

# RECESSION AND RECOVERY IN KANSAS AND THE U.S.

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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.

# The Federal Reserve System



## □ Primary Functions

- ▣ Monetary Policy
- ▣ Payments Services
- ▣ Banking Supervision and Regulation

## □ Structure

### ▣ Board of Governors

- Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.

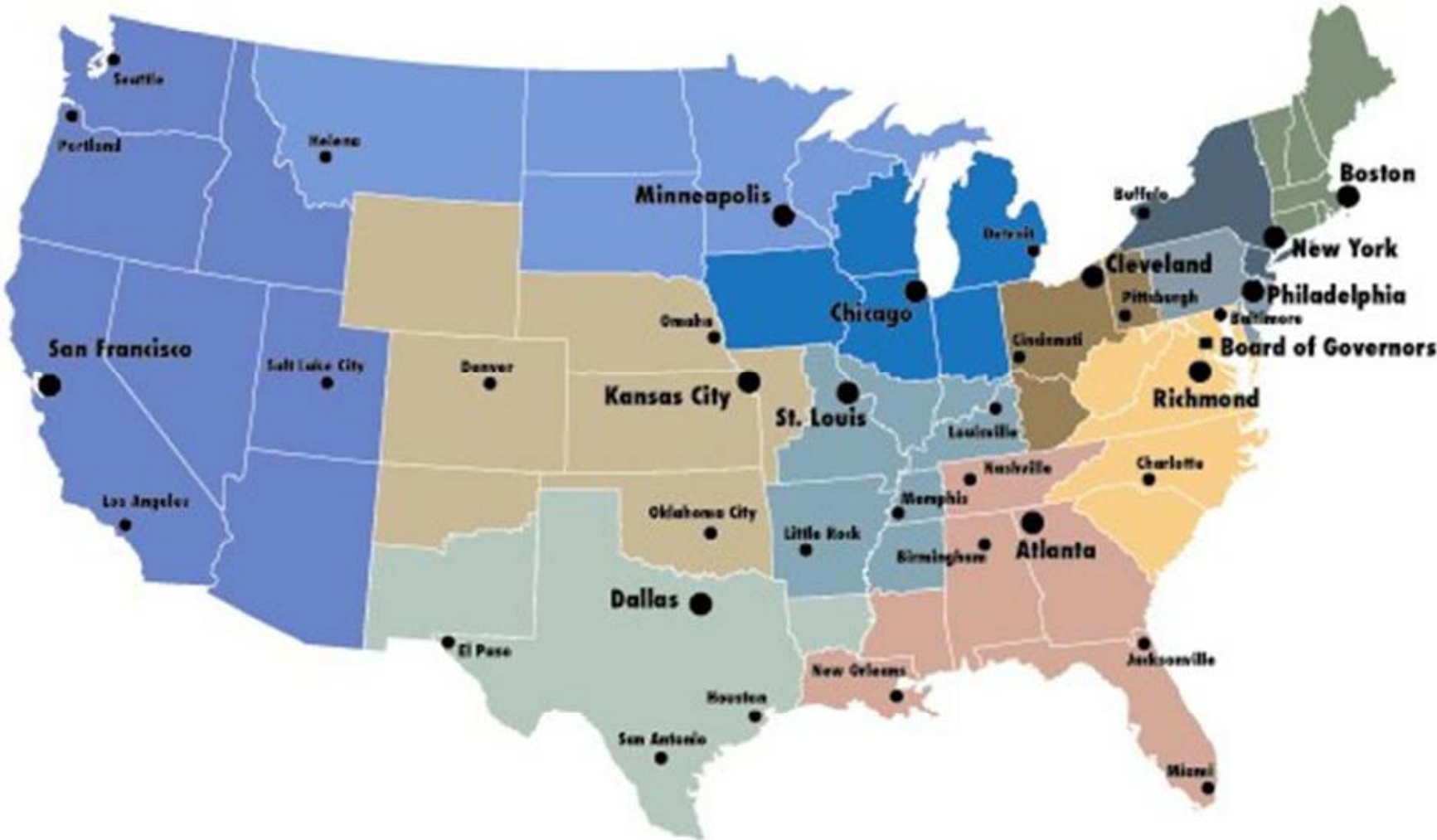
### ▣ Federal Reserve Banks

- There are 12 Banks, each serving a unique district.

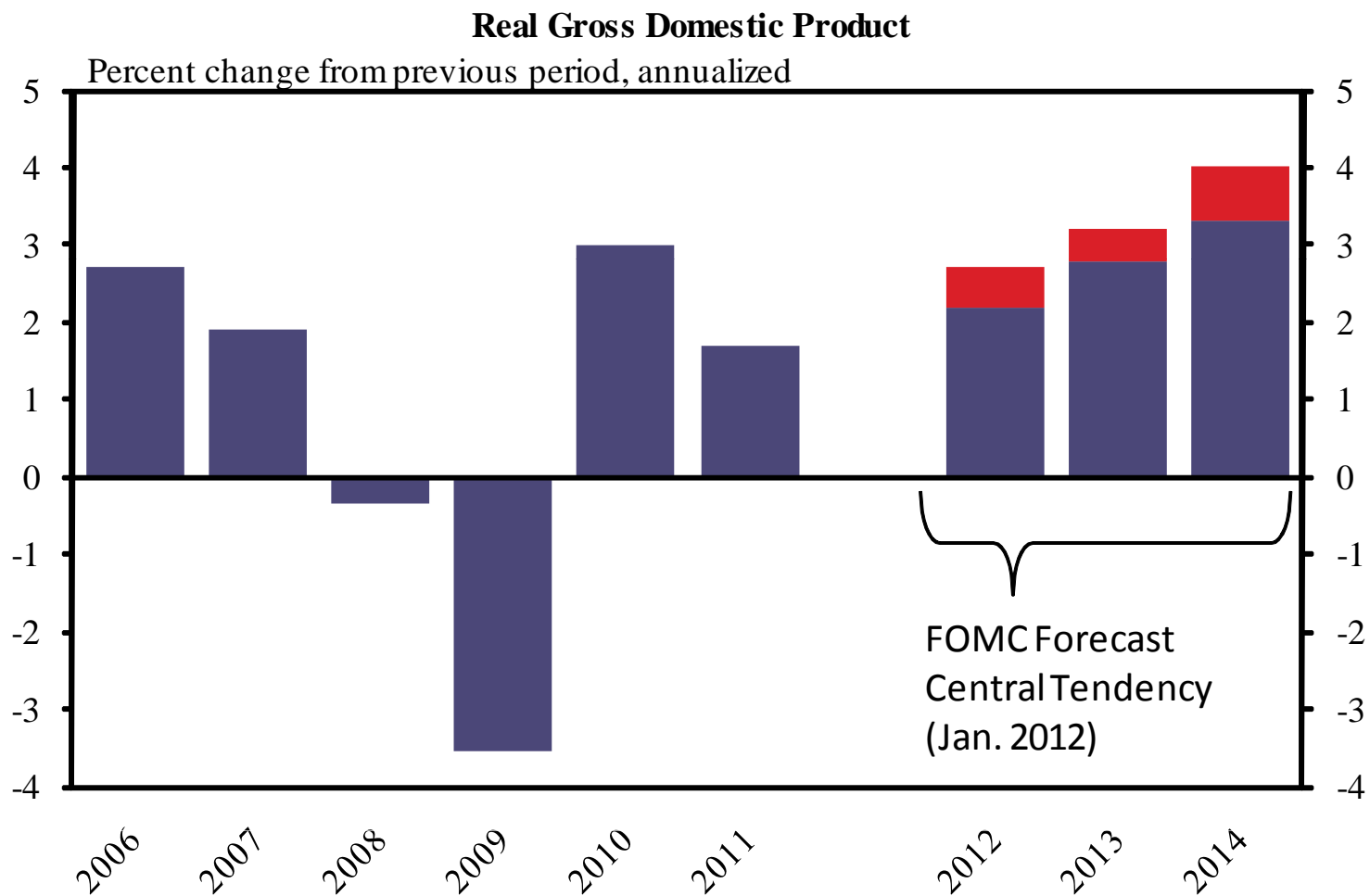
### ▣ Federal Open Market Committee (FOMC)

- Comprised of the 7 members of the Board of Governors and the 12 Reserve Bank presidents (only 5 presidents are voting member on a rotating basis).
- Charged with conducting monetary policy to promote economic growth and price stability.

# The Tenth District of the Federal Reserve



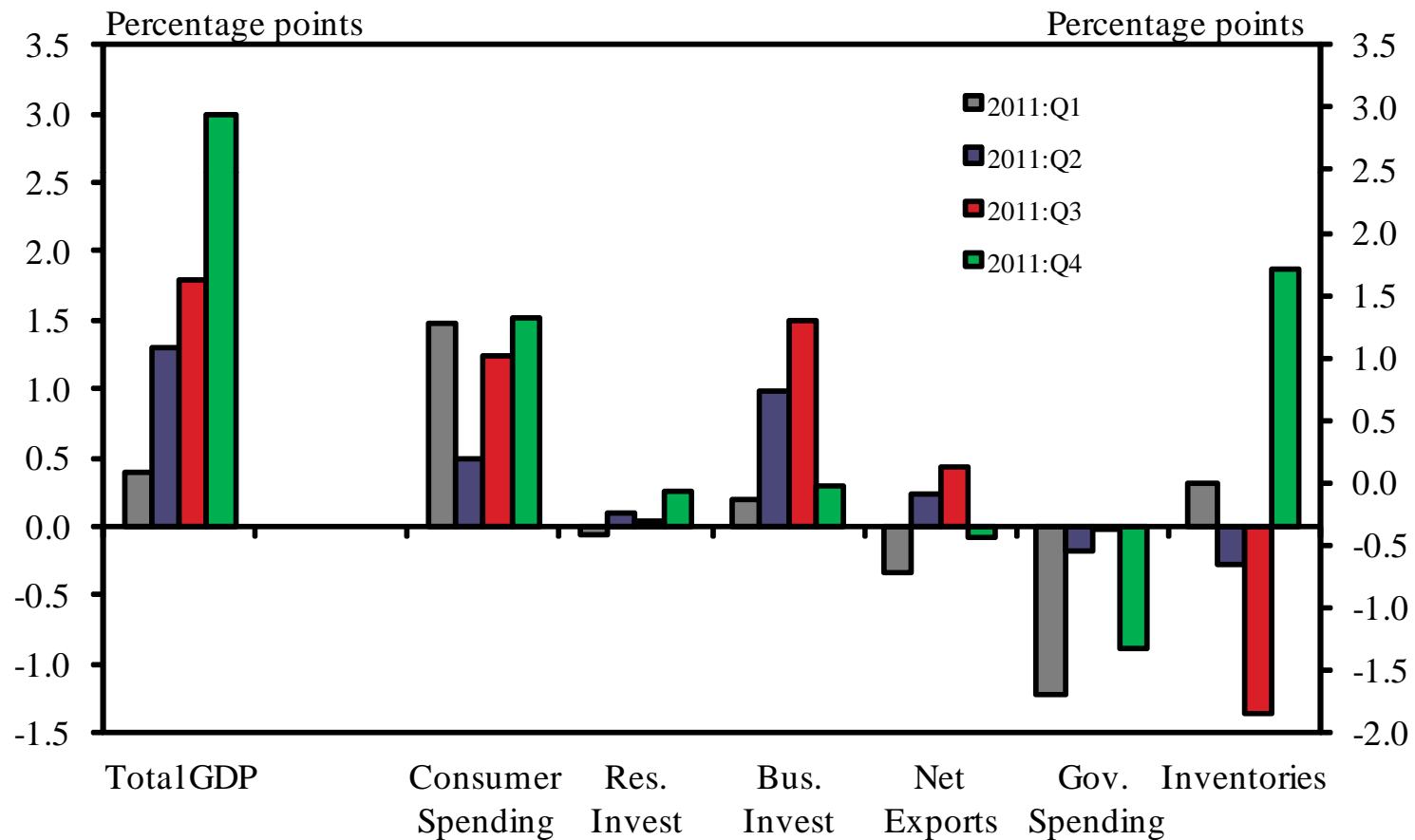
# After slowing in the first half of 2011, growth is picking up.



