



THE FEDERAL RESERVE BANK *of* MINNEAPOLIS

2011 Regional Economic Outlook

December 16, 2010





minneapolisfed.org





Agenda

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



The Federal Reserve Districts



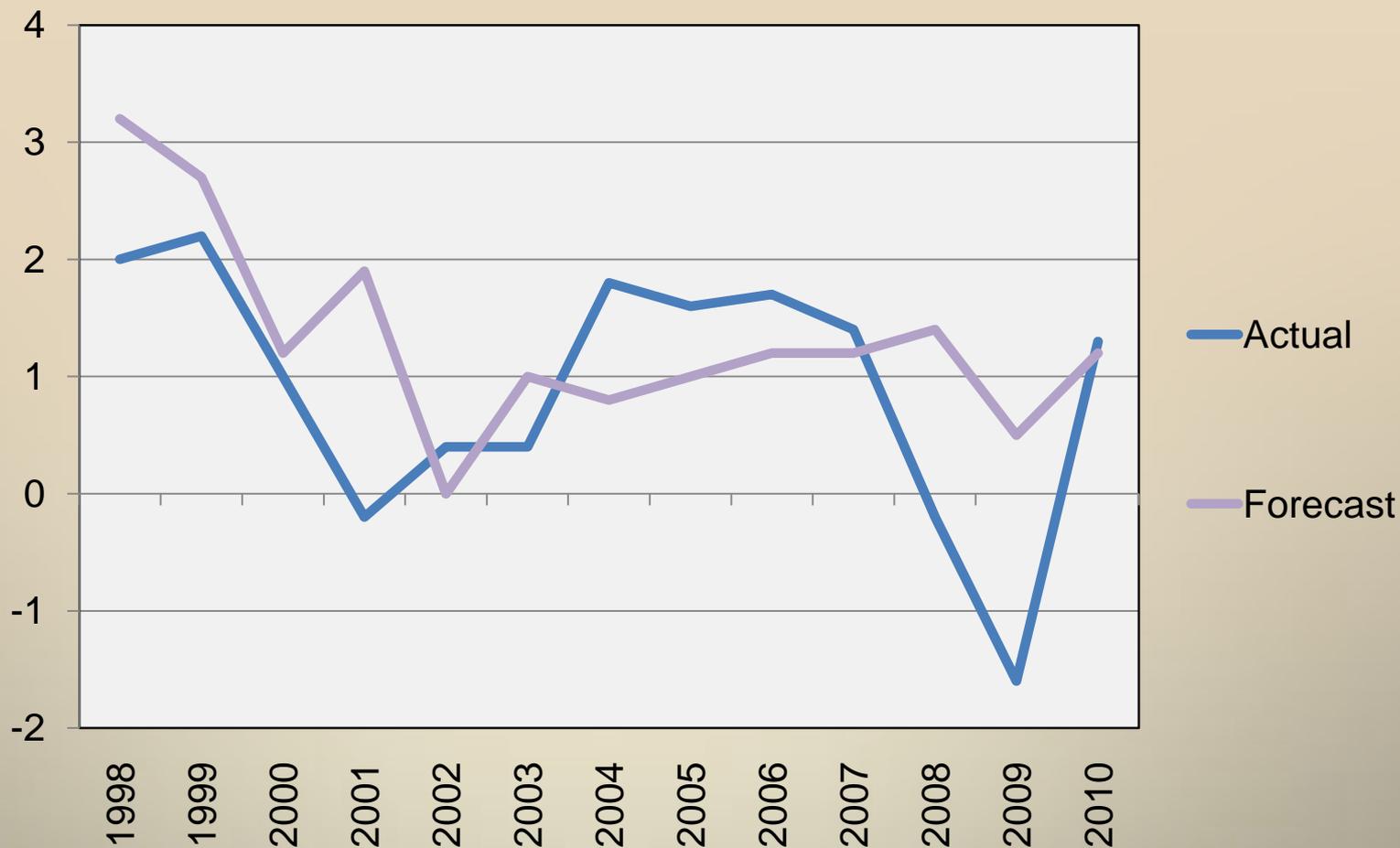


Comparing 2010 with last year's forecast

- Employment close to forecast
- Unemployment rates were slightly lower
- Personal income close to forecast
- Home building increased instead of decreased



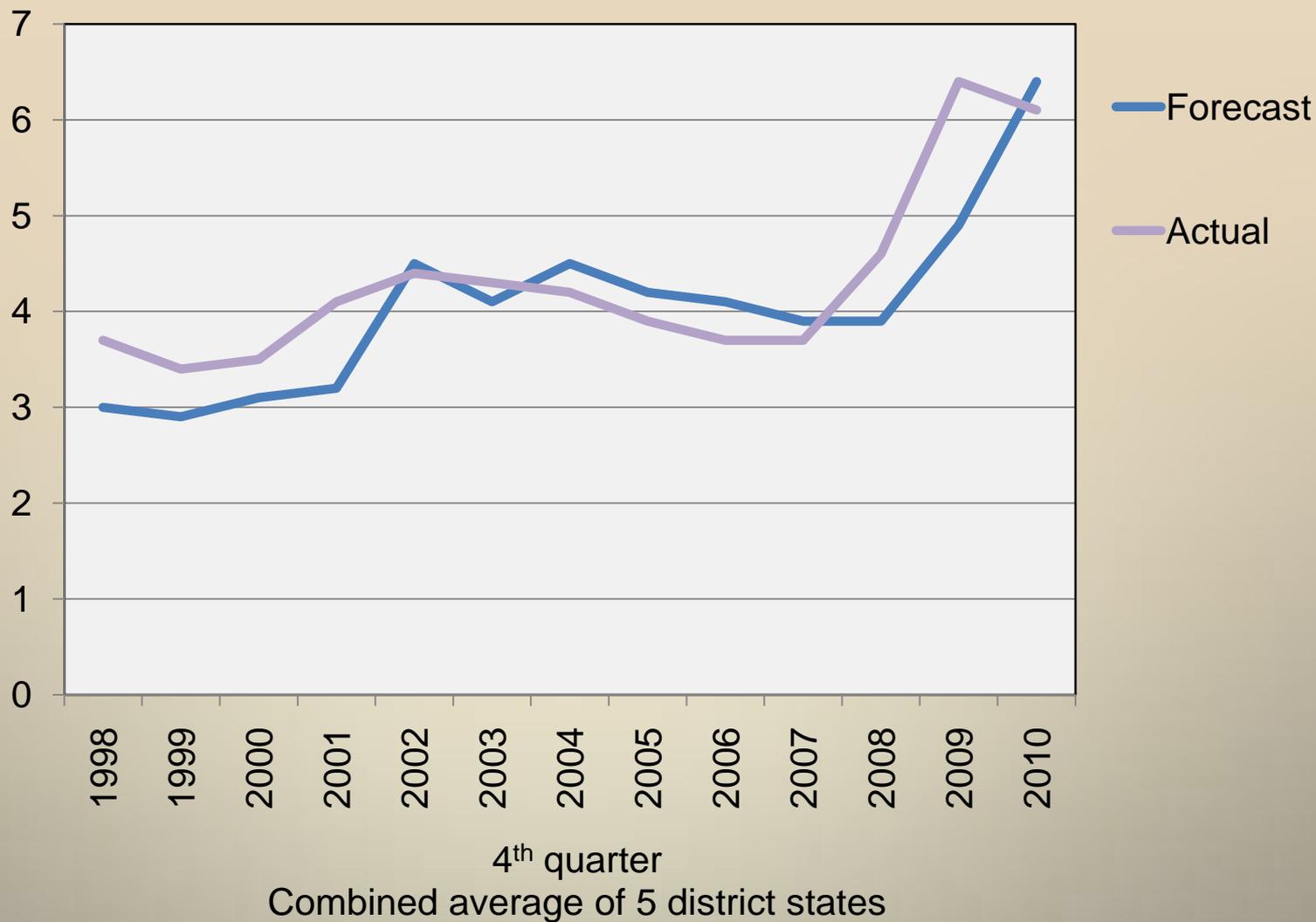
2010 nonfarm employment close to forecast



Percent change from a year earlier – 4th quarter
Combined average of 5 district states



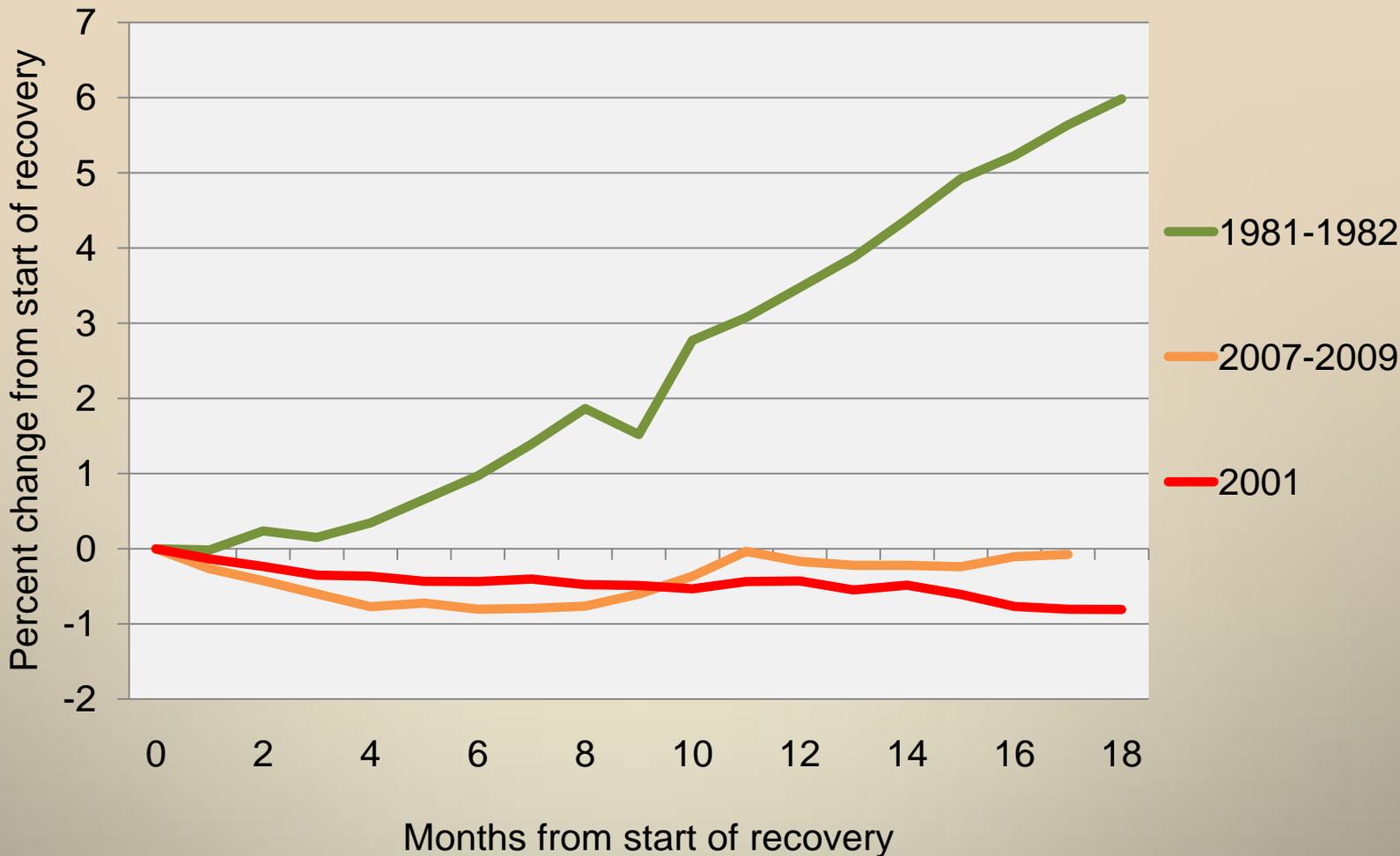
2010 unemployment rate slightly lower than forecast





