



Kansas Economic Outlook

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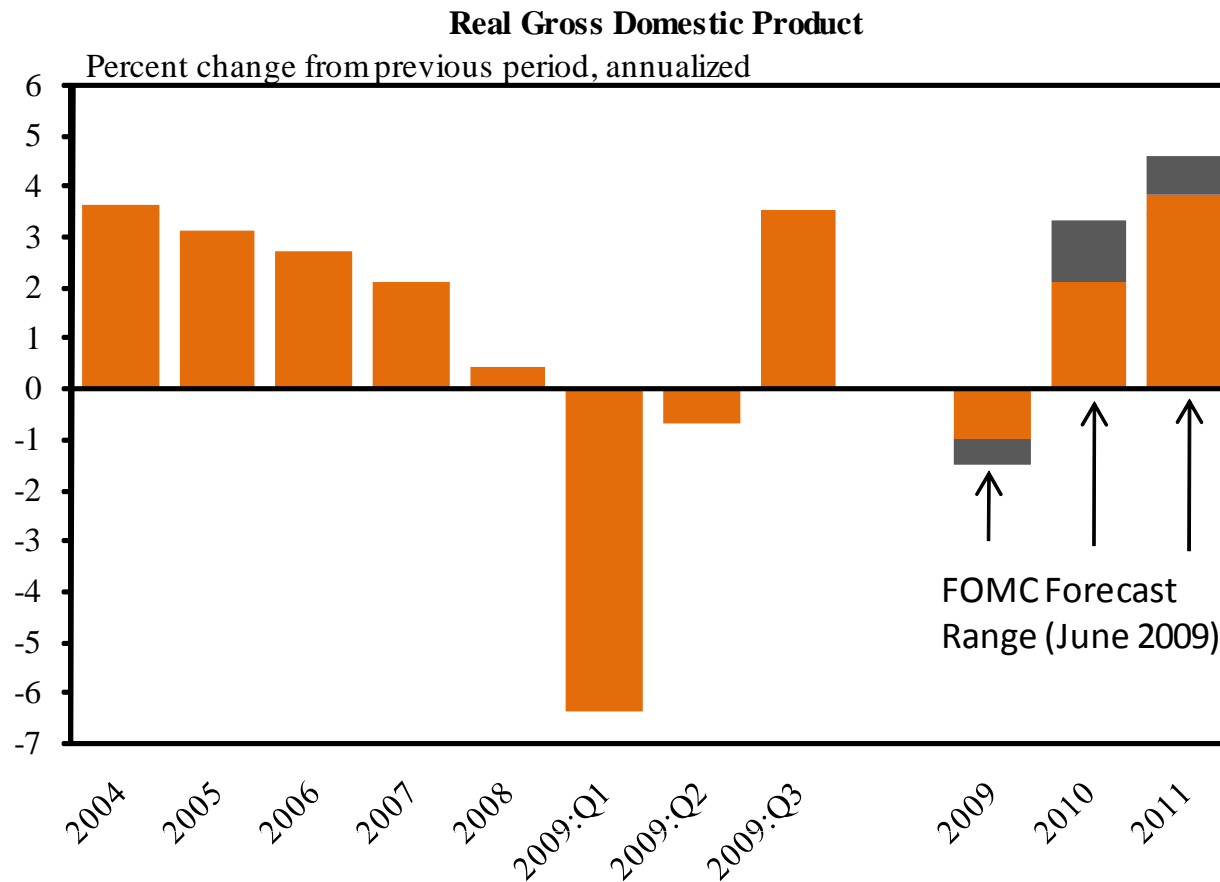
The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

U.S. Economic Overview

- ◎ The U.S. economy has contracted sharply since the recession began.
 - Housing markets and construction activity have been very weak.
 - Financial markets and credit conditions have tightened.
 - Manufacturing activity declined dramatically as export markets weakened and consumers cut back.
 - Labor market conditions have worsened.
- ◎ The economy is beginning to show signs of recovery as policies implemented by the Federal Reserve, Treasury, Congress and President start to take hold.



Real GDP has fallen sharply since the recession started in December 2007.

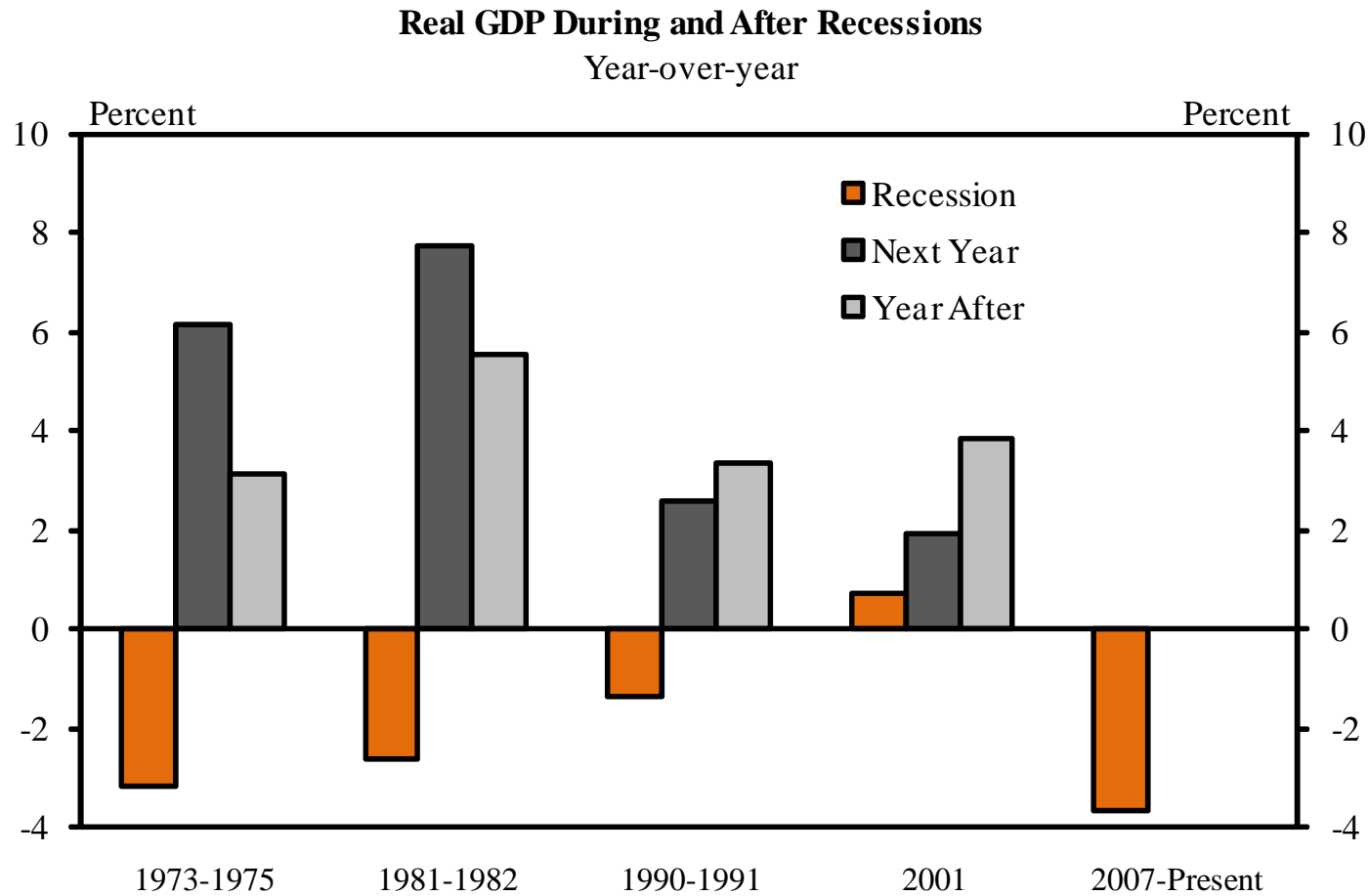


Source: Bureau of Economic Analysis; FOMC

Latest release: 10/29/2009



In the past, the rebound in real GDP has been greater after sharp downturns.

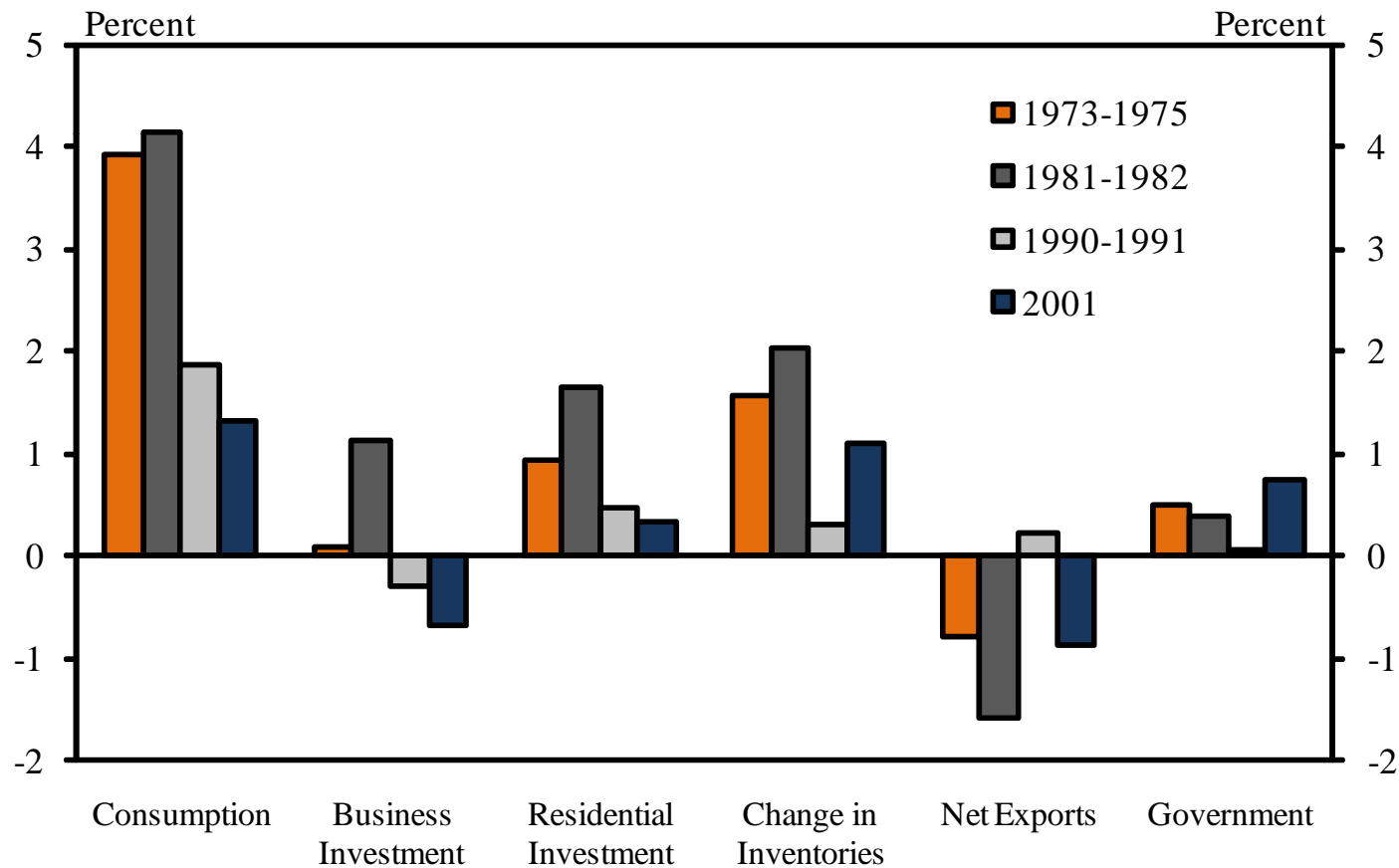


Source: BEA



Consumption usually makes the largest contribution to GDP in the year following a recession.

