

Economic Conditions and Outlook and Consumer Credit Conditions

NACM-CFDD Kansas City
Kansas City, MO

Kelly D. Edmiston
Senior Economist



Disclaimer

This presentation reflects the views of the speaker and not necessarily the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



Outline

- U.S. Economic Conditions
- Monetary Policy Environment
- Low- and Moderate-Income Economic Conditions
- Consumer Credit Conditions



U.S. Economic Conditions and Outlook

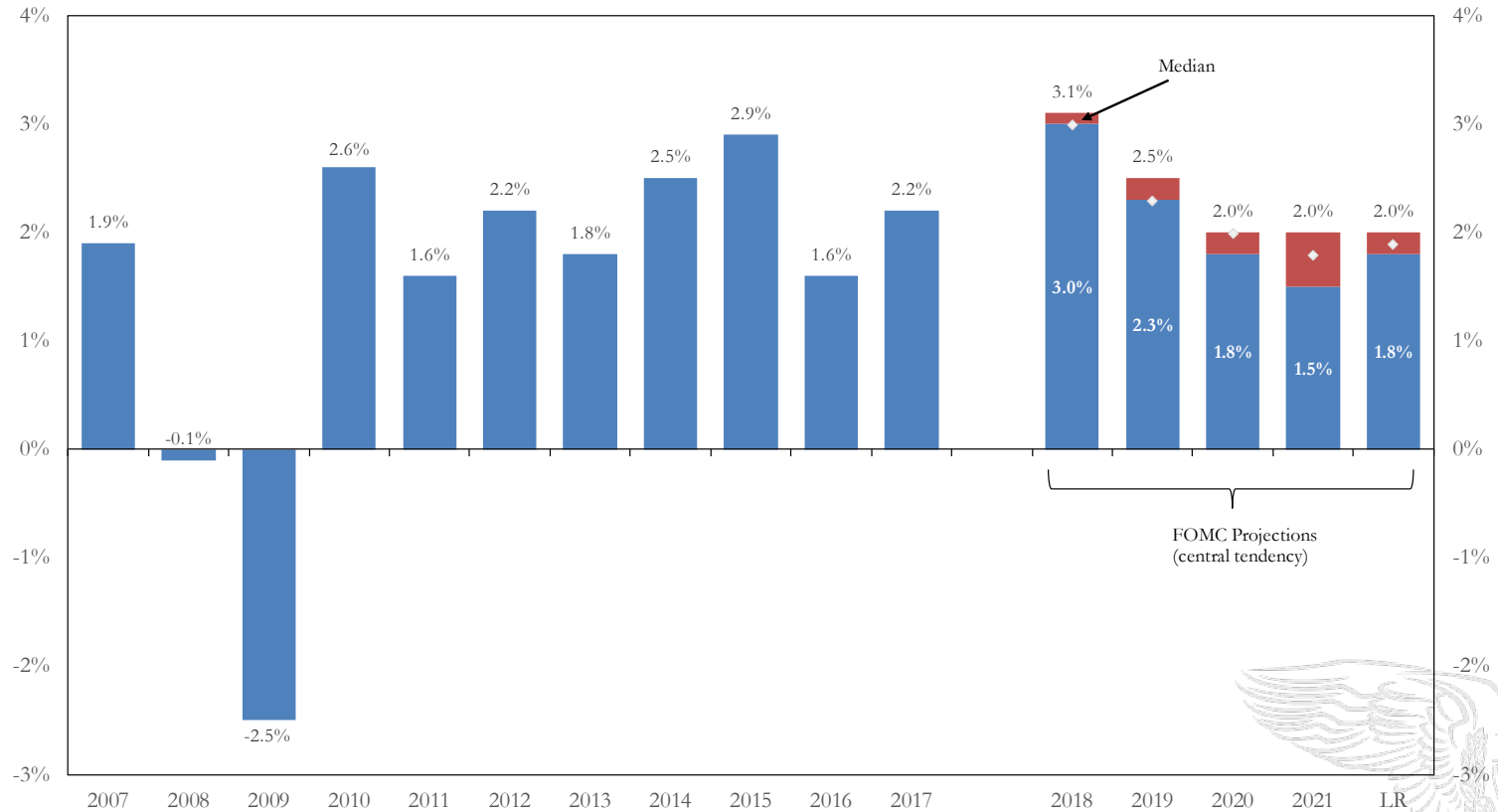
Economic Conditions and Outlook and Consumer Credit Conditions



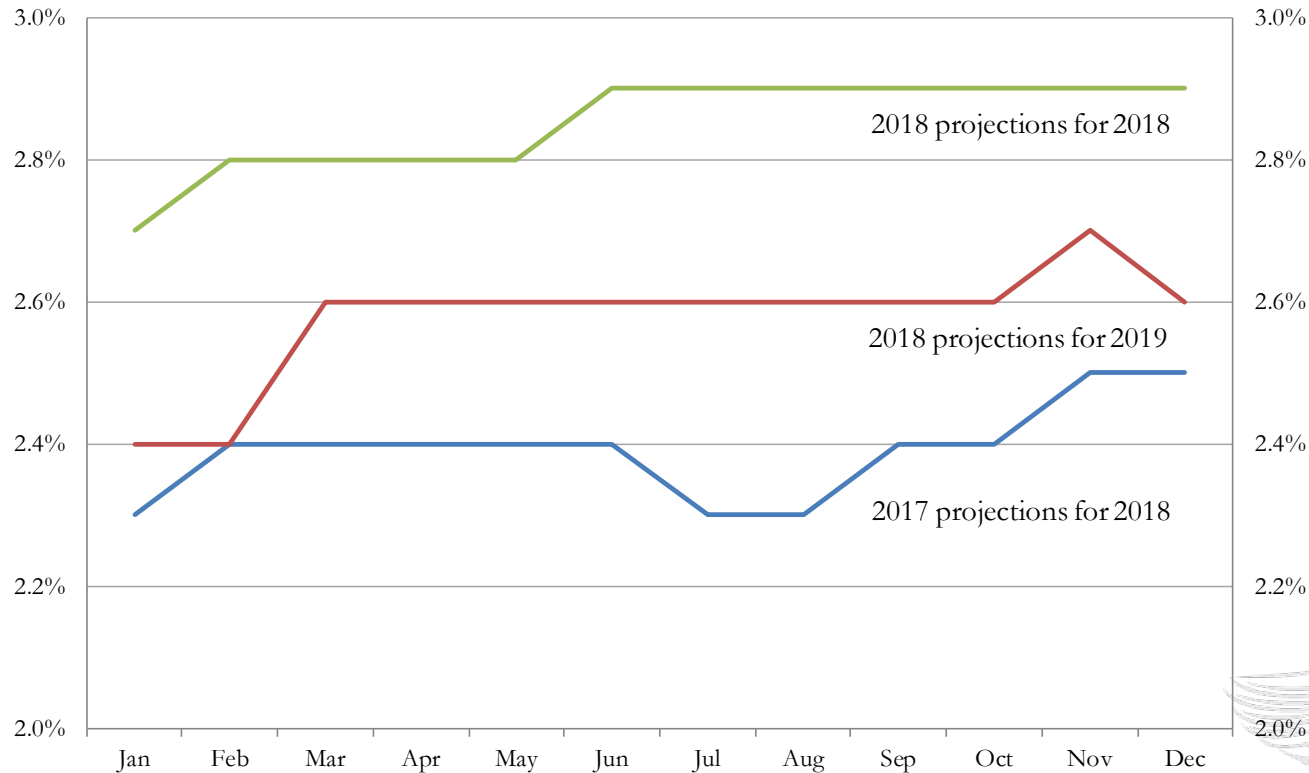
Historical Real GDP Growth and FOMC Projections

Source: U.S. Bureau of Economic Analysis / HAVER Analytics,
Federal Reserve Board of Governors, Summary of Economic
Projections, December 2018

