

Emerging Trends in the U.S. & Kansas Economies



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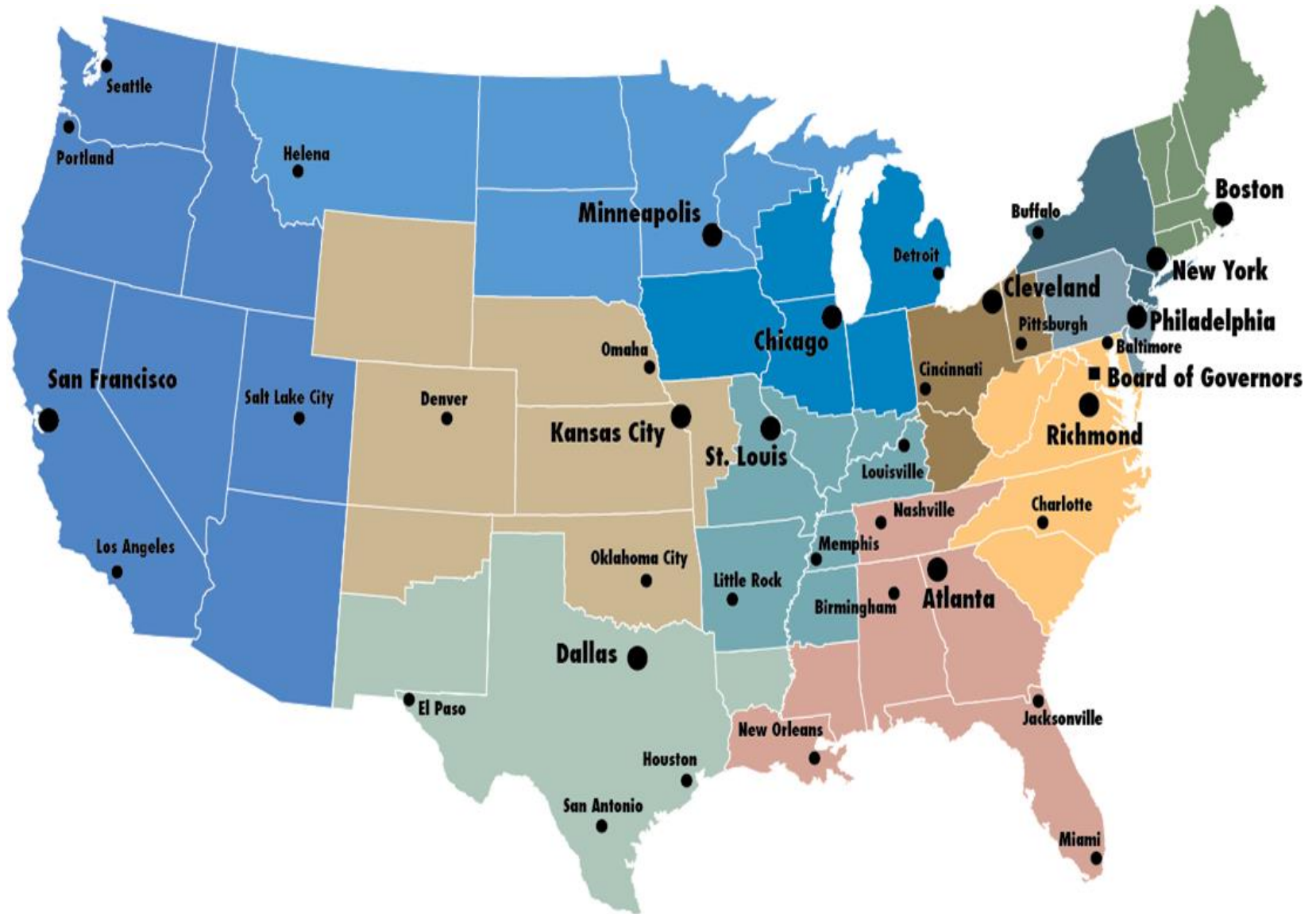
*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

Overview of the Federal Reserve System



- **Primary Functions**
 - **Monetary Policy:** promote maximum employment and price stability
 - **Financial Services:** bank for banks; bank for the federal government
 - **Banking Supervision and Regulation:** ensure safety and soundness of banks and ensure that banks provide fair and equitable services to consumers.
- **Structure**
 - **Board of Governors**
 - Consists of seven members who are appointed by the President and confirmed by the Senate to serve 14-year terms.
 - **Federal Reserve Banks**
 - There are 12 Regional Reserve Banks, each serving a unique district. These are semi-independent by design.
 - **Federal Open Market Committee (FOMC)**
 - Comprised of the 7 members of the Board of Governors and the 12 Reserve Bank Presidents (only 5 presidents are voting members on a rotating basis).
 - Charged with conducting monetary policy to promote economic growth and price stability.

Regional Federal Reserve Banks and Branch Locations

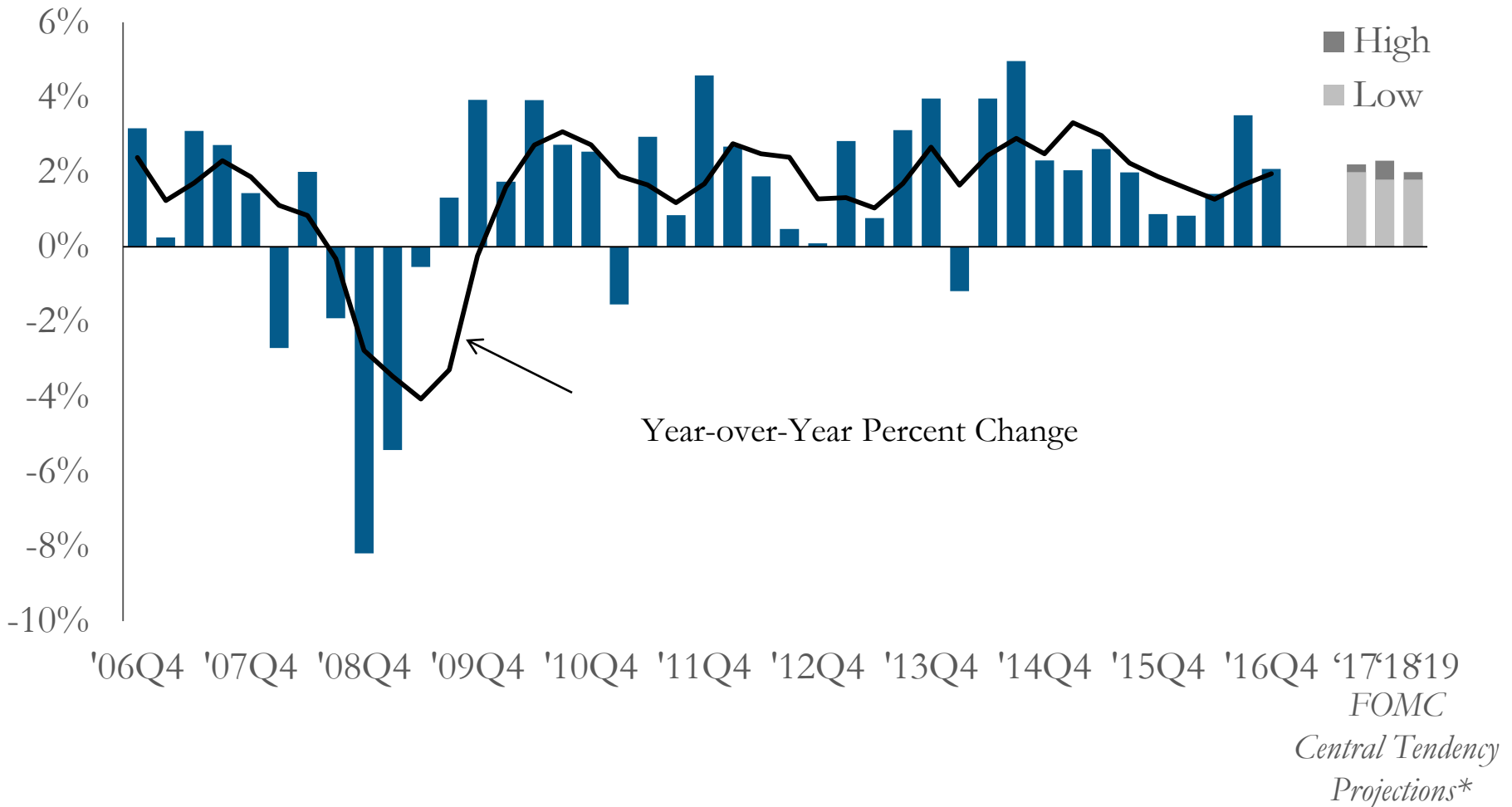


The U.S. economy is expected to continue to expand at a moderate pace over the next few years.



