

The U.S. and 10th District Economy



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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

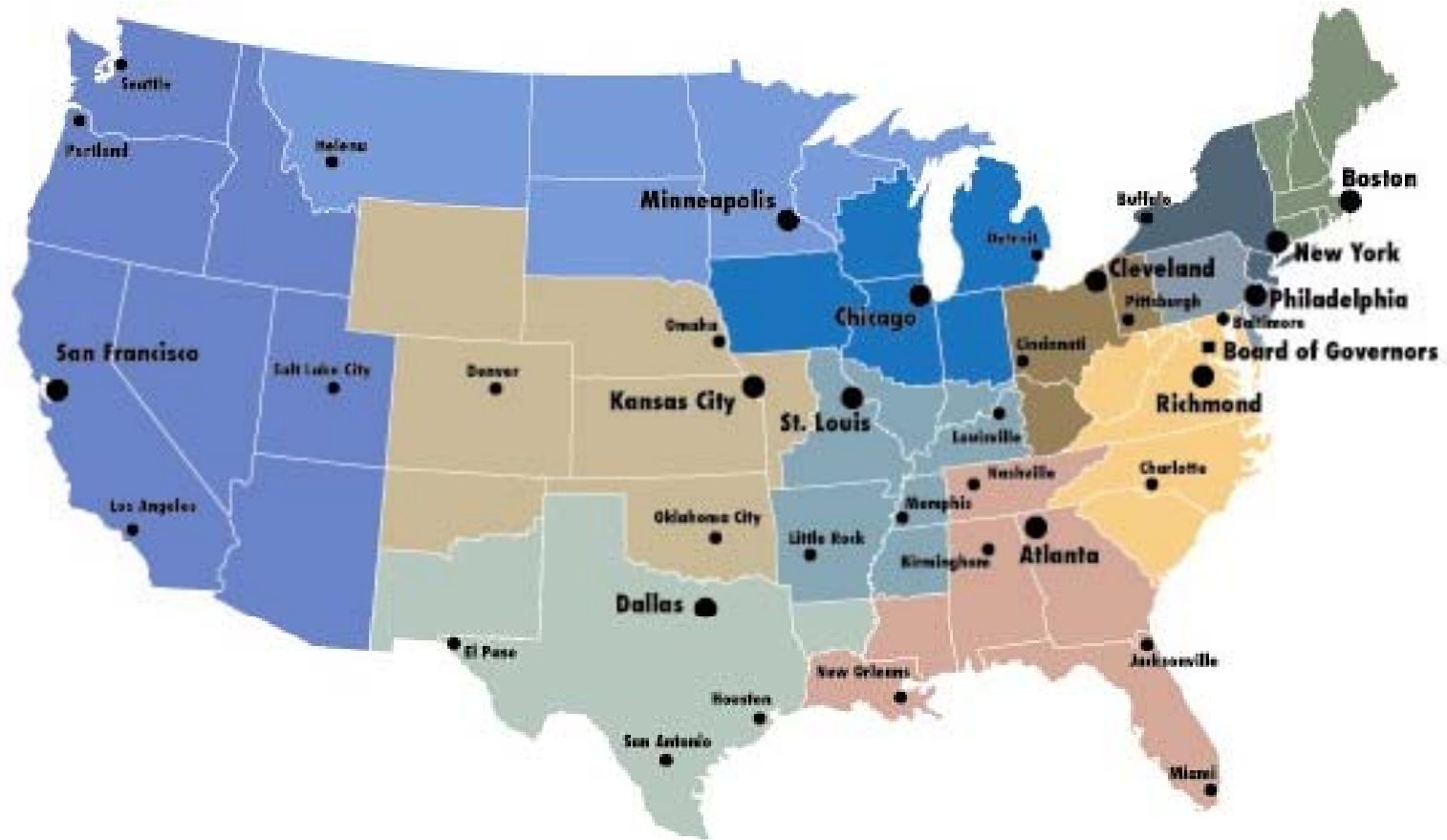
- Monetary Policy
- Payments Services
- Banking Supervision and Regulation

□ 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 Federal Reserve's Tenth District



U.S. Economic Outlook

	2008: Q1	2008: Q2	2008: Q3	2008: Q4*	2009: Q1*	2009*
Real GDP Growth	0.9	2.8	-0.5	-6.2 to -3.8	-4.6 to -1.9	-2.3 to -0.8
Unemployment Rate	4.9	5.4	6.1	6.9	7.1 to 7.7	7.6 to 8.4
Consumer Price Index	4.2	5	6.9	-10.0 to -4.0	-5.1 to 1.6	-1.6 to 1.1
Producer Price Index	9.2	10.6	8.6	-24.7 to -9.1	0.0 to -13.6	n/a