Source: Bureau of Economic Analysis; FOMC

# Consumer spending and inventory investment contributed to the increase in fourth quarter GDP.

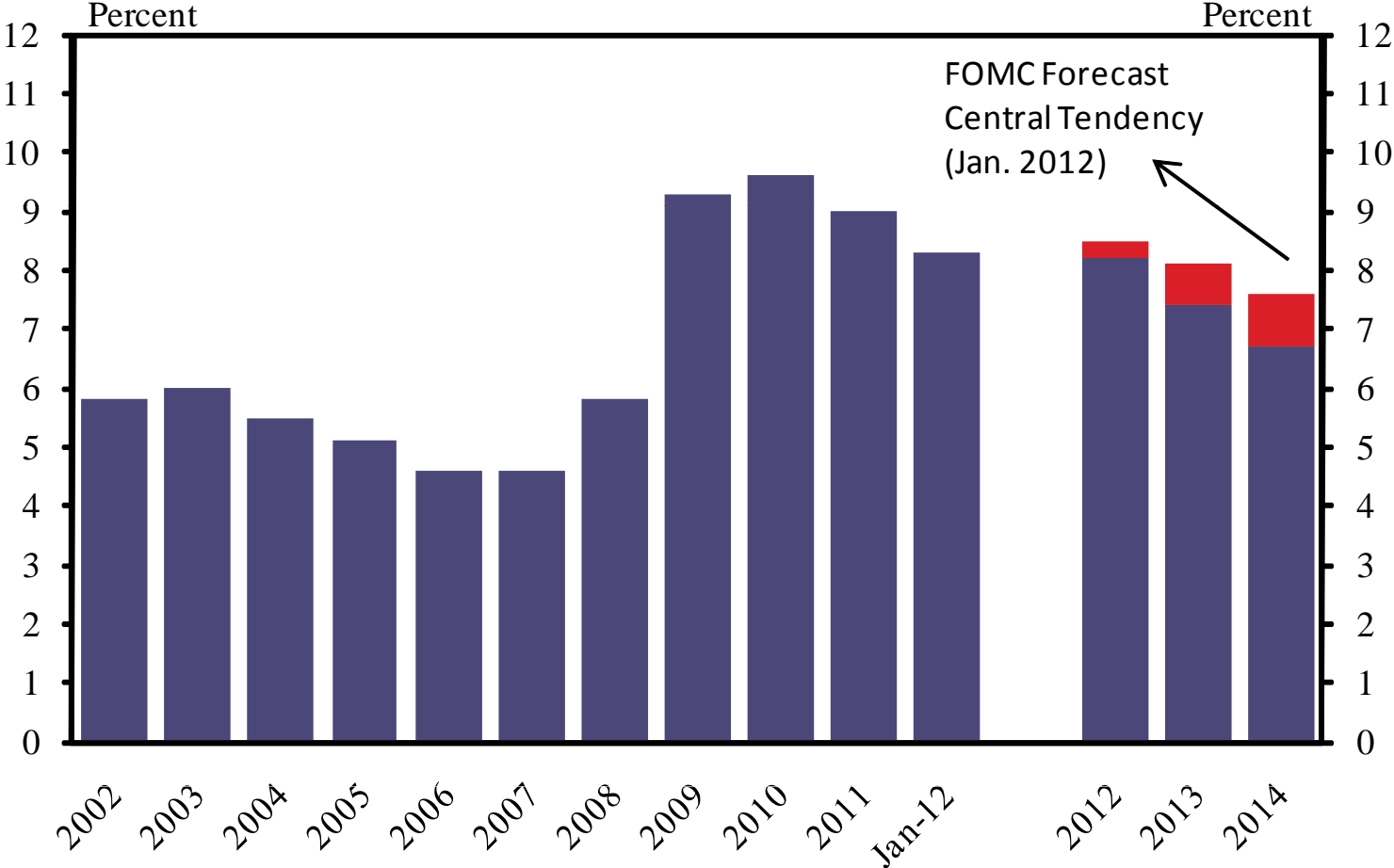
Contributions to Percent Change in Real GDP



Source: Bureau of Economic Analysis

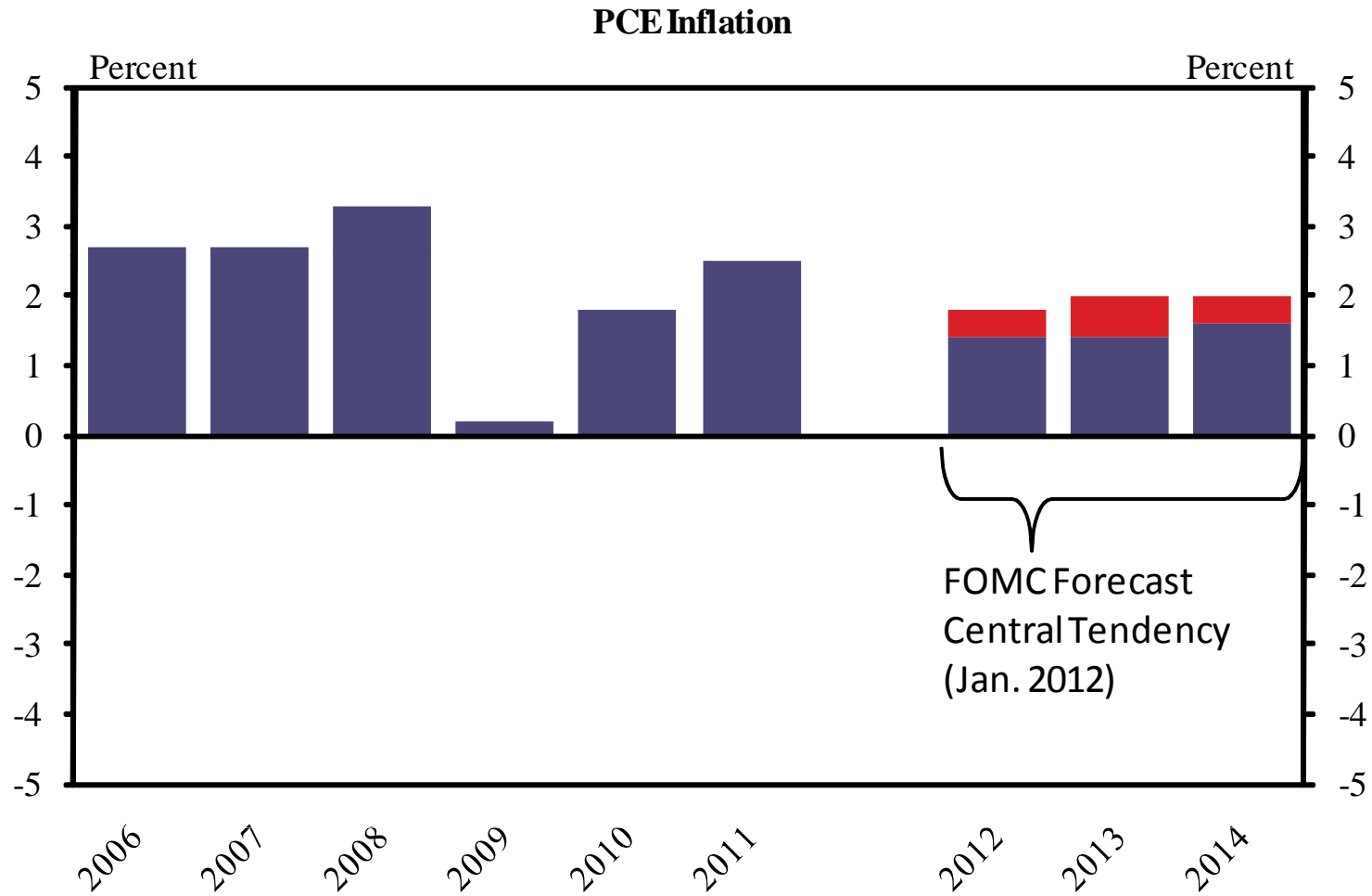
# Unemployment rates have fallen over the past year but remain stubbornly high.