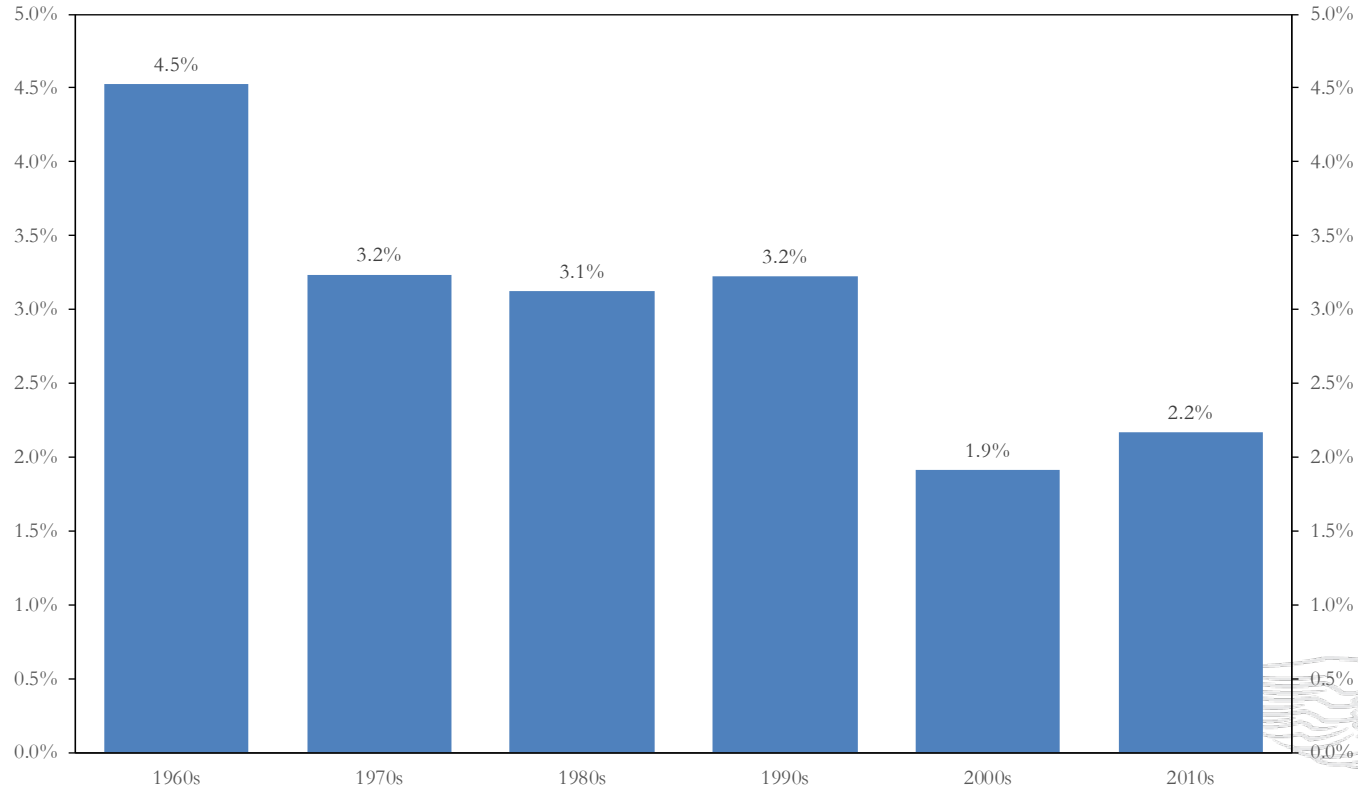
01/09/2019



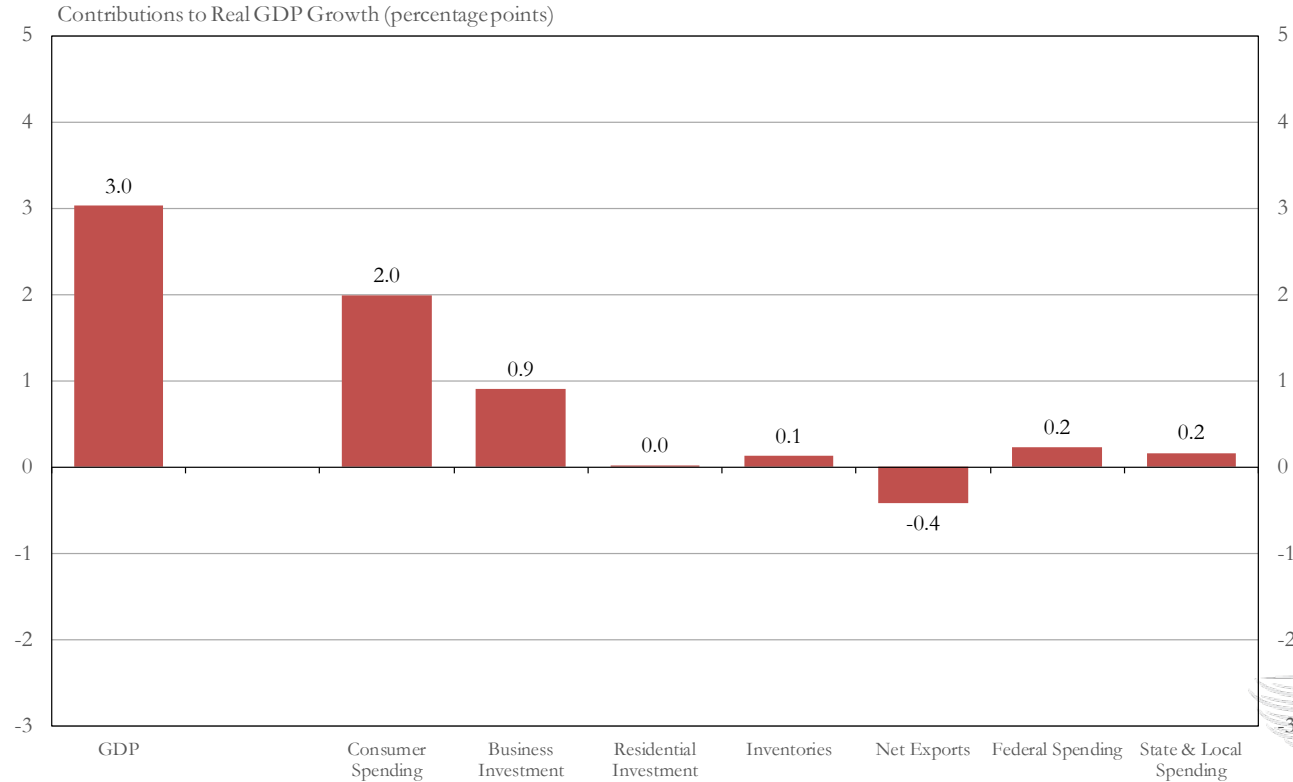
Consensus Forecasts for 2018 and 2019 Real GDP Growth



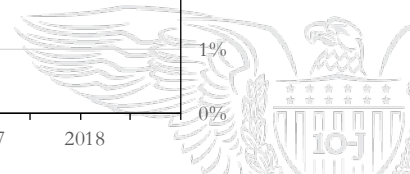
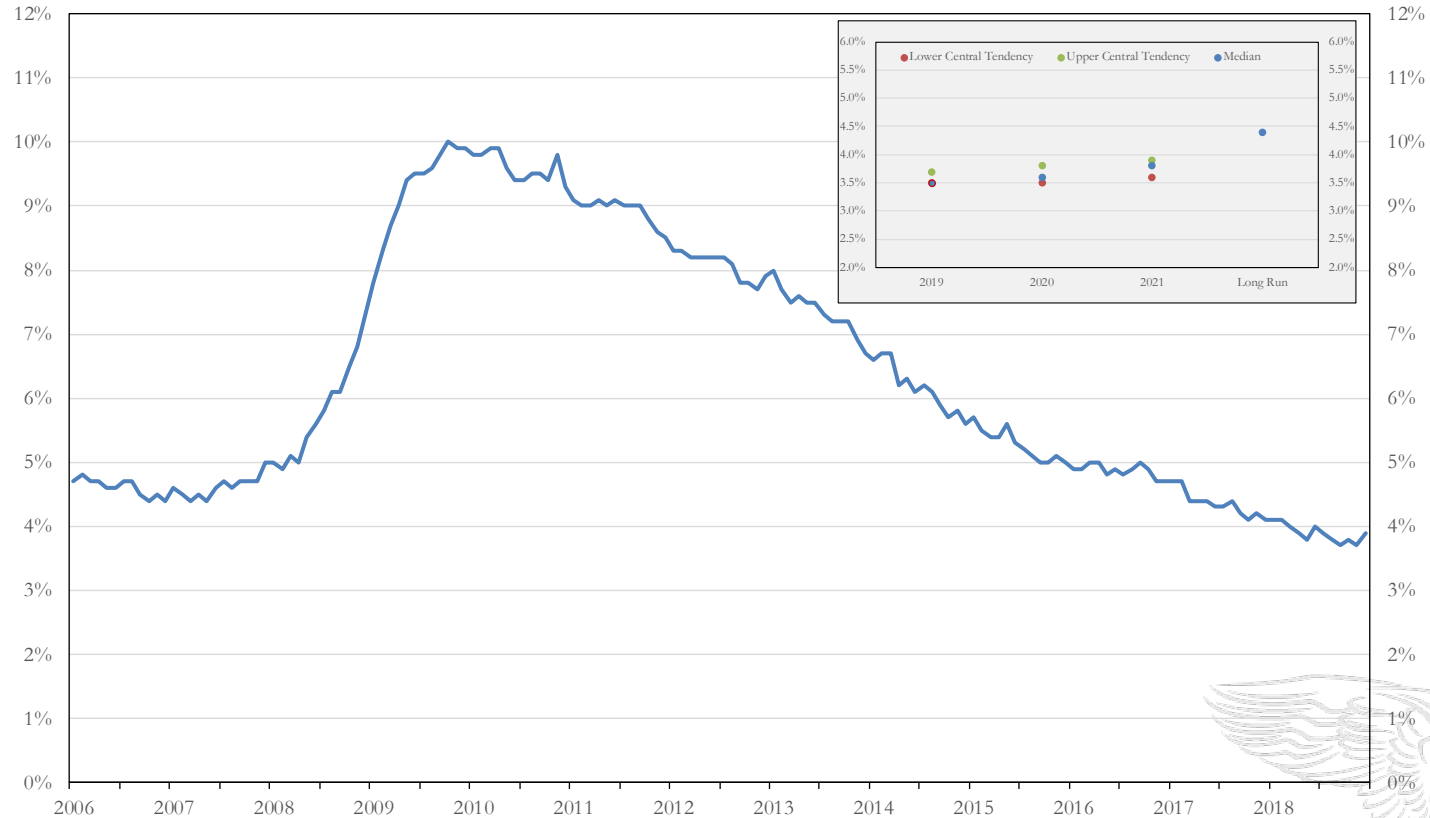
Slower Average Growth Over Time



