Wichita's Economic Outlook 2010 Review and 2011 Forecast

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October 7, 2010

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Wichita Forecast Summary

Wichita's economy outperformed the U.S. economy in 2008. Wichita's employment grew 1.7 percent that year, while the nation's declined 0.6 percent. However, by the end of 2009, Wichita was no longer outperforming the nation. U.S. employment decreased 4.3 percent, while Wichita's employment declined 5.1 percent. This year, Wichita's total nonfarm employment is estimated to decrease 2.5 percent, and the forecast for 2011 presumes an increase of 0.5 percent.

The performance of the WSU Leading Economic Indicators Index and the WSU Current Conditions Index confirms that Wichita should have a better year in 2010 than it had in 2009. The two Current Conditions Index indicators with the best performance during the first half of 2010, compared to the first half of 2009, were seasonally adjusted home sales that grew 9.6 percent and the seasonally adjusted number of outbound passengers at Wichita's Mid-Continent Airport, which grew 3.1 percent.

Leading Index indicators also provide encouragement. From first half 2009 to first half 2010, Kansas initial unemployment claims decreased 28.5 percent, the average national Index of Consumer Confidence[1] increased 15.7 index points, the U.S. inflation adjusted value of new orders for aircraft and parts increased 32.7 percent, and the Standard & Poors' Aerospace and Defense Index[2] value increased 35.5 percent.

A decrease in personal income in 2009 triggered a decline in consumer spending. Nominal taxable retail sales declined 5.5 percent in 2009 in the Wichita MSA. First quarter 2010 data indicates that consumer spending continued to decline through the beginning of this year. Nominal taxable retail sales dropped 2.6 percent from first quarter 2009 to first quarter 2010. Retail sales are estimated to decrease 0.6 percent in 2010 and another 1.9 percent in 2011 in the Wichita MSA.

Contraction in the aviation manufacturing sector began to slow in the first half of 2010. From January through July 2010, 700 aerospace products and parts jobs were lost in Wichita. Additional job losses are likely to occur fourth quarter. Although these losses are and will be significant, the numbers still indicate a slowing contraction in the aviation manufacturing sector when comparing this year's losses and potential losses against the 5,900 total aviation manufacturing jobs lost last year. General aviation worldwide experienced a 9.8 percent decline in number of airplanes shipped during the first half of 2010; however, billings have remained steady. Commercial airlines have rebounded more quickly than anticipated, prompting the International Air Transport Association to revise their industry forecast upward for 2010.

The second largest industry sector in Wichita is education and health services, which continues to grow. Several major facility and service expansions in health care have been announced this year. Employment in this sector is expected to increase 1.3 percent, or 557 jobs in 2010, with an additional increase of 1.8 percent, or 820 jobs in 2011. Employment levels may be hindered by the availability of skilled labor. 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.

Despite the economic blow experienced by Wichita's manufacturing sector, total nonfarm employment is expected to increase 0.5 percent in 2011, for a total gain of 1,315 jobs. Job gains in non-durable goods manufacturing will help counteract job losses in durable goods manufacturing, holding total manufacturing employment to a 0.7 percent decline. The production sector, as a whole, will lose 110 jobs or 0.2 percent. Trade, transportation and utilities are forecasted to decrease by 100 jobs, or 0.2 percent. This decline will be driven by continuing employment losses in retail trade. The service sectors are forecasted to increase 0.7 percent in 2011, while the government sector is expected to increase 1.4 percent.

Table 1. Wichita MSA Employment by Industry Forecast Summary*

	2009 (a)	2010 (e)	2011 (f)	2010-2011 Level Change	2010-2011 Percent Change
Total Nonfarm	**292,175**	**284,925**	**286,240**	**1,315**	**0.5%**
Production Sectors	**73,175**	**67,180**	**67,070**	**-110**	**-0.2%**
Natural Resources, Mining & Cons.	15,217	14,550	14,830	280	1.9%
Manufacturing	57,958	52,630	52,240	-390	-0.7%
Durable Goods	50,300	43,440	42,850	-590	-1.4%
Non-Durable Goods	7,658	9,190	9,390	200	2.2%
Trade, Transportation & Utilities	**50,183**	**49,255**	**49,155**	**-100**	**-0.2%**
Wholesale Trade	10,858	10,770	10,805	35	0.3%
Retail Trade	31,092	30,560	30,380	-180	-0.6%
Transportation & Utilities	8,233	7,925	7,970	45	0.6%
Service Sectors	**127,283**	**126,675**	**127,615**	**940**	**0.7%**
Information	5,233	4,935	4,810	-125	-2.5%
Financial Activities	11,250	11,010	10,860	-150	-1.4%
Professional & Business Services	28,608	27,980	27,820	-160	-0.6%
Education & Health Services	43,908	44,465	45,285	820	1.8%
Leisure & Hospitality	27,517	27,510	27,890	380	1.4%
Other Services	10,767	10,775	10,950	175	1.6%
Government	**41,533**	**41,815**	**42,400**	**585**	**1.4%**