Unemployment Rate



Source: Bureau of Labor Statistics; FOMC

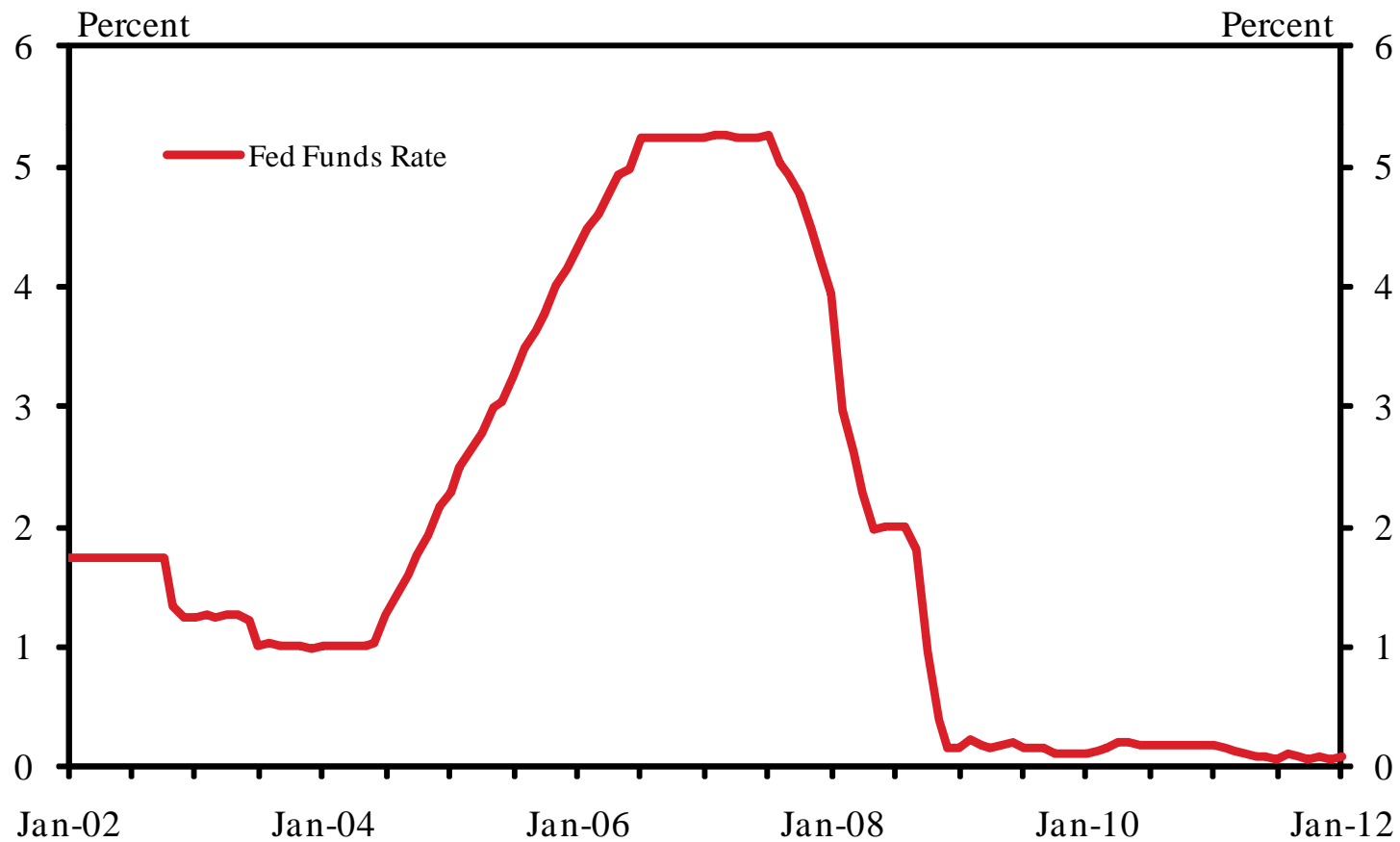
After increasing in the first half of 2011, inflation has moderated and is expected to be below 2% in 2012.



Source: Bureau of Economic Analysis; FOMC

FOMC January Statement: “The Committee... currently anticipates that economic conditions – including low rates of resource utilization and a subdued outlook for inflation over the medium run – are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.”

**Fed Funds Rate**

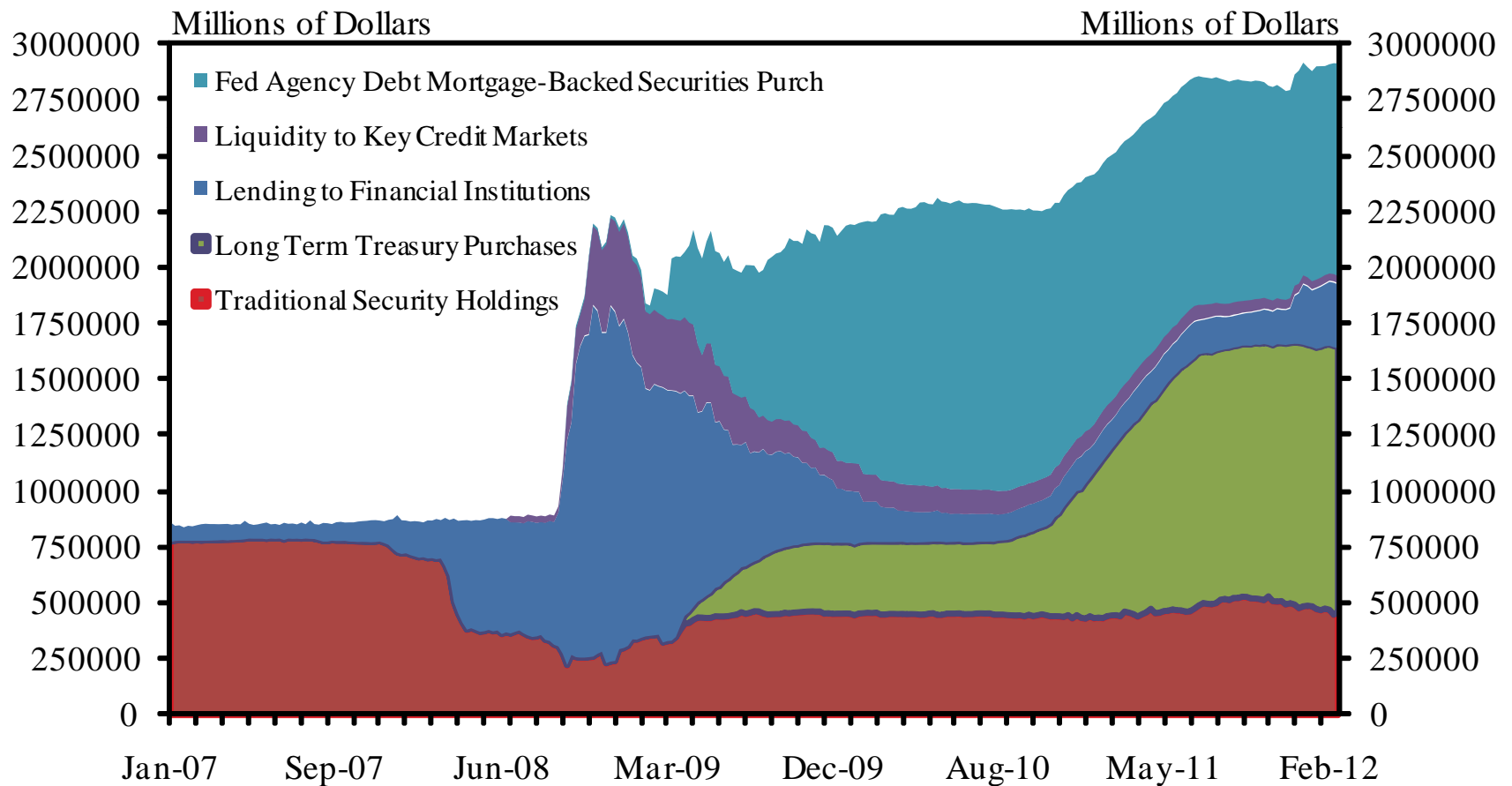


Source: FOMC



FOMC January Statement: “The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction.”

### Federal Reserve Balance Sheet

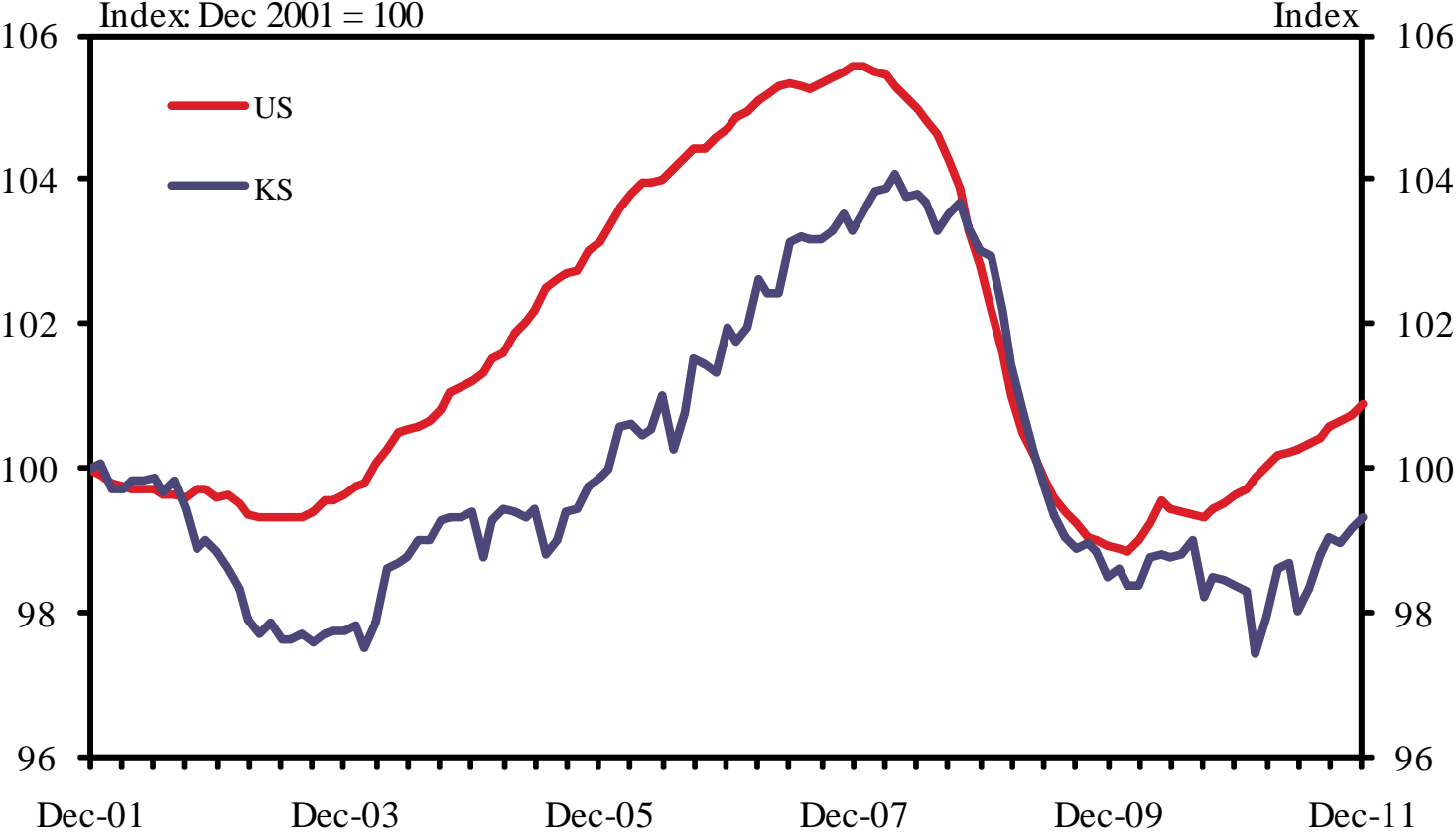


Source: FOMC

# The Kansas Economy

Employment in KS has increased over the past year but is still well below peak levels.

