



Economic Outlook for the U.S. and Kansas

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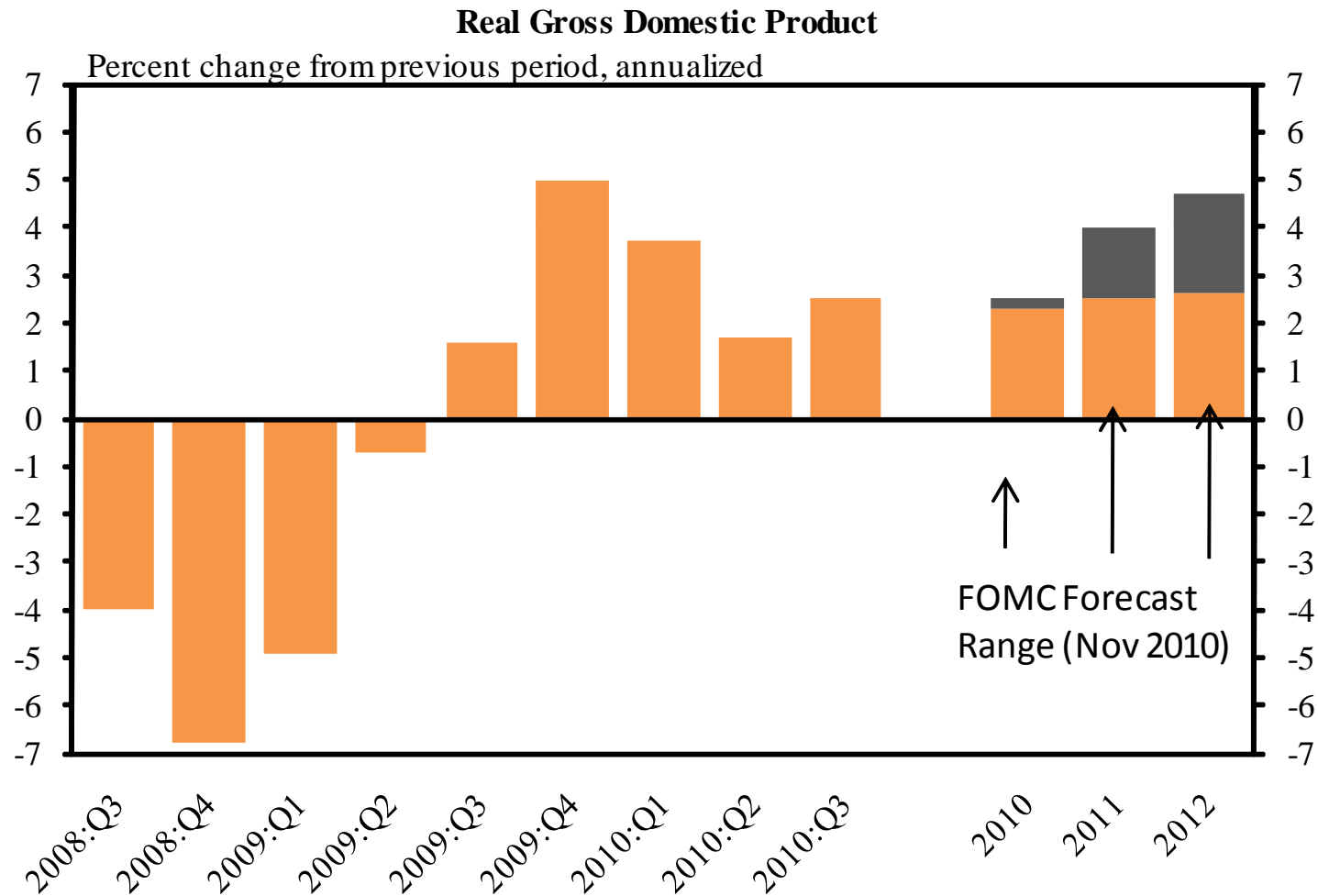
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U.S. Economic Overview

- ⦿ Incoming data suggest that the U.S. economy continues to recover at a modest pace.
 - Manufacturing activity is expanding.
 - Consumer spending remains above year-ago levels.
 - The energy and agriculture sectors are booming.
- ⦿ 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 remains weak.
 - Eventually fiscal and monetary stimulus must be removed.



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

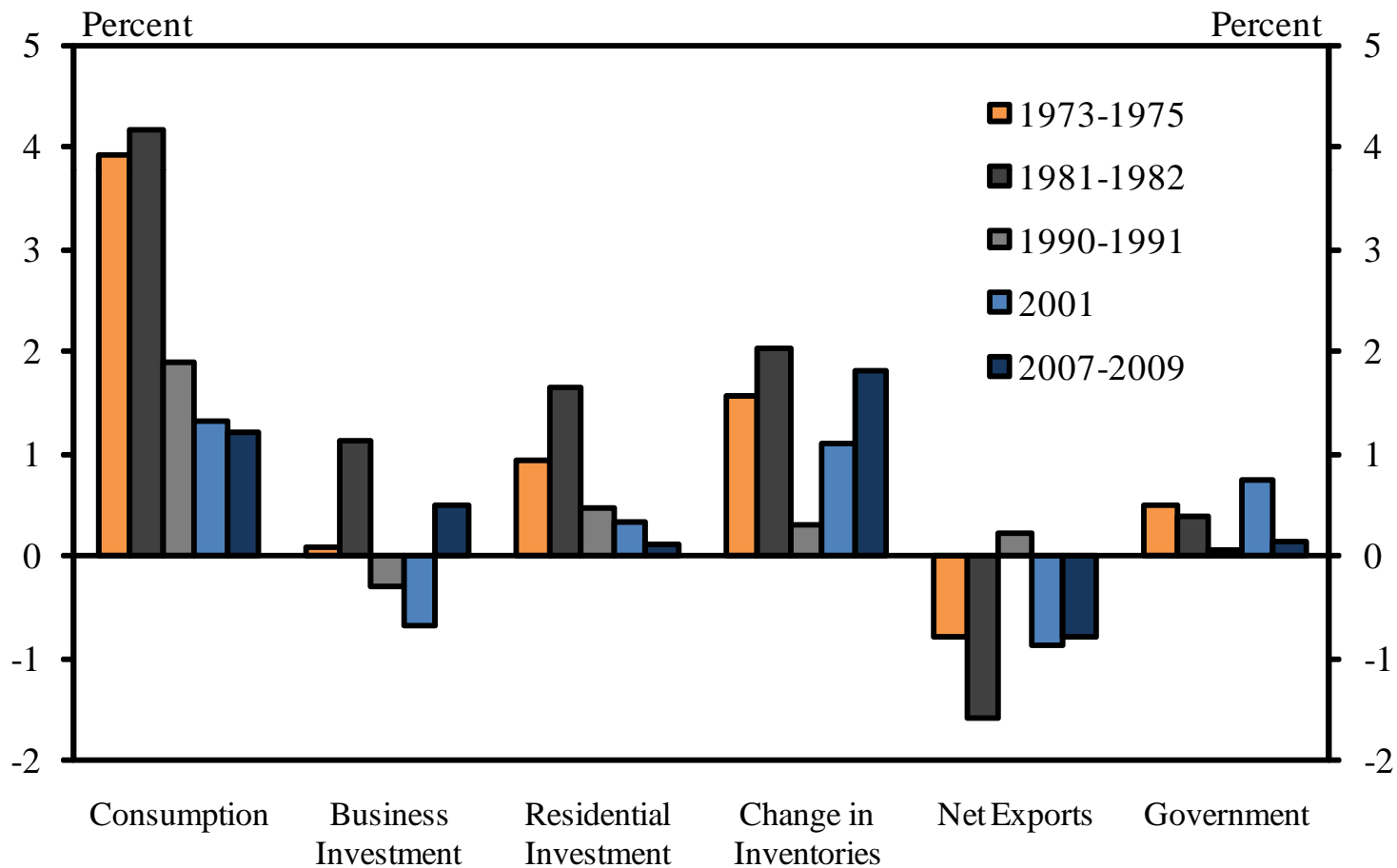


Source: Bureau of Economic Analysis; FOMC



The components of GDP suggest the reason why the recovery has been modest.

Contributions to Real GDP by Component in the Year Following a Recession
Average quarterly rate (at an annualized rate)

