



THE FEDERAL RESERVE BANK *of* MINNEAPOLIS

# 2010 Regional Economic Outlook

December 21, 2009





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# Agenda

- **Ninth District Economy**
  - **Outlook**
    - **Surveys**
    - **Models**
  - **Sector Analysis**
    - **Agriculture**
    - **Manufacturing**
    - **Home building**



# The Federal Reserve Districts



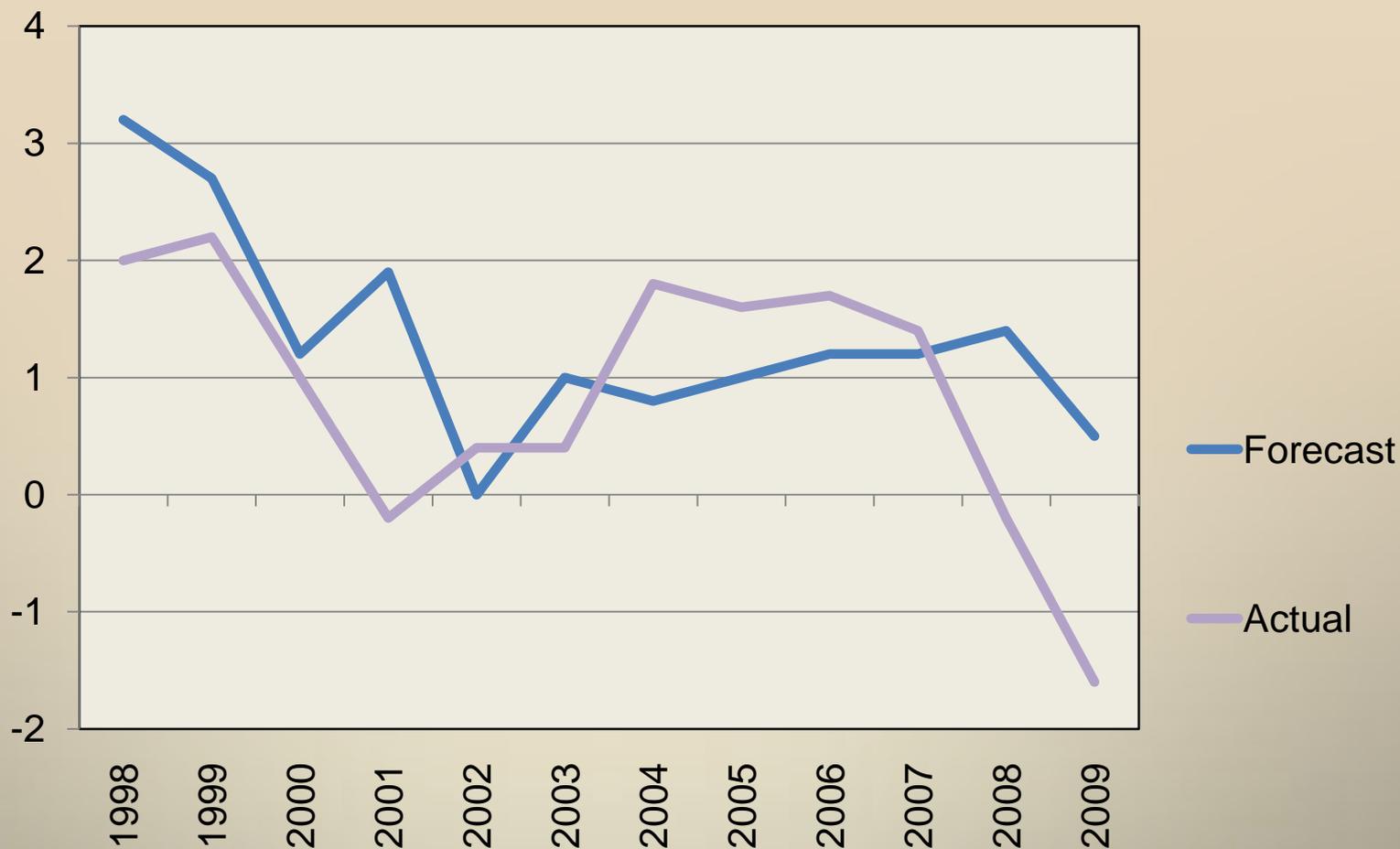


# Comparing 2009 with last year's forecast

- Employment decreased more than expected
- Unemployment rates were higher
- Personal income grew slower
- Home building slowed more than expected



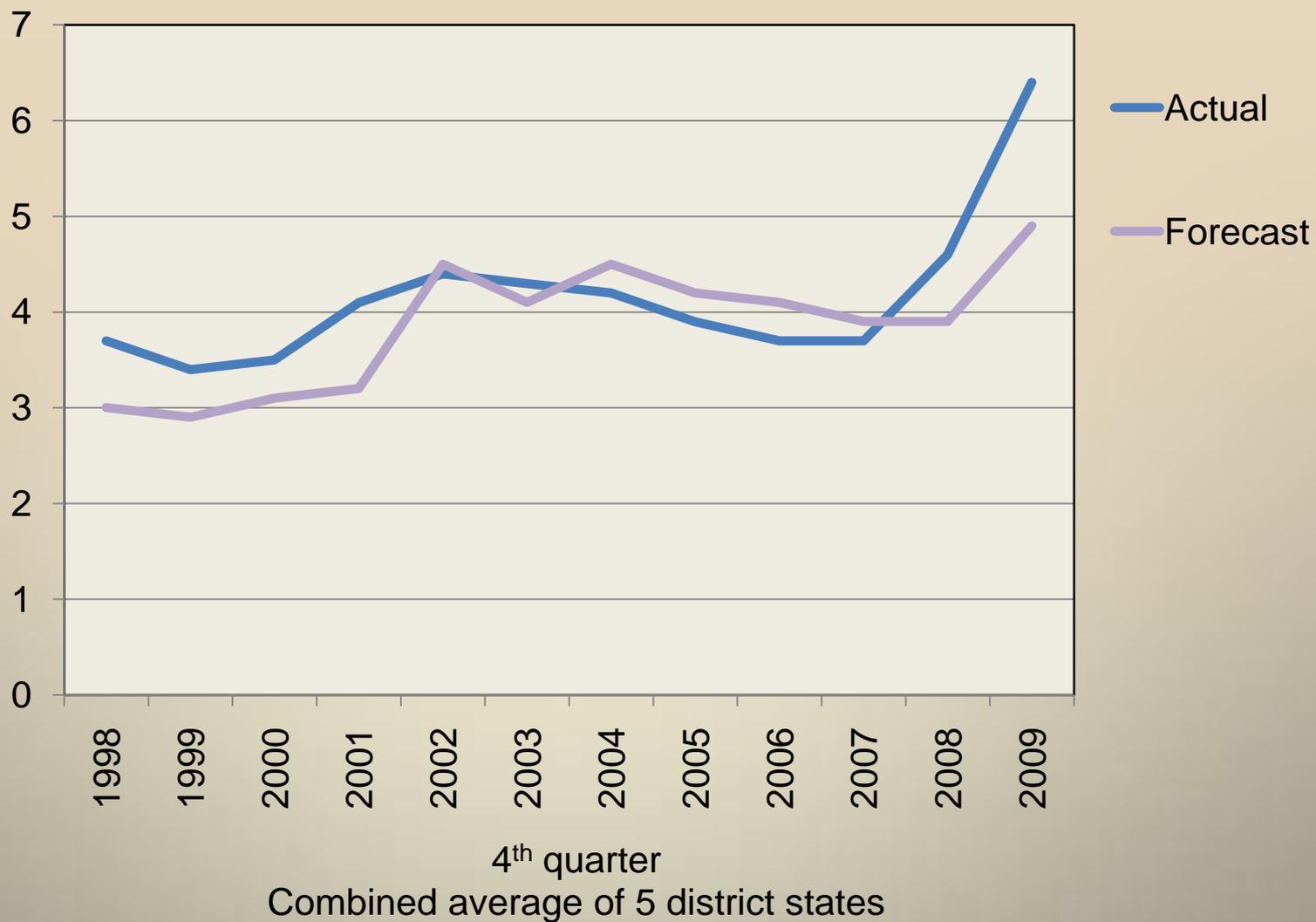
## 2009 nonfarm employment lower than forecast



Percent change from a year earlier -- 4<sup>th</sup> quarter  
Combined average of 5 district states



