

KANSAS ECONOMIC OUTLOOK

Alison Felix
Senior Economist
Federal Reserve Bank of Kansas City

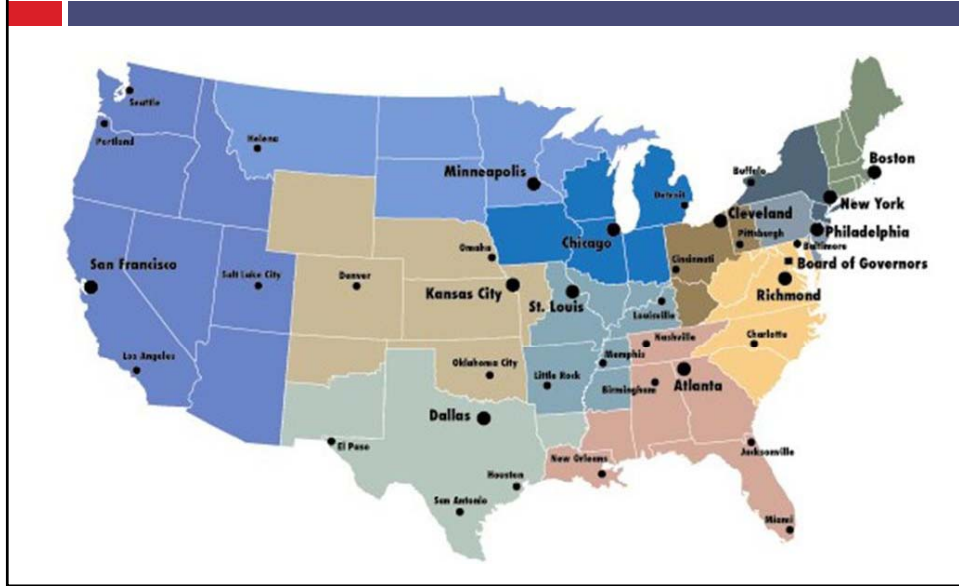
The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

U.S. and Kansas Economic Overview

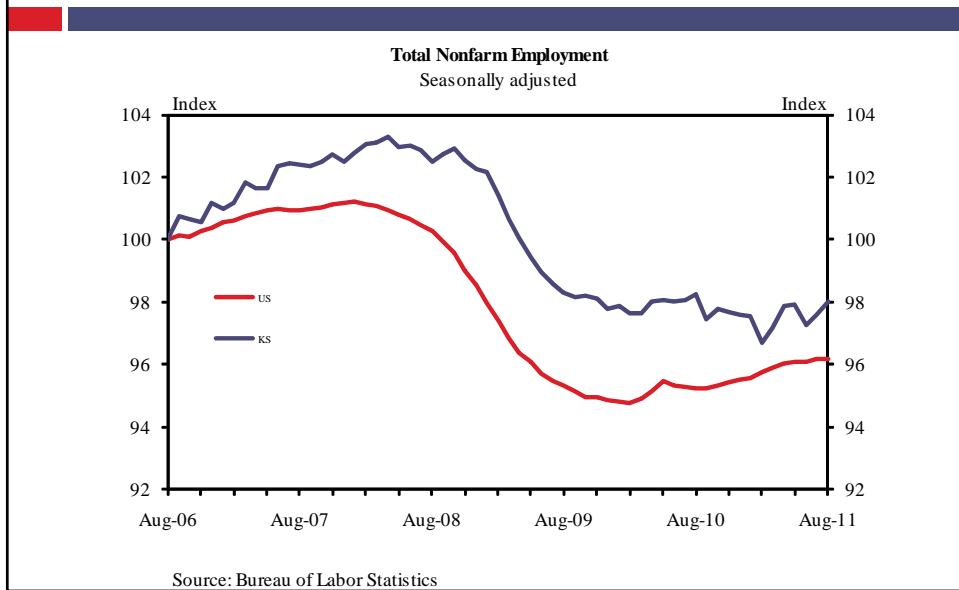
- The pace of the U.S. economic recovery slowed in the first half of 2011, but modest growth is still expected over the next couple of years.
 - Many of the factors contributing to the slowdown are expected to be temporary: severe weather, higher food and energy prices, and supply chain disruptions due to the crisis in Japan.
 - However, consumers continue to struggle with high unemployment, high levels of debt and falling home prices.

- The Kansas economy entered the recession late and is exiting late.
 - The strong performance of the agriculture and aerospace manufacturing sectors helped to delay recession for Kansas.
 - Employment fell sharply during the recession but has been growing since February 2011.
 - The agriculture, energy and transportation sectors have been strong over the past year. Unfortunately, the financial and information sectors continue to struggle.

