

# Kansas Economic Outlook Conference

**October 2022**

# Review – On target

**Kansas Employment by Industry Summary\***

	2020 (a)	2021 (e)	2022 (f)	2021-2022 Level Change	2021-2022 Percent Change
<b>Total Nonfarm</b>	<b>1,358,711</b>	<b>1,374,760</b>	<b>1,388,162</b>	<b>13,401</b>	<b>1.0%</b>
<b>Production Sectors</b>	<b>228,281</b>	<b>228,388</b>	<b>230,755</b>	<b>2,367</b>	<b>1.0%</b>
Nat. Resources, Mining & Cons.	69,282	70,225	71,555	1,329	1.9%
Manufacturing	158,999	158,163	159,201	1,038	0.7%
Durable Goods	92,449	89,821	90,219	398	0.4%
Non-Durable Goods	66,549	68,342	68,982	640	0.9%
<b>Trade, Transportation &amp; Utilities</b>	<b>259,701</b>	<b>268,992</b>	<b>271,207</b>	<b>2,215</b>	<b>0.8%</b>
Wholesale Trade	56,036	55,773	55,947	174	0.3%
Retail Trade	136,329	141,327	141,511	184	0.1%
Transportation & Utilities	67,336	71,892	73,749	1,857	2.6%
<b>Service Sectors</b>	<b>619,825</b>	<b>628,696</b>	<b>637,109</b>	<b>8,413</b>	<b>1.3%</b>
Information	16,890	16,900	17,153	253	1.5%
Financial Activities	76,991	75,499	76,058	559	0.7%
Professional & Business Services	169,093	172,345	173,363	1,018	0.6%
Education & Health Services	197,884	199,302	201,595	2,293	1.2%
Leisure & Hospitality	110,437	115,942	120,244	4,302	3.7%
Other Services	48,530	48,708	48,697	-12	0.0%
<b>Government</b>	<b>250,905</b>	<b>248,683</b>	<b>249,090</b>	<b>407</b>	<b>0.2%</b>

\*Annual values are derived from average quarterly observations and projections.  
 (a) actual (e) estimated (f) forecasted  
 Source: CEDBR, BLS - CES



# Agenda

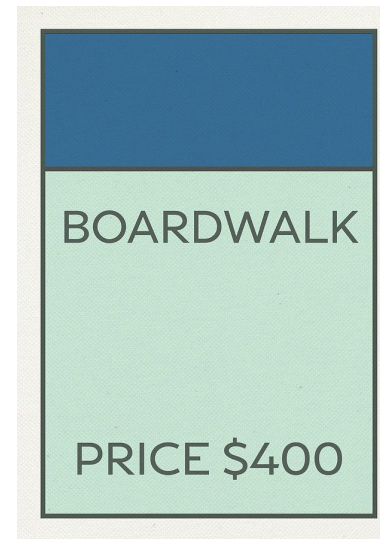
- **Road to Recession**
  - It is always inevitable
- **Household stability**
  - Buying power
- **Business Conditions**
  - Investments and sentiment
- **Outlook**
  - Planning through 2023



2020



2021



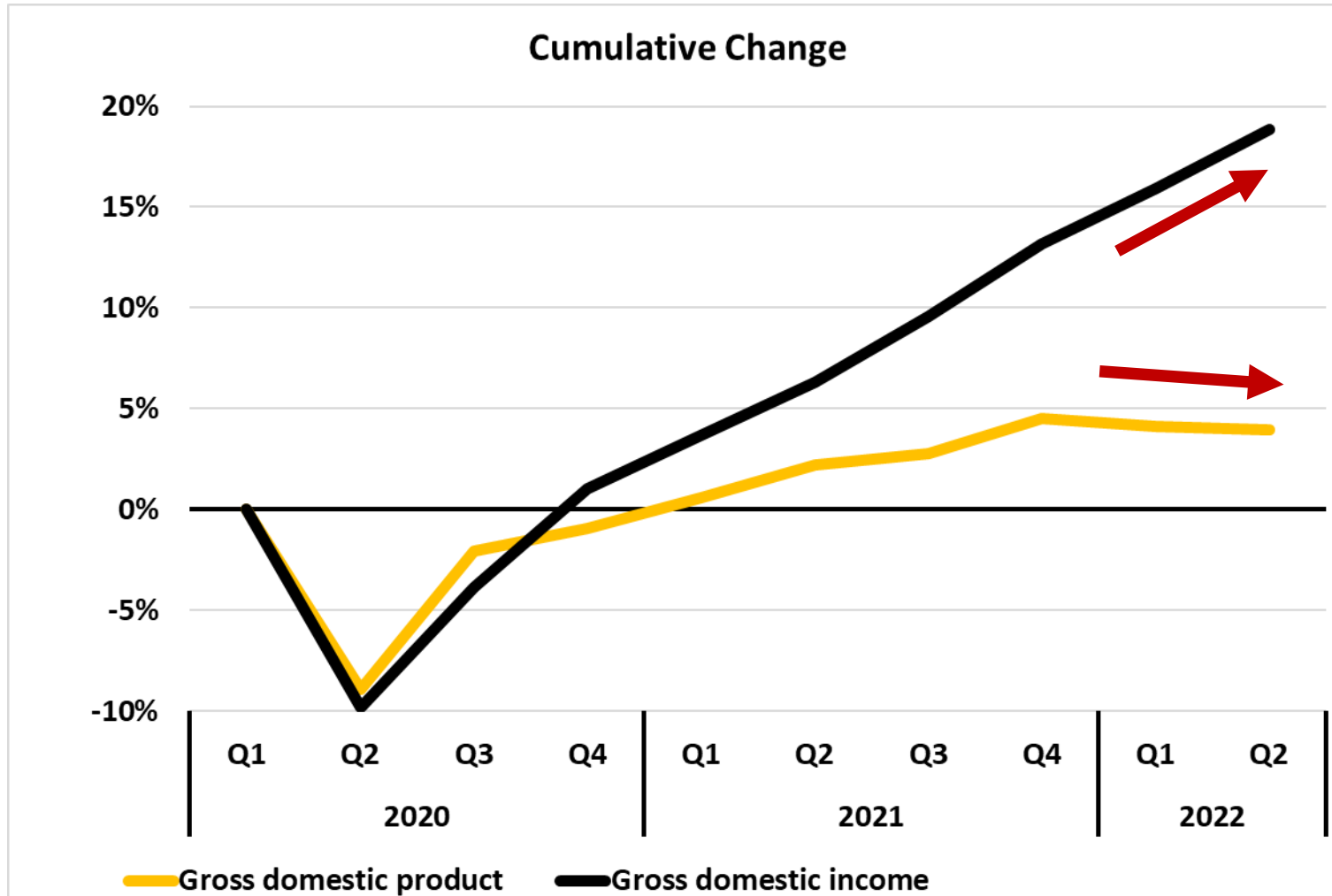
# Road to a recession

## Questions to be asked:

- Did we go into a recession in 2022?
- When will be the next recession?
- How severe will the recession be?
- What indicators should we be following?
- Who will declare a recession?
- What is the difference between a recession and a correction?



# GDP and GDI are misaligned

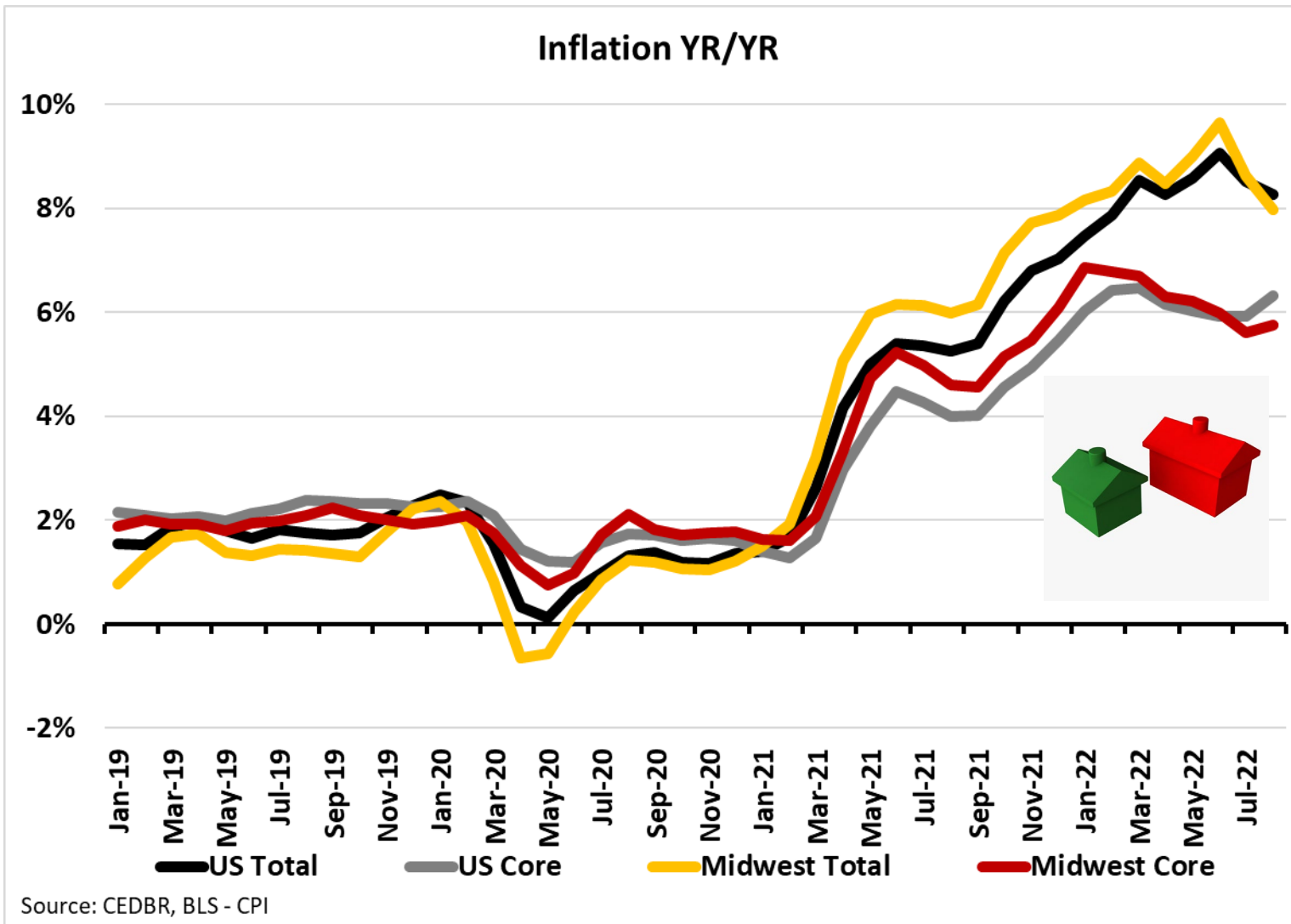


Source: CEDBR, BEA

- **Components GDP Decline**
  - Declining exports is moderately concerning, as that reflects broader global conditions.
  - The value of government activity is elusive and difficult to measure, making it not too valuable.
  - Inventory declines are not concerning, as firms overstocked input goods in 2021.
- **Components GDP Growth**
  - Personal consumption is the largest component of the US economy.



# Inflation is moderating



- **Core Inflation** = Less food and energy
- **Inflation** – there are signs that inflation over the next twelve months will be more persistent and less transitory.
- **US** – total inflation edged down in July and August.
- **Midwest (B/C)** – energy production is helping the Midwest.

# Potential Causes for a Recession

Russian Invasion

Inflation

Federal policy error

Global Slowdown

Continued negative  
consumer sentiment

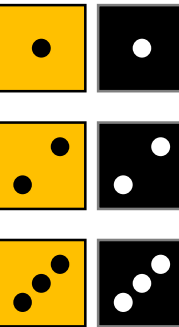
Market correction

Home prices

Tight labor market

Supply chain

Inventory levels



# Review - Road to Recession

- **Recessions are inevitable**
- **Nation Bureau of Economic Research (NBER) –**
  - “a significant decline in economic activity that is spread across the economy and that lasts more than a few months.”
- GDP and GDI are both likely to be revised
- Inflation and consumer sentiment are taking a toll on economic growth



A recession (short and shallow) would allow the overheated market to cool off and adjust to new market demands



A slowdown would take pressure off strained supply chains

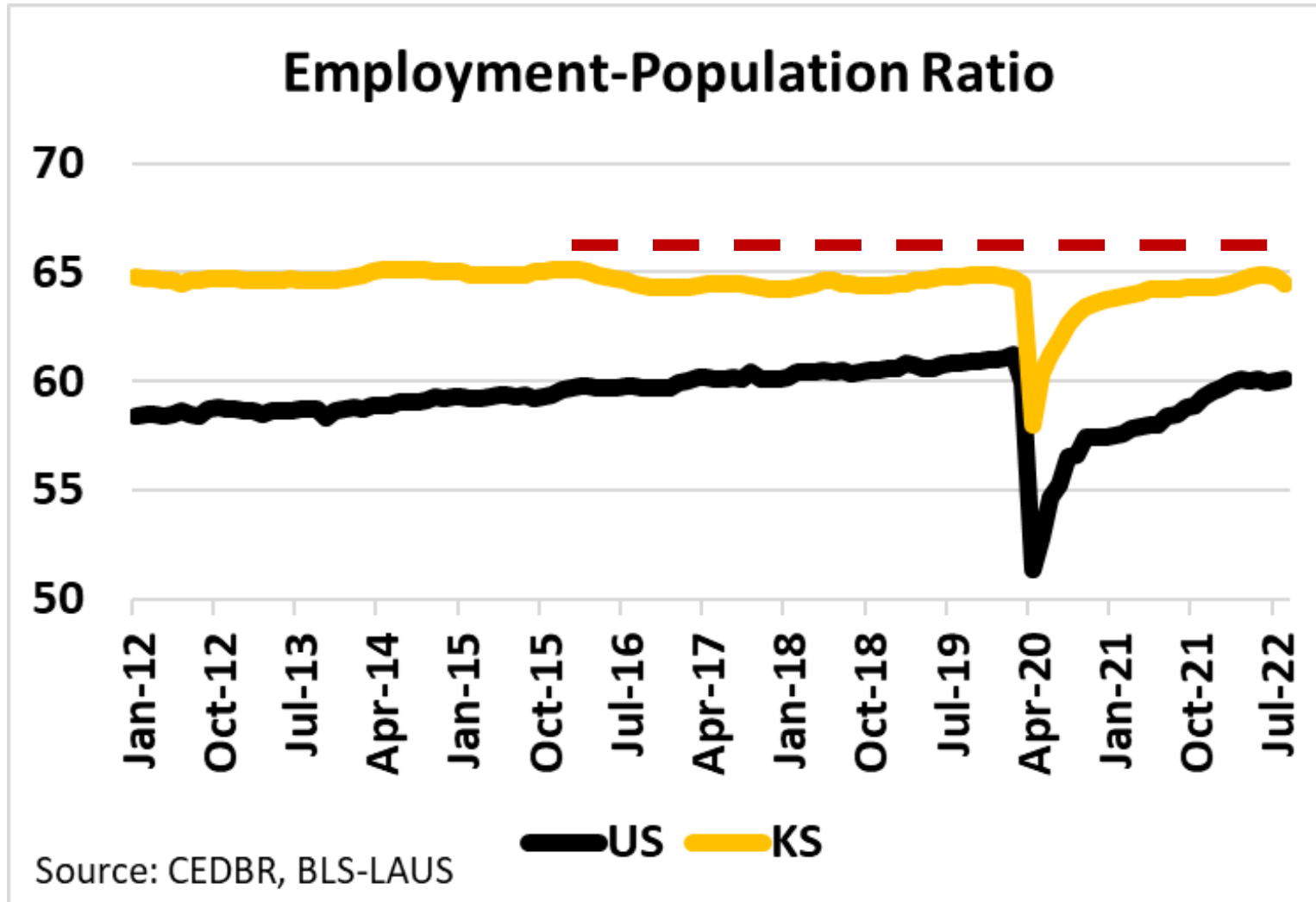


# Household Stability

- Are wages keeping up with inflation?
- How long can households withstand the inflationary pressure?
- Have the increases in wages been spread across all households?
- What regions of the state are in better shape?
- Have we run out of labor?



