### Economic Forecast

**OUTPUT AND EMPLOYMENT**

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<tbody>
<tr>
<td>Real GDP</td>
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<tr>
<td>$ billions (fourth quarter)</td>
<td>$14,996</td>
<td>$14,575</td>
<td>$14,540</td>
<td>$14,942</td>
<td>$15,242</td>
<td>$15,540</td>
<td>$15,942</td>
<td>$16,501</td>
<td>$17,120</td>
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<td>% change over the four quarters</td>
<td>1.9%</td>
<td>-2.8%</td>
<td>-0.2%</td>
<td>2.8%</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.6%</td>
<td>3.5%</td>
<td>3.8%</td>
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<tr>
<th>Nonfarm employment</th>
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<tbody>
<tr>
<td>Job count (fourth quarter)</td>
<td>138,246,000</td>
<td>135,493,667</td>
<td>129,877,667</td>
<td>130,652,000</td>
<td>132,642,667</td>
<td>134,853,667</td>
<td>137,247,667</td>
<td>139,694,848</td>
<td>141,679,460</td>
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<tr>
<td>% change over the four quarters</td>
<td>0.9%</td>
<td>-2.0%</td>
<td>-4.1%</td>
<td>0.6%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>1.8%</td>
<td>1.8%</td>
<td>1.4%</td>
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<tr>
<td>Average monthly change</td>
<td>101,667</td>
<td>-229,361</td>
<td>-468,000</td>
<td>64,528</td>
<td>165,889</td>
<td>184,250</td>
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<table>
<thead>
<tr>
<th>Kansas</th>
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<tbody>
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<td>Real GDP</td>
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<tr>
<td>$ billions (fourth quarter)</td>
<td>$114</td>
<td>$113</td>
<td>$112</td>
<td>$115</td>
<td>$118</td>
<td>$119</td>
<td>$121</td>
<td>$125</td>
<td>$129</td>
</tr>
<tr>
<td>% change over the four quarters</td>
<td>3.1%</td>
<td>-0.7%</td>
<td>-1.1%</td>
<td>2.8%</td>
<td>2.5%</td>
<td>1.4%</td>
<td>1.8%</td>
<td>2.9%</td>
<td>3.5%</td>
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<th>Nonfarm employment</th>
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<tbody>
<tr>
<td>Job count (fourth quarter)</td>
<td>1,386,600</td>
<td>1,386,400</td>
<td>1,325,133</td>
<td>1,331,133</td>
<td>1,343,100</td>
<td>1,362,100</td>
<td>1,383,433</td>
<td>1,396,340</td>
<td>1,411,316</td>
</tr>
<tr>
<td>% change over the four quarters</td>
<td>1.8%</td>
<td>0.0%</td>
<td>-4.4%</td>
<td>0.5%</td>
<td>0.9%</td>
<td>1.4%</td>
<td>1.6%</td>
<td>0.9%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Average monthly change</td>
<td>1,994</td>
<td>-17</td>
<td>-5,106</td>
<td>500</td>
<td>997</td>
<td>1,583</td>
<td>1,778</td>
<td>1,076</td>
<td>1,248</td>
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**WHAT THE TABLE SHOWS:**
- Kansas’ GDP forecast is derived from the national forecast by allocating output to each of the 50 states based on employment shares. So, forecast misses reflect surprises in the aggregate forecast as well as unexpected shifts in a state’s GDP share.
- The recession took a heavy toll on Kansas’ economy but, like its neighbors, strong farm conditions have been a cushion.

**KEY MESSAGE:**
- The state’s expected to parallel the broad contour of the national recovery in 2014 and 2015.

Note: GDP figures are based on quarterly values that are interpolated from annual GDP estimates using quarterly employment changes. Unbolded figures are reported actual values and bold figures represent forecasts.

Sources: US Department of Commerce; US Department of Labor
The Economy’s Structure

PERCENT OF TOTAL GDP DERIVED FROM SELECTED INDUSTRIES

WHAT THE CHART SHOWS:

- The figure compares the relative importance of selected industries to the state’s economy with the national footprint of each industry (state and national figures reflect the value added of each industry as a percent of aggregate state or US nominal GDP, respectively).
- Kansas has a greater concentration in durable manufacturing, trade, transportation, information, and social services. Its important agricultural businesses are a help at the present time.

KEY MESSAGE:

- Kansas has a more limited exposure to real estate than the national economy and that is a blessing at the moment, because it limited the disruptions associated with real estate speculation.

Bankruptcies

What the Chart Shows:
- The figure illustrates trends in bankruptcy filings by businesses and persons relative to the number of filings in 2007 Q4, prior to the recession.
- Bankruptcy filings are back to normal.

Key Messages:
- Indicators of financial stress are a useful coincident indication of economic distress.
- Strong business conditions bode well for the state’s economic outlook.

Source: Administrative Office of the U.S. Courts; Updated through March 2014.
Oil & Gas Activity

WHAT THE CHART SHOWS:

- The figure illustrates recent trends in the rig count for petroleum drilling operations.
- Oil and gas drilling activity in Kansas is relatively robust.

KEY MESSAGES:

- Kansas' energy sector is bringing welcome help to an otherwise slow economy.

WHAT THE CHART SHOWS:

- The figure illustrates trends in GDP growth in Kansas and the Federal Reserve Bank of Kansas City’s survey of local manufacturing conditions.
- Business conditions lost momentum toward the end of last year, but have firmed somewhat.