Employment gains during current recovery are slow

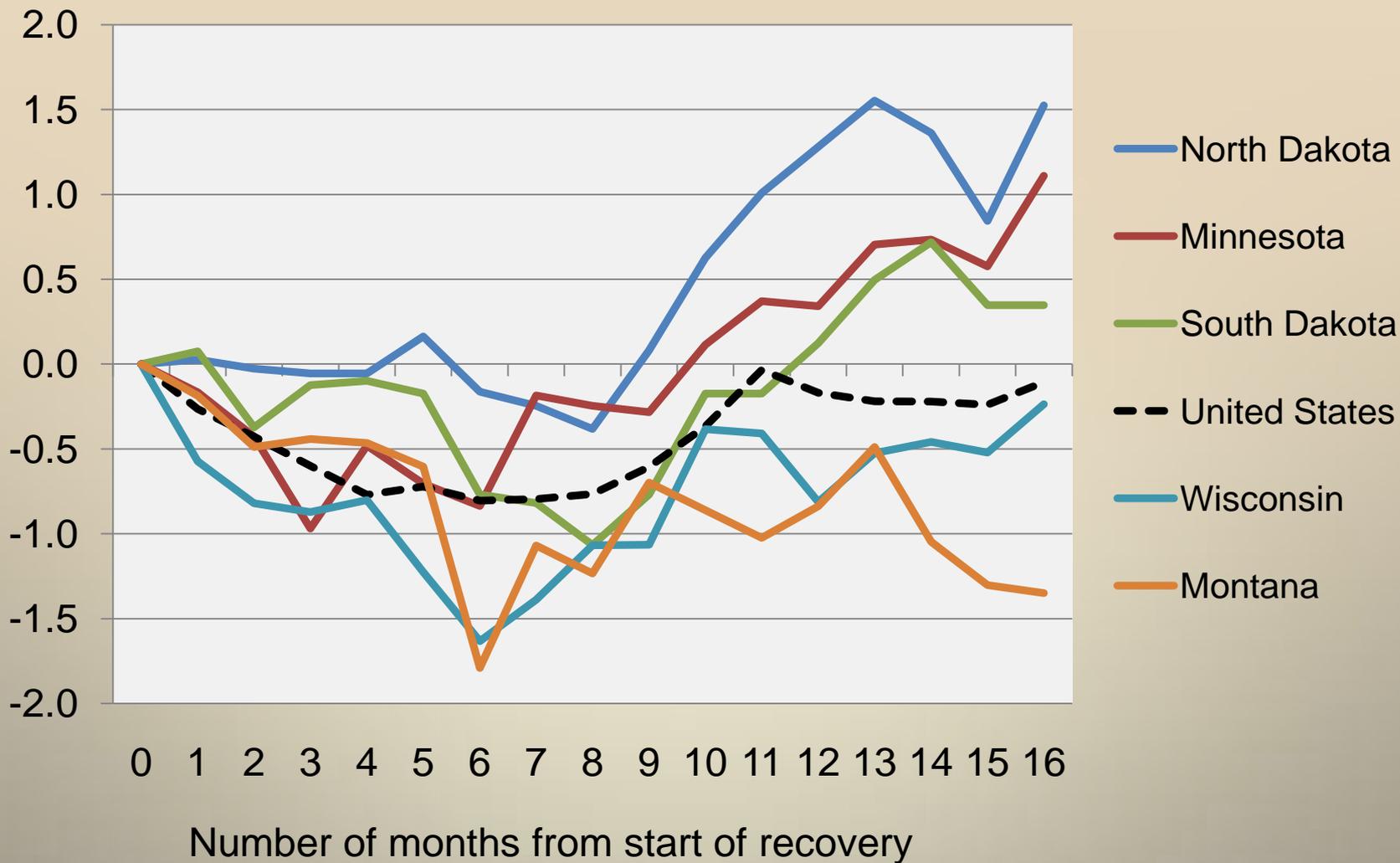
Changes in nonfarm employment:
Current vs. other postwar recoveries





Employment growth stronger in Minnesota and the Dakotas during recovery

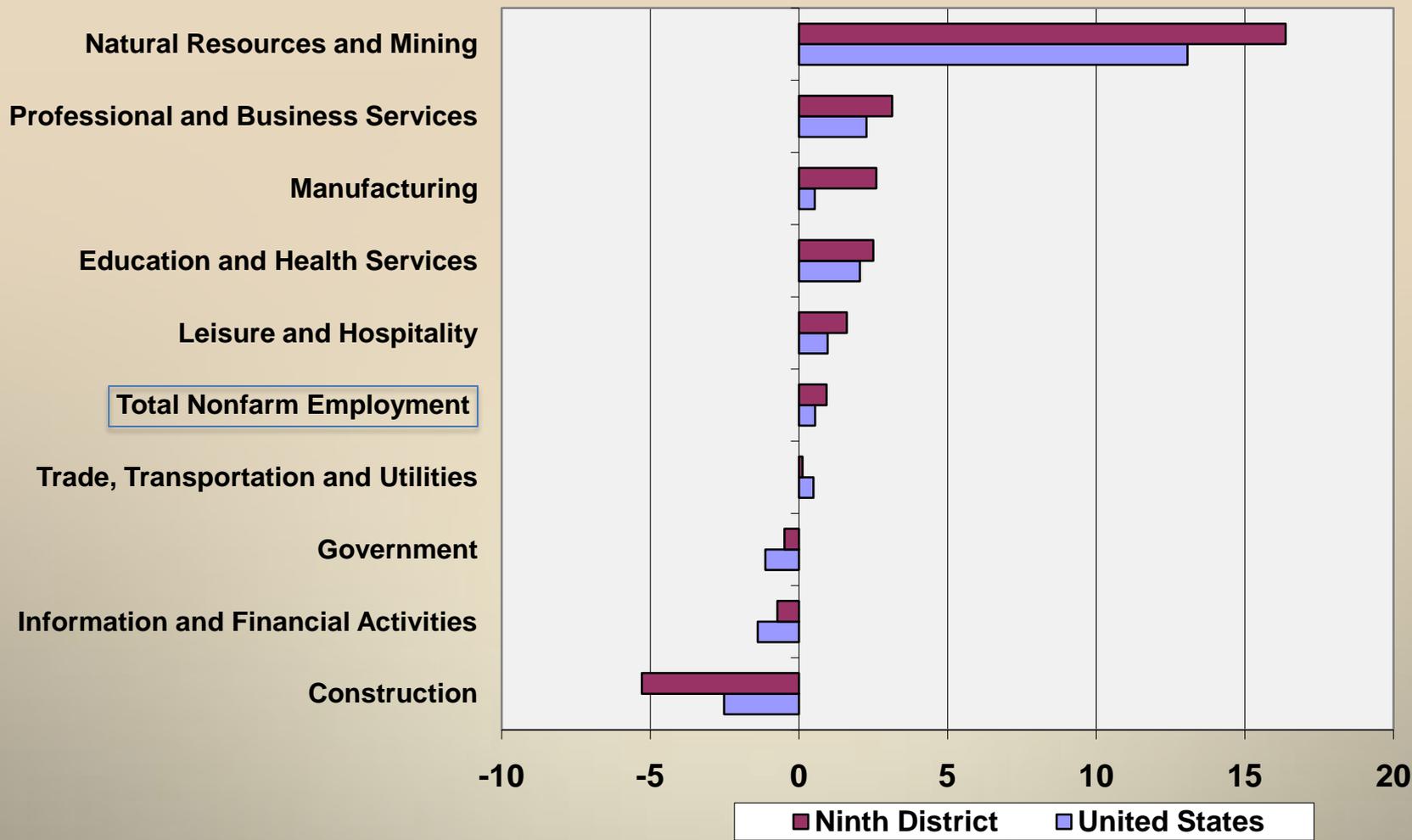
Percent change in nonfarm employment from start of recovery





