



# Kansas Economic Outlook

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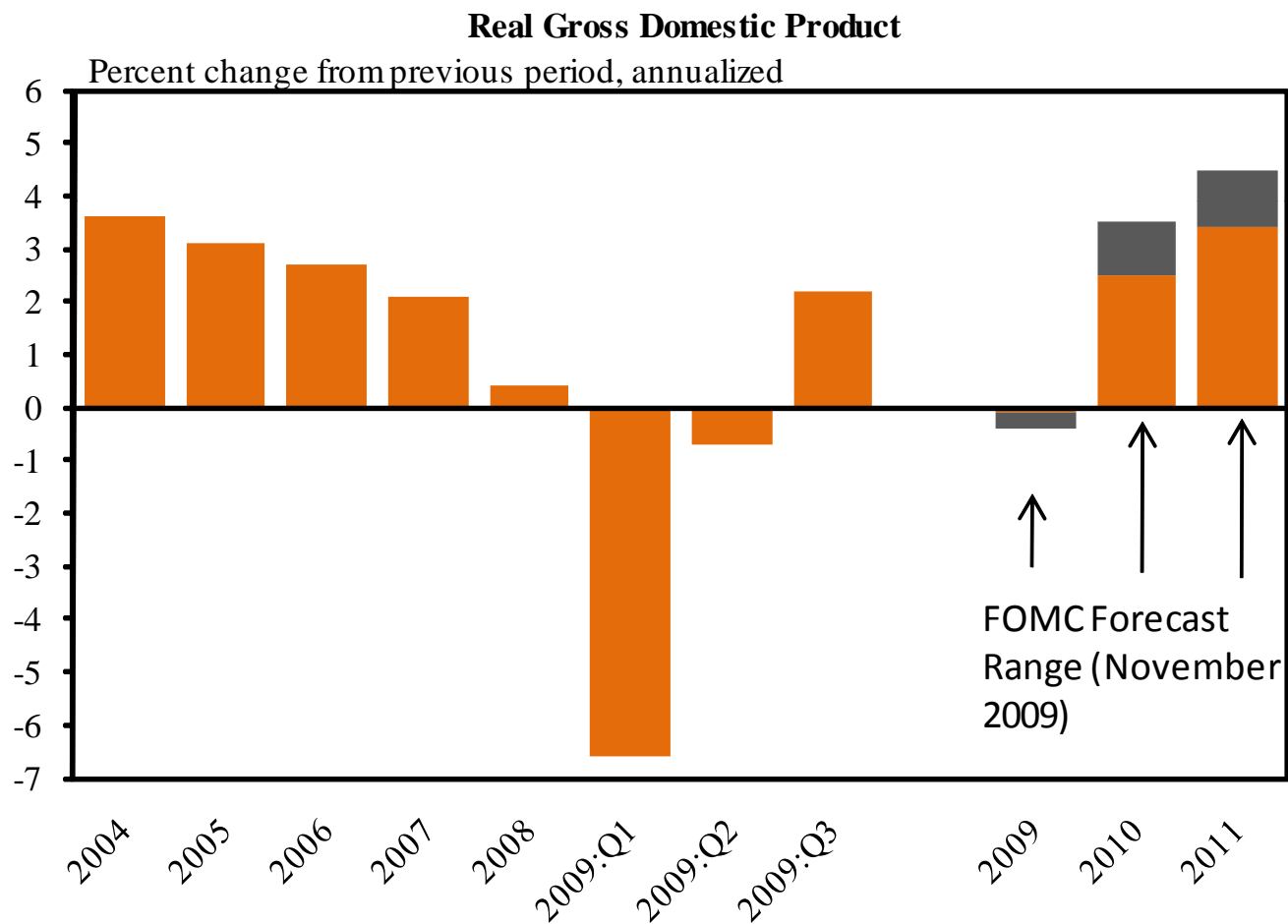
The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

# U.S. Economic Overview

- ⦿ After one of the most severe recessions since the Great Depression, the U.S. economy is starting to recover.
  - Housing market conditions have improved, and residential construction activity has picked up.
  - Distress in financial markets has eased.
  - Manufacturing activity has increased.
- ⦿ 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.



After four consecutive quarterly declines, real GDP increased in the third quarter.

