Wichita's Economic Outlook 2011 Review and 2012 Forecast

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Wichita Forecast Summary

The Great Recession, which began in December 2007, did not significantly impact the Wichita economy until 2009, when employment dropped 5 percent. The recovery in Wichita has been similarly delayed. In 2010, U.S. employment dropped only 0.8 percent, while Wichita's employment level declined 3 percent.

Employment in Wichita and the United States, as a whole, is poised to grow in 2011. The first half of the year, U.S. employment was 0.9 percent higher than the first half of 2010. Wichita's employment was 0.2 percent higher for the same time period. The Center for Economic Development and Business Research is forecasting a 1.3 percent increase in employment for 2012, for a total gain of 3,800 jobs. However, there are many unknowns, including The American Jobs Act that was unveiled on Sept. 8, that have the potential to sway this forecast.

The WSU Current Conditions Index has clearly reflected the downturn in Wichita's economy since 2008. At the end of 2010, the WSU Current Conditions Index was 85.5, the lowest it has been since the Index's inception in 2002. Fortunately, the Index started 2011 on an upward trend that lasted through the first six months of this year. From December through June, the Index grew 2.9 percent. This can be attributed to a decrease in the seasonally adjusted unemployment rate from 8.2 to 7.7 percent during that time. The Index was also positively impacted by gains in total nonfarm employment the first half of this year. Declining home sales continue to negatively impact the Index.

The WSU Leading Economic Indicators Index has given us reason to be optimistic about the local economy through early 2012. Fourteen of the 15 months ending in June, the Leading Index increased, for a total gain of 13.8 percent. Only one of the nine Index indicators showed deterioration from the first half of 2010 to the first half of 2011. That was the inflation-adjusted value of residential building permits in Wichita, which declined 21.8 percent. Particularly encouraging was a 16.6 percent drop in the number of Kansas initial unemployment claims.

A decrease in per capita personal income of 3.3 percent in 2009 triggered a decline in consumer spending. This was evident in the decline of nominal taxable retail sales of 5.5 percent in 2009 and 0.2 percent in 2010. First quarter 2011 data indicates that consumer spending may be improving, but will remain volatile. Nominal taxable retail sales increased 3.5 percent from first quarter 2010 to first quarter 2011. However, events have occurred since first quarter that may discourage consumers – volatility in the stock market, rising food prices, announcements of government austerity programs and rising health care costs. Because of these events and continued economic uncertainty, retail sales are estimated to decrease 1.1 percent in 2011, followed by a 3.8 percent increase in 2012.

From October 2008 to June 2011, the aerospace products and parts industry in the Wichita area lost 12,700 jobs, with 700 of those job losses occurring in the first half of this year. Even if this year closes out with another loss in this sector, the contraction should be significantly less than the 4,400 total aviation manufacturing jobs lost last year. General aviation worldwide experienced a 15.5 percent decline in the number of airplanes shipped during the first half of 2011 compared to the first half of 2010. Billings decreased 22.3 percent during that time period. In June, due to disasters in Japan, unrest in the Middle East and oil prices above $120 per barrel, the International Air Transport Association lowered its 2011 airline industry forecast from $8.6 billion in profit to $4 billion.

The second largest industry sector in Wichita is education and health services. Growth in that industry began to slow in 2009. Then in 2010 the sector experienced a 1.1 percent decrease in employment. The employment estimate for 2011 is a decline of 0.7 percent, or 302 jobs. Employment levels may be hindered, to some degree, by a shortage of skilled labor. Several announcements of expansion in the health care field have occurred this year, as well as consolidation of health care providers. The adoption of federal health reform legislation has been and will continue to be an uncertainty, as the industry strives to understand and comply with this legislation.

Total nonfarm employment is expected to increase 1.3 percent in 2012, for a total gain of 3,800 jobs in the Wichita area. Manufacturing employment is expected to show more improvement than it has since the beginning of the recession, with a gain of 650 jobs, or a growth rate of 1.2 percent in 2012. The production sector, as a whole, will gain 945 jobs, growing by 1.4 percent. Trade, transportation and utilities are forecasted to increase by 240 jobs, or 0.5 percent. The service sectors are expected to increase 2.1 percent in 2012, while the government sector is forecasted to remain stable.

Table 1. Wichita MSA Employment by Industry Forecast Summary*

	2010 (a)	2011 (e)	2012 (f)	2011-2012 Level Change	2011-2012 Percent Change
Total Nonfarm	**283,608**	**284,170**	**287,970**	**3,800**	**1.3%**
Production Sectors	**66,858**	**66,830**	**67,775**	**945**	**1.4%**
Natural Resources, Mining & Cons.	14,517	14,410	14,705	295	2.0%
Manufacturing	52,342	52,420	53,070	650	1.2%
Durable Goods	45,075	44,975	45,490	515	1.1%
Non-Durable Goods	7,267	7,445	7,580	135	1.8%
Trade, Transportation & Utilities	**49,050**	**49,530**	**49,770**	**240**	**0.5%**
Wholesale Trade	10,808	10,800	10,750	-50	-0.5%
Retail Trade	30,275	30,640	30,740	100	0.3%
Transportation & Utilities	7,967	8,090	8,280	190	2.3%
Service Sectors	**125,892**	**125,885**	**128,485**	**2,600**	**2.1%**
Information	4,733	4,460	4,235	-225	-5.0%
Financial Activities	10,900	10,515	10,360	-155	-1.5%
Professional & Business Services	28,992	30,630	32,485	1,855	6.1%
Education & Health Services	43,392	43,090	43,480	390	0.9%
Leisure & Hospitality	27,133	26,415	26,980	565	2.1%
Other Services	10,742	10,775	10,945	170	1.6%
Government	**41,808**	**41,925**	**41,940**	**15**	**0.0%**

