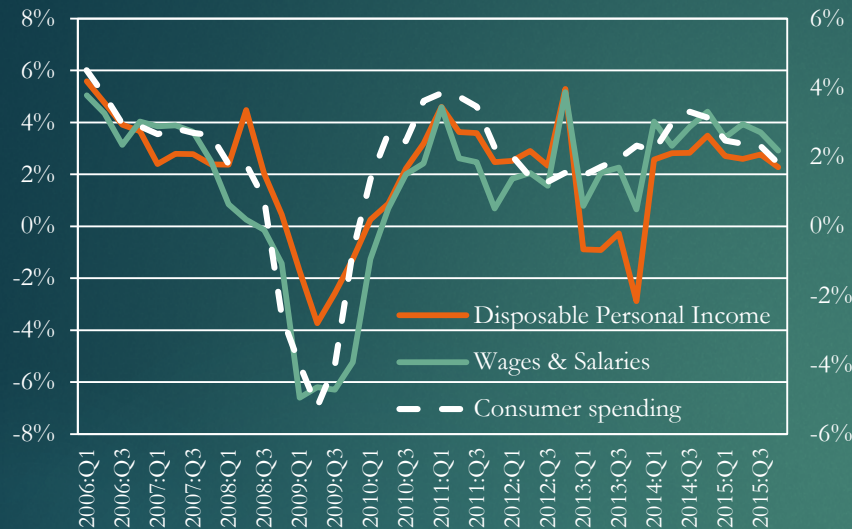


Source: Bureau of Economic Analysis (revised March 25; Haver Analytics)

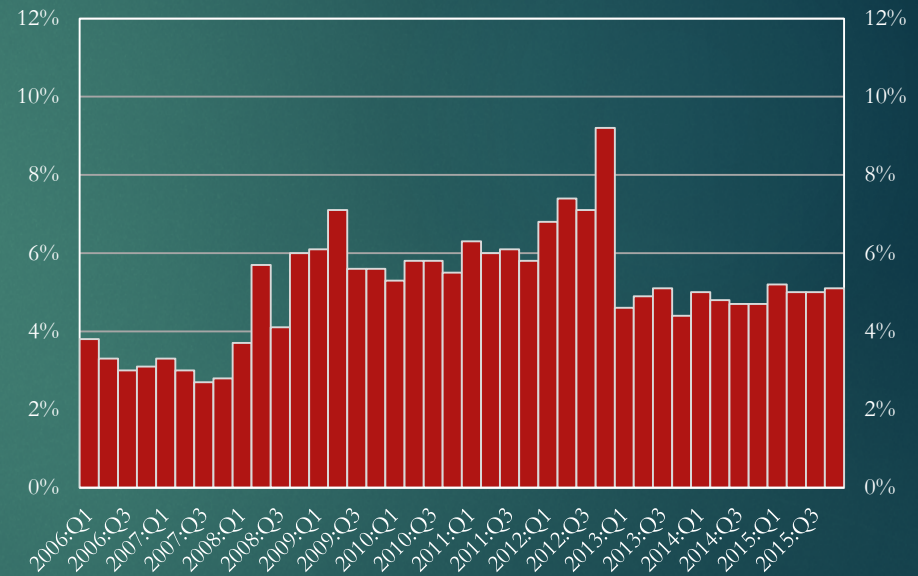
# Is consumption growth sustainable?

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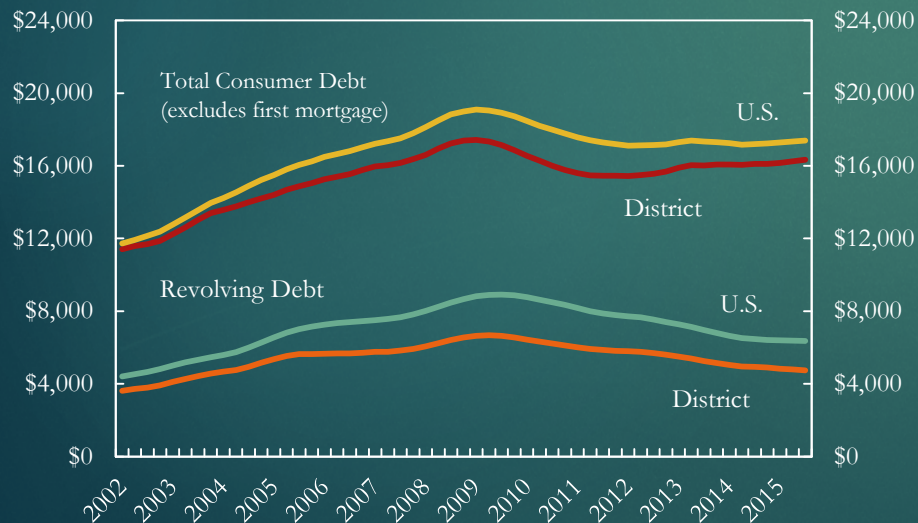
Annual Change (Inflation-adjusted)



Annual Savings Rate (share of disposable income)



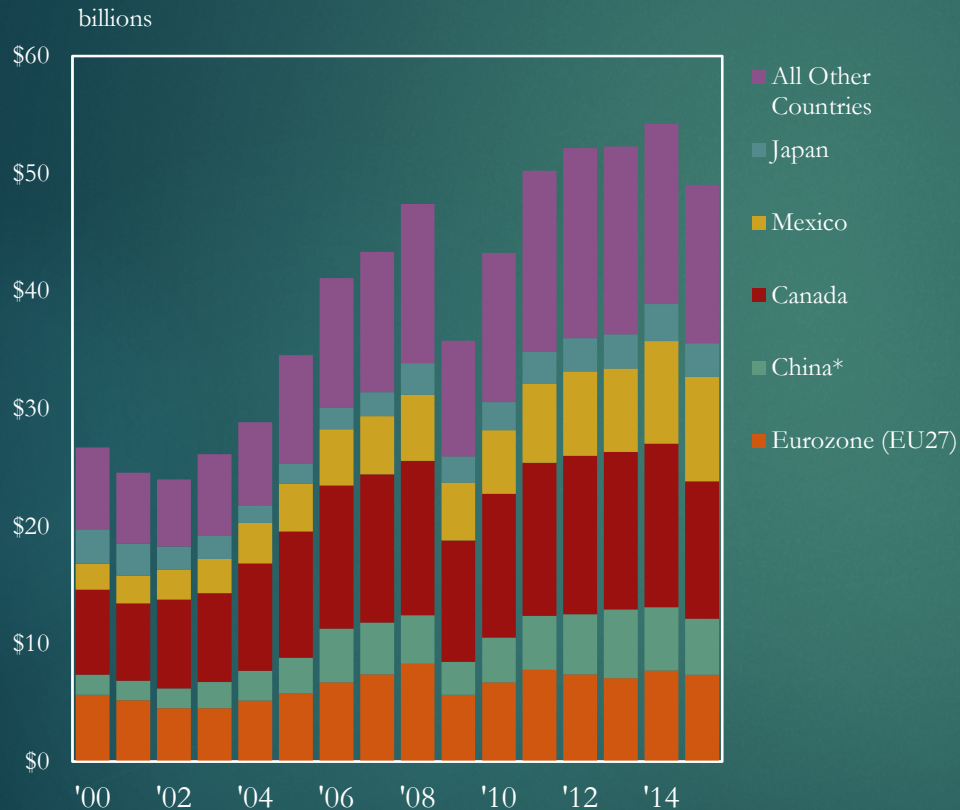
Four-quarter moving average



Sources: U.S. Bureau of Economic Analysis/Haver Analytics; U.S. Bureau Of Labor Statistics/Haver Analytics; Federal Reserve Bank of Kansas City, Tenth District Consumer Credit Report, December, 2015/New York Fed Consumer Credit Panel\Equifax

