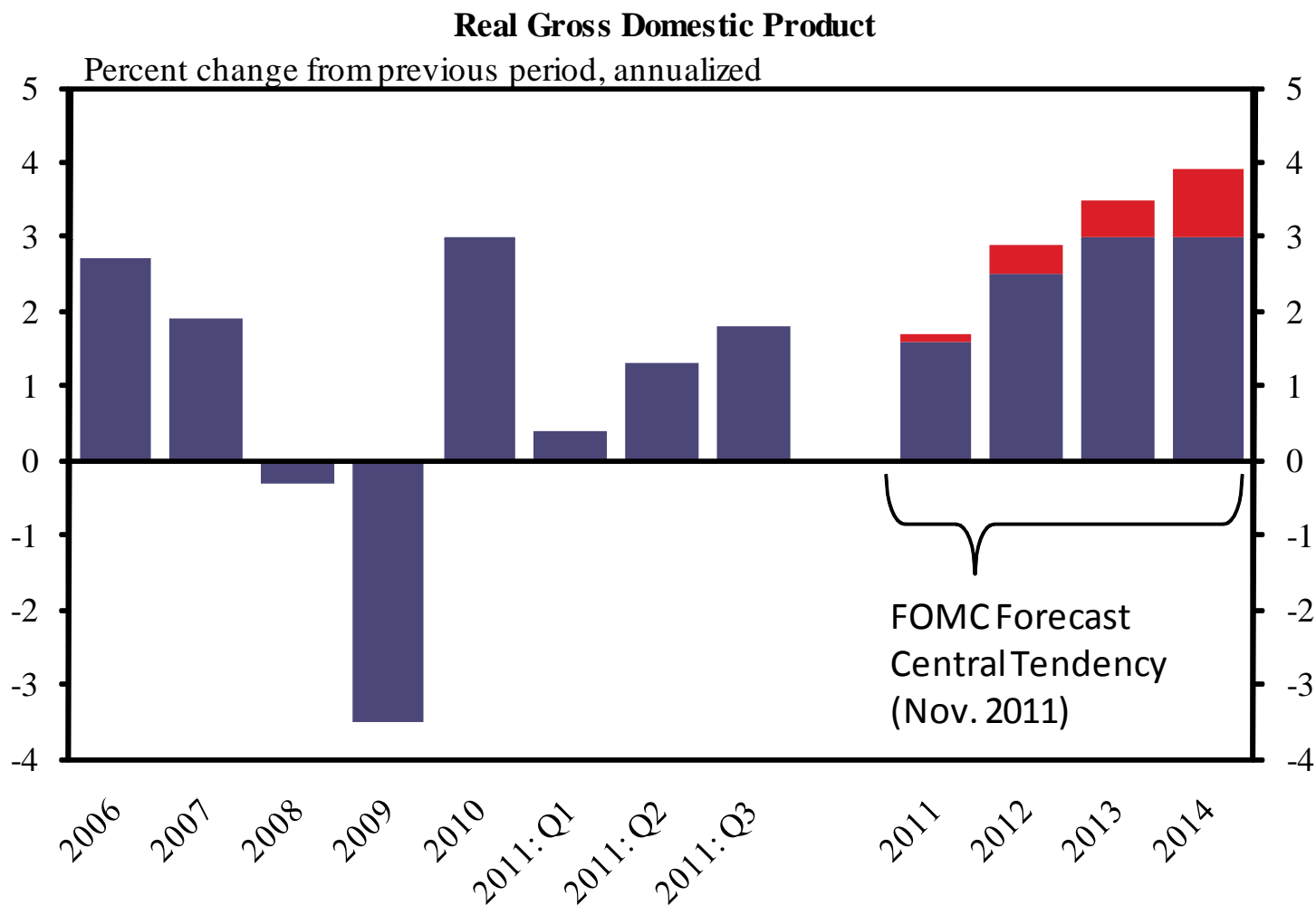


RECESSION AND RECOVERY IN MISSOURI AND THE U.S.

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.

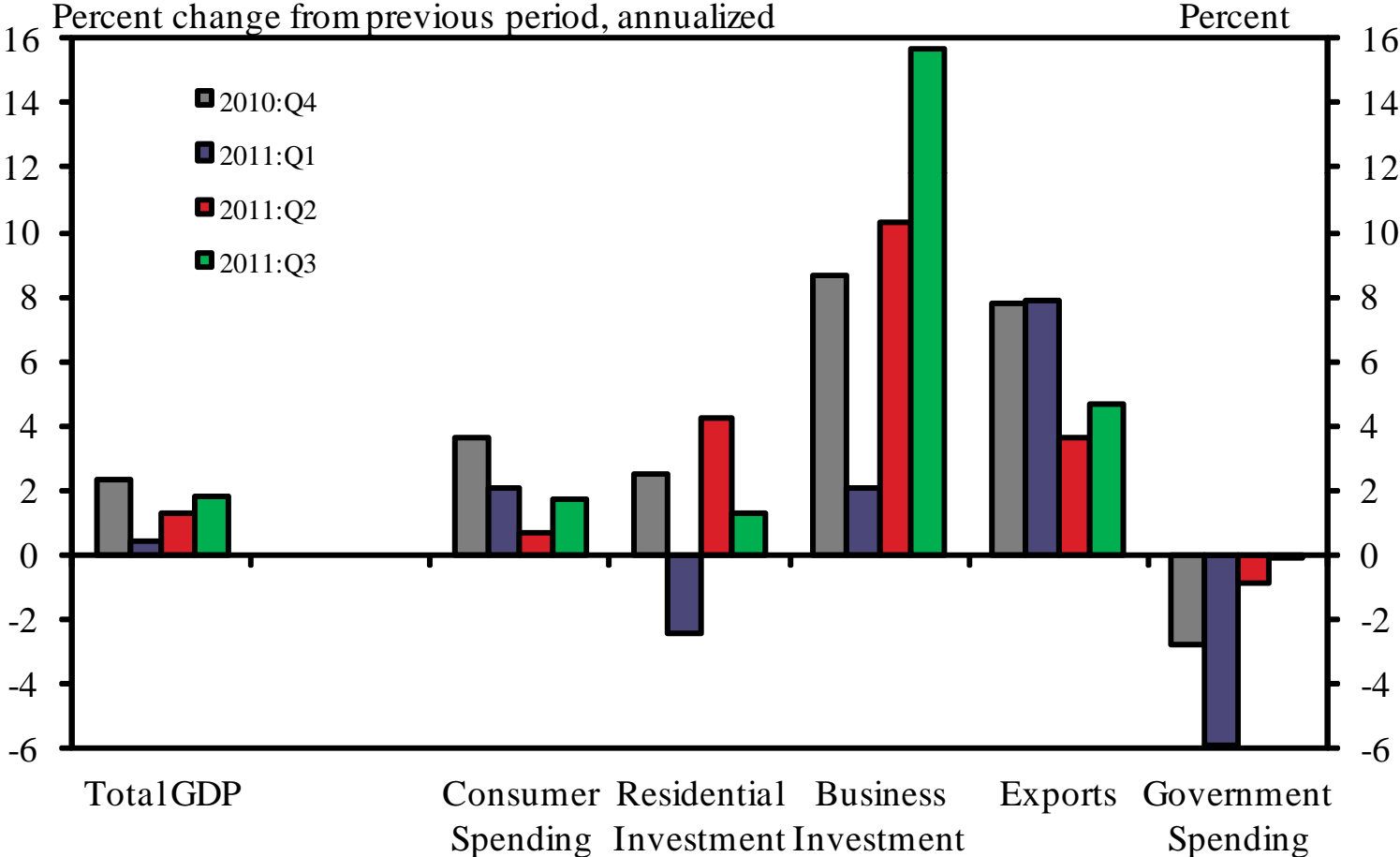
After slowing in the first half of 2011, growth is picking up.



Source: Bureau of Economic Analysis; FOMC

Business investment increased sharply in the second and third quarters of last year.

