

Economic Update

Alison Felix

Economist

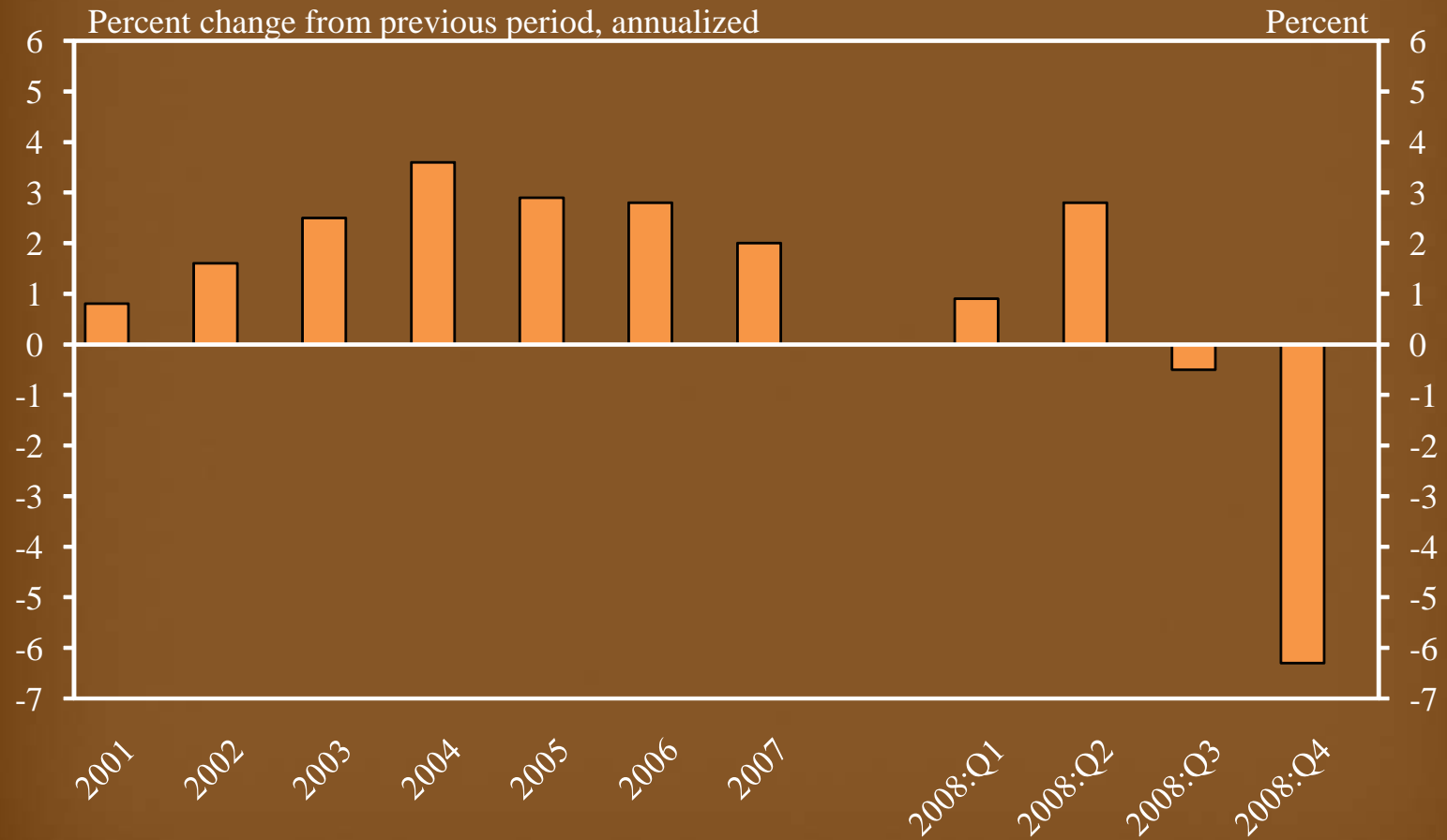
Federal Reserve Bank of Kansas City



²⁰⁰⁹
Regulatory Update
— SEMINAR —
Federal Reserve Bank of Kansas City

GDP began to contract in the second half of 2008.

Real Gross Domestic Product

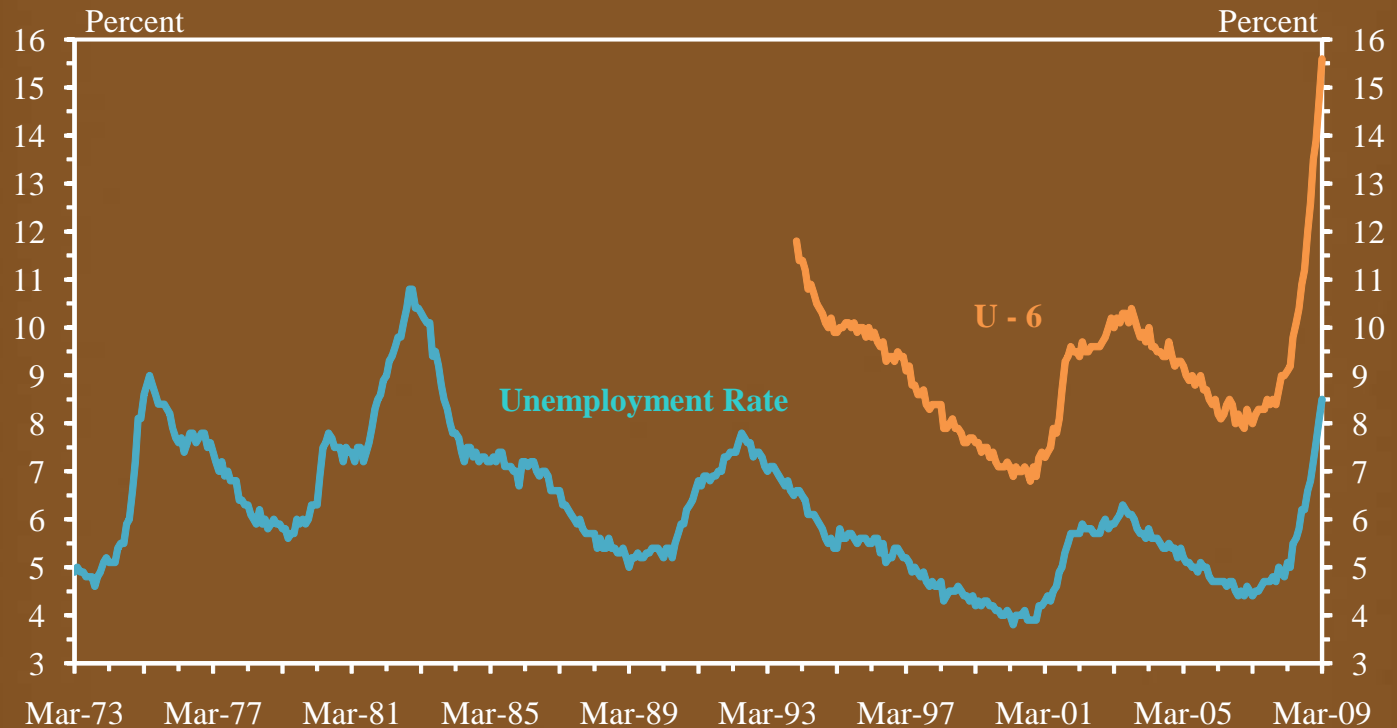


Source: Bureau of Economic Analysis



Unemployment rates continue to rise sharply.

