



Economic Outlook for the U.S. and Kansas

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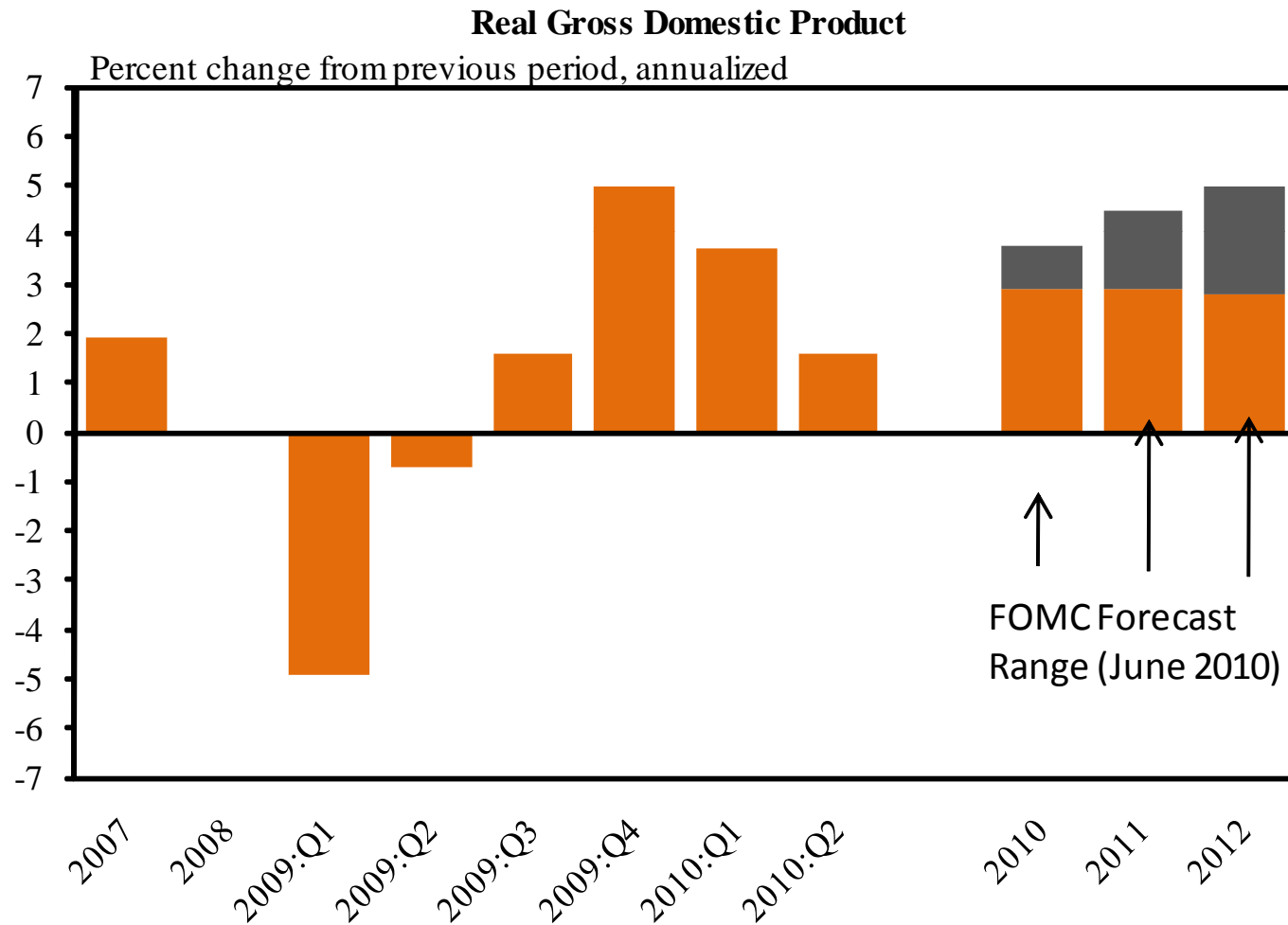
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U.S. Economic Overview

- ⦿ After one of the most severe recessions since the Great Depression, the U.S. economy is starting to recover.
 - Distress in financial markets has eased.
 - Manufacturing activity has increased.
 - Consumers are starting to spend.
- ⦿ 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 is weak.
 - Eventually fiscal and monetary stimulus must be removed.



A modest recovery is expected over the next few years.

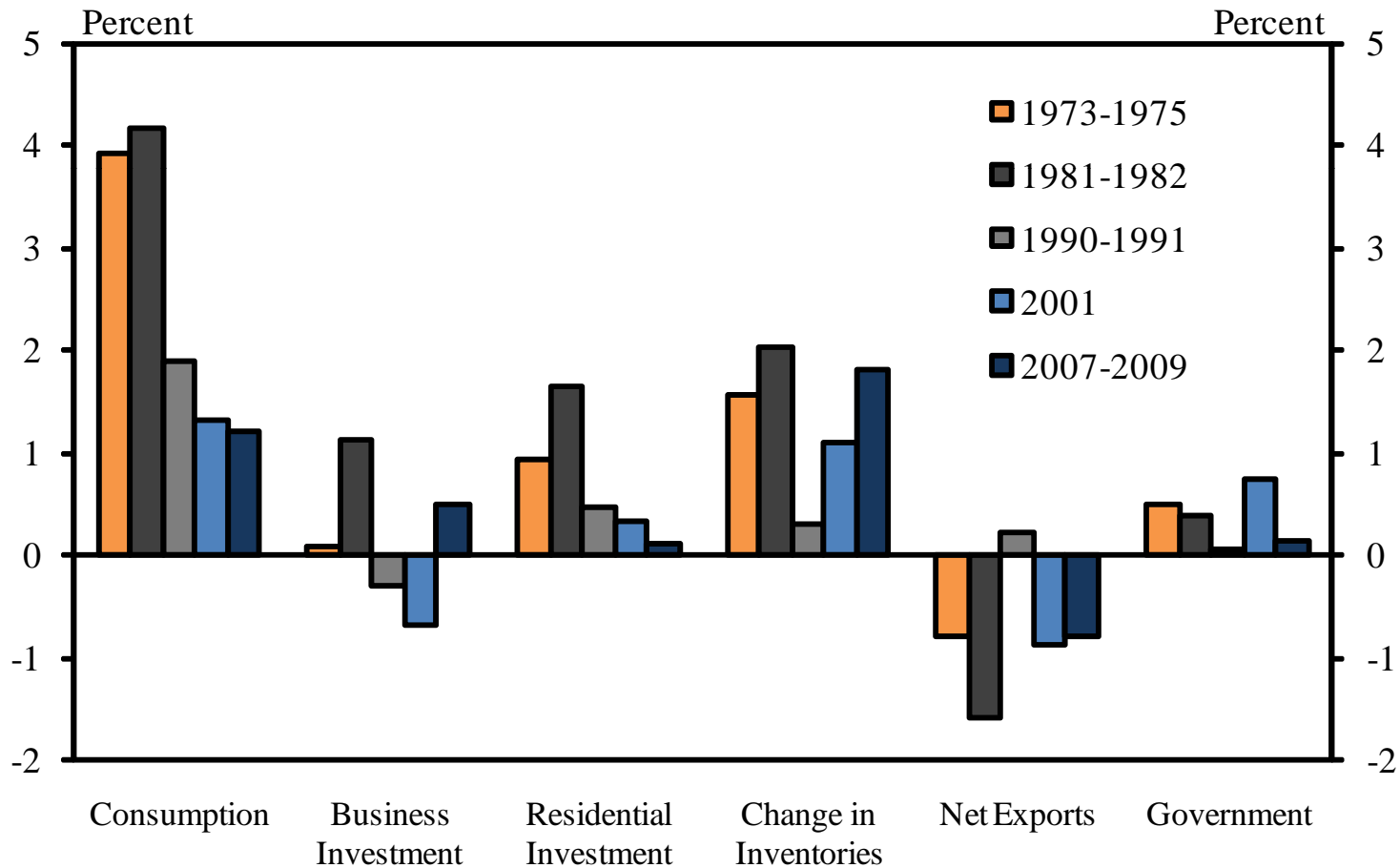


Source: Bureau of Economic Analysis; FOMC



Consumption and inventory changes have led the recovery so far.