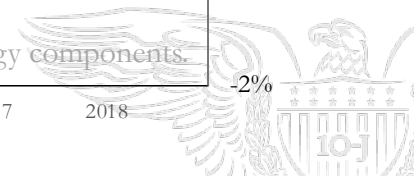
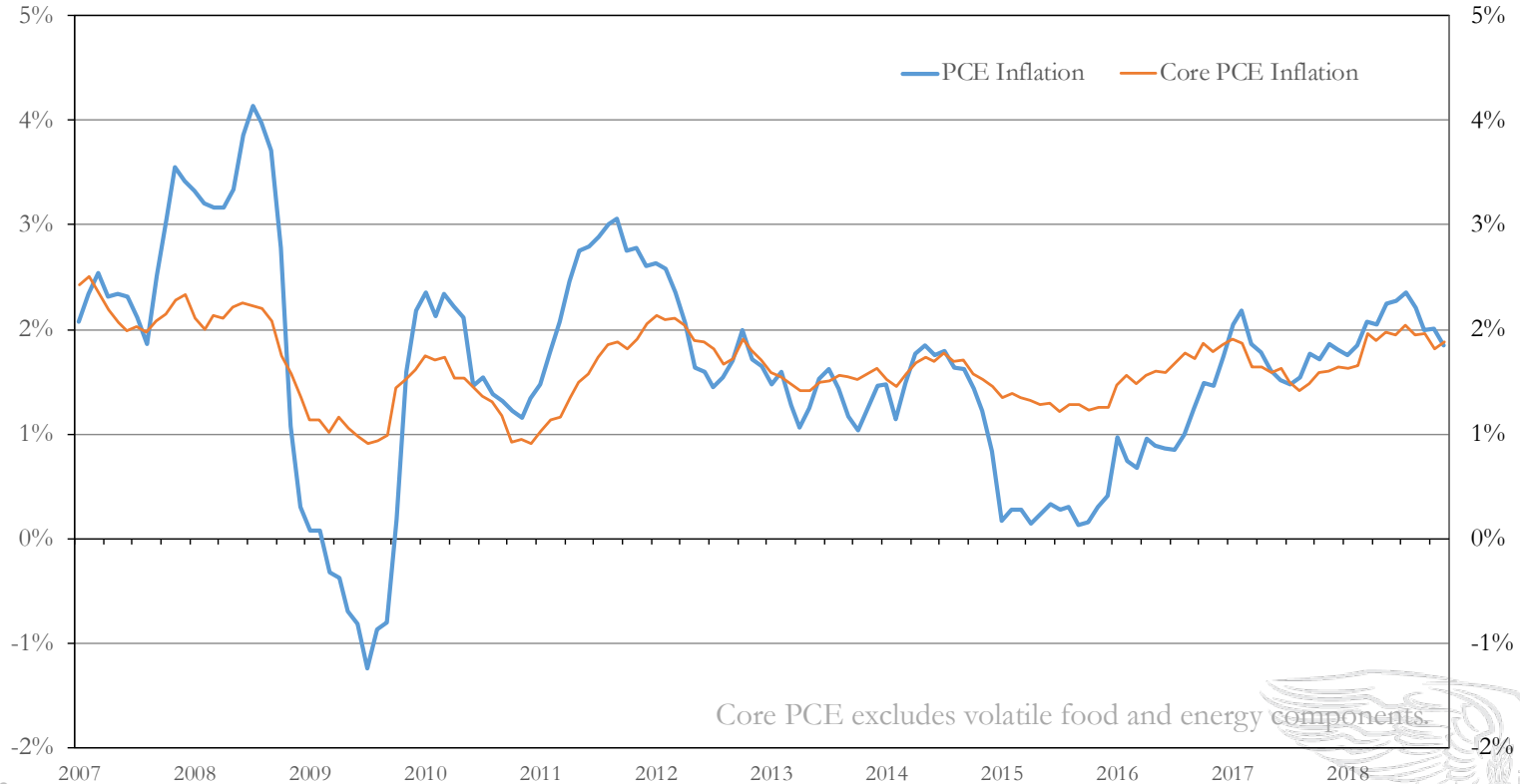
Contributions to Real GDP Growth (Average Q4 2017 – Q3 2018)



Unemployment Rate with FOMC Projections



Measures of Inflation (personal consumption expenditure)

