

An Account of the U.S. and Kansas City Economies



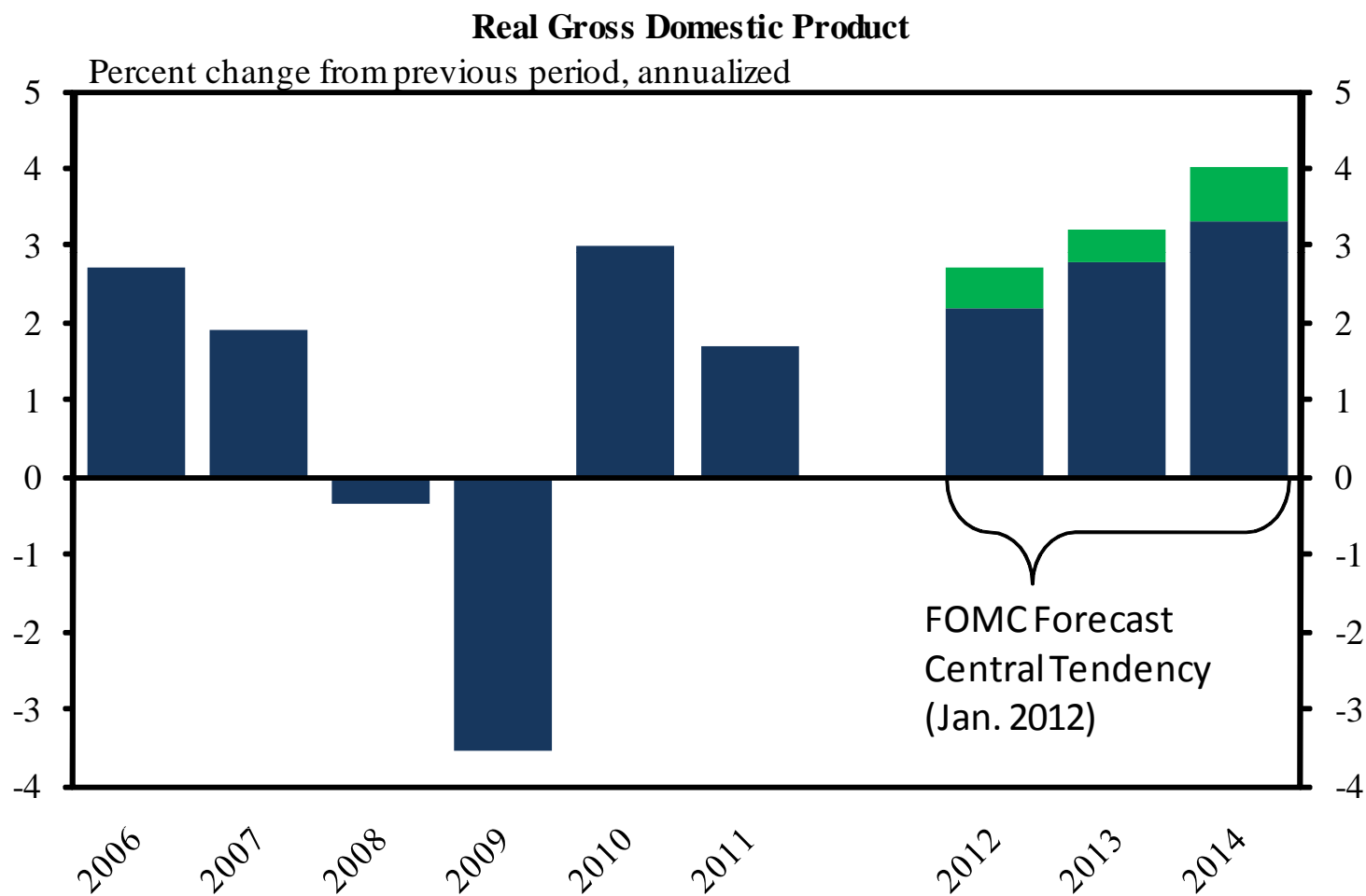
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The views expressed are those of the presenter and do not necessarily reflect the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.

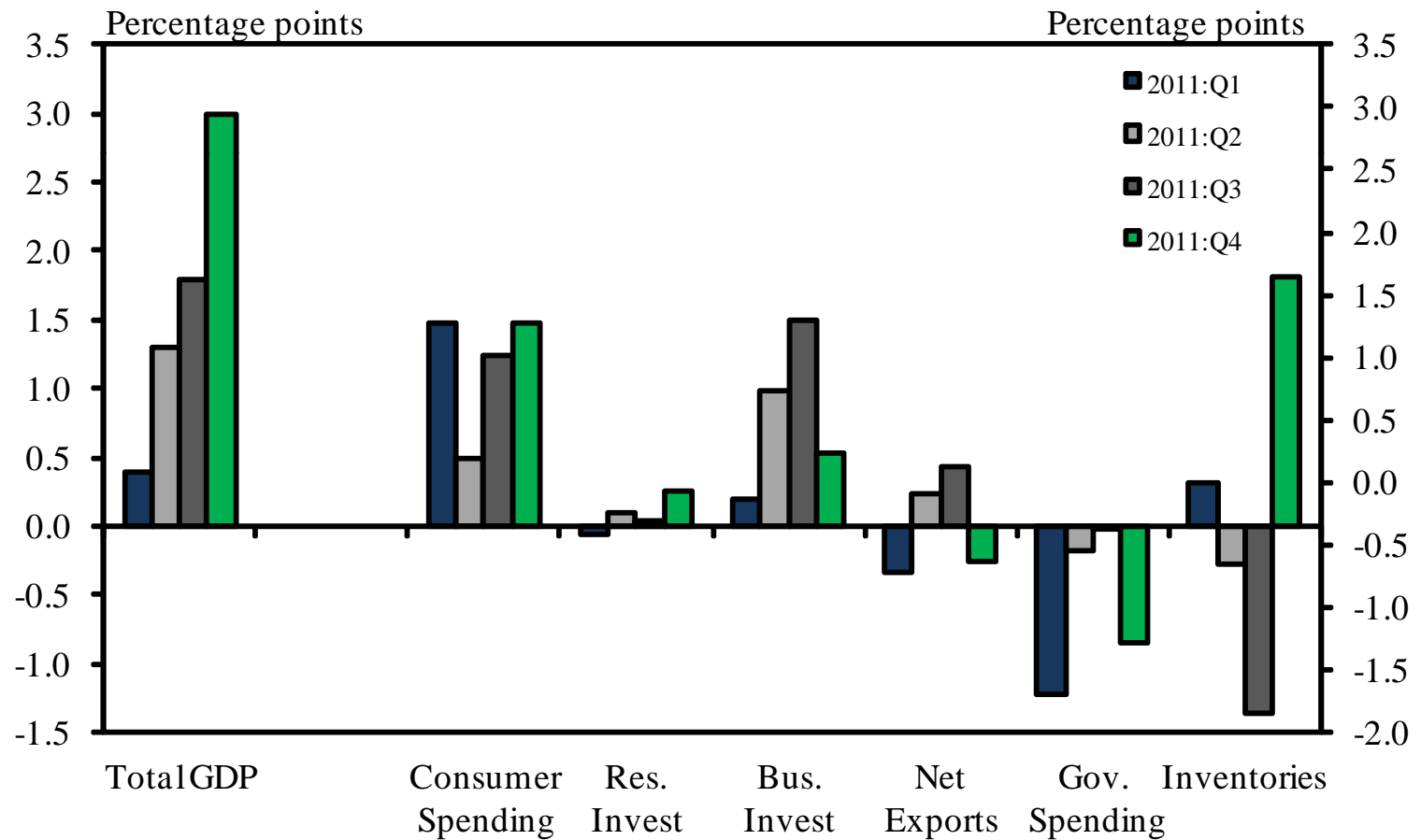
After slowing in the first half of 2011, growth is picking up.



Source: Bureau of Economic Analysis; FOMC

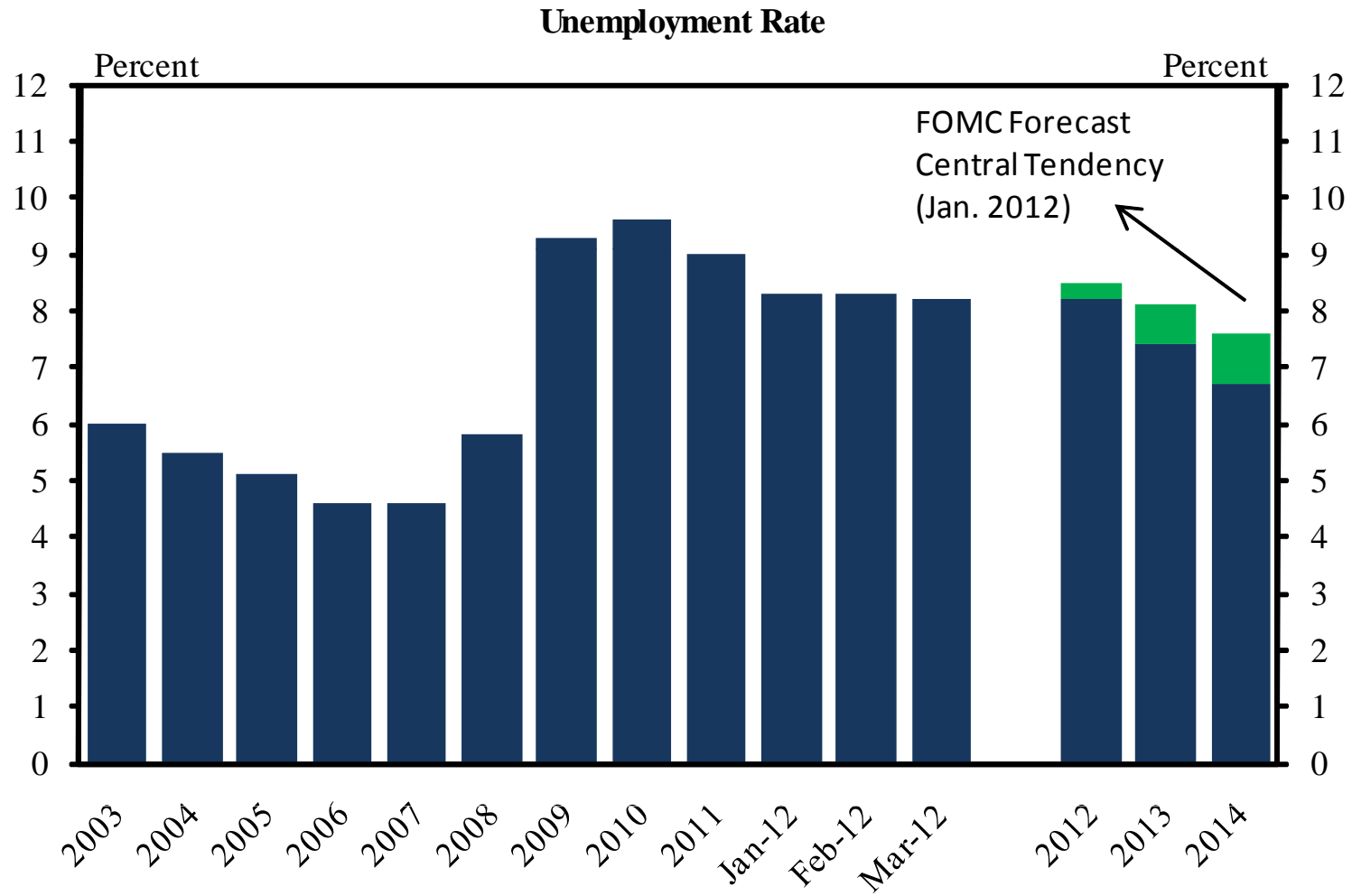
Consumer spending and inventory investment contributed to the increase in fourth quarter GDP.

