

Economic Update

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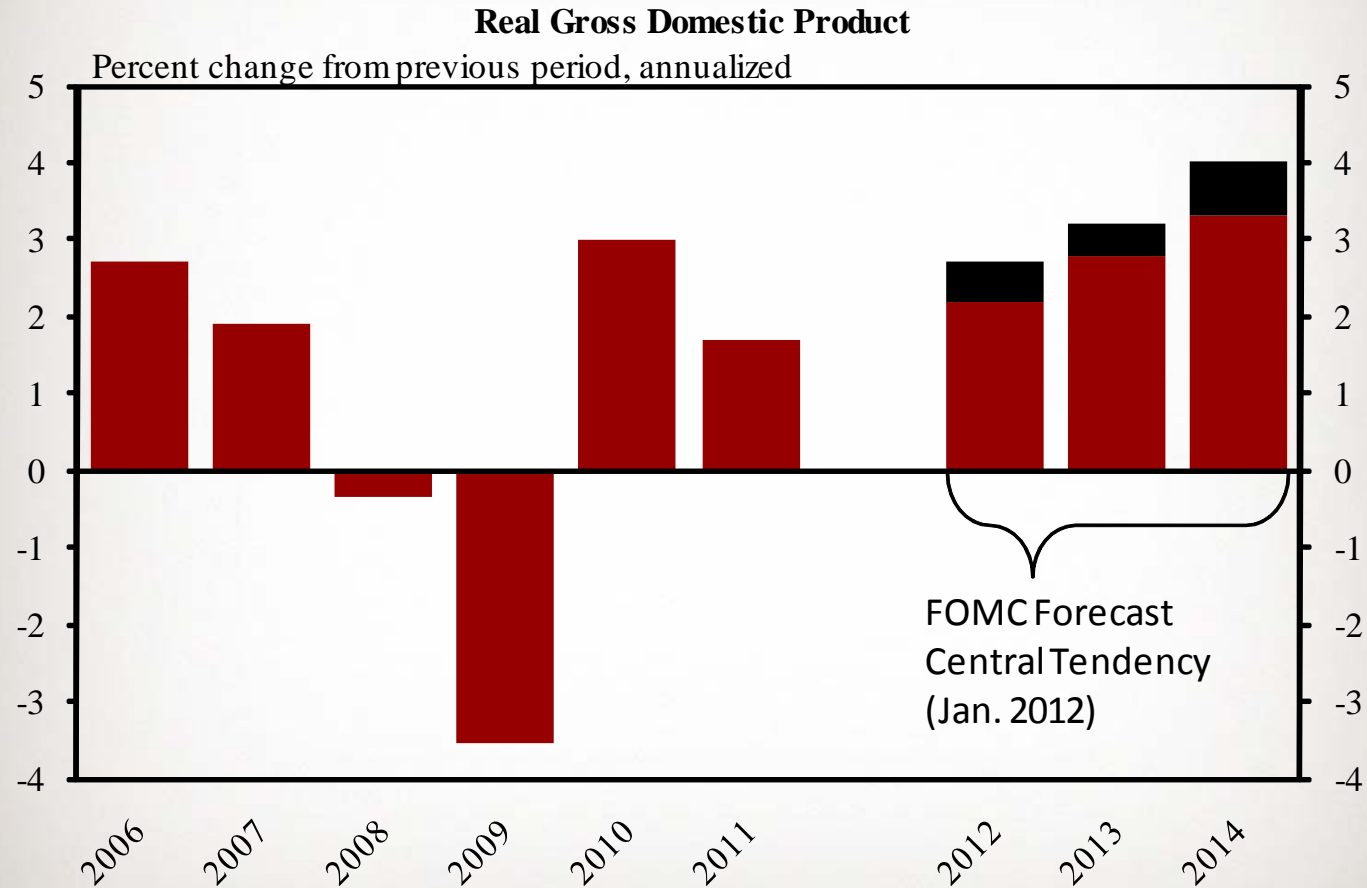
Federal Reserve Bank of Kansas City

2012
Regulatory Update
— SEMINAR —

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.

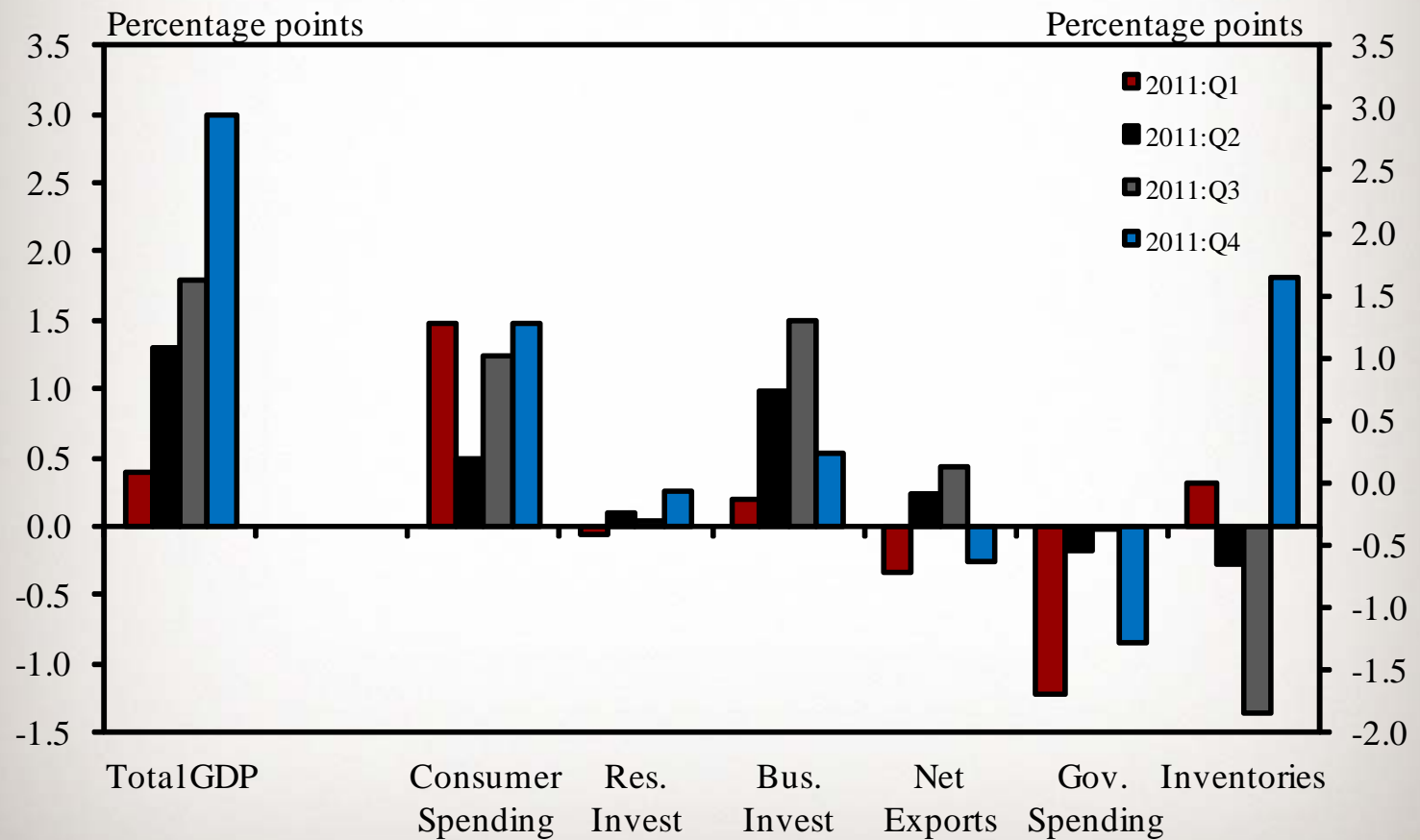
After slowing in the first half of 2011, growth is picking up.



Source: Bureau of Economic Analysis; FOMC

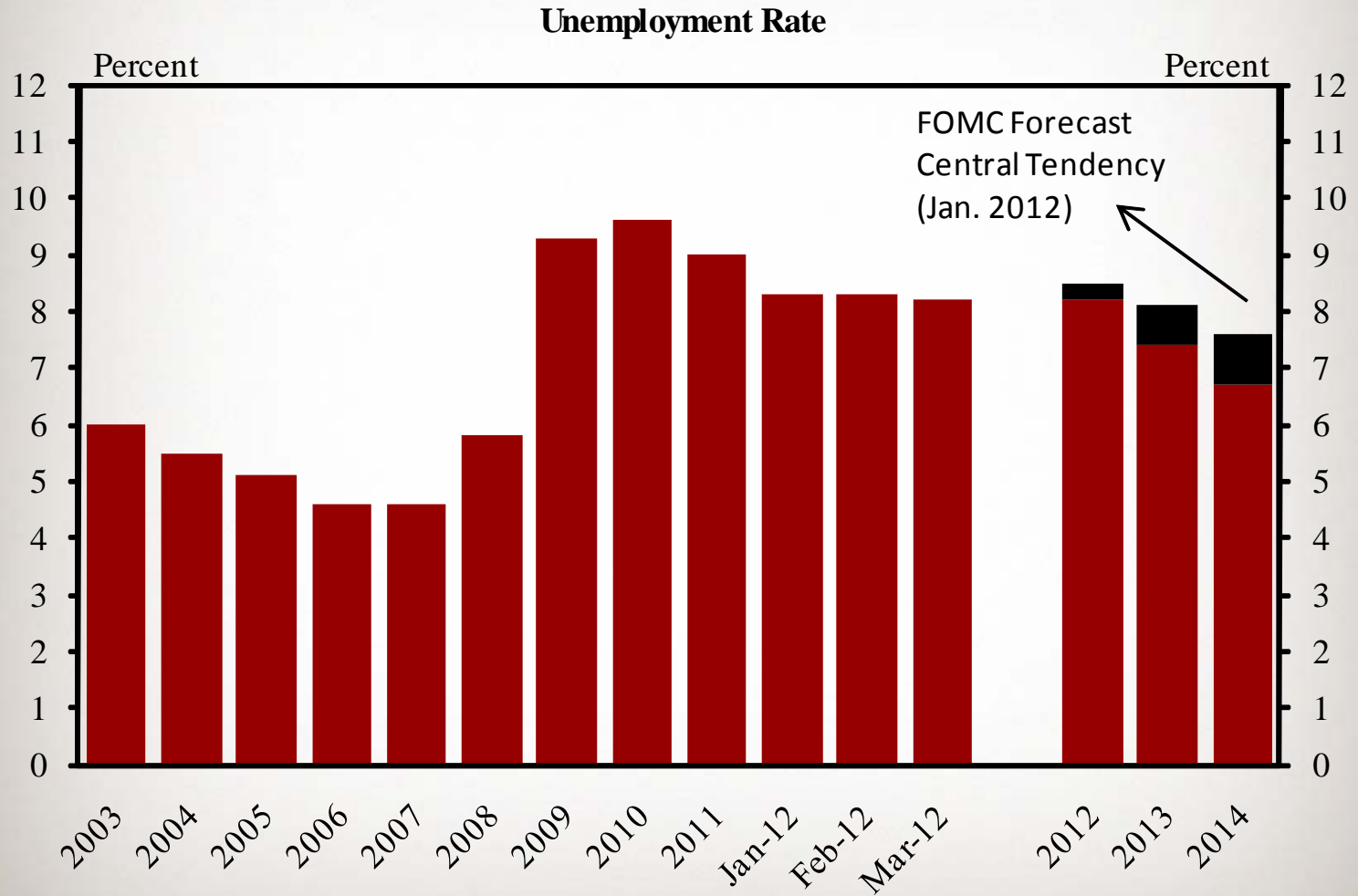
Consumer spending and inventory investment contributed to the increase in fourth quarter GDP.

