U.S. Economic Overview

- The U.S. economy has contracted sharply since the recession began.
  - Housing markets and construction activity have been very weak.
  - Financial markets and credit conditions have tightened.
  - Manufacturing activity declined dramatically as export markets weakened and consumers cut back.
  - Labor market conditions have worsened.

- The economy is beginning to show signs of recovery as policies implemented by the Federal Reserve, Treasury, Congress and President start to take hold.

- What will recovery look like?
Real GDP has fallen sharply since the recession started in December 2007.

Source: Bureau of Economic Analysis; FOMC
Latest release: 10/29/2009
In the past, the rebound in real GDP has been greater after sharp downturns.

Source: BEA
Consumption usually makes the largest contribution to GDP in the year following a recession.

### Contributions to Real GDP by Component in the Year Following a Recession

<table>
<thead>
<tr>
<th>Year</th>
<th>Consumption</th>
<th>Business Investment</th>
<th>Residential Investment</th>
<th>Change in Inventories</th>
<th>Net Exports</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973-1975</td>
<td>4.2%</td>
<td>-0.8%</td>
<td>1.5%</td>
<td>-1.2%</td>
<td>-1.3%</td>
<td>-2.0%</td>
</tr>
<tr>
<td>1981-1982</td>
<td>1.8%</td>
<td>0.3%</td>
<td>1.1%</td>
<td>0.8%</td>
<td>-1.0%</td>
<td>-0.5%</td>
</tr>
<tr>
<td>1990-1991</td>
<td>1.5%</td>
<td>0.2%</td>
<td>0.9%</td>
<td>0.7%</td>
<td>-0.5%</td>
<td>-0.7%</td>
</tr>
<tr>
<td>2001</td>
<td>1.2%</td>
<td>0.1%</td>
<td>0.8%</td>
<td>0.6%</td>
<td>-0.4%</td>
<td>-0.4%</td>
</tr>
</tbody>
</table>

**Source:** BEA
Consumption
Consumer confidence has trended upward over the past six months.

Source: Conference Board

Latest release: 10/27/2009
Consumption increased slightly over the summer but remains below year-ago levels.

Source: Bureau of Economic Analysis
Latest release: 10/30/2009
Personal savings rates have increased from pre-recession levels.

Source: Bureau of Economic Analysis
Latest release: 10/30/2009
Residential Investment
Home sales have fallen sharply since late 2005, but have since increased slightly.

Source: NAR
The months supply of homes has decreased lately, but remains elevated.

Months Supply of Homes
Seasonally adjusted

Source: NAR and Local Realtor
Latest release: 10/23/2009
Home prices are well below year-ago levels in the U.S.
Home price appreciation has varied widely across the nation.

Home Price Appreciation, 2009 Q2
Year-over-year percent change

Source: Federal Housing Finance Agency
Foreclosure rates are up across the nation, but regional variation persists.

Source: Mortgage Bankers Association
Residential construction activity has increased slightly over the past few months.

Value of Residential Construction Contracts
Seasonally adjusted

Source: F.W. Dodge, Inc.
Latest release: 10/15/2009
Business Investment
Recent surveys indicate that manufacturing activity is stabilizing.

Manufacturing Production
Seasonally adjusted; month-over-month

Note: 10J index is computed on ISM basis (50 = zero change)
Sources: ISM, FRBKC Manufacturing Survey
Production levels and new orders are expected to increase in the next 6 months.

Manufacturing Expectations - Six Months Ahead
Seasonally adjusted

Source: FRBKC Manufacturing Survey
Latest release: 10/29/2009
Commercial construction activity remains slow.

Value of Commercial Construction Contracts
Seasonally adjusted, 3-mo. mov. av.

Source: F.W. Dodge, Inc. Latest release: 10/15/2009
Net Exports
Canada, Mexico and China are the largest importers of U.S. goods.

Source: Department of Commerce
The global economy is expected to recover gradually in 2010.

Source: World Bank
Latest release: 06/22/2009
Government Spending
The majority of stimulus funds will be spent by mid-2010.
State governments must cut back as tax revenues plummet.

State Tax Revenue Growth
Q2 2009 over Q2 2008

Source: U.S. Census Bureau
Labor Market
Employment has fallen sharply over the past year.

Growth in Total Nonfarm Employment
Year-over-year

Source: Bureau of Labor Statistics
Latest release: 10/21/2009
Unemployment rates continue to increase.

Unemployment Rate
Seasonally adjusted

Source: Bureau of Labor Statistics
Latest release: 10/21/2009
There are large regional variations in unemployment.

Unemployment Rate, September 2009
Seasonally adjusted

Source: Bureau of Labor Statistics
The education and health industries are the only industries experiencing job growth.

Private Job Growth by Industry
Sep-09 over Sep-08

Source: Bureau of Labor Statistics
Latest release: 10/21/2009

Note: Number in parentheses is the industry's share of total private jobs in KS in Sep-09
Initial unemployment claims remain elevated.

Initial Unemployment Claims
Seasonally adjusted

Source: Department of Labor
Latest release: 11/05/2009
The last two recessions were “jobless recoveries”.

Source: BLS
Most economists expect the U.S. economy to recover gradually over the next couple of years.

There are several factors that will likely prevent a more robust recovery.

- Credit conditions remain tighter than pre-recession levels.
- Consumers seem less willing to spend as they try to rebuild wealth.
- An excess supply of housing will take time to work off.
- Unemployment is likely to remain stubbornly high for some time.