

U.S. and Kansas Economic Outlook



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U.S. Economic Outlook

"Recent indicators have been mixed, and the adjustment in the housing sector is ongoing. Nevertheless, the economy seems likely to continue to expand at a moderate pace over coming quarters. Although inflation pressures seem likely to moderate over time, the high level of resource utilization has the potential to sustain those pressures. In these circumstances, the Committee's predominant policy concern remains the risk that inflation will fail to moderate as expected."

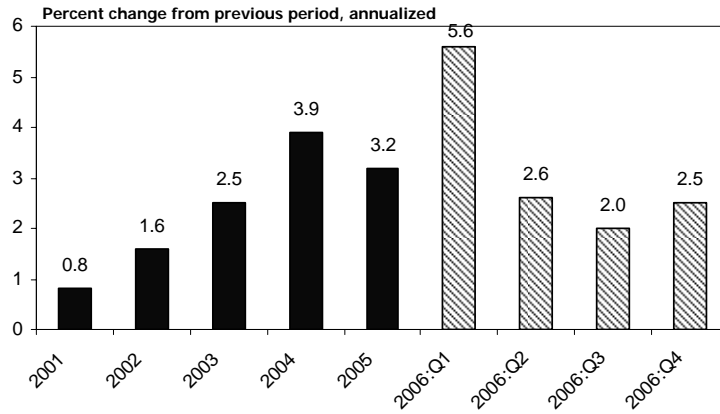
--March 21 FOMC Statement

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National economic growth slowed in the middle of 2006 but remains moderate

Gross Domestic Product



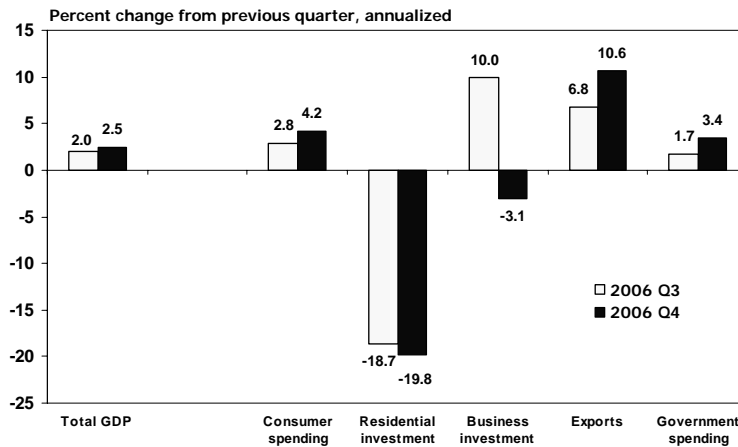
Source: U.S. Bureau of Economic Analysis

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Housing has been the biggest drag on growth, but business investment has also weakened

Growth in Components of GDP



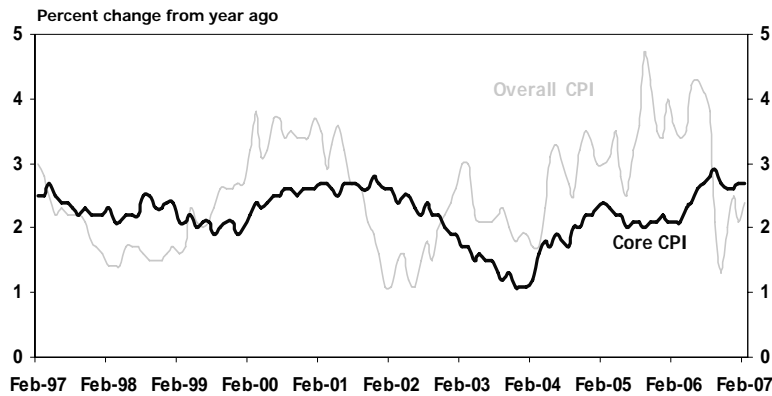
Source: U.S. Bureau of Economic Analysis

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Core inflation remains somewhat elevated after easing slightly in late 2006