REAL U.S. GROSS DOMESTIC PRODUCT

Percent Change from Previous Quarter at Seasonally Adjusted Annualized Rates



Source: Bureau of Economic Analysis and Federal Open Market Committee (FOMC)/Haver Analytics

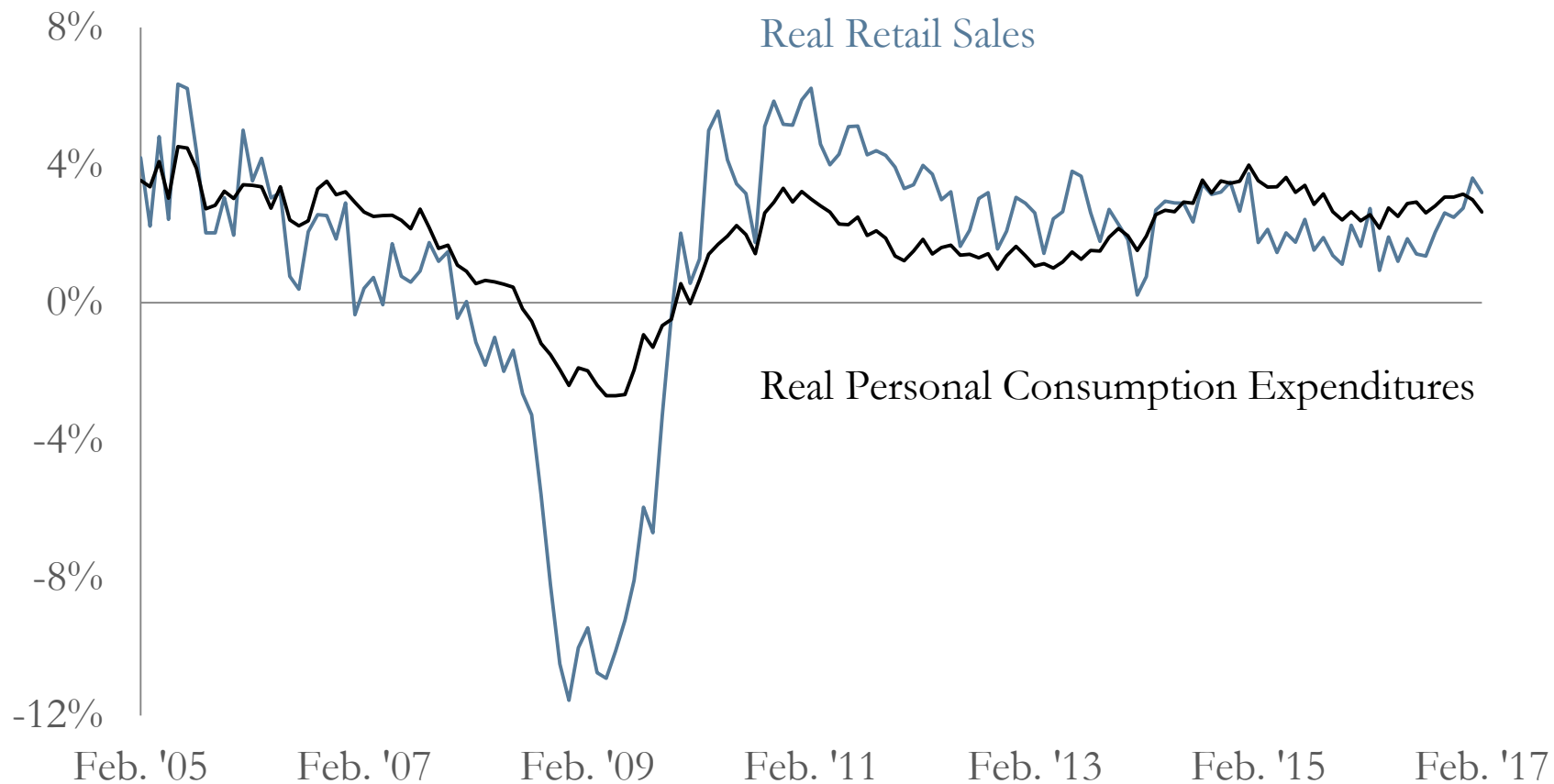
*Projections as of March FOMC meeting

Consumer spending continues to expand at a solid pace.



REAL CONSUMPTION SPENDING

Seasonally Adjusted, Year-over-Year Percent Change

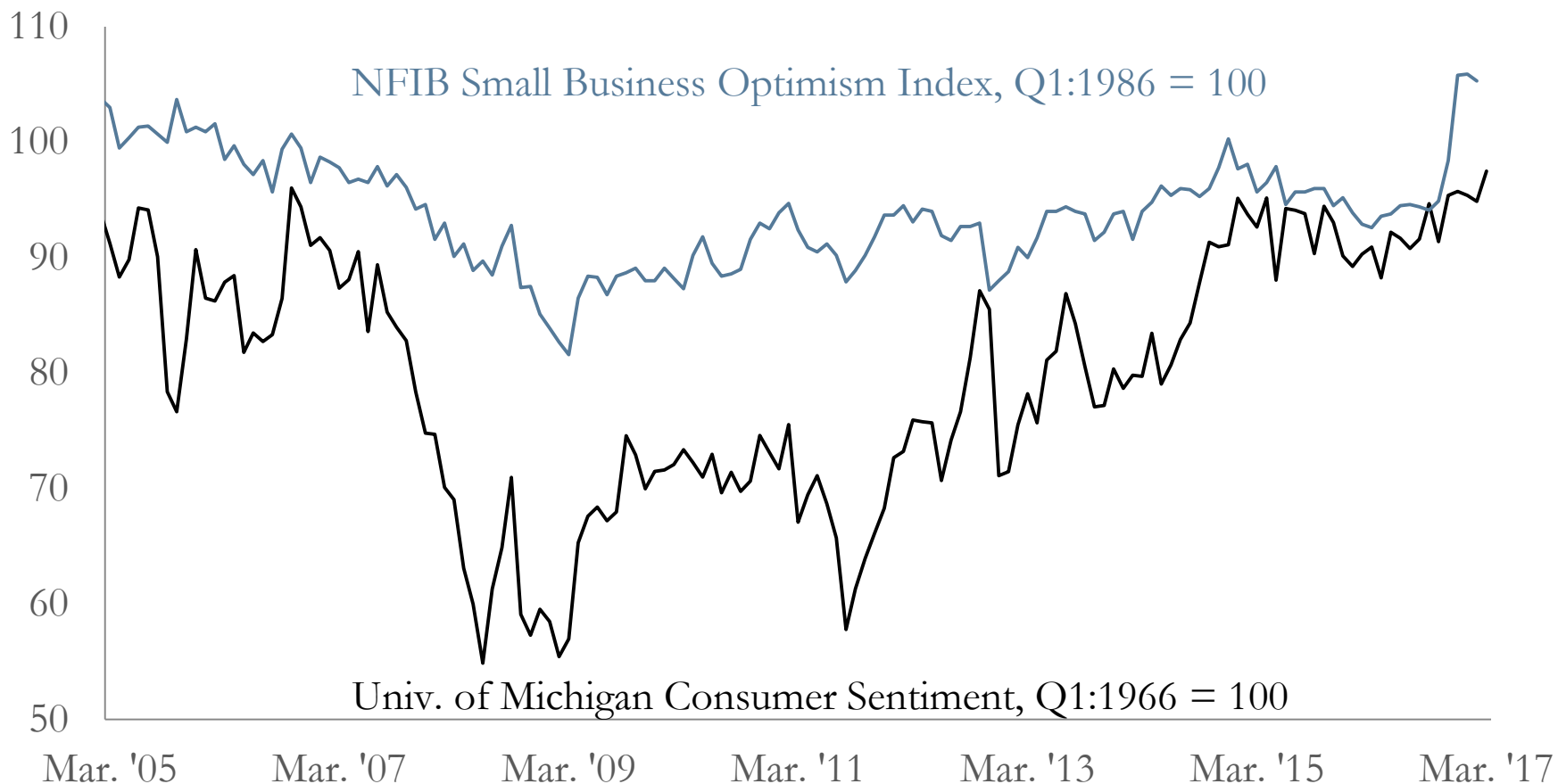


Business and consumer confidence have increased in recent months.

