


Wichita Economic Forum

April 18, 2019

Chad Wilkerson

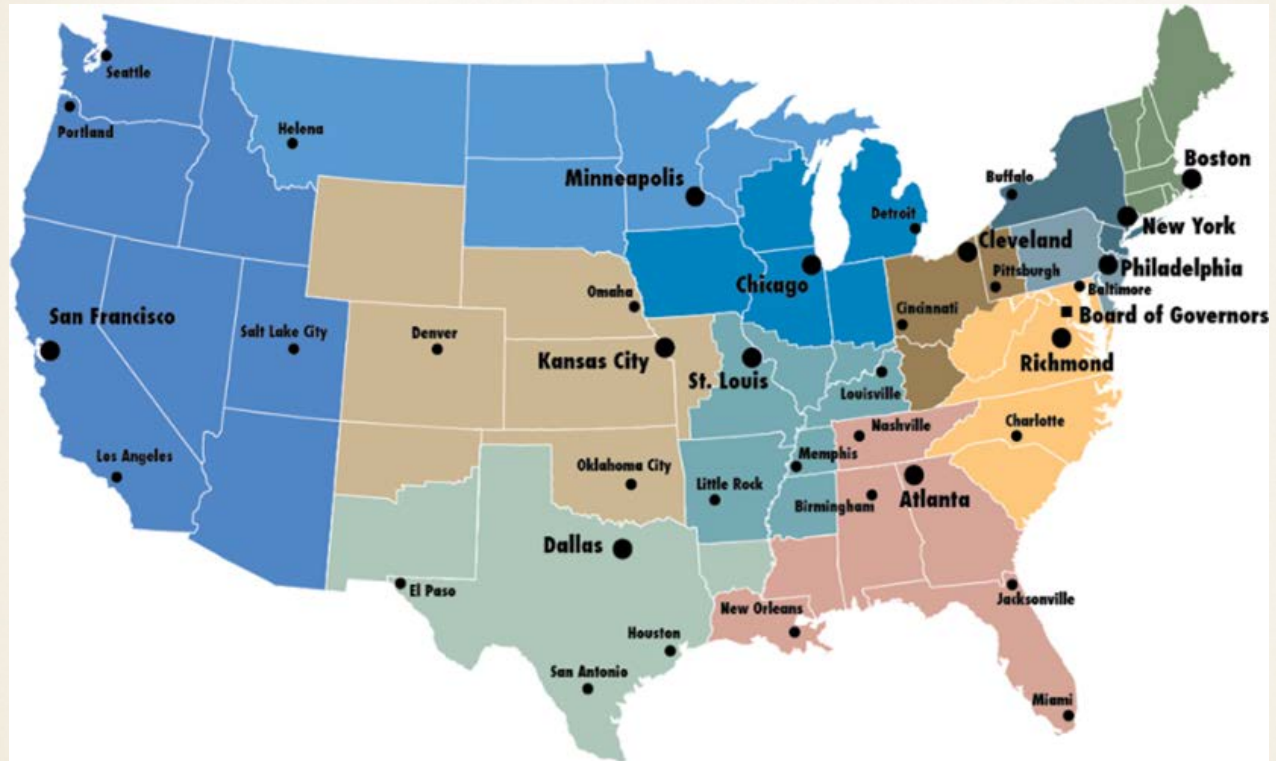
Vice President and Oklahoma City Branch Executive

*The views expressed herein are those of the presenter only and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System.



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Regulatory Update
— SEMINAR —
Federal Reserve Bank of Kansas City

Structure & Functions of the Federal Reserve



The “Fed” consists of three main entities:

- Board of Governors: 7 members appointed by U.S. President
- Federal Reserve Banks: 12 total; private sector board oversight
- Federal Open Market Committee: 19 members; 12 voting

Primary responsibility areas:

- Monetary policy
- Bank regulation
- Financial services

Federal Open Market Committee (FOMC)

Board of Governors

- Jerome H. Powell, Chair
- Richard H. Clarida, Vice Chair
- Randal K. Quarles, Vice Chair for Supervision
- Lael Brainard
- Michelle W. Bowman
- Open
- Open



Reserve Bank Presidents

- John C. Williams, New York, Vice Chairman
- James Bullard, St. Louis
- Charles L. Evans, Chicago
- **Esther L. George, Kansas City**
- Eric Rosengren, Boston
- Patrick T. Harker, Philadelphia
- Robert S. Kaplan, Dallas
- Neel Kashkari, Minneapolis
- Loretta J. Mester, Cleveland
- Thomas I. Barkin, Richmond
- Raphael W. Bostic, Atlanta
- Mary C. Daly, San Francisco

*Permanent voters in bold; 2019 rotating voters in red; 2020 rotating voters in blue

Federal Reserve Bank of Kansas City Board of Directors

Gregory Hohl
Chairman and President
Wahoo State Bank
Wahoo, Nebraska



Patricia J. Minard
President and CEO
Southwest National Bank
Wichita, Kansas



Kyle Heckman
Chairman, President, and CEO
Flatirons Bank
Boulder, Colorado



Douglas J. Stussi
Executive VP and Treasurer
Love's Travel Stops & Country
Stores, and Managing Director
Oklahoma City, Oklahoma



Lilly Marks
VP for Health Affairs
University of Colorado and
Anschutz Medical Campus
Aurora, Colorado



Brent A. Stewart, Sr.
President and CEO
United Way of Greater
Kansas City
Kansas City, Missouri



**Rose M. Washington
(Chair)**
Chief Executive Officer
Tulsa Economic
Development Corporation
Tulsa, Oklahoma



**James C. Farrell
(Deputy Chair)**
President and CEO
Farmers National Company
Omaha, Nebraska



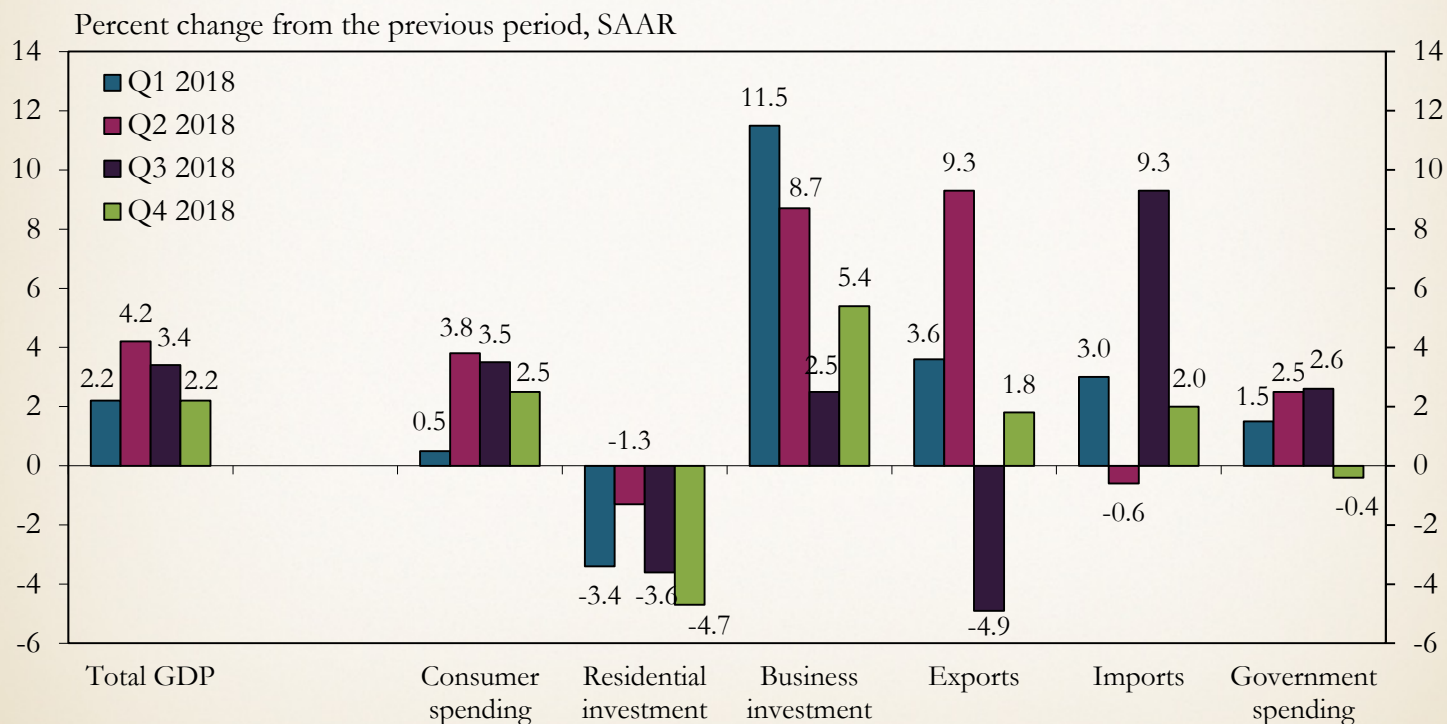
Edmond Johnson
President and Owner
Premier Manufacturing, Inc.
Frederick, Colorado



