

REGIONAL AND LOCAL ECONOMIC UPDATE

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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.

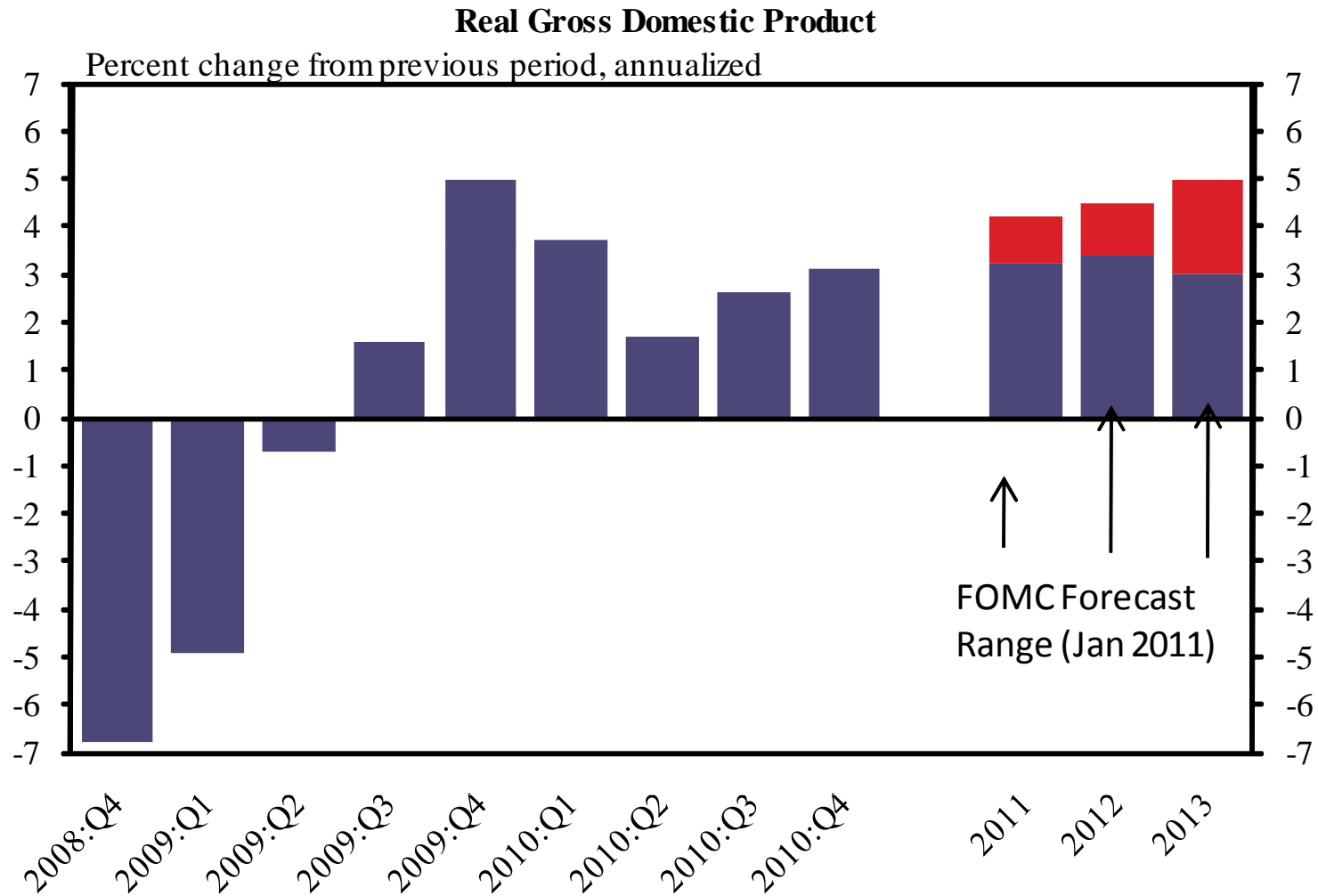
U.S. Economic Overview



- Incoming data suggest that the U.S. economy continues to recover at a modest pace.
 - ▣ Manufacturing activity is expanding.
 - ▣ The energy and agriculture sectors are booming.
 - ▣ Consumer spending is well above year-ago levels.

- However, the U.S. economy faces many challenges over the next few years.
 - ▣ Unemployment rates are likely to remain stubbornly high.
 - ▣ Residential construction activity remains weak, constrained in part by excess housing supply, falling prices and high foreclosure rates.

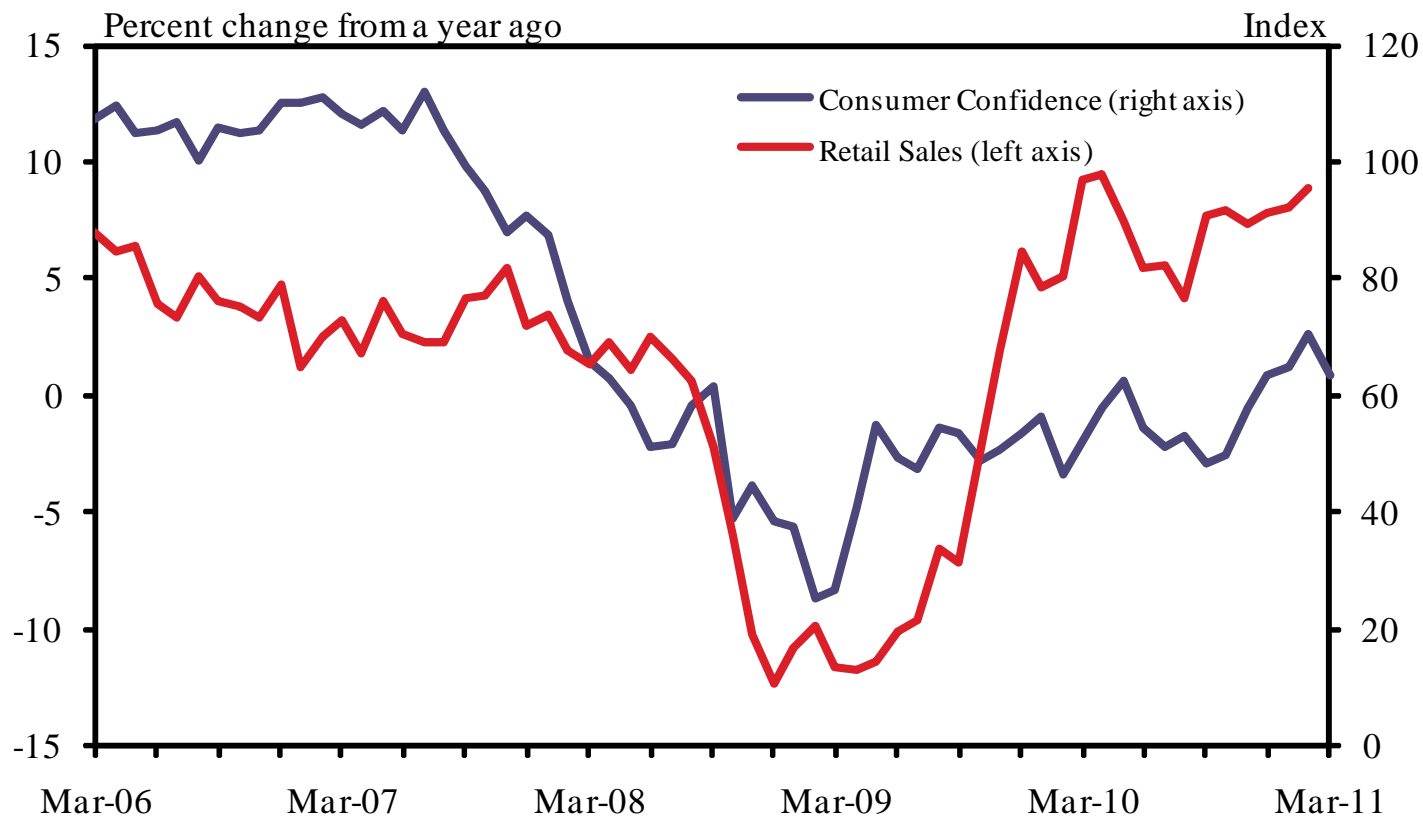
A moderate recovery is expected to continue over the next few years.



Source: Bureau of Economic Analysis; FOMC

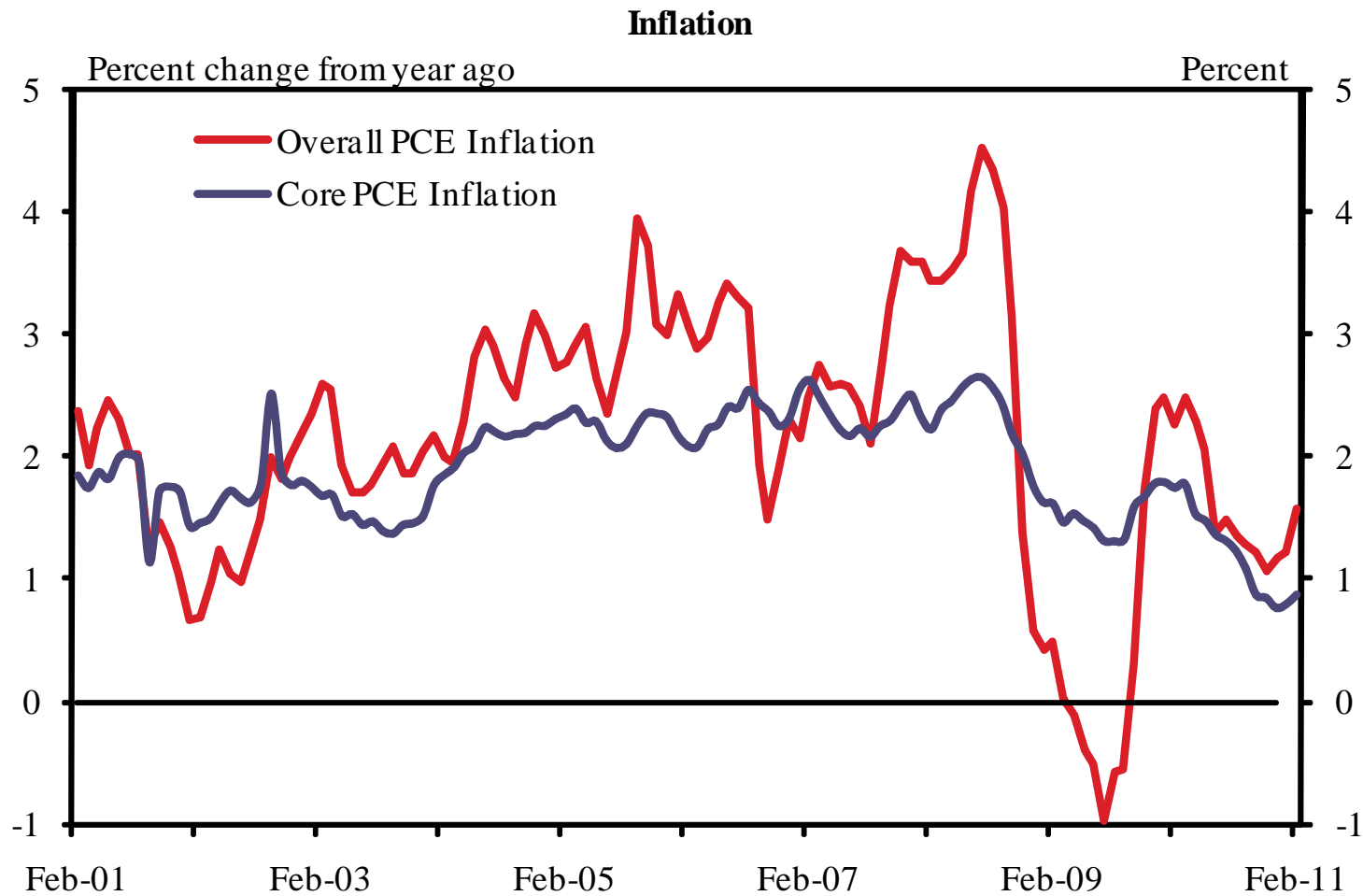
Consumers are spending more as confidence levels gradually increase.

