

# Economic Overview

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Senior Vice President



<sup>2008</sup>  
*Regulatory Update*  
— SEMINAR —  
*Federal Reserve Bank of Kansas City*



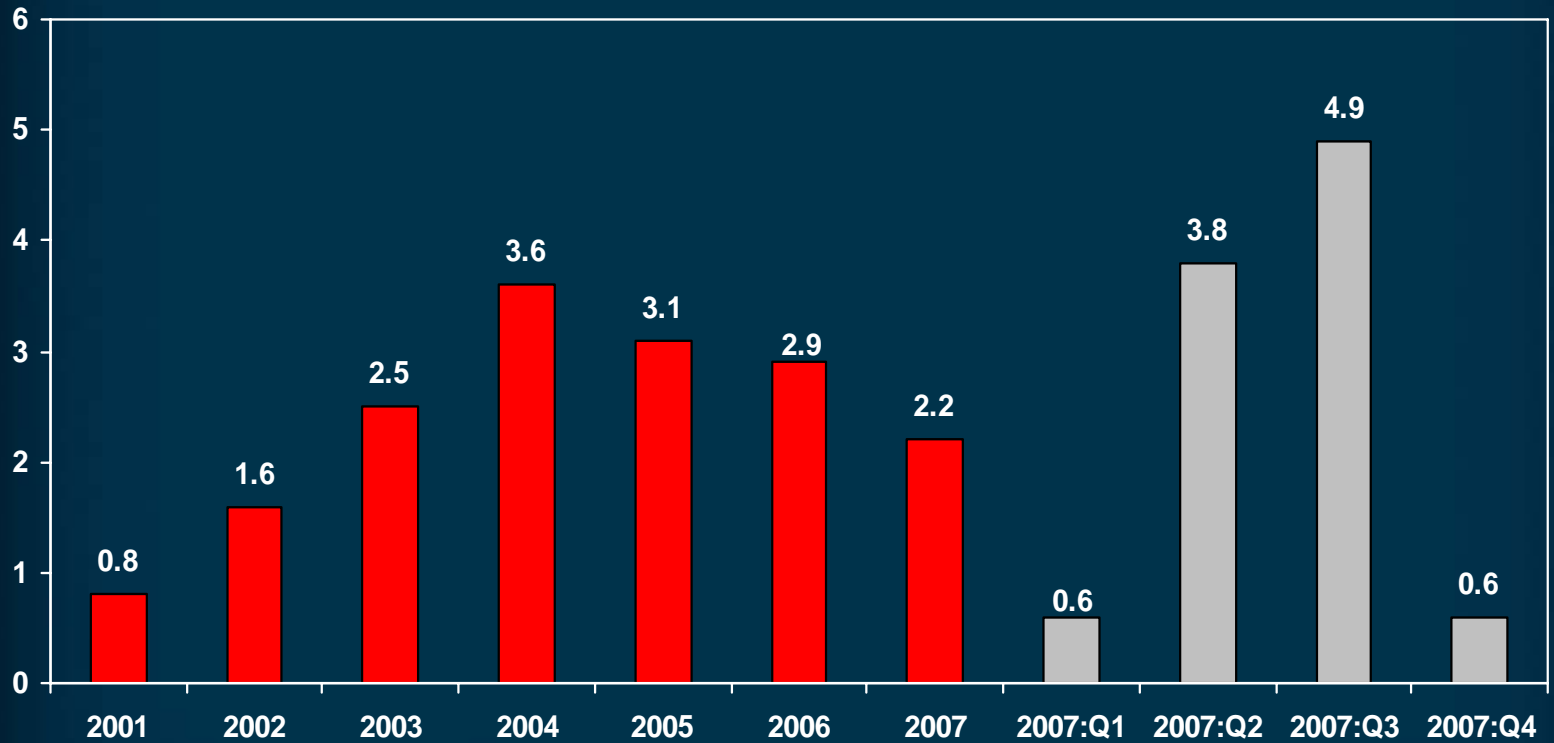
# The U.S. Economy

- Growth has slowed
- Employment has softened