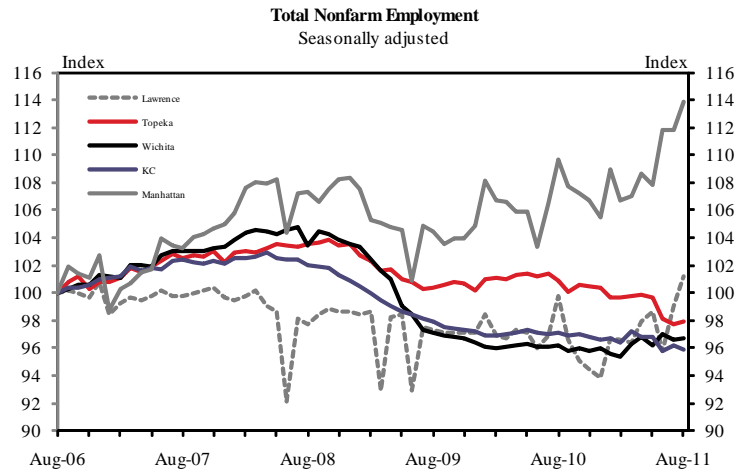
The Tenth District of the Federal Reserve



Despite some gains, employment is still well below pre-recession levels.

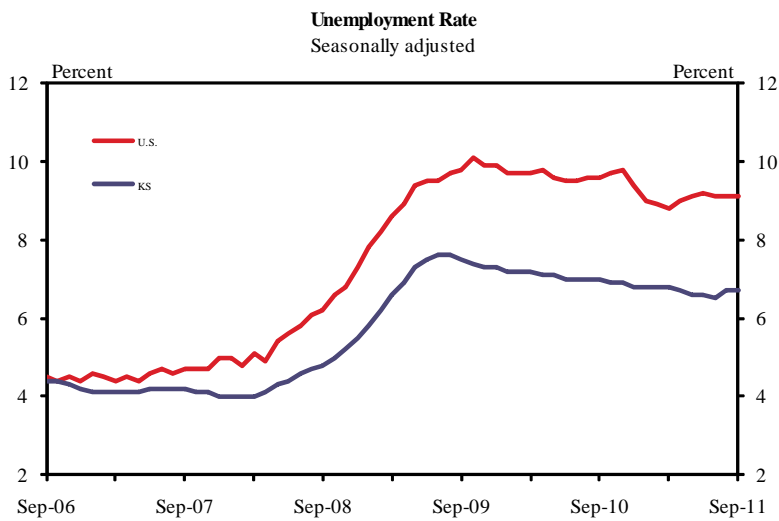


Kansas City and Topeka are struggling to recover.



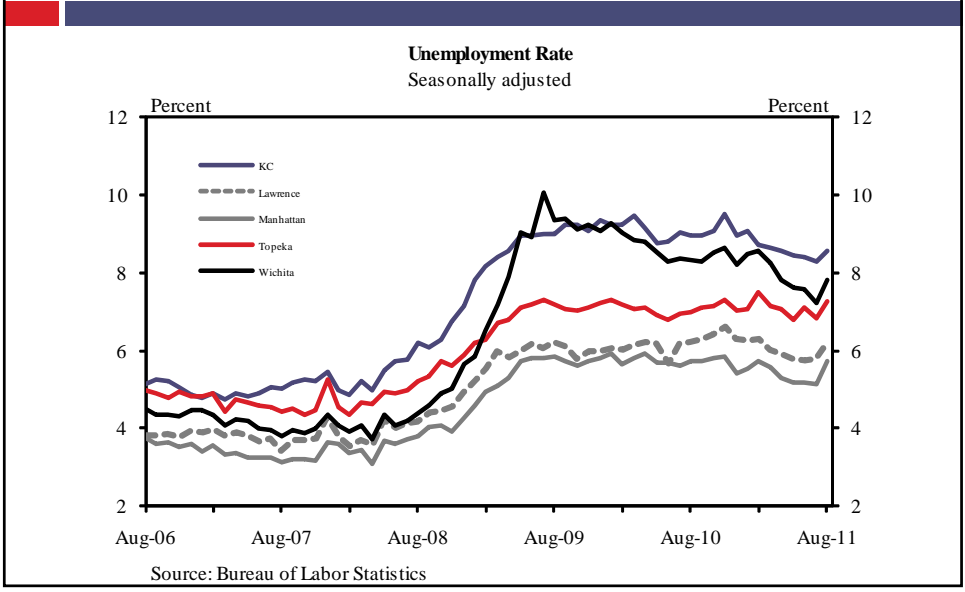
Source: Bureau of Labor Statistics

Unemployment rates in Kansas are well below the national rate.

