

MINUTES OF THE HOUSE ECONOMIC DEVELOPMENT AND TOURISM COMMITTEE

The meeting was called to order by Chairman Lana Gordon at 3:30 P.M. on February 20, 2008 in Room 519-S of the Capitol.

All members were present except:

Valdenia Winn- excused
Barbara Craft- excused
Gary Hayzlett- excused
Judy Morrison- excused
Don Myers- excused

Committee staff present:

Emalene Correll, Kansas Legislative research Department
Ryan Hoffman, Kansas Legislative Research Department
Matt Todd, Office of the Revisor of Statutes
Ann Deitcher, Committee Assistant

Conferees appearing before the committee:

Kelly D. Edmiston, Sr. Economist, Federal Reserve Bank of Kansas City

The Chair introduced Kelly Edmiston who addressed the subject of the U.S. economic picture by districts. (Attachment 1).

Mr. Edmiston reminded the Committee of the Bruce Springsteen song, "The House Is On Fire and There Are Vipers in the Grass", saying the house isn't on fire but there are vipers in the grass. He likened the "vipers" to the various declines in the economy. Speaking of the decline in the housing market he said that there were appreciations in many areas, such as the 11% appreciation in Topeka.

He explained that since most people's wealth lays in their home, when real estate values decline, they feel threatened and stop spending. On the subject of the mortgage crisis, Mr. Edmiston stressed the importance of not waiting until foreclosure to act. There is help available for those facing the loss of their homes – often times from the banks and loan companies. There is also a "foreclosure hot line" where there are housing counselors anxious to help. The number to call the minute you become concerned is 1-800-995-HOPE.

Speaking of unemployment rates, Mr. Edmiston said that after a time on the roles, some people are known to become discouraged and give up looking for work, thus dropping the numbers. As the economy picks up, those same people might become encouraged and once again join the count of the unemployed.

Questions and answers followed.

The meeting was adjourned at 4:40. The next meeting is scheduled for Thursday, February 21, 2008.

Update on the National, Regional, and Kansas Economies

Kelly D. Edmiston[†]
Senior Economist
Federal Reserve Bank of Kansas City

Senate Commerce Committee
Kansas Legislature

House Economic Development Committee
Kansas Legislature

Topeka, KS
February 20, 2008

[†] The views in this presentation are those of the presenter and do not necessarily reflect the views of the Federal Reserve Bank of Kansas City or the Federal Reserve System. The presenter can be contacted at (816) 881-2004 or kelly.edmiston@kc.frb.org.

Table 1
The U.S. Economic Picture

Variable	2005 ^{a,b}	2006 ^{a,b}	2007 ^{b,c}	2007Q4 ^{c,d}	2008F ^a	2009F ^a
GDP (Mean)	3.1	2.9	2.2	0.6	2.0	2.7
GDP (Std. Dev.)	-	-	-	-	0.5	0.5
GDP (Low)	-	-	-	-	0.8	1.4
GDP (High)	-	-	-	-	2.6	3.4
CPI	3.4	3.2	2.8	4.1	2.8	2.1
PPI	4.9	2.9	3.9	6.8	3.8	1.7

^a Source is *Consensus Forecasts USA*, January 14, 2008
^b Average percentage change on previous calendar year
^c Sources are U.S. Bureau of Economic Analysis and U.S. Bureau of Labor Statistics
^d Annual rate

Chart 1
The Federal Reserve's Tenth District (10J)

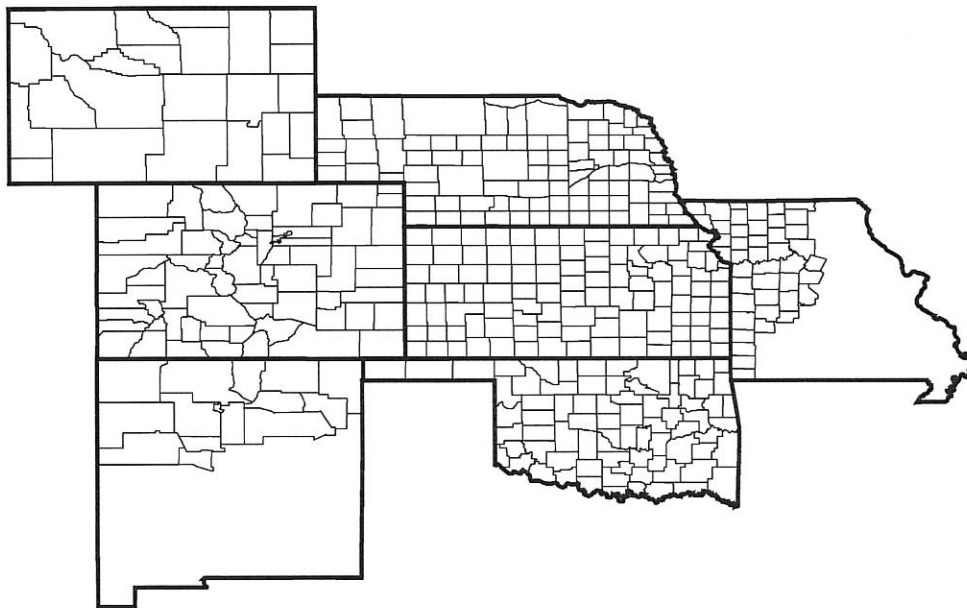
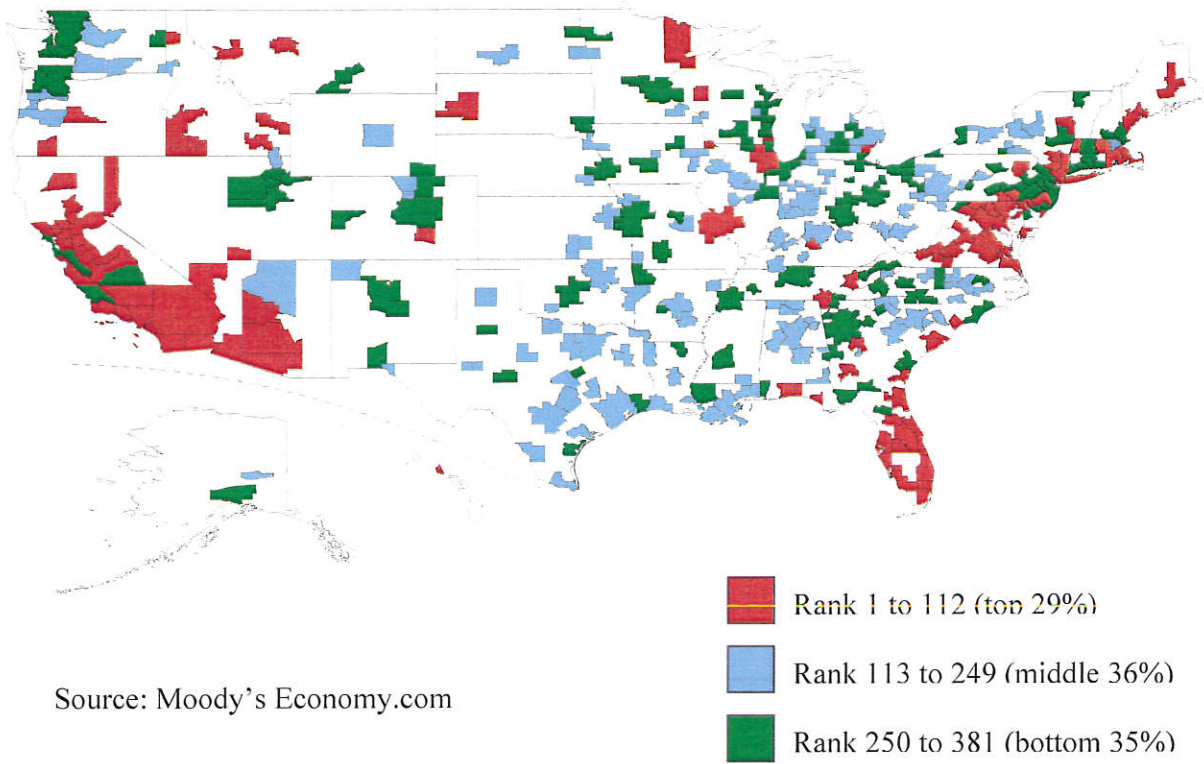