KEY MESSAGES:

- The Federal Reserve Bank of Kansas City’s business survey points to a moderate pickup in activity.

Sources: Federal Reserve Bank of Kansas City; US Department of Commerce. Updated through May 2014 (surveys) and 2014 Q1 (GDP).
WHAT THE CHART SHOWS:
- The figures show the Business Barometer Index, based on the survey of purchasing managers, and real GDP growth in Kansas (a reading above 50 means the state’s economy is growing, while less than 50 means the economy is shrinking). The index comprises seven business activity indicators, including production, new orders, order backlogs, inventories, employment, supplier deliveries, and prices paid.

KEY MESSAGES:
- Diffusion indexes are a timely indicator of activity in the state and these are firming.

Sources: Institute of Supply Management; US Department of Commerce. Updated through April 2014 (survey) and 2014 Q1 (GDP).
The chart shows the ratio of initial claims for unemployment insurance to the 2007 Q4 level for Kansas versus the national level. Weekly layoffs, both state and national tallies, are illustrated as a ratio to the level of layoffs in the fourth quarter of 2007, prior to the recession. Layoffs are down and back to pre-recession levels.

The low level of applications for unemployment benefits implies that the recovery is getting traction.

Source: US Department of Labor. Updated through May 17, 2014 (state) and May 24, 2014 (US).
Economic Growth

WHAT THE CHART SHOWS:

- Real GDP growth in Kansas (the line in the figure) is superimposed on top of US real GDP growth (bars in the figure).
- The local economic recovery is beginning to track the national recovery.

KEY MESSAGE:

- Real GDP growth is expected to speed up somewhat this year and the next.

Source: US Department of Commerce. Updated through 2012 (state) and 2014 Q1 (US). Quarterly estimates for states after 2012 are interpolated from employment figures (through April 2014), based on the historical correlation of state and national employment changes.
The figure illustrates the evolution of real GDP of the state and the overall US economy since the fourth quarter of 2000, the peak of the previous business cycle—that is, at any point in time the lines trace the ratio of real GDP to its level in 2000 Q4.

Economic activity in Kansas only flattened in 2008 and 2009, even as the national economy fell into a deep recession.

Kansas likely will match the performance of the national economy in the next several years.

Source: US Department of Commerce. Updated through 2012 (state) and 2014 Q1 (US). Quarterly estimates for states after 2012 are interpolated from employment figures (through April 2014), based on the historical correlation of state and national employment changes.
Employment Growth

WHAT THE CHART SHOWS:
- Many of the themes echoed throughout the Midwest describe the job market trends in Kansas.
- Employment growing at a respectable pace.

KEY MESSAGE:
- Hiring is expected to remain solid for a while.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).
WHAT THE CHART SHOWS:

- The figure illustrates the evolution of employment in the state compared with the nation since 2000 Q4, the peak of the previous business cycle. The lines trace out the ratio of employment at the time to employment in 2000 Q4.
- Employment trends in the state had been mirroring the trends in the national economy but recently have lagged somewhat the jobs recovery elsewhere.

KEY MESSAGE:

- The job market outlook is reasonably favorable.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).
Intrastate Employment

WHAT THE CHART SHOWS:
- The figure shows job trends in local communities within the state.
- Kansas has lagged the national economy, but is faring better now.
- Economic conditions vary widely across the state.

KEY MESSAGE:
- Kansas benefits from the relative strength of the agricultural sector.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).
WHAT THE CHART SHOWS:

- The figure compares the unemployment rate in Kansas with the national average.
- Kansas’ unemployment rate peaked at 7½ percent and has come down steadily, to under 5 percent most recently.

KEY MESSAGES:

- The unemployment rate is the single best indicator of the relative economic performance of a region.
- Unemployment is forecast to continue to fall in 2014, perhaps at a more gradual pace than last year.

Source: US Department of Labor. Updated through April 2014 (state) and April 2014 (US).
WHAT THE CHART SHOWS:

- The figure tracks the relative price of houses versus the nation in the state—that is, it reflects the ratio of the state price index to the national house price index, with that ratio set to unity in the summer of 1995. A drop in the line means that house prices in the state lag the national trend. States that did not suffer from speculative conditions saw a decline in the relative price of houses in this last decade.
- Kansas did not suffer from real estate speculation in the last decade, so house prices fell relative to the national average. Real estate values are back in normal alignment with the national average.

KEY MESSAGE:

- Real estate excesses are absent in Kansas.

Source: FHFA. Updated through 2013 Q4.
Real Estate Markets

WHAT THE CHART SHOWS:
- The figure tracks the cumulative percentage deviation in house prices since 1995 in selected local markets and compares those with the national average.
- The real estate roller coaster ride was fairly muted across the state.

KEY MESSAGE:
- House prices have been on a moderate incline through the housing debacle.

Source: FHFA. Updated through 2013 Q4.
New Home Building

WHAT THE CHART SHOWS:
- New home construction in Kansas, matches the US trend in proportionate terms.
- New home building in the state is edging up.

KEY MESSAGE:
- Housing starts have been on a moderate incline through the housing debacle.

Source: Census Department. Updated through March 2014 (state) and April 2014 (US).
Office Markets

What the chart shows:
- Office market conditions remain challenging, compared with the national performance.
- Vacancy rates appear to have stabilized at a high level.

Key message:
- Commercial real estate conditions remain challenging.

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