

ECONOMIC OUTLOOK FOR KANSAS AND MISSOURI

Alison Felix
Senior Economist
Federal Reserve Bank of Kansas City

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

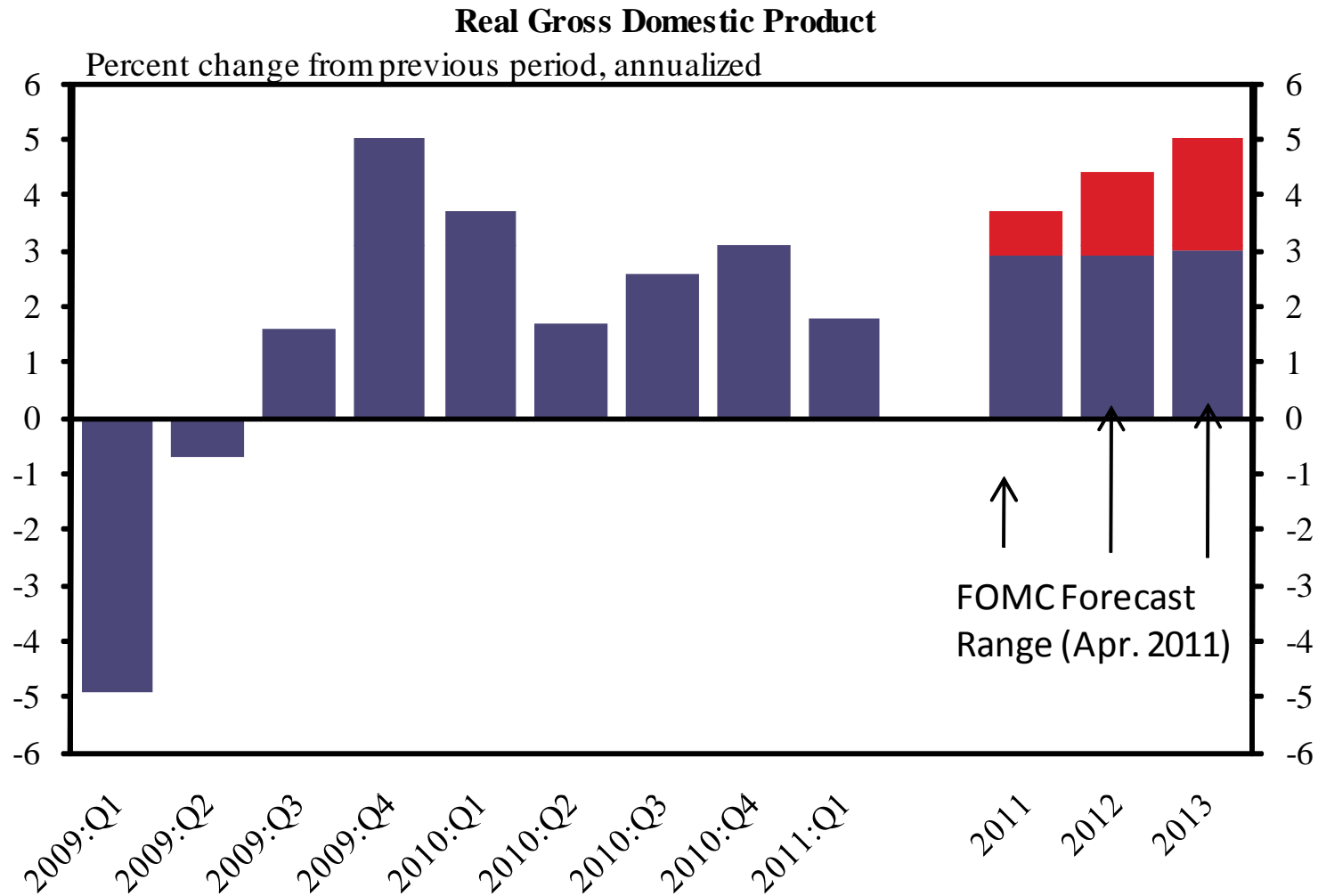
U.S. Economic Overview



- Recent data suggest that the U.S. economy grew at a somewhat slower pace in the first half of 2011.
 - ▣ Many of the factors contributing to the slowdown are expected to be temporary: severe weather, higher gas prices, and supply chain disruptions due to the crisis in Japan.
 - ▣ Consumers continue to struggle with high unemployment, rising energy prices and falling home prices.

- However, the U.S. economy is still expected to recover at a moderate pace over the next couple of years.
 - ▣ Manufacturers expect increases in production, orders and employment over the next 6 months.
 - ▣ Consumer spending remains well above year-ago levels.
 - ▣ The energy and agriculture sectors are still booming.

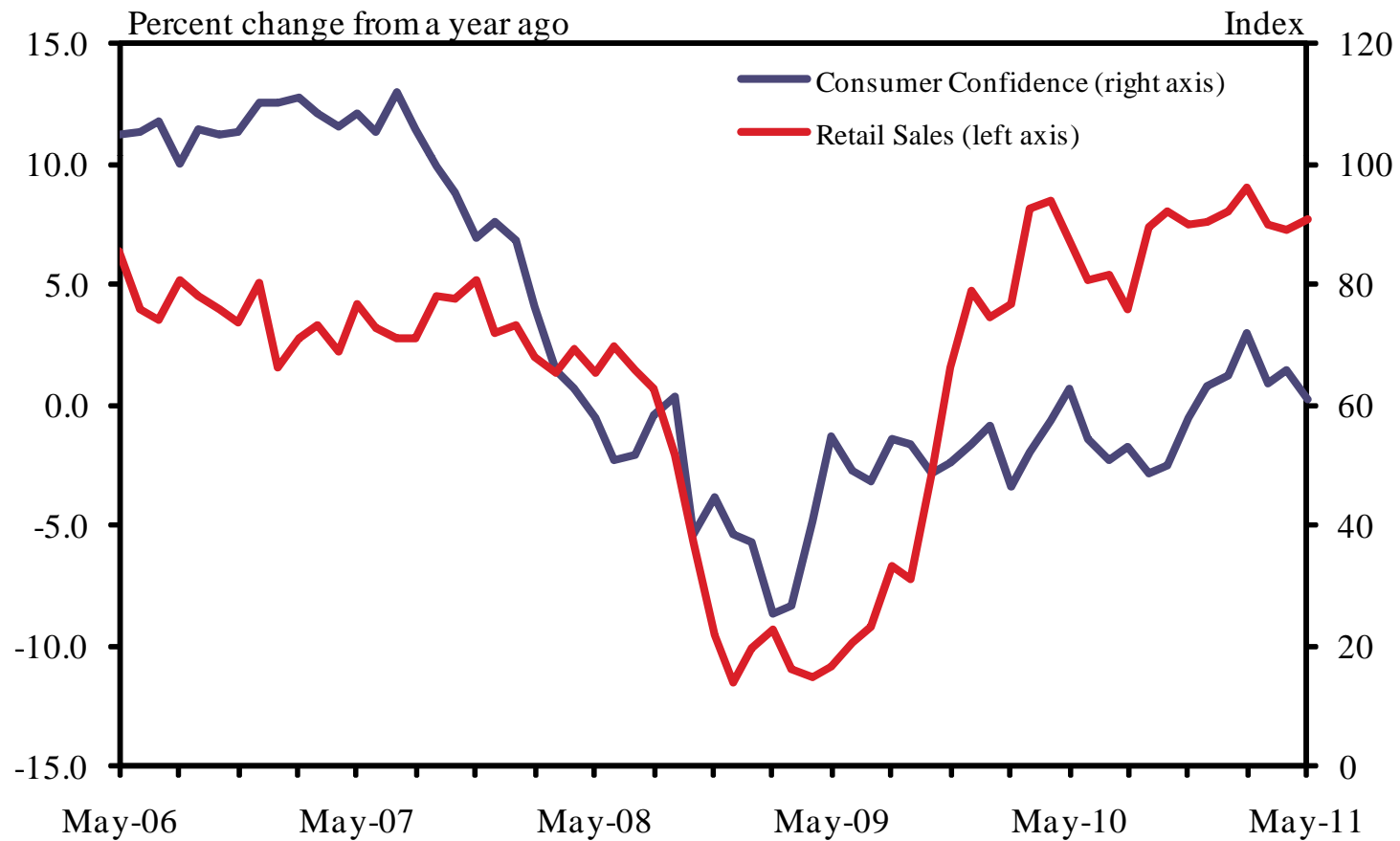
A moderate recovery is expected to continue over the next few years.



Source: Bureau of Economic Analysis; FOMC

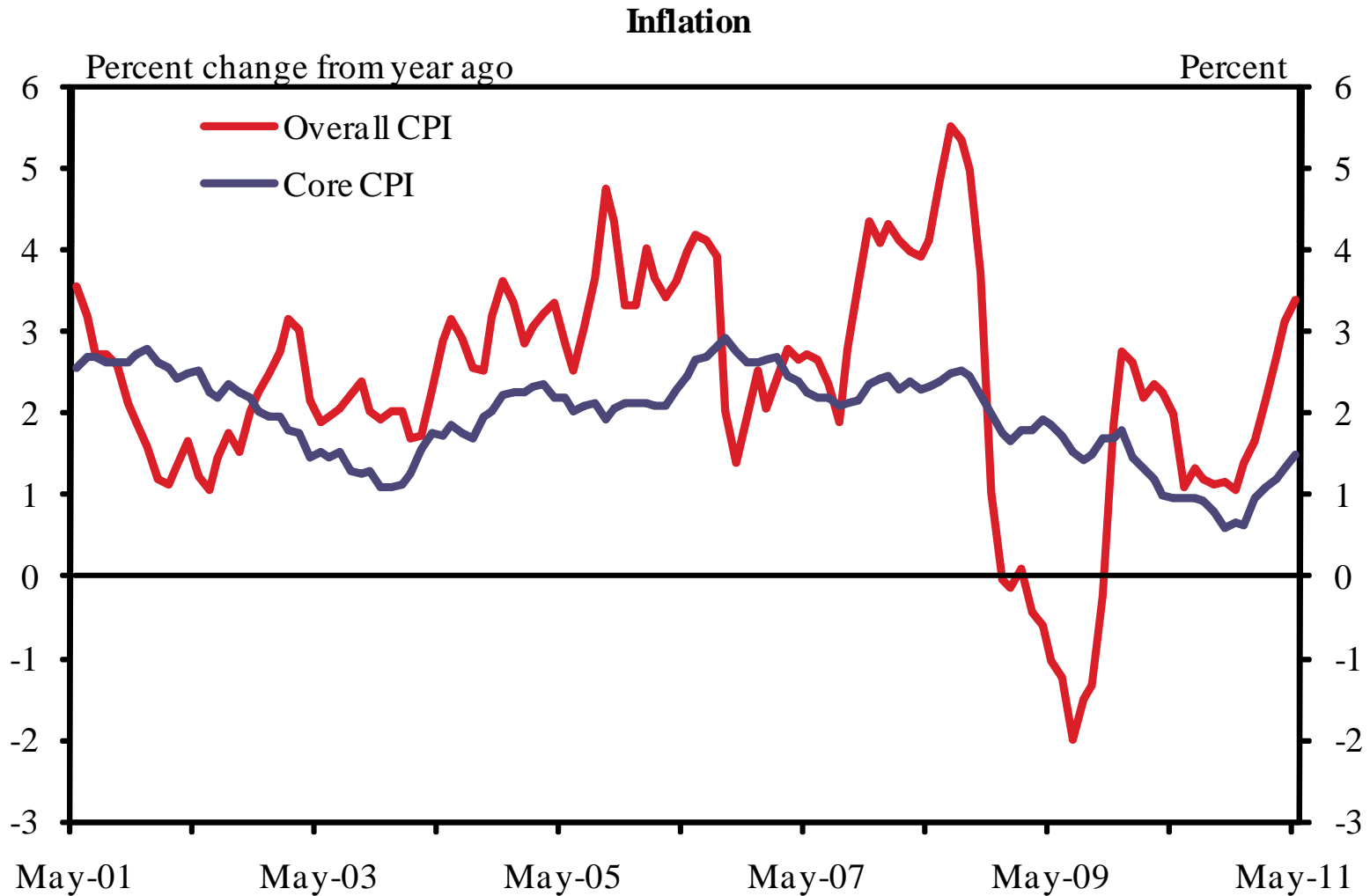
Consumer spending closely follows changes in consumer confidence.