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

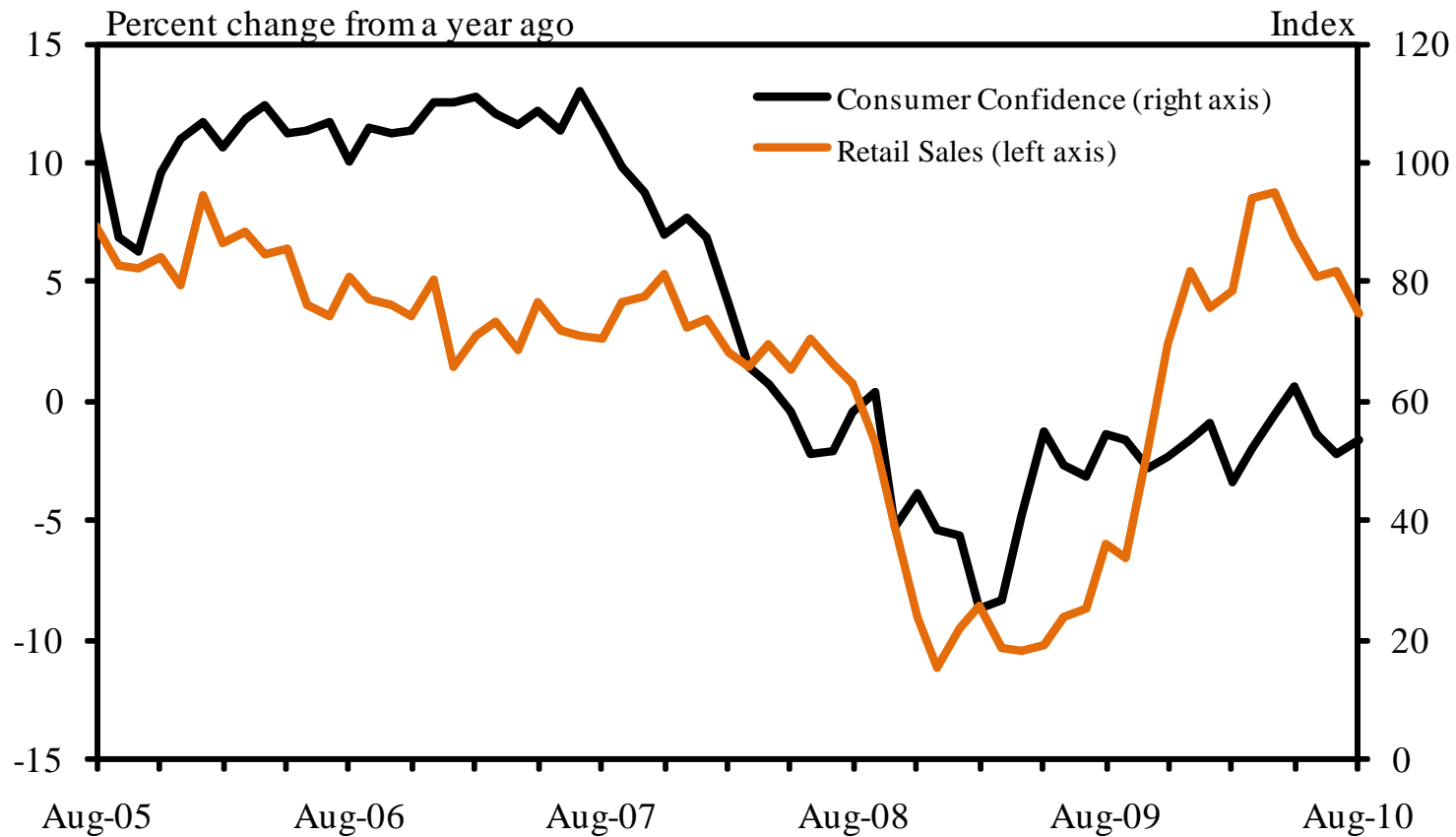


Source: BEA



With confidence levels above last year's low, consumers are starting to spend.

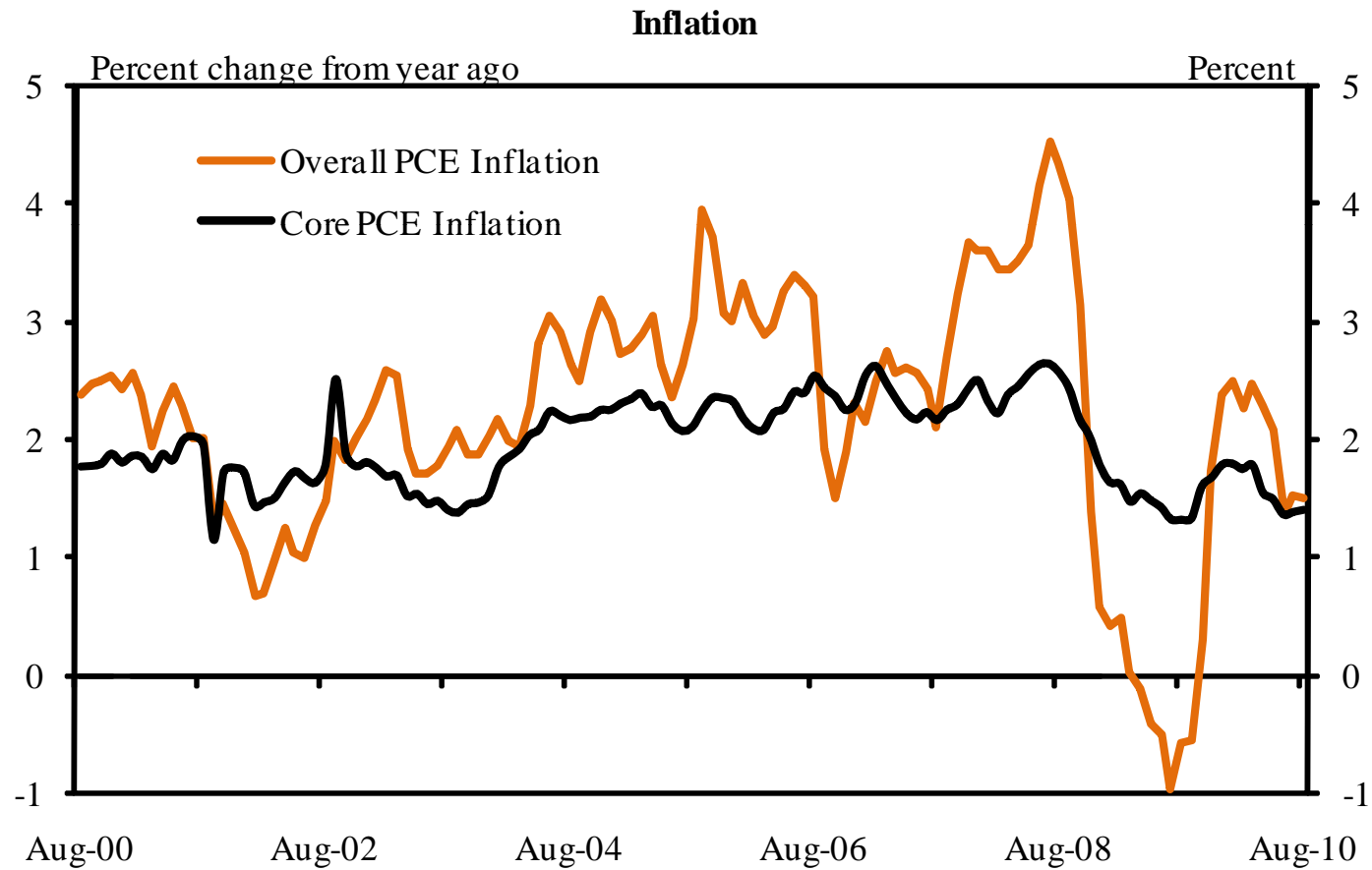
Retail Sales and Consumer Confidence



Source: Census Bureau and Consumer Confidence Board



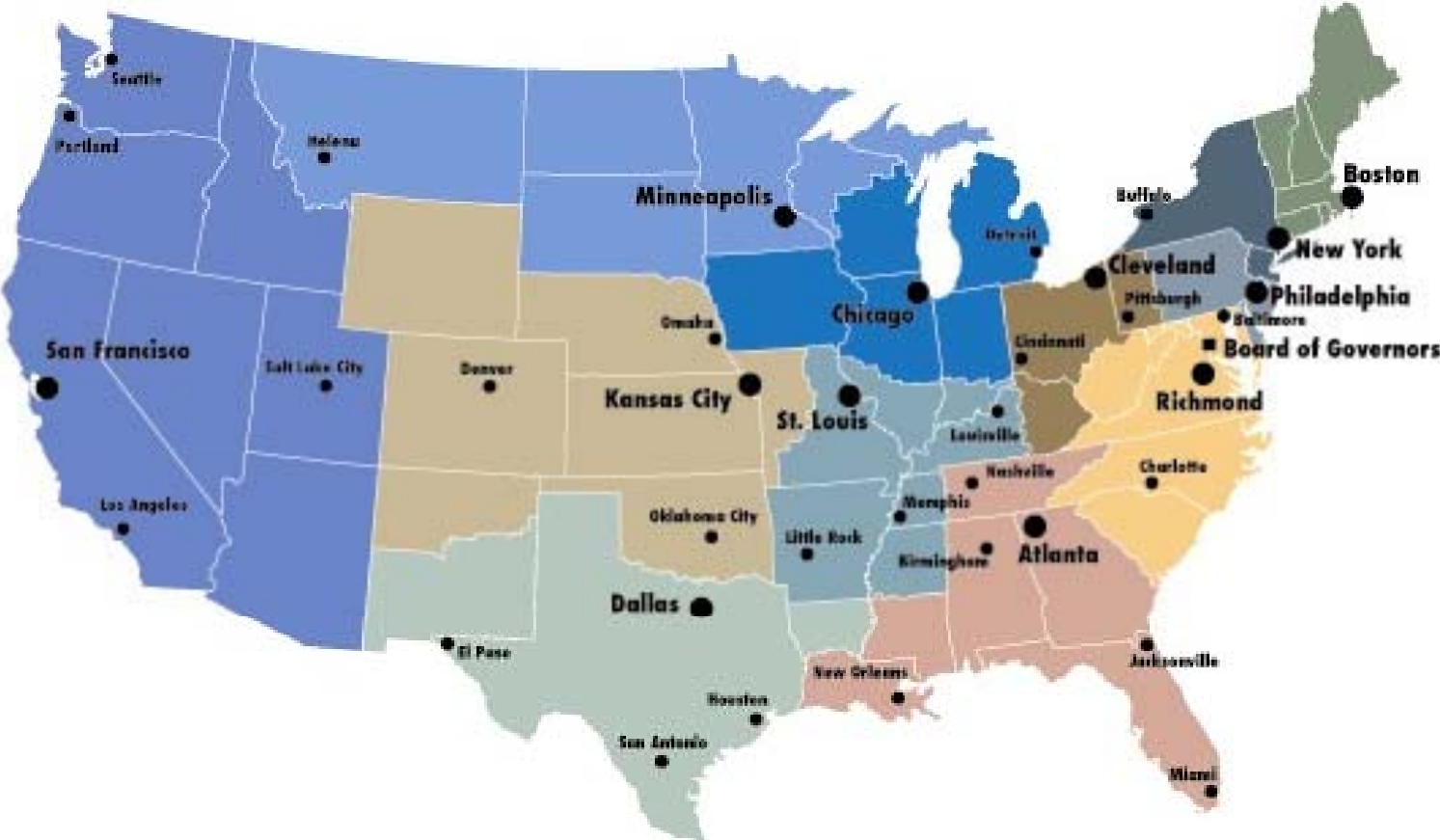
Inflation pressures remain subdued.