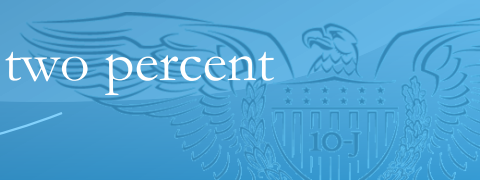


BUSINESS AND CONSUMER SENTIMENT

Seasonally Adjusted

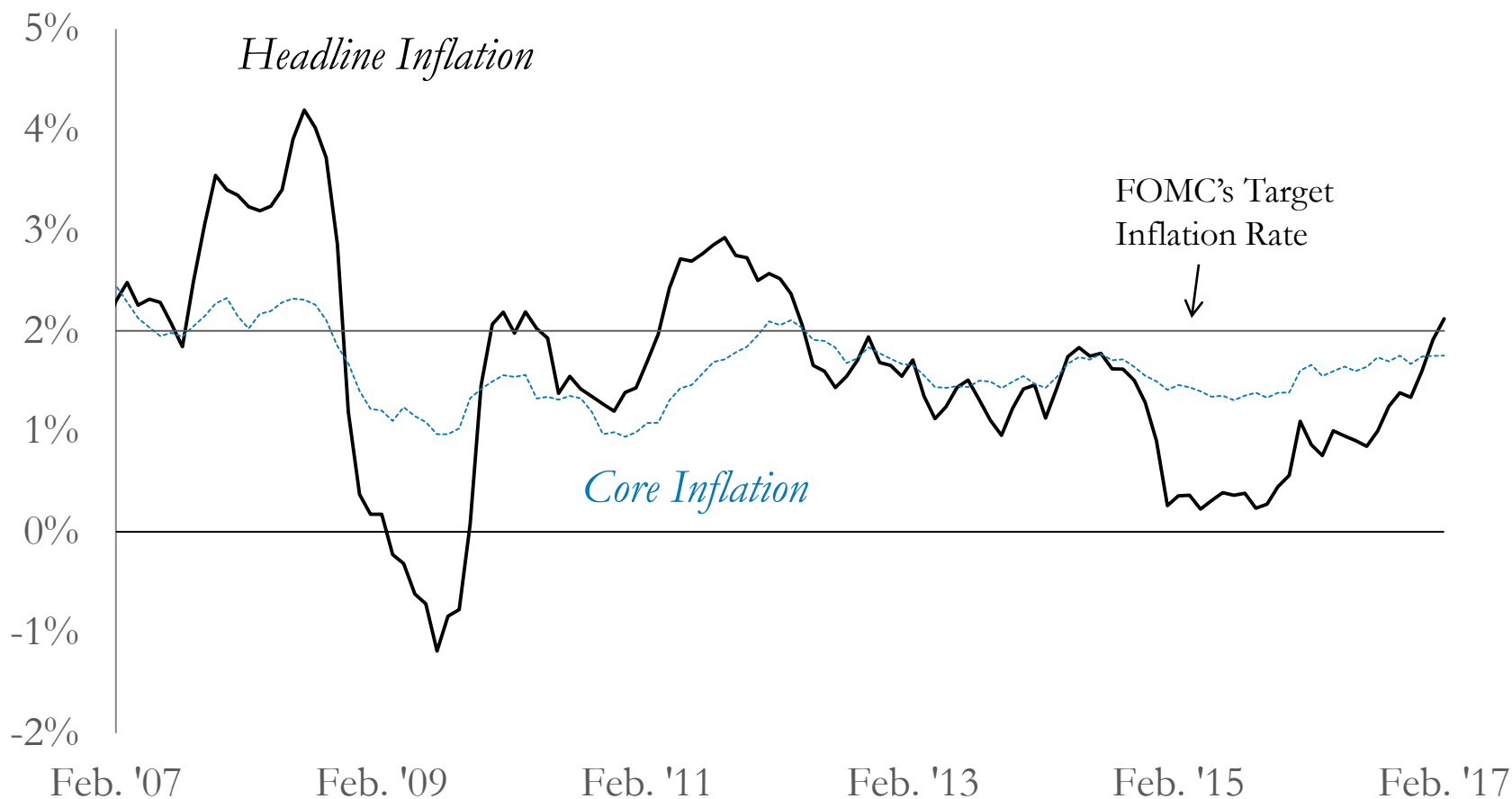


Inflation has picked up, moving closer toward the FOMC's two percent target.



PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year

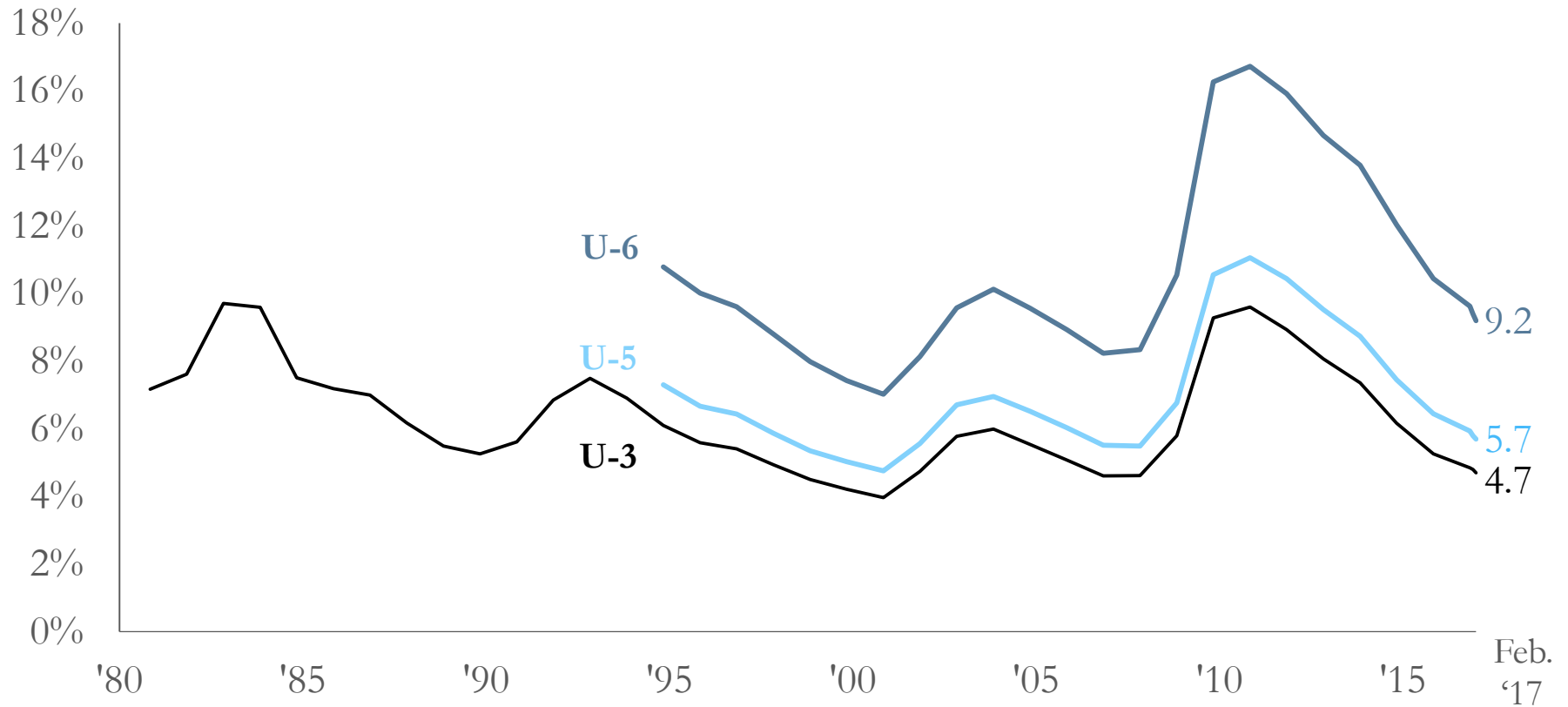


Measures of unemployment and under-employment have declined steadily over the past six years.



U. S. UNEMPLOYMENT AND UNDER-EMPLOYMENT RATES

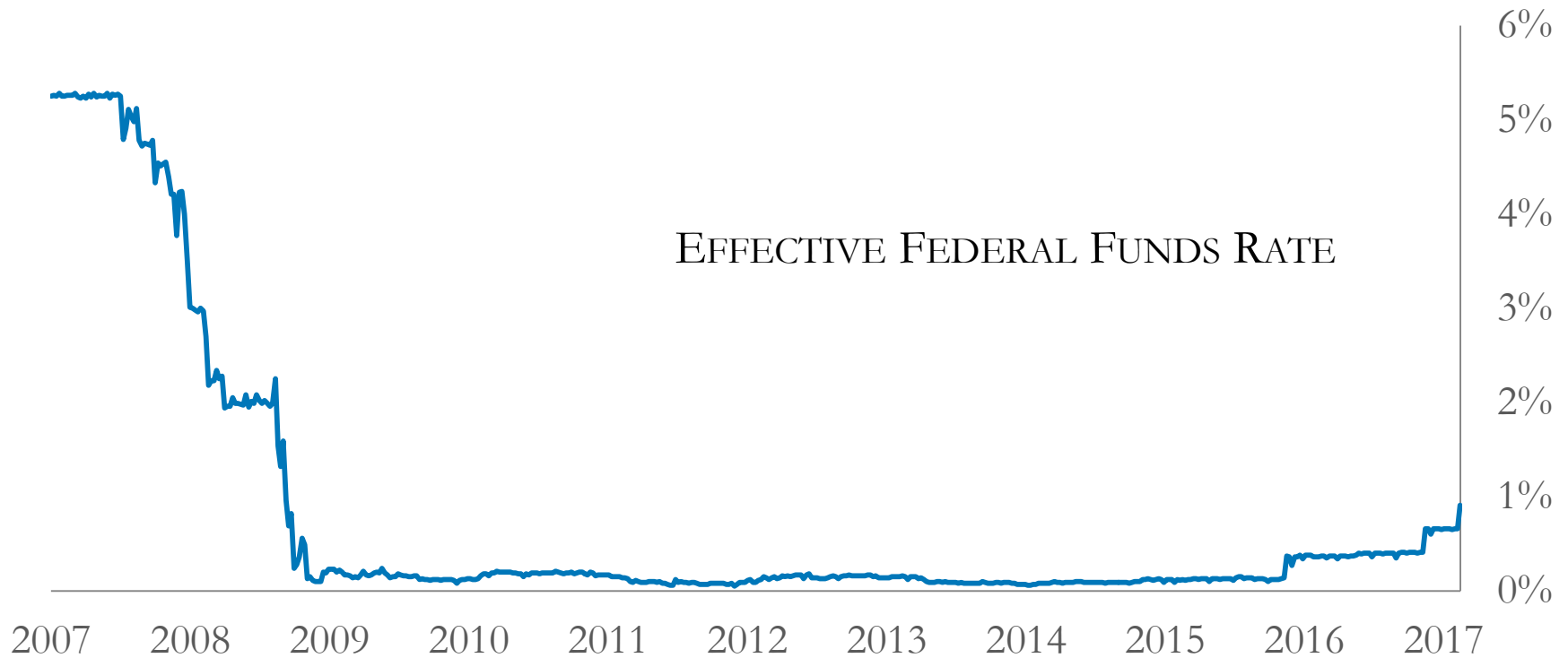
Seasonally Adjusted





“In view of realized and expected labor market conditions and inflation, the Committee decided to raise the target range for the federal funds rate to 3/4 to 1 percent. The stance of monetary policy remains accommodative, thereby supporting some further strengthening in labor market conditions and a sustained return to 2 percent inflation.”