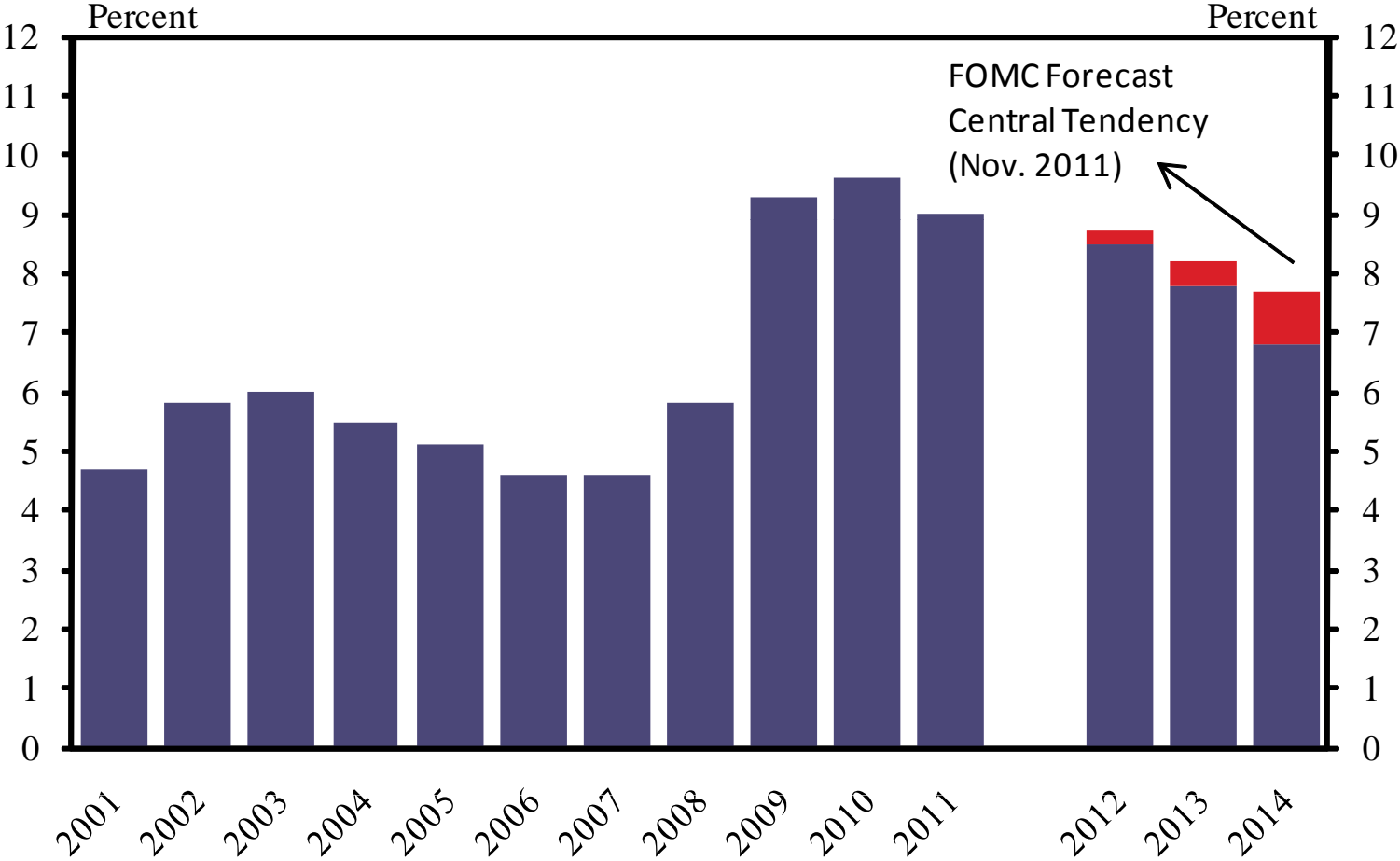
Growth in Components of Real GDP



Source: Bureau of Economic Analysis

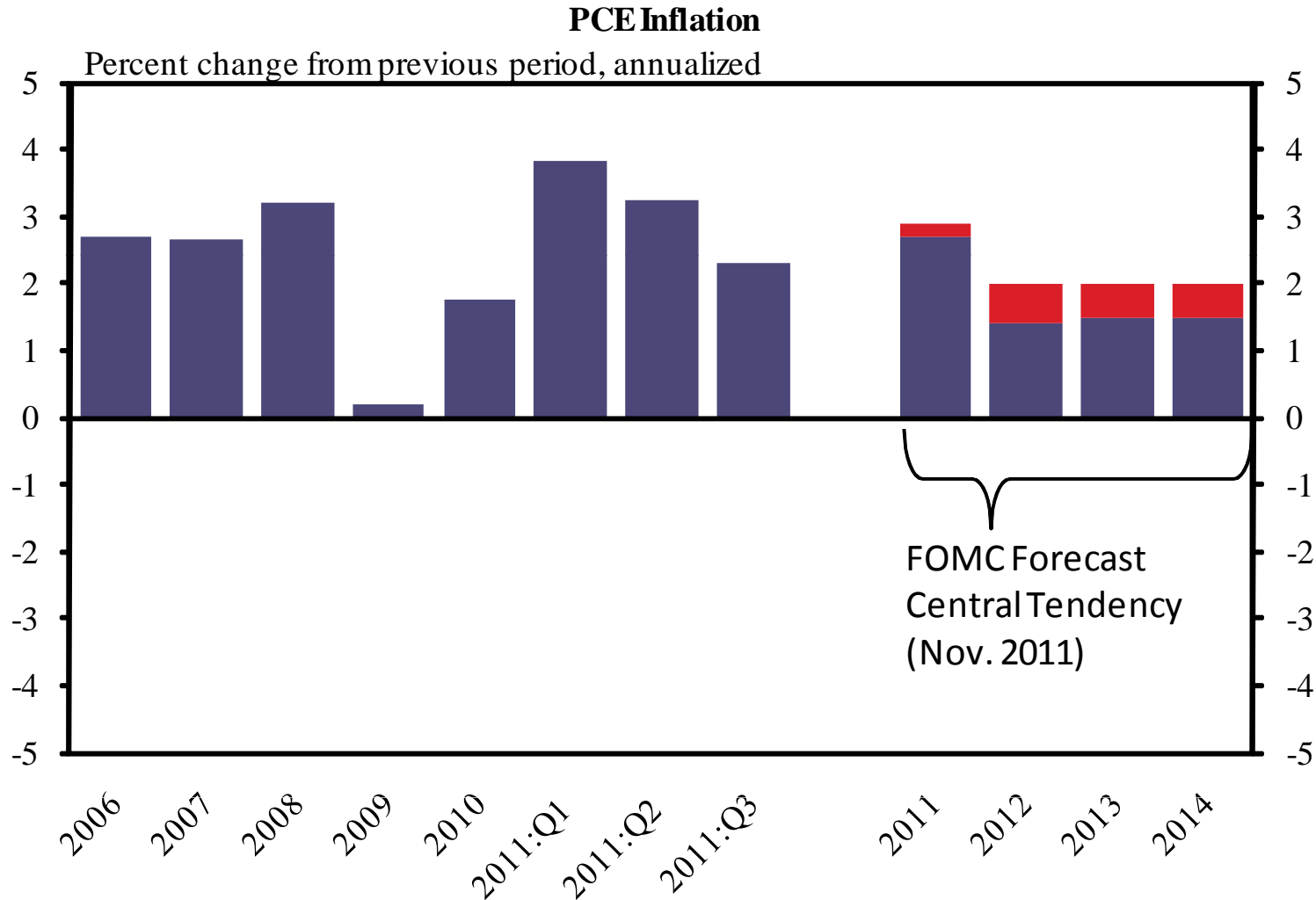
Unemployment rates have fallen over the past year but remain stubbornly high.

Unemployment Rate



Source: Bureau of Labor Statistics; FOMC

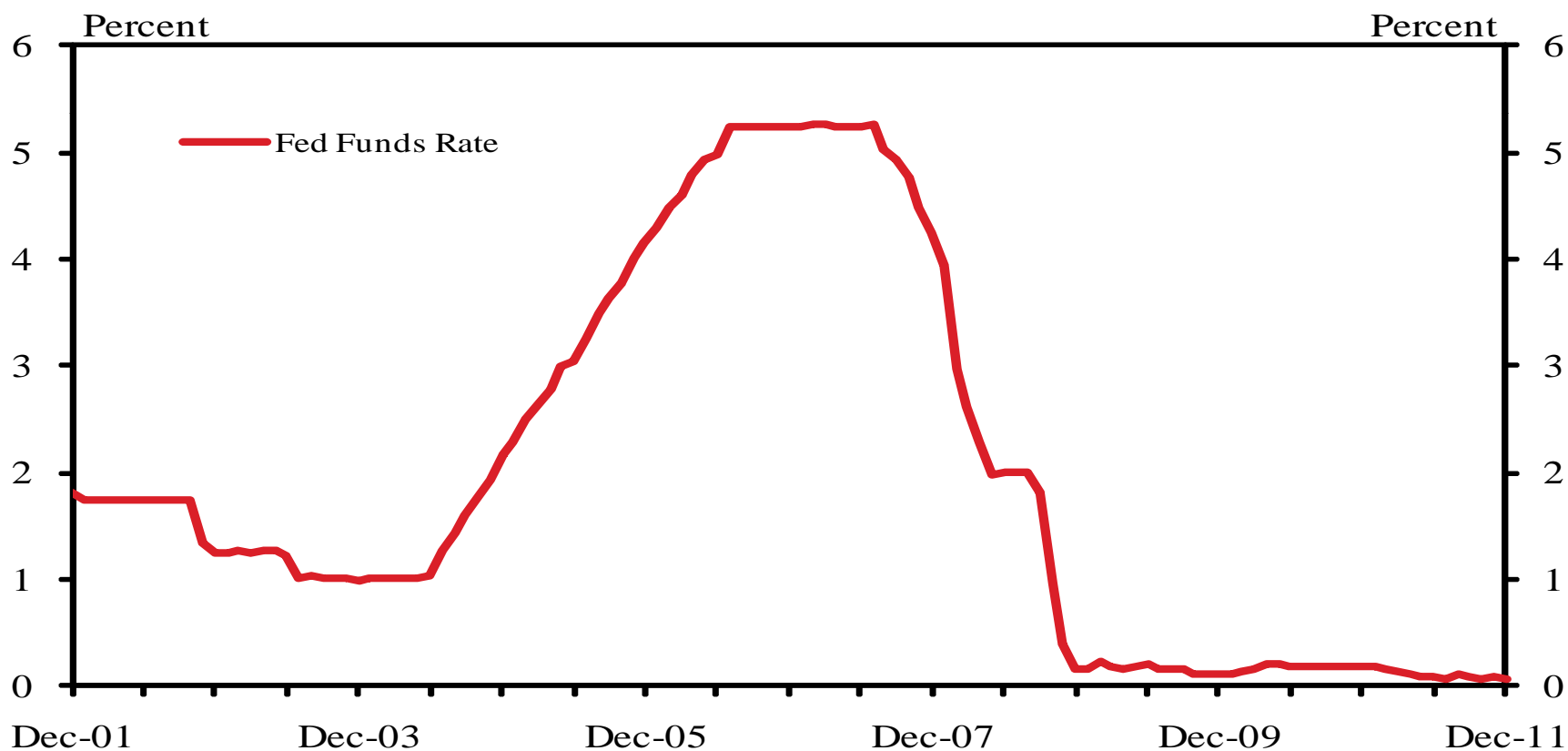
After increasing in the first half of 2011, inflation has moderated and is expected to be below 2% in 2012.



Source: Bureau of Economic Analysis; FOMC

FOMC December 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 mid-2013.”

