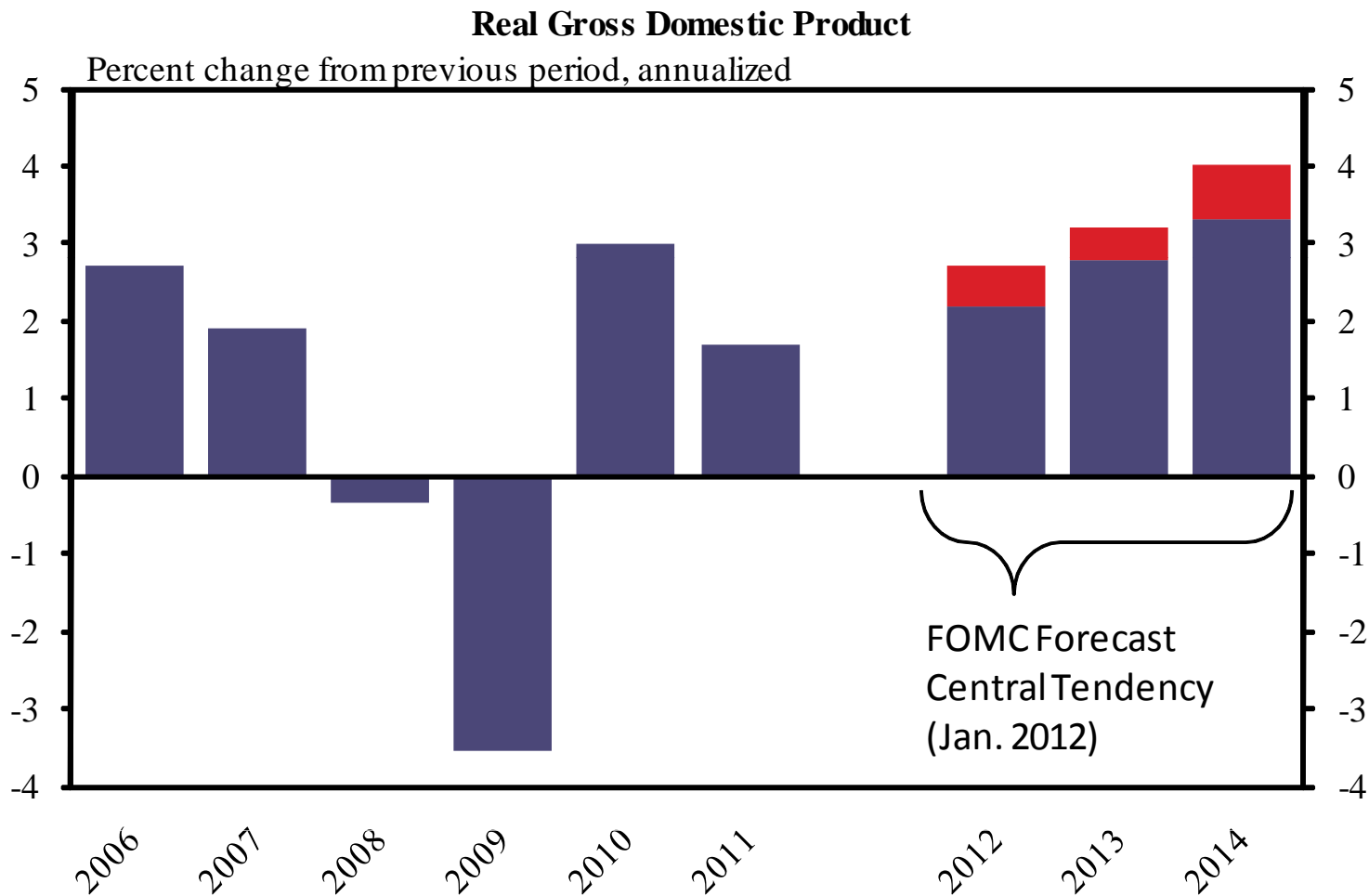


# RECESSION AND RECOVERY IN KANSAS CITY AND THE U.S.

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.

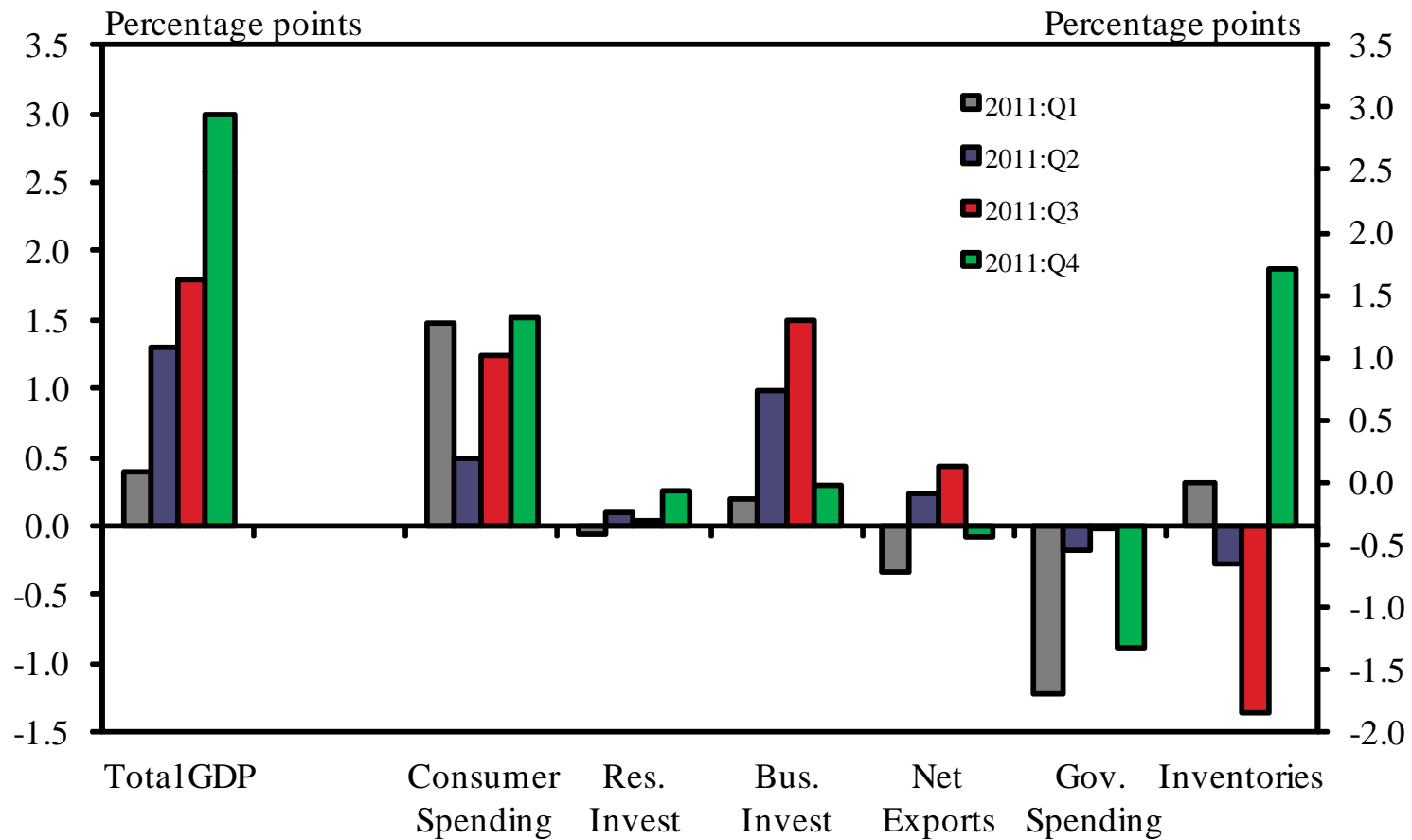
# After slowing in the first half of 2011, growth is picking up.



Source: Bureau of Economic Analysis; FOMC

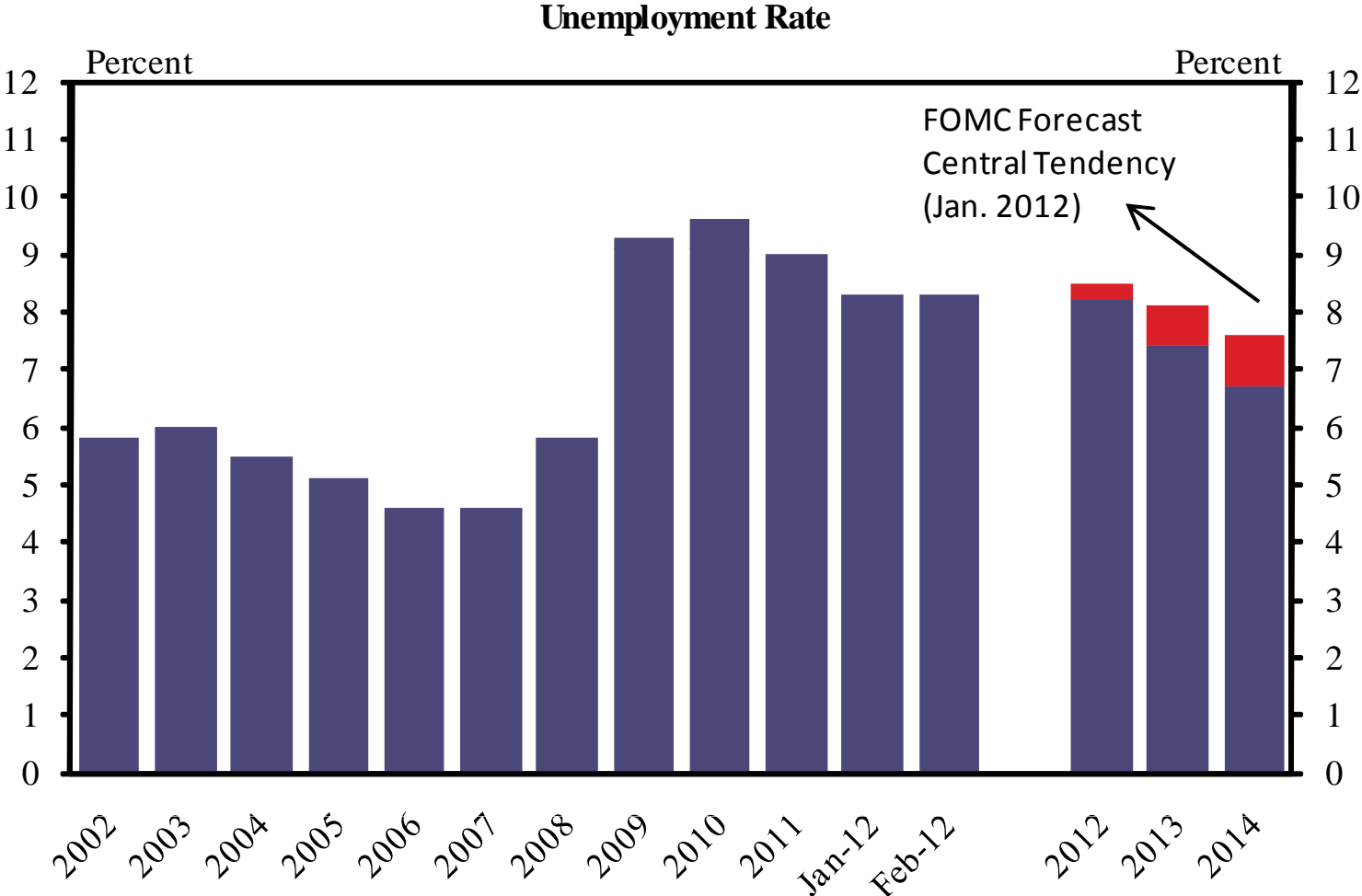
# Consumer spending and inventory investment contributed to the increase in fourth quarter GDP.