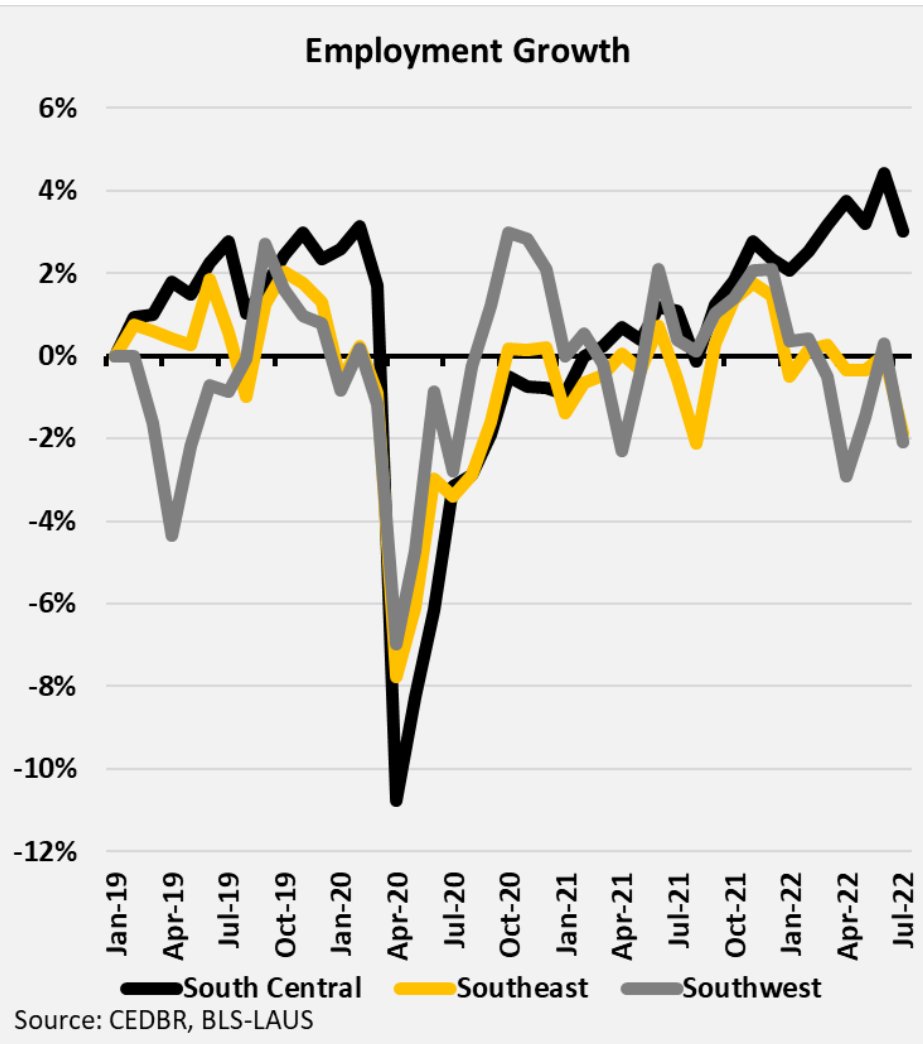
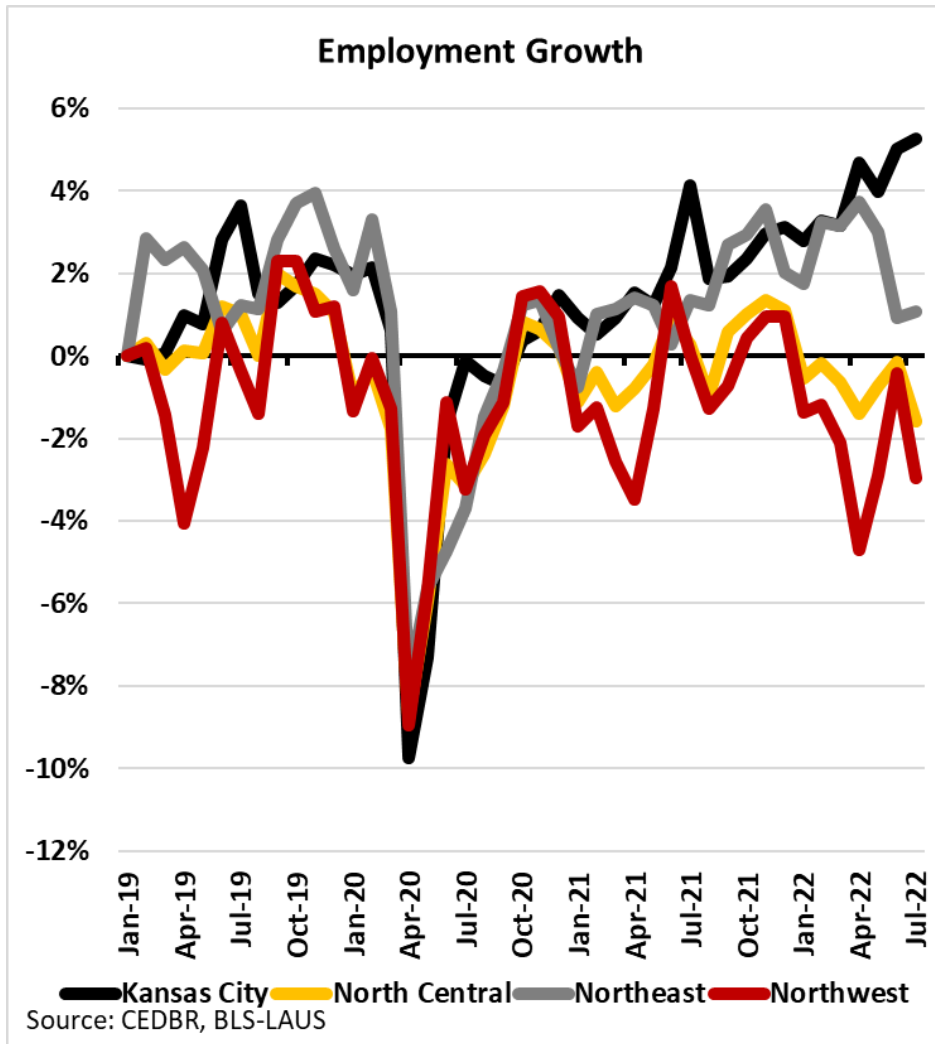
# Kansas remains near full employment



- **Kansas** employment-population ratio was about 65 all summer, indicating that 65% of the population over 16 have a job.
- **US prime age** (25-54) employment – population ratio reached its all time high and previous peak of 80.3 in August 2022.



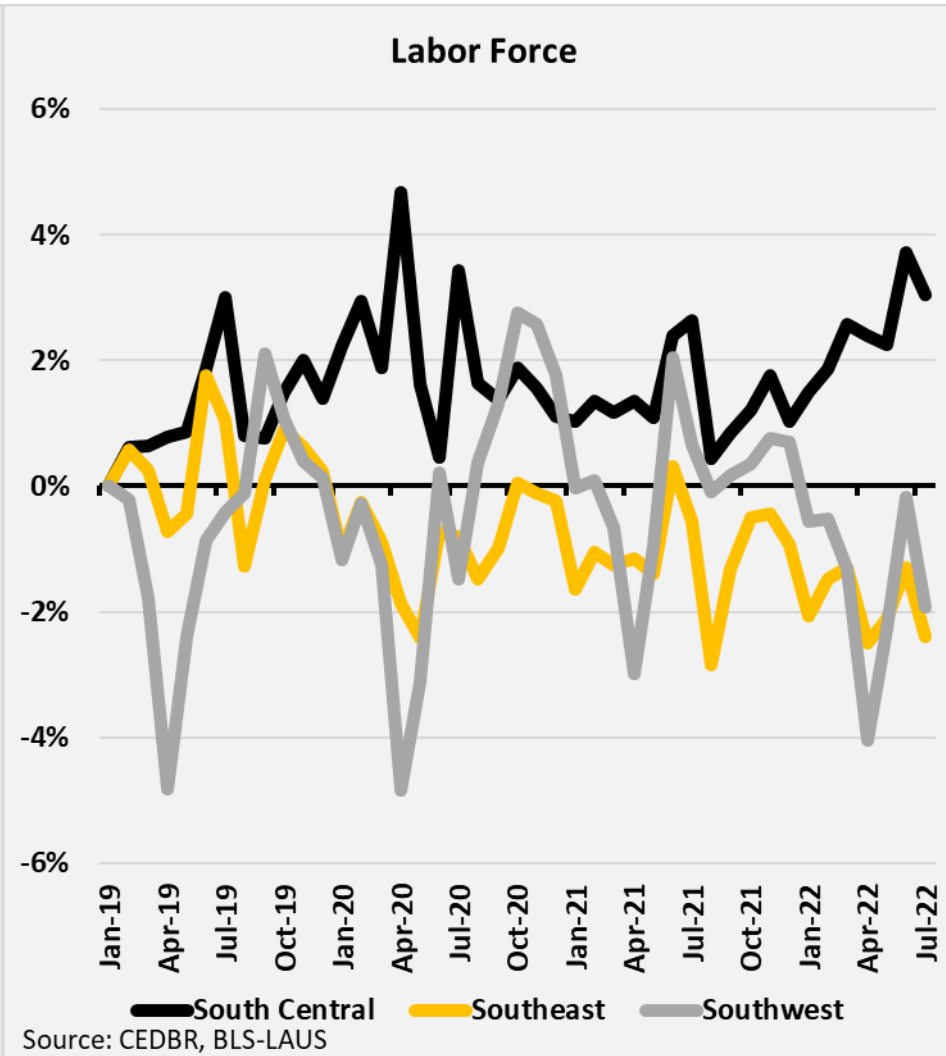
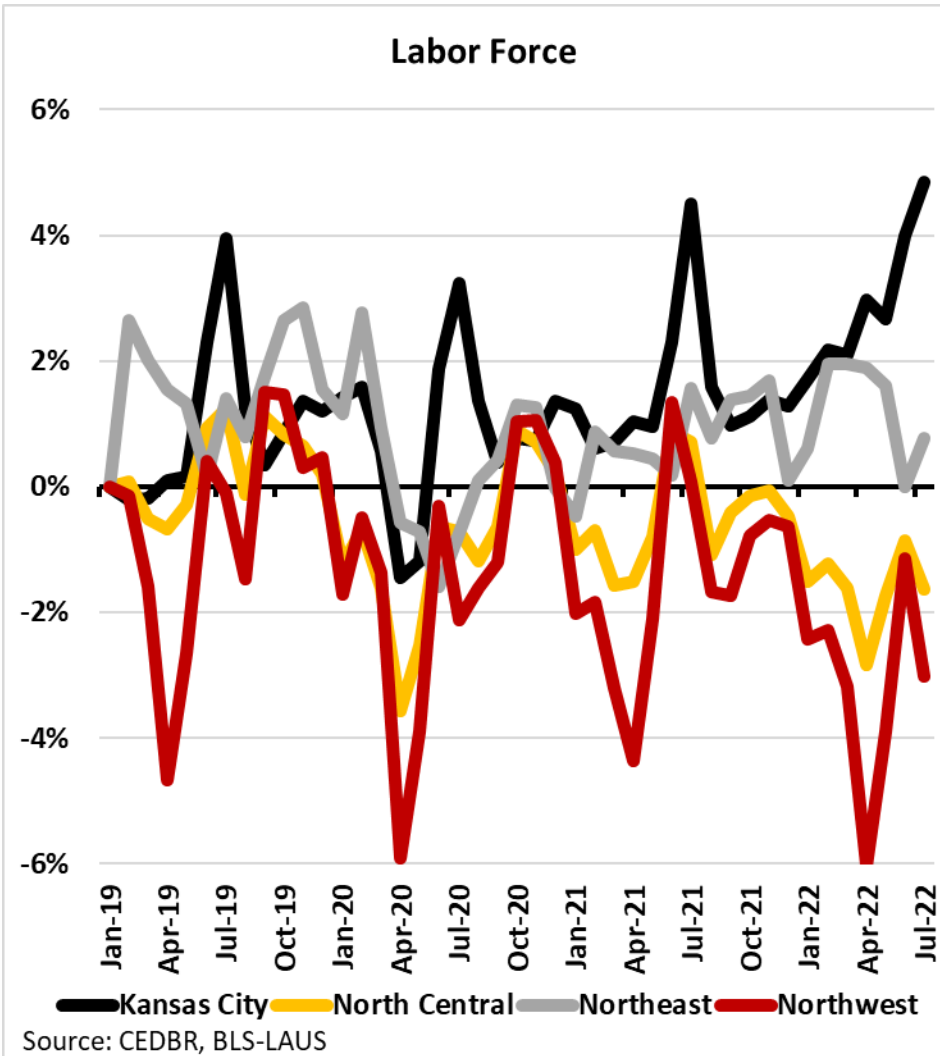
# KC, NE, and SC led the states growth in 2022



## Growth Since Jan 19

- **KC** is up **5.3%**
- **SC** peaked at **4.4%** in June of 2022.
- **NE** topped at **3.7%** in April but has since lost ground.

# Labor force increased in only three markets

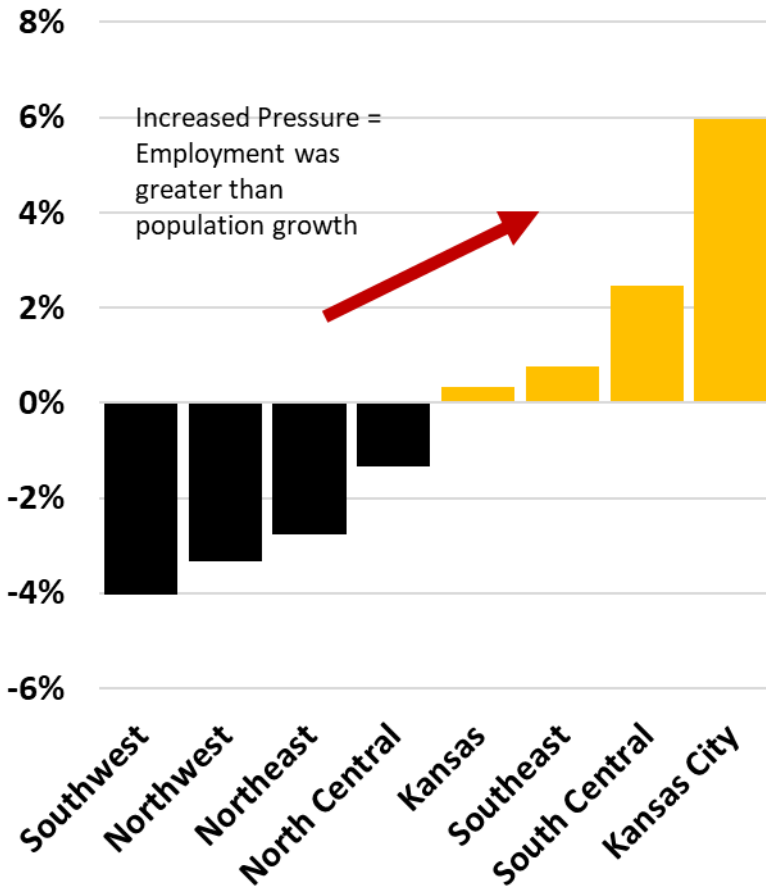


## Growth Since Jan 19

- **KC, NE, and SC** all three added its labor force in 2022.
- The **declines** in all other labor markets were **in line with employment trends**, indicating tight but balanced markets.