U.S. Economic Outlook and Monetary Policy

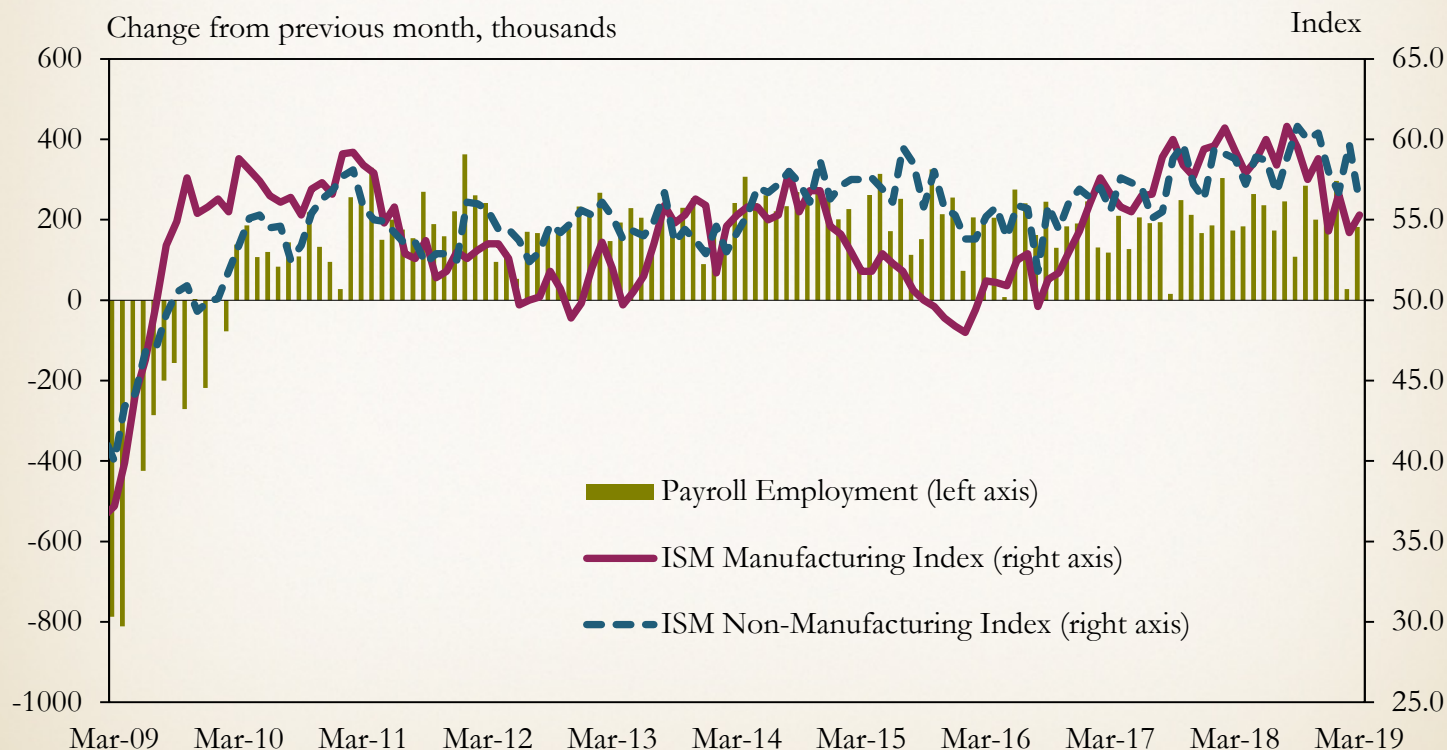
U.S. GDP continued to grow solidly in Q4, though somewhat slower than in mid-2018

Contributions to Percent Change in Real GDP



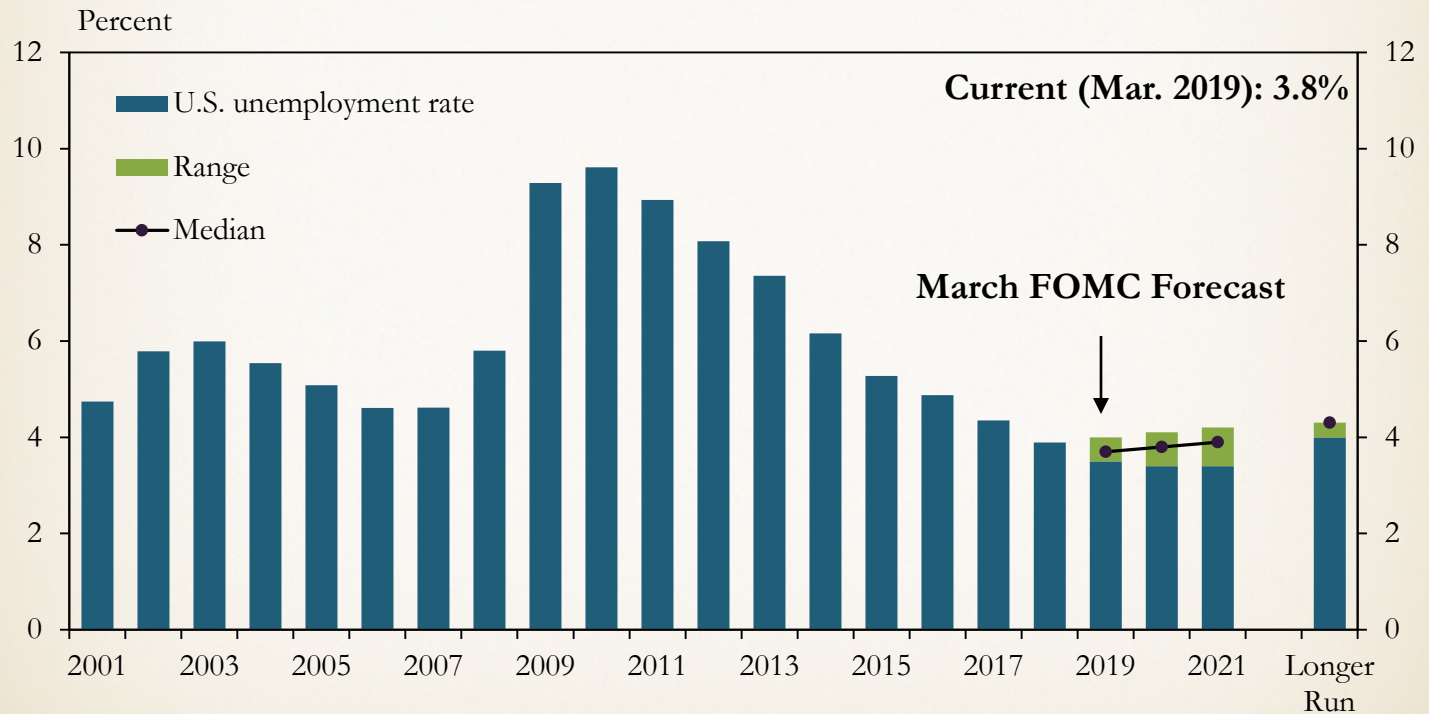
Monthly U.S. data show somewhat slower growth in the first quarter of 2019