Retail Sales and Consumer Confidence



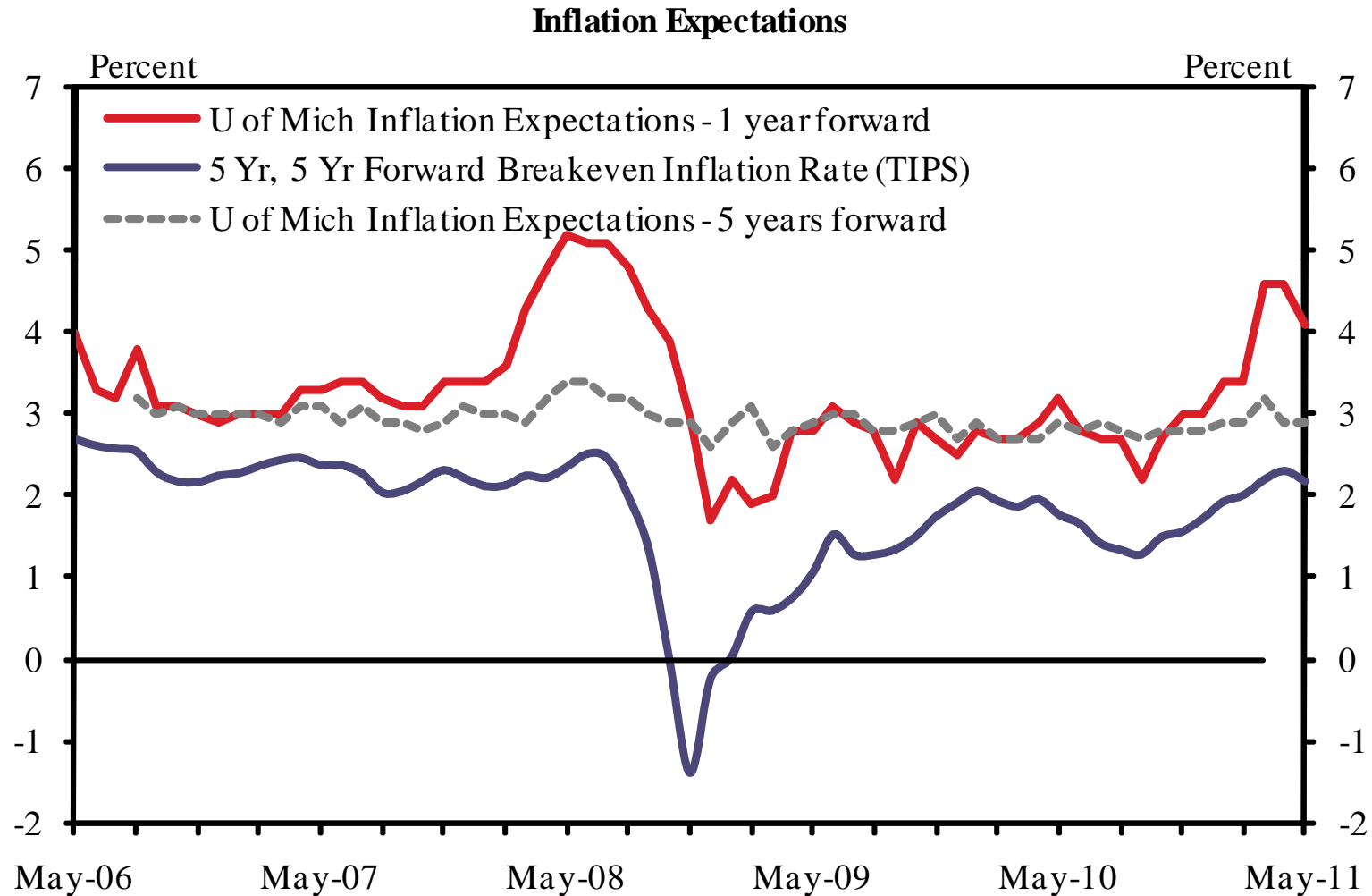
Source: Census Bureau and Consumer Confidence Board

Inflation is increasing, driven in part by higher energy and food prices.



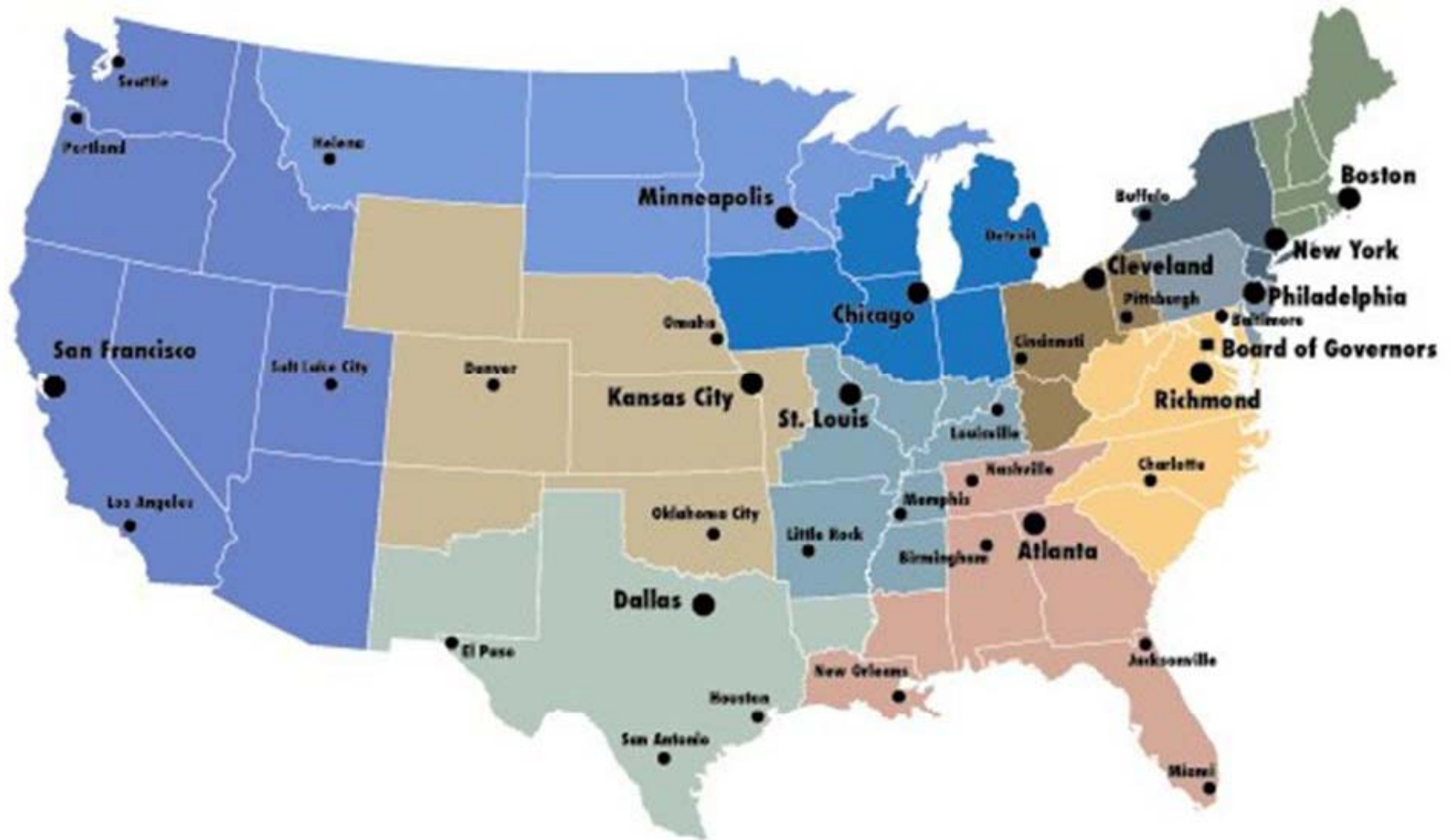
Source: Bureau of Economic Analysis

Inflation expectations remain fairly stable.

