Economic Update

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GDP began to contract in the second half of 2008.

Source: Bureau of Economic Analysis
Unemployment rates continue to rise sharply.

Unemployment Rate
Seasonally adjusted

Source: Bureau of Labor Statistics
Note: U-6 includes unemployed plus all marginally attached workers plus total employed part-time for economic reasons.
Inflation concerns dissipate as the economy slows.

Source: Bureau of Economic Analysis
Latest release: 03/27/2009
Credit markets remain stressed.

Corporate Bond Spreads over 10-Year Treasury

Source: Federal Reserve Board of Governors
Latest release: 03/19/2009
Economic forecasts predict a mild recovery in the second half of 2009.

<table>
<thead>
<tr>
<th>Economic Forecast</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>Longer Run</th>
</tr>
</thead>
<tbody>
<tr>
<td>FOMC Central Tendency</td>
<td></td>
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</tr>
<tr>
<td>Real GDP Growth</td>
<td>-1.3 to -0.5</td>
<td>2.5 to 3.3</td>
<td>3.8 to 5.0</td>
<td>2.5 to 2.7</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>8.5 to 8.8</td>
<td>8.0 to 8.3</td>
<td>6.7 to 7.5</td>
<td>4.8 to 5.0</td>
</tr>
<tr>
<td>PCE Inflation</td>
<td>0.3 to 1.0</td>
<td>1.0 to 1.5</td>
<td>0.9 to 1.7</td>
<td>1.7 to 2.0</td>
</tr>
<tr>
<td>Core PCE Inflation</td>
<td>0.9 to 1.1</td>
<td>0.8 to 1.5</td>
<td>0.7 to 1.5</td>
<td></td>
</tr>
</tbody>
</table>

Real GDP is expected to decline more than in the previous two recessions.

Largest Cumulative Decline in Real GDP During Past Recessions

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent</th>
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</thead>
<tbody>
<tr>
<td>1929</td>
<td>-26.5</td>
</tr>
<tr>
<td>1937</td>
<td>-3.4</td>
</tr>
<tr>
<td>1948</td>
<td>-1.8</td>
</tr>
<tr>
<td>1953</td>
<td>-2.7</td>
</tr>
<tr>
<td>1957</td>
<td>-3.7</td>
</tr>
<tr>
<td>1960</td>
<td>-1.1</td>
</tr>
<tr>
<td>1969</td>
<td>-0.2</td>
</tr>
<tr>
<td>1973</td>
<td>-3.1</td>
</tr>
<tr>
<td>1980</td>
<td>-2.2</td>
</tr>
<tr>
<td>1981</td>
<td>-2.9</td>
</tr>
<tr>
<td>1990</td>
<td>-1.3</td>
</tr>
<tr>
<td>2001</td>
<td>-0.05</td>
</tr>
<tr>
<td>2007</td>
<td>-2.1</td>
</tr>
</tbody>
</table>

Sources: Federal Reserve Bank of Minneapolis, FOMC Minutes (Jan. 27-28, 2009), Bureau of Economic Analysis

Note: 1929 and 1937 declines are based on annual data. Data for the 1945 recession is not available because that recession lasted less than 1 year.
Unemployment rates are expected to near rates reached in the early 1980s recessions.

Peak Unemployment Rate During Past Recessions

Sources: Bureau of Labor Statistics; FOMC Minutes (Jan. 27-28, 2009)
Note: 1929, 1937 and 1945 unemployment rates are based on annual data.
Employment declined in Kansas over the past year while Wichita held onto a small gain.

Nonfarm Employment
Year-over-year growth

Source: Bureau of Labor Statistics
Latest release: 03/27/2009
Unemployment rates have risen across the country, but Kansas is faring much better than the nation.

Source: Bureau of Labor Statistics
Latest release: 03/27/2009
The education and health industries are the only industries experiencing substantive job growth.

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

Source: Bureau of Labor Statistics
Latest release: 03/27/2009
Residential building has slowed dramatically over the past year.

**Single Family Housing Permits**

Year-over-year growth

Source: U.S. Census Bureau

Latest release: 03/25/2009
Despite a national slowdown, existing home sales increased in Wichita in 2008.

Source: National Association of Realtors
Latest release: 02/03/2009
Home prices held up better in Kansas than in the U.S.

**Home Price Appreciation**
Year-over-year growth

Source: FHFA Purchase Only Price Index

Latest release: 02/24/2009
Foreclosure rates in the Tenth District remain well below national levels.

Source: Mortgage Bankers Association
The manufacturing industry has been contracting since mid-2008.

Manufacturing Indexes
Month-over-month, seasonally adjusted

Sources: ISM, FRBKC Manufacturing Survey
Note: 10J index is computed on ISM basis (50 = zero change)
Latest release: 03/26/2009 for the Manufacturing Survey and 04/01/2009 for ISM
Manufacturing contacts expect further deterioration in the coming months.

Manufacturing Indexes: Six Months Ahead Expectations
Seasonally adjusted

Source: FRBKC Manufacturing Survey
Latest release: 03/26/2009
Farm income and capital spending are expected to fall in 2009.

*Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percent of bankers that responded "lower" from the percent that responded "higher" and adding 100.

Source: Federal Reserve Bank of Kansas City
Growth in farmland values is starting to slow.

Nonirrigated Cropland Values in the Tenth District
Year-over-year percent change

Source: Federal Reserve Bank of Kansas City
Consumer confidence has plummeted during the past year.

Source: University of Michigan

Latest release: 03/27/2009
Consumer spending decreased sharply in the last six months.
Conclusions

• Economic conditions in the U.S. and Kansas have deteriorated over the past year.

• However, the Kansas economy has fared much better than the nation.

• Improvement in the labor market usually lags an overall economic recovery, and employment conditions are likely to worsen in the coming months.

• Stabilization of the financial system and an increase in consumer and business confidence are needed for an economic recovery.