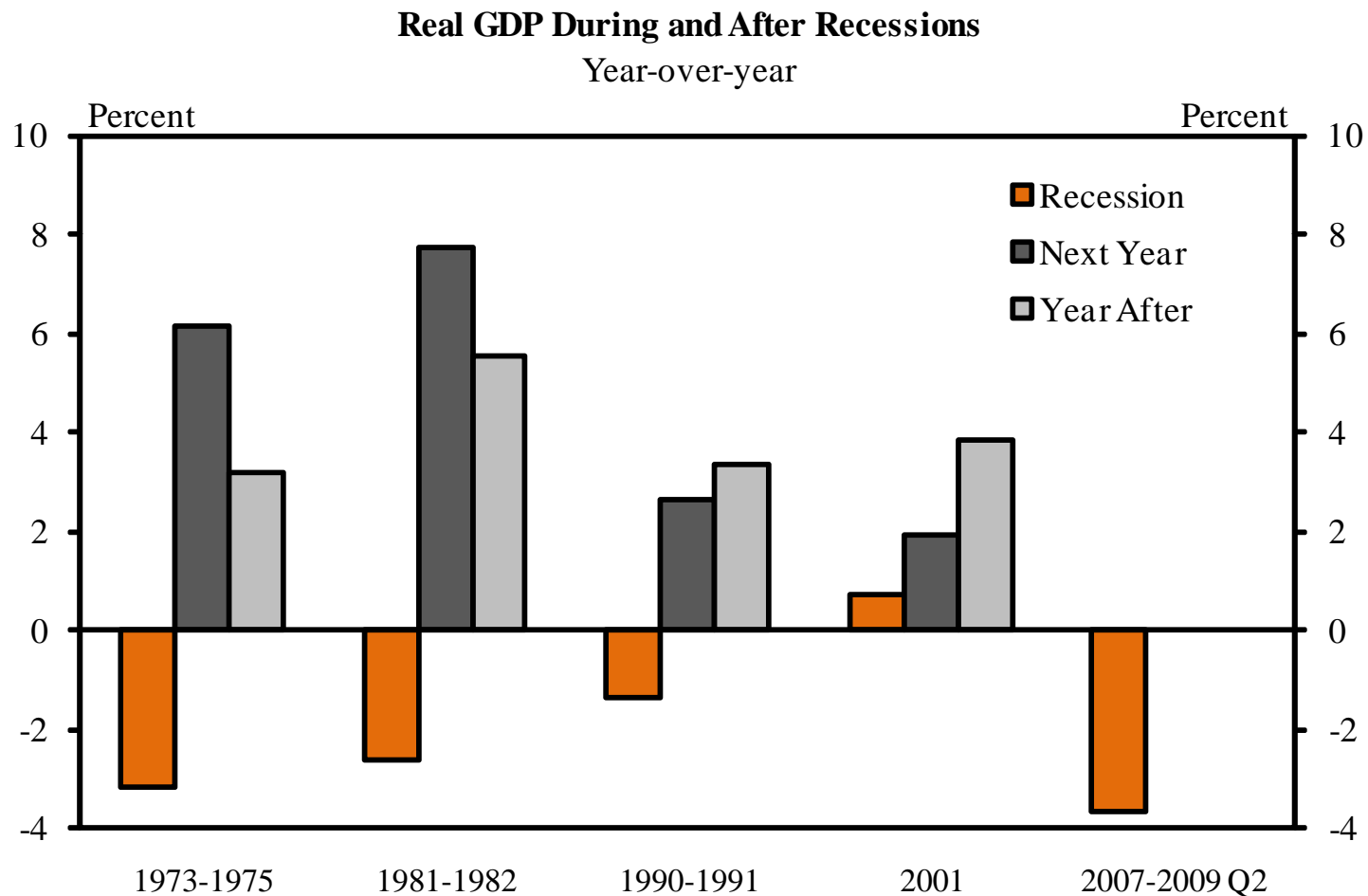


Source: Bureau of Economic Analysis; FOMC

Latest release: 12/23/2009



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

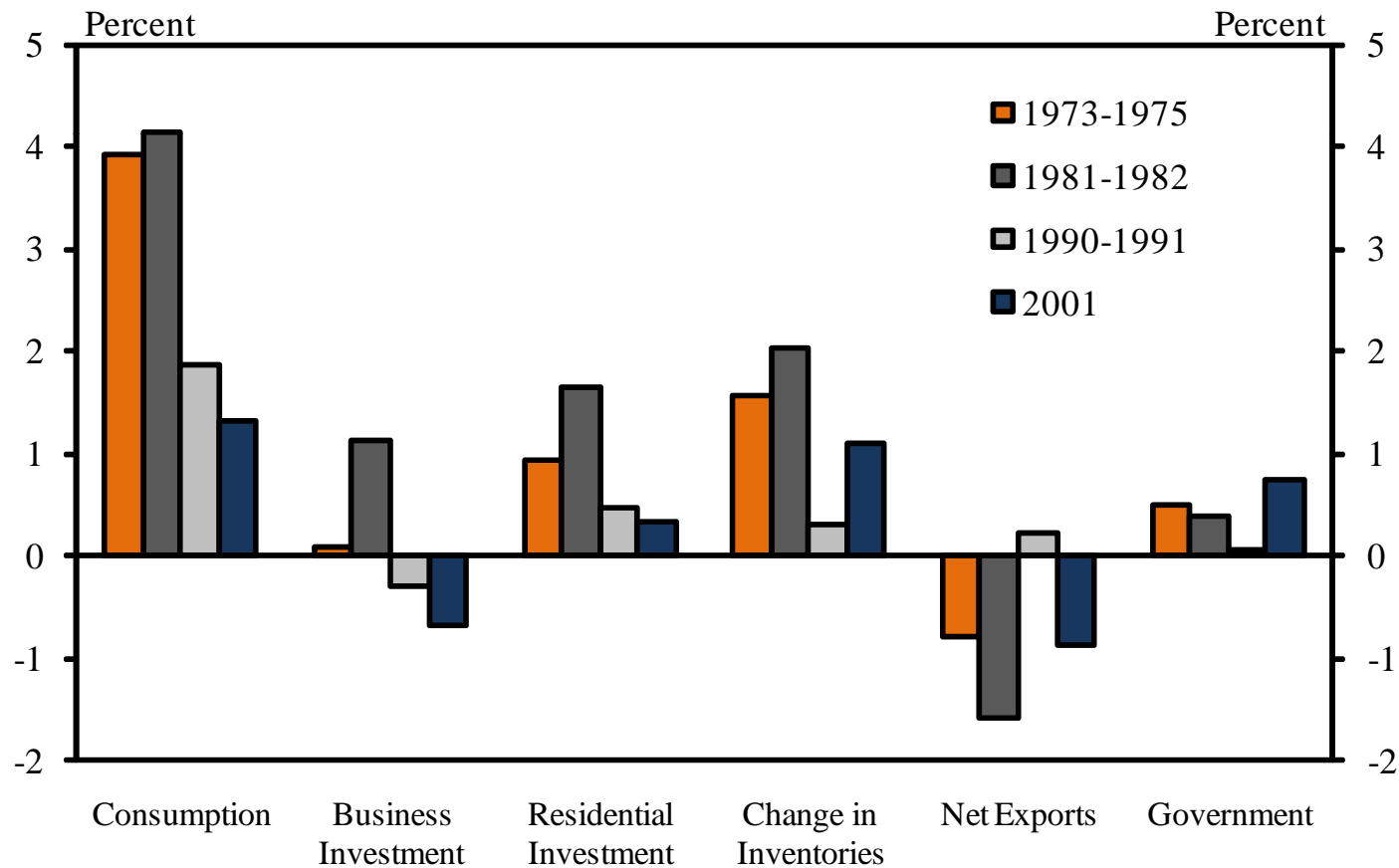


Source: BEA



# Consumption usually makes the largest contribution to GDP growth 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

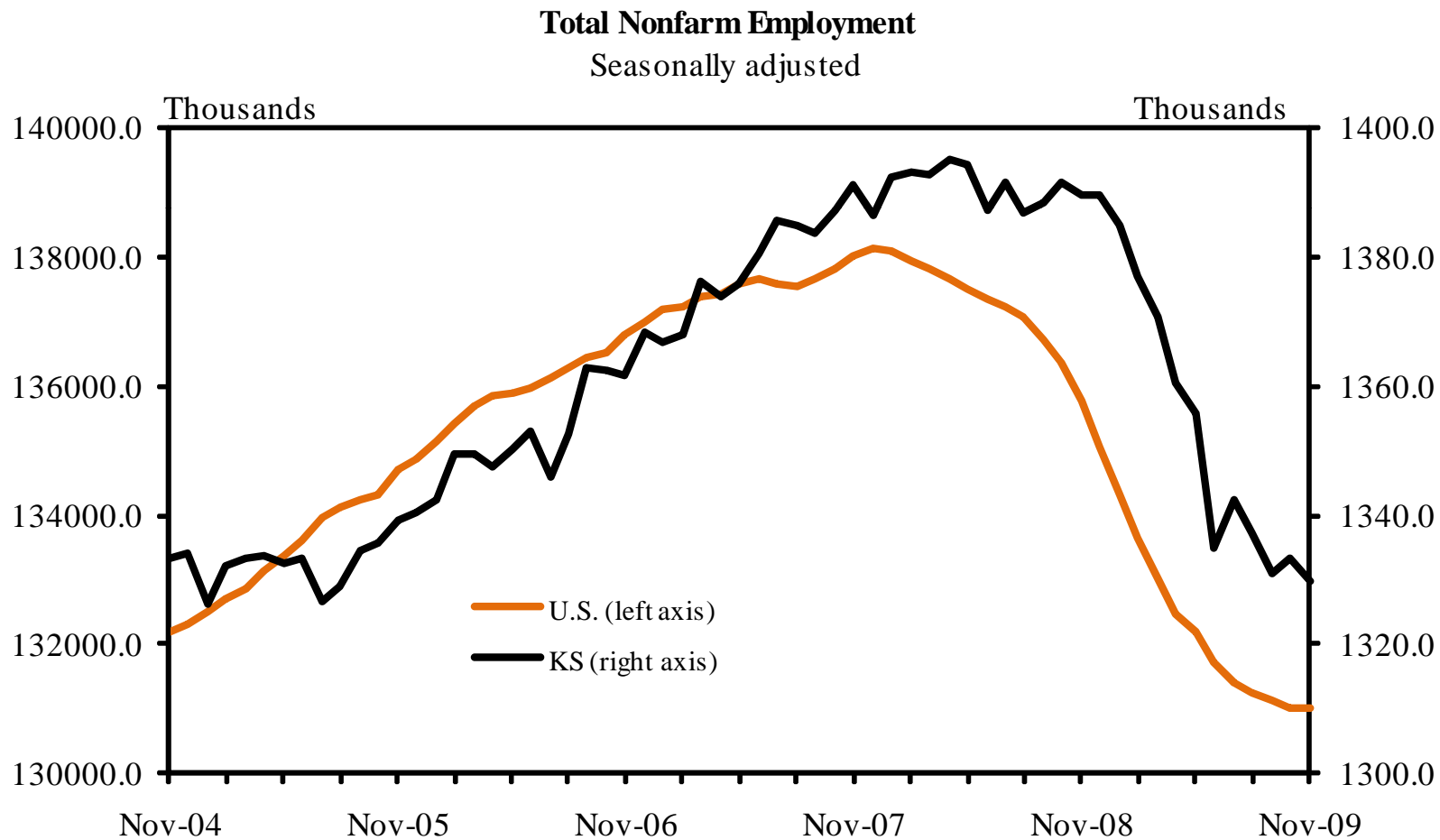


# Kansas Overview

- ◎ 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 are increasing.