Source: Bureau of Economic Analysis

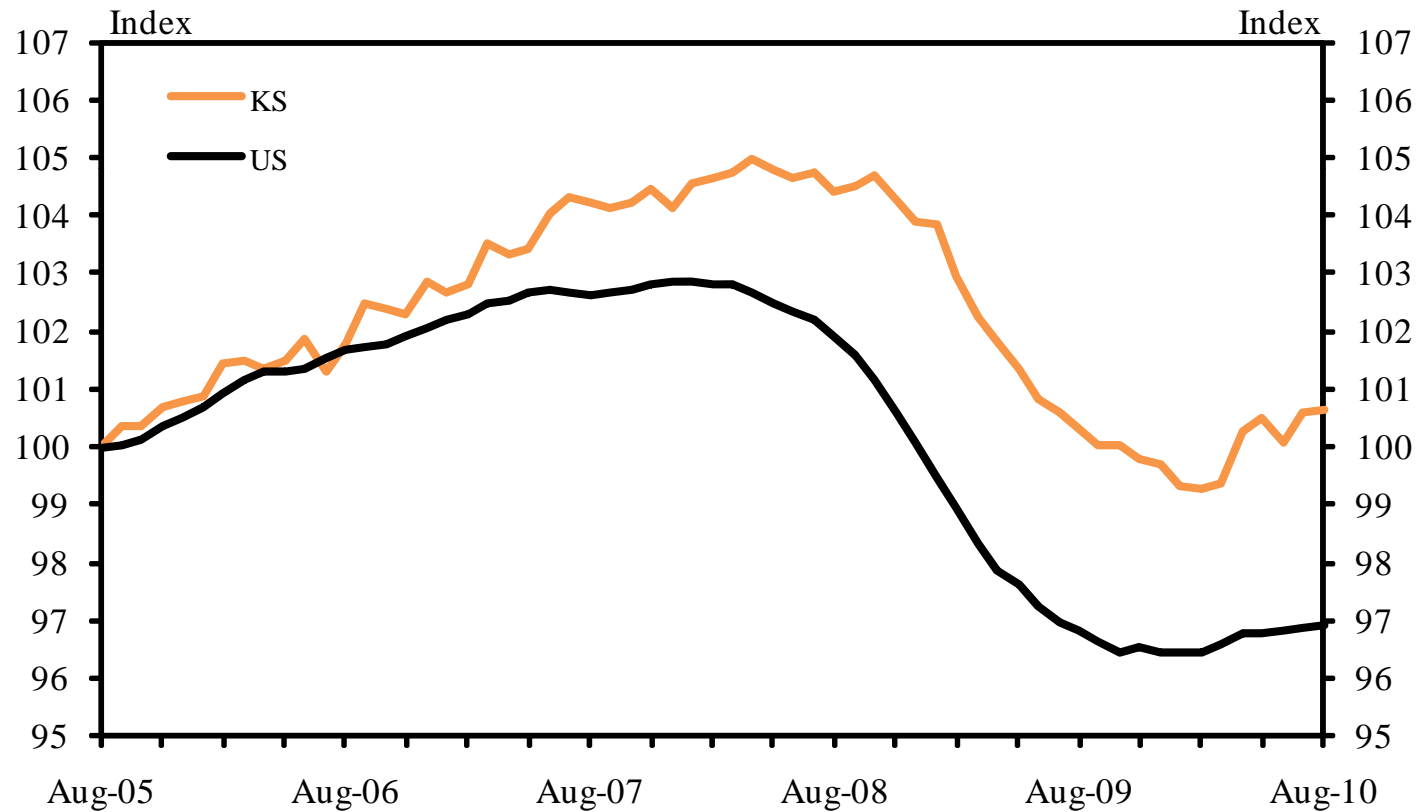


The Federal Reserve's Tenth District



Employment fell sharply during the recession, but is now increasing.

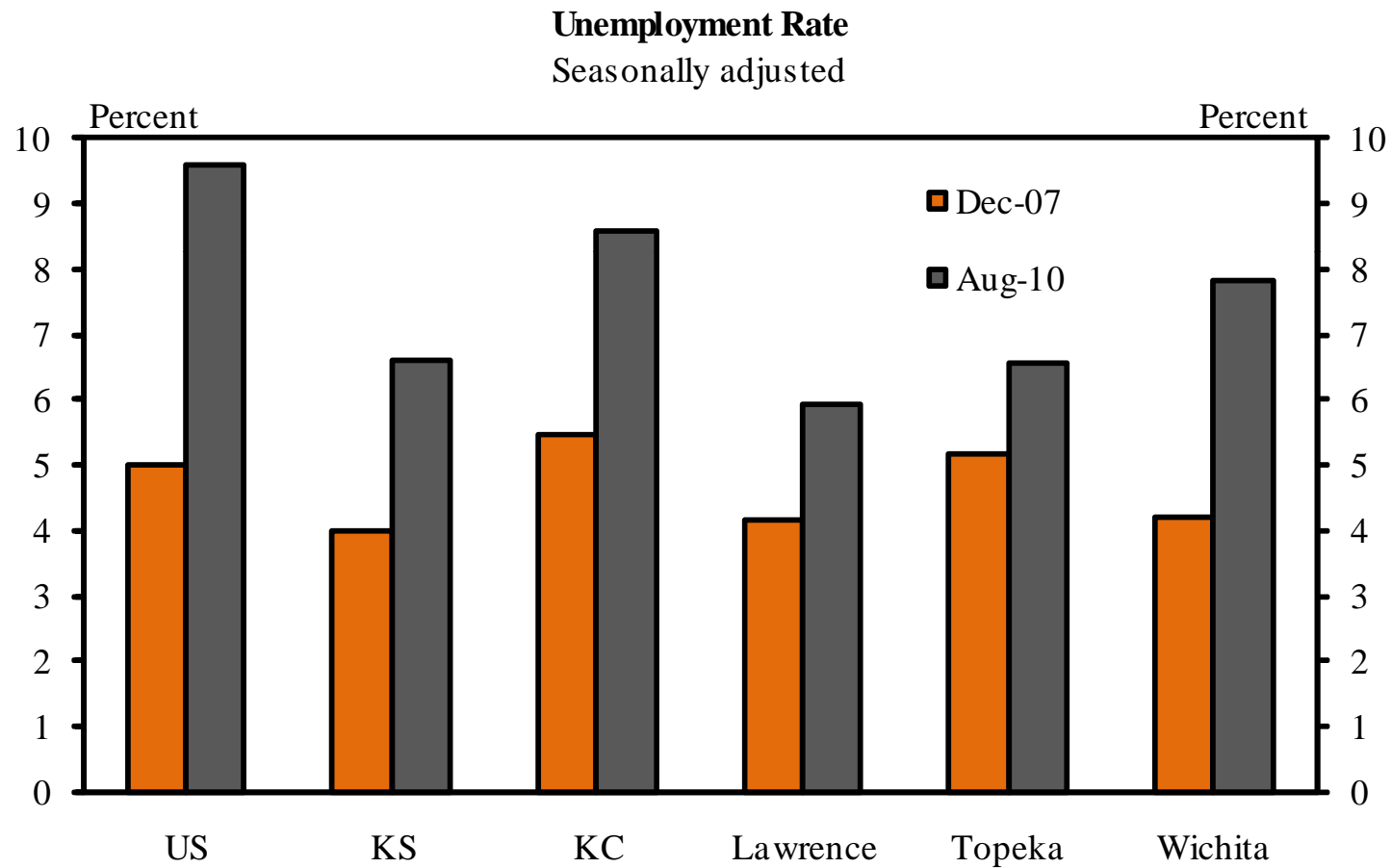
Nonfarm Employment (Excluding Federal Government)
Seasonally adjusted



Source: Bureau of Labor Statistics



Unemployment rates remain elevated but are lower than national rates.

