



Economic Outlook for the U.S. and Kansas

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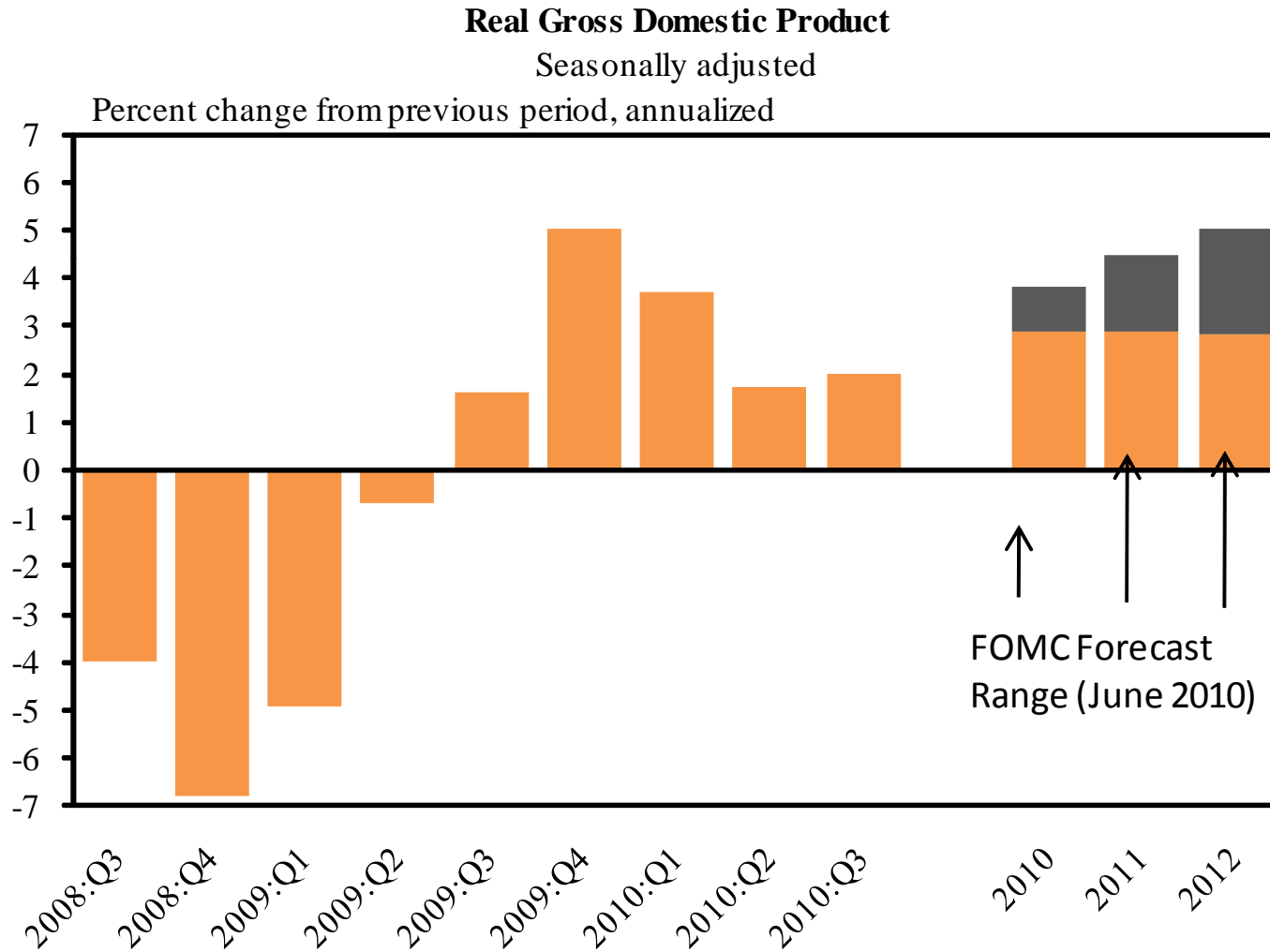
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U.S. Economic Overview

- ⦿ Incoming data suggest that the U.S. economy continues to recover at a modest pace.
 - Manufacturing activity is expanding.
 - Consumer spending remains above year-ago levels.
 - The energy and agriculture sectors are booming.
- ⦿ However, the U.S. economy faces many challenges over the next few years.
 - Unemployment rates are likely to remain stubbornly high.
 - Commercial and residential construction activity remains weak.
 - Eventually fiscal and monetary stimulus must be removed.



A modest recovery is expected to continue over the next few years.

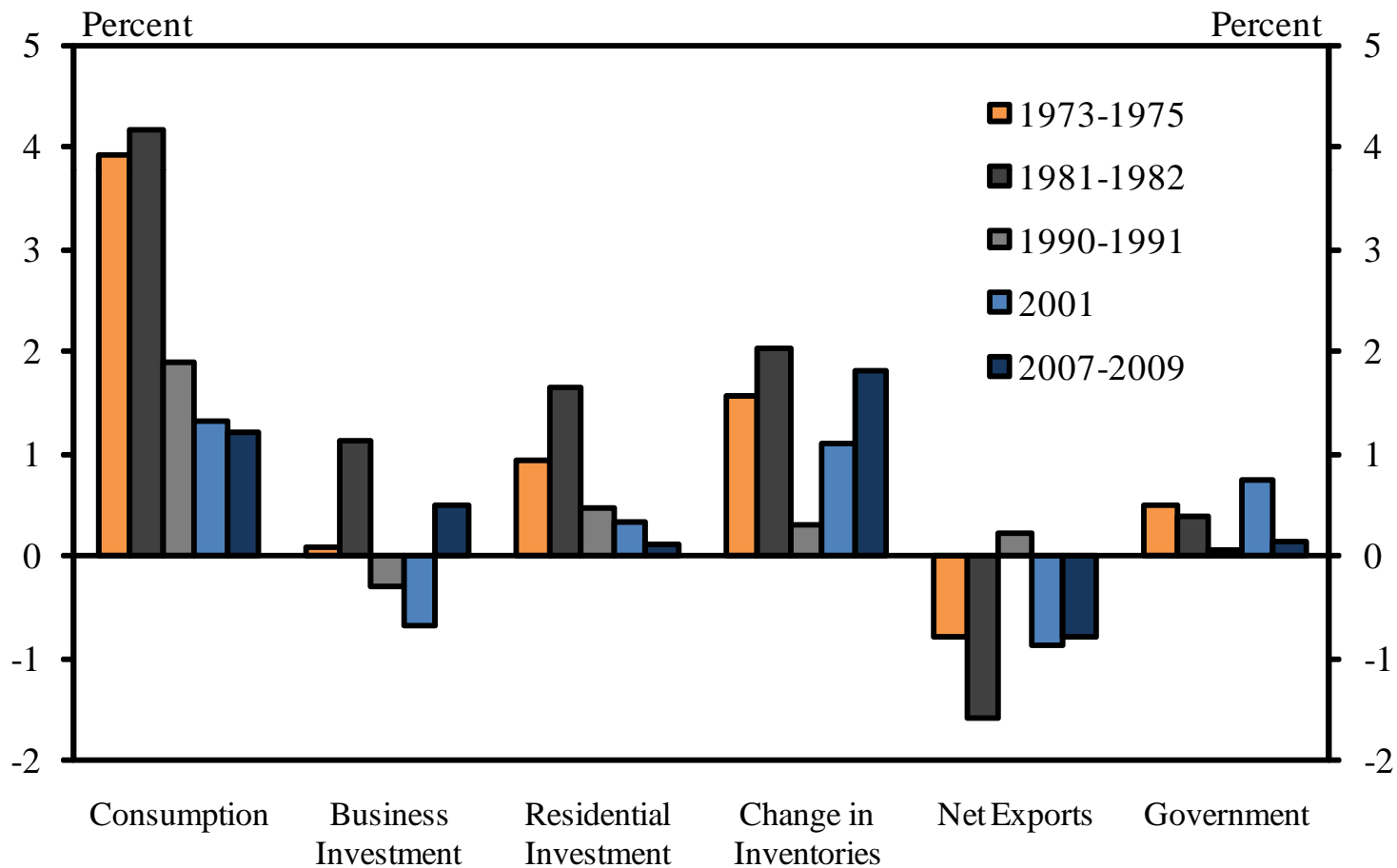


Source: Bureau of Economic Analysis; FOMC



Consumption and residential investment are contributing less to growth than after previous sharp downturns.