# Employment has fallen sharply over the past year.

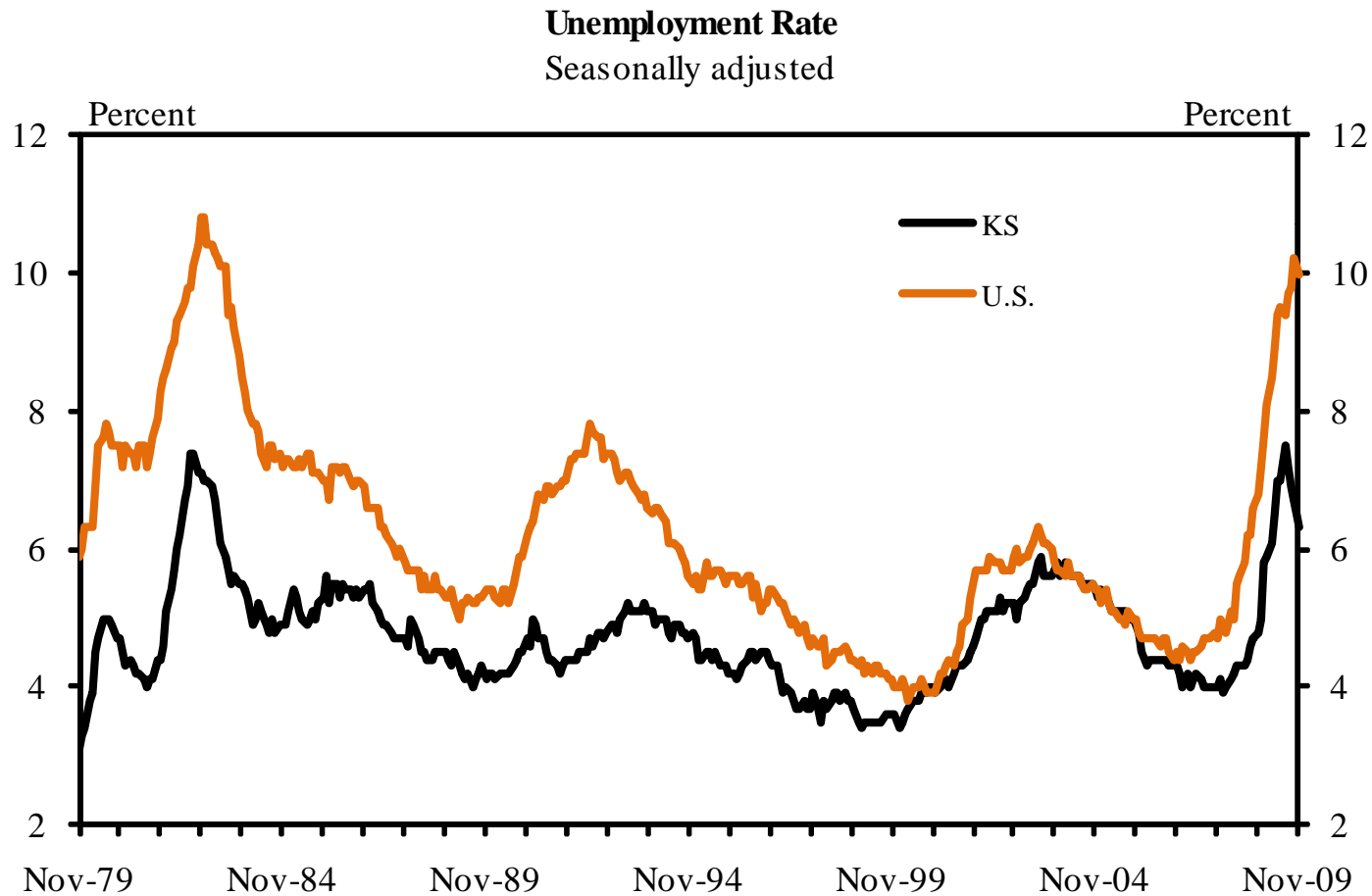


Source: Bureau of Labor Statistics

Latest release: 12/18/2009



# Unemployment rates remain elevated.



Source: Bureau of Labor Statistics

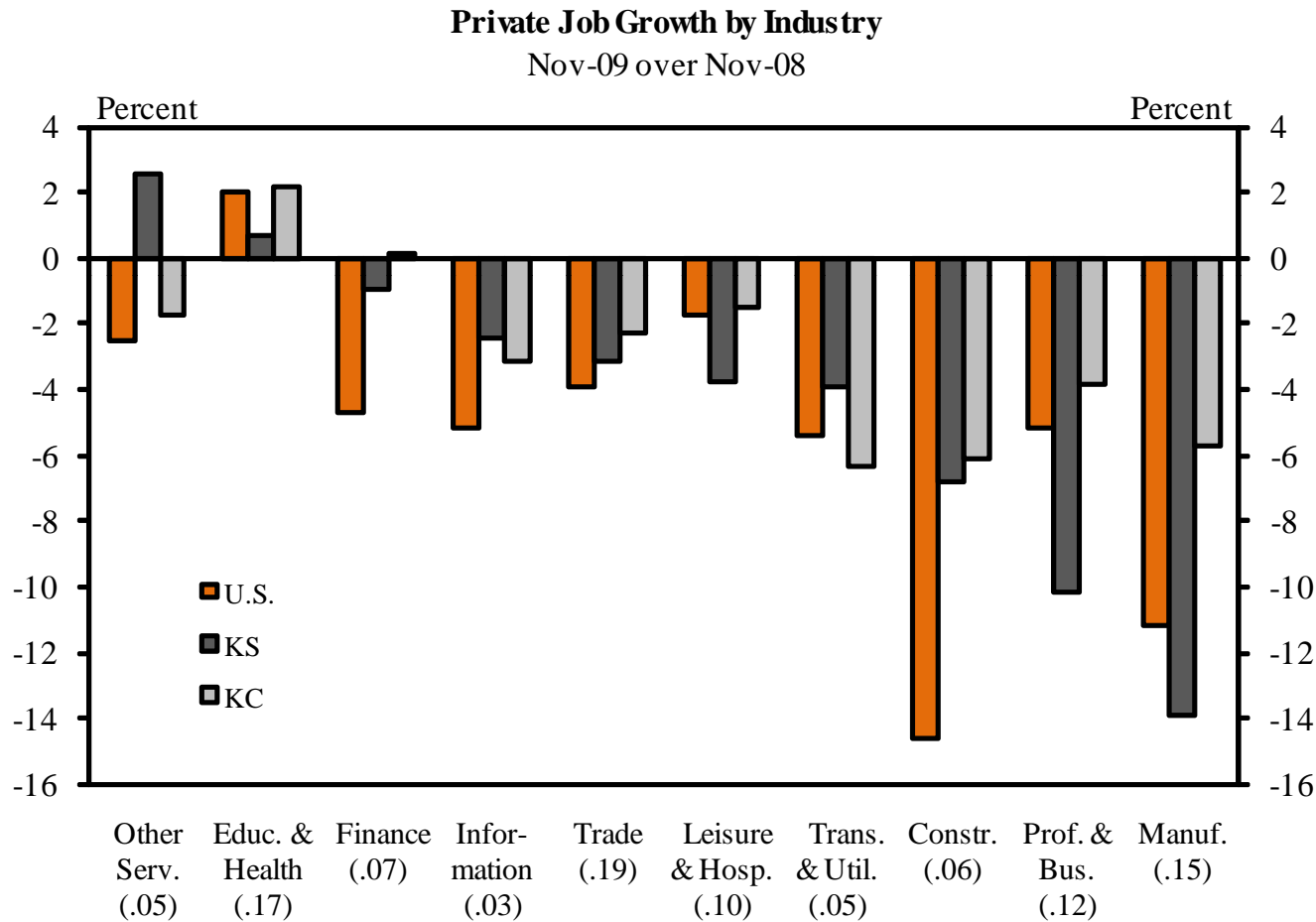
Latest release: 12/18/2009







# Most industries experienced sharp employment declines over the past year.



Source: Bureau of Labor Statistics

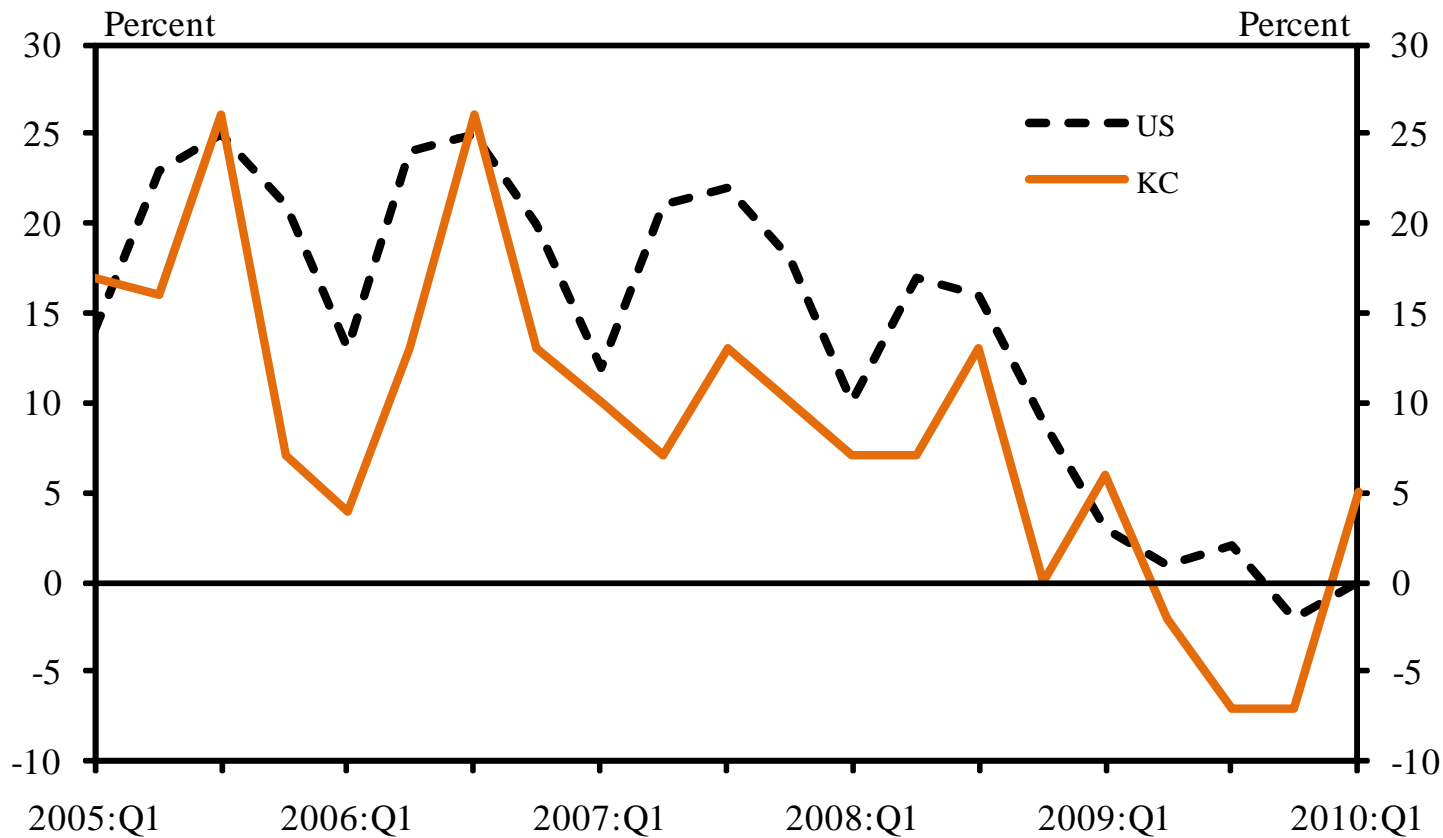
Latest release: 12/18/2009

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



# Hiring expectations have improved but remain sluggish.

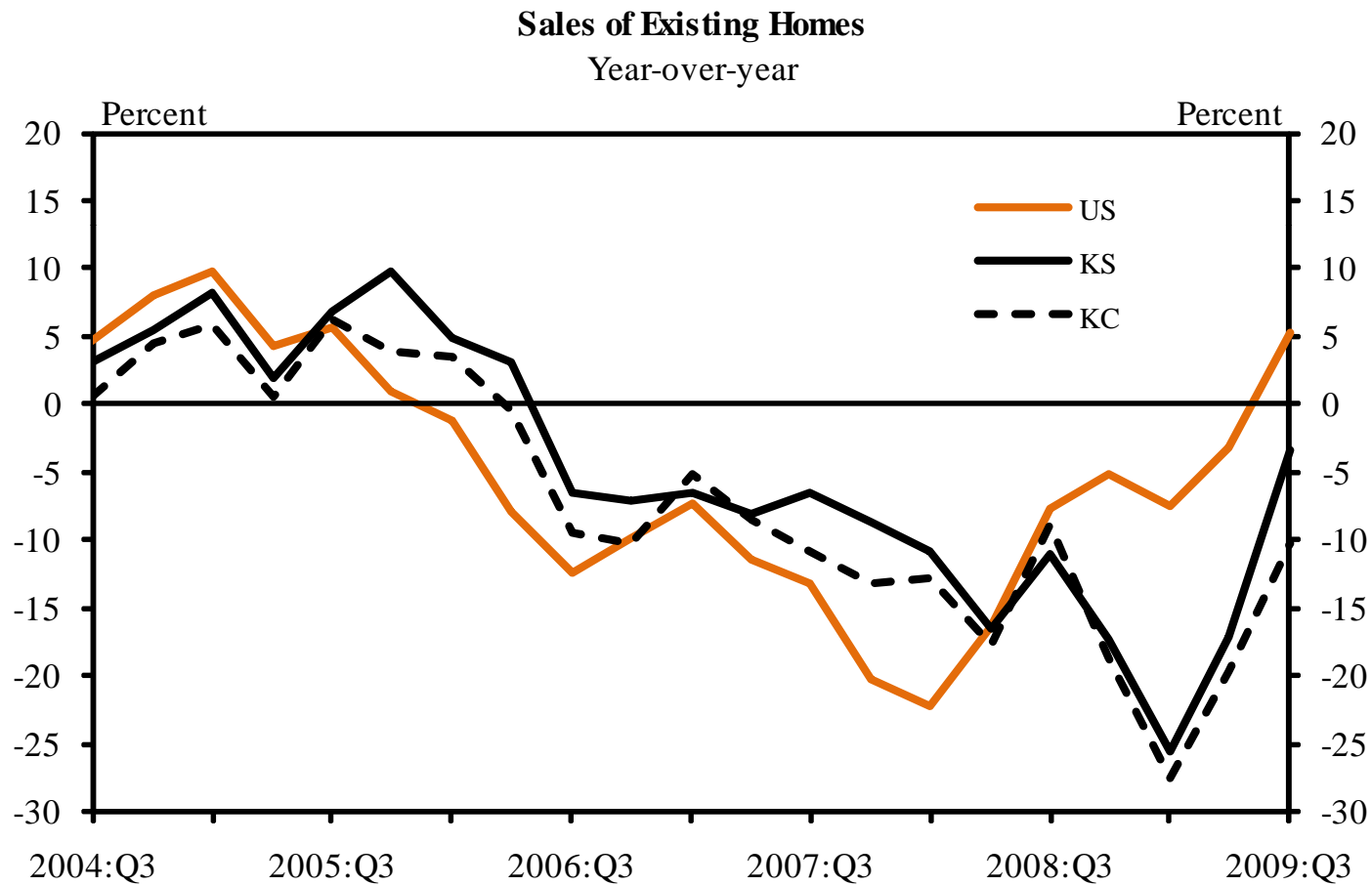
Net Percentage of Firms Expecting to Increase Employment



Source: Manpower Inc.