*Annual values are derived from average quarterly observations of nonfarm wage and salary data from the U.S. Bureau of Labor Statistics. Estimates and forecasts were made by the Center for Economic Development and Business Research.
(a) actual (e) estimated (f) forecasted

Local Economic Environment

WSU Current Conditions & Leading Economic Indicators Indices

At the end of 2010, the WSU Current Conditions Index was 85.5, the lowest it has been since the Index's inception in 2002. Fortunately, the Index started 2011 on an upward trend that lasted through the first six months of this year. From December to June, the Index grew 2.9 percent. However, the average Index value for the first half of 2011 was 0.2 percent lower than the average value in the first half of 2010. That decline was due, in part, to two declining indicators: the seasonally adjusted number of home sales that decreased 18.7 percent and the seasonally adjusted volume of outbound airfreight shipments at Wichita's Mid-Continent Airport, which decreased 3.9 percent. Moderating the Index's decline were the seasonally adjusted unemployment rate, which decreased from 8.7 to 8 percent, and the seasonally adjusted hotel occupancy rate that increased 3.5 percentage points.

Fourteen of the 15 months ending in June, the WSU Leading Economic Indicators Index increased, for a total gain of 13.8 percent. Only one of the nine Index indicators showed deterioration from the first half of 2010 to the first half of 2011. That was the inflation-adjusted value of residential building permits in Wichita, which declined 21.8 percent. Particularly encouraging was a 16.6 percent drop in the number of Kansas initial unemployment claims. This Index is used to forecast economic conditions six months into the future. With the steady monthly increases we have observed for more than a year, it seems reasonable to be optimistic about the rest of 2011 and the beginning of 2012.

Consumer Confidence, Income and Spending

The average national Index of Consumer Confidence increased 9.3 Index points from the first half of 2010 to the first half of 2011.[1] However, with a summer characterized by a volatile stock market, political unrest, rising consumer prices, and drought conditions, the Index of Consumer Confidence dropped 14.7 points in August, while the Index of Consumer Expectations dropped 23 points. It's difficult to know if these declines were based primarily on actual economic conditions or were the result of discouraged consumers feeling overwhelmed by negative news and economic uncertainty.

From 2005 to 2009 per capita personal income grew 14.6 percent in Wichita, with 2006 being an outstanding year of 10.6 percent PCPI growth, easily exceeding the inflation rate of 3.2 percent. Two other years, 2005 and 2008, per capita personal income again increased at a higher rate than inflation. However, that did not happen in 2007 and 2009. In fact PCPI decreased 3.3 percent in 2009. Despite the decline, that was the only year from 2005 through 2009 when Wichita's PCPI exceeded the U.S. level, although only slightly.

Table 2. Per Capita Personal Income, Wichita and U.S.

Year	U.S. PCPI	U.S. Growth Rate	Wichita PCPI	Wichita Growth Rate	Wichita PCPI Percent of U.S. PCPI	U.S. Inflation Rate[2]
2005	$35,398	4.6%	$33,978	4.5%	96.0%	3.4%
2006	$37,679	6.4%	$37,565	10.6%	99.7%	3.2%
2007	$39,441	4.7%	$38,342	2.1%	97.2%	2.8%
2008	$40,876	3.6%	$40,273	5.0%	98.5%	3.8%
2009	$38,800	-5.1%	$38,935	-3.3%	100.3%	-0.4%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, CA1-3 Personal Income Summary and Table 7.1. Selected Per Capita Product and Income Series in Current and Chained Dollars.

The decrease in Wichita's personal income in 2009 took its toll on consumer spending. Nominal taxable retail sales declined 5.5 percent in 2009 and 0.2 percent in 2010. First quarter 2011 data indicates that consumer spending may be rebounding. Nominal taxable retail sales increased 3.5 percent from first quarter 2010 to first quarter 2011. However, events have occurred since first quarter that may discourage consumers – volatility in the stock market, rising food prices, announcements of government austerity programs and rising health care costs. Because of these events and continued economic uncertainty, retail sales are estimated to decrease 1.1 percent in 2011, followed by a 3.8 percent increase in 2012.