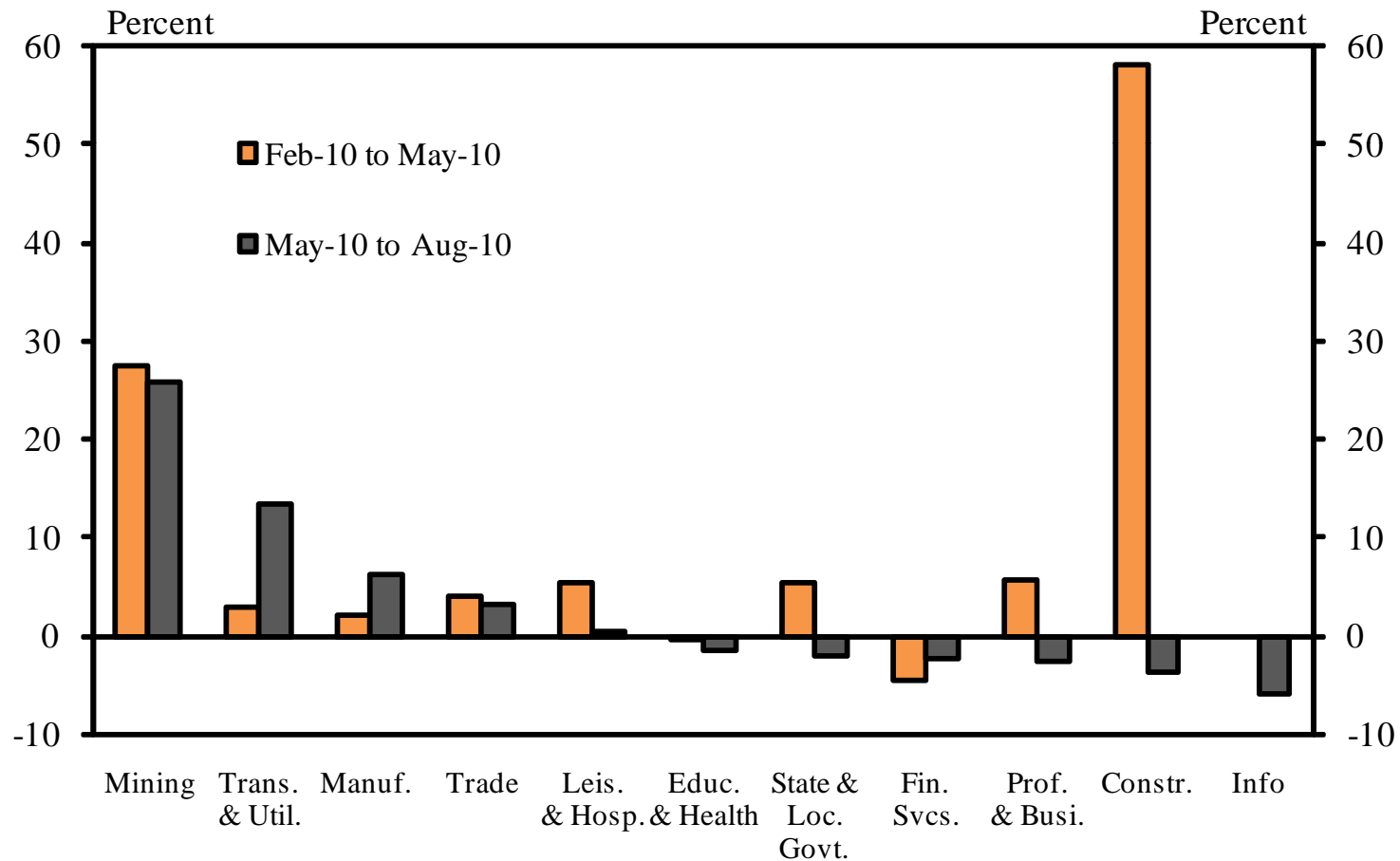


Source: Bureau of Labor Statistics



Employment conditions have varied by industry.

Kansas Employment Growth by Industry
Seasonally adjusted annualized rate

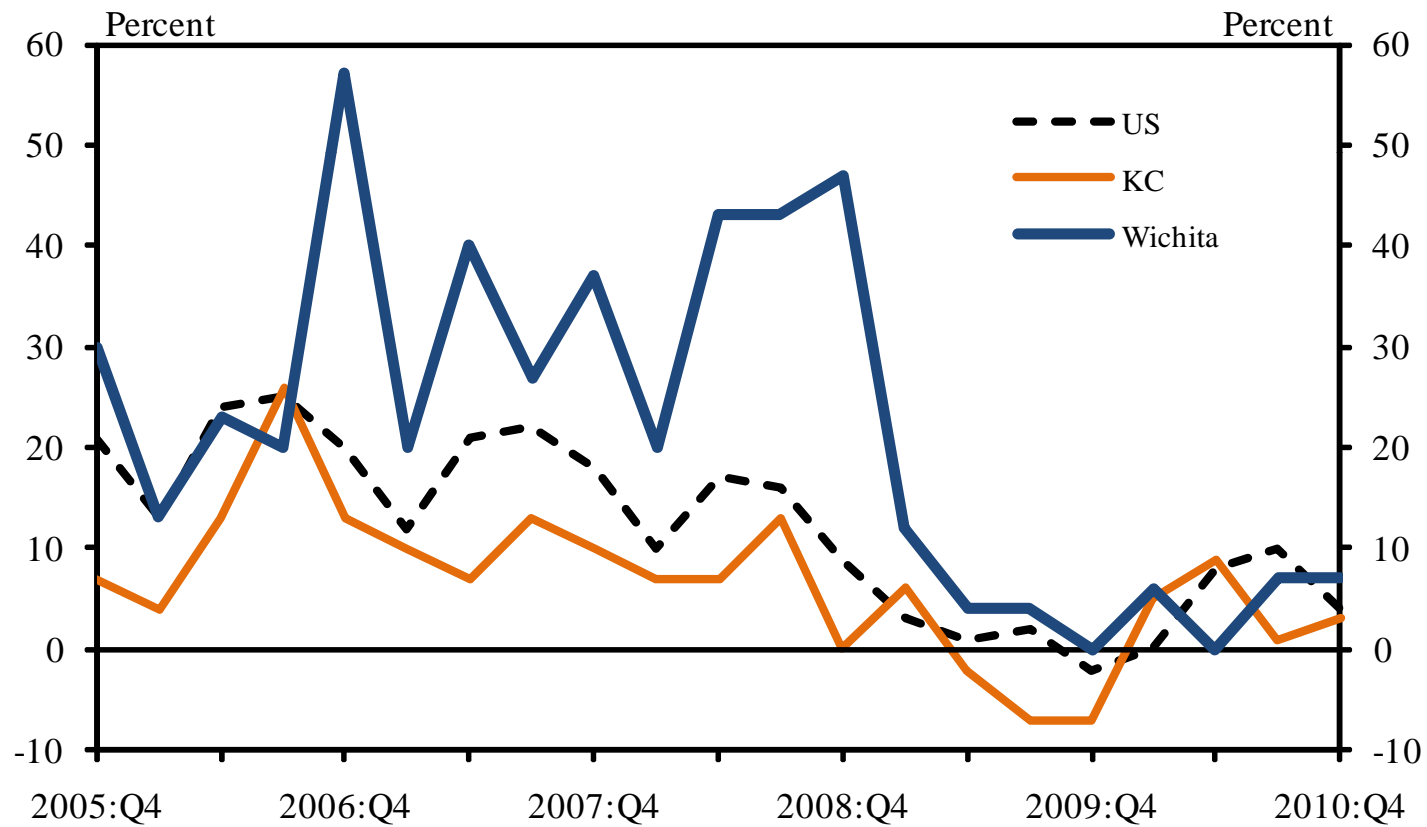


Source: Bureau of Labor Statistics



Hiring expectations remain sluggish.

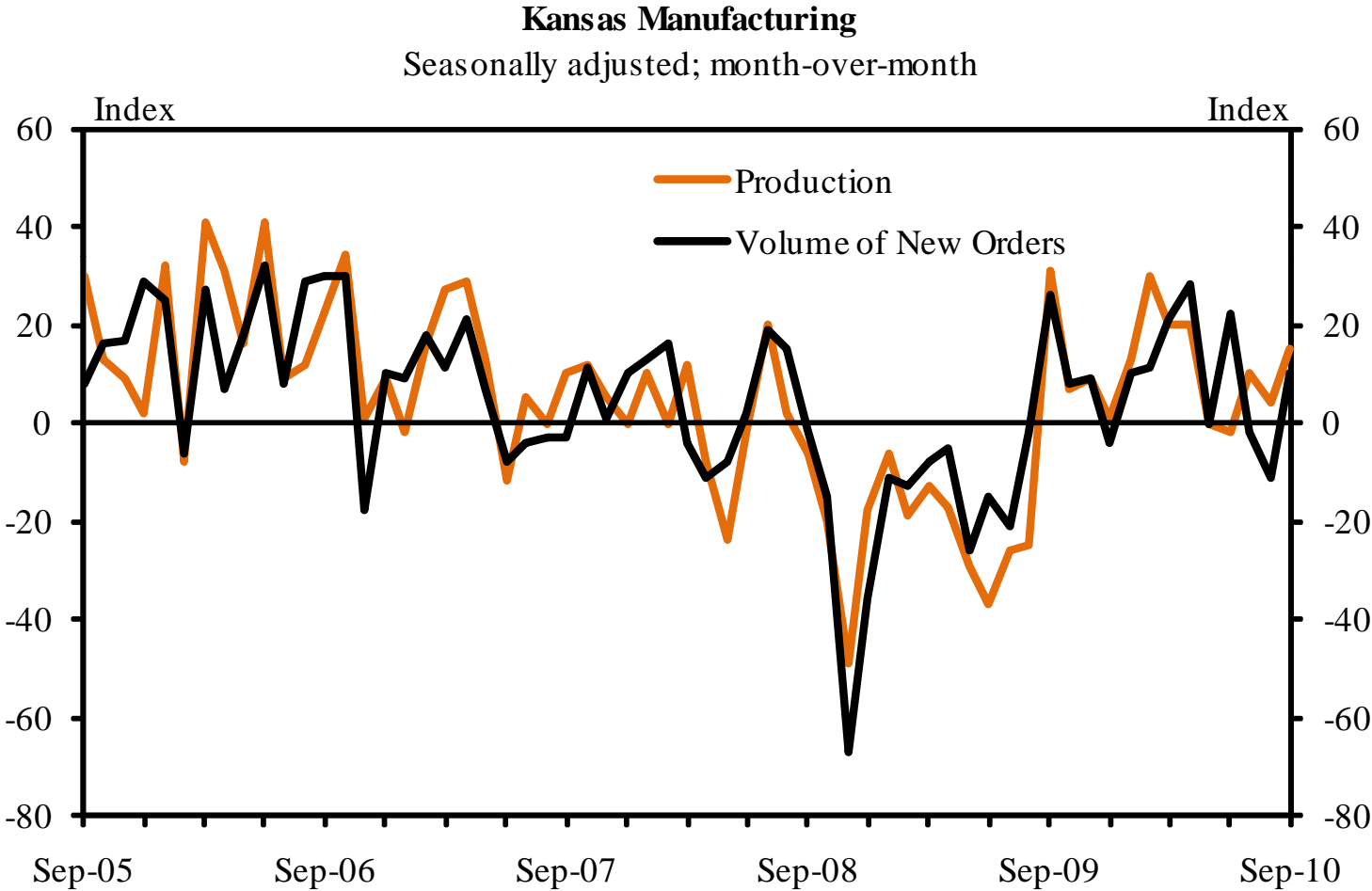
Net Percentage of Firms Expecting to Increase Employment



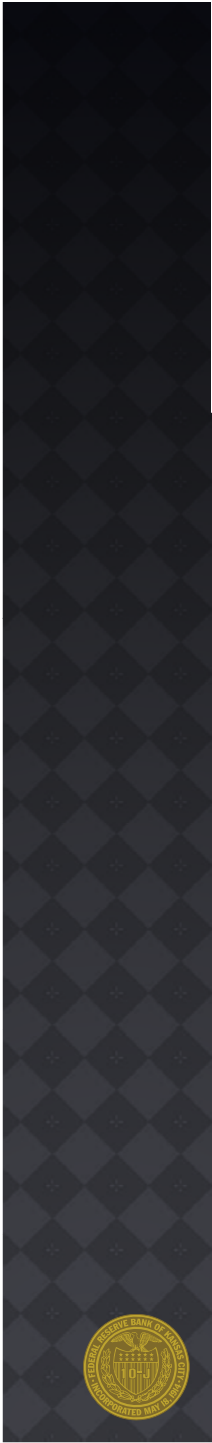
Source: Manpower Inc.



