

Kansas 2013 REVIEW

2014 FORECAST

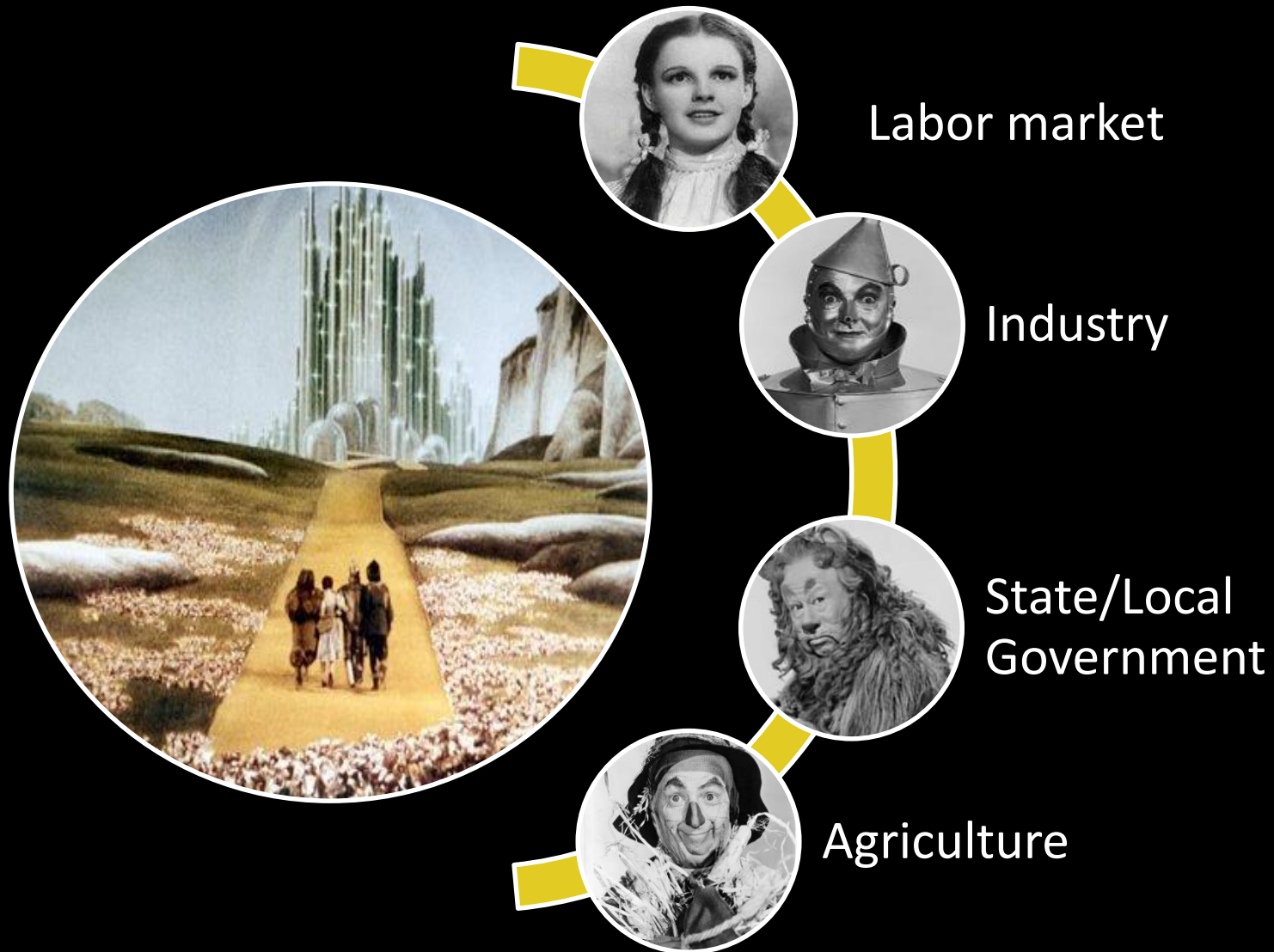
Jeremy Hill

OCTOBER 2013

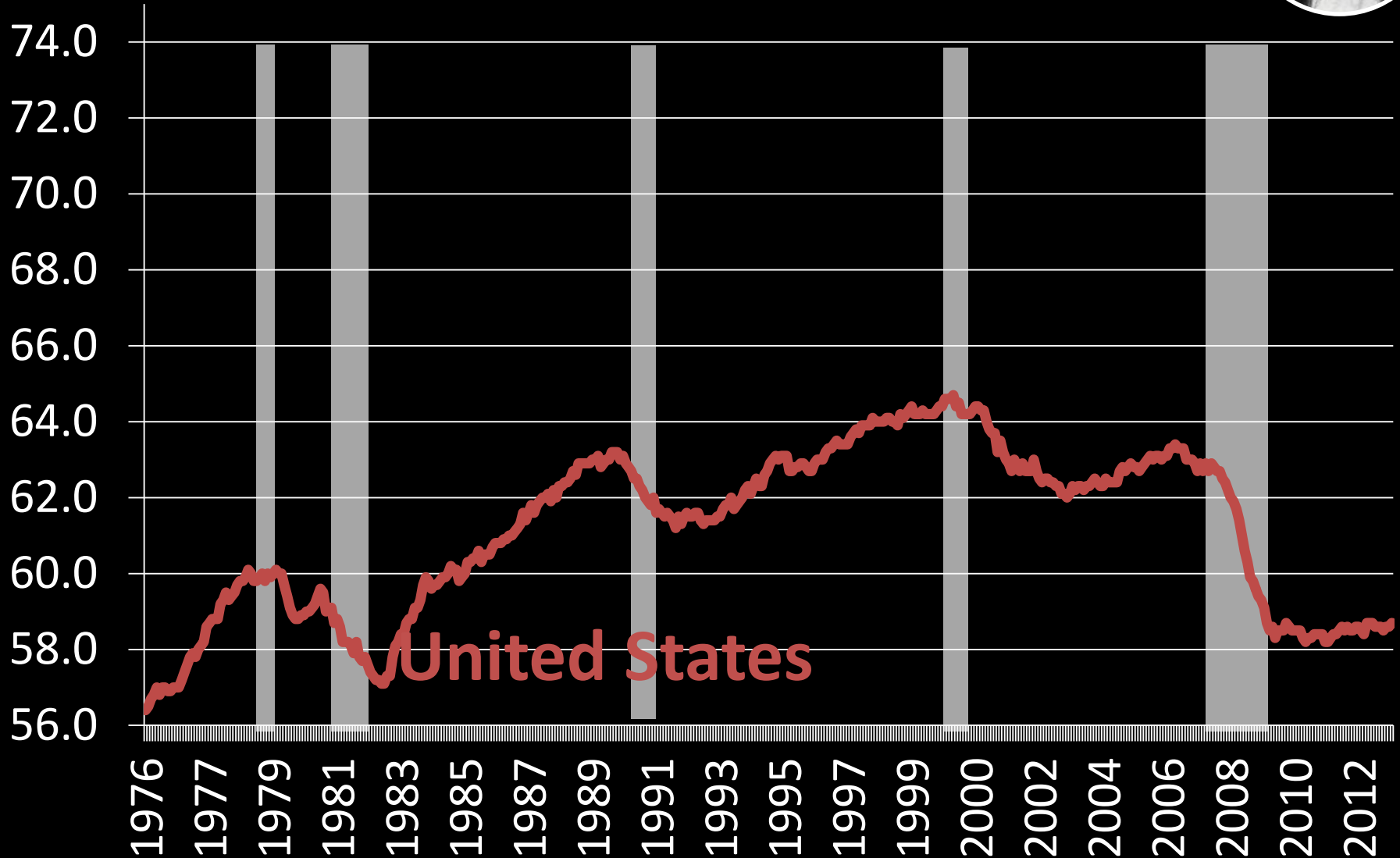
2013 General Expectations - Kansas

- **Consumers** are weak, but **wanting** to consume.
- **Businesses** will “**sit on their hands**” until after the election.
- The **market place** is **set for a recovery**, but the pace is dependent on the removal of the “**uncertainties**”.
- **Local businesses** will deal with the **new reality and plan accordingly**.
- **Consumers** are **more tolerant** to negative news, but will be limited by both high unemployment and income.

