



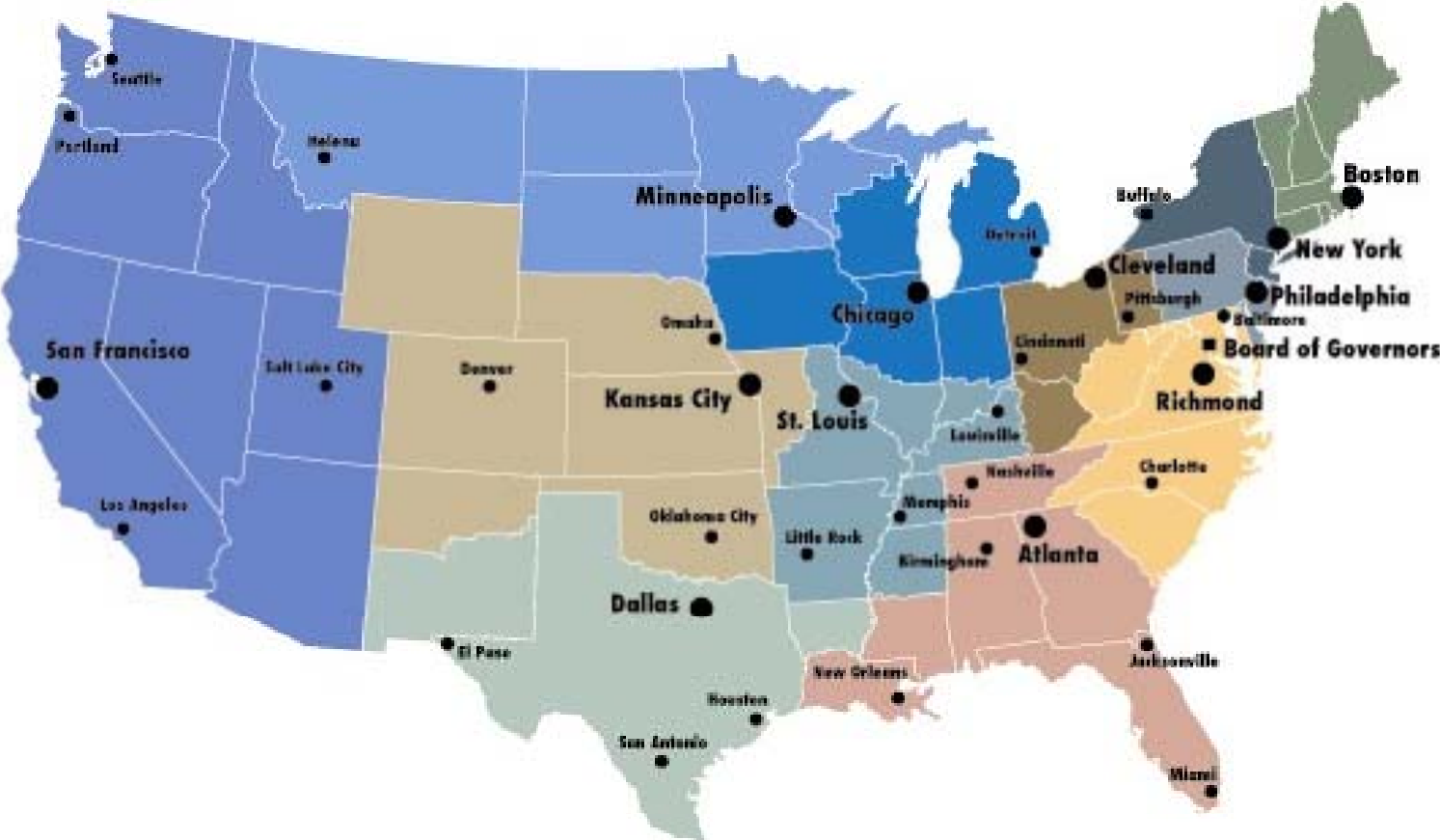
Regional Economic Outlook

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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.

The Federal Reserve's Tenth District

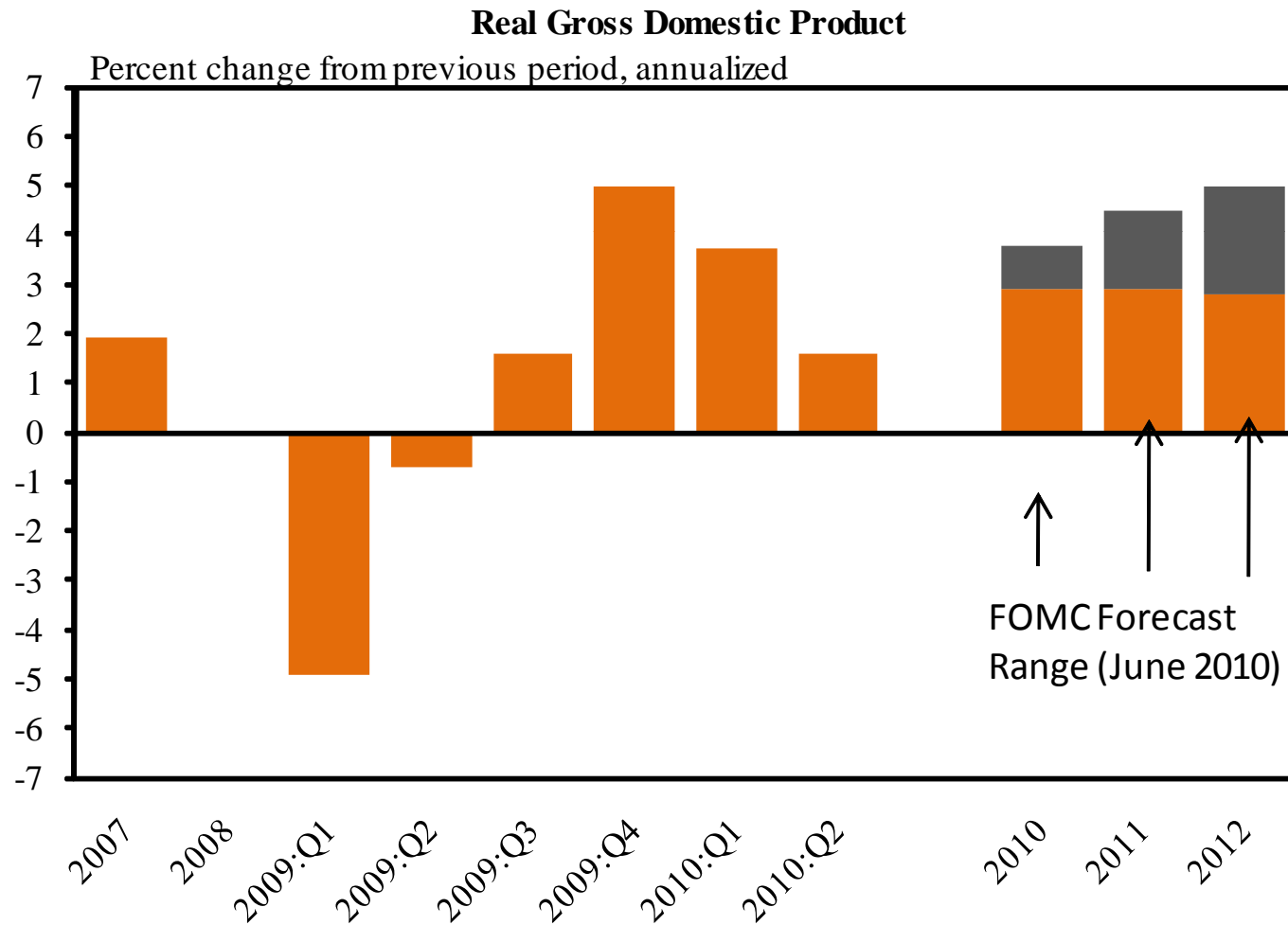


U.S. Economic Overview

- ⦿ 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.

