

Emerging Trends in the U.S. and Kansas Economies

*Alison Felix
Senior Policy Advisor
Federal Reserve Bank of Kansas City
Denver Branch*

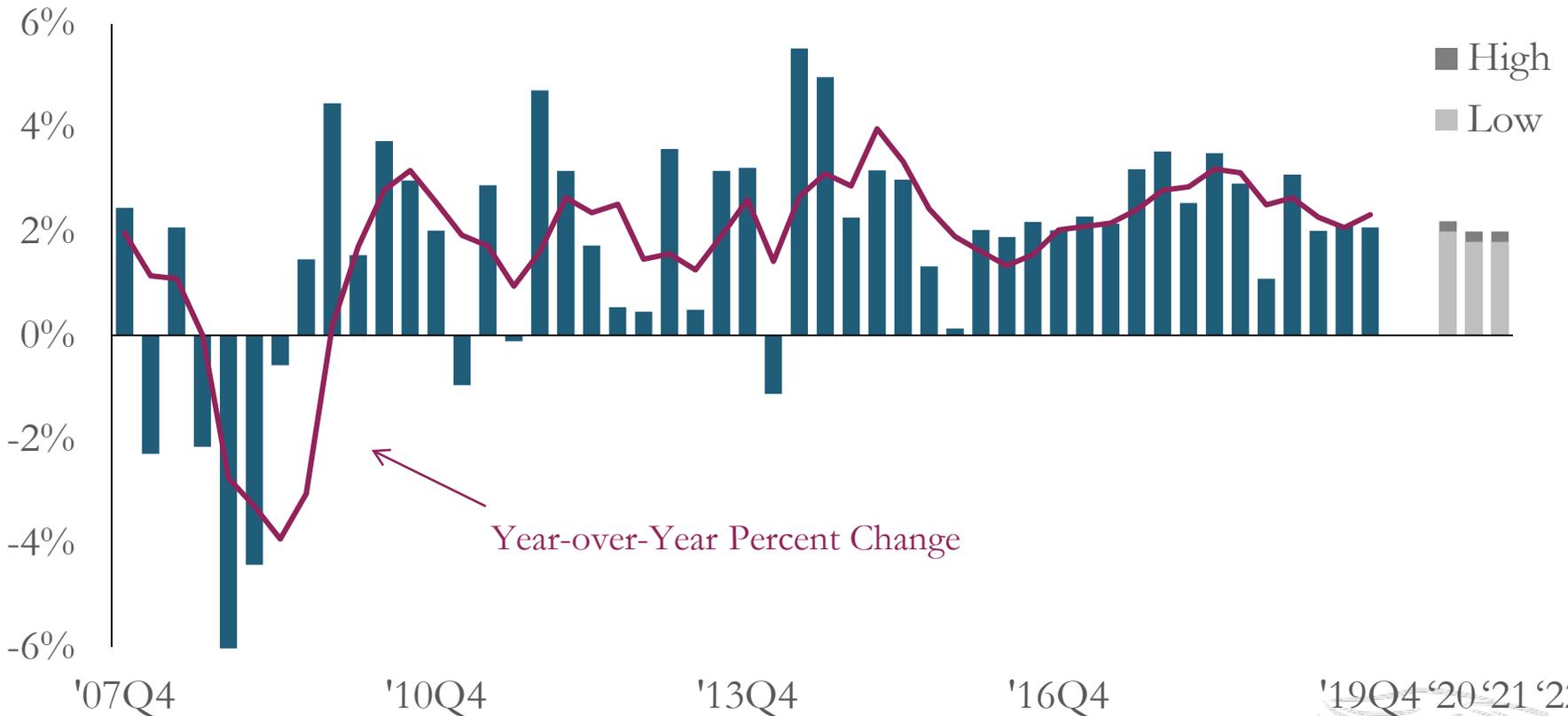
*The views expressed are those of the presenter
and do not necessarily reflect the positions of the
Federal Reserve Bank of Kansas City or the
Federal Reserve System.*



U.S. economic growth is expected to continue at a moderate pace in 2020.

REAL U.S. GROSS DOMESTIC PRODUCT

Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates



Sources: Bureau of Economic Analysis and Federal Open Market Committee (FOMC) / Haver Analytics

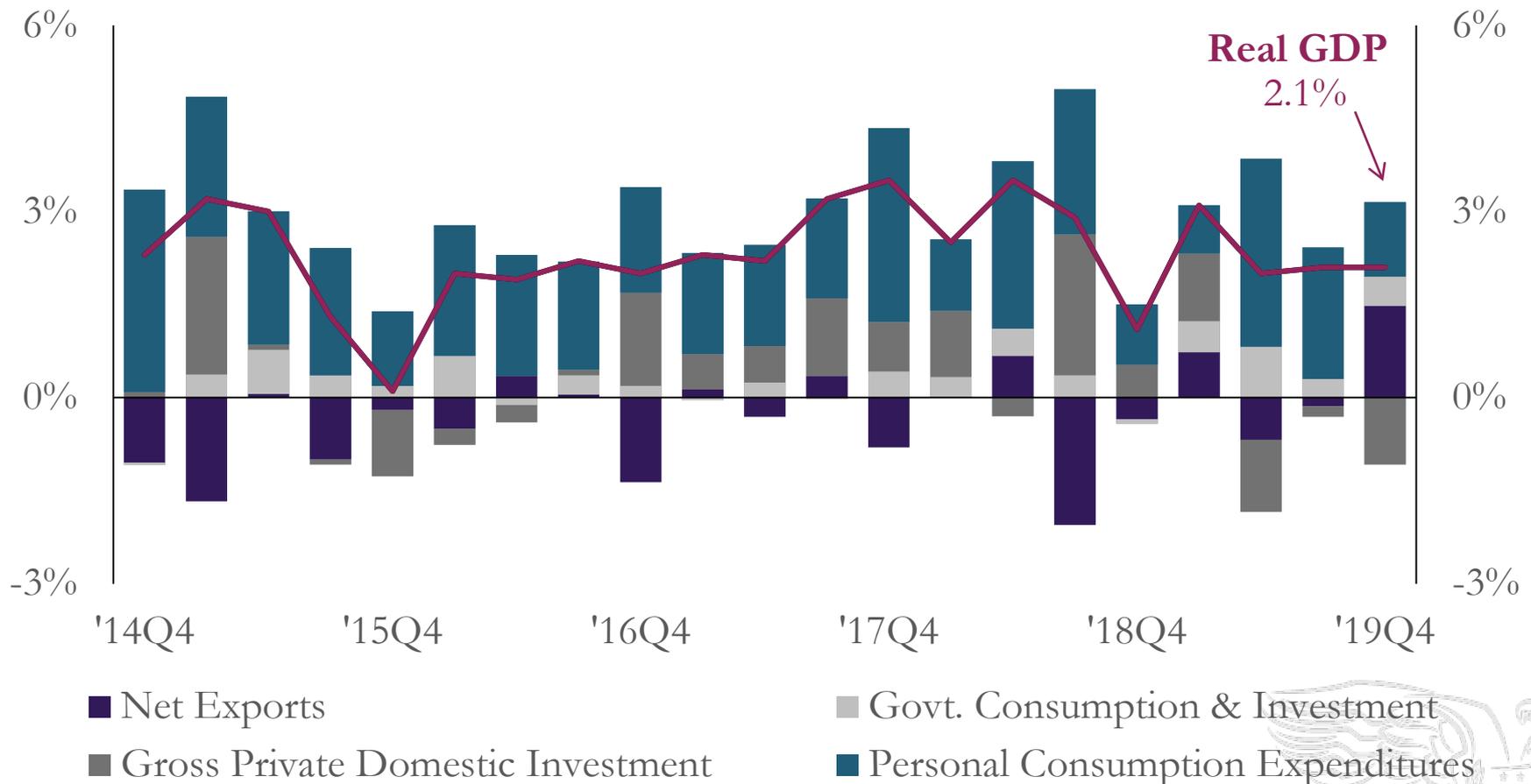
*Projections as of December FOMC meeting



Consumer spending is a major driver of growth in the U.S. economy.

