

Regional Economic Conditions



Alison Felix

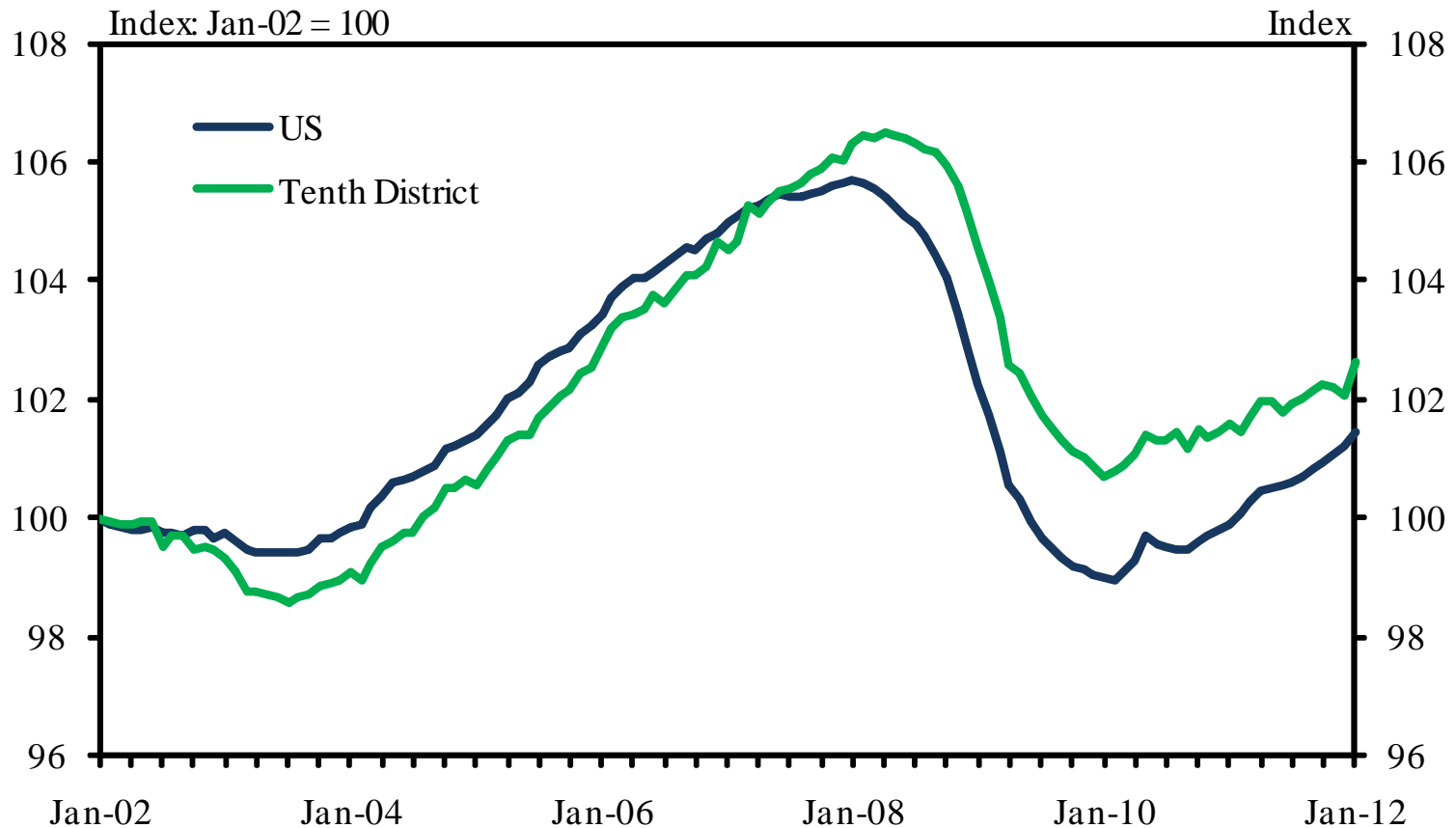
Senior Economist

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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.

Employment started to increase two years ago and is now up almost 2% in the Tenth District.

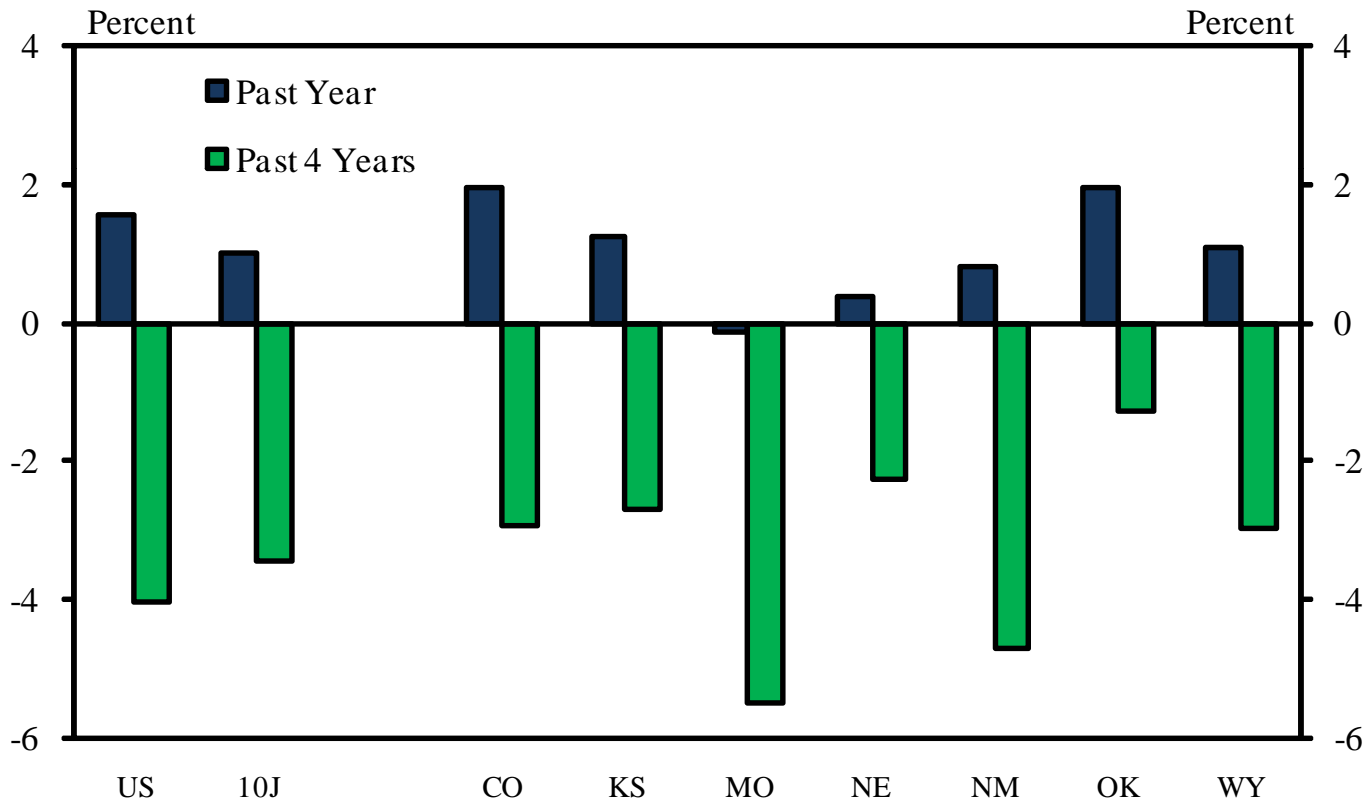
Total Payroll Employment
Seasonally adjusted



Source: Bureau of Labor Statistics

Despite recent gains, Tenth District employment is still down 3.4% over the past four years.