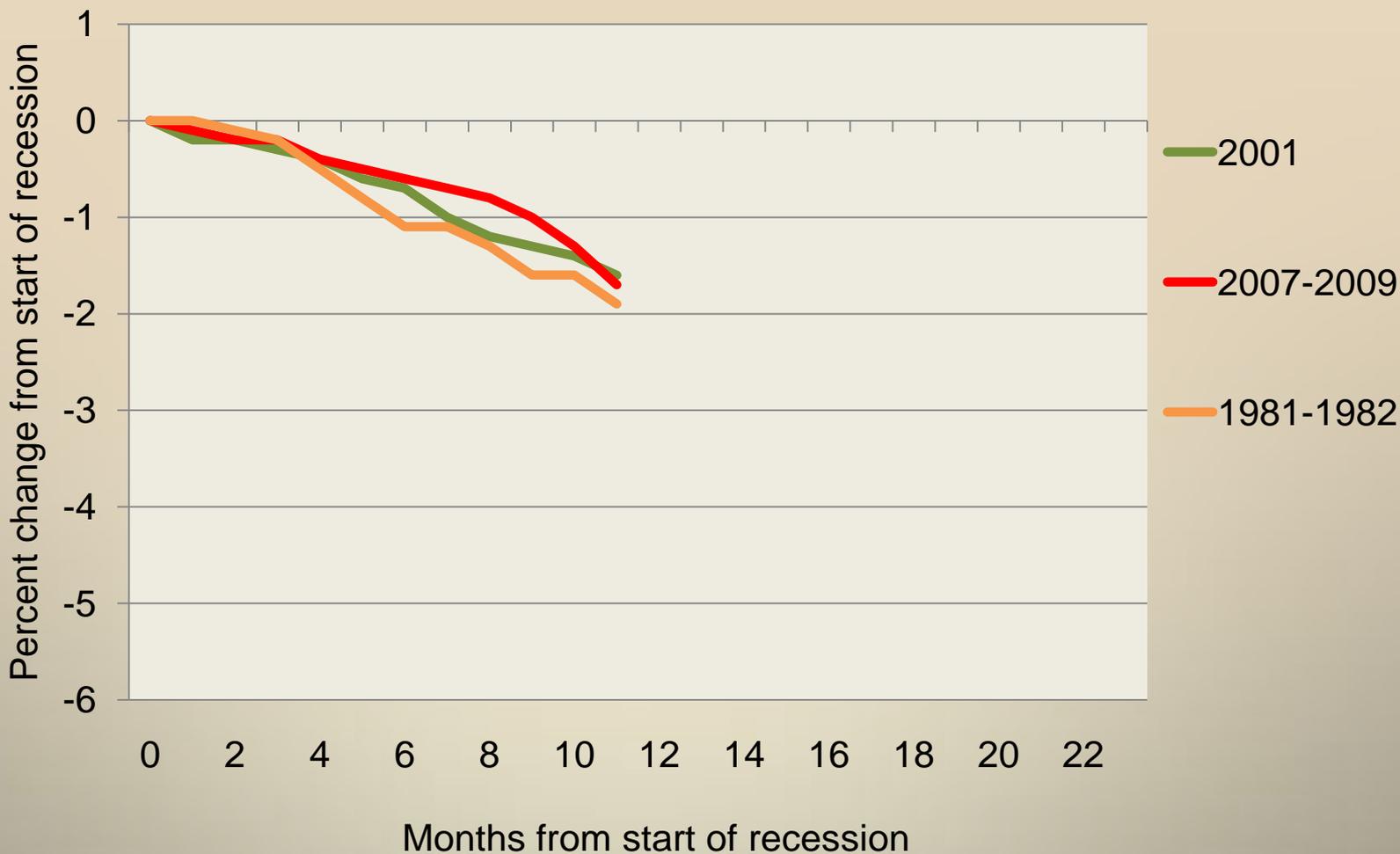
## 2009 unemployment rate higher than forecast





# Last year (Dec. 2008) recession looked moderate

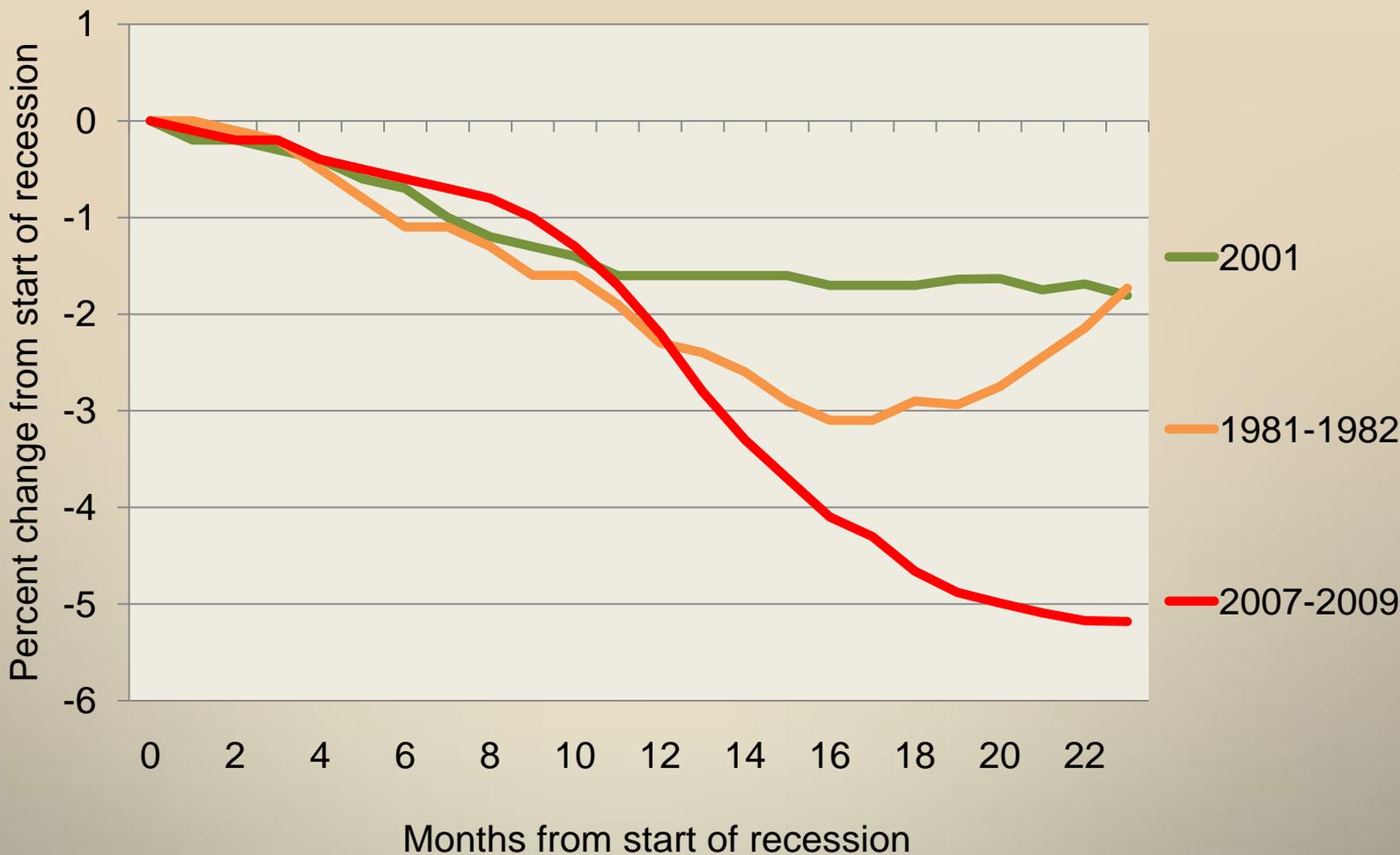
Changes in nonfarm employment:  
2007-2009 recession vs. other postwar recessions