Chart 2
Regional Risks of Recession



Source: Moody's Economy.com

Chart 3
Private Employment Growth
 Year-over-year

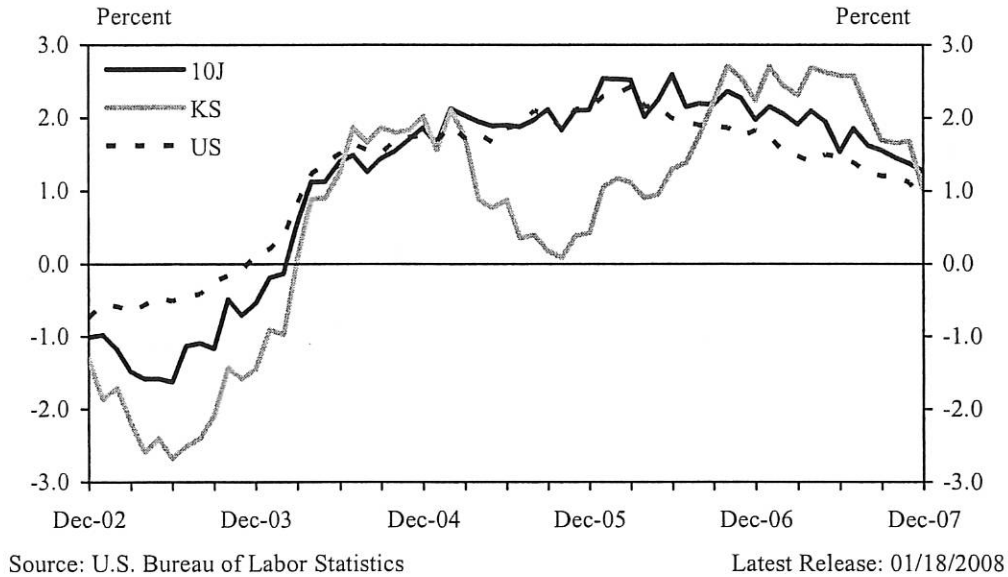
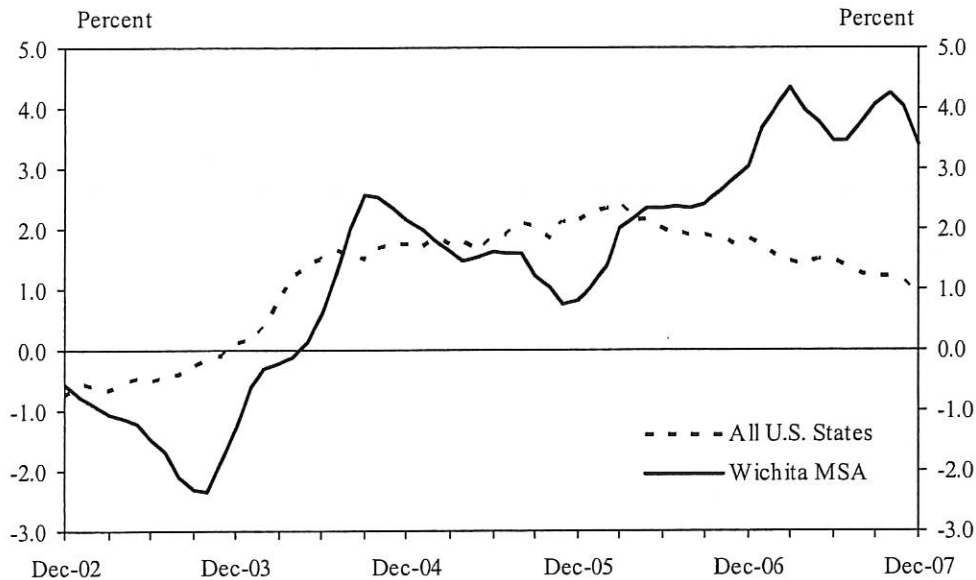


Chart 4
Unemployment Rate
 U.S. and Federal Reserve 10th District States



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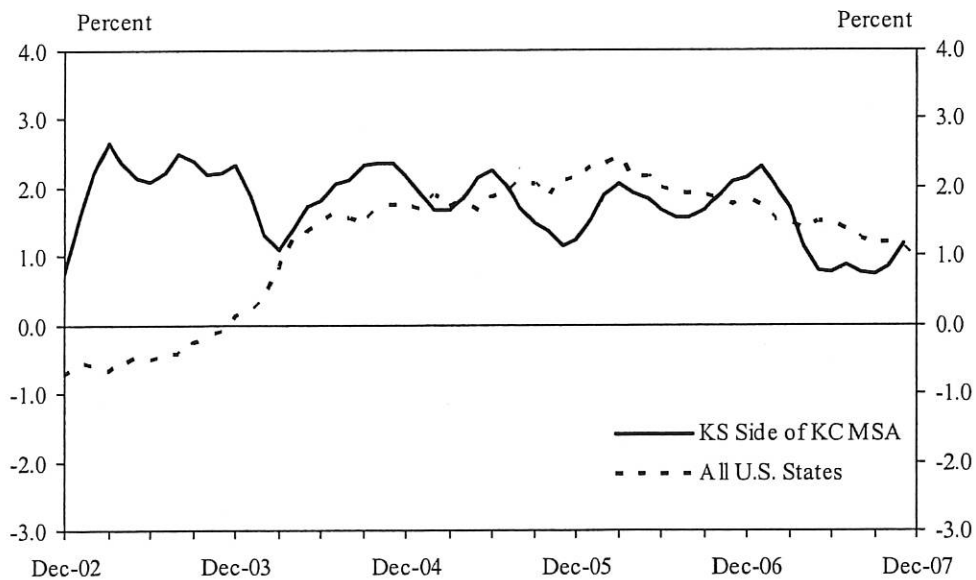
Chart 5
Private Employment Growth, Wichita
 Year-over-year, 3-month moving average



Source: U.S. Bureau of Labor Statistics

Latest Release: U.S. 01/18/2008

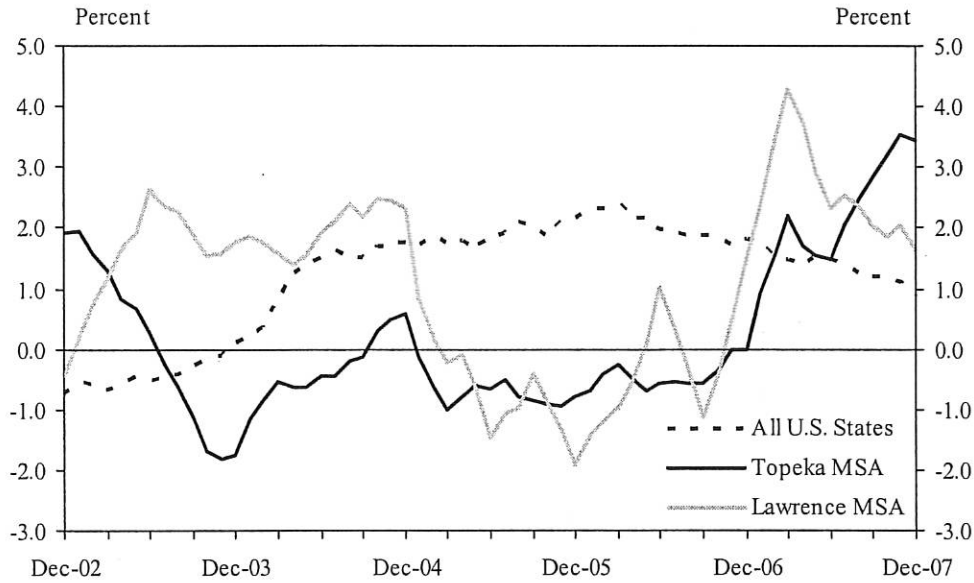
Chart 6
Private Employment Growth, Kansas City
 Year-over-year, 3-month moving average



