



FEDERAL RESERVE BANK *of* KANSAS CITY

Kansas & Missouri Economic Outlook

Congressional Staff Briefing

June 7, 2017

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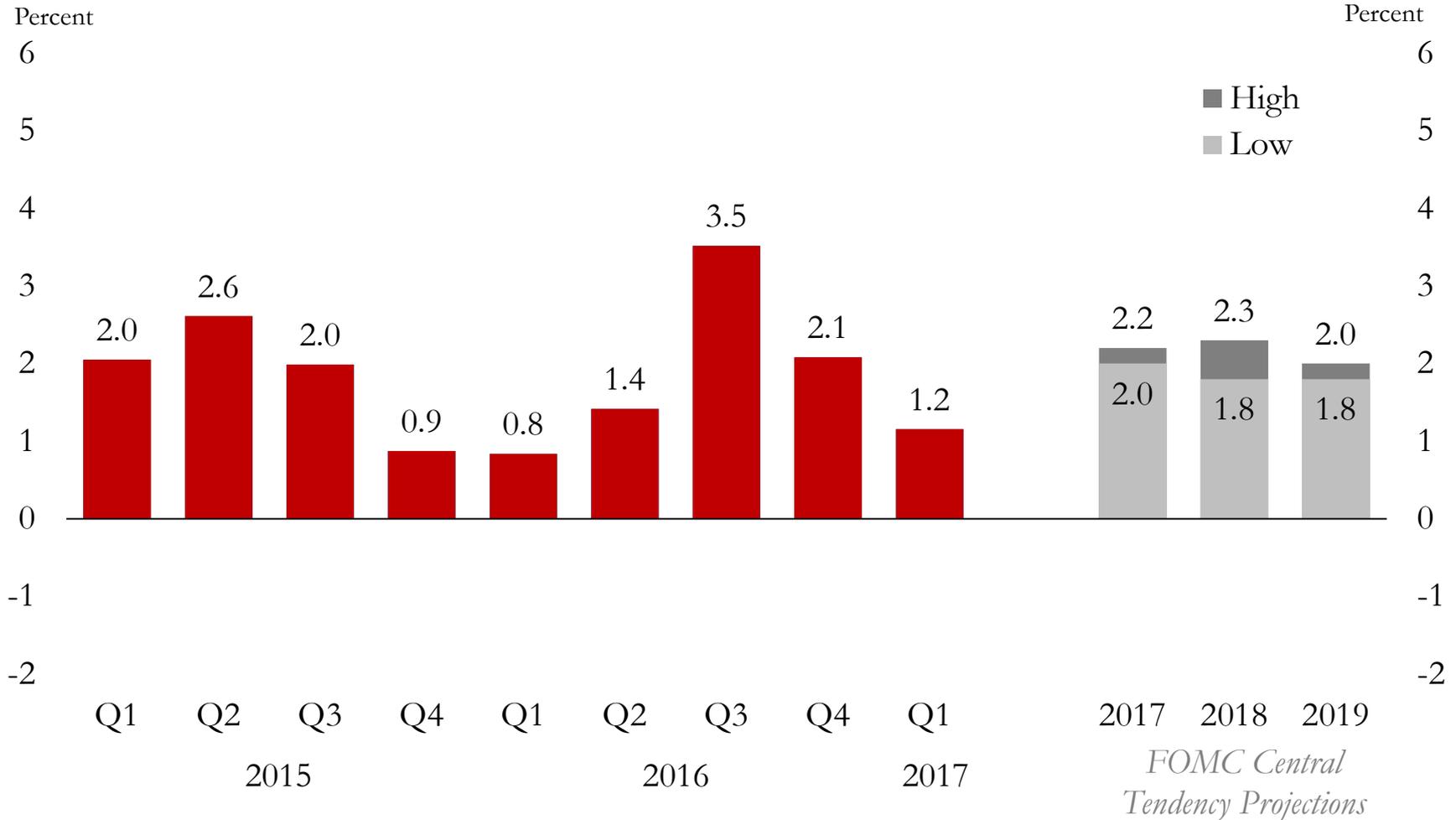
Senior Economist and Regional Executive

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.

The U.S. economy continues to grow at a moderate pace.

REAL GROSS DOMESTIC PRODUCT (GDP)

Annualized Percent Change from Previous Period

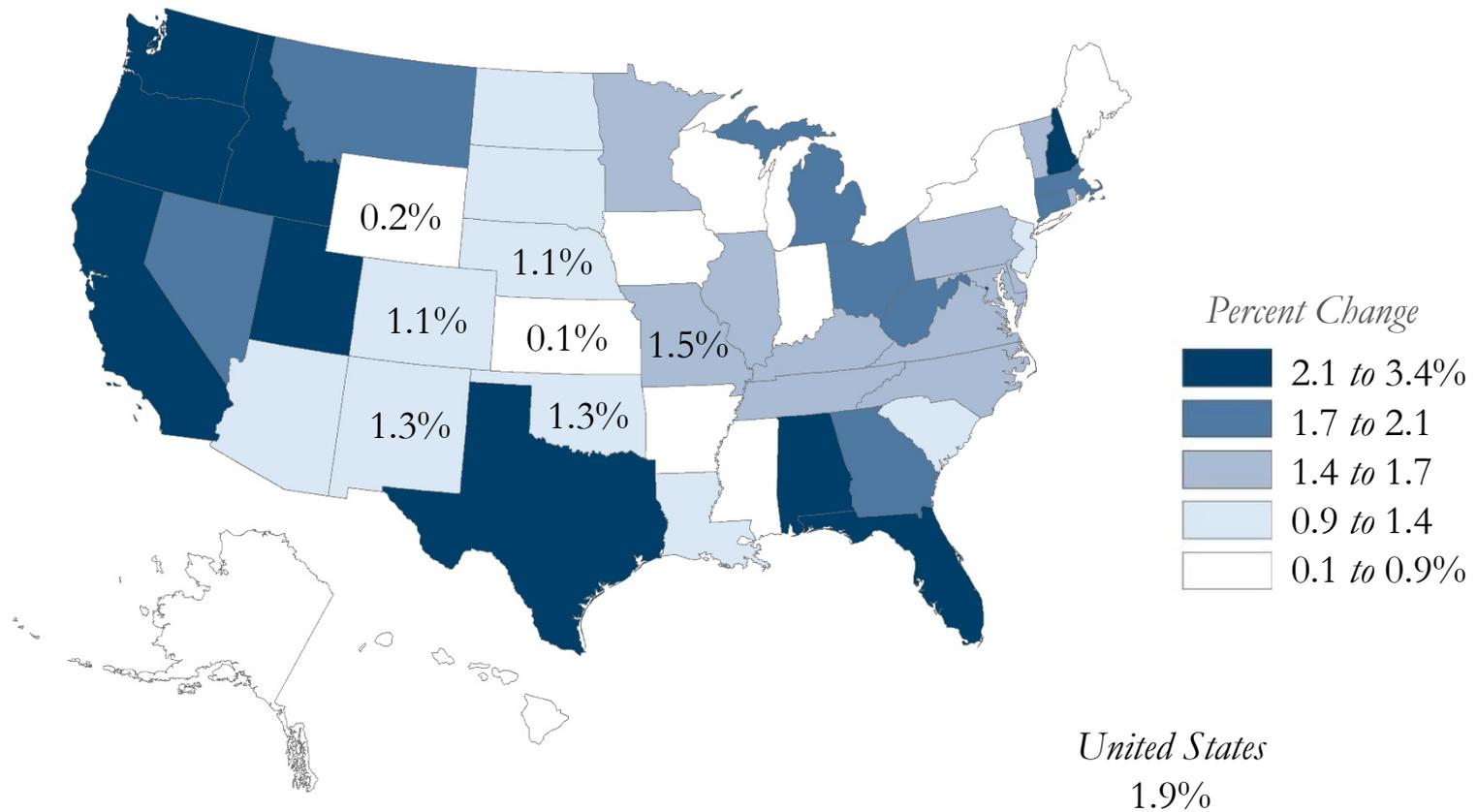


Source: Bureau Economic Analysis, Federal Reserve Board.

The central portion of the U.S. grew slower compared to the nation as a whole in Q4 of 2016.