Contributions to Percent Change in Real GDP



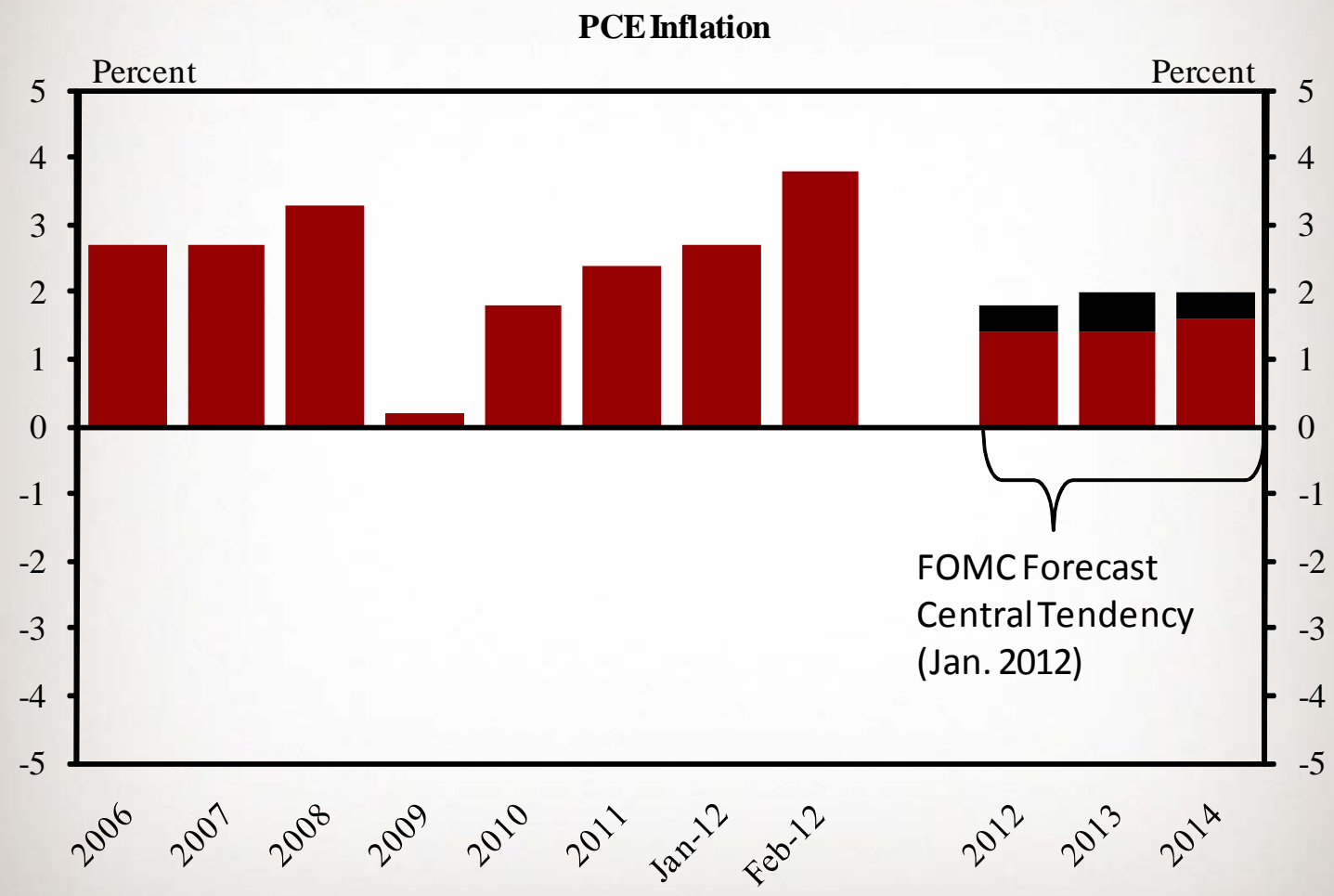
Source: Bureau of Economic Analysis

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



Source: Bureau of Labor Statistics; FOMC

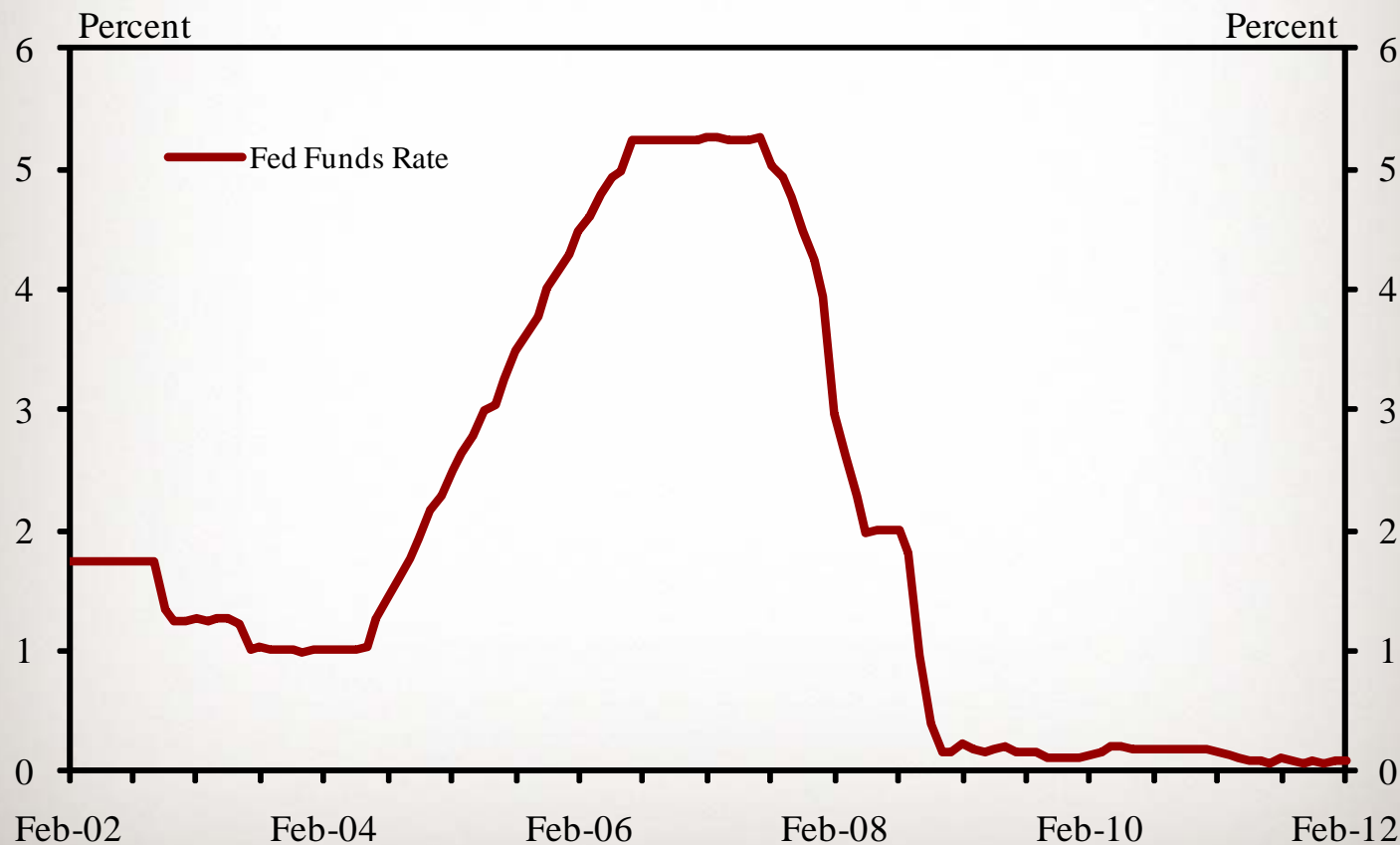
Inflation has increased recently due to higher gas prices, but the increase is expected to be temporary.



Source: Bureau of Economic Analysis; FOMC
Note: Monthly inflation shows the compounded annual rate of change.

FOMC March 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.”

