

# 2015 Economic Forecast

## National Conditions

The national economy in 2014 seems to have begun to turn the corner—finally. After many years of false starts and broken promises of a sustained recovery, the national economy has begun to show signs that recovery is here to stay. This is not to say that the national economy is out of the woods, as the recovery after the Great Recession has been one of the weakest since the Great Depression. Although national conditions have improved over the depths of the Great Recession, they are still below long run trends and there are still structural problems facing the US. The early (and somewhat ‘forced’) retirement of many baby boomers, consumer debt deleveraging, and uncertainty about the political direction of the country are significant contributors to the slow recovery. However, the recent decline in oil prices is helping tremendously. Not only is it responsible for a lot of the increase in consumer sentiment in the 2<sup>nd</sup> half of 2014, but is acting like the ‘pay raise’ that so many American households have been missing out on. As many households can attest to, real median household income has fallen about 8% since the start of the Great Recession. The decline in oil prices is a welcome relief to many of these households and is putting an average of \$1,100 back in people’s pockets.

Therefore, we see the growth rate of real output for the nation falling between 2.4% and 3.2% with the actual estimate of 2.8% for 2015. Furthermore, we project that US employment will grow at 1.8% for 2015 and that the unemployment rate will continue to decline to an average of 5.4% for the year.

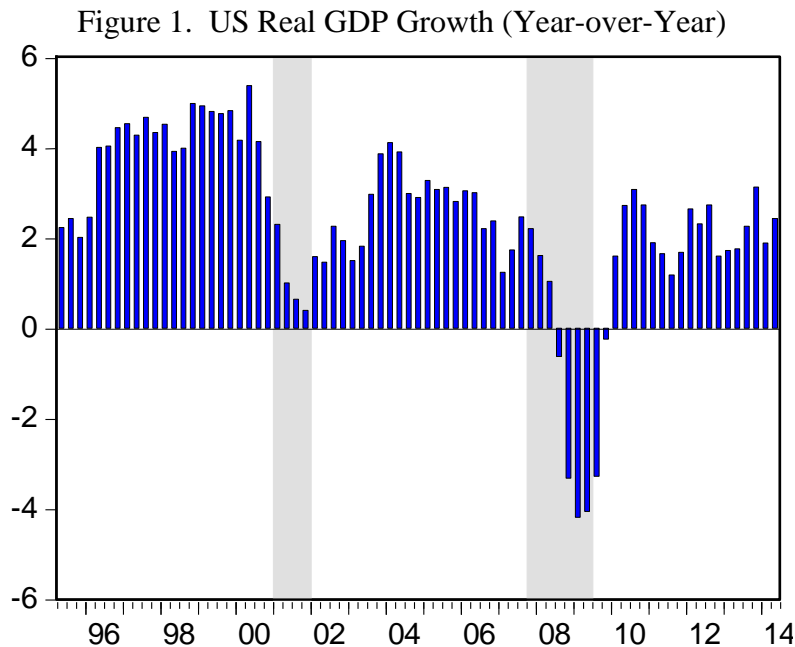


Figure 2. US Unemployment Rate

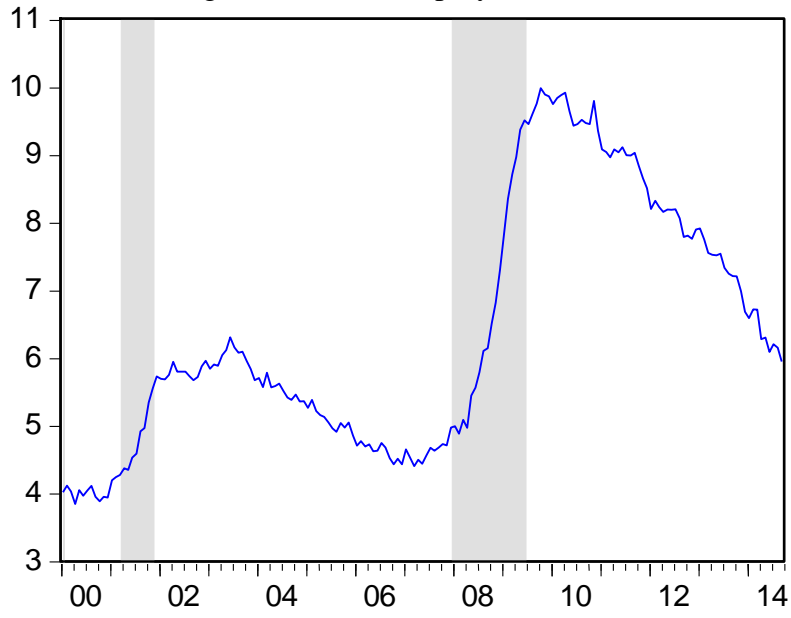
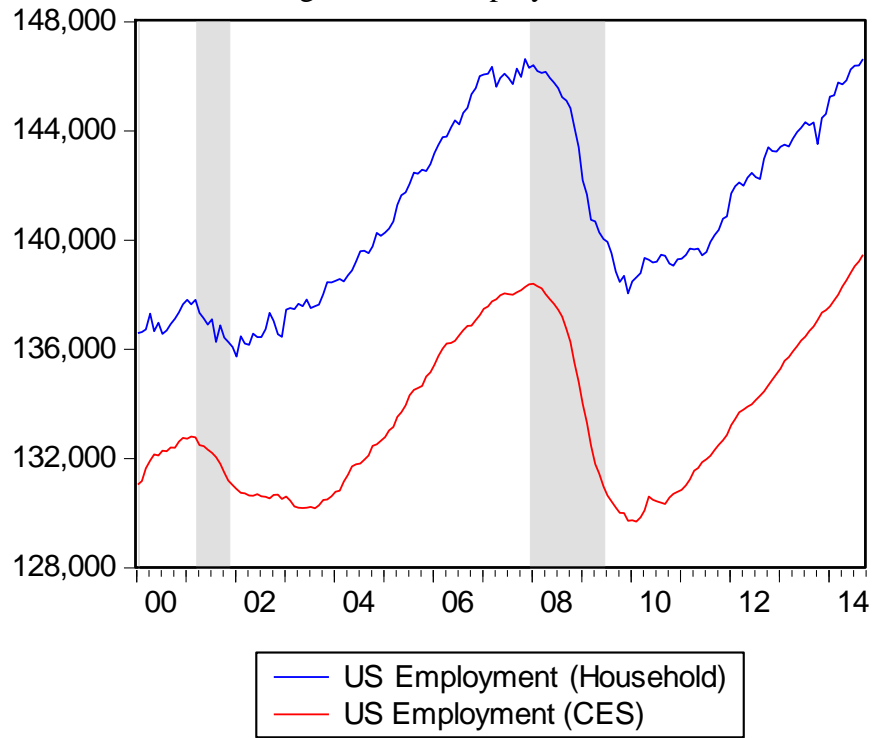


Figure 3. US Employment



## Missouri Conditions

Economic conditions within the state of Missouri continue to remain subpar compared to the rest of the nation—but there has been signs of some strengthening in the Missouri economy especially in the second half of the year. Employment growth has accelerated in the second half of the year and the unemployment rate continues to fall. The lower prices of oil are a helpful boon to Missouri households and the Missouri Coincident Index is back to its precession level. Employment is increasing, though it still remains below its peak level, and the unemployment rate is falling. However, income growth continues to remain far below average and on an inflation adjusted basis, most households in Missouri are poorer than when the recession began nearly 7 years ago. This is also true of the state which has seen significant declines in real tax revenue collections compared to the peak in 2008. Furthermore, a lot of the decline in the unemployment rate can be attributed to Missourians leaving the labor force all together rather than finding jobs per se. Although we are optimistic about the performance of the Missouri economy in 2015, it is difficult to see these increases in employment becoming permanent if we don't begin to experience some increases in household real income. This increase in household real income is needed if the current rate of expansion is to become more than just another false promise.

Figure 1. Percent Change in Employment by Industry (Sep 2013 – Mar 2014)

