Recent data suggest that the U.S. economy grew at a somewhat slower pace in the first half of 2011. Many of the factors contributing to the slowdown are expected to be temporary: severe weather, higher gas prices, and supply chain disruptions due to the crisis in Japan. Consumers continue to struggle with high unemployment, rising energy prices and falling home prices.

However, the U.S. economy is still expected to recover at a moderate pace over the next couple of years. Manufacturers expect increases in production, orders and employment over the next 6 months. Consumer spending remains well above year-ago levels. The energy and agriculture sectors are still booming.
A moderate recovery is expected to continue over the next few years.
Consumer spending closely follows changes in consumer confidence.

Source: Census Bureau and Consumer Confidence Board
Inflation is increasing, driven in part by higher energy and food prices.
Inflation expectations remain fairly stable.
The Tenth District of the Federal Reserve
Employment fell sharply during the recession but is now increasing.

Source: Bureau of Labor Statistics
Unemployment rates remain elevated.

Source: Bureau of Labor Statistics
There are large regional differences in unemployment rates.
Employment growth has been mixed across industries.

Employment Growth by Industry
May-11 over May-10

Source: Bureau of Labor Statistics
Firms expect to hire more workers in the third quarter.

Source: Manpower Inc.
Manufacturers expect to hire more workers over the next 6 months.

Sources: FRBKC Manufacturing Survey
Growth in manufacturing activity fell sharply in May due, in part, to supply chain disruptions from Japan.

Sources: ISM, FRBKC Manufacturing Survey
Note: 10J index is computed on ISM basis (50 = zero change)
Manufacturers expect increased activity over the next six months.

**Tenth District Manufacturing Expectations**
Seasonally adjusted; six months ahead

- **Production**
- **Volume of new orders**
- **New orders for exports**
- **Capital expenditures**
- **Employment**

Source: FRBKC Manufacturing Survey
The energy sector is expanding, especially for oil producers.

Source: Baker-Hughes
Lower supplies and increased demand have led to higher crop prices.

Crop Prices

Source: Commodity Research Bureau
Farmland prices have increased sharply.

Source: FRBKC Agricultural Credit Survey
Home sales activity remains slow but is increasing.

Source: NAR
Residential construction activity remains weak.

Value of Residential Construction Contracts
Seasonally adjusted

Index: May-06=100

Source: FW Dodge
Home prices continue to decline across most of the U.S.
There have been large regional variations in home price appreciation over the past 5 years.
Foreclosure rates in the Midwest are lower than in other parts of the nation.
U.S. commercial construction activity is weaker than pre-recession levels.

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

Source: F.W. Dodge Inc.
Commercial vacancy rates have leveled off in Kansas City.

Source: Torto-Wheaton Research
Conclusions

- The U.S., Kansas, and Missouri economies are expected to continue to recover gradually over the next few years.
  - Weak construction activity and high unemployment may prevent a more robust recovery.
  - Manufacturing, energy and agriculture sectors are expected to continue to provide a boost to the economy.
Presentations can be found online at:
http://www.kansascityfed.org/speeches/index.cfm