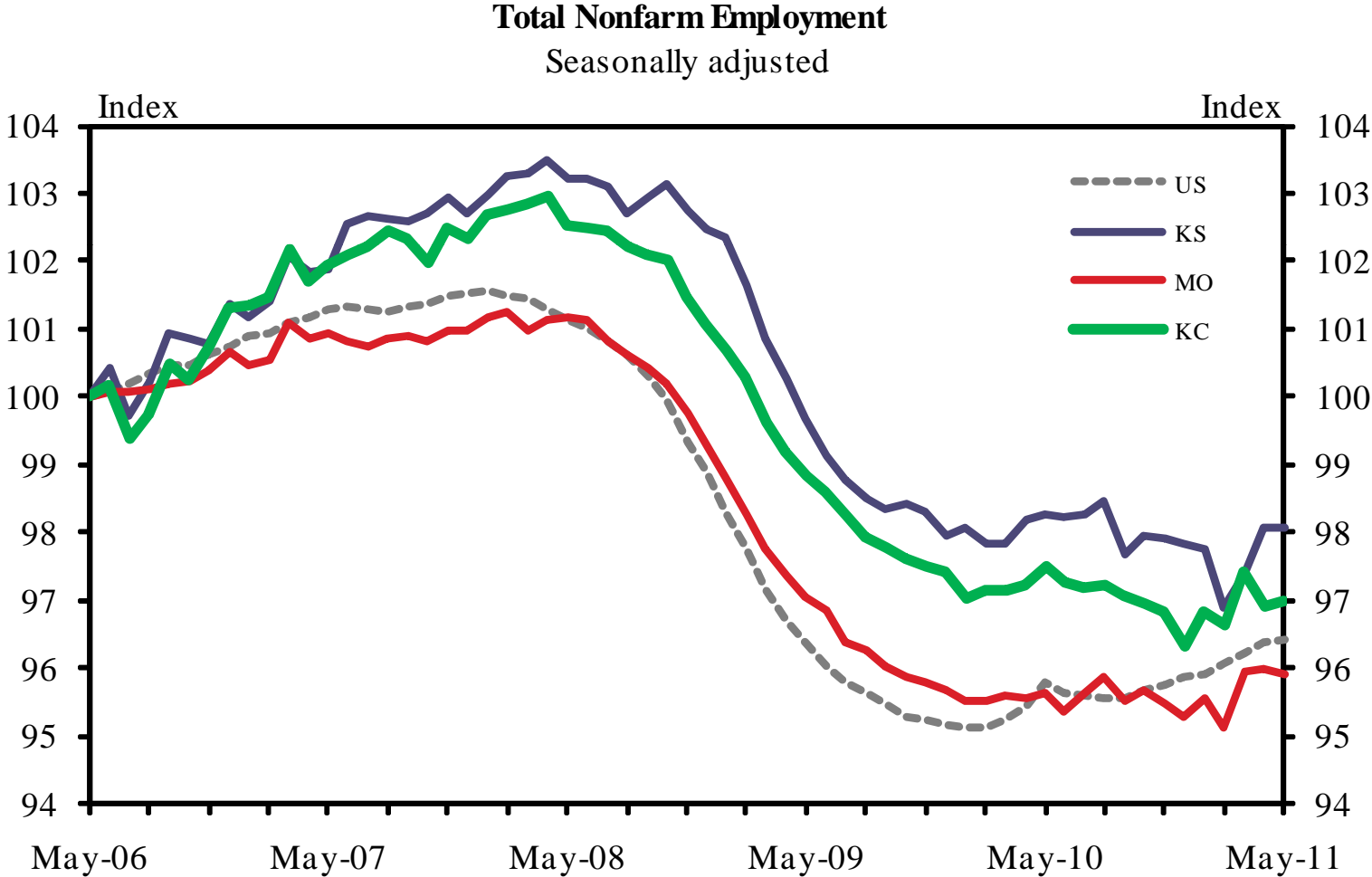


Source: University of Michigan and Federal Reserve Board of Governors

The Tenth District of the Federal Reserve

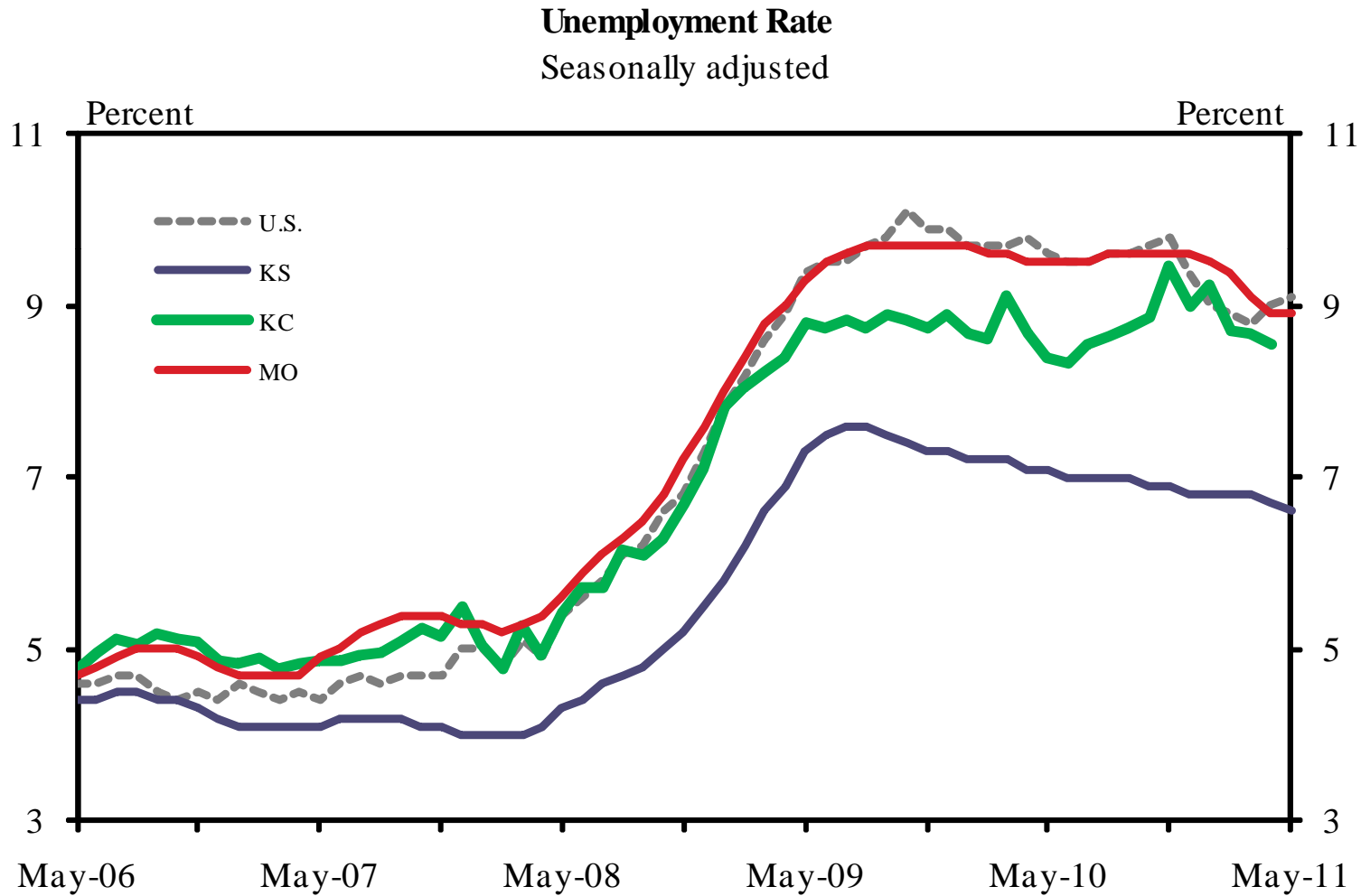


Employment fell sharply during the recession but is now increasing.



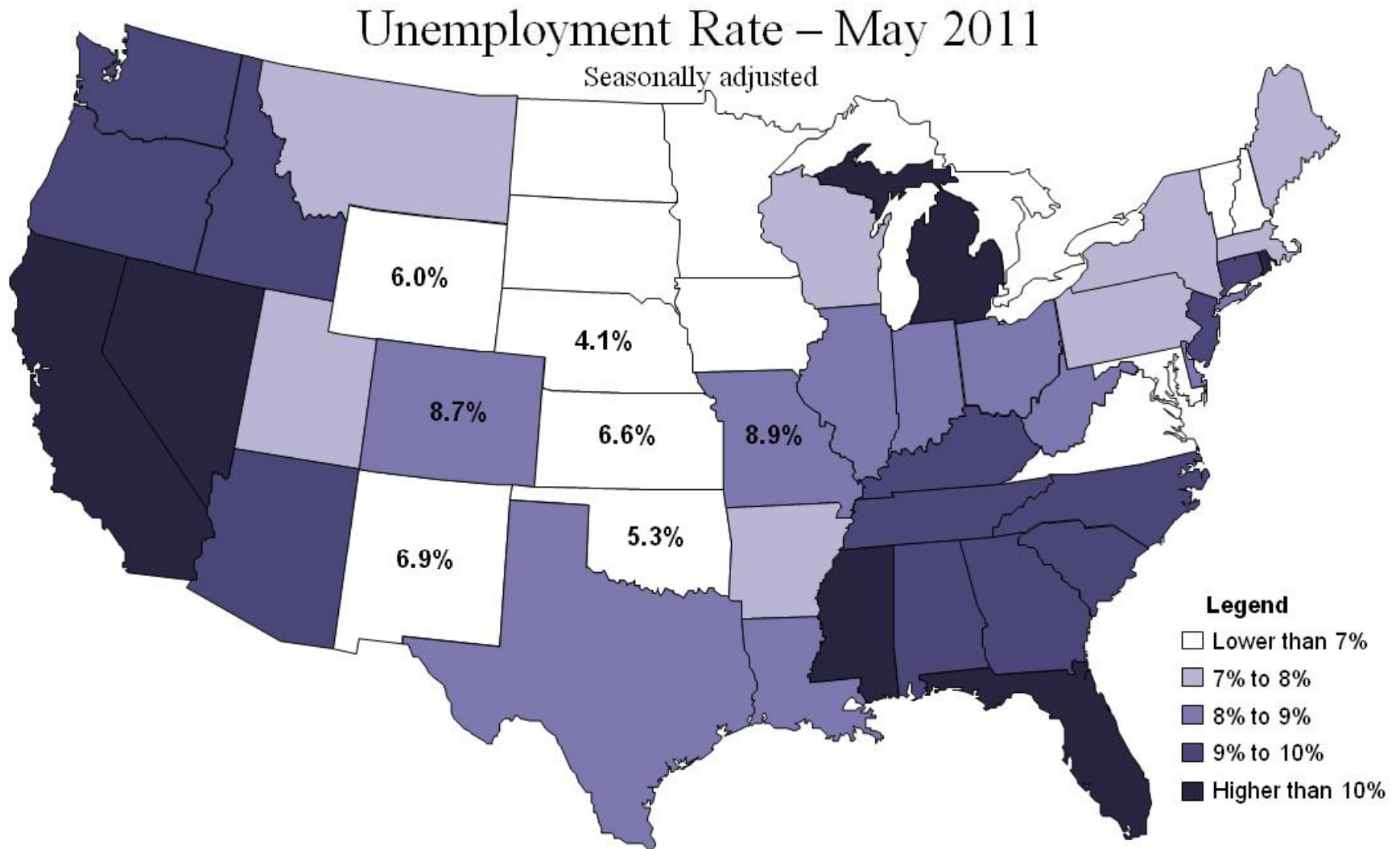
Source: Bureau of Labor Statistics

Unemployment rates remain elevated.



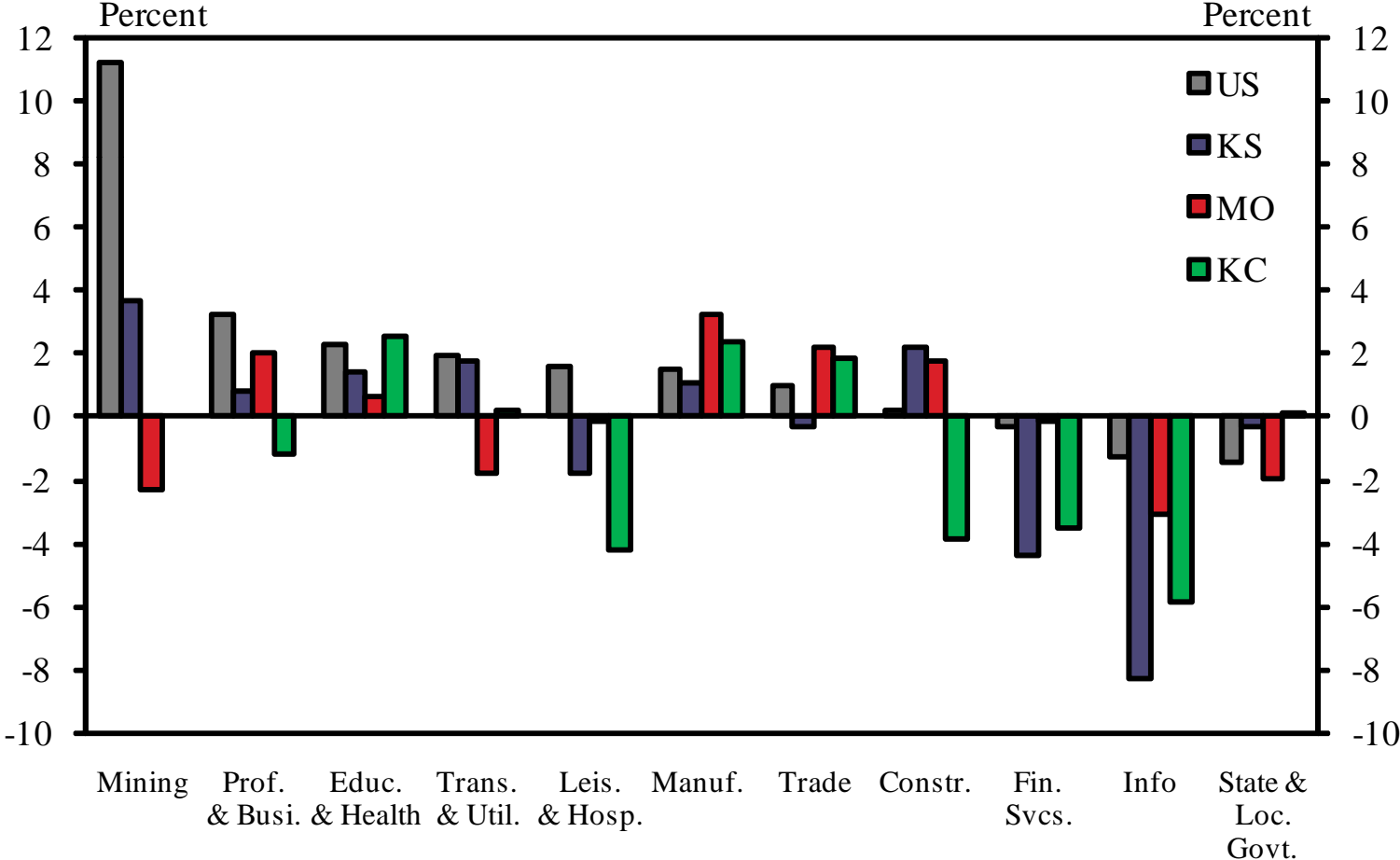
Source: Bureau of Labor Statistics

There are large regional differences in unemployment rates.



