

Economic Update

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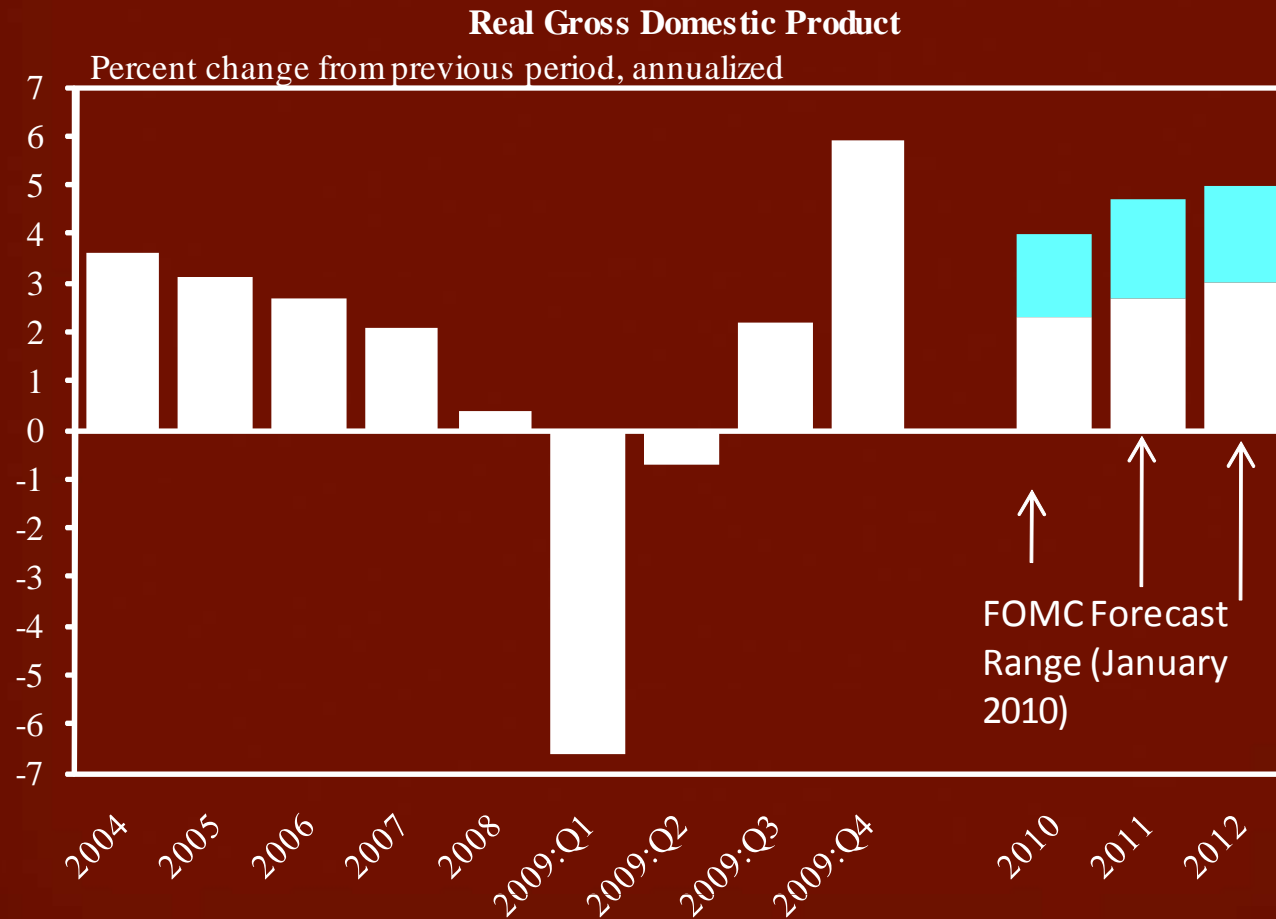


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Regulatory Update
— SEMINAR —
Federal Reserve Bank of Kansas City

U.S. Economic Overview

- After one of the most severe recessions since the Great Depression, the U.S. economy is starting to recover.
 - Housing market conditions have improved, and residential construction activity has picked up.
 - Distress in financial markets has eased.
 - Manufacturing activity has increased.
- However, the U.S. economy faces many challenges over the next few years.
 - Although the pace of job losses has slowed, unemployment rates are likely to remain stubbornly high.
 - Eventually fiscal and monetary stimulus must be removed.

A gradual recovery is expected over the next few years.

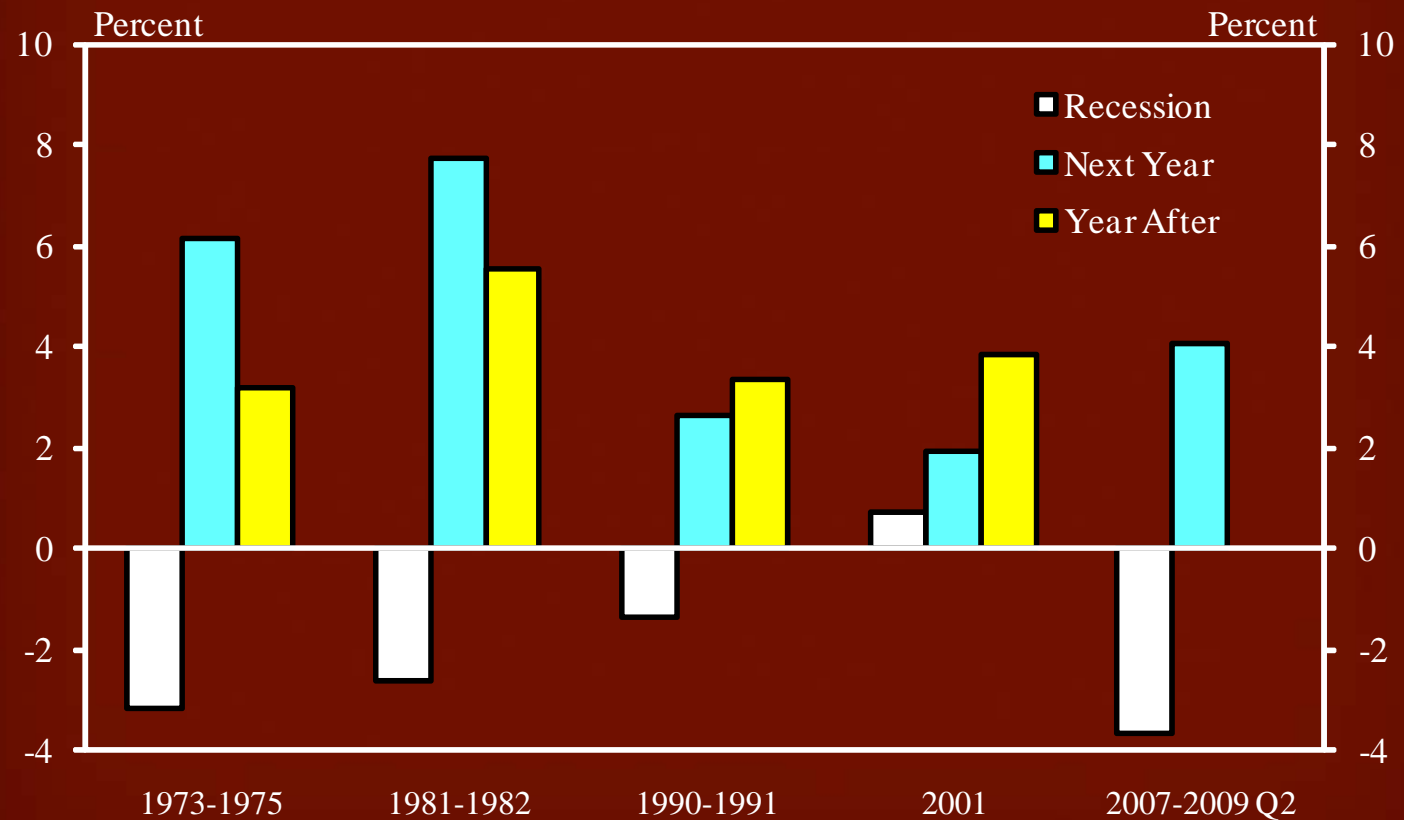


Source: Bureau of Economic Analysis; FOMC

Latest release: 02/26/2010

In the past, real GDP growth has been stronger following sharp downturns.