U.S. Payroll Employment and Business Indexes



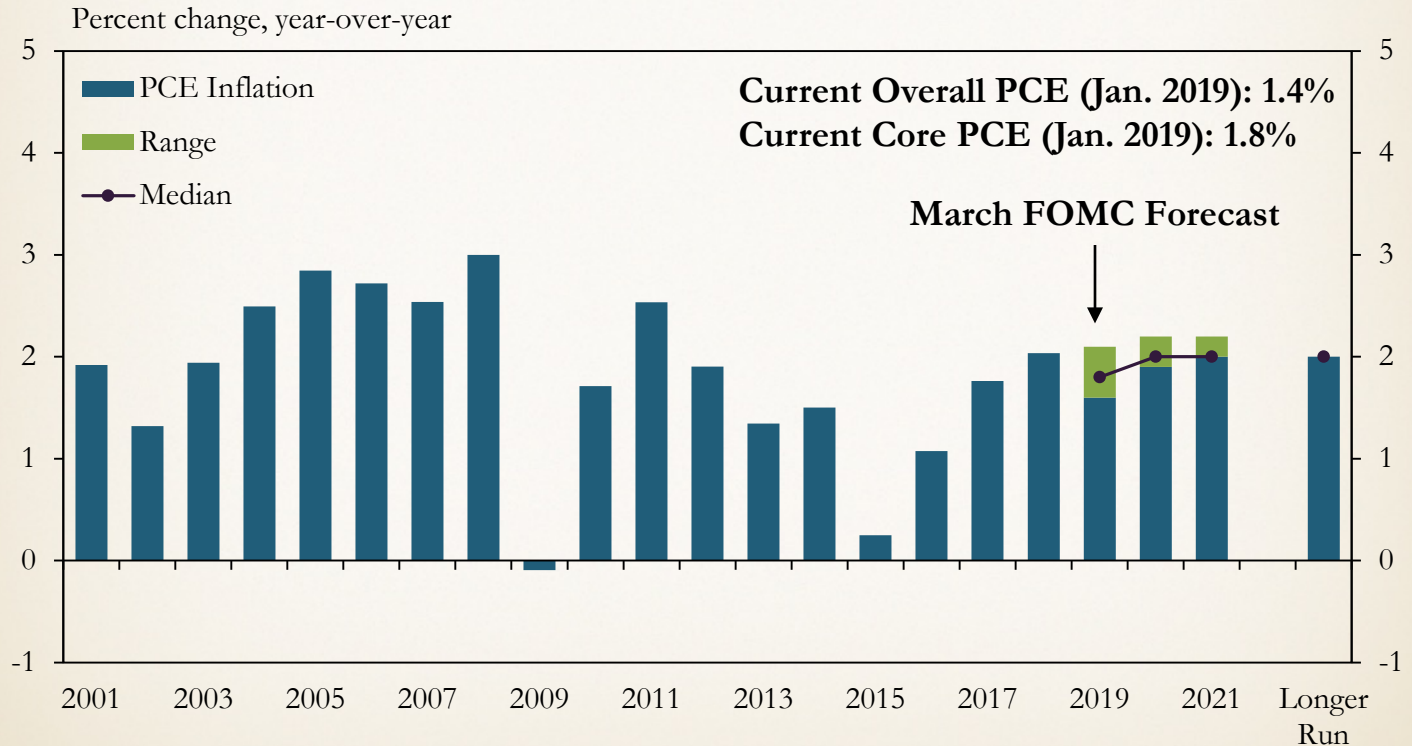
FOMC: “Job gains have been solid... and the unemployment rate has remained low.”

U.S. Unemployment Rate Projections
Seasonally Adjusted



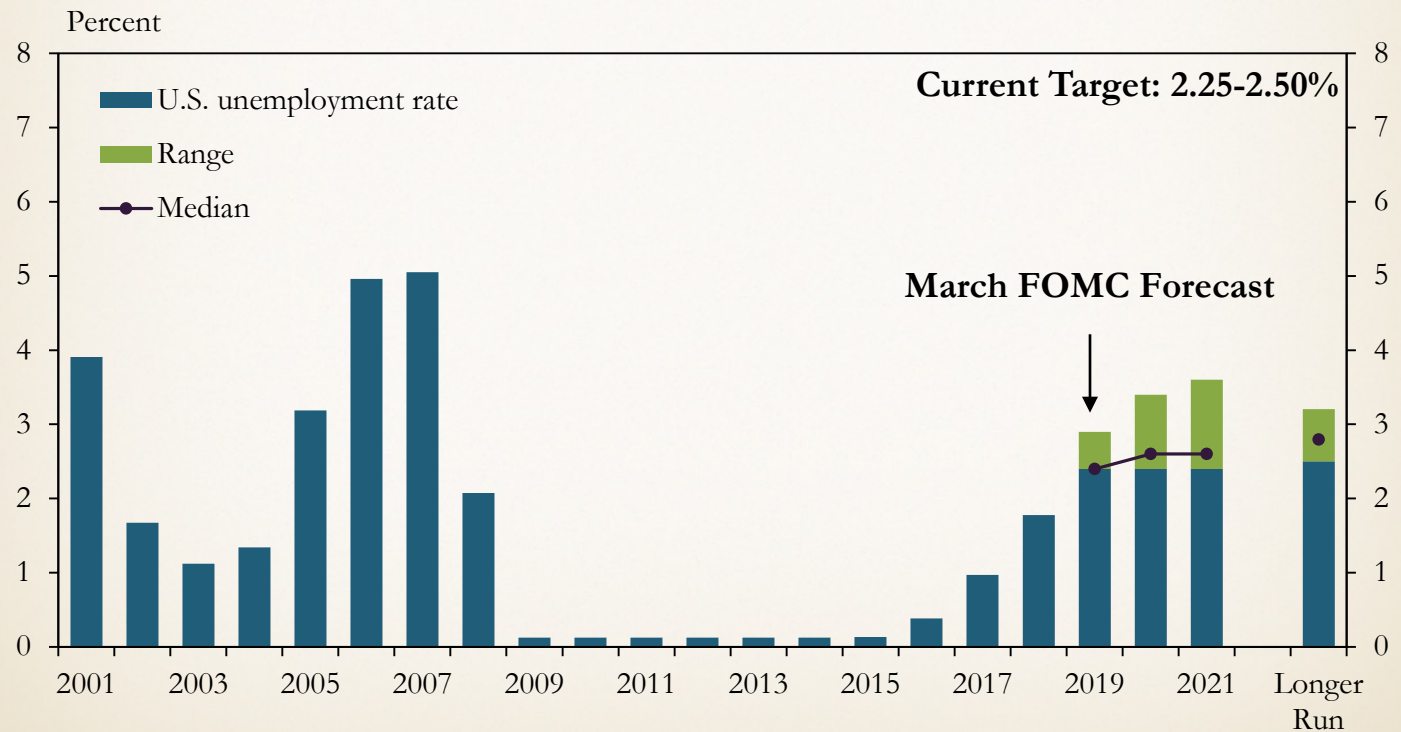
FOMC: “Overall inflation has declined, largely as a result of lower energy prices.”