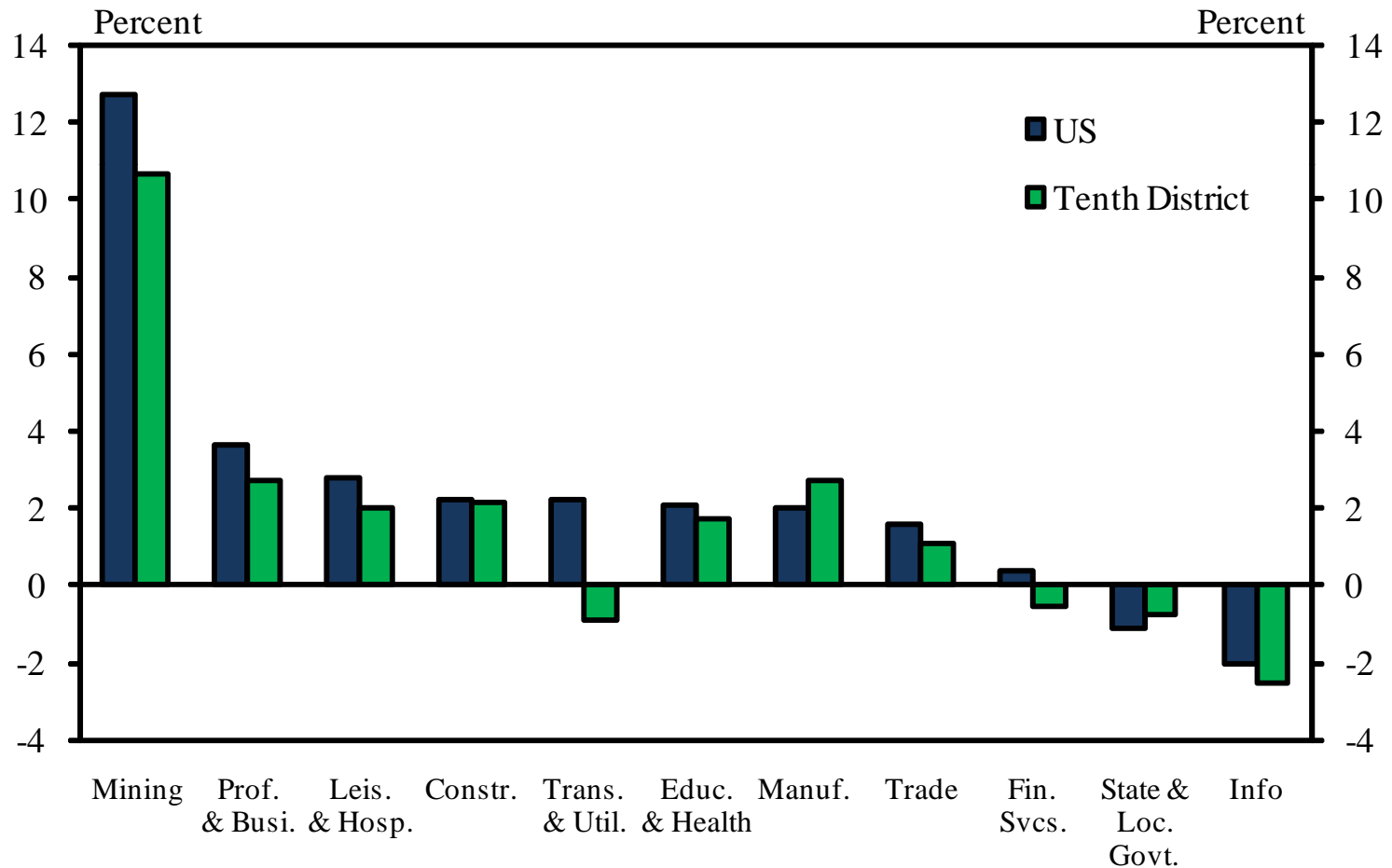
Employment Growth by State



Source: Bureau of Labor Statistics
Note: Data is through January 2012.

Over the past year, employment gains have been spread across the majority of industries.

Employment Growth by Industry
Jan-12 over Jan-11



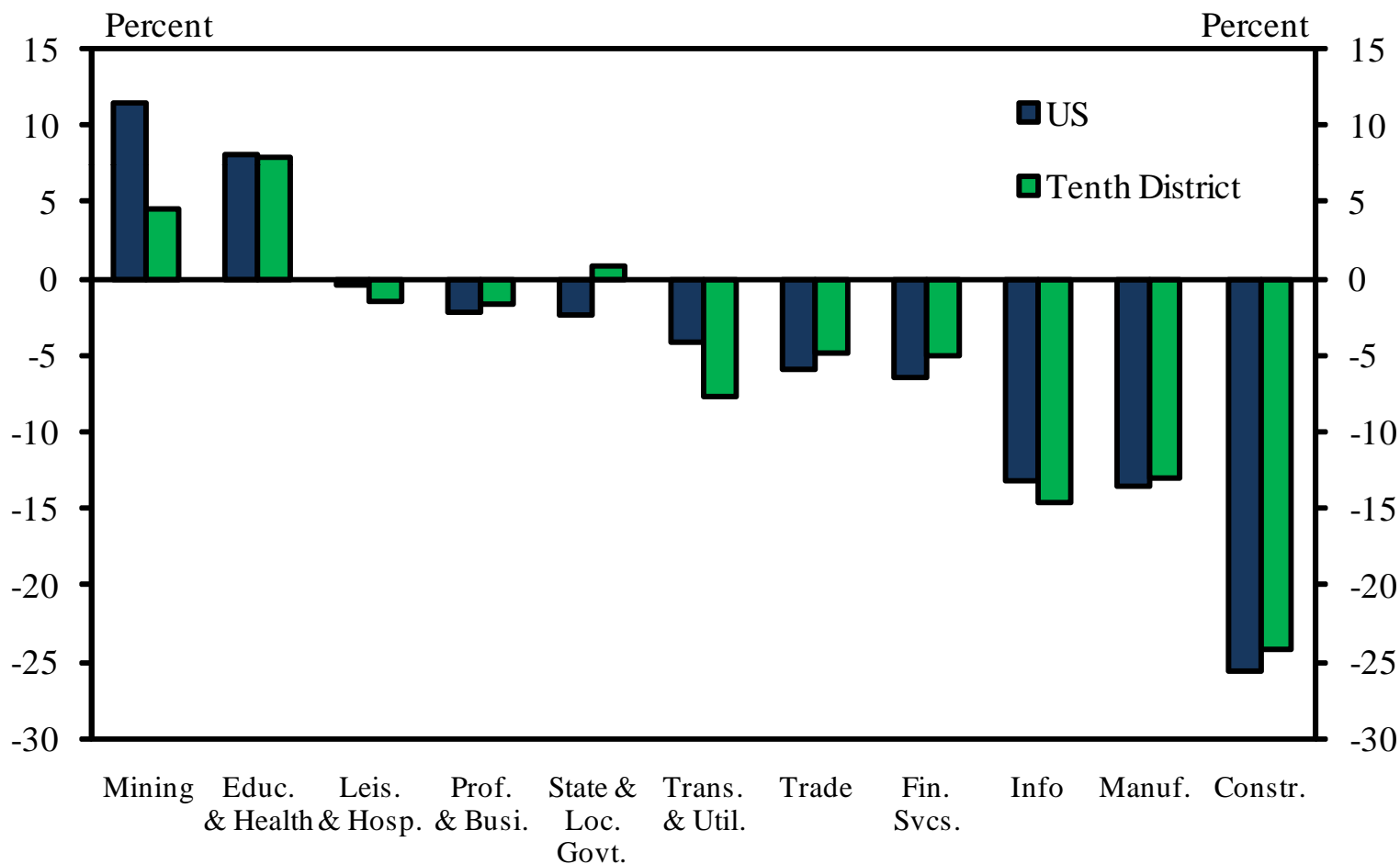
Source: Bureau of Labor Statistics



Employment is still down more than 10% in the information, manufacturing and construction industries.

