

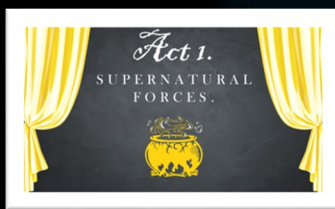
Economic Outlook

Kansas

2023



2020



Tragedy

2021



Raceway

2022



Monopoly

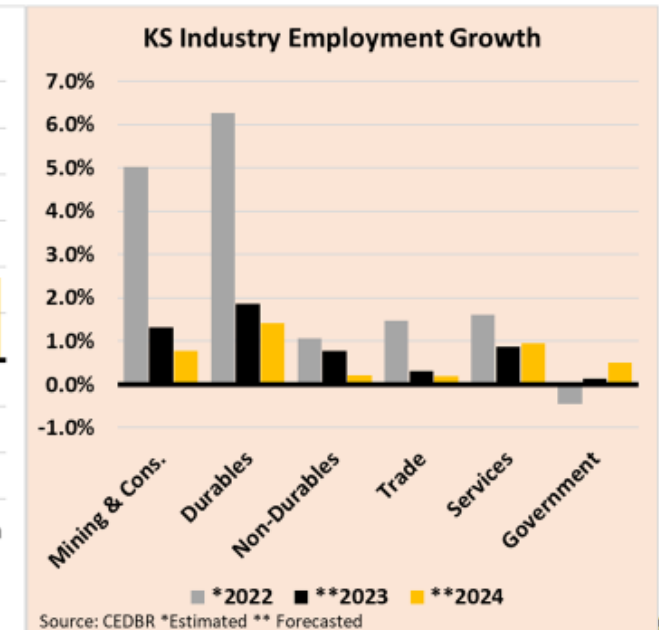
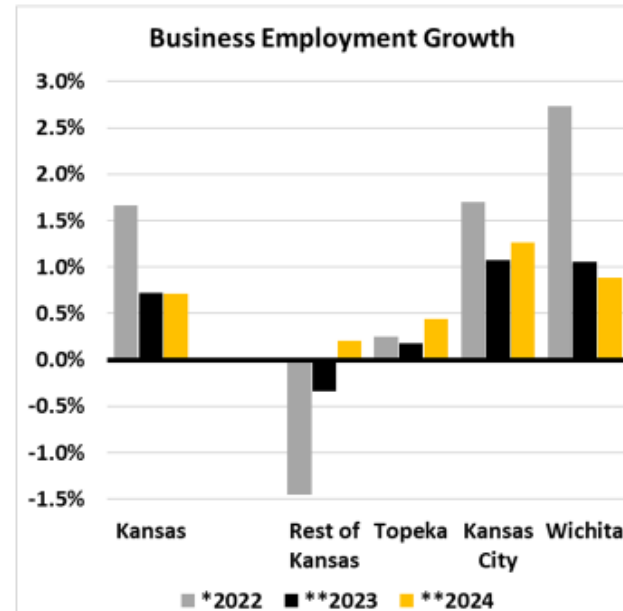


2022 Forecast Review

- Despite the overwhelming national sentiment, there was Kansas optimism.
- On target:
 - KS, KC, ICT
 - Production, Trade, and Services
- Missed:
 - Rest of KS, Topeka, and Government



Employment growth will slow down in 2023



"Bill & Ted's Guide to **Kansas's Economic Adventure!**"



Households



Large firms



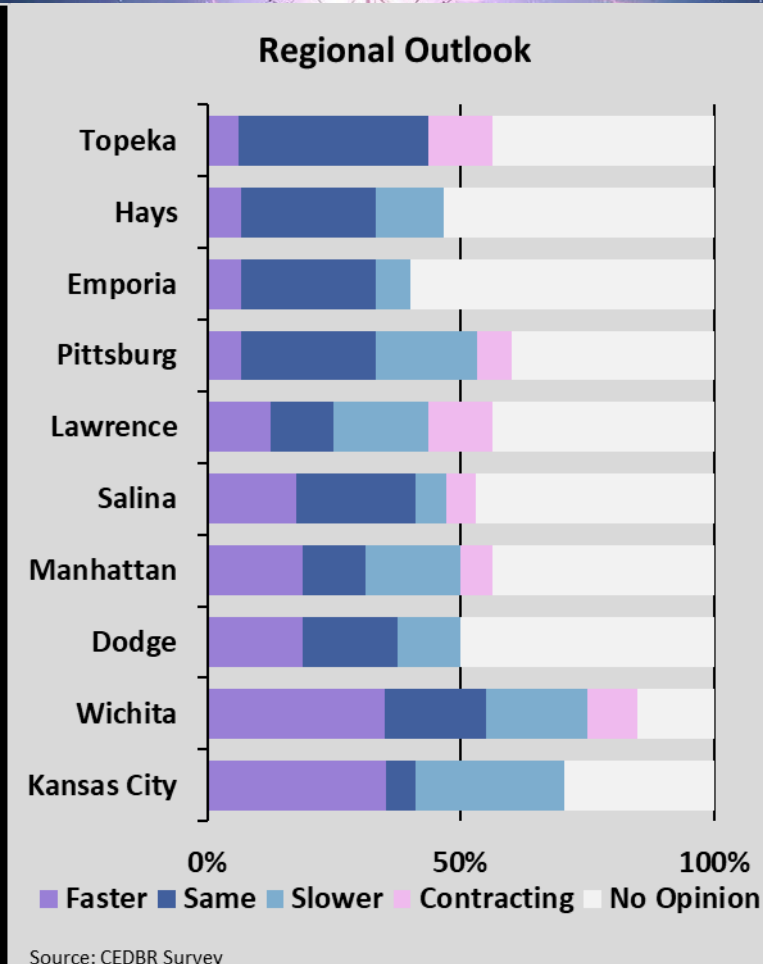
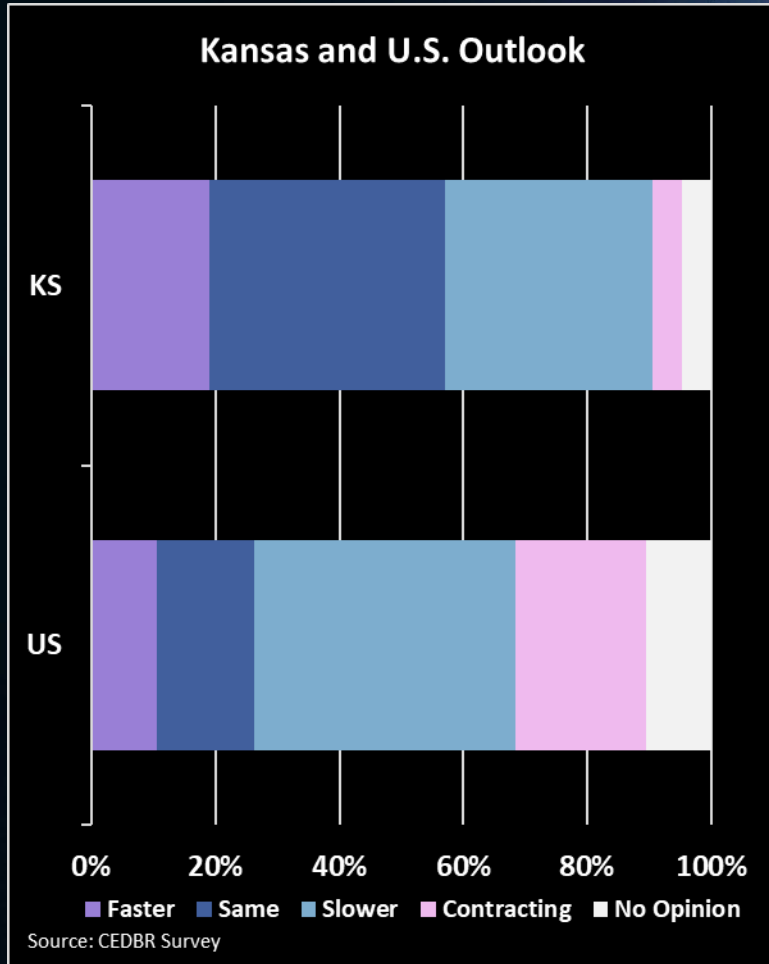
Small firms



Government



BIZ Survey “Stoked for Growth, Dudes! Outshining National Vibes!”



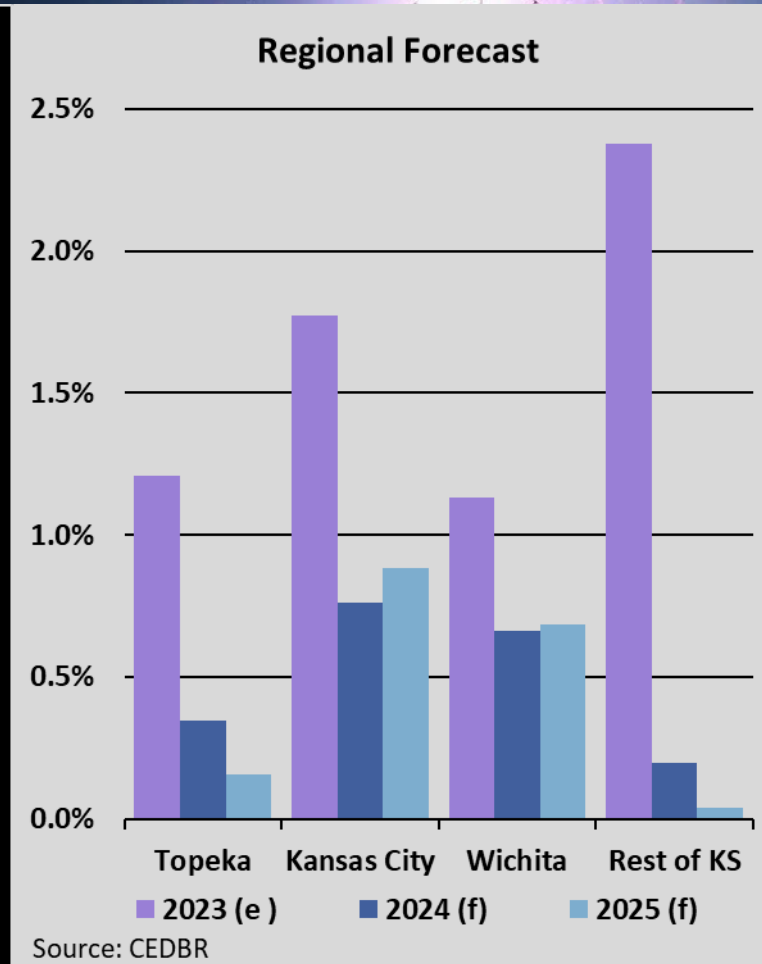
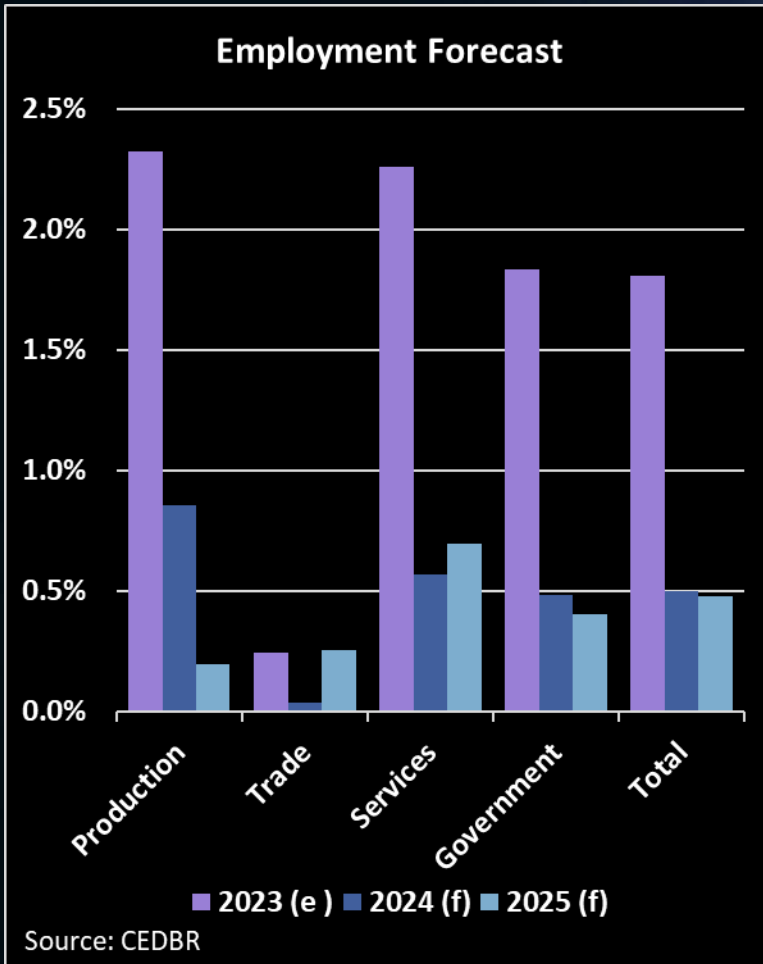
- **Only 5%** thought KS would decline in 2024, whereas **21%** thought the US would contract.

- **Optimism abounds in Kansas, which didn't exist a few years ago**



Do you want to contribute to future surveys?

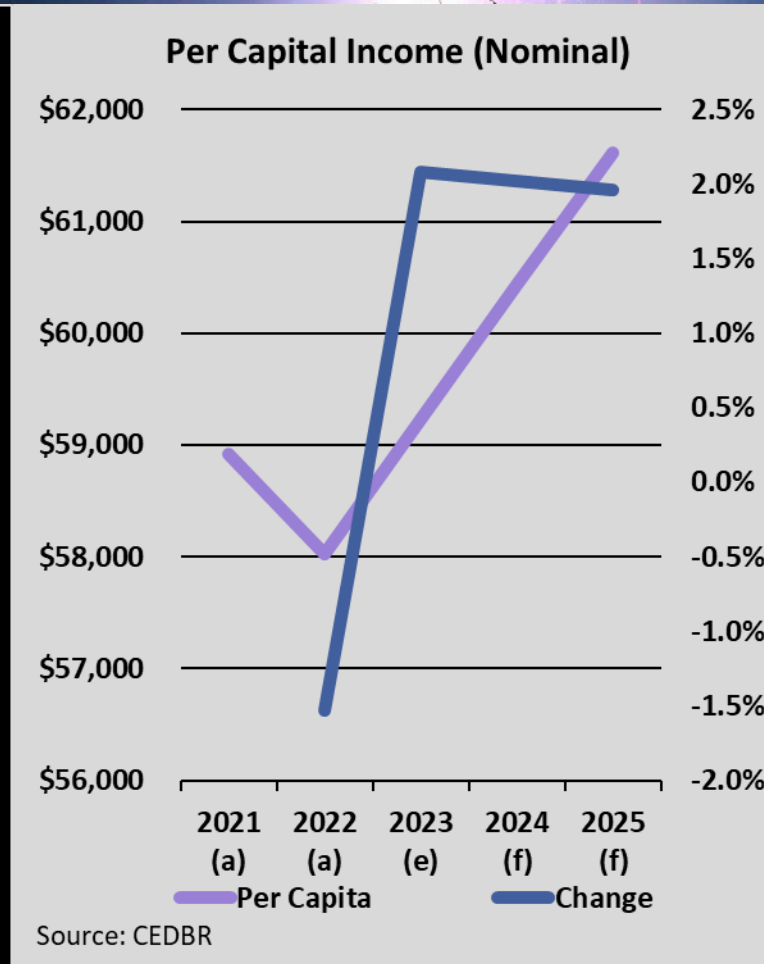
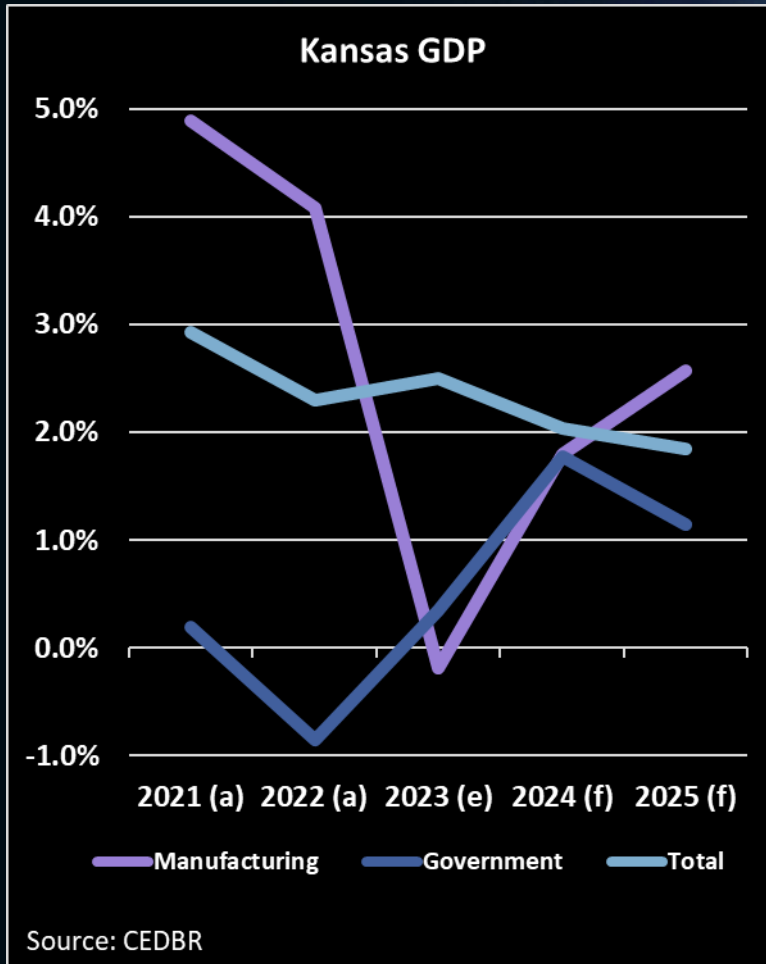
KS EMP “Still Soaring High...Amidst the National Noise!”