PCE Inflation Index



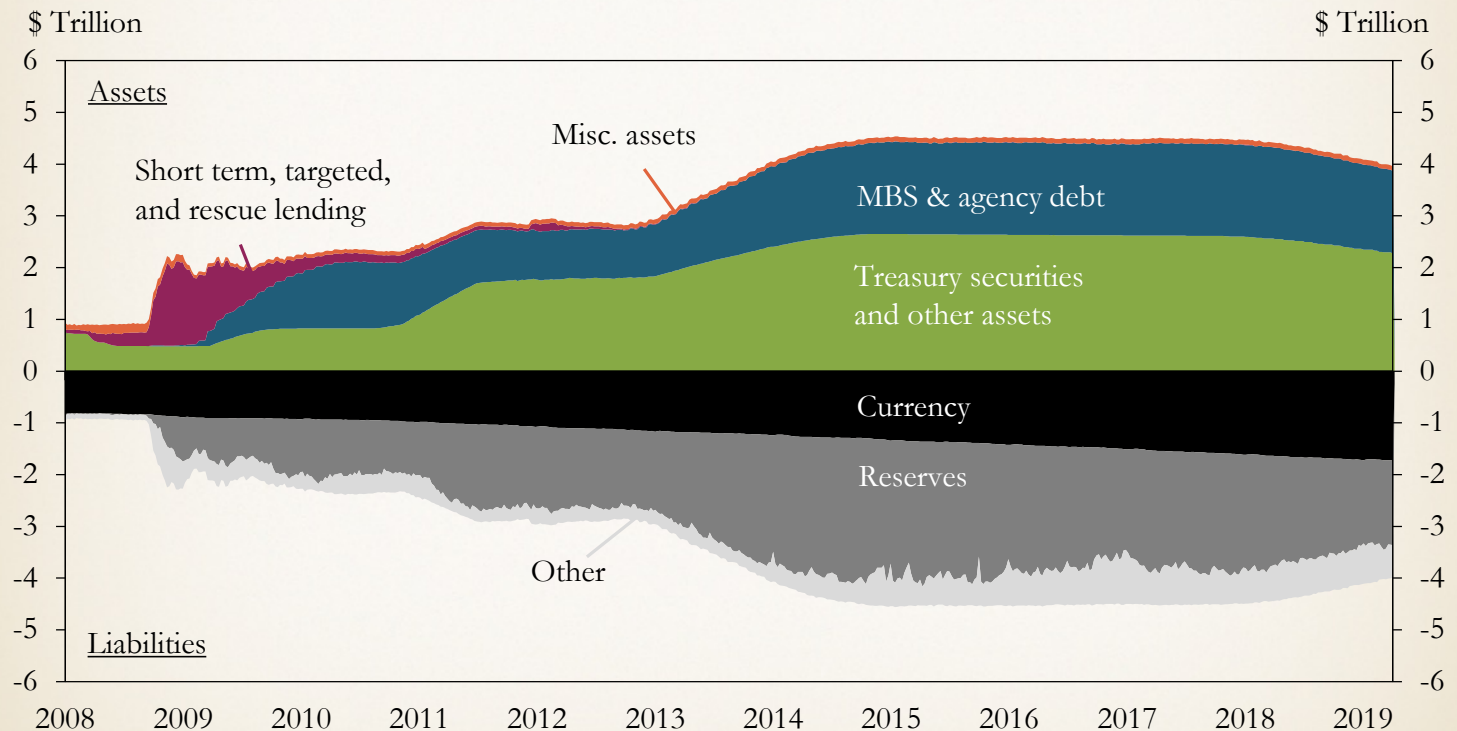
“The [FOMC] will be patient as it determines future adjustments to the...federal funds rate”

Federal Funds Rate
Year-End Target



“The [FOMC] intends to slow the pace of the decline in reserves over coming quarters.”