Contributions to Percent Change in Real GDP



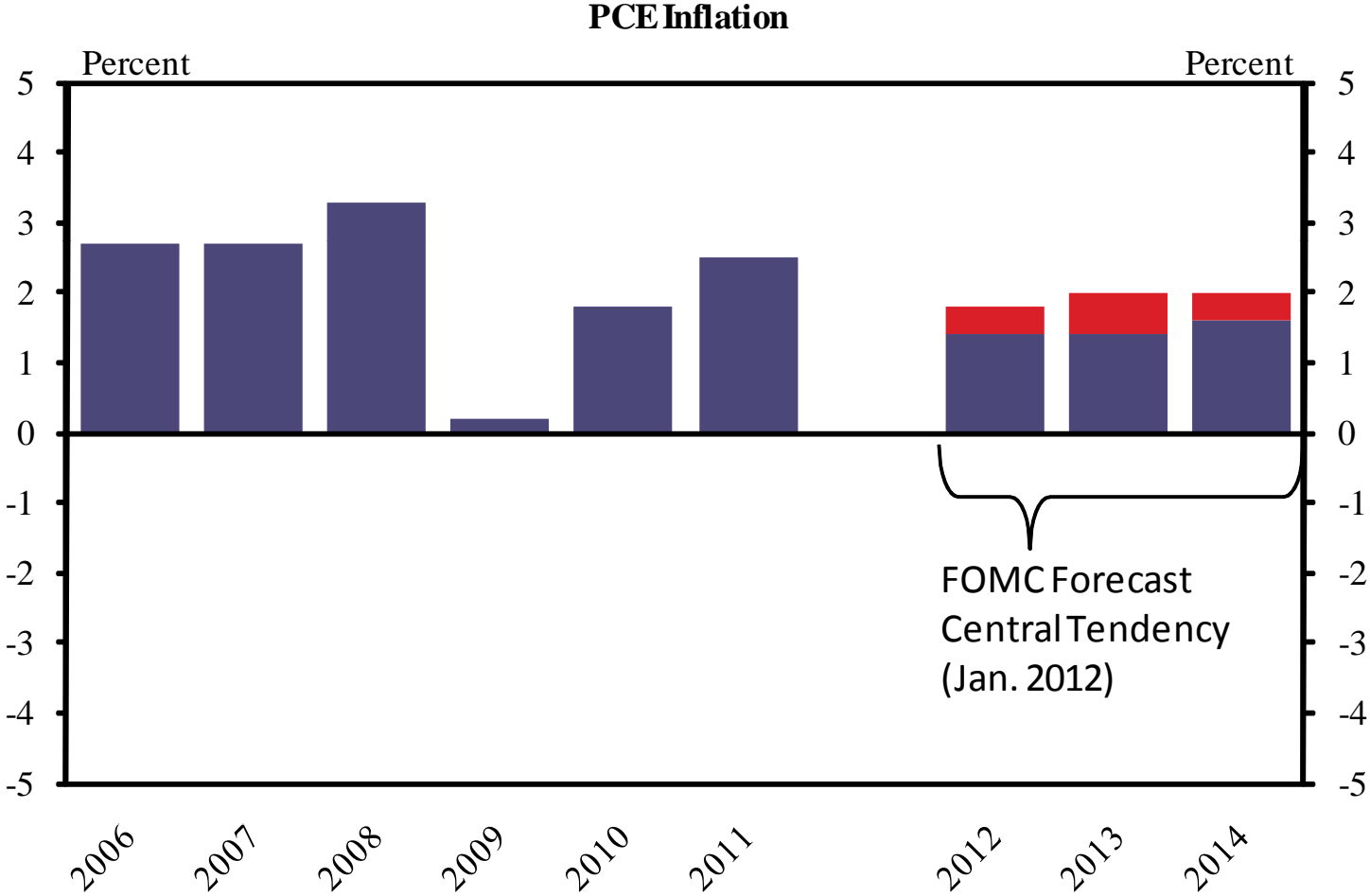
Source: Bureau of Economic Analysis

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



Source: Bureau of Labor Statistics; FOMC

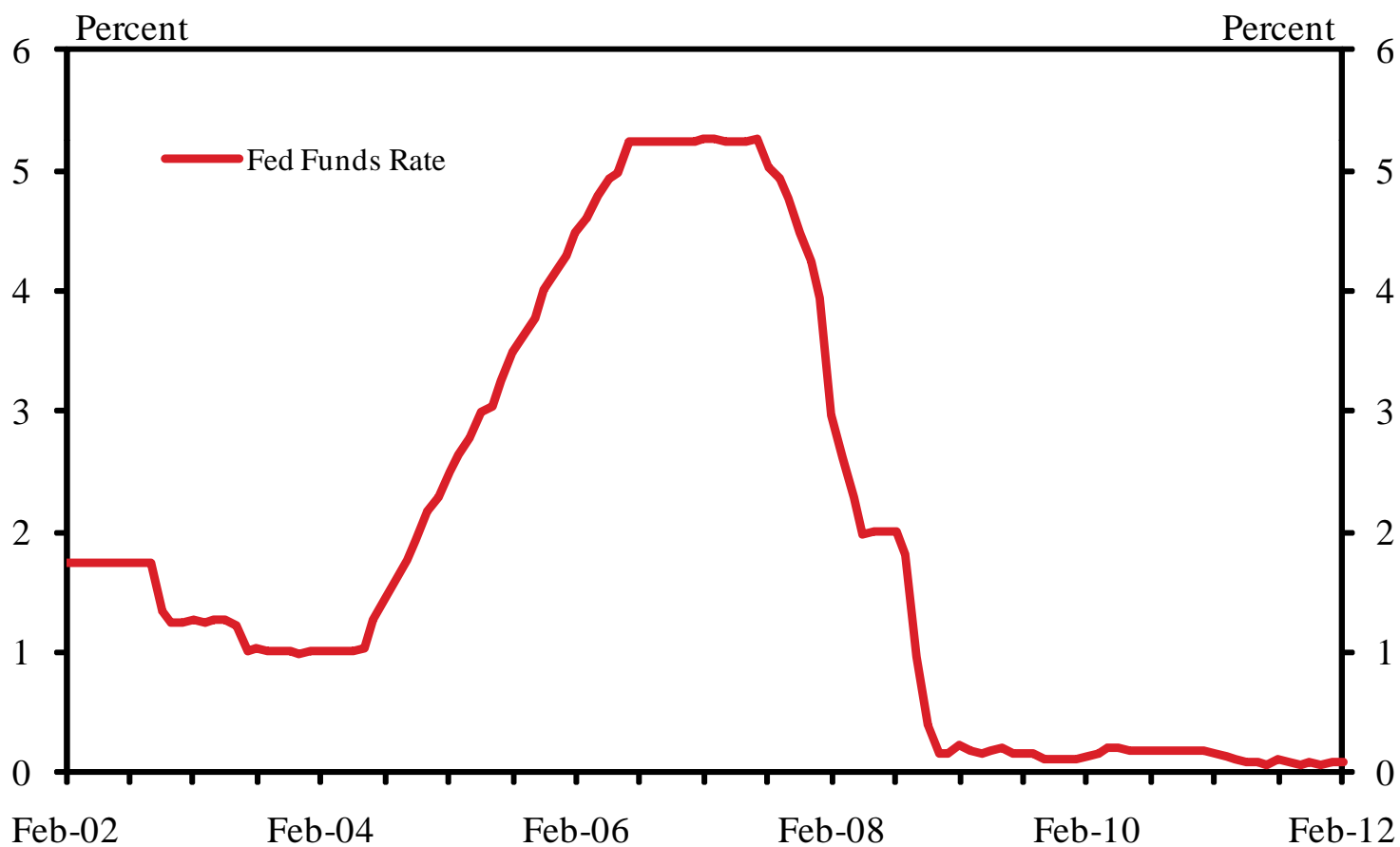
Inflation has increased recently due to higher gas prices, but the increase is expected to be temporary.



Source: Bureau of Economic Analysis; FOMC

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.”