Employment Growth by Industry

Jan-12 over Jan-08

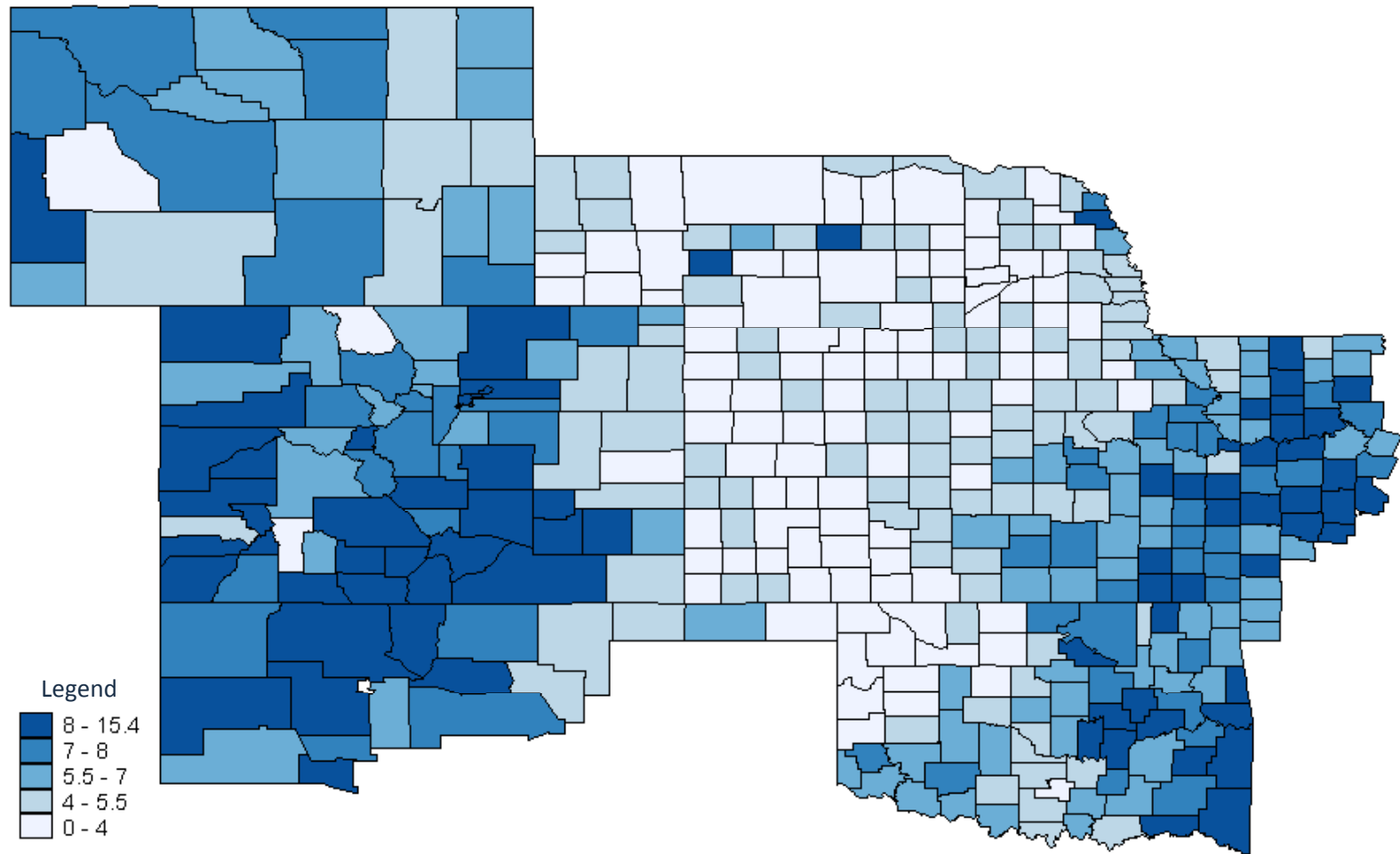


Source: Bureau of Labor Statistics



Unemployment rates vary across the District.

