



The Shape of Economic Recovery

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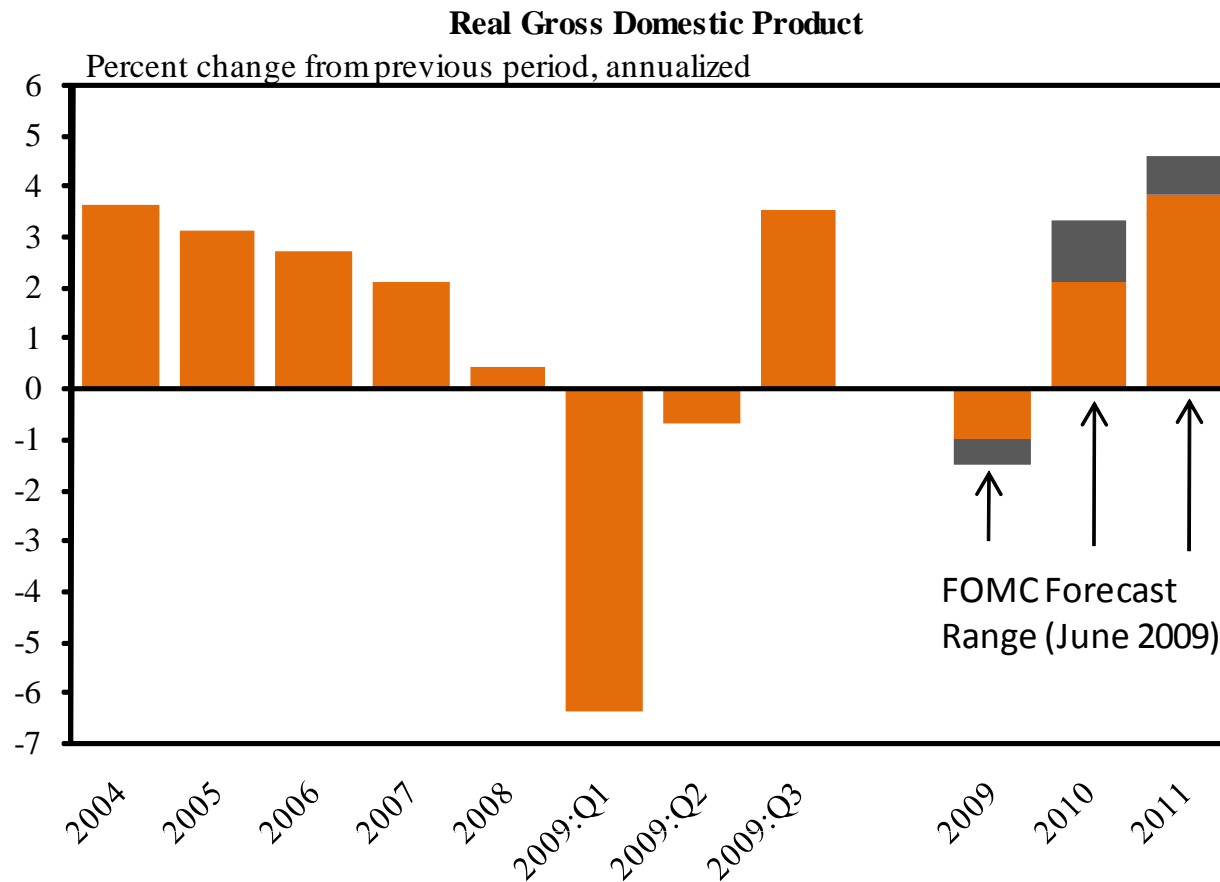
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U.S. Economic Overview

- ◎ 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 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.
- ◎ What will recovery look like?



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

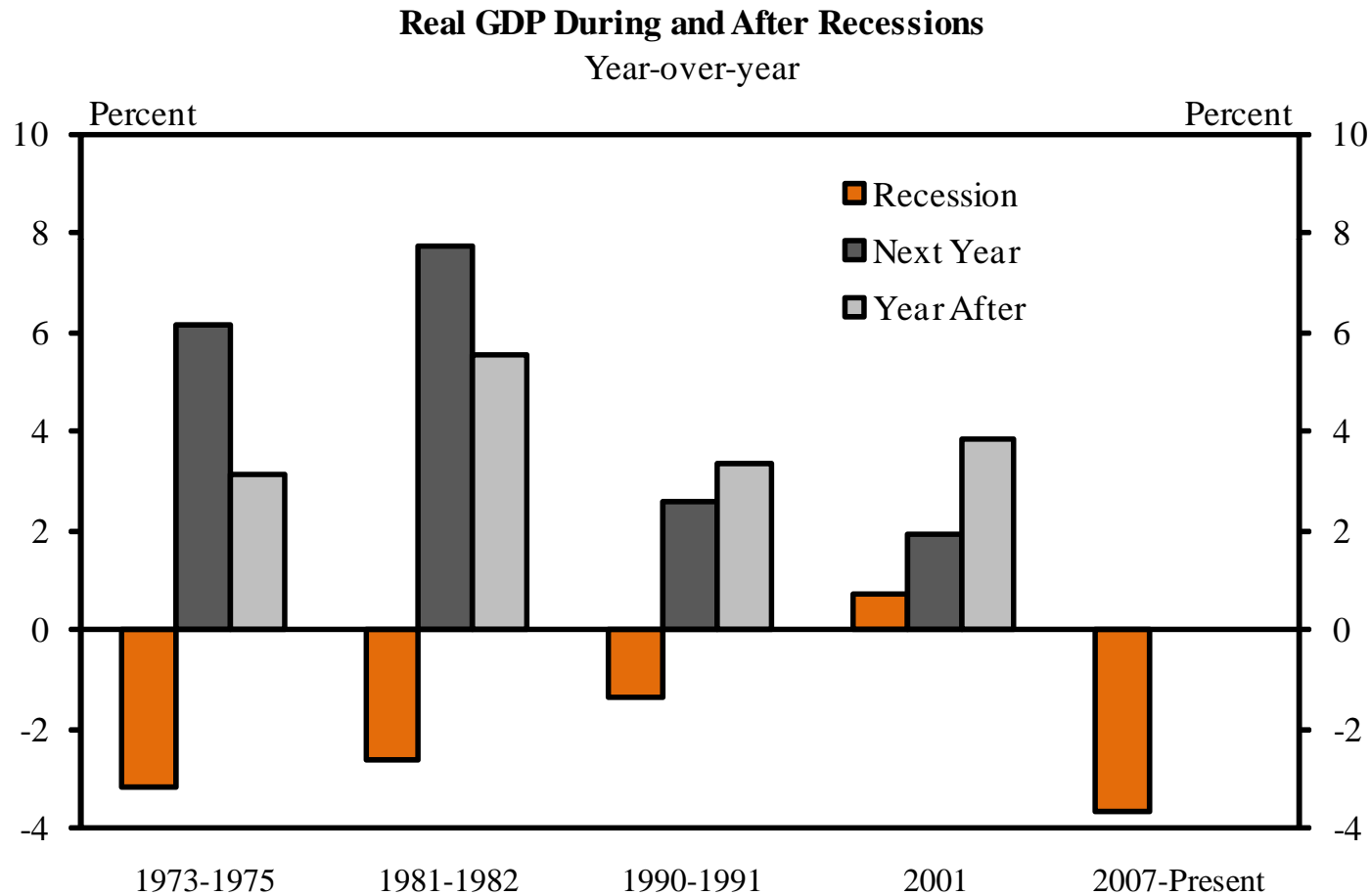


Source: Bureau of Economic Analysis; FOMC

Latest release: 10/29/2009



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

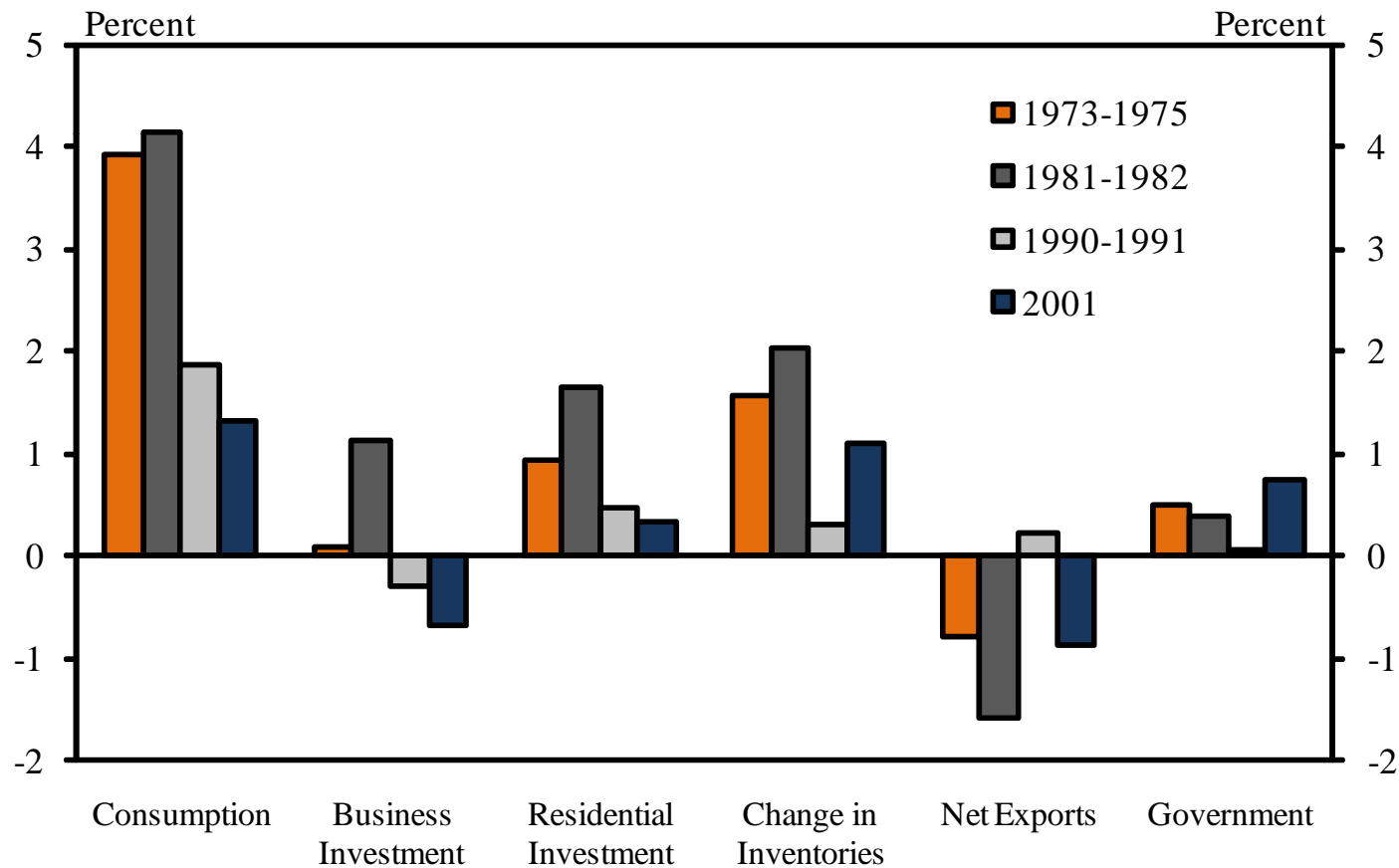


Source: BEA



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)