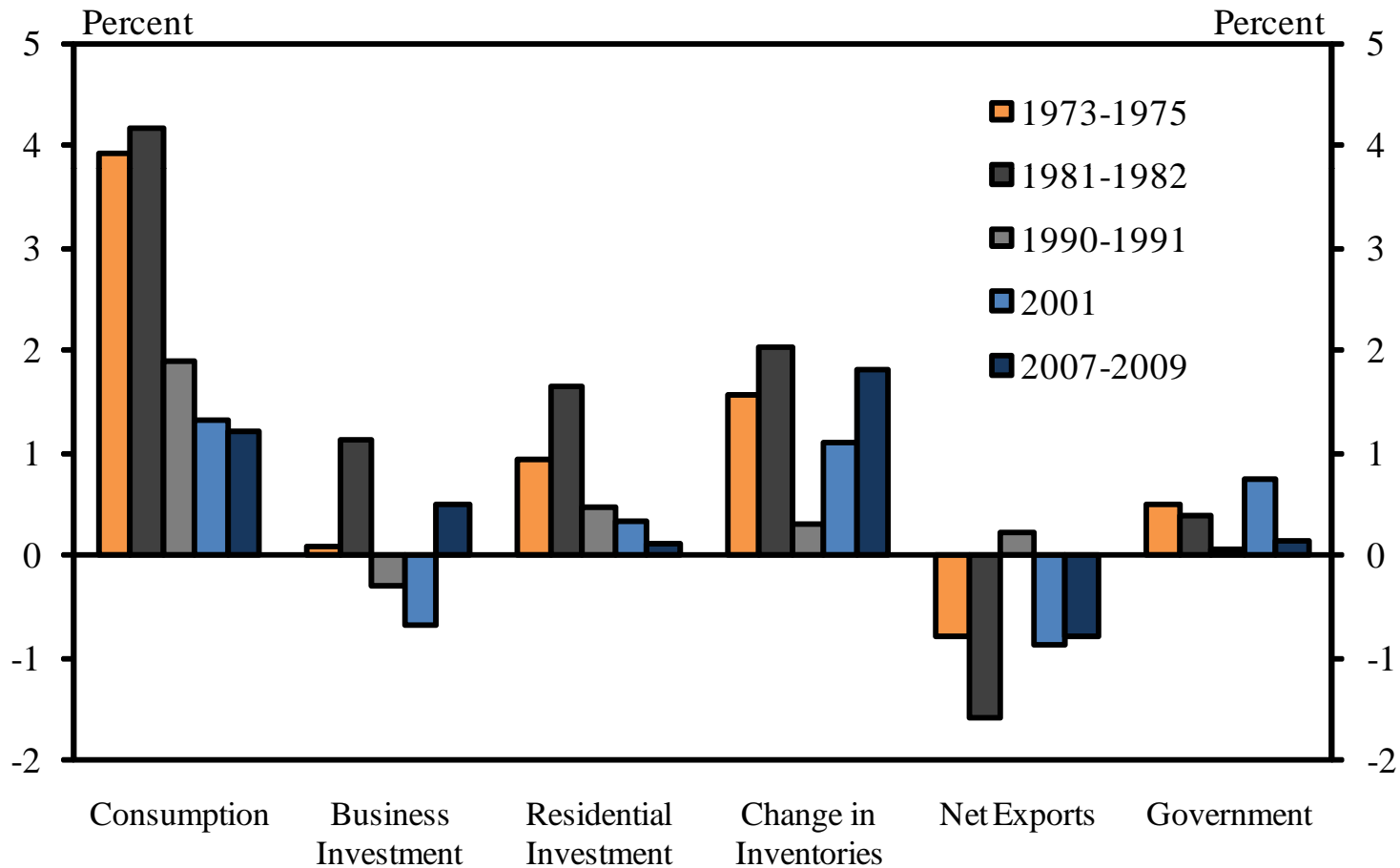


Source: Bureau of Economic Analysis; FOMC



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)

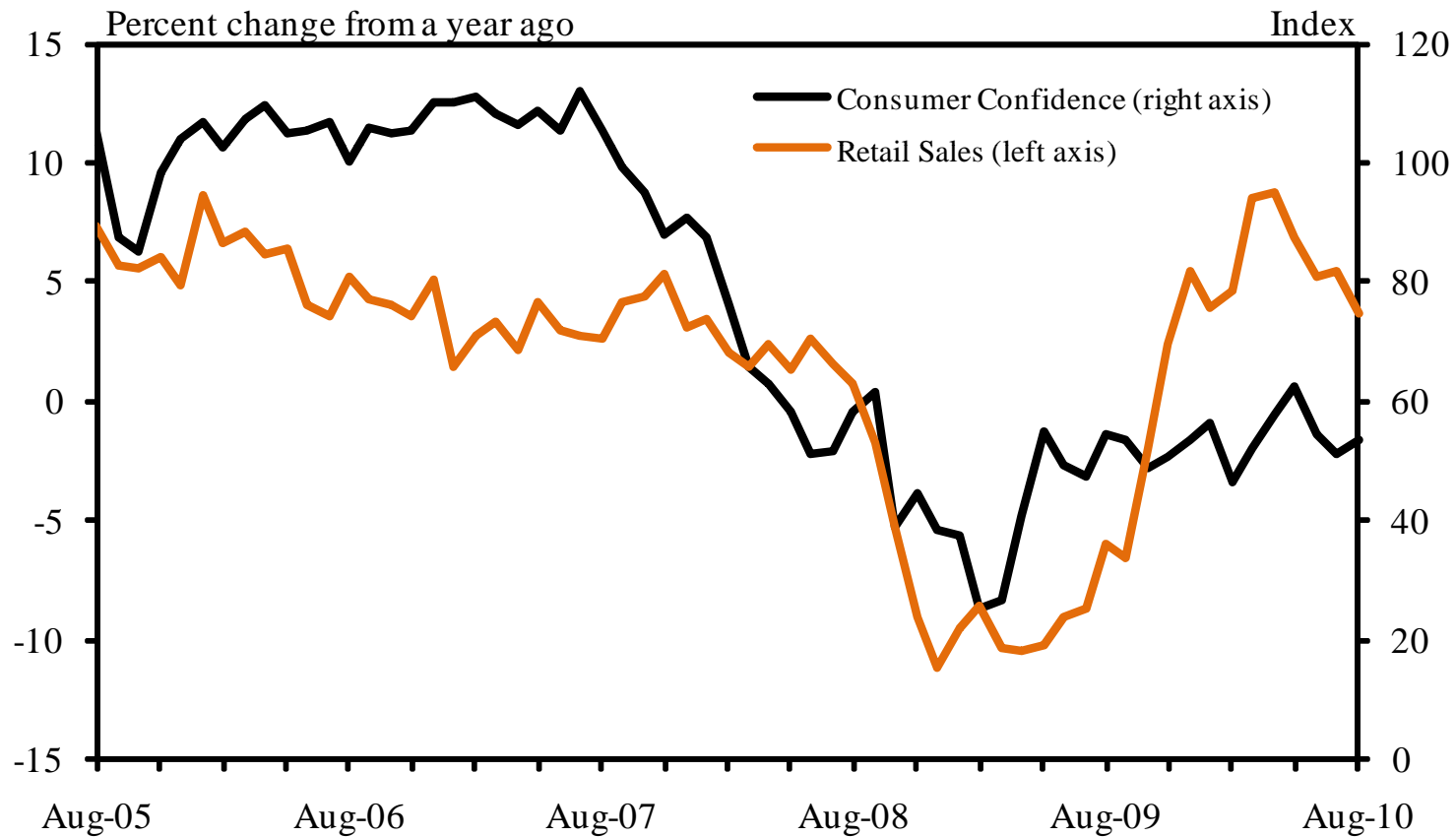


Source: BEA



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

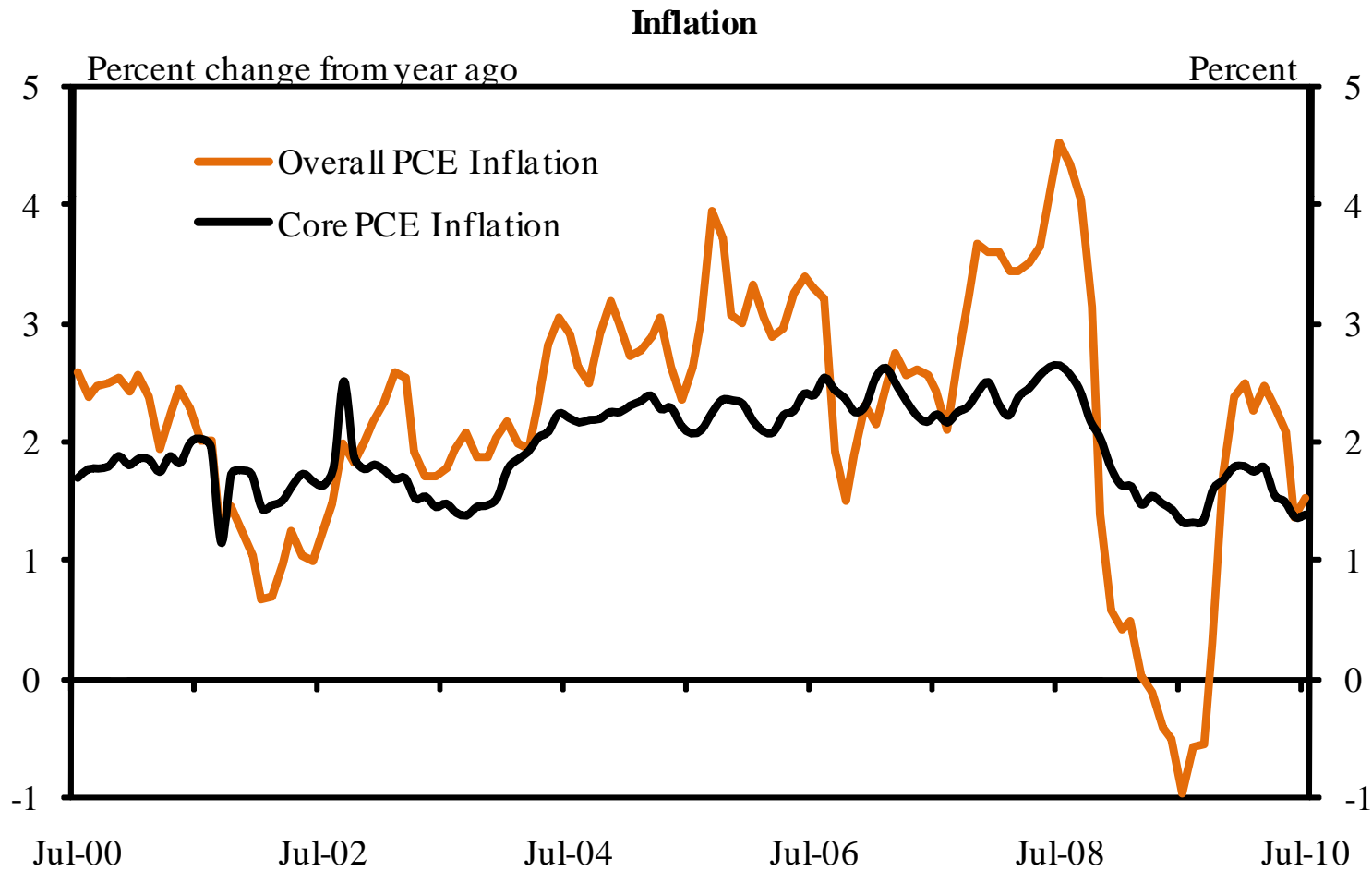
Retail Sales and Consumer Confidence



Source: Census Bureau and Consumer Confidence Board



Inflation pressures remain subdued.