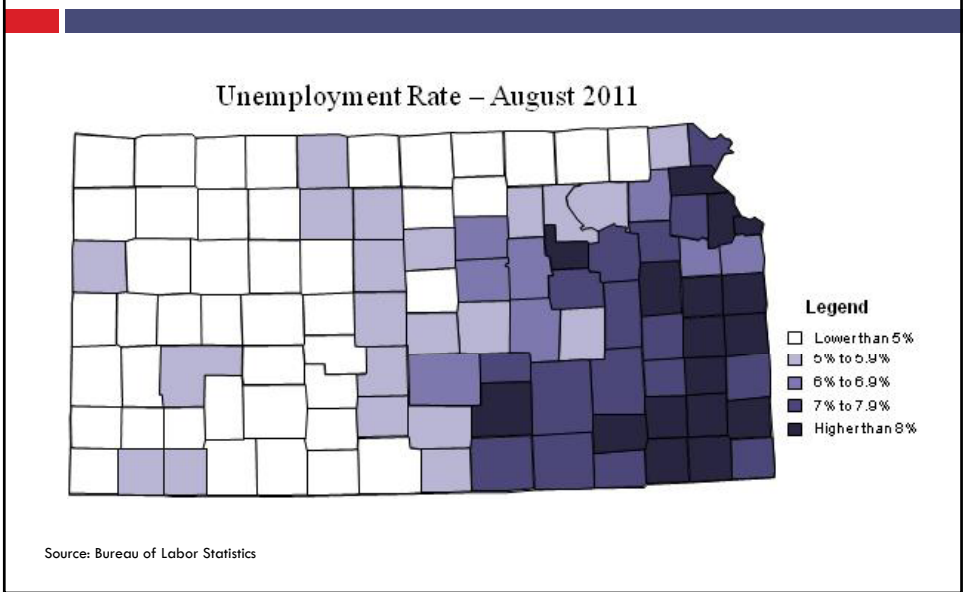


Source: Bureau of Labor Statistics

Unemployment rates remain elevated across the major metropolitan areas.

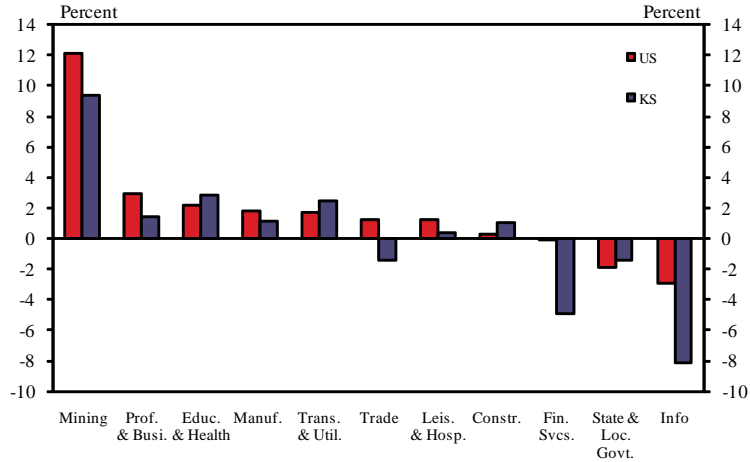


Unemployment rates are much lower in western Kansas.



Employment has increased in the majority of industries over the past year.

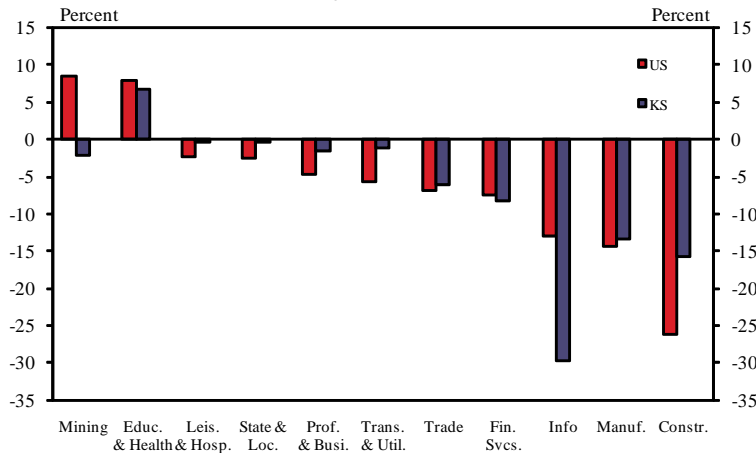
Employment Growth by Industry
Aug-11 over Aug-10



Source: Bureau of Labor Statistics

Since the recession started, employment has fallen in almost every industry.

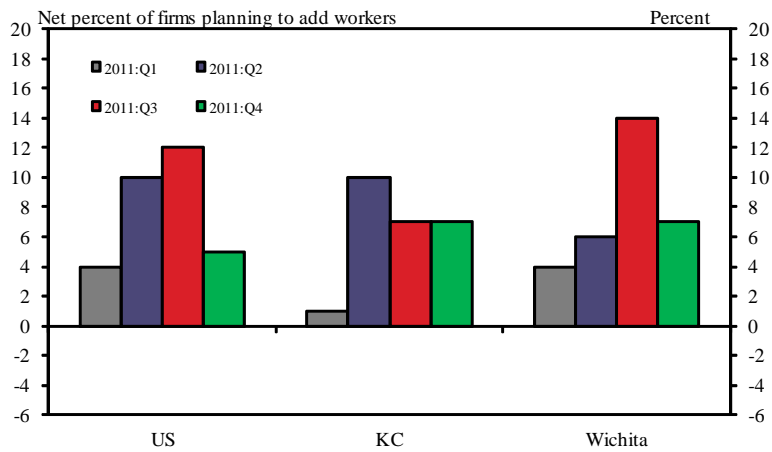
Employment Growth by Industry
Aug-11 over Dec-07



Source: Bureau of Labor Statistics

Firms expect to hire more workers in the fourth quarter.

