

# Kansas Economic Outlook

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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.

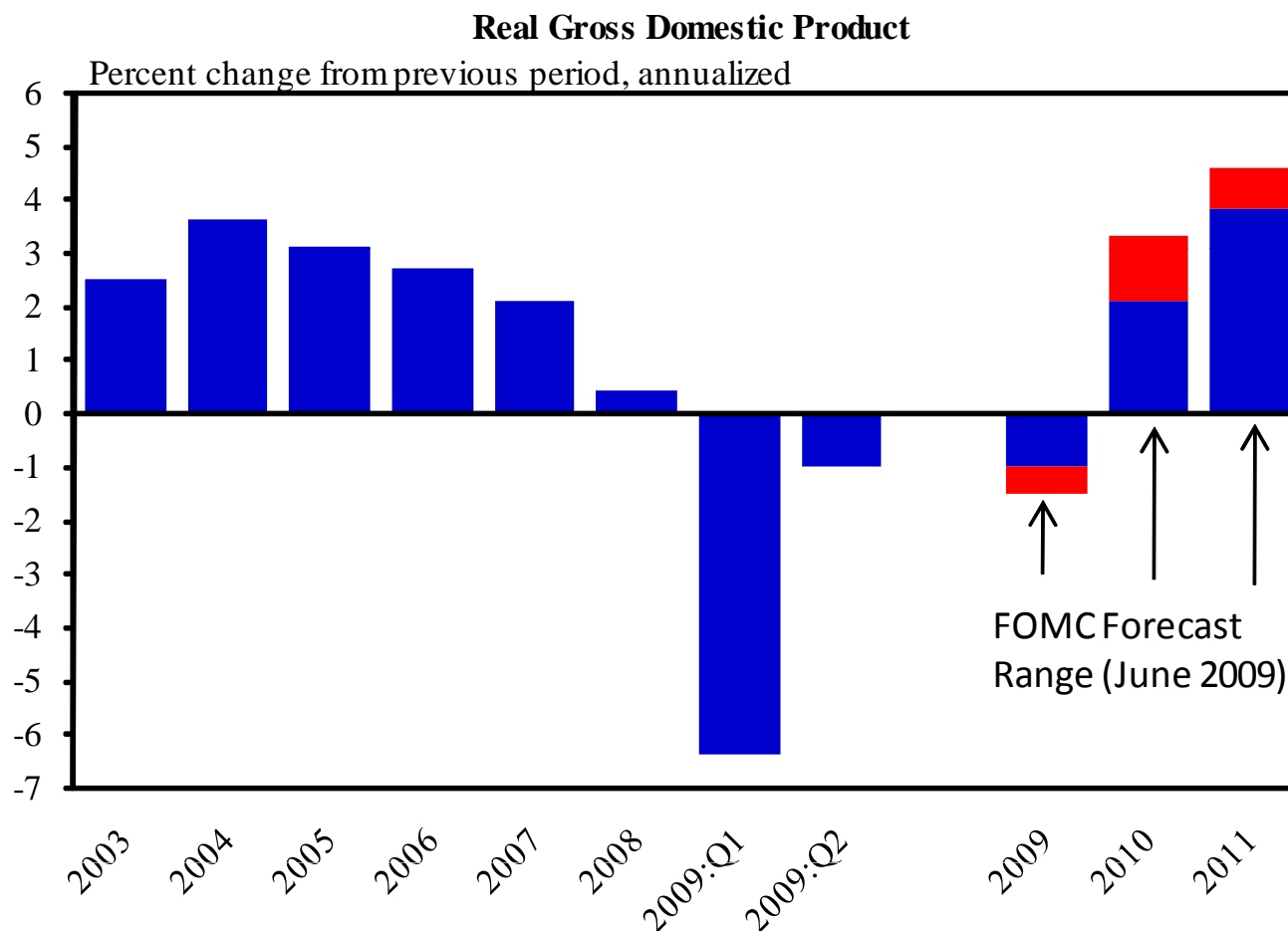
# Overview

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- ❑ The U.S. economy has contracted sharply since the recession began in December 2007.
- ❑ The Kansas economy was slow to enter the current recession, but has deteriorated in 2009.
- ❑ Recent data suggest that the worst of the downturn may be over.
- ❑ Most forecasts expect a gradual recovery over the next few years with improvements in the labor market lagging the overall economic recovery.