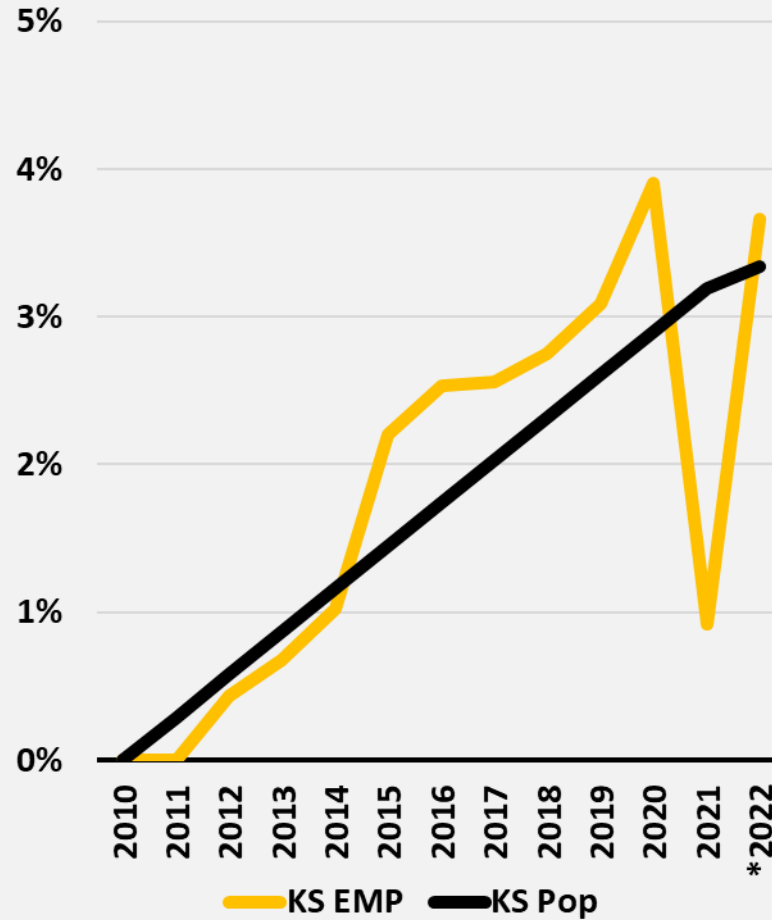
# New demand should increase population

Labor Market Pressure 2010-2022



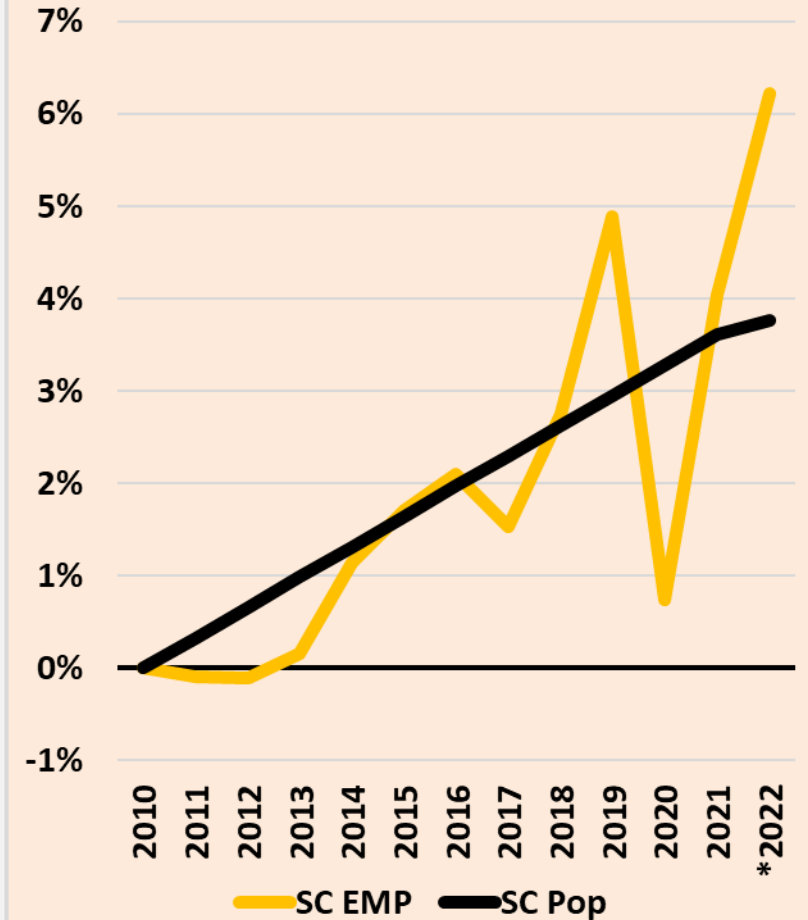
Source: CEDBR, LAUS, Census (EMP-Pop)

Cumulative Growth



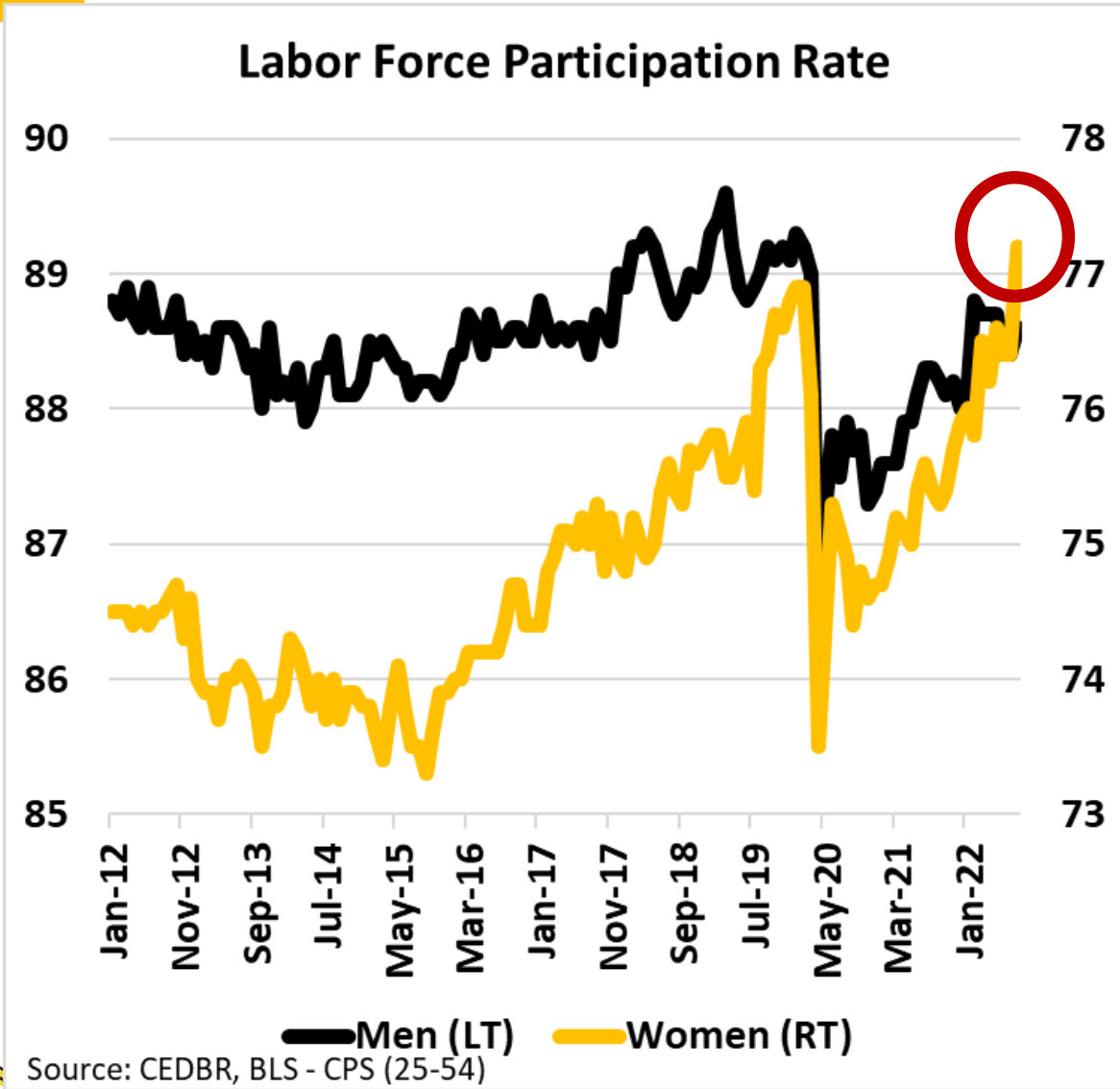
Source: CEDBR, LAUS, Census (\*July)

Cumulative Growth

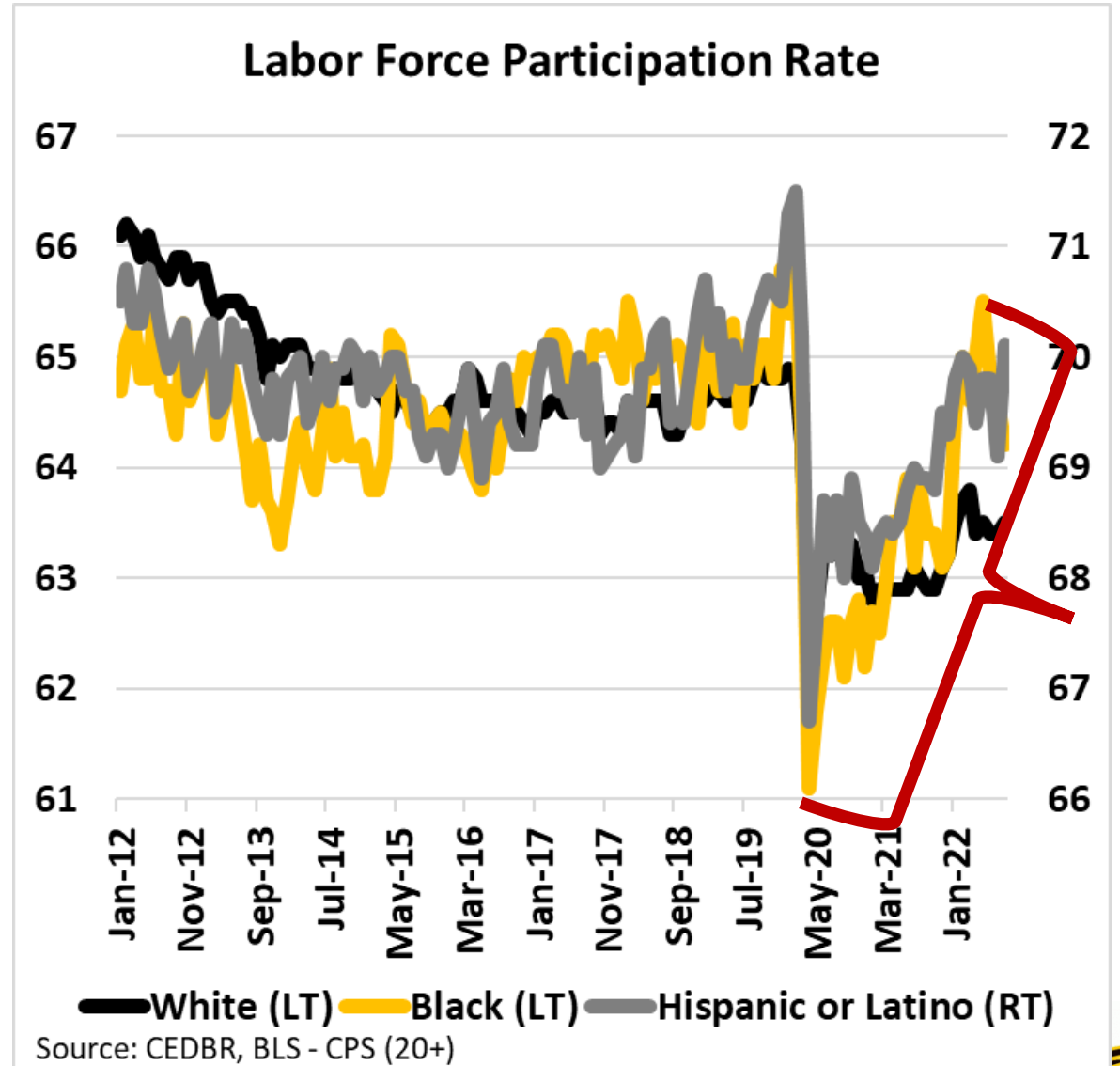


Source: CEDBR, LAUS, Census (\*July)

# The US labor opportunity has changed dramatically



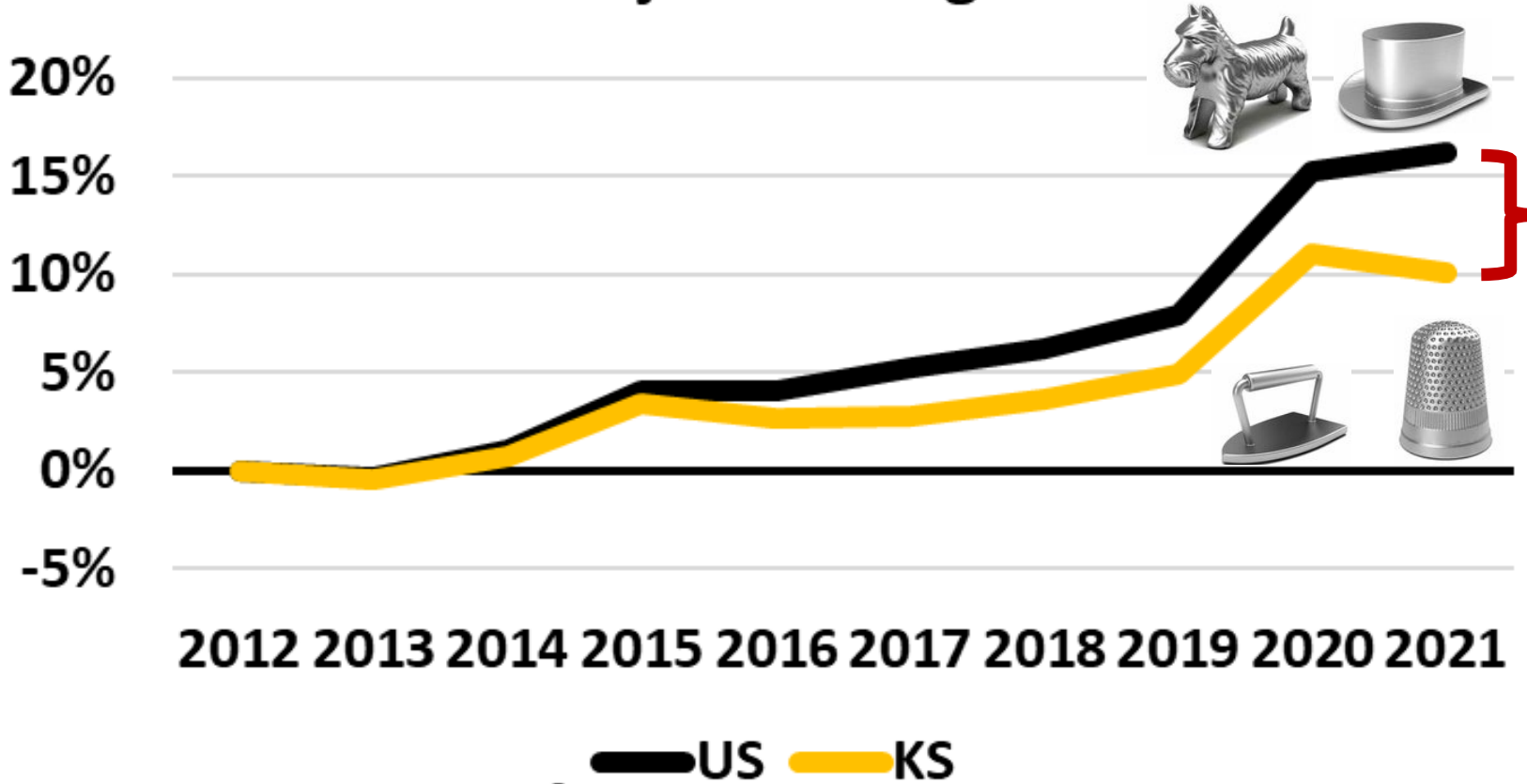
Source: CEDBR, BLS - CPS (25-54)