*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 June 2010, the WSU Current Conditions Index was 3.5 percent higher than the December 2009 index value. The two index indicators with the best performance during the first half of this year, compared to the first half of 2009, were seasonally adjusted home sales that grew 9.6 percent and the seasonally adjusted number of outbound passengers at Wichita's Mid-Continent Airport, which grew 3.1 percent. Declining employment and a decrease in the seasonally adjusted value of outbound airfreight shipments at Mid-Continent Airport have constrained index growth.

The WSU Leading Economic Indicators Index grew seven of the eight months ending in June. Despite that growth, the index was still 1 percent lower than its October 2009 value, the low before this recent upward trend. The value of new nonresidential building permits hit an all-time high in March 2009 due to the reporting of the value of building permits for the INTRUST Bank Arena. Then nonresidential permit value hit an all-time low in January 2010. These extremes, along with other significant month-to-month fluctuations, have taken a toll on the index. The index is used to forecast economic conditions six months into the future; however, the data anomalies mentioned above have made it difficult to clearly identify economic trends.[3] Nevertheless, individual index indicators continue to provide encouragement. From first half 2009 to first half 2010, Kansas initial unemployment claims decreased 28.5 percent, the average national Index of Consumer Confidence[4] increased 15.7 index points, the U.S. inflation adjusted value of new orders for aircraft and parts increased 32.7 percent, and the Standard & Poors' Aerospace and Defense Index[5] value increased 35.5 percent.

According to the WSU indices, Wichita's economy began 2010 on more solid ground than in 2009.

Consumer Expectations, Income and Spending

The national Index of Consumer Confidence hit an all-time low of 25.3 in February 2009.[6] Through the end of June 2010, it regained 29 index points. However, with layoffs continuing to reduce payroll in the Wichita area, local consumer confidence is not likely to improve significantly until employment growth begins to accelerate.

Income growth in Wichita was strong from 2003 through 2006. Each year Per Capita Personal Income increased above the rate of inflation, with 2006 being an outstanding year for PCPI growth in Wichita at 10.6 percent, while inflation was only 3.2 percent that year. From 2007 through 2009, Wichita's PCPI growth did not exceed inflation.

Wichita's PCPI has not exceeded the U.S. level of PCPI since 1998; however, it has been within 5 percent of the U.S. PCPI level since that time.

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[7]
2005	$35,424	4.6%	$33,978	4.5%	95.9%	3.4%
2006	$37,698	6.4%	$37,566	10.6%	99.6%	3.2%
2007	$39,392	4.5%	$38,032	1.2%	96.5%	2.8%
2008	$40,166	2.0%	$39,207	3.1%	97.6%	3.8%
2009	$39,138	-2.6%	$37,723	-3.8%	96.4%	-0.4%

Source: U.S. Department of Commerce, Bureau of Economic Analysis, CA103 Personal Income Summary Estimates.

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. First quarter 2010 data indicates that consumer spending continued to decline through the beginning of this year. Nominal taxable retail sales dropped 2.6 percent from first quarter 2009 to first quarter 2010. Retail sales are estimated to decrease 0.6 percent in 2010 and another 1.9 percent in 2011.