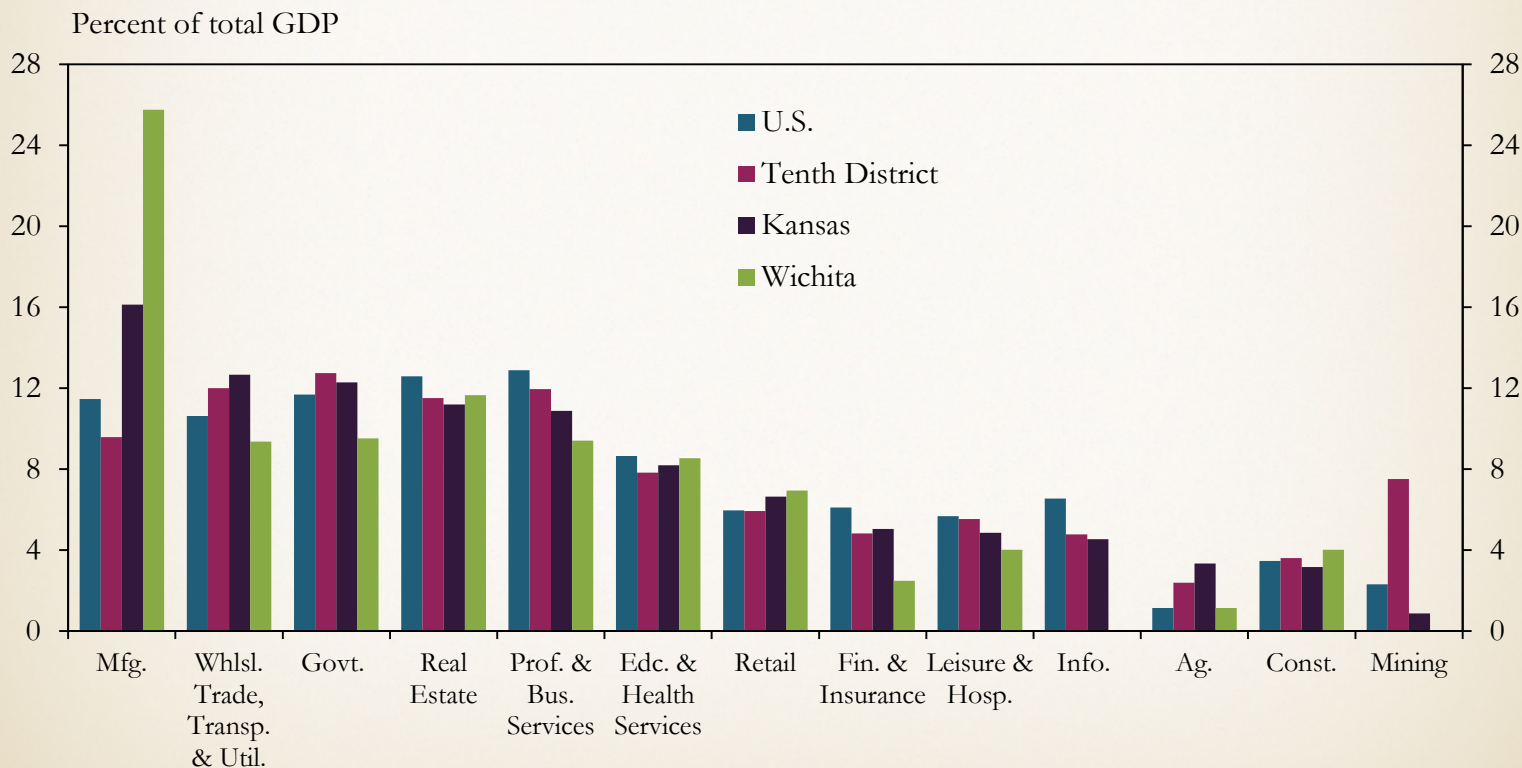
Federal Reserve Balance Sheet



Kansas And Regional Economic Outlook

Kansas has high industrial concentrations in manufacturing and agriculture

Industry Share of GDP, Q3 2018

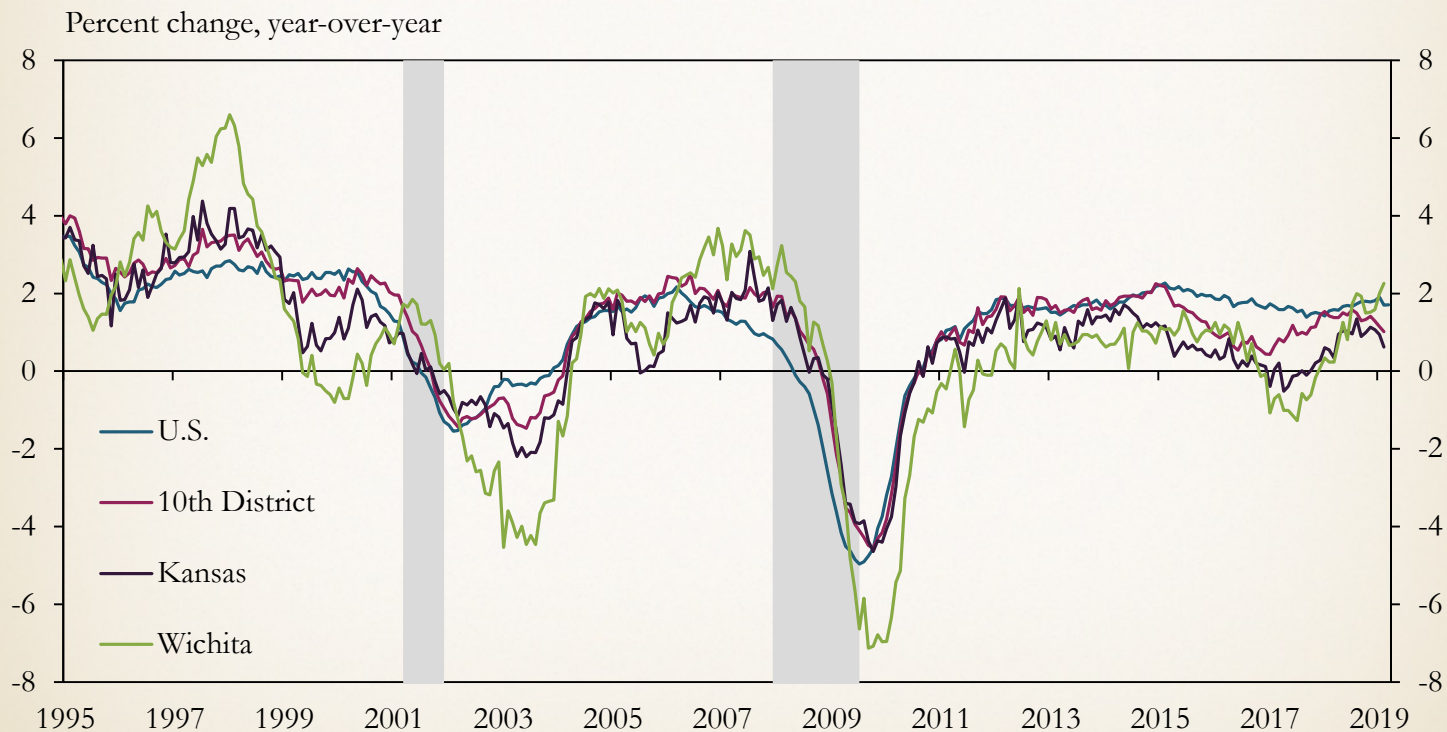


Note: Wichita GDP data is annual from 2017 and industry data for information and mining was not disclosed.

Sources: U.S. Bureau of Labor Statistics, NBER recession shading

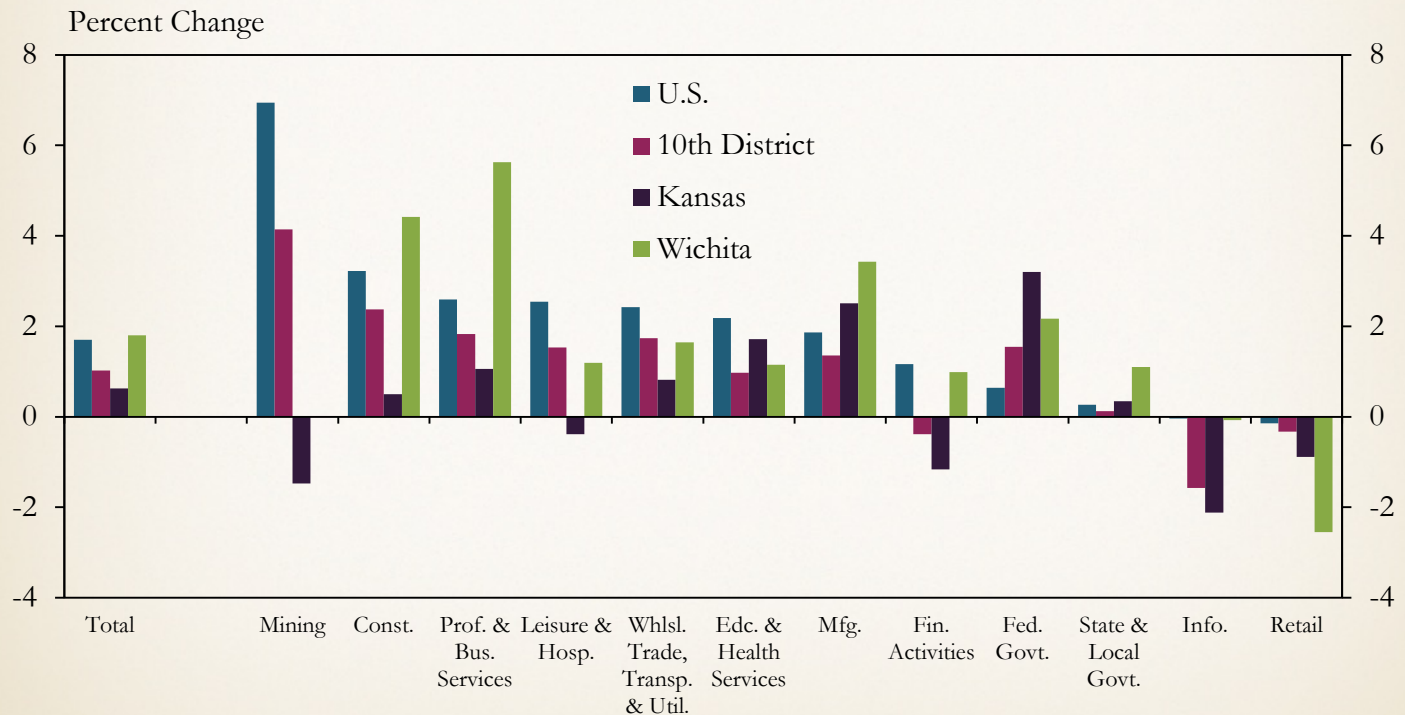
Kansas job growth is lagging the nation and region, but Wichita is now outperforming

Nonfarm Payroll Employment Growth



Energy and telecom job losses have hurt the state, but construction, manufacturing, and business services are up strongly in Wichita