Employment growth has been mixed across industries.

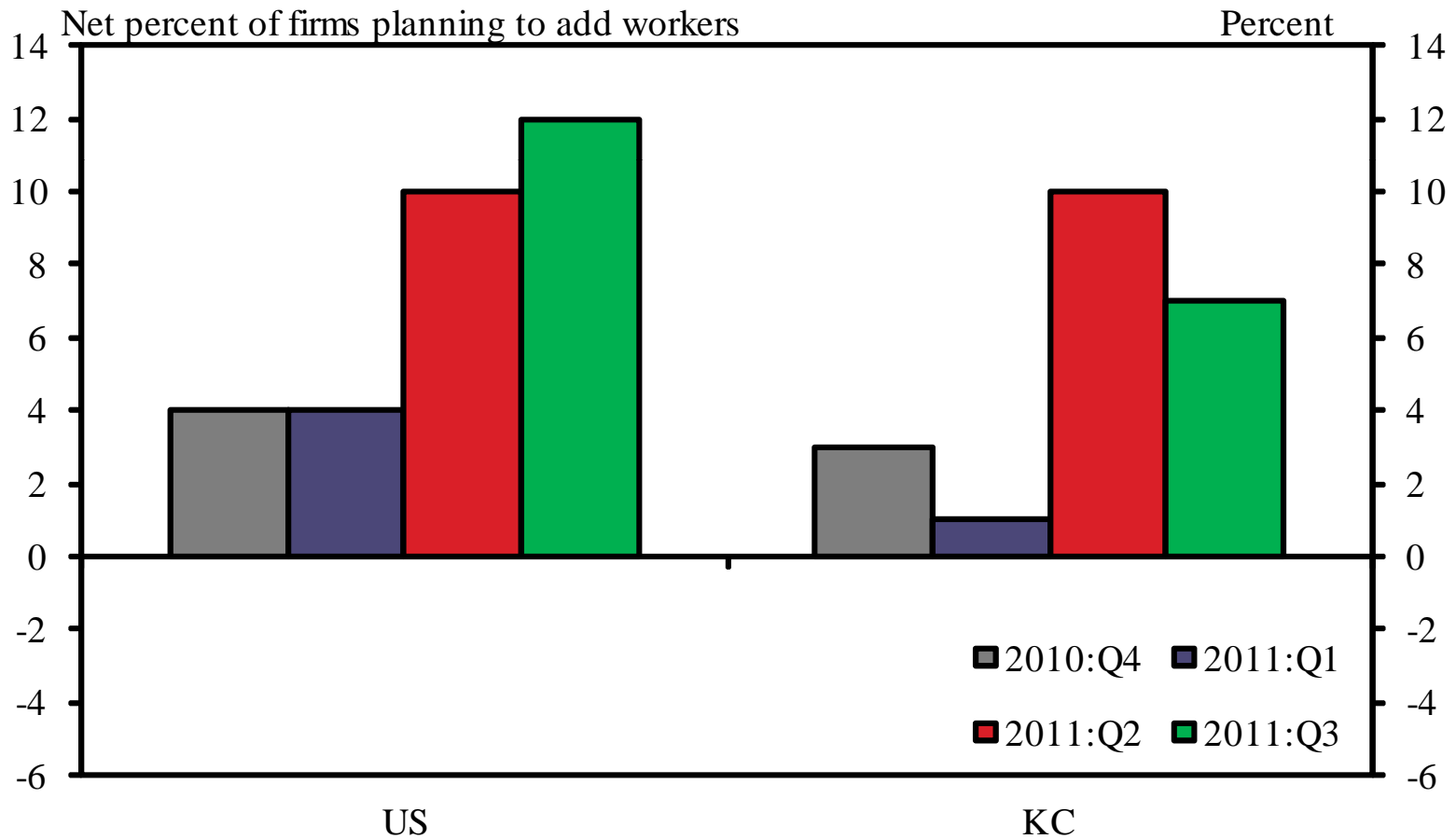
Employment Growth by Industry
May-11 over May-10



Source: Bureau of Labor Statistics

Firms expect to hire more workers in the third quarter.

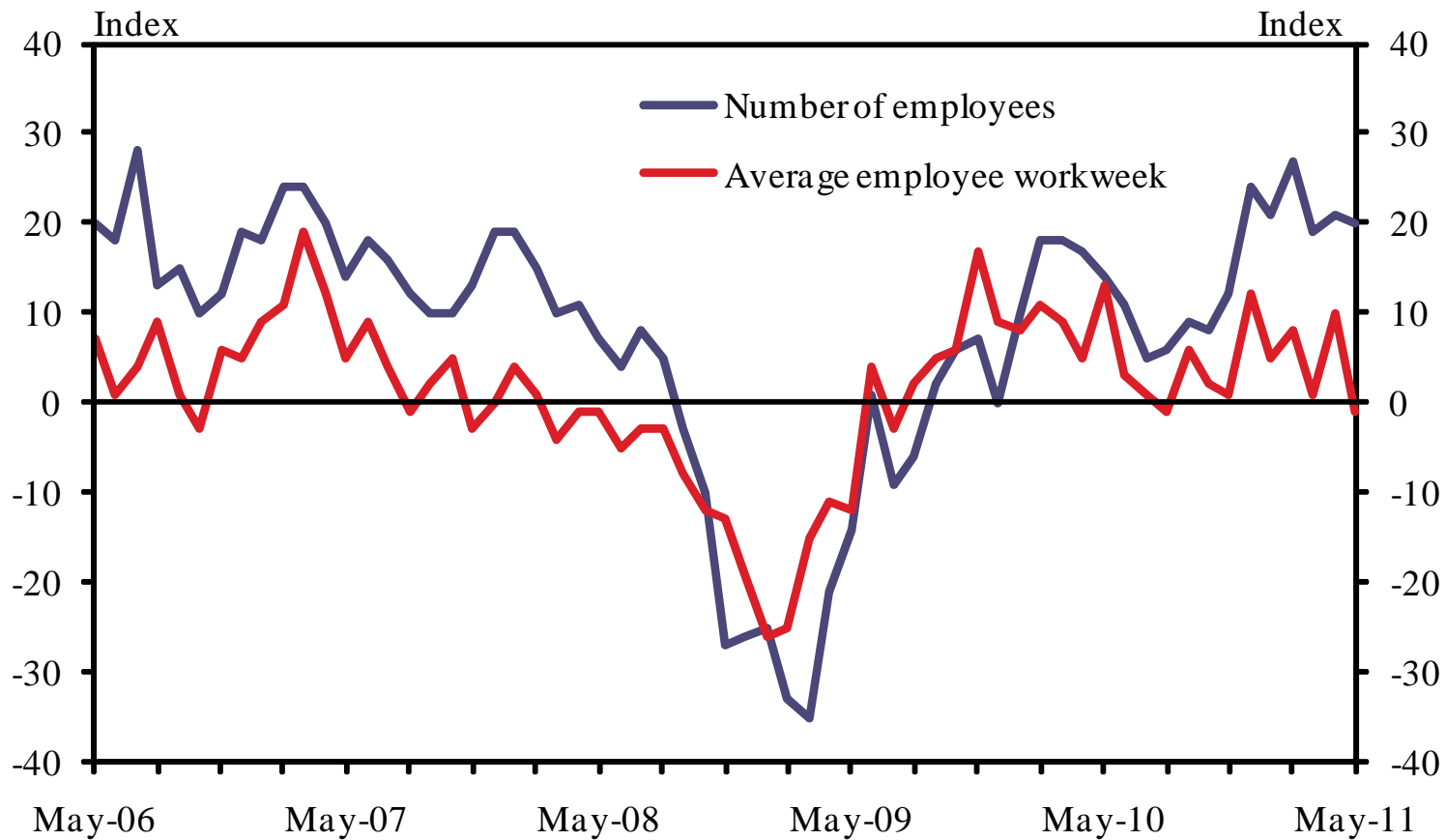
Hiring Expectations



Source: Manpower Inc.

Manufacturers expect to hire more workers over the next 6 months.

Expected Employment Indexes - Manufacturing
Seasonally adjusted; six months ahead

