

Kansas Community Outlook **EVENTS**

McPherson County

Local Partners:



WELCOME

Kansas Community Outlook EVENTS

- 8:00** Registration / Networking / Refreshments
- 8:30 State/Regional Outlook
- 9:15 -- Q & A --
- 9:30 Local Update
- 9:50 -- Q & A --
- 10:00 Closing Remarks / Adjourn

Local Partners:



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AGENDA

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Kansas Community Outlook EVENTS



Jeremy Hill

Director, CEDBR
Wichita State University



Economic Outlook

Jeremy Hill

2018 Forecast Review

- As **fundamentals** improve, businesses have **increased optimism** about the coming year.
- **Most markets** across Kansas are **expected to improve**.
- Employment **growth is expected to return** for Kansas, Wichita, and Topeka.
- Expectations of a **looming recession** have been **pushed off** to 2020 or later.
- **Headwinds include:**
 - Commodities prices, available skilled labor, slow population growth, trade wars and weak wage growth.
- **Tailwinds include:**
 - Growth in US consumption, improvements to aerospace supply chain, and business/consumer optimism.

Concerns that need to be addressed

- **U.S.**

- Is the economy still growing?
- Will trade issues pull us into a recession?

- **Kansas**

- Will our recent economic reacceleration last?
- Is Kansas still lagging behind the nation in real wage growth?

- **Urban**

- When will we run out of skilled labor?
- Are there still underlying issues within manufacturing?

- **Rural**

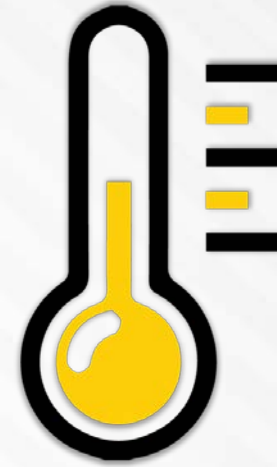
- Can farmers survive a trade war?
- Is quality of life disappearing with retail stores?

Vital Signs of the Economy

Respiratory



Body Temperature

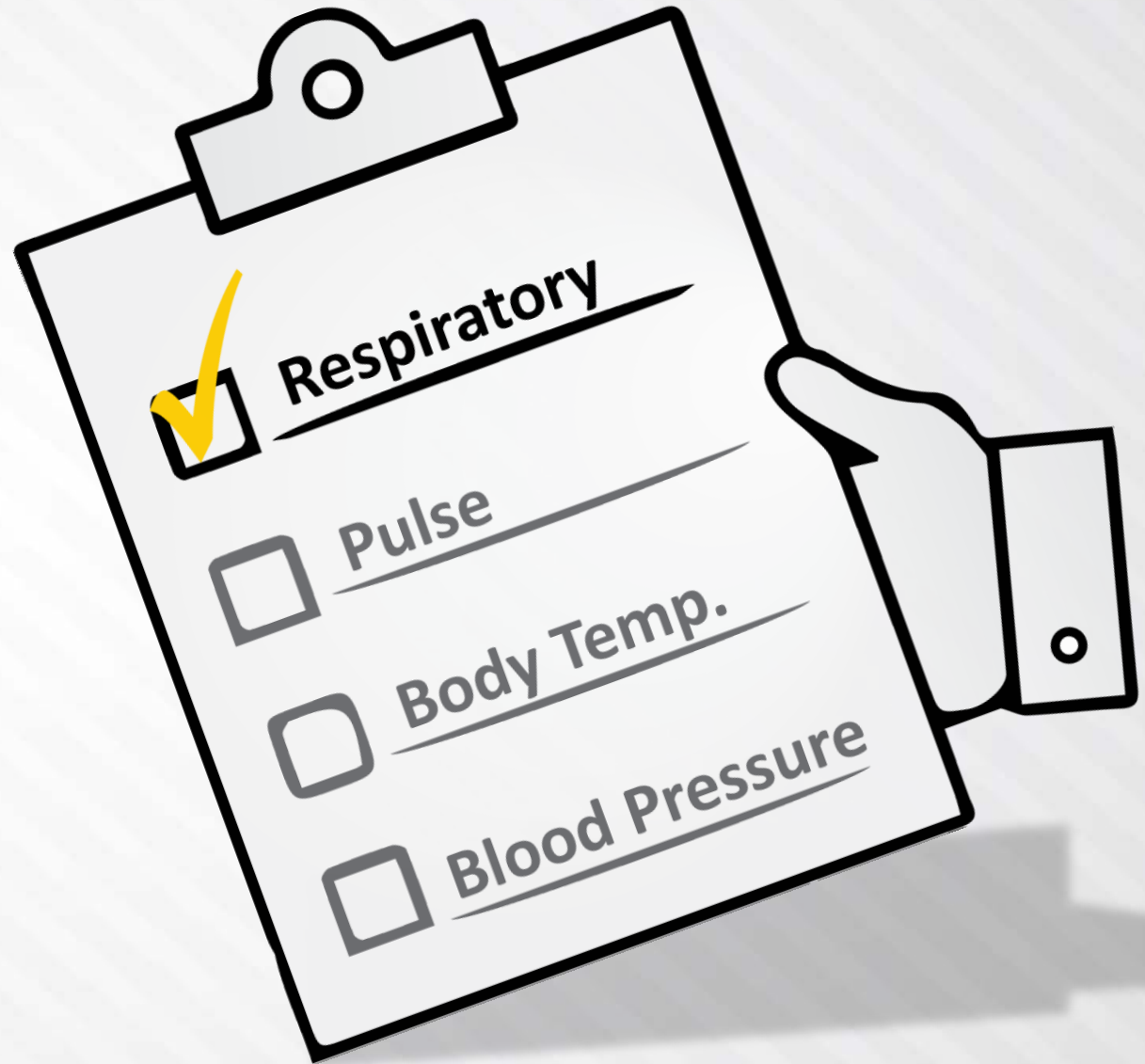


Pulse



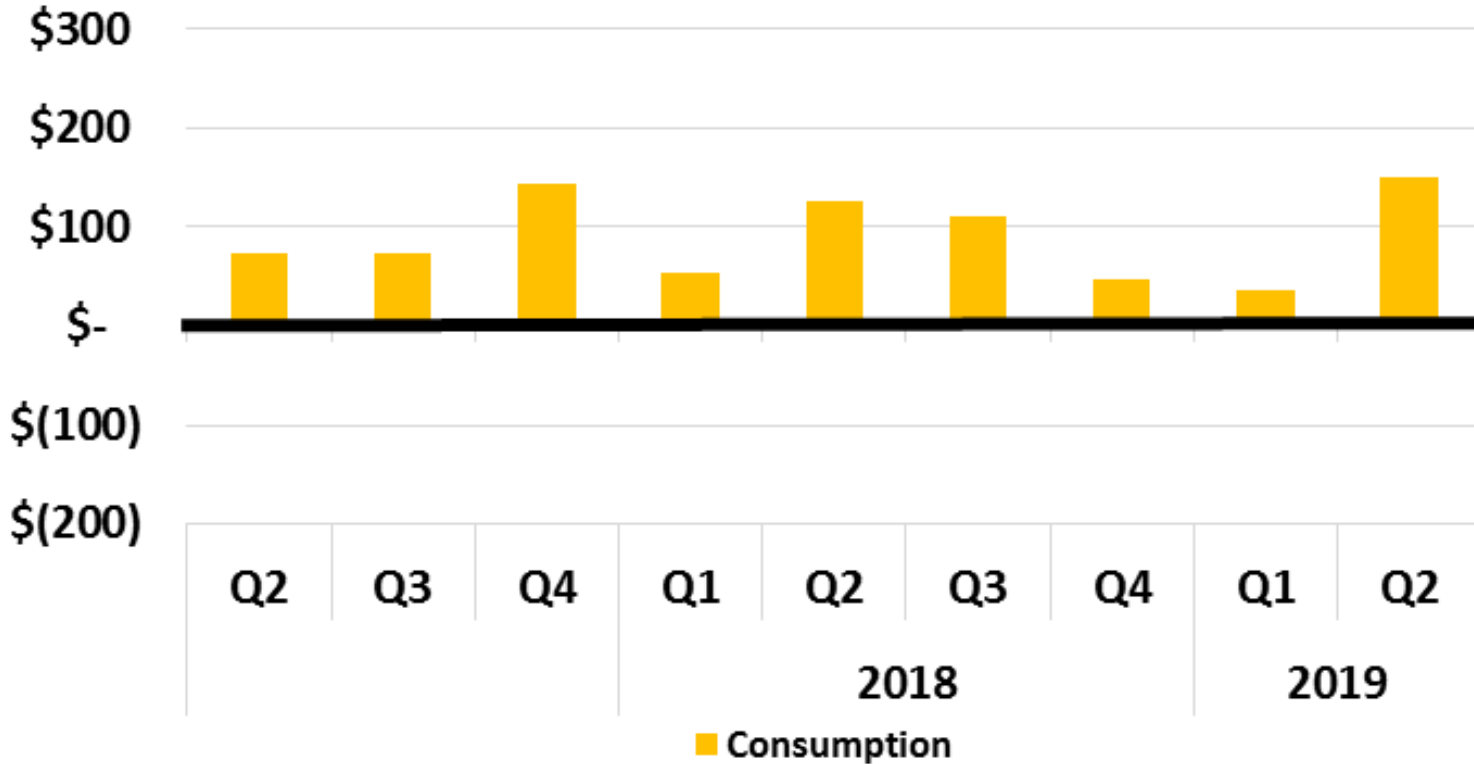
Blood Pressure





Consumers were still active

U.S. Consumption



Source: CEDBR, BEA - inflation adjusted annualized change (billions of 2012\$)

Share of Economy

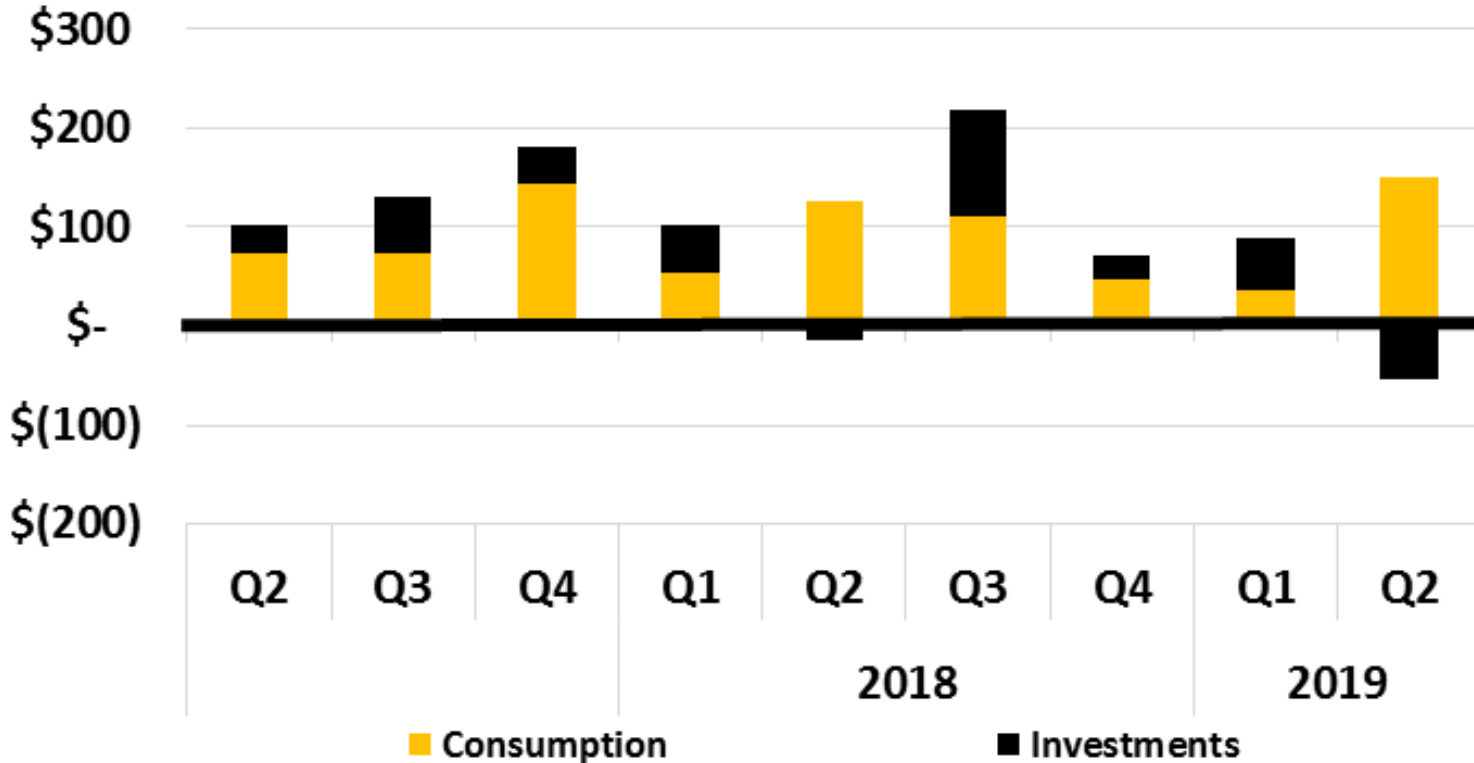


Source: CEDBR, BEA (Size=2019Q1)

- Consumption **grew 2.2%** annually since 2008.
- Consumption **increased 2.7%** in Q2 2019.
- Goods **grew by 3.8%** over the previous year, making it the fastest segment.

Looming concerns rattled investments

U.S. Investments



Source: CEDBR, BEA - inflation adjusted annualized change (billions of 2012\$)

Share of Economy



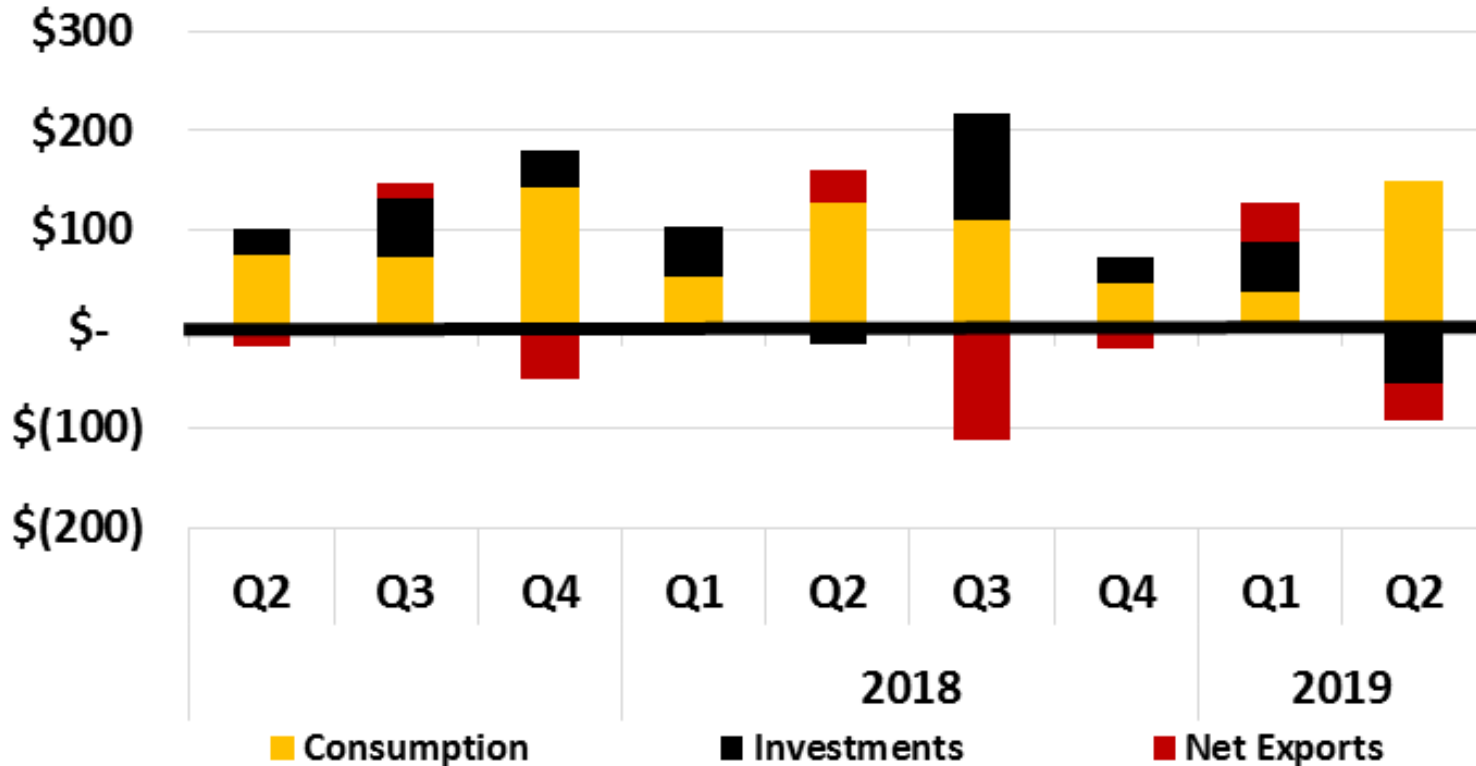
Source: CEDBR, BEA (Size=2019Q1)

Nonresidential Residential Inventories

- Residential investments **declined 0.7%**.
- Businesses appeared **rattled** over trade issues, as investment declined.

Trade weighed on growth

U.S. Net Exports



Source: CEDBR, BEA - inflation adjusted annualized change (billions of 2012\$)

Top Export Markets

Canada 299,768,502,094	Mexico 265,442,787,072
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China 120,148,141,129	Korea, South
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Japan 75,229,207,847	Brazil	Belgium
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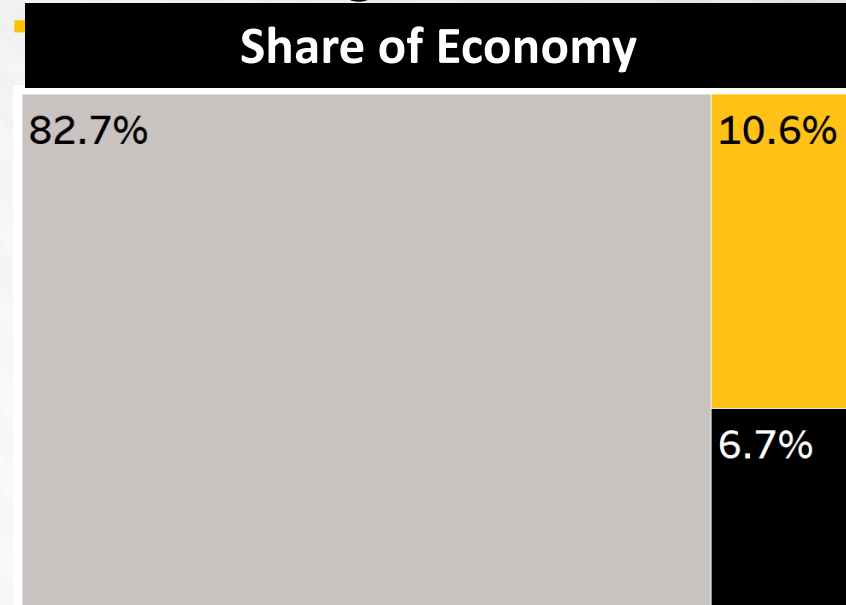
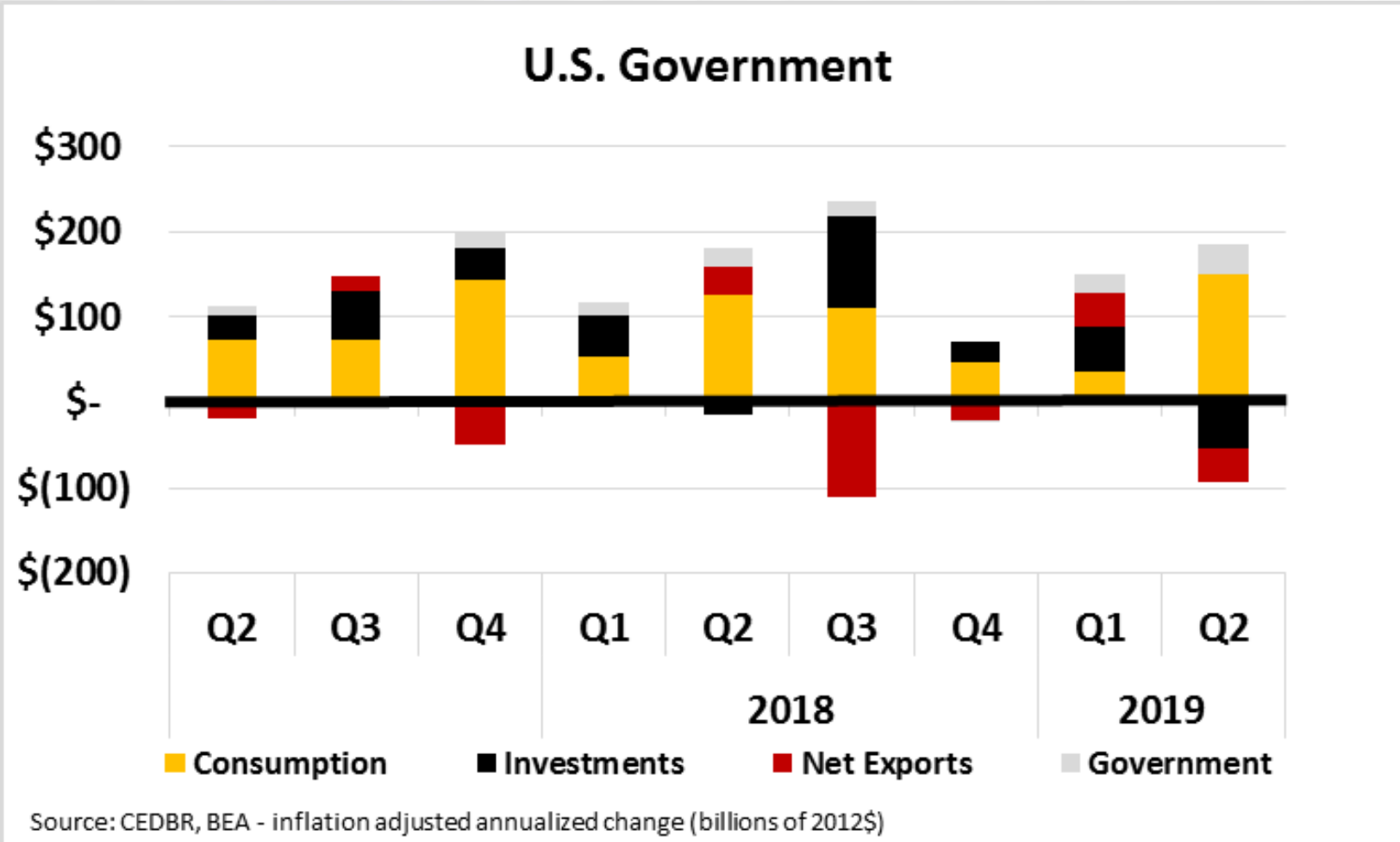
Germany	Hong Kong	Taiwan	Africa
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Declining

Growing

Source: CEDBR, Census - USA Trade (Value =2018, YR/YR July 2019)