Source: CEDBR, BLS - CPS (20+)

# Kansas further lost ground in 2021

## Inflation Adjusted Wage Growth



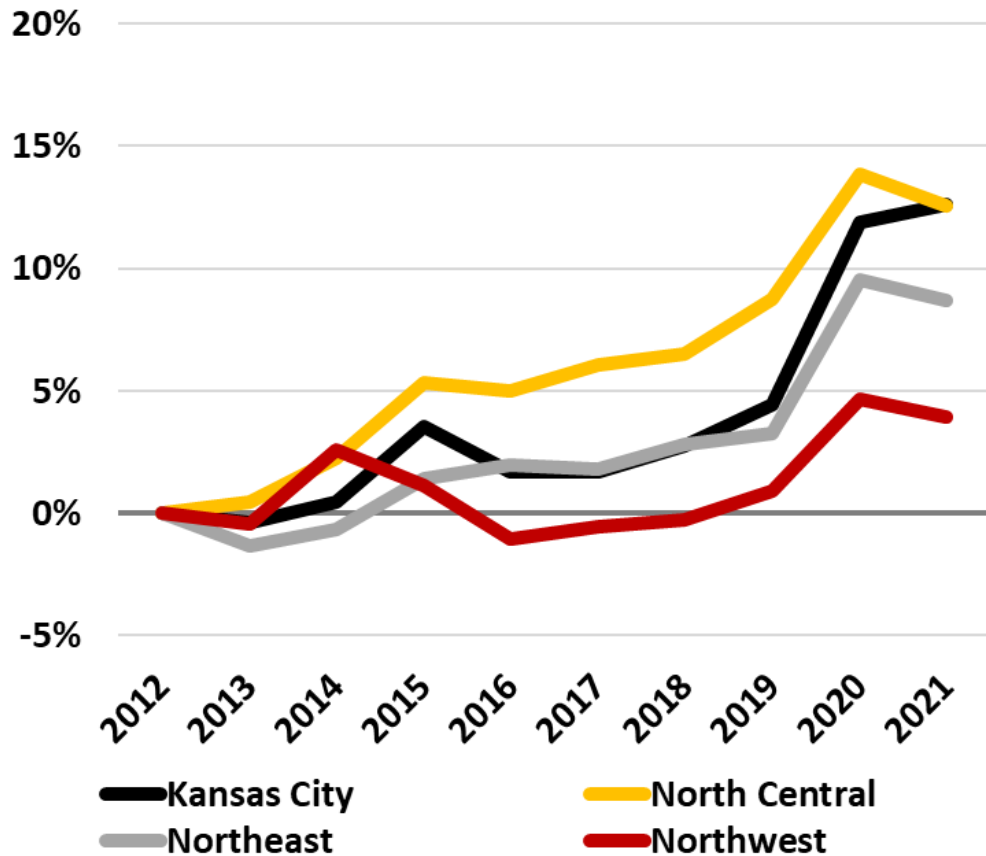
Source: CEDBR, BLS-QCEW & CPI

**US**  
**\$67,610**

**KS**  
**\$53,422**

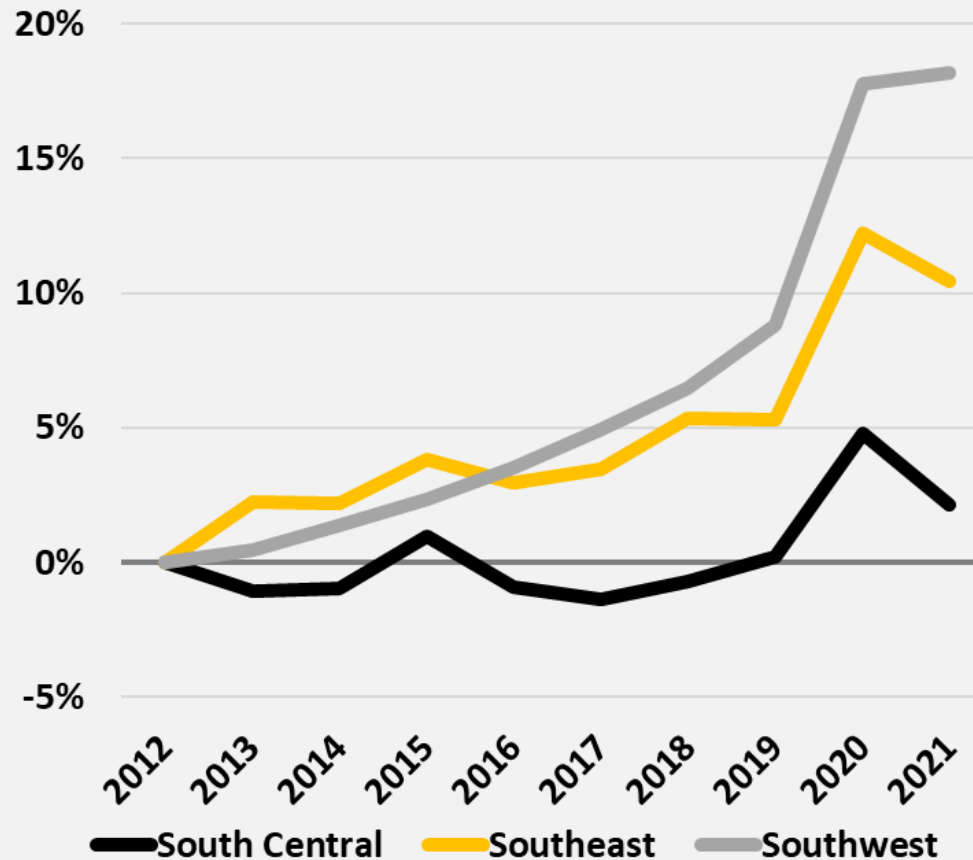
# Kansas City and Southwest were the only growth markets

Inflation Adjusted Wages



Source: CEDBR, BLS-QCEW & CPI

Inflation Adjusted Wages

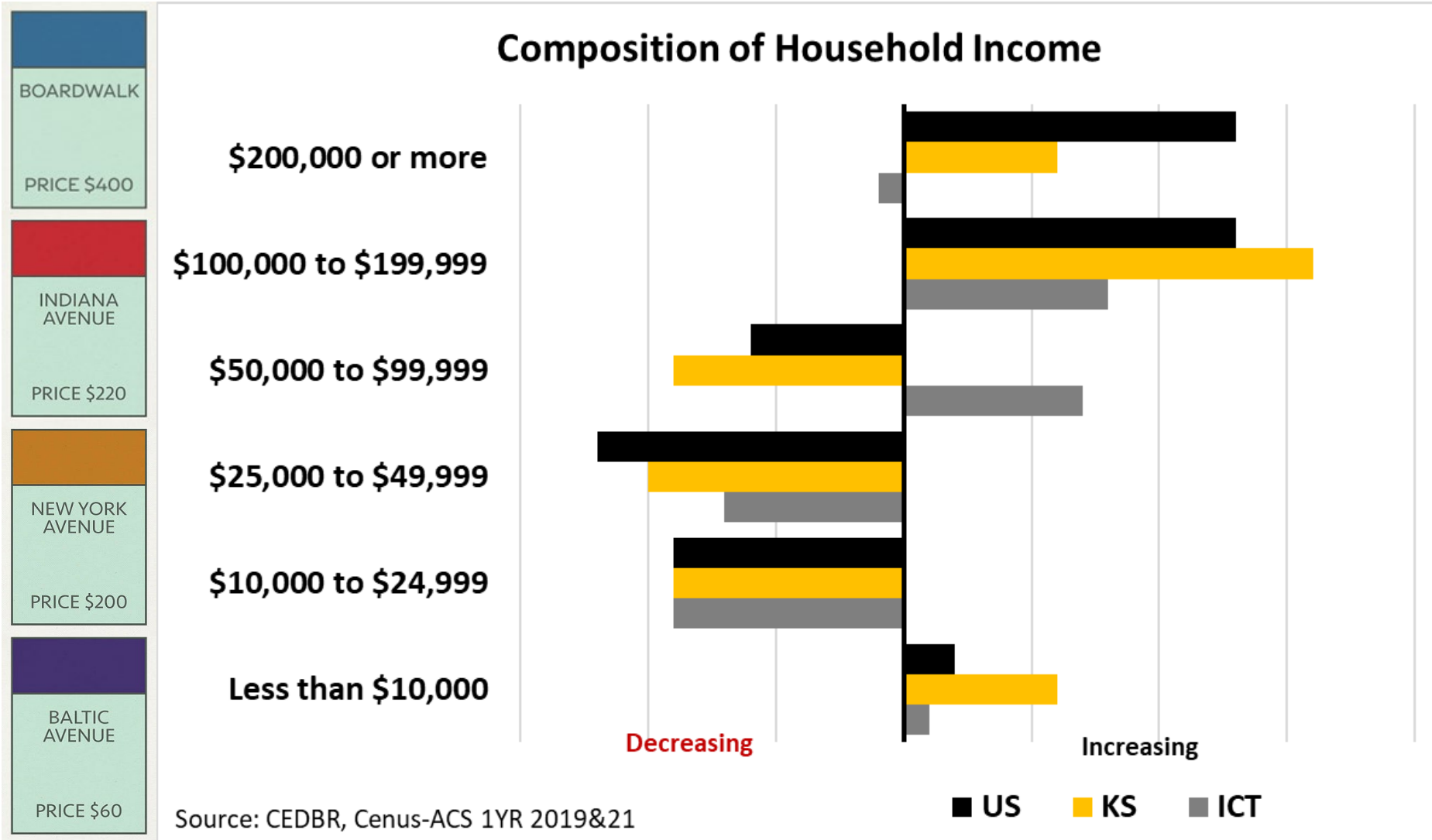


Source: CEDBR, BLS-QCEW & CPI

	2021
Kansas City	\$ 53,198
North Central	\$ 43,242
Northeast	\$ 46,713
Northwest	\$ 36,138
South Central	\$ 50,077
Southeast	\$ 39,944
Southwest	\$ 47,277



# KS and ICT created less high-income earners

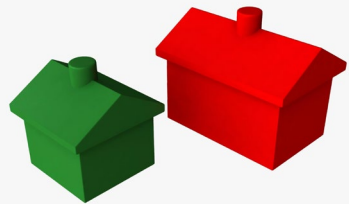


- **US** had the largest growth of households **over \$100,000**
- **KS** created a higher share of households with high incomes than **ICT**
- Growth in **low-income** households might be a function of **new part-time jobs within service and retail.**

# Review



- Employment opportunity remains high for Kansas households in 2022.
- The most opportunity was in Kansas City, South Central and Northeast markets.



- Kansas wages fell behind the nation during a period of historic inflation growth, which may further erode buying power within the state.



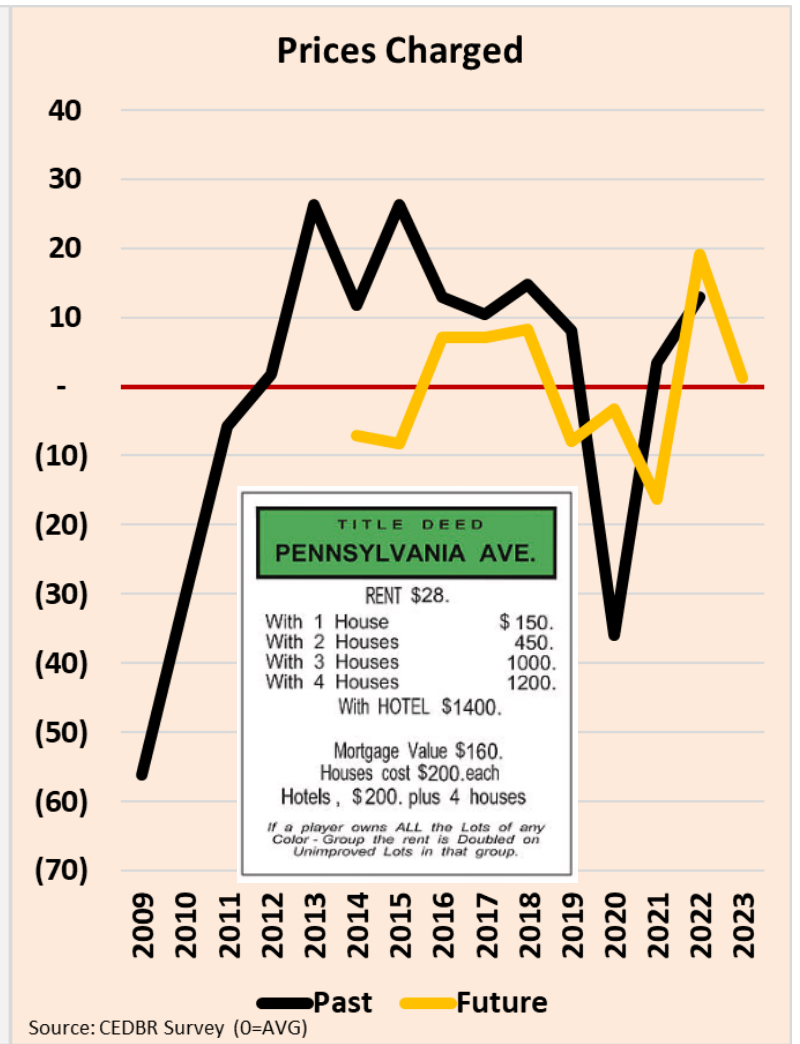
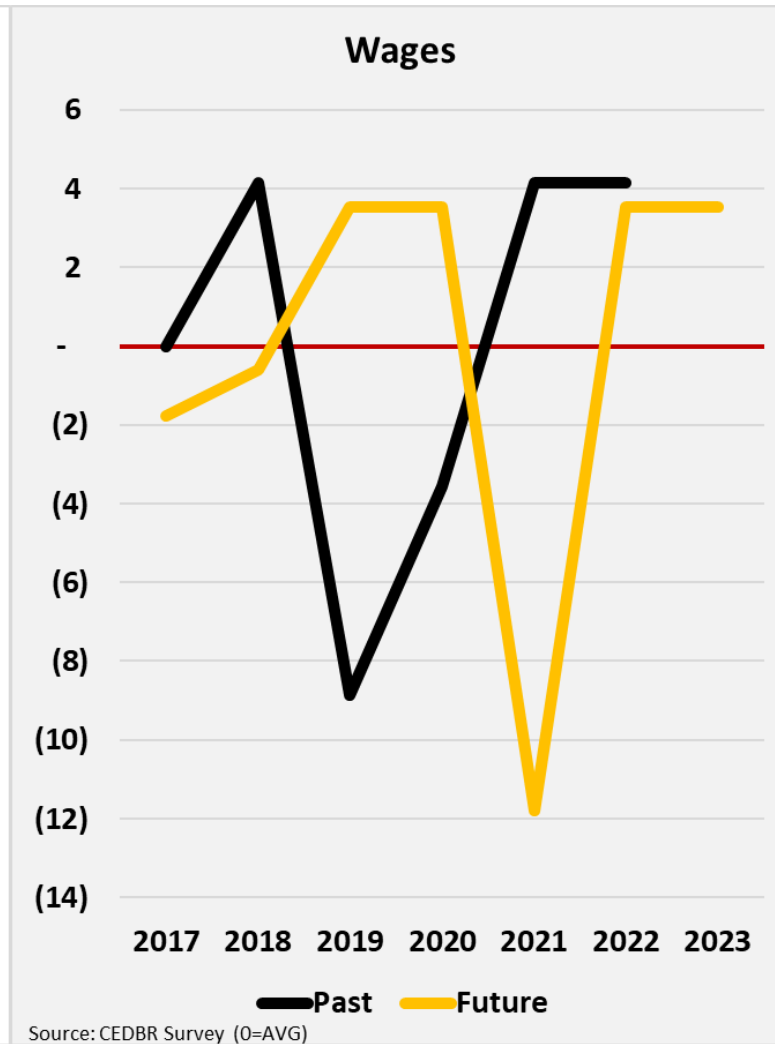
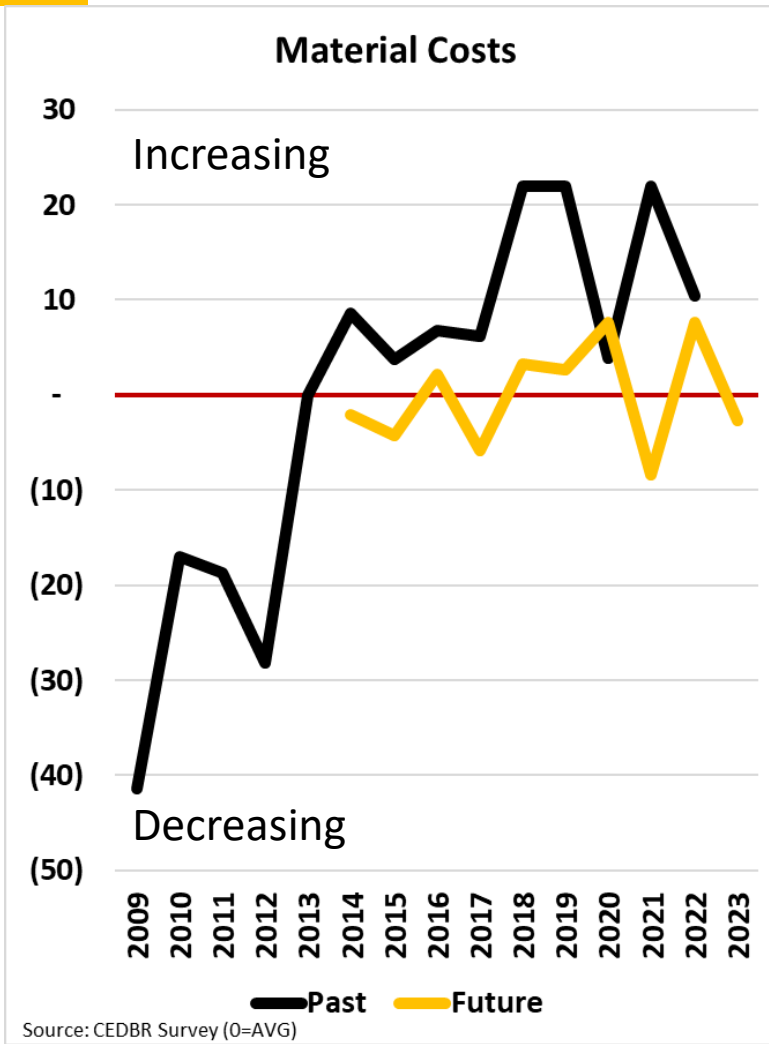
- There was a shift up in household incomes, but Kansas and Wichita did not capture the highest income earners.