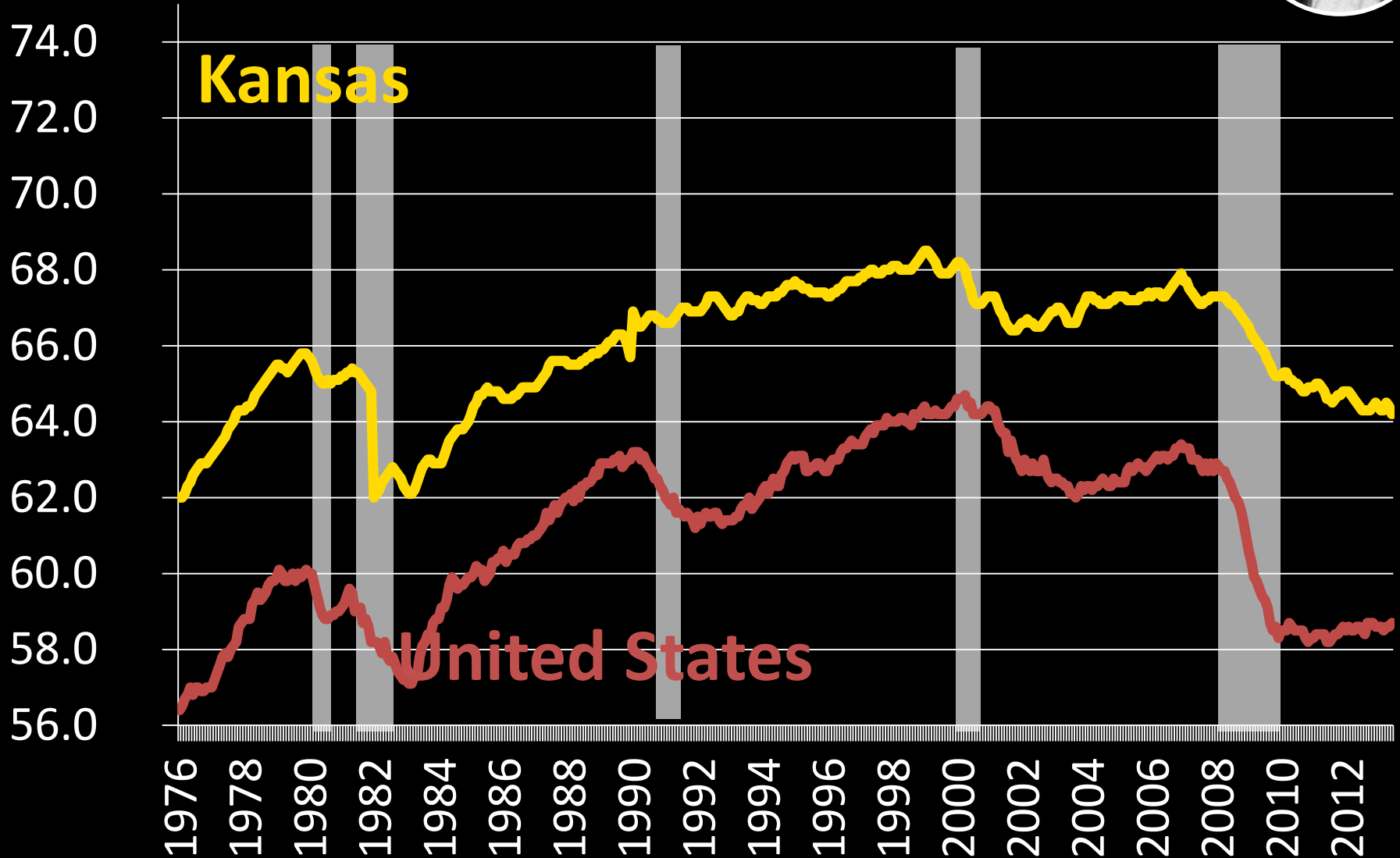
EMPLOYMENT



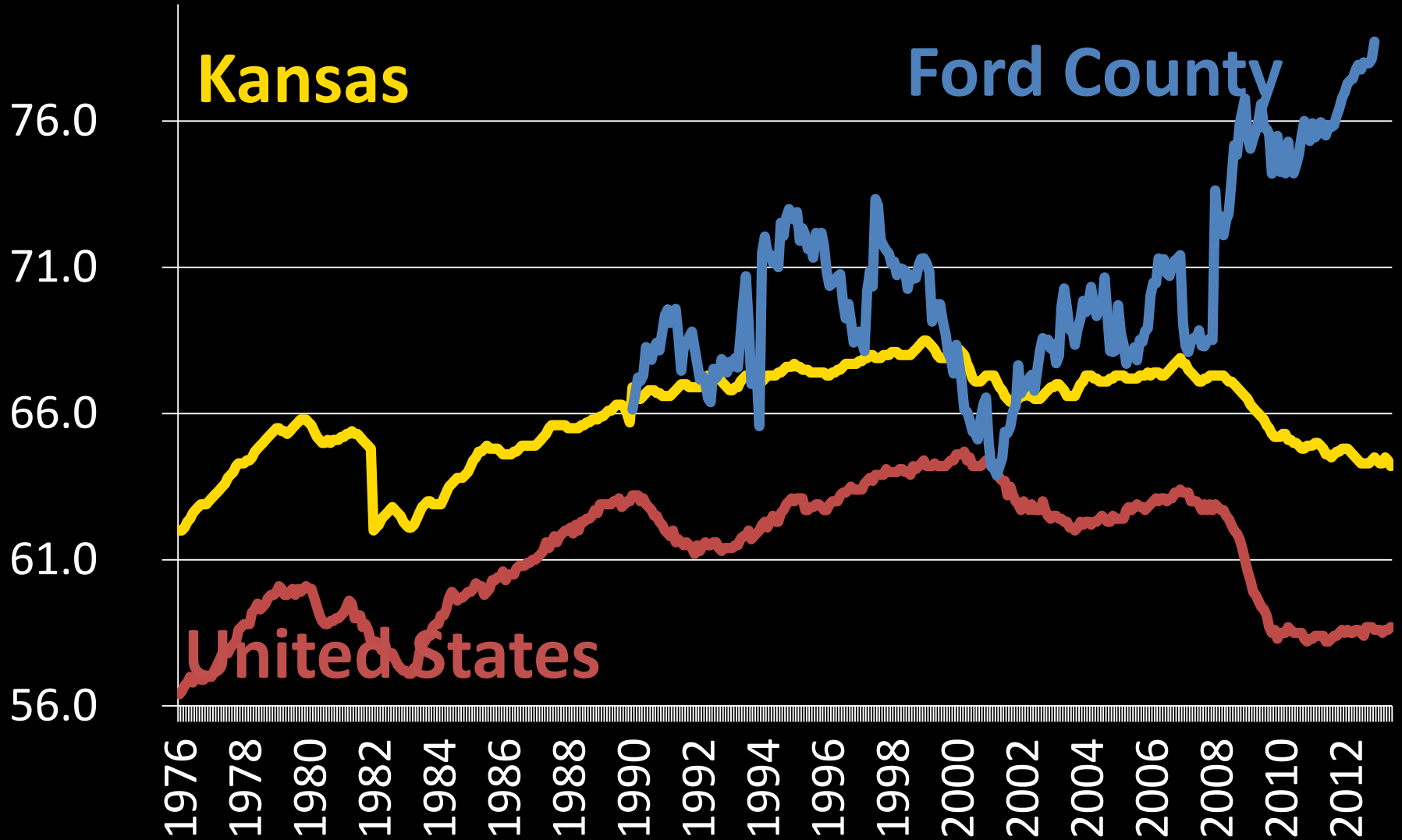
EMP-Population Ratio



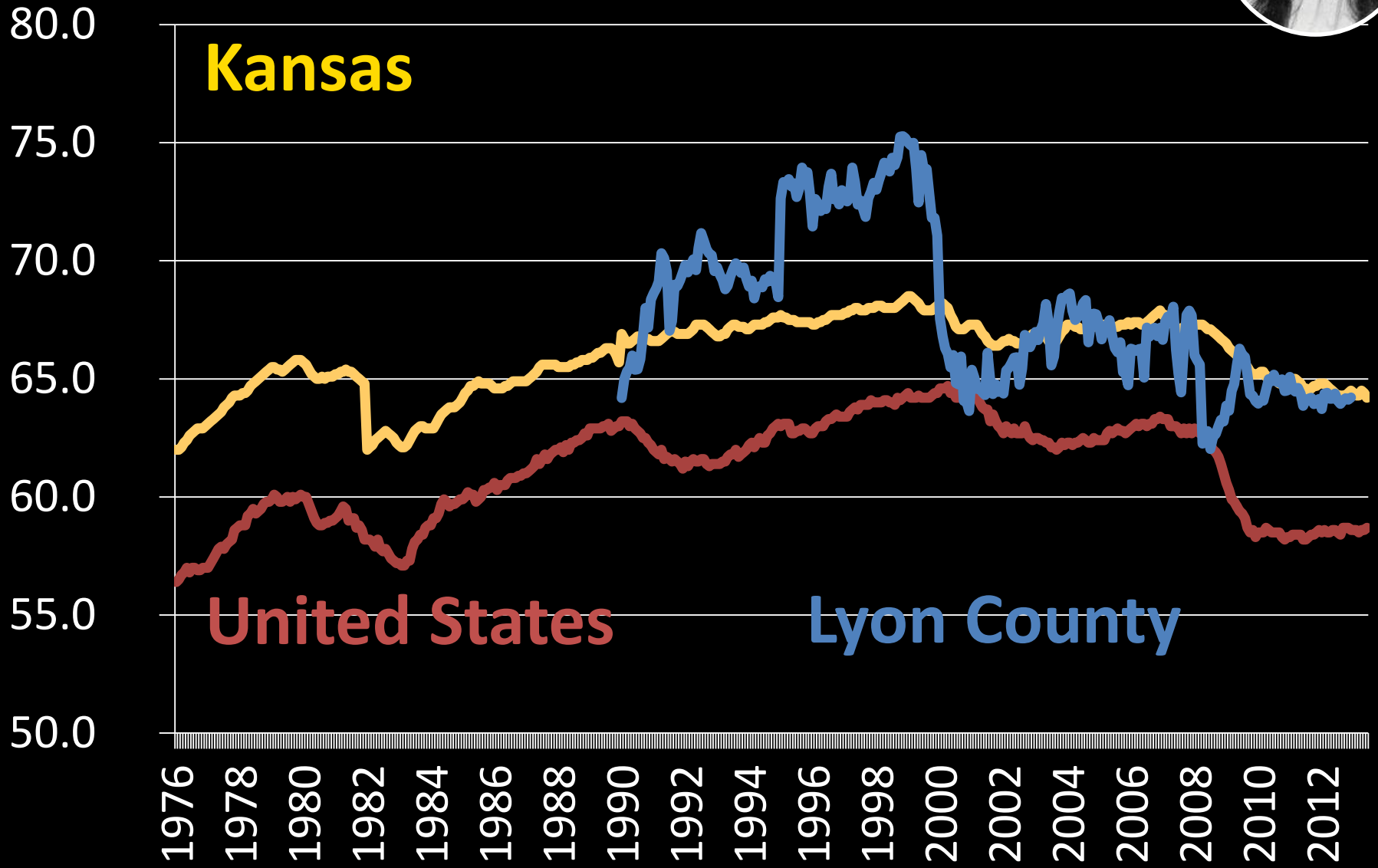
EMP-Population Ratio



EMP-Population Ratio