- *March 2017 FOMC Statement*





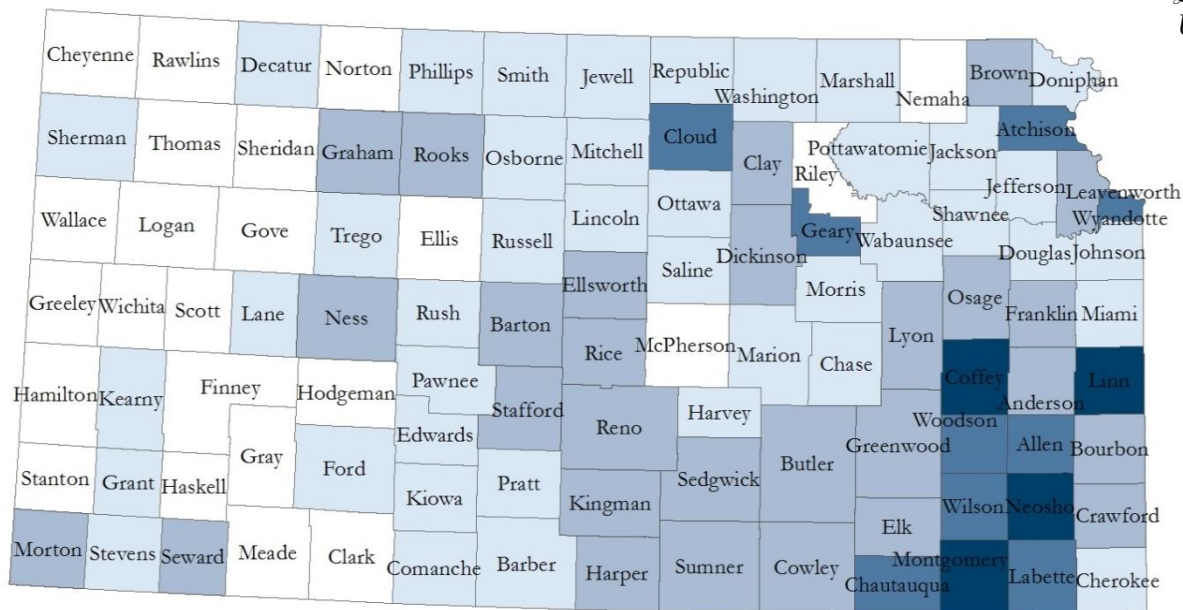
Unemployment rates are below national rates in most of Kansas.

UNEMPLOYMENT RATES

January 2017, Seasonally Adjusted

Unemployment Rate	U-3	U-5*	U-6*
United States (Feb. '17)	4.7%	5.7%	9.2%
Kansas (Feb. '17)	4.0%	5.0%	8.2%
Riley County	2.9%		

*U-5 and U-6 values are 12-month moving averages as of Q4 2016 for Kansas and are for February, 2017 for the United States.



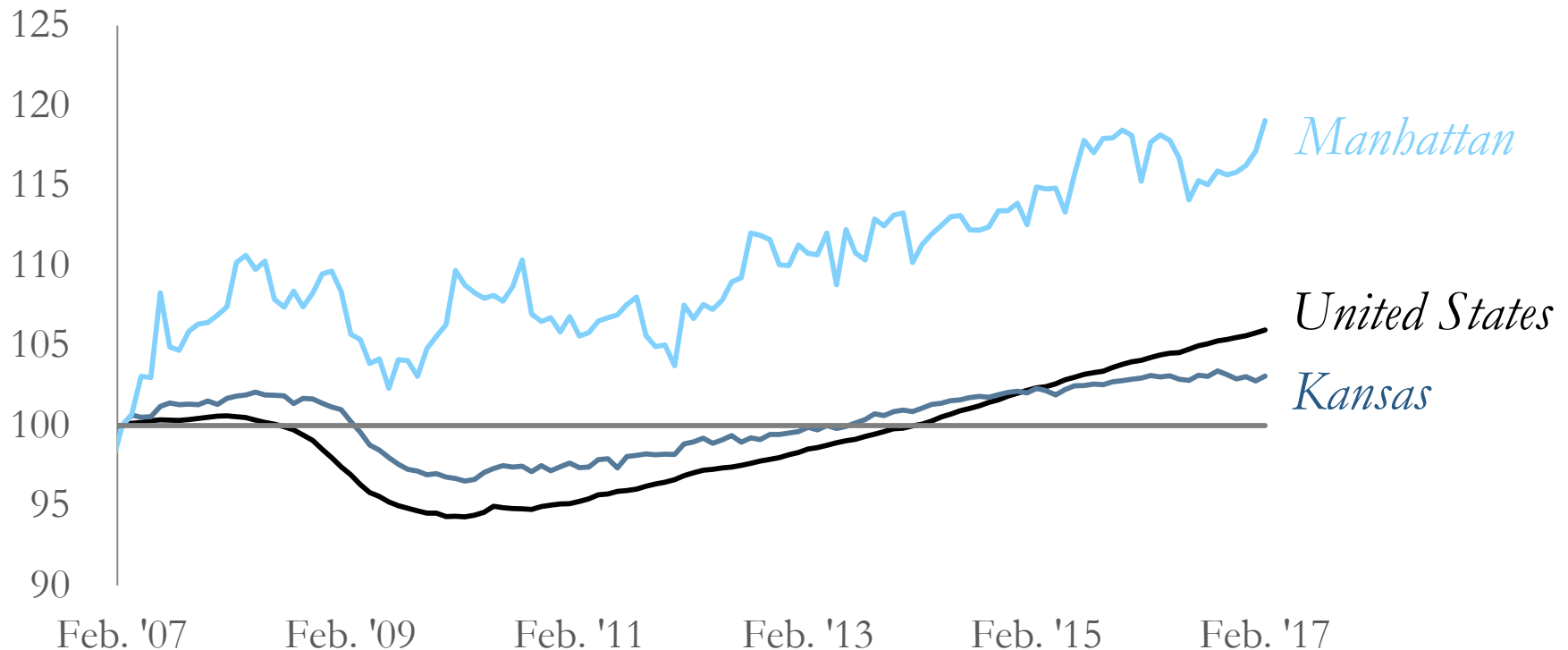
Employment held steady in Kansas over the past year after rising in previous years.



PAYROLL EMPLOYMENT GROWTH

Index 100 = February 2007, Seasonally Adjusted

<i>Percent Change (Feb. '17)</i>	<i>Past 10 Years</i>	<i>Past Year</i>
U.S.	6.0%	1.6%
Kansas	3.1%	0.0%
Manhattan	19.0%	1.2%