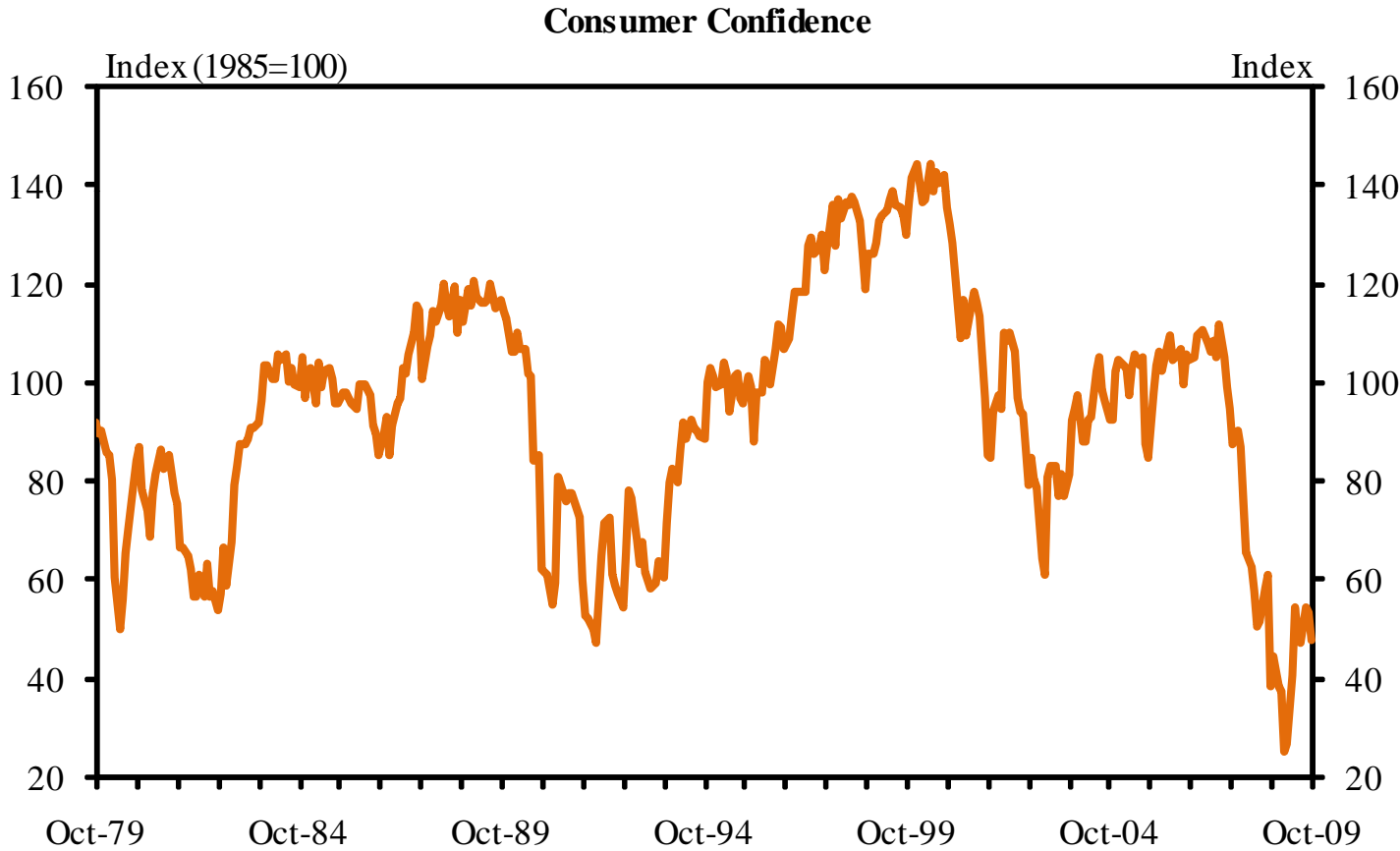
Source: BEA



Consumption



Consumer confidence has trended upward over the past six months.

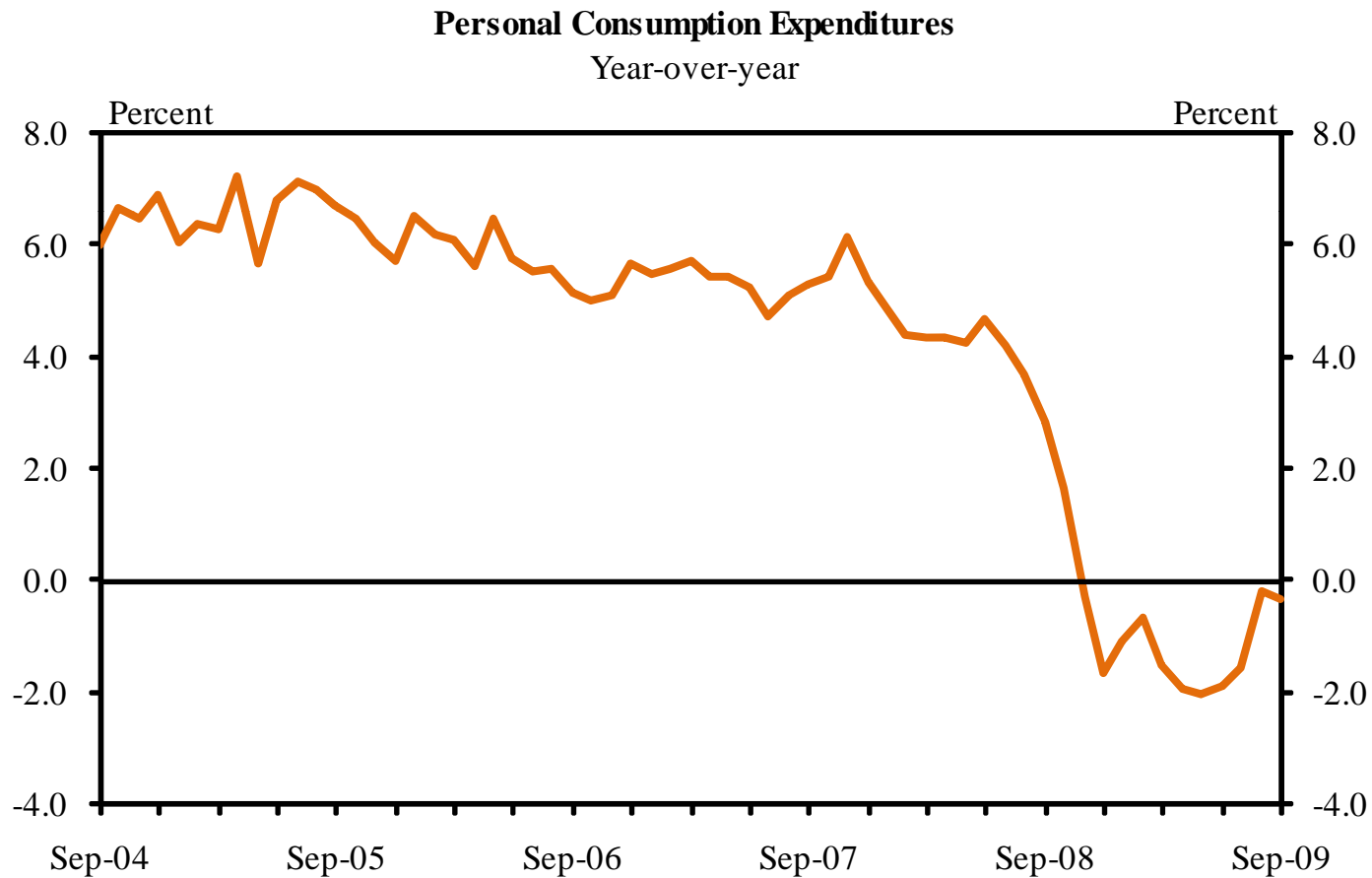


Source: Conference Board

Latest release: 10/27/2009



Consumption increased slightly over the summer but remains below year-ago levels.

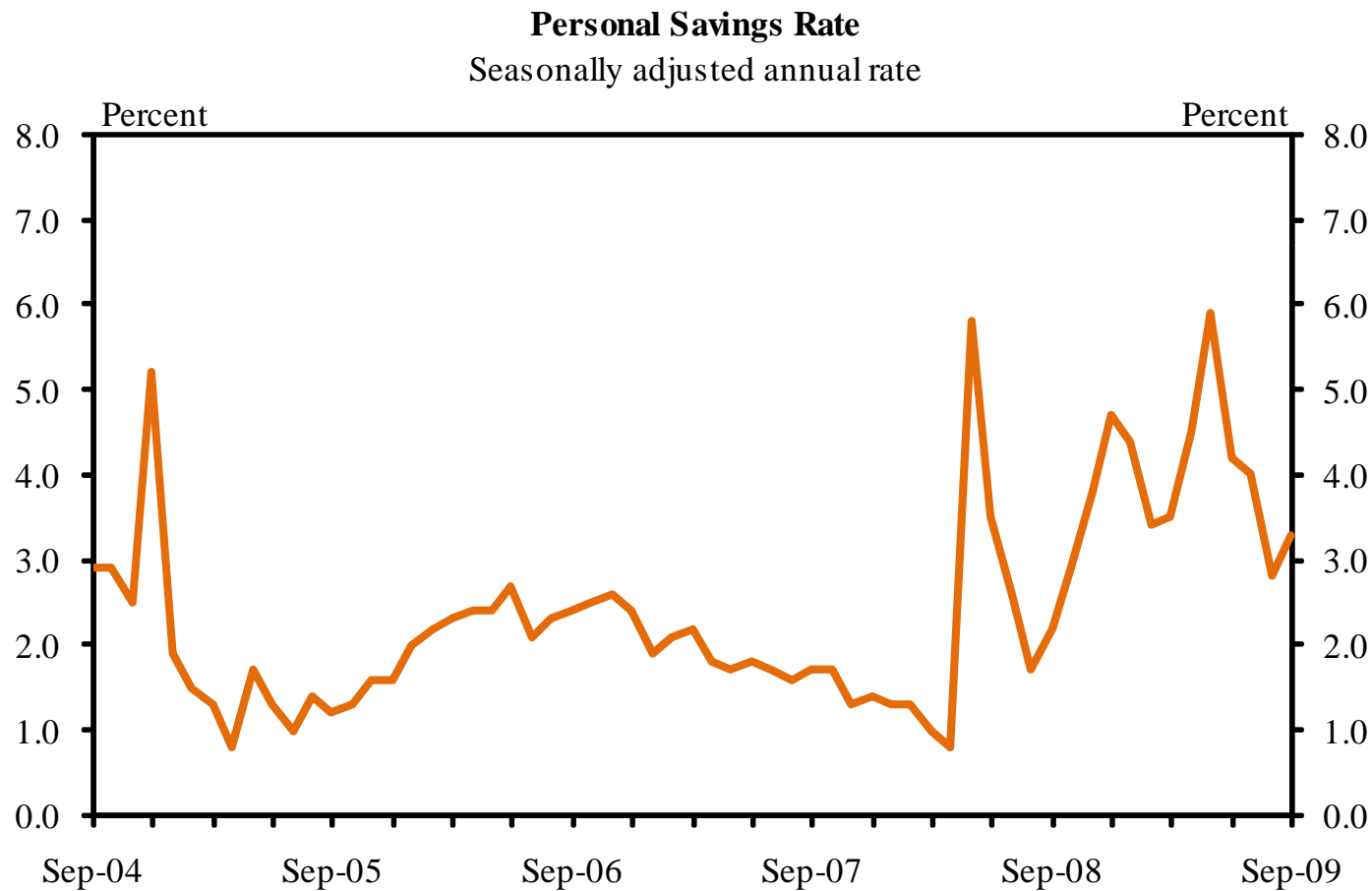


Source: Bureau of Economic Analysis

Latest release: 10/30/2009



Personal savings rates have increased from pre-recession levels.



