



FEDERAL RESERVE BANK *of* KANSAS CITY

Kansas & Tenth District Economic Outlook

Governor's Council of Economic Advisors

May 24th, 2016

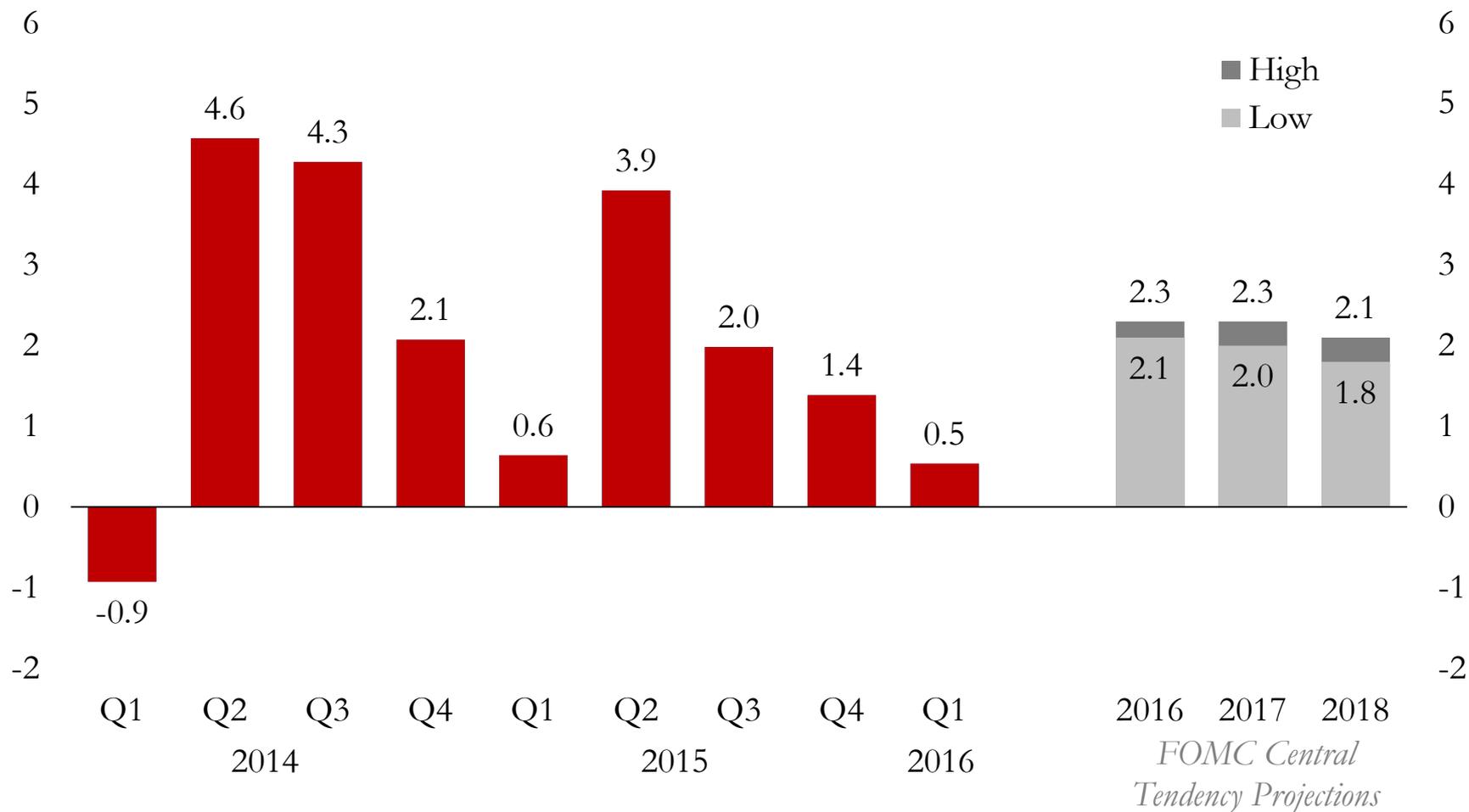
Jason Brown
Senior Economist

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, but global headwinds remain a drag on growth.

REAL GROSS DOMESTIC PRODUCT (GDP)

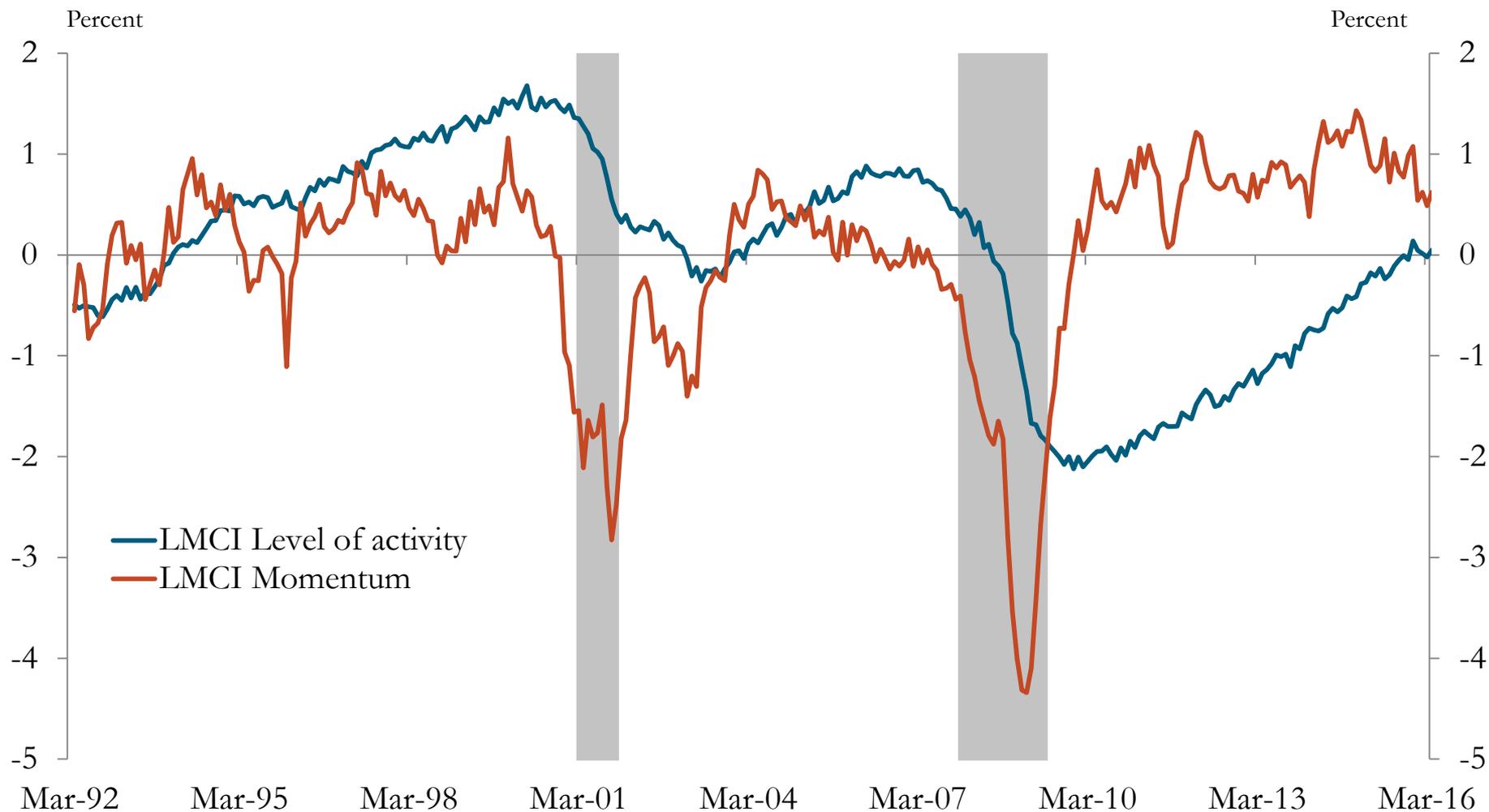
Annualized Percent Change from Previous Period



Source: Bureau Economic Analysis, Federal Reserve Board.

The level of activity in the U.S. labor market recently declined slightly with momentum continuing to moderate.