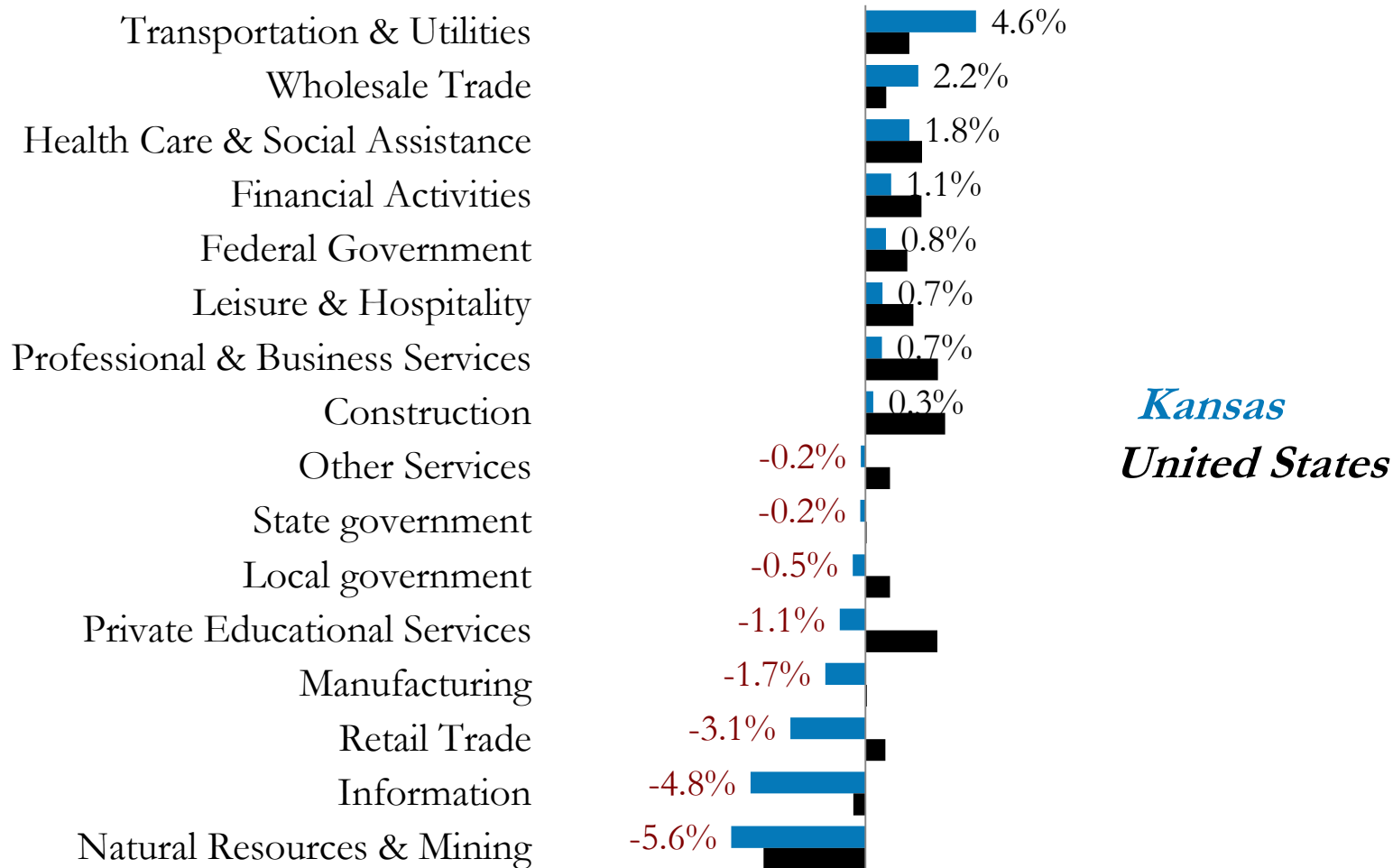
Employment growth was mixed across industries in Kansas over the past year.



CHANGE IN PAYROLL EMPLOYMENT, FEBRUARY 2017

Seasonally Adjusted

Percent Change Year-over-Year



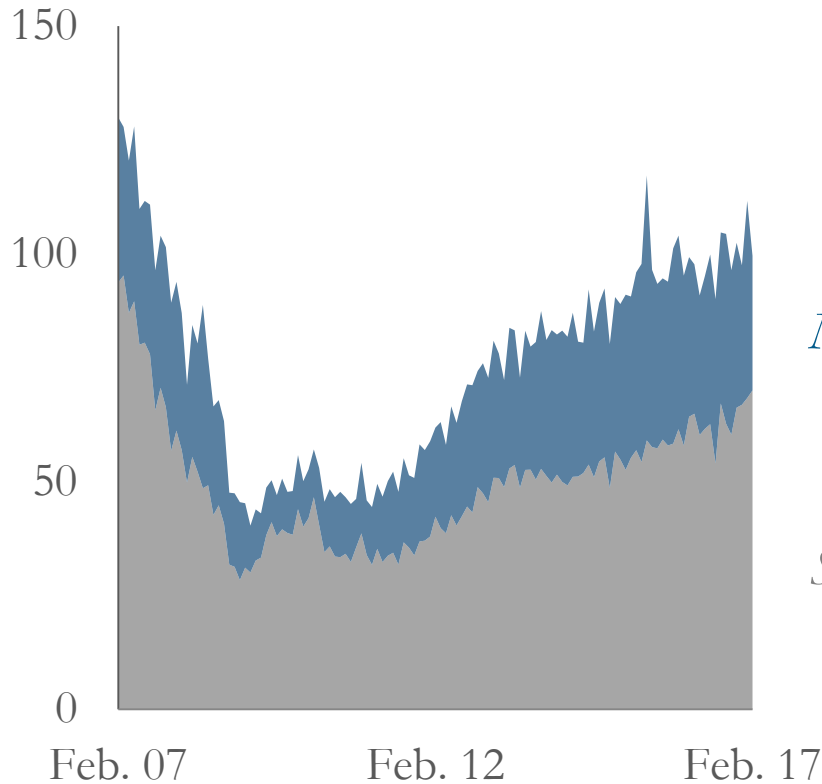
Residential construction activity has been increasing for more than six years, led by strong gains in multifamily building.