Source: Bureau of Economic Analysis

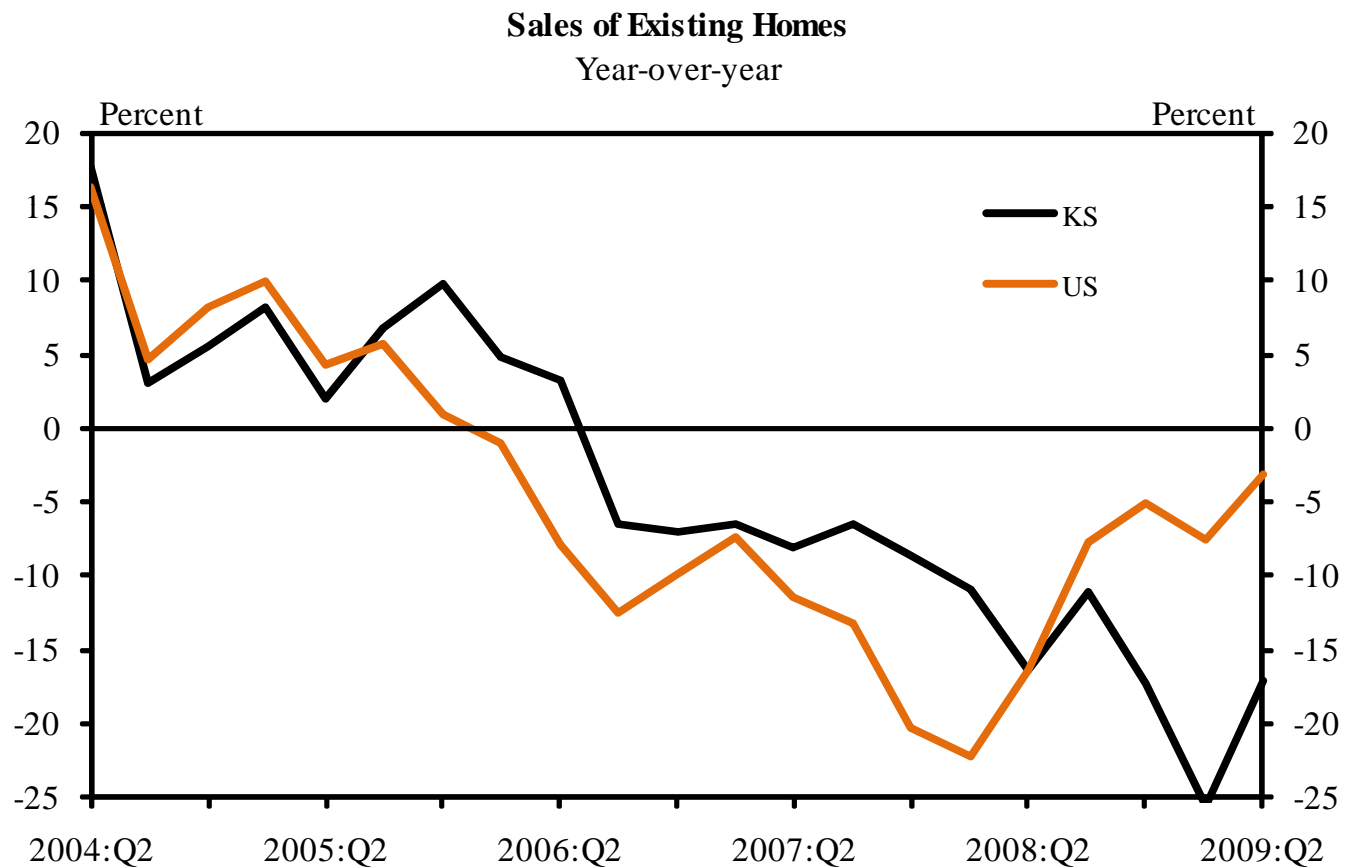
Latest release: 10/30/2009



Residential Investment



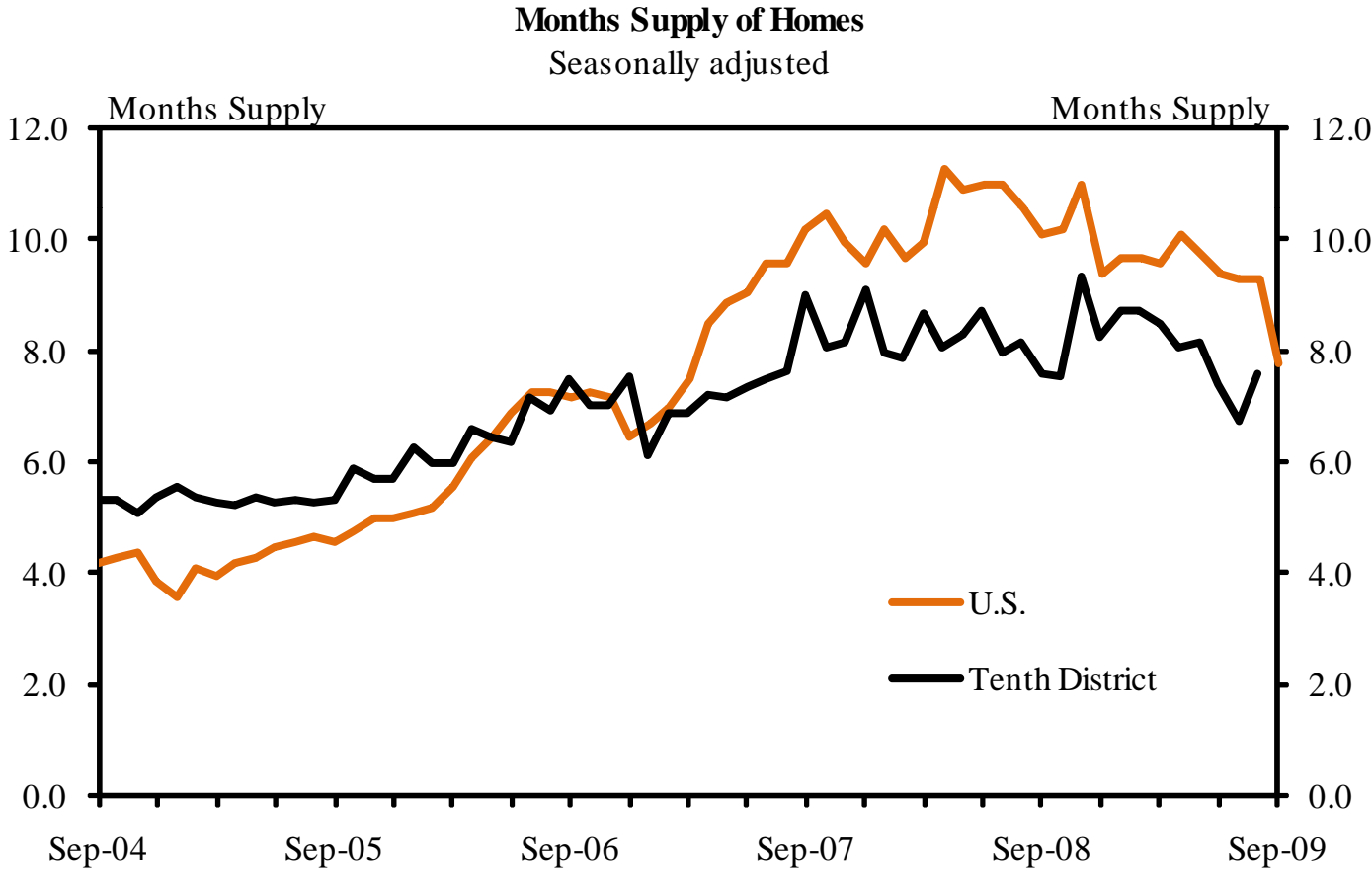
Home sales have fallen sharply since late 2005, but have since increased slightly.