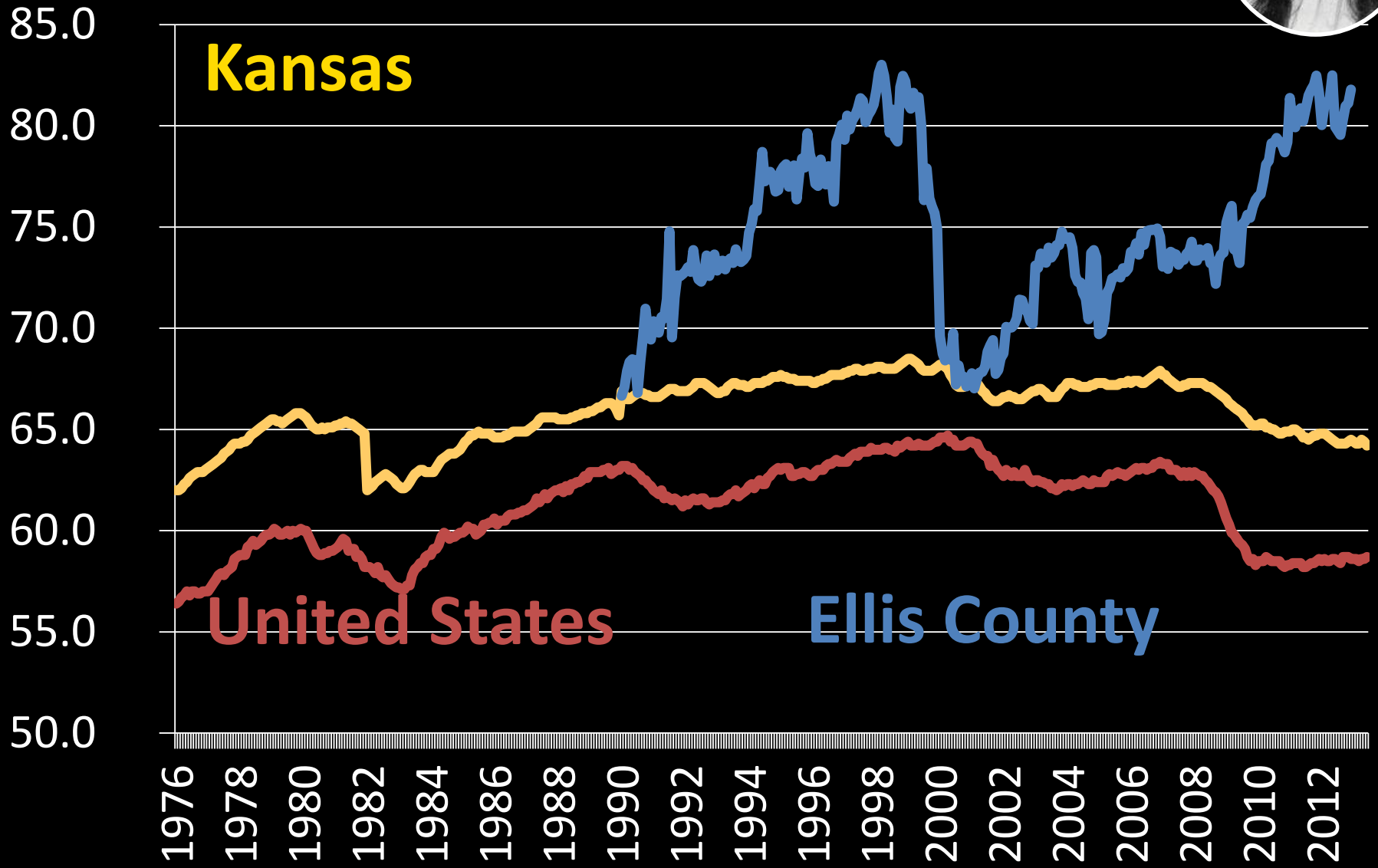


EMP-Population Ratio

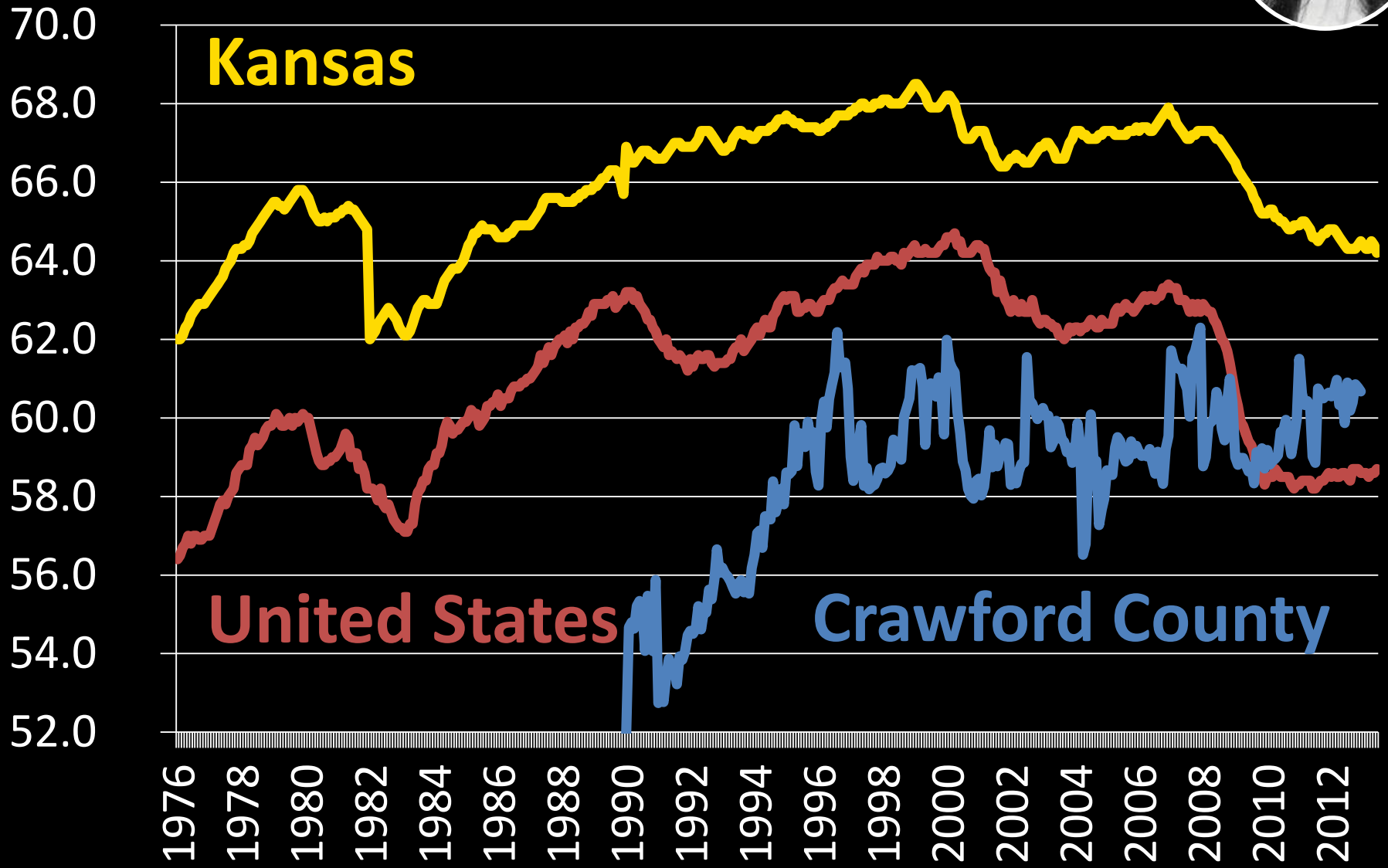


Source: Bureau of Labor Statistics

EMP-Population Ratio

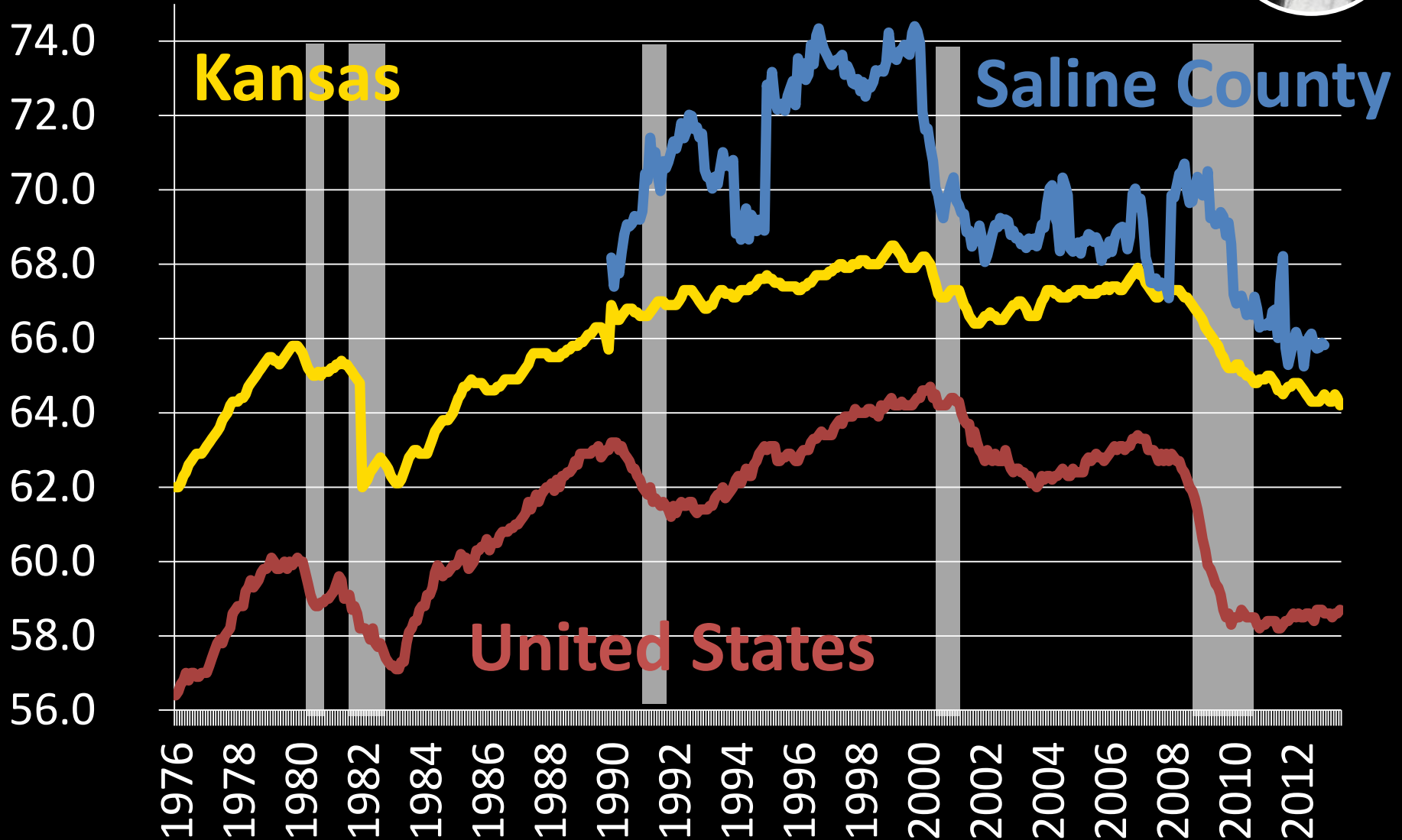