Government spending propped up the economy

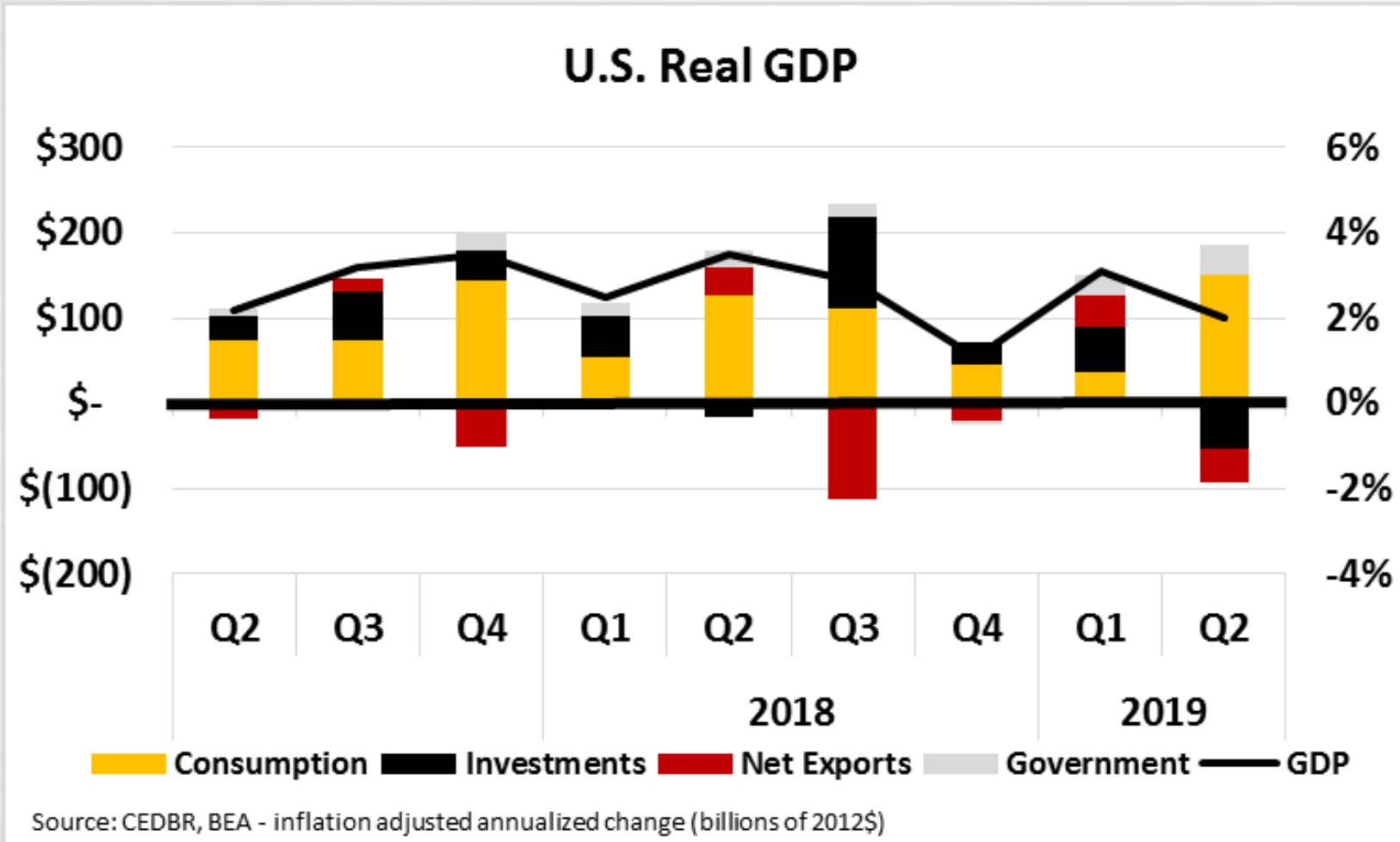


Source: CEDBR, BEA (Size=2019Q1)

Federal **State and Local**

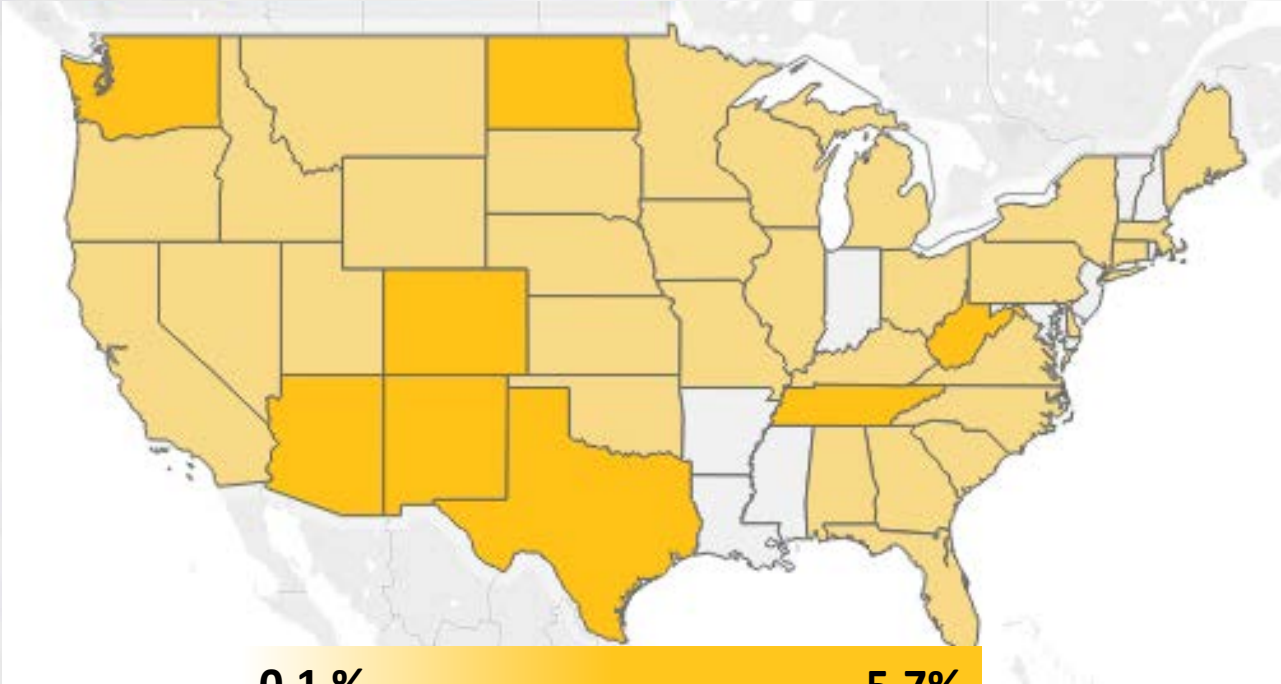
- Nondefense spending **added the most** to the recent growth.
- State and local government spending had **consistent growth** over the last six years.

GDP grew, but weaknesses mount

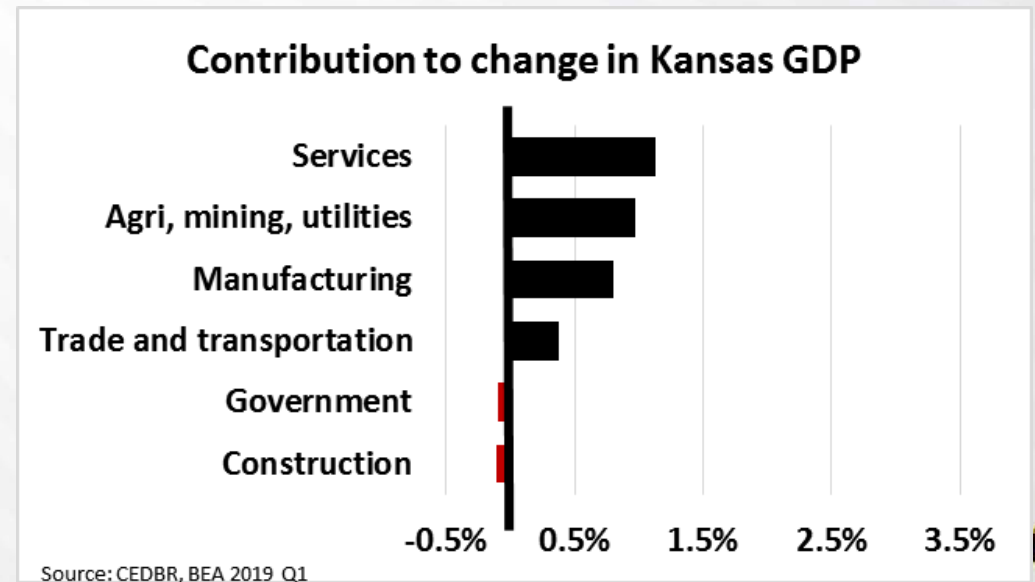
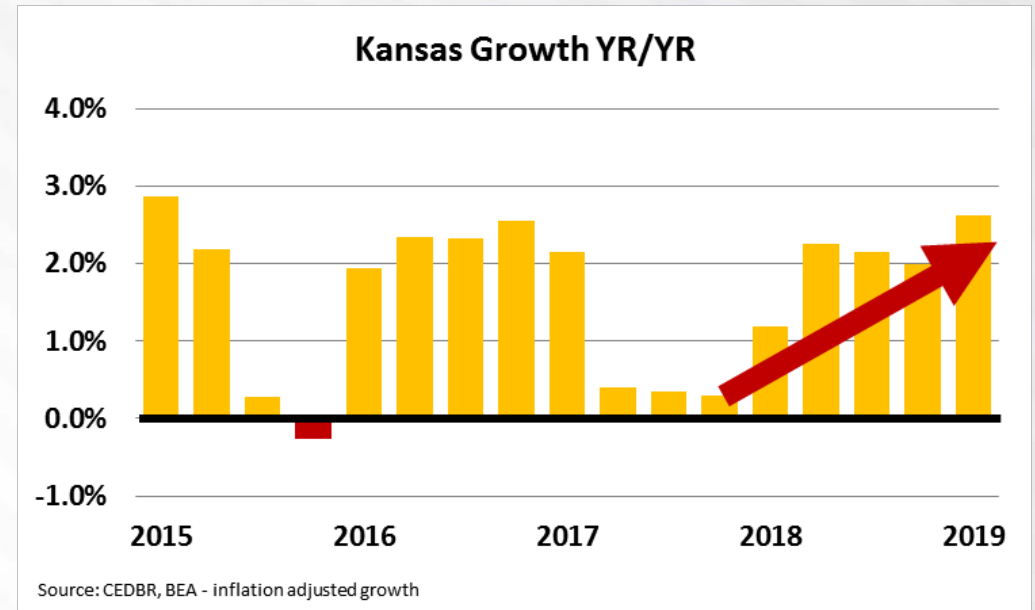


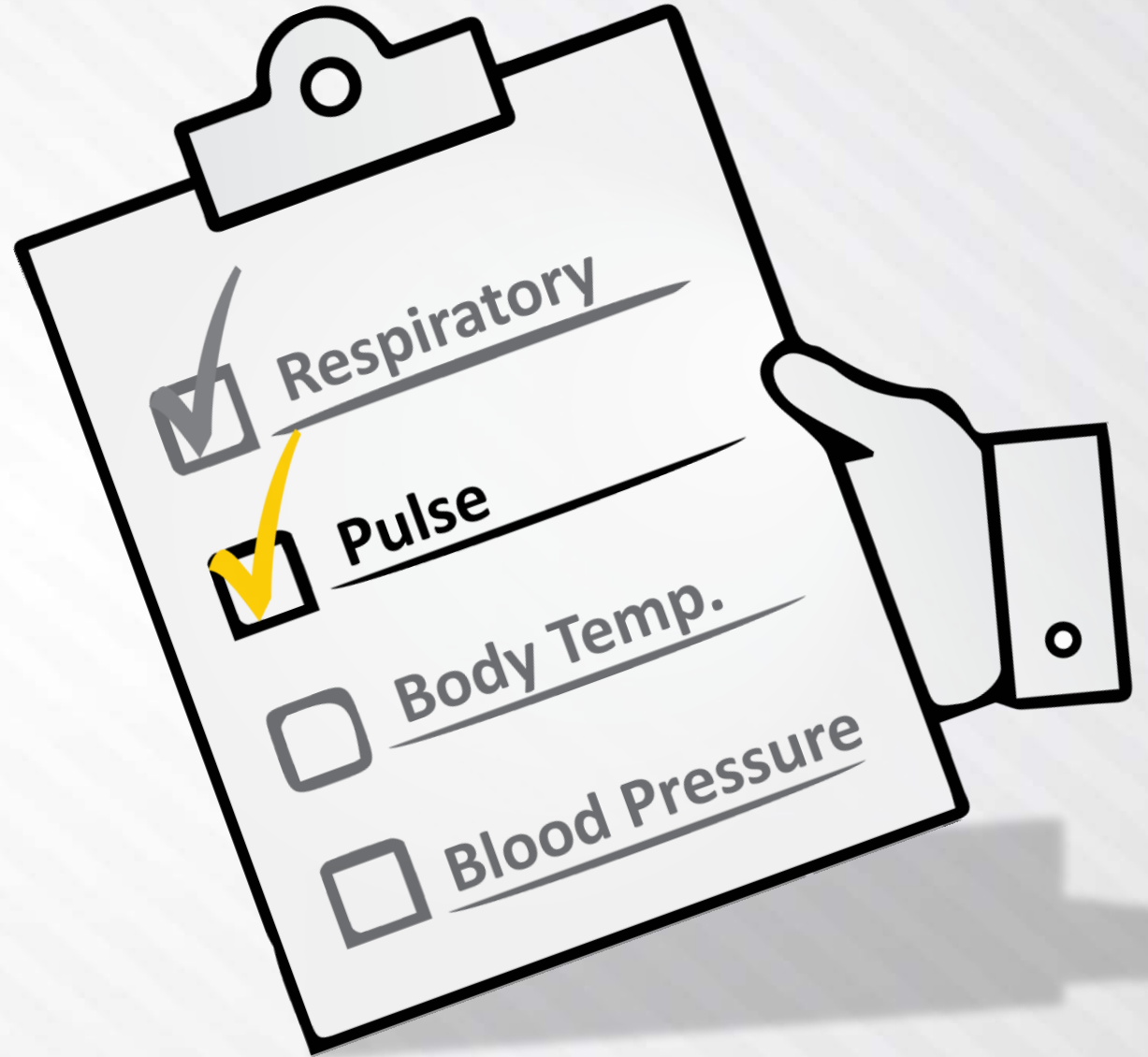
- U.S. economic growth **slowed down** in Q1 2019.
- Investments had the **largest negative impact**, slowing GDP by 1.1 percentage points.
- Exports **slowed GDP** by 0.7 percentage points.
- U.S. consumption **remained uninhibited**.

Kansas accelerated Q1 2019

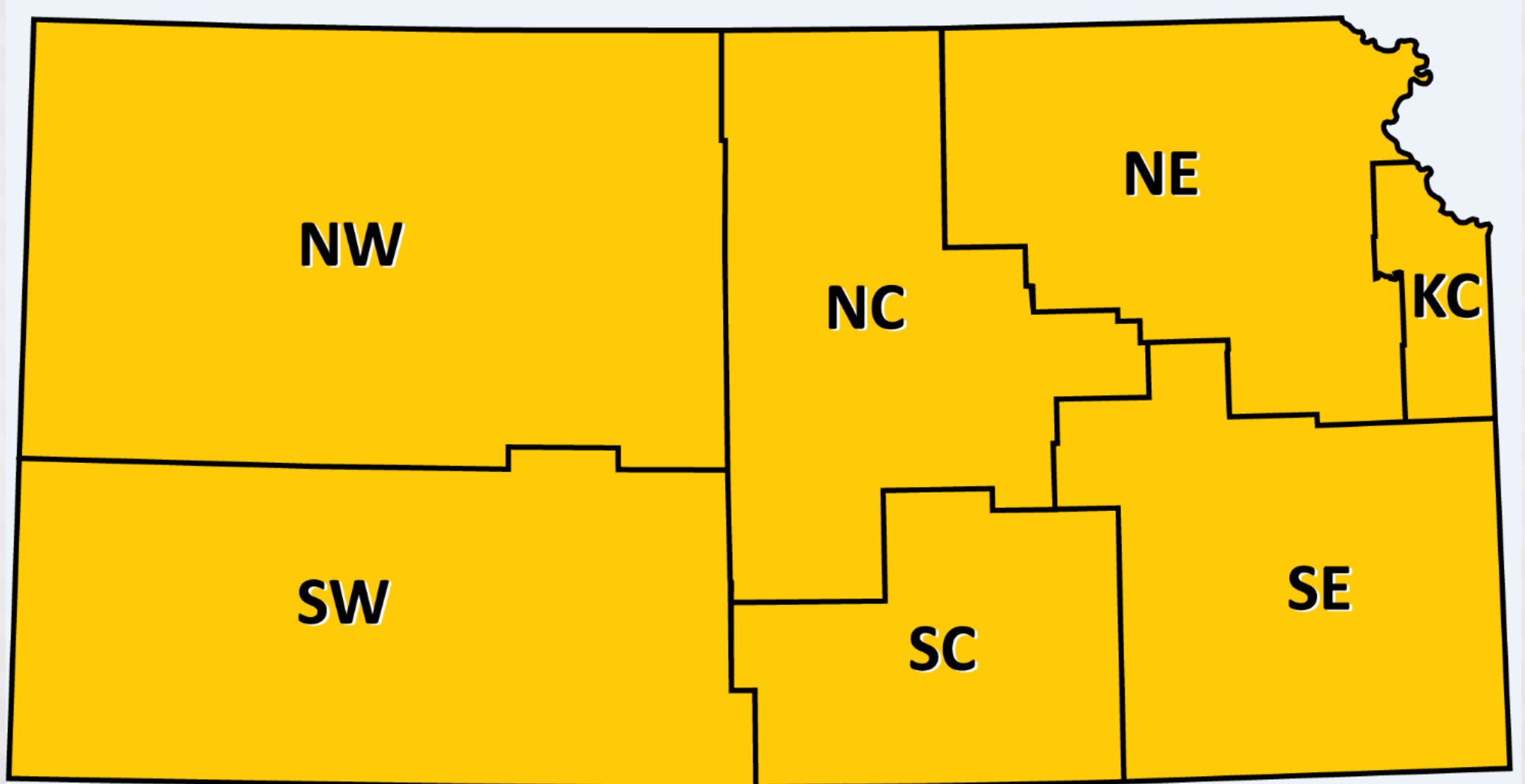


- Kansas GDP grew **2.6%** YR/YR in Q1 2019, which was 0.6 percentage points slower than the U.S.
- **Agriculture** was **up from the previous quarter** only because of government payments.
- **State and local government** spending had **consistent growth** over the last six years.

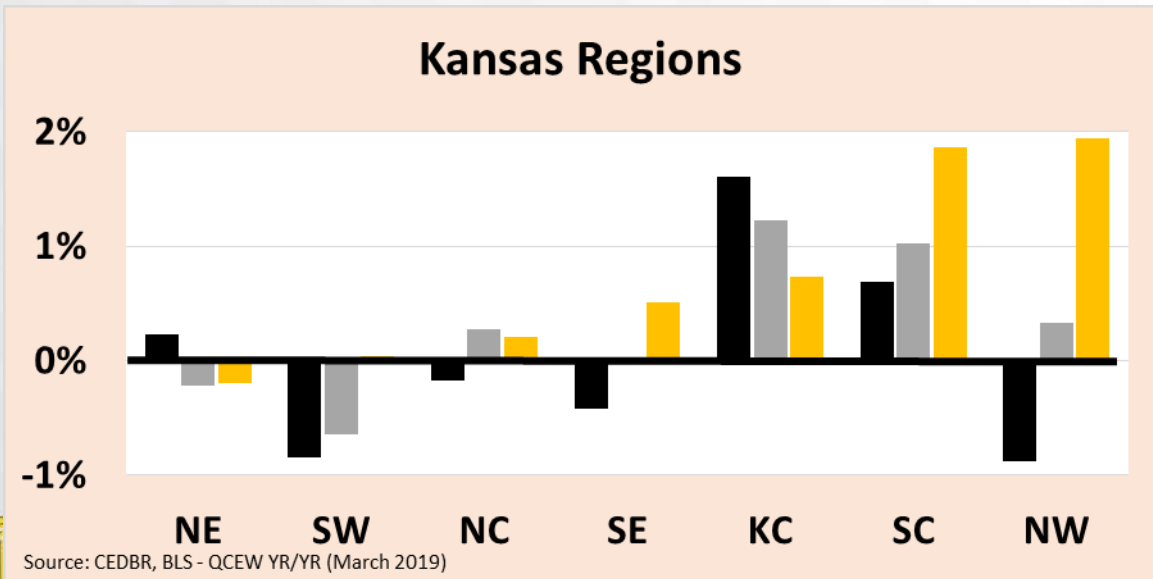
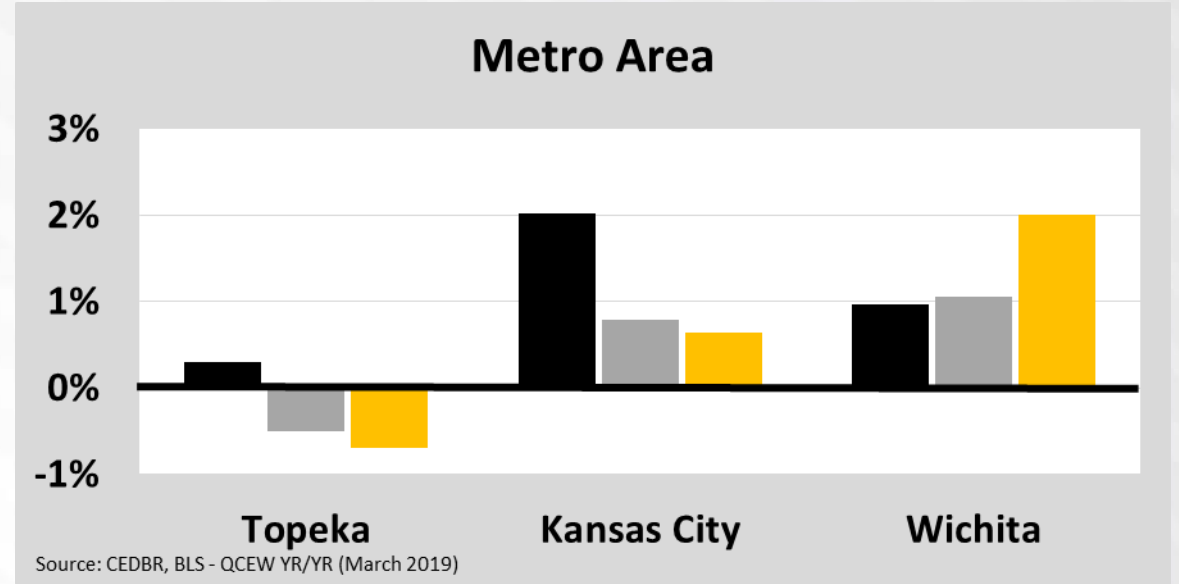
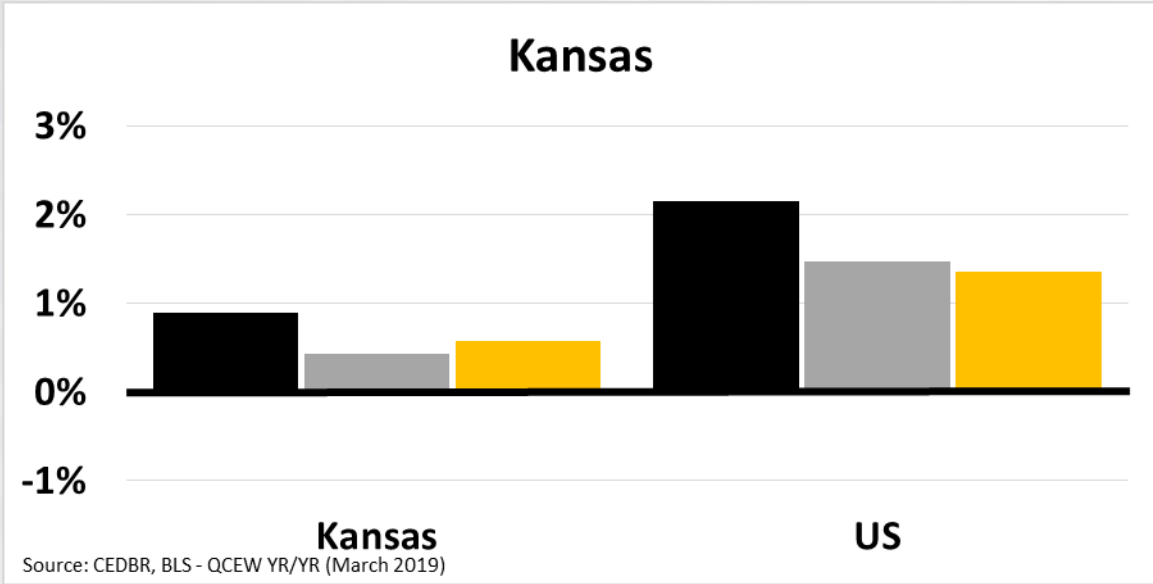




