Economic Conditions in the U.S. and Kansas

Kansas Government Finance Officers Association
13th Annual Fall Professional Conference
Overland Park, KS
October 12, 2012

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Overview

• The U.S. economy continues to recover, but at a very modest pace
  – But there remain considerable risks
• Employment growth is thin, in the U.S. and in Kansas, and by some measures, its worse than we think it is
• Kansas has some economic advantages that have mitigated the national economic doldrums
• The residential real estate market, however, is doing better
U.S. ECONOMIC OVERVIEW AND FORECAST
Annual Growth in Real GDP

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

Source: U.S. Bureau of Economic Analysis
FOMC Real GDP Growth Forecast
(September, 2012)

Sources: Bureau of Economic Analysis; FOMC
Contributions to Percentage Change in Real GDP

![Chart showing contributions to percentage change in real GDP](chart.png)

- **Total GDP**: 2.0, 1.7, 1.5, 1.1, 0.2, 0.5, 0.3
- **Consumer Spending**: 1.5, 1.1
- **Res. Invest**: 0.2
- **Bus. Invest**: 0.5, 0.3
- **Net Exports**: -0.3, -0.3
- **Gov. Spending**: -0.3
- **Inventories**: -0.3

Source: Bureau of Economic Analysis

*October 12, 2012*
Retail Spending
(Tenth Federal Reserve District, incl. Kansas)

Diffusion Index (year-over-year) (0 = neutral)

Source: Federal Reserve Bank of Kansas City Beige Book Survey; latest release October 10, 2012

Retailers
Auto dealers
Three-Month-Ahead Retail Outlook
(Tenth Federal Reserve District, incl. Kansas)

Source: Federal Reserve Bank of Kansas City Beige Book Survey; latest release October 10, 2012
Average Debt per Consumer

4-quarter moving average

Total Consumer Debt
(excludes first mortgage)

Revolving Debt

Source: Federal Reserve Bank of Kansas City, Consumer Credit Reports, 2nd Quarter, 2012
Average Debt per Consumer
(excludes first mortgage)

Source: Federal Reserve Bank of Kansas City, Consumer Credit Reports, 2nd Quarter, 2012
Consumer Credit Delinquencies

At least 30 days past due

- Auto Delinquency (percent of outstanding loans)
  - US: 3.3%
  - KS: 2.1%

- Student Loan Delinquency (percent of outstanding loans)
  - US: 9.9%
  - KS: 10.7%

- Bank Card Delinquency (percent of outstanding accounts)
  - US: 1.9%
  - KS: 1.7%

- Delinquency on Any Account (percent of outstanding accounts)
  - US: 6.0%
  - KS: 3.6%

- Bankruptcy Filings per 10,000 Households (annual rate)
  - US: 106.4
  - KS: 83.2

Source: Federal Reserve Bank of Kansas City, Consumer Credit Reports, 2nd Quarter, 2012
Economic Conditions in the U.S. and Kansas

EMPLOYMENT AND THE KANSAS ECONOMY
Historical Recessions

Percent Loss from Employment Peak

Weeks

0 2 4 6 8 10 12 14 16 18 20 22 24 26 28 30 32 34 36 38 40 42 44 46 48

-7.0% -6.0% -5.0% -4.0% -3.0% -2.0% -1.0% 0.0% 1.0%


October 12, 2012
Employment Growth in the U.S. and Kansas

Thousands of Jobs (*seasonally adjusted*)

U. S. (right axis)

Kansas (left axis)

Source: U.S. Bureau of Labor Statistics
Note: September data not available for Kansas
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).