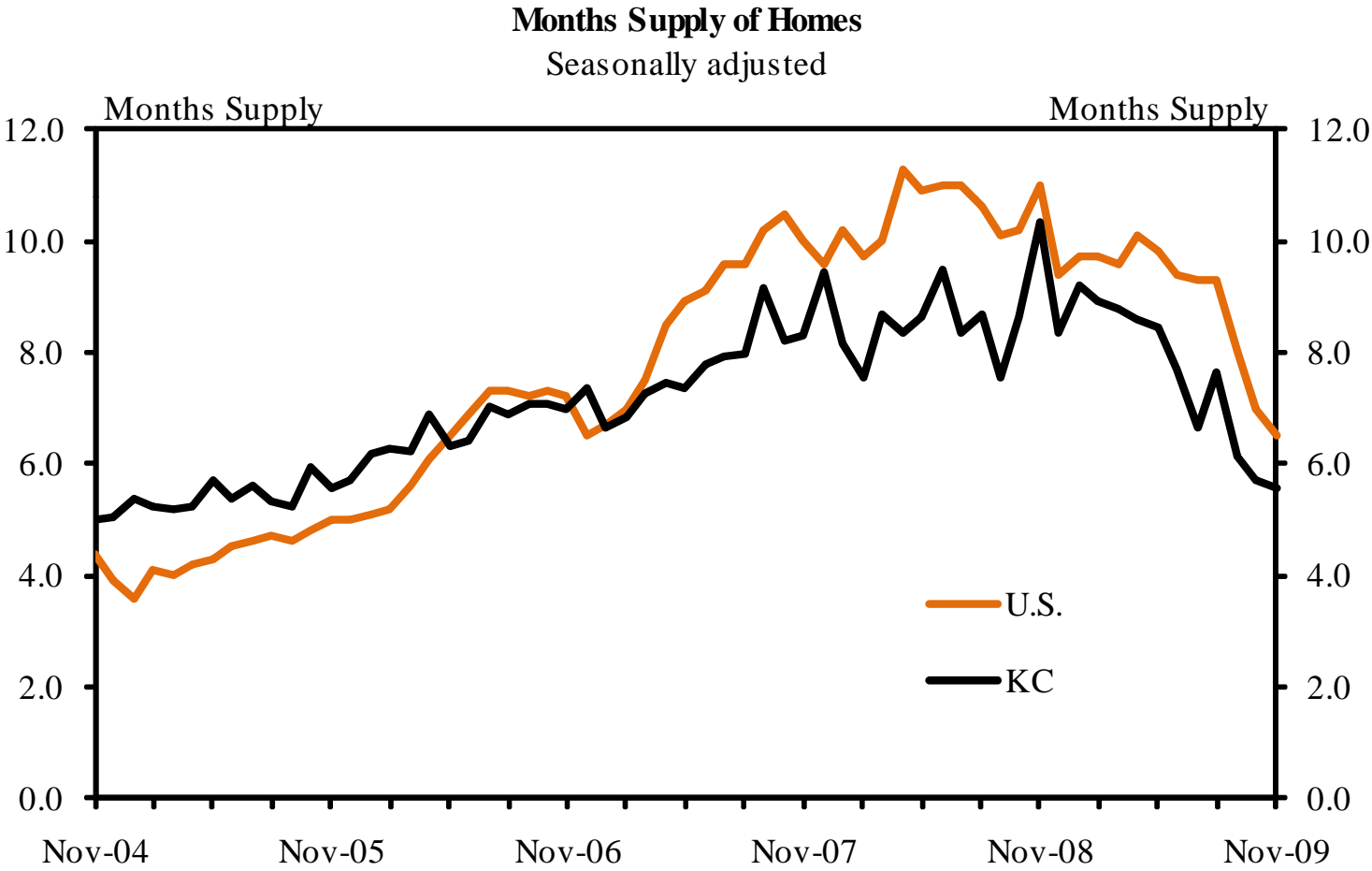
Home sales have fallen sharply since late 2005 but have since increased.