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

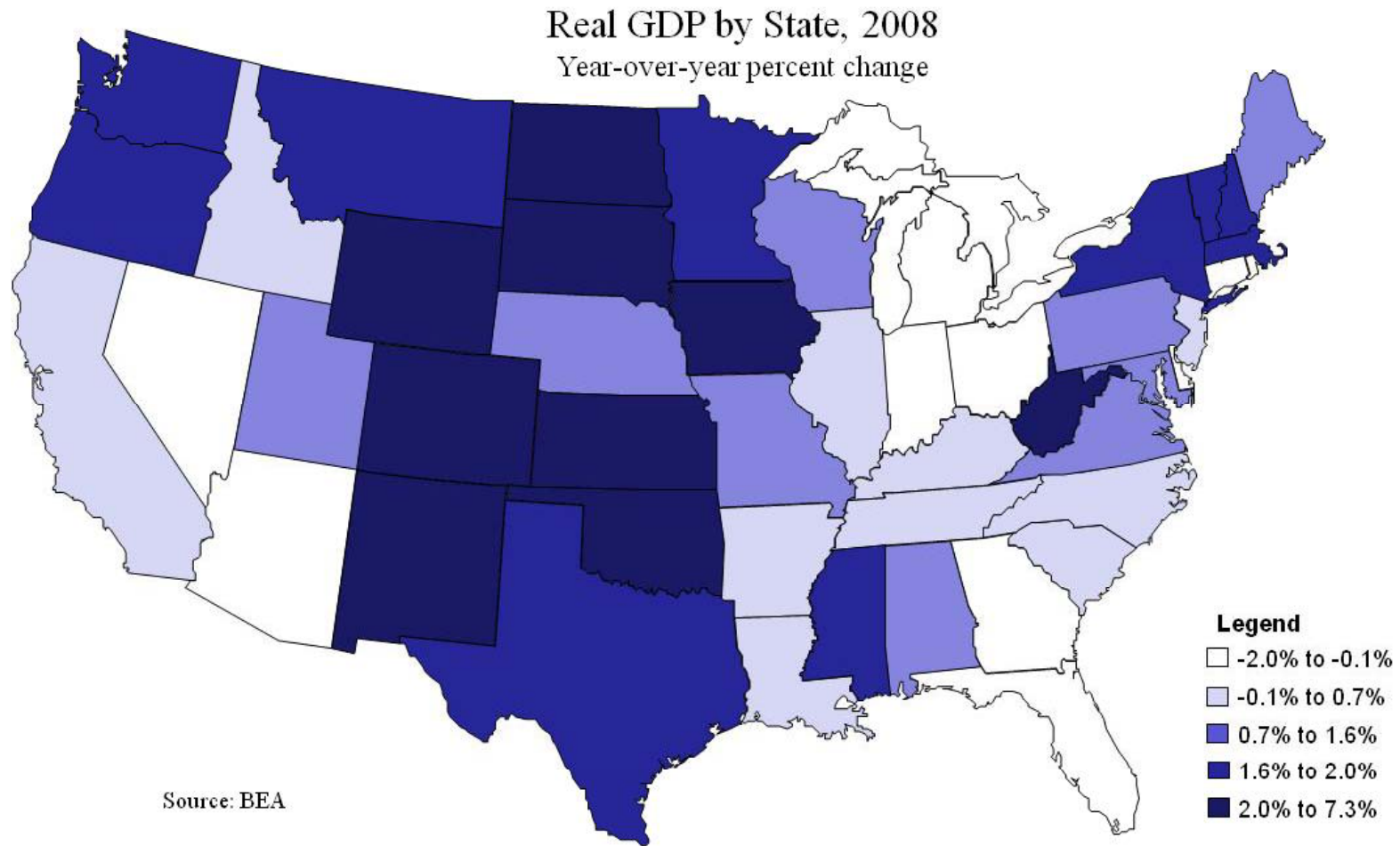


Source: Bureau of Economic Analysis; FOMC

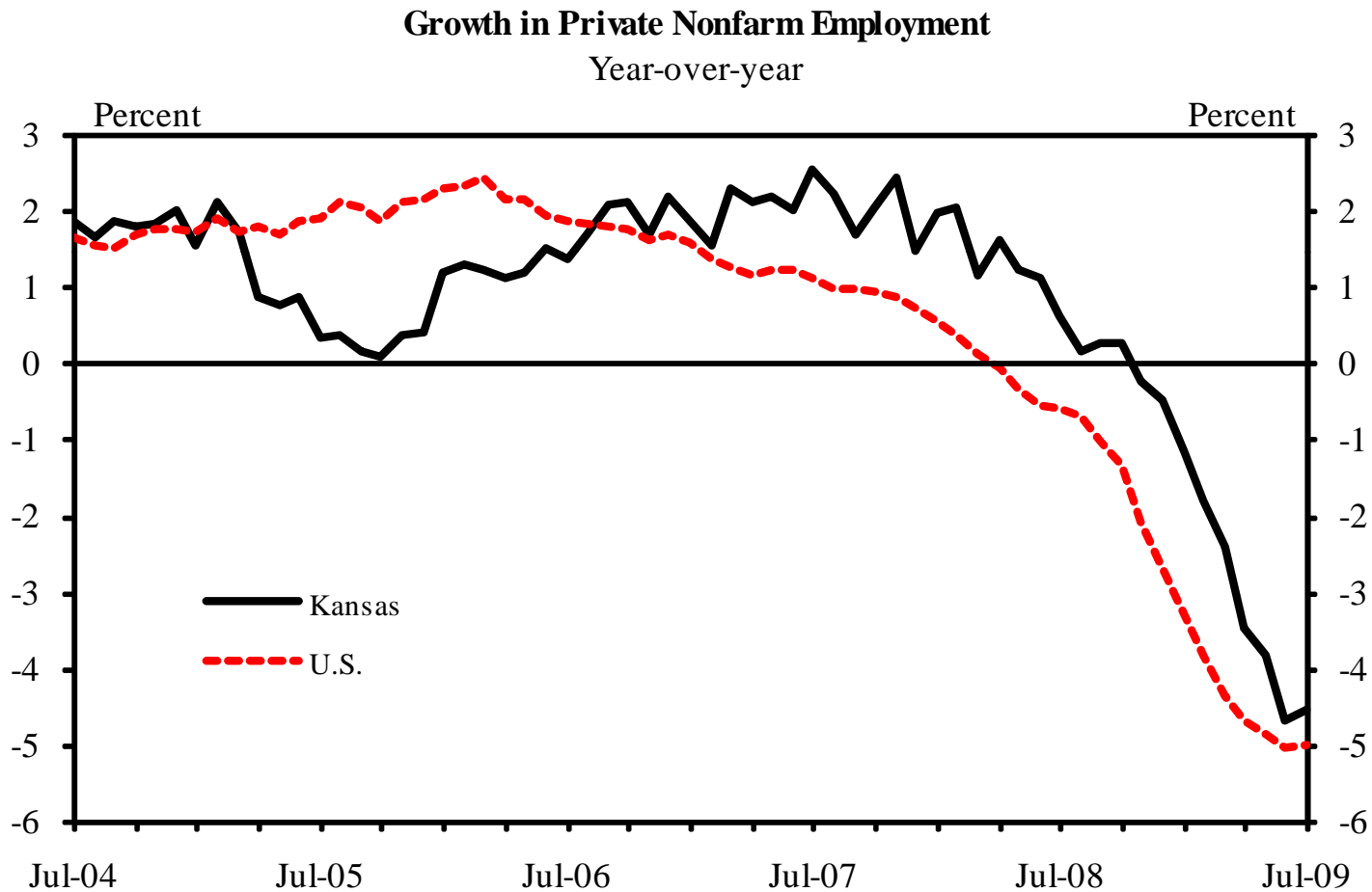
Latest release: 07/31/2009



# The Kansas economy performed better than the nation in 2008.



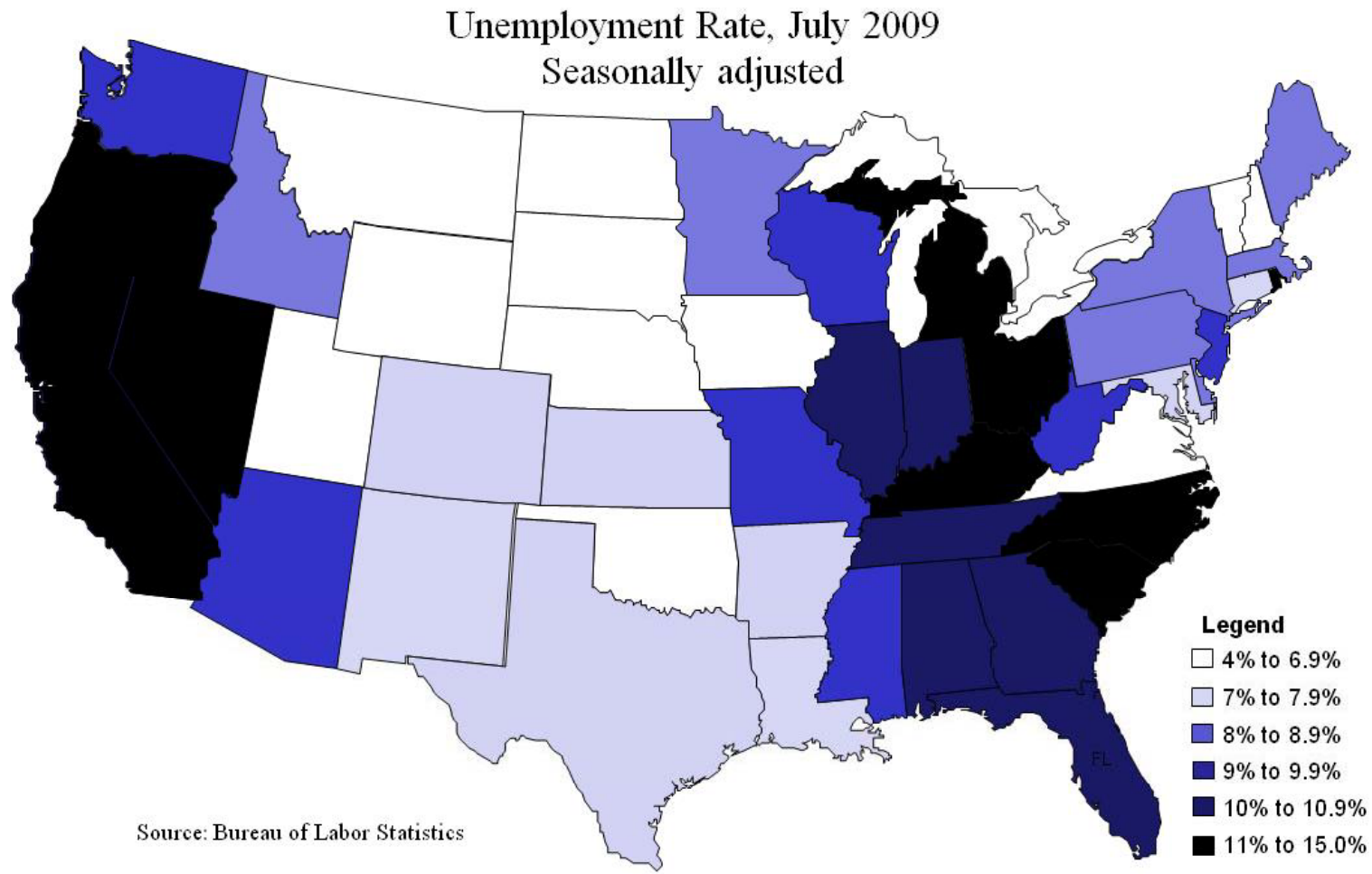
# Private nonfarm employment has fallen 4.5% in Kansas over the past year.



Source: Bureau of Labor Statistics



There exists substantial regional variation in the unemployment rate.