Unemployment Rate
Seasonally adjusted

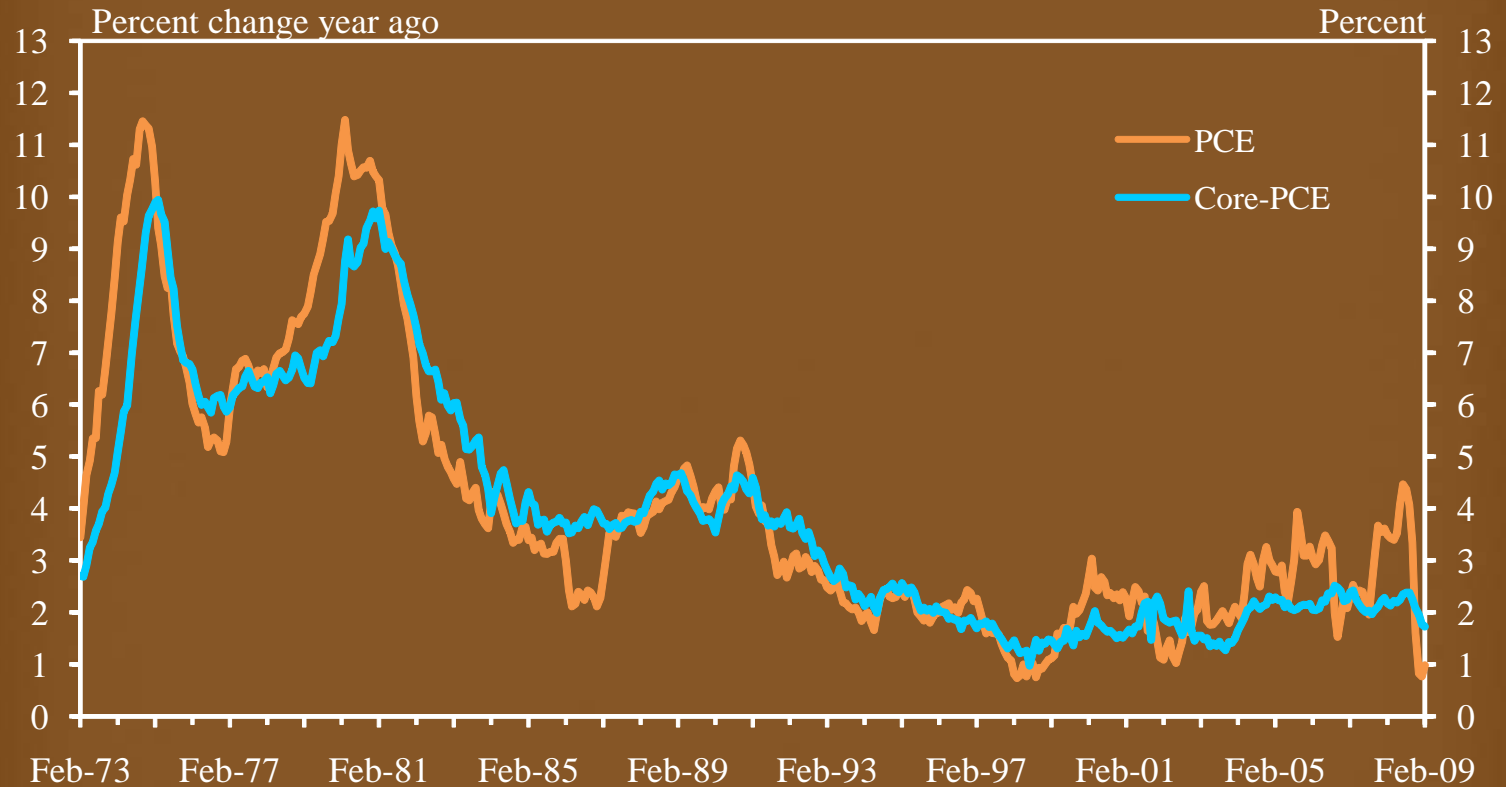


Source: Bureau of Labor Statistics

Note: U-6 includes unemployed plus all marginally attached workers plus total employed part-time for economic reasons.

Inflation concerns dissipate as the economy slows.

PCE and Core PCE
Seasonally adjusted

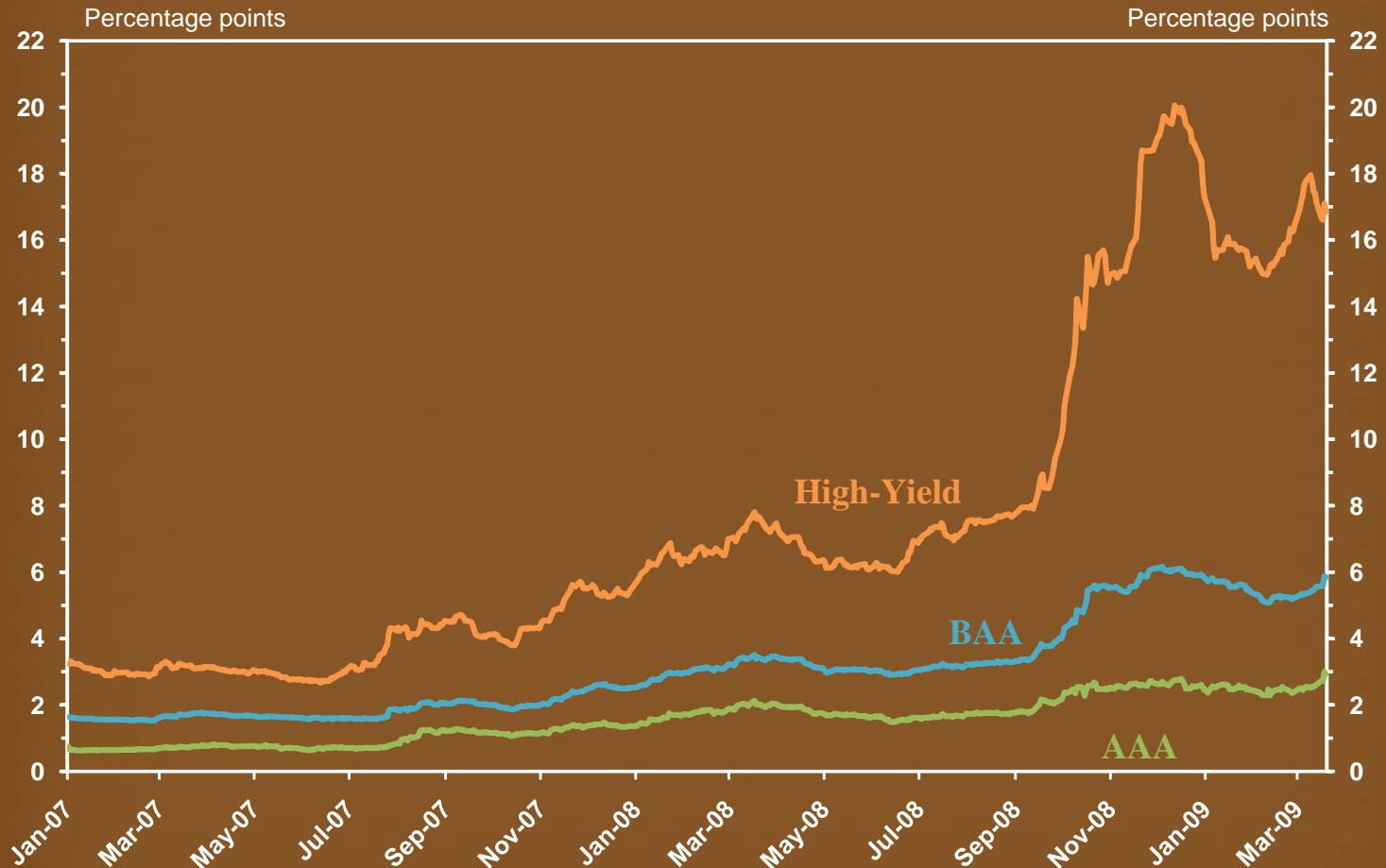


Source: Bureau of Economic Analysis

Latest release: 03/27/2009

Credit markets remain stressed.

Corporate Bond Spreads over 10-Year Treasury



Source: Federal Reserve Board of Governors

Latest release: 03/19/2009

Economic forecasts predict a mild recovery in the second half of 2009.

