



FEDERAL RESERVE BANK *of* KANSAS CITY

Kansas & Tenth District Economic Outlook

Kansas Senate and House Commerce
Committees

January 13th, 2016

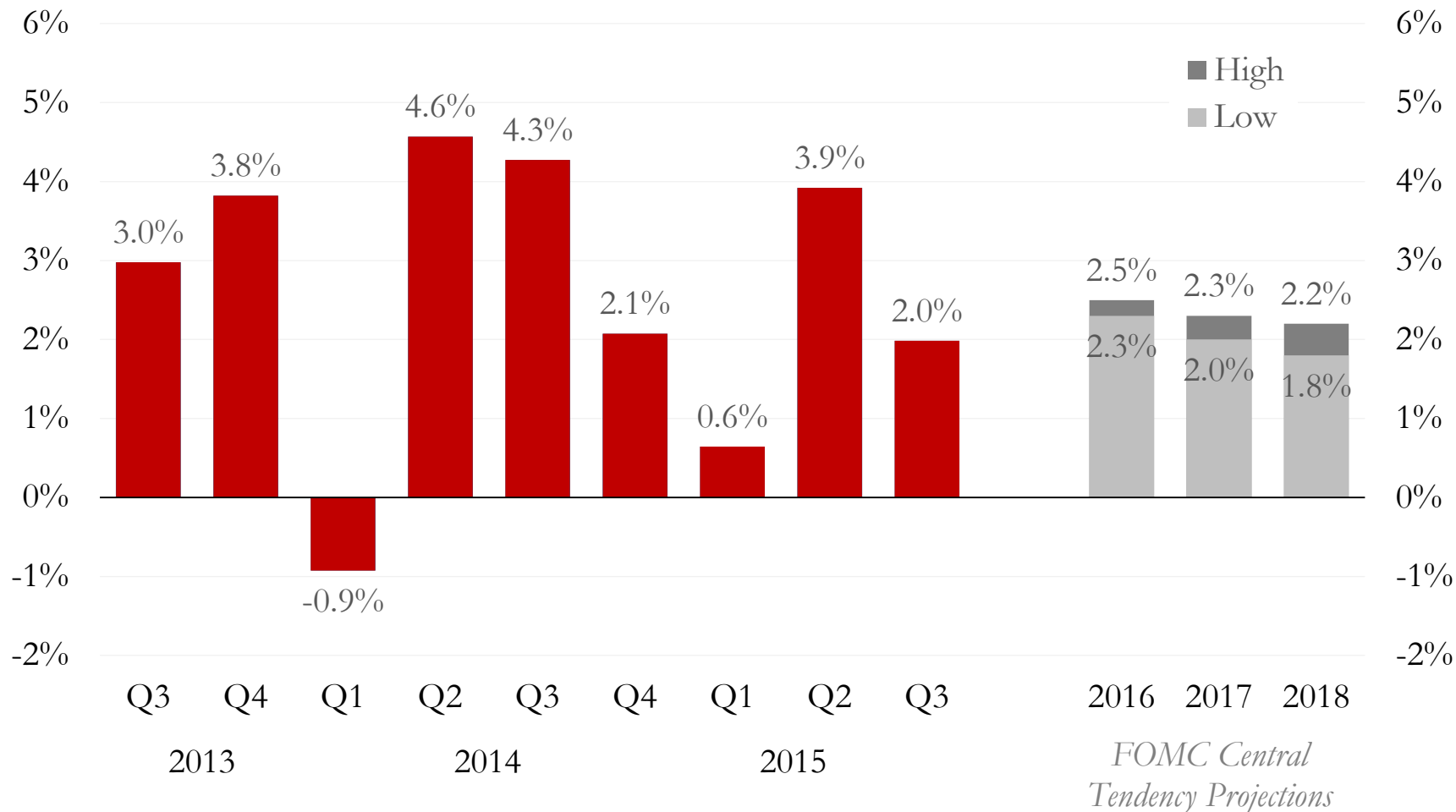
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*The views expressed are those of the presenter and do not necessarily reflect
the positions of the Federal Reserve Bank of Kansas City or the Federal Reserve System.*

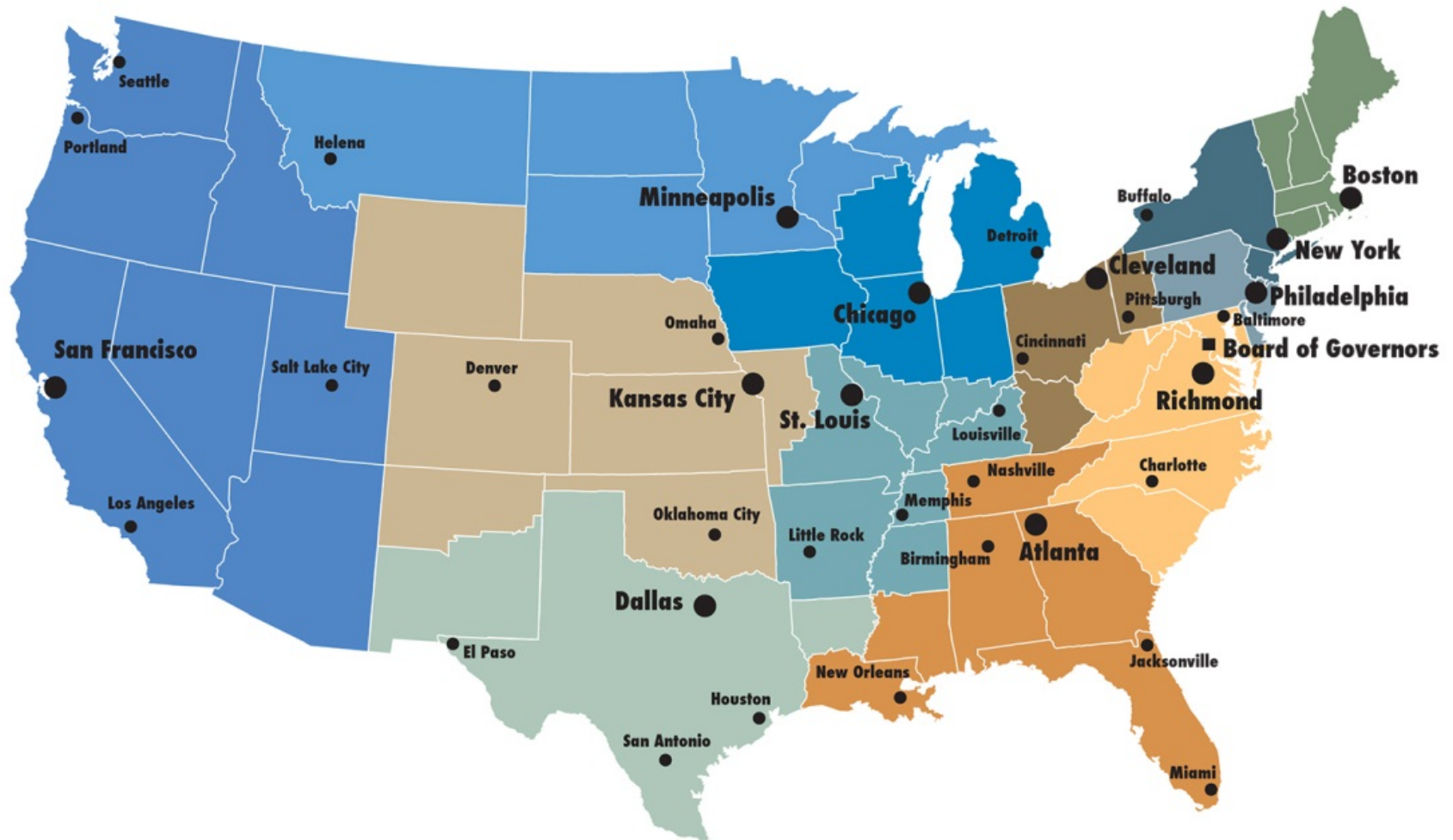
The U.S. economy is expected to continue to grow at a moderate pace.