Source: Blue Chip Economic Indicators

* Forecasted January 10, 2009

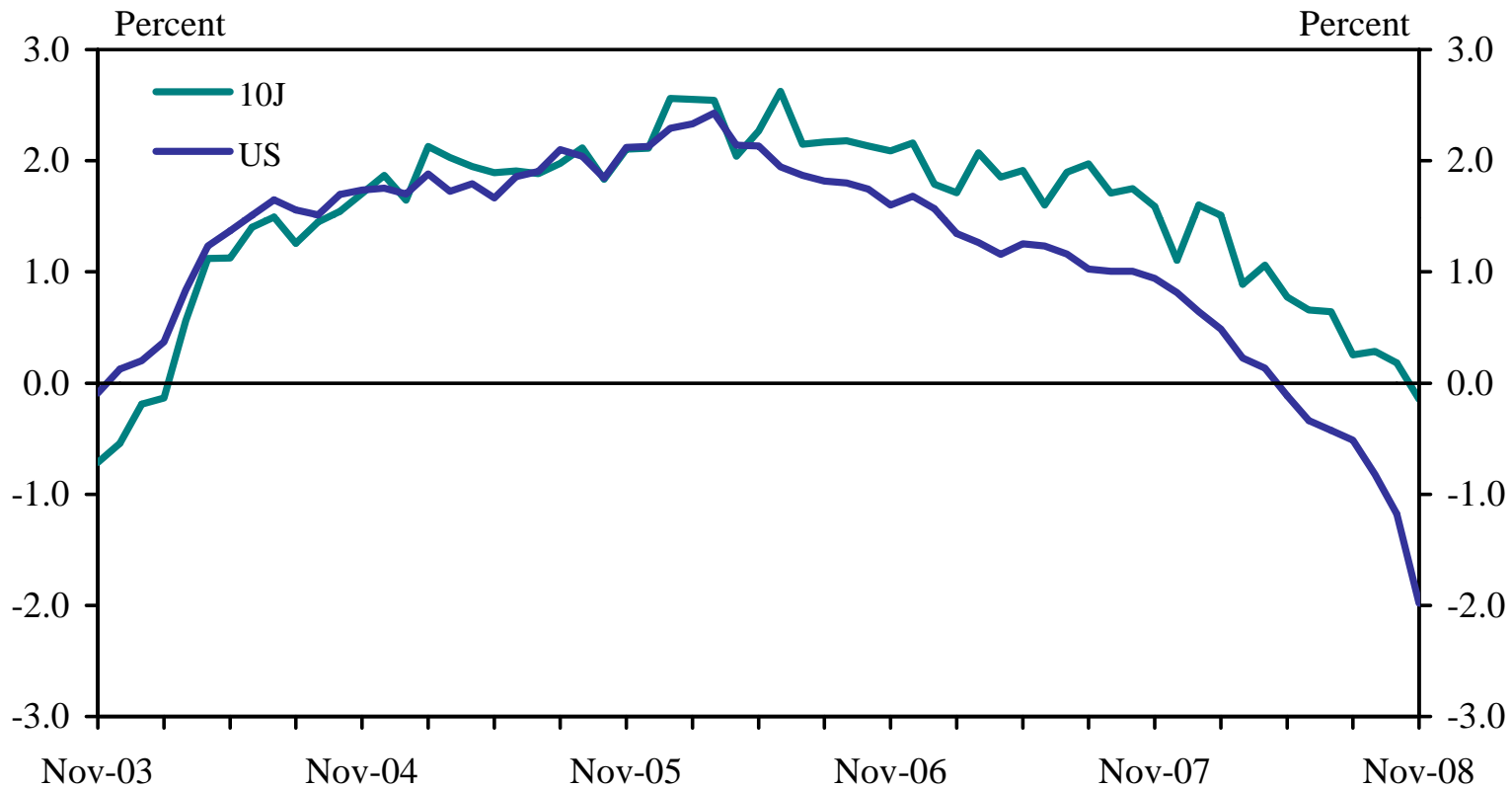


Labor Market



Growth in Private Nonfarm Employment

Year-over-year



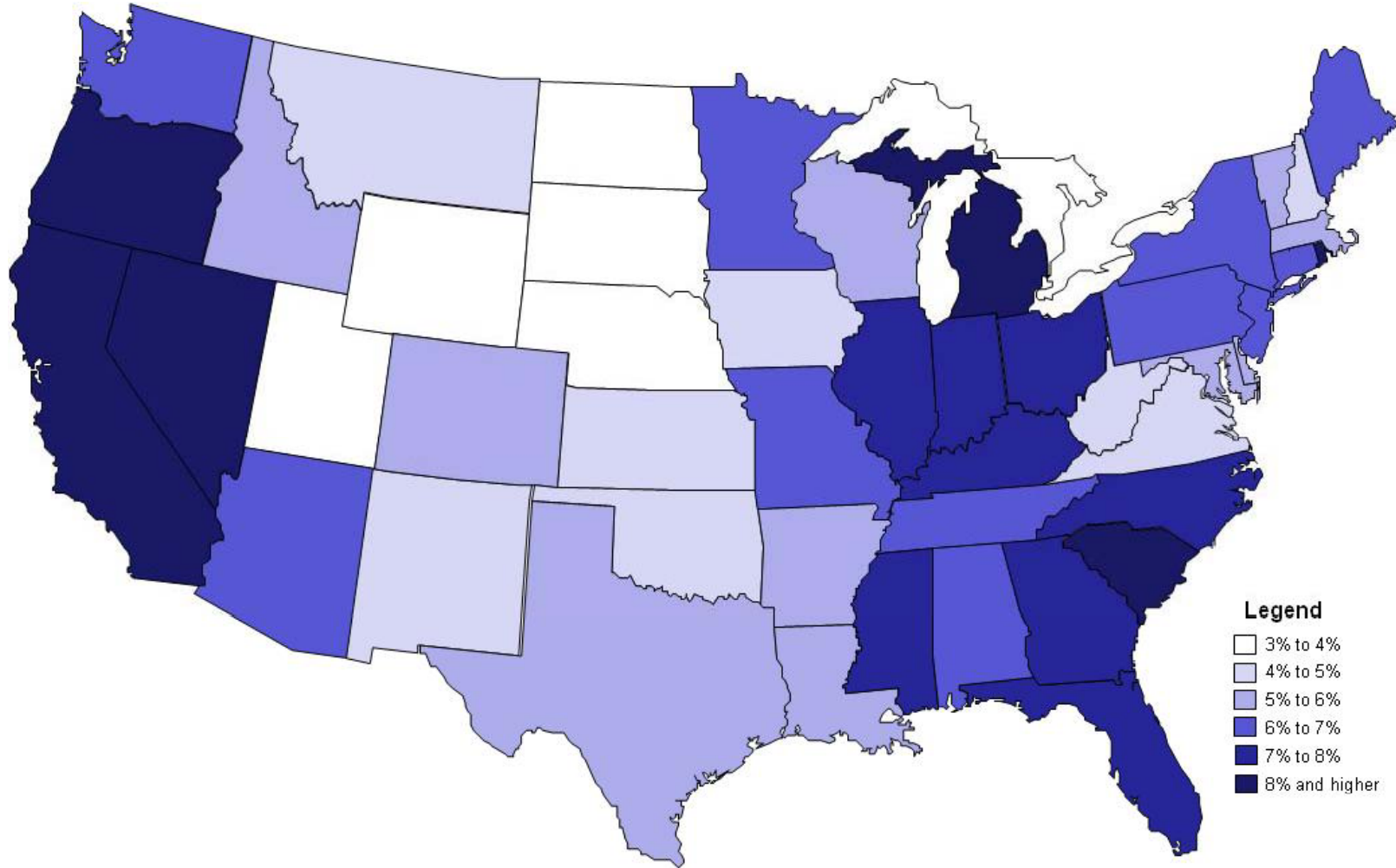
Source: Bureau of Labor Statistics

Latest release: 12/09/08



Unemployment Rate, November 2008

Seasonally adjusted

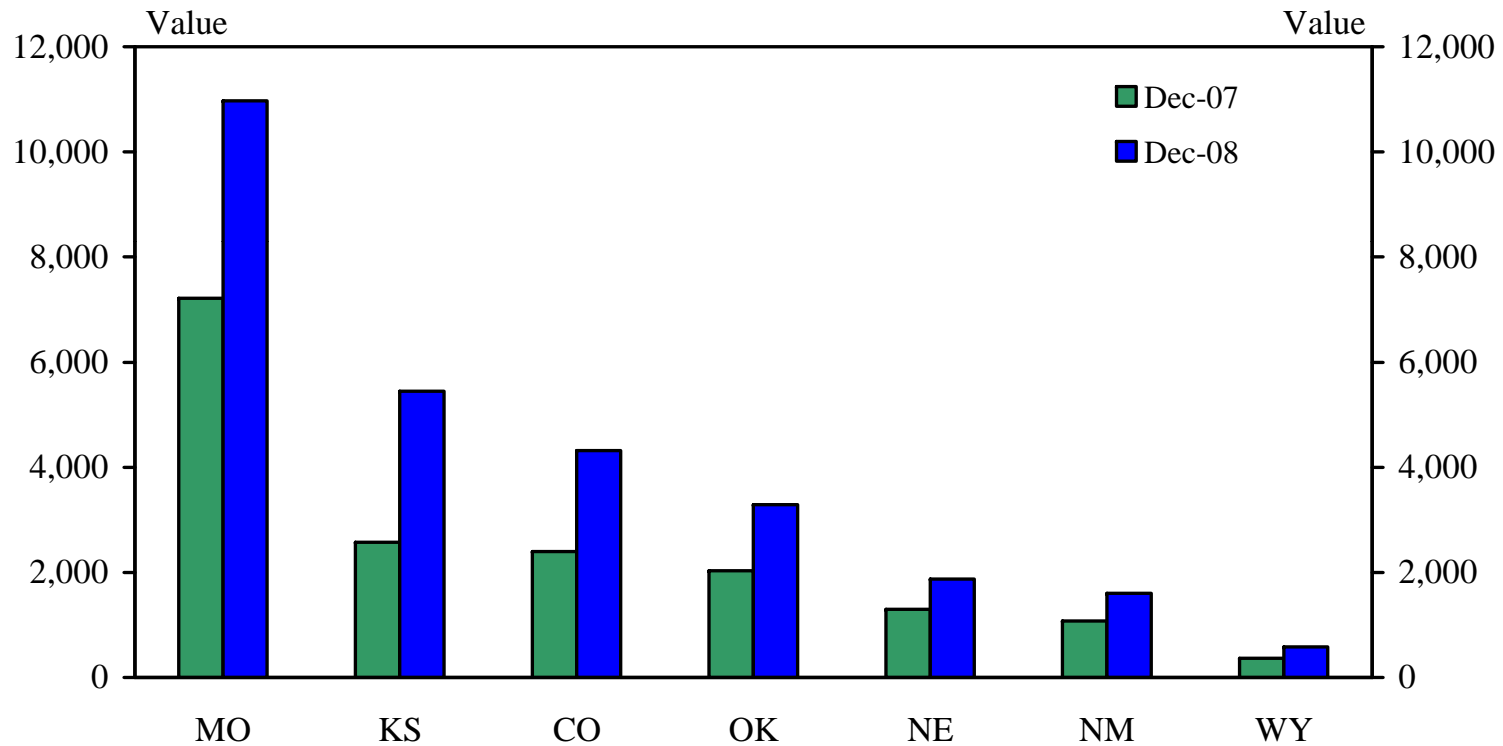


Source: Bureau of Labor Statistics



Initial Unemployment Claims

Seasonally adjusted; weekly average



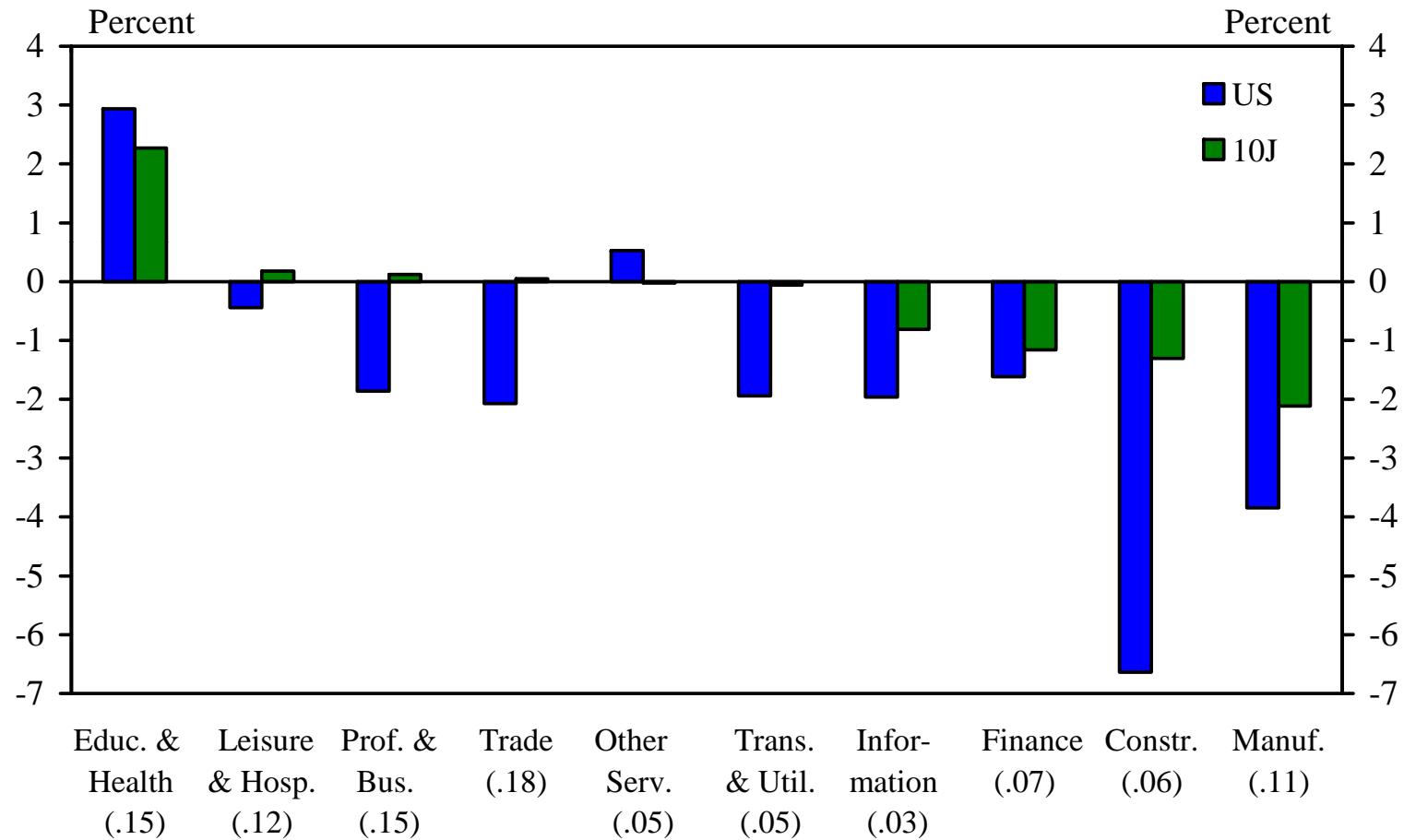
Source: Department of Labor

