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**

Source: Federal Reserve Bank of Kansas City.
Both headline and core inflation have moved near 2 percent.
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*

Source: Bureau of Labor Statistics, Staff calculations.
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.

<table>
<thead>
<tr>
<th>Industry</th>
<th>Percent Change Year-over-Year</th>
<th>Share of Kansas Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wholesale Trade</td>
<td>3.9%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Transportation and Utilities</td>
<td>2.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Educational and Health Services</td>
<td>1.0%</td>
<td>14.1%</td>
</tr>
<tr>
<td>Construction</td>
<td>0.7%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Federal Government</td>
<td>0.4%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Professional and Business Services</td>
<td>-0.2%</td>
<td>12.6%</td>
</tr>
<tr>
<td>Financial Activities</td>
<td>-0.3%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Local Government</td>
<td>-0.4%</td>
<td>12.7%</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>-0.9%</td>
<td>9.0%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>-1.1%</td>
<td>11.3%</td>
</tr>
<tr>
<td>State Government</td>
<td>-1.8%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Other Services</td>
<td>-2.2%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-2.9%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Natural Resources and Mining</td>
<td>-5.3%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Information</td>
<td></td>
<td>1.4%</td>
</tr>
</tbody>
</table>

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

**Professional and Business Services** - 3.7%
**Educational and Health Services** - 2.6%
**Financial Activities** - 2.0%
**Transportation and Utilities** - 1.7%
**Wholesale Trade** - 1.7%
**Federal Government** - 1.5%
**Leisure and Hospitality** - 1.3%
**State Government** - 1.3%
**Retail Trade** - 0.7%
**Construction** - 0.4%
**Local Government** - 0.2%
**Manufacturing** - 0.1%
**Natural Resources and Mining** - 0.0%
**Other Services** - -2.2%
**Information** - -6.0%
**United States**

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*

![Bar chart showing wage and salary growth by state for Q2-16, Q3-16, and Q4-16. The chart highlights the lower growth in Kansas compared to 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.

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

*Source: Federal Reserve Bank of New York – Consumer Credit Panel / Equifax and Staff calculations.*
Consumers continue to steadily increase their debt.

**Total Debt Excluding Mortgage**

*Seasonally adjusted, real dollars*

Source: Federal Reserve Bank of New York – Consumer Credit Panel / Equifax and Staff.
Housing price growth is likely supporting consumer spending.

Q1 2017 FHFA PURCHASE-ONLY HOME PRICES
Year-over-Year Percent Change, Seasonally Adjusted

Source: Federal Housing Finance Agency.
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

Source: Dodge Data & Analytics.
Commercial construction activity increased over the past year in both KS and MO.

**COMMERCIAL CONSTRUCTION STARTS**

*12-month moving average, seasonally adjusted, real dollars*

Source: Dodge Data & Analytics.
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

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 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*

Source: FRBKC Ag Credit Survey.
Demand for loans, renewals, or extensions have risen following the weaker conditions.

**Kansas Ag Credit Conditions**

![Graph showing demand for loans, renewals or extensions, loan repayment rates, and diffusion index over time.](image)

*Source: FRBKC Ag Credit Survey.*
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