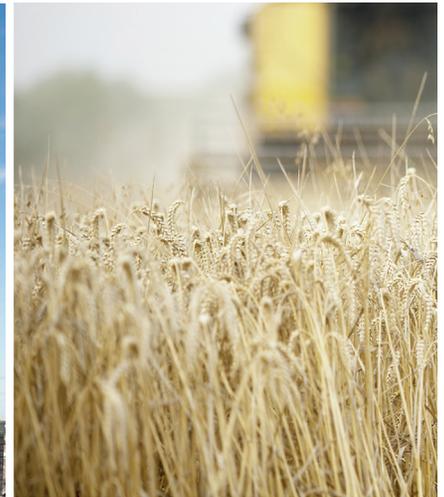


# THE *Midwest* ECONOMIST

Economic Information for KANSAS and Western MISSOURI



2ND QUARTER 2012

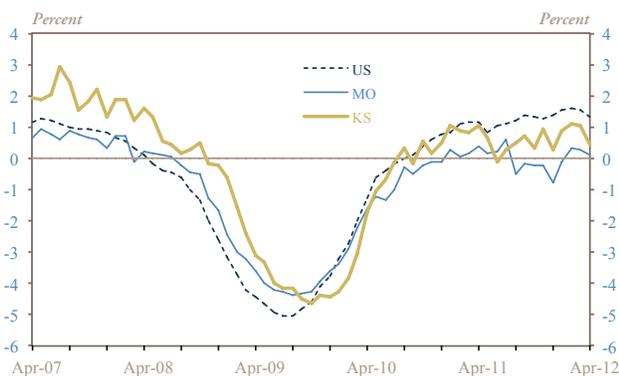
FEDERAL RESERVE BANK of KANSAS CITY

## Update on the Kansas and Missouri Economies

The economies of Missouri and Kansas improved slightly during the first quarter of 2012. Kansas and Missouri employment growth was positive, but the pace of growth slowed. The unemployment rate continued to fall in Kansas and Missouri, and labor market indicators suggest that conditions will improve in the second quarter of 2012. Manufacturing activity expanded throughout the first quarter, and expectations are for activity to continue to increase in Missouri and Kansas. Agricultural conditions were strong in the first quarter, and several factors should lead to continued strength.

### Chart 1 Total Nonfarm Employment

YEAR-OVER-YEAR GROWTH



Source: Bureau of Labor Statistics



*What goods are exported from Kansas and Missouri and where do they go?*

Branch Executive and Economist Alison Felix answers this timely question about the Kansas and Missouri economies on Page 4.

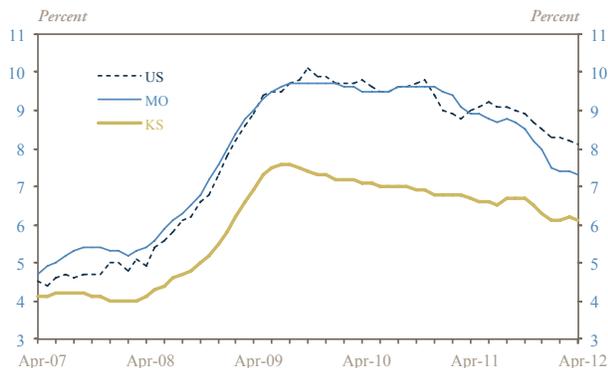
Total nonfarm employment growth to the previous year was positive in Kansas during the first quarter of 2012, but growth slowed in March and April (Chart 1). Over the past year, job gains were strong in the state's manufacturing, natural resources and mining, construction, professional and business services, and leisure and hospitality sectors. Growth was constrained by job losses in the information, retail trade, federal government, and state and local government sectors. Kansas City had the strongest job growth in the first quarter of any of the metro areas located in Kansas.