REAL GROSS DOMESTIC PRODUCT (GDP)

Annualized Percent Change from Previous Period



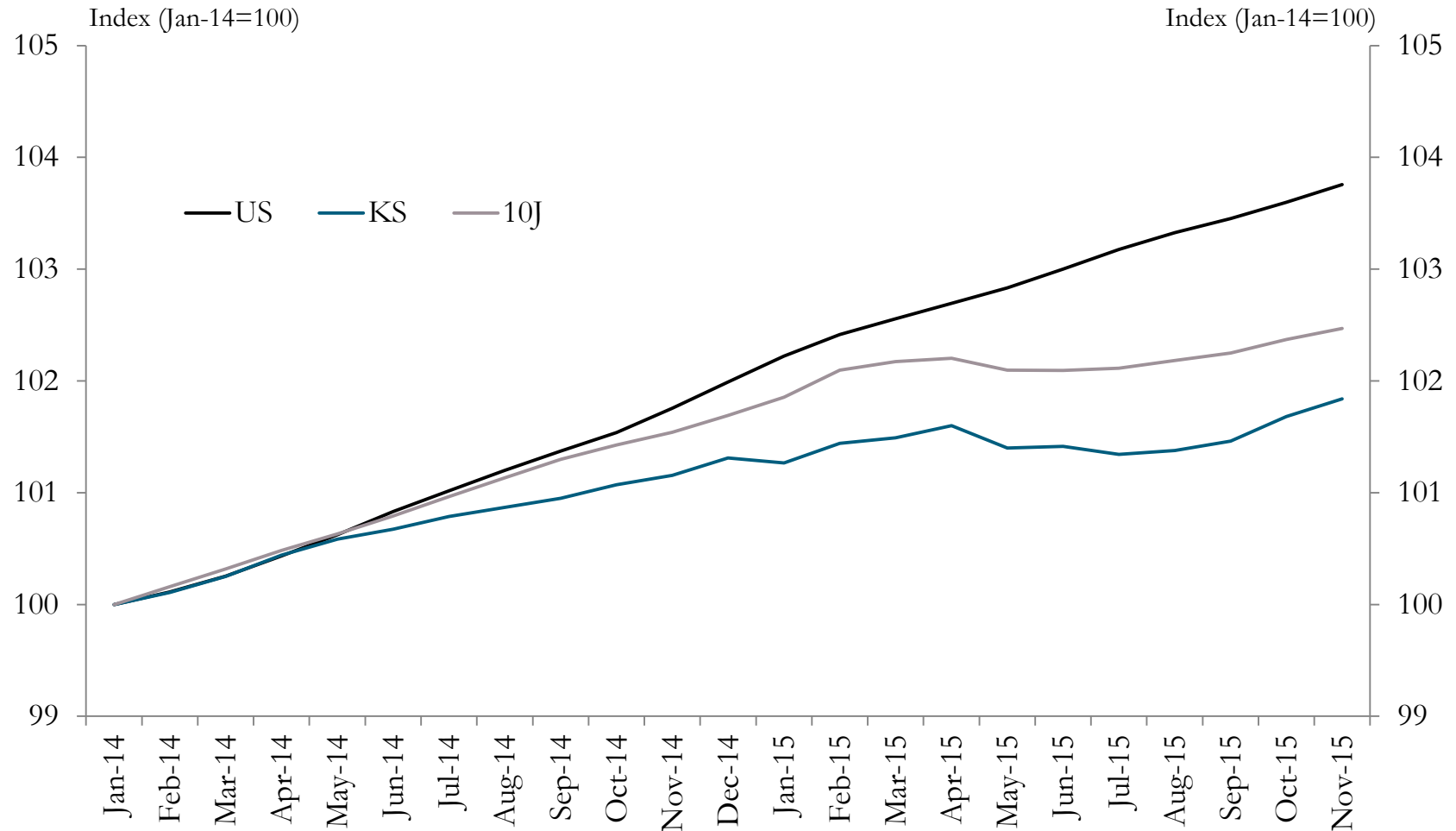
Federal Reserve Districts and Office Locations



