



Regional Economic Outlook

Alison Felix
Economist

Federal Reserve Bank of Kansas City

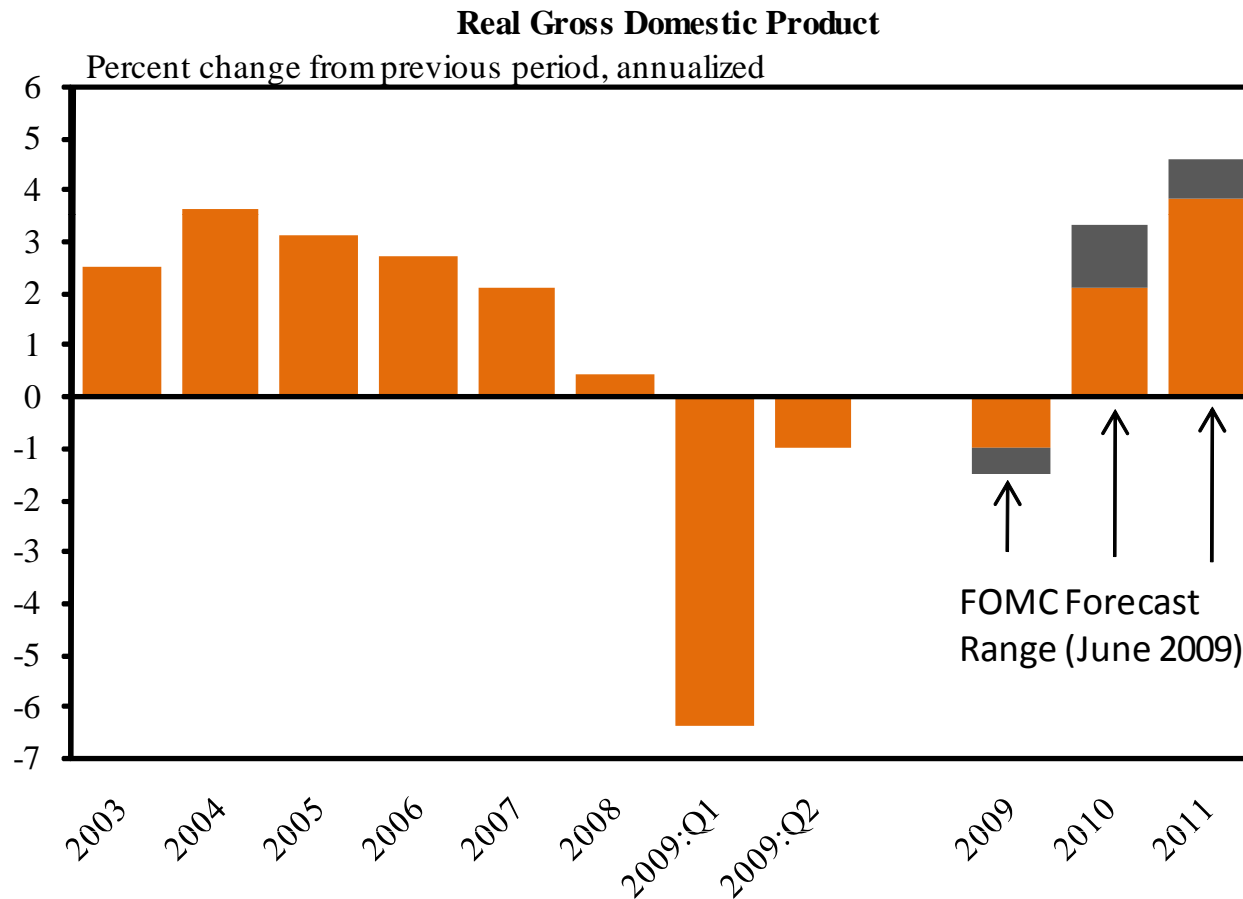
The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

U.S. Economic Overview

- ◎ The U.S. economy has contracted sharply since the recession began.
 - Housing markets and construction activity have been very weak.
 - Financial markets and credit conditions have tightened.
 - Manufacturing activity has declined dramatically as export markets weakened and consumers cut back.
 - Labor market conditions have worsened.
- ◎ The economy is beginning to show signs of recovery as policies implemented by the Federal Reserve, Treasury, Congress and President start to take hold.



Real GDP has fallen sharply since the recession started in December 2007.

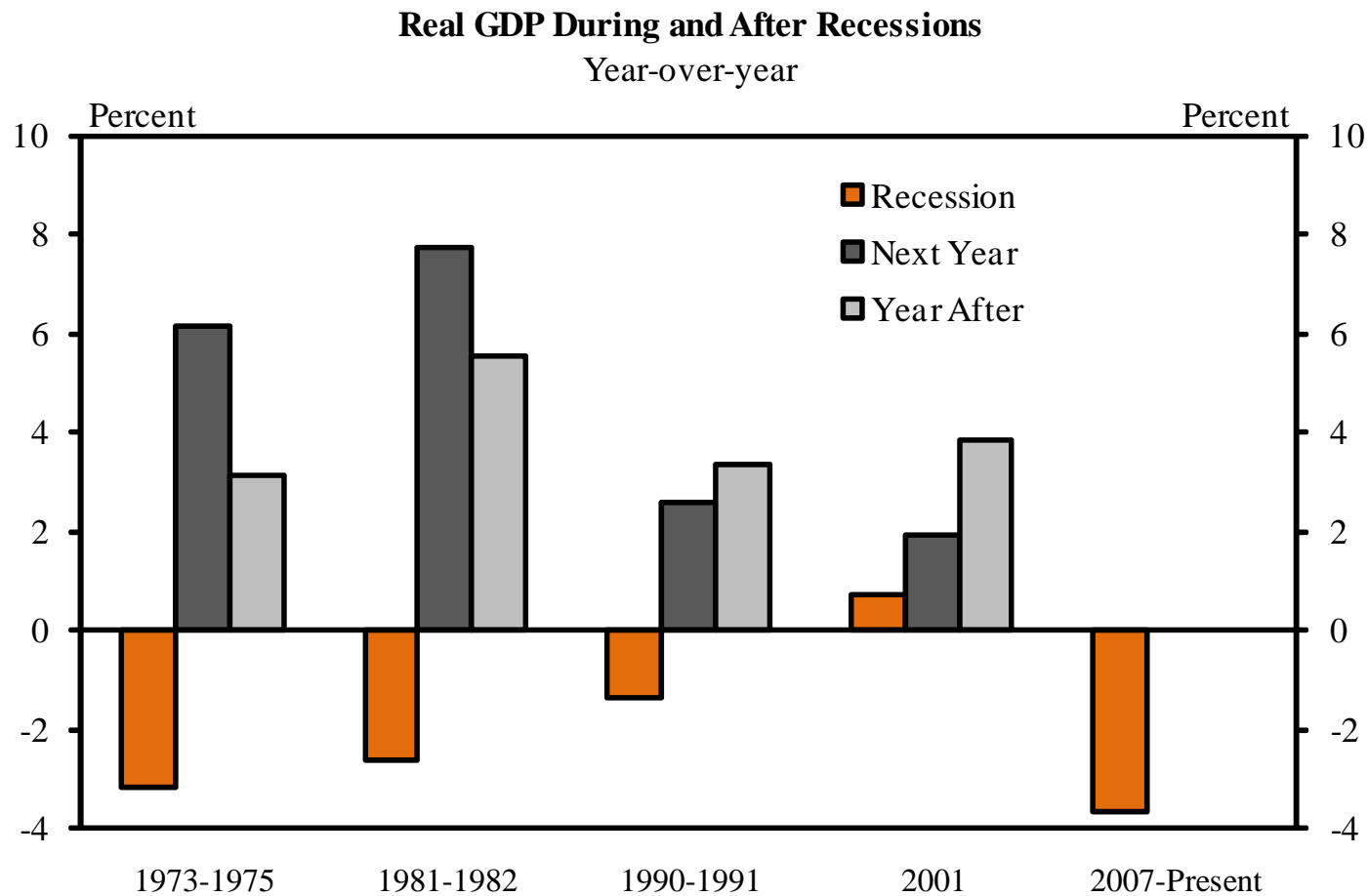


Source: Bureau of Economic Analysis; FOMC

Latest release: 07/31/2009



In the past, the rebound in real GDP has been greater after sharp downturns.

