



FEDERAL RESERVE BANK *of* KANSAS CITY

U.S. & Missouri Economic Outlook

Missouri Government Finance Officers
Association

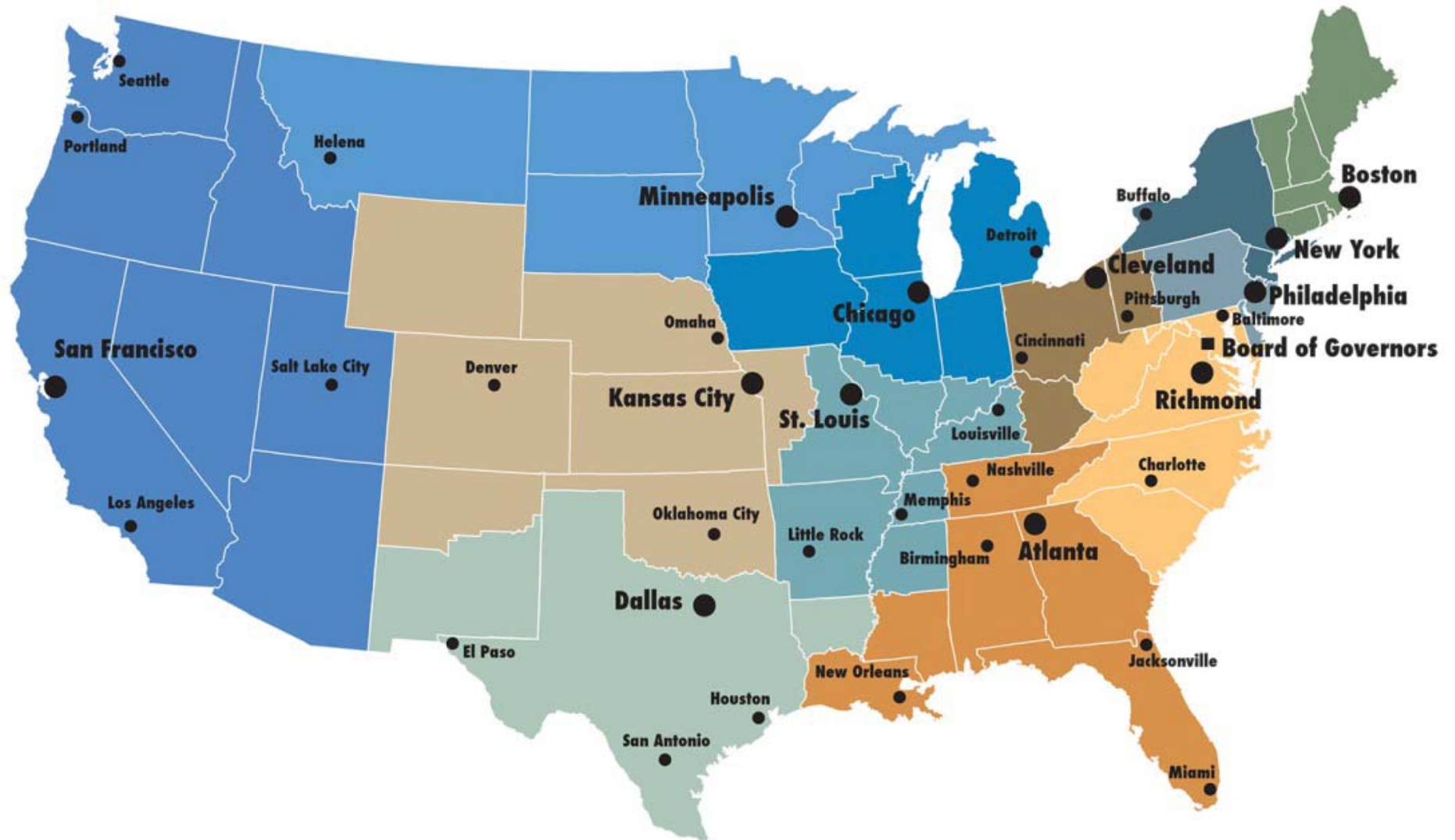
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Economist

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.

Overview of the Federal Reserve System

- The “Fed” consists of three main entities:
 - Board of Governors: federal agency located in D.C., 7 governors appointed by U.S. President, confirmed by Senate
 - Federal Reserve Banks: 12 total; semi-independent by design
 - Federal Open Market Committee: 19 members
- Fed’s primary responsibilities fall within four general areas:
 - Lender of last resort – provide liquidity in times of crisis
 - Monetary policy – promote full employment and low inflation
 - Bank regulation – help ensure safety and soundness of member banks
 - Financial services – bank for banks, bank for U.S. government

Federal Reserve Districts and Office Locations

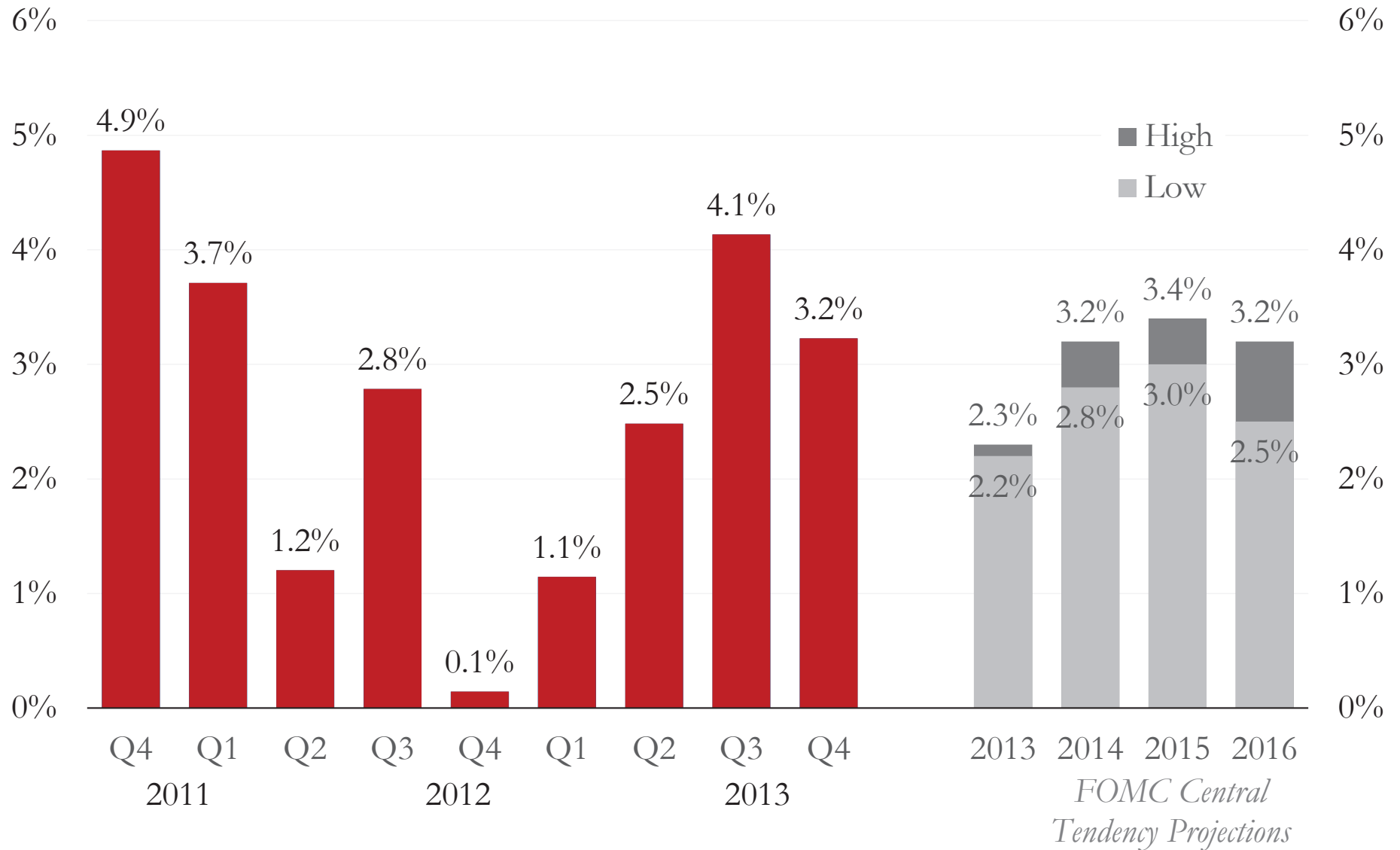


U.S. Economic Update

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

REAL GROSS DOMESTIC PRODUCT (GDP)

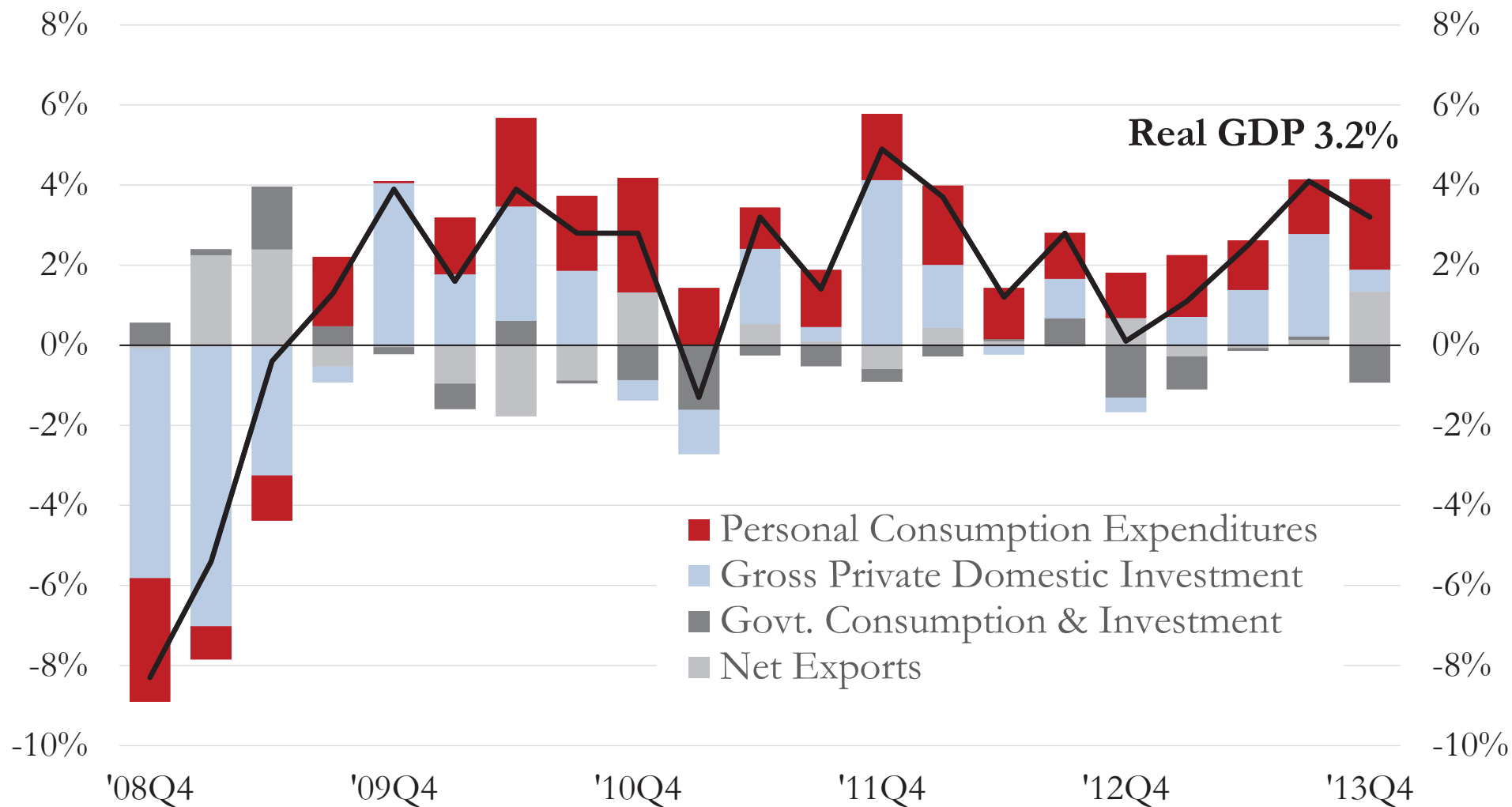
Annualized Percent Change from Previous Period



Consumer spending has been the primary driver of economic growth over the past year.