EMP-Population Ratio



Source: Bureau of Labor Statistics

EMP-Population Ratio



Summary



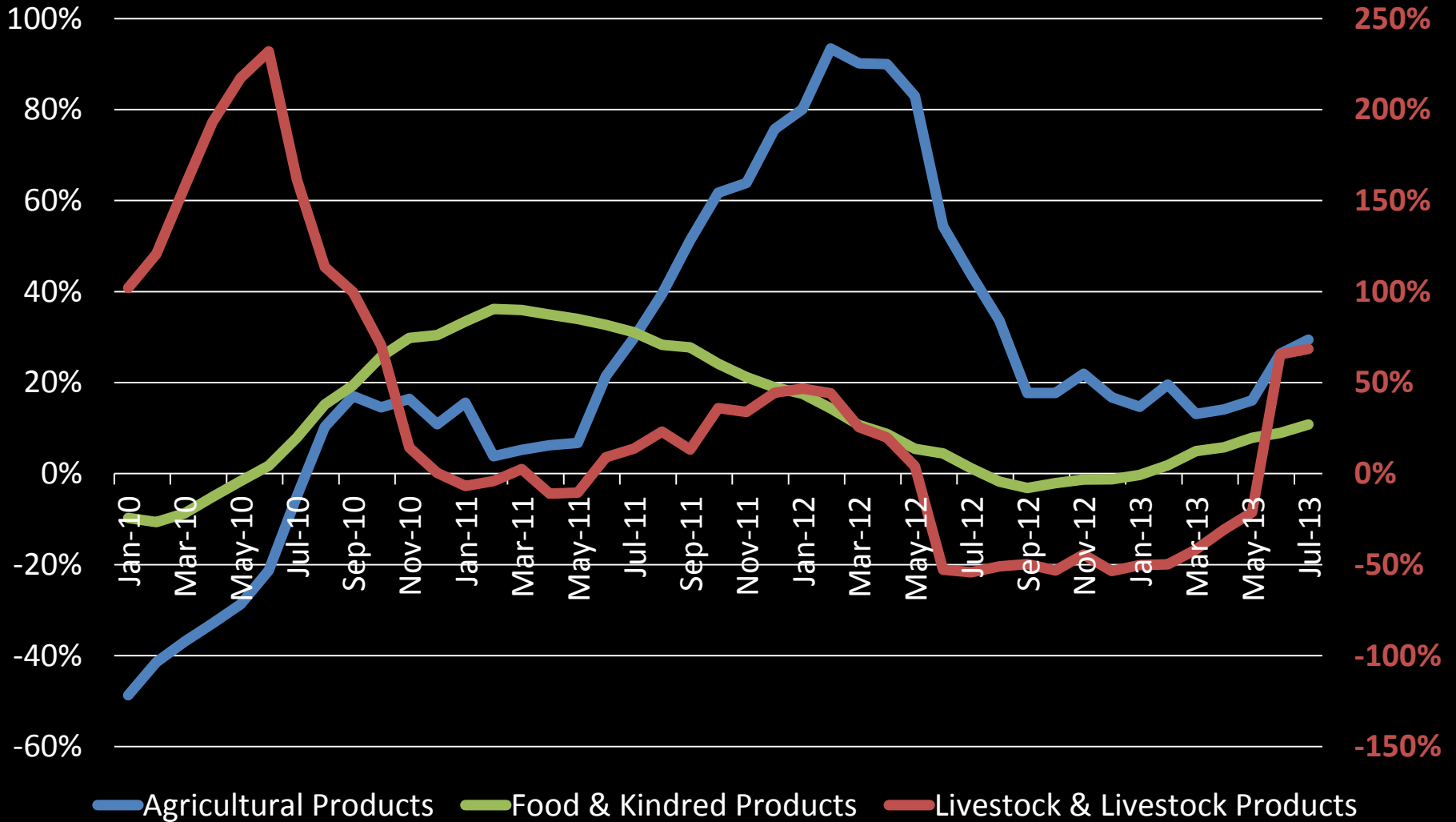
- **United States**

- Labor market conditions now are similar to the late 70s.