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

KANSAS PAYROLL EMPLOYMENT

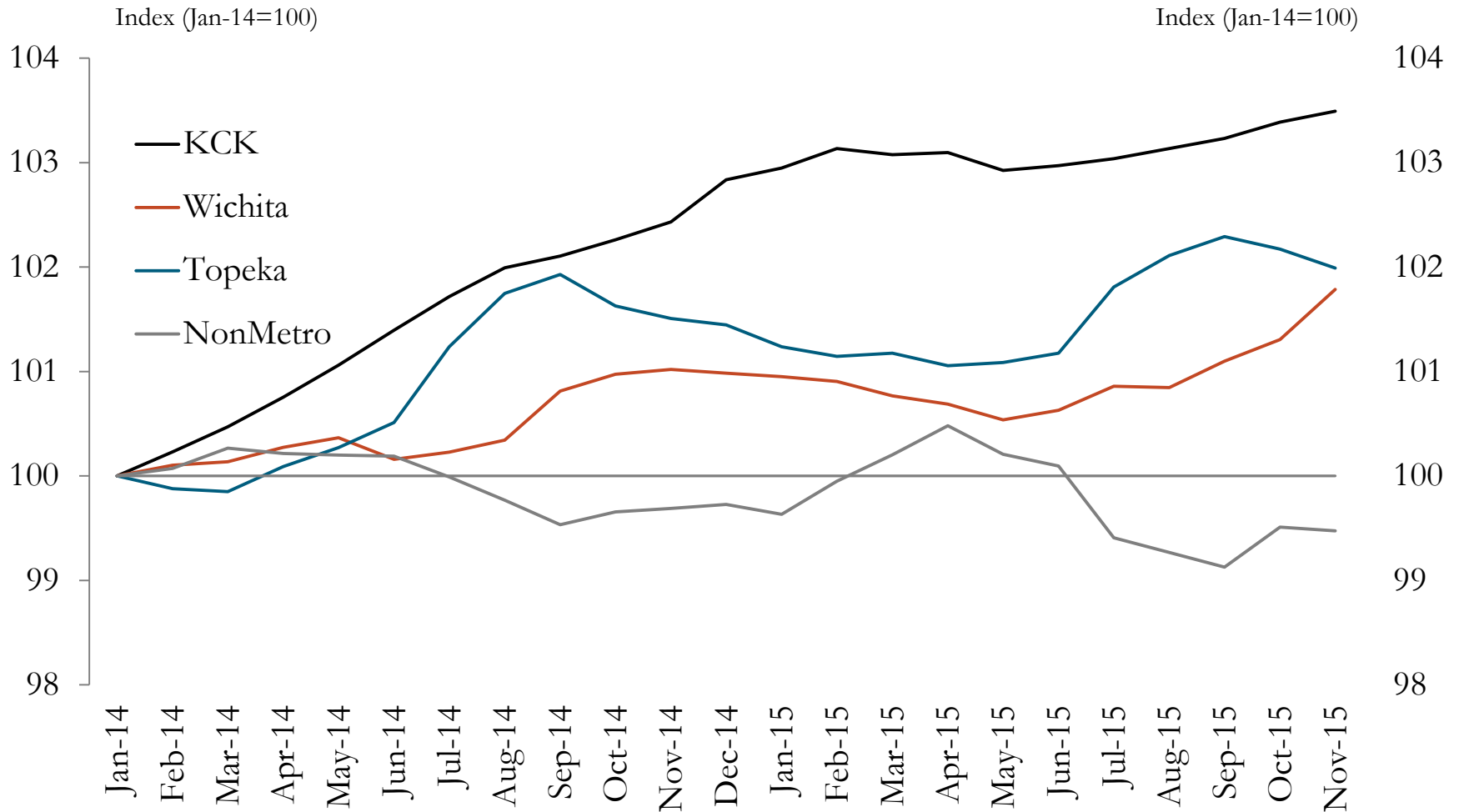
3-month moving average



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

METRO KANSAS PAYROLL EMPLOYMENT

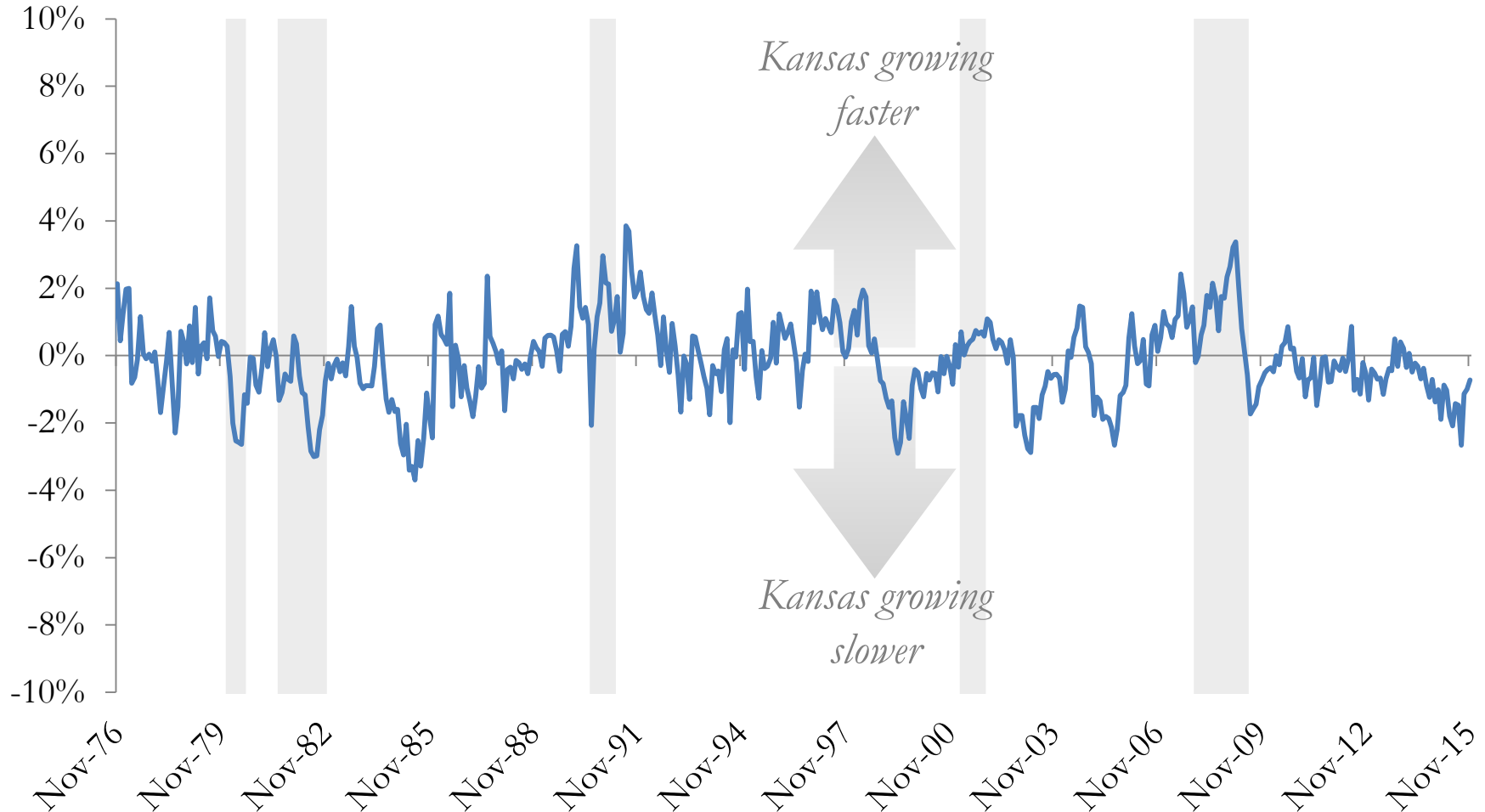
3-month moving average



Kansas experienced the largest difference in job growth for the District vs. the U.S. since 2005.