Employment by Industry

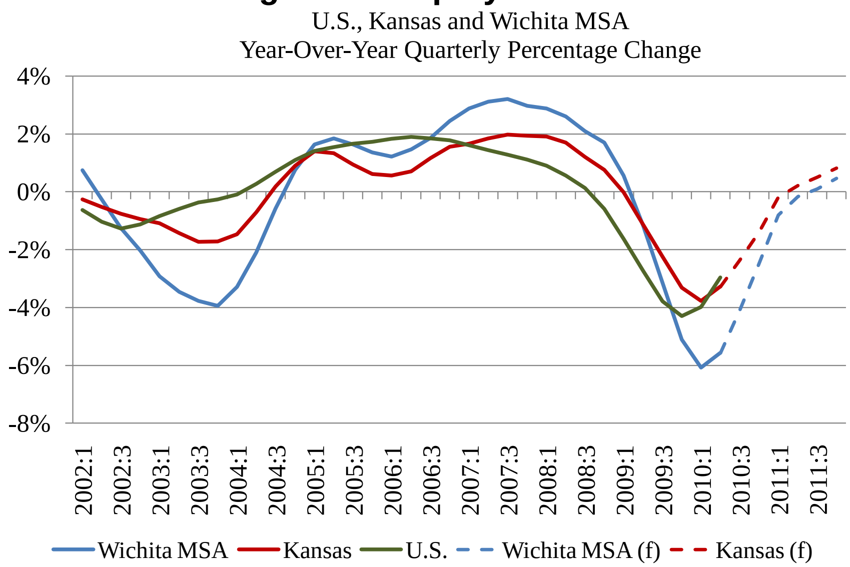
Total Employment – All Industries

Wichita's recession began in third quarter 2008 as Wichita's total nonfarm employment began to decline and the unemployment rate began its ascent. From June 2008 through January 2010 when employment reached a trough in Wichita, employment decreased 9.3 percent, a percent higher than the U.S. employment decline that began in December 2007 and ended in January 2010. From January through May of this year, the Wichita economy made a valiant effort at recovery, gaining 6,400 jobs. However, the loss of 5,700 jobs since May makes some wonder if Wichita might be in store for a double dip recession. Another explanation for this decline, however, is seasonality. Total nonfarm employment tends to decrease in July and August.

CEDBR estimates an employment decline of 2.5 percent in 2010, for a total loss of 7,250 jobs. However, the increasing need for health services, demonstrated by continued expansion in this industry, the strength of non-durable goods manufacturing and significant construction projects over the next couple of years should bolster the Wichita economy against a full-blown double-dip recession. Employment growth of 1,315 jobs is expected in 2011, for a 0.5 percent increase.

In 2011, the production sectors are expected to decrease 0.2 percent, for a net loss of 110 jobs. The trade and transportation sectors are expected to decrease 0.2 percent, for a net loss of 100 jobs. The service sectors are expected to gain 940 jobs, or 0.7 percent; while the government sector is expected to increase 1.4 percent, for a net gain of 585 jobs.

Figure 1. Employment Growth



Source: U. S. Department of Labor, Bureau of Labor Statistics and Center for Economic Development and Business Research calculations.

Production Sectors

Natural Resources, Mining and Construction

Natural resources, mining and construction accounted for 5.2 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the natural resources and mining sector totaled $71.8 million in 2009, with average earnings per job of $49,488.
- Payroll earnings for the construction sector totaled $569.9 million in 2009, with average earnings per job of $39,966.

The total value of Wichita's residential building permits increased 1.4 percent from first half 2009 to first half 2010. On the other hand, the value of nonresidential building permits decreased 54.2 percent during the same time period. This decrease is related to the INTRUST Bank Arena. Building permits for this project were originally issued as "conditional" permits (without valuation). The finalized permits, with values, were issued in March 2009, creating an unusually large total for that month and distorting data comparisons that included March 2009 building permit data. Without that data anomaly, the value of nonresidential building permits would have been decidedly different, perhaps even showing an increase from first half 2009 to first half 2010.

Approximately $6.7 million of the Wichita Public Schools $370 million bond issue have been used to build additions to five elementary schools in 2010. The overall bond construction plan will be completed by the end of 2013.

Overall, natural resources, mining and construction employment is expected to decrease 4.4 percent, or nearly 670 jobs in 2010, but the industry should grow in 2011, with a 1.9 percent increase, or 280 jobs.

Manufacturing

Manufacturing accounted for 19.8 percent of all jobs in the Wichita MSA in 2009. About 87 percent of manufacturing jobs are in the durable goods sub-sector and dominated by jobs in aviation manufacturing. About 13 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 $3.4 billion in 2009, with average earnings per job of $58,926.
- Aerospace products and parts manufacturing accounted for 61 percent of manufacturing jobs, with payroll for 2009 totaling approximately $2.4 billion and average earnings per job of $67,440.

Aviation Manufacturing

From 2008 to 2009, average annual jobs lost in the aerospace products and parts industry in the Wichita area totaled 5,900. From January through July 2010, 700 additional jobs were lost. More job losses are likely to occur fourth quarter. Although this year's previous and future losses are and will be significant, the numbers indicate a slowing contraction in the aviation manufacturing sector when comparing this year's losses and potential losses against the 5,900 total aviation manufacturing jobs lost last year.

- *General Aviation Overview*
  The General Aviation Manufacturers Association data below confirms that the general aviation manufacturing contraction is slowing. Total shipments declined 9.8 percent in the first half of 2010, compared to 45.8 percent from first half 2008 to first half 2009. Total billings, thus far this year, have remained stable, growing 0.2 percent.

Table 3. First Half 2008, 2009 and 2010 Shipments of Airplanes Manufactured Worldwide

	First Half 2008	First Half 2009	2008-2009 Change	First half 2010	2009-2010 Change
Pistons	1,034	434	-58.0%	425	-2.1%
Turboprops	221	191	-13.6%	157	-17.8%
Business Jets	663	414	-37.6%	355	-14.3%
Total Shipments	1,918	1,039	-45.8%	937	-9.8%
Total Billings	$11.99 billion	$9.38 billion	-21.7%	$9.40 billion	0.2%

Source: General Aviation Manufacturers Association, *End-of-Year 2008*, *Second Quarter 2009* and *Second Quarter 2010* General Aviation Airplane Shipment Reports.