# Outlook for Exports

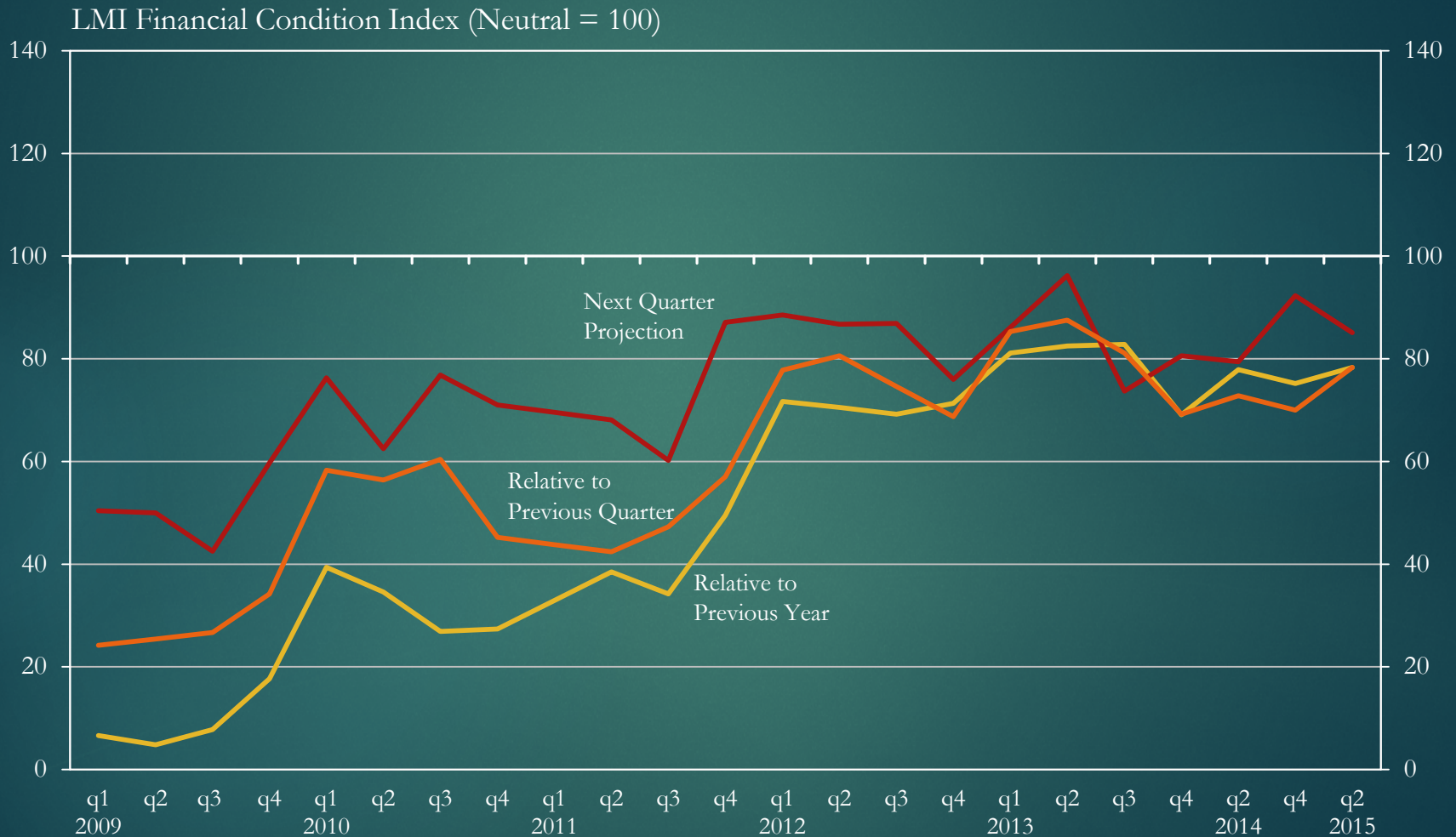
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- ▶ IMF And World Bank have been revising world growth projections downward
- ▶ U.S. dollar has strengthen against the currencies of most major trading partners, making U.S. exports relatively more expensive

General assessments from LMI survey respondents suggest that, while the national economy has largely recovered to pre-recession levels, the LMI community continues to struggle.

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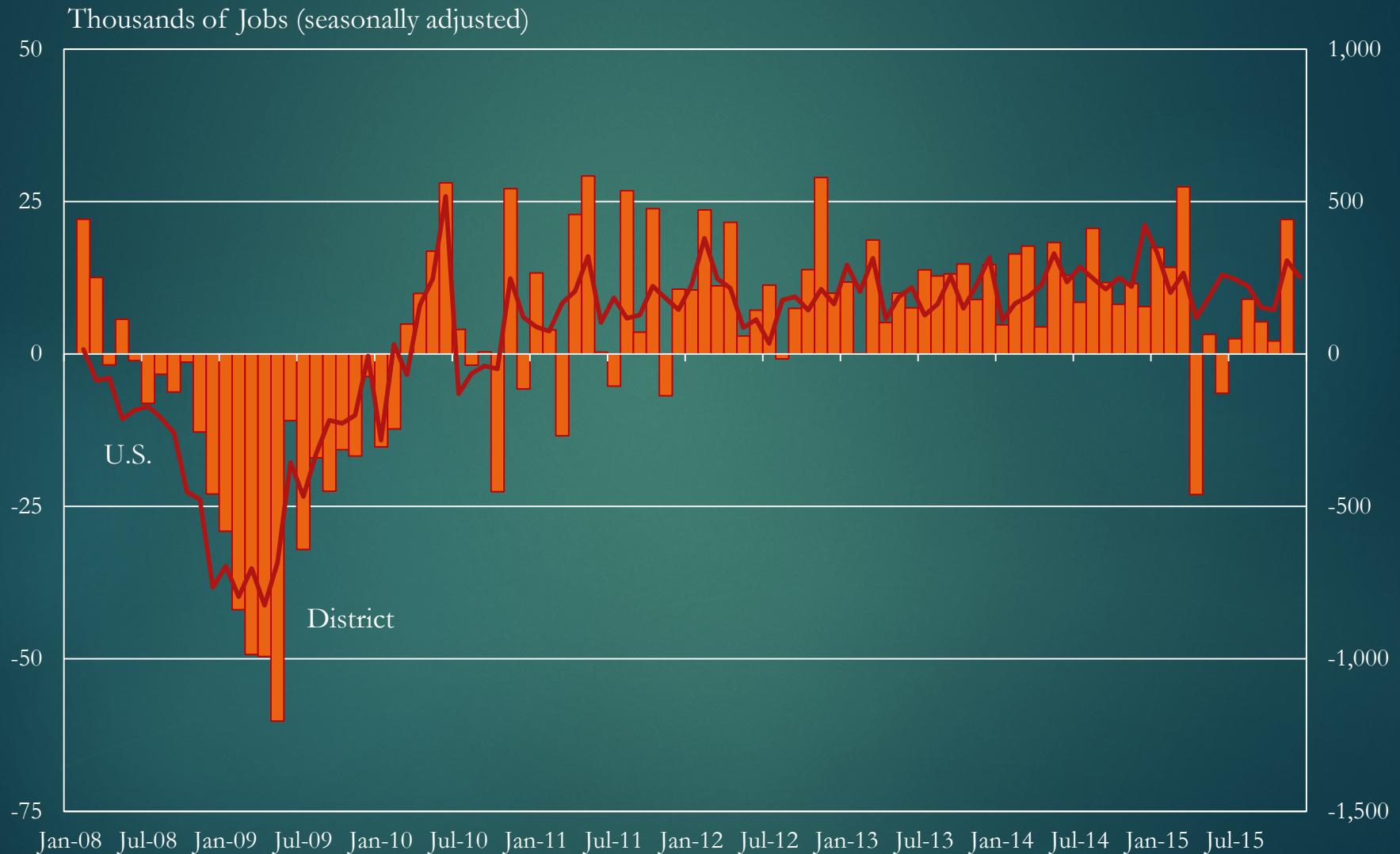