KANSAS VS. U.S. EMPLOYMENT GROWTH

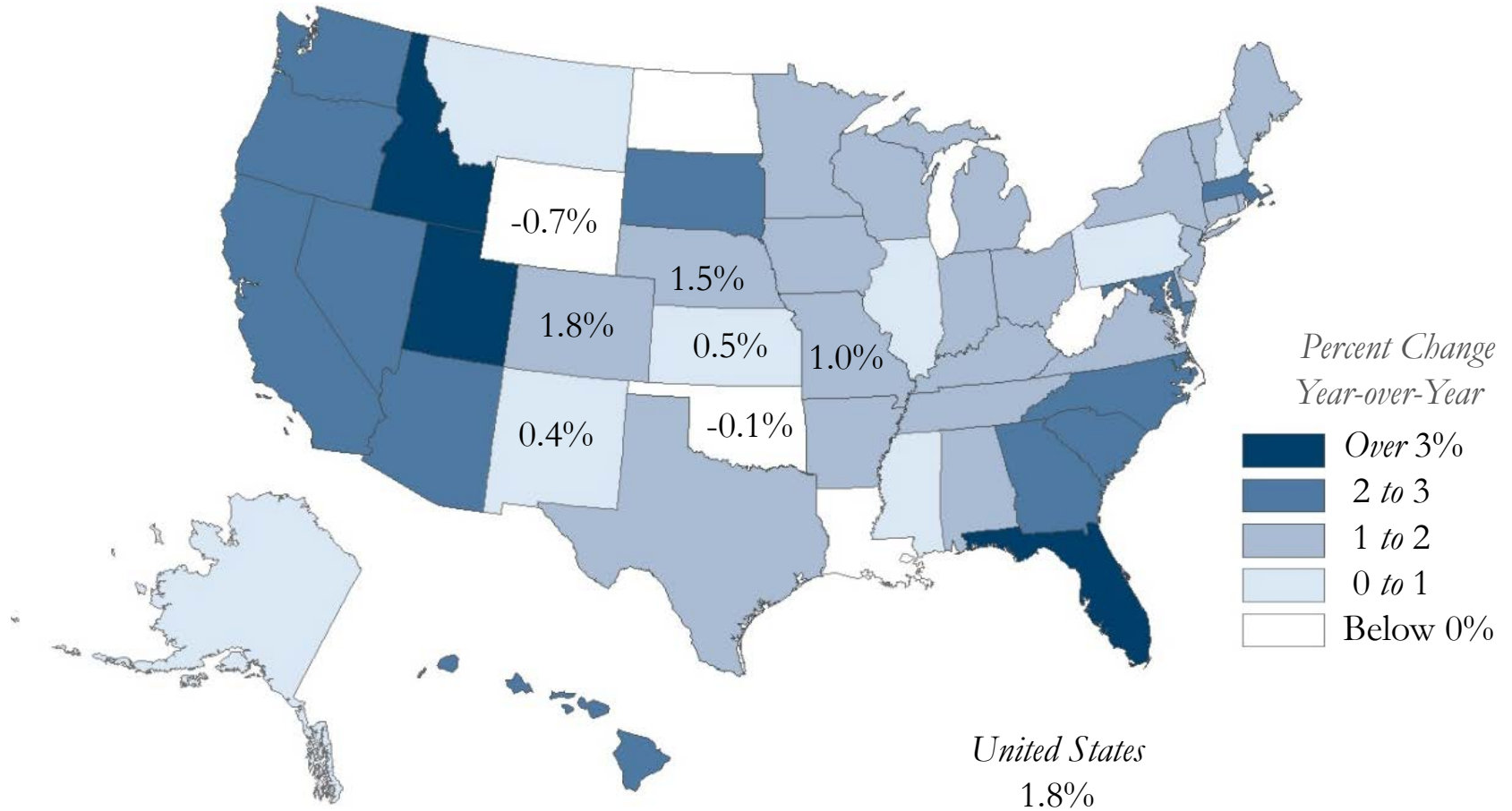
Change from 6 months ago



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

NOVEMBER 2015 TOTAL NONFARM EMPLOYMENT

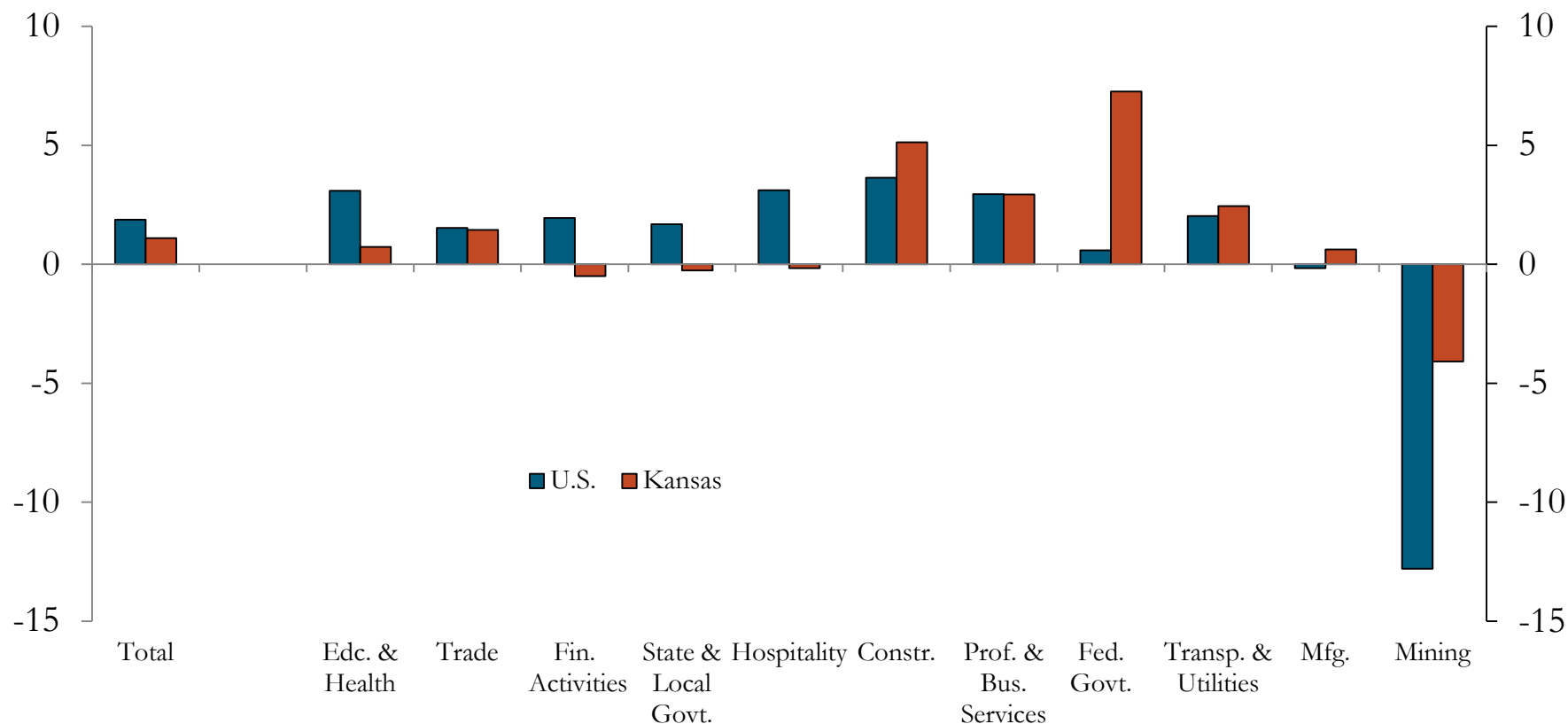
Year-over-Year Percent Change



Kansas employment in construction, transportation, and manufacturing sectors grew faster compared to the nation over the past 6 months.