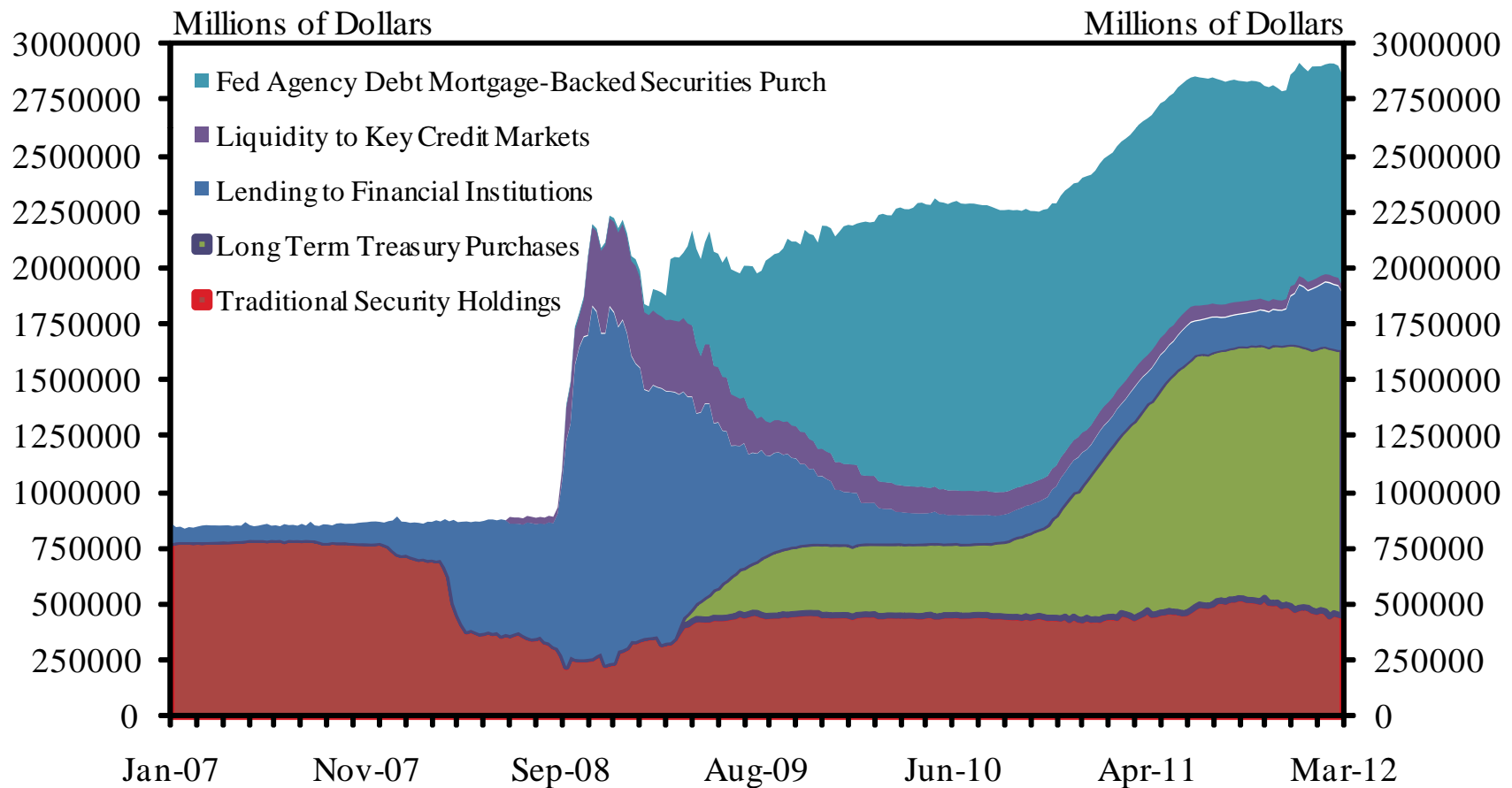
**Fed Funds Rate**



Source: FOMC

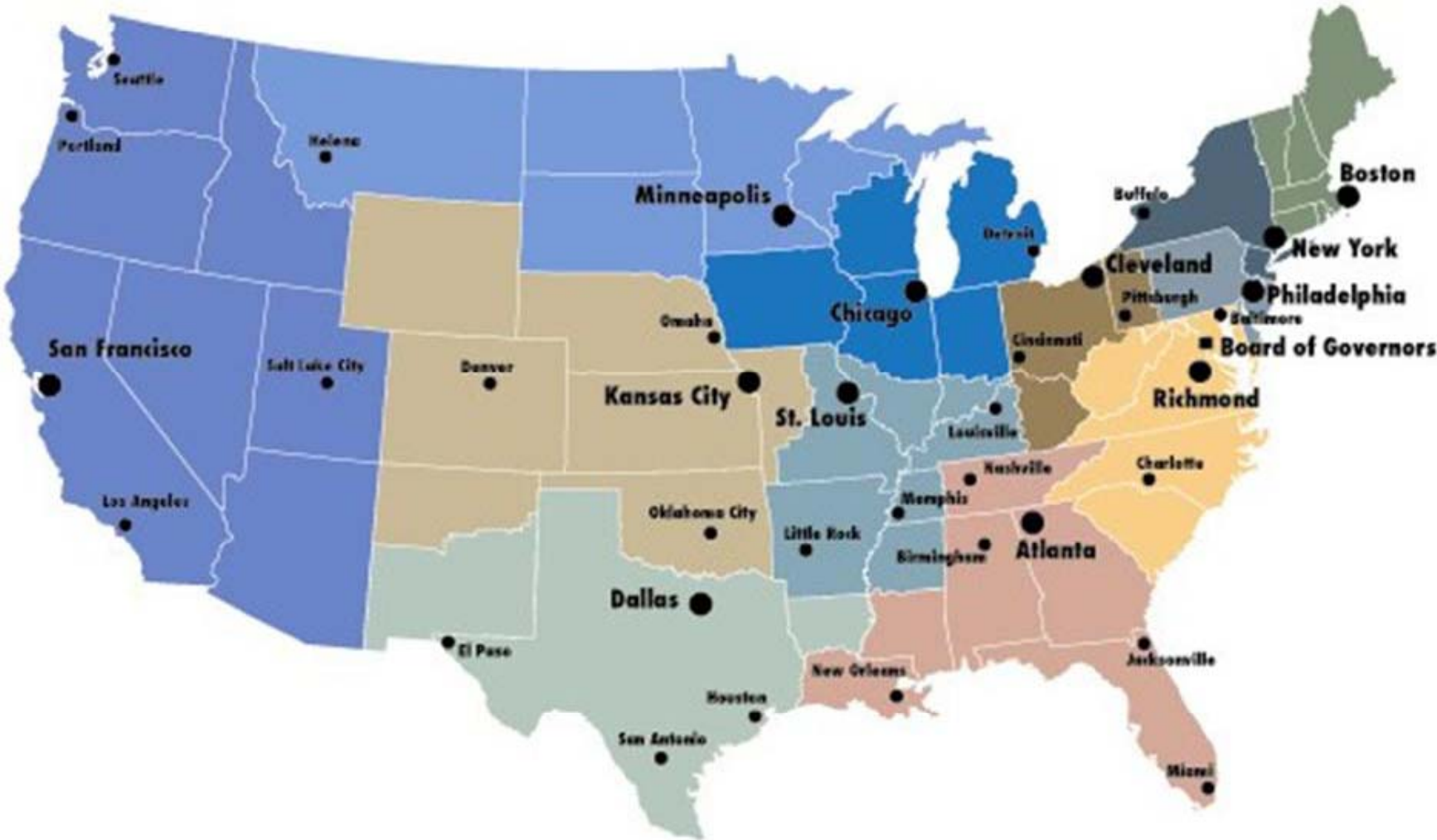
FOMC March Statement: “The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed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

### Federal Reserve Balance Sheet



Source: FOMC

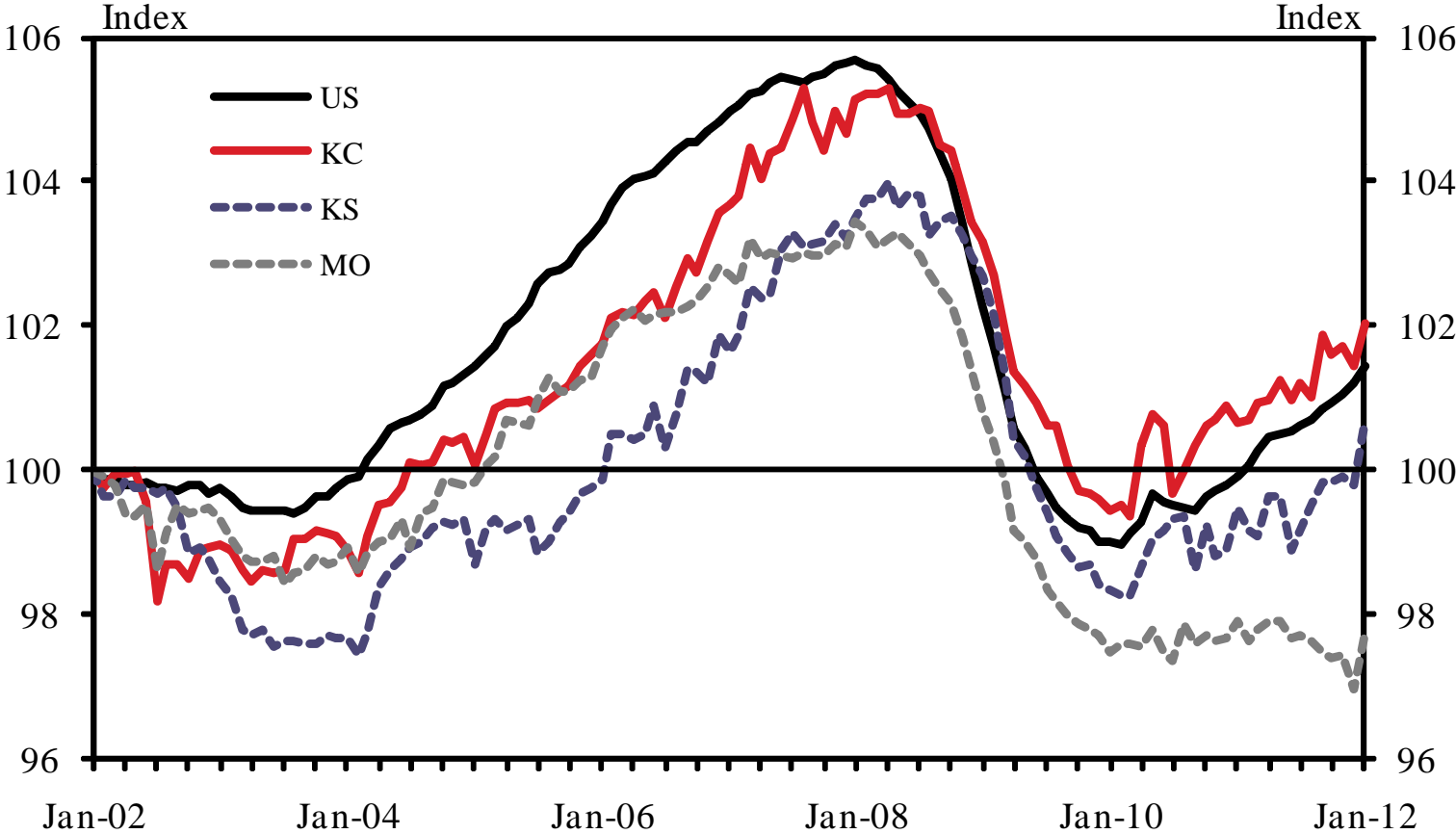
# The Tenth District of the Federal Reserve





Kansas City employment has been increasing for almost 2 years but remains well below peak levels.