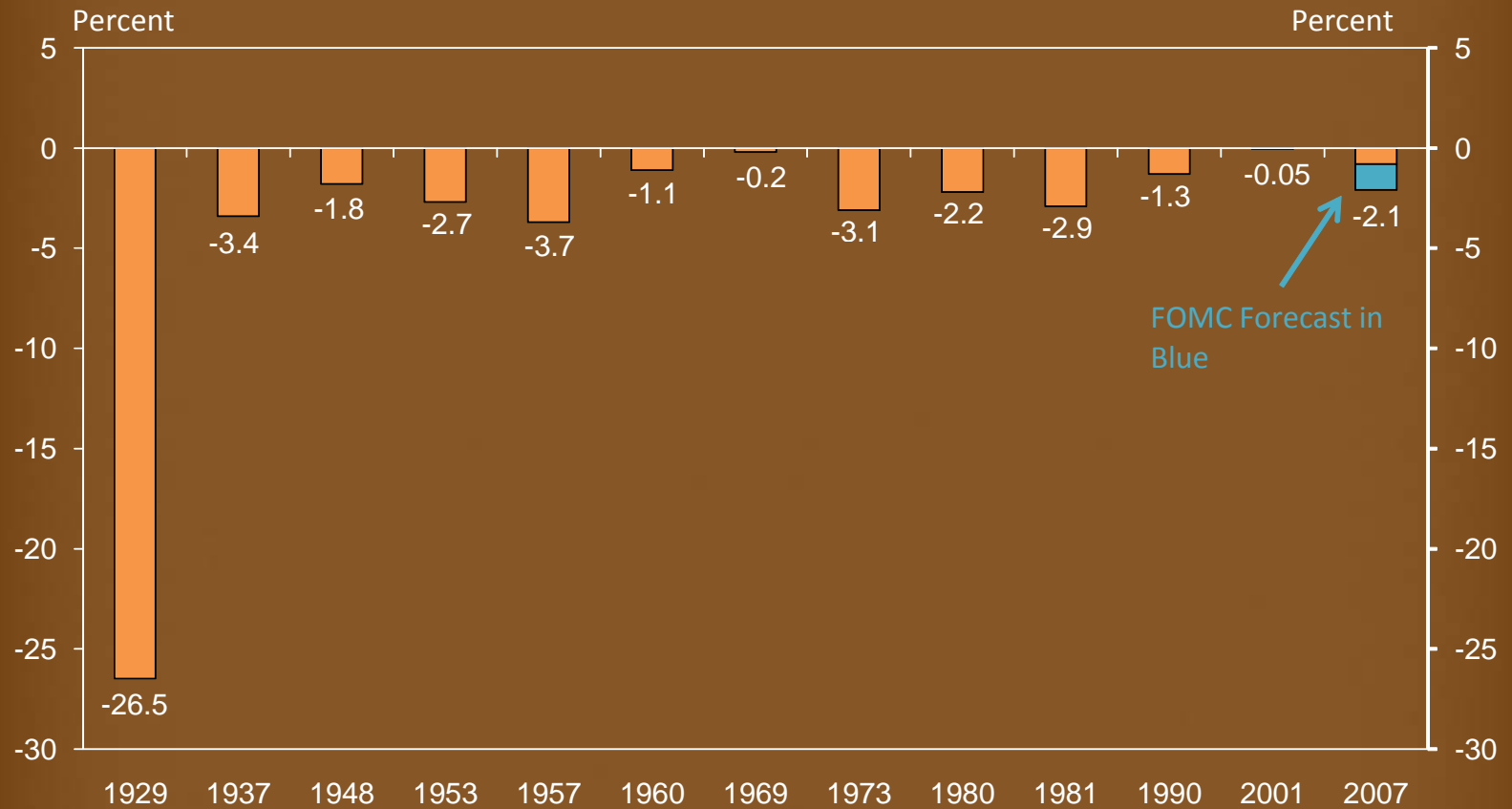
Economic Forecast FOMC Central Tendency

	2009	2010	2011	Longer Run
Real GDP Growth	-1.3 to -0.5	2.5 to 3.3	3.8 to 5.0	2.5 to 2.7
Unemployment Rate	8.5 to 8.8	8.0 to 8.3	6.7 to 7.5	4.8 to 5.0
PCE Inflation	0.3 to 1.0	1.0 to 1.5	0.9 to 1.7	1.7 to 2.0
Core PCE Inflation	0.9 to 1.1	0.8 to 1.5	0.7 to 1.5	

Source: Summary of Economic Projections, Minutes of the Federal Open Market Committee, January 27-28, 2009. Available at www.federalreserve.gov

Real GDP is expected to decline more than in the previous two recessions.

Largest Cumulative Decline in Real GDP During Past Recessions

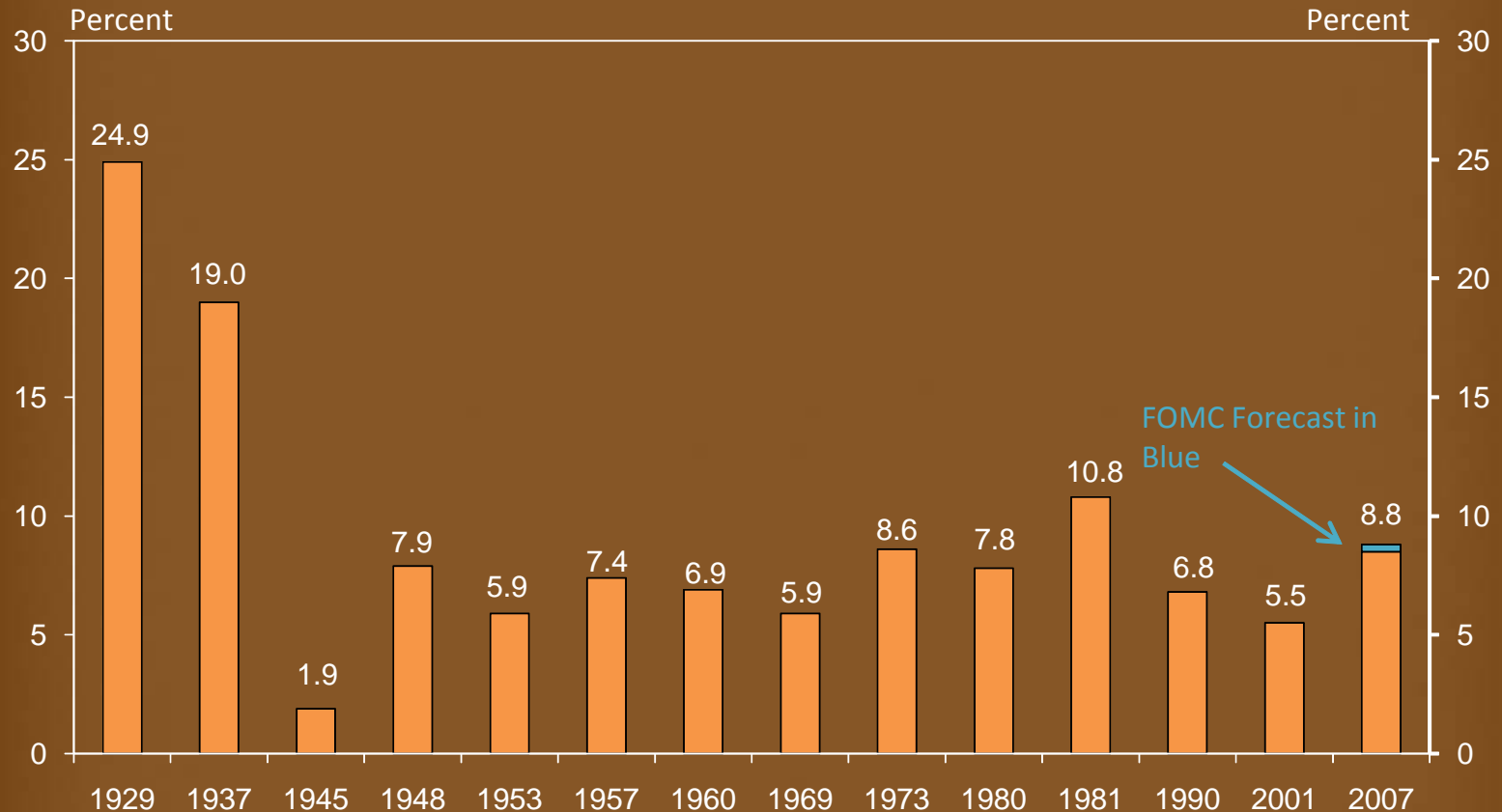


Sources: Federal Reserve Bank of Minneapolis, FOMC Minutes (Jan. 27-28, 2009),
Bureau of Economic Analysis

Note: 1929 and 1937 declines are based on annual data. Data for the 1945 recession is not available because that recession lasted less than 1 year.

Unemployment rates are expected to near rates reached in the early 1980s recessions.

