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

- Housing market conditions have improved, and residential construction activity has picked up.
- Distress in financial markets has eased.
- Manufacturing activity has increased.

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

- Although the pace of job losses has slowed, unemployment rates are likely to remain stubbornly high.
- Eventually fiscal and monetary stimulus must be removed.
After four consecutive quarterly declines, real GDP increased in the third quarter.

Source: Bureau of Economic Analysis; FOMC  
Latest release: 12/23/2009
In the past, the rebound in real GDP has been greater after sharp downturns.

Real GDP During and After Recessions
Year-over-year

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

![Contributions to Real GDP by Component in the Year Following a Recession](image)

Source: BEA
Kansas Overview

- Kansas was slow to enter the current recession.
  - The aerospace manufacturing, agriculture and energy sectors provided robust support to the region through the third quarter of 2008.
  - Home prices have fallen less than in the nation, and foreclosure rates are much lower than other parts of the country.

- The Kansas economy is now showing signs of recovery similar to those seen in the national economy.
  - Manufacturing activity is stabilizing.
  - Monthly home sales and residential construction activity are increasing.
Employment has fallen sharply over the past year.
Unemployment rates remain elevated.

Unemployment Rate
Seasonally adjusted

Source: Bureau of Labor Statistics
Latest release: 12/18/2009
There are large regional variations in unemployment.

Unemployment Rate, November 2009
Seasonally adjusted

Legend
- □ 4% to 6.9%
- □ 7% to 7.9%
- □ 8% to 8.9%
- □ 9% to 9.9%
- □ 10% to 10.9%
- □ 11% to 14.7%

Source: Bureau of Labor Statistics
Most industries experienced sharp employment declines over the past year.

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<thead>
<tr>
<th>Industry</th>
<th>U.S.</th>
<th>KS</th>
<th>KC</th>
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<td>Other Serv.</td>
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Source: Bureau of Labor Statistics
Latest release: 12/18/2009

Note: Number in parentheses is the industry's share of total private jobs in KS in Nov-09.
Hiring expectations have improved but remain sluggish.

Net Percentage of Firms Expecting to Increase Employment

Source: Manpower Inc.
Home sales have fallen sharply since late 2005 but have since increased.

Source: NAR
The months supply of homes has decreased from its cyclical high.
Home prices seem to have stabilized.
Home price appreciation has varied widely across the nation.

Legend:
- 0% to 2.6%
- -1.5% to 0%
- -3% to -2%
- -4% to -3%
- -5.5% to -4%
- Lower than -7%

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

Foreclosure Rates, 2009 Q3

Legend
- 1% to 1.95%
- 2% to 2.90%
- 3% to 3.96%
- 4% to 4.59%
- 5% to 12.74%

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: 12/21/2009
Commercial construction activity remains slow.

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

Index: Nov-04=100

Source: F.W. Dodge, Inc.
Latest release: 12/21/2009
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
Latest release: 12/30/2009 for the Manufacturing Survey and 01/04/2010 for ISM
Production levels and new orders are expected to increase in the next 6 months.

Source: FRBKC Manufacturing Survey

Latest release: 12/30/2009
Oil prices have been increasing for almost one year.

Source: Bloomberg Energy Services
Latest release: 01/07/2010
Natural gas prices have increased sharply over the past two months.

Source: Bloomberg Energy Services
Latest release: 01/07/2010
Tenth District drilling activity has edged higher.
Crop prices have started to increase.

Source: Commodity Research Bureau
Hog and cattle producers continue to struggle.
Farmland values have stabilized.

Tenth District Nonirrigated Cropland Values

Source: Ag Credit Survey
Conclusions

- 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.
  - Credit conditions remain tighter than pre-recession levels.
  - Consumers remain hesitant to spend as they try to rebuild wealth.
  - Unemployment is likely to remain high for some time.