Contributions to Percent Change in Real GDP



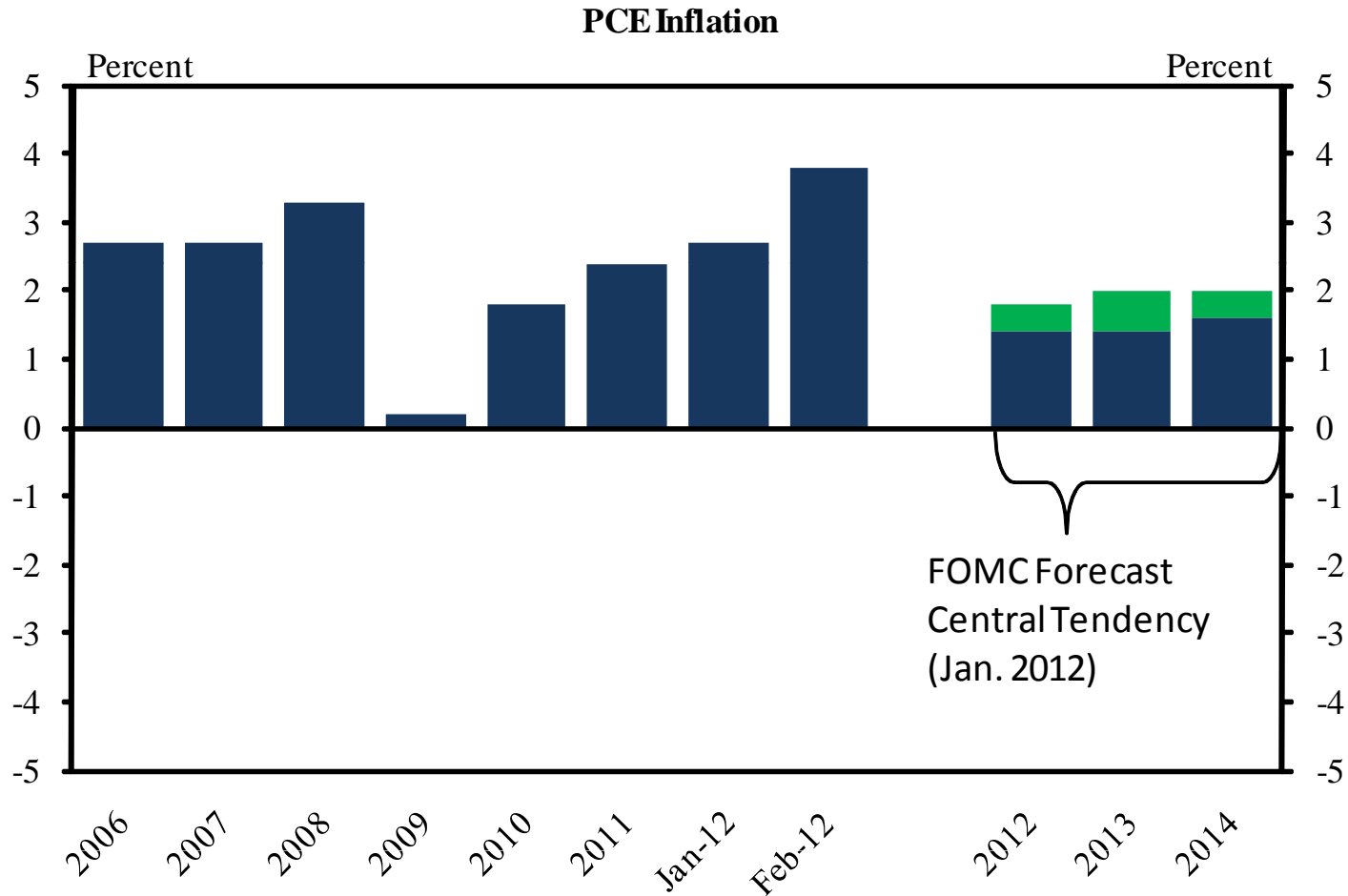
Source: Bureau of Economic Analysis

Unemployment rates have fallen over the past year but remain stubbornly high.



Source: Bureau of Labor Statistics; FOMC

Inflation has increased recently due to higher gas prices, but the increase is expected to be temporary.

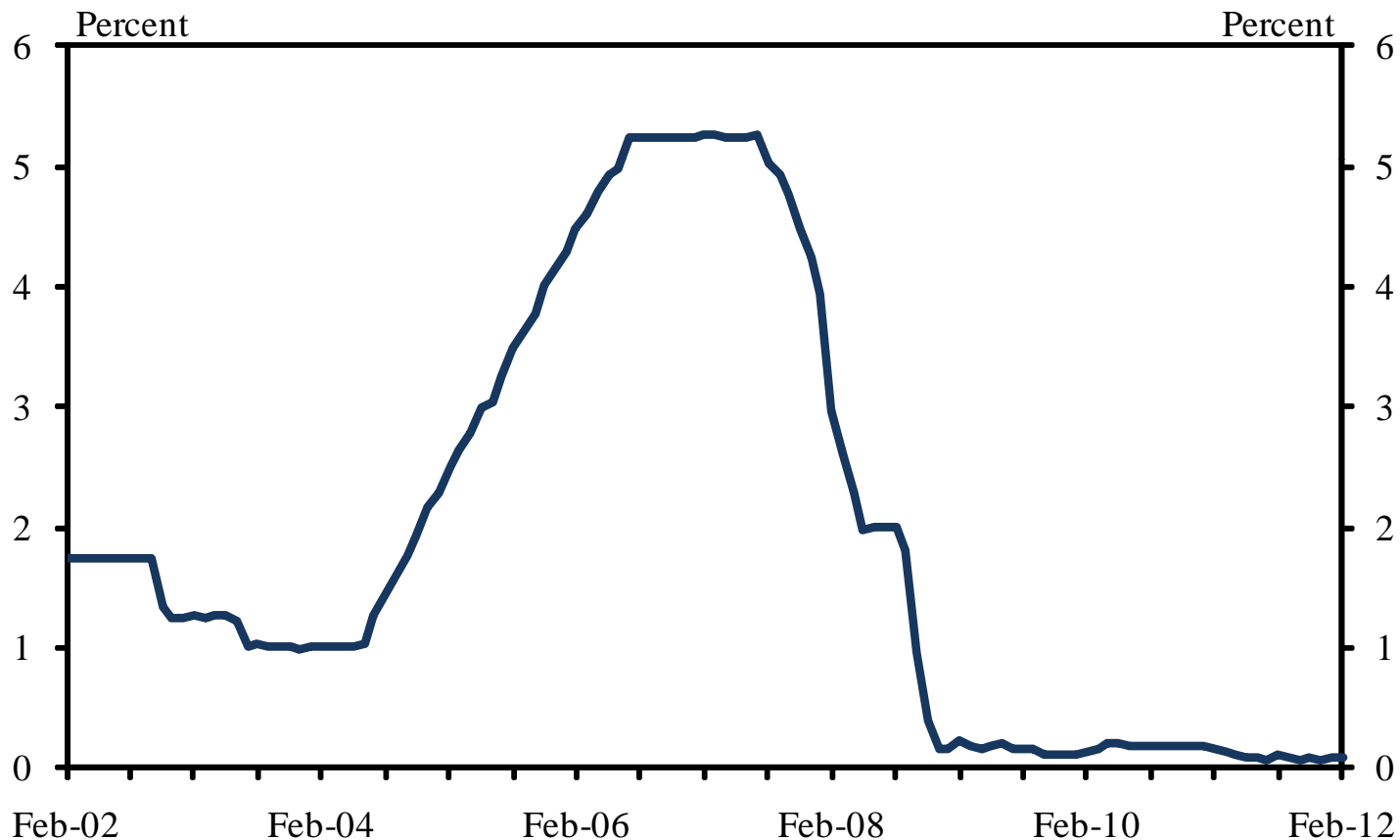


Source: Bureau of Economic Analysis; FOMC

Note: Monthly inflation shows the compounded annual rate of change.

FOMC March Statement: “the Committee... currently anticipates that economic conditions – including low rates of resource utilization and a subdued outlook for inflation over the medium run – are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.”

