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### Part 1: The Federal Reserve System

- Central bank of the U.S.
- Established by act of Congress in 1913

#### What exactly is a central bank?

- Provides financial & banking services for country's government and commercial banking system, with the broad goals of:
  - Stability and uniformity of money supply
  - Safety and soundness of financial system

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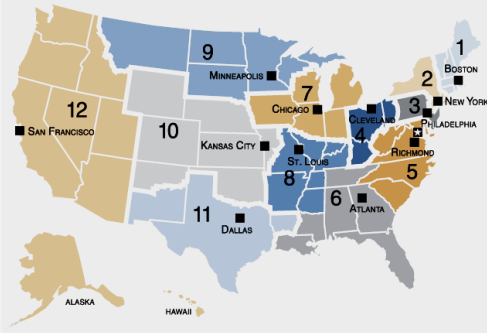
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### The Federal Reserve System = distributed power




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### Main responsibilities of the Fed

- **Supervise and regulate banks**
  - Mainly bank holding companies (who own lots of banks)
    - JPMorgan, Wells Fargo, Goldman Sachs, Citigroup
- **Offer financial services**
  - Manage ('clear') financial payments between parties
  - "Lender of last resort"
- **Set monetary policy**
  - Most familiar tool is interest rates (via FOMC)
  - Monetary policy guided by "dual mandate"
    - 1) stable prices
    - 2) maximum employment

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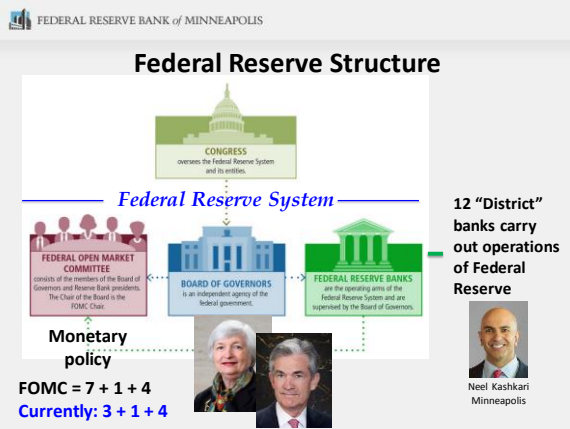
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FEDERAL RESERVE BANK of MINNEAPOLIS

### Minneapolis Fed's Ninth District

*Our job is to supervise banks & offer financial services in this district, as well as understand this regional economy, especially its metro markets, for the purposes of setting monetary policy*

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FEDERAL RESERVE BANK of MINNEAPOLIS

### Part 2: "The state of the Montana economy"

*Implied question:*  
***Is the state economy good or bad?***

**Answer: "Yes"**

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### Lies, damned lies & statistics



*"Now, keep in mind that these numbers are only as accurate as the fictitious data, ludicrous assumptions and wishful thinking they're based upon."*

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**My goal:** Help inform your opinion of the state economy, via:

- A variety of performance metrics
- Tabulated over long(ish) timeframes
- Using peer comparisons
  - Other states
  - US benchmarks
  - Montana metros

**... On to the charts!**

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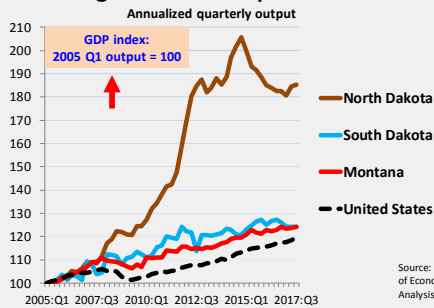
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### Gross domestic product: Pre-recession