CONTRIBUTIONS TO REAL GDP

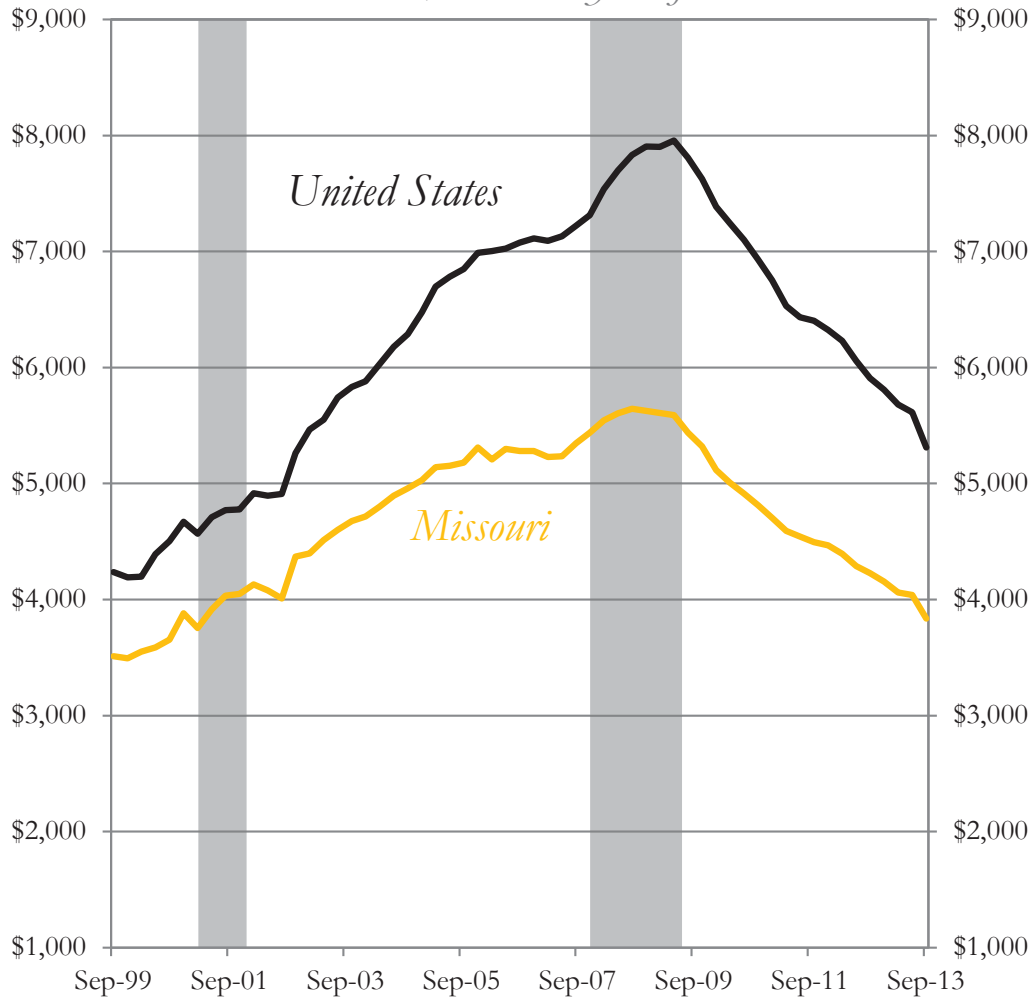
Percent Change at Seasonally Adjusted Annualized Rates



Consumers are continuing to pay down debt after a run-up during the Great Recession.

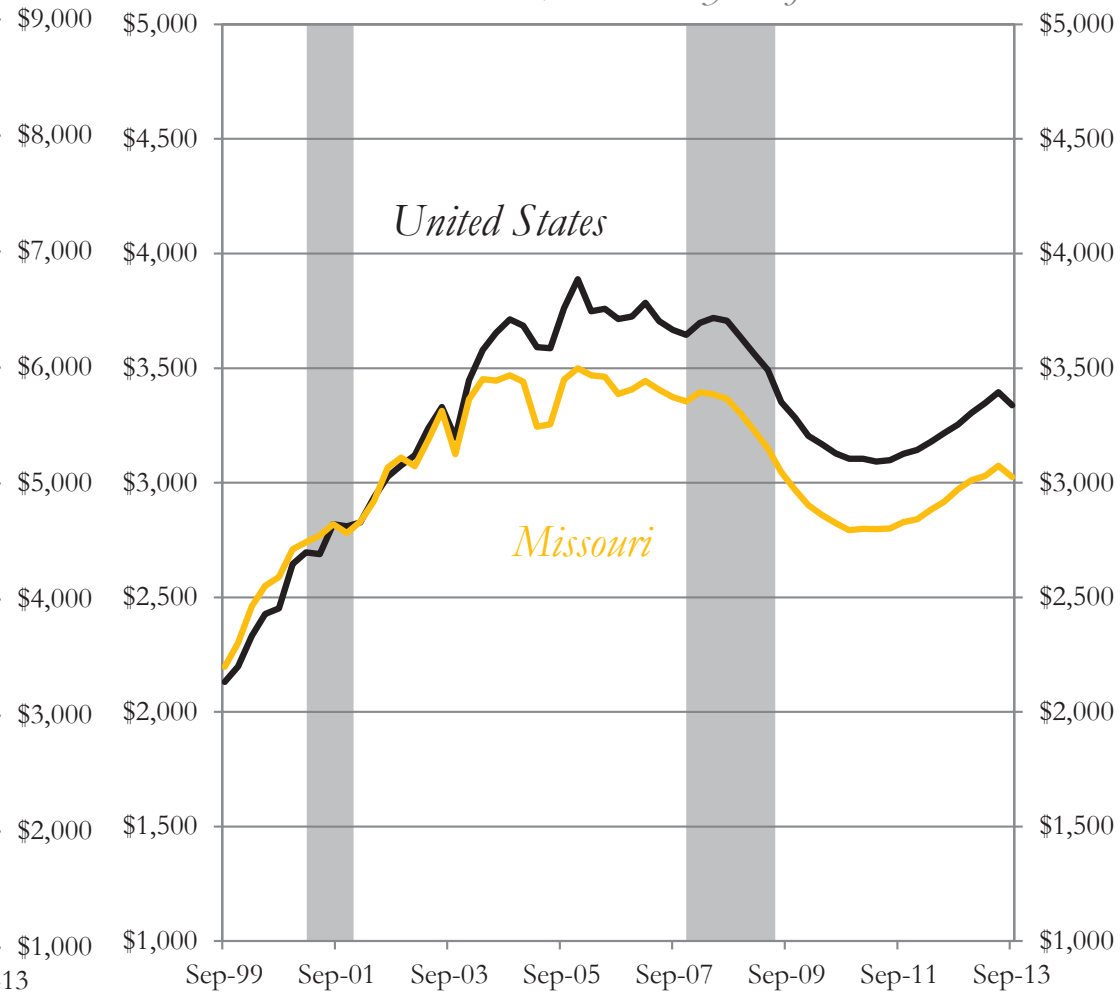
Revolving Debt

Real Dollars, Seasonally Adjusted



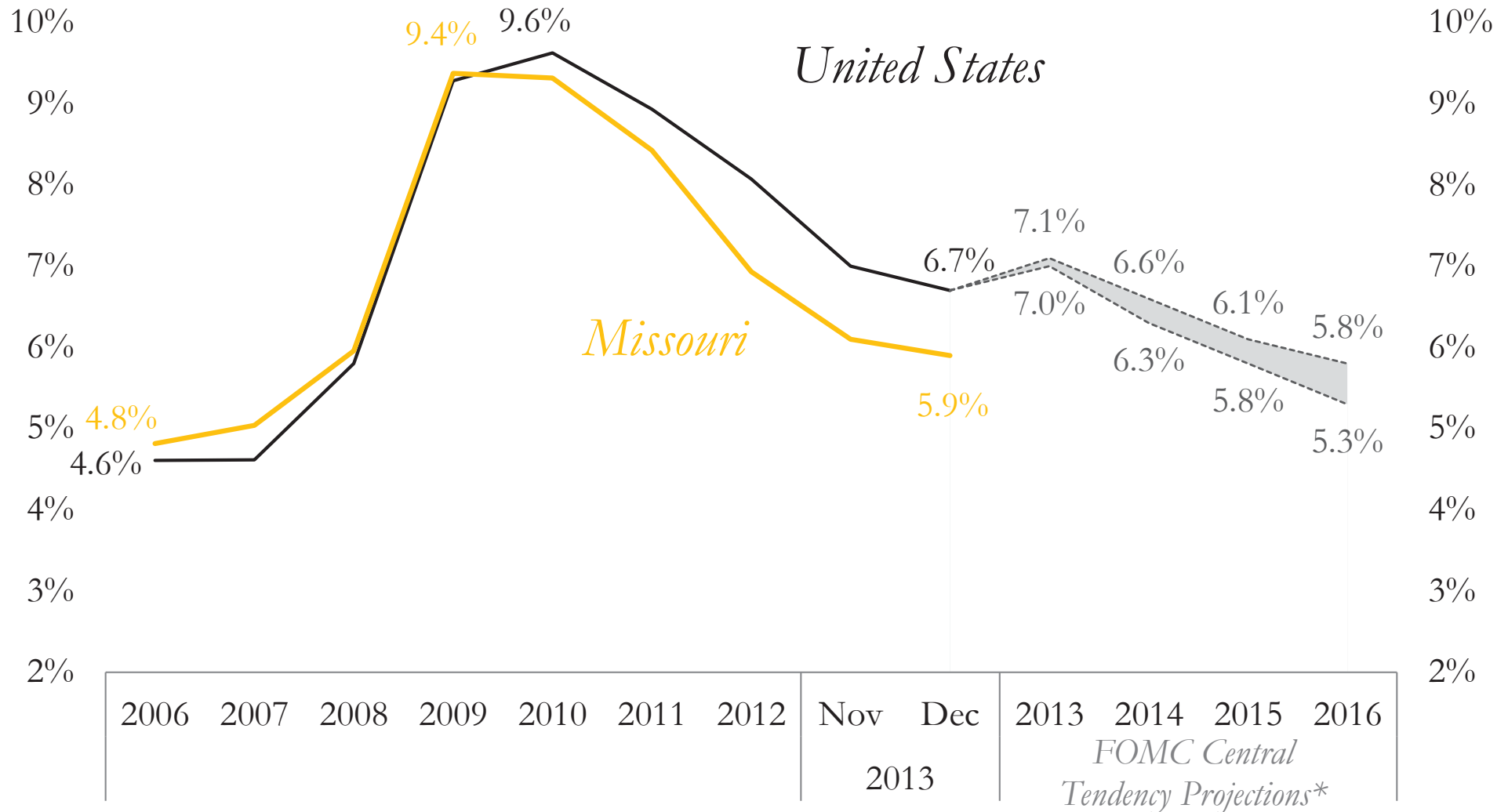
Auto Debt

Real Dollars, Seasonally Adjusted



Unemployment rates remain elevated and are expected to gradually decline in coming years.