Employment increased in a number of industries

Nonfarm employment, percent change from a year earlier, October 2010

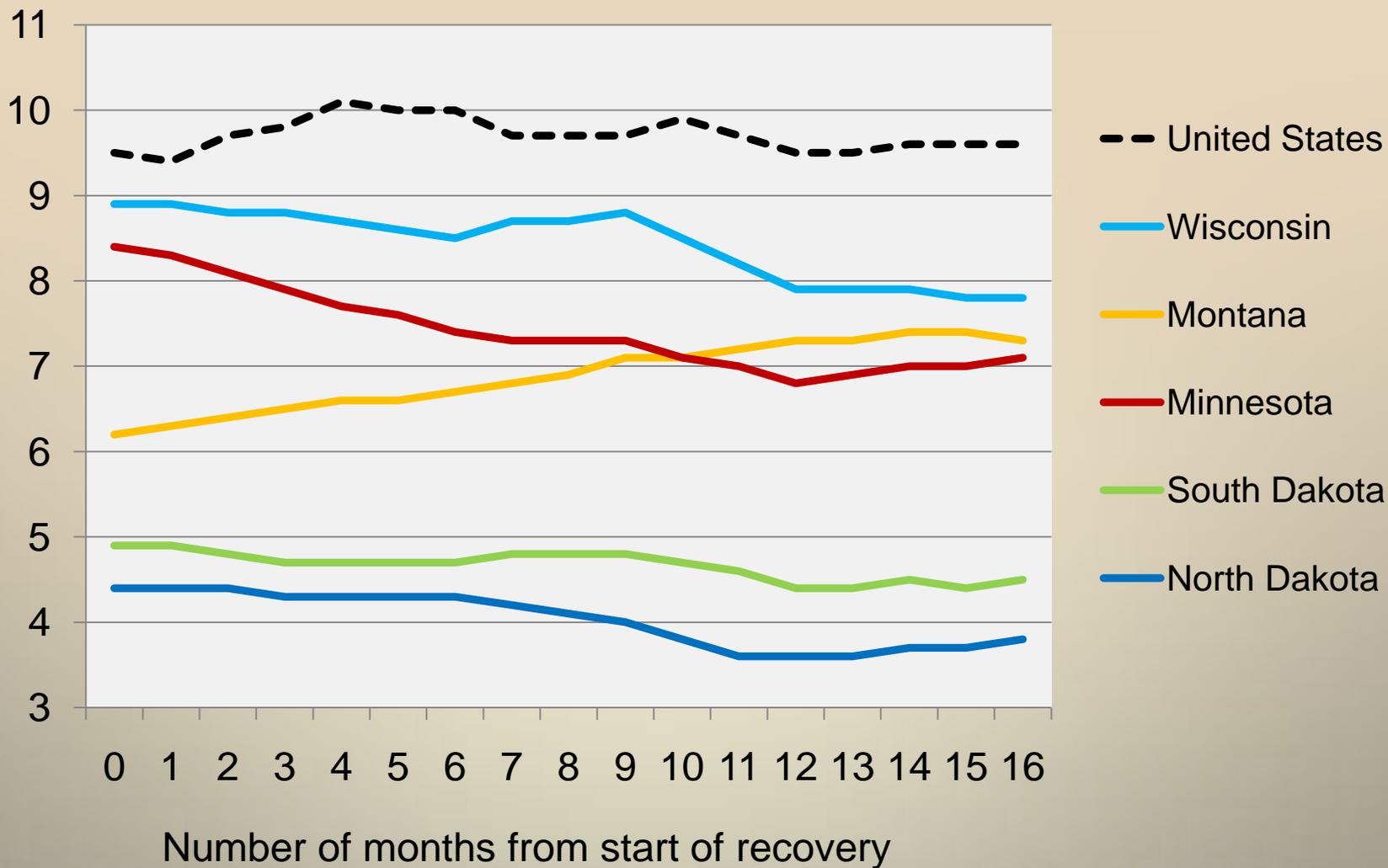


Source: Bureau of Labor Statistics

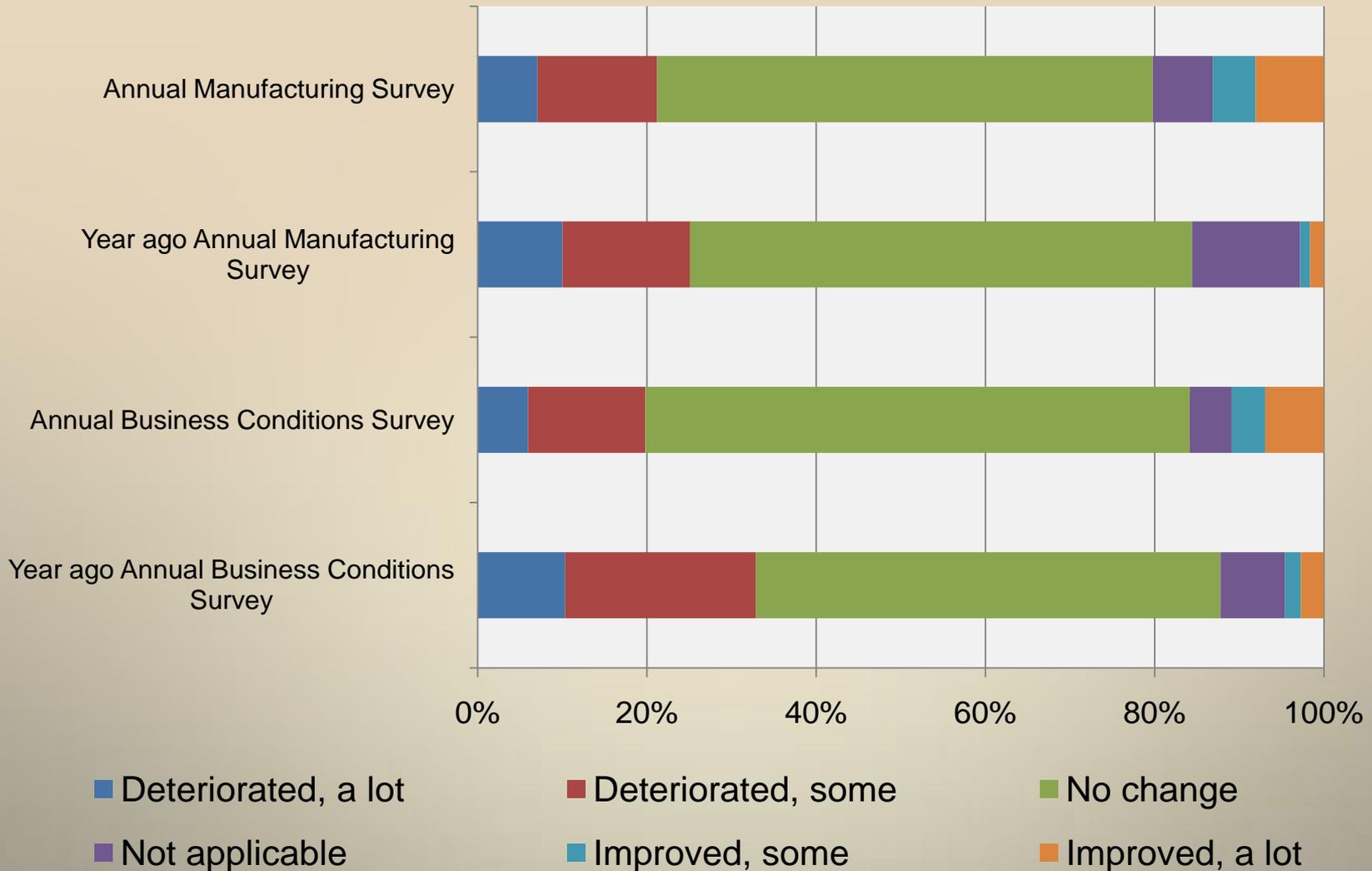


District unemployment rates below nation, but Montana is on the rise

Unemployment rates from start of recovery



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



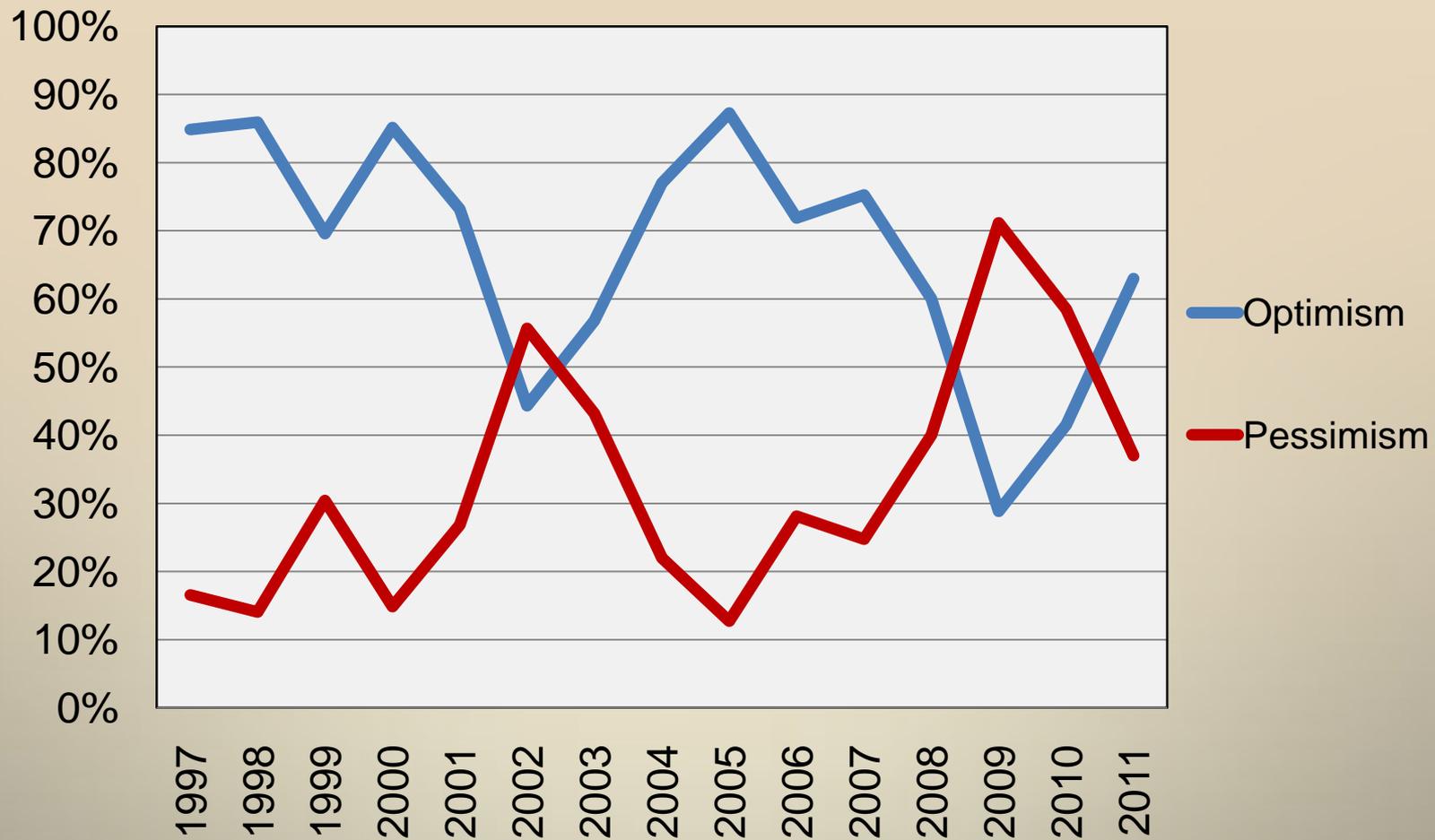


Ninth District Economy: Growth in 2011

- Businesses are more optimistic
- Employment up, but flat unemployment
- Small wage and price increases
- Agriculture sector strong & manufacturing upbeat
- Home building slowdown continues