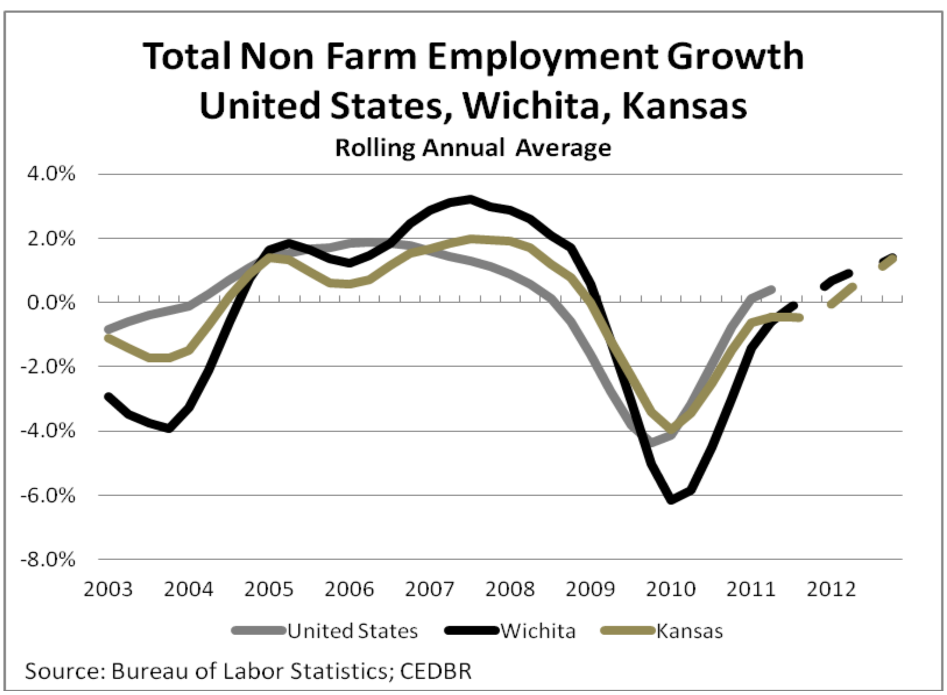
Employment by Industry

Total Employment – All Industries

The Wichita MSA's total nonfarm employment has been characterized by significant fluctuation since the U.S. recession began in December 2007. Wichita's trough occurred in February 2010, with total employment of 280,700, representing a 9.9 percent decline from the peak of June 2008. Employment continued to fluctuate in 2010, reaching another low of 279,900 filled positions in January 2011, a 0.3 percent decline from the February 2010 trough. Following that decline, Wichita's employment grew 2.6 percent through June. Then employment took another hit in July with the loss of 4,600 jobs.

CEDBR estimates an employment increase of 0.2 percent in 2011, for a total gain of 562 jobs. The strength of trade, transportation and utilities and growth in professional and business services should bolster the Wichita economy. Strength and optimism in the aviation industry will also be an asset. Employment growth of 3,800 jobs is expected in 2012, for a 1.3 percent increase.

In 2012, the production sectors are expected to increase 1.4 percent, for a net gain of 945 jobs. The trade, transportation and utility sectors are expected to increase 0.5 percent, for a net gain of 240 jobs. The service sectors are expected to gain 2,600 jobs, or 2.1 percent; while the government sector is expected to remain stable, with only a slight increase in employment.



Production Sectors

Natural Resources, Mining and Construction

Natural resources, mining and construction accounted for 5.1 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the natural resources and mining sector totaled $77.8 million in 2010, with average earnings per job of $53,353.
- Payroll earnings for the construction sector totaled $566.5 million in 2010, with average earnings per job of $42,031.

The total value of Wichita's residential building permits decreased 15.4 percent from first half 2010 to first half 2011. On the other hand, the value of nonresidential building permits increased 12.4 percent during the same time period.

The 2008 Wichita Public Schools $370 million bond issue has provided jobs for construction workers through Wichita's downturn. Workers will continue to be in demand until the bond construction is completed in 2013. Construction of the Kansas Star Casino near Mulvane also will provide job opportunities for this industry.

Overall, natural resources, mining and construction employment is expected to decrease 0.7 percent, or 107 jobs in 2011, but the industry should grow in 2012, with a 2 percent increase, or 295 jobs.

Manufacturing

Manufacturing accounted for 18.4 percent of all jobs in the Wichita MSA in 2010. About 86 percent of manufacturing jobs are in the durable goods sub-sector and dominated by jobs in aviation manufacturing. The other 14 percent of manufacturing jobs are in the non-durable goods sub-sector, dominated by jobs in food processing.

- Payroll earnings for the manufacturing industry totaled approximately $3.2 billion in 2010, with average earnings per job of $61,419.
- Aerospace products and parts manufacturing accounted for 59 percent of manufacturing jobs, with payroll for 2010 totaling approximately $2.2 billion and average earnings per job of $71,303.

Aviation Manufacturing

From October 2008 to June 2011, the aerospace products and parts industry in the Wichita area lost 12,700 jobs, with 700 of those job losses occurring in the first half of this year. Even if this year closes out with another loss in this sector, the contraction should be significantly less than the 4,400 total aviation manufacturing jobs lost in 2010.

- *General Aviation Overview*
  The General Aviation Manufacturers Association data below confirms that the general aviation manufacturing industry continues to contract. Total shipments declined 15.5 percent in the first half of 2011, compared to a decline of 9.8 percent from first half 2009 to first half 2010. Total billings decreased 22.3

percent in the first half of 2011, compared to a slight increase of 0.2 percent from first half 2009 to first half 2010.

Table 3. First Half 2009, 2010 and 2011 Shipments of Airplanes Manufactured Worldwide

	First Half 2009	First Half 2010	First Half 2011	2009-2010 Change	2010-2011 Change
Pistons	434	424	387	-2.1%	-8.7%
Turboprops	191	157	143	-17.8%	-8.9%
Business Jets	414	355	261	-14.3%	-26.5%
Total Shipments	1,039	936	791	-9.8%	-15.5%
Total Billings	$9.4 billion	$9.4 billion	$7.3 billion	0.2%	-22.3%

Source: General Aviation Manufacturers Association, *Second Quarter 2010* and *Second Quarter 2011* General Aviation Airplane Shipment Reports.