Manufacturing activity has expanded over the past year.

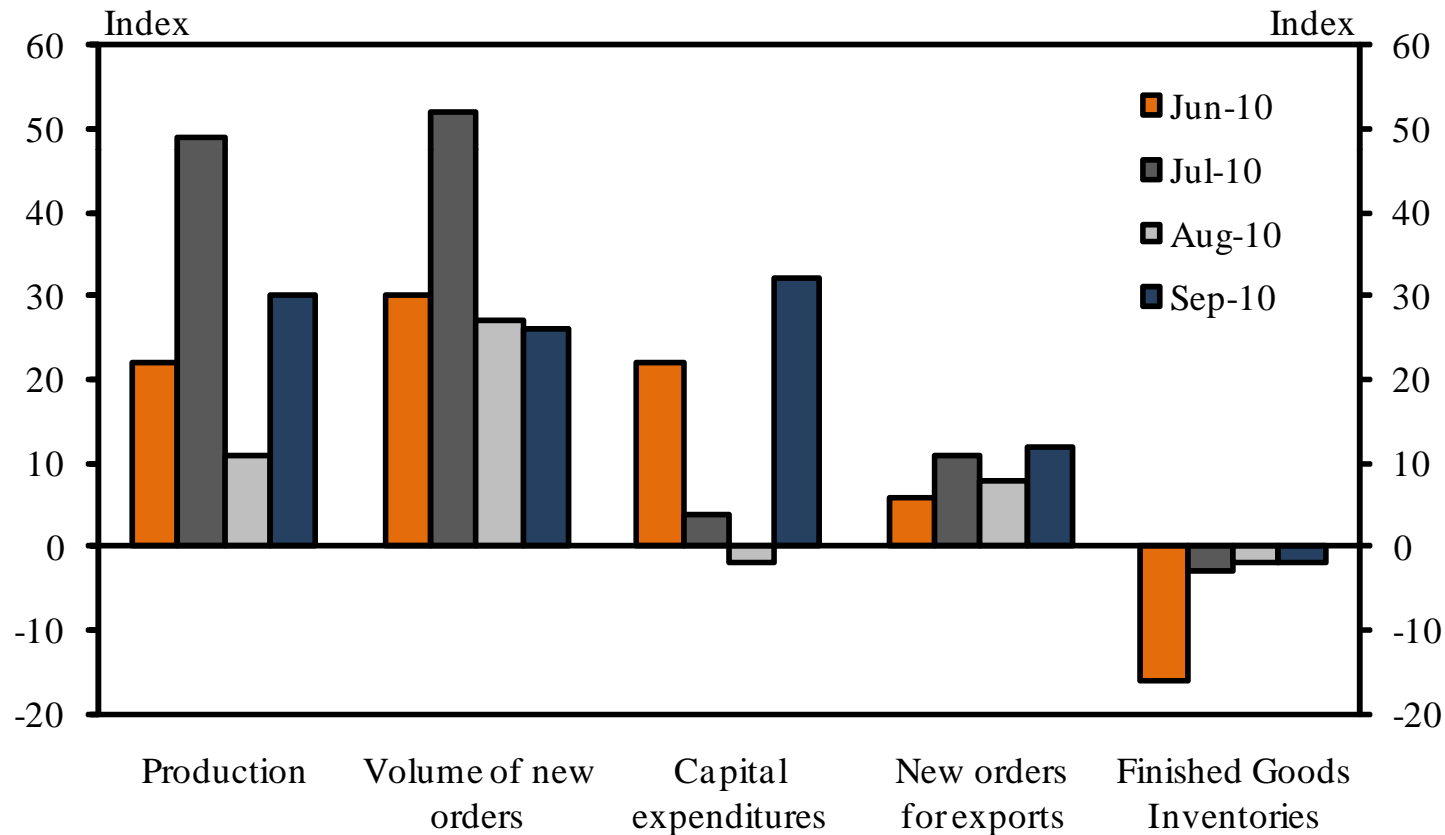


Sources: FRBKC Manufacturing Survey



Manufacturers expect further gains over the next six months.

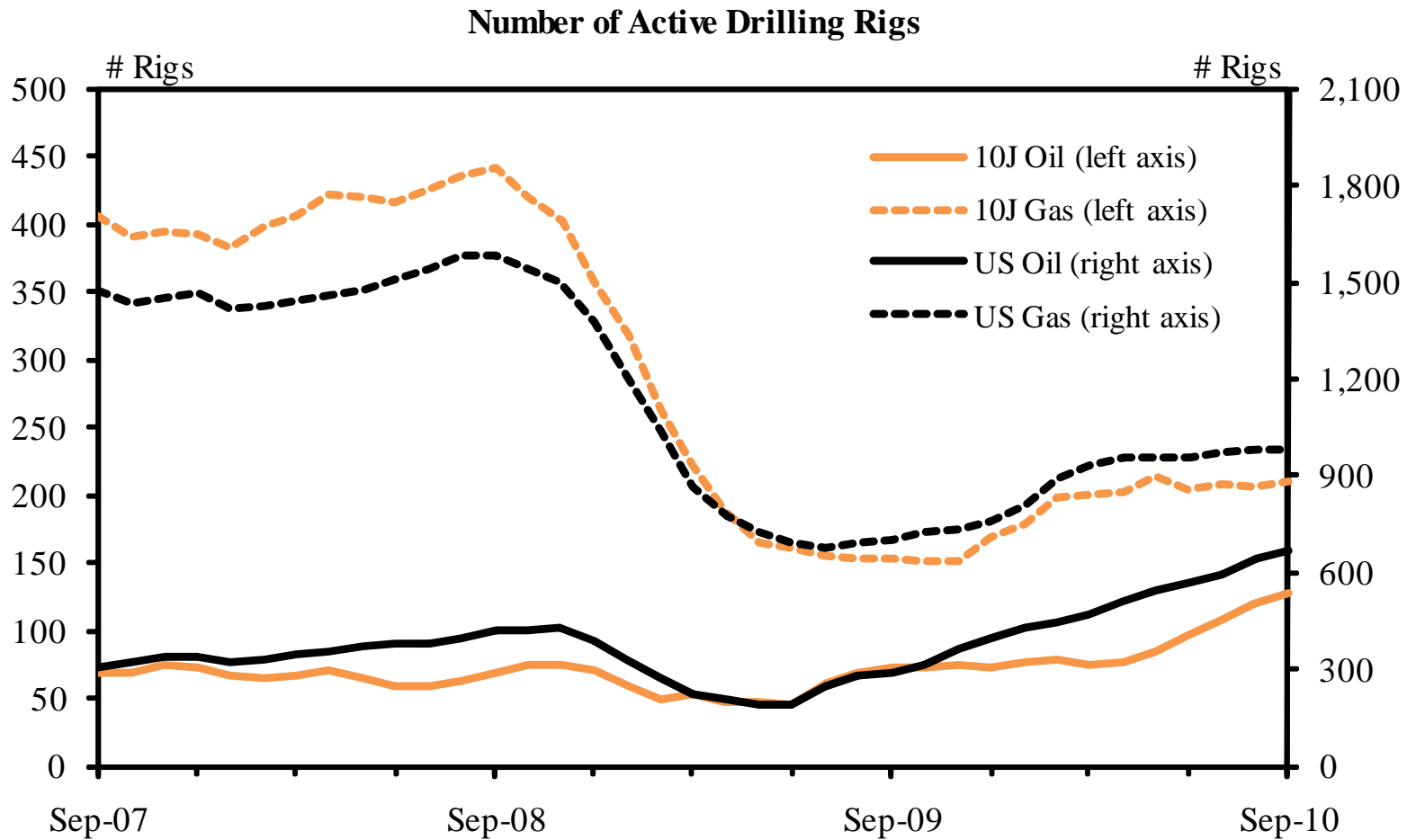
Kansas Manufacturing Expectations
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey



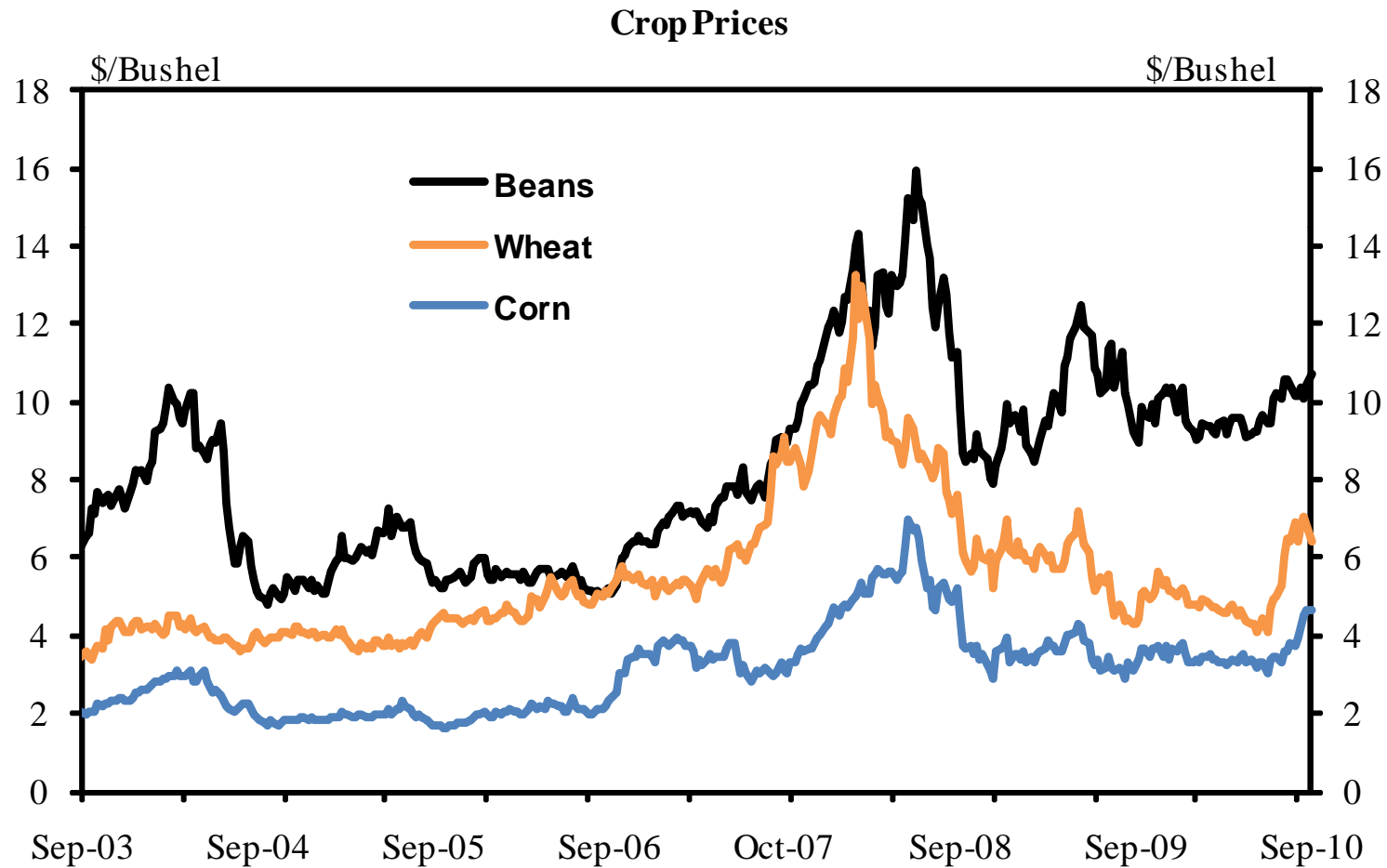
The energy sector is expanding, especially for oil producers.



Source: Baker-Hughes



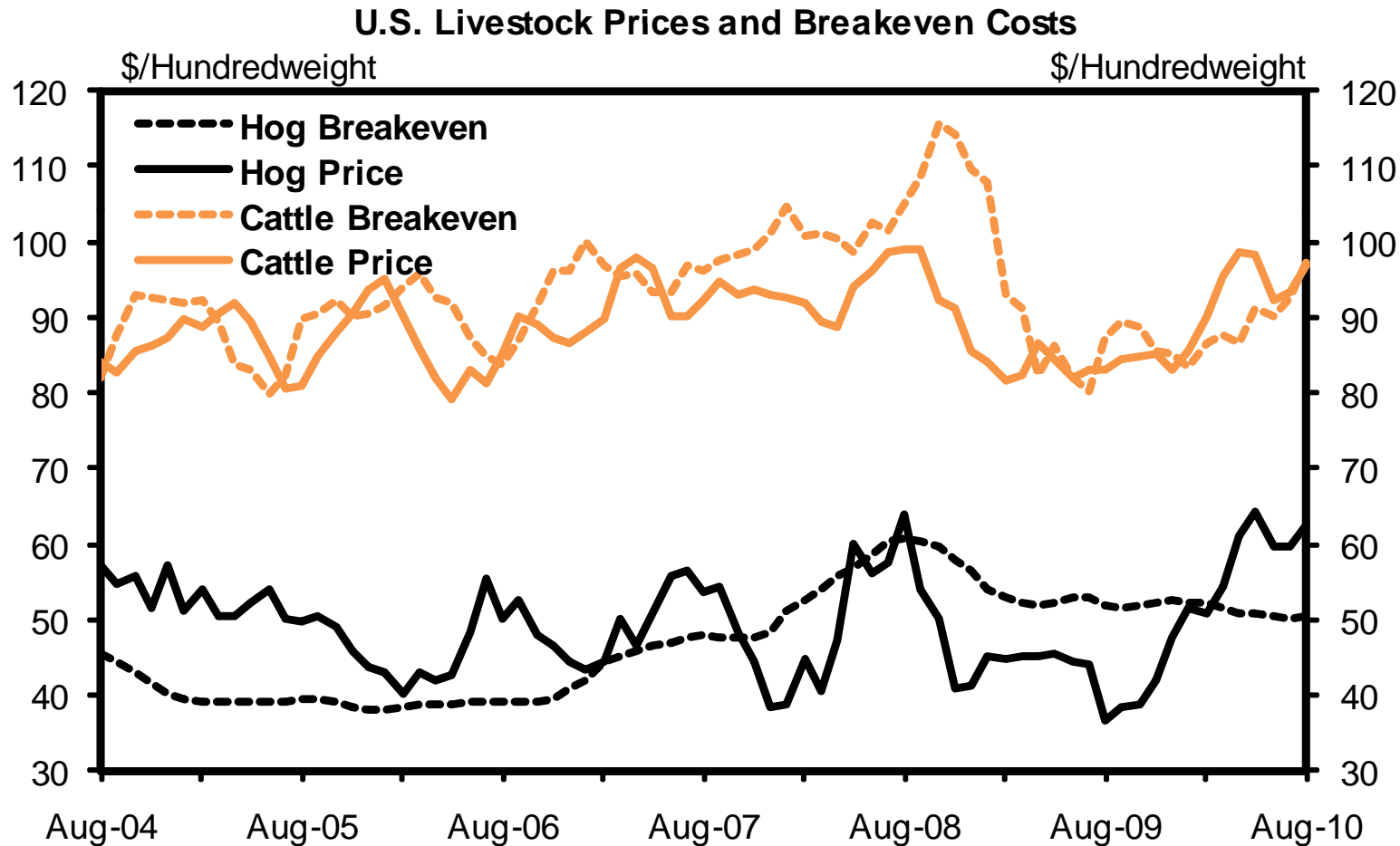
Lower global supplies are contributing to higher crop prices.



Source: Commodity Research Bureau



Incomes have increased for livestock producers this year.

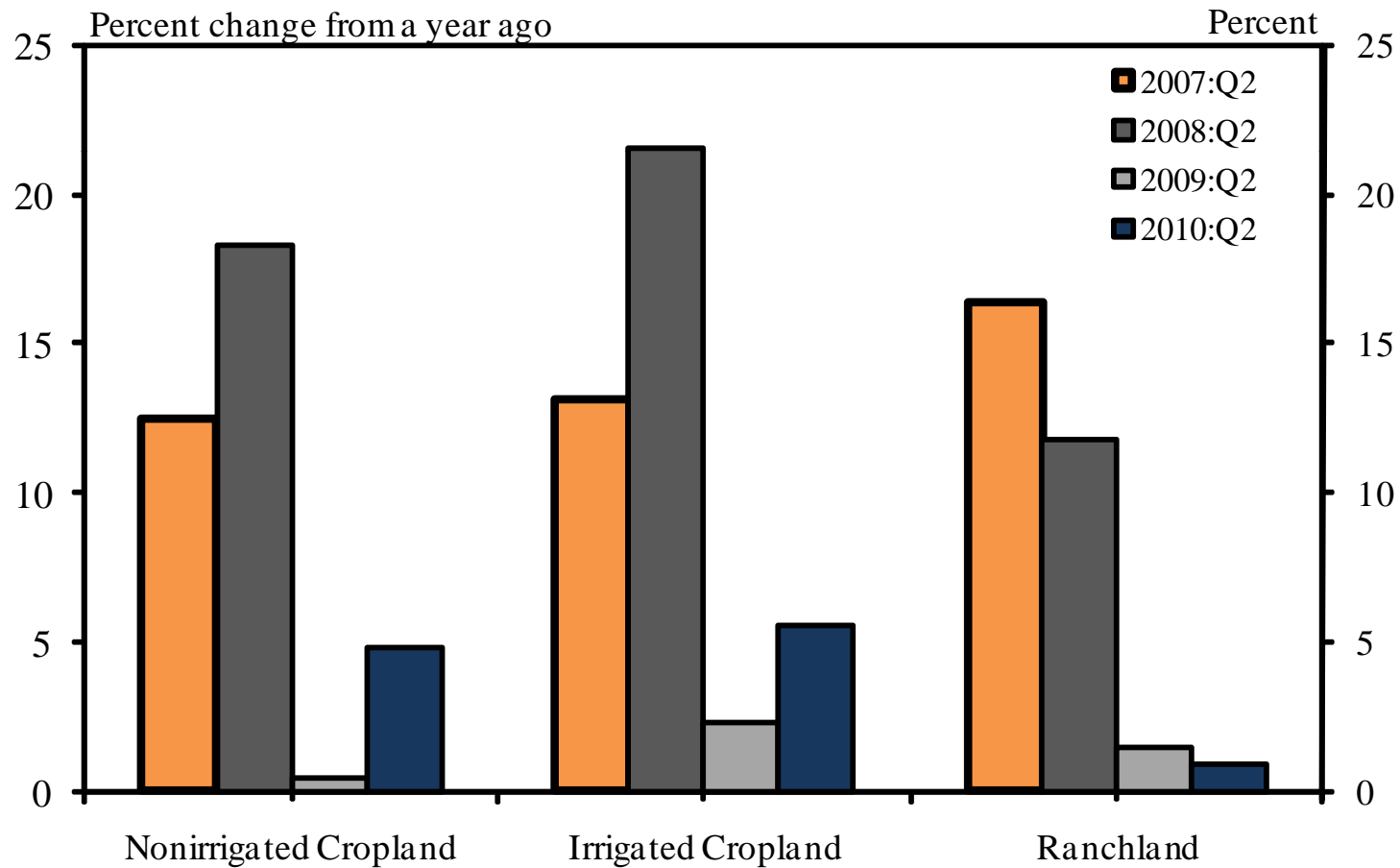


Source: USDA and Iowa State University



Farmland values continue to increase.