# In 2009 recession deepened sharply

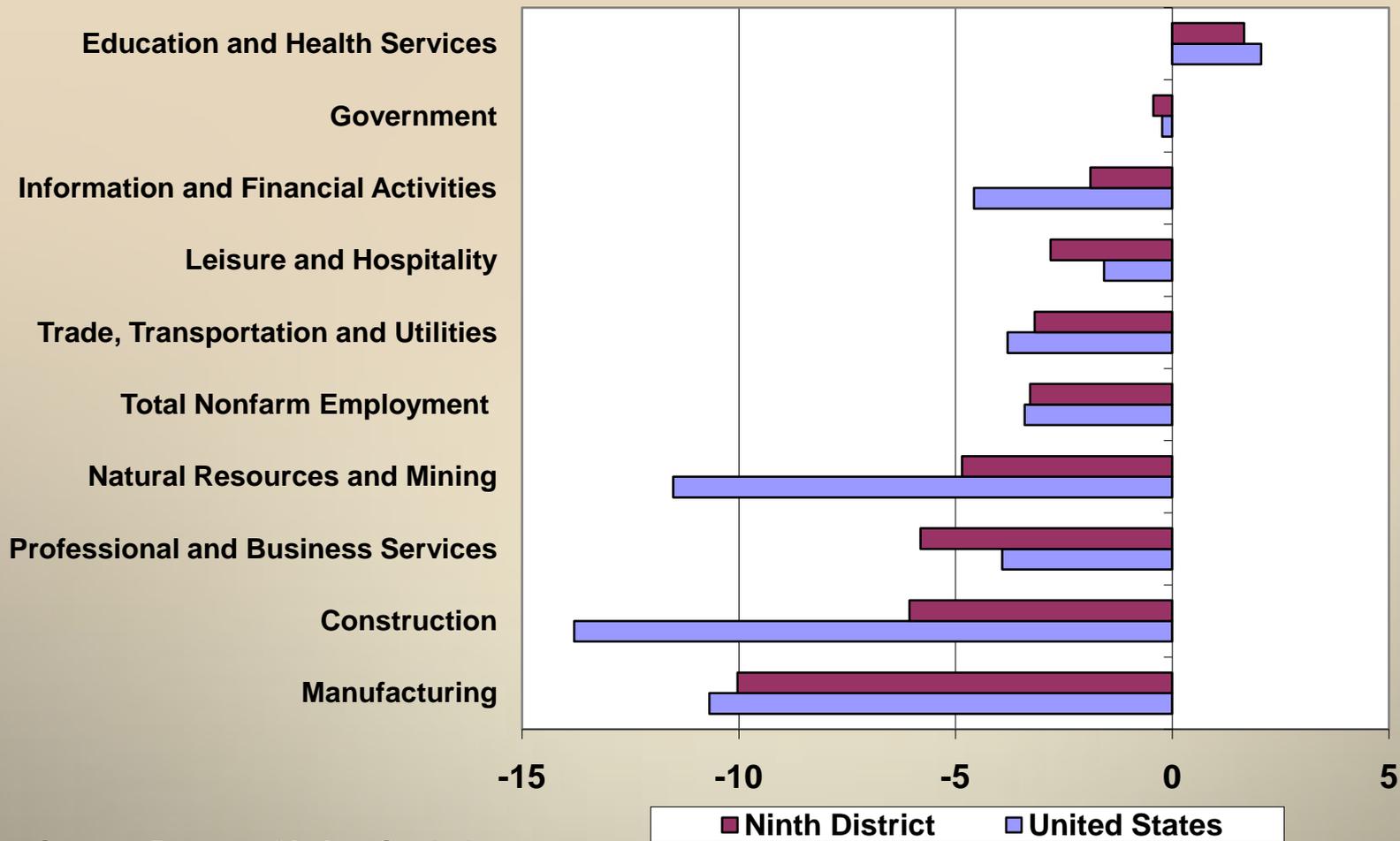
## Changes in nonfarm employment: 2007-2009 recession vs. other postwar recessions





# Employment decreased in almost all industries

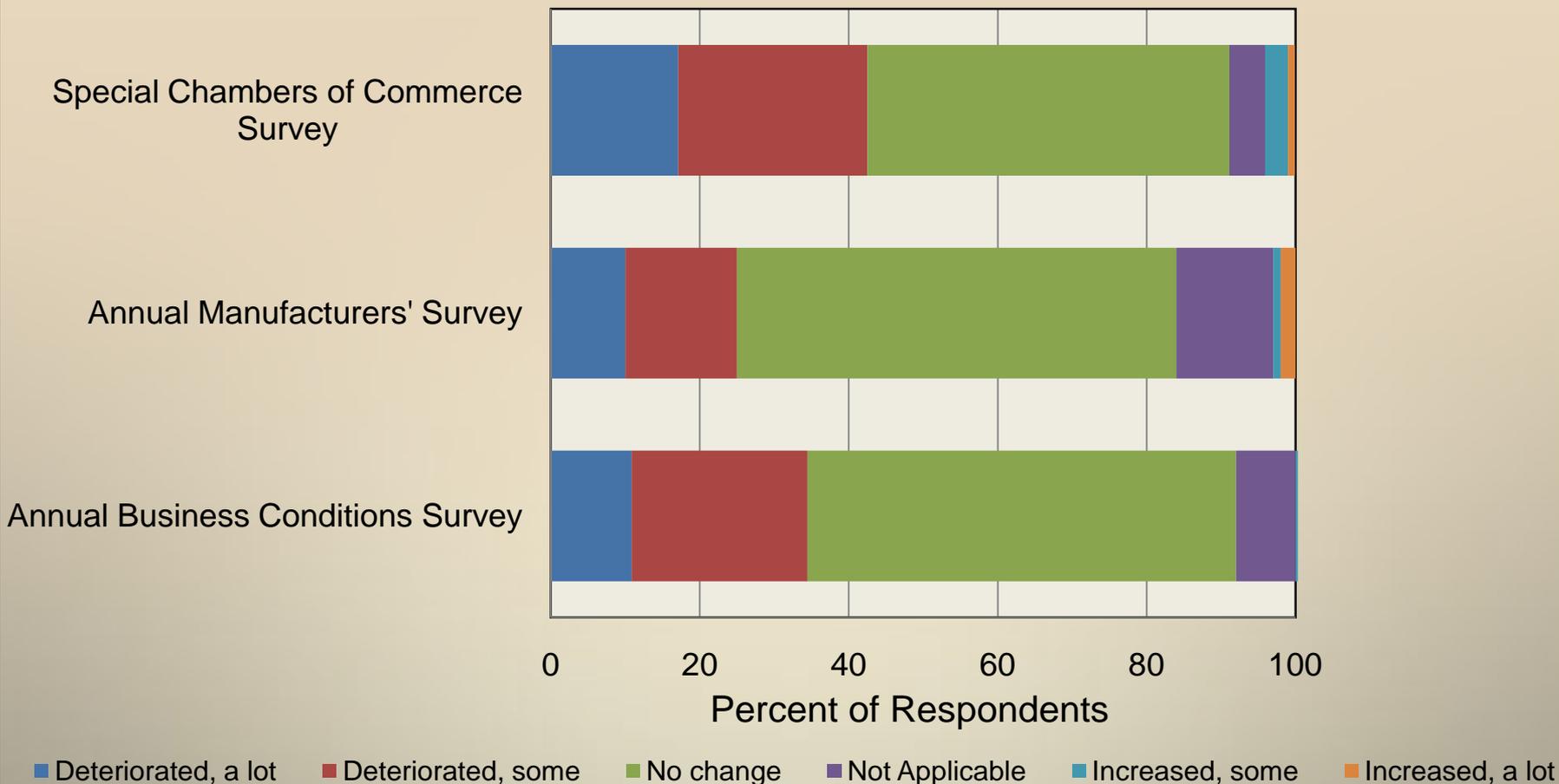
Nonfarm employment, percent change from a year earlier, November 2009



Source: Bureau of Labor Statistics



## Has your company's access to credit changed in the last three months?



Source: Federal Reserve Bank of Minneapolis. Manufacturers' Survey conducted in cooperation with the Minnesota Department of Employment and Economic Development.

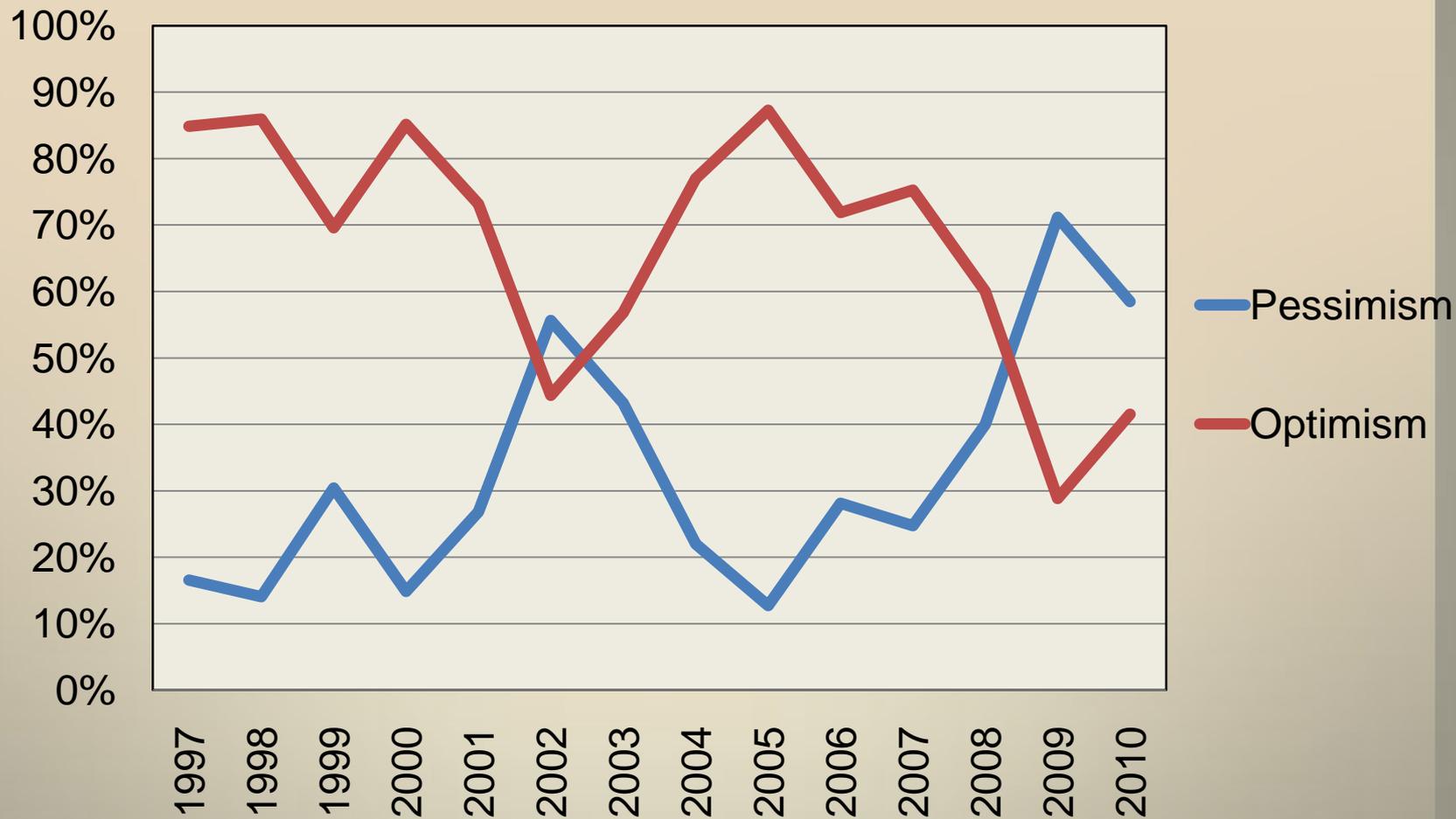


# Ninth District Economy: Mixed in 2010

- Mixed employment and flat unemployment
- Small wage and price increases
- Agriculture sector optimistic
- Manufacturing flat
- Home building slowdown continues

