U.S. and Tenth District Economic Update

Alison Felix
Senior Policy Advisor
Federal Reserve Bank of Kansas City
Denver Branch

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.
General Regional Outlook Themes

• The Tenth District economy continues to expand, but weakness in goods-producing sectors is weighing on overall growth.

• Labor markets are healthy, driven by job gains in the services and construction sectors.

• Activity in the services sector is rising moderately, and residential real estate and construction activity has picked up over the past six months.

• Manufacturing and energy activity has contracted in recent months, and the agriculture sector remains weak.
The unemployment rate has declined steadily over the past ten years and has fallen below most estimates of its longer-run level.

**U. S. Unemployment Rate**

*Seasonally Adjusted*

Note: Tenth District values are weighted by county employment (MO: 0.305; NM: 0.703).

Sources: Bureau of Labor Statistics, National Bureau of Economic Research & Haver Analytics
Tenth District employment grew modestly over the past year in most states, but Oklahoma and Wyoming experienced job losses.

PAYROLL EMPLOYMENT

Three-month-moving average, year-over-year percent change

Note: Tenth District values are weighted by county employment (MO: 0.305; NM: 0.703).
Sources: Bureau of Labor Statistics & Haver Analytics
Job growth has been driven by the services and construction sectors over the past year.

**Tenth District Employment by Industry**

*Three-month-moving average, year-over-year percent change, seasonally adjusted*

Note: Tenth District values are weighted by county employment (MO: 0.305; NM: 0.703).
Sources: Bureau of Labor Statistics & Haver Analytics
Wage growth has picked up in the Tenth District over the past couple of years.

Average Weekly Earnings
Four-quarter-moving average, year-over-year percent change, seasonally adjusted

Note: Tenth District values are weighted by county employment (MO: 0.305; NM: 0.703). Gray bar indicates recession. Sources: Bureau of Labor Statistics, NBER, & Haver Analytics
The services sector continues to expand at a moderate pace in the District.

**Tenth District Services Survey**

*Diffusion index, three-month-moving average*

Sources: FRBKC Services Survey & Haver Analytics
Single-family permitting activity has picked up since last summer.

MONTHLY HOUSING PERMITS
Thousand of permits, six-month-moving average, seasonally adjusted

Sources: Census Bureau & Haver Analytics
Inventory levels of homes remain well below pre-recession levels.

**Inventory of Unsold Homes**  
*Monthly indexes, seasonally adjusted*

Index, Dec-2007 = 100

Sources: State Residential Realtors’ Reports & Haver Analytics
The manufacturing sector has contracted slightly in recent months.

**Tenth District Manufacturing Survey**

*Diffusion index, three-month-moving average*

- Month-over-Month (sa)
- Year-over-Year
- 6-Month Expectations (sa)

Note: Grey bars indicate recession.
Sources: FRBKC Manufacturing Survey & Haver Analytics
Energy activity is also softening in the District.

**Tenth District Energy Survey**

*Quarterly diffusion indexes*

Sources: FRBKC Energy Survey
Oil prices are expected to remain below the price needed for a substantial increase in drilling.

Sources: FRBKC Energy Survey, Energy Information Administration, & Haver Analytics
The agriculture sector continues to struggle as commodity prices remain low.

**Agricultural Conditions**

- **Diffusion Index**
  - Y/y % chg

- **Farmland values (right axis)**
- **Farm income (left axis)**

Sources: FRBKC Agricultural Credit Survey & NBER recession shading
Conclusions

• The Tenth District economy continues to expand, driven by gains in the services and construction sectors.

• Tenth District employment rose modestly over the past year, and unemployment rates are low.

• The services sector is expanding moderately, and residential construction activity picked up since last summer.

• However, the pace of growth in the manufacturing and energy sectors has contracted in recent months, and the agriculture sector remains weak.