# Business Conditions

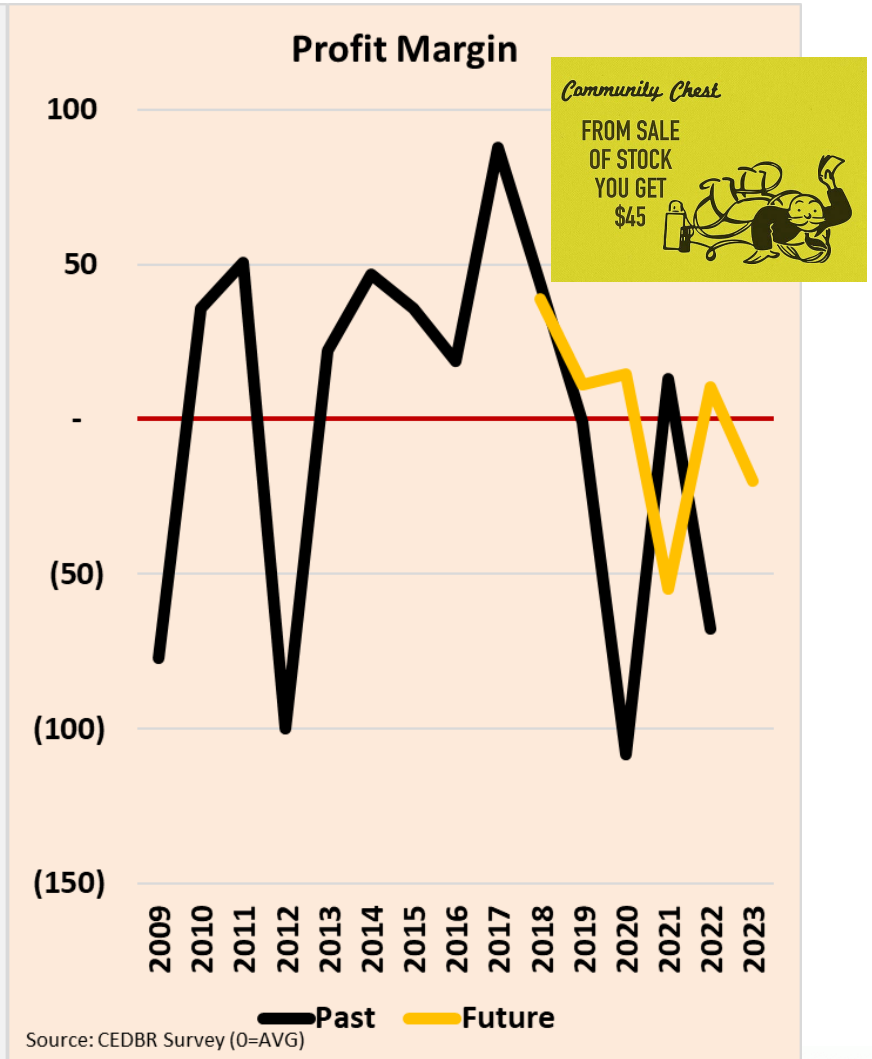
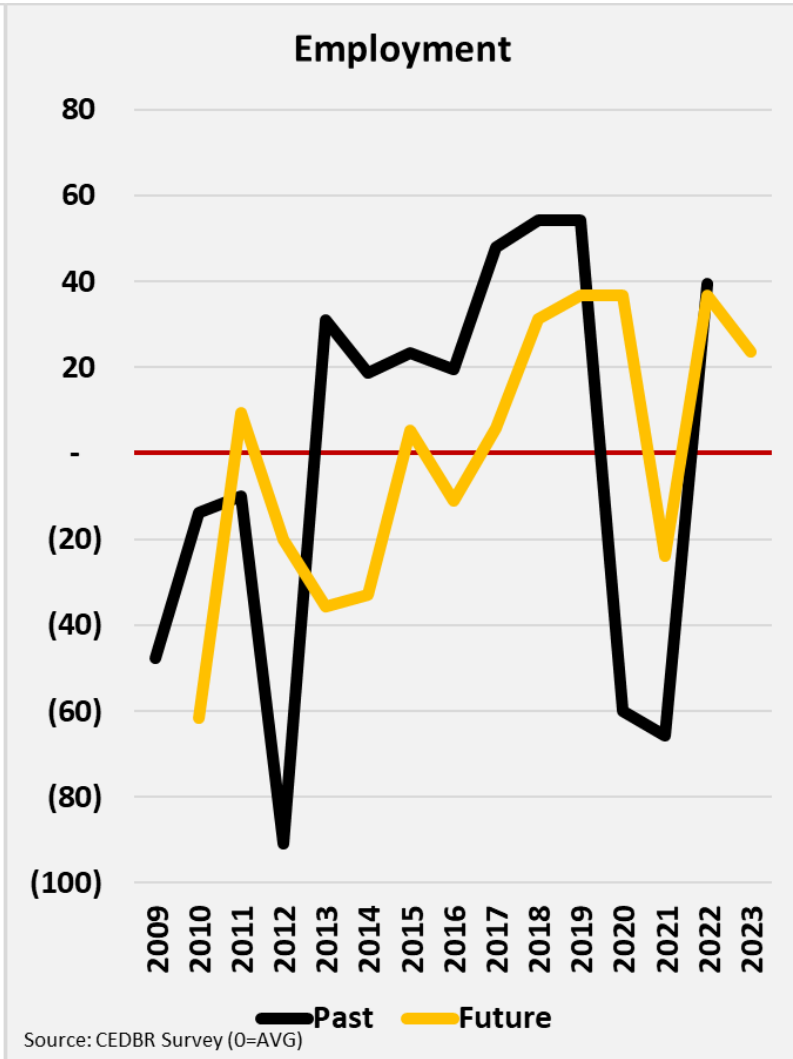
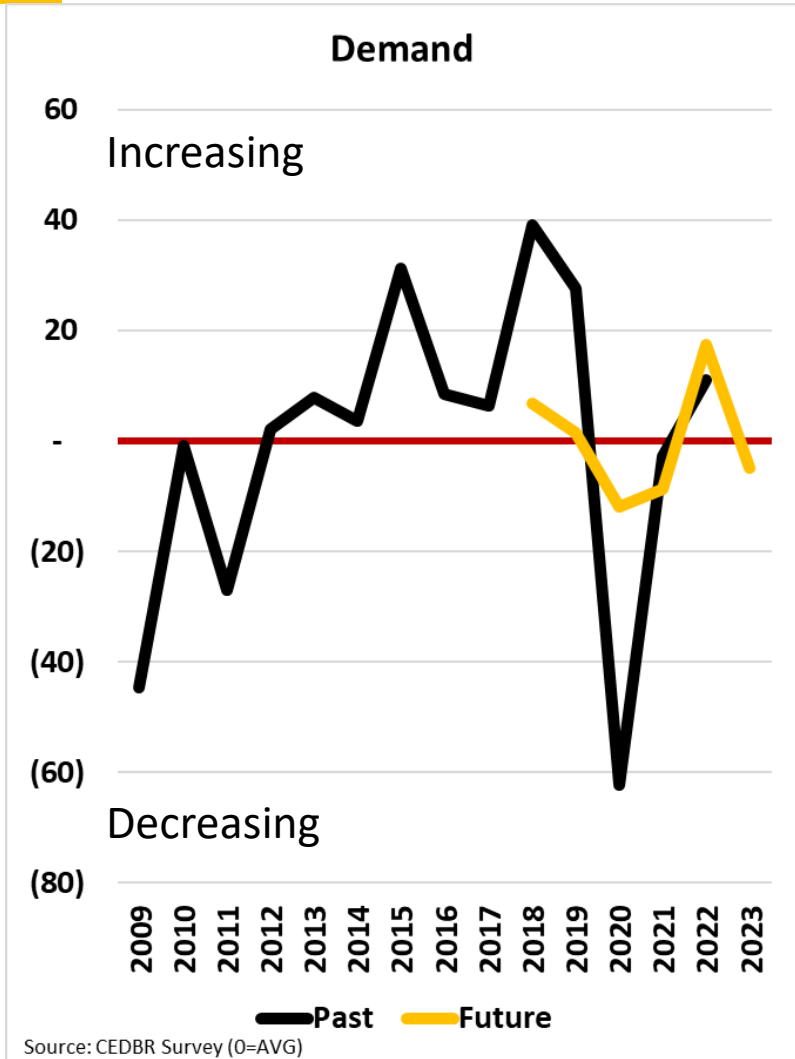
- Will demand dissipate in 2023?
- How much has inflation eroded profit margins?
- Will firms be battling out a wage war to find talent next year?
- What is the growth opportunity for aerospace?
- How will the Panasonic expansion impact the supply of manufacturing labor?
- Will food manufacturing slow down after a several year run?
- Will leisure and hospitality ever come back?



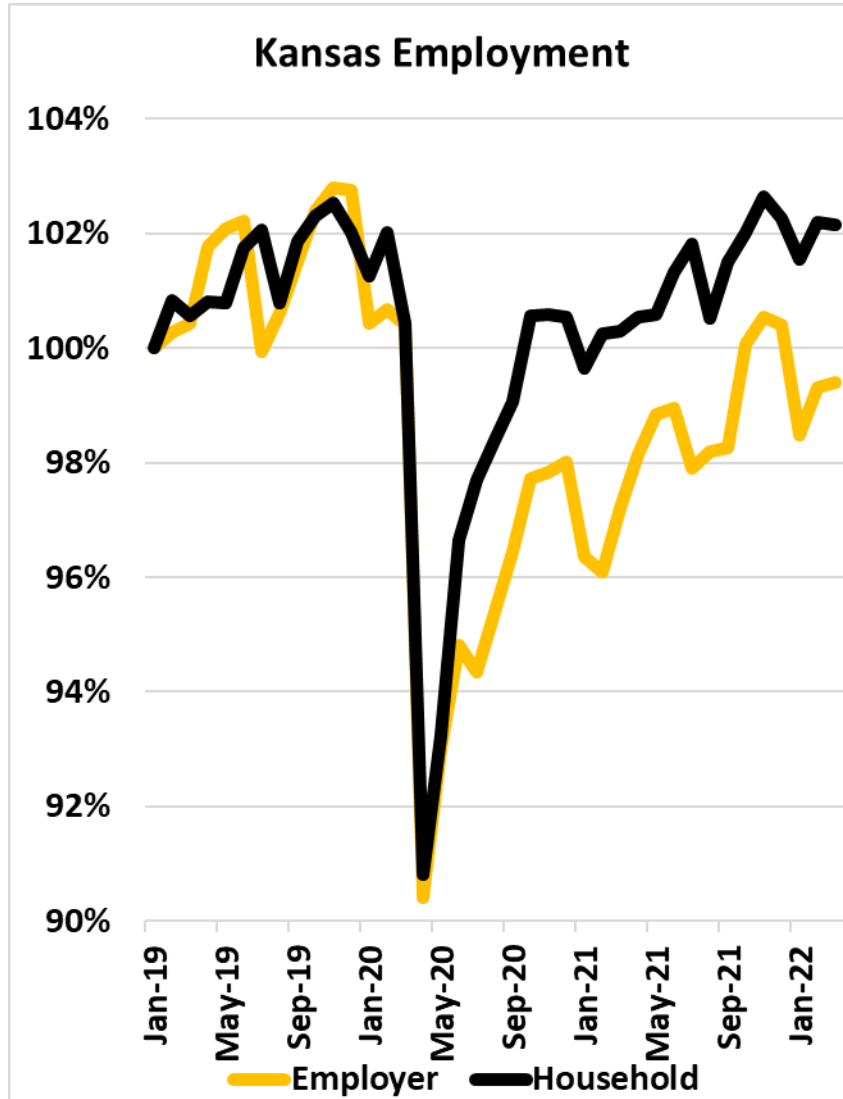
# KS firms expect to continue the wage battle in 2023



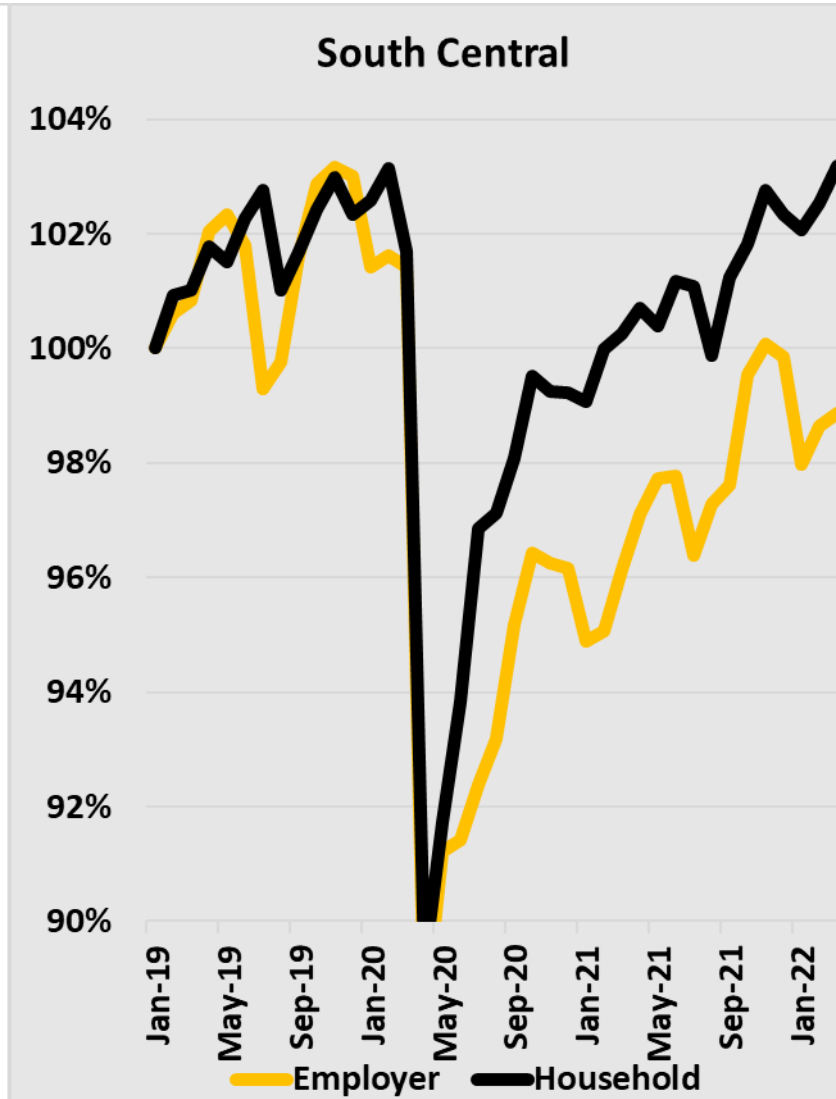
# The fight for labor will continue into 2023



