

# The Kansas Economy: Review and Outlook



Alison Felix  
Economist

Federal Reserve Bank of Kansas City

---

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.

# The Federal Reserve System

---

## □ Primary Functions

- Monetary Policy
- Payments Services
- Banking Supervision and Regulation

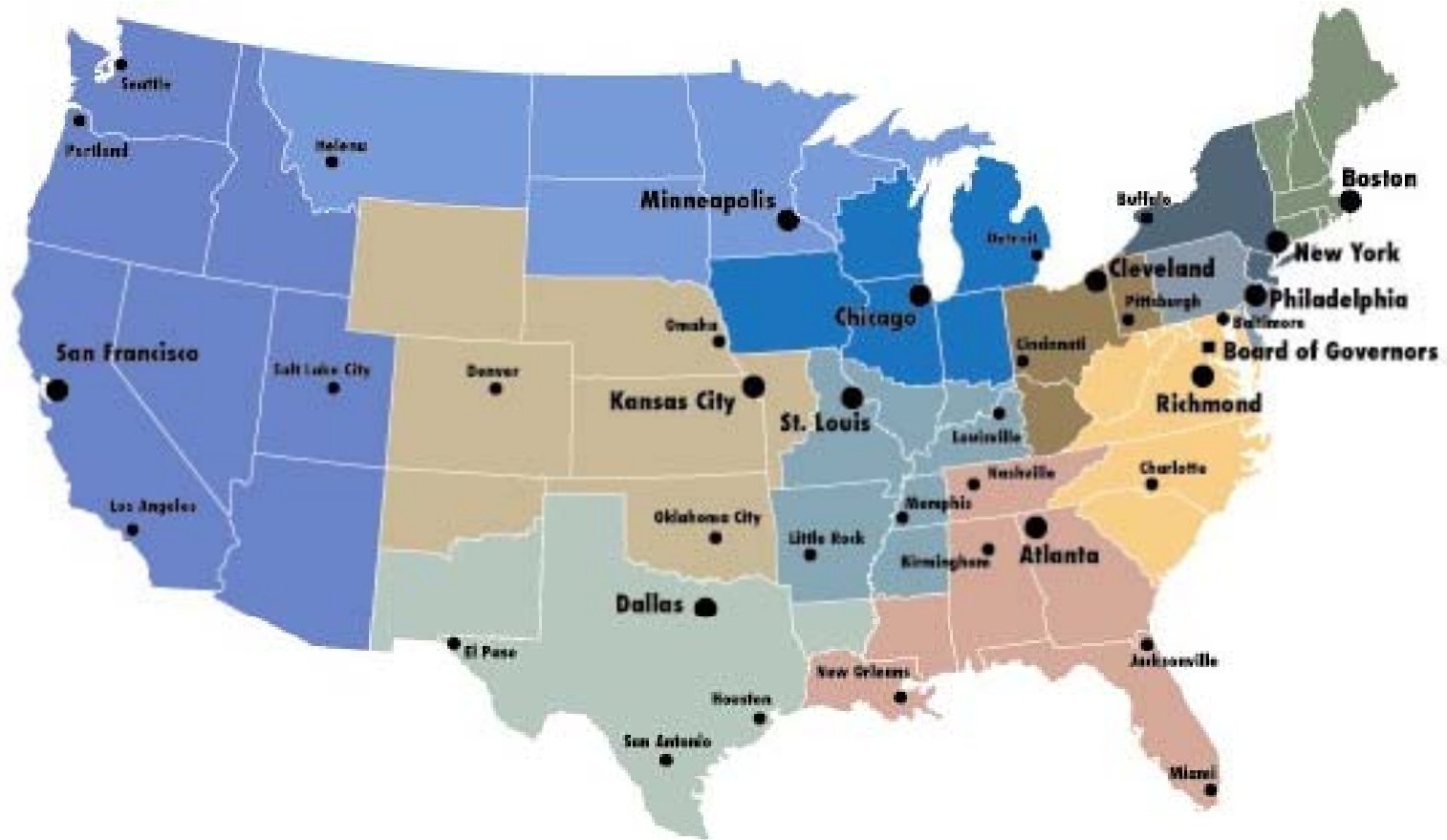
## □ Structure

- Board of Governors
  - Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.
- Federal Reserve Banks
  - There are 12 Banks, each serving a unique district.
- Federal Open Market Committee (FOMC)
  - Comprised of the 7 members of the Board of Governors and the 12 Reserve Bank presidents (only 5 presidents are voting member on a rotating basis).
  - Charged with conducting monetary policy to promote economic growth and price stability.



# The Federal Reserve's Tenth District

---



# U.S. Economic Outlook

---

	2007	2008: Q1	2008: Q2	2008: Q3*	2008: Q4*	2009*
Real GDP Growth	2.0	0.9	3.3	-0.2 - 1.8	-1.3 - 1.5	0.7 - 2.0
Unemployment Rate	4.6	4.9	5.3	5.7 - 5.9	5.8 - 6.2	5.8 - 6.5
Consumer Price Index	2.9	4.3	5.0	4.1 - 7.6	1.6 - 3.6	2.2 - 3.7
Producer Price Index	3.9	9.2	10.6	4.3 - 13.9	-4.5 - 6.6	n/a

