

# Resilience of the U.S. Economy

*Nate Kauffman*

*February 23, 2024*



The views expressed here are those of the speaker and do not necessarily reflect the opinions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



# Outlook Themes

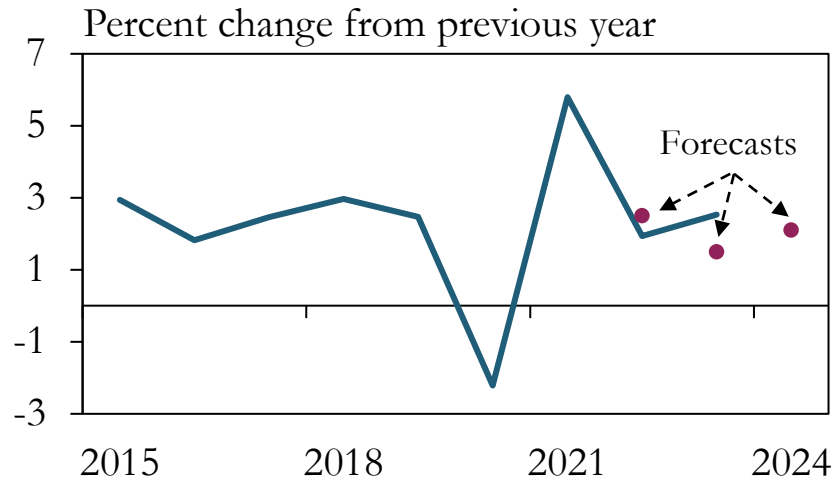
---

- Economic growth in the U.S., and in Nebraska, has been resilient in the face of numerous risks and uncertainties.
- Alongside a strong labor market, consumption has remained a primary driver of growth.
- Growth appears likely to be more subdued in 2024, with agriculture also softer in the year ahead.