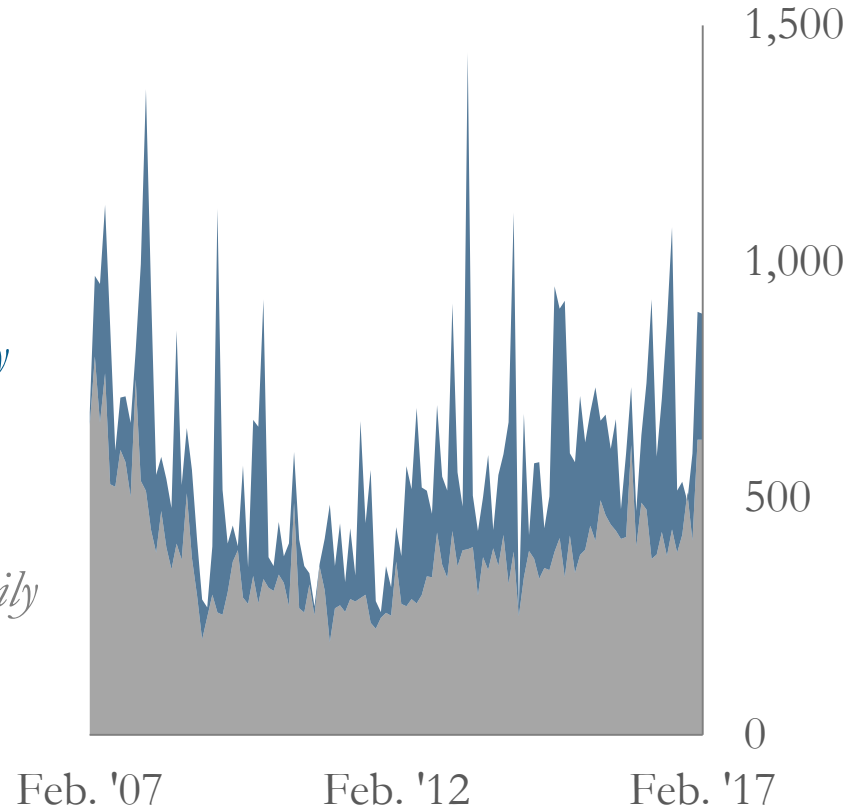
RESIDENTIAL PERMITS

Seasonally Adjusted

United States



Kansas

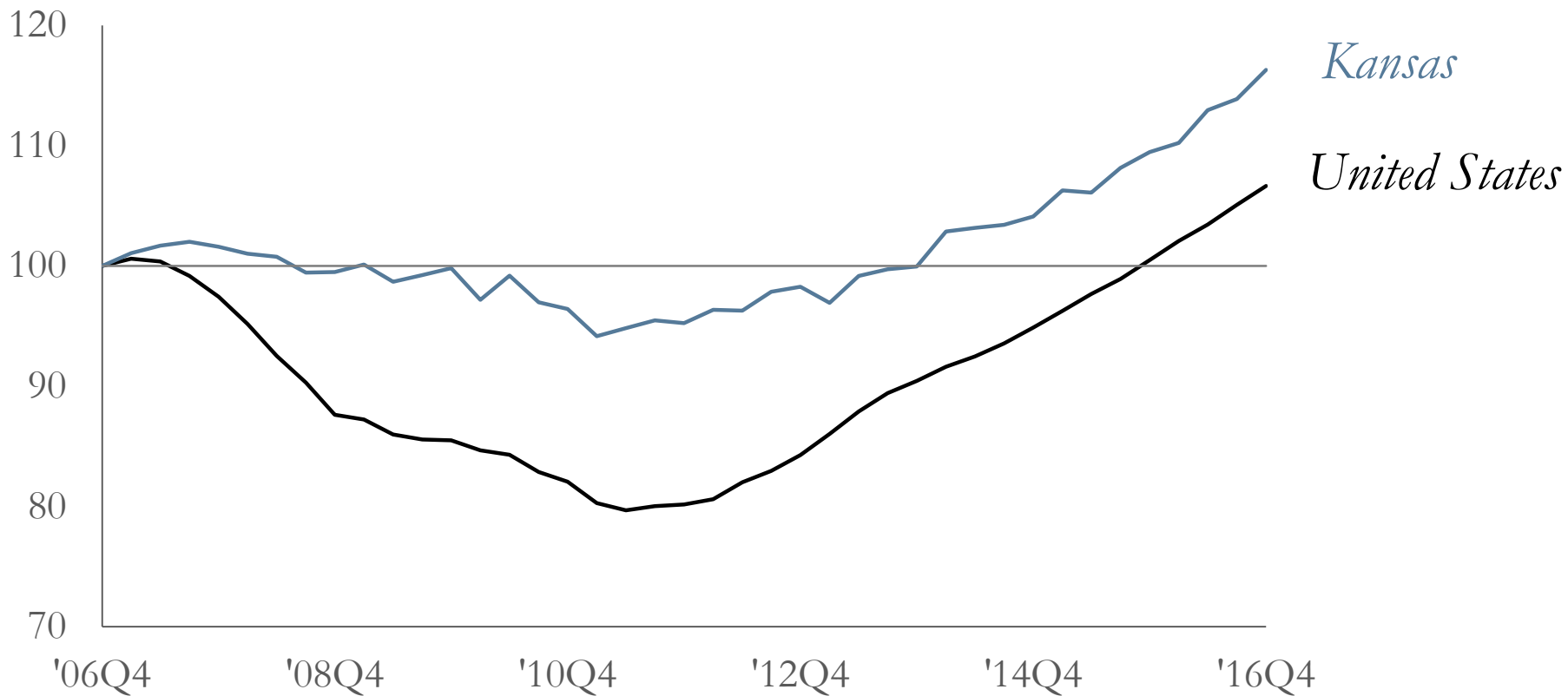


Home prices have increased steadily over the past several years.



HOME PRICES

Seasonally Adjusted, Index 100 = Q4:2006

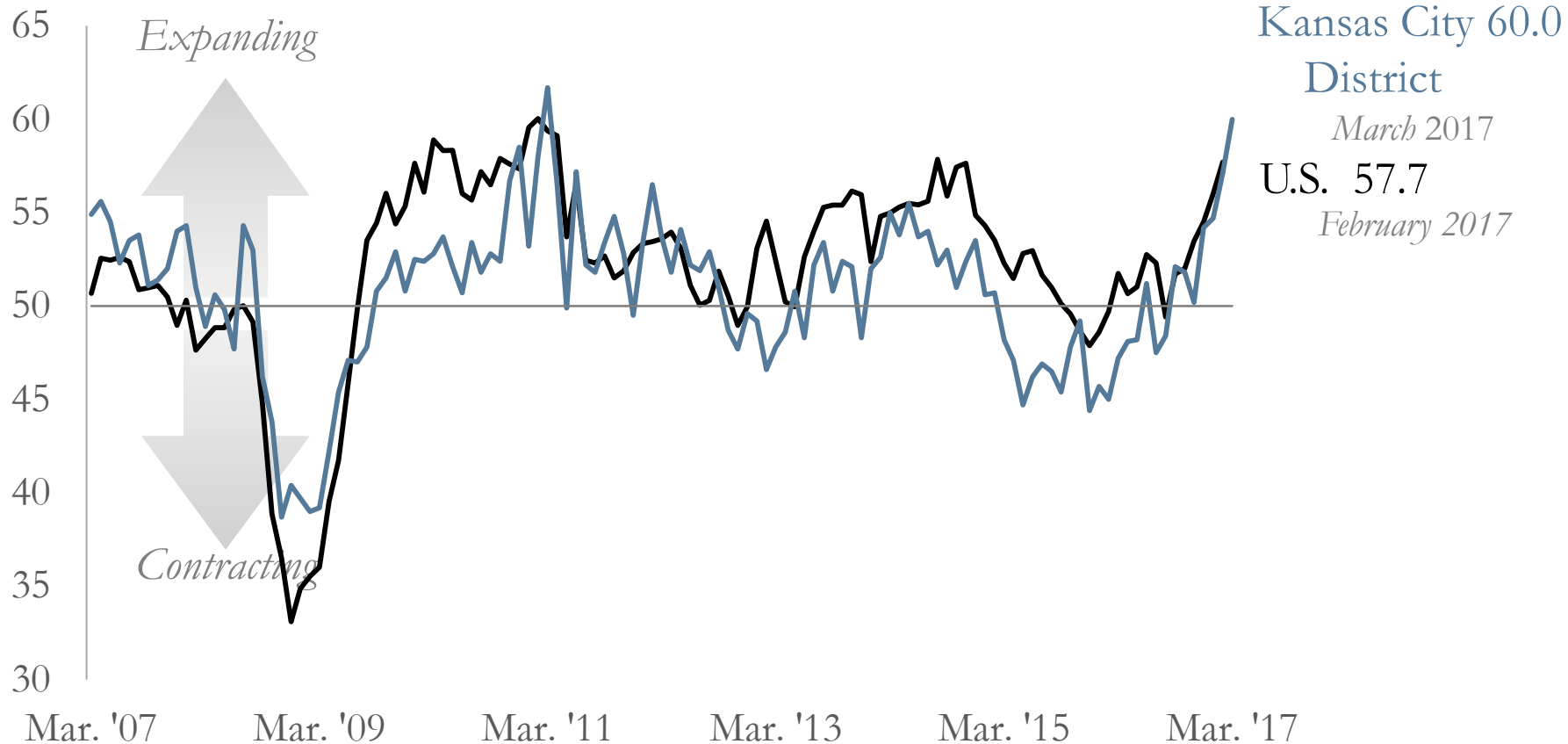


Manufacturing activity has rebounded in recent months after weak activity in 2015 and early 2016.



MANUFACTURING ACTIVITY

Diffusion Index, Seasonally Adjusted, Month-over-Month



Kansas export activity has slowed over the past few years, weighed down by a strong U.S. dollar.



KANSAS EXPORTS BY TRADING PARTNER

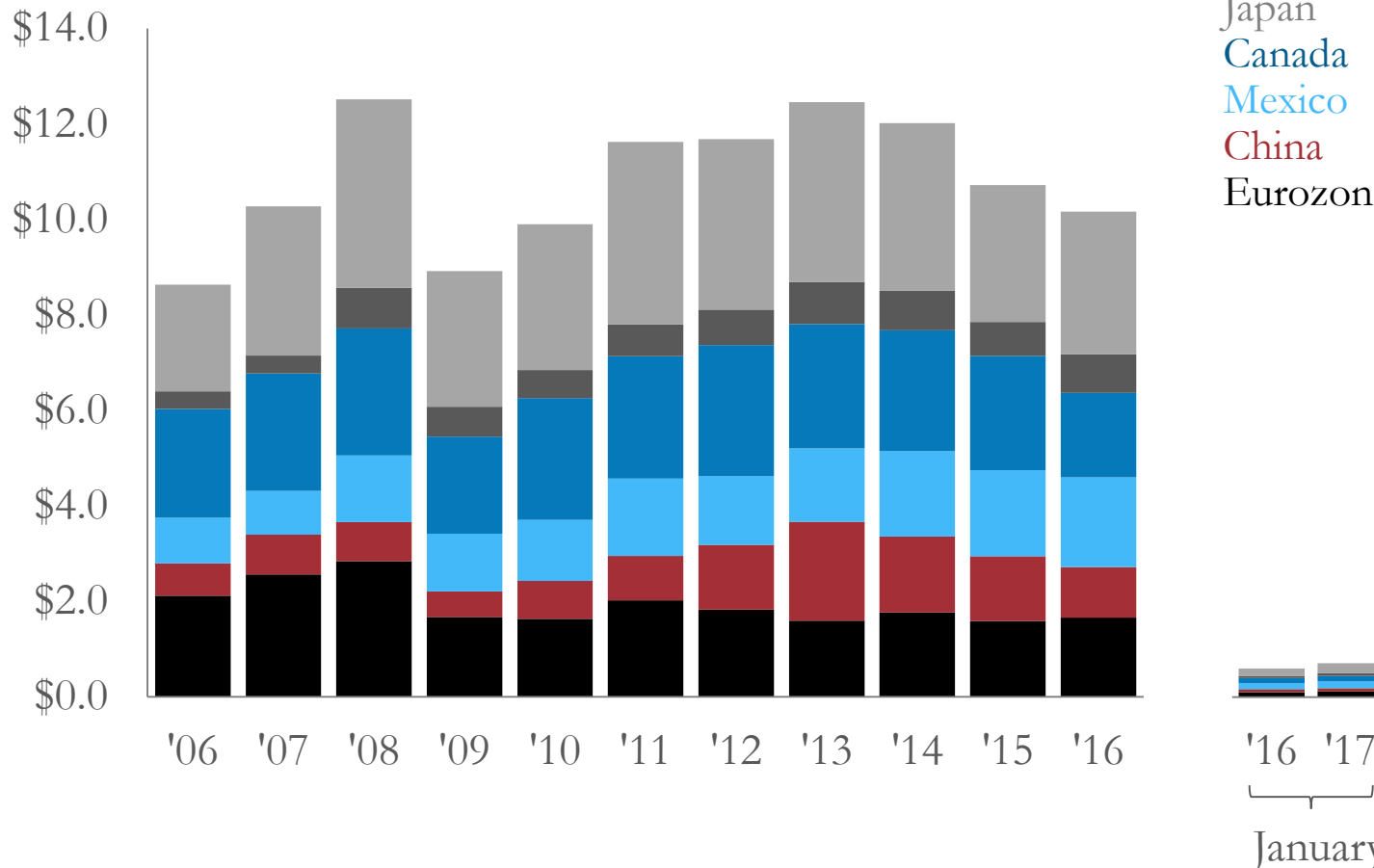
Billions

2016

Percent Change

Total Trade	-5.1%	SHARE*
All Other	4.9	29.4%
Japan	13.7	7.9
Canada	-25.9	17.4
Mexico	4.0	18.5
China	-21.9	10.4
Eurozone	3.5	16.3