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

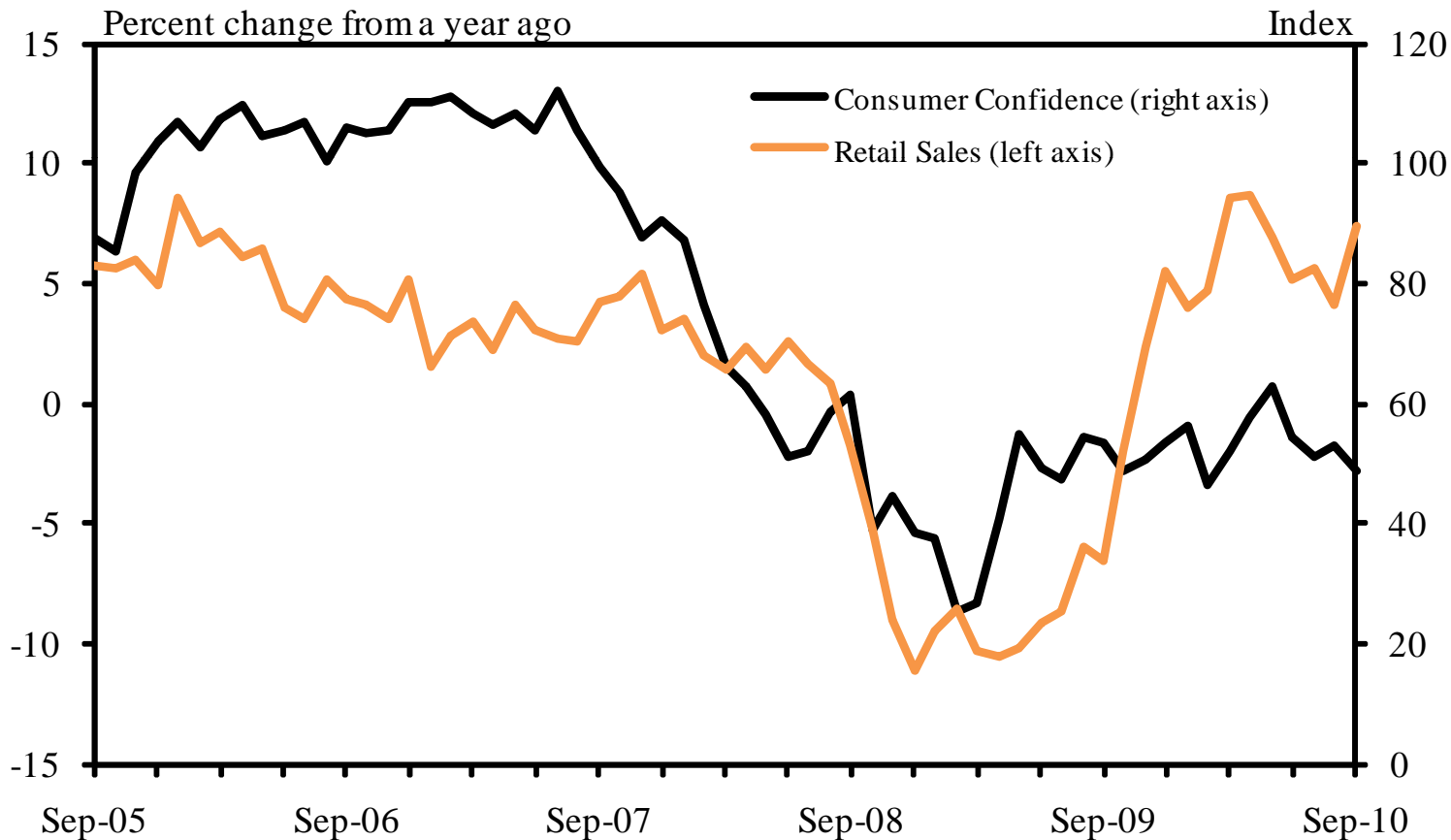


Source: BEA



With confidence levels above last year's low, consumers are spending more.

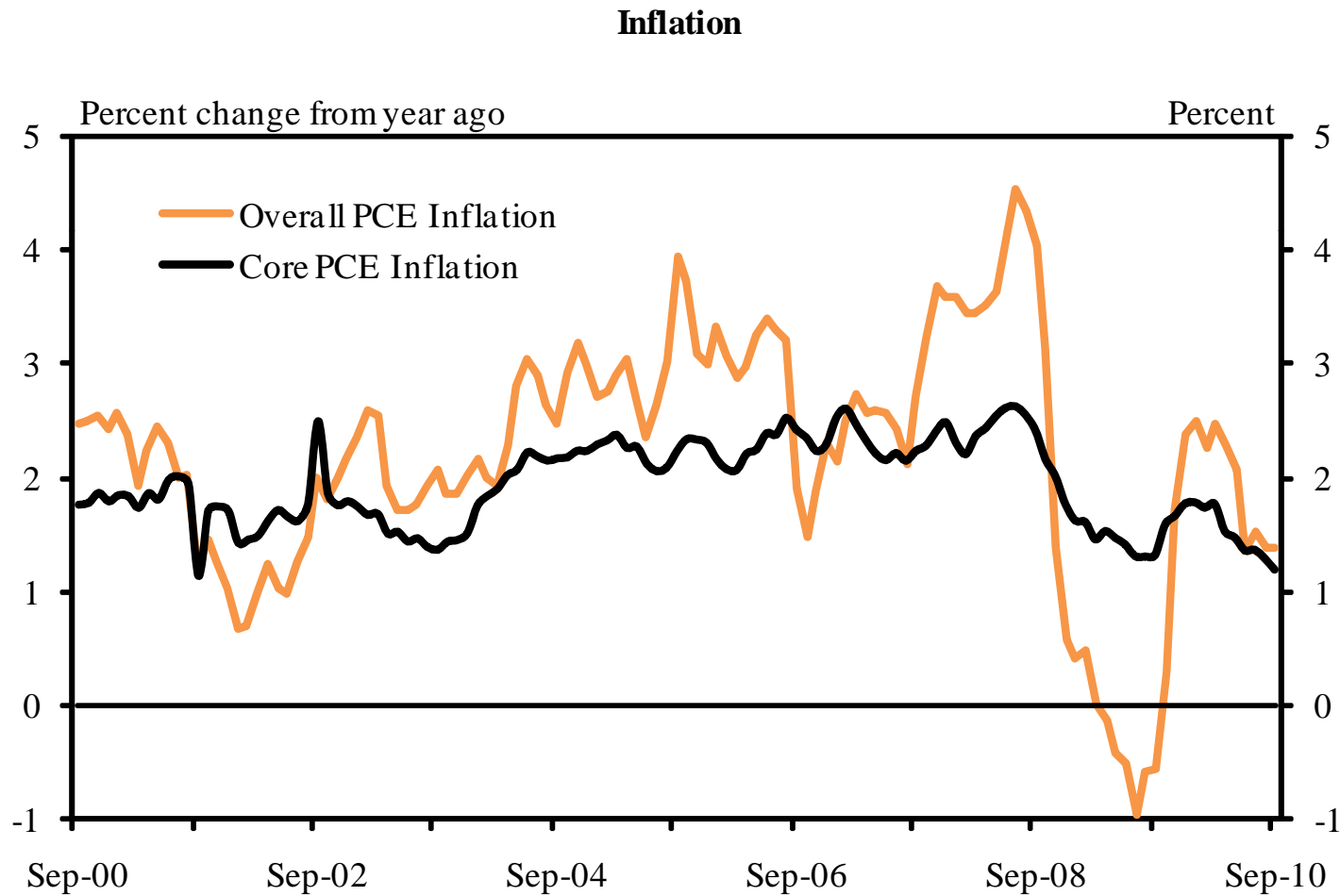
Retail Sales and Consumer Confidence



Source: Census Bureau and Consumer Confidence Board



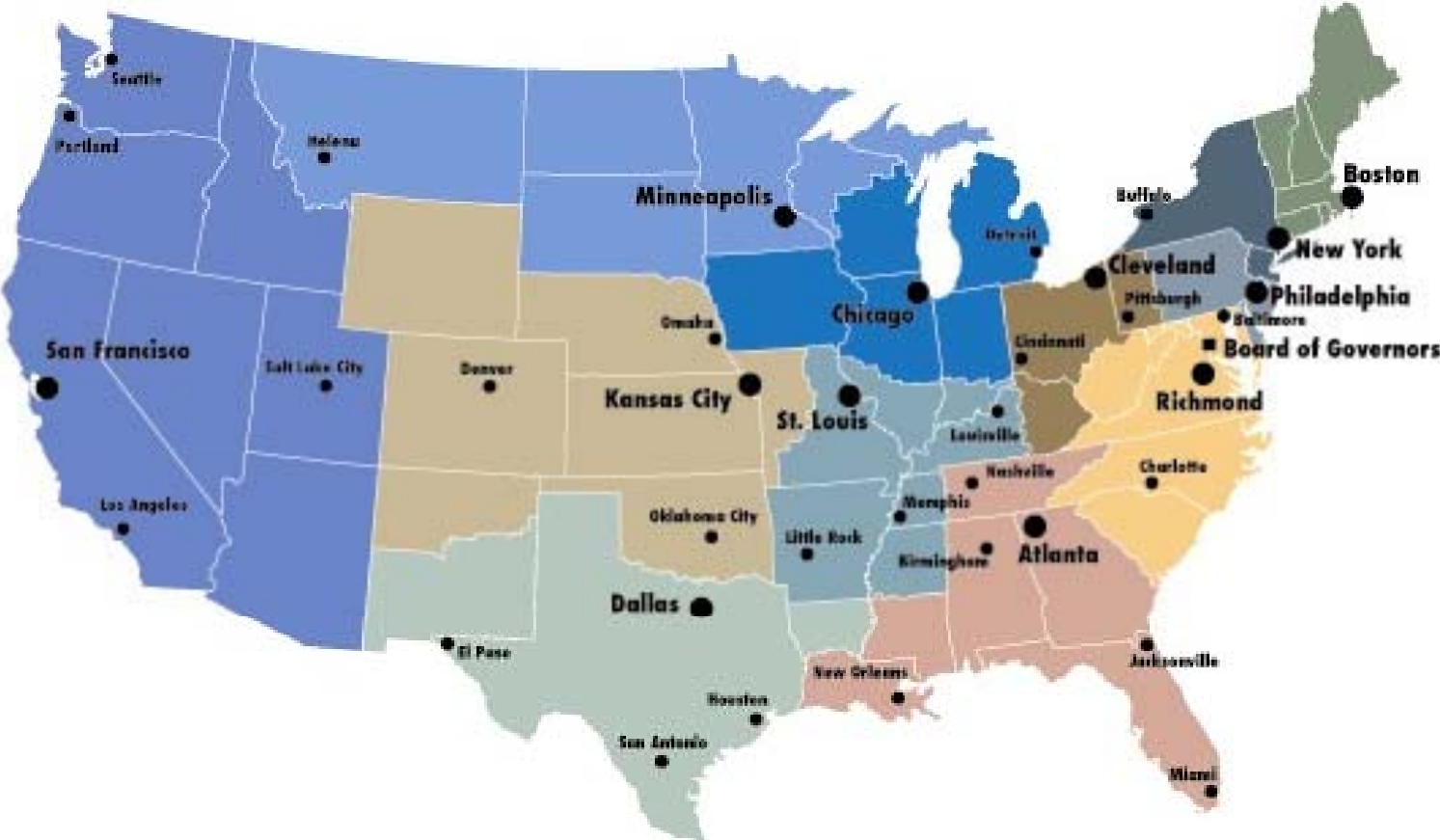
Inflation pressures remain subdued.