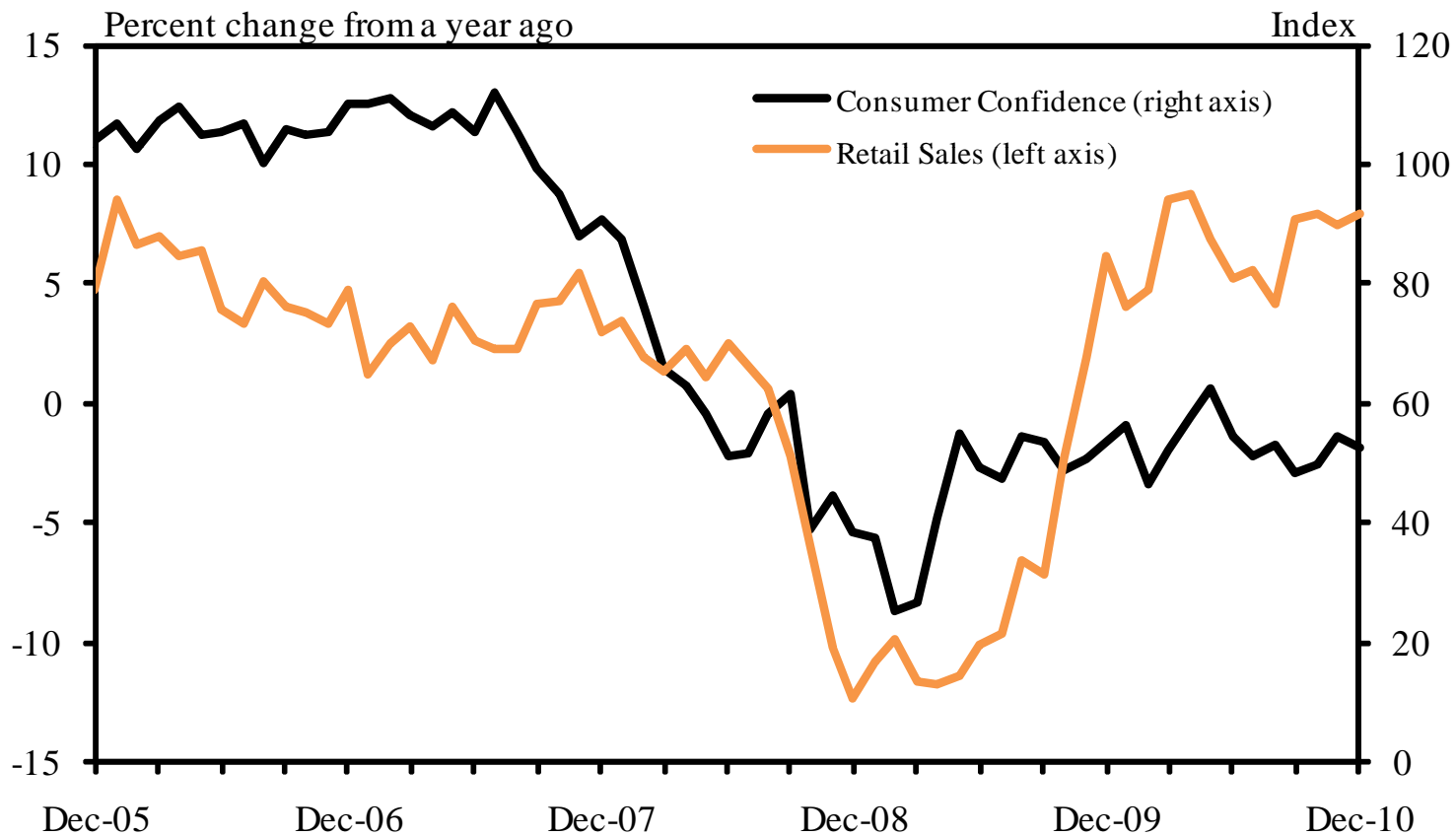


Source: BEA



Even as confidence levels hold steady, consumers are spending more.

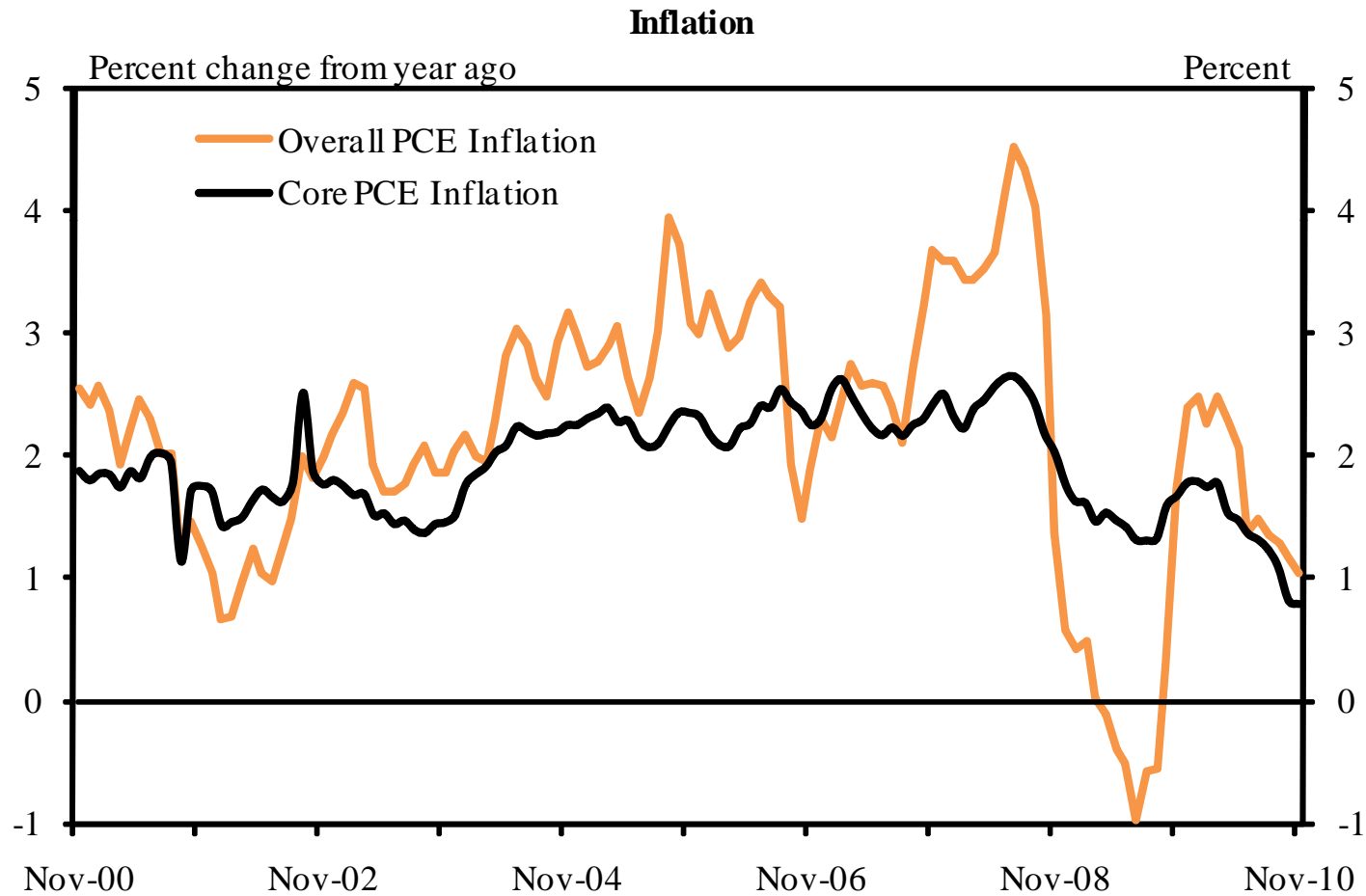
Retail Sales and Consumer Confidence



Source: Census Bureau and Consumer Confidence Board



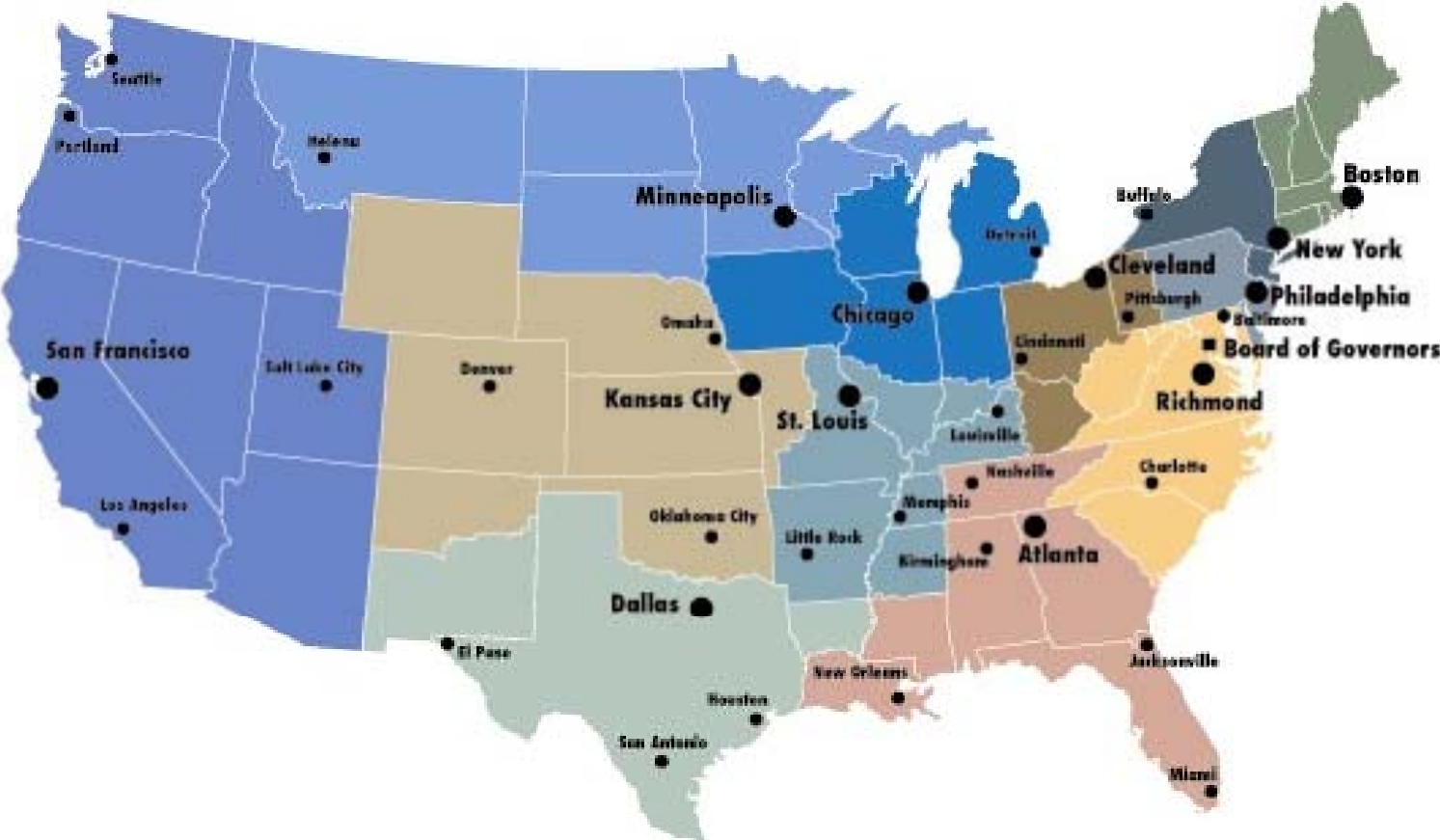
Inflation pressures remain subdued.