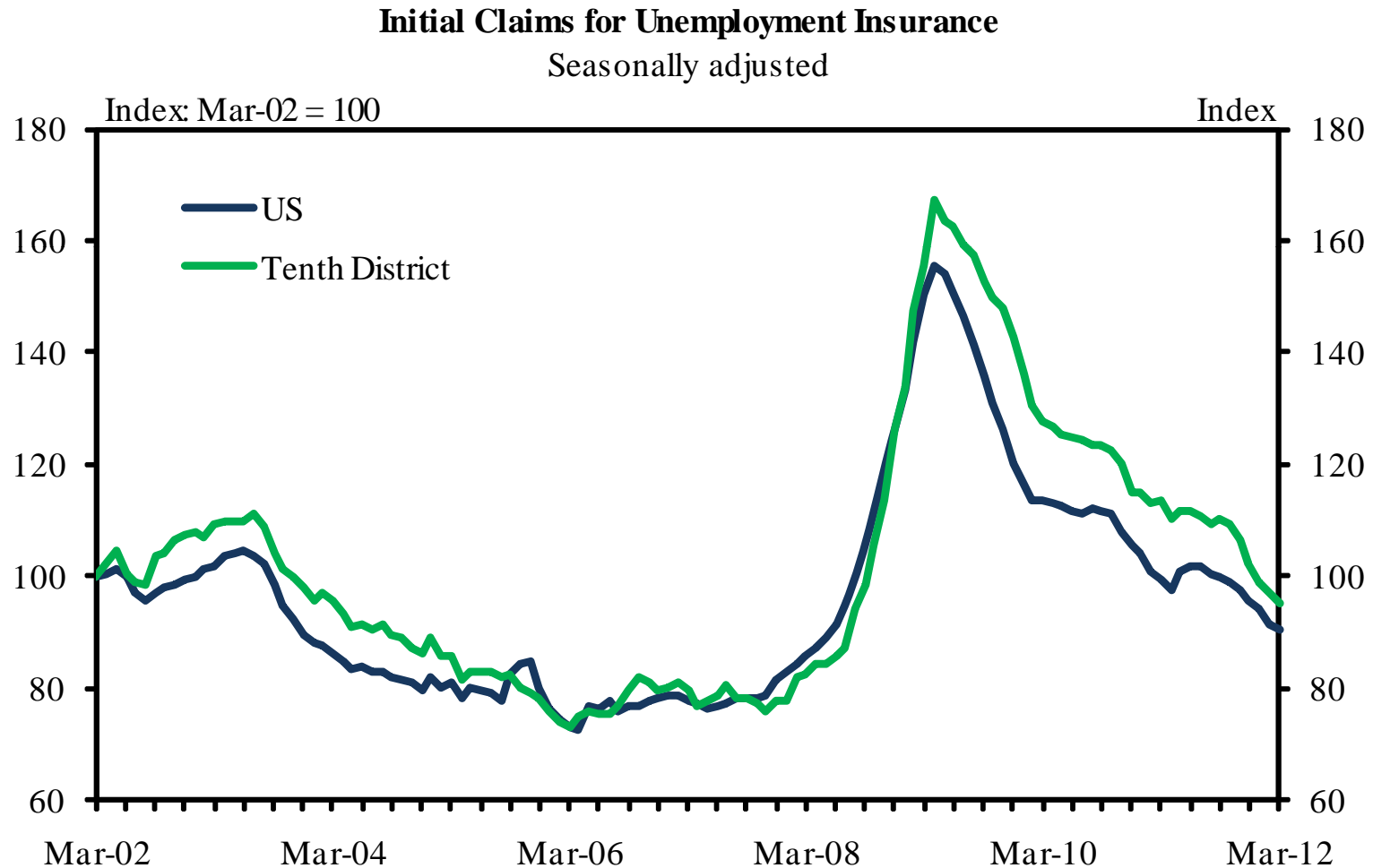
Unemployment Rates, January 2012



Legend

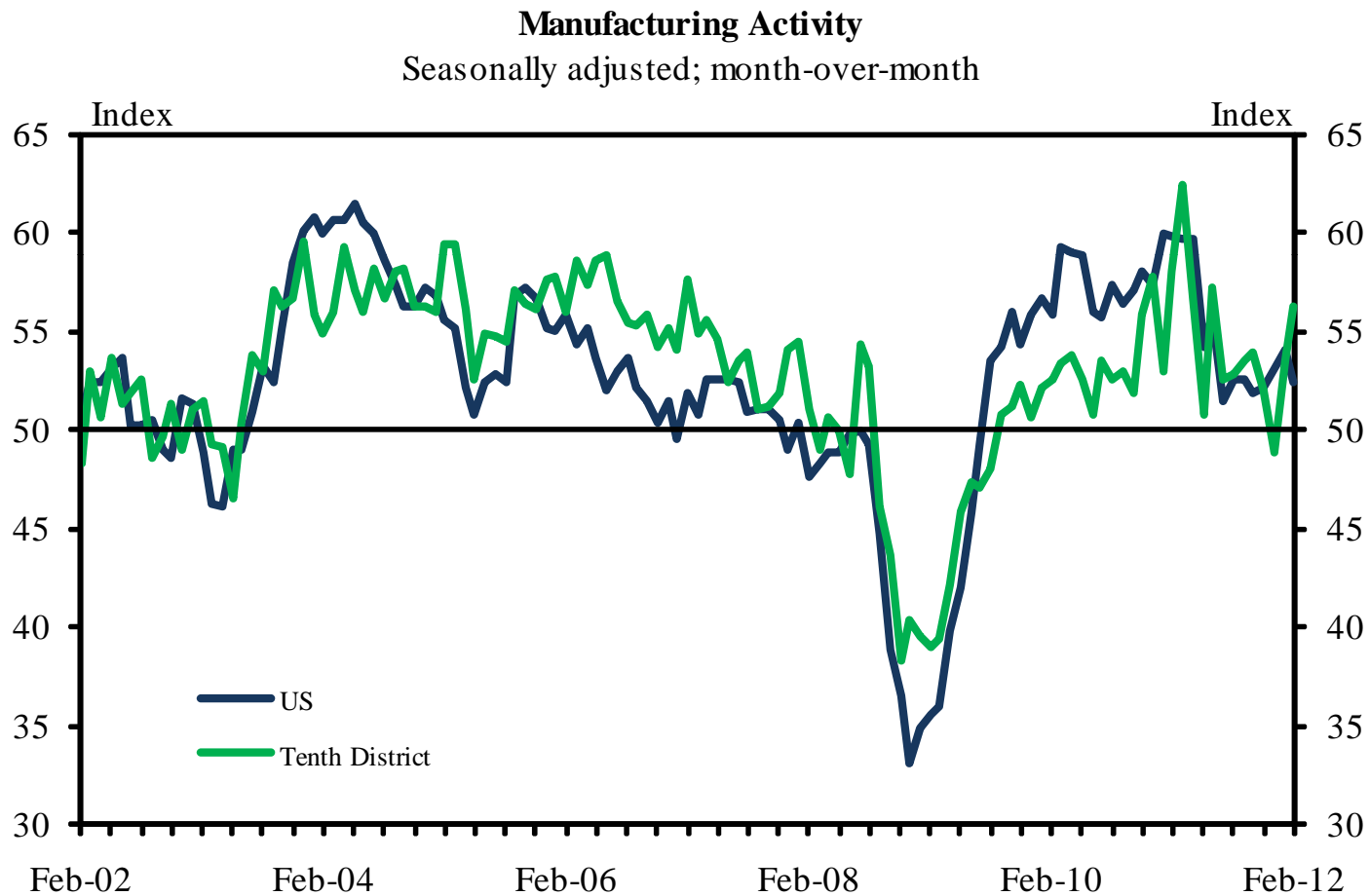
- 8 - 15.4
- 7 - 8
- 5.5 - 7
- 4 - 5.5
- 0 - 4

Initial claims for unemployment insurance continue to trend down.



Source: Bureau of Labor Statistics

The manufacturing sector has been expanding for over two years.



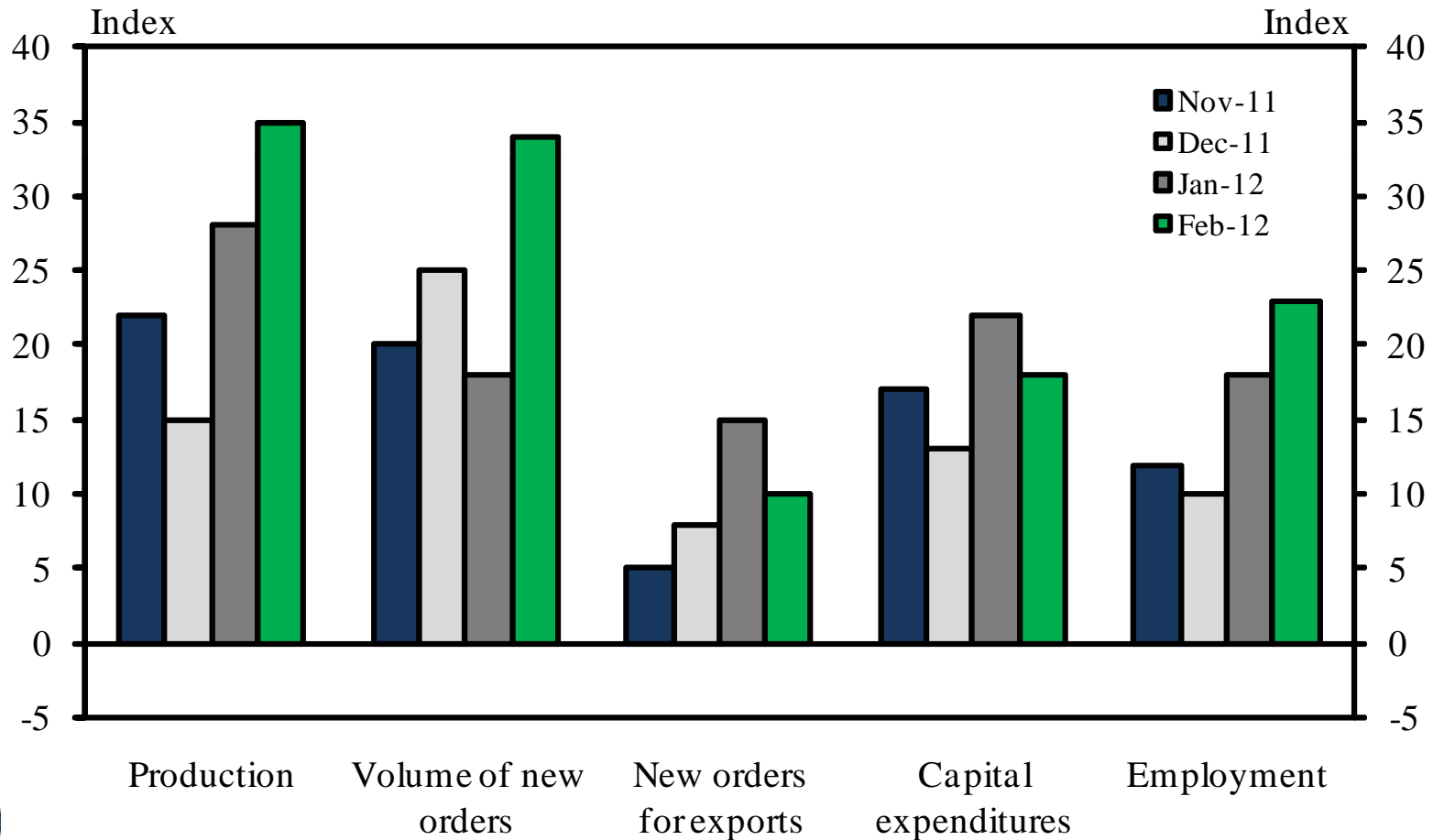
Sources: ISM, FRBKC Manufacturing Survey

Note: 10J index is computed on ISM basis (50 = zero change)

Manufacturers in the Tenth District expect increased activity over the next six months.

Tenth District Manufacturing Expectations

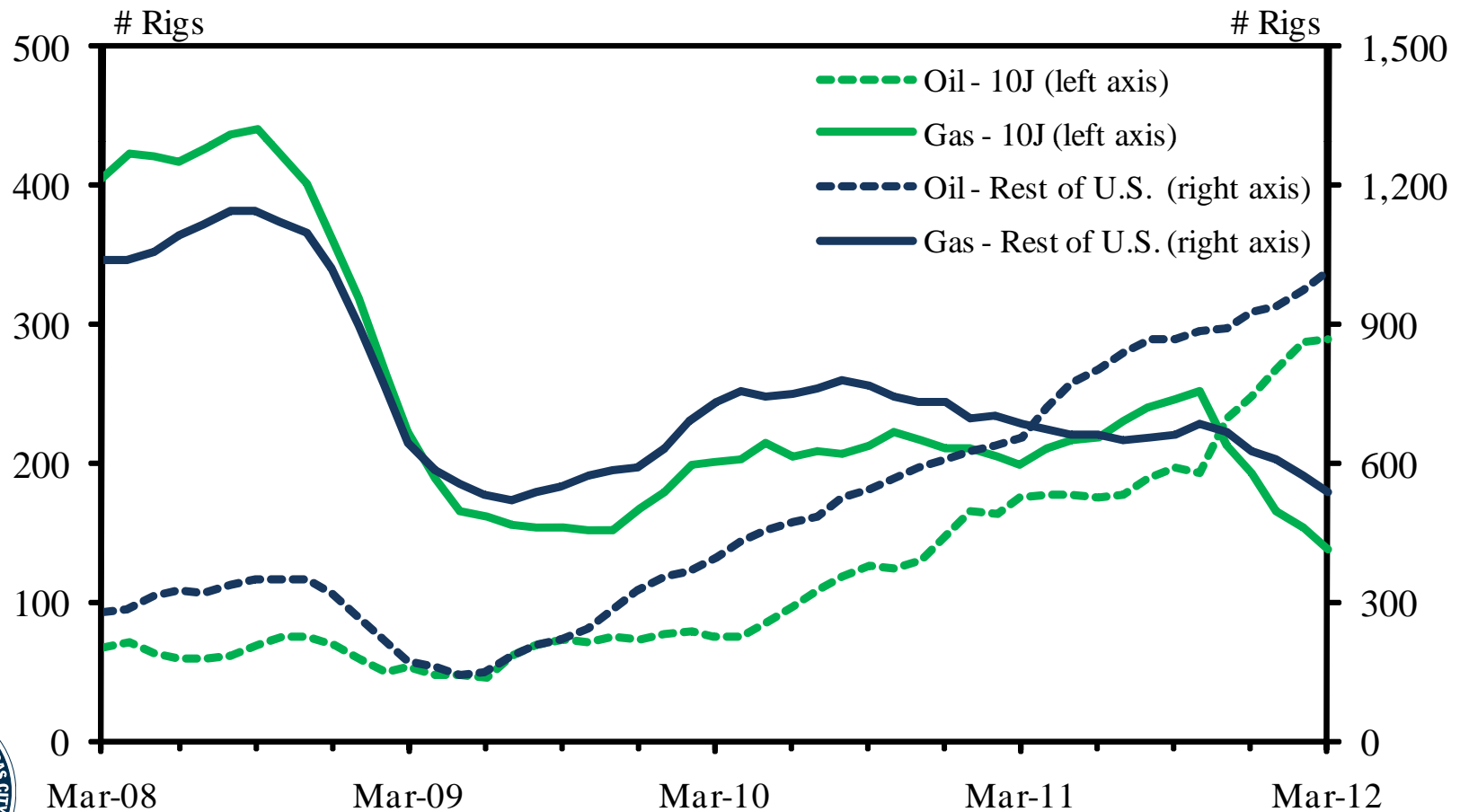
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