Contributions to Real GDP by Component in the Year Following a Recession
Average quarterly rate (at an annualized rate)



Source: BEA

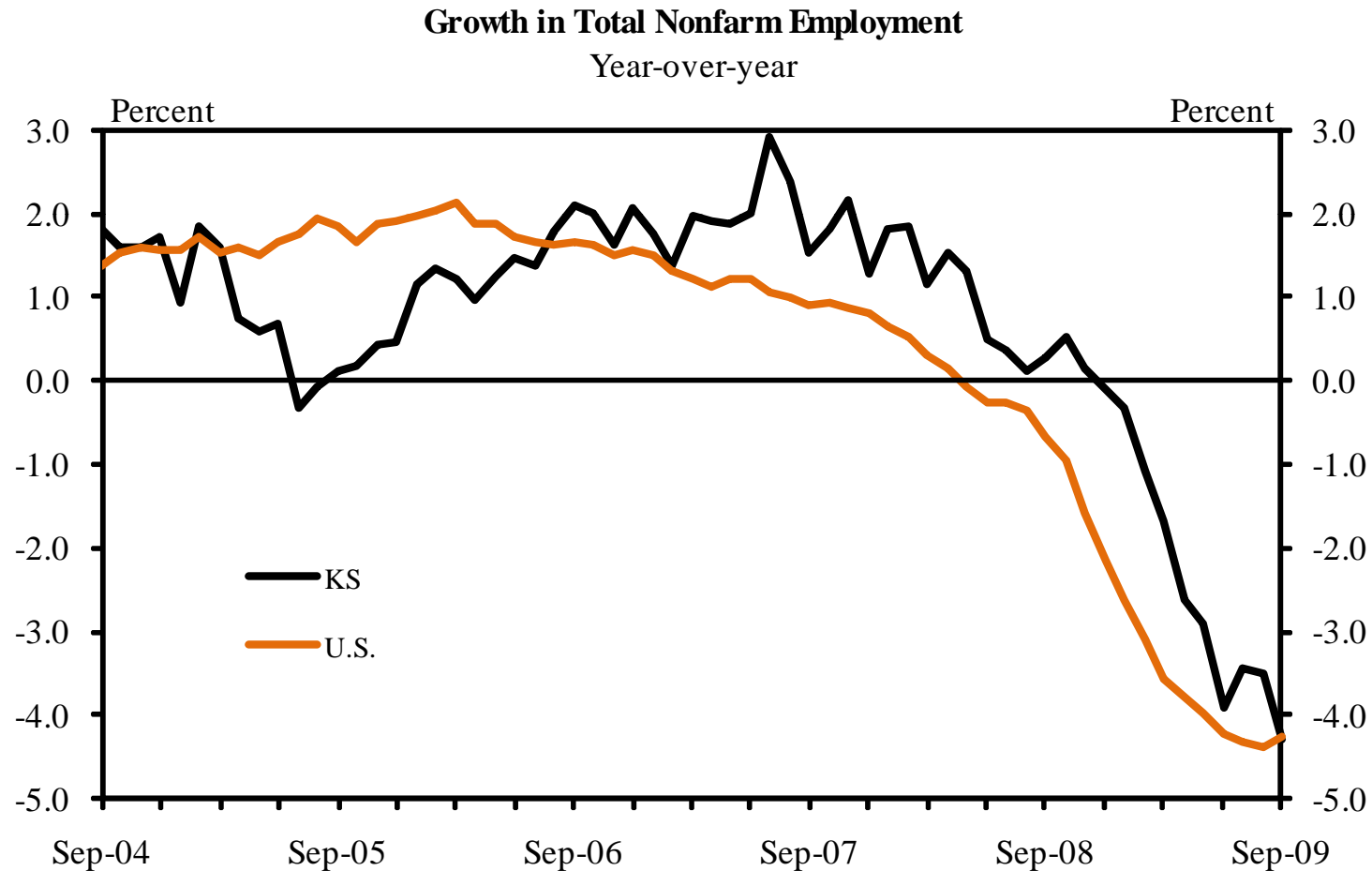


Kansas Overview

- ◎ Kansas was slow to enter the current recession.
 - The aerospace manufacturing, agriculture and energy sectors provided robust support to the region through the third quarter of 2008.
 - Home prices have fallen less than in the nation, and foreclosure rates are much lower than other parts of the country.
- ◎ The Kansas economy is now showing signs of recovery similar to those seen in the national economy.
 - Manufacturing activity is stabilizing.
 - Monthly home sales and residential construction activity is increasing.
- ◎ However, the unemployment rate is likely to remain elevated for some time.



Employment has fallen sharply over the past year.

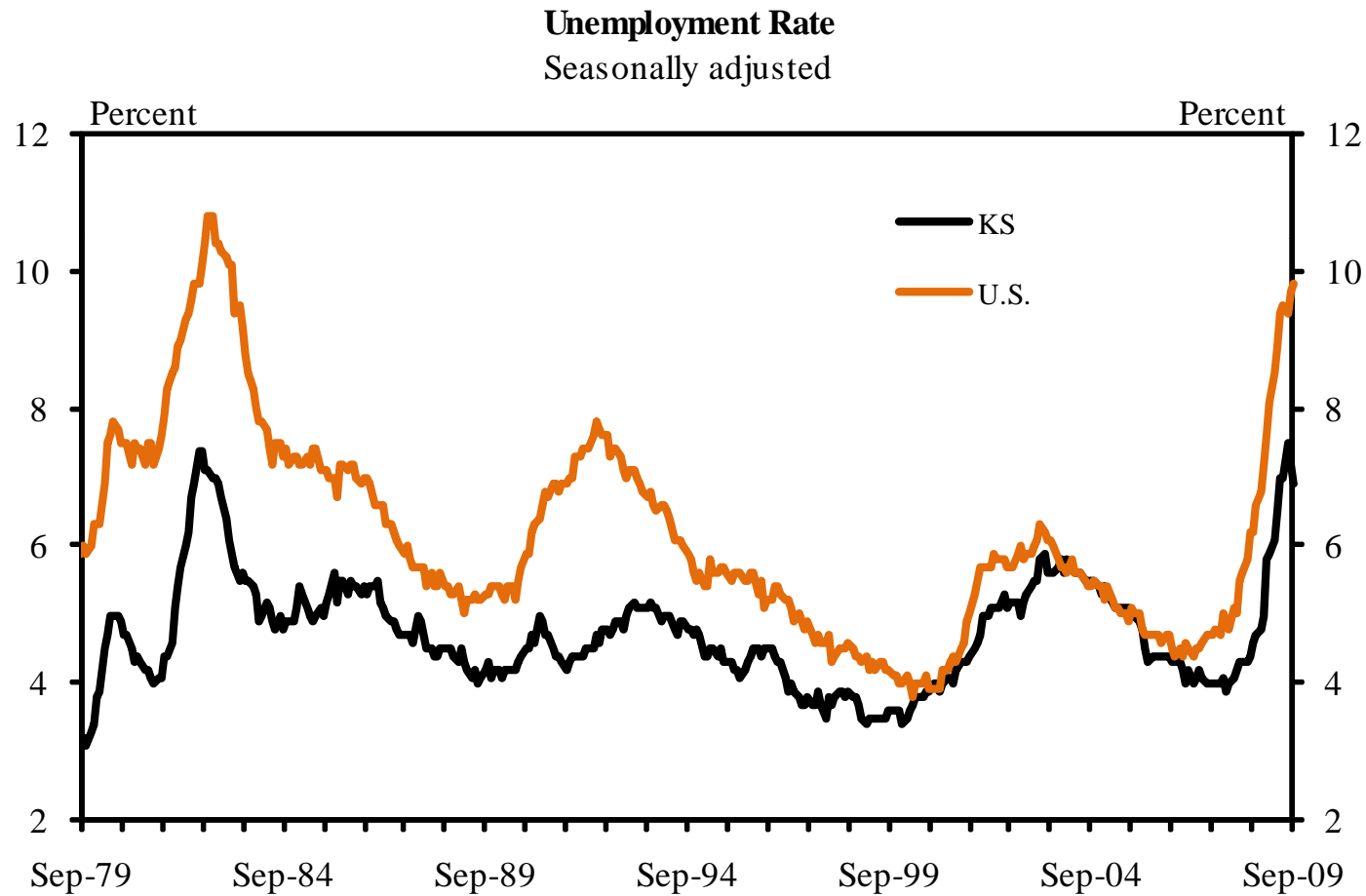


Source: Bureau of Labor Statistics

Latest release: 10/21/2009



Unemployment rates continue to increase.

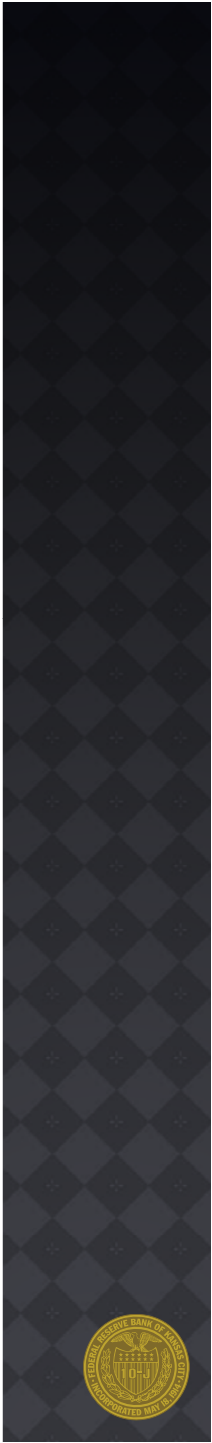
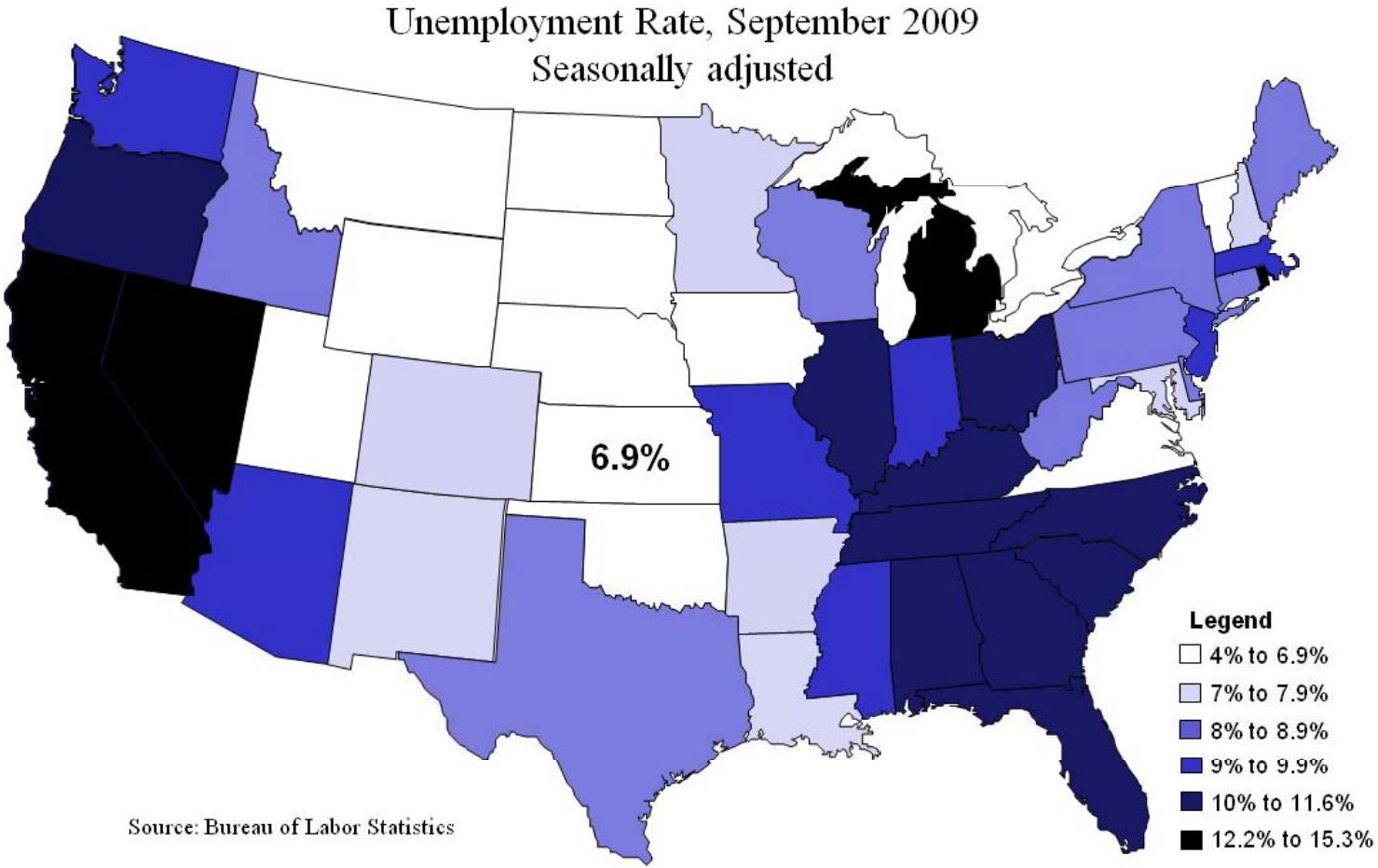