#### Lack of big recession keeps MT above US




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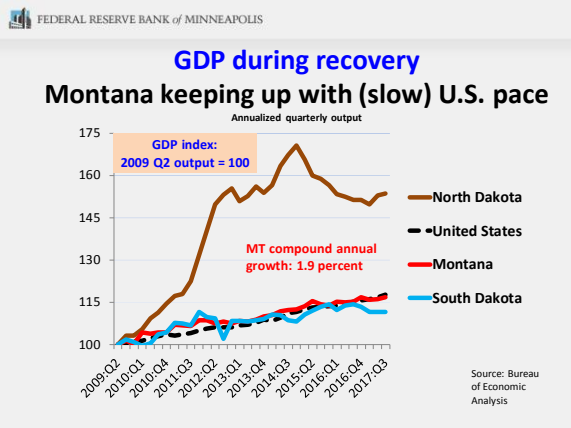
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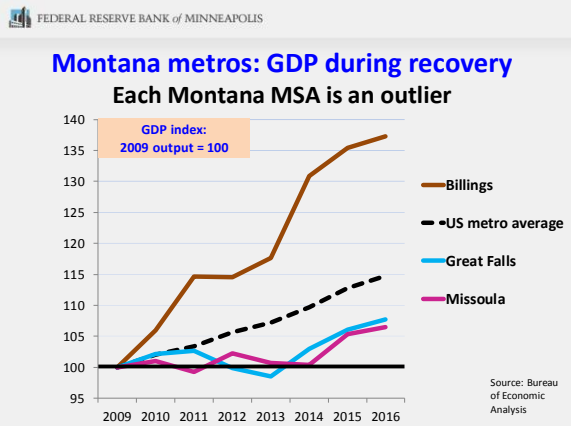
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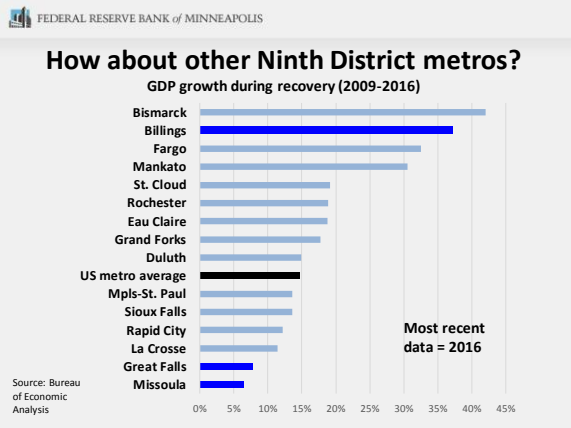
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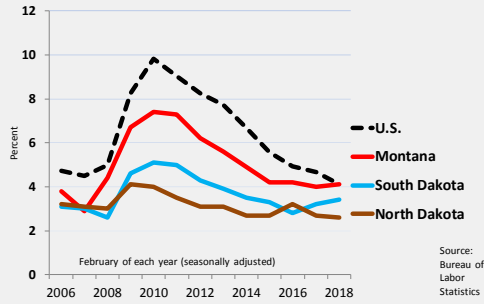
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### Unemployment: Falling well below traditional definition of "full" employment




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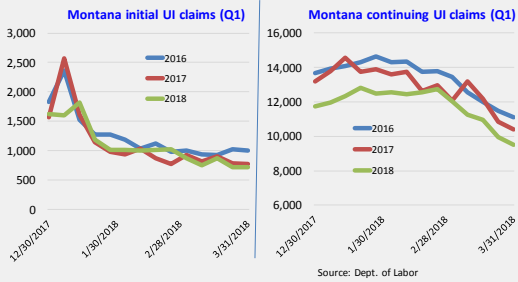
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### Unemployment insurance shows available labor pool shrinking (as a share of all vacancies)




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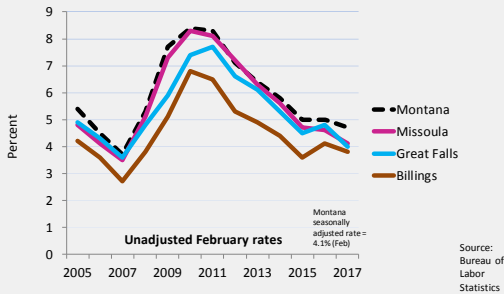
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### Metro unemployment Low metro rate = rural not doing as well




