RECESSION AND RECOVERY IN KANSAS CITY AND THE U.S.

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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.
After slowing in the first half of 2011, growth is picking up.

Source: Bureau of Economic Analysis; FOMC
Consumer spending and inventory investment contributed to the increase in fourth quarter GDP.

Source: Bureau of Economic Analysis
Unemployment rates have fallen over the past year but remain stubbornly high.

Source: Bureau of Labor Statistics; FOMC
Inflation has increased recently due to higher gas prices, but the increase is expected to be temporary.
FOMC March Statement: “the Committee… currently anticipates that economic conditions – including low rates of resource utilization and a subdued outlook for inflation over the medium run – are likely to warrant exceptionally low levels for the federal funds rate at least through late 2014.”
FOMC March Statement: “The Committee also decided to continue its program to extend the average maturity of its holdings of securities as announced in September. The Committee is maintaining its existing policies of reinvesting principal payments from its holdings of agency debt and agency mortgage-backed securities in agency mortgage-backed securities and of rolling over maturing Treasury securities at auction.”

Source: FOMC
The Tenth District of the Federal Reserve
Kansas City employment has been increasing for almost 2 years but remains well below peak levels.

Source: Bureau of Labor Statistics
Unemployment rates have fallen in Kansas City and the U.S.

Unemployment Rate
Seasonally adjusted

Source: Bureau of Labor Statistics
Employment growth has varied across industries over the past year.

Source: Bureau of Labor Statistics
K.C. employment is still down more than 25% in the construction and information industries.

Source: Bureau of Labor Statistics
The manufacturing sector has been expanding for over two years.
Manufacturers in the Tenth District expect increased activity over the next six months.
Home sales increased over the past year, but activity remains slow.

Source: NAR and Kansas City Regional Association of Realtors
Residential construction activity remains weak.

Housing Permits
Seasonally adjusted, 3 mo. moving avg.

Source: Census Bureau
Home prices in Kansas City increased in the third quarter but remain well-below peak levels.

Source: FHFA
Foreclosure rates in Kansas and Missouri are lower than in other parts of the nation.

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<th>Year</th>
<th>U.S.</th>
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Source: Mortgage Bankers Association
Commercial vacancy rates are declining in Kansas City.

Source: Torto-Wheaton Research
Among the top 25 KS and MO export countries, EU countries combine for 14% of exports.

Exports by Destination

Source: U.S. Census
State tax revenues are increasing, but budgets may remain tight over the next year or two.

Source: US Census Bureau and state agencies
Note: FY 2012 estimates are projected using the percent change in actual tax collection in FY2012 through February compared to the same time period in FY 2011.
Federal government debt levels have increased significantly over the past few years.

Source: Congressional Budget Office
Note: According to the CBO, "The alternative fiscal scenario incorporates the assumptions that all expiring tax provisions (other than the payroll tax reduction) … are extended; that the AMT is indexed for inflation after 2011 …; that Medicare's payment rates for physicians' services are held constant…; and that the automatic enforcement procedures specified by the Budget Control Act of 2011 do not tax effect. The budgetary effects under the alternative fiscal scenario also include the incremental interest costs associated with projected additional borrowing."
Conclusions

- The pace of the U.S. economic recovery slowed in the first half of 2011, but growth picked up in the second half of last year.

- The U.S. and Kansas City economies are still expected to recover at a moderate pace over the next few years.

- However, economic growth may rely more heavily on private demand in the U.S. as problems persist in Europe and the U.S. federal government faces high debt levels.
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