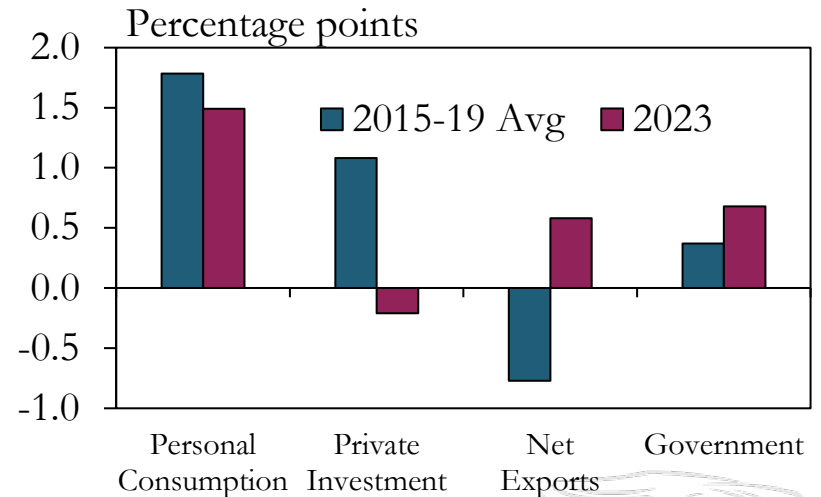


# Economic growth has been solid over the past year.

## Real GDP Growth



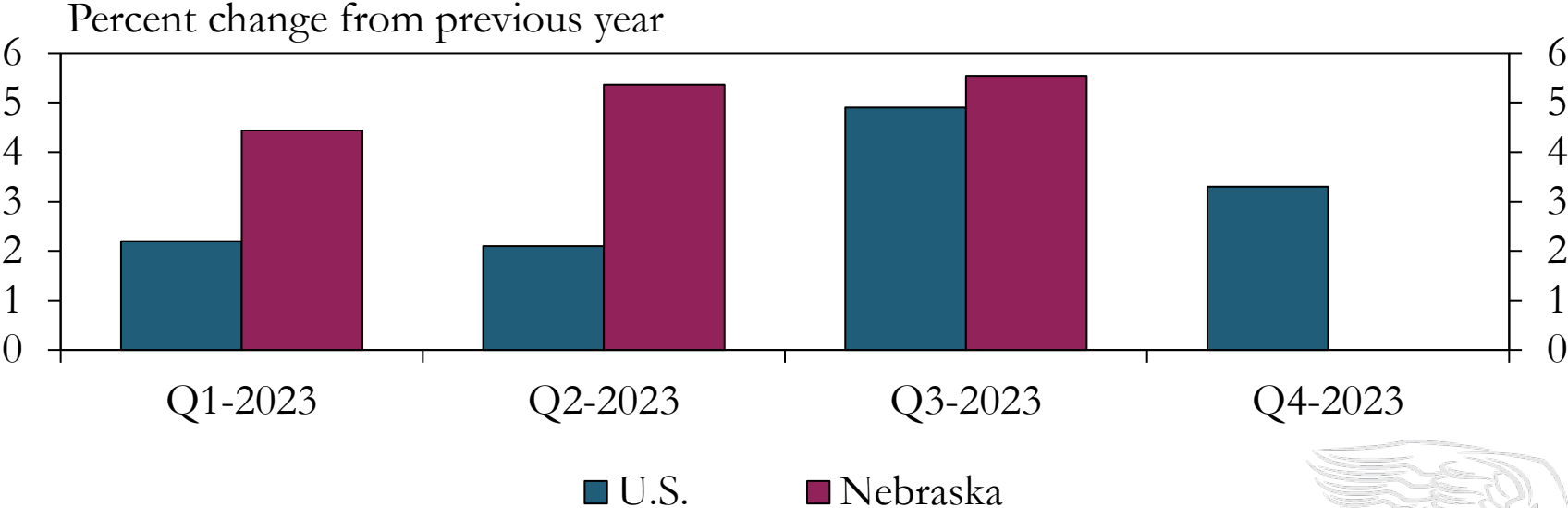
## Contributions to Real GDP Growth



# Economic activity in Nebraska has also been strong.

---

## Real GDP

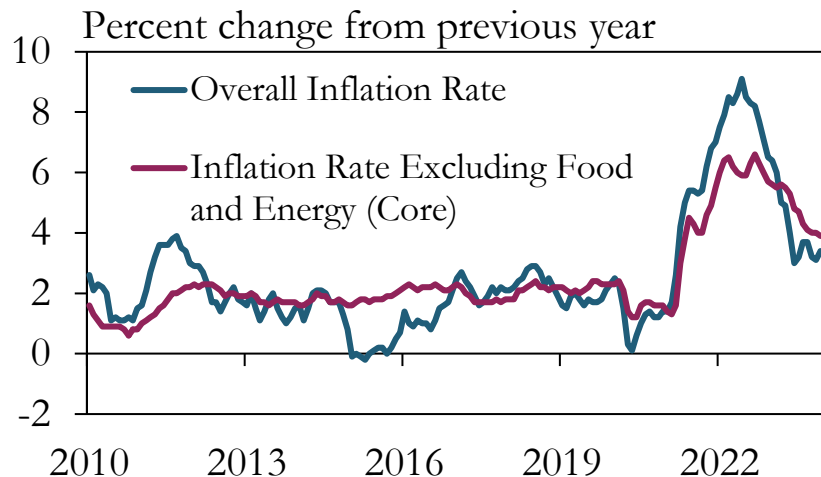


Sources: BEA, Haver Analytics.