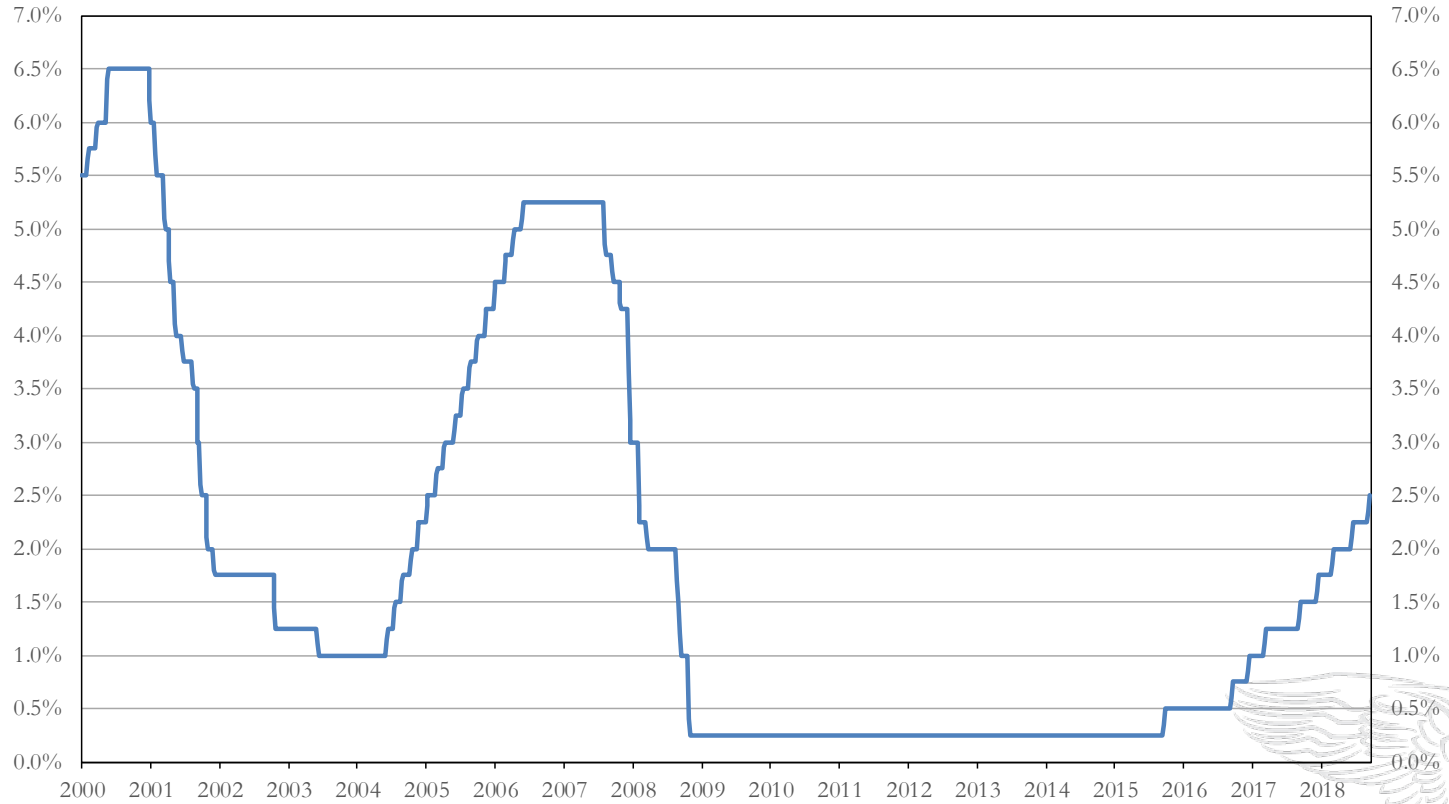


Monetary Policy Environment

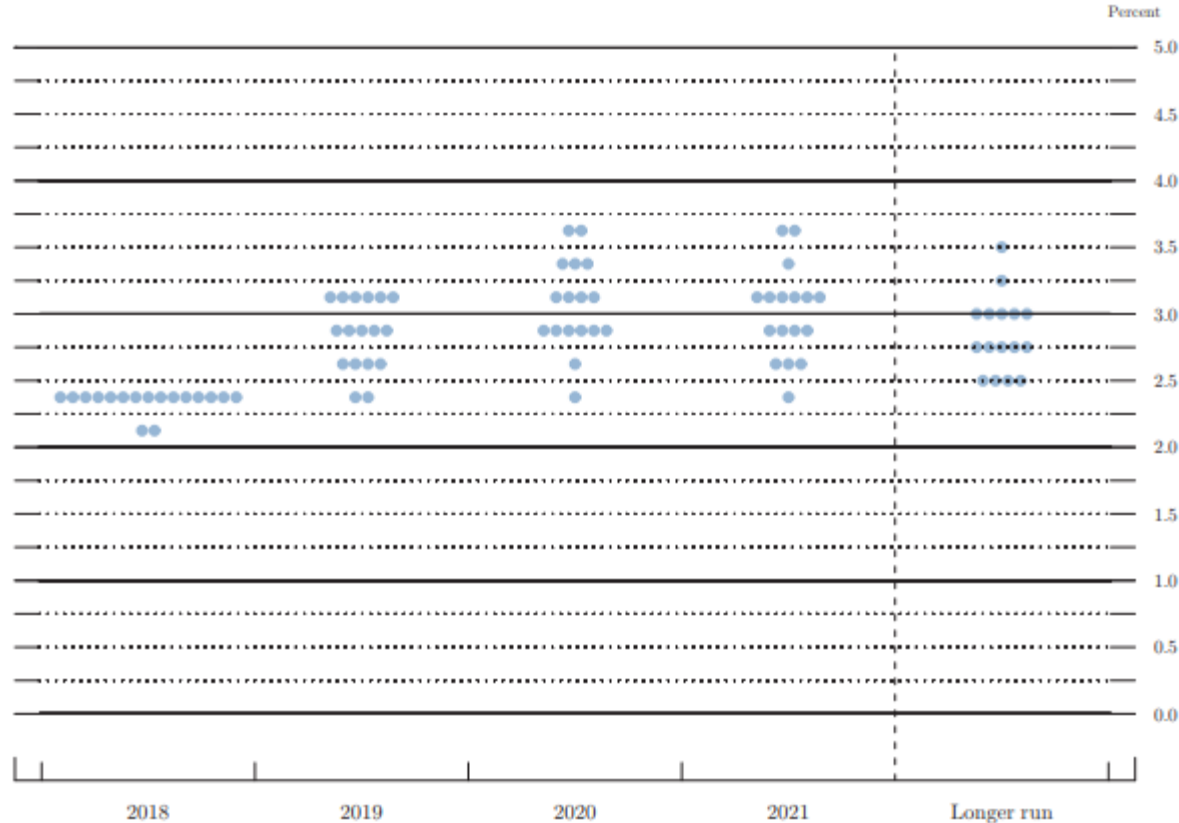
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Federal Funds Rate Target (Upper Limit)



SEP Dot Plot (mid-range)

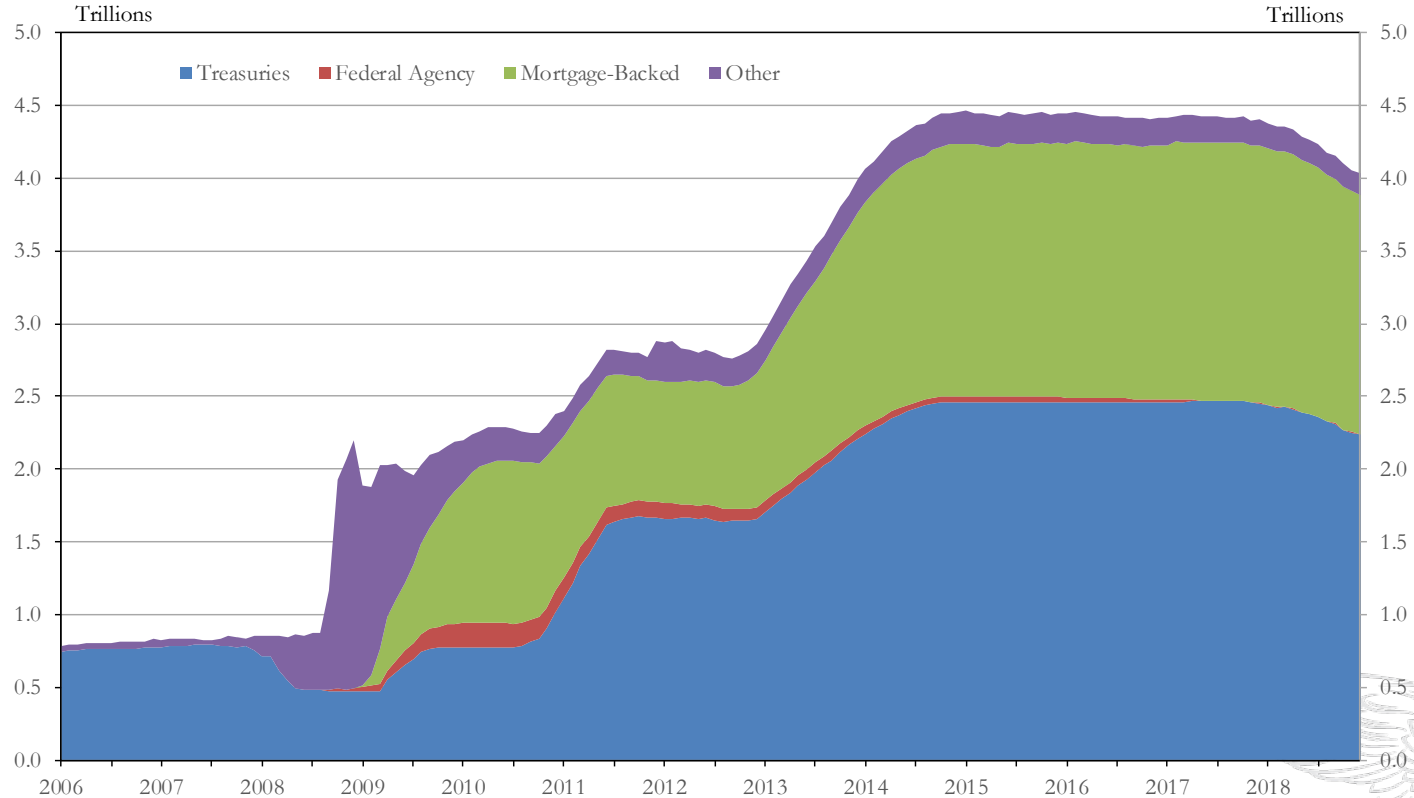


Former Fed BOG Vice Chair Donald Kohn suggests “downplaying policymakers' quarterly estimates” of the future Federal Funds Rate and “deemphasizing the median of those estimates as holding any particular meaning”:

“Public understanding of the policy process would be helped by concentration on the story behind the [FOMC’s] policy choices and expectations rather than on, for example, the precise number of rate increases an individual policymaker expects next year.”

As quoted in the *New York Times*, 1/4/2019 (Howard Schneider)

Fed Balance Sheet



FOMC Statement, December 19 2018

“In determining the timing and size of future adjustments to the target range for the federal funds rate, the Committee will assess realized and expected economic conditions relative to its maximum employment objective and its symmetric 2 percent inflation objective. 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.”



Low- and Moderate-Income Economic Conditions

Economic Conditions and Outlook and Consumer Credit Conditions



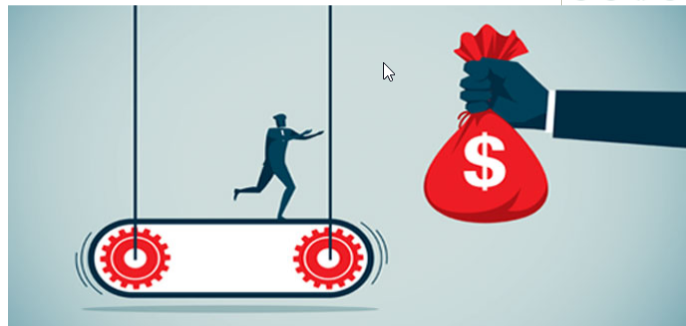
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Main Street Views > Tenth District LMI Economic Conditions

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Tenth District LMI Economic Conditions

Topics: Indicators and Data



Kelly D. Edmiston, Senior Economist

SEPTEMBER 04, 2018

Despite a strong national economy, economic and financial challenges remain for low- and moderate-income communities.

I. Economic Update for LMI Communities

The first section of the LMI Economic Conditions Report is an assessment of economic conditions in low- and moderate-income (LMI) communities in the Tenth District, which encompasses Colorado, Kansas, the western third of Missouri, Nebraska, the northern half of New Mexico, Oklahoma and Wyoming. A person, household, or community is LMI if income is below 80 percent of area median income. For urban areas, area median income is metropolitan median income. For non-metro areas, area median income is state median income.