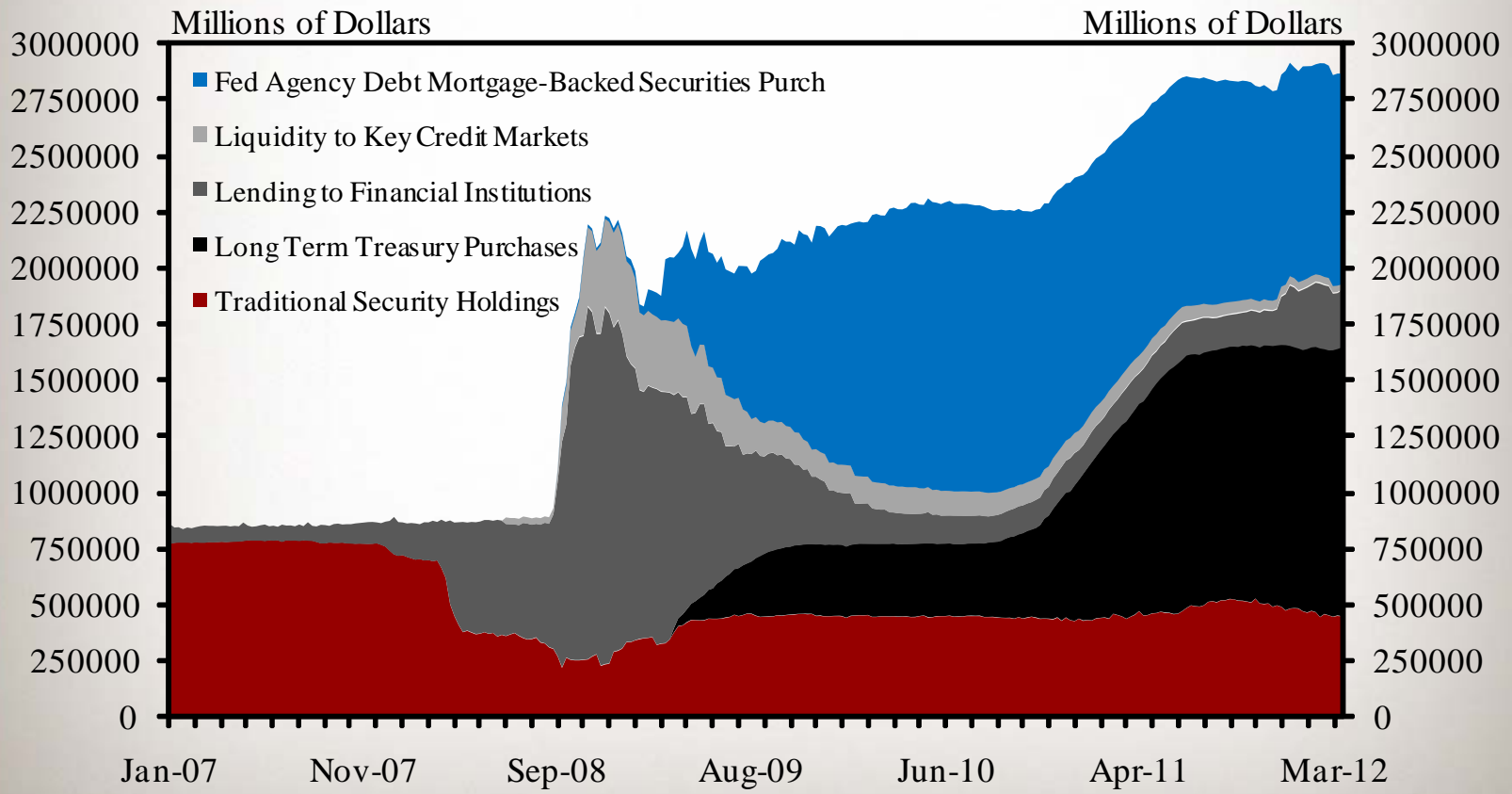
Fed Funds Rate



Source: FOMC

FOMC March 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

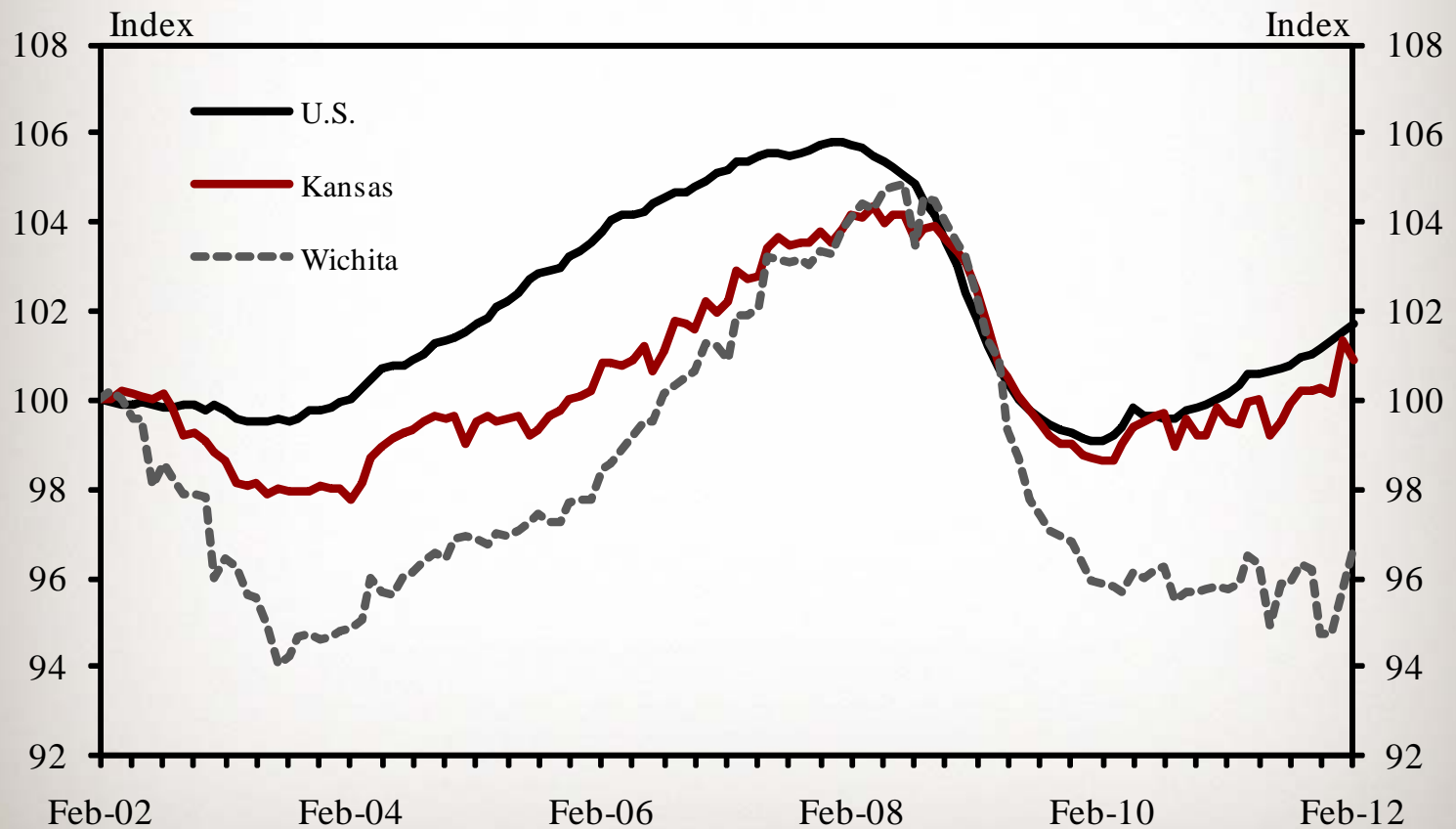


2012 REGULATORY UPDATE SEMINAR
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The Kansas Economy

Despite recent gains, Kansas employment is still down 3.3% compared to peak levels.

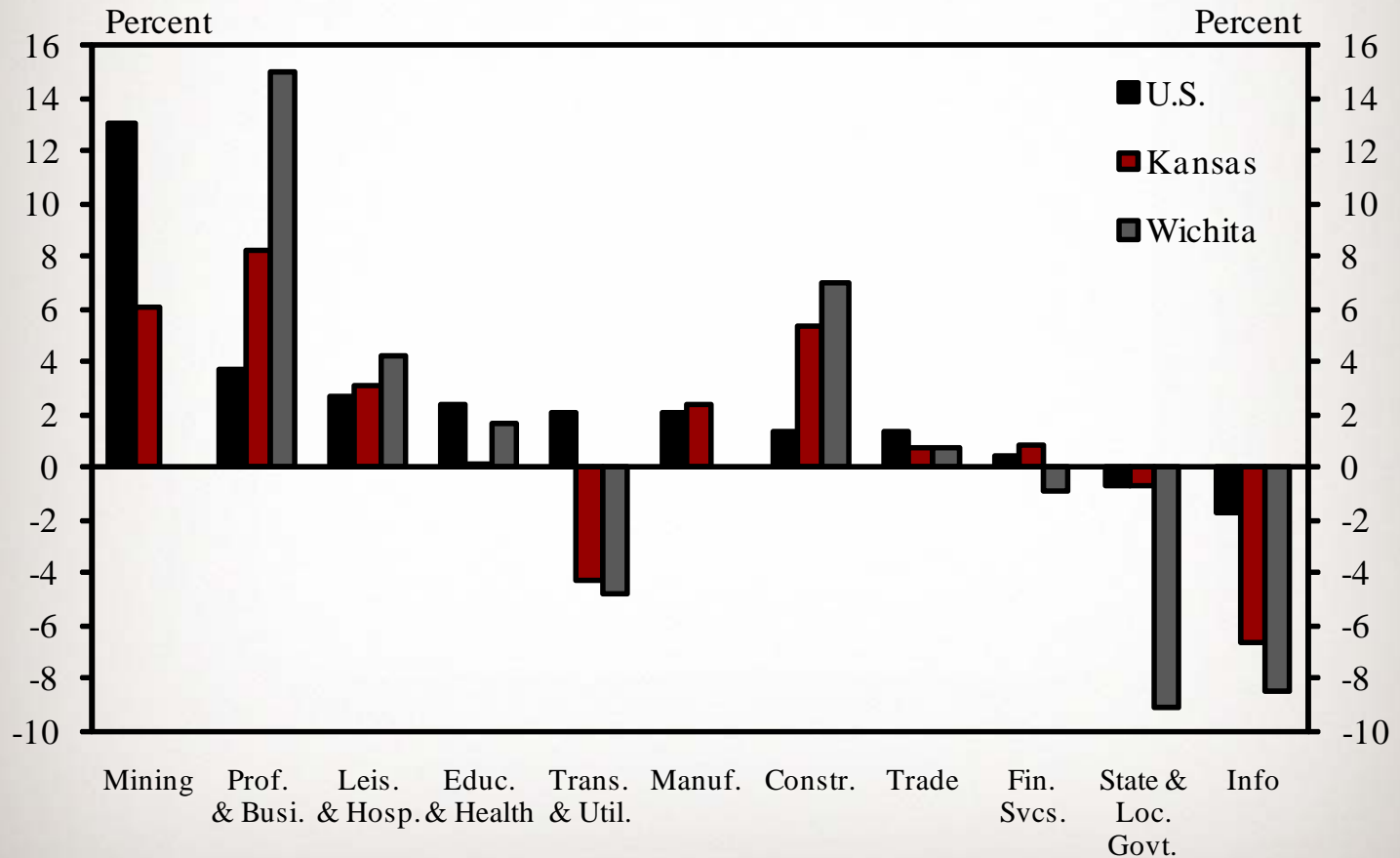
Total Nonfarm Employment
Seasonally adjusted



Source: Bureau of Labor Statistics

Over the past year, employment has increased in the majority of industries.