- Ratio will not likely return to its recent highs.

- **Kansas**

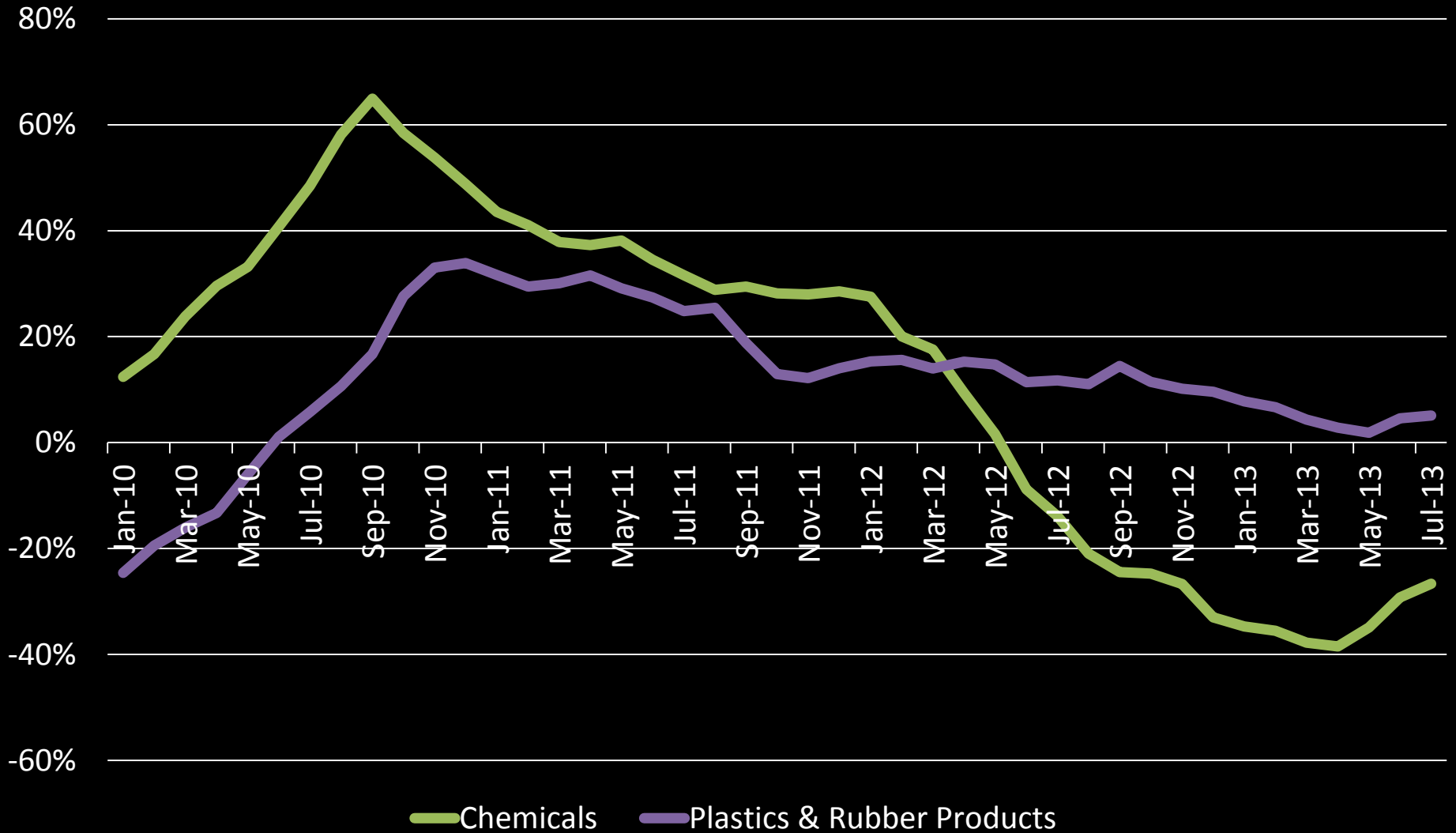
- Agriculture has masked the regional structural and high cost issues in the state.