CONTRIBUTIONS TO REAL U.S. GROSS DOMESTIC PRODUCT

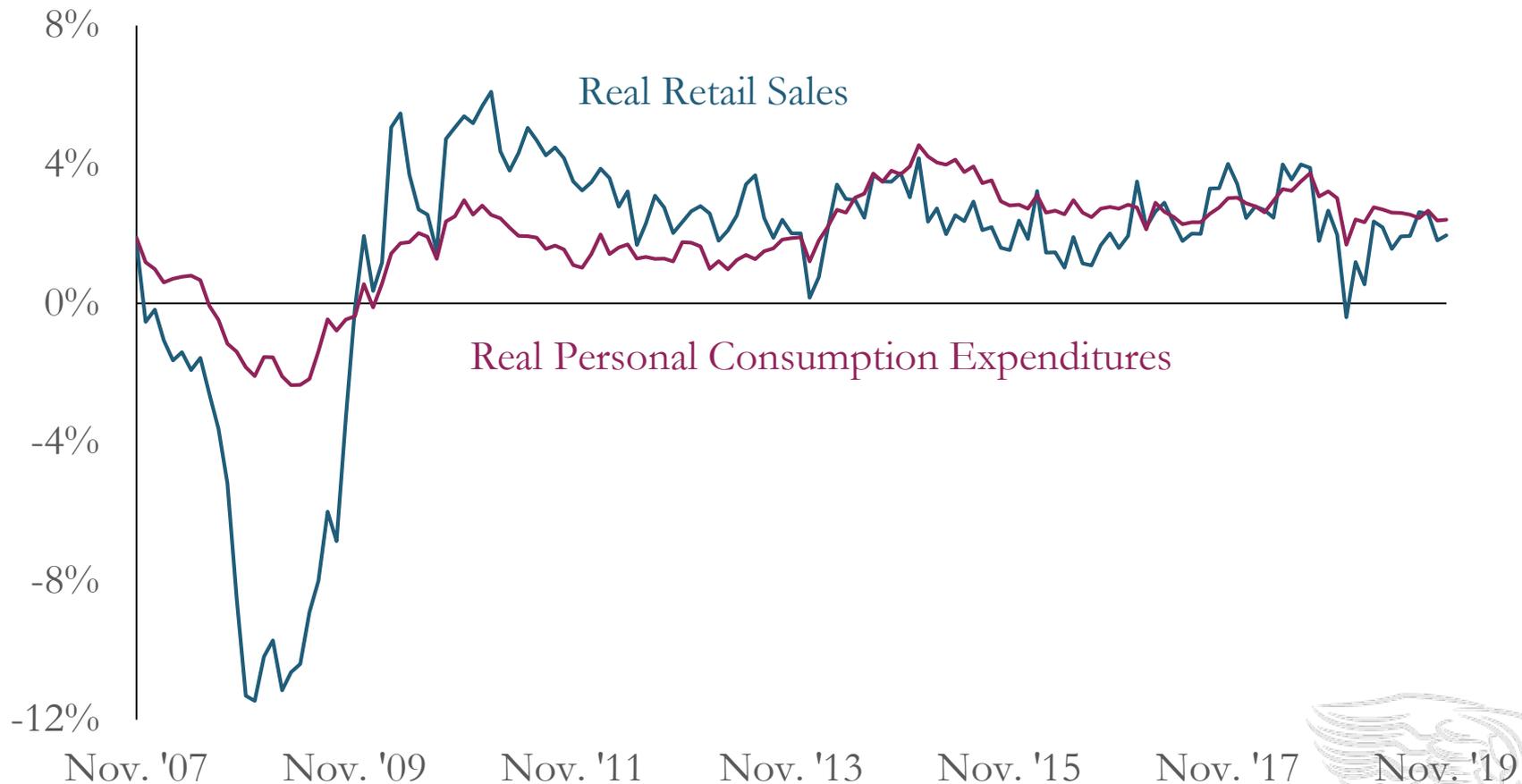
Percent Change at Seasonally Adjusted Annualized Rates



Consumer spending increased at a moderate pace last year.

REAL CONSUMPTION SPENDING

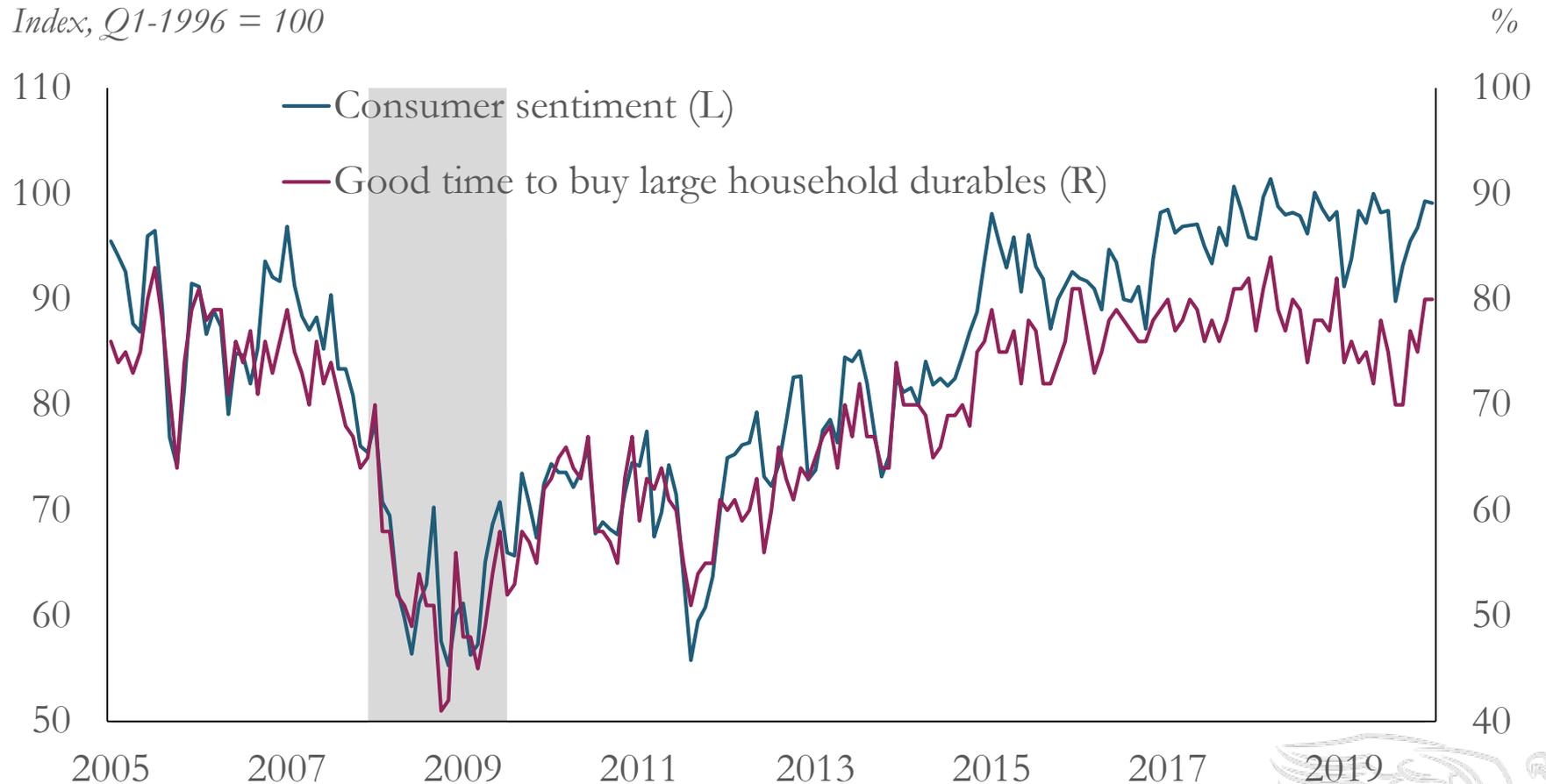
Seasonally Adjusted, Year-over-Year Percent Change



With high levels of consumer sentiment, spending is expected to remain solid this year.