Employment Growth by Industry
Feb-12 over Feb-11



Source: Bureau of Labor Statistics

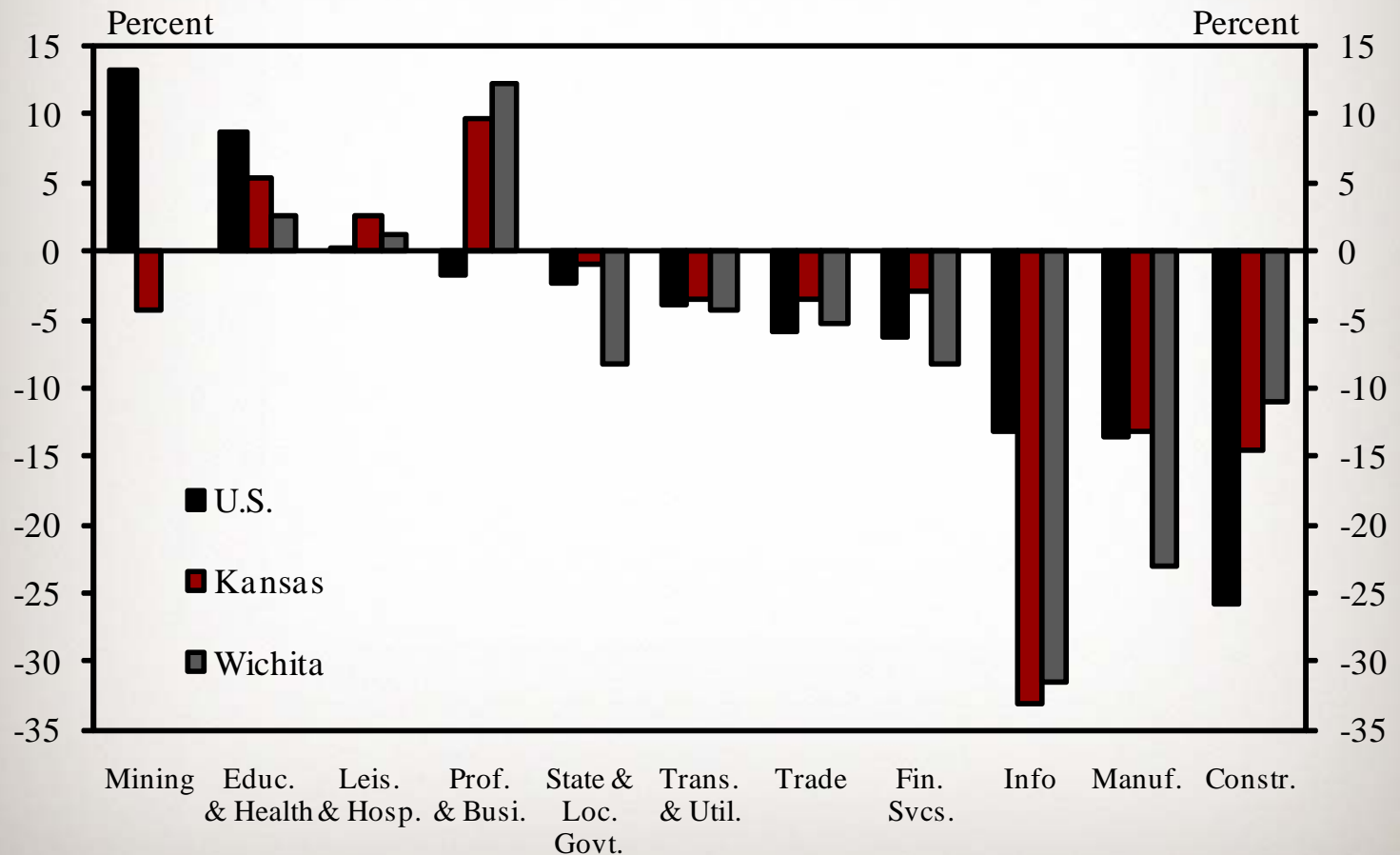
Note: Mining employment is included in the construction numbers for Wichita.

Manufacturing employment in Wichita was flat over the past year.

Employment is still down more than 10% in the information, manufacturing and construction industries.

Employment Growth by Industry

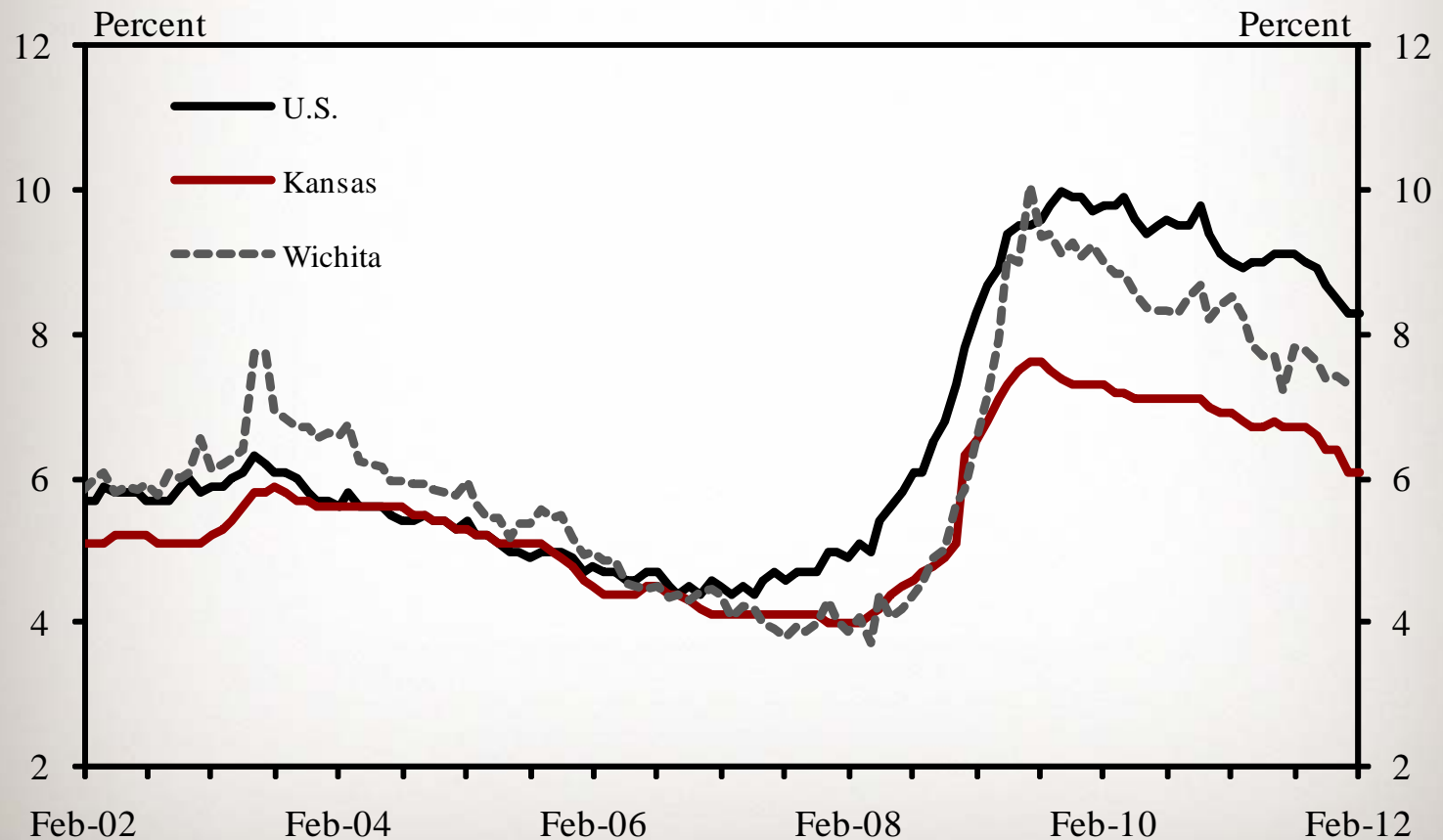
Feb-12 over Dec-07



Source: Bureau of Labor Statistics

Unemployment rates have fallen in Kansas and the U.S.