Latest Release: 01/09/2009



Private Job Growth by Industry

November 2008 over November 2007



Source: Bureau of Labor Statistics

Latest release: 12/09/08

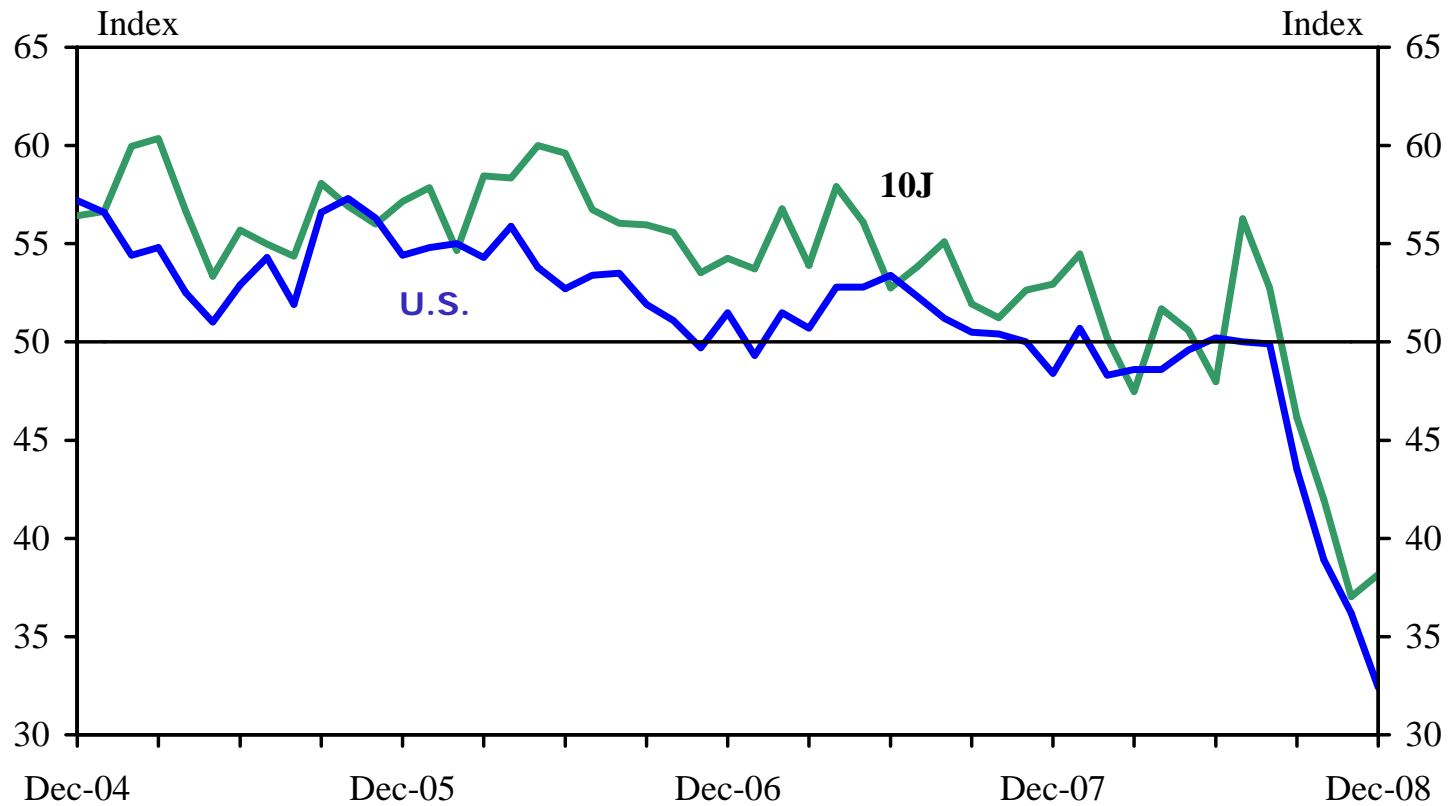


Economic Activity



Manufacturing Activity

Month-over-month PMI indexes (seasonally adjusted)



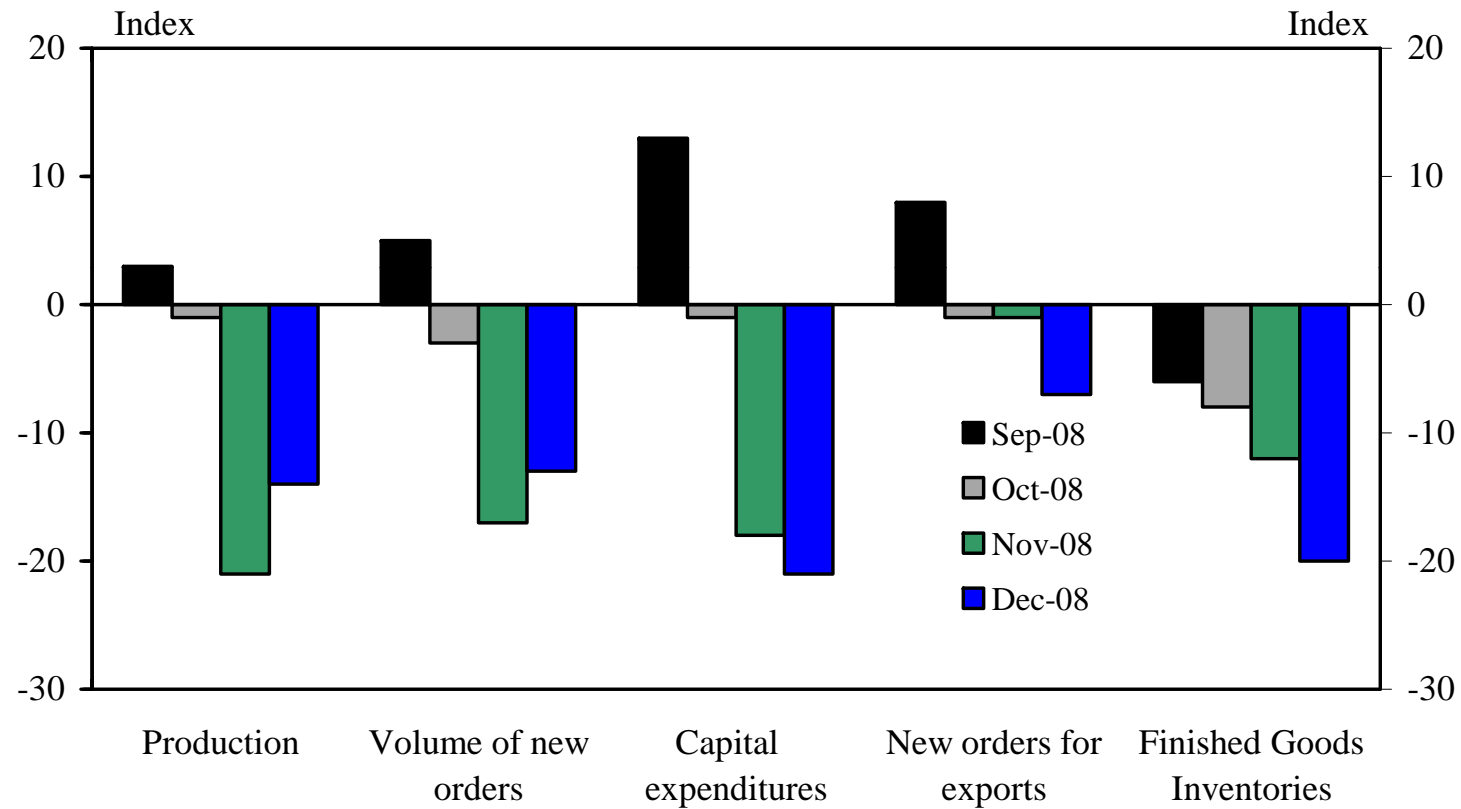
Source: FRBKC Manufacturing Survey and ISM

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



Manufacturing Activity in the 10th District

Six-month-ahead expectation indexes (seasonally adjusted)