Source: U.S. Bureau of Labor Statistics

Latest Release: U.S. 01/18/2008

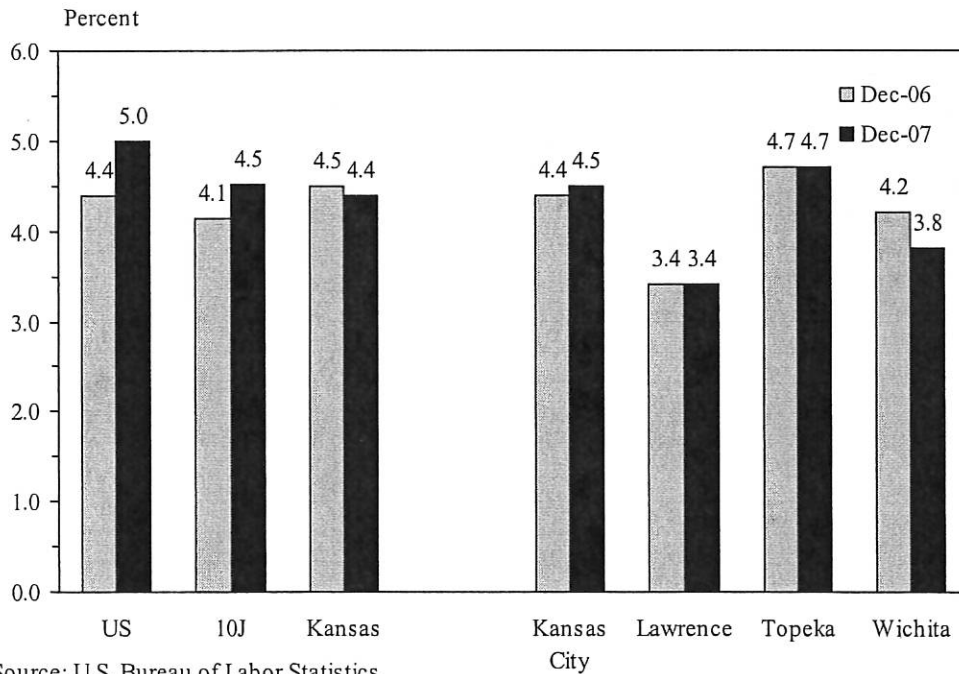
Chart 7
Private Employment Growth, Topeka and Lawrence
 Year-over-year, 3-month moving average



Source: U.S. Bureau of Labor Statistics

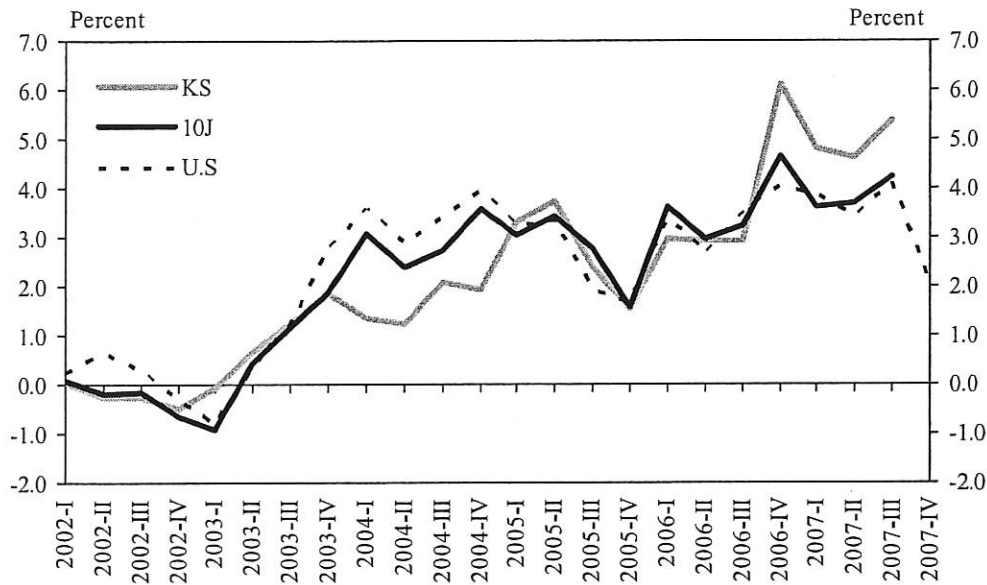
Latest Release: U.S. 01/18/2008

Chart 8
Unemployment Rates, Kansas MSAs



Source: U.S. Bureau of Labor Statistics

Chart 9
Inflation-Adjusted Personal Income Growth
 Year-over-year



Source: U.S. Bureau of Economic Analysis (Income), U.S. Bureau of Labor Statistics (Inflation)

Table 2
Kansas' Defining Industries

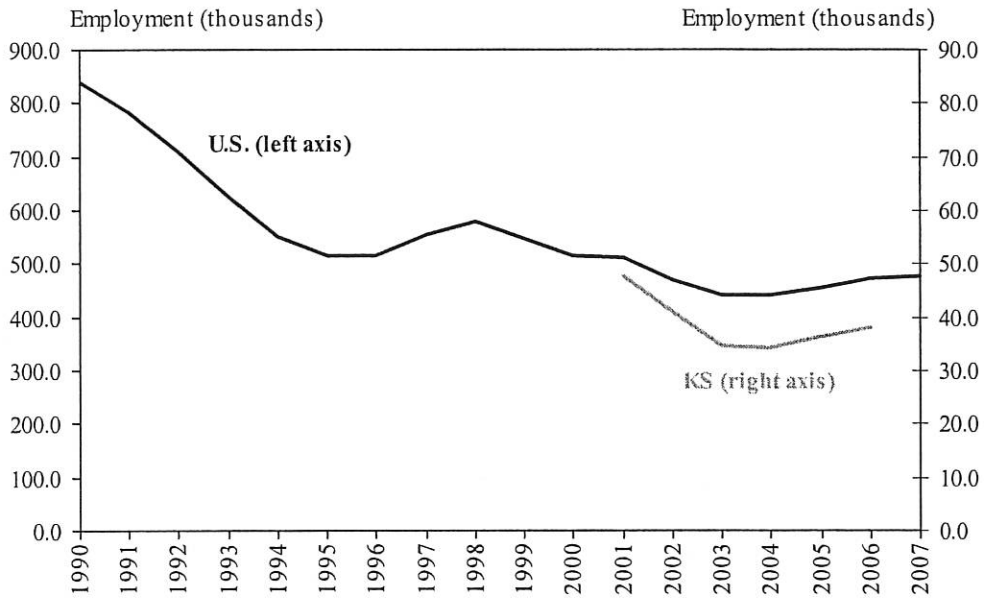
Rank	Industry Name	LQ	Average Wage (2006)	Avg. Employment Growth 1990 – 2005	Employment Growth 2005 – 2006
1	Aerospace product and parts manufacturing	7.8	\$70,204	(0.7)	5.2
2	Farm product raw material merch.	7.0	\$32,353	(1.3)	(6.0)
3	Cattle ranching and farming	3.8	\$31,451	3.0	2.0
4	Animal slaughtering and processing	3.6	\$13,104	1.7	1.9
5	Wired telecommunications carriers	3.6	\$81,129	3.6	1.7
6	Ag., construction, and mining machinery	3.1	\$40,443	0.3	(4.5)
7	Farm proprietors	3.0	n.d.	(0.6)	n.d.
8	Rail transportation	2.4	n.d.	(2.8)	n.d.
9	Office administrative services	2.4	\$54,155	7.4	18.5
10	Medical and diagnostic laboratories	2.0	\$46,677	10.3	(1.0)
11	Oil and gas extraction	1.8	\$54,510	(1.5)	11.3
12	Executive, legislative, and general government	1.7	\$31,685	1.3	0.4
13	Printing and related support activities	1.6	\$38,805	0.2	(1.8)
14	Community care facilities for the elderly	1.6	\$18,991	3.8	0.4
15	Machinery and supply merchant wholes.	1.5	\$44,084	1.0	0.7

Sources: Chad R. Wilkerson and Megan D. Williams, "The Tenth District's Defining Industries: How Are They Changing," *Federal Reserve Bank of Kansas City Economic Review*, 92(3), 2007, qtr. 3, 59 – 81. U.S. Census Bureau, Quarterly Census of Employment and Wages.

