



Kansas Economic Outlook

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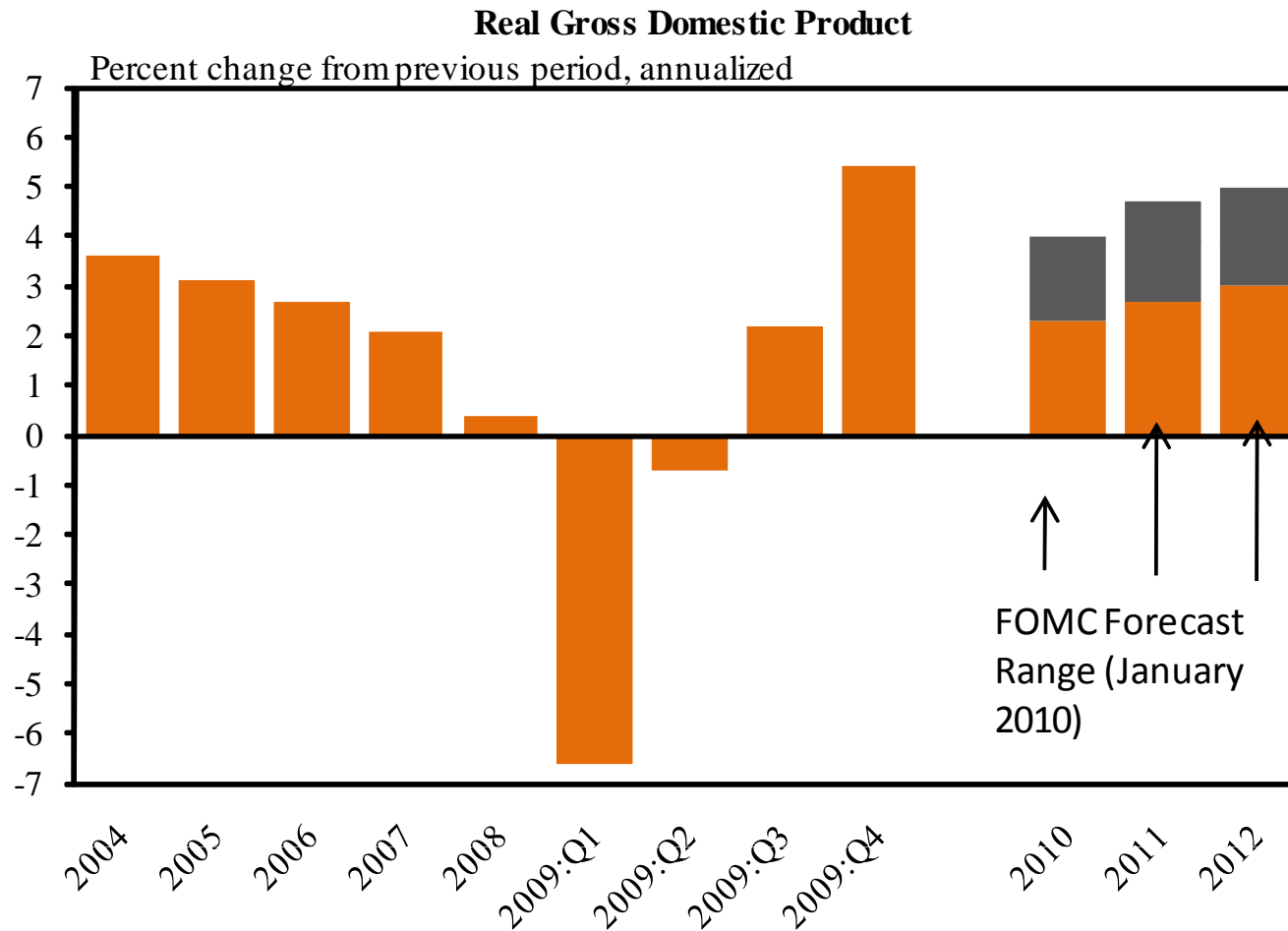
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U.S. Economic Overview

- ⦿ After one of the most severe recessions since the Great Depression, the U.S. economy is starting to recover.
 - Housing market conditions have improved somewhat, and residential construction activity has picked up.
 - Distress in financial markets has eased.
 - Manufacturing activity has increased.
 - Consumers are starting to spend.
- ⦿ However, the U.S. economy faces many challenges over the next few years.
 - Although the pace of job losses has slowed, unemployment rates are likely to remain stubbornly high.
 - Eventually fiscal and monetary stimulus must be removed.



A gradual recovery is expected over the next few years.