Kansas Regions



Employment Growth

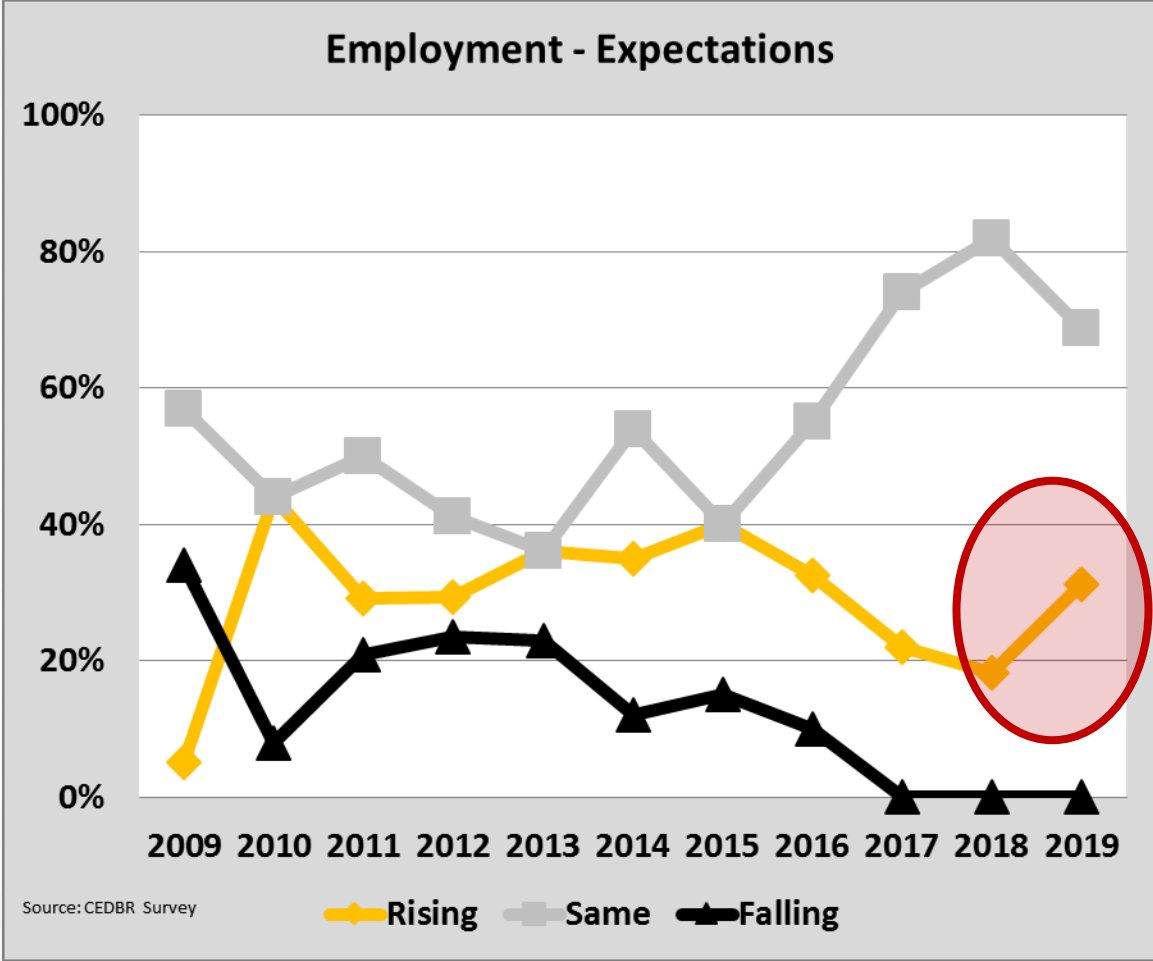
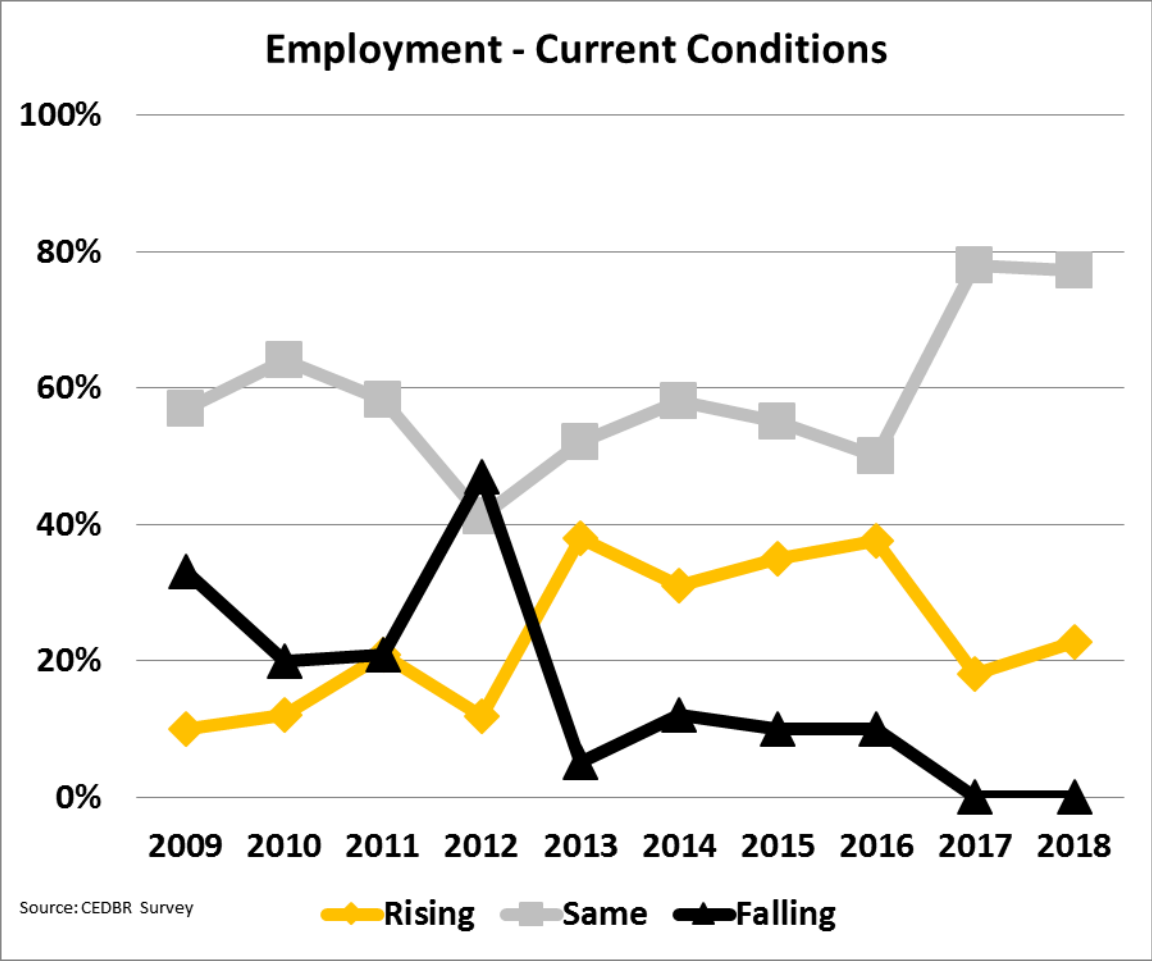


- **Kansas City** continues to be **hampered** by the tight labor market.
- **Wichita** got a **boost from Manufacturing**.
- **NW added over 1,100 jobs**, presumably driven by agriculture payments.

■ 5YR ■ 2YR ■ 1YR

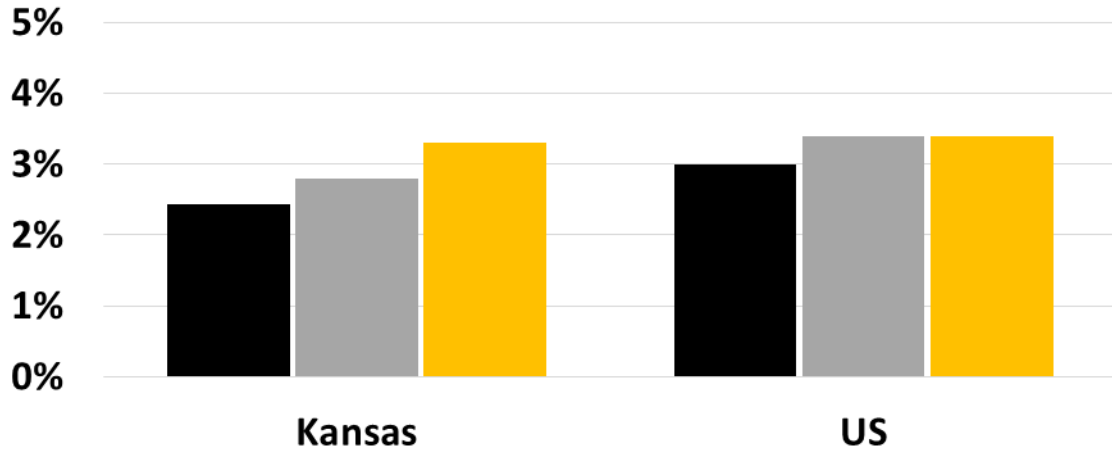


Businesses are positioned to hire in 2020



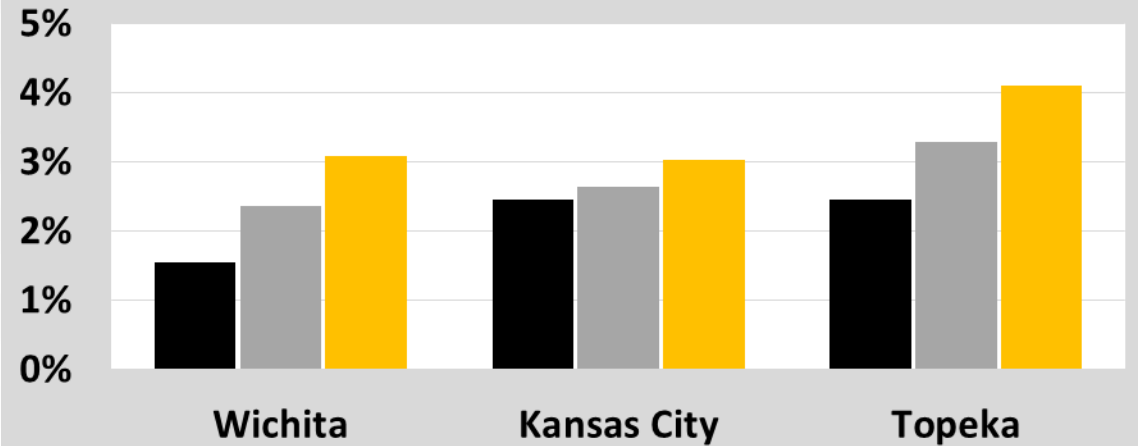
Wage Growth

Kansas



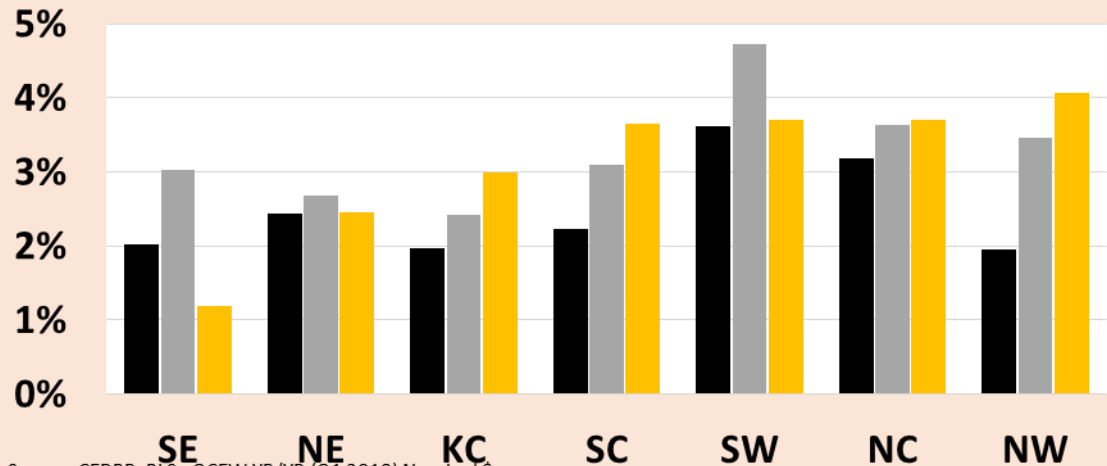
Source: CEDBR, BLS - QCEW YR/YR (Q1 2019) Nominal \$

Metro Areas



Source: CEDBR, BLS - QCEW YR/YR (Q1 2019) Nominal \$

Kansas Regions



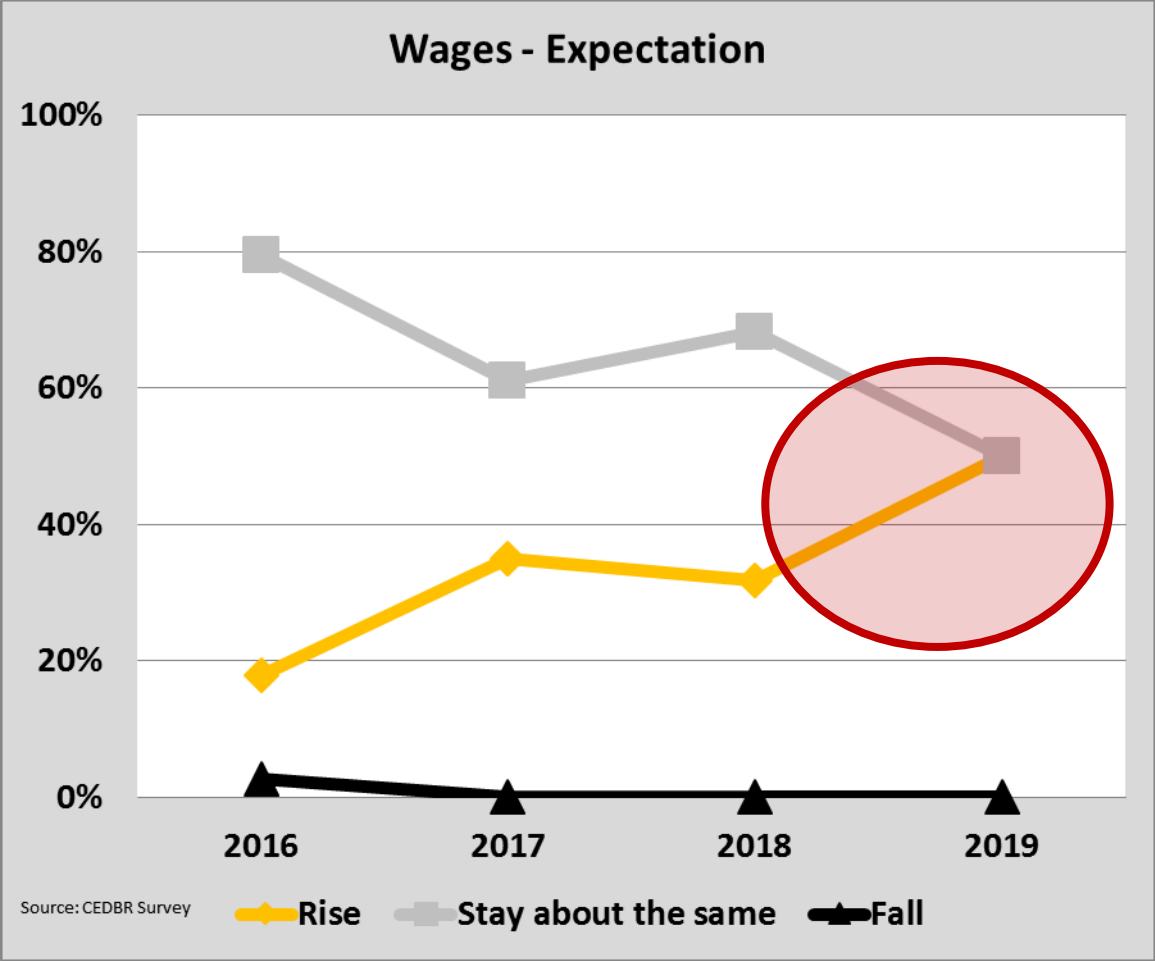
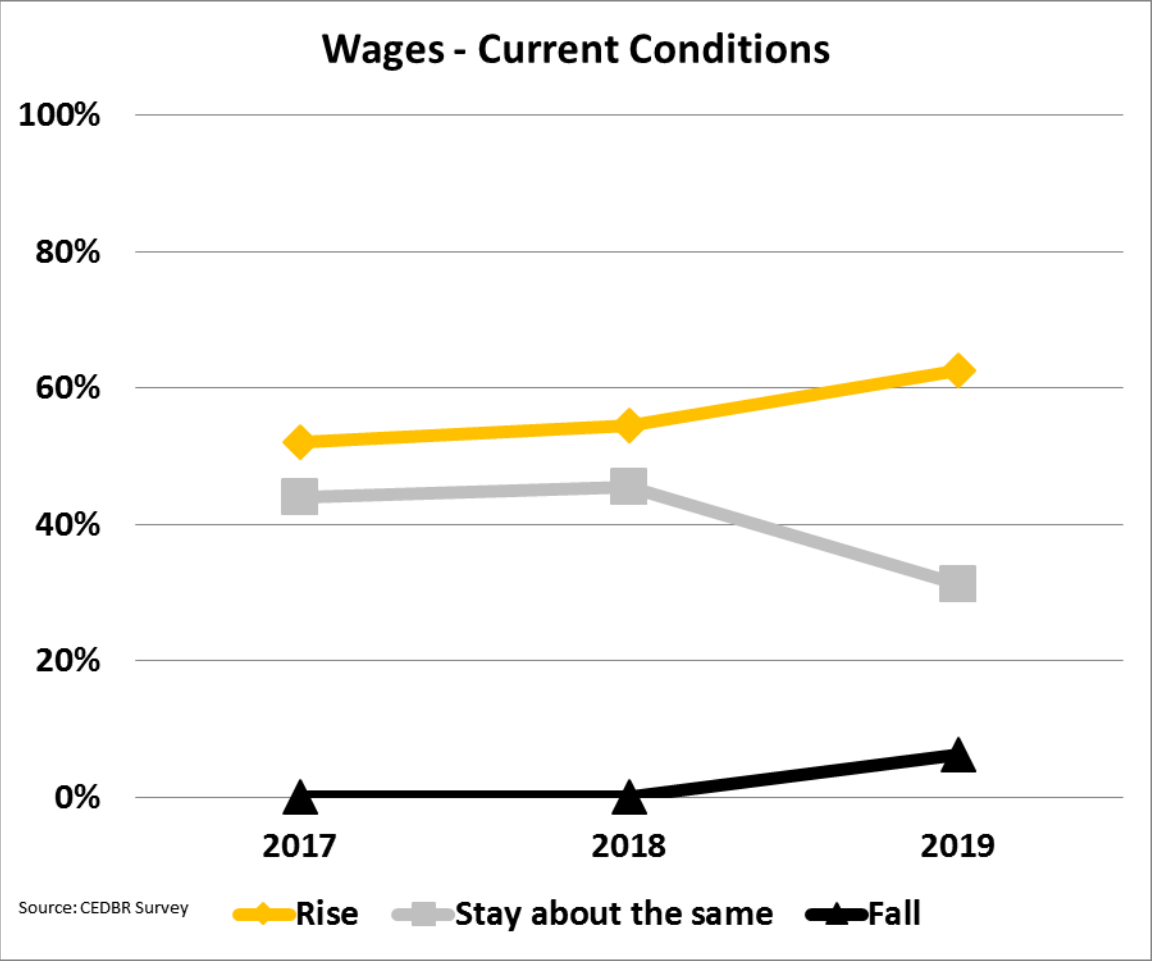
Source: CEDBR, BLS - QCEW YR/YR (Q1 2019) Nominal \$

- **Kansas** had its **fastest growth** in a decade. Annual Wages reached \$46,607 in 2018.
- **Manufacturing** wages **explains most of the growth** in Topeka and Wichita.
- **Western and central KS** had the **strongest growth** in wages compared to the rest of the state.

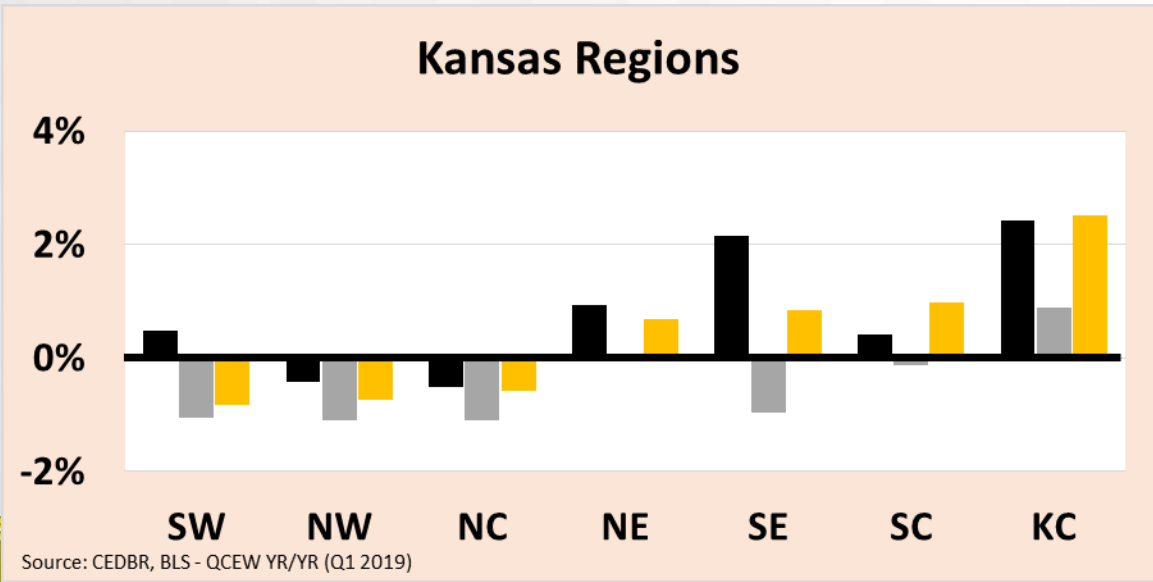
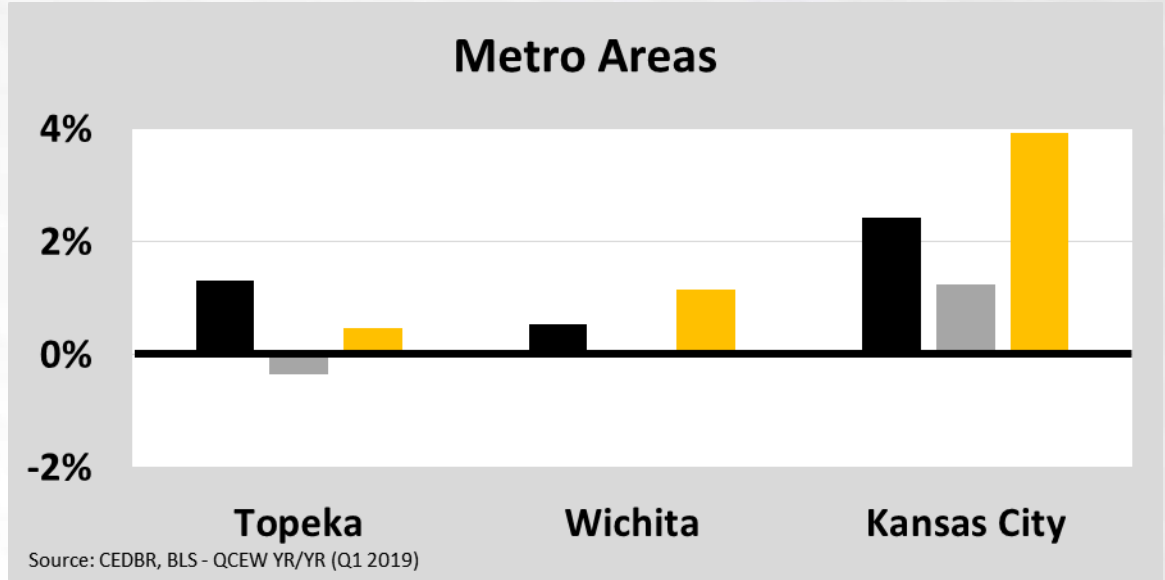
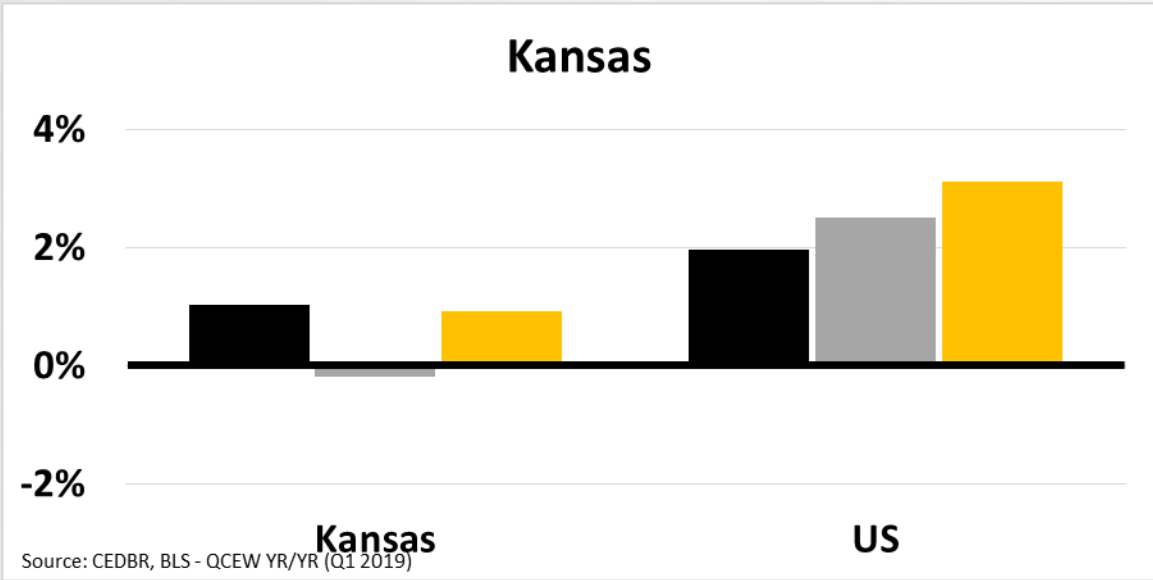
■ 5YR ■ 2YR ■ 1YR