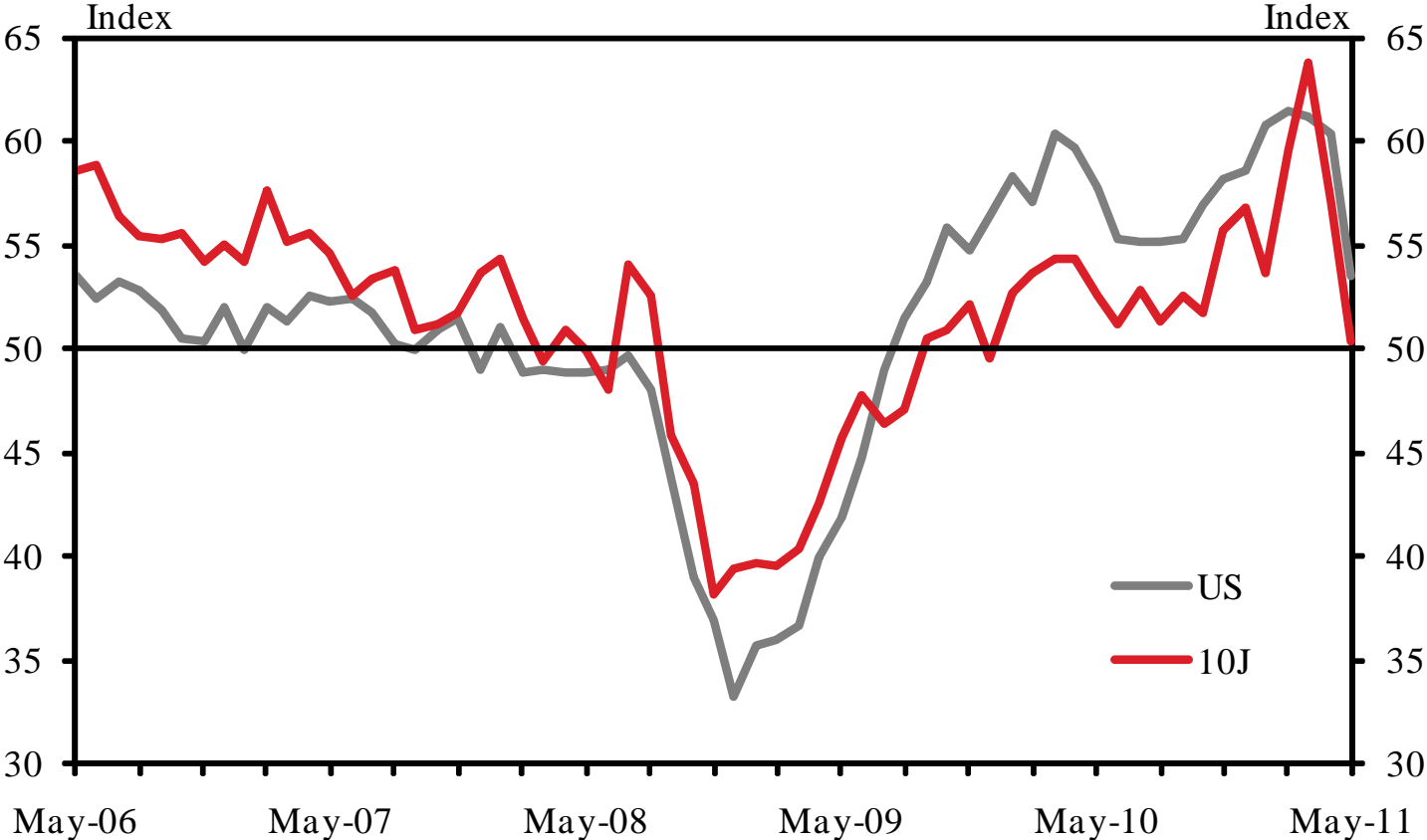


Sources: FRBKC Manufacturing Survey

Growth in manufacturing activity fell sharply in May due, in part, to supply chain disruptions from Japan.

Manufacturing Activity

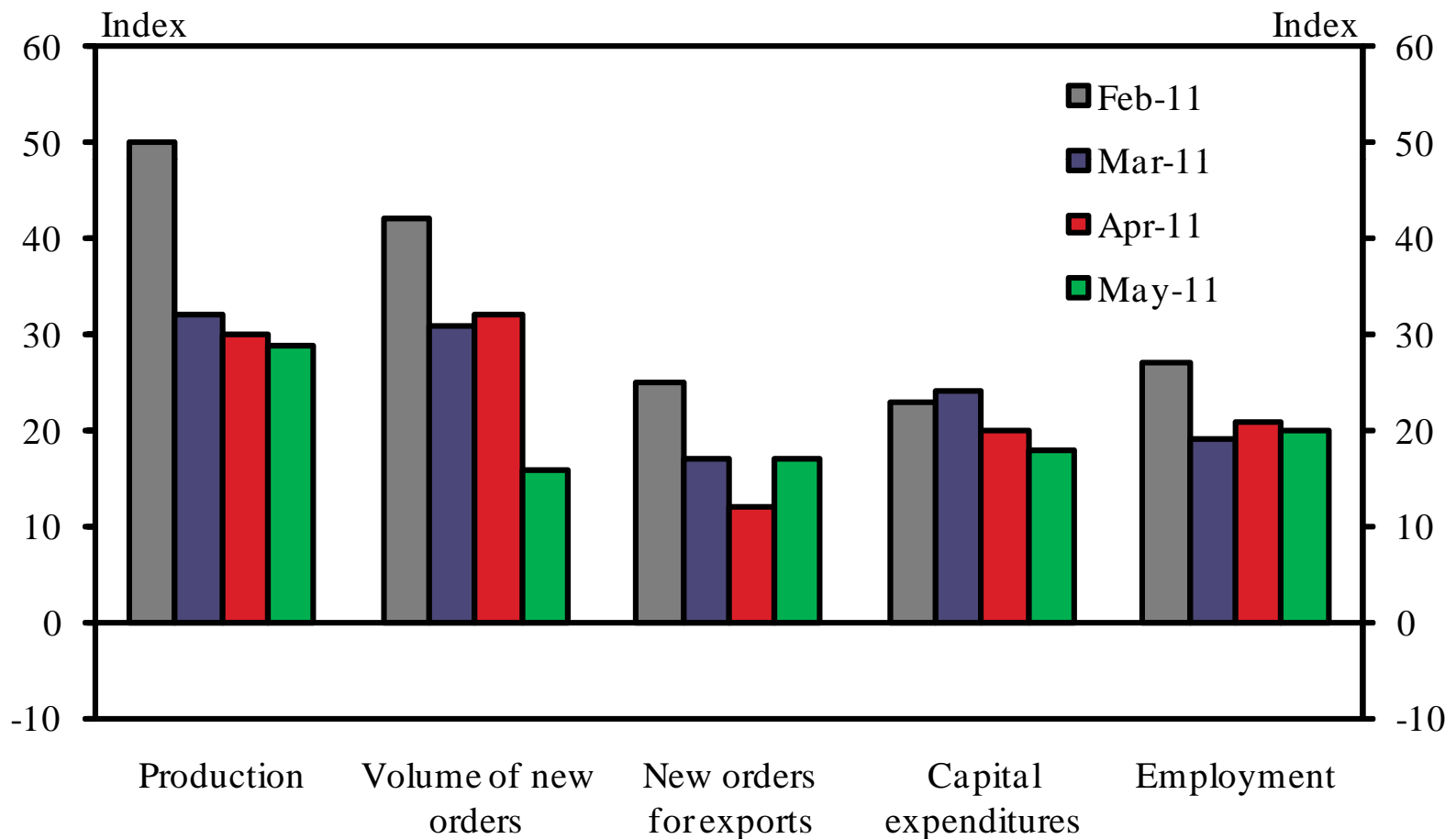
Seasonally adjusted; month-over-month



Sources: ISM, FRBKC Manufacturing Survey
Note: 10J index is computed on ISM basis (50 = zero change)

Manufacturers expect increased activity over the next six months.

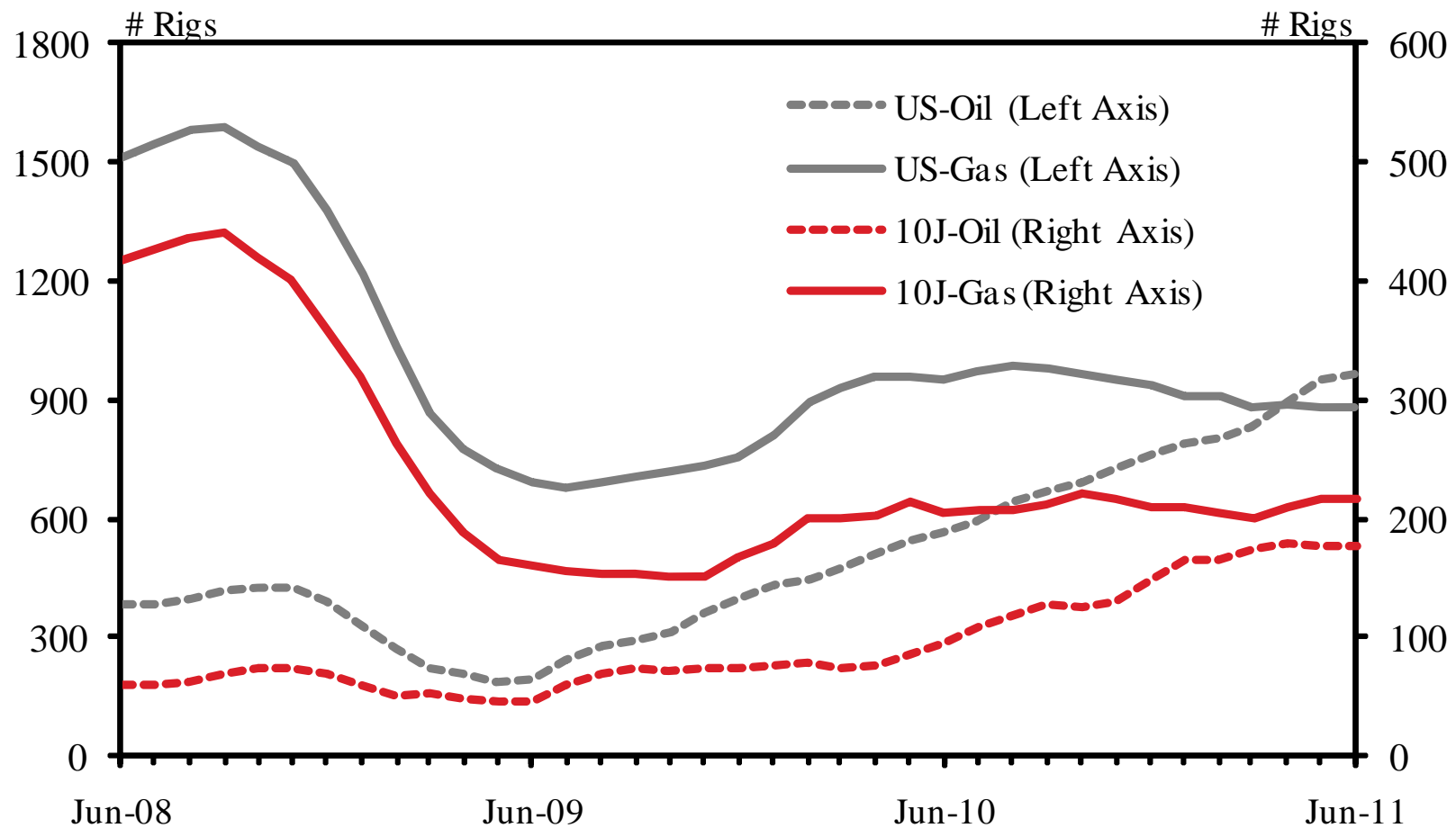
Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

The energy sector is expanding, especially for oil producers.