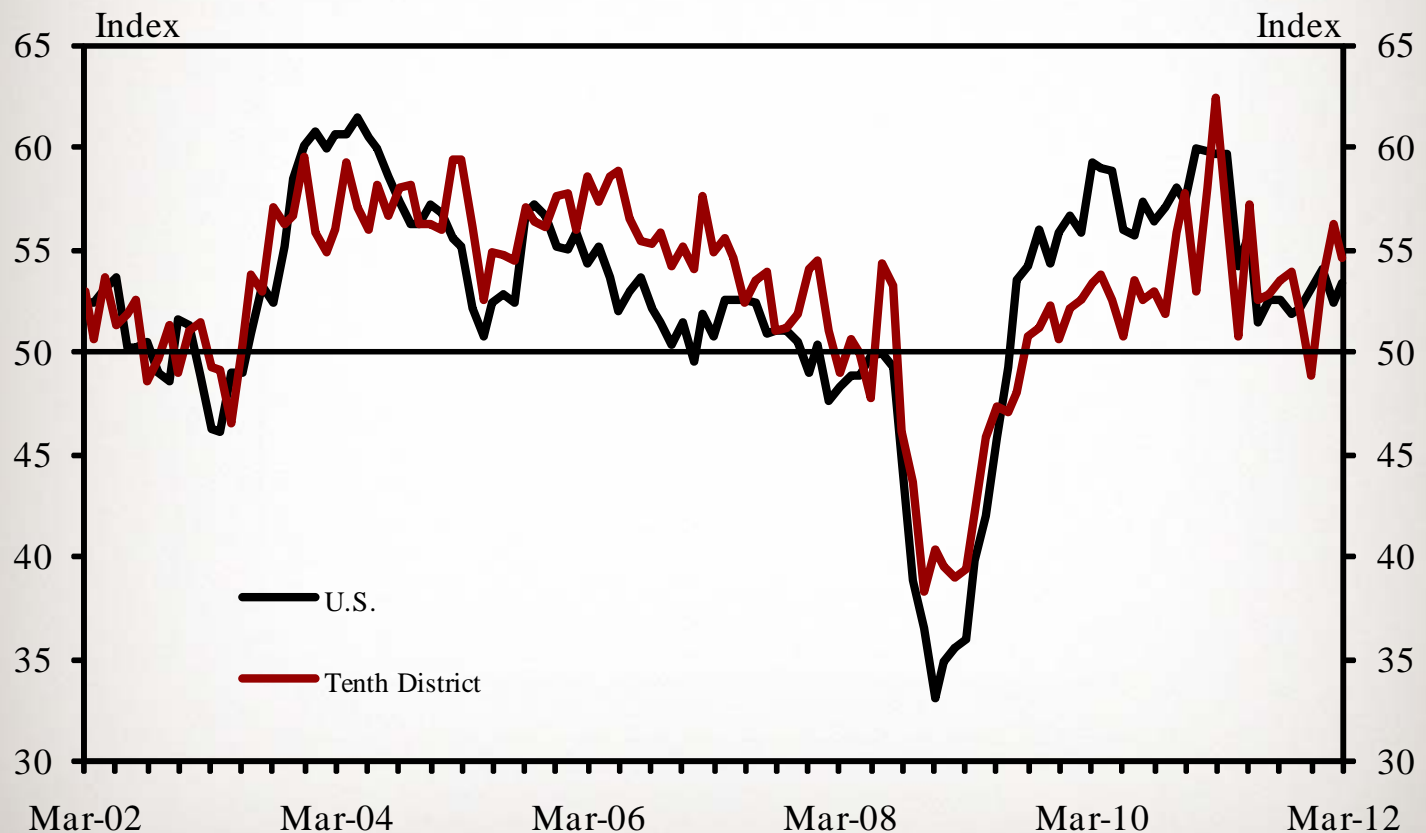
Unemployment Rate
Seasonally adjusted



Source: Bureau of Labor Statistics

The manufacturing sector has been expanding for over two years.

Manufacturing Activity
Seasonally adjusted; month-over-month



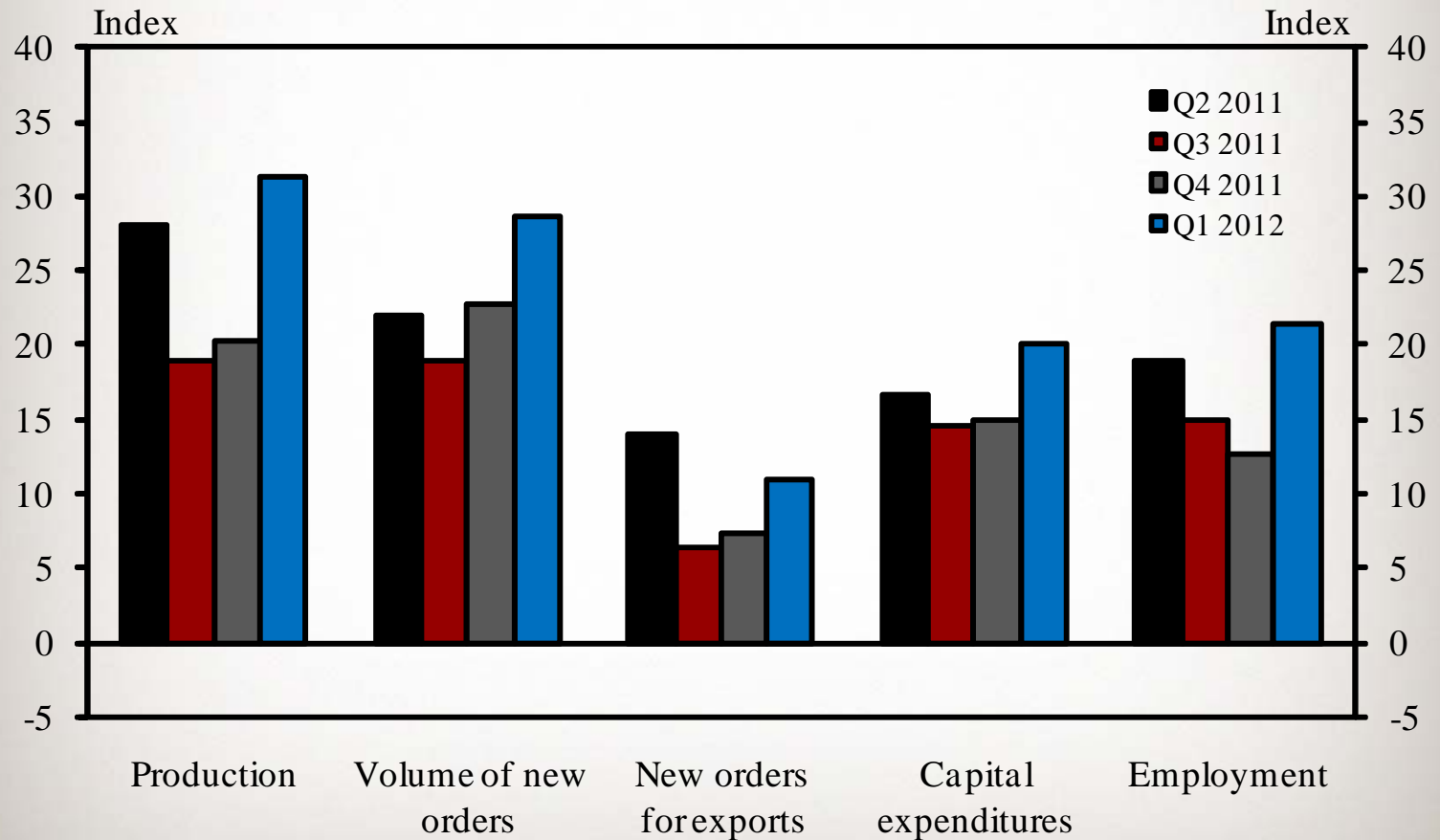
Sources: ISM, FRBKC Manufacturing Survey

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

Manufacturers in the Tenth District have become more optimistic about future activity.

Tenth District Manufacturing Expectations

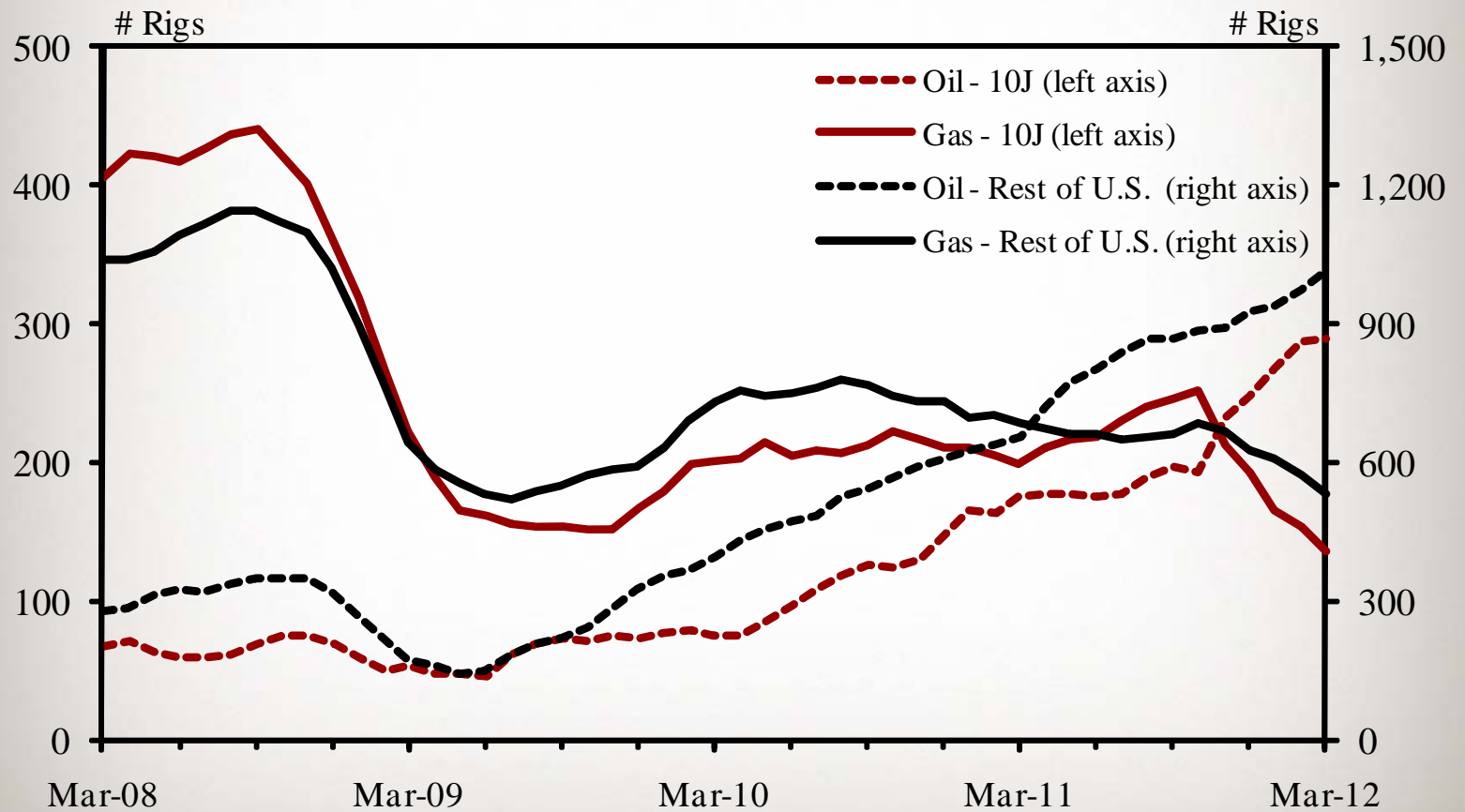
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