Competition for skilled labor is driving up wages



Establishment Growth

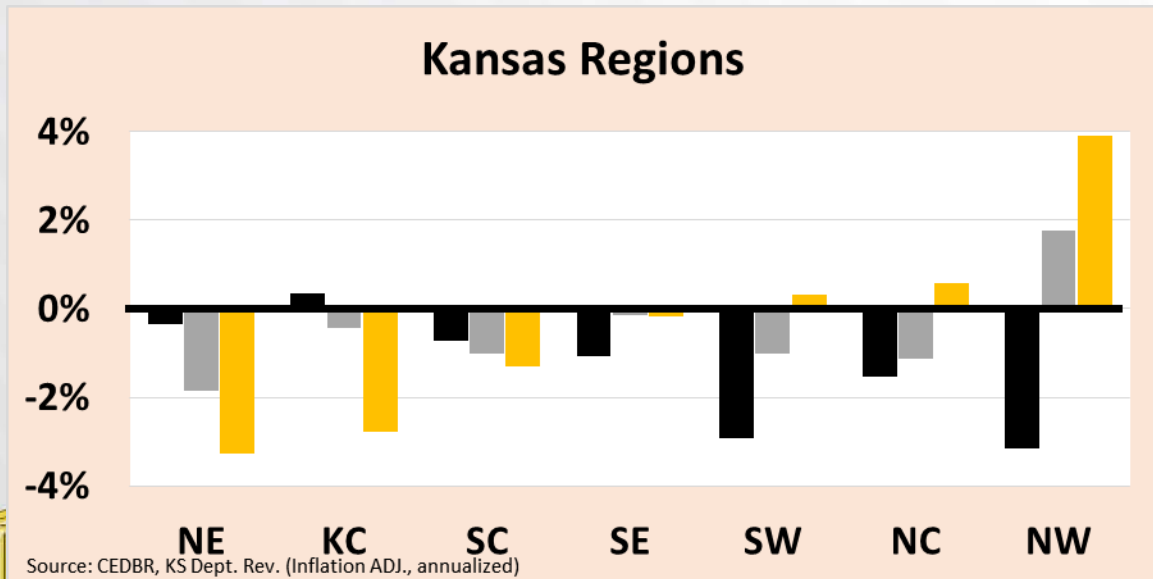
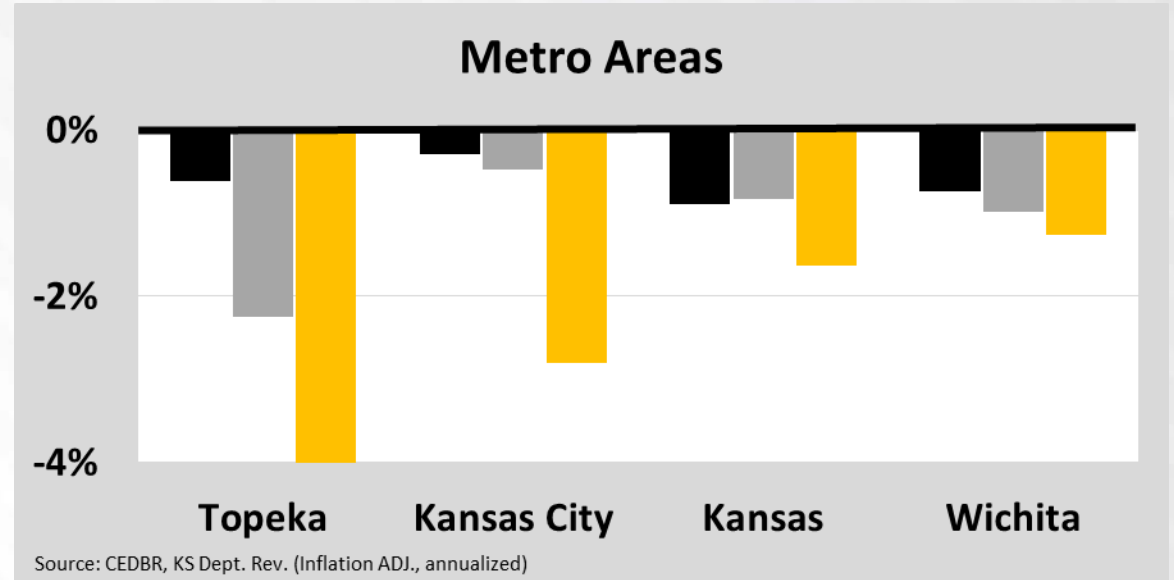
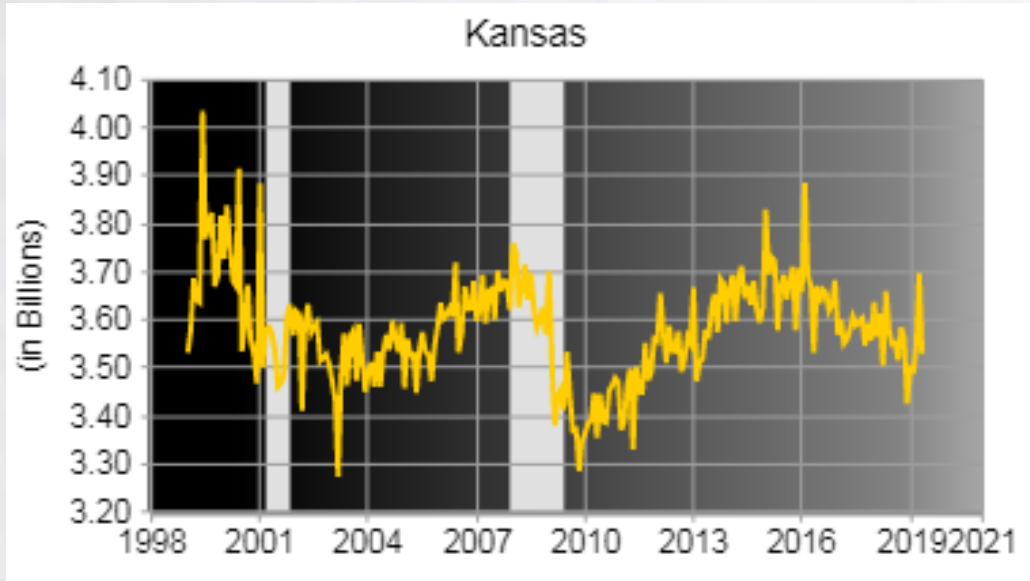


- U.S. had the **fastest growth** in Q1 2019 since the recession.
- Kansas returned to **normal growth** after the recent slump.
- Kansas City **added new establishments** primarily in business and leisure services.

■ 5YR ■ 2YR ■ 1YR



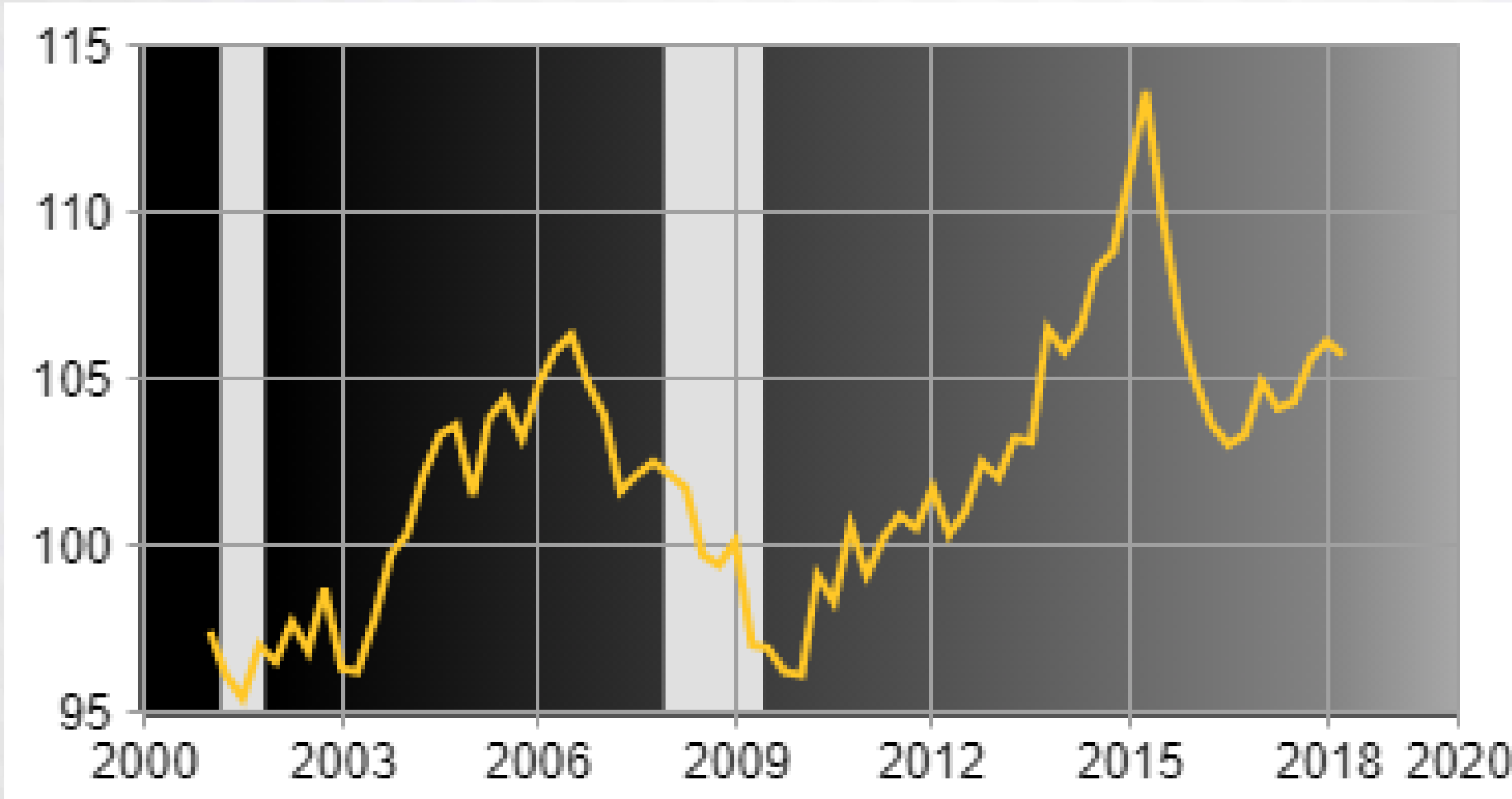
Retail Sales



- Kansas is now in its **fourth year of decline**.
- Kansas City had a **surprising drop** over the last twelve months.
- Wichita and NW KS **fared better** due to recent employment growth.

■ 5YR ■ 2YR ■ 1YR

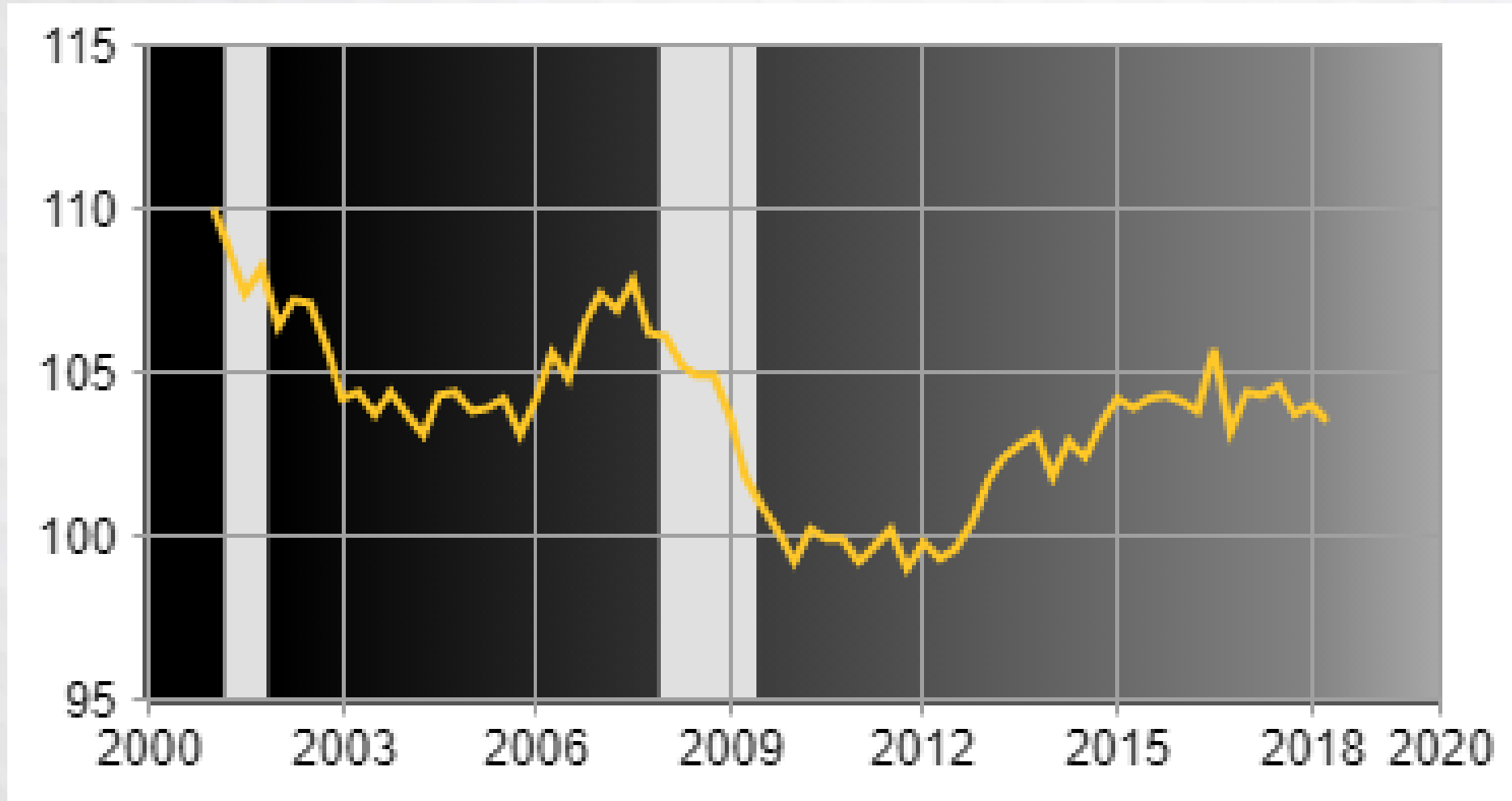
McPherson Index – Improving conditions



- **Core variables:**
 - Employment
 - Unemployment
 - Retail sales
- **Conditional variables:**
 - Manufacturing wages
 - KS oil production
 - KS farm proprietor's income

Source: CEDBR <https://www.kansaseconomy.org/local-indices/county-indices>

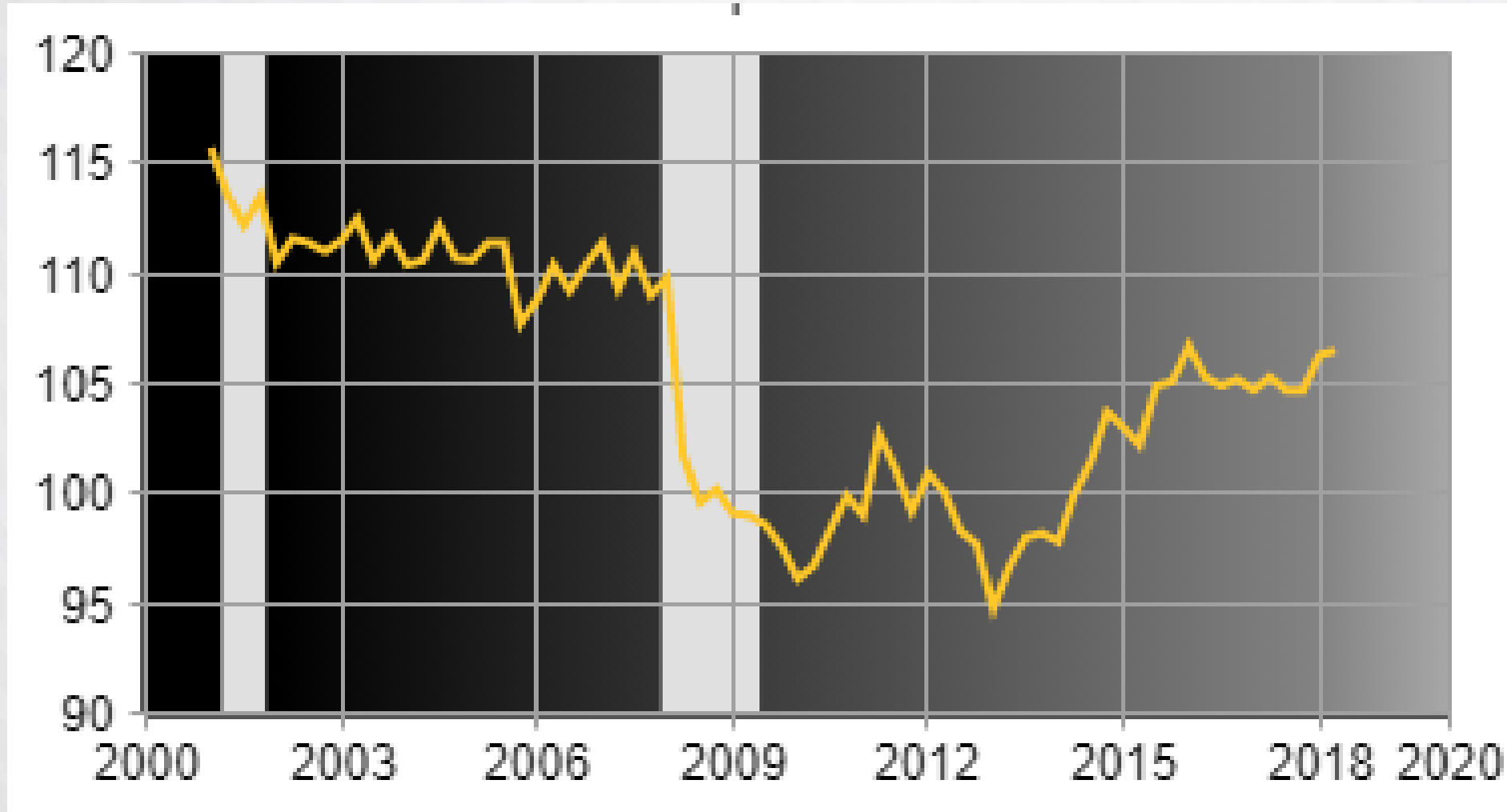
Saline/Salina Index – Stable



- **Core variables:**
 - Employment
 - Unemployment
 - Retail sales
- **Conditional variables:**
 - Manufacturing wages
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 - KS farm proprietor's income

Source: CEDBR <https://www.kansaseconomy.org/local-indices/county-indices>

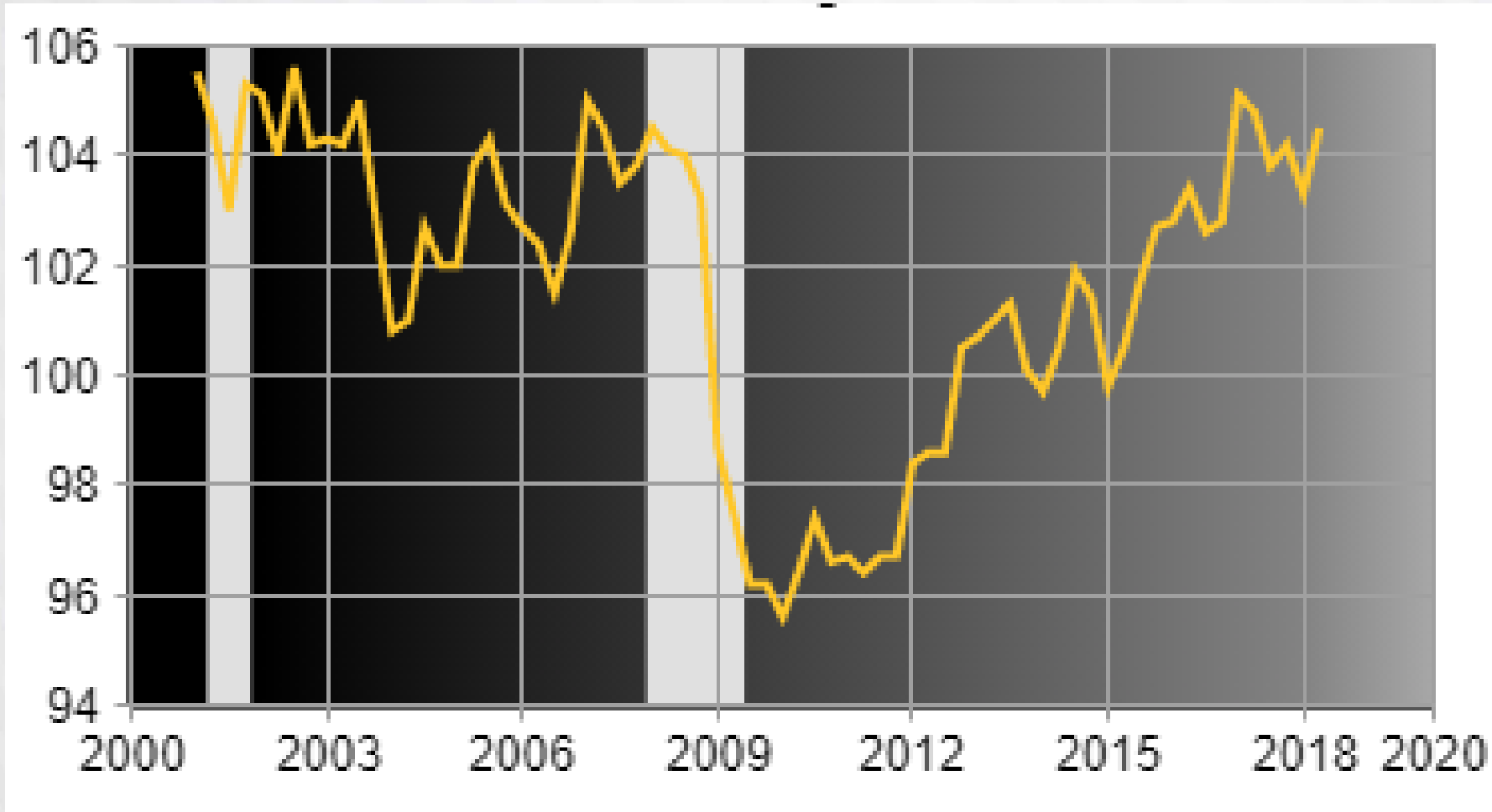
Lyon/Emporia Index – Stable



- **Core variables:**
 - Employment
 - Unemployment
 - Retail sales
- **Conditional variables:**
 - Manufacturing wages
 - KS oil production
 - KS farm proprietor's income