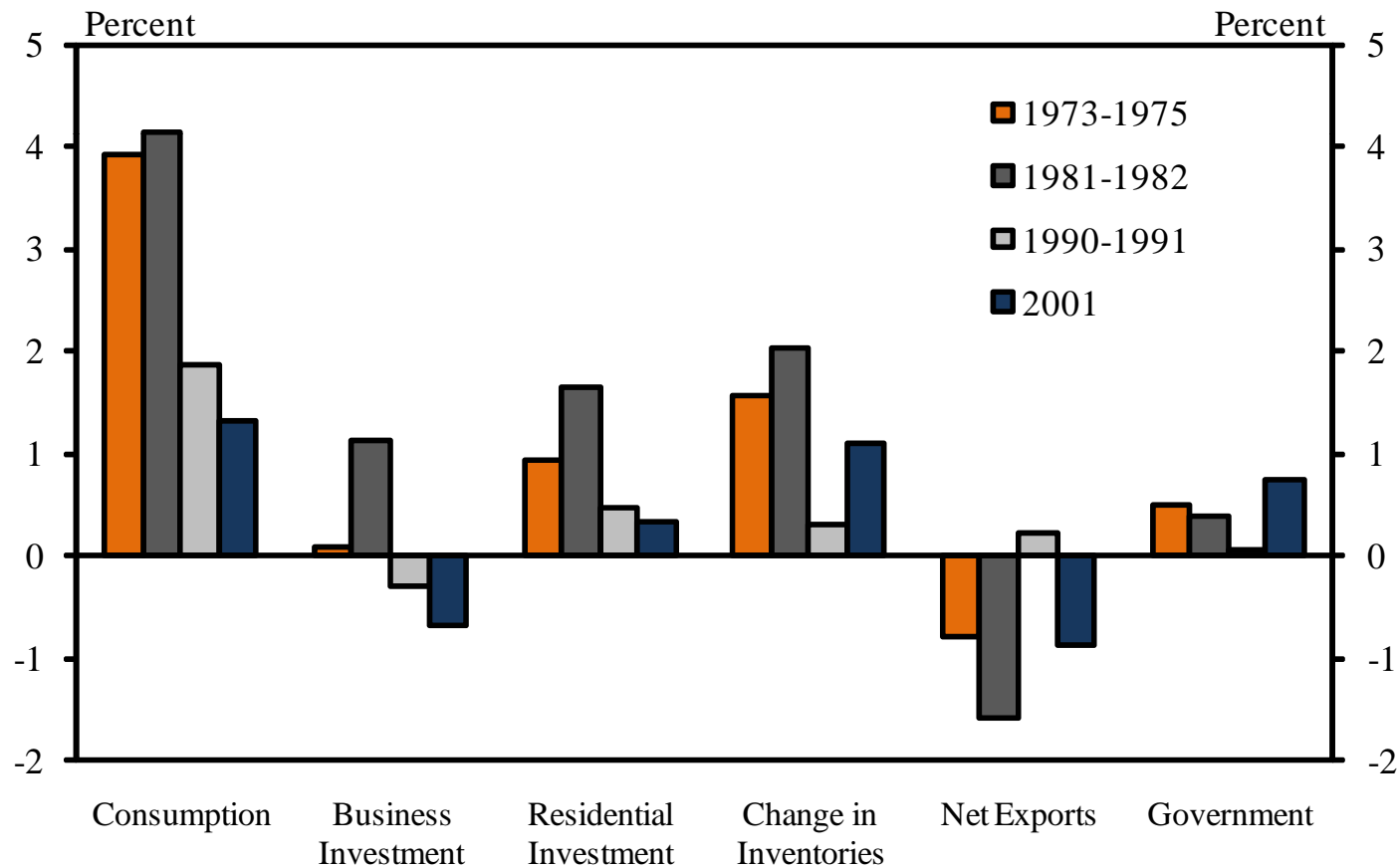


Source: BEA



Consumption usually makes the largest contribution to GDP in the year following a recession.

Contributions to Real GDP by Component in the Year Following a Recession
Average quarterly rate (at an annualized rate)



Source: BEA

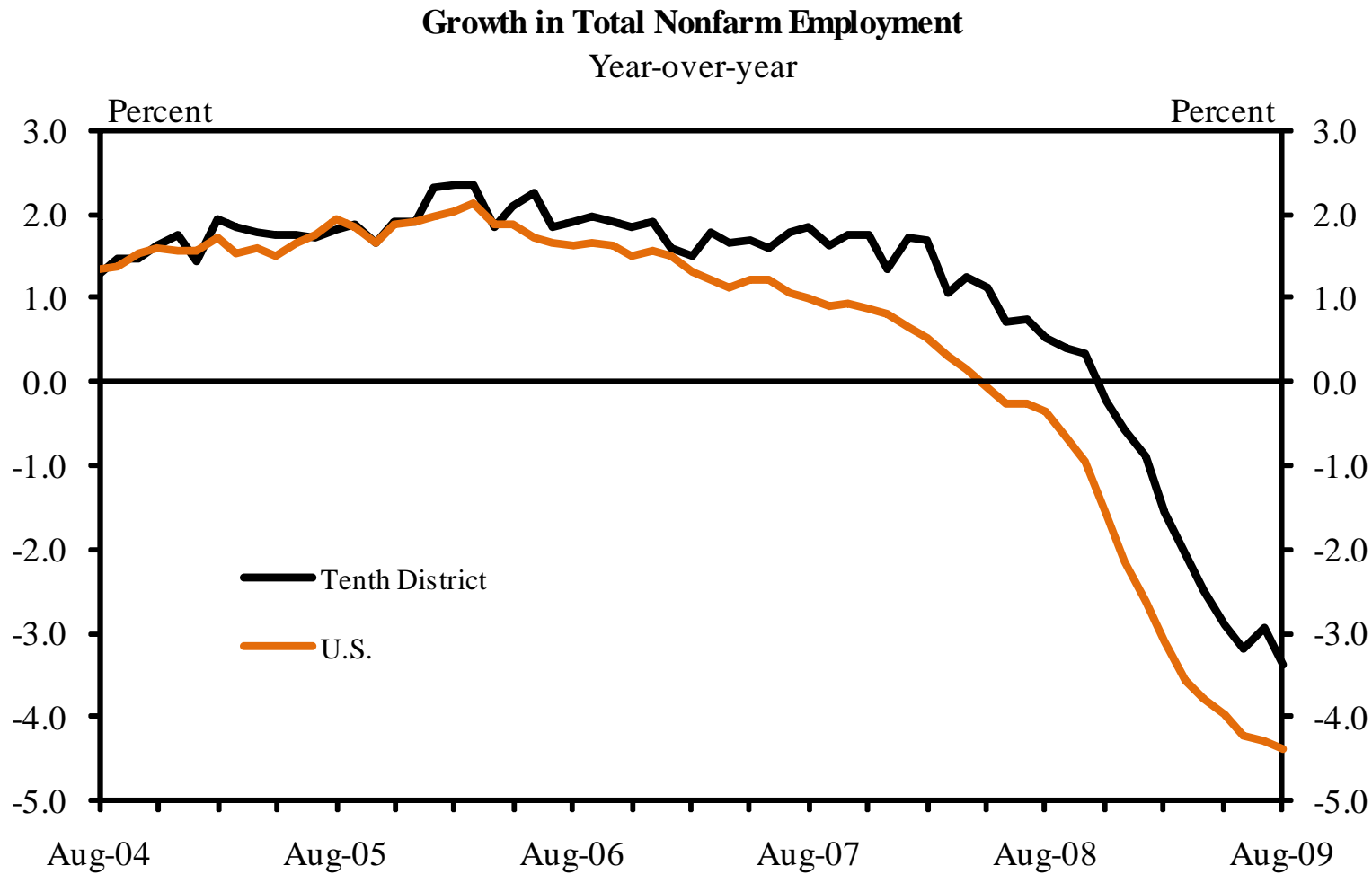


Regional Overview

- ◎ The Tenth District was slow to enter the current recession.
 - The agriculture and energy sectors provided robust support to the region through the third quarter of 2008.
 - Home prices have fallen less than in the nation, and foreclosure rates are much lower than other parts of the country.
- ◎ The Tenth District economy is now showing signs of recovery similar to those seen in the national economy.
 - Manufacturing activity is stabilizing.
 - Residential construction activity is starting to increase.
- ◎ However, the unemployment rate is likely to remain elevated for some time.



Employment has fallen sharply over the past year.