Source: Bureau of Labor Statistics

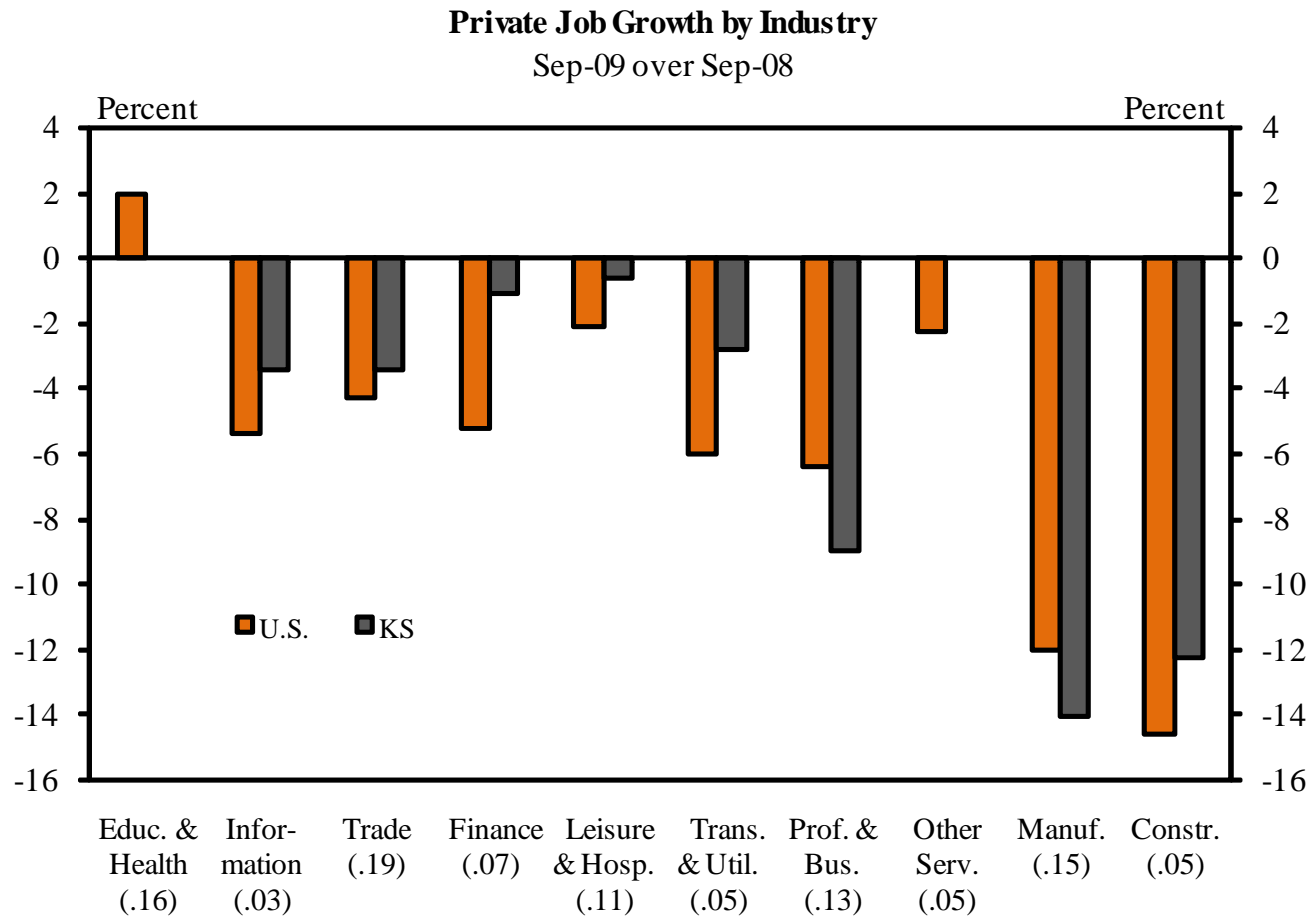
Latest release: 10/21/2009



There are large regional variations in unemployment.



The education and health industries are the only industries experiencing job growth.



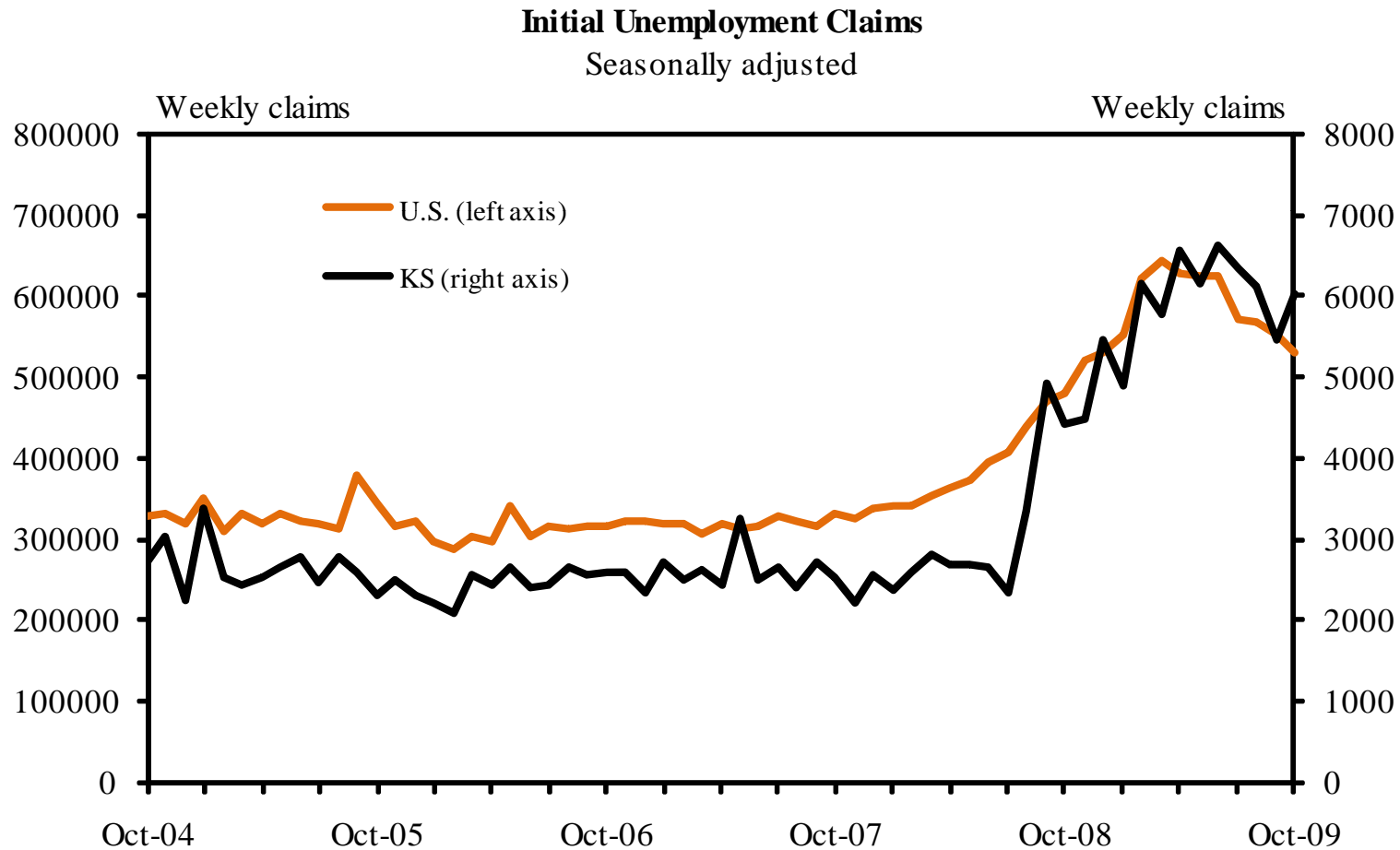
Source: Bureau of Labor Statistics

Latest release: 10/21/2009

Note: Number in parentheses is the industry's share of total private jobs in KS in Sep-09



Initial unemployment claims remain elevated.