- **Production** is expected to **lead the state economy** due to the implementation of recent investments
- Growth within **Services** is expected to **continue its growth** for the next two years
- **Topeka's outlook** has improved



KS GDP and Income “GDP Slowing but Still Rocking”



- **Kansas GDP** has an expected real growth of **2.0%** in 2024, which is optimistic in the current environment.
- **Nominal income** is concerning, as inflation remains persistent and sticky.



2024 Concerns "Watch Out, Dudes! Navigating the Not-So-Excellent Waves That Might Crash into Recession!"

Top

- **Oil price spike**
- **Fed policy error**
- **Cyberattack**
- **Global demand**
- **Wages**

Moderate

- **US-China tension**
- **Labor backlash**
- **Inflation**
- **Commercial real estate**

Low

- **Home prices/supply**
- **Banking system**

- **Labor supply**
- **Presidential election**
- **Student loan**

Forecast Summary



KS **LG BIZ** are **optimistic** and will increase their competitive strategies in 2024. Energy prices will have to be watched carefully to manage costs.



Firms will compete for talent, bringing wages up and increasing consumption.



Main Street **SM firms** will see **continued demand** as KS IND drivers push through national headwinds.



State and local GOV employers will continue to **struggle to retain talent** as they manage increasing costs.

Agenda – “Grab your air guitars as we dive into the world of...”



Inflation



Demand



Wages



Employment

"Major Bogus, Dudes!

Inflation's

Dragging Us Down and Throwing Households for a Loop!"

Inflation "Rufus, hold onto your wallet!"

Cumulative Inflation

- More in KS**
- Less in MO**

- Inflation disruption
 - Decreased purchasing power
 - Uncertainty
 - Distorted prices
- In the long run, there has been less inflation in KS
- In the short run, there has been more in KS.
- US 12.0%
- KS 19.1%

Inflation "The Unsung Hero (housing and energy)...Keeping the Overall Inflation Chill in Kansas!"

Monthly Inflation

- More in KS**
- Less in MO**

- Less Inflation in KS**
 - Housing
 - 7% = 0.47% points
 - Food away
 - 1% = 0.31% points
- More Inflation in KS**
 - New vehicles
 - 1% = 0.23% points
 - Motor Fuel
 - 1% = 0.23% points

Biz Survey "Input Costs? Still a Major Bummer, Dudes!"

Price Changes

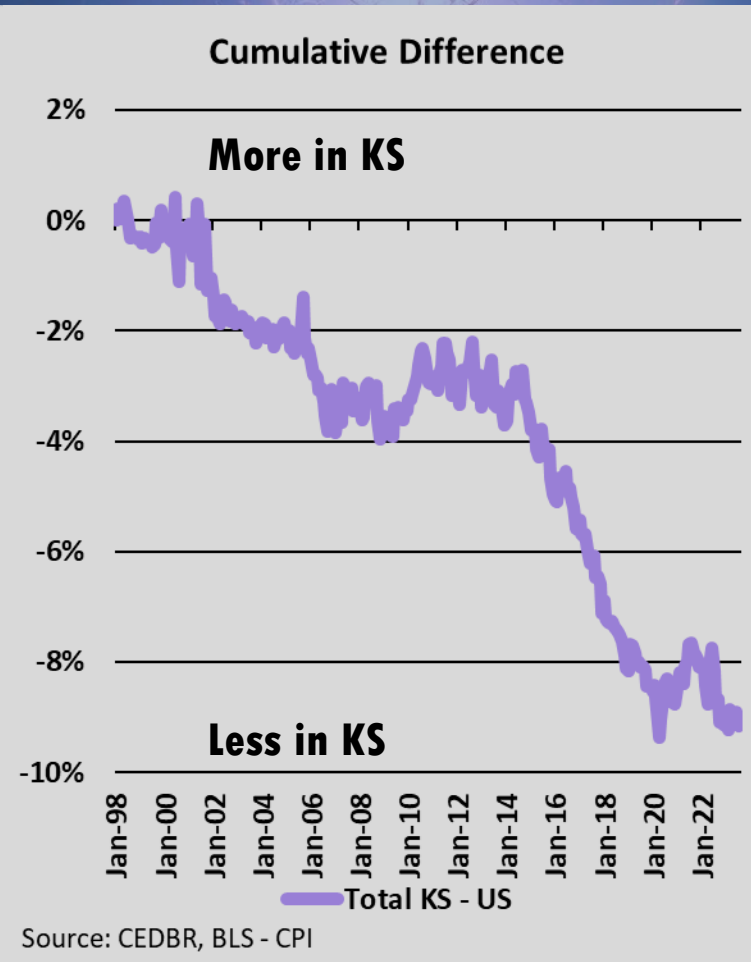
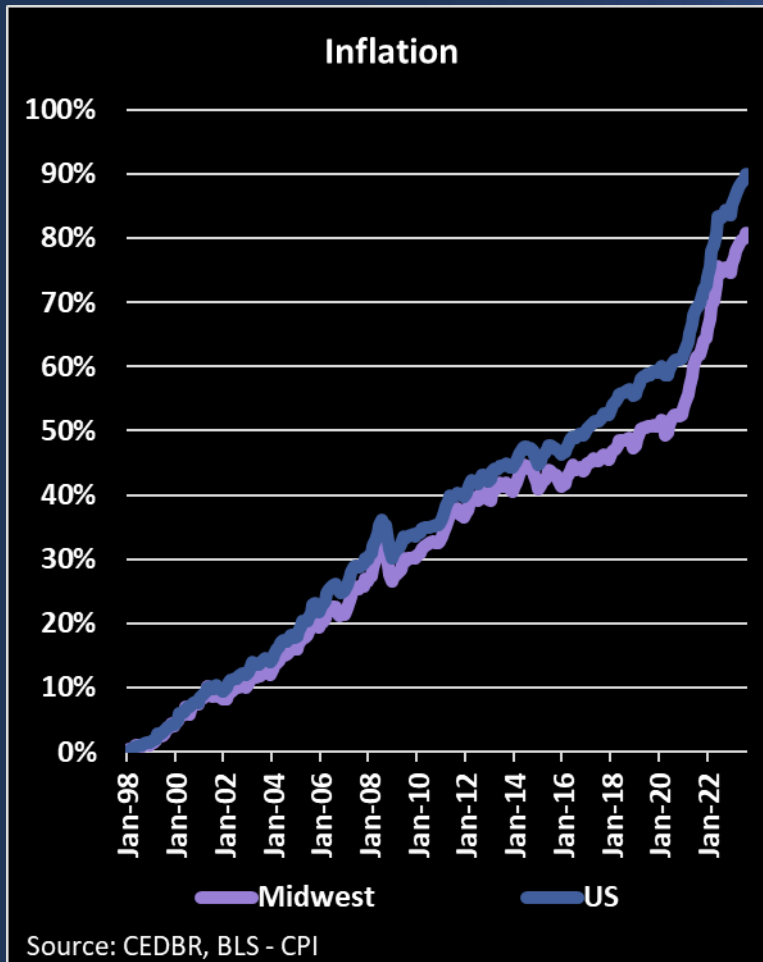
- Motor Fuel
- Natural Gas
- Truck Usage

Above 0=Rising, Below 0=Falling

Inflation Summary

- Energy, particularly oil prices, has the largest potential to put pressure on inflation due to demand remaining high and supply domestically and abroad remaining low.
- Speculative disruption in household finances: reduced purchasing power, eroded savings, and income disparity. Previous DOW payments are no longer present.
- The continued elevated inflation will likely put pressure on firms to rebalance wages and compensation, again. Some smaller businesses will struggle.
- The Federal Reserve remains determined to control inflation. The policies truncate most expectations and firms to watch closely.

Inflation “Rufus, hold onto your wallet!”



• Inflation disruption

- Decreased purchasing power
- Uncertainty
- Distorted prices
- In the **long run**, there has been **less** inflation in KS
- In the **short run**, there has been **more** in KS.

- **US 19.0%**

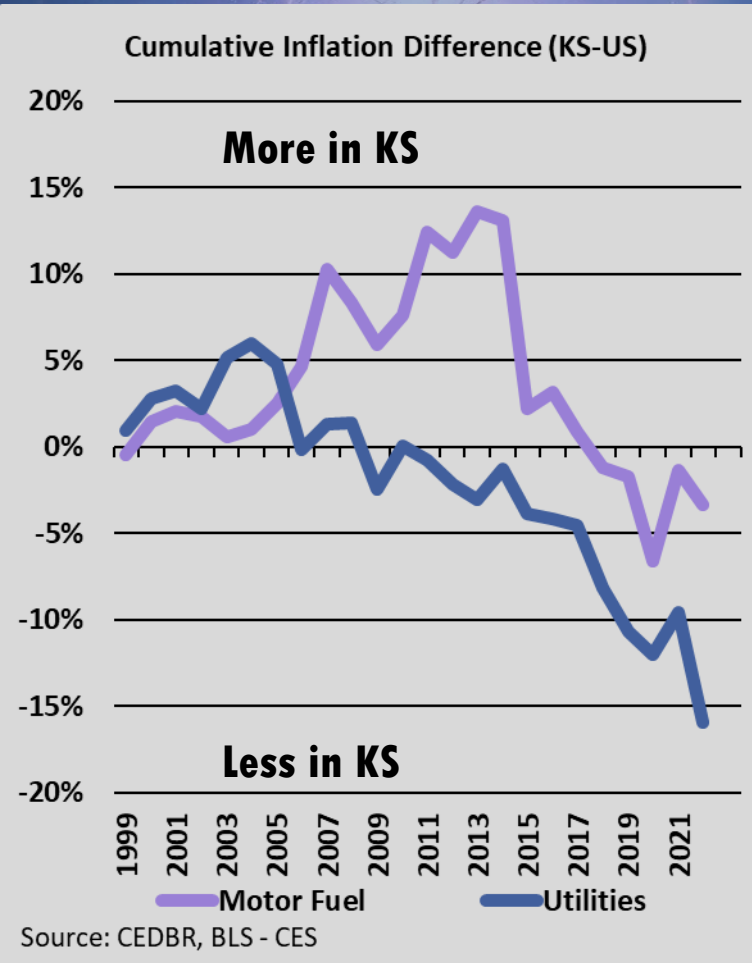
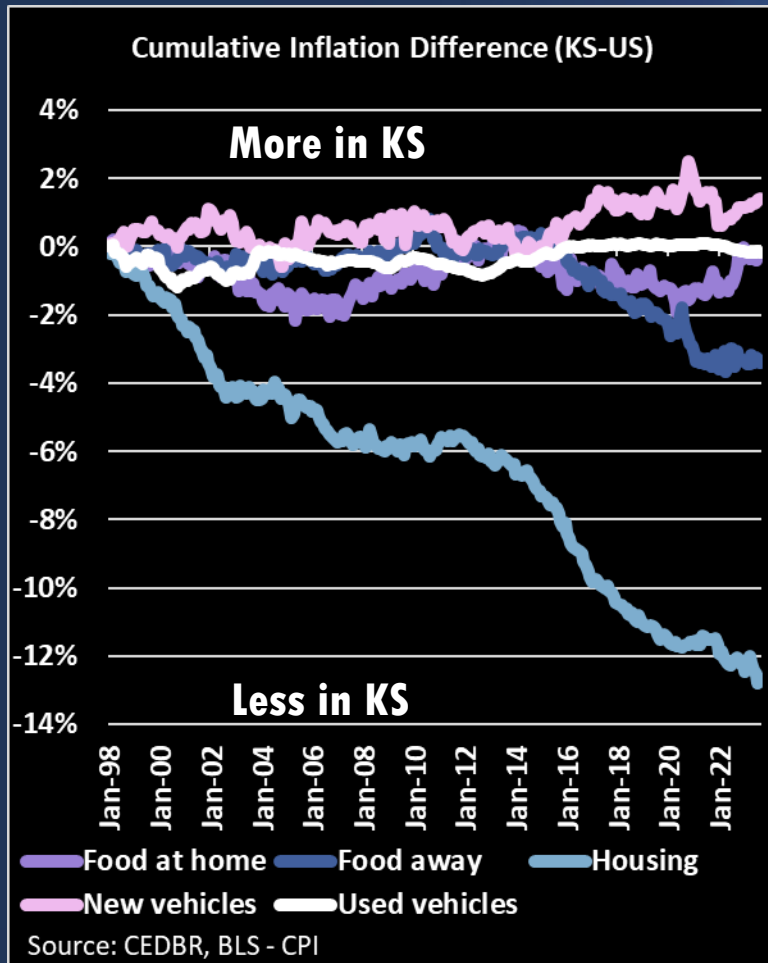
(Jan'20-Aug '23)

- **KS 19.7%**

(Jan'20-Aug '23)



Inflation "The Unsung Hero (housing and energy)...Keeping the Overall Inflation Chill in Kansas!"