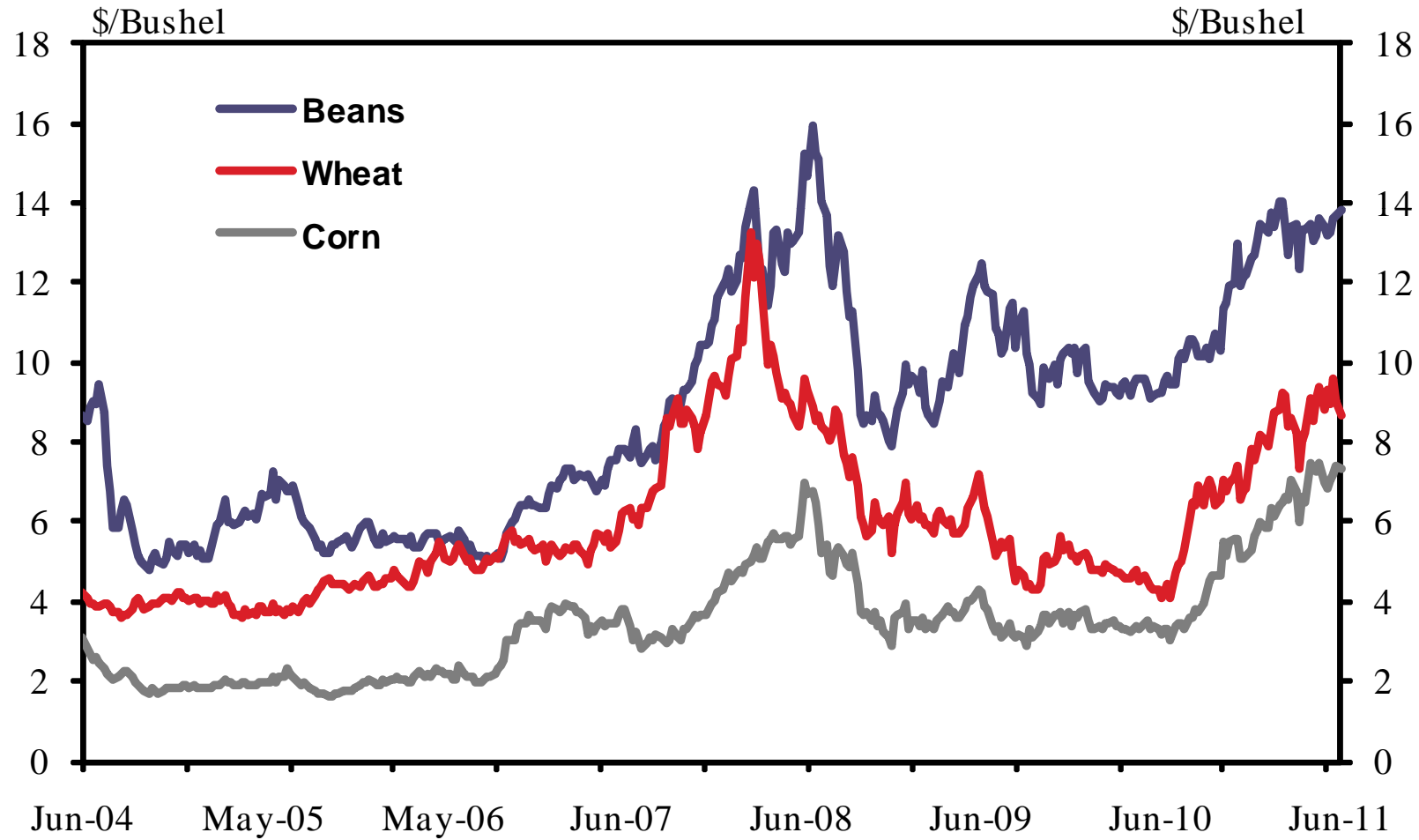
Count of Active Drilling Rigs



Source: Baker-Hughes

Lower supplies and increased demand have led to higher crop prices.

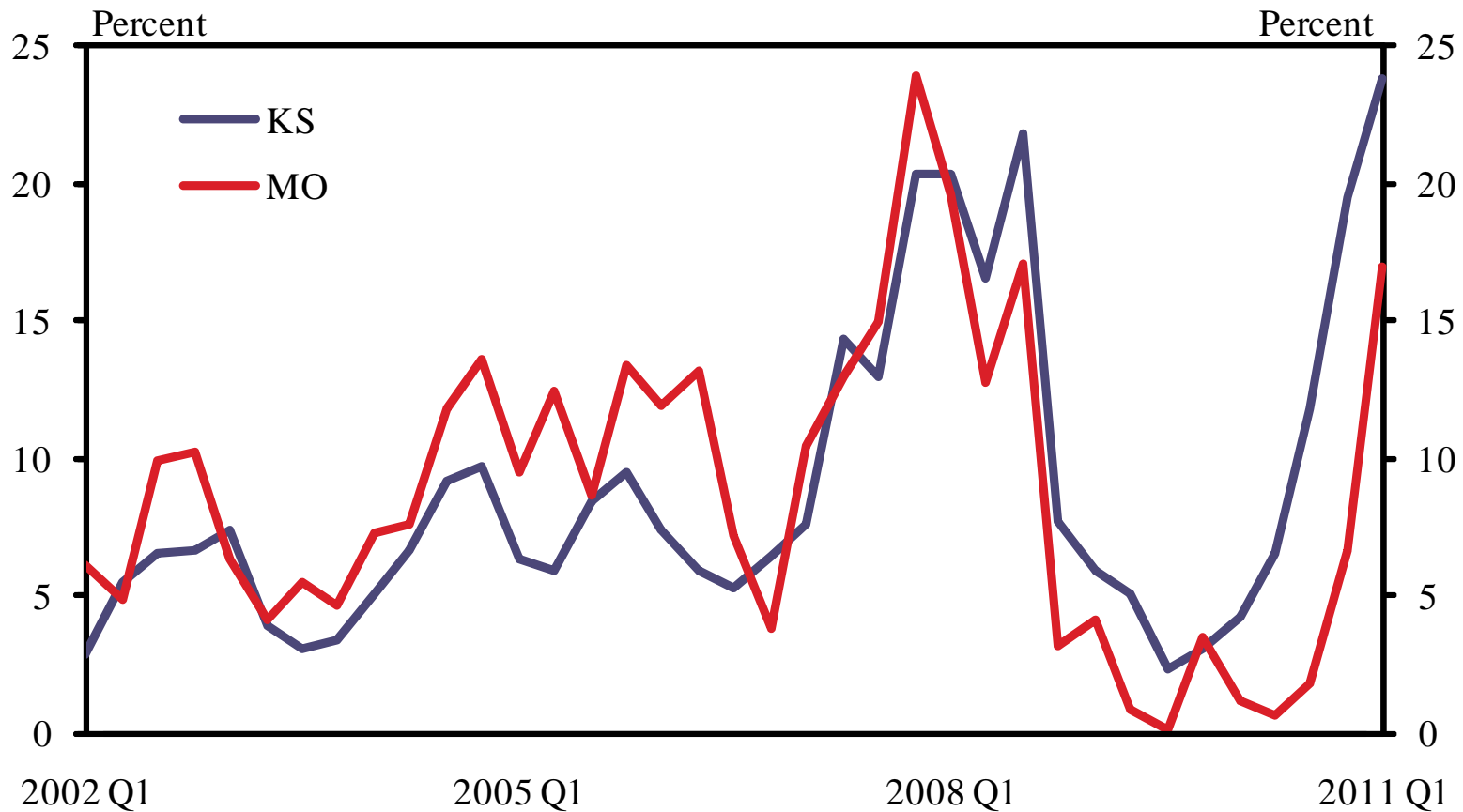
Crop Prices



Source: Commodity Research Bureau

Farmland prices have increased sharply.

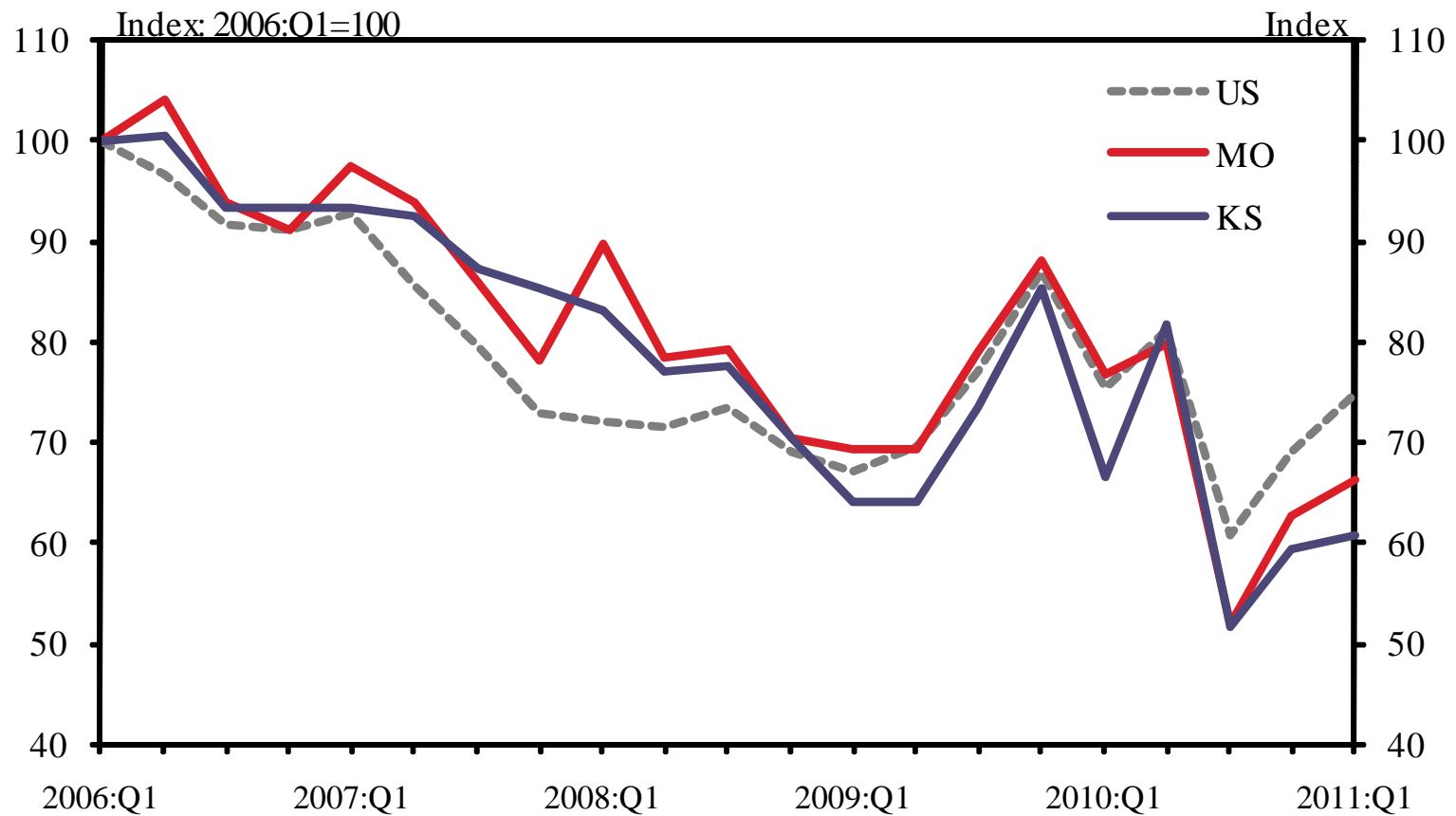
Non-irrigated Farmland Values
Year-over-year



Source: FRBKC Agricultural Credit Survey

Home sales activity remains slow but is increasing.

