Economic Conditions in the U.S. and Kansas City Region

National Introducing Brokers Association
Kansas City Board of Trade
Kansas City, MO
June 21, 2012

Kelly D. Edmiston
Economic Conditions in the U.S. and Kansas City Region

OUTPUT GROWTH
Annual Growth in Real GDP

Source: U.S. Bureau of Economic Analysis
Quarterly Real GDP Growth (Annualized)

Source: U.S. Bureau of Economic Analysis
Contributions to Percentage Change in Real GDP

Total GDP
Consumer Spending
Res. Invest
Bus. Invest
Net Exports
Gov. Spending
Inventories

Percentage Points

2011:Q2
2011:Q3
2011:Q4
2012:Q1

June 21, 2012
K. Edmiston, FRBKC
FOMC Real GDP Growth Forecast
(April 2012)

Sources: Bureau of Economic Analysis; FOMC
## Consensus Forecasts

<table>
<thead>
<tr>
<th></th>
<th>2011</th>
<th>2012F</th>
<th>2013F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real GDP Growth</td>
<td>1.7</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Unemployment Rate (Average)</td>
<td>8.9</td>
<td>8.1</td>
<td>7.7</td>
</tr>
<tr>
<td>Consumer Prices</td>
<td>3.0</td>
<td>2.3</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Source: Consensus Forecasts (May 2012); U.S. Bureau of Economic Analysis (historical data); U.S. Bureau of Labor Statistics (historical data)

Change, real GDP, Annual Rate


2012: 2.3

2013: 2.5

3.1
EMPLOYMENT AND UNEMPLOYMENT
Employment Growth in the U.S. and KC Metro

Thousands of Jobs

Kansas City (left axis)

U. S. (right axis)
The Jobs Deficit

Chart computes the employment level that would be required to keep the unemployment rate at the December, 2007 level, given structural trends in the labor force participation rate. The structural trend in labor force participation rates is discussed in Van Zandweghe (2012).
Job Growth by Sector
May, 2011 – May, 2012

Source: U.S. Bureau of Labor Statistics
Job Growth by Sector
December, 2007 – May, 2012

Source: U.S. Bureau of Labor Statistics
Unemployment and Labor Force Participation Rates

Unemployment Rate (left axis)

Labor Force Participation Rate (right axis)

Source: U.S. Bureau of Labor Statistics
Expanded Unemployment Rate

Source: U.S. Bureau of Labor Statistics
Economic Conditions in the U.S. and Kansas City Region

ENERGY, AGRICULTURE, AND HOUSING
Energy Prices

Crude Oil
WTI Spot
(left axis)

Natural Gas
Average Wellhead
(right axis)

EIA Projections

Source: U.S. Energy Information Administration
Rig Counts

Source: Baker-Hughes
Crop Prices

Source: Commodity Research Bureau
Crop Plantings

Source: USDA
Drought Outlook

U.S. Drought Monitor

April 10, 2012
Valid 7 a.m. EDT

The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.

http://droughtmonitor.unl.edu/

U.S. Seasonal Drought Outlook

Drought Tendency During the Valid Period
Valid for April 5 - June 30, 2012
Released April 5, 2012

KEY:
- Drought to persist or intensify
- Drought ongoing, some improvement
- Drought likely to improve, impacts ease
- Drought development likely

Depicts large-scale trends based on subjectively derived probabilities guided by short- and long-range statistical and dynamical forecasts. Short-term events – such as individual storms – cannot be accurately forecast more than a few days in advance. Use caution for applications – such as crops – that can be affected by such events. "Ongoing" drought areas are approximated from the Drought Monitor (D1 to D4 intensity).

For weekly drought updates, see the latest U.S. Drought Monitor. NOTE: the green improvement areas imply at least a 1-category improvement in the Drought Monitor intensity levels, but do not necessarily imply drought elimination.
Agriculture Exports

Real U.S. Ag Exports (left scale)
Share of U.S. Ag Exports to China (right scale)
Share of U.S. Ag Exports to EU (right scale)

Source: FAS, USDA
Note: 2012 exports based on first quarter growth at an annual rate
U.S. Livestock Prices and Breakeven Costs

Breakeven Costs

Cattle Price

Hog Price

May-07  Nov-07  May-08  Nov-08  May-09  Nov-09  May-10  Nov-10  May-11  Nov-11  May-12
Value of Non-Irrigated Cropland

First Quarter 2012

Percent change from prior year

Source: Federal Reserve District Surveys (Chicago, Minneapolis, Kansas City, Dallas)

June 21, 2012
K. Edmiston, FRBKC
Existing Home Sales

Index: Q1 2006=100

Sources: National Realtors Association; Kansas City Regional Association of Realtors

June 21, 2012

K. Edmiston, FRBKC
Demand Constraints

- Economy/Financial Security
- Uncertainty about Market
- Household Formation
- Credit Availability
Months Supply of Existing Homes (KC MSA)

Source: Kansas City Regional Association of Realtors
Economic Conditions in the U.S. and Kansas City Region

RISKS
European Debt Crisis

2011 Net Govt. Debt, Percent of GDP

Source: Organization for Economic Co-operation & Development
European Interest Rate Spreads

Source: Bloomberg
U.S. Exports to the EU (Goods Only)

Source: U.S. Census Bureau
Note: Inflation adjusted with BEA implicit GDP deflator
Contact Information:

Kelly D. Edmiston
Senior Economist
Community Development

1 Memorial Drive
Kansas City, MO 64198
(816) 881-2004
Kelly.edmiston@kc.frb.org