CONSUMER SENTIMENT

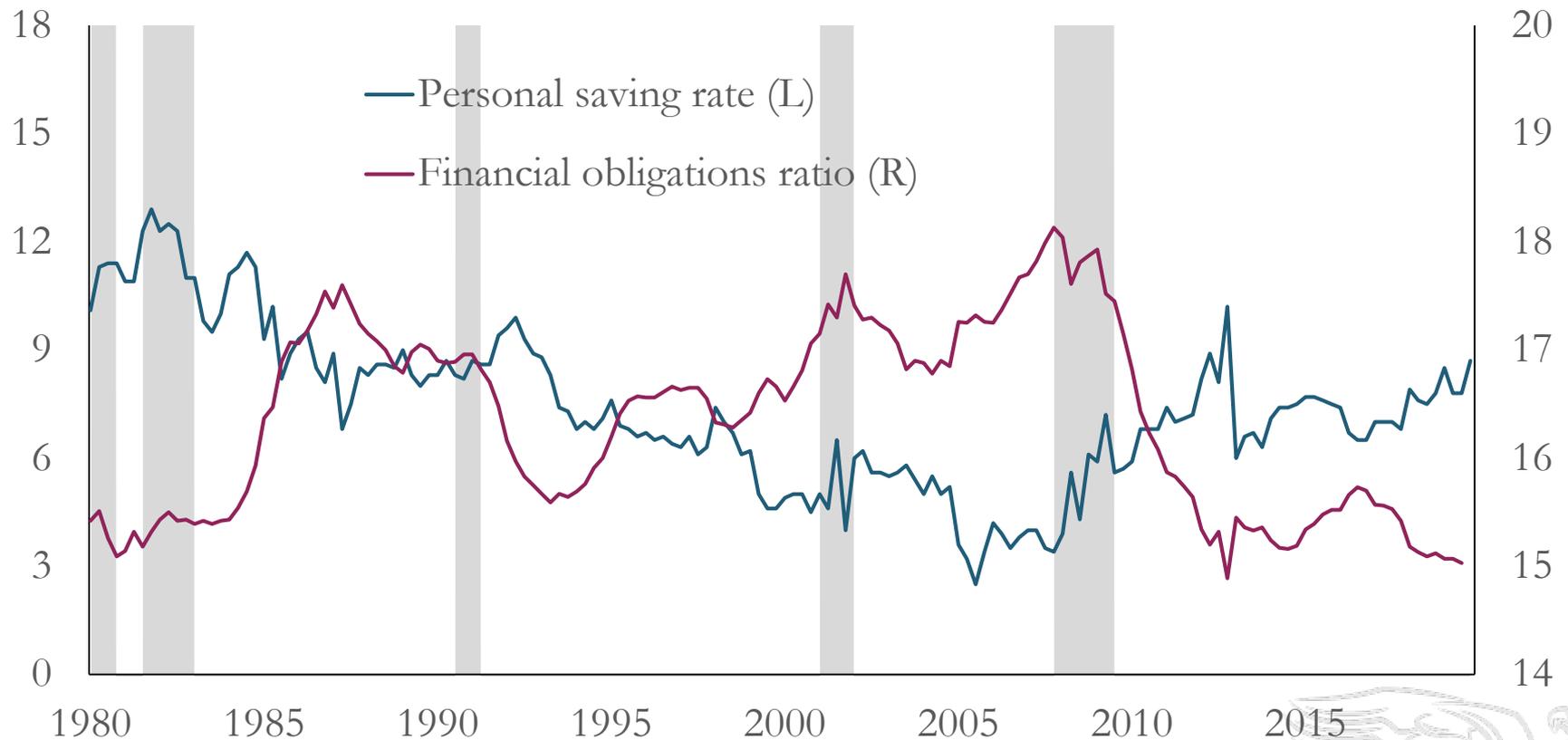
Index, Q1-1996 = 100



Historically low levels of financial obligations and higher personal saving rates could also support spending.

CONSUMER SAVINGS AND FINANCIAL OBLIGATIONS

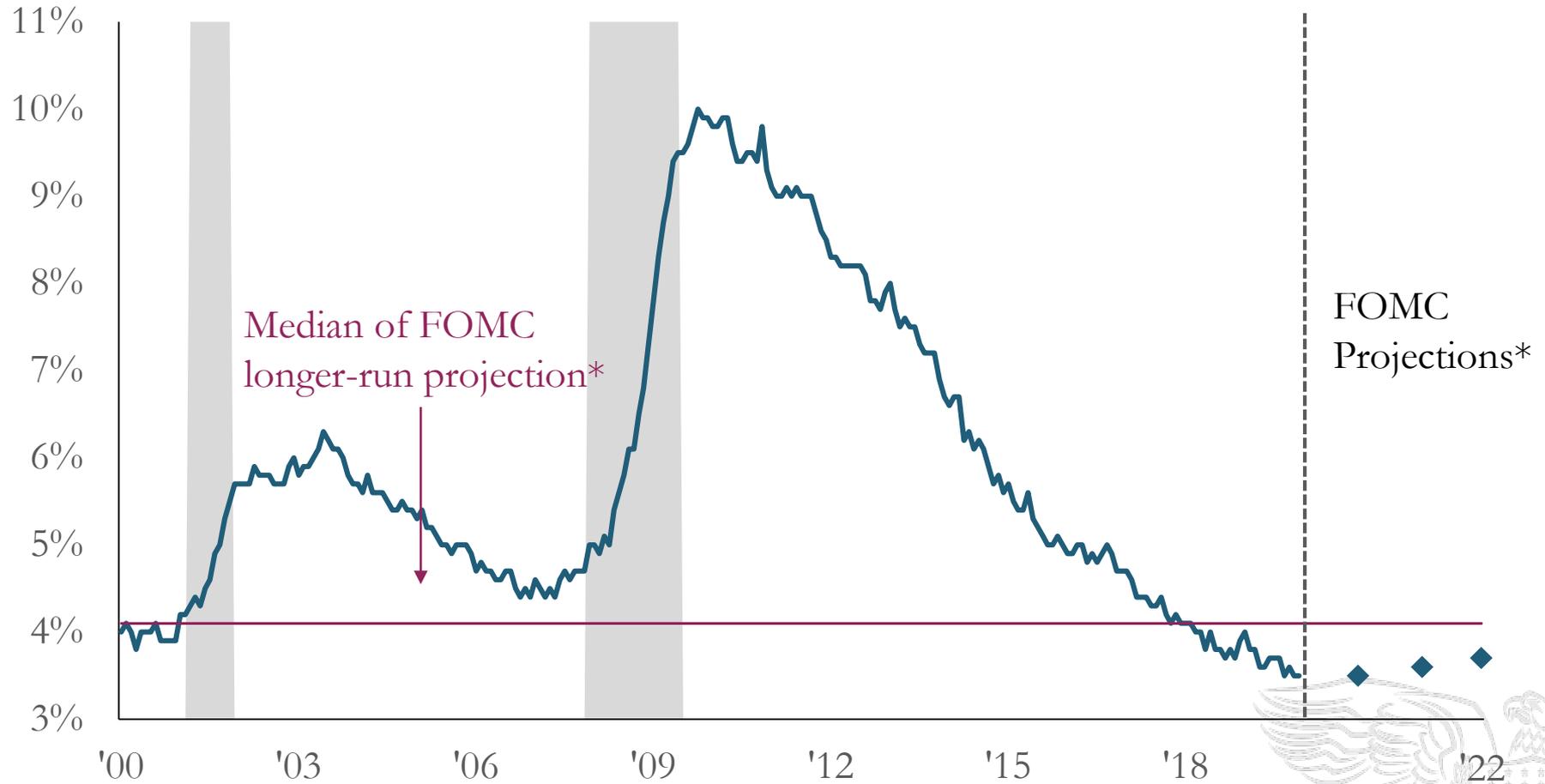
Percent of Disposable Income, Seasonally Adjusted



The unemployment rate has declined steadily over the past ten years and has fallen below most estimates of its longer-run level.

U. S. UNEMPLOYMENT RATE

Seasonally Adjusted



Sources: Bureau of Labor Statistics, National Bureau of Economic Research and Federal Open Market Committee (FOMC) / Haver Analytics

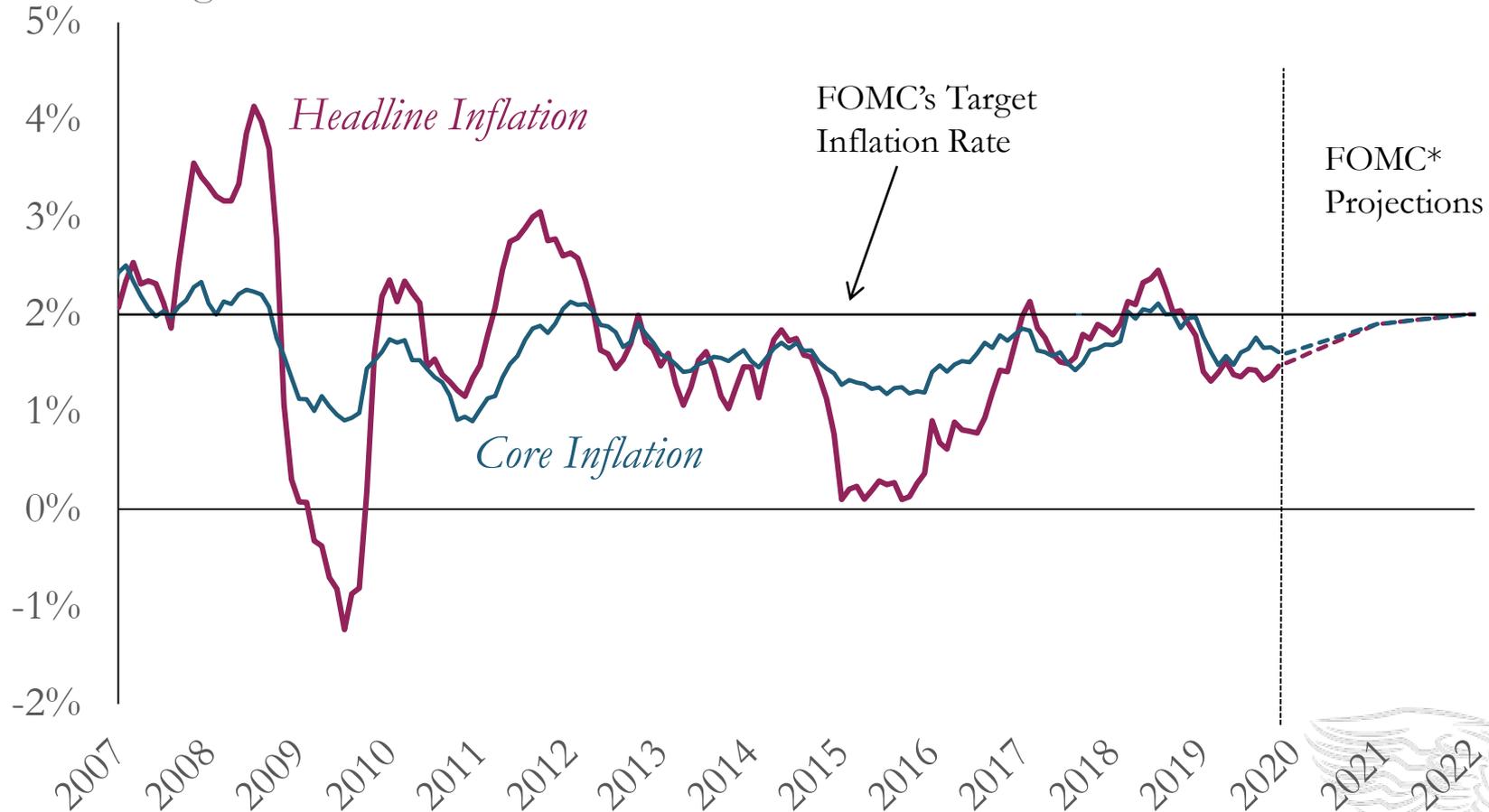
*Projections as of December FOMC meeting; median unemployment rate



Inflation is expected to move toward the FOMC's two percent target over the next few years.

PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year



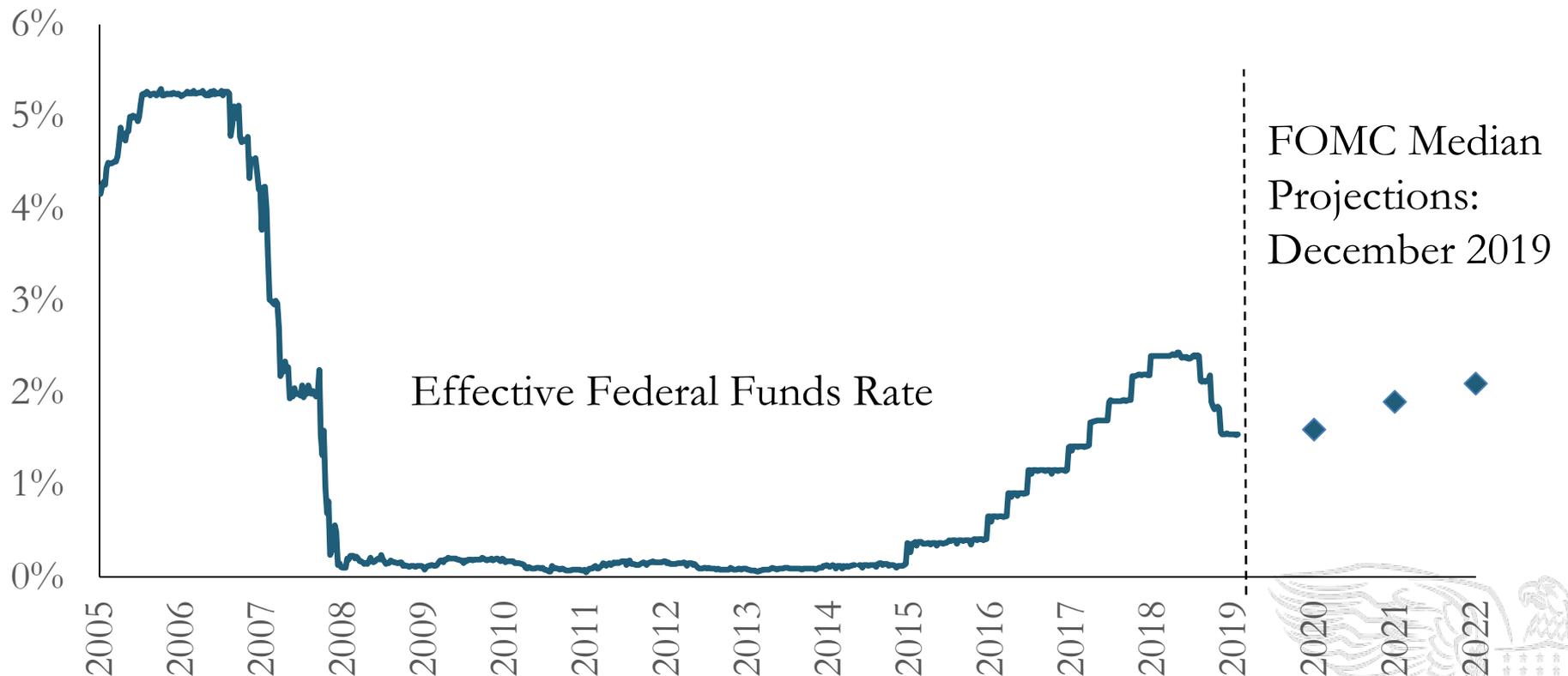
Sources: Bureau of Economic Analysis and Federal Open Market Committee / Haver Analytics

*Projections as of December FOMC meeting; median projections



“Consistent with its statutory mandate, the Committee seeks to foster maximum employment and price stability. The Committee decided to maintain the target range for the federal funds rate at 1-1/2 to 1-3/4 percent.”

- January 2020 FOMC Statement

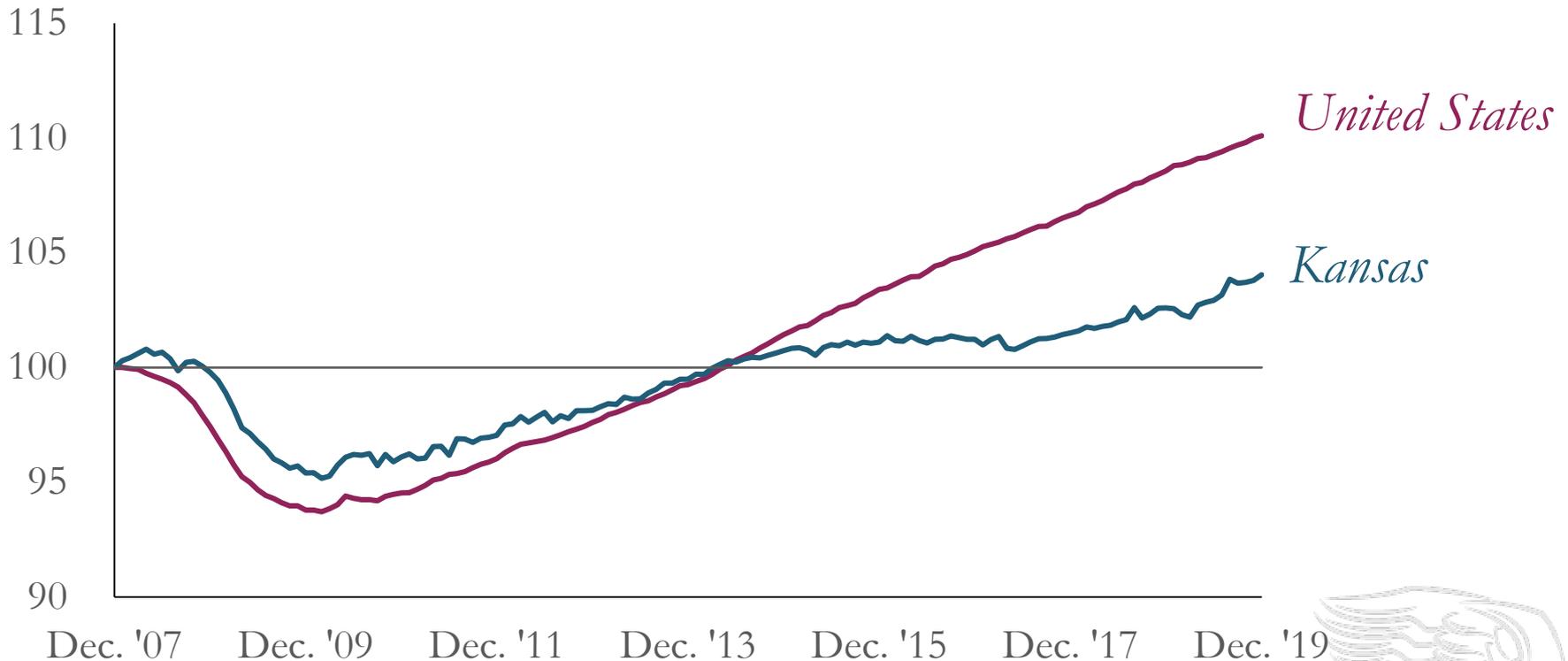


The U.S. and Kansas economies are adding jobs at a moderate pace.