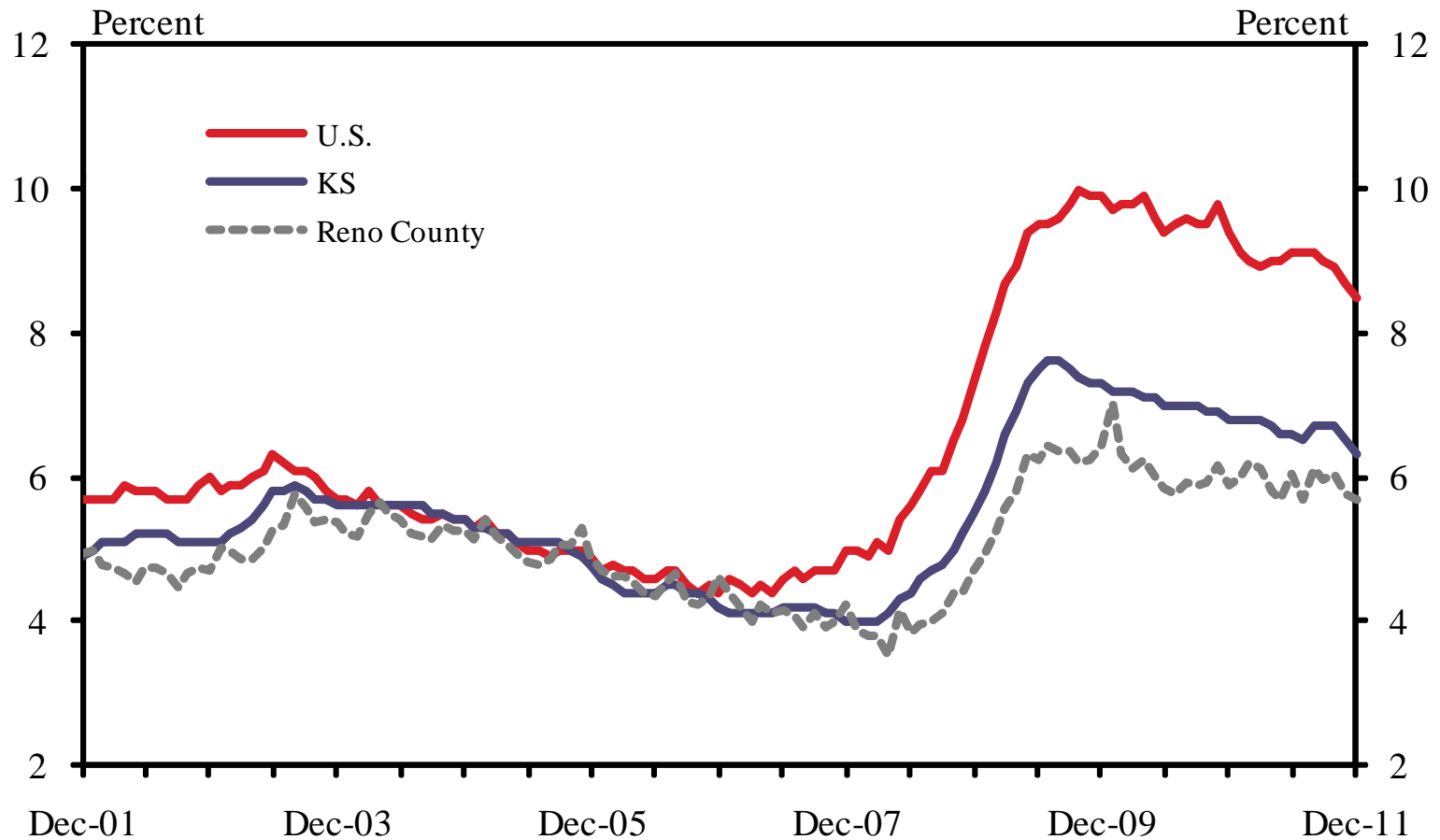
**Total Nonfarm Employment**  
Seasonally adjusted



Source: Bureau of Labor Statistics

The unemployment rate in Kansas is much lower than the national rate.

**Unemployment Rate**  
Seasonally adjusted



Source: Bureau of Labor Statistics

# Reno county has a higher share of workers in ag., manuf., healthcare and management jobs.

Employment Share by Industry, 2010

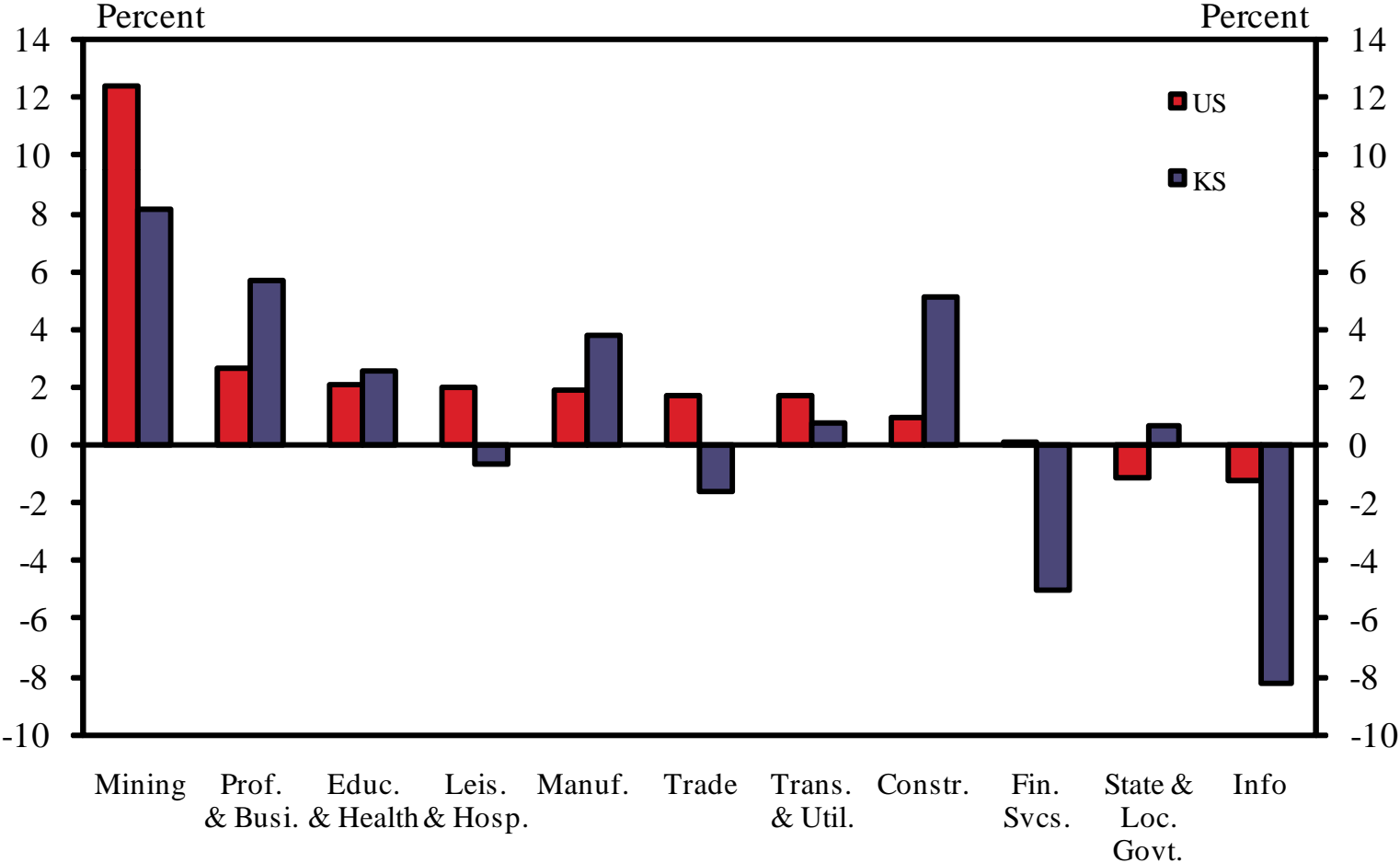
	U.S.	Kansas	Reno County	Location Quotient for Reno County
Agriculture, forestry, fishing and hunting	1.1%	0.9%	1.5%	1.35
Mining, quarrying, and oil and gas extraction	0.6%	0.8%	0.4%	0.57
Utilities	0.5%	0.7%	N/A	N/A
Construction	5.2%	5.2%	5.7%	1.11
Manufacturing	10.8%	15.3%	13.6%	1.26
Wholesale trade	5.1%	5.7%	4.8%	0.94
Retail trade	13.6%	13.4%	14.0%	1.03
Transportation and warehousing	3.7%	3.7%	N/A	N/A
Information	2.5%	2.8%	2.3%	0.91
Finance and insurance	5.2%	5.2%	3.4%	0.66
Real estate and rental and leasing	1.8%	1.4%	0.8%	0.45
Professional and technical services	7.0%	5.8%	2.5%	0.36
Management of companies and enterprises	1.7%	1.5%	2.5%	1.41
Administrative and waste services	7.0%	6.7%	8.1%	1.17
Educational services	2.3%	1.2%	0.2%	0.07
Health care and social assistance	15.3%	15.4%	20.5%	1.35
Arts, entertainment, and recreation	1.8%	1.3%	1.7%	0.93
Accommodation and food services	10.5%	9.6%	10.4%	0.99
Other services, except public administration	4.1%	3.4%	2.9%	0.71

Source: QCEW data from BLS

Note: Almost half of agriculture workers are not included in this data.