Bombardier Aerospace plans to expand its facility to accommodate Learjet 85 production work in Wichita. Final assembly of the plane will require 600 employees, 300 of whom will be newly hired. The first Learjet 85 is expected to be delivered in 2013. These plans are backed by $27 million in bond financing from the state.

In April, Cessna Aircraft Co. announced delivery of its first Citation CJ4, which is the newest and largest member of the CJ family of business jets. Then on Sept. 21, 2010, Cessna CEO Jack Pelton announced the need to adjust production schedules and reduce Cessna's workforce by 700 employees. Although some gains were made in the aviation manufacturing sector in the first half of 2010, the recovery that was expected during the second half of the year has not occurred, therefore, creating the need to reduce costs.

Inventory levels for pre-owned business aircraft decreased the first seven months of 2010 compared to the same time period in 2009. At the same time, sale transactions have increased, especially for business jets. Average days on the market have increased and average asking prices have declined. The table below shows data released by JETNET LLC on Aug. 25, 2010.

Table 4. Pre-owned Business Aircraft Data

Year-to-Date January to July 2010 vs. 2009		
	Business Aircraft	
Worldwide Trend	Jet	Turboprop
Percent of inventory for sale	14.9%	10.9%
Change in percent of inventory for sale	-2.8%	-1.2 %
Percent change in sale transactions	33.8%	5.5%
Change in average days on market	77	30
Percent change in average asking prices	-12.5%	-10.5%
Source: JETNET LLC, *Summer 2010: Recovery Continues, But At An Uneven Pace*, Press Release, Aug. 25, 2010.		

- *Commercial Airline Overview*

  According to Giovanni Bisignani, Director General and CEO of the International Air Transport Association, "In terms of demand, 2009 goes into the history books as the worst year the industry has ever seen. We have permanently lost 2.5 years of growth in passenger markets and 3.5 years of growth in the freight business."[8] Airlines lost $9.9 billion in 2009, passenger traffic fell 2.1 percent, and cargo dropped 9.8 percent.[9]

  However, Bisignani of IATA stated in June 2010 that, "The global economy is recovering from the depths of the financial crisis much more quickly than could have been anticipated. Airlines are benefiting from a strong traffic rebound that is pushing the industry into the black. We thought that it would take at least three years to recover the $81 billion (14.3 percent) drop in revenues in 2009. But the

$62 billion top line improvement this year puts us about 75 percent on the way to pre-crisis levels." The table below shows IATA's original March forecast and its revised June forecast for 2010.

Table 5. International Air Transport Association 2010 Forecasts

Highlights Comparing Previous Forecast for 2010		
	March Forecast	**June Forecast**
Revenues	$522 billion	**$545 billion**
Passenger demand growth	5.6%	**7.1%**
Cargo demand growth	12.0%	**18.5%**
Passenger Yields	+2.0%	**+4.5%**
Cargo Yields	+3.1%	**+4.5%**
Oil	$79/barrel	**$79/barrel**
Fuel cost	$132 billion	**$140 billion**
Net Profit	-$2.8 billion	**+$2.5 billion**
Net % margin	-0.5%	**+0.5%**
Source: International Air Transport Association, *Global Aviation Returns to Profitability – But Europe Still in the Red*, Press Release No. 23, Jun. 7, 2010.		

Bisignani points out that with only a 0.5 percent net margin, the industry continues to remain fragile. Although the forecast above is encouraging from a global perspective, "a stagnating economy, strikes, natural disasters, and a currency crisis have left European carriers struggling with an anticipated $2.8 billion loss" in 2010.[10]

- *Orders, Backlogs and Deliveries*
  From 2008 to 2009, total Boeing backlogs declined 10 percent to $315.6 billion.[11] At the end of second quarter 2010, Boeing's backlog was $312.3 billion, nearly five times its current annual revenue projection. Boeing Commercial booked 88 gross orders during second quarter, while 20 others were removed from its order book. This contrasts with second quarter 2009 net orders of five aircraft.[12] For 2010, Boeing forecasts 460-465 deliveries of commercial airplanes, revenues of $31-$32 billion, and an operating margin between 7.5 percent and 8.5 percent.[13]