Source: Blue Chip Economic Indicators

\* Forecasted September 10, 2008

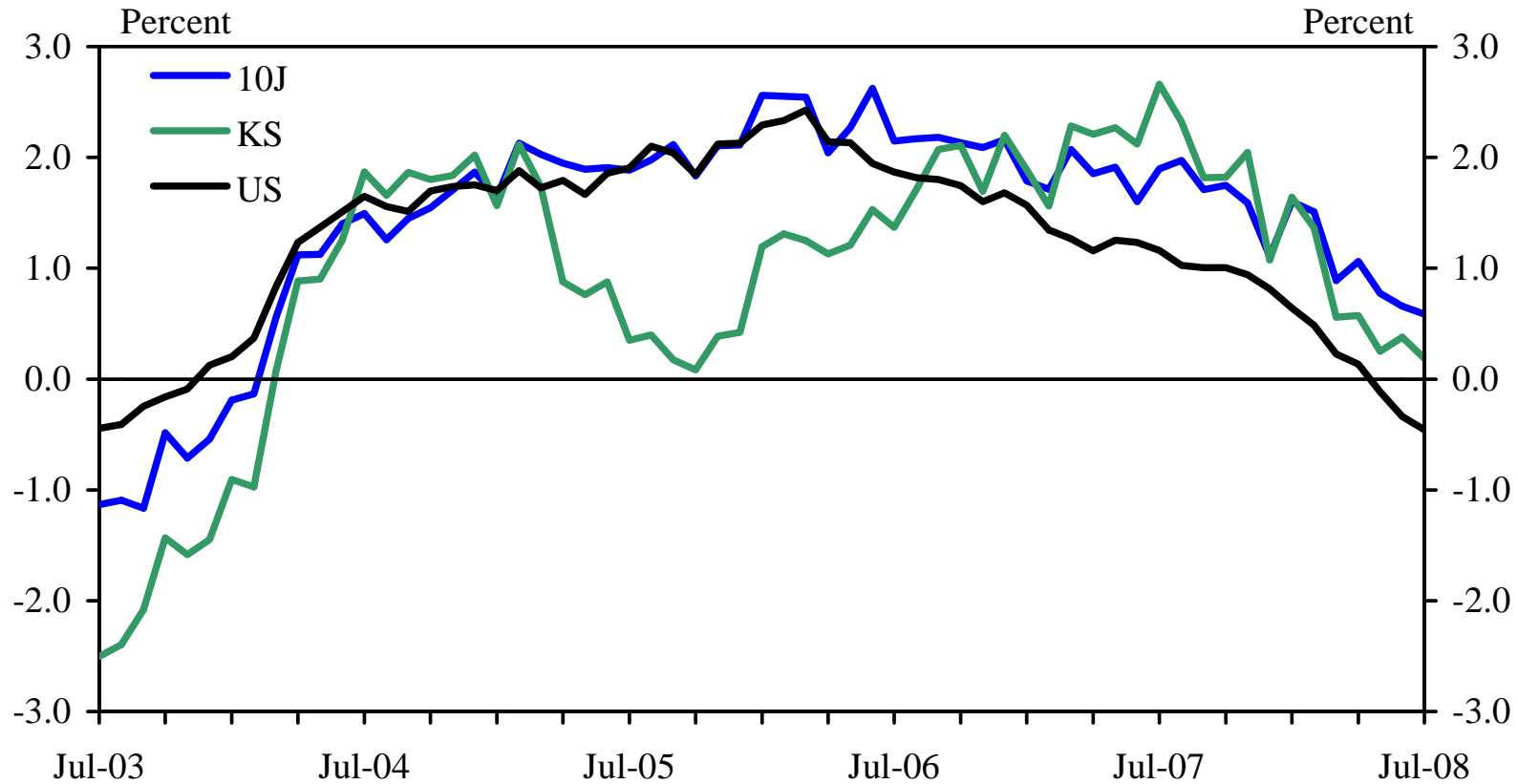


# Labor Market



# Growth in Private Nonfarm Employment

Year-over-year



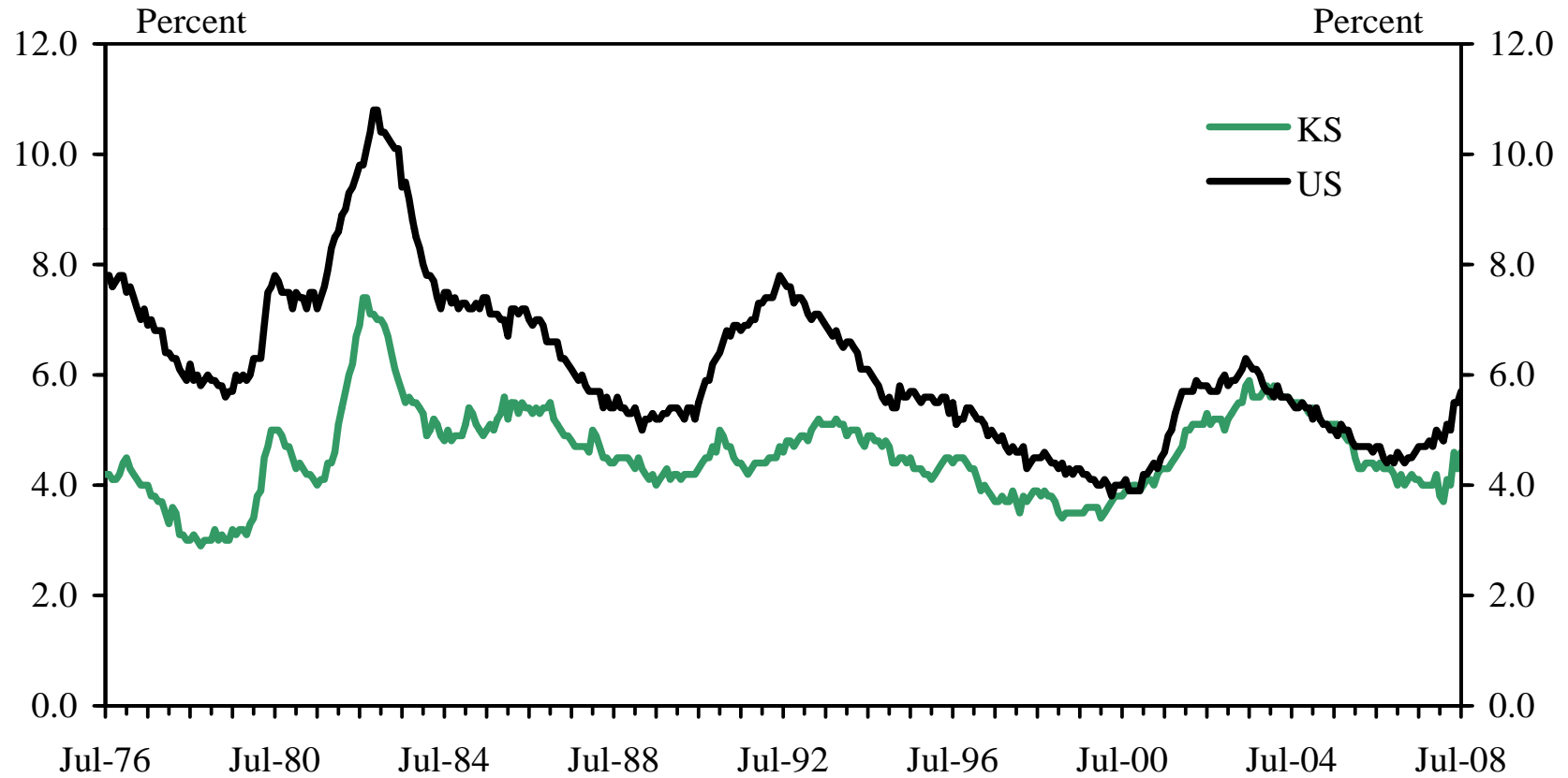
Source: Bureau of Labor Statistics

Latest release: 08/15/2008



# Unemployment Rate

Seasonally adjusted



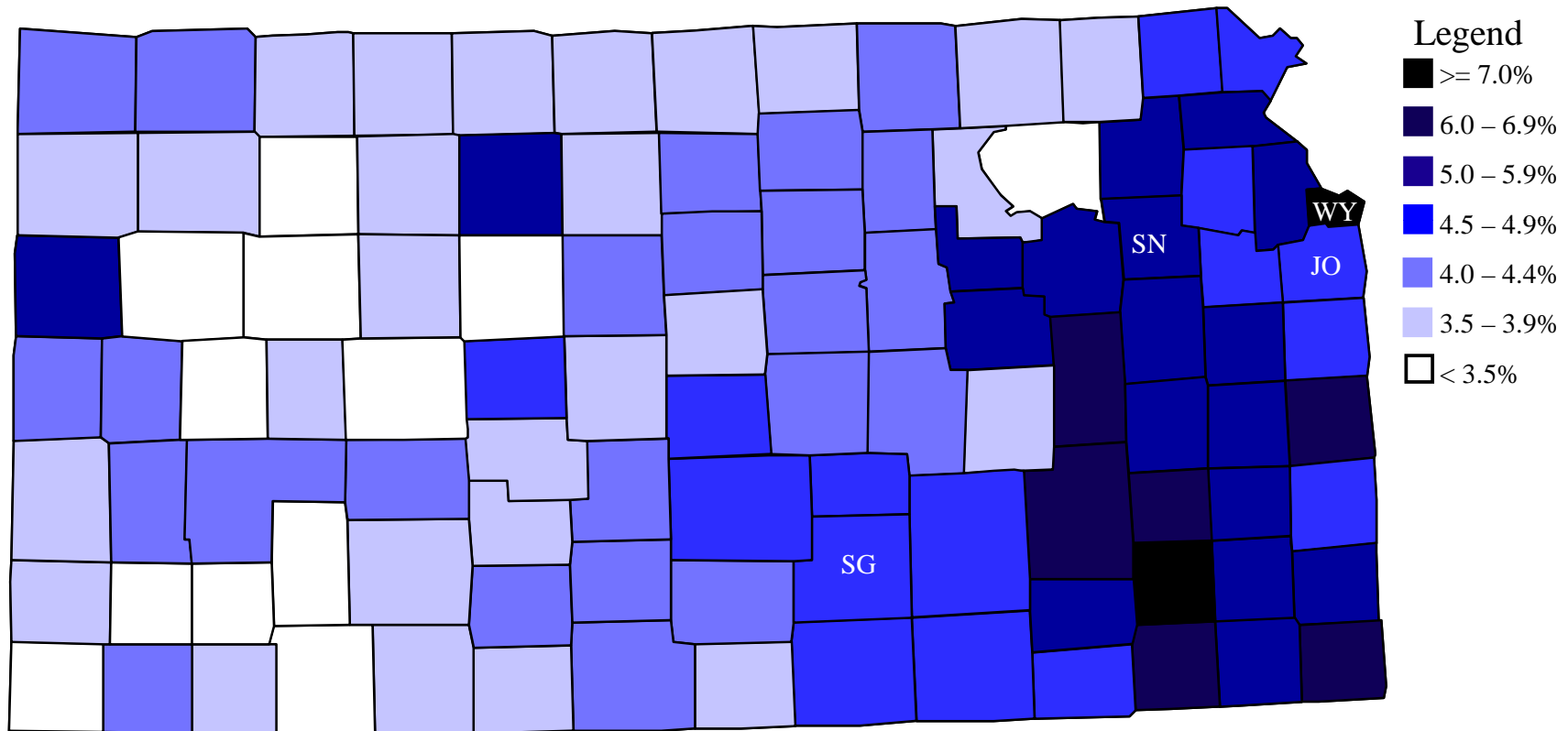
Source: Bureau of Labor Statistics

Latest release: 08/15/2008



# Unemployment Rate by State, July 2008

Not seasonally adjusted



Source: Bureau of Labor Statistics

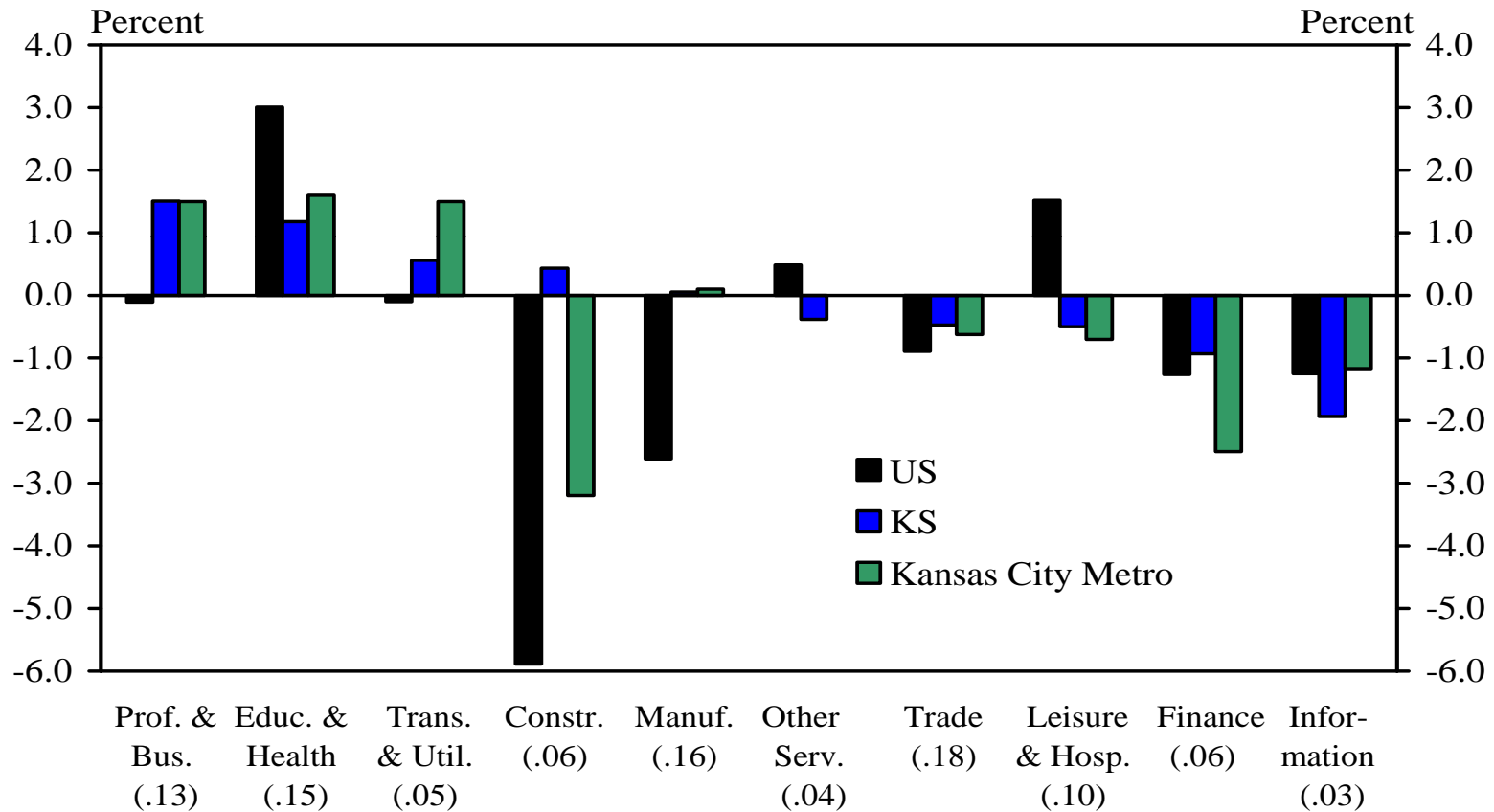
Latest Release: 08/27/2008