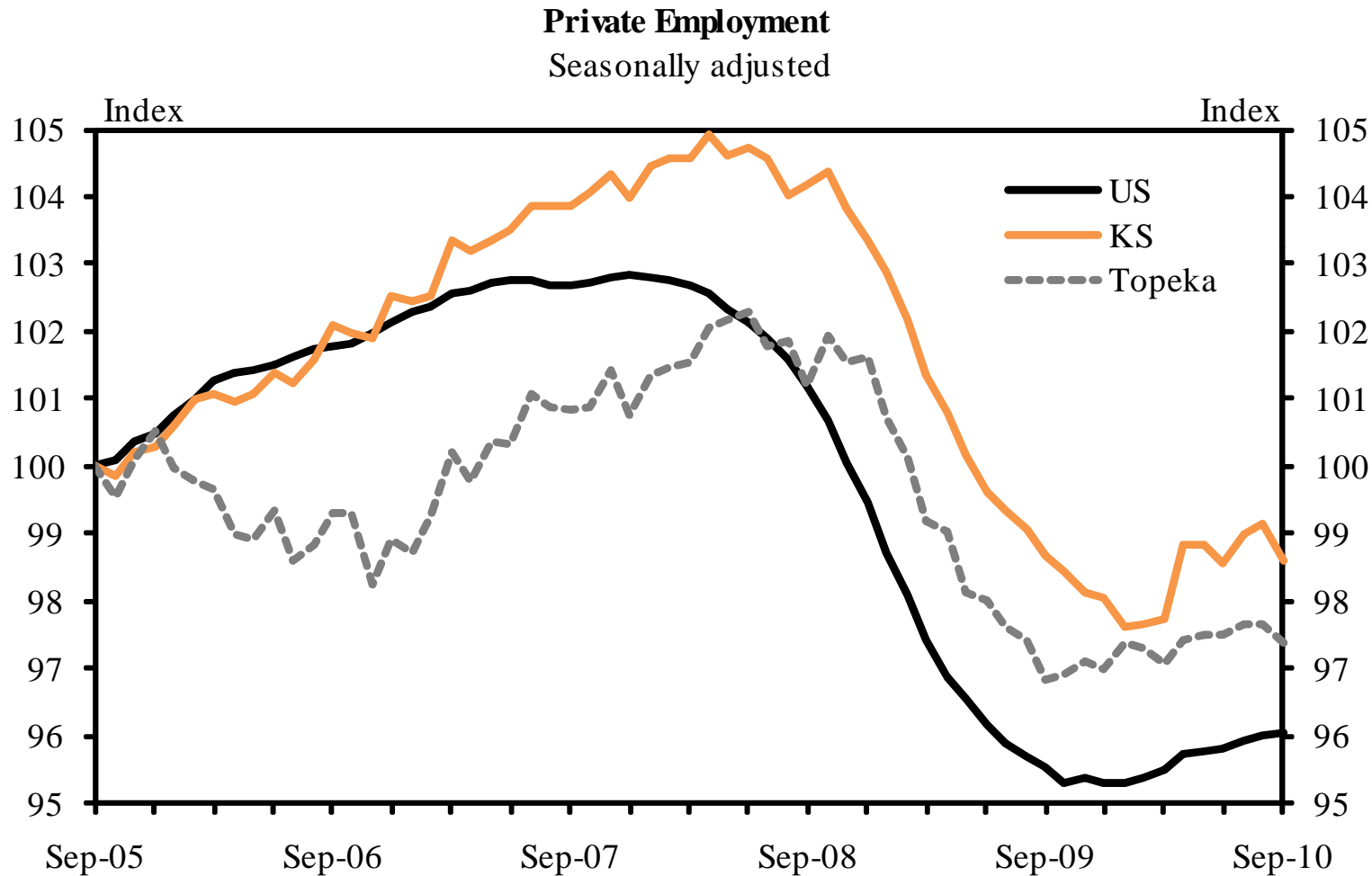
Source: Bureau of Economic Analysis



The Federal Reserve's Tenth District



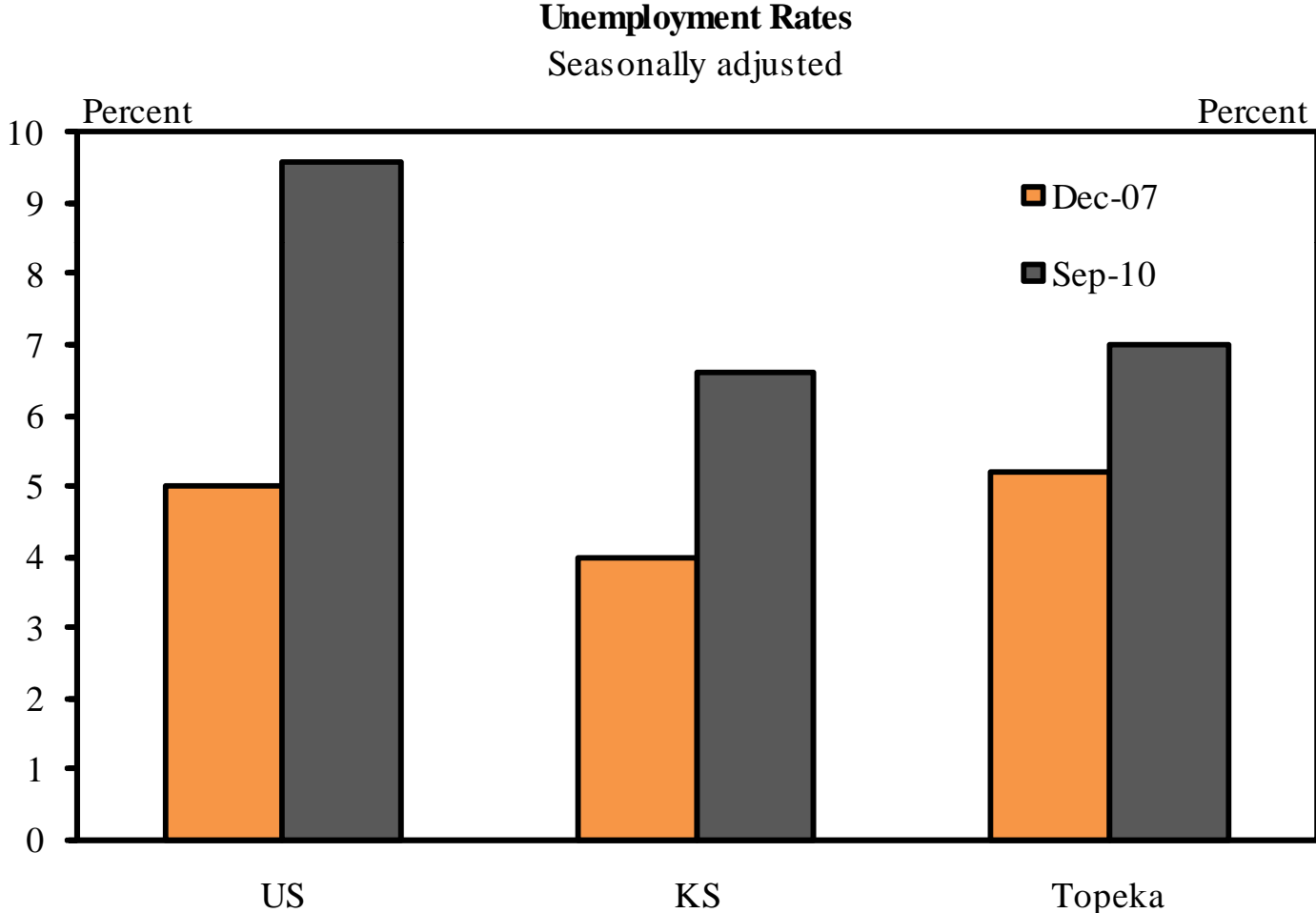
Employment fell sharply during the recession but has increased in 2010.



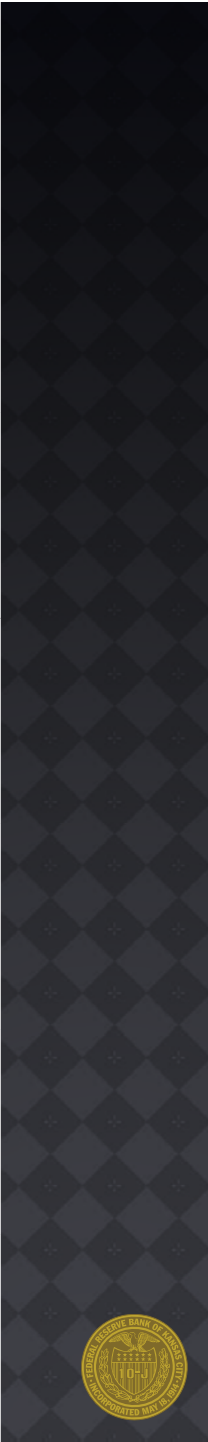
Source: Bureau of Labor Statistics



Local unemployment rates remain elevated but are lower than national rates.