Source: *Tenth District Low- and Moderate Economic Conditions*, Federal Reserve Bank of Kansas City, March, 2016

# Employment and Unemployment

Employment growth has been more robust and consistent since 2013, but weakness in energy states has put a drag on recent employment growth in District states.

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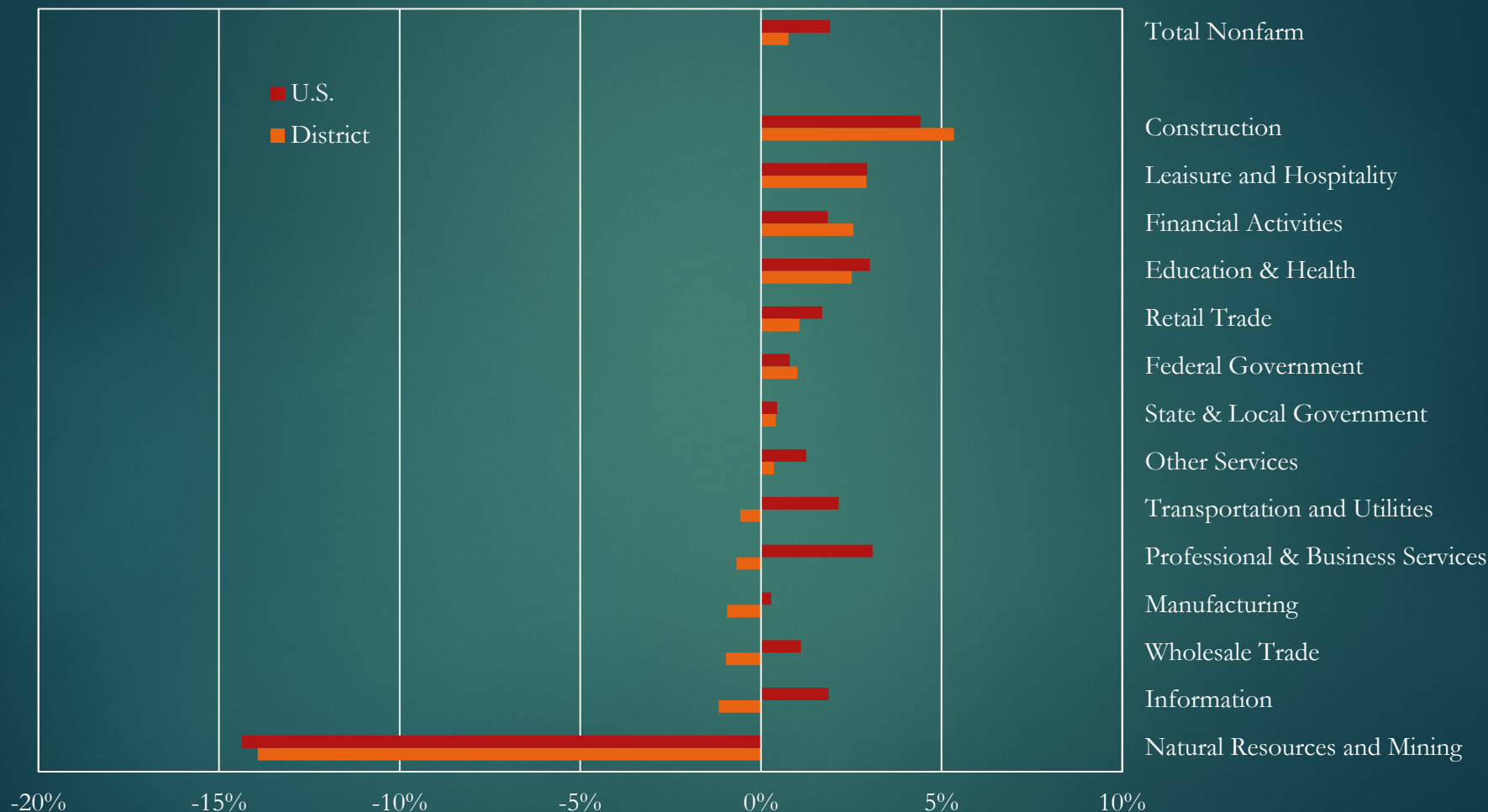


Source: U.S. Bureau of Labor Statistics/Haver Analytics

Employment has grown across industries in the U.S., but energy has put a drag on District employment, including spillovers into industries outside of energy.