# Private Job Growth by Industry

July 2008 over July 2007



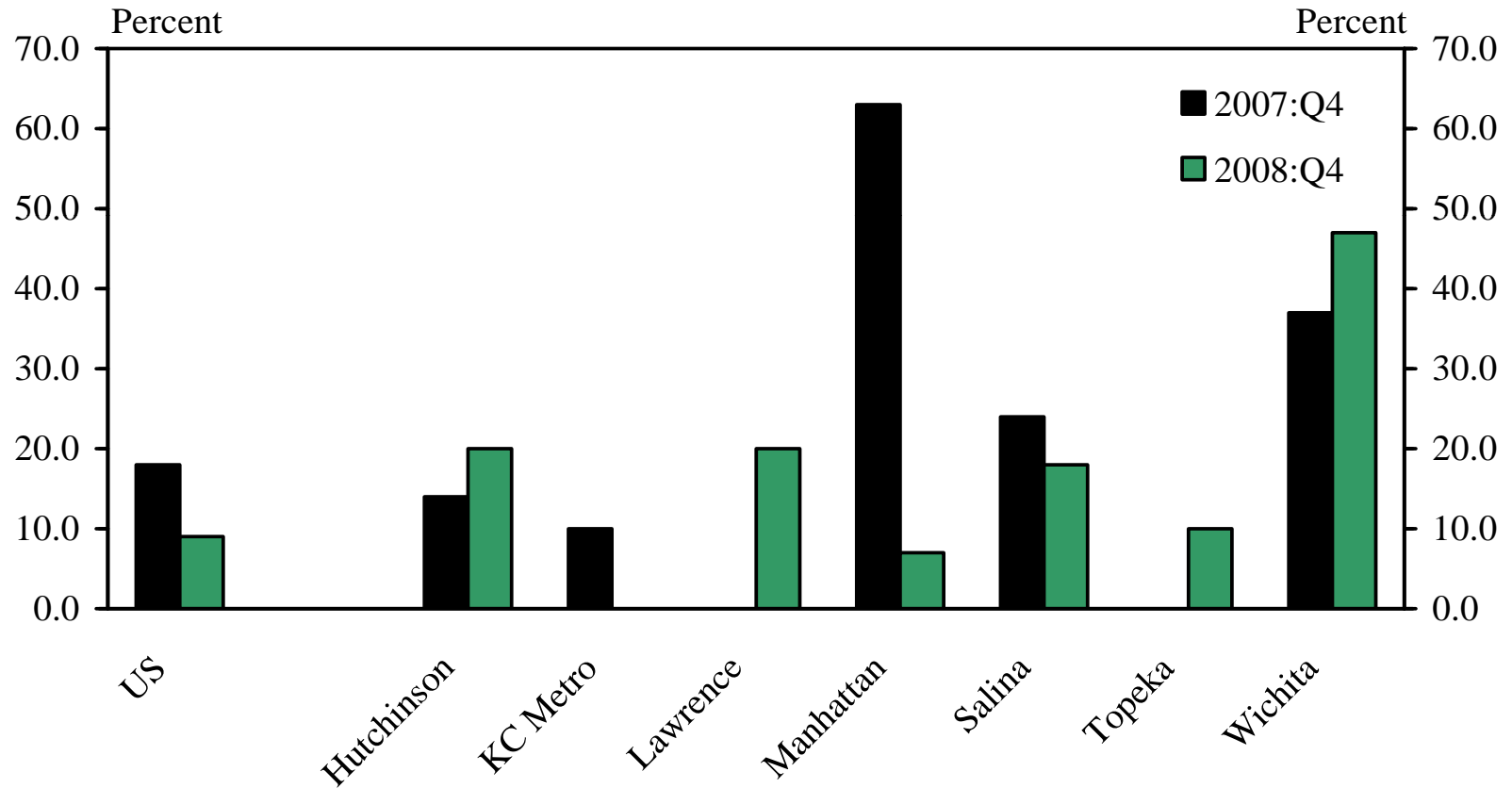
Source: Bureau of Labor Statistics

Latest release: 08/26/2008

Note: Number in parentheses is the industry's share of total private jobs in Kansas in Jul-08



# Net Percentage of Firms Expecting to Increase Employment



Source: Manpower Inc.

Latest release: 09/09/2008

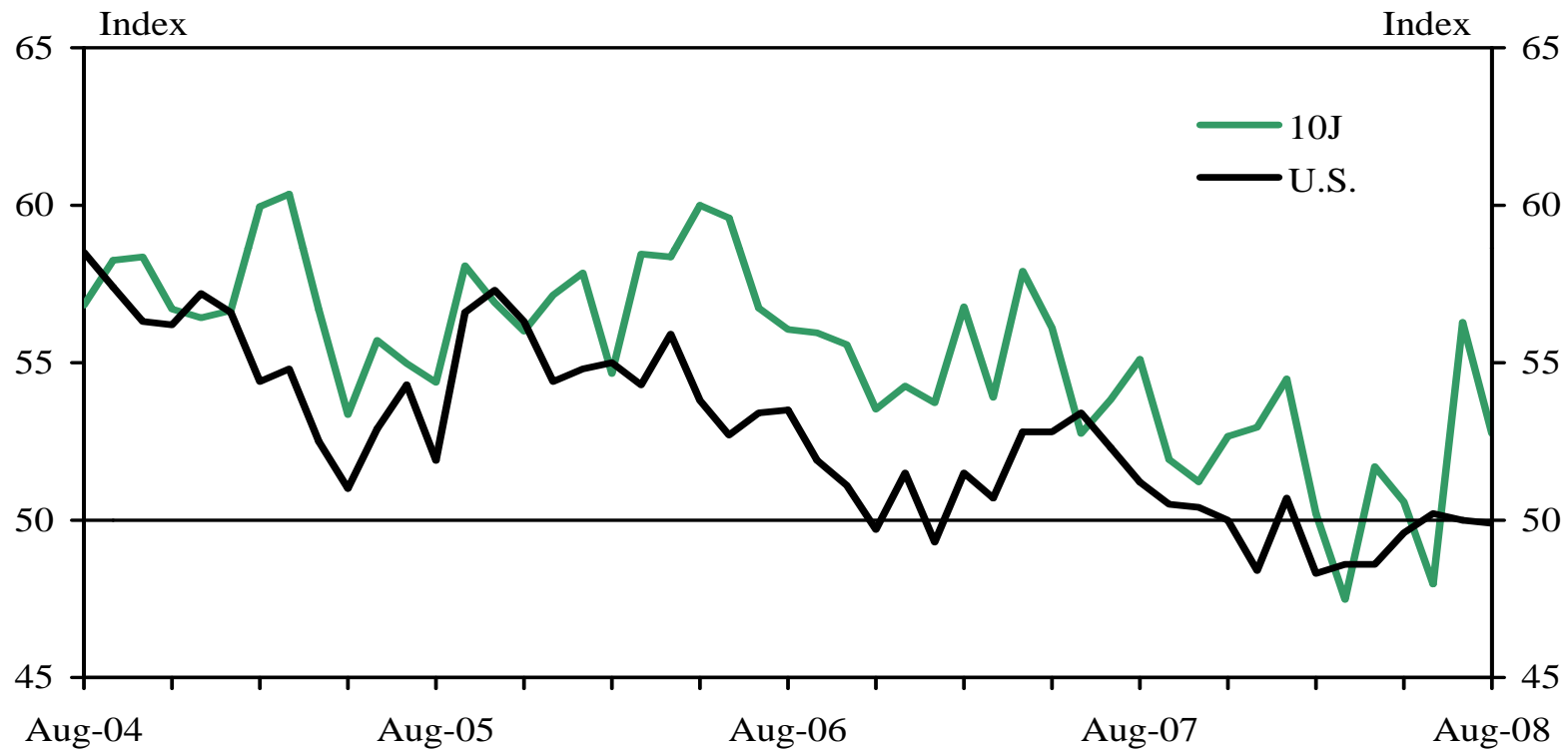


# Economic Activity



# Manufacturing Activity

Month-over-month PMI indexes (seasonally adjusted)



Sources: ISM, FRBKC Manufacturing Survey

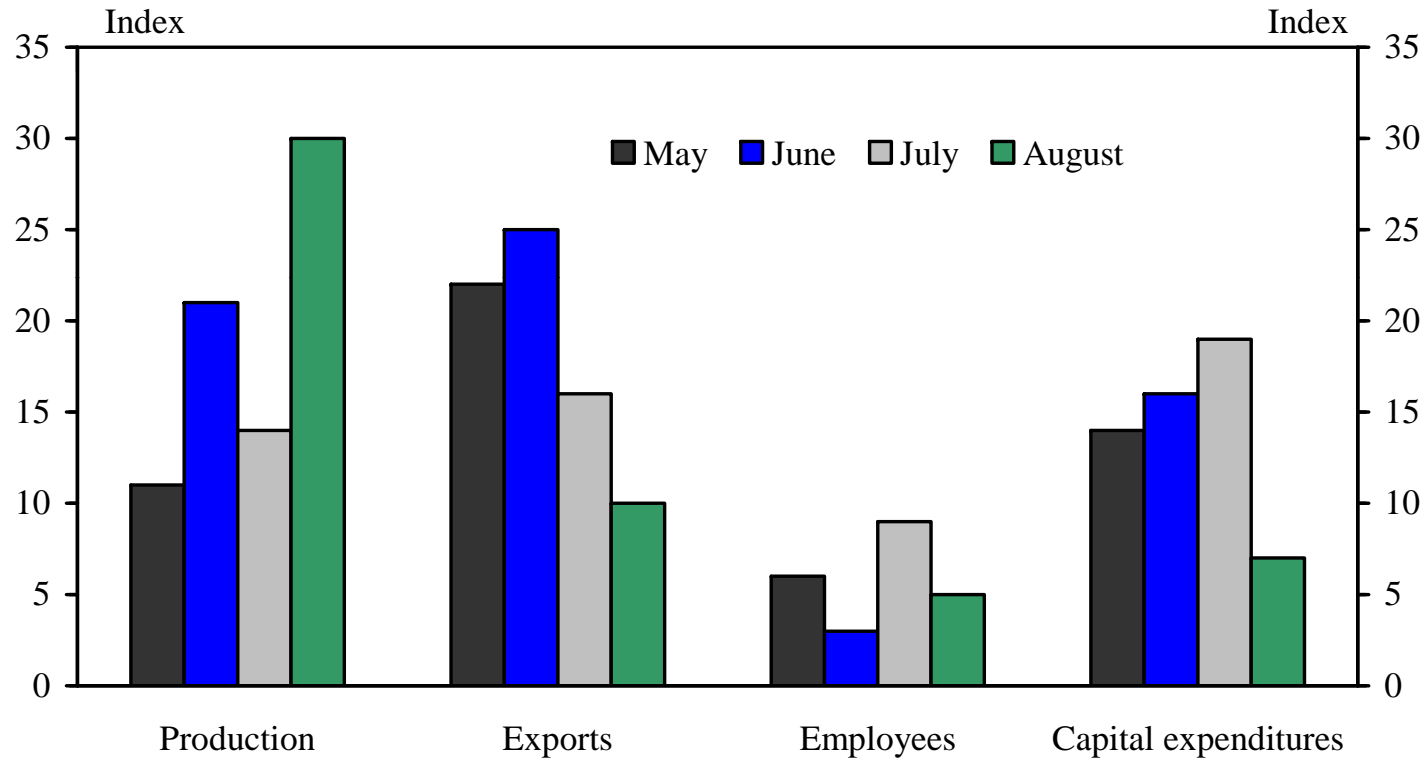
Latest release: 08/28/2008 for the Manufacturing Survey and 09/02/2008 for ISM