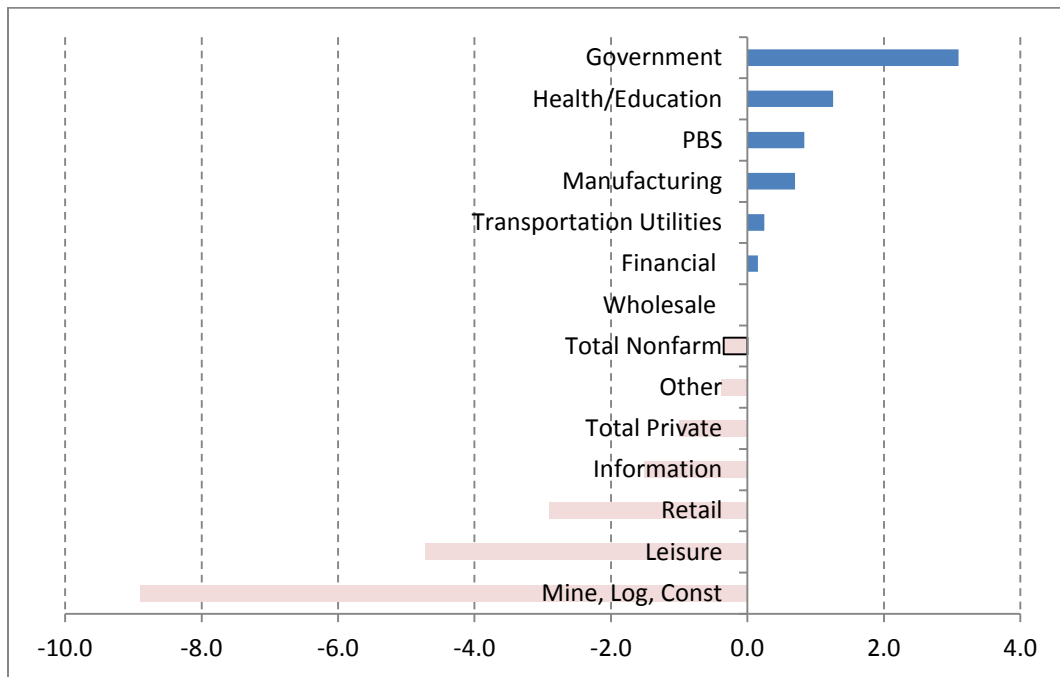


Figure 2. Percent Change in Employment by Industry (Sep 2013 – Sep 2014)

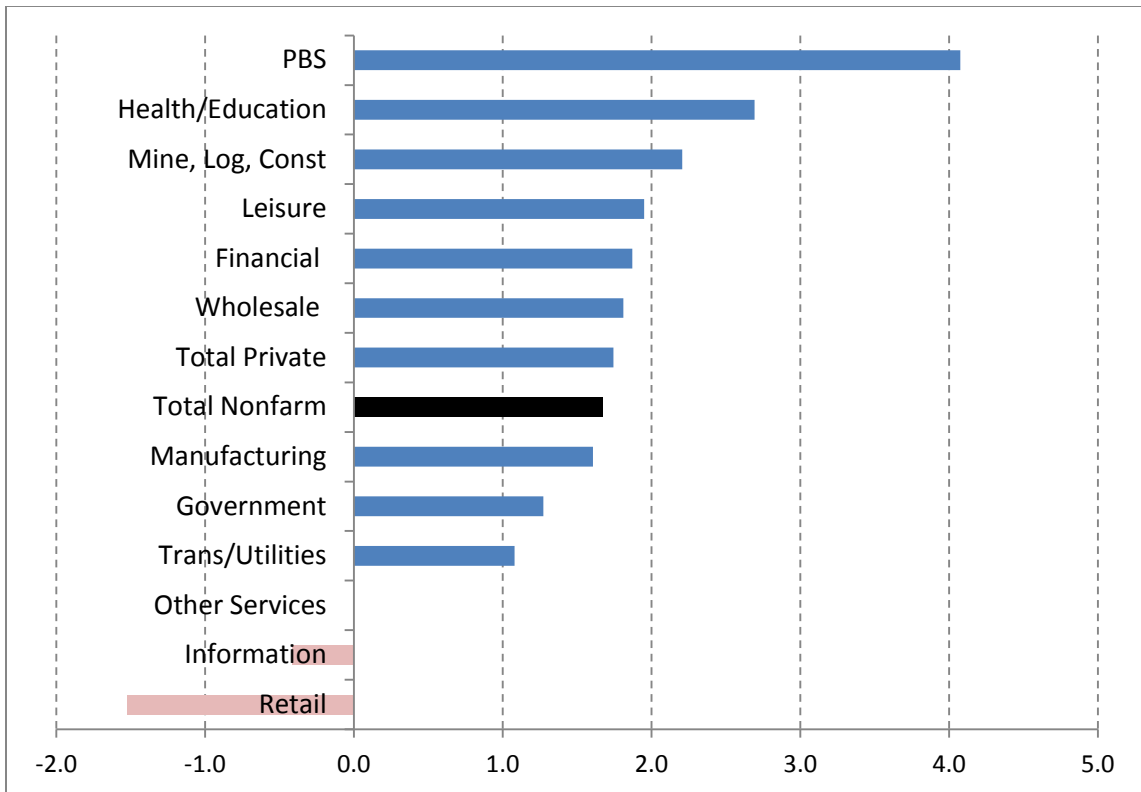


Figure 3. Missouri Coincident Index (July 1992 = 100)

