Are we headed into a recession?
Disclaimer

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.

minneapolisdafed.org
Real Gross Domestic Product (GDPC1)

Source: U.S. Department of Commerce: Bureau of Economic Analysis

Shaded areas indicate US recessions.
2013 research.stlouisfed.org
Long Live the weak Expansion
All Employees: Total nonfarm (PAYEMS)


Shaded areas indicate US recessions.

2014 research.stlouisfed.org
The states are in expansion:
- 7% West Virginia
- 7% Utah
- 7% Texas
- 7% District of Columbia
- 10% Alaska
- 10% Louisiana
- 14% Oregon
- 30% North Dakota

Percent Change in Real GDP by State, 2012
18 states are in recovery

- 9% Nevada
- 8% Michigan
- 6% Florida
- 6% Arizona
- 4% Wyoming
Sectors up from 2007

- 6% Durable goods
- 6% Information
- 8% Professional, scientific, and technical
- 8% Finance and insurance
- 12% Health care and social assistance
- 16% Mining
Ninth District Economy: Growth in 2014

- Business leaders optimistic
- Employment up, moderate unemployment rate reductions
- Home building recovery continues
Business optimism is at a 7-year high
Employment gains modest

Nonfarm employment forecast
Percent change from a year earlier – 4th quarter
Business leaders expect increased employment at their companies.

- **Agriculture**: Diffusion index above 50 indicates expansion.
- **Manufacturing**: Diffusion index above 50 indicates expansion.
- **Services**: Diffusion index above 50 indicates expansion.
- **DISTRICT**: Diffusion index above 50 indicates expansion.
- **Construction**: Diffusion index above 50 indicates expansion.
- **Retail**: Diffusion index above 50 indicates expansion.

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.*
Not much change in unemployment rates
Business leaders anticipate small wage increases

Percent of respondents

Above 5%
4% to 5%
2% to 3%
0% to 1%

2013 Outlook
2014 Outlook
Business leaders foresee some price increases

- Retail
- Services
- Manufacturing
- DISTRICT
- Construction
- Agriculture

*Index number above 50 indicates expansion. Index number below 50 indicates contraction.
Personal income growth expected to increase

Percent change from a year earlier – 4th quarter
More than 90 days past due
June 2010
More than 90 days past due
December 2013

Delinquent Payment: 90+ PD, Foreclosure, US, 201312*
More than 90 days past due
August 2013
Home building recovery continues in Minnesota

*Estimate based on November year-to-date change from 2012 to 2013
Apartment Vacancy Keeps Steady

Year-over-year vacancy change, basis points

Vacancy rate, %

Sources: MPF Research, CBRE Econometric Advisors.
Apartment Cycle Chart (Fig. 15)

**Recovery**
- Decreasing Vacancy Rates
- Low New Construction
- Moderate Absorption
- Low/Moderate Employment Growth
- Neg/Low Rental Rate Growth

**Expansion**
- Decreasing Vacancy Rates
- Moderate/High New Construction
- High Absorption
- Moderate/High Employment Growth
- Med/High Rental Rate Growth

**Hypersupply**
- Increasing Vacancy Rates
- Moderate/High New Construction
- Low/Negative Absorption
- Moderate/Low Employment Growth
- Med/Low Rental Rate Growth

**Recession**
- Increasing Vacancy Rates
- Moderate/Low New Construction
- Low Absorption
- Low/Negative Employment Growth
- Low/Neg Rental Rate Growth