LABOR MARKET CONDITION INDICATORS

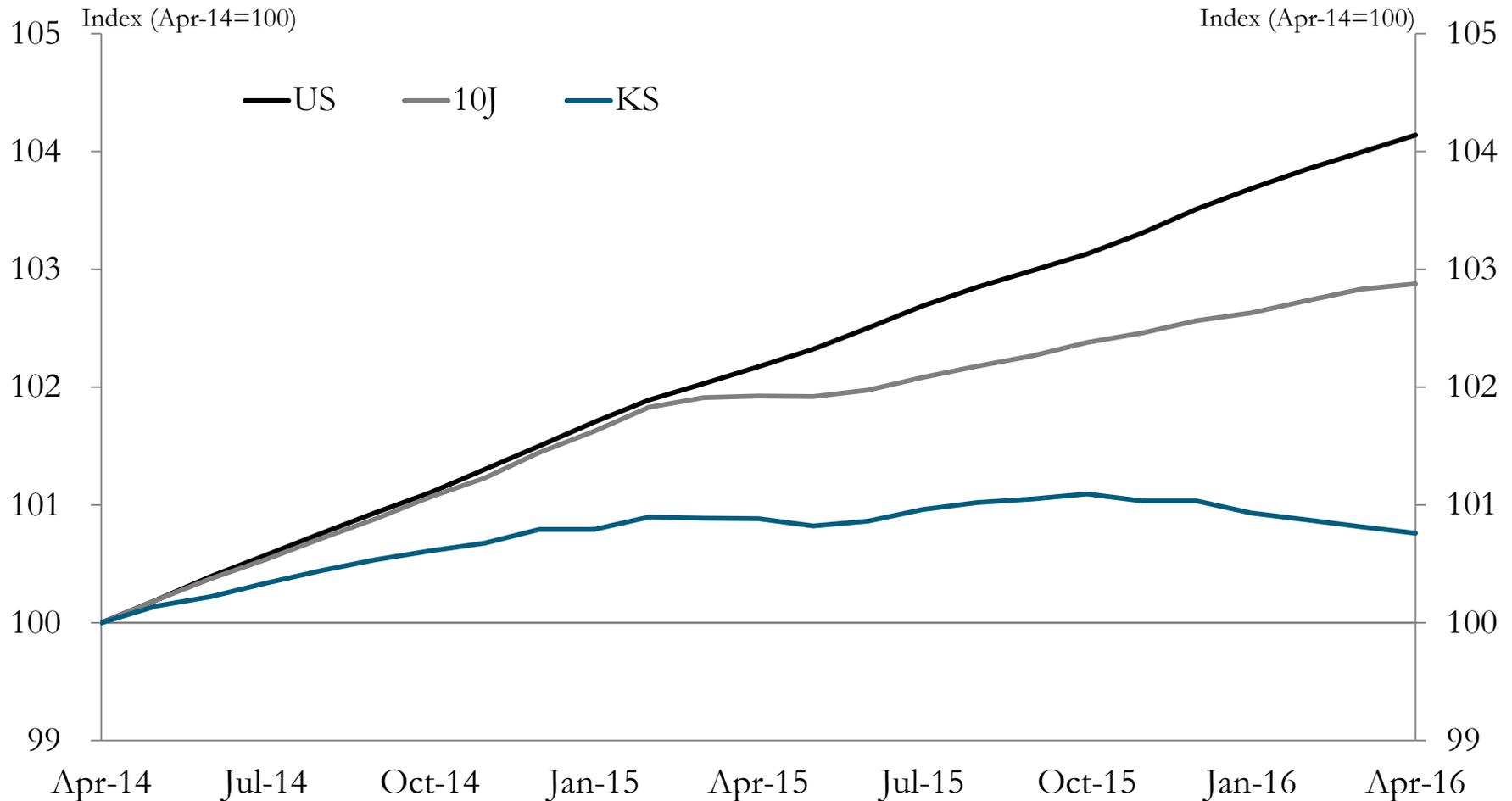


Source: Federal Reserve Bank of Kansas City.

Employment trends in Kansas and broader region have diverged from the nation.

KANSAS PAYROLL EMPLOYMENT

3-month moving average, Seasonally Adjusted

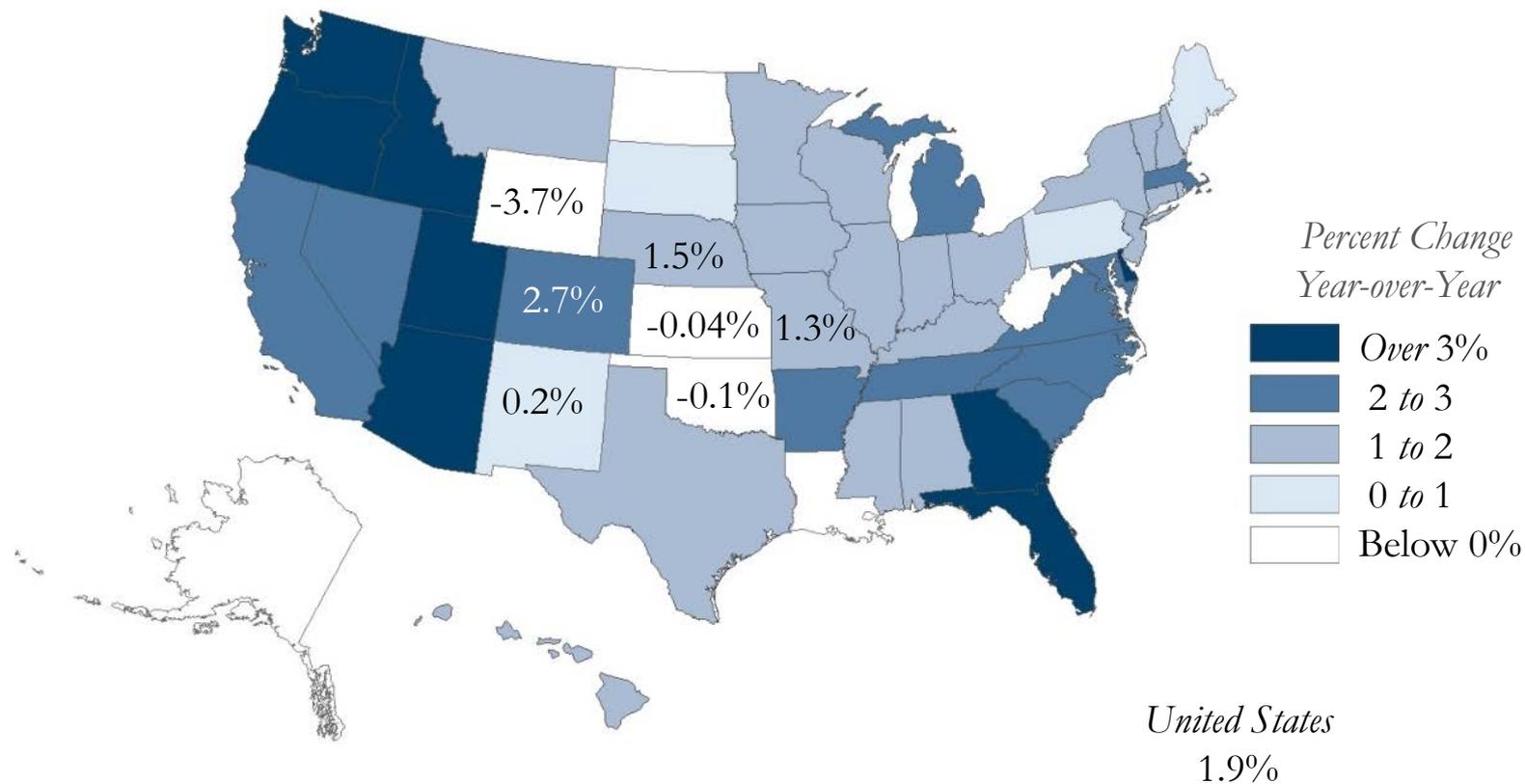


Source: Bureau of Labor Statistics, Staff calculations.