Source: NAR



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

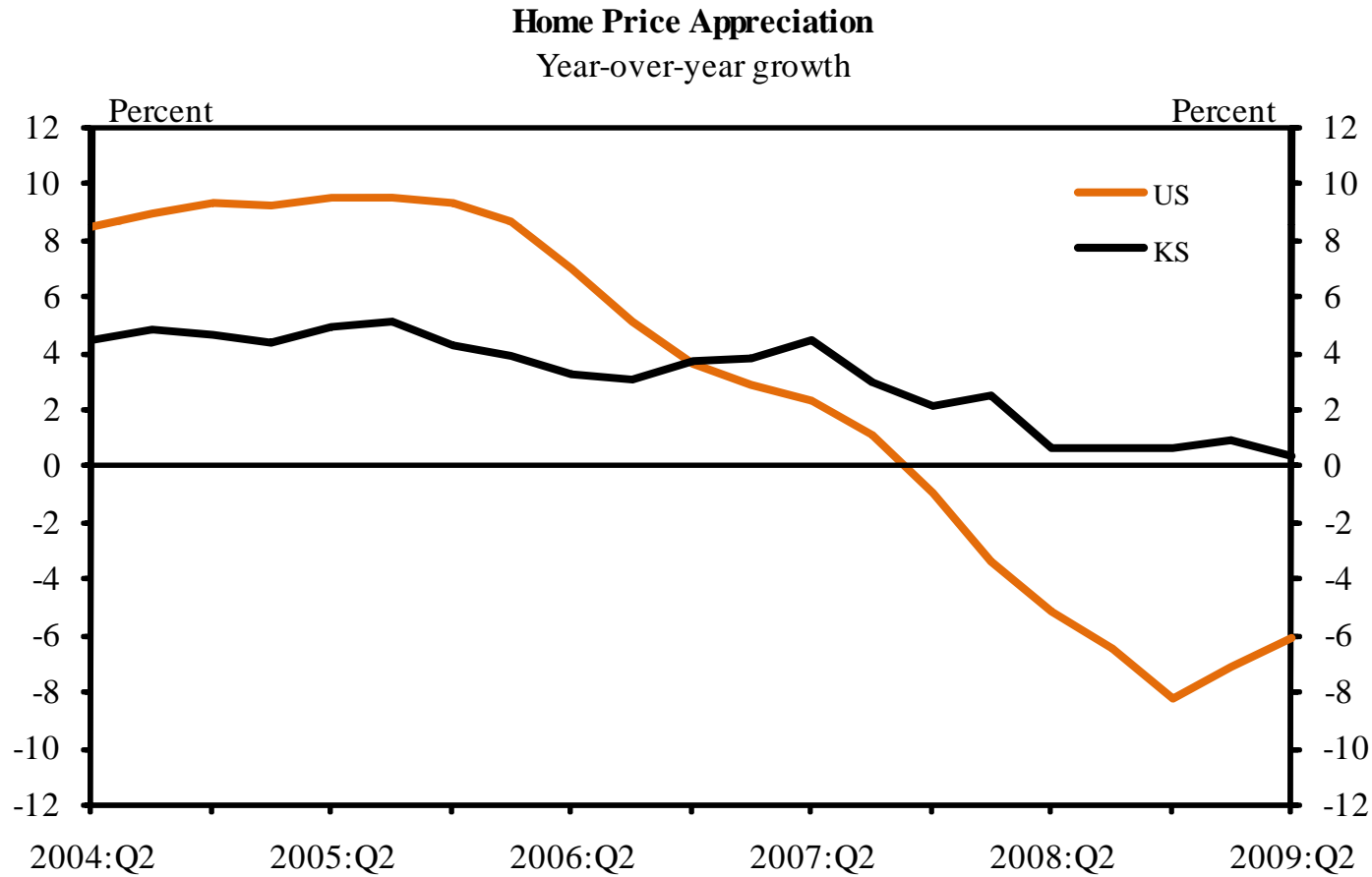


Source: NAR and Local Realtor

Latest release: 10/23/2009



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

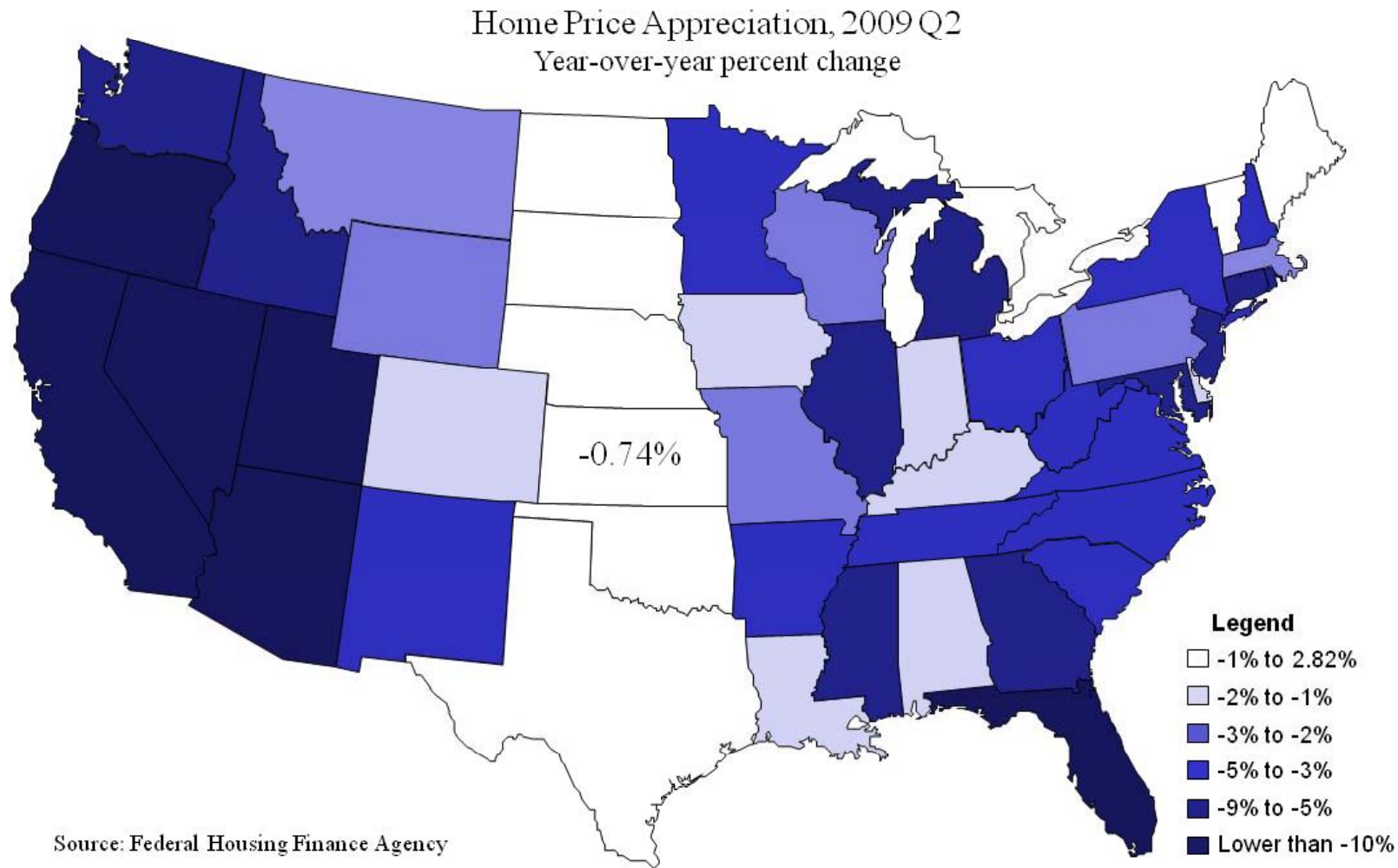


Source: FHFA

Latest release: 08/25/2009



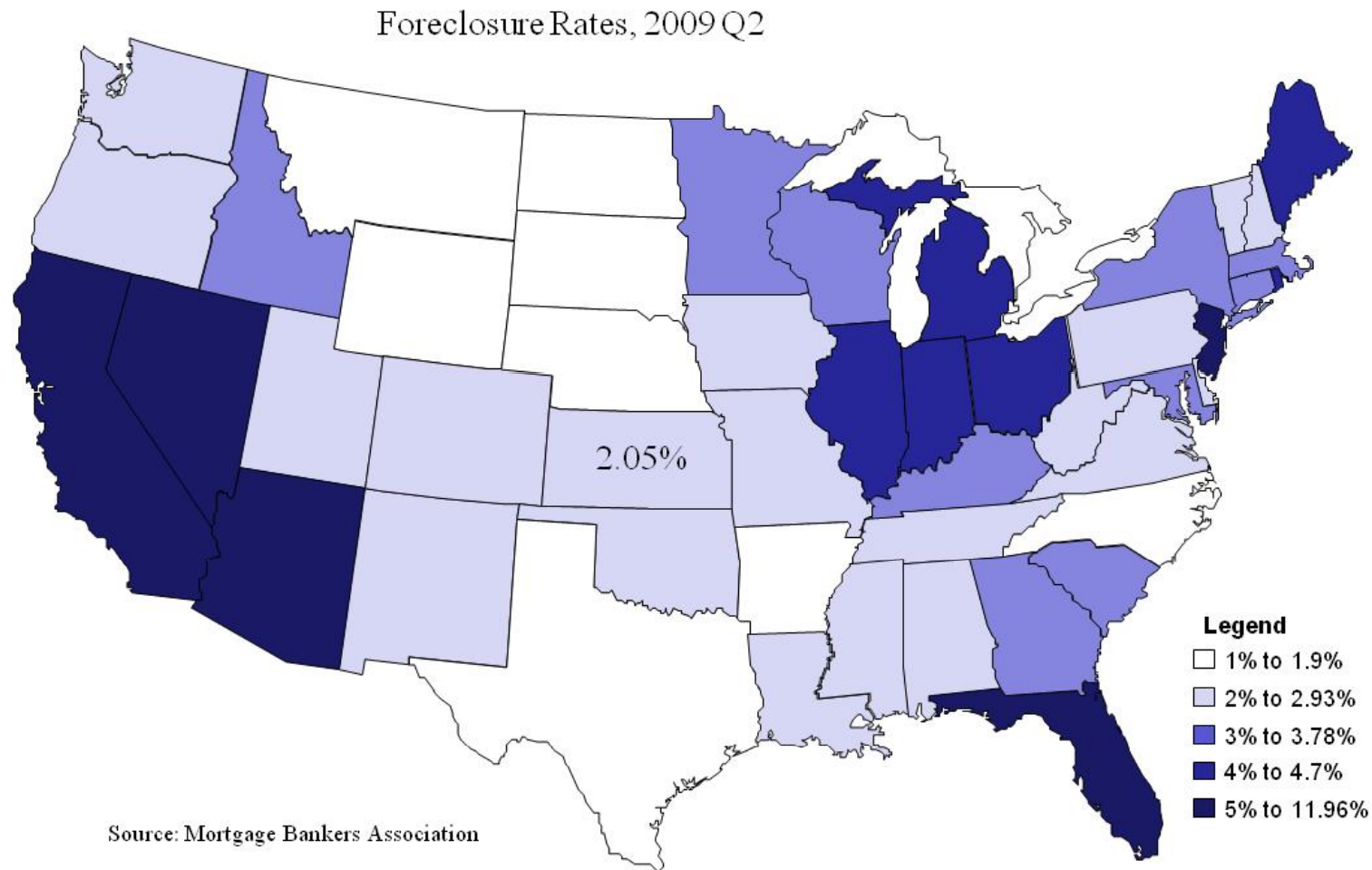
Home price appreciation has varied widely across the nation.



Source: Federal Housing Finance Agency

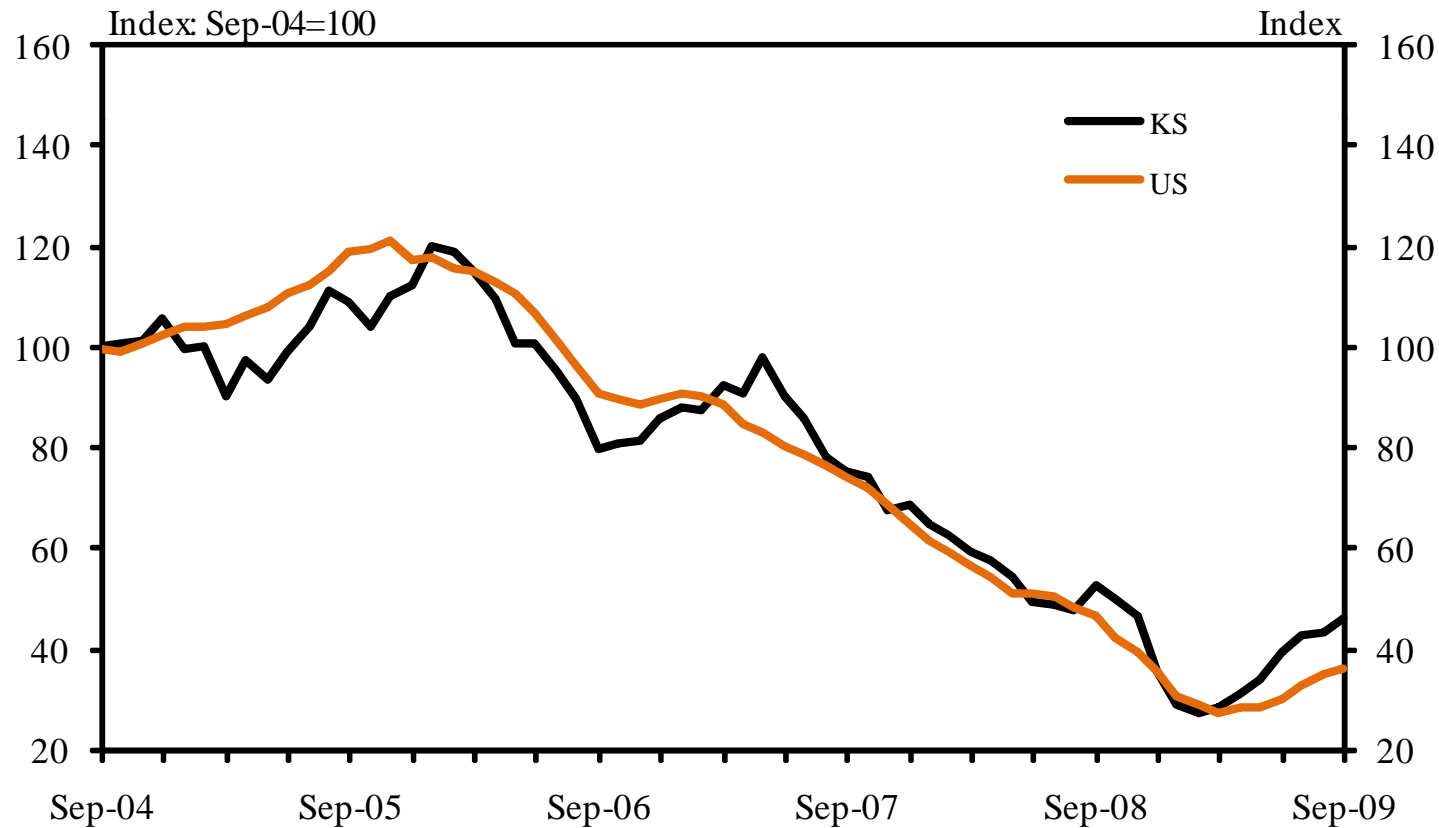


Foreclosure rates are up across the nation, but regional variation persists.



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

Value of Residential Construction Contracts
Seasonally adjusted



Source: F.W. Dodge, Inc.

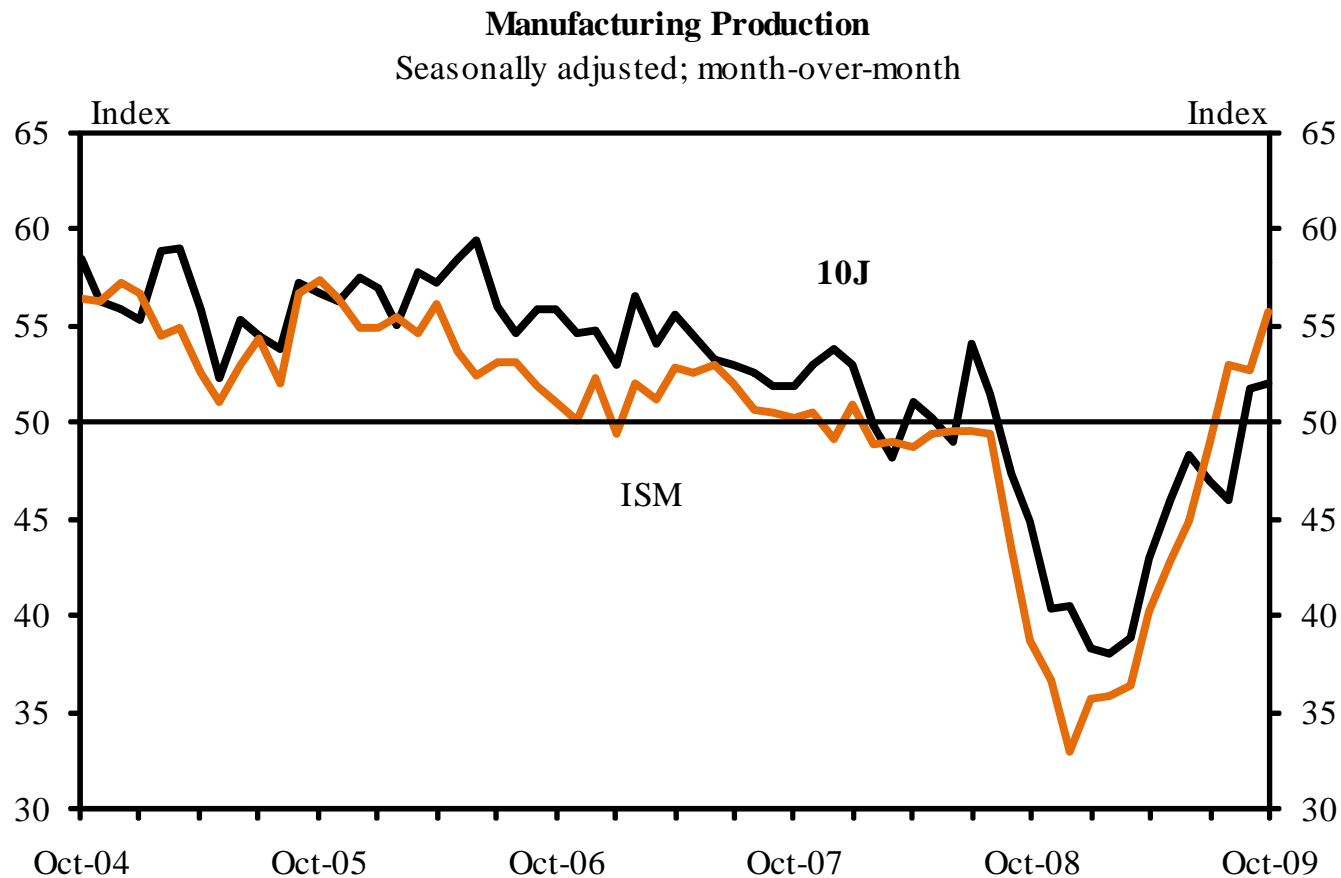
Latest release: 10/15/2009



Business Investment



Recent surveys indicate that manufacturing activity is stabilizing.