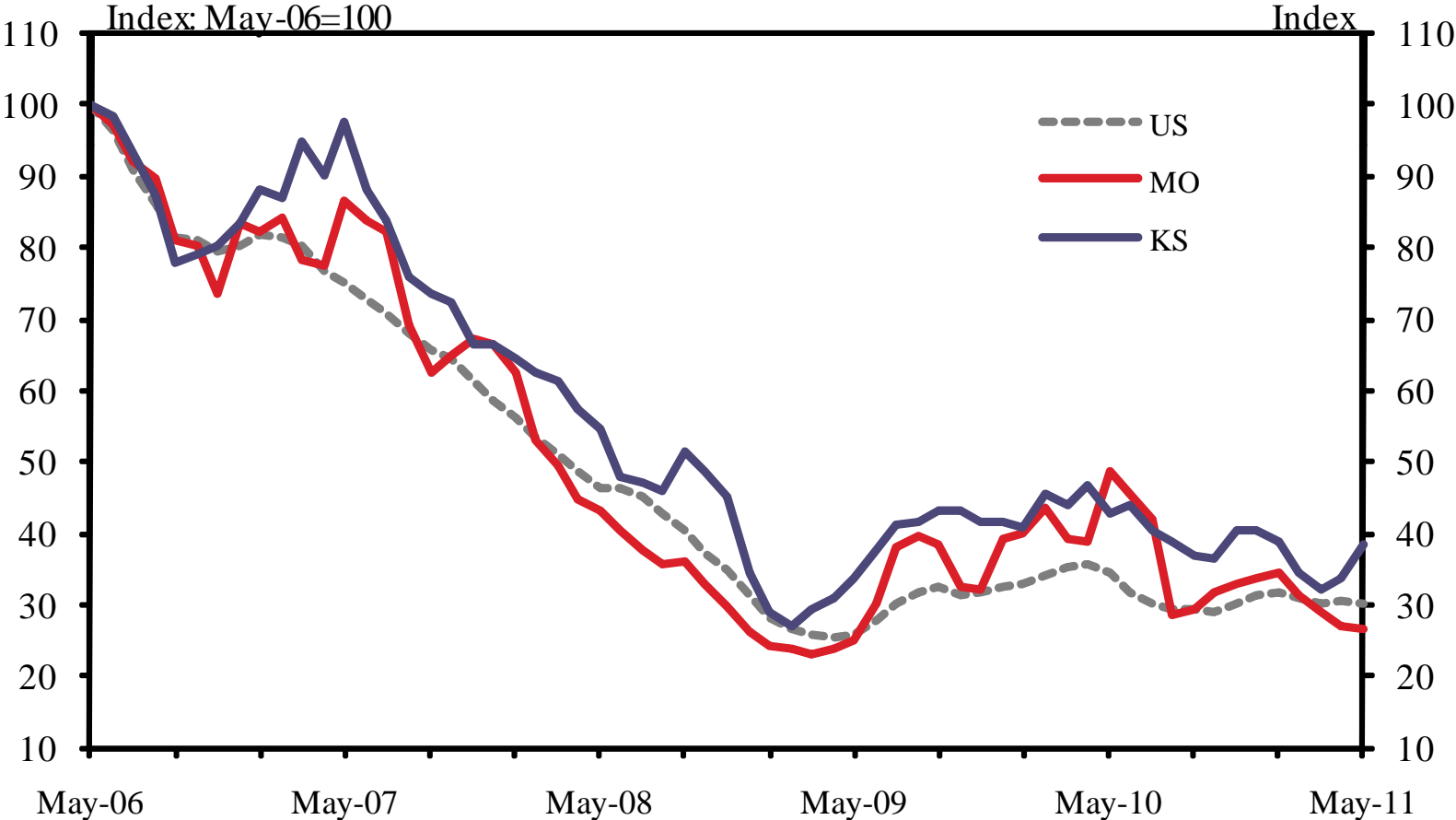
Existing Home Sales
Seasonally adjusted



Source: NAR

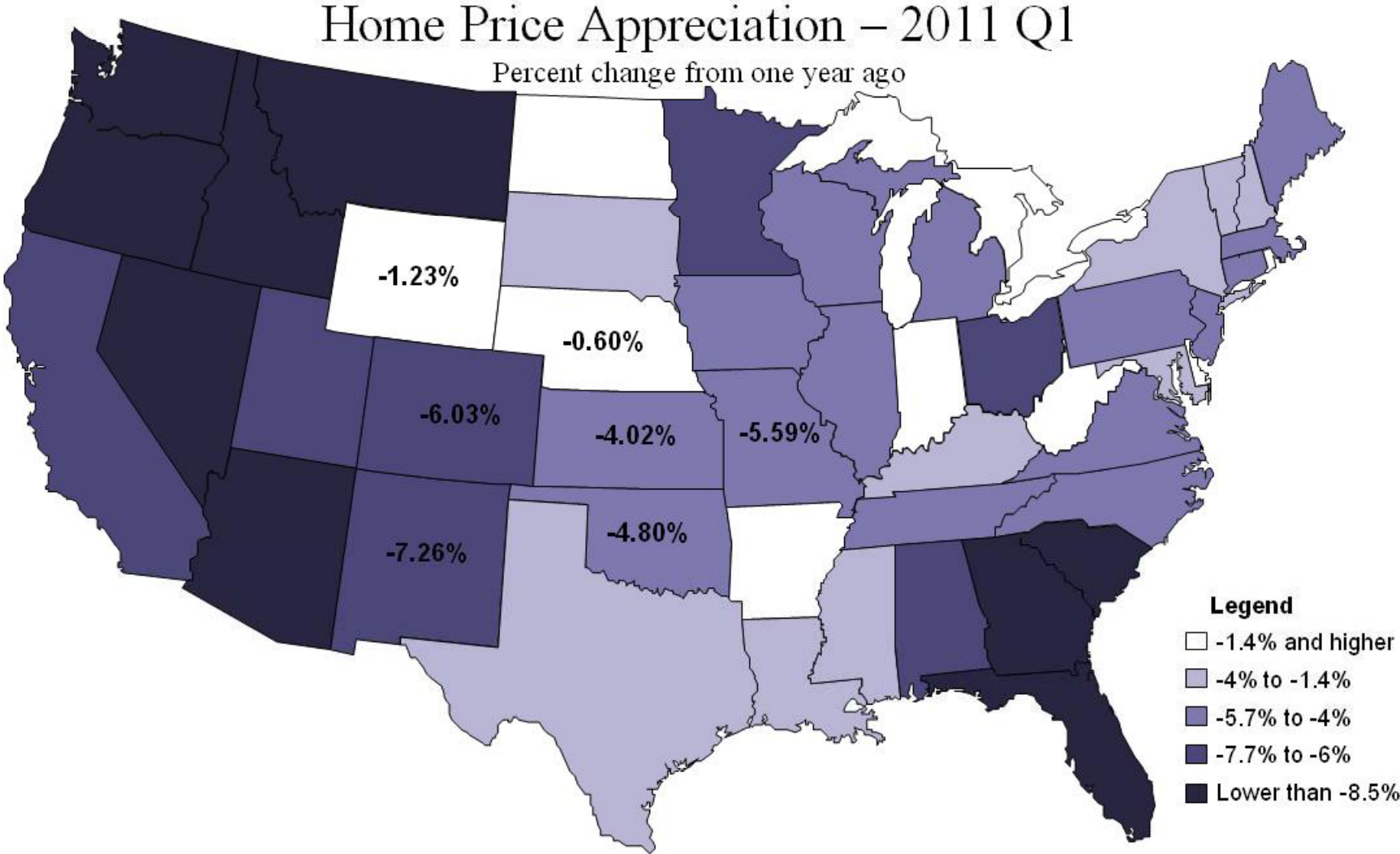
Residential construction activity remains weak.