- Inflation pressures have risen

# Growth has slowed

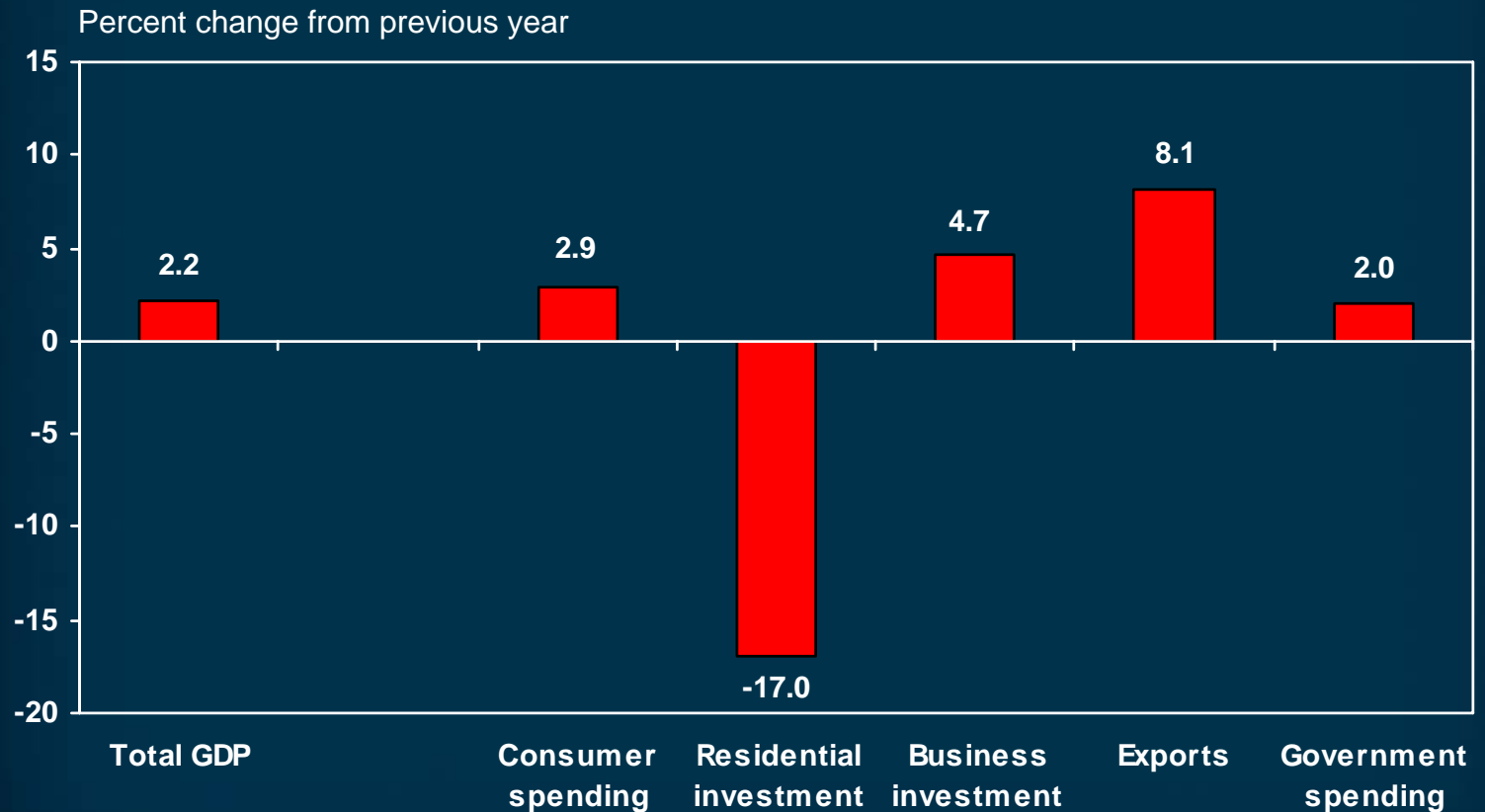
## Gross Domestic Product

Percent change from previous period, annualized



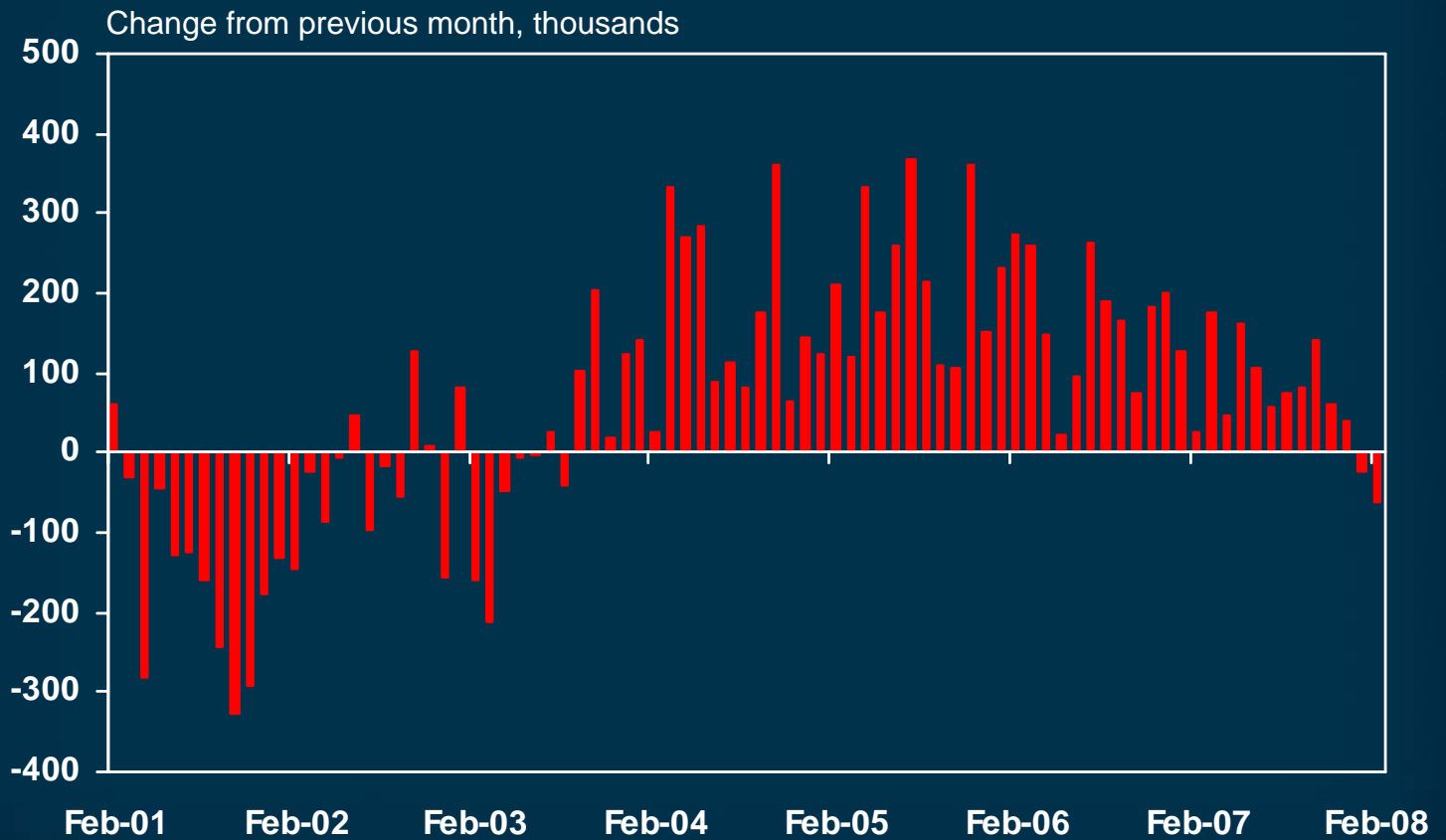
# Strong exports and business investment have partially offset weak housing