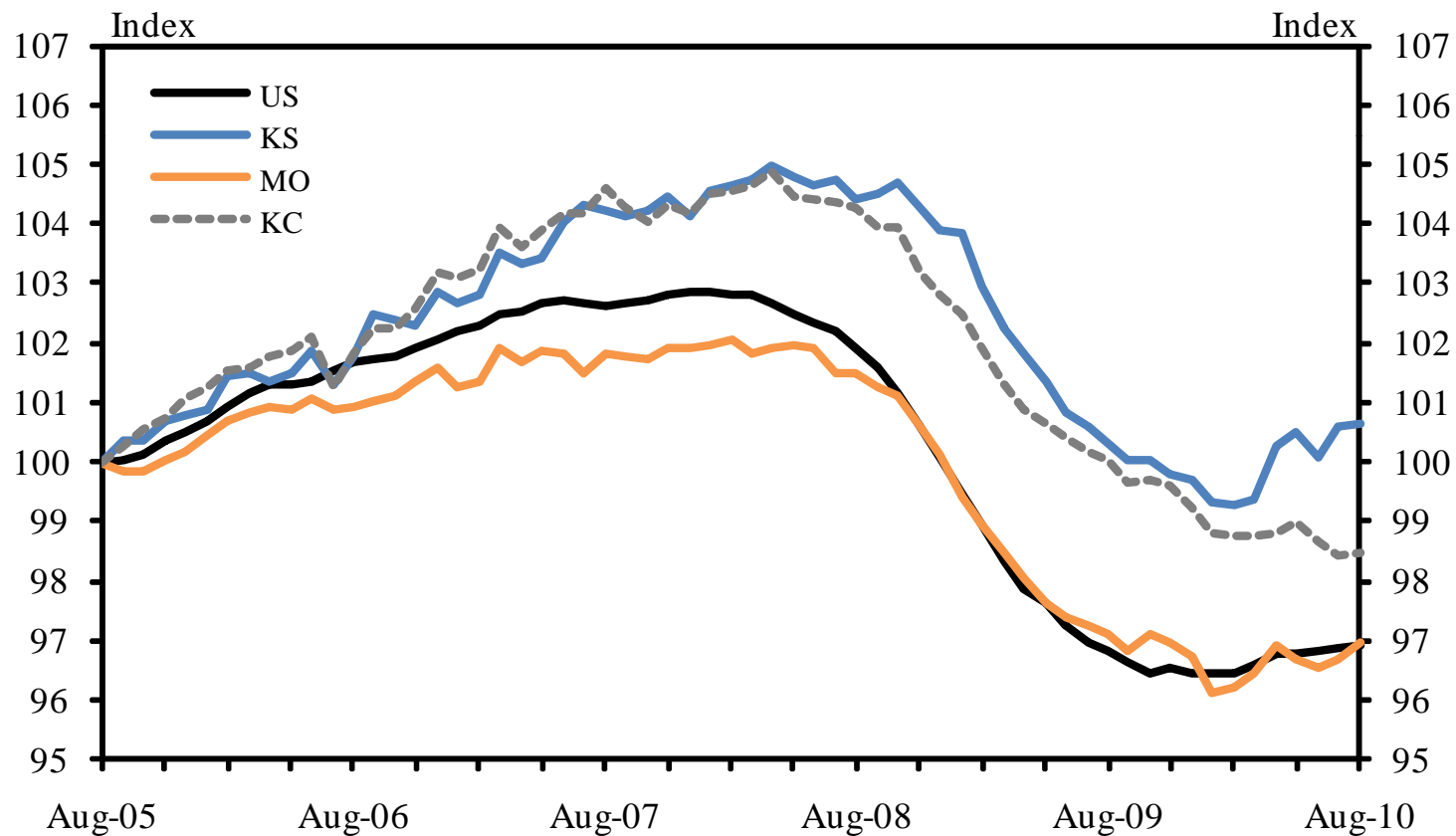


Source: Bureau of Economic Analysis



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

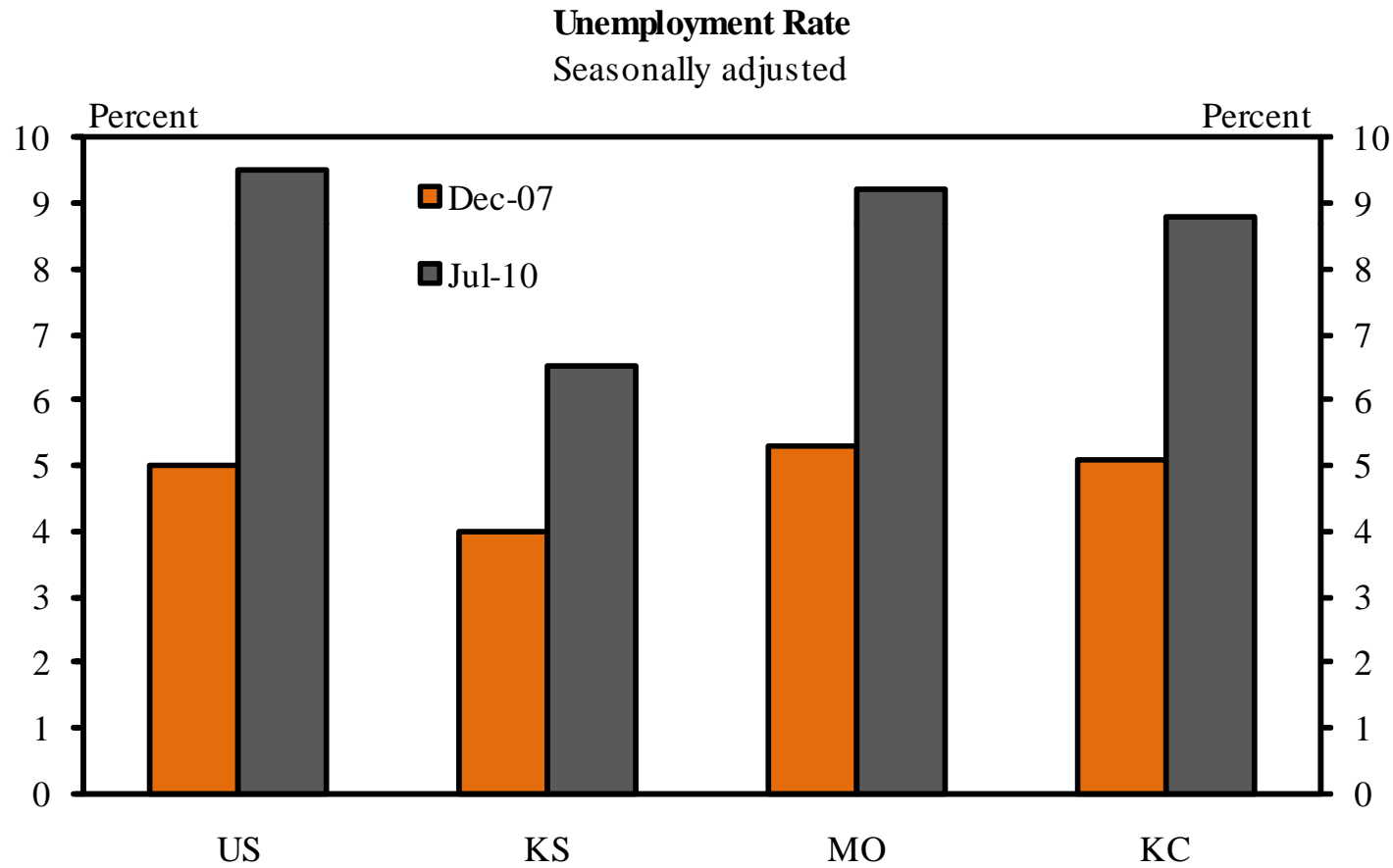
Nonfarm Employment (Excluding Federal Government)
Seasonally adjusted



Source: Bureau of Labor Statistics



Unemployment rates remain elevated.

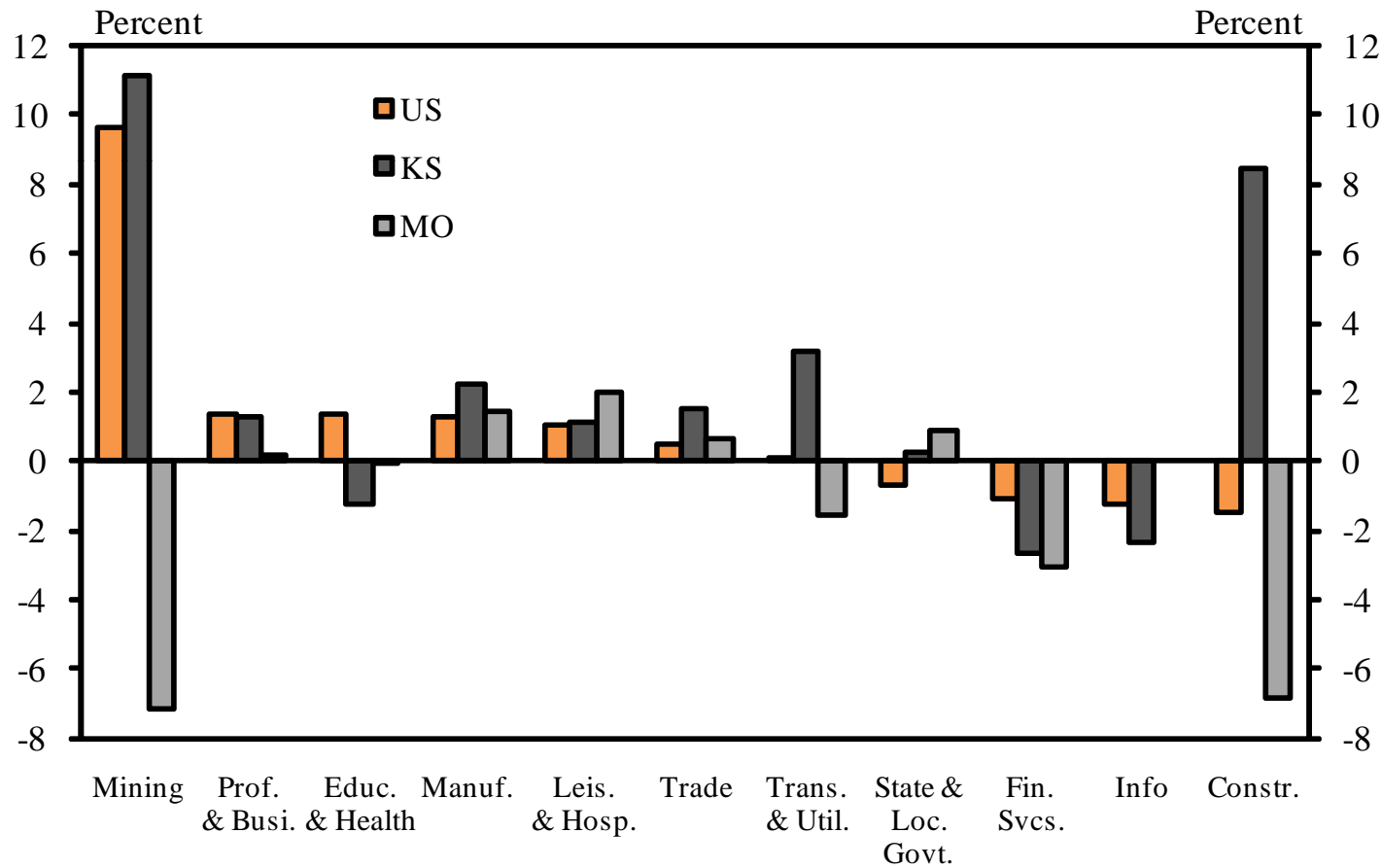


Source: Bureau of Labor Statistics



Employment conditions have varied by industry.