- **Less Inflation in KS**

- **Housing**

- 1%=0.47% points

- **Food away**

- **Food at Home**

- 1%=0.31% points

- **More Inflation in KS**

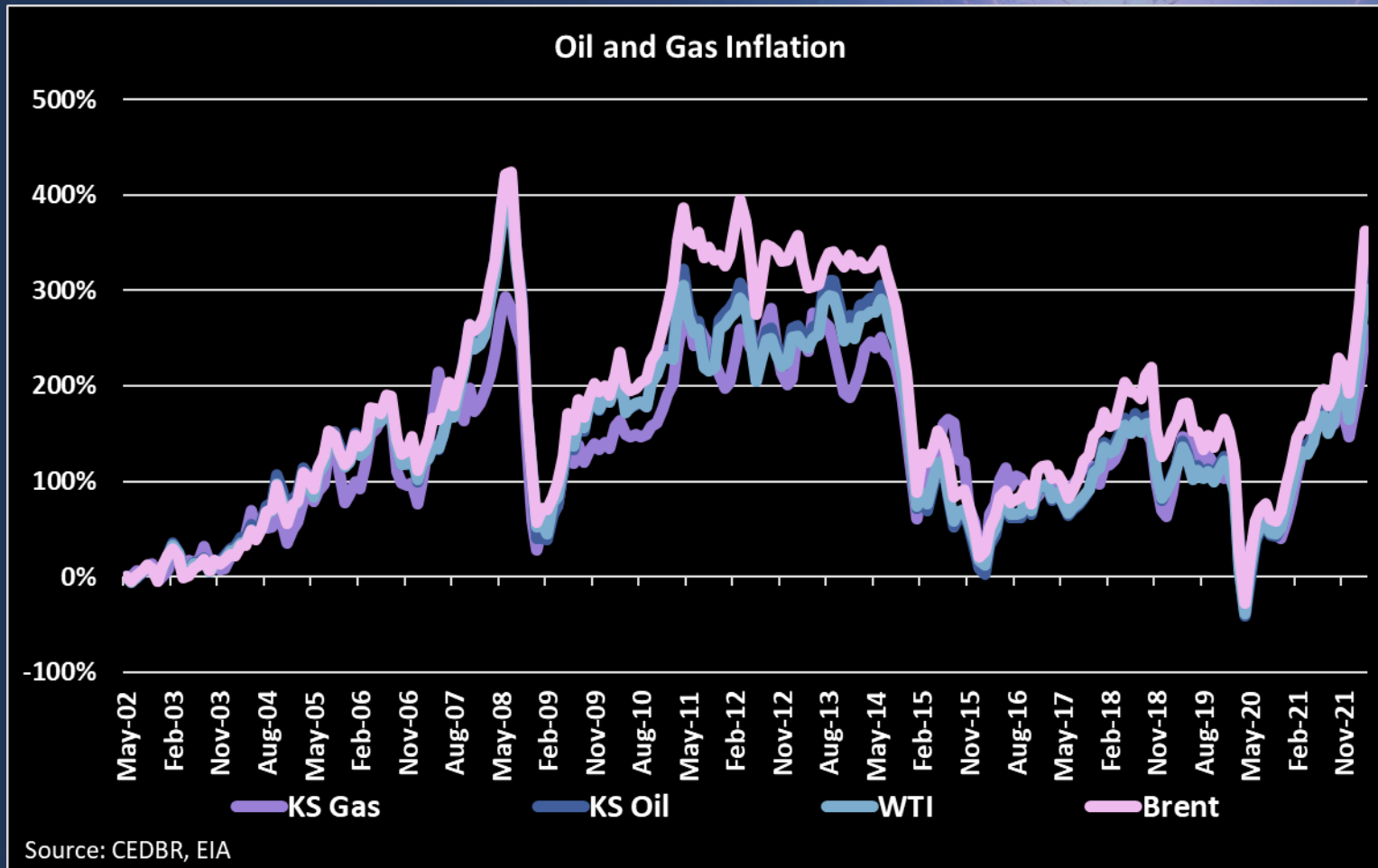
- **New vehicles**

- **Motor fuel**

- 1%=0.23% points



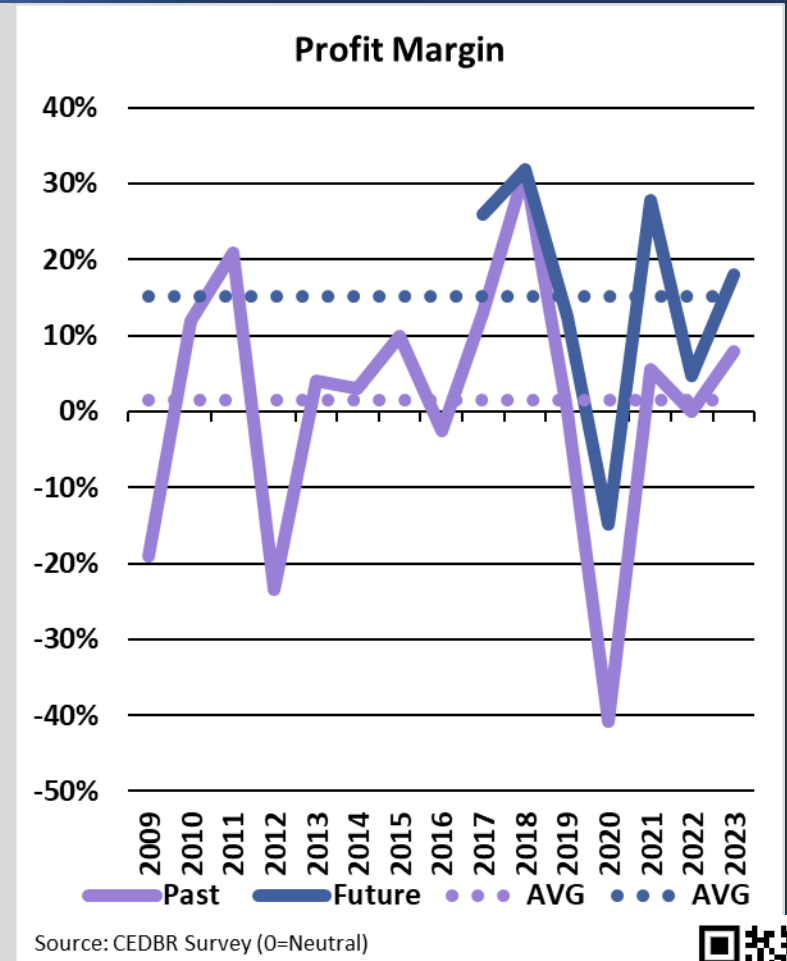
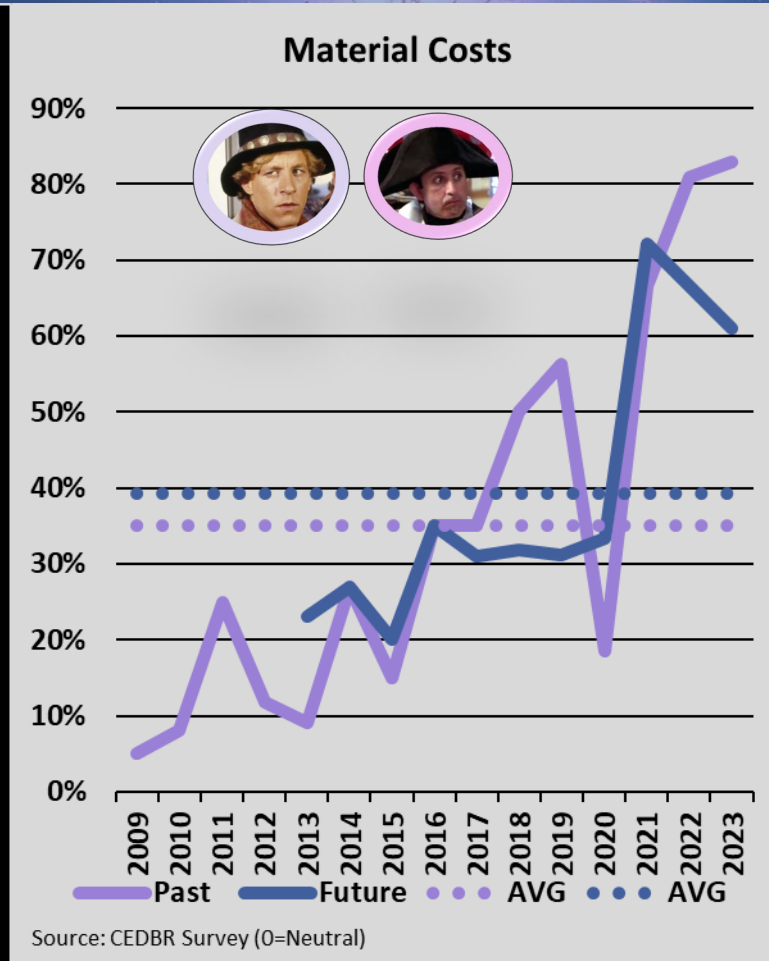
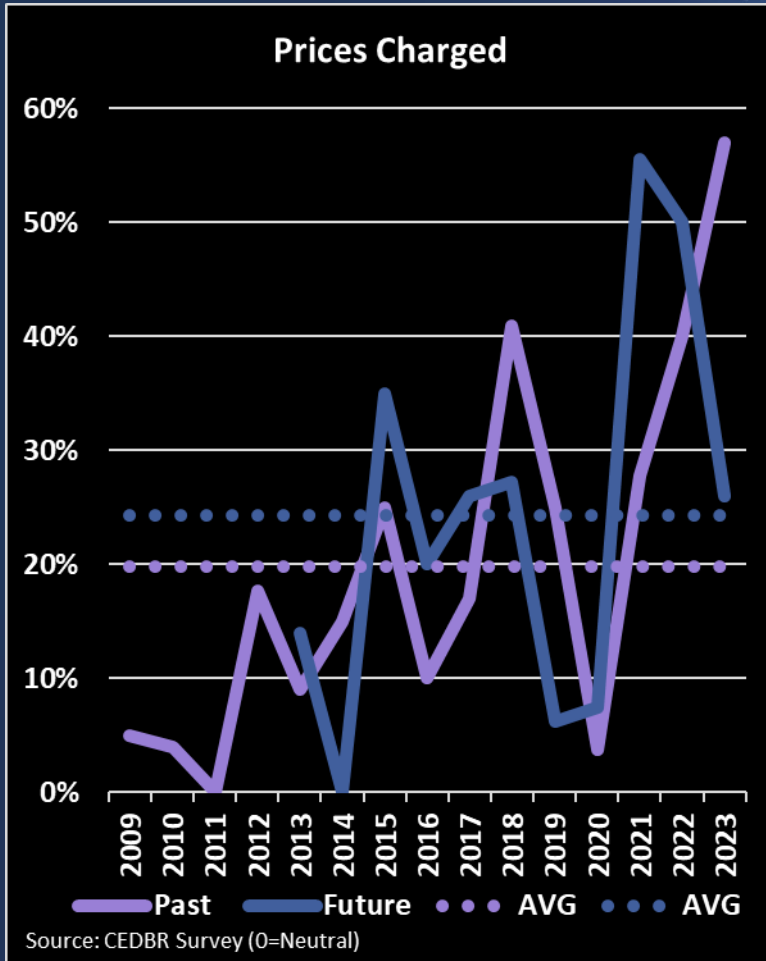
Oil “Non-Triumphant...Could Put a Damper on Spending and Lead to a Recession!”



- Increased gasoline prices will decrease purchasing power.
- **KS Oil** = no effect on gasoline
- **WTI**
 - 1%=0.3% KS Gas
 - 1% = -0.12% KS GDP (2020+)
- **Likely scenario** – oil prices increase and remain high. This will dampen consumption but increase oil supplies.



BIZ Survey "Input Costs? Still a Major Bummer, Dudes!"



Above 0=Rising, Below 0=Falling

Do you want to contribute to future surveys?



Inflation Summary



Energy, particularly **oil prices**, has the largest potential to put **pressure on inflation** due to demand remaining high and supply domestically and abroad remaining low.



Expect **more disruption in household finances: reduced purchasing power, eroded savings, and income disparity.** Previous GOV payments are no longer present.



The continued **elevated inflation** will likely put pressure on **firms to rebalance wages** and compensation, again. Some smaller businesses will struggle.



The **Federal Reserve** remains determined to **control inflation.** The **policies truncate** most expectations and firms to watch closely.

"Whoa! Mega Thirst for Cool Stuff, Dudes! Unraveling the Tale of Radical Demand!"

Population "Urban and Some Rural Spots are Booming!"

- Kansas is expected to grow by 2.2% annually.
- The rural decline has slowed and reversed in some circumstances.
- The state's 65+ cohort is expected to grow the fastest.
- Minority populations will only peak to replace white losses through fertility and migration.

Pop Components "On the Move! Kansas Peppin' the Big Picture!"

- KC and SC – robust birth rates and net in-migration.
- Mid and SE – are struggling with net migration.
- SW – continues to attract labor, which is driving future fertility.

KS Exports "Steady and Steady...Building the Global Trade!"

- Resilience – globally connected economies tend to rebound faster.
- Robust – increasing exports creates wealth and drives demand.
- Kansas – remains on par with the US in export growth.

KS Exports "Solid as a Rock with More and Agri Awareness!"

- 2014-16 – Kansas struggled while the US soared.
- Post COVID – Kansas has accelerated because of a shift toward agri drivers within the state.

KS Index "Still Riding High at the Peak, Dudes!"

- 2014-16 – Kansas struggled while the US soared.
- Post COVID – Kansas has accelerated because of a shift toward agri drivers within the state.

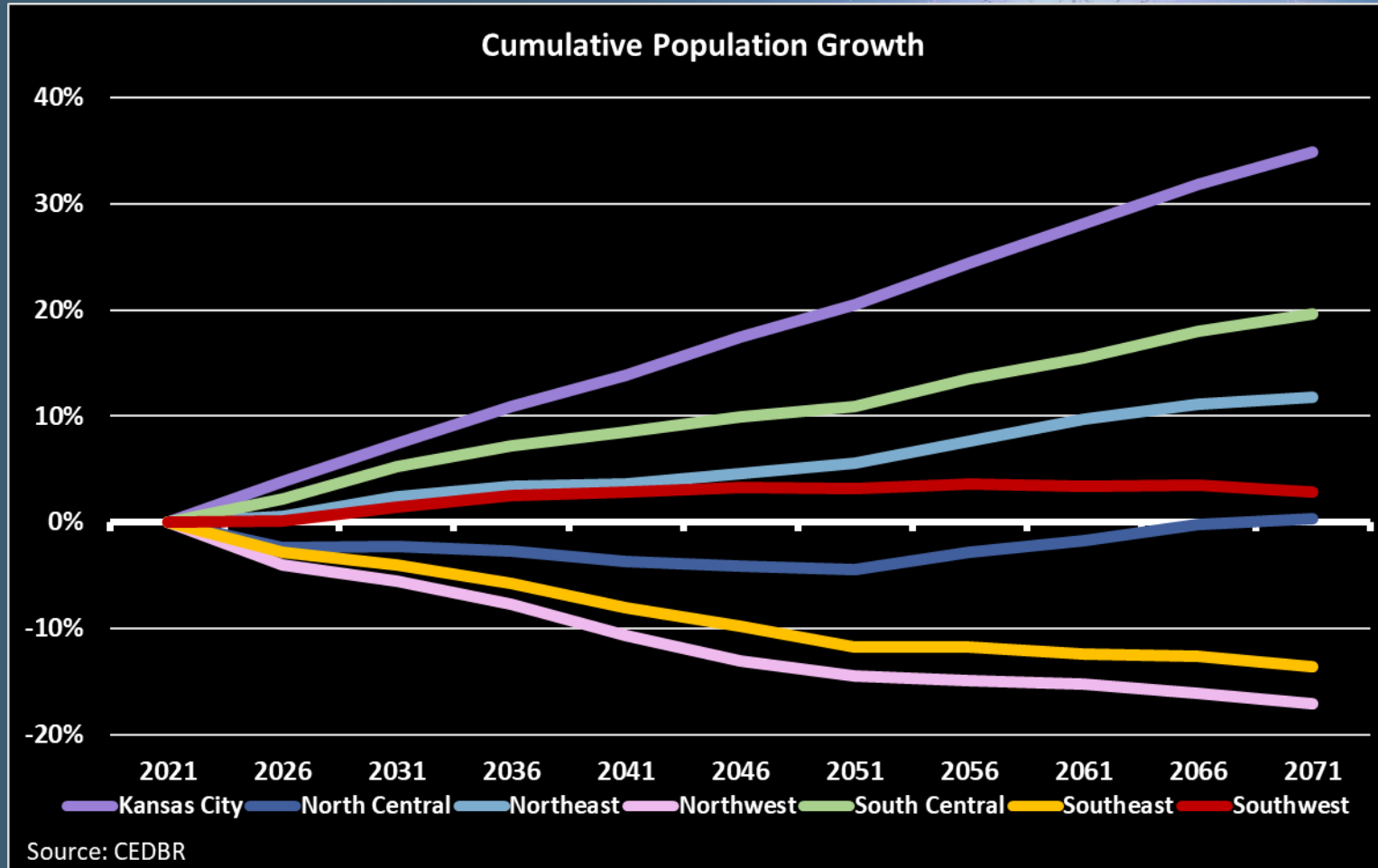
Components "DE's Down, Agri's Soaring, and Manu Holding Steady!"

- Agri – propped up MS in '20 and '21.
- Manu – has continued to climb.
- DE – currently on the sidelines.

Demand Summary

- Adding emerging markets and increased demand for Kansas manufactured goods (e.g. semiconductors, cell tower towers) will reposition them for growth.
- Increasing demand will have a significant effect on "main street" firms.

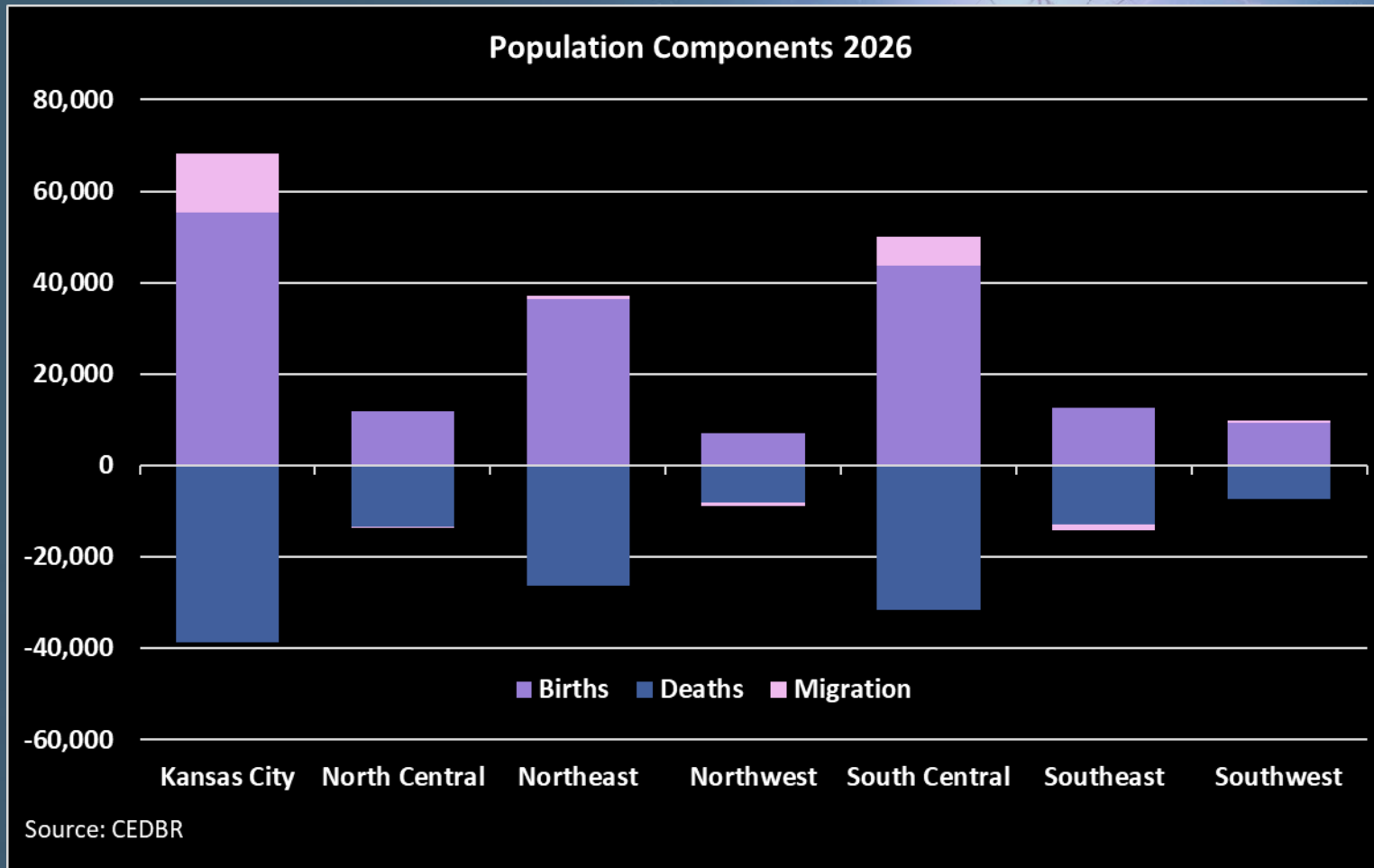
Population “Urban and Some Rural Spots are Booming!”