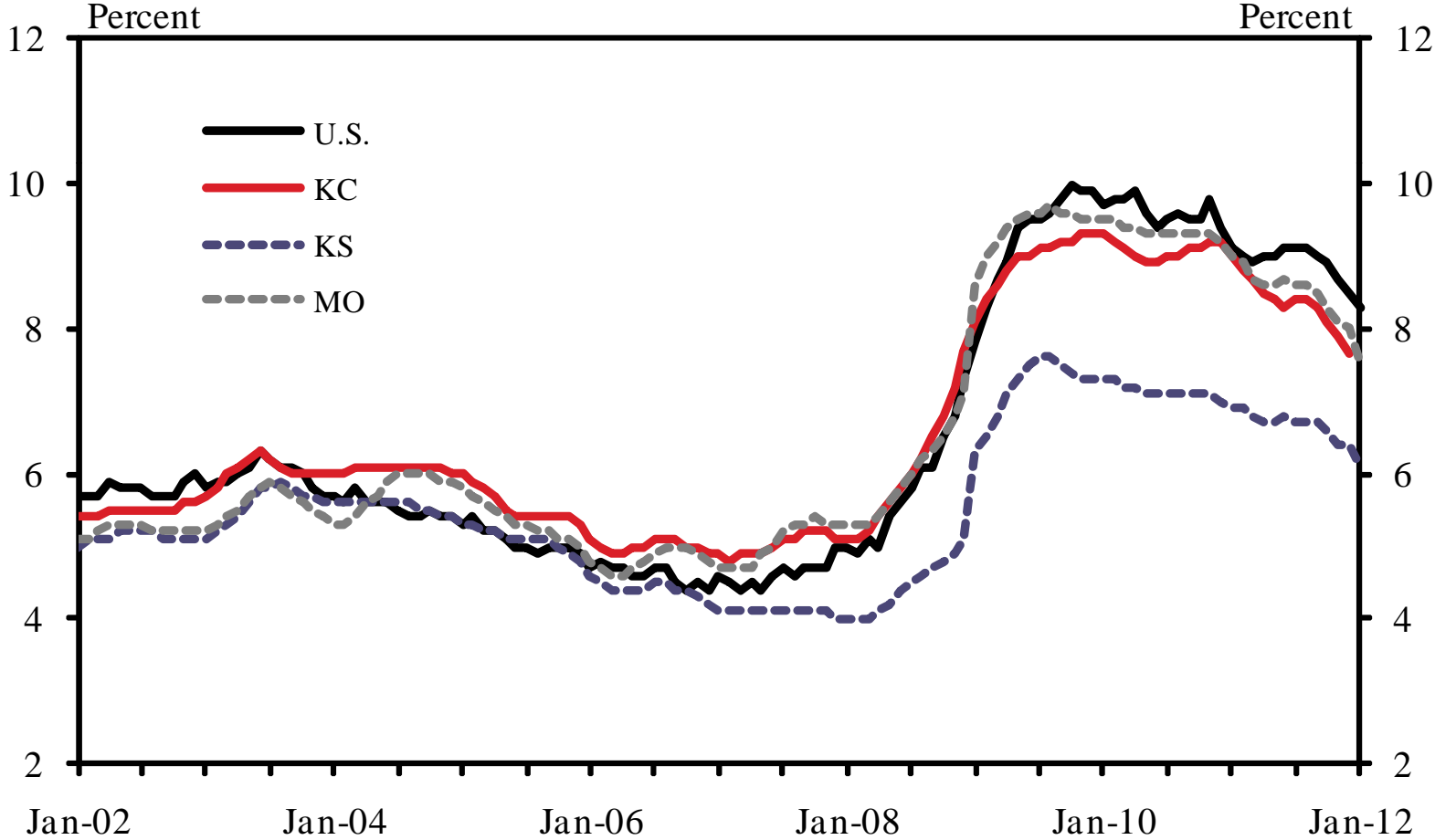
**Total Nonfarm Employment**  
Seasonally adjusted



Source: Bureau of Labor Statistics

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

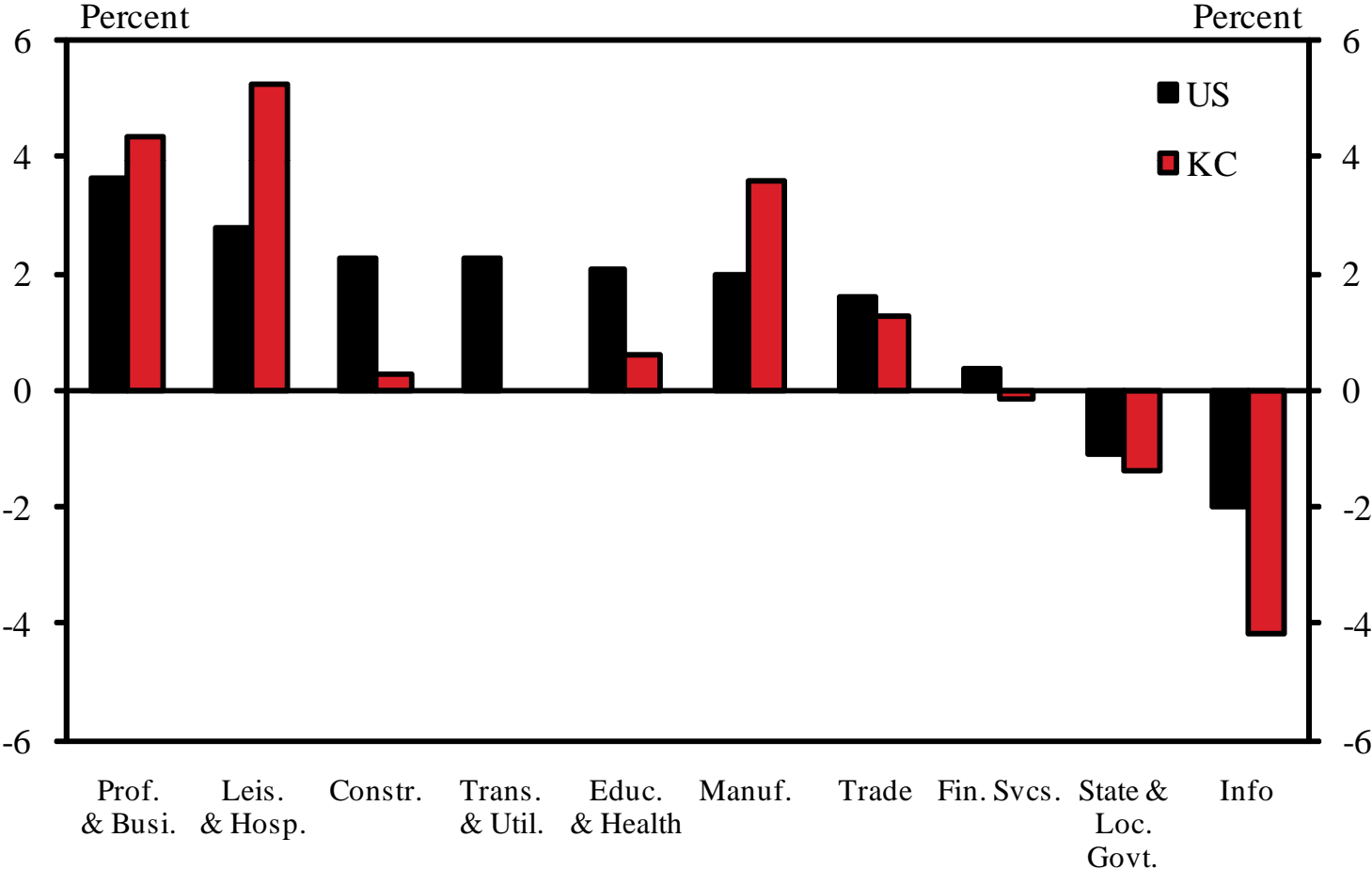
**Unemployment Rate**  
Seasonally adjusted