Agriculture



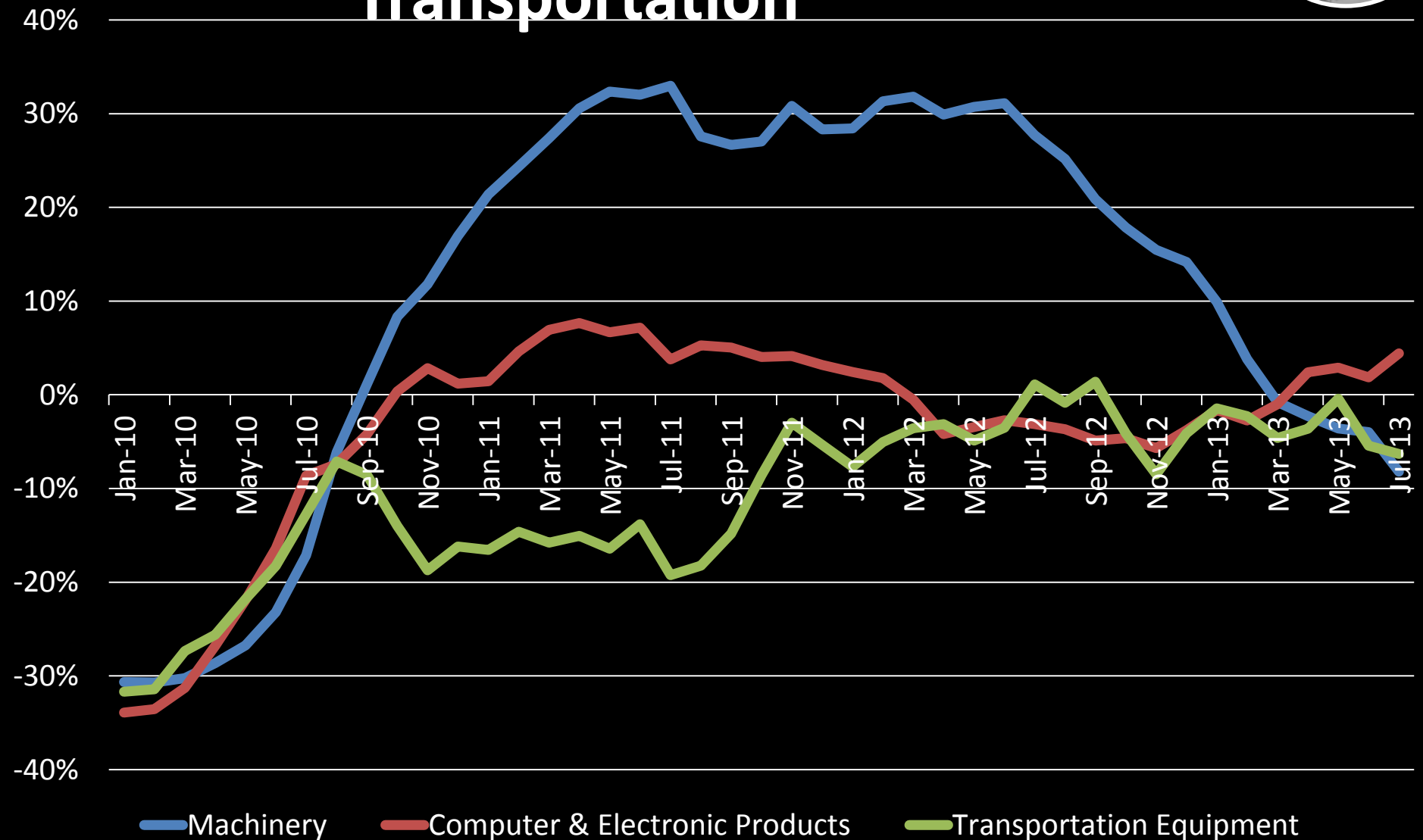
Source: Bureau of Labor Statistics

Plastics and Chemicals



Source: Bureau of Labor Statistics

Machinery, Electronics, and Transportation



Source: Bureau of Labor Statistics

Global Concerns

1. U.S. Competitive Position
2. European Debt Crisis/Currency Instability
3. Global Demand
4. Middle Eastern Instability



National Concerns

1. Long Term Unemployment
2. Federal Debt/Debt Ceiling
3. Business Regulation
4. Changes to the Health Care System
5. Monetary Policy
6. Tax Structure
7. Inflation



State/Local Concerns

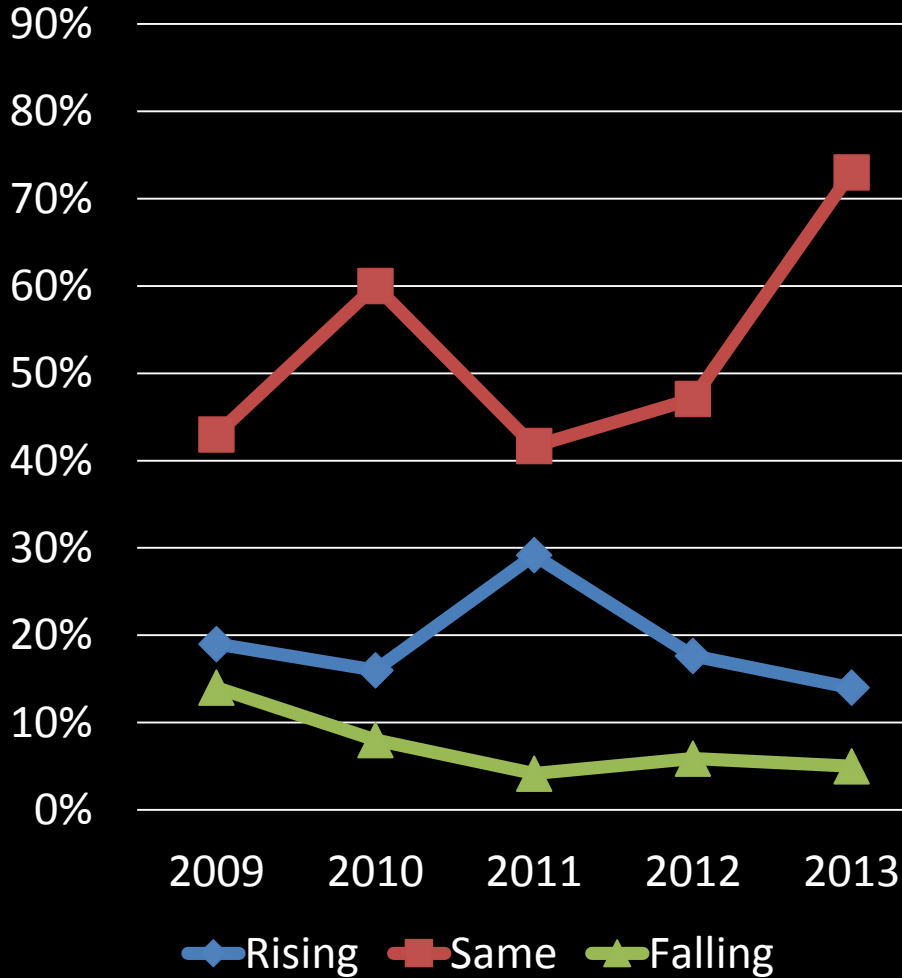
1. State/Local Government Budget
2. State Public Policy
3. Local Aerospace Industry Recovery
4. Industry Diversity
5. Availability of Skilled Labor
6. Residential Real Estate Markets