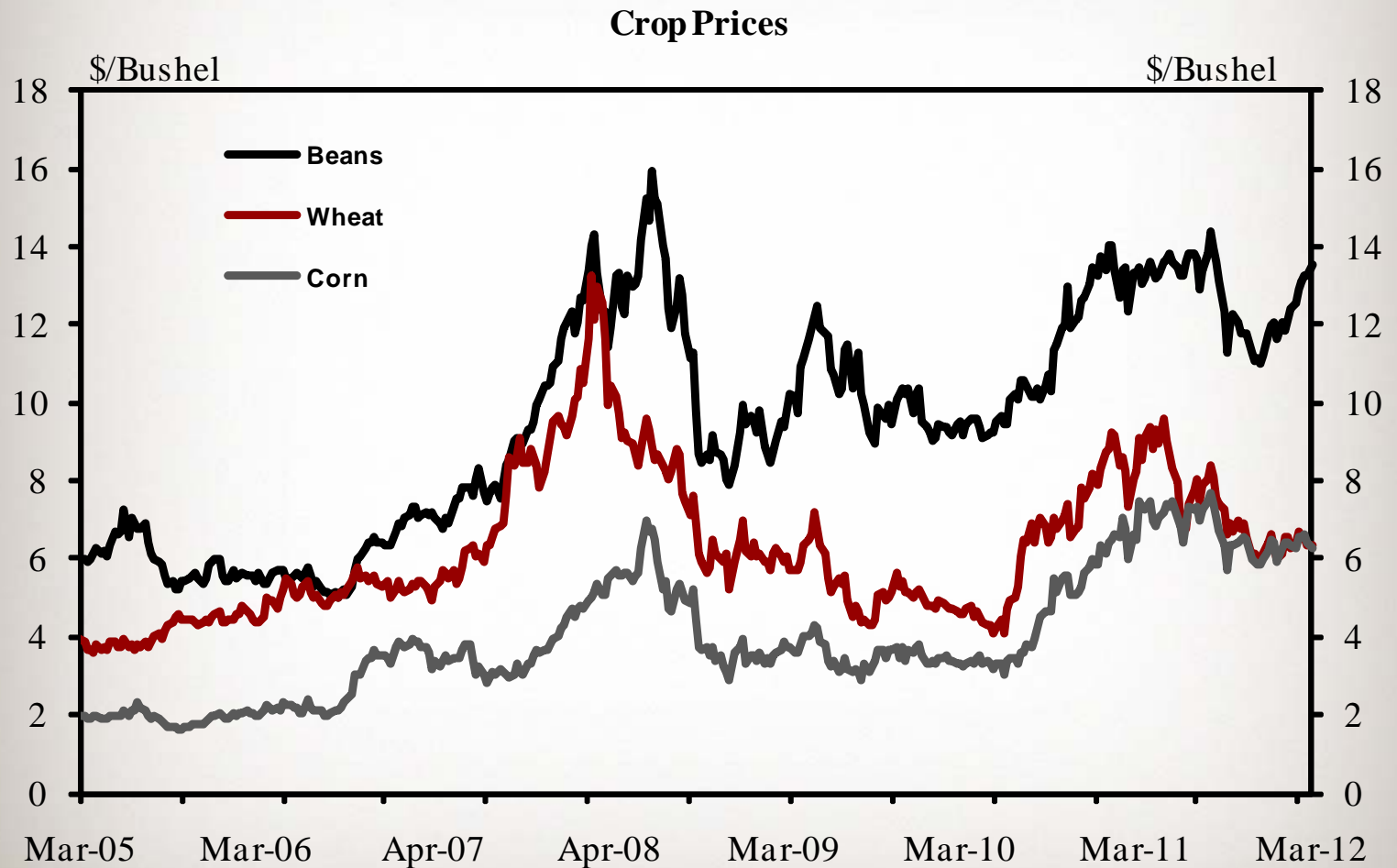
Drilling activity is responding to prices with oil drilling up and natural gas drilling down.

Number of Active Drilling Rigs



Source: Baker-Hughes

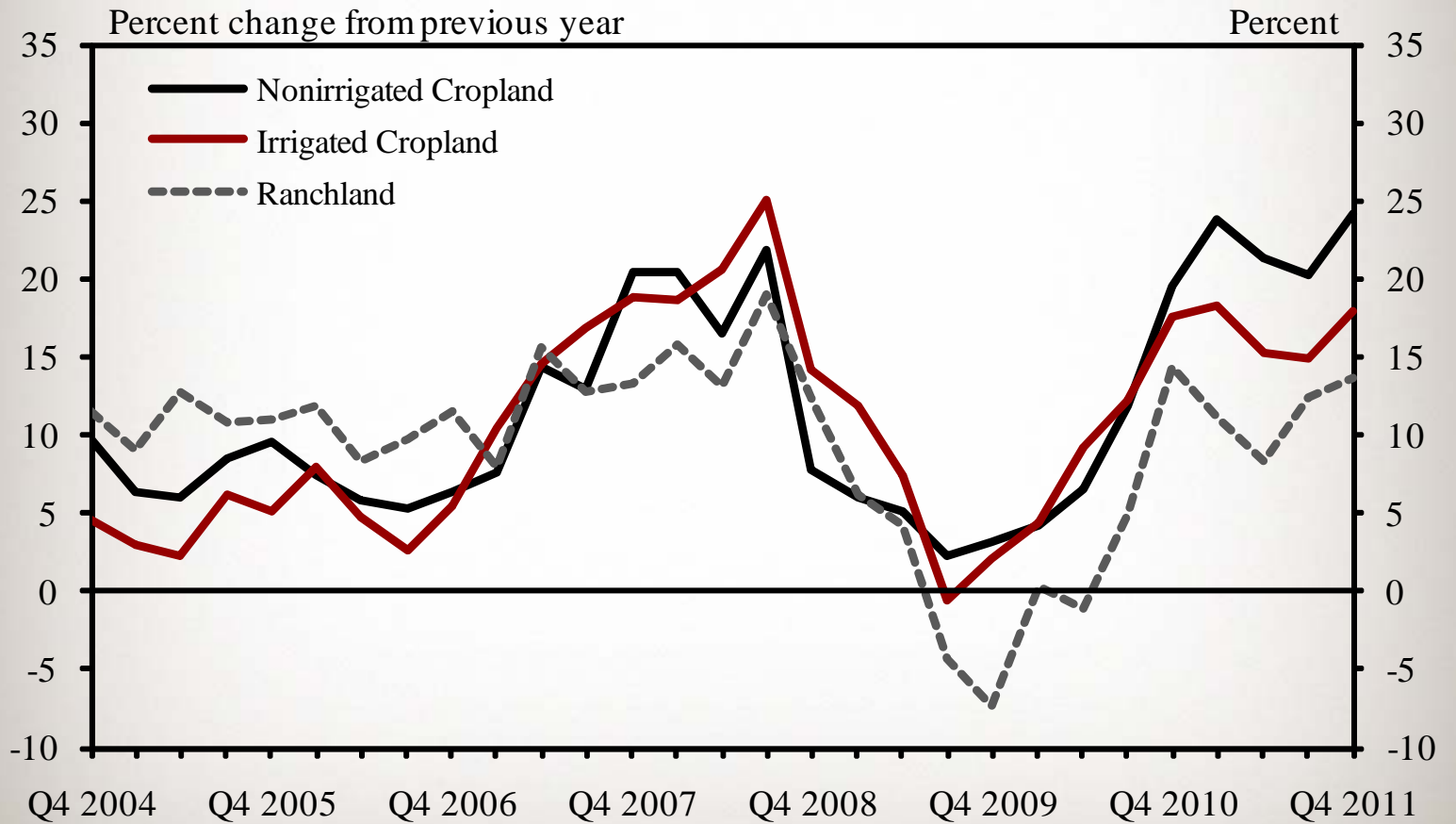
Crop prices have fallen over the past year but remain at high levels.



Source: Commodity Research Bureau

Farmland values have increased sharply over the past year.

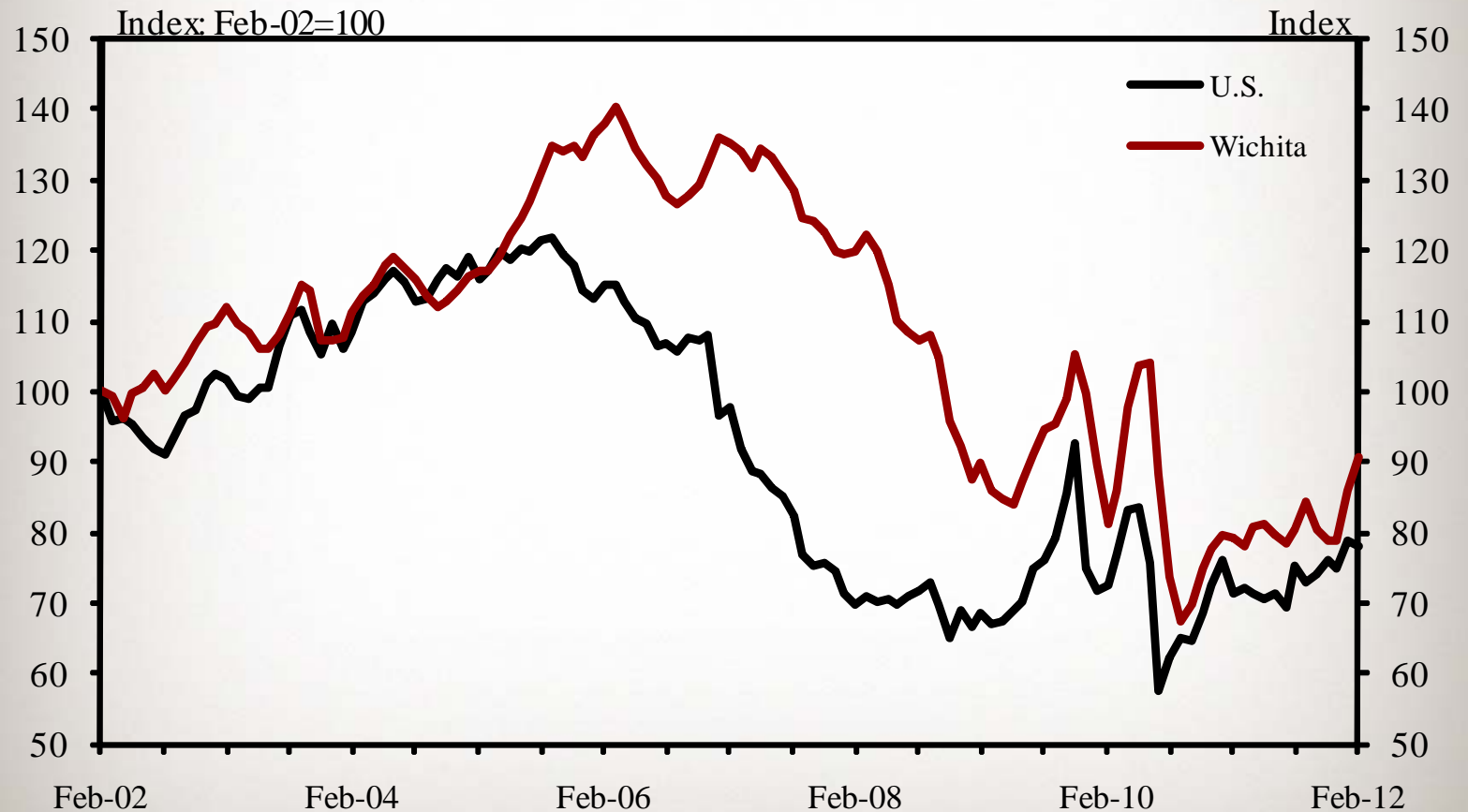
Kansas Farmland Values



Sources: FRBKC Ag Credit Survey

Home sales continue to increase but remain well below pre-recession levels.