## Components of GDP 2007



# Employment has softened

## Payroll Employment



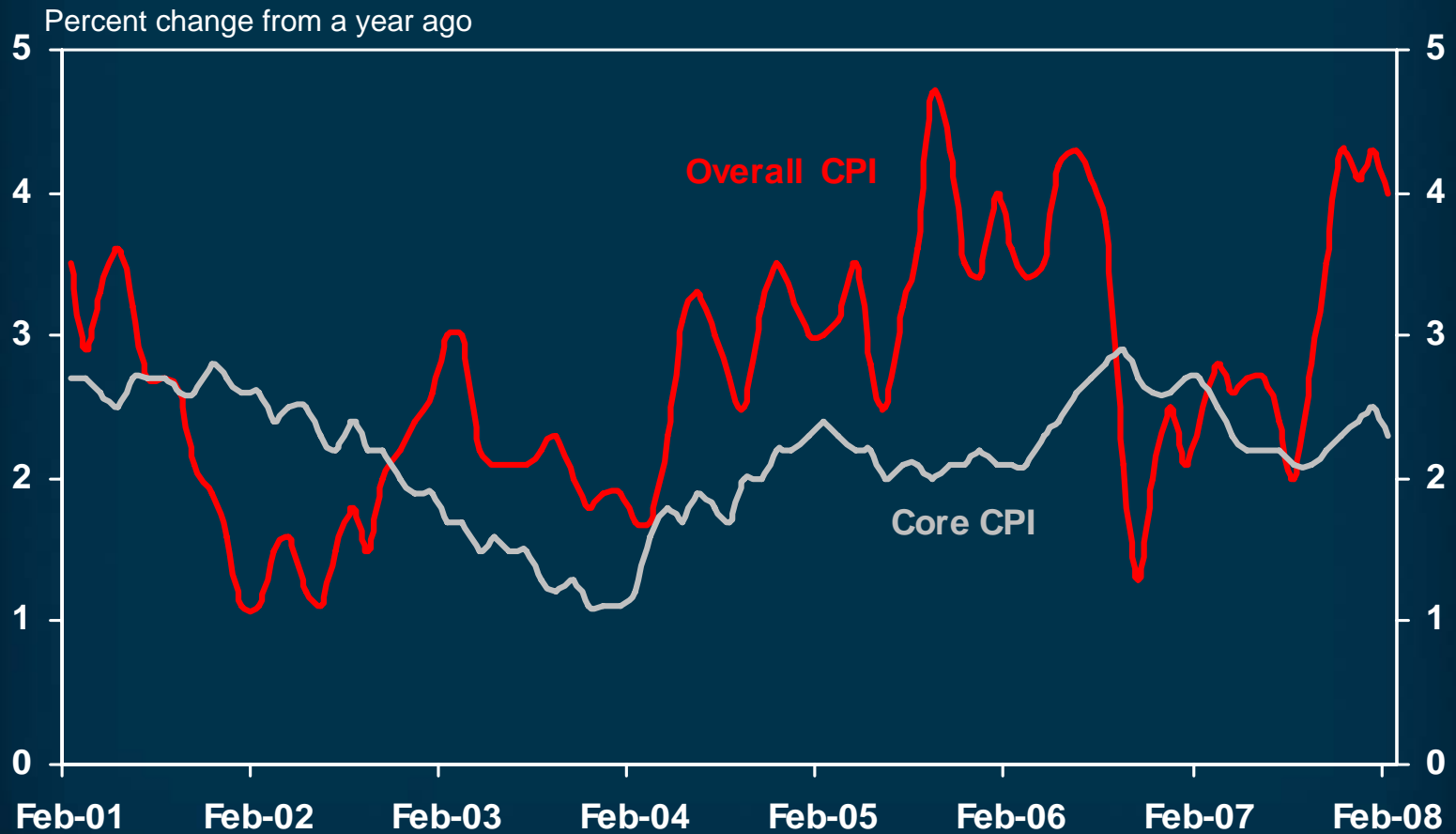
# Unemployment has edged up

## Unemployment Rate



# Inflation pressures have risen

## Consumer Price Index



Source: U.S. Bureau of Labor Statistics



# The outlook suggests gradual strengthening

## Federal Reserve Central Tendency Projections February 2008

	2008	2009	2010
Real GDP	1.3 to 2.0%	2.1 to 2.7%	2.5 to 3.0%
Core inflation	2.0 to 2.2%	1.7 to 2.0%	1.7 to 1.9%
Unemployment	5.2 to 5.3%	5.0 to 5.3%	4.9 to 5.1%

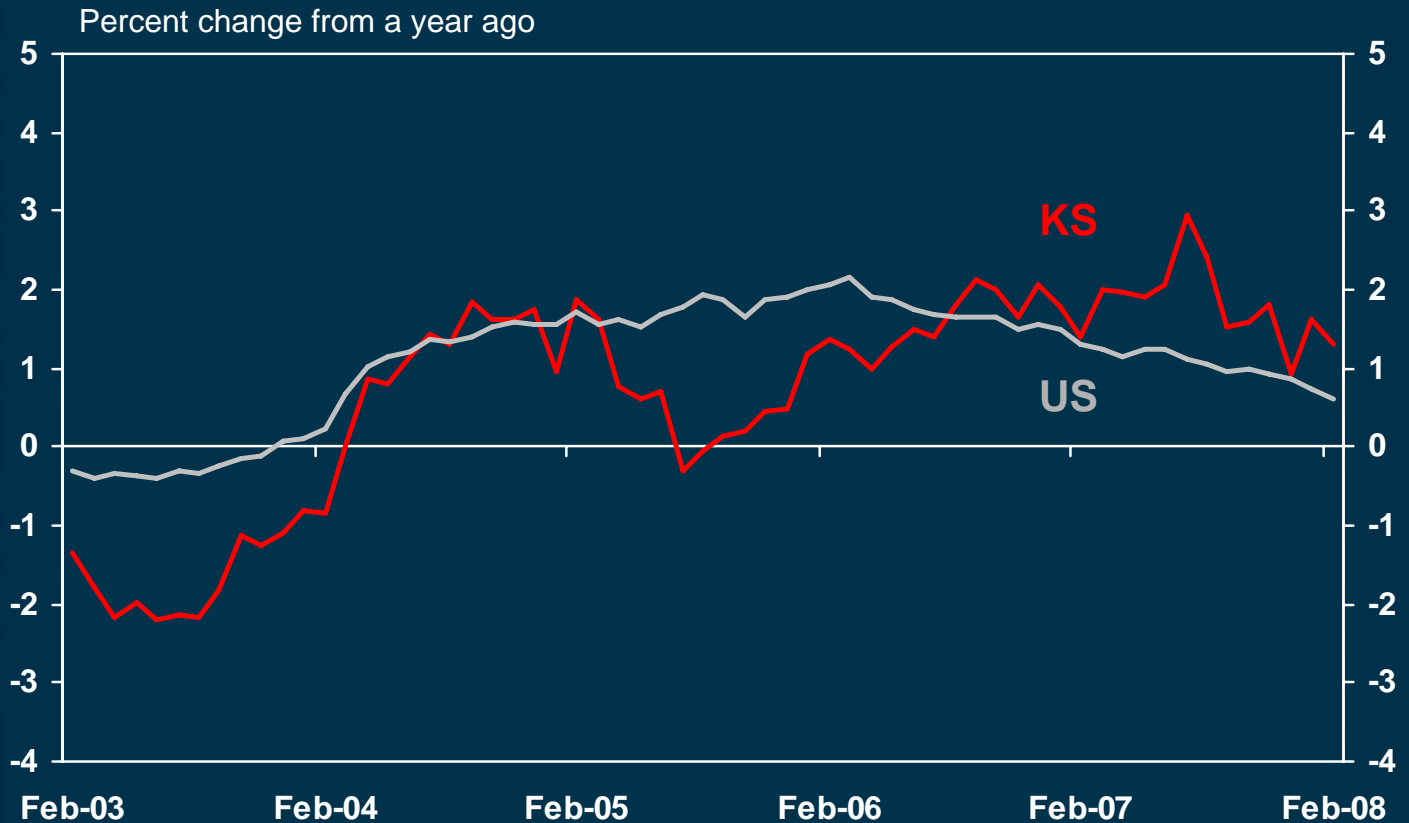


# The Kansas Economy

- Some slowing, but outpacing the nation
- Housing downturn less severe than elsewhere
- A recent slowdown in manufacturing activity
- Another farm boom