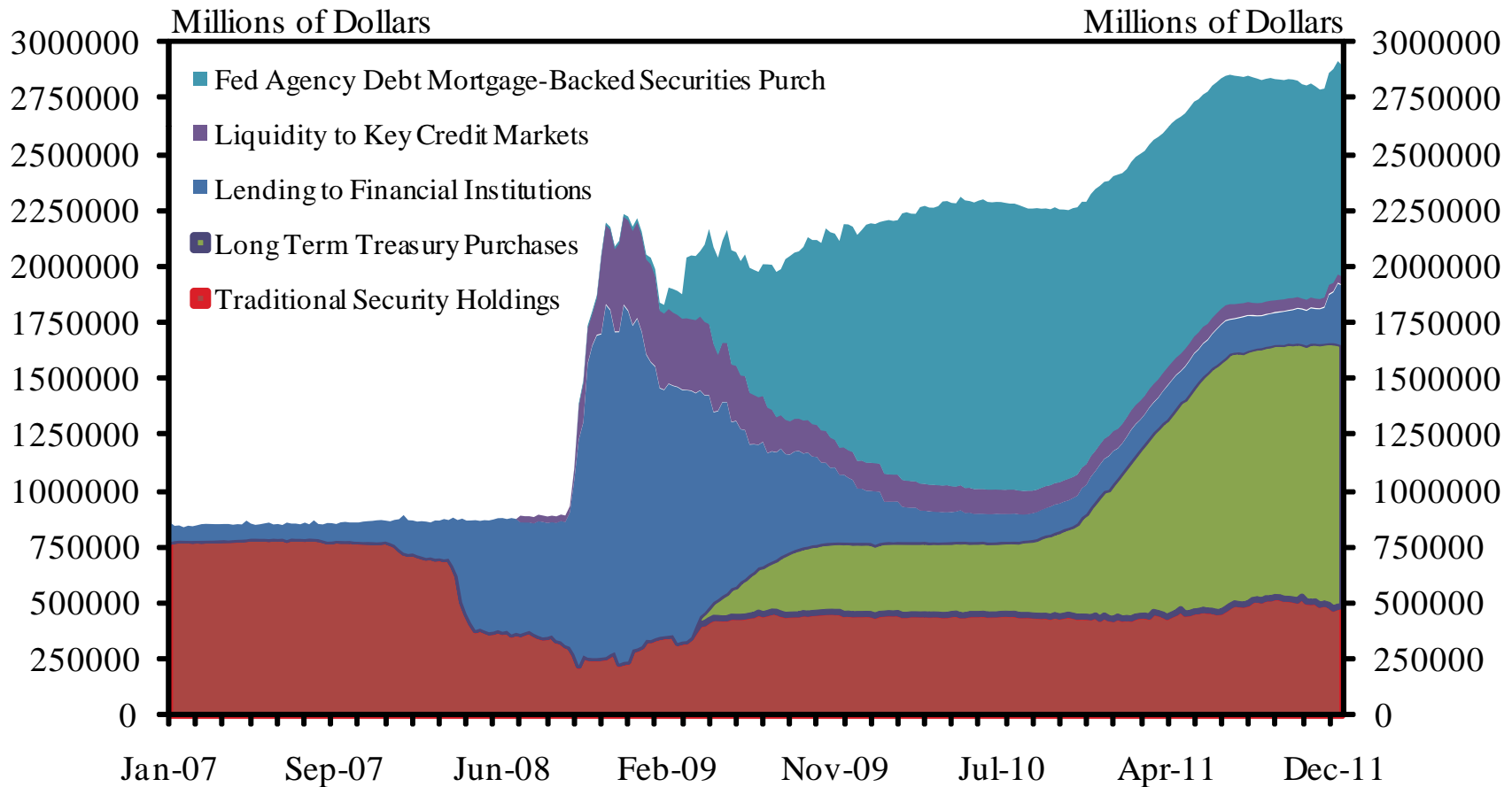
Fed Funds Rate



Source: FOMC

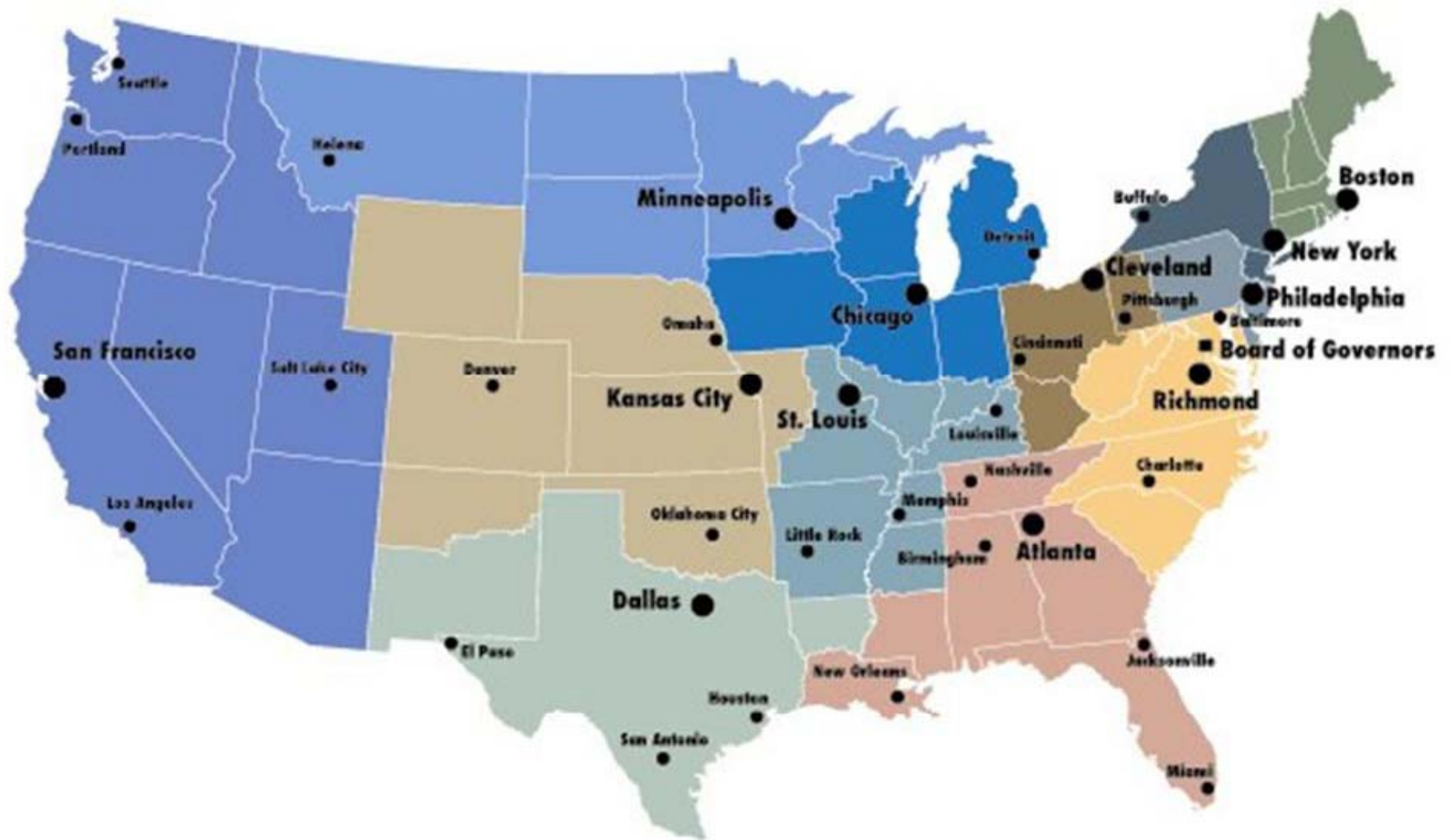
FOMC December Statement: "... the Committee decided today to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed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

Federal Reserve Balance Sheet



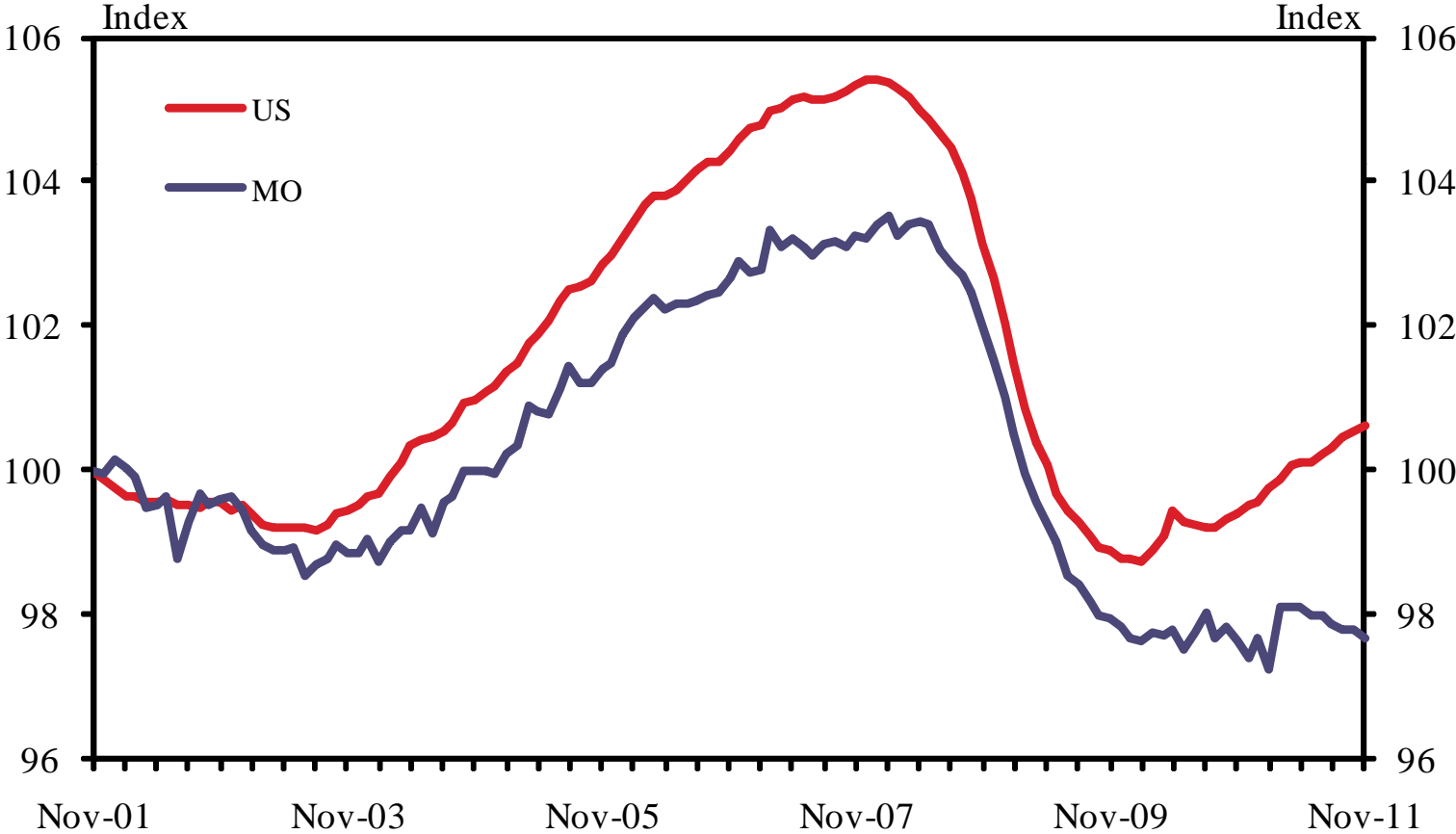
Source: FOMC

The Tenth District of the Federal Reserve



Despite some gains, employment is still well below pre-recession levels.

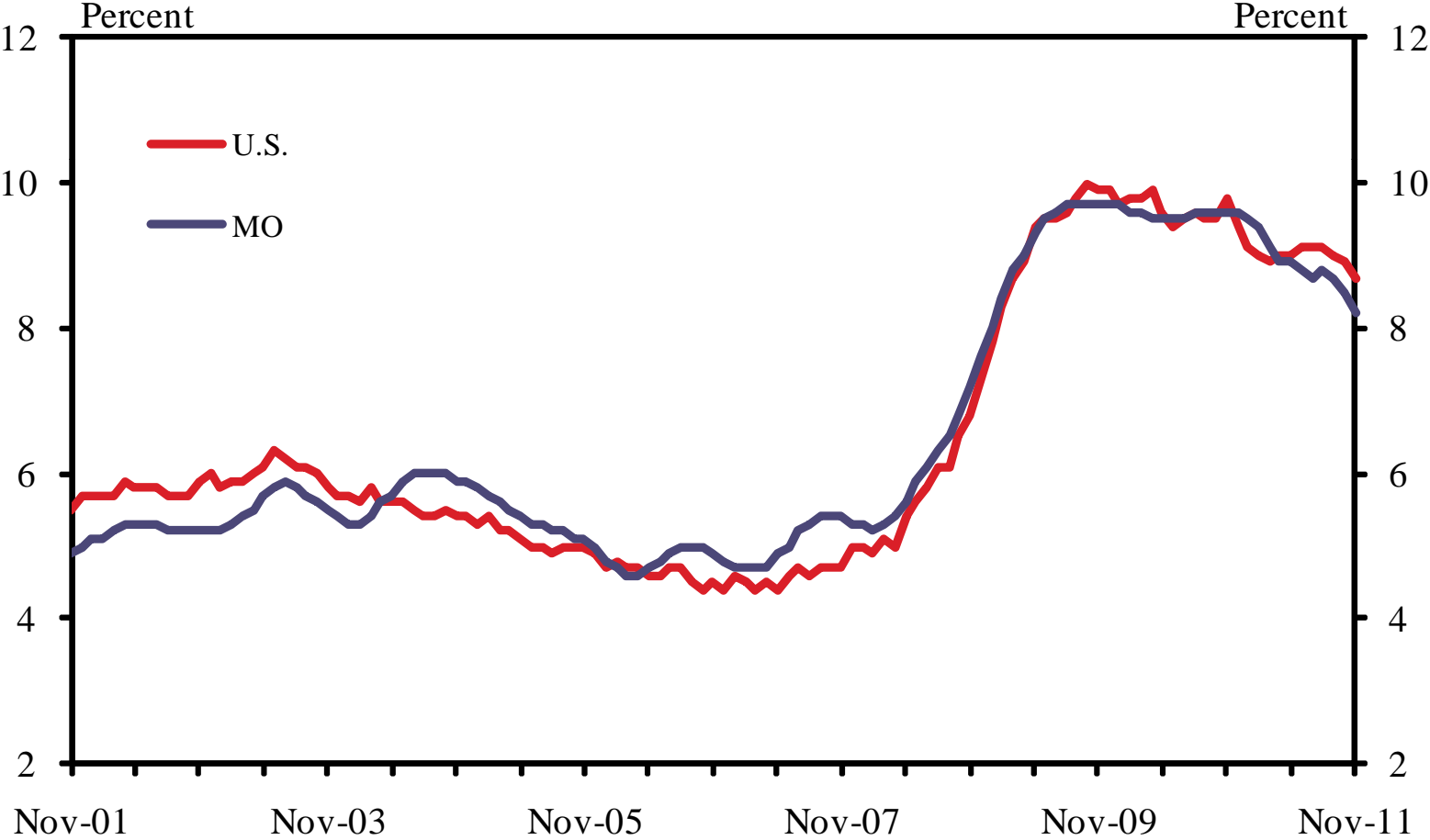
Total Nonfarm Employment
Seasonally adjusted



Source: Bureau of Labor Statistics

The unemployment rate in Missouri is similar to the national rate.