After a month of contraction in January, Missouri nonfarm employment grew slightly through April 2012 compared to the previous year. Manufacturing employment grew throughout the first quarter and continued to grow in April. Job gains were also seen in the natural resources and mining, professional and business services, and the education and health services sectors. However, a contraction in the construction, trade, transportation and utilities, information



## Chart 2 Unemployment Rate

SEASONALLY ADJUSTED



Source: Bureau of Labor Statistics

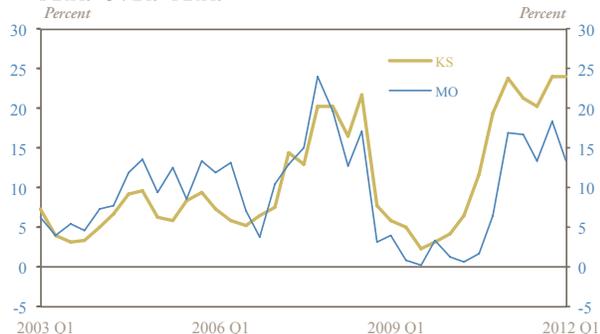
## Chart 3 Manufacturing Indexes



Sources: Institute for Supply Management, FRBKC Manufacturing Survey  
Note: 10J index is computed on ISM basis (50 = zero change)

## Chart 4 Non-irrigated Farmland Values

YEAR-OVER-YEAR



Source: FRBKC Agricultural Credit Survey

and federal government sectors kept annual job growth below one percent.

The unemployment rate fell in both Missouri and Kansas during the first quarter of 2012 (Chart 2). The Kansas unemployment rate was 6.1 percent in April, the lowest reading since January of 2009. In Missouri, the unemployment rate was 7.3 percent in April, a decrease of 0.7 percent since December, and the lowest reading since November 2008. However, the recent improvements in both states were largely due to decreases in the labor force. New claims for unemployment insurance continued to fall during the first quarter of 2012 in both Kansas and Missouri. The most recent employment outlook survey from Manpower Inc. reported that a net 7 percent of firms in Kansas and a net 12 percent of firms in Missouri plan to hire during the second quarter of 2012.

Manufacturing activity in the Tenth District expanded slightly during the first quarter of 2012, and after slowing slightly in April, rebounded to solid growth in May (Chart 3). Firms located in Kansas and western Missouri reported that manufacturing activity has been strong, and their expectations have been consistently optimistic that manufacturing activity will continue to improve (for more on manufacturing in Kansas and Missouri see Spotlight On).

The pace of farmland value appreciation slowed in the first quarter of 2012 in western Missouri and Kansas, but overall values continued to climb (Chart 4). Farm income also grew in Kansas in the first quarter. Increased rainfall, along with a mild winter, resulted in excellent winter wheat conditions in the state. Recently wheat prices have moved back to more than \$6.50, and this coupled with prime growing conditions, could result in healthy farm incomes in the second quarter of 2012.

*Update provided by Adam Pope, Assistant Economist, at the Federal Reserve Bank of Kansas City.*



## SPOTLIGHT ON: *Automobile Manufacturing in the Kansas City Metro Area*

Manufacturing has been one of the leading industries for growth in Missouri, Kansas and the Kansas City metro political area during the recovery (Chart 5). In Missouri, manufacturing employment has grown steadily since April 2010, and the number of employees in manufacturing has grown in Kansas 11 of the past 12 months. Since July 2011, manufacturing employment growth has also been positive in the Kansas City metro. The number of people employed by the manufacturing sector is still much lower than pre-recession levels, but it is clear that manufacturing employment is rebounding.

Durable goods manufacturing has been the driver of growth in the region. One of the major components of durable goods manufacturing in Kansas City is automobile manufacturing. Ford and General Motors (GM) both have major manufacturing plants in the Kansas City metro. The Ford plant is located in Claycomo, Mo., and has 4,011 employees. It produces the F-150 and beginning in 2013, the Ford Transit Van. The GM plant manufactures the Buick LaCrosse and the Chevrolet Malibu. It is located in Kansas City, Kan., and employs 3,743.