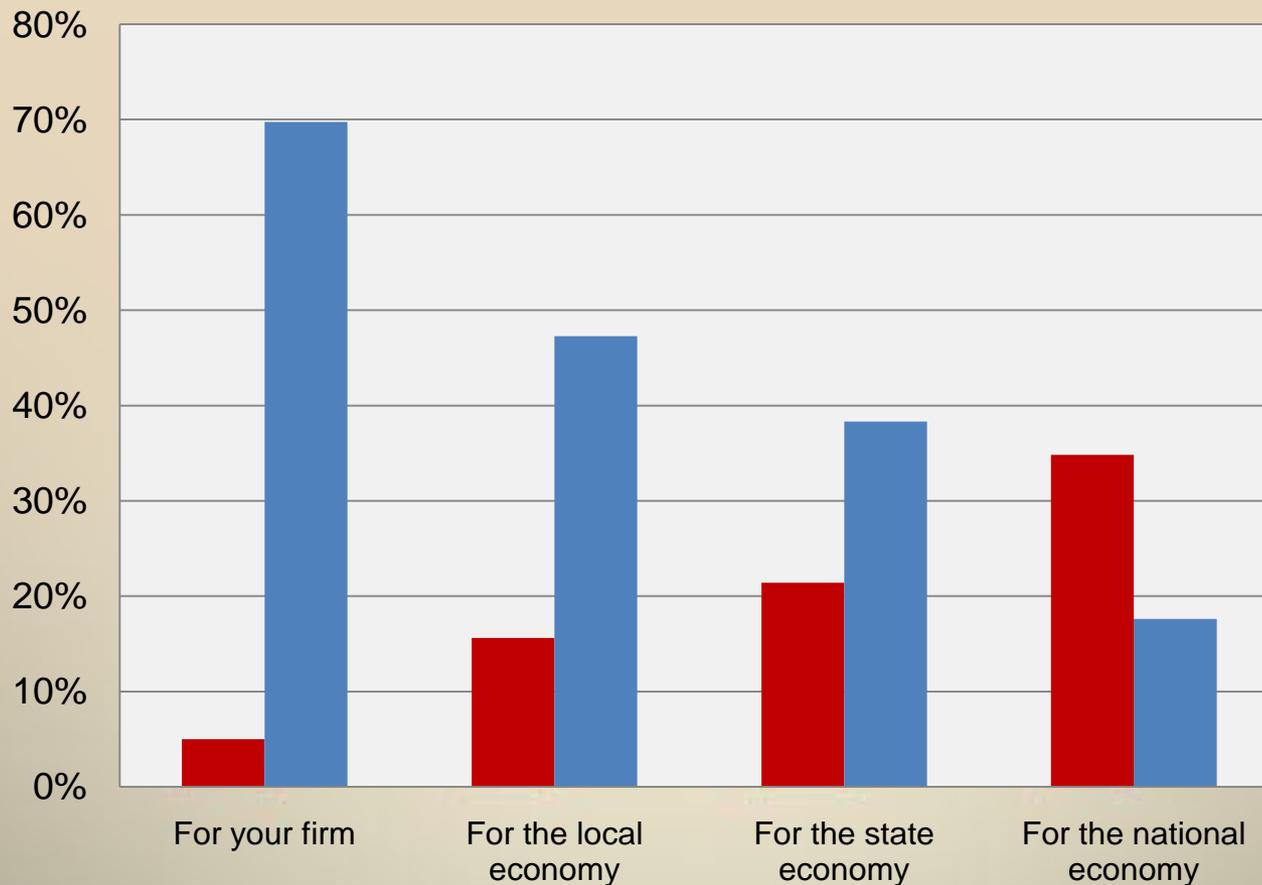
Business leaders turn optimistic





Businesses have some confidence

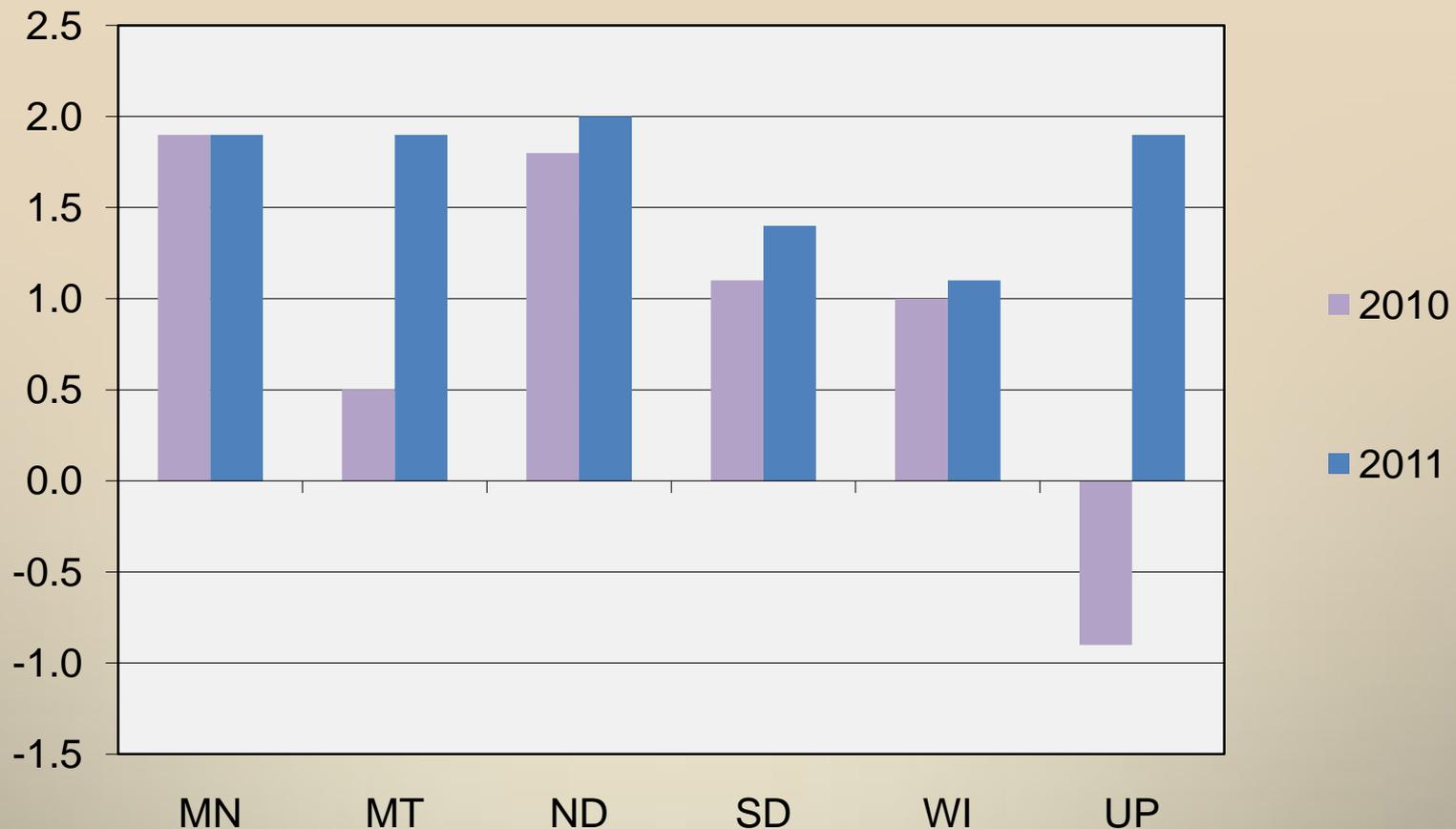
How confident are you about performance over the next 12 months?



■ Somewhat/very confident it will do POORLY ■ Somewhat/very confident it will do WELL



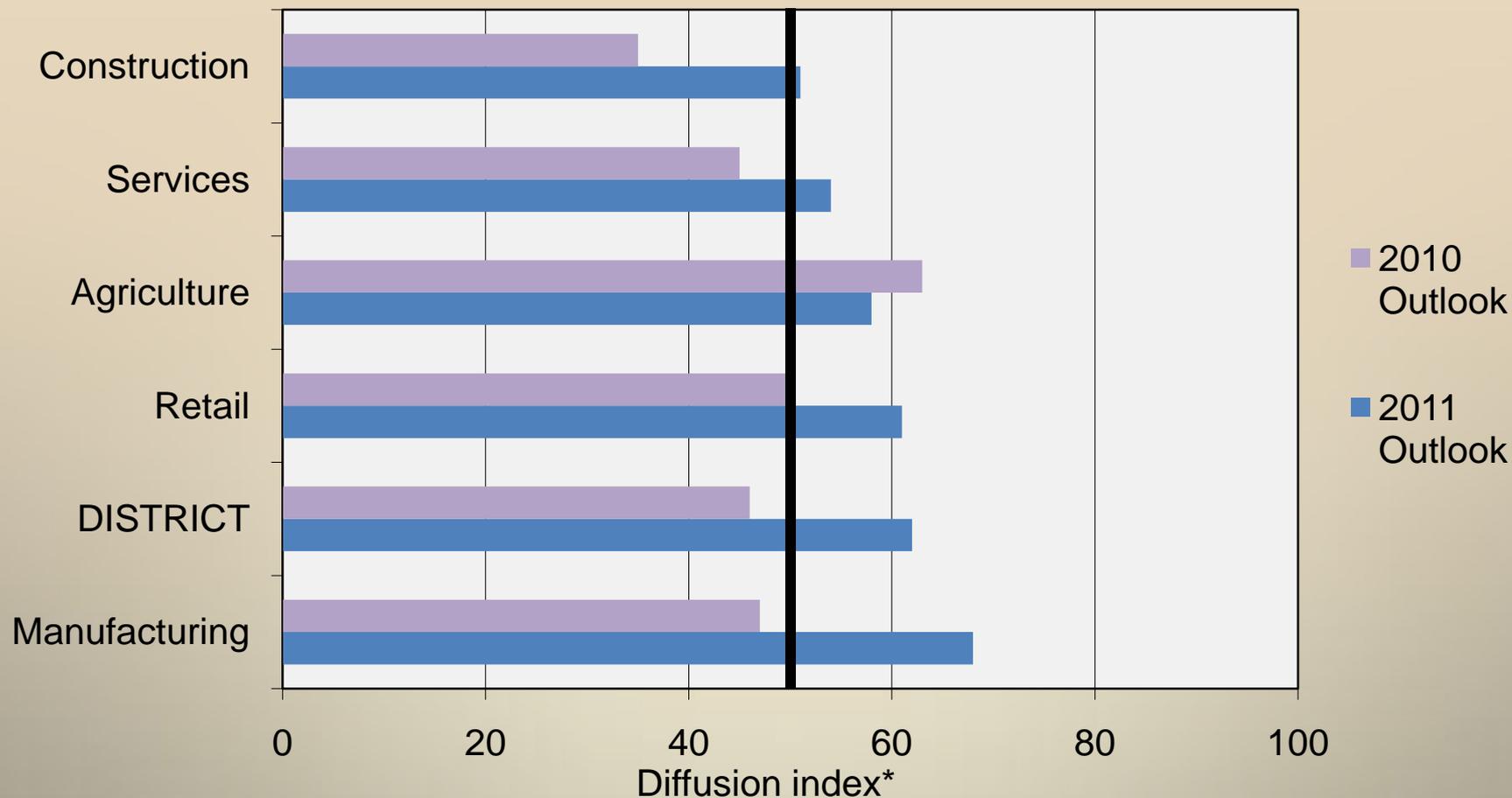
Employment expected to expand across the district