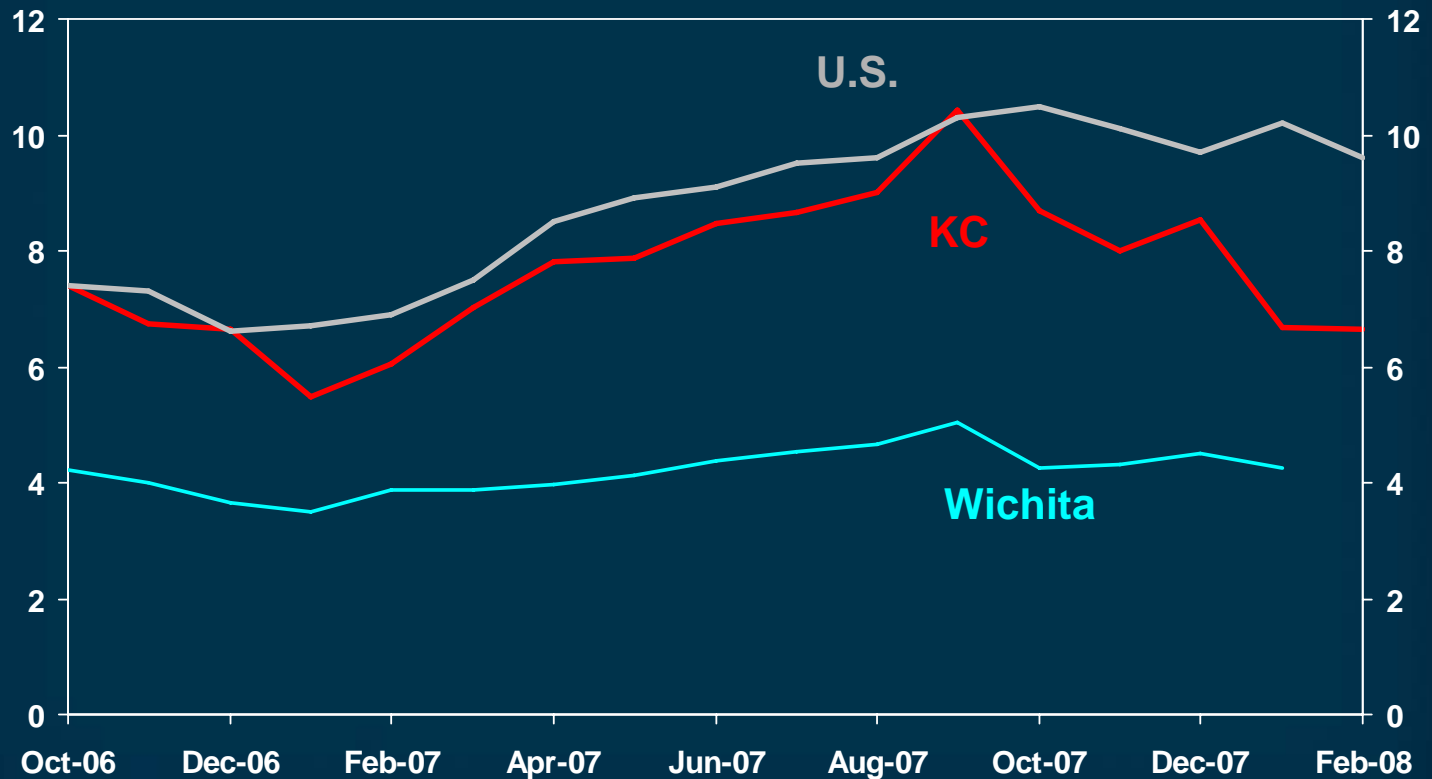
# Kansas job growth has slowed but remains stronger than in the nation

## Nonfarm Payroll Employment



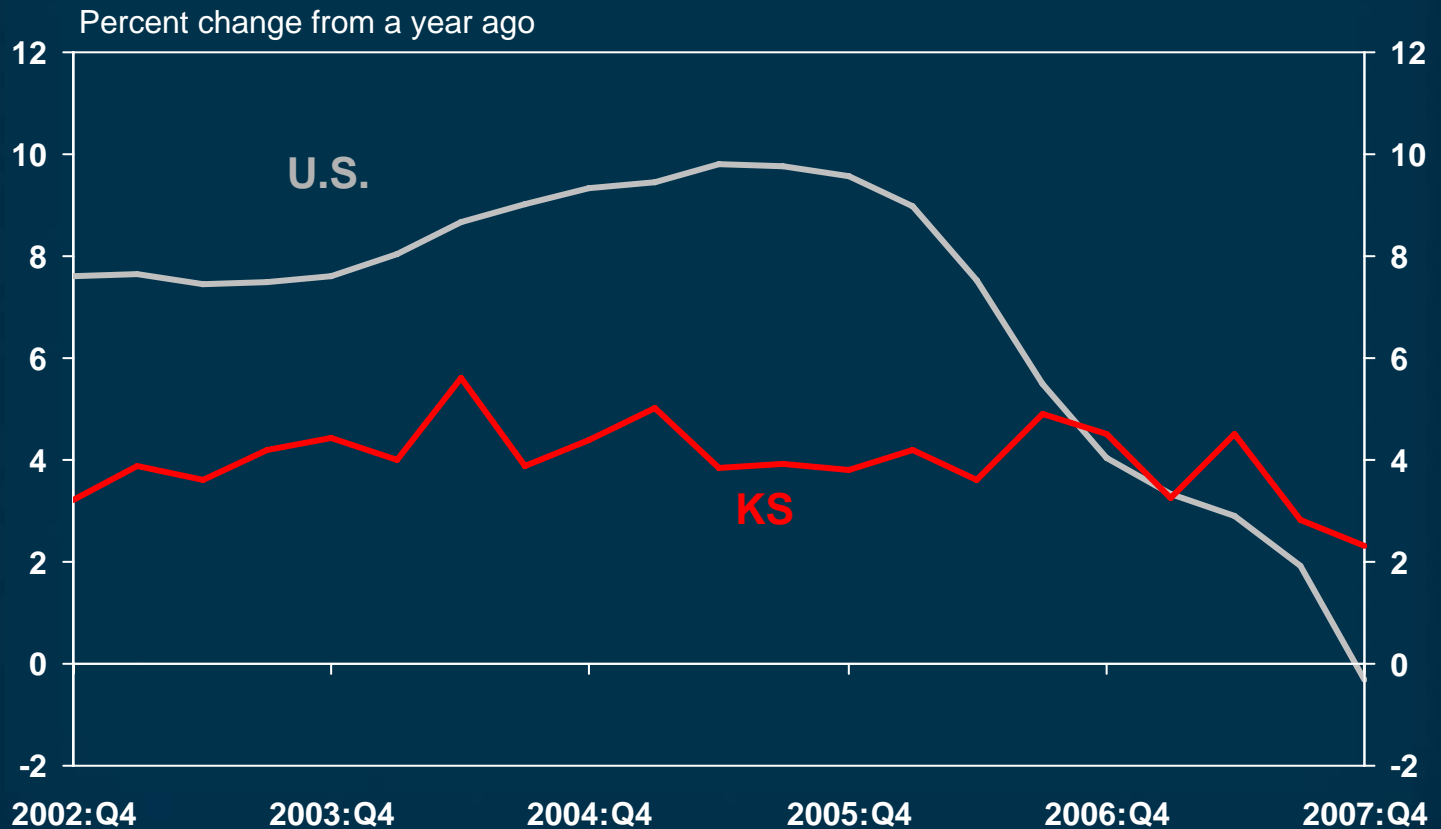
# Inventories of unsold homes are down in Kansas City and steady in Wichita