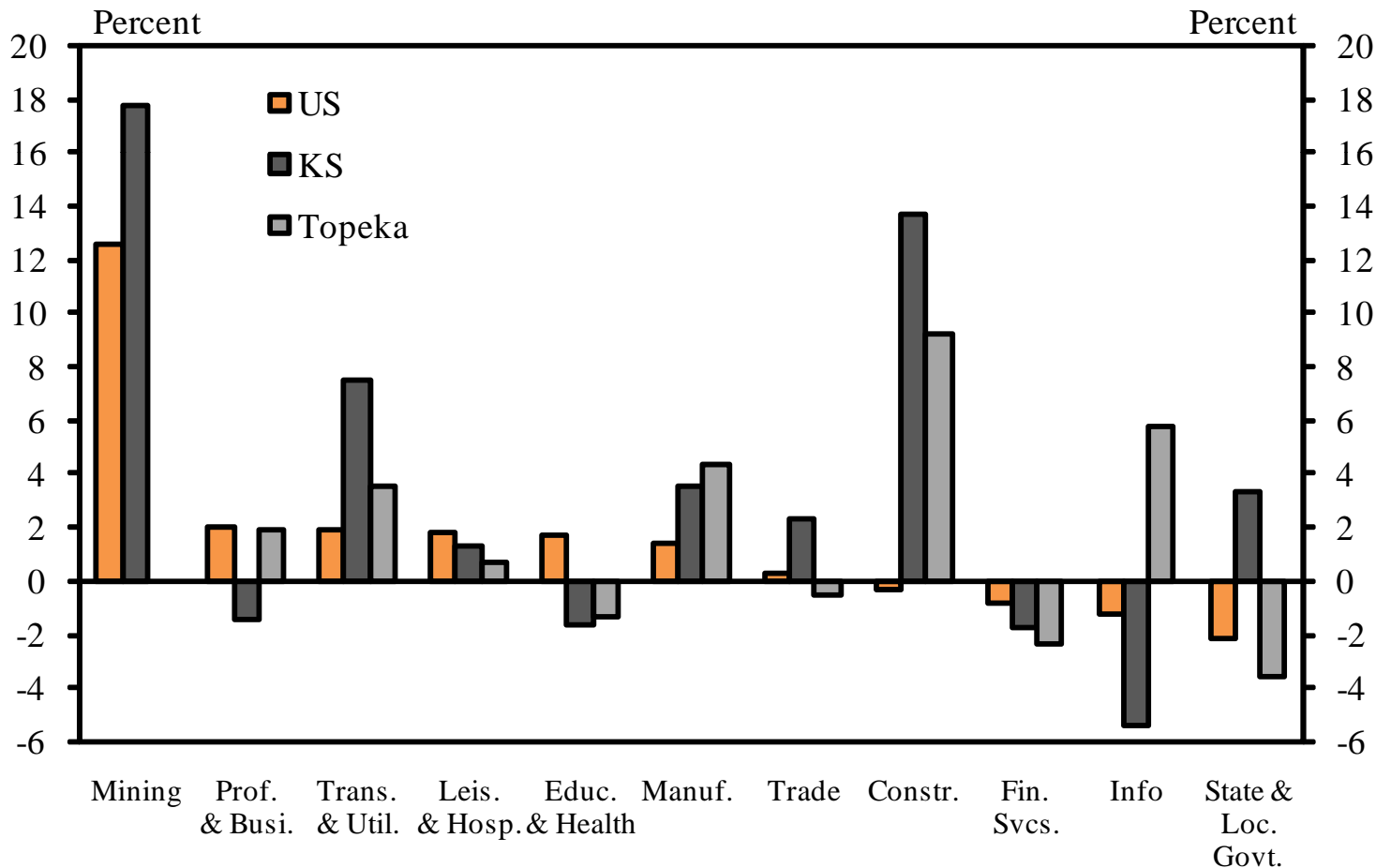


Source: Bureau of Labor Statistics



In Kansas, employment has increased sharply over the past 6 months in the mining, transportation and construction industries.

Employment Growth by Industry, Mar. 2010 to Sep. 2010
Seasonally adjusted

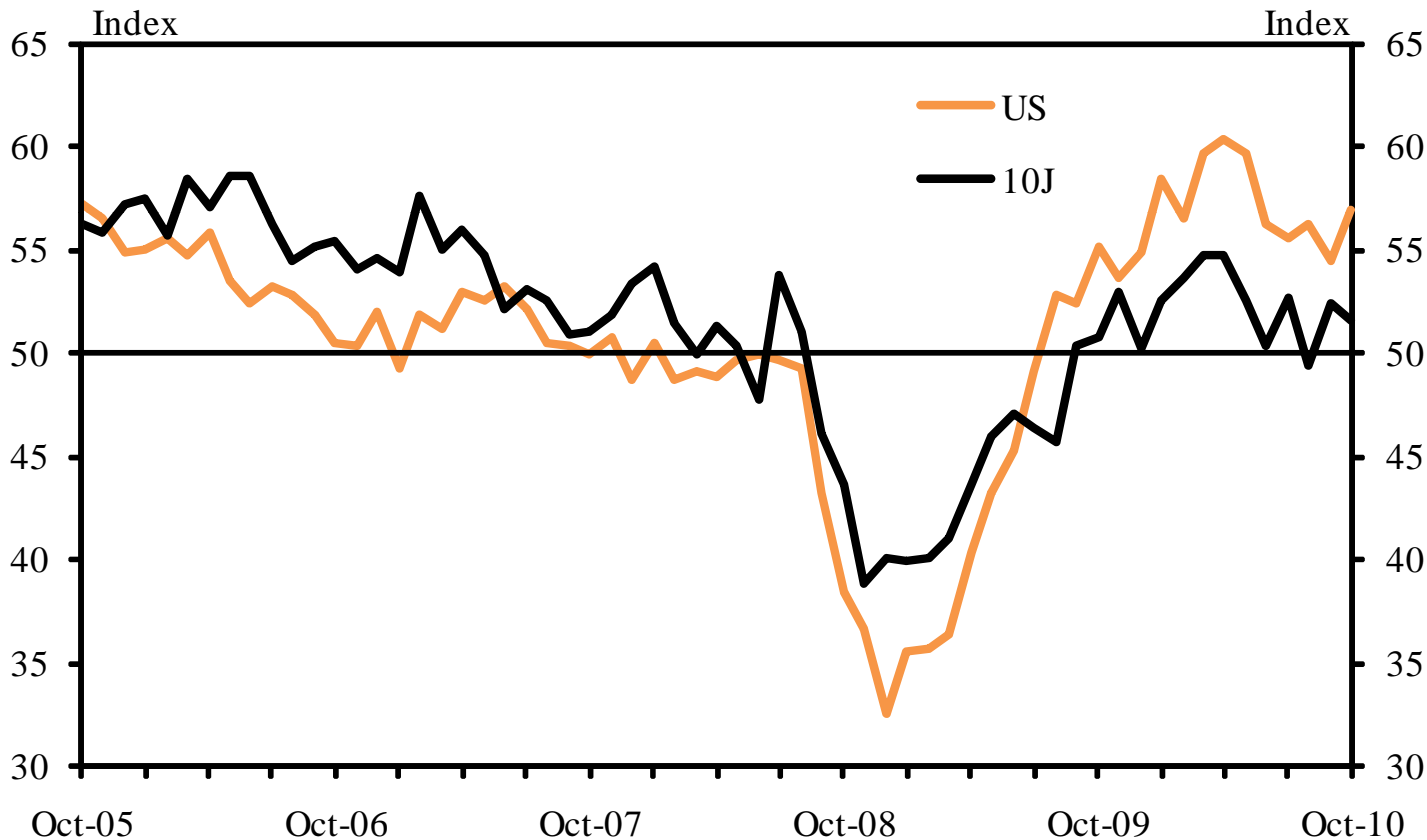


Source: Bureau of Labor Statistics



Manufacturing activity has been expanding for more than a year.