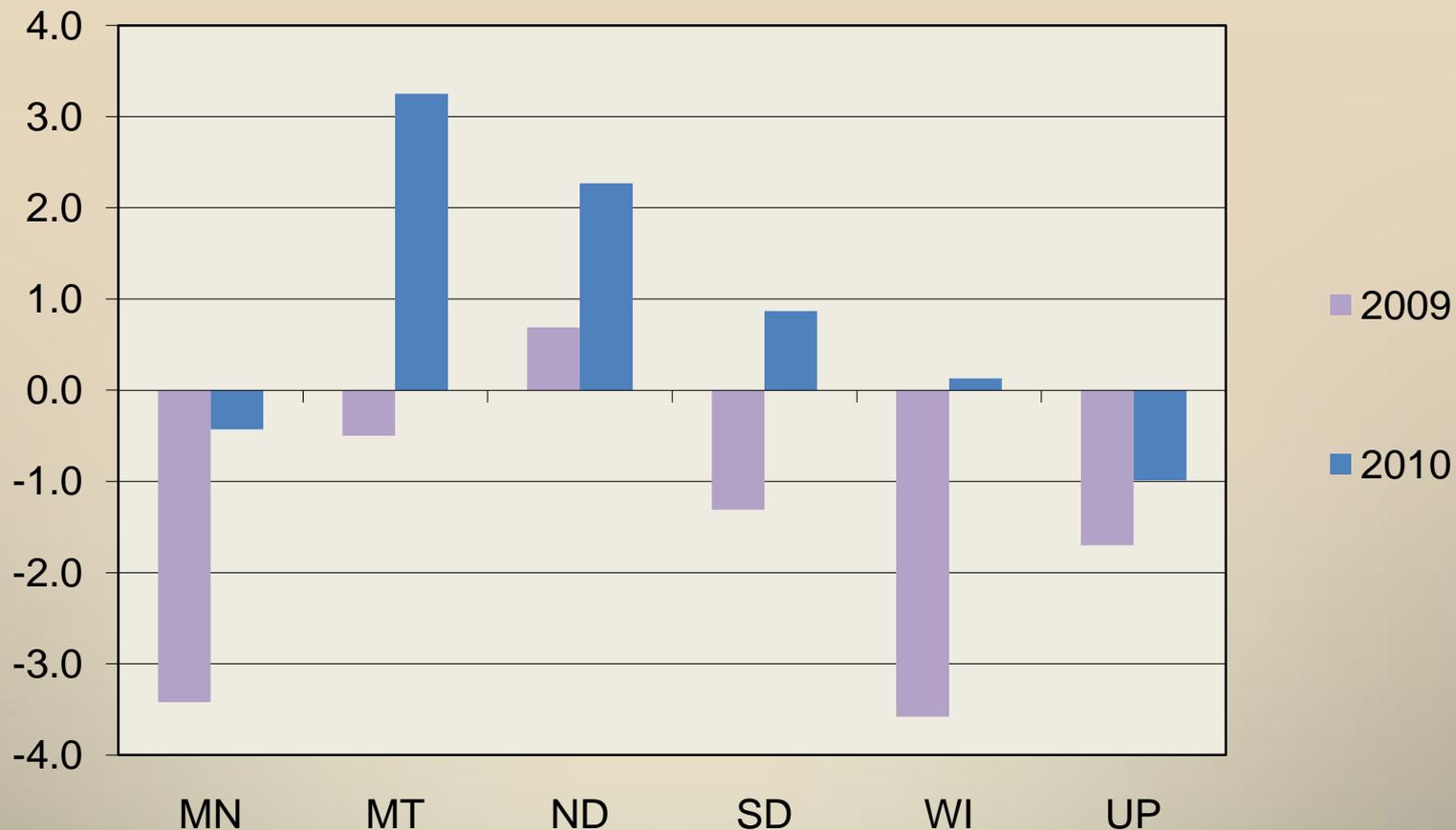


# Business leaders are still pessimistic





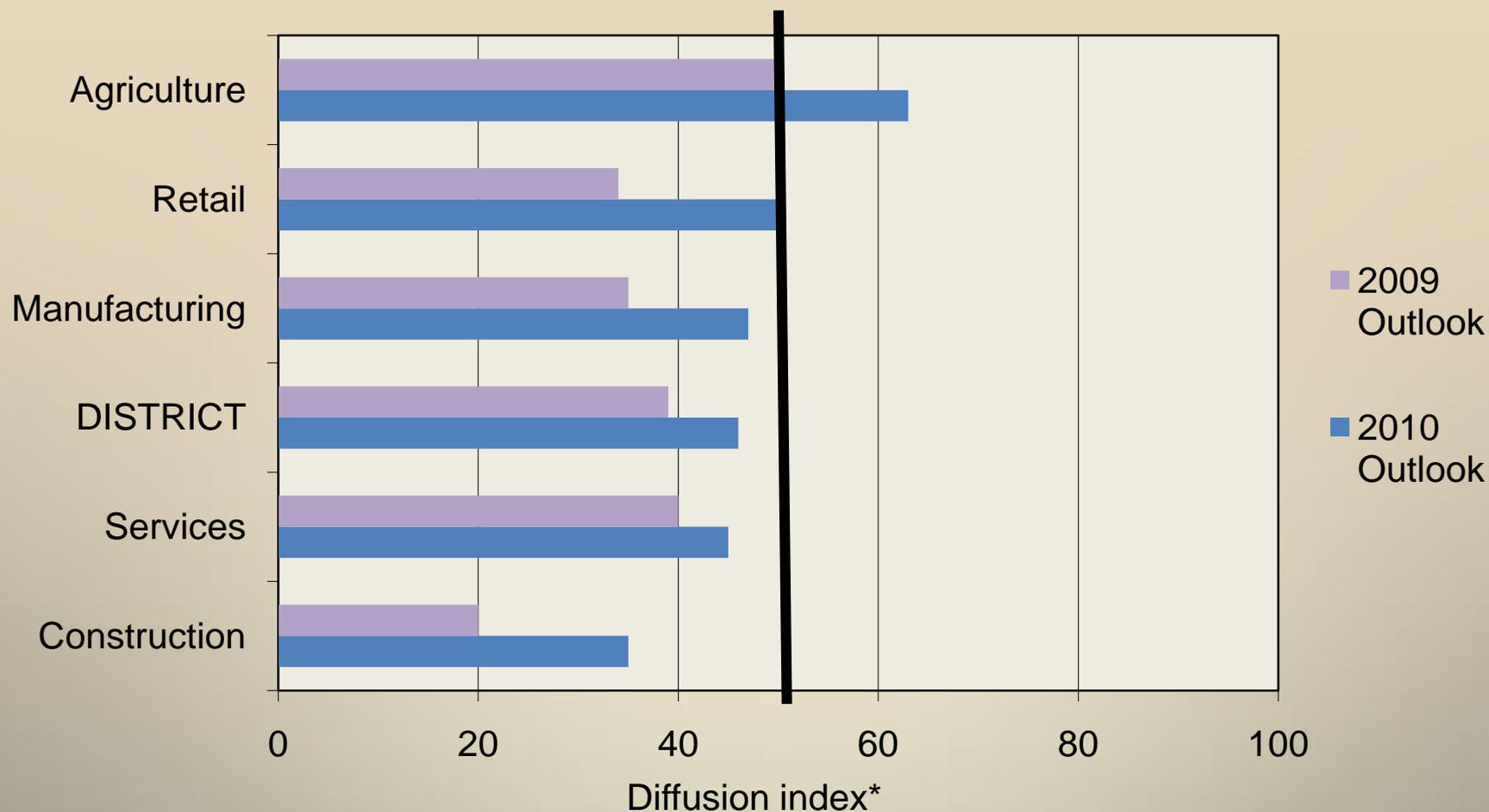
## Employment expected to expand in western states