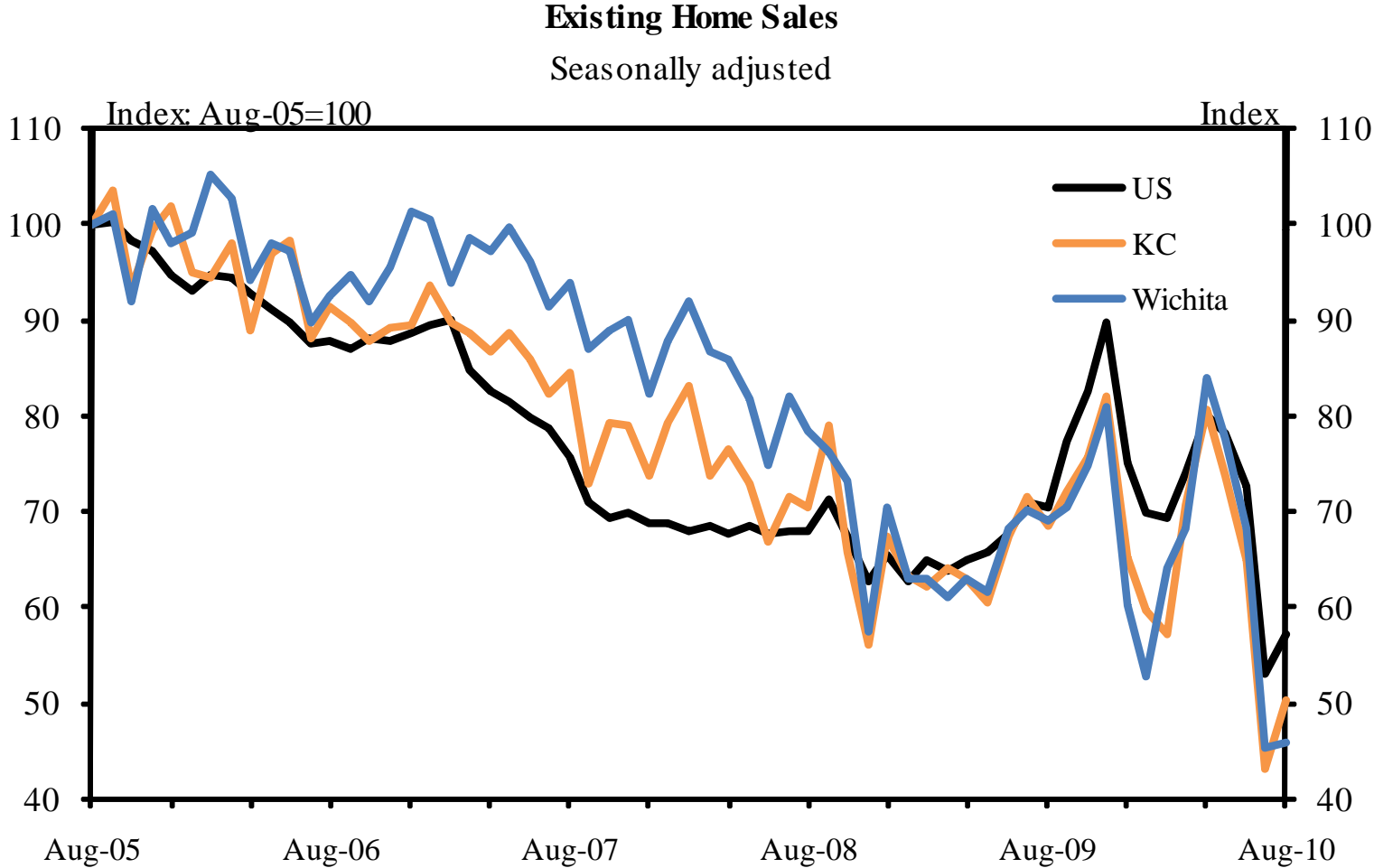
Tenth District Farmland Values



Source: FRBKC Ag Survey



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

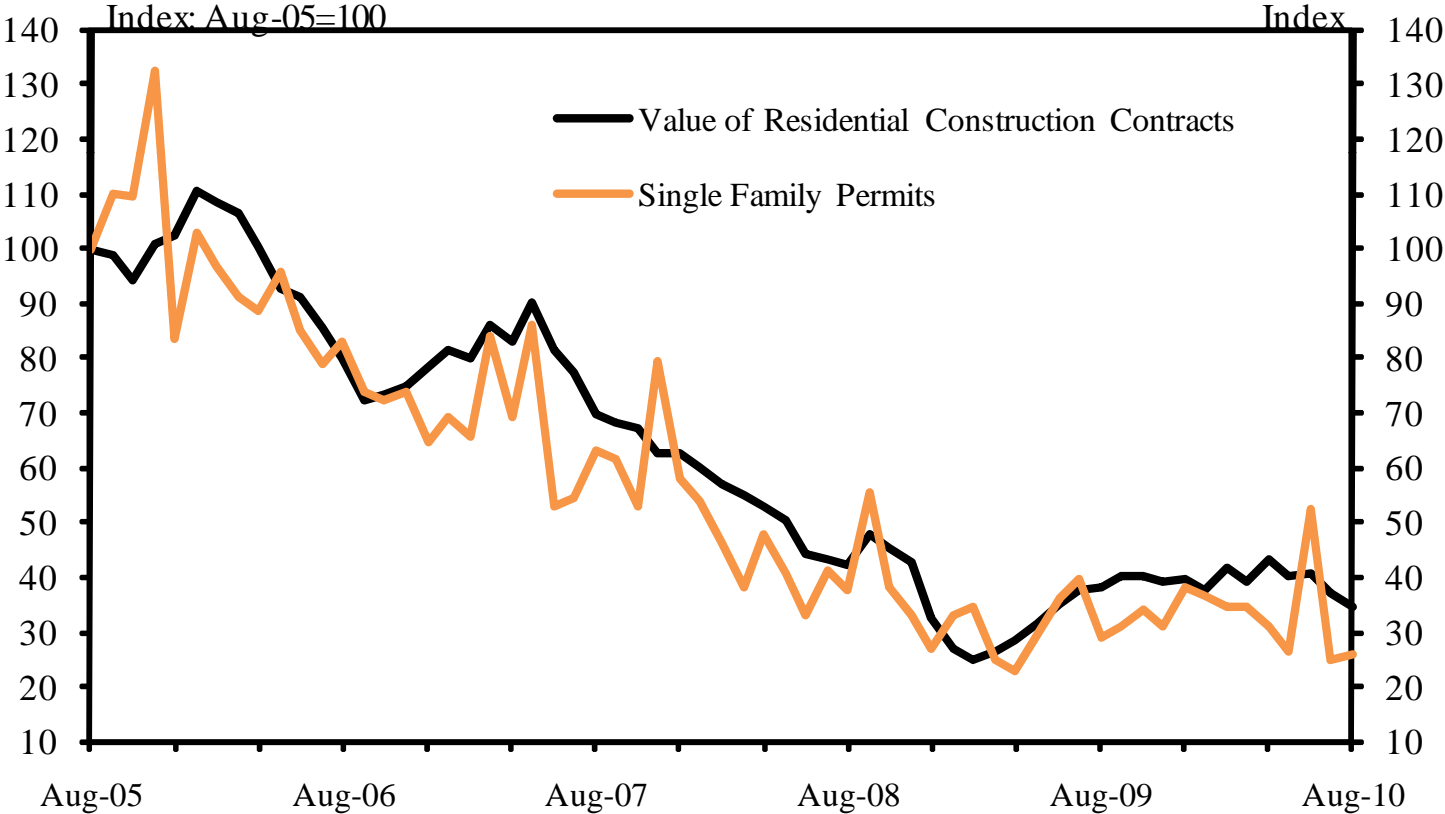


Source: NAR and Local Realtor Reports



Residential construction activity has weakened.