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

APRIL 2016 TOTAL NONFARM EMPLOYMENT

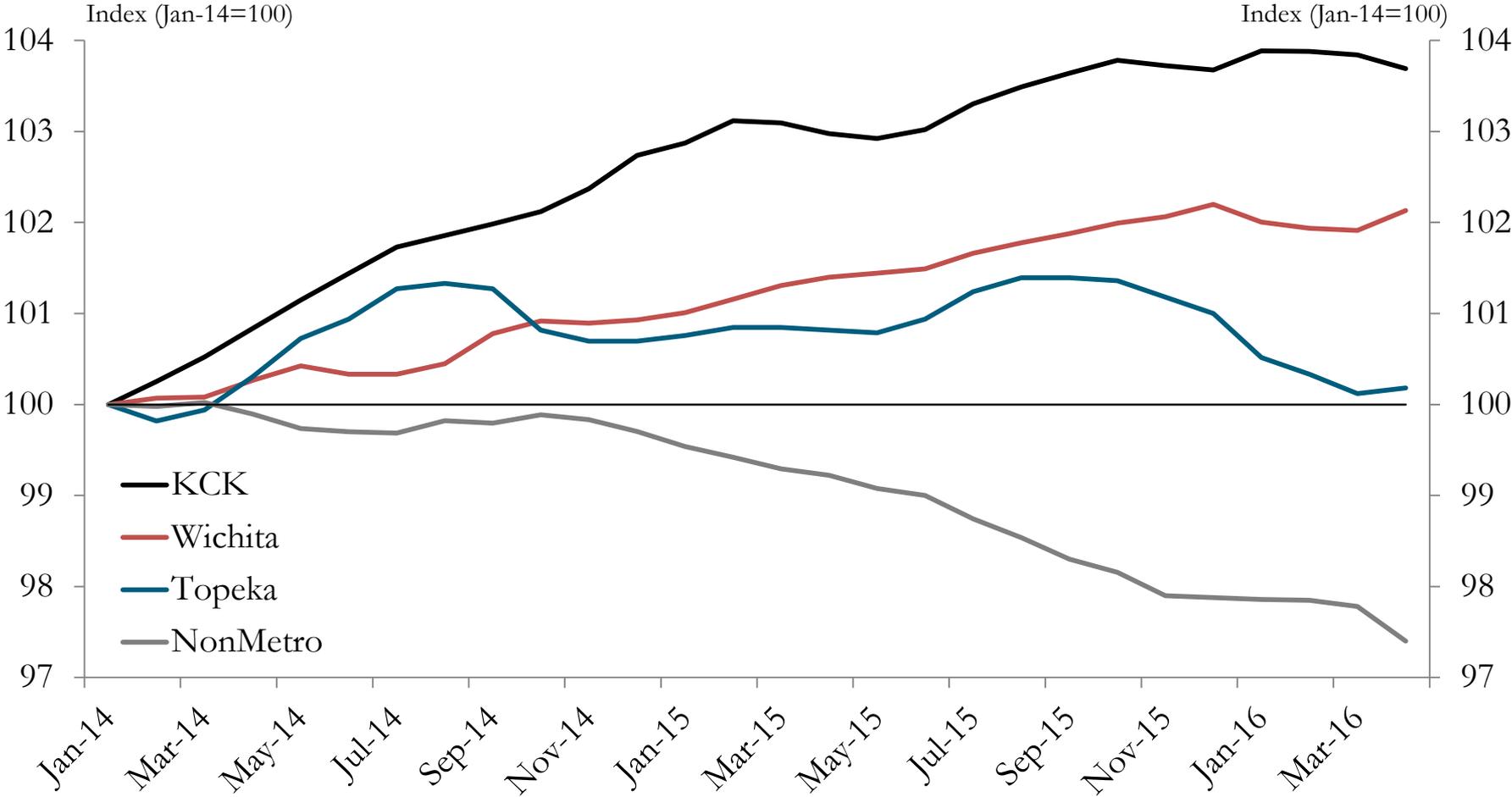
Year-over-Year Percent Change, Seasonally Adjusted



Employment growth in Kansas City, KS outpaced other metro areas in the state.

METRO KANSAS PAYROLL EMPLOYMENT

3-month moving average, Seasonally Adjusted

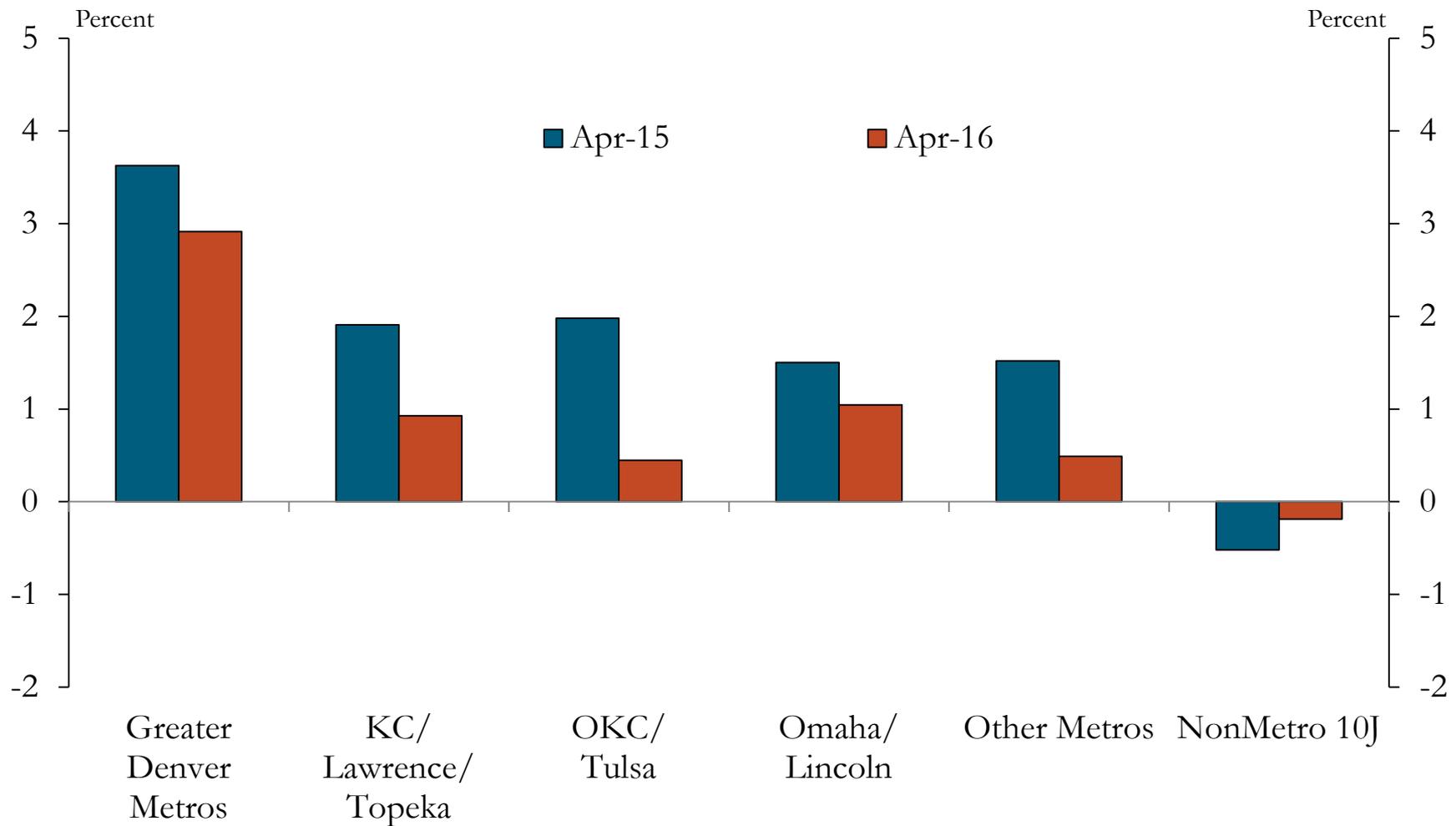


Source: Bureau of Labor Statistics, Staff calculations.

Nonmetro employment decreased the most compared to the previous year.

METRO PAYROLL EMPLOYMENT

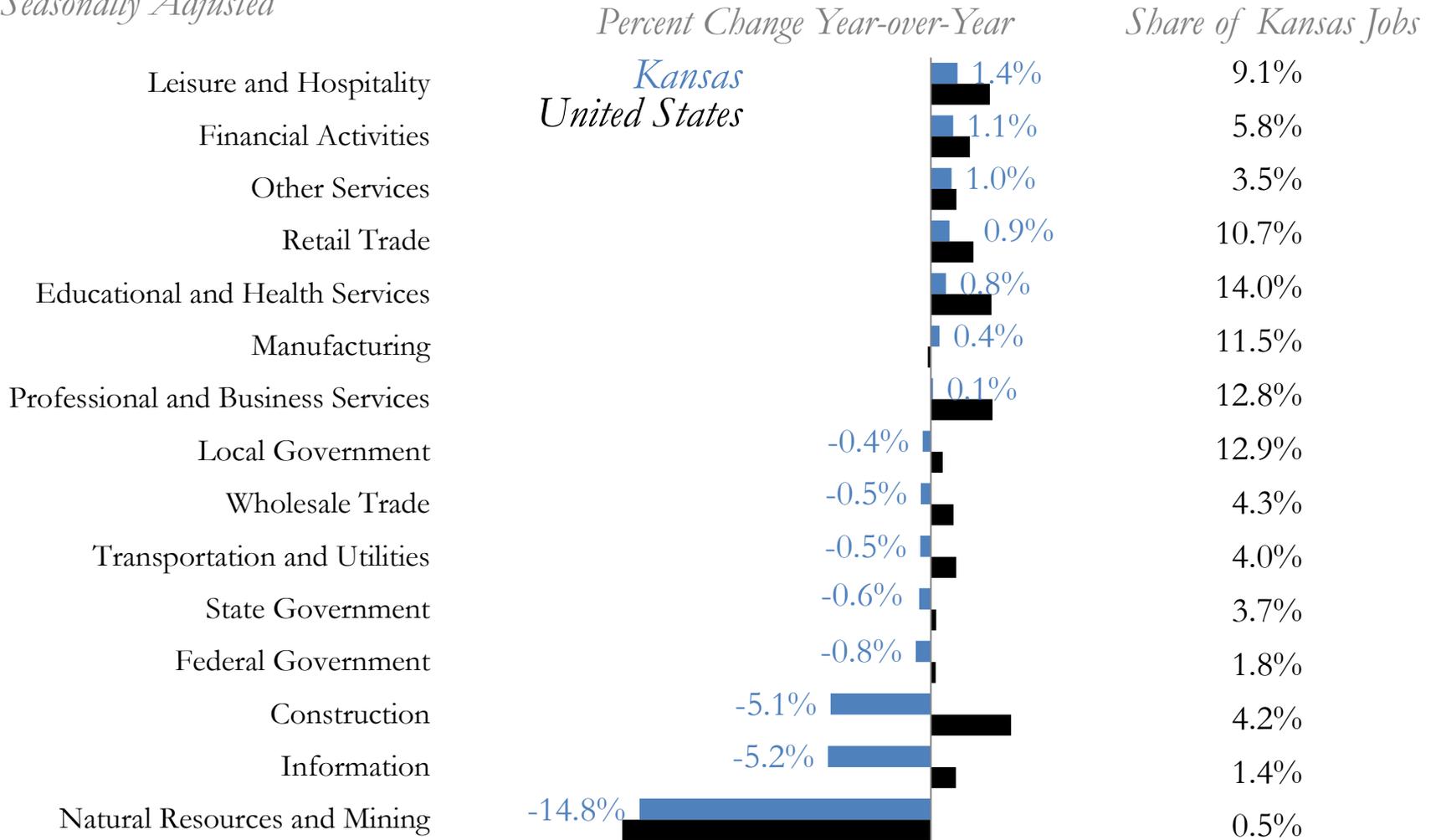
Year-over-year percent change, Seasonally Adjusted



A broad range of sectors in KS saw employment decline or remain flat over the past year.