Retail Sales and Consumer Confidence



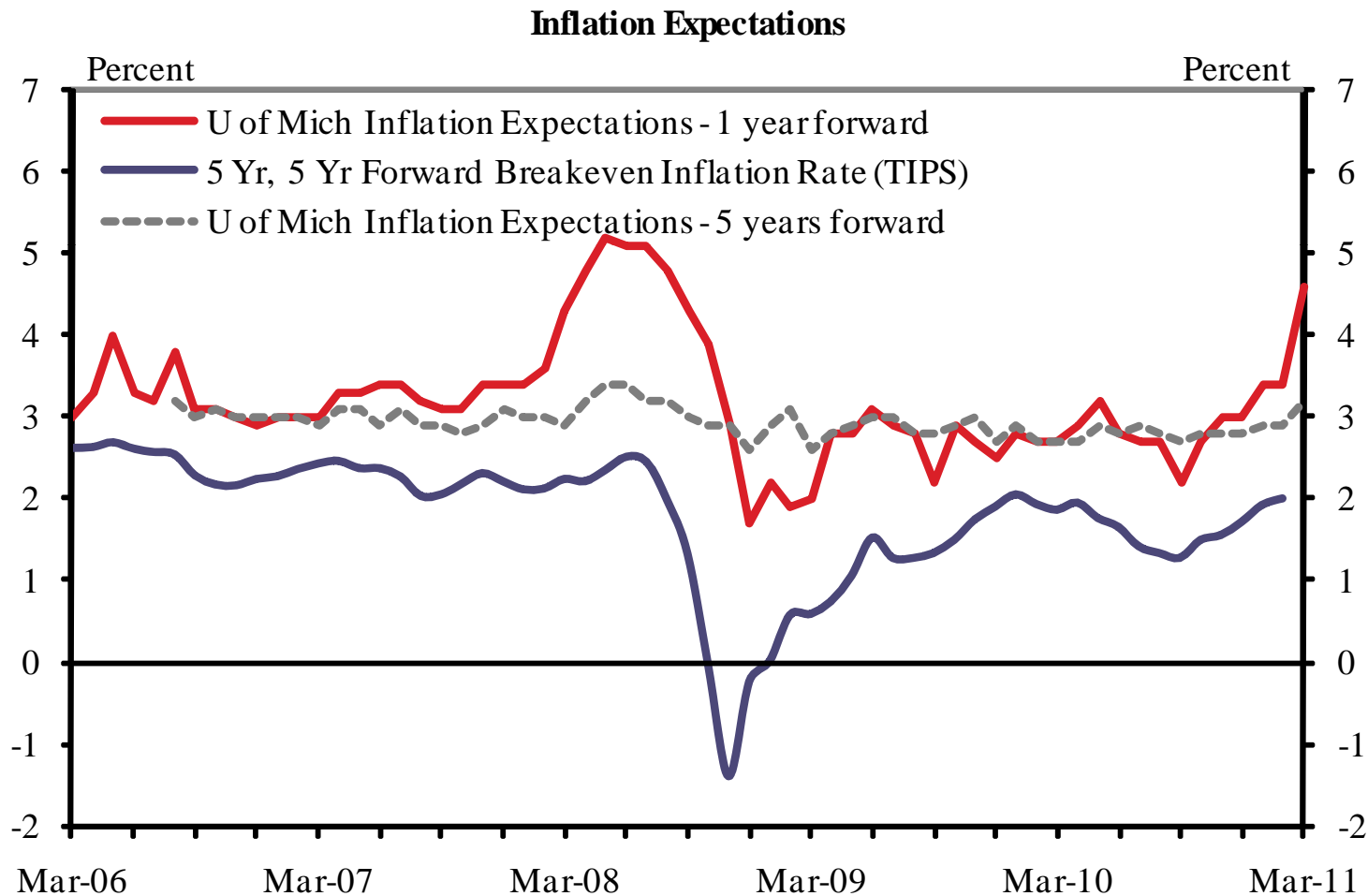
Source: Census Bureau and Consumer Confidence Board

Inflation remains subdued but is starting to increase slightly.



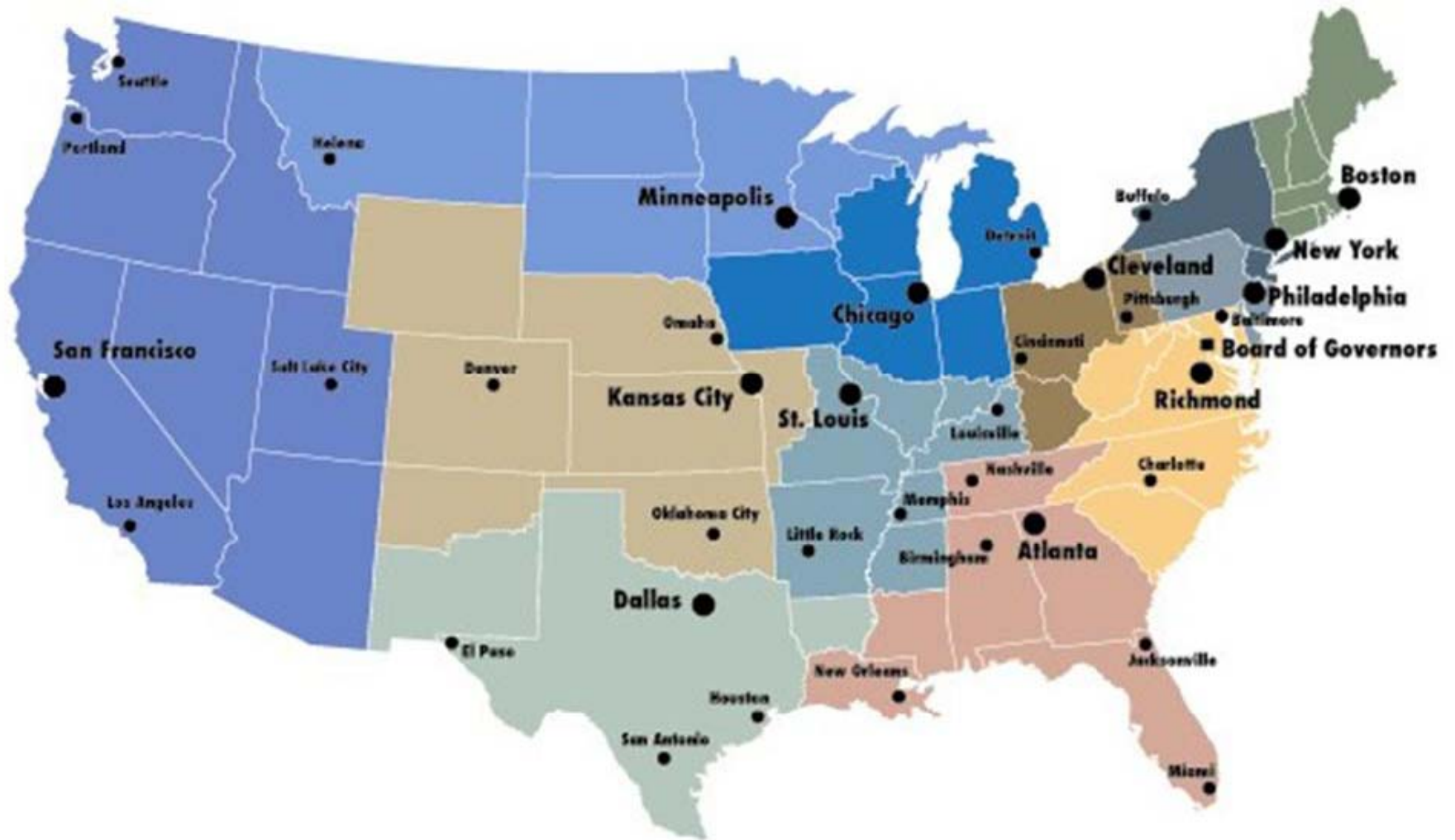
Source: Bureau of Economic Analysis

Inflation expectations have also ticked up recently.



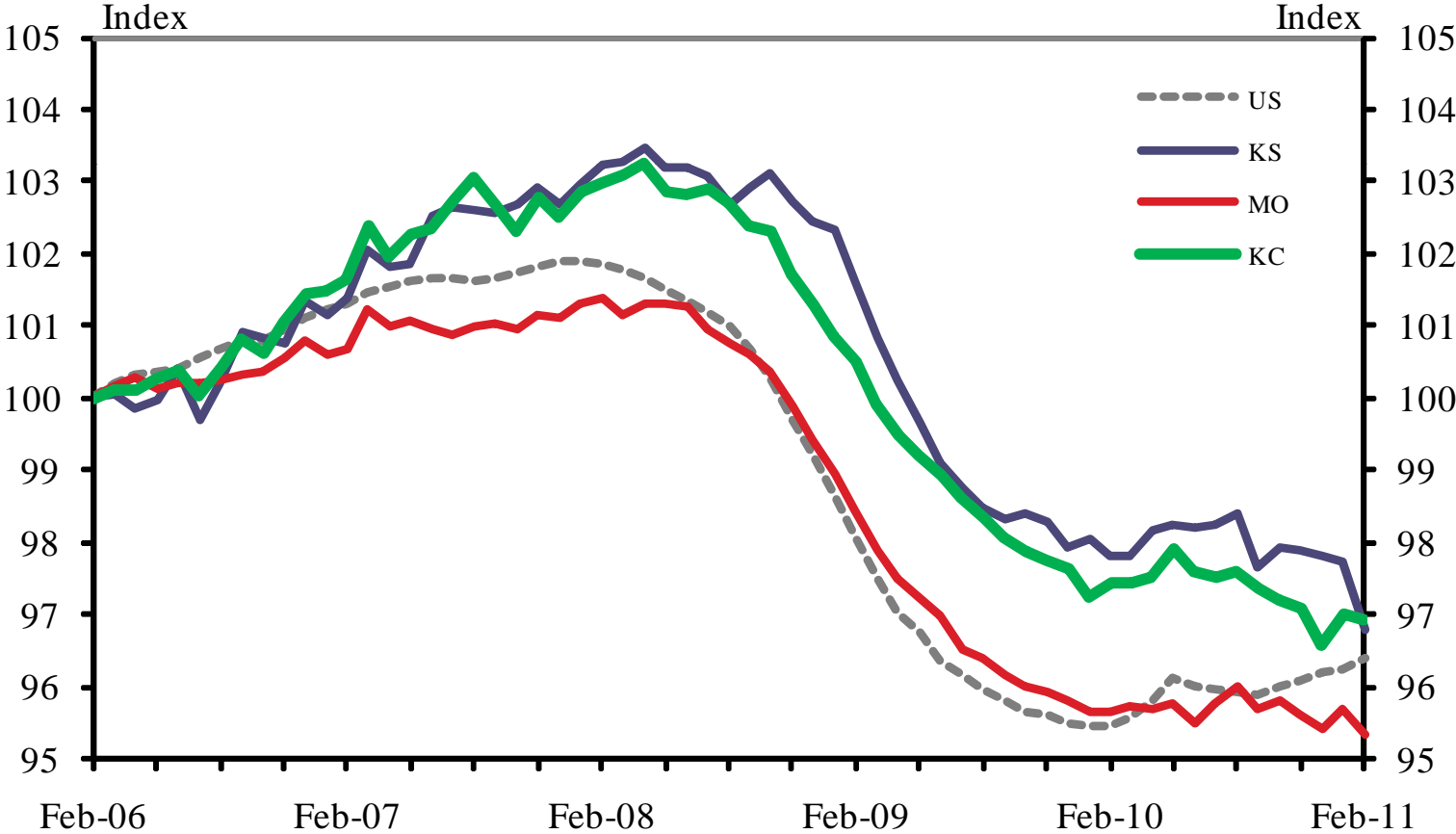
Source: University of Michigan and Federal Reserve Board of Governors

The Tenth District of the Federal Reserve



Employment fell sharply during the recession.