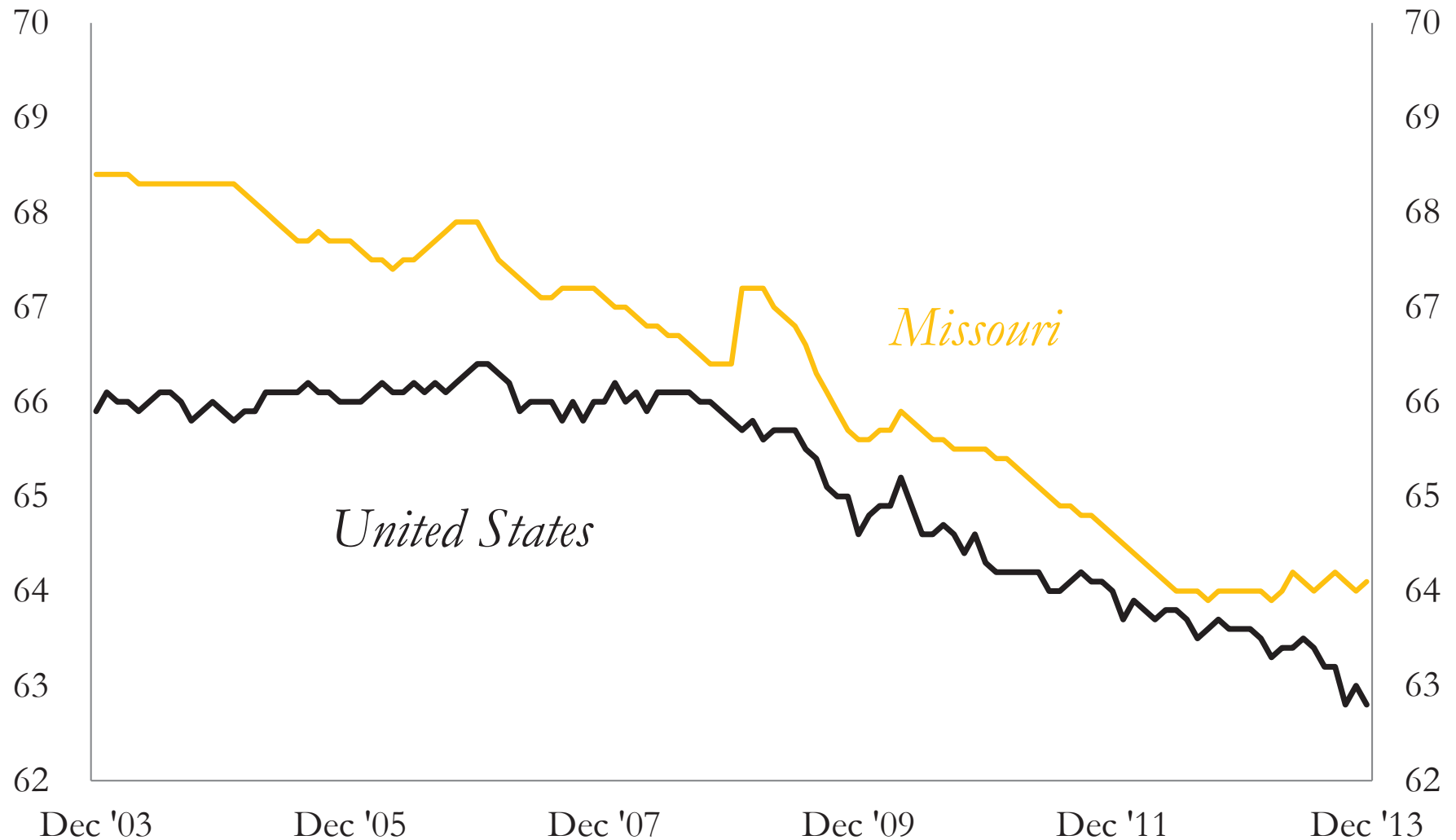
UNEMPLOYMENT RATES *Seasonally Adjusted*



Labor force participation rates have continued a steady decline, but recently leveled off in Missouri.

LABOR FORCE PARTICIPATION

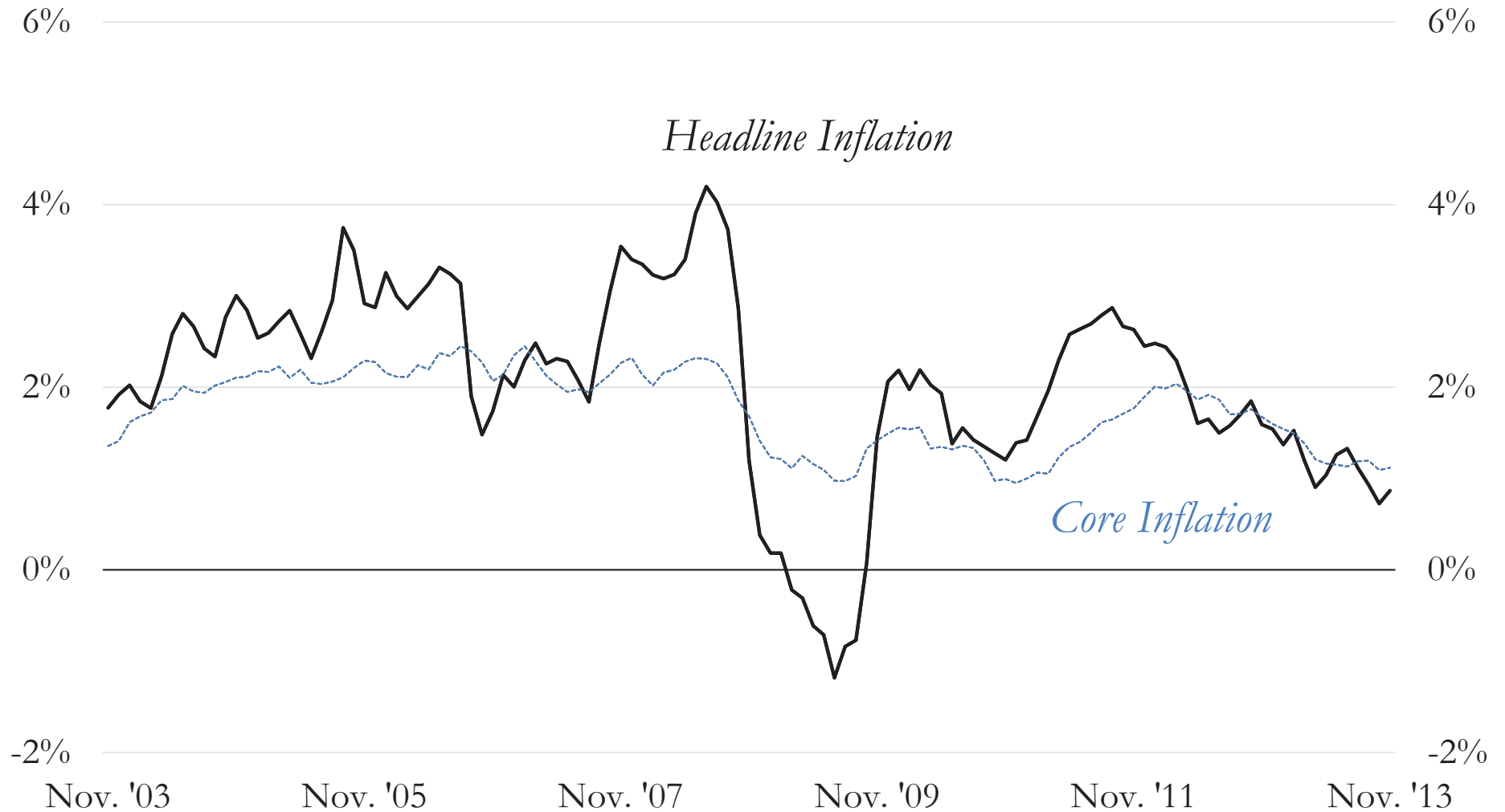
Percent



Inflation remains below the FOMC's 2 percent target.

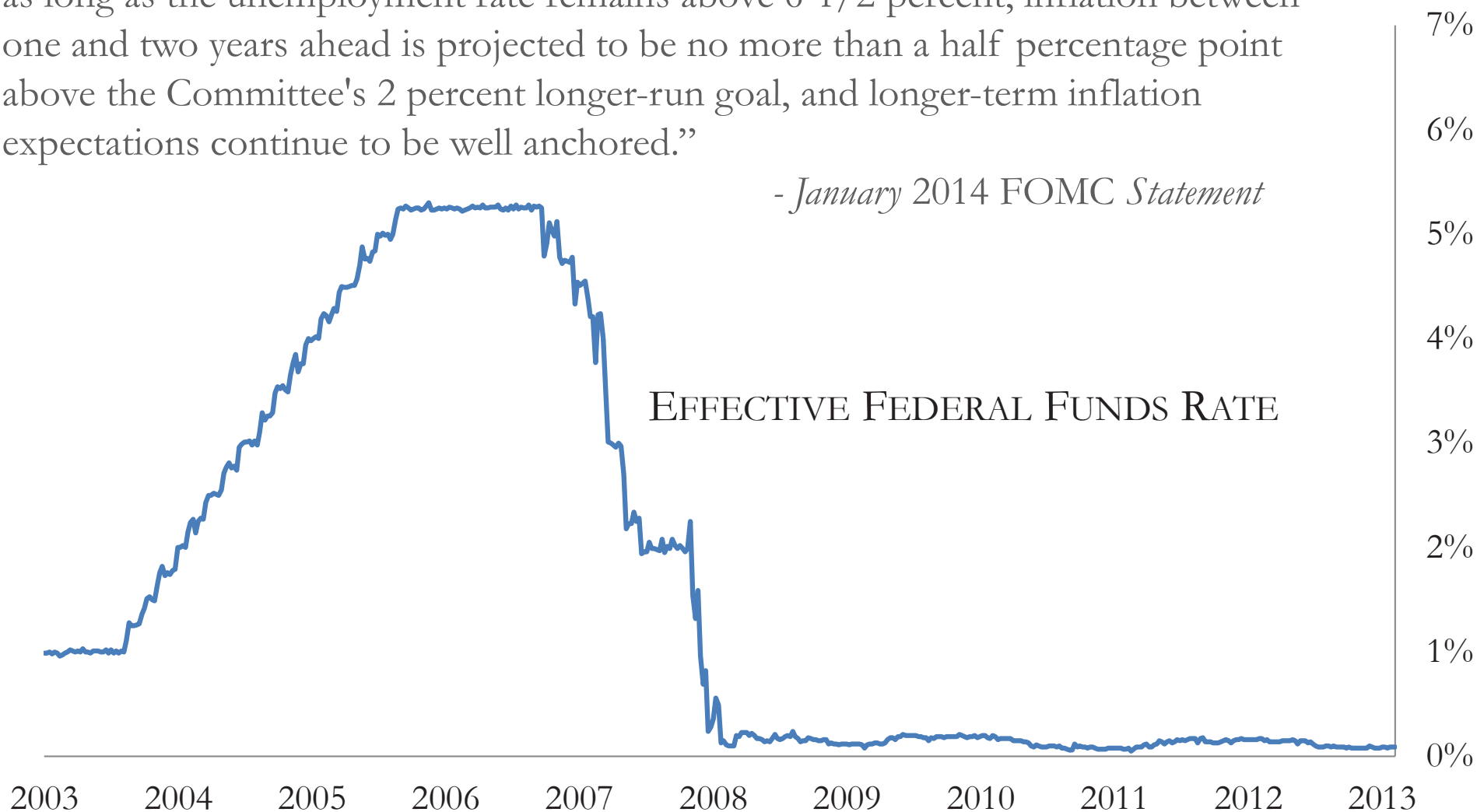
PERSONAL CONSUMPTION EXPENDITURE PRICE INDEX (PCEPI)

Percent Change Year-over-Year



“The Committee also reaffirmed its expectation that the current exceptionally low target range for the federal funds rate of 0 to 1/4 percent will be appropriate at least as long as the unemployment rate remains above 6-1/2 percent, inflation between one and two years ahead is projected to be no more than a half percentage point above the Committee's 2 percent longer-run goal, and longer-term inflation expectations continue to be well anchored.”