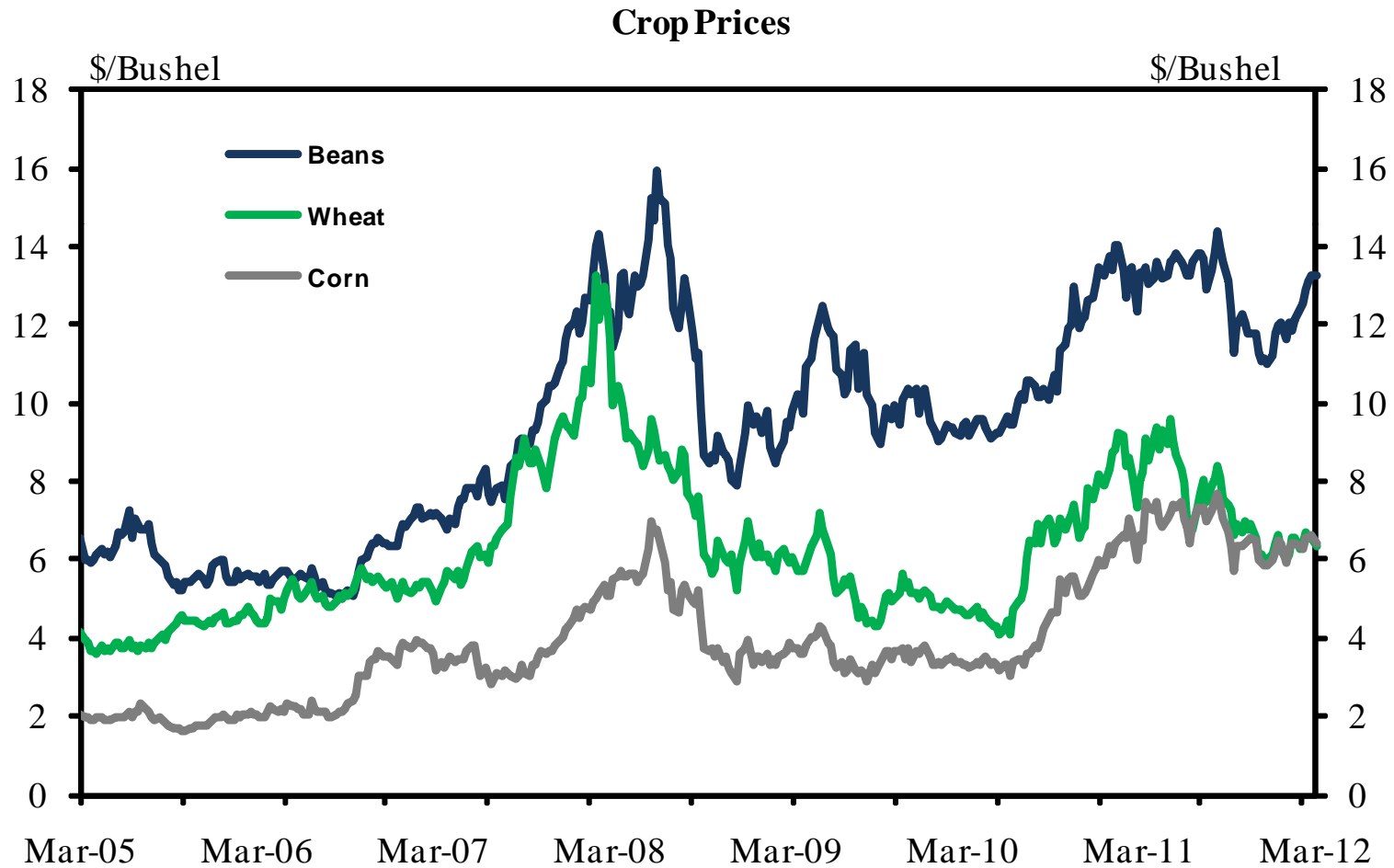
Drilling activity is responding to prices with oil drilling up and natural gas drilling down.

Number of Active Drilling Rigs



Source: Baker-Hughes

Crop prices have fallen over the past year but remain at high levels.

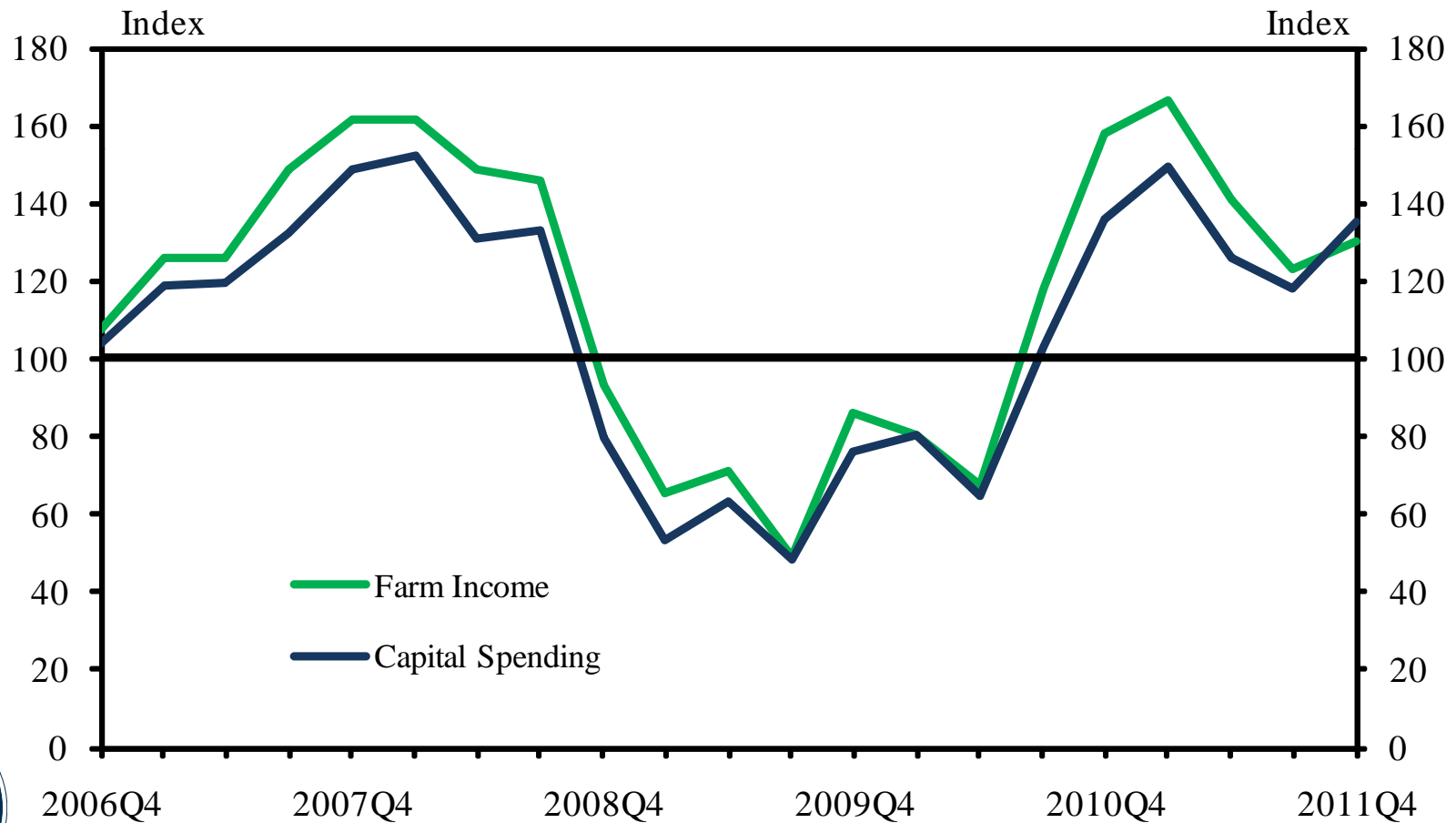


Source: Commodity Research Bureau



Ag bankers continue to report that farm income and capital spending are higher than a year ago.