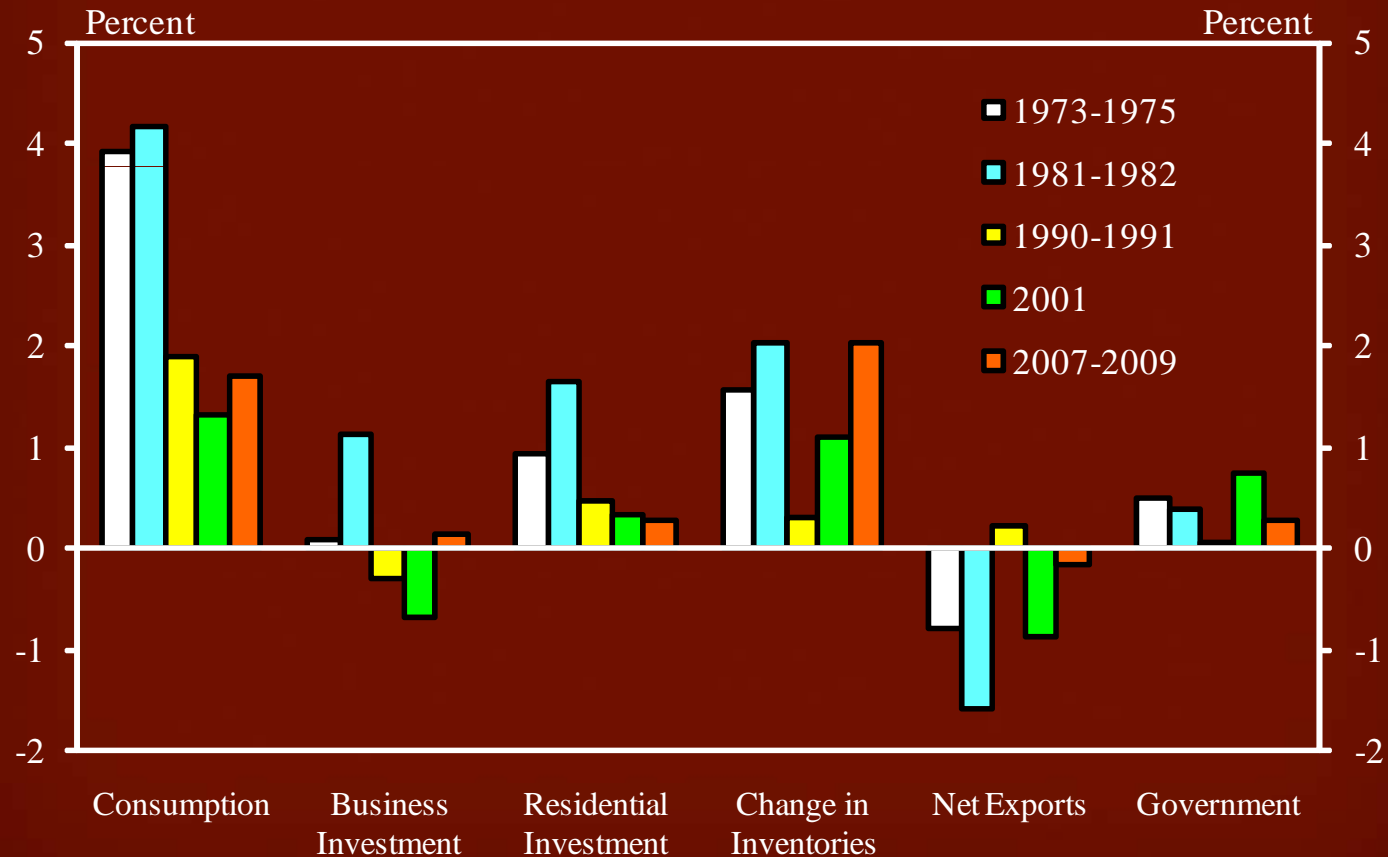
Real GDP During and After Recessions
Year-over-year



Source: BEA

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)



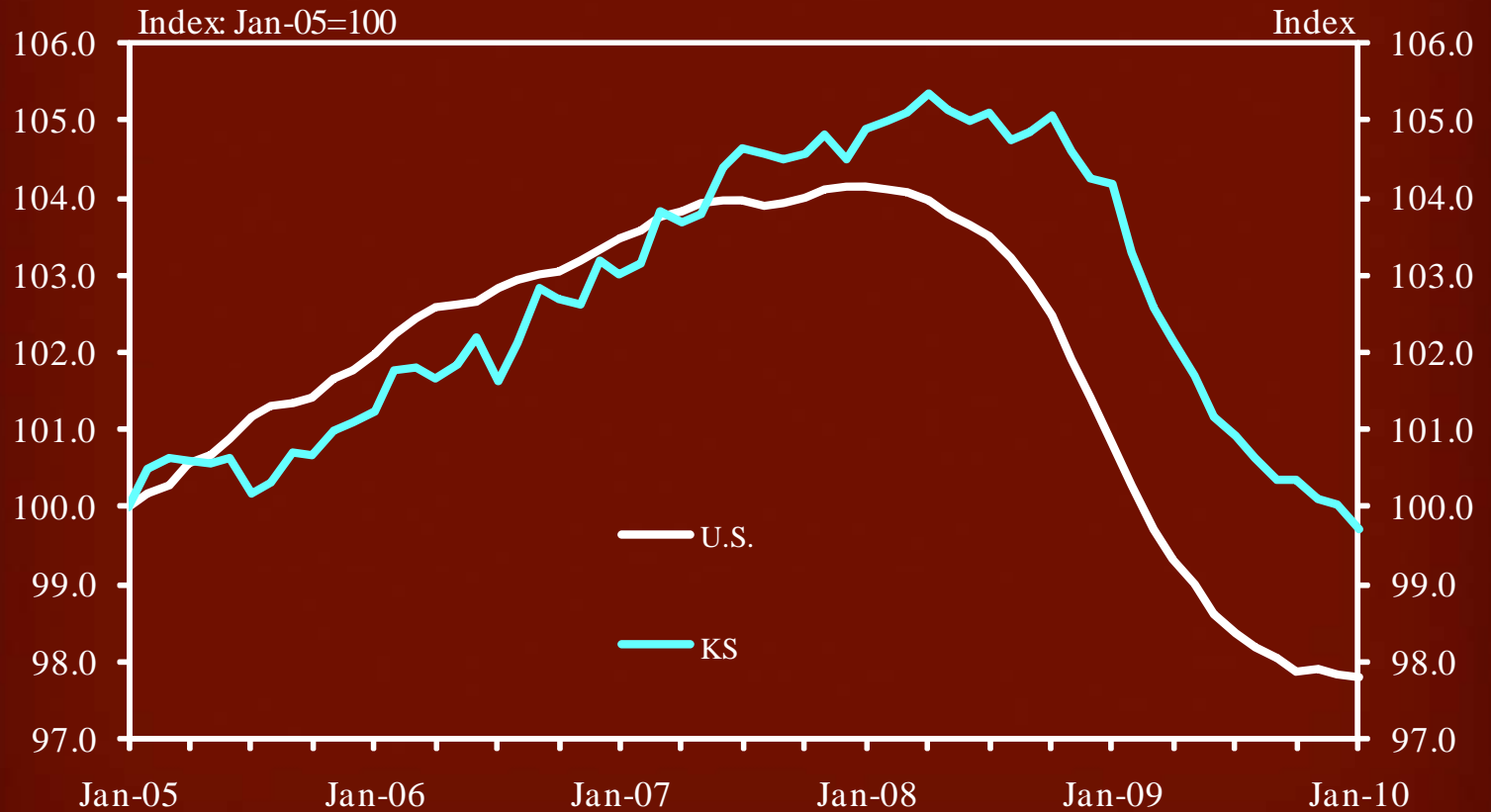
Source: BEA

Kansas Overview

- Kansas was slow to enter the current recession.
 - The aerospace manufacturing, agriculture and energy sectors provided robust support to the region through the third quarter of 2008.
 - Home prices have fallen less than in the nation, and foreclosure rates are much lower than other parts of the country.
- The Kansas economy is now showing signs of recovery similar to those seen in the national economy.
 - Manufacturing activity is stabilizing.
 - Monthly home sales and residential construction activity are increasing.

Employment has fallen sharply over the past year.