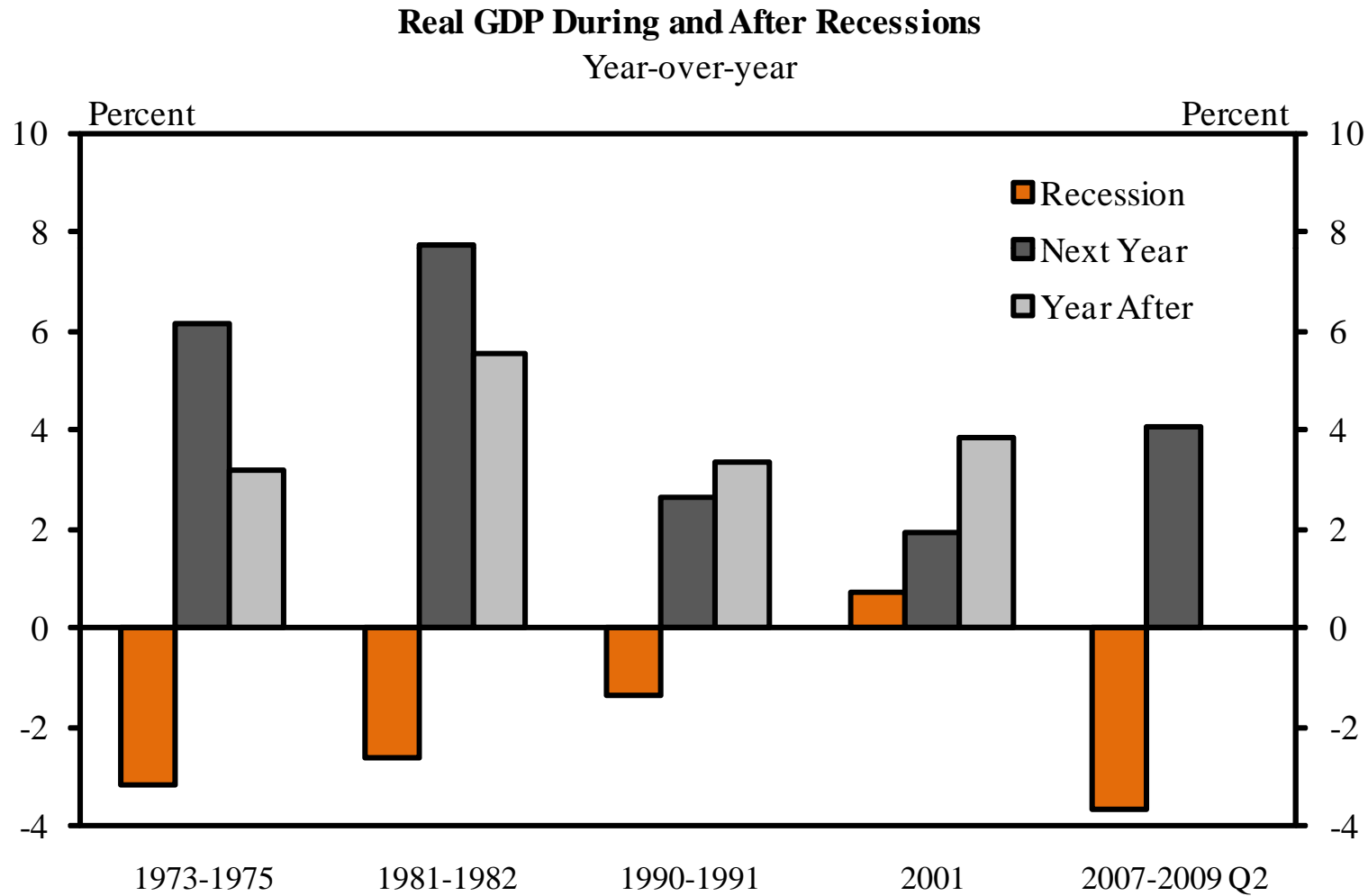


Source: Bureau of Economic Analysis; FOMC

Latest release: 02/26/2010



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

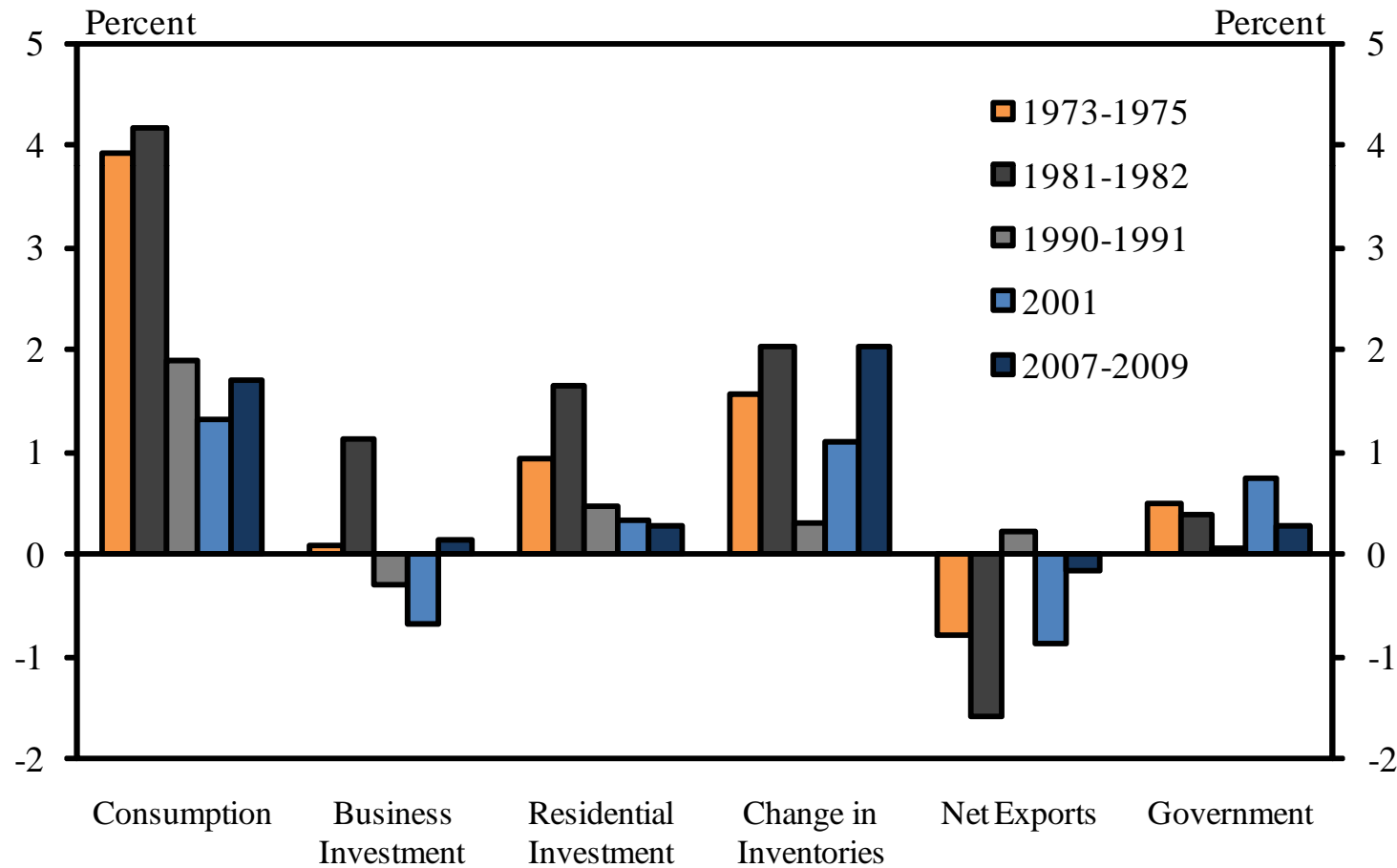


Source: BEA



Consumption and inventory changes have led the recovery so far.

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



Source: BEA

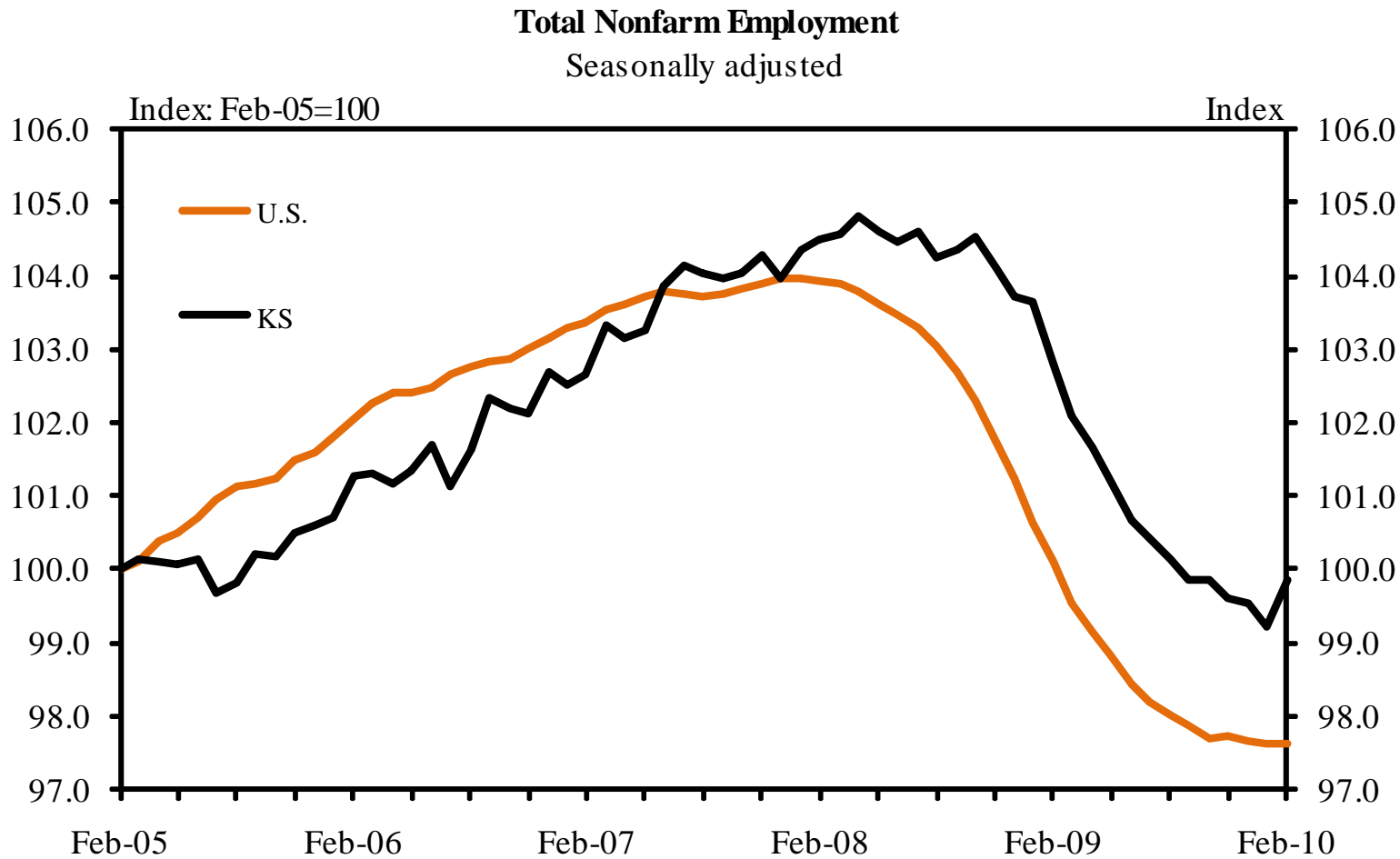


Kansas Overview

- ◎ 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.
 - Residential construction activity is increasing.



Employment has fallen sharply over the past year.

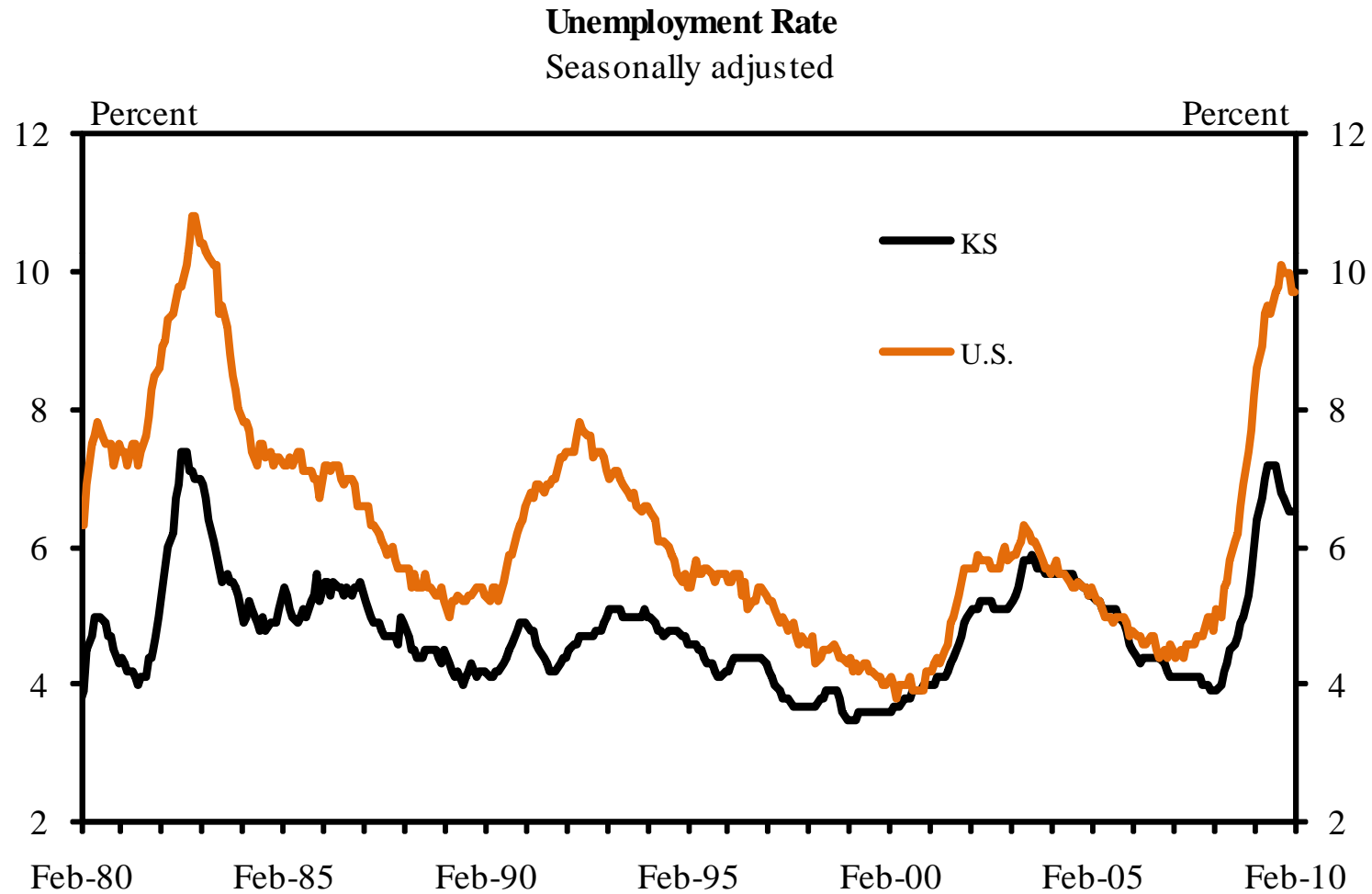


Source: Bureau of Labor Statistics

Latest release: 03/26/2010



Unemployment rates remain elevated.