NOVEMBER 2015 EMPLOYMENT GROWTH BY INDUSTRY

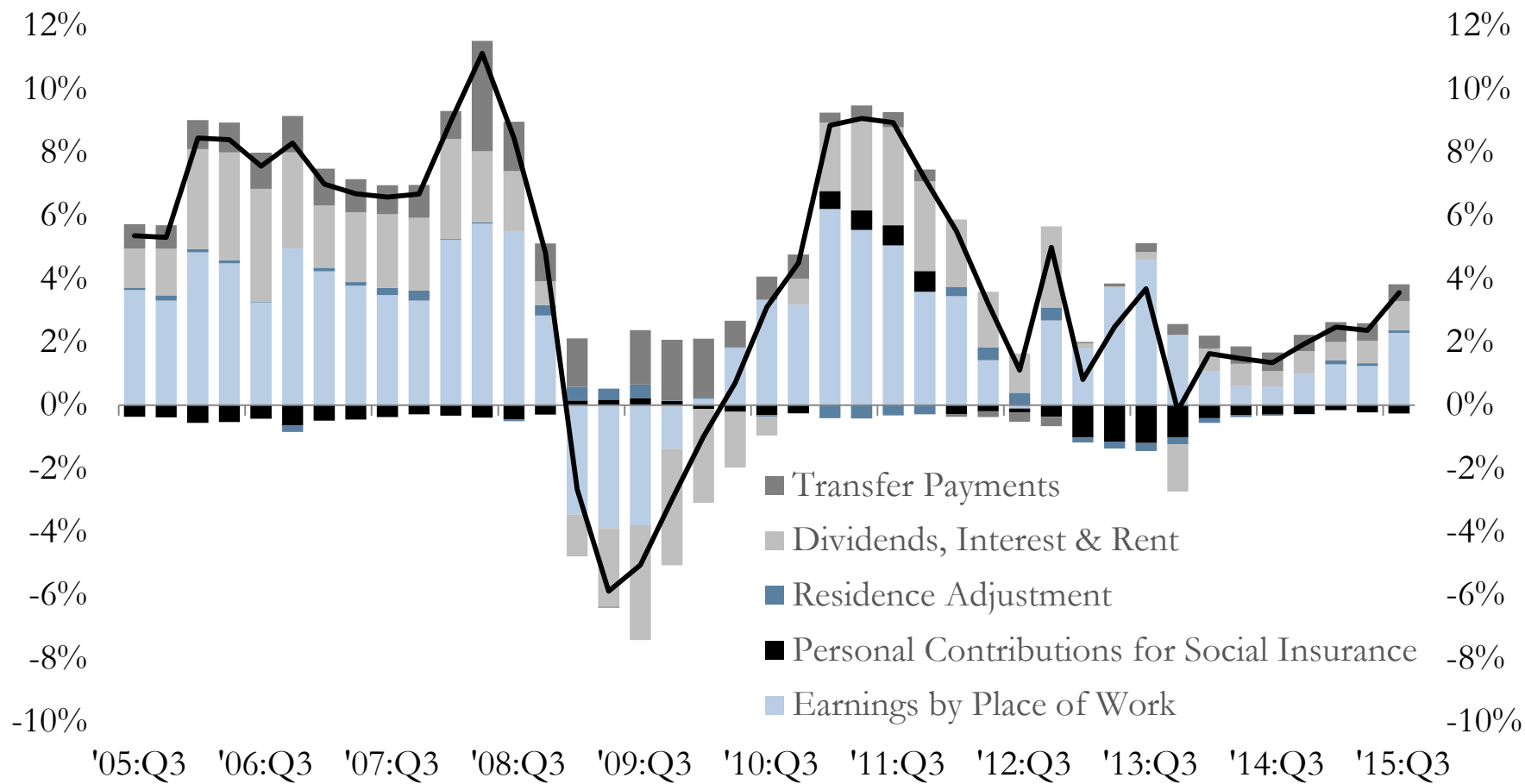
6-month percent change, Annualized



Personal income in the state continues to grow at a moderate pace.

CONTRIBUTIONS TO PERSONAL INCOME GROWTH IN KANSAS

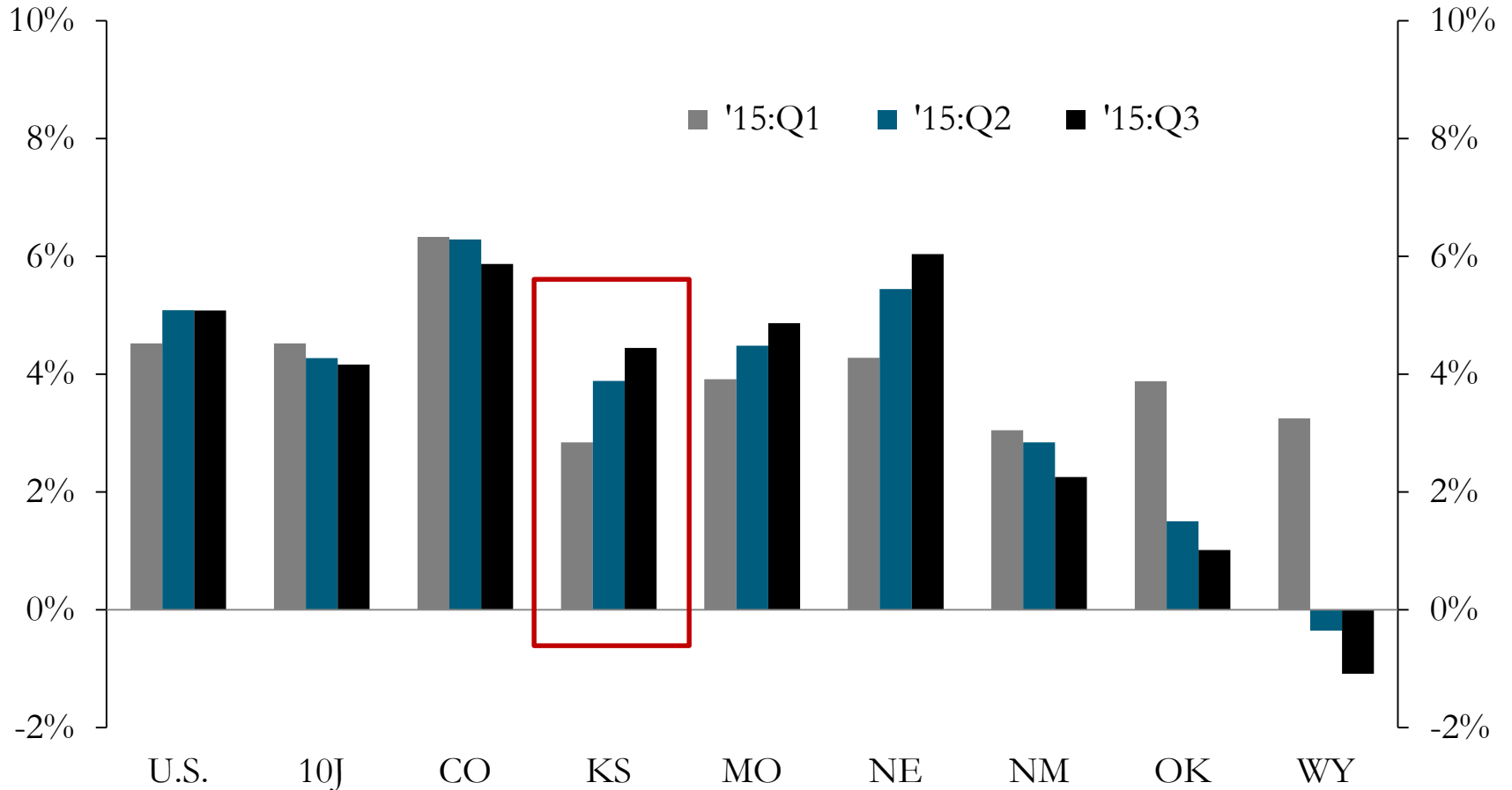
Seasonally Adjusted, Year-over-Year



Wage growth increased over the past 3 quarters in Kansas and neighboring states.