  In 2009, Airbus won 271 net orders (310 new gross orders), valued at $30.3 billion net ($34.9 billion gross), reaching its order intake target and capturing 54 percent of the worldwide market share of aircraft with 100+ seats. It also delivered a total of 498 aircraft in 2009, which was a new company delivery record for a single year. At the end of 2009, Airbus had a backlog of 3,488 aircraft valued at $437.1 billion, or six years of full production.[14] Through August 2010, Airbus delivered 335 aircraft, compared to 330 during the same time period in 2009. As a result, Airbus has stated that it is "…well on track to provide 500 aircraft in 2010." Its total gross orders through August 2010 totaled 301, more than double the 147 orders during the first eight months of 2009.[15]

Table 6: Boeing Commercial Orders and Production

	2004	2005	2006	2007	2008	2009
Gross Aircraft orders	277	1,029	1,050	1,423	669	263
Percent Change	*15%*	*271%*	*2%*	*36%*	*-53%*	*-61%*
Aircraft deliveries	285	290	398	441	375	481
Percent Change	*1%*	*2%*	*37%*	*11%*	*-15%*	*28%*
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

	2004	2005	2006	2007	2008	2009
Gross Aircraft orders	370	1,111	824	1,458	900	310
Percent Change	*30%*	*200%*	*-26%*	*77%*	*-38%*	*-66%*
Aircraft deliveries	320	378	434	453	483	498
Percent Change	*5%*	*18%*	*15%*	*4%*	*7%*	*3%*
Source: Airbus, http://www.airbus.com/en/corporate/orders-and-deliveries/*1989-2009 Results*, Summary_Airbus_results_89-09-results.xls.						

In the first half of 2010, Hawker Beechcraft delivered 88 general aviation and business aircraft, a decrease of 35 percent from first half 2009. Their backlog was valued at $2.4 billion on June 27, 2010, compared to $3.1 billion on March 28, 2010. The June backlog reflects a cancellation notice from NetJets that reduced the backlog by approximately $400 million. At the end of second quarter, Hawker reported an operating loss of $20.7 million, compared to an operating income of $39.4 million at the end of second quarter 2009.[16] CEO Bill Boisture has stated that Hawker Beechcraft continues to experience the effects of a worldwide recession. In an effort to cut costs, the company announced 350 layoffs on Sept. 24, 2010.

In 2009, Cessna delivered 754 aircraft, including 289 Citation business jets, and reported revenues of about $3.3 billion.

- *Aircraft Suppliers*
  Aircraft suppliers have benefited from the manufacturing rebound that occurred earlier this year. Spirit AeroSystems reported second quarter 2010 revenues of approximately $1.1 billion, operating income of $86 million, cash and cash equivalents of $118 million and a total backlog of approximately $27.2 billion. Cox Machine has entered into a seven-year agreement with Spirit AeroSystems to build aluminum and titanium parts for the Boeing 787 Dreamliner. Also, Nex-Tech Processing, which processes airframe components and assemblies, is purchasing $1.3 million worth of new machinery and equipment and plans to hire 43 new employees over the next two years.

- *Union Activity*
  Spirit AeroSystems workers, represented by the International Association of Machinists and Aerospace Workers, have a 10-year labor contract. This is the first time Wichita has had a labor contract of this duration.[17]

  Hawker Beechcraft and the Machinists union have started negotiations a year before the current contract expires. Hawker has announced the need to cut costs, and the 2,400 workers represented by the union want to keep jobs in Wichita. These two perspectives are expected to drive negotiations.[18]

  On Sept. 14, Cessna Aircraft Co. offered the International Association of Machinists and Aerospace Worker's Local Lodge 774 a new seven-year contract. Union leaders were unhappy with the contract and encouraged union members to reject the contract offer and vote to strike on Sept. 18.[19] The union did reject Cessna's seven-year contract, but did not have the two-thirds vote required for a strike. Without the strike vote, members accepted the contract by default.

Other Manufacturing

Martin Interconnect Services Inc. has expanded its customer base and has purchased the former Keystone Automotive building at 1801 S. Mead to accommodate its growth. The company makes wiring systems and harnesses for the manufacturing industry.

Case New Holland LLC began work on a $160 million contract for the U.S. Army. This 10-year project will supply the Army with 3,400 pieces of construction equipment and provide more than 140,000 hours of employment.

Cargill Inc. announced it would build a $14.7 million Cargill Innovation Center in downtown Wichita. This research and development facility is expected to be completed in June 2011.

The Spartanburg, S.C.-based Tindall Corp. plans to purchase about 228 acres in the Kansas Logistics Park in Newton, Kan., to build a $66 million plant to manufacture concrete bases for wind turbines. By the end of its third year of operations, it expects to employ 400 people.

Manufacturing Forecast

Durable goods manufacturing employment is expected to decline 13.6 percent in 2010, for a net loss of 6,860 jobs. In 2011, employment will continue to decrease, although at a much slower rate. The sector is expected to decline 1.4 percent or 590 jobs in 2011.

