Economic Outlook for the U.S. and Kansas

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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.
After one of the most severe recessions since the Great Depression, the U.S. economy is starting to recover.

- Distress in financial markets has eased.
- Manufacturing activity has increased.
- Consumers are starting to spend.

However, the U.S. economy faces many challenges over the next few years.

- Unemployment rates are likely to remain stubbornly high.
- Commercial and residential construction activity is weak.
- Eventually fiscal and monetary stimulus must be removed.
A modest recovery is expected over the next few years.

Source: Bureau of Economic Analysis; FOMC
Consumption and inventory changes have led the recovery so far.

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<td>Consumption</td>
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<td>Business Investment</td>
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<td>Residential Investment</td>
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<td>Change in Inventories</td>
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Source: BEA
With confidence levels above last year’s low, consumers are starting to spend.
Inflation pressures remain subdued.

Source: Bureau of Economic Analysis
The Federal Reserve’s Tenth District
Employment fell sharply during the recession, but is now increasing.
Unemployment rates remain elevated but are lower than national rates.

Source: Bureau of Labor Statistics
Employment conditions have varied by industry.

**Kansas Employment Growth by Industry**
Seasonally adjusted annualized rate

Source: Bureau of Labor Statistics
Hiring expectations remain sluggish.

Net Percentage of Firms Expecting to Increase Employment

Source: Manpower Inc.
Manufacturing activity has expanded over the past year.

Sources: FRBKC Manufacturing Survey
Manufacturers expect further gains over the next six months.

Source: FRBKC Manufacturing Survey
The energy sector is expanding, especially for oil producers.
Lower global supplies are contributing to higher crop prices.

Source: Commodity Research Bureau
Incomes have increased for livestock producers this year.

U.S. Livestock Prices and Breakeven Costs

Source: USDA and Iowa State University
Farmland values continue to increase.

Tenth District Farmland Values

Source: FRBKC Ag Survey
As expected, home sales plummeted after the expiration of the tax credit.

Source: NAR and Local Realtor Reports
Residential construction activity has weakened.

Source: FW Dodge and Census Bureau
Foreclosure rates are much lower in Kansas than in the nation.

Source: Mortgage Bankers Association
Home prices have held up relatively well in Kansas.
Commercial construction activity is increasing in Kansas.

Source: F.W. Dodge Inc.
Most economists expect the U.S. and Kansas economies to recover gradually over the next couple of years.

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

- Real estate activity may be sluggish in the near term.
- Consumer confidence remains below pre-recession levels which may translate into less spending.
- Unemployment is likely to remain high for some time.