Existing Home Sales
Seasonally adjusted

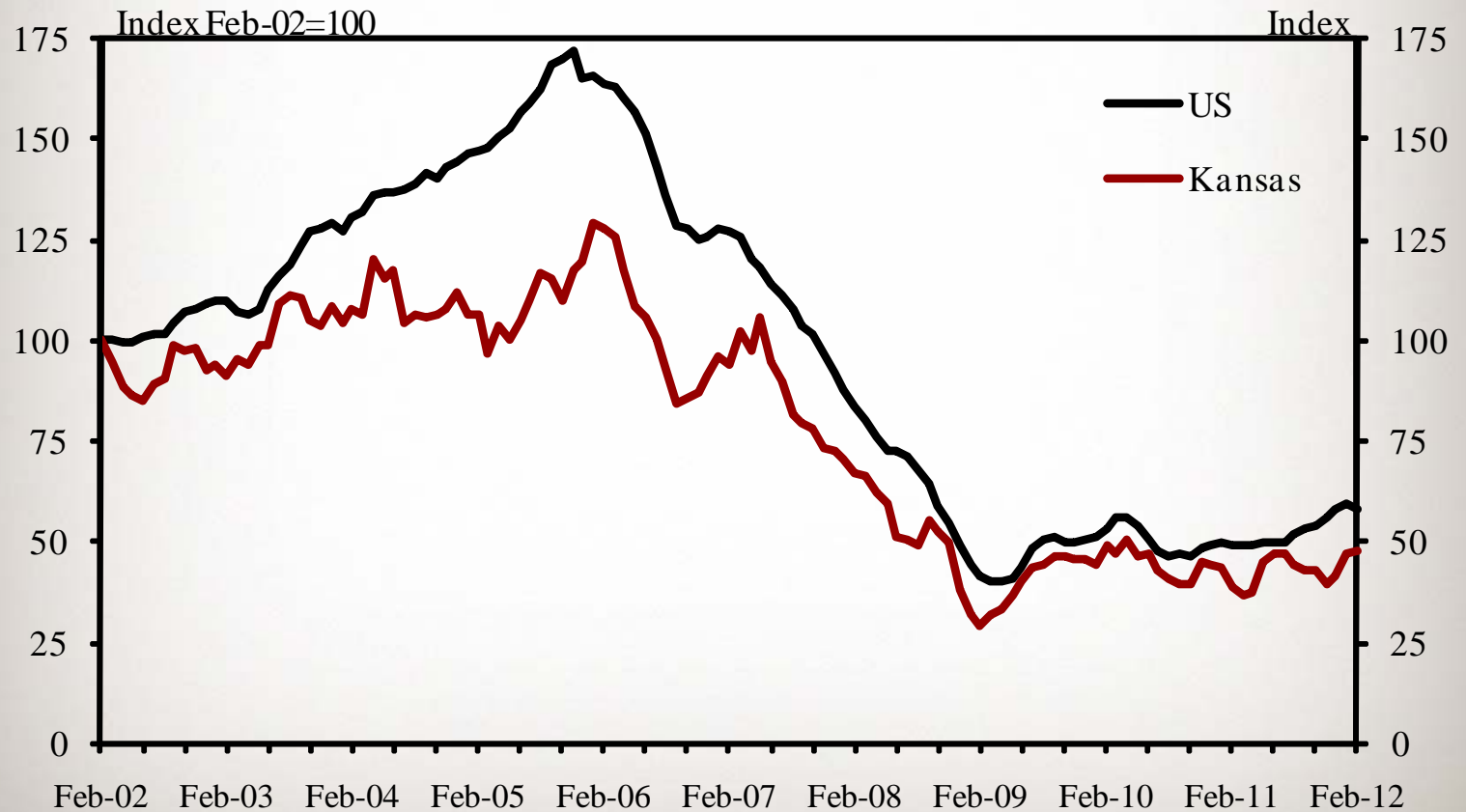


Source: NAR and Kansas City Regional Association of Realtors

Residential construction activity is increasing from weak levels.

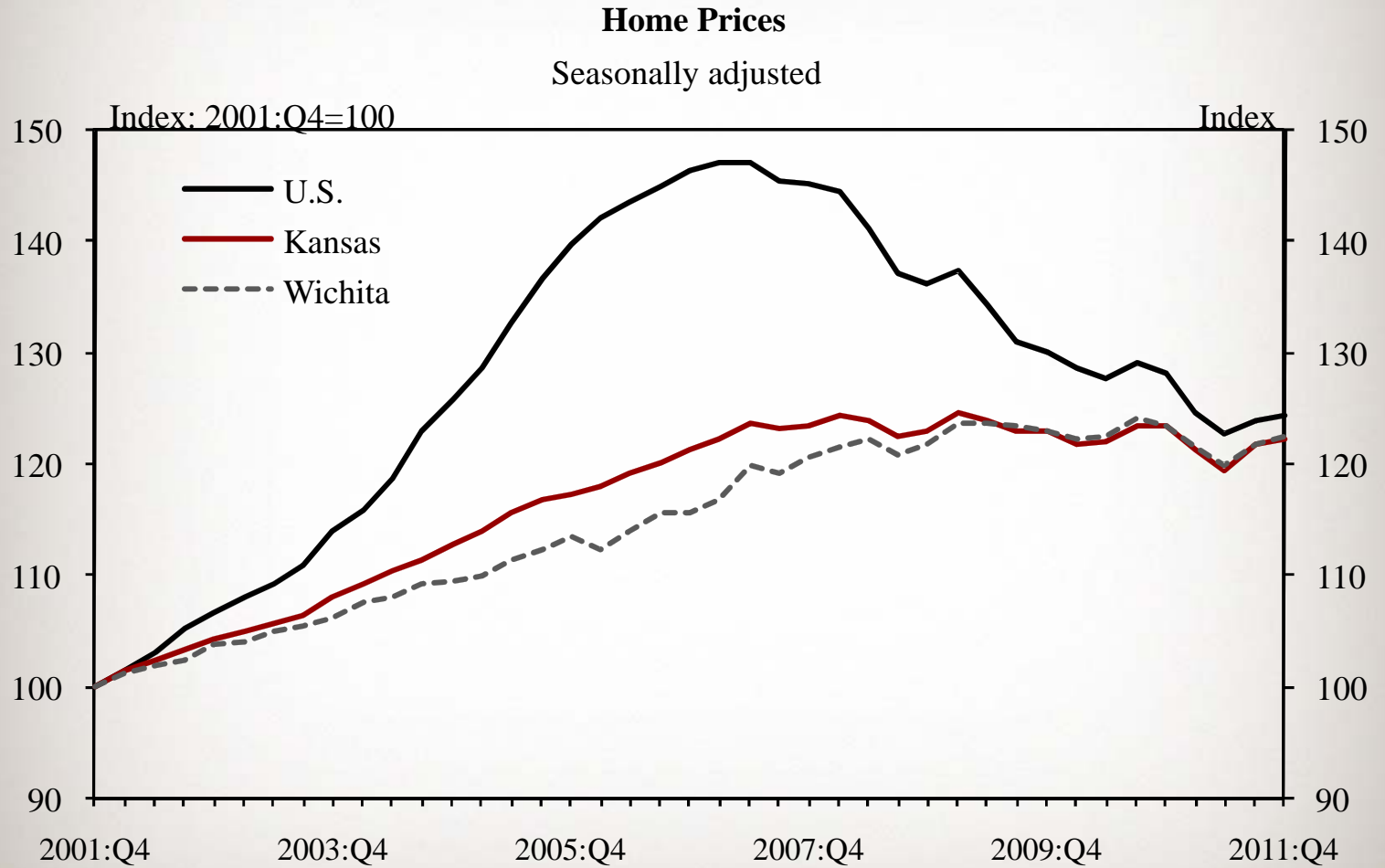
Value of Residential Construction Contracts

Seasonally adjusted, 3 mo. moving avg.