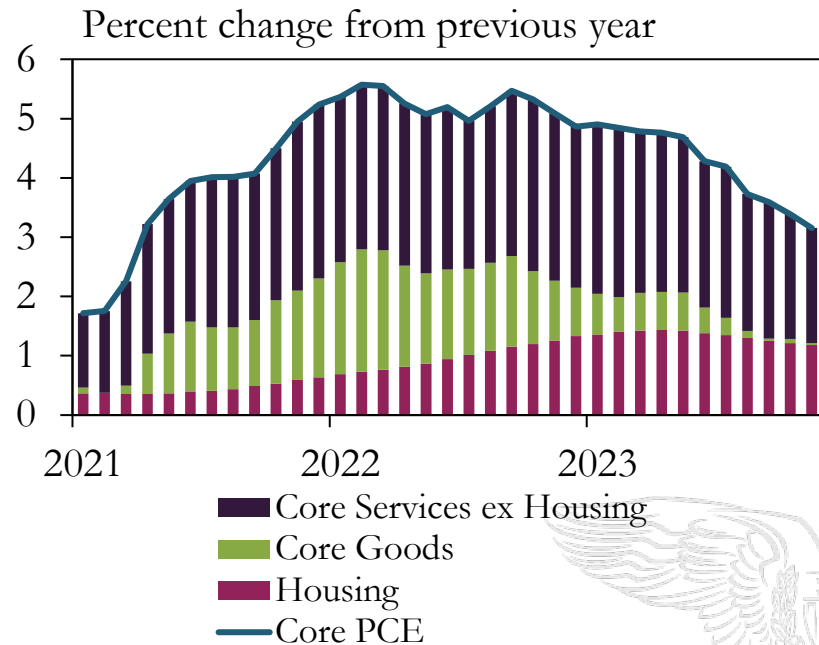


# Inflation has moderated substantially, but there are still risks of some persistence.

## U.S. Consumer Prices

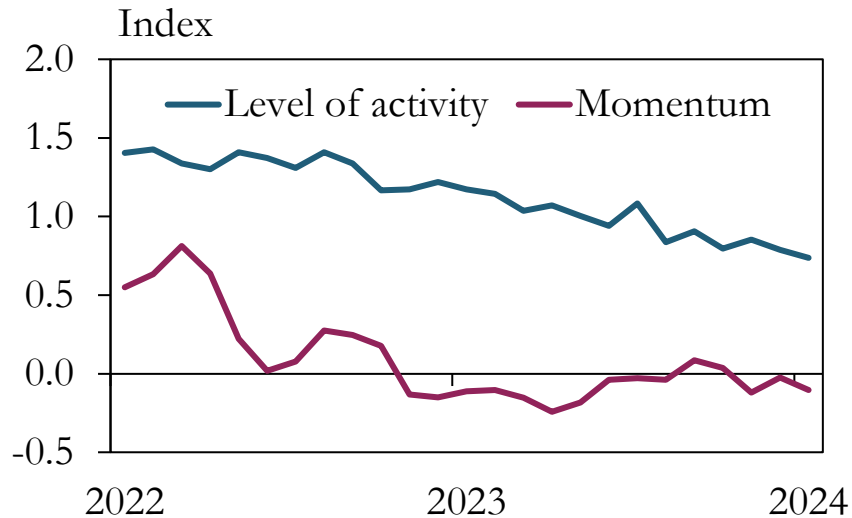


## Contributions to Core PCE

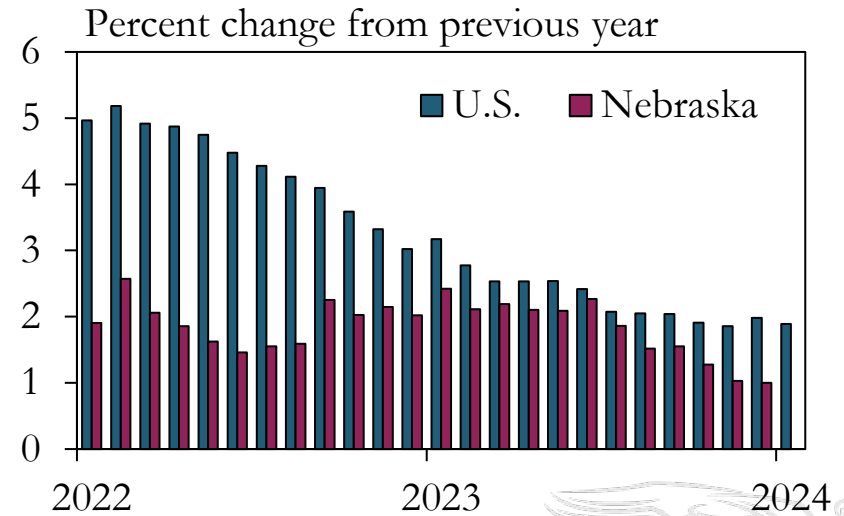