Notes: n.d. indicates no data available

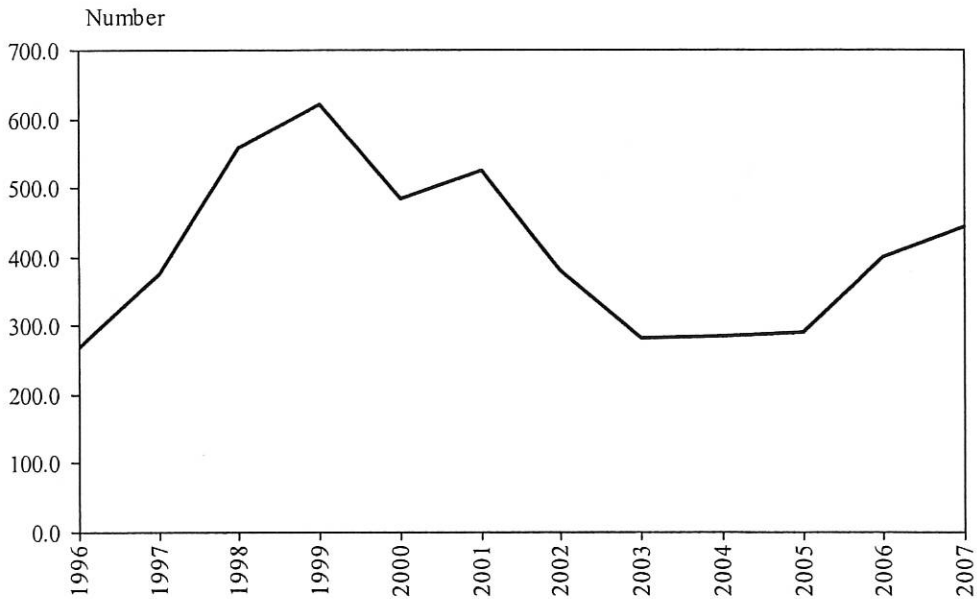
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Chart 10
Aerospace Industry Employment



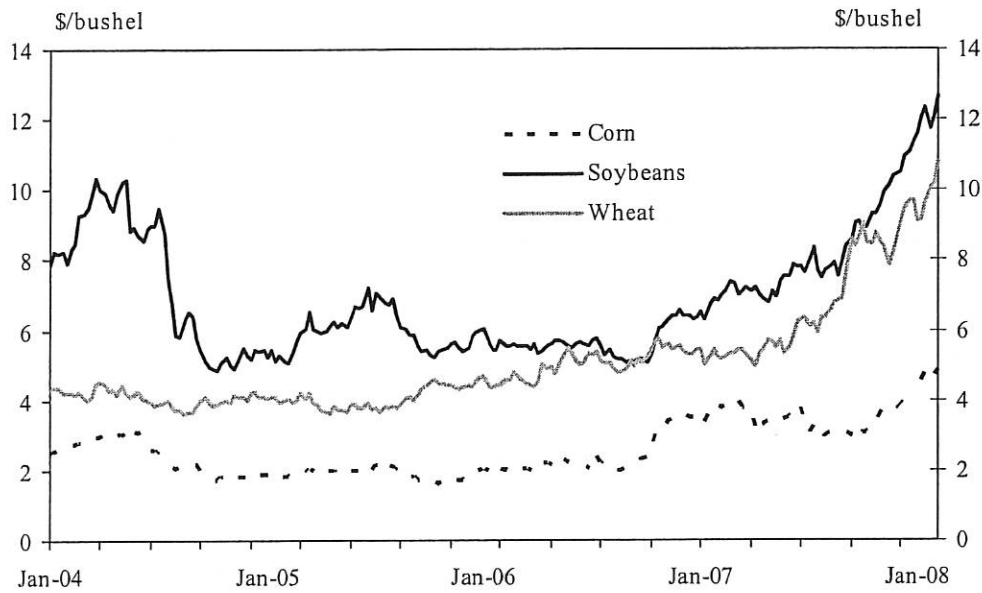
Sources: Aerospace Industries Association (U.S.); U.S. Census Bureau, Quarterly Census of Employment and Wages (KS)

Chart 11
Shipments, U.S. Civil Jet Transport Aircraft



Source: Aerospace Industries Association

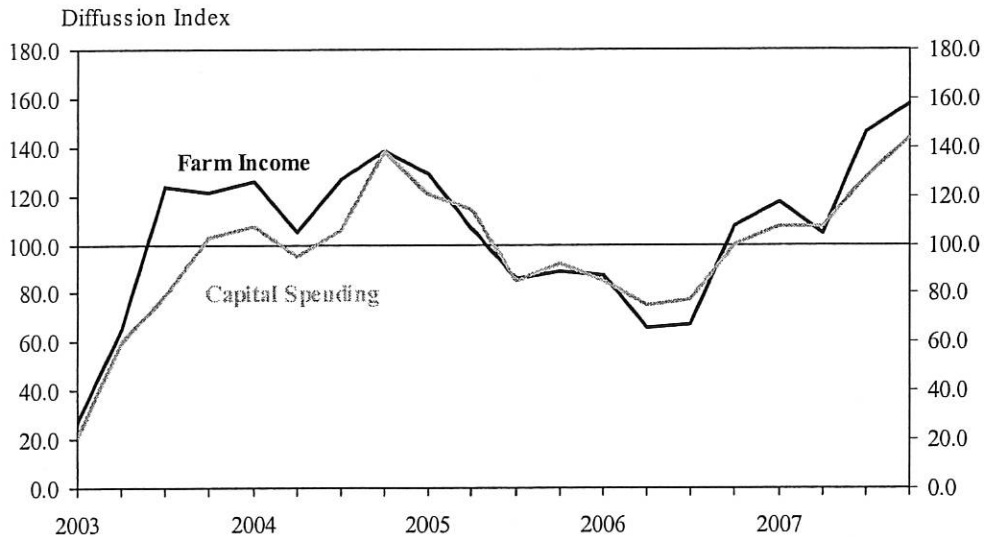
Chart 12
U.S. Crop Prices



Source: Wall Street Journal

Through week ending 02/05/08

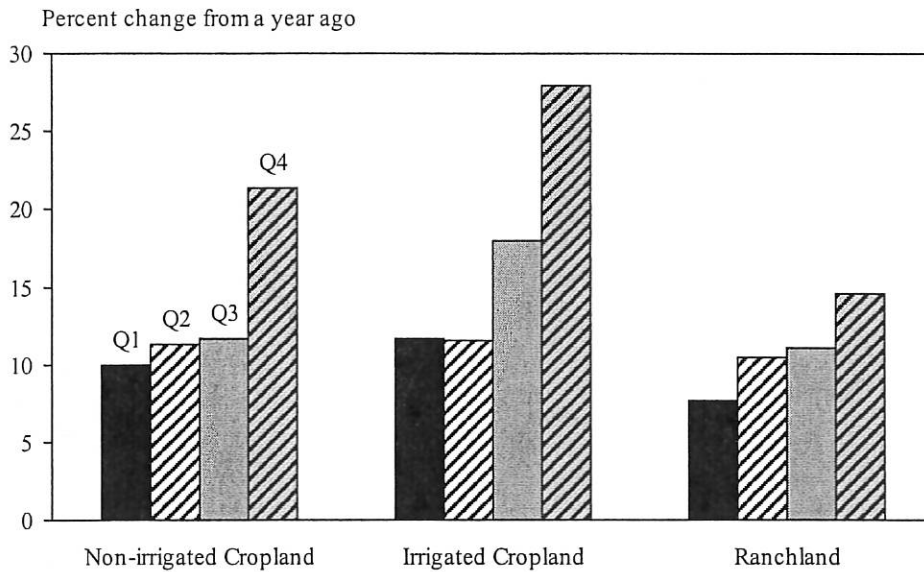
Chart 13
Kansas Farm Income and Capital Spending



Note: Bankers responded to each item by indicating whether conditions during the current quarter were higher than, lower than, or the same as in the year-earlier period. The index numbers are computed by subtracting the percent of bankers that responded

Source: Federal Reserve Bank of Kansas City, Quarterly Survey of Agricultural Credit Conditions

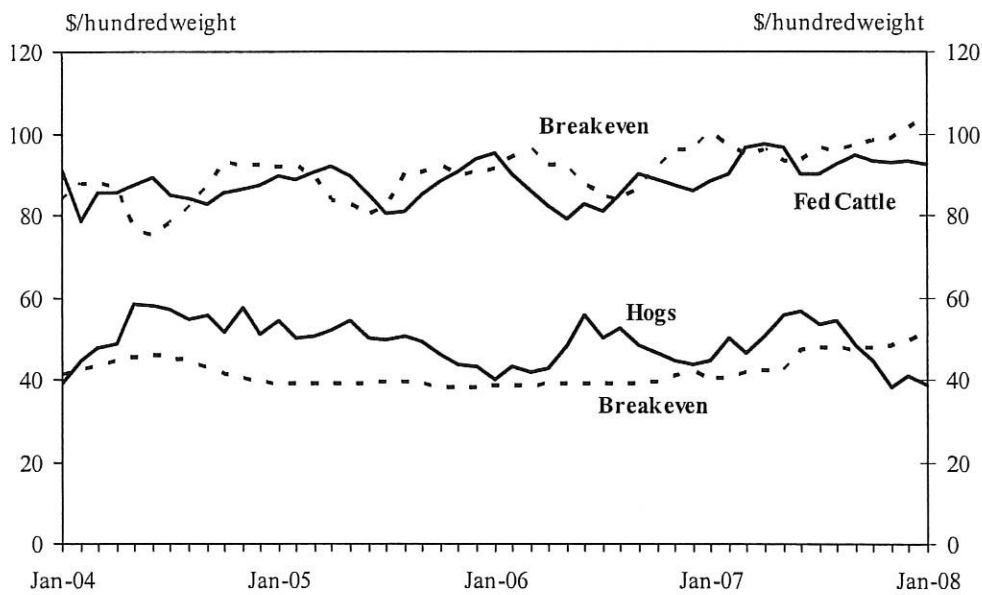
Chart 14
Growth in Kansas Farm Land Values



Note: Percent changes are calculated using responses only from those banks reporting in both the past and the current quarter.

