The Kansas Economy: Review and 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

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</thead>
<tbody>
<tr>
<td>Real GDP Growth</td>
<td>2.0</td>
<td>0.9</td>
<td>3.3</td>
<td>-0.2 - 1.8</td>
<td>-1.3 - 1.5</td>
<td>0.7 - 2.0</td>
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<tr>
<td>Unemployment Rate</td>
<td>4.6</td>
<td>4.9</td>
<td>5.3</td>
<td>5.7 - 5.9</td>
<td>5.8 - 6.2</td>
<td>5.8 - 6.5</td>
</tr>
<tr>
<td>Consumer Price Index</td>
<td>2.9</td>
<td>4.3</td>
<td>5.0</td>
<td>4.1 - 7.6</td>
<td>1.6 - 3.6</td>
<td>2.2 - 3.7</td>
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<tr>
<td>Producer Price Index</td>
<td>3.9</td>
<td>9.2</td>
<td>10.6</td>
<td>4.3 - 13.9</td>
<td>-4.5 - 6.6</td>
<td>n/a</td>
</tr>
</tbody>
</table>

Source: Blue Chip Economic Indicators  
* Forecasted September 10, 2008
Labor Market
Growth in Private Nonfarm Employment
Year-over-year

Source: Bureau of Labor Statistics
Latest release: 08/15/2008
Unemployment Rate
Seasonally adjusted

Source: Bureau of Labor Statistics
Latest release: 08/15/2008
Unemployment Rate by State, July 2008
Not seasonally adjusted

Source: Bureau of Labor Statistics
Latest Release: 08/27/2008
Private Job Growth by Industry
July 2008 over July 2007

Source: Bureau of Labor Statistics
Latest release: 08/26/2008

Note: Number in parentheses is the industry's share of total private jobs in Kansas in Jul-08

Prof. & Bus. (.13) Educ. & Health (.15) Trans. & Util. (.05) Constr. (.06) Manuf. (.16) Other Serv. (.04) Trade (.18) Leisure & Hosp. (.10) Finance (.06) Information (.03)
Net Percentage of Firms Expecting to Increase Employment

Source: Manpower Inc.  
Latest release: 09/09/2008
Economic Activity
Manufacturing Activity

Month-over-month PMI indexes (seasonally adjusted)

Sources: ISM, FRBKC Manufacturing Survey
Latest release: 08/28/2008 for the Manufacturing Survey and 09/02/2008 for ISM
Note: 10J index is computed on ISM basis (50 = zero change)
Manufacturing Activity
Six-month-ahead expectation indexes (seasonally adjusted)

Source: FRBKC Manufacturing Survey
Latest release: 08/28/2008
Value of Commercial Construction Contracts

Seasonally adjusted

Index: Jul-04=100

Source: F.W. Dodge, Inc.

Latest release: 08/15/2008
Value of Residential Construction Contracts
Seasonally adjusted

Source: F.W. Dodge, Inc. Latest release: 08/15/2008
Sales of Existing Homes
Seasonally adjusted

Source: National Association of Realtors
Latest release: 08/14/2008
Kansas City Home Sales
Year-over-year

Source: National Association of Realtors and Kansas City Realtors
Latest release: 08/14/2008
Note: US data is new home sales; KC is new and existing home sales
## Home Price Appreciation in Kansas

<table>
<thead>
<tr>
<th>City</th>
<th>OFHEO&lt;sup&gt;1&lt;/sup&gt; Q2 2008 over Q2 2007</th>
<th>NAR&lt;sup&gt;2&lt;/sup&gt; Q2 2008 over Q2 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>-1.71%</td>
<td>-7.61%</td>
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<tr>
<td>Kansas</td>
<td>1.26%</td>
<td></td>
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<tr>
<td>Kansas City</td>
<td>0.05%</td>
<td>-3.11%</td>
</tr>
<tr>
<td>Lawrence</td>
<td>0.90%</td>
<td></td>
</tr>
<tr>
<td>Topeka</td>
<td>-0.09%</td>
<td>-1.25%</td>
</tr>
<tr>
<td>Wichita</td>
<td>2.22%</td>
<td>3.45%</td>
</tr>
</tbody>
</table>

1) Office of Federal Housing Enterprise Oversight; Repeat sales index (quality-adjusted)
2) National Association of Realtors; Median sales price (not quality-adjusted)
Foreclosure Inventory in Kansas

Source: Mortgage Bankers Association
Foreclosure Inventory
Prices
Oil Prices

Source: Bloomberg Energy Services

Latest release: 09/15/2008
Natural Gas Prices

Source: Bloomberg Energy Services
Latest release: 09/15/2008
U.S. Crop Prices

Source: USDA
Manufacturing Price Pressures
Month-over-month price diffusion index for the Tenth District

Source: FRBKC Manufacturing Survey
Latest release: 08/28/2008
Manufacturing Price Pressures
Six-month-ahead price diffusion index for the Tenth District

Prices paid for raw materials

Prices received for finished products

Source: FRBKC Manufacturing Survey
Latest release: 08/28/2008
Consumer Confidence and Consumer Spending
National Retail Sales
Year-over-year, seasonally adjusted

Source: US Census Bureau
Latest release: 09/12/2008
Retail Sales by Component, July 2008

Source: U.S. Census Bureau
Latest release: 09/12/2008

Percent

-15  -10  -5   0   5   10   15   20   25

Motor Vehicle & Parts Dealer
Building Material Dealers
Home Furnishing Stores
Electronic & Appliance Stores
Clothing & Accessories
General Merchandise Stores
Food Services & Drinking Places
Nonstore Retailers
Food & Beverage Stores
Gasoline Stations

Year-over-year
Month-over-month
Conclusions

- Unemployment rates have increased but remain at moderate levels by historic standards.

- Residential construction activity remains lethargic and the housing sector continues to be a drag on economic growth.

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