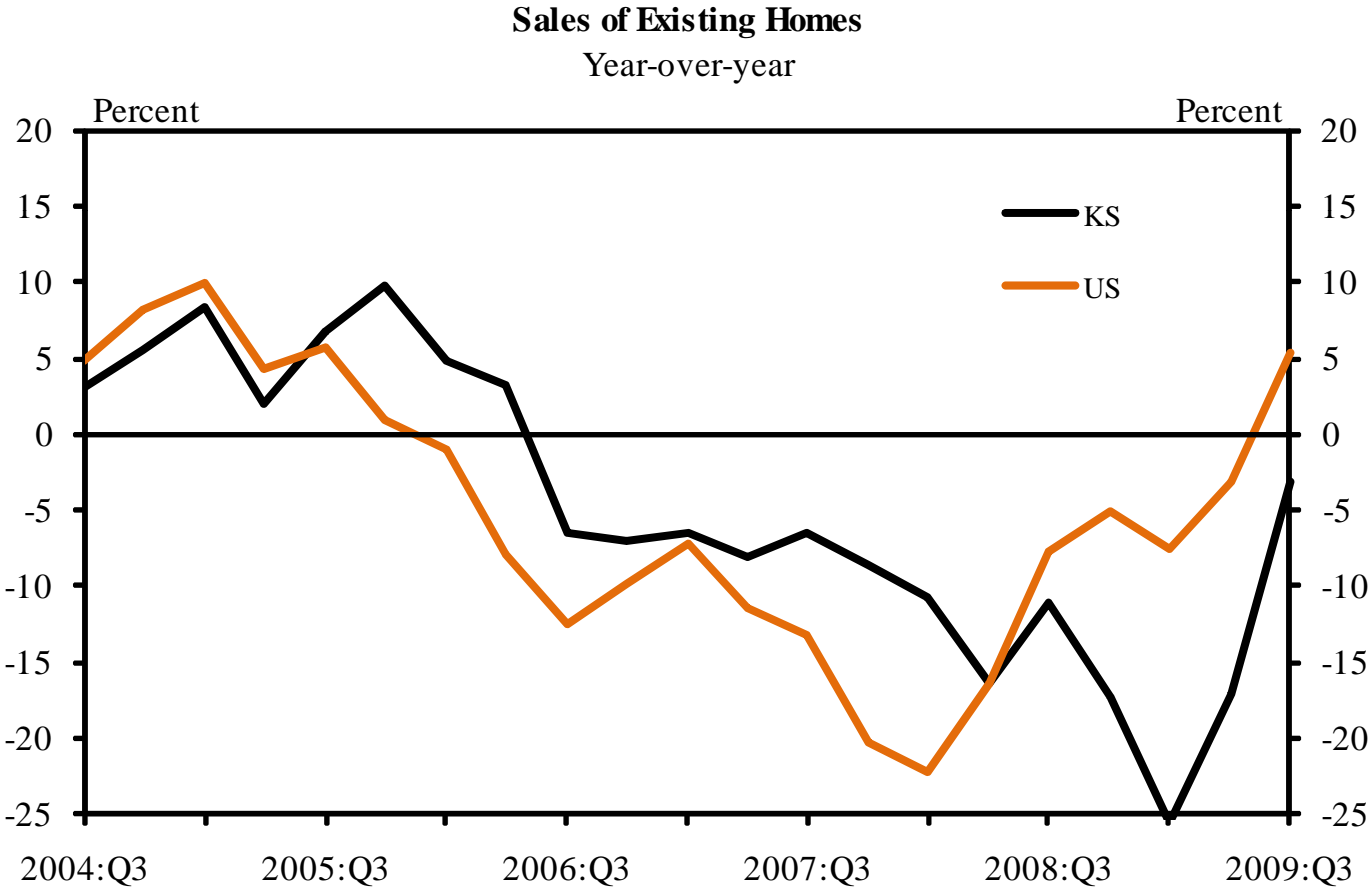


Source: Department of Labor

Latest release: 11/05/2009



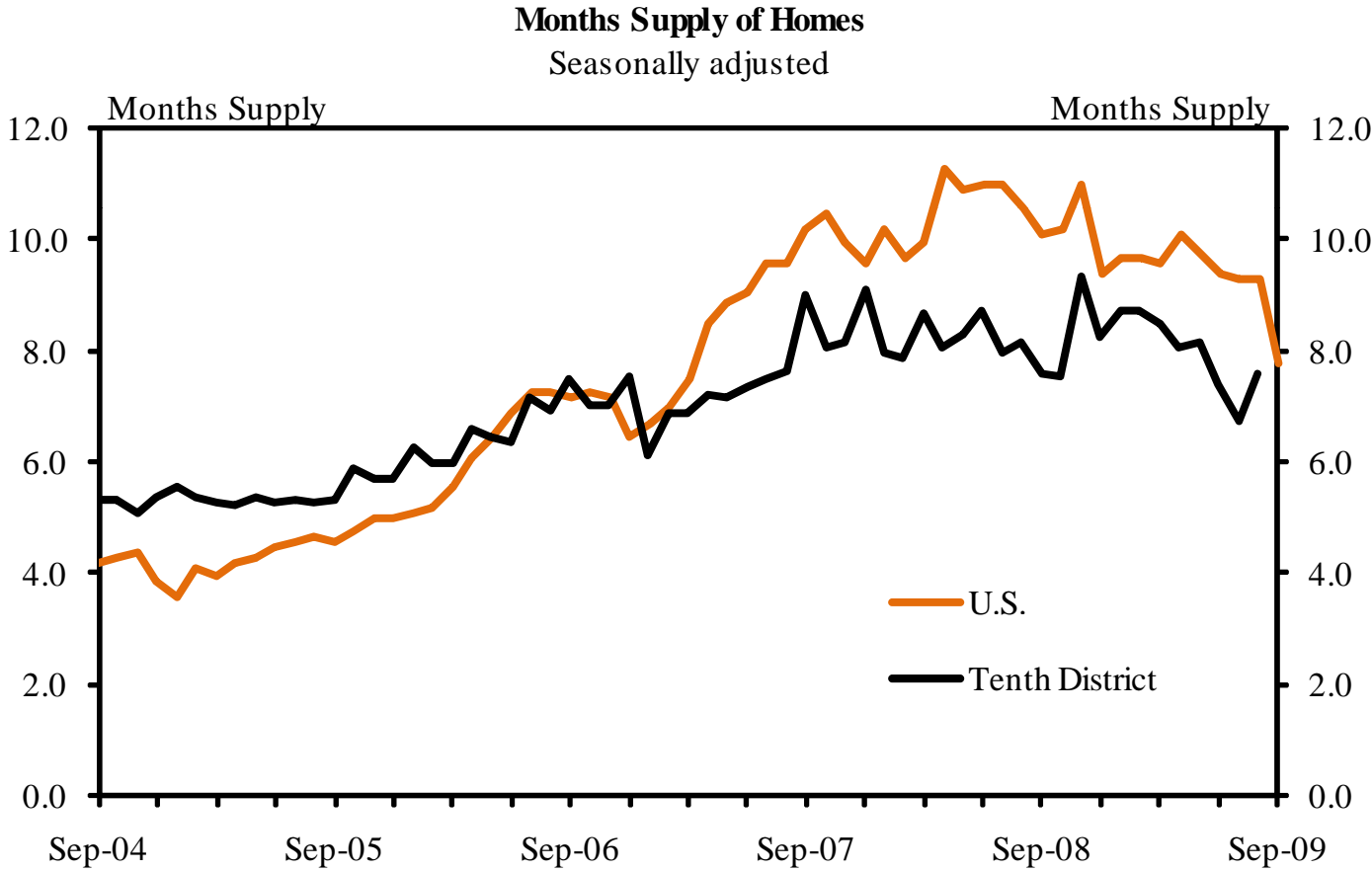
Home sales have fallen sharply since late 2005, but have since increased.



Source: NAR



The months supply of homes has decreased lately, but remains elevated.

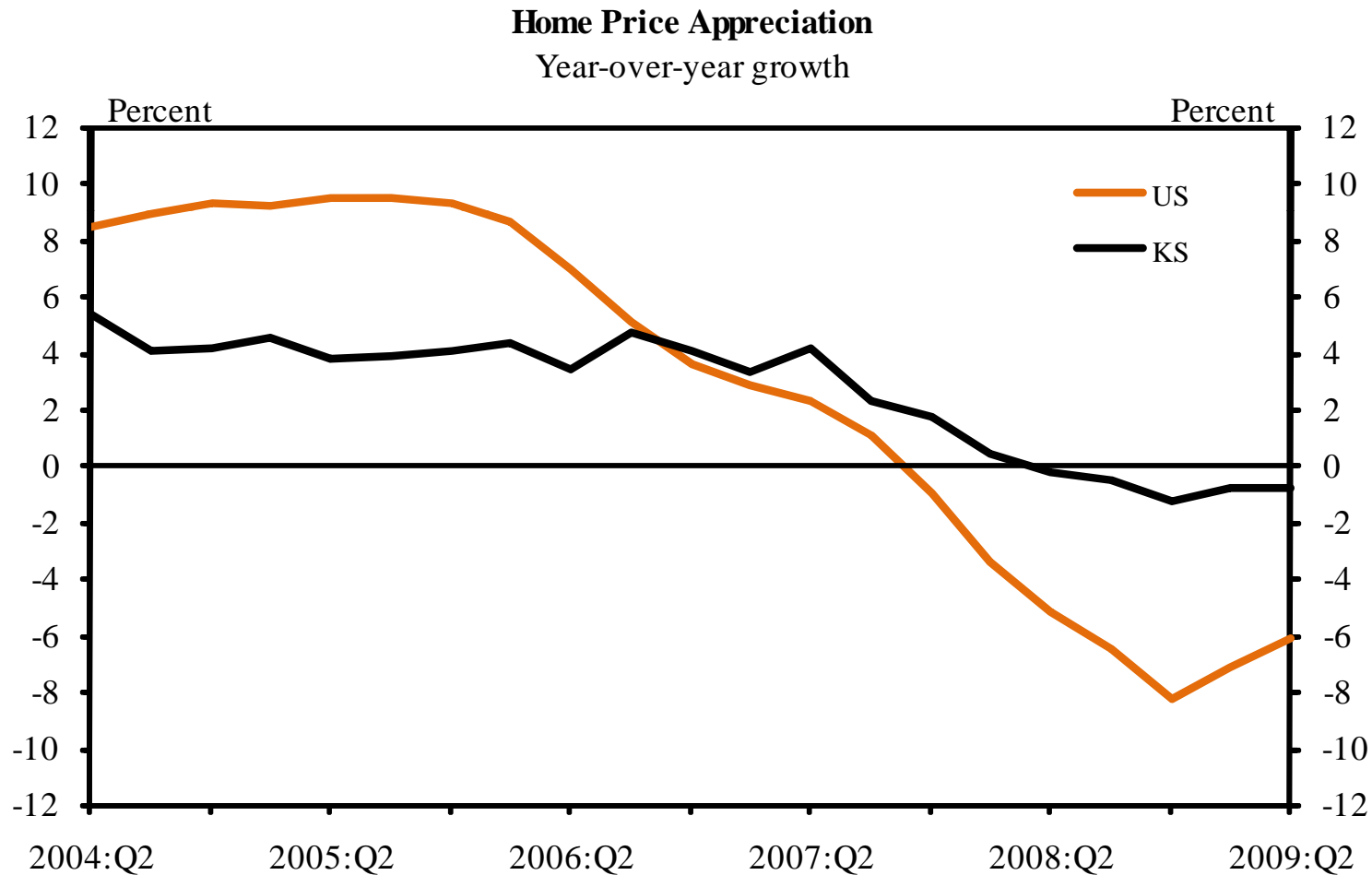


Source: NAR and Local Realtor

Latest release: 10/23/2009



Home prices are well below year-ago levels in the U.S.