Section I-A examines general perceptions of economic conditions in LMI communities and the demand for services from community organizations. Section I-B focuses on labor market conditions and job availability. Sections 1-C and 1-D focus on affordable housing and access to credit, respectively. Section II focuses on a special topic: income and health in the LMI community.

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About Main Street Views

Main Street Views highlights the diverse range of economic research and programs of the Kansas City Fed, including the annual Jackson Hole Economic Policy Symposium; analysis of macroeconomic, banking, and payments issues; and insight into the seven states and industries of the Tenth Federal Reserve District.

Topics

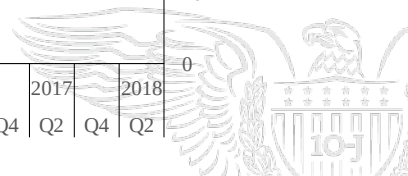
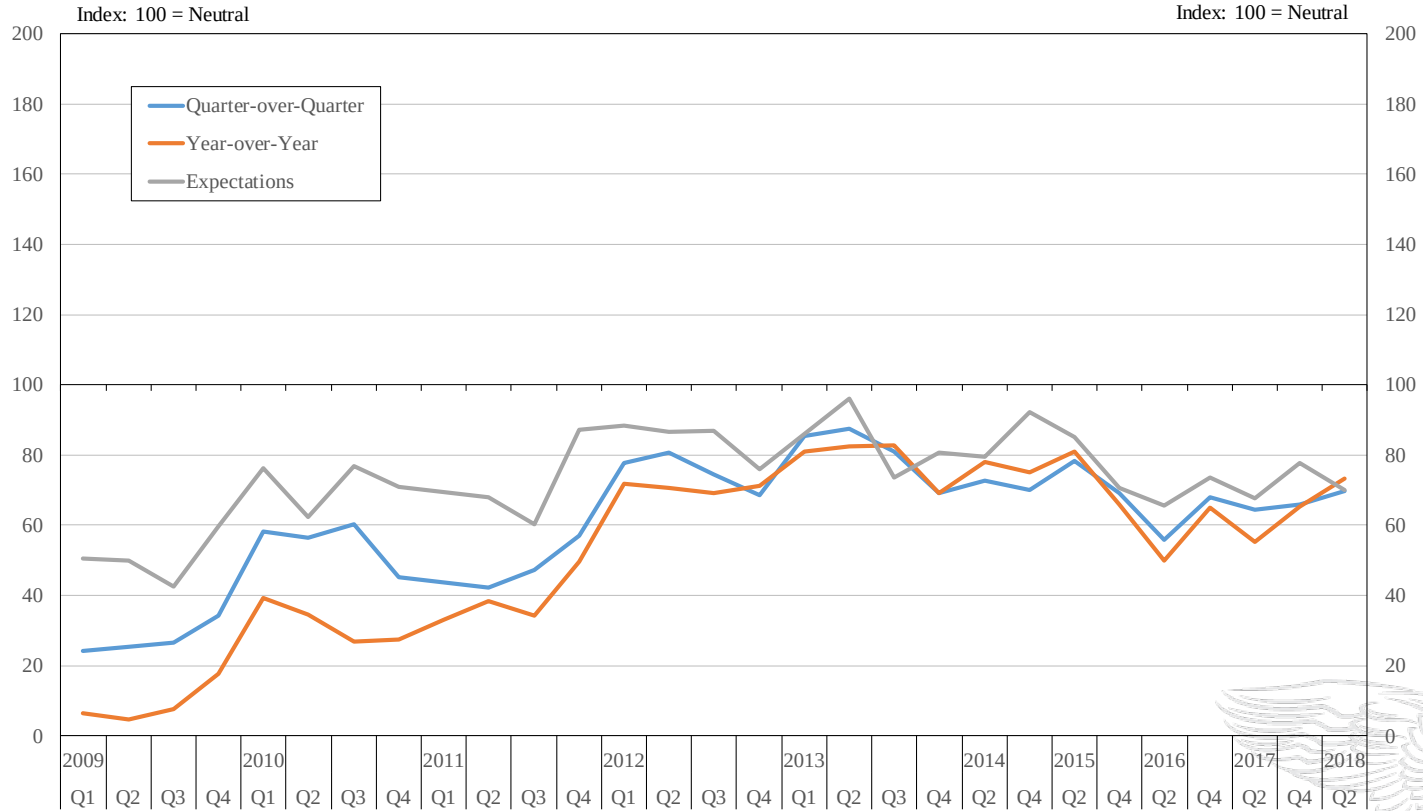
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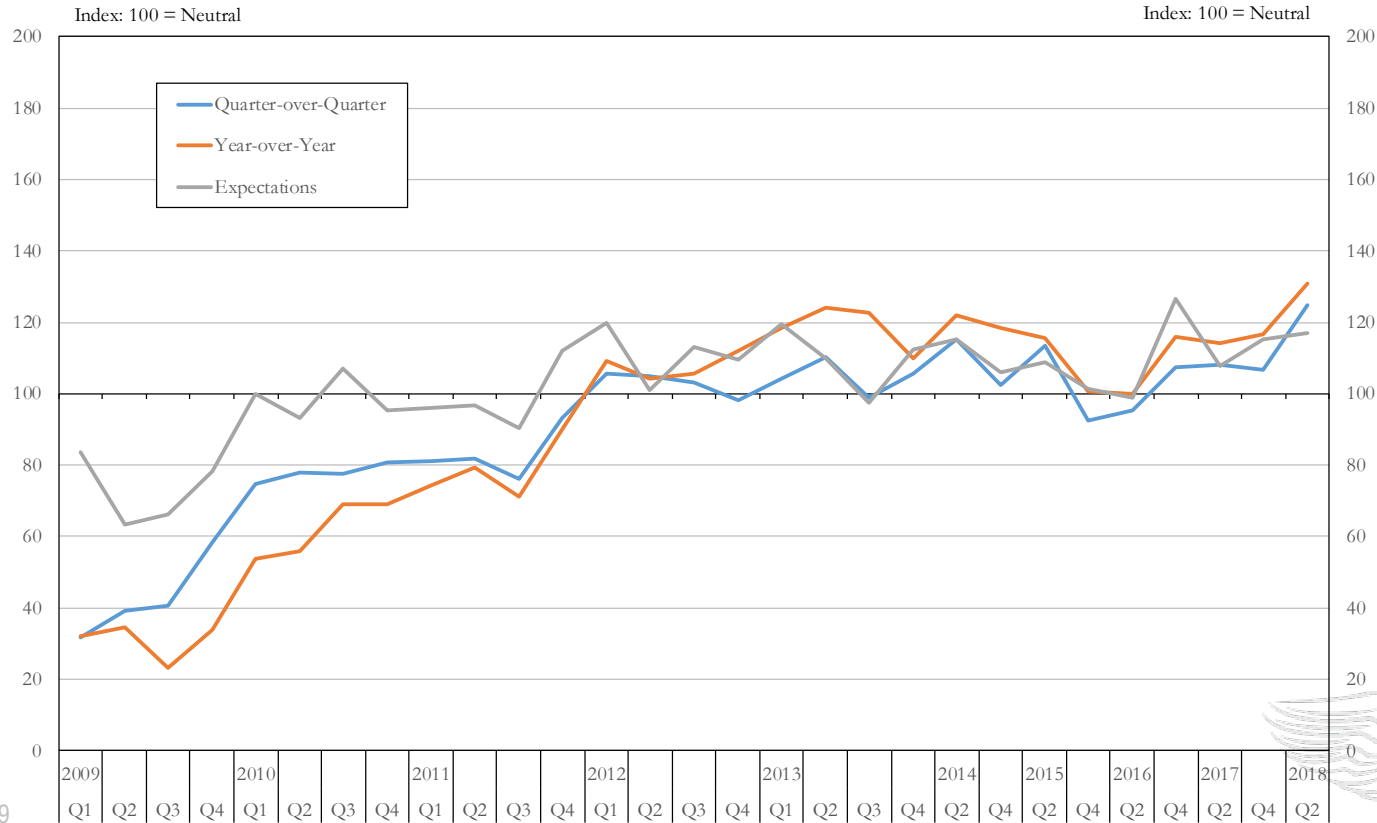
Our research staff conducts innovative research on monetary policy, the payments system, and regional and community issues. Our work is shared with policymakers, other researchers, and the public.