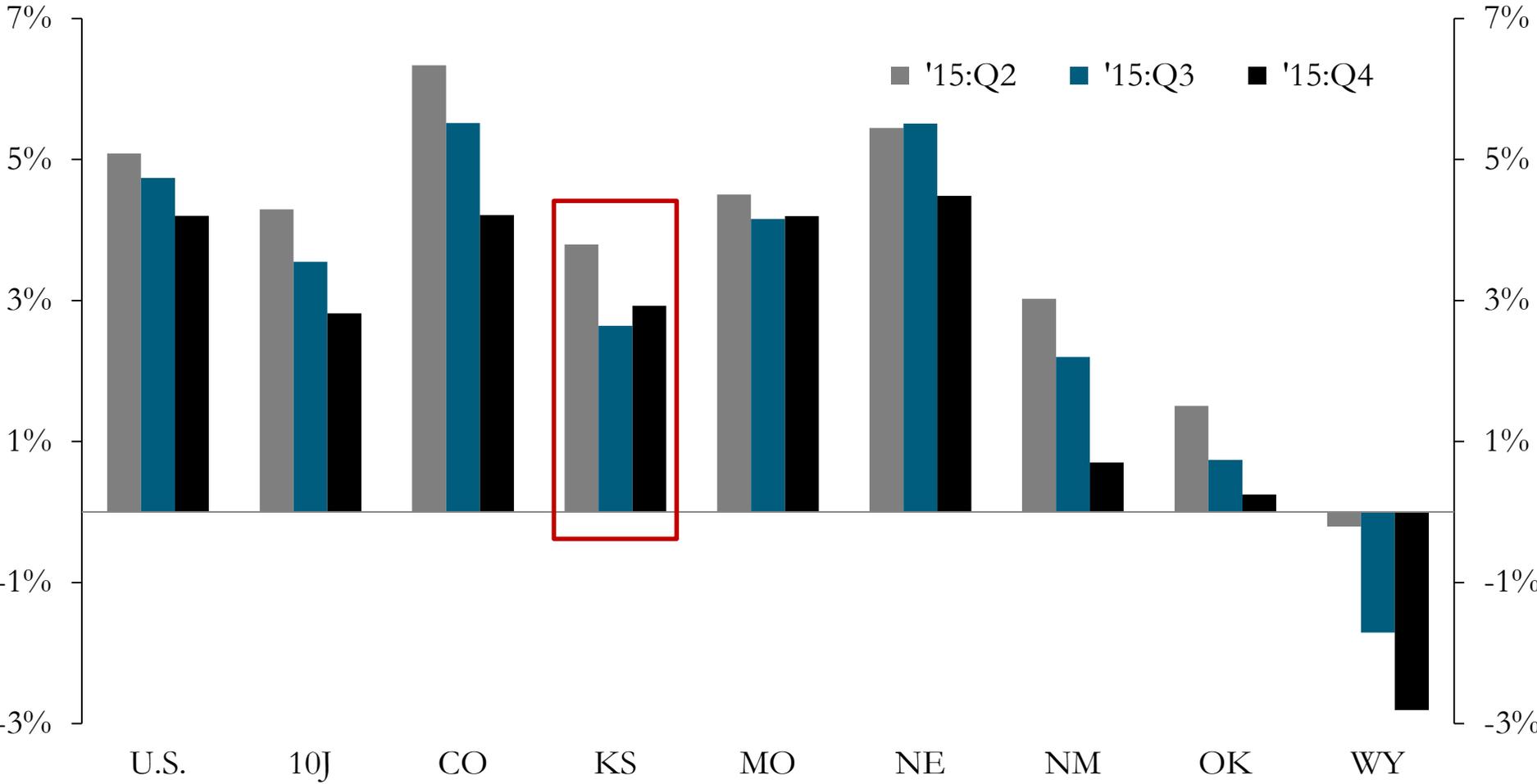
APRIL 2016 PAYROLL EMPLOYMENT

Seasonally Adjusted



Wages and salary growth also slowed in Kansas and neighboring states.

WAGE AND SALARY GROWTH BY STATE
Year-over-Year, Seasonally Adjusted

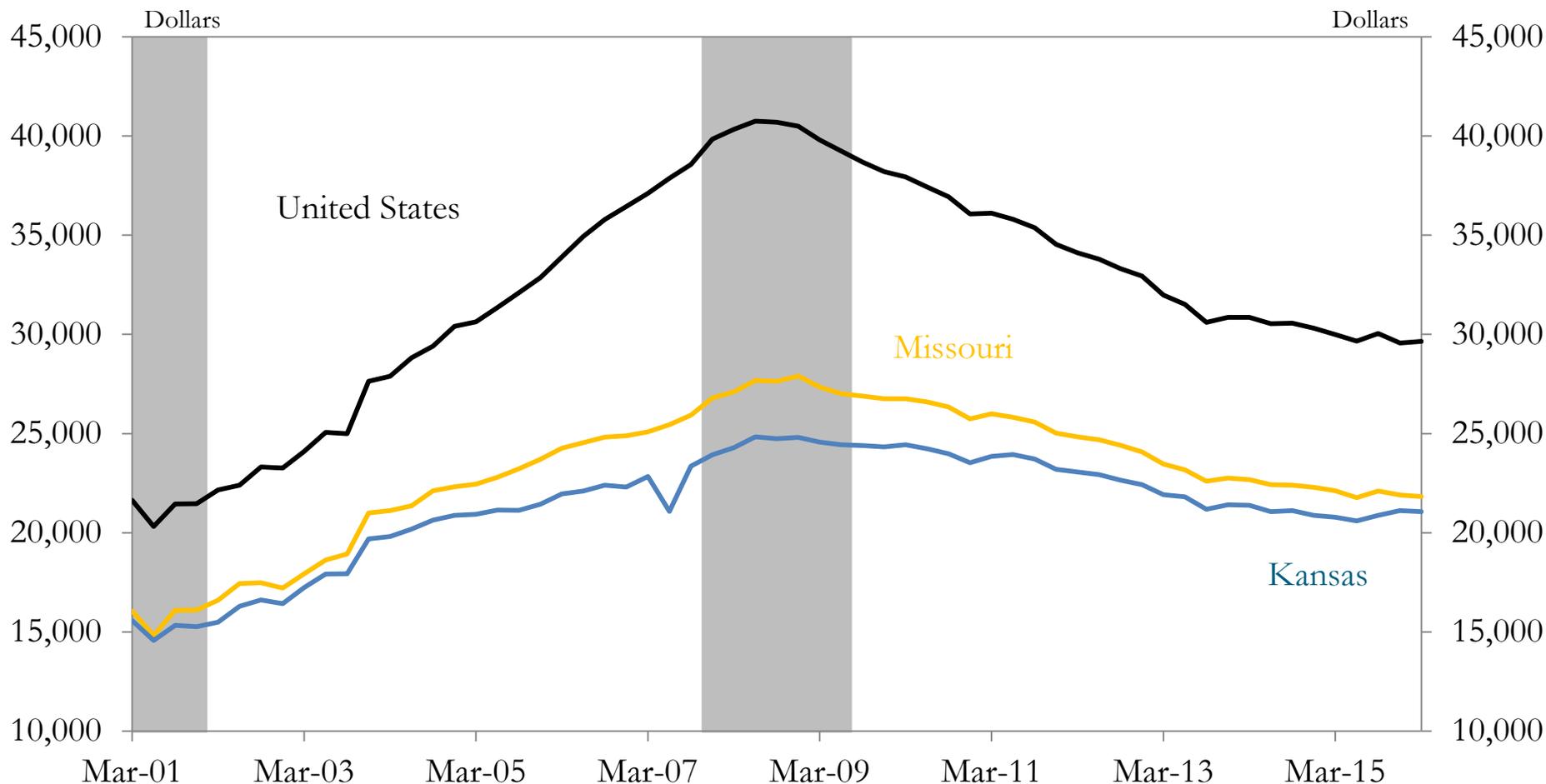


Source: Bureau of Economic Analysis.