The first phase of the Bombardier Aerospace expansion was finished this summer with the addition of 28,500 square feet of space to a Learjet hangar west of Ridge Road. Other buildings will be added to bring total expansion to about 150,000 square feet of space. This expansion will accommodate the final assembly of the Learjet 85 in Wichita and will provide at least 300 new jobs over the life of the program. These plans are backed by $27 million in bond financing from the state. The first Learjet 85 is expected to be delivered in 2013.

Cessna Aircraft Co. announced an upgraded version of its Corvalis TTX high-performance single-engine piston aircraft in March. Deliveries of the plane will begin in 2012.

Hawker Beechcraft CEO Bill Boisture announced in June that the company would be focusing on its military and special mission aircraft, and their support, all of which make up 50 percent of the company’s business.[3] The company also announced an upgrade package for its existing Beechcraft King Air 200GT turboprop aircraft that will increase the plane’s performance and resale value.[4]

According to JETNET LLC, “The first six months of the 2011 pre-owned aircraft market showed early-stage recovery signs.”[5] In July the trend continued as JETNET reported double-digit growth of 11.2 percent in pre-owned business jet sales transactions in the first seven months of 2011. The good news is that the average asking price in June and July improved by $1.2 million and $2.7 million, respectively, compared to June and July 2010. “Two consecutive months of increases in the average asking price for business jets is a clear signal that the bottom has been reached in average asking price and that a turn-around is in the works. However, market recovery in the second half of 2011 depends on stronger GDP growth in the U.S. economy and fuel prices being held in check. It is also very important that new aircraft deliveries pick up in the second half as well.”[6] The table below shows data released by JETNET LLC on Aug. 31, 2011.

Table 4. Pre-owned Business Aircraft Data

Worldwide Trends		
	Business Aircraft	
	Jet	Turboprop
July 2011		
Percent of inventory for sale	13.7%	10.1%
Change in percent of inventory for sale from July 2010	-1.2%	-0.8 %
January to July 2011 vs. 2010		
Percent change in sale transactions	11.2%	3.7%
Change in average days on market	1	-16
Percent change in average asking prices	-9.2%	-3.8%
Source: JETNET LLC, *JETNET Releases July 2011 Pre-owned Market Information*, Press Release, Aug. 31, 2011.		

- *Commercial Airline Overview*
  According to Giovanni Bisignani, Director General and CEO of the International Air Transport Association, "2010 was the best year of the past decade, with a profit of $18 billion, but a margin of only 3.2 percent. So far in 2011, there have been disasters in Japan, unrest in the Middle East and oil prices above $120 per barrel." Consequently, in June IATA lowered its 2011 airline industry forecast, released in March, of $8.6 billion in profit to $4 billion. On expected revenues of $598 billion, that equates to a 0.7 percent margin.[7] Bisignani believes sustainable profitability will continue to be the biggest challenge in the airline industry.[8] If global economic growth weakens and high energy prices continue, it will be difficult to generate sufficient revenues to help offset higher fuel costs.[9]

Table 5. International Air Transport Association 2011 Forecast

	June Forecast
Revenues	$598 billion
Passenger demand growth	4.4%
Cargo demand growth	5.5%
Passenger Yields	3.0%
Cargo Yields	4.0%
Oil	$110/barrel
Fuel cost	$176 billion
Net Profit	$4.0 billion
Net % margin	0.7%
Source: International Air Transport Association, *Airline Industry 2011 Profit Outlook Slashed to $4 Billion*, Press Release No. 32, June 2011.	

Bisignani points out that there are bright spots in the global economy. "…the corporate sector is cash-rich, business confidence is high, and world trade continues to expand at around 9 percent annually. The International Monetary Fund and others have raised global growth projections, which would indicate a recovery in demand growth to the historical 5.6 percent level for the second half of 2011."[10]

- *Orders, Backlogs and Deliveries*
From 2009 to 2010, total Boeing commercial airplane backlogs increased 2 percent to $255.6 billion.[11] At the end of second quarter 2011, Boeing's commercial backlog was $259.9 billion, approximately seven times its 2011 annual revenue projection. Boeing Commercial booked 65 net orders during second quarter and 171 during the first half of 2011.[12] This contrasts with second quarter 2010 net orders of 68 aircraft.[13] For 2011, Boeing forecasts 485 to 495 deliveries of commercial airplanes, revenues of $36 billion to $38 billion, and an operating margin between 8 and 8.5 percent.[14]

In 2010, Airbus won 574 net orders valued at $74 billion. It also delivered a total of 510 aircraft in 2010. At the end of 2010, Airbus had a backlog of 3,552 aircraft.[15] On Dec. 29, 2010, Airbus hit its 10,000-order mark with a Virgin America purchase of 60 A320s, including 30 A320 new engine option jetliners.[16] In the first seven months of 2011, Airbus delivered 298 aircraft. Its total 2011 net orders through July totaled 785, and at the end of July, its overall backlog was at its highest level ever of 4,039 aircraft.[17]

Table 6: Boeing Commercial Orders and Production

	2005	2006	2007	2008	2009	2010
Gross Aircraft orders	1,029	1,050	1,423	669	263	625
Percent Change	*271%*	*2%*	*36%*	*-53%*	*-61%*	*138%*
Aircraft deliveries	290	398	441	375	481	462
Percent Change	*2%*	*37%*	*11%*	*-15%*	*28%*	*-4%*
Source: The Boeing Company, *Orders and Deliveries*, http://active.boeing.com/commercial/orders/index.cfm?content=timeperiodselection.cfm&pageid=m15523.						