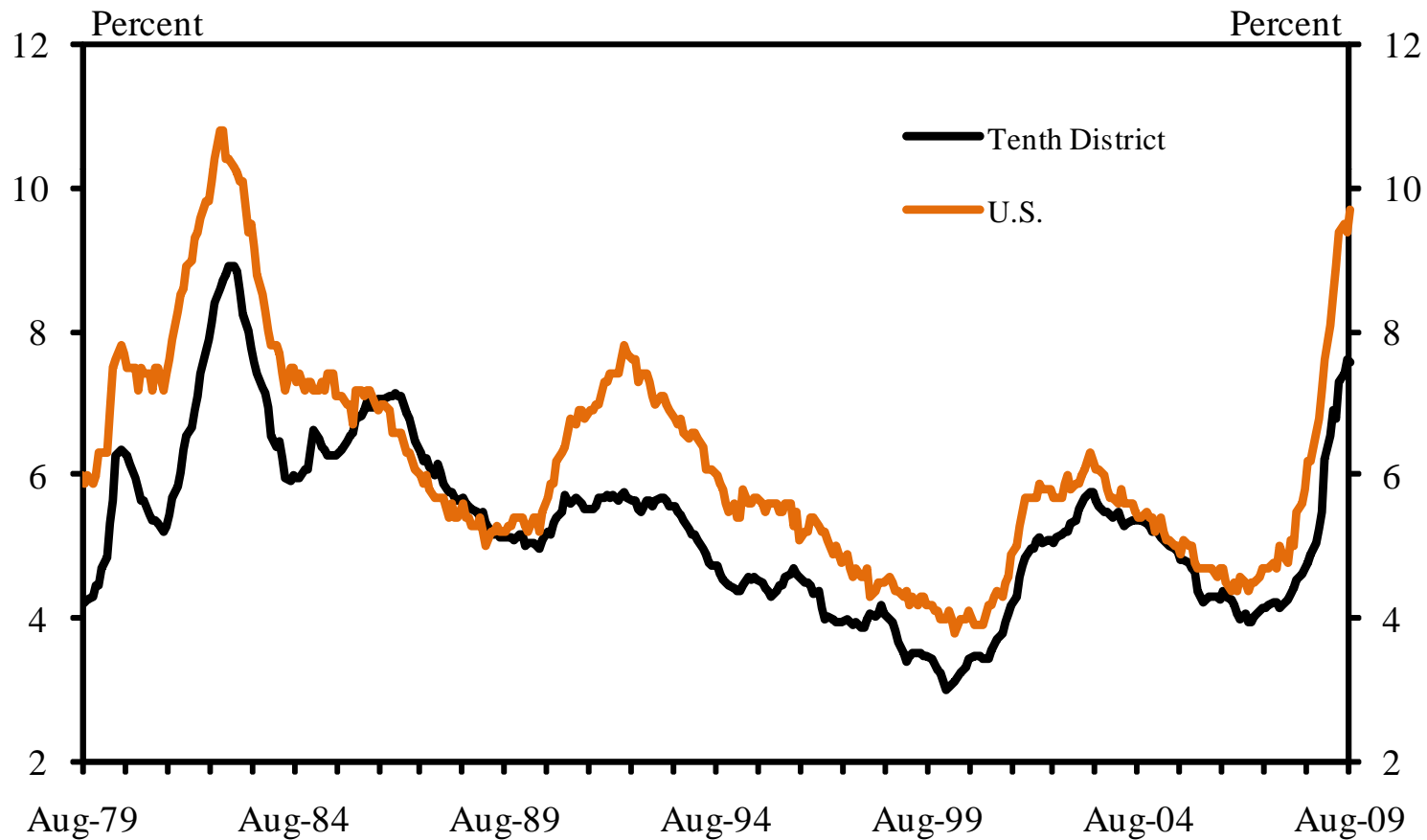
Source: Bureau of Labor Statistics

Latest release: 09/18/2009



Unemployment rates continue to increase.

Unemployment Rate
Seasonally adjusted

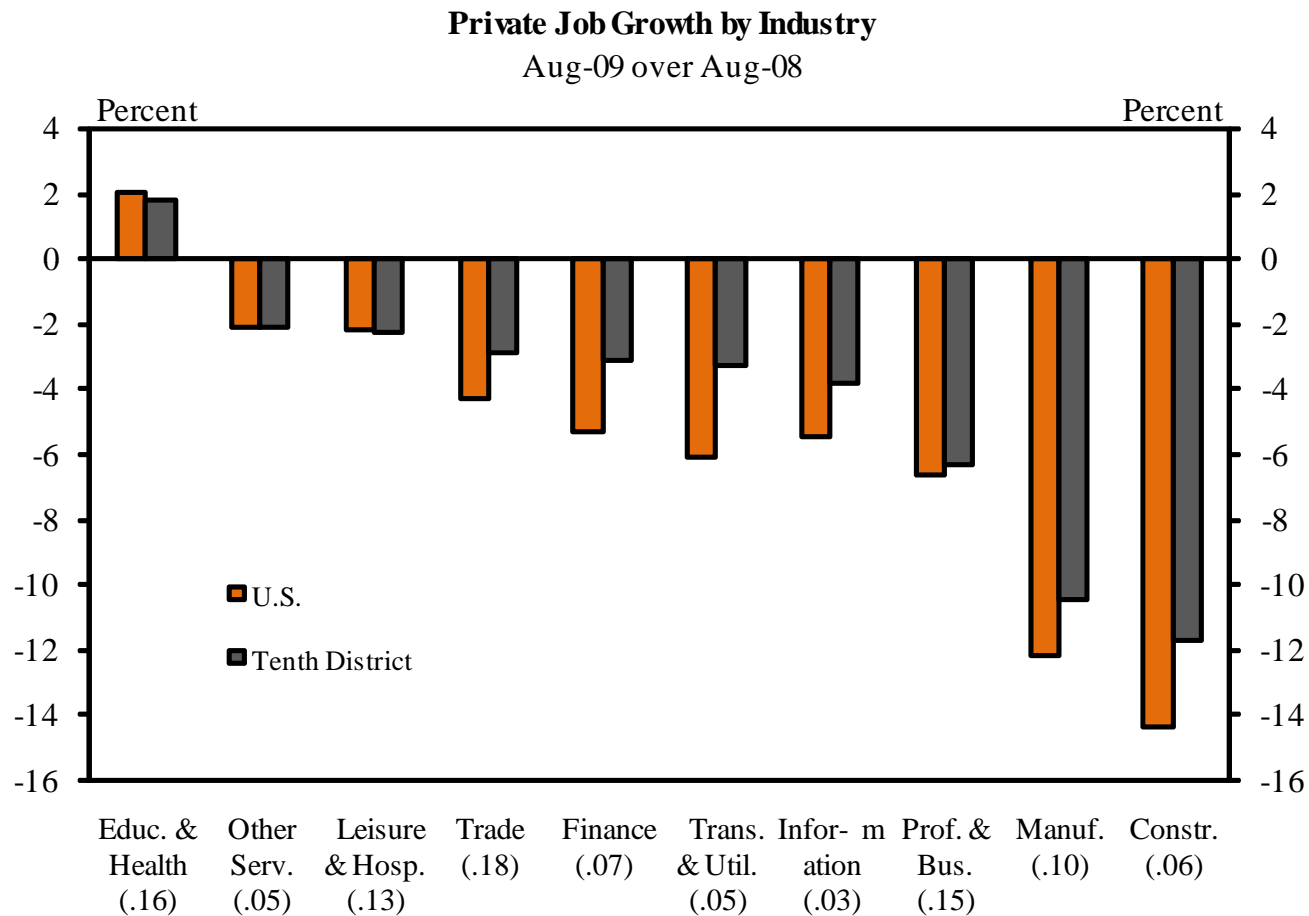


Source: Bureau of Labor Statistics

Latest release: 09/18/2009



The education and health industries are the only industries experiencing job growth.