Peak Unemployment Rate During Past Recessions

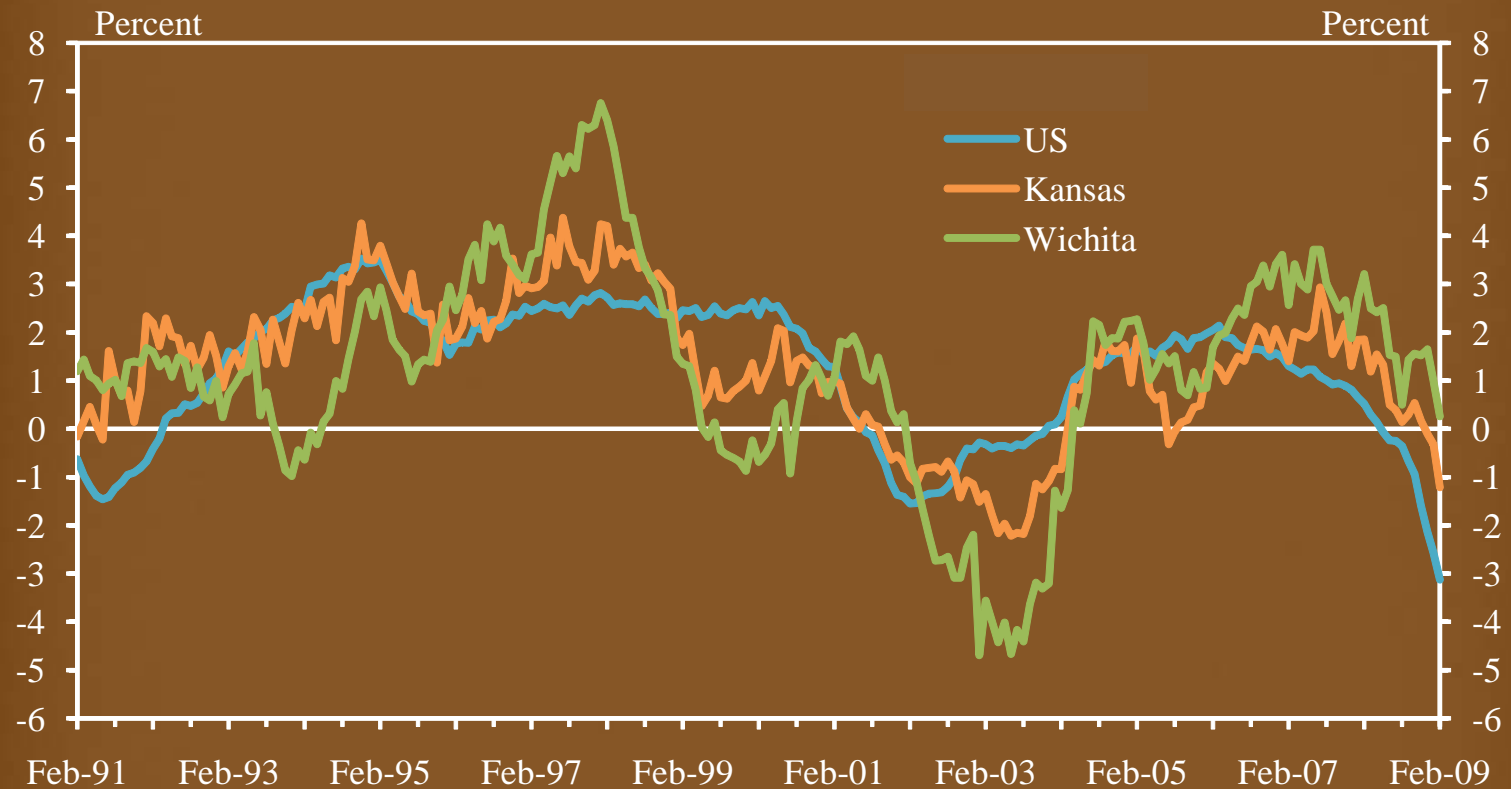


Sources: Bureau of Labor Statistics; FOMC Minutes (Jan. 27-28, 2009)

Note: 1929, 1937 and 1945 unemployment rates are based on annual data.

Employment declined in Kansas over the past year while Wichita held onto a small gain.

Nonfarm Employment
Year-over-year growth

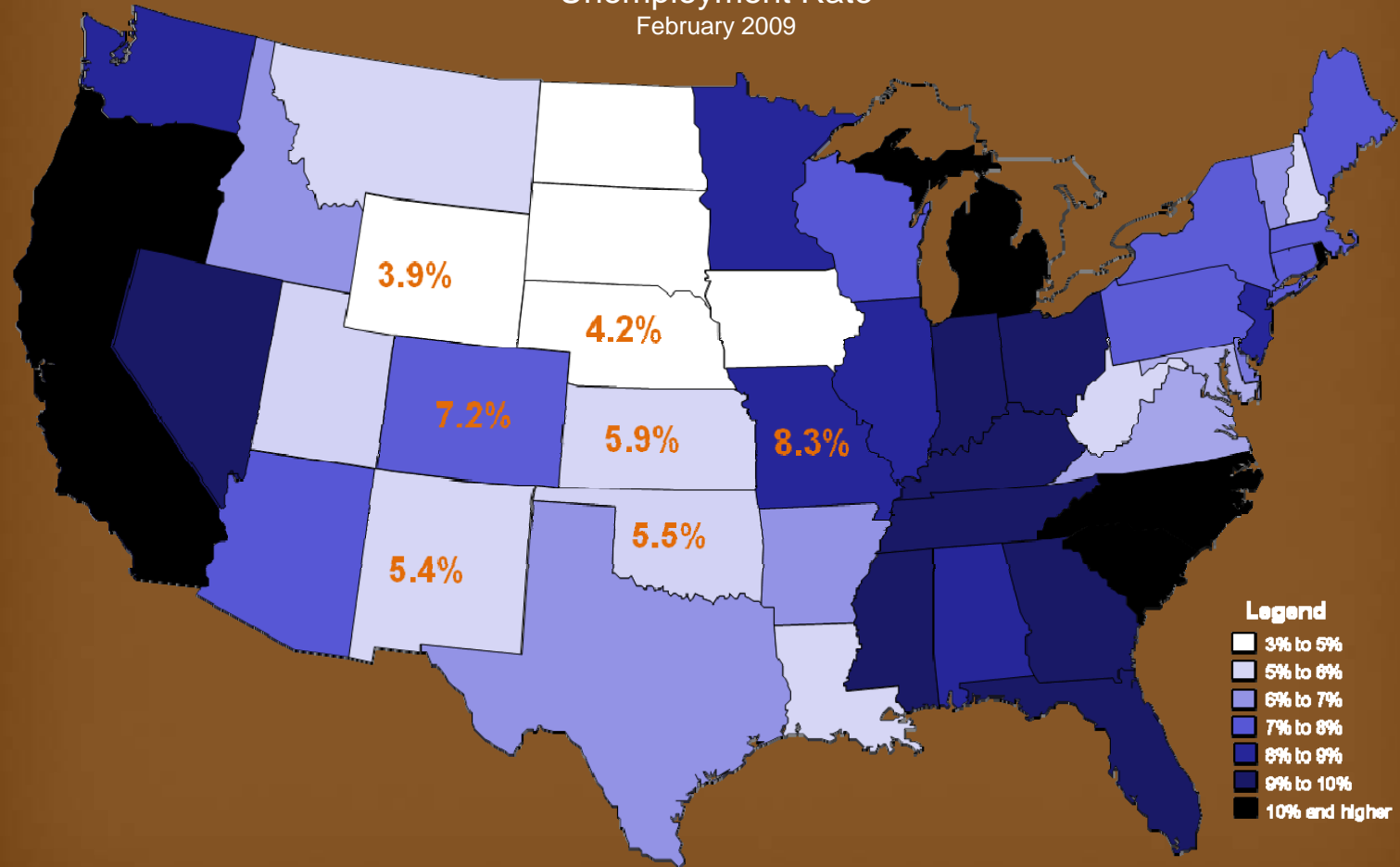


Source: Bureau of Labor Statistics

Latest release: 03/27/2009

Unemployment rates have risen across the country, but Kansas is faring much better than the nation.

Unemployment Rate
February 2009

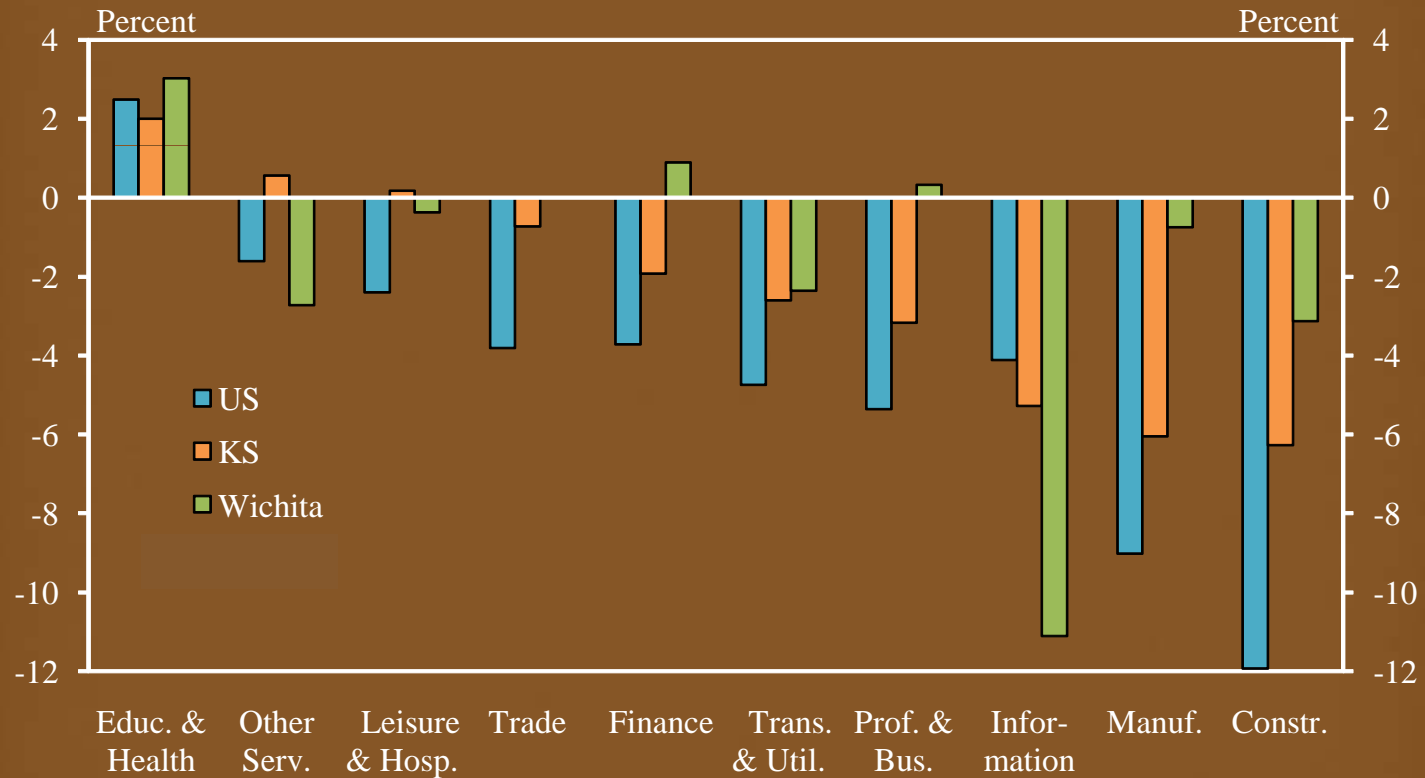


Legend

- 3% to 5%
- 5% to 6%
- 6% to 7%
- 7% to 8%
- 8% to 9%
- 9% to 10%
- 10% and higher