Consumer Price Index



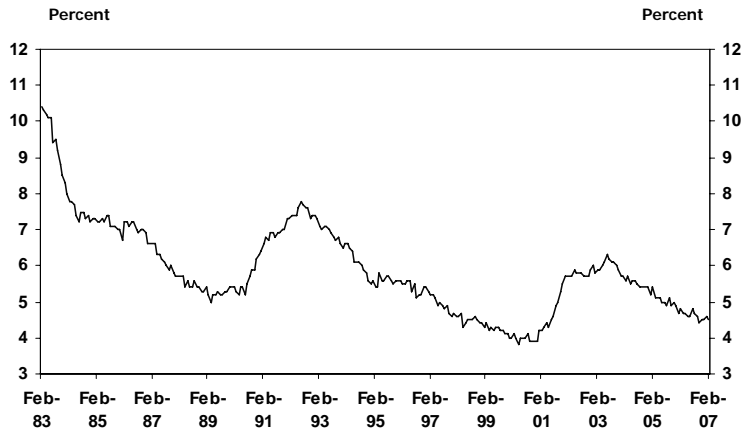
Source: U.S. Bureau of Labor Statistics

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The share of Americans out of work is quite low by historical standards

Unemployment Rate



Source: U.S. Bureau of Labor Statistics

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The Fed is forecasting slightly faster growth with inflation pressures easing

Federal Reserve Central Tendency Forecasts February 2007

	2007	2008
Real GDP	2.5 to 3.0%	2.75 to 3.0%
Core inflation	2.0 to 2.25%	1.75 to 2.0%
Unemployment	4.5 to 4.75%	4.5 to 4.75%

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National Economic Summary

- U.S. economic growth has slowed, driven by weakness in housing and manufacturing
- Inflation remains somewhat elevated, and labor markets are tight
- Growth is expected to pick up slightly through 2008, while inflation is expected to ease

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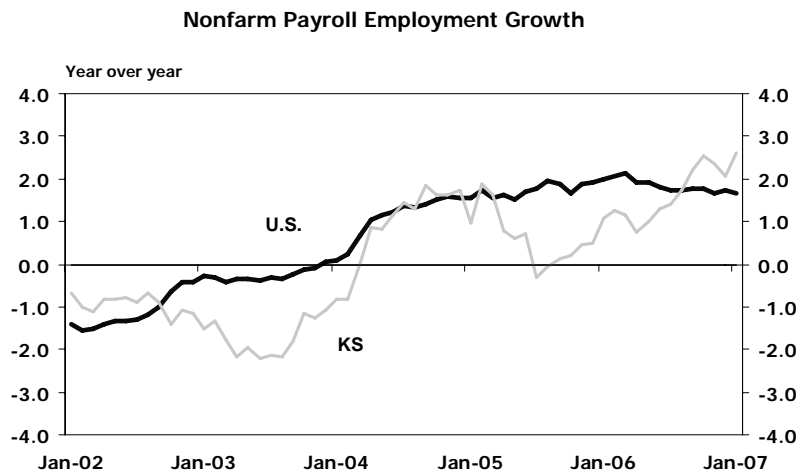
Kansas Economic Outlook

- Versus other states
- By industry
- Across the state

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Kansas job growth has recently begun to outpace the nation



Source: U.S. Bureau of Labor Statistics

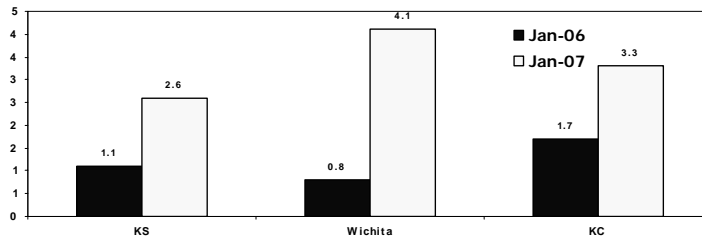
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Employment growth has increased throughout the state over the past year