# A key factor to solid economic activity, labor markets have remained strong.

## Labor Market Conditions Index

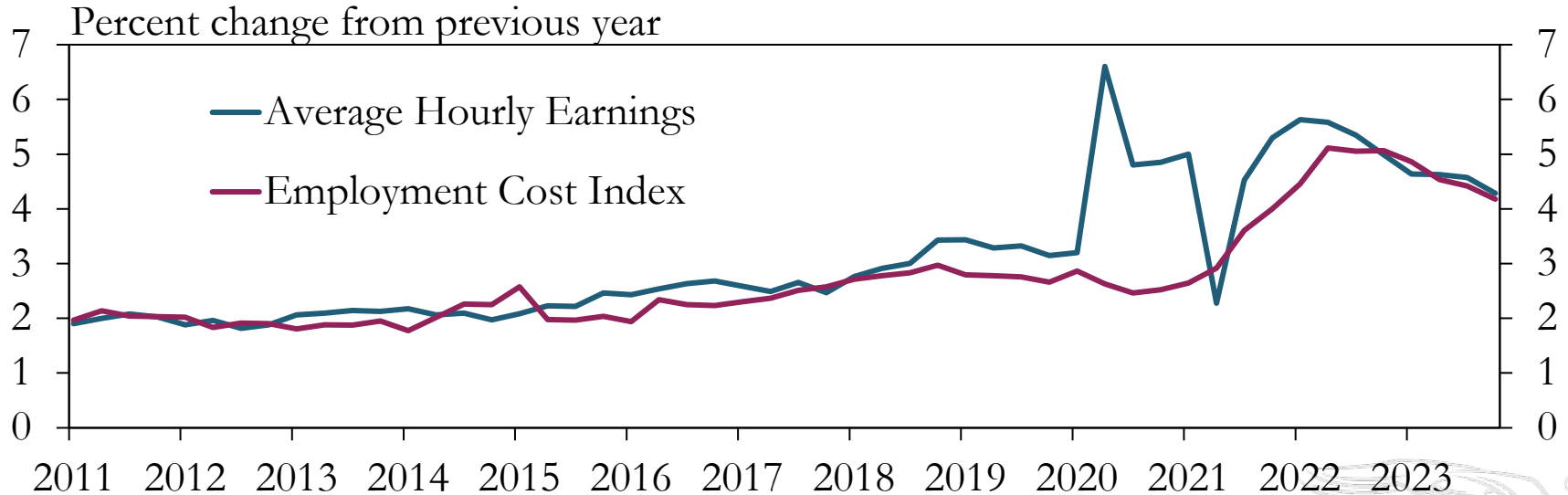


## Job Growth



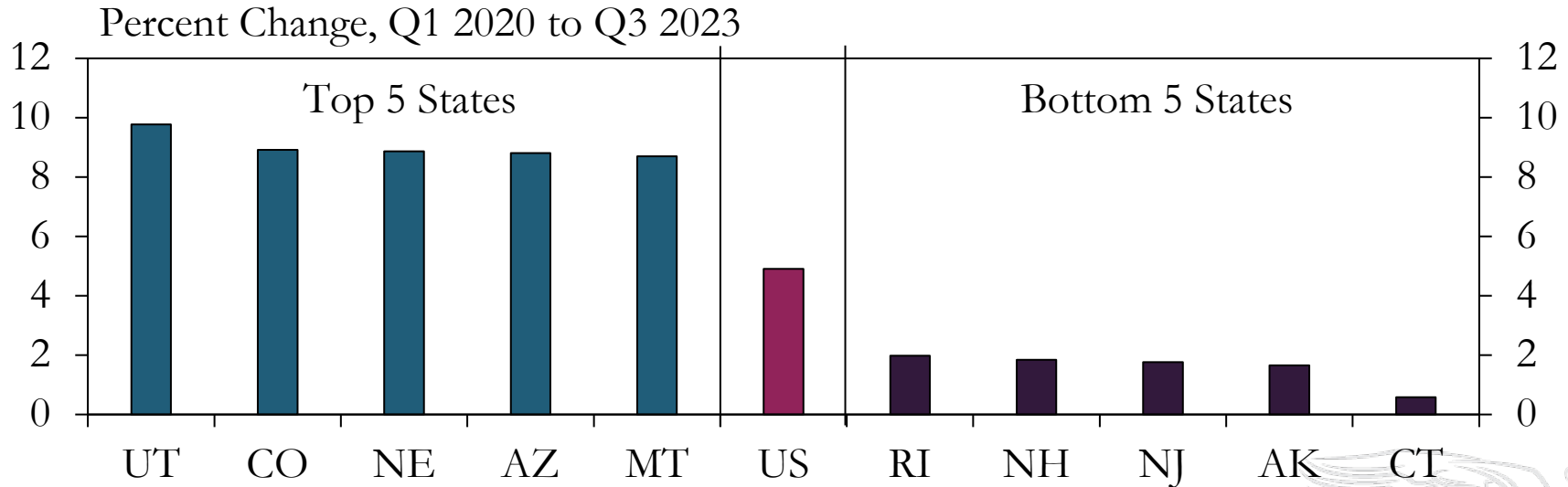
# Wage growth has moderated somewhat, but still remains higher than before the pandemic.