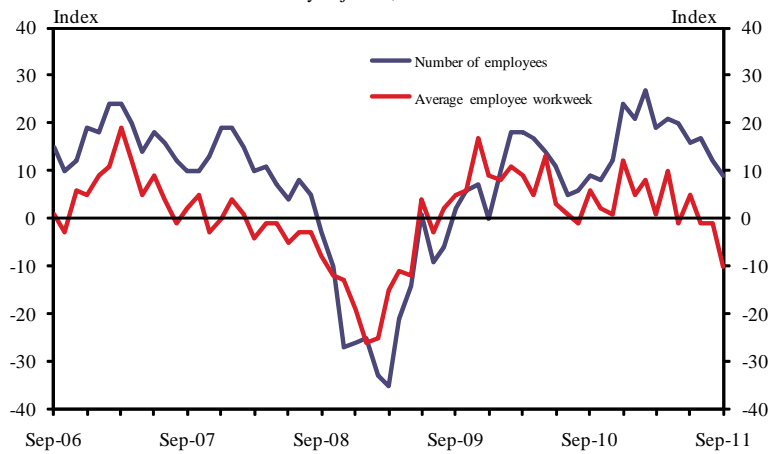
Hiring Expectations



Source: Manpower Inc.

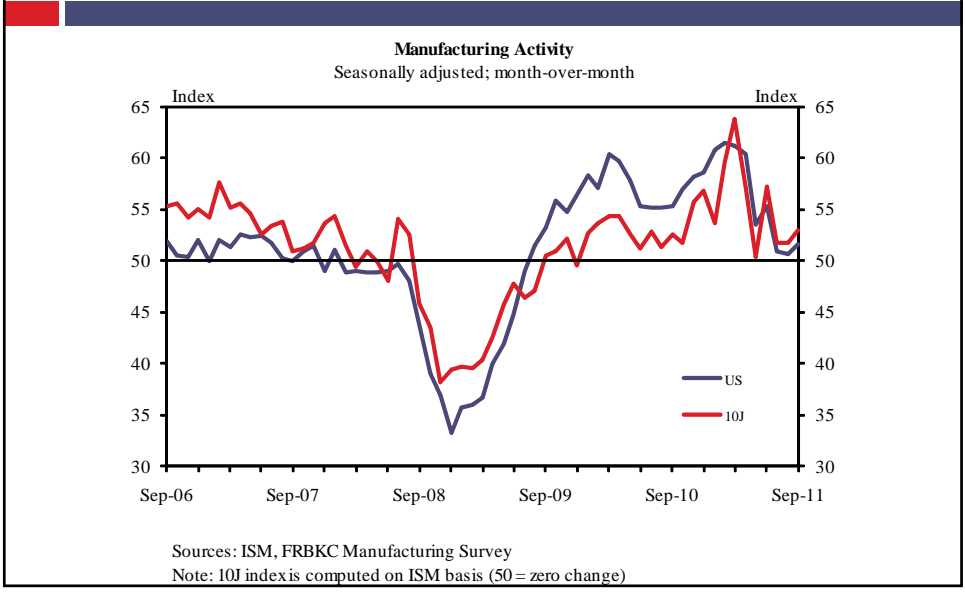
Manufacturers expect to hire more workers over the next 6 months.

Expected Employment Indexes - Manufacturing
Seasonally adjusted; six months ahead

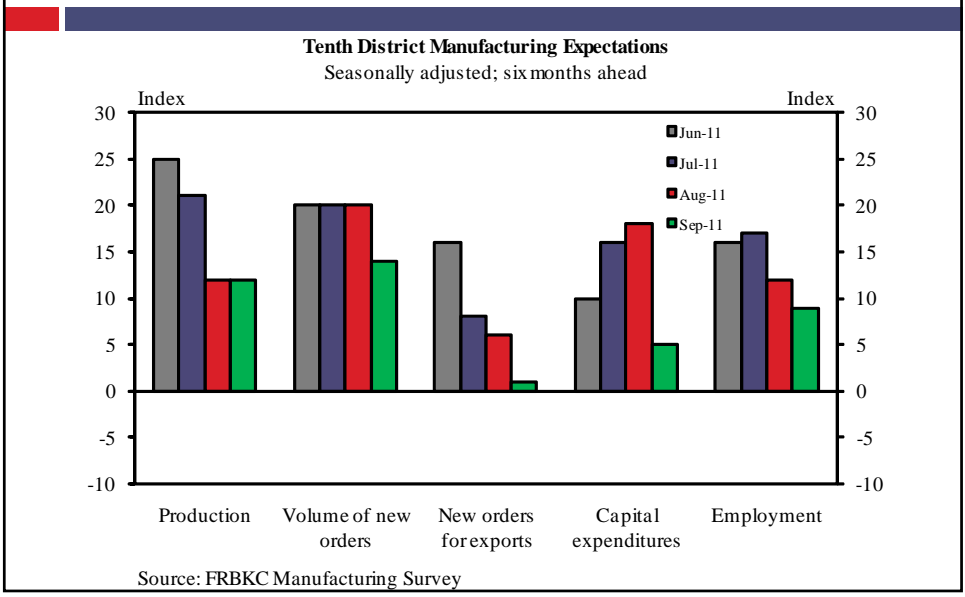


Sources: FRBKC Manufacturing Survey

Manufacturing activity continues to expand, but at a somewhat slower pace than earlier in the year.