PAYROLL EMPLOYMENT GROWTH

Index 100 = December 2007, Seasonally Adjusted

<i>Percent Change</i>	<i>Dec. '07 to Present</i>	<i>Past Year</i>
U.S. (Dec. '19)	10.1%	1.4%
Kansas (Dec. '19)	4.0%	1.4%

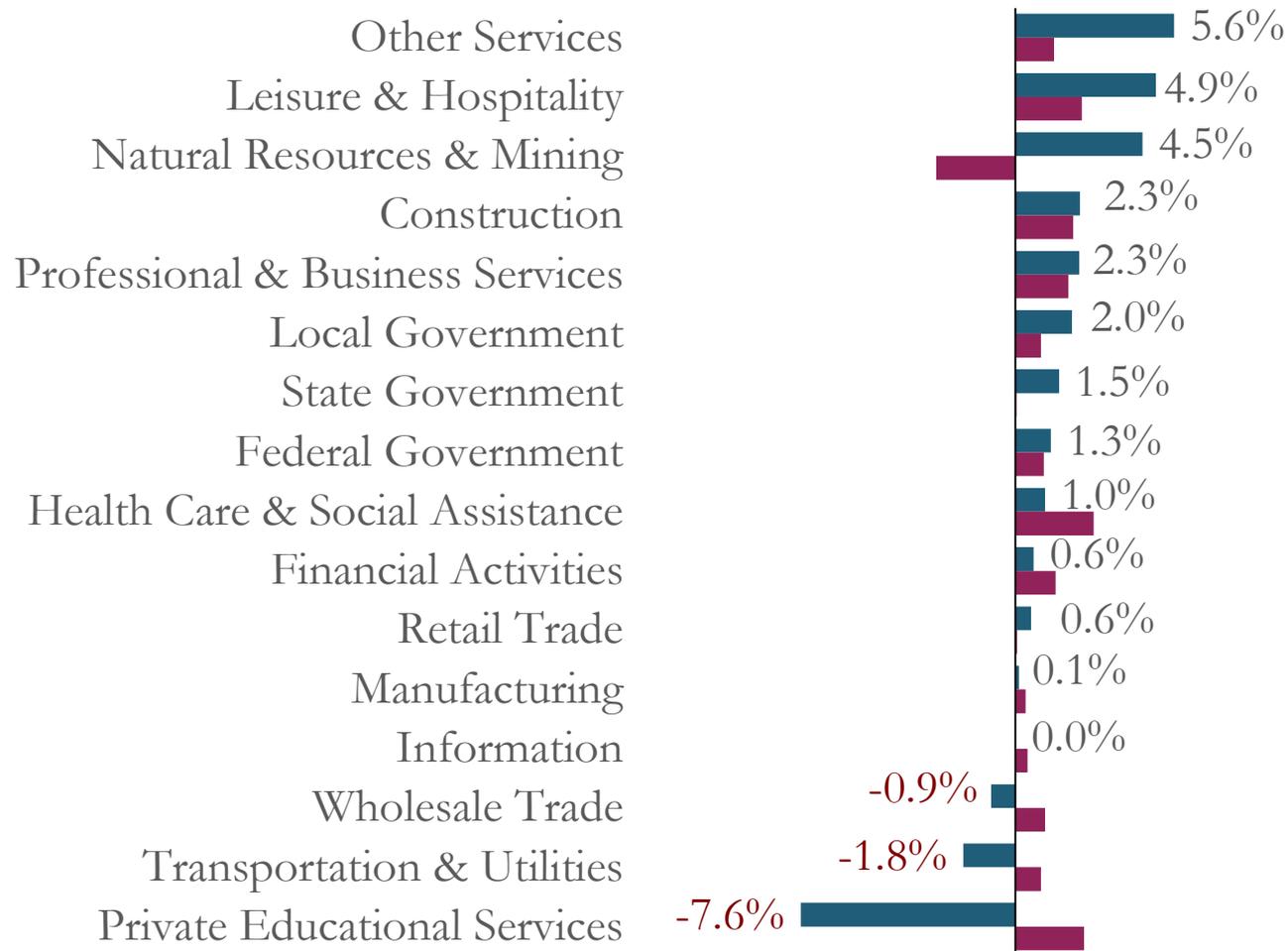


The majority of industries in Kansas have added jobs over the past year.

CHANGE IN PAYROLL EMPLOYMENT, DECEMBER 2019

Seasonally Adjusted

Percent Change Year-over-Year



Kansas
United States



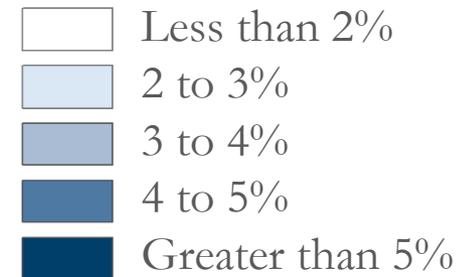
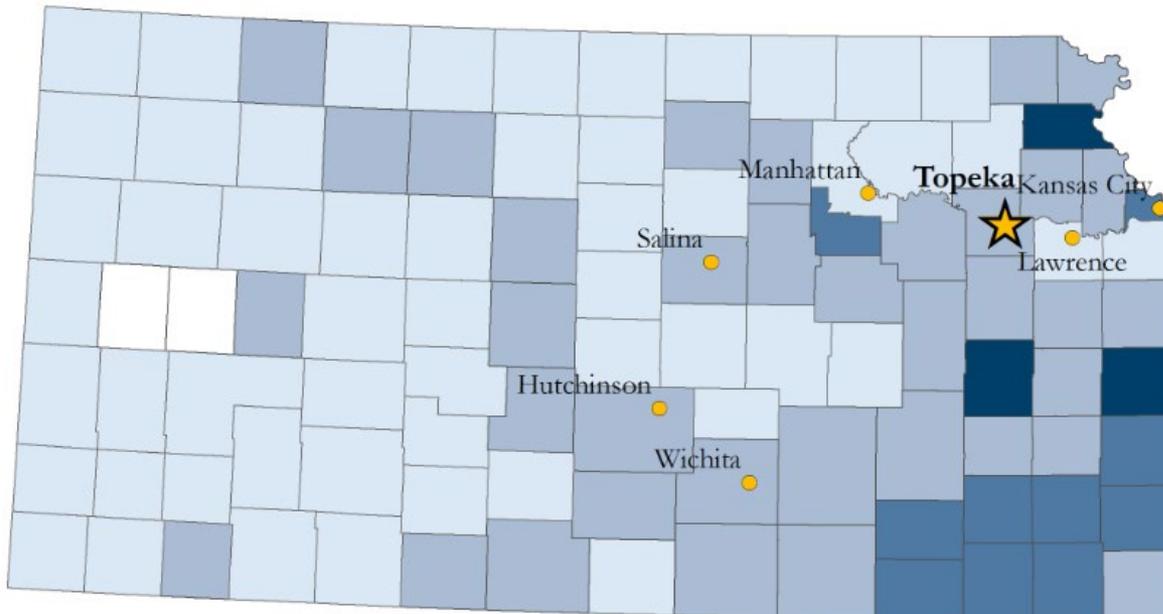
Unemployment rates are low across Kansas.

UNEMPLOYMENT RATES

November 2019, Seasonally Adjusted

<i>Unemployment Rate</i>	<i>U-3</i>	<i>U-5*</i>	<i>U-6*</i>
United States (Dec. '19)	3.5%	4.2%	6.7%
Kansas (Dec. '19)	3.2%	3.8%	5.7%

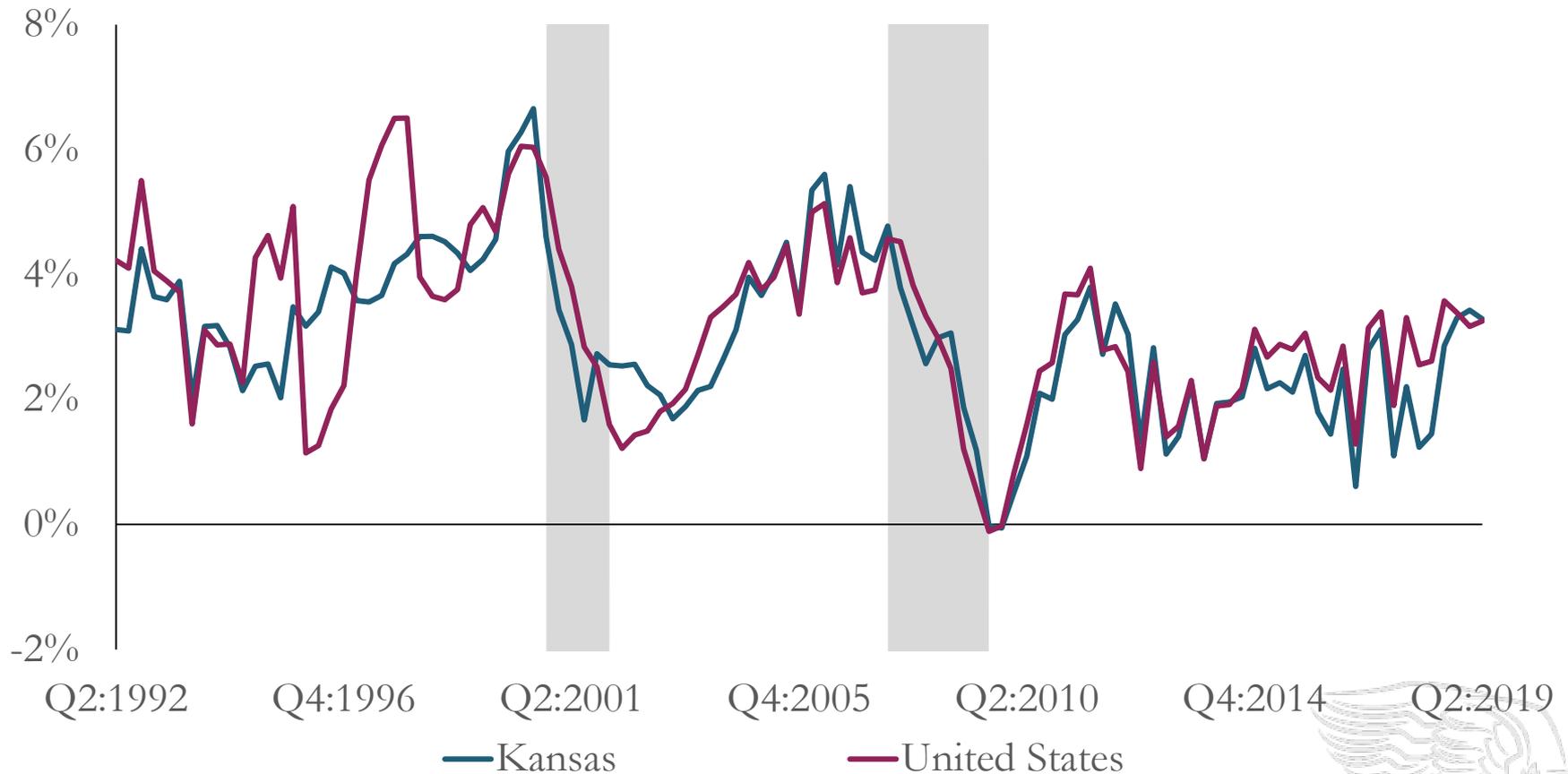
**U-5 and U-6 values are 12-month moving averages as of Q3 2019 for Colorado and are for Dec. 2019 for the United States.*



Wage growth has picked up in Kansas over the past couple of years.