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LMI Financial Condition Index



LMI Job Availability Index



Source: Federal Reserve Bank of Kansas City LMI Survey;
Federal Reserve Bank of Kansas City LMI Economic
Conditions, September 2018



Special Question Responses

- Labor market circumstances
- Stagnant wages in tandem with higher prices
- Political uncertainties/policies
- Affordable housing
- Location-specific issues



Labor Market Metrics

	Official Unemployment Rate (U-3)			Alternative Unemployment Rate		Long-Term Unemployed (Share of all Unemployed)*		Labor Force Participation Rate	
	Dec. 2018	Nov. 2018	Nov. 2017	Nov. 2018	Nov. 2017	Nov. 2018	Nov. 2017	Nov. 2018	Nov. 2017
U.S. (All)	3.9	3.7	4.2	7.6	8.0	20.7	23.7	62.9	62.8
LMI		8.2	8.4	14.2	14.8	17.9	19.8	44.5	45.3

Sources: U.S. Bureau of Labor Statistics; Federal Reserve Bank of Kansas City calculations using data from the Current Population Survey; Federal Reserve Bank of Kansas City, LMI Economic Conditions, September 2018

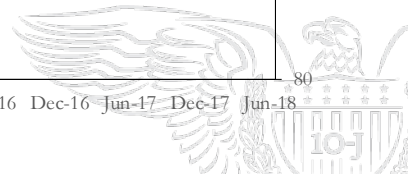
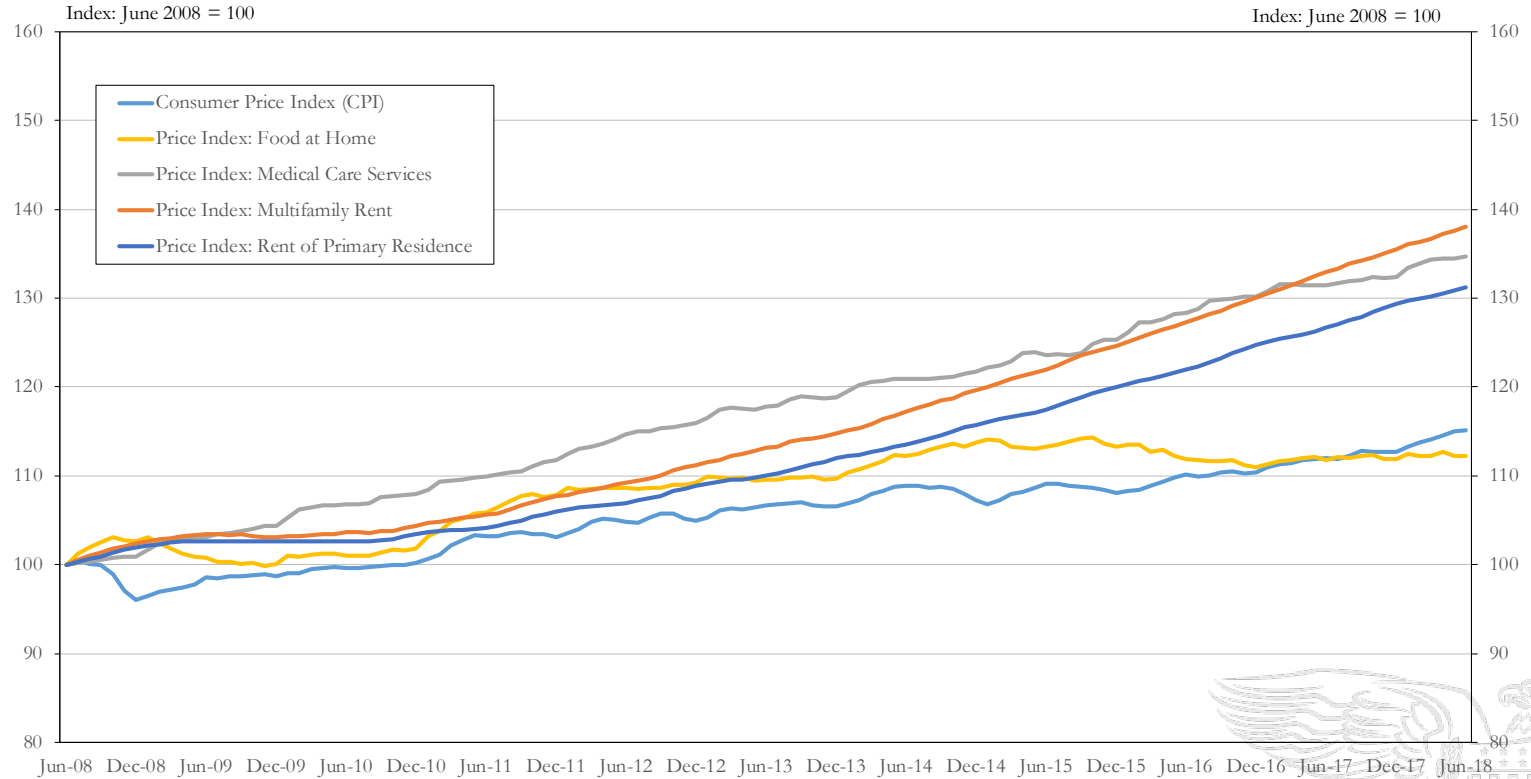
Note: * U.S. numbers and LMI numbers are not directly comparable. The LMI figure does not include marginally attached workers who are not discouraged workers, while the U.S. number does.



Why Aren't Low-Income People Working?



Selected Price Indexes



Consumer Credit Conditions

Economic Conditions and Outlook and Consumer Credit Conditions





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Tenth District Consumer Credit Report

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Kelly D. Edmiston, Senior Economist

DECEMBER 21, 2018 | *Average consumer debt declines slightly.*

This issue of the *Tenth District Consumer Credit Report* begins with an analysis of average consumer debt and average revolving debt in the United States and the District. The analysis explores some significant differences in average consumer debt by District state and offers possible explanations for the variation. The discussion then turns to delinquency rates, which may be the best measure of consumer financial stress. Given recent concerns about the level of household debt, the special topic in this issue considers aggregate household debt levels in the United States and whether the current level should be of concern.

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Topics

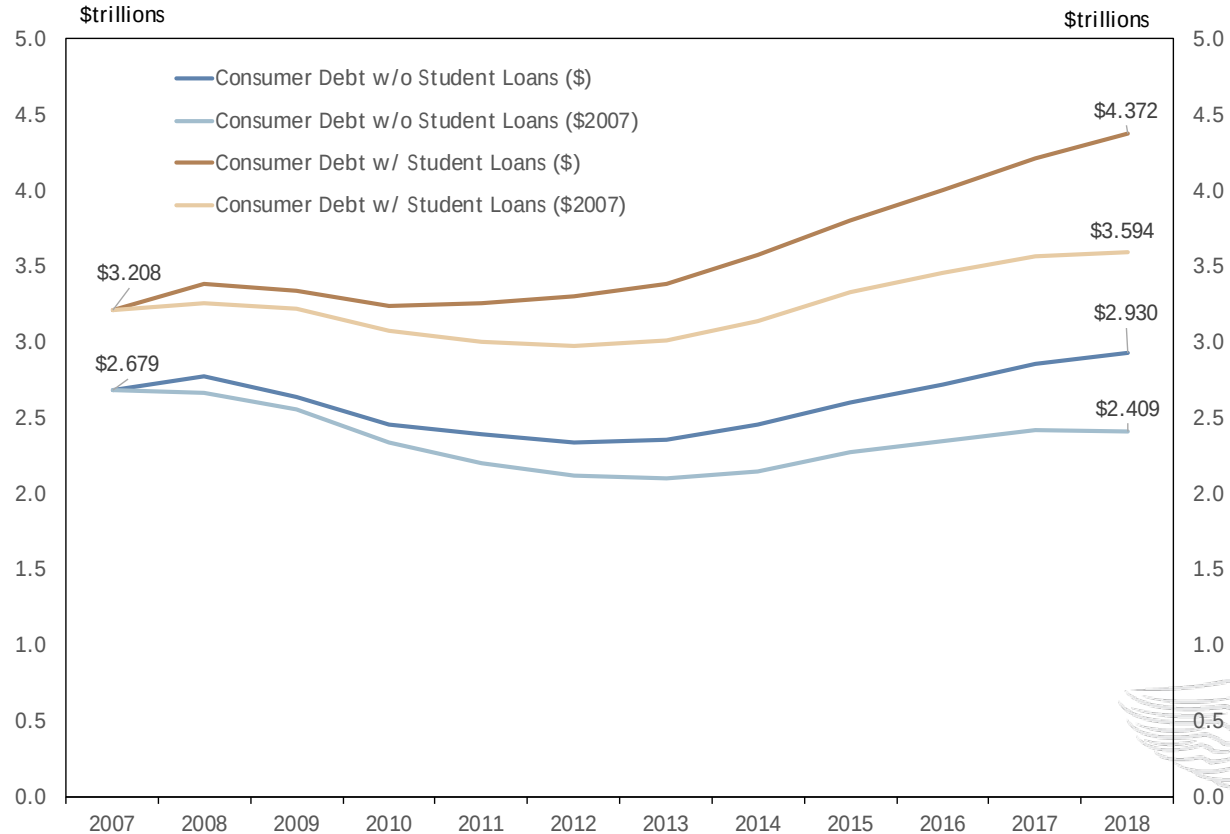
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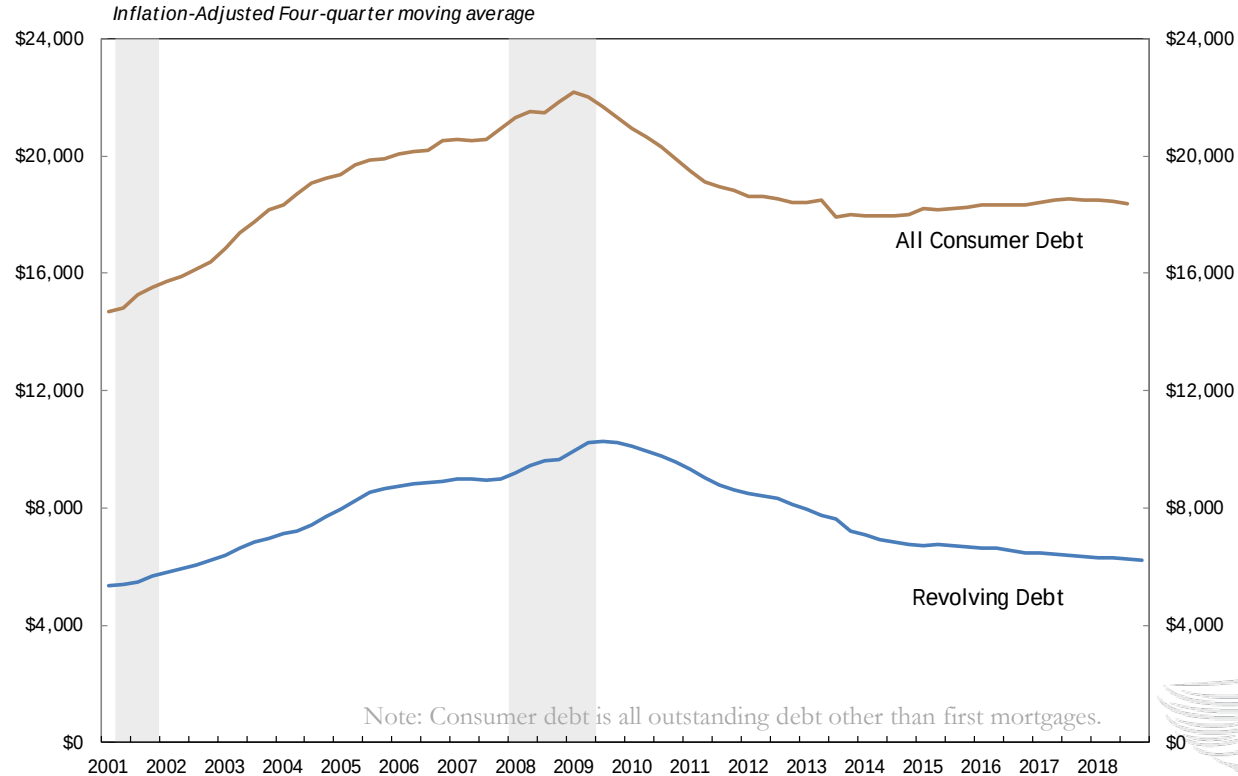
Aggregate Consumer Debt