Table 7: Airbus Orders and Production

	2005	2006	2007	2008	2009	2010
Gross Aircraft orders	1,111	824	1,458	900	310	644
Percent Change	*200%*	*-26%*	*77%*	*-38%*	*-66%*	*108%*
Aircraft deliveries	378	434	453	483	498	510
Percent Change	*18%*	*15%*	*4%*	*7%*	*3%*	*2%*
Source: Airbus, *Airbus Summary Historical Orders Deliveries, 1989-2010*, Airbus_Summary_Results_1989-2010_Apr11.xls.						

In the first half of 2011, Hawker Beechcraft delivered 89 general aviation and business aircraft, an increase of one delivery from first half 2010. Their backlog was valued at $1.4 billion on June 30, 2011, compared to $1.5 billion on March 31, 2011. New orders worth $487 million exceeded cancellations of $80 million at the end of second quarter. This was the ninth consecutive quarter in which new orders exceeded cancellations. On June 30, Hawker reported a second-quarter operating loss of $19.6 million, compared to an operating loss of $20.7 million second quarter 2010. CEO Bill Boisture stated, "Ongoing market concerns in Europe and around the globe continue to dampen confidence of buyers worldwide, which is evidenced by the continued softness in our primary segments, especially the light and mid jet market." [18]

Second quarter, Cessna delivered 38 new Citation business jets, compared to 43 deliveries in second quarter 2010. Revenues increased $17 million and profit increased $2 million from first to second quarter. Cessna's backlog at the end of second quarter was $2.5 billion, down $113 million from the end of first quarter.[19]

- *Aircraft Suppliers*
  Spirit AeroSystems is the world's largest independent supplier of commercial airplane assemblies and components. According to President and Chief Executive Officer Jeff Turner, "We are successfully transitioning to higher production rates across our core businesses driven by a strong market for large commercial airplanes. During the second quarter, we delivered increased volumes to Boeing Commercial Airplanes, successfully completed our go-forward plan on the 787 program, and recently rolled out our first CSeries test pylon to Bombardier." Spirit reported second quarter 2011 revenues of approximately $1.466 billion, operating income of $64 million, cash and cash equivalents of $154 million and a total backlog of approximately $29 billion.[20]

  Some local aircraft suppliers have announced expansion plans. Crate Tech Inc. is expanding in order to build metal containers for aerospace companies, and Global Aviation Technologies plans to build a new facility and hire at least five new employees by the end of the year, as well as expand its production to include instrument and avionics manufacturing.

- *Union Activity*
  On Aug. 6, International Association of Machinists & Aerospace Workers Local Lodge 733 members accepted Hawker Beechcraft's offer of a five-year contract.

  On July 28, the Society of Professional Engineering Employees in Aerospace union members rejected Spirit AeroSystems 9½ year contract offer. Negotiations are continuing.

Other Manufacturing

In May, Cargill announced a $2.6 million expansion at its Wichita oils production facility to produce a renewable electrical insulation fluid from soybean oil.

Manufacturing Forecast

Durable goods manufacturing employment is expected to decline 0.2 percent in 2011, for a net loss of 100 jobs. In 2012, employment will rebound with a 1.1 percent increase, for a gain of 515 jobs.

Non-durable goods employment is expected to increase in 2011, with a gain of nearly 180 jobs for the year. In 2012, employment is forecasted to increase an additional 1.8 percent, or 135 jobs.

Overall, in 2012 manufacturing employment is projected to increase 1.2 percent, for a gain of 650 jobs.

Trade, Transportation and Utility Sectors

Wholesale Trade

Wholesale trade accounted for 3.8 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the wholesale trade industry totaled more than $586.7 million in 2010, with average earnings per job of $53,993.

Wholesale trade is expected to remain stable through 2011. Employment is expected to decrease 0.5 percent, for a loss of 50 jobs in 2012.

Retail Trade

Retail trade accounted for 10.7 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the retail trade industry totaled $737.6 million in 2010, with average earnings per job of $24,232.

After three years of job loss in retail trade, the sector is on track to gain 365 jobs this year and another 100 in 2012.

In 2010, nominal taxable retail sales decreased 0.2 percent. Until employment, personal income and local consumer confidence improve, retail sales will remain inconsistent. Nominal taxable retail sales are expected to decrease 1.1 percent in 2011, but increase 3.8 percent in 2012. After adjusting for inflation, the decline in 2011 will be 3.1 percent, and the 2012 increase will be 1.3 percent.

Transportation, Warehousing and Utilities

The transportation, warehousing, and utilities industry accounted for 2.8 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the utilities sector totaled $52.4 million in 2010, with average earnings per job of $69,358.
- Payroll earnings for the transportation and warehousing sector totaled $234.7 million in 2010, with average earnings per job of $36,209.