Fed Funds Rate

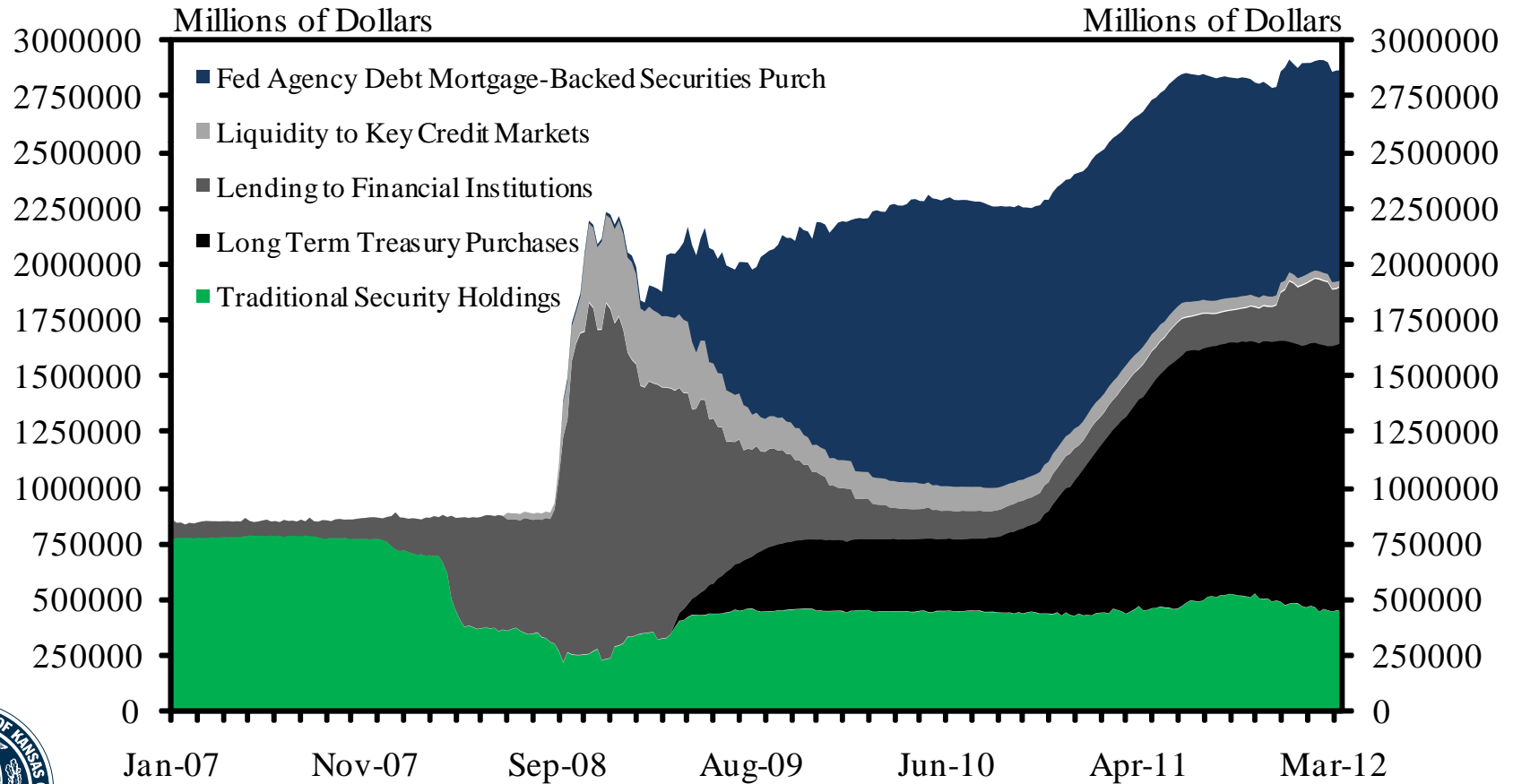


Source: FOMC



FOMC March Statement: “The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction.”

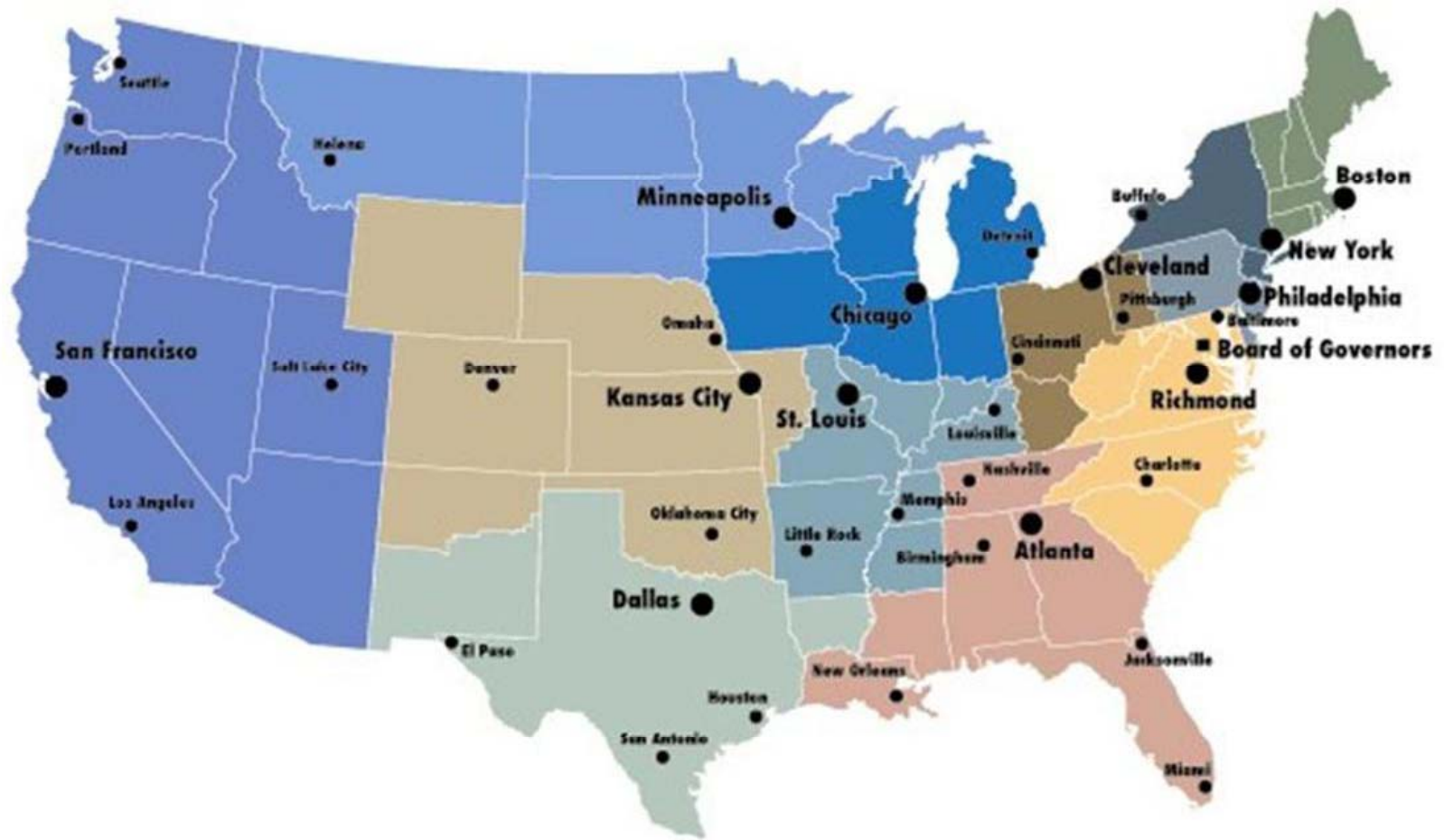
Federal Reserve Balance Sheet



Source: FOMC

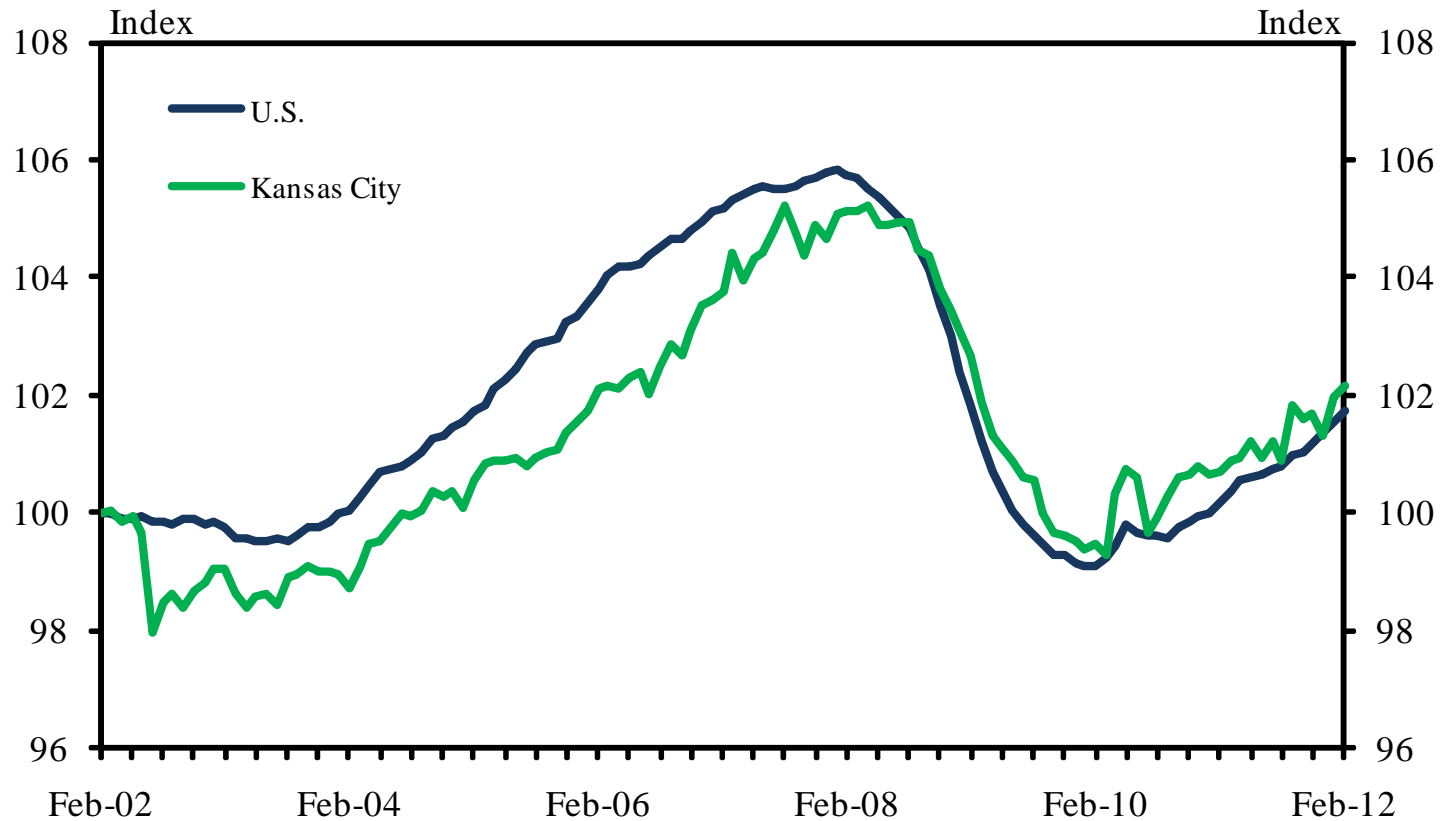


The Tenth Federal Reserve District



Employment started to increase two years ago and is now up 2.9% in Kansas City.