Nonfarm employment forecast  
Percent change from a year earlier – 4<sup>th</sup> quarter



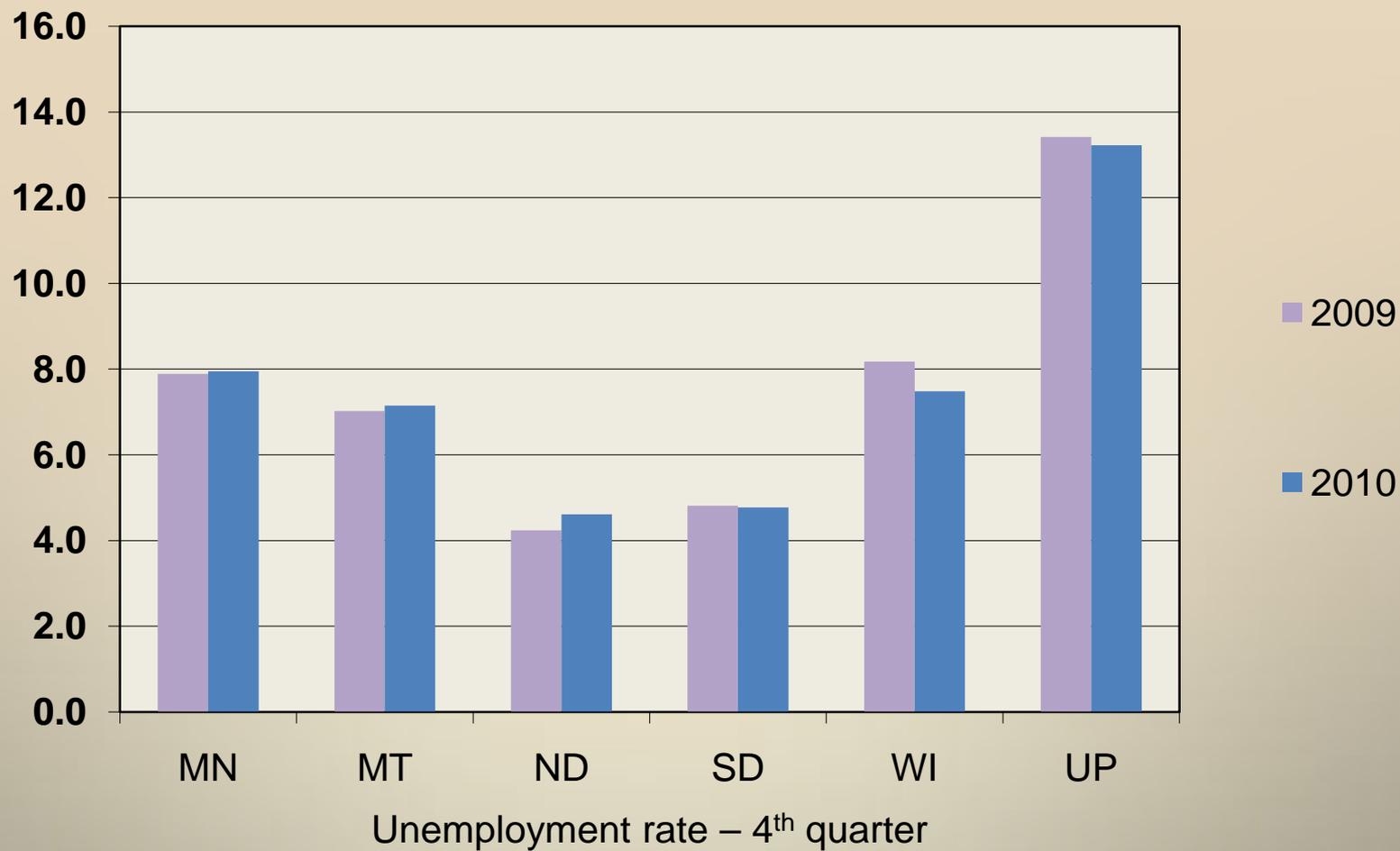
## Business leaders expect slightly decreased employment at their companies



\*Index number above 50 indicates expansion.  
Index number below 50 indicates contraction.