Source: NAR



# The months supply of homes has decreased from its cyclical high.

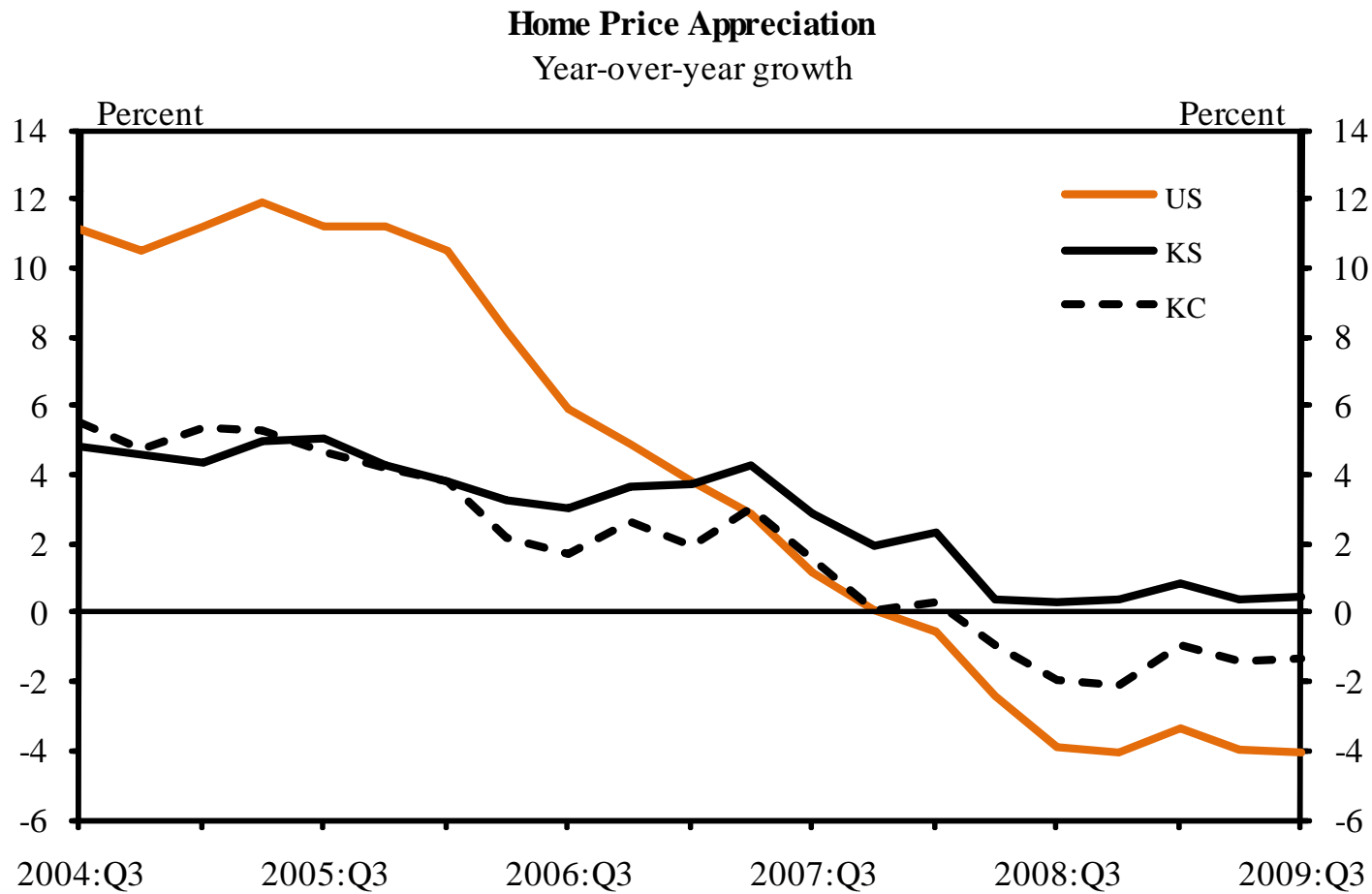


Source: NAR and Local Realtor

Latest release: 12/23/2009



# Home prices seem to have stabilized.

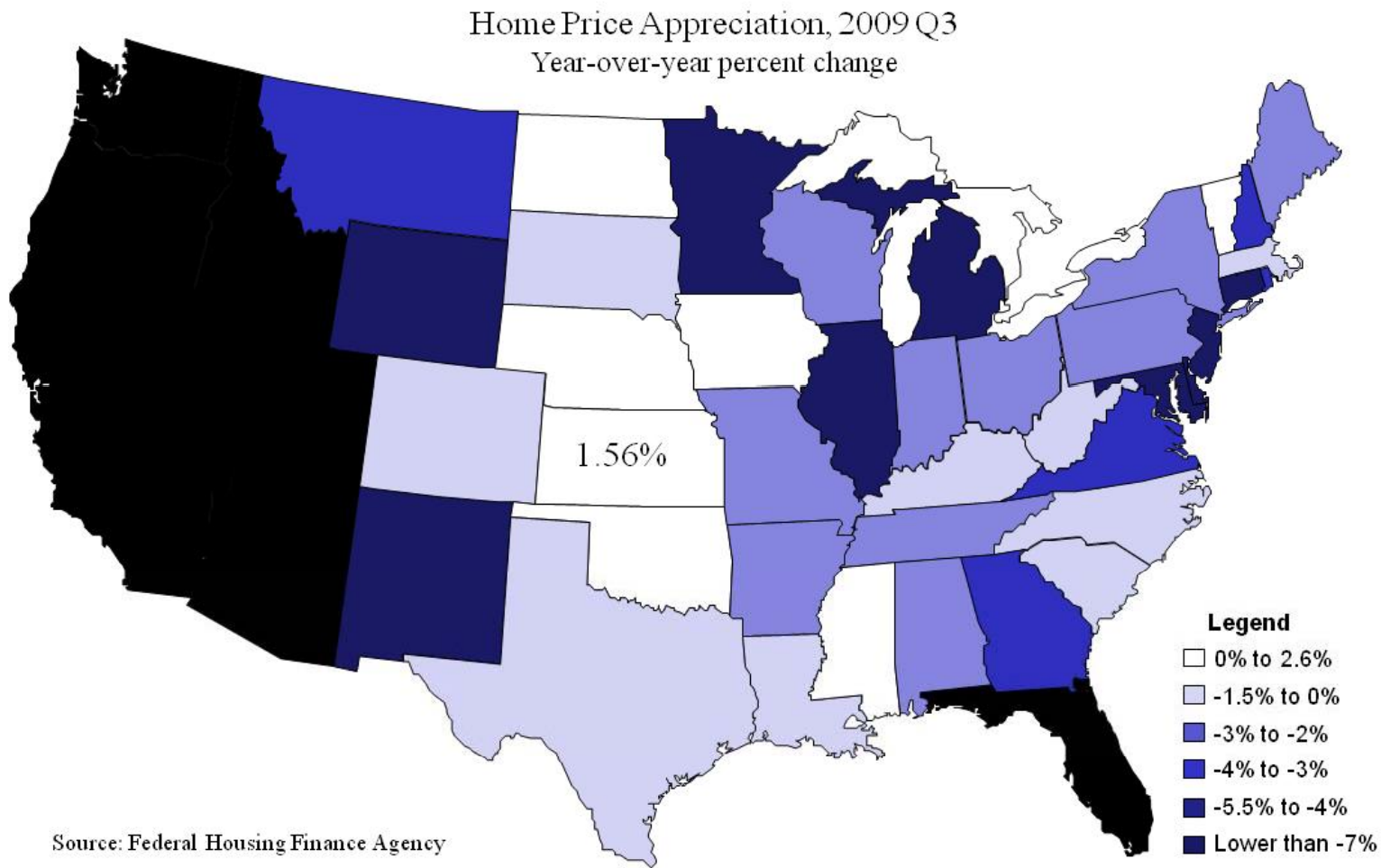


Source: FHFA

Latest release: 11/24/2009



# Home price appreciation has varied widely across the nation.



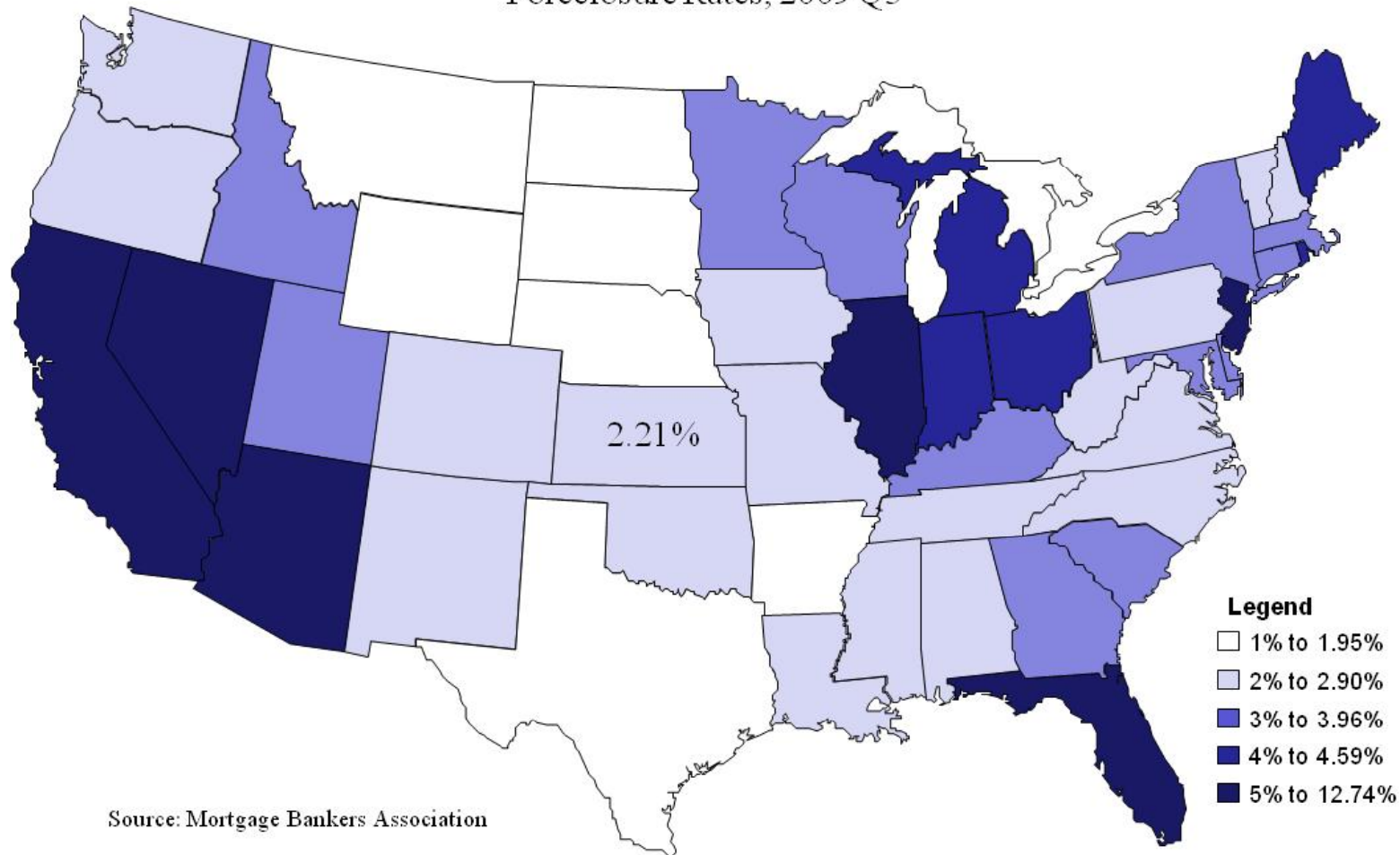
Source: Federal Housing Finance Agency





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

Foreclosure Rates, 2009 Q3



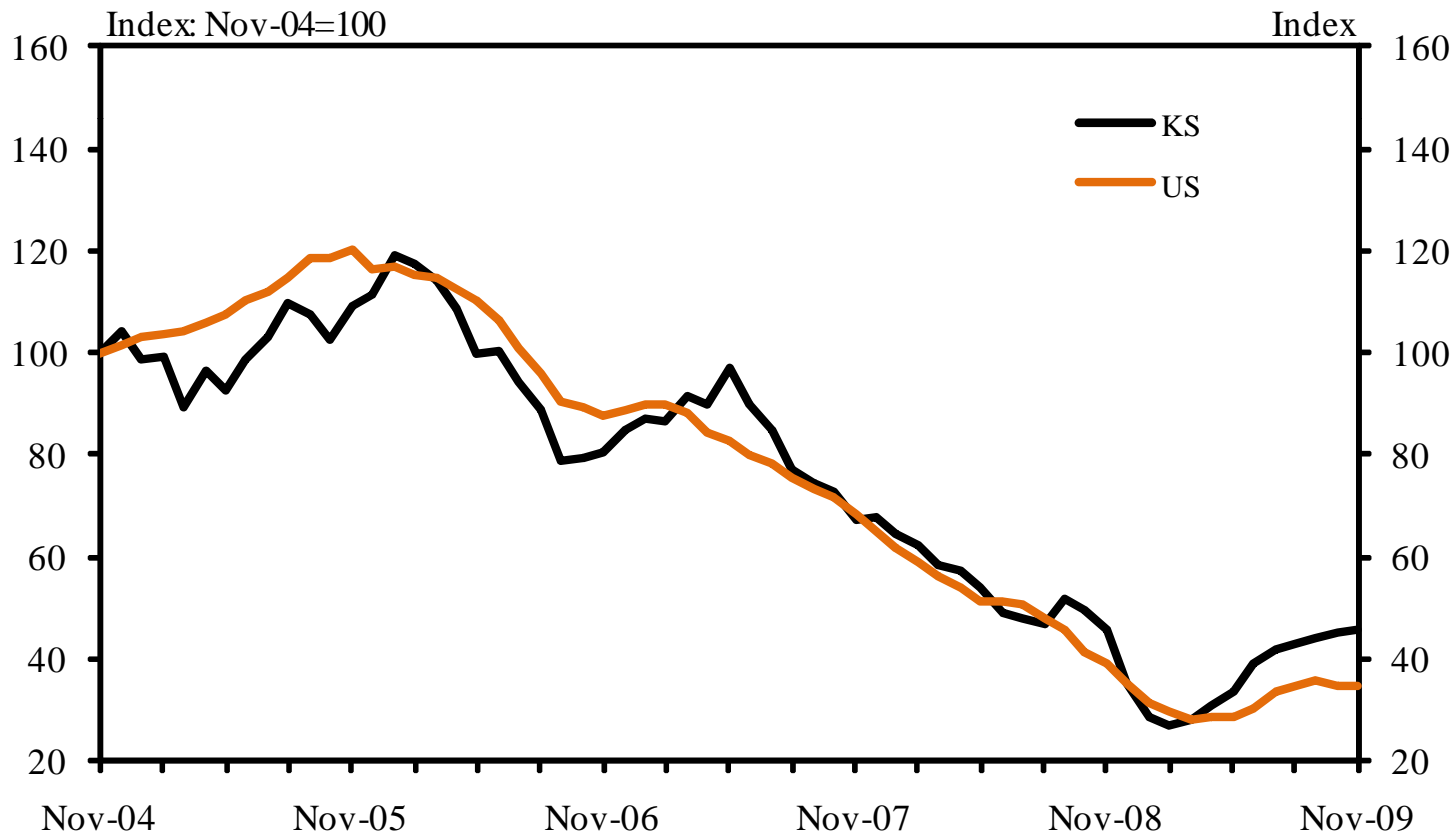
Source: Mortgage Bankers Association