Months Supply of Unsold Homes,  
Seasonally adjusted



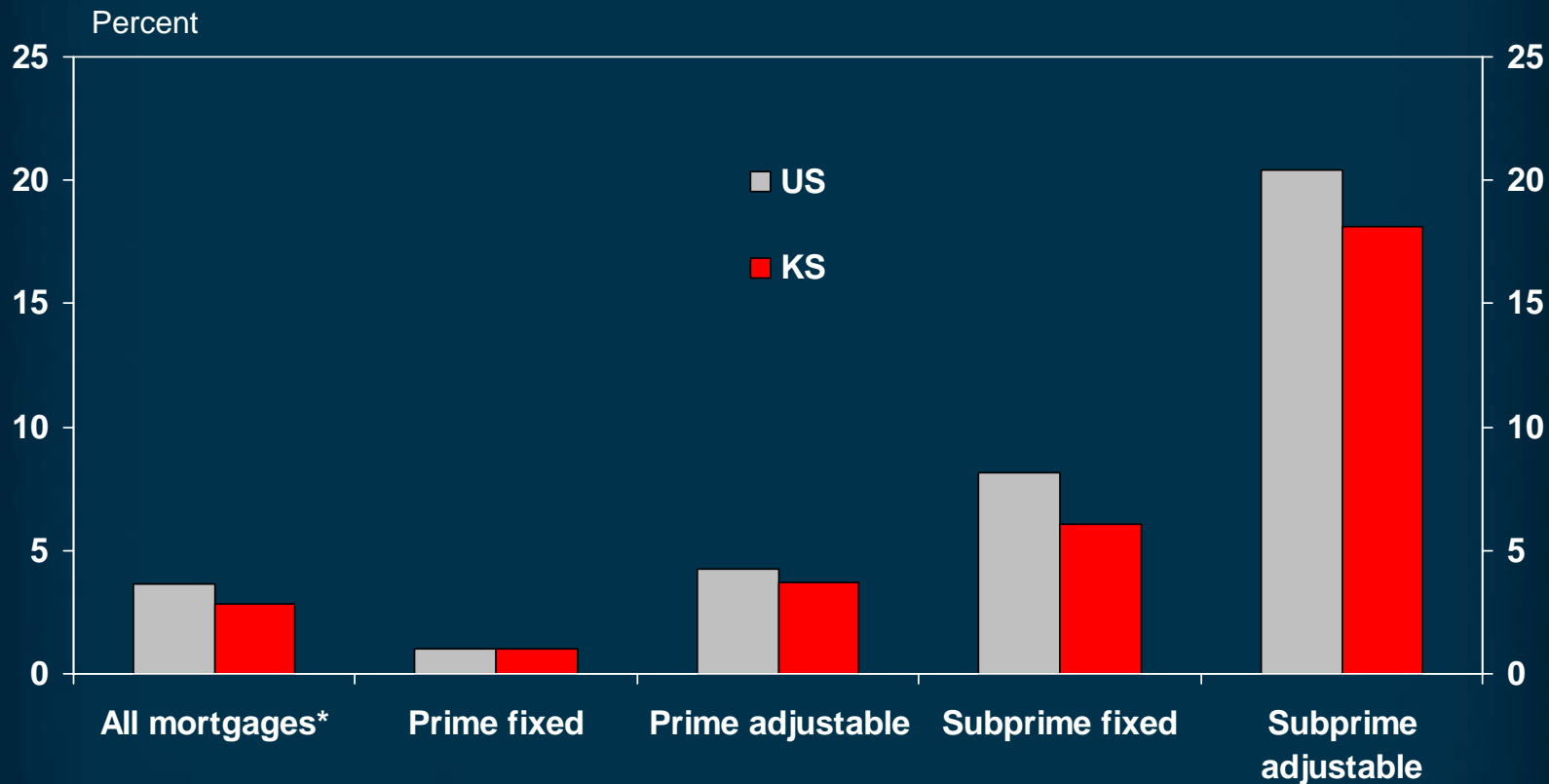
# Home prices are stronger in Kansas than in the nation

## Quality-Adjusted Home Prices Purchase-Only



# Delinquencies are up less in Kansas than in the nation

Share of Mortgages Seriously Delinquent, 2007 Q4  
90 days or more past due or in foreclosure