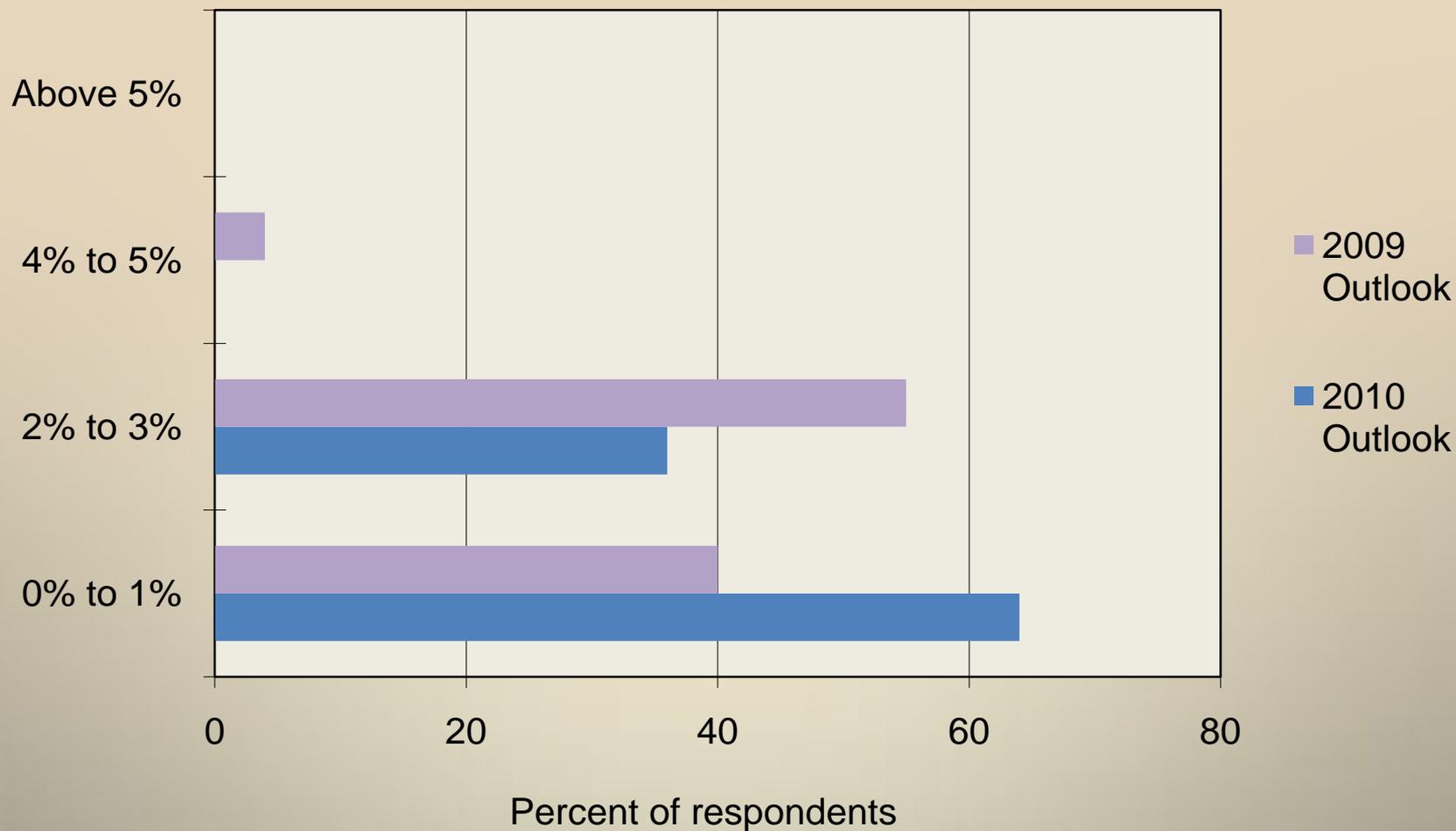


## Unemployment rates won't move much



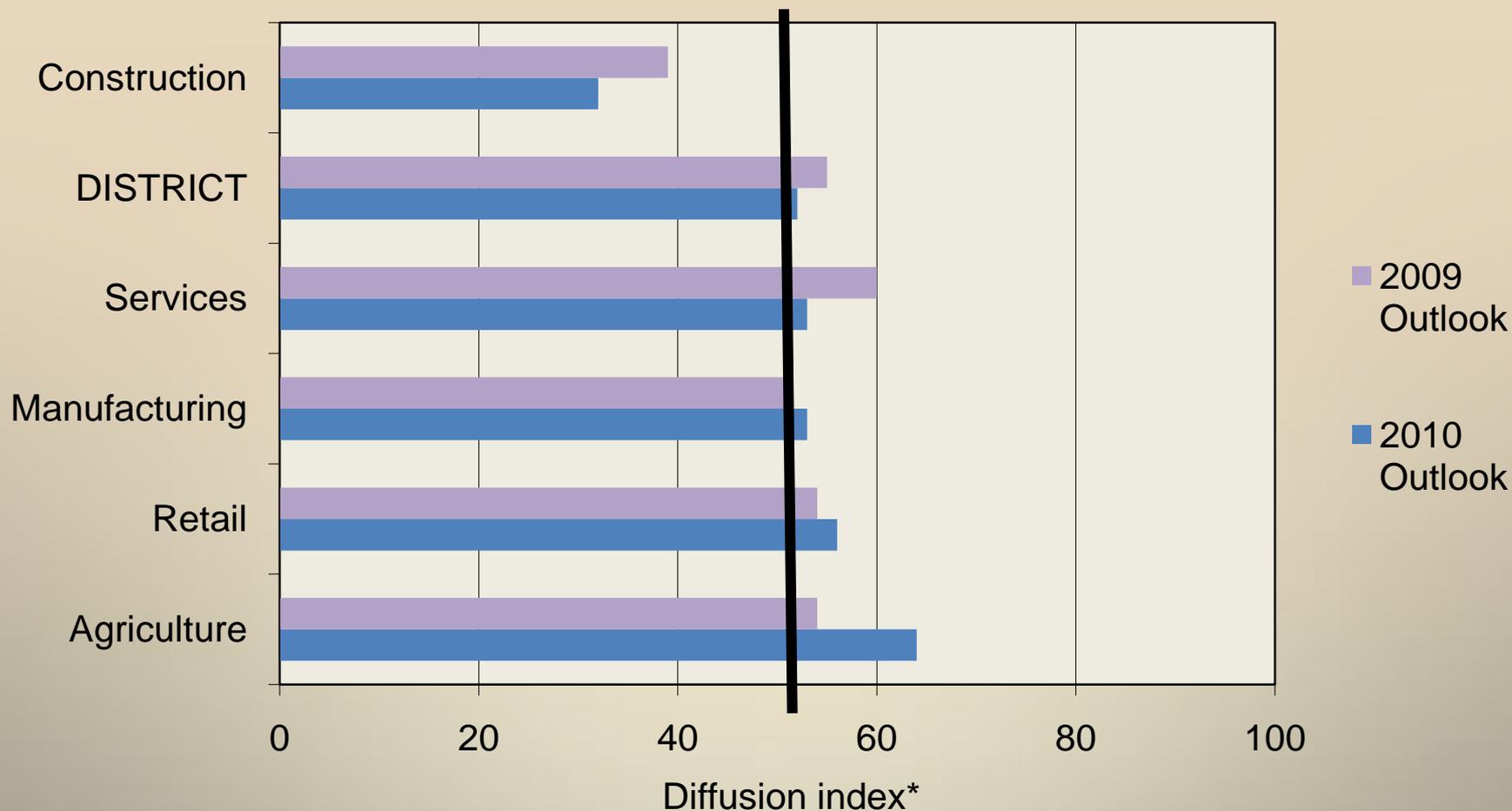


## Business leaders anticipate small wage increases





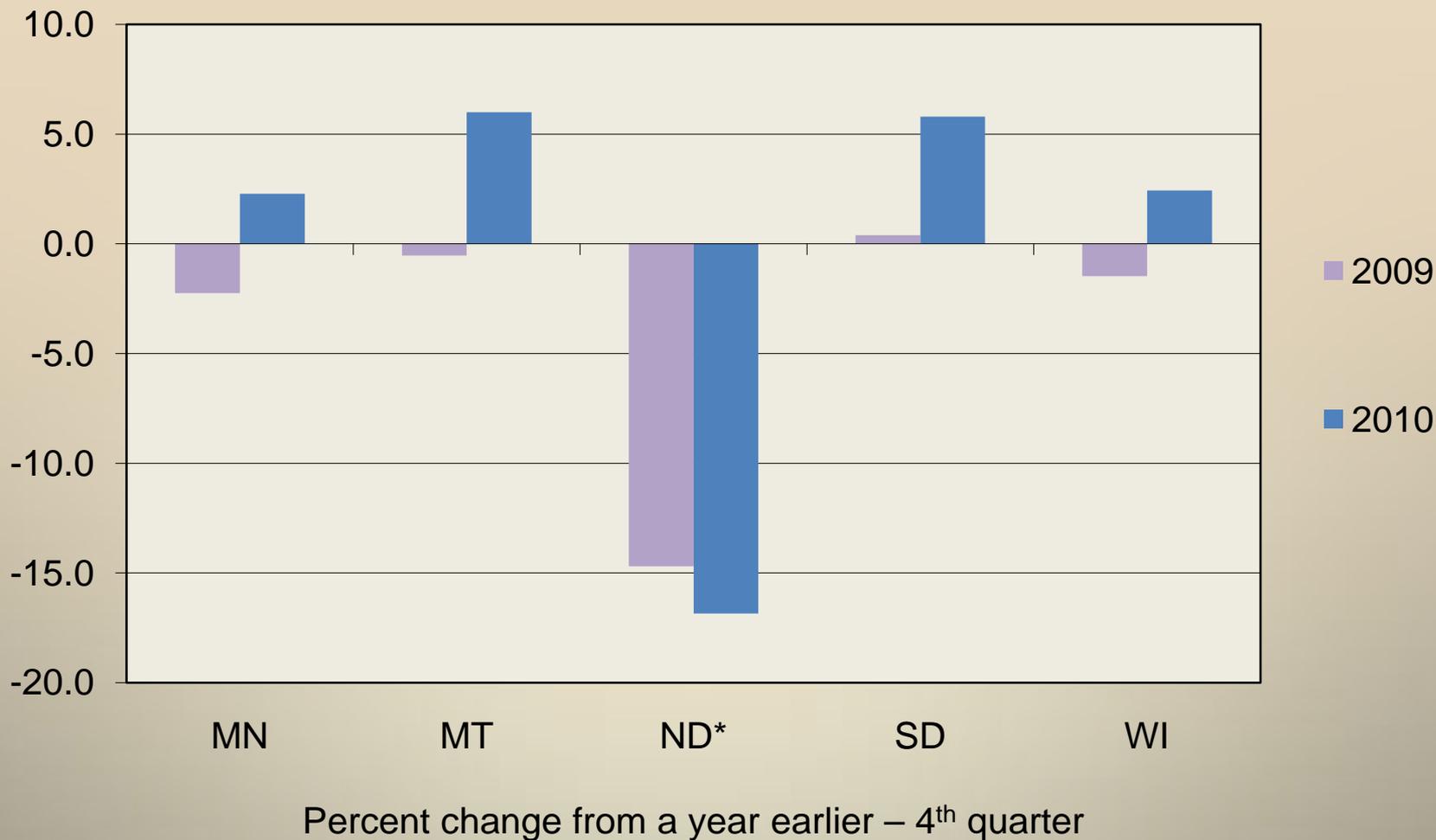
## Business leaders foresee level prices



\*Index number above 50 indicates expansion.  
Index number below 50 indicates contraction.



## Personal income growth expected to increase



\*Forecast for North Dakota has a wide 70 percent confidence interval.