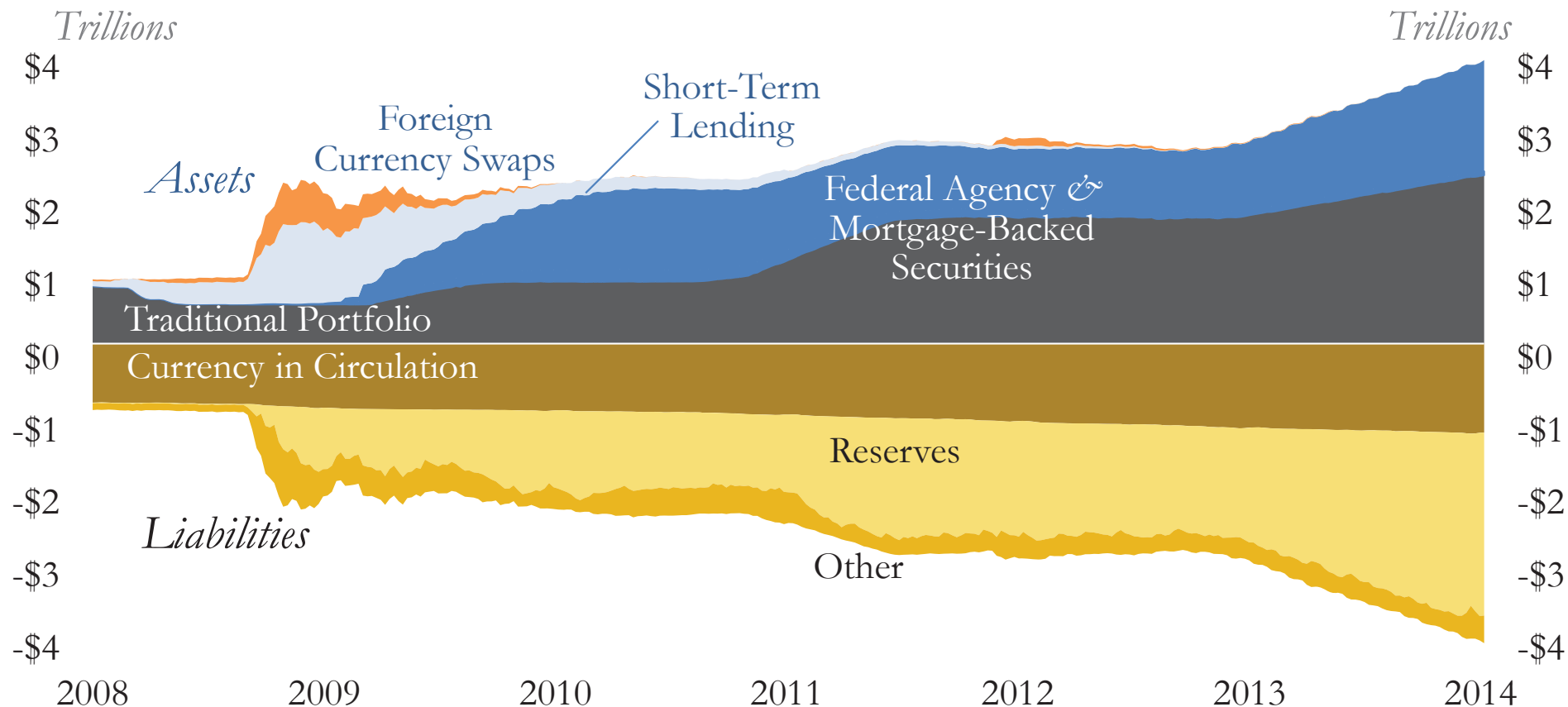
- January 2014 FOMC Statement



“...the Committee will add to its holdings of agency mortgage-backed securities at a pace of \$30 billion per month rather than \$35 billion per month, and will add to its holdings of longer-term Treasury securities at a pace of \$35 billion per month rather than \$40 billion per month.”

- January 2014 FOMC Statement

FEDERAL RESERVE BALANCE SHEET

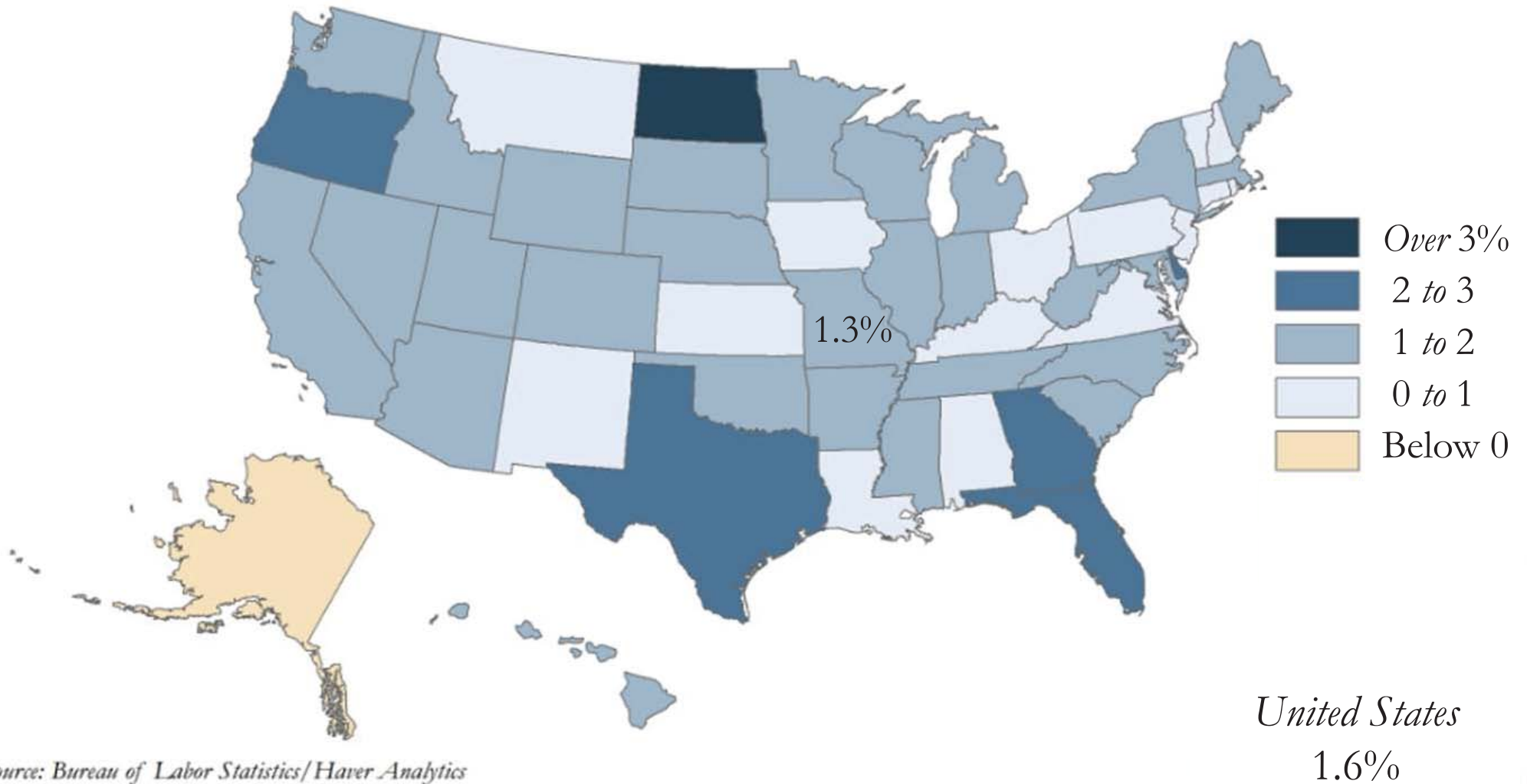


Regional Economic Update

Most states experienced positive job growth over the past year.

DECEMBER 2013 NONFARM EMPLOYMENT

Year-over-Year Percent Change, Seasonally Adjusted

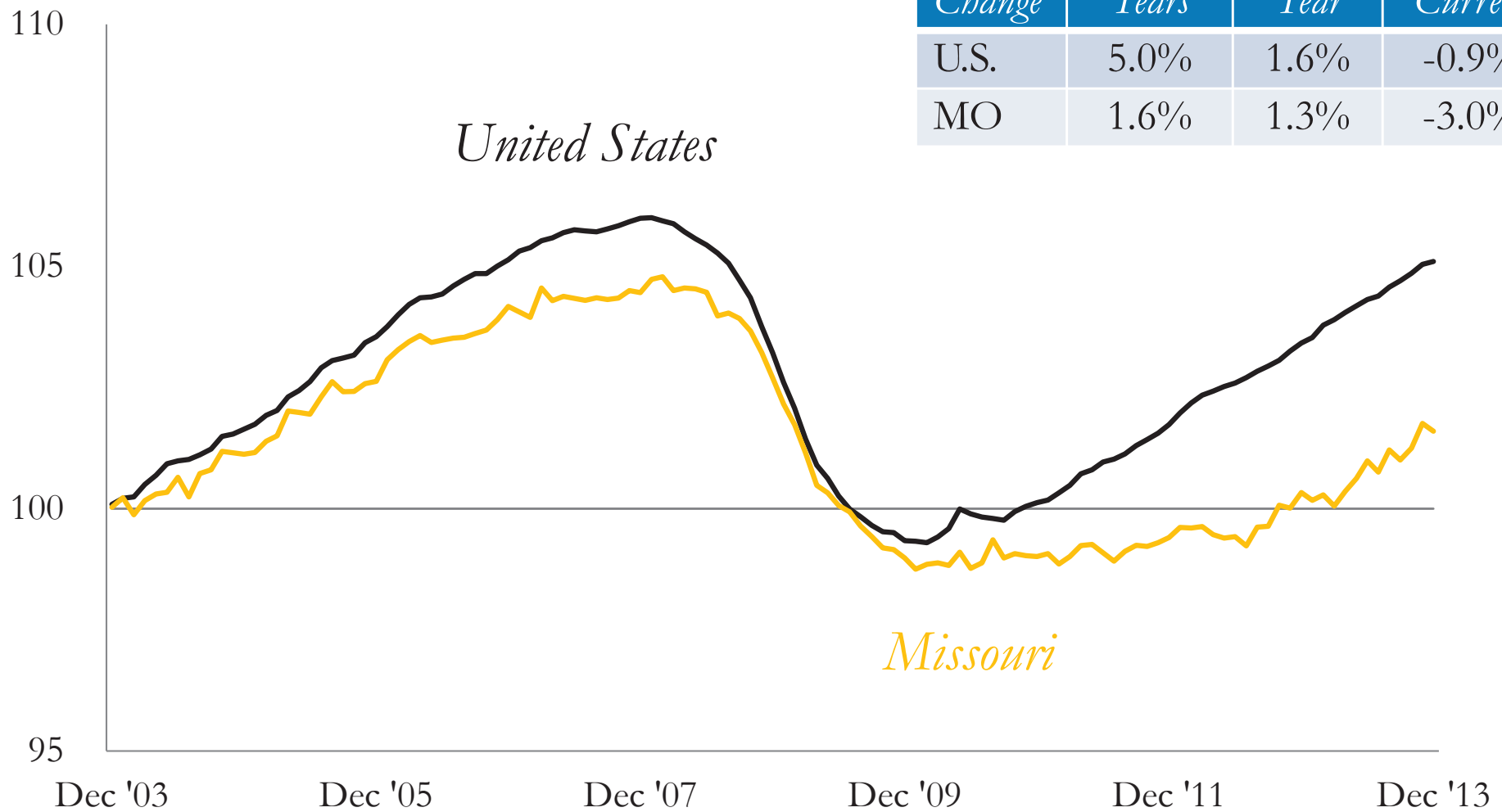


Source: Bureau of Labor Statistics/Haver Analytics

Job gains continue nationally, but the pace of growth in Missouri is lagging.