Source: FW Dodge

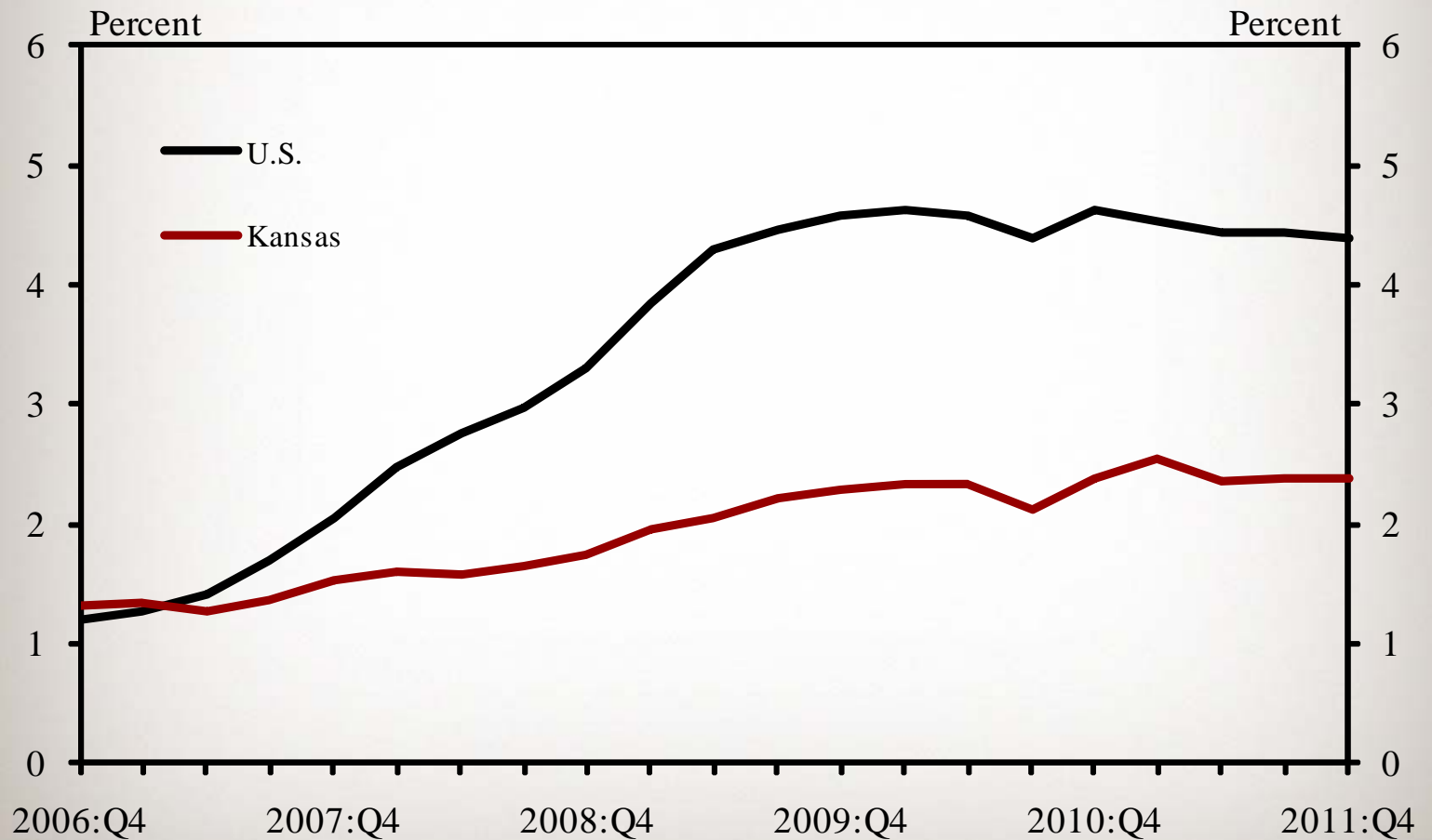
Home prices in Kansas have held up better than in the nation.



Source: FHFA

Foreclosure rates in Kansas are much lower than national rates.

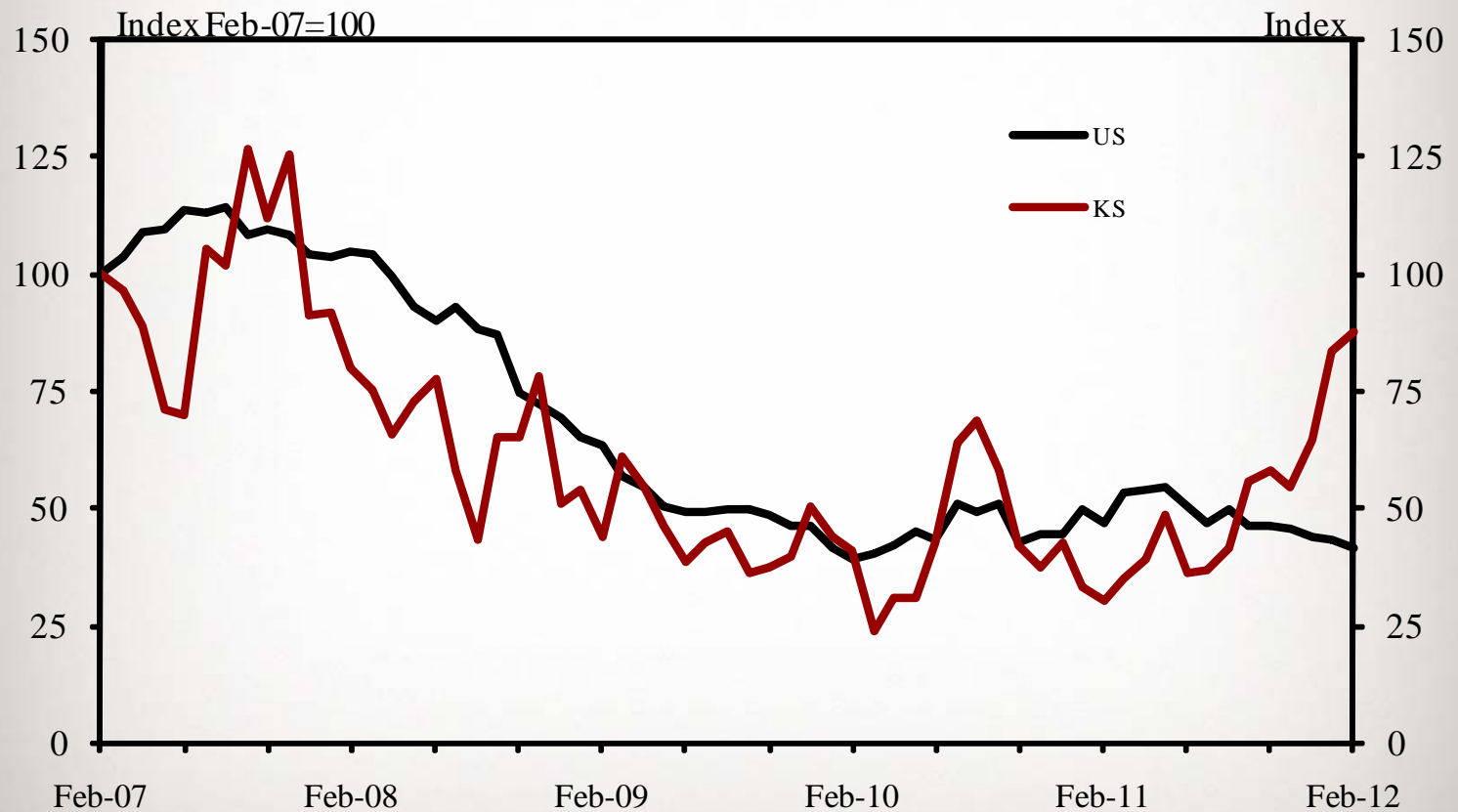
Foreclosure Rate



Source: Mortgage Bankers Association

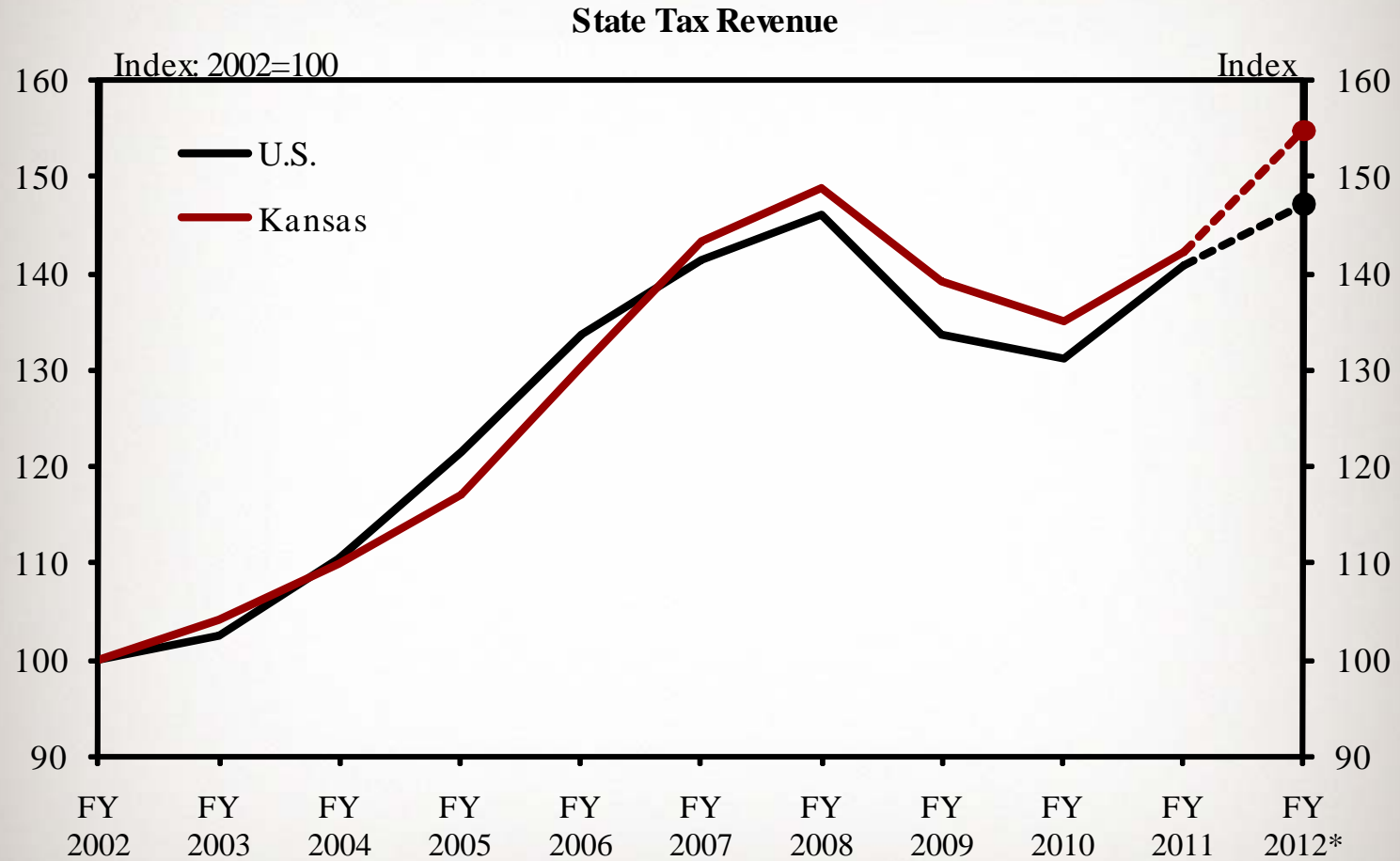
Commercial construction activity has rebounded in Kansas over the past year.

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



Source: FW Dodge

State tax revenues are increasing and are likely to surpass pre-recession levels in the current fiscal year.



Source: US Census Bureau

Note: FY 2012 estimates are projected by assuming that tax collections in the second half of FY 2012 grow at the same pace as they did in the first half of FY 2012.

Conclusions

- The U.S. and Kansas economies are expected to continue to recover at a moderate pace over the next few years.
- The agriculture and energy sectors led the recovery in Kansas, but growth is now spreading to more industries including construction, professional and business services, leisure and manufacturing.

Presentations can be found online at:

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

For more information about the Kansas economy, subscribe to the quarterly Midwest Economist at:

<http://www.kansascityfed.org/publications/research/me/index.cfm>