

## CALENDAR OF EVENTS

### May 29

**Economic Insights:  
Conversations with the  
Dallas Fed**  
*Webcast*

### May 30

**Economic Roundtable**  
*Amarillo, TX*

### June 6–7

**Economic Roundtable**  
*Lubbock, TX*

### June 18

**Economic Roundtable**  
*Houston, TX*

### July 10

**Economic Roundtable**  
*Plano, TX*

### August 1–2

**Economic Roundtable**  
*San Antonio, TX*

### August 7

**Economic Insights:  
Conversations with the  
Dallas Fed**  
*Webcast*

### August 21–22

**Economic Roundtable**  
*Roswell, NM*

### August 28–29

**Economic Roundtable**  
*Dallas, TX*

### September 5

**Economic Roundtable**  
*McAllen, TX*

### September 6

**Economic Roundtable**  
*Harlingen, TX*

For more information about these events, email FIRM at [Dallas\\_Fed\\_Firm@dal.frb.org](mailto:Dallas_Fed_Firm@dal.frb.org).

## Restoring Confidence and Growth

by Thomas F. Siems

**W**hat is your assessment of current business and employment conditions? What are your expectations regarding business, employment and your family's income six months from now? The Conference Board's Consumer Confidence Index (CCI) was created in 1967 to gather responses to these questions and ultimately measure consumers' perceptions about the health of the U.S. economy.

Chart 1 shows that while the CCI has increased recently, a confidence crisis seems to continue to plague U.S. consumers. The good news is that the CCI has improved from its deep trough during the recent Great Recession.<sup>1</sup> The bad news is that the rebound has been drawn out and sluggish. The latest CCI reading, at 68.1 (1985 = 100), is lower than 88 percent of the observations computed between 1967 and the start of the Great Recession.

**Chart 1** | U.S. Consumers Still Lack Confidence



NOTE: Shaded bars indicate recession.

SOURCE: The Conference Board.

Based on comments we have received from financial institution leaders throughout the Eleventh Federal Reserve District, recent consumer angst regarding the national economic picture is arguably based on higher-than-normal levels of uncertainty. Consumers across the country are concerned about the future growth path of the economy and how government policies might impact overall economic growth, consumer spending and business investment decisions. Indeed, the national economic outlook is clouded by many persistent uncertainties—like the growing national debt and how the federal government will manage future finances, the still unknown impact from legislation passed into law during the economic recovery, the slowdown in Europe and China and its impact on the national economy, and the Federal Reserve's large and growing balance sheet and potential exit strategy.

## DALLAS FED RESOURCES

### Annual Report

"Vanquishing Too Big to Fail"

### Texas Economic Indicators

### Economic Updates

Regional—"Regional Economy Continues to Grow but Decelerates Slightly"

National—"A Somewhat Softer Outlook"

International—"Uneven Global Growth Suggests Fragile Recovery"

### Dallas Beige Book

### Texas Business Outlook Surveys

### Agricultural Survey

### Southwest Economy

"Texas Likely to Continue to Lead Nation's Recovery"

### Economic Letter

"When Gauging Bank Capital Adequacy, Simplicity Beats Complexity"

### Building Wealth

"A Beginner's Guide to Securing Your Financial Future"

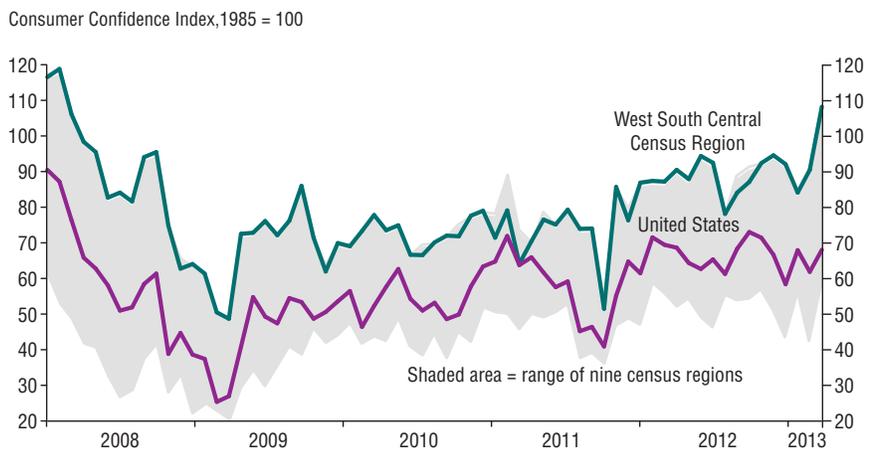
### Community Banking Connections

Find other resources on the Dallas Fed website at [www.dallasfed.org](http://www.dallasfed.org).