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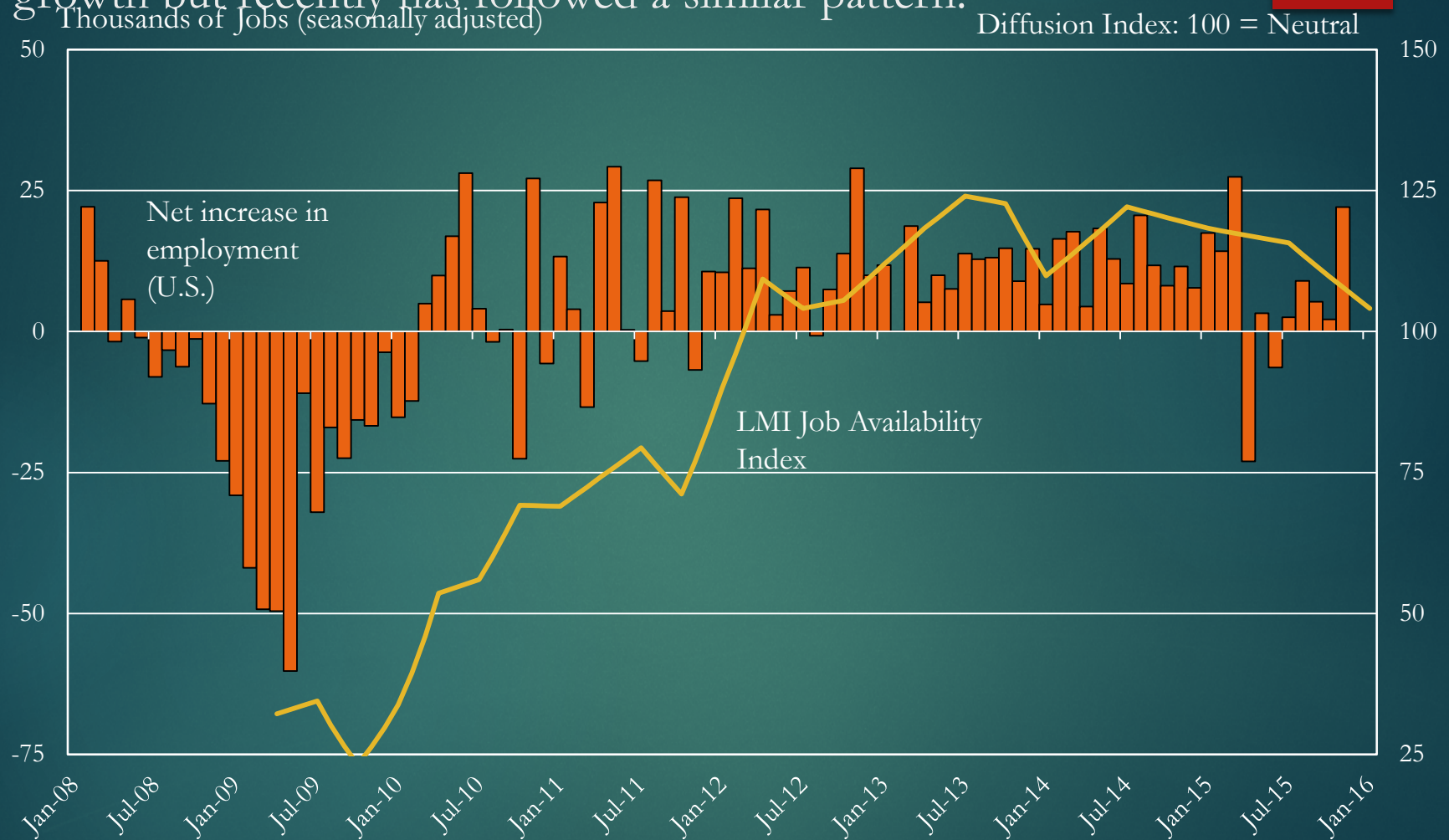
Annual Change in Employment



Source: U.S. Bureau of Economic Analysis/Haver Analytics

# Job availability for LMI workers lagged overall employment growth but recently has followed a similar pattern.

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Sources: U.S. Bureau of Labor Statistics; Federal Reserve Bank of Kansas City, LMI Survey

## Other labor market considerations (general)

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- ▶ The unemployment rate has dropped significantly during the recovery from a peak of 10.1 percent to the current rate of 4.9 percent
  - ▶ The unemployment rate is likely at or near the full (sustainable) employment rate
  - ▶ Reduction in the labor force participation is partly responsible for lower unemployment rates
  - ▶ Labor market underutilization is not fully captured by the “headline” (U-3) unemployment rate
    - ▶ The U-6 (10.1 percent) accounts for “discouraged” workers and “reluctant” or “involuntary” part-time workers
    - ▶ Underutilization goes beyond U-6 when considering the qualifications of many workers relative to the requirements of their jobs

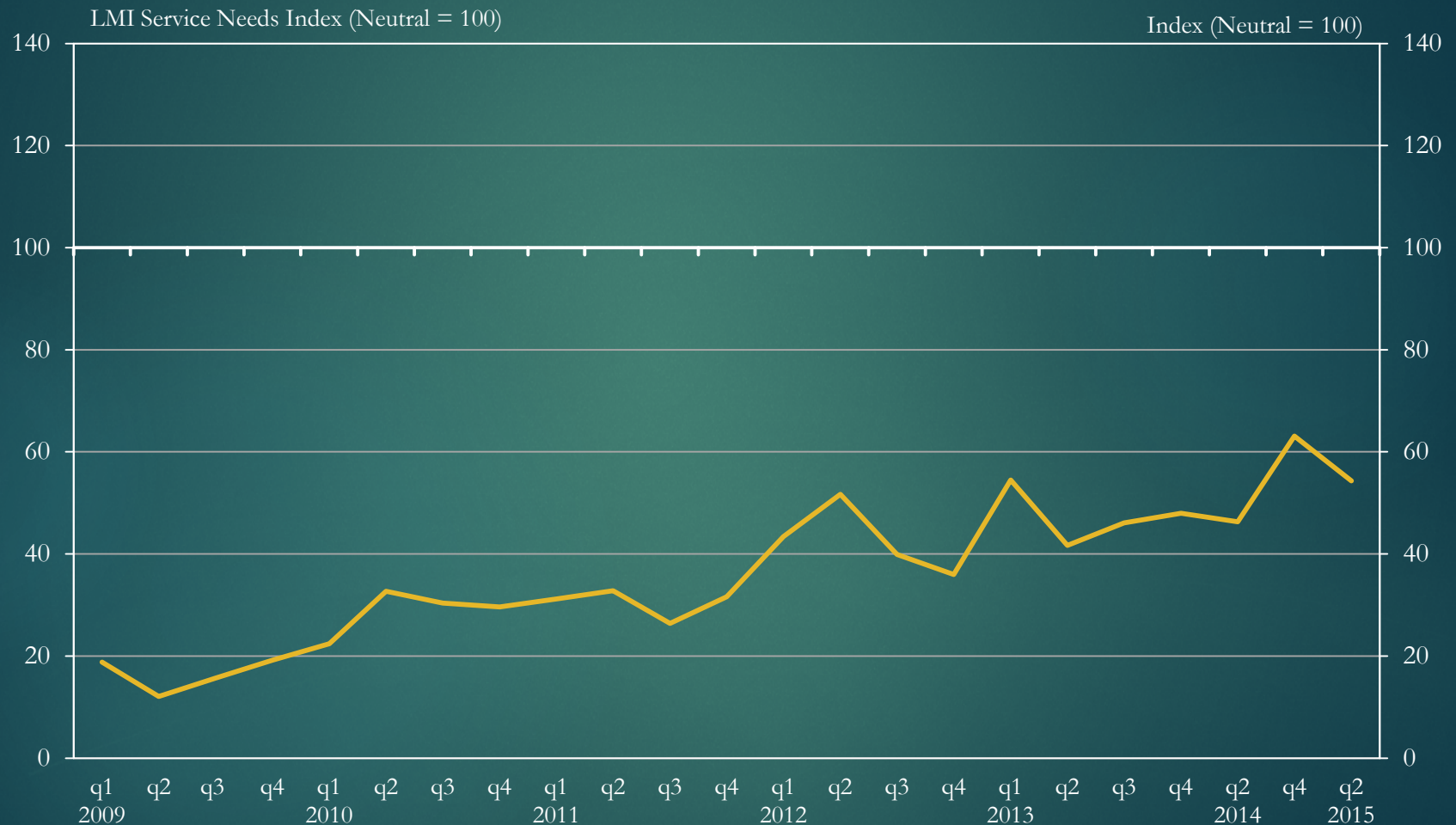
# Other labor market considerations (LMI)

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- ▶ Jobs, but not necessarily “good jobs”
  - ▶ In most larger places in the District, jobs are available for LMI workers (especially retail) if they are willing to accept the conditions and wages offered and are not especially difficult to employ
  - ▶ But many of the job gains have been part-time jobs
  - ▶ Most survey contacts report that wages have been stagnant with job growth
- ▶ A number of labor market issues continue to challenge LMI workers
  - ▶ Education, training, and experience needed to advance
  - ▶ Childcare
  - ▶ Transportation
  - ▶ Frequent change in residency

Long-term unemployment has been a key driver for continuing increases in the demand for social services.