NONFARM EMPLOYMENT

Index 100 = December 2003, Seasonally Adjusted

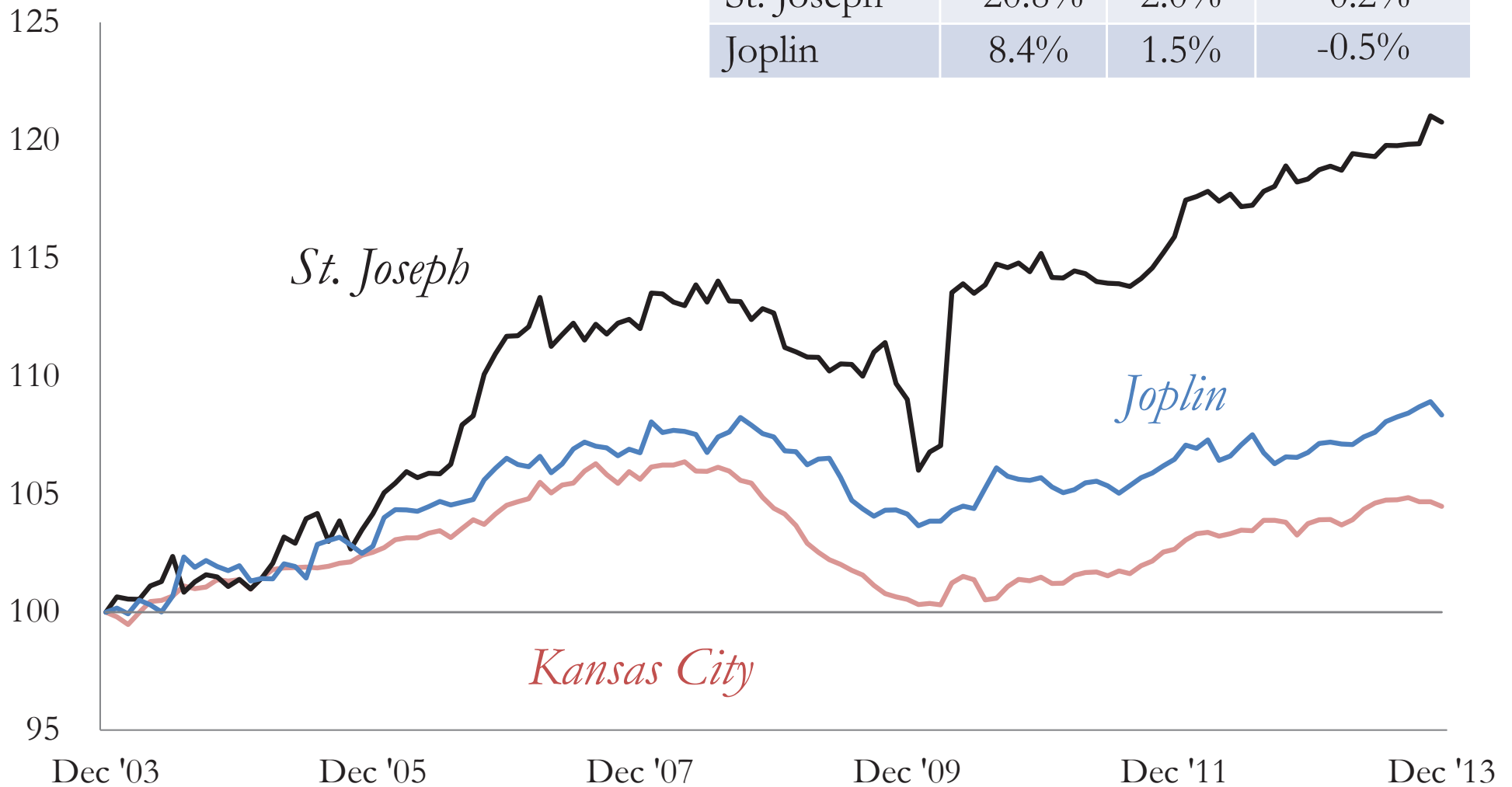


Missouri metropolitan areas have faired better, with the exception of Saint Louis.

NONFARM EMPLOYMENT

Index 100 = December 2003, Seasonally Adjusted

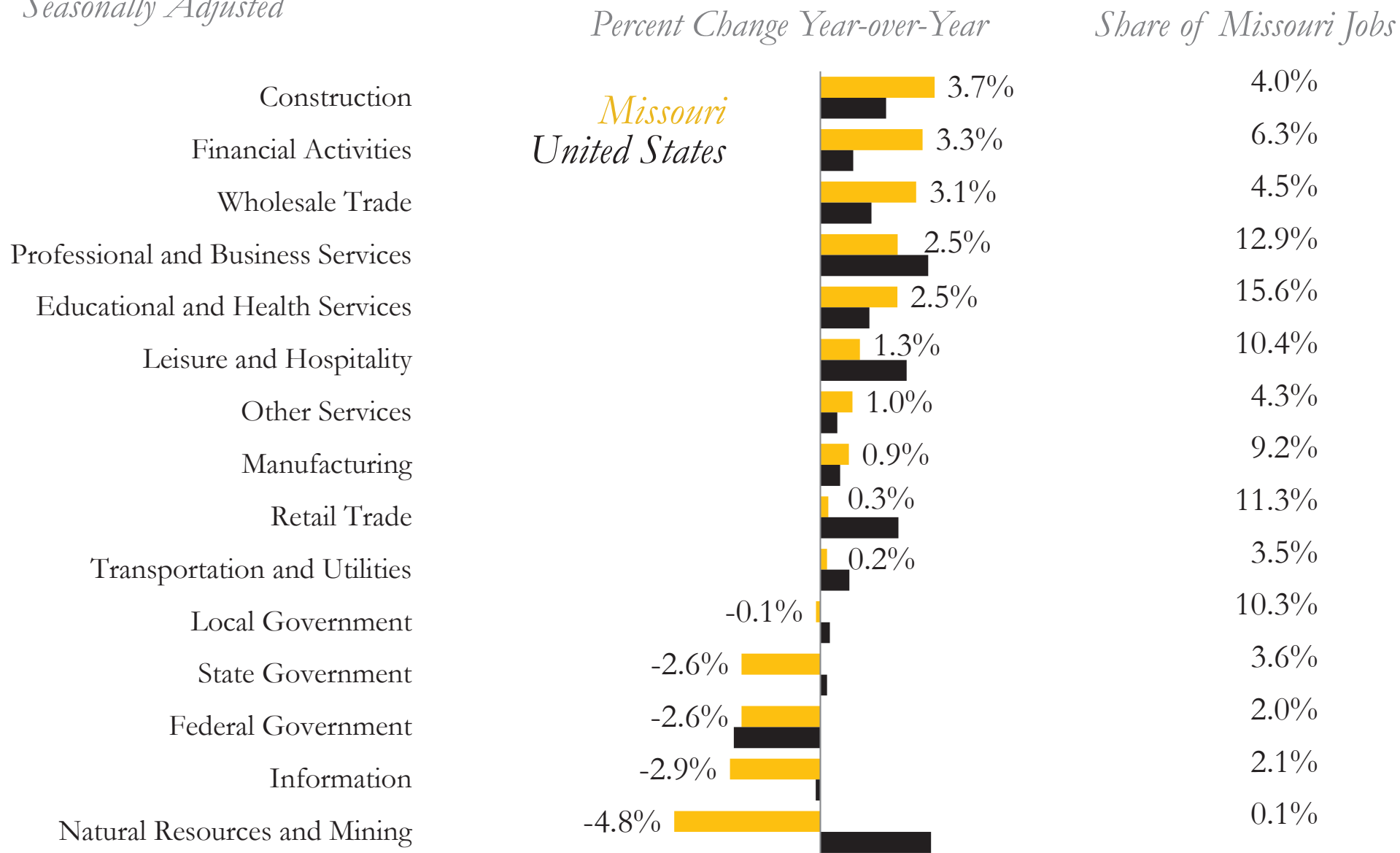
<i>Percent Change</i>	<i>Past 10 Years</i>	<i>Past Year</i>	<i>Peak to Current</i>
Kansas City	4.5%	0.7%	-4.2%
St. Joseph	20.8%	2.0%	-0.2%
Joplin	8.4%	1.5%	-0.5%



Employment growth has been picking up in some sectors in Missouri, but all government sectors are still shrinking.

NOVEMBER 2013 PAYROLL EMPLOYMENT

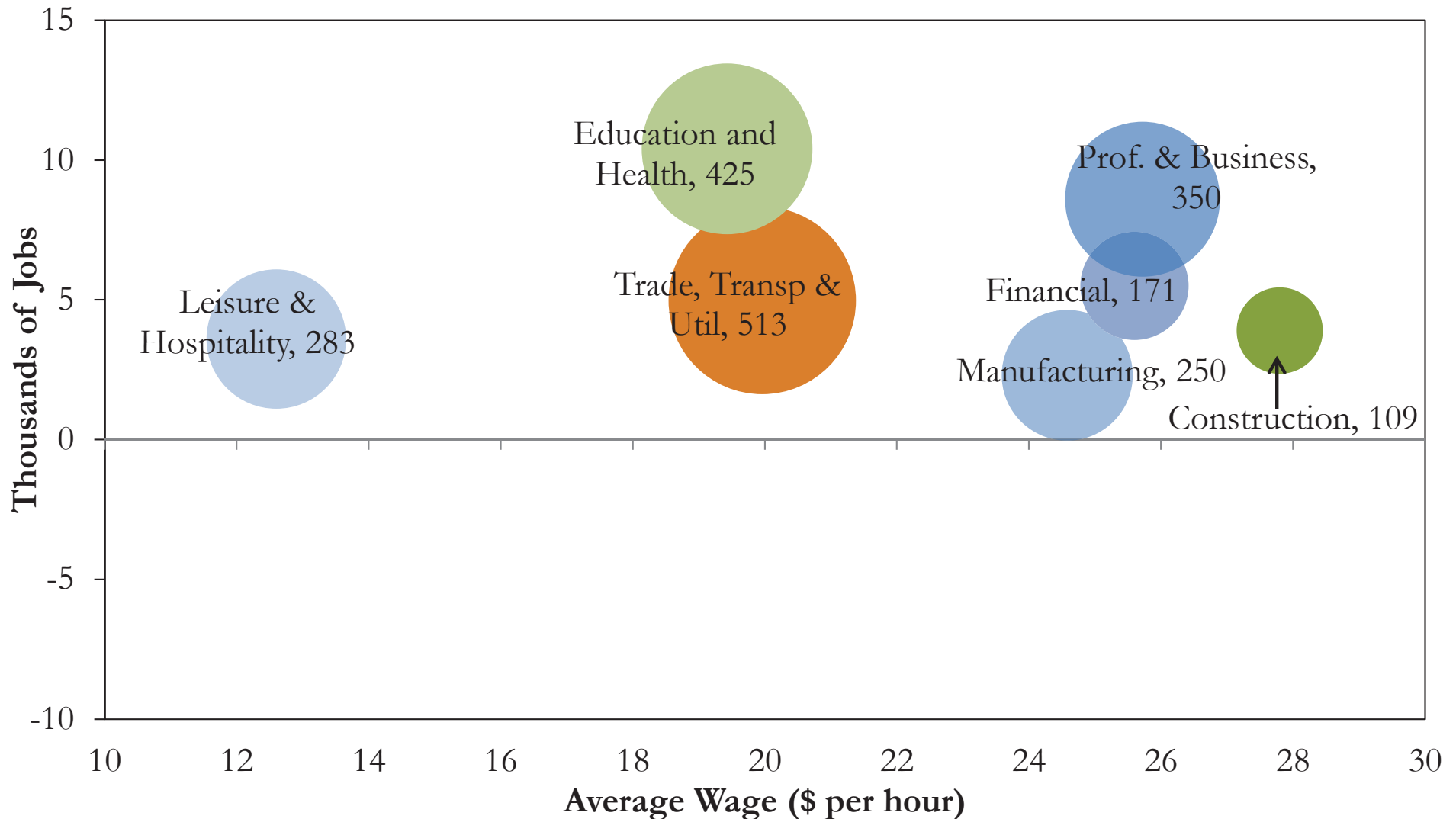
Seasonally Adjusted



Higher wage jobs are slowly coming back to Missouri.