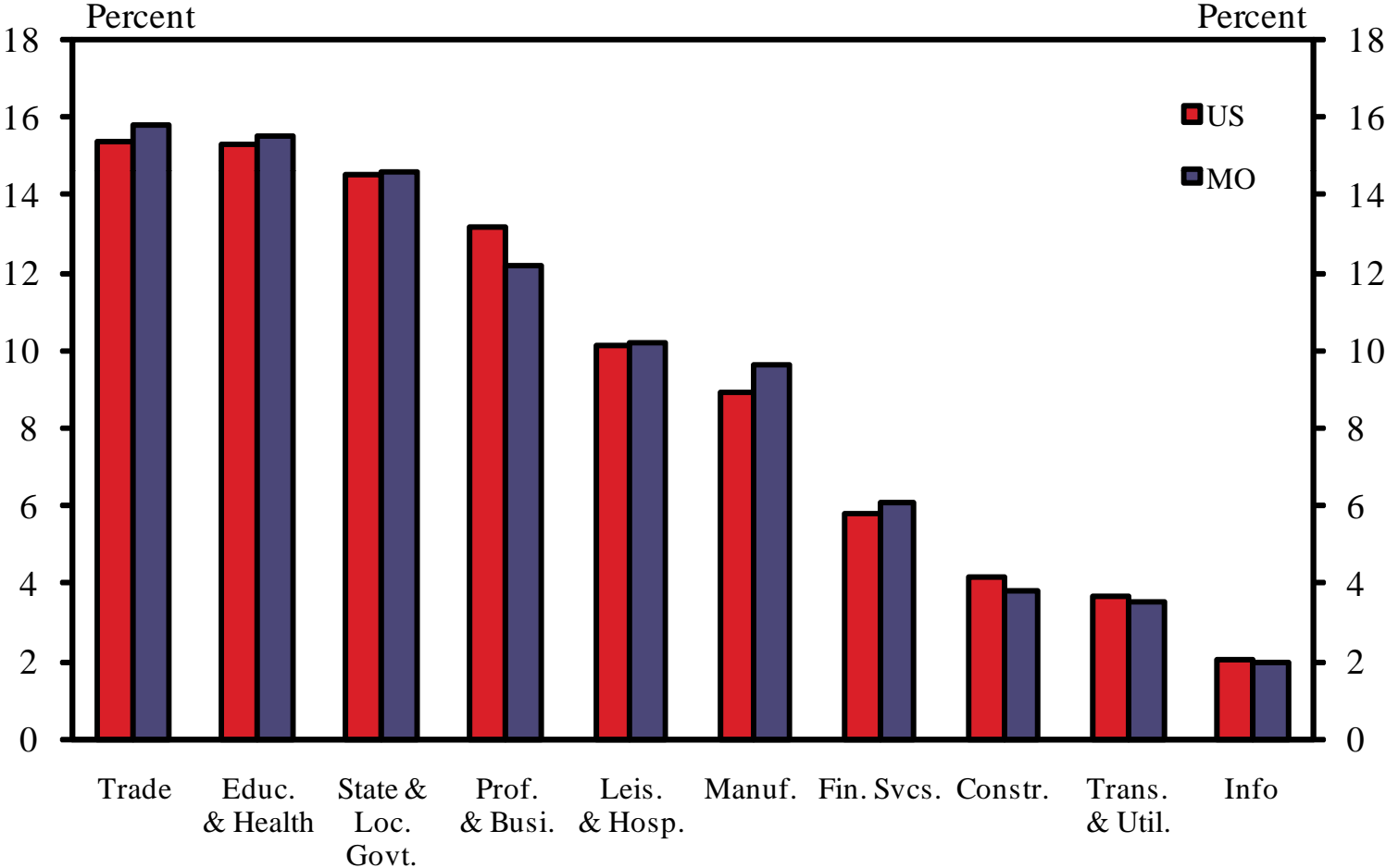
Unemployment Rate
Seasonally adjusted



Source: Bureau of Labor Statistics

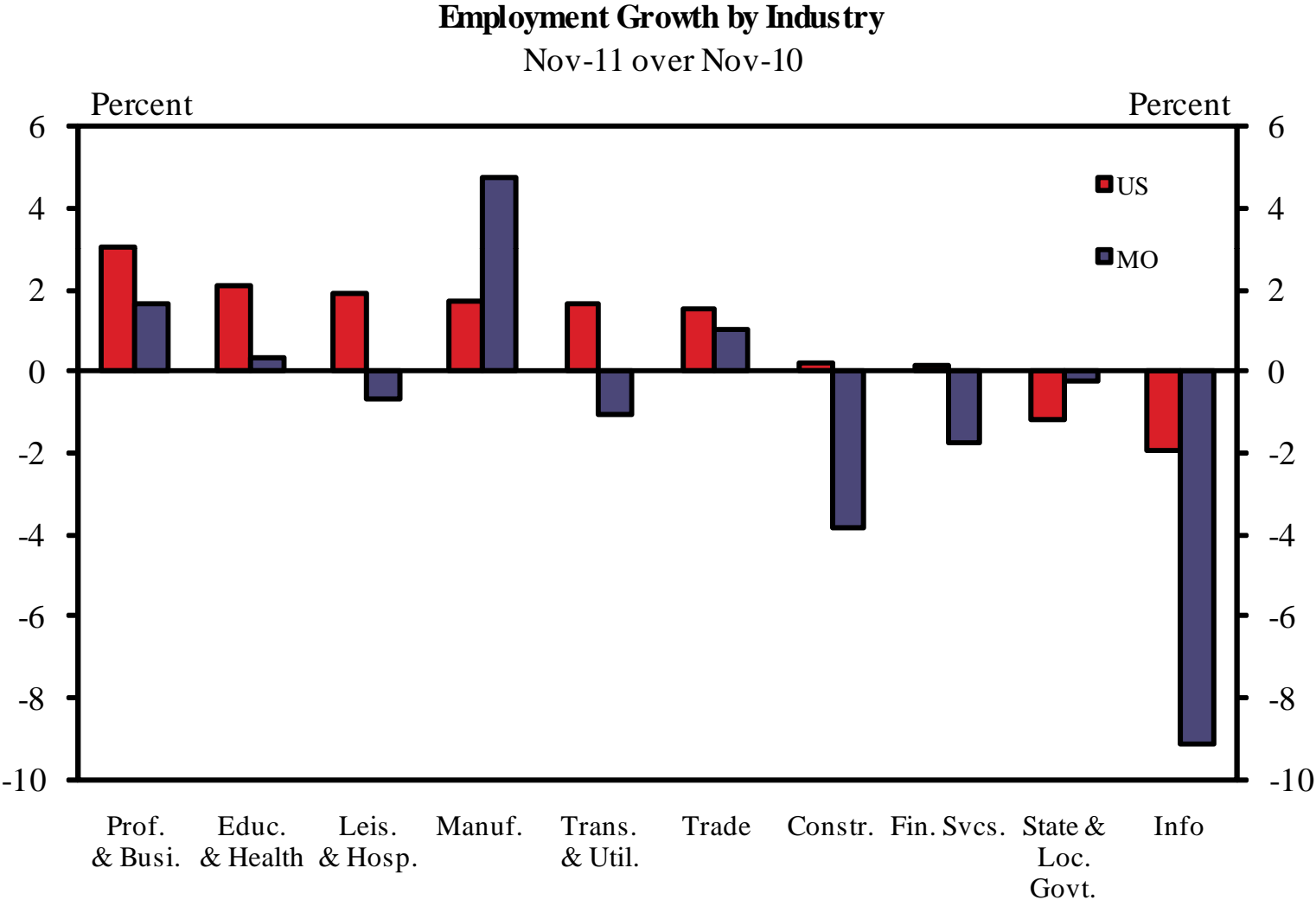
The industry mix in Missouri is very similar to the national average.

Employment Share by Industry
Seasonally adjusted



Source: Bureau of Labor Statistics

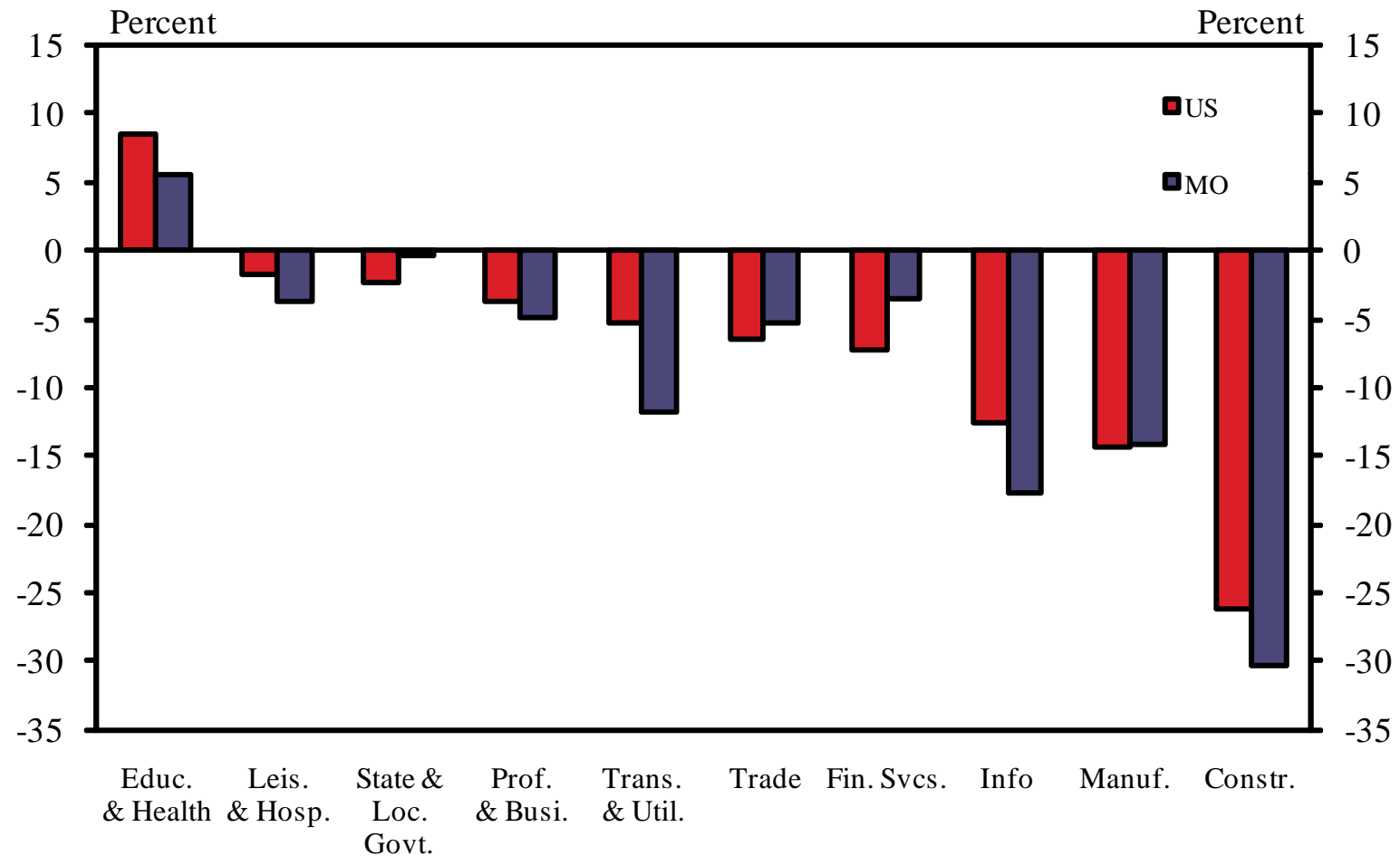
Manufacturing employment growth outpaced every other industry in Missouri over the past year.



