U.S. and Kansas Economic Overview

- The pace of the U.S. economic recovery slowed in the first half of 2011, but modest growth is still expected over the next couple of years.
  - Many of the factors contributing to the slowdown are expected to be temporary: severe weather, higher food and energy prices, and supply chain disruptions due to the crisis in Japan.
  - However, consumers continue to struggle with high unemployment, high levels of debt and falling home prices.

- The Kansas economy entered the recession late and is exiting late.
  - The strong performance of the agriculture and aerospace manufacturing sectors helped to delay recession for Kansas.
  - Employment fell sharply during the recession but has been growing since February 2011.
  - The agriculture, energy and transportation sectors have been strong over the past year. Unfortunately, the financial and information sectors continue to struggle.
The Tenth District of the Federal Reserve

Despite some gains, employment is still well below pre-recession levels.

Source: Bureau of Labor Statistics
Kansas City and Topeka are struggling to recover.

Unemployment rates in Kansas are well below the national rate.
Unemployment rates remain elevated across the major metropolitan areas.

Unemployment rates are much lower in western Kansas.
Employment has increased in the majority of industries over the past year.

Since the recession started, employment has fallen in almost every industry.
Firms expect to hire more workers in the fourth quarter.

Manufacturers expect to hire more workers over the next 6 months.
Manufacturing activity continues to expand, but at a somewhat slower pace than earlier in the year.

Manufacturers expect increased activity over the next six months, but have become slightly less optimistic.
The energy sector is expanding, especially for oil producers.

Count of Active Drilling Rigs

Lower supplies and increased demand have led to higher crop prices.

Crop Prices

Source: Baker-Hughes, Commodity Research Bureau
Farmland prices have increased sharply in Kansas.

Higher feed costs are trimming profits for livestock producers.
Home sales activity remains slow but is increasing.

Residential construction activity remains weak.
Home prices continue to decline across most of the U.S.

Source: Federal Housing Finance Agency

There have been large regional variations in home price appreciation over the past 5 years.

Source: Federal Housing Finance Agency
Foreclosure rates in Kansas are lower than in other parts of the nation.

Source: Mortgage Bankers Association

U.S. commercial construction activity is weaker than pre-recession levels.

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

Index: Sep-06=100

Source: F.W. Dodge Inc.
Commercial vacancy rates have fallen slightly in Kansas City.

![Chart](chart.png)

**Conclusions**

- The U.S. and Kansas 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