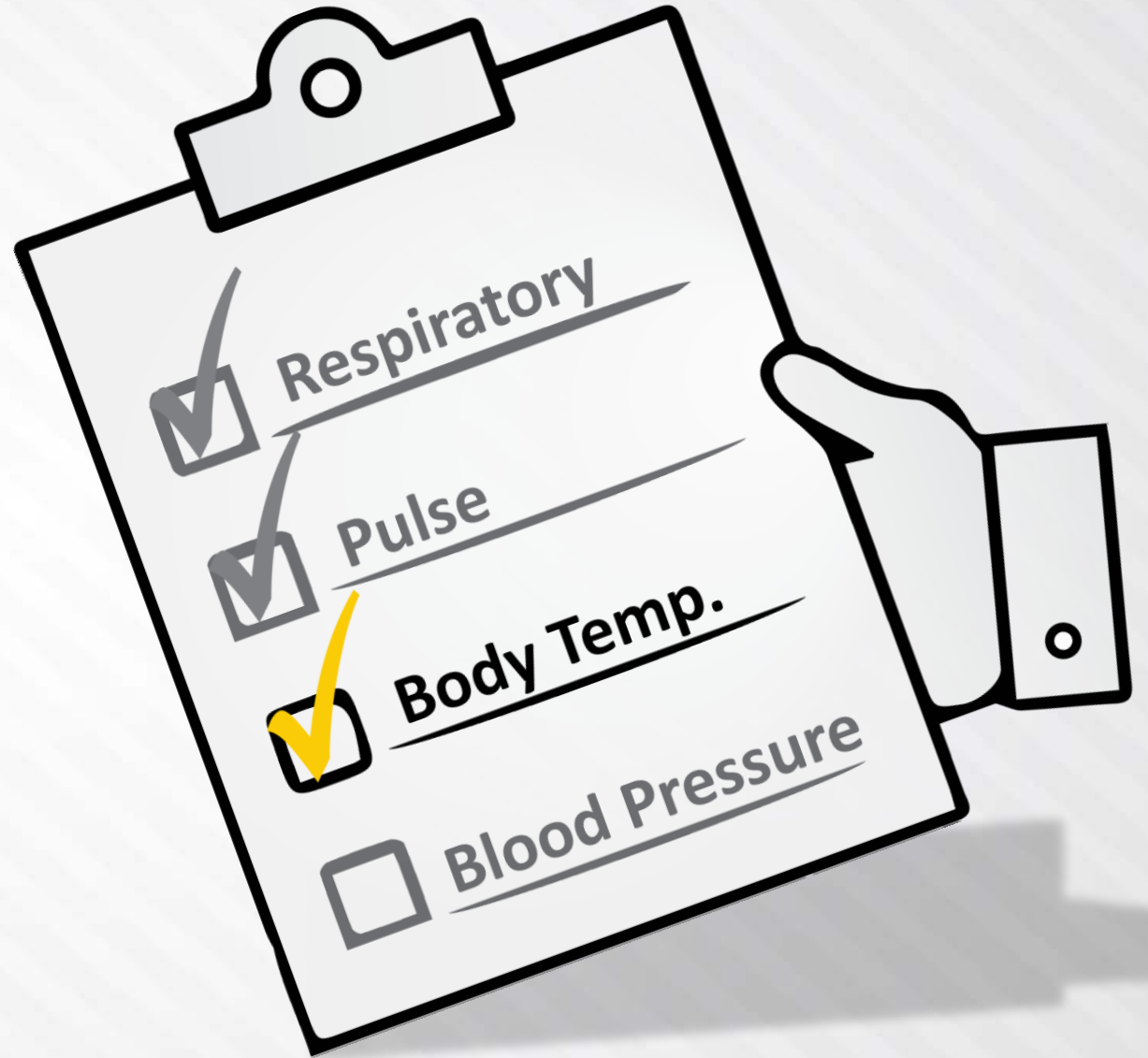
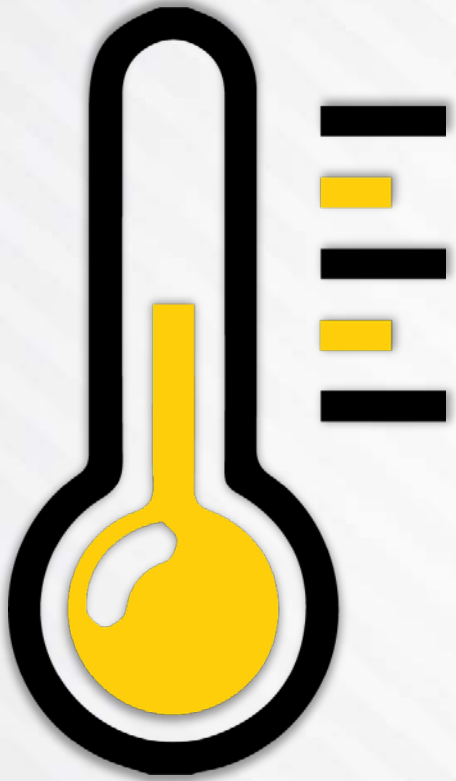
Source: CEDBR <https://www.kansaseconomy.org/local-indices/county-indices>

Crawford/Pittsburg Index – Recovered from downturn

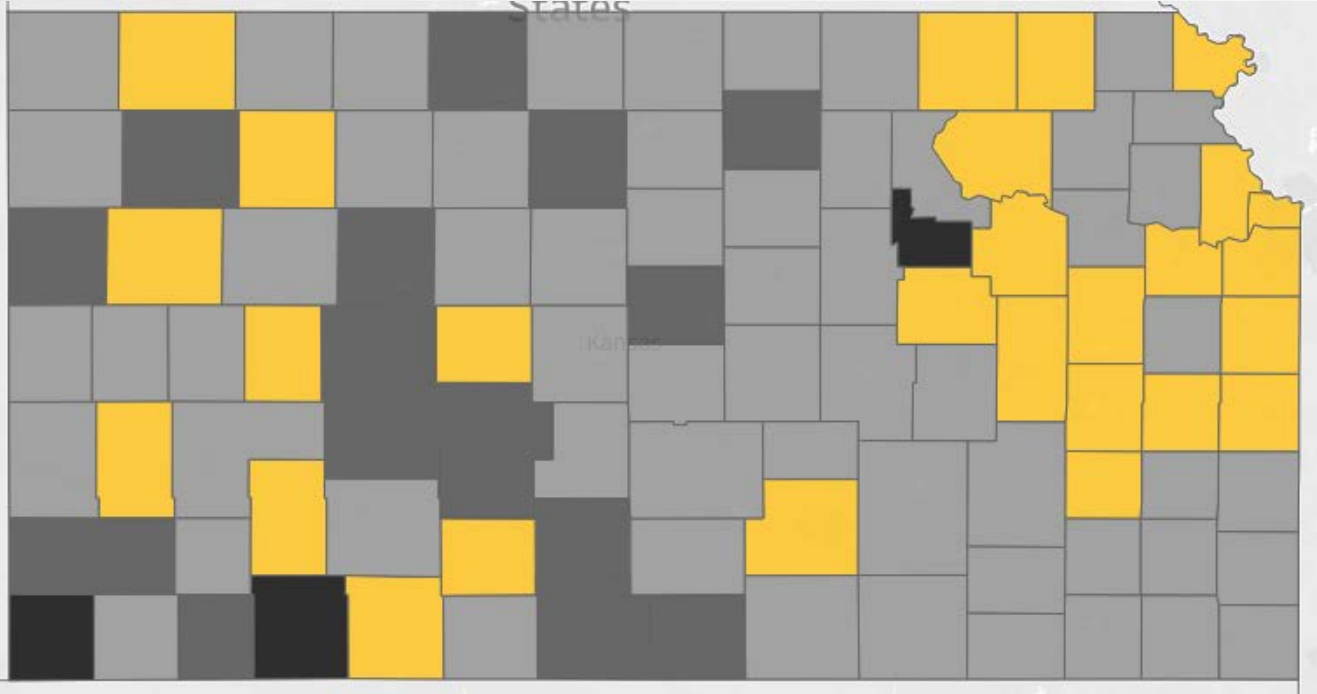


- **Core variables:**
 - Employment
 - Unemployment
 - Retail sales
- **Conditional variables:**
 - Manufacturing wages
 - KS oil production
 - KS farm proprietor's income

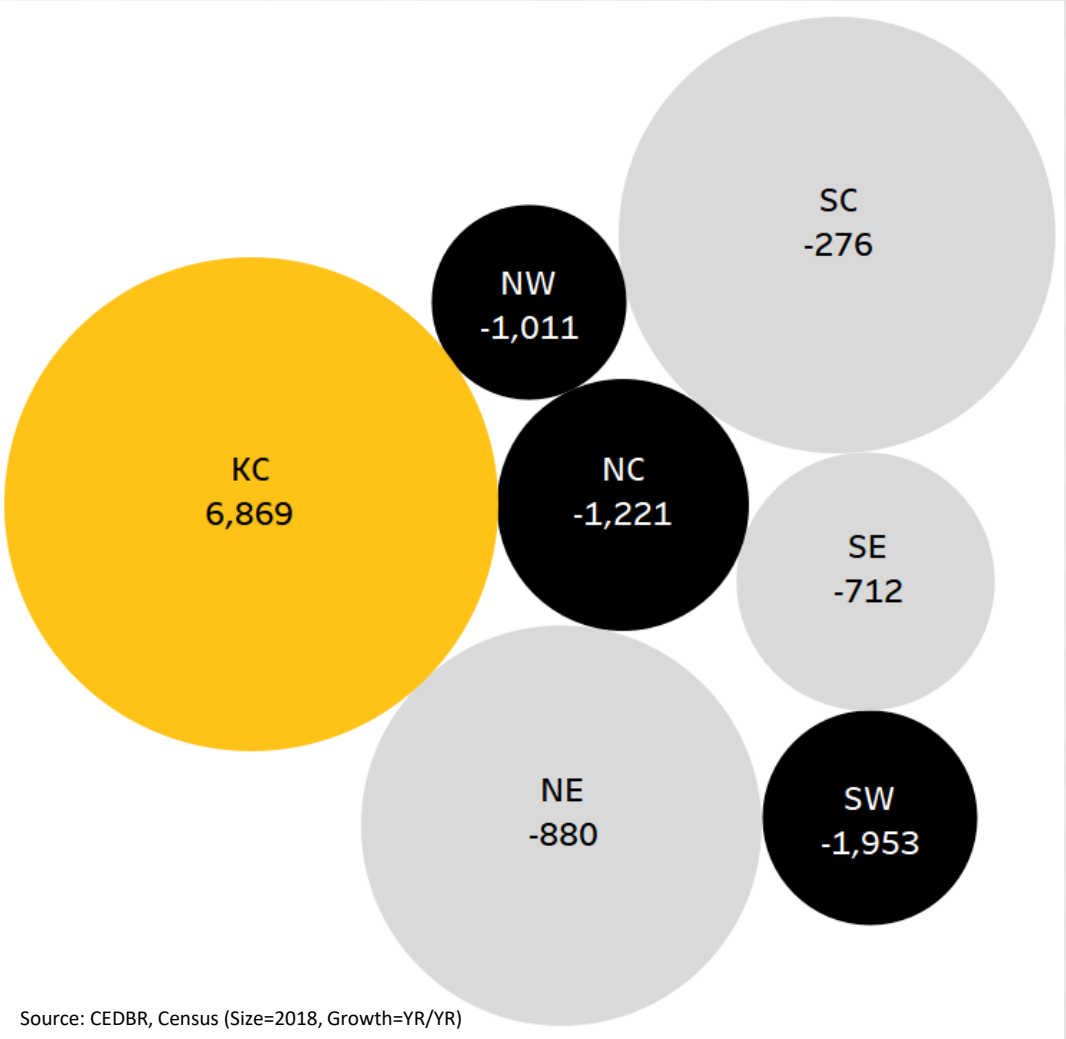
Source: CEDBR <https://www.kansaseconomy.org/local-indices/county-indices>



2018 Population Growth

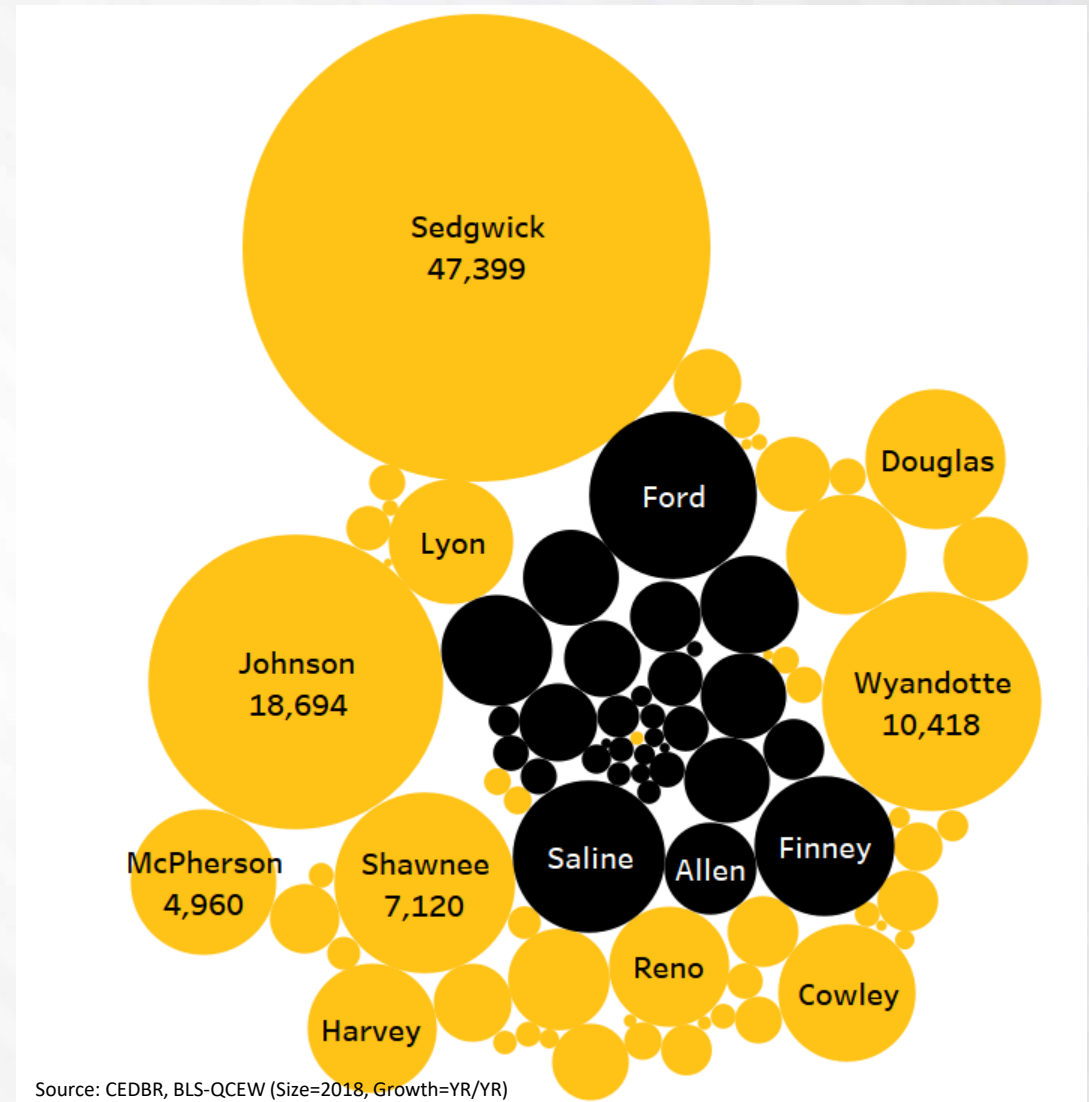
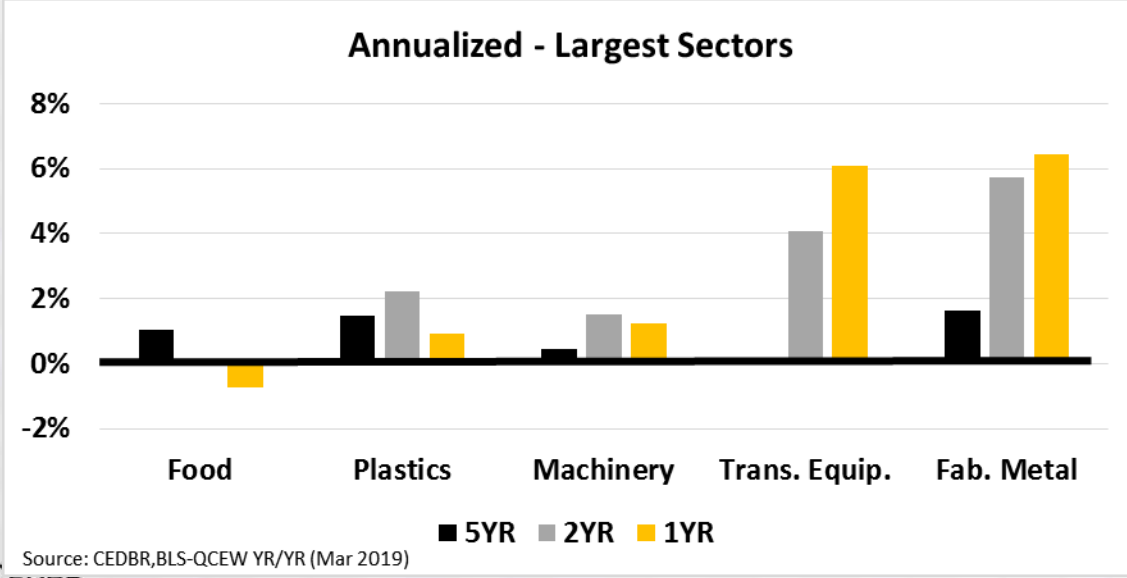
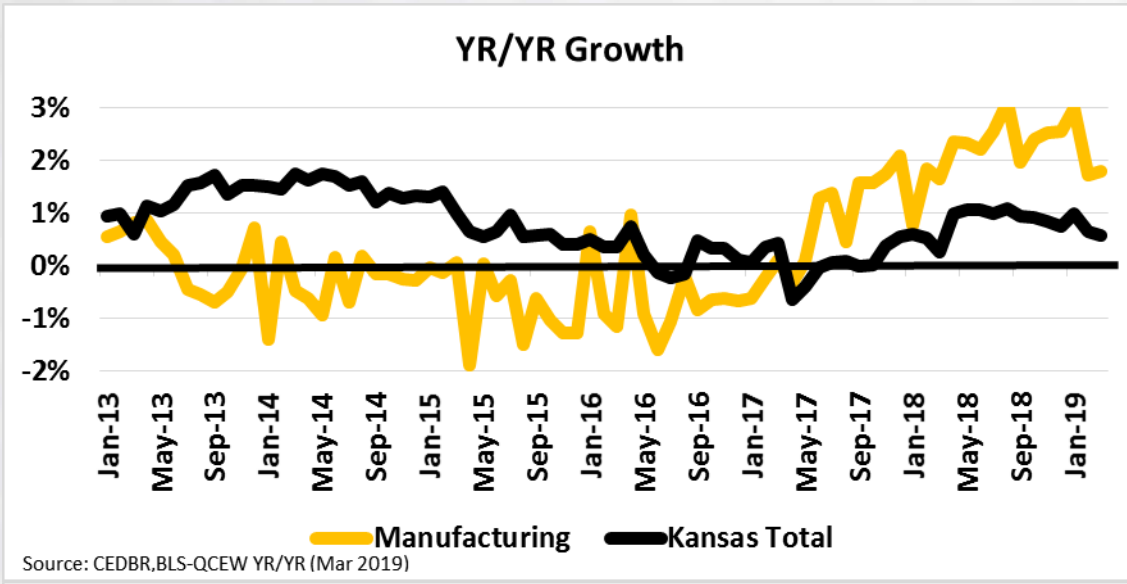


Source: CEDBR, Census (YR/YR)



Source: CEDBR, Census (Size=2018, Growth=YR/YR)

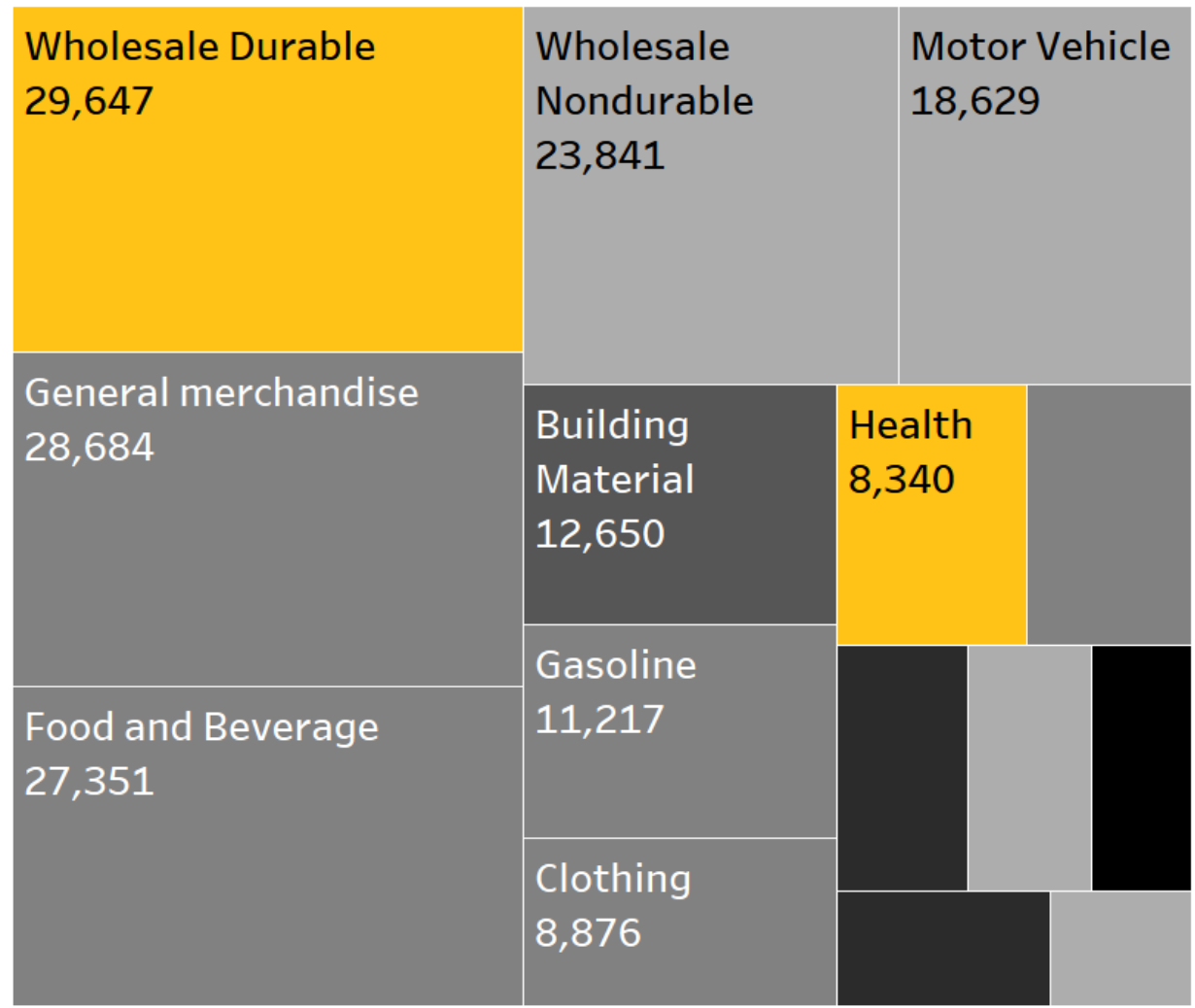
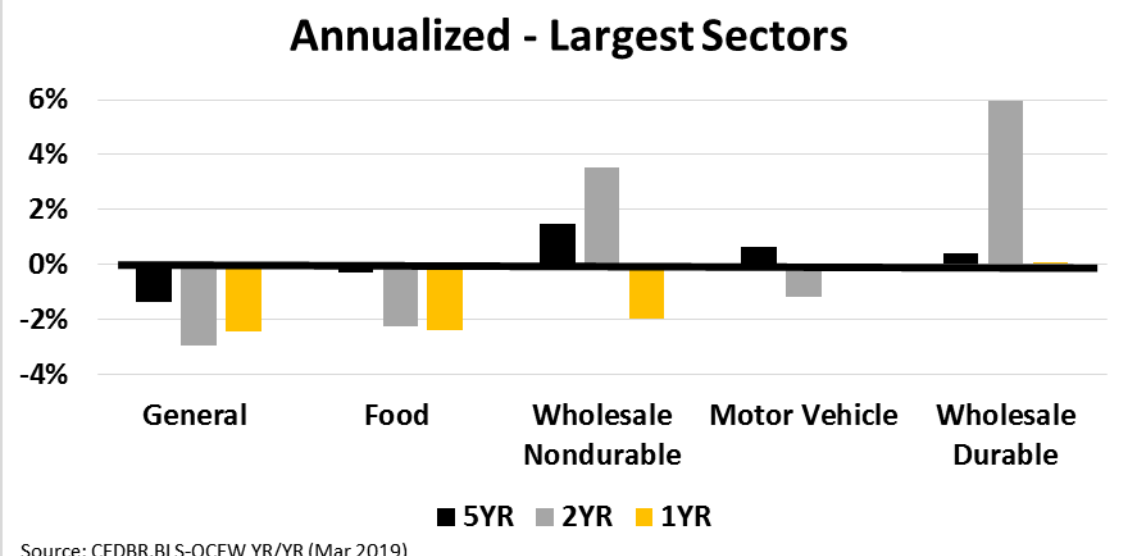
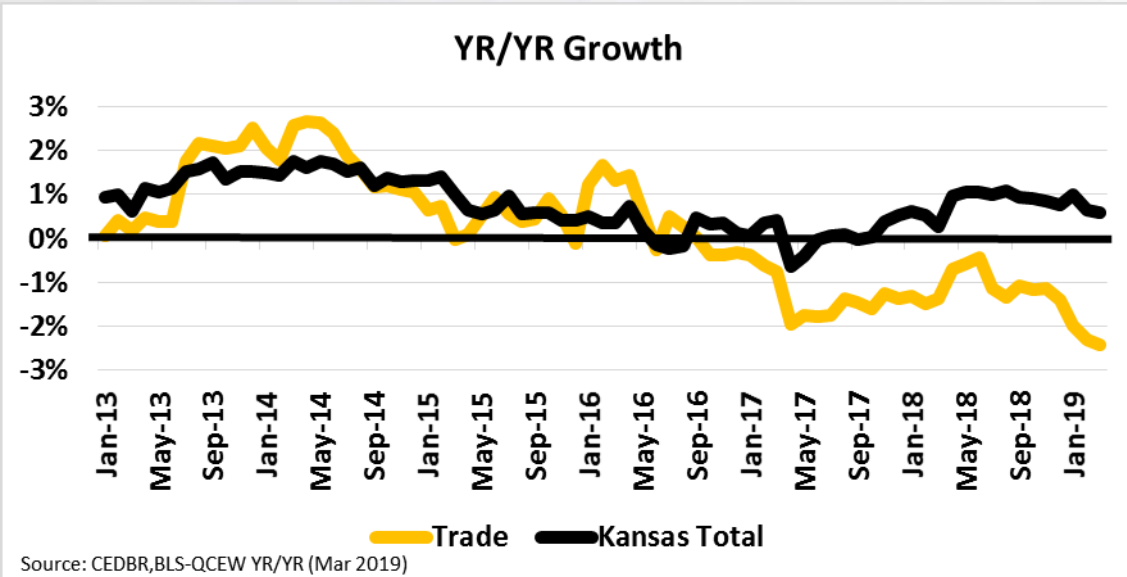
Manufacturing Employment