Source: Bureau of Labor Statistics

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

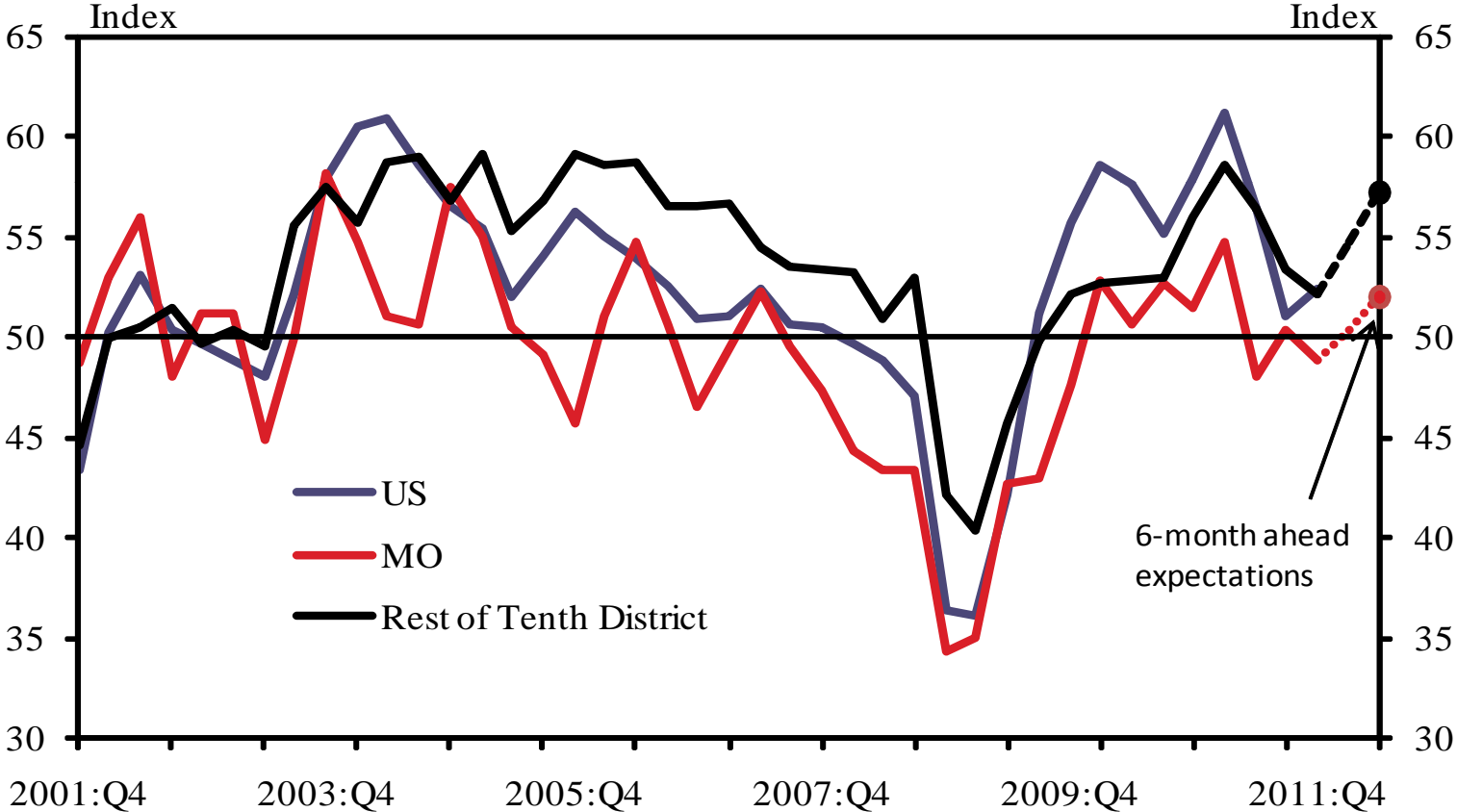
Employment Growth by Industry
Nov-11 over Dec-07



Source: Bureau of Labor Statistics

Nationally, the manufacturing sector has been expanding for over two years.

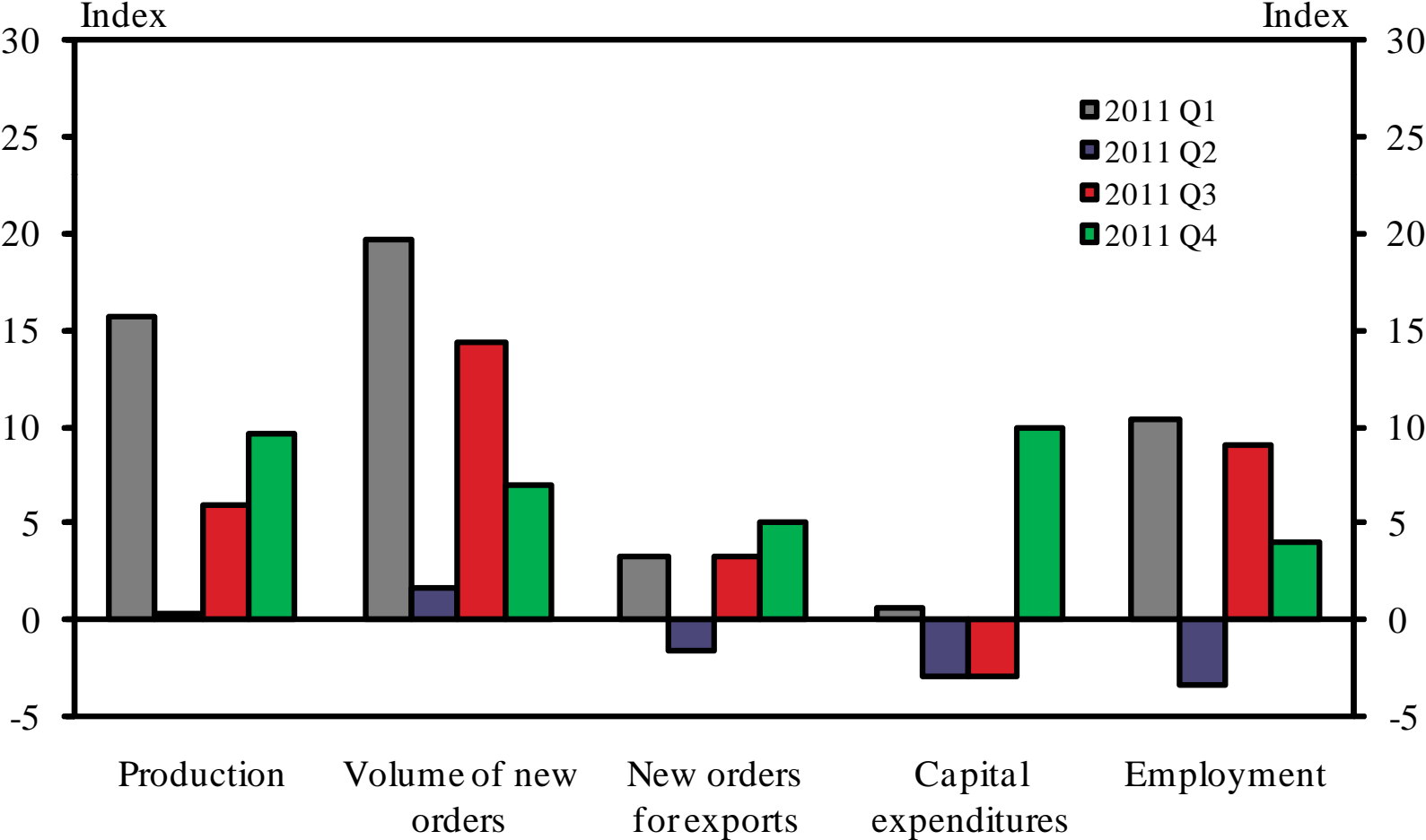
Manufacturing Activity
Seasonally adjusted



Sources: ISM, FRBKC Manufacturing Survey
Note: 50 = zero change

Manufacturers in Missouri expect increased activity over the next six months.

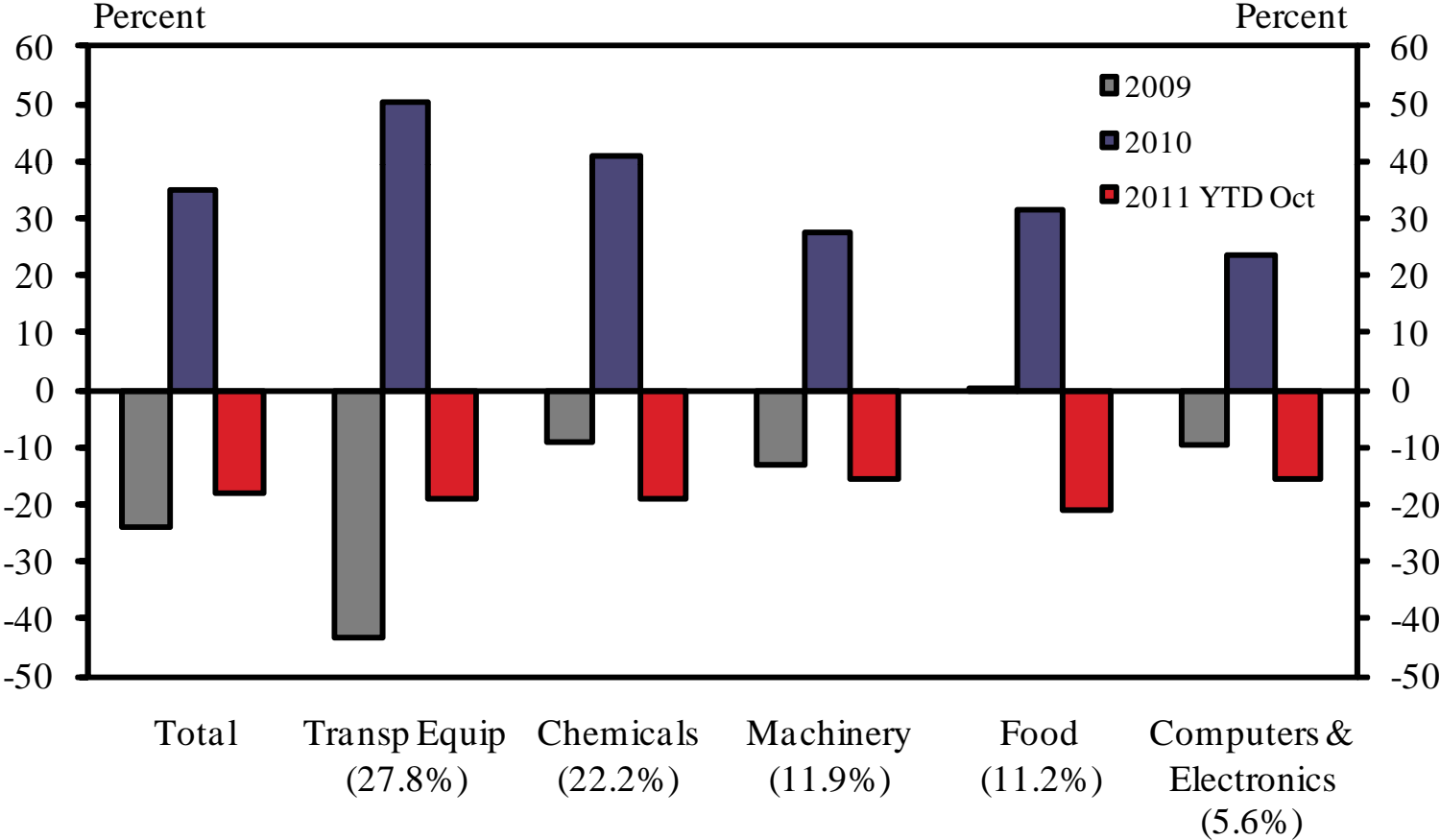
Missouri Manufacturing Expectations
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

After sharp increases in 2010, Missouri manufacturing exports fell in 2011.

Missouri Manufactured Exports
Year-over-year

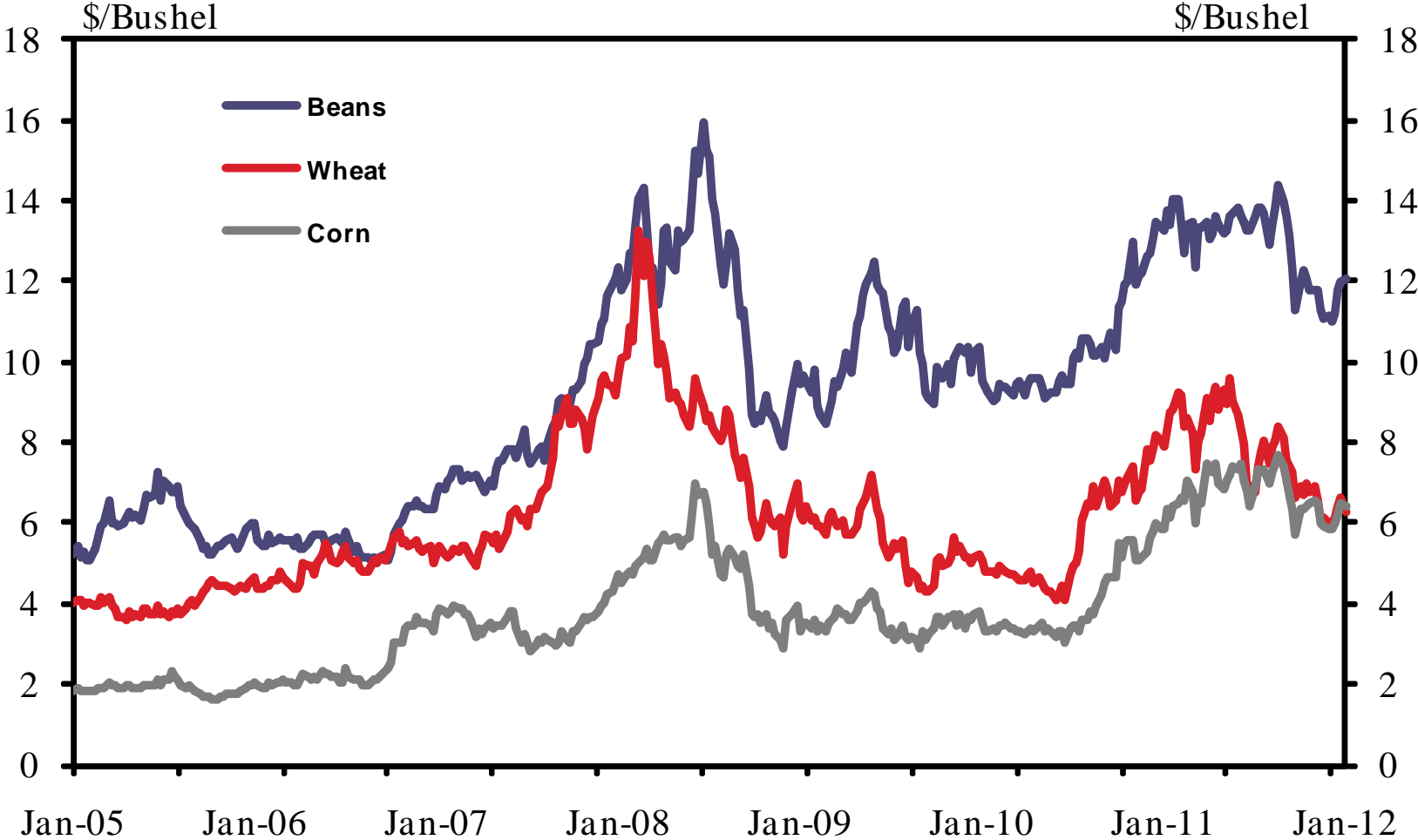


Source: Wiser Trade

Note: Number in parantheses represents the share of Missouri manufactured exports.