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



# Manufacturing Activity

Six-month-ahead expectation indexes (seasonally adjusted)



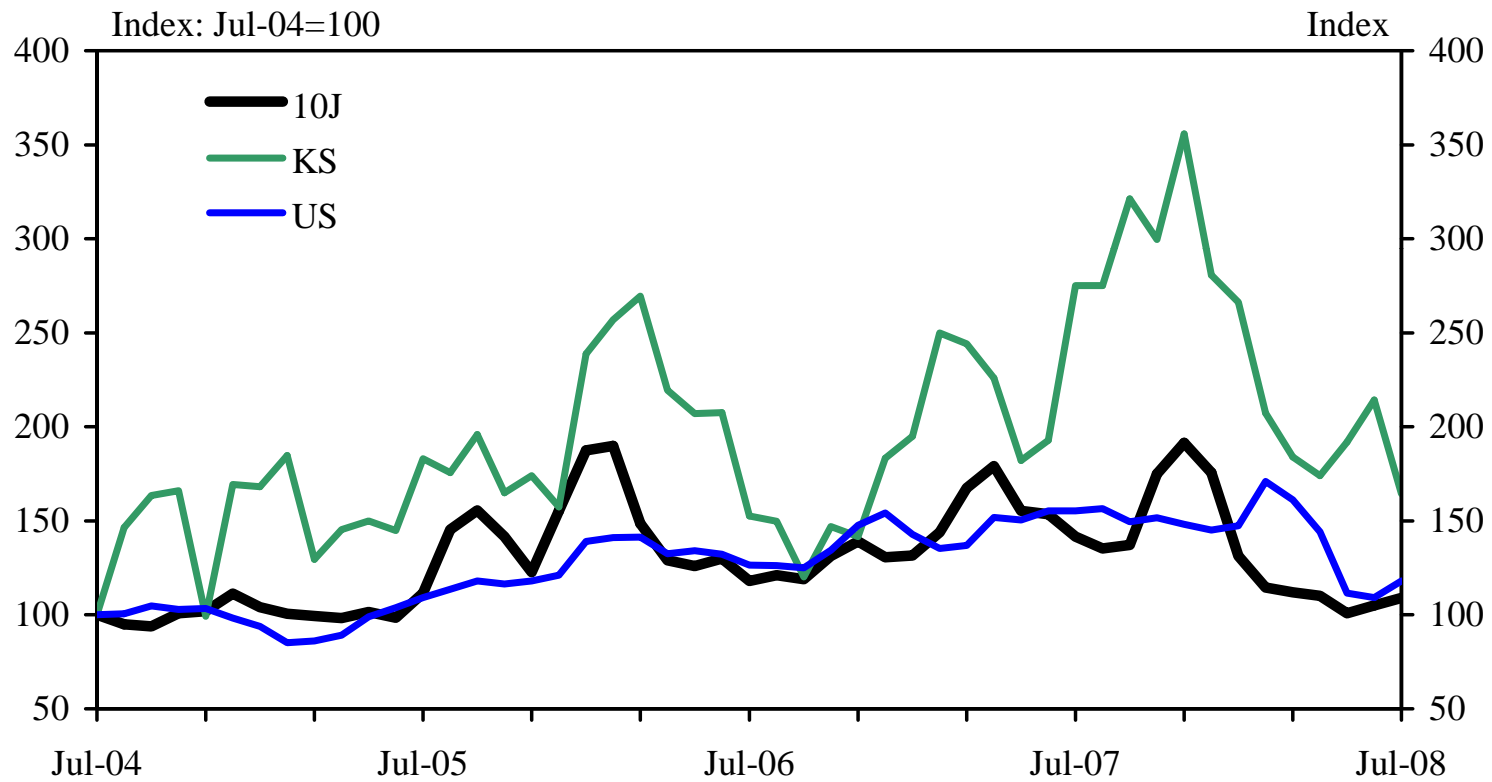
Source: FRBKC Manufacturing Survey

Latest release: 08/28/2008



# Value of Commercial Construction Contracts

Seasonally adjusted



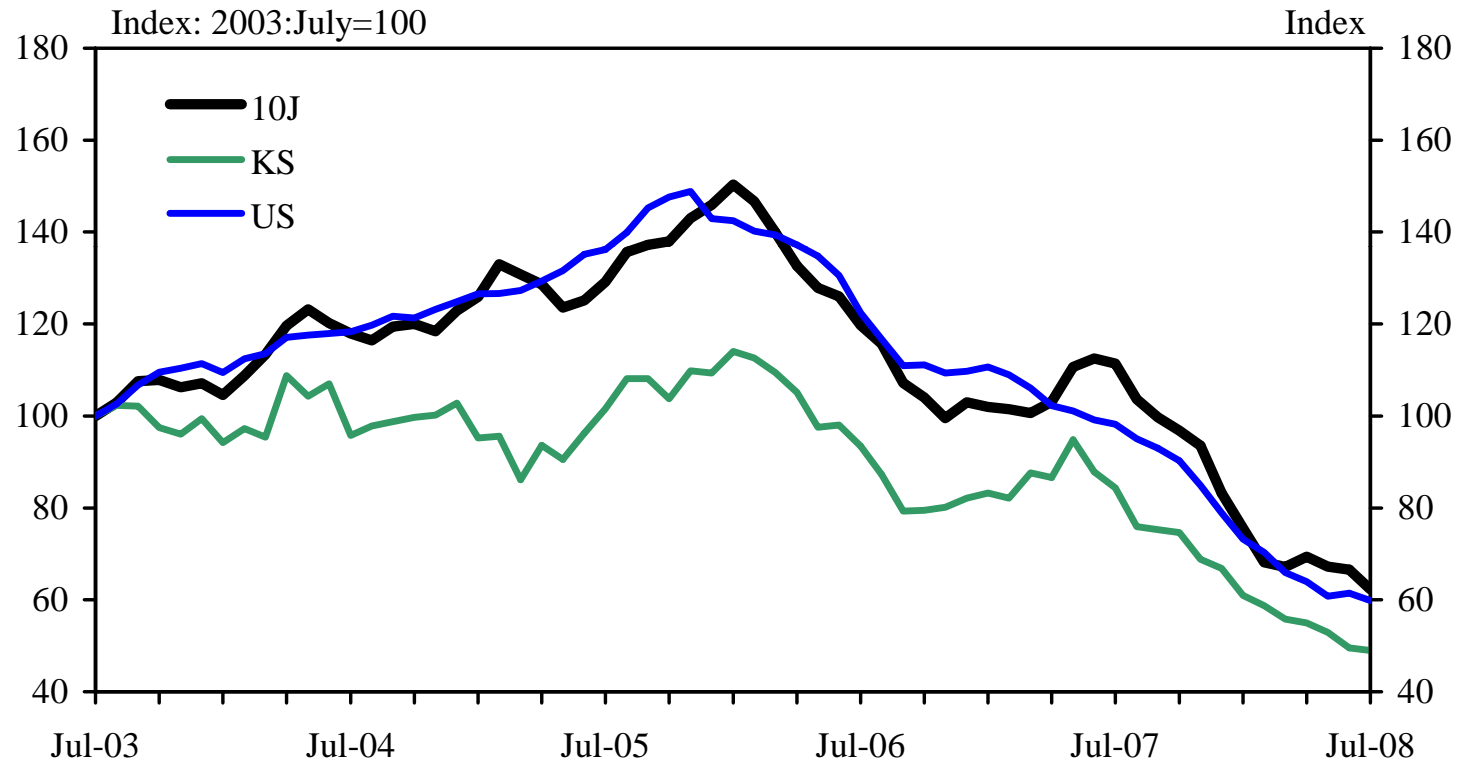
Source: F.W. Dodge, Inc.

Latest release: 08/15/2008



# Value of Residential Construction Contracts

Seasonally adjusted



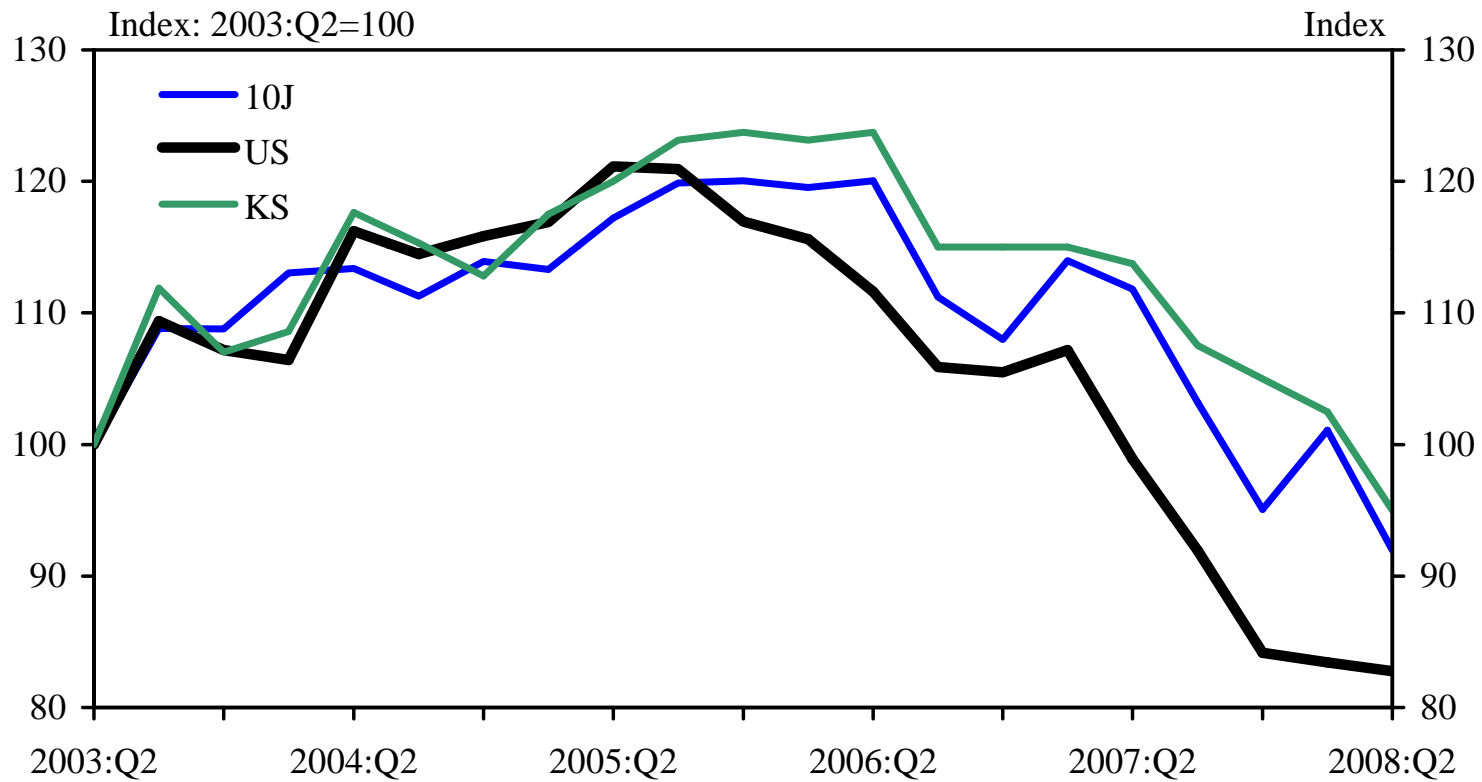
Source: F.W. Dodge, Inc.