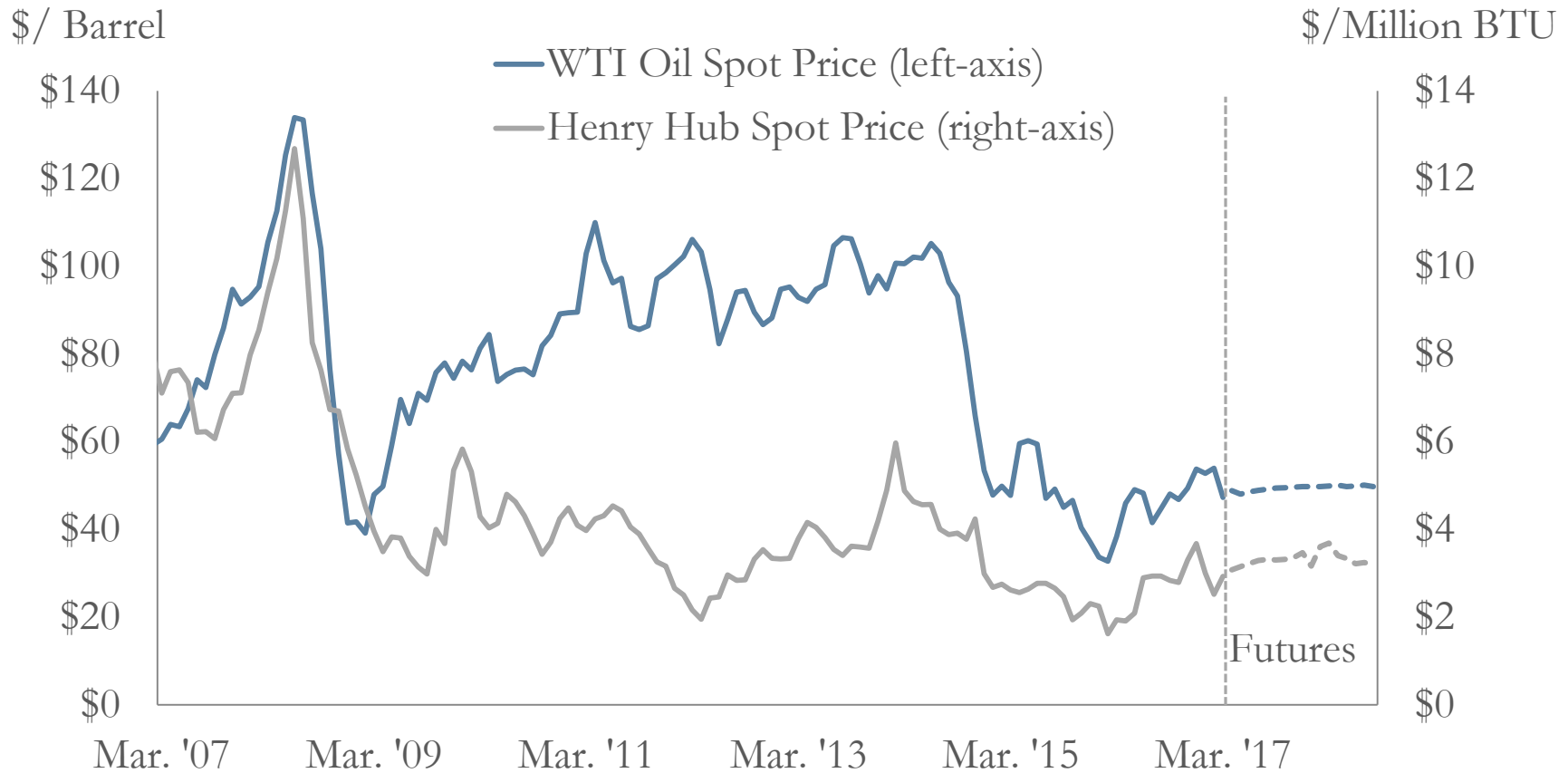
**Share is for 2016*



Oil and natural gas prices have increased over the past year, but additional gains are expected to be gradual.



ENERGY PRICES

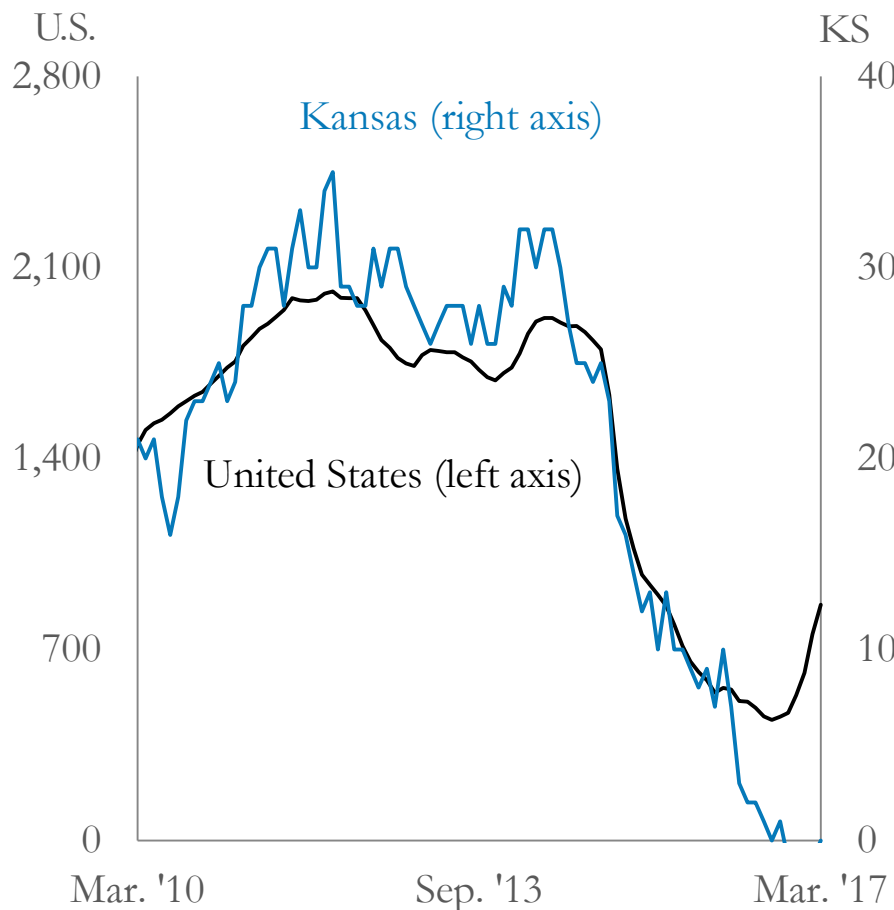


Energy activity has picked up in recent months after declining significantly since mid-2014.