Source: Bureau of Economic Analysis

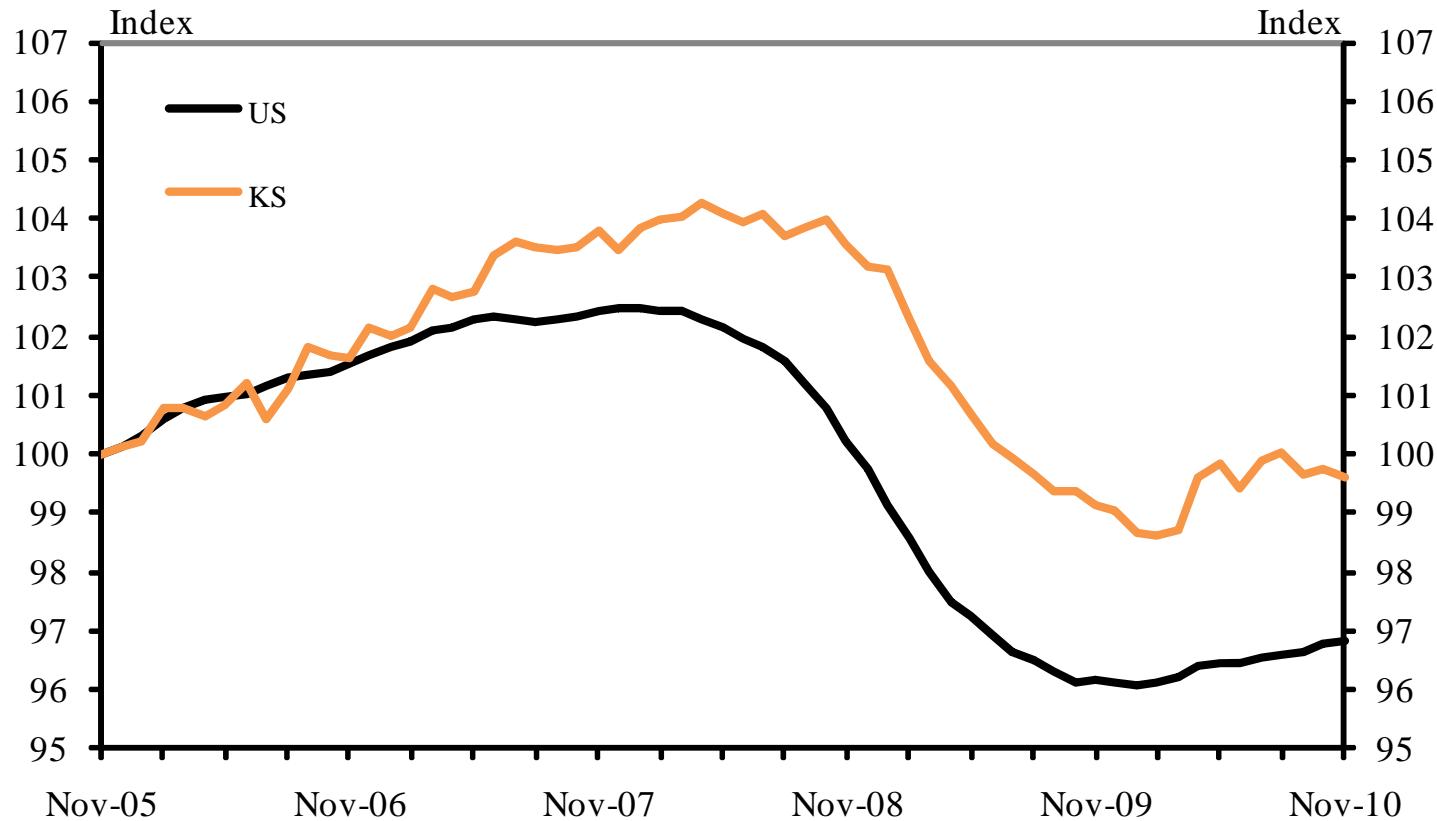


The Federal Reserve's Tenth District



Employment fell sharply during the recession but increased in 2010.

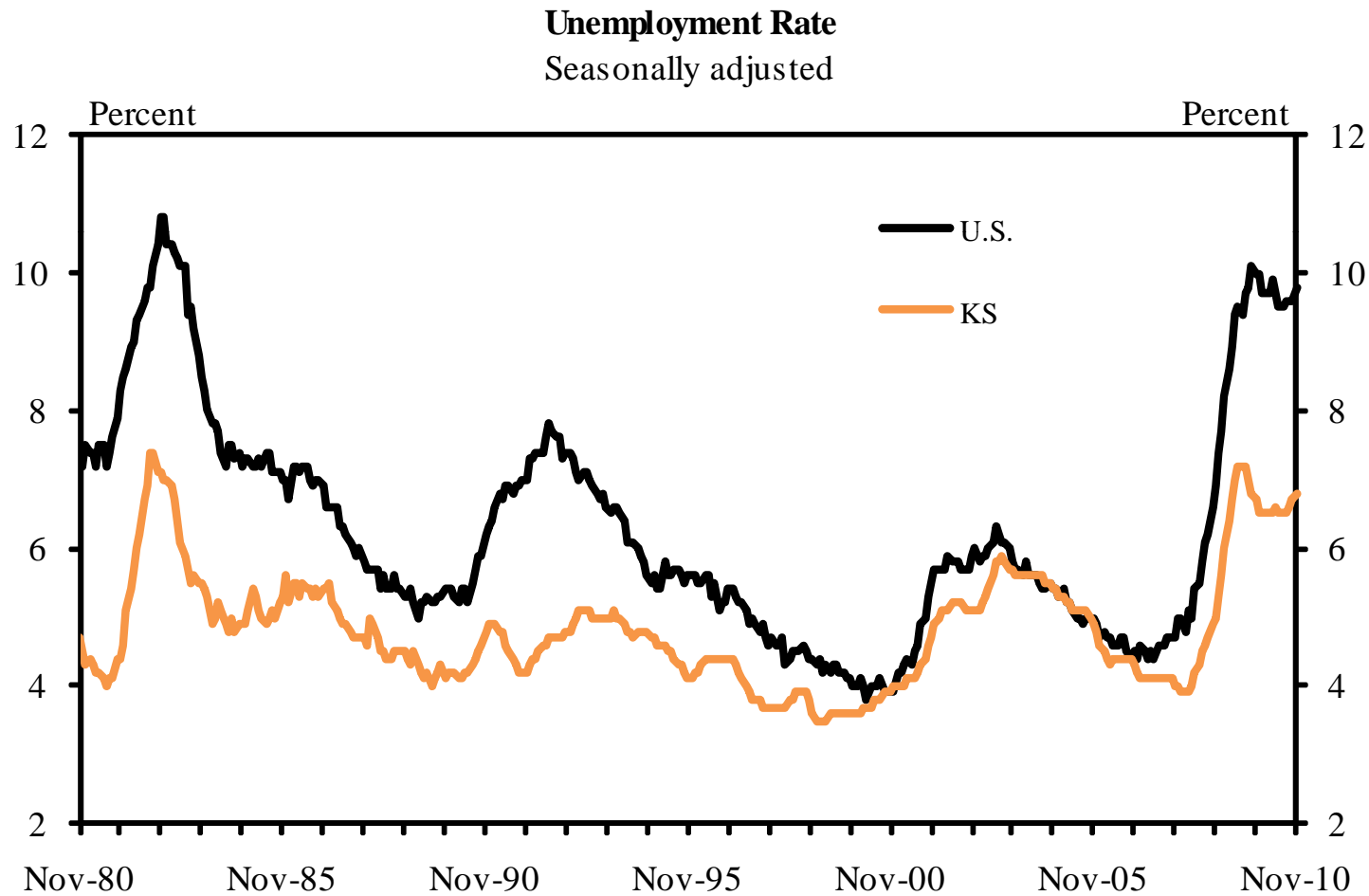
Nonfarm Employment (Excluding Federal Government)
Seasonally adjusted



Source: Bureau of Labor Statistics



Unemployment rates remain elevated.

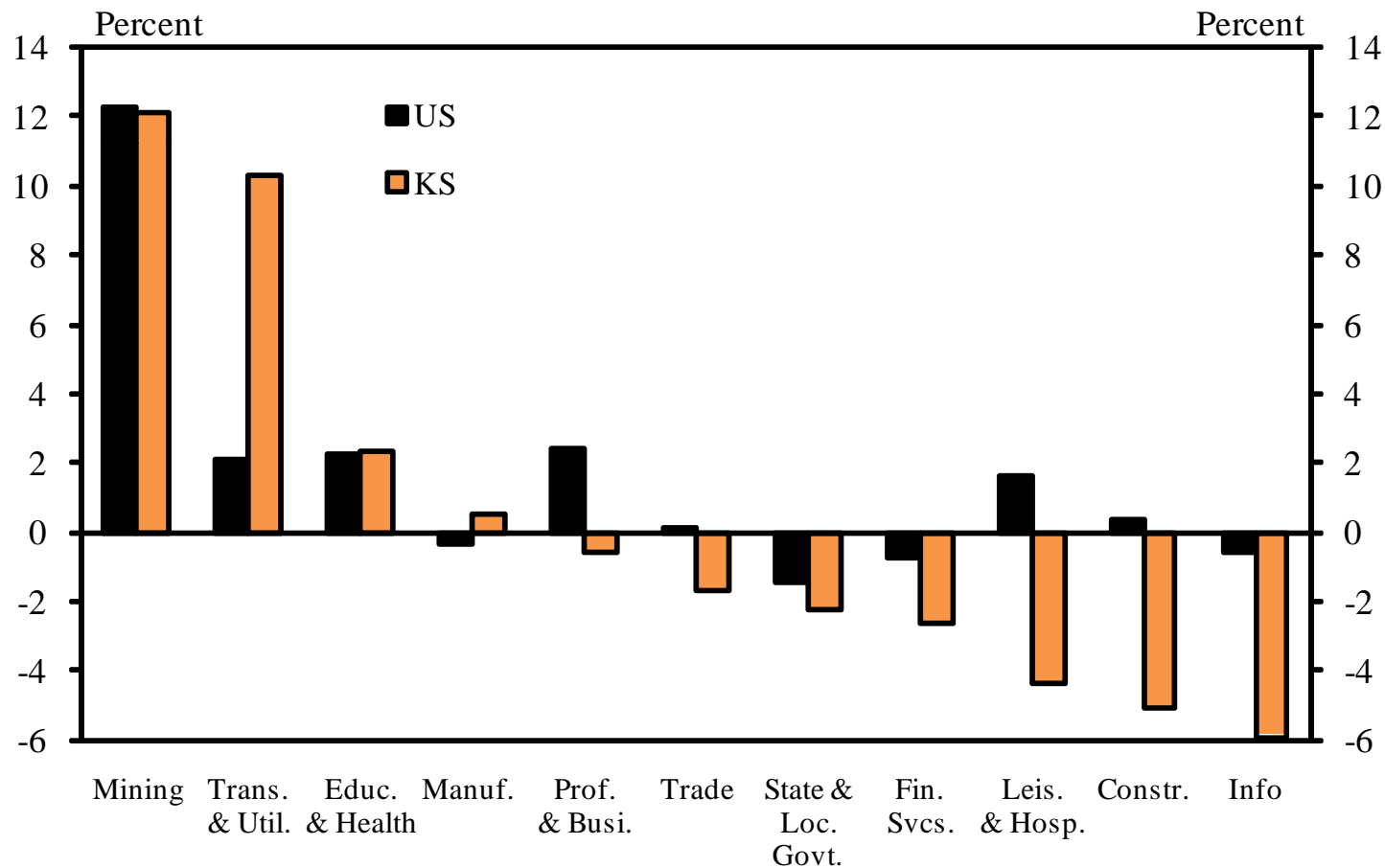


Source: Bureau of Labor Statistics



Mining and transportation employment increased sharply over the past 6 months.