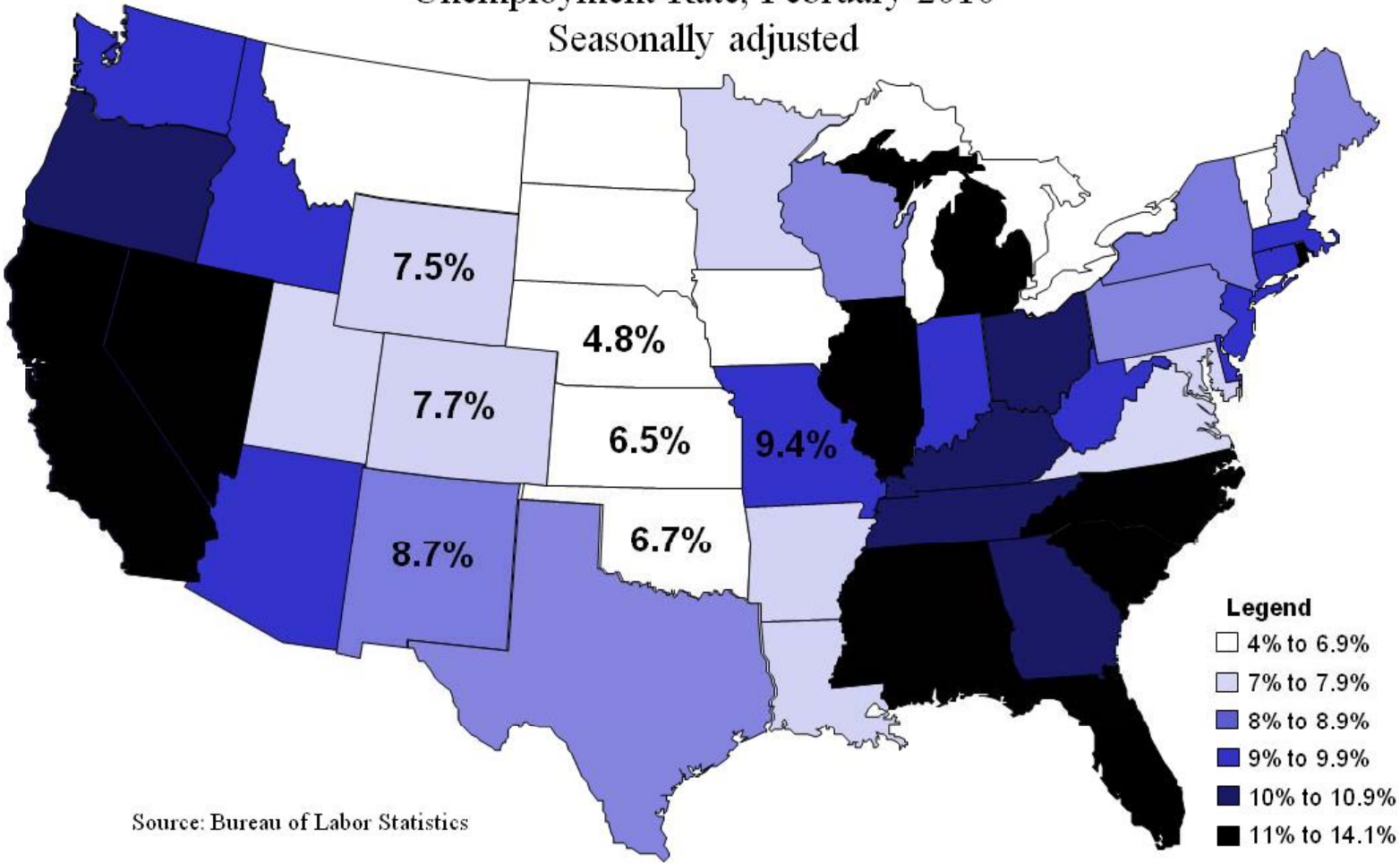
Source: Bureau of Labor Statistics

Latest release: 03/26/2010

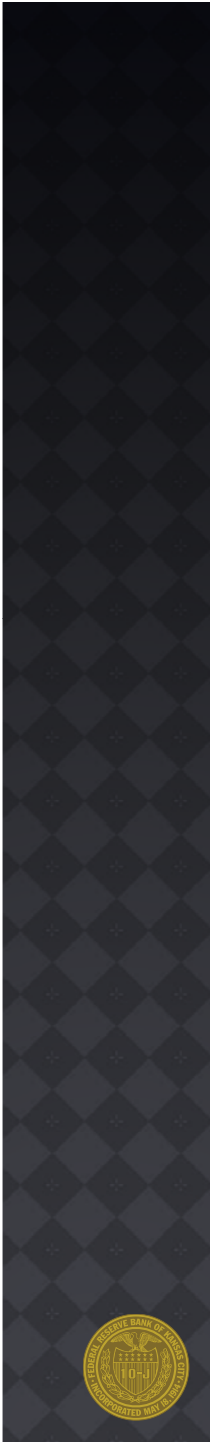


There are large regional variations in unemployment.

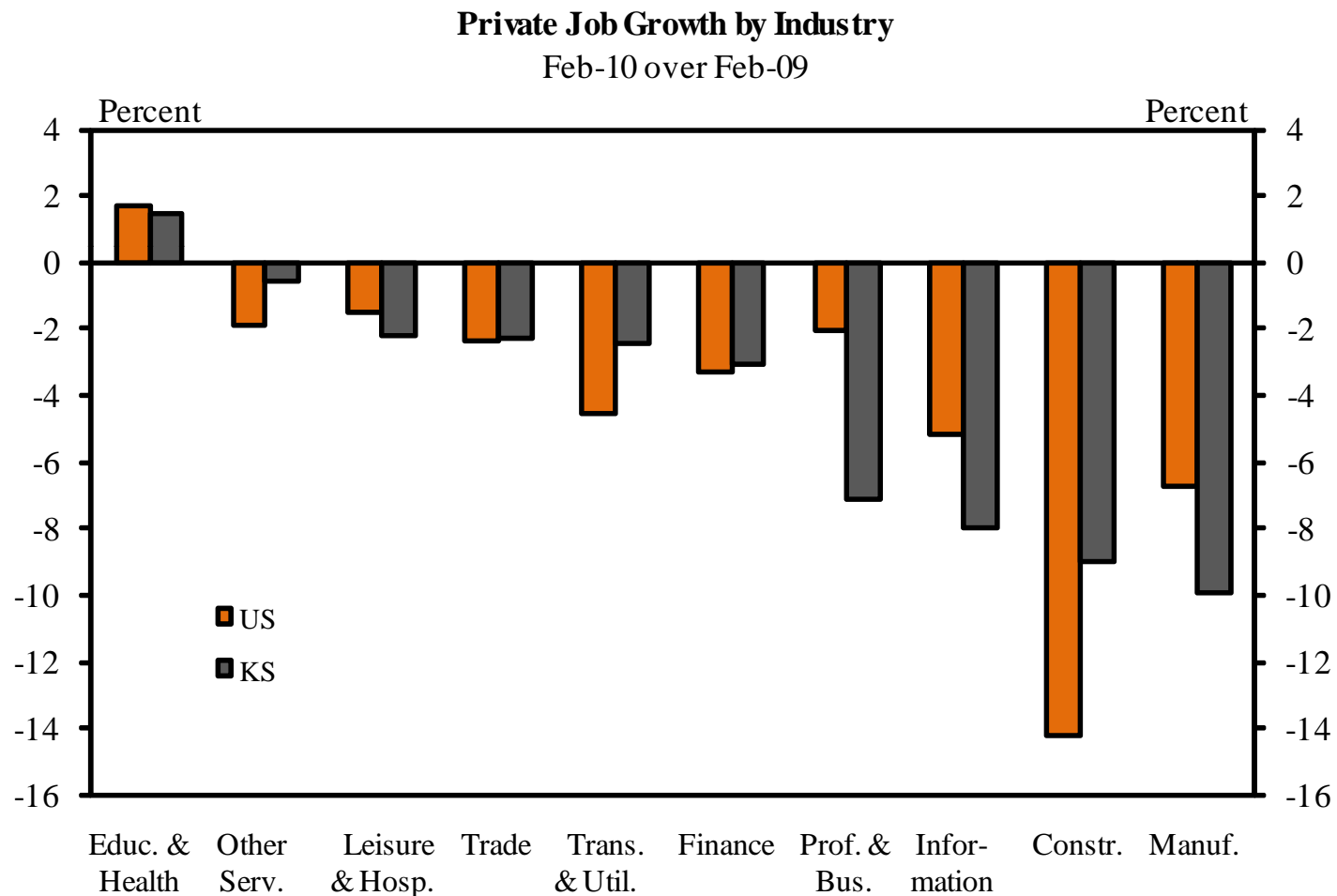
Unemployment Rate, February 2010
Seasonally adjusted



Source: Bureau of Labor Statistics



Most industries experienced sharp employment declines over the past year.