If the estimated and forecasted job losses for 2010 and 2011 hold, the durable goods sector will lose approximately 17,550 jobs, or 29.1 percent from the last employment peak in June 2008.

Non-durable goods manufacturing lost approximately 3,400 employees from 2000 through 2009. Employment is expected to increase in 2010, with a gain of more than 1,500 jobs for the year. In 2011, employment is forecasted to increase an additional 2.2 percent, or 200 jobs.

Overall, in 2011 manufacturing employment is projected to decrease 0.7 percent, for a net loss of 390 jobs.

Trade, Transportation and Utilities Sectors

Wholesale Trade

Wholesale trade accounted for 3.7 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the wholesale trade industry totaled more than $598.0 million in 2009, with average earnings per job of $54,597.

Wholesale trade is expected to lose 88 jobs by year-end. Employment is expected to increase 0.3 percent, for a net gain of 35 jobs in 2011.

Retail Trade

Retail trade accounted for 10.6 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the retail trade industry totaled $752.1 million in 2009, with average earnings per job of $24,128.

Job loss in other sectors and a high savings rate will add to the continued employment loss in this sector. Retail trade is on track to lose 532 jobs this year and another 180 in 2011.

In 2009, nominal taxable retail sales decreased 5.5 percent, despite a lack of inflation. Until employment, personal income and local consumer confidence improve, retail sales will remain sluggish. Nominal taxable retail sales are expected to decrease 0.6 percent in 2010 and an additional 1.9 percent in 2011, or declines of 1.1 and 2.4 percent, respectively, after adjusting for inflation.

Transportation, Warehousing and Utilities

The transportation, warehousing, and utilities industry accounted for 2.8 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the utilities sector totaled $55.4 million in 2009, with average earnings per job of $66,278.
- Payroll earnings for the transportation and warehousing sector totaled $238.3 million in 2009, with average earnings per job of $35,058.

A new FedEx Freight distribution center is being built in the Skyway Industrial Park at 3560 S. Maize Rd. The facility will include a 68,000-square-foot, 96-door distribution center and a 10,000-square-foot maintenance facility.

Employment in the transportation, warehousing and utilities sector is expected to end the year with a loss of slightly more than 300 jobs. However, it is forecasted to gain 45 jobs in 2011, a 0.6 percent increase.

Service Sectors

Information

The information industry accounted for 1.8 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the industry totaled $226.3 million in 2009, with average earnings per job of $43,429.

The information sector declined 25.7 percent in Wichita in 2009 from its most current peak in 2002. The downward trend is expected to hold. Employment in the information sector is expected to decrease another 5.7 percent in 2010 and an additional 2.5 percent in 2011, for a two-year combined loss of approximately 420 jobs. The national trend has also been downward, with the information sector losing 911,000 jobs, or 25.1 percent since 2000.

Financial Services

The financial activities industry accounted for 3.9 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the finance and insurance sector totaled $361.1 million in 2009, with average earnings per job of $45,885.
- Payroll earnings for the real estate and rental and leasing sector totaled $101.8 million in 2009, with average earnings per job of $29,465.

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. However, with nearly 10,300 people in Sedgwick County experiencing prolonged unemployment, for more than the Kansas average of 19.3 weeks, it isn't surprising that foreclosures in the county increased 44 percent the first half of 2010, compared to the first half of 2009. Hopefully, this is not a trend. Stanley Longhofer, director of the WSU Center for Real Estate, "expects the [foreclosure] rate to drop in the coming months – possibly even before the economy improves – as those at risk of foreclosure go through the process and lose their homes."[20]

During the first seven months of 2010, 4,866 homes were sold in the Wichita area. This was a 2.4 percent increase over the first seven months of 2009. Longhofer forecasted that Wichita home sales would increase 5.1 percent in 2010. However, new home construction will not show a measurable rebound until at least 2011.[21]

Financial services employment is expected to decline 2.1 percent or 240 jobs in 2010, followed by another 1.4 percent decline in 2011, for a total two-year loss of nearly 400 jobs.

Professional and Business Services

Professional and business services accounted for 9.8 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the professional and technical services sector totaled $439.2 million in 2009, with average earnings per job of $49,438.
- Payroll earnings for the management of companies and enterprises sector totaled $301.2 million in 2009, with average earnings per job of $96,150.
- Payroll earnings for the administrative and waste services sector totaled $560.0 million in 2009, with average earnings per job of $33,752.

In the Wichita area, there are nearly 2,200 firms in this sector, most of which have fewer than 10 employees. The professional and business services sector expects decreases in employment for 2010 of 628 jobs, or 2.2 percent. An additional loss of 160 jobs is expected in 2011, for a decline of 0.6 percent.