Total Nonfarm Employment
Seasonally adjusted

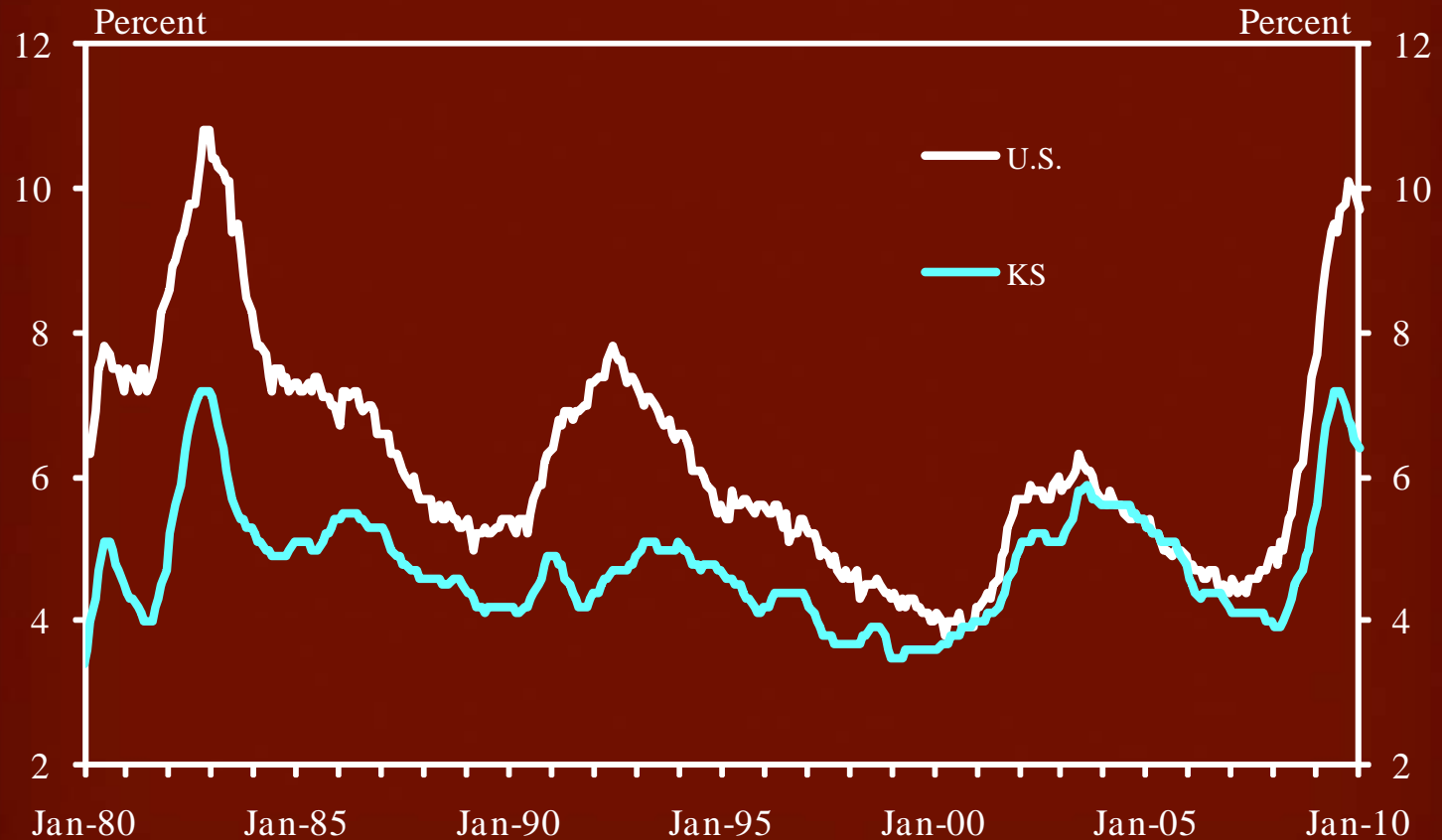


Source: Bureau of Labor Statistics

Latest release: 03/10/2010

Unemployment rates remain elevated.

Unemployment Rate
Seasonally adjusted

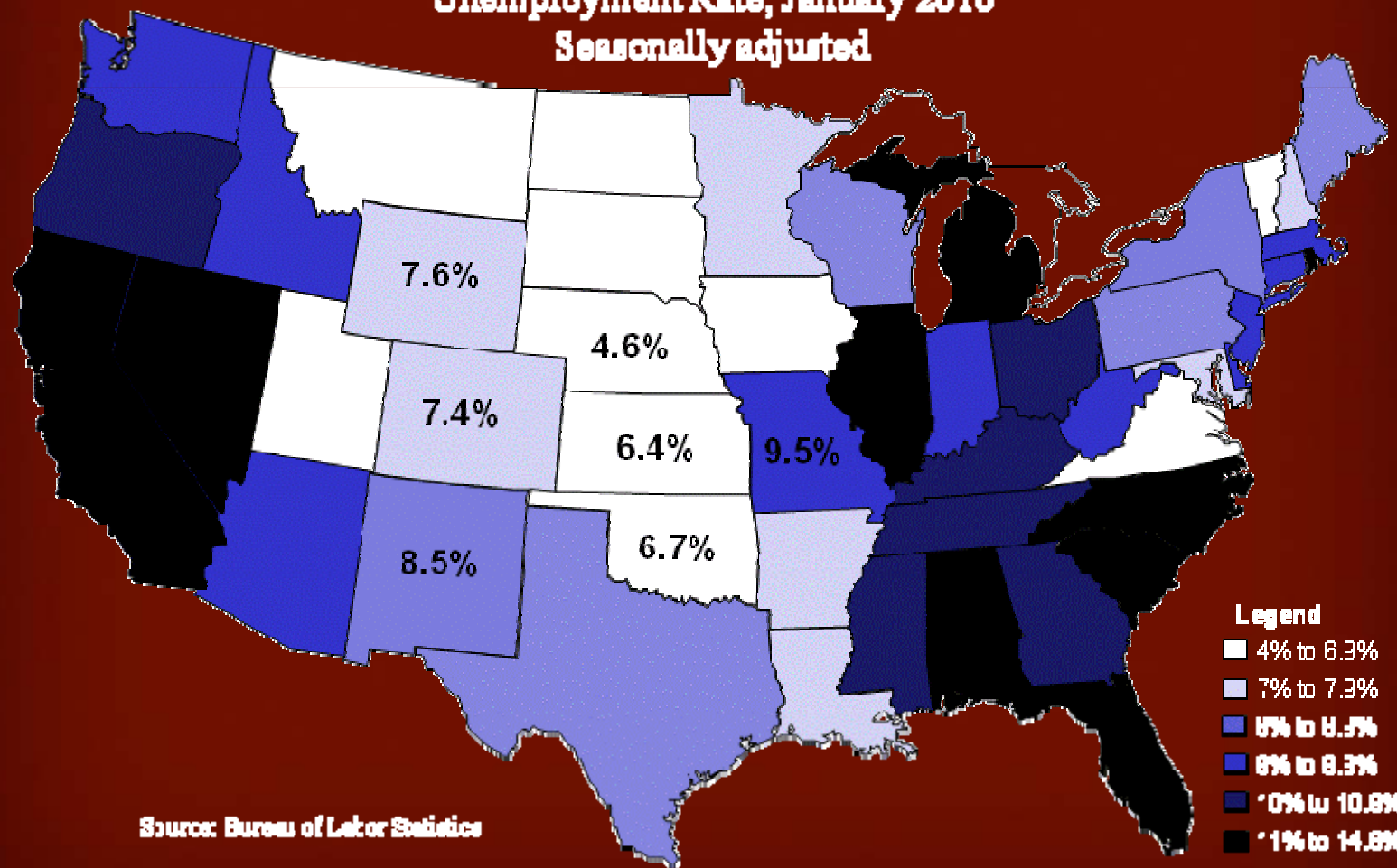


Source: Bureau of Labor Statistics

Latest release: 03/10/2010

There are large regional variations in unemployment.

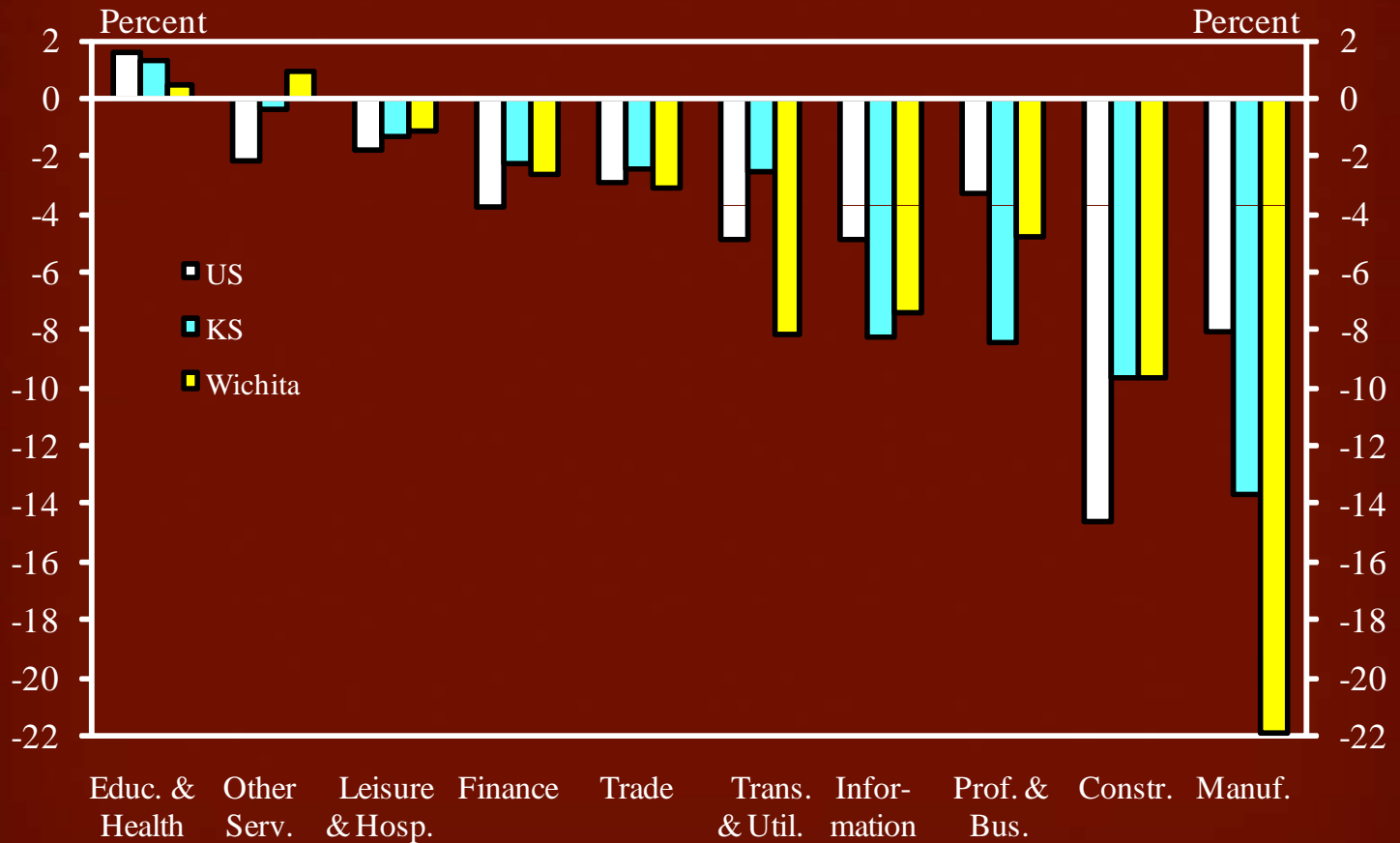
Unemployment Rate, January 2010
Seasonally adjusted