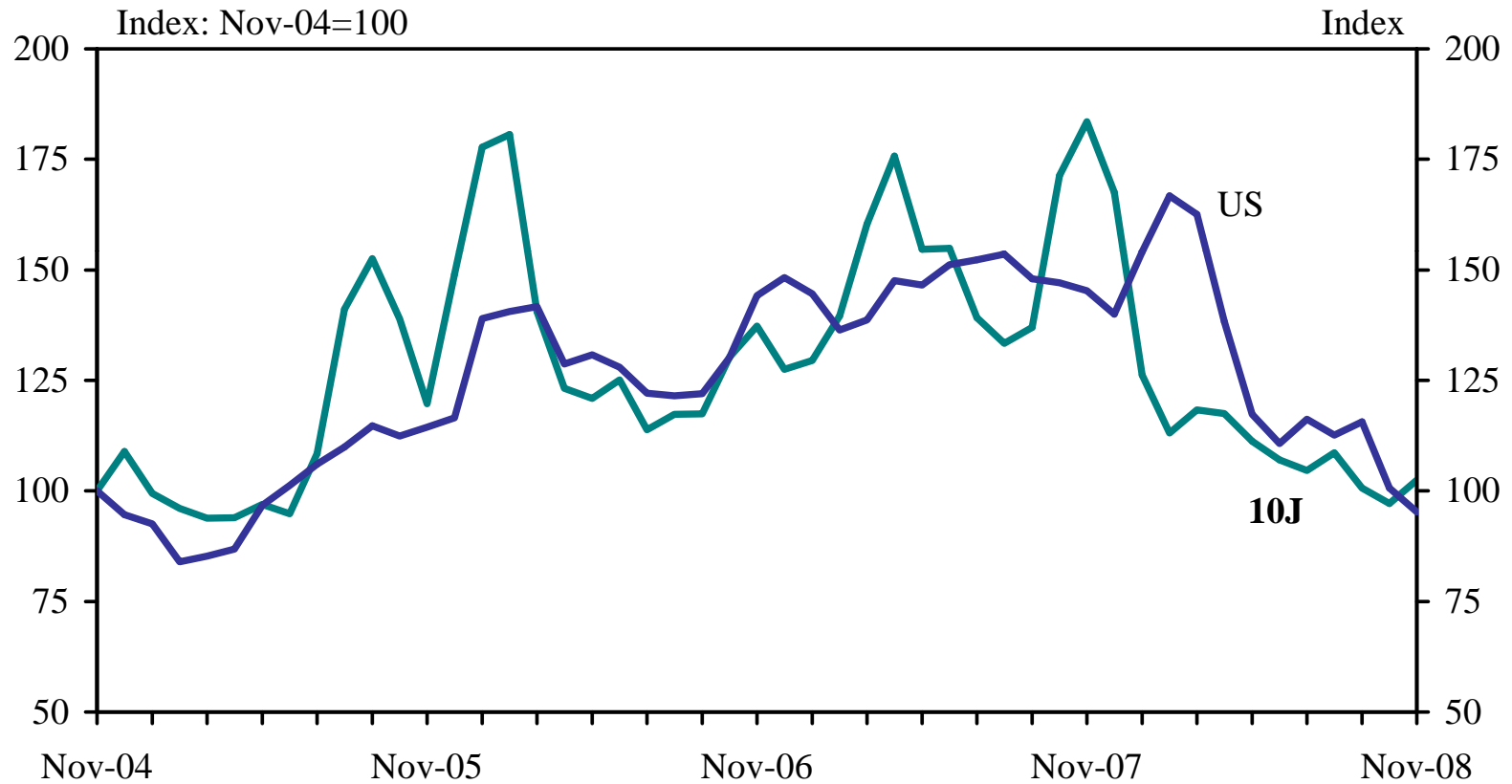
Source: FRBKC Manufacturing Survey

Latest Release: 12/30/2008



Value of Commercial Construction Contracts

Seasonally adjusted



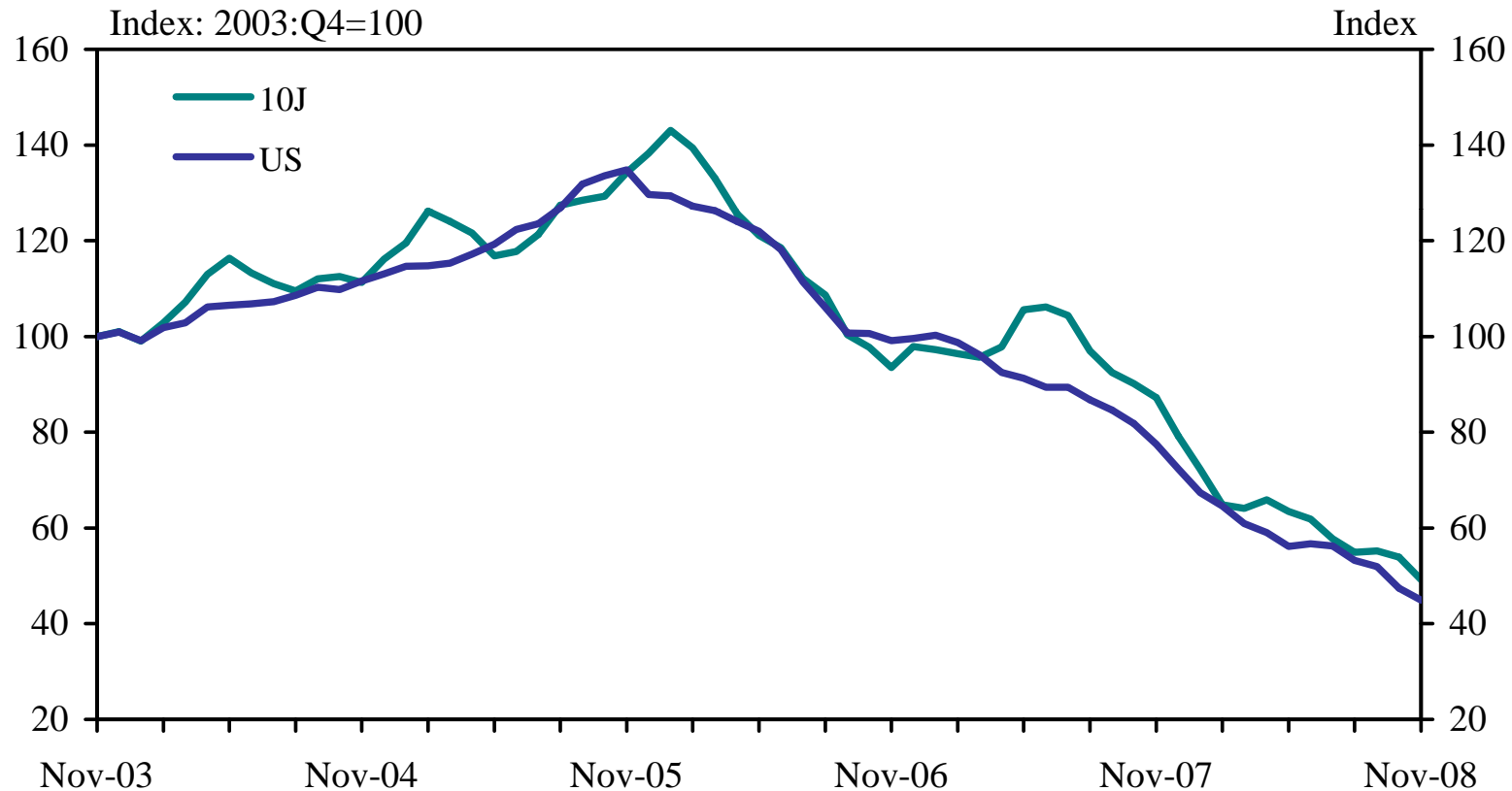
Source: F.W. Dodge, Inc.