Latest release: 08/15/2008



# Sales of Existing Homes

Seasonally adjusted



Source: National Association of Realtors

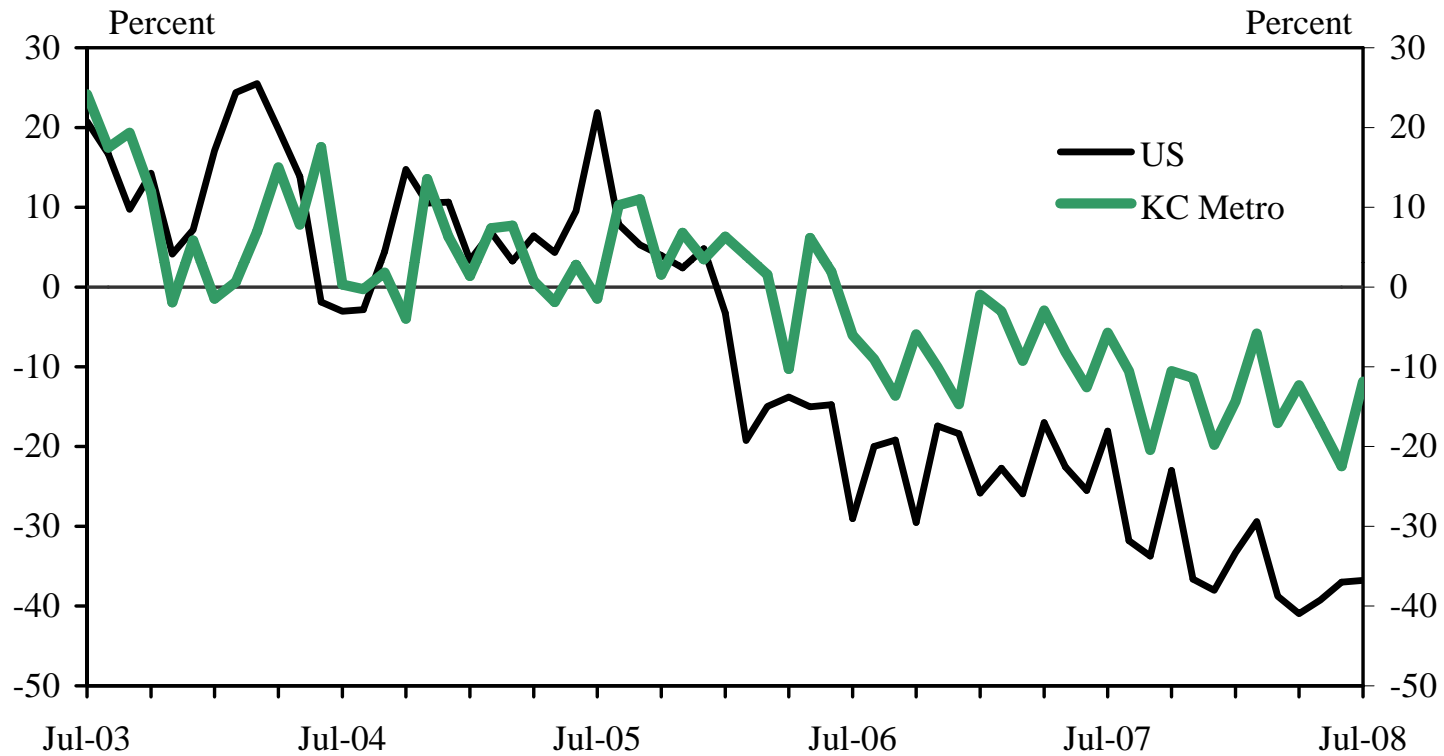
Latest release: 08/14/2008





# Kansas City Home Sales

Year-over-year



Source: National Association of Realtors and Kansas City Realtors

Latest release: 08/14/2008

Note: US data is new home sales; KC is new and existing home sales



# Home Price Appreciation in Kansas

---

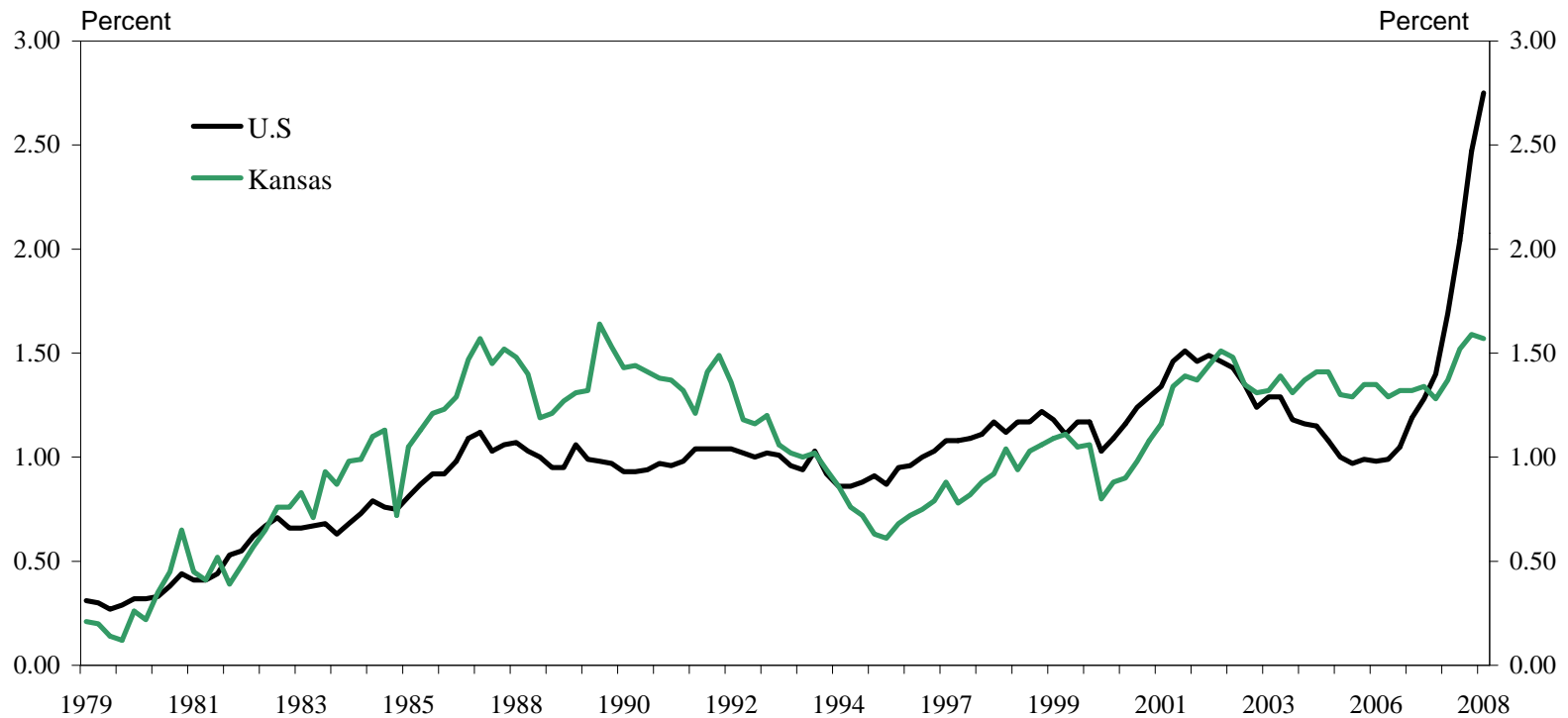
	<b>OFHEO<sup>1</sup></b> <b>Q2 2008 over Q2 2007</b>	<b>NAR<sup>2</sup></b> <b>Q2 2008 over Q2 2007</b>
United States	-1.71%	-7.61%
Kansas	1.26%	
Kansas City	0.05%	-3.11%
Lawrence	0.90%	
Topeka	-0.09%	-1.25%
Wichita	2.22%	3.45%

1) Office of Federal Housing Enterprise Oversight; Repeat sales index (quality-adjusted)

2) National Association of Realtors; Median sales price (not quality-adjusted)