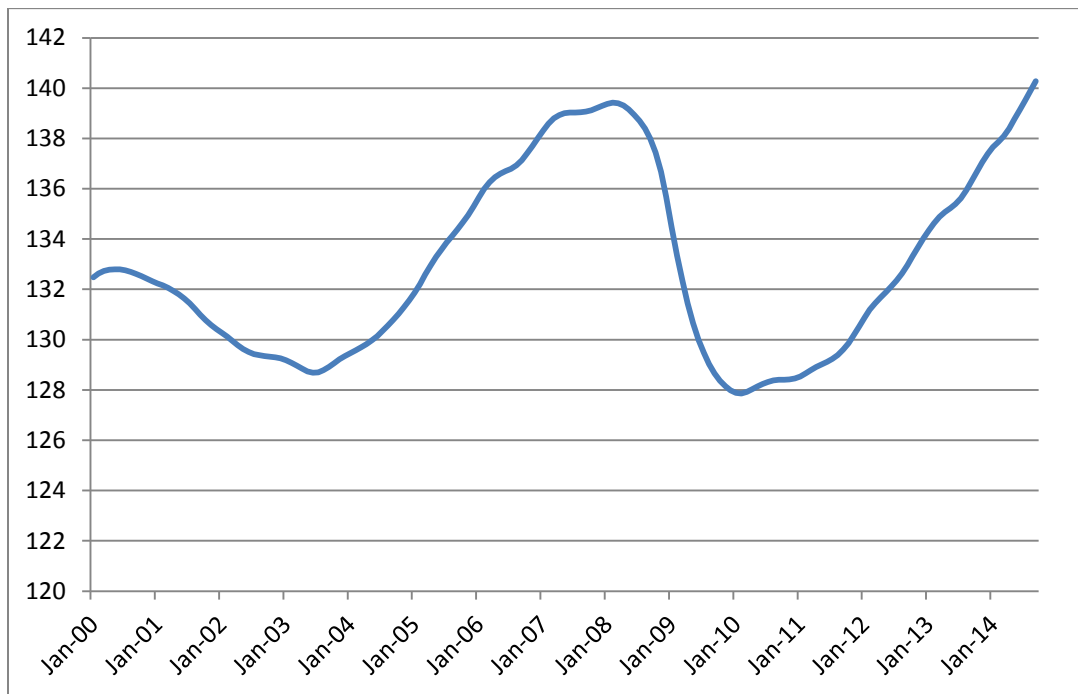


Figure 4. Missouri Employment

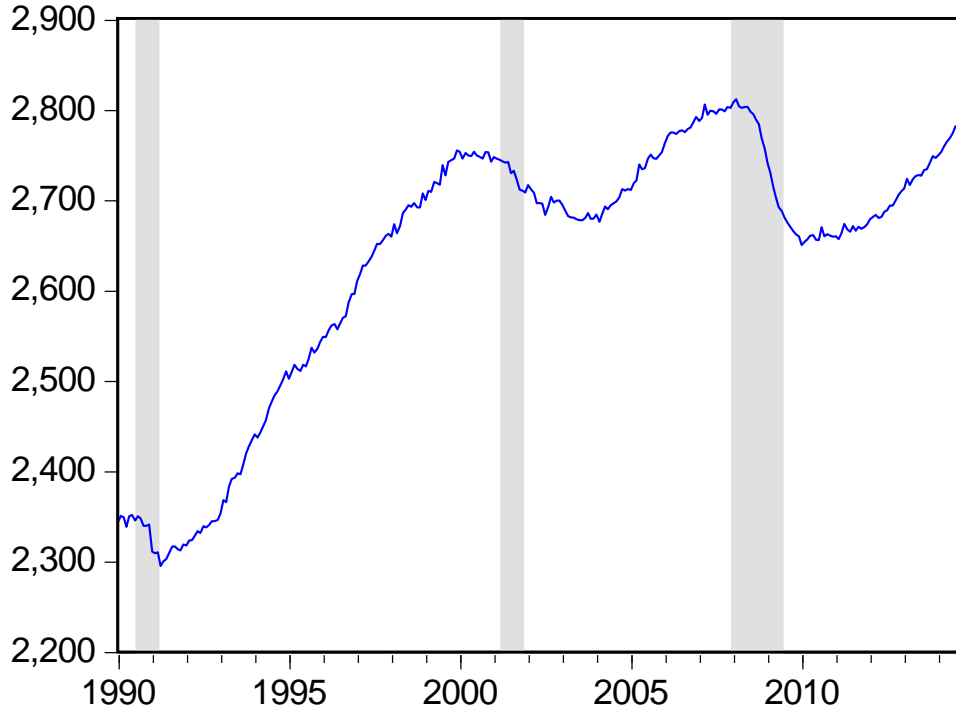


Figure 5. Index of Missouri and US Employment (Jan 2000 = 100)