Employment Growth by Industry, May 2010 to Nov. 2010
Seasonally adjusted annualized rate

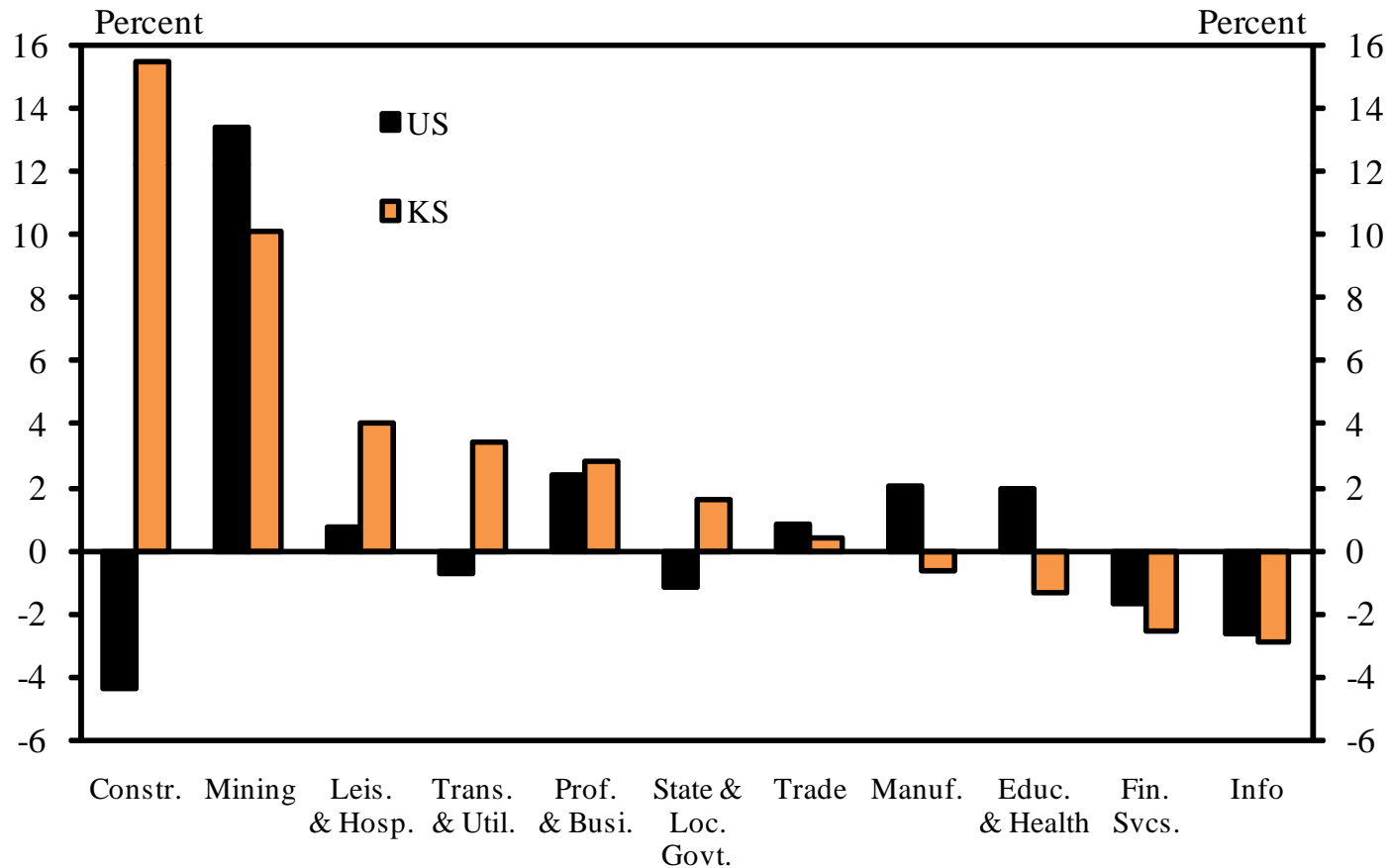


Source: Bureau of Labor Statistics



Employment was growing in over half of industries in the first half of last year.

Employment Growth by Industry, Nov. 2009 to May 2010
Seasonally adjusted

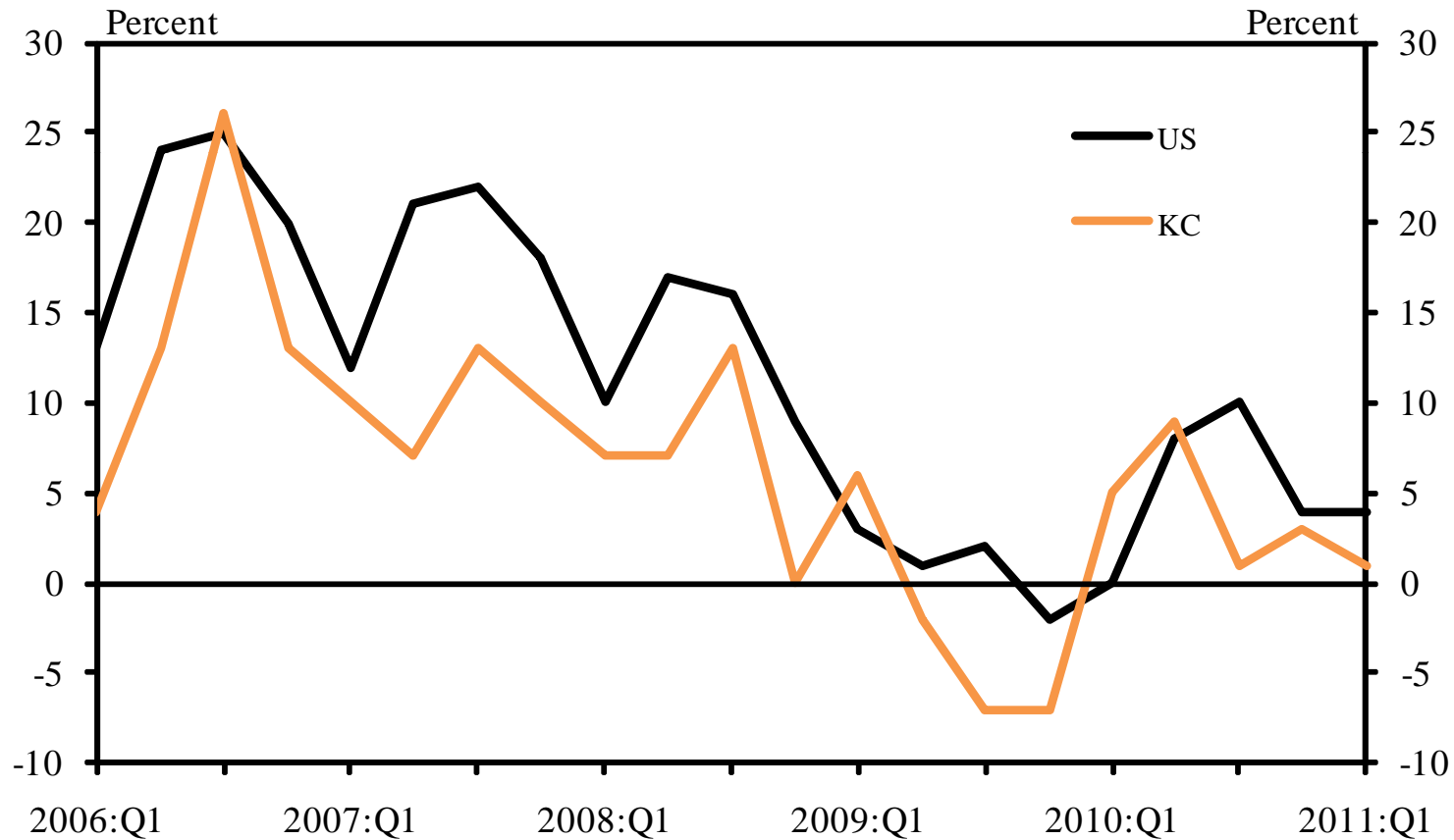


Source: Bureau of Labor Statistics



Hiring expectations remain sluggish.

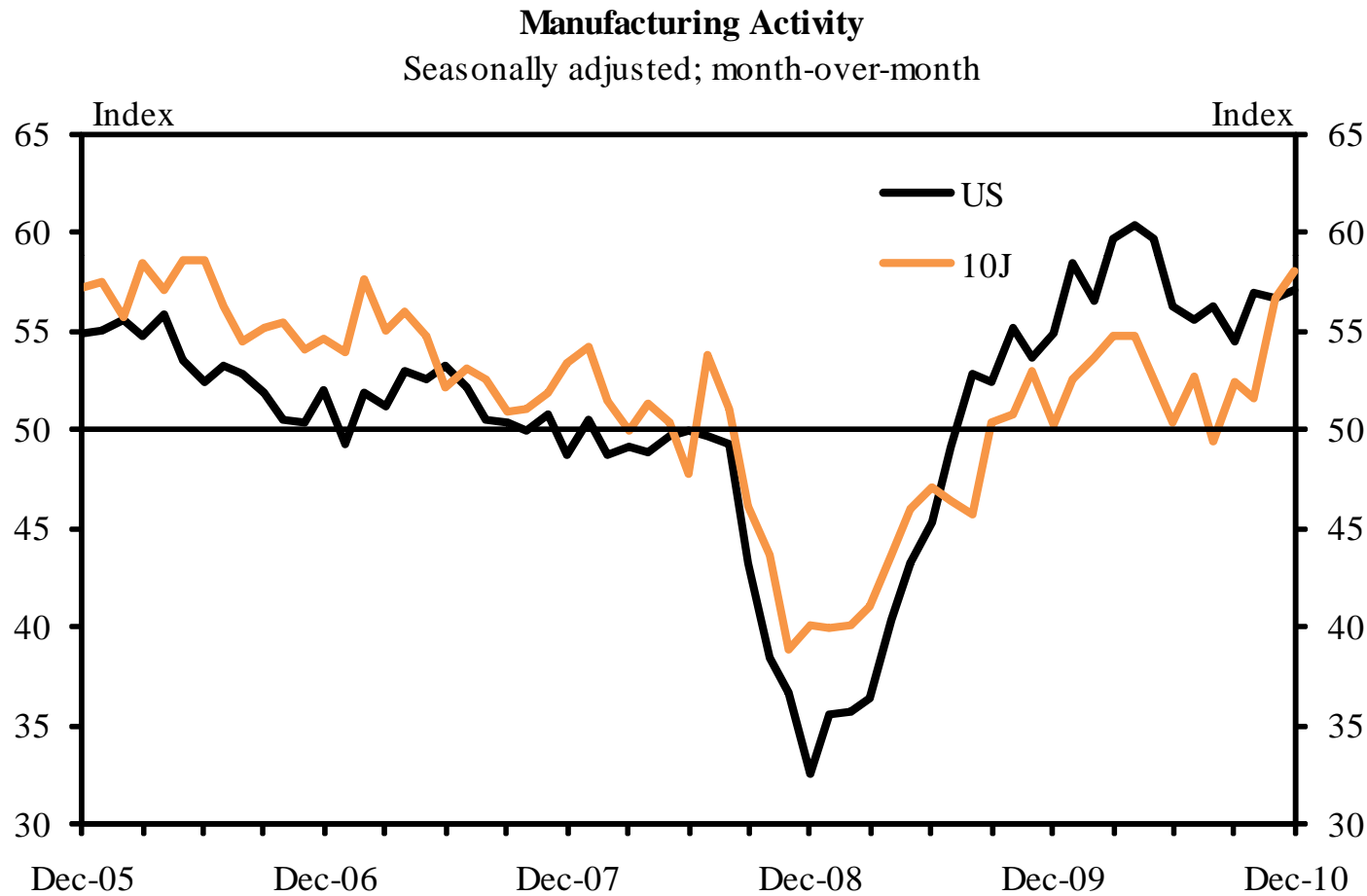
Net Percentage of Firms Expecting to Increase Employment