Source: Bureau of Labor Statistics

# Employment growth has varied across industries over the past year.

**Employment Growth by Industry**  
Jan-12 over Jan-11

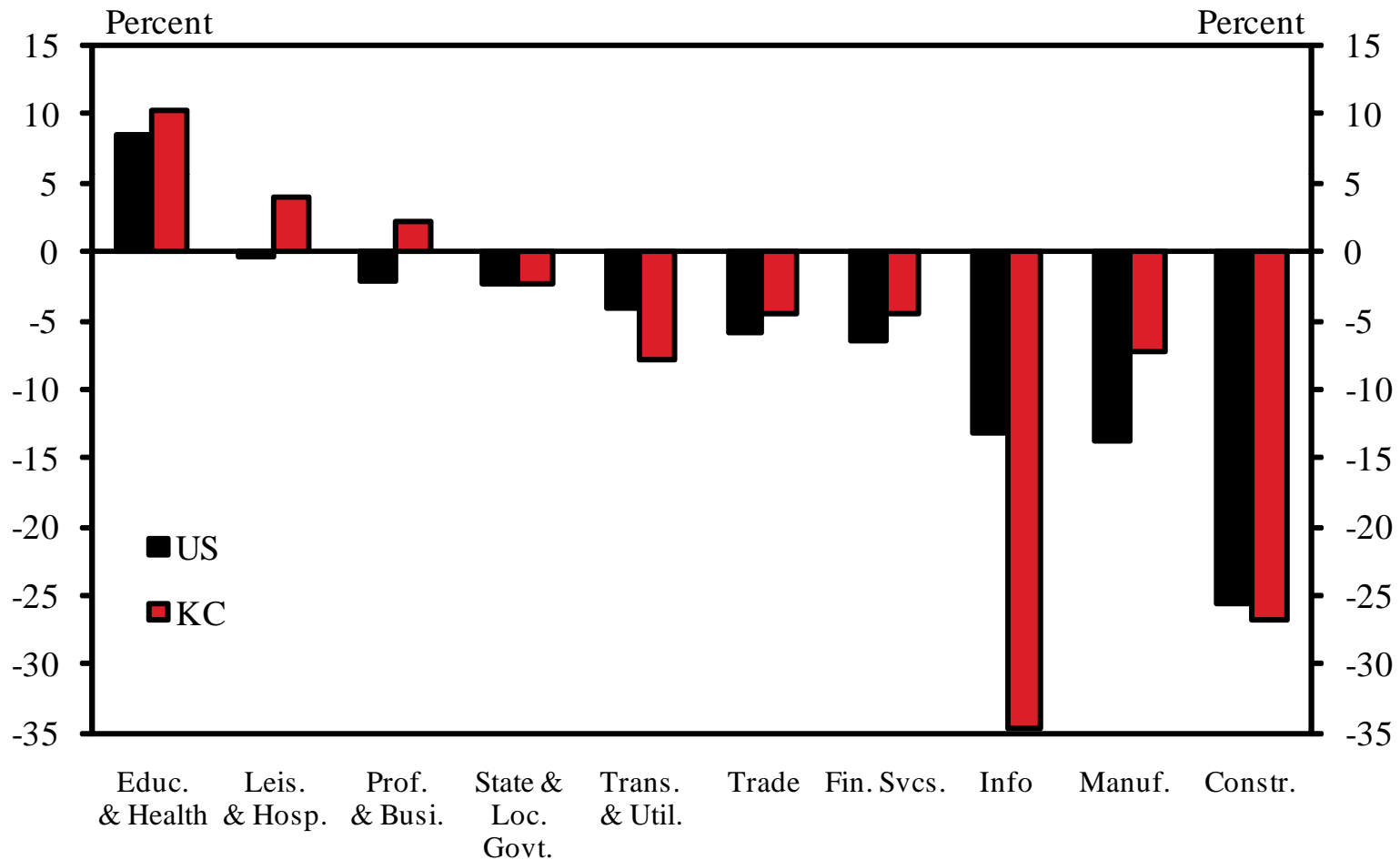


Source: Bureau of Labor Statistics

K.C. employment is still down more than 25% in the construction and information industries.

### Employment Growth by Industry

Jan-12 over Dec-07

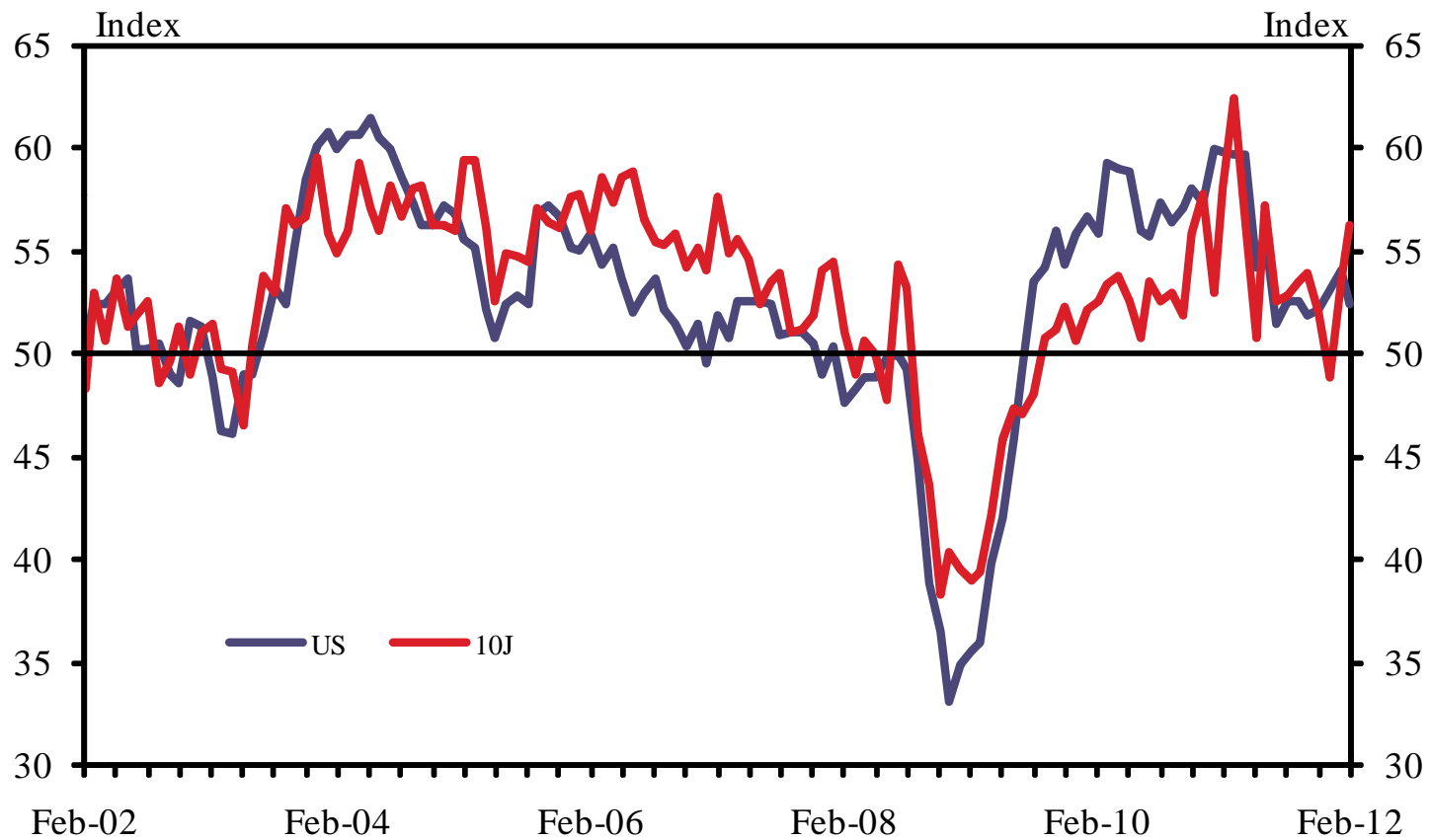


Source: Bureau of Labor Statistics

The manufacturing sector has been expanding for over two years.