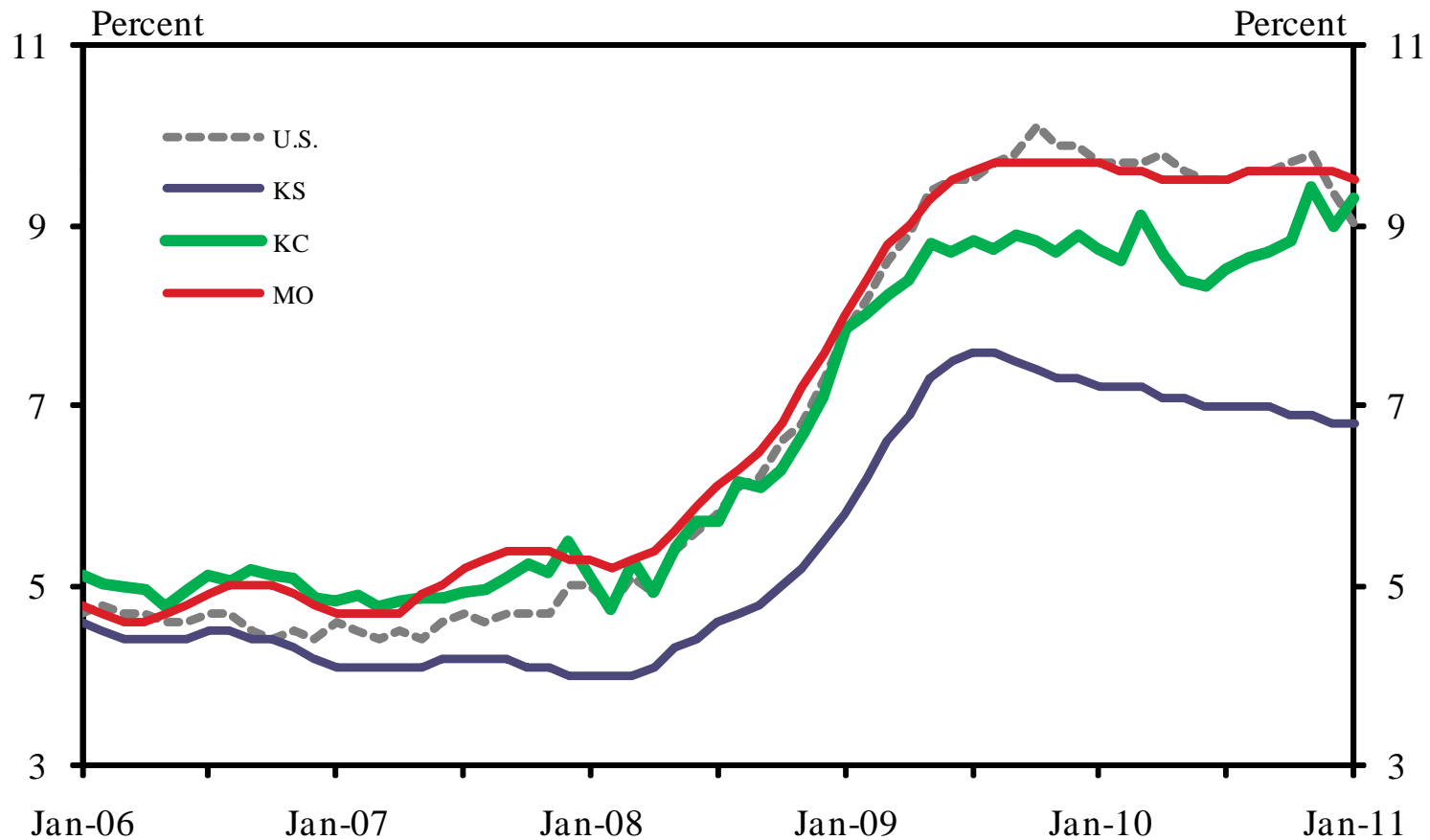
Total Nonfarm Employment
Seasonally adjusted



Source: Bureau of Labor Statistics

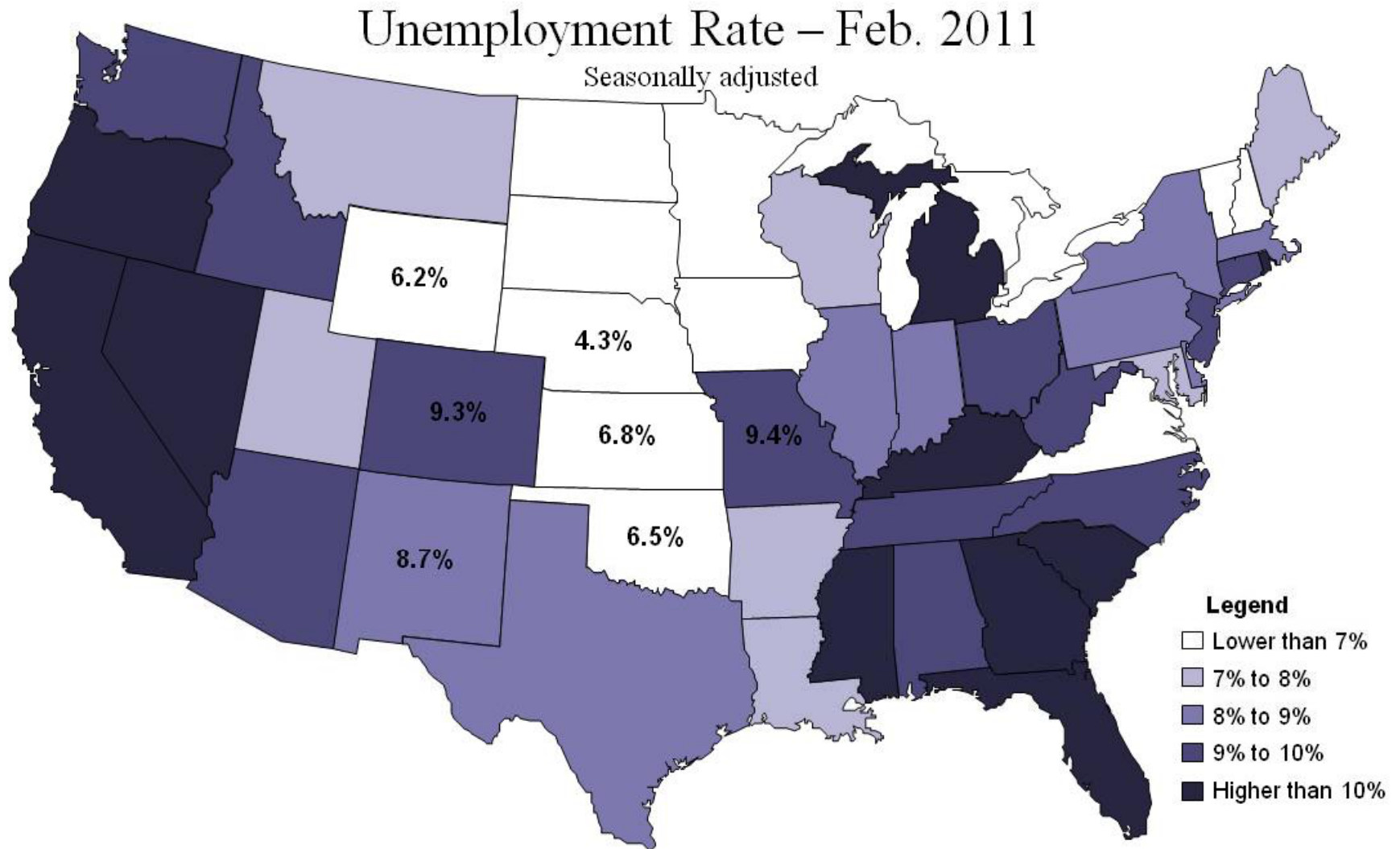
Unemployment rates remain elevated.

Unemployment Rate
Seasonally adjusted



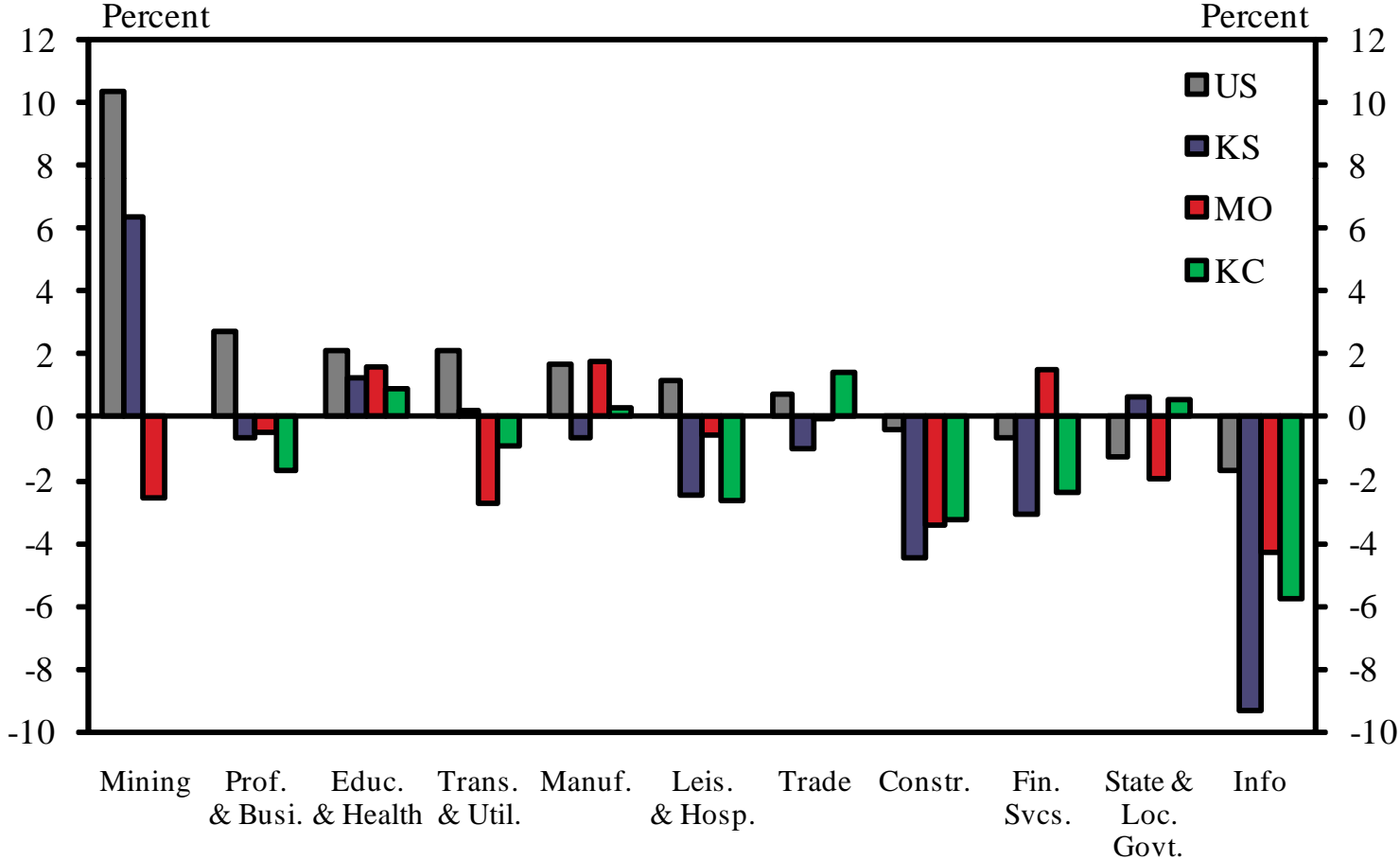
Source: Bureau of Labor Statistics

There are large regional differences in unemployment rates.