Crop prices have fallen somewhat from high levels last summer.

Crop Prices



Source: Commodity Research Bureau

Farmland prices have increased sharply in Missouri.

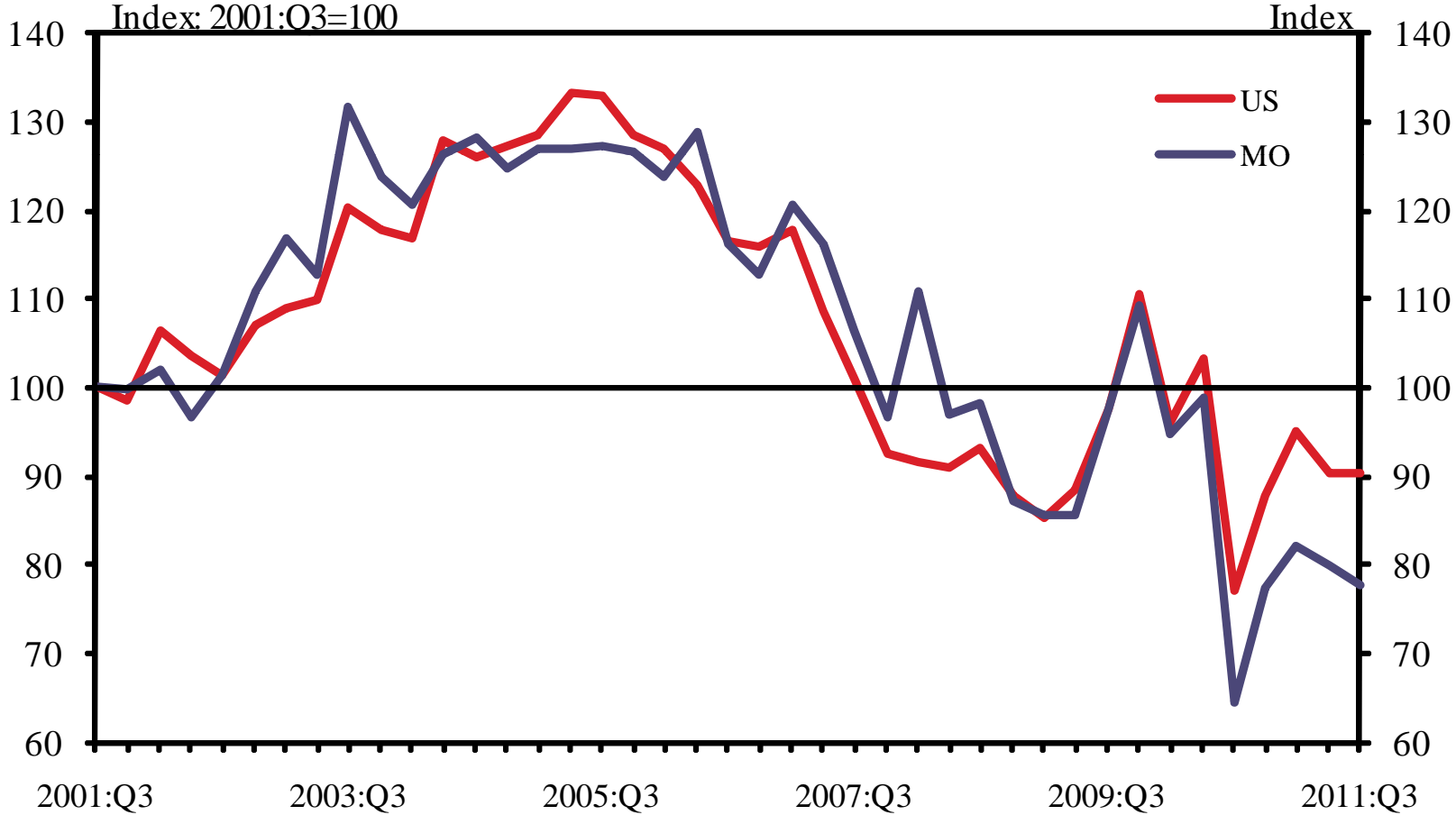
Missouri Non-irrigated Farmland Values
Year-over-year



Source: FRBKC Agricultural Credit Survey

Home sales activity remains slow.

Existing Home Sales
Seasonally adjusted



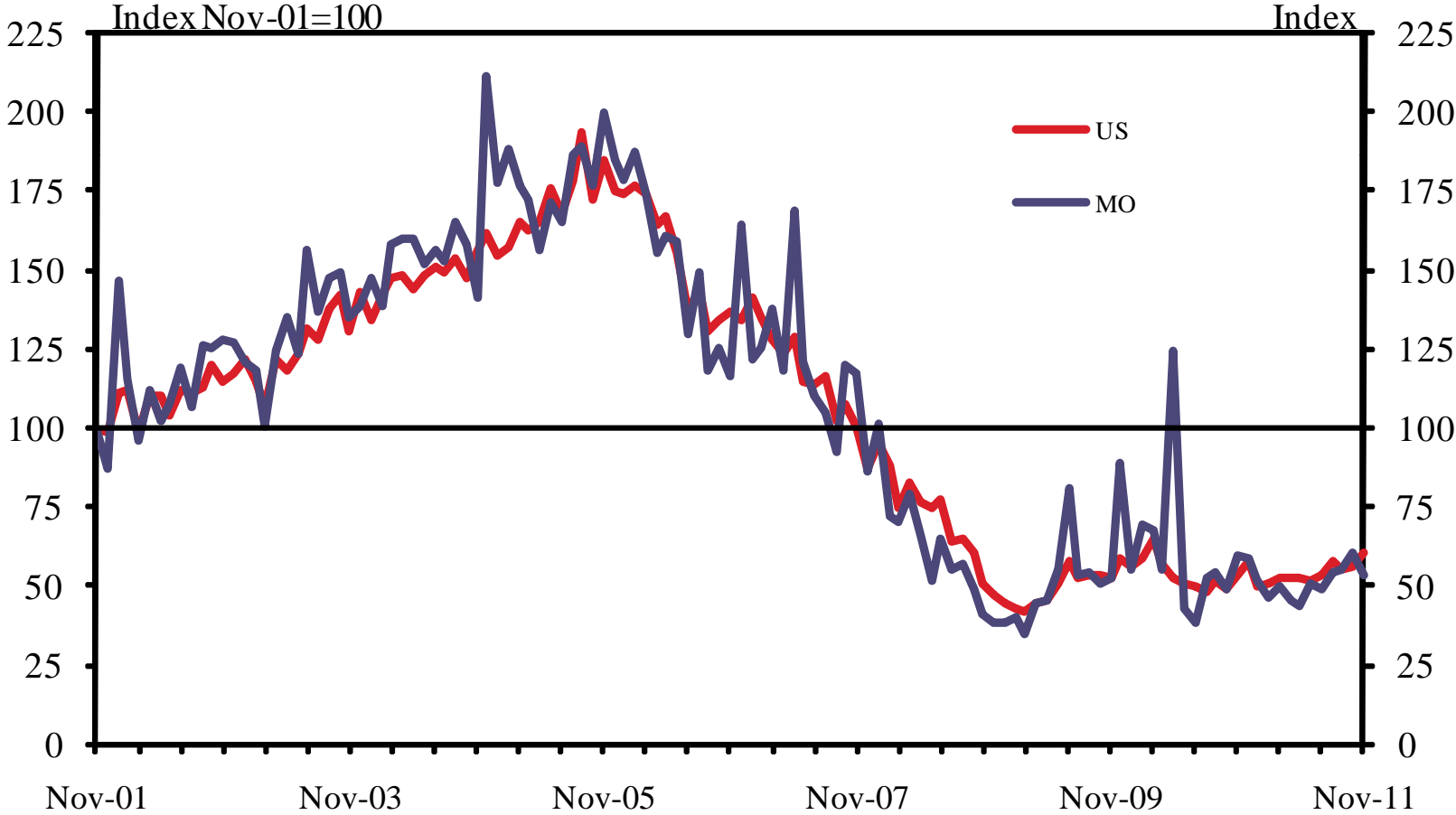
Source: NAR

Residential construction activity remains weak but has increased over the past few months.



Value of Residential Construction Contracts

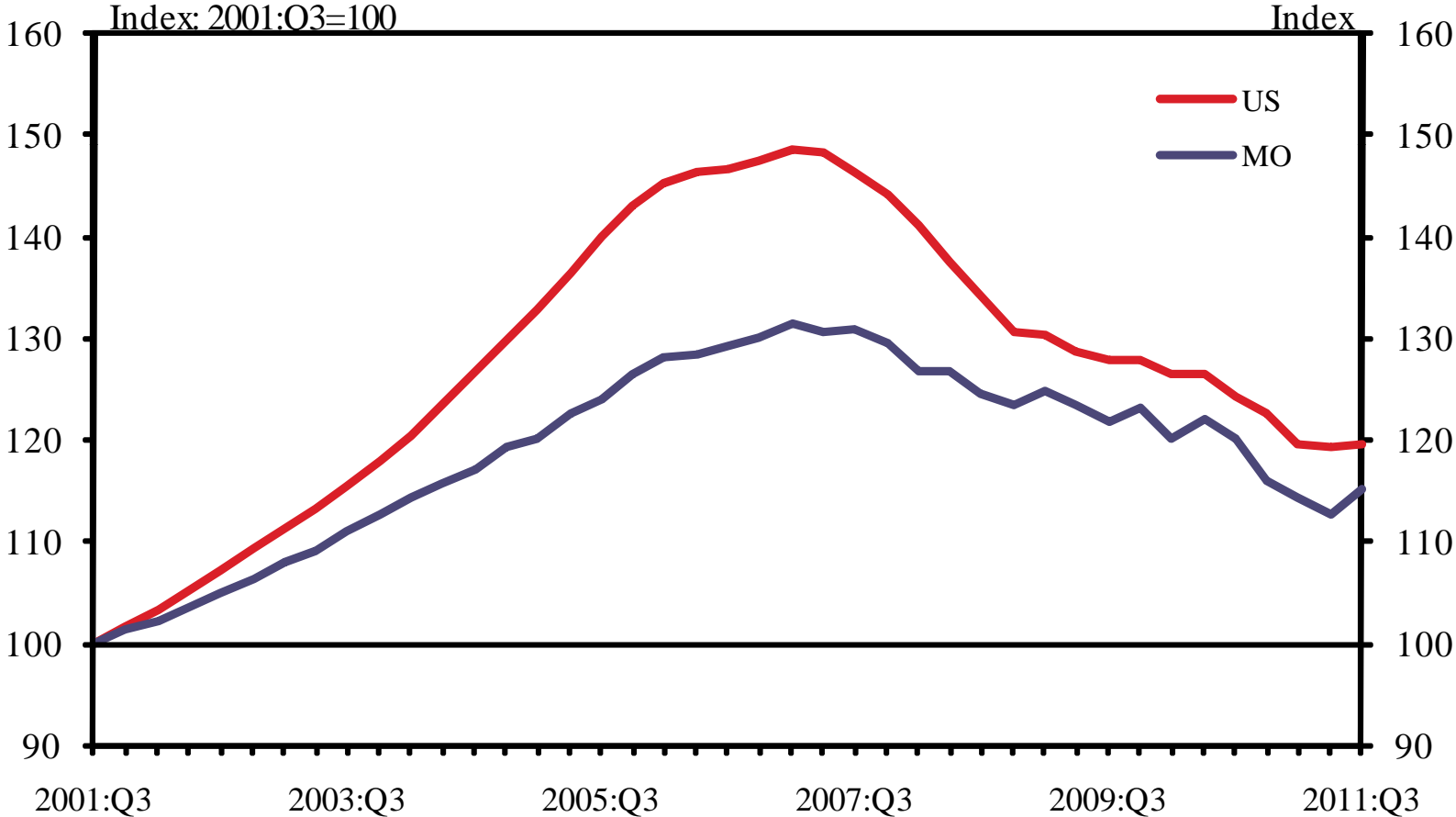
Seasonally adjusted



Source: FW Dodge

Home prices in Missouri increased in the third quarter but remain well-below peak levels.