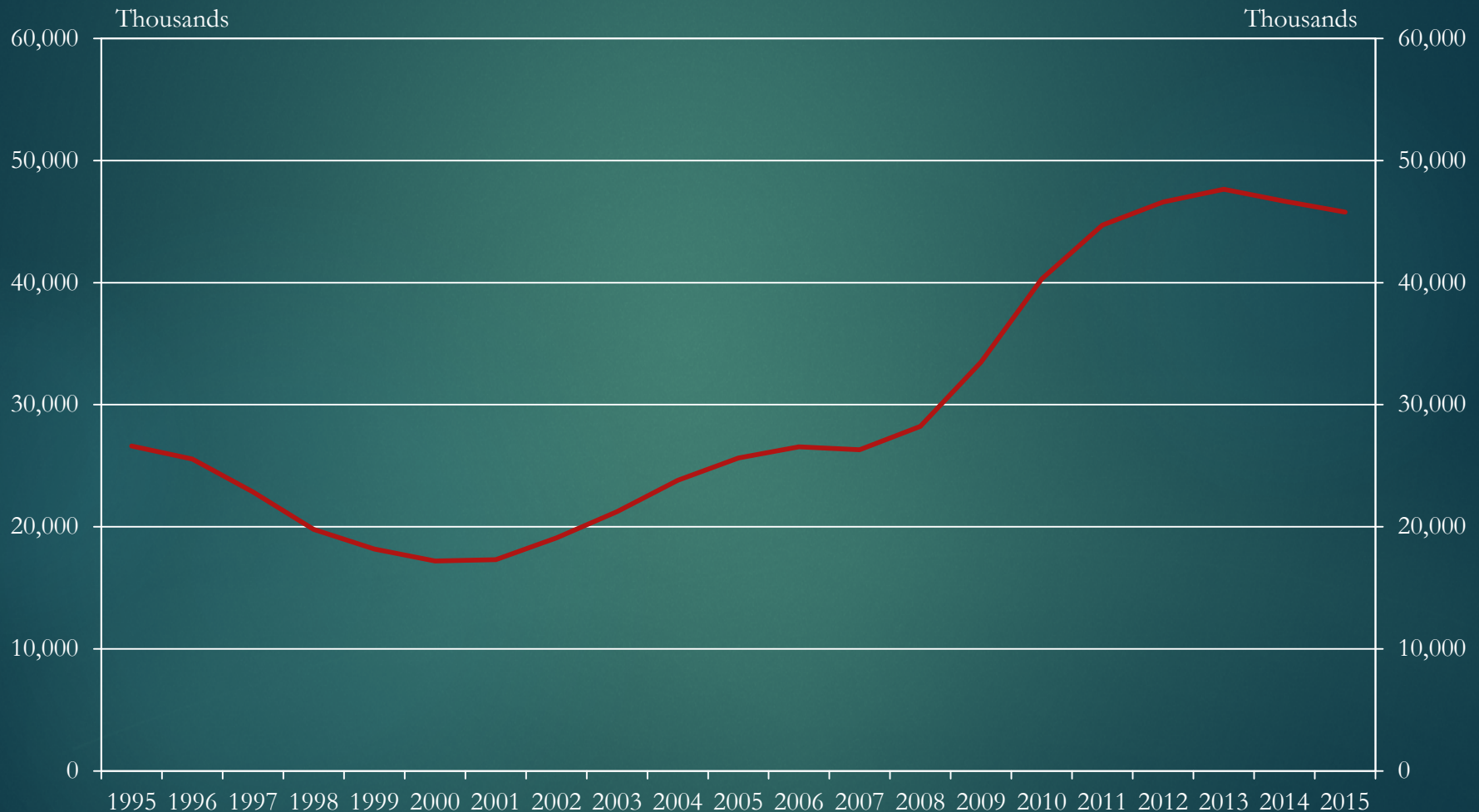
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Source: Federal Reserve Bank of Kansas City

SNAP participation trends are consistent with findings of the LMI survey: demand for benefits increased consistently during the economic recovery.

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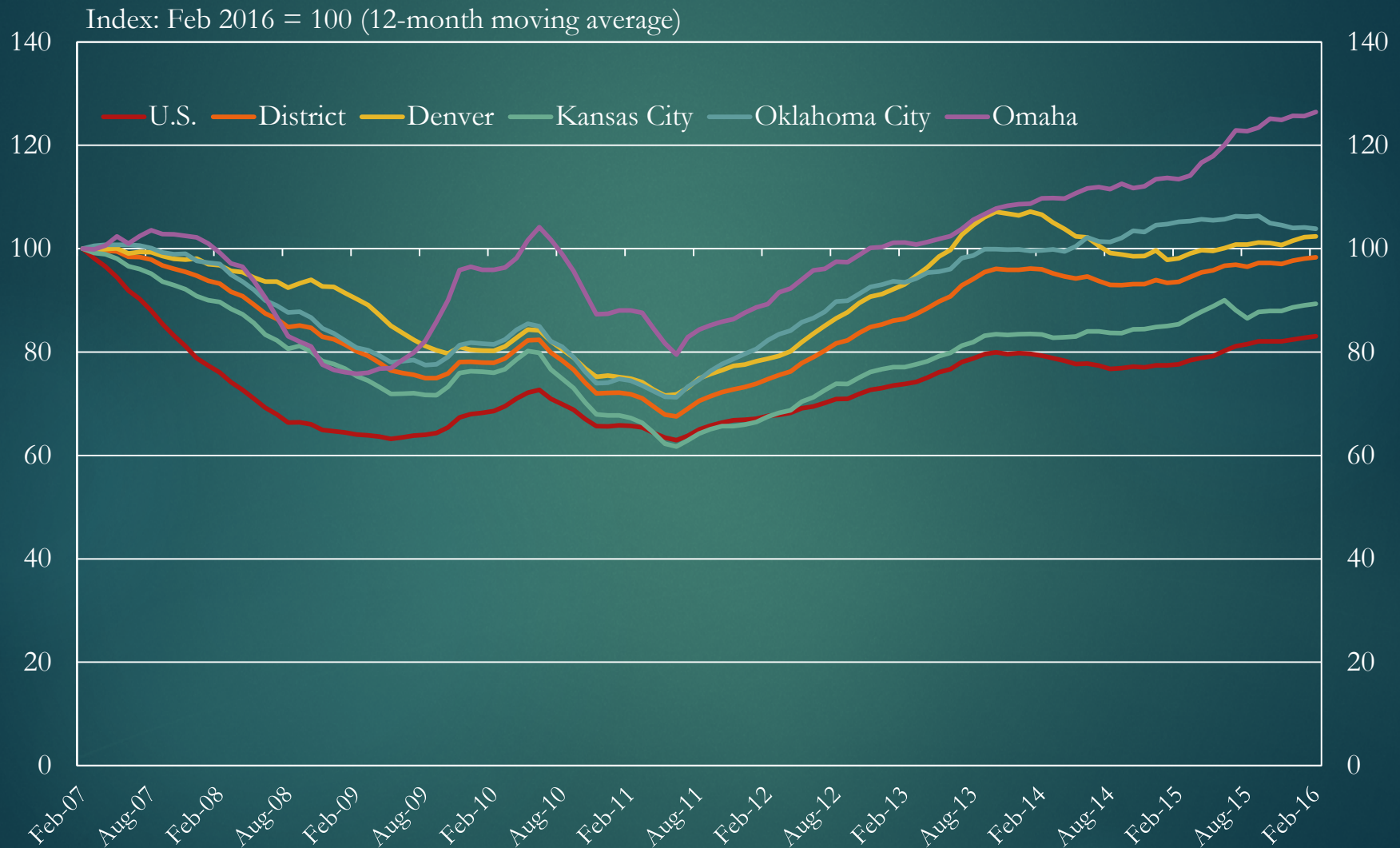