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

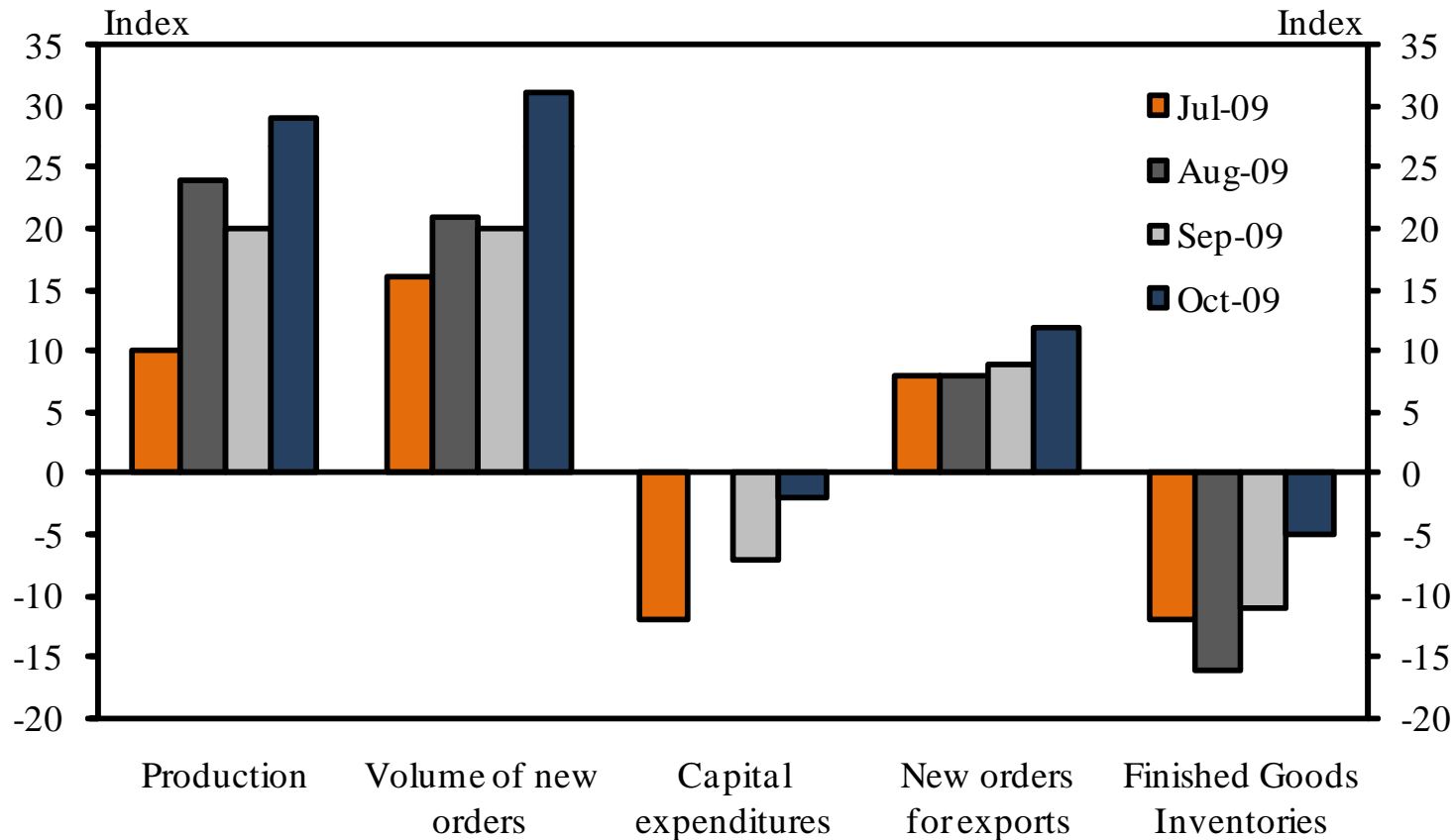
Sources: ISM, FRBKC Manufacturing Survey

Latest release: 10/29/2009 for the Manufacturing Survey and 11/02/2009 for ISM



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

Manufacturing Expectations - Six Months Ahead
Seasonally adjusted



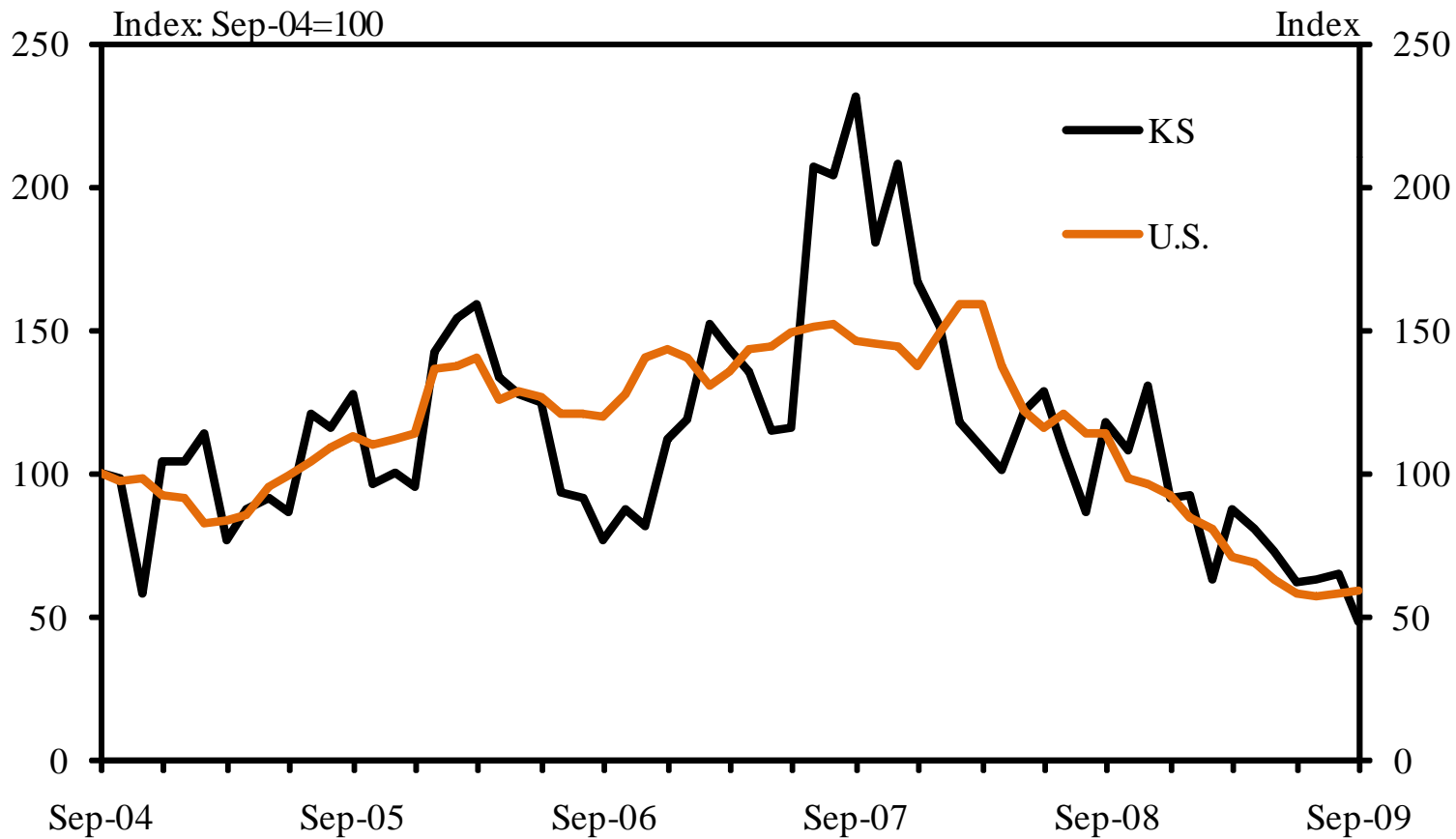
Source: FRBKC Manufacturing Survey

Latest release: 10/29/2009



Commercial construction activity remains slow.

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



Source: F.W. Dodge, Inc.

Latest release: 10/15/2009

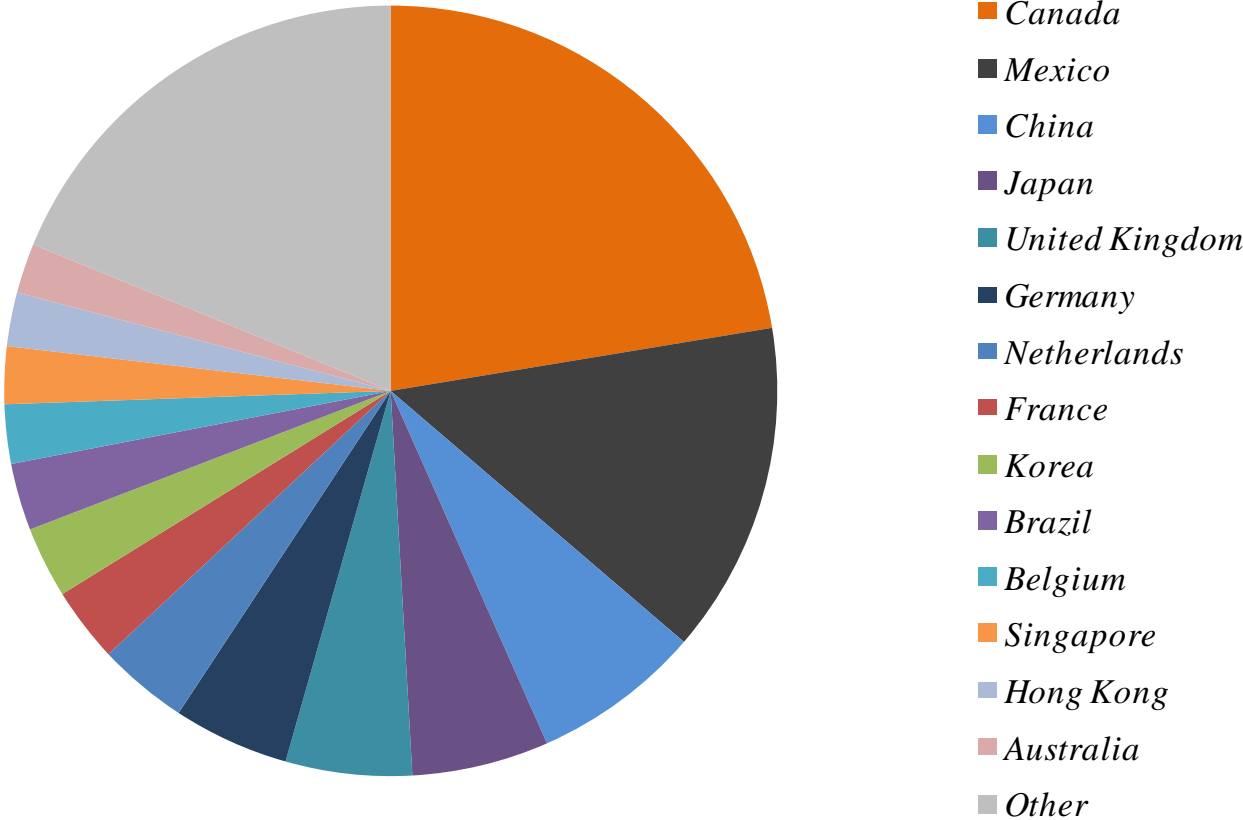


Net Exports



Canada, Mexico and China are the largest importers of U.S. goods.