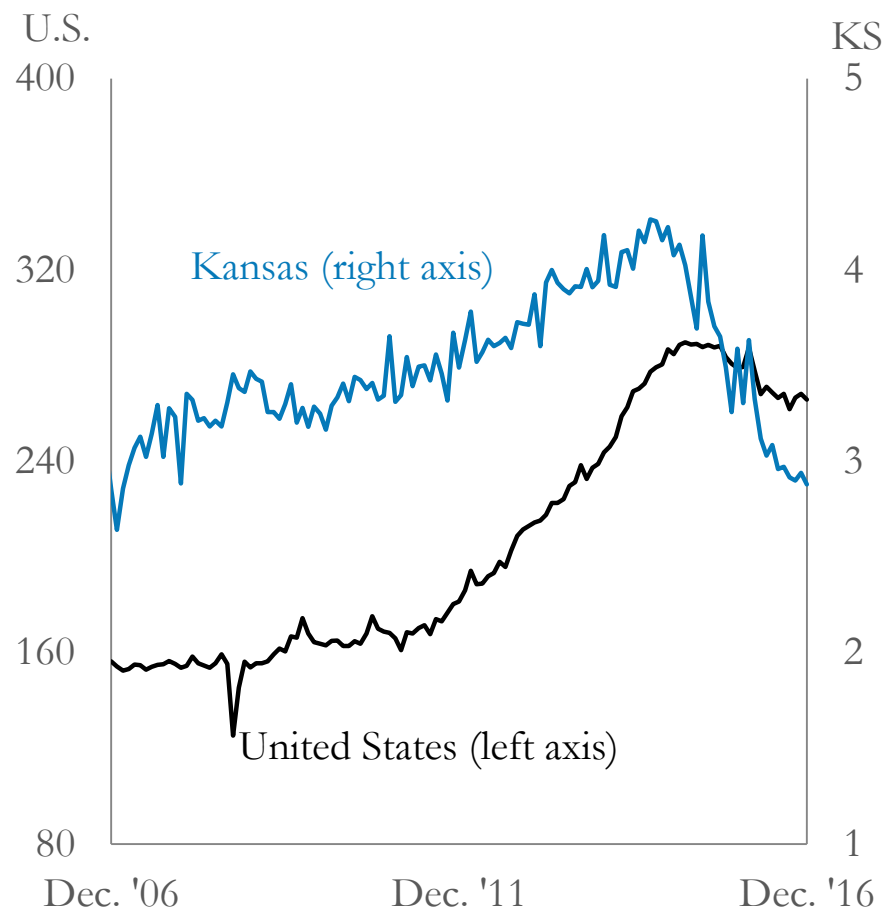
TOTAL RIG COUNT

Seasonally Adjusted



CRUDE OIL PRODUCTION

*Millions of Barrels, Monthly,
Seasonally Adjusted*

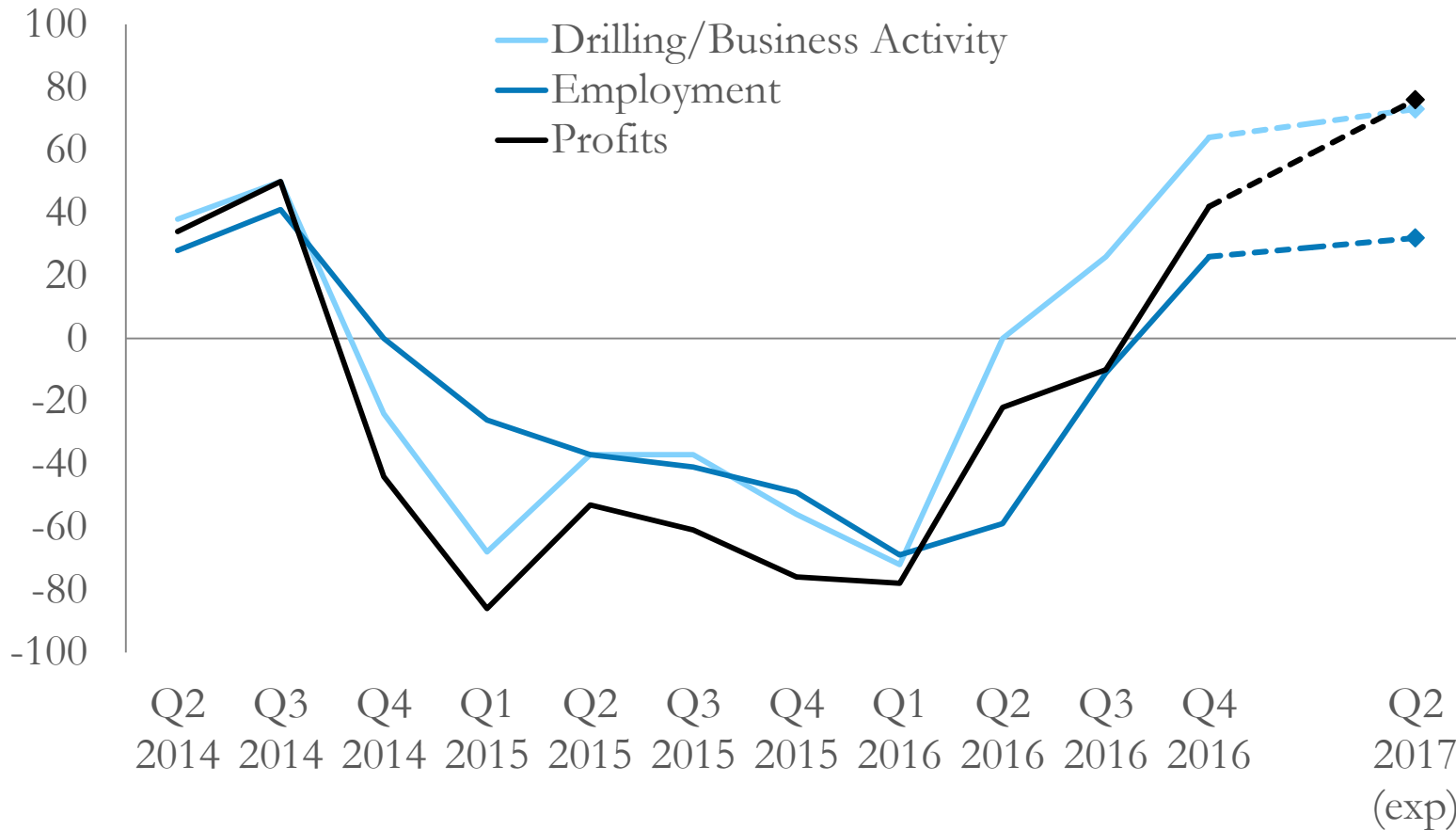


The energy sector is expected to expand in 2017.



FRBKC ENERGY SURVEY

Diffusion Indexes, Quarter-over-Quarter

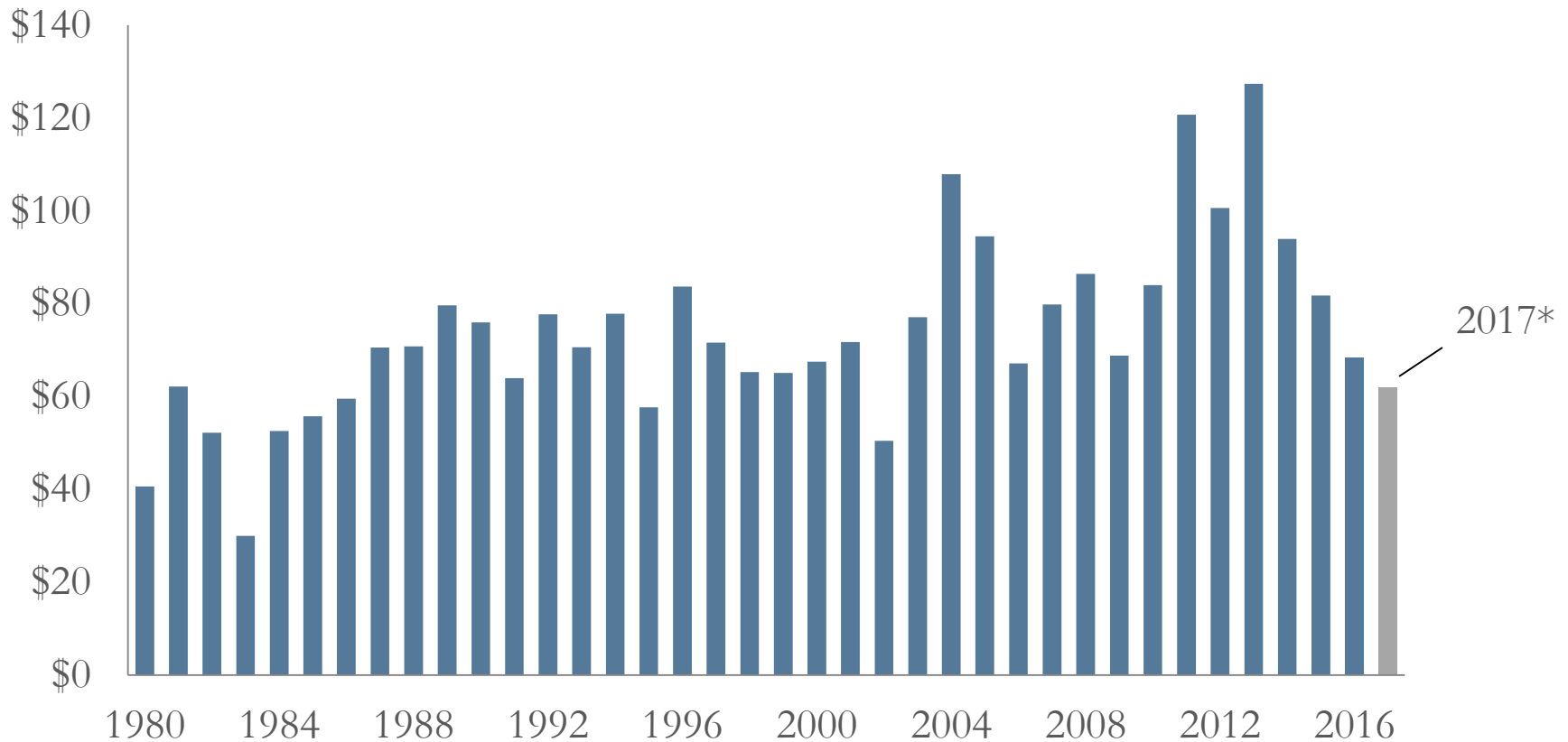


Farm income has dropped sharply and is expected to remain low.



U.S. REAL NET FARM INCOME

Billion Dollars (Constant 2016 Dollars)



*Forecast for 2017

For additional information on the regional economy:
<http://www.KansasCityFed.org/Denver>