As a result, many consumers reportedly fall into two camps, both of which are manifesting anxiousness. The higher income/higher savings group is hoarding cash and staying on the sidelines waiting for conditions to improve further. The lower income/lower savings group is living paycheck to paycheck and just trying to make ends meet. And many businesses, particularly small businesses, are purportedly holding back from hiring new workers and investing in new plants, equipment and technology until they are more certain of the economic outlook and better understand the impact from new legislation.

But interestingly, one region in the United States has been far more optimistic than the rest of the nation. As shown in Chart 2, the Conference Board's CCI for the West South Central Region—composed of Arkansas, Louisiana, Oklahoma and Texas—rose to 108.4 in April 2013. It's the only region with an index reading above 85; indeed, seven regions have values less than 70. And this optimistic streak has continued for some time. Since the beginning of 2012, the CCI for the West South Central Region has averaged 90, which is significantly higher than the average of 64 for the other eight regions combined.

**Chart 2** West South Central Region of U.S. Is Far More Optimistic



What seems to be contributing to this disparity in confidence and unique optimism in the West South Central Region? For Texas, by far the largest state in this census region, with 70 percent of the region's total payroll employment, much has been said and written about why its citizens are more optimistic.<sup>2</sup> First, housing prices in Texas remained fairly stable before and during the financial crisis that led up to the Great Recession; that is, there was no boom or bust in Texas housing. Second, Texas bankers seem to have learned the harsh lessons of the state's 1980s banking crisis and have been more prudent when making loans. Third, Texas is the nation's top energy-producing state, and energy production has recently been strong. Fourth, Texas is the nation's top exporting state. Fifth, Texas has a highly diversified economy, with employment growth across all industry sectors and all income categories. And finally, Texas has a relatively low cost of living, with no state income tax and less burdensome regulations to start and operate small businesses. Many businesses have reportedly moved their headquarters and business operations to Texas from other states.

This regional optimism is perhaps best reflected by examining job growth across the various census regions. Using the Bureau of Labor Statistics' sum-of-states data, Chart 3 shows job growth trends for each of the nine census regions and the United States overall since the start of the Great Recession.<sup>3</sup> The West South Central Region is the only region where jobs have completely recovered from those lost during the Great Recession. Indeed, through April 2013, jobs in the West South Central Region are 4.1 percent higher than they were in December 2007,

when the recession began. None of the other eight regions have recovered their lost jobs. And, for the U.S. as a whole, jobs are still 1.9 percent below their peak.

## ABOUT FINANCIAL INSIGHTS AND FIRM

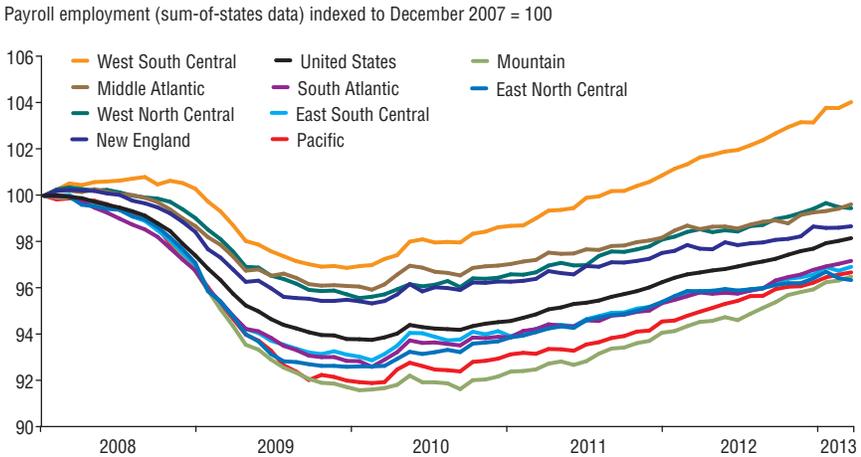
*Financial Insights* is published periodically by FIRM – Financial Institution Relationship Management – to share timely economic topics of interest to financial institutions.

FIRM was organized in 2007 by the Federal Reserve Bank of Dallas as an outreach function to maintain mutually beneficial relationships with all financial institutions throughout the Eleventh Federal Reserve District. FIRM's primary purpose is to improve information sharing with district financial institutions so that the Dallas Fed is better able to accomplish its mission. FIRM also maintains the Dallas Fed's institutional knowledge of payments, engaging with the industry to understand market dynamics and advances in payment processing.