Total Nonfarm Employment
Seasonally adjusted

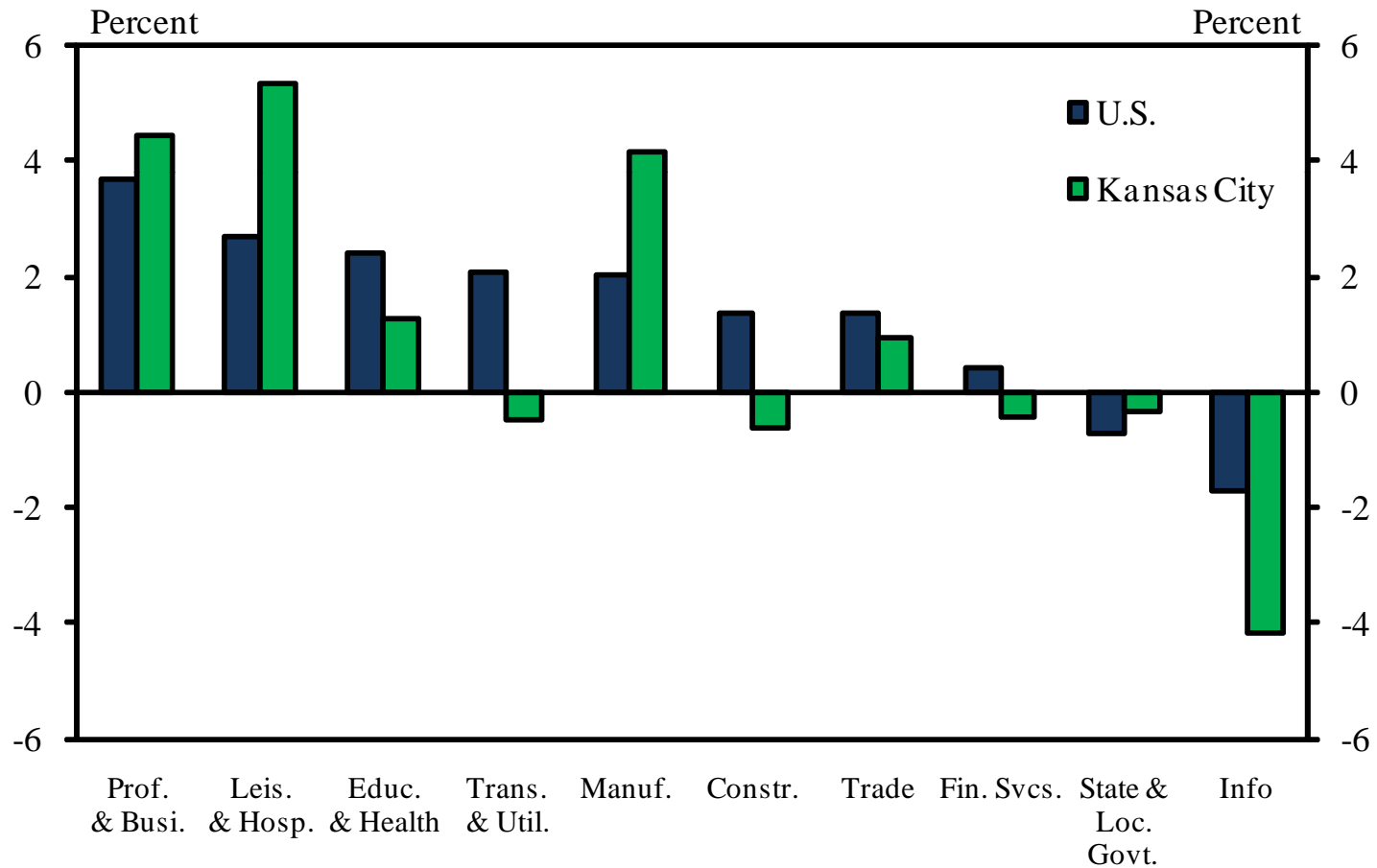


Source: Bureau of Labor Statistics



Over the past year, employment gains have been spread across several industries.

Employment Growth by Industry
Feb-12 over Feb-11

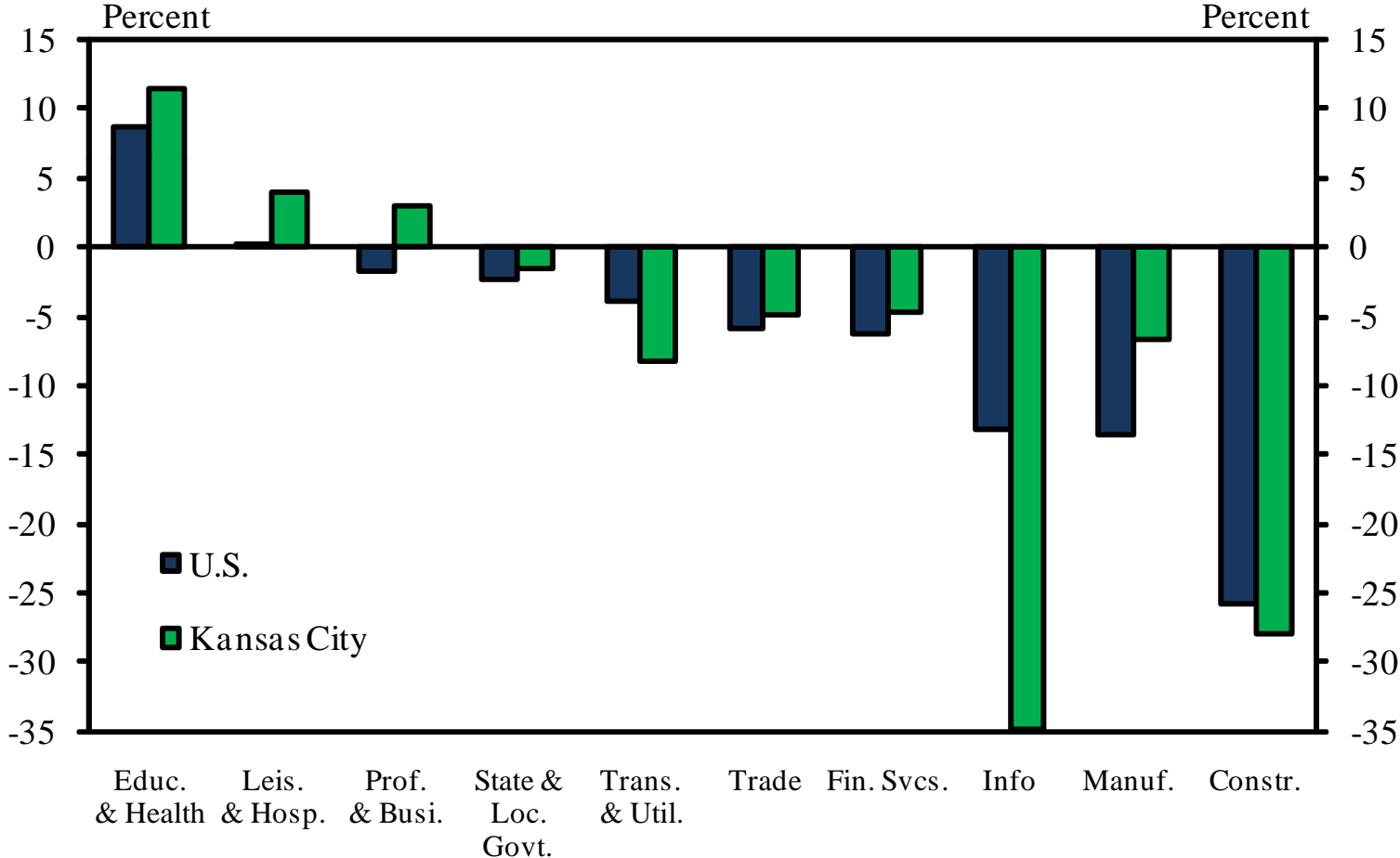


Source: Bureau of Labor Statistics



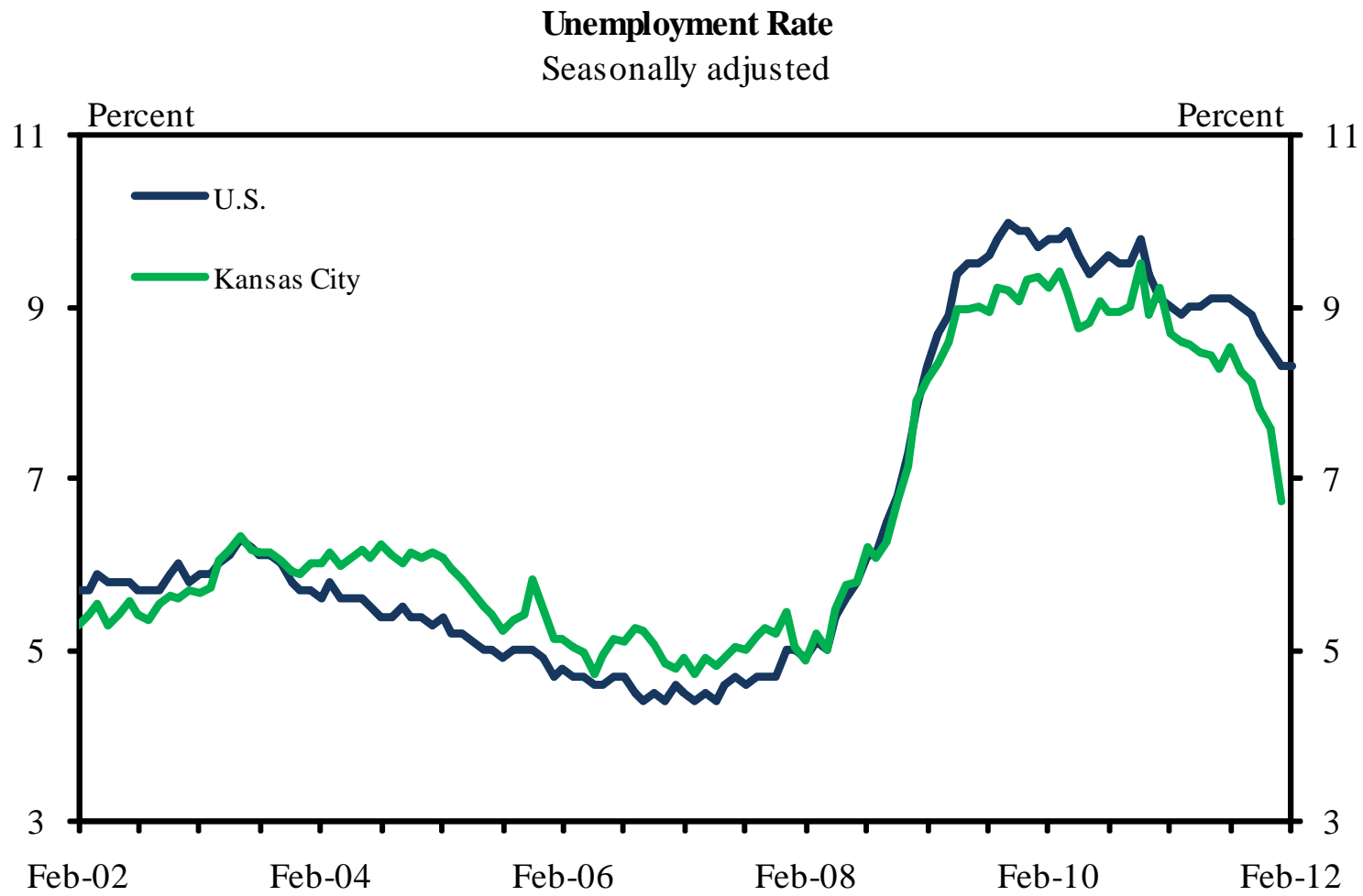
Kansas City employment is still down more than 25% in the information and construction industries.