Kansas Employment Growth

Percent change year over year



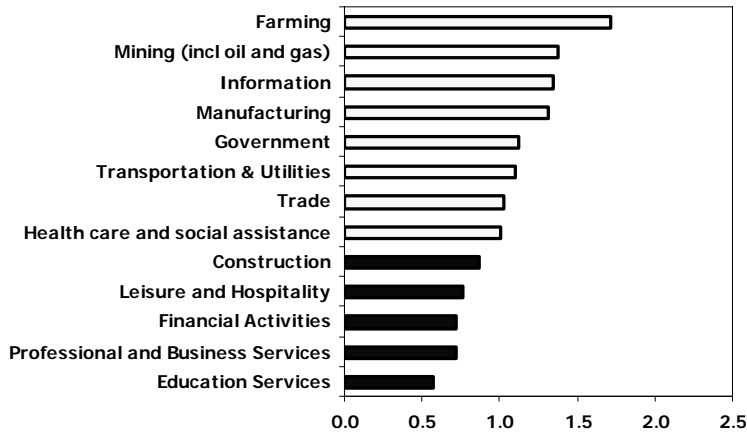
Source: U.S. Bureau of Labor Statistics

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Kansas has especially high concentrations in ag, energy, information, and manufacturing

Relative importance of industries by contribution to area earnings
Ratio of Kansas-to-U.S. concentrations, 2004

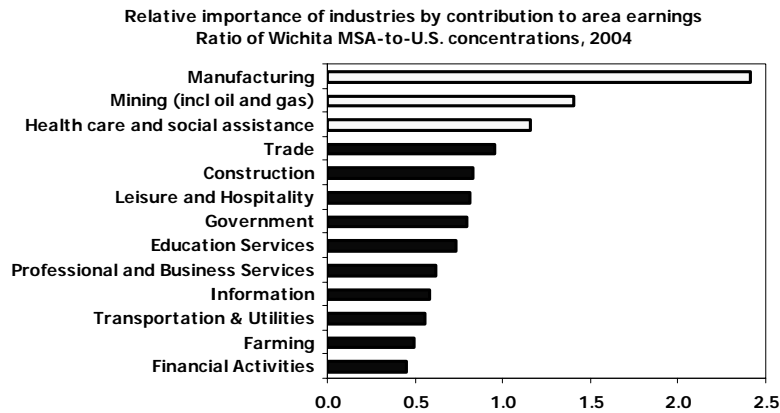


Source: Bureau of Economic Analysis

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While Wichita's highest concentrations are in manufacturing and energy

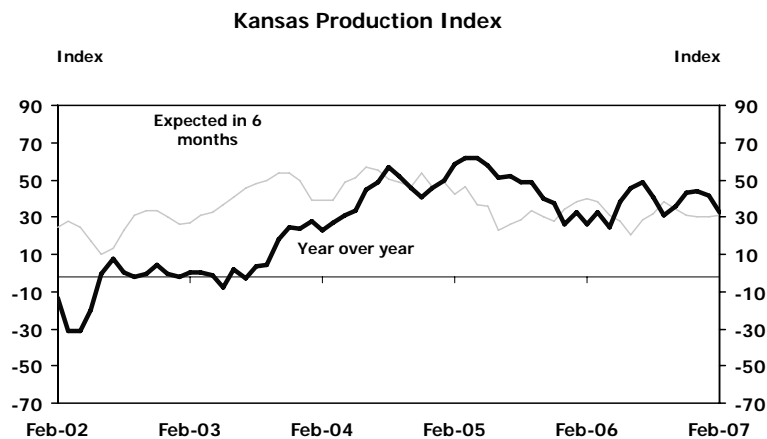


Source: Bureau of Economic Analysis

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State manufacturing activity remains solid, and firms are optimistic



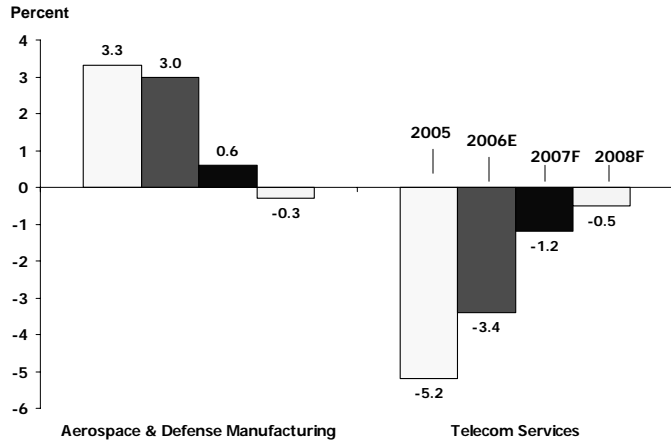
Sources: KCFRB Mfg Survey

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The outlooks for important industries in Kansas metro areas are somewhat subdued