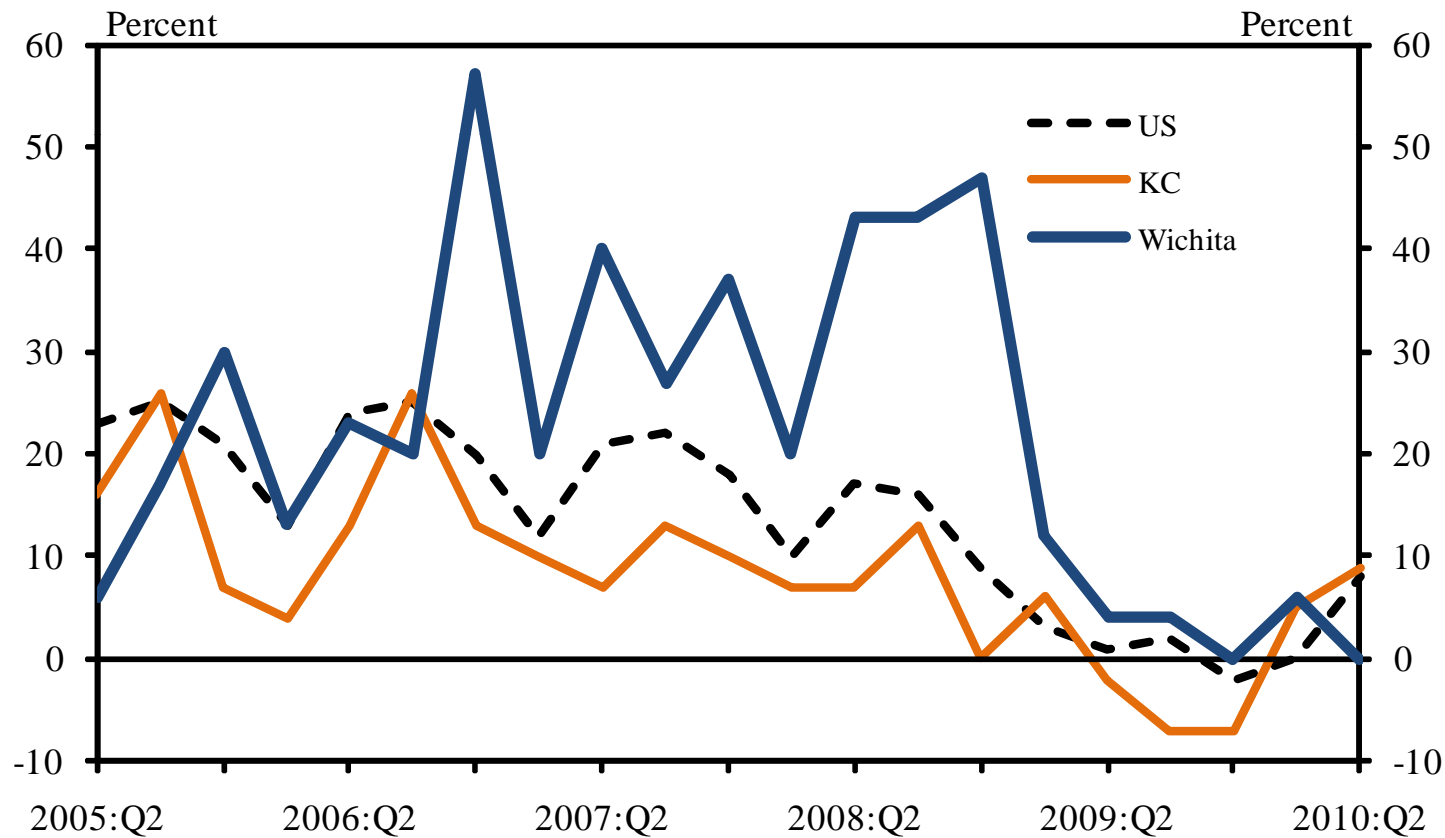
Source: Bureau of Labor Statistics

Latest release: 03/26/2010



Hiring expectations remain sluggish.

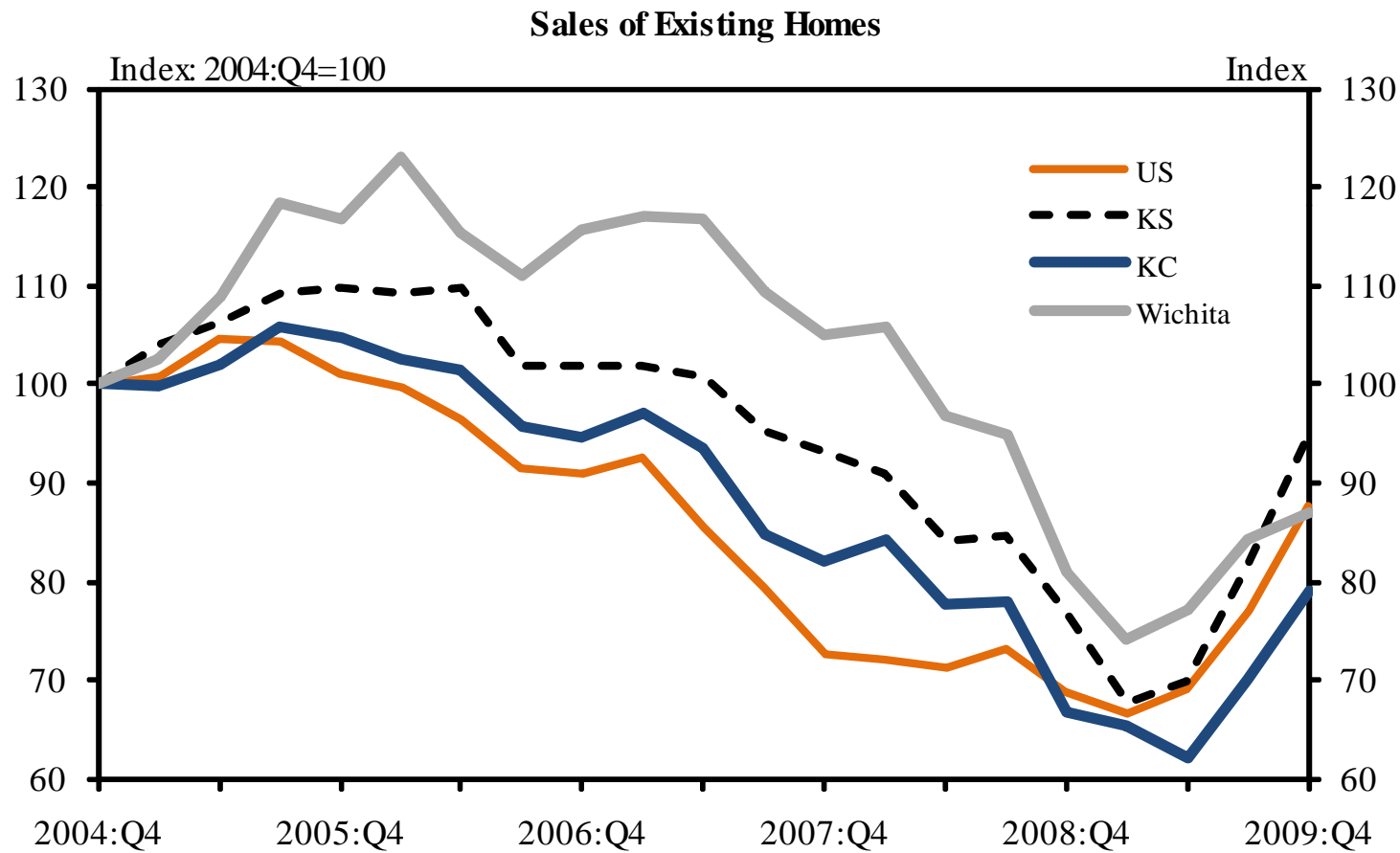
Net Percentage of Firms Expecting to Increase Employment



Source: Manpower Inc.