Tenth District Farm Income and Capital Spending

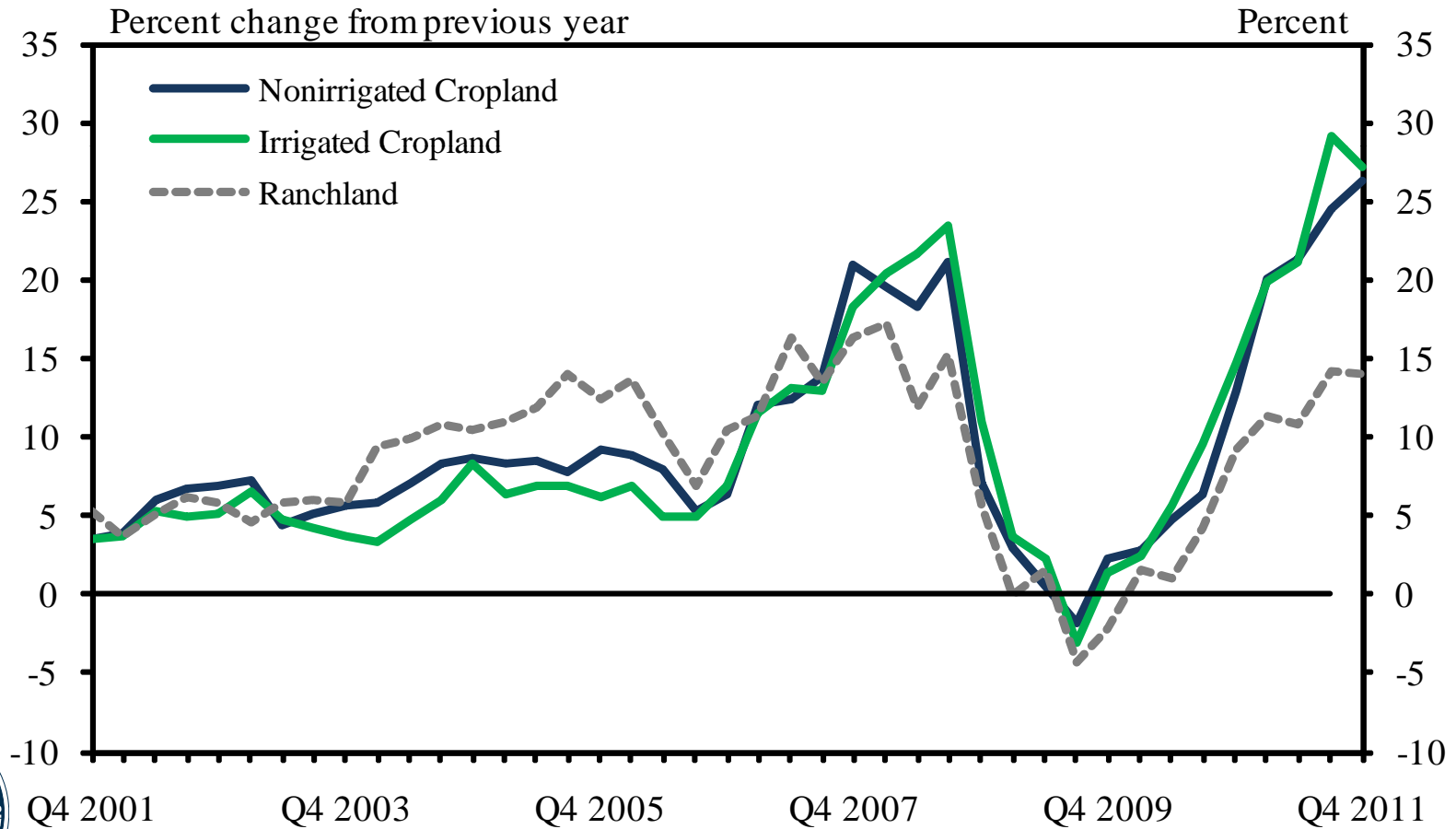


Source: FRBKC Ag Credit Survey



Farmland values have increased sharply over the past year.

Tenth District Farmland Values



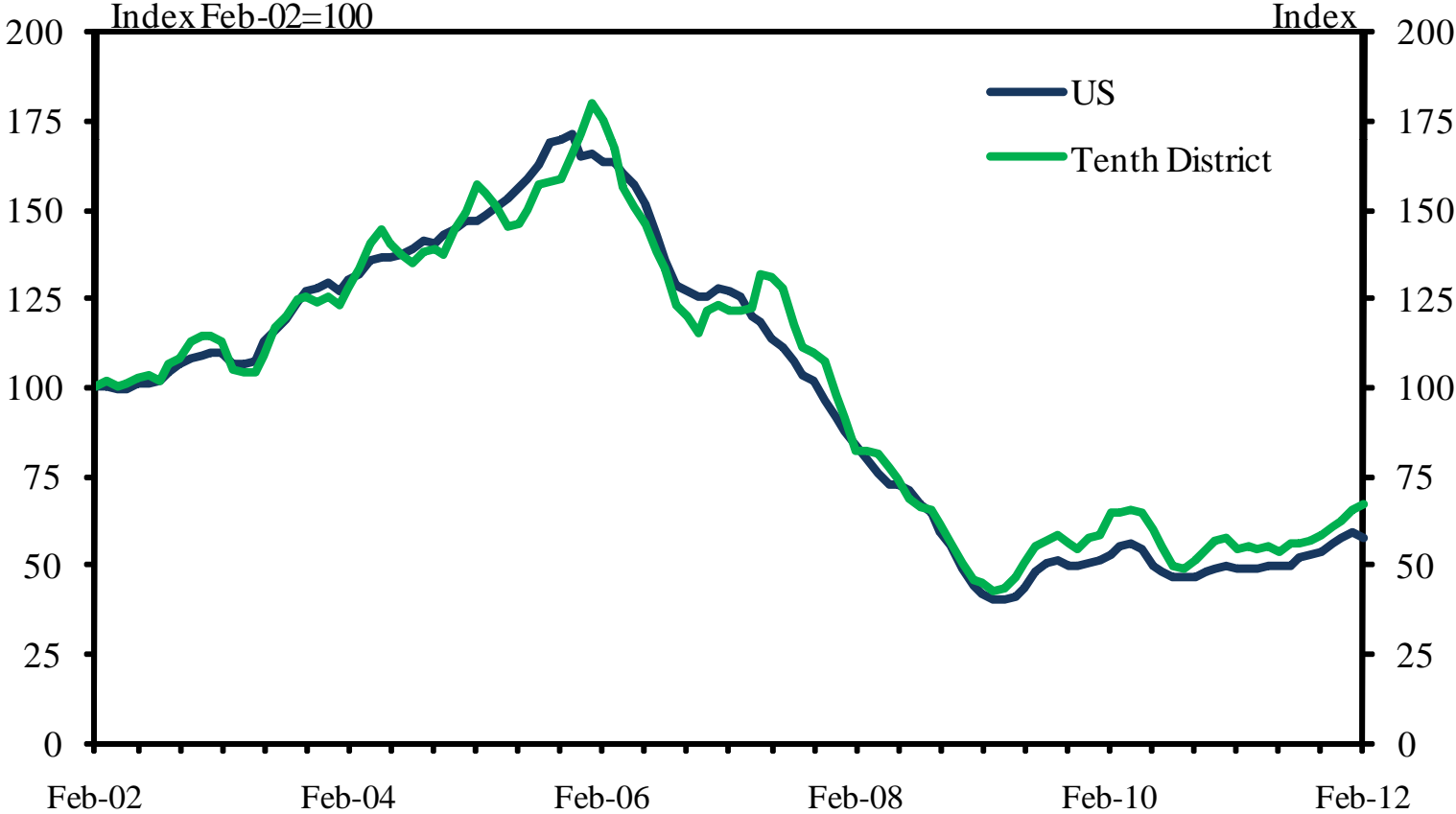
Sources: FRBKC Ag Credit Survey



Residential construction activity is increasing from very weak levels.