Employment Growth by Industry, Dec. 2009 to Aug. 2010
Seasonally adjusted

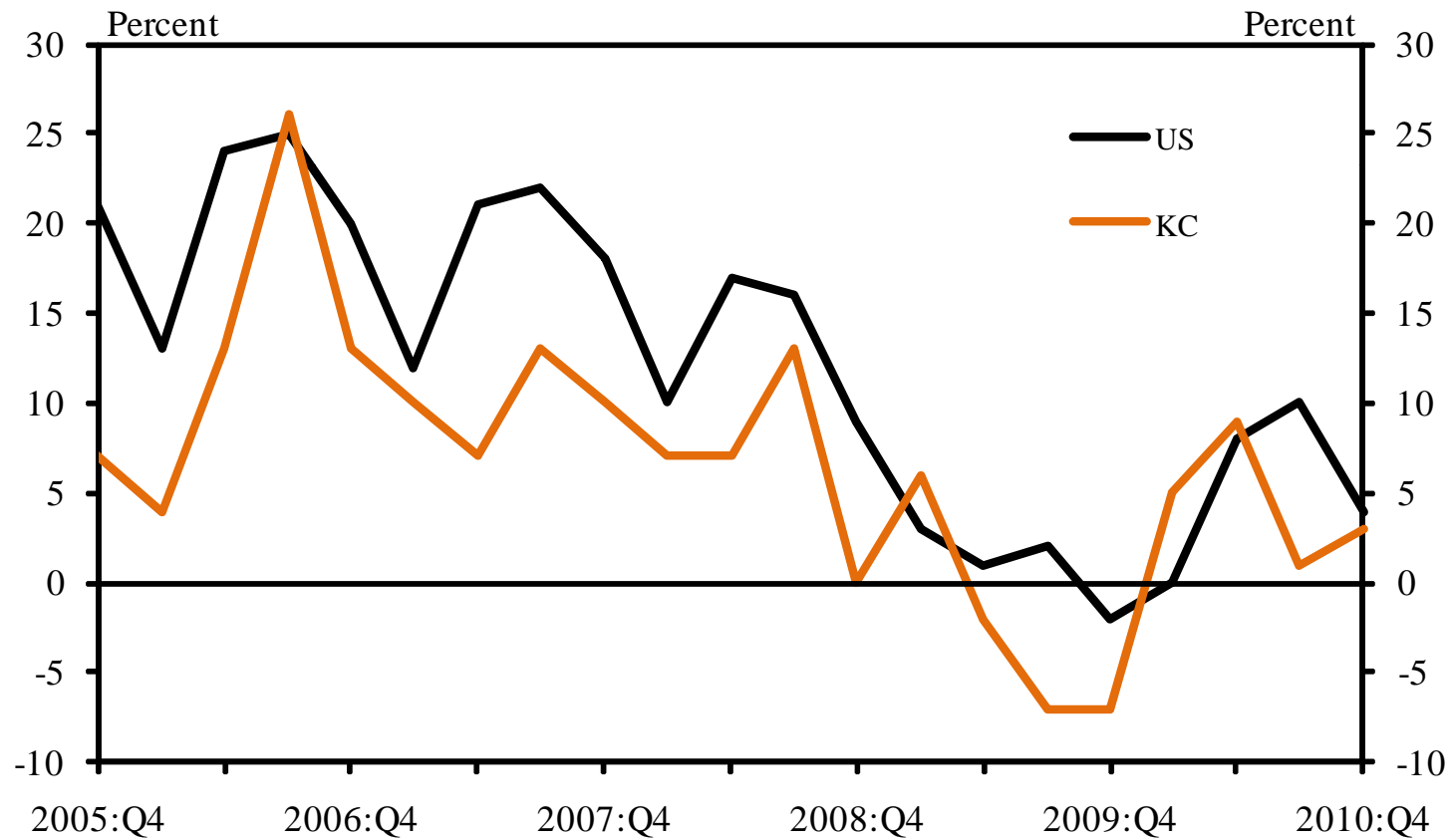


Source: Bureau of Labor Statistics



Hiring expectations remain sluggish.

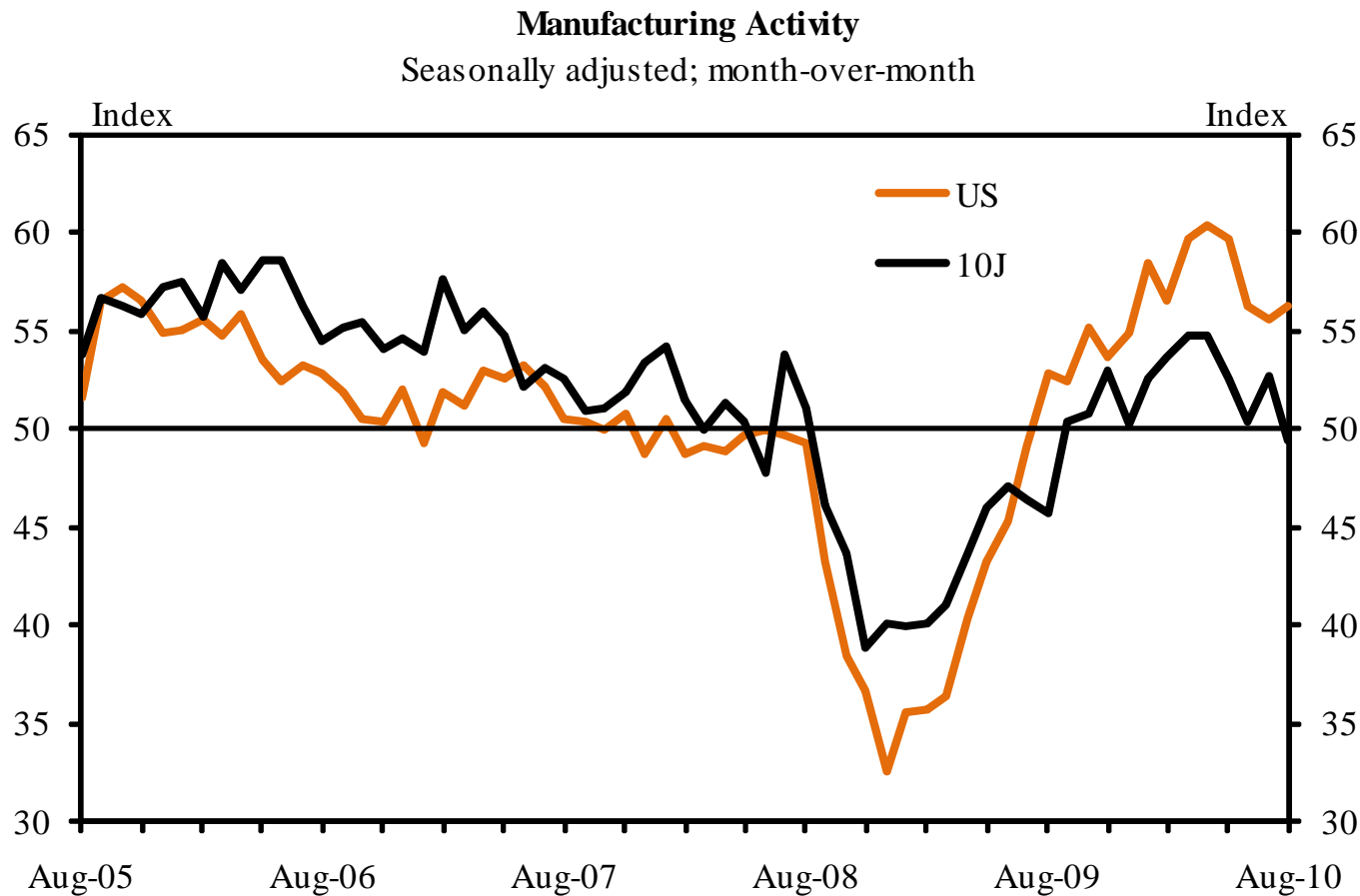
Net Percentage of Firms Expecting to Increase Employment



Source: Manpower Inc.



After expanding in recent months, manufacturing activity slowed in August.