Declining | **Growing**



Wholesale and Retail Trade Employment

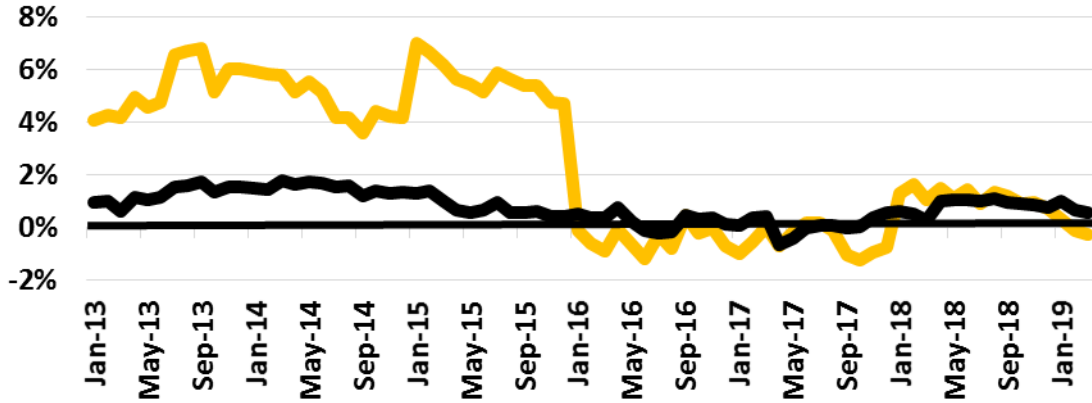


Source: CEDBR, BLS-QCEW (Size=2018, Growth=YR/YR)

Declining Growing

Professional and Business Employment

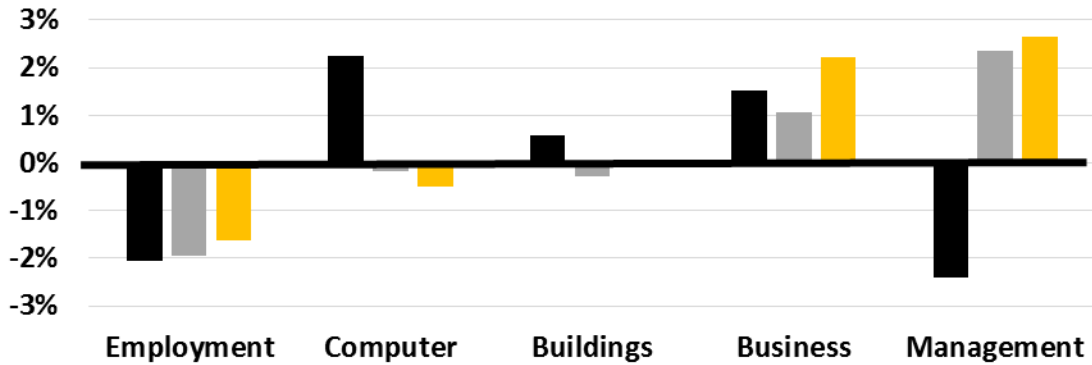
YR/YR Growth



Professional and Business Services Kansas Total

Source: CEDBR, BLS-QCEW YR/YR (Mar 2019)

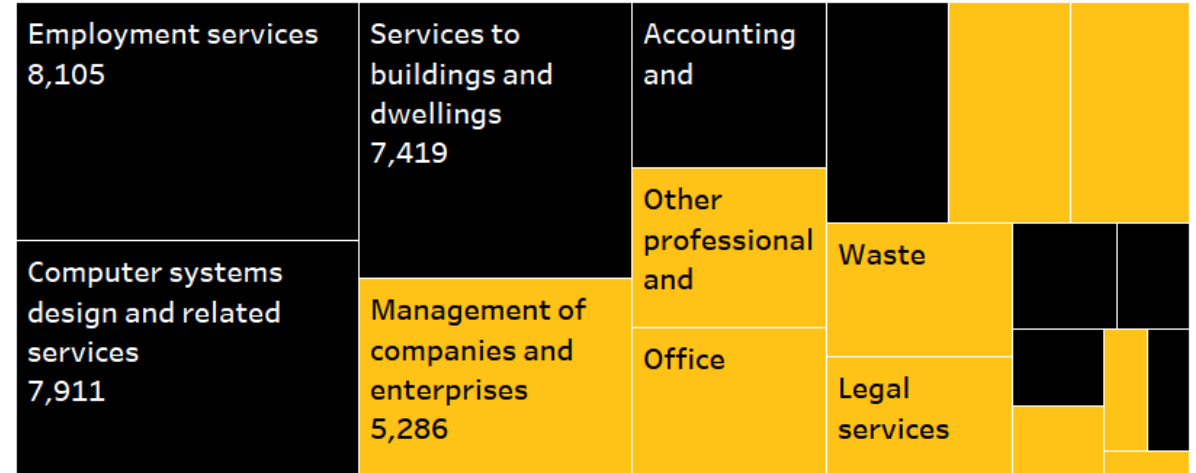
Annualized - Largest Sectors



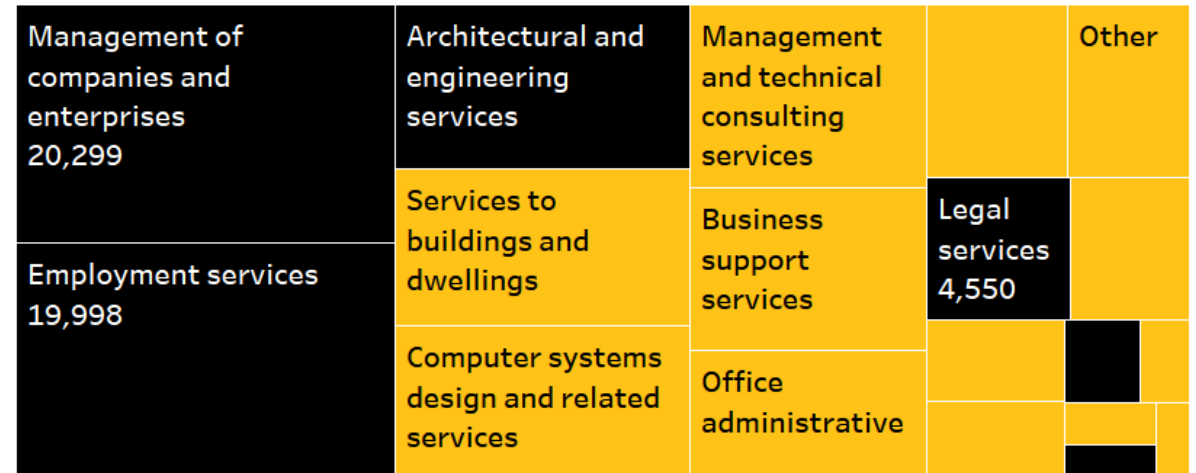
3YR 2YR 1YR

Source: CEDBR, BLS-QCEW YR/YR (Mar 2019)

Rural



Urban



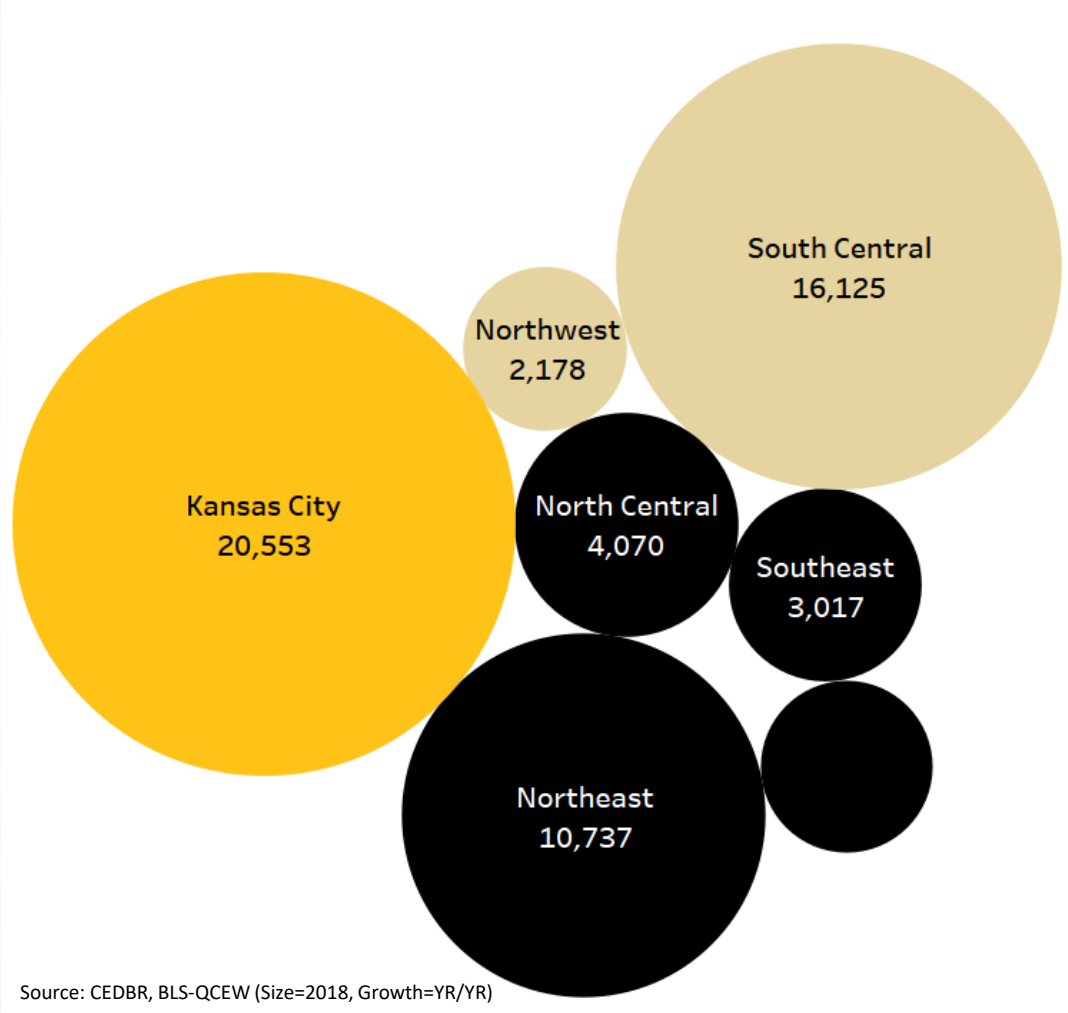
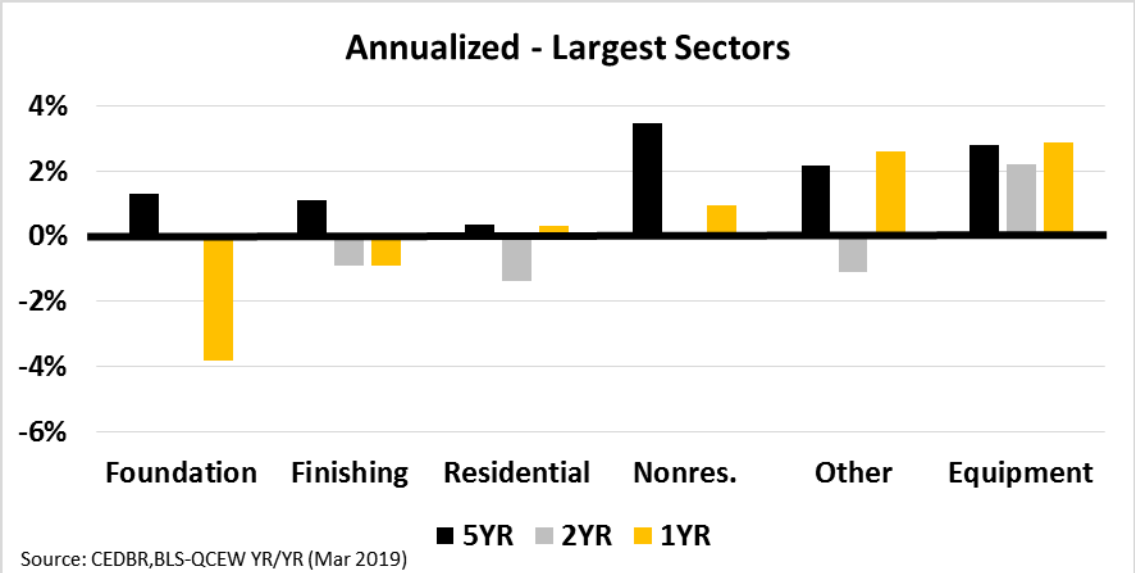
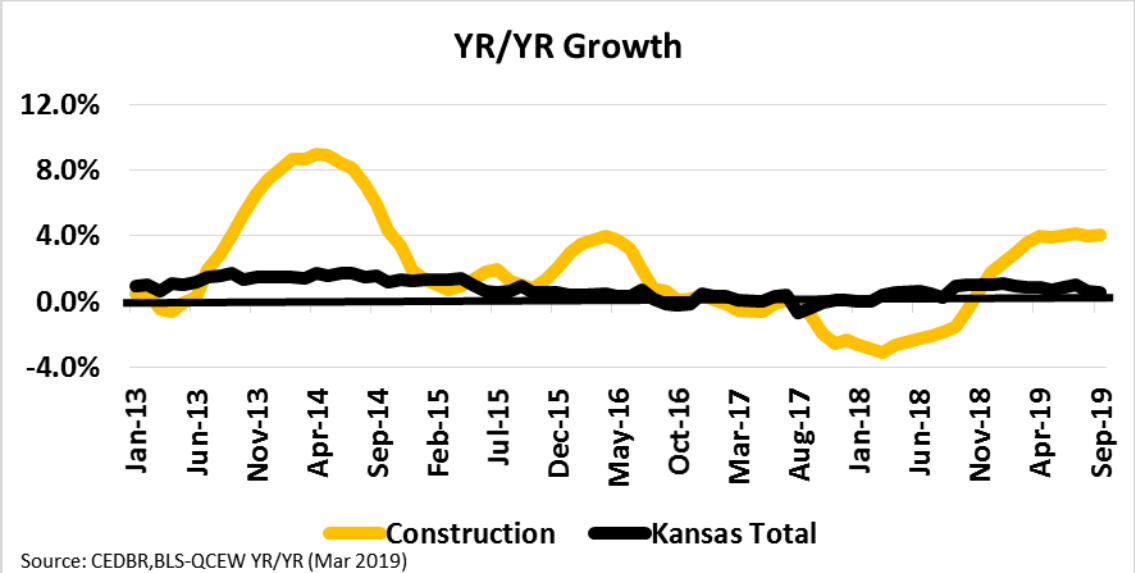
Source: CEDBR, BLS-QCEW (Size=2018, Growth=YR/YR)

Declining

Growing

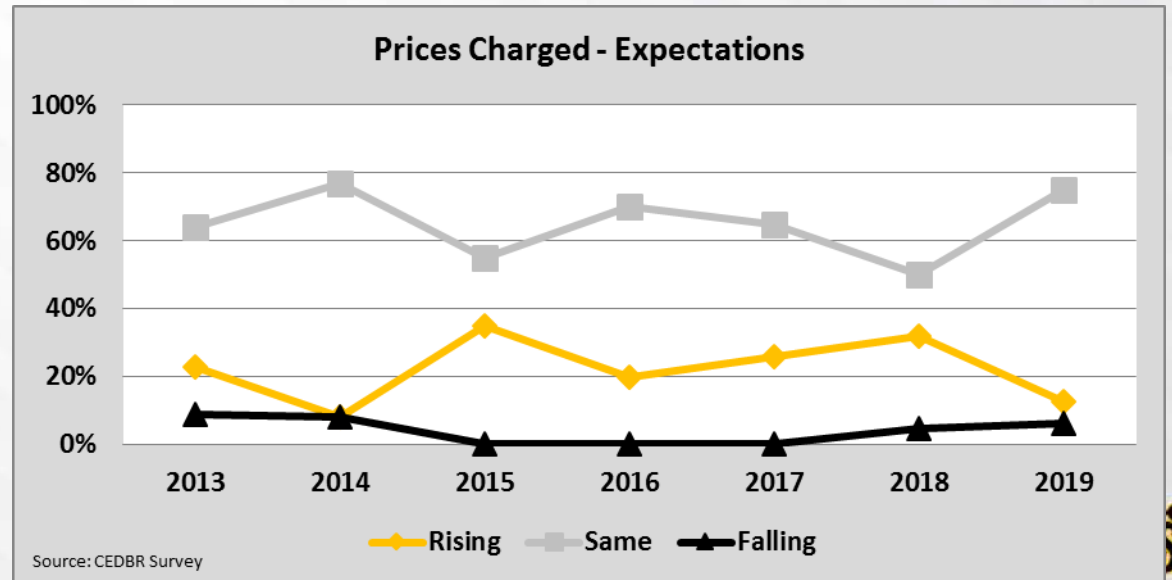
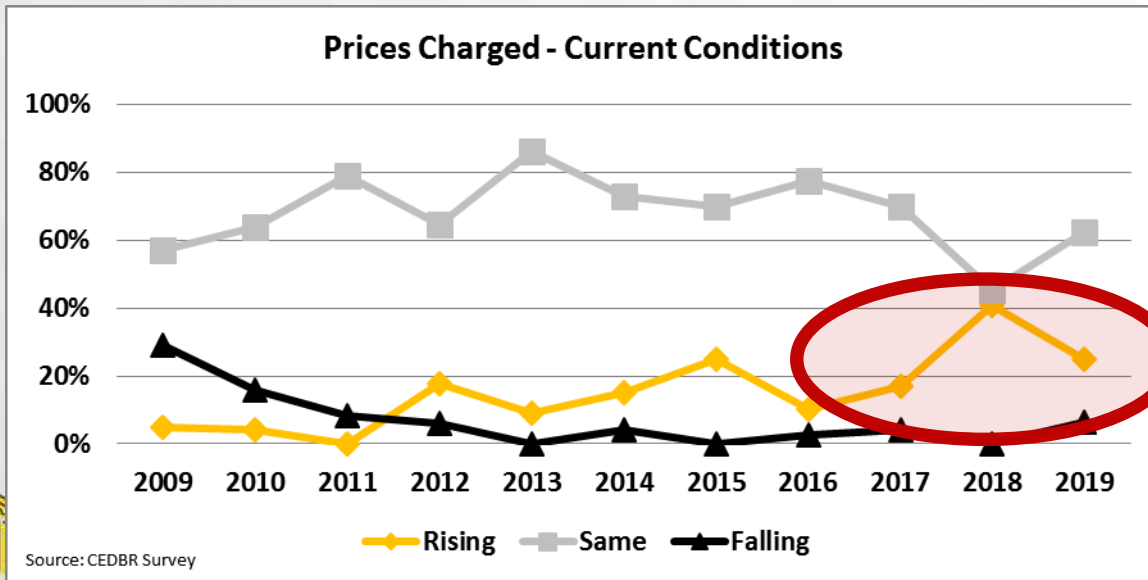
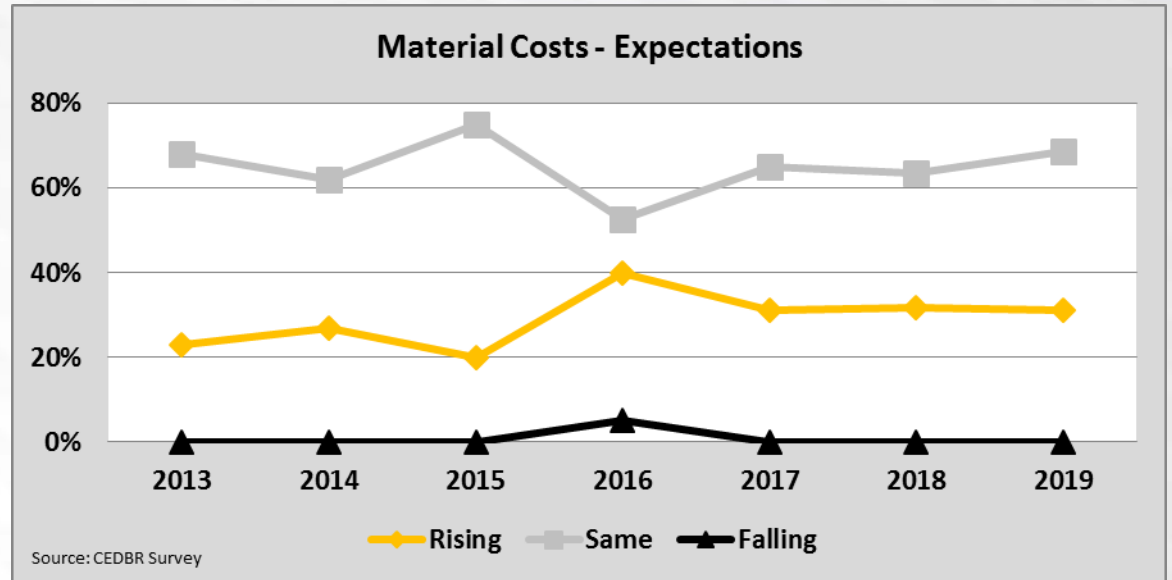
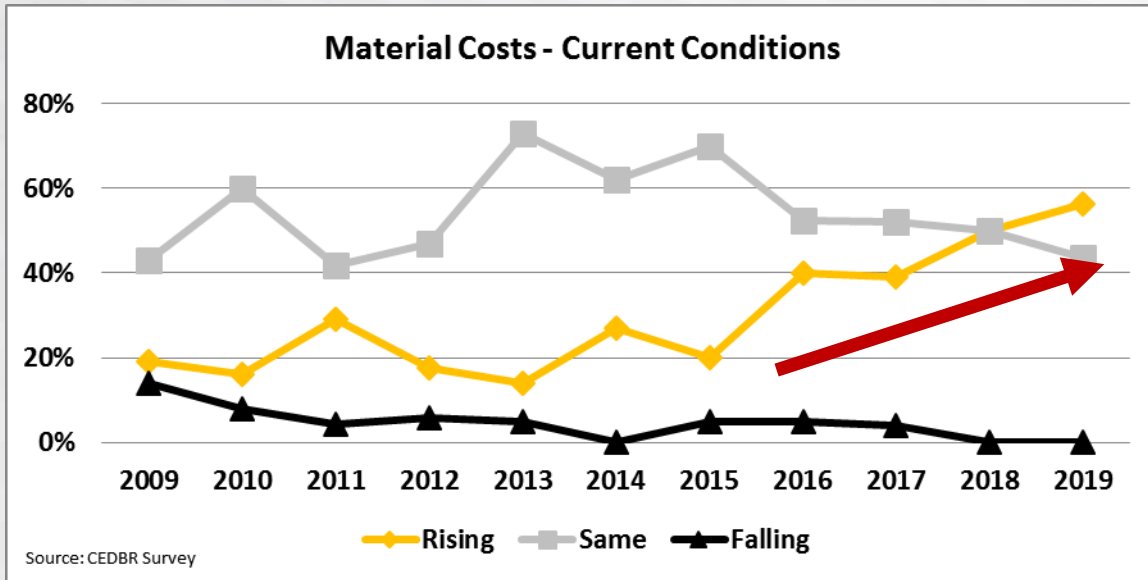