Nonfarm employment forecast
Percent change from a year earlier – 4th quarter



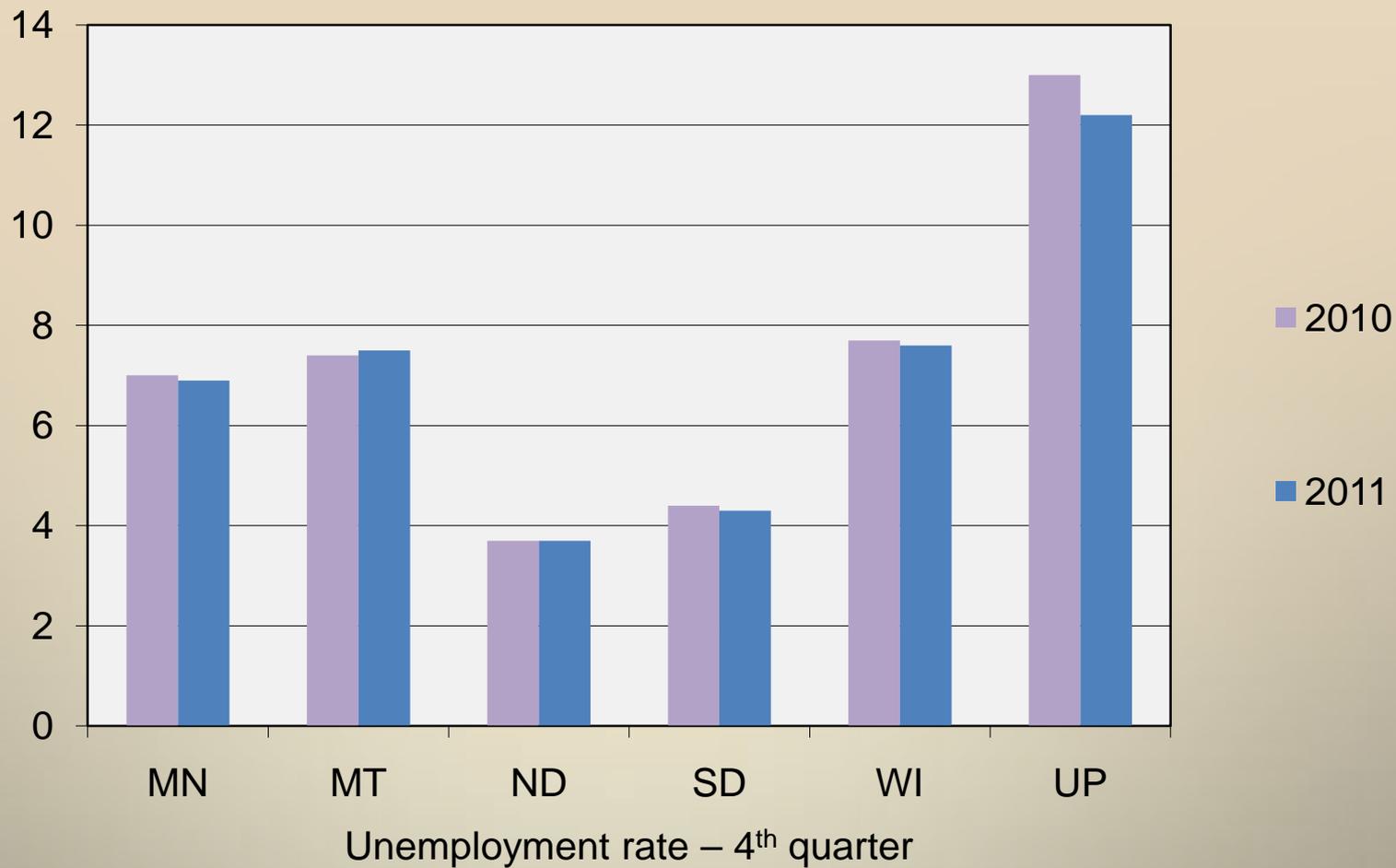
Business leaders expect increased employment at their companies