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

TOTAL MORTGAGE DEBT

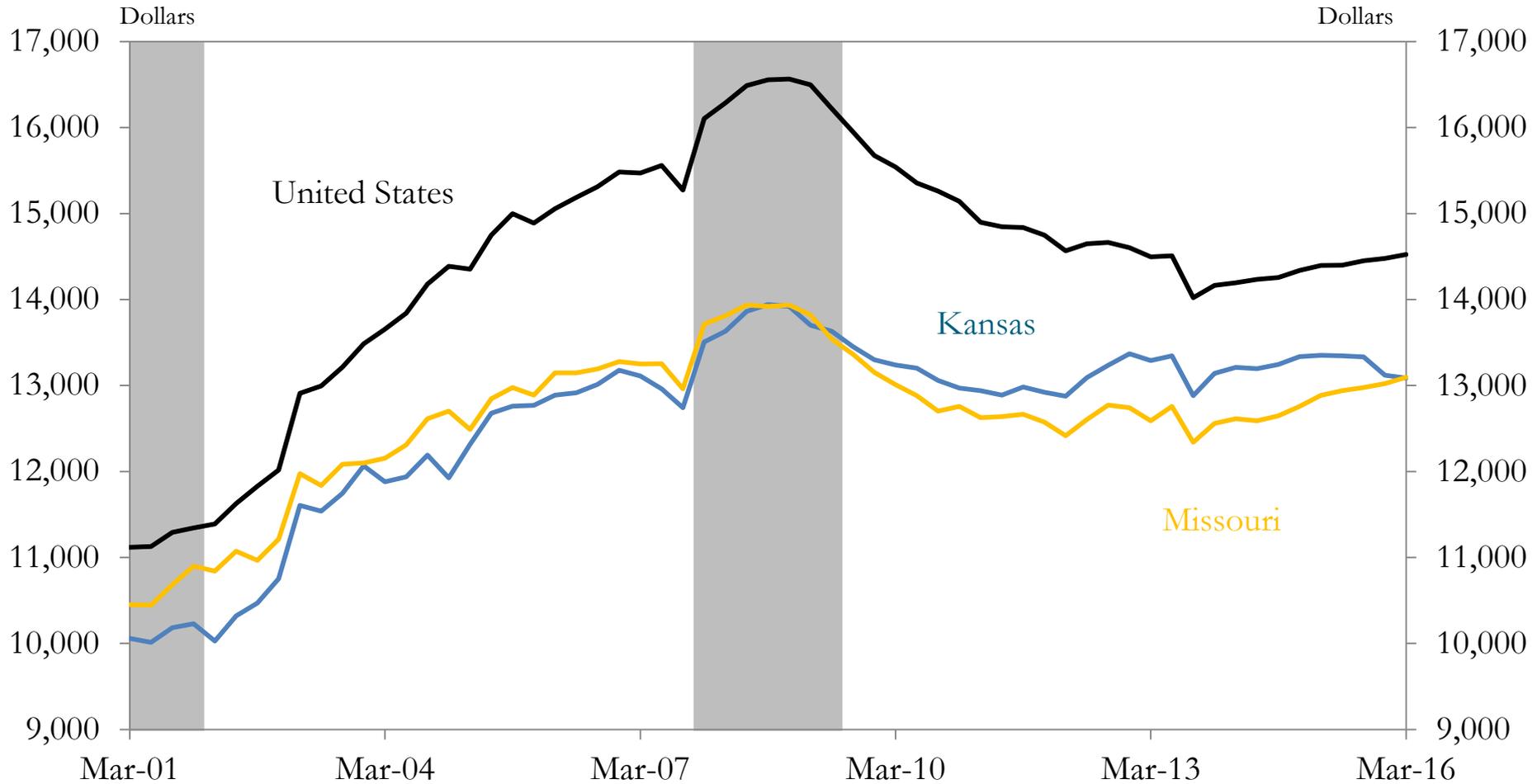
Seasonally adjusted, real dollars



Other consumer debt has started to slowly pick up.

TOTAL DEBT EXCLUDING MORTGAGE

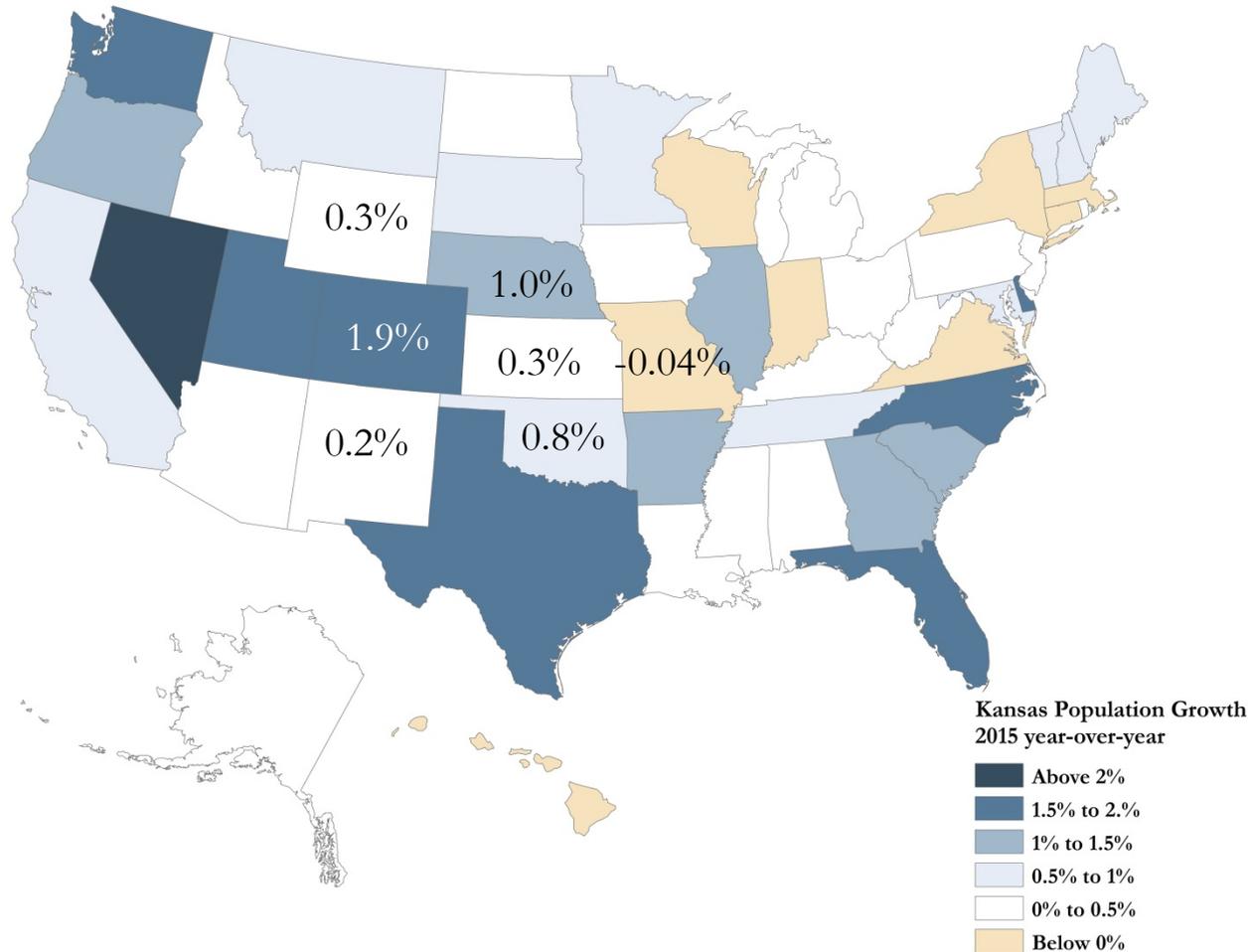
Seasonally adjusted, real dollars



Population grew at a modest pace in most of the Midwest and Plains over the past year.