## Cost of Labor



# In Nebraska, income growth has been among the strongest in the nation since 2000.

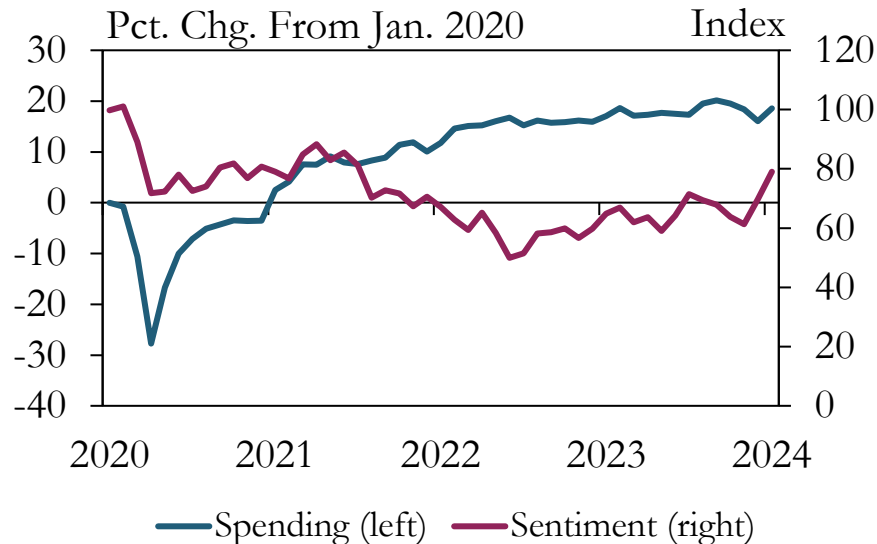
## Real Per Capita Personal Income



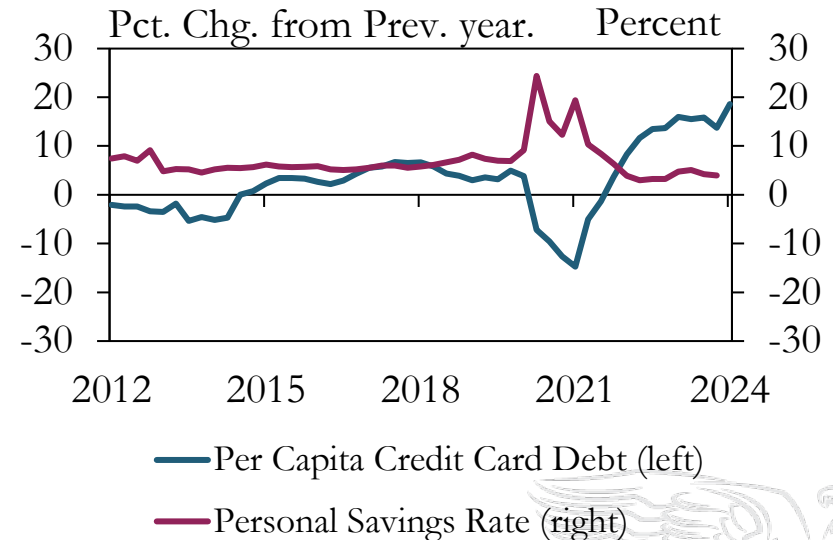


# Consumer spending has been strong despite some signs of increased debt and reduced savings.