# Foreclosure Inventory in Kansas

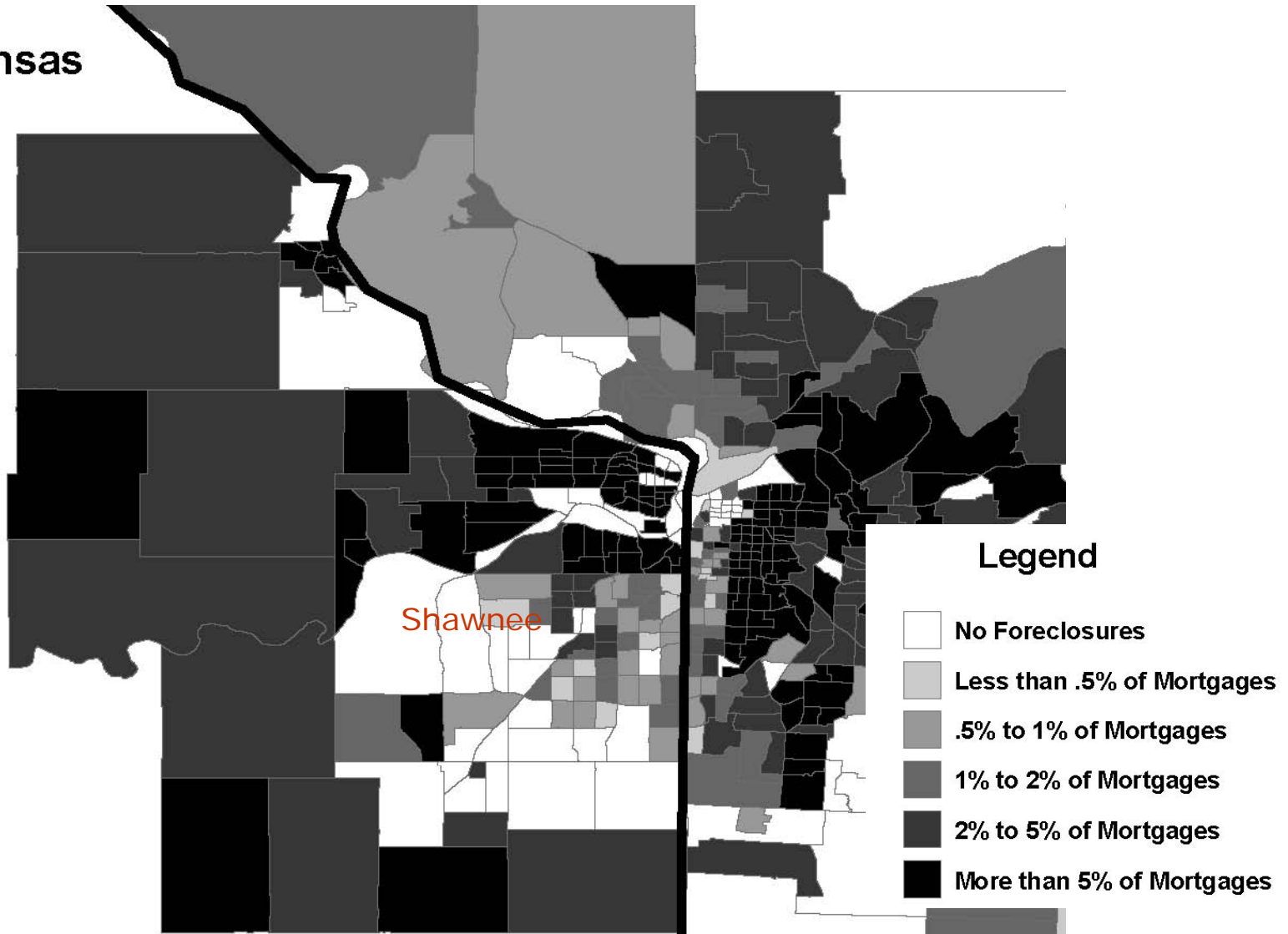


Source: Mortgage Bankers Association



# Foreclosure Inventory

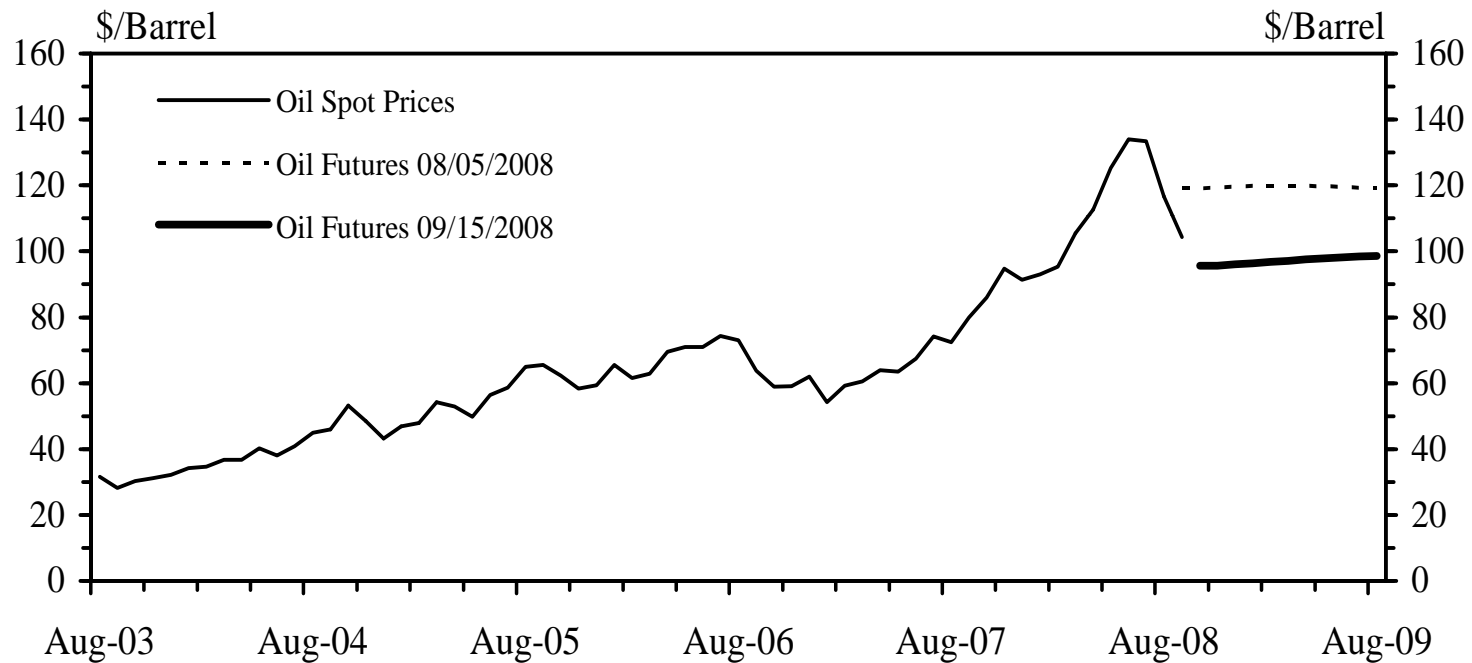
Kansas



# Prices



# Oil Prices

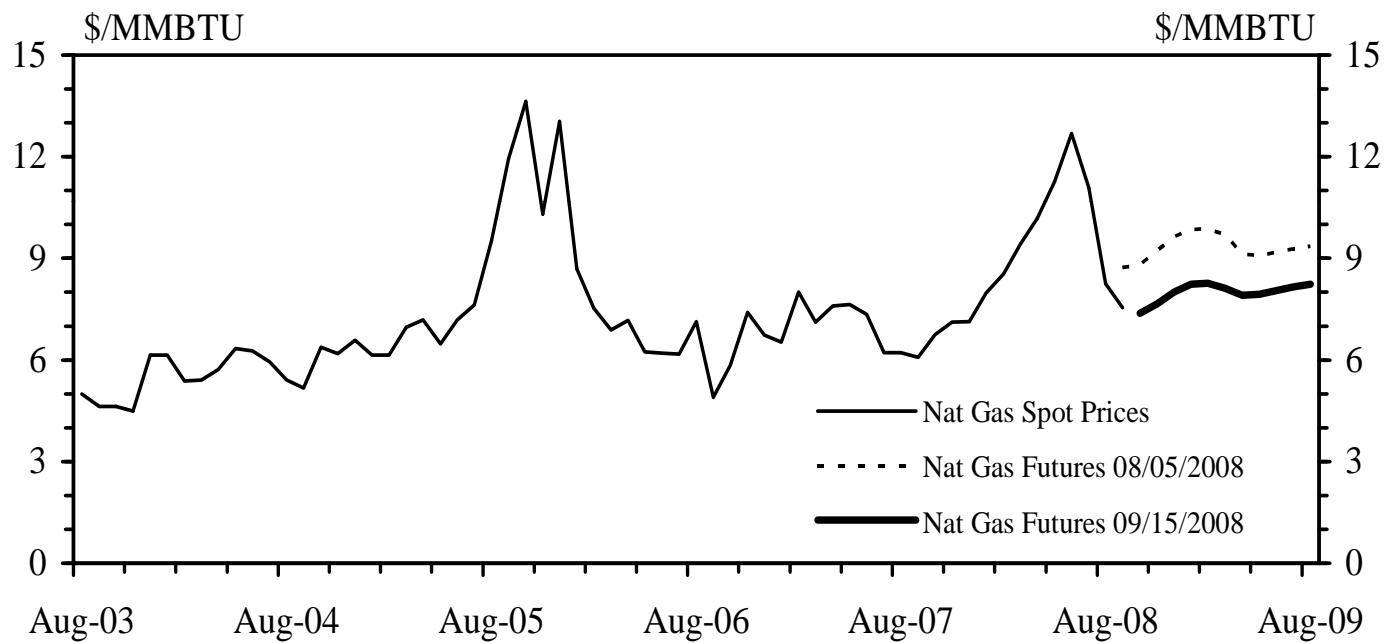


Source: Bloomberg Energy Services

Latest release: 09/15/2008



# Natural Gas Prices

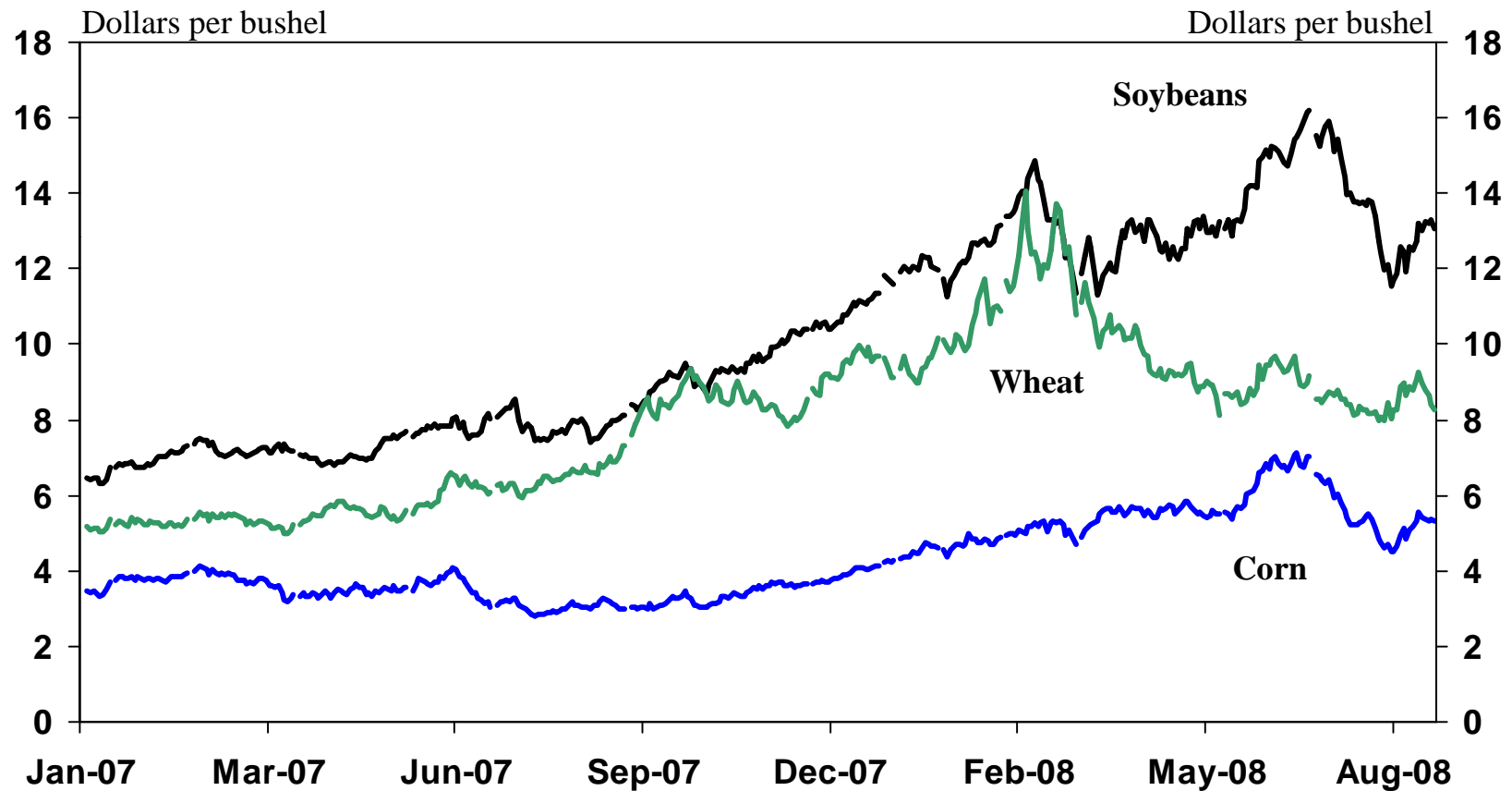


Source: Bloomberg Energy Services

Latest release: 09/15/2008



# U.S. Crop Prices



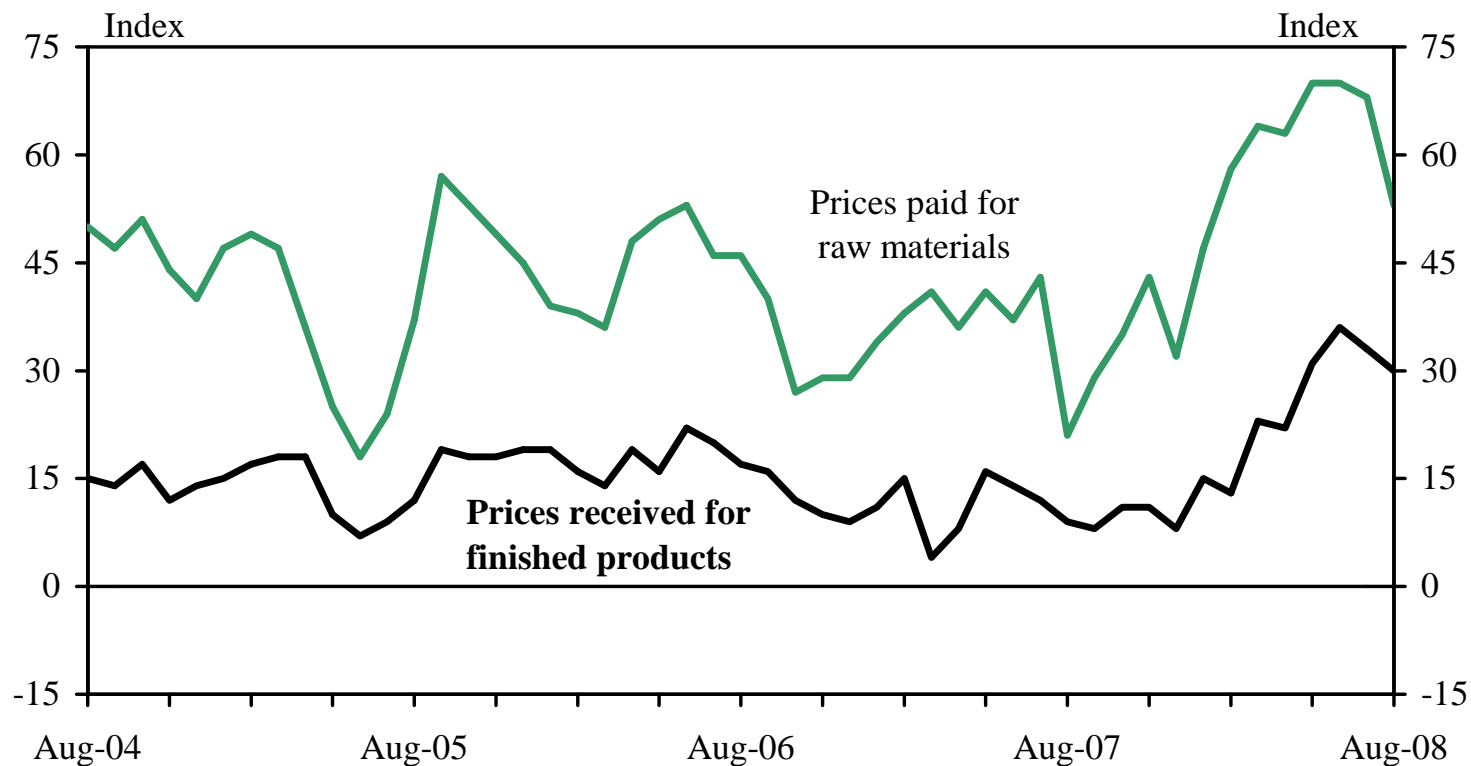
Source: USDA





# Manufacturing Price Pressures

Month-over-month price diffusion index for the Tenth District