# Employment increased in the majority of industries in Kansas and the U.S. over the past year.

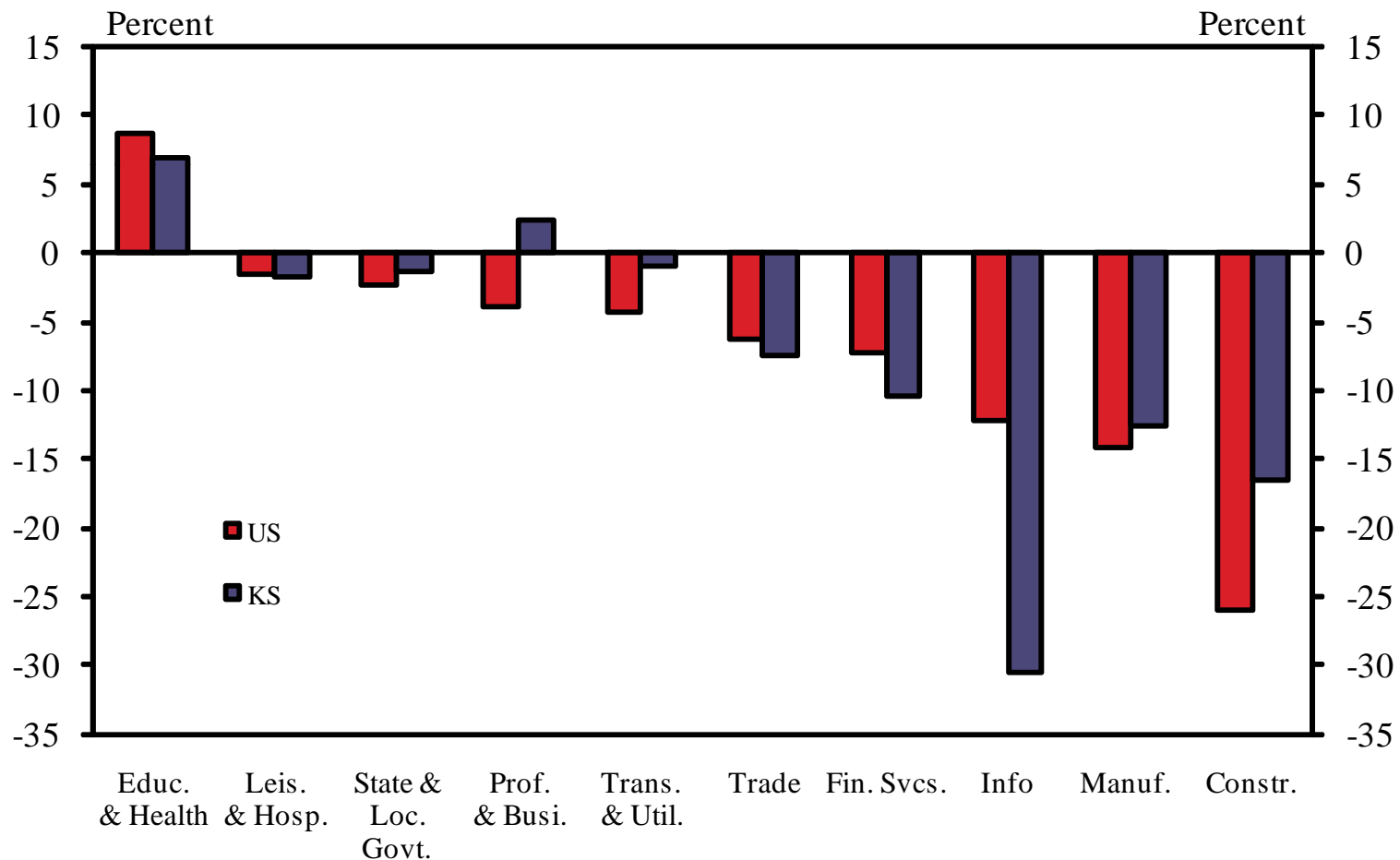
**Employment Growth by Industry**  
Dec-11 over Dec-10



Source: Bureau of Labor Statistics

Since the recession started, employment has fallen in every industry except healthcare in the U.S.

**Employment Growth by Industry**  
Dec-11 over Dec-07

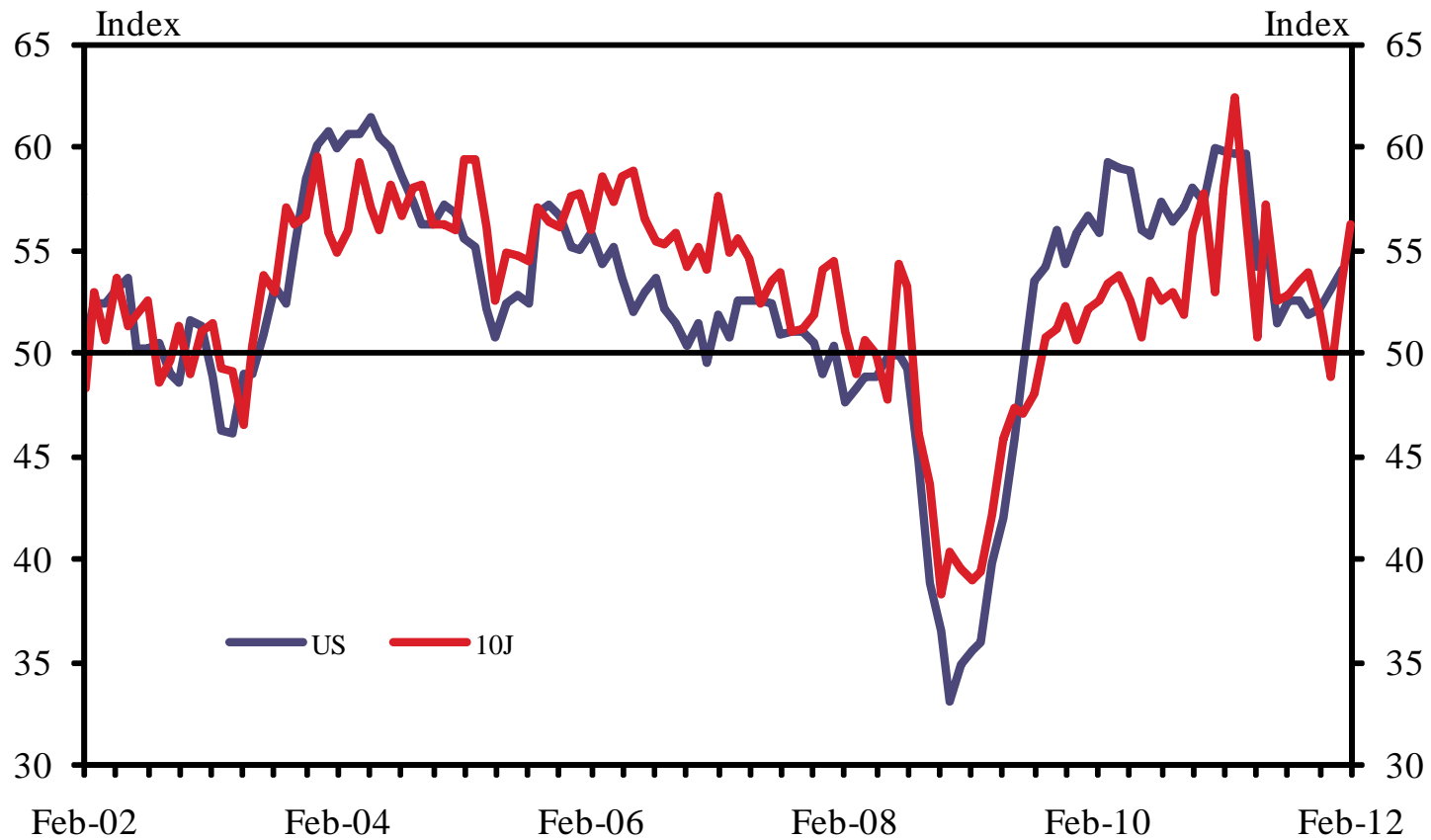


Source: Bureau of Labor Statistics

The manufacturing sector has been expanding for over two years.

### Manufacturing Activity

Seasonally adjusted; month-over-month



Sources: ISM, FRBKC Manufacturing Survey

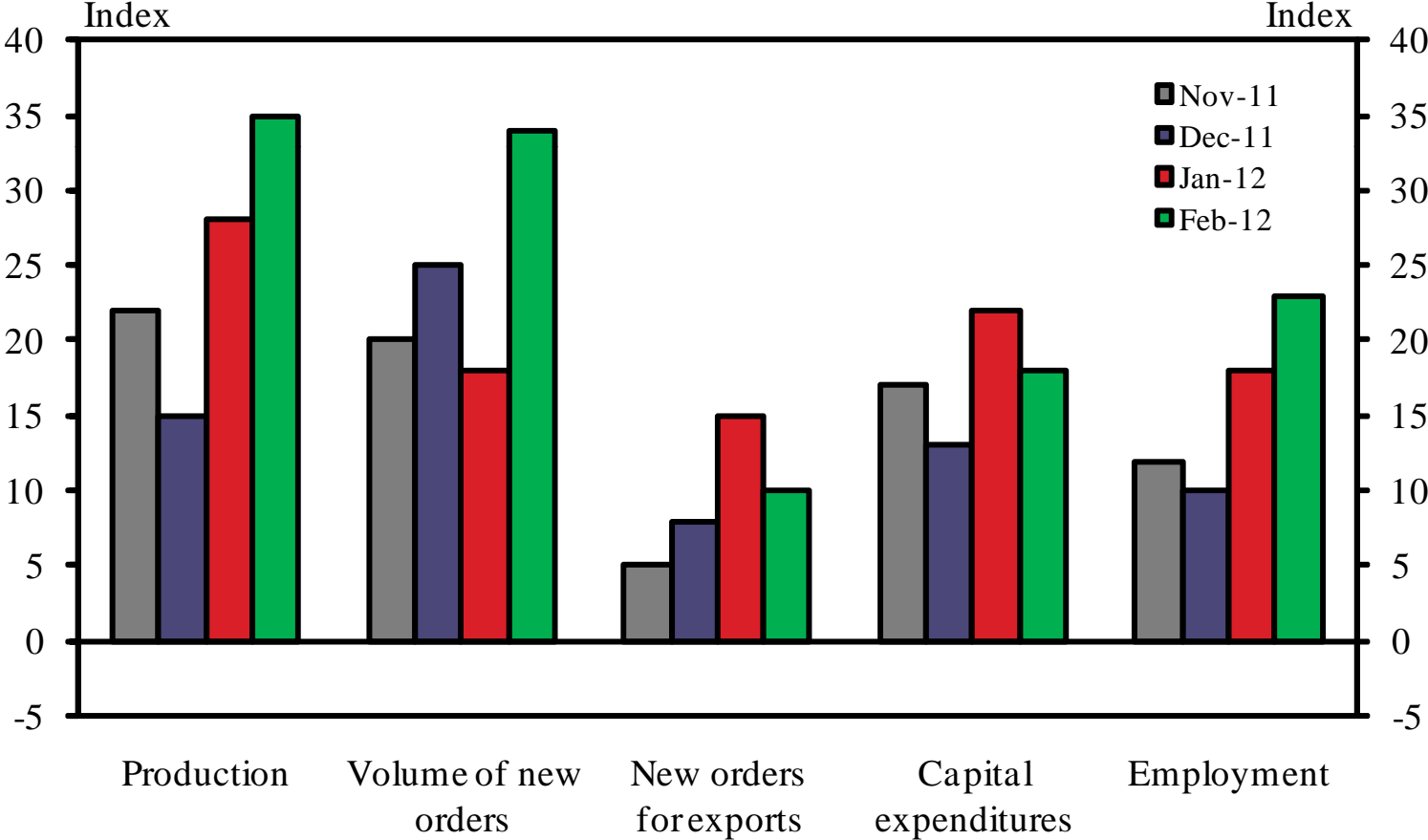
Note: 10J index is computed on ISM basis (50 = zero change)