Source: Federal Reserve Bank of Kansas City, Quarterly Survey of Agricultural Credit Conditions

Chart 15
Livestock Prices and Breakeven Costs



Source: USDA; Iowa State University

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Chart 16
National Inflation-Adjusted Farmland Values

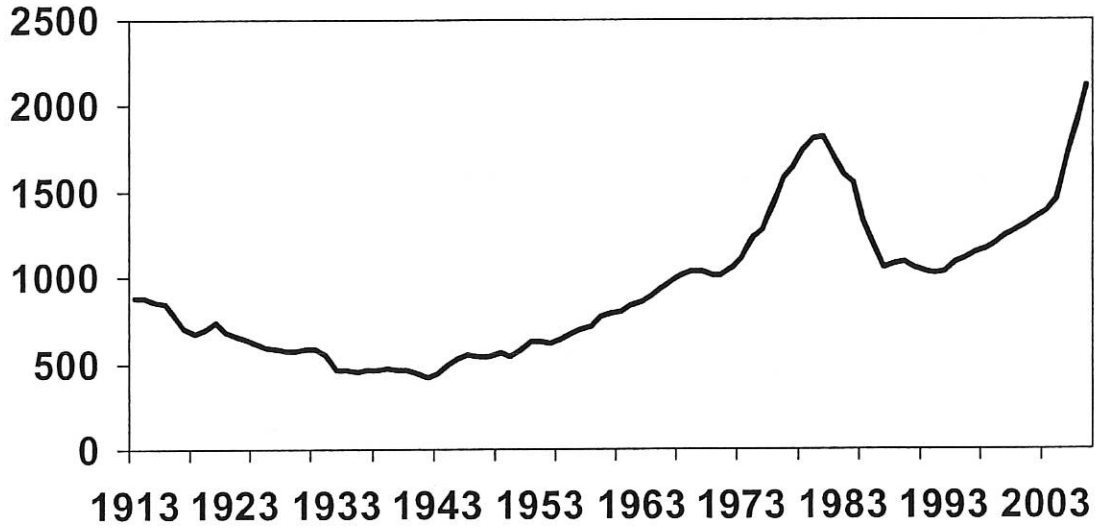
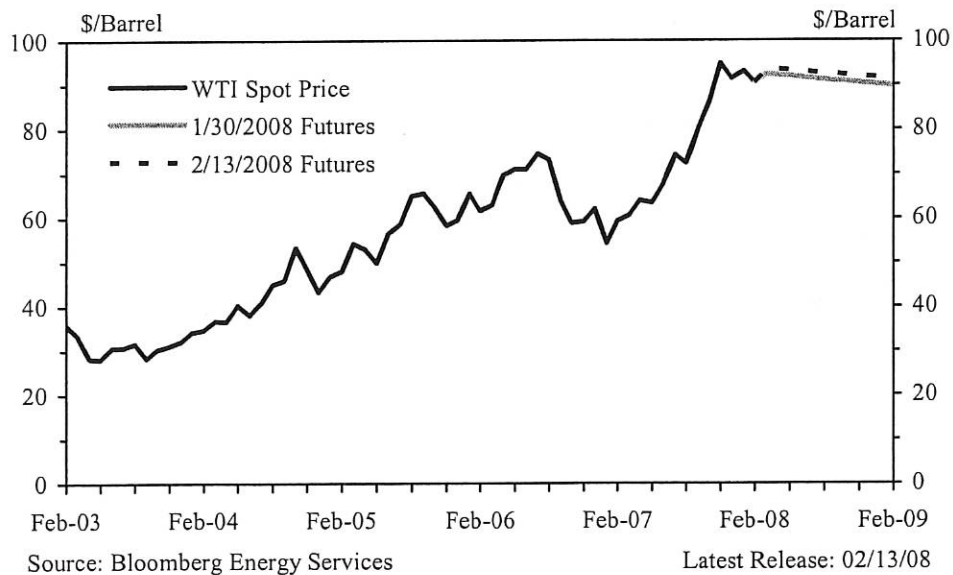
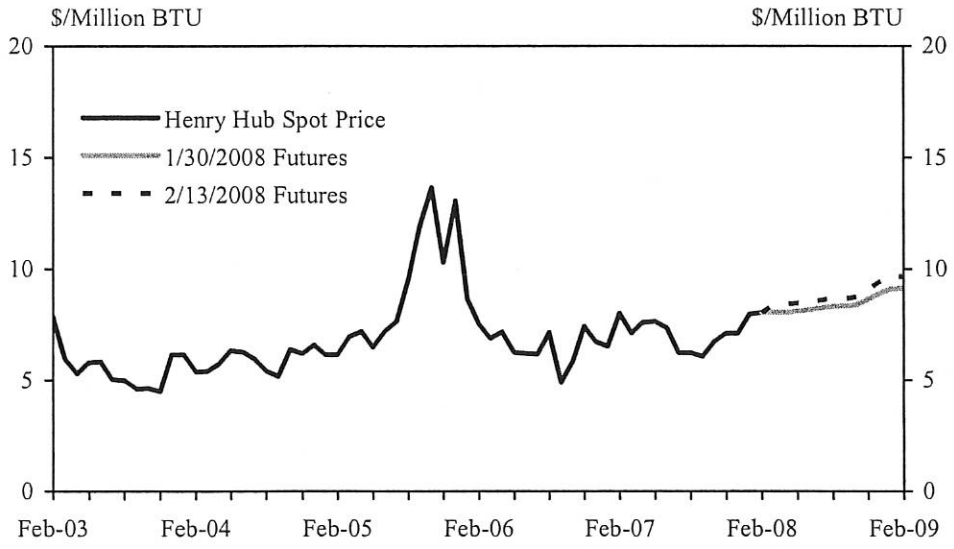


Chart 17
West Texas Intermediate Oil Spot Price and NYMEX Futures



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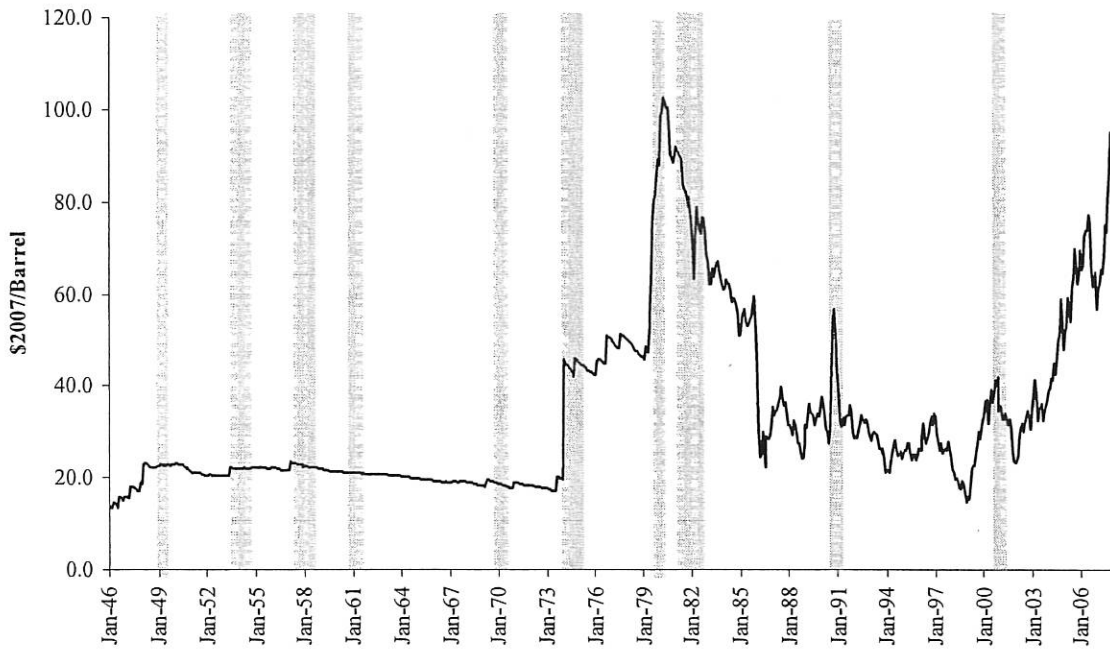
Chart 18
Henry Hub Natural Gas Prices and NYMEX Futures