Education and Health Care Services

Education and health care services accounted for 15 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the education services sector totaled $135.3 million in 2009, with average earnings per job of $32,558.
- Payroll earnings for the health care and social assistance sector totaled $1.5 billion in 2009, with average earnings per job of $39,689.

The education and health care services sector continues to grow, but at a slightly slower rate. From 2008 to 2009 the sector grew 1.9 percent. The employment forecast for 2010 is an increase of 1.3 percent, or 557 jobs. From 2010 to 2011, CEDBR expects an additional gain of 820 jobs, or 1.8 percent. This sector’s growth can be attributed, to some degree, to continued population growth in the Wichita MSA. From 2008 to 2009, population grew 1.6 percent. From 2009 to 2011, CEDBR expects additional growth of 1.4 percent.

Employment in the health care and social services sub-sector totaled 37,800 in 2009, with 26 percent of the jobs in hospitals and 74 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. On April 2, the Robert J. Dole VA Medical Center had a ribbon cutting ceremony for a new hospice unit. Larksfield Place is building an 88,000-square-foot assisted living facility on the west side of Rock Road, south of 29th Street North. This summer, Via Christi Health began construction on a $9 million surgical cancer institute, which will occupy 40,700 square feet on the seventh floor of the St. Francis Street hospital in Wichita, and on June 14, Wesley Medical Center began construction of a $4.5 million endoscopy unit on the second floor of Building 4. This unit will allow the hospital to increase the volume of its current procedures, as well as add new services to the Wichita area.

The biggest news in health care this year was the adoption of federal health reform legislation. To many, health care reform adds uncertainty, as they struggle to understand and comply with the new regulations. According to the Kansas Hospital Association, "The adoption of federal health reform legislation will be a challenge for hospital leaders across the nation. Health reform implementation will be one of the most transformational times of our generation."

Hospitals across the country continue to struggle with workforce shortages. According to the Kansas Hospital Association, in 2008 there were 402 actual vacancies for registered nurses in the state. This may be a conservative estimate, as some hospitals may have ceased active recruitment for some positions and, therefore, are not counting those positions as vacant. In addition, the number of aging baby boomers will certainly increase the demand for care.[22] The positive news is that the number of graduates from Kansas nursing programs increased 21.8 percent in 2008.

Education services accounted for the balance of jobs in the education and health care services sector, with approximately 6,100 jobs in 2009, or 13.9 percent of the sector's total employment. FlightSafety International and Hawker Beechcraft teamed up to build the 44,000-square-foot FlightSafety International Hawker Beechcraft Maintenance Learning Center on north Greenwich Road. This new education facility will train aircraft mechanics from around the world to work on Hawker Beechcraft jets.[23] Also, the National Center for Aviation Training opened in August at the Col. James Jabara Airport. NCAT will provide manufacturing and aviation training to help meet the demand for skilled workers in the aviation industry. In addition, Wichita State University broke ground on a new Advanced Education in General Dentistry school. The first of its kind in Kansas, this facility will be located south of the Eugene M. Hughes Metropolitan Complex at 29th Street and Oliver.[24]

Leisure and Hospitality Services

Leisure and hospitality accounted for 9.4 percent of all jobs in the Wichita MSA during 2009.

- Payroll earnings for the arts, entertainment and recreation services sector totaled $15.5 million in 2009, with average earnings per job of $19,304.
- Payroll earnings for the accommodation and food services sector totaled $311.7 million in 2009, with average earnings per job of $13,119.

The leisure and hospitality sector is expected to remain stable this year, perhaps losing only a handful of jobs, and 2011 is expected to be stronger with a 1.4 percent increase, or an addition of 380 jobs.

There have been several notable expansions in the leisure and hospitality sector. The new INTRUST Bank Arena opened its doors to the public on Jan. 2, 2010. The first six months of operation the arena held 77 performances, for a net building income of $2,076,959. Construction has begun on a new IMAX theatre at the Warren Theatres at 21st and Tyler. This $7.2 million project also includes an upgrade to the 17 existing auditoriums. Drury Southwest Inc., owner of the Broadview Hotel, has closed the facility for a $20 million renovation. A $2.5 million Holiday Inn Express Hotel will be built in Maize, Kan. This 73-room hotel is expected to open in April 2011. In July, a ground-breaking ceremony marked the beginning of construction of a $12 million Fairfield Inn and Suites in the downtown WaterWalk development.

The economic indicators for the travel and tourism industry are reflecting the downturn in the economy. Although outbound passengers at Wichita's Mid-Continent Airport increased slightly, the hotel occupancy rate and transient guest taxes were both down.

- The number of outbound passengers at Wichita's Mid-Continent Airport for the 12 months ending June 2010 was up 0.4 percent compared to the 12 months ending June 2009.
- The hotel occupancy rate for the 12 months ending June 2010 was down 4.1 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 down 6.9 percent for the 12 months ending June 2010 compared to the previous 12 months.