Source: Bureau of Labor Statistics

Most industries experienced sharp employment declines over the past year.

Private Job Growth by Industry
Jan-10 over Jan-09



Source: Bureau of Labor Statistics

Latest release: 03/10/2010

Hiring expectations remain sluggish.

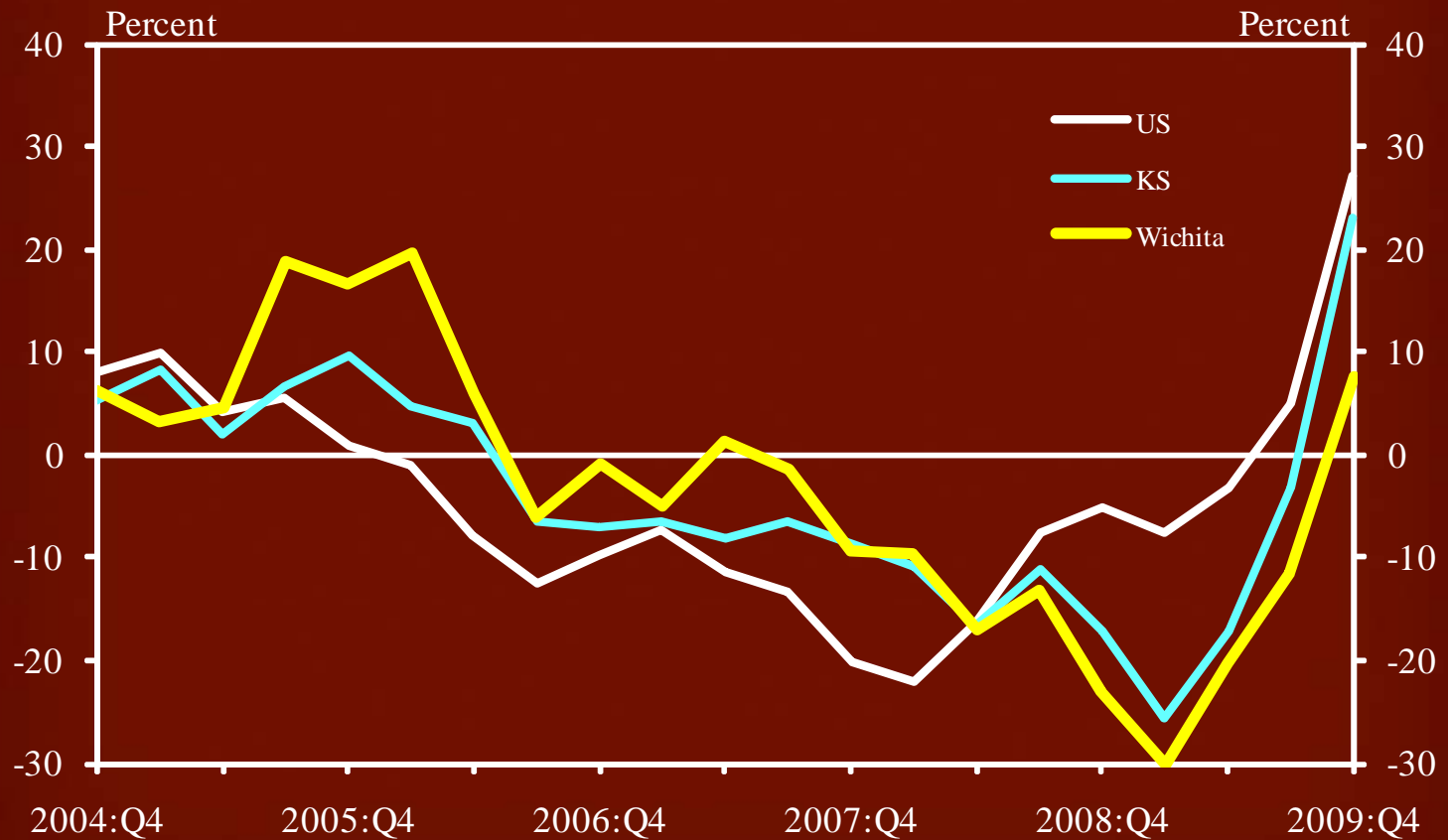
Net Percentage of Firms Expecting to Increase Employment



Source: Manpower Inc.

Home sales have fallen sharply since late 2005 but have since increased.

Sales of Existing Homes
Year-over-year

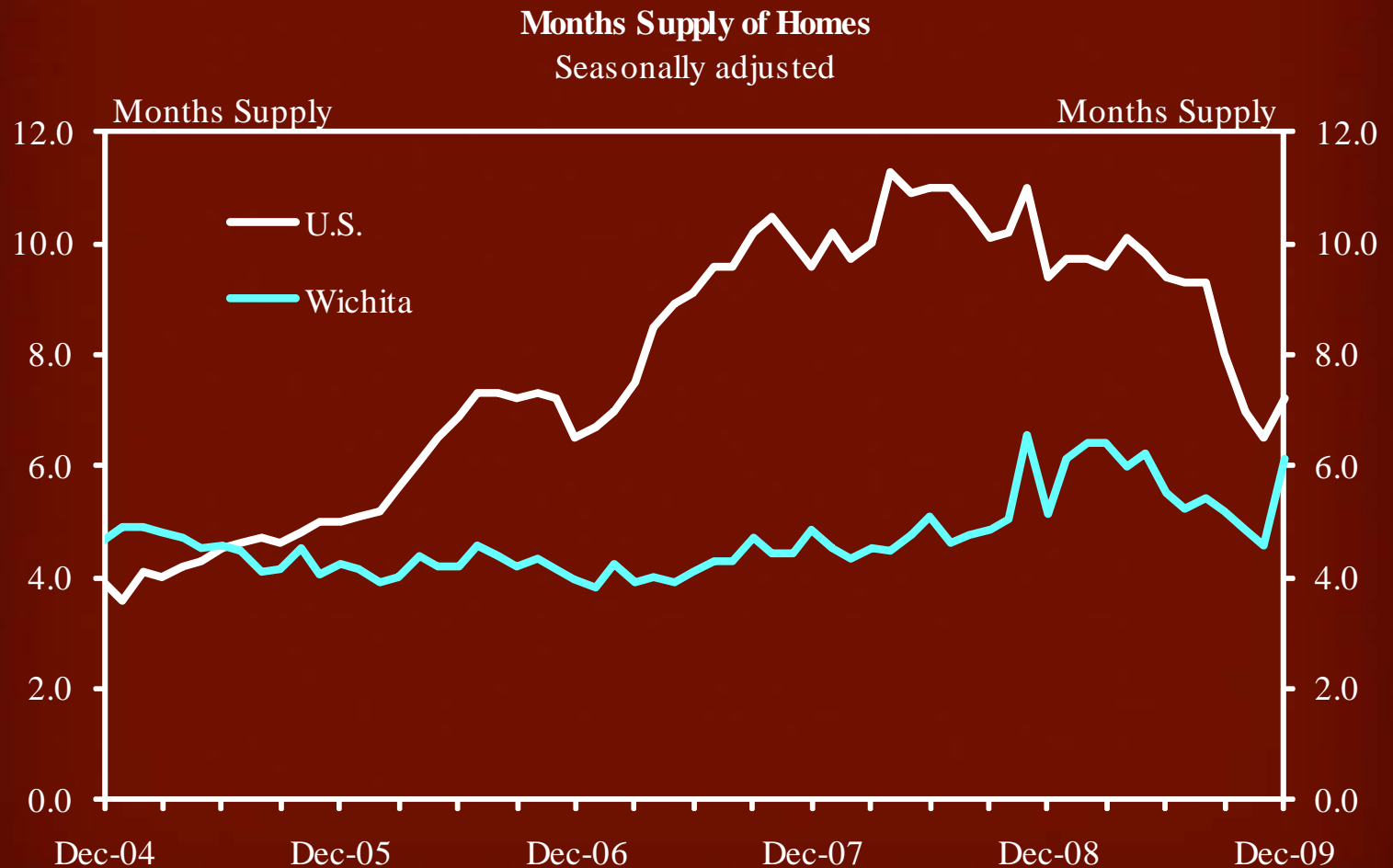


Source: National Association of Realtors

Latest release: 02/11/2010

The months supply of homes has decreased from its cyclical high.