WAGE AND SALARY GROWTH BY STATE

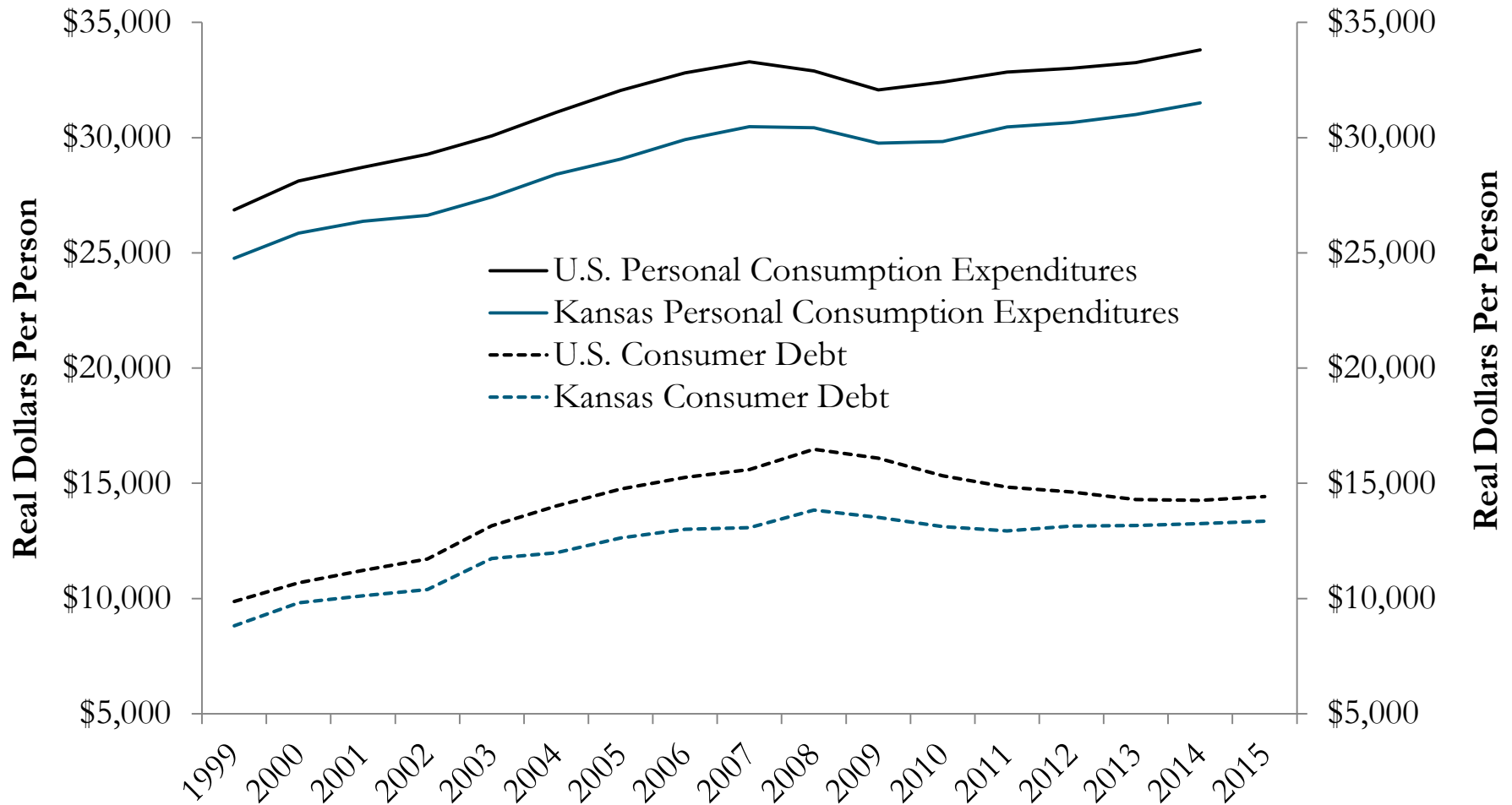
Seasonally Adjusted, Year-over-Year



Consumption expenditures are steadily increasing in Kansas, alongside consumer debt.

PERSONAL CONSUMPTION EXPENDITURES AND CONSUMER DEBT

Seasonally Adjusted



The District's higher shares of agricultural and energy activity are the main sources 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%	2.9%	5.5%
Tenth District	4.5%	6.0%	10.5%
Colorado	2.1%	4.5%	6.6%
Kansas	7.7%	2.8%	10.5%
Missouri	4.4%	0.2%	4.6%
Nebraska	12.6%	0.8%	13.3%
New Mexico	2.0%	7.3%	9.3%
Oklahoma	2.7%	13.7%	16.4%
Wyoming	1.6%	17.6%	19.3%

Bold = over 1.5 times U.S. avg

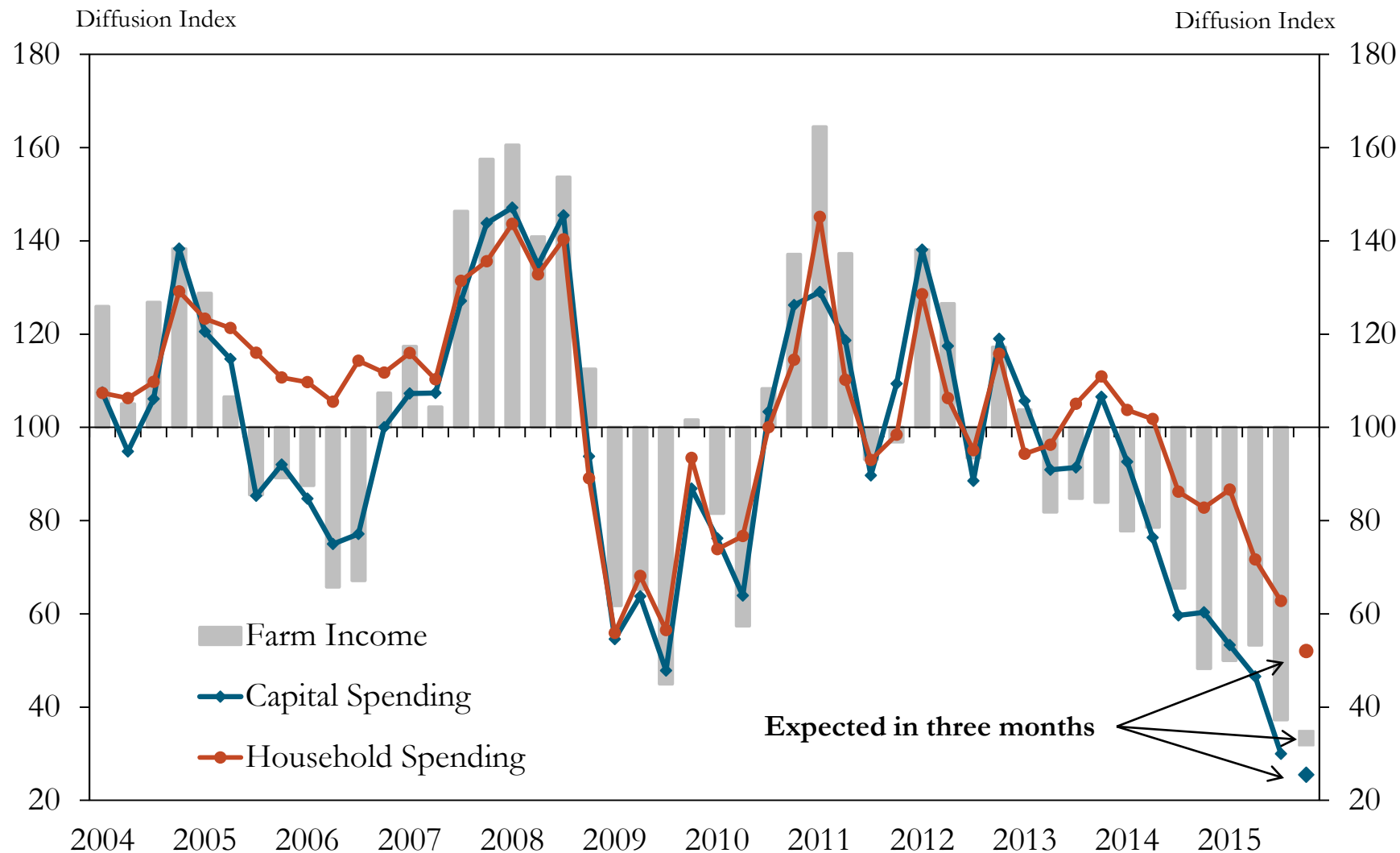
Gray = over 3 times U.S. avg

* 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.