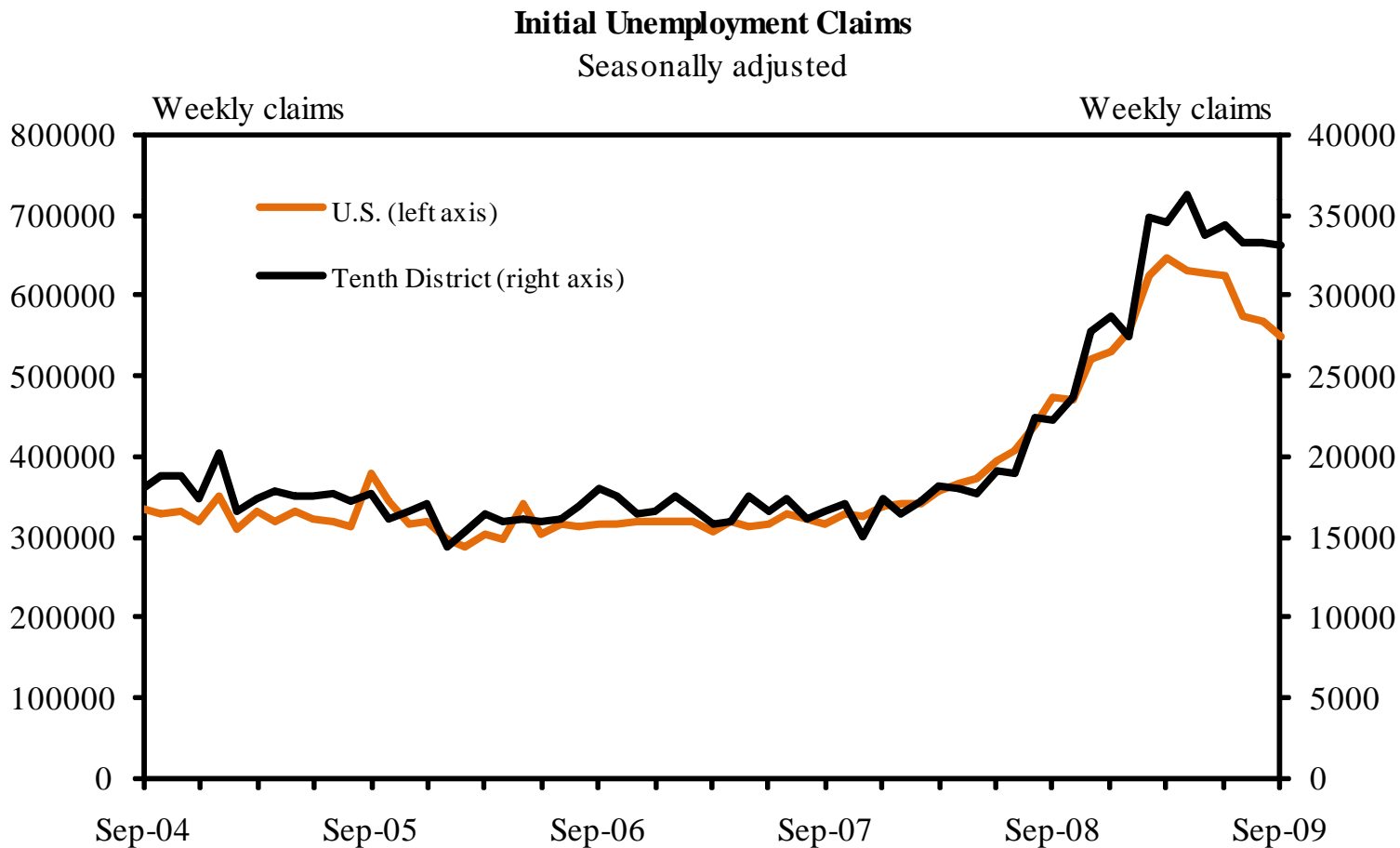
Source: Bureau of Labor Statistics

Latest release: 09/18/2009

Note: Number in parentheses is the industry's share of total private jobs in 10J states in Aug-09



Initial unemployment claims remain elevated.