Employment Growth by Industry
Feb-12 over Dec-07



Source: Bureau of Labor Statistics

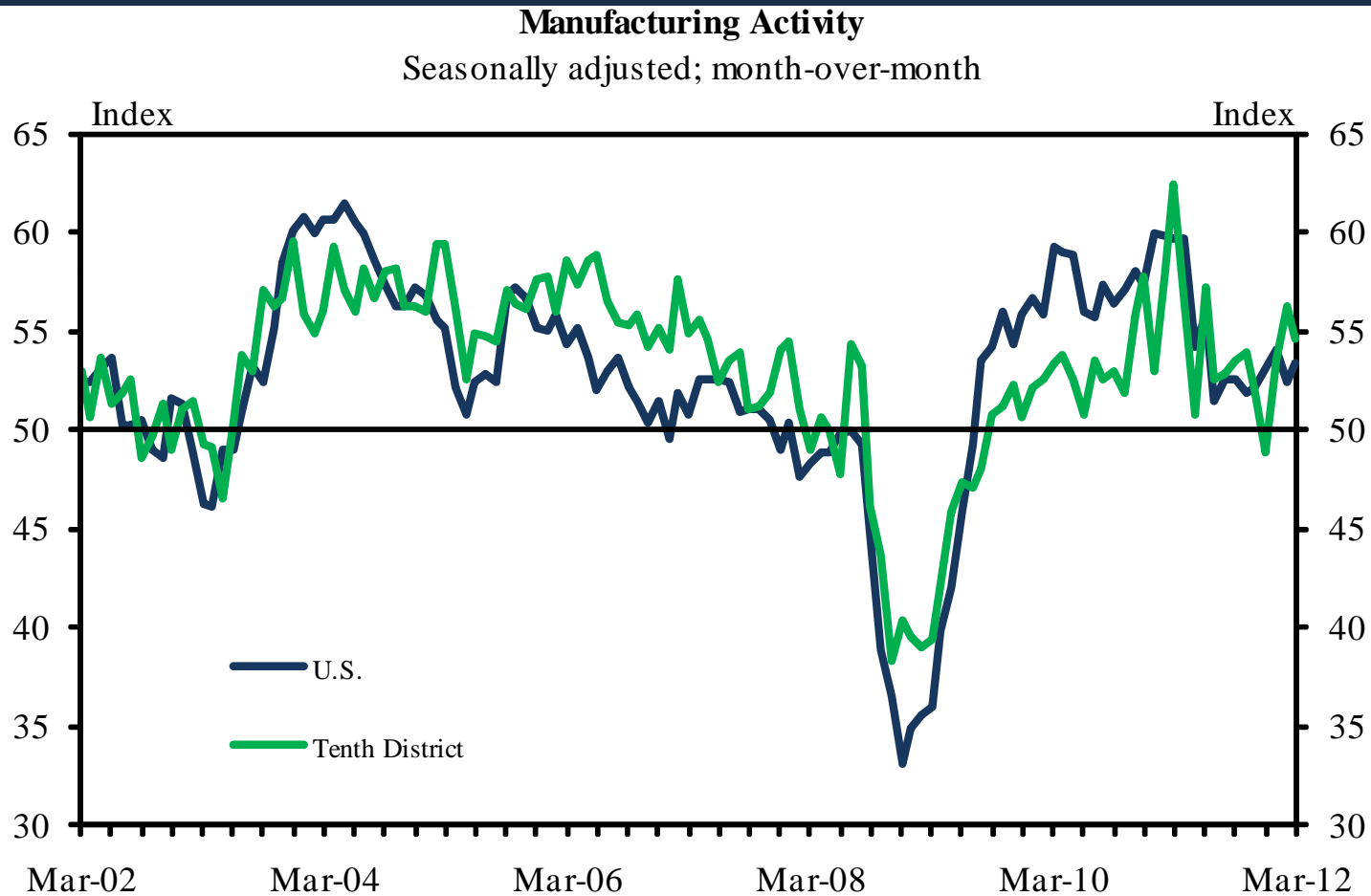
Unemployment rates have fallen in Kansas City and the U.S.



Source: Bureau of Labor Statistics



The manufacturing sector has been expanding for over two years.

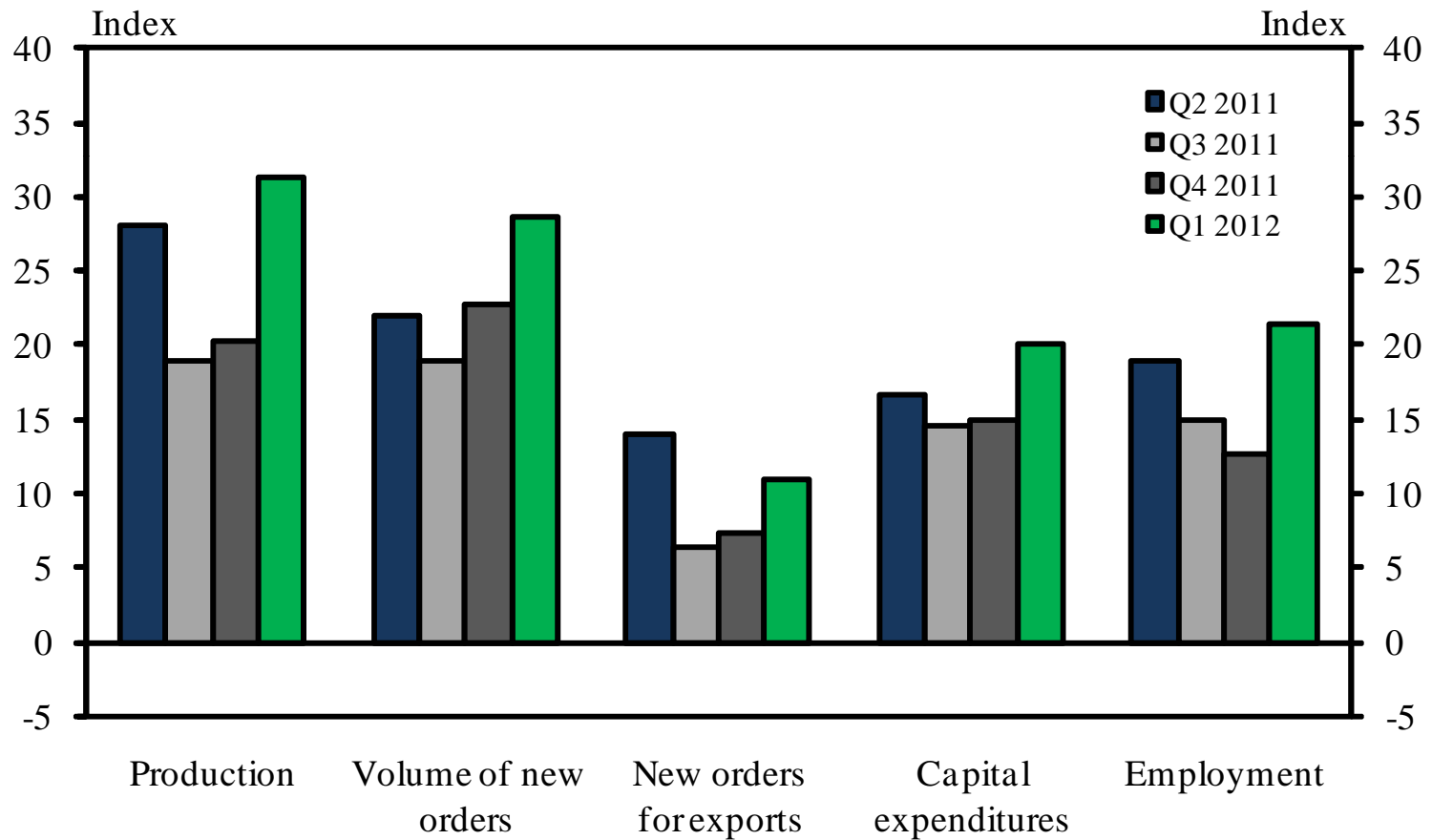


Sources: ISM, FRBKC Manufacturing Survey

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

Manufacturers in the Tenth District have become more optimistic about future activity.

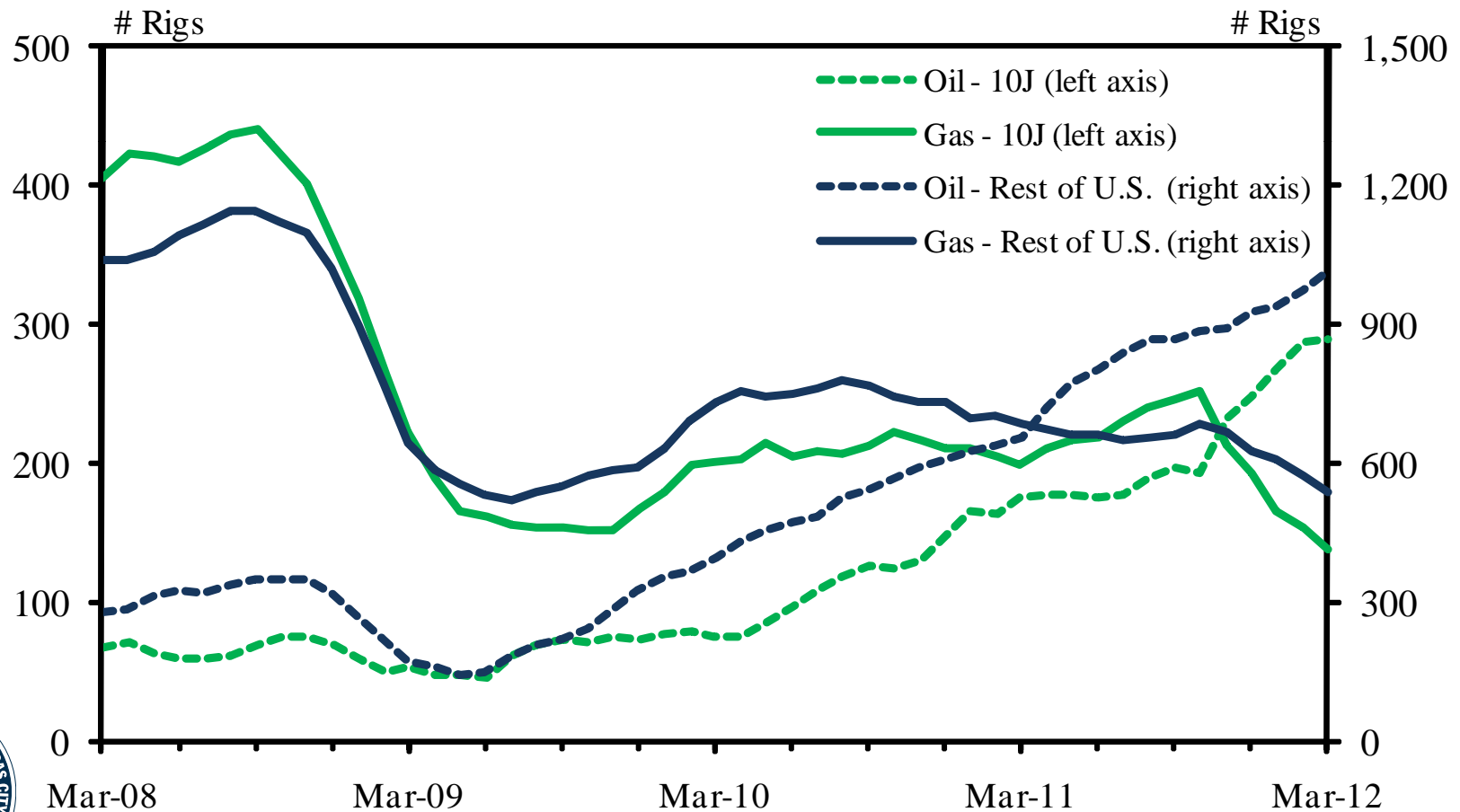
Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey

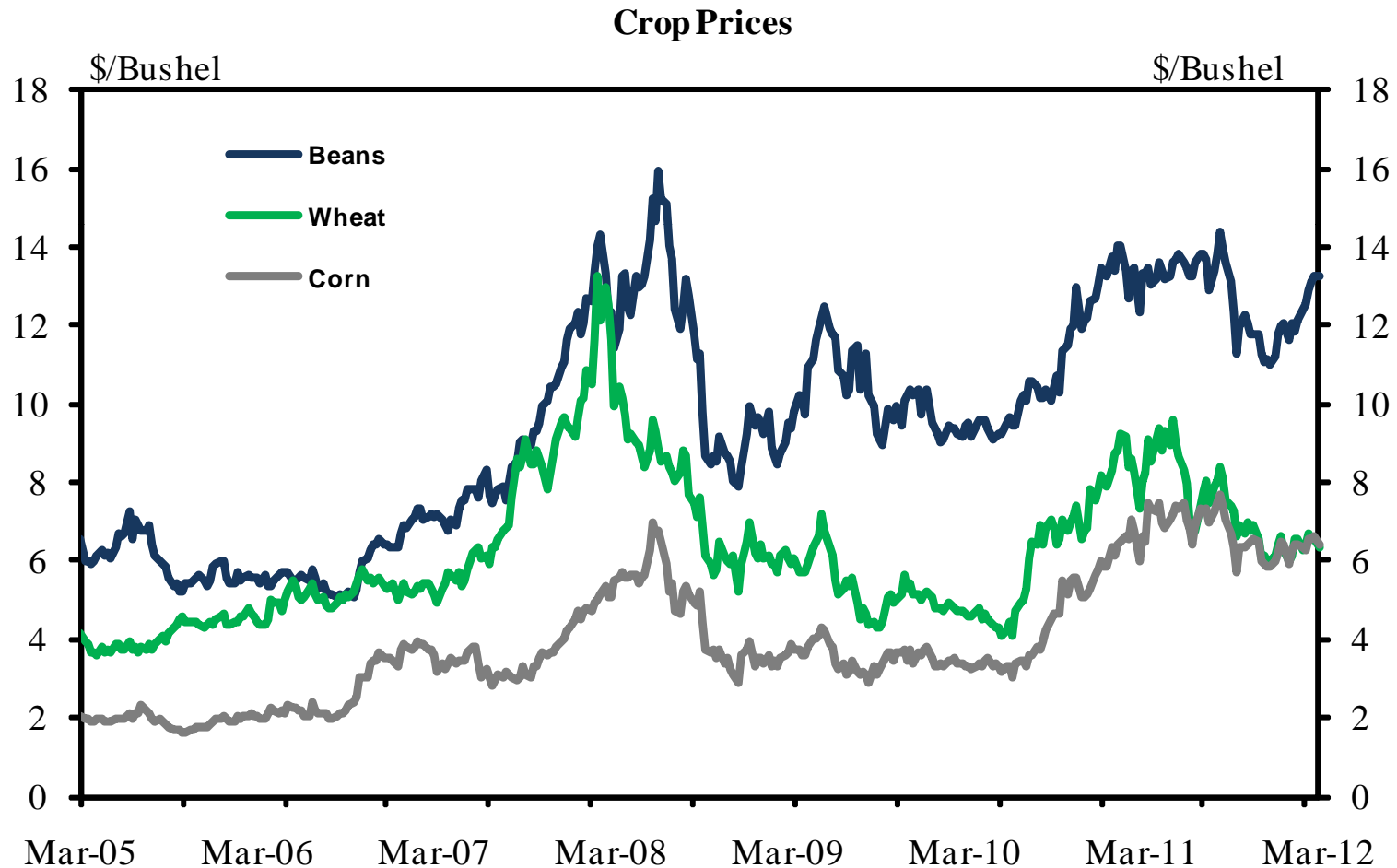
Drilling activity is responding to prices with oil drilling up and natural gas drilling down.

Number of Active Drilling Rigs



Source: Baker-Hughes

Crop prices have fallen over the past year but remain at high levels.

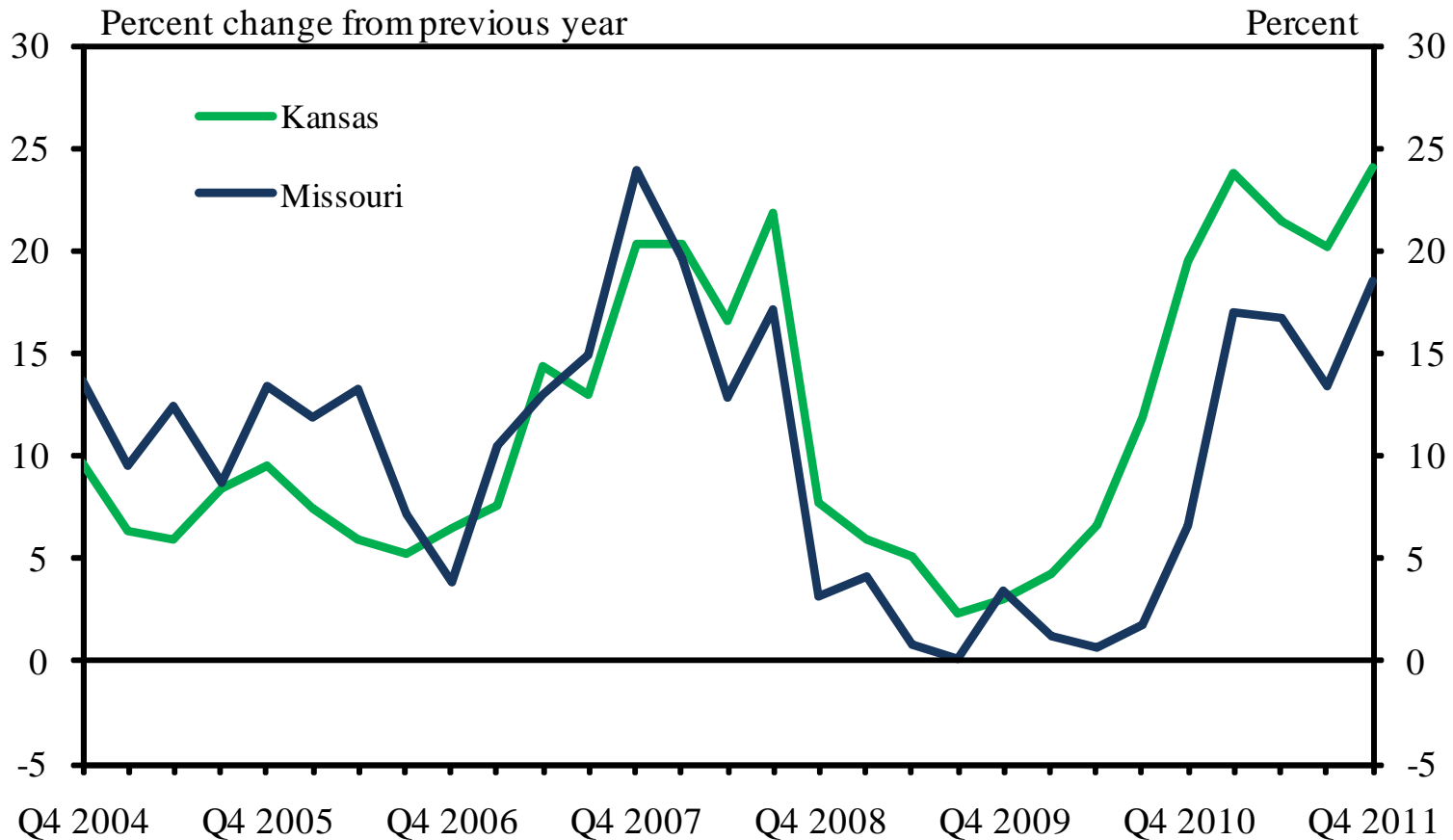


Source: Commodity Research Bureau



Farmland values have increased sharply over the past year.