Manufacturing Activity
Seasonally adjusted; month-over-month



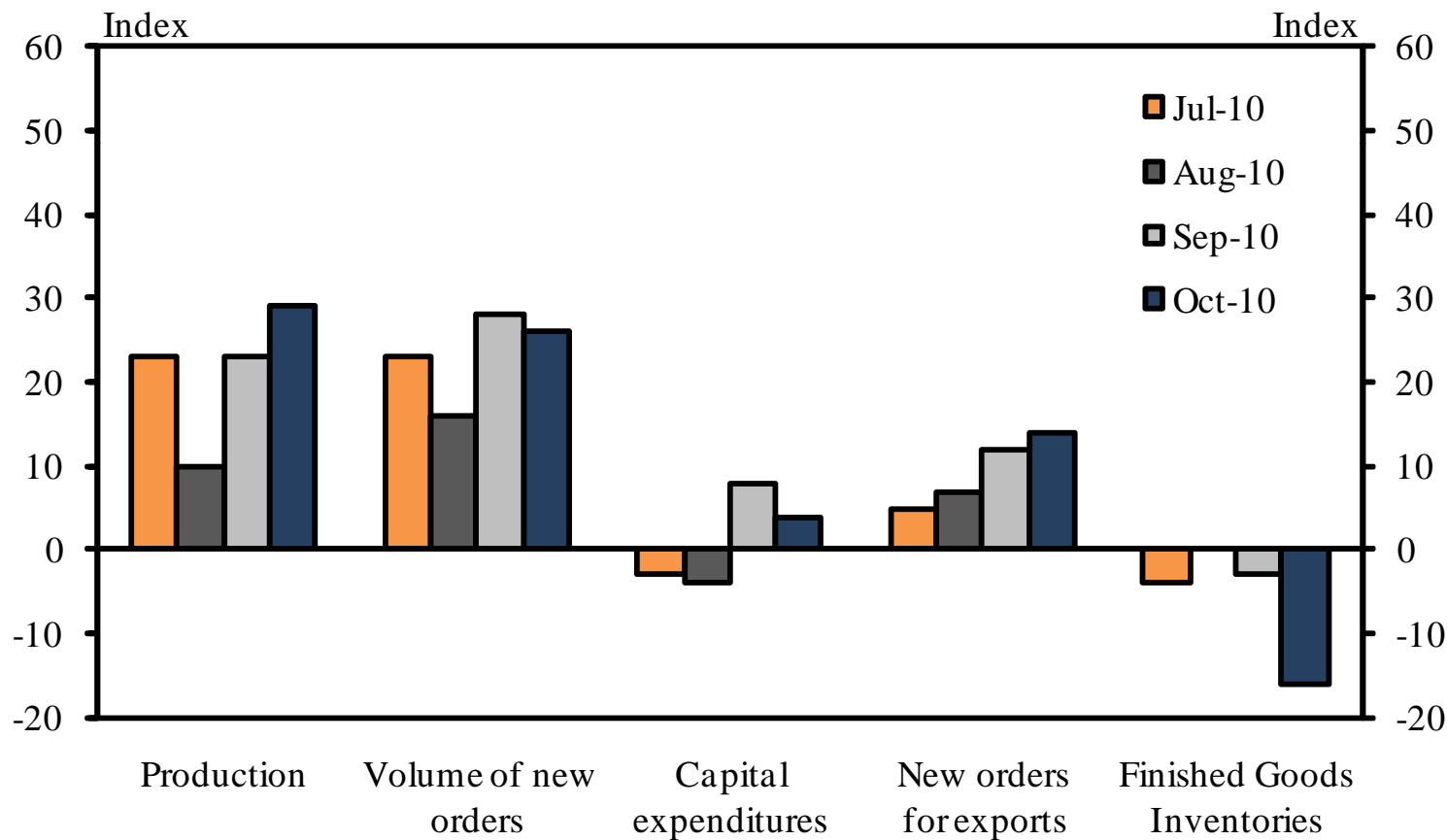
Sources: ISM, FRBKC Manufacturing Survey

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



Manufacturers expect further gains in production and new orders over the next six months.

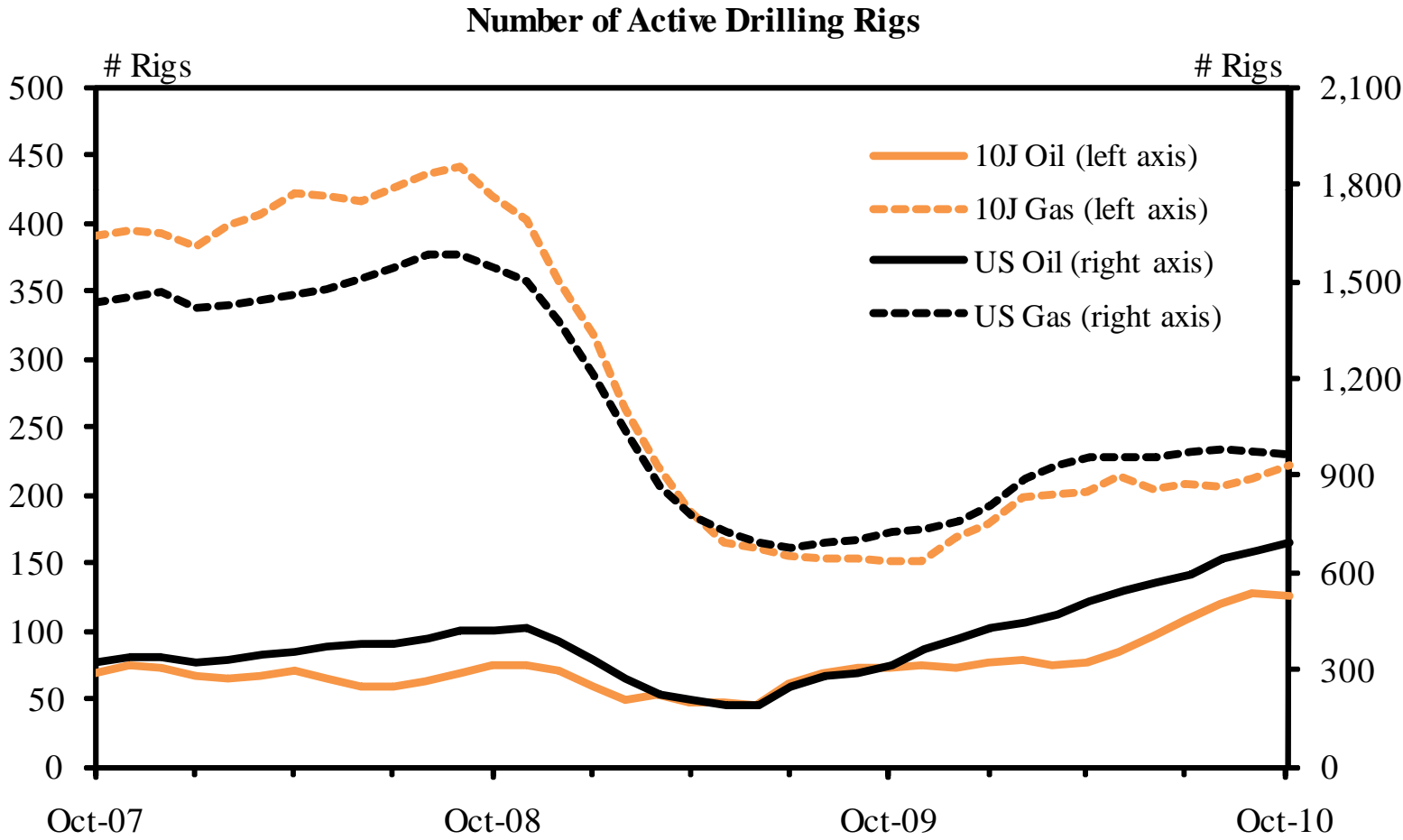
Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey



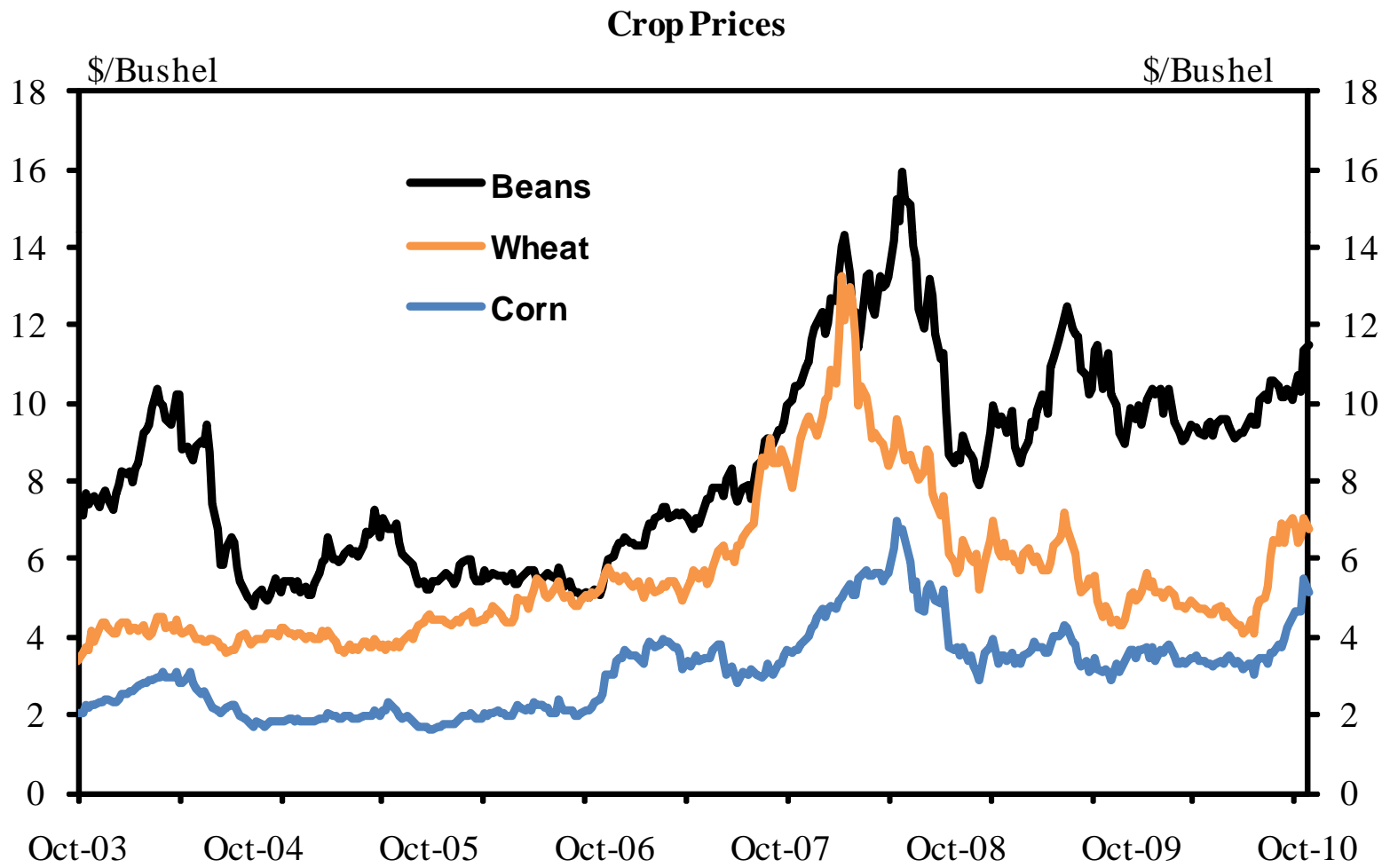
The energy sector is expanding, especially for oil producers.