Source: Federal Reserve Bank of Kansas City
Updated through July, 2012
Unemployment Rates

Oct-09, 10.1
Aug-09, 7.6
Sep-12, 7.8
Aug-12, 6.2

Percent
Job Growth by Industry
August, 2011 – August, 2012

Percent, year-over-year
Aircraft Manufacturing Employment

Source: U.S. Census Bureau, County Business Patterns
Production Indexes for the Tenth District

[Graph showing trends in Diffusion Index and Year-over-Year indexes from Sep-07 to Sep-12.]
Agriculture

$/bushel

- Soybean
- Corn
- Wheat

Percent y-o-y

- Ranchland
- Nonirrigated
- Irrigated

$/hundredweight

- Cattle Price
- Cattle breakeven
- Hog price
- Hog breakeven
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
Economic Conditions in the U.S. and Kansas

FURTHER EMPLOYMENT INSIGHTS
Unemployment and Labor Force Participation Rates

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

RISKS
The Fiscal Cliff
(Current Projection 2013 is 2.5% - 3.0%)

- Payroll Tax
- Extended UI
- AMT Fix Expires
- BushCuts Expire
- Sequestration, -0.5
- Payroll Tax
- Extended UI

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

Source: U.S. Census Bureau
Note: Inflation adjusted with BEA implicit GDP deflator
Federal Debt (% of GDP)

Source: Congressional Budget Office
Economic Conditions in the U.S. and Kansas

RESIDENTIAL REAL ESTATE
Existing Single-Family Home Activity

Demand Constraints

- Economy/Financial Security
- Uncertainty about Market
- Household Formation
- Credit Availability

Homebuyer Traffic

Proprietary Data Removed
Months Supply of Homes

KC

Wichita

Months Supply
Value of Residential Construction Contracts

Source: F. W. Dodge
## Mortgage Status

<table>
<thead>
<tr>
<th>Status of Mortgage Pool</th>
<th>KC Metro (Kansas)</th>
<th>Manhattan Micro</th>
<th>Topeka Metro</th>
<th>Wichita Metro</th>
<th>Kansas</th>
<th>USA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delinquent 30 days</td>
<td>2.6</td>
<td>2.2</td>
<td>3.4</td>
<td>3.3</td>
<td>3.0</td>
<td>2.9</td>
</tr>
<tr>
<td>Delinquent 60 days</td>
<td>1.0</td>
<td>0.9</td>
<td>1.2</td>
<td>1.2</td>
<td>1.1</td>
<td>1.1</td>
</tr>
<tr>
<td>Delinquent 90 days +</td>
<td>2.2</td>
<td>1.9</td>
<td>3.4</td>
<td>2.4</td>
<td>2.4</td>
<td>3.4</td>
</tr>
<tr>
<td>In Foreclosure Process</td>
<td>2.0</td>
<td>1.0</td>
<td>2.1</td>
<td>1.8</td>
<td>1.9</td>
<td>3.8</td>
</tr>
<tr>
<td>SERIOUSLY DELINQUENT</td>
<td>4.2</td>
<td>2.9</td>
<td>5.5</td>
<td>4.2</td>
<td>4.3</td>
<td>7.2</td>
</tr>
<tr>
<td>TOTAL PAST DUE</td>
<td>7.8</td>
<td>6.0</td>
<td>10.1</td>
<td>8.7</td>
<td>8.4</td>
<td>11.2</td>
</tr>
</tbody>
</table>

Data Source: Lender Processing Services, Inc. (July 2012 data)
Serious Delinquency Rates in Kansas Counties
July, 2012

Legend
- <1%
- 1%-2%
- 2%-4%
- 4%-6%
- 6%-8%
- >8%
- Insufficient Information

Source: Lender Processing Services, Inc.

Major city

August 13, 2012
K. Edmiston, FRB Kansas City
Serious Delinquency Rates in Kansas Counties

Source: Lender Processing Services, Inc.
Serious Delinquency Rates in KC Metro Area (KS)
July, 2012

Source: Lender Processing Services, Inc.
Serious Delinquency Rates in KC Metro Area (KS) Change, July 2010 - July, 2012

Source: Lender Processing Services, Inc.
Serious Delinquency Rates in Manhattan Area
July, 2012

Source: Lender Processing Services, Inc.
Serious Delinquency Rates in Manhattan Area

Source: Lender Processing Services, Inc.
Serious Delinquency Rates in Topeka Metro Area July, 2012

Source: Lender Processing Services, Inc.
Serious Delinquency Rates in Topeka Metro Area

Source: Lender Processing Services, Inc.
Serious Delinquency Rates in Wichita Metro Area

Source: Lender Processing Services, Inc.
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