Sources: Federal Reserve Bank of Kansas City, Tenth District
Consumer Credit Report, December 21 2019; Federal
 Reserve Bank of New York, *Quarterly Report on Household
 Debt and Credit*, November, 2018 [data file]; U.S. Bureau of
 Labor Statistics /HAVER Analytics (for inflation adjustment)



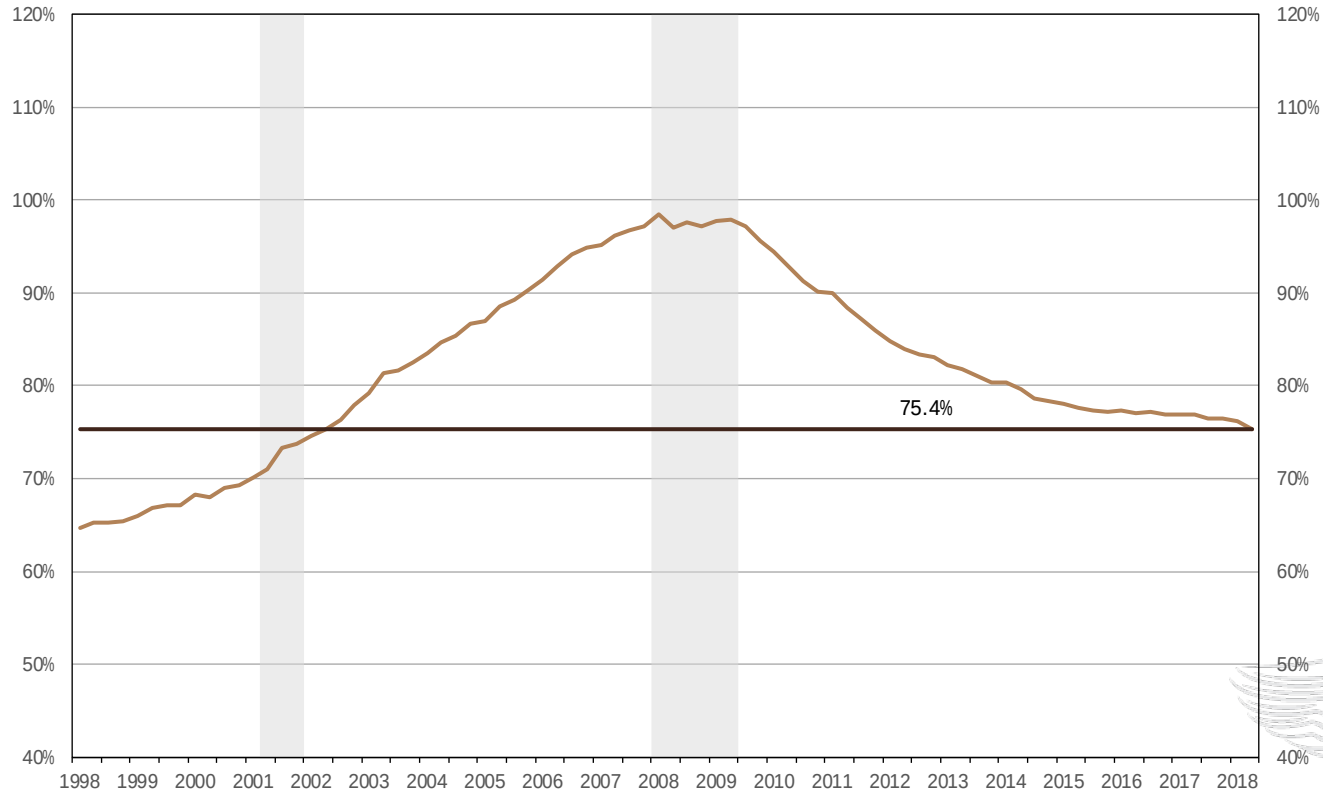
Outstanding Debt per Consumer (Inflation-Adjusted)

Sources: Federal Reserve Bank of Kansas City, Tenth District
Consumer Credit Report, December 21 2019; Federal
 Reserve Bank of New York, Consumer Credit Panel /Equifax
 [data file]; U.S. Bureau of Labor Statistics /HAVER Analytics
 (for inflation adjustment)



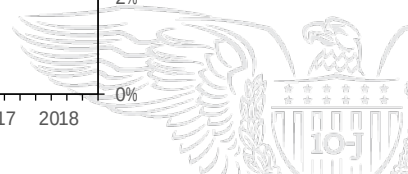
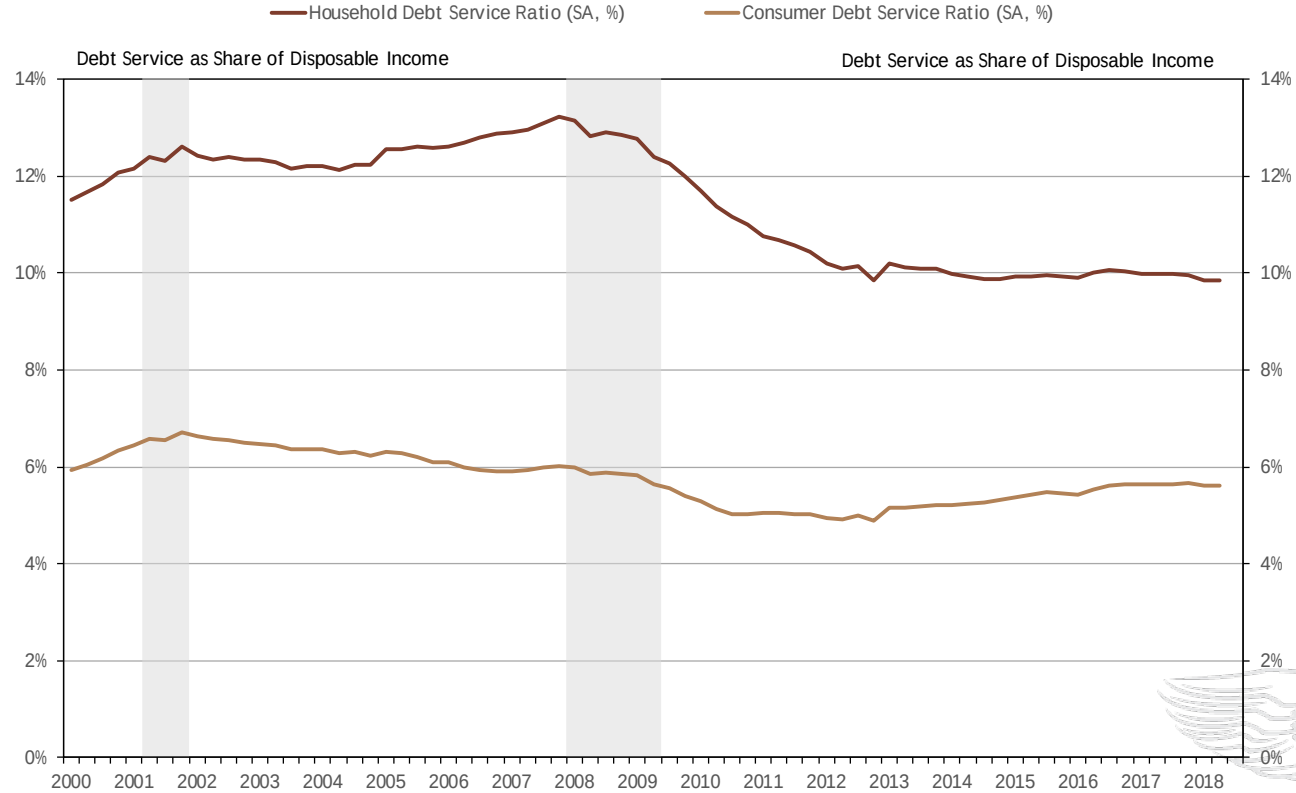
Consumer (& Nonprofit) Debt as a Percentage of GDP