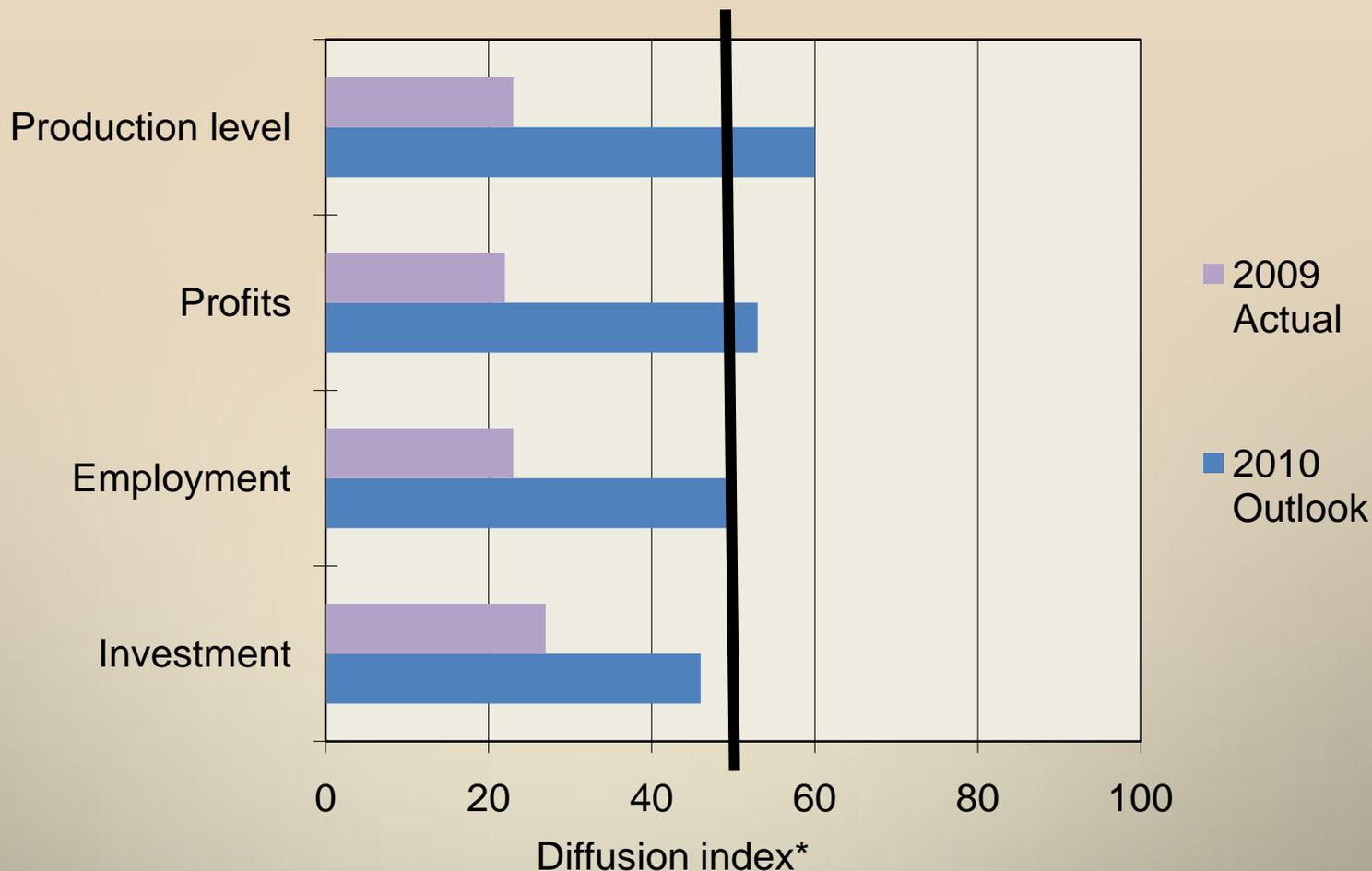


# Agriculture outlook OK

- Mixed in 2009
  - Farmers had decent year
  - Ranchers and dairy had a tough year
- Decent outlook for 2010
  - Lower input costs
  - Better output prices for dairy and ranchers



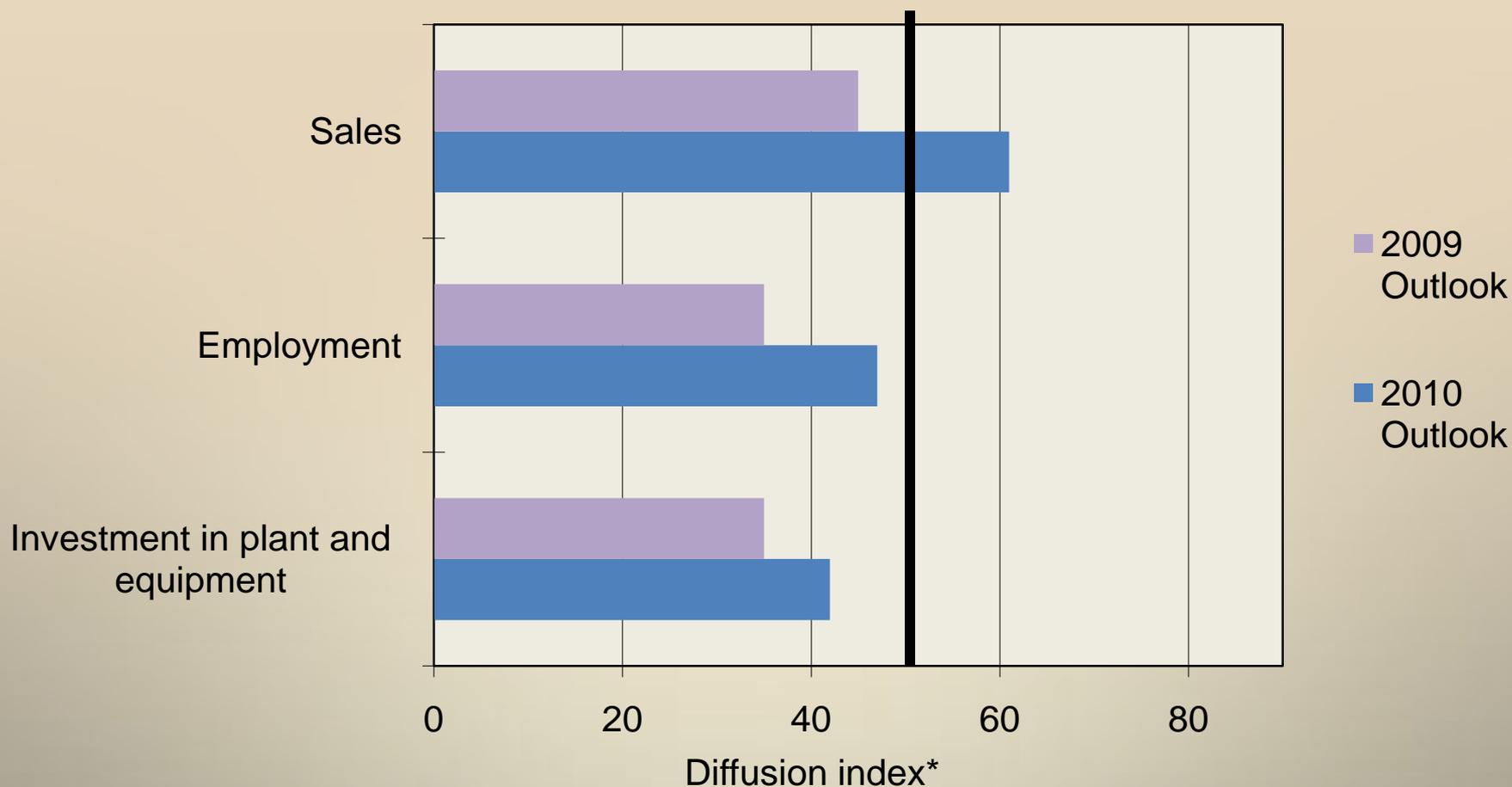
## Manufacturing way down in 2009; little growth expected in 2010



\*Index number above 50 indicates expansion.  
Index number below 50 indicates contraction.



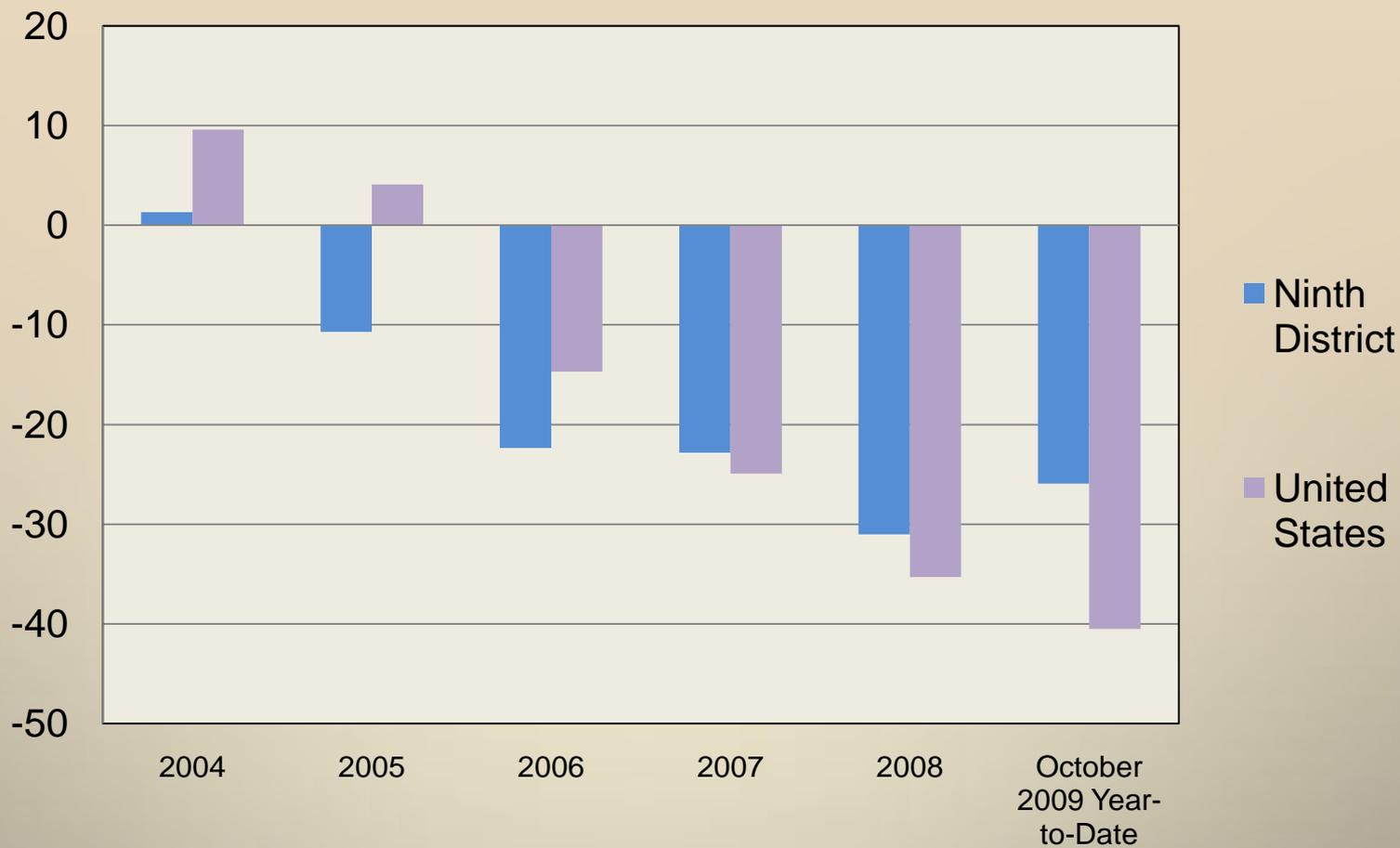
## Manufacturing firms expect soft inputs



\*Index number above 50 indicates expansion.  
Index number below 50 indicates contraction.