Employment continued to decline in most industries in Kansas City over the past year.

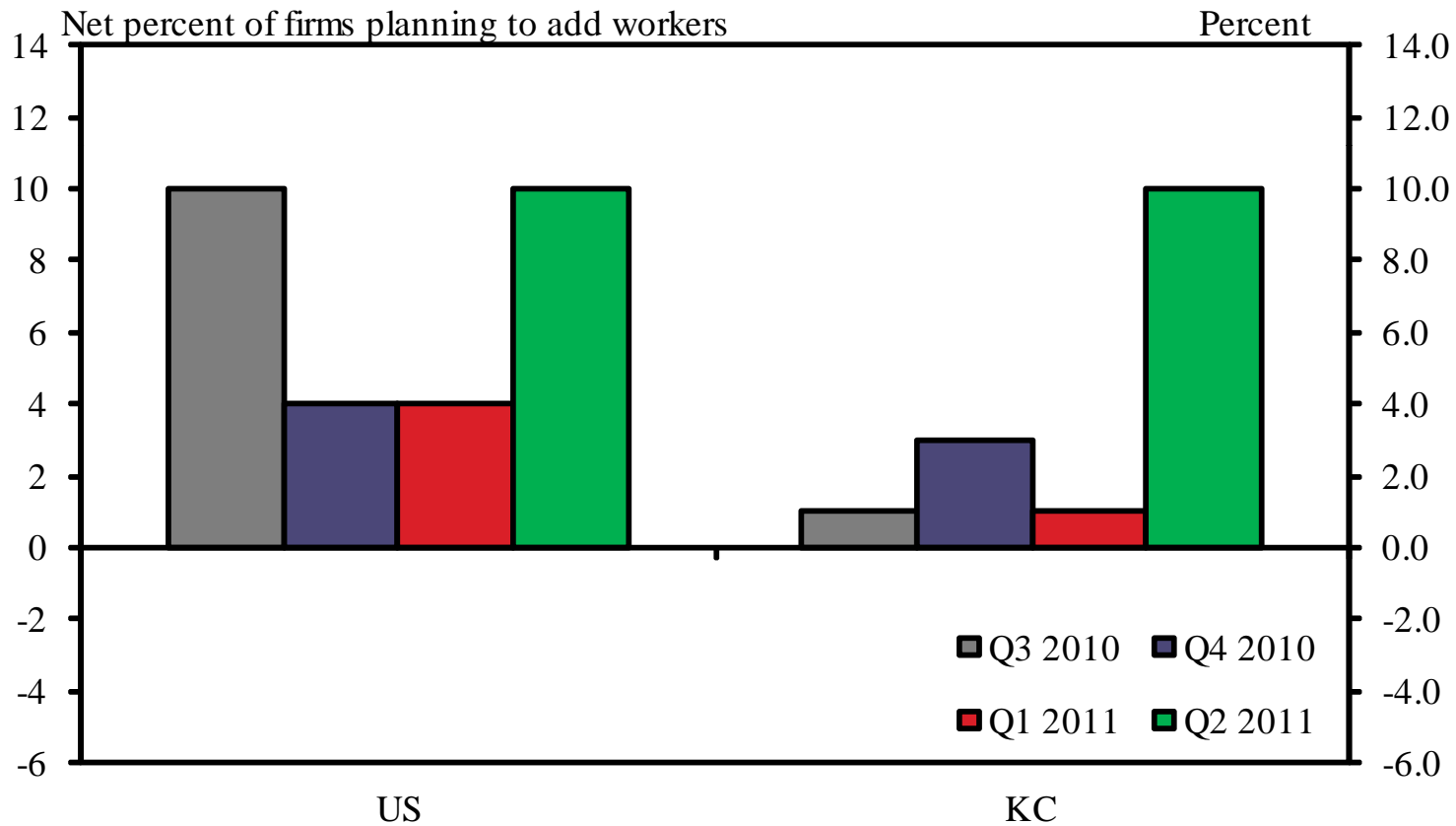
Employment Growth by Industry
Feb-11 over Feb-10



Source: Bureau of Labor Statistics

Hiring expectations increased for the second quarter.

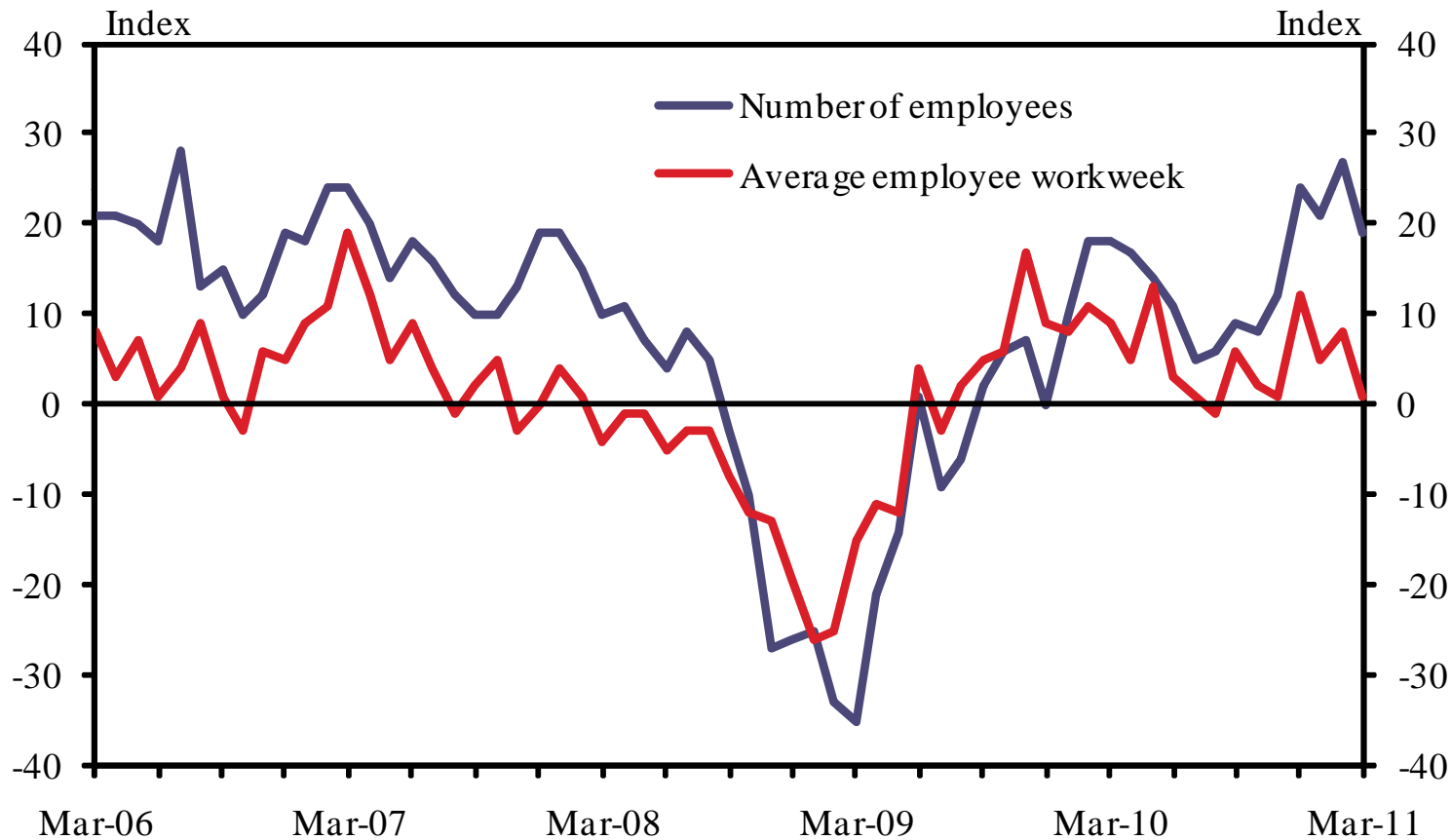
Hiring Expectations



Source: Manpower Inc.

Manufacturers expect to hire more workers over the next 6 months.