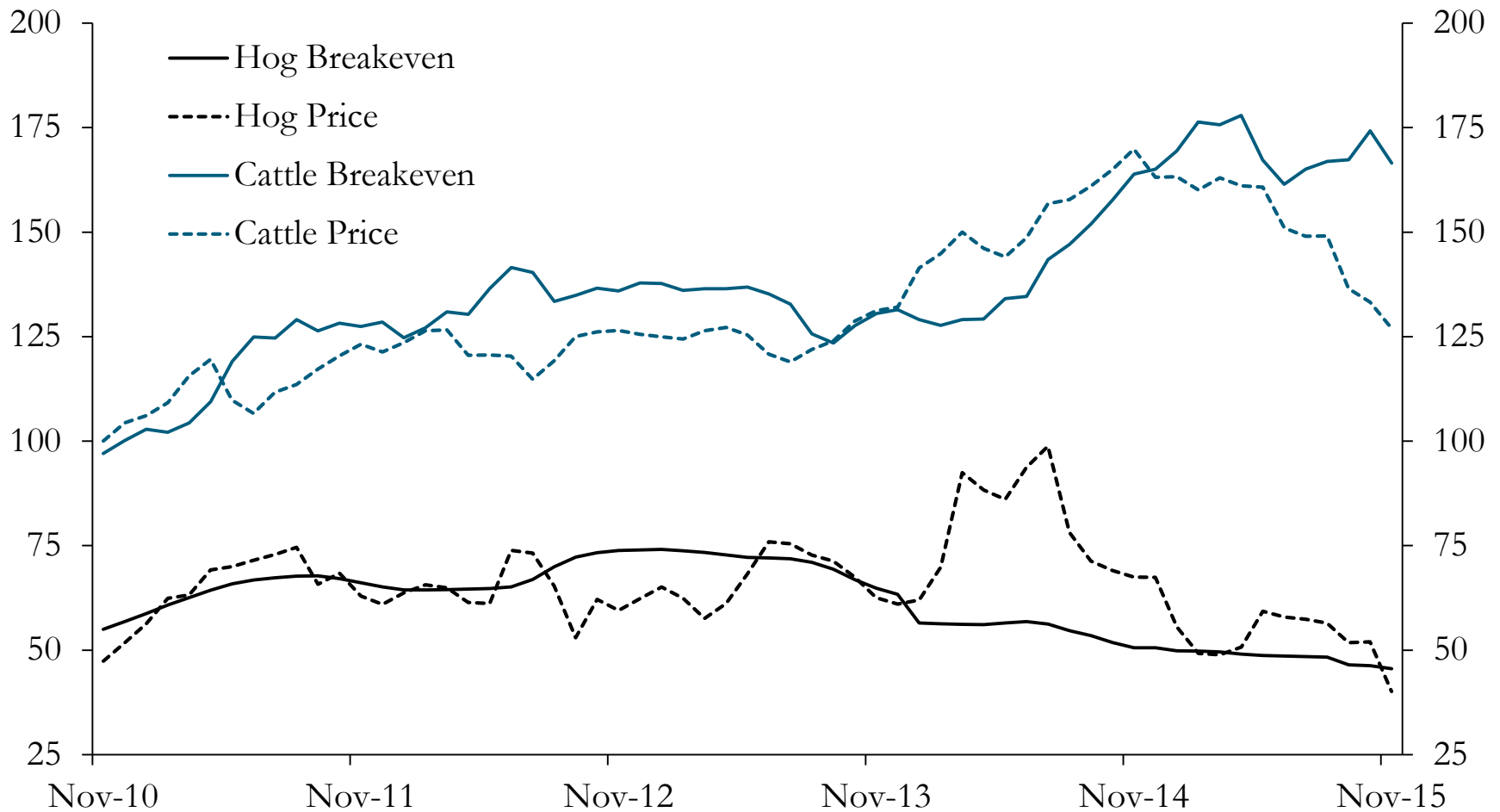
KANSAS FARM INCOME AND SPENDING



Selling prices are lower than their breakeven price for both hogs and cattle.