DECEMBER 2013 MISSOURI PAYROLL EMPLOYMENT

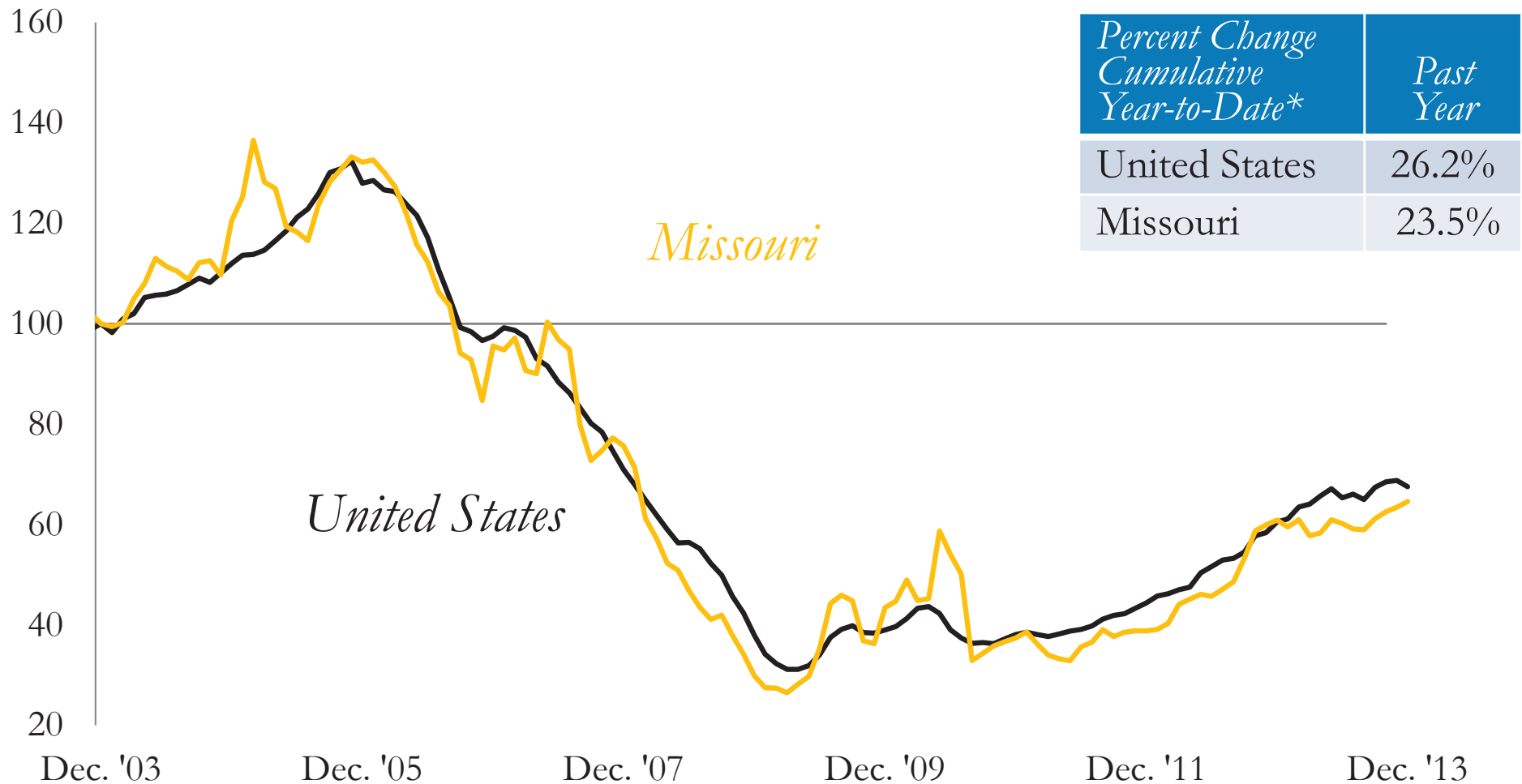
Seasonally Adjusted



Residential construction activity has picked up considerably.

VALUE OF RESIDENTIAL CONSTRUCTION

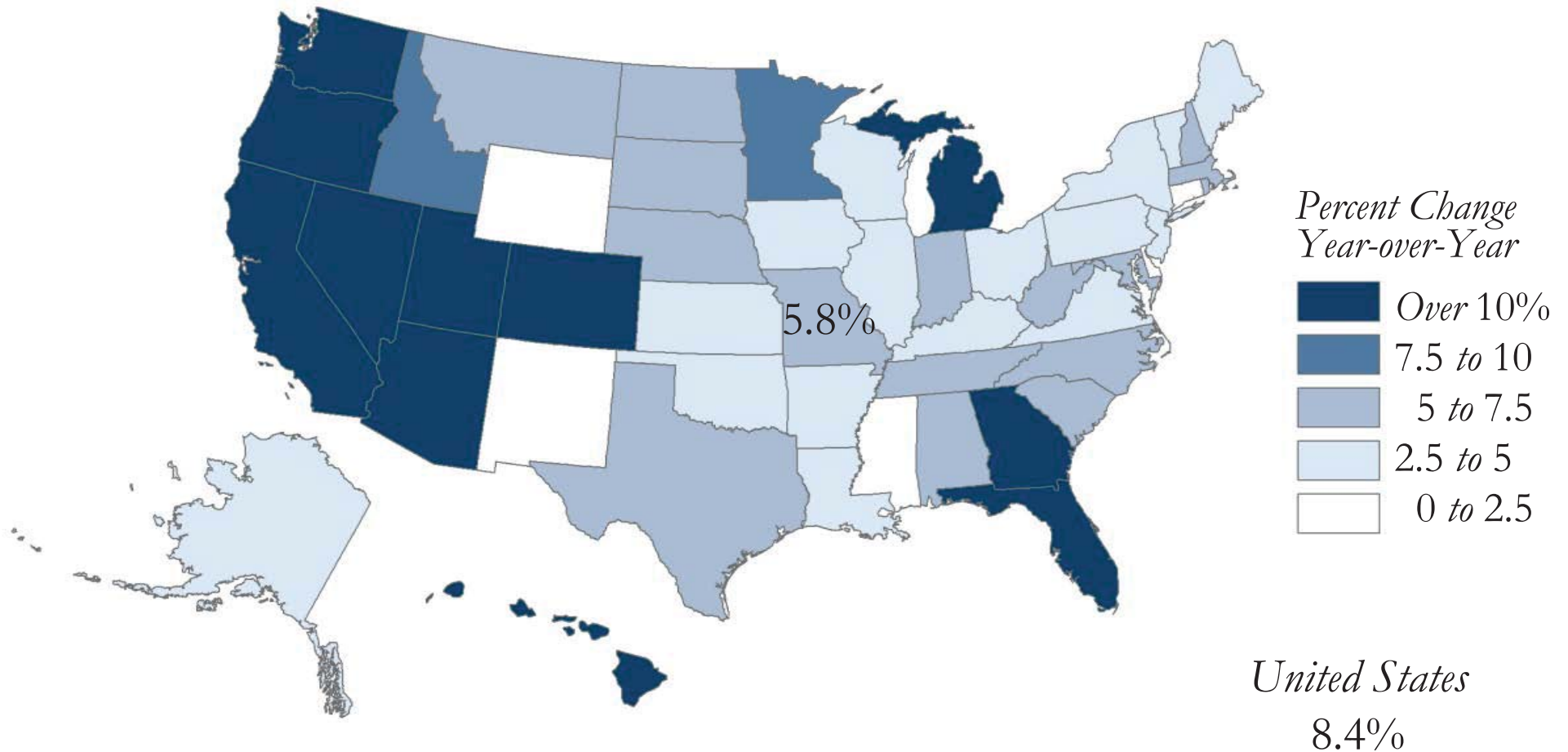
Index 100 = December 2003, Seasonally Adjusted Three-Month Moving Average



Home prices are rising at different paces across the nation.

FHFA PURCHASE-ONLY HOME PRICE INDEX 2013Q3

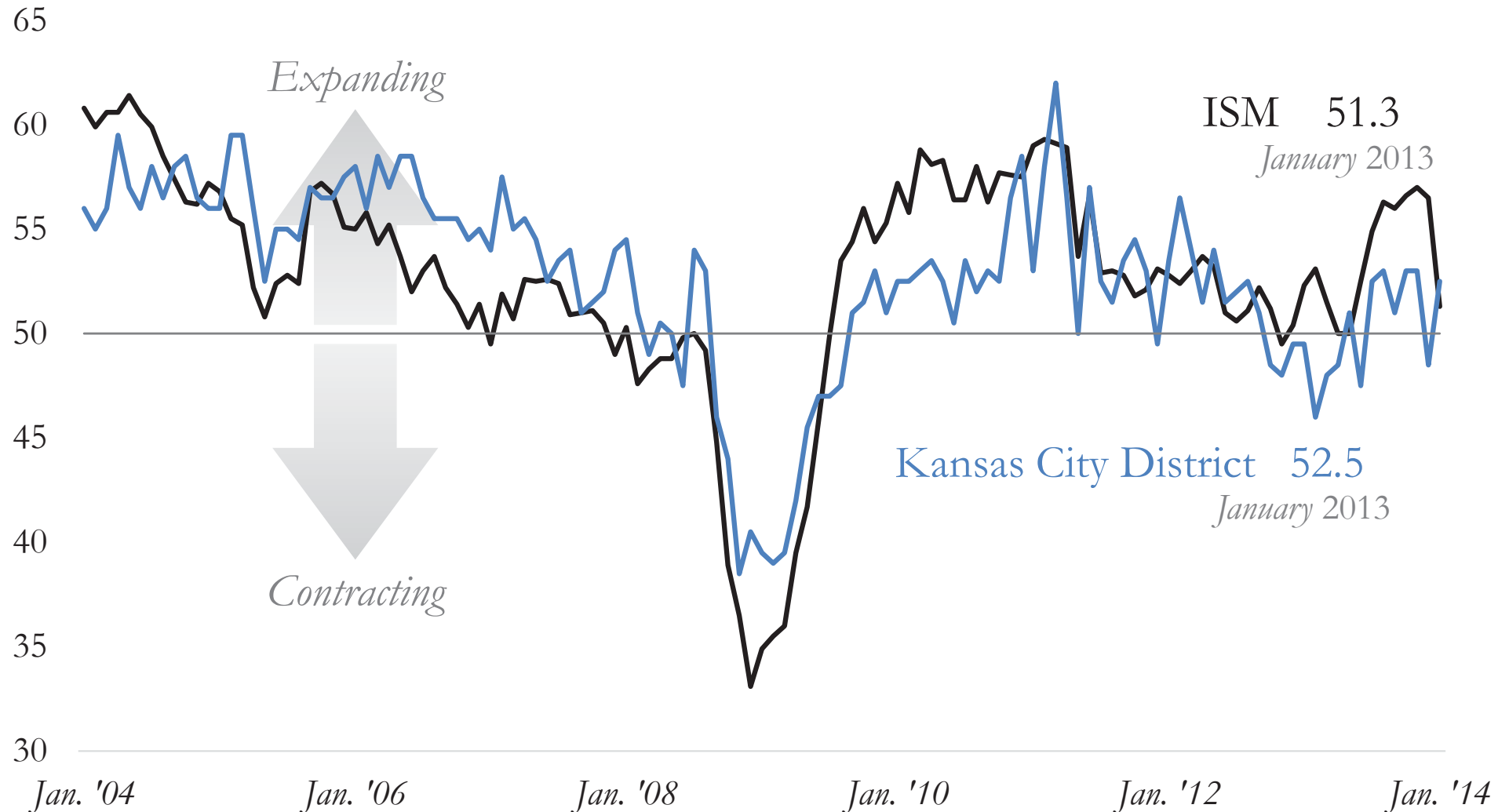
Percent Change Year-over-Year, Seasonally Adjusted



Manufacturing activity has recently slowed in the U.S. and 10th District of the Federal Reserve.