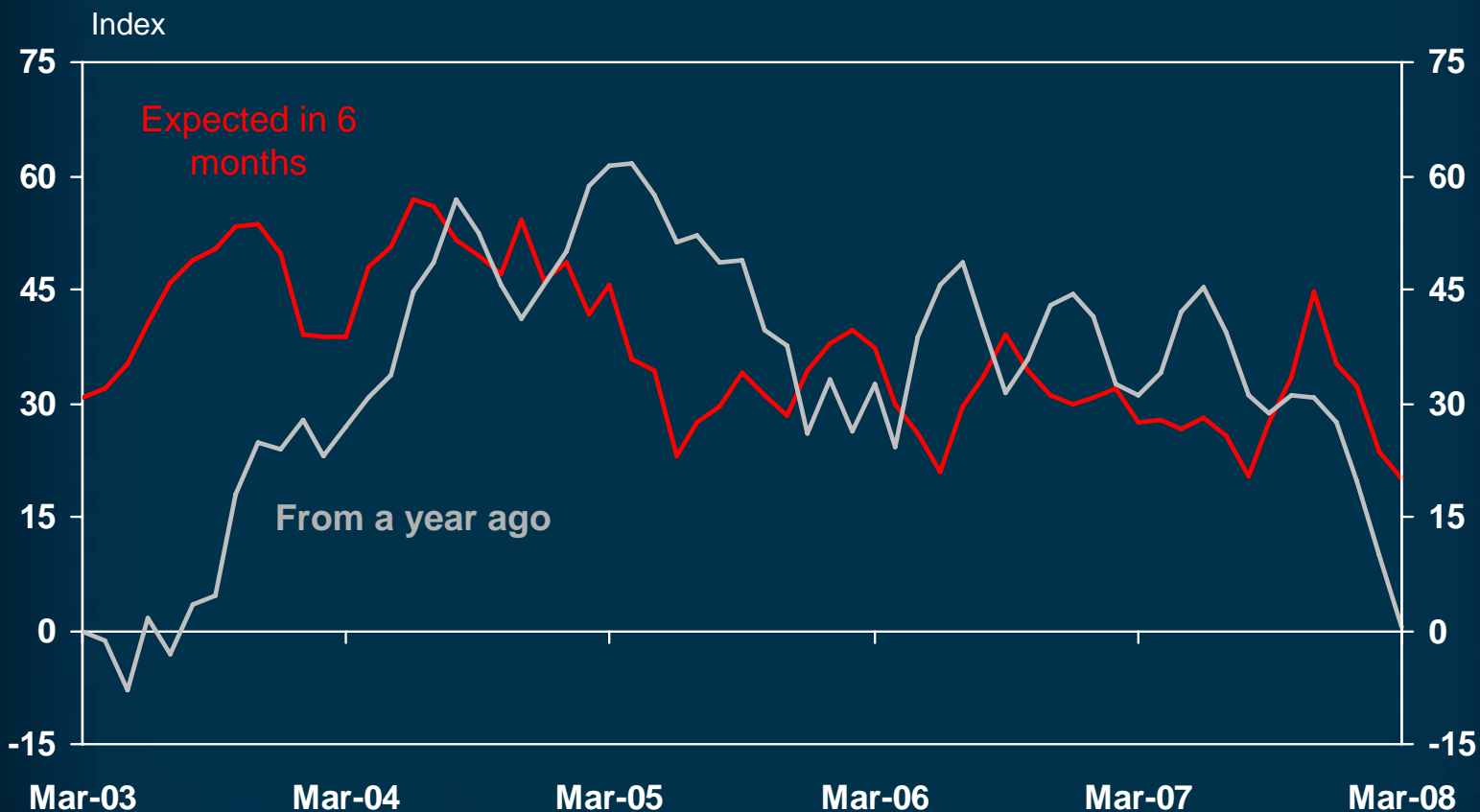


\* Includes FHA, VA, and uncategorized loans

Source: Mortgage Bankers Association

# Kansas factory activity has slowed recently

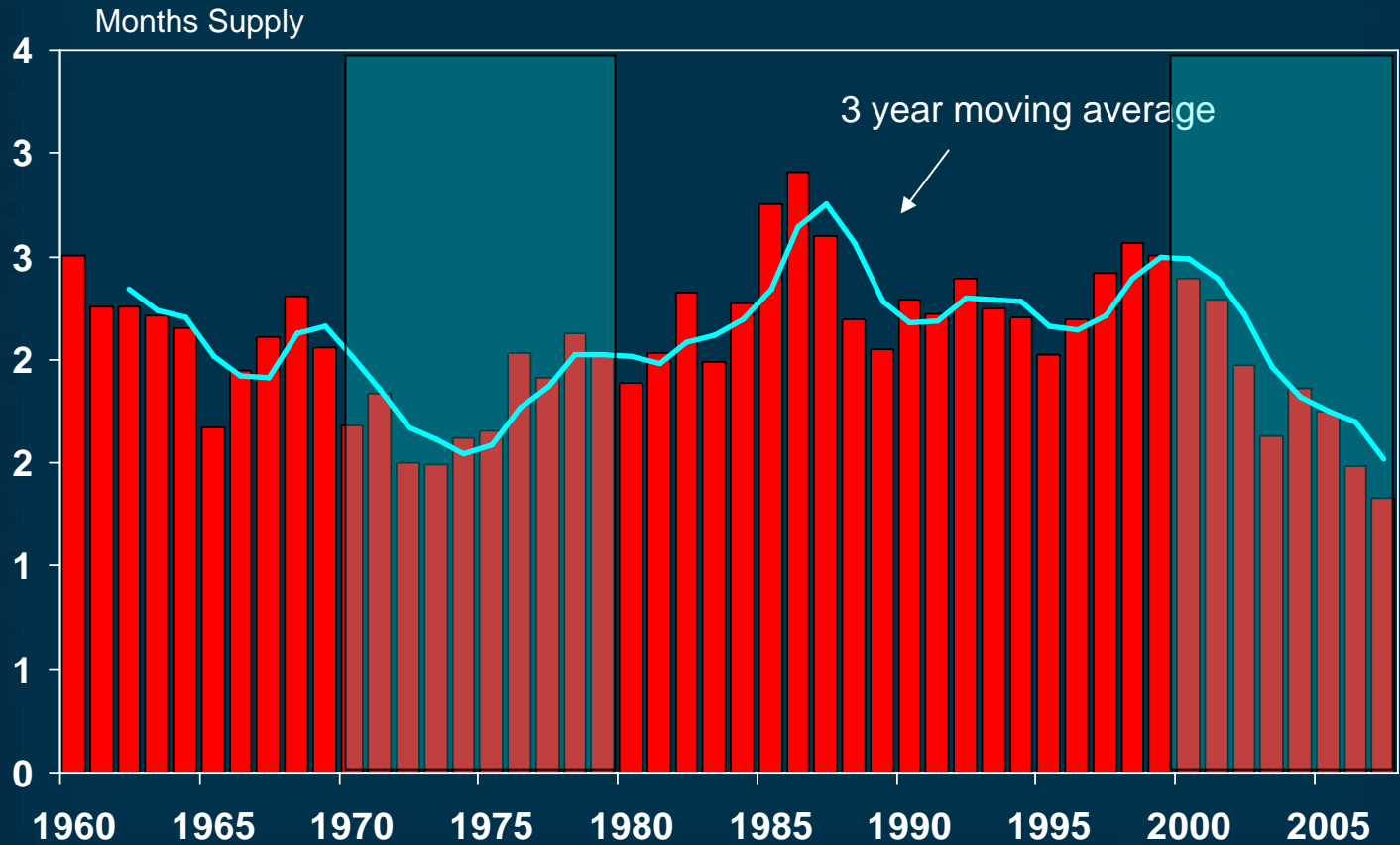
## Kansas Production Index



Source: KCFRB Mfg Survey

# World grain inventories are lean

## World Grain Inventories

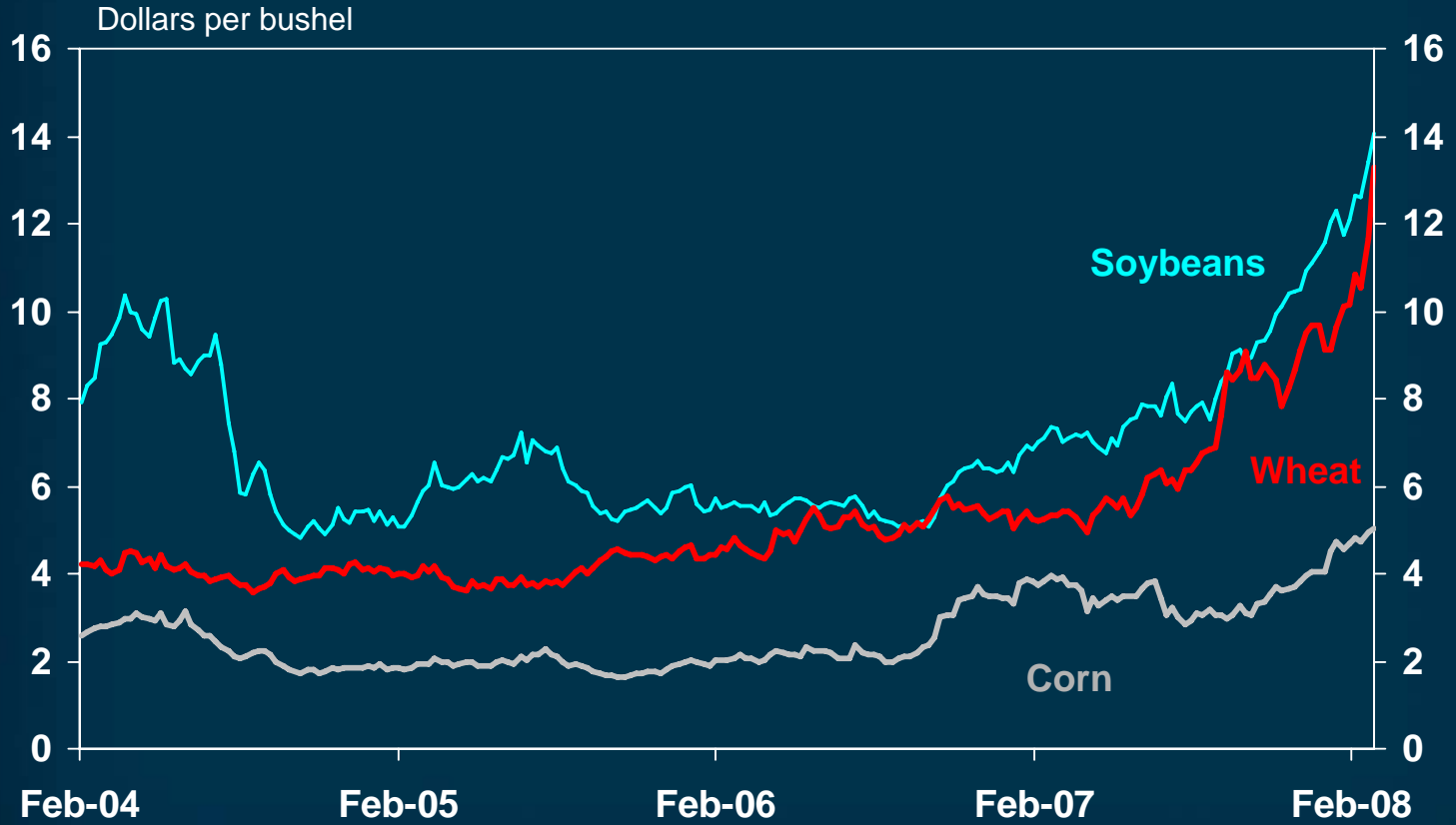


Source: USDA