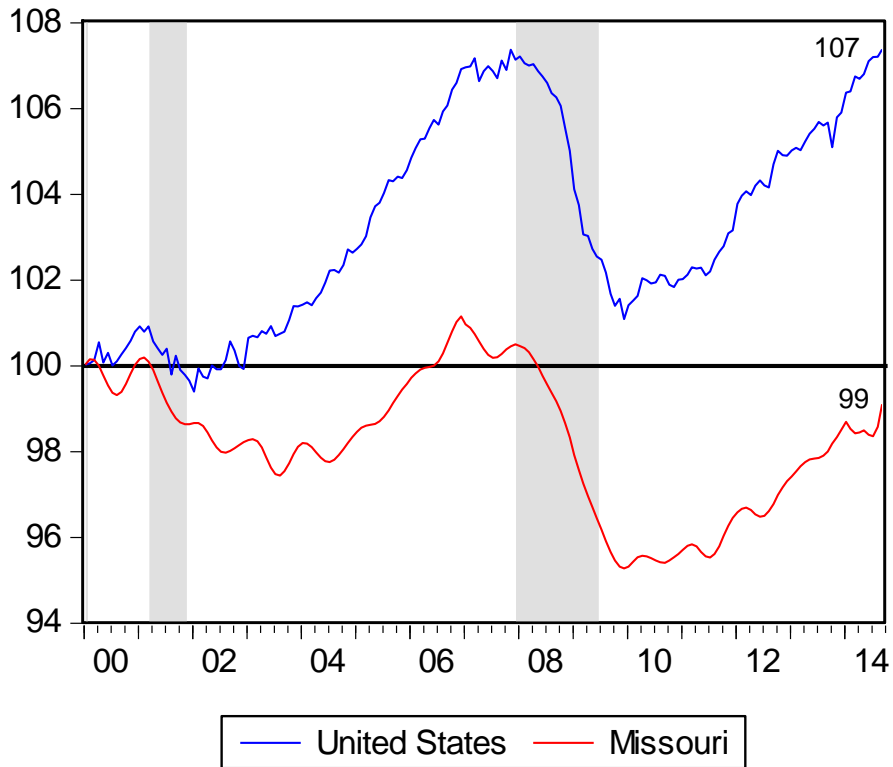


Figure 6. Labor Force in Missouri

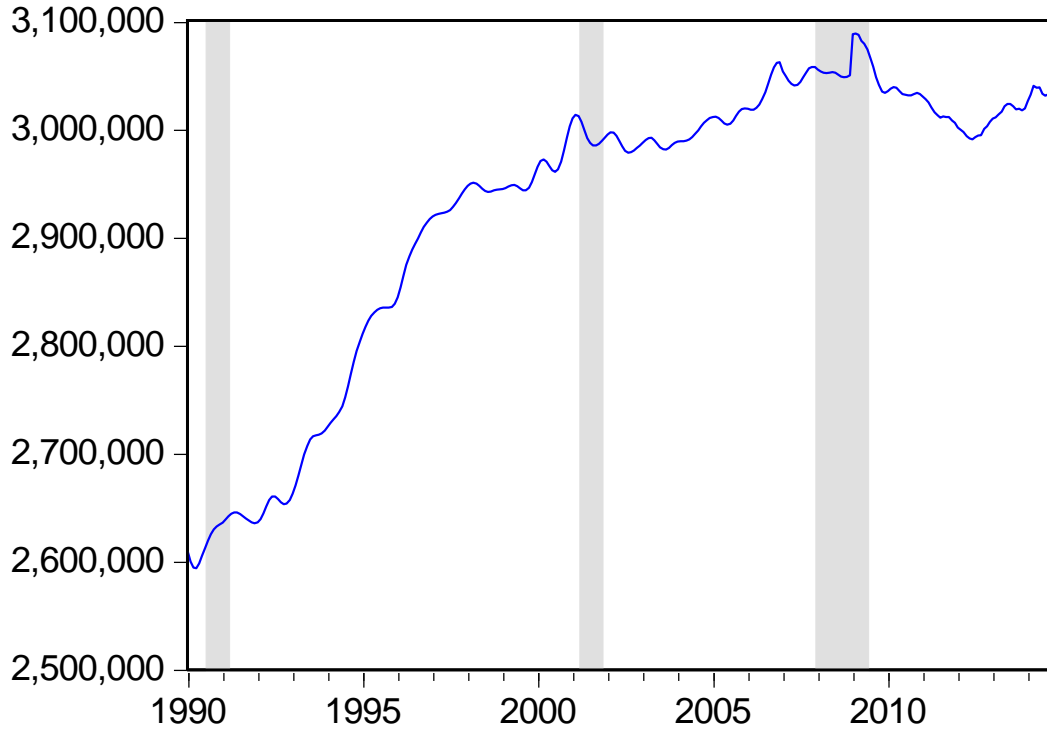


Figure 7. Missouri Unemployment Rate

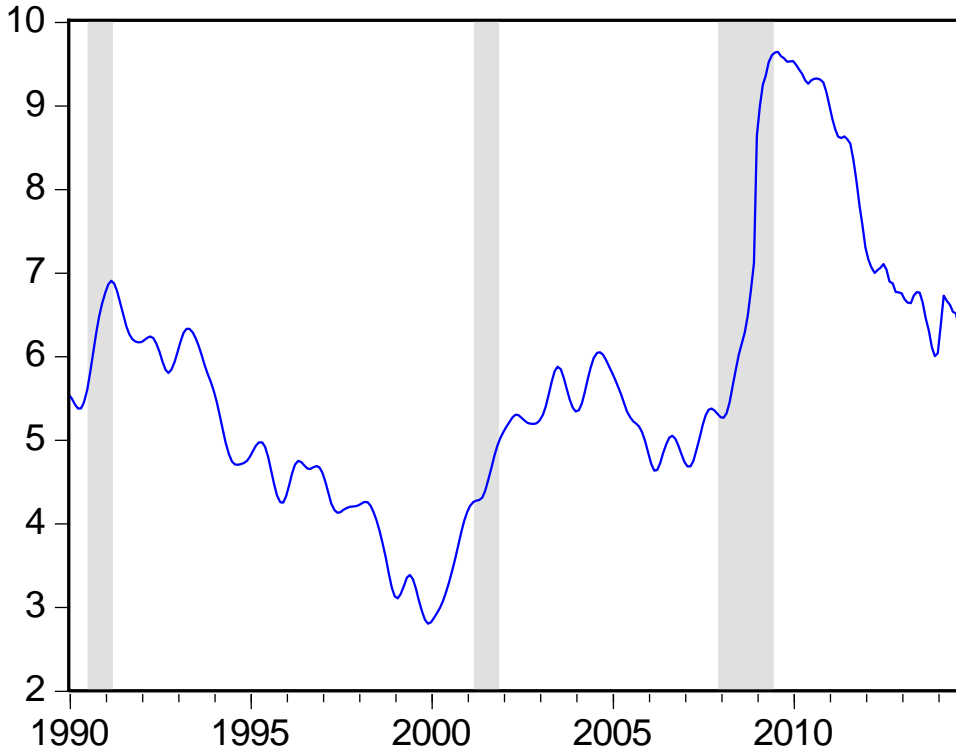


Figure 8. Year over year growth in Real Personal Income in Missouri

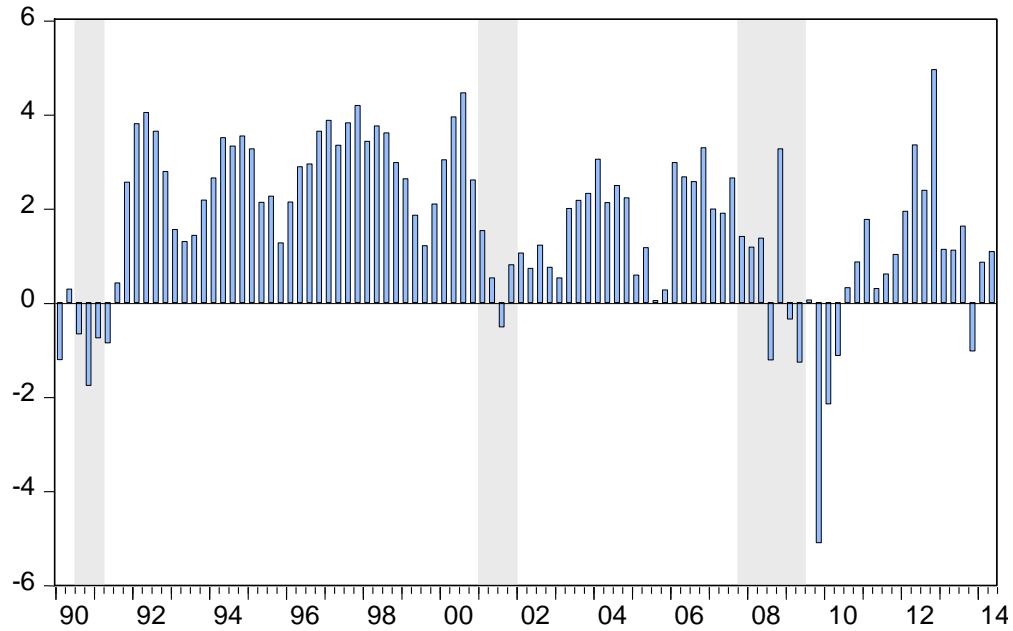