- Kansas is expected to grow by **0.3% annually**.
- The **rural decline has slowed and reversed** in some communities.
- The state's **65+** cohort is expected to **grow the fastest**.
- **Minority** populations will continue to **outpace** other races through fertility and migration.

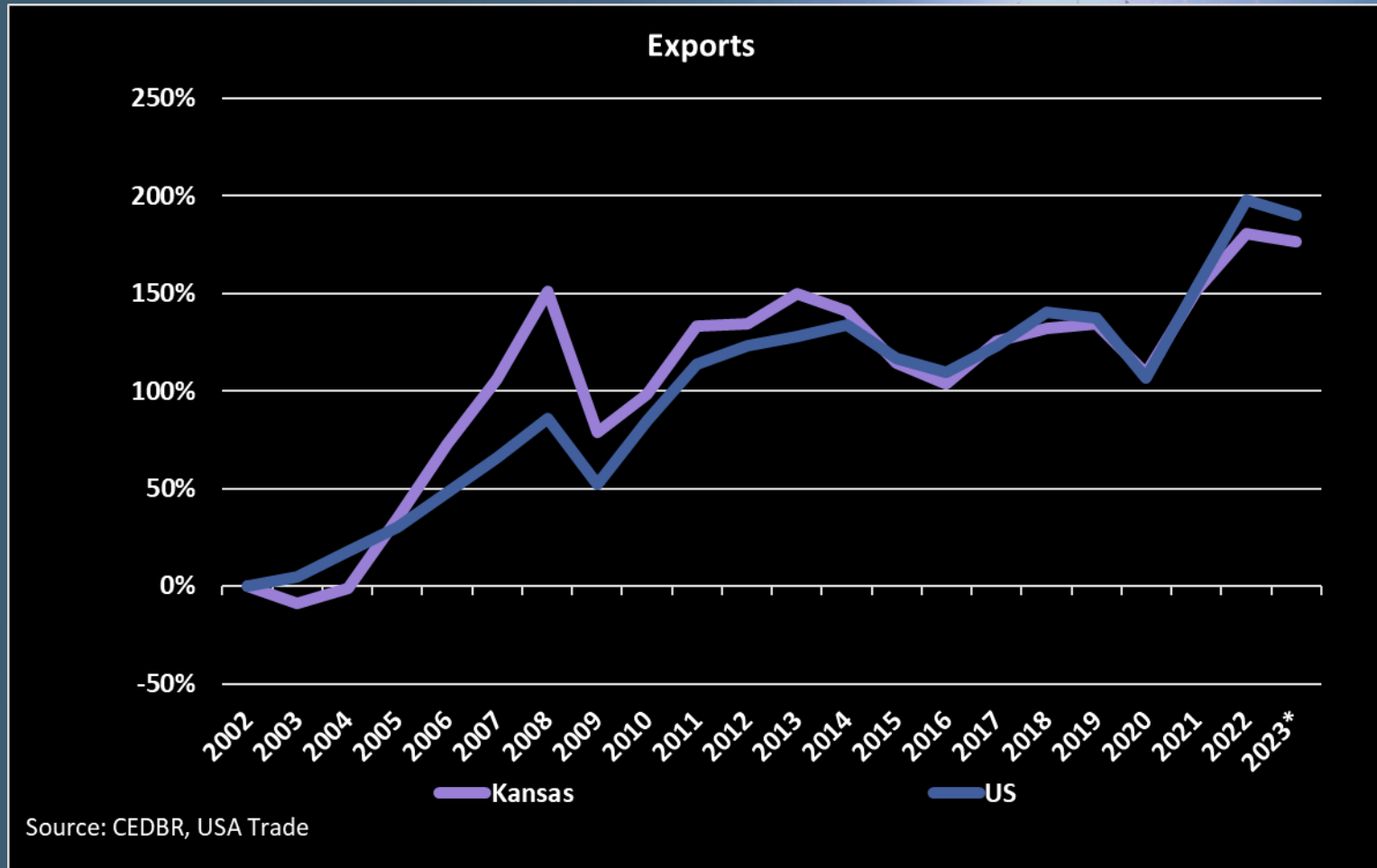


POP Components “On the Move in Kansas. Peeping the Big Picture!”



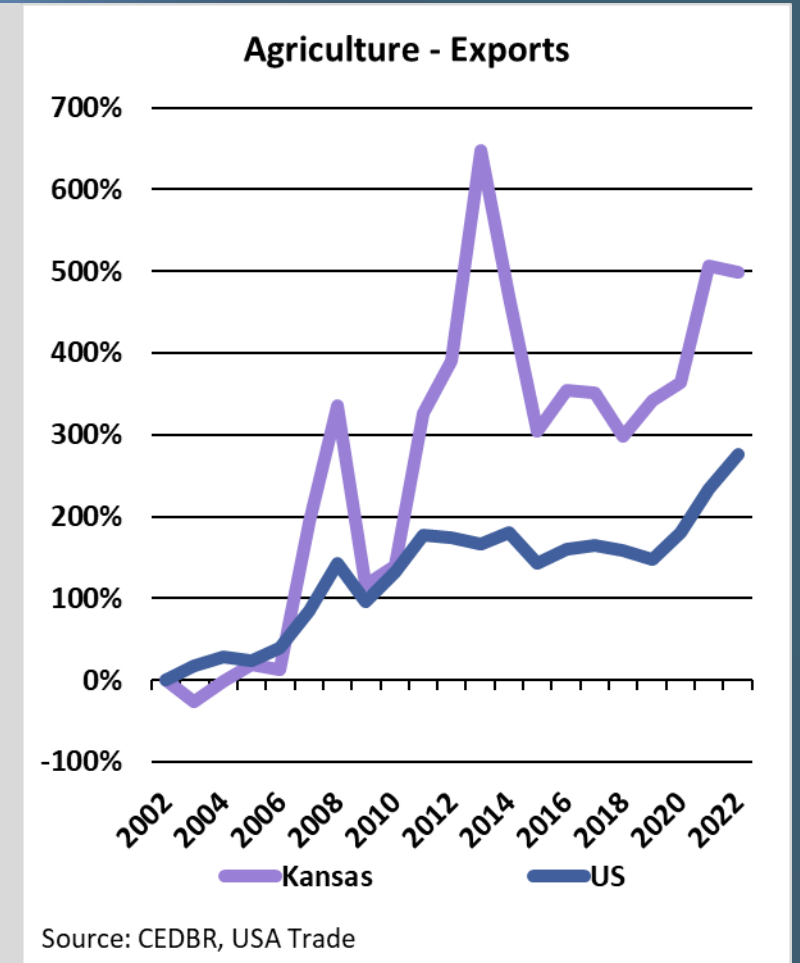
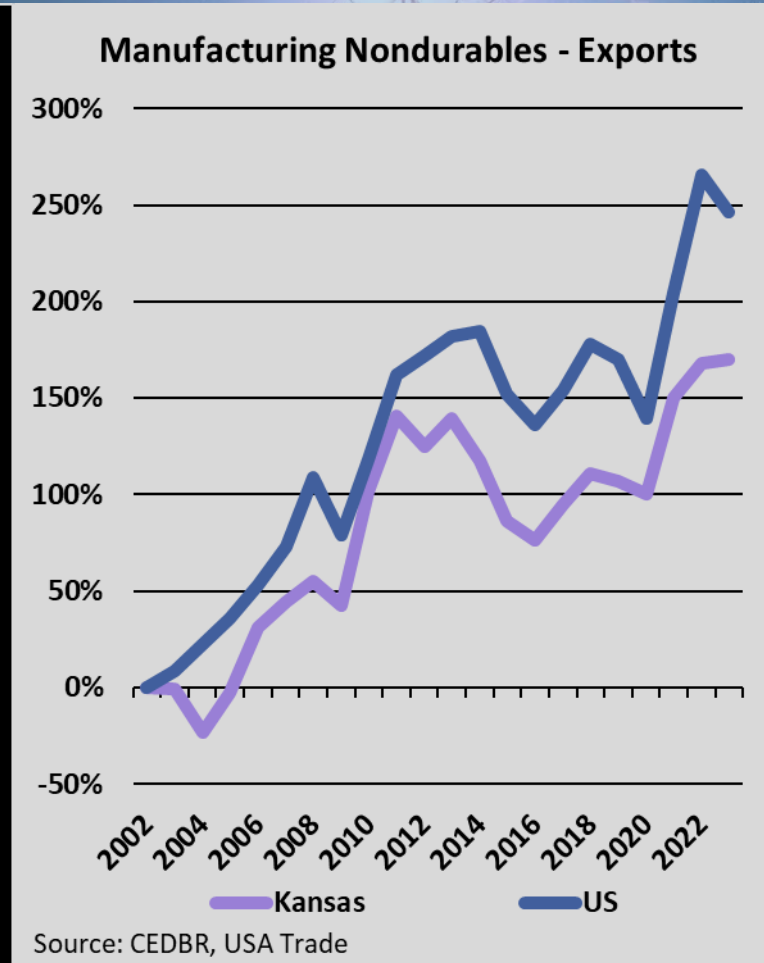
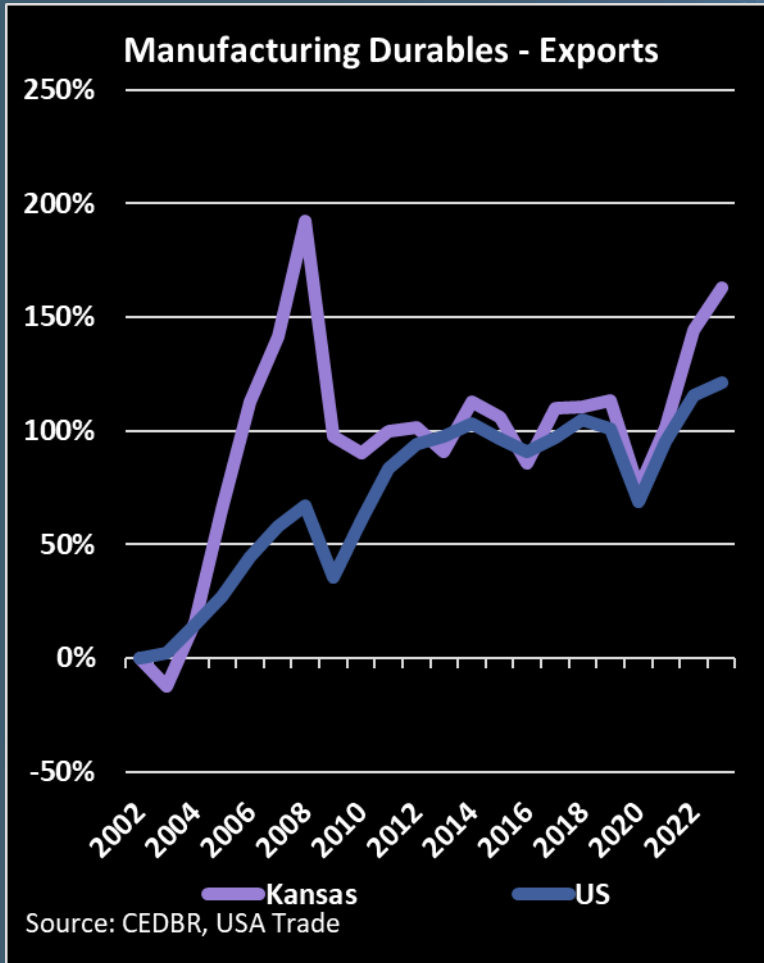
- **KC and SC** – robust birth rates and notable inward migration
- **NW and SE** – are struggling with net migration
- **SW** – continues to attract labor, which is driving future fertility

KS Exports “Sturdy and Stacked...Rocking the Global Trade!”

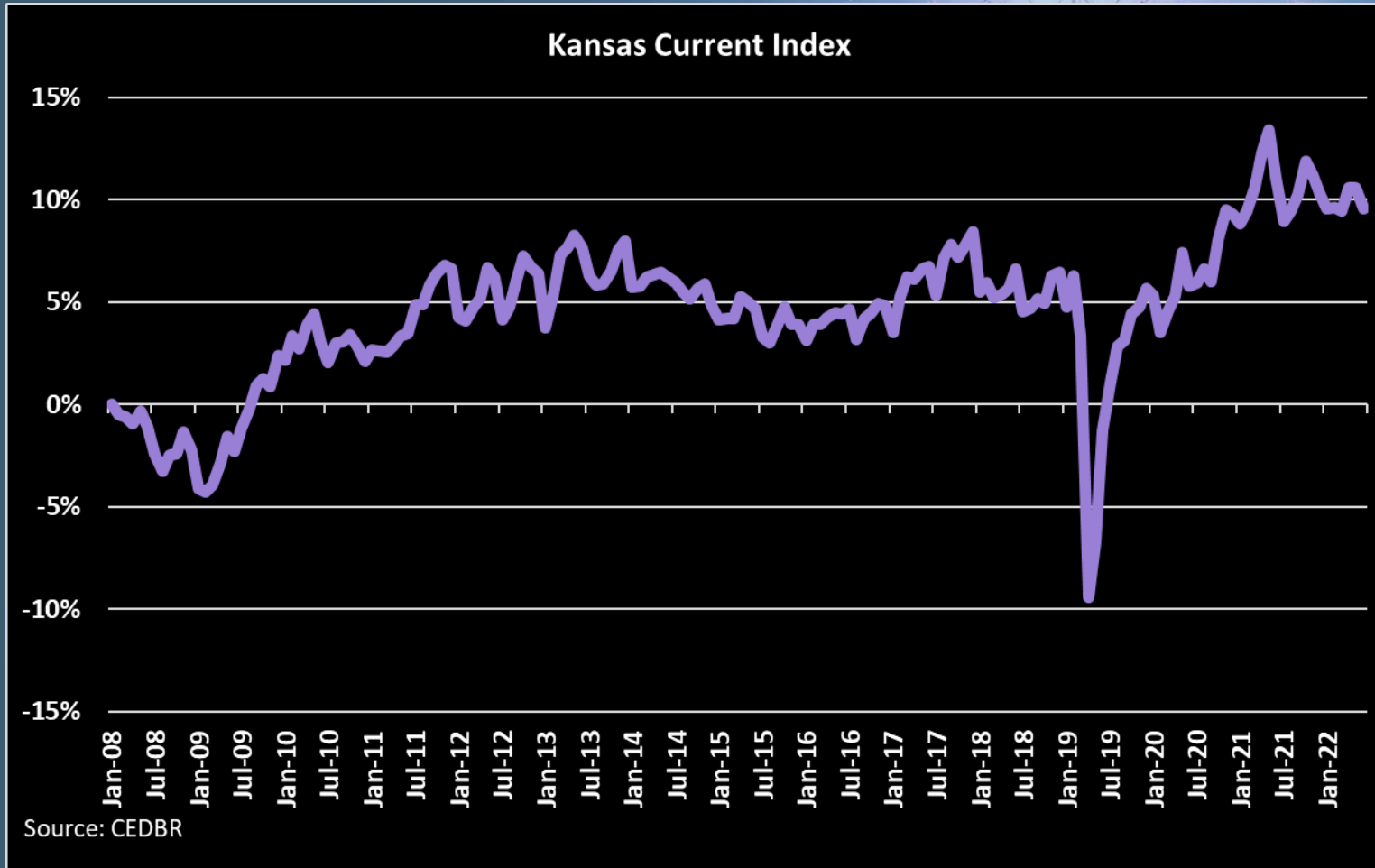


- **Resilience** – globally connected economies tend to rebound faster
- **Robust** – increasing exports creates wealth and drives demand
- **Kansas** – remains on par with the US in export growth

KS Exports "Solid as a Rock with Manu and Agri Awesomeness!"