# Crop prices are soaring

## U.S. Crop Prices

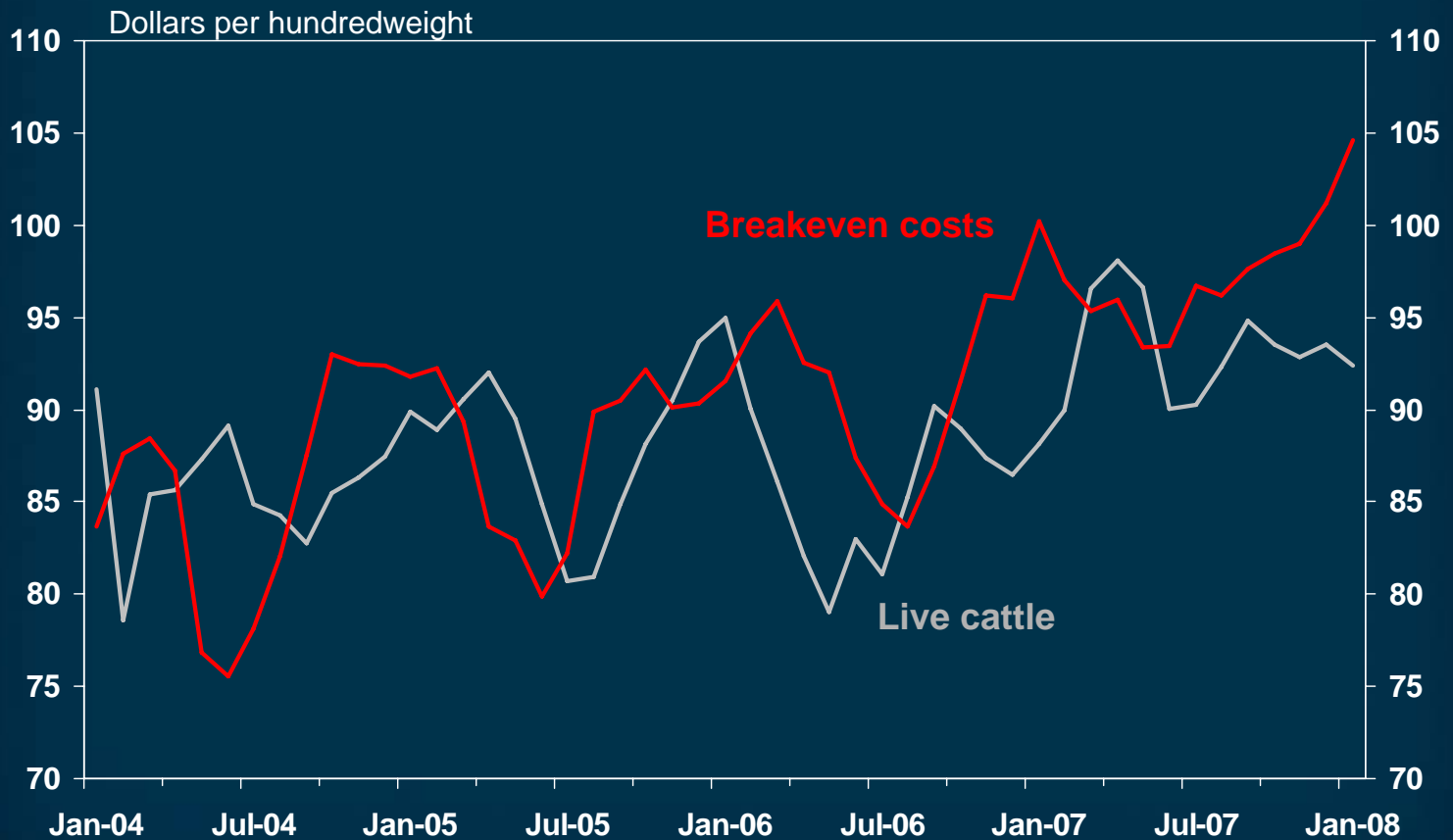


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Source: USDA

# High feed costs have pushed livestock returns into the red

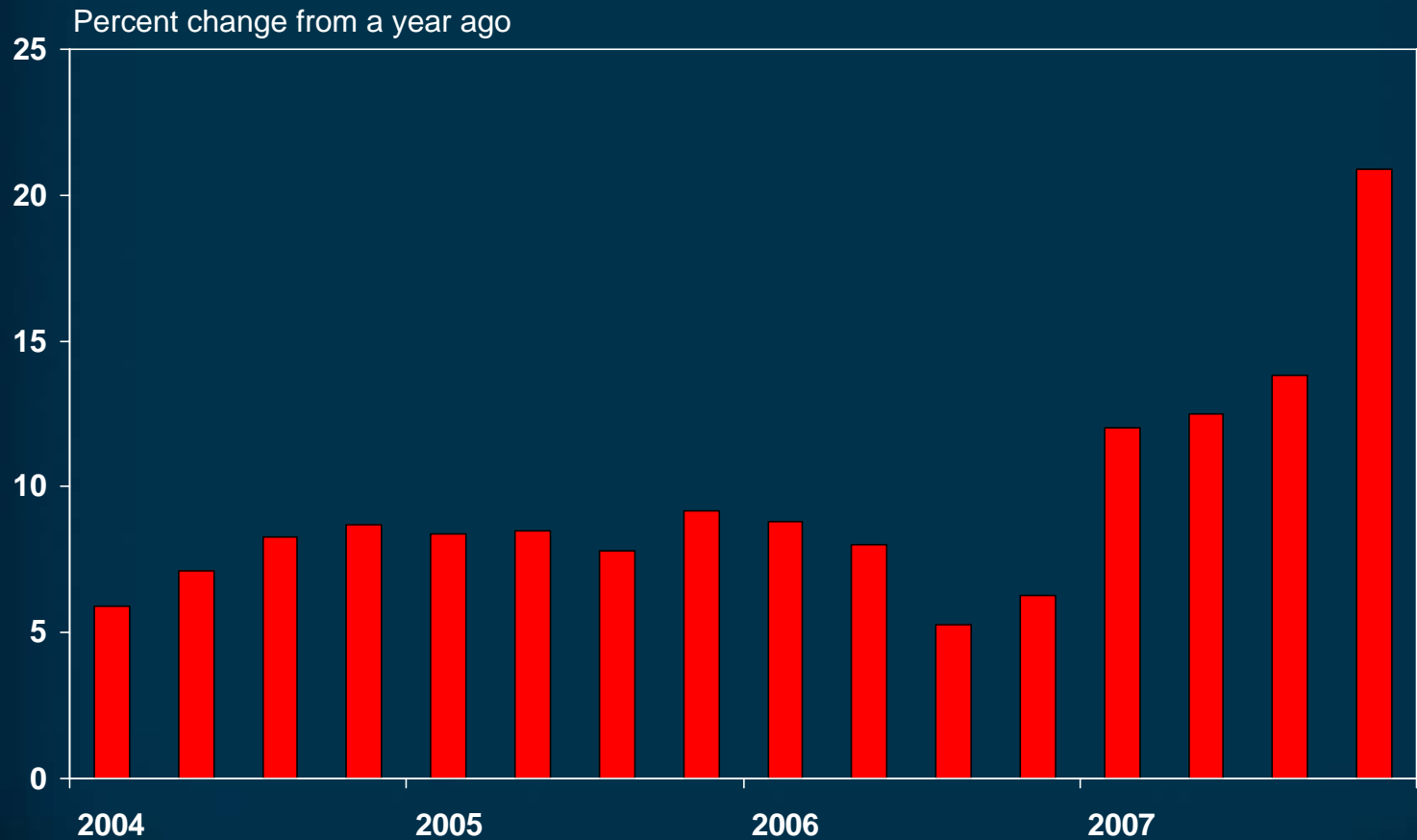
## U.S. Livestock Prices and Breakeven Costs



Source: USDA

# Farmland values have surged

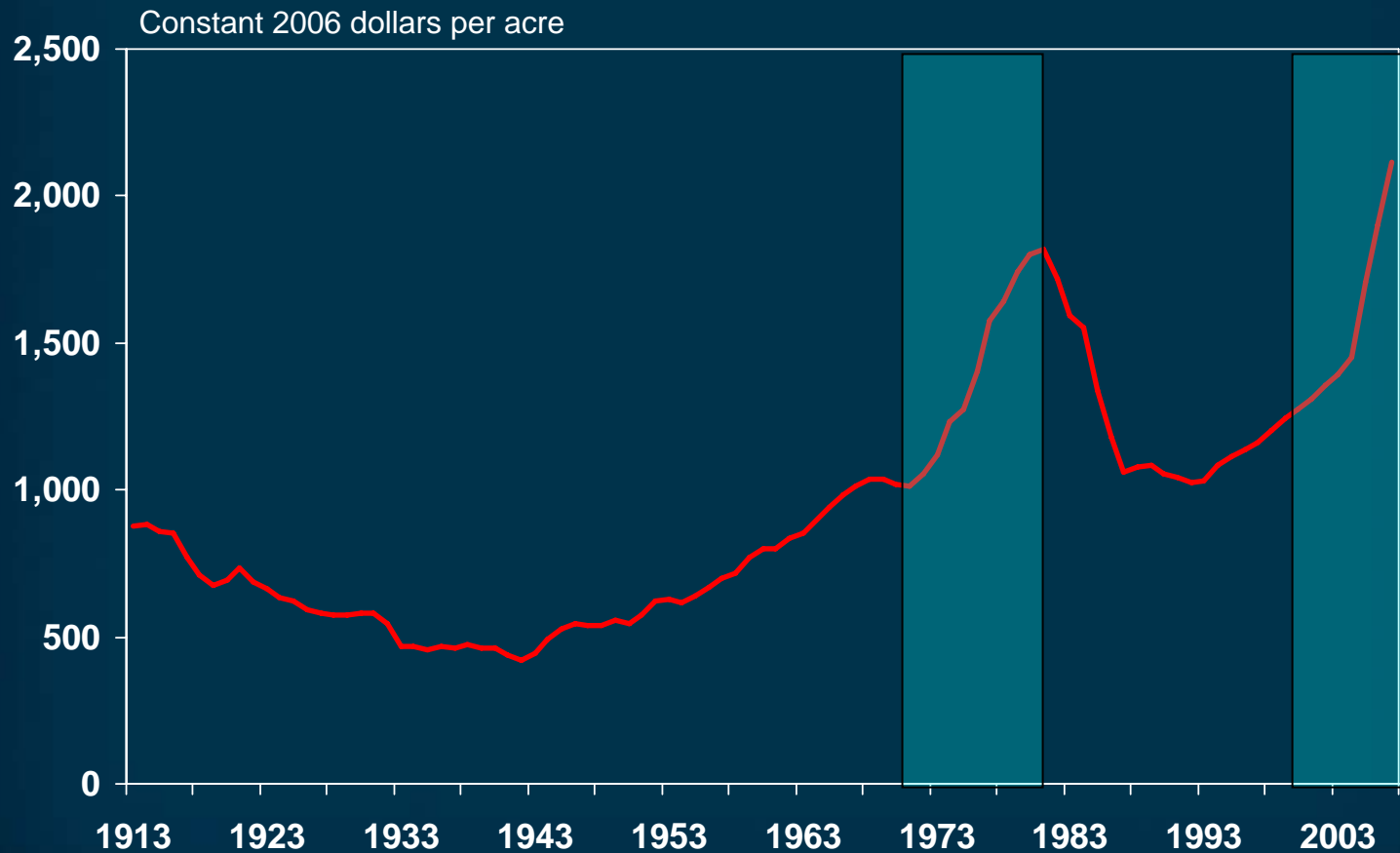
## Farmland Values, Tenth Federal Reserve District



Source: FRBKC Agricultural Credit Survey

# Is this farm boom different than the last one?

## U.S. Farmland Values



Source: USDA

# Summary

- The housing downturn has roiled financial markets and slowed the nation's economy
  - Inflation pressure is up
  - The slowdown is less severe in Kansas
- Is farm real estate the next bubble?