Value of Residential Construction Contracts
Seasonally adjusted

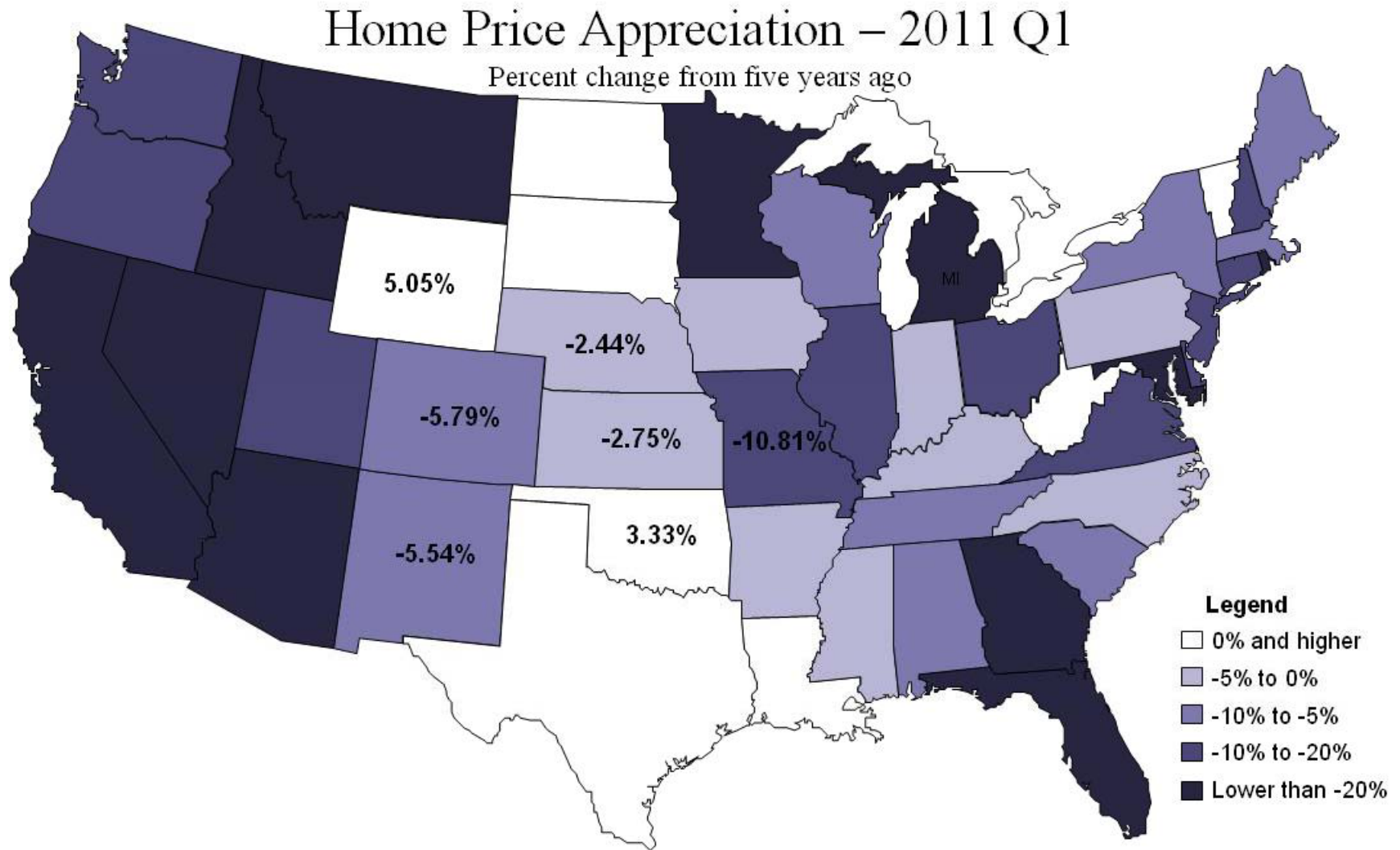


Source: FW Dodge

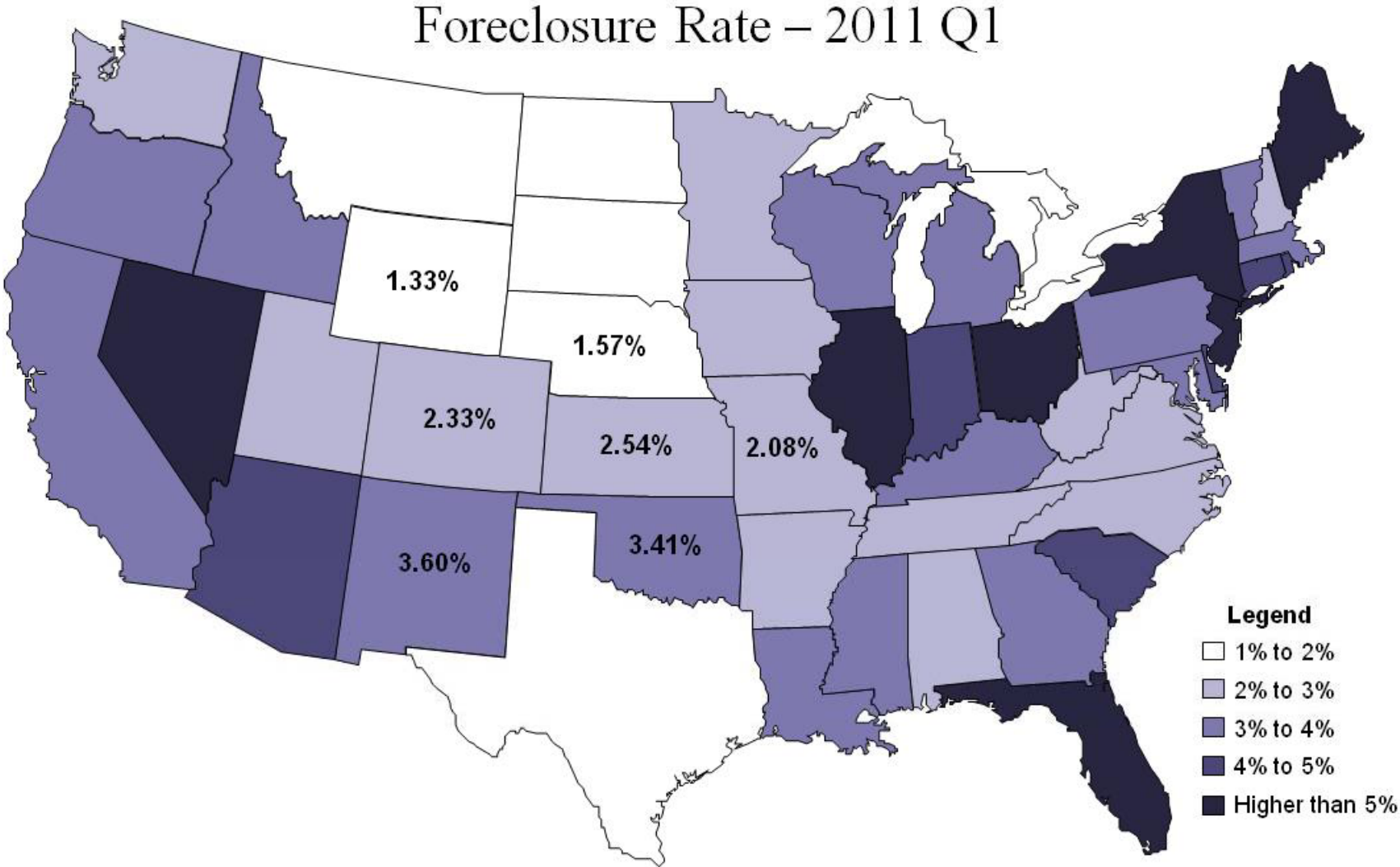
Home prices continue to decline across most of the U.S.



There have been large regional variations in home price appreciation over the past 5 years.

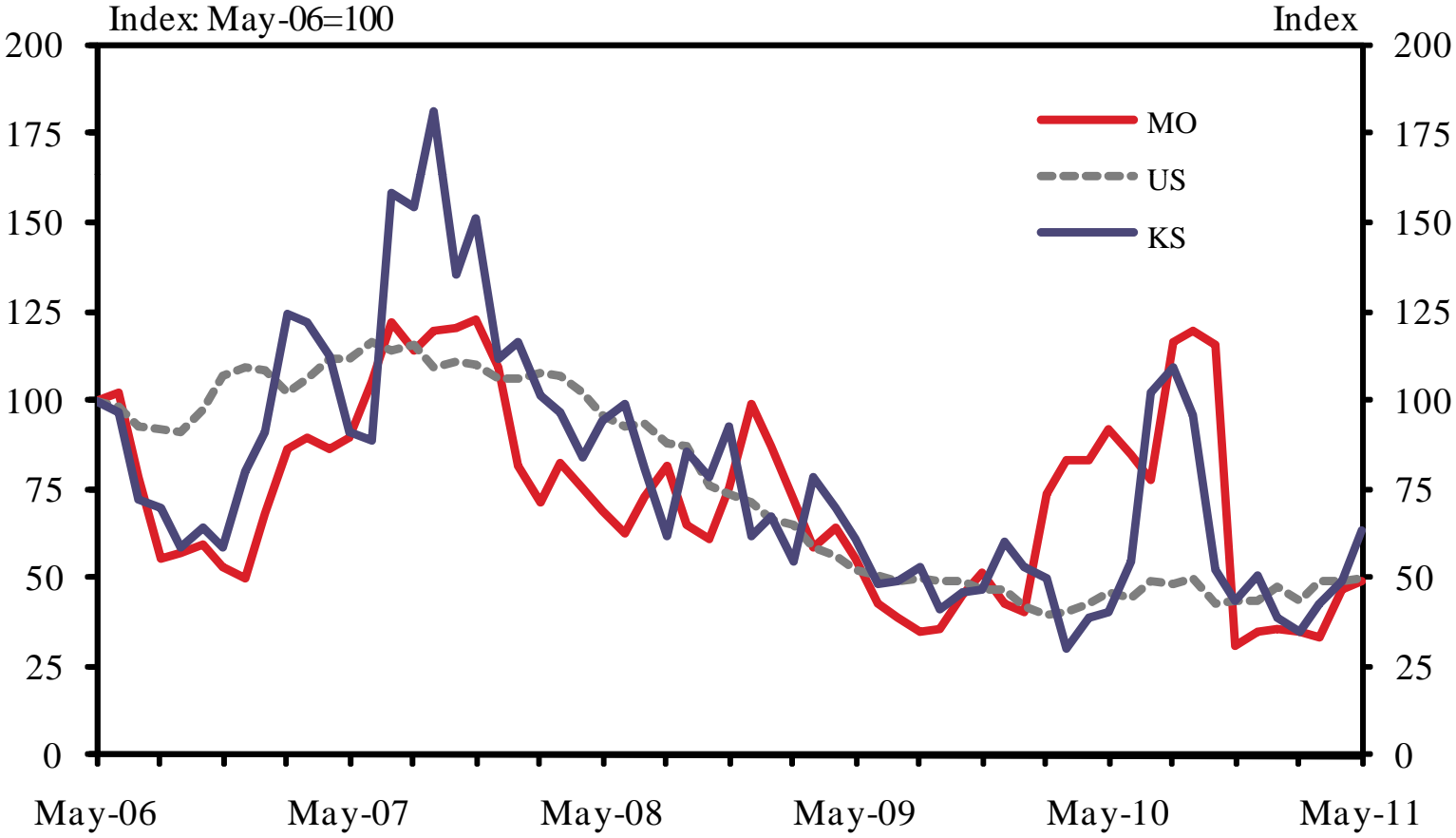


Foreclosure rates in the Midwest are lower than in other parts of the nation.



U.S. commercial construction activity is weaker than pre-recession levels.

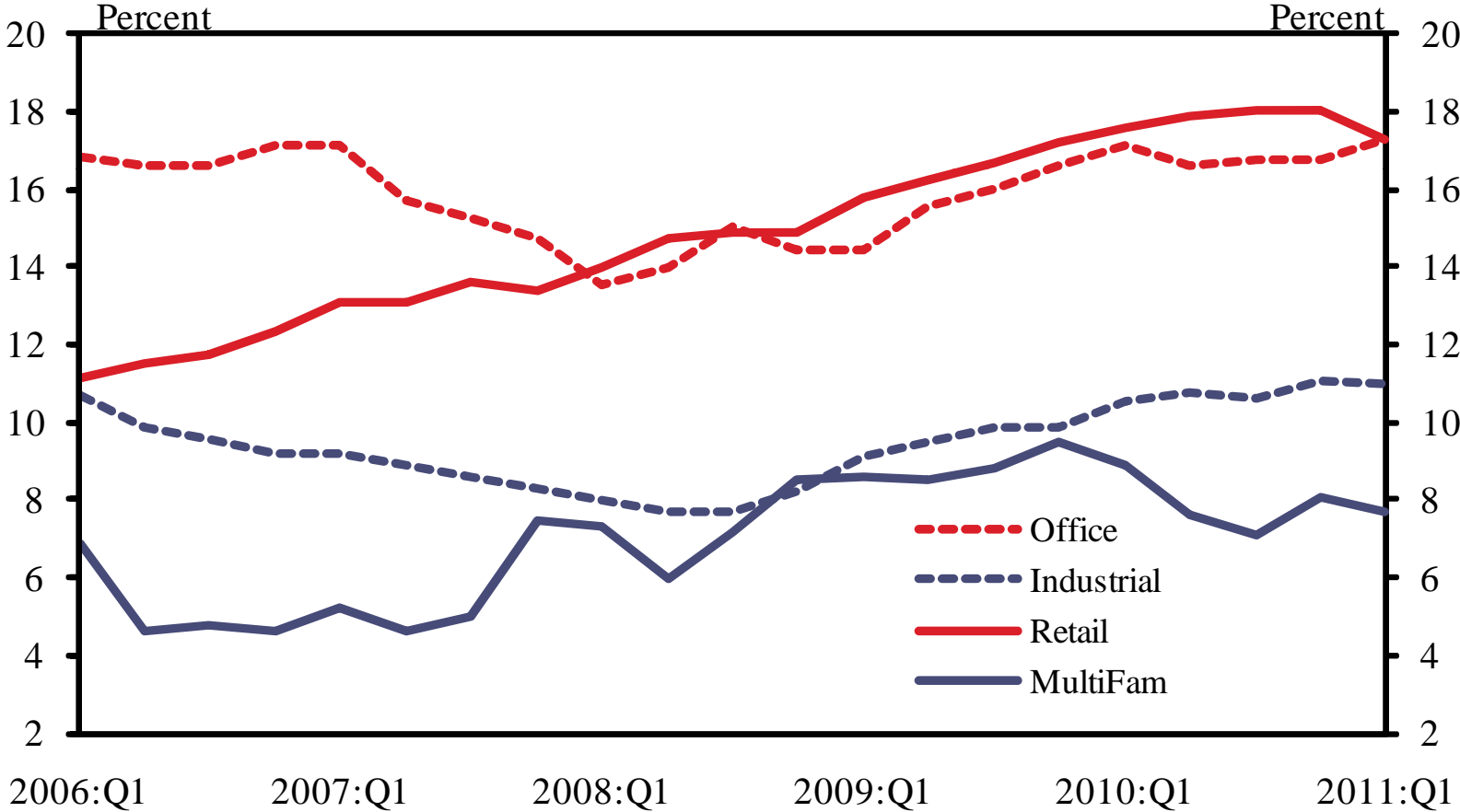
Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.



Source: F.W. Dodge Inc.

Commercial vacancy rates have leveled off in Kansas City.

Kansas City Commercial Vacancy Rates



Source: Torto-Wheaton Research

Conclusions



- The U.S., Kansas, and Missouri economies are expected to continue to recover gradually over the next few years.
 - ▣ Weak construction activity and high unemployment may prevent a more robust recovery.
 - ▣ Manufacturing, energy and agriculture sectors are expected to continue to provide a boost to the economy.

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