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

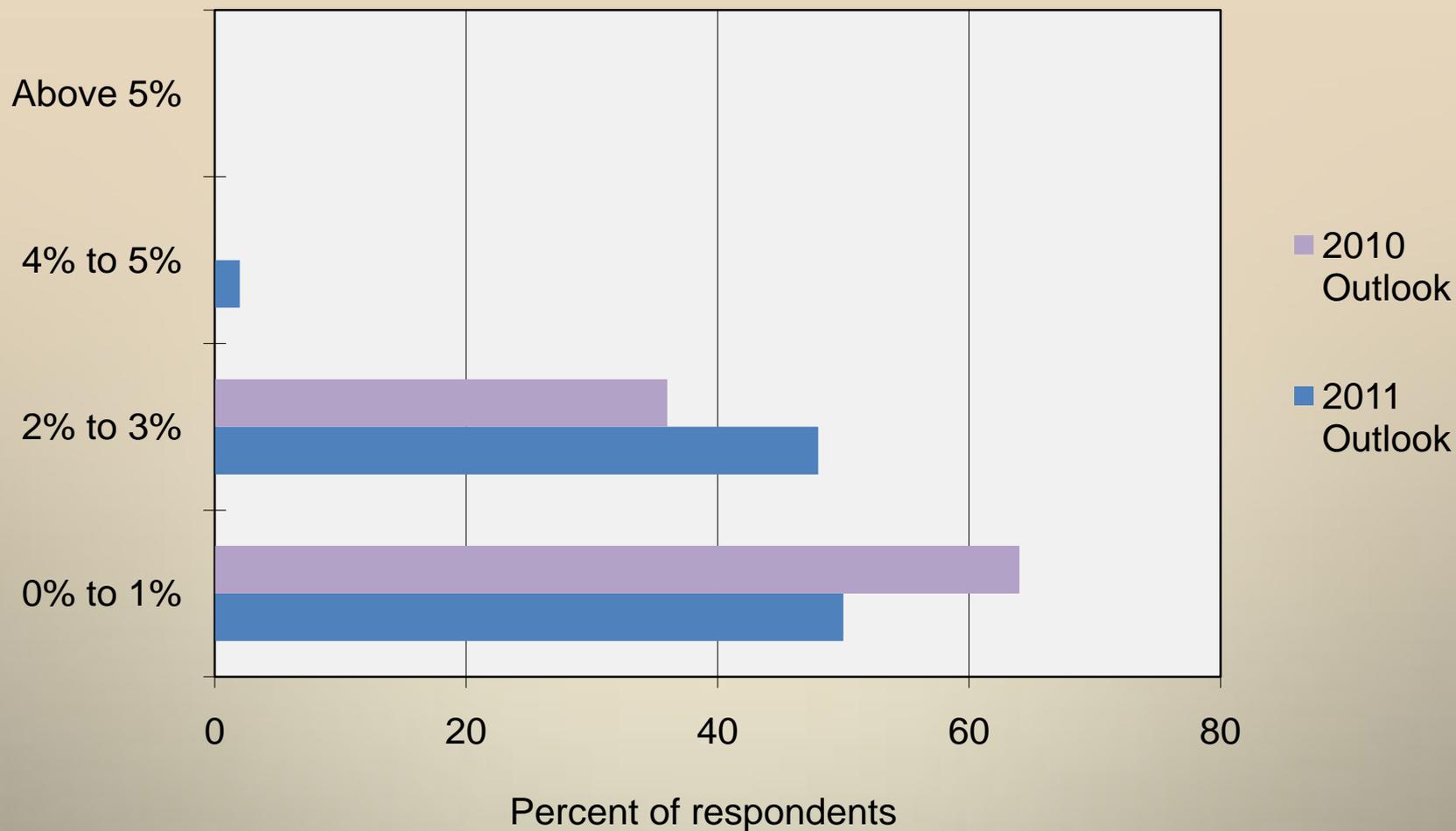


Unemployment rates won't move much



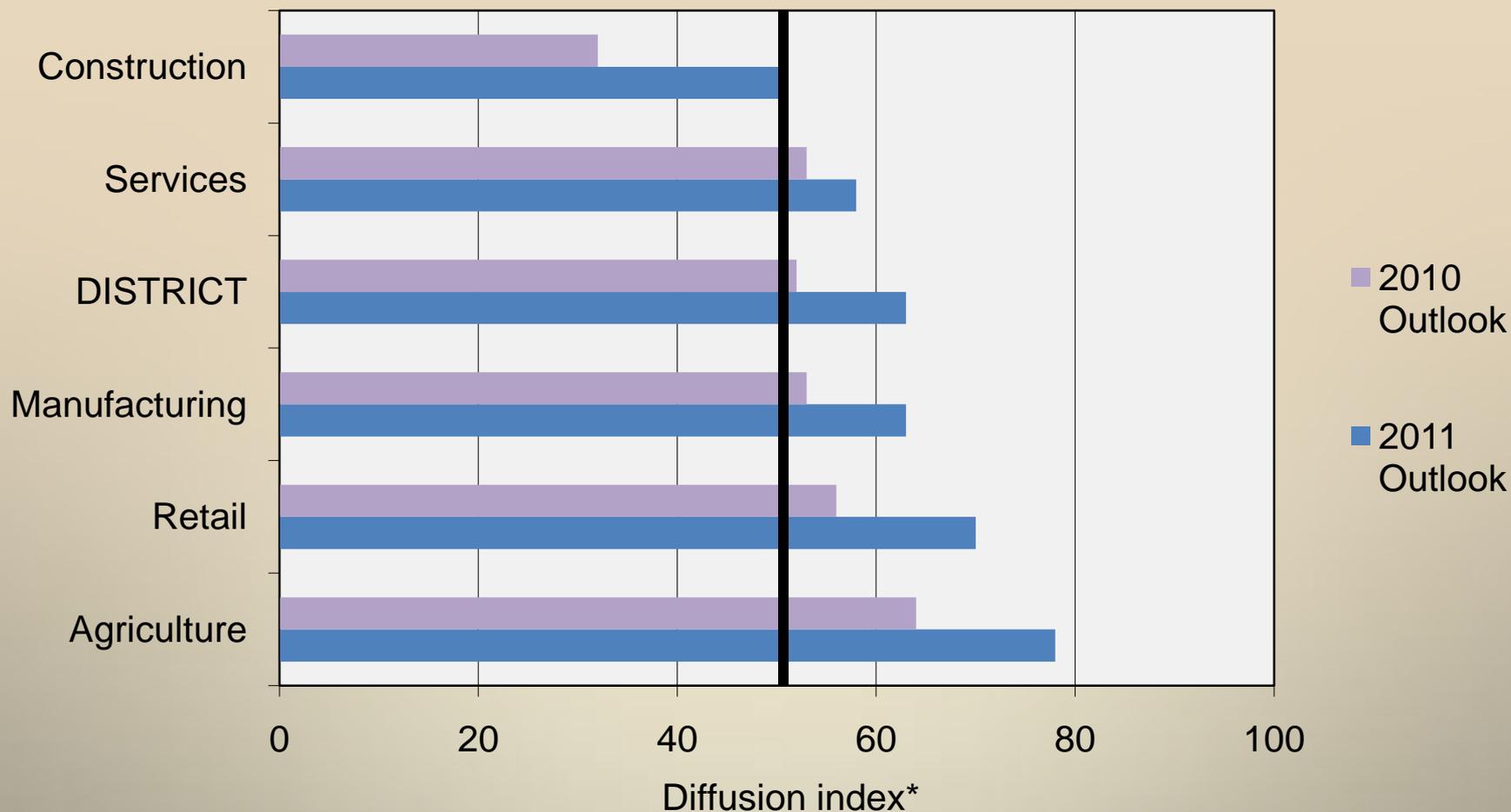


Business leaders anticipate small wage increases





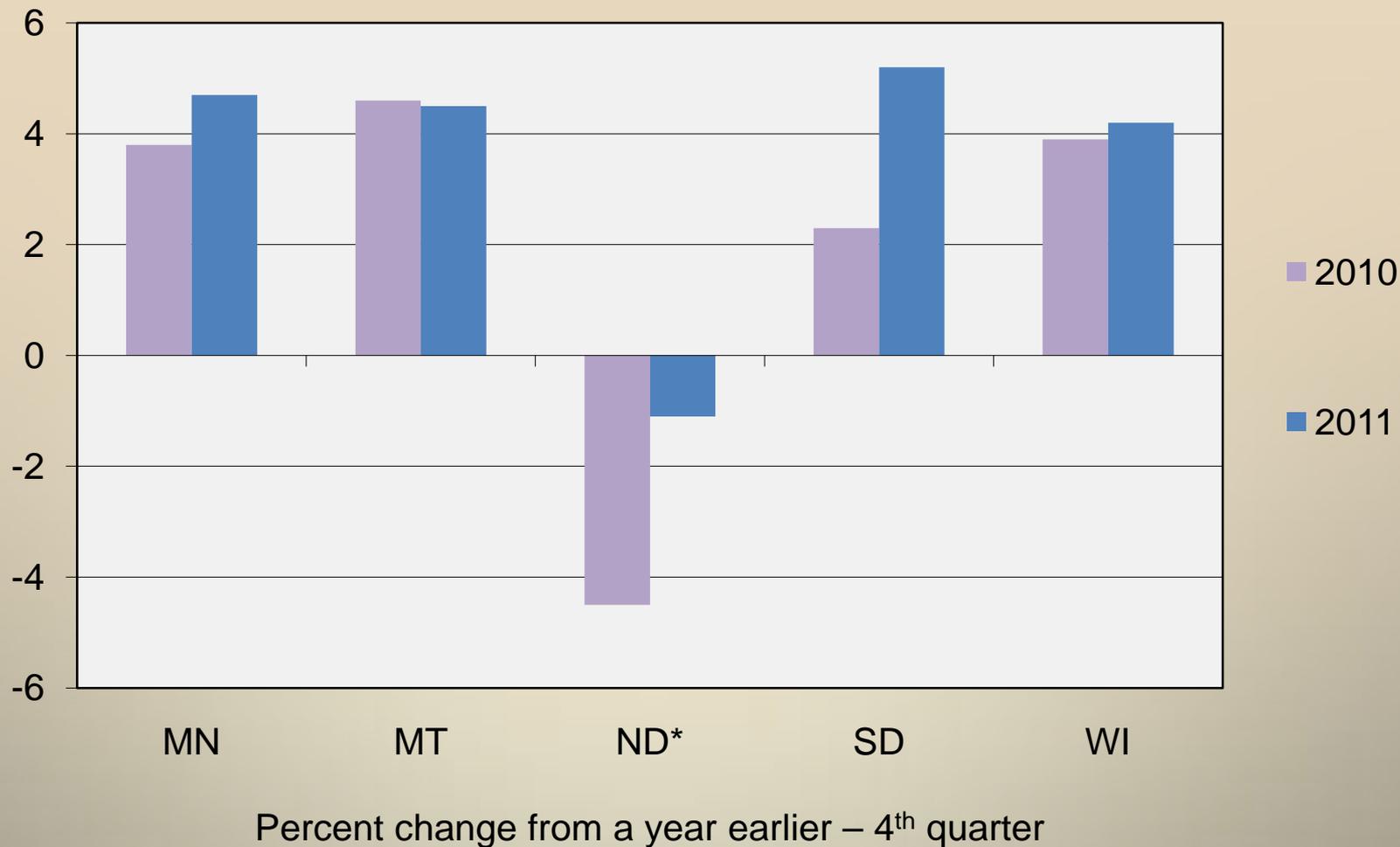
Business leaders foresee some price increases



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



Personal income growth expected to increase

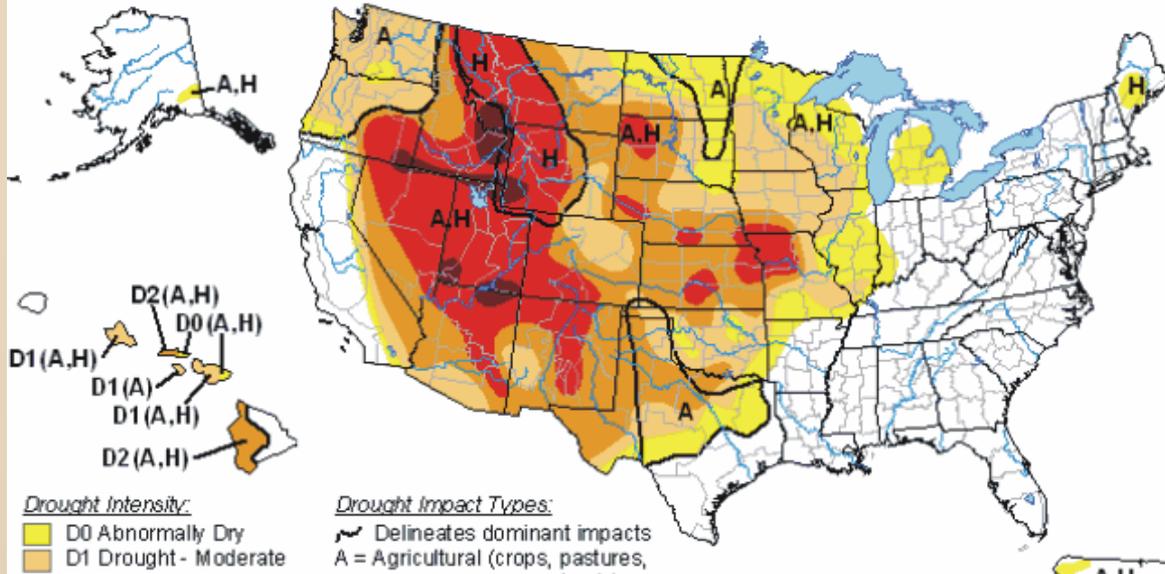
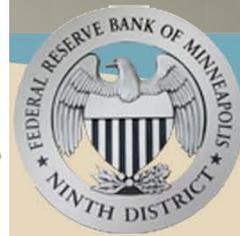


*Forecast for North Dakota has a wide 70 percent confidence interval.