KANSAS POPULATION GROWTH MAP

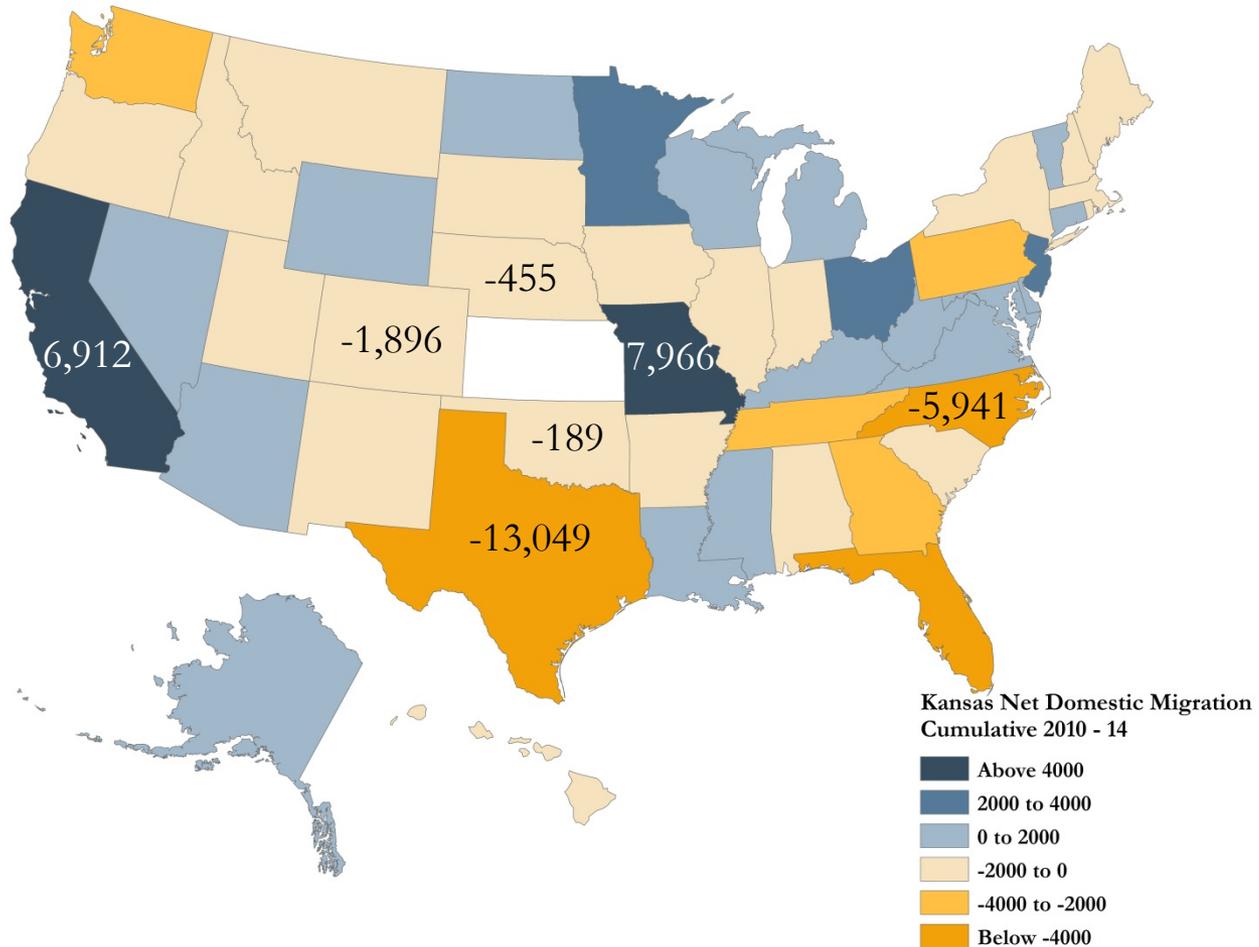
2015 year-over-year



Kansas experienced net out-migration to several neighboring states over the past five years.

NET DOMESTIC MIGRATION

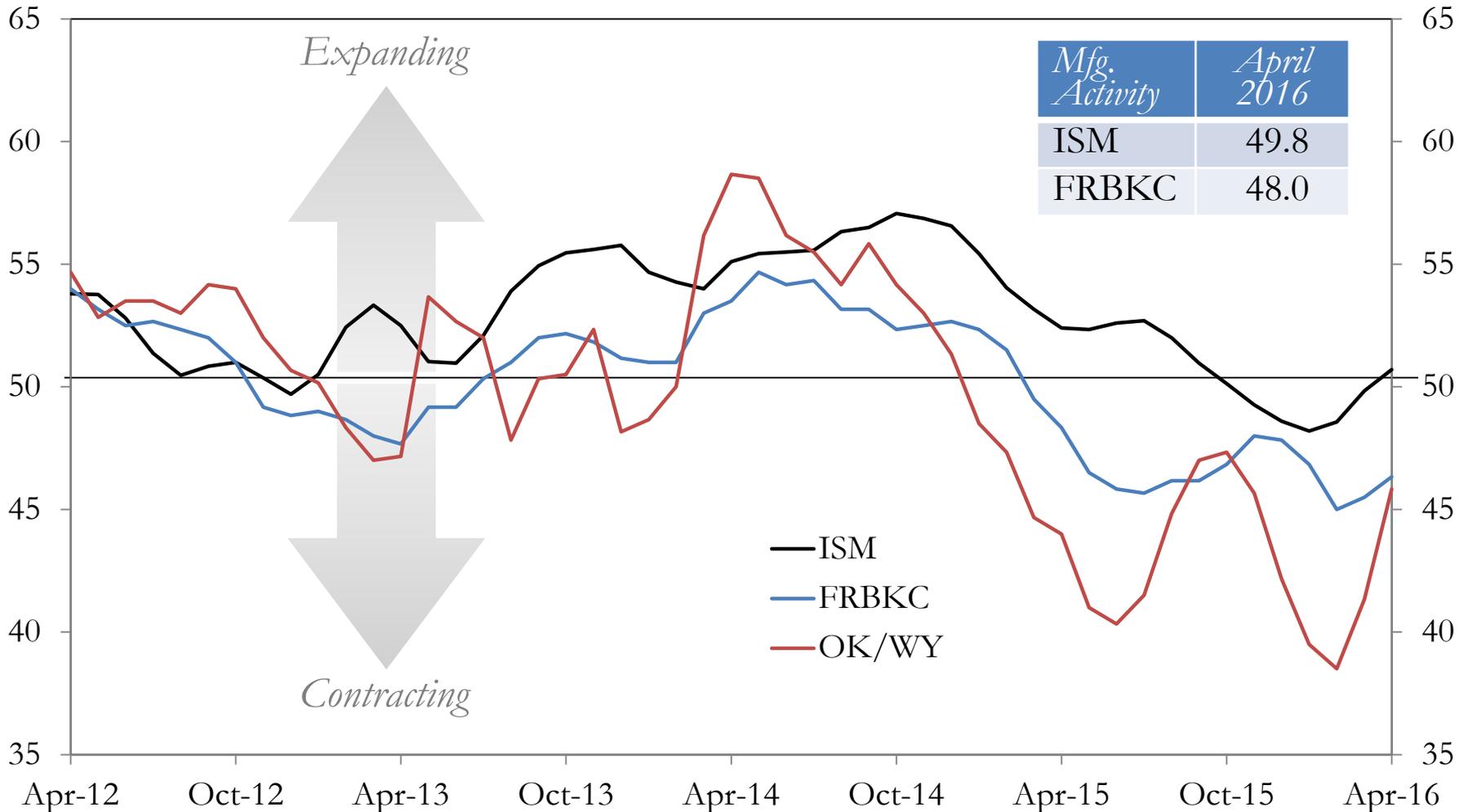
Cumulative 2010-2014



Manufacturing activity recently ticked up in the U.S., but contracted in each month over the past year in the District.

MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, 3-Month Moving Average

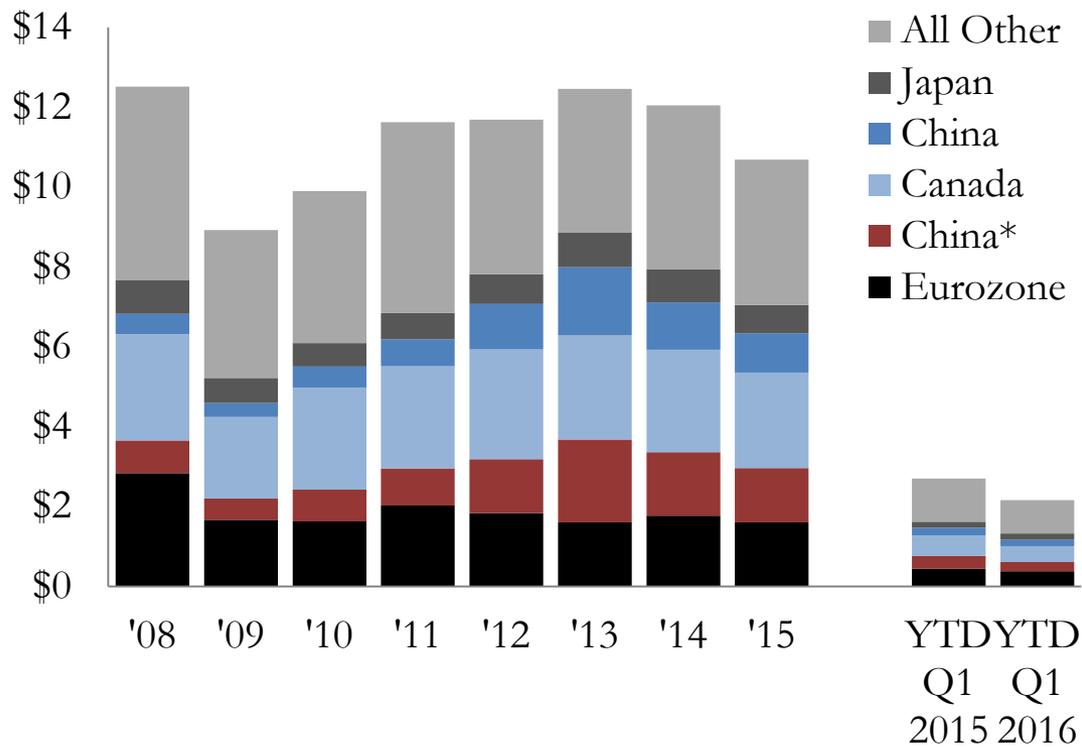


Source: Institute for Supply Management & Federal Reserve Bank of Kansas City/Haver Analytics.