Construction Employment

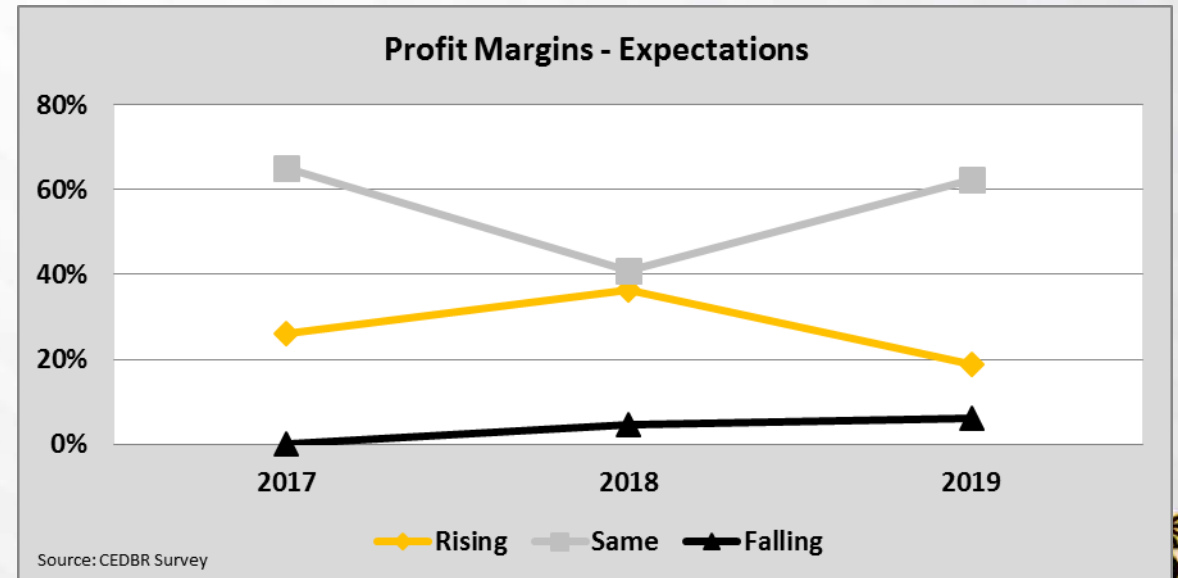
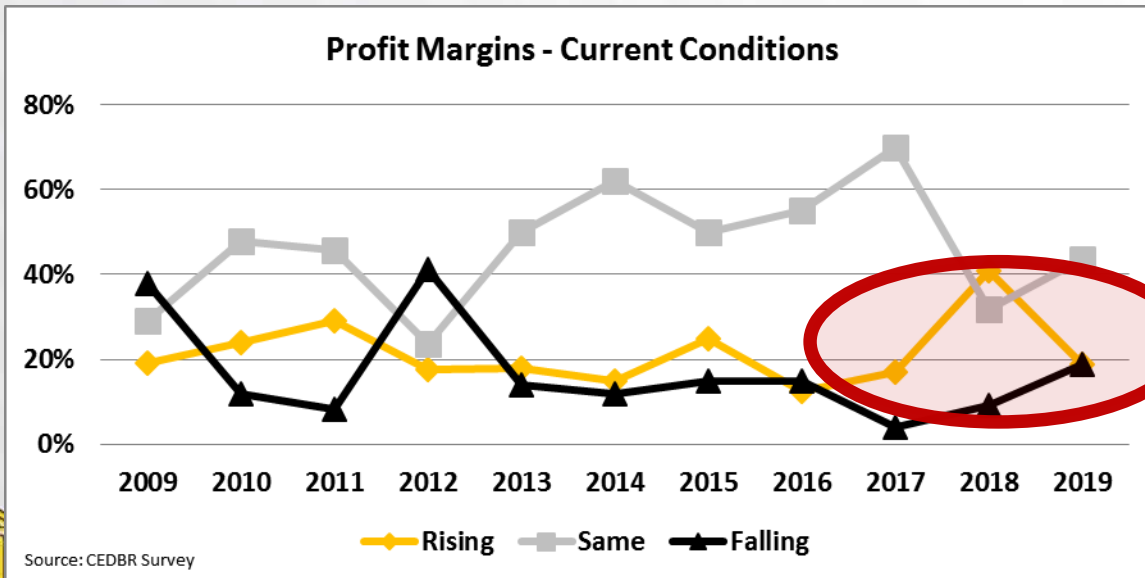
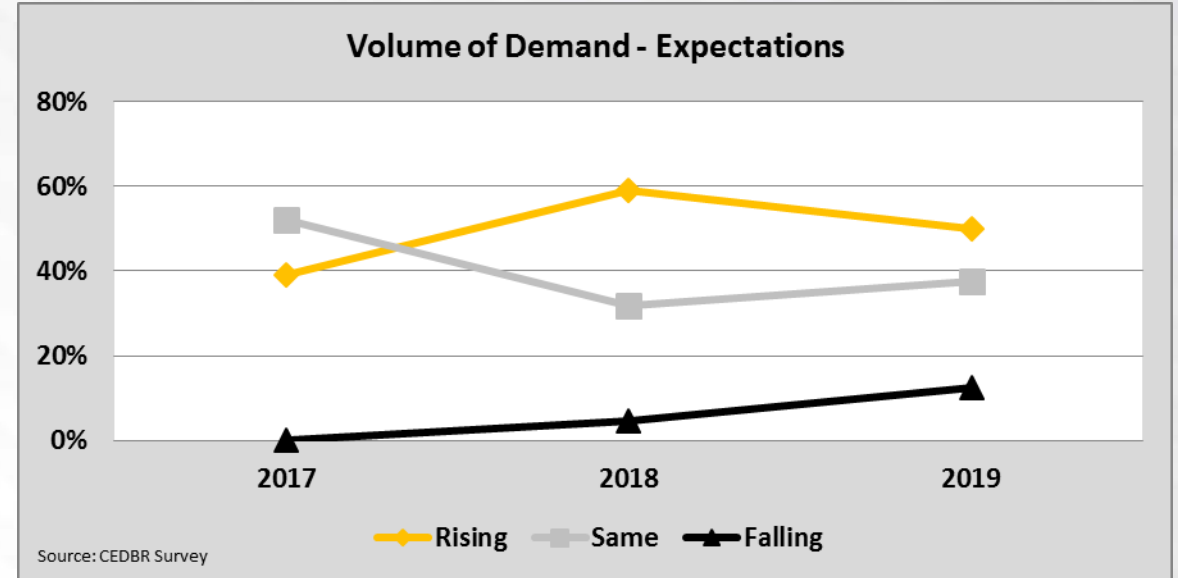
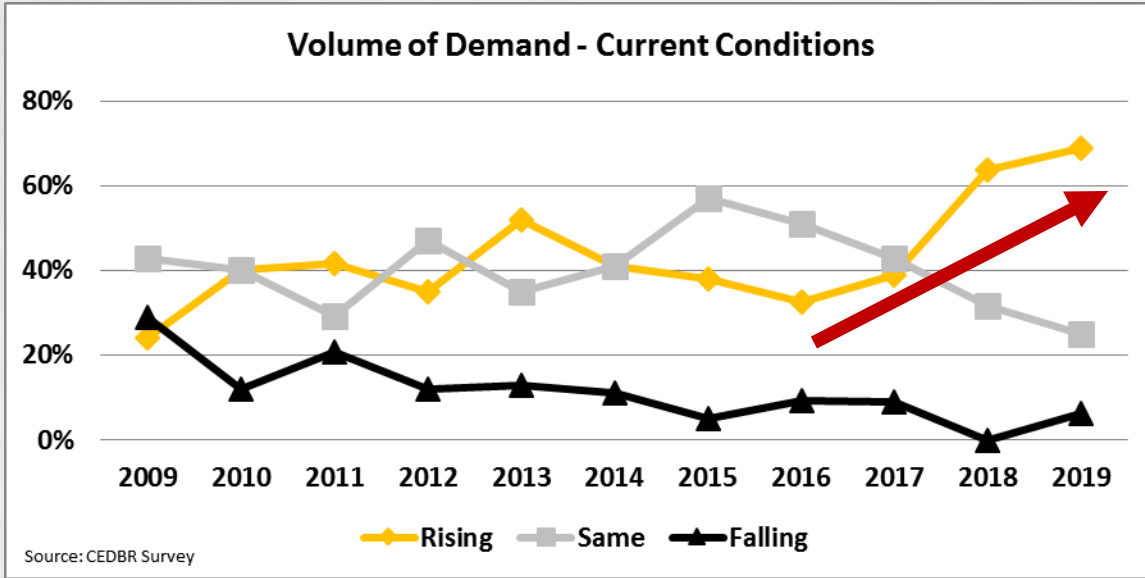


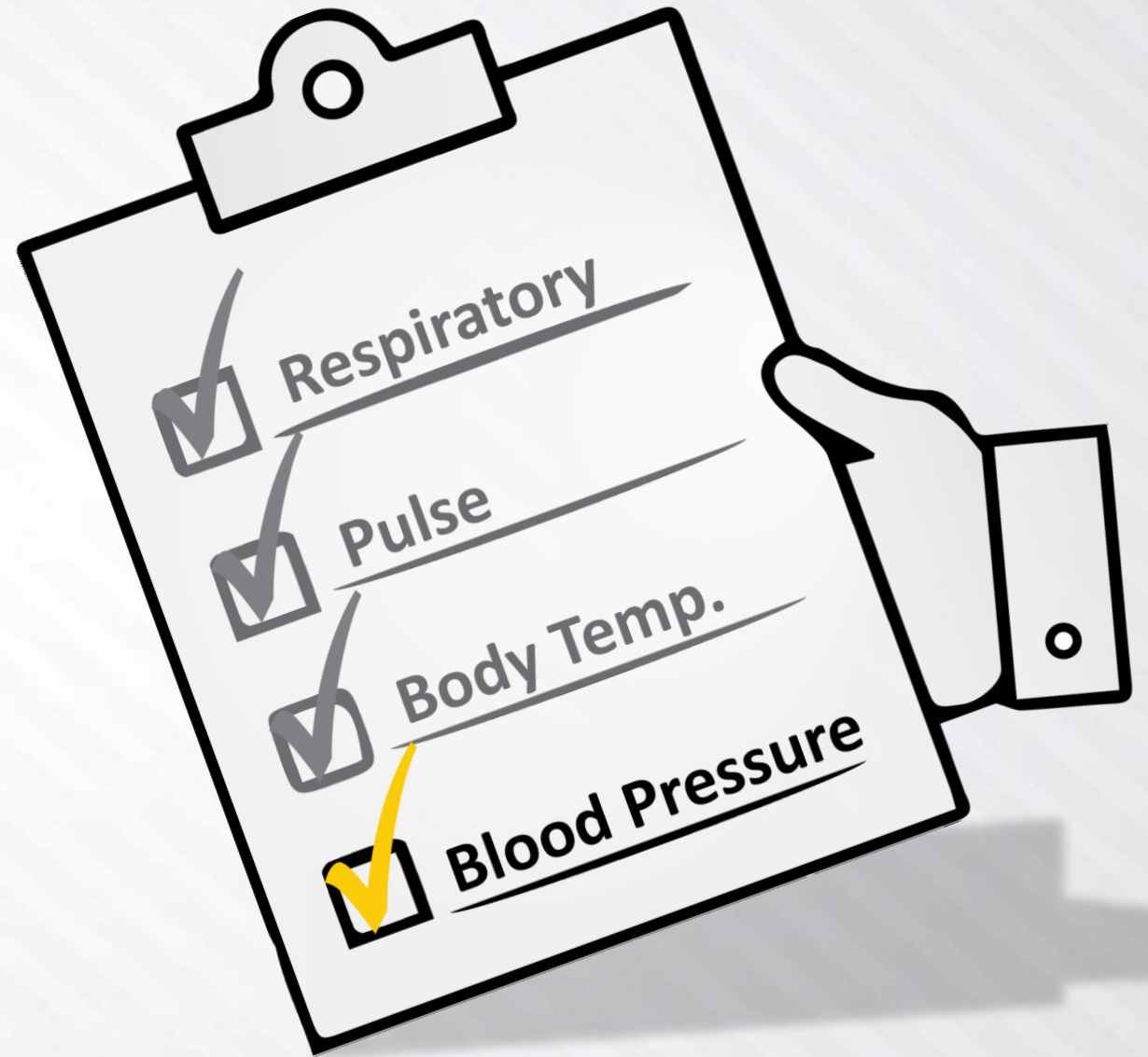
Declining | **Growing**

Business Perspectives - Kansas



Business Perspectives - Kansas



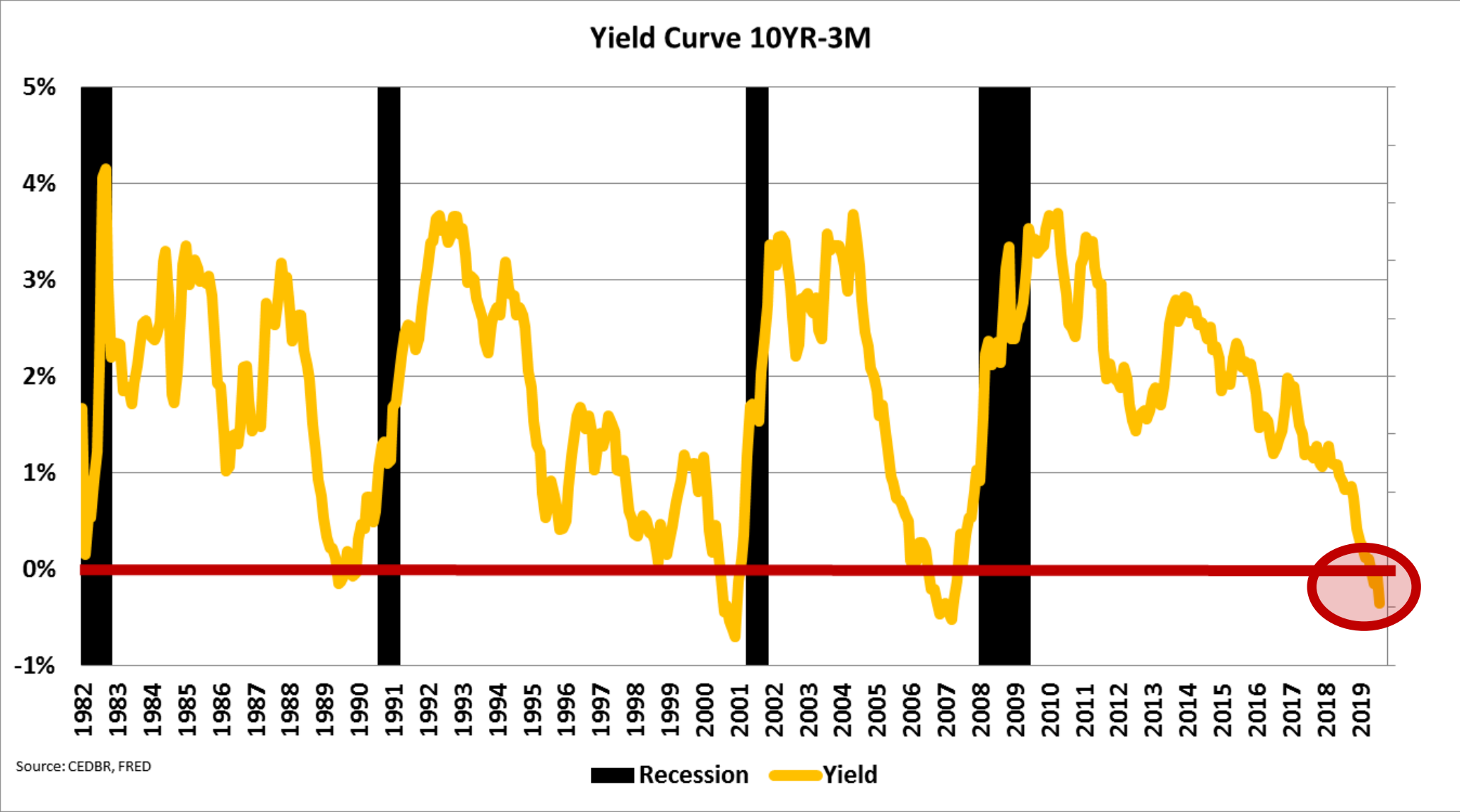


Highlight of current business concerns

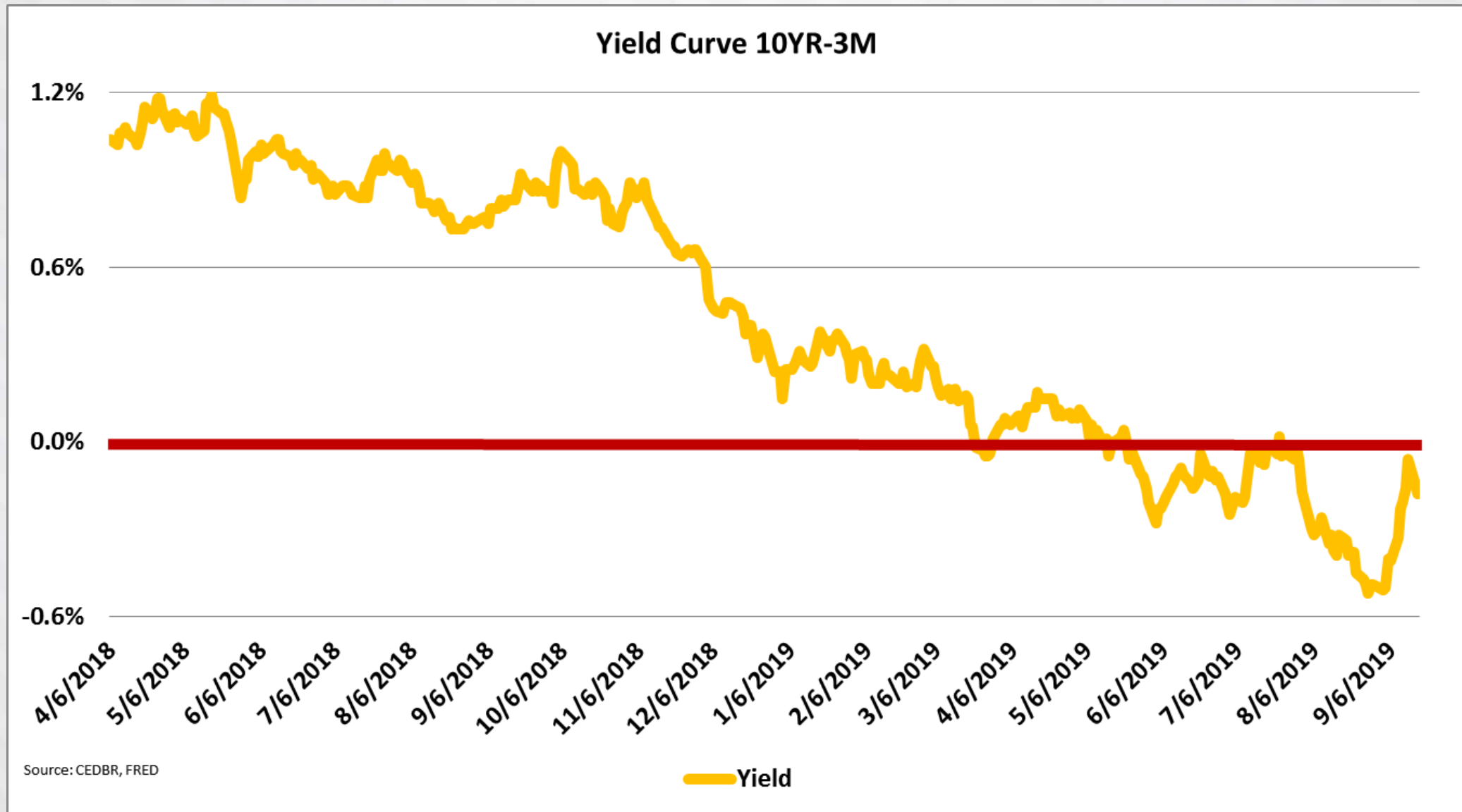
Global	National
Global slowdown	Trade war
Trade agreements	Monetary policy
Monetary policy	Consumer debt
Brexit	Federal debt

State	Local
Available labor	Skilled labor
Retail sales	Farm debt
State policies	Oil prices

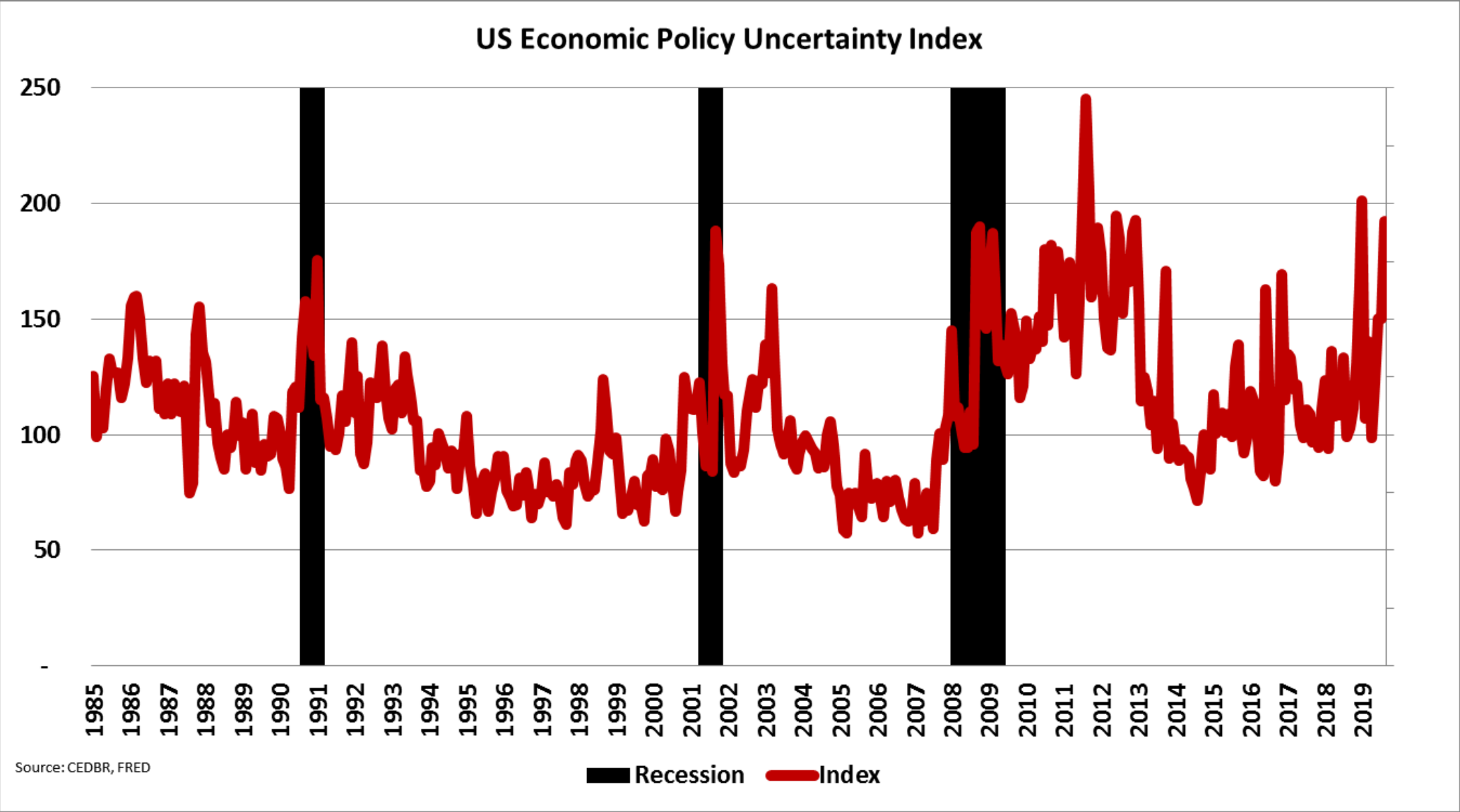
Yield curve continues to provide concern