Latest release: 12/15/2008



Value of Residential Construction Contracts

Seasonally adjusted



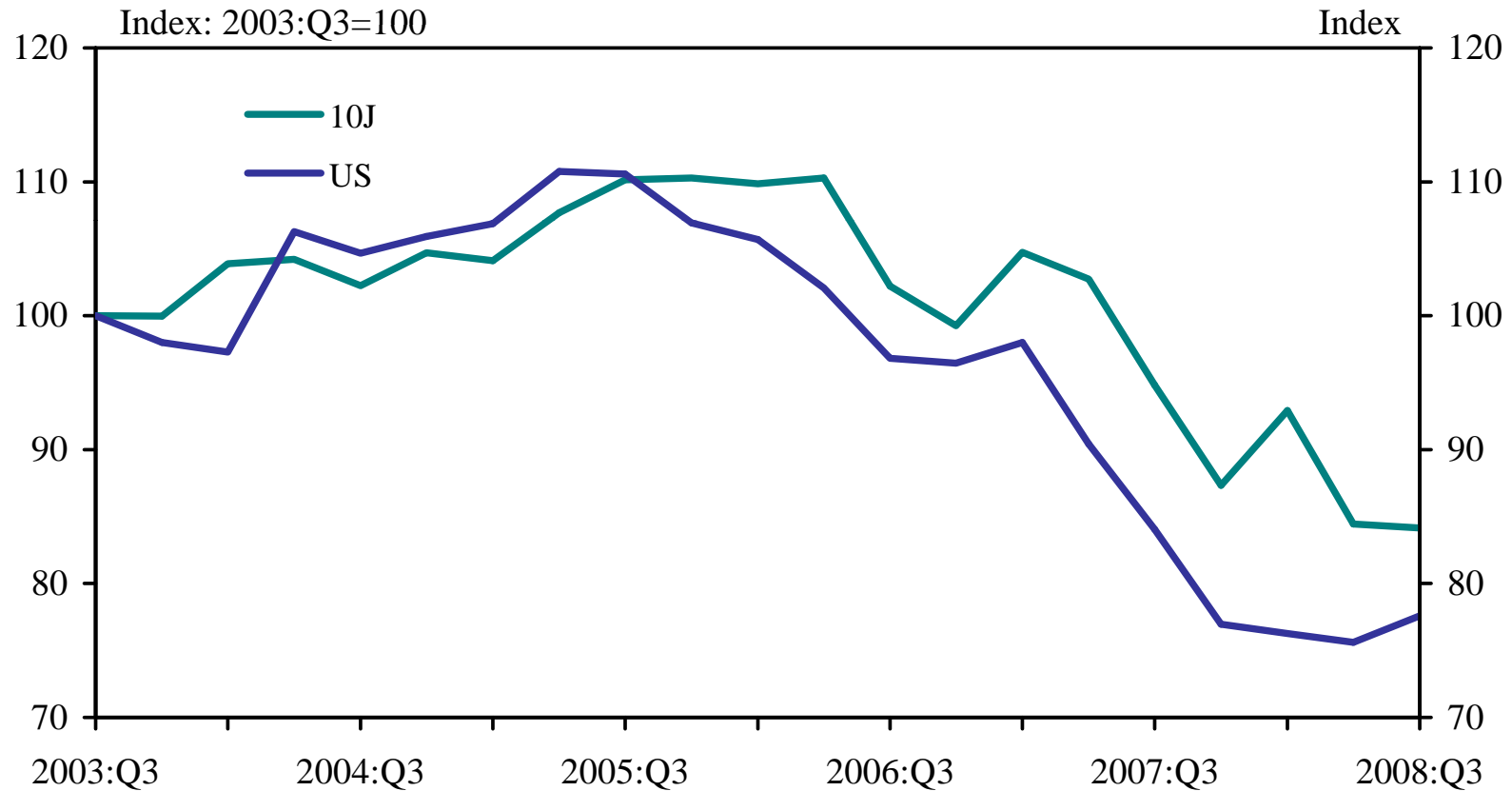
Source: F.W. Dodge, Inc.

Latest release: 12/15/2008



Sales of Existing Homes

Seasonally adjusted



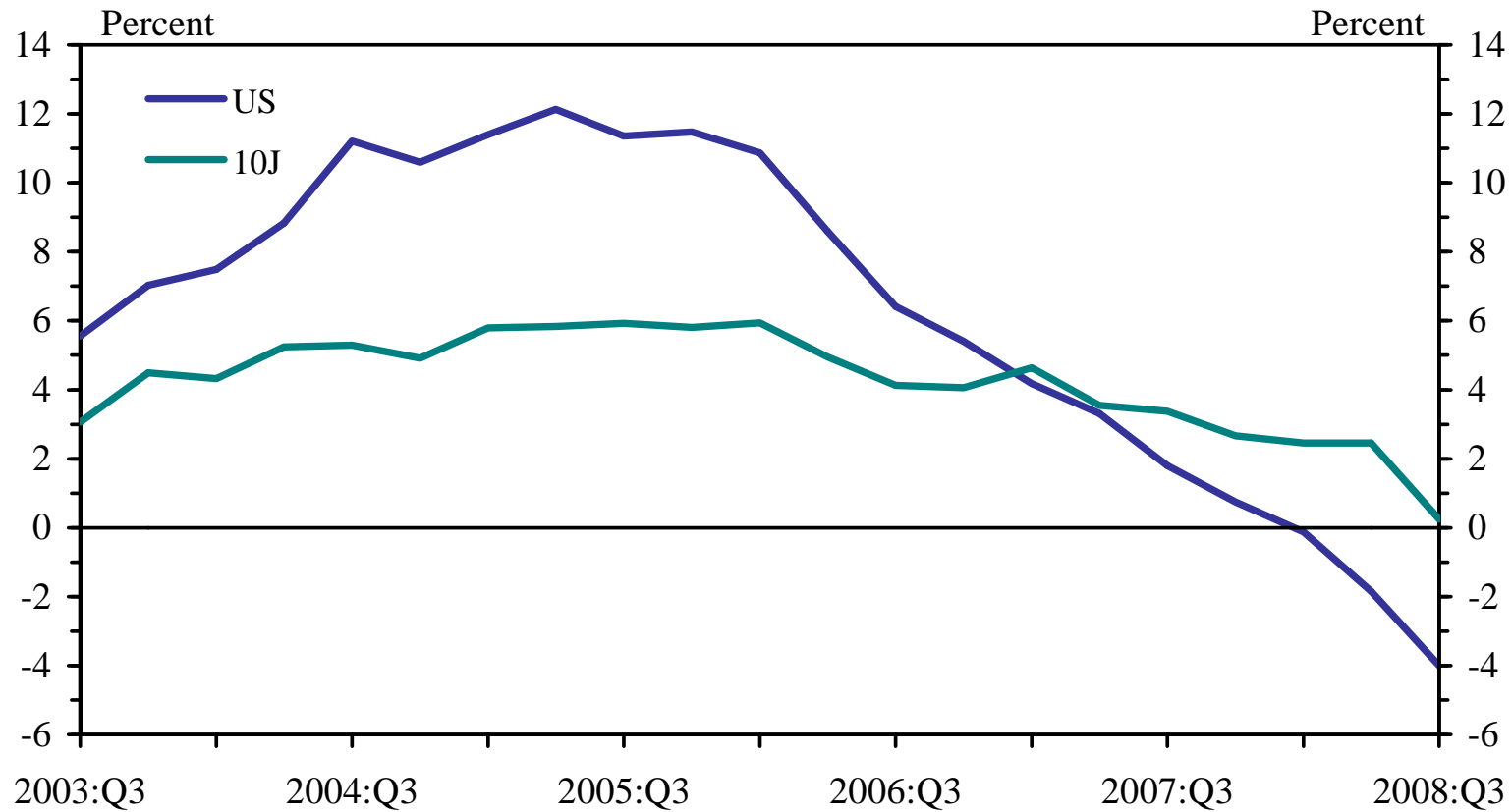
Source: National Association of Realtors