### Manufacturing Activity

Seasonally adjusted; month-over-month

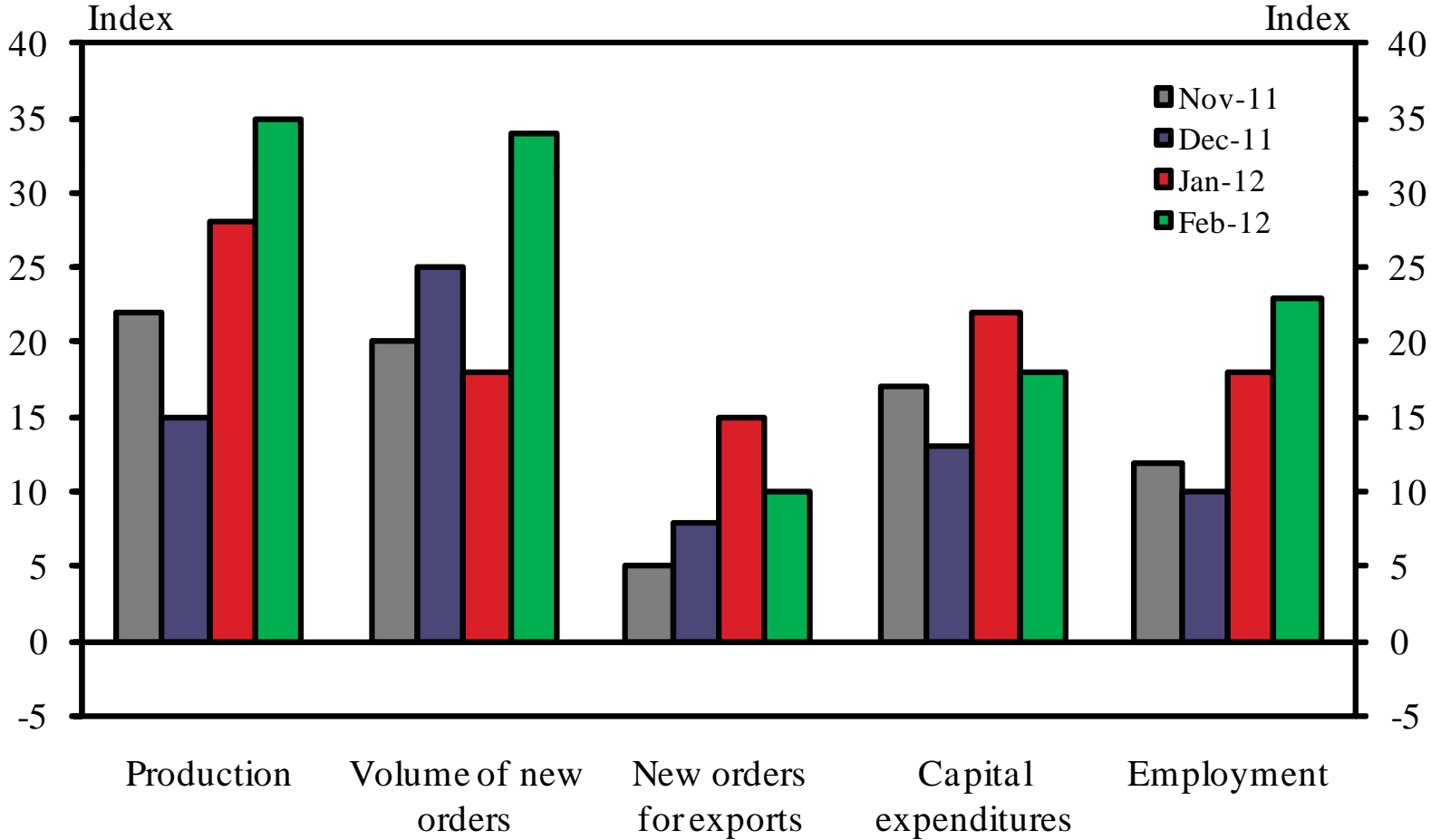


Sources: ISM, FRBKC Manufacturing Survey

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

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

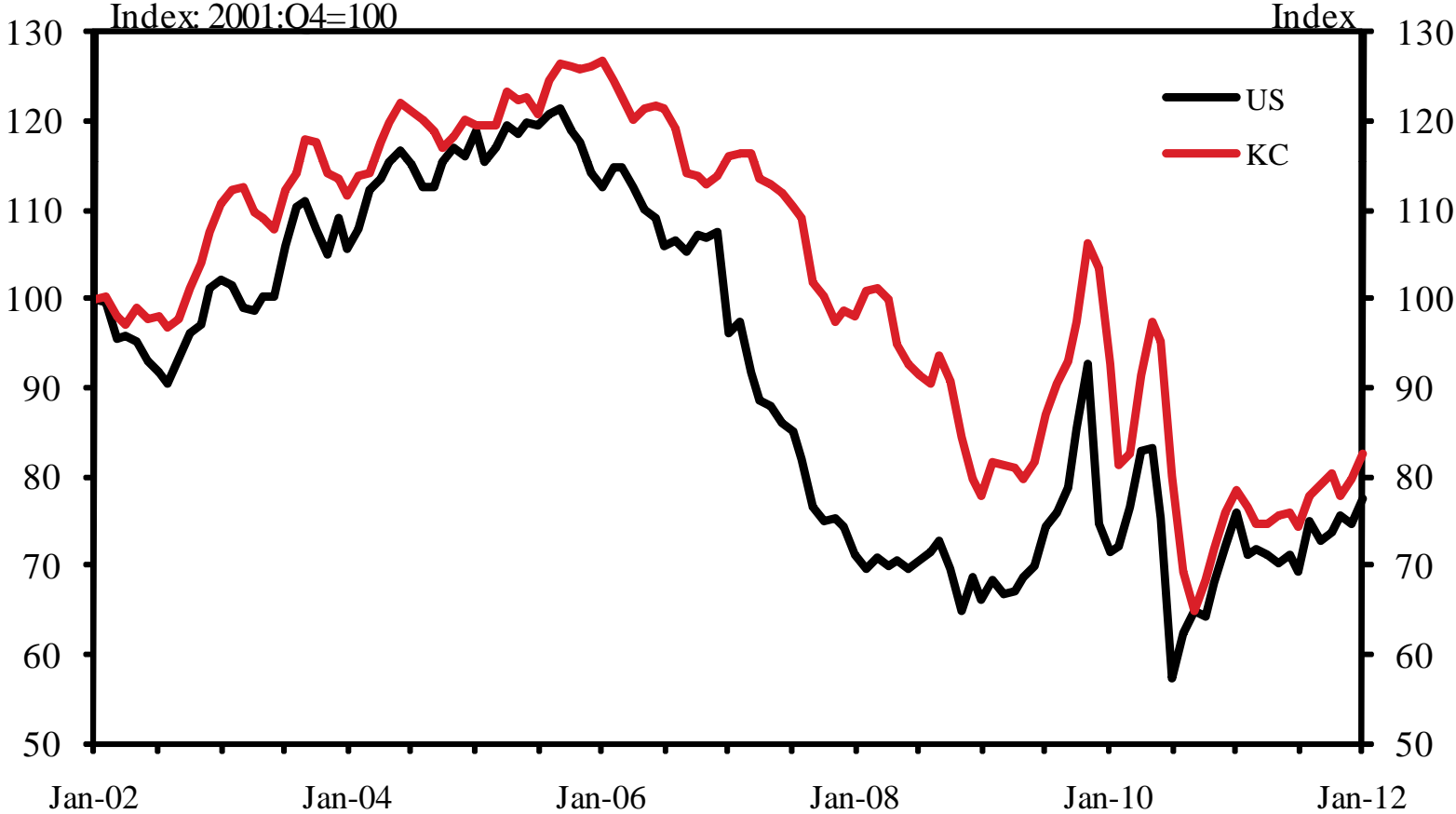
**Tenth District Manufacturing Expectations**  
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

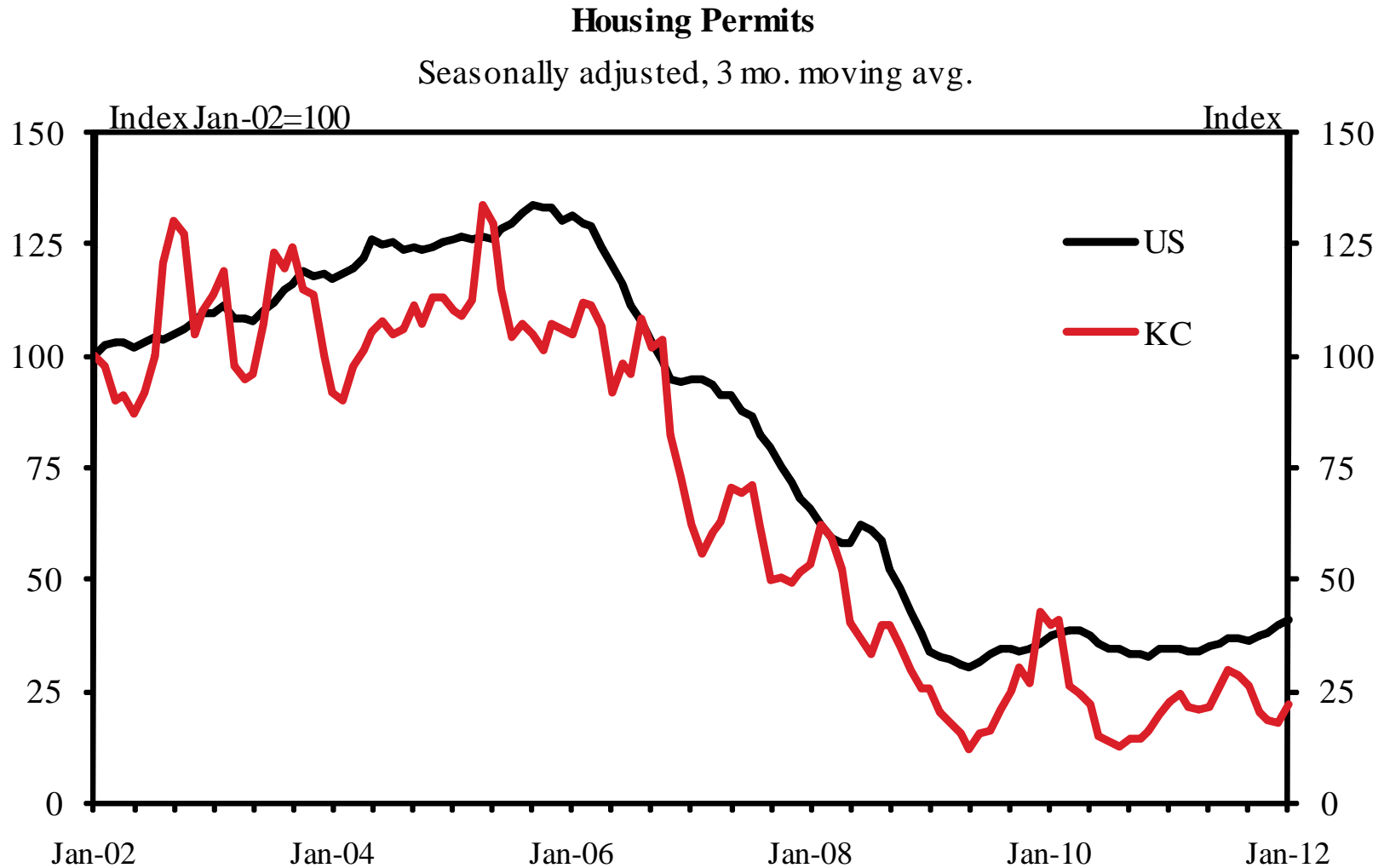
# Home sales increased over the past year, but activity remains slow.