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

Private Job Growth by Industry
Feb-09 over Feb-08

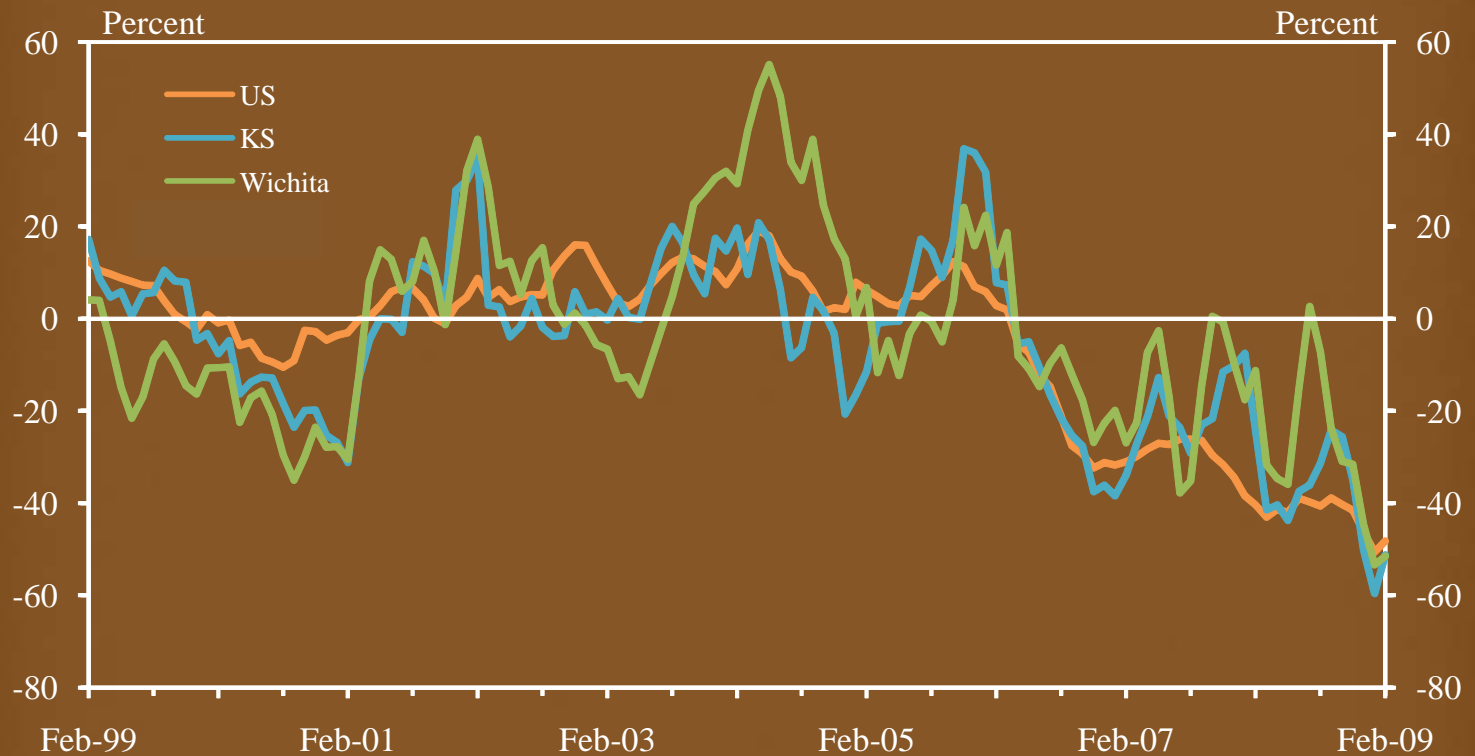


Source: Bureau of Labor Statistics

Latest release: 03/27/2009

Residential building has slowed dramatically over the past year.

Single Family Housing Permits
Year-over-year growth

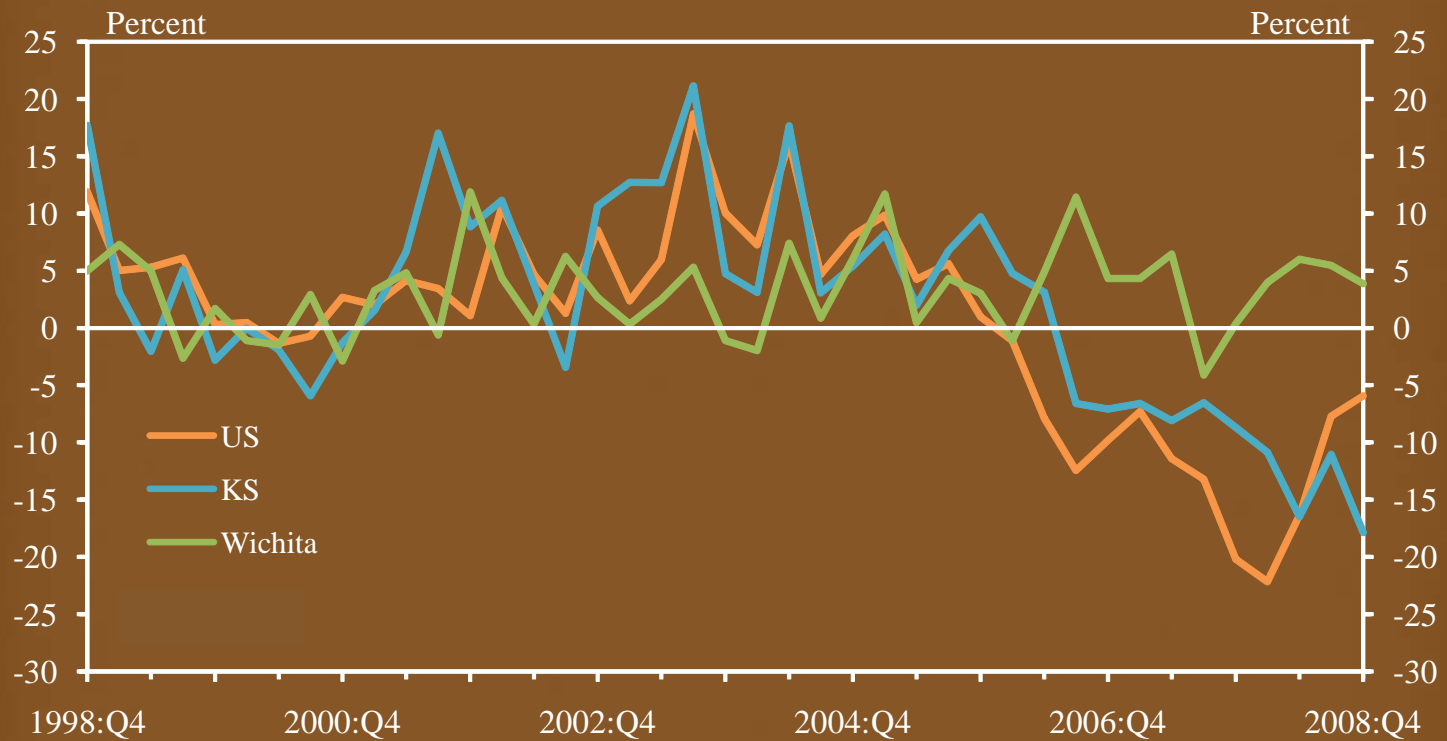


Source: U.S. Census Bureau

Latest release: 03/25/2009

Despite a national slowdown, existing home sales increased in Wichita in 2008.