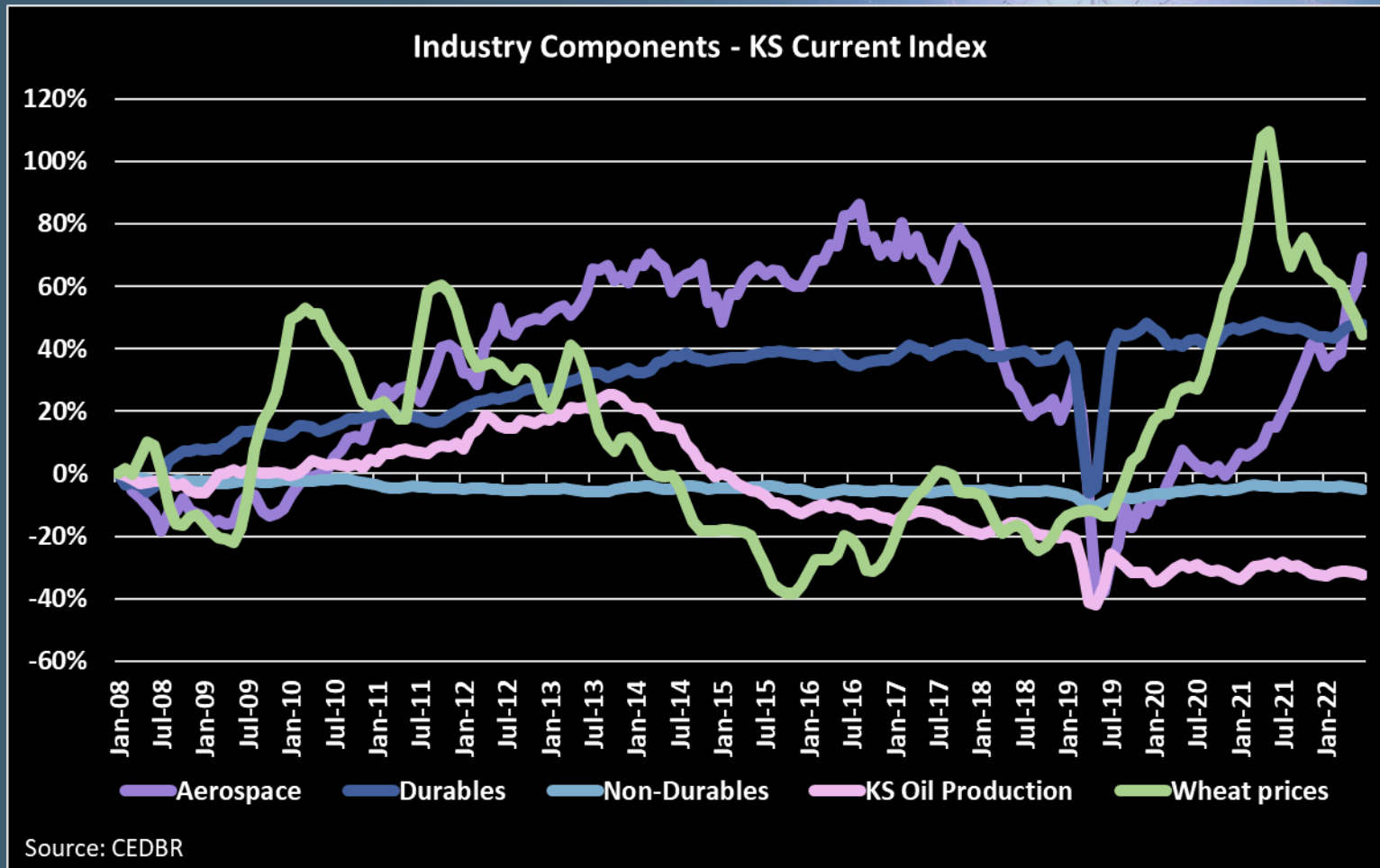
KS Index “Still Riding High at the Peak, Dudes!”



- **2014-16** – Kansas struggled while the US soared.
- **Post COVID** – Kansas has accelerated because of a shift toward key drivers within the state.



Components “Oil's Down, Aero is Soaring, and Manu Holding Steady!”



- **AGRI** – propped up KS in '20 and '21
- **AERO** – has continued to climb
- **MANU** – consistent contribution
- **Oil** – currently on the sidelines

Demand Summary



Adding **emerging industries** and **increased demand** for Kansas **manufactured goods** (e.g. aerospace), will reposition firms for growth.



As Kansas's **population growth** shifts from near stagnant to growth, **households** will encounter **increased opportunities**.



Increasing demand will have a **spillover** effect on “**main street**” firms.



Pop Forecast - Although **slowing**, **increased migration**, **curbed outmigration**, and **fertility** in selected markets will **shift aggregate demand**.

"Gnarly Bucks for Excellent Work, Dudes!

Wages

The Key to Scoring Some Top-Notch Talent!"

INCOME - "On the Rise... Not Much More Left, Will Get Ground to Cover?"
 • Mega-firms in the top tier driving growth in Kansas.
 • Kansas shows real signs of labor problems. It has a major problem.
 • Midwest's per capita income was 11.0% lower (\$7,263) than the US in 2022.

INCOME - "NC is the only Duke... Lining the Pockets Where It Counts!"
 • NC is the only market that is competing at the national level.
 • SC and MD are both somewhat competitive within the Midwest region.

Wage Costs - "Skyrocketing... A Burden for Employers, but Inflation's Keeping it in Check!"
 • Kansas has a decent level of inflation, but it's not helping matters.
 • Inflation - we are seeing higher rates than in other markets.
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Income Distribution - "Created in the Middle, Dudes! A Totally Balanced Bounty!"
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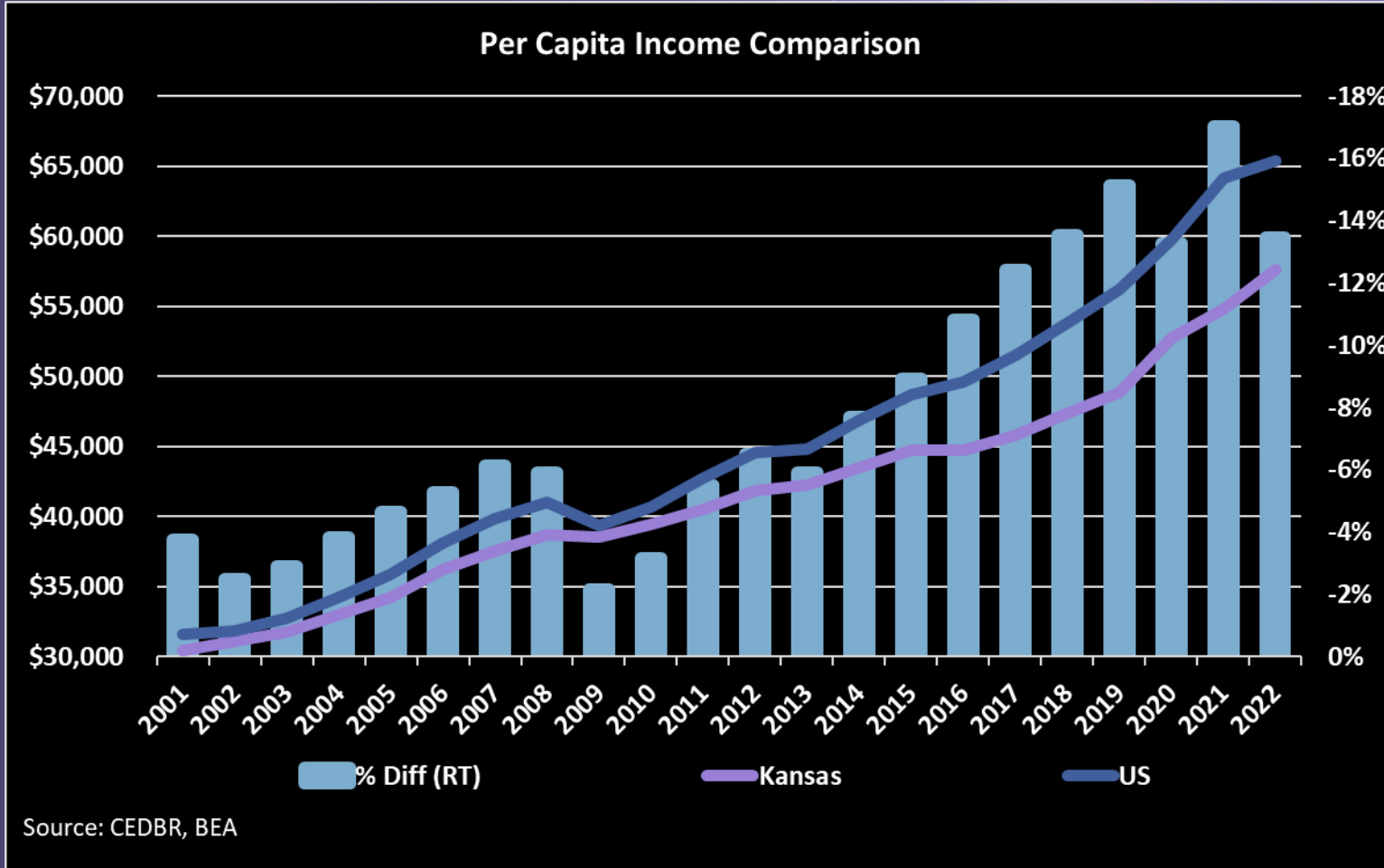
Productivity - "Major Boost in Key Markets... Single Firms Can Still Get More Done!"
 • Kansas has a decent level of inflation, but it's not helping matters.
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Profitability - "...on the Up and Up, Dudes! Cash Stash Ready for Snagging Talent and Keeping It Tight!"
 • 18% Corporate profits are up 37% since Q1 2020.
 • Manufacturing profits are significantly higher. Firms held cash because of fear of supply chains, inflation, and wage negotiations.

Size Survey - "Businesses Getting by to Hire Wages, Dudes! Gotta Stay Competitive in the Current!"
 • 40% of 85 firms expect to increase wages in 2024.
 • 60% of 85 firms expect to increase wages in 2024.
 • Wage and other compensation will not fully slow down anytime soon.

Wage Summary
 • 45% expected to increase wages in 2024.
 • 60% of 85 firms expect to increase wages in 2024.
 • Wage and other compensation will not fully slow down anytime soon.

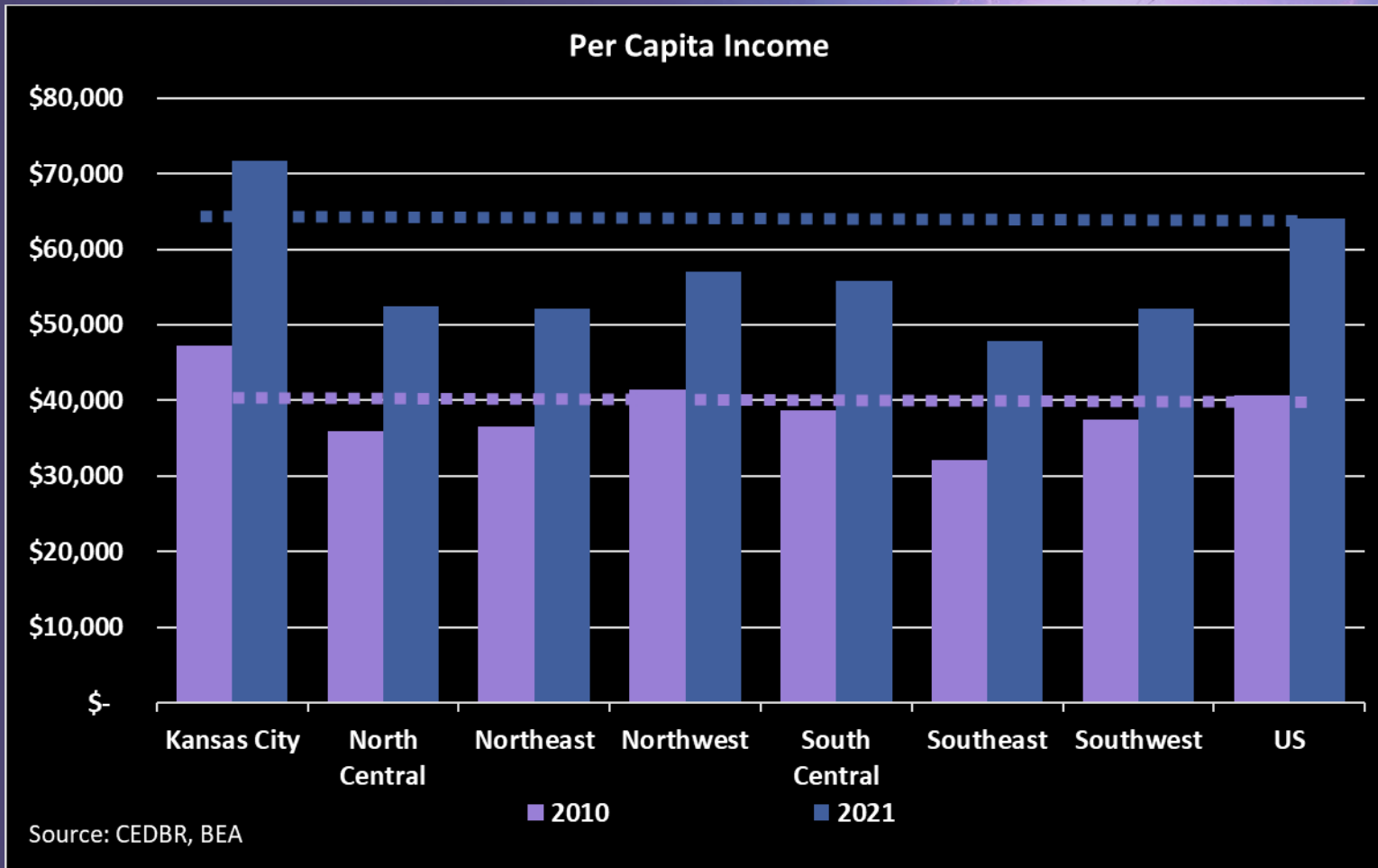
Income - "On the Rise...But Mind the Gap, Still Got Ground to Cover!"



- Wage/Income is the **top issue** slowing growth in Kansas.
- Kansas does not have a **labor problem**, it has a wage problem.
- Kansas's **per capita income** was **13.5% lower** (\$7,800) than the US in **2022**.

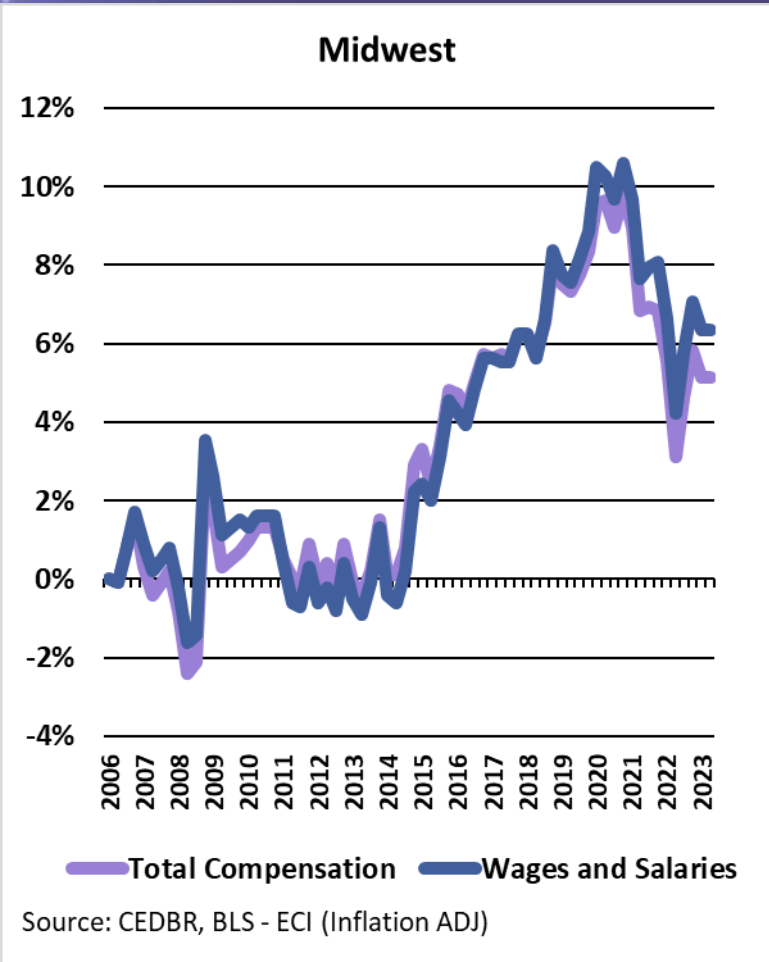
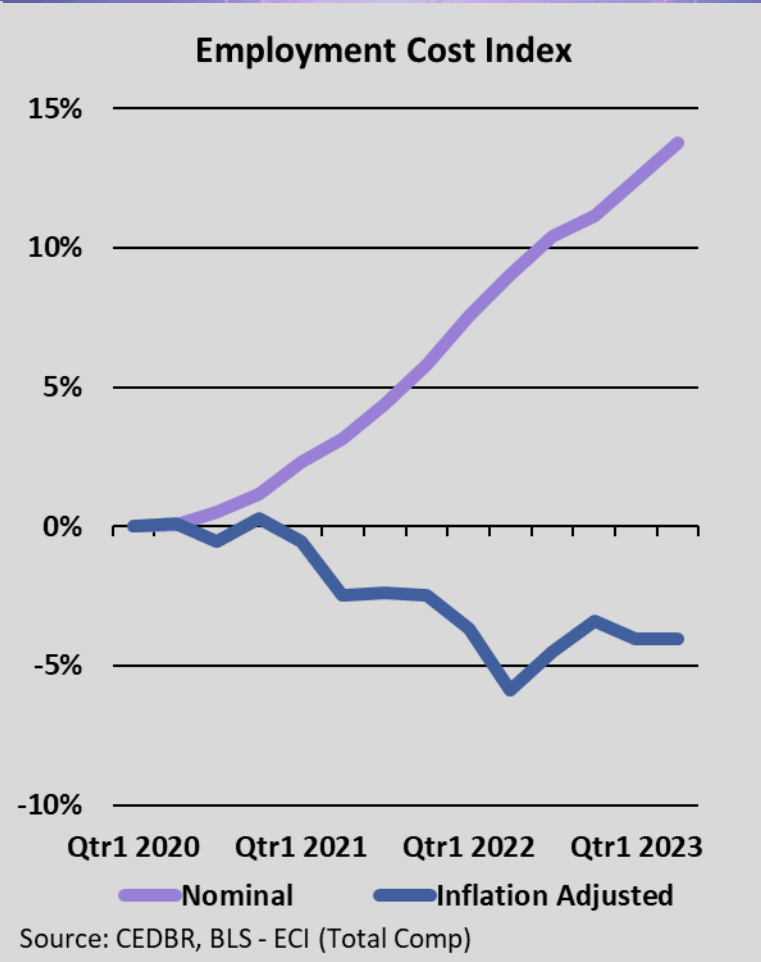
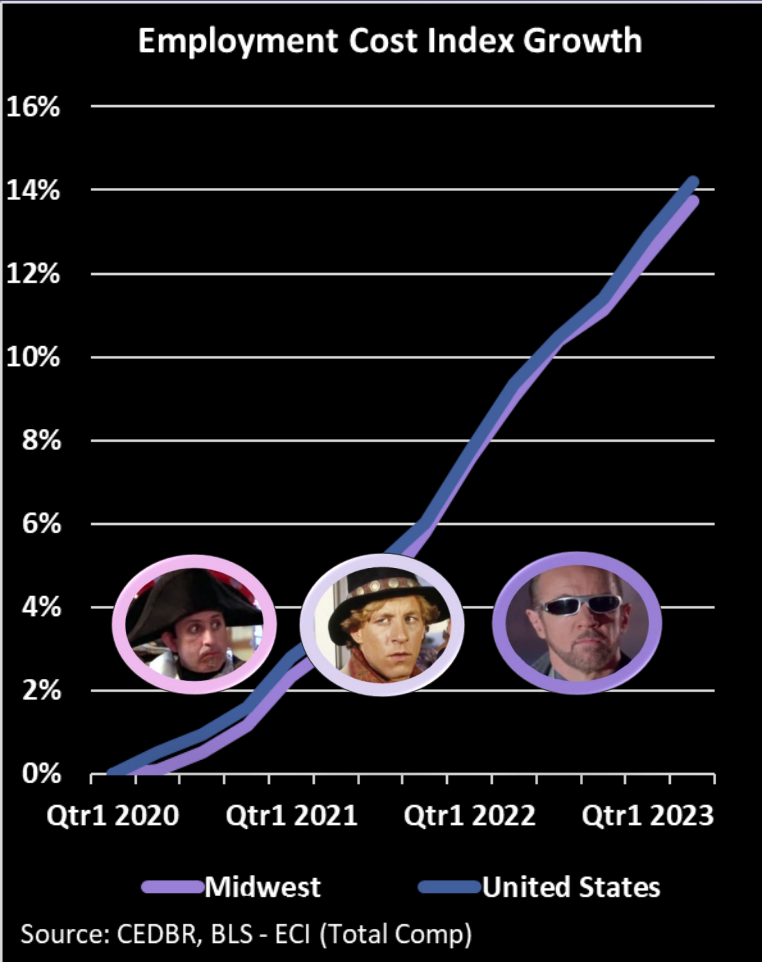