Job Growth by Industry
 Feb 2018 – Feb 2019

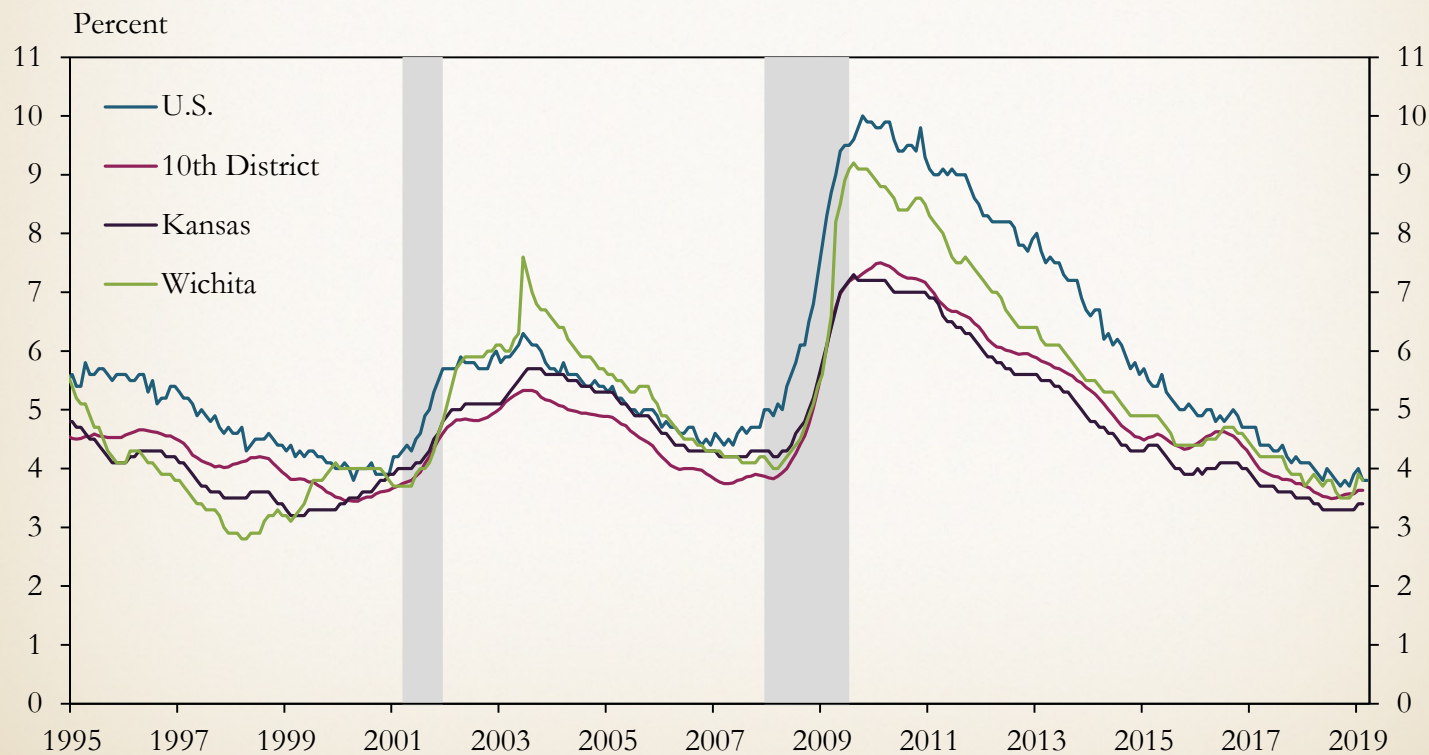


Note: Wichita employment data for construction also includes mining.

Sources: U.S. Bureau of Labor Statistics/Haver Analytics

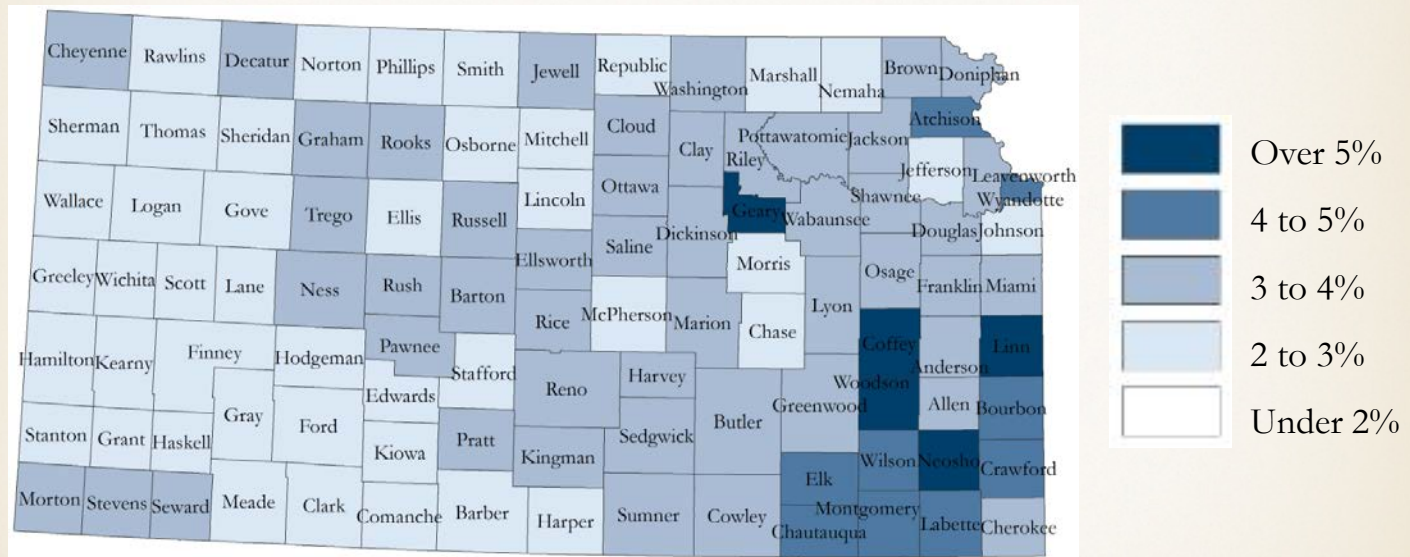
Kansas unemployment is lower than the nation, while Wichita joblessness is similar

Unemployment Rate
Seasonally Adjusted



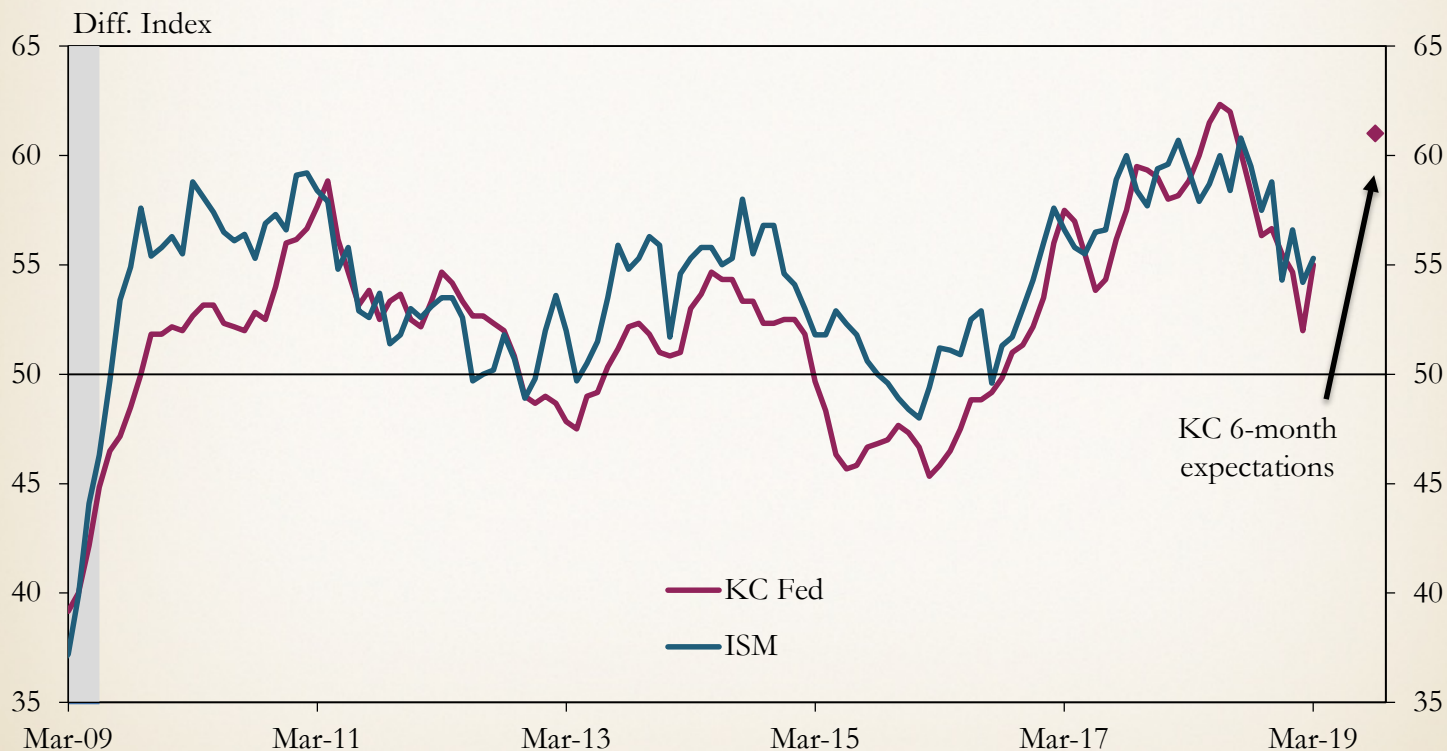
Unemployment in the vast majority of Kansas counties is less than 4 percent