Other Services

Other services accounted for 3.7 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for the industry totaled $178.1 million in 2009, with average earnings per job of $26,911.

Employment in other services, which includes employment in maintenance and repair services, personal services, and religious and civic (nongovernmental) services, should remain stable through 2010, followed by a 1.6 percent increase in 2011, or the addition of 175 jobs.

Government

Government accounted for 14.2 percent of all jobs in the Wichita MSA in 2009.

- Payroll earnings for federal government employees totaled $301.1 million in 2009, with average earnings per job of $51,328.
- Payroll earnings for state government employees totaled $215.2 million in 2009, with average earnings per job of $49,688.

- Payroll earnings for local government employees totaled $1.1 billion in 2009, with average earnings per job of $35,020.

On July 1, the Kansas state sales tax rate increased 1 percent, bringing the Sedgwick County sales tax rate to 7.3 percent.

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 2010 government employment reflect an increase of 282 jobs, or a 0.7 percent increase over 2009. Projections for 2011 reflect an increase of 585 jobs, or a 1.4 percent increase.

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Data Tables

Table 8. Total Wage and Salary Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	298,583	3,433	1.2%
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	292,175	-15,708	-5.1%
2010 (e)	284,925	-7,250	-2.5%
2011 (f)	286,240	1,315	0.5%

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

Year	Employment	Level Change	Percent Change
2001	16,308	367	2.3%
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	15,217	-1,633	-9.7%
2010 (e)	14,550	-667	-4.4%
2011 (f)	14,830	280	1.9%

Table 10. Manufacturing Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	72,942	-142	-0.2%
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	57,958	-9,333	-13.9%
2010 (e)	52,630	-5,328	-9.2%
2011 (f)	52,240	-390	-0.7%

Table 11. Wholesale Trade Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	12,017	58	0.5%
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	10,858	-308	-2.8%
2010 (e)	10,770	-88	-0.8%
2011 (f)	10,805	35	0.3%

Table 12. Retail Trade Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	31,283	-58	-0.2%
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	31,092	-1,200	-3.7%
2010 (e)	30,560	-532	-1.7%
2011 (f)	30,380	-180	-0.6%

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

Year	Employment	Level Change	Percent Change
2001	7,592	58	0.8%
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	8,233	-408	-4.7%
2010 (e)	7,925	-308	-3.7%
2011 (f)	7,970	45	0.6%

Table 14. Information Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	6,942	225	3.3%
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	5,233	-750	-12.5%
2010 (e)	4,935	-298	-5.7%
2011 (f)	4,810	-125	-2.5%

Table 15. Finance Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	12,958	617	5.0%
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	11,250	-275	-2.4%
2010 (e)	11,010	-240	-2.1%
2011 (f)	10,860	-150	-1.4%

Table 16. Professional and Business Services Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	27,658	225	0.8%
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	28,608	-2,642	-8.5%
2010 (e)	27,980	-628	-2.2%
2011 (f)	27,820	-160	-0.6%

Table 17. Education and Health Services Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	36,533	967	2.7%
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	43,908	833	1.9%
2010 (e)	44,465	557	1.3%
2011 (f)	45,285	820	1.8%

Table 18. Leisure and Hospitality Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	26,017	-283	-1.1%
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	27,517	-492	-1.8%
2010 (e)	27,510	-7	-0.0%
2011 (f)	27,890	380	1.4%

Table 19. Other Services Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	10,750	400	3.9%
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	10,767	-183	-1.7%
2010 (e)	10,775	8	0.1%
2011 (f)	10,950	175	1.6%

Table 20. Government Employment, Wichita MSA

Year	Employment	Level Change	Percent Change
2001	37,583	1,000	2.7%
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 (e)	41,815	282	0.7%
2011 (f)	42,400	585	1.4%

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 October 1, 2010, 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, 2010. All Rights Reserved. No claim to orig. U.S. Govt. works pursuant to U.S. Contract No. 52-SABA-5-00128.
[2] Standard & Poors, S&P 500 GICS Sector Scorecard, www.standardandpoors.com, Aerospace and Defense Index.
[3] Due to the WSU Leading Economic Indicators Index methodology, a data anomaly can impact the Index for a full year because standardization factors are applied to a 12-month moving average of each indicator rather than to each indicator's monthly value.
[4] Source: The Conference Board, 2010. All Rights Reserved. No claim to orig. U.S. Govt. works pursuant to U.S. Contract No. 52-SABA-5-00128.

[5] Standard & Poors, S&P 500 GICS Sector Scorecard, www.standardandpoors.com, Aerospace and Defense Index.
[6] Source: The Conference Board, 2010. 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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