Overland Charter, a charter bus and tour company headquartered on North Hillside, will build a new, larger facility that will house the bus company, as well as Custom Lawn Services Inc., both owned by Kelly Fankhauser.

Employment in the transportation, warehousing and utilities sector is expected to end the year with a gain of about 120 jobs. However, it is forecasted to increase 190 jobs in 2012, a 2.3 percent increase.

Service Sectors

Information

The information industry accounted for 1.7 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the industry totaled $208.9 million in 2010, with average earnings per job of $43,951.

The information sector declined 32.9 percent in Wichita in 2010 from its most current peak in 2002. The downward trend is expected to hold. Employment in the information sector is expected to decrease another 5.8 percent in 2011 and an additional 5 percent in 2012, for a two-year combined loss of nearly 500 jobs. The national trend has also been downward, with the information sector losing 919,000 jobs, or 25.3 percent from 2000 through 2010. In the first eight months of 2011, the sector lost another 68,000 jobs, or an additional 2.5 percent.

Financial Services

The financial activities industry accounted for 3.8 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the finance and insurance sector totaled $350.5 million in 2010, with average earnings per job of $45,974.
- Payroll earnings for the real estate and rental and leasing sector totaled $100.7 million in 2010, with average earnings per job of $30,568.

Perhaps the biggest challenge for financial institutions has been and continues to be the time consuming efforts needed to understand and comply with new federal regulations. This is true for institutions across the country. Still, in terms of other challenges, Wichita has fared better than the nation as a whole. For example, there has been a smaller percentage of foreclosures in the Wichita area compared to the nation, and the number of foreclosures in Sedgwick County decreased from first quarter 2010 to first quarter 2011. This decline is partially due to the most vulnerable home owners having already gone through the foreclosure process. As unemployed people go back to work, the foreclosure rate should decline even more.

During the first six months of 2011, 3,493 homes were sold in the Wichita area.[21] This was a 19.6 percent decline from the first six months of 2010. The number of new residential building permits also decreased, by 25 percent, during the same time period.

Financial services employment is expected to decline 3.5 percent or 385 jobs in 2011, followed by another 1.5 percent decline in 2012, for a total two-year loss of more than 500 jobs.

Professional and Business Services

Professional and business services accounted for 10.2 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the professional and technical services sector totaled $456.6 million in 2010, with average earnings per job of $50,541.
- Payroll earnings for the management of companies and enterprises sector totaled $279.1 million in 2010, with average earnings per job of $92,444.
- Payroll earnings for the administrative and waste services sector totaled $620.7 million in 2010, with average earnings per job of $36,805.

In the Wichita area, there are nearly 2,700 firms in this sector, most of which have fewer than 10 employees. The professional and business services sector expects increases in employment for 2011 of 1,638 jobs, or 5.6 percent. An additional gain of 1,855 jobs is expected in 2012, for an increase of 6.1 percent.

Education and Health Care Services

Education and health care services accounted for 15.3 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the education services sector totaled $136.9 million in 2010, with average earnings per job of $32,459.
- Payroll earnings for the health care and social assistance sector totaled $1.5 billion in 2010, with average earnings per job of $40,062.

Education and health care services growth began to slow in 2009. Then in 2010 the sector experienced a 1.1 percent decrease in employment. The employment estimate for 2011 is a decrease of 0.7 percent, or 302 jobs. From 2011 to 2012, CEDBR expects a gain of 390 jobs, or 0.9 percent. This sector's growth can be attributed, to some degree, to continued population growth in the Wichita MSA. From 2000 to 2010, population grew 14.3 percent. From 2010 to 2015, the Wichita MSA population is expected to increase 4.5 percent.

Employment in the health care and social services sub-sector totaled 37,300 in 2010, with 27 percent of the jobs in hospitals and 73 percent of jobs in other health care and social assistance. As the delivery of health care services in recent years has shifted from inpatient to outpatient, the hospital sub-sector's share of employment has declined from 40 percent in 1995.

Several announcements of expansion in the health care field have occurred this year. Legend Senior Living broke ground in May for a new free-standing assisted living and memory care facility in west Wichita. Physicians Development Group started a new $15.5 million project, which will add 56 assisted living and 32 memory care units to its existing senior living location in west Wichita. Physicians Greg Lakin and William Simon and developers Larry and Gerry Cook have built a 15,000-square-foot medical office building near 21st Street North and Ridge Road. The new $1.7 million building will be called New Ridge Health Plaza. The Good Samaritan Clinic, a facility that provides medical services to those without health insurance, will be expanded to double its size by its operator, GraceMed Health. The clinic, located on East 13th Street, is owned by World Impact Inc.

Another health care trend in the Wichita area has been consolidation of health care providers. In late 2010, Via Christi Health announced that it had purchased the Wichita Clinic PA, and the parent company of Wesley Medical Center announced its intentions to purchase the Galichia Heart Hospital.

According to the Kansas Hospital Association, "Hospitals in Kansas and across the country continued to experience some areas of workforce shortages in 2009, but actual vacancies and the vacancy rates for most professions reported decreased from 2008 to 2009. Unfortunately, the employee turnover rate and voluntary turnover rate has increased in all professions, except registered nurses, from 2008 to 2009."[22] In addition, the number of aging baby boomers will certainly increase the demand for care.[23] Following a 2008 increase of 21.8 percent in the number of graduates in Kansas nursing programs, there was only an increase of 2.5 percent in 2009.