FIRM outreach includes hosting economic roundtable briefings, moderating CEO forums hosted by Dallas Fed senior management, leading the Dallas Fed's Community Depository Institutions Advisory Council (CDIAC) and Corporate Payments Council (CPC), as well as creating relevant webcast presentations and this publication. In addition, the group supports its constituents by remaining active with financial trade associations and through individual meetings with financial institutions.

Contact us at Dallas\_Fed\_FIRM@dal.frb.org.

### Chart 3 Job Growth Increased Most in the West South Central Region



SOURCES: Bureau of Labor Statistics; Haver Analytics.

Consumer confidence and job growth apparently move together. Restoring confidence should boost job growth. And restoring job growth should boost confidence.

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NOTES  
<sup>1</sup> The Great Recession refers to the economic contraction that began in December 2007 and ended in June 2009. This was the longest and deepest economic contraction, as measured by the drop in real GDP, since the Great Depression of the 1930s. See "Branding the Great Recession," by Thomas F. Siems, Federal Reserve Bank of Dallas *Financial Insights*, vol. 1, no. 1, May 31, 2012.  
<sup>2</sup> See, for example, "Oil and Gas, Blondes and Over-Accessorized Brunettes, and Ruthless, Hard-Drinking Cowboys," speech by Richard W. Fisher, Federal Reserve Bank of Dallas, April 10, 2013.  
<sup>3</sup> The Bureau of Labor Statistics (BLS) cautions on aggregating state data because state estimates are not forced to sum to national totals nor vice versa. Due to statistical limitations, BLS does not compile a "sum-of-states" employment series and cautions users that such a series is subject to a relatively large and volatile error structure. However, when data are aggregated across the nine census regions and compared over time, an informative picture emerges with respect to relative differences in the time series trend for each region. The "United States" line plotted on Chart 3 is drawn from the BLS national employment series and not from the sum-of-states data.

## Noteworthy Items

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### **Richard Fisher’s speech on “Fiscal Policy, Oy!” before the 2013 NABE Energy Conference at the Houston Branch of the Federal Reserve Bank of Dallas (May 16, 2013)**

President Fisher argues that until the Congress and the president provide a clear road map as to how fiscal rectitude will be implemented, the lack of credible details for limiting the debt-to-GDP ratio and reengineering fiscal policy to stimulate rather than constrain growth is creating undue uncertainty about future tax rates, future government purchases, future retiree benefits and all manner of factors that impact employment and economic growth.

<http://www.dallasfed.org/news/speeches/fisher/2013/fs130516.cfm>

### **Federal Reserve Chairman Ben Bernanke’s speech on “Monitoring the Financial System” at the 49th Annual Conference on Bank Structure and Competition at the Federal Reserve Bank of Chicago (May 10, 2013)**

Chairman Bernanke discusses progress underway with the Federal Reserve’s new regulatory framework to foster financial stability. Following the financial crisis, the Fed has increased resources devoted to monitoring the financial system and taken a more systemic and intensive approach. Bernanke details four components of the financial system that are among the most closely followed: systemically important financial institutions, shadow banking, asset markets and the nonfinancial sector.

<http://www.federalreserve.gov/newsevents/speech/bernanke20130510a.htm>

### **Publication of the Federal Reserve’s report on “Consumers and Mobile Financial Services,” by Matthew B. Gross, Alexandra M. Rock and Maximilian D. Schmeiser (March 2013)**

This report presents findings from the Fed’s 2012 survey that examined consumers’ use of mobile technology to access financial services and make financial decisions, and compares the results with the 2011 survey. The report looks at how consumers use their mobile phones to access their bank’s services, make payments and inform their shopping decisions.

<http://www.federalreserve.gov/econresdata/mobile-devices/2013-preface.htm>

### **Federal Reserve simplifies reserves administration**

The Federal Reserve is implementing changes to the policies, internal processes and technologies that support the administration of reserve requirements effective June 27, 2013. The new application to view information for reserve management is Reserves Central—Reserve Account Administration. All current ReserveCalc subscribers will automatically be granted access to the new application. Organizations currently without access to the ReserveCalc application are encouraged to complete the Reserves Central—Reserve Account Administration access request as soon as possible to ensure no interruption in their ability to review reserves-related information.

[http://www.frbervices.org/centralbank/reservescentral/reserves\\_application\\_setup.html](http://www.frbervices.org/centralbank/reservescentral/reserves_application_setup.html)