Total exports decreased slightly through Q1 of 2016 in Kansas across a large swath of trading partners.

KANSAS EXPORTS BY TRADING PARTNER

Billions



Percent Change Q1 2016

Year-over-Year

	Percent Change	SHARE
Total Trade	-20.0%	
All Other	-21.6	27.4%
Japan	3.7	7.3
Mexico	-21.5	18.7
Canada	-23.7	18.3
China*	-14.8	7.5
Eurozone	-13.7	17.6

Top exports by value Q1 2016

Billion \$

Transportation Equipment	\$4.95
Food Manufactures	\$3.84
Agricultural Products	\$3.04
Machinery	\$2.27

The District's higher shares of agricultural and energy activity are factors of slower growth due to lower commodity prices.

AGRICULTURE & ENERGY SHARE OF GDP 2013

	<u>Ag & Food*</u>	<u>Oil & Gas**</u>	<u>Combined</u>
United States	2.6%	3.2%	5.8%
Tenth District	4.5%	7.0%	11.5%
Colorado	2.1%	5.2%	7.3%
Kansas	7.7%	3.2%	10.9%
Missouri	4.4%	0.2%	4.6%
Nebraska	12.6%	0.8%	13.3%
New Mexico	2.0%	8.9%	10.9%
Oklahoma	2.7%	16.3%	19.0%
Wyoming	1.6%	20.0%	21.6%

Bold = over 1.5 times U.S. avg

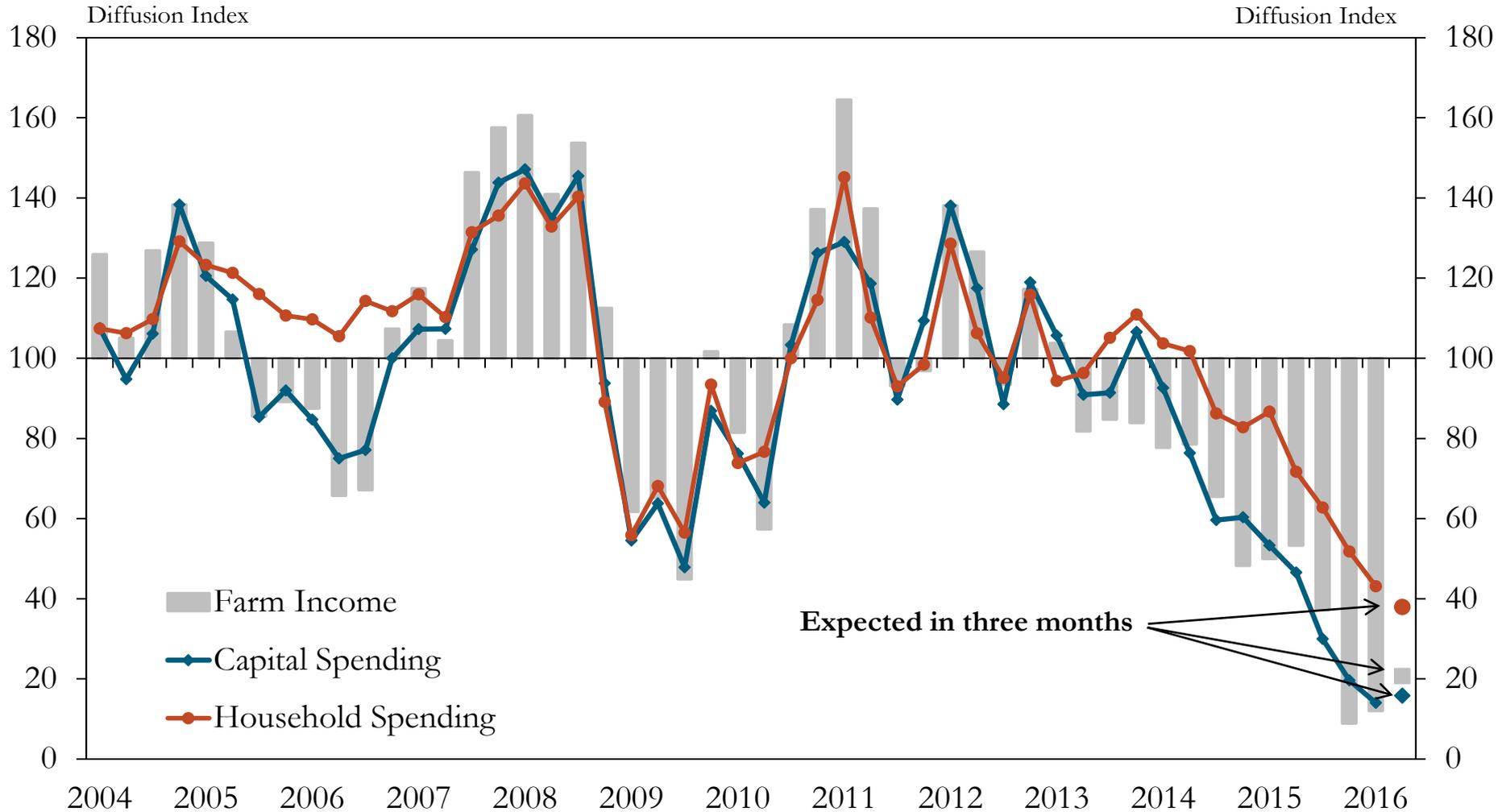
█ = over 3 times U.S. avg

* Includes Farming and Food Manufacturing

** Includes Oil & Gas Extraction, Pipelines, & Refining

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



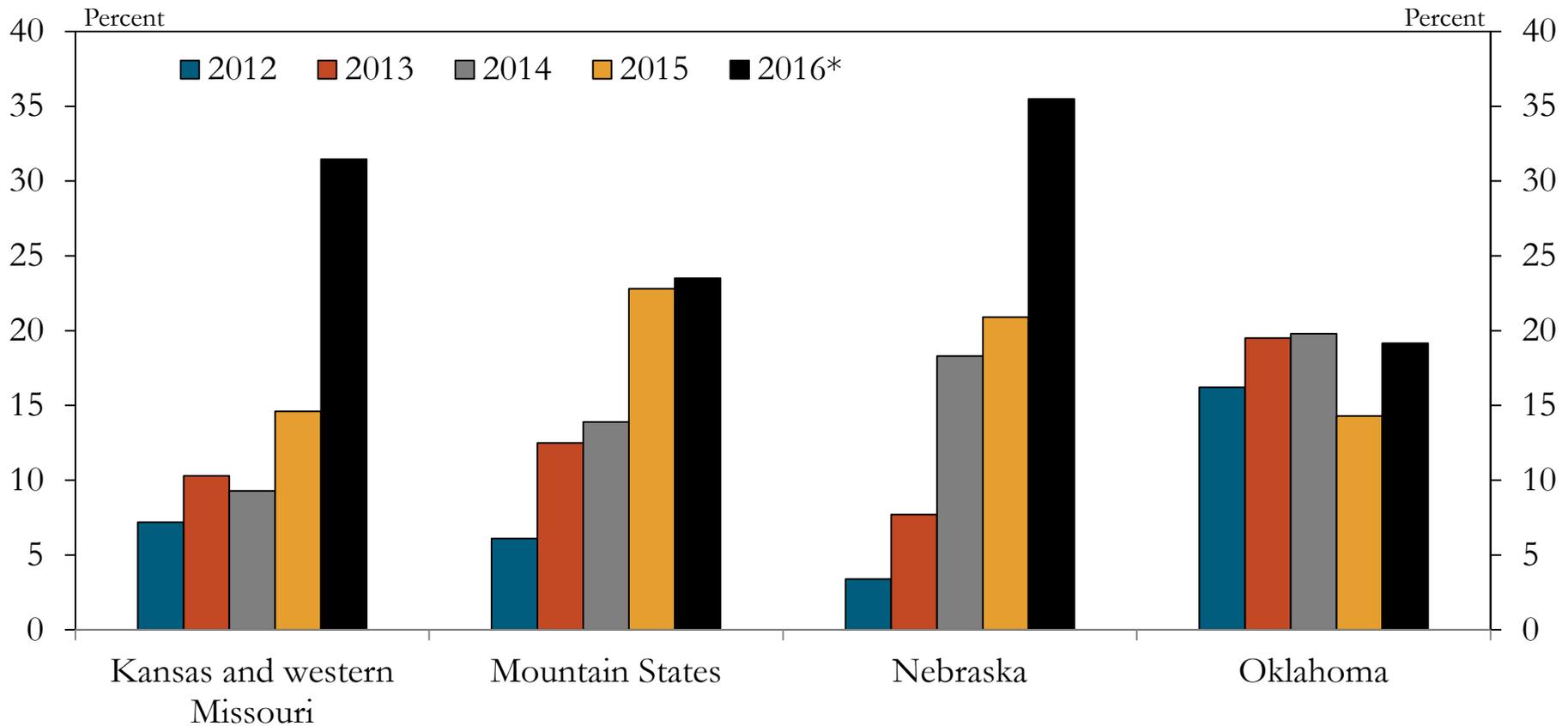
Source: USDA, FRBKC Ag Credit Survey.