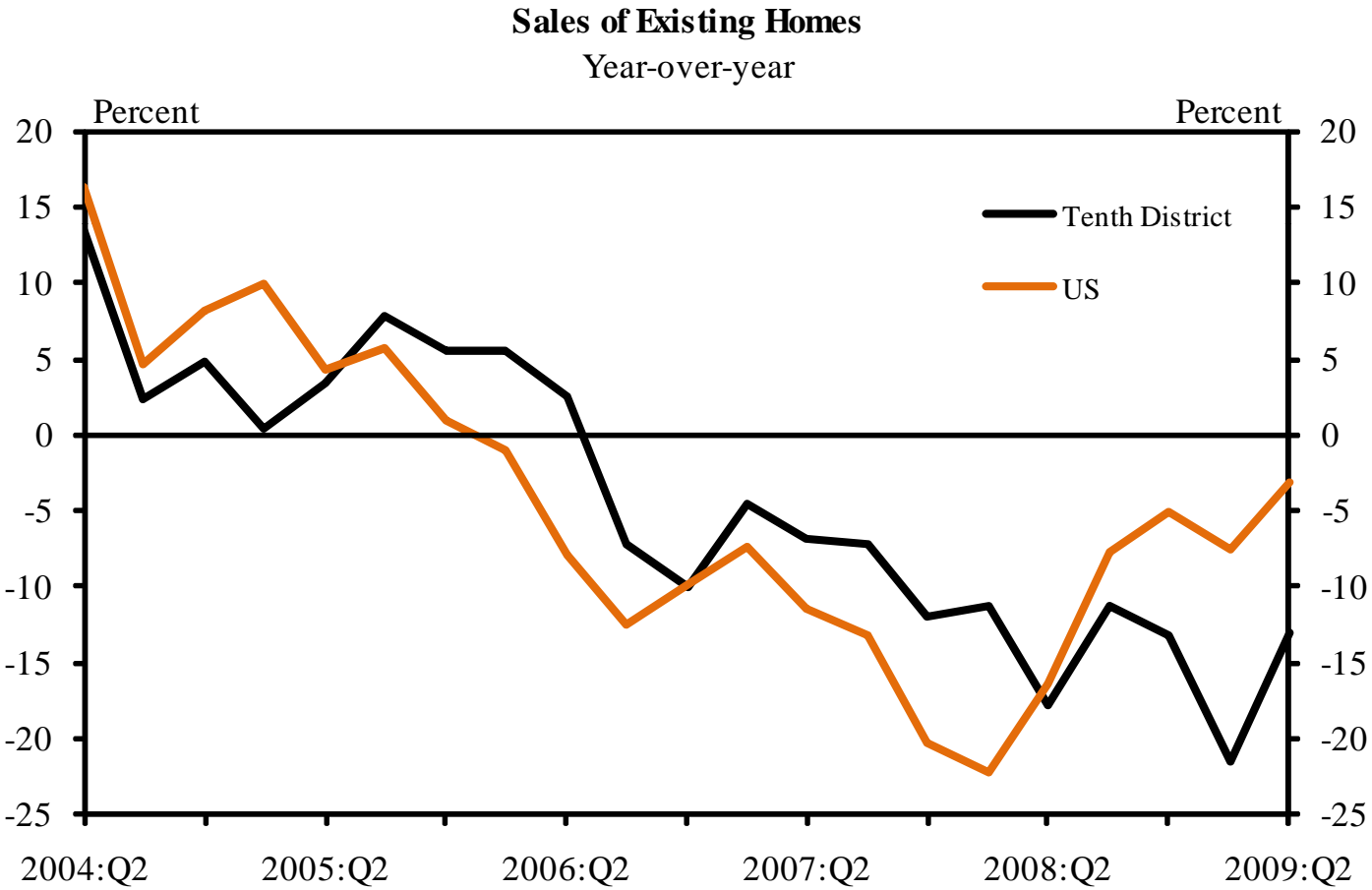


Source: Department of Labor

Latest release: 09/24/2009



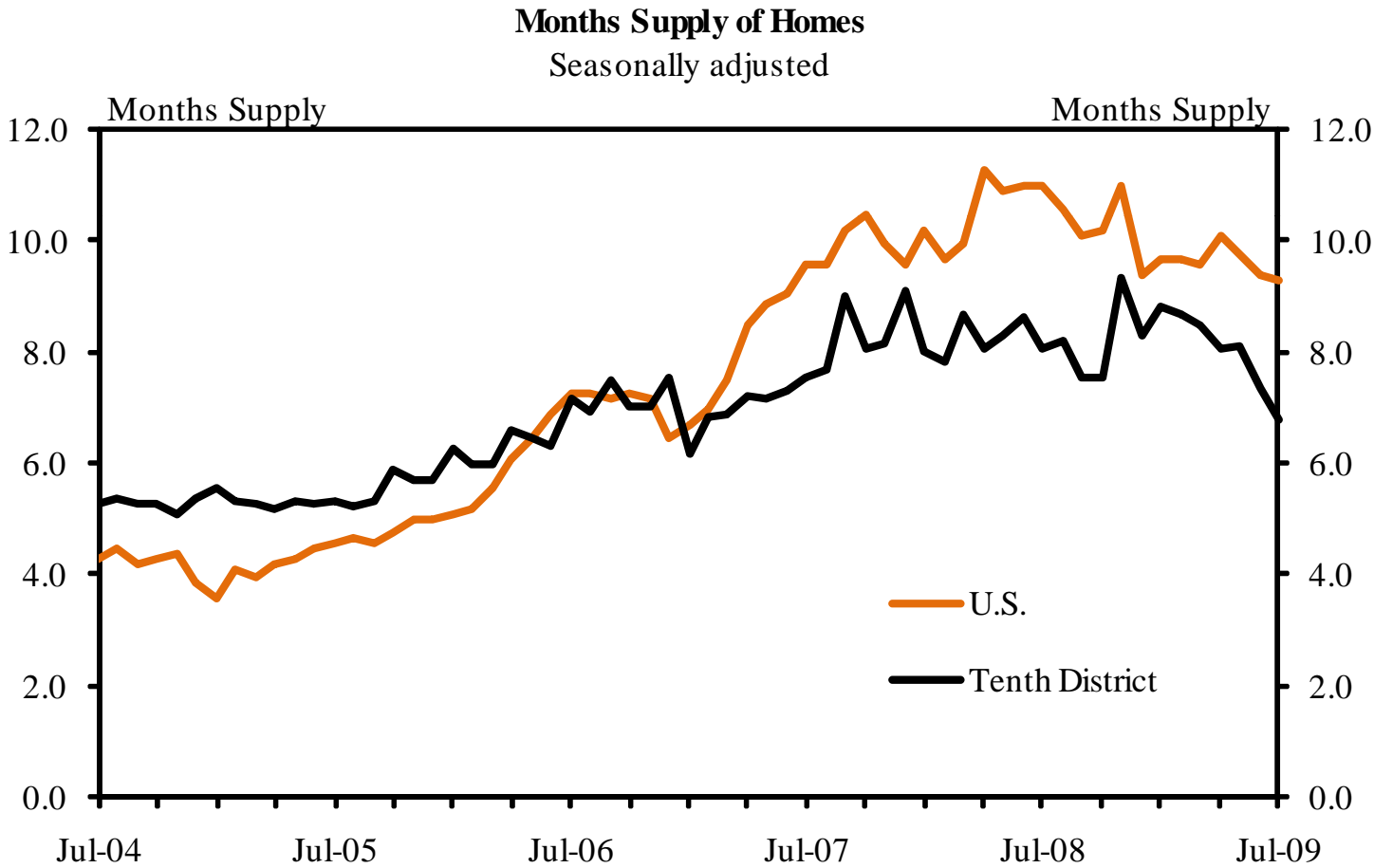
Home sales have fallen sharply since late 2005, but have since increased slightly.



Source: NAR



The months supply of homes has decreased lately, but remains elevated.

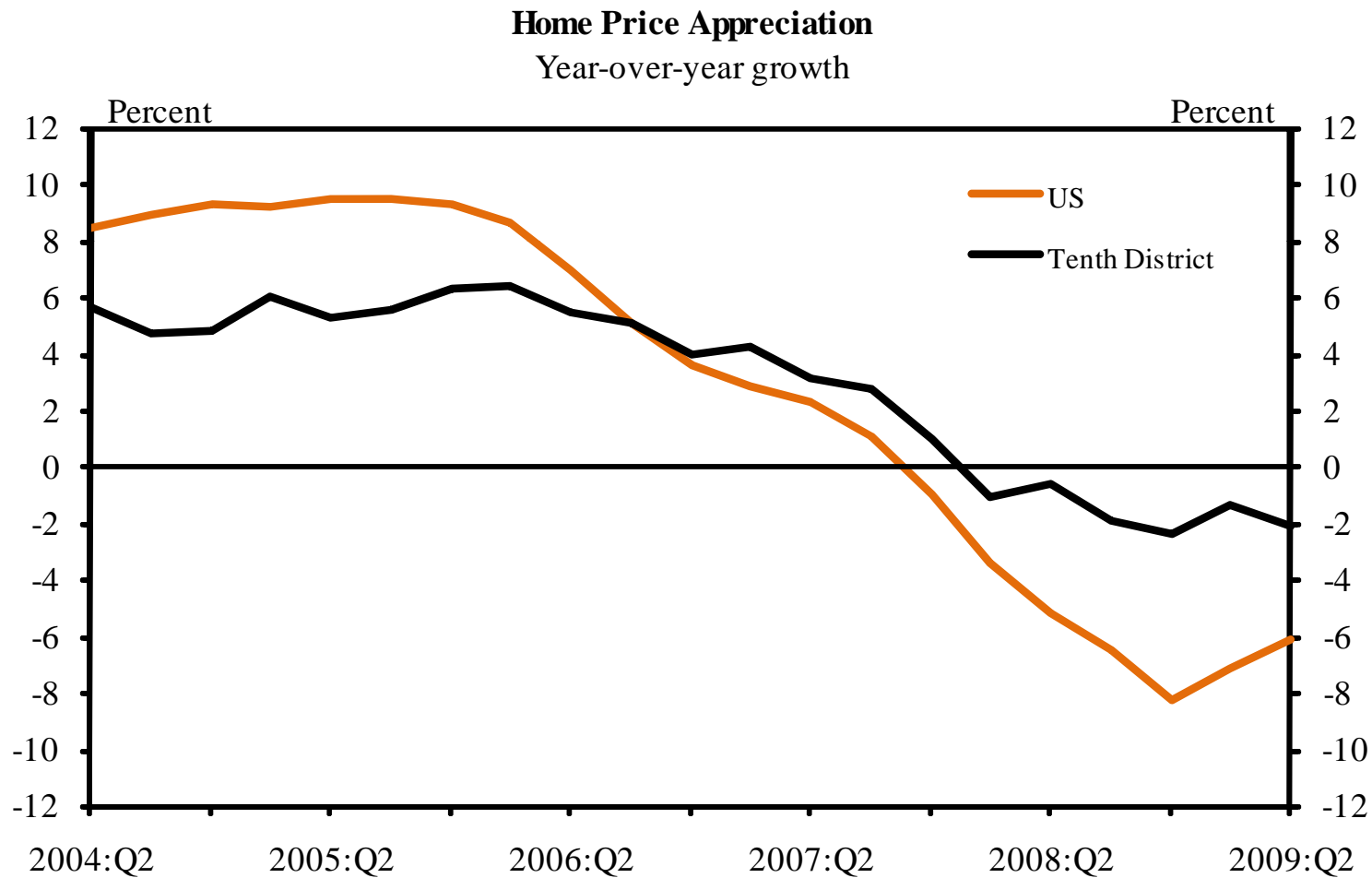


Source: NAR and Local Realtor

Latest release: 09/22/2009



Home prices are well below year-ago levels in the U.S.