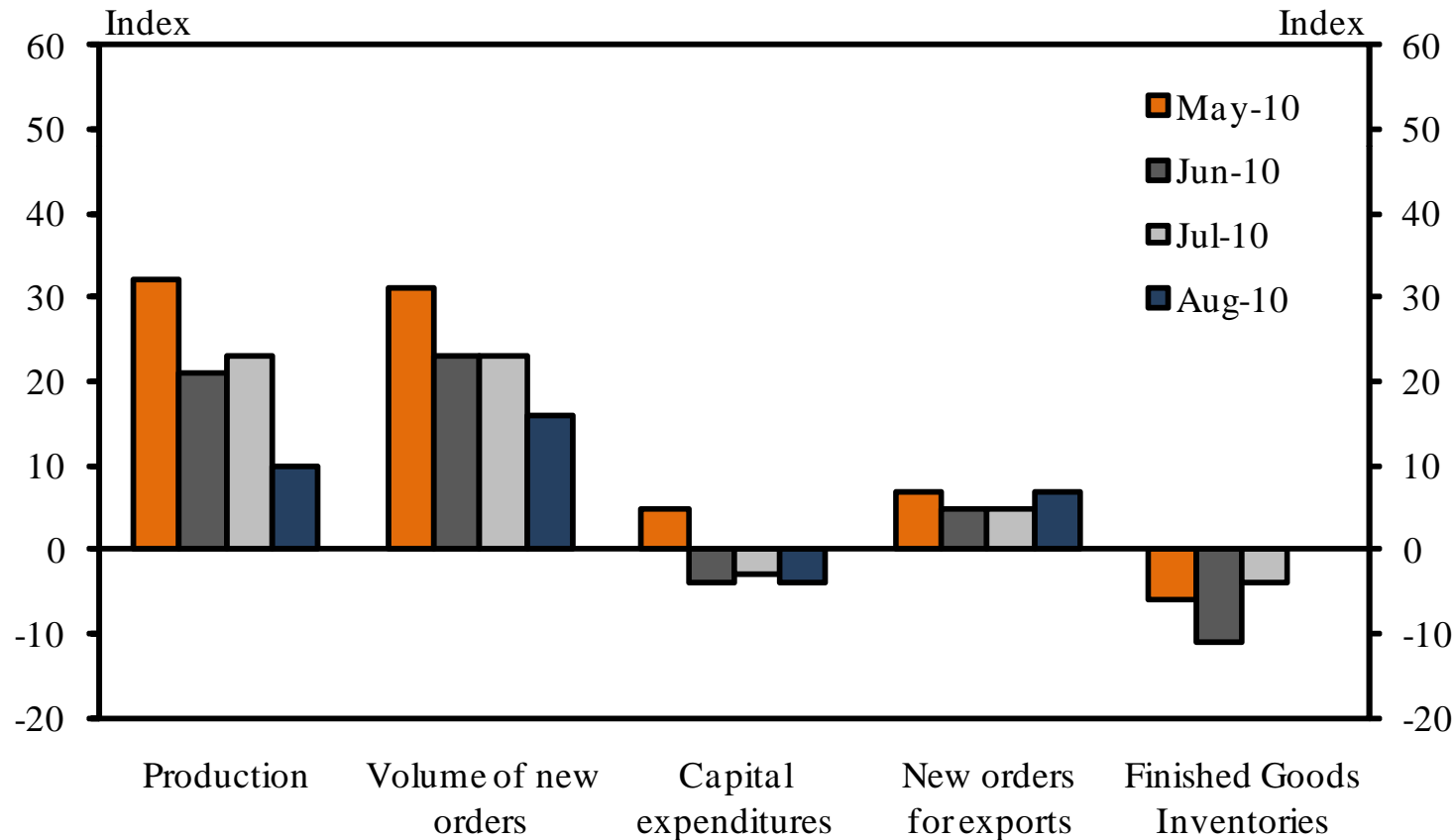
Sources: ISM, FRBKC Manufacturing Survey

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



Manufacturers' expectations have dampened but remain positive.

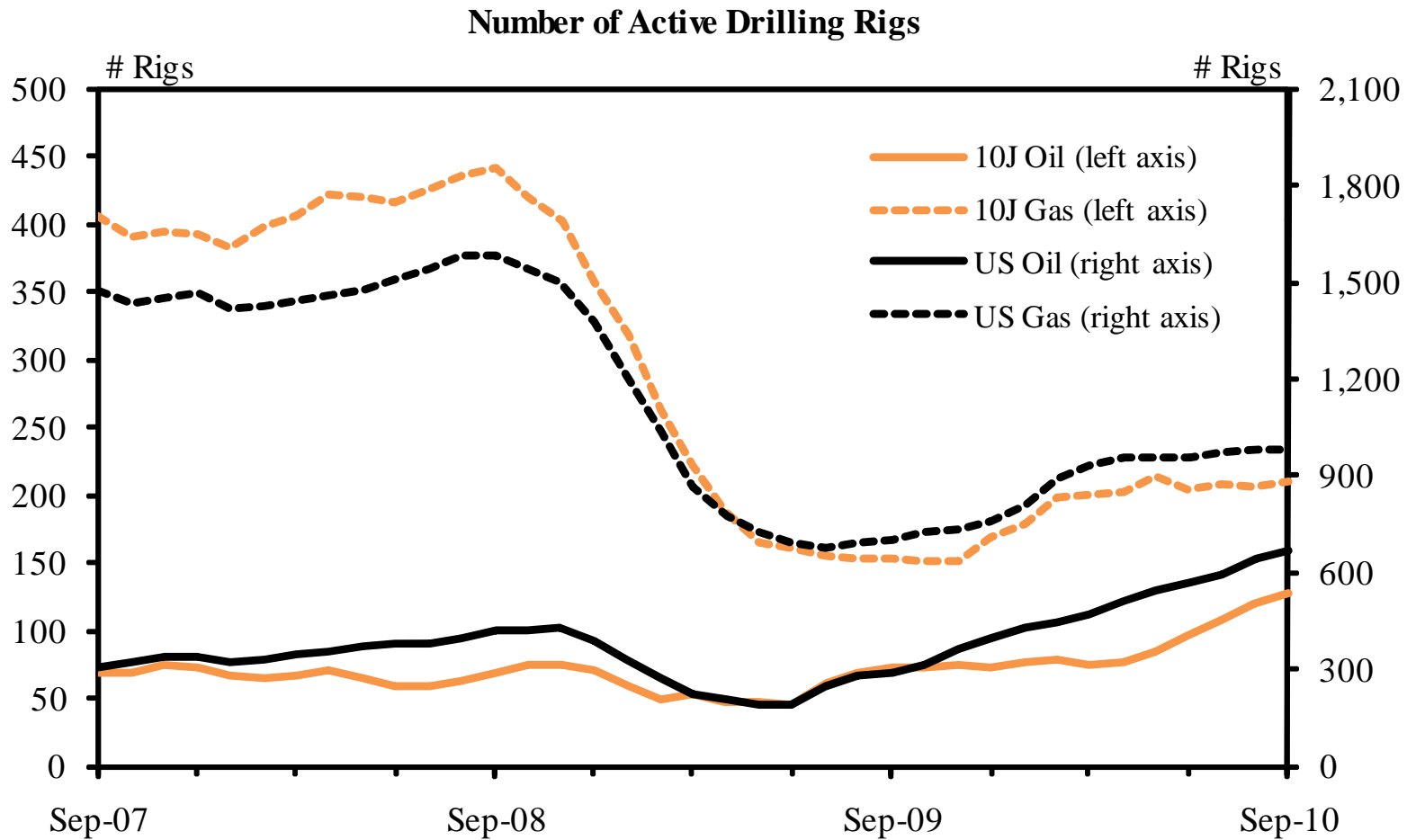
Tenth District Manufacturing Expectations
Seasonally adjusted; six months ahead



Source: FRBKC Manufacturing Survey



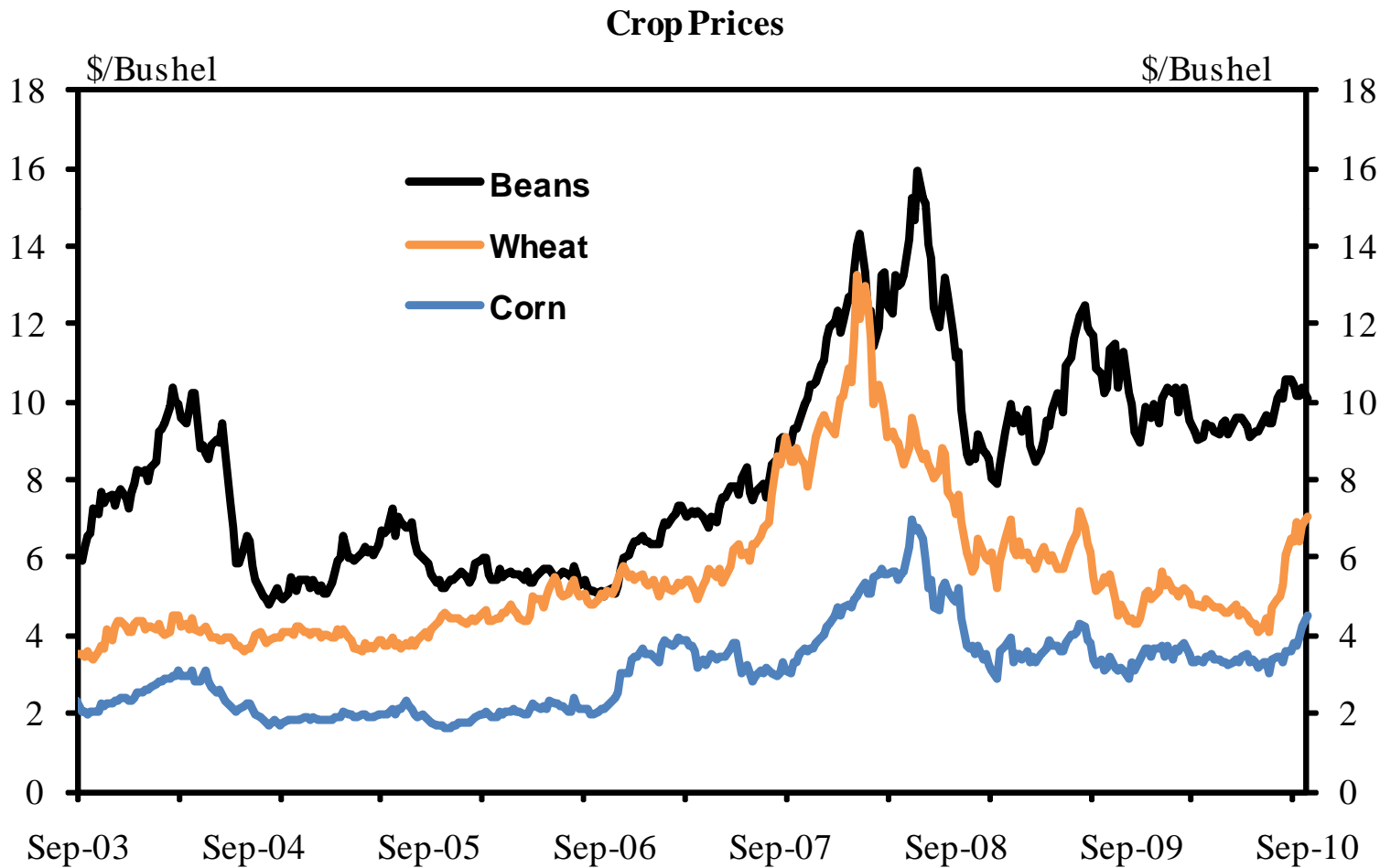
The energy sector is expanding, especially for oil producers.