Source: Manpower Inc.



Manufacturing activity has been expanding for more than a year.

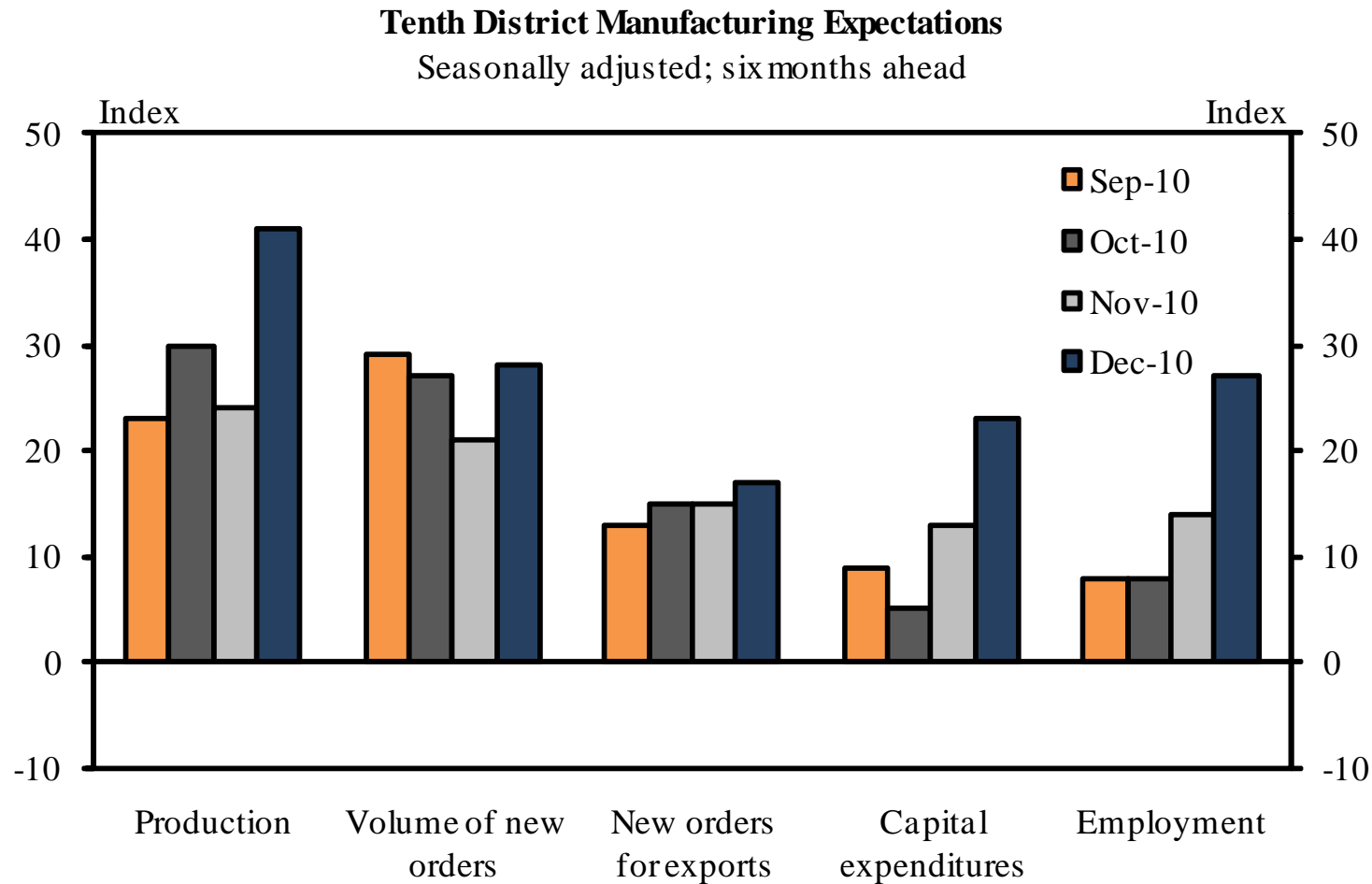


Sources: ISM, FRBKC Manufacturing Survey

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



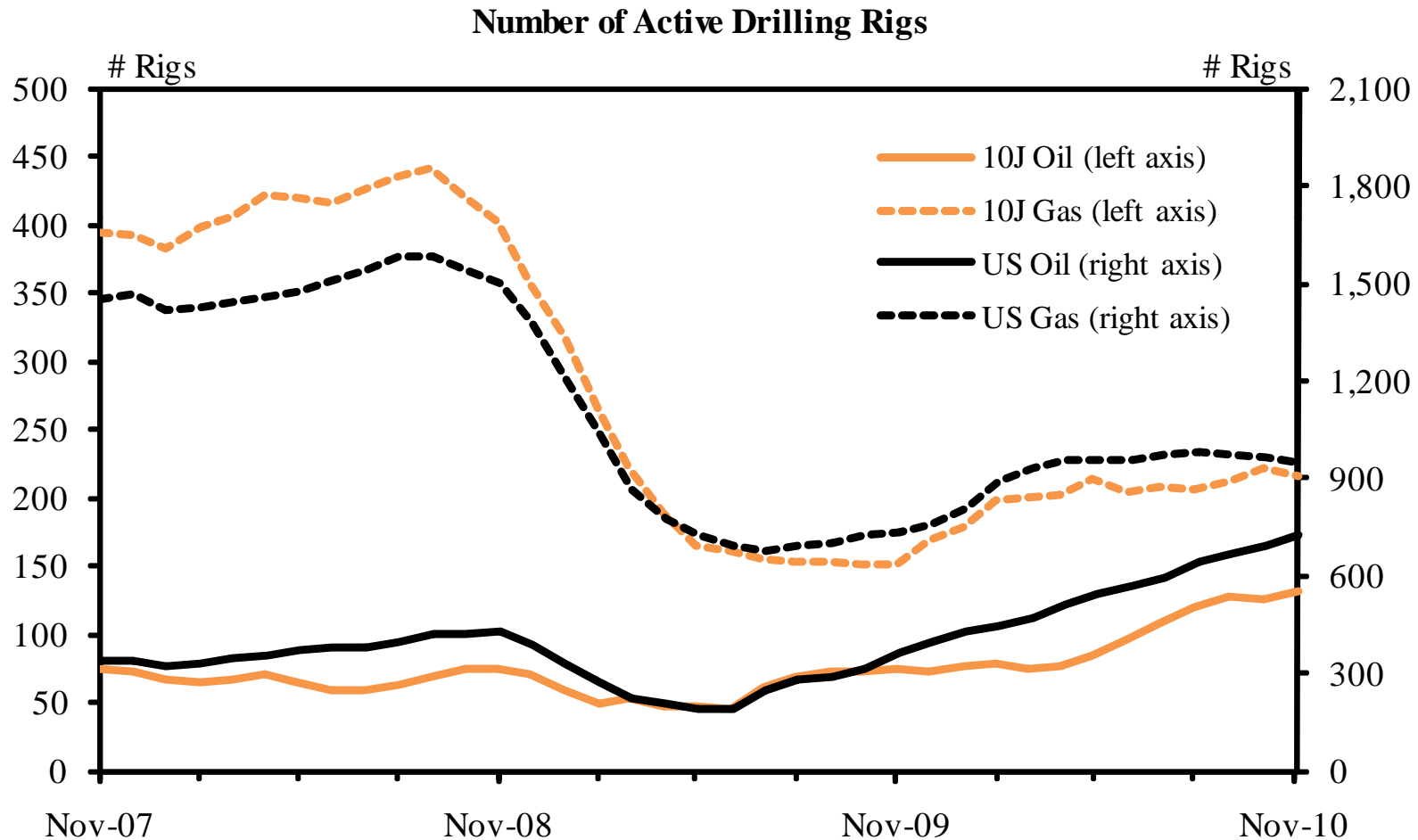
Manufacturers expect further expansion over the next six months.