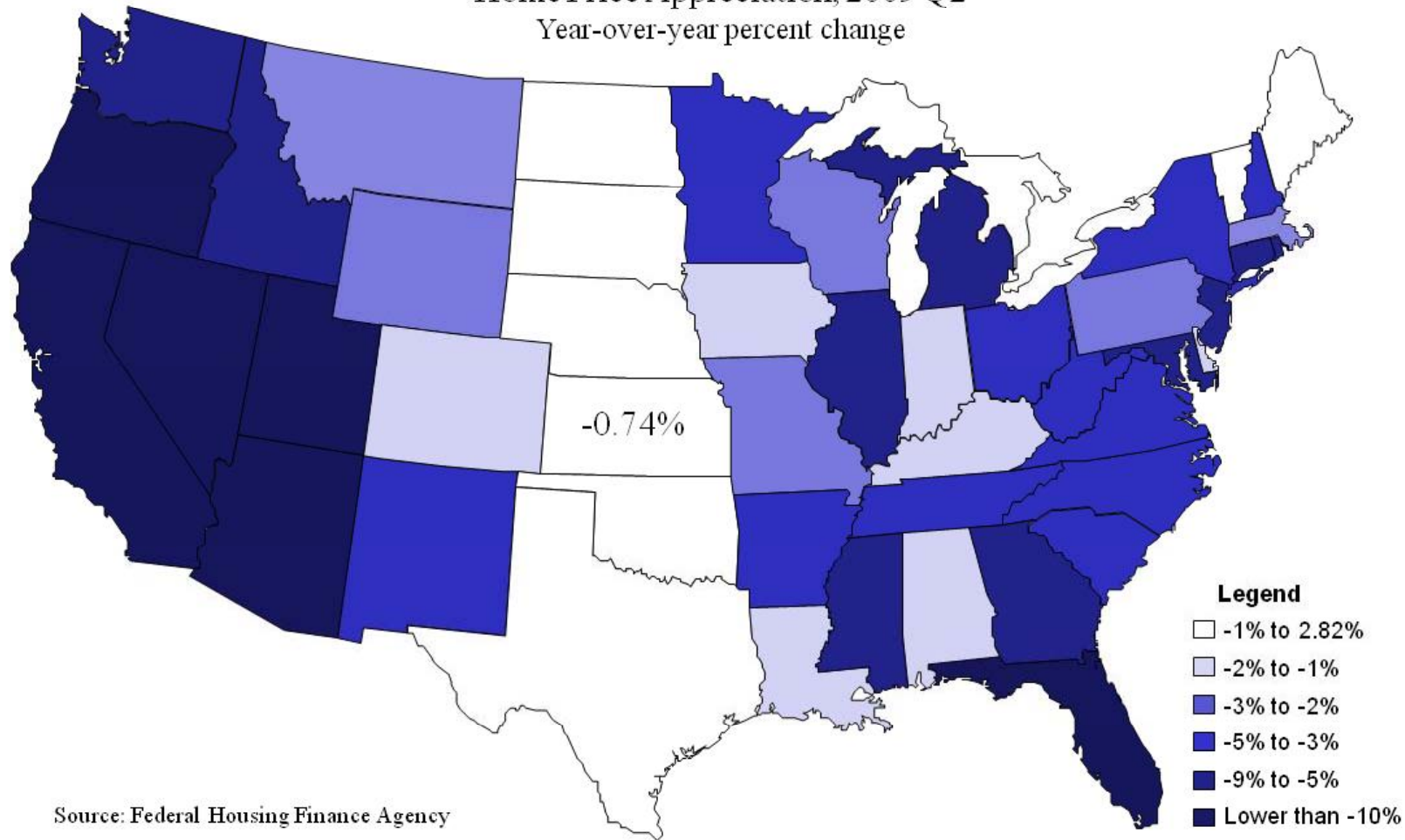
Source: FHFA

Latest release: 08/25/2009



Home price appreciation has varied widely across the nation.

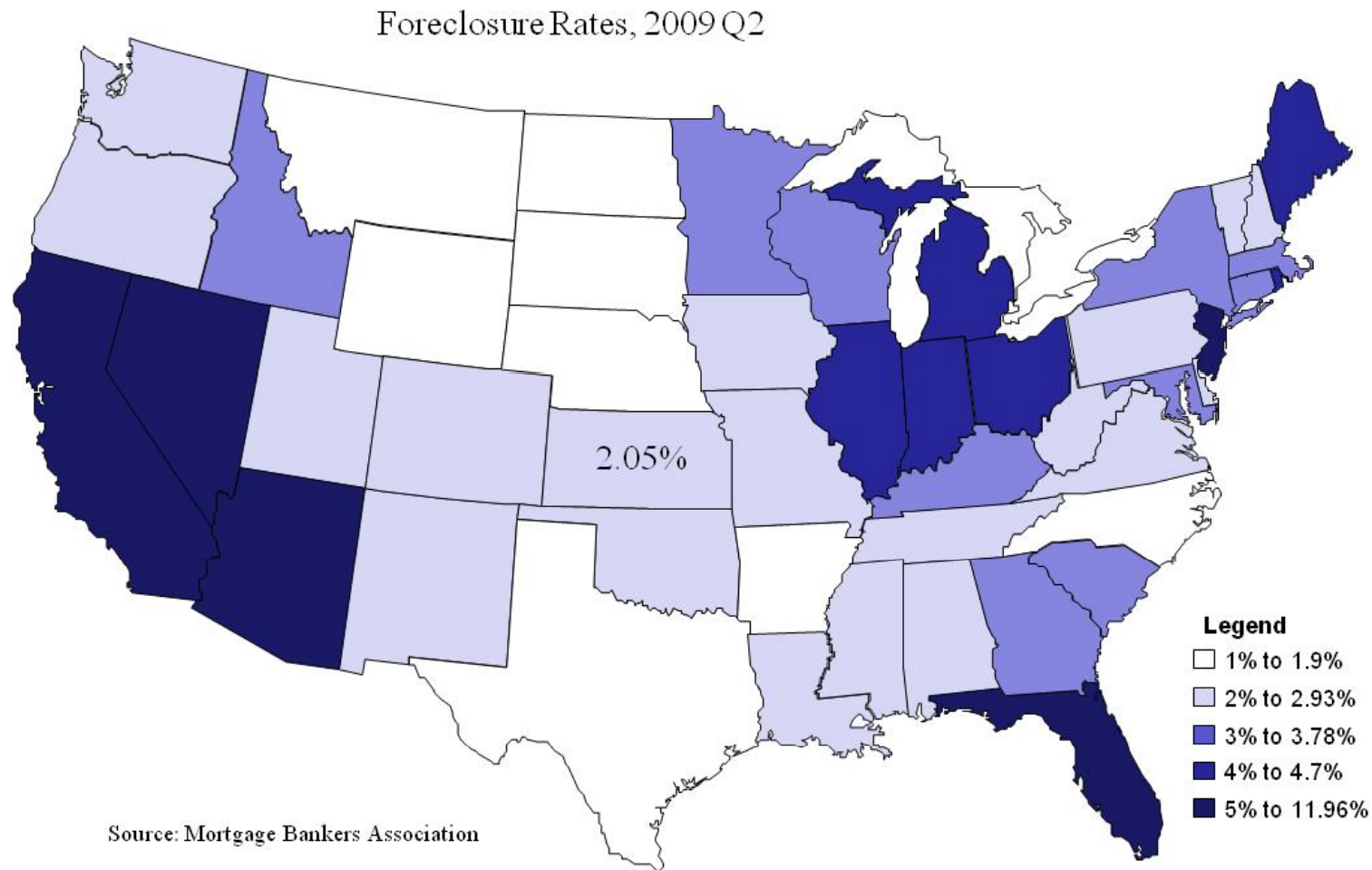
Home Price Appreciation, 2009 Q2
Year-over-year percent change



Source: Federal Housing Finance Agency

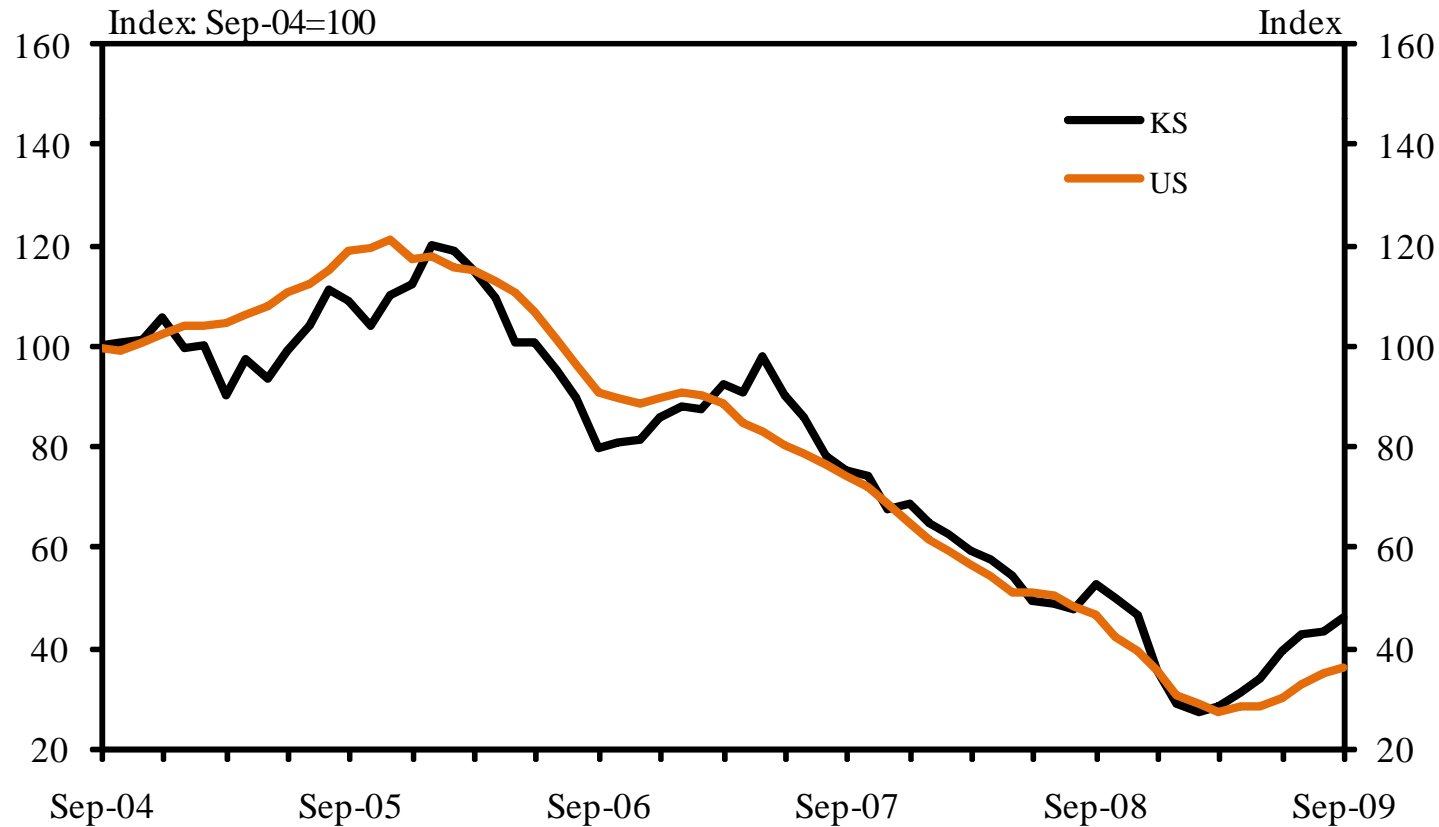


Foreclosure rates are up across the nation, but regional variation persists.



Residential construction activity has increased slightly over the past few months.