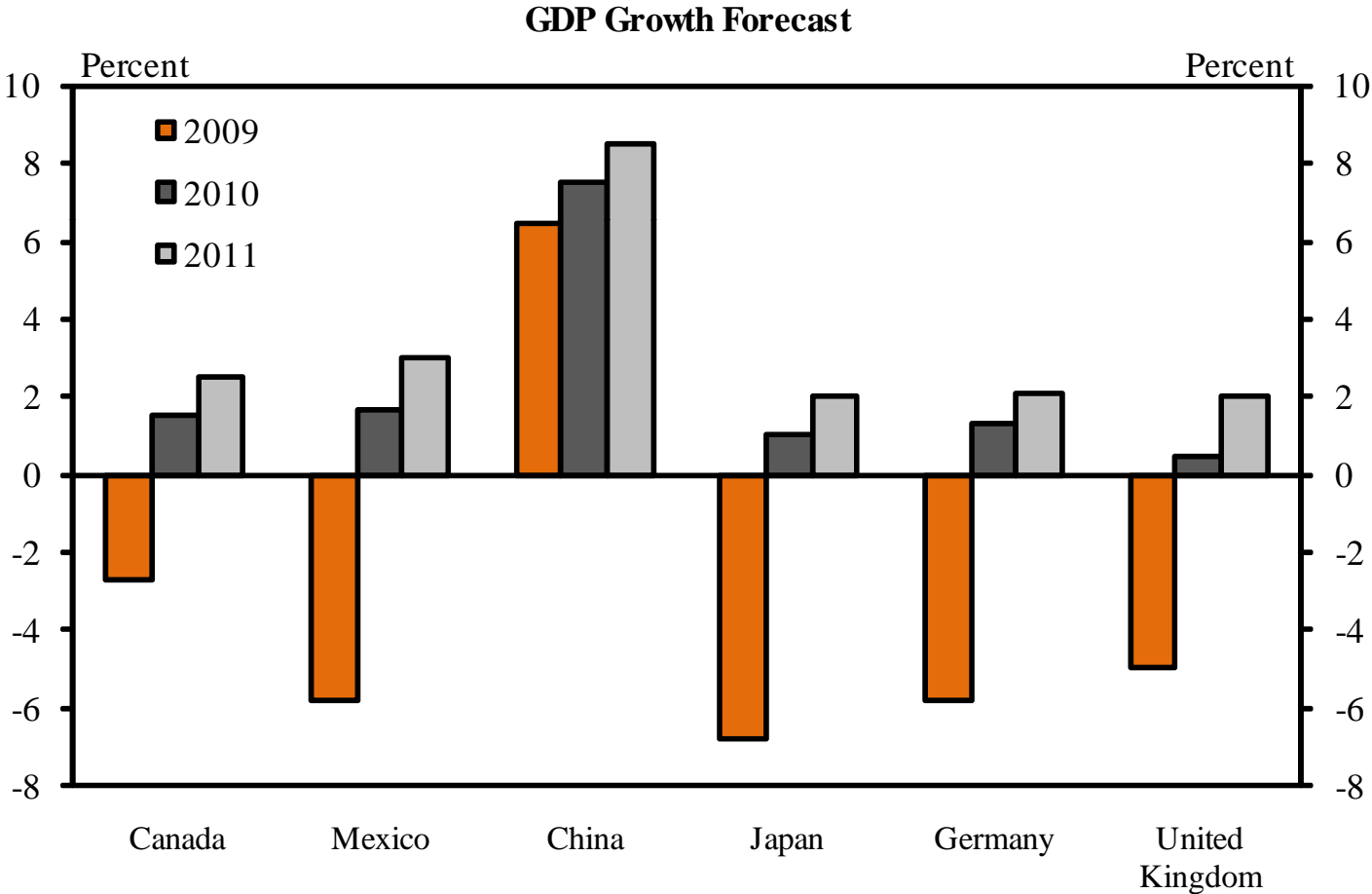
Exports, 2009 through July



Source: Department of Commerce

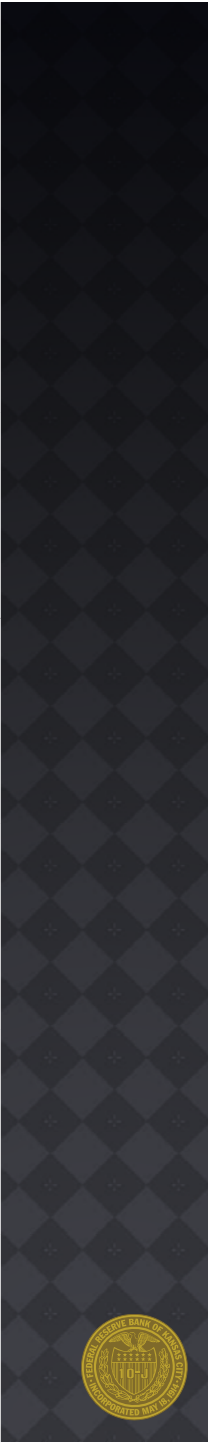


The global economy is expected to recover gradually in 2010.



Source: World Bank

Latest release: 06/22/2009

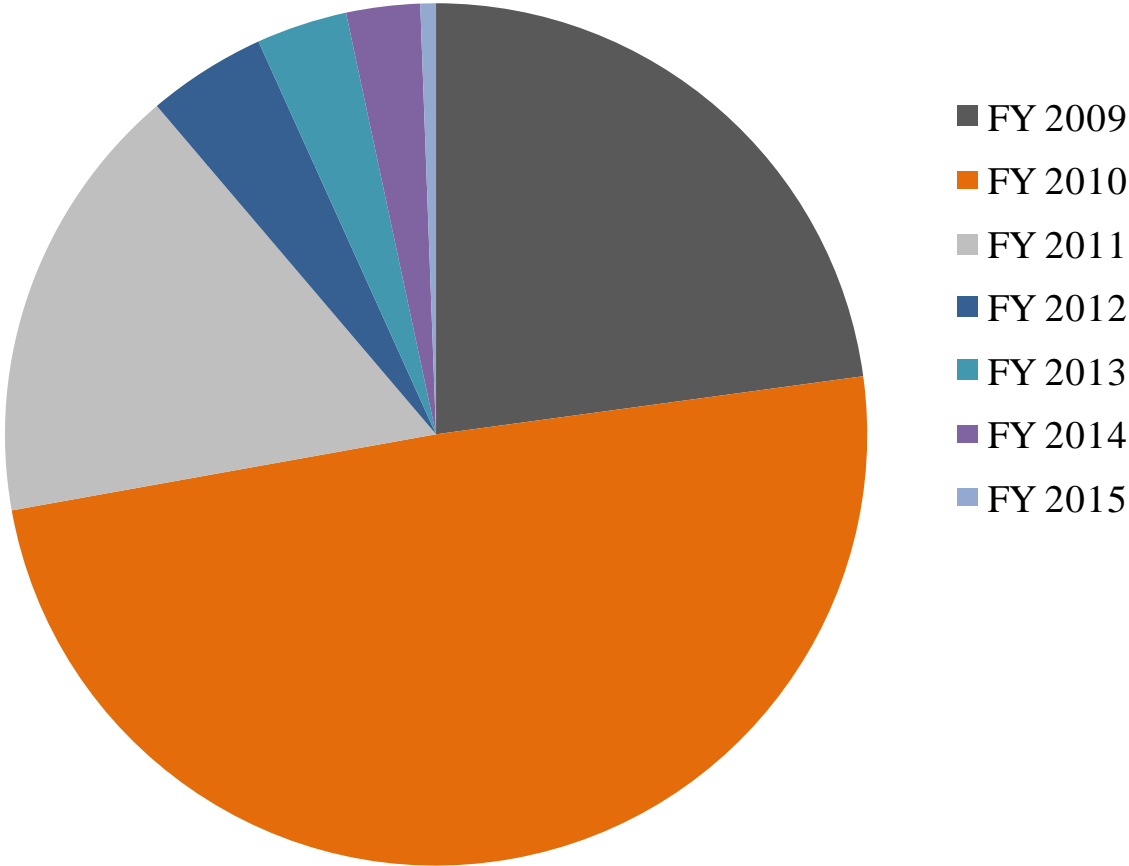


Government Spending



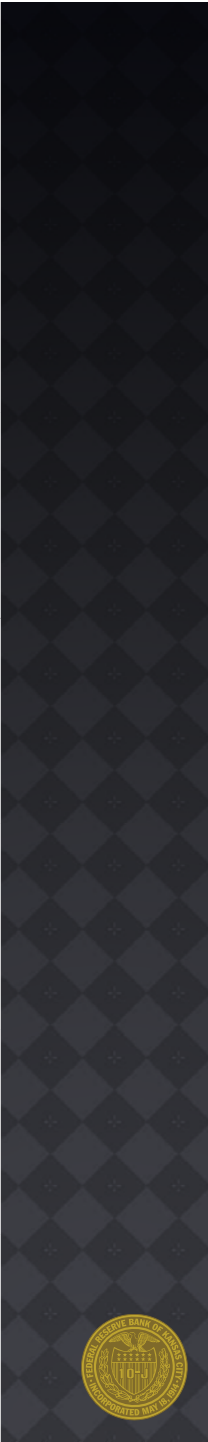
The majority of stimulus funds will be spent by mid-2010.

Stimulus Spending

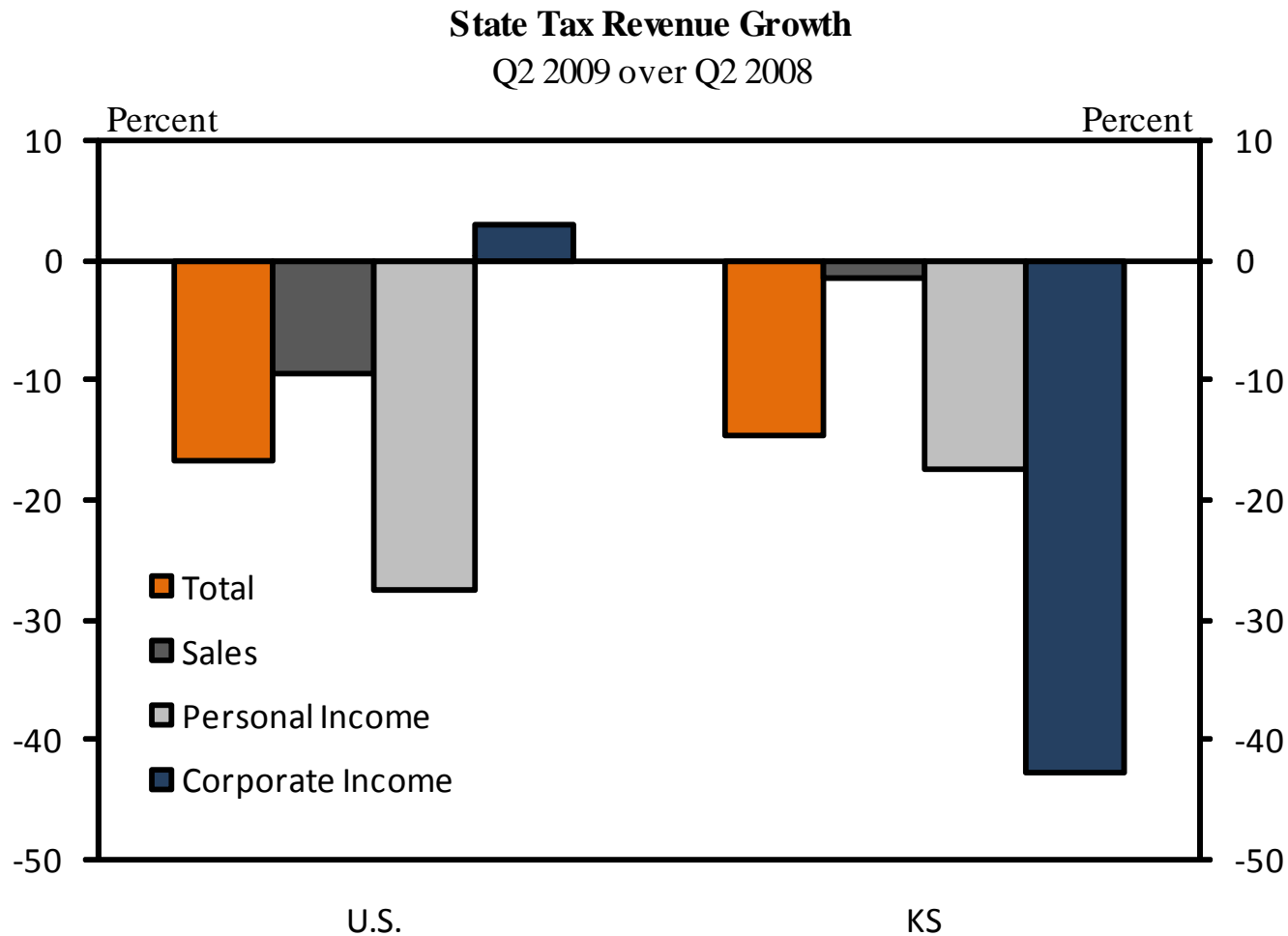


Source: Congressional Budget Office

Latest release: 02/13/2009



State governments must cut back as tax revenues plummet.