The amount of farmers with carryover debt has increased.

TENTH FED DISTRICT AG CREDIT SURVEY

Ag Credit Survey Special Question

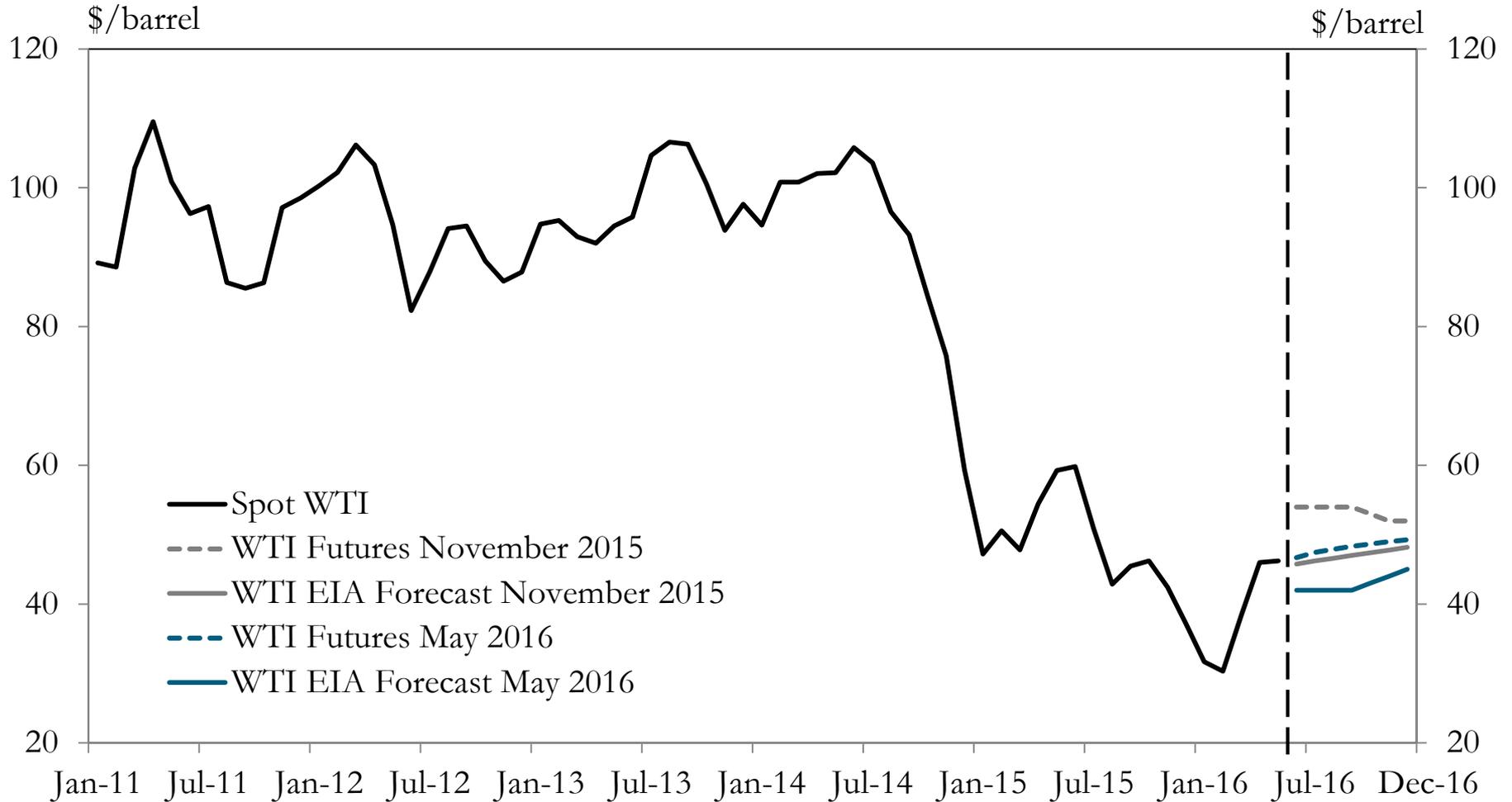
Percent of Farmers With An Increase in Carryover Debt



Oil prices are expected to be lower for longer due to the imbalance in global supply and demand for oil.

WTI OIL PRICES

Price per Barrel

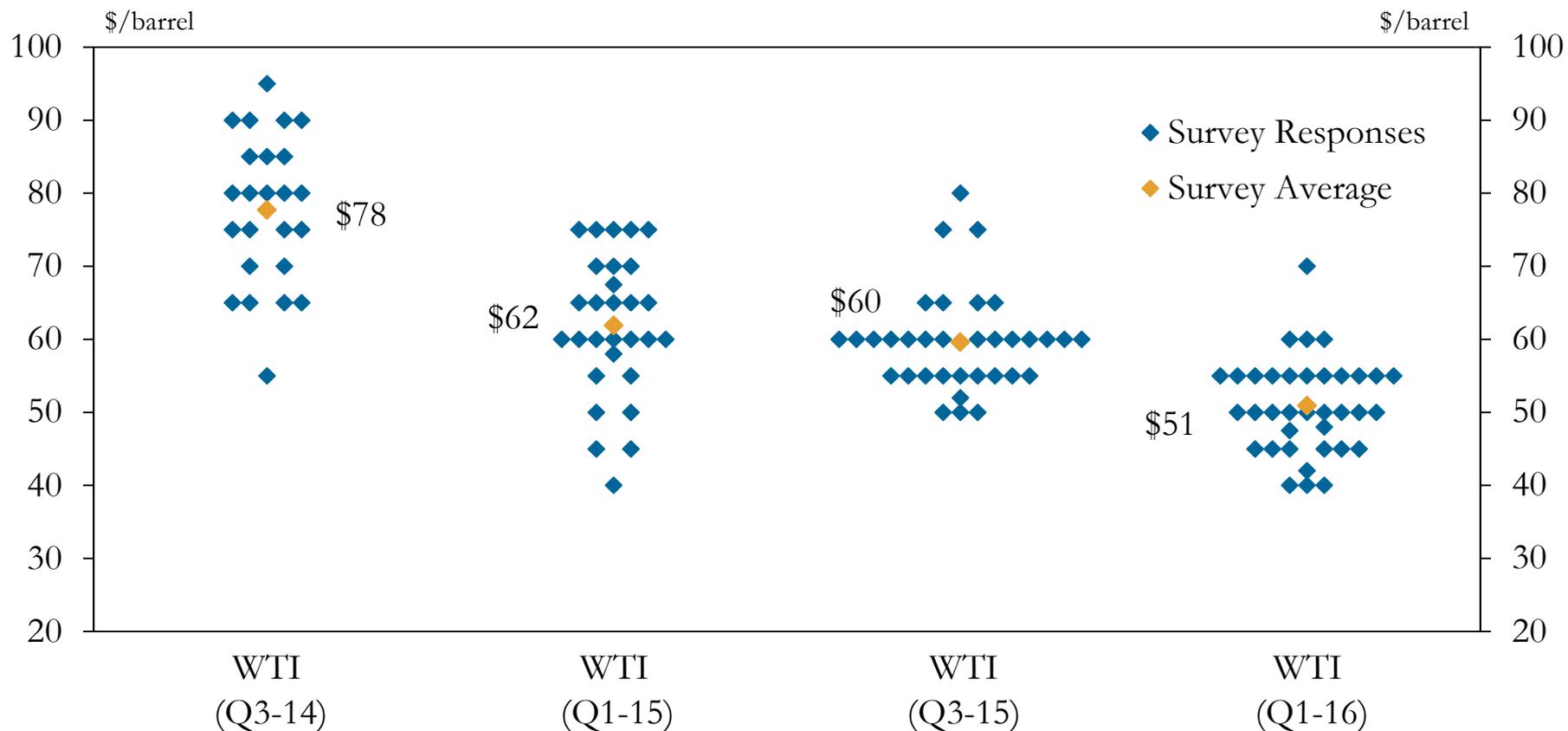


Oil prices are expected to be lower for longer due to the imbalance in global supply and demand for oil.

TENTH FED DISTRICT ENERGY SURVEY

Energy Survey Special Question

What price is currently needed for oil drilling to be profitable?



Summary

- U.S. economy is expected to grow at a moderate pace over the next year, but global slowdown is a headwind.
- Kansas and the broader region have experienced slower employment growth compared to the nation.
- Manufacturing continues to struggle due to slowing global growth and U.S. dollar appreciation.
- Higher shares of ag. and energy production are factors of the slower growth.
- Agriculture and energy commodity prices are expected to remain at low levels over the medium term.

Questions?

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