Kansas Housing Permits and Construction Contracts
Seasonally adjusted

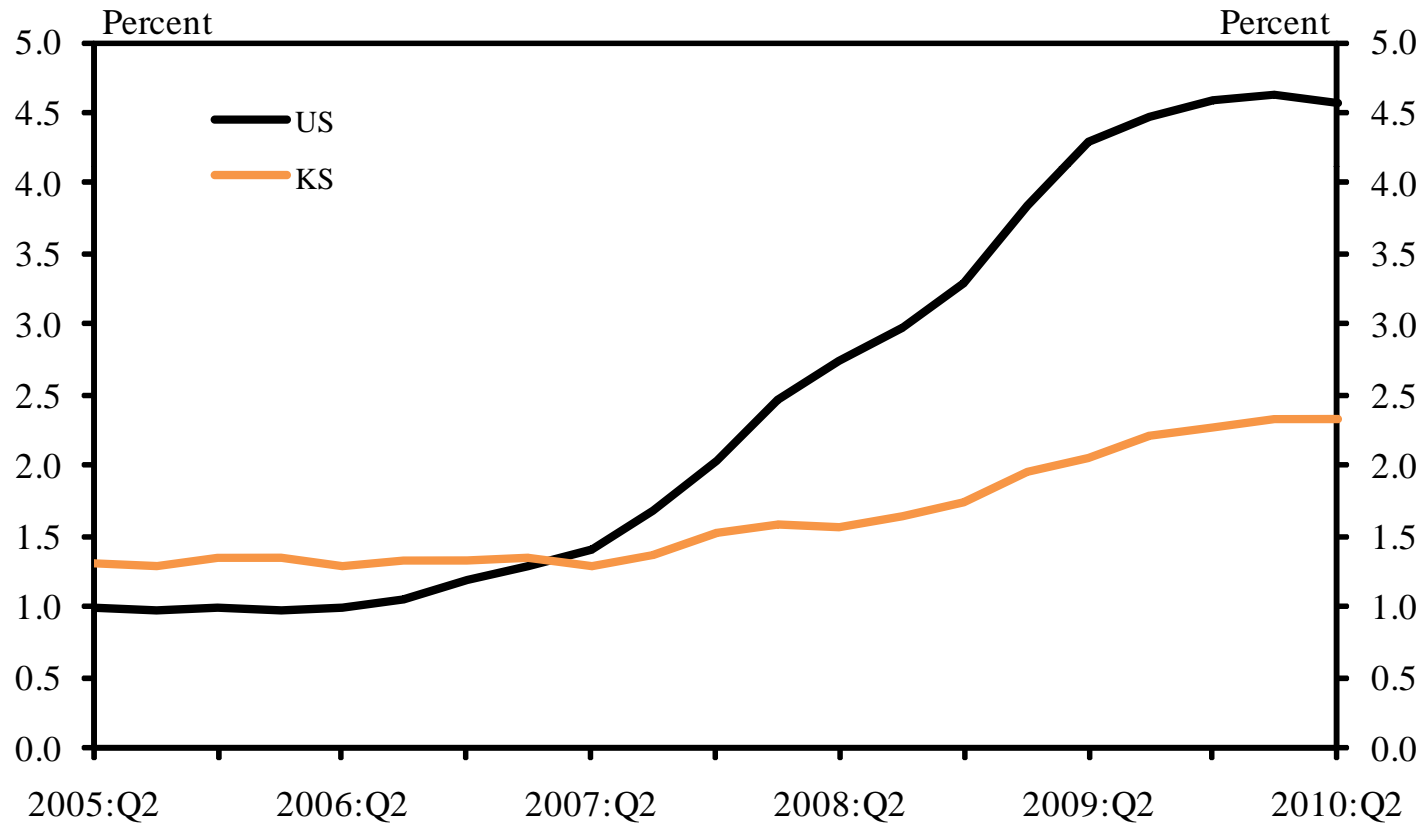


Source: FW Dodge and Census Bureau



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

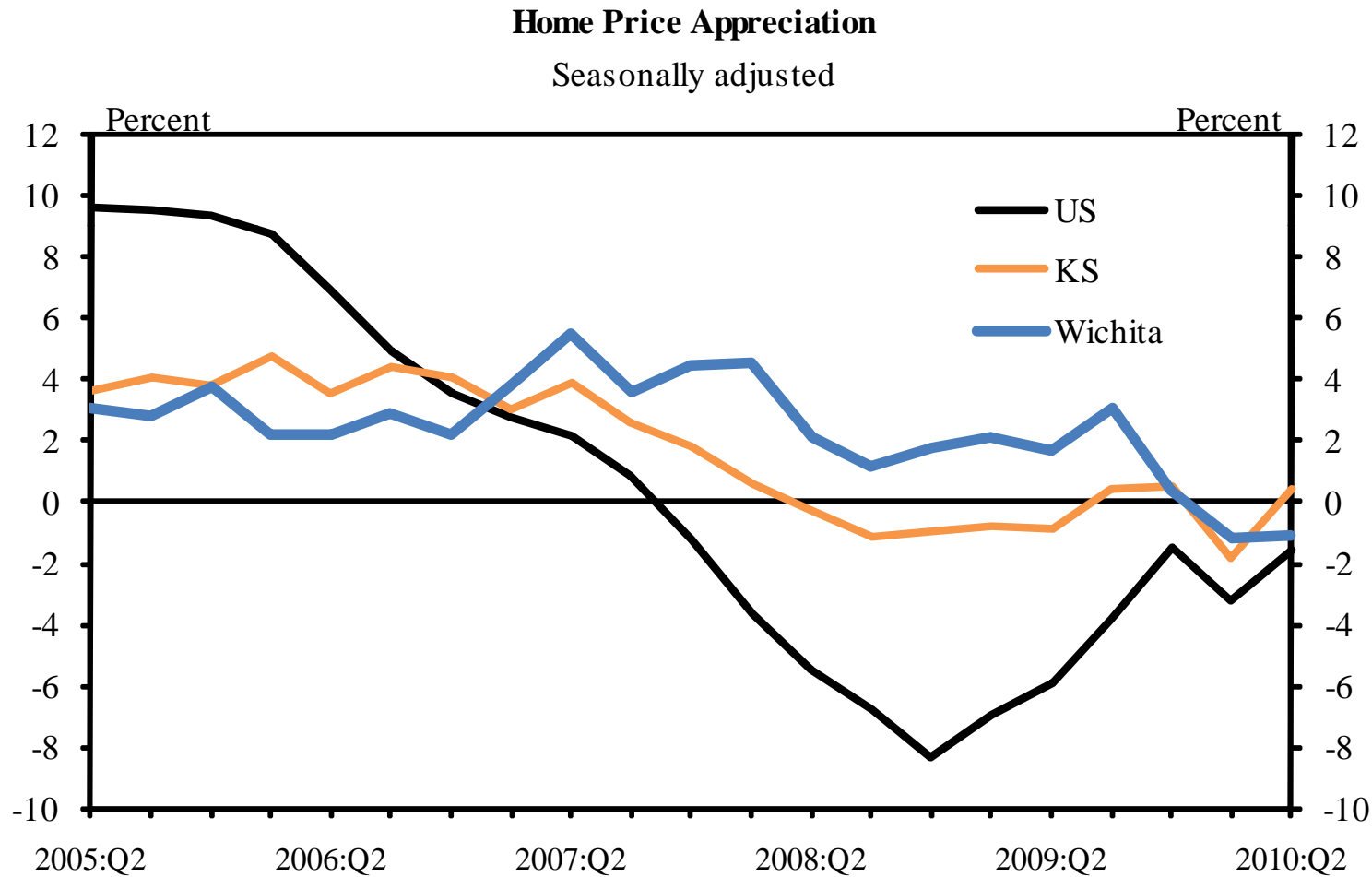
Foreclosure Rates



Source: Mortgage Bankers Association



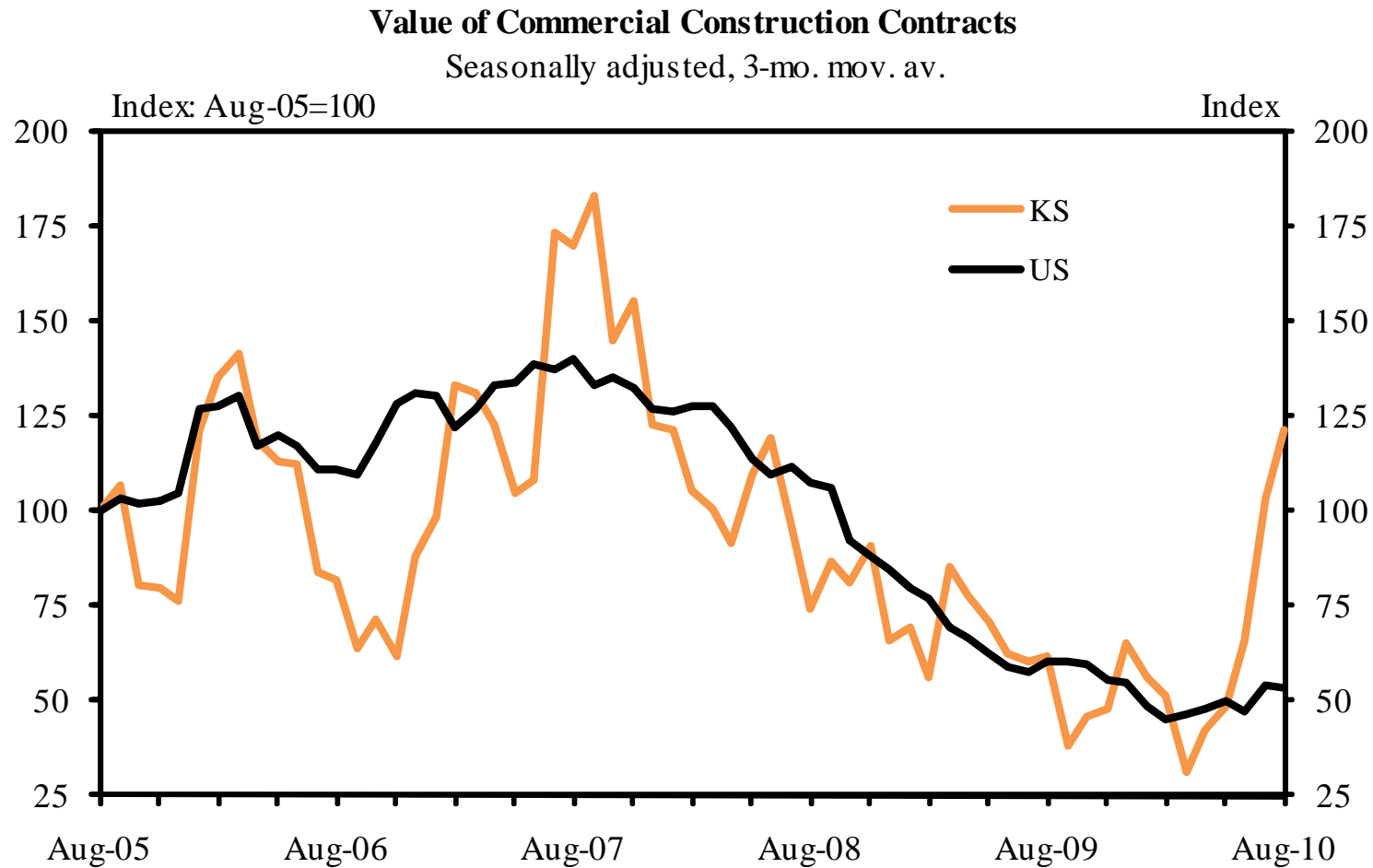
Home prices have held up relatively well in Kansas.



Source: FHFA



Commercial construction activity is increasing in Kansas.



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.