Source: FRBKC Manufacturing Survey



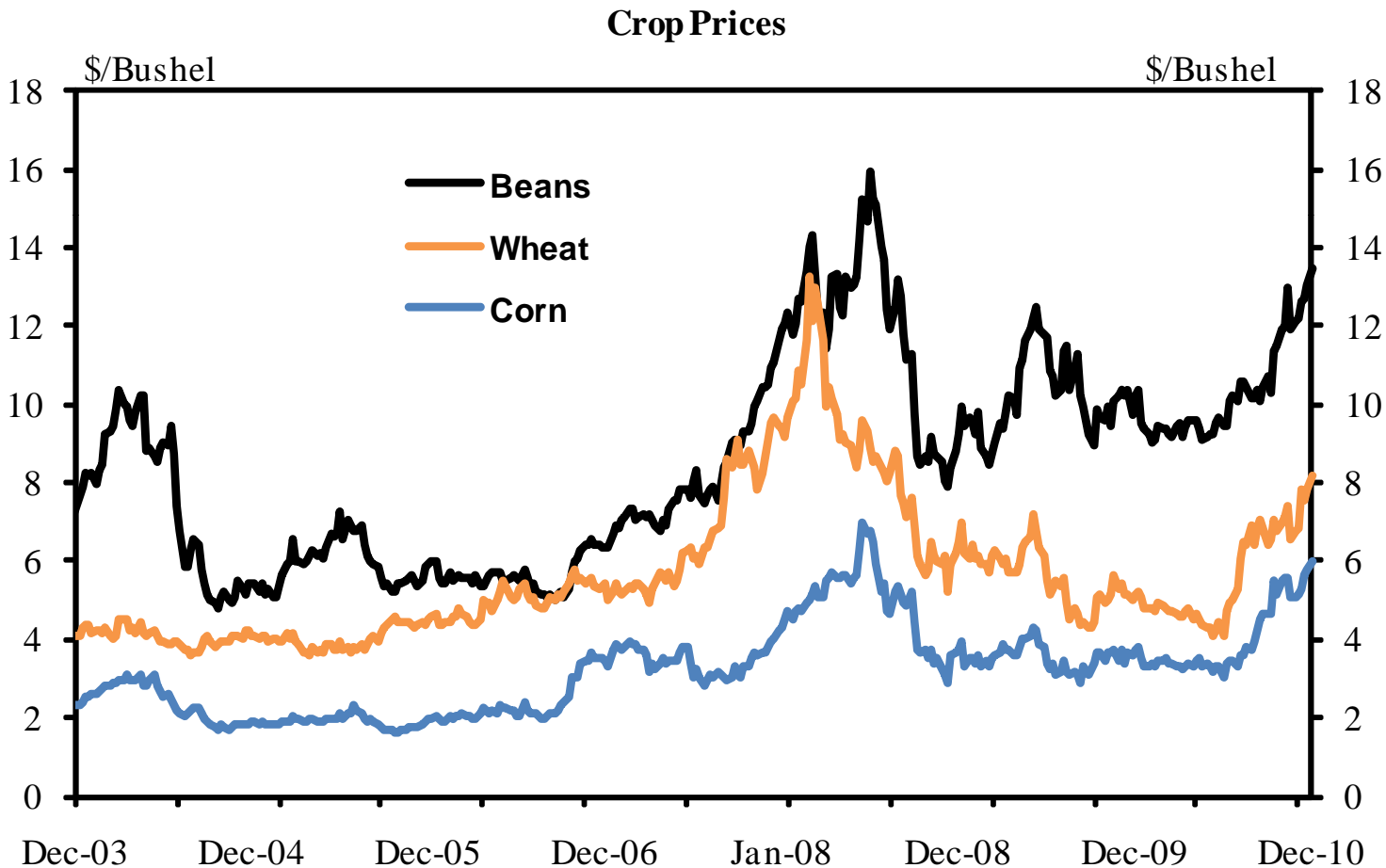
The energy sector is expanding, especially for oil producers.



Source: Baker-Hughes



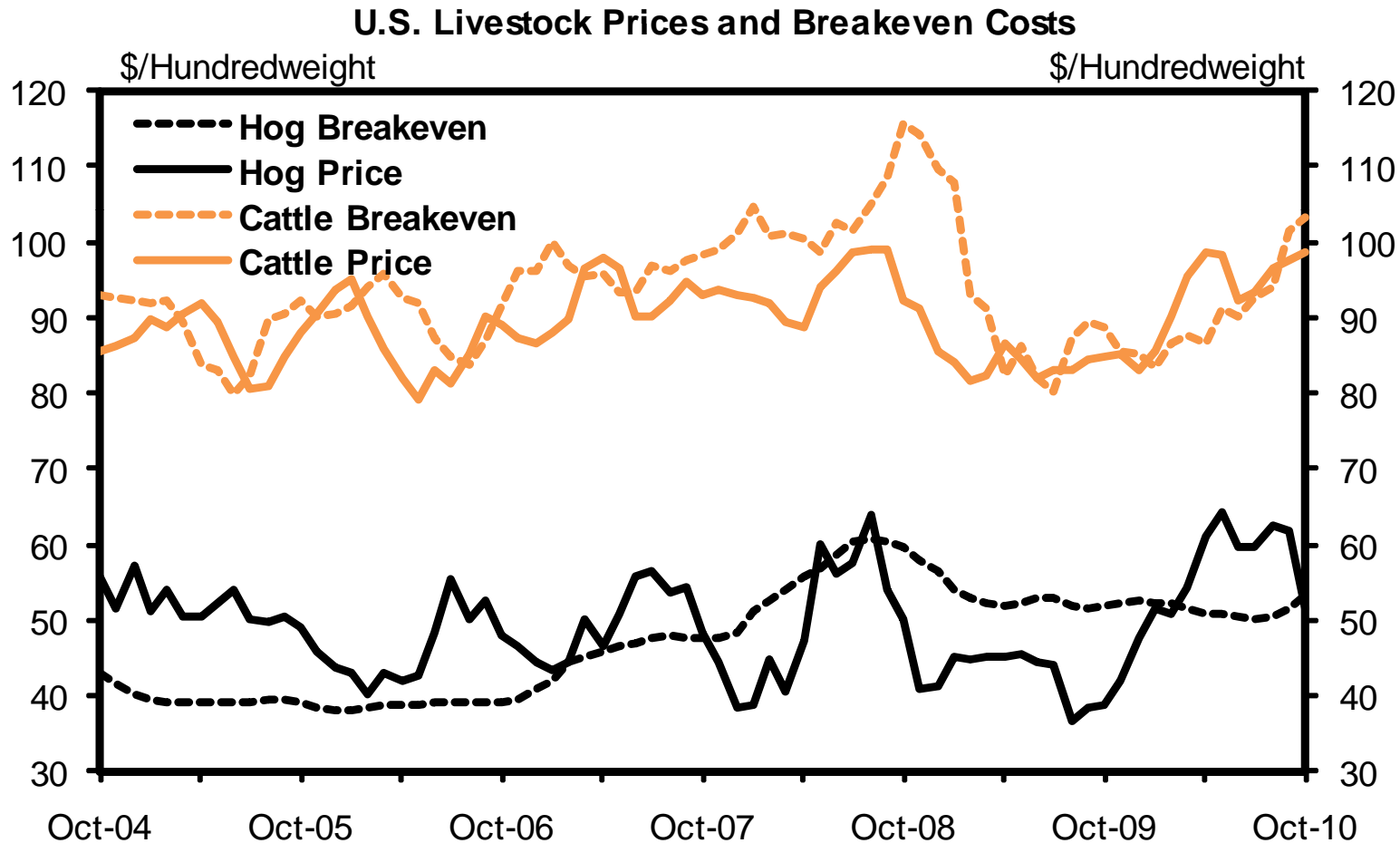
Lower supplies have led to higher crop prices.



Source: Commodity Research Bureau



Incomes have increased for livestock producers this year.

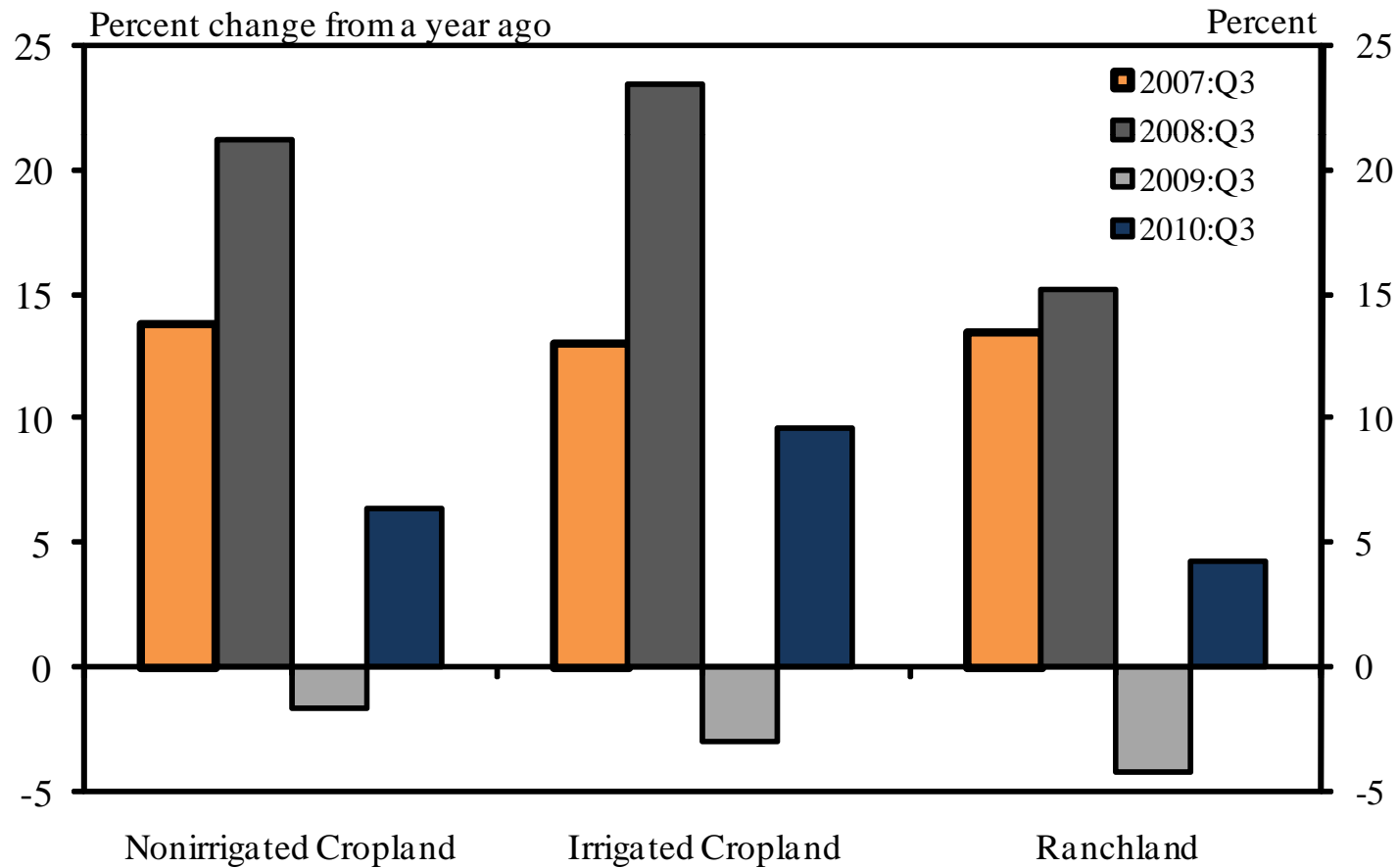


Source: USDA and Iowa State University



Farmland values have increased in 2010.