Source: Baker-Hughes



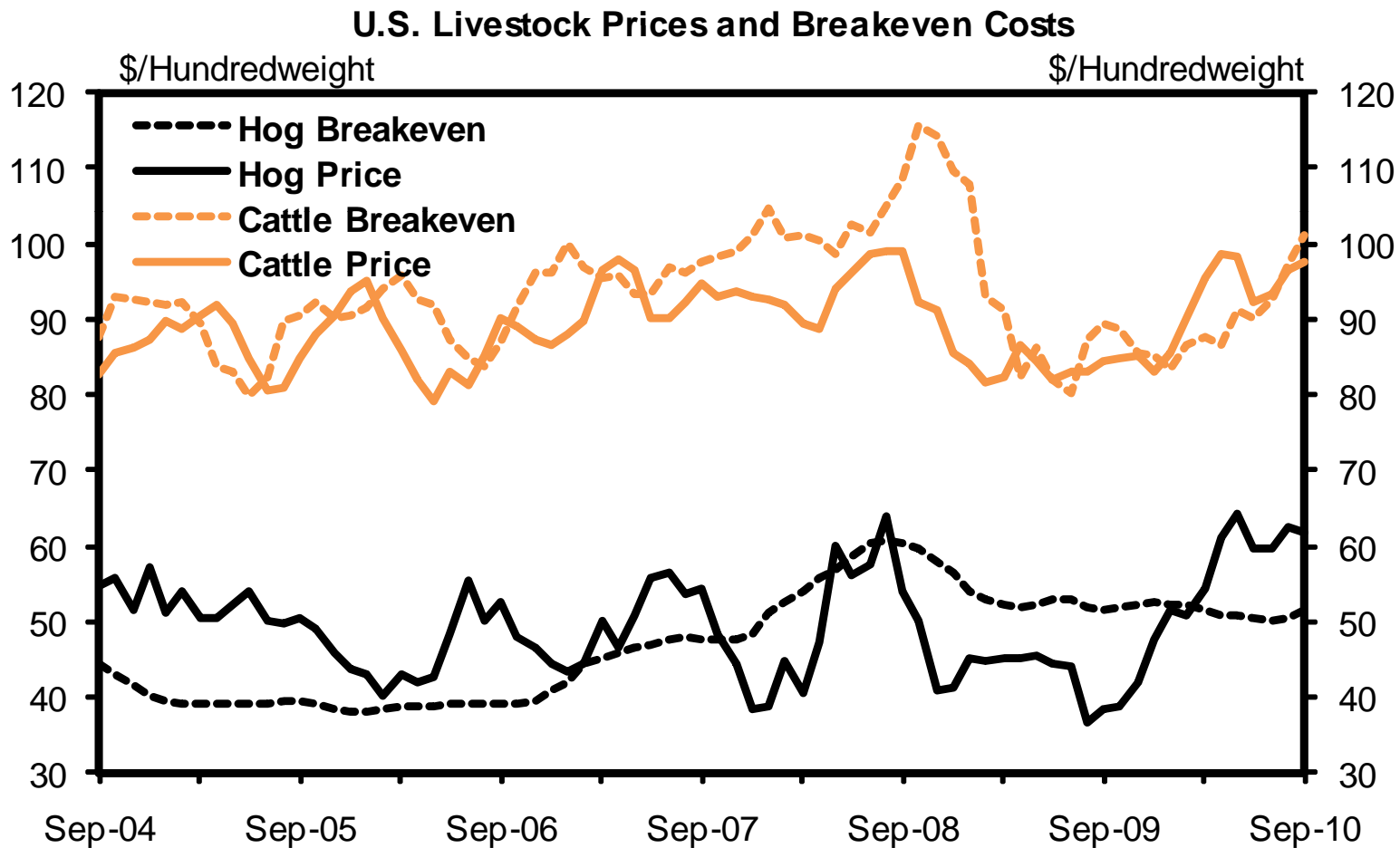
Lower supplies have led to higher crop prices.



Source: Commodity Research Bureau



Incomes have increased for livestock producers this year.

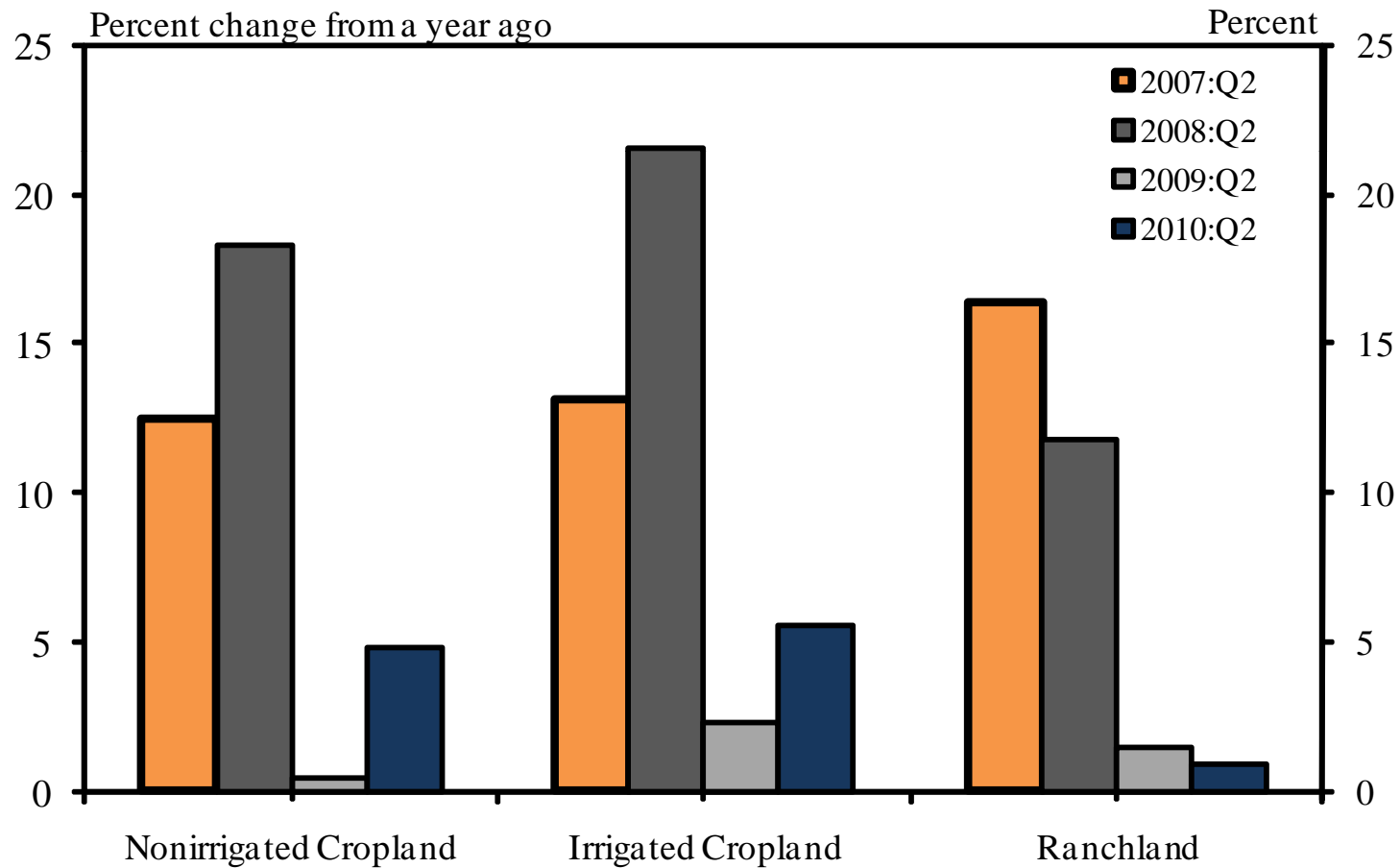


Source: USDA and Iowa State University



Farmland values continue to increase.