Yield curve continues to provide concern



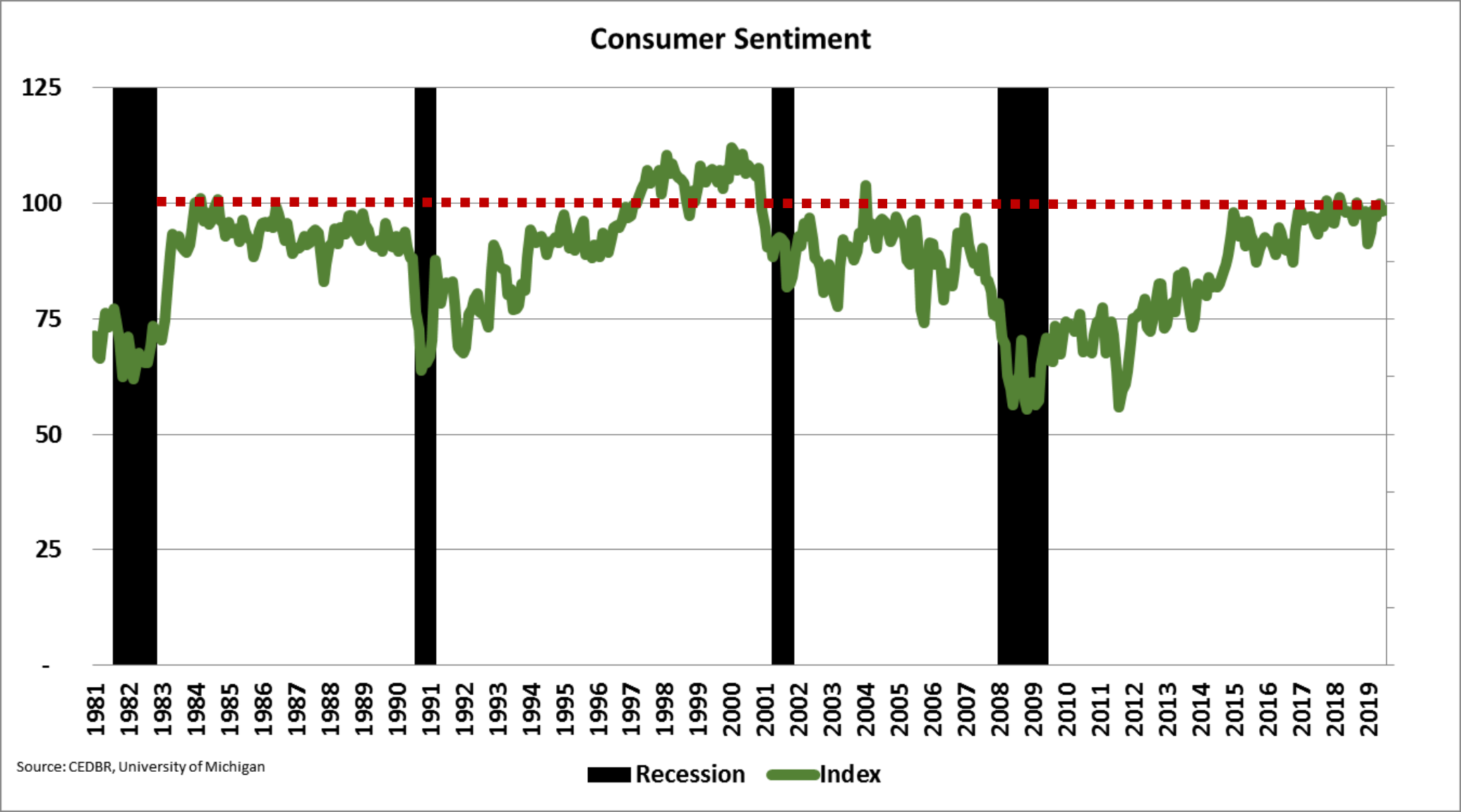
Uncertainty high and likely to stick around



Source: CEDBR, FRED

■ Recession ■ Index

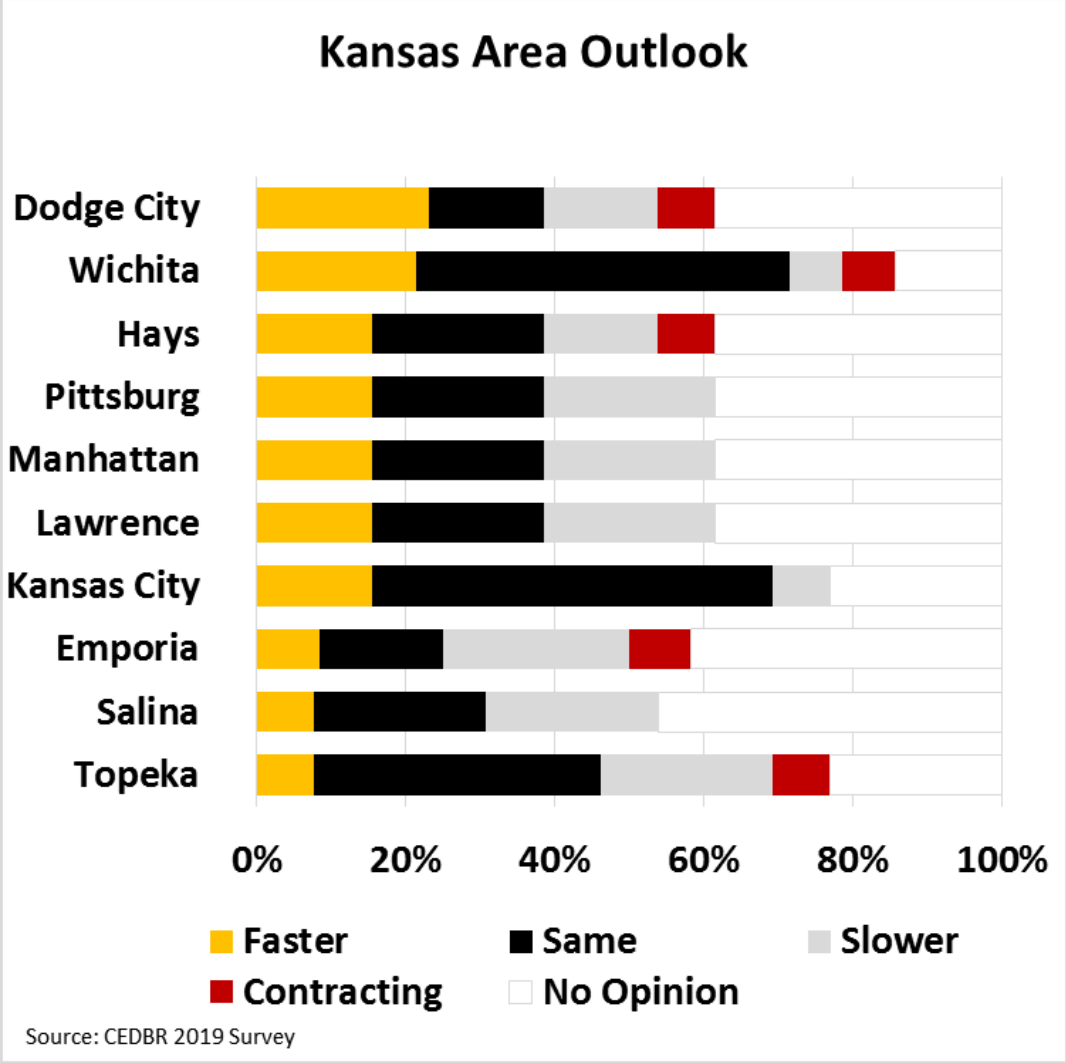
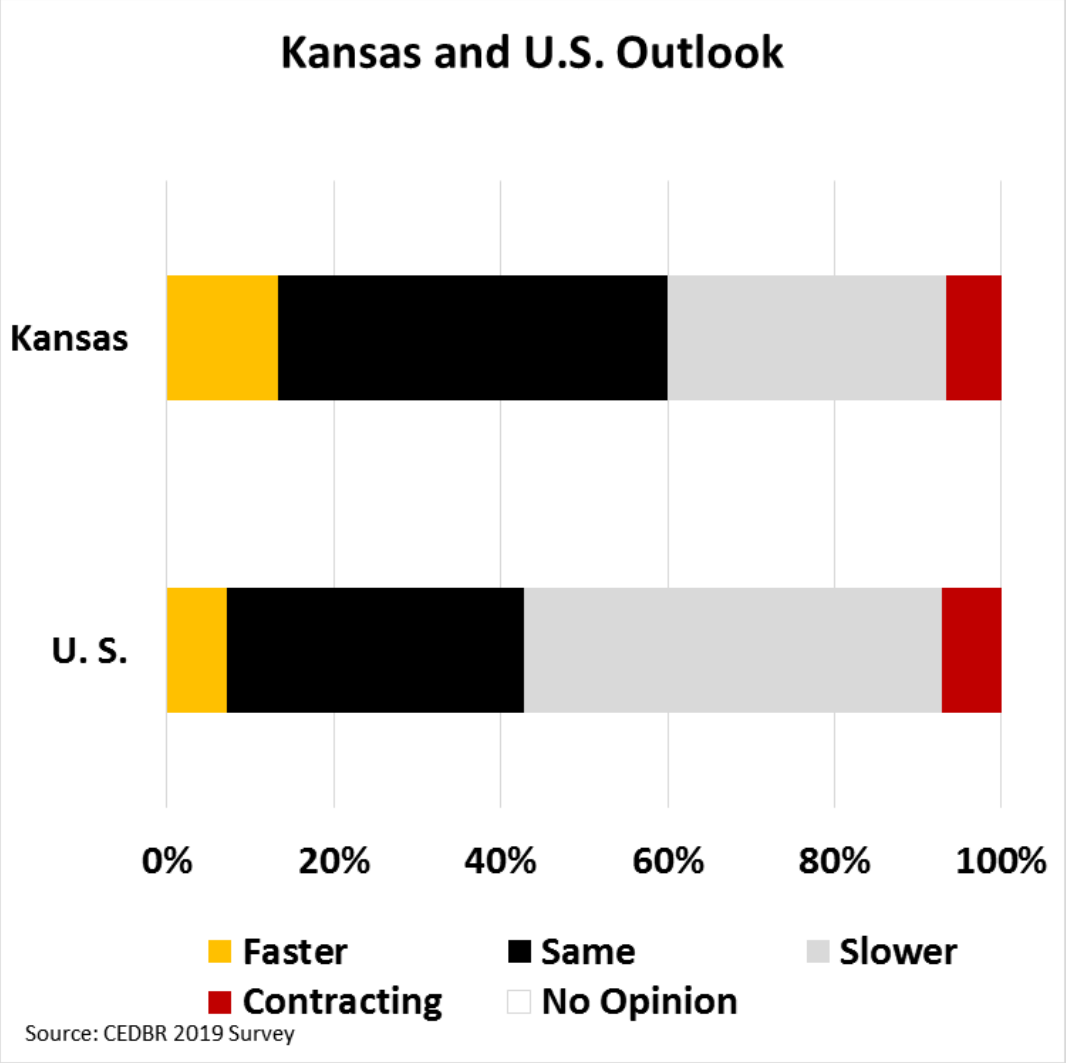
Consumers remain optimistic





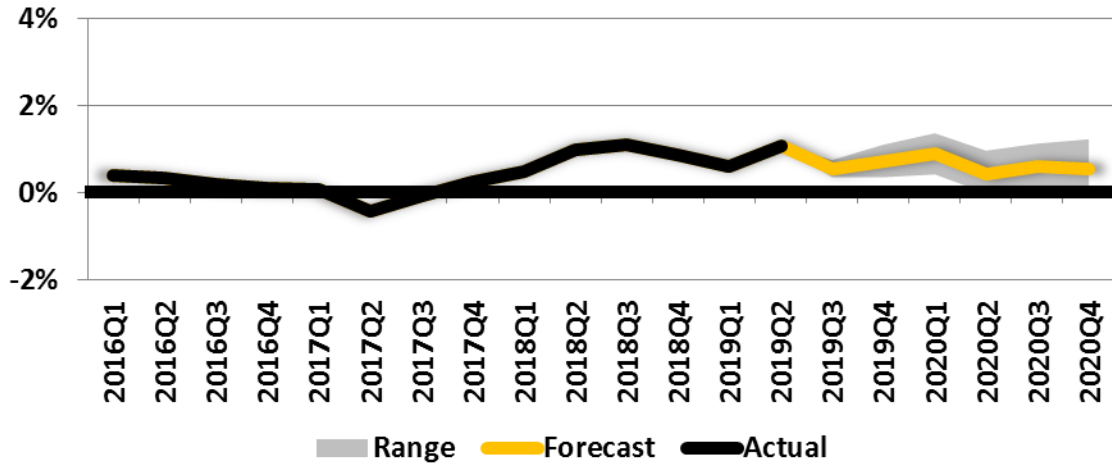
Forecast

Businesses were realistically optimistic



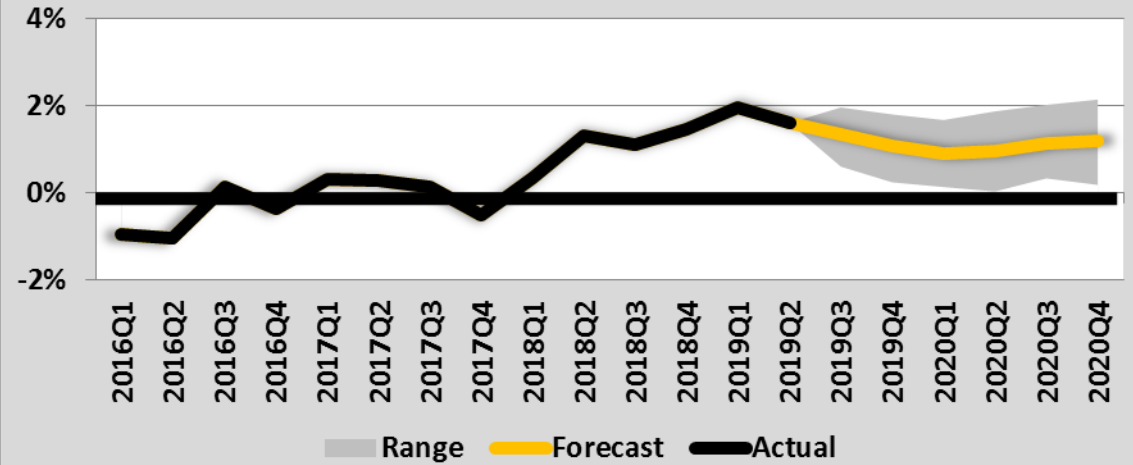
Growth is expected, but range widens

Kansas Total Nonfarm Employment Growth



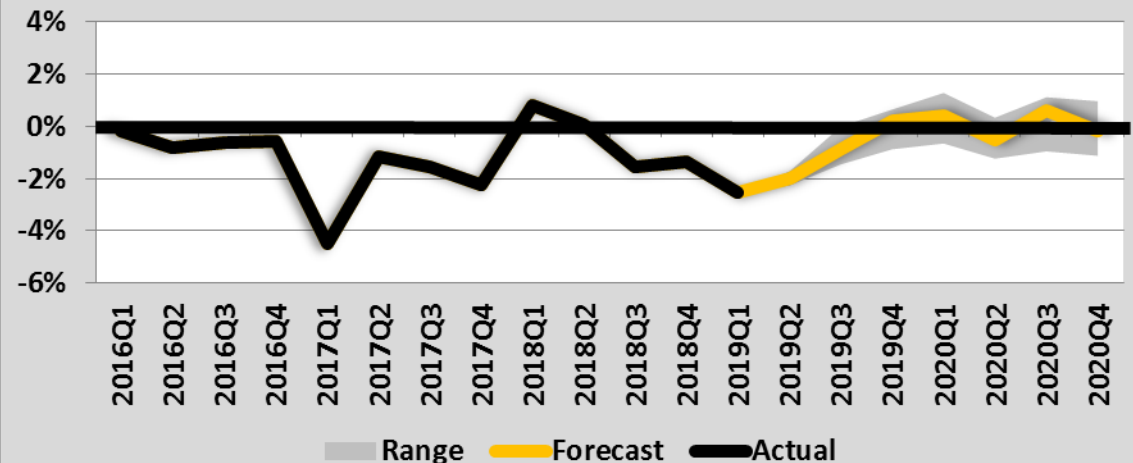
Source: CEDBR, BLS - CES

Kansas Total Real Wage Growth



Source: CEDBR, BEA

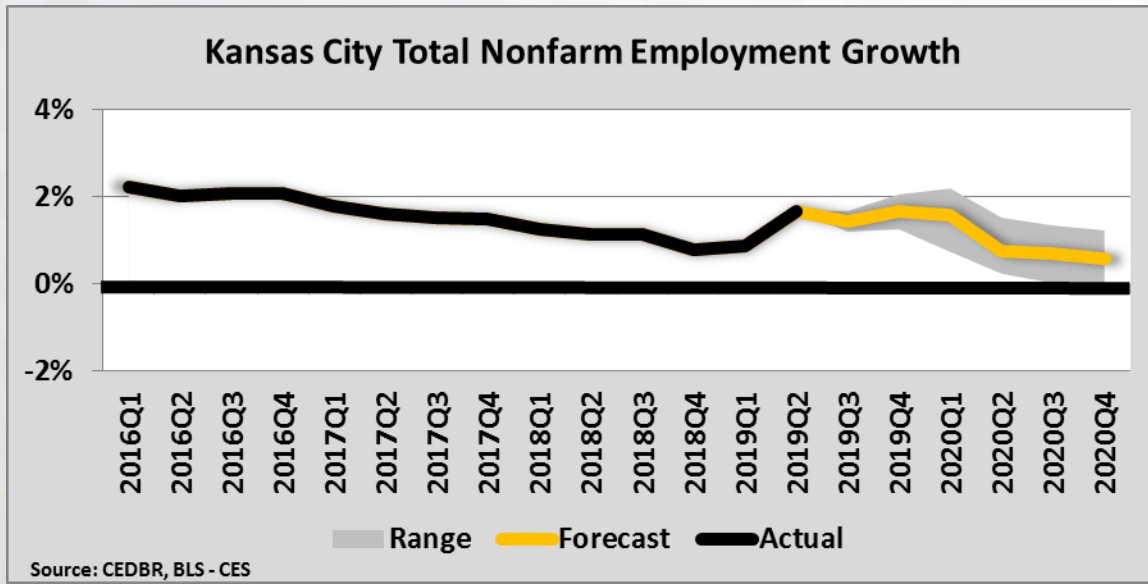
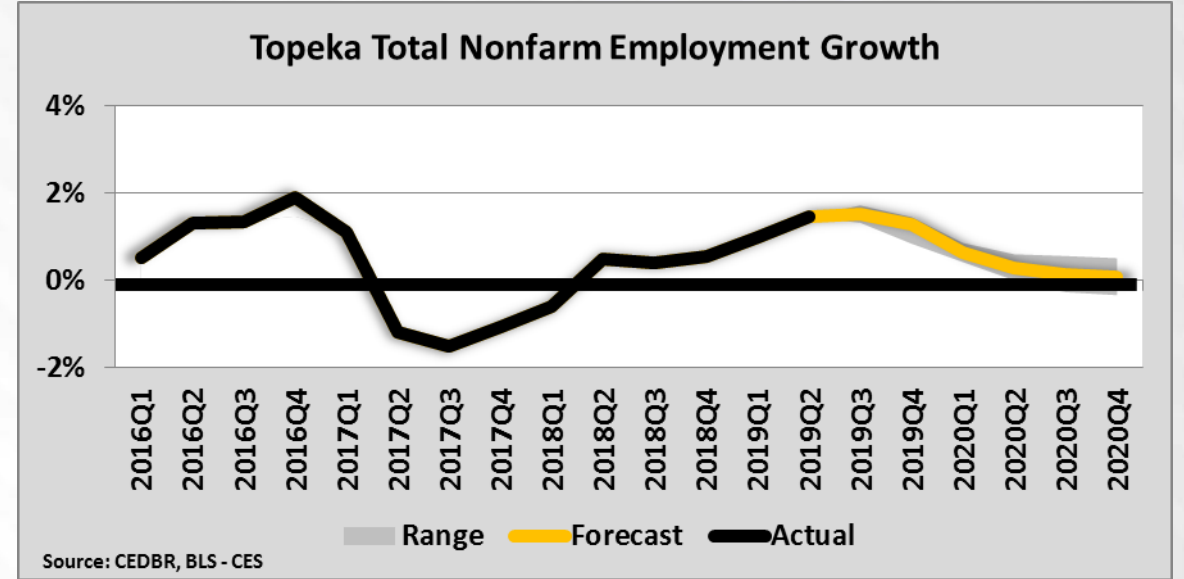
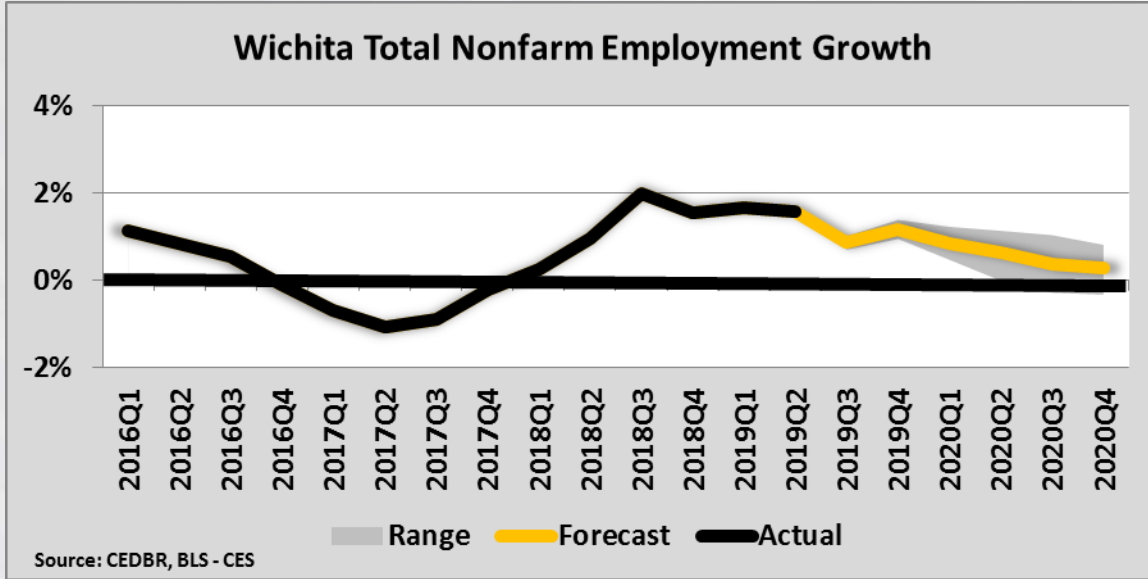
Kansas Inflation-Adjusted Taxable Retail Sales Growth



Source: CEDBR, KS DOR

- **Kansas** is expected to grow by 0.6% in 2020, **adding 8,926 jobs** to the state economy.
- **Total Wages** in Kansas are expected to **continue to expand**, as employment and income are likely to increase.
- The decline in **taxable retail sales** should **slow, if not improve** over the next year.

Slowing growth is on the horizon



- **Wichita** is forecasted grow in most sectors and **increase by 1,600 jobs**.
- **Topeka** is likely to **grow by 0.3%**, which is inline with its long-term grow rate.
- **Kansas City** is expected to **add more than 10,000 jobs** by the end of next year.

Summary

- As long as **employment and wages** continue to grow the U.S. economy should **continue to expand**; although at a slower pace.
- **Kansas employment** is expected to **grow by 0.6%**, but trade issues could derail that quickly.
- **Manufacturing jobs** are projected to **increase** and this sector will likely be a driver for the state economy over the next year.
- The **tight labor** market will likely continue to **push wages up** in Kansas over the next year; however, retail sales are not projected to increase.
- Although a **recession is inevitable** in the long-run, there is **not imminent danger** on the horizon despite mounting concerns.

AGENDA

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- 8:30 State/Regional Outlook
- 9:15 -- Q & A --**
- 9:30 Local Update
- 9:50 -- Q & A --
- 10:00 Closing Remarks / Adjourn

Kansas Community Outlook EVENTS

Local Partners:



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Kansas Community Outlook EVENTS

Kasi Morales

Executive Director
McPherson Industrial
Development Company



Mayor Tom Brown

City of McPherson

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Kansas Community Outlook **EVENTS**

Jeremy Hill

Director, CEDBR

Wichita State University

#KSEcon 

Thank You

**for attending today's conference!
We hope to see you again next year.**

*Kansas
Community
Outlook*
EVENTS