Existing Home Sales
Year-over-year growth

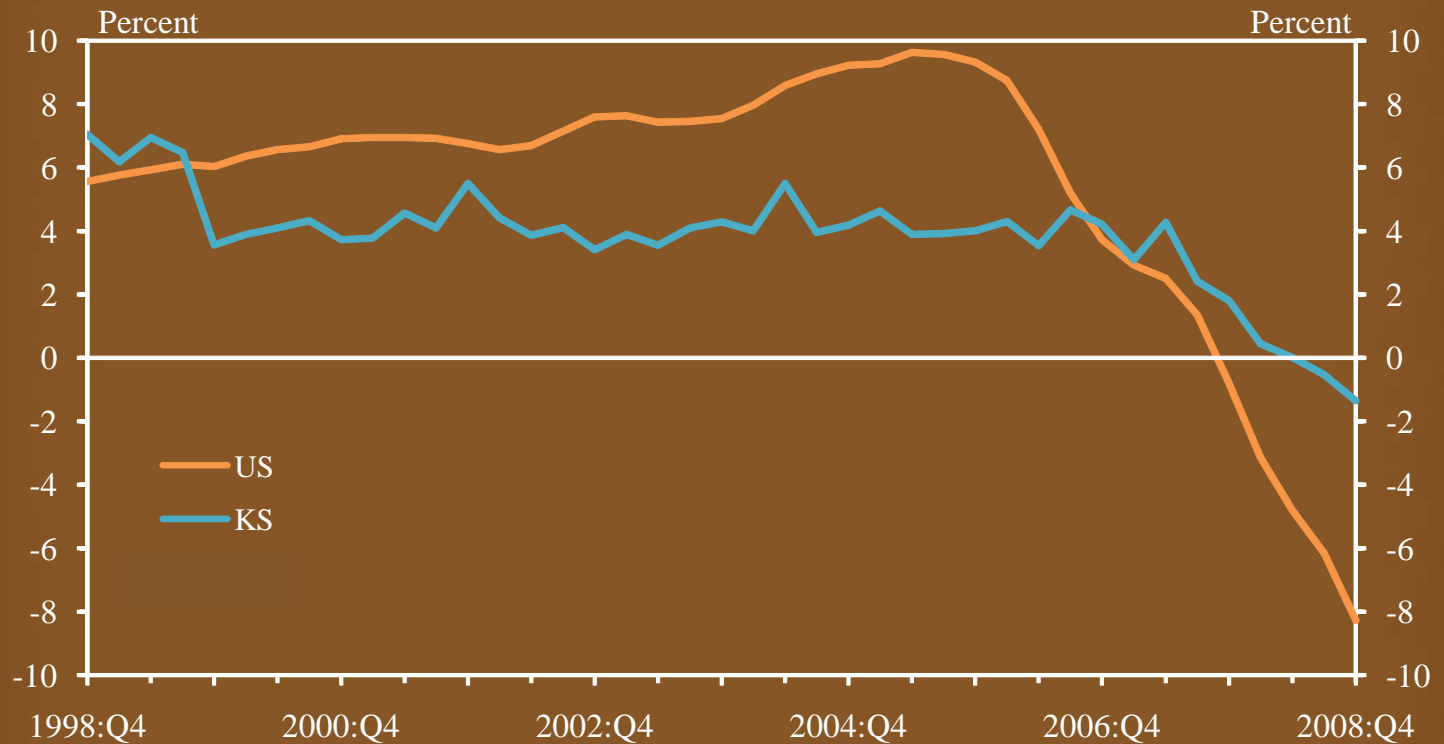


Source: National Association of Realtors

Latest release: 02/03/2009

Home prices held up better in Kansas than in the U.S.

Home Price Appreciation
Year-over-year growth

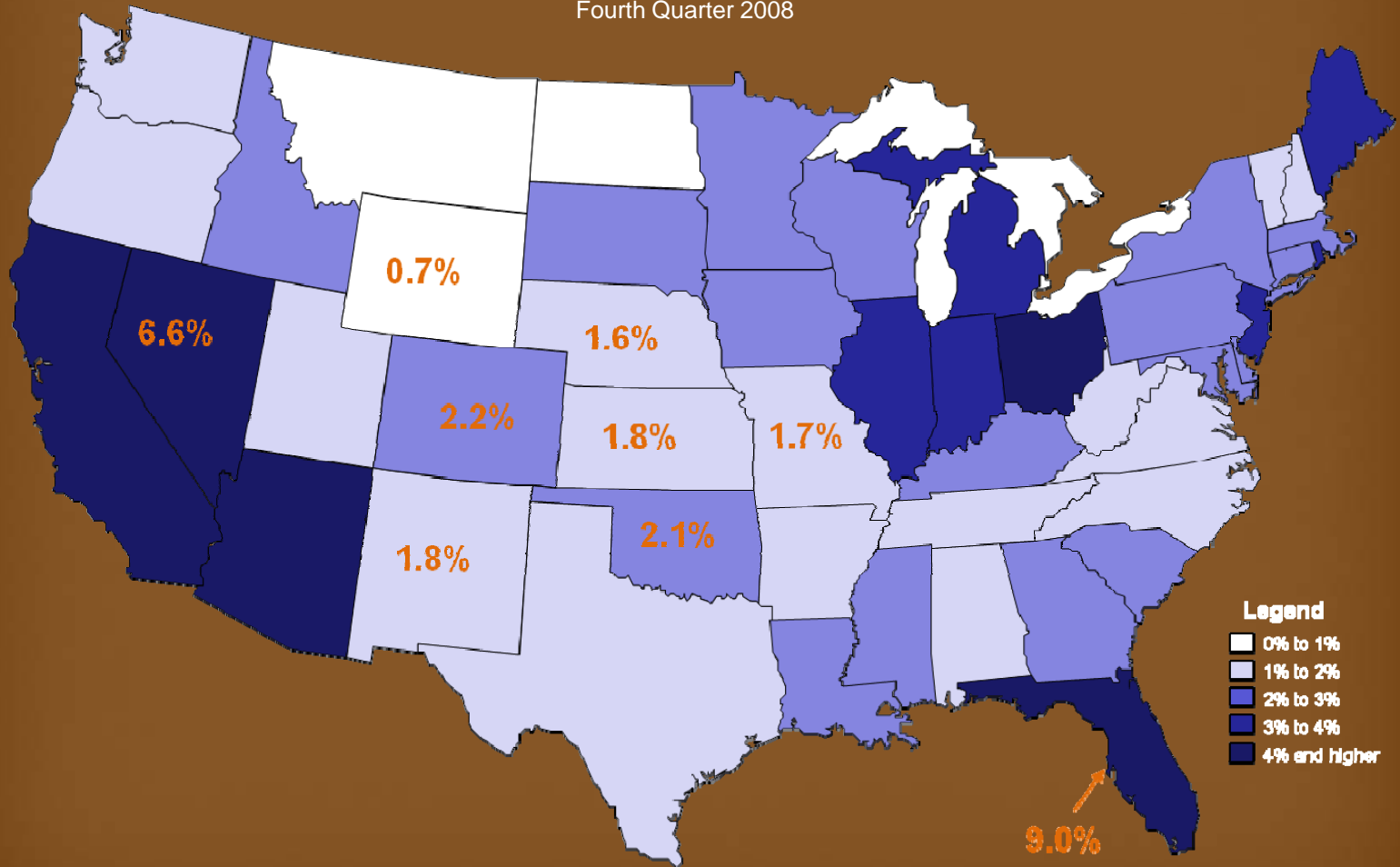


Source: FHFA Purchase Only Price Index

Latest release: 02/24/2009

Foreclosure rates in the Tenth District remain well below national levels.