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

**Value of Residential Construction Contracts**  
Seasonally adjusted



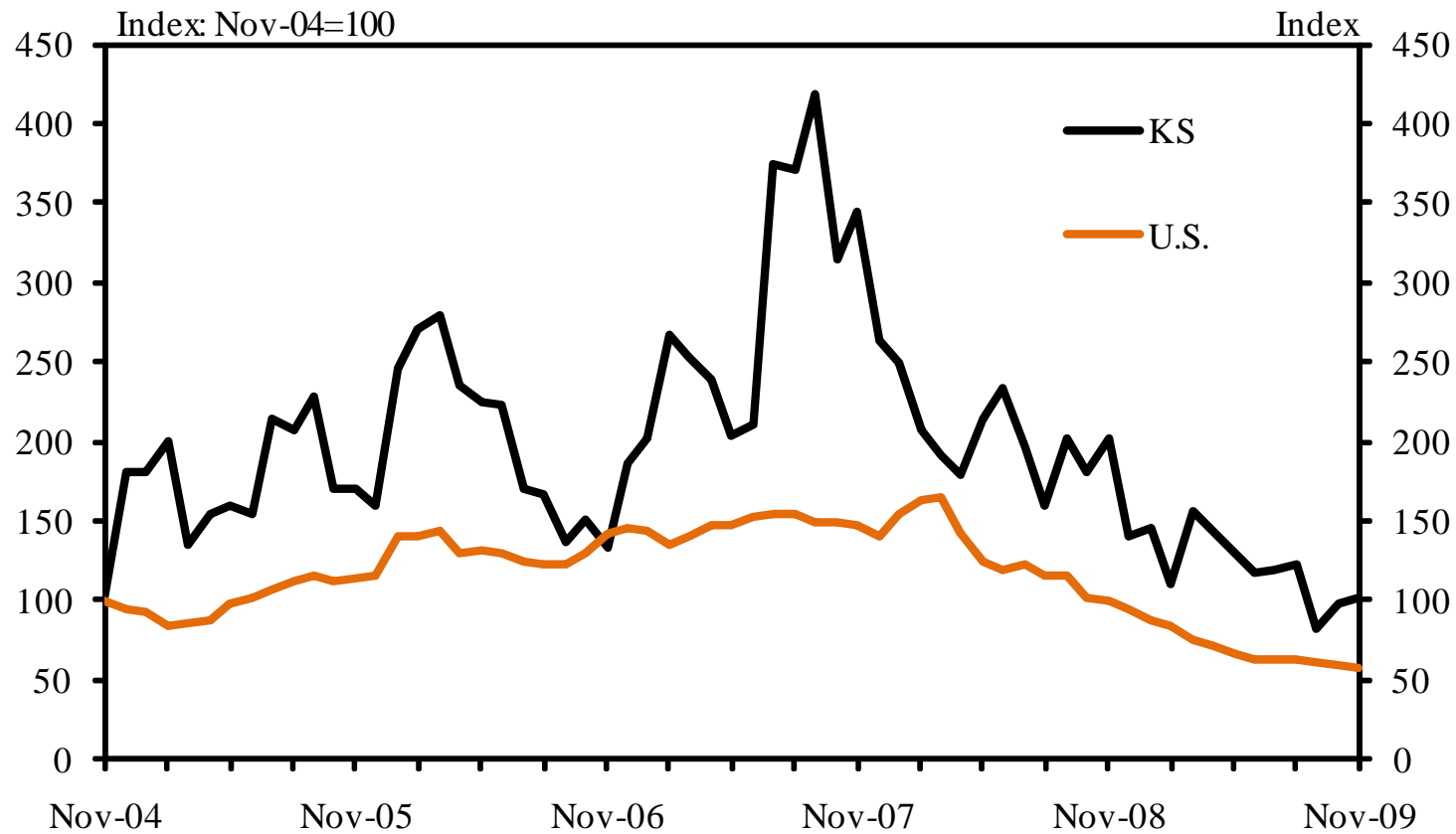
Source: F.W. Dodge, Inc.

Latest release: 12/21/2009



# Commercial construction activity remains slow.

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

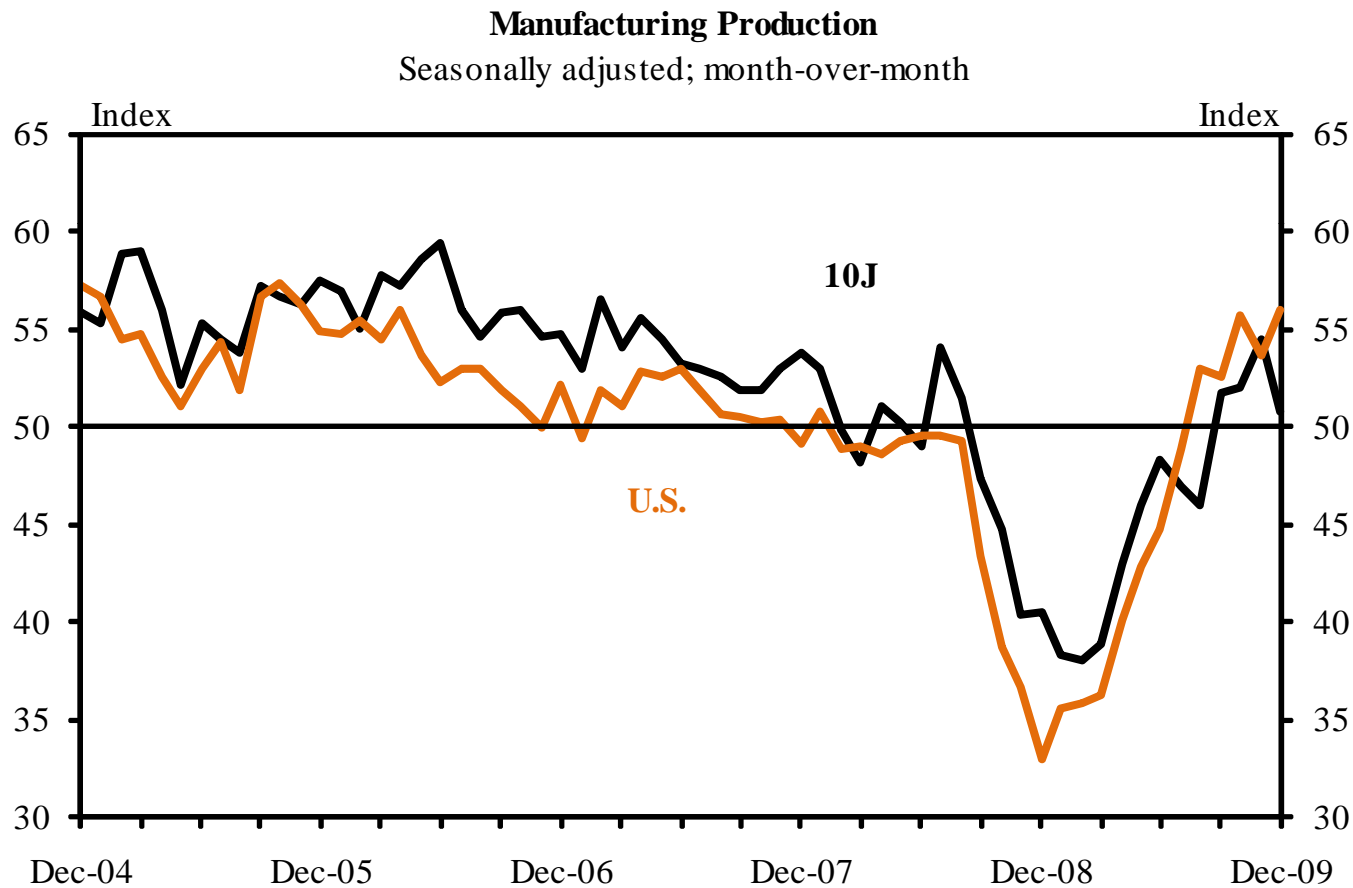


Source: F.W. Dodge, Inc.

Latest release: 12/21/2009



# Recent surveys indicate that manufacturing activity is stabilizing.



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

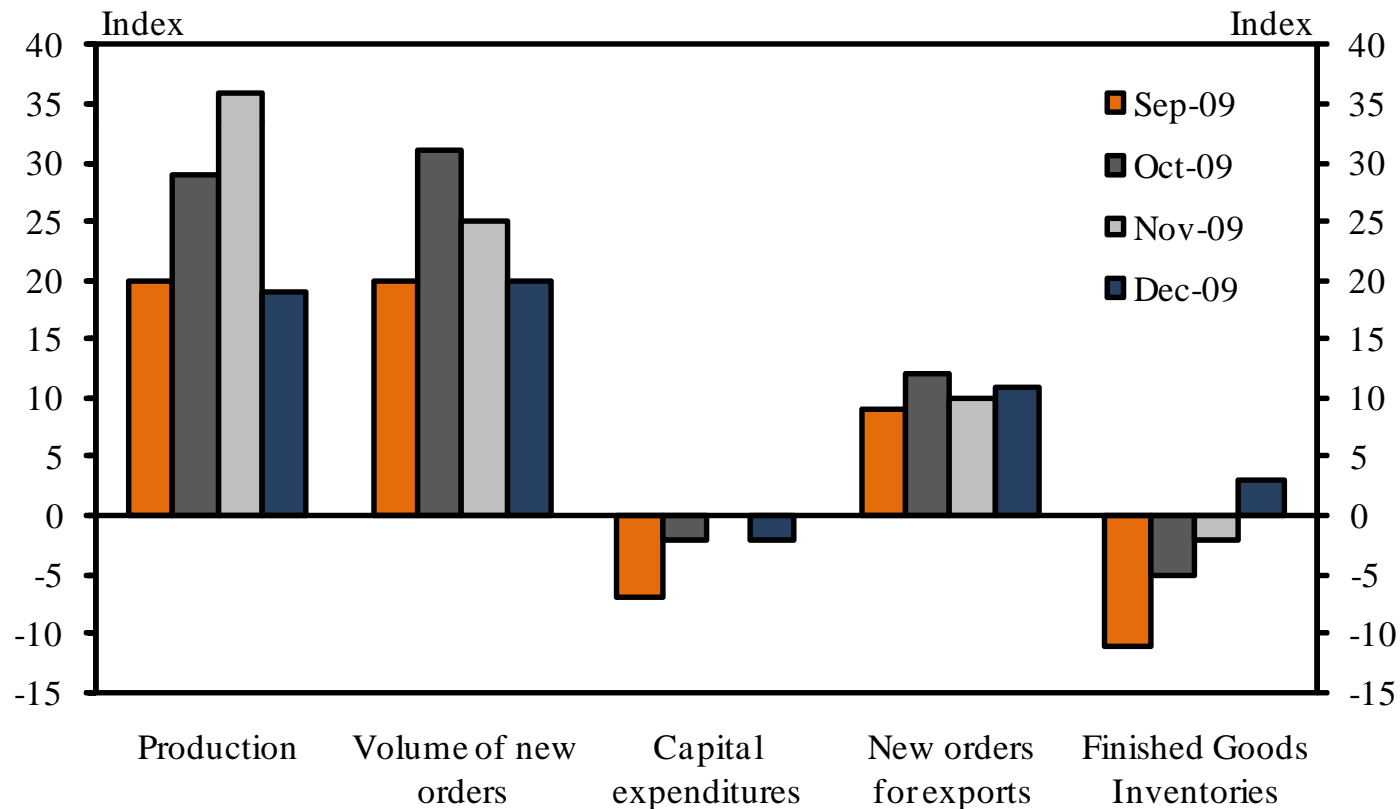
Sources: ISM, FRBKC Manufacturing Survey