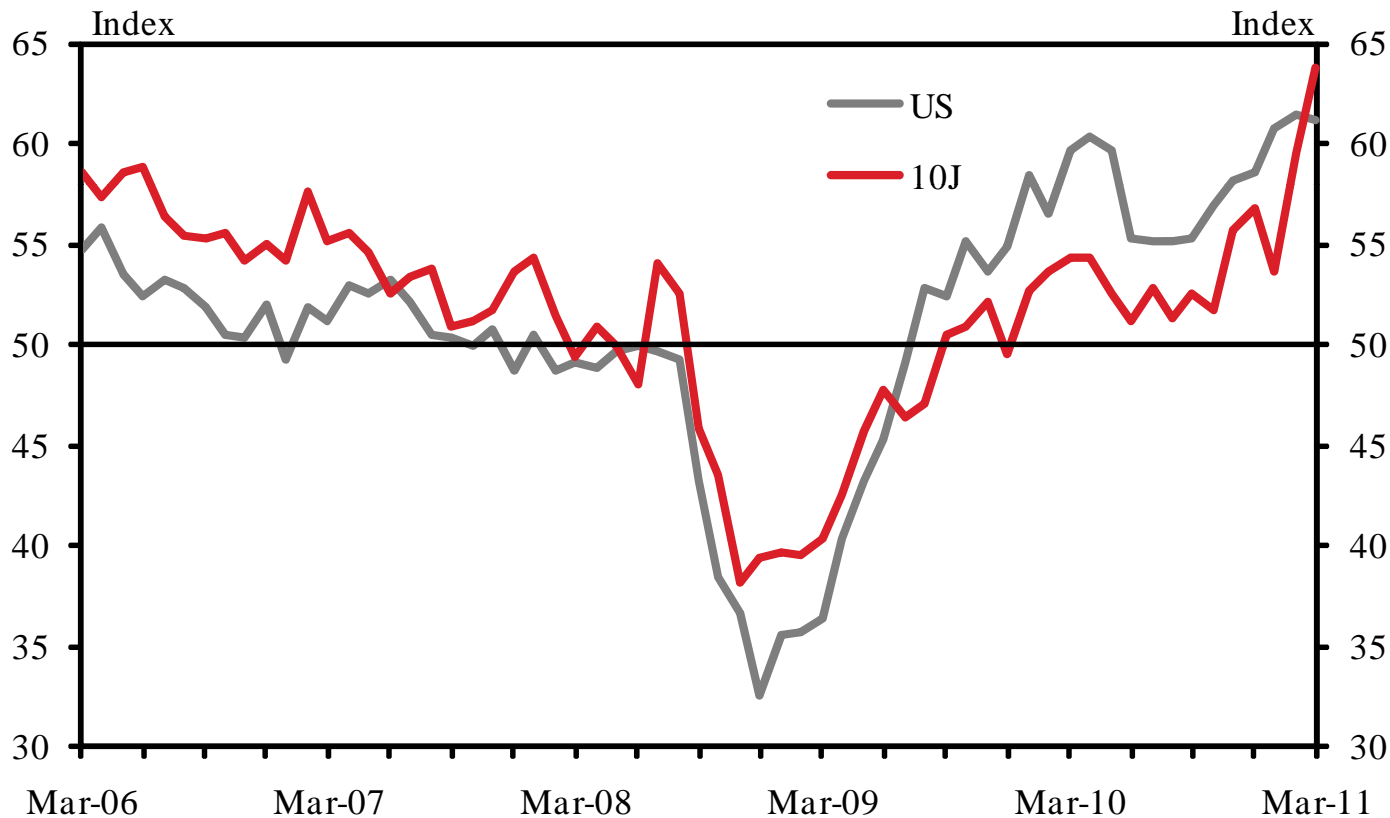
Expected Employment Indexes - Manufacturing
Seasonally adjusted; six months ahead



Sources: FRBKC Manufacturing Survey

Manufacturing activity continues to expand.

Manufacturing Activity
Seasonally adjusted; month-over-month

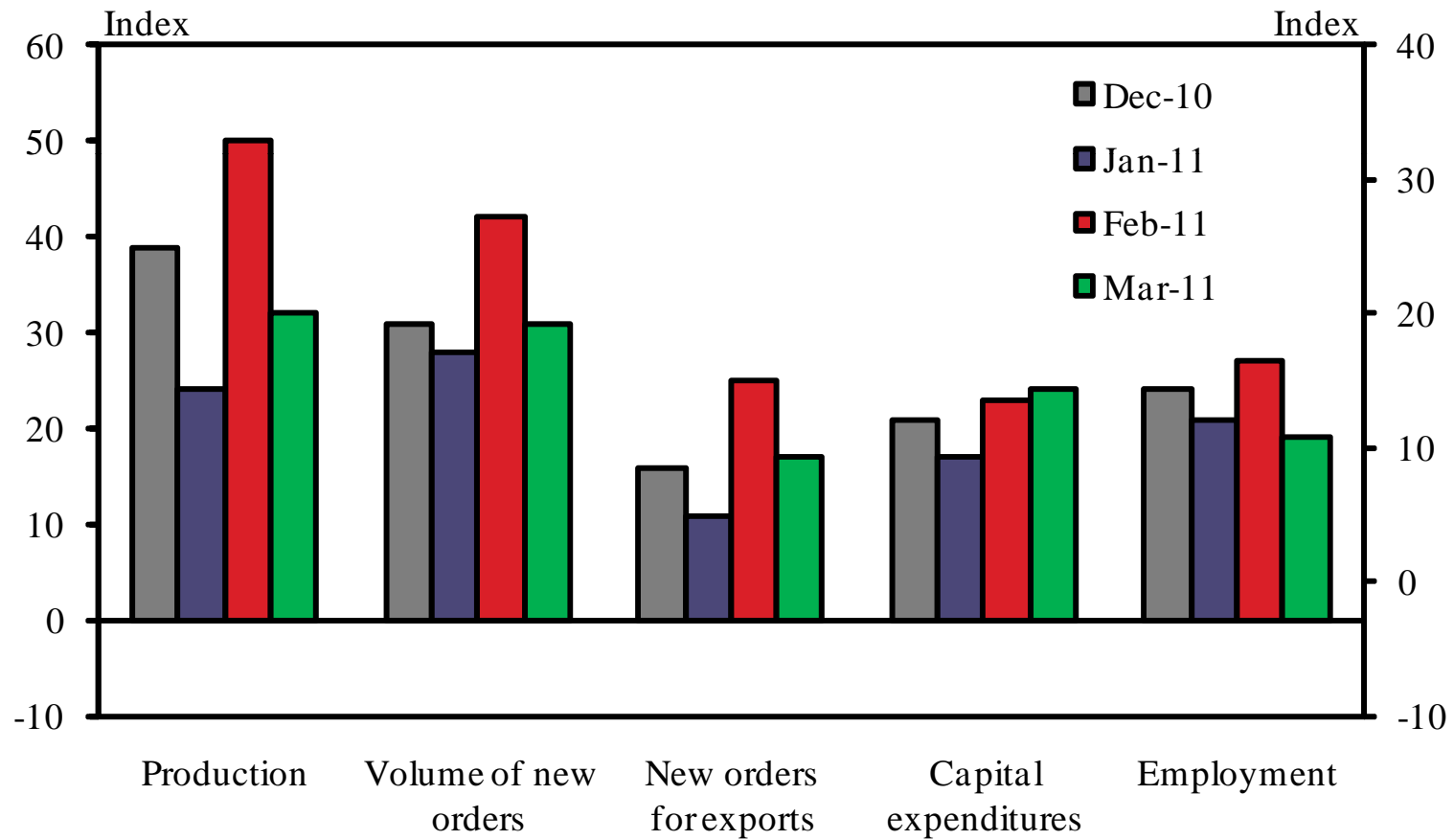


Sources: ISM, FRBKC Manufacturing Survey

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

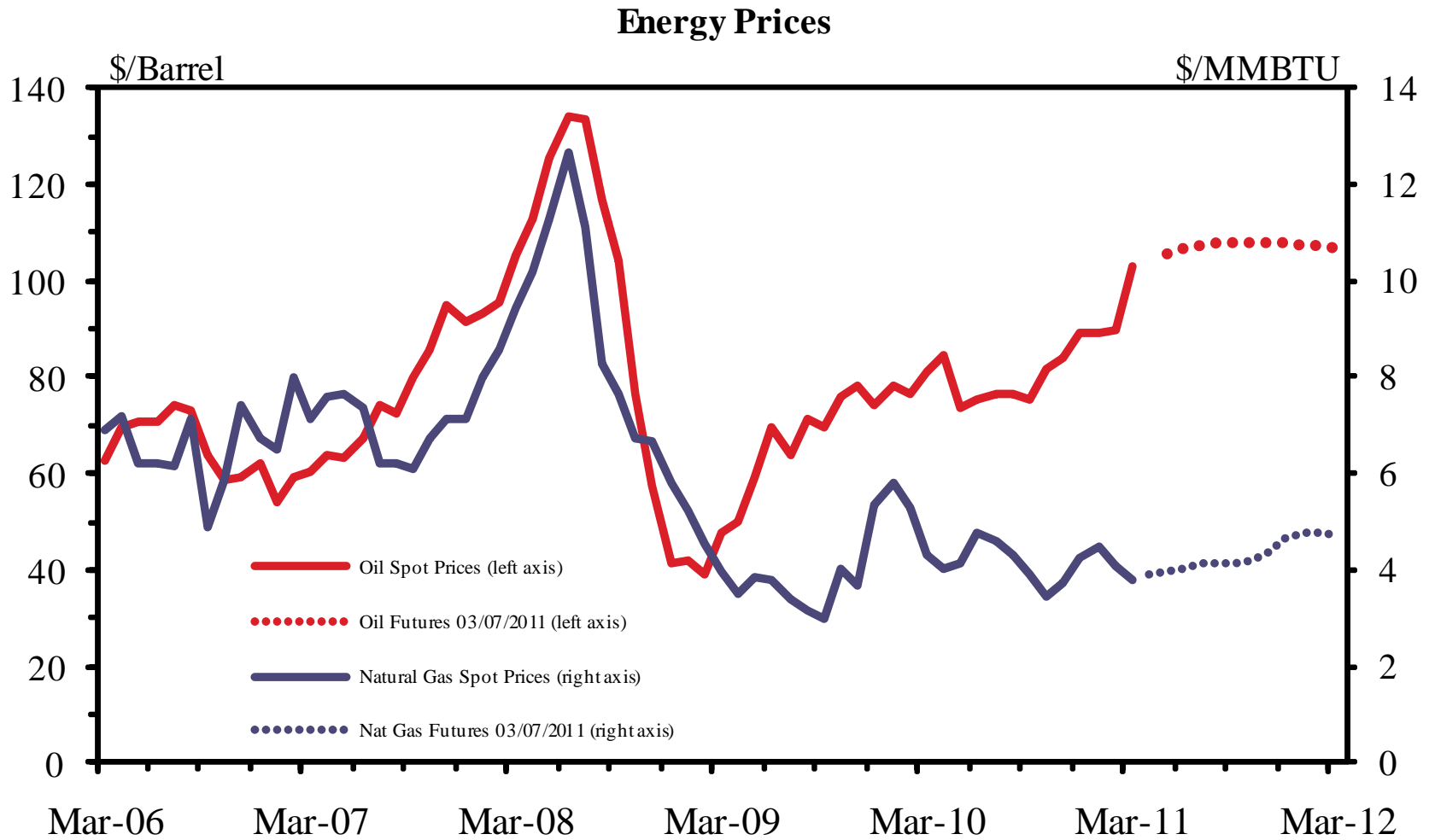
Manufacturers expect further gains over the next six months.

Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead



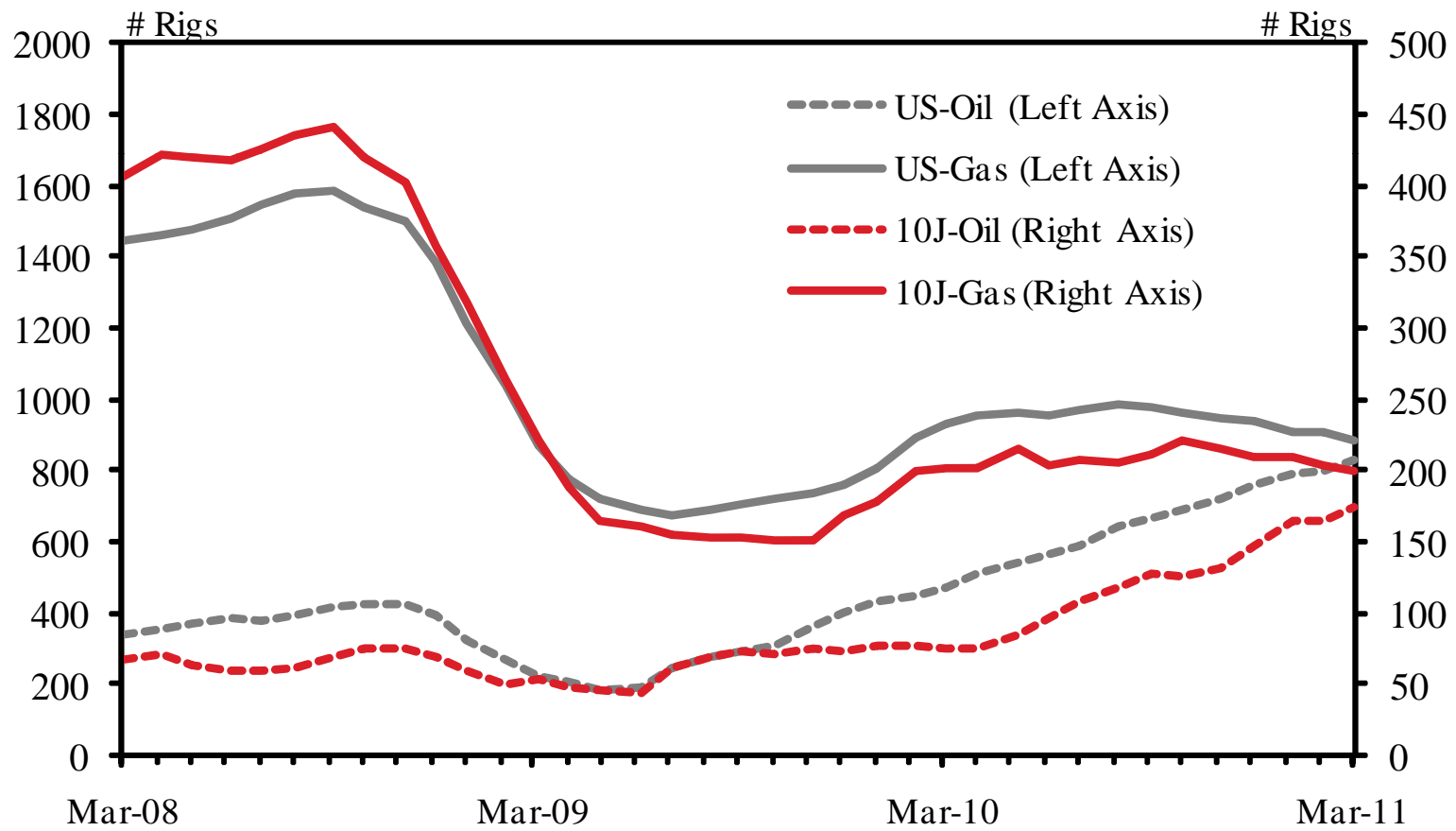
Source: FRBKC Manufacturing Survey

Oil prices have increased sharply.



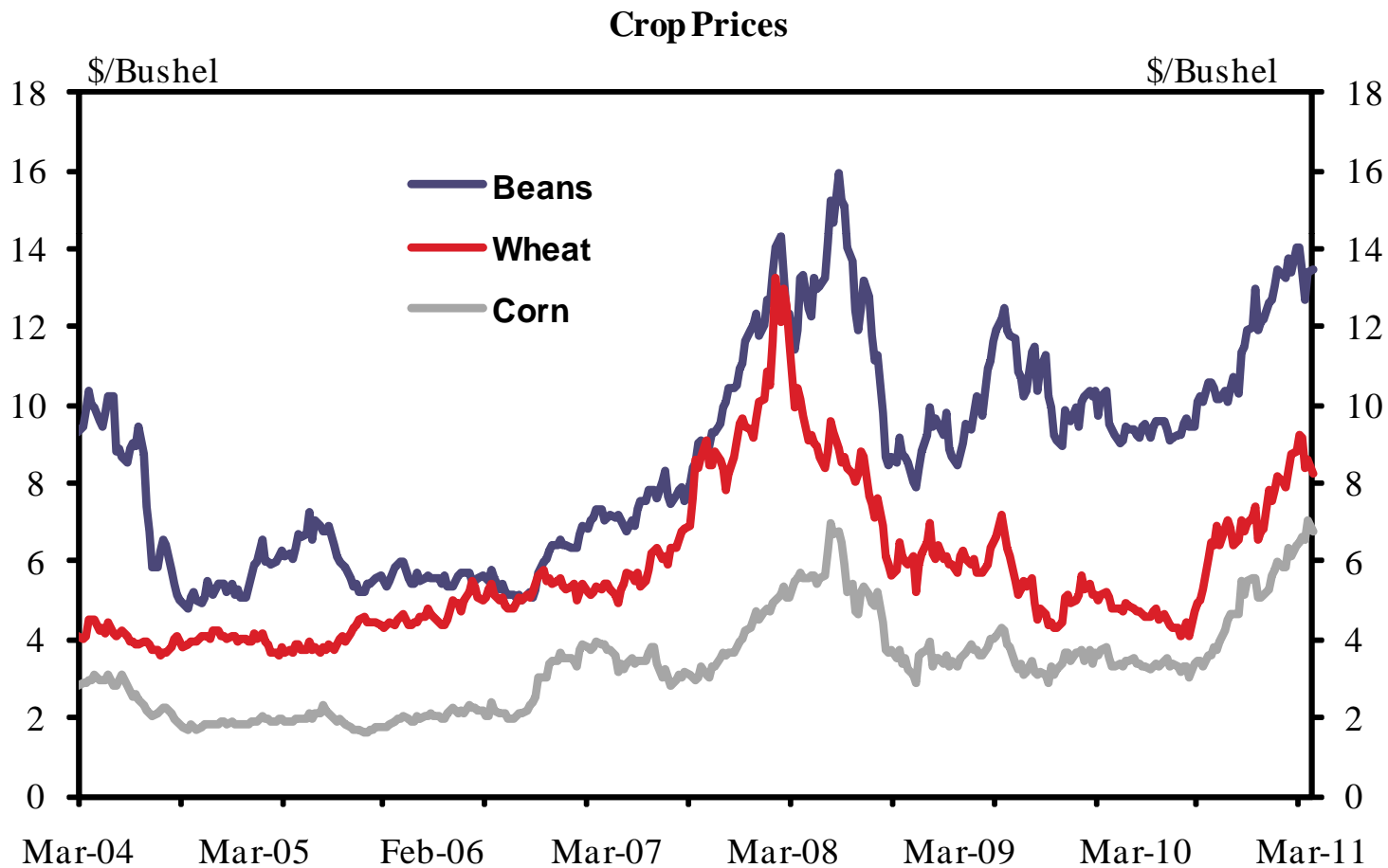
The energy sector is expanding, especially for oil producers.

Count of Active Drilling Rigs



Source: Baker-Hughes

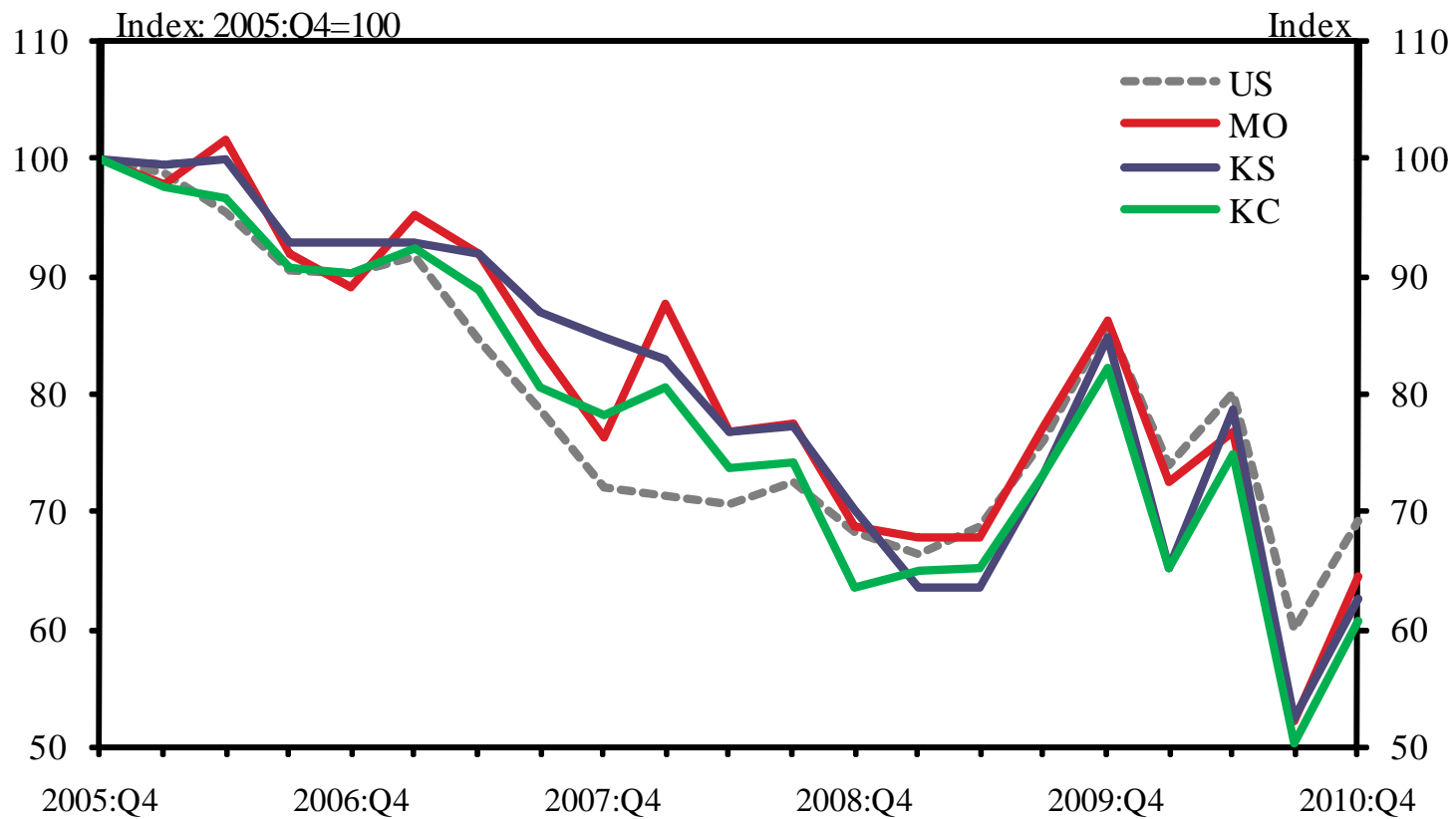
Lower supplies and increased demand have led to higher crop prices.