# Firms are still struggling to find labor



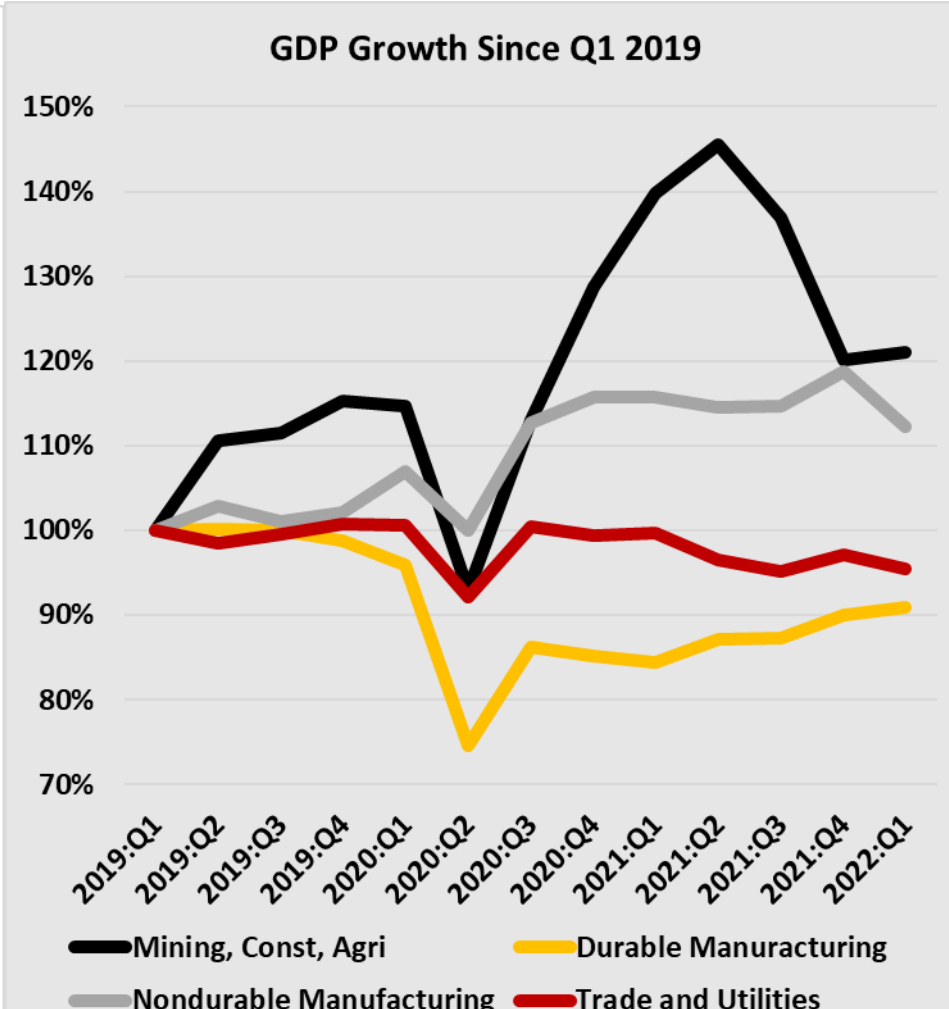
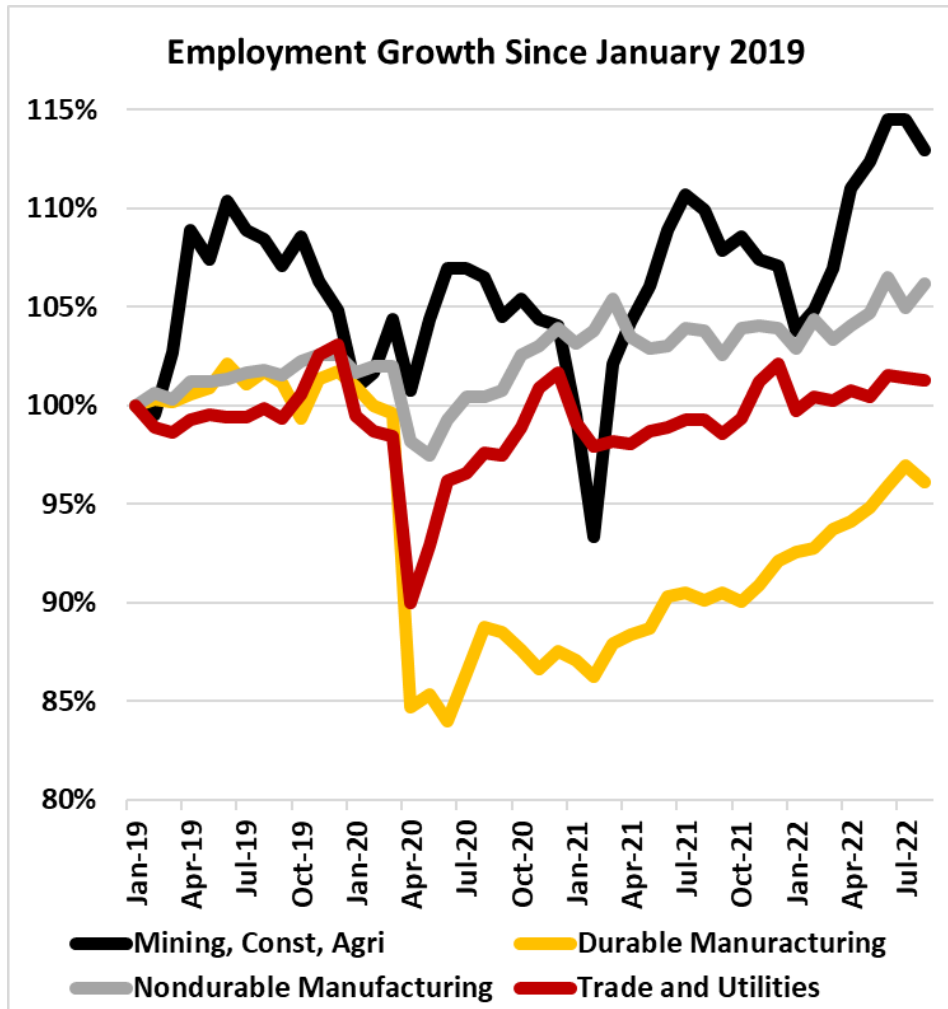
Source: CEDBR, BLS-QCEW and LAUS



Source: CEDBR, BLS-QCEW and LAUS

- **KS** firm employment is still **below its previous peak** despite **household** employment **fully recovering**.
- **SC** household employment **grew faster** than **firm** employment.

# Const. and manufacturing led the production sector



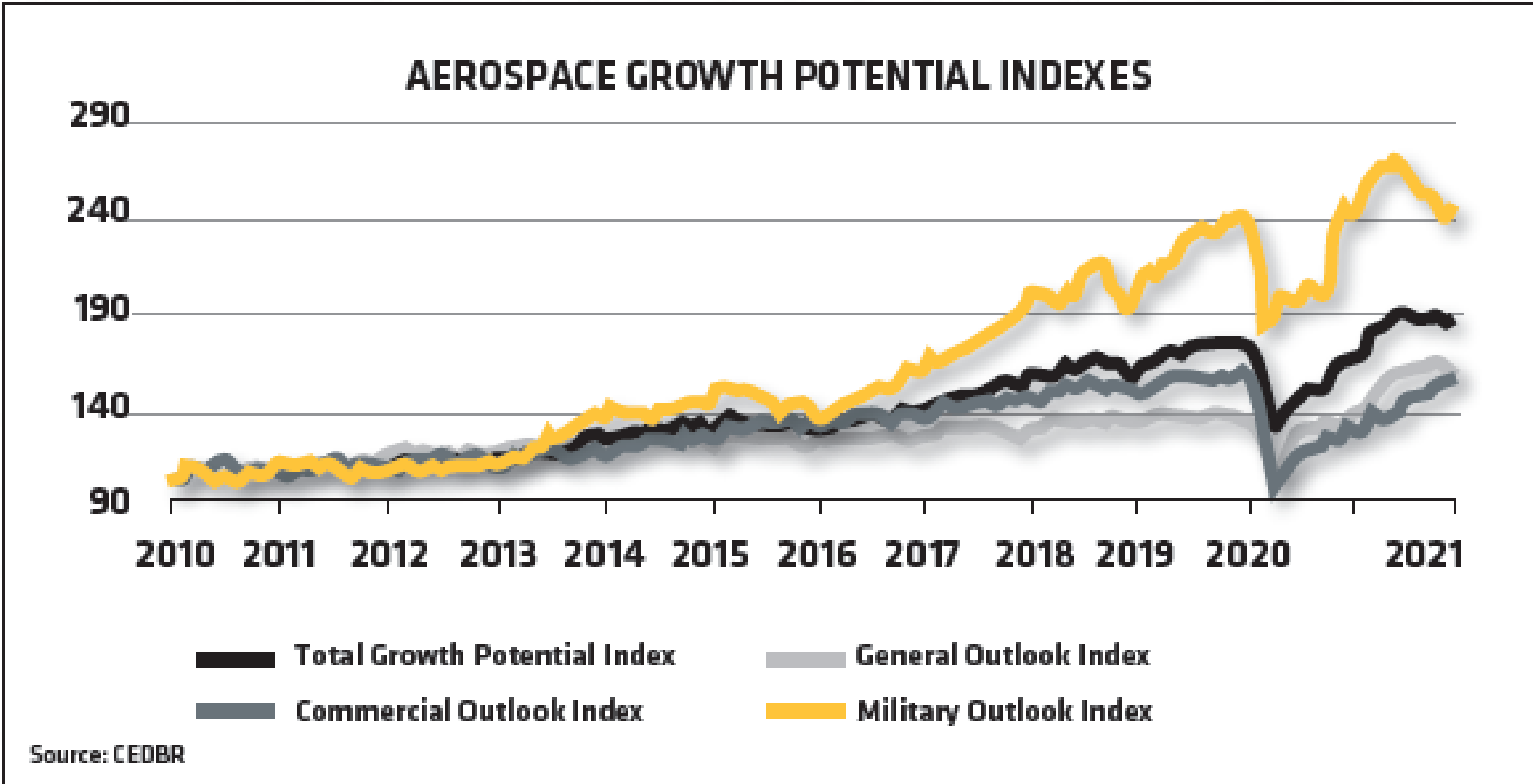
- **Retail trade** employment gradually **increased**
- **Durable goods manufacturing** is on a **steady growth** pace in both **employment** and **output**