REAL WAGE GROWTH

Year-over-Year Percent Change, Four-Quarter-Moving-Average



Note: Grey bars indicate recession.

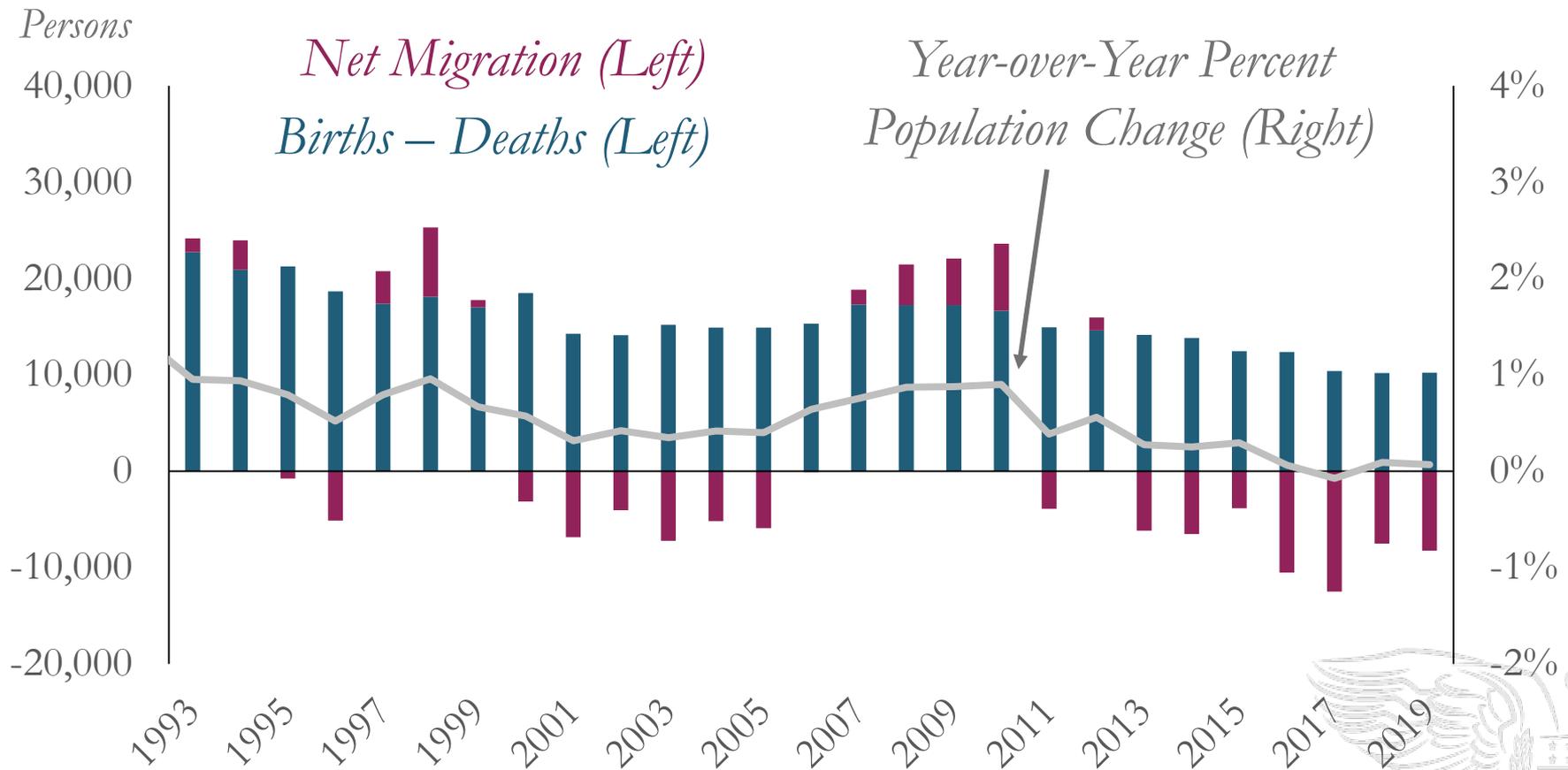
Source: Bureau of Labor Statistics



Population growth has been minimal in Kansas in recent years as people continue to leave the state.

CONTRIBUTIONS TO POPULATION CHANGE IN KANSAS

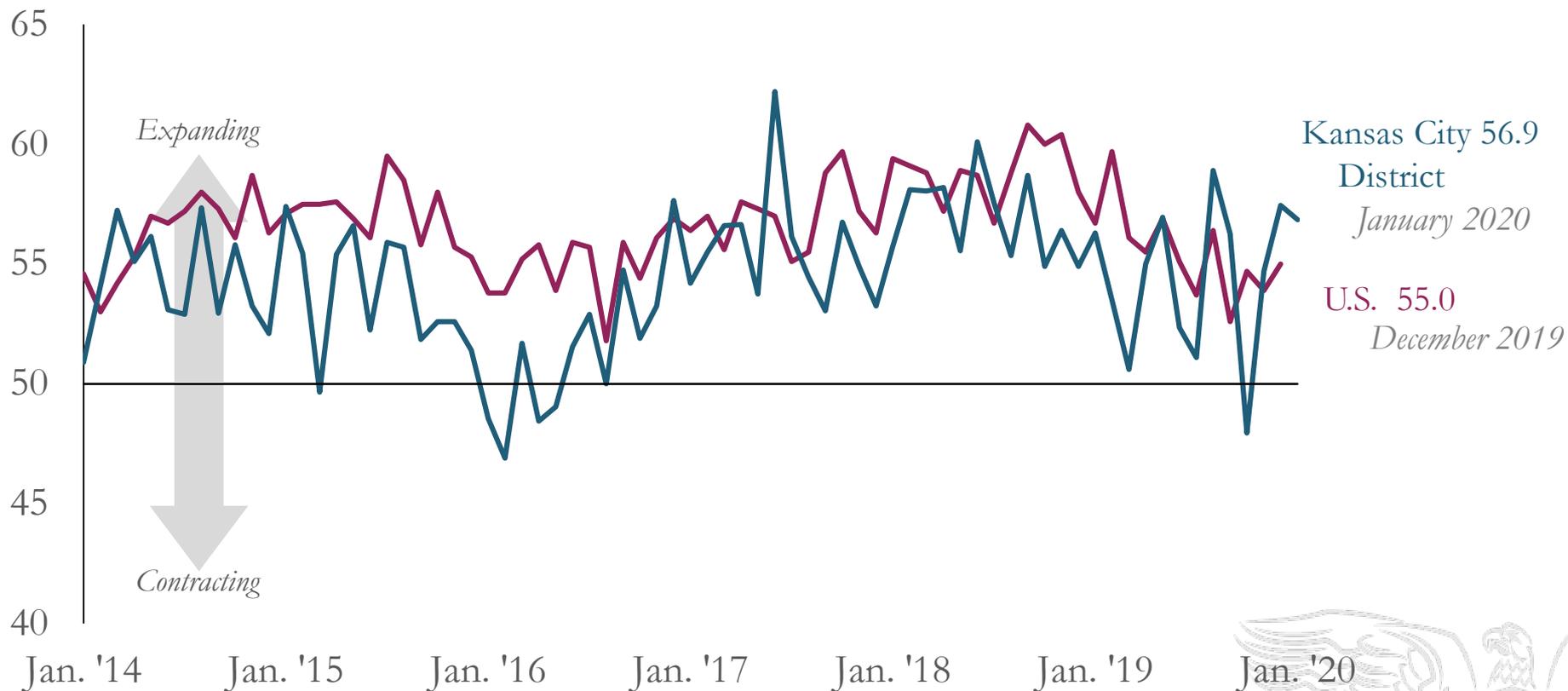
Annual



The services sector is expanding moderately.