Source: Commodity Research Bureau

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

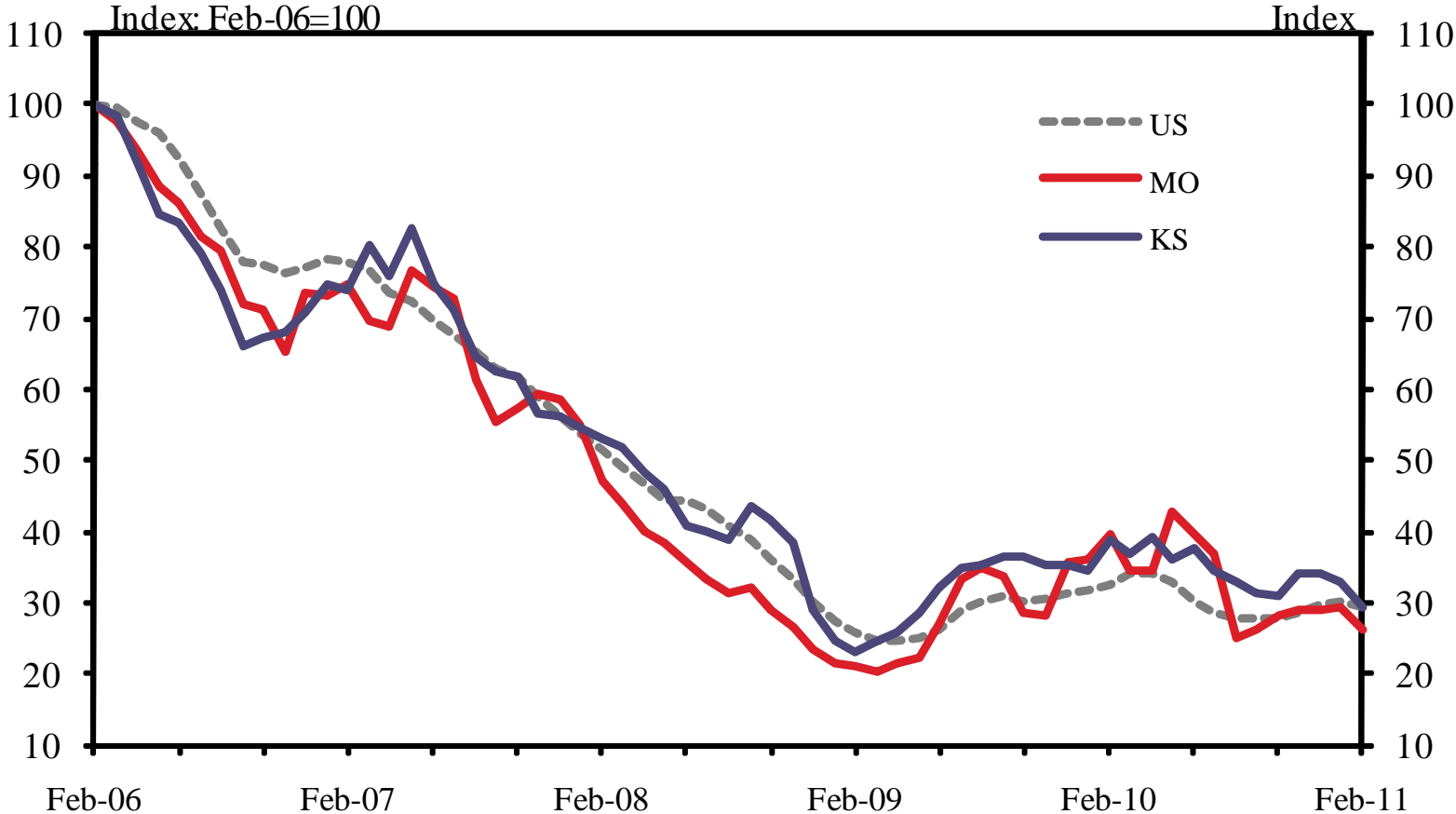
Existing Home Sales
Seasonally adjusted



Source: NAR

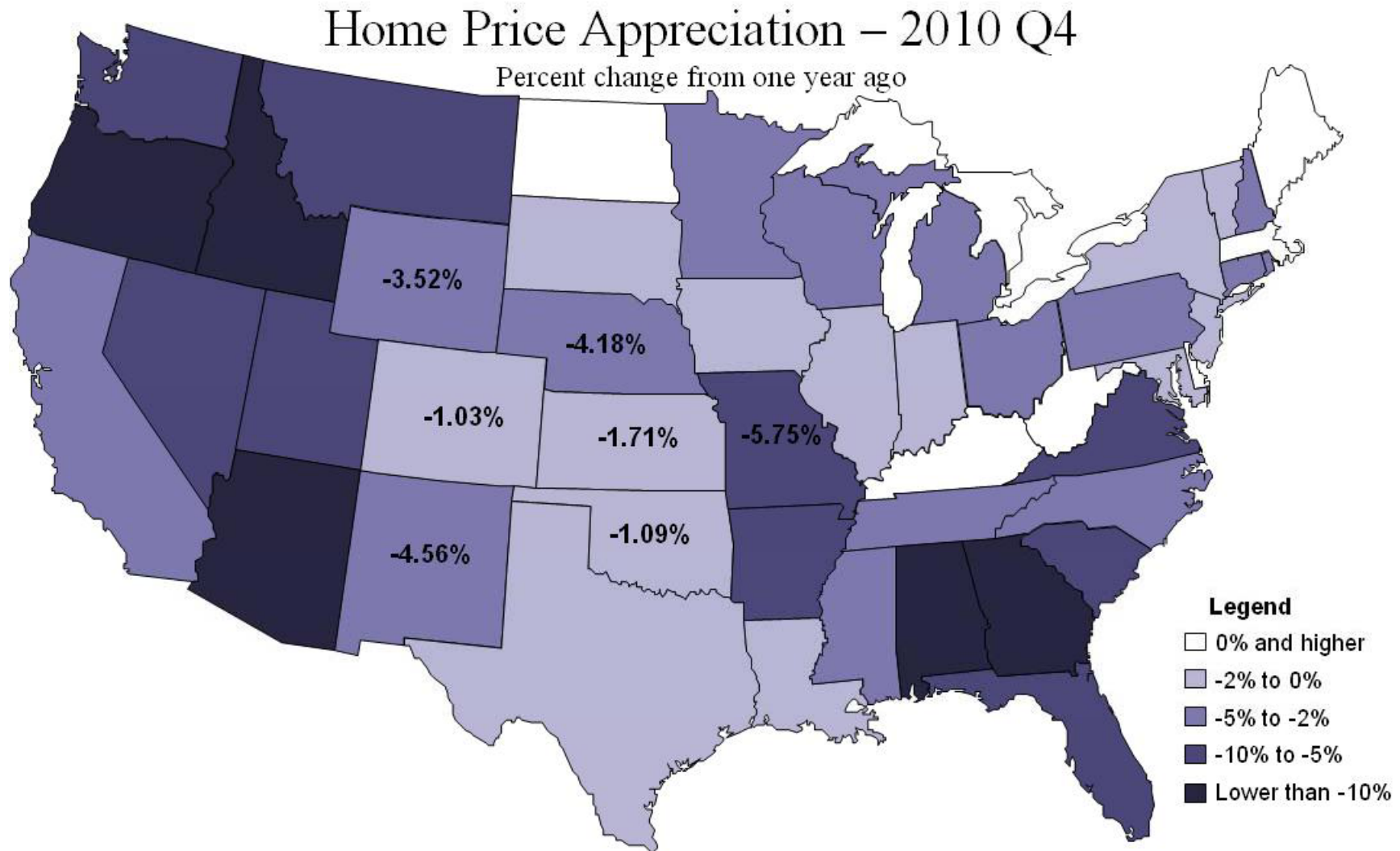
Residential construction activity remains weak.

Value of Residential Construction Contracts
Seasonally adjusted



Source: FW Dodge

Home prices continued to decline across most of the U.S. in 2010.

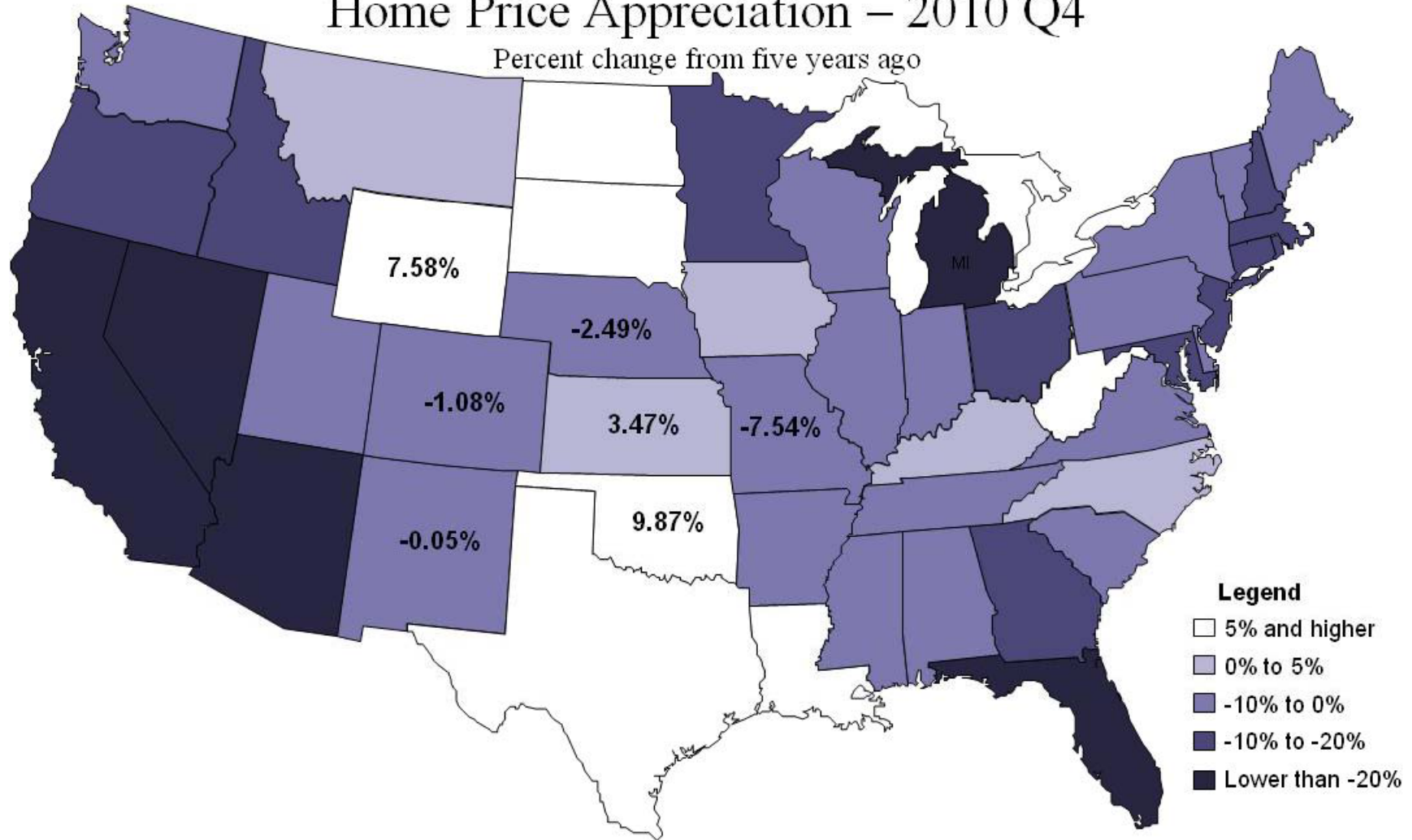


Home price appreciation has varied over the past 5 years.