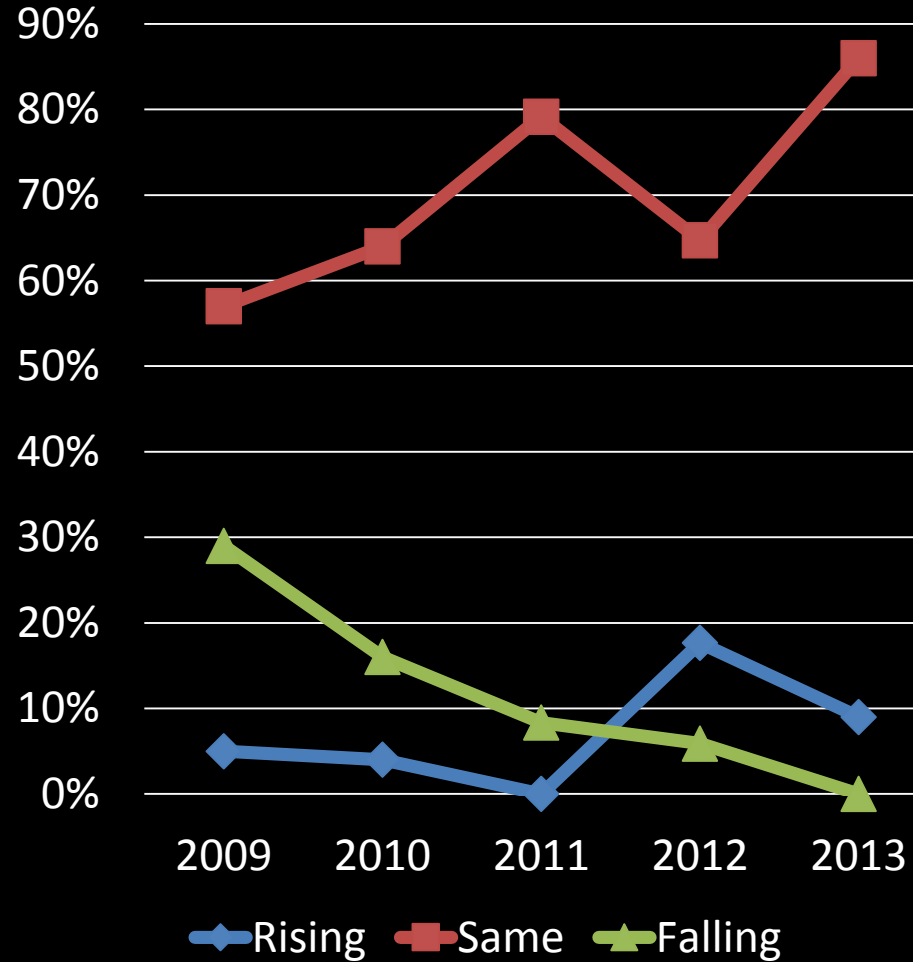
Existing Conditions



Material Costs



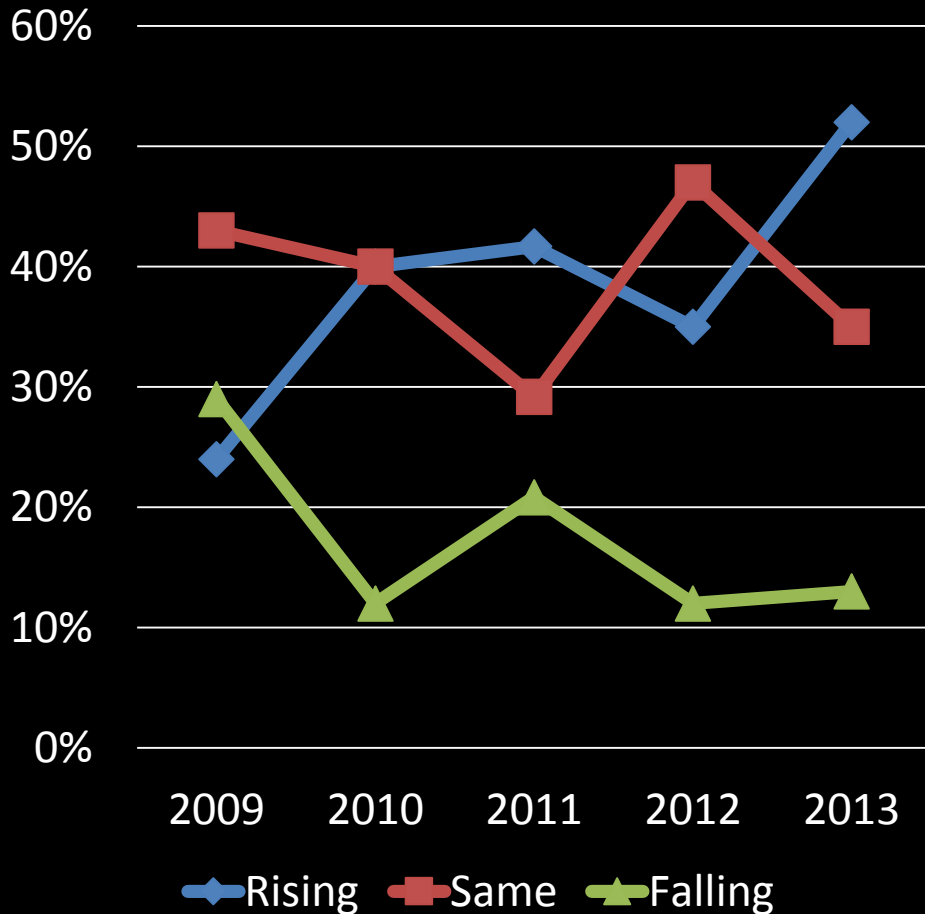
Prices Charged



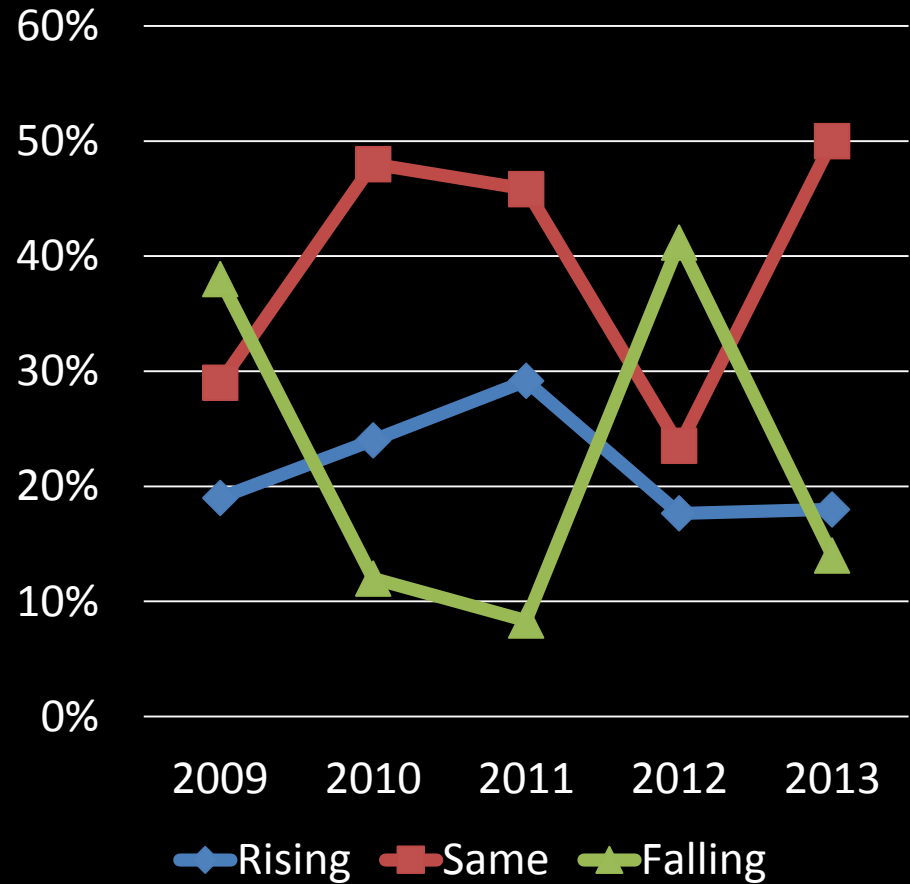