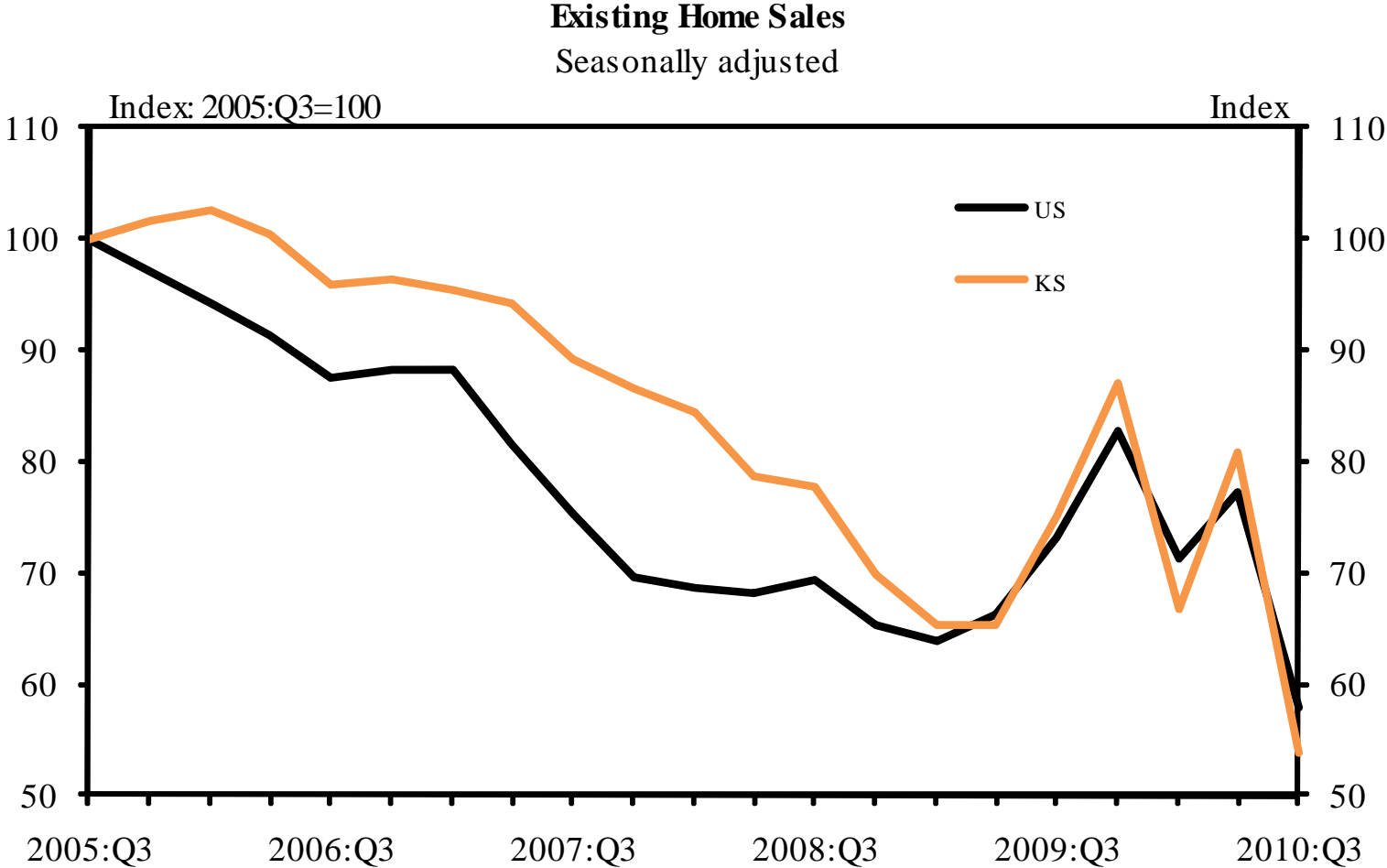
Tenth District Farmland Values



Source: FRBKC Ag Survey



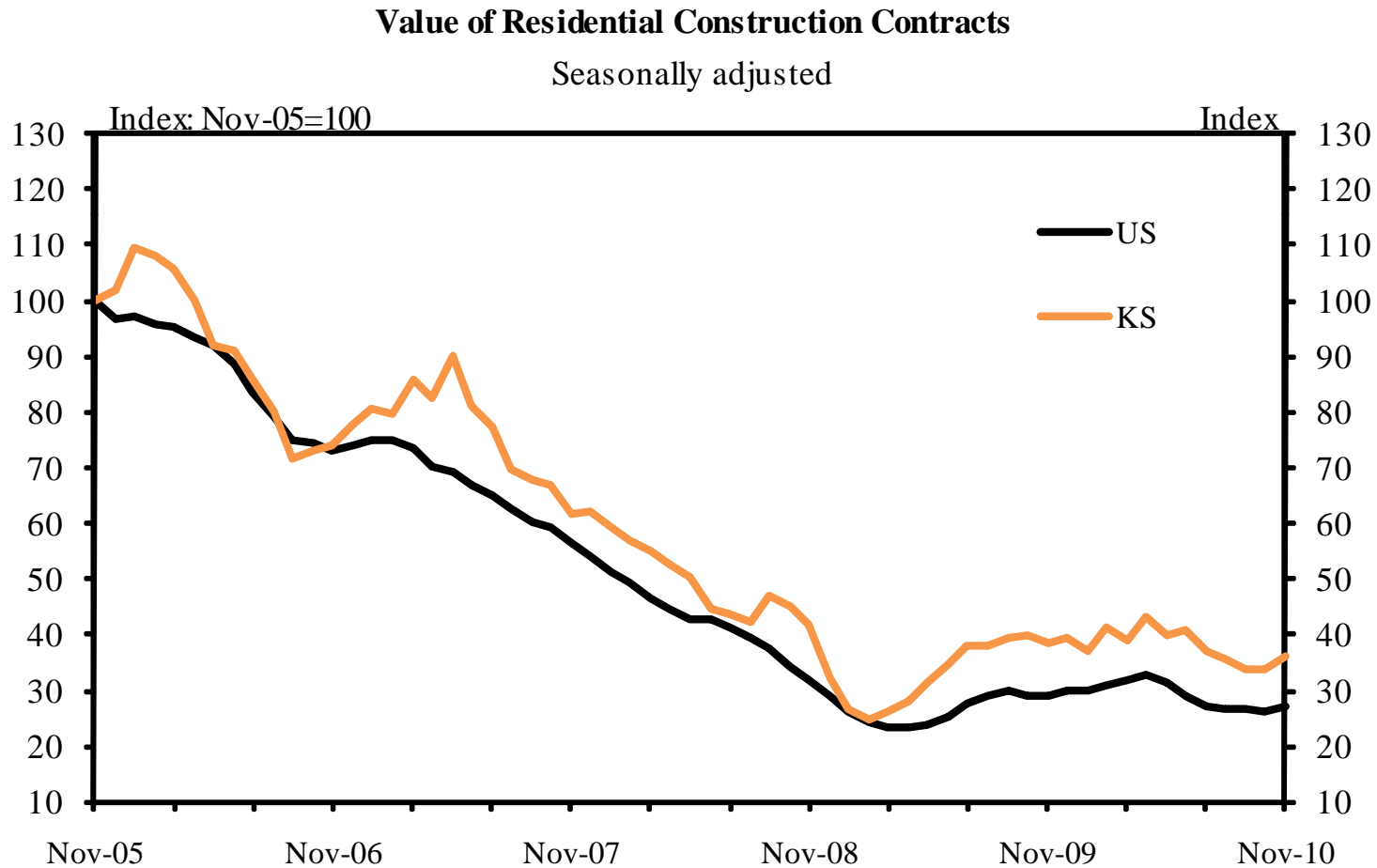
As expected, home sales plummeted after the expiration of the tax credit.



Source: National Association of Realtors



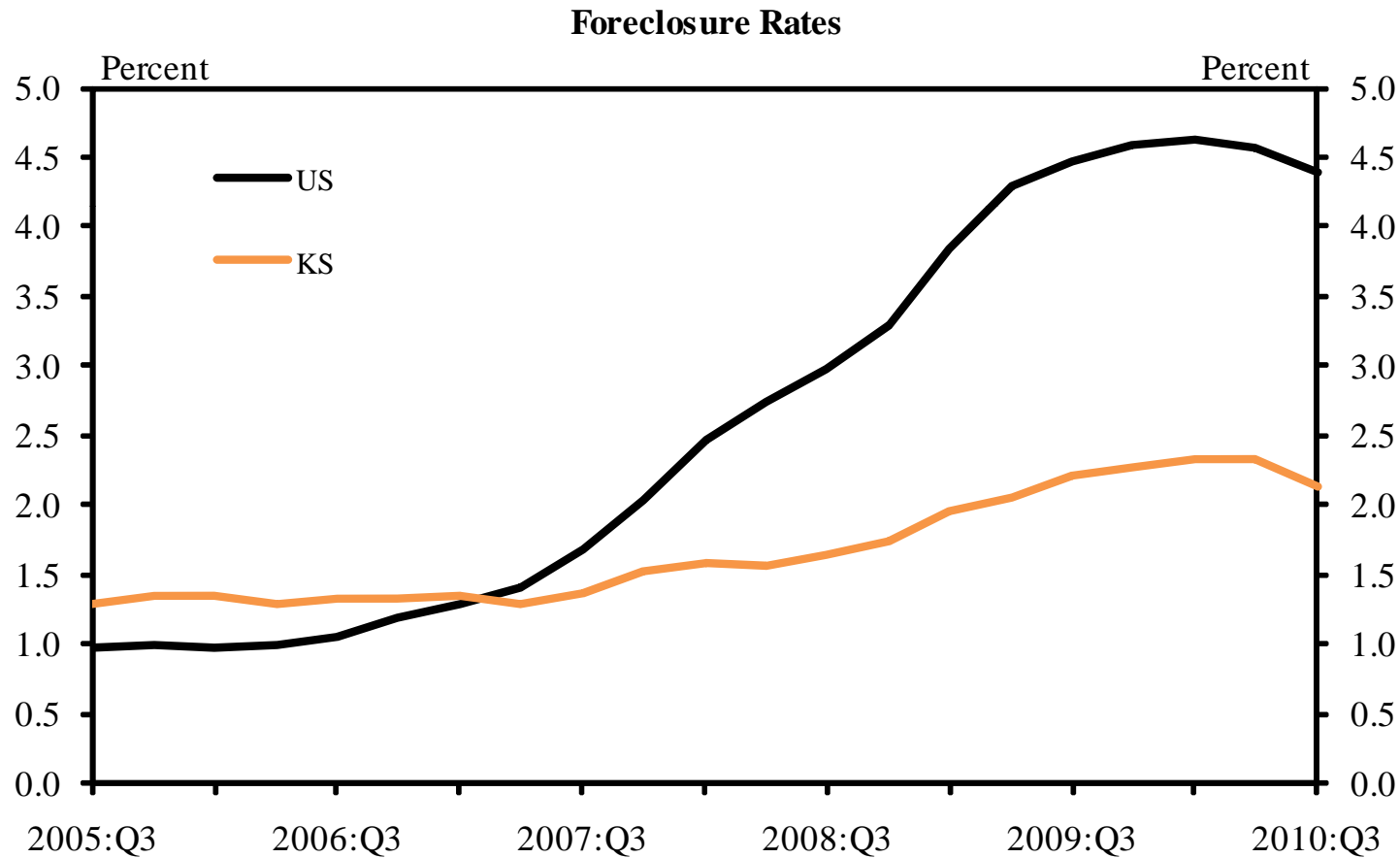
Residential construction activity remains slow.