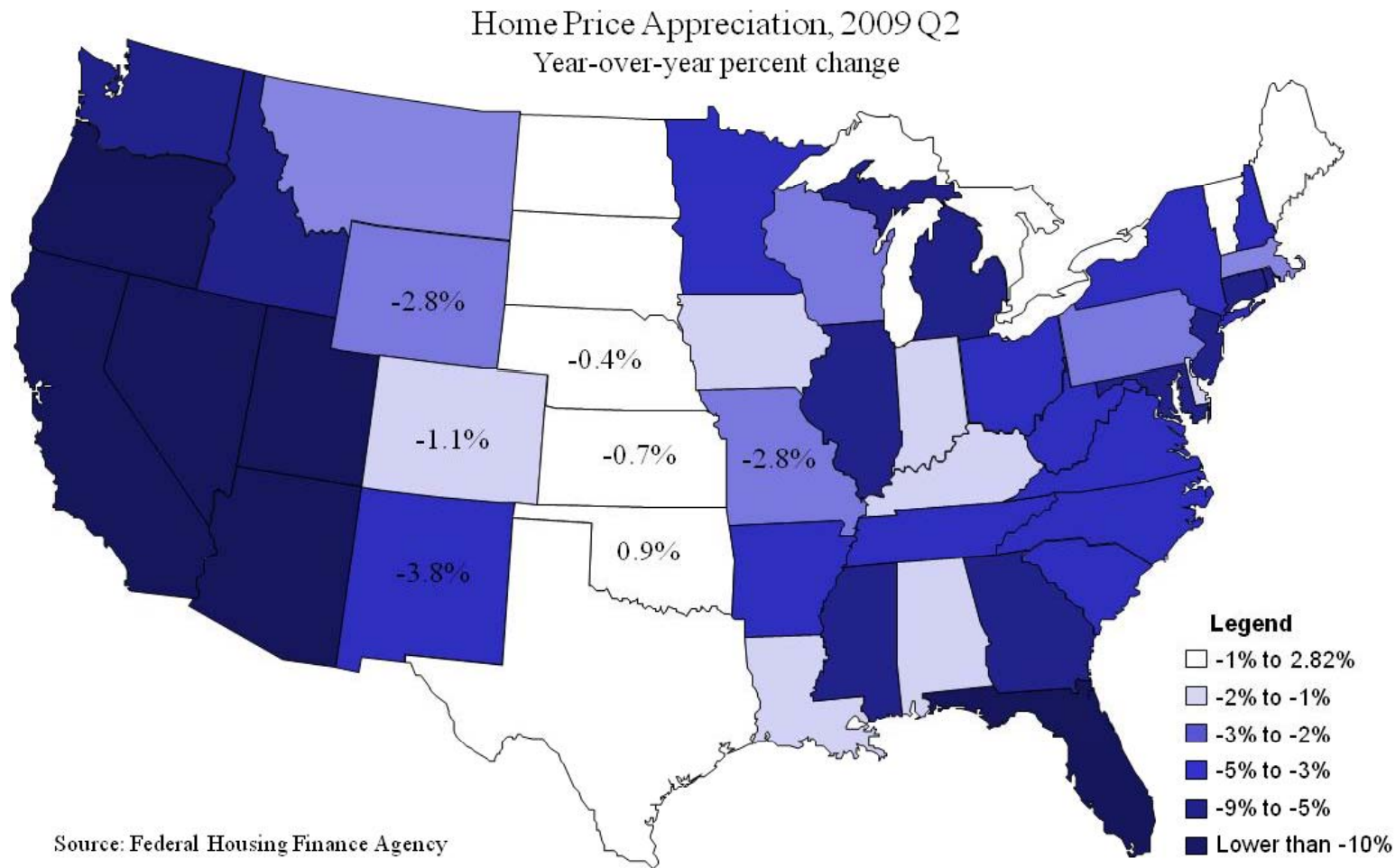


Source: FHFA

Latest release: 08/25/2009



Home price appreciation has varied widely across the nation.

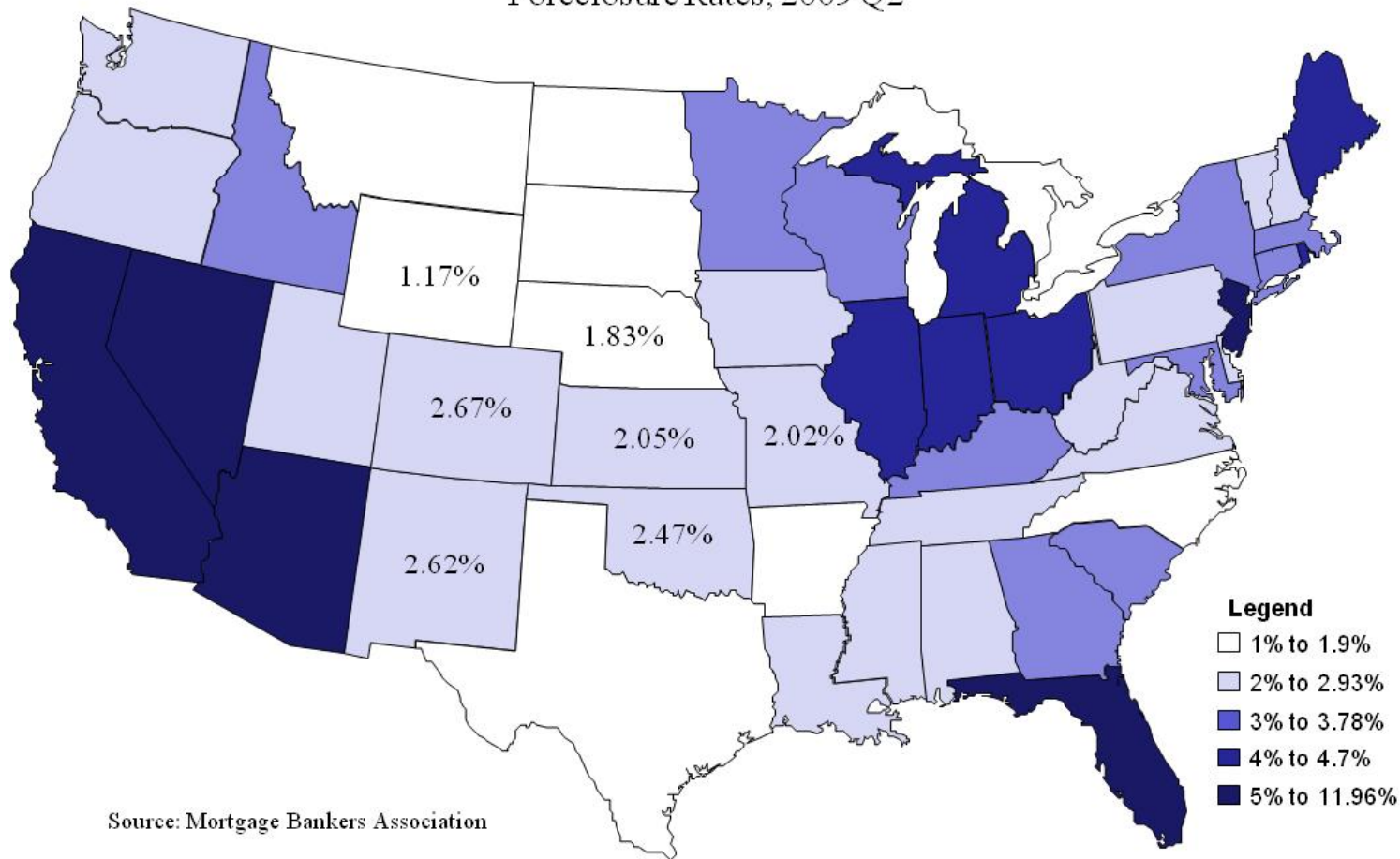


Source: Federal Housing Finance Agency



Foreclosure rates are up across the nation, but regional variation persists.

Foreclosure Rates, 2009 Q2

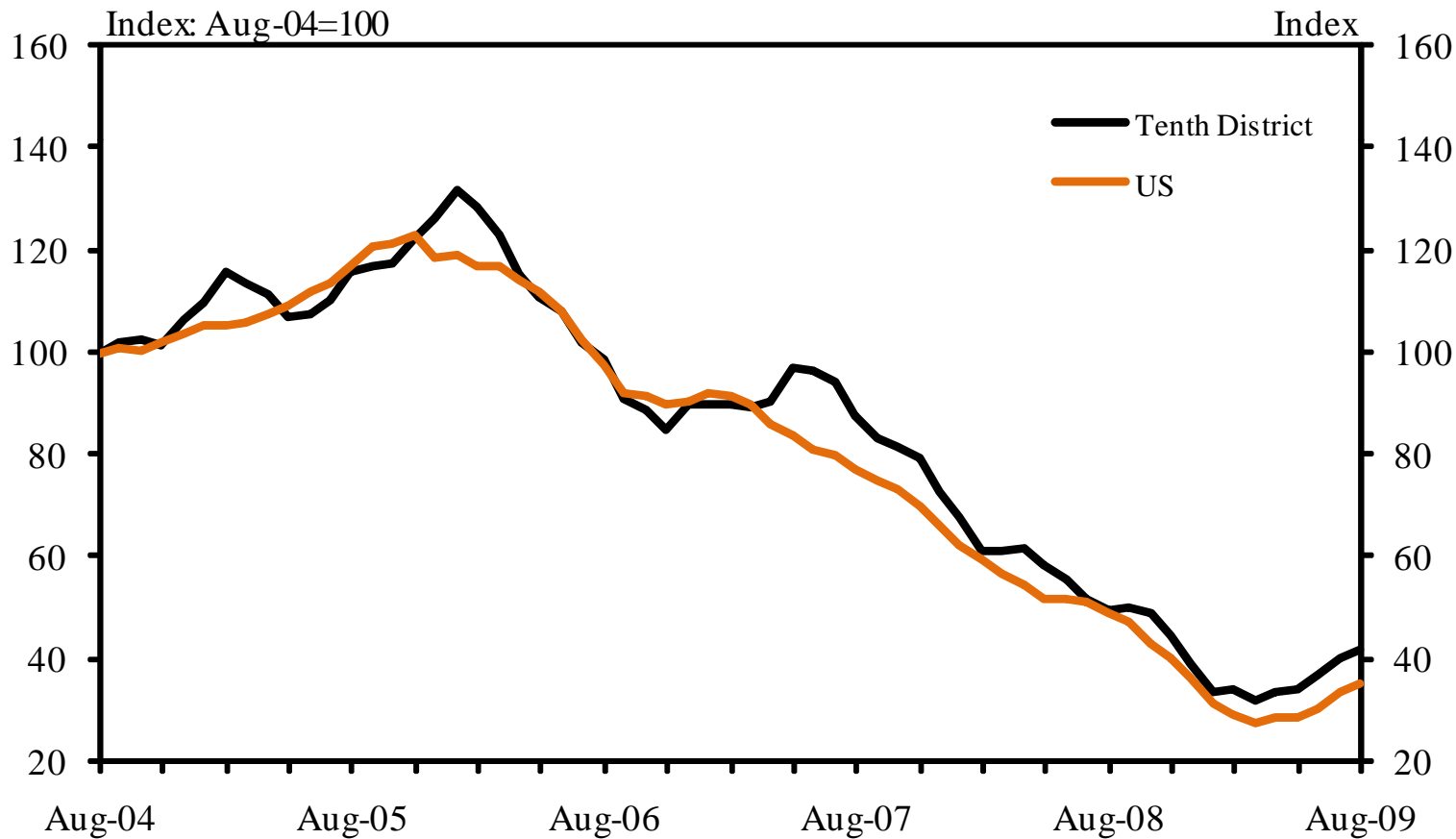


Source: Mortgage Bankers Association



Residential construction activity has increased slightly over the past few months.