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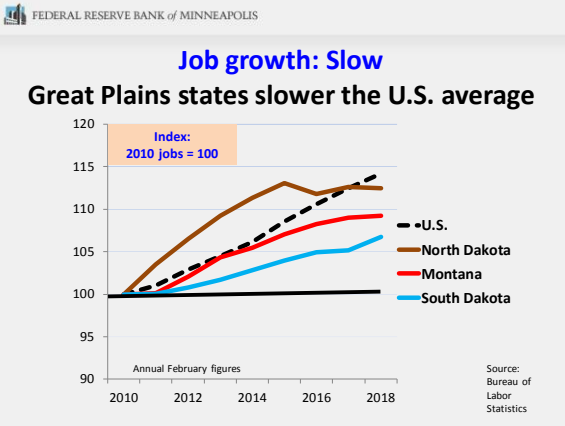
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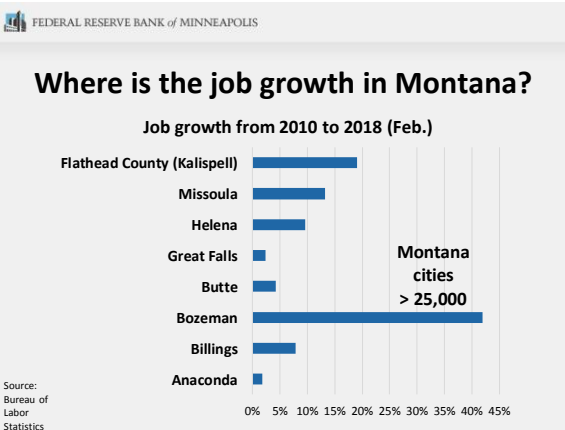
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## Hiring demand & wages

Quick poll: Who in this room is hiring?

Are wages going up?

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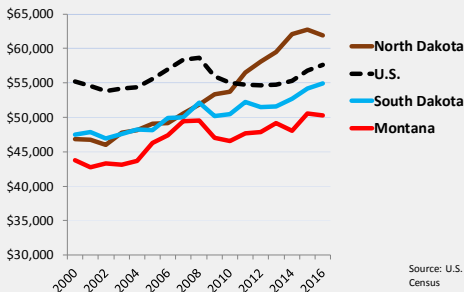
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## Real median household income Rising, but roughly equal to 2008



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So how do a lot of positive indicators turn into a “so-so” economic story?

1. Very low unemployment
2. Strong hiring demand
3. Wages are rising

= sluggish GDP and slow job growth?

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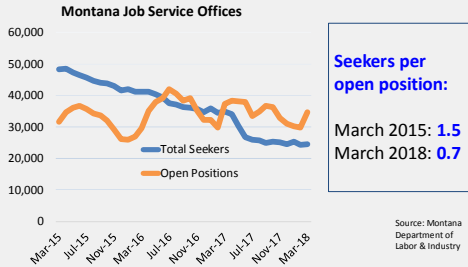
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### Here's the conundrum

- 1. Montana job creation appears solid
- 2. Job seekers? Not so much




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### Look for clues in labor supply

- Job growth and GDP (output) are very connected to labor force growth
- Labor force growth has slowed
  - Slowing population growth
  - Lower labor force participation
  - Shifting/aging demographics

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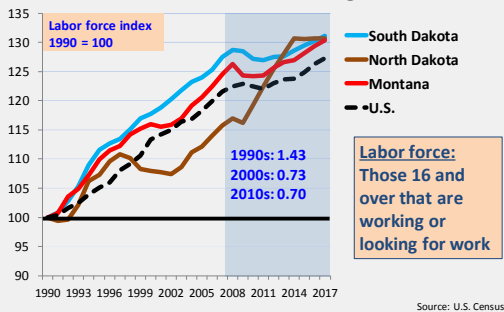
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### Labor force growth slowing overall, but better than US average