Latest release: 11/18/2008



Home Price Appreciation

Year-over-year



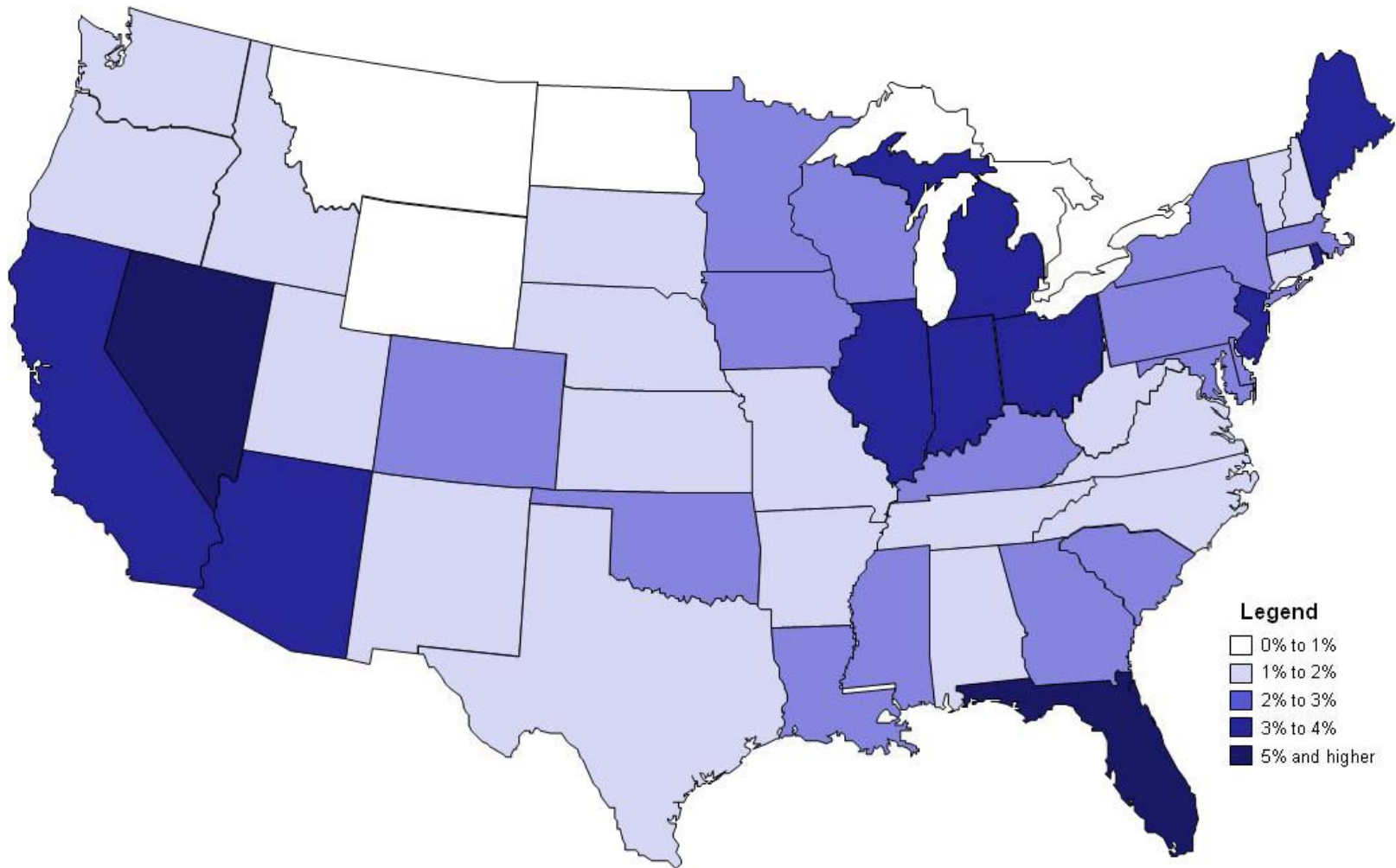
Source: OFHEO

Latest release: 11/25/2008



Foreclosure Inventory

Third Quarter 2008



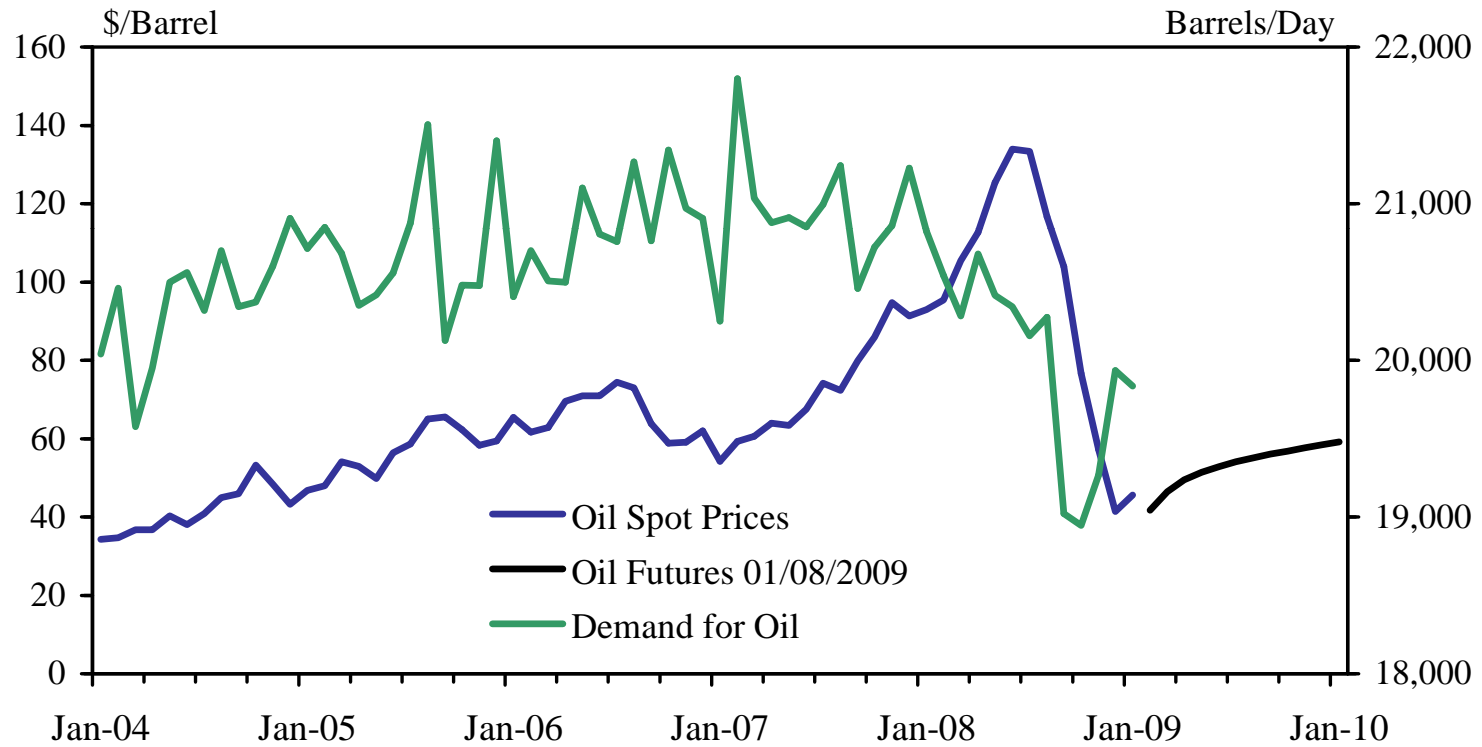
Source: Mortgage Bankers Association



Prices



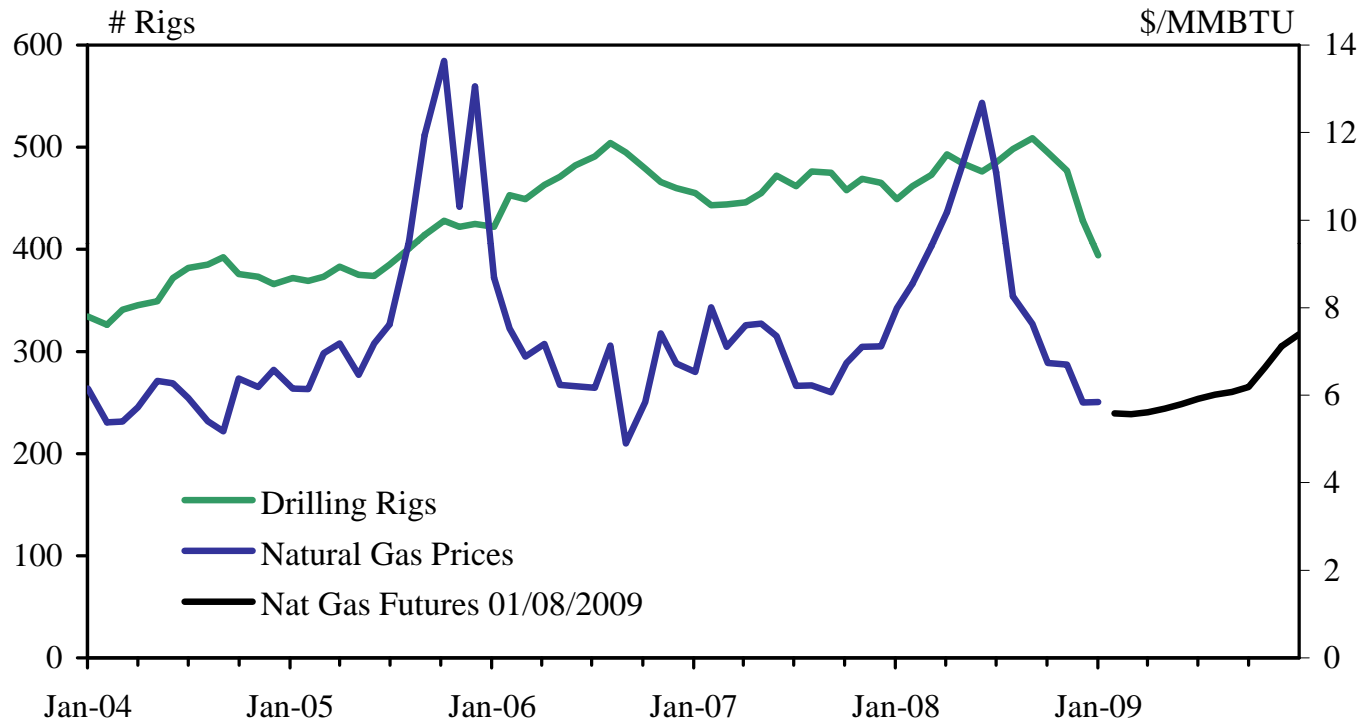
Oil Prices and U.S. Demand for Oil



Source: EIA and Bloomberg



Natural Gas Prices and 10th District Active Drilling Rigs

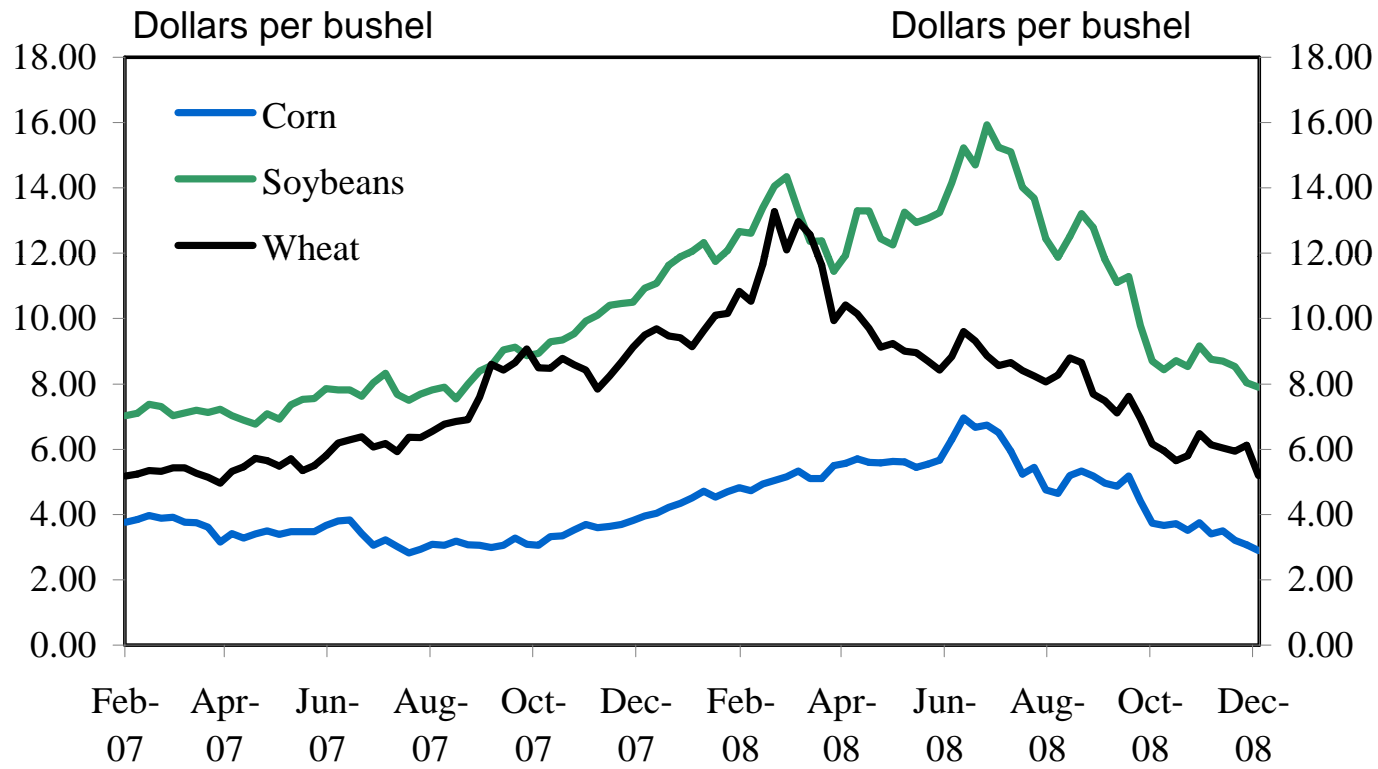


Source: Baker-Hughes and Bloomberg

Latest release: 01/09/2009



U.S. Crop Prices

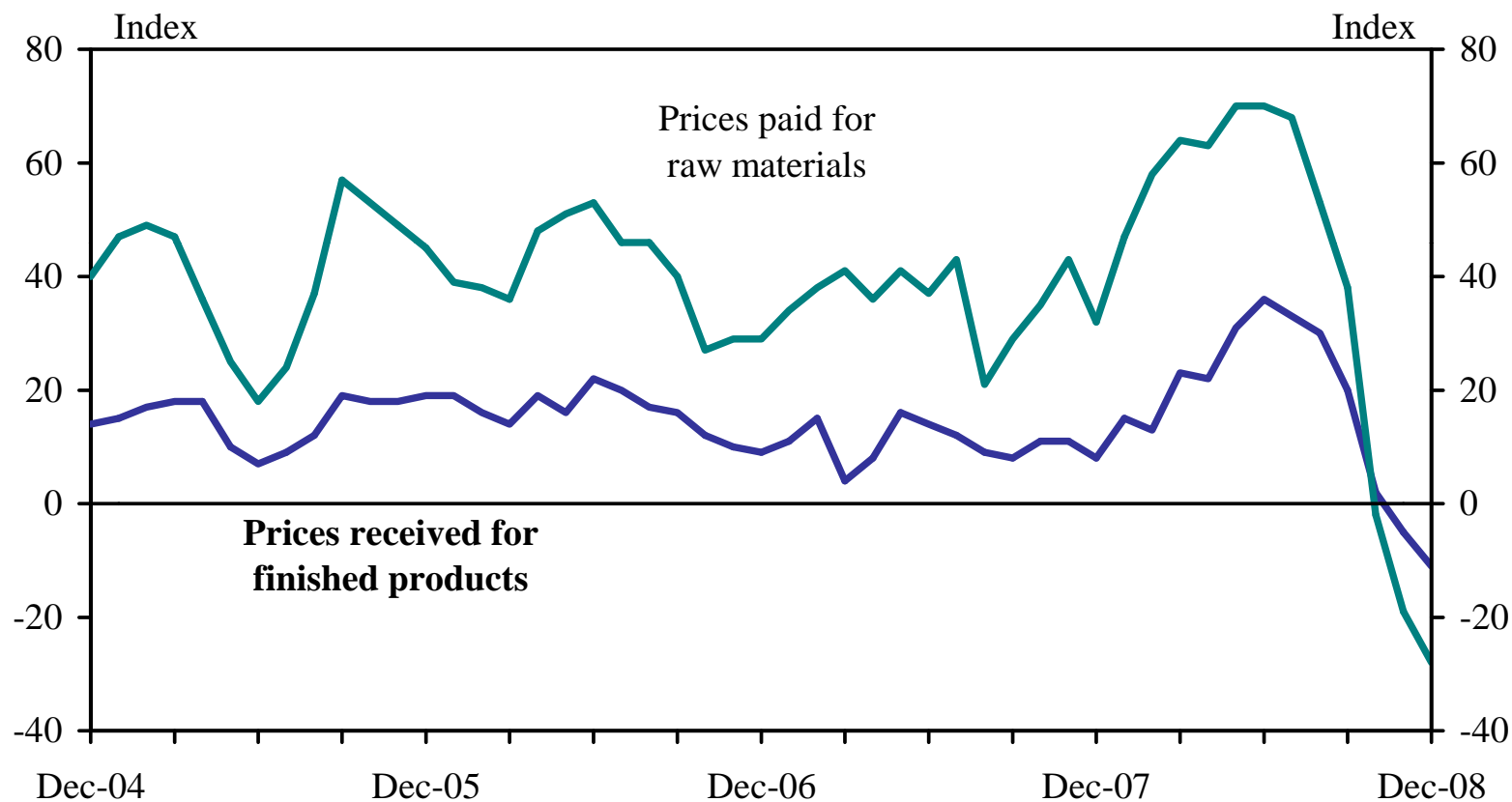