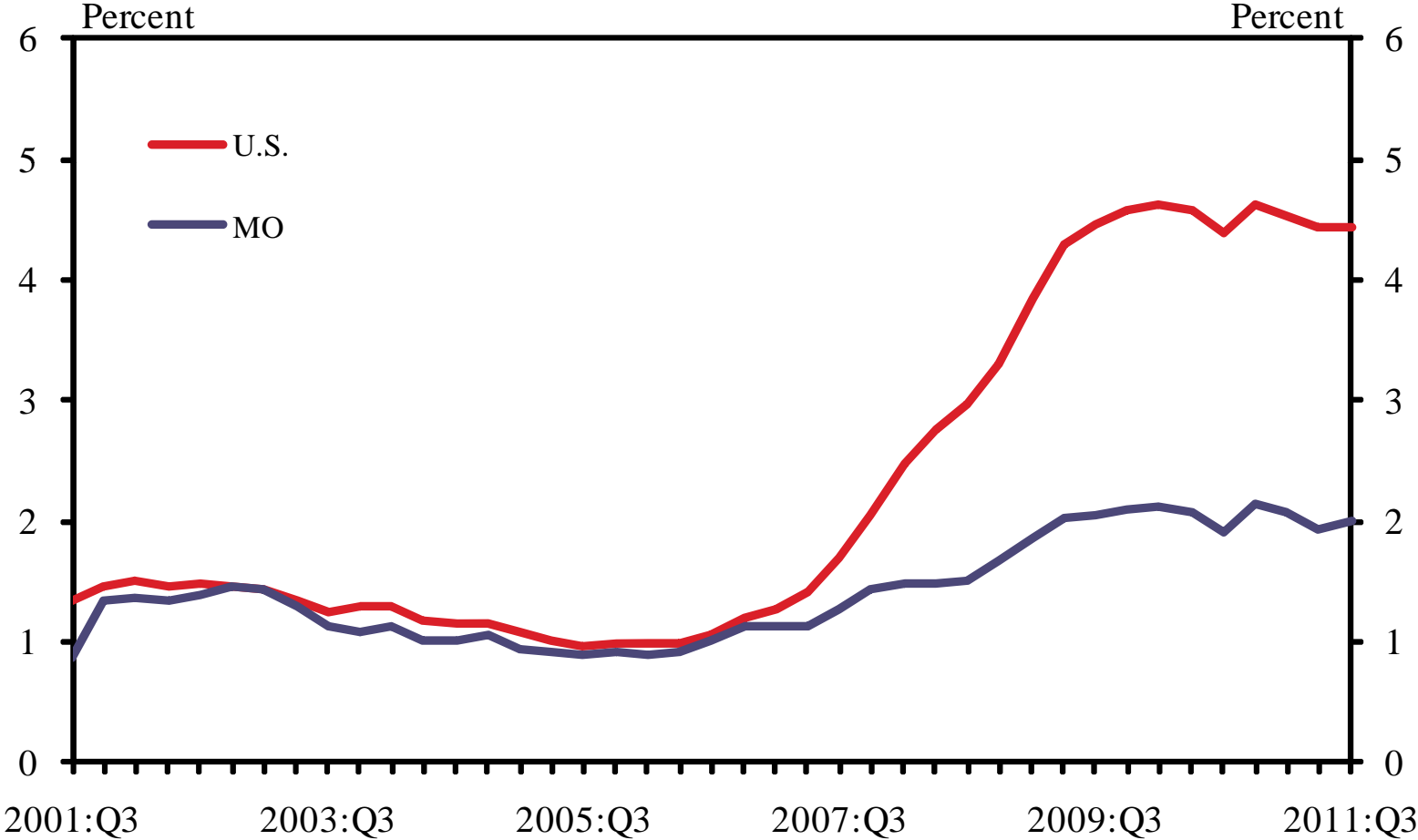
Home Prices
Seasonally adjusted



Source: FHFA - purchase only index

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

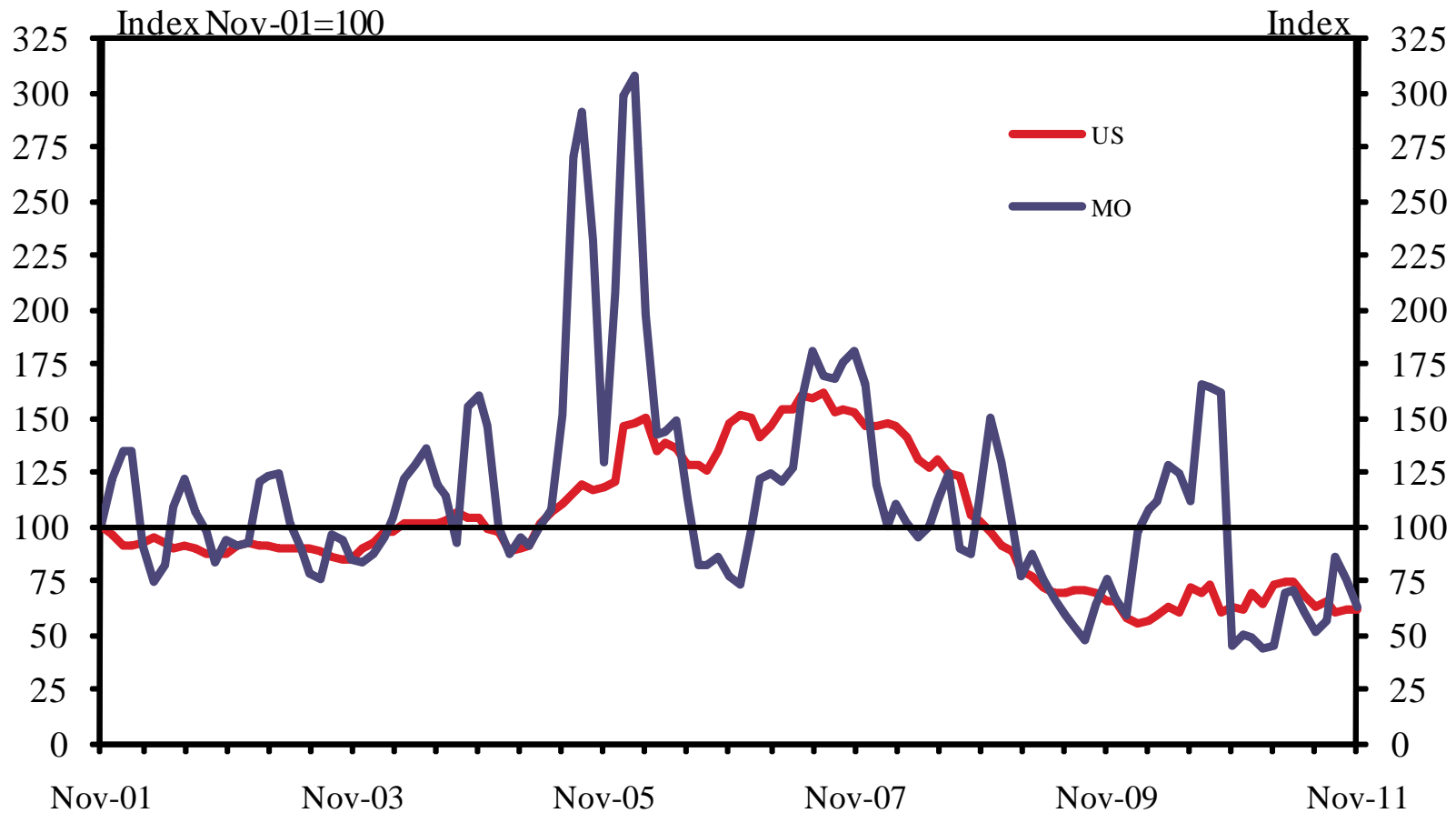
Foreclosure Rate



Source: Mortgage Bankers Association

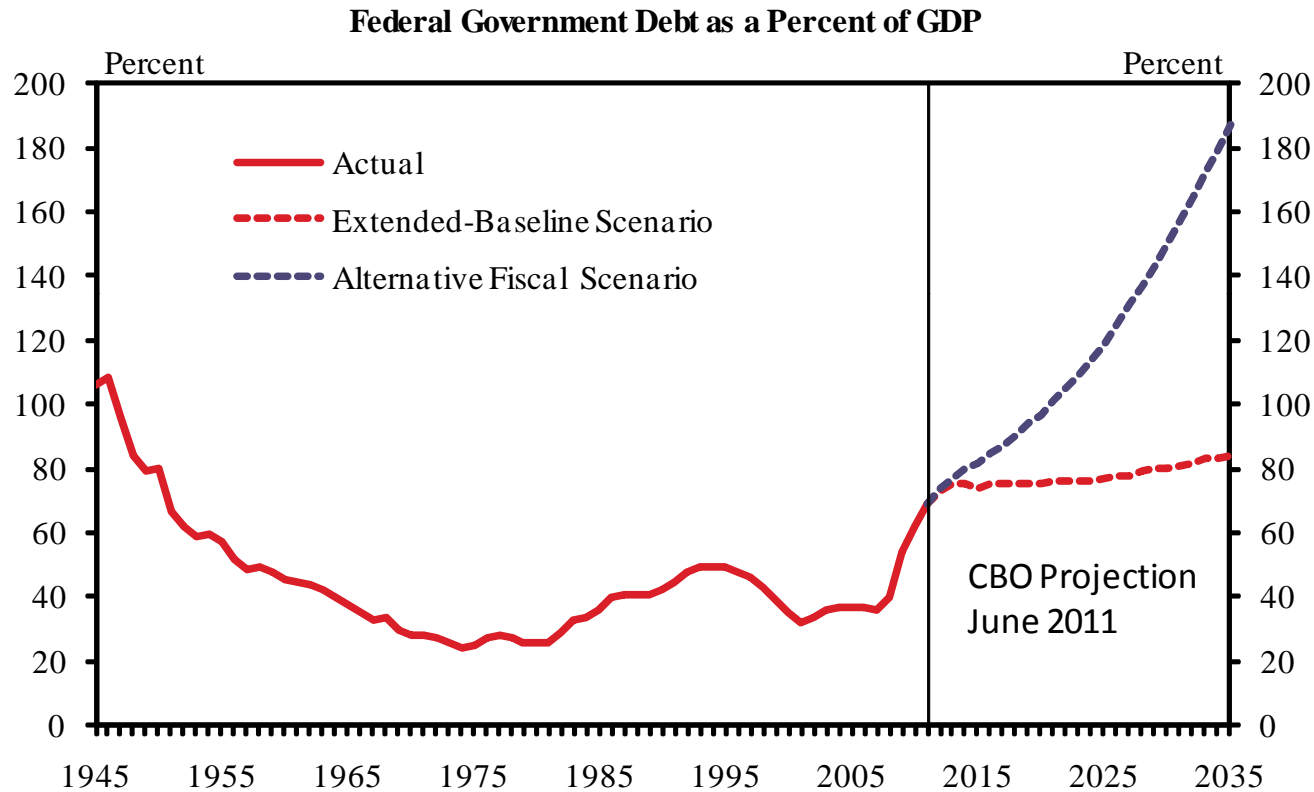
U.S. commercial construction activity is weaker than pre-recession levels.