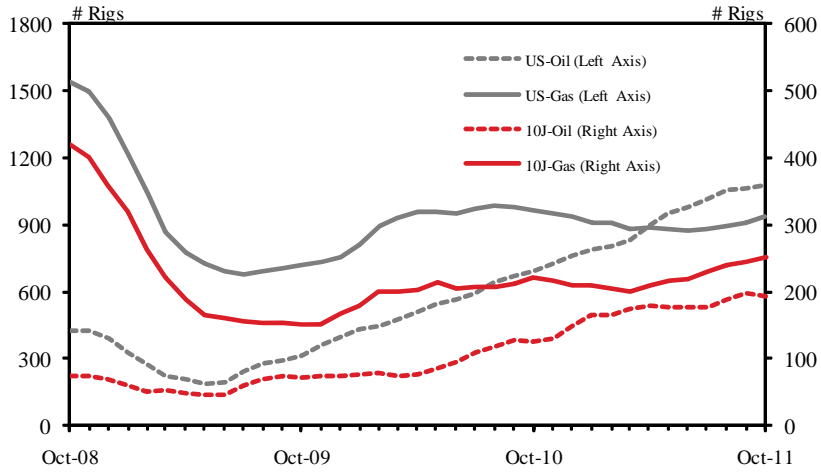


Manufacturers expect increased activity over the next six months, but have become slightly less optimistic.



The energy sector is expanding, especially for oil producers.

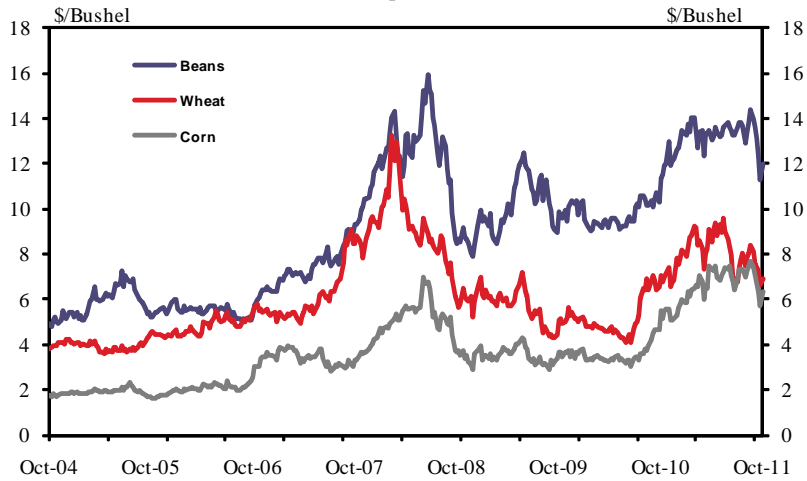
Count of Active Drilling Rigs



Source: Baker-Hughes

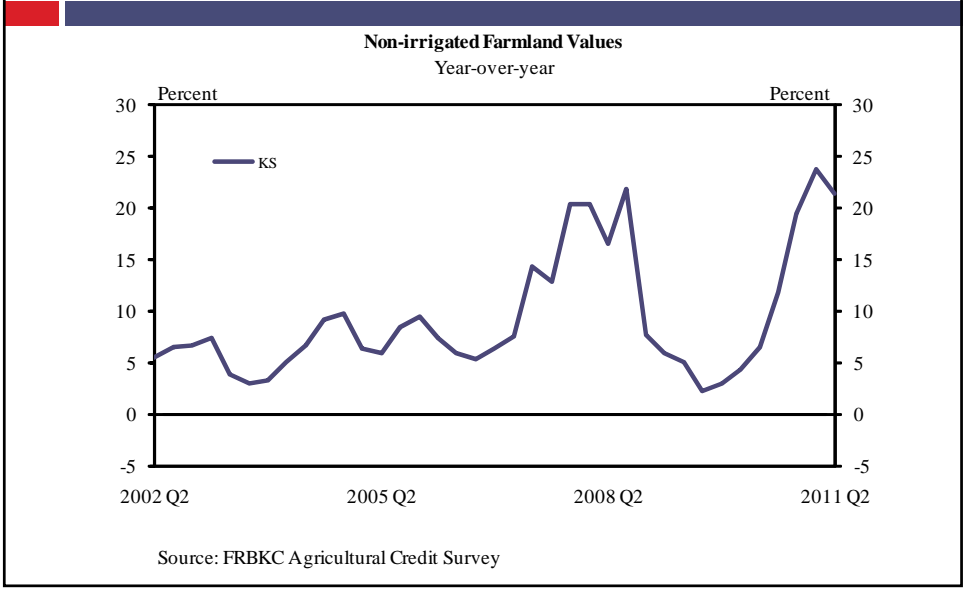
Lower supplies and increased demand have led to higher crop prices.