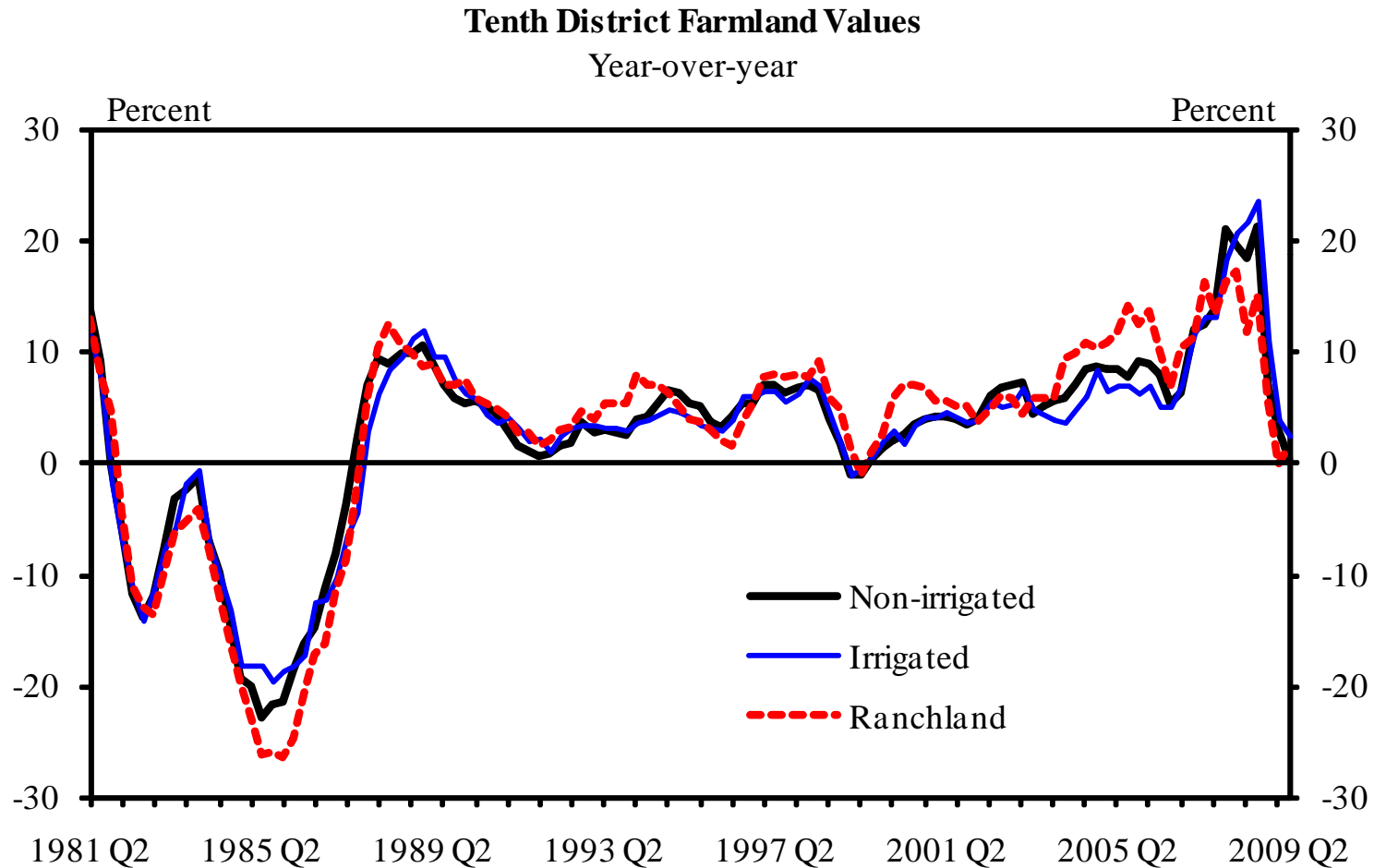
Source: Bureau of Labor Statistics



# Agriculture



# Farmland values are flat compared to a year ago.



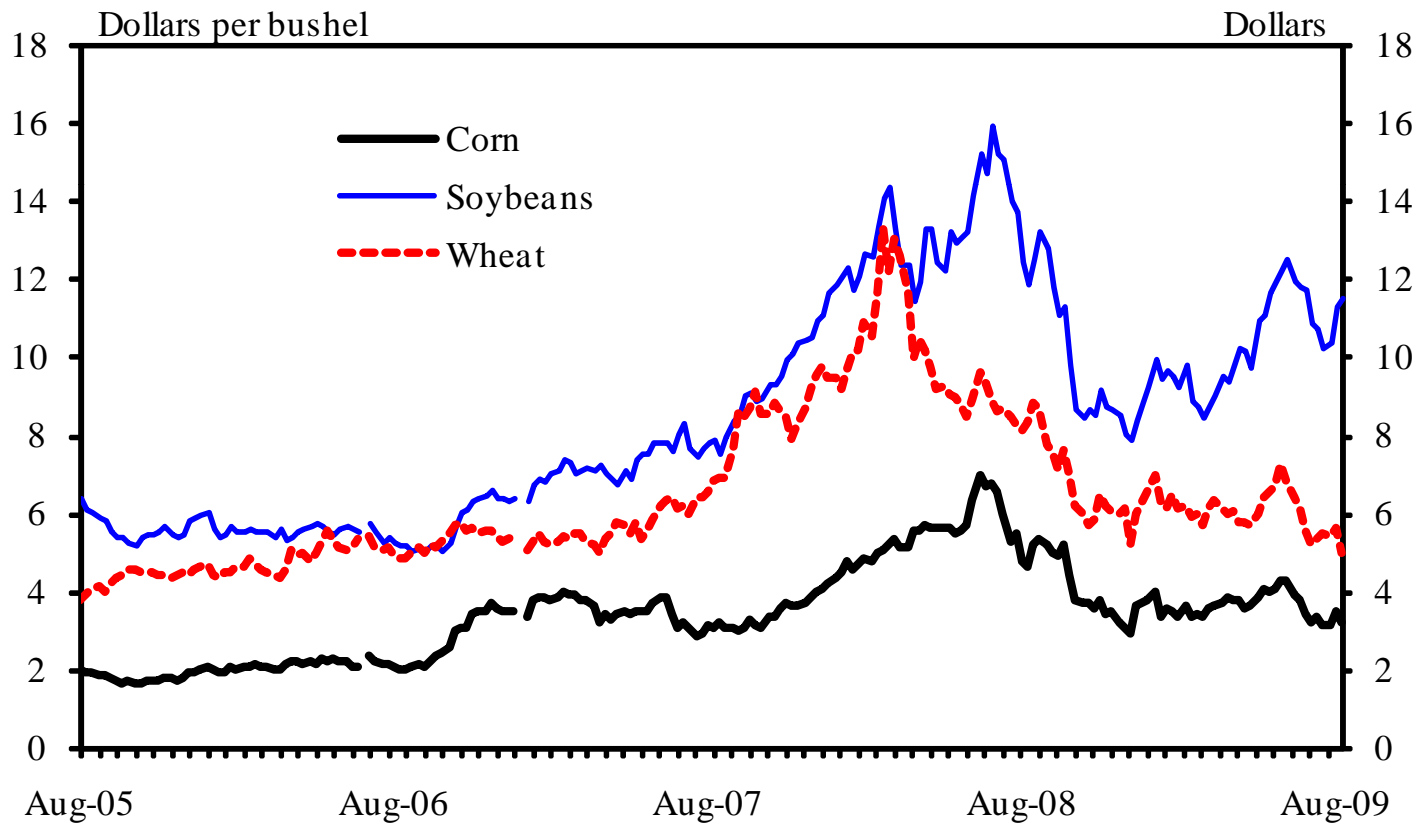
Source: FRBKC Agricultural Credit Survey





Crop prices remain well below the highs reached last summer.