The future for automobile manufacturing in Kansas City appears bright. In October of 2011, Ford announced it will be hiring 1,600 new employees and investing \$1.1 billion to expand and retool the plant in order to produce the Transit Van. The F-150 has been the bestselling vehicle in the United States for the past 24 years. The Buick LaCrosse has been the bestselling Buick model the past two years, and the Chevrolet Malibu is the second-best-selling Chevrolet automobile.

Additionally, Smith Electric Vehicles chose Kansas City for its North American headquarters in 2009. Smith has contracts to provide electric delivery trucks to Coca-Cola, Frito-Lay, Staples and other major customers. Several parts suppliers for both Ford and GM have announced expansion plans over the past two years. Flex-N-Gate, a GM supplier, also moved to Kansas City in 2011 and plans to hire 300 throughout the next five years.

### Chart 5 Manufacturing Employment

SEASONALLY ADJUSTED

Index: Apr-07=100

Index



Source: Bureau of Labor Statistics



## ASK AN *Economist*

*Alison Felix, Branch executive and economist, answers a question from a recent public speech.*

### WHAT GOODS ARE EXPORTED FROM KANSAS AND MISSOURI AND WHERE DO THEY GO?

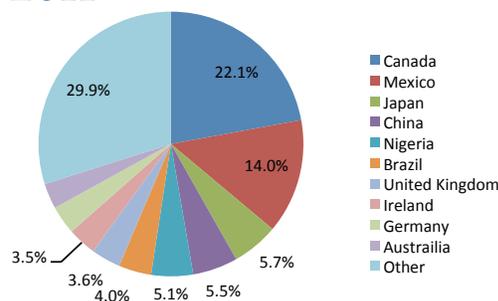
The top two destinations for Kansas and Missouri exports are Canada and Mexico (see figure). In Kansas, 22 percent of exports go to Canada and 14 percent go to Mexico. In Missouri, these percentages are 30 percent and 10 percent, respectively. Japan and China are also among the top five export destinations for both states. Overall, exports originating in Kansas made up 0.8 percent of total U.S. exports in 2011, and exports originating from Missouri made up 1 percent of total U.S. exports. Between 2010 and 2011, the value of exports increased 16.8 percent in Kansas and 9.4 percent in Missouri.

In Kansas, the primary exports are related to aircraft manufacturing, agriculture and chemicals. Civilian aircraft and parts made up 17.4 percent of exports in 2011. This percentage was even higher before the recession, accounting for 30.7 percent of the state's exports in 2008. The agriculture industry also contributes a large share to total exports with wheat, corn and meat products making up 8.1 percent, 2.1 percent and 6.4 percent of total exports, respectively. Pharmaceutical products added another 4.7 percent in 2011. Other crops, animal byproducts, chemicals and passenger vehicles were also among the top 25 export categories in Kansas.

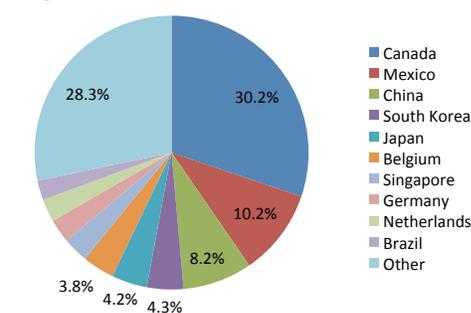
Missouri primarily exports goods related to passenger vehicle manufacturing, chemicals, minerals and agriculture. Goods related to the manufacturing of passenger vehicles made

up 13.8 percent of Missouri exports in 2011. Coal contributed 3.9 percent. Chemicals including inorganic, pharmaceutical and insecticides supplied 8.9 percent of total exports. Metals such as copper and aluminum made up 3 percent, and aircraft parts made up 4.6 percent. Agricultural products are also important in Missouri with meat contributing 2.9 percent and crop products contributing 3.6 percent.

## Kansas Exports by Destination 2011



## Missouri Exports by Destination 2011



Source: U.S. Census