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



Source: FW Dodge

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

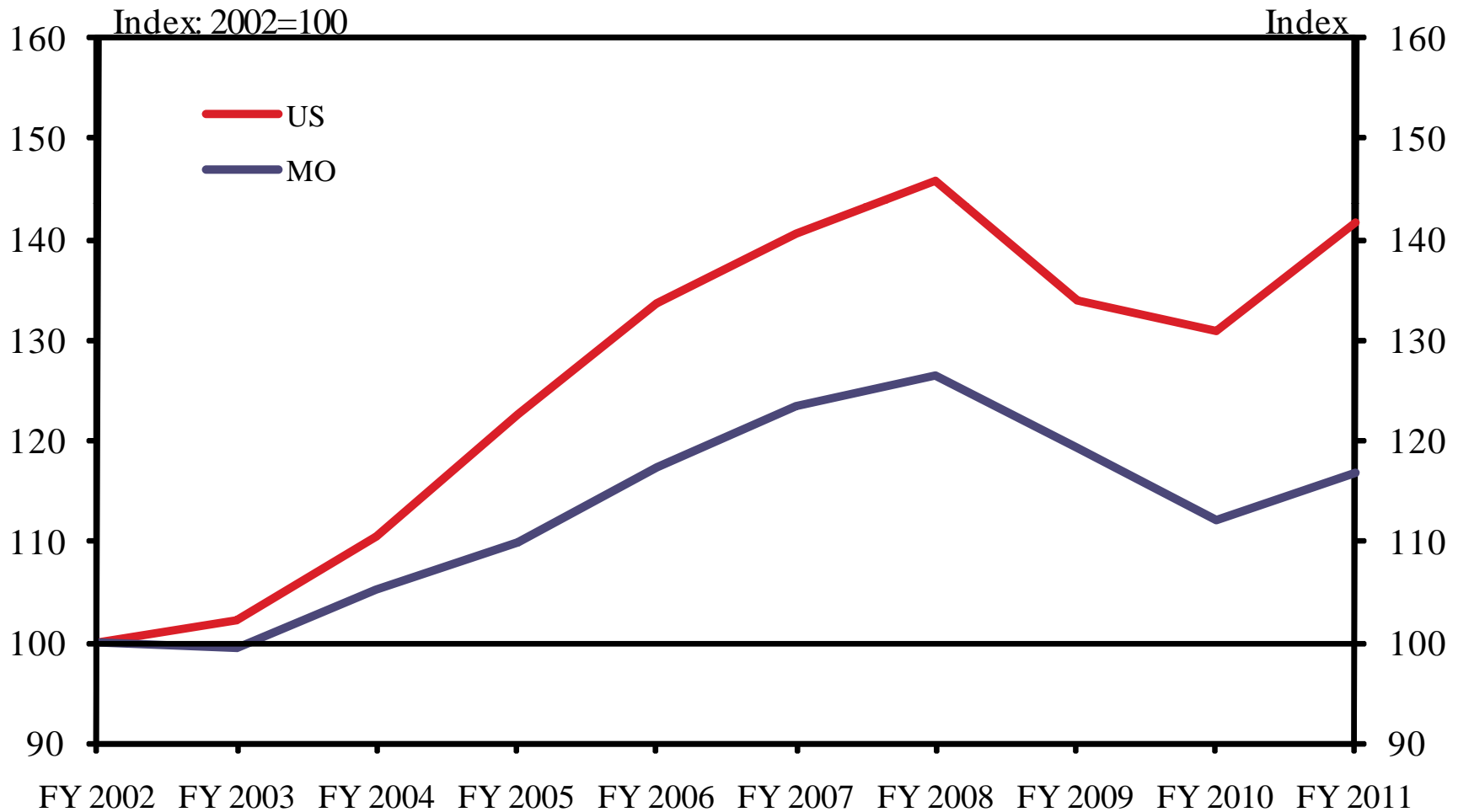


Source: Congressional Budget Office

Note: According to the CBO, "The extended-baseline scenario adheres closely to current law, following CBO's 10-year baseline budget projections through 2021 and then extending the baseline concept for the rest of the long-term projection period. The alternative fiscal scenario incorporates several changes to current law that are widely expected to occur or that would modify some provisions that might be difficult to sustain for a long period."

State government tax revenues increased in FY 2011 but remained below pre-recession levels.

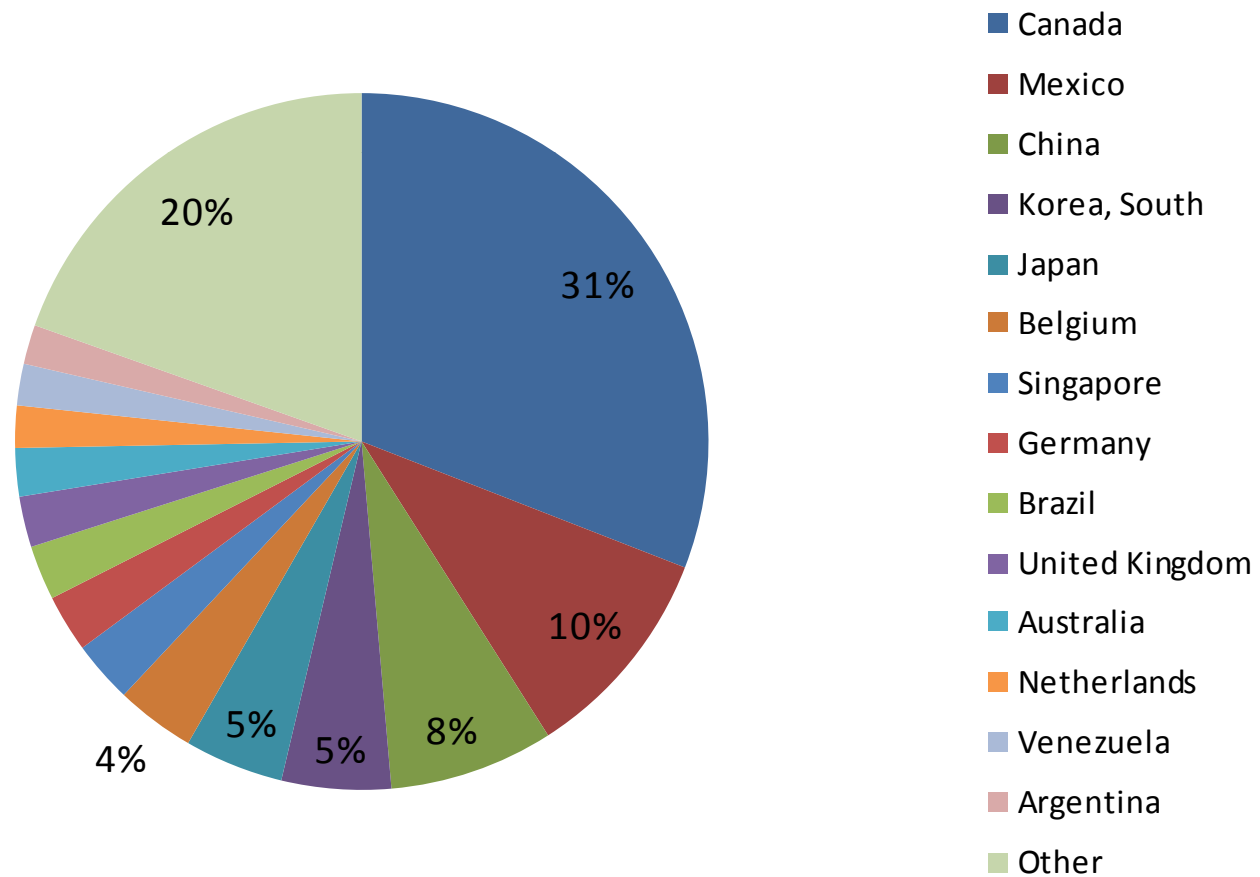
State Tax Revenue



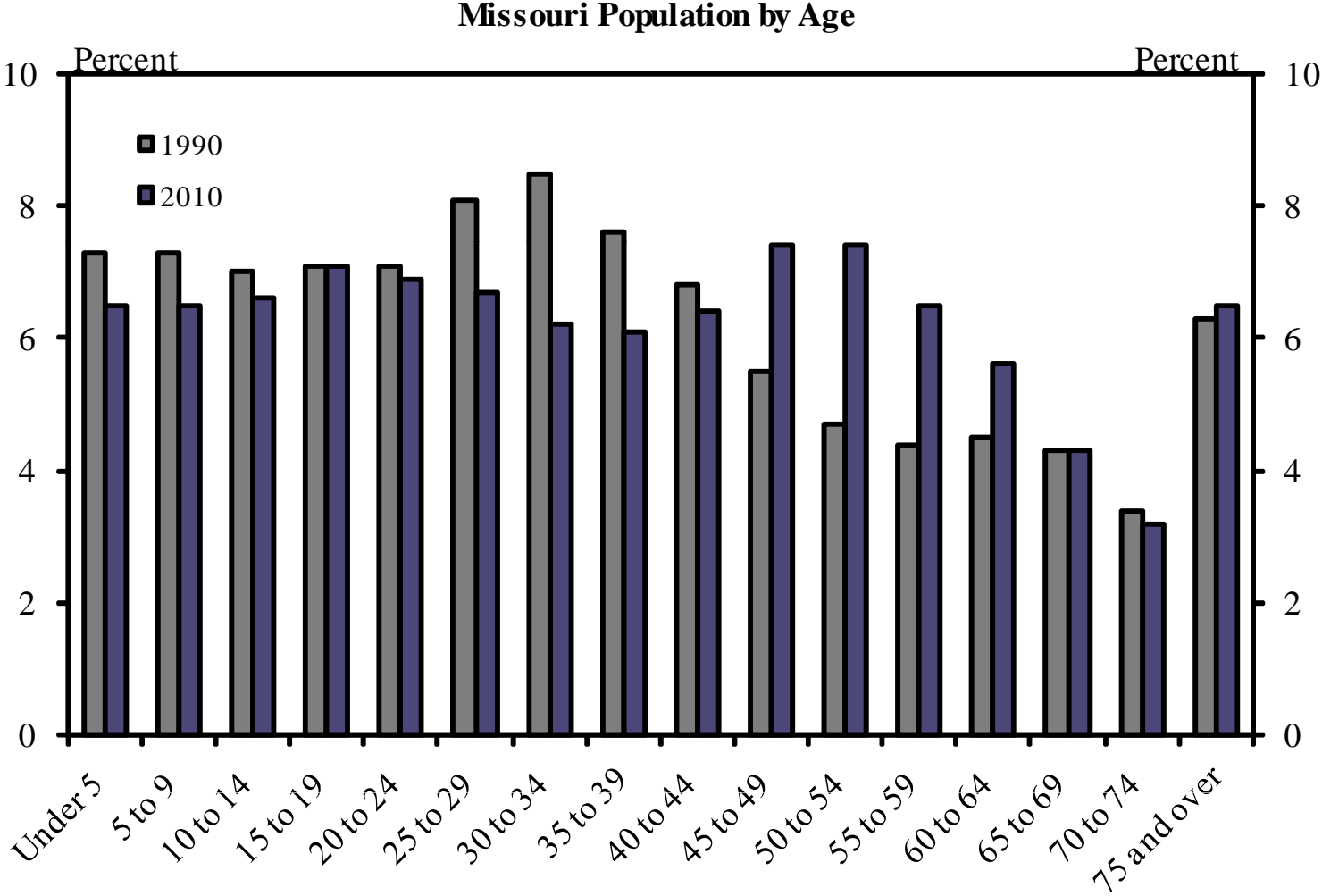
Source: US Census Bureau

Among the top 25 Missouri export countries, EU countries combine for 14% of exports.

Missouri Exports by Destination



The baby boom generation is nearing retirement.



Source: US Census Bureau

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 Missouri 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.

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