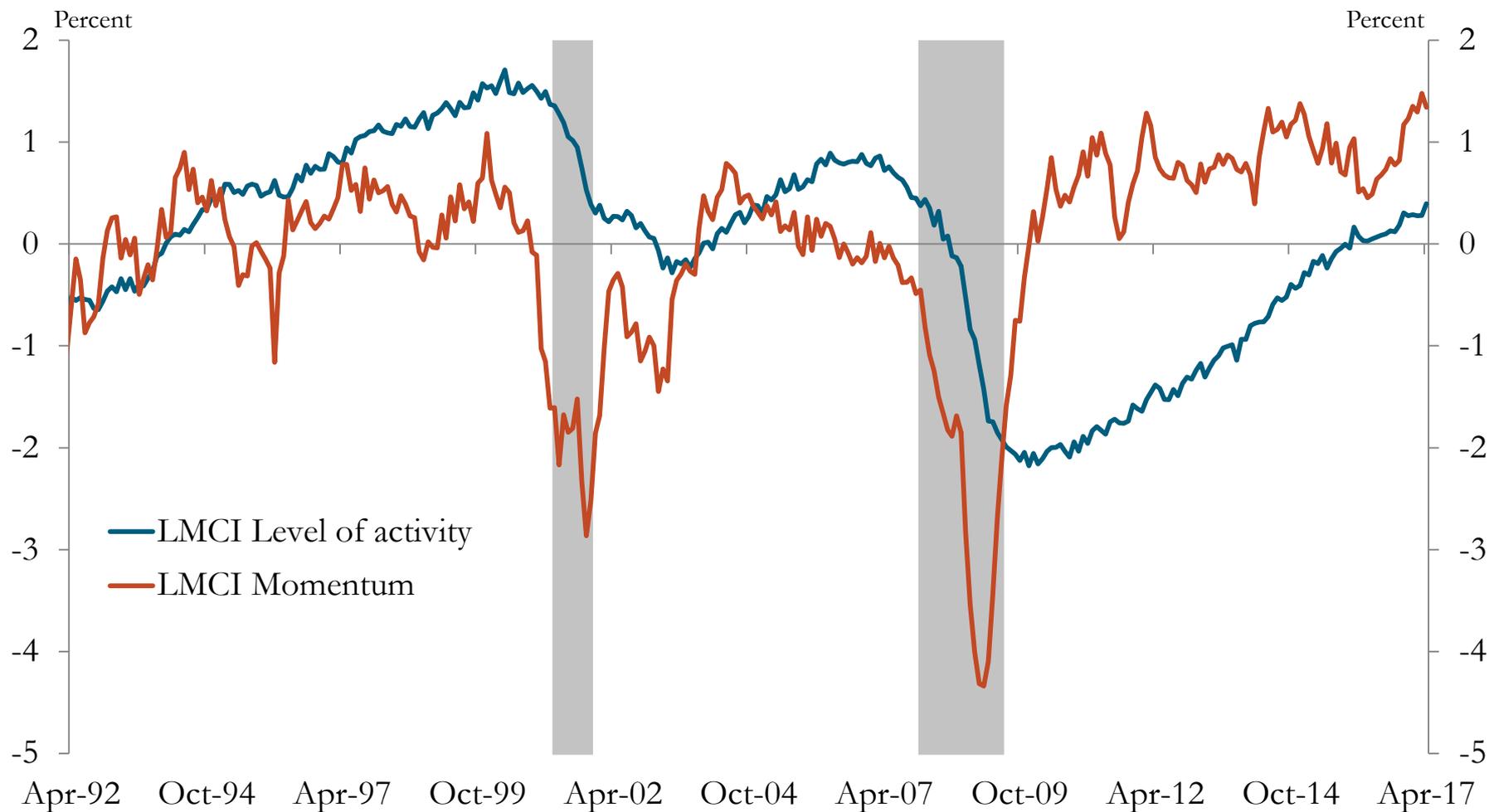
Q4 2016 GROSS DOMESTIC PRODUCT BY STATE

Quarter-over-Quarter Percent Change, Seasonally Adjusted at Annual Rates



The level of activity and momentum in the U.S. labor market remain above the historical average.

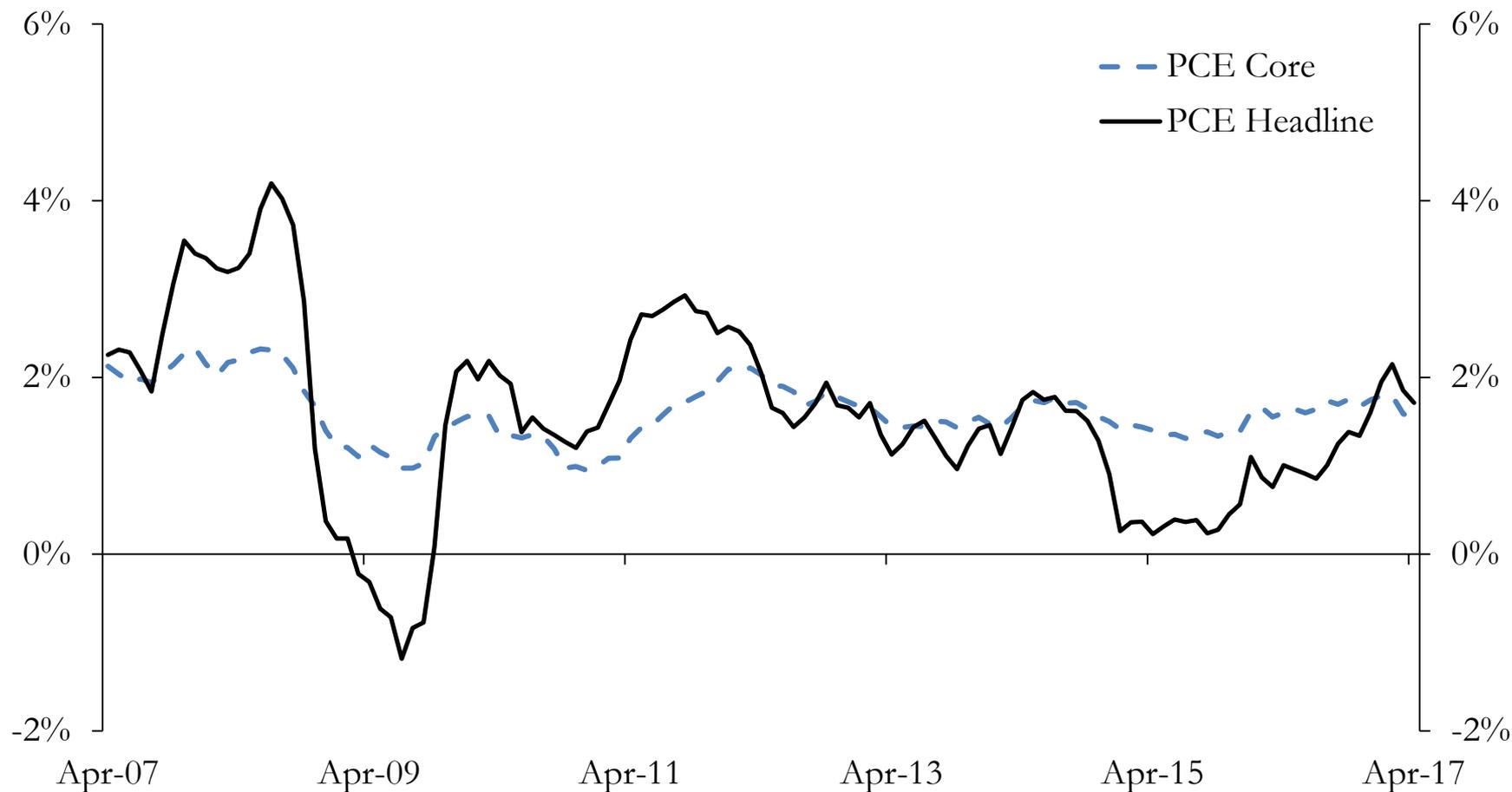
LABOR MARKET CONDITION INDICATORS



Both headline and core inflation have moved near 2 percent.

MEASURES OF INFLATION – PERSONAL CONSUMPTION EXPENDITURE

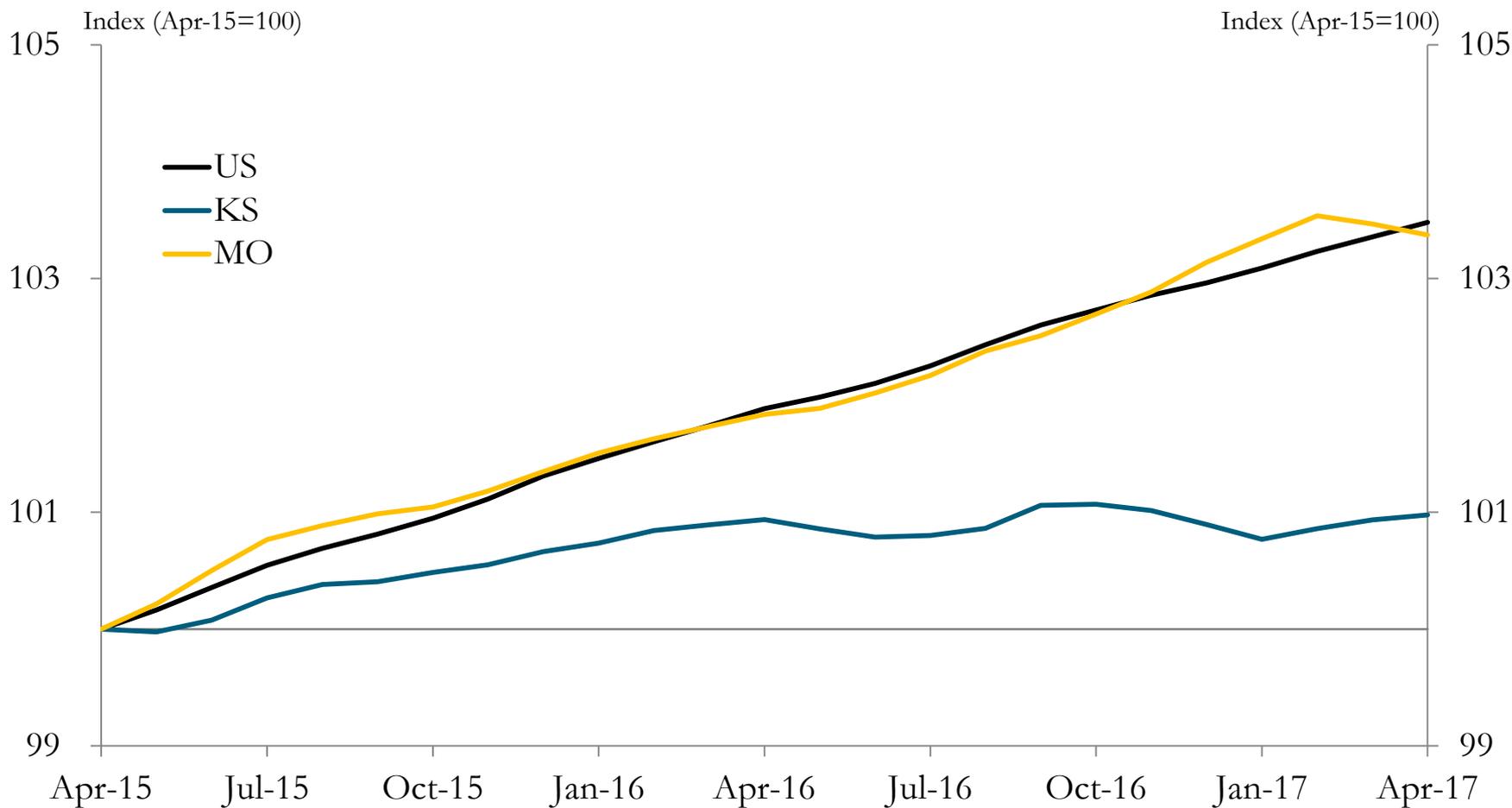
Percent Change Year-over-Year



Employment trends in Missouri are similar to the nation, while growth is much slower in Kansas.