Value of Residential Construction Contracts

Seasonally adjusted, 3 mo. moving avg.

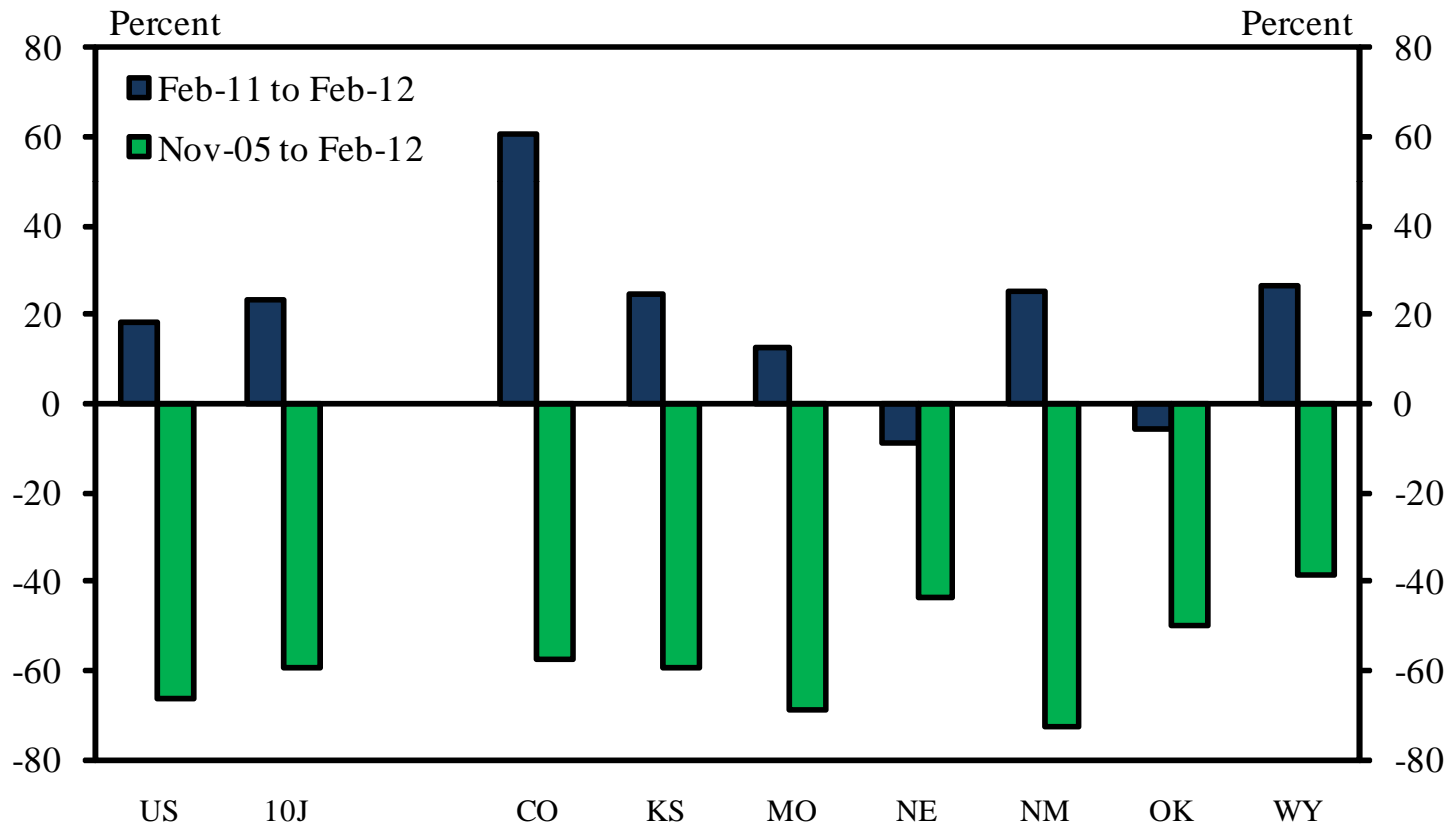


Source: FW Dodge



Residential construction activity has increased in most District states but remains well below peak levels.

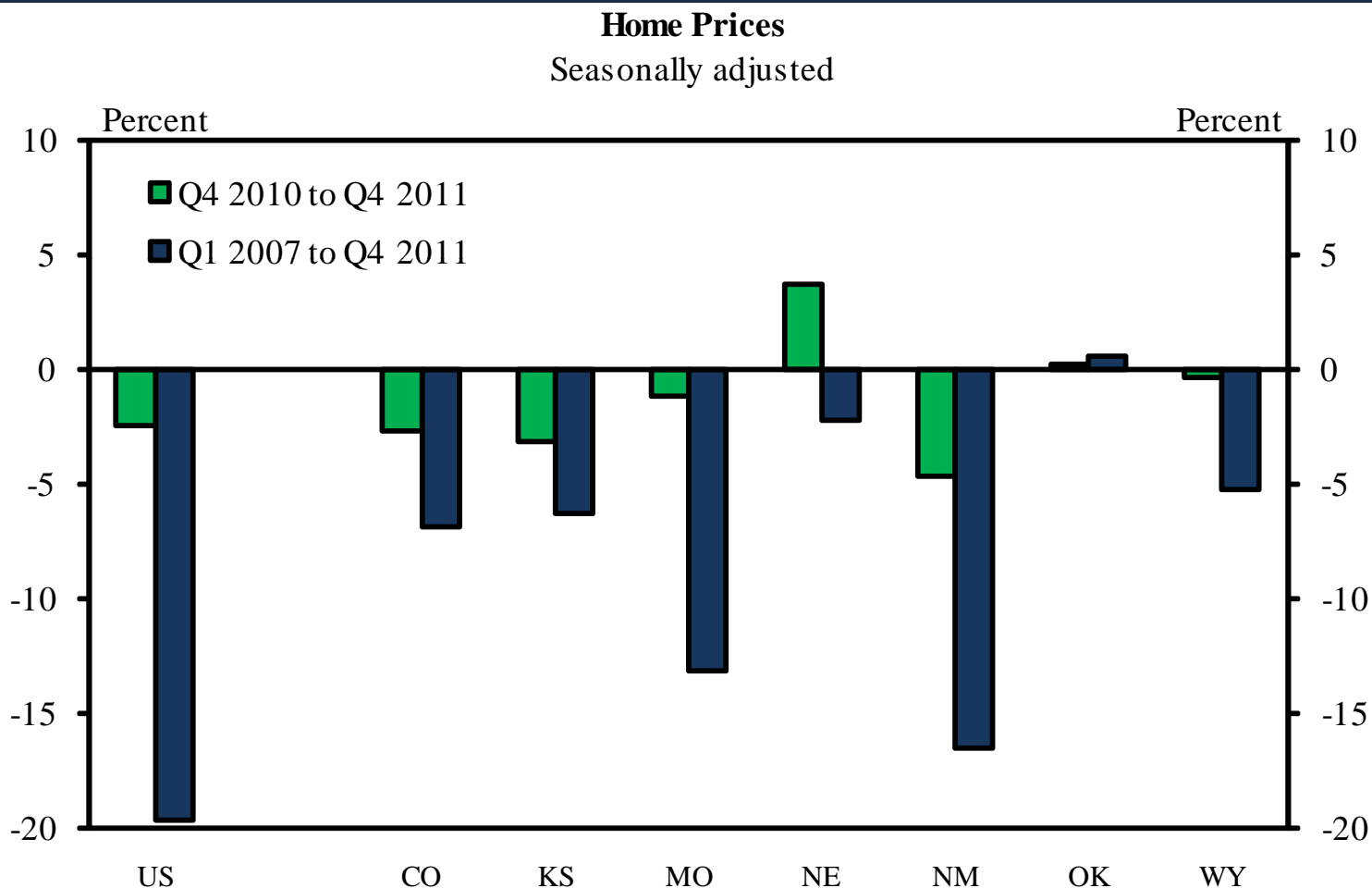
Value of Residential Construction Contracts
Seasonally adjusted, 3 mo. moving avg.