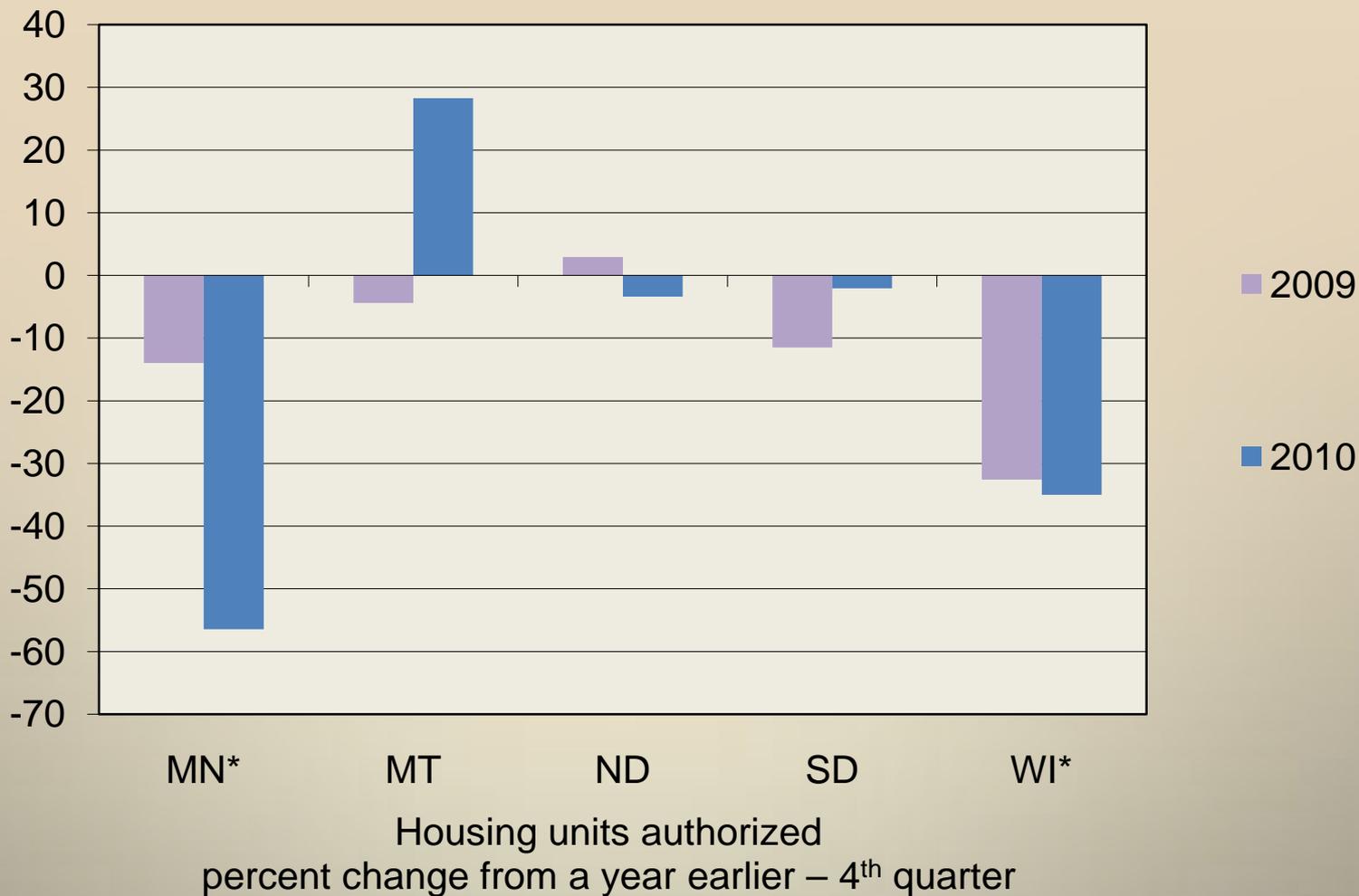
## Home building continues to decline



Housing units authorized  
percent change from a year earlier



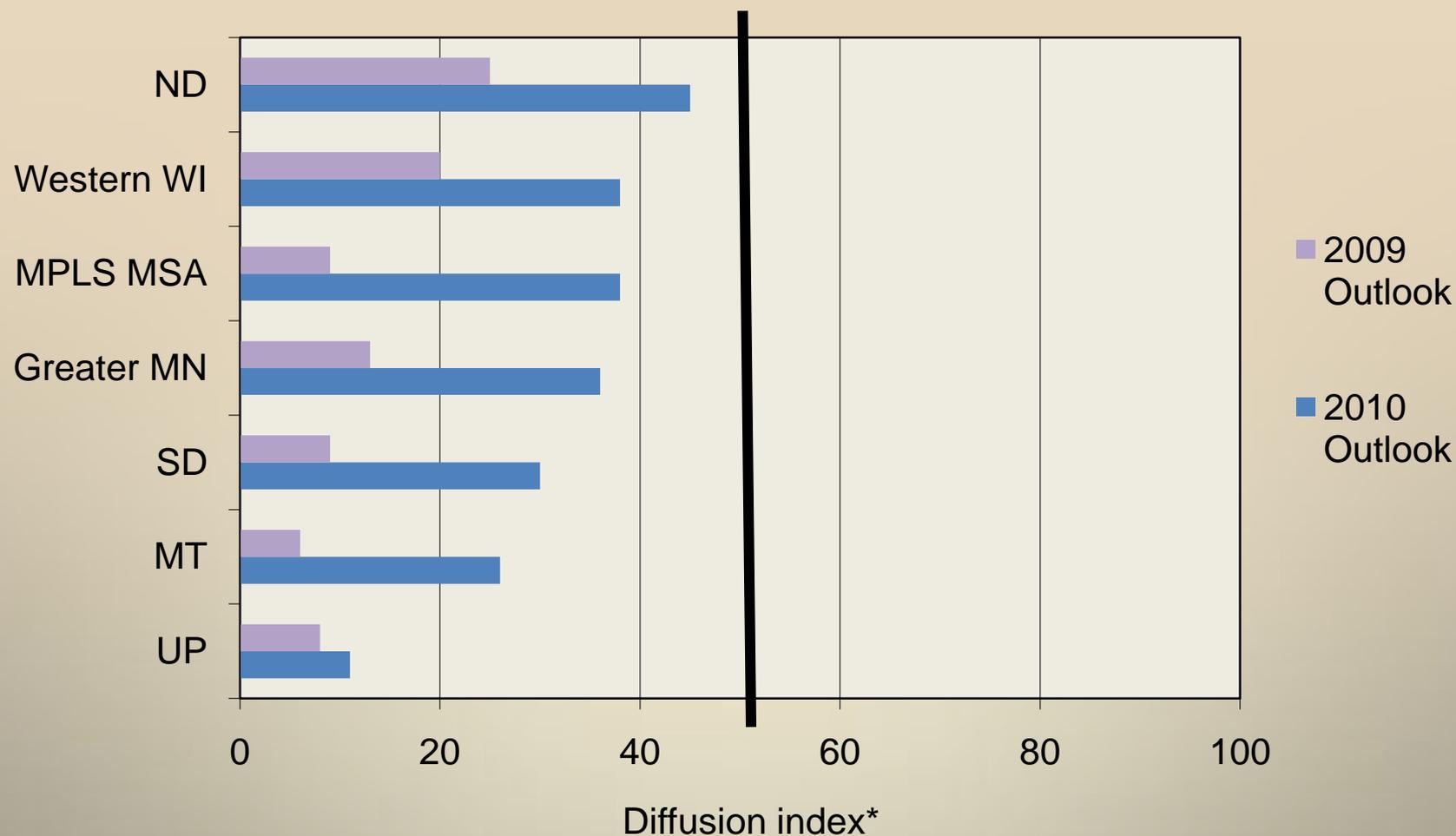
## Forecast model expects downward trend in housing to continue



\* Forecast for Minnesota & Wisconsin has a wide 70 percent confidence interval.



## Business leaders expect slower home building



\*Index number above 50 indicates expansion.  
Index number below 50 indicates contraction.



# Ninth District Economy: Mixed in 2010

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- Agriculture sector optimistic
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**Questions?**