Value of Residential Construction Contracts
Seasonally adjusted



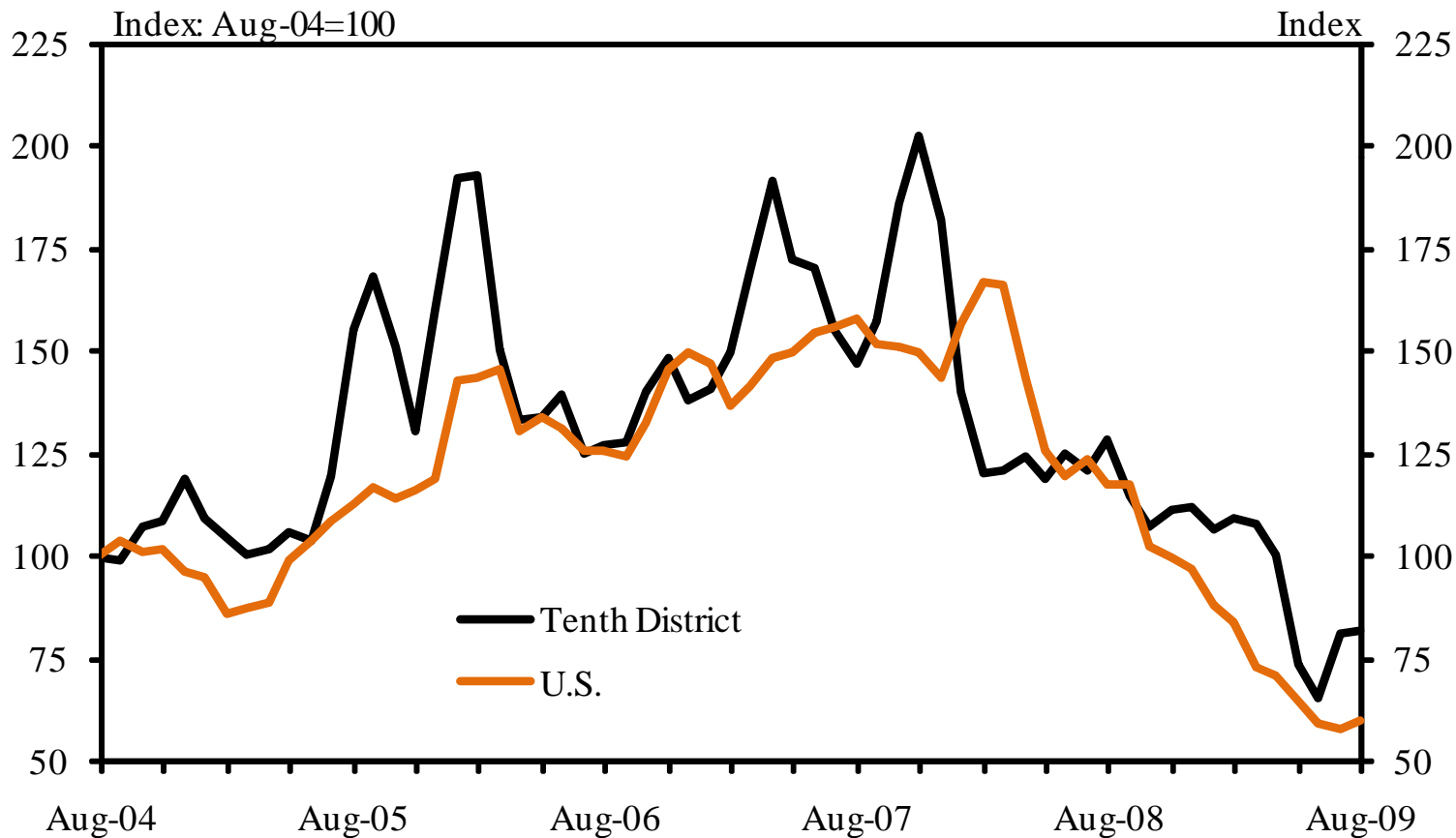
Source: F.W. Dodge, Inc.

Latest release: 09/15/2009



Commercial construction activity remains slow.

Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.

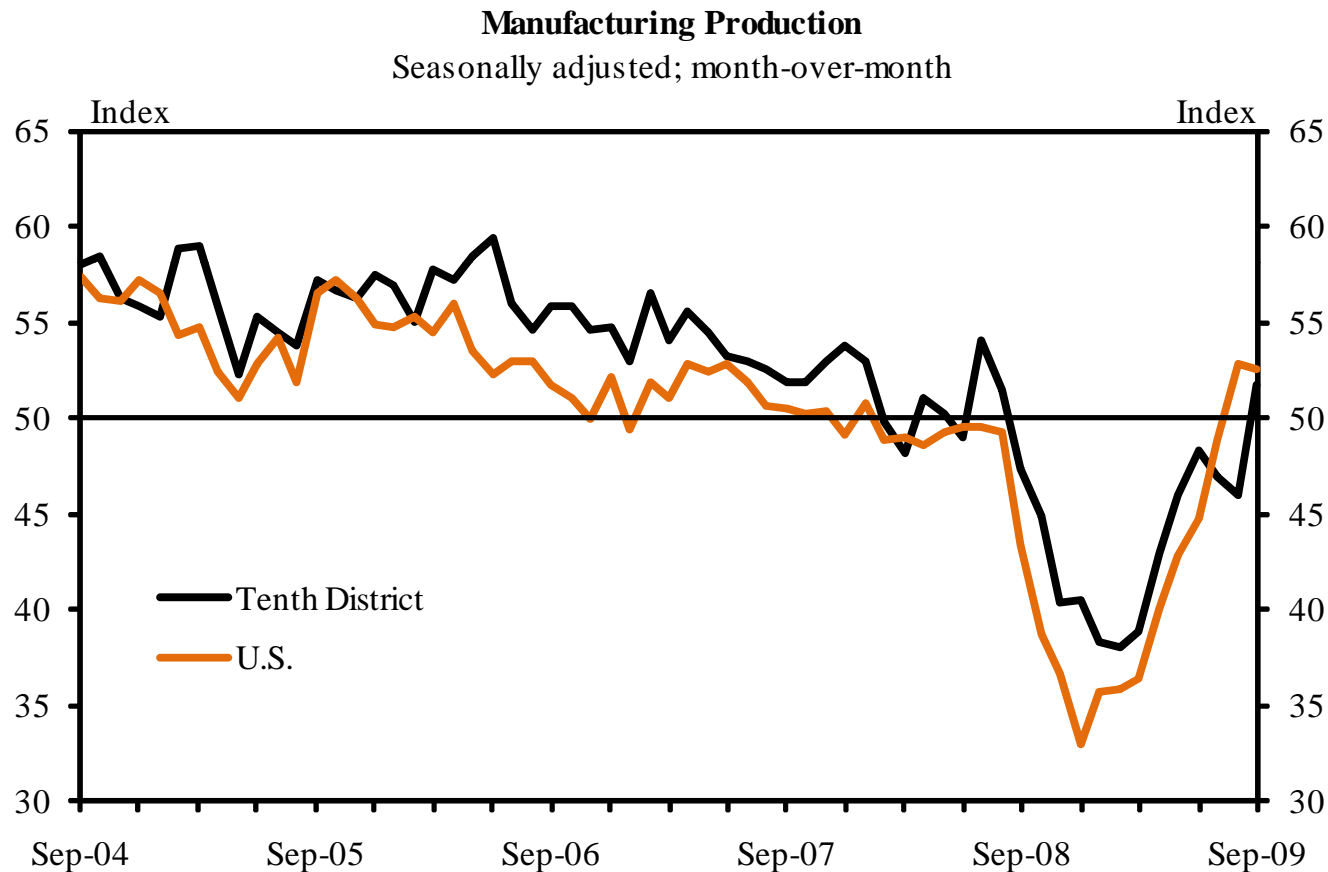


Source: F.W. Dodge, Inc.