Kansas Industry Employment Growth



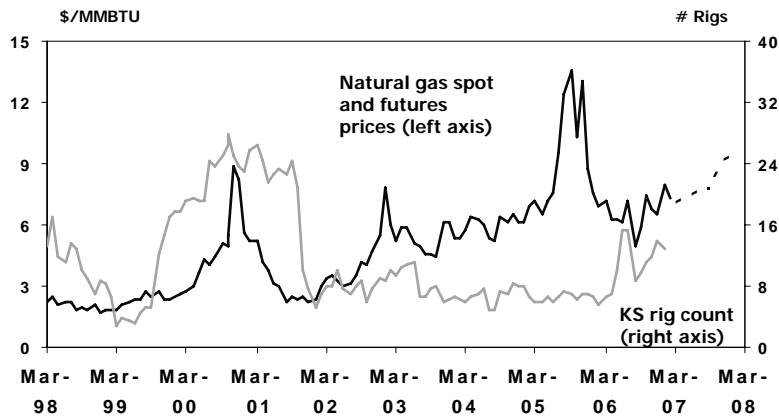
Sources: Dismal Scientist

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State oil and gas activity has eased slightly but remains solid, and futures prices are high

Count of Active Drilling Rigs and Natural Gas Prices

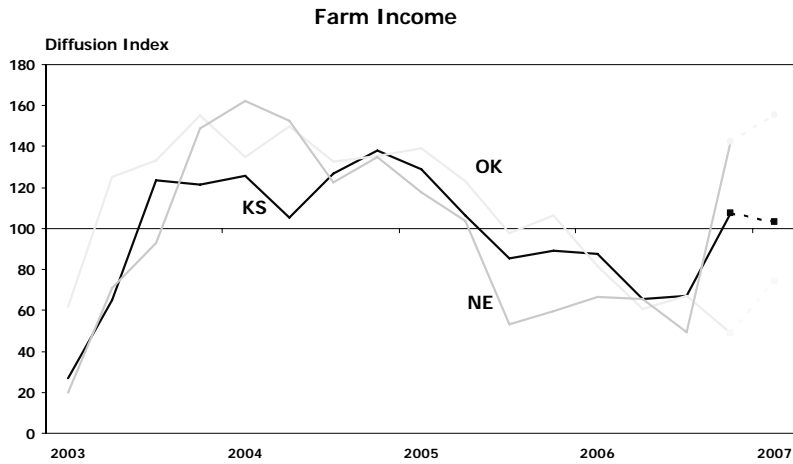


Source: Baker-Hughes

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Kansas agricultural conditions are similar to other states, and expectations are fairly solid

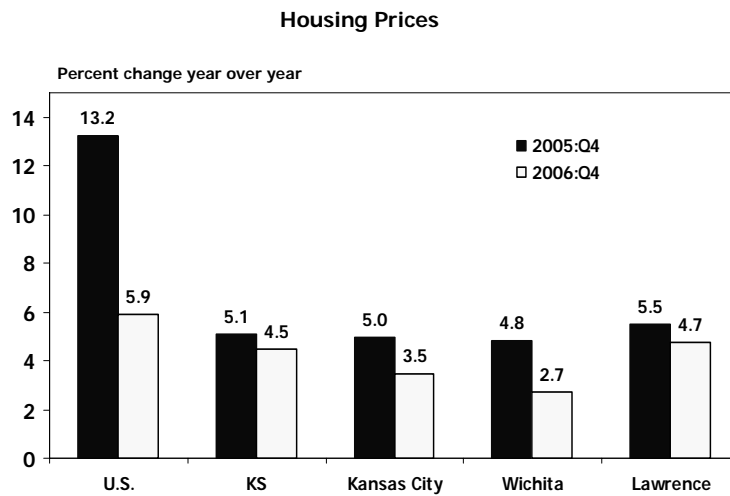


Source: KCFRB Ag Credit Survey

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House price growth has slowed, but less in Kansas than in the nation