Crop Prices

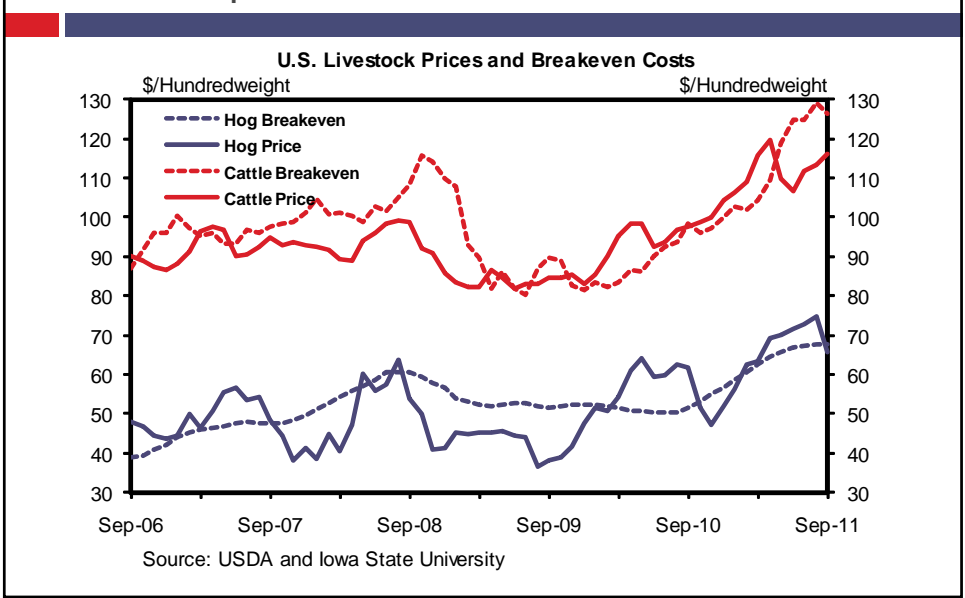


Source: Commodity Research Bureau

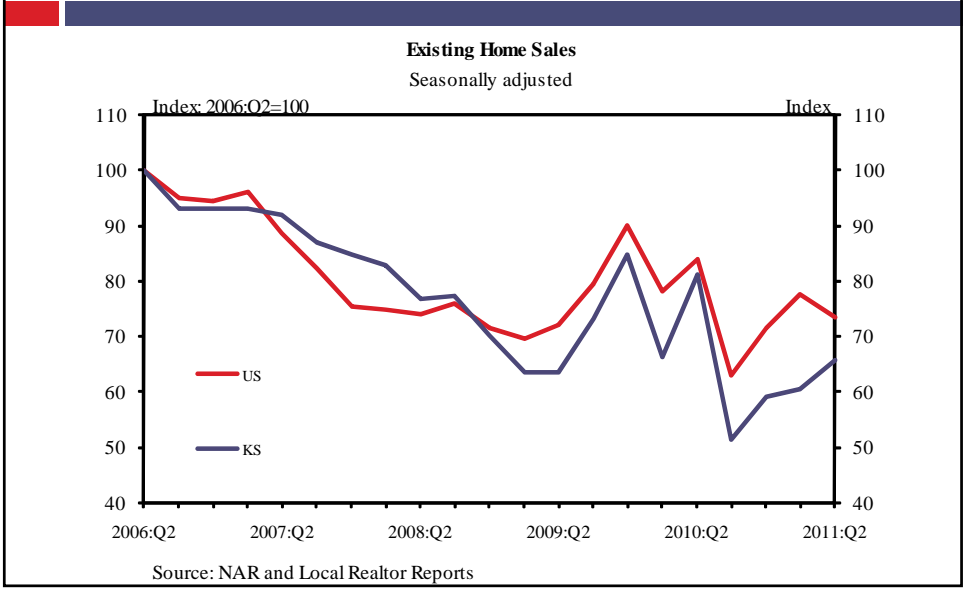
Farmland prices have increased sharply in Kansas.



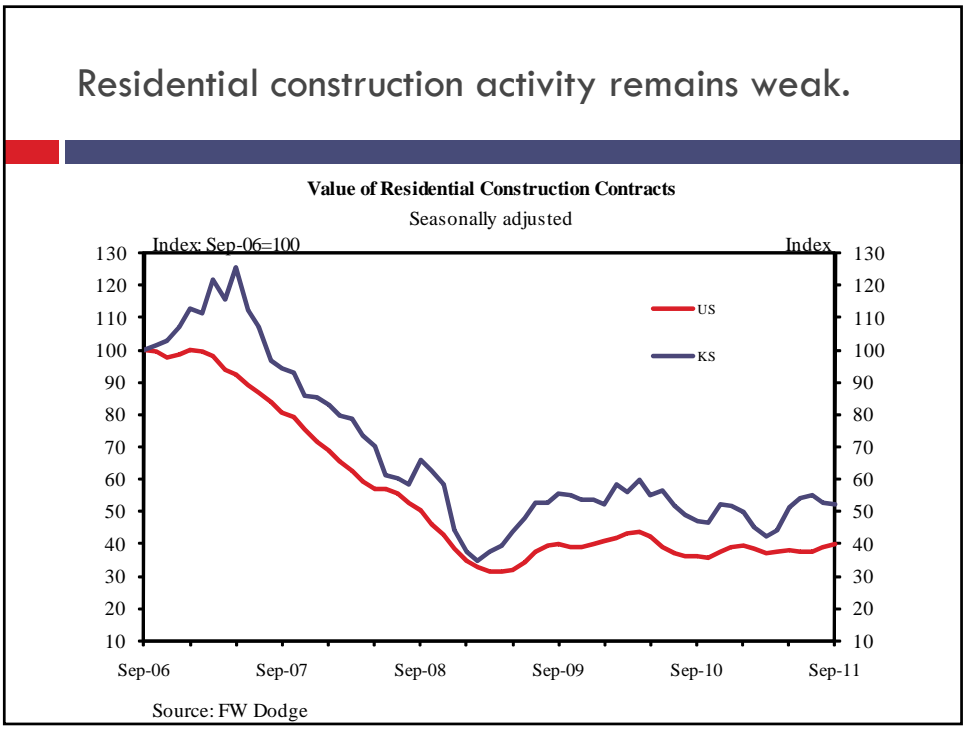
Higher feed costs are trimming profits for livestock producers.