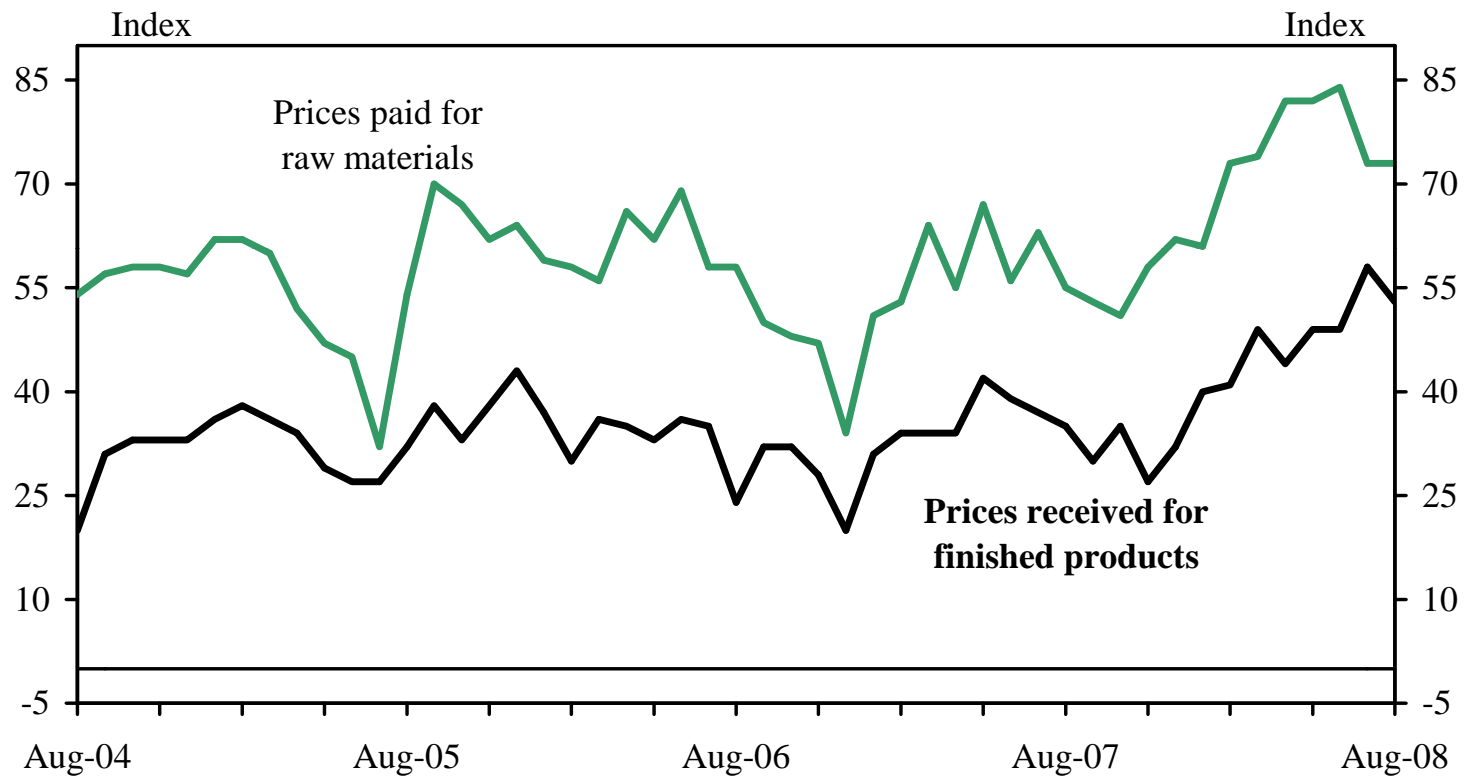
Source: FRBKC Manufacturing Survey

Latest release: 08/28/2008



# Manufacturing Price Pressures

Six-month-ahead price diffusion index for the Tenth District



Source: FRBKC Manufacturing Survey

Latest release: 08/28/2008





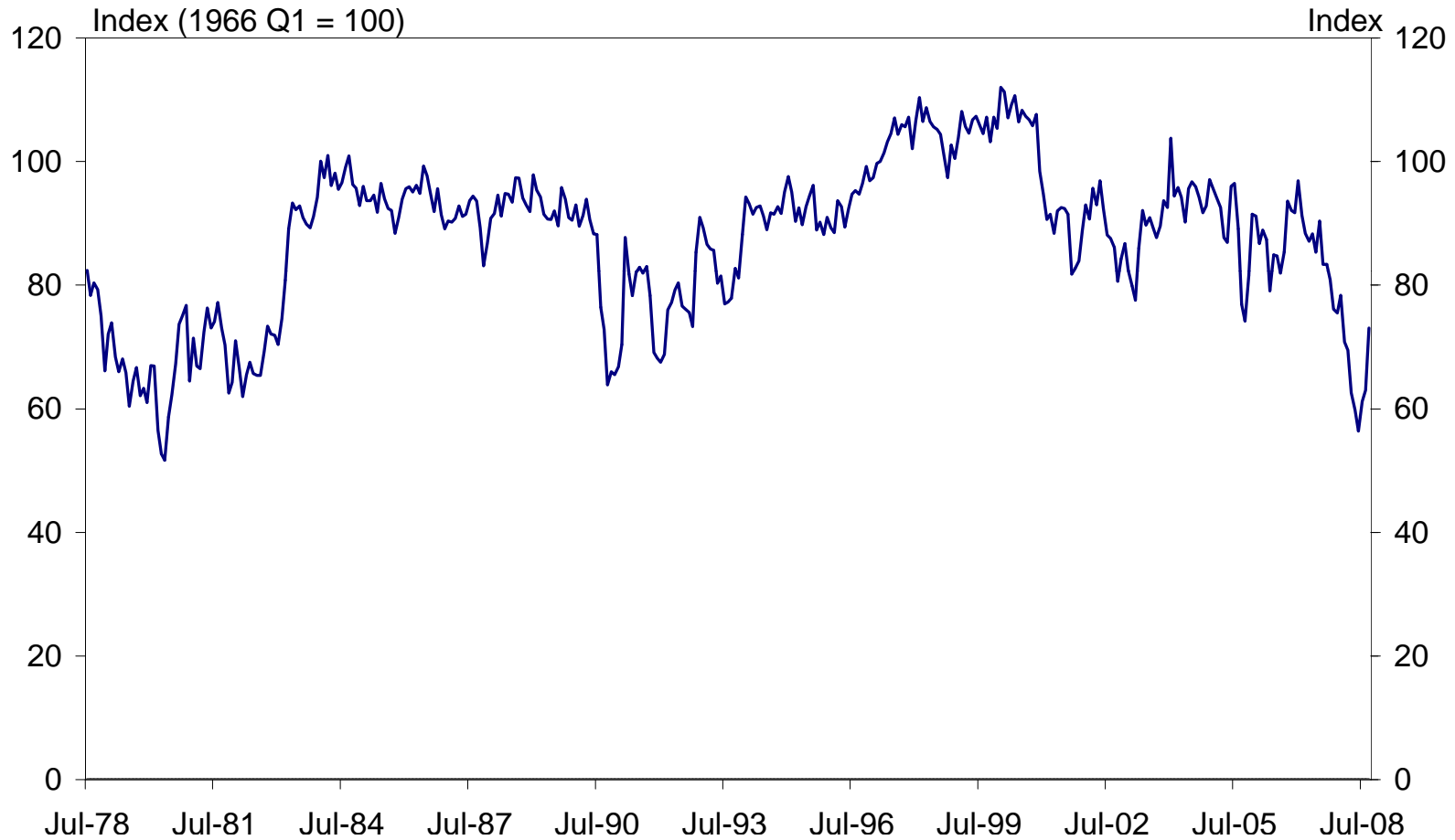
---

# Consumer Confidence and Consumer Spending



# Consumer Confidence

Seasonally adjusted



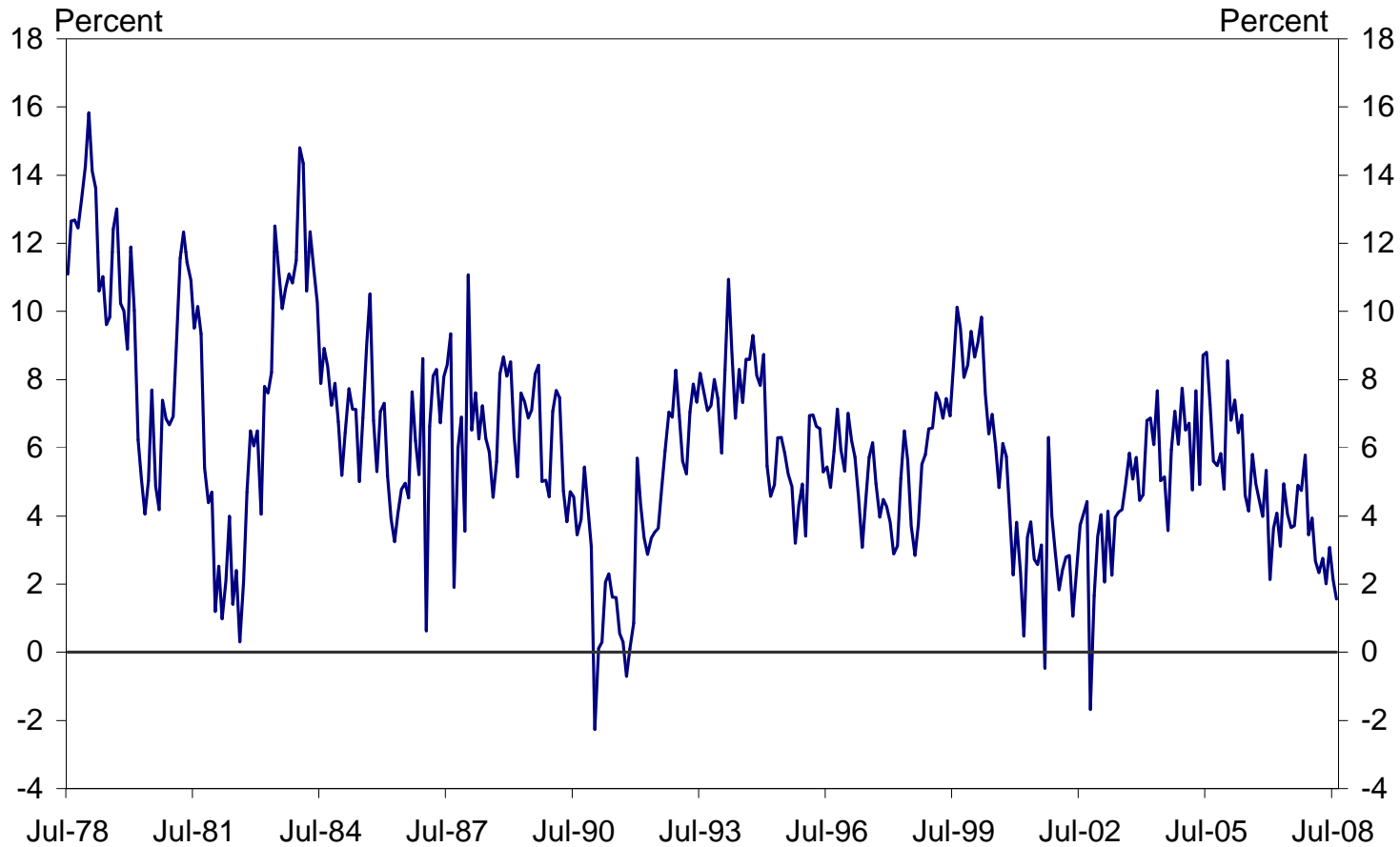
Source: University of Michigan

Latest release: 09/12/2008



# National Retail Sales

Year-over-year, seasonally adjusted