KANSAS AND MISSOURI PAYROLL EMPLOYMENT

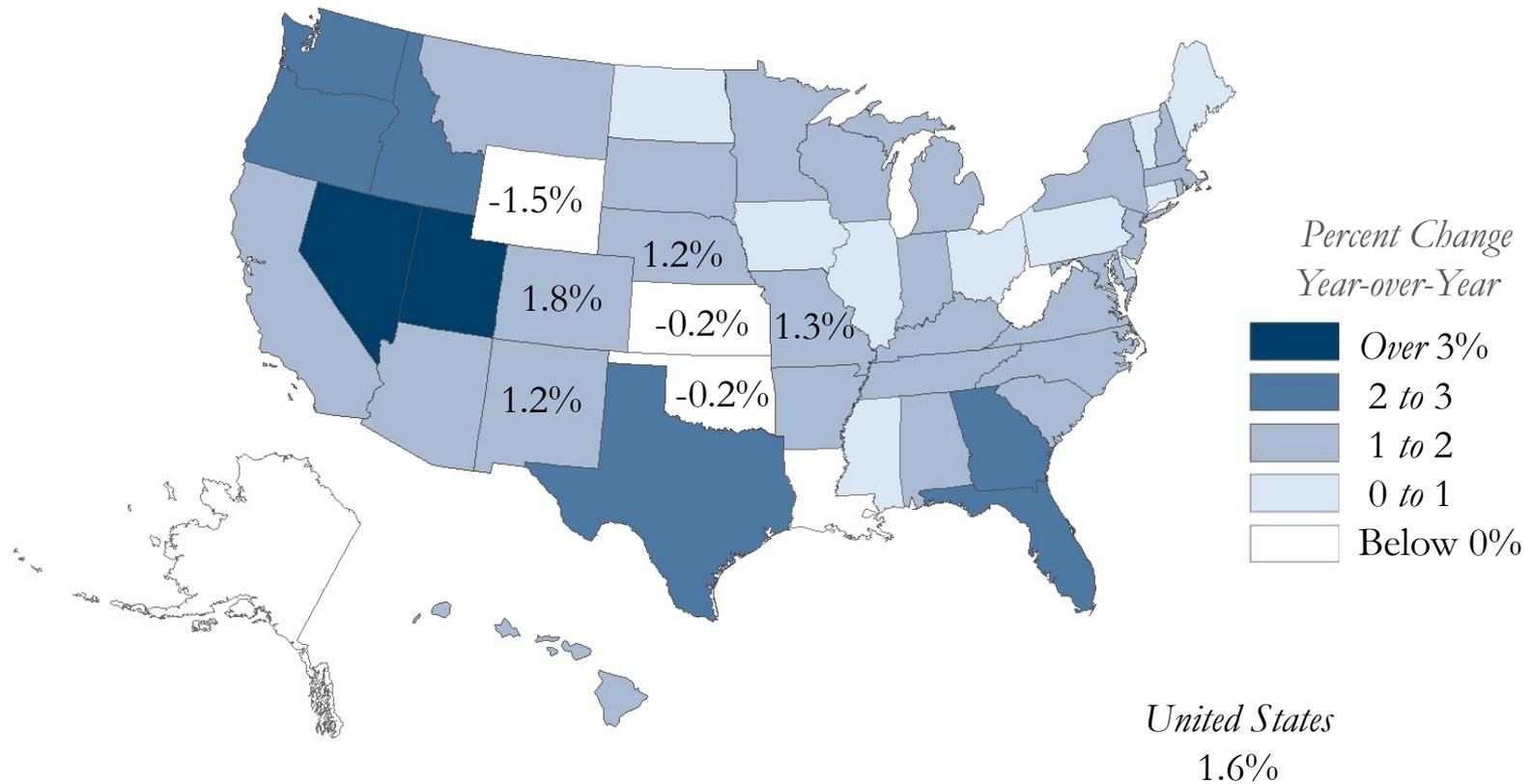
3-month moving average, Seasonally Adjusted



Most of the broader region is also growing slower compared to the nation.

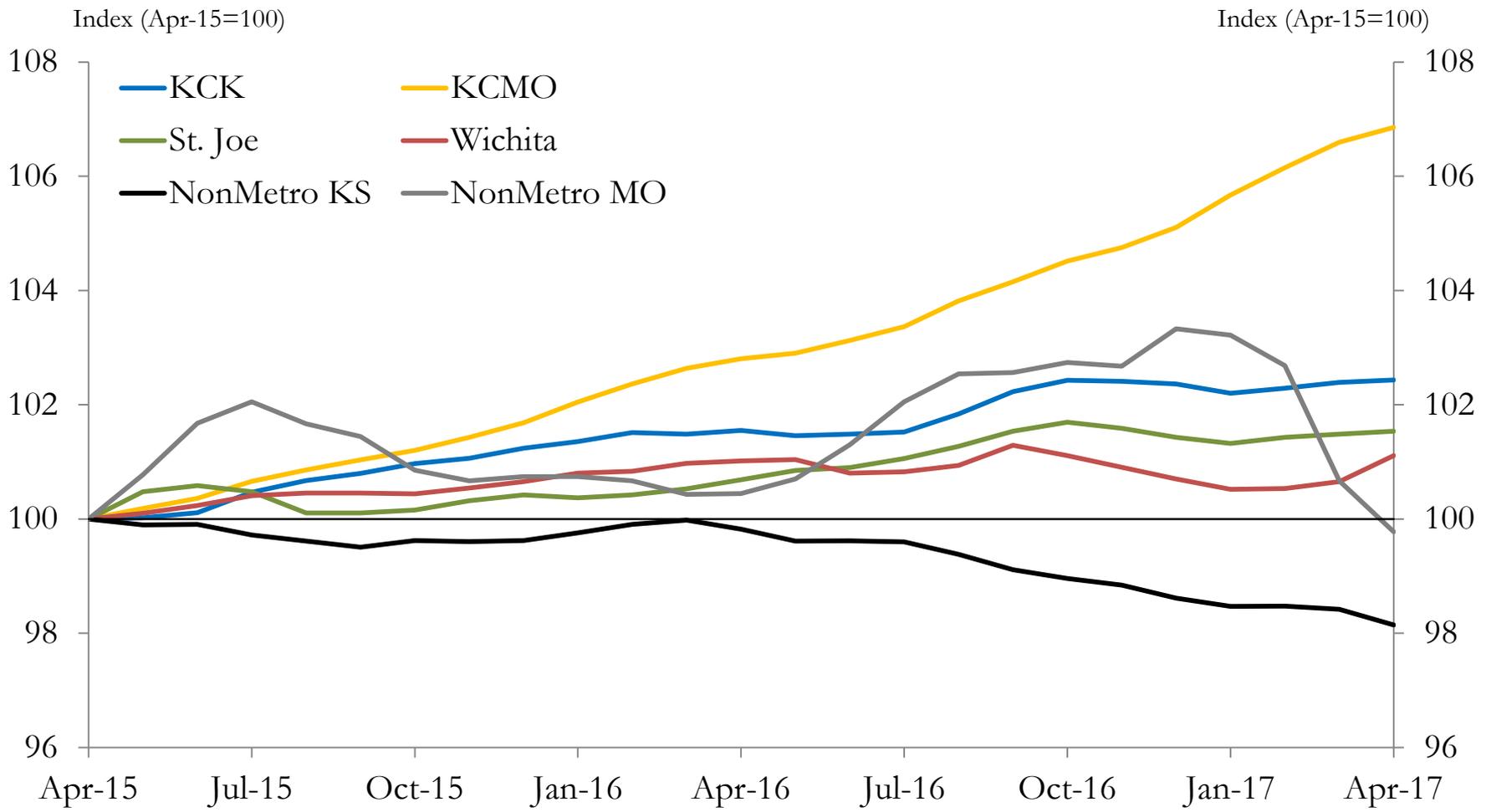
APRIL 2017 TOTAL NONFARM EMPLOYMENT

Year-over-Year Percent Change, Seasonally Adjusted



Employment growth in Kansas City, MO outpaced other metro areas in the region.

METRO PAYROLL EMPLOYMENT
3-month moving average, Seasonally Adjusted

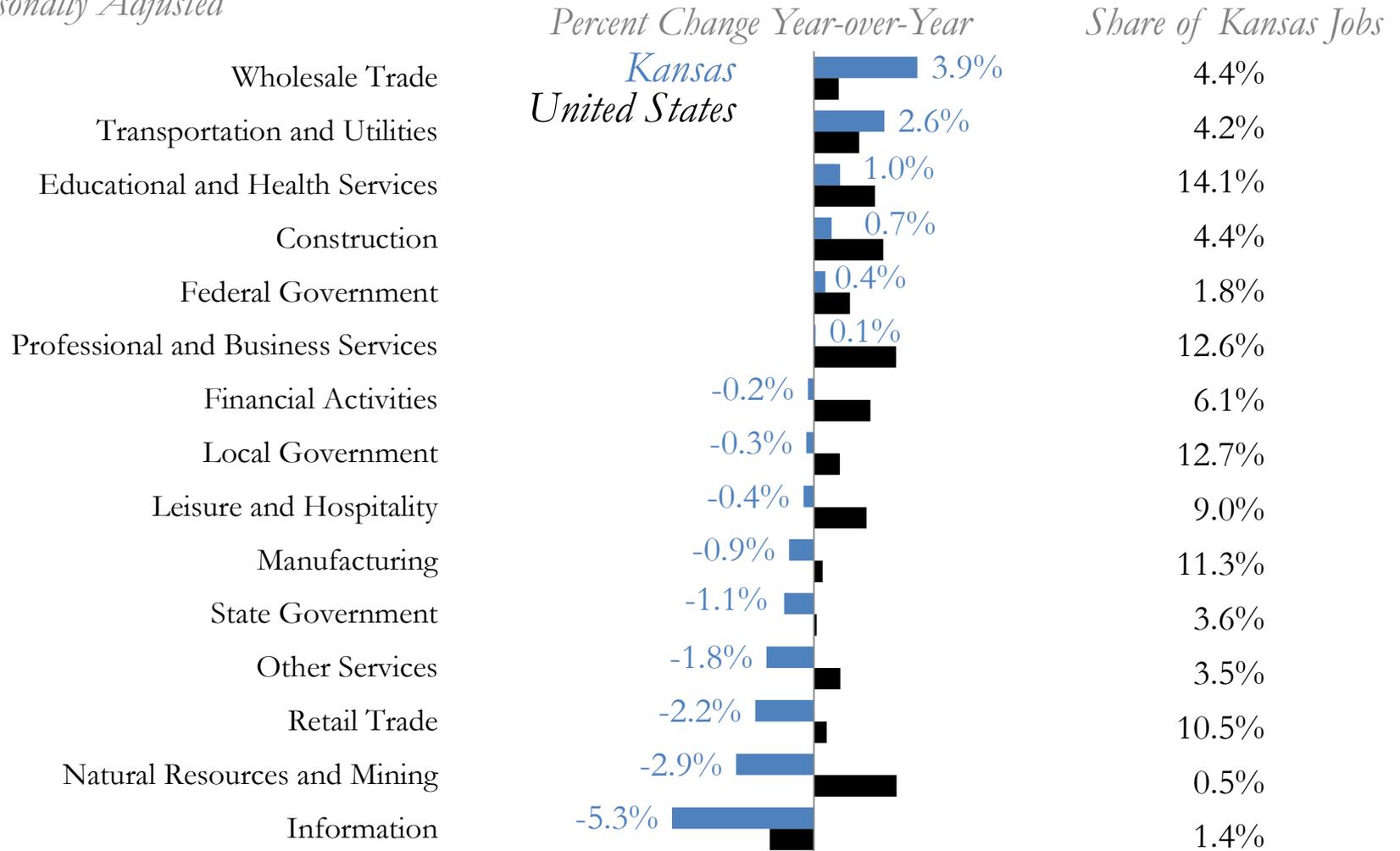


Source: Bureau of Labor Statistics, Staff calculations.