Income: "KC is the only Dude...Rocking the Bucks Where It Counts!"

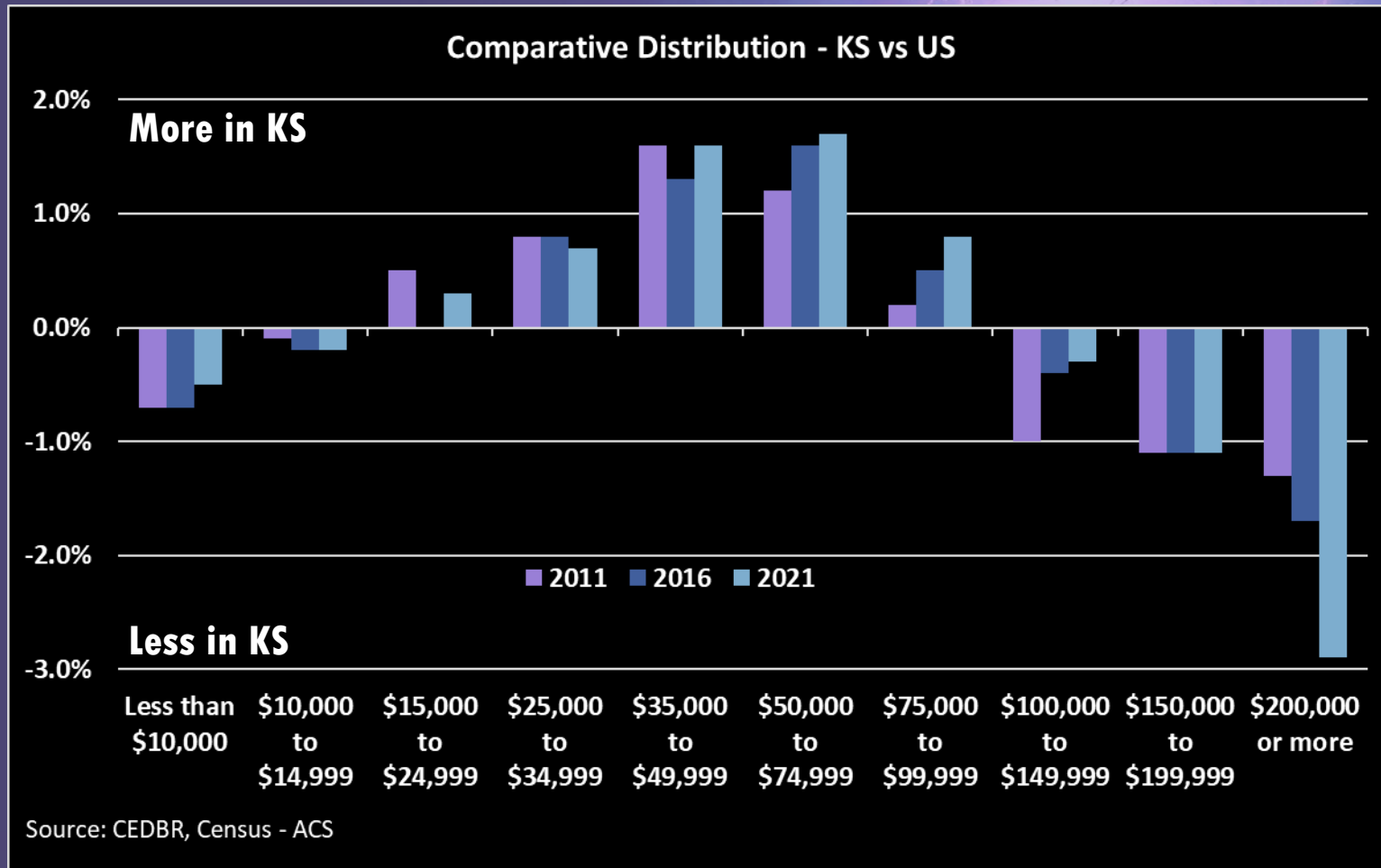


- **KC** is the only market that is competing at the national level.
- **SC** and **NW** are both somewhat competitive within the Midwest region

Wage Costs “Skyrocketing...A Bummer for Employers, but Inflation’s Keeping It in Check!”



Income Distribution “Crowded in the Middle, Dudes! A Totally Balanced Bounty?”



- Kansas has a deeper pool of moderate-income households



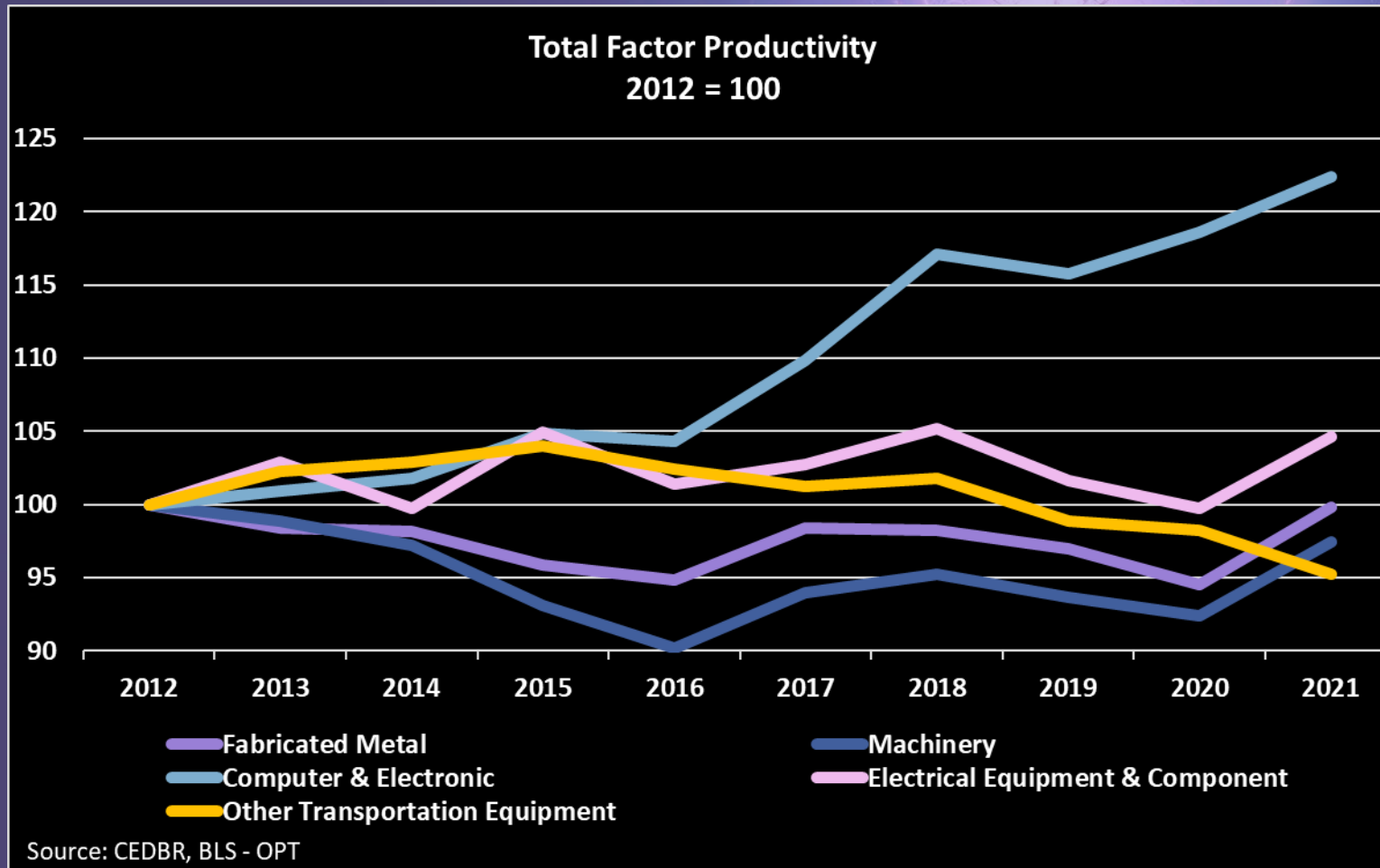
- Question – are we paying higher skilled labor moderate wages?



- Kansas is losing wage and high-skilled jobs. This will decrease our competitiveness and longer economic consequences.

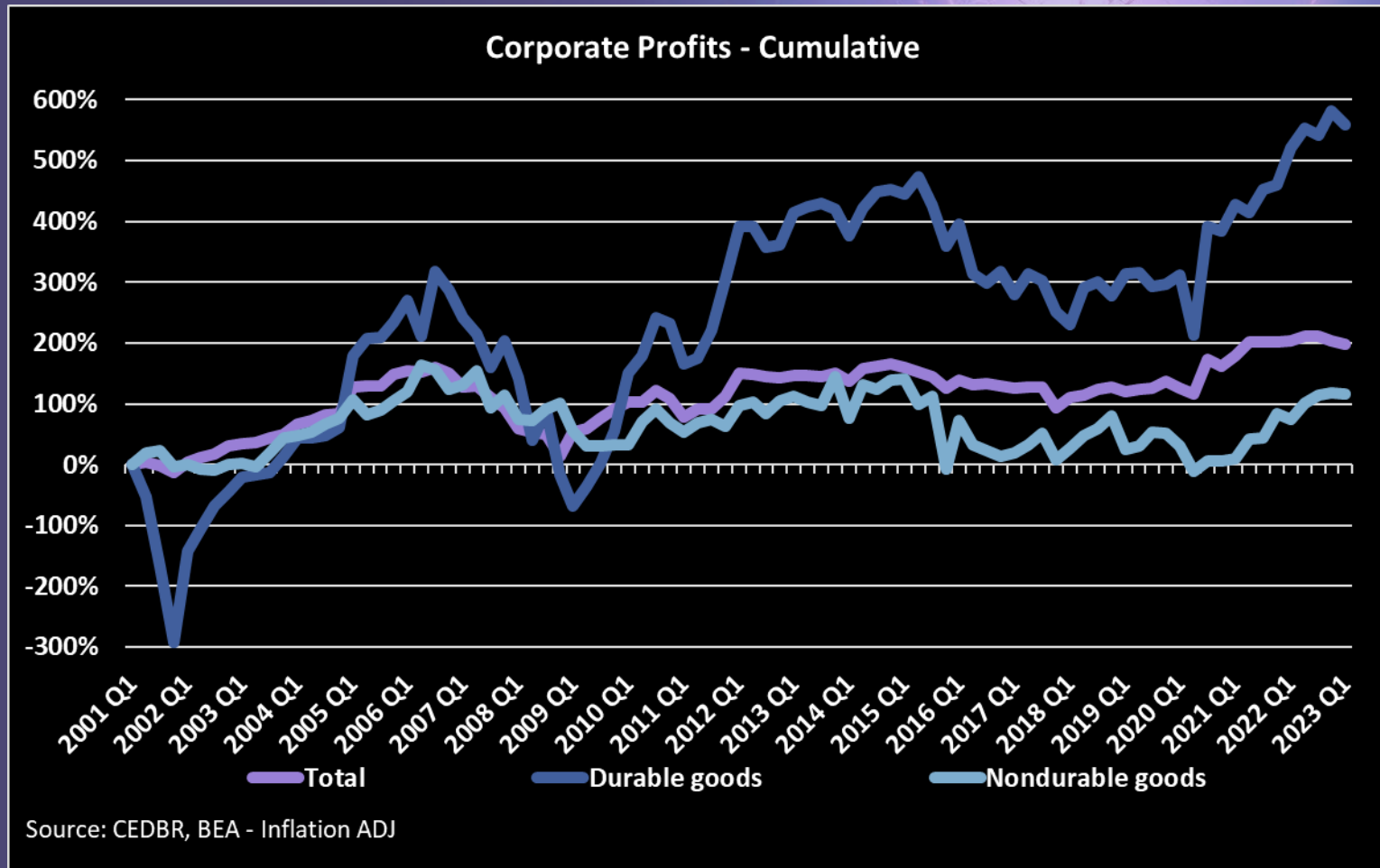


Productivity "Major Boost in Four Key Markets...Signals Firms Can Dish Out More Dough!"



- **Fabricated Metal** – 2021 increased reversed downward trend
- **Machinery** – slow improvement with sequential technology improvements since 20216
- **Other Transportation** - declined due to shifts toward lower-skilled labor, which will have a long-term benefit.

Profitability “...on the Up and Up, Dudes! Cash Stash Ready for Snagging Talent and Amped-Up Training!”



- **US Corporate profits are up 32% since Q1 2020.**
- **Manufacturing profits are significantly higher. Firms held cash because of fear of supply chains, inflation, and wage negotiations.**

BIZ Survey “Businesses Gearing Up to Hike Wages, Dudes! Gotta Stay Competitive in the Game!”



- **90%+** of KS firms increased wages
- **~65%** of KS firms expect to compete on wages in 2024
- **Wage and other compensation will not likely slow down anytime soon.**

Do you want to contribute to future surveys?



Wage Summary



LG firms need to **compete nationally** to attract talent. **Increasing benefits for training** will be key to increasing productivity and profits.



Job hopping at all skill levels remains a key tool for upward mobility. Seeking alternative benefits will be the best strategy in 2024.



Another year of **wage competition** will impact SM Biz: higher operating costs, reduced profit margins, and limited access to talent.

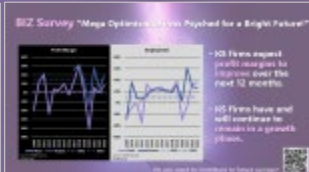
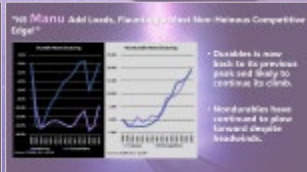
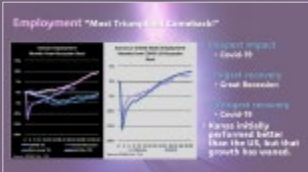


Continued growth in overall and **middle-income households** will broaden the tax base.