## Consumer Spending and Sentiment

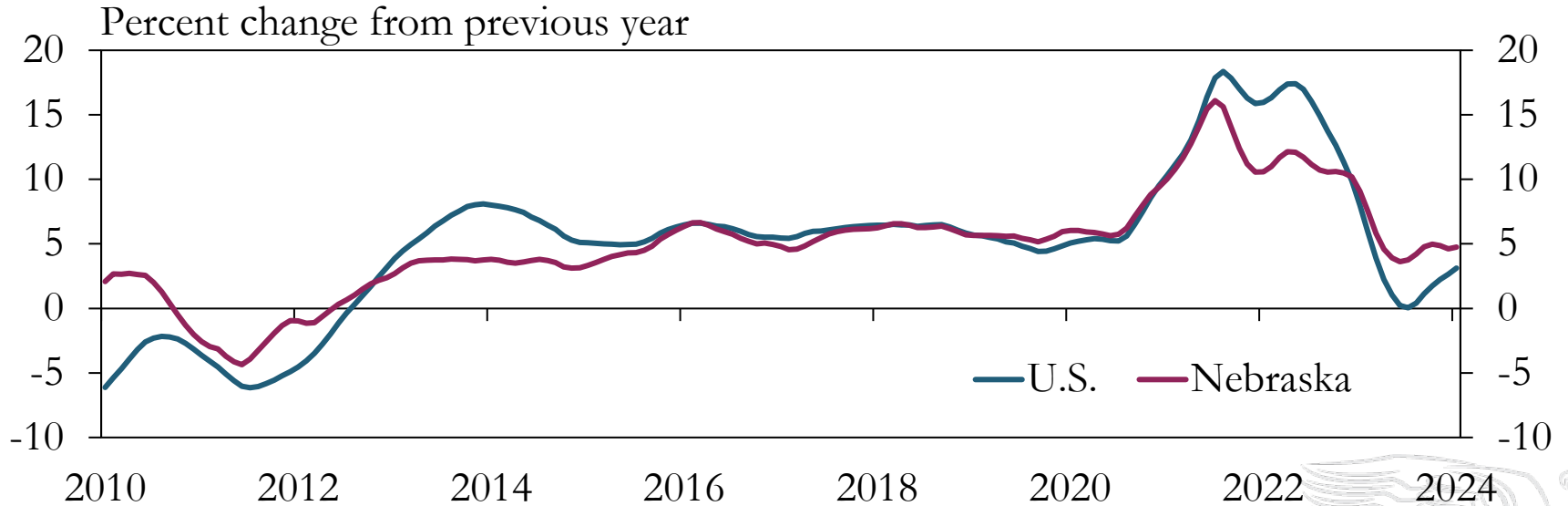


## Household Finances



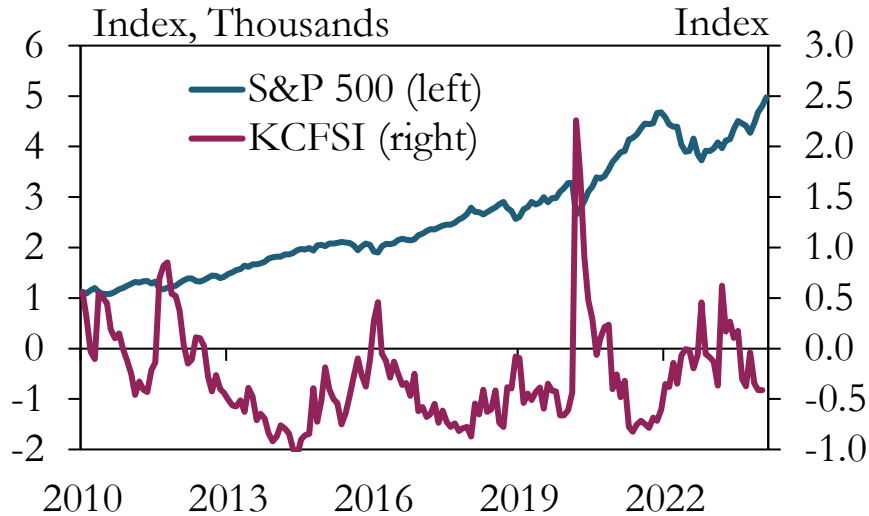
# The housing market has also supported household balance sheets as prices have remained firm.