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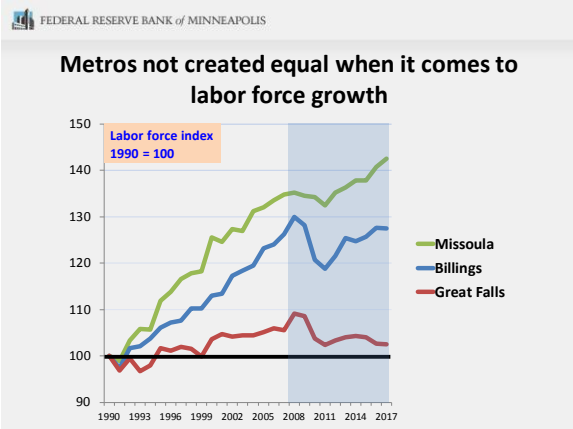
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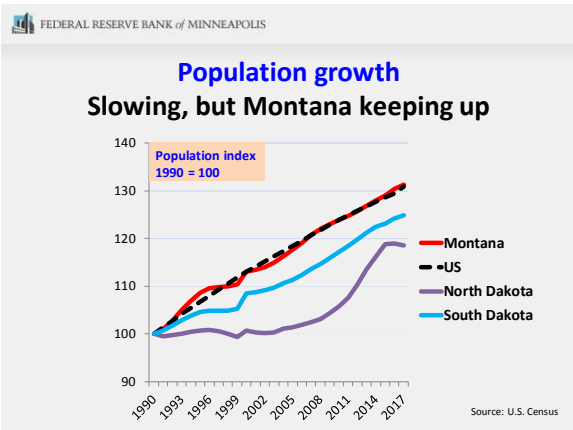
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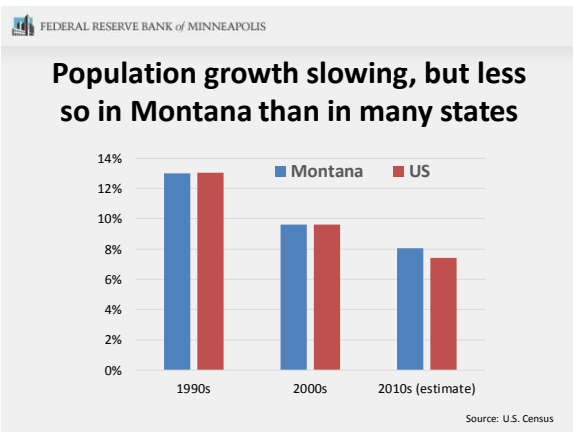
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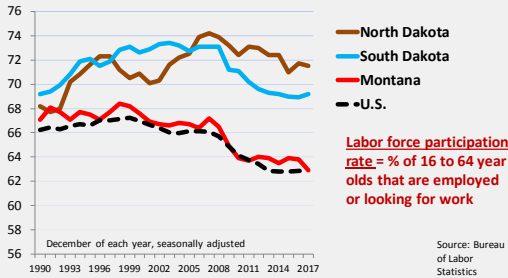
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### Labor force participation rates Long slow decline




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### What can we expect going forward?

#### Labor force math: Short-term

- Hiring demand can change *quickly* (+/-)
- Labor supply changes very *slowly*

The only realistic, *short-term* change to current tight labor is for hiring demand to decrease (aka recession/slowdown)

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#### Labor force math: Long-term

##### Limited number of options

- Do nothing, and expect slower growth
- Increase productivity above current trend
- Subsidize fertility (\$\$)
- Attract more people from elsewhere
  - Migration/immigration
- Convince more people to work, including (esp?) under-utilized populations, and help them into higher-productivity jobs