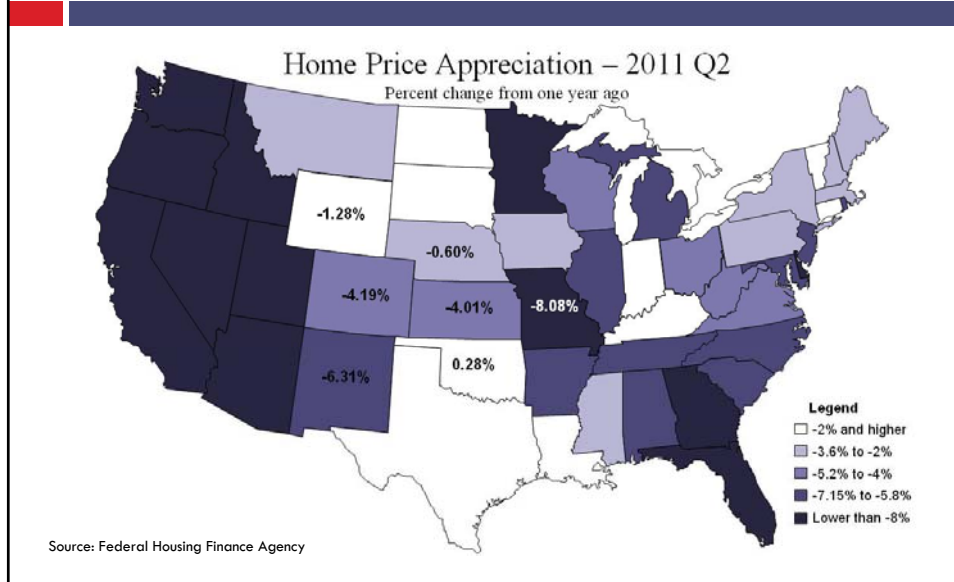
Home sales activity remains slow but is increasing.



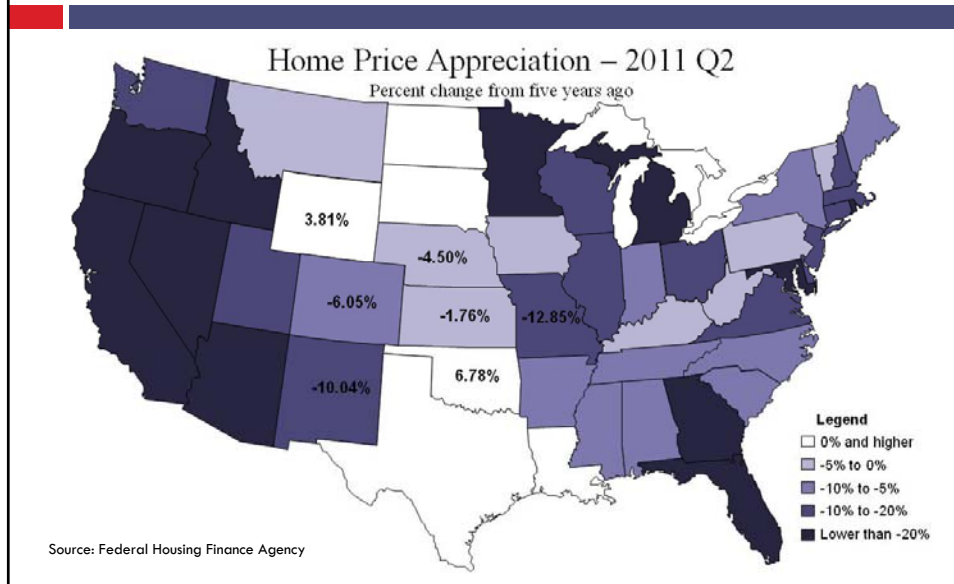
Residential construction activity remains weak.