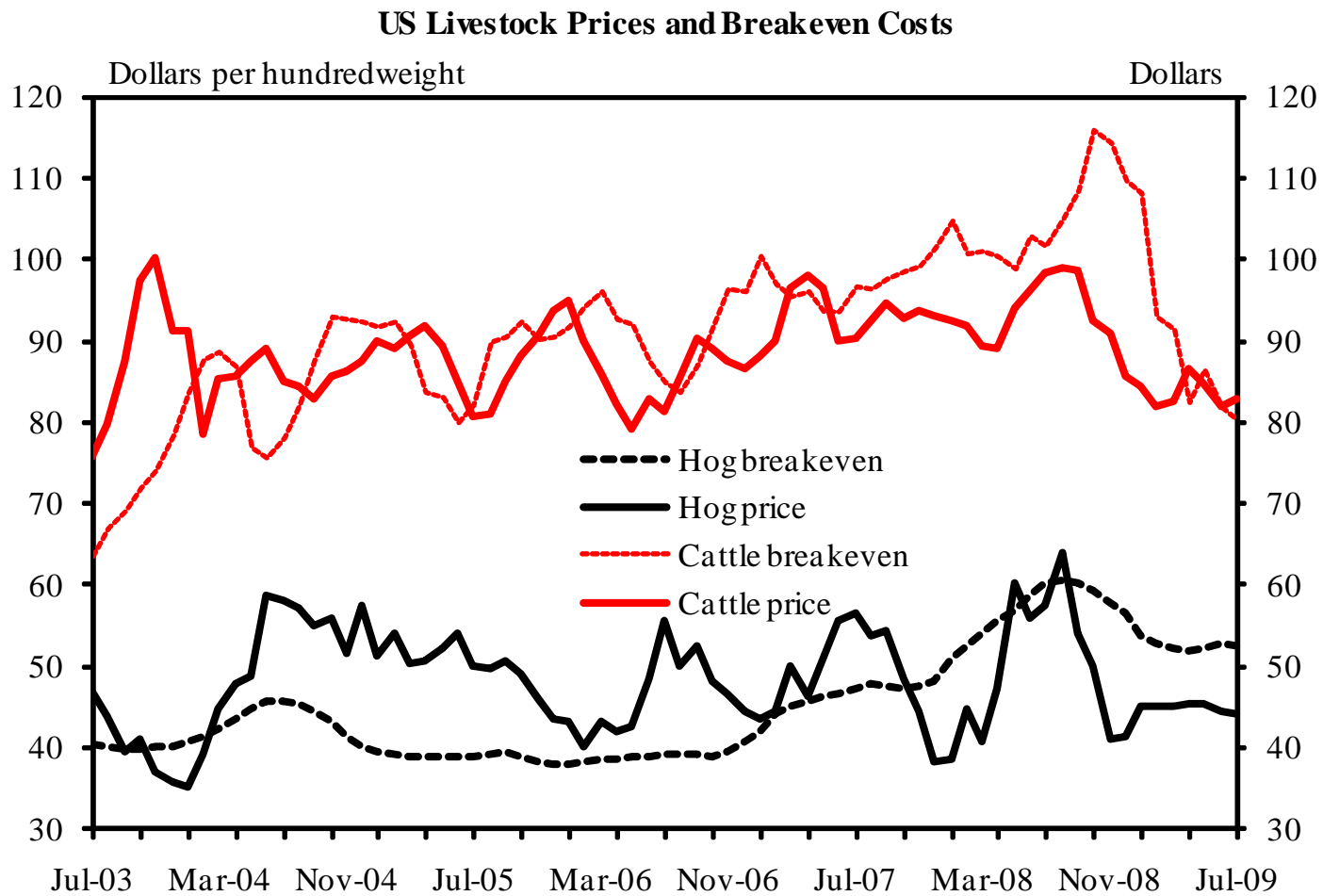
Crop Prices



Source: Commodity Research Bureau



# Hog and cattle producers continue to struggle.



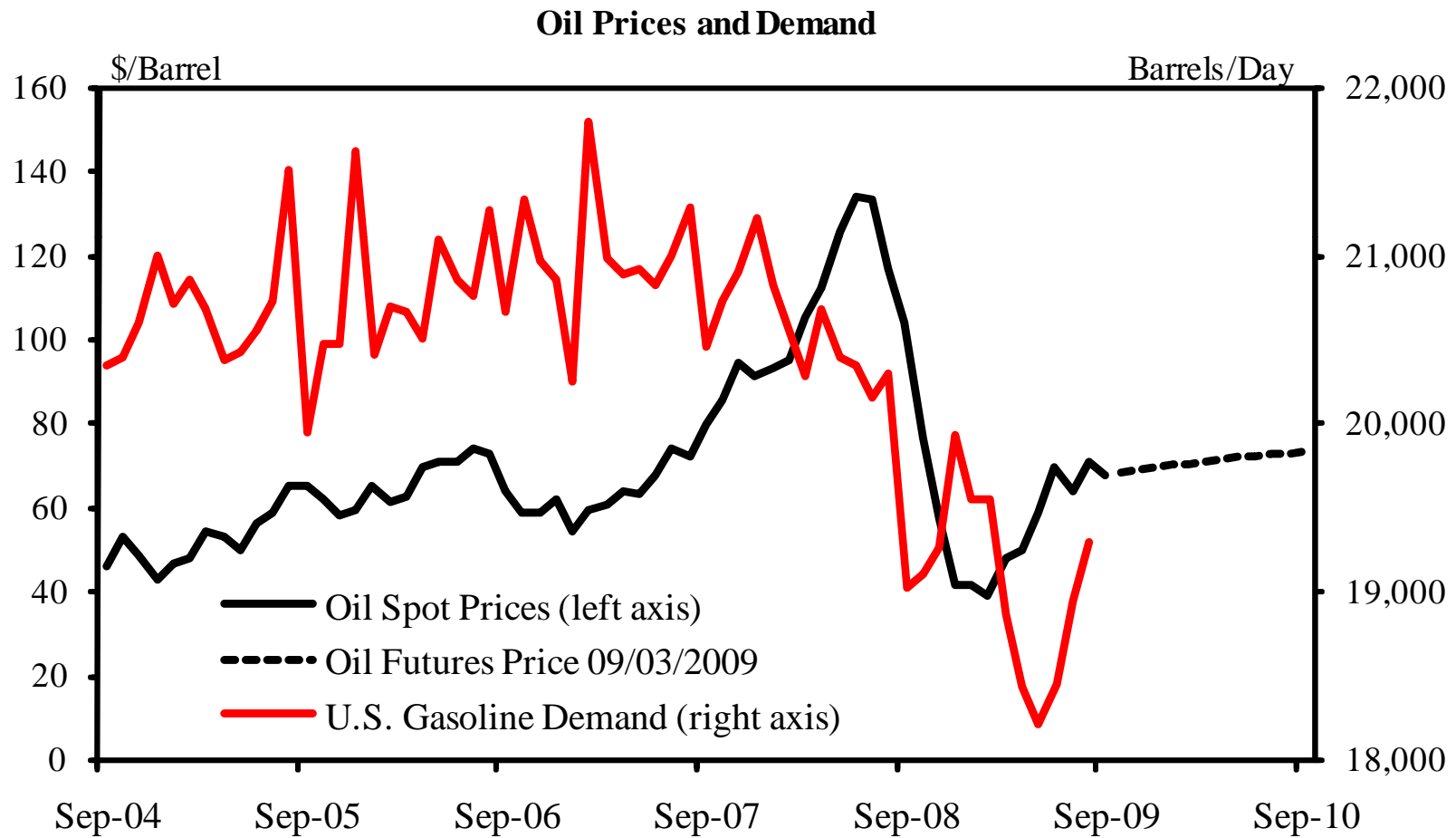
Source: USDA and Iowa State University



# Energy



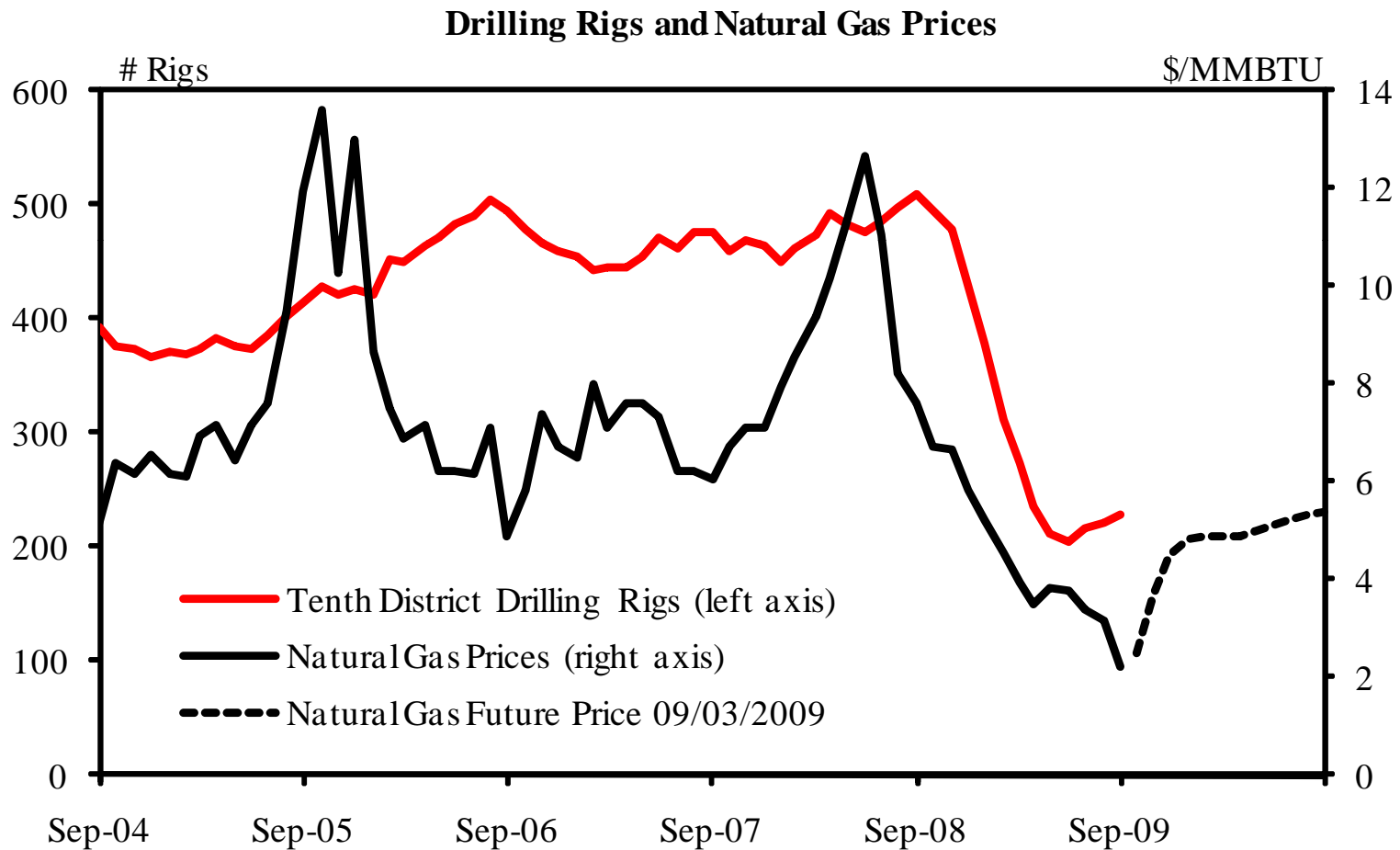
As the U.S. economy stabilizes, oil demand and prices have increased.



Source: EIA and Bloomberg



Natural gas prices have fallen drastically over the past year.