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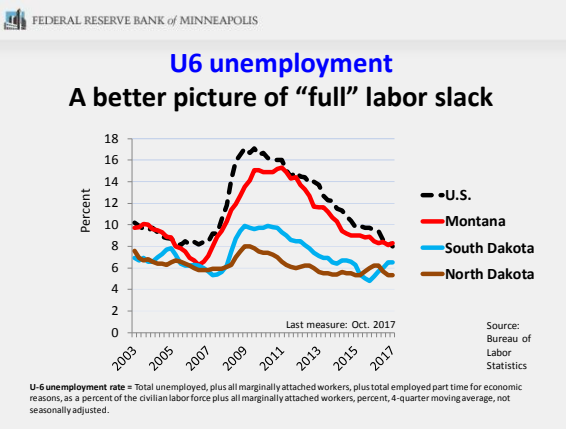
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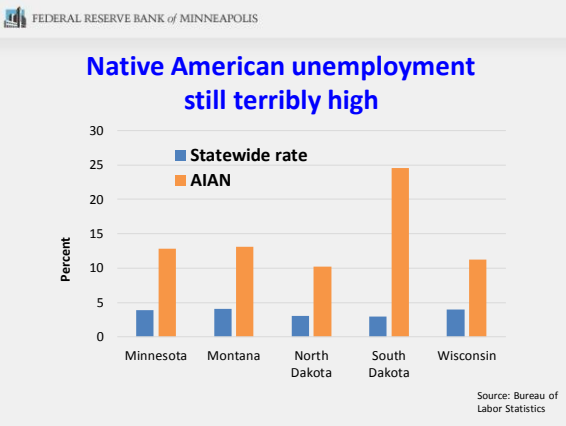
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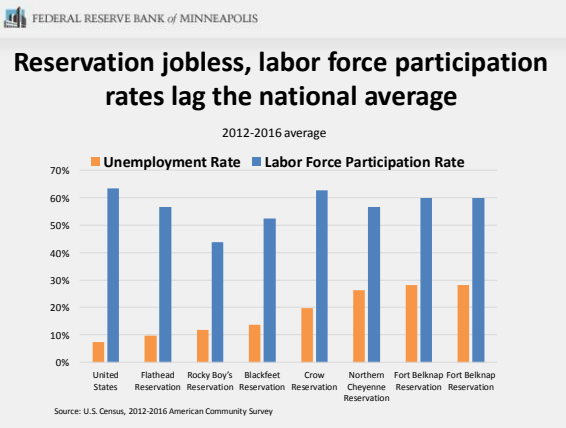
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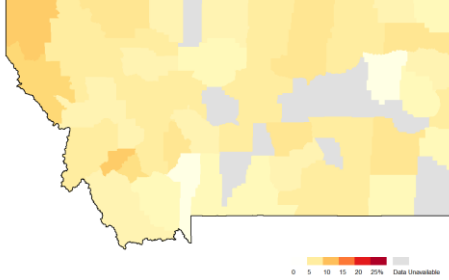
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### Working-age disability in 2000

Disability rates by county in 2000  
Percent of population 18-64




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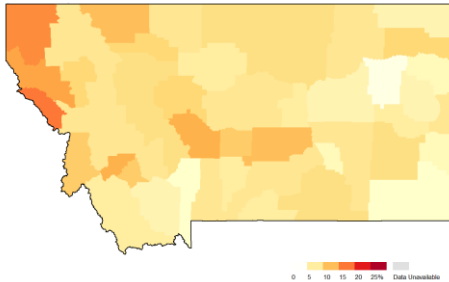
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### Working-age disability in 2016

Disability rates by county in 2016  
Percent of population 18-64




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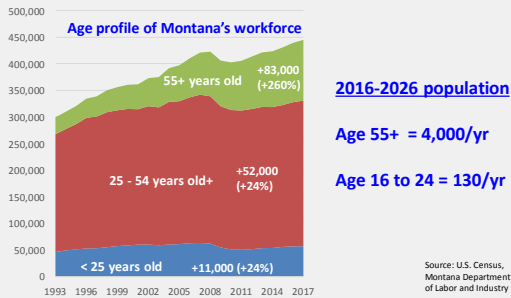
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### Montana's future workforce: "Older and browner"




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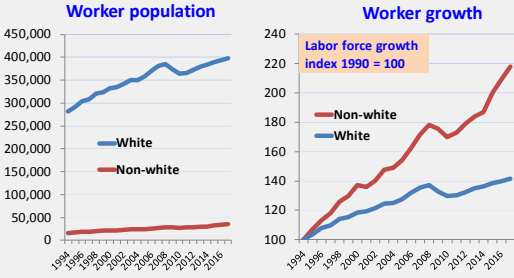
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### Future workforce growth will also depend on minority workers




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### So who's "winning"?