Source: U.S. Department of Agriculture, Food and Nutrition Service

# Residential Real Estate/Housing

Existing home sales has seen strong growth since the trough of the housing depression, but variation across District MSAs is significant and sales growth has weakened in some areas.

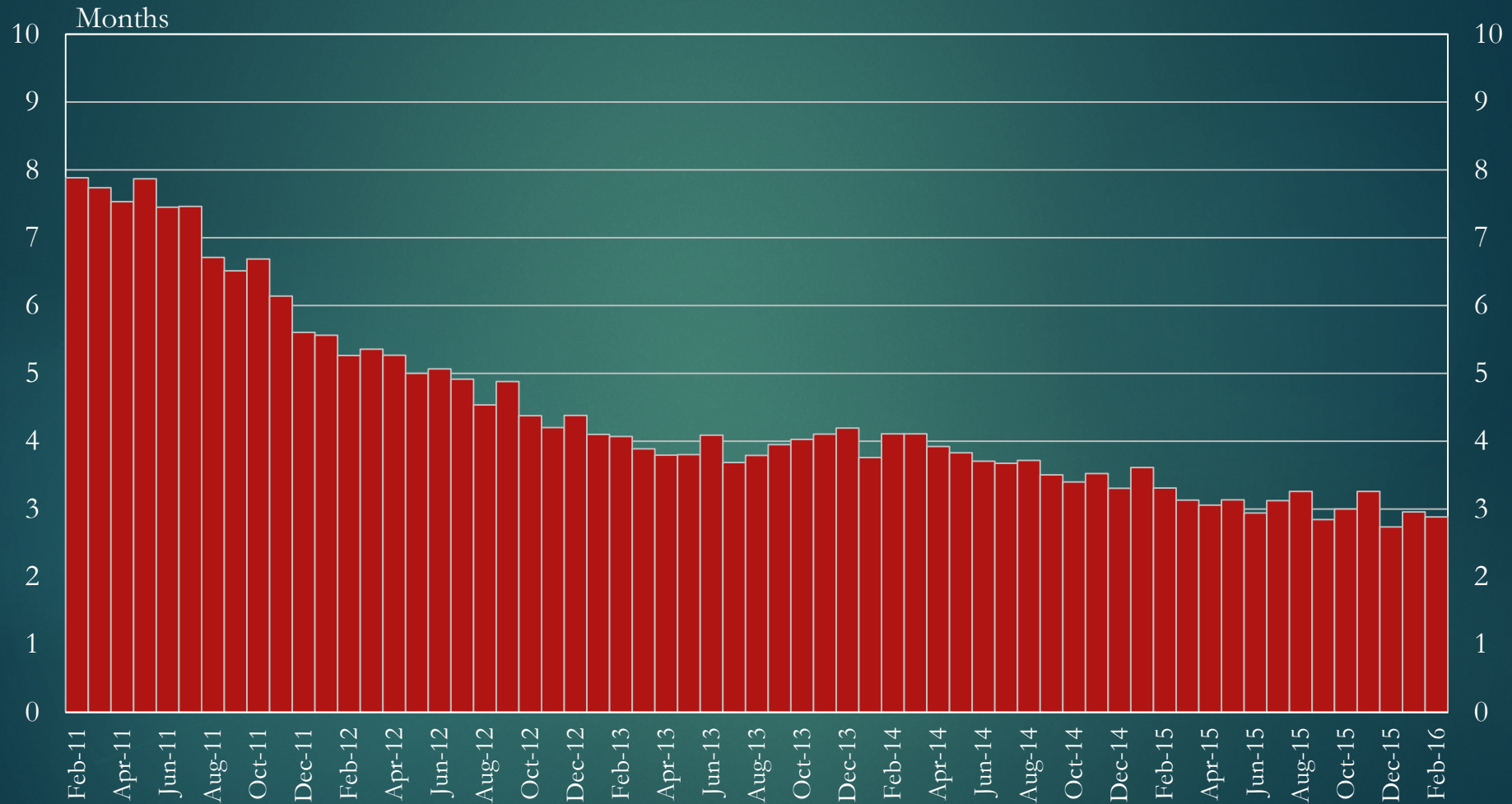
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Source: Area REALTORS® Associations

The months supply of homes has dwindled, putting downward pressure on sales and providing support for increasing prices.