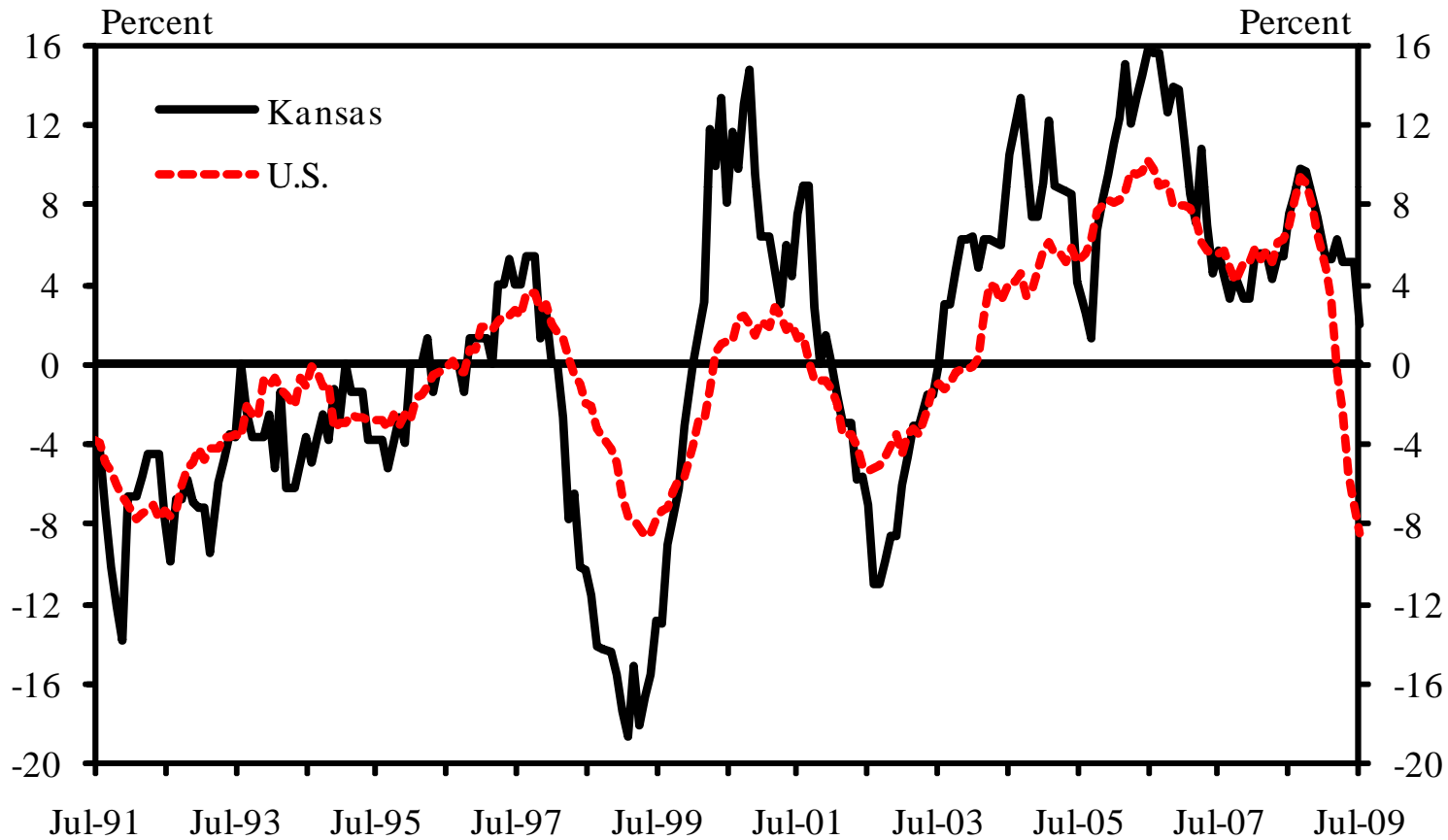


Source: Baker-Hughes and Bloomberg



# Kansas employment in the energy sector continues to show gains while U.S. employment has dropped.

Mining and Logging Employment  
Year-over-Year



Source: Bureau of Labor Statistics



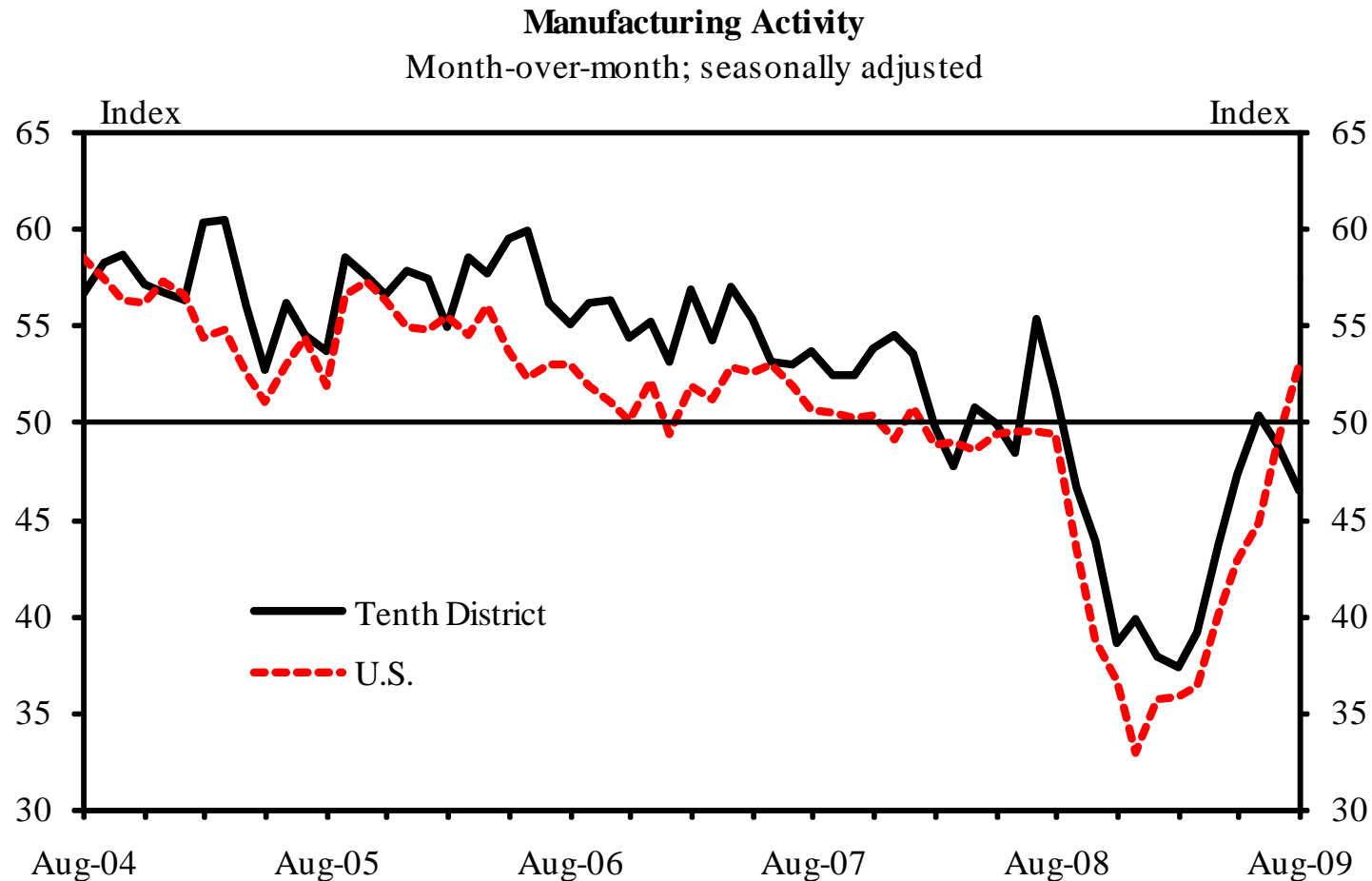


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# Manufacturing



# Surveys suggest that manufacturing production activity is stabilizing.



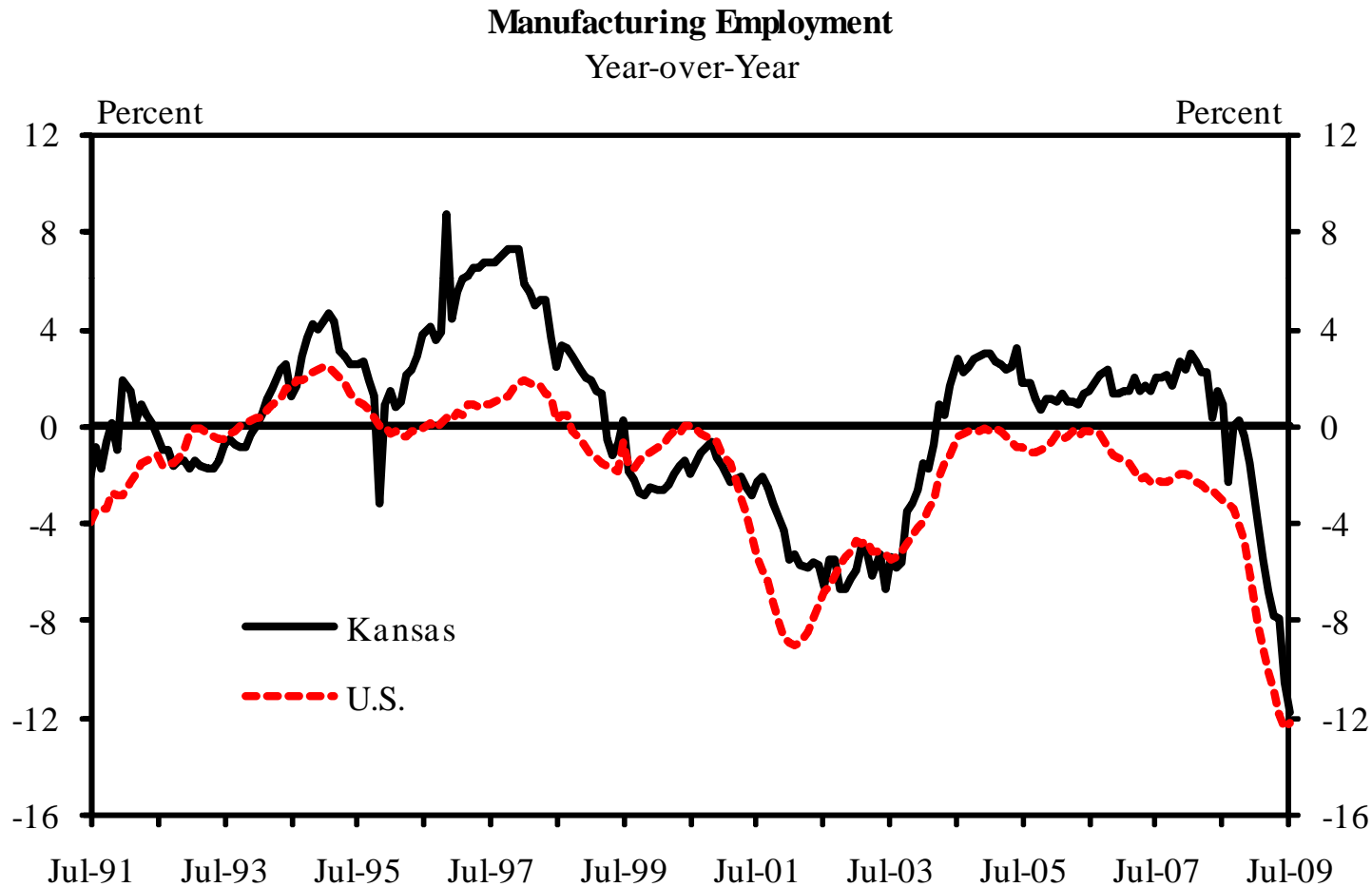
Note: 10J index is computed on ISM basis (50 = zero change)

Sources: ISM, FRBKC Manufacturing Survey





Manufacturing employment has fallen almost 12% in Kansas and the U.S. over the past year.