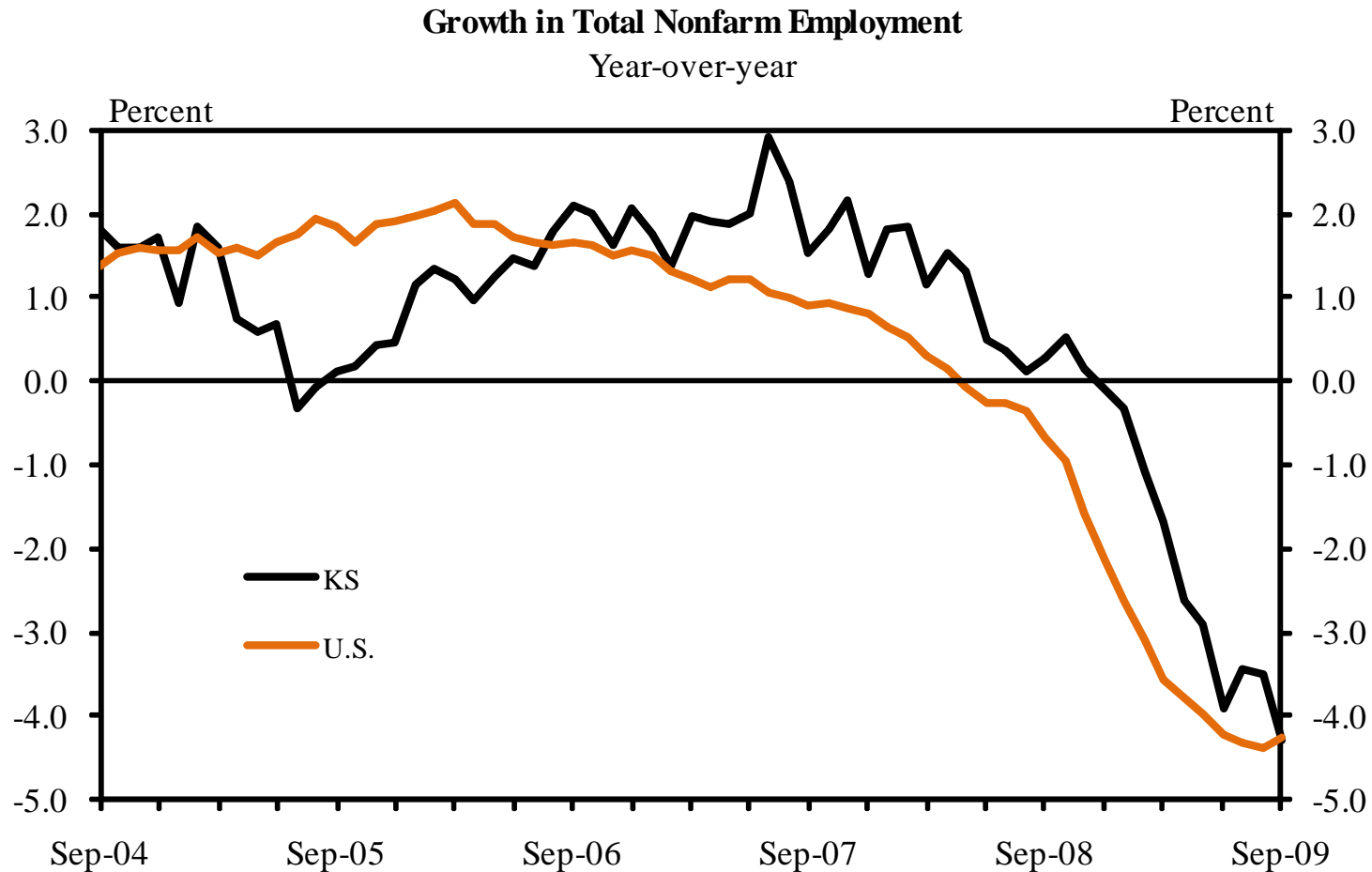
Source: U.S. Census Bureau



Labor Market



Employment has fallen sharply over the past year.

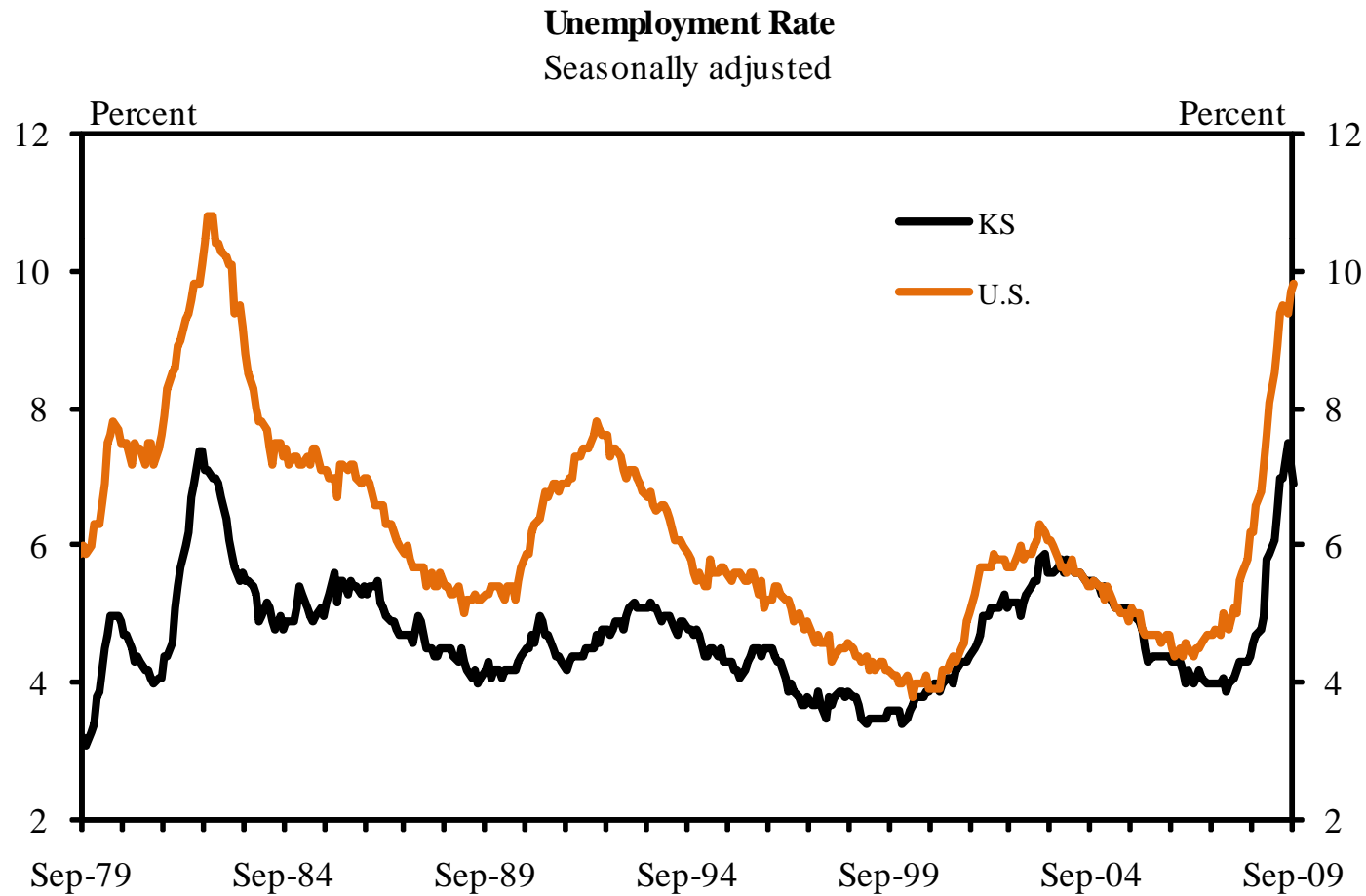


Source: Bureau of Labor Statistics

Latest release: 10/21/2009



Unemployment rates continue to increase.

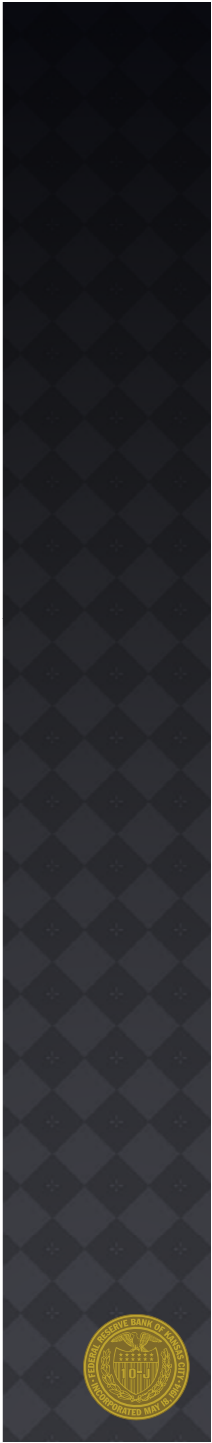
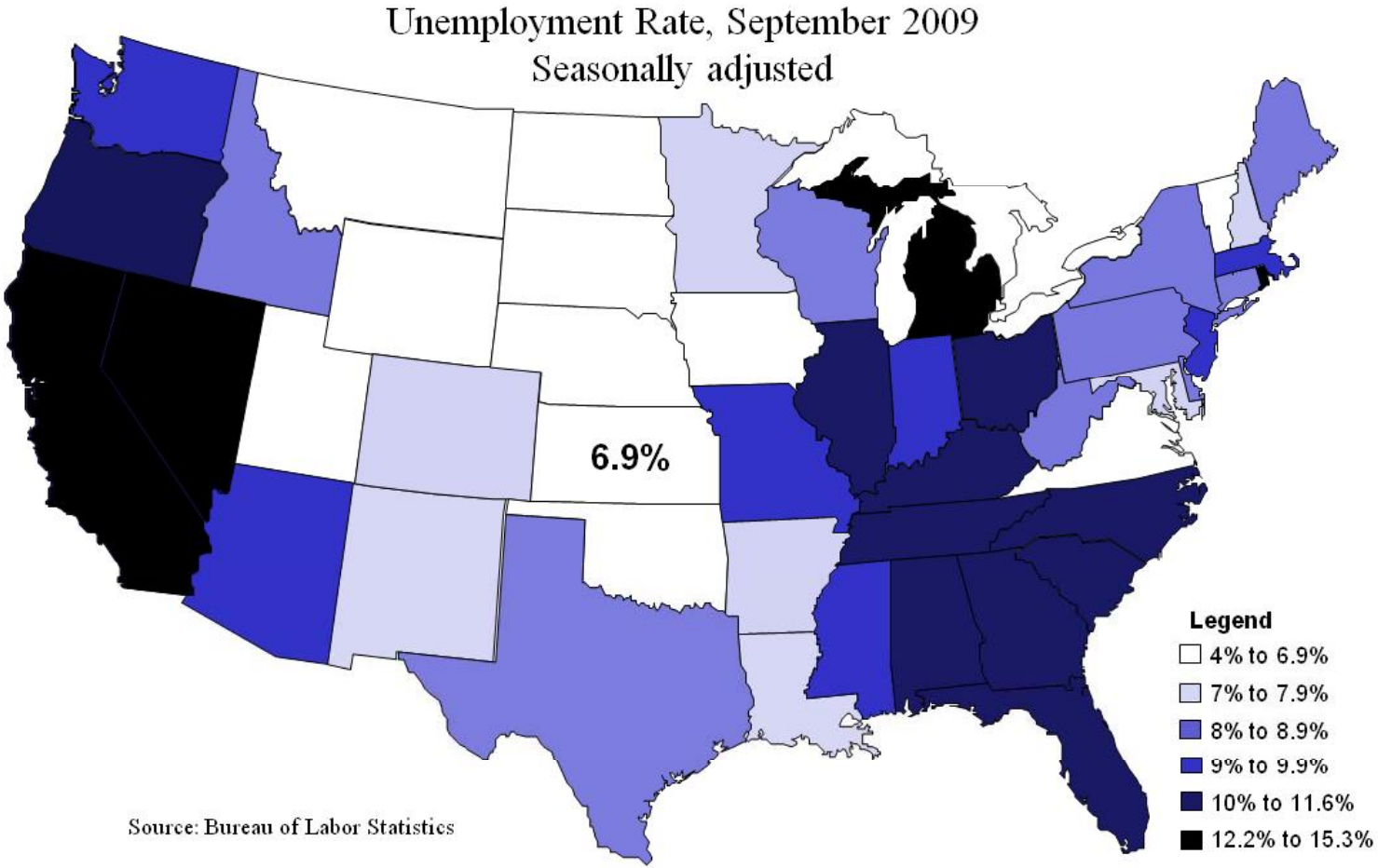