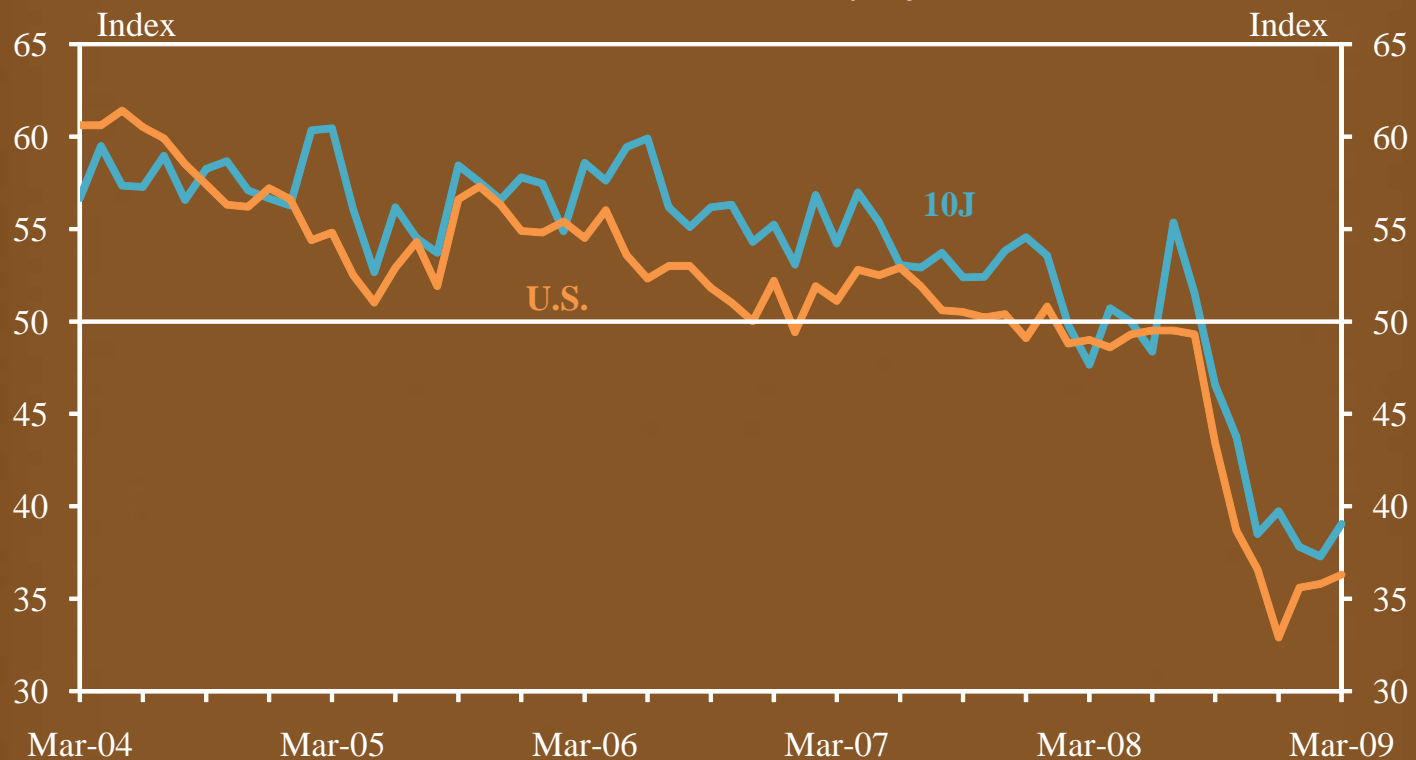
Foreclosure Rate
Fourth Quarter 2008



Source: Mortgage Bankers Association

The manufacturing industry has been contracting since mid-2008.

Manufacturing Indexes
Month-over-month, seasonally adjusted



Sources: ISM, FRBKC Manufacturing Survey

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

Latest release: 03/26/2009 for the Manufacturing Survey and 04/01/2009 for ISM

Manufacturing contacts expect further deterioration in the coming months.

Manufacturing Indexes: Six Months Ahead Expectations
Seasonally adjusted

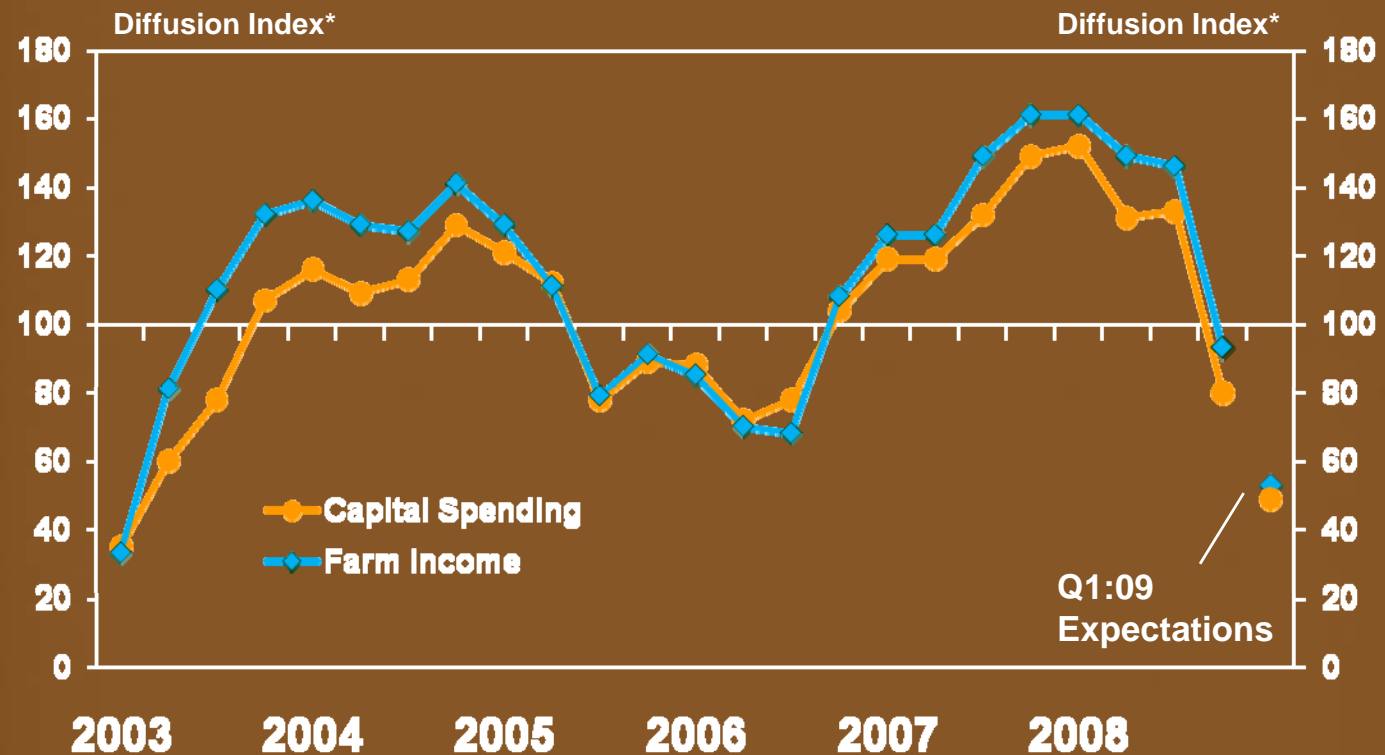


Source: FRBKC Manufacturing Survey

Latest release: 03/26/2009

Farm income and capital spending are expected to fall in 2009.

Farm Income and Capital Spending

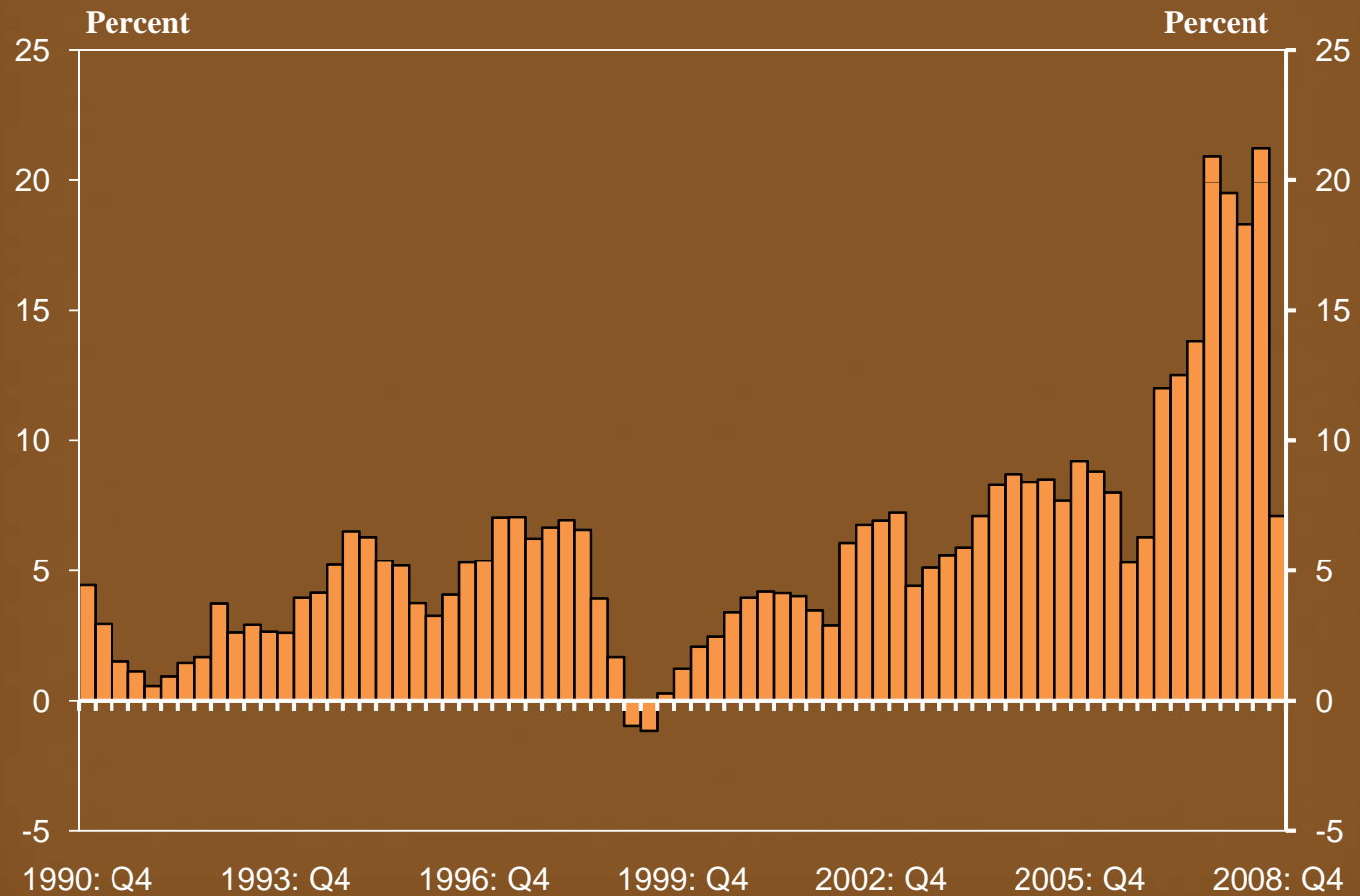


*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percent of bankers that responded "lower" from the percent that responded "higher" and adding 100.