**Existing Home Sales**  
Seasonally adjusted



Source: NAR and Kansas City Regional Association of Realtors

# Residential construction activity remains weak.

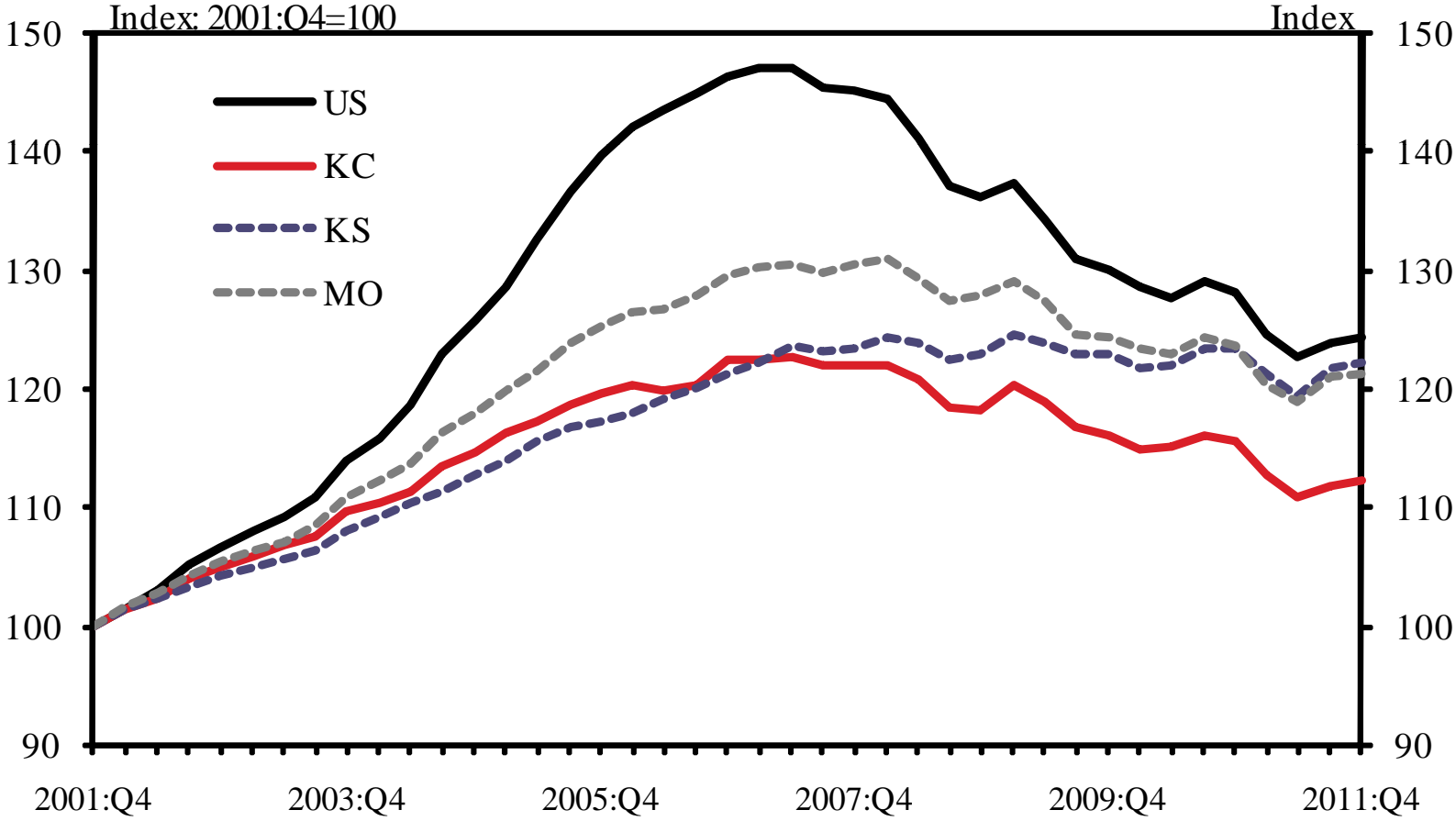


Source: Census Bureau



# Home prices in Kansas City increased in the third quarter but remain well-below peak levels.

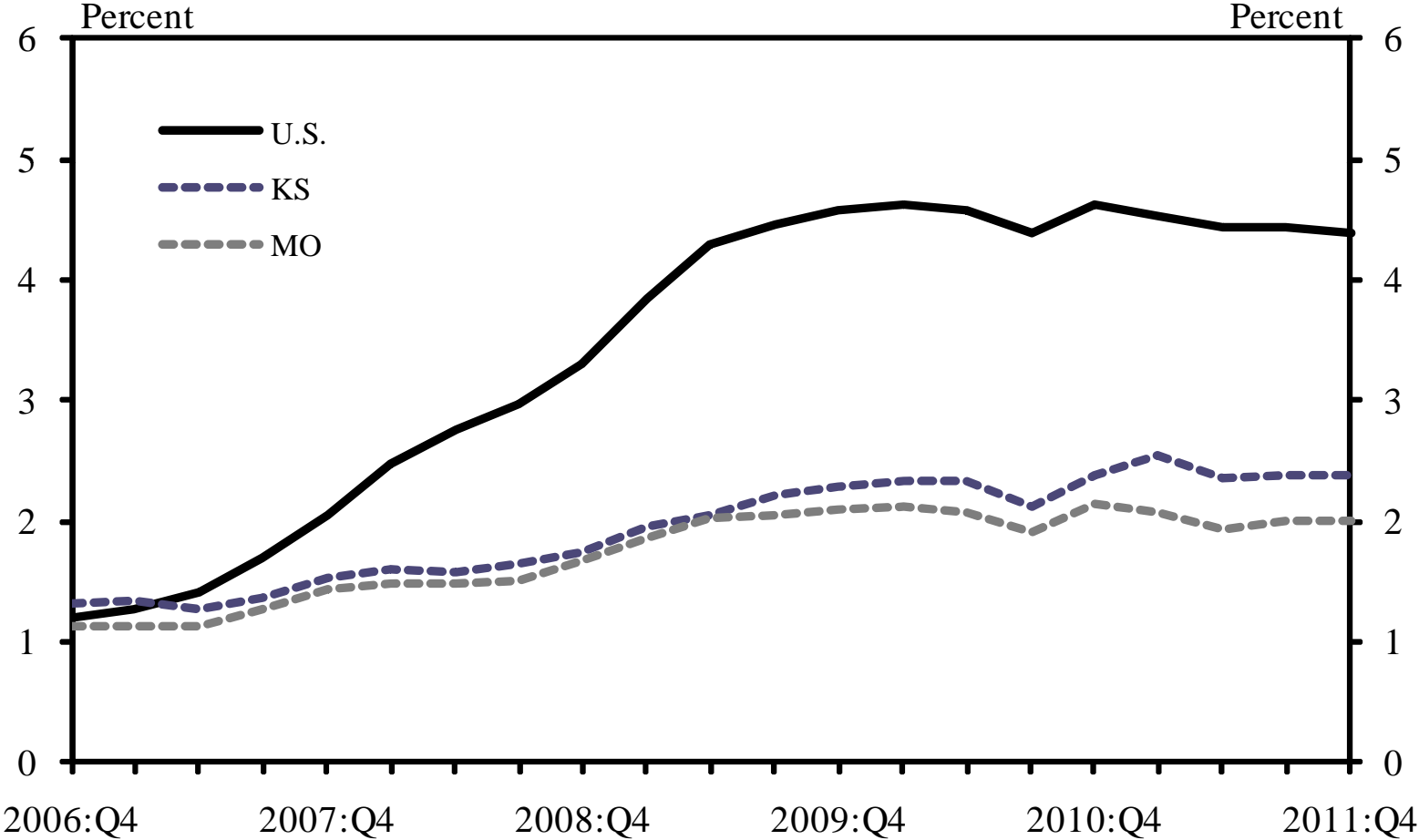
**Home Prices**  
Seasonally adjusted



Source: FHFA

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

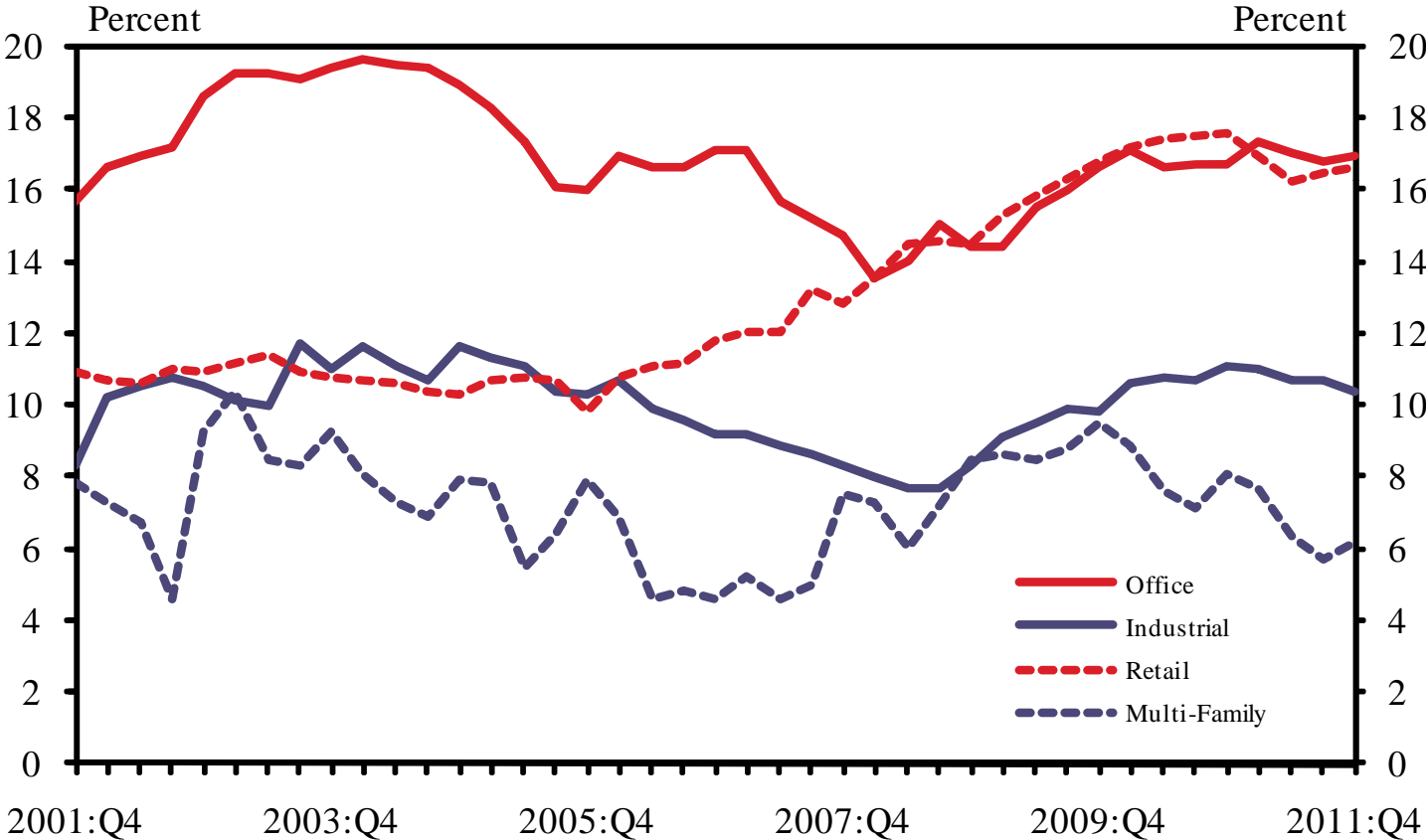
Foreclosure Rate



Source: Mortgage Bankers Association

# Commercial vacancy rates are declining in Kansas City.

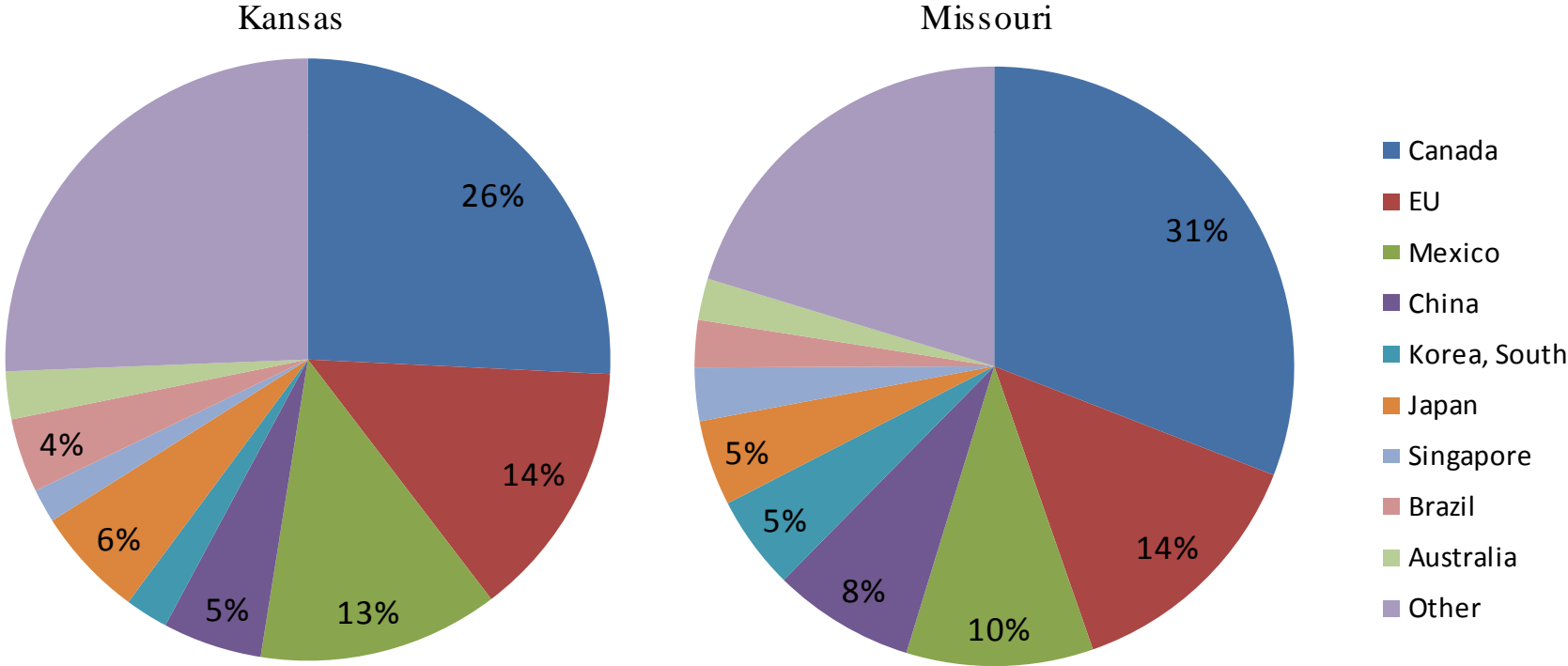
Kansas City Commercial Vacancy Rates



Source: Torto-Wheaton Research

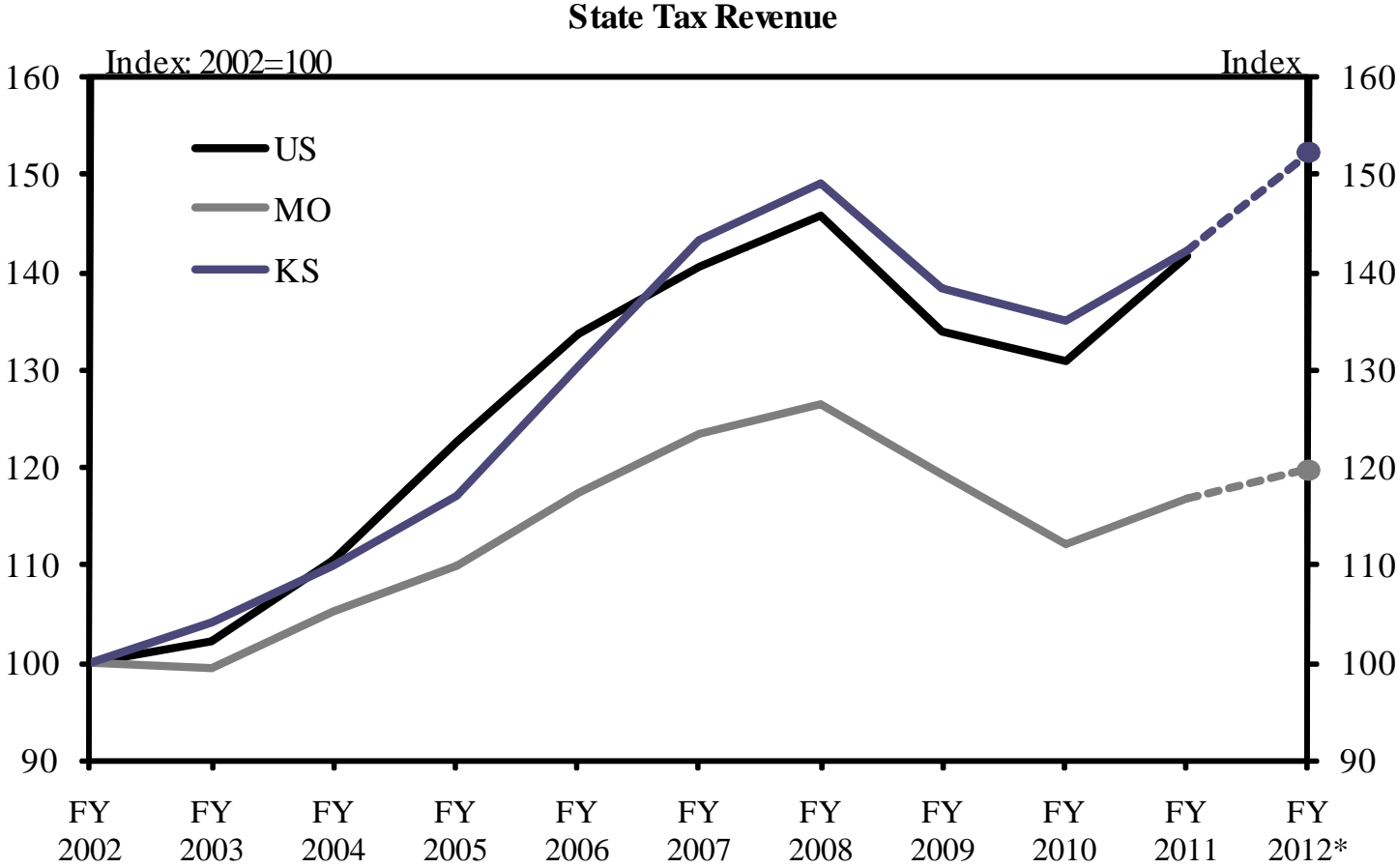
Among the top 25 KS and MO export countries, EU countries combine for 14% of exports.

**Exports by Destination**



Source: U.S. Census

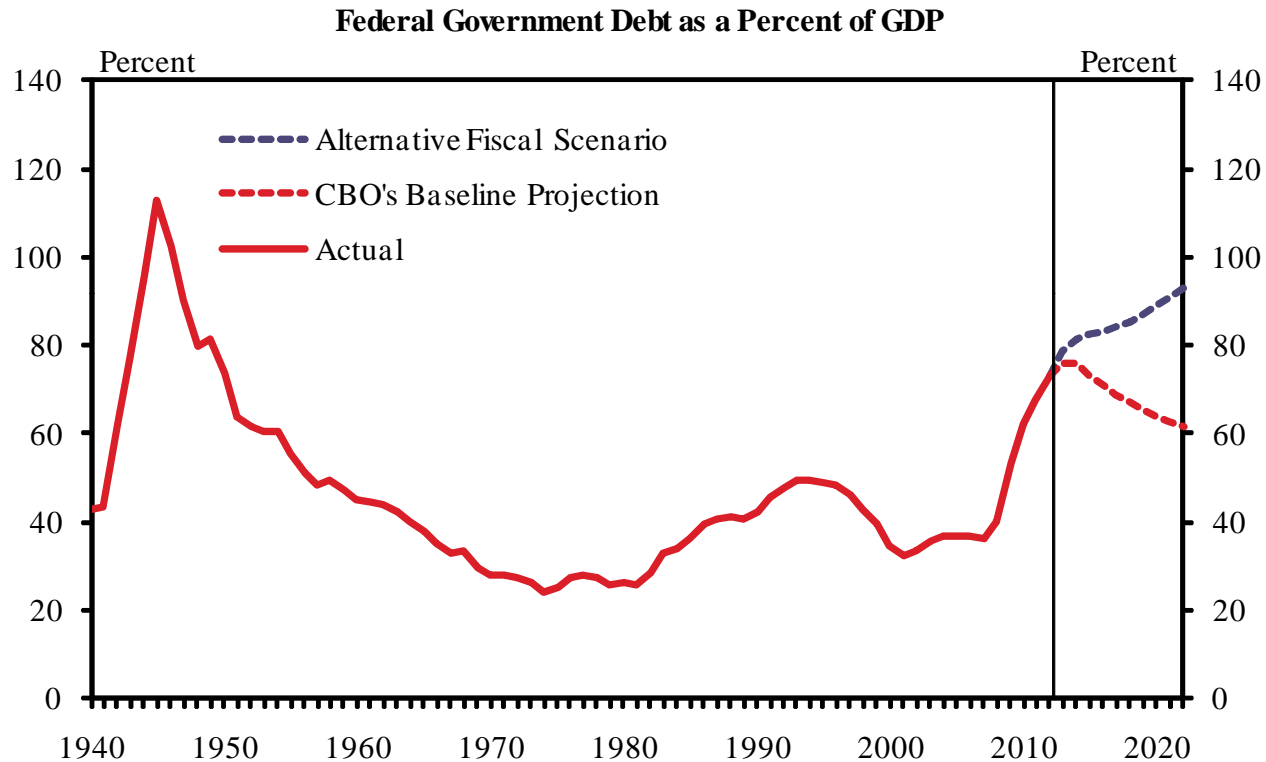
# State tax revenues are increasing, but budgets may remain tight over the next year or two.



Source: US Census Bureau and state agencies

Note: FY 2012 estimates are projected using the percent change in actual tax collection in FY2012 through February compared to the same time period in FY 2011.

# Federal government debt levels have increased significantly over the past few years.



Source: Congressional Budget Office

Note: According to the CBO, "The alternative fiscal scenario incorporates the assumptions that all expiring tax provisions (other than the payroll tax reduction) ... are extended; that the AMT is indexed for inflation after 2011 ... ; that Medicare's payment rates for physicians' services are held constant... ; and that the automatic enforcement procedures specified by the Budget Control Act of 2011 do not take effect. The budgetary effects under the alternative fiscal scenario also include the incremental interest costs associated with projected additional borrowing."

# 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 U.S. and Kansas City economies are still expected to recover at a moderate pace over the next few 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>