Latest release: 12/30/2009 for the Manufacturing Survey and 01/04/2010 for ISM



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

**Manufacturing Expectations - Six Months Ahead**  
Seasonally adjusted

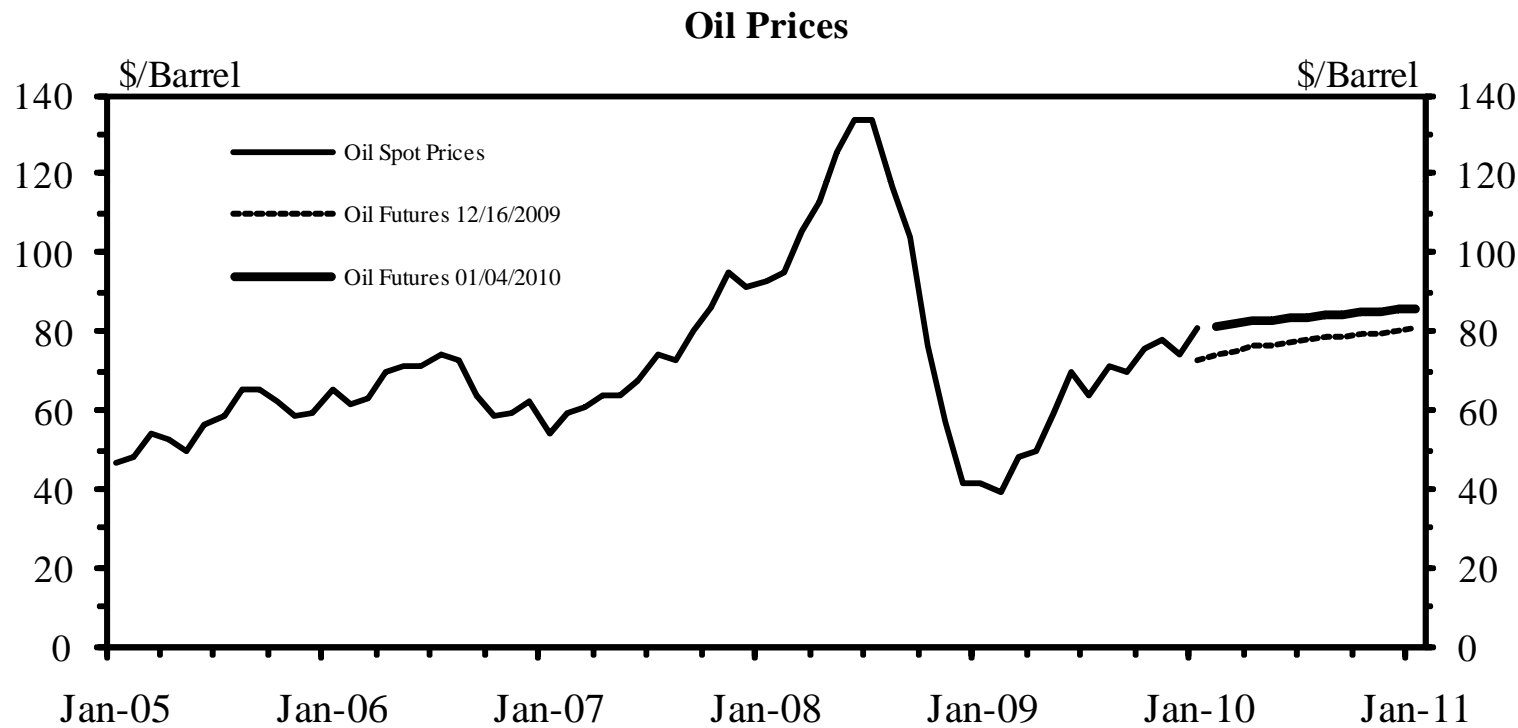


Source: FRBKC Manufacturing Survey

Latest release: 12/30/2009



Oil prices have been increasing for almost one year.

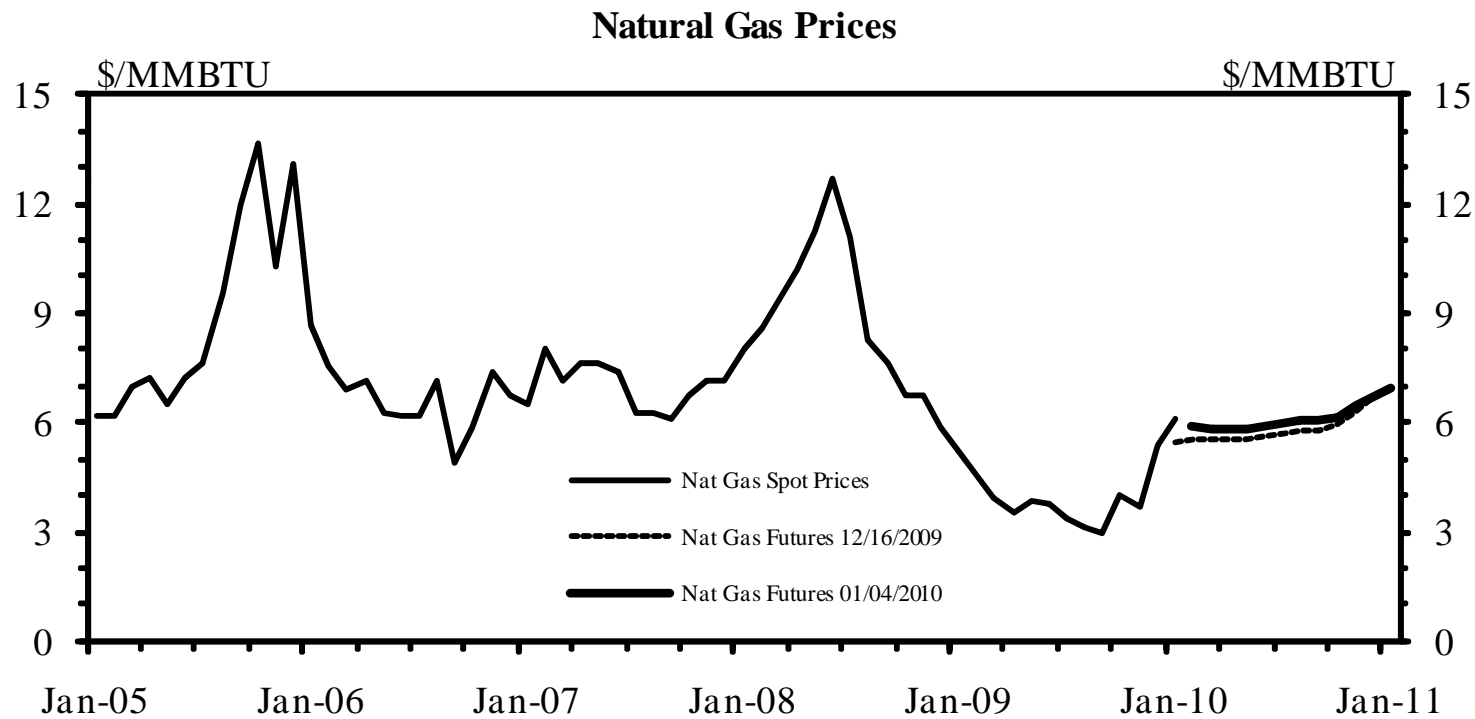


Source: Bloomberg Energy Services

Latest release: 01/07/2010



Natural gas prices have increased sharply over the past two months.

