Regional Economic Outlook

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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.
The Federal Reserve System

- **Primary Functions**
  - Monetary Policy
  - Payments Services
  - Banking Supervision and Regulation

- **Structure**
  - **Board of Governors**
    - Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.
  - **Federal Reserve Banks**
    - There are 12 Banks, each serving a unique district.
  - **Federal Open Market Committee (FOMC)**
    - Comprised of the 7 members of the Board of Governors and the 12 Reserve Bank presidents (only 5 presidents are voting member on a rotating basis).
    - Charged with conducting monetary policy to promote economic growth and price stability.
The Federal Reserve’s Tenth District
# U.S. Economic Outlook

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008&lt;sup&gt;e&lt;/sup&gt;</th>
<th>2009&lt;sup&gt;e&lt;/sup&gt;</th>
<th>2010&lt;sup&gt;e&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth of Real GDP&lt;sup&gt;a&lt;/sup&gt;</td>
<td>2.9</td>
<td>2.6</td>
<td>2.2</td>
<td>1.3 - 2.0</td>
<td>2.1 - 2.7</td>
<td>2.5 - 3.0</td>
</tr>
<tr>
<td>Unemployment Rate&lt;sup&gt;b&lt;/sup&gt;</td>
<td>4.9</td>
<td>4.4</td>
<td>4.8</td>
<td>5.2 - 5.3</td>
<td>5.0 - 5.3</td>
<td>4.9 - 5.1</td>
</tr>
<tr>
<td>PCE Inflation&lt;sup&gt;a,c&lt;/sup&gt;</td>
<td>3.2</td>
<td>1.9</td>
<td>3.4</td>
<td>2.1 - 2.4</td>
<td>1.7 - 2.0</td>
<td>1.7 - 2.0</td>
</tr>
<tr>
<td>Core PCE Inflation&lt;sup&gt;a,d&lt;/sup&gt;</td>
<td>2.2</td>
<td>2.3</td>
<td>2.1</td>
<td>2.0 - 2.2</td>
<td>1.7 - 2.0</td>
<td>1.7 - 1.9</td>
</tr>
</tbody>
</table>

Source: Federal Reserve Board of Governors  

- a) Percent change from the fourth quarter of the previous year.  
- b) Average civilian unemployment rate in the fourth quarter of the year.  
- c) Price index for personal consumption expenditures.  
- d) Price index for personal consumption expenditures excluding food and energy.  
- e) Central tendency of projections by Federal Reserve Governors and Reserve Bank Presidents.
Labor Market
Growth in Private Nonfarm Employment

Year-over-year

Source: Bureau of Labor Statistics

Latest release: 04/18/08
Unemployment Rate
Seasonally Adjusted

Source: Bureau of Labor Statistics
Latest release: 04/18/08
Unemployment Rate by State
Seasonally Adjusted

Source: Bureau of Labor Statistics
Latest release: 04/18/08
Private Job Growth by Industry

Source: Bureau of Labor Statistics
Latest release: 04/18/2008

Note: Number in parentheses is the industry's share of total private jobs in 10J states in Jun-07
District Hiring and Layoff Announcements

Source: District newspapers
Economic Activity
Manufacturing Activity
Month-Over-Month PMI Indexes (Seasonally Adjusted)

Note: 10J index is computed on ISM basis (50 = zero change)
Sources: ISM, FRBKC Manufacturing Survey
Latest release: 04/24/2008 for the Manufacturing Survey and 04/01/2008 for ISM
Retail Sales
Year-Over-Year Diffusion Indexes for Sales

Source: FRBKC Beige Book Survey
Latest release: 04/02/2008
Value of Residential Construction Contracts
Seasonally Adjusted

Source: F.W. Dodge, Inc.
Latest release: 04/15/2008
Sales of Existing Homes
Seasonally Adjusted

Source: National Association of Realtors
Latest release: 02/14/2008
Months Supply of Unsold Homes
Seasonally adjusted

Source: Residential Realtor Reports; National Association of Realtors
Case-Shiller Home Prices
Year-Over-Year Growth

Source: S&P
## Home Price Appreciation in KS & MO

<table>
<thead>
<tr>
<th>Area</th>
<th>OFHEO(^1) 2006-2007</th>
<th>National Association of Realtors(^2) 2006-2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.</td>
<td>0.84%</td>
<td>-5.80%</td>
</tr>
<tr>
<td>Columbia, MO</td>
<td>-0.72%</td>
<td>--</td>
</tr>
<tr>
<td>Jefferson City, MO</td>
<td>2.18%</td>
<td>--</td>
</tr>
<tr>
<td>Joplin, MO</td>
<td>2.77%</td>
<td>--</td>
</tr>
<tr>
<td>Kansas City, KS-MO</td>
<td>0.81%</td>
<td>-3.20%</td>
</tr>
<tr>
<td>Springfield, MO</td>
<td>3.10%</td>
<td>0.90%</td>
</tr>
<tr>
<td>St. Louis, MO-IL</td>
<td>2.56%</td>
<td>-7.00%</td>
</tr>
<tr>
<td>Topeka, KS</td>
<td>3.17%</td>
<td>1.11%</td>
</tr>
<tr>
<td>Wichita, KS</td>
<td>4.17%</td>
<td>0.40%</td>
</tr>
</tbody>
</table>

1. Repeat-Sales Index (quality-adjusted)
2. Median Sales Price (not quality-adjusted)
Foreclosure Inventory

Source: Mortgage Bankers Association
Value of Commercial Construction Contracts
Seasonally Adjusted

Source: F.W. Dodge, Inc. Latest release: 04/15/2008
Prices
Manufacturing Price Pressures
Month-Over-Month Price Diffusion Index for Tenth District

Source: FRBKC Manufacturing Survey
Latest release: 04/24/2008
Oil Prices

Oil Spot Prices

Oil Futures 03/18/2008

Oil Futures 04/10/2008

Source: Bloomberg Energy Services

Latest release: 04/11/2008
Natural Gas Prices

Source: Bloomberg Energy Services
Latest release: 04/11/2008
U.S. Crop Prices

Source: Wall Street Journal

Latest Release: 04/15/2008
Conclusions

- Employment growth has weakened & unemployment rates have edged upward. However, unemployment rates remain at moderate levels by historic standards.

- Manufacturing growth has slowed.

- Inflation pressures are elevated, but are expected to lessen as the economy slows and food & energy prices flatten.

- Consumer confidence is starting to fall as prices rise, credit tightens, home prices fall and the national outlook worsens.

- Consumer confidence will be a key determinant to the health of our district economy going forward.
Questions?