Source: Bureau of Labor Statistics

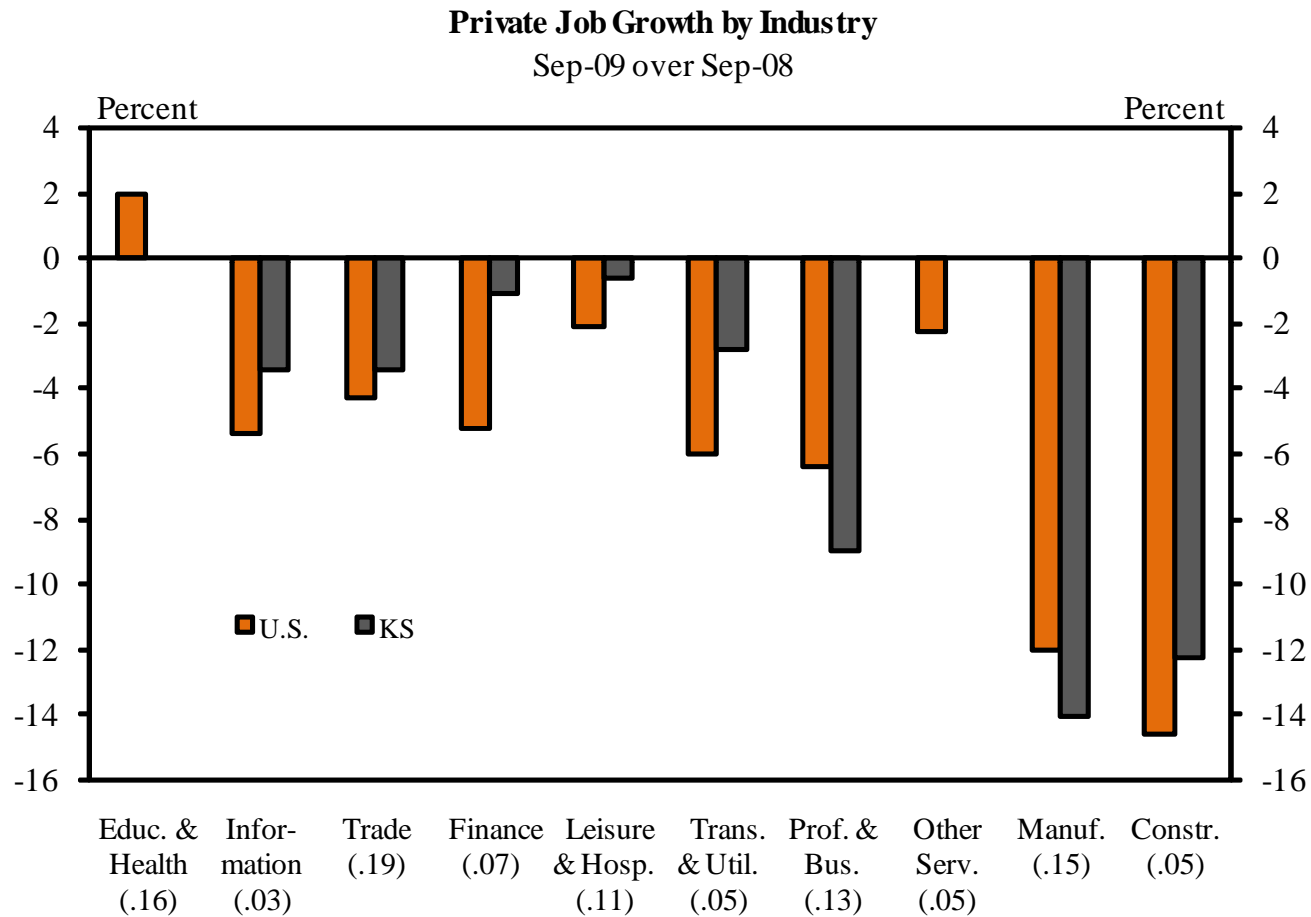
Latest release: 10/21/2009



There are large regional variations in unemployment.



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



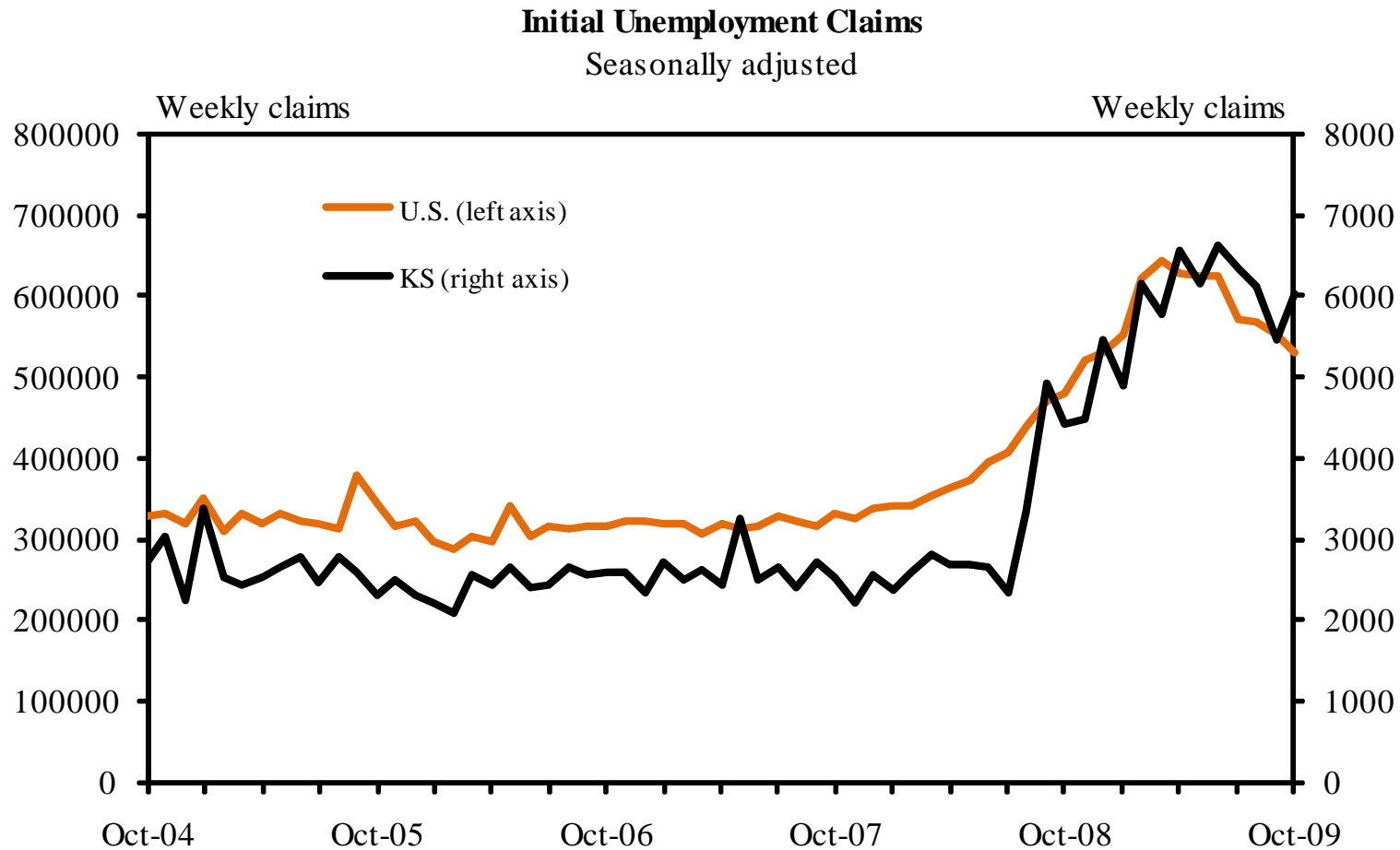
Source: Bureau of Labor Statistics

Latest release: 10/21/2009

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



Initial unemployment claims remain elevated.



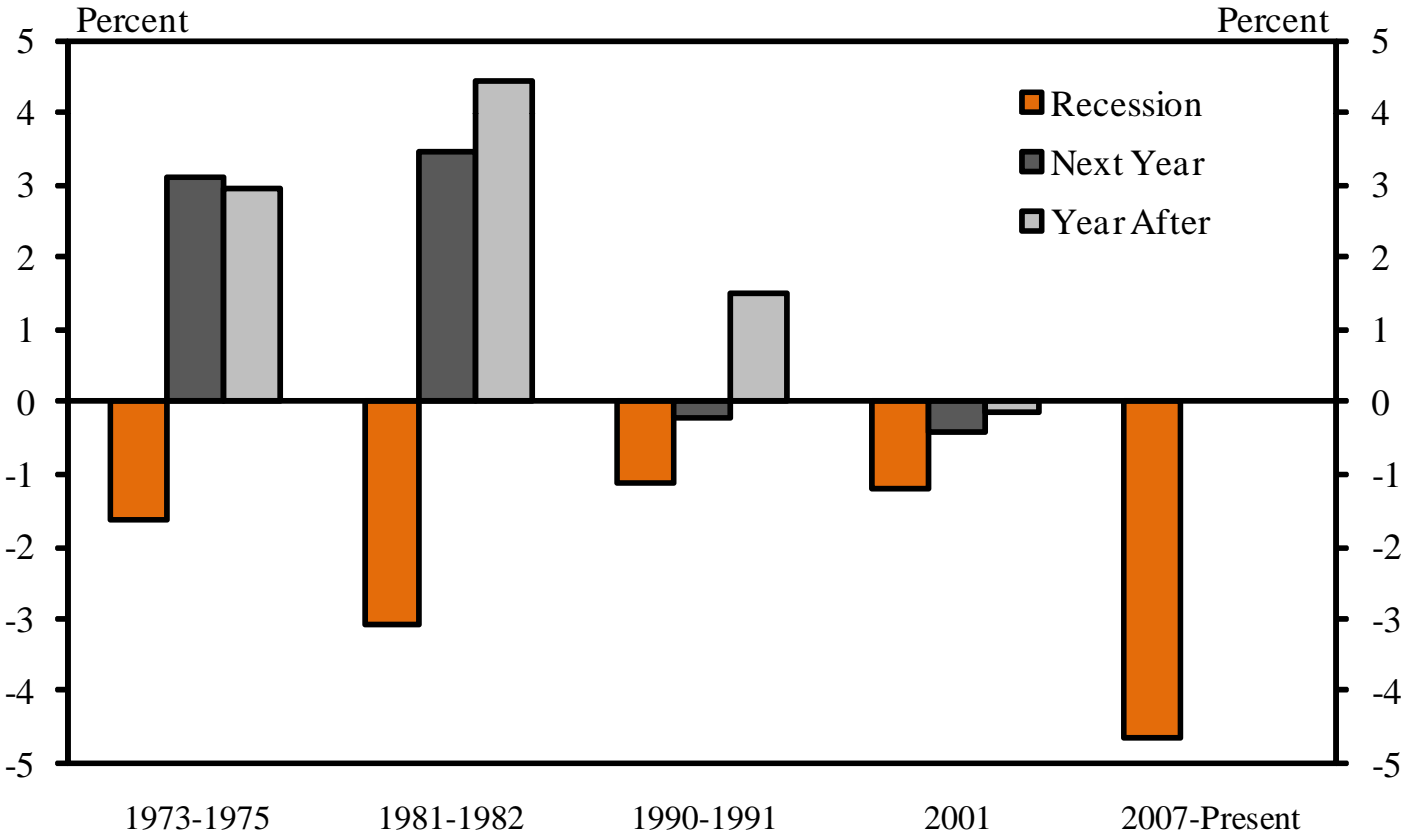
Source: Department of Labor

Latest release: 11/05/2009



The last two recessions were “jobless recoveries”.

Total Nonfarm Employment Changes During and After Recessions
Seasonally adjusted



Source: BLS



Conclusions

- ⦿ Most economists expect the U.S. economy 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.