January 2019 Unemployment Rates by County
Seasonally Adjusted



Regional factory growth has slowed from 2018 highs, but expectations remain solid

Monthly Manufacturing Composite Indexes

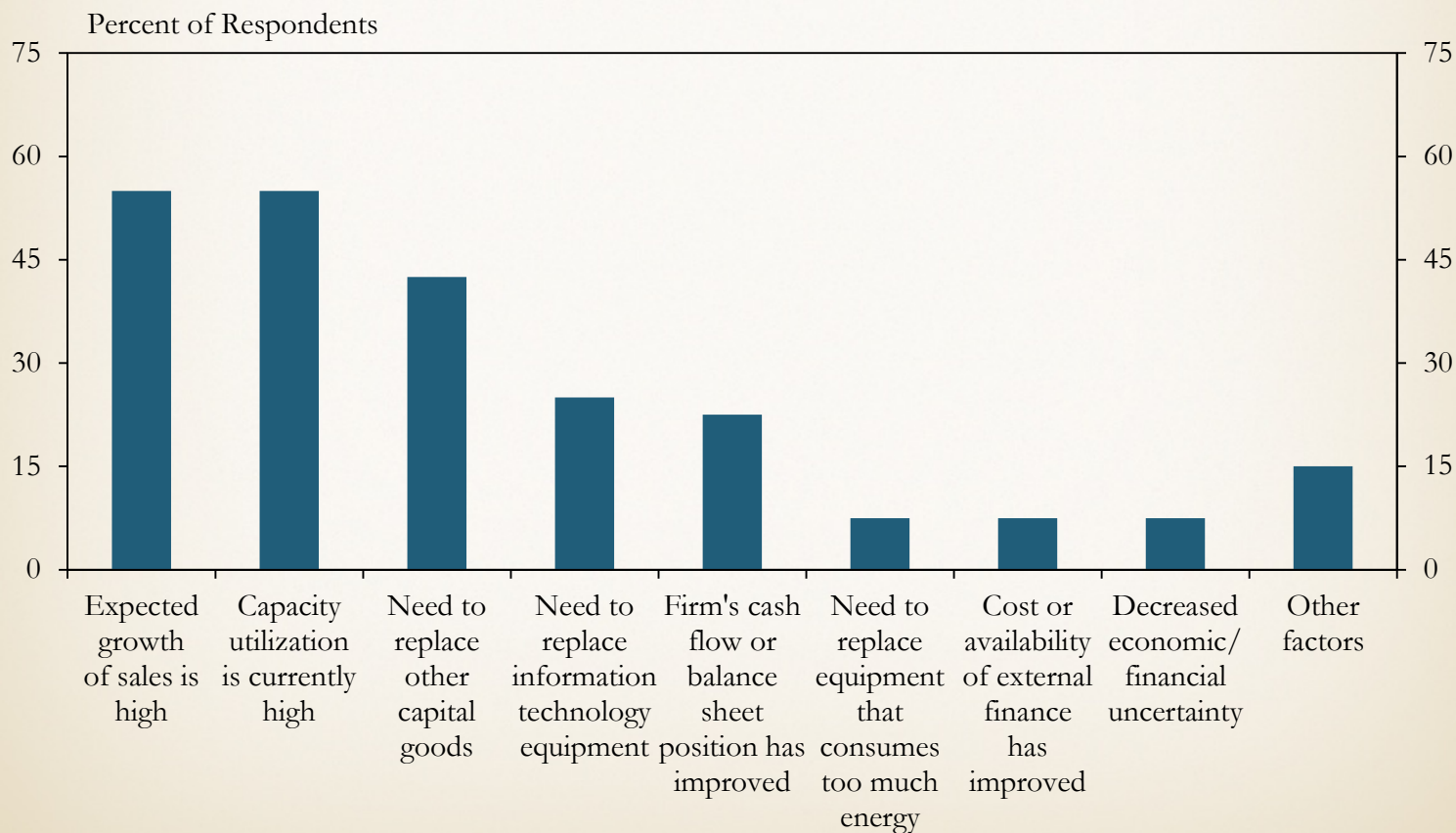


Note: Fed Manufacturing Index is shown on a three-month moving average.

Sources: Federal Reserve Bank of Kansas City Manufacturing Survey and ISM.

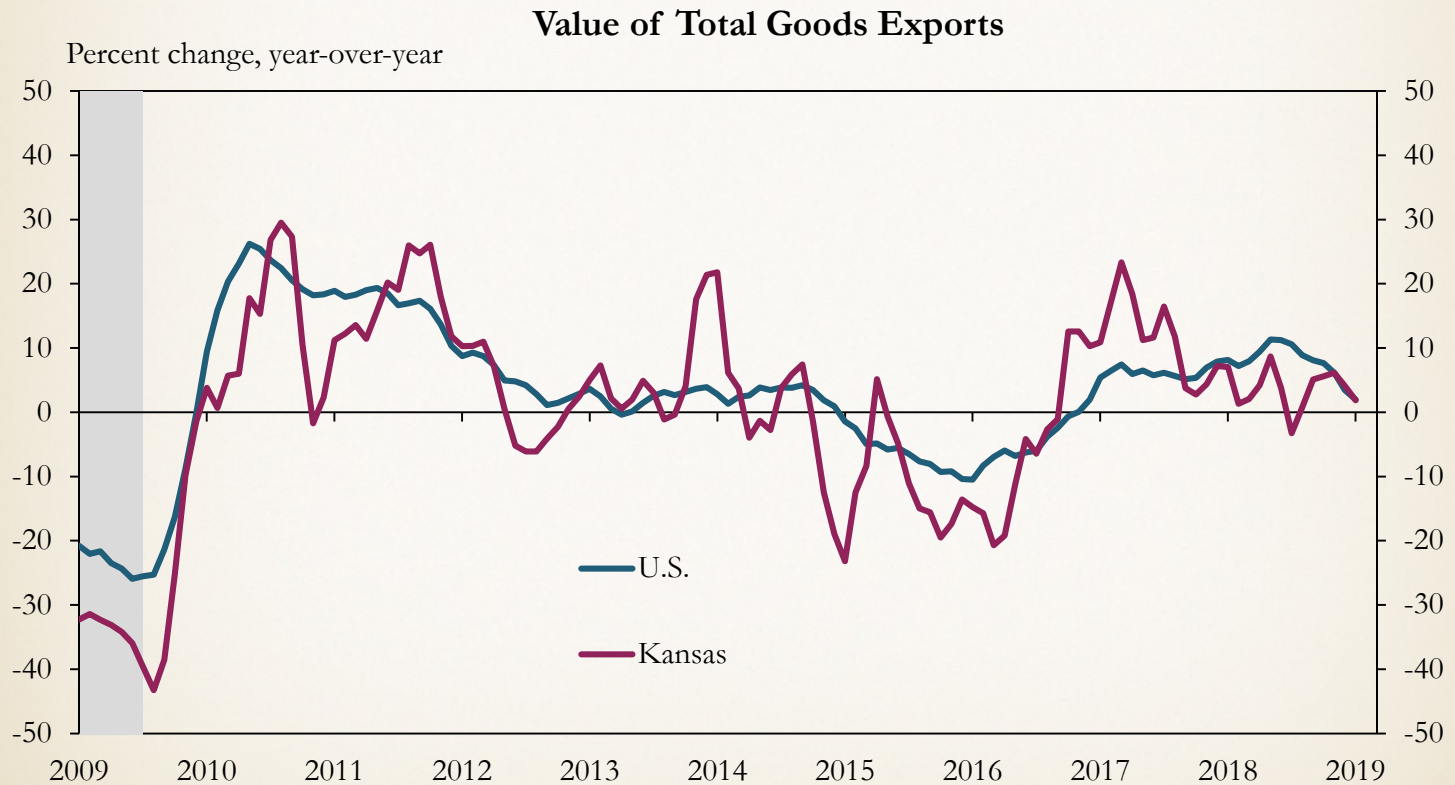
High expected sales and capacity usage have led to solid capital spending plans