## Home Prices

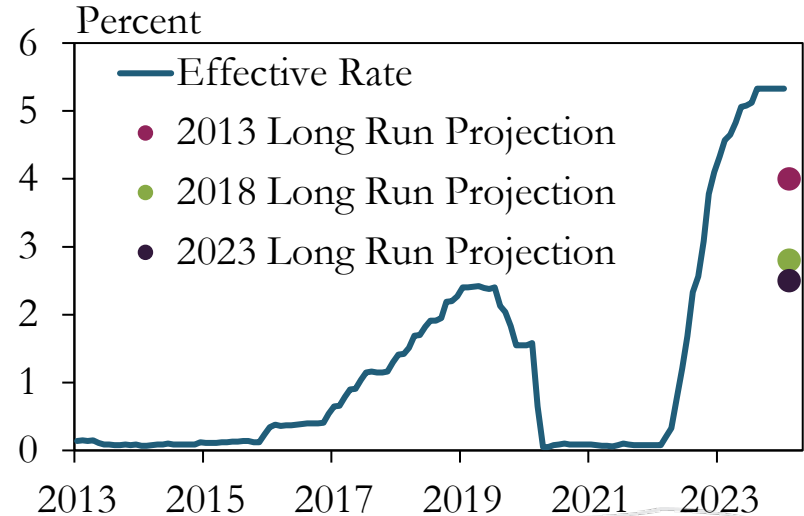


# And financial markets have strengthened despite the persistence of higher interest rates.

## Financial Conditions

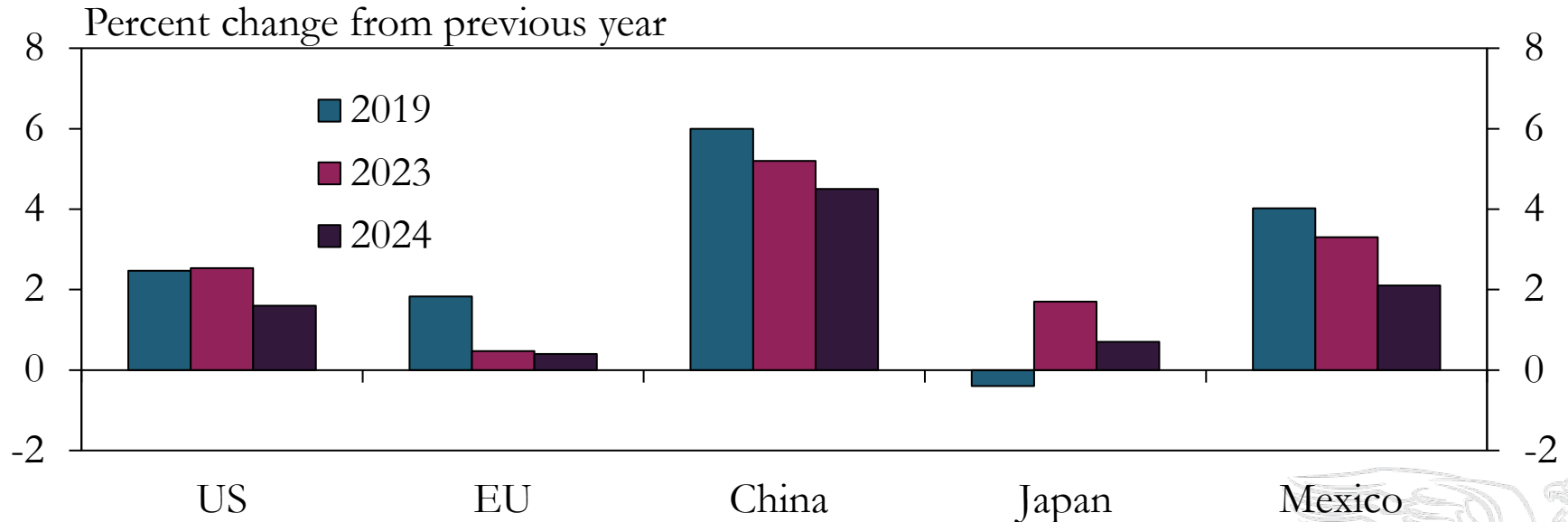


## Federal Funds Rate



# Although the U.S. economy has been resilient, growth may be slower in the year ahead.

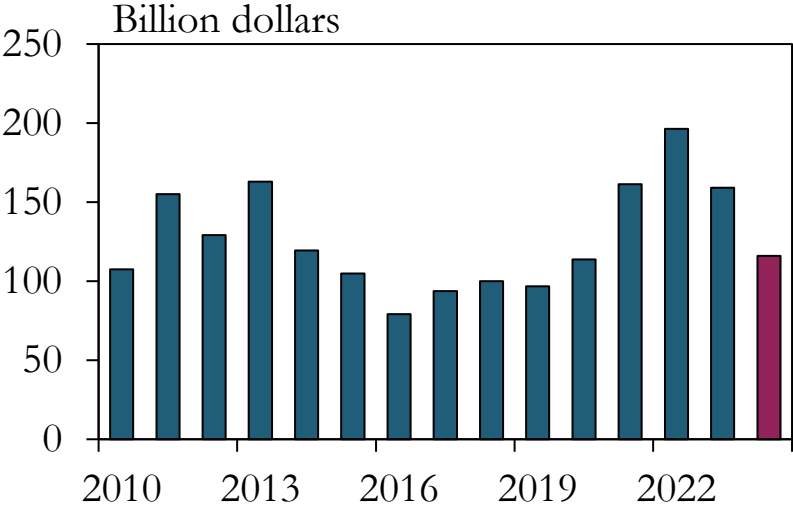
## Real GDP Growth



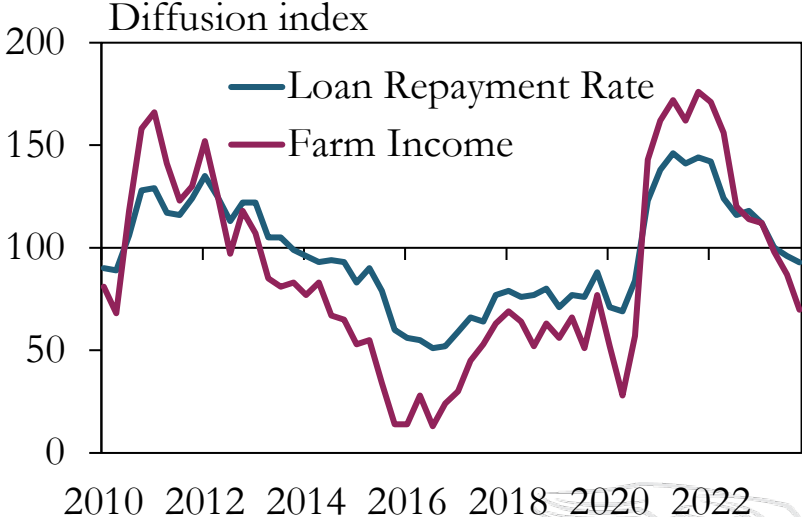
Sources: Bureau of Labor Statistics, BEA, Wolters Kluwer, Statistical Office of the European Communities, Cabinet Office of Japan, Office of National Statistics, China National Bureau of Statistics, and Haver Analytics

# In Nebraska, and throughout the Midwest, thinner profit margins in agriculture could dampen growth.

Real Net Farm Income



Ag Credit Conditions (KC Fed)



Sources: USDA, Federal Reserve Bank of Kansas City.



# Concluding Thoughts

---

- The U.S. and Nebraska economy appears poised to grow further in 2024, but possibly at a slower pace.
- Numerous risks remain, however.
  - Inflation persistence and potential implications
  - Interest rates and financial markets
  - Global growth / China
  - Commercial real estate
  - Geopolitics
  - Weaker ag economy