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



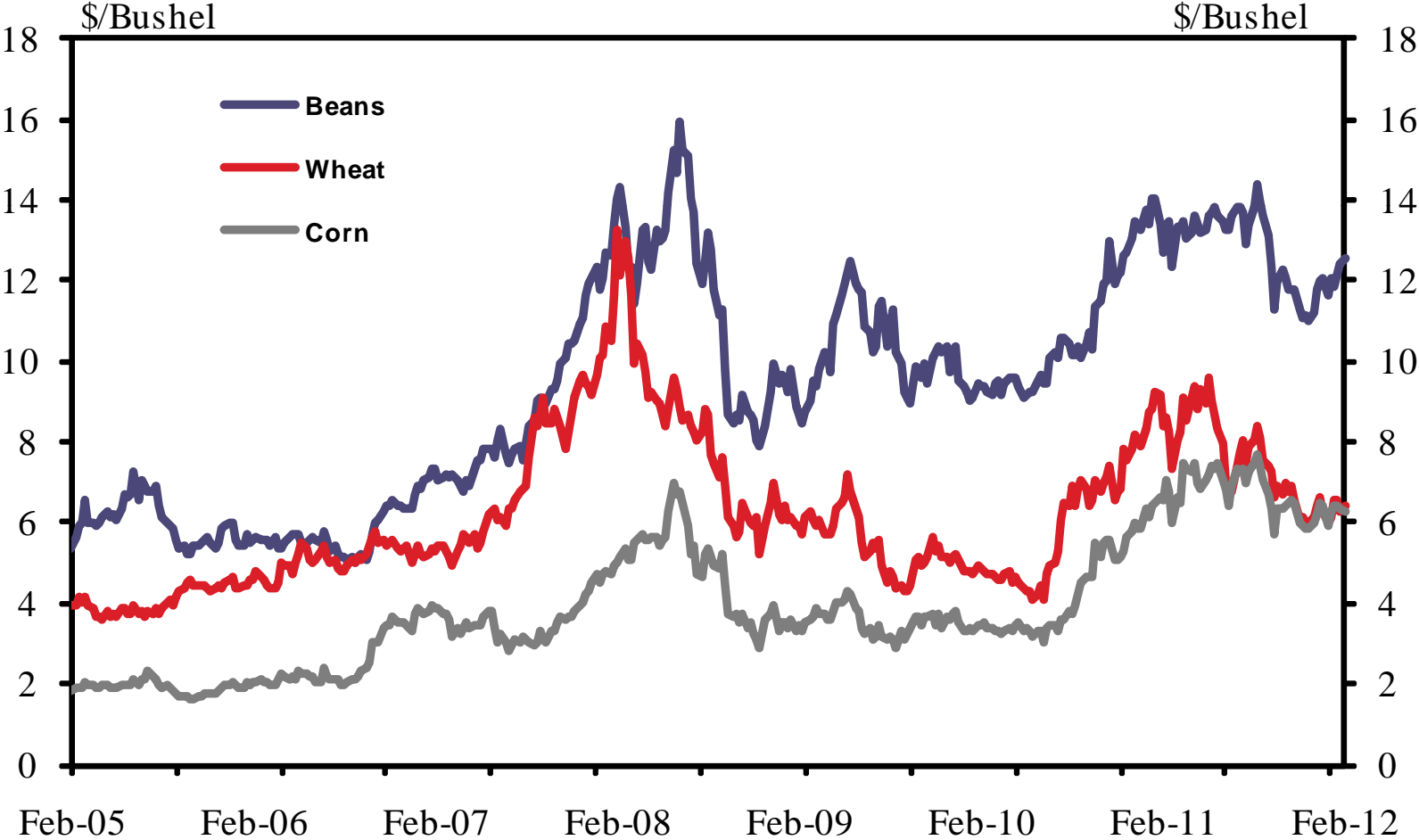
**Tenth District Manufacturing Expectations**  
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

Crop prices have fallen somewhat since last summer but remain at historically high levels.

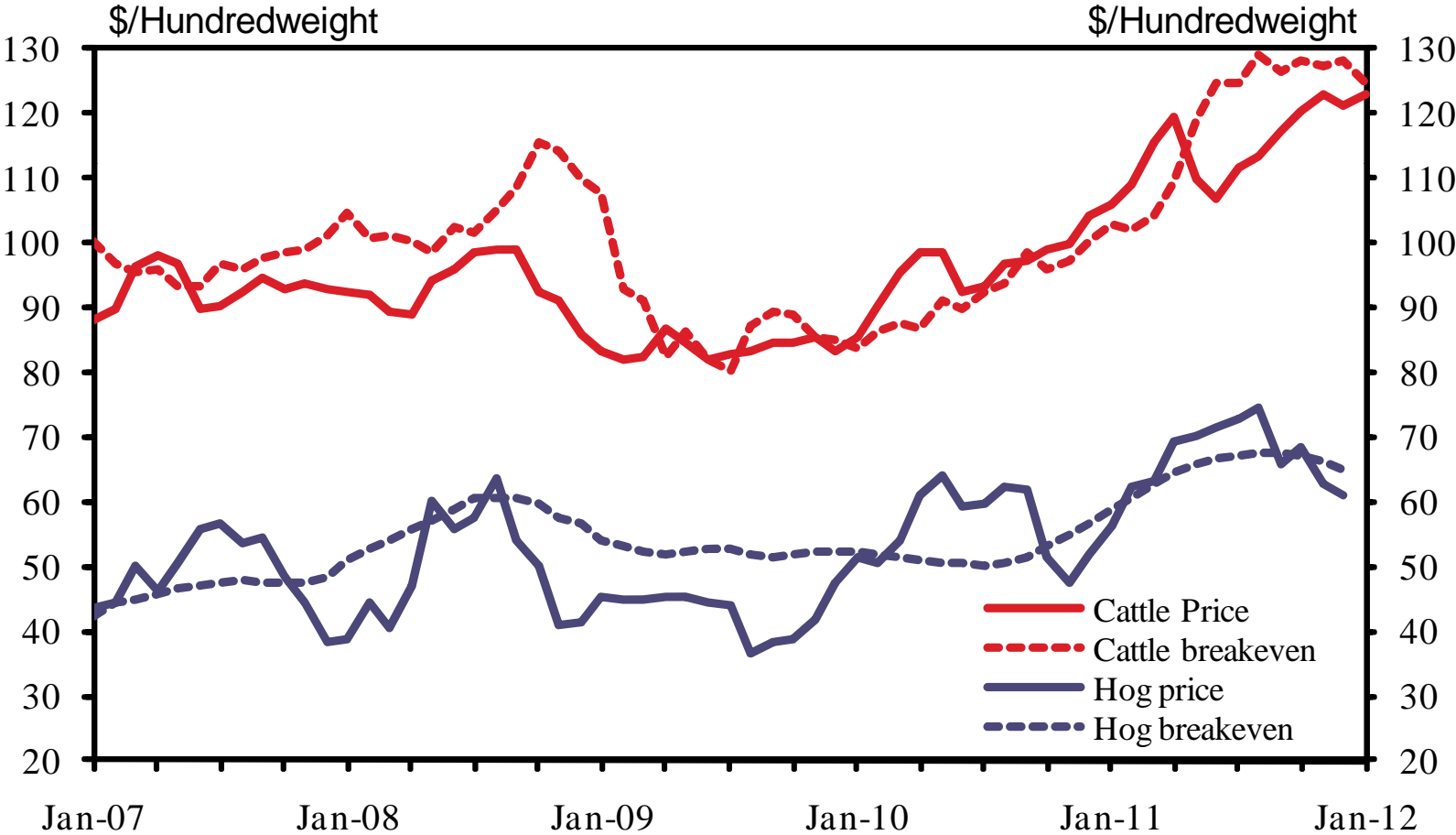
Crop Prices



Source: Commodity Research Bureau

# High input costs are trimming profit margins for livestock operators.

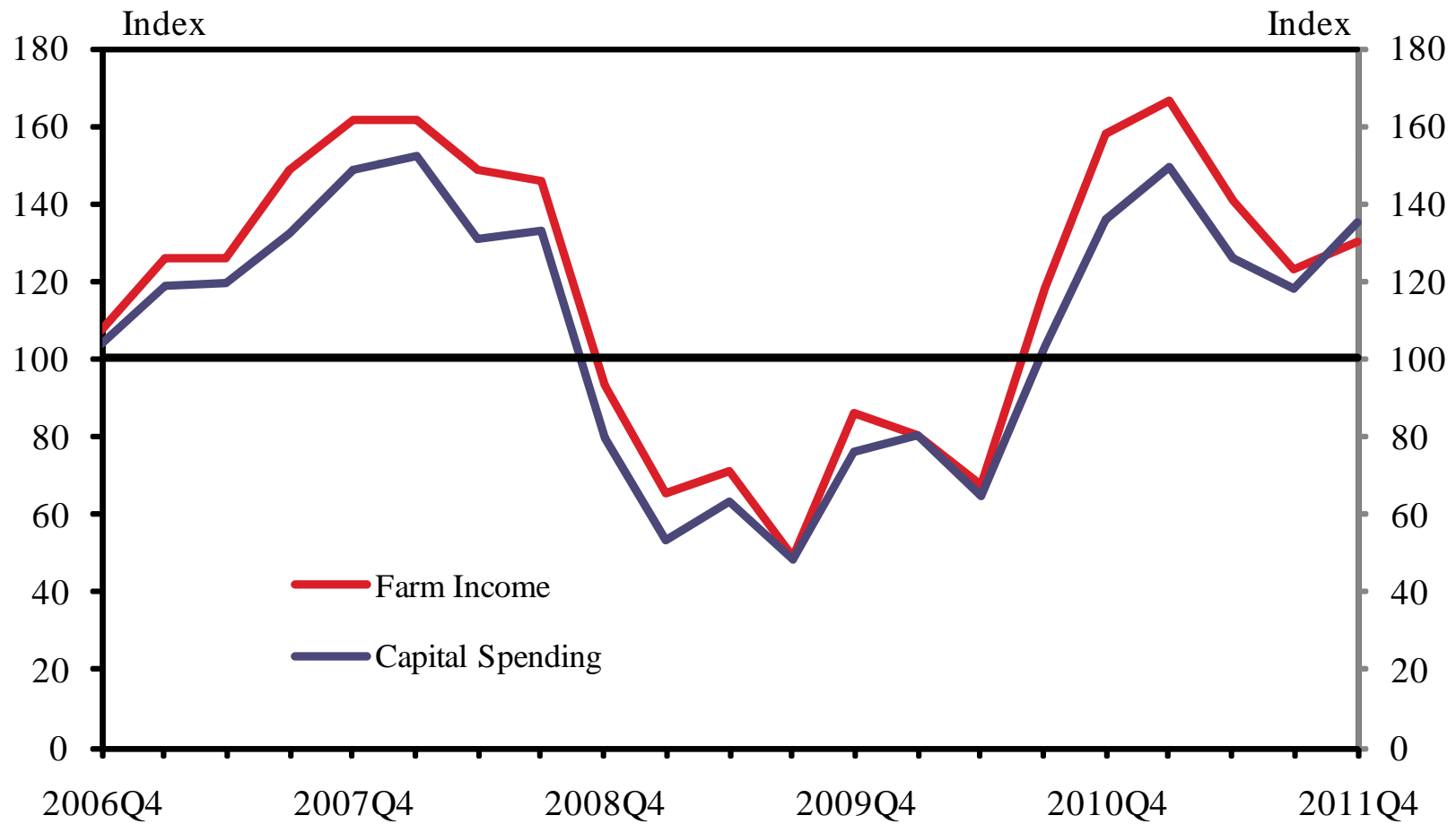
U.S. Livestock Prices and Breakeven Costs