March 2019 Special Question: What are the major factors behind your plan to increase capital spending? Please check any that apply.



Source: Federal Reserve Bank of Kansas City Manufacturing Survey.

This is despite both the nation and Kansas experiencing slower export growth recently

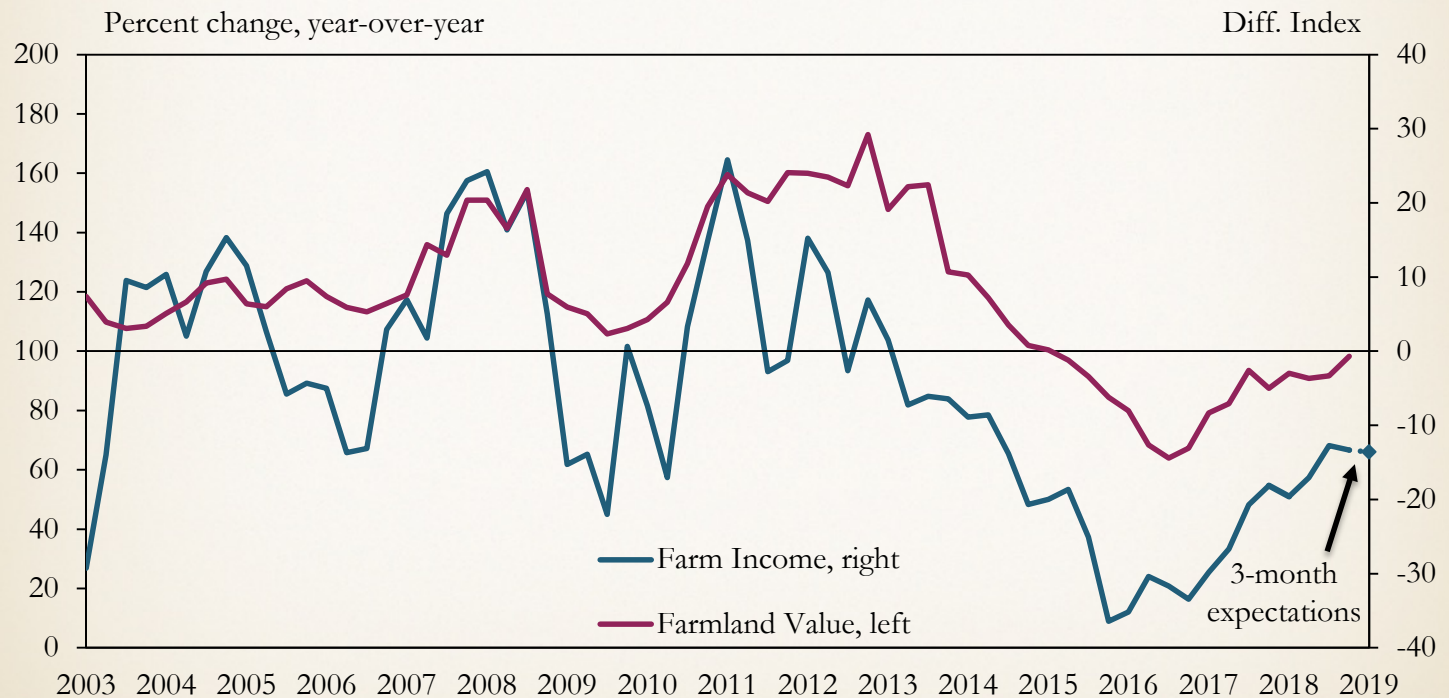


Note: Monthly data shown on a three-month moving average.

Sources: U.S. Census Bureau, WISERTrade, NBER recession shading

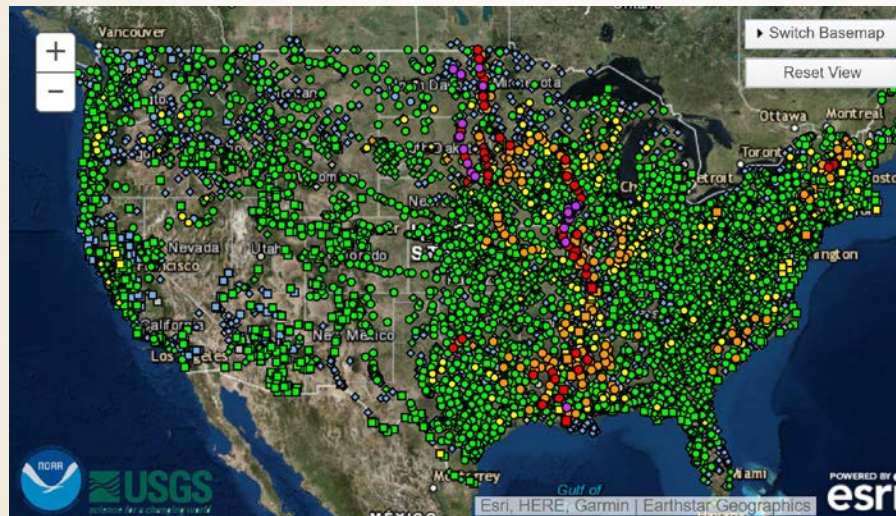
Ag income has continued to decline, but farmland values have stabilized somewhat

Kansas Farm Income and Farmland Values



Upper mid-west floods have put corn, soybean, and cattle revenues at risk

April 15, 2019 U.S. Water Map



- 33 Gauges: Major Flooding
- 76 Gauges: Moderate Flooding
- 122 Gauges: Minor Flooding
- 181 Gauges: Near Flood Stage
- 5369 Gauges: No Flooding
- 2533 Flood Category Not Defined
- 11 At or Below Low Water Threshold
- 583 Gauges: Observations Are Not Current
- 114 Gauges: Out of Service

Summary

- The U.S. economy continues to grow despite headwinds, and the Fed has been discussing monetary policy changes
- Kansas has been slightly lagging the nation and region in recent years, but Wichita has recently improved
- Unemployment in the state and metro remain exceptionally low
- Manufacturing activity has decelerated but expectations remain high, unlike in agriculture



2019 REGULATORY UPDATE SEMINAR

FEDERAL RESERVE BANK OF KANSAS CITY

Questions?