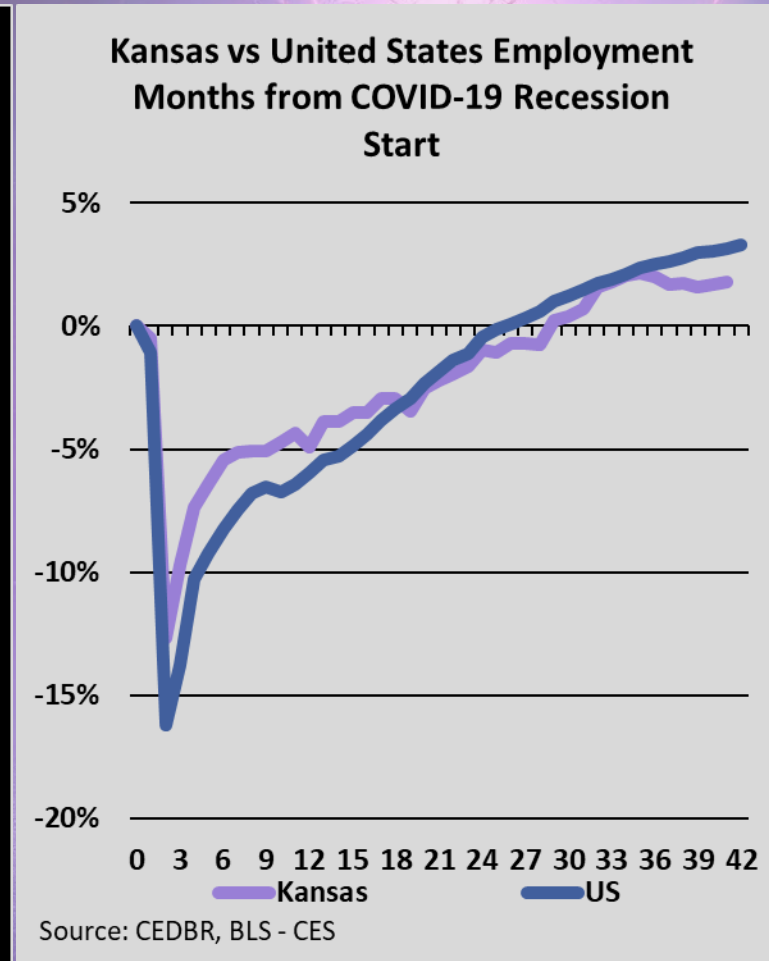
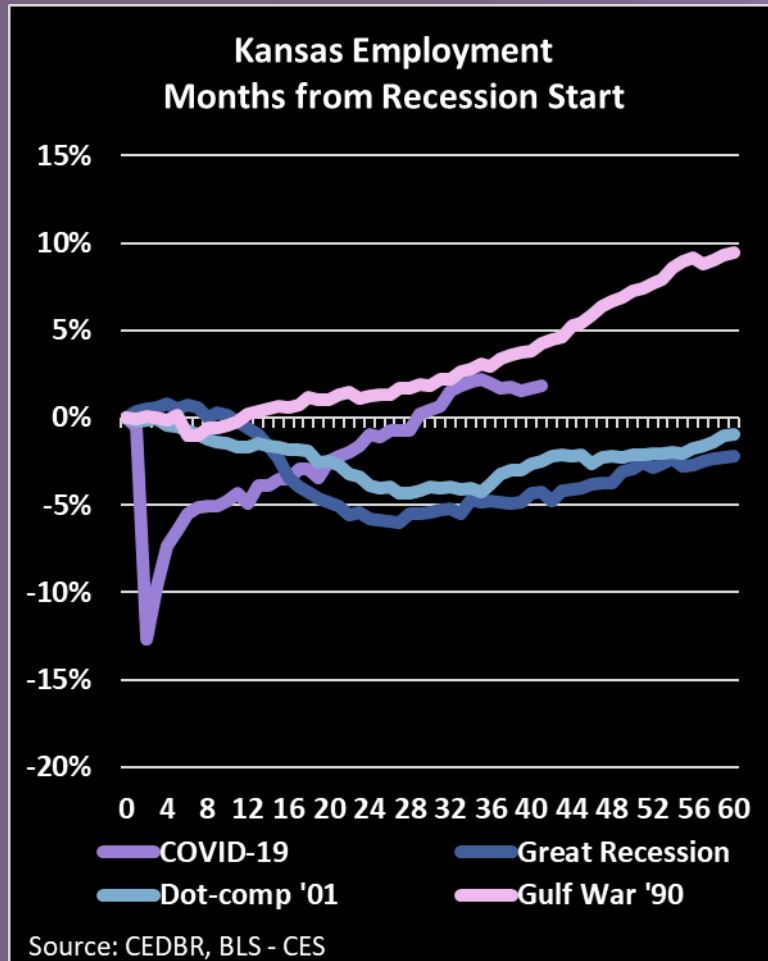
"Epic Job Boom, Dudes! Riding the Wave of Stupendous

Employment

Growth for a Most Outstanding Economy!"



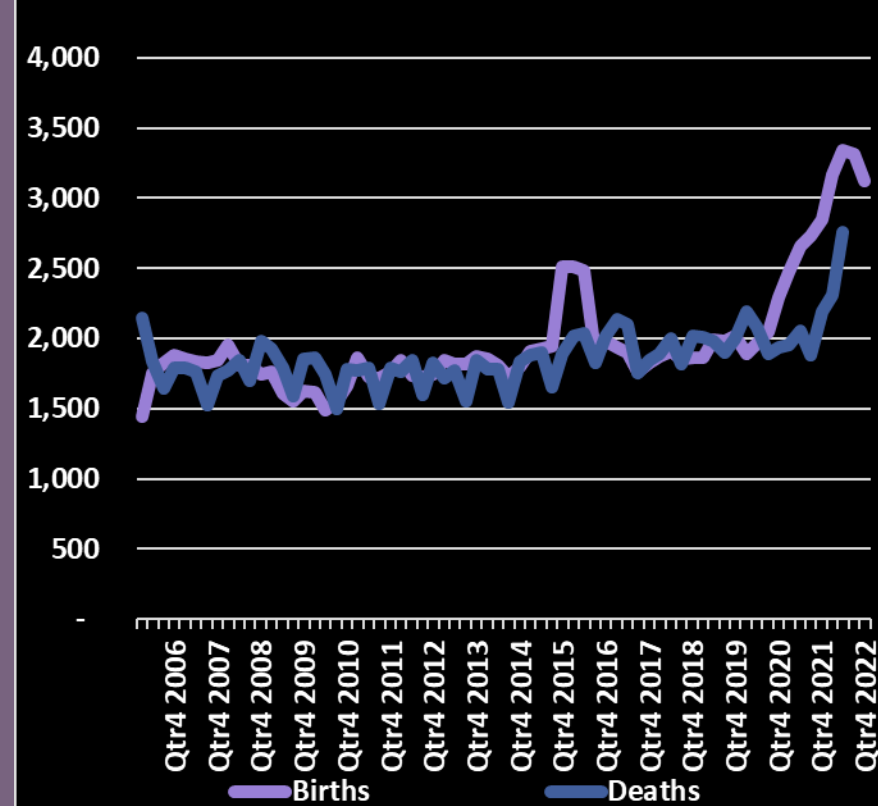
Employment “Most Triumphant Comeback!”



- **Deepest Impact**
 - Covid-19
- **Longest recovery**
 - Great Recession
- **Strongest recovery**
 - Covid-19
- **Kansas initially performed better than the US, but that growth has waned.**

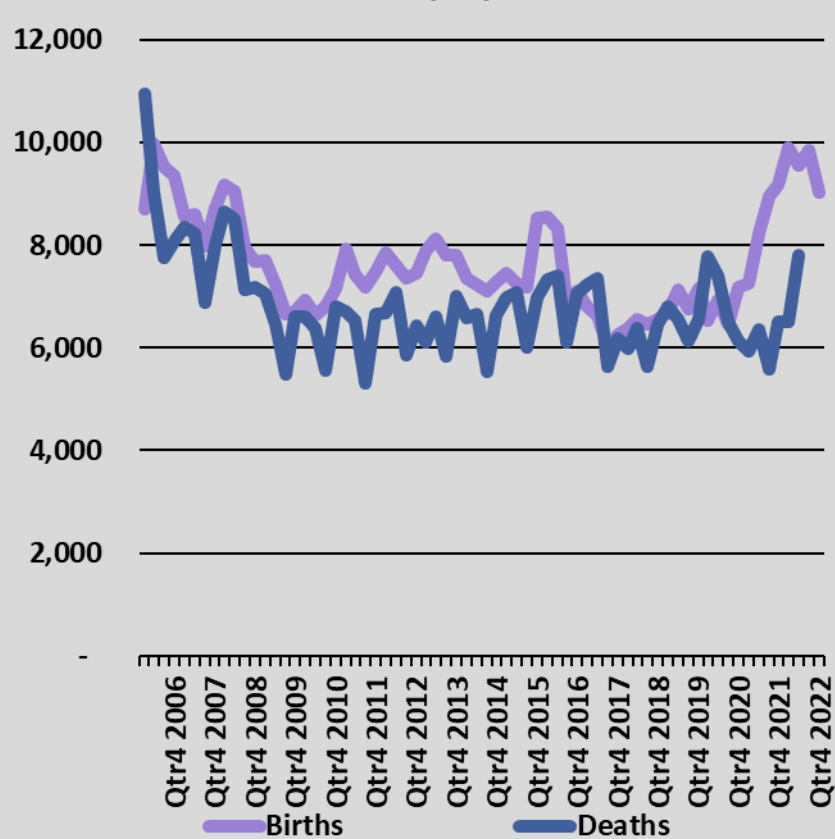
KS EST "Births Soaring Sky-High, Showing a Bodacious Boost in ENTRE!"

Kansas Establishments



Source: CEDBR, BLS - BDM 3M-AVG

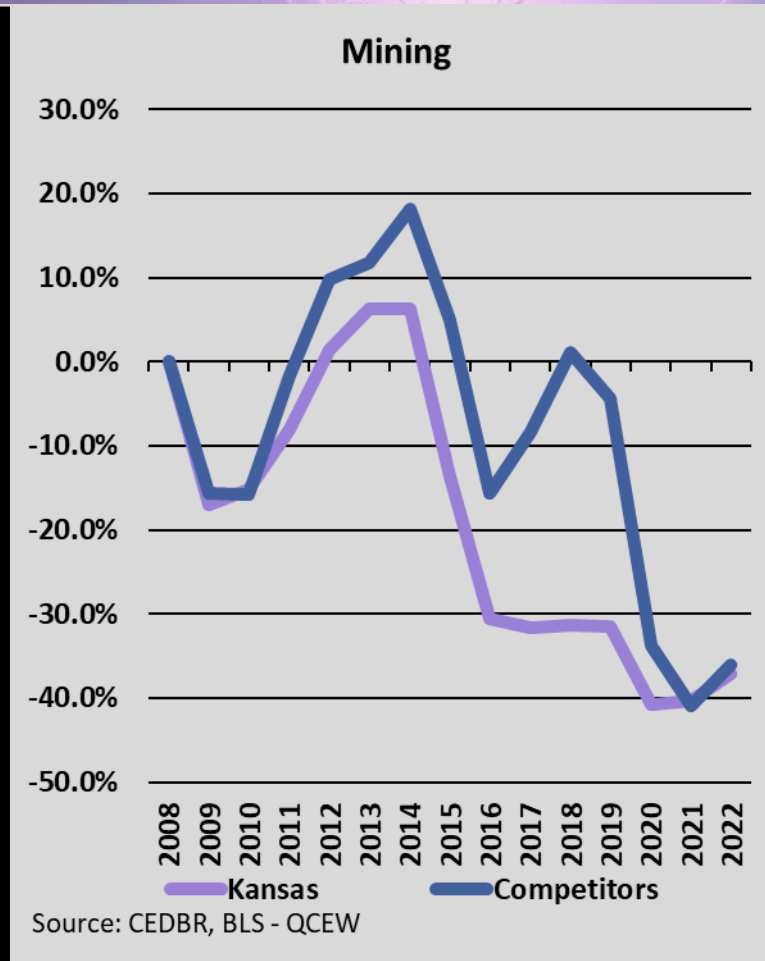
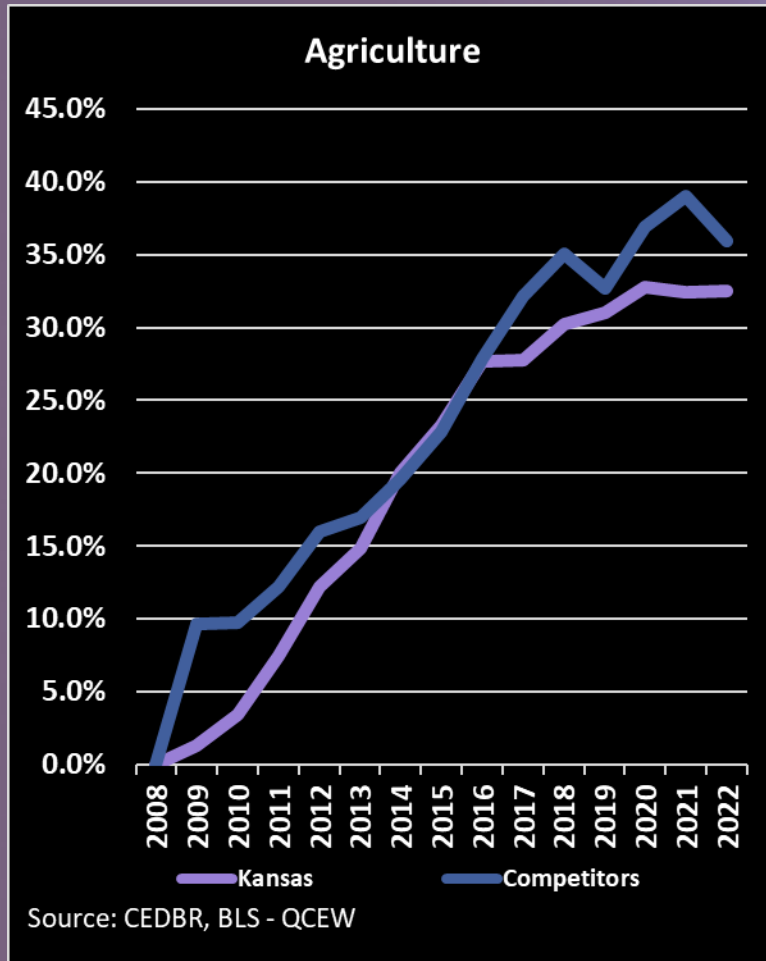
Kansas Employment



Source: CEDBR, BLS - BDM 3M-AVG

- **COVID-19** spurred a new era of entrepreneurship
- **Establishment deaths** are increasing, which is part of the creative destruction.

"Whoa! **KS AGRI Jobs** Stay Steady as a Rock!"



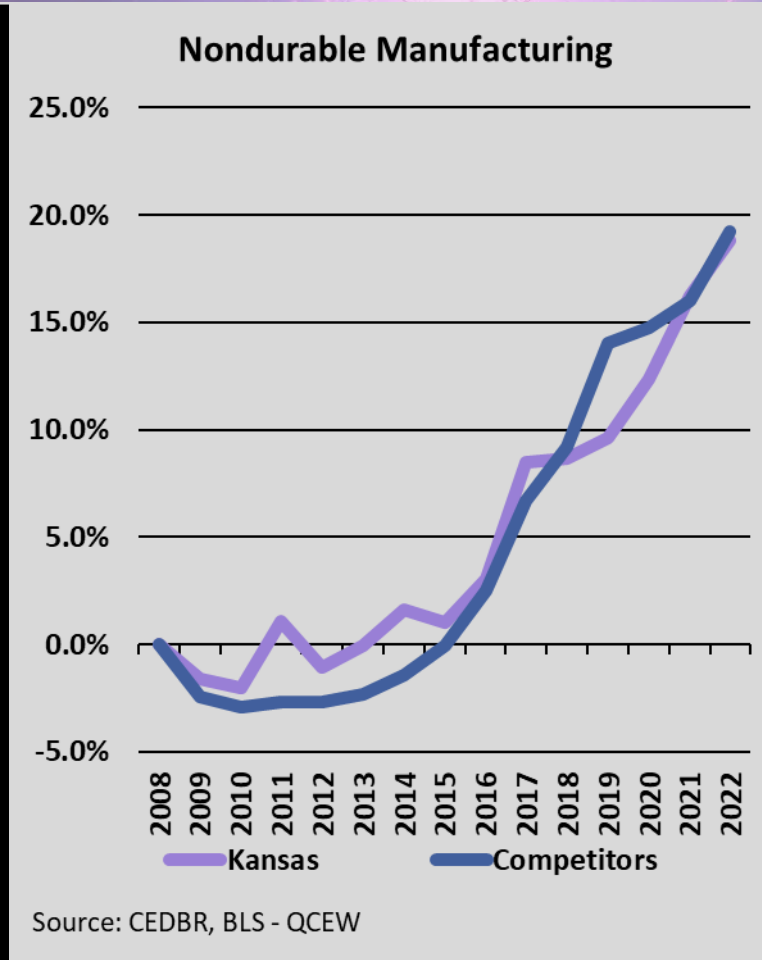
- **Agriculture 2022**

- Kansas outperformed its competitors

- **Mining 2022**

- Kansas and its competitors had a strong rebound

"KS MANU Add Loads, Flaunting a Most Non-Heinous Competitive Edge!"



- **Durables** are now back to its previous peak and likely to **continue its climb**.
- **Nondurables** have continued to **plow forward** despite headwinds.