Source: USDA

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

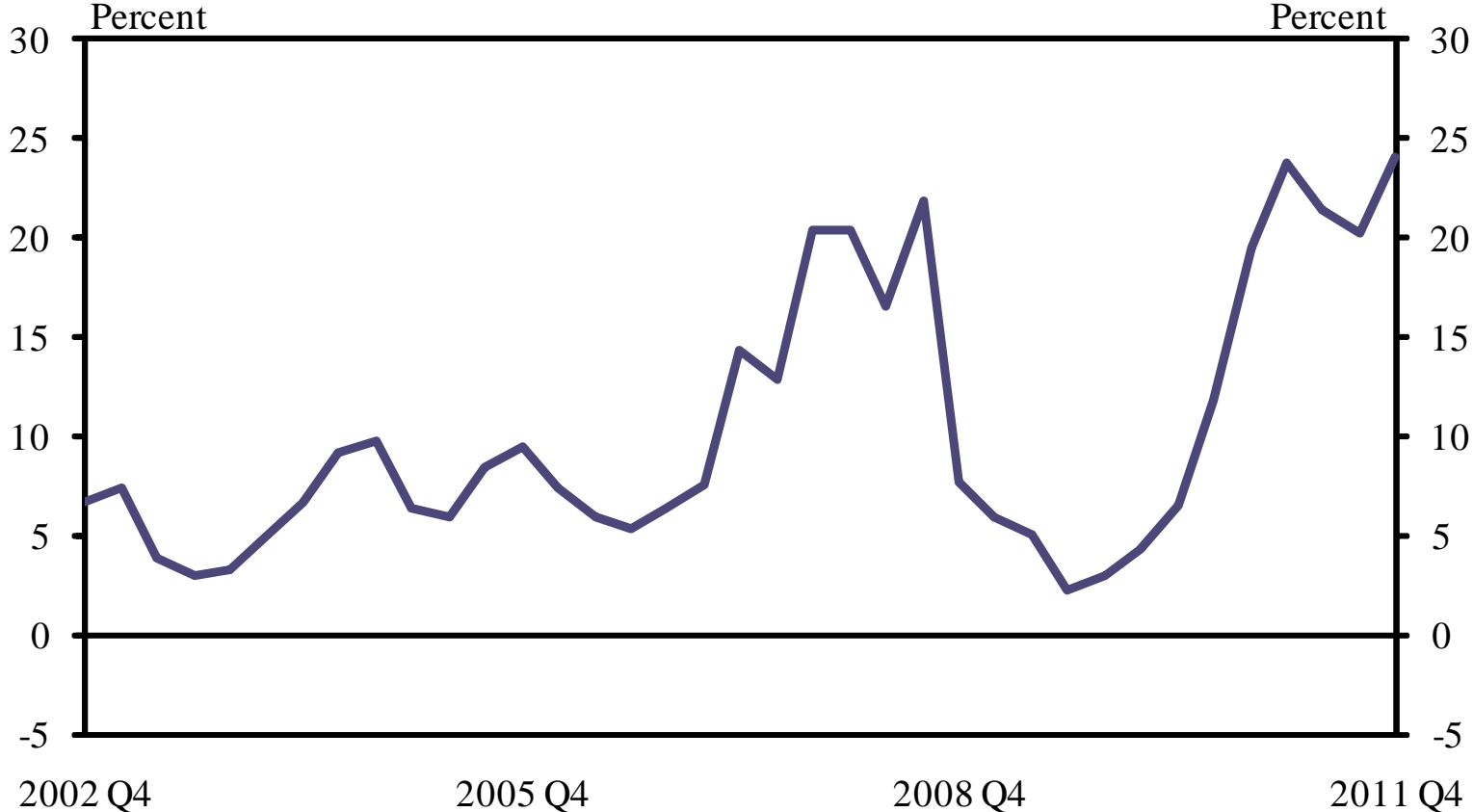
## Tenth District Farm Income and Capital Spending



Source: FRBKC Ag Credit Survey

# Farmland prices have increased sharply in Kansas.

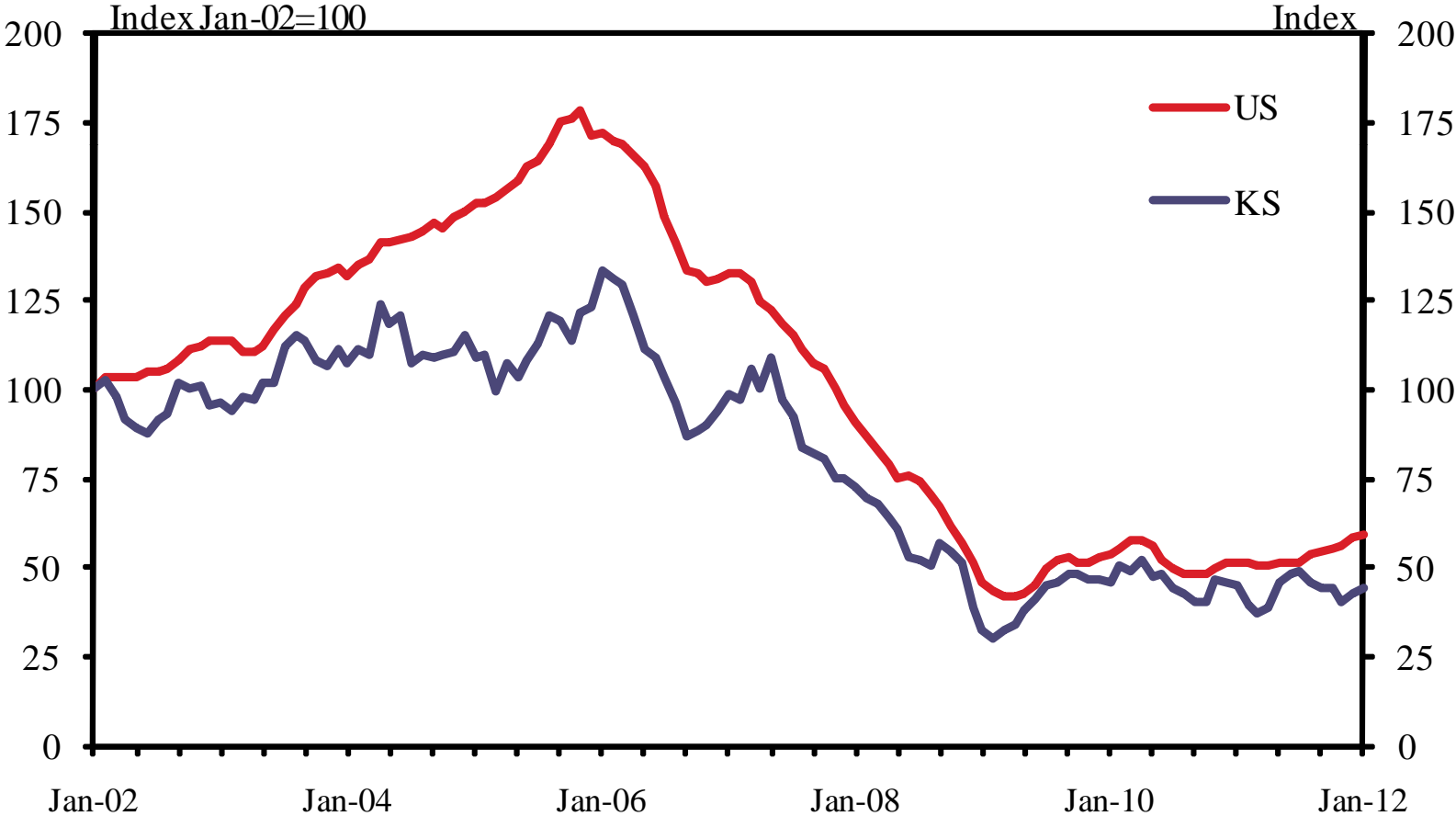
**Kansas Non-irrigated Farmland Values**  
Year-over-year