Education services accounted for the balance of jobs in the education and health care services sector, with approximately 6,100 jobs in 2010, or 14.1 percent of the sector's total employment. A new program, advanced coating and painting, was added to the curriculum at the National Center for Aviation Training this year. Goodwill Industries of Kansas and the Wichita Area Technical College have launched a new education program, the Learning Hub, to provide adult basic education and GED preparation for people 16 years and older.

Leisure and Hospitality Services

Leisure and hospitality accounted for 9.6 percent of all jobs in the Wichita MSA during 2010.

- Payroll earnings for the leisure and hospitality service sector totaled $370.3 million in 2010, with average earnings per job of $13,629.

The leisure and hospitality sector is expected to lose 718 jobs this year, for a decline of 2.6 percent. The industry sector is expected to gain back 565 of those jobs in 2012, for a 2.1 percent increase.

There have been some notable expansions in the leisure and hospitality sector. A new 601-seat IMAX theater opened at the 21st Street Warren Theatre complex on Dec. 17, 2010. Owner Bill Warren stated that it is among the top four performing IMAX theaters in the country.[24] Also, the first phase of construction has begun on the Kansas Star Casino, which is being built near the Mulvane exit of the Kansas turnpike. This phase is expected to open in 2012.

The economic indicators for the travel and tourism industry are reflecting strength in the local economy. Outbound passengers at Wichita's Mid-Continent Airport, the hotel occupancy rate and transient guest taxes have all increased over the past year.

- The number of outbound passengers at Wichita's Mid-Continent Airport for the 12 months ending June 2011 was up 2.3 percent compared to the 12 months ending June 2010.
- The average hotel occupancy rate for the 12 months ending June 2011 increased 3.8 percentage points compared to the previous 12 months.
- Collections of the city of Wichita's transient guest taxes (room tax paid by hotel/motel patrons) were up 3.7 percent for the 12 months ending June 2011 compared to the previous 12 months.

Other Services

Other services accounted for 3.8 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for the industry totaled $179.1 million in 2010, with average earnings per job of $27,167.

Employment in other services, which includes employment in maintenance and repair services, personal services, and religious and civic (nongovernmental) services, should remain relatively stable through 2011, gaining less than 50 jobs. A percentage increase of 1.6 percent, or 170 jobs, is forecasted for 2012.

Government

Government accounted for 14.7 percent of all jobs in the Wichita MSA in 2010.

- Payroll earnings for federal government employees totaled $328.2 million in 2010, with average earnings per job of $51,791.
- Payroll earnings for state government employees totaled $212.7 million in 2010, with average earnings per job of $50,682.
- Payroll earnings for local government employees totaled $1 billion in 2010, with average earnings per job of $34,114.

The Wichita City Council decided in June to move forward with a new terminal at Mid-Continent Airport, after a nine-month delay caused by the economic downturn.

Aside from agricultural employment, the government sector employment is the most difficult economic variable to predict, since employment decisions often rely on variables other than economic relationships. With this caveat, our estimates of 2011 government employment reflect an increase of 117 jobs, or a 0.3 percent increase over 2010. Employment is expected to remain steady in 2012, with fewer than 20 jobs being added.

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Data Tables

Table 8. Total Wage and Salary Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	292,508	-6,075	-2.0%
2003	280,983	-11,525	-3.9%
2004	283,108	2,125	0.8%
2005	286,975	3,867	1.4%
2006	294,017	7,042	2.5%
2007	302,750	8,733	3.0%
2008	307,883	5,133	1.7%
2009	292,375	-15,508	-5.0%
2010	283,608	-8,767	-3.0%
2011 (e)	284,170	562	0.2%
2012 (f)	287,970	3,800	1.3%

Table 9. Natural Resources, Mining and Construction Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	16,050	-258	-1.6%
2003	15,933	-117	-0.7%
2004	16,067	133	0.8%
2005	15,733	-333	-2.1%
2006	16,067	333	2.1%
2007	16,592	525	3.3%
2008	16,850	258	1.6%
2009	15,158	-1,692	-10.0%
2010	14,517	-642	-4.2%
2011 (e)	14,410	-107	-0.7%
2012 (f)	14,705	295	2.0%

Table 10. Manufacturing Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	65,708	-7,233	-9.9%
2003	58,567	-7,142	-10.9%
2004	58,400	-167	-0.3%
2005	60,708	2,308	4.0%
2006	63,000	2,292	3.8%
2007	65,458	2,458	3.9%
2008	67,292	1,833	2.8%
2009	57,875	-9,417	-14.0%
2010	52,342	-5,533	-9.6%
2011 (e)	52,420	78	0.1%
2012 (f)	53,070	650	1.2%

Table 11. Wholesale Trade Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	11,925	-92	-0.8%
2003	11,317	-608	-5.1%
2004	11,242	-75	-0.7%
2005	10,625	-617	-5.5%
2006	10,858	233	2.2%
2007	11,042	183	1.7%
2008	11,167	125	1.1%
2009	10,908	-258	-2.3%
2010	10,808	-100	-0.9%
2011 (e)	10,800	-8	-0.1%
2012 (f)	10,750	-50	-0.5%