MANUFACTURING ACTIVITY

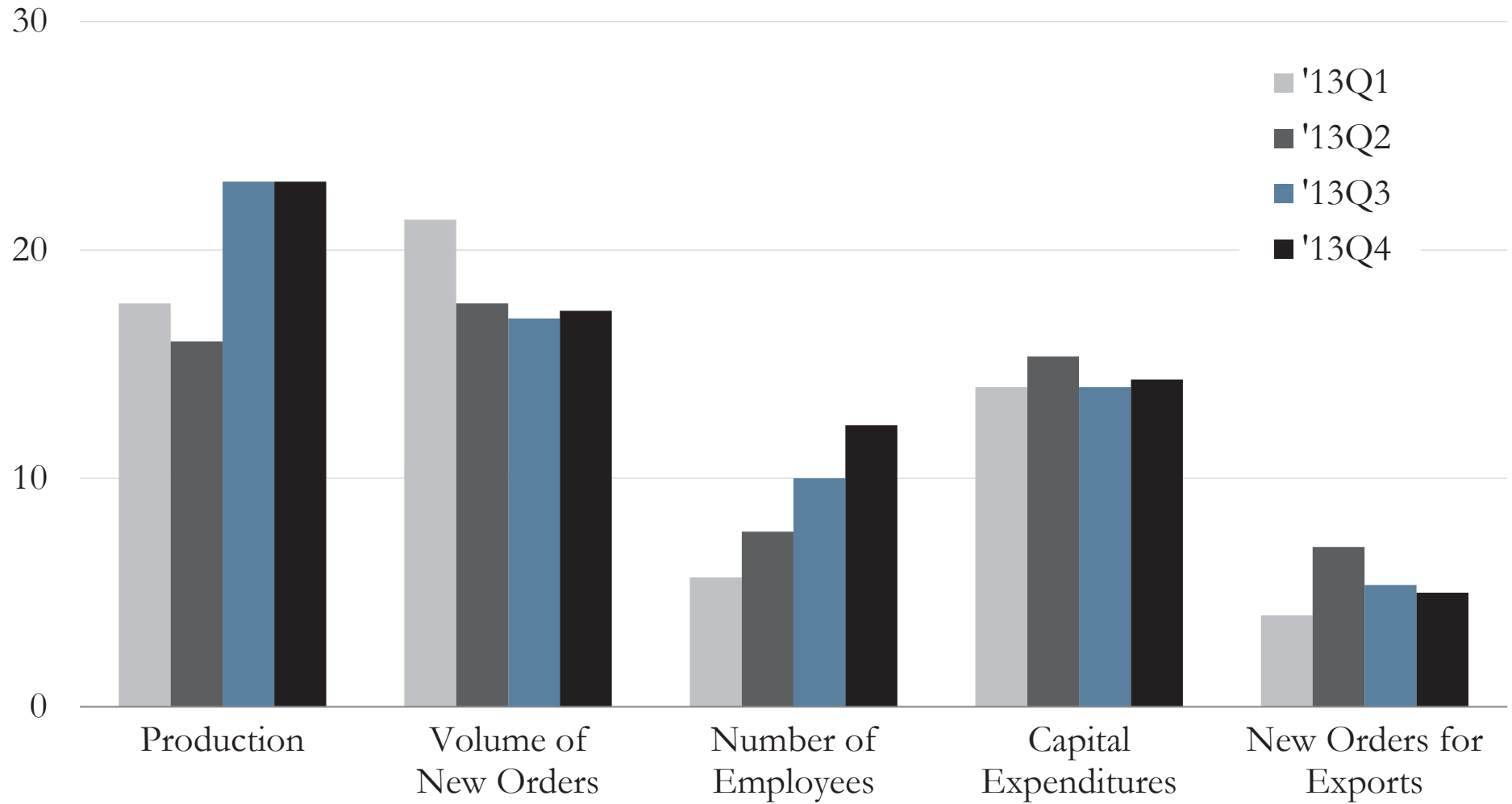
Diffusion Index, Seasonally Adjusted, Month-over-Month



Tenth District manufacturers expectations for future activity have held steady across most categories.

TENTH DISTRICT MANUFACTURING EXPECTATIONS

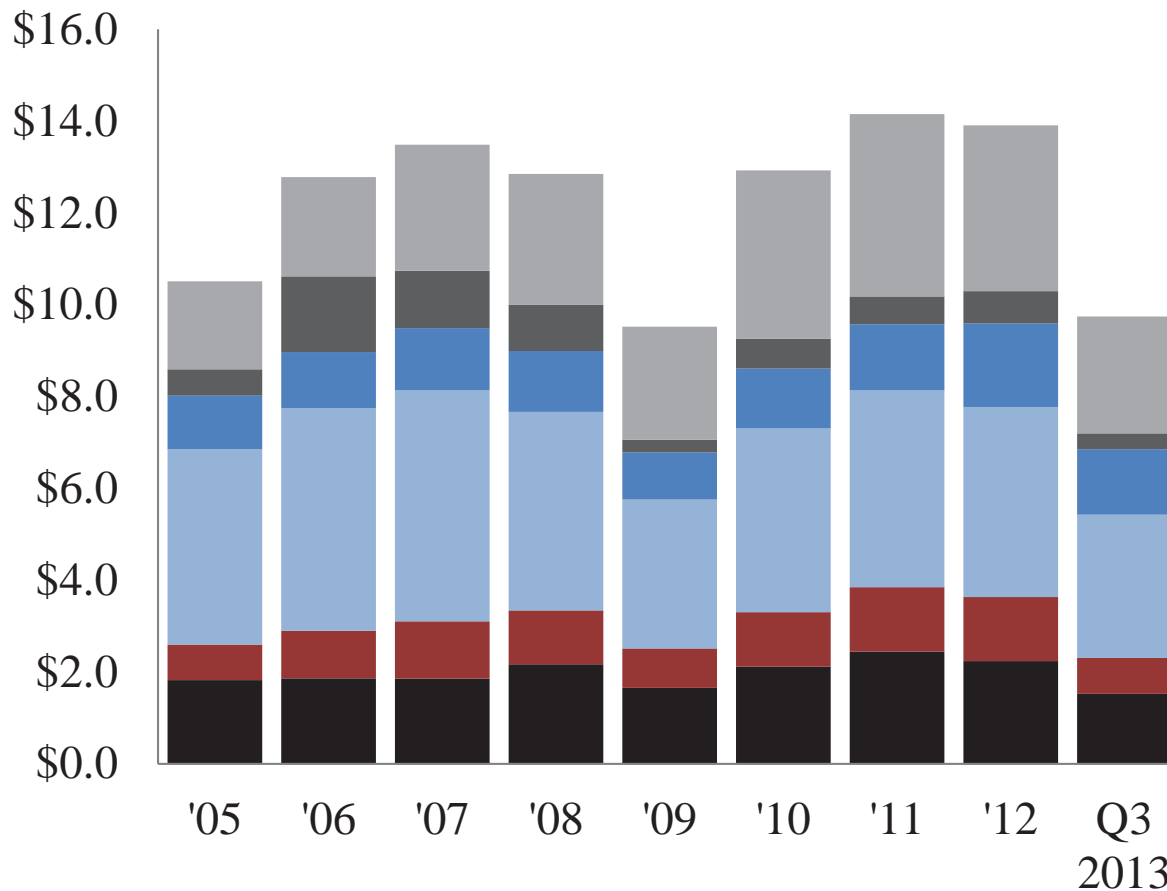
Diffusion Index, Seasonally Adjusted, Six months ahead



Total trade decreased YTD through the third quarter in Missouri, with declines in Europe, China, Japan, and Canada.

MISSOURI EXPORTS BY TRADING PARTNER

Billions



*Percent Change YTD Q3 2013
Year-over-Year*

Total Trade	-9.3%	SHARE
All Other	-9.6	26.1%
Japan	-43.2	3.6
Mexico	8.2	14.6
Canada	-2.2	32.1
China*	-27.7	8.0
Eurozone	-11.7	15.6

*Top exports by value YTD Q3 2013
Billion \$*

Transp. Equipment	\$2.2
Chemical Manufactures	\$1.7
Food Products	\$1.1
Machinery	\$1.0

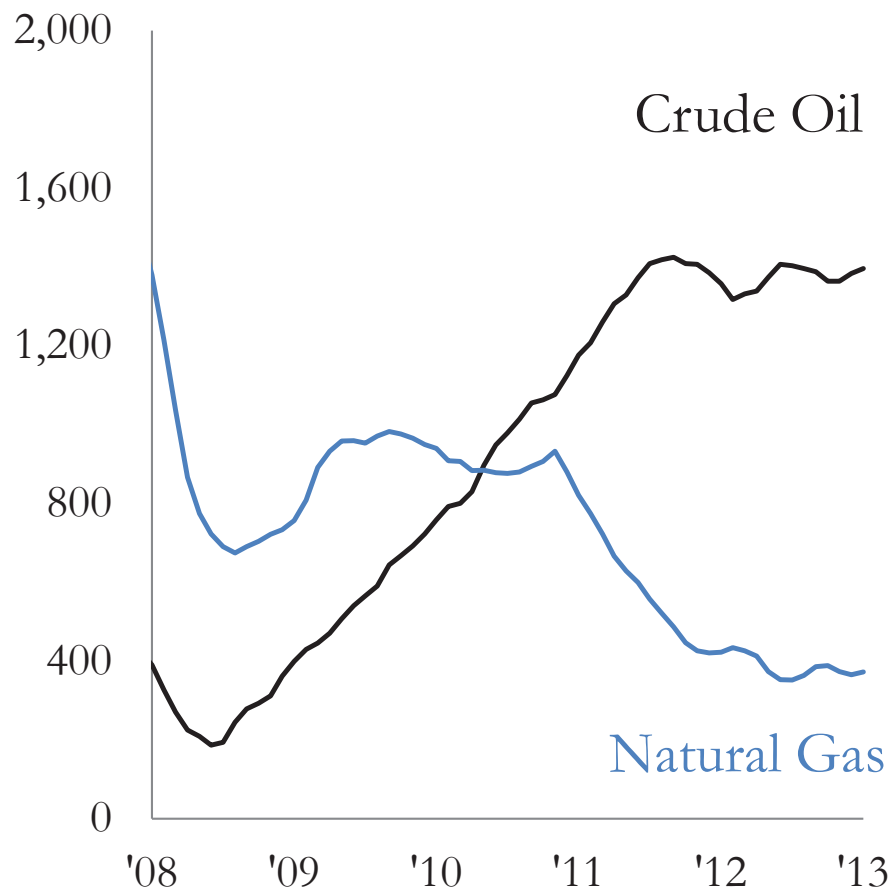
Crude oil prices remain high, while natural gas prices are low.



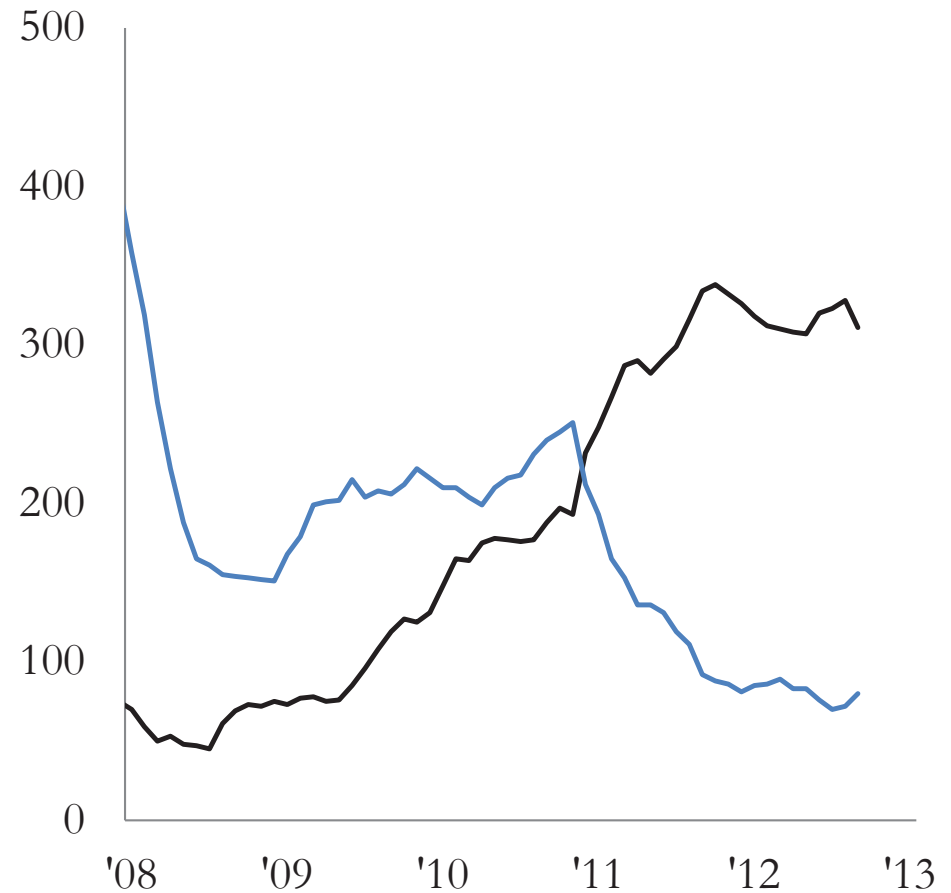
Oil drilling has increased sharply over the past few years, while natural gas drilling has declined as a result of lower prices.