Wholesale trade added the most jobs in Kansas, while the largest declines occurred in retail trade and information.

APRIL 2017 PAYROLL EMPLOYMENT

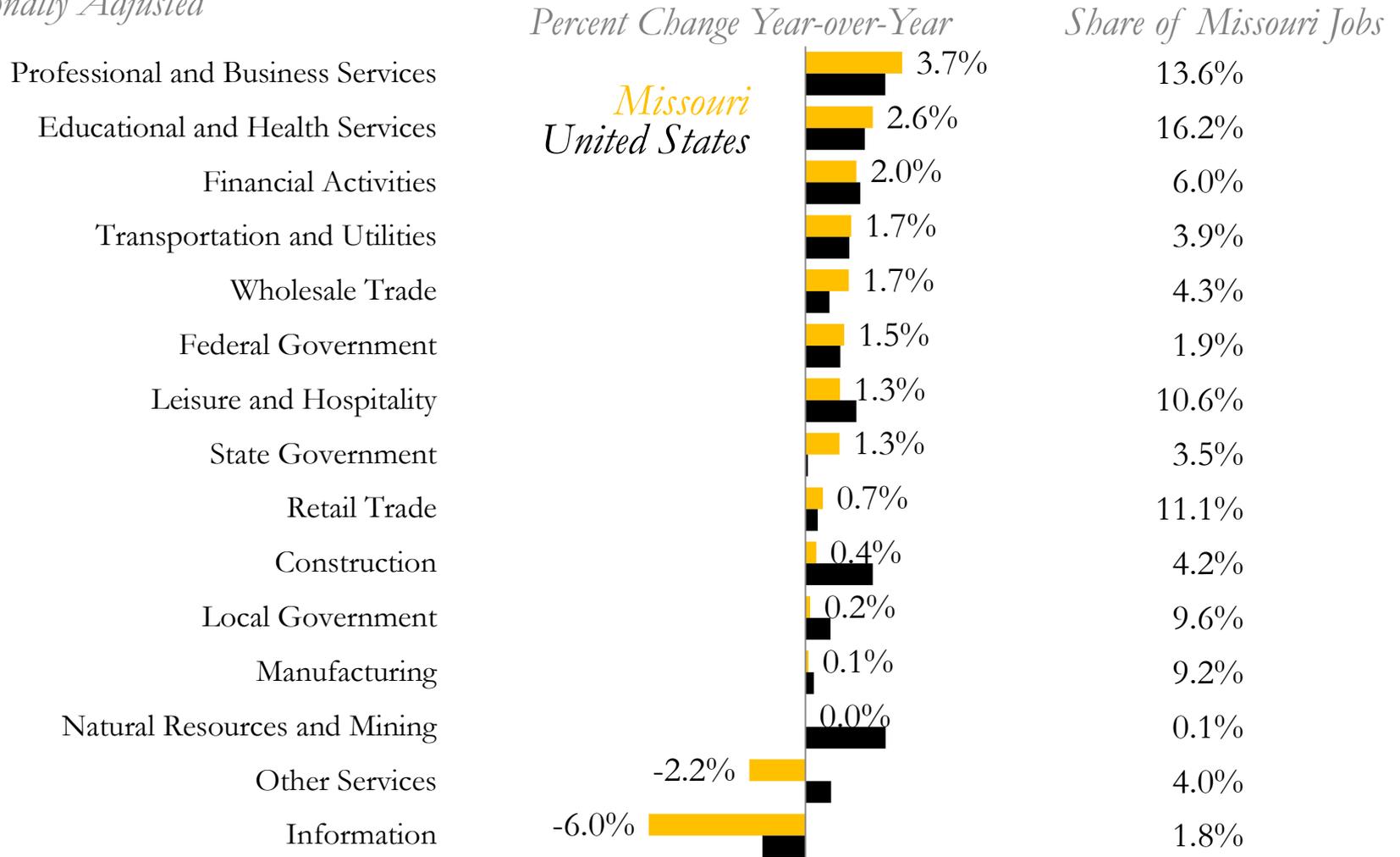
Seasonally Adjusted



Professional and business services added the most jobs in Missouri, while the largest declines occurred in other services and information.

APRIL 2017 PAYROLL EMPLOYMENT

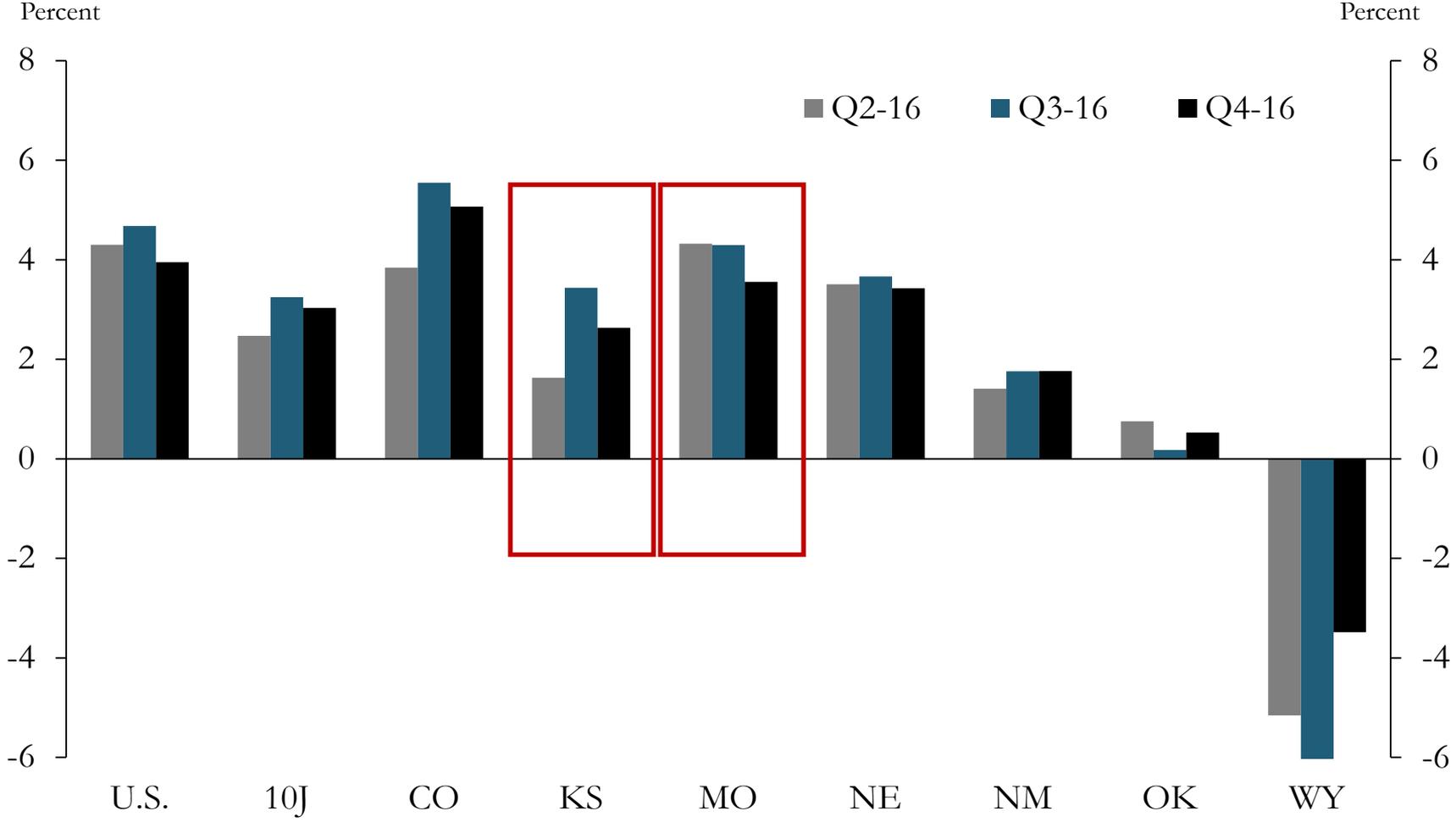
Seasonally Adjusted



Wages and salary growth has been lower in Kansas compared to some neighboring states.