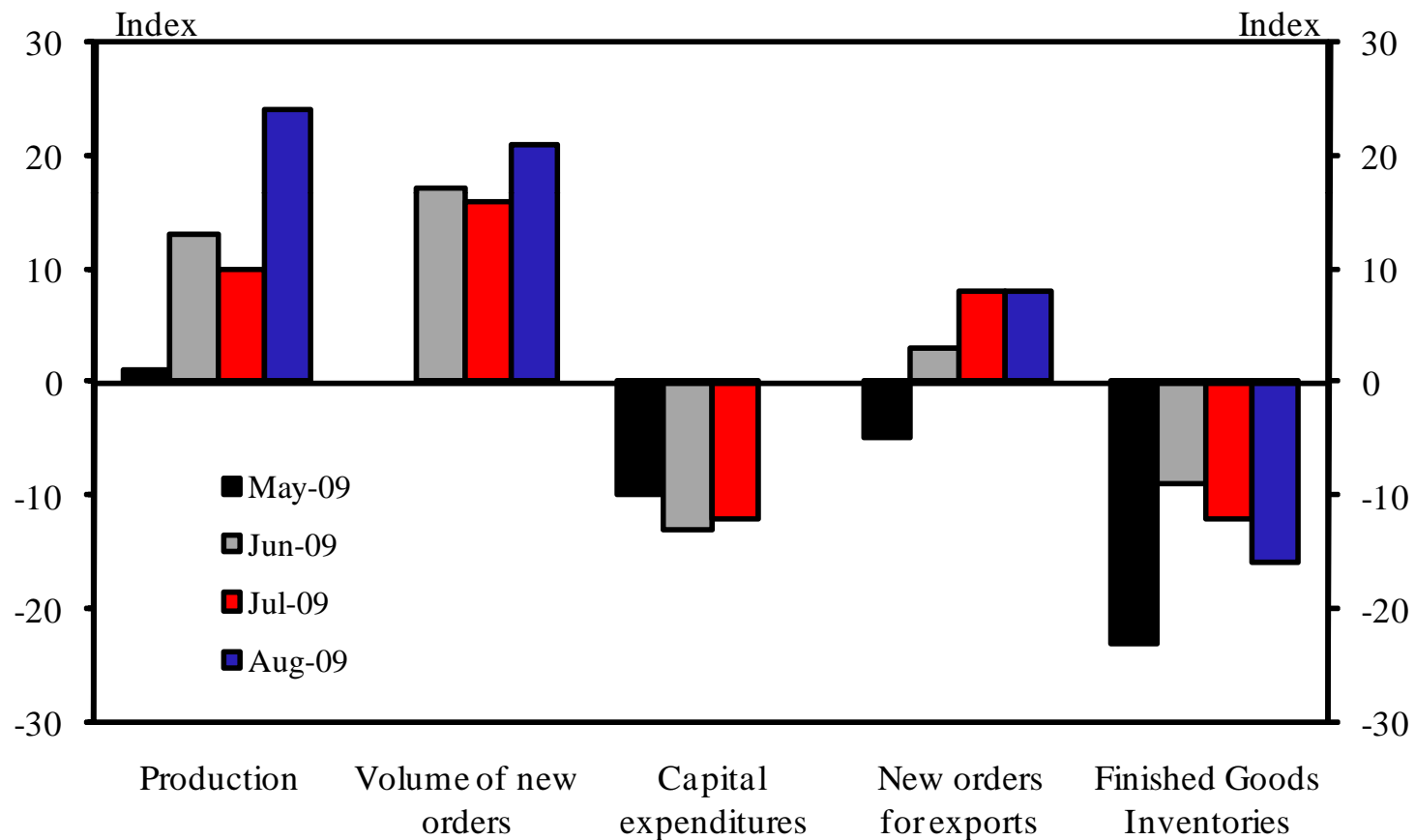


Source: Bureau of Labor Statistics



# Manufacturing contacts expect conditions to improve over the next six months.

**Manufacturing Expectations - Six Months Ahead**  
Seasonally adjusted



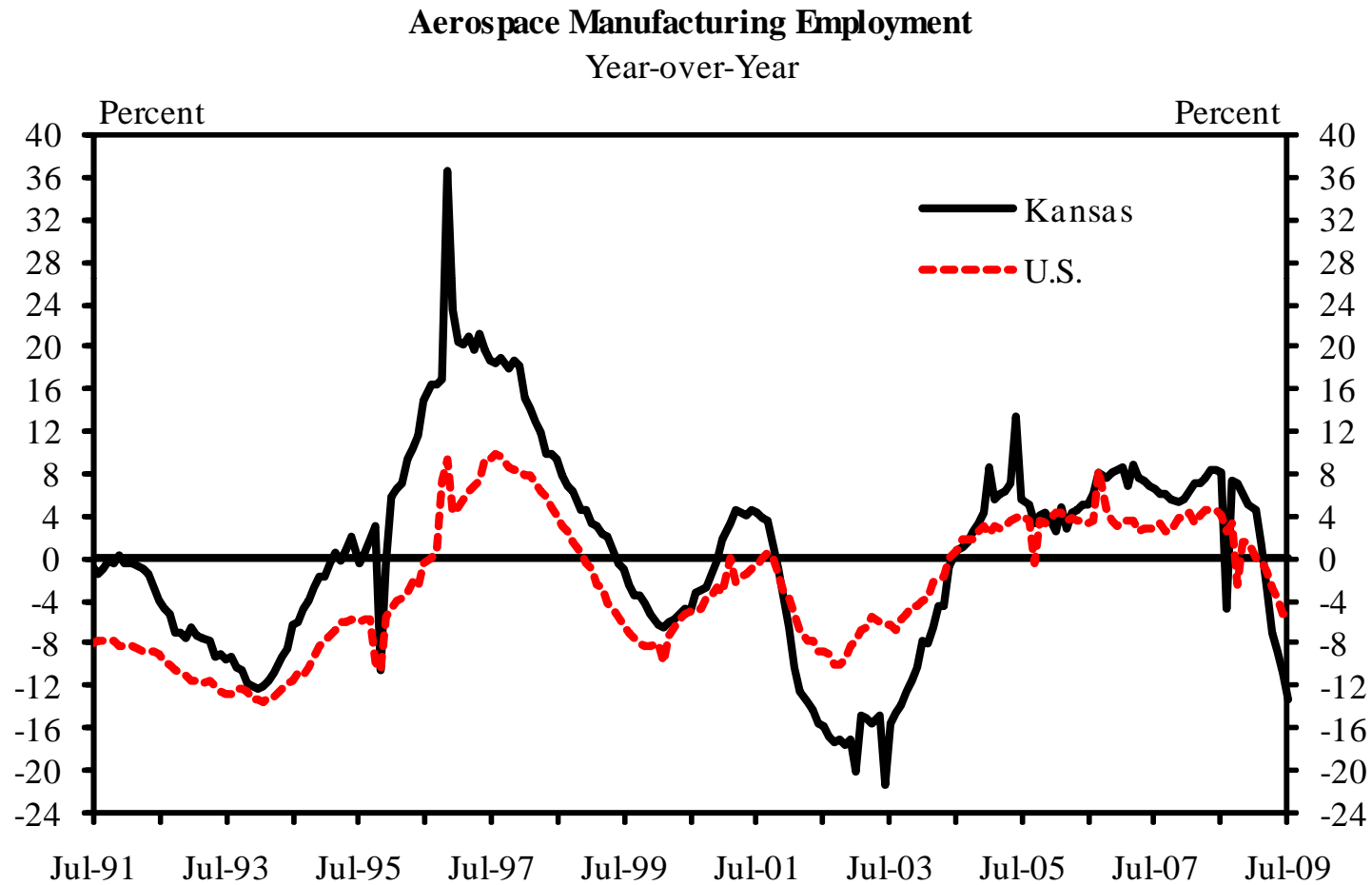
Source: FRBKC Manufacturing Survey



# Aviation



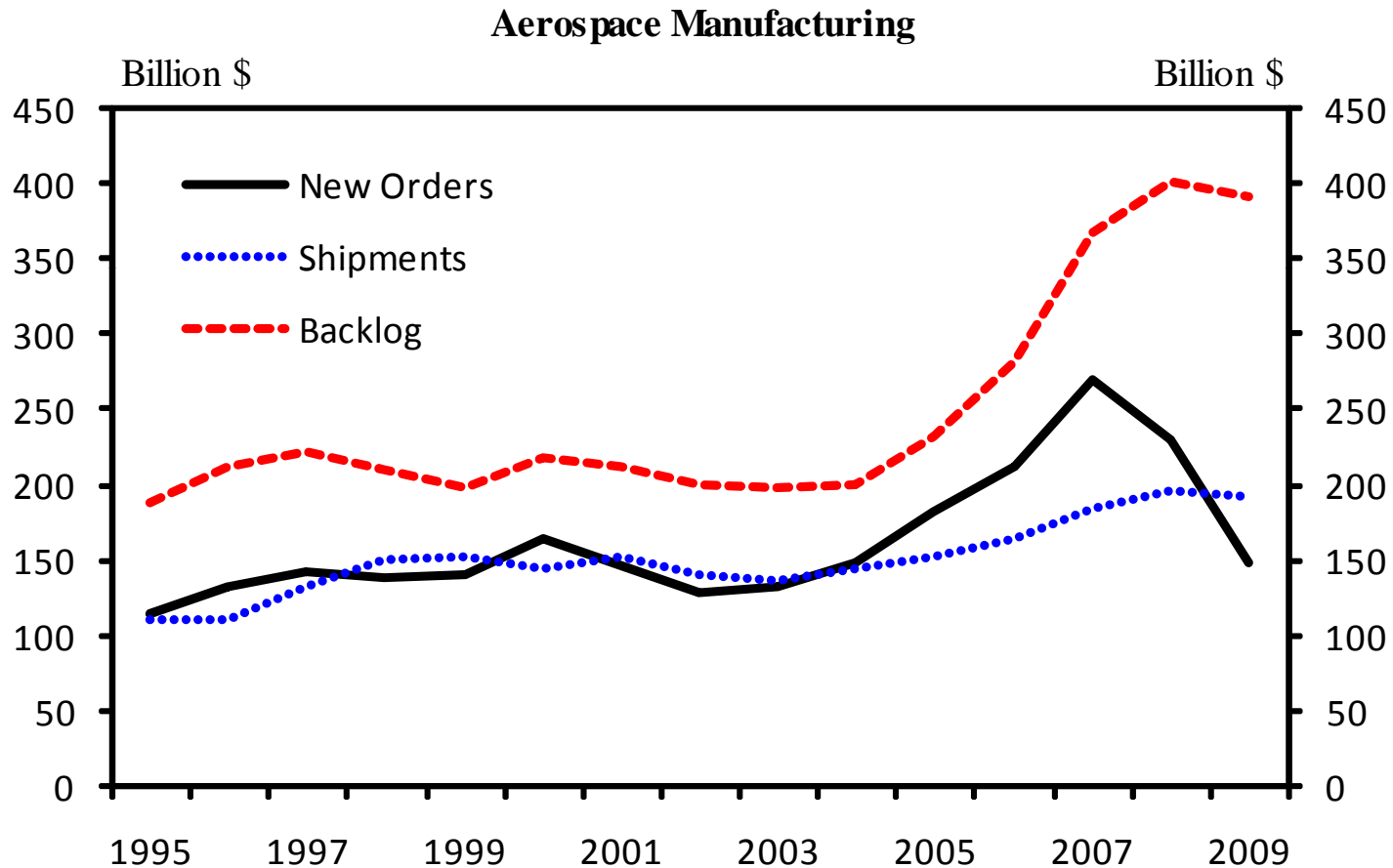
# Kansas employment in aerospace manufacturing has declined dramatically in 2009.



Source: Bureau of Labor Statistics



New orders for aviation products have fallen, but the backlog of orders remains high.



Source: Aerospace Industries Association