NON-MANUFACTURING AND SERVICES ACTIVITY

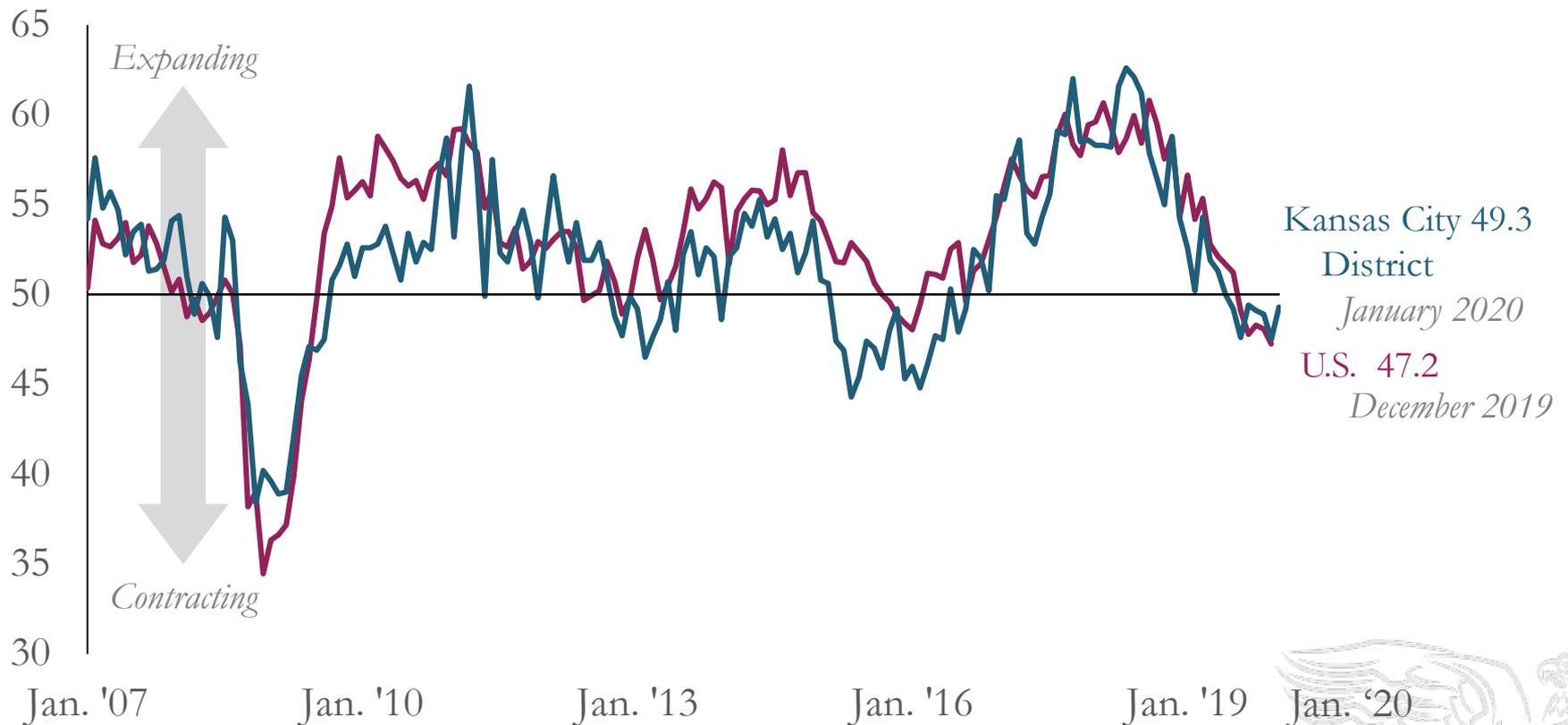
Diffusion Index, Seasonally Adjusted, Month-over-Month



Manufacturing activity has contracted over the past six months.

MANUFACTURING ACTIVITY

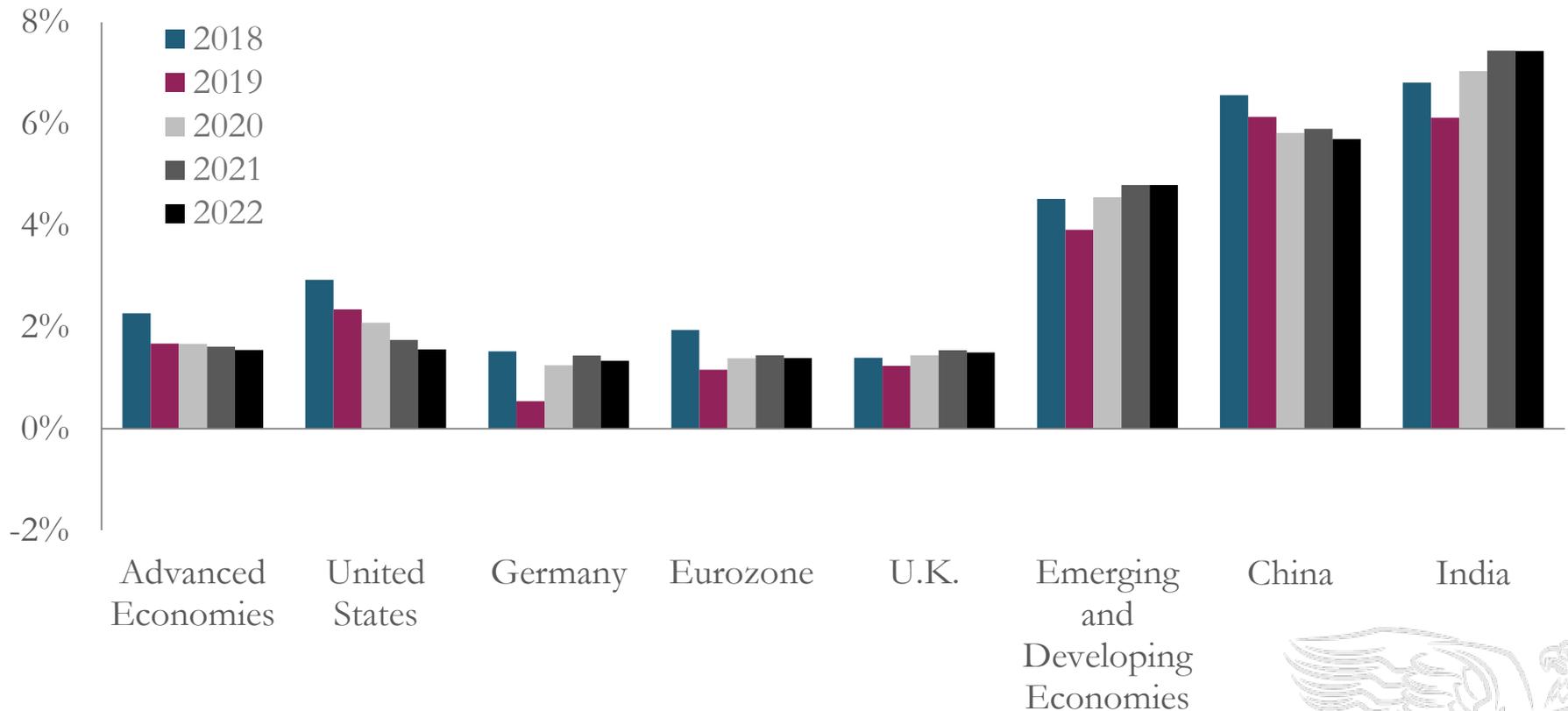
Diffusion Index, Seasonally Adjusted, Month-over-Month



Global economic growth slowed in 2019 but is expected to improve this year in many countries.

GLOBAL ECONOMIC OUTLOOK

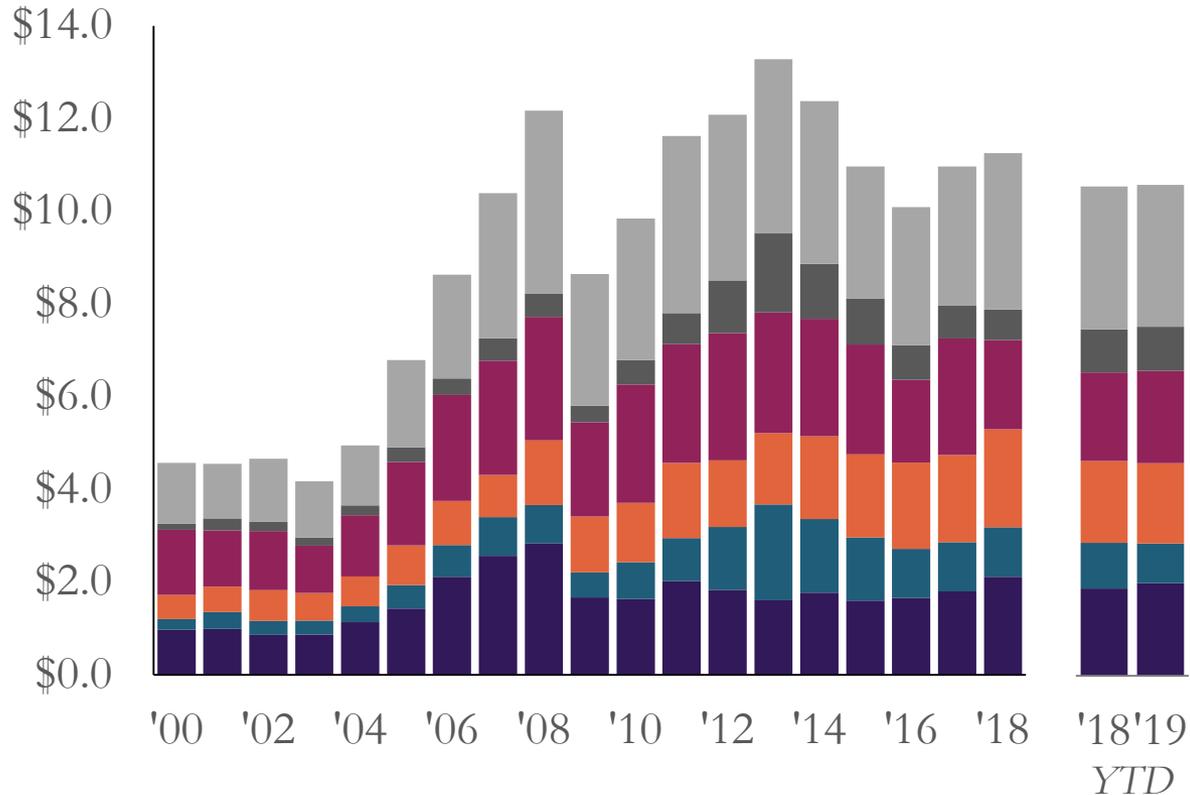
Real Gross Domestic Product, Annual Percent Change