WAGE AND SALARY GROWTH BY STATE

Year-over-Year, Seasonally Adjusted

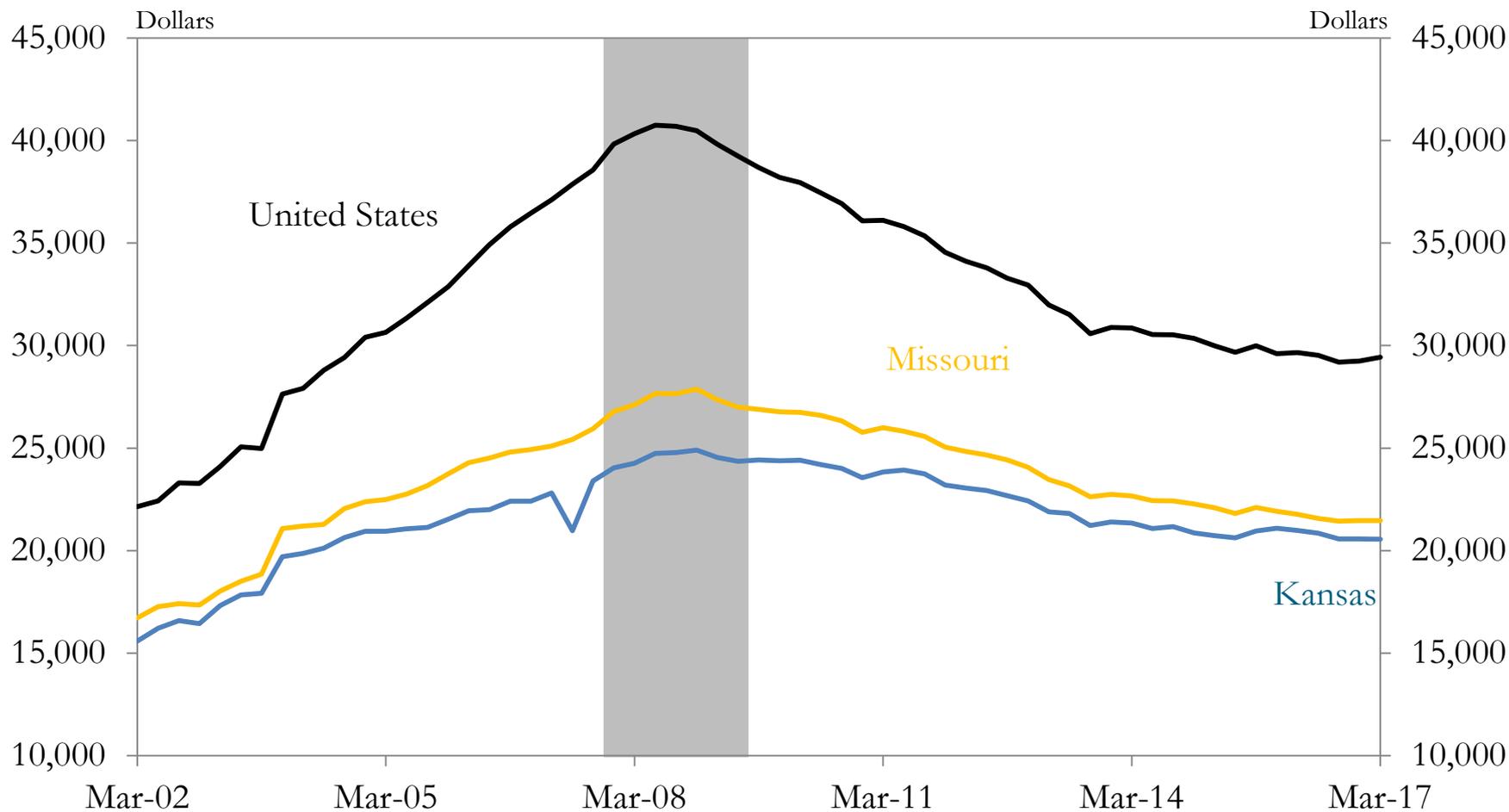


Source: Bureau of Economic Analysis.

Consumers continue to pay down mortgage debt nationally, but little change in KS or MO over the past year.

TOTAL MORTGAGE DEBT

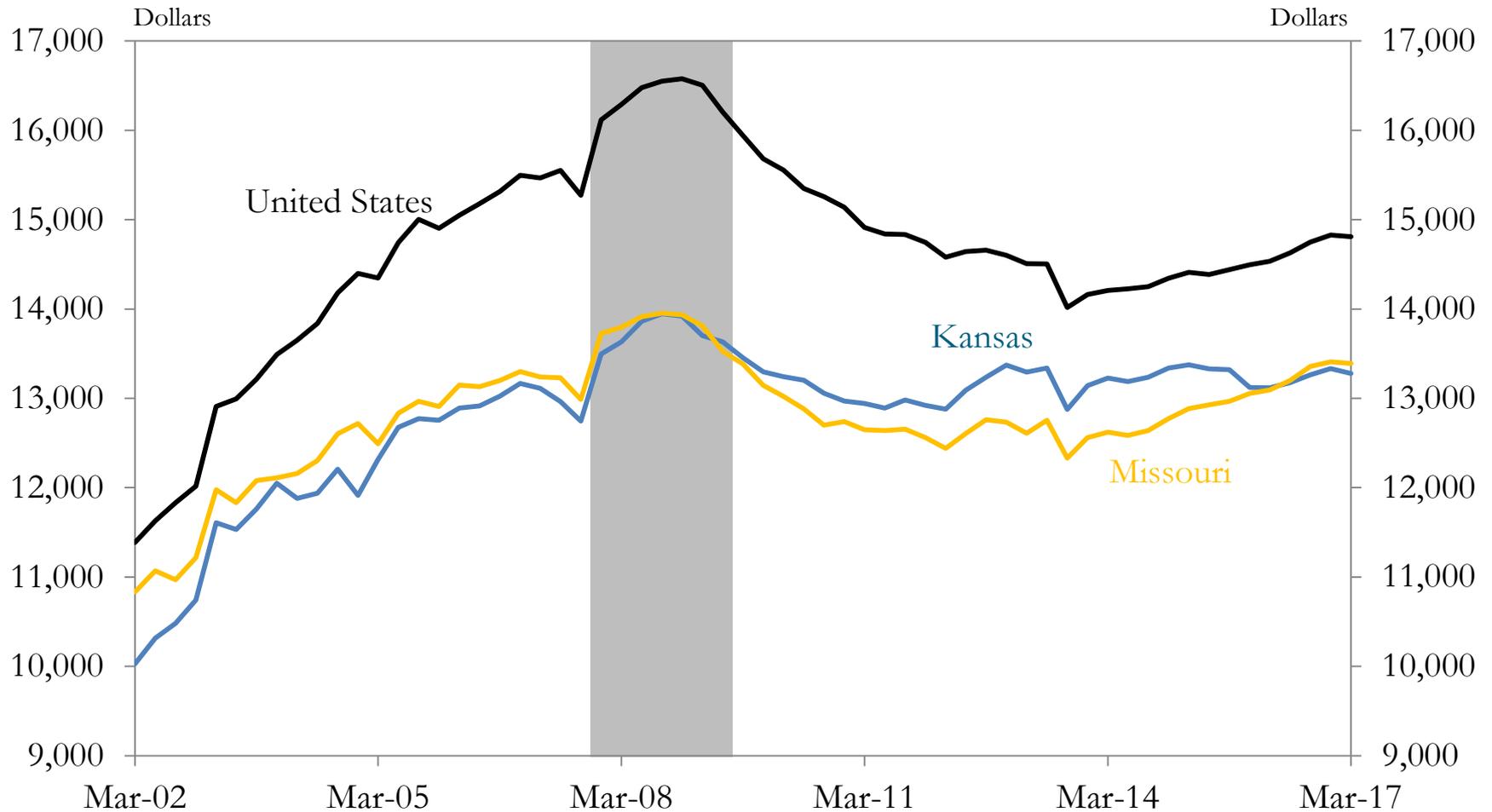
Seasonally adjusted, real dollars



Consumers continue to steadily increase their debt.

TOTAL DEBT EXCLUDING MORTGAGE

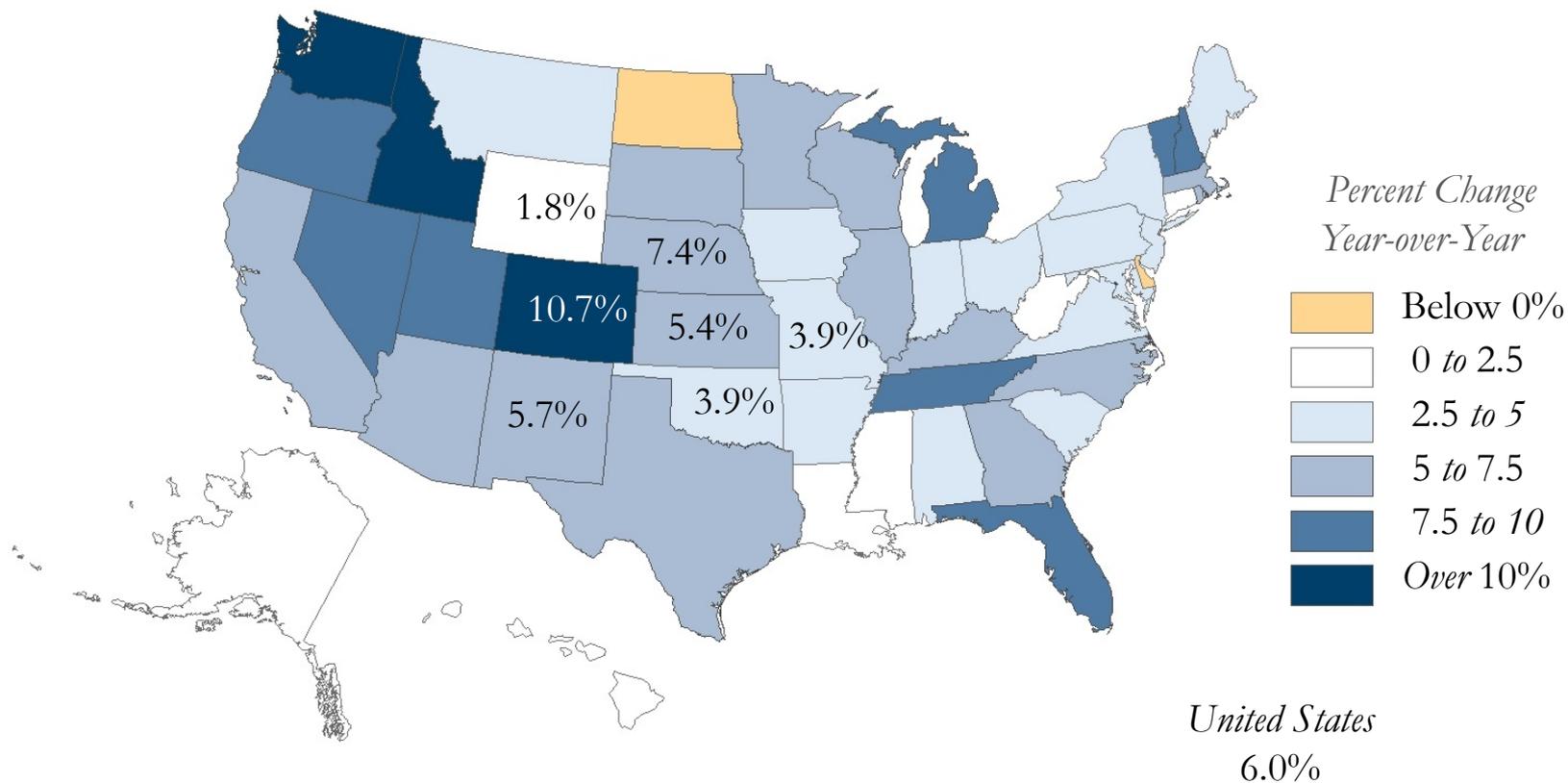
Seasonally adjusted, real dollars



Housing price growth is likely supporting consumer spending.