Note: 2009 data is the average through March 2009



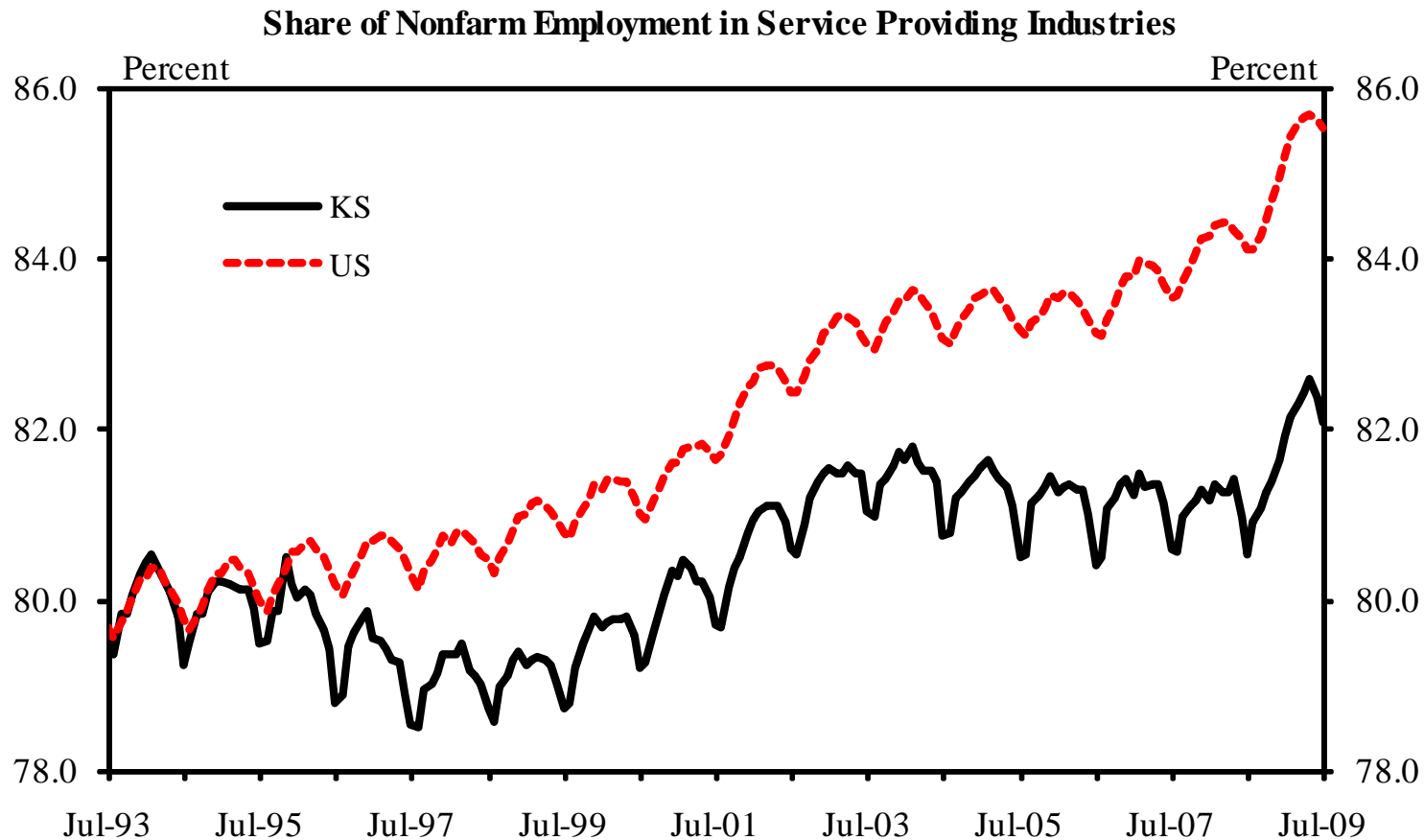


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# Service Industries



The share of workers in service-providing industries has increased over time.

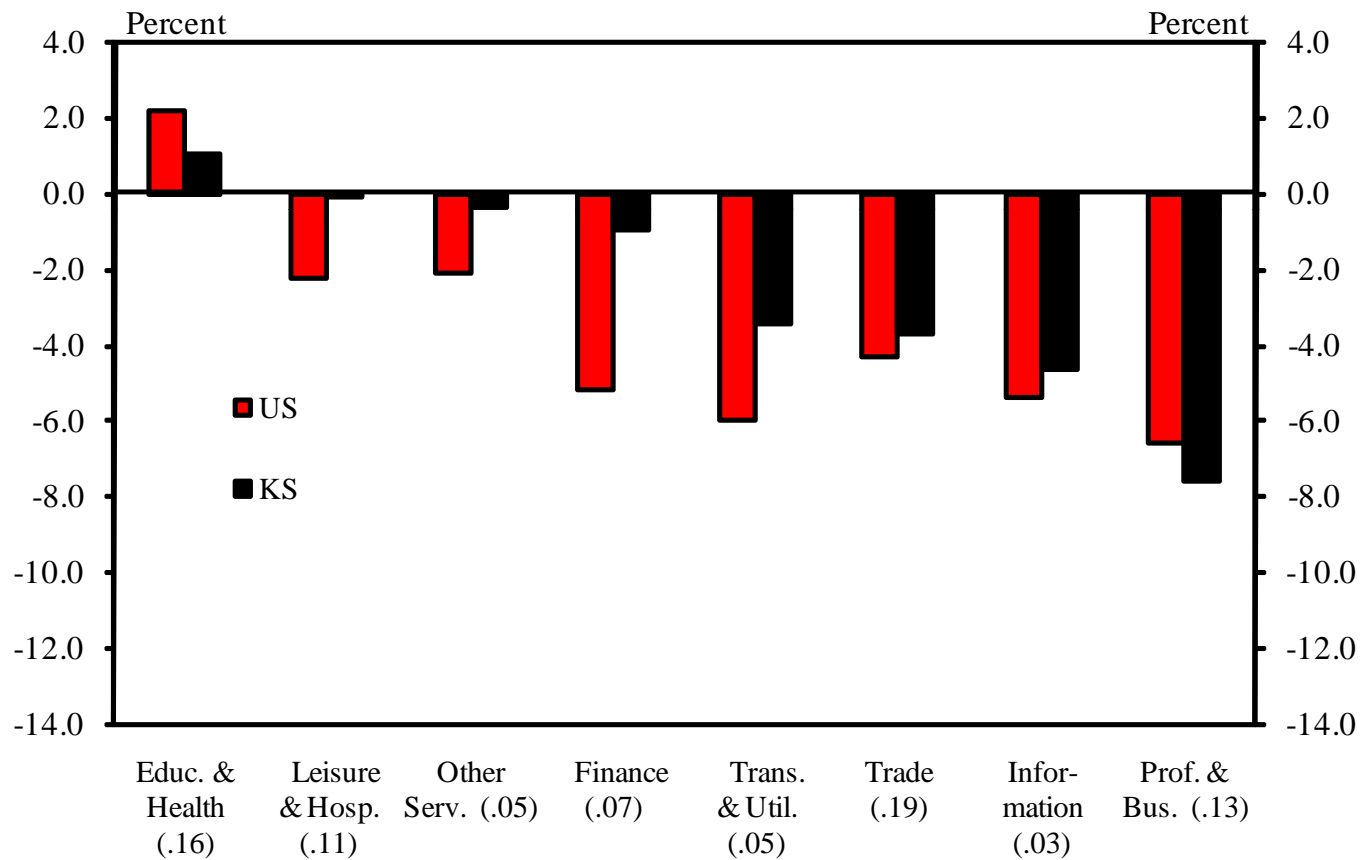


Source: Bureau of Labor Statistics



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

Private Job Growth by Service Providing Industry  
Jul-09 over Jul-08



Source: Bureau of Labor Statistics

Note: Number in parentheses is the industry's share of total private jobs in KS in Jul-09.