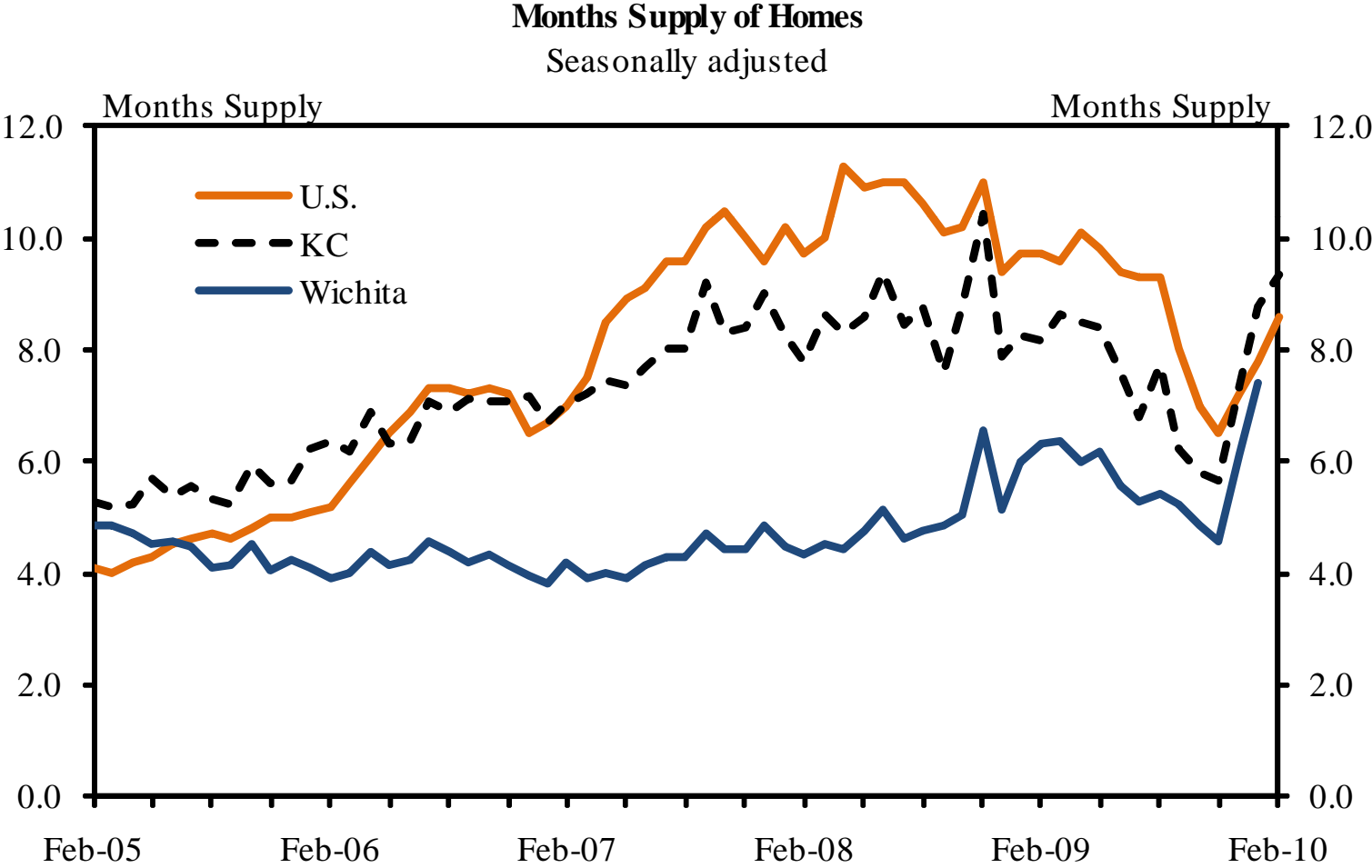
Home sales have fallen sharply since late 2005 but have since increased.



Source: NAR



The months supply of homes has risen in recent months.

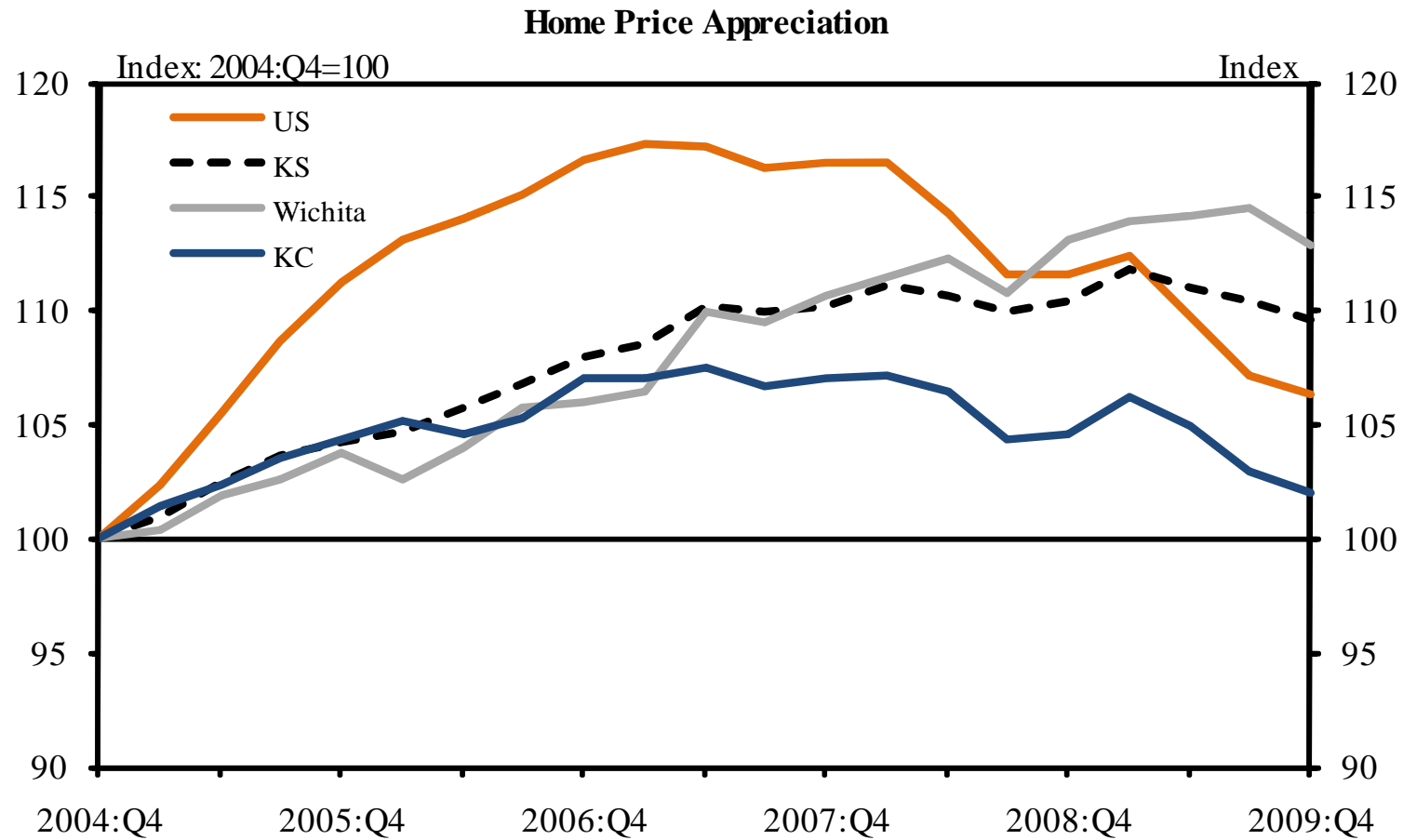


Source: NAR and Local Realtor

Latest release: 03/22/2010



Home prices are stabilizing.



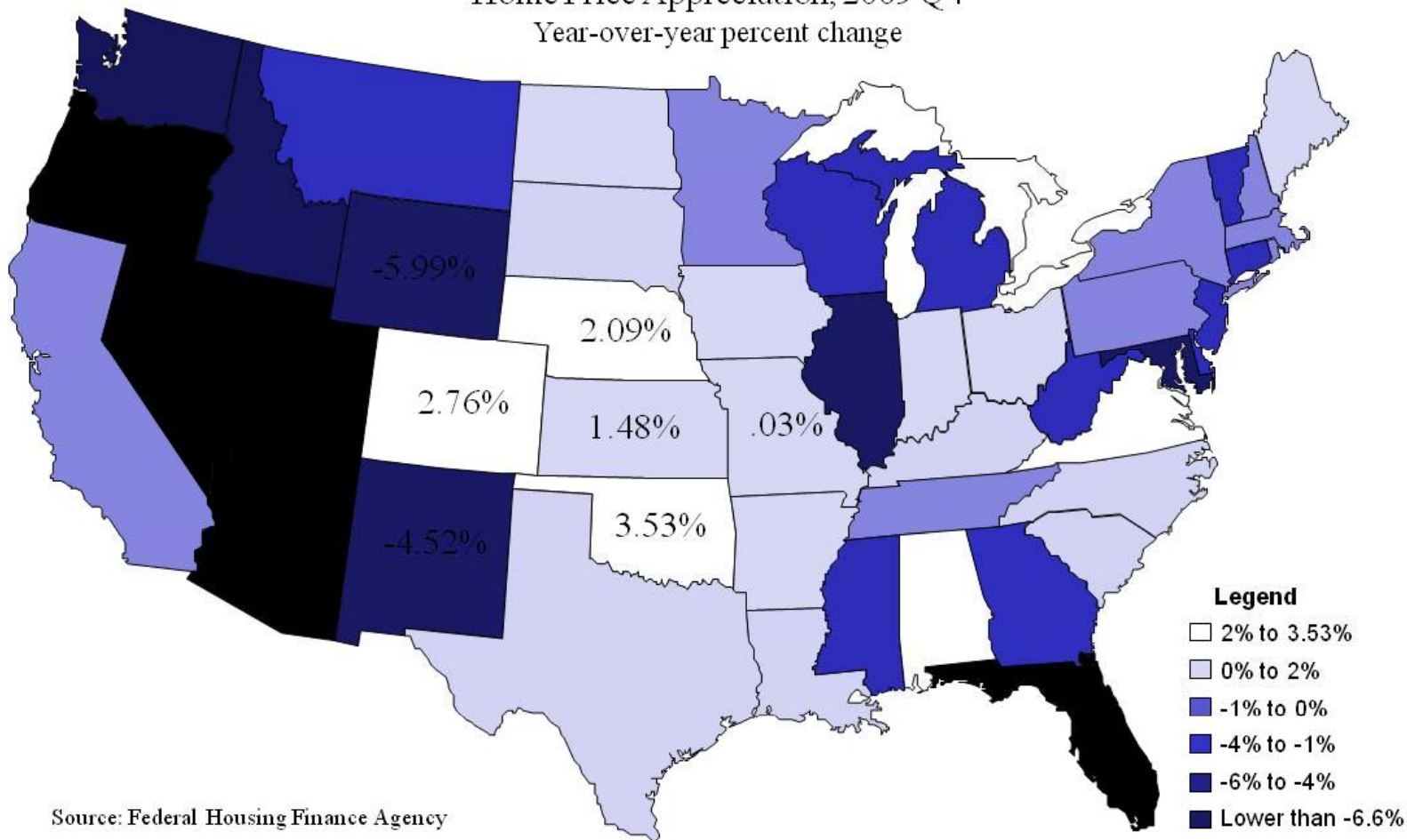
Source: FHFA

Latest release: 02/25/2010



Home price appreciation has varied widely across the nation.