U.S. Drought Monitor

August 26, 2003

Valid 8 a.m. EDT



Drought Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate

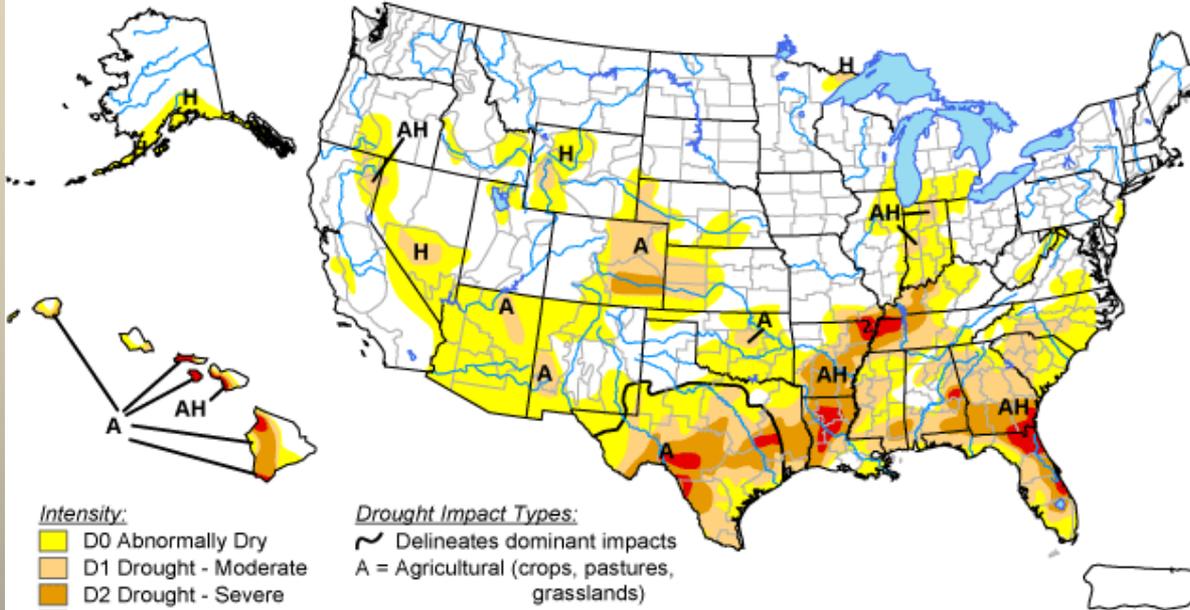
Drought Impact Types:

- Delineates dominant impacts
- A = Agricultural (crops, pastures,

U.S. Drought Monitor

December 7, 2010

Valid 7 a.m. EST



Intensity:

- D0 Abnormally Dry
- D1 Drought - Moderate
- D2 Drought - Severe
- D3 Drought - Extreme
- D4 Drought - Exceptional

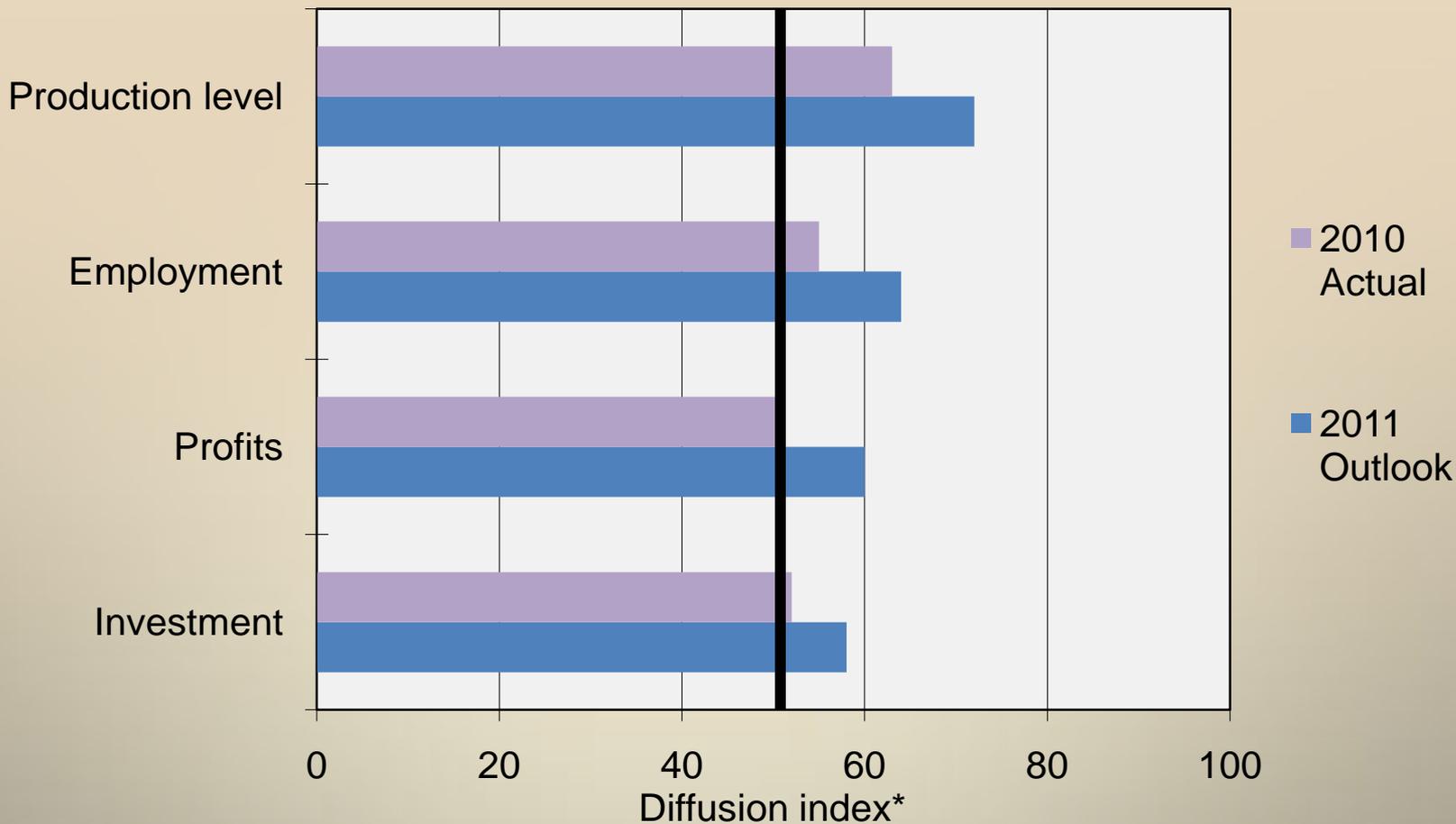
Drought Impact Types:

- Delineates dominant impacts
- A = Agricultural (crops, pastures, grasslands)
- H = Hydrological (water)





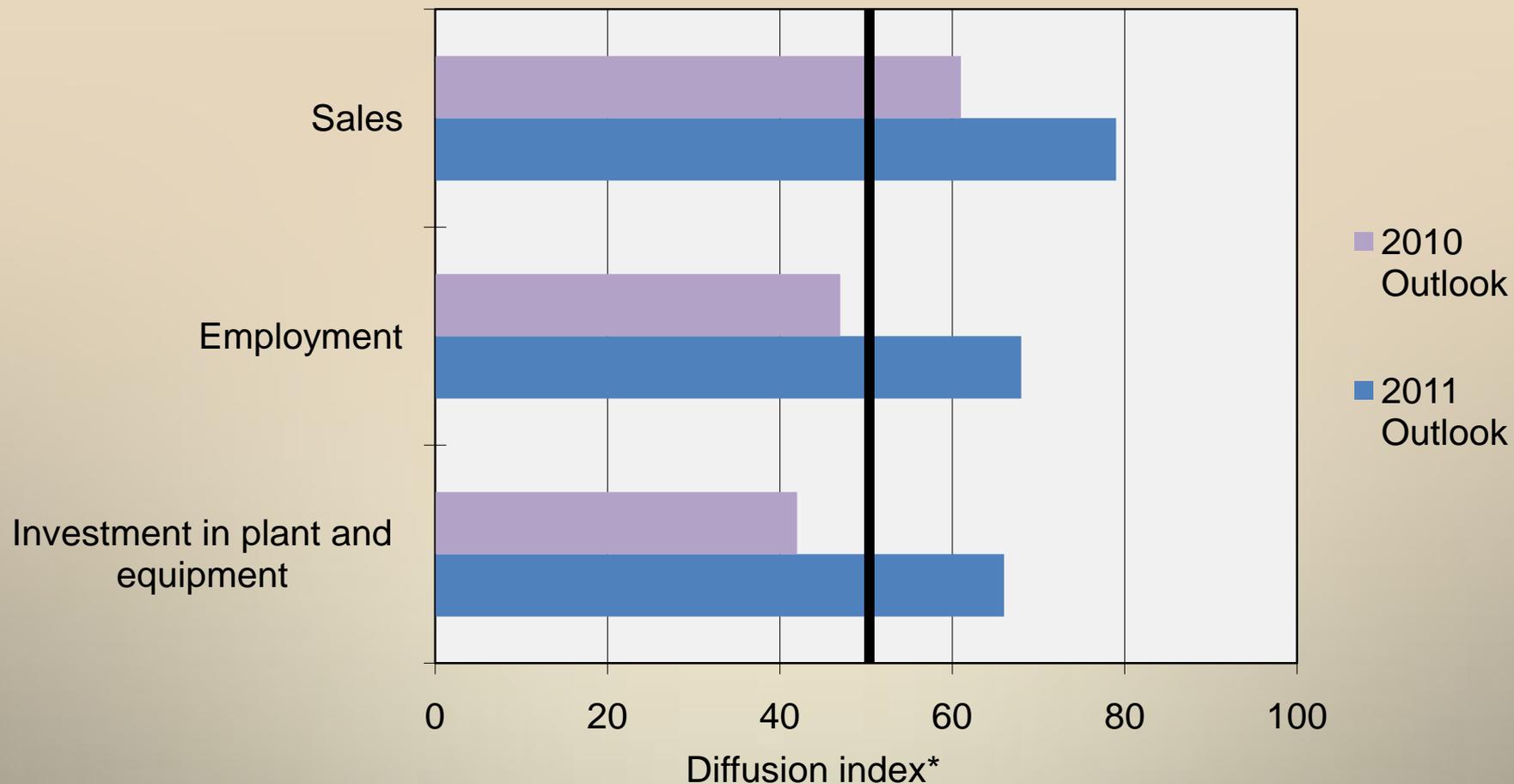
Manufacturing up in 2010; more growth expected in 2011



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Index number below 50 indicates contraction.