Source: Bloomberg Energy Services

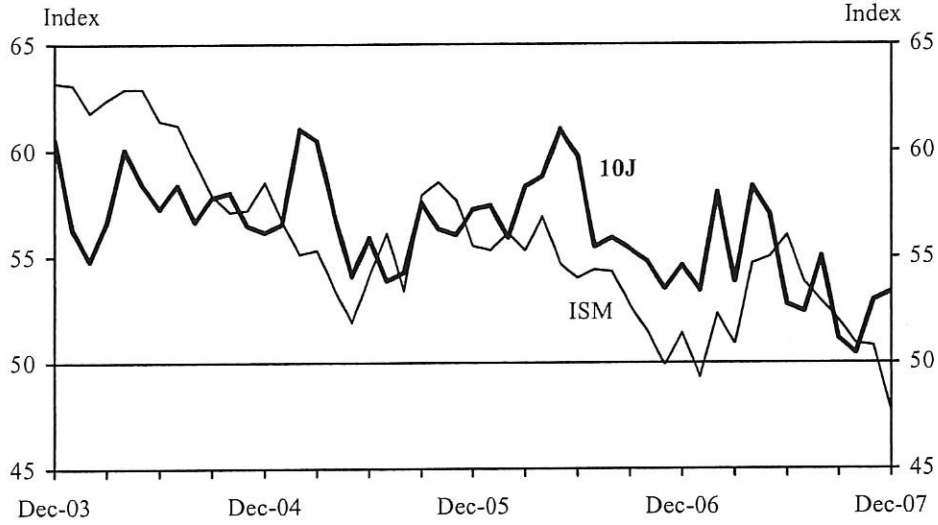
Latest Release: 02/13/2008

Chart 19
Inflation-Adjusted Crude Oil Prices and National Recession



Source: U.S. Department of Energy

Chart 20
Month-Over-Month PMI Indexes (Seasonally-adjusted)



Note: 10J Index is computed on ISM basis (50 = zero change)

Sources: FRBKC Manufacturing Survey (12/24/2007); ISM (01/02/2008)

Chart 21
Expectations: Production and New Orders for Exports
(Six-month ahead, SA)



Source: FRBKC Manufacturing Survey

Latest release: 12/24/2007

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Chart 22
Tenth District Manufacturing Employment Indexes

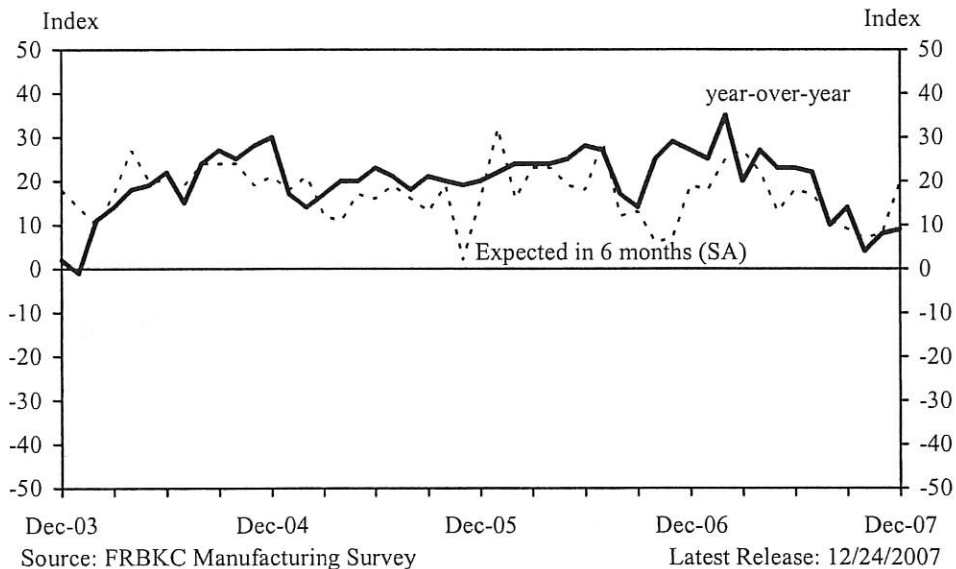
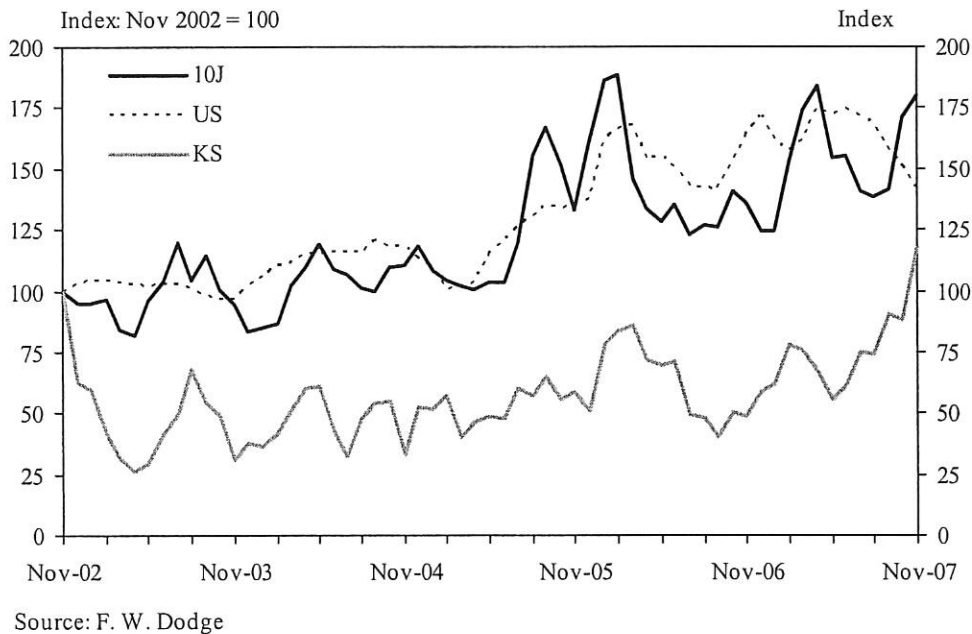


Chart 23
Value of Commercial Construction Contracts



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Chart 24
Value of Residential Construction Contracts

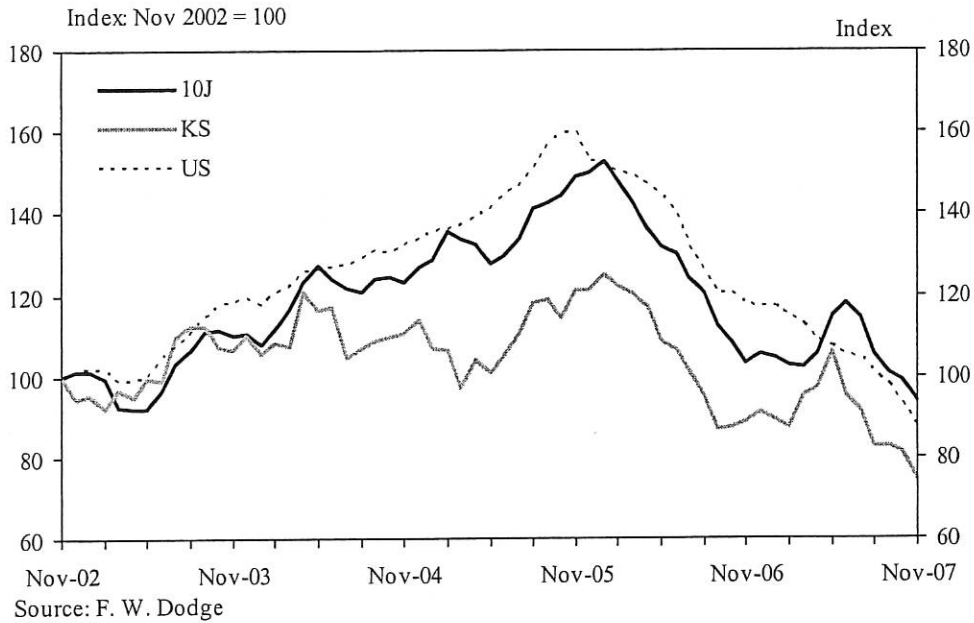
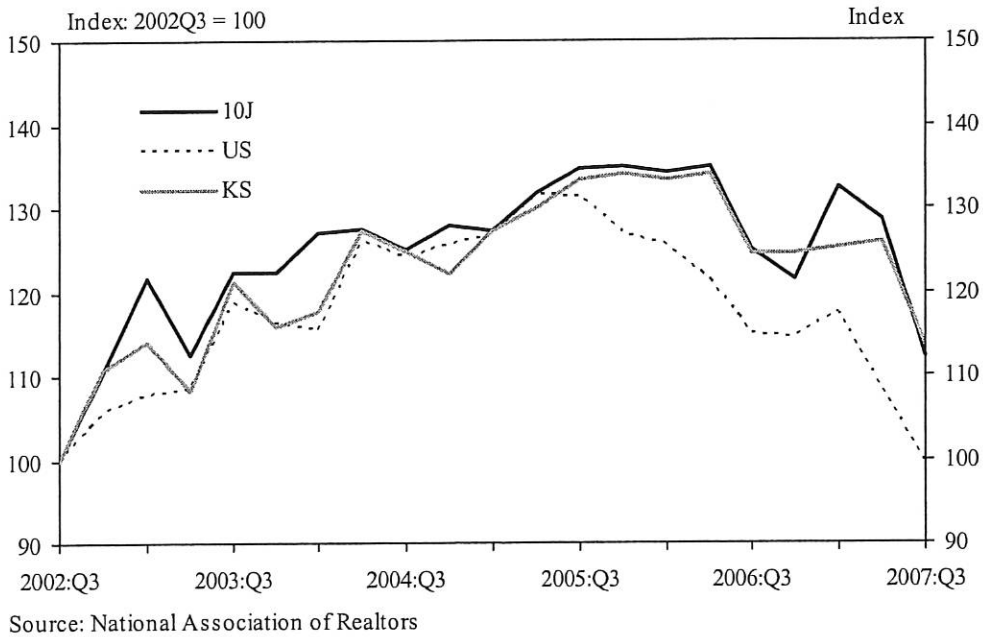