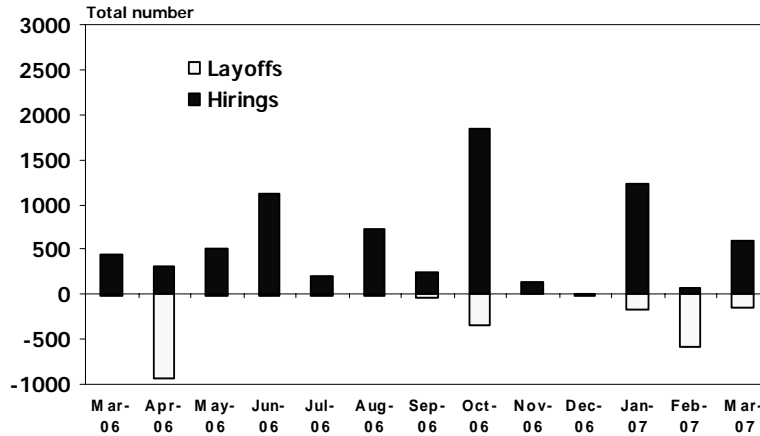
Source: OFHEO

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Hiring announcements in Kansas have generally outpaced layoffs over the past year

Kansas Hiring and Layoff Announcements



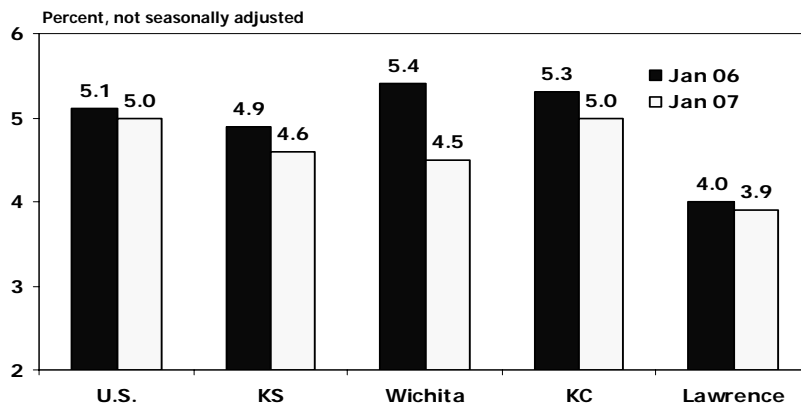
Source: Federal Reserve Bank of Kansas City

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Unemployment rates have edged down across the state and are generally lower than in the U.S.

Unemployment Rates January 2007



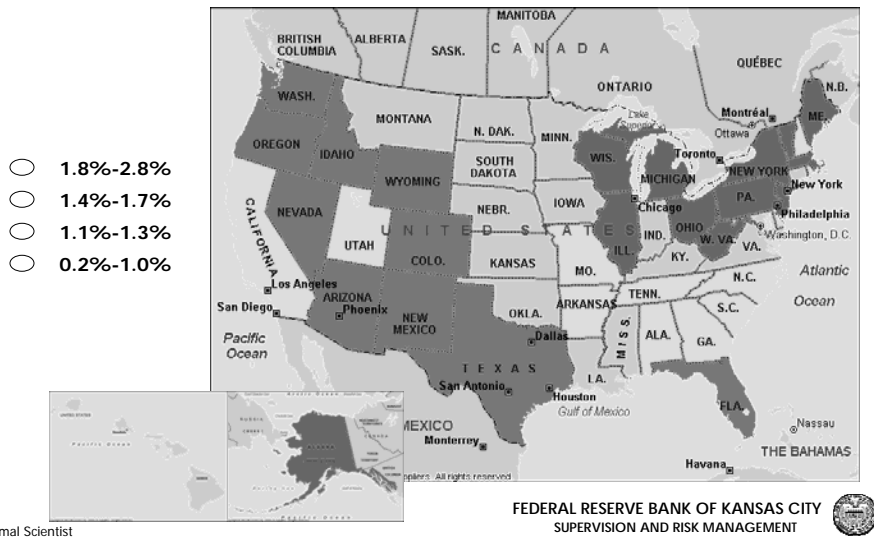
Source: U.S. Bureau of Labor Statistics

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Kansas ranks near the middle of states for 2008 forecasted job growth

Employment Growth Projections 2008 As-of February 2007



Kansas Economic Summary

- As in the nation, economic growth has slowed and labor markets are tight
- The outlooks for important industries are somewhat mixed
- The state as a whole seems poised for further moderate growth

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