Q1 2017 FHFA PURCHASE-ONLY HOME PRICES

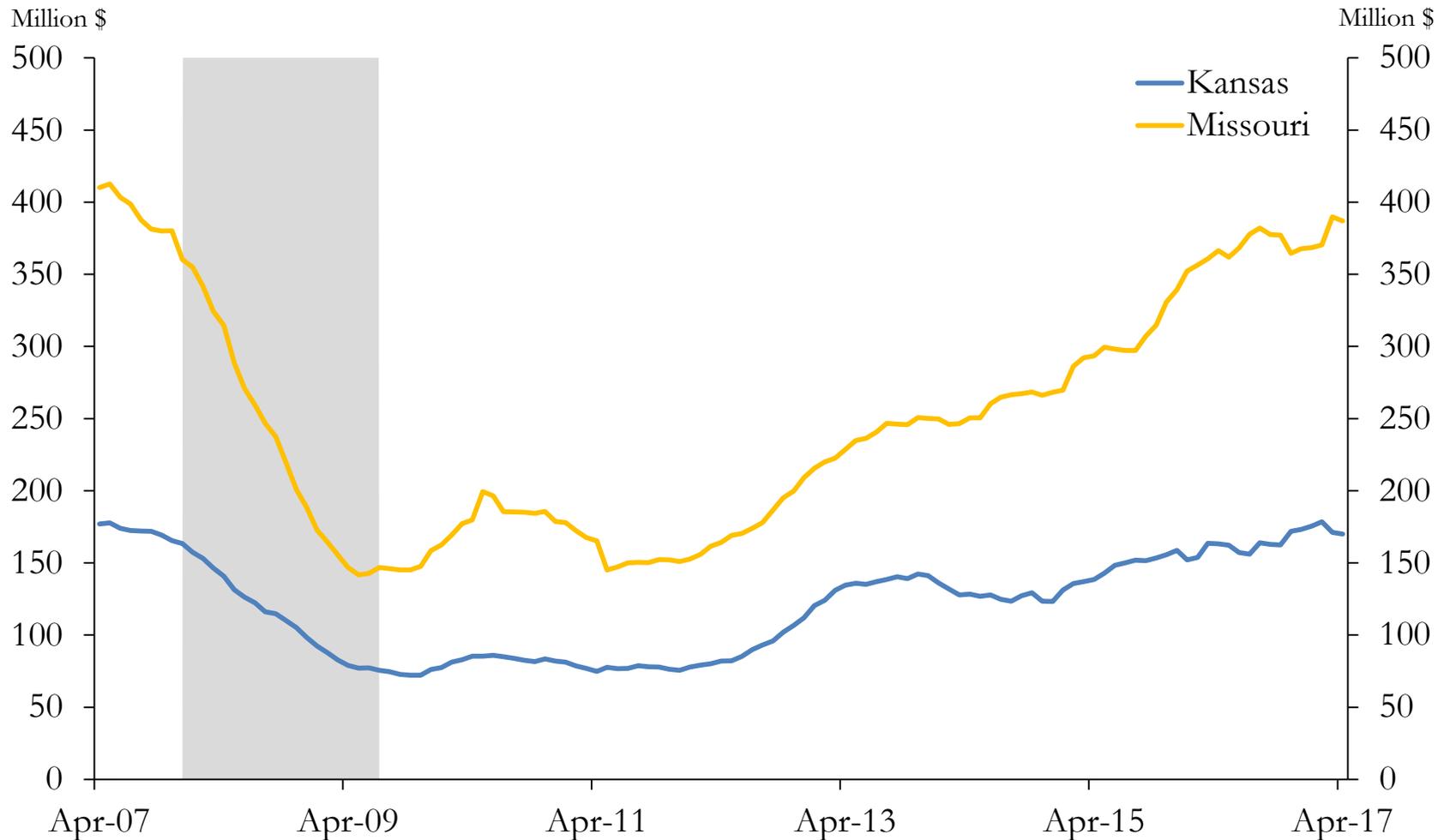
Year-over-Year Percent Change, Seasonally Adjusted



Sluggish growth in new residential construction is likely contributing to low supply of homes available for sale in some areas.

RESIDENTIAL CONSTRUCTION STARTS

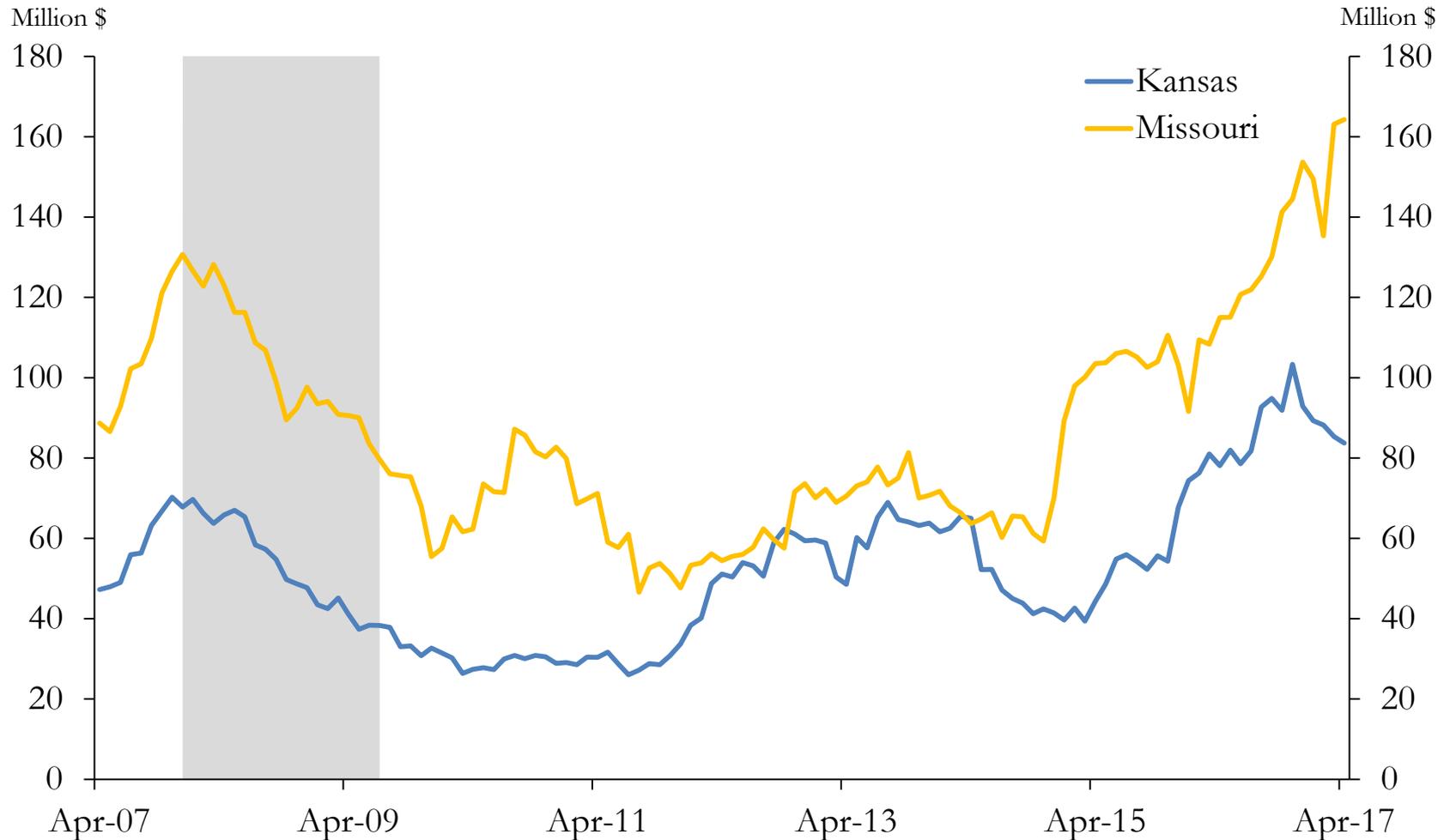
12-month moving average, seasonally adjusted, real dollars



Commercial construction activity increased over the past year in both KS and MO.

COMMERCIAL CONSTRUCTION STARTS

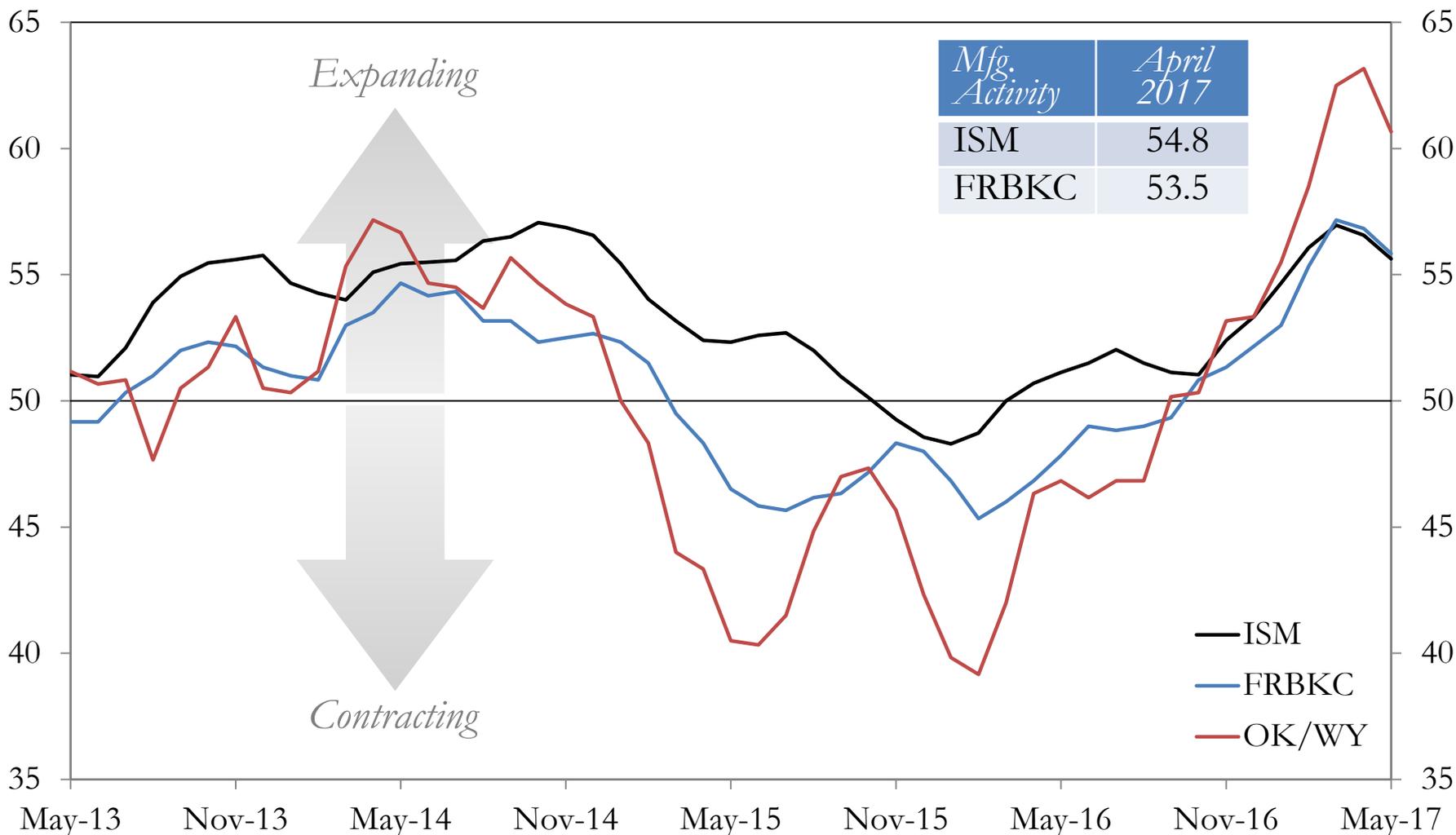
12-month moving average, seasonally adjusted, real dollars



Manufacturing activity continues to expand in the U.S. and District, after contracting in the region most of the past year.

MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, 3-Month Moving Average

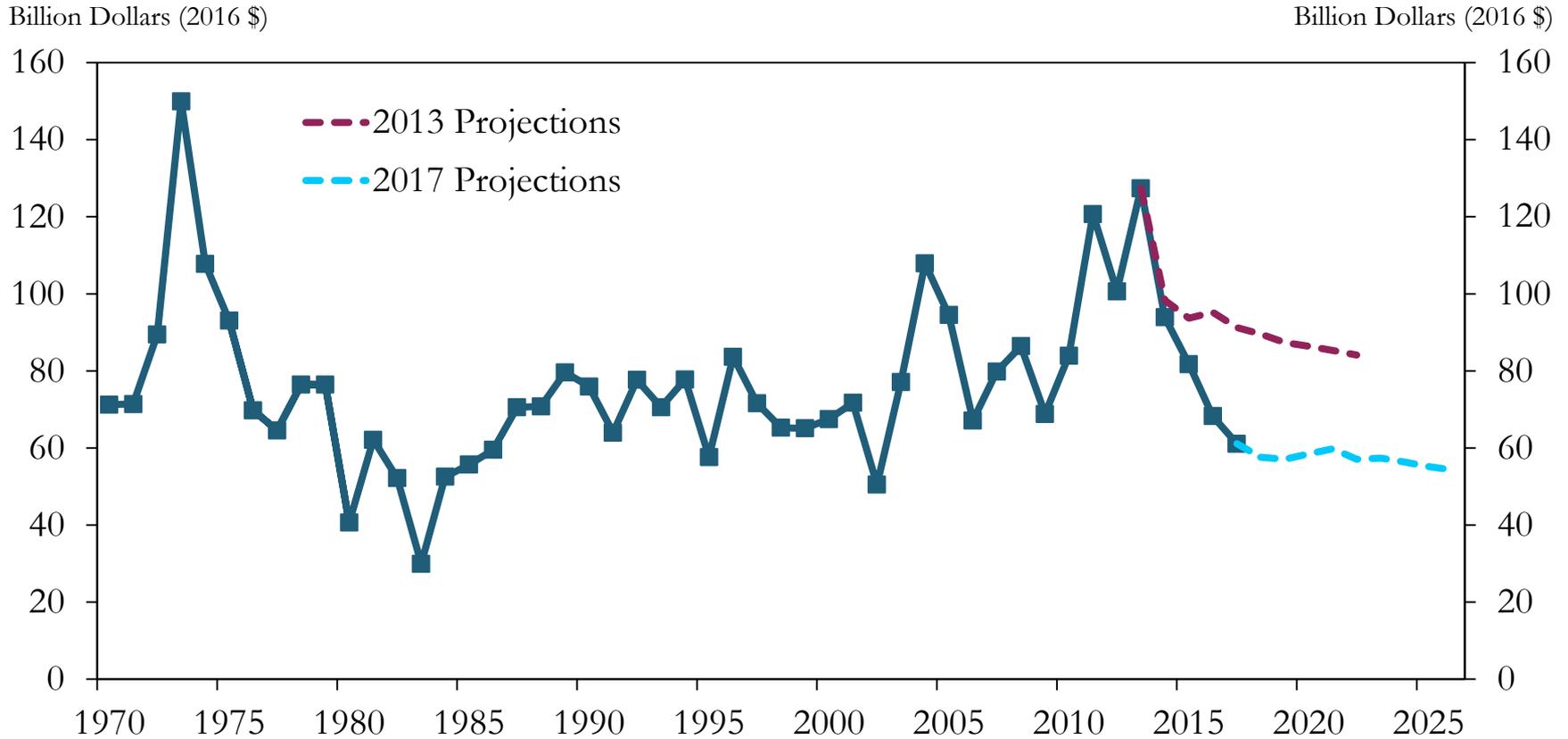


Source: Institute for Supply Management & Federal Reserve Bank of Kansas City/Haver Analytics.

Agricultural Outlook

Net farm income remains low with expectations of similar levels in the near term.

U.S. NET FARM INCOME

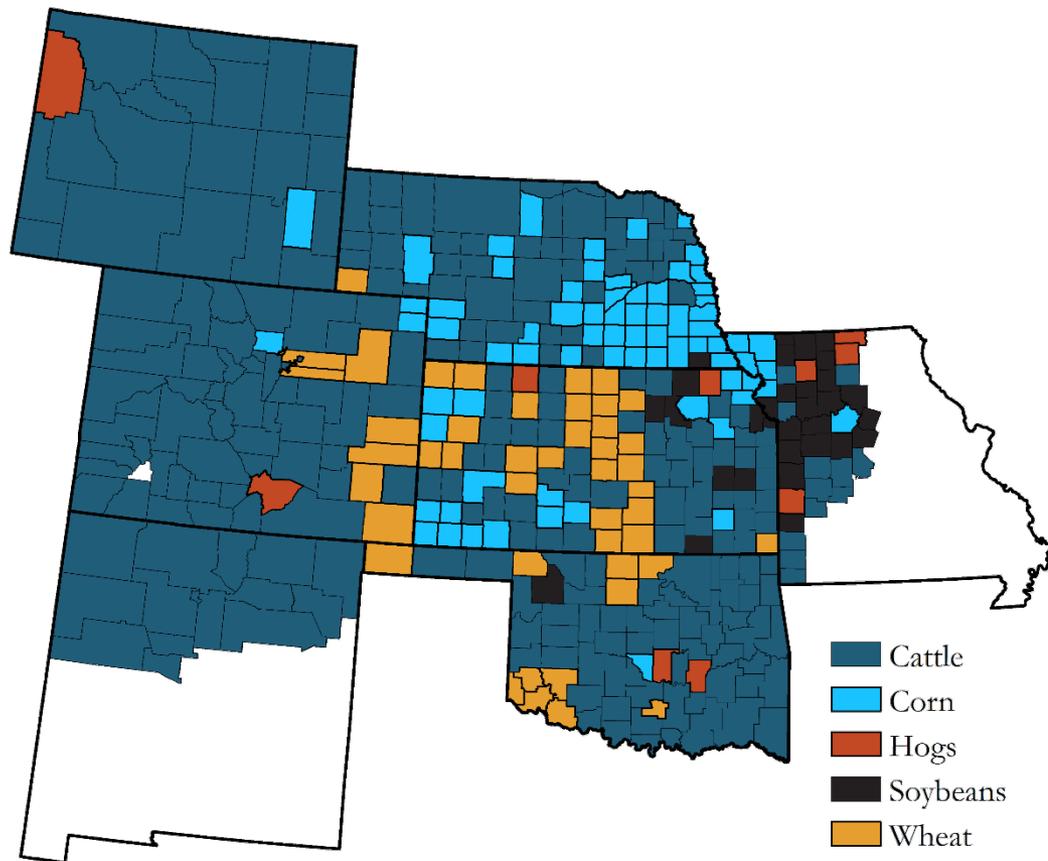


Note: Future years assume a deflator of 2% to match projections made in nominal terms with the inflation-adjusted historical data.

Source: USDA.

Cattle and wheat are the primary agricultural products grown in Kansas, while soybeans and are the major products in western Missouri.