Value of Residential Construction Contracts
Seasonally adjusted



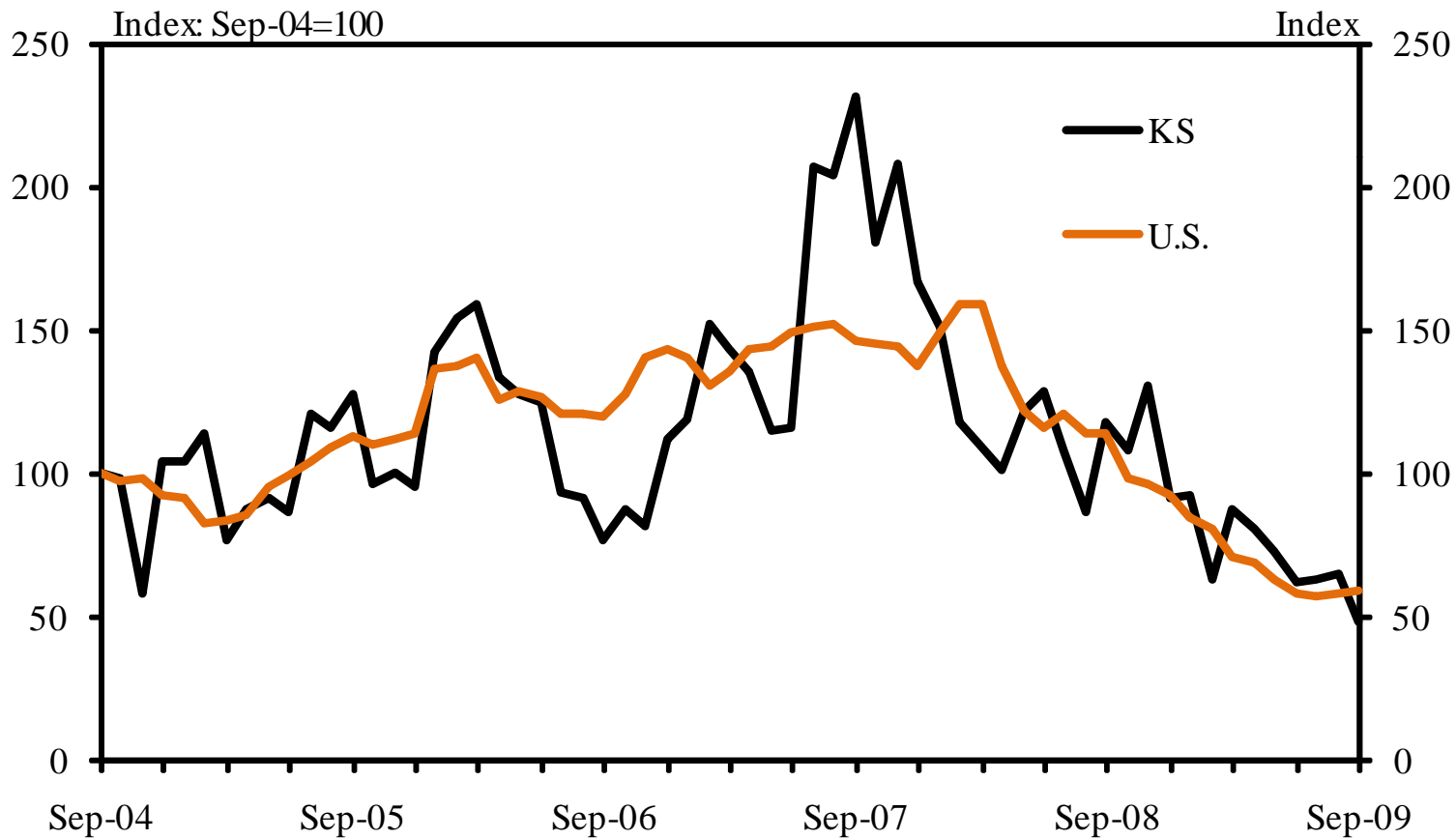
Source: F.W. Dodge, Inc.

Latest release: 10/15/2009



Commercial construction activity remains slow.

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

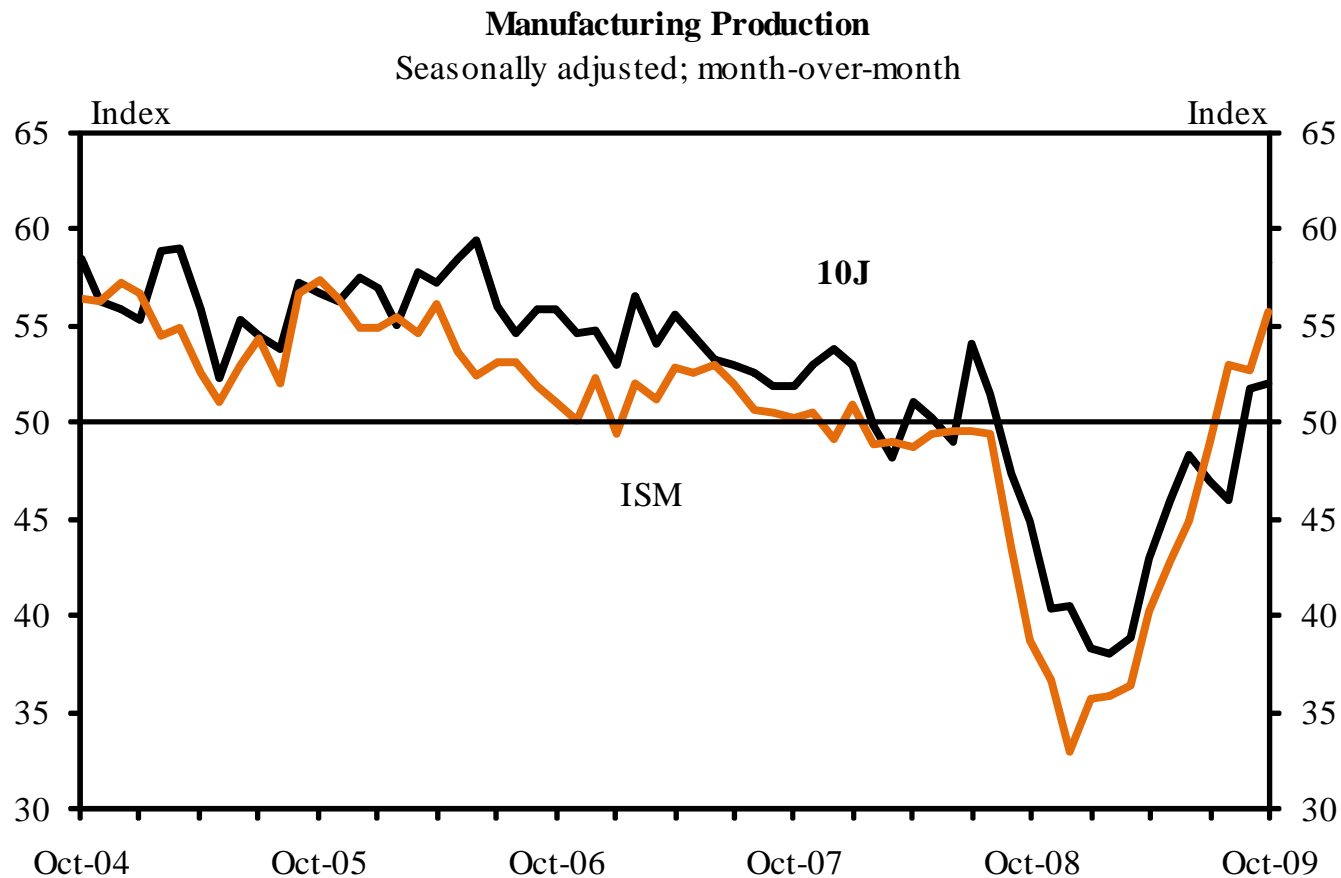


Source: F.W. Dodge, Inc.

Latest release: 10/15/2009



Recent surveys indicate that manufacturing activity is stabilizing.



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

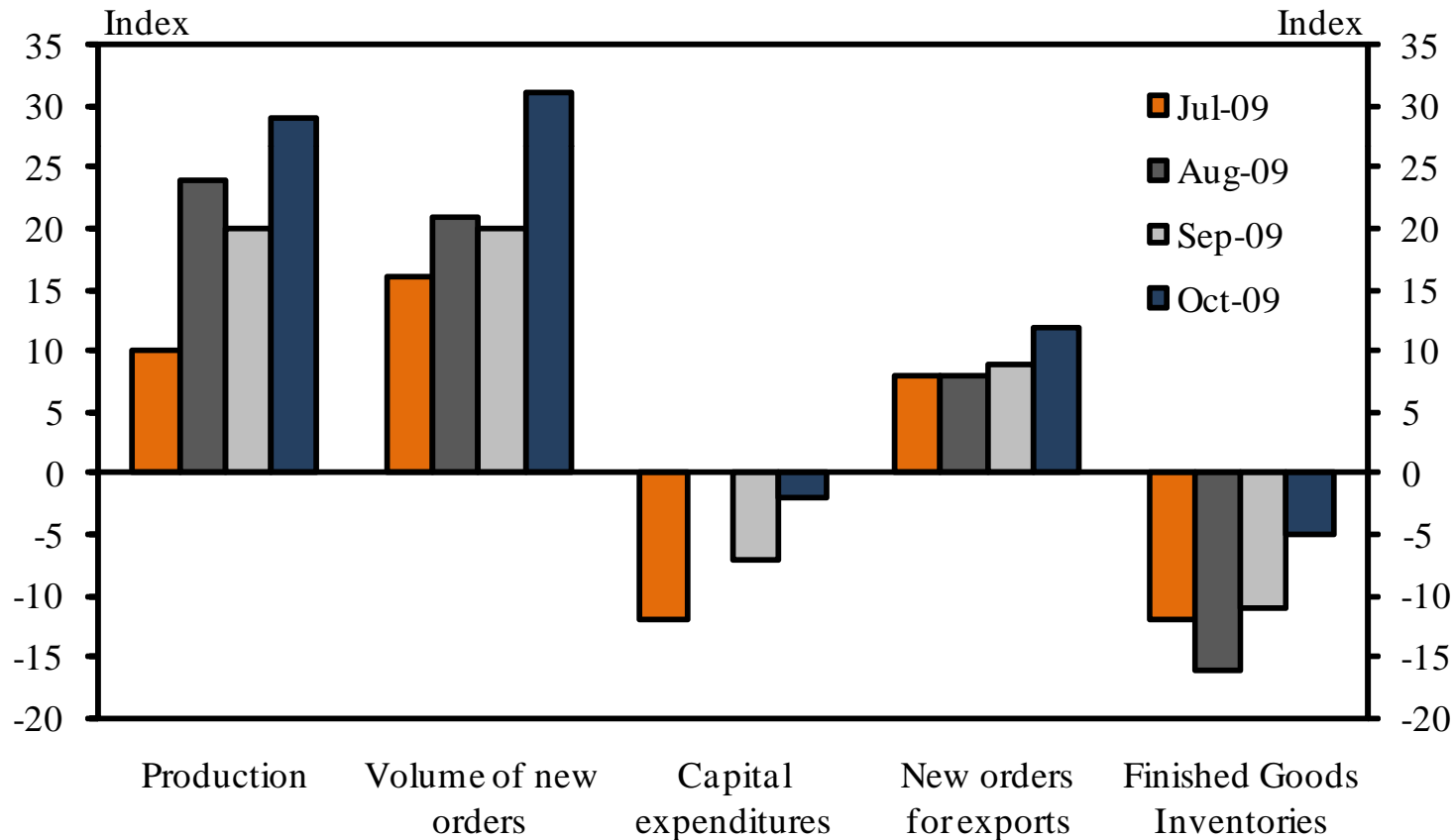
Sources: ISM, FRBKC Manufacturing Survey

Latest release: 10/29/2009 for the Manufacturing Survey and 11/02/2009 for ISM



Production levels and new orders are expected to increase in the next 6 months.