Source: CEDBR, BLS - CES

Source: CEDBR, BEA



# The aerospace outlook remains strong

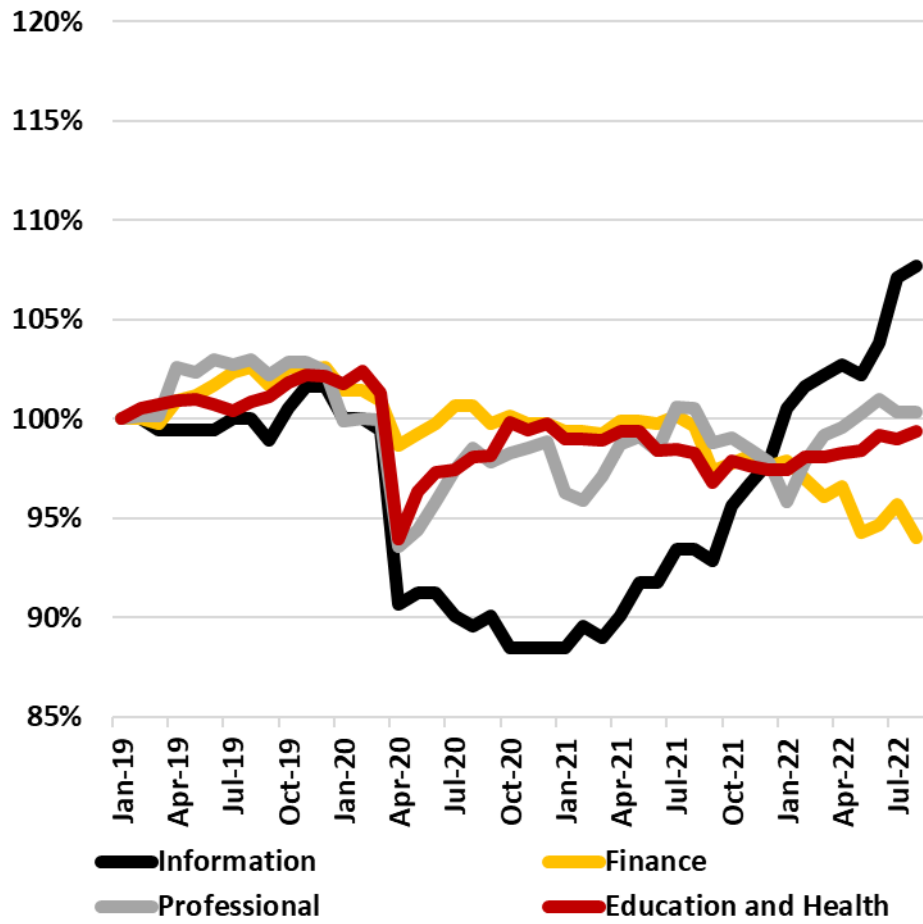




# Information excelled in 2022

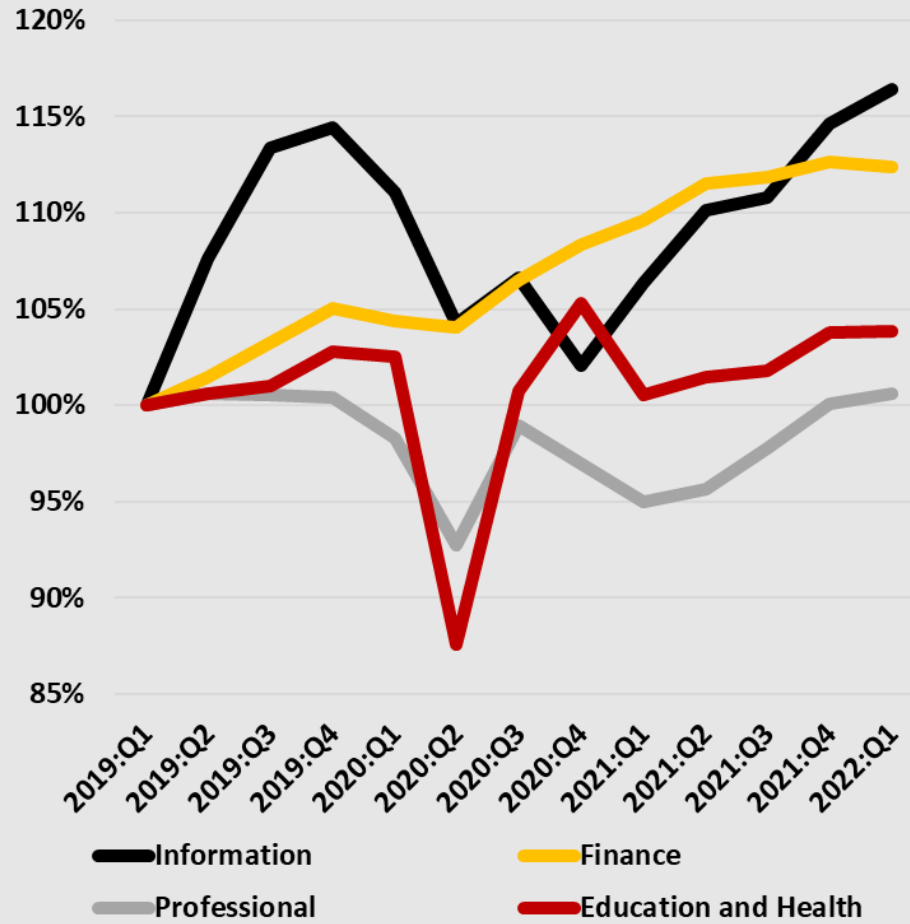


Employment Growth Since January 2019



Source: CEDBR, BLS - CES

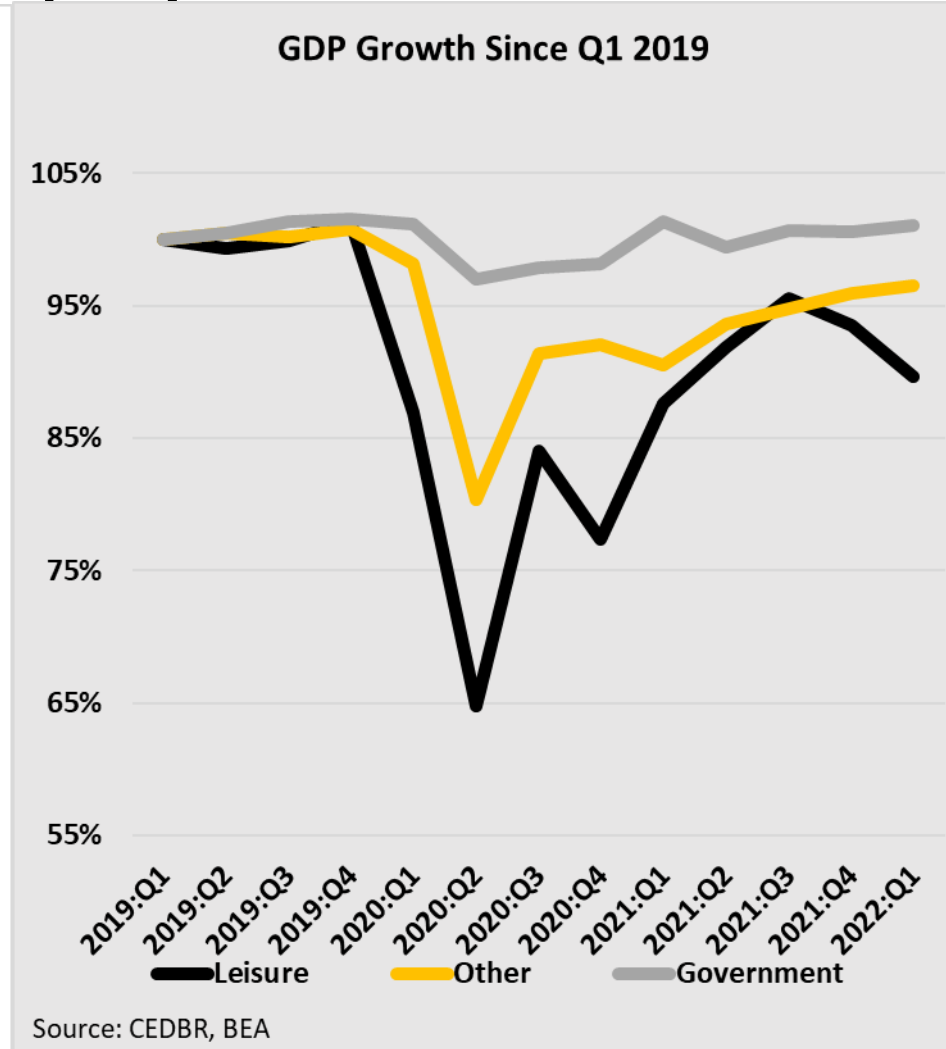
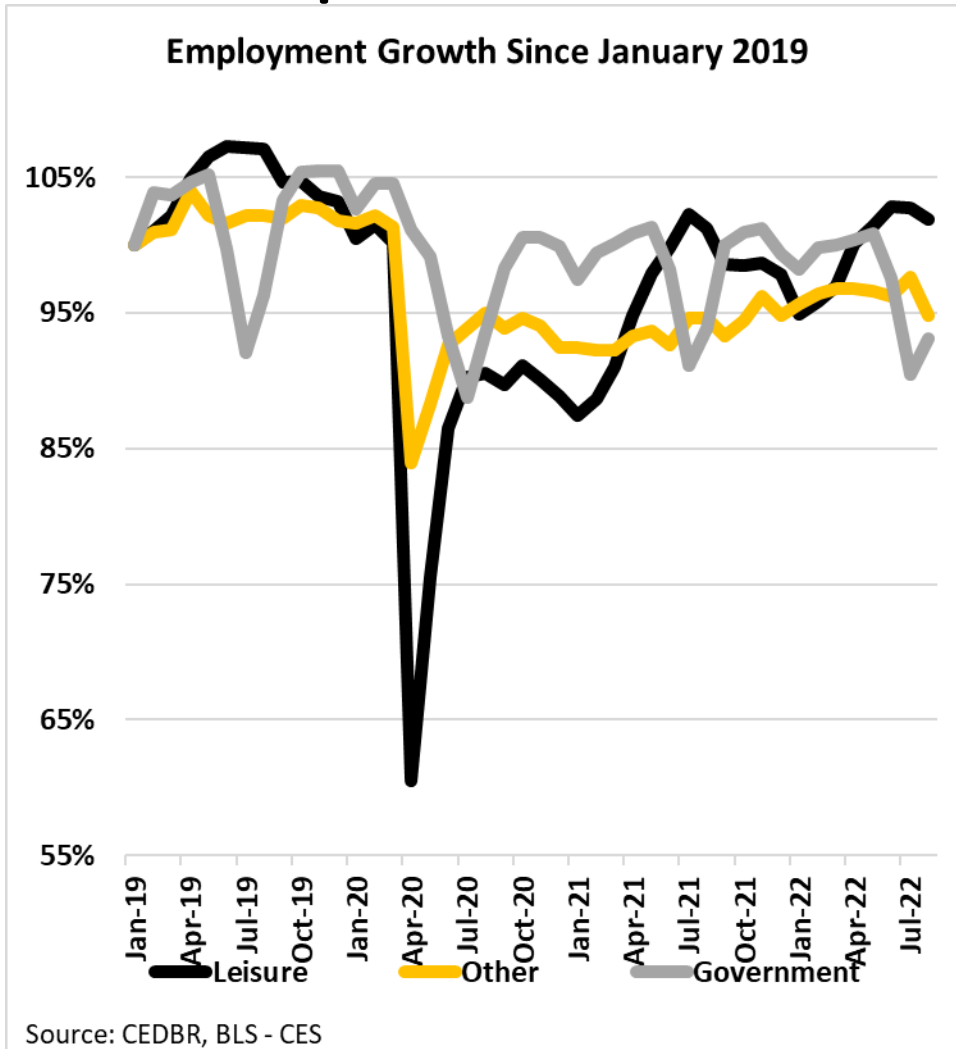
GDP Growth Since Q1 2019



Source: CEDBR, BEA

- **Finance grew** despite losses in employment
- **Professional services is nearing** its previous **peak**
- Growth within **information** was **solely** from **data processing and hosting**, which includes computer programmers, analysts, and software developers

# Leisure, other, and government struggled with wage compensation and employment attraction



- **Government** and **Other Services** both experienced **some increase** in output.
- **Leisure** and **hospitality regained** some employment during the summer **but remained below** its previous peak. Ongoing negative consumer sentiment thwarted potential growth.



# Review



- Kansas firms will continue to battle for workers into 2023.
- Rebalancing wages will be a top priority to retain talent.

- Businesses expect demand and profit margins to soften after a record year.

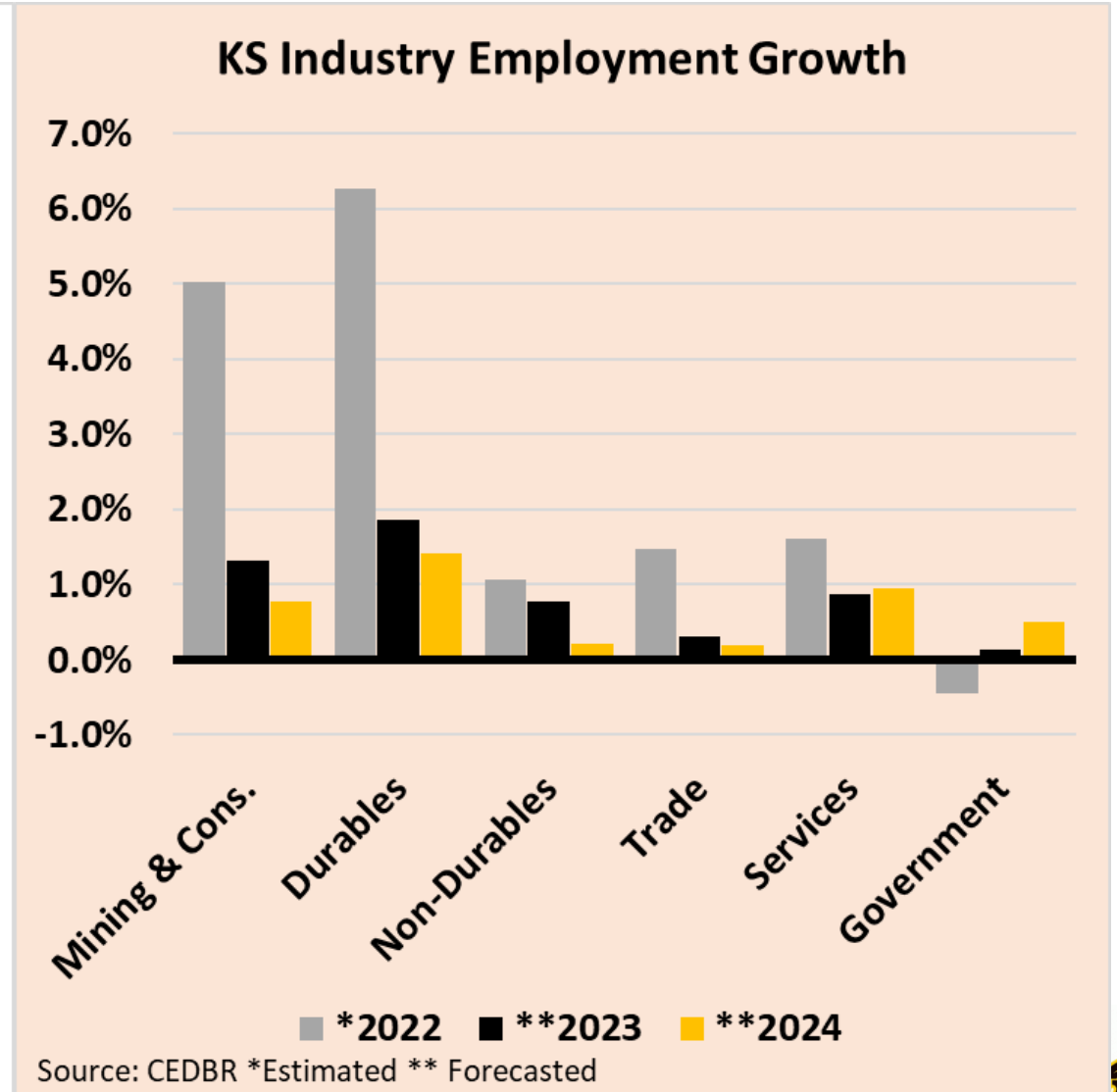
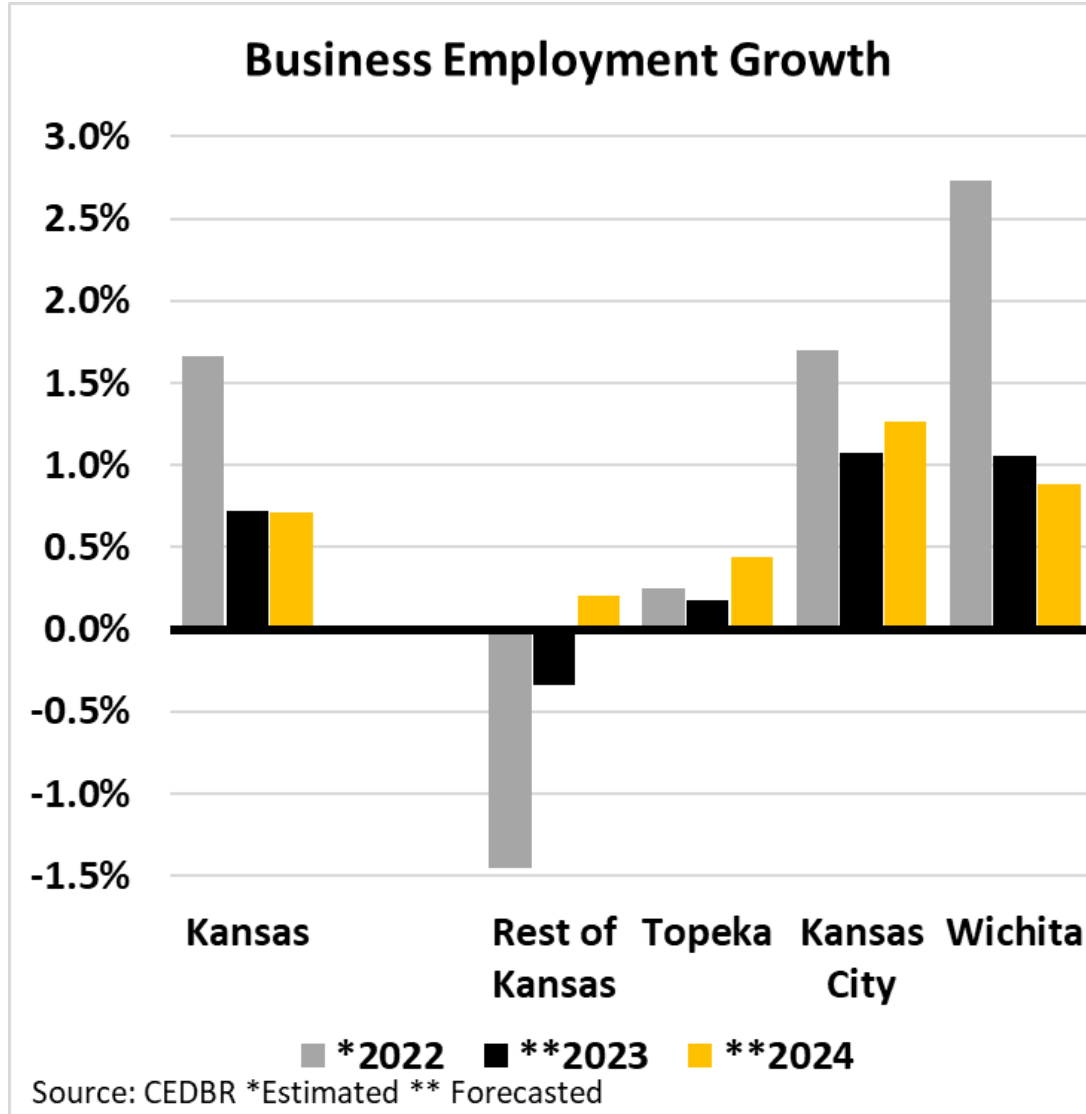
- Manufacturing, construction, and data processing and hosting all three experienced strong growth in 2022.