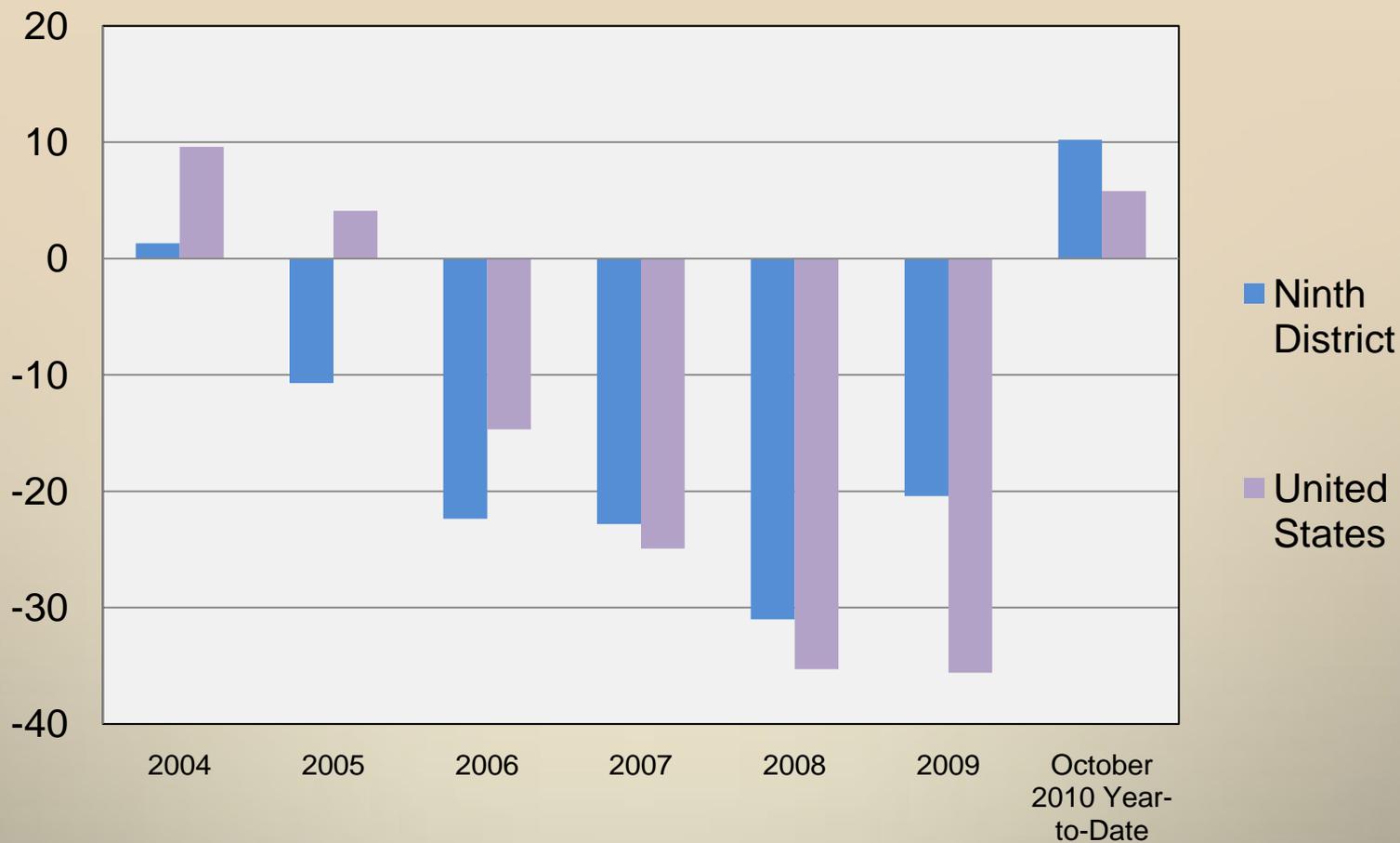
Manufacturing firms expect growth in 2011



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Index number below 50 indicates contraction.



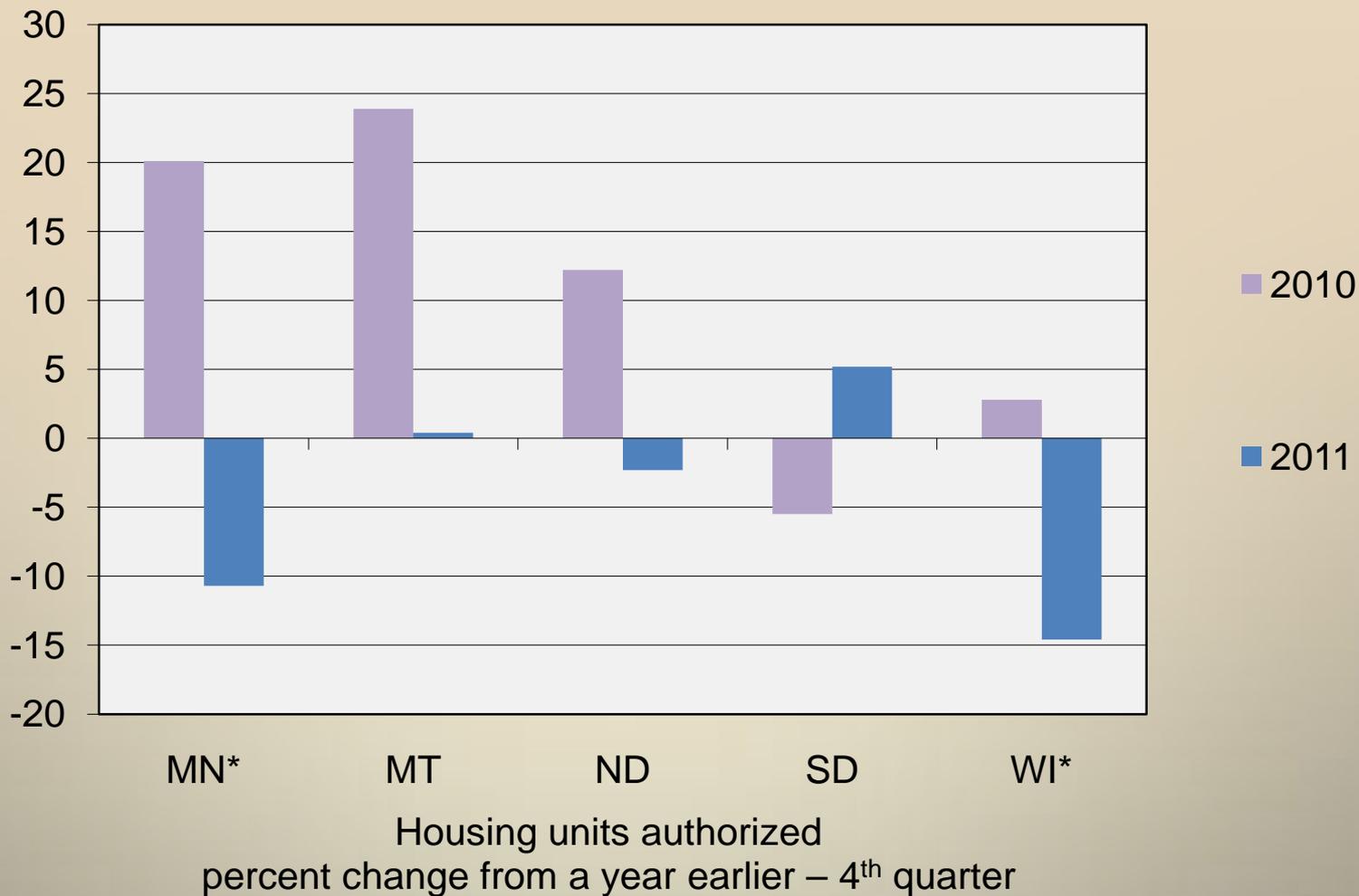
Home building remains weak



Housing units authorized
percent change from a year earlier



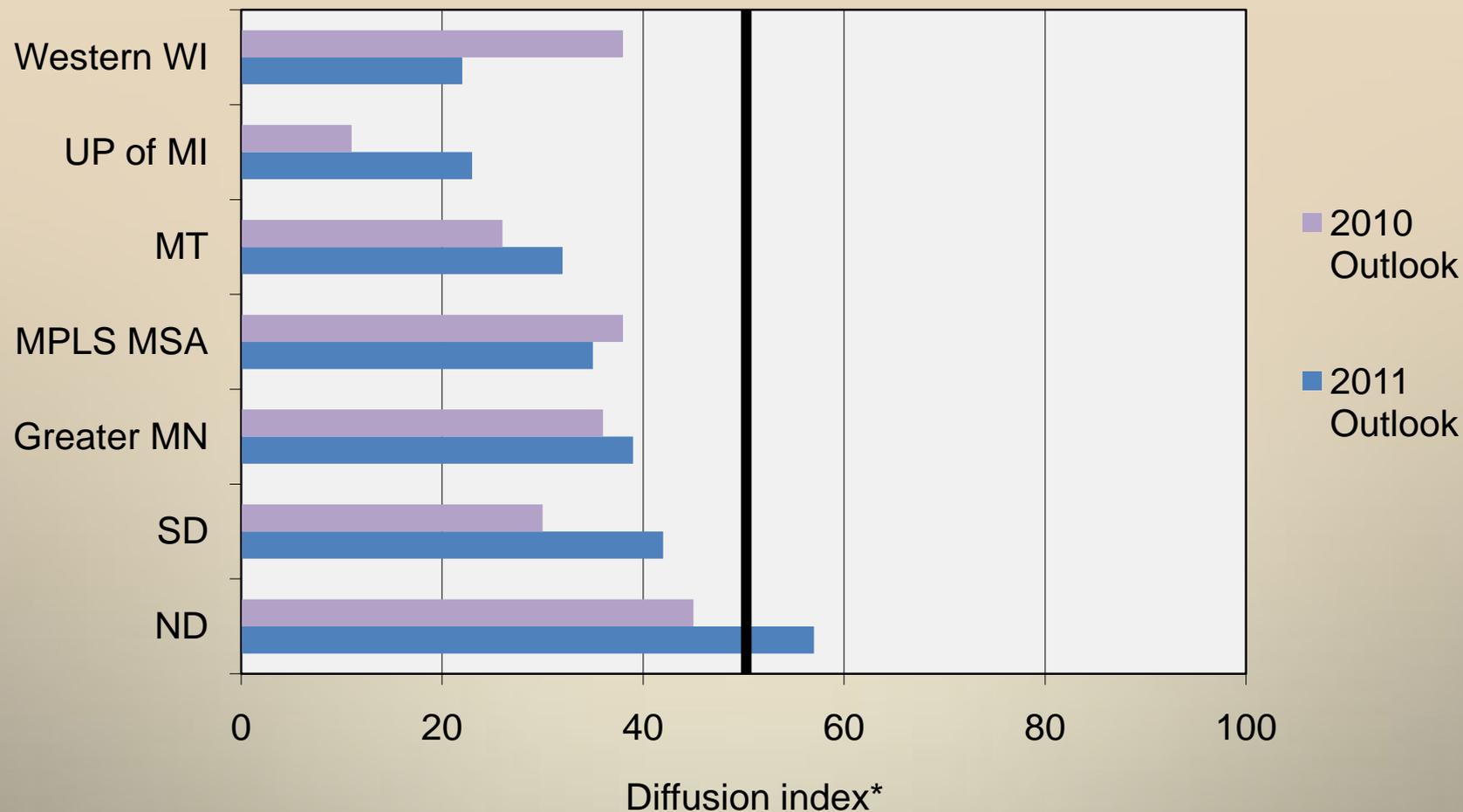
Forecast model expects mixed housing starts



* 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.



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Questions?