Manufacturing Expectations - Six Months Ahead
Seasonally adjusted

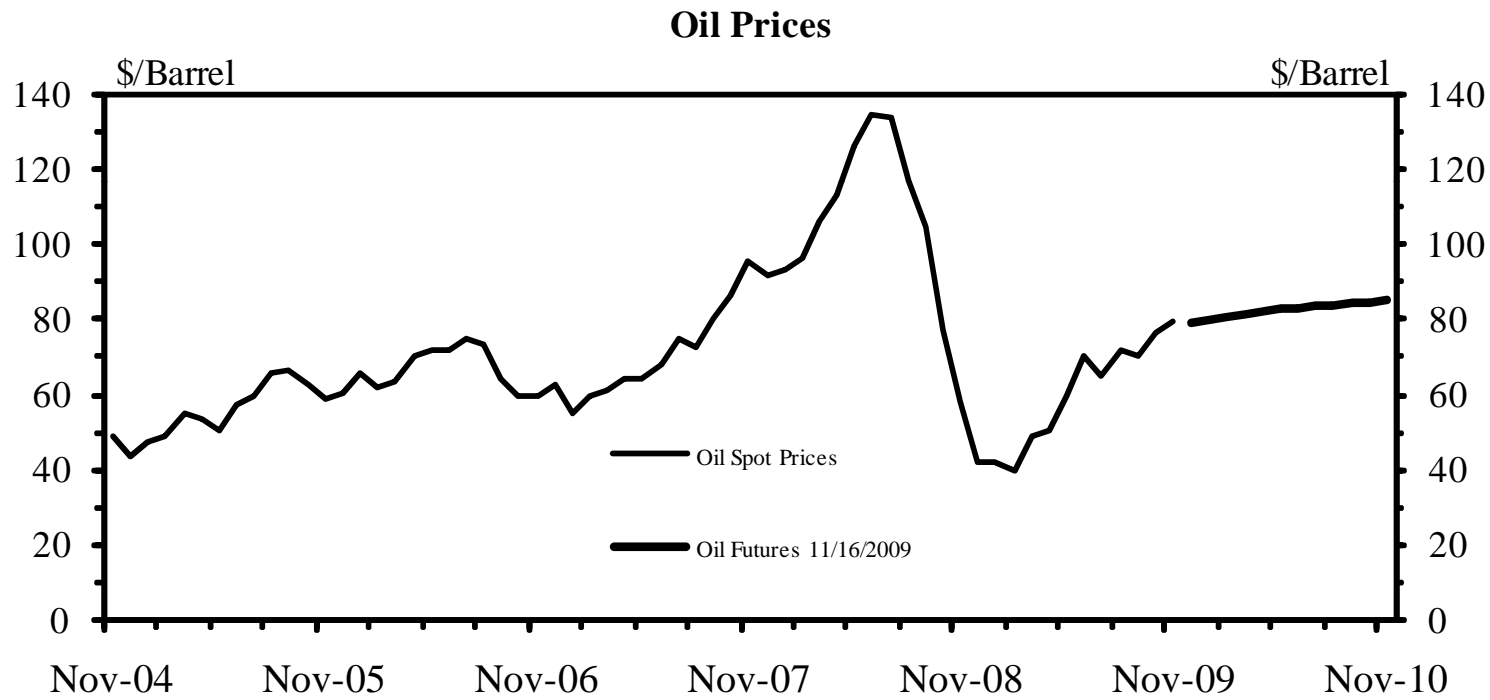


Source: FRBKC Manufacturing Survey

Latest release: 10/29/2009



Oil prices have increased over the past nine months.

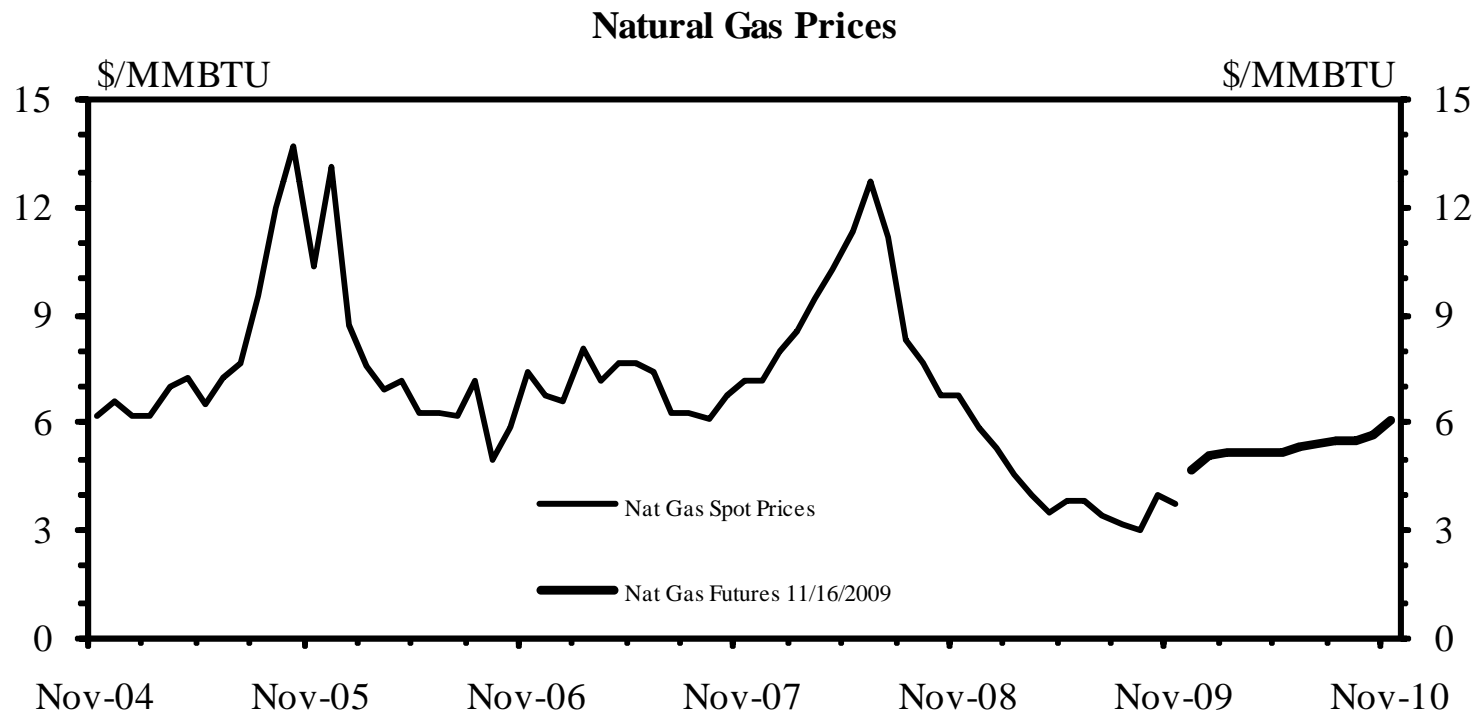


Source: Bloomberg Energy Services

Latest release: 11/17/2009



Natural gas prices increased in October but have since fallen.

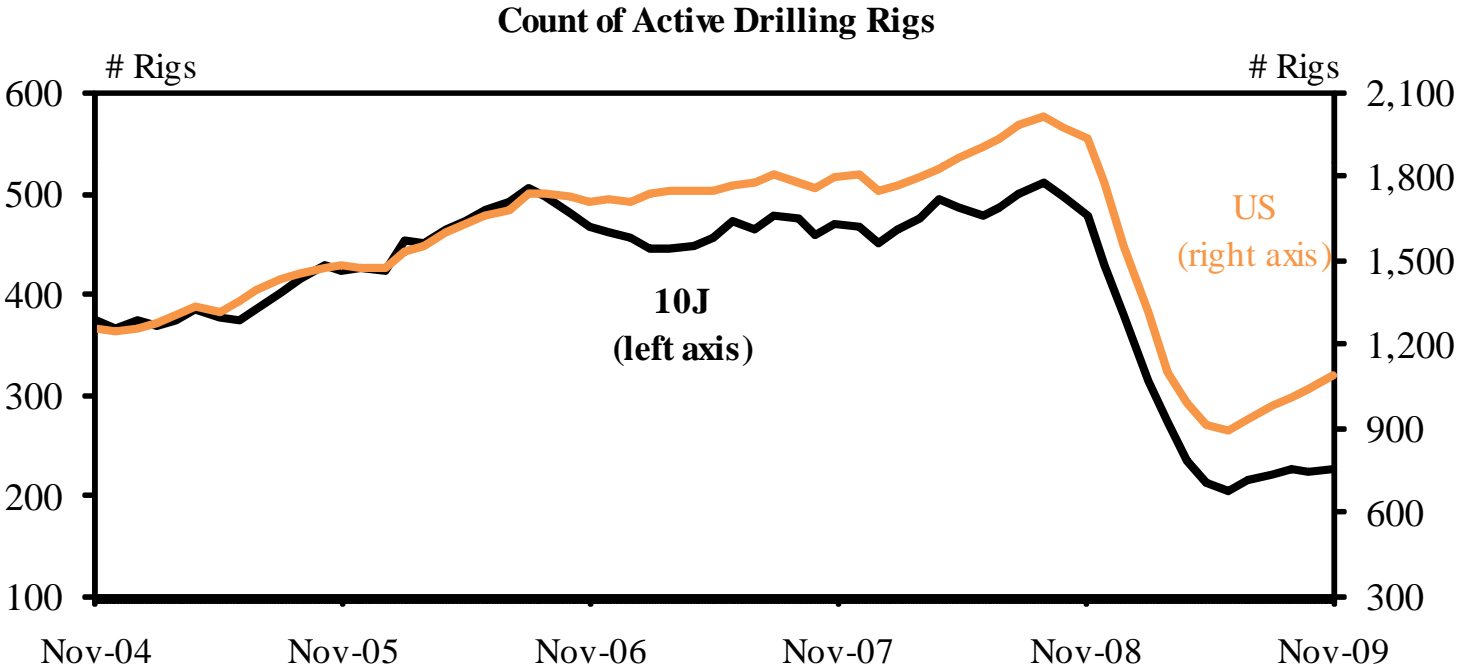


Source: Bloomberg Energy Services

Latest release: 11/17/2009



Tenth District drilling activity has edged higher.