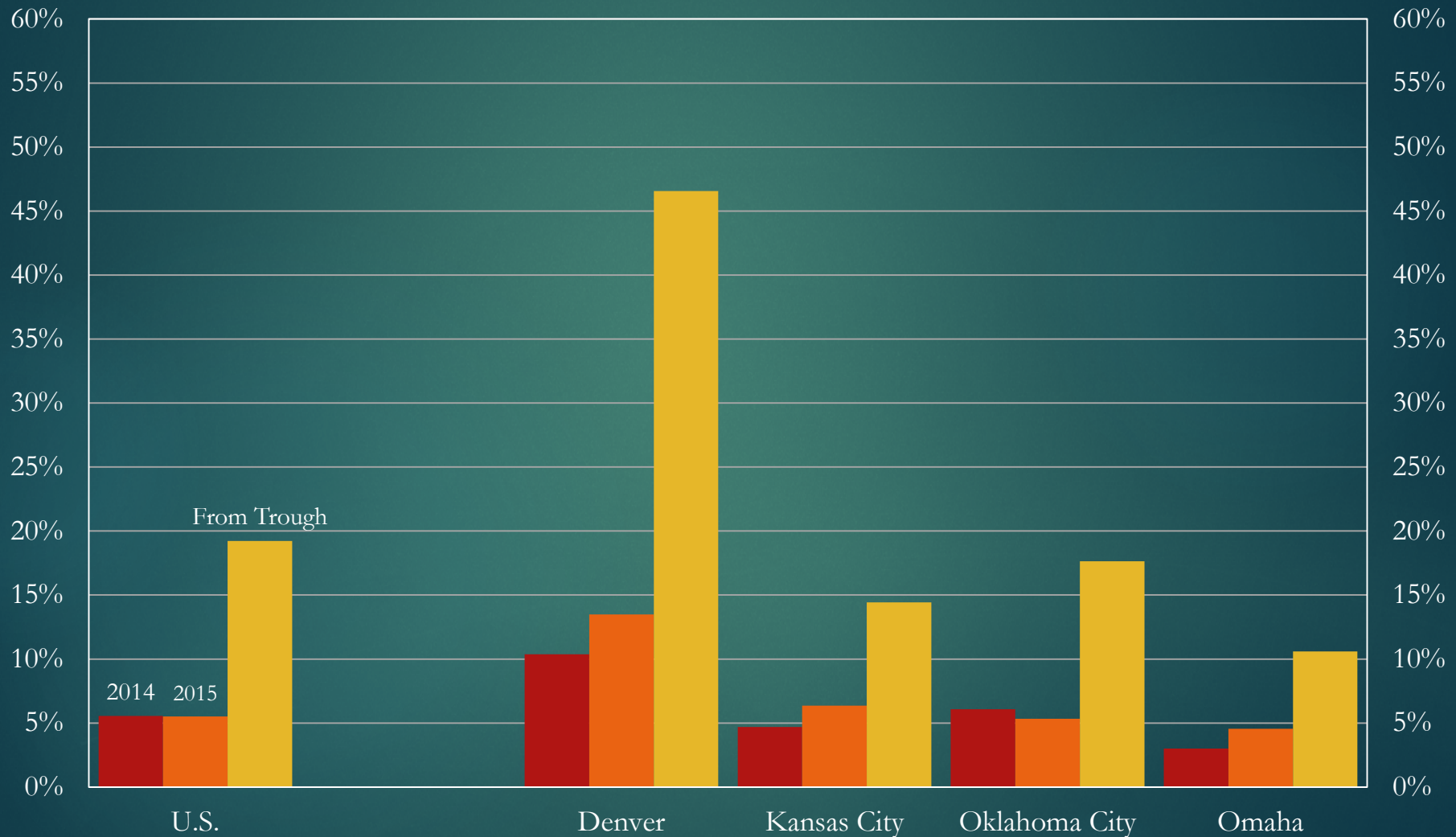
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Source: Area REALTORS® Associations

Home prices have rebounded strongly since reaching bottom, driven in large part by limited supply.

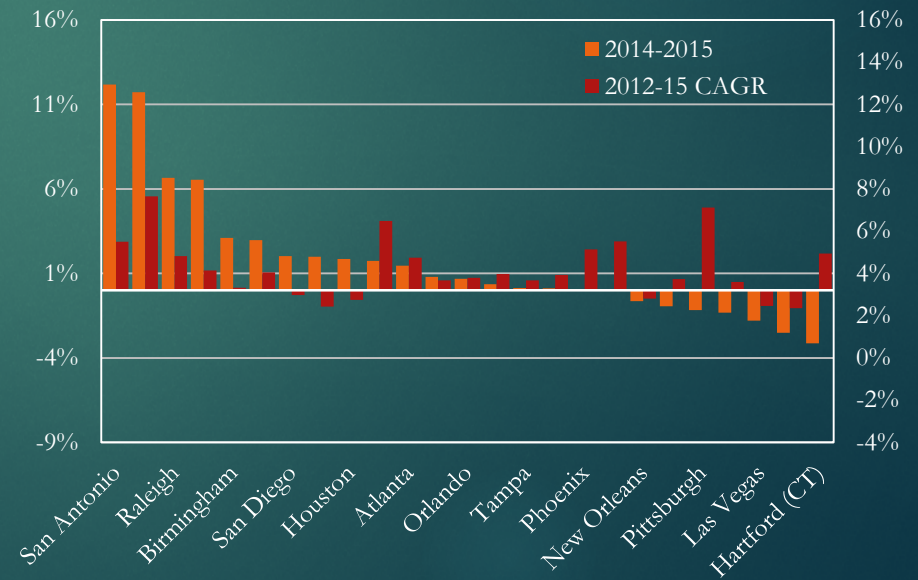
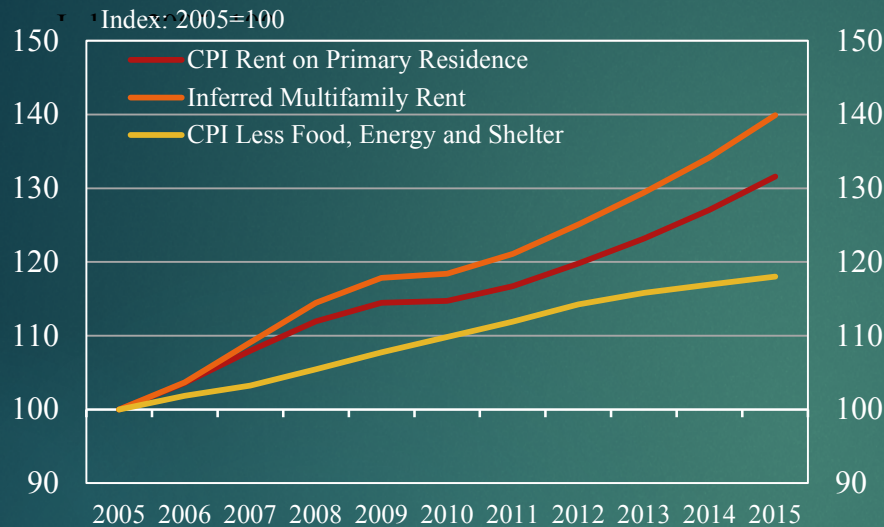
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Source: FHFA / Haver Analytics