# Outlook

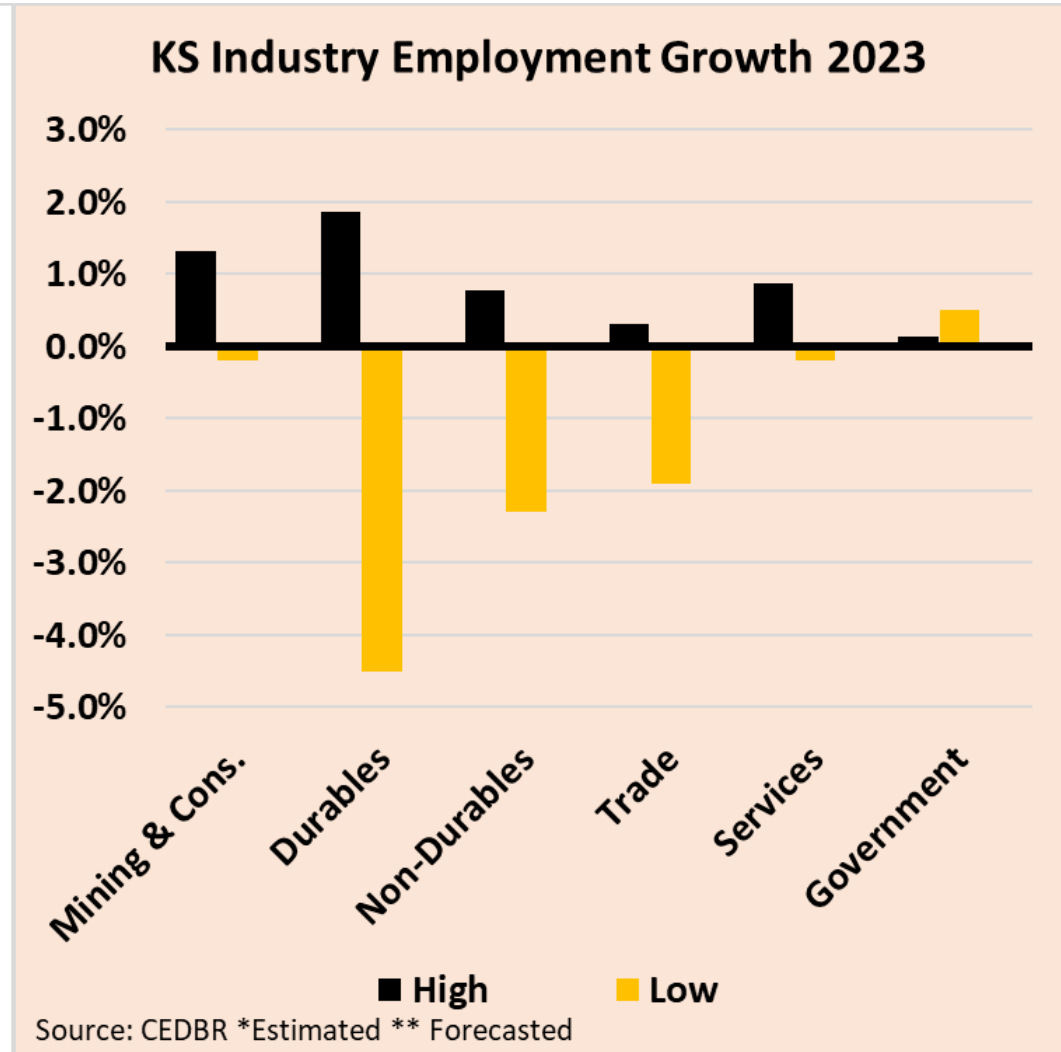
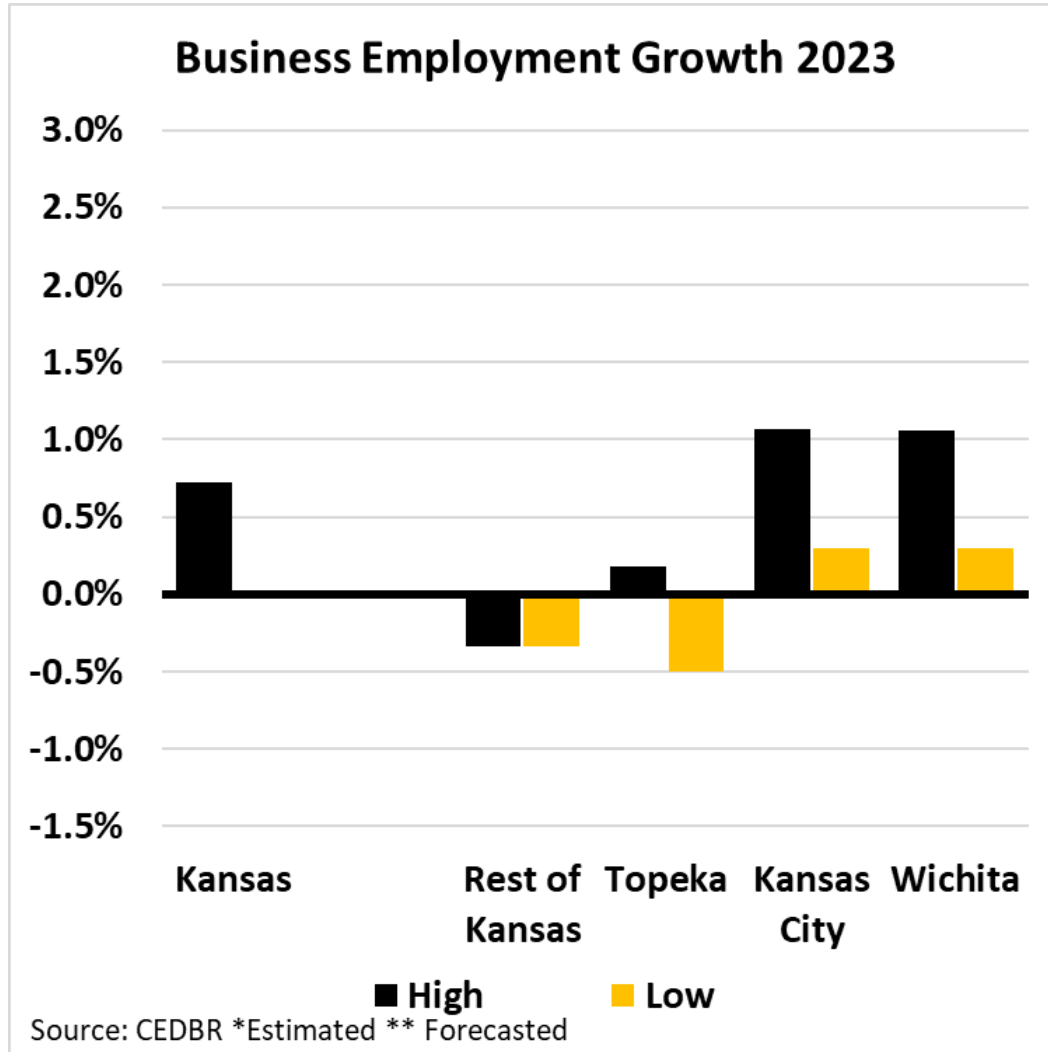
- Will there be a recession in 2023?
- Will firms be able to find needed labor to meet demand?
- How competitive will the wage market be next year?
- What regions of the state will lead the growth?
- Can consumers continue their spending pace through the remainder of 2022?



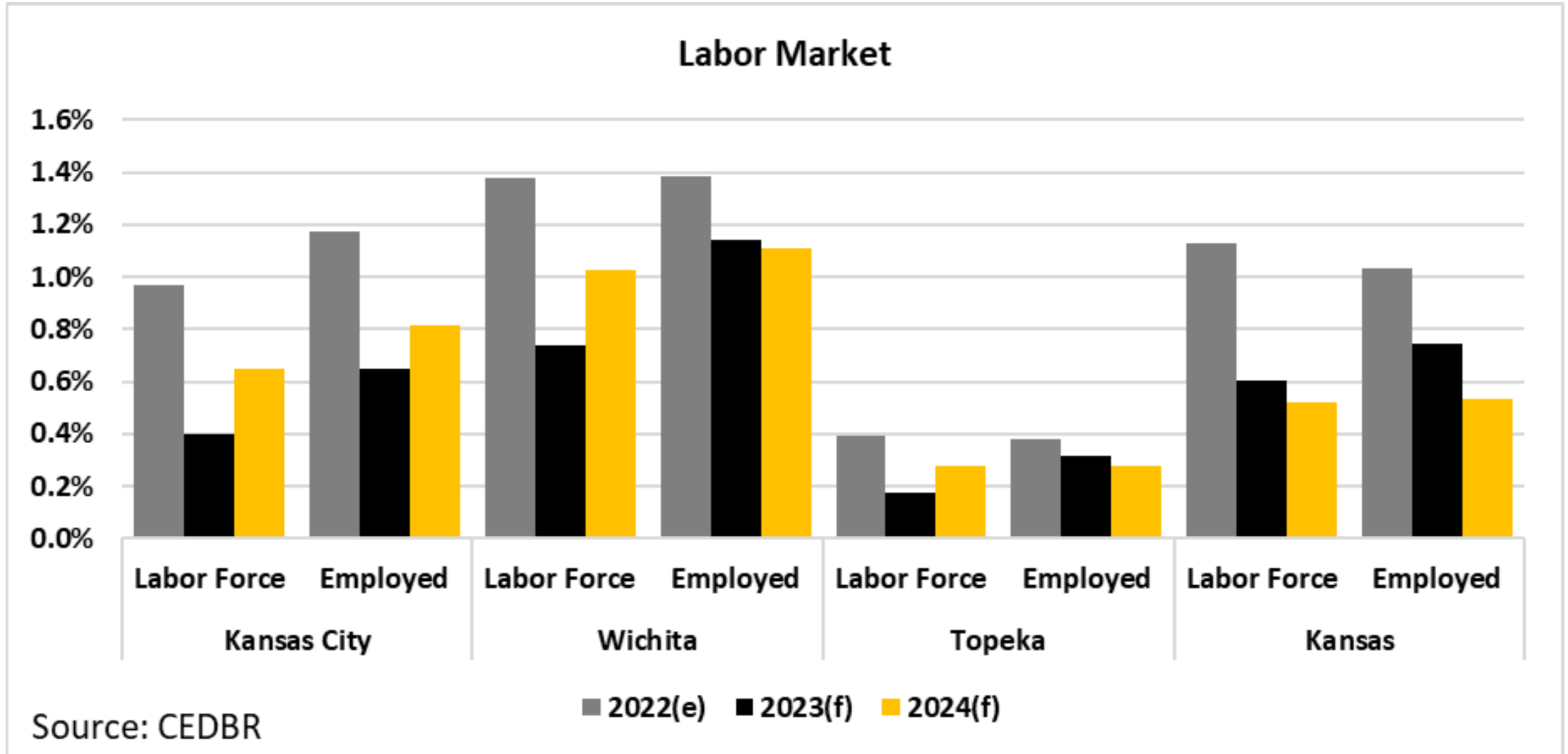
# Employment growth will slow down in 2023



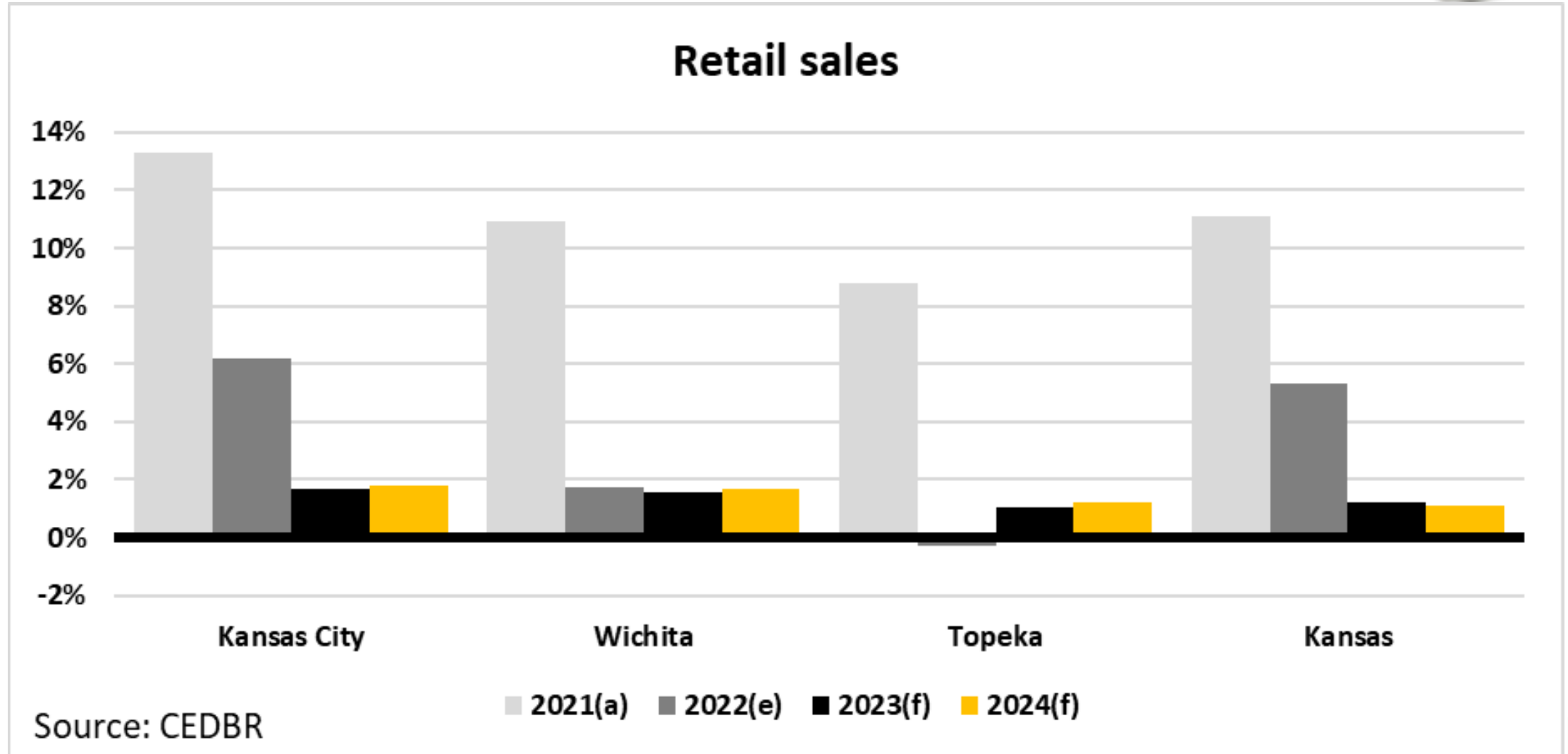
# Recession – KS is expected to have zero net growth



# The labor market will further tighten

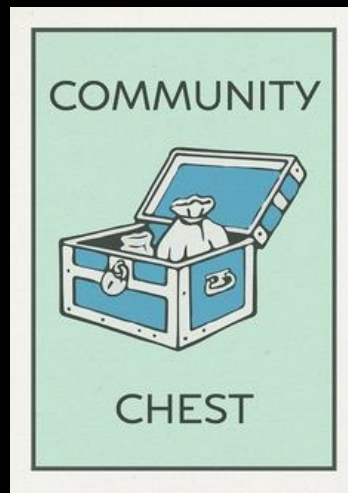


# Retail sales will soften





- **The chances of a recession or weakening economy are high.**
- **Kansas households have lost purchasing power due to the lack of relative wage growth and inflation.**
- **Households are expected to have leverage over firm for years to come.**
- **Kansas businesses remain optimistic even with headwinds.**
- **Durable manufacturing will likely remain strong despite looming recession concerns, fueling growth across the state.**
- **KC and ICT are expected to lead the growth in 2023.**



## 2023 Outlook