Source: FW Dodge



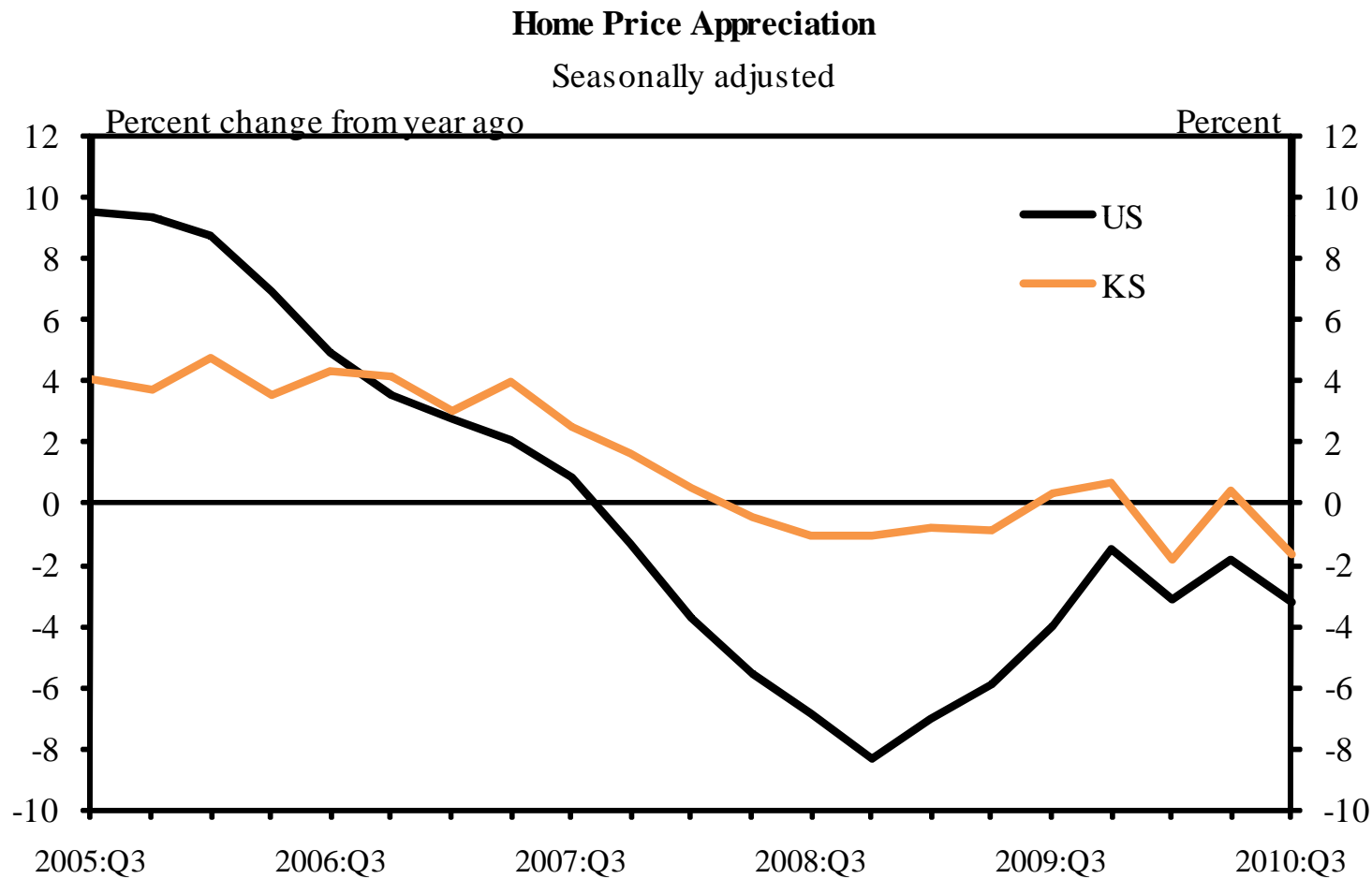
Foreclosure rates are much lower in Kansas than in the nation.



Source: Mortgage Bankers Association



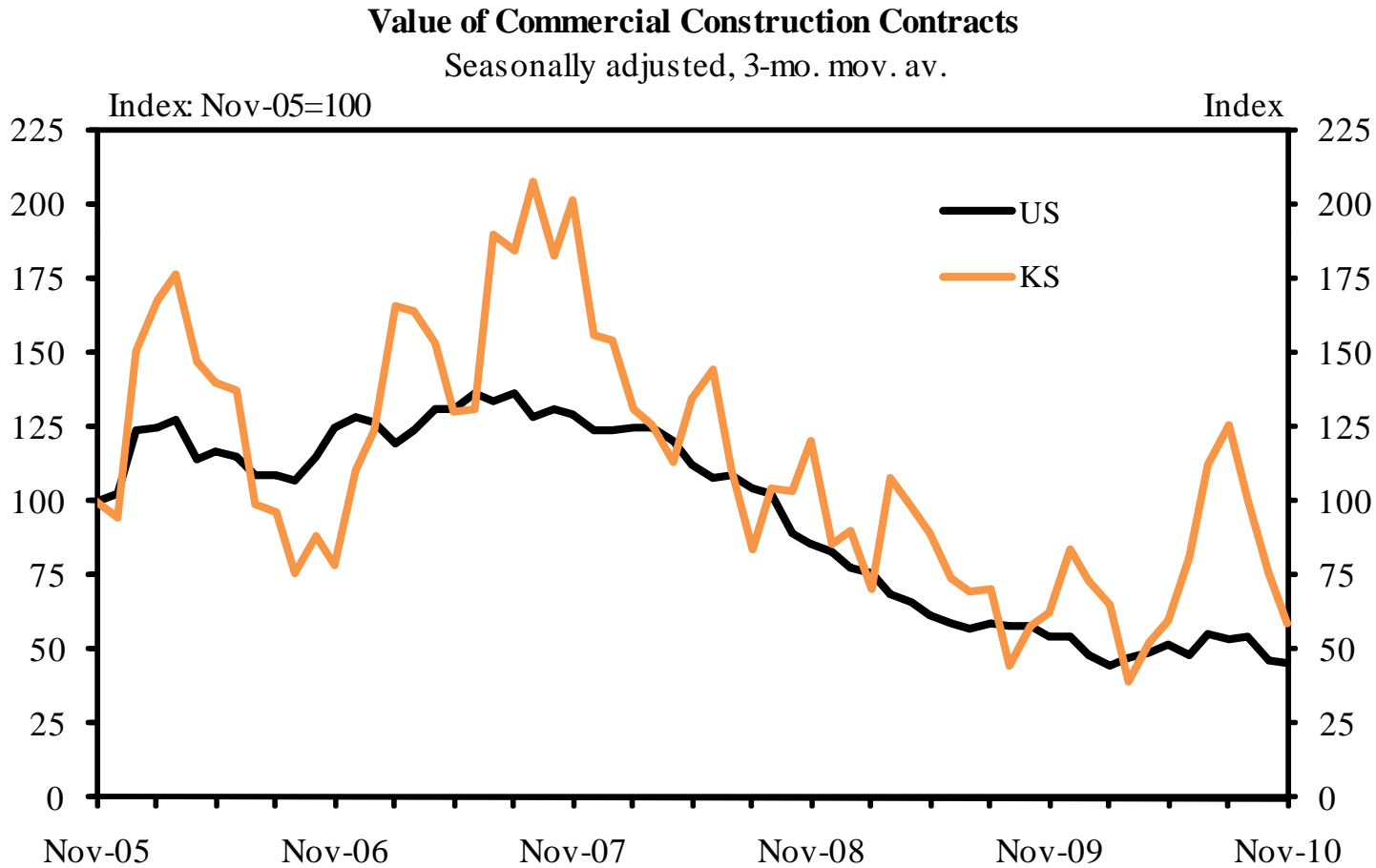
Home prices have held up relatively well in Kansas.



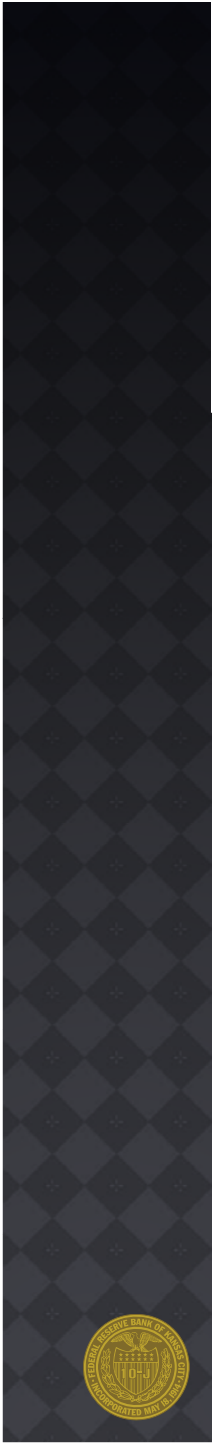
Source: FHFA



Commercial construction activity increased earlier this year in Kansas.



Source: F.W. Dodge Inc.



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.
 - 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.