Home Price Appreciation, 2009 Q4
Year-over-year percent change

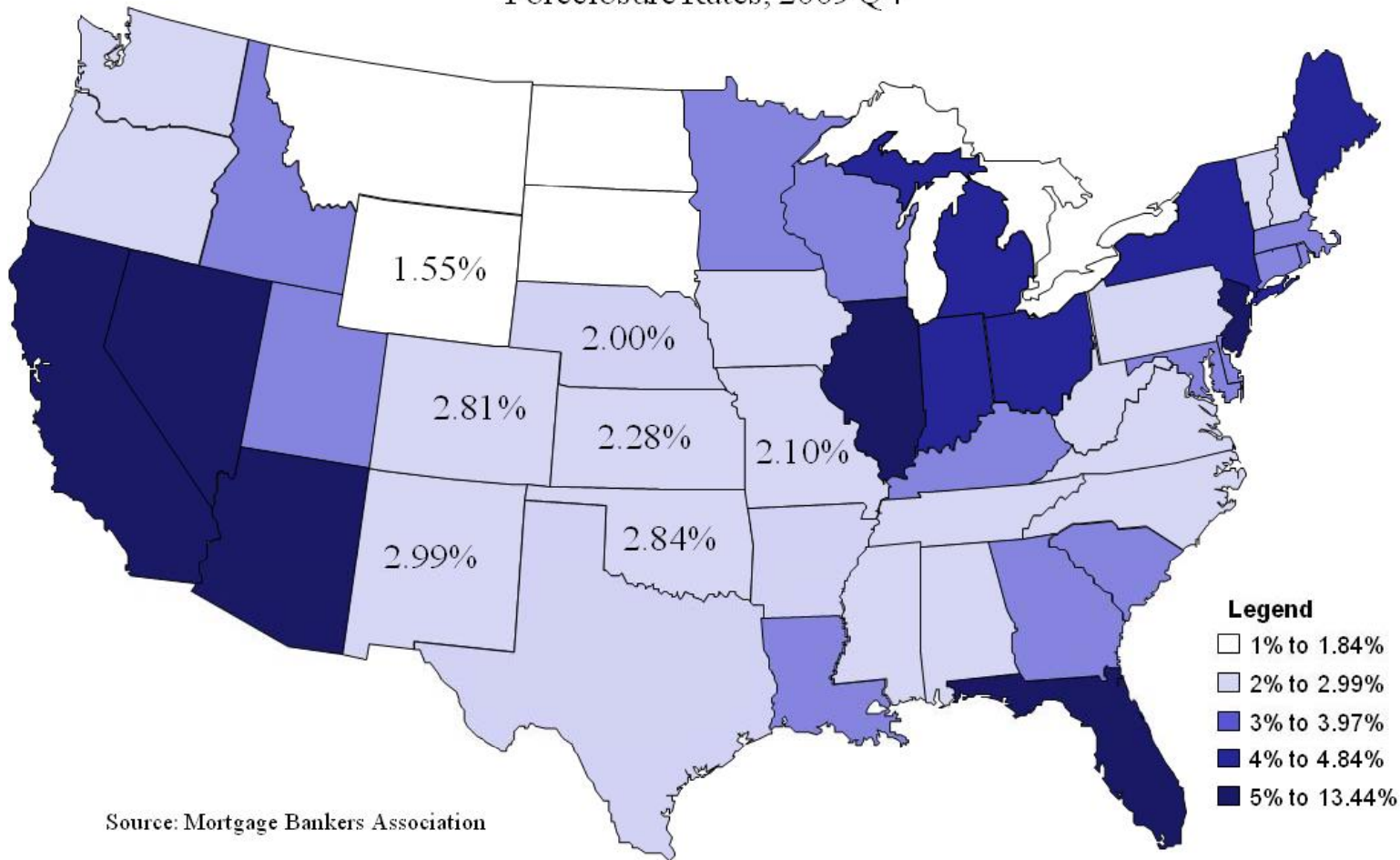


Source: Federal Housing Finance Agency



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

Foreclosure Rates, 2009 Q4

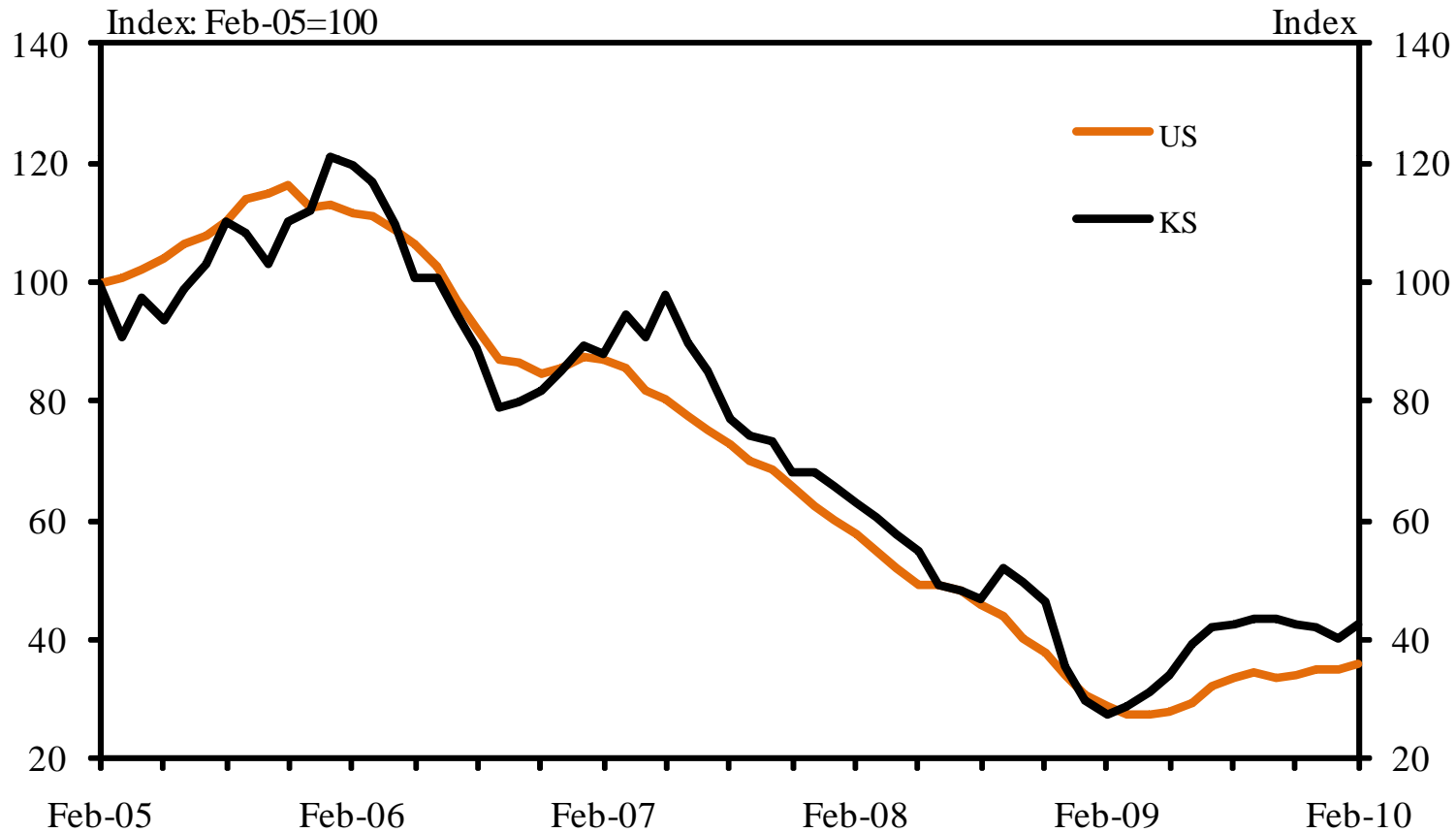


Source: Mortgage Bankers Association



Residential construction activity has increased slightly over the past year.