Figure 8. Change in Real Weekly Wages Since Recession Start

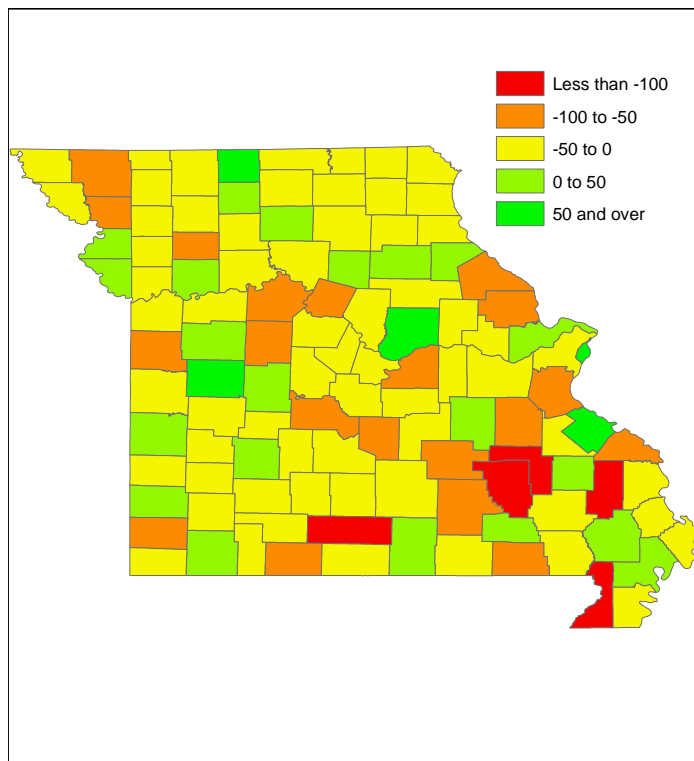


Table 1. Employment and Unemployment Forecast for 2015 and 2016

<u>Industry</u>	<u>2015 F</u>	<u>2016 F</u>
Nonfarm (CES)	2,827.1	2,856.2
Private	2,364.50	2,391.40
Construction	110.7	112.4
Financial	172.3	176.3
Government	462.6	464.8
Health	450.6	457.3
Information	57.0	56.4
Leisure	305.0	308.2
Manufacturing	257.6	259
Mining	4.1	4.2
Prof Biz Services	371.9	379.9
Retail	299.4	298.9
Trans/Utilities	97.2	97.5
Wholesale	123.5	125.4
Other Services	115.2	115.9
Unemployment Rate (SA)	6.0	5.7
Real Personal Income	255,745	259,746