Sources: Federal Reserve Bank of Kansas City, *Tenth District Consumer Credit Report*, December 21 2019; Federal Reserve Board of Governors, Series Z1, Financial Accounts of the United States; U.S. Bureau of Economic Analysis; HAVER Analytics

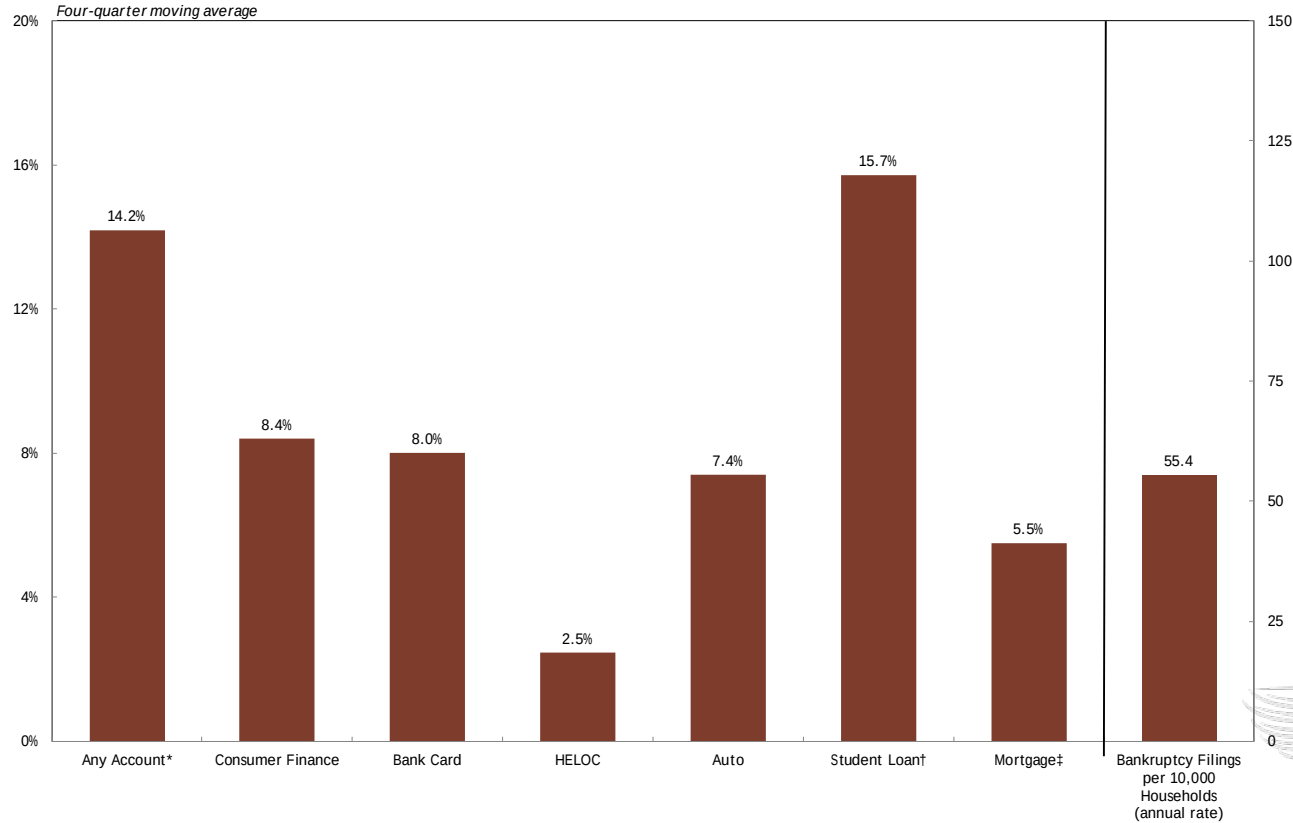


Debt Service Obligation Ratios

Sources: Federal Reserve Bank of Kansas City, Tenth District
Consumer Credit Report, December 21 2019; Federal Reserve
Board of Governors, Household Debt Service Ratios;
Haver Analytics

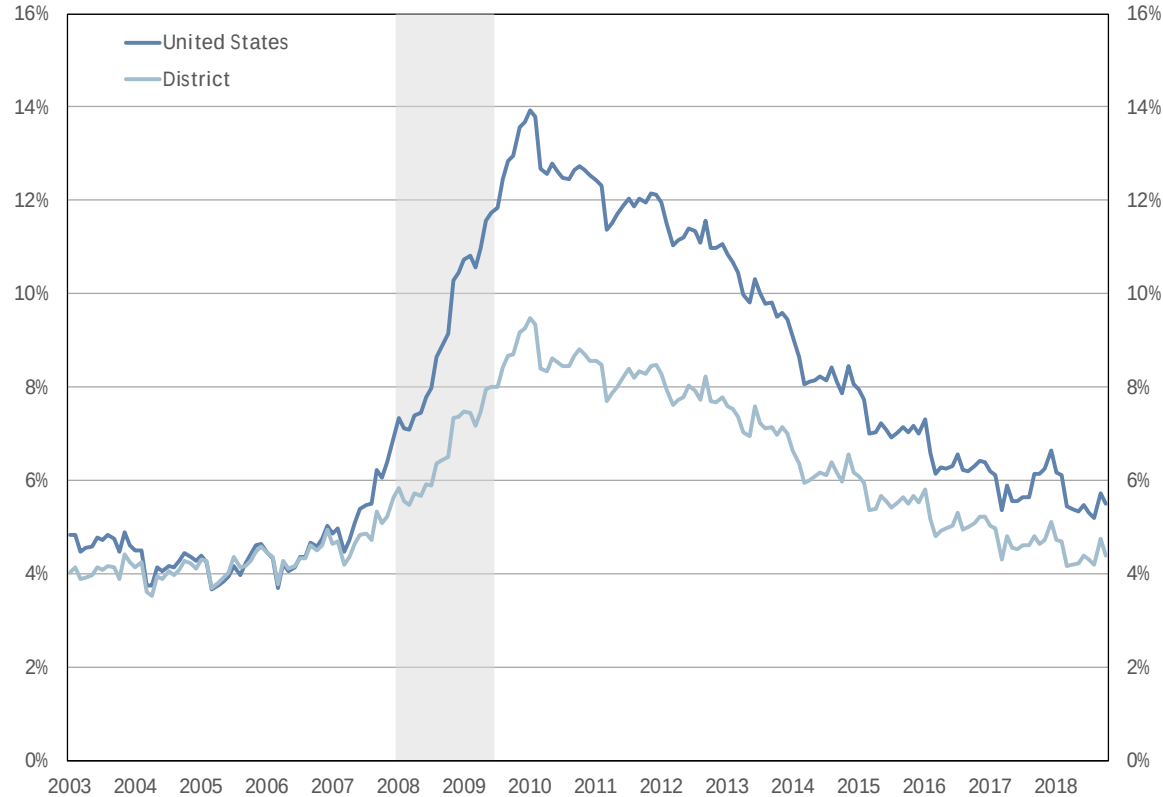


Consumer Delinquency Rates and Bankruptcy Filings



Notes: At least 90 days past due. These figures represent the share of consumers with at least one past due account in the category. *Any Account† includes accounts not otherwise reported in the chart. ‡Student loan delinquency includes all student loan debt, including those in deferment and forbearance. Student loan data reported here were calculated using a different CCP/Equifax sample than other data in this report. ‡Mortgage delinquency is the current rate and not a moving average and includes both first and second liens.

Trends in Mortgage Delinquencies



Contact Information

Kelly D. Edmiston

Senior Economist

Federal Reserve Bank of Kansas City

1 Memorial Drive

Kansas City, MO 64198

kelly.edmiston@kc.frb.org