Latest release: 09/15/2009



Recent surveys indicate that manufacturing activity is stabilizing.



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

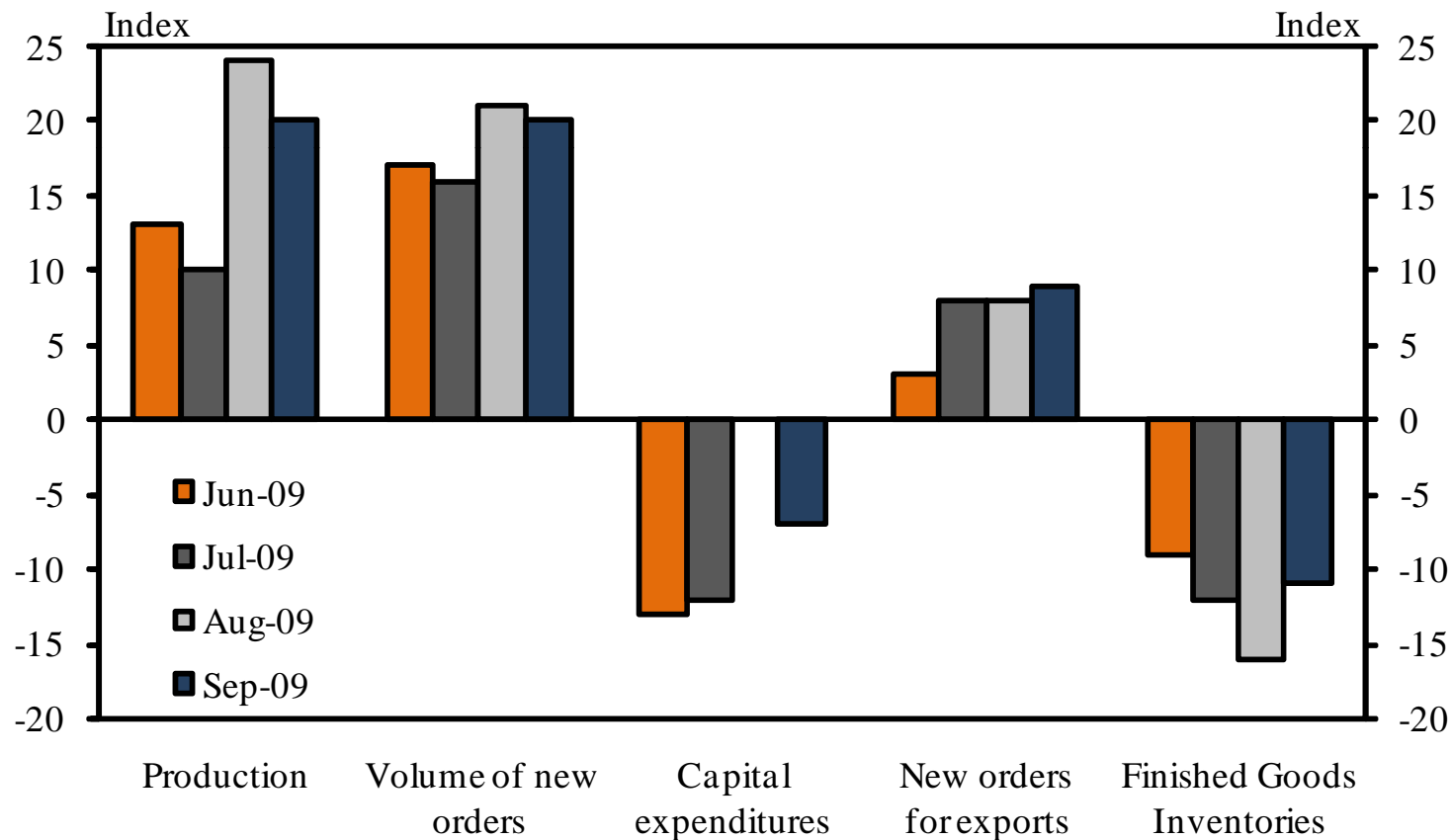
Sources: ISM, FRBKC Manufacturing Survey

Latest release: 09/23/2009 for the Manufacturing Survey and 09/01/2009 for ISM



Production levels and new orders are expected to increase in the next 6 months.

Manufacturing Expectations - Six Months Ahead
Seasonally adjusted

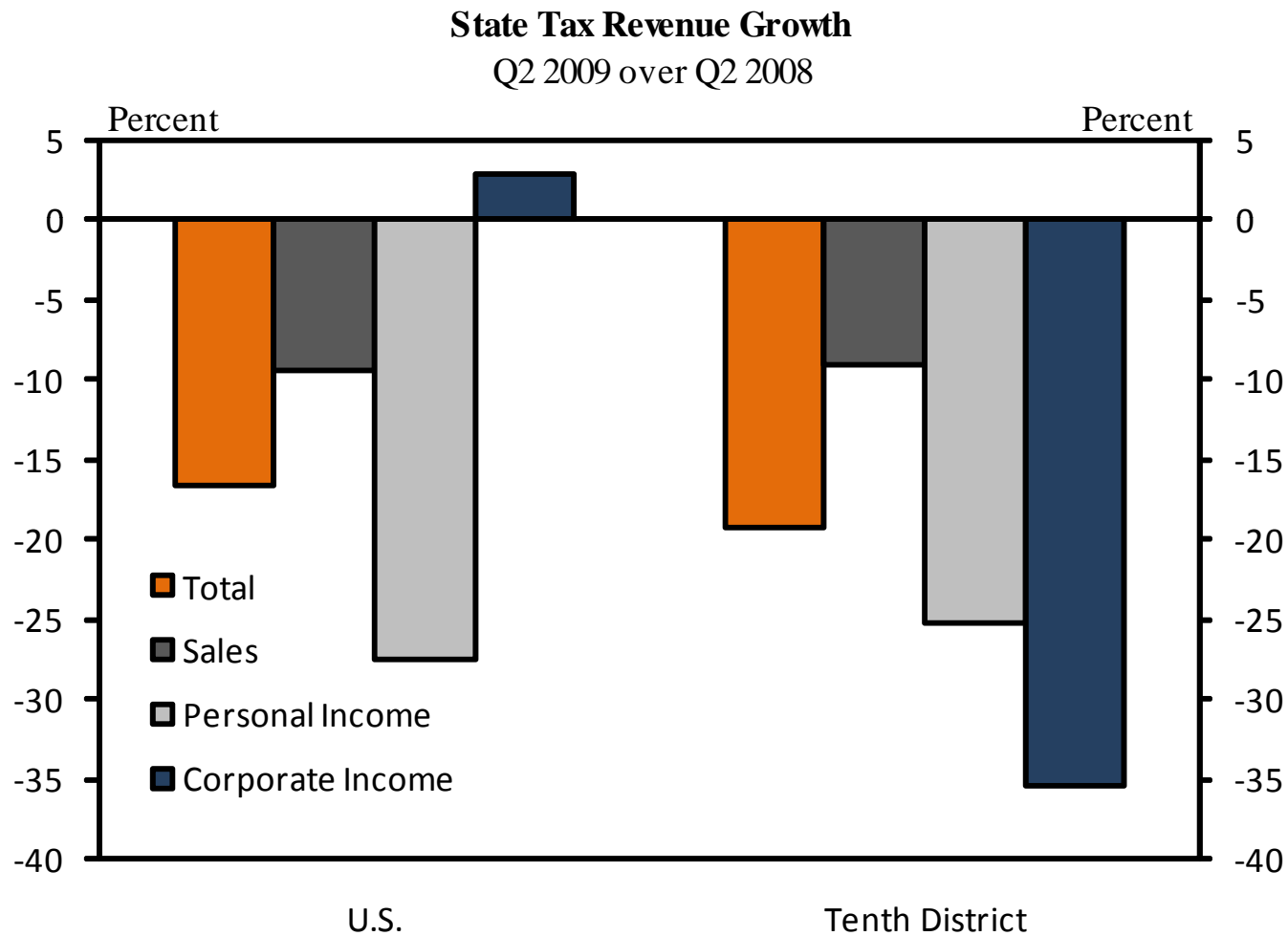


Source: FRBKC Manufacturing Survey

Latest release: 09/24/2009



State governments must cut back as tax revenues plummet.



Source: U.S. Census Bureau



Conclusions

- ◉ Most economists expect the U.S. and regional economies to recover gradually over the next couple of years.
- ◉ There are several factors that will likely prevent a more robust recovery.
 - Credit conditions remain tighter than pre-recession levels.
 - Consumers seem less willing to spend as they try to rebuild wealth.
 - An excess supply of housing will take time to work off.
 - Unemployment is likely to remain stubbornly high for some time.