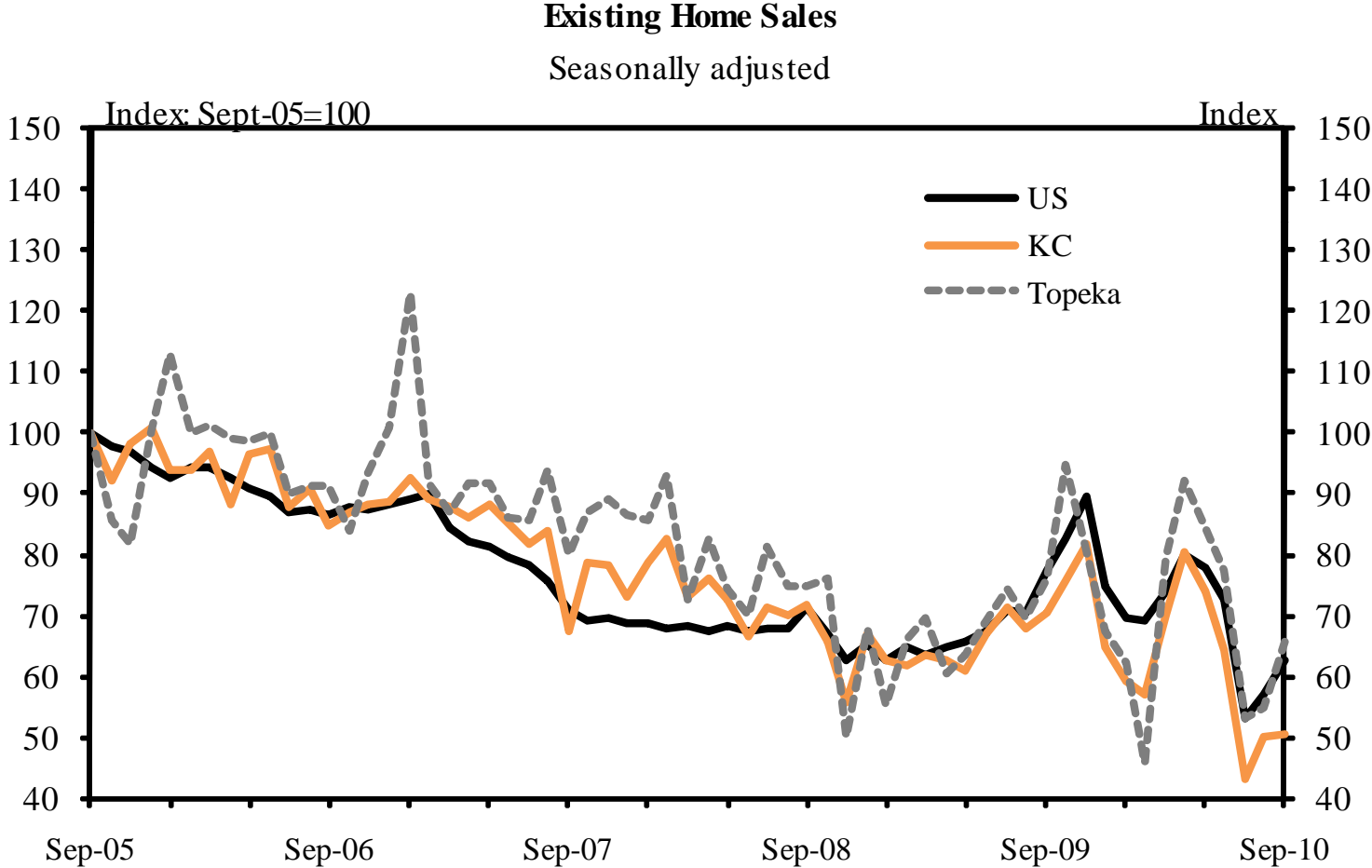
Tenth District Farmland Values



Source: FRBKC Ag Survey



As expected, home sales plummeted after the expiration of the tax credit.

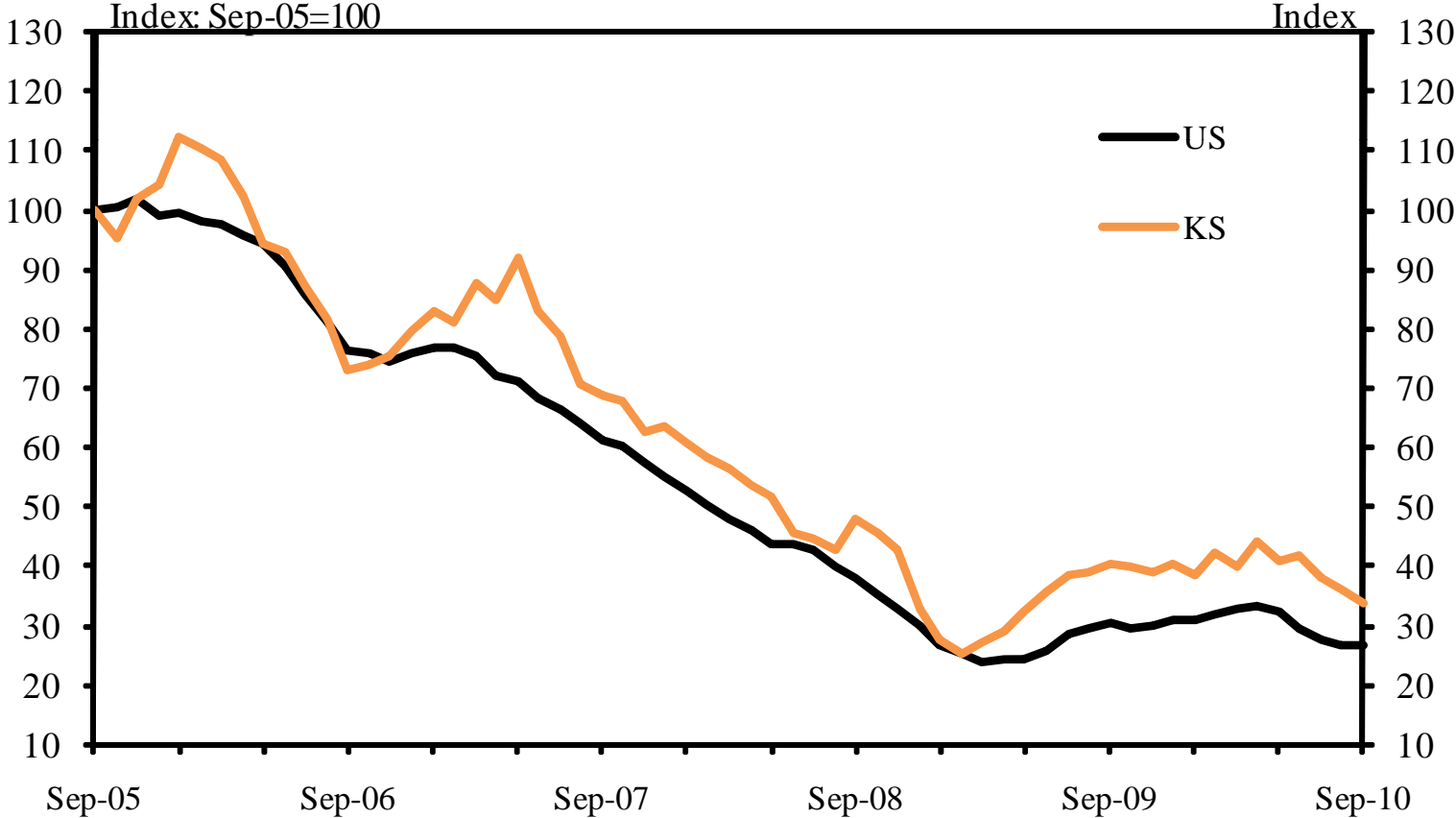


Source: NAR and Local Realtor Reports



Residential construction activity remains weak.

Value of Residential Construction Contracts
Seasonally adjusted

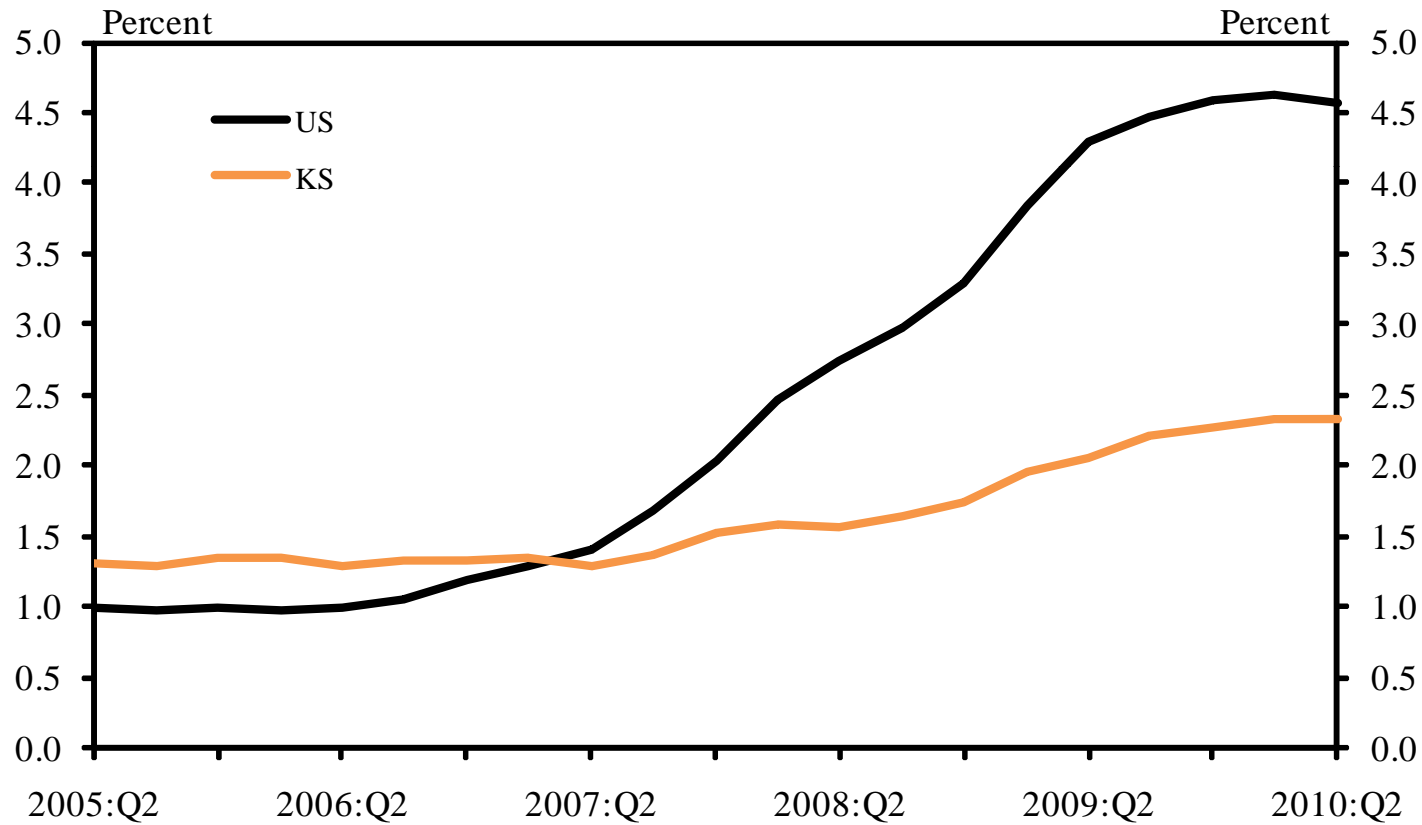


Source: FW Dodge



Foreclosure rates are much lower in Kansas than in the nation.