Source: FRBKC Agricultural Credit Survey

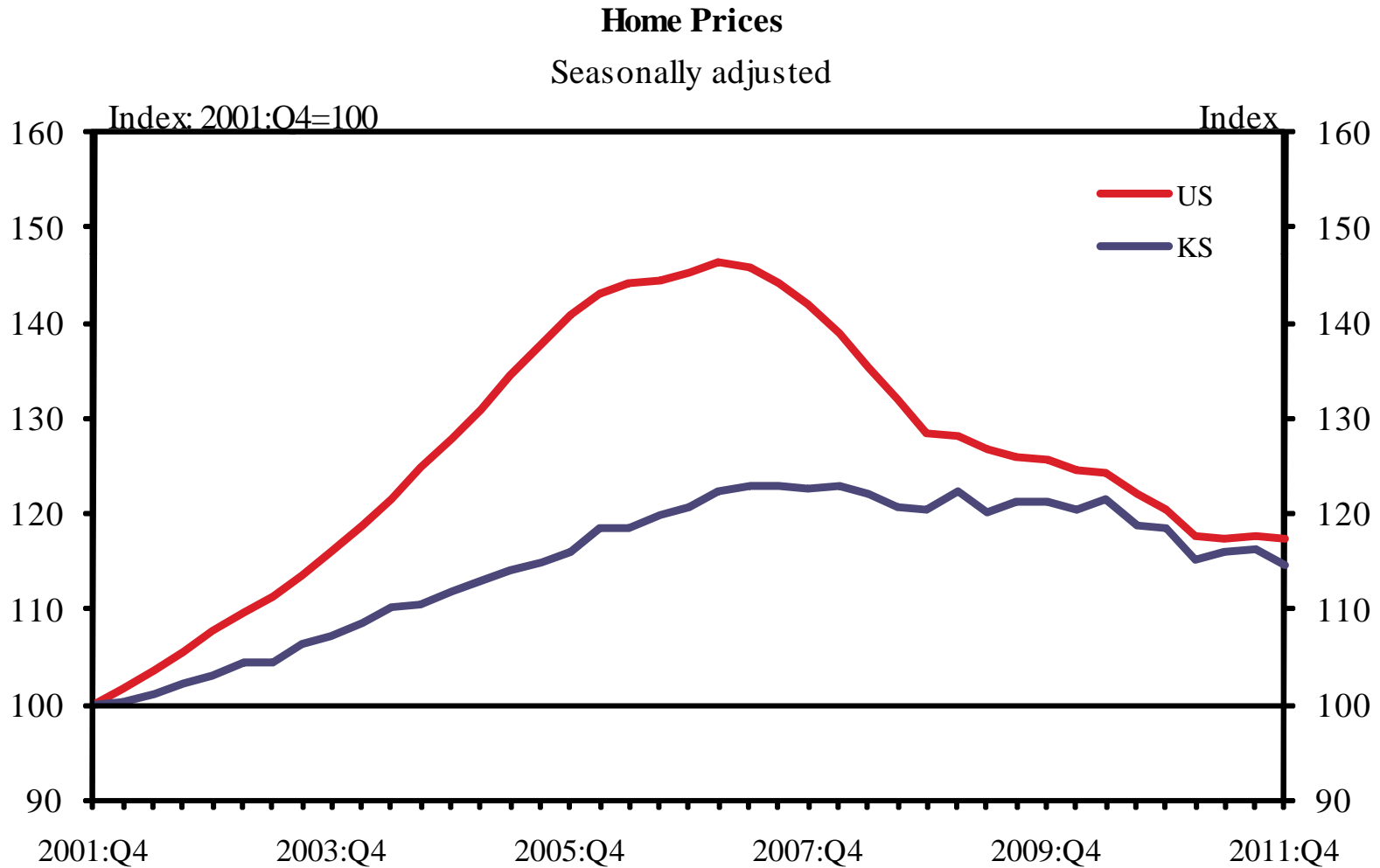
Residential construction activity remains weak but has increased over the past three years.

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



Source: FW Dodge

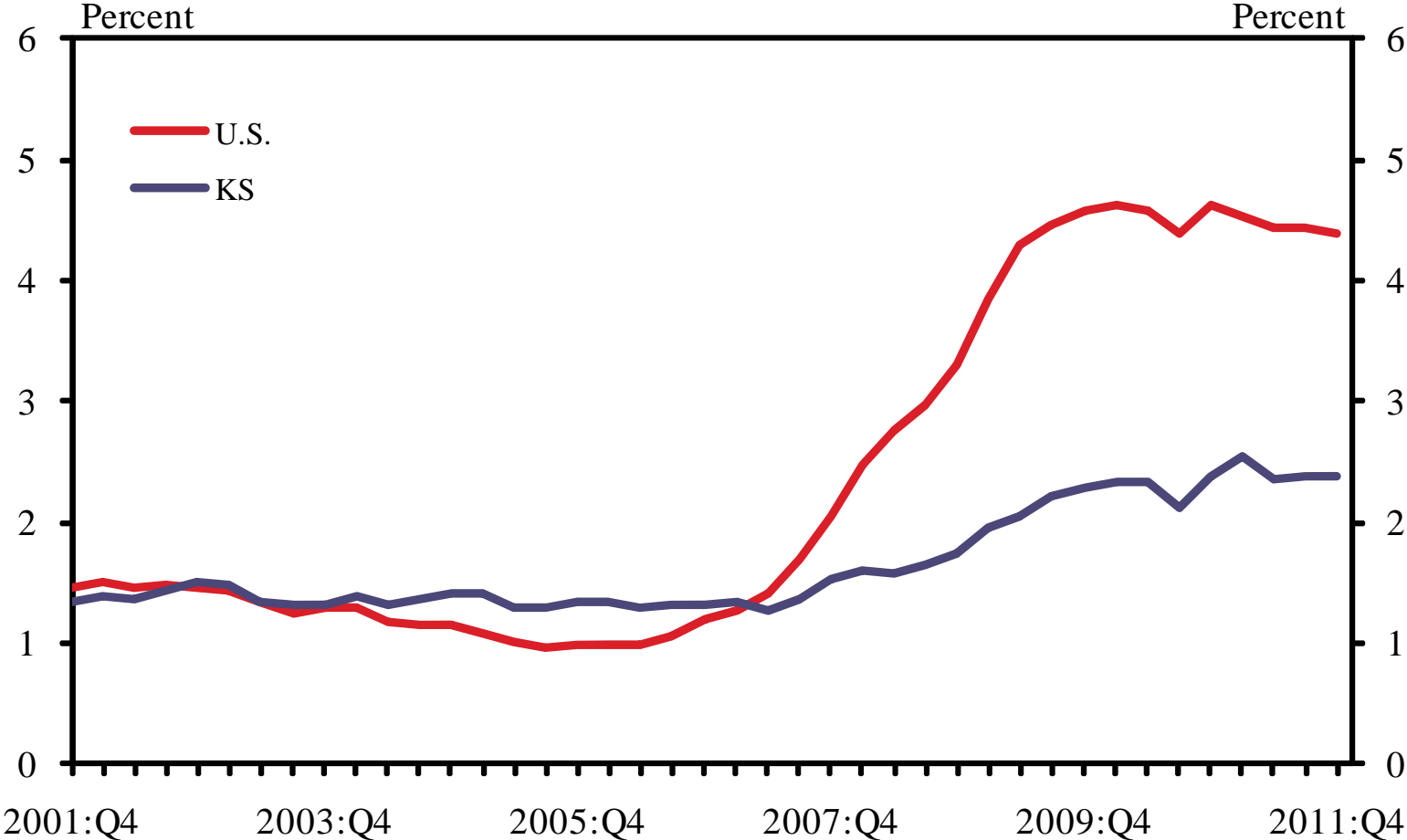
Home prices in Kansas have been more stable than national prices.



Source: FHFA purchase only index

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

Foreclosure Rate

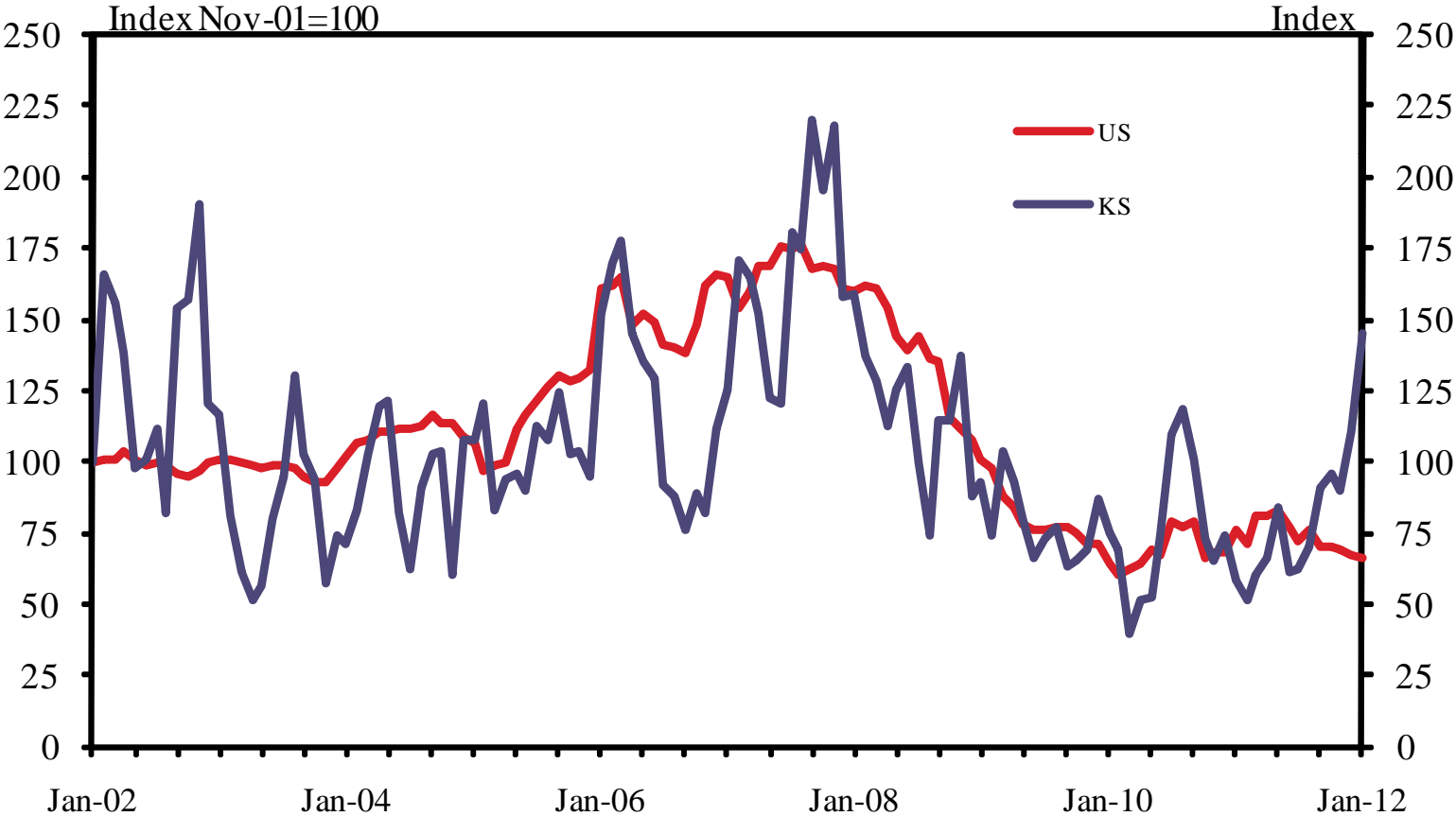


Source: Mortgage Bankers Association



# Commercial construction activity has increased recently in Kansas.

**Value of Commercial Construction Contracts**  
Seasonally adjusted, 3-month moving average



Source: FW Dodge

# Conclusions



- The pace of the U.S. economic recovery slowed in the first half of 2011, but growth picked up in the second half of last year.
- The Kansas economy lagged the national recovery but has now been growing for one year.
- Both the U.S. and Kansas economies are expected to continue to recover over the next couple of years.
- However, economic growth may rely more heavily on private demand in the U.S. as problems persist in Europe and the U.S. federal government faces high debt levels.

Presentations can be found online at:

<http://www.kansascityfed.org/speeches/index.cfm>

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