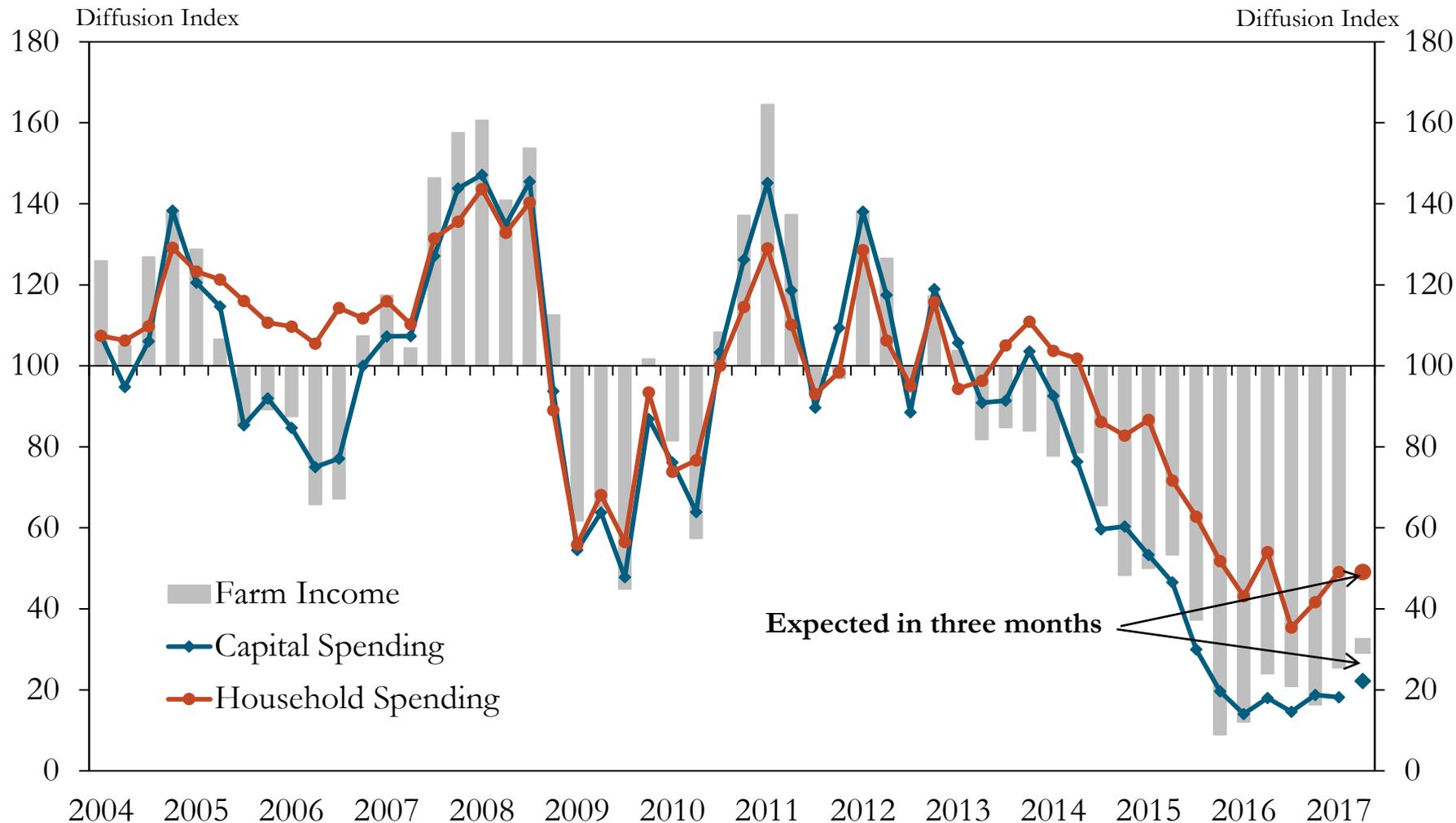
TOP COMMODITY BY SHARE OF TOTAL SALES



Source: USDA.

Farm income, capital and household spending are expected to decline further due to already low crop and declining livestock prices.

KANSAS FARM INCOME AND SPENDING

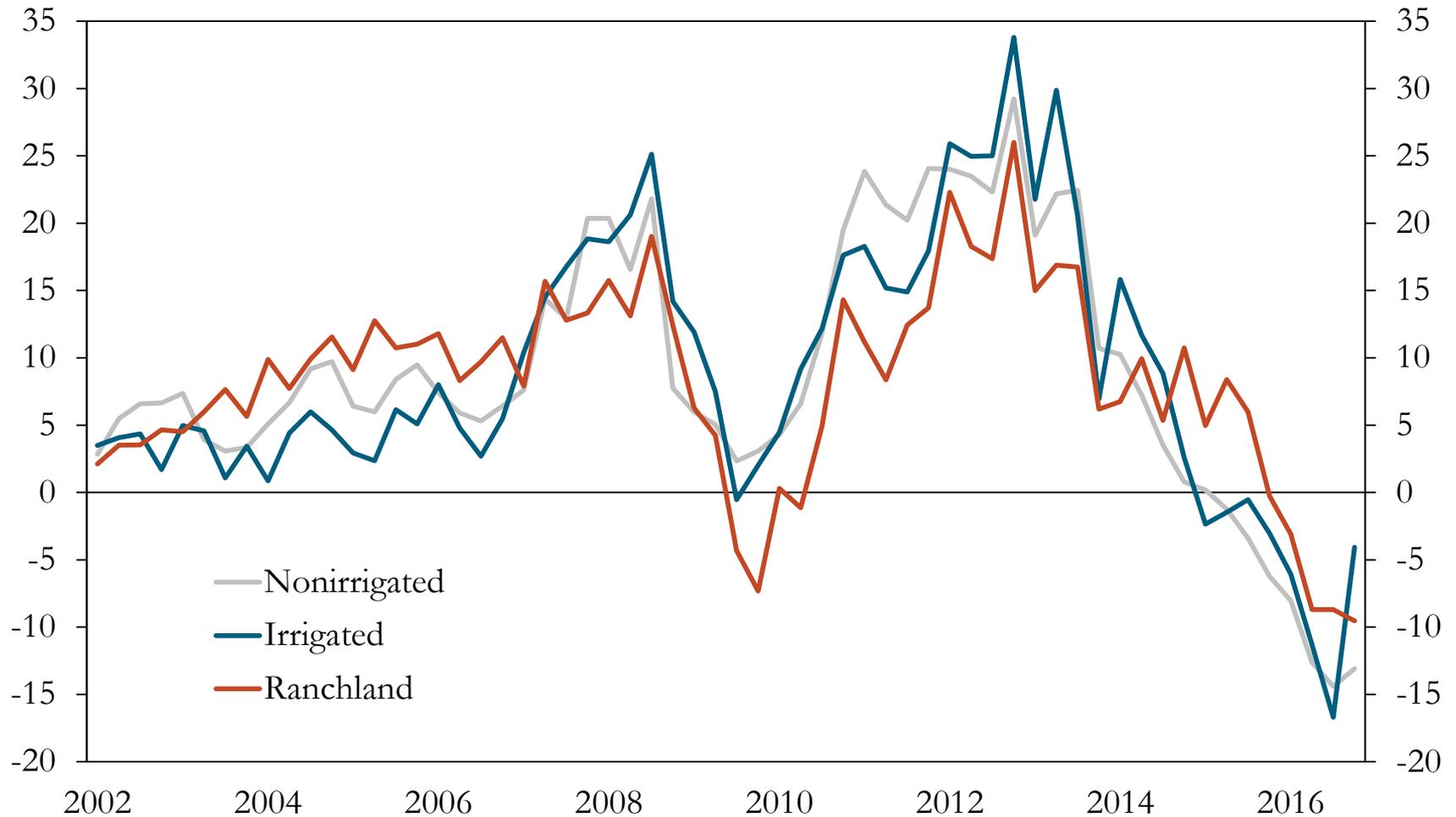


Source: USDA, FRBKC Ag Credit Survey.

Farmland values are declining as a result of sustained declines in farm income.

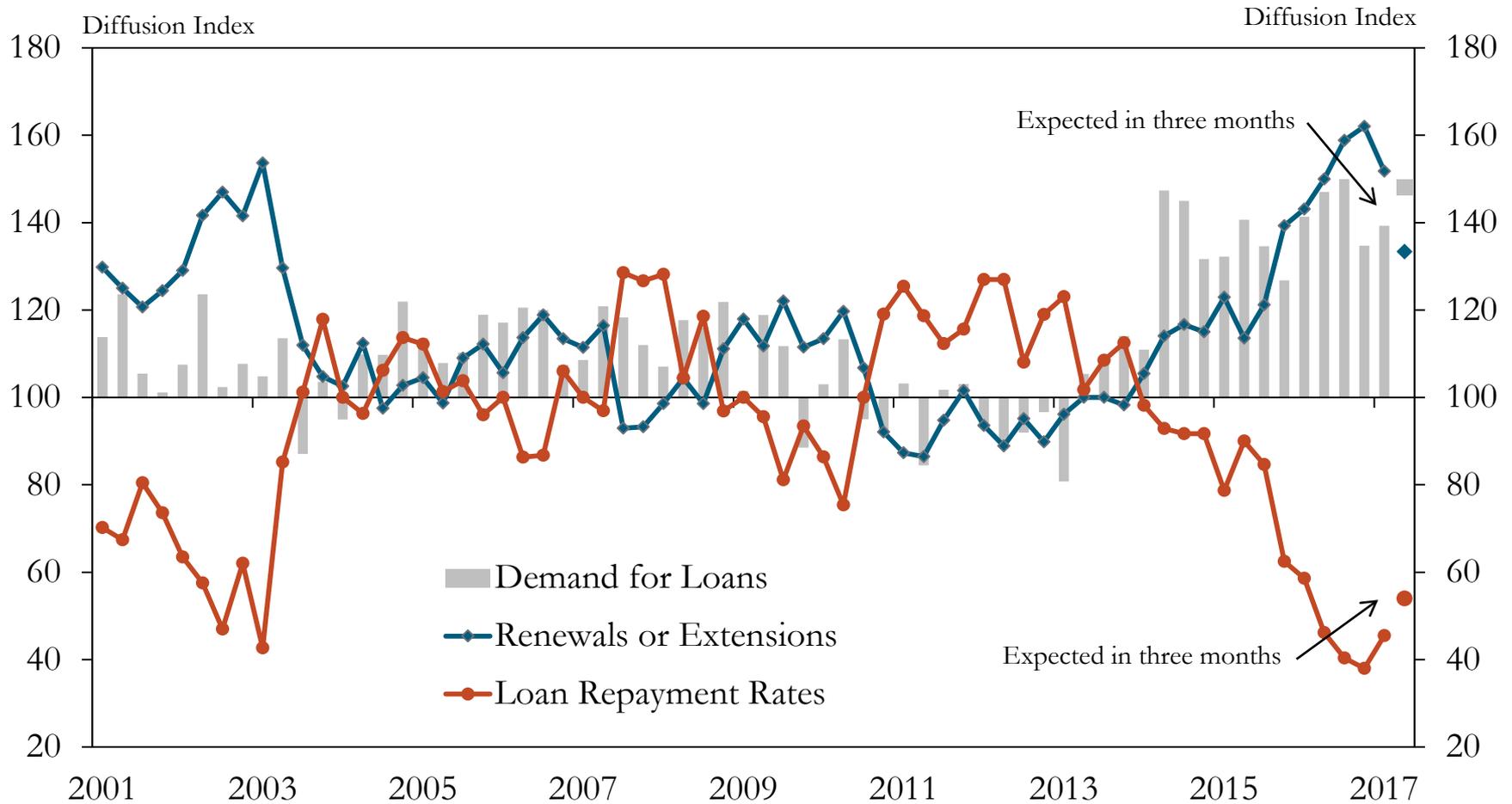
KANSAS FARMLAND VALUES

Percent Change from Previous Year



Demand for loans, renewals, or extensions have risen following the weaker conditions.

KANSAS AG CREDIT CONDITIONS



Summary

- U.S. economy is expected to grow at a moderate pace throughout 2017
- U.S. labor market activity and momentum are above the historical average
- Employment in MO is growing at a similar pace as the nation while growing slower in KS
- Commercial construction activity increased over the past year, but remains flat in both KS and MO
- Most of the agricultural sector is under significant pressure.

Questions?

- For more information about the Kansas and Missouri economies consider subscribing to:
 - Regional Databooks
- <http://www.kansascityfed.org/research/regionaleconomy/>