Source: Baker-Hughes



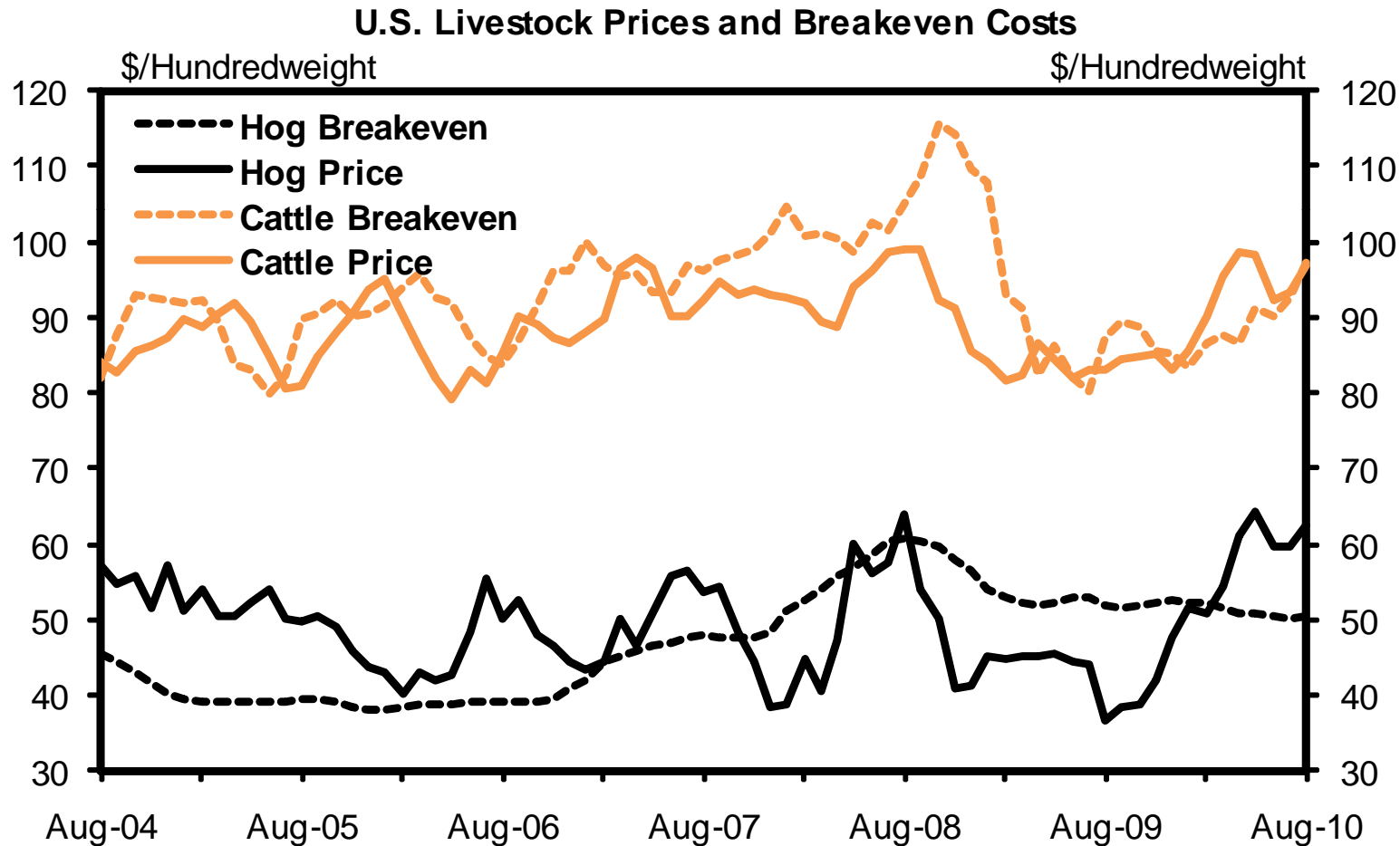
Lower global supplies are contributing to higher crop prices.



Source: Commodity Research Bureau



Incomes have increased for livestock producers this year.

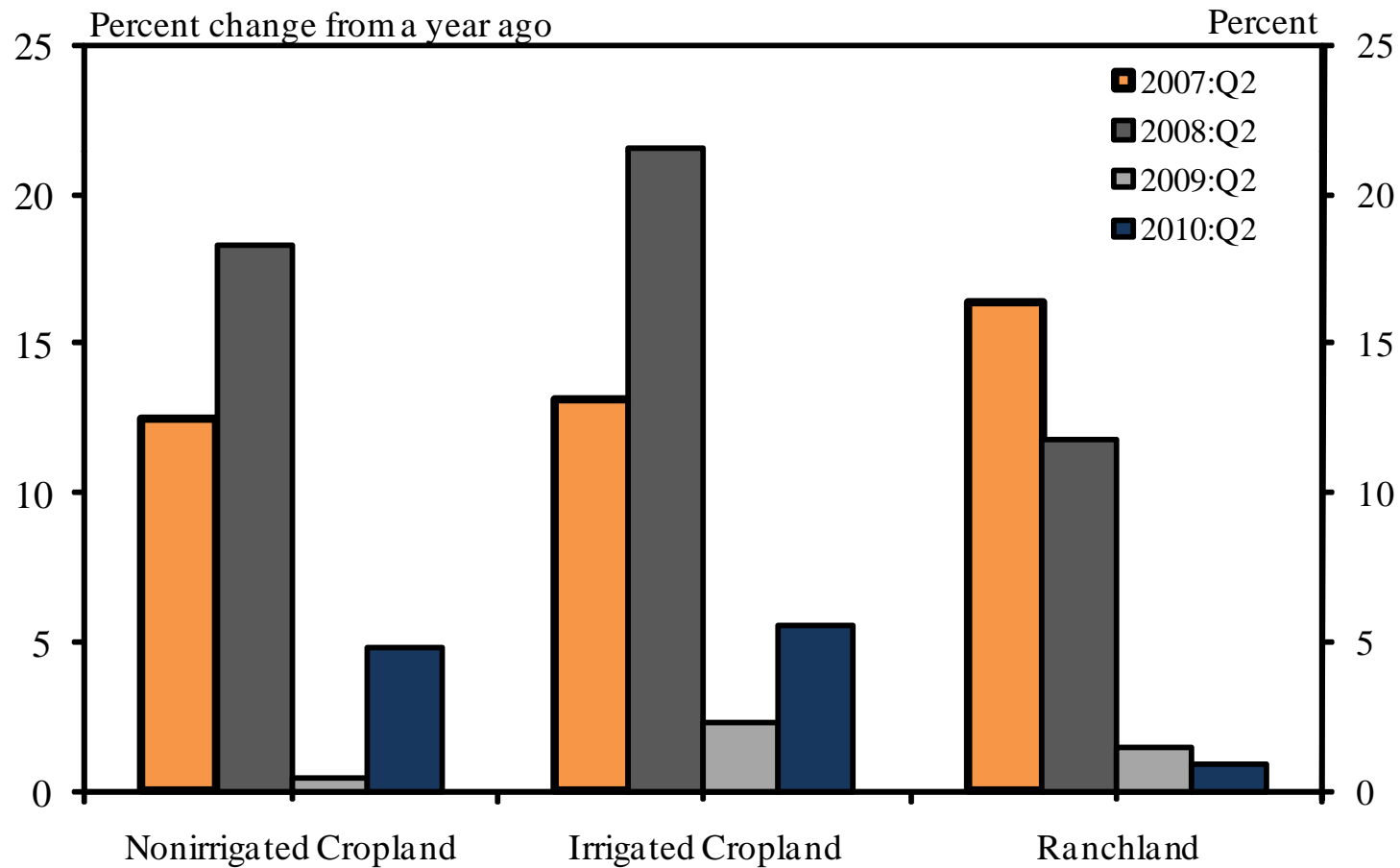


Source: USDA and Iowa State University



Farmland values continue to increase.