Source: Commodity Research Bureau



Manufacturing Price Pressures

Month-over-month price diffusion index for the Tenth District



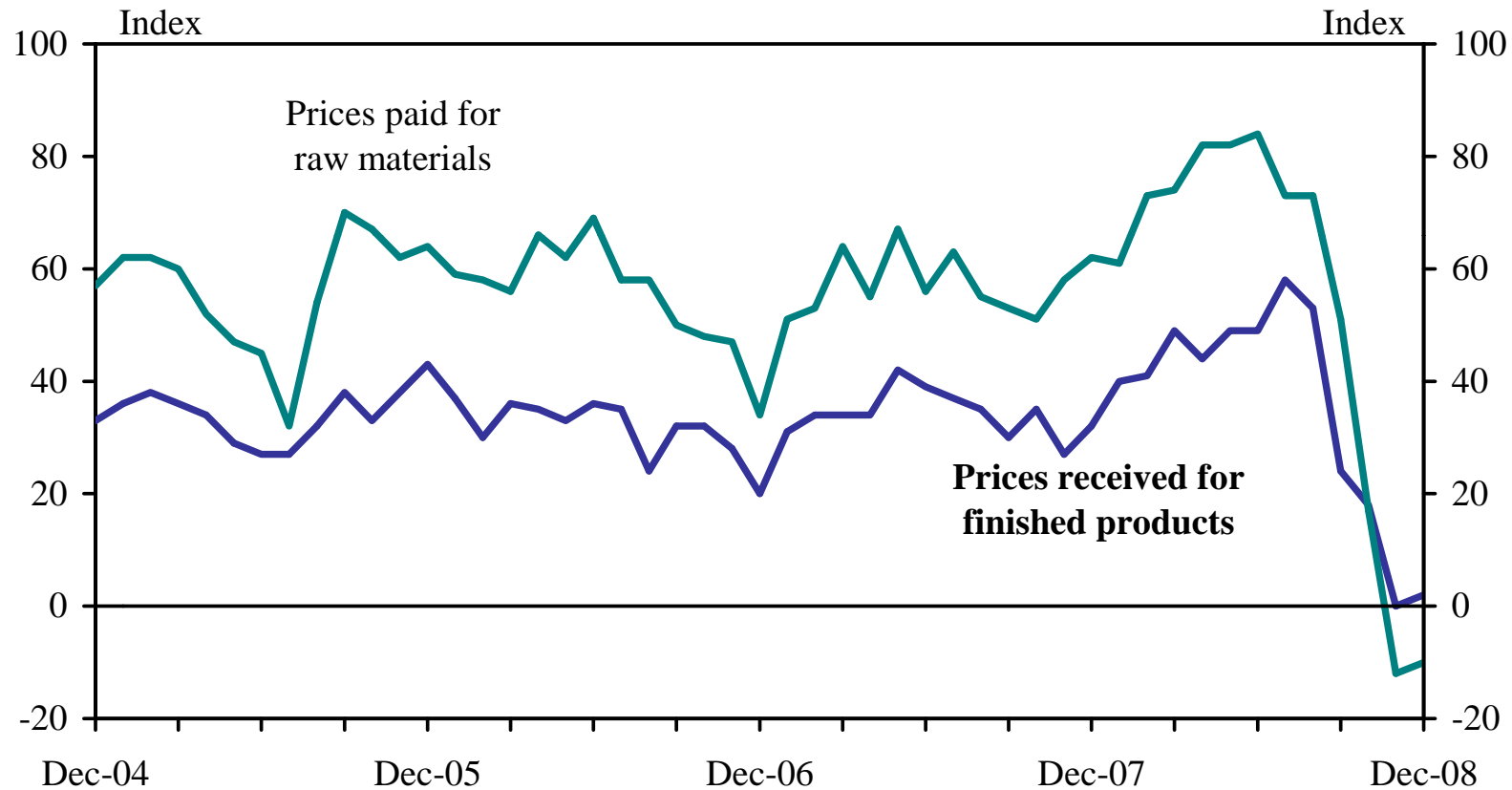
Source: FRBKC Manufacturing Survey

Latest release: 12/30/2008



Manufacturing Price Pressures

Six-month-ahead price diffusion index for the Tenth District



Source: FRBKC Manufacturing Survey

Latest release: 12/30/2008



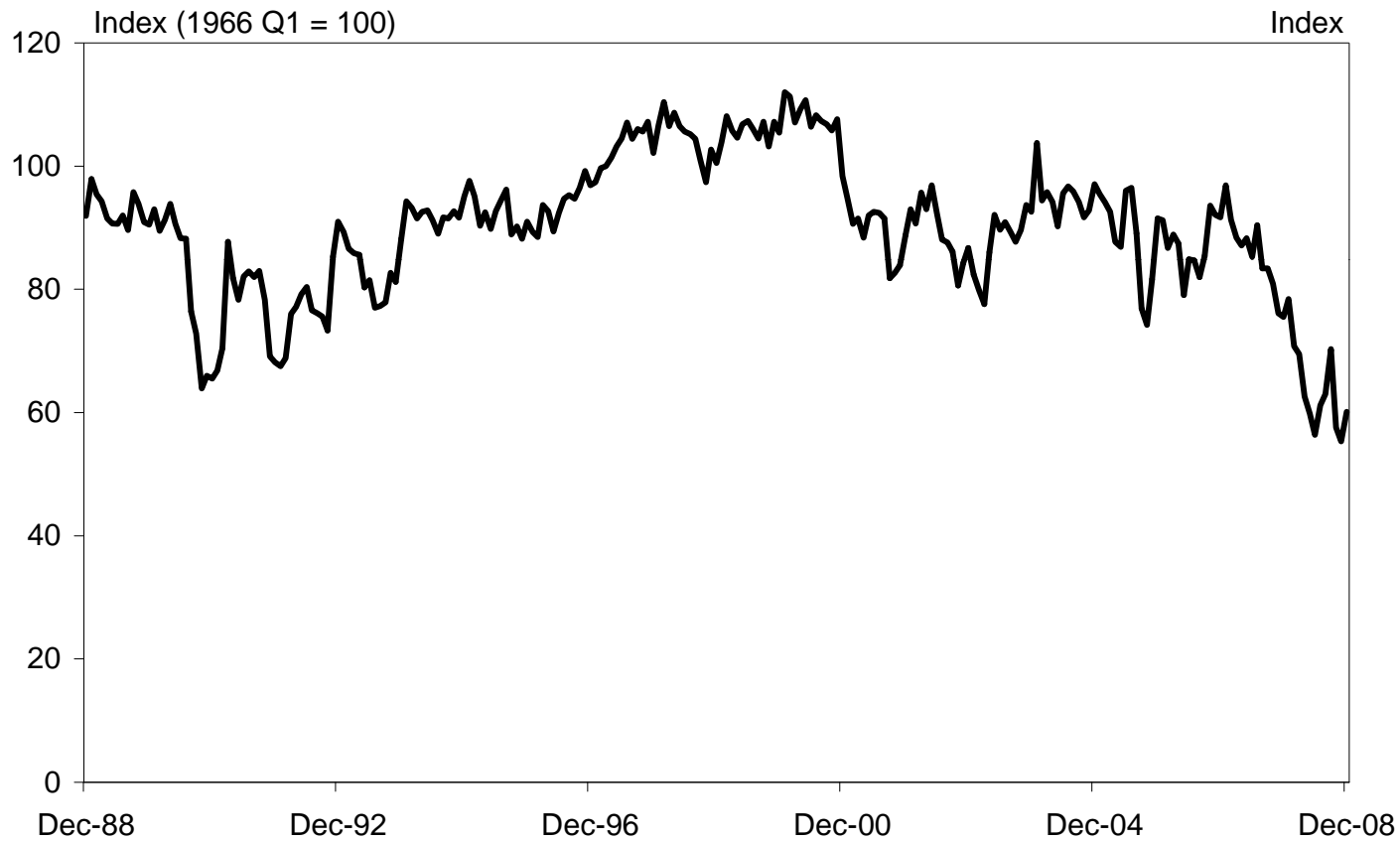


Consumer Confidence and Consumer Spending



Consumer Confidence

Seasonally adjusted



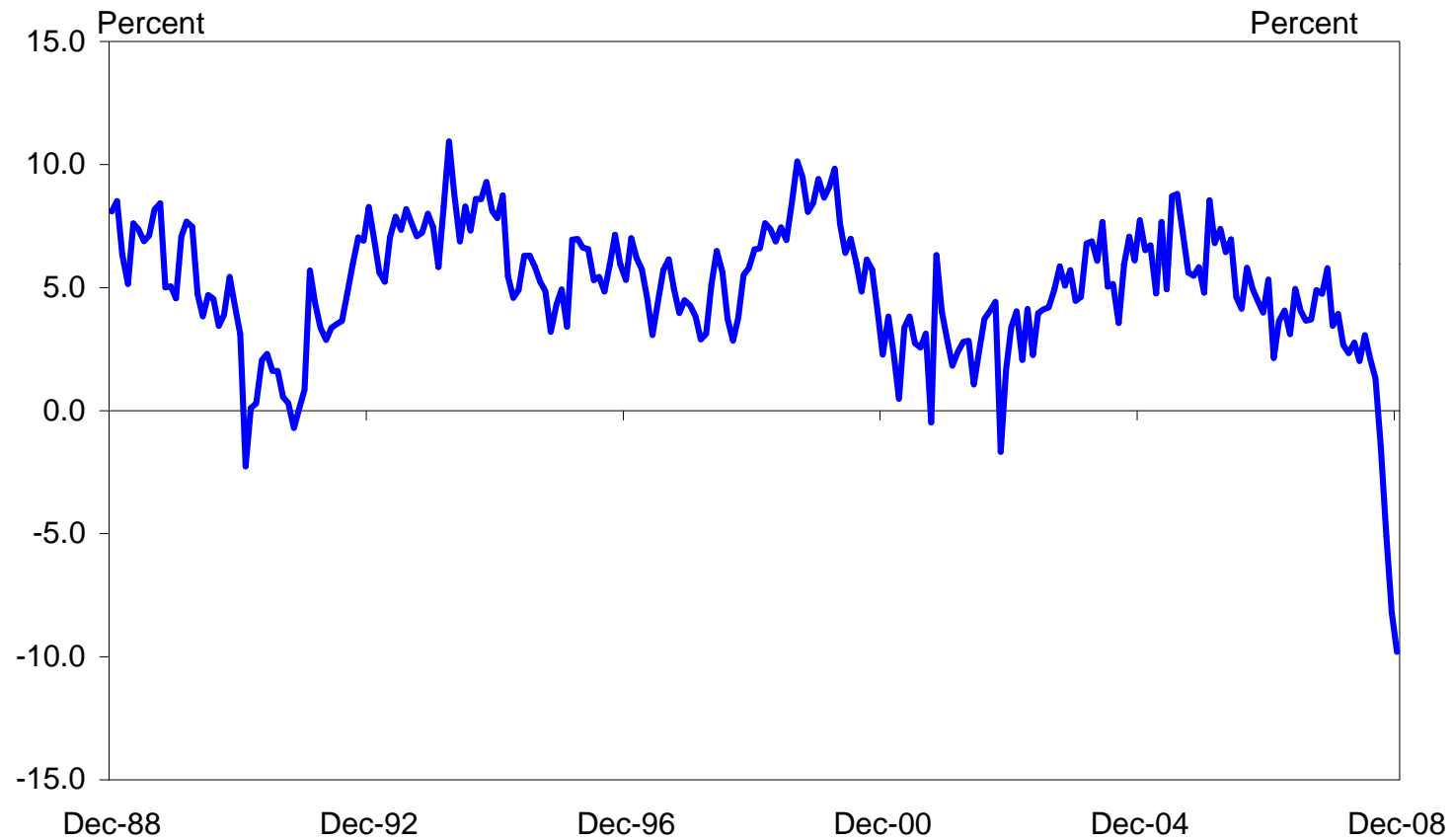
Source: University of Michigan

Latest release: 12/23/2008



National Retail Sales

Year-over-year, seasonally adjusted



Source: US Census Bureau

Latest release: 01/14/2009



Conclusions

- ❑ The 10th District economy continues to outperform the nation but economic activity is slowing sharply.
- ❑ District private employment growth was negative in 2008 and leading employment indicators suggest that labor conditions will worsen in the months ahead.
- ❑ Activity in the manufacturing and construction industries has weakened.
- ❑ Price pressured eased substantially in the fourth quarter of 2008.
- ❑ Consumer confidence is one key component to an economic rebound.





Questions?