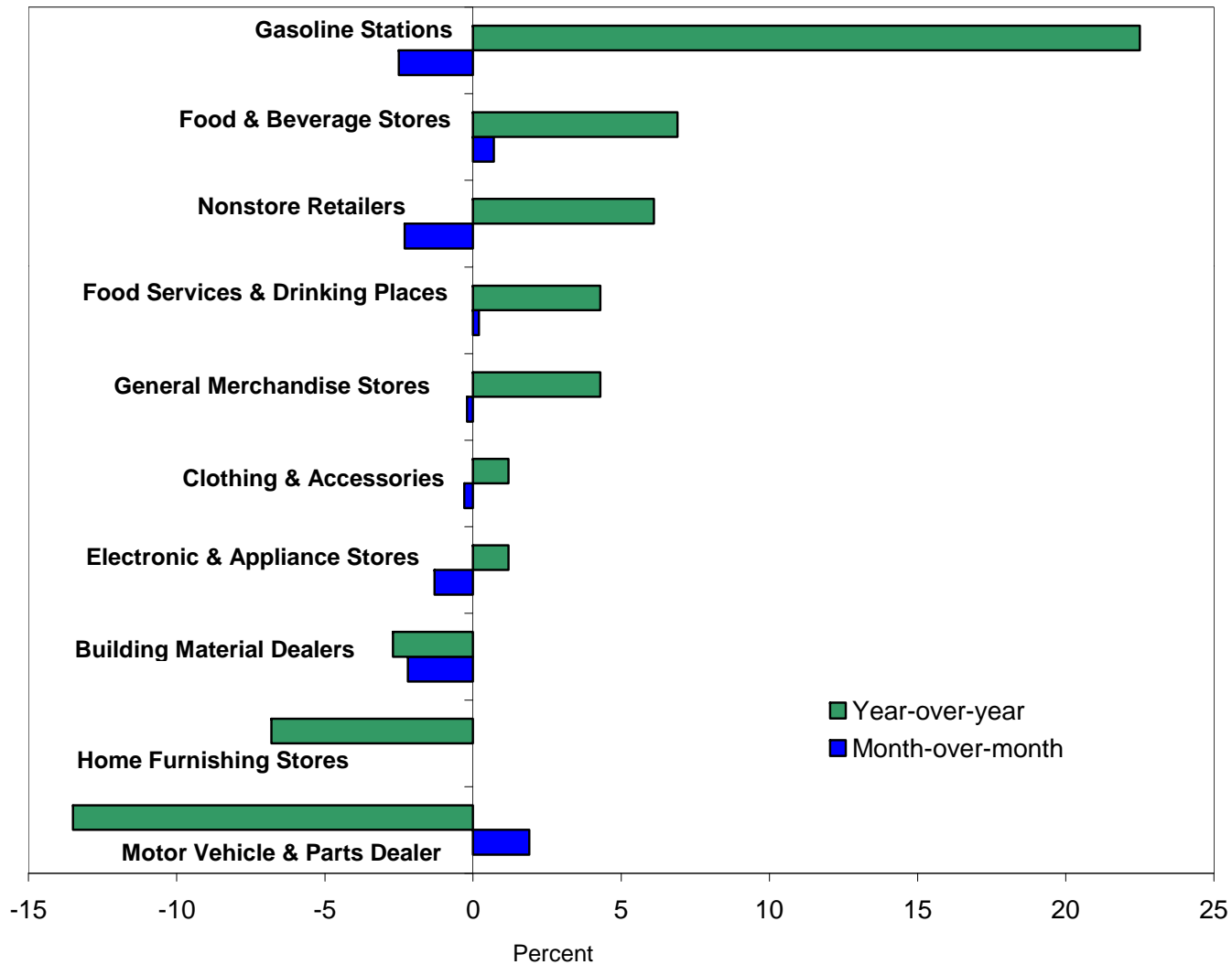


Source: US Census Bureau

Latest release: 09/12/2008



# Retail Sales by Component, July 2008



Source: U.S. Census Bureau

Latest release: 09/12/2008



# Conclusions

---

- ❑ Unemployment rates have increased but remain at moderate levels by historic standards.
- ❑ Residential construction activity remains lethargic and the housing sector continues to be a drag on economic growth.
- ❑ Inflation pressures are elevated, but are expected to lessen as the economy slows and food & energy prices flatten.





---

# Questions?