- Unemployment is low *everywhere*
- Virtually every city, big and small, has comparatively strong hiring demand
- Labor force growth = job growth = "doing well"

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### What do workers need to move to your city, or enter the labor force if they previously were not working?

Probably a lot of things, including...

- Decent wages
- Housing
- Day care
- Health care

*Competitive places will have more than just jobs available.*

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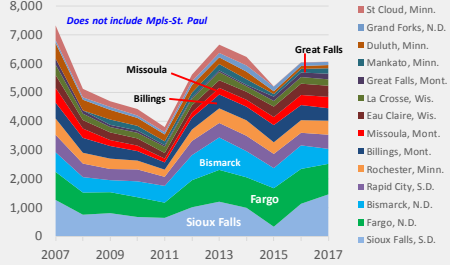
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### Housing growth: Chicken or egg? Single-family permitting has rebounded, but not over pre-recession levels




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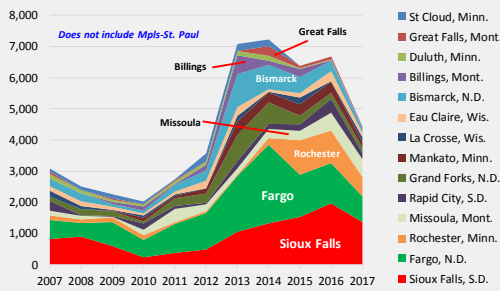
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### Housing growth Fast-growing areas: More multi-family




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## Part 3: Tell the Fed ...

What's happening at your firm?

The Minneapolis Fed wants to know!

- Step 1: Send text to **22333**
- Step 2: Text the word: **minneapolisfed**

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**How has business activity (sales/revenue) been so far in 2018 compared with the same period last year?**

- A. Up significantly
- B. Up some
- C. Unchanged/flat
- D. Down some
- E. Down a lot
- F. Don't know

Start the presentation to see live content. Still no live content? Install the app or get help at [PallEx.com/app](http://PallEx.com/app)

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**How would you describe your firm's current hiring position?**

- A. Hiring to add headcount only
- B. Hiring because of worker turnover only
- C. Hiring to add headcount AND due to turnover
- D. Not hiring
- E. Cutting total headcount

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**How does the current number of UNFILLED/VACANT JOBS compare with this time last year?**

- A. Up significantly
- B. Up somewhat
- C. Flat/unchanged
- D. Down somewhat
- E. Down significantly
- F. Don't know

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What ONE word best describes the current labor market?

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How would you describe current employee turnover compared with a year ago?

- A. More turnover
- B. Less turnover
- C. About the same
- D. Don't know

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What are your expectations for AVERAGE ANNUAL WAGE increases for 2018 at your firm?

- A. Increase more than 10%
- B. Increase 3% to 10%
- C. Increase 1-3%
- D. Flat/no change (less than +/- 1%)
- E. Decrease (any amount)
- F. Don't know

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What is the outlook for sales/revenue at your firm for the second half of 2018 compared with the first half of 2018?

- A. Significantly higher
- B. Somewhat higher
- C. Unchanged/flat
- D. Somewhat lower
- E. Significantly lower
- F. Don't know

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Please tell the Minneapolis Fed something about current hiring activity, labor market conditions, and/or the outlook for 2018. (Open-ended; write as much as you like.)

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**Thank you!**  
***Questions for me?***

**Twitter:** [@RonWirtz](https://twitter.com/RonWirtz)  
[@MinneapolisFed](https://twitter.com/MinneapolisFed)  
[ron.wirtz@mpls.frb.org](mailto:ron.wirtz@mpls.frb.org)

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