Value of Residential Construction Contracts
Seasonally adjusted



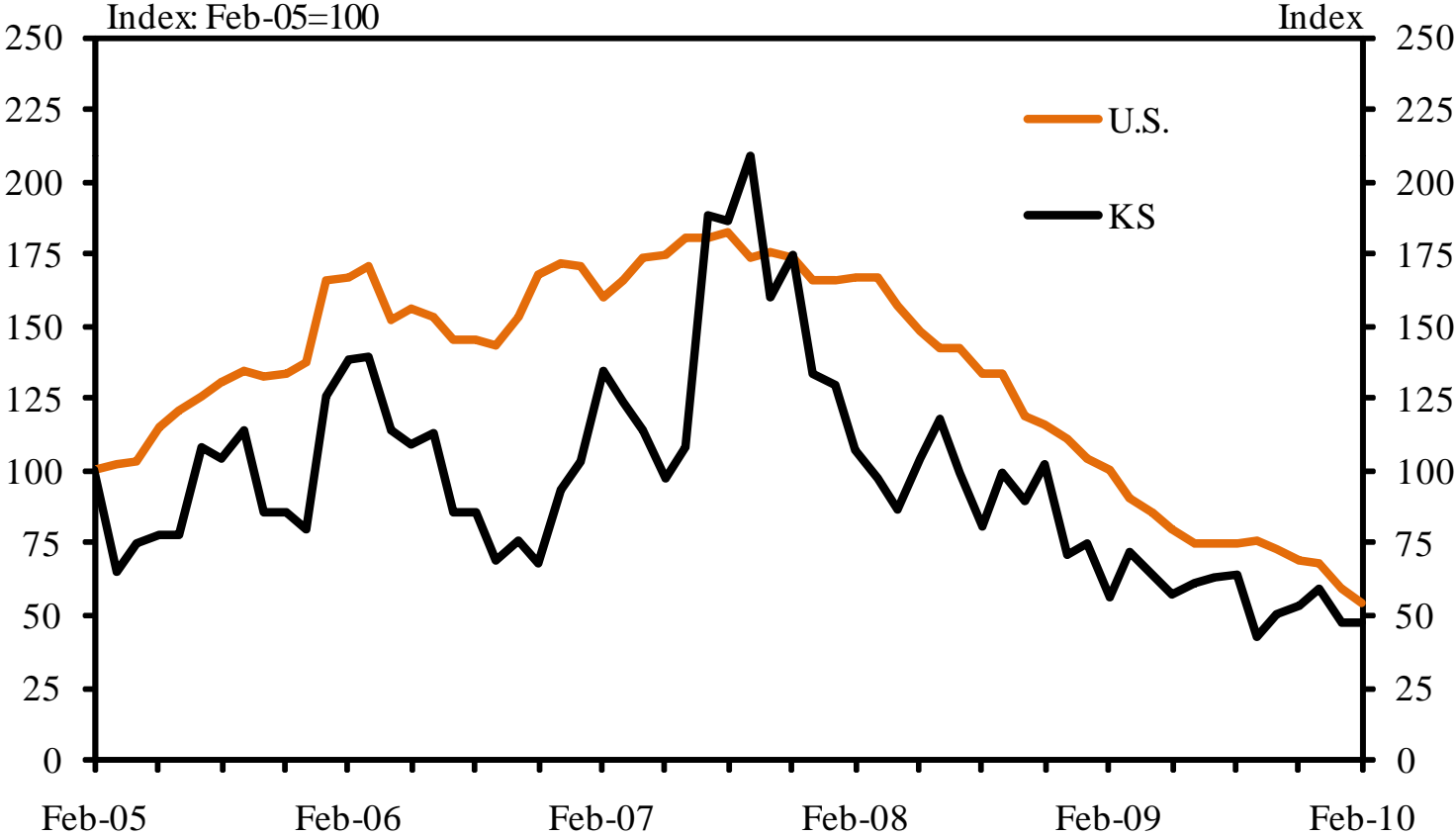
Source: F.W. Dodge, Inc.

Latest release: 03/15/2010



Commercial construction activity continues to deteriorate.

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

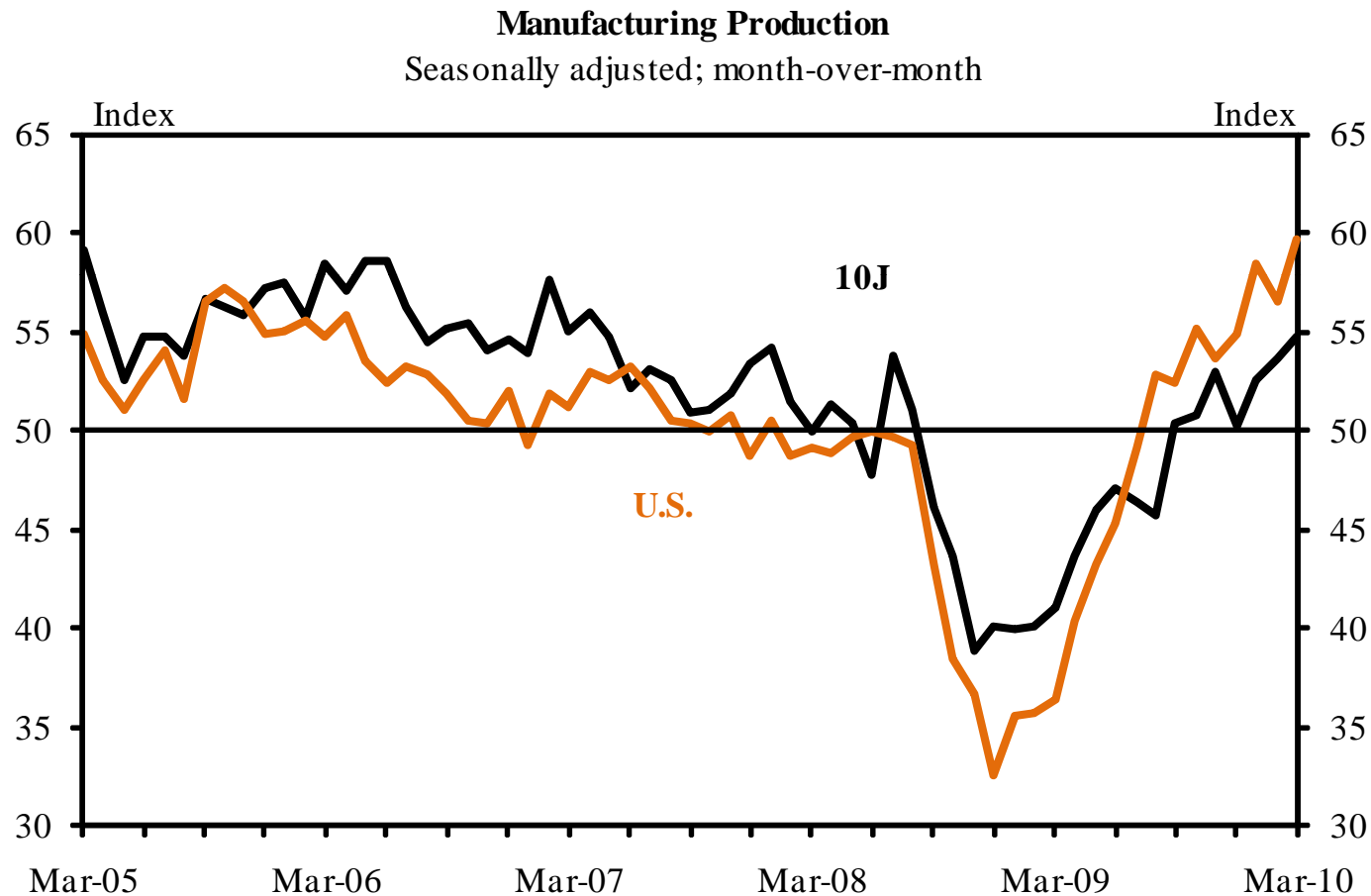


Source: F.W. Dodge, Inc.

Latest release: 03/15/2010



Recent surveys indicate that the manufacturing sector is expanding.



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

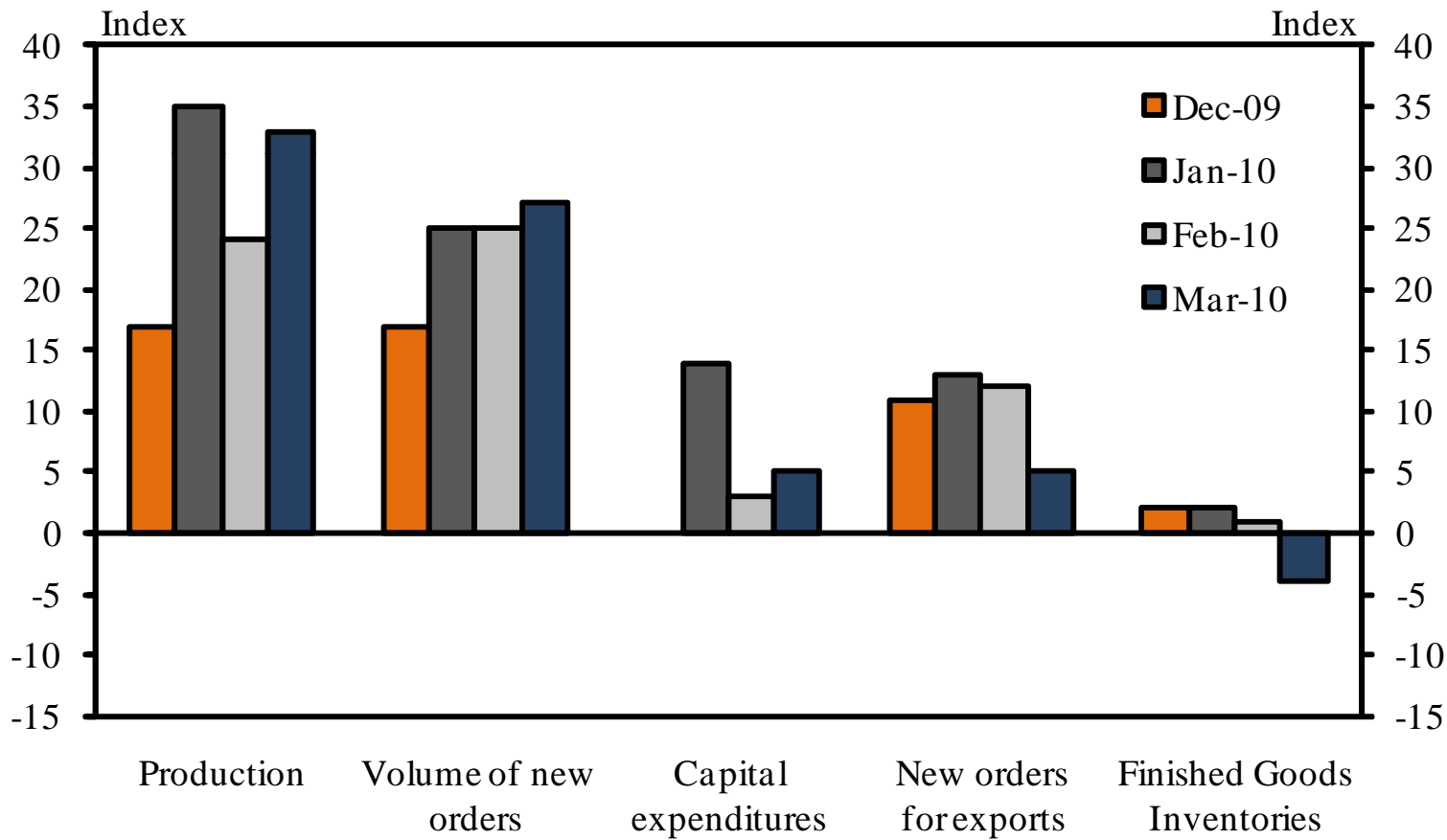
Sources: ISM, FRBKC Manufacturing Survey