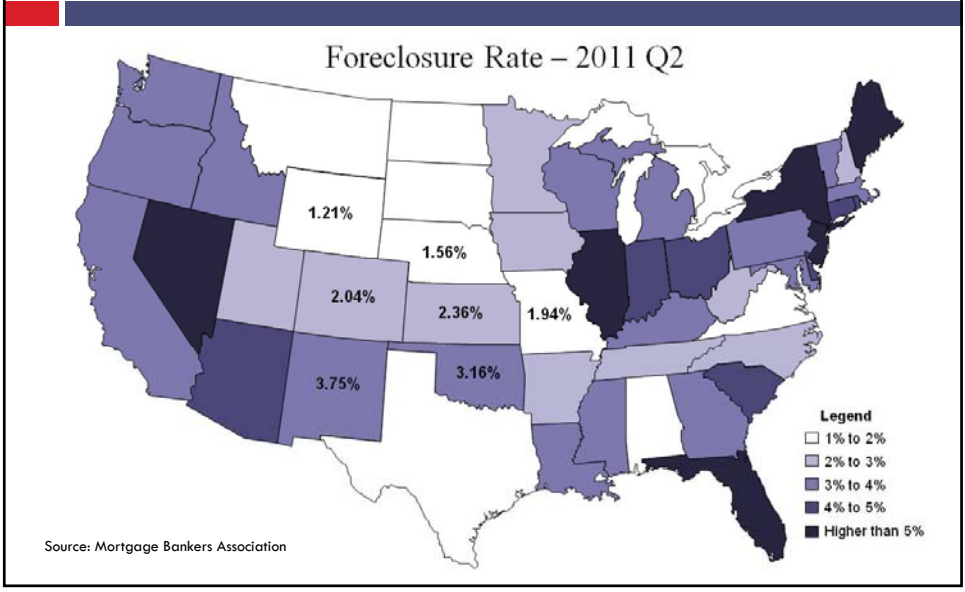
Home prices continue to decline across most of the U.S.



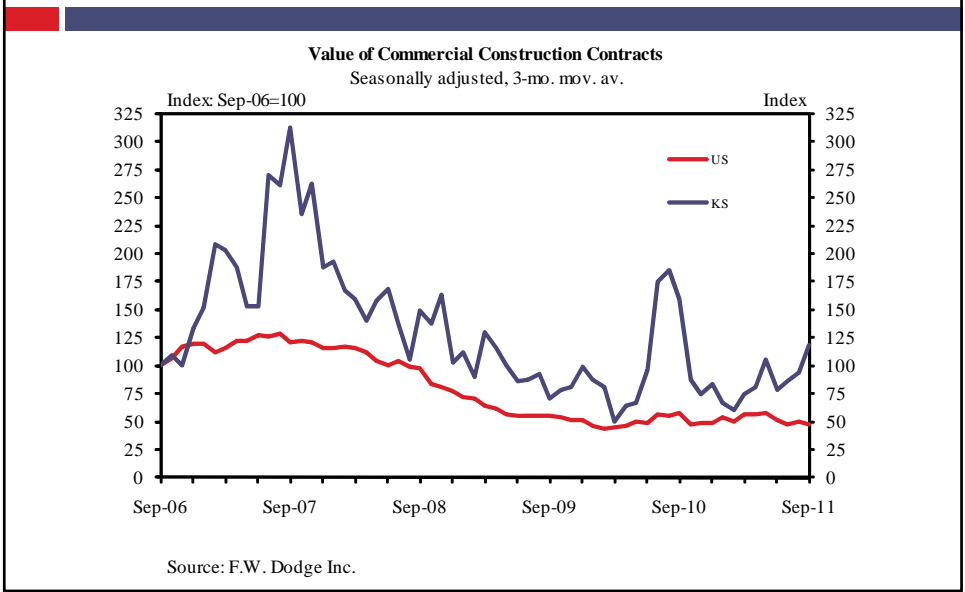
There have been large regional variations in home price appreciation over the past 5 years.



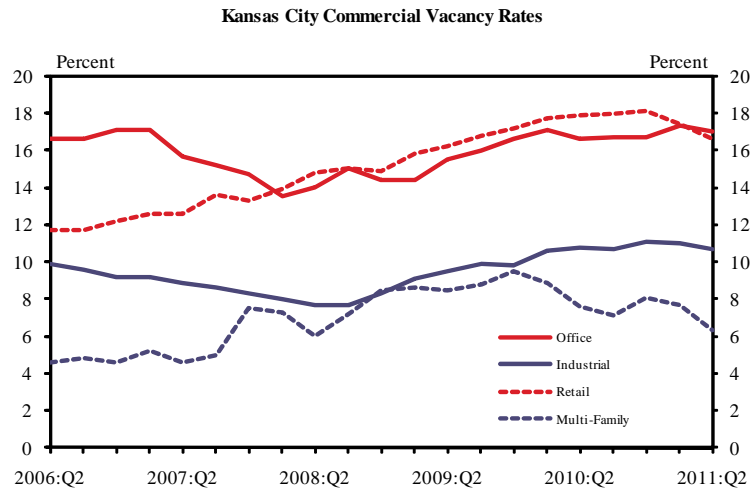
Foreclosure rates in Kansas are lower than in other parts of the nation.



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



Commercial vacancy rates have fallen slightly in Kansas City.



Source: Torto-Wheaton Research

Conclusions

- The U.S. and Kansas 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.

Presentations can be found online at:
<http://www.kansascityfed.org/speeches/index.cfm>