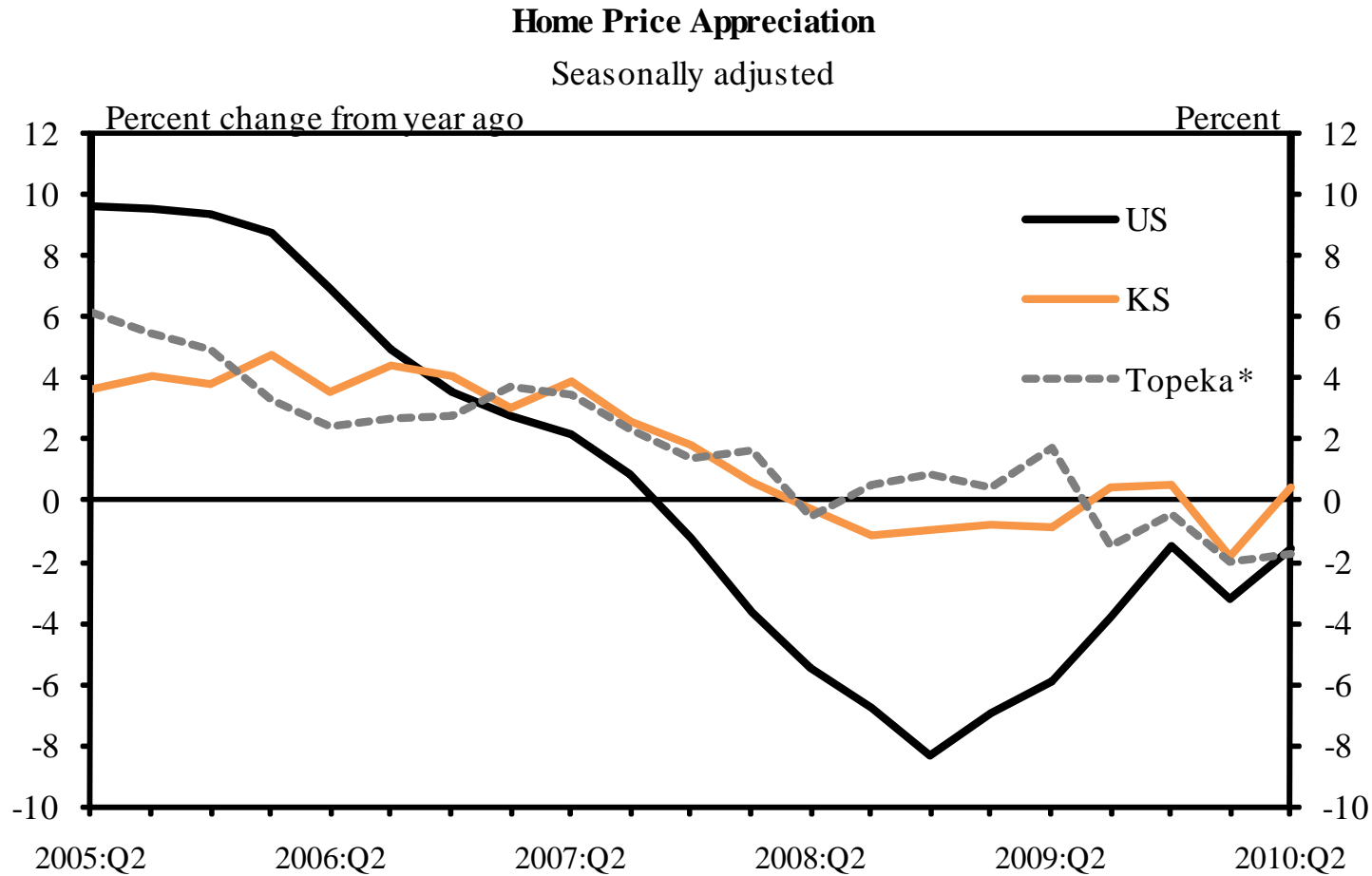
Foreclosure Rates



Source: Mortgage Bankers Association



Home prices have held up relatively well in Kansas.



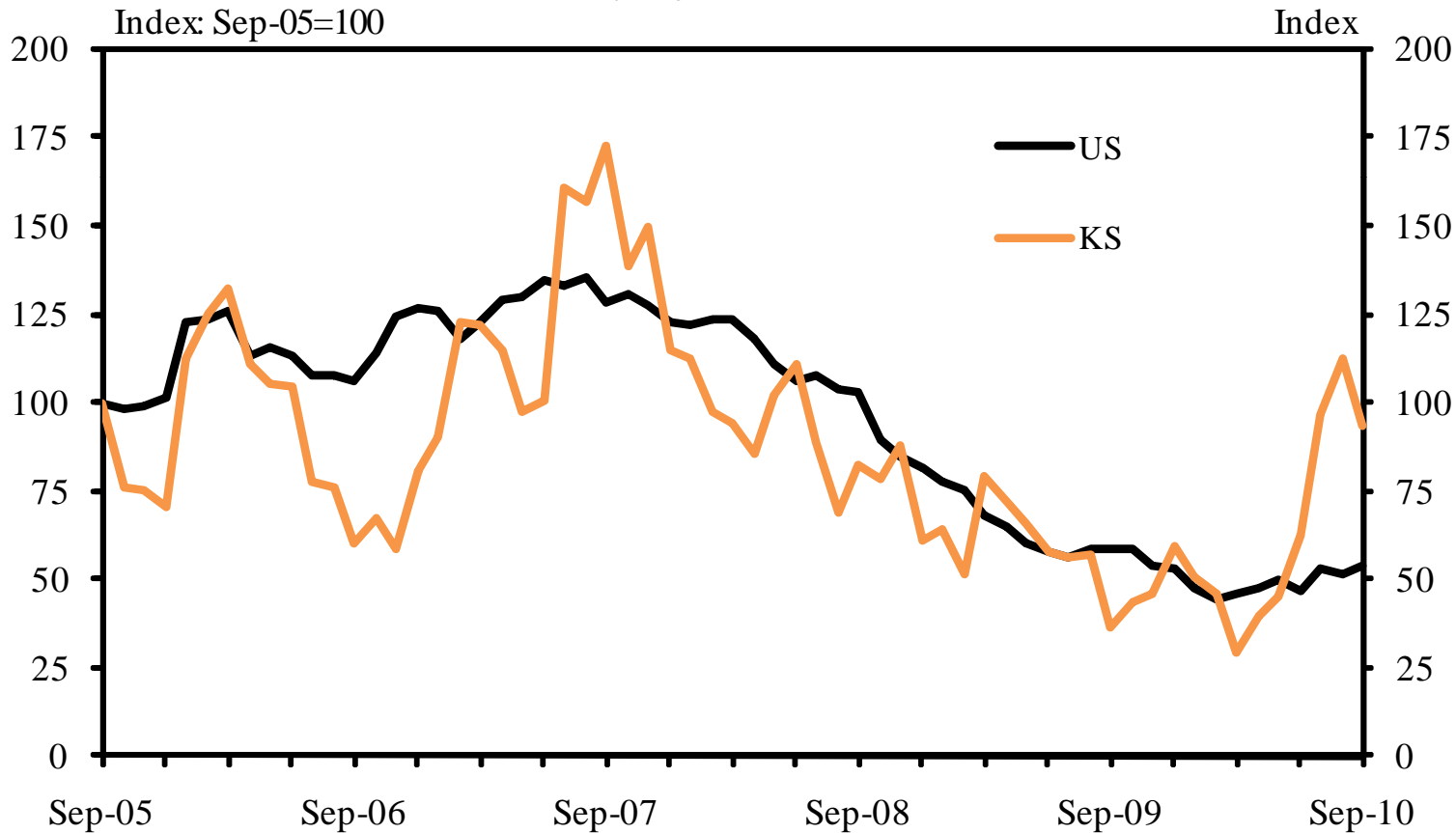
Source: FHFA

*Includes refinances



Commercial construction activity picked up in early summer in Kansas.

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



Source: F.W. Dodge Inc.



Conclusions

- ◉ Most economists expect the U.S. and Kansas economies to recover gradually over the next couple of years.
- ◉ There are several factors that will likely prevent a more robust recovery.
 - Real estate activity may be sluggish in the near term.
 - Consumer confidence remains below pre-recession levels which may translate into less spending.
 - Unemployment is likely to remain high for some time.