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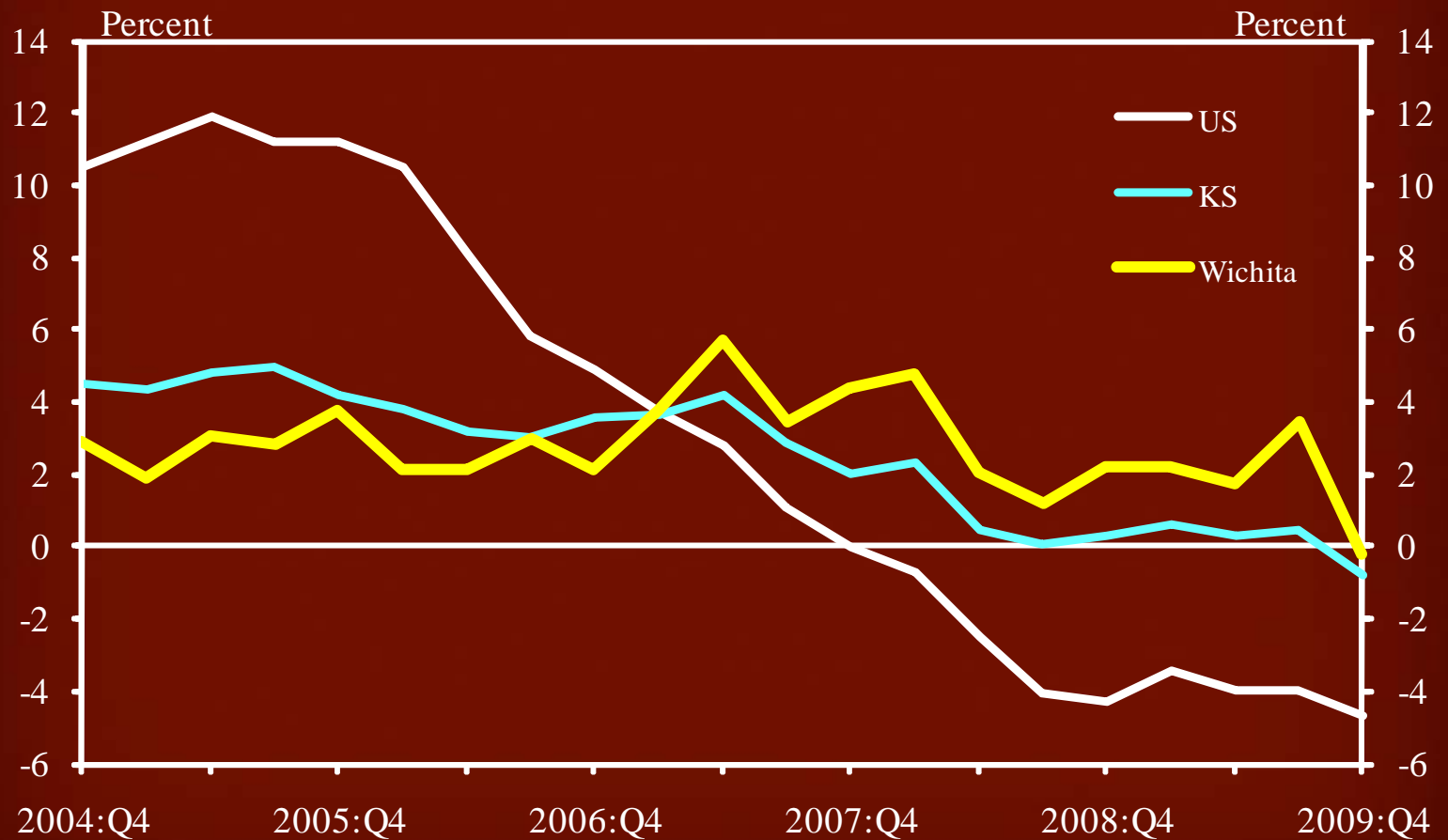


Source: NAR and Local Realtor

Latest release: 01/23/2010

Home prices seem to have stabilized.

Home Price Appreciation
Year-over-year growth

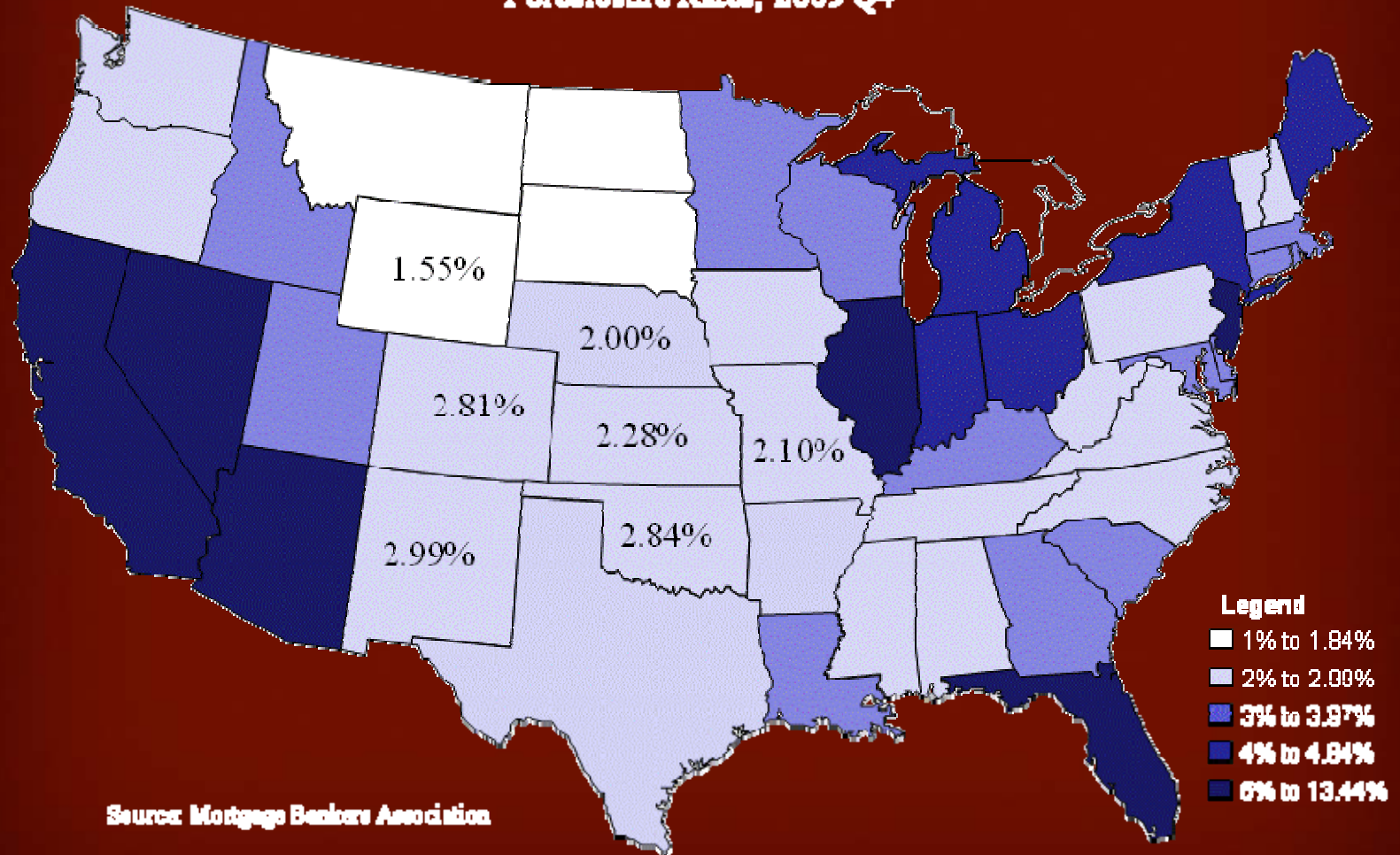


Source: FHFA

Latest release: 02/25/2010

Foreclosure rates are up across the nation, but regional variation persists.