Kansas exports increased slightly last year.

KANSAS EXPORTS BY TRADING PARTNER

Billions



NOVEMBER 2019 YEAR-TO-DATE

Year-over-Year Percent Change

	2018	2019	SHARE*
Total Trade	3.0%	3.0%	SHARE*
All Other	12.5	12.5	29.2%
Japan	2.8	2.8	8.7
Mexico	11.9	11.9	18.2
Canada	-22.5	-22.5	16.8
China	0.0	0.0	9.2
Eurozone	15.5	15.5	17.9

**Shares are for 2018*

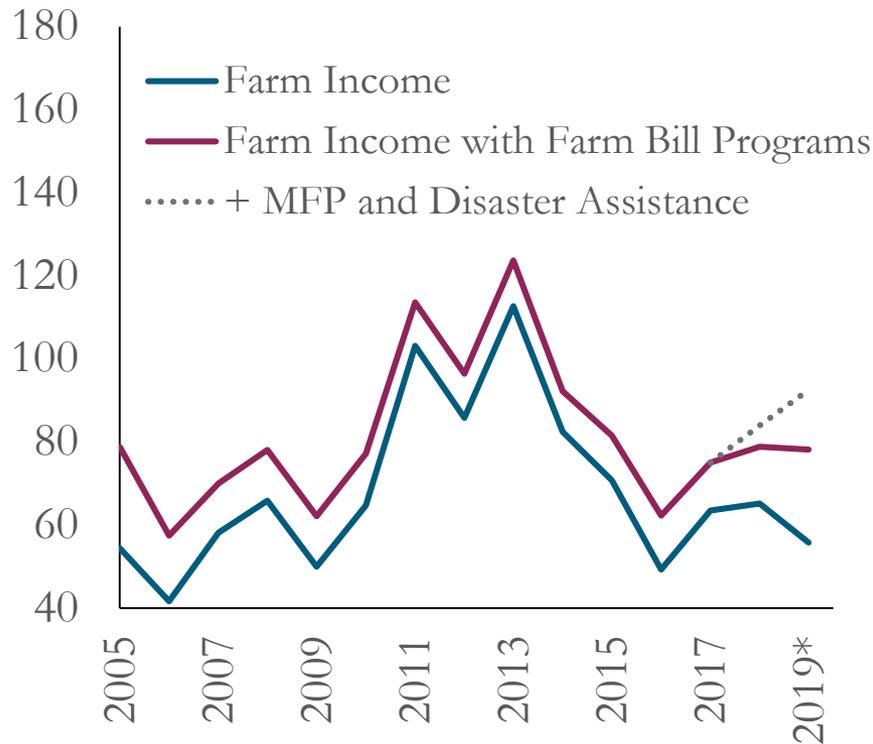


November

Higher government payments supported U.S. farm income in 2019.

U.S. Net Farm Income

Billions



Changes in Kansas Farm Income

*Diffusion Index***



* Forecasts for 2019.

**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 percentage of bankers who responded "lower" from the percentage who responded "higher".

Note: MFP = Market Facilitation Program, which provided trade relief payments to agricultural producers for lost revenues resulting from trade conflicts.

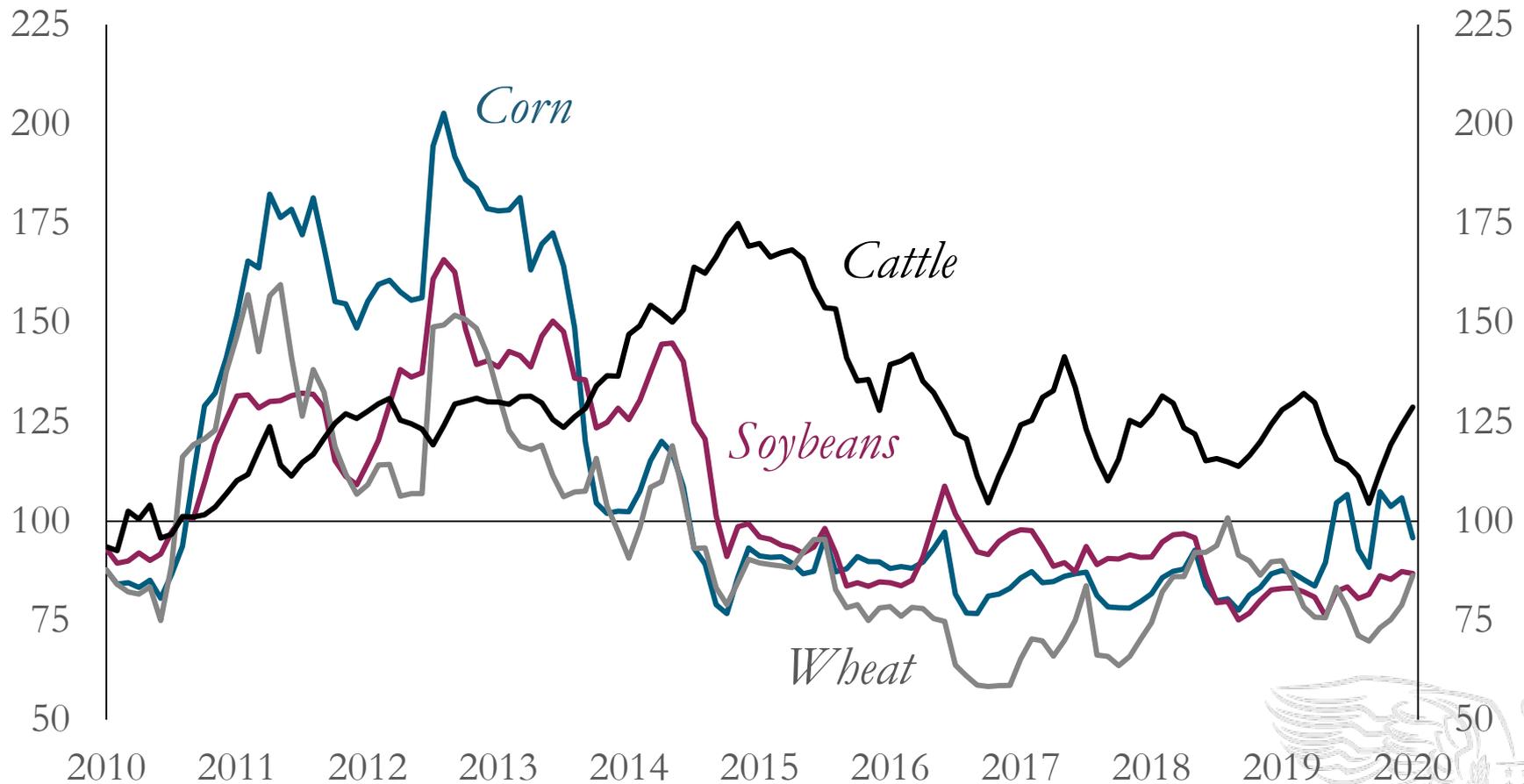
Sources: USDA and Federal Reserve Bank of Kansas City.



Agriculture prices generally remained flat through 2019.

AGRICULTURAL COMMODITY PRICES

Index, 100 = 2010 Average



The background of the slide features a large, circular seal of the Federal Reserve Bank of Denver, Colorado. The seal is embossed on a dark blue surface with a gold-colored border. The outer ring contains the text "FEDERAL RESERVE BANK" at the top and "DENVER, COLORADO" at the bottom. The center of the seal depicts an eagle with wings spread, perched atop a shield. The shield is divided into four quadrants: the top-left contains stars, the top-right contains a sunburst, the bottom-left contains a sheaf of wheat, and the bottom-right contains a sheaf of cotton. The shield is flanked by olive branches and arrows.

For additional information on the regional economy:

<https://www.kansascityfed.org/research/regionaleconomy>

<https://www.kansascityfed.org/research/indicatorsdata>