Home Price Appreciation – 2010 Q4

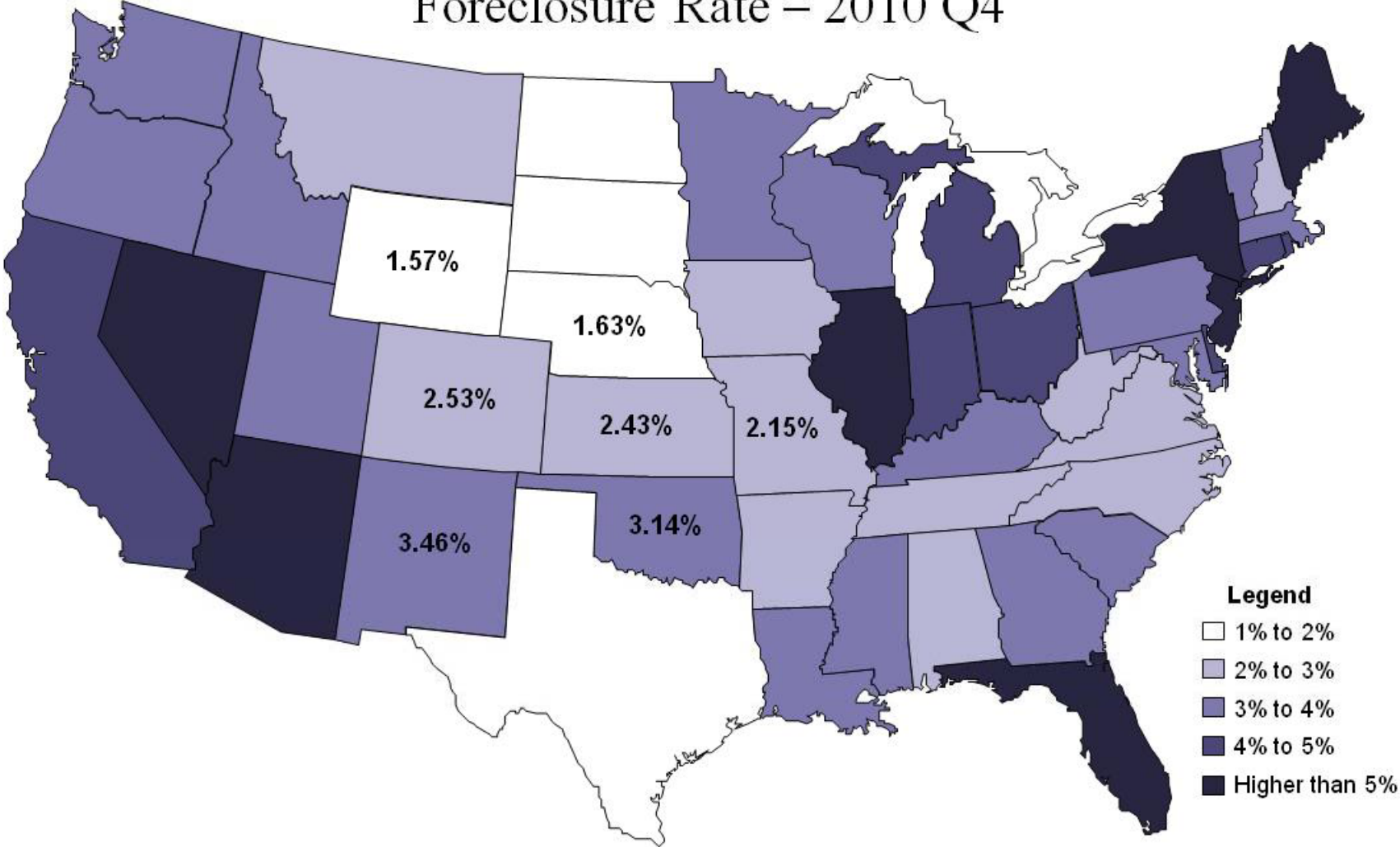
Percent change from five years ago



Foreclosure rates in the Midwest are lower than in other parts of the nation.

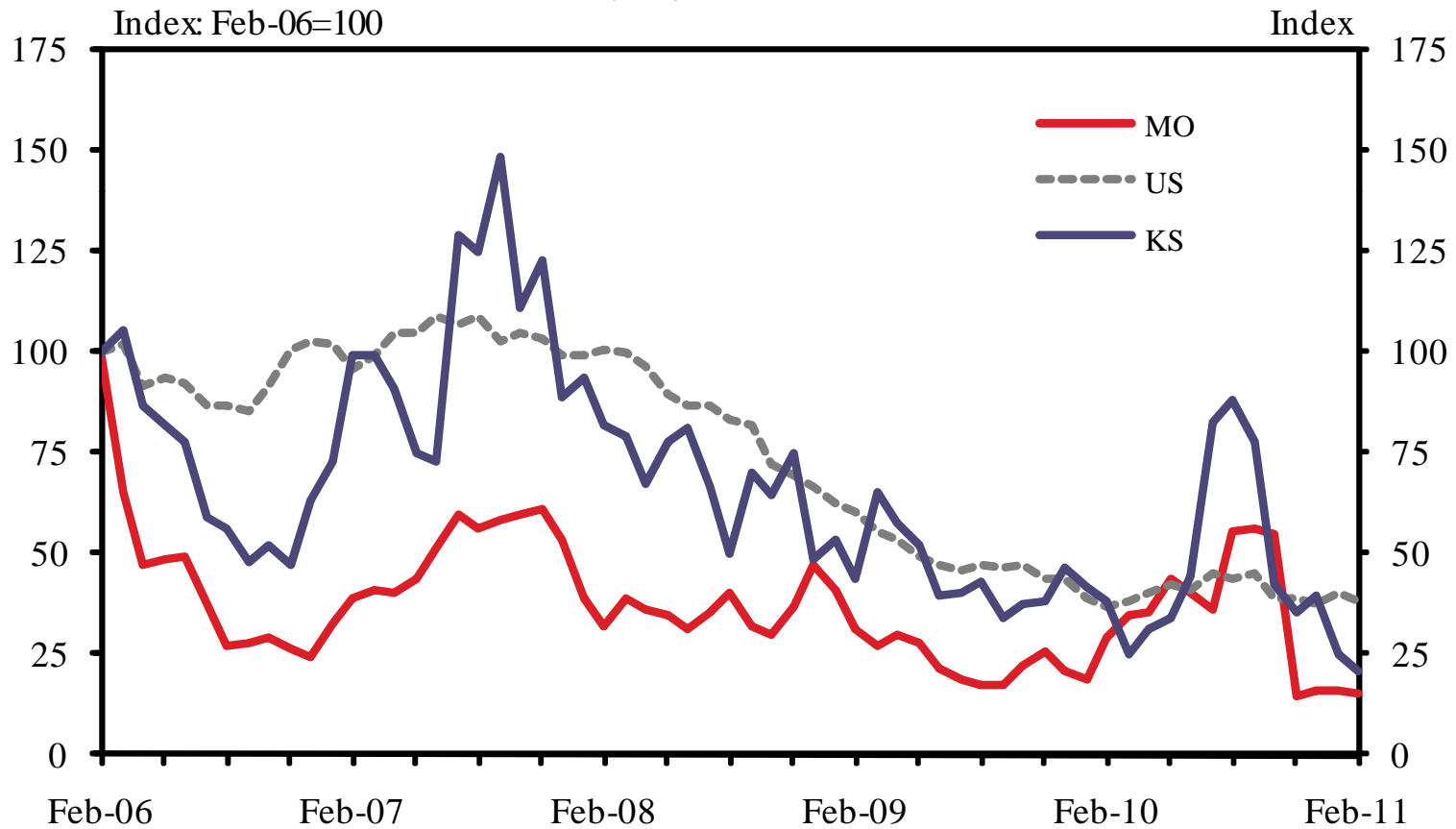


Foreclosure Rate – 2010 Q4



Commercial construction activity is weaker than pre-recession levels.

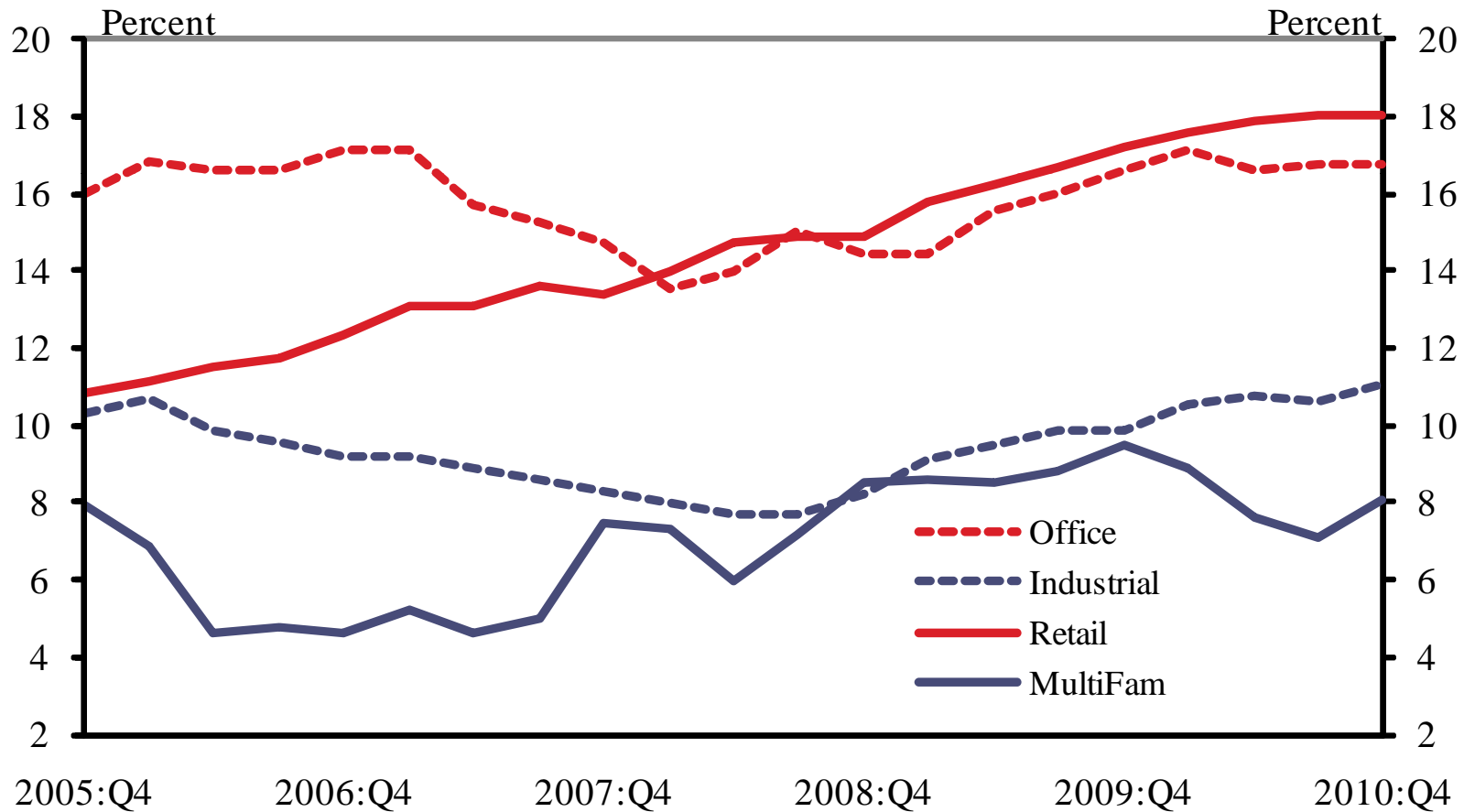
Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.



Source: F.W. Dodge Inc.

Office and industrial vacancy rates have leveled off in Kansas City.

Kansas City Commercial Vacancy Rates



Source: Torto-Wheaton Research

Conclusions



- The U.S. and Kansas City economies are expected to continue to recover gradually over the next few years.
 - ▣ Weak residential construction activity and high unemployment may prevent a more robust recovery.
 - ▣ Manufacturing, energy and agriculture sectors are expected to continue to provide a boost to the economy.

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