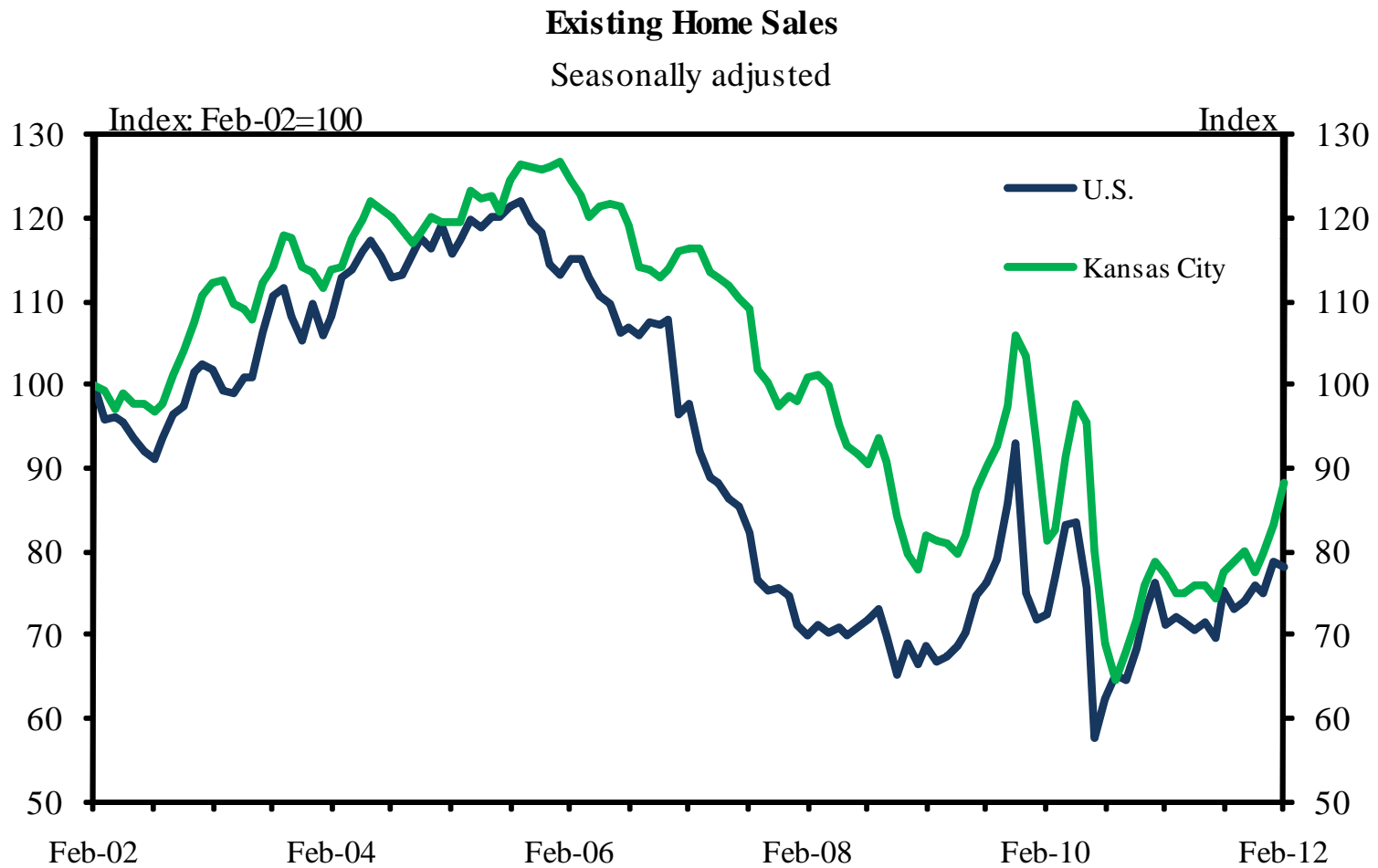
Nonirrigated Farmland Values



Sources: FRBKC Ag Credit Survey



Home sales continue to increase but remain well below pre-recession levels.



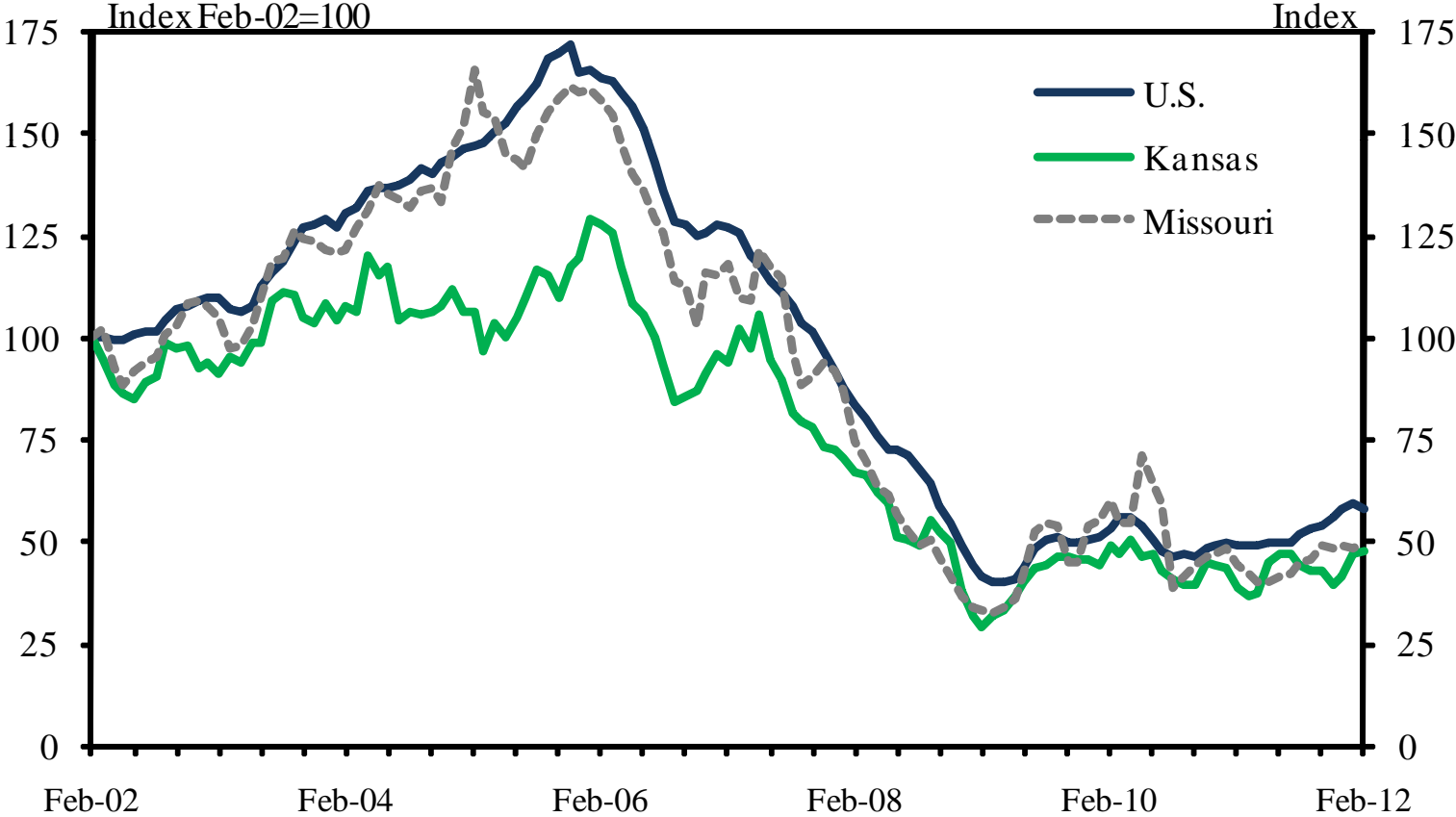
Source: NAR and Kansas City Regional Association of Realtors



Residential construction activity is increasing from weak levels.

Value of Residential Construction Contracts

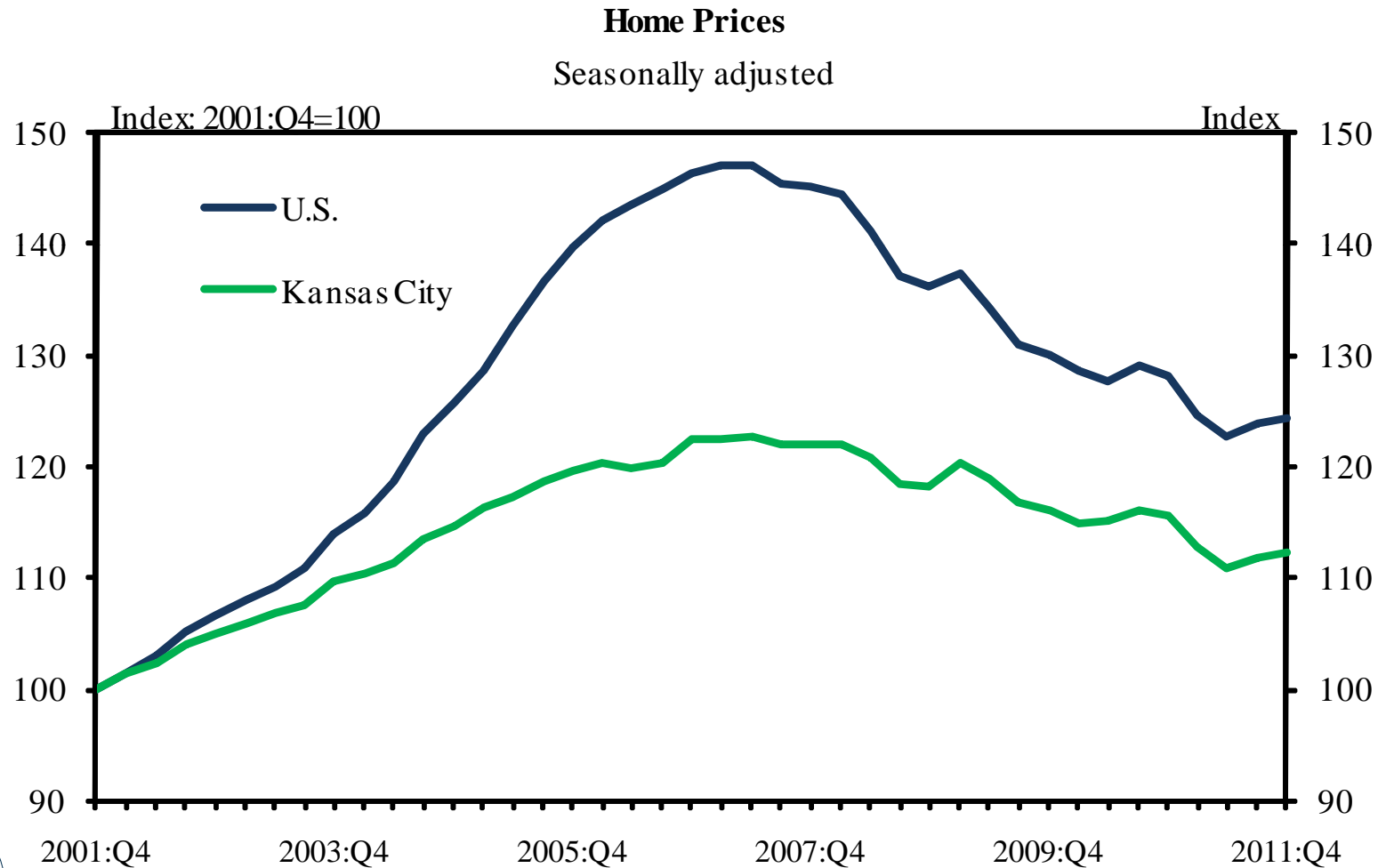
Seasonally adjusted, 3 mo. moving avg.



Source: FW Dodge



Home prices in Kansas City have held up better than the nation.