Latest release: 03/25/2010 for the Manufacturing Survey and 04/01/2010 for ISM



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

Manufacturing Expectations - Six Months Ahead
Seasonally adjusted

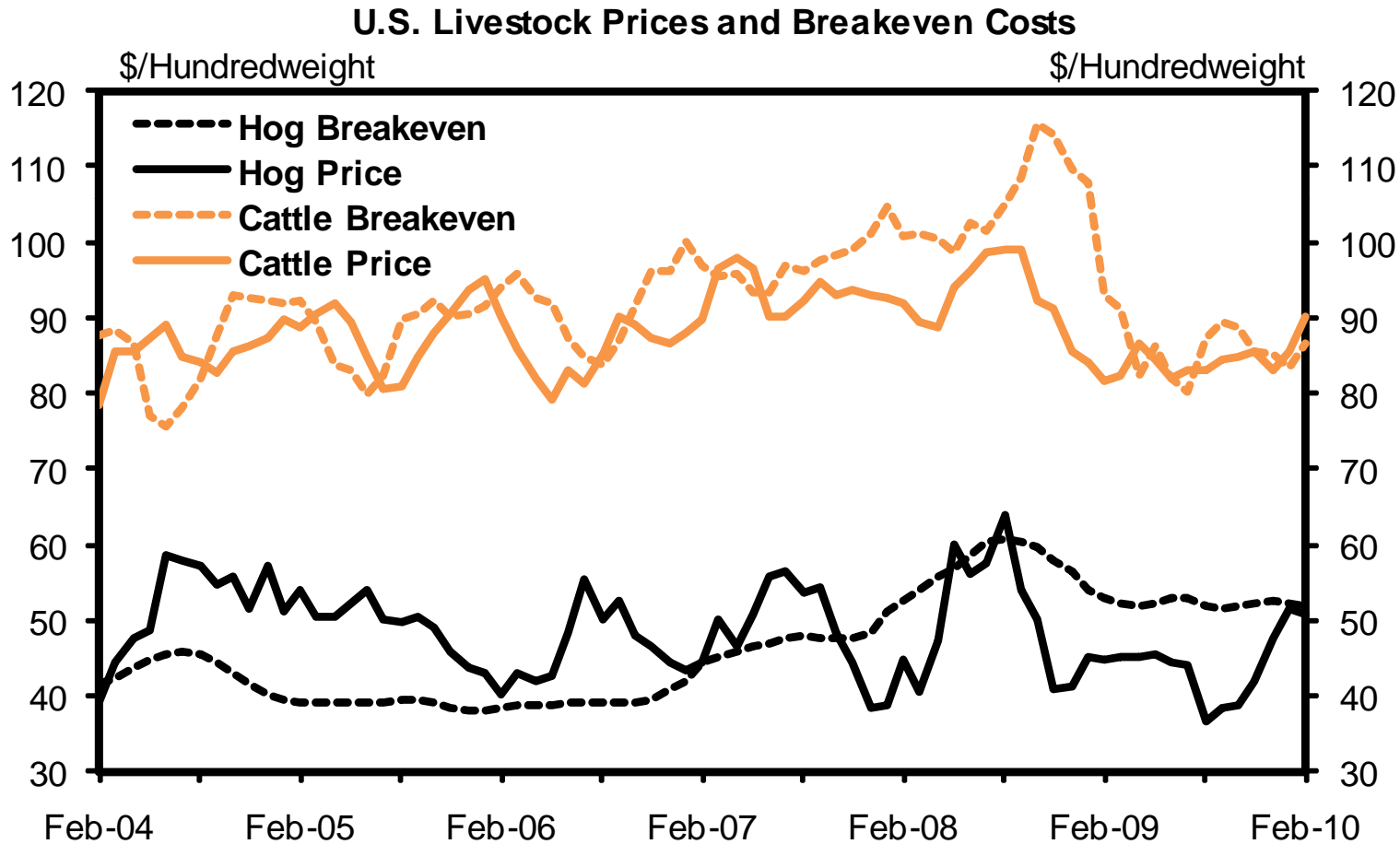


Source: FRBKC Manufacturing Survey

Latest release: 03/25/2010



Conditions have improved for hog and cattle producers.

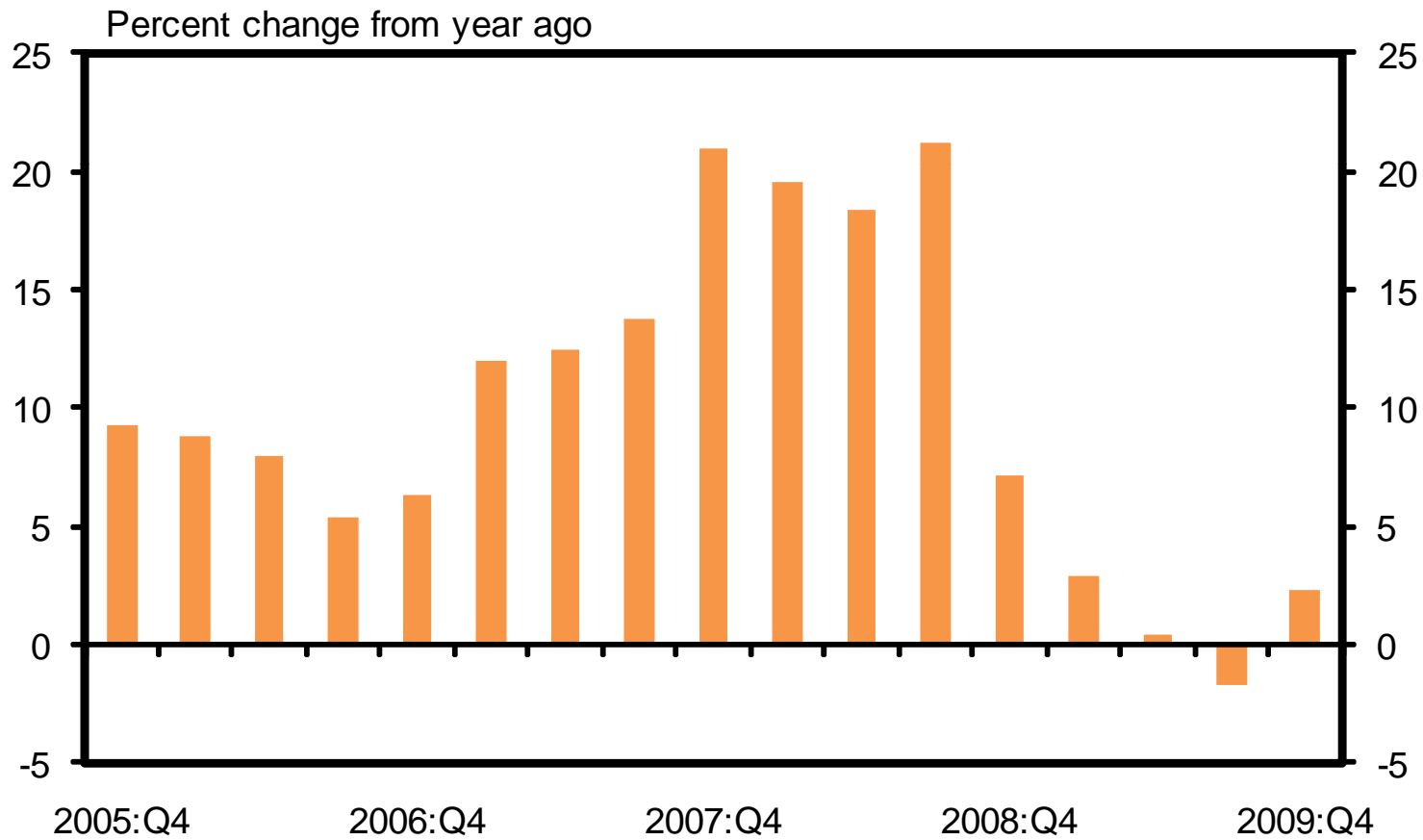


Source: USDA and Iowa State University



Farmland values have stabilized.

Tenth District Nonirrigated Cropland Values



Source: Ag Credit Survey



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 remain hesitant to spend as they try to rebuild wealth.
 - Unemployment is likely to remain high for some time.