Source: FW Dodge

Note: The value of residential construction contracts peaked in Nov. 2005 in the U.S.

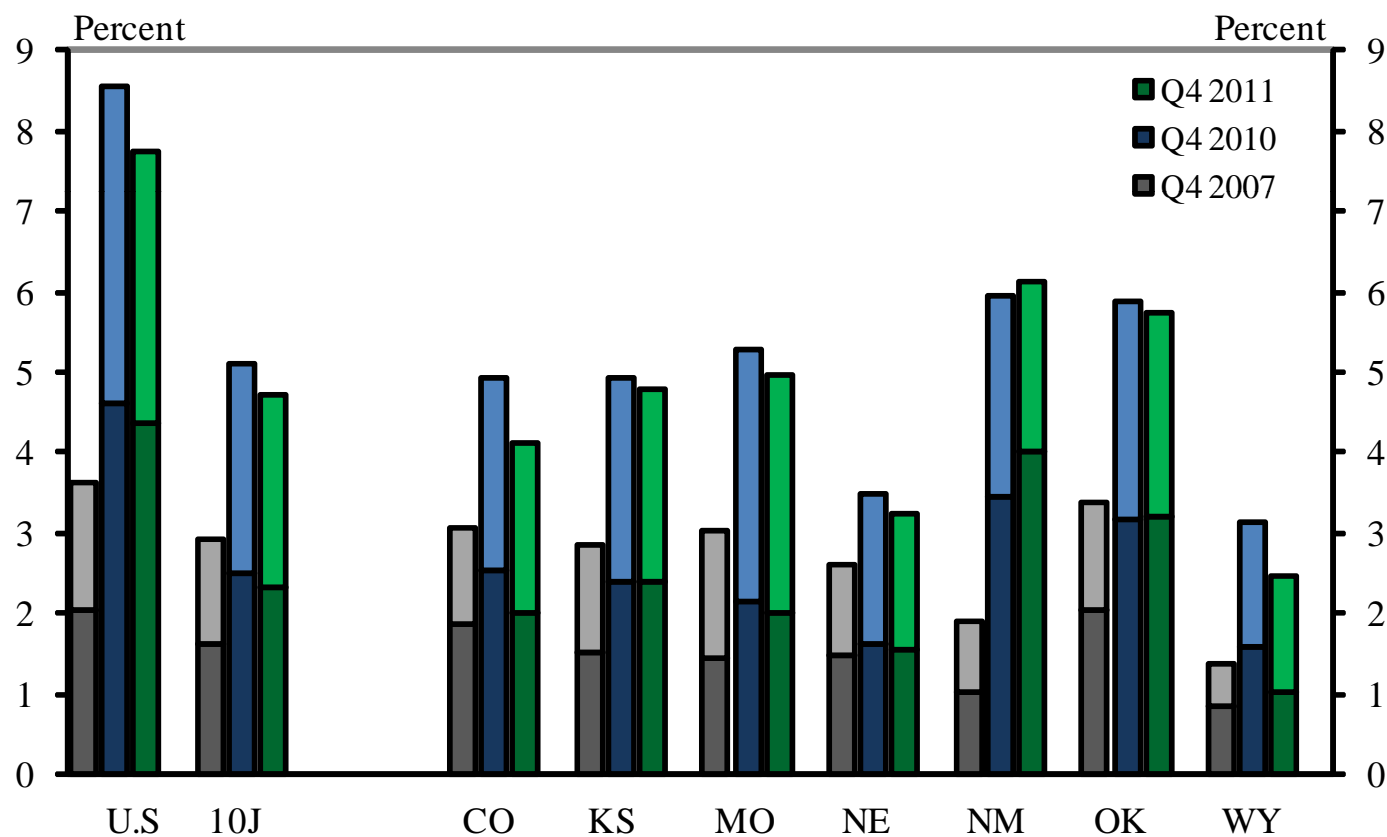
Home prices continued to decline over the past year in CO, KS, MO, NM and WY.



Source: FHFA purchase only index

Foreclosure rates in the District are much lower than national rates.

Foreclosure Rates

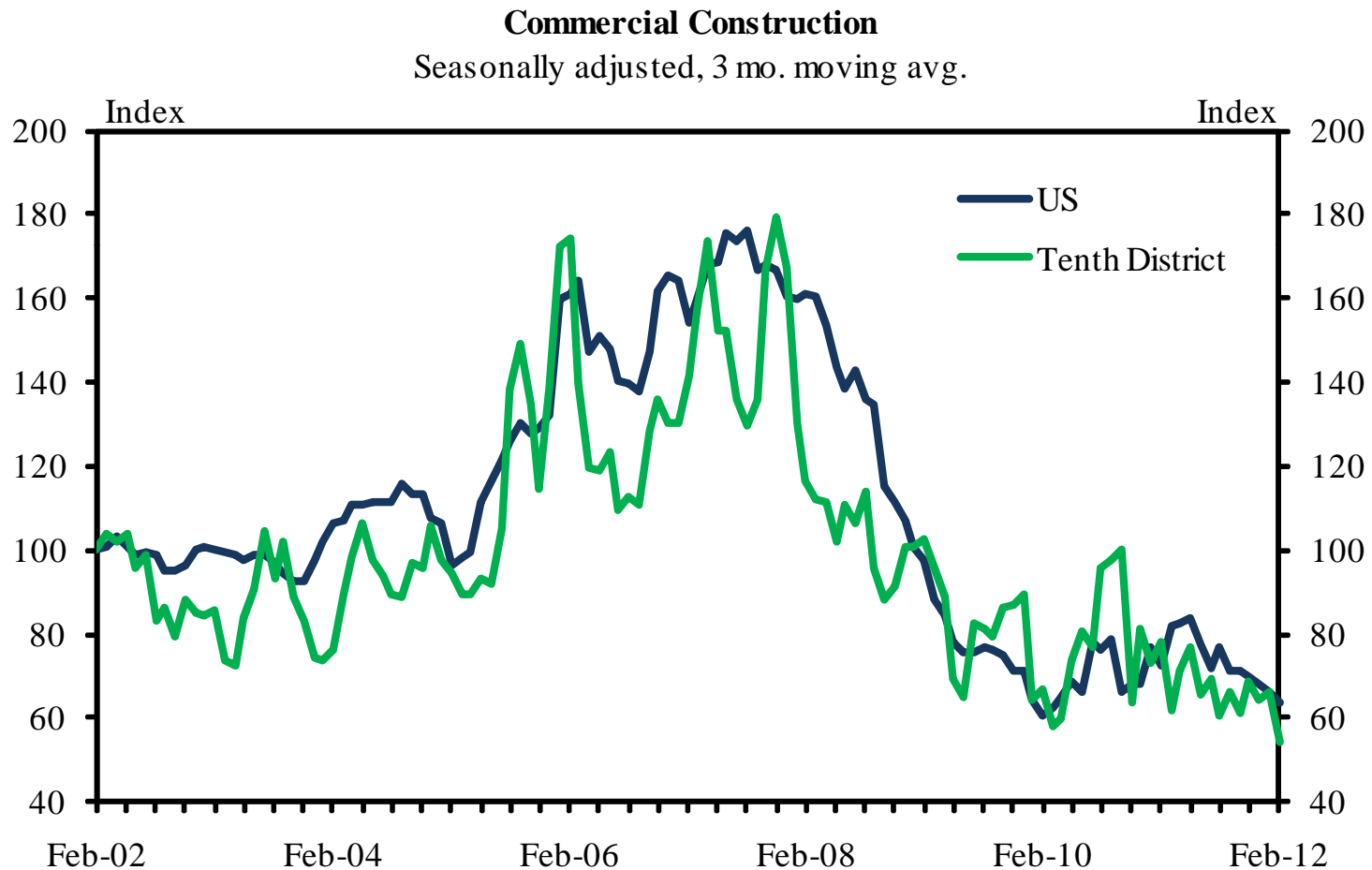


Source: Mortgage Bankers Association

Note: The bottom half of each bar represents the foreclosure rate and the top half of each bar represents the percent of mortgages that are 90 days or more past due.



Commercial construction activity has not rebounded in the District.



Source: FW Dodge



Conclusions

- The U.S. and Tenth District economies are expected to continue to recover at a moderate pace over the next few years.
- The energy, agriculture and manufacturing sectors led the recovery in the Tenth District, but growth is now spreading to more industries.
- Growth has varied across District states. Employment growth has been stronger in Colorado, Kansas, and Oklahoma, while Missouri and New Mexico have struggled to recover.

