Kansas & Tenth District Economic Outlook

Governor’s Council of Economic Advisors

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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

The U.S. economy continues to grow at a moderate pace, but global headwinds remain a drag on growth.

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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*

![Map showing percent change in nonfarm employment across states.]

- United States: 1.9%
- Over 3%
- 2 to 3
- 1 to 2
- 0 to 1
- Below 0%

*Source: Bureau of Labor Statistics.*
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*

![Chart showing percent change in payroll employment for various metro areas and NonMetro 10J.](chart)

*Source: Bureau of Labor Statistics, Staff calculations.*
A broad range of sectors in KS saw employment decline or remain flat over the past year.

### APRIL 2016 PAYROLL EMPLOYMENT

*Seasonally Adjusted*

**Percent Change Year-over-Year**

- Leisure and Hospitality: 1.4%
- Financial Activities: 1.1%
- Other Services: 1.0%
- Retail Trade: 0.9%
- Educational and Health Services: 0.8%
- Manufacturing: 0.4%
- Professional and Business Services: 0.1%
- Local Government: -0.4%
- Wholesale Trade: -0.5%
- Transportation and Utilities: -0.5%
- State Government: -0.6%
- Federal Government: -0.8%
- Construction: -5.1%
- Information: -5.2%
- Natural Resources and Mining: -14.8%

**Share of Kansas Jobs**

- Leisure and Hospitality: 9.1%
- Financial Activities: 5.8%
- Other Services: 3.5%
- Retail Trade: 10.7%
- Educational and Health Services: 14.0%
- Manufacturing: 11.5%
- Professional and Business Services: 12.8%
- Local Government: 12.9%
- Wholesale Trade: 4.3%
- Transportation and Utilities: 4.0%
- State Government: 3.7%
- Federal Government: 1.8%
- Construction: 4.2%
- Information: 1.4%
- Natural Resources and Mining: 0.5%

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

Source: Bureau of Economic Analysis.
Consumers continue to pay down mortgage debt nationally, but little change in KS or MO over the past year.
Other consumer debt has started to slowly pick up.

**TOTAL DEBT EXCLUDING MORTGAGE**
*Seasonally adjusted, real dollars*

Source: Federal Reserve Bank of New York – Consumer Credit Panel / Equifax and Staff calculations.
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

Source: Census Bureau.
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

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

**Kansas Exports by Trading Partner**

<table>
<thead>
<tr>
<th>Trading Partner</th>
<th>Billions</th>
<th>Percent Change Q1 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>3.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Mexico</td>
<td>-21.5</td>
<td>18.7</td>
</tr>
<tr>
<td>Canada</td>
<td>-23.7</td>
<td>18.3</td>
</tr>
<tr>
<td>China*</td>
<td>-14.8</td>
<td>7.5</td>
</tr>
<tr>
<td>Eurozone</td>
<td>-13.7</td>
<td>17.6</td>
</tr>
</tbody>
</table>

**Top exports by value Q1 2016**

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

Source: Census Bureau.  
Note: Eurozone includes the 27 EU member countries.  
*Includes Hong Kong, Taiwan & Macau.
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**

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

**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

Source: Bureau of Economic Analysis.
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**

Kansas and western Missouri

Mountain States

Nebraska

Oklahoma

Source: FRBKC Ag Credit Survey.

*Not full year data.*
Oil prices are expected to be lower for longer due to the imbalance in global supply and demand for oil.

Source: Energy Information Administration, Chicago Mercantile Exchange, Thompson Reuters.
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?*

### Survey Responses

<table>
<thead>
<tr>
<th>WTI (Q3-14)</th>
<th>WTI (Q1-15)</th>
<th>WTI (Q3-15)</th>
<th>WTI (Q1-16)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$78</td>
<td>$62</td>
<td>$60</td>
<td>$51</td>
</tr>
</tbody>
</table>

*Source: FRBKC Energy Survey.*
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/]