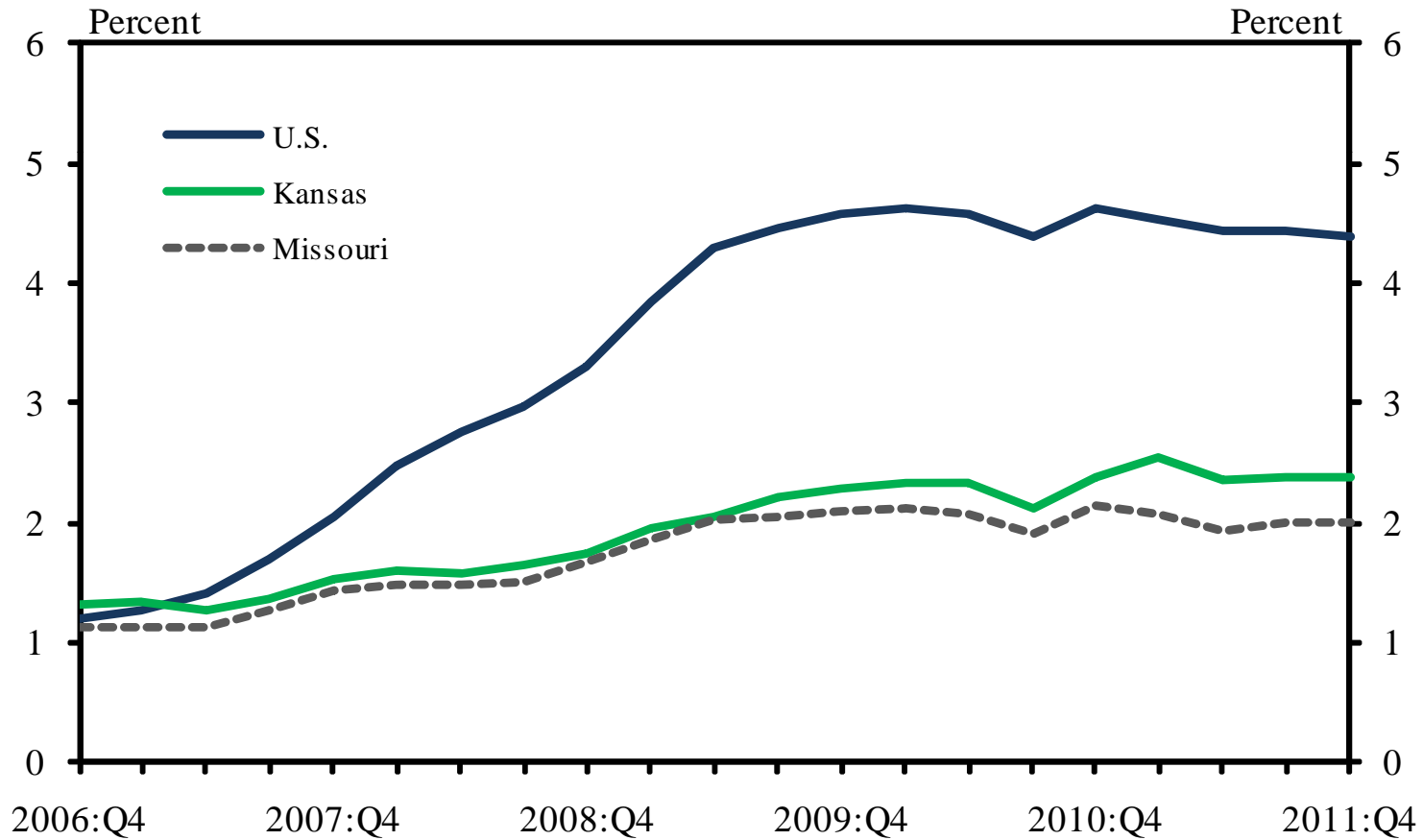


Source: FHFA



Foreclosure rates in Kansas and Missouri are much lower than national rates.

Foreclosure Rate

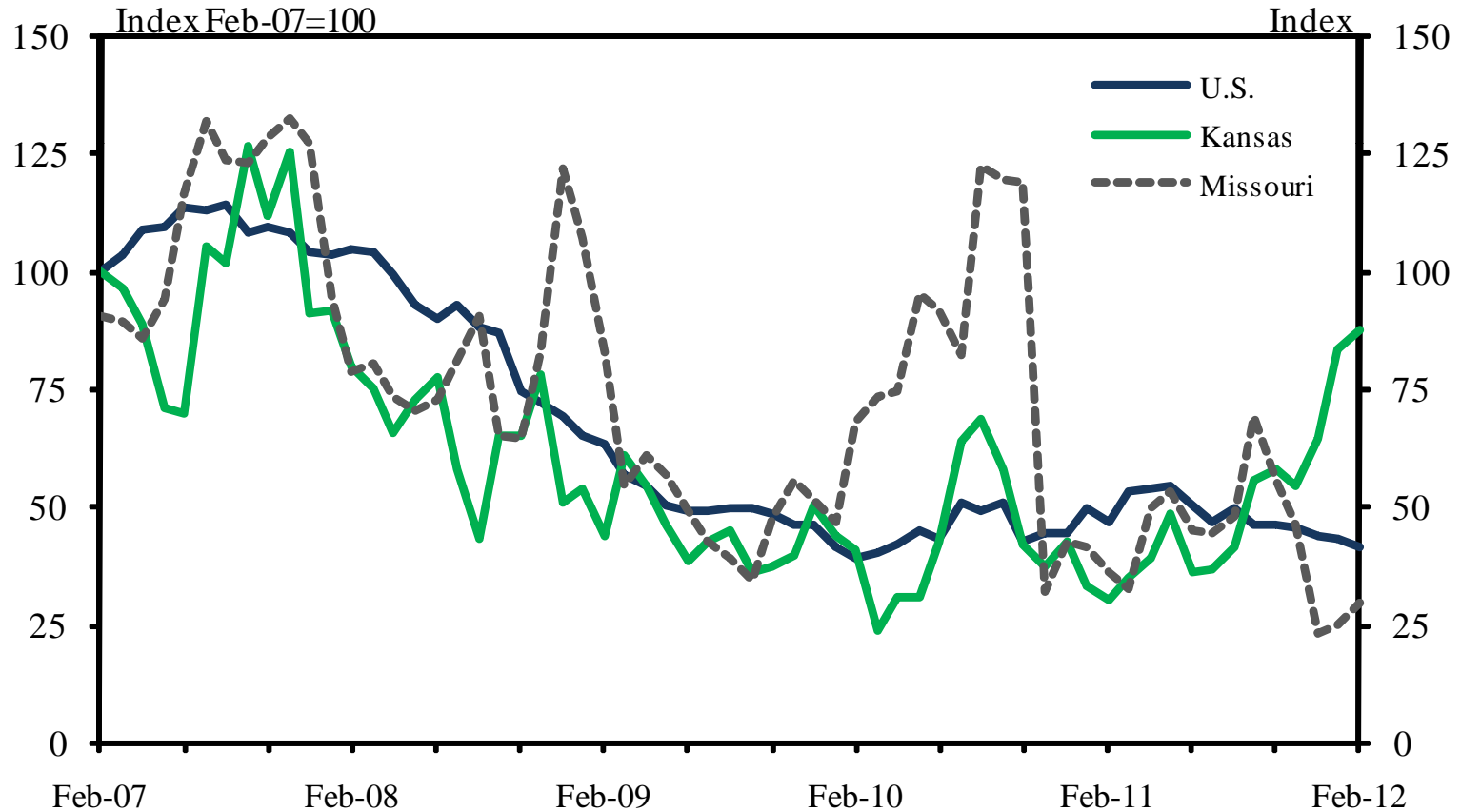


Source: Mortgage Bankers Association



Commercial construction activity has rebounded in Kansas over the past year.

Value of Commercial Construction Contracts
Seasonally adjusted, 3-month moving average

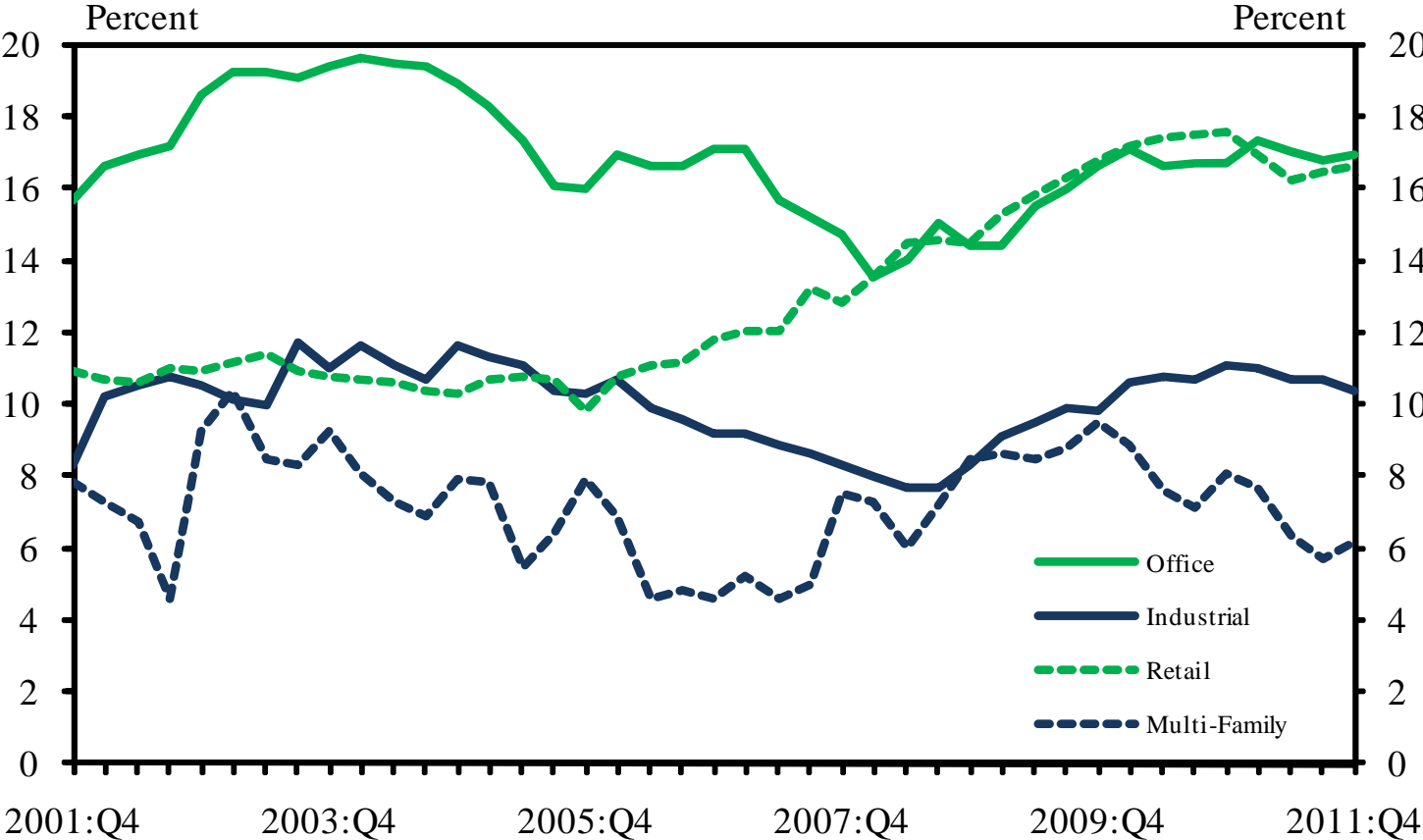


Source: FW Dodge



Commercial vacancy rates in Kansas City have fallen slightly from recent highs.

Kansas City Commercial Vacancy Rates



Source: Torto-Wheaton Research

Conclusions

- The U.S. and Kansas City economies are expected to continue to recover at a moderate pace with higher levels of consumer confidence, faster employment growth, and rebounding housing market activity.
- However, there continue to be risks to the recovery including high gas prices, uncertainty about the European debt crisis, and fiscal contraction at the Federal level.



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