ACTIVE DRILLING RIG COUNTS

UNITED STATES



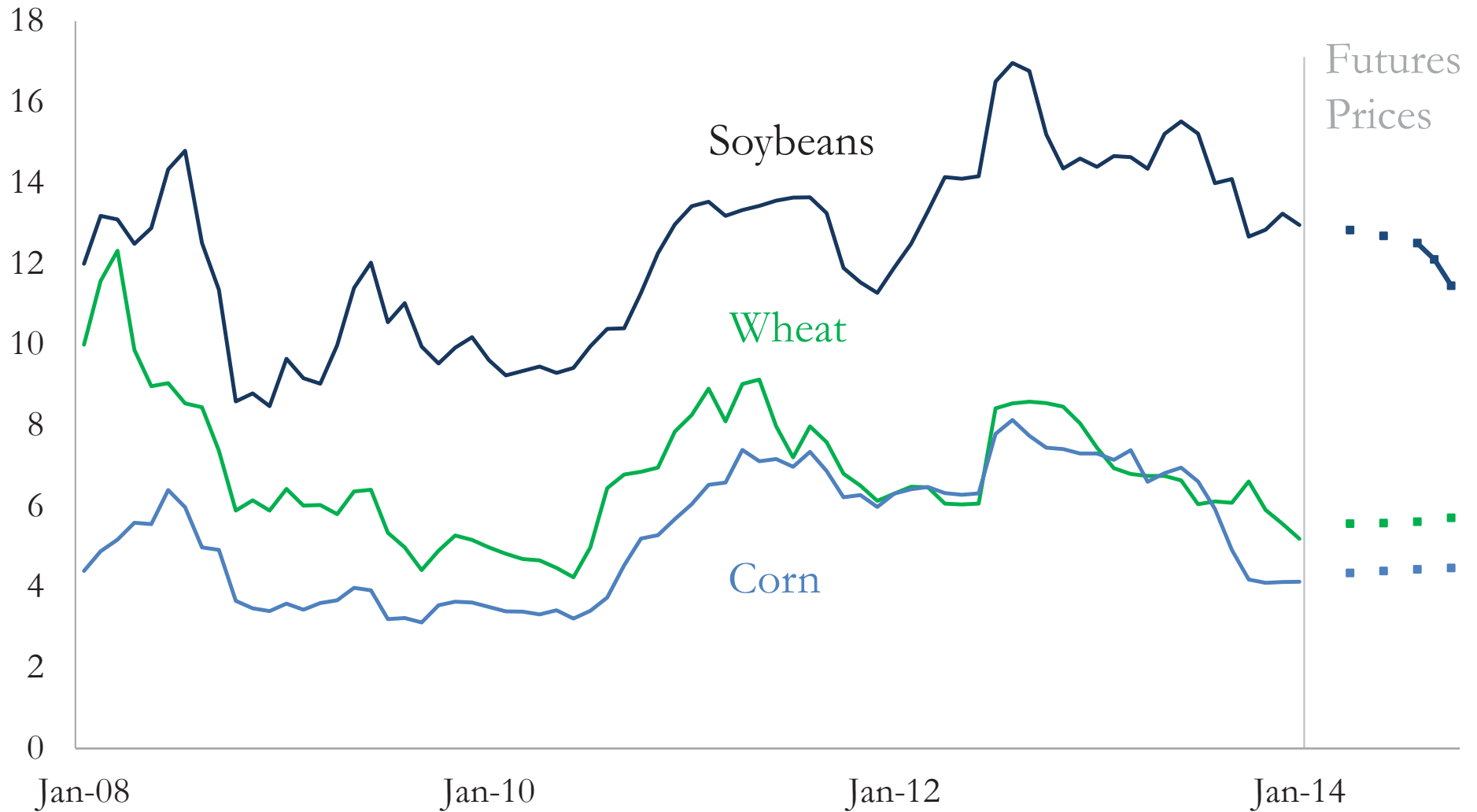
TENTH DISTRICT



Crop prices have turned lower, with expectations for flat to lower prices.

CROP PRICES

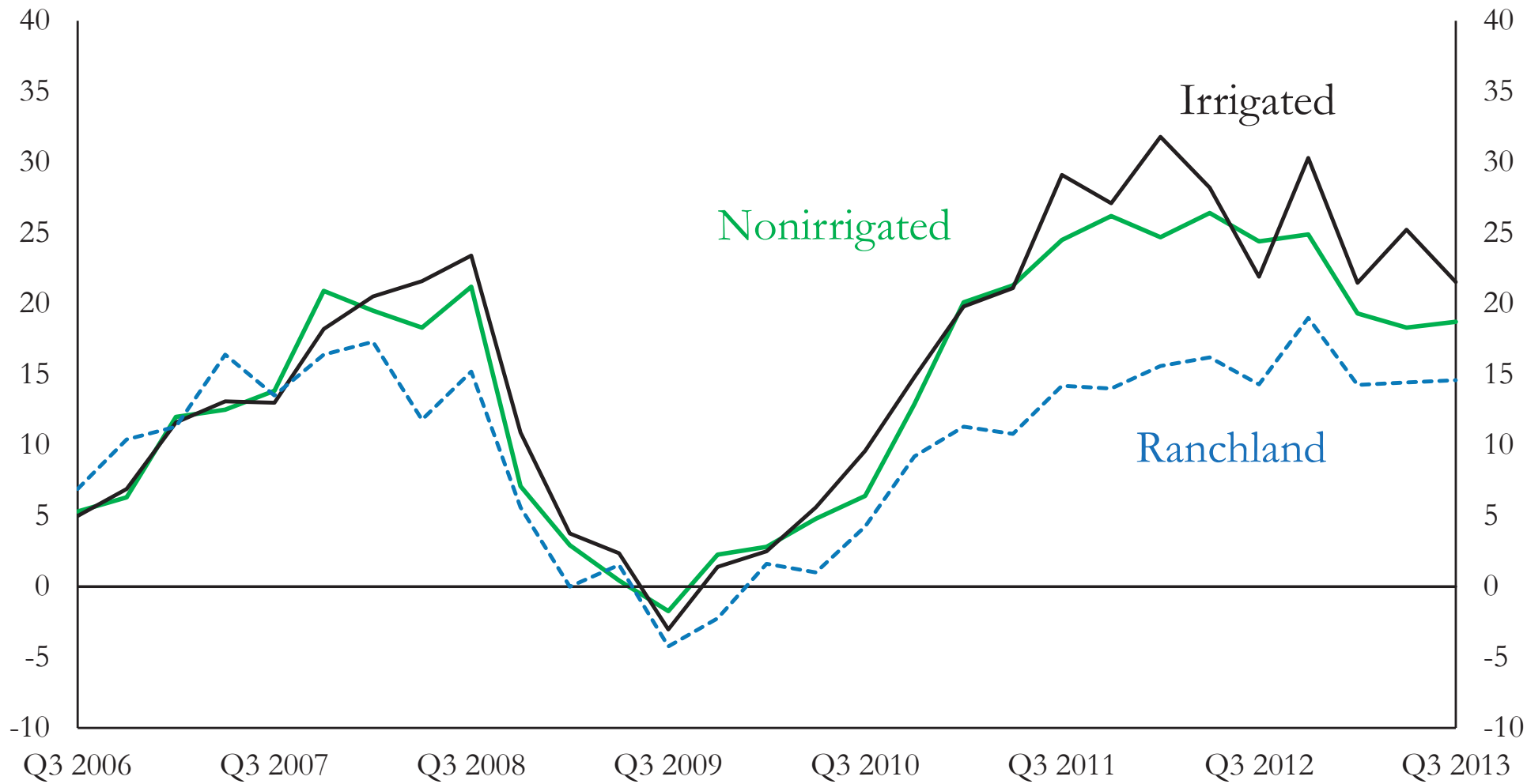
\$/Bushel



Farmland values continue to rise, but will likely slow with lower farm income.

TENTH DISTRICT FARMLAND VALUES

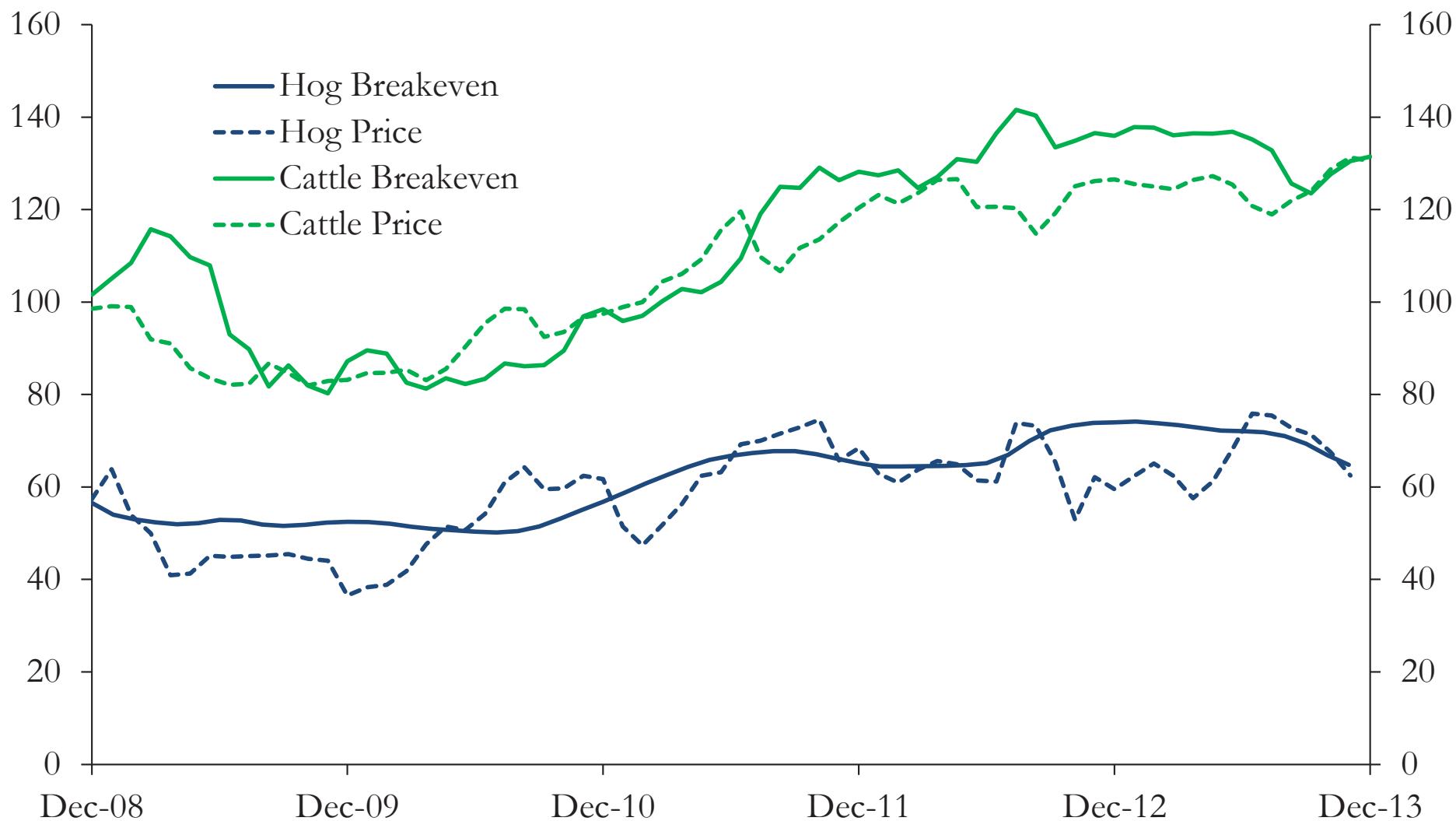
Percent change from previous year



Breakeven costs for livestock producers remain at or above market prices.

LIVESTOCK PRICES AND BREAK EVEN COSTS

Dollars per hundredweight



Summary

- U.S. economic growth remains moderate.
- Monetary policy remains accommodative.
- Missouri is experiencing uneven growth across sectors.
- Housing and construction are leading the way.
- Agricultural commodity prices have lowered, suggesting lower farm income in the near term.

Questions?



For more information about the Kansas and Missouri economies, subscribe to the quarterly **Midwest Economist** or **Regional Databooks** at:

<http://www.kc.frb.org/research/regionaleconomy/>