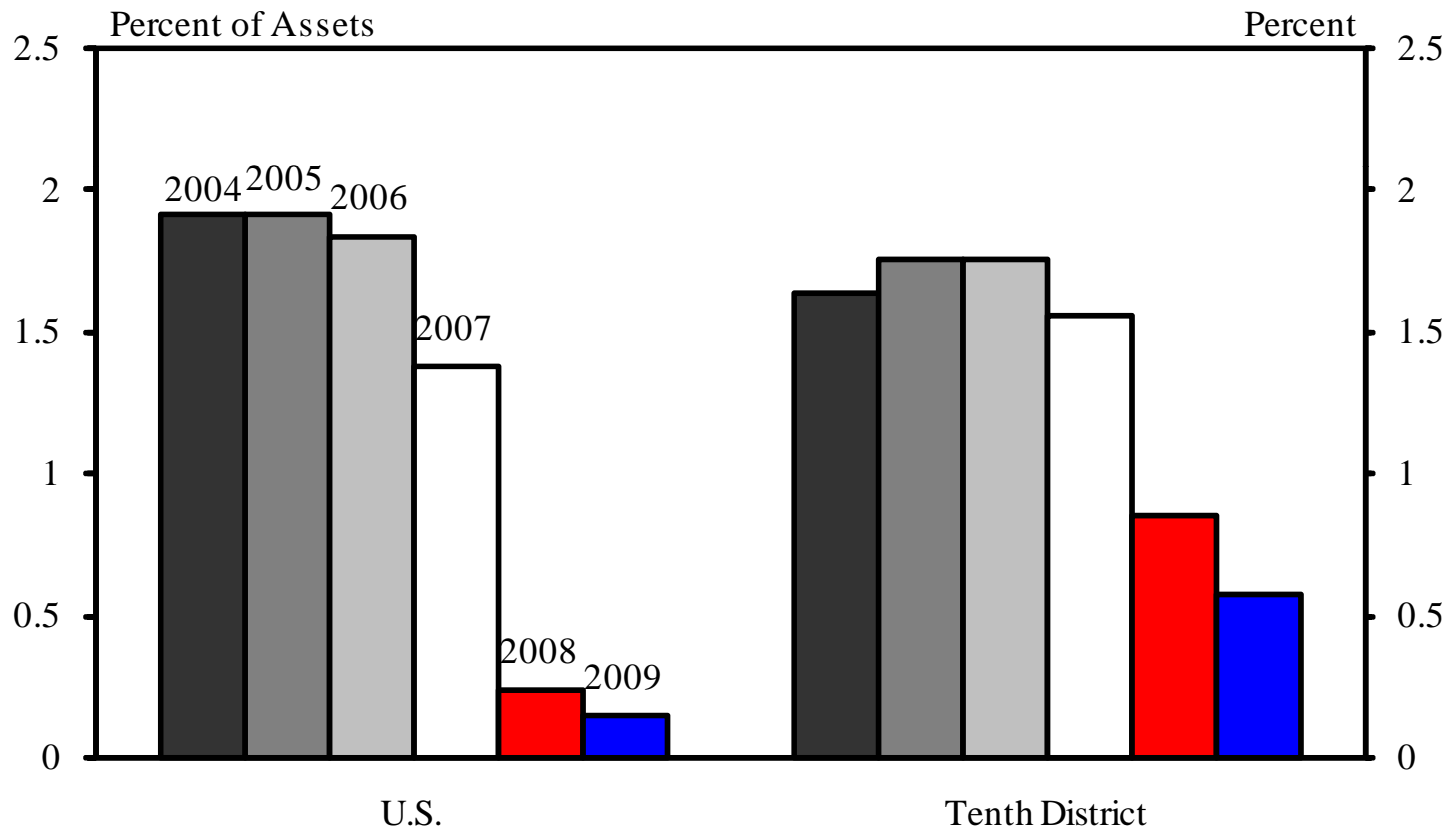


# Financial



# Bank earnings are higher in Tenth District banks than the U.S. average.

U.S. and Tenth District Bank Earnings

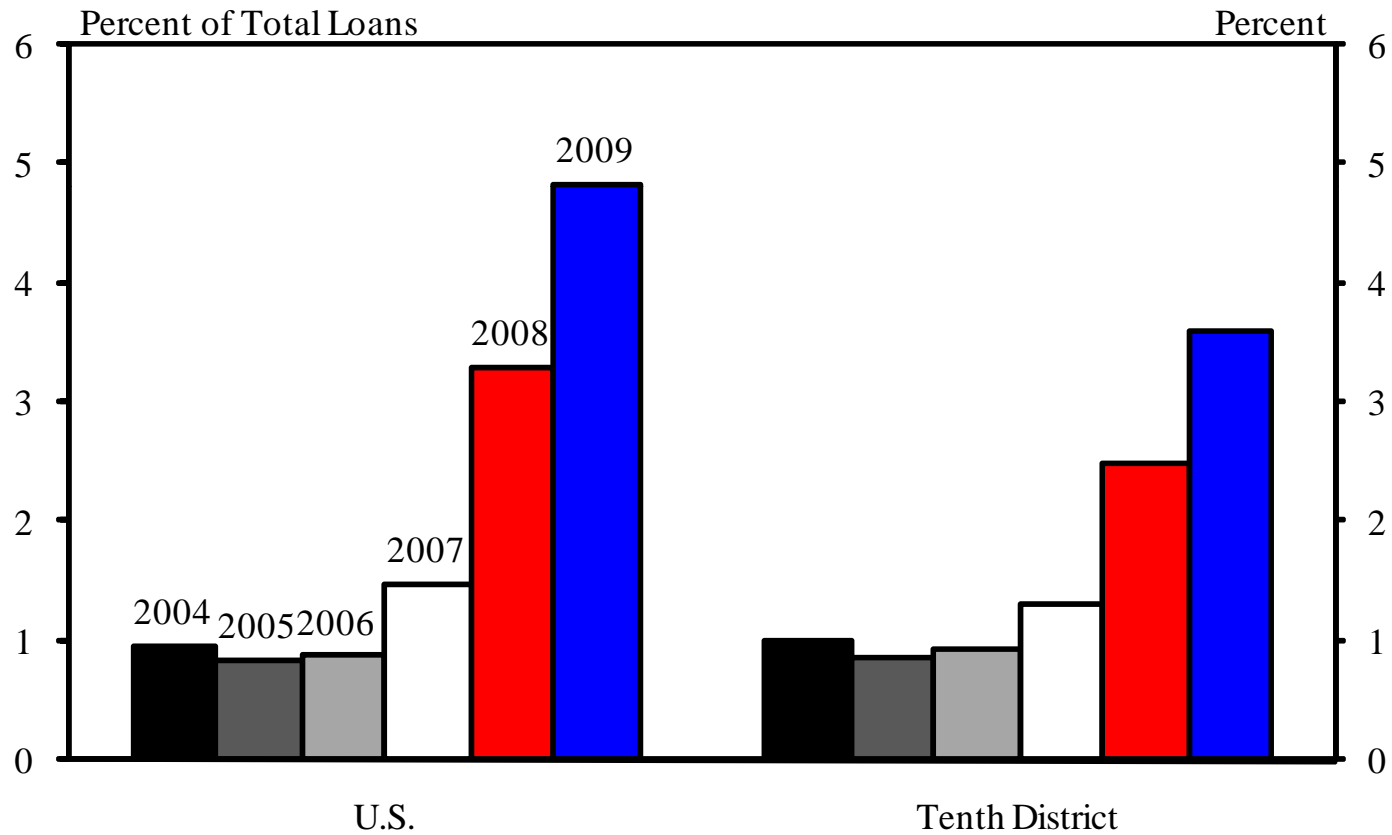


Source: FDIC



The percent of non-current assets continues to increase.

U.S. and Tenth District Banks' Non-current Assets



Source: FDIC



# Conclusions

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- ❑ The Kansas economy performed relatively well in 2008 but has contracted sharply in 2009.
- ❑ The U.S. and Kansas economies are showing signs that a recovery is near.
- ❑ However, employment losses are likely to continue in 2010, and the unemployment rate may remain elevated over the next few years.