LIVESTOCK PRICES AND BREAK EVEN COSTS

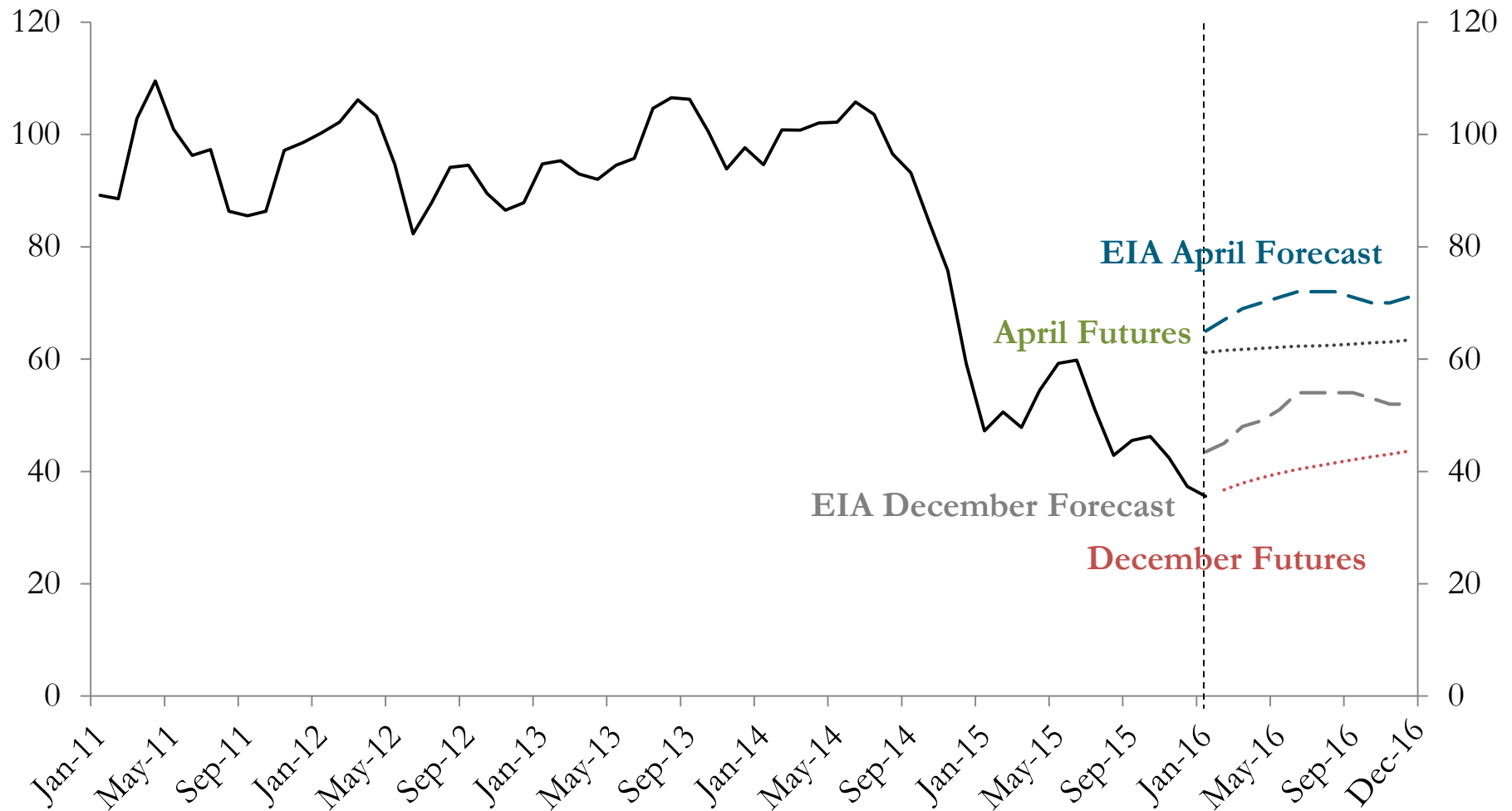
Dollars per hundredweight



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

WTI OIL PRICES

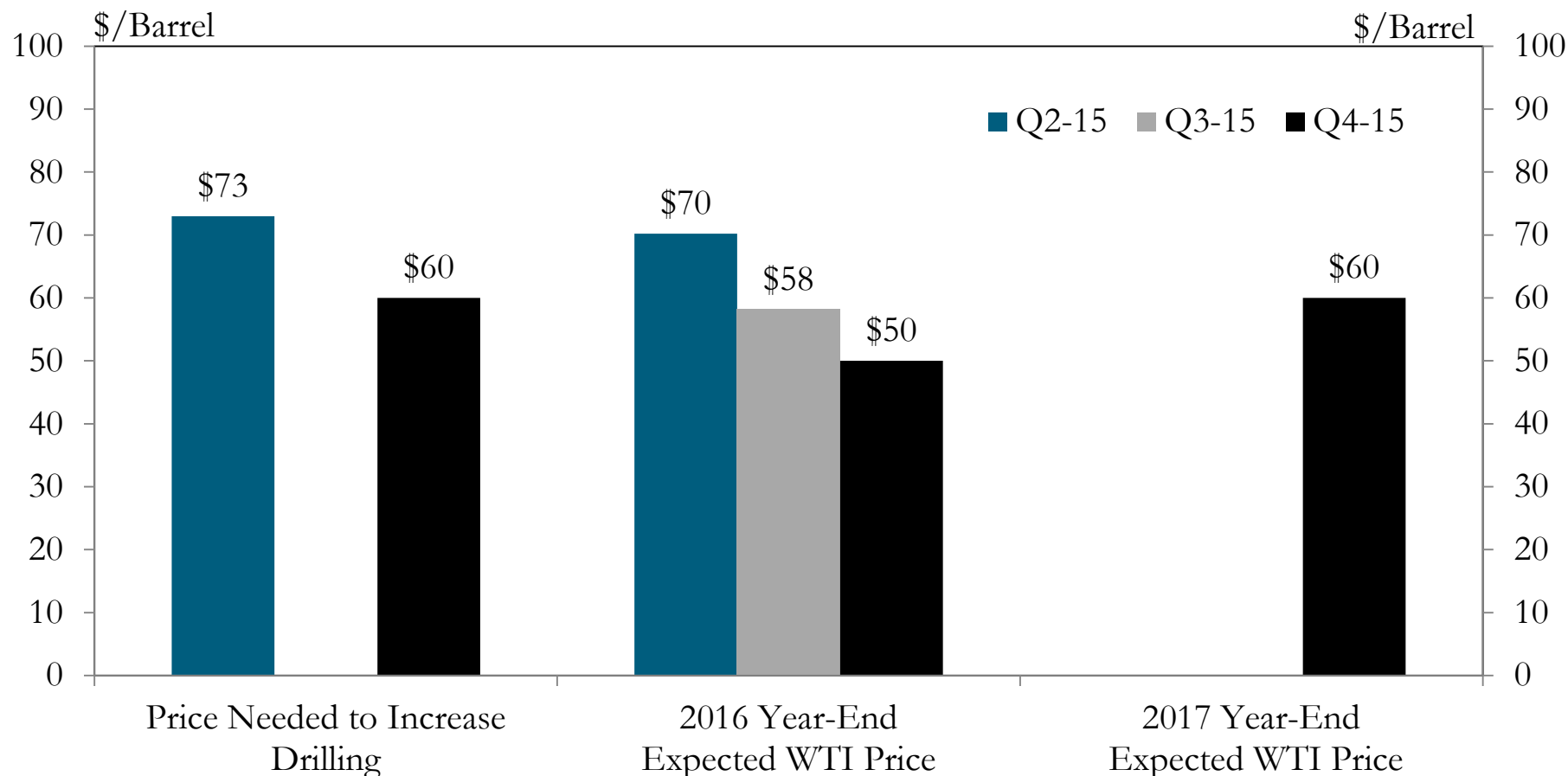
Price per Barrel



Regional oil firms now do not expect profitable oil prices until 2017.

TENTH FED DISTRICT ENERGY SURVEY

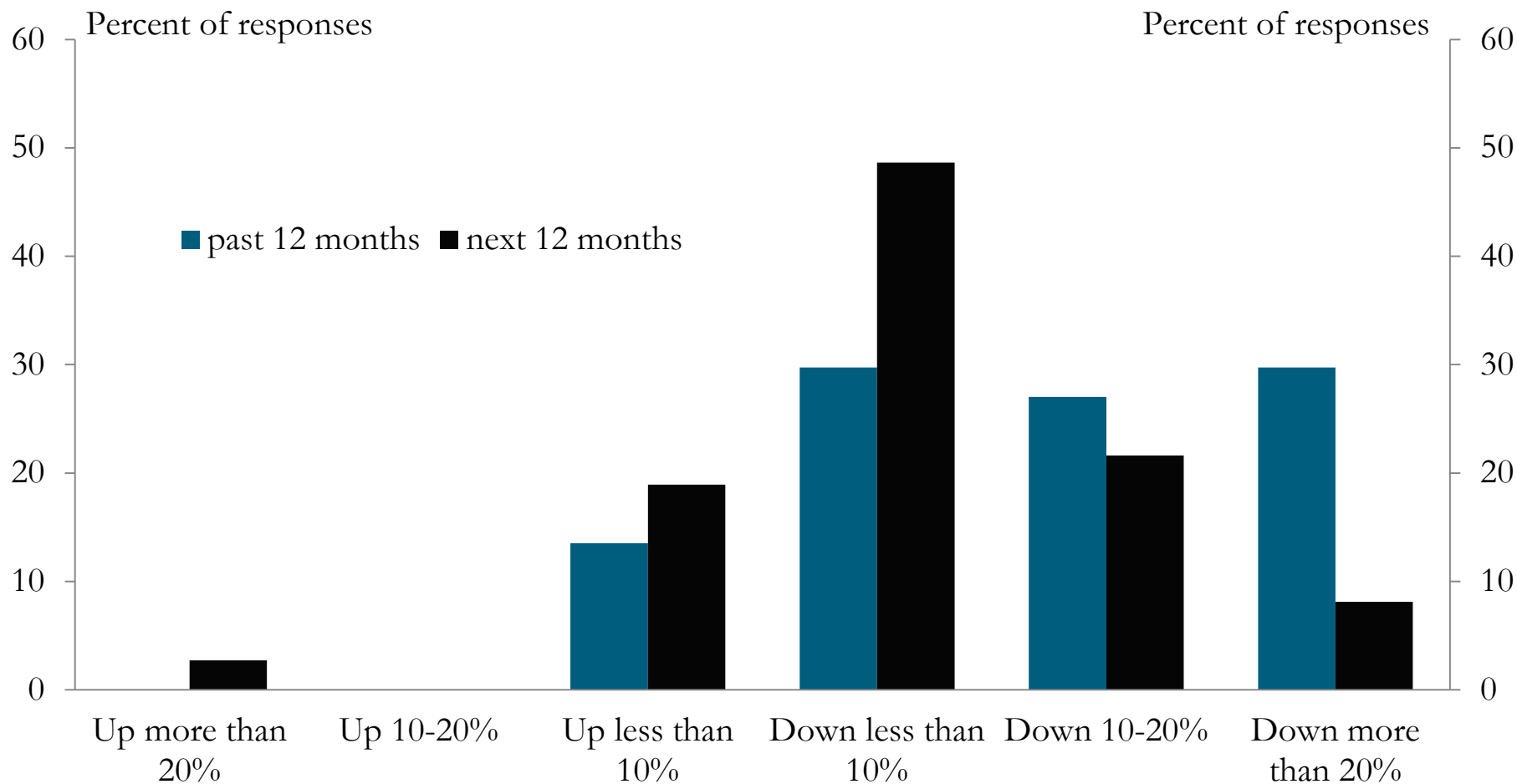
Energy Survey Special Question



Many firms expect to cut employment even more in 2016.

ENERGY FIRMS EMPLOYMENT CHANGE

2015: Q4 Energy Survey Special Question



Summary

- U.S. economy is expected to grow at a moderate pace over the next year, but global slowdown is a headwind.
- Personal income and wages and salaries growth are boosting consumption and consumer debt in both Kansas and the nation.
- Kansas and the broader region have experienced slower employment growth compared to the nation, but is somewhat expected.
- Higher shares of ag. and energy production and the stage of recovery are main factors of the slower growth.
- Farm income and spending are expected to be lower over medium term.
- Oil prices are expected to continue to stay low for a longer period of time.
- Most companies do not expect drilling to be profitable until 2017.