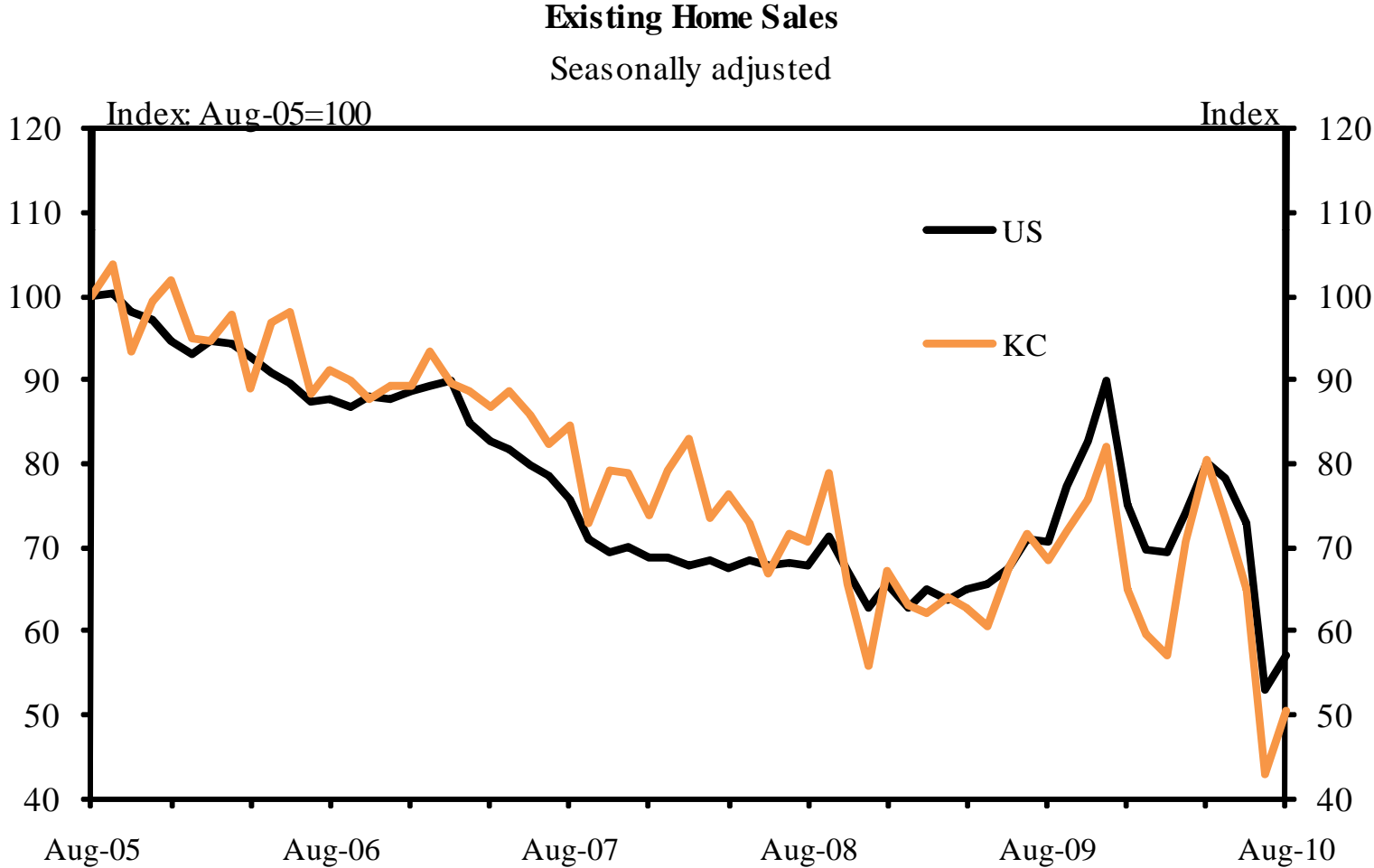
Tenth District Farmland Values



Source: FRBKC Ag Survey



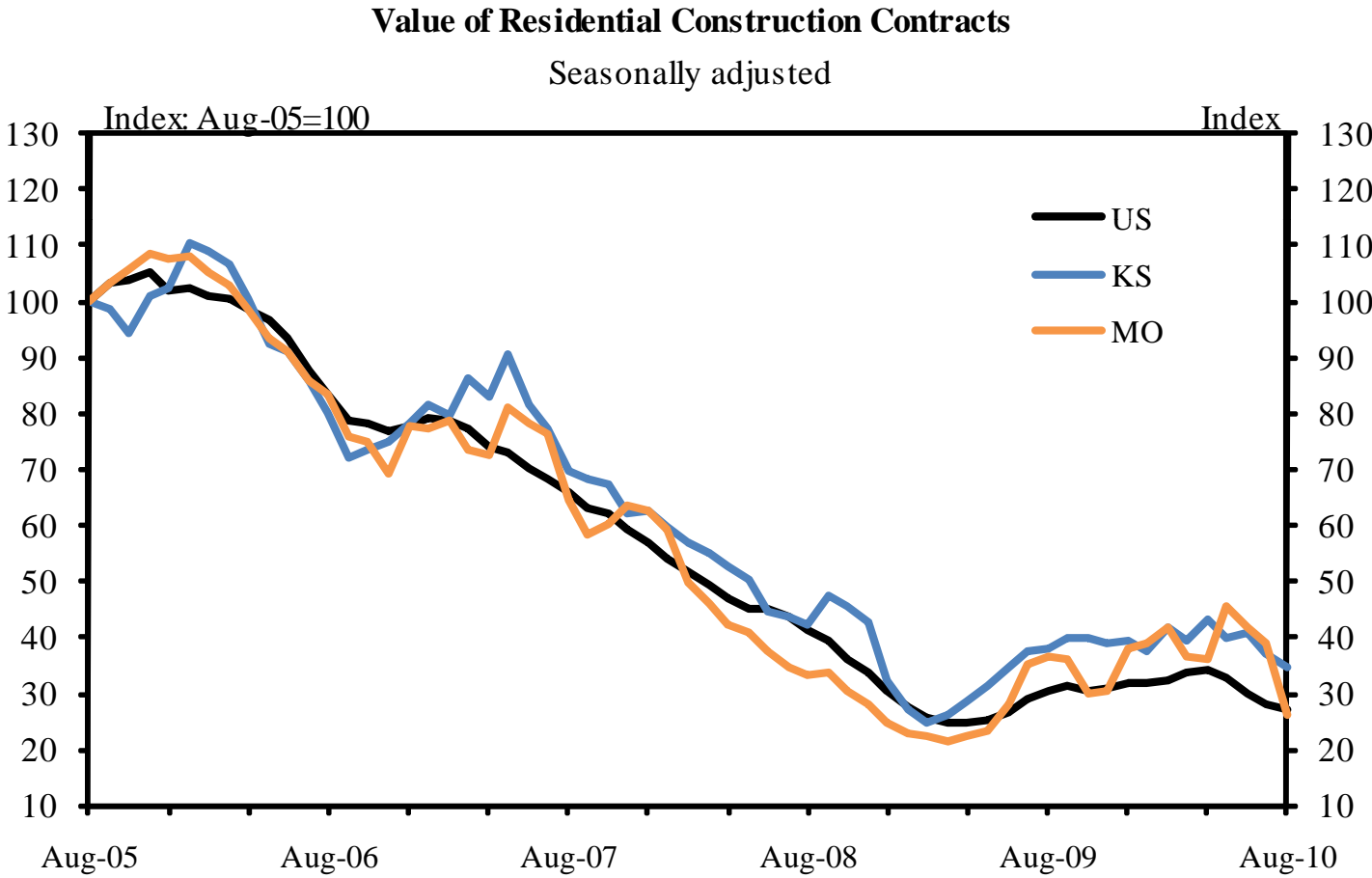
As expected, home sales plummeted after the expiration of the tax credit.



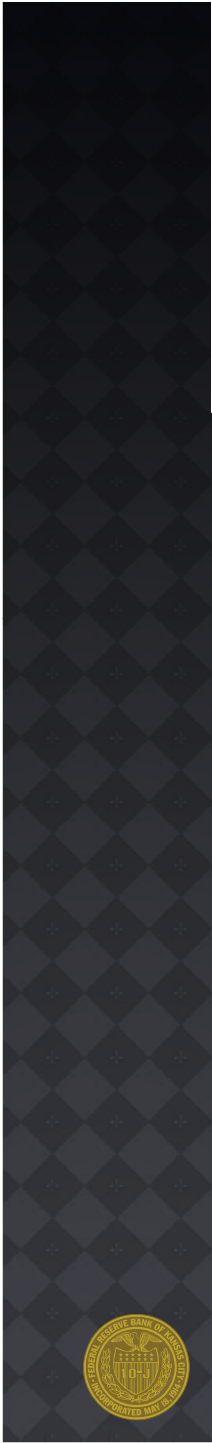
Source: NAR and Local Realtor Reports



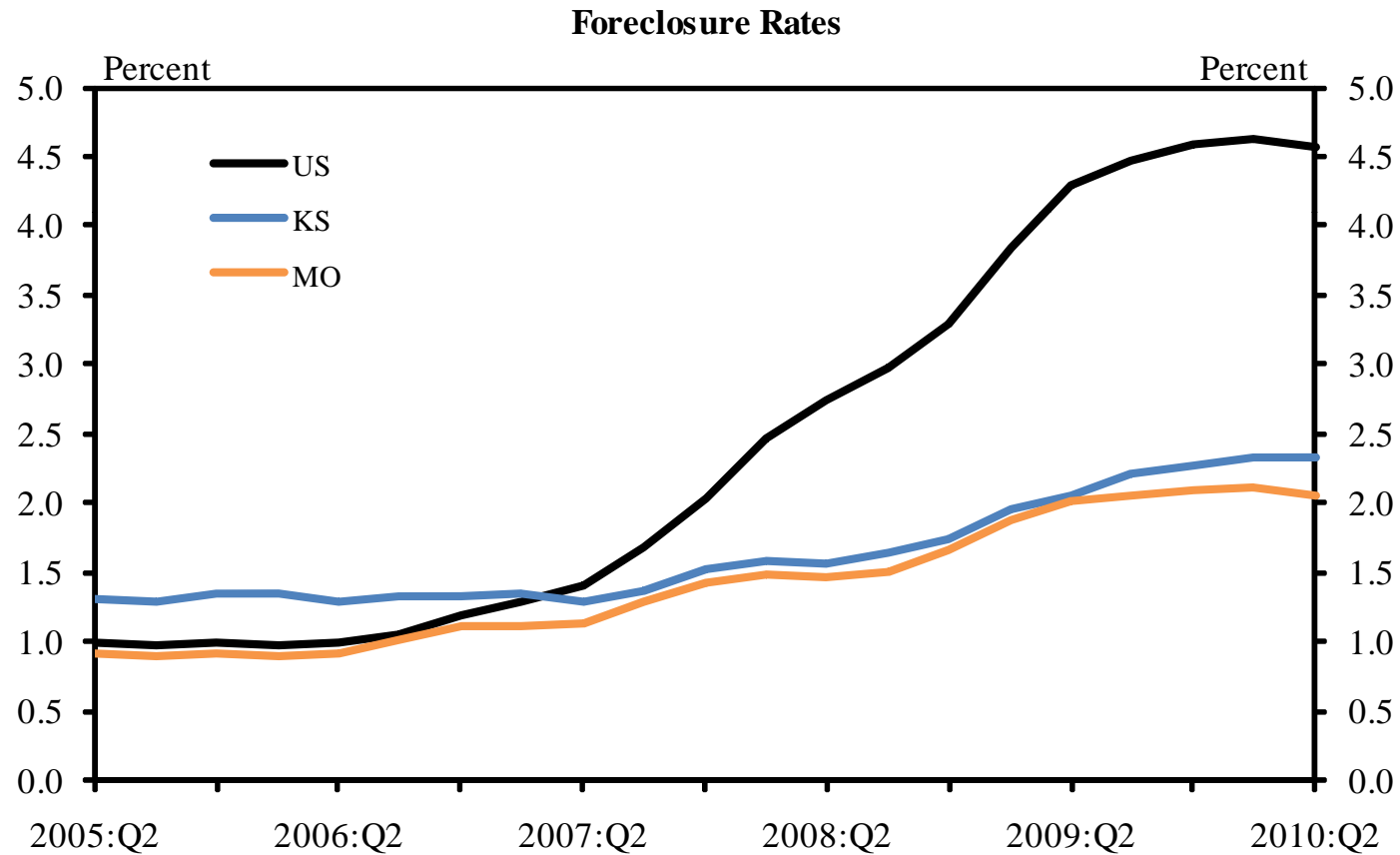
Residential construction activity has weakened.