Existing Conditions



Volume of Demand



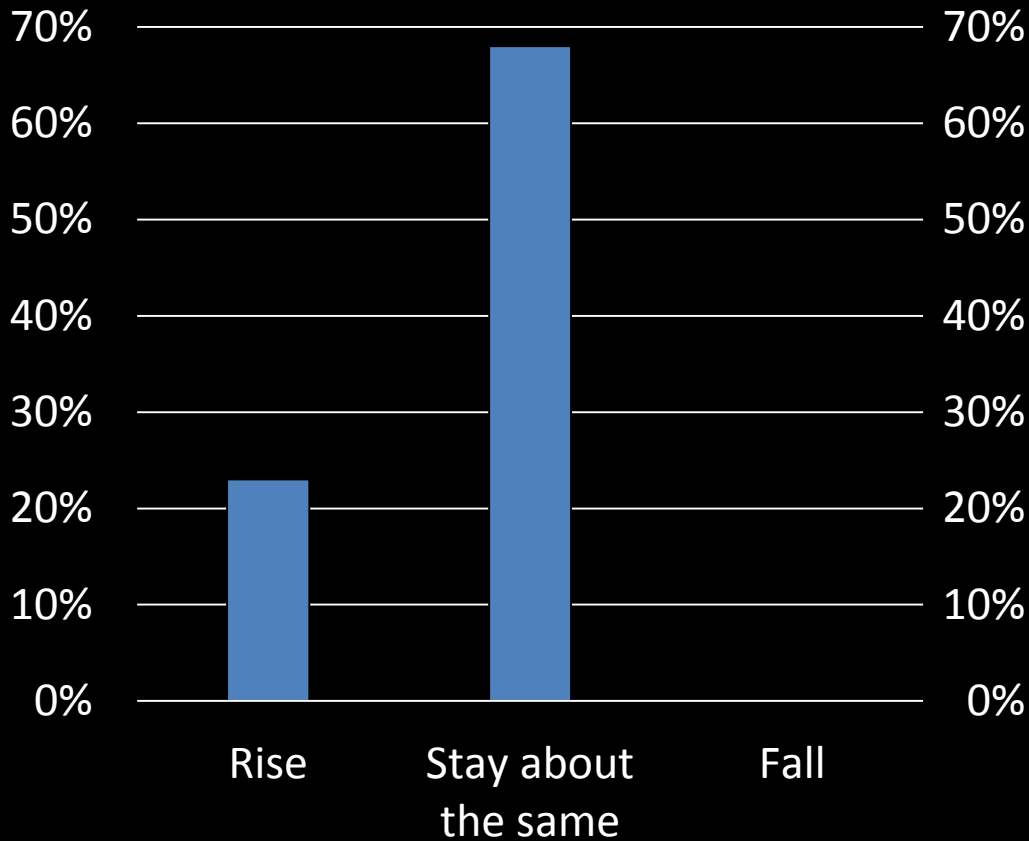
Profit Margins



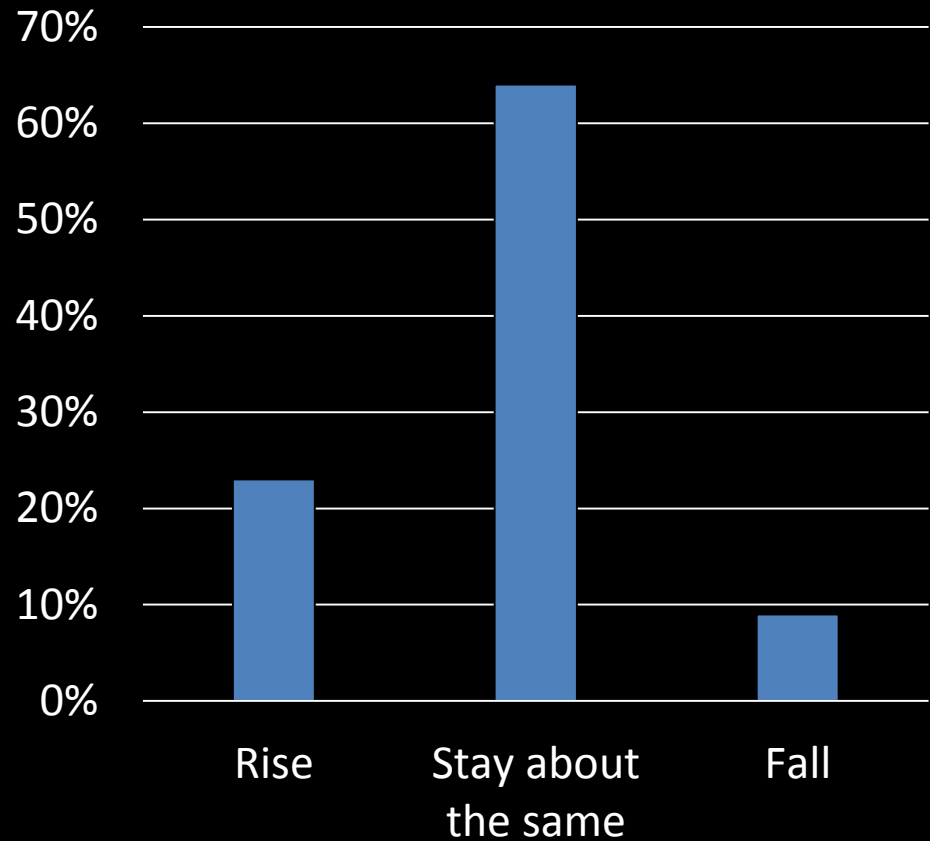
Future Conditions



Material Costs



Prices Charged