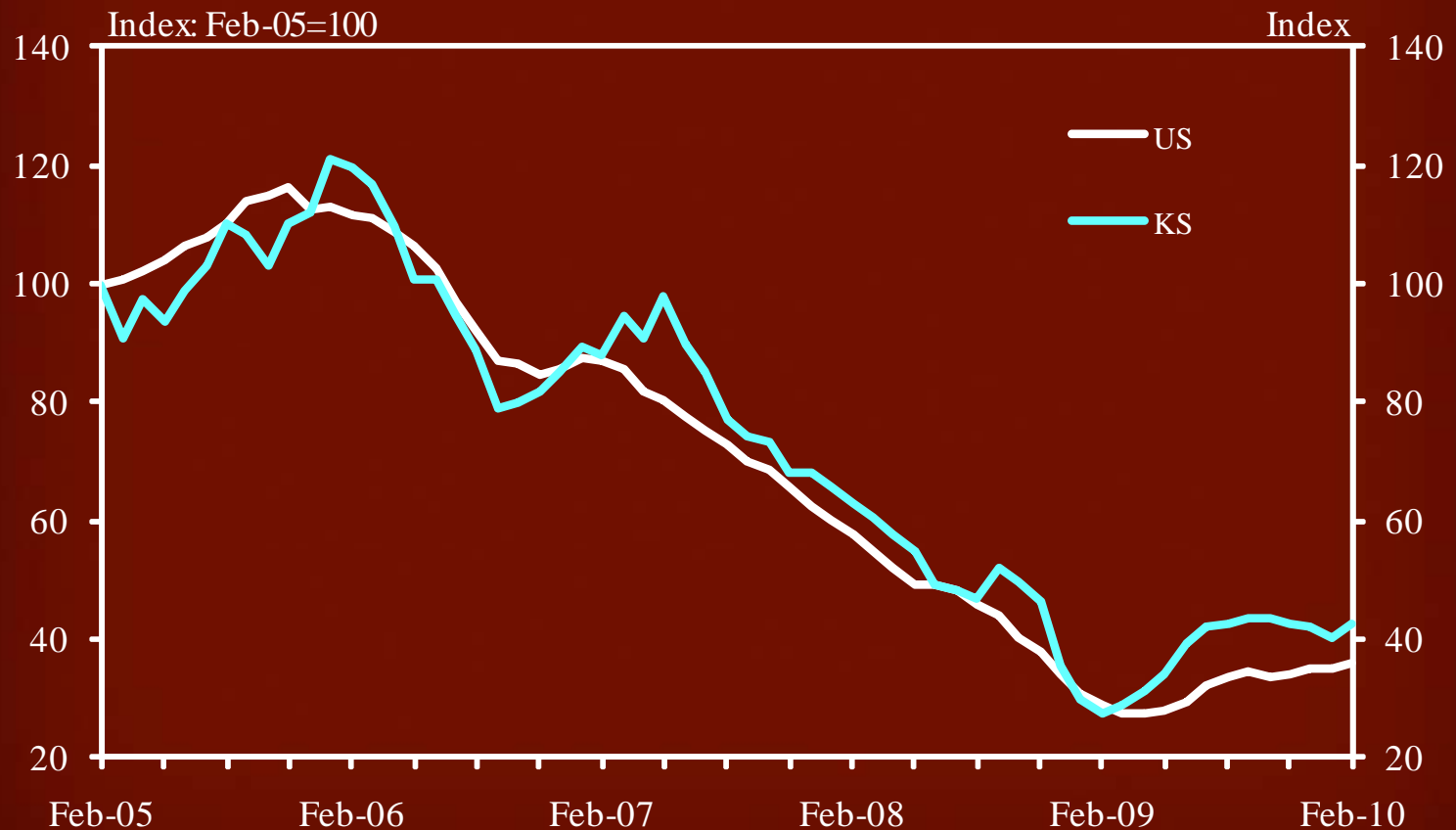
Foreclosure Rates, 2009 Q4



Source: Mortgage Bankers Association

Residential construction activity has increased slightly over the past year.

Value of Residential Construction Contracts
Seasonally adjusted

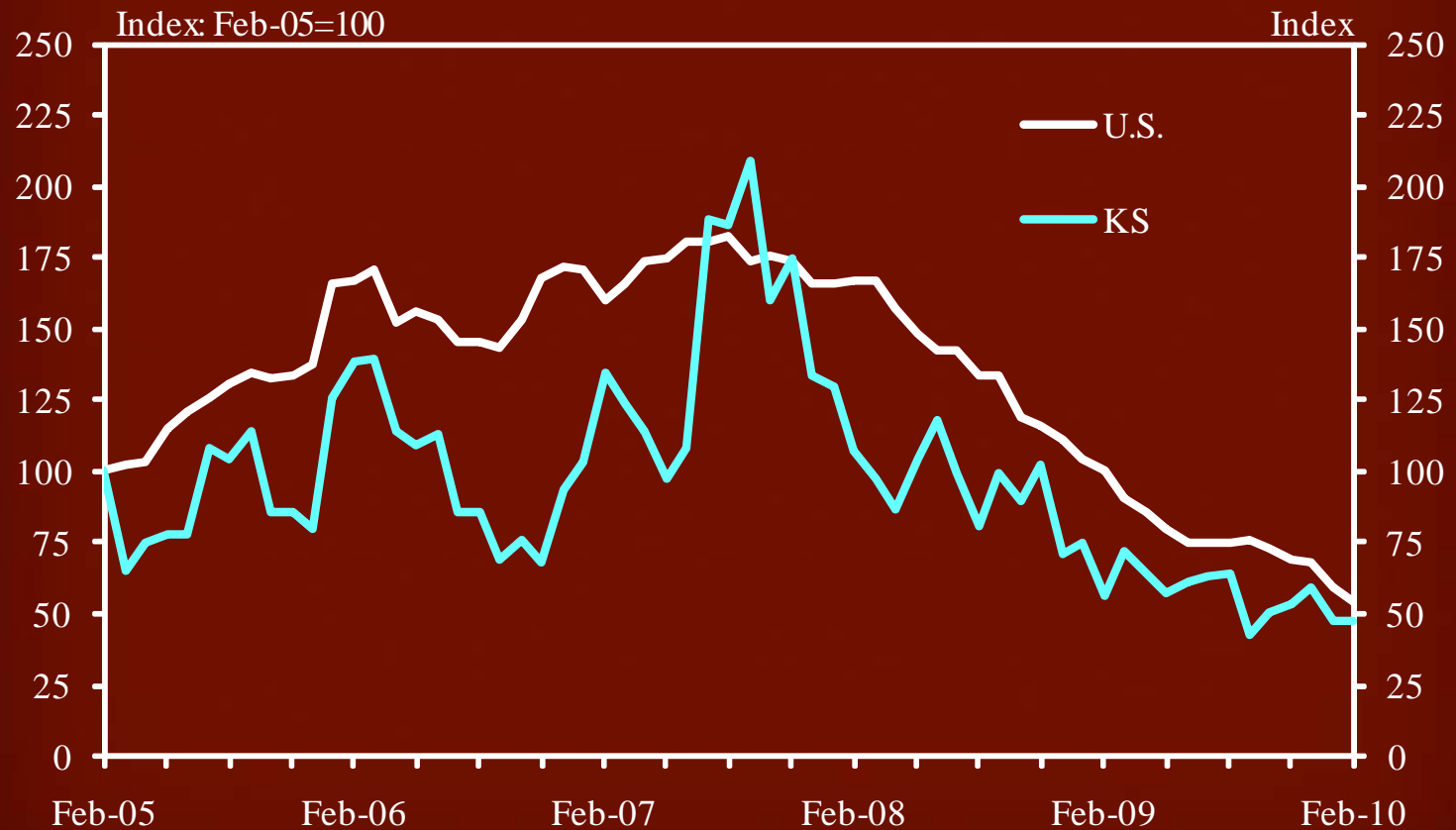


Source: F.W. Dodge, Inc.

Latest release: 02/16/2010

Commercial construction activity continues to deteriorate.