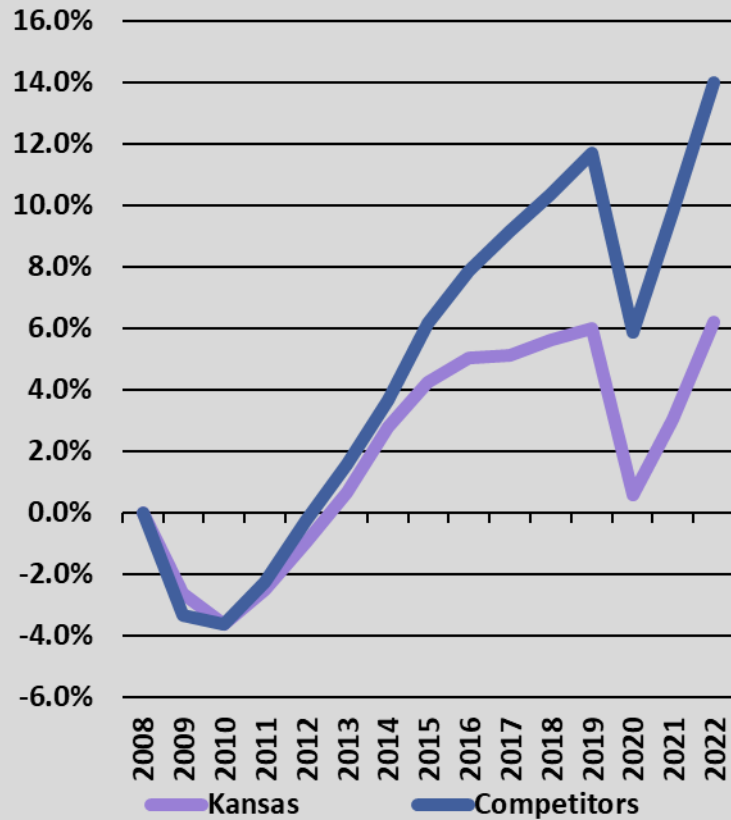
EMP "Trade, Services, & Gov: Keeping Pace but Needing a Boost for the Long Haul!"

Trade



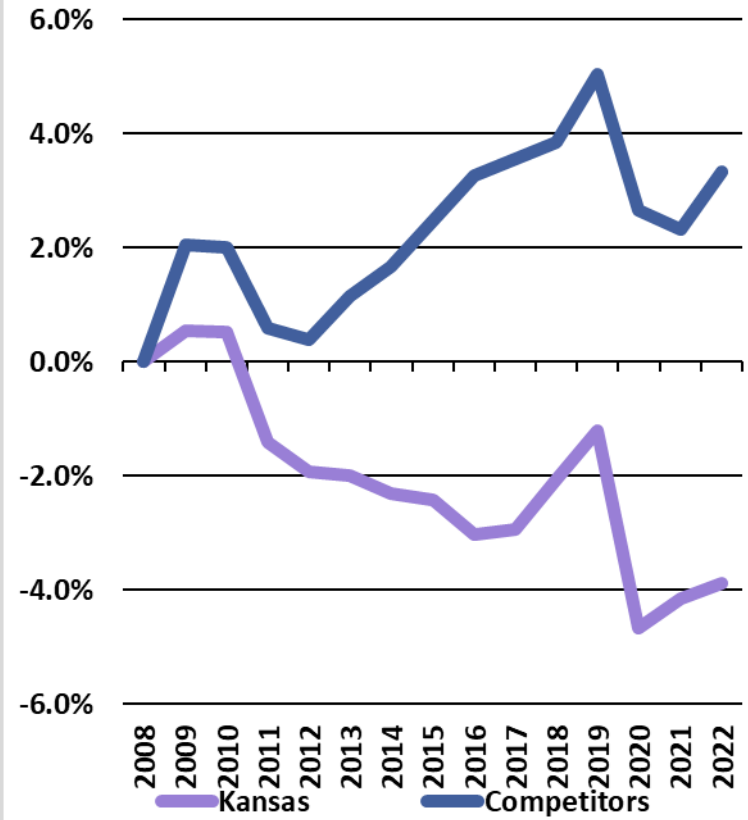
Source: CEDBR, BLS - QCEW

Service-Providing



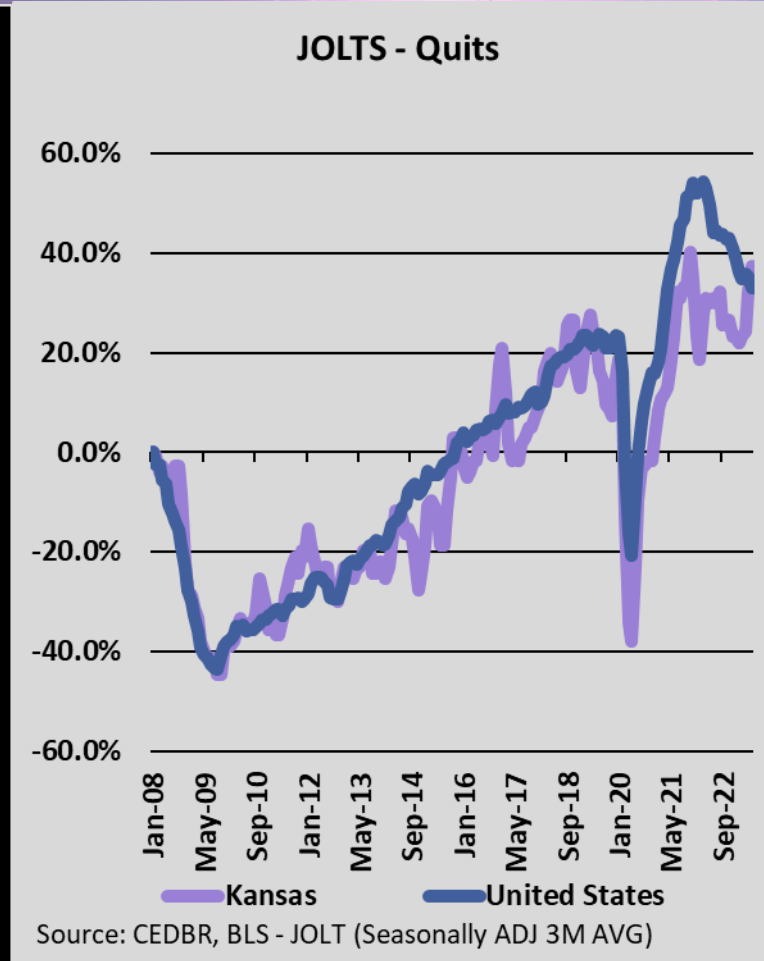
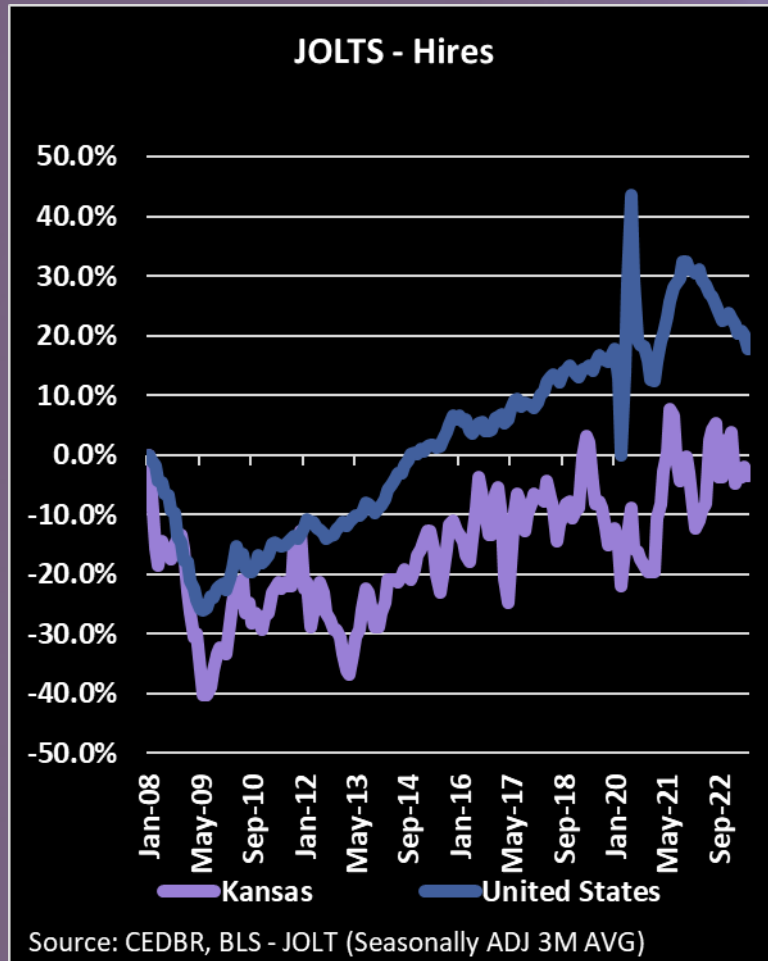
Source: CEDBR, BLS - QCEW

Government



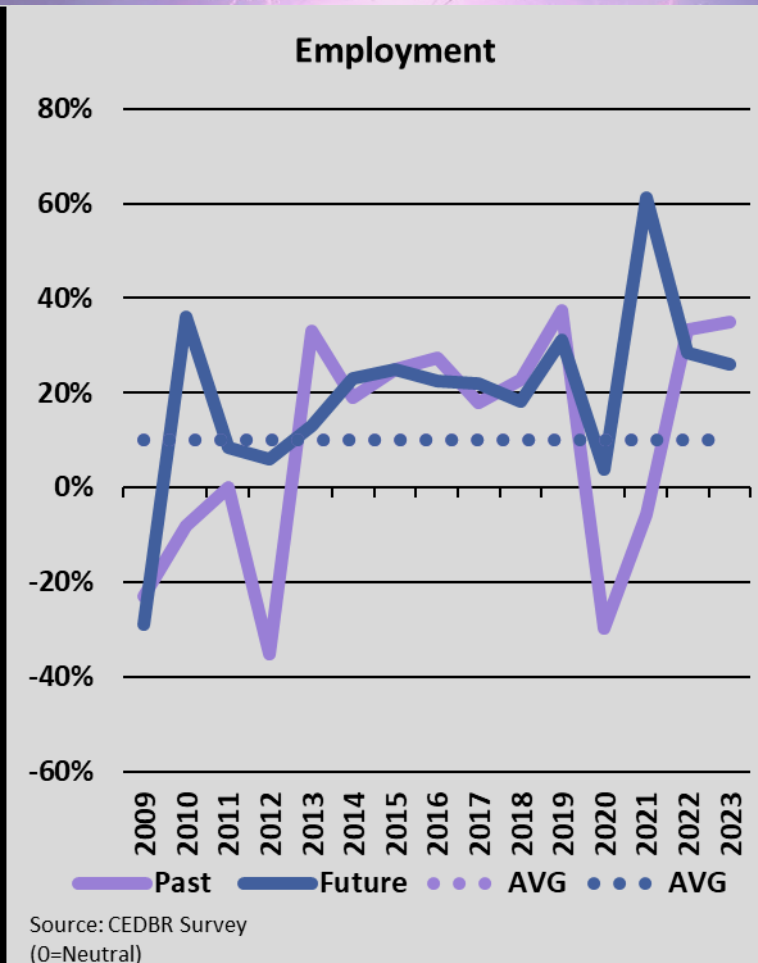
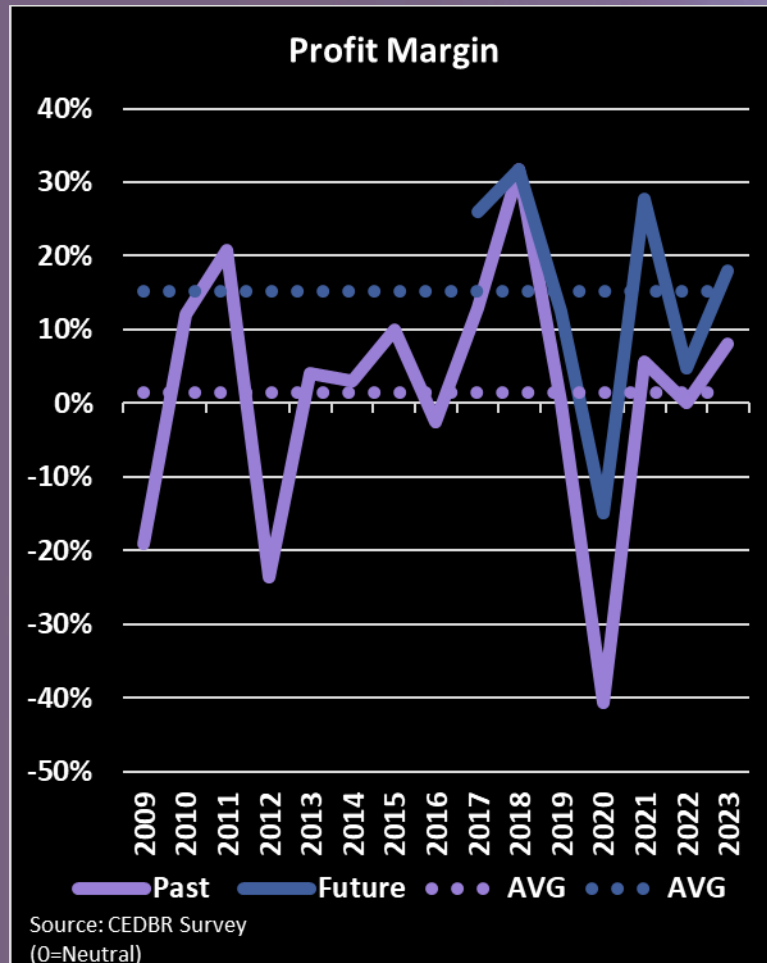
Source: CEDBR, BLS - QCEW

Labor Churn "KS Job Scene: Hires Up, Quits Climbing! Working Out the Kinks in the Labor Market, Dudes!"



- **Labor Churn –**
 - Efficient resource allocation
 - Skill development
 - Wage growth
 - Labor market flexibility
- **US hires and quits remain elevated.**
- **Kansas hires and quits are still increasing.**

BIZ Survey “Mega Optimism...Firms Psyched for a Bright Future!”



- KS firms expect **profit margins to improve** over the next 12 months.
- KS firms have and will continue to **remain in a growth phase**.

Do you want to contribute to future surveys?



Employment Summary



All eyes should be on MANU as that **sector ramps** up its competition for labor.



Opportunity remains abundant.

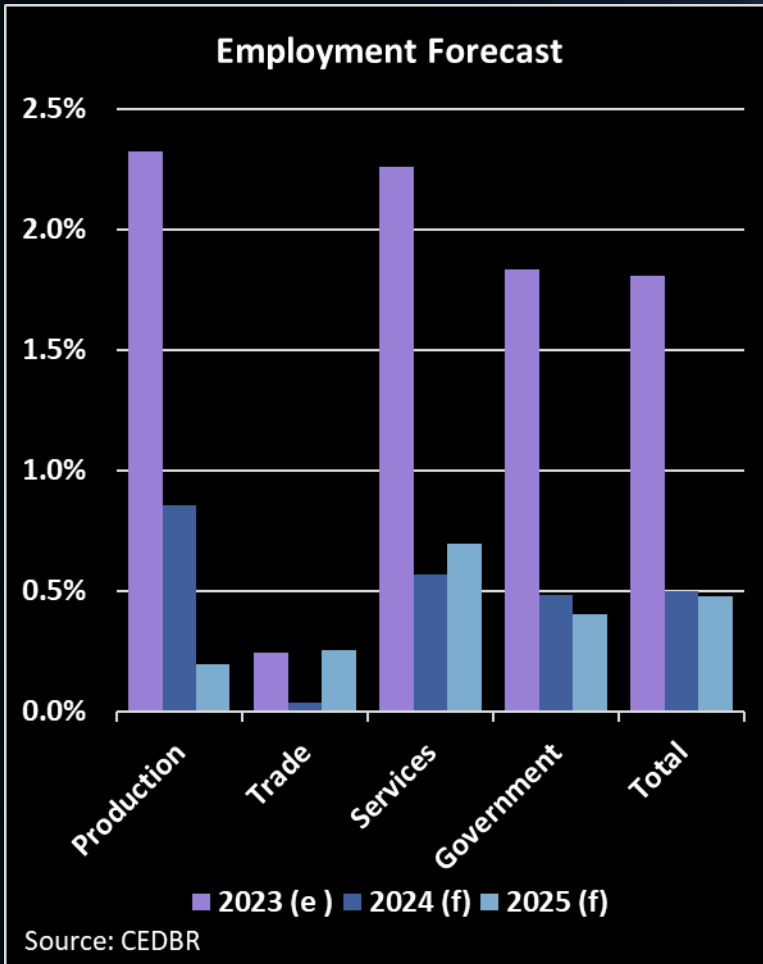


SM Manu firms with **lower profit margins** will struggle in 2024 as **talent and skills will follow opportunity.**



Labor demand will create **additional pressure for GOV to retain talent**; however, continued growth will create growth in the economy.

KS EMP “Still Soaring High...Amidst the National Noise!”



- **Production** is expected to **lead the state economy** due to the implementation of recent investments
- Growth within **Services** is expected to **continue its growth** for the next two years
- **Topeka's outlook** has improved