Cities:
- Boise, ID
- Cincinnati, OH
- Columbus, SC
- Detroit, MI
- Los Angeles, CA
- Memphis, TN
- Naples, FL
- Nashville, TN
- Oakland, CA
- Raleigh, NC
- Sacramento, CA
- Sarasota, FL
- Syracuse, NY
- Tulsa, OK
- Greensboro, NC
- Jackson, MS
- Las Vegas, NV
- Greenville, SC
- Providence, RI
- Atlanta, GA
- Baltimore, MD
- Birmingham, AL
- Broward County, FL
- Charleston, SC
- Dallas, TX
- Denver, CO
- Fort Worth, TX
- Hartford, CT
- Houston, TX
- Indianapolis, IN
- Louisville, KY
- New Jersey, Coastal
- Phoenix, AZ
- Pittsburgh, PA
- Salt Lake City, UT
- San Antonio, TX
- San Jose, CA
- Seattle, WA
- St. Louis, MO
- Tampa, FL
- Minneapolis, MN
- Austin, TX
- Boston, MA
- Charlotte, NC
- Chicago, IL
- Jacksonville, FL
- Kansas City, MO/KS
- Long Island, NY
- New Jersey, Northern
- New York, NY
- Orlando, FL
- Philadelphia, PA
- Portland, OR
- Richmond, VA
- San Francisco, CA
- Wilmington, DE

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Sum of Markets Downtown Vacancies Decline, despite New Supply in New York

Basis-Point Change in Sum of Markets Vacancy

-20 -40 -60 -80 0 20 40 60 80 100

Downtown  Suburban
Stay away recession!

- Fiscal issues
- Europe
- China
- Agriculture
- Unlucky
- Others?
Smoothed U.S. Recession Probabilities (RECPROUSM156N)
Source: Marcelle Chauvet and Jeremy Piger

Shaded areas indicate US recessions.
2013 research.stlouisfed.org
Agriculture is a small share of economy

Minnesota 2012 Gross Domestic Product
$295 Billion

- Manufacturing: 14%
- Financial Activities: 22%
- Services: 31%
- Trade, Transportation and Utilities: 17%
- Government: 10%
- Construction: 3%
- Natural Resources: 3%

Agriculture is a small share of the economy.
Questions?
The chart shows a 12-month moving average for the number of total U.S. bankruptcy per 1,000 population from Jan. 2008 to Oct. 2013.

from Credit Slips at http://www.creditslips.org, (c) Robert M. Lawless
APARTMENT SUPPLY IS CATCHING UP WITH DEMAND

Year-over-Year Change, %

Sources: Bureau of the Census, CBRE Econometric Advisors, Q3 2013.
VACANCY RATES REMAIN LOW BY HISTORICAL STANDARDS

Vacancy Rate Relative to 1998-2012 Average, Basis Points

Source: CBRE Econometric Advisors, Q3 2013.
VACANCY RATES RELATIVE TO A YEAR AGO

Year-over-Year Change in Vacancy Rate, Basis Points

-150 -100 -50 0 50 100

Atlanta
Dallas
Houston
Seattle
Raleigh
Minneapolis
Boston
Baltimore
Miami
Chicago
Austin
Orange County
Philadelphia
San Jose
Detroit
Phoenix
San Francisco
Average
Los Angeles
New York
Washington, DC

Q2 2013-Q2 2012
Q3 2013-Q3 2012

Source: CBRE Econometric Advisors, Q3 2013.
RENTER GROWTH IS KEEPING THE PACE IN MOST MARKETS

Same-store Rent Growth, %

San Francisco
Seattle
San Jose
Miami
Houston
Austin
Orange County
Los Angeles
Dallas
Boston
Atlanta
Phoenix
Raleigh
Average
Chicago
Baltimore
Detroit
Minneapolis
Washington, DC
Philadelphia
New York

Source: CBRE Econometric Advisors, Q3 2013.
NEAR-TERM SUPPLY PRESSURES VARY ACROSS MARKETS

Ratio of Multi-Housing (5+ units) Permits Over the Last 4 Quarters to 1989-2008 Average

- Austin
- San Francisco
- Raleigh
- Boston
- San Jose
- New York
- Minneapolis
- Houston
- Orange County
- Philadelphia
- Washington, DC
- Miami
- Dallas
- Average
- Seattle
- Los Angeles
- Baltimore
- Phoenix
- Atlanta
- Chicago
- Detroit

Sources: Bureau of the Census and CBRE Econometric Advisors, Q3 2013.