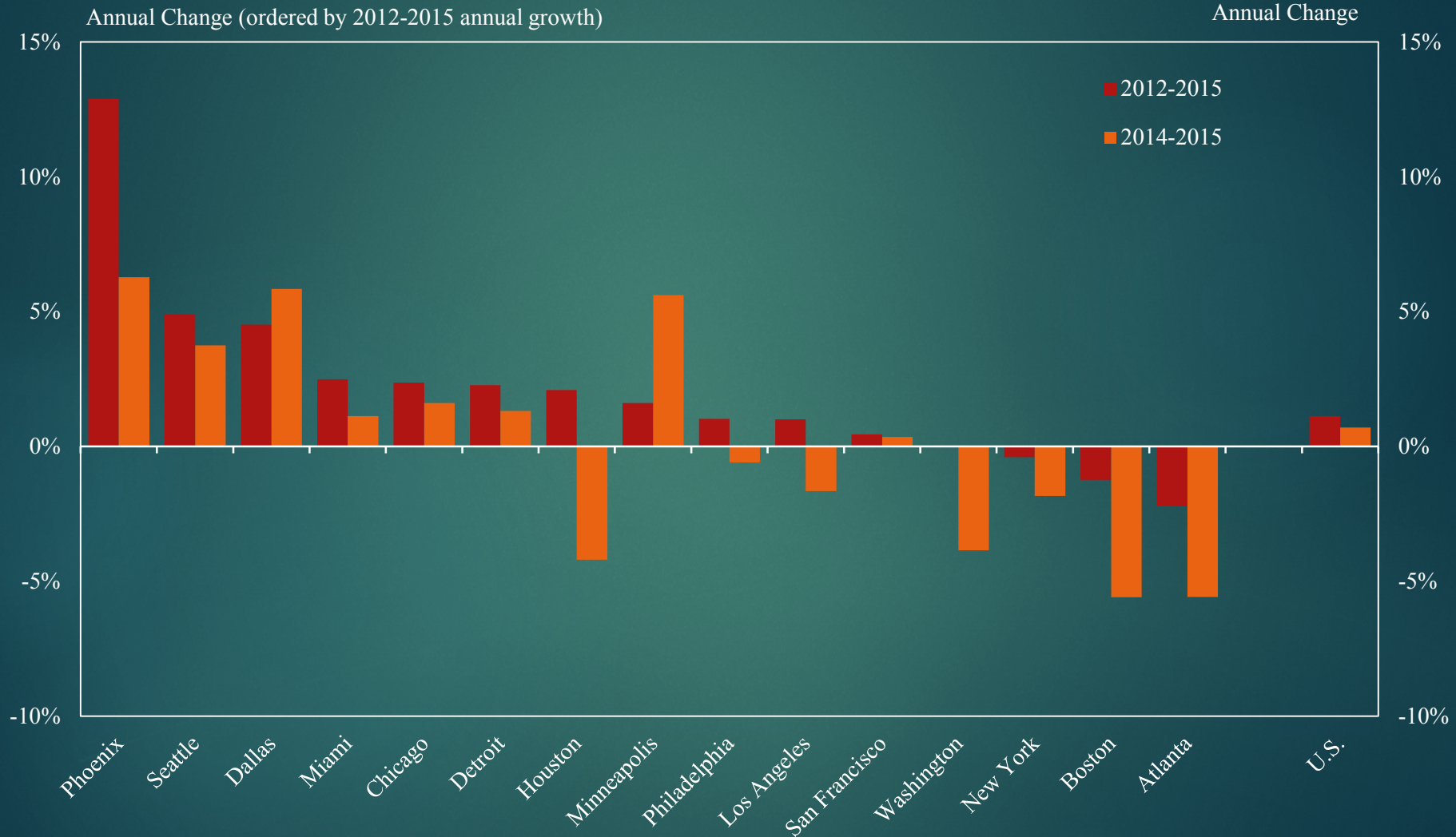
The annual rate of growth in median rent (sorted by last year's growth) has been significant, especially in the last three years, but rapid increases are not a national phenomenon.

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# National trends in rental affordability mask substantial variation across MSAs

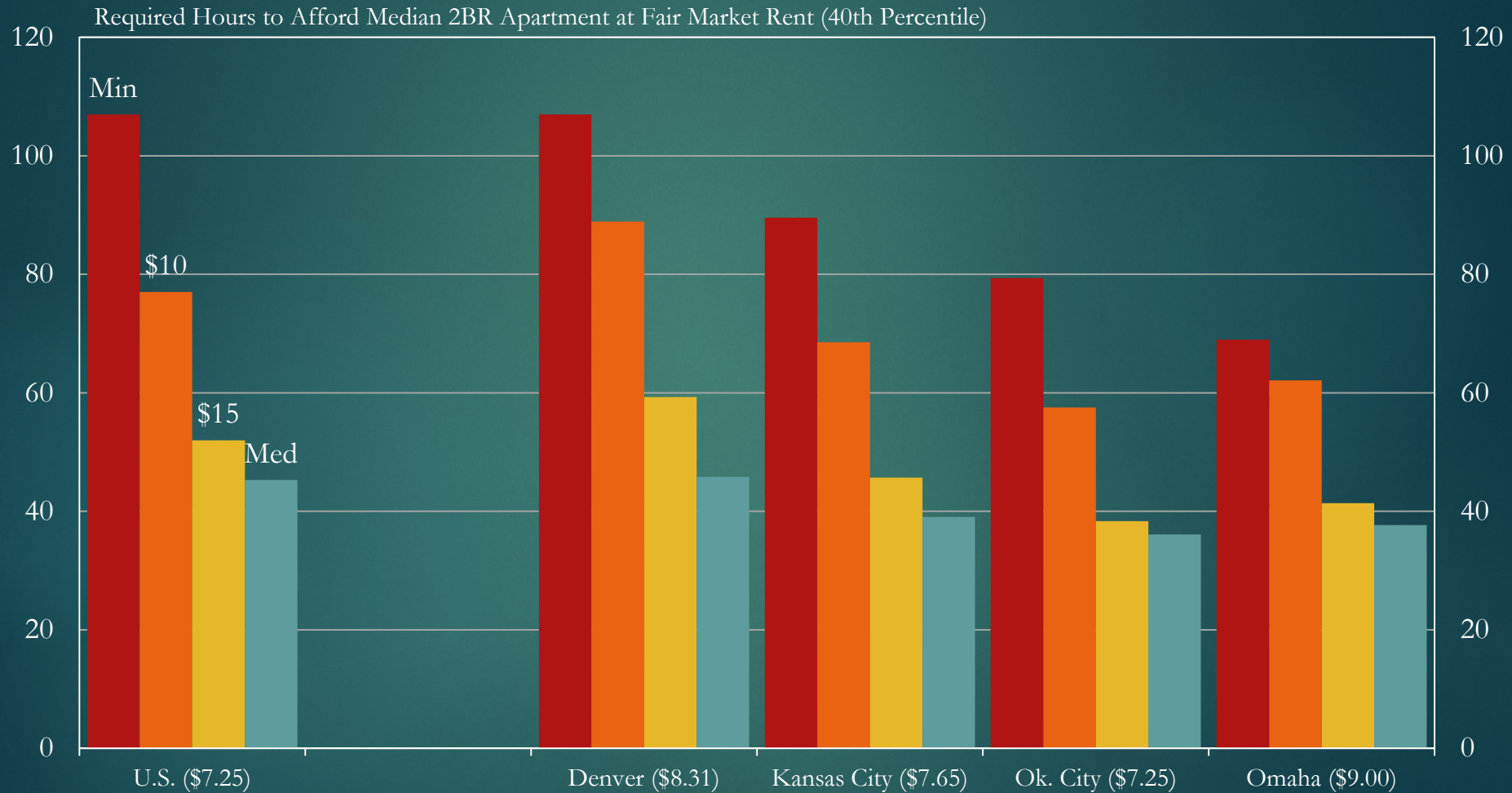
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Sources: Author's calculations; U.S. Bureau of Labor Statistics, National Compensation Survey and CPI Housing Survey

Regardless of trends, “typical” rents are unaffordable for many lower-income individuals and families.

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Note: Number of work hours required to afford (30% of income or less) a 2-bedroom apartment at Fair Market Rent (HUD)  
Data Source: Low-Income Housing Coalition; U.S. Bureau of Labor Statistics, Occupational Wages



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