Source: Federal Reserve Bank of Kansas City

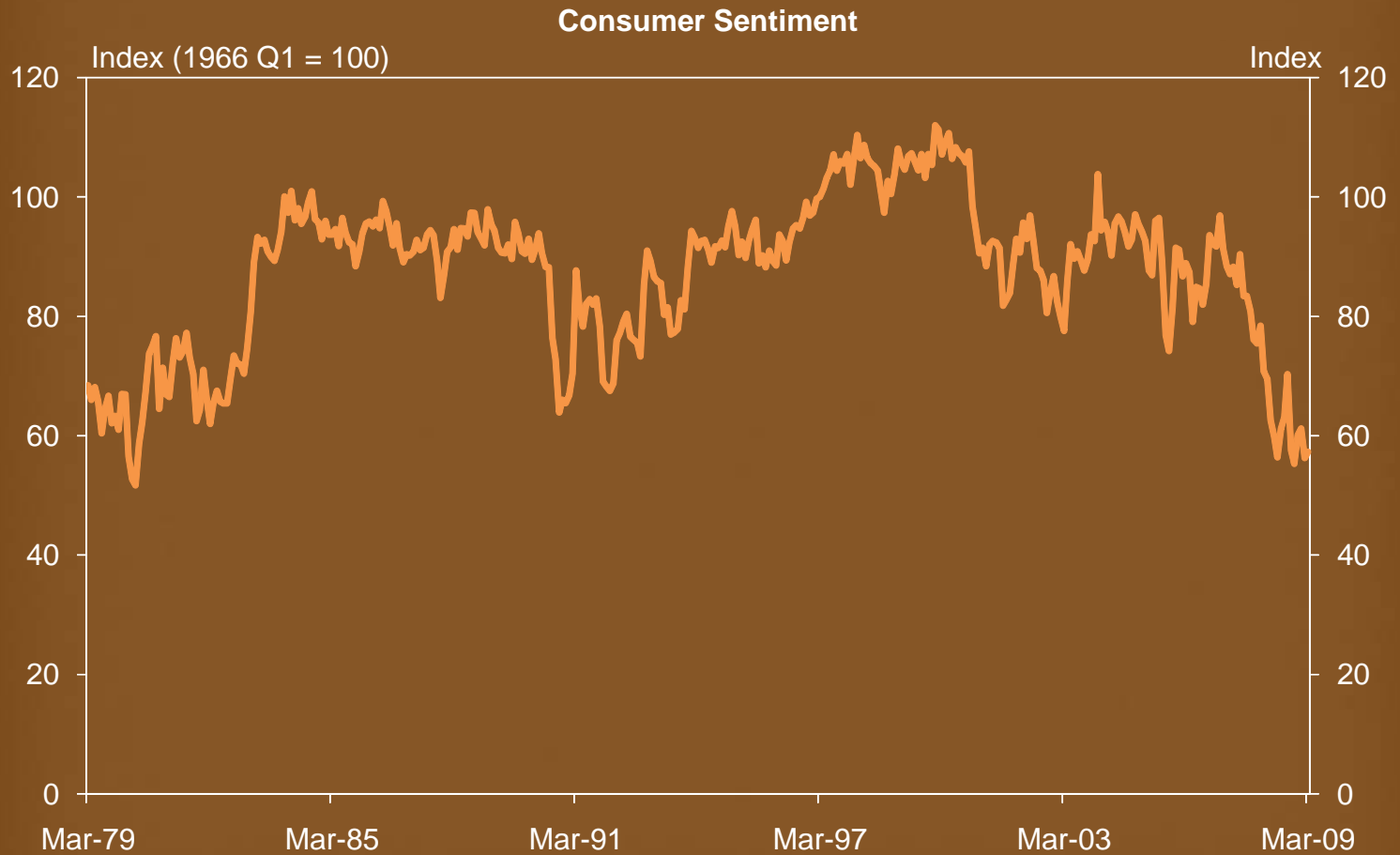
Growth in farmland values is starting to slow.

Nonirrigated Cropland Values in the Tenth District
Year-over-year percent change



Source: Federal Reserve Bank of Kansas City

Consumer confidence has plummeted during the past year.

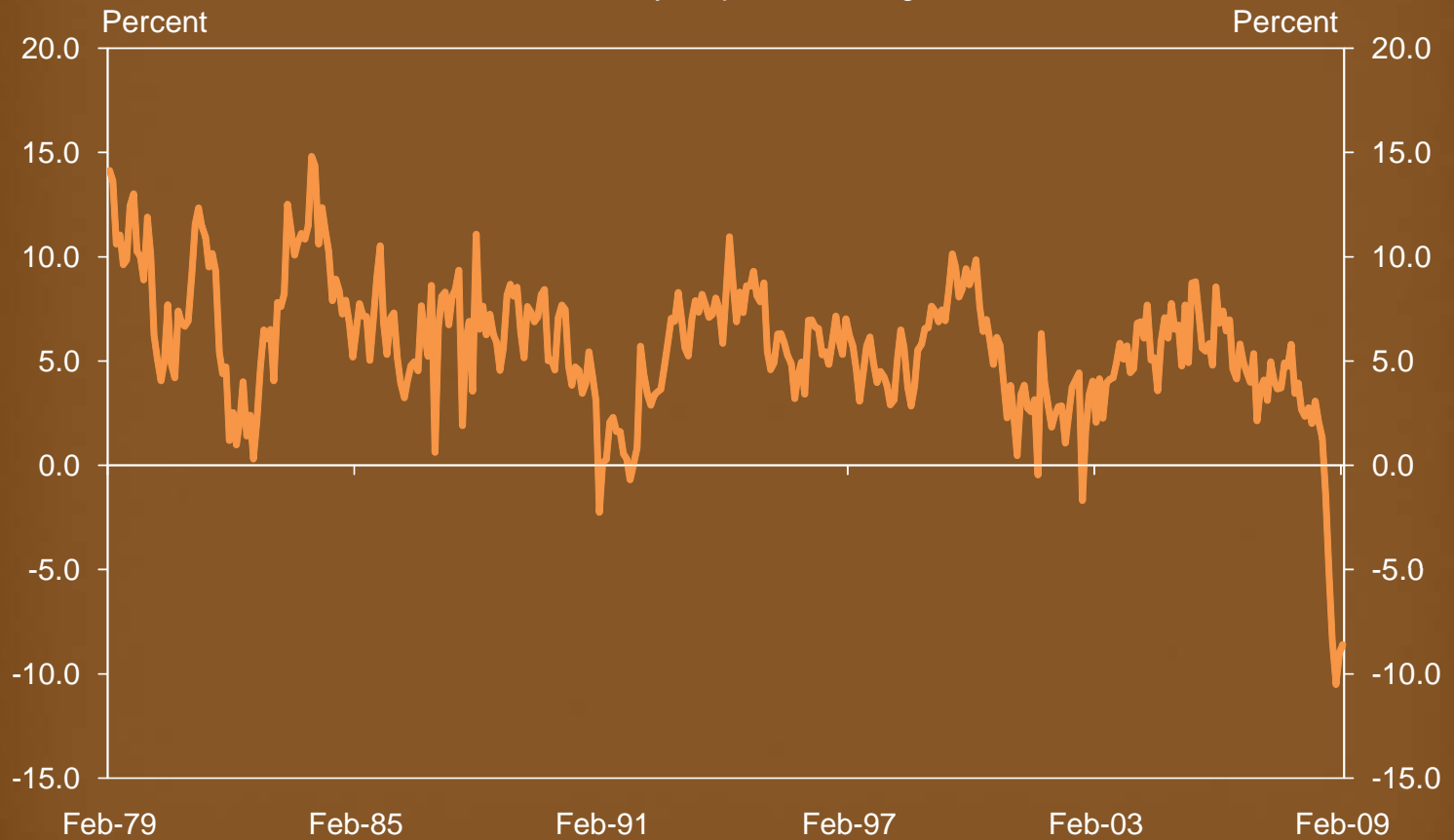


Source: University of Michigan

Latest release: 03/27/2009

Consumer spending decreased sharply in the last six months.

National Retail Sales
Year-over-year percent change



Source: US Census Bureau

Latest release: 03/12/2009

2009 REGULATORY UPDATE SEMINAR
FEDERAL RESERVE BANK OF KANSAS CITY



Conclusions

- Economic conditions in the U.S. and Kansas have deteriorated over the past year.
- However, the Kansas economy has fared much better than the nation.
- Improvement in the labor market usually lags an overall economic recovery, and employment conditions are likely to worsen in the coming months.
- Stabilization of the financial system and an increase in consumer and business confidence are needed for an economic recovery.