Source: FW Dodge



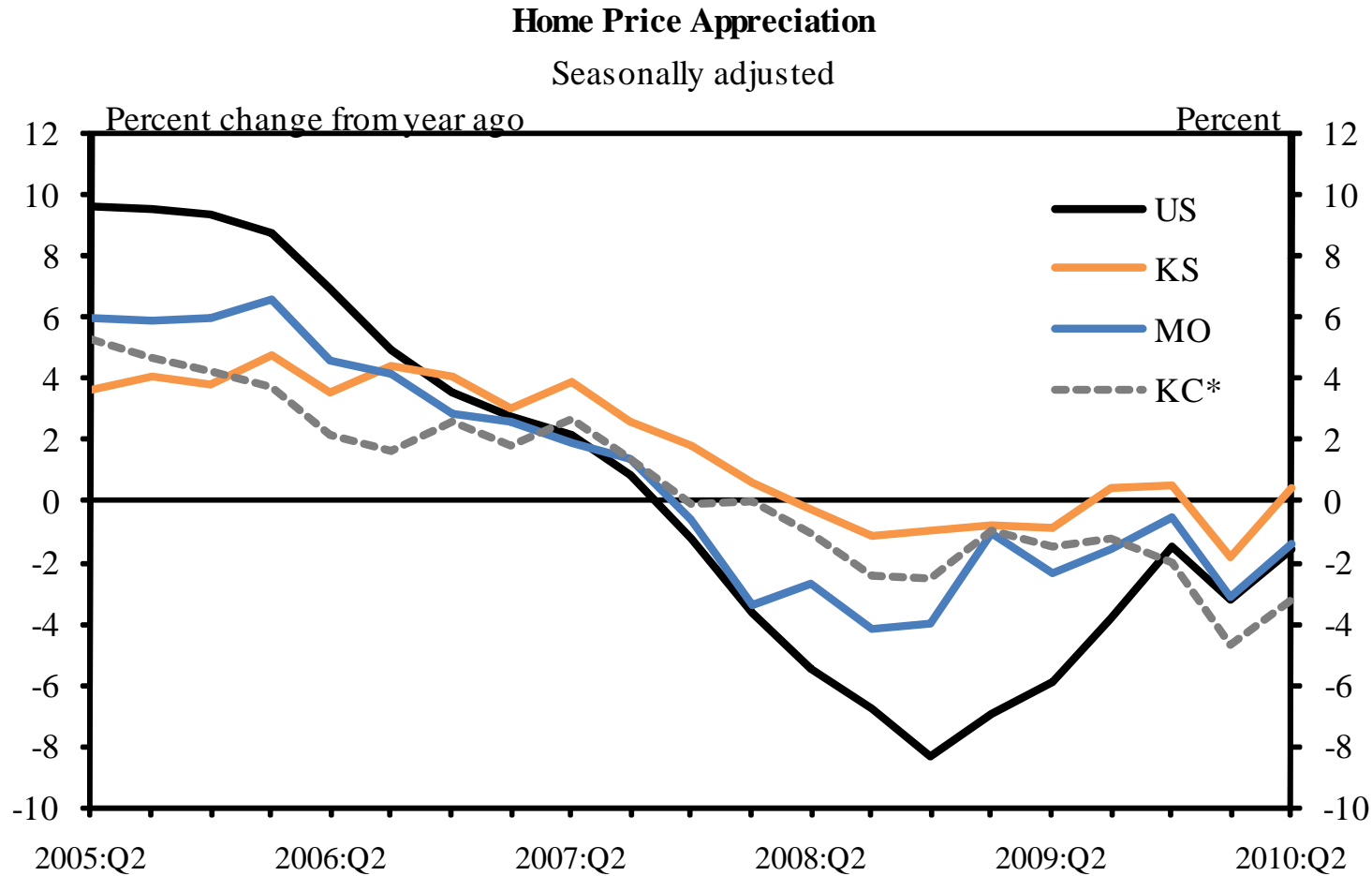
Foreclosure rates are much lower in Kansas and Missouri than in the nation.



Source: Mortgage Bankers Association



Home prices have held up relatively well in Kansas and Missouri.

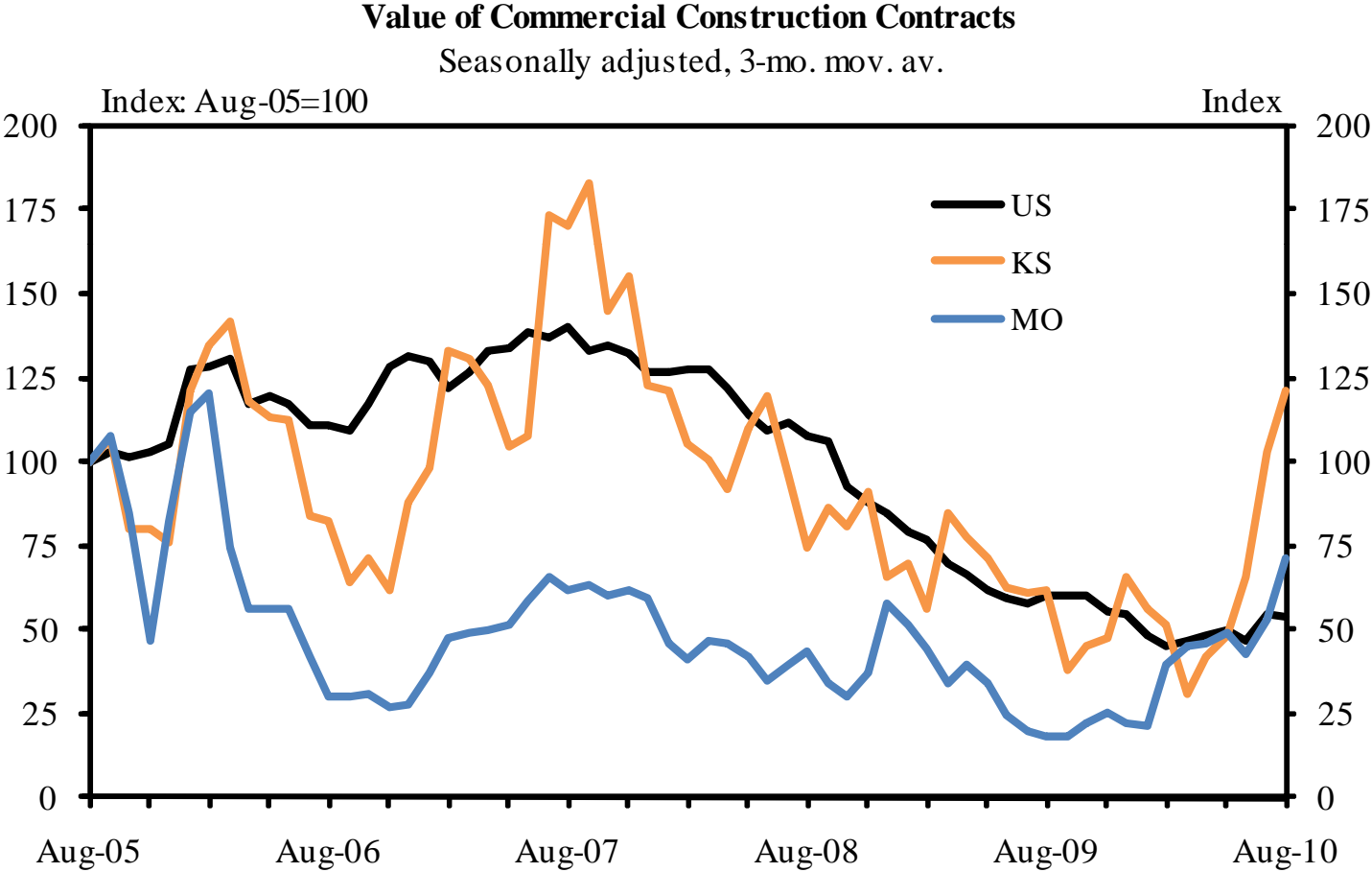


Source: FHFA

*Includes refinances



Commercial construction activity is increasing in Kansas and Missouri.



Source: F.W. Dodge Inc.



Conclusions

- ⦿ Most economists expect the U.S., Kansas, and Missouri 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.