Table 12. Retail Trade Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	30,800	-483	-1.5%
2003	30,392	-408	-1.3%
2004	30,575	183	0.6%
2005	30,550	-25	-0.1%
2006	31,058	508	1.7%
2007	32,350	1,292	4.2%
2008	32,292	-58	-0.2%
2009	31,075	-1,217	-3.8%
2010	30,275	-800	-2.6%
2011 (e)	30,640	365	1.2%
2012 (f)	30,740	100	0.3%

Table 13. Transportation, Warehouse, and Utilities Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	7,317	-275	-3.6%
2003	7,583	267	3.6%
2004	8,008	425	5.6%
2005	8,408	400	5.0%
2006	8,275	-133	-1.6%
2007	8,308	33	0.4%
2008	8,642	333	4.0%
2009	8,300	-342	-4.0%
2010	7,967	-333	-4.0%
2011 (e)	8,090	123	1.5%
2012 (f)	8,280	190	2.3%

Table 14. Information Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	7,042	100	1.4%
2003	6,583	-458	-6.5%
2004	6,250	-333	-5.1%
2005	5,883	-367	-5.9%
2006	5,867	-17	-0.3%
2007	6,375	508	8.7%
2008	5,983	-392	-6.1%
2009	5,200	-783	-13.1%
2010	4,733	-467	-9.0%
2011 (e)	4,460	-273	-5.8%
2012 (f)	4,235	-225	-5.0%

Table 15. Finance Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	12,942	-17	-0.1%
2003	12,608	-333	-2.6%
2004	12,083	-525	-4.2%
2005	11,442	-642	-5.3%
2006	11,283	-158	-1.4%
2007	11,508	225	2.0%
2008	11,525	17	0.1%
2009	11,325	-200	-1.7%
2010	10,900	-425	-3.8%
2011 (e)	10,515	-385	-3.5%
2012 (f)	10,360	-155	-1.5%

Table 16. Professional and Business Services Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	27,292	-367	-1.3%
2003	25,733	-1,558	-5.7%
2004	26,575	842	3.3%
2005	26,908	333	1.3%
2006	28,300	1,392	5.2%
2007	29,967	1,667	5.9%
2008	31,250	1,283	4.3%
2009	28,667	-2,583	-8.3%
2010	28,992	325	1.1%
2011 (e)	30,630	1,638	5.7%
2012 (f)	32,485	1,855	6.1%

Table 17. Education and Health Services Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	38,667	2,133	5.8%
2003	37,717	-950	-2.5%
2004	38,542	825	2.2%
2005	39,683	1,142	3.0%
2006	41,142	1,458	3.7%
2007	42,142	1,000	2.4%
2008	43,075	933	2.2%
2009	43,900	825	1.9%
2010	43,392	-508	-1.2%
2011 (e)	43,090	-302	-0.7%
2012 (f)	43,480	390	0.9%

Table 18. Leisure and Hospitality Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	25,067	-950	-3.7%
2003	24,675	-392	-1.6%
2004	25,342	667	2.7%
2005	26,067	725	2.9%
2006	27,158	1,092	4.2%
2007	27,817	658	2.4%
2008	28,008	192	0.7%
2009	27,692	-317	-1.1%
2010	27,133	-558	-2.0%
2011 (e)	26,415	-718	-2.6%
2012 (f)	26,980	565	2.1%

Table 19. Other Services Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	11,775	1,025	9.5%
2003	11,658	-117	-1.0%
2004	12,042	383	3.3%
2005	11,733	-308	-2.6%
2006	10,967	-767	-6.5%
2007	10,950	-17	-0.2%
2008	10,950	0	0.0%
2009	10,742	-208	-1.9%
2010	10,742	0	0.0%
2011 (e)	10,775	33	0.3%
2012 (f)	10,945	170	1.6%

Table 20. Government Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2002	37,925	342	0.9%
2003	38,217	292	0.8%
2004	37,983	-233	-0.6%
2005	39,233	1,250	3.3%
2006	40,042	808	2.1%
2007	40,242	200	0.5%
2008	40,850	608	1.5%
2009	41,533	683	1.7%
2010	41,808	275	0.7%
2011 (e)	41,925	117	0.3%
2012 (f)	41,940	15	0.0%

About This Forecast

This analysis requires CEDBR to make predictive forecasts, estimates and/or projections (hereinafter collectively referred to as "FORWARD-LOOKING STATEMENTS"). These FORWARD-LOOKING STATEMENTS are based on information and data provided by others before Sept. 9, 2011, and involve risks, uncertainties and assumptions that are difficult to predict. The FORWARD-LOOKING STATEMENTS should not be considered as guarantees or assurances that a certain level of performance will be achieved or that certain events will occur. While CEDBR believes that all FORWARD-LOOKING STATEMENTS it provides are reasonable based on the information and data available at the time of writing, actual outcomes and results are dependent on a variety of factors and may differ materially from what is expressed or forecast. CEDBR does not assume any responsibility for any and all decisions made or actions taken based upon the FORWARD-LOOKING STATEMENTS provided by CEDBR.

[1] Source: The Conference Board, 2011. All Rights Reserved. No claim to orig. U.S. Govt. works pursuant to U.S. Contract No. 52-SABA-5-00128.
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