Chart 25
Sales of Existing Homes (seasonally adjusted)



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Chart 26
Year-Over-Year Changes in House Prices
(Office of Housing Enterprise Oversight)

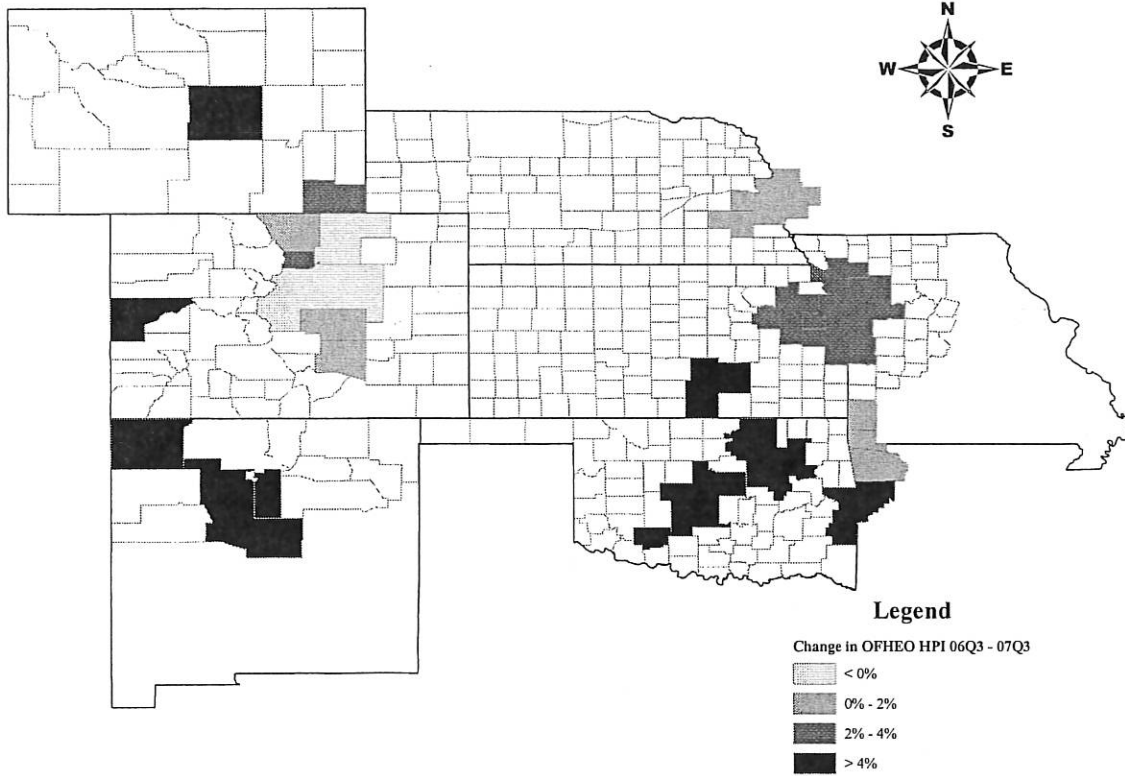


Chart 27
Banks Reporting Tighter Credit Standards for Residential Mortgages

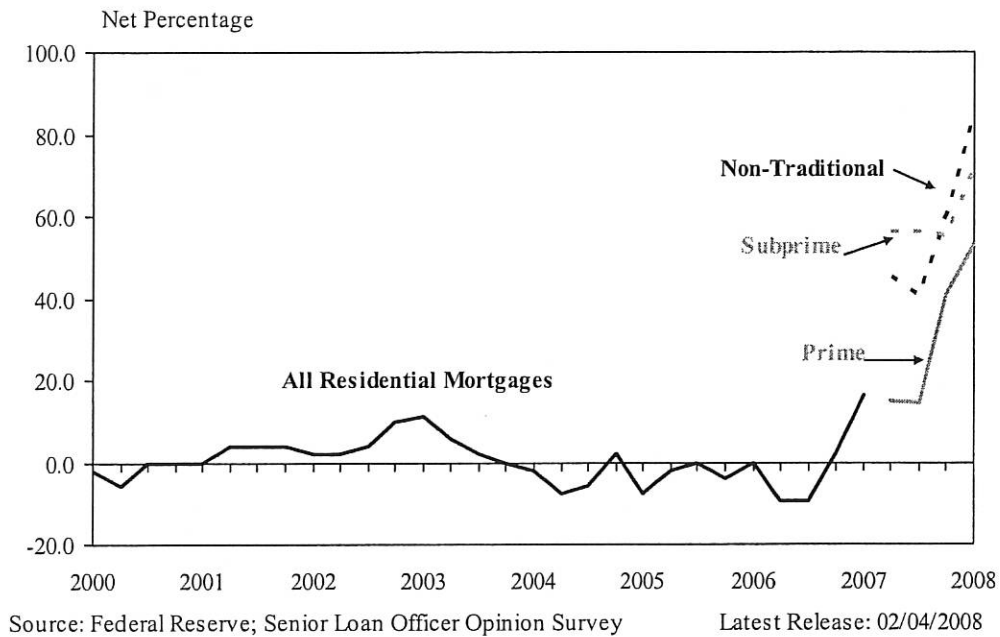
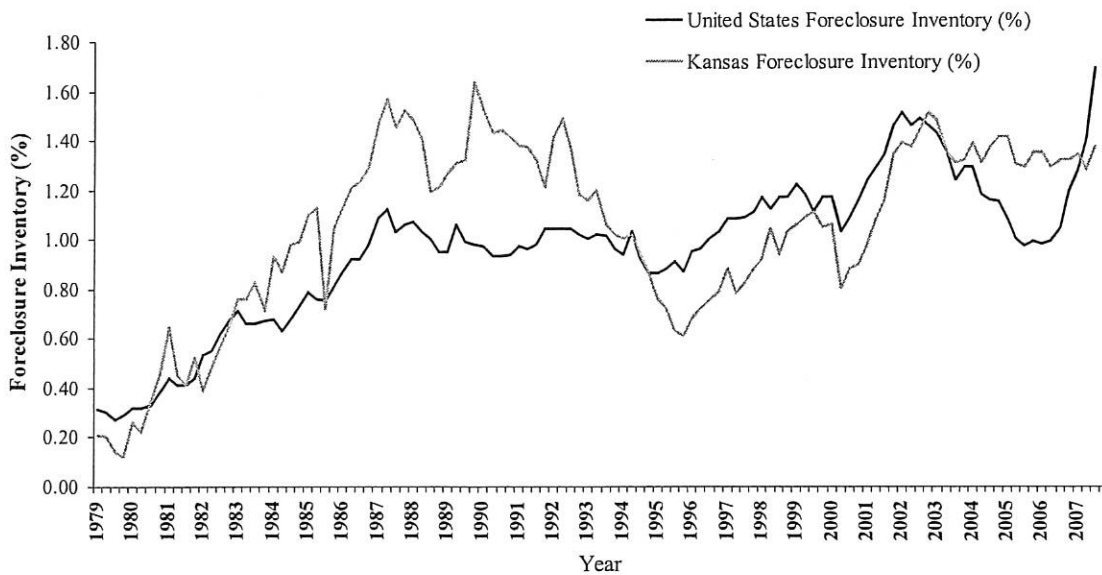
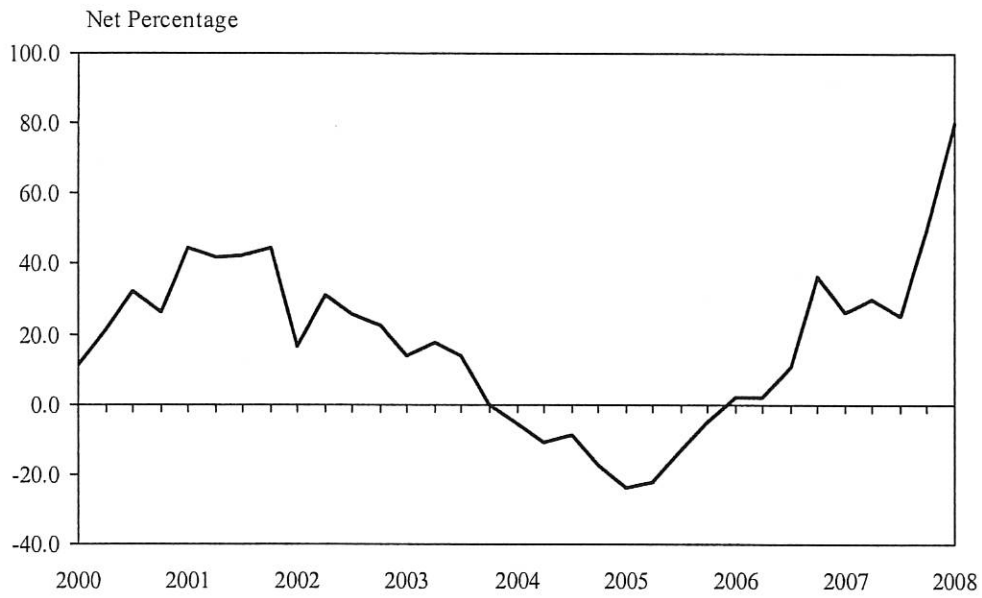