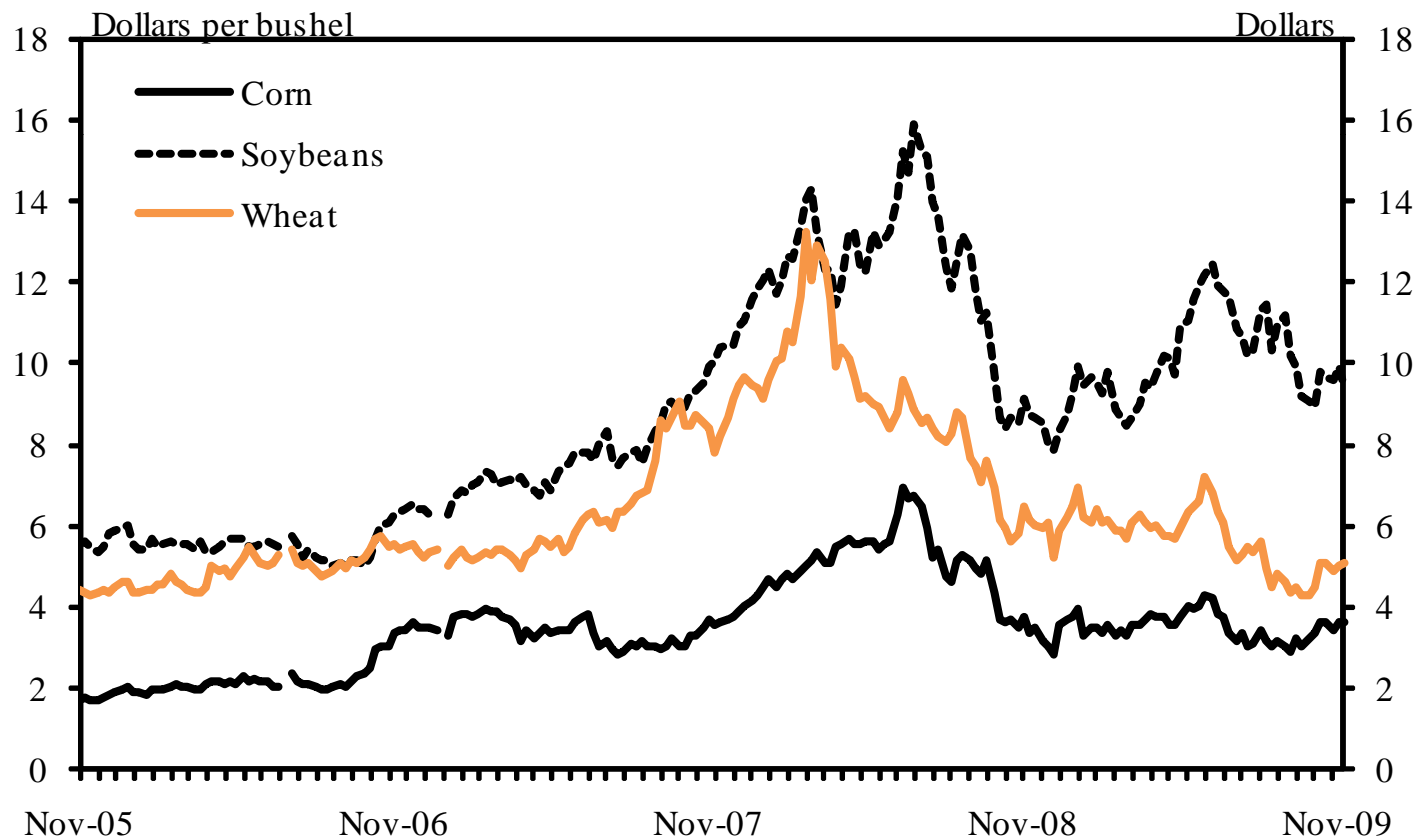
Source: Baker-Hughes

Latest release: 11/12/2009



Crop prices have started to increase.

Crop Prices

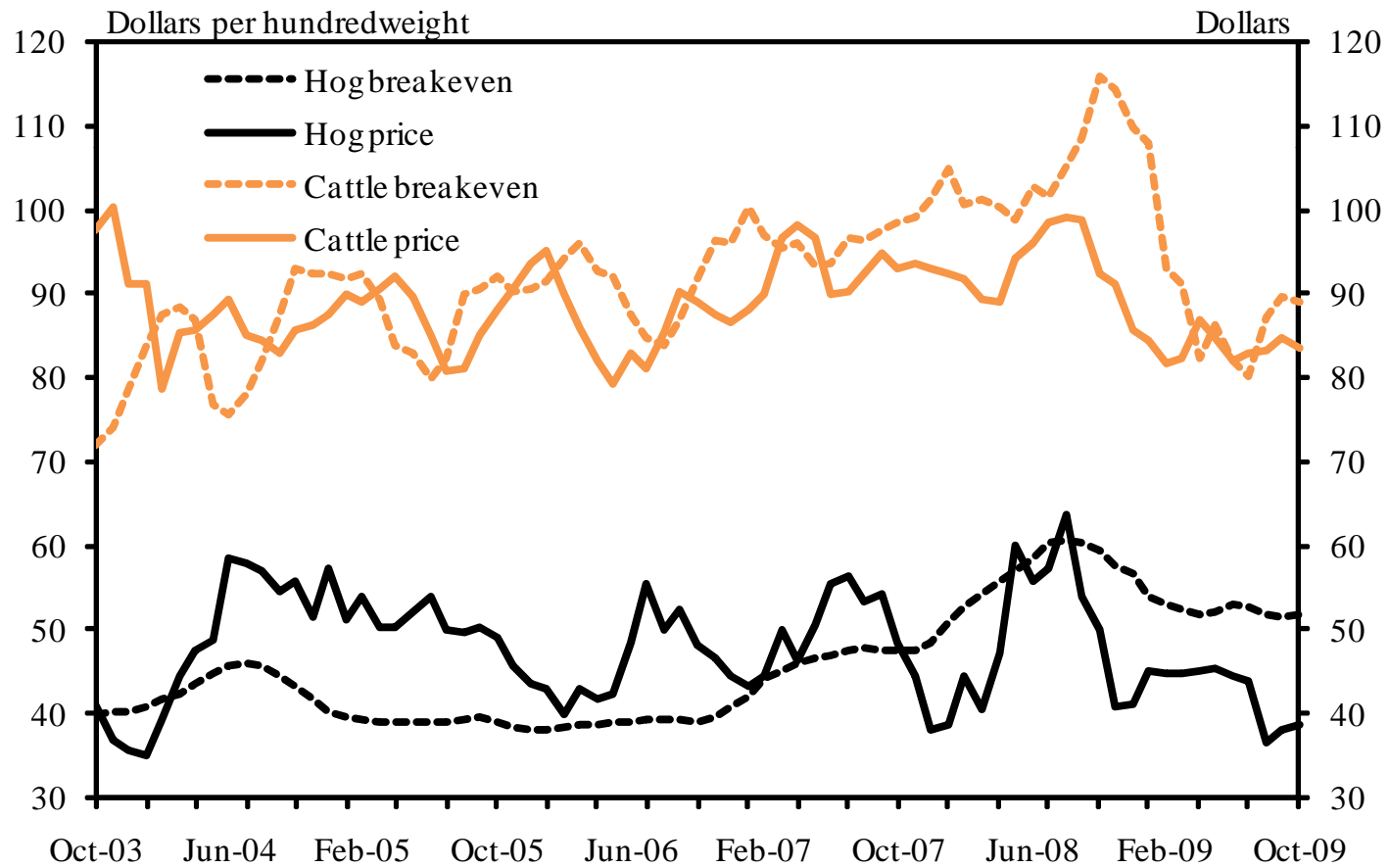


Source: Commodity Research Bureau



Hog and cattle producers continue to struggle.

U.S. Livestock Prices and Breakeven Costs

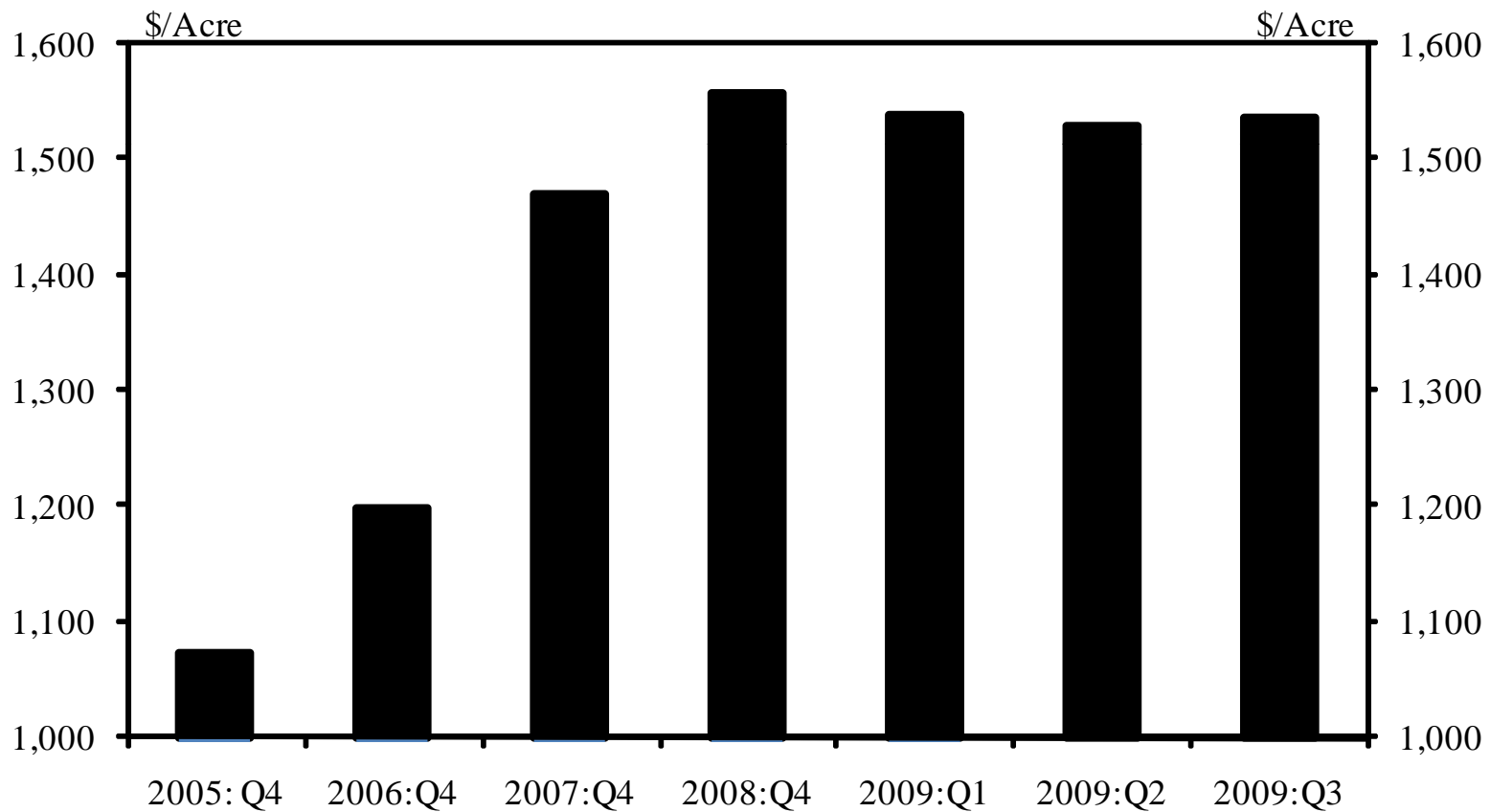


Source: USDA and Iowa State University



Farmland values have stabilized.

Tenth District Average Nonirrigated Cropland Values



Source: FRBKC Ag Credit Survey

Latest release: 10/21/2009



Conclusions

- ◉ Most economists expect the U.S. and Kansas economies to recover gradually over the next couple of years.
- ◉ There are several factors that will likely prevent a more robust recovery.
 - Credit conditions remain tighter than pre-recession levels.
 - Consumers seem less willing to spend as they try to rebuild wealth.
 - An excess supply of housing will take time to work off.
 - Unemployment is likely to remain stubbornly high for some time.