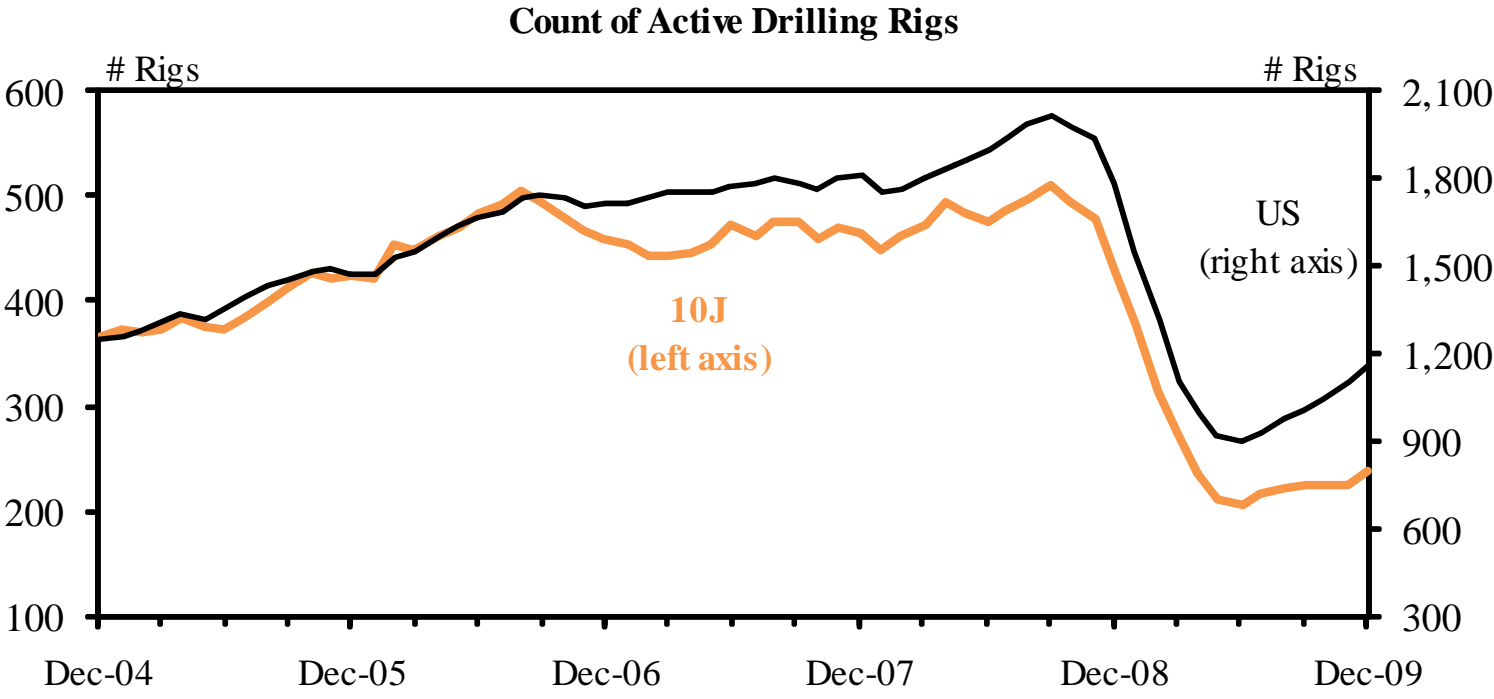


Source: Bloomberg Energy Services

Latest release: 01/07/2010



# Tenth District drilling activity has edged higher.

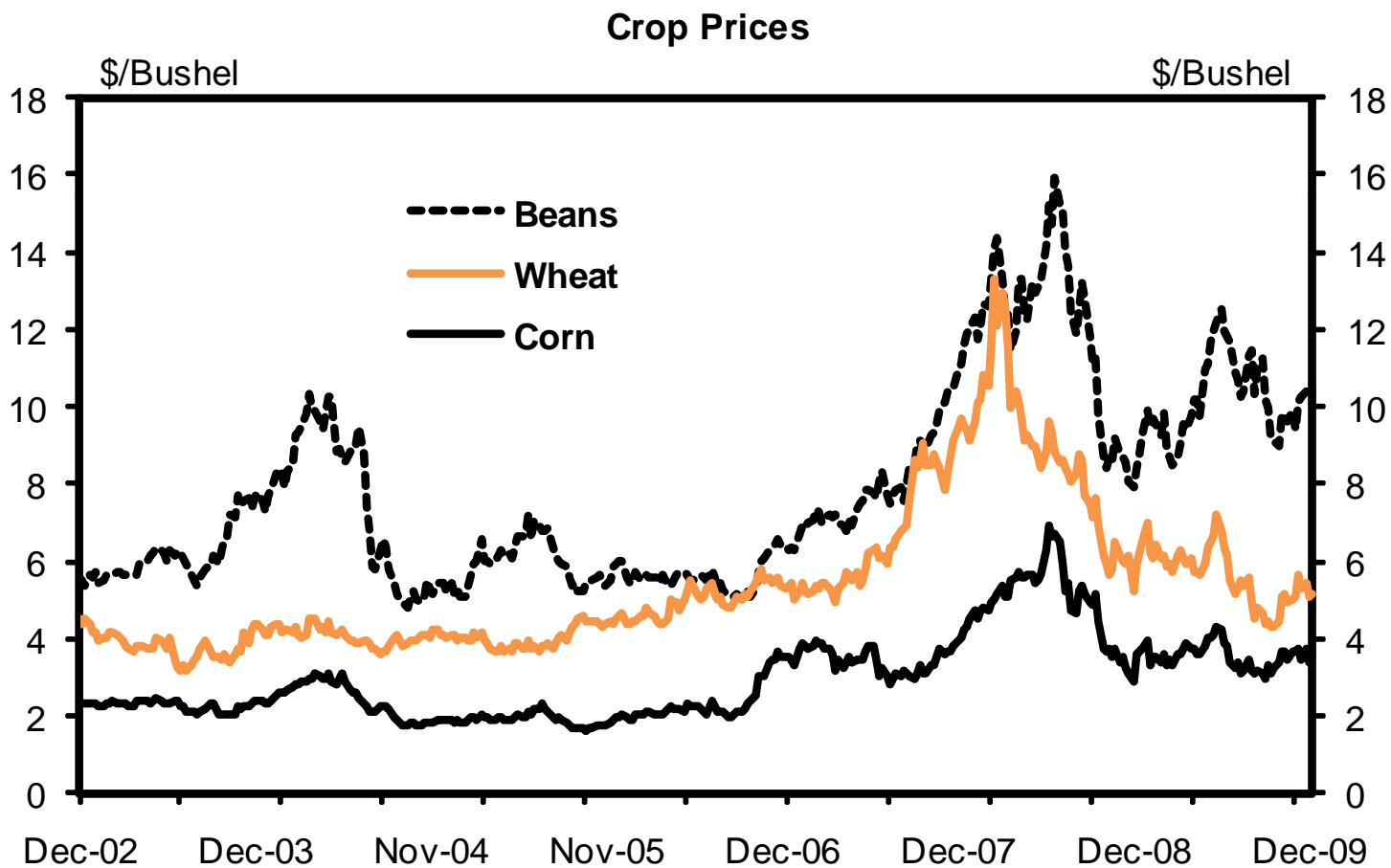


Source: Baker-Hughes

Latest release: 01/08/2010



# Crop prices have started to increase.

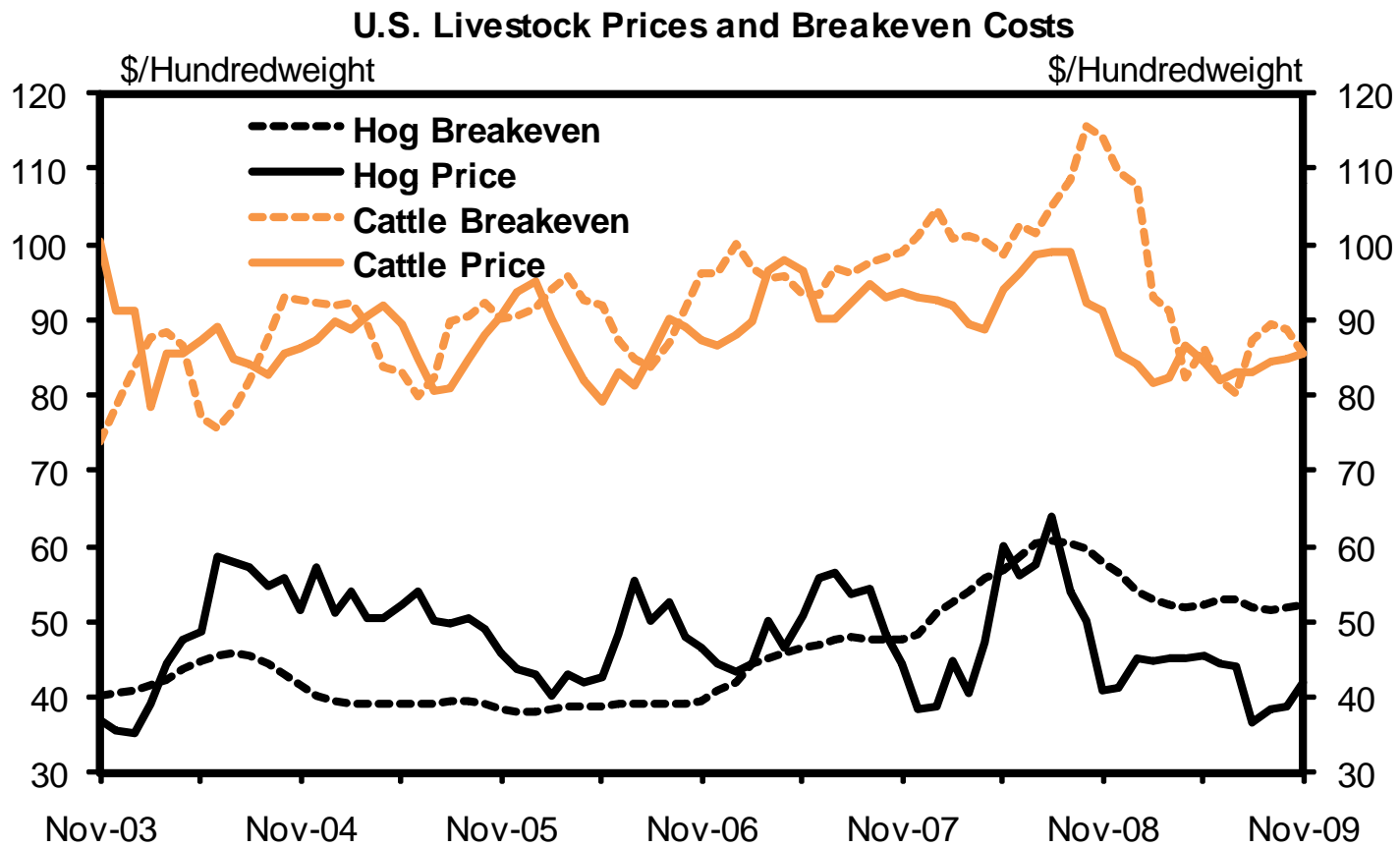


Source: Commodity Research Bureau





# Hog and cattle producers continue to struggle.

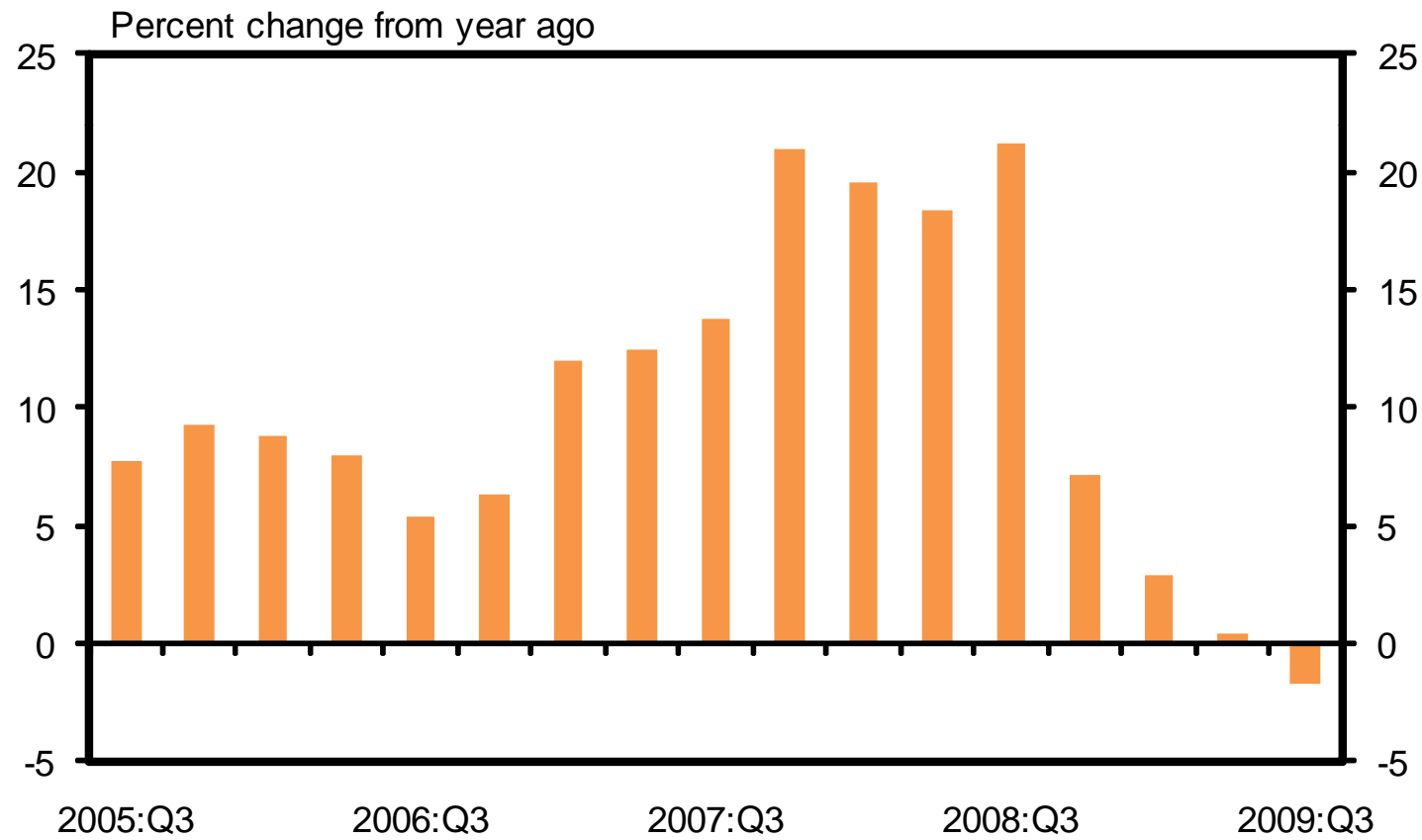


Source: USDA and Iowa State University



# 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.