Chart 28
Foreclosure Inventory, Kansas and the U.S.



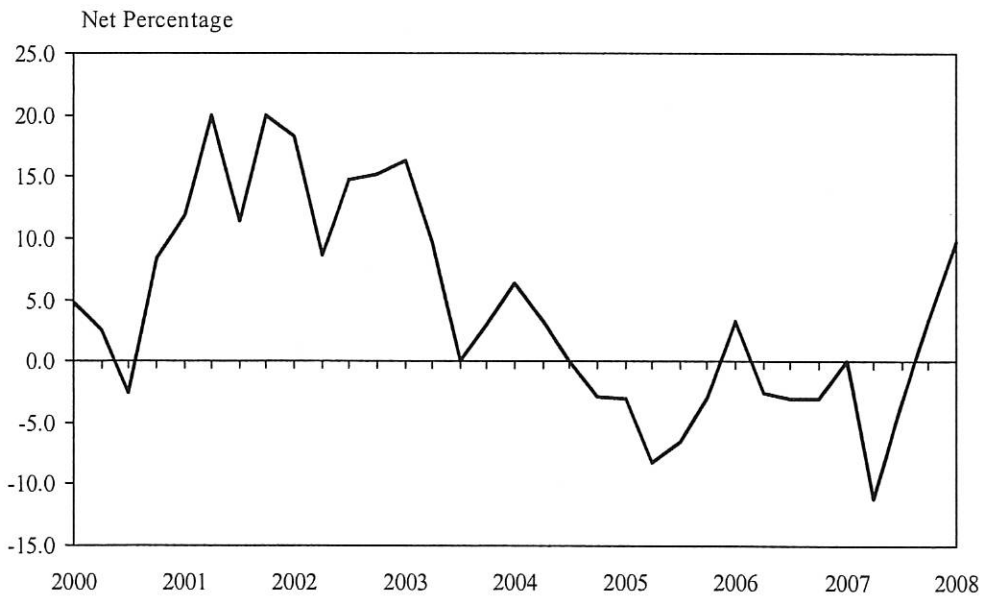
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Chart 29
Banks Reporting Tighter Credit Standards for Commercial Real Estate Lending



Source: Federal Reserve; Senior Loan Officer Opinion Survey Latest Release: 02/04/2008

Chart 30
Banks Reporting Tighter Credit Standards for Credit Cards



Source: Federal Reserve; Senior Loan Officer Opinion Survey Latest Release: 02/04/2008

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Chart 31
Year-Over-Year Diffusion Indexes for Sales

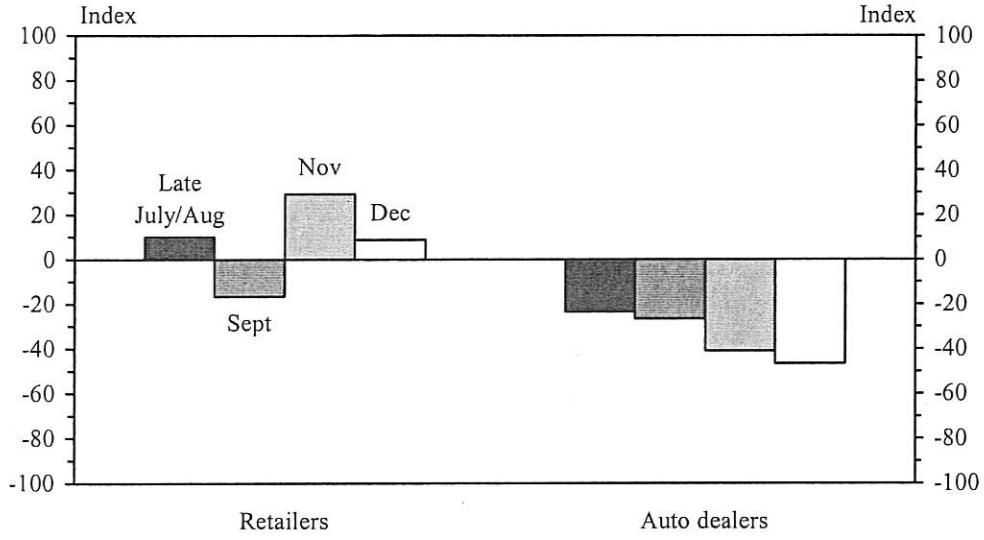
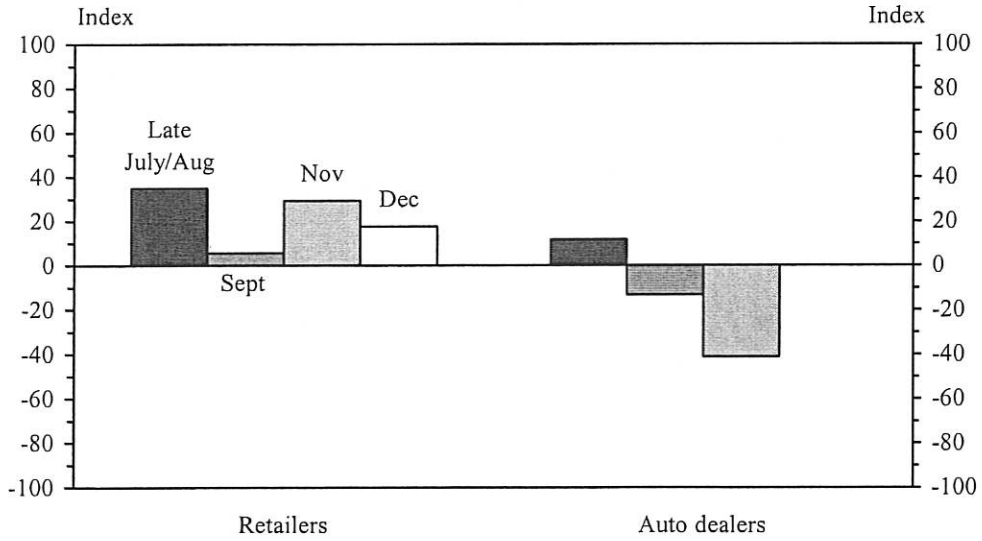


Chart 32
Three-Month Ahead Diffusion Indexes for Sales



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