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

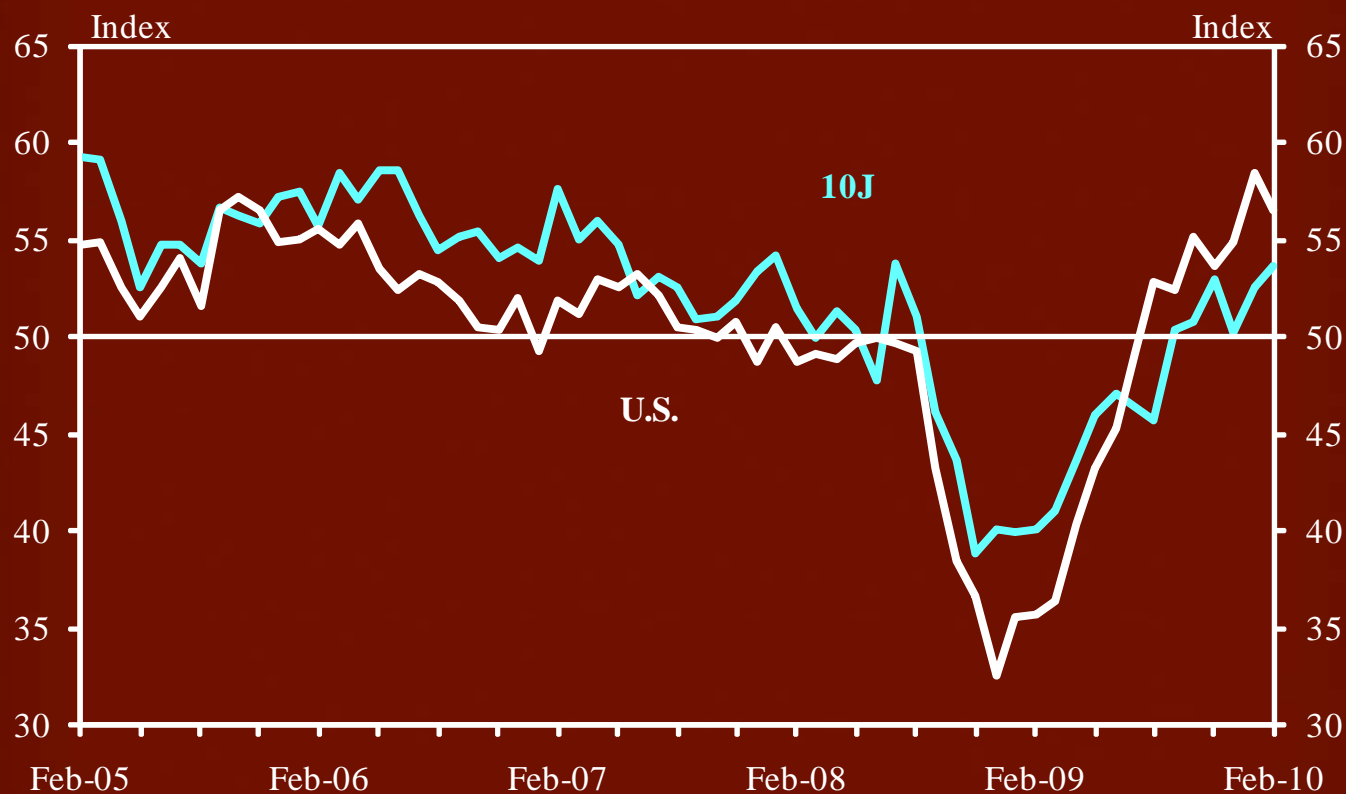


Source: F.W. Dodge, Inc.

Latest release: 02/16/2010

Recent surveys indicate that the manufacturing sector is expanding.

Manufacturing Production
Seasonally adjusted; month-over-month



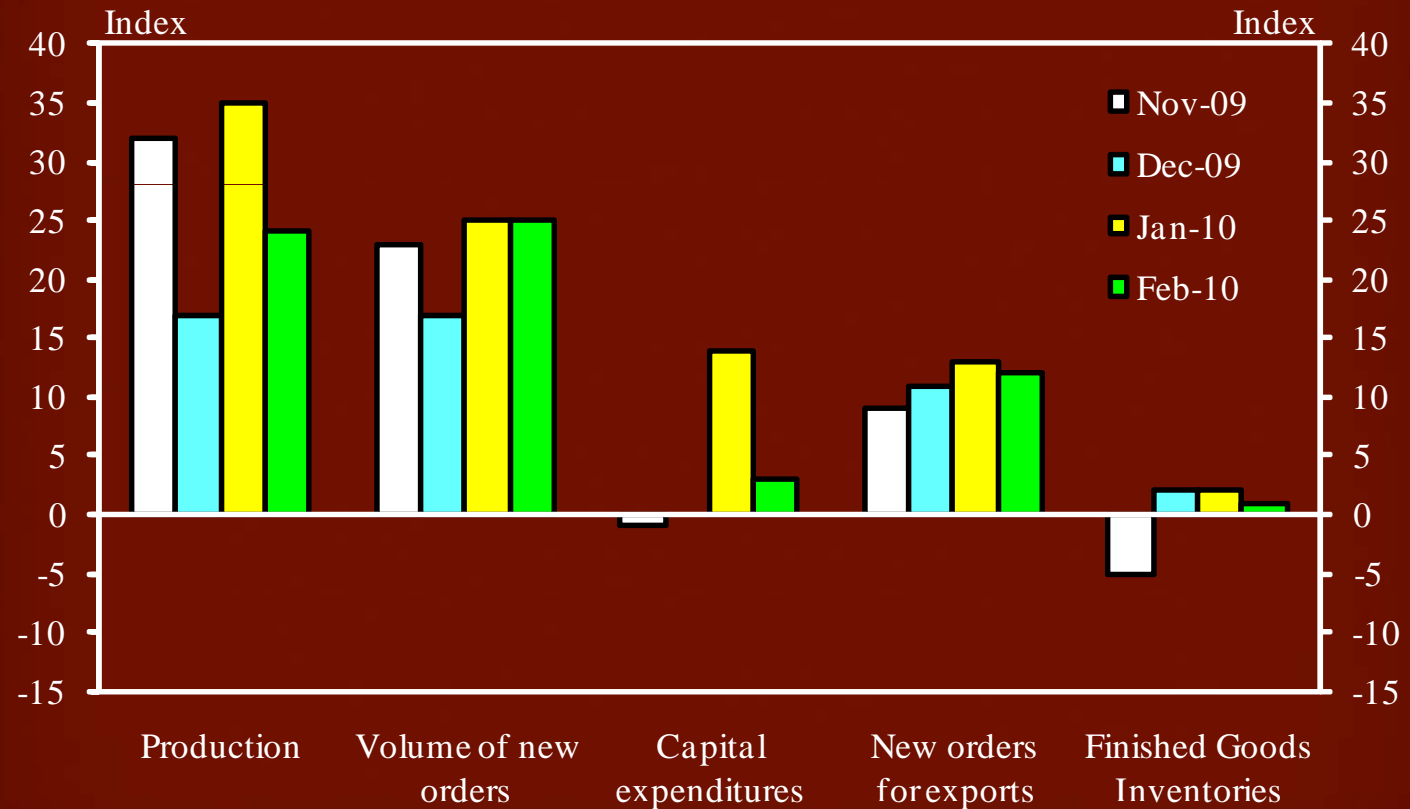
Note: 10J index is computed on ISM basis (50 = zero change)

Sources: ISM, FRBKC Manufacturing Survey

Latest release: 02/25/2010 for the Manufacturing Survey and 03/01/2010 for ISM

Production and new orders are expected to increase in the next 6 months.

Manufacturing Expectations - Six Months Ahead
Seasonally adjusted

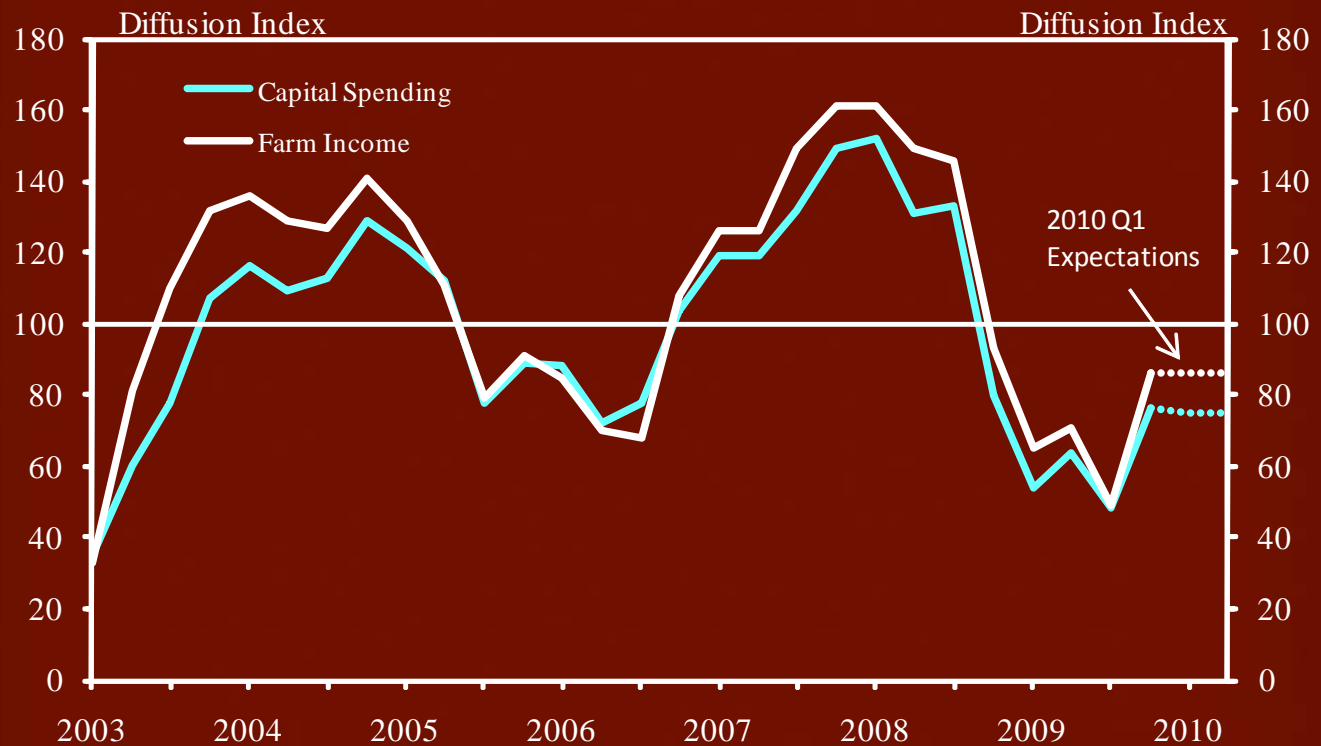


Source: FRBKC Manufacturing Survey

Latest release: 02/25/2010

Farm income and capital spending are stabilizing.

Tenth District Farm Income and Capital Spending

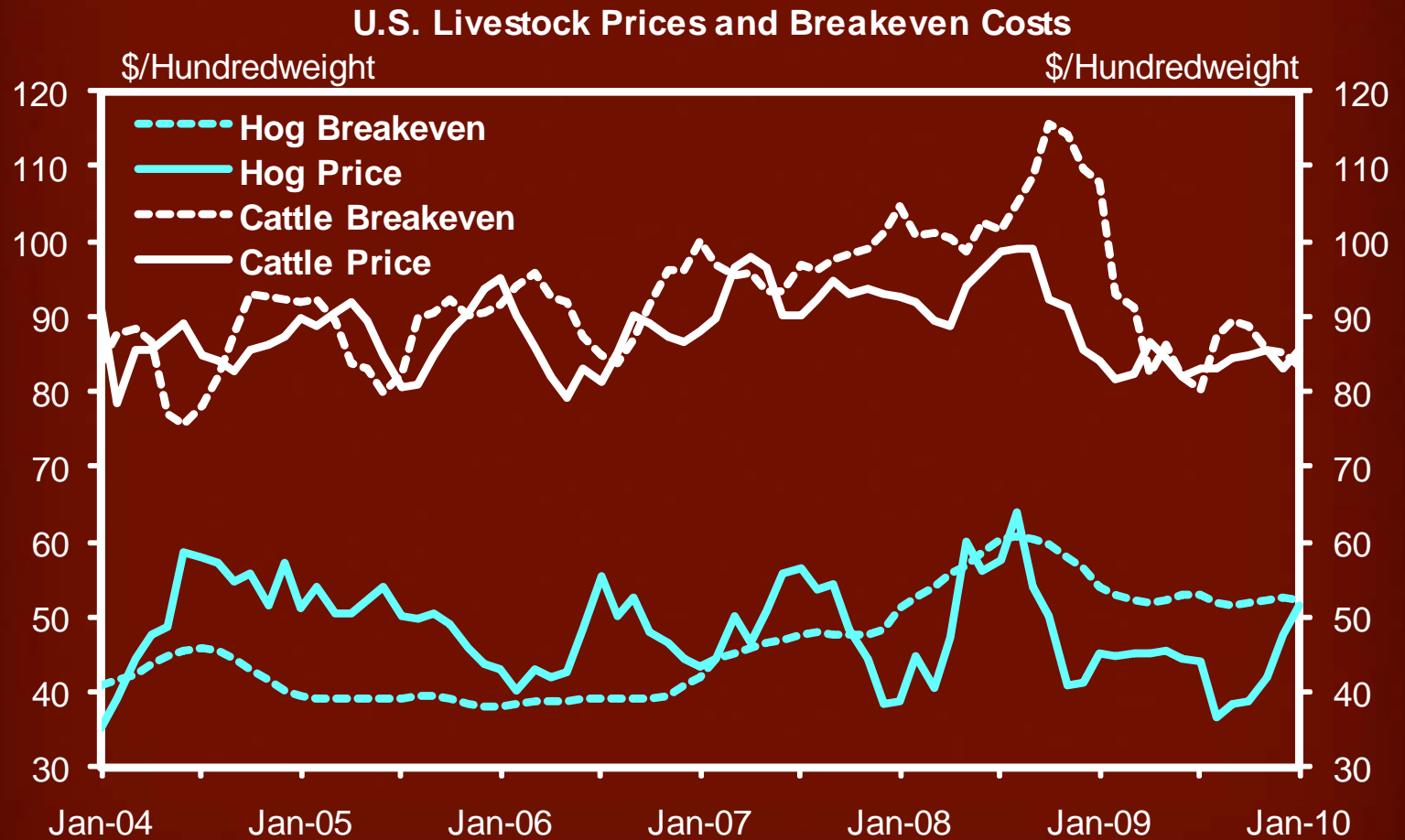


Source: FRBKC Ag Credit Survey

Note: Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the bankers that responded year-earlier period. The index numbers are computed by subtracting the percent of "lower" from the percent that responded "higher" and adding 100.

Conditions have improved for hog and cattle producers.

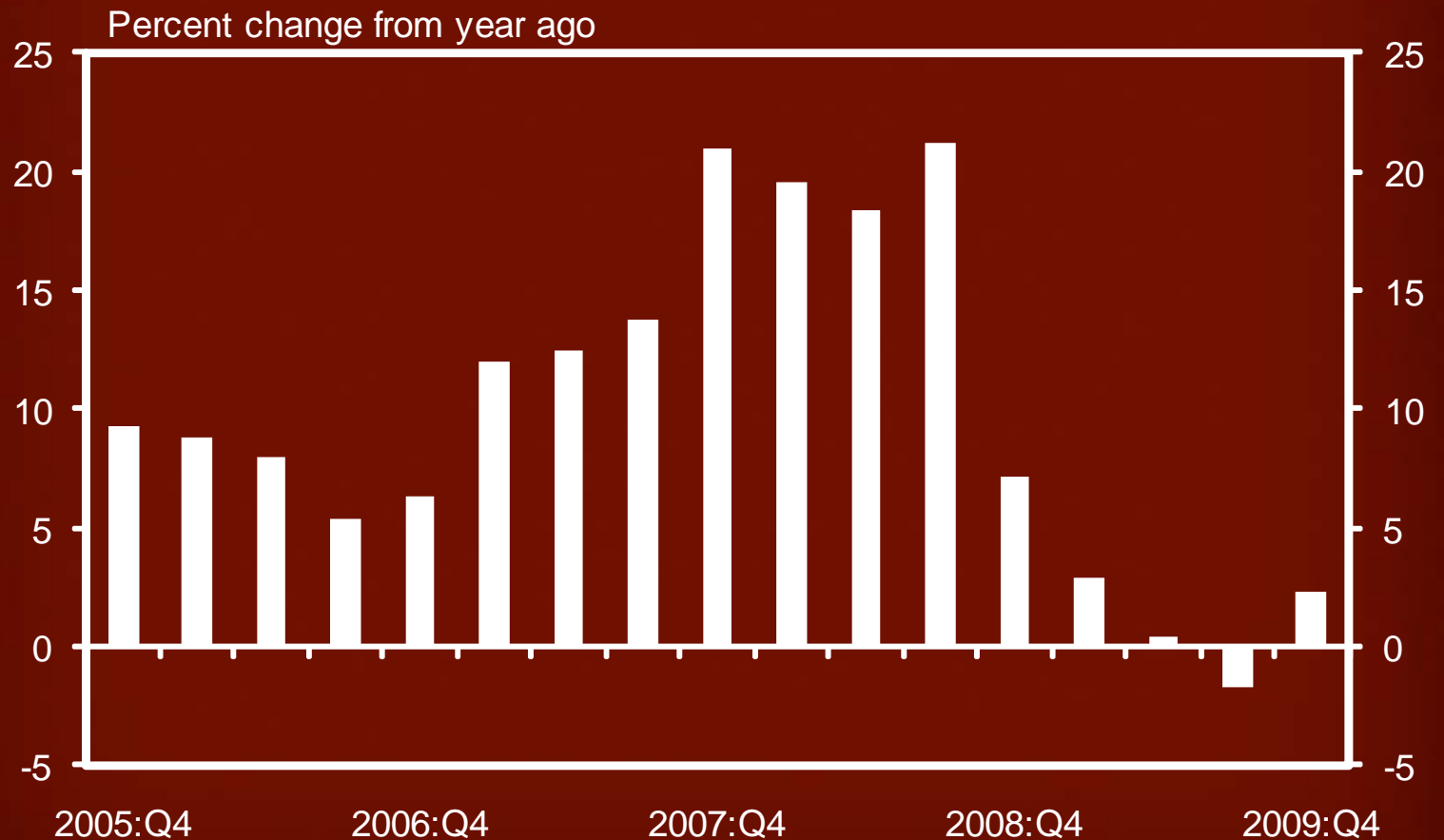
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Source: USDA and Iowa State University

Farmland values are stable.

Tenth District Nonirrigated Cropland Values



Source: Ag Credit Survey

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.
 - Credit conditions remain tighter than pre-recession levels.
 - Consumers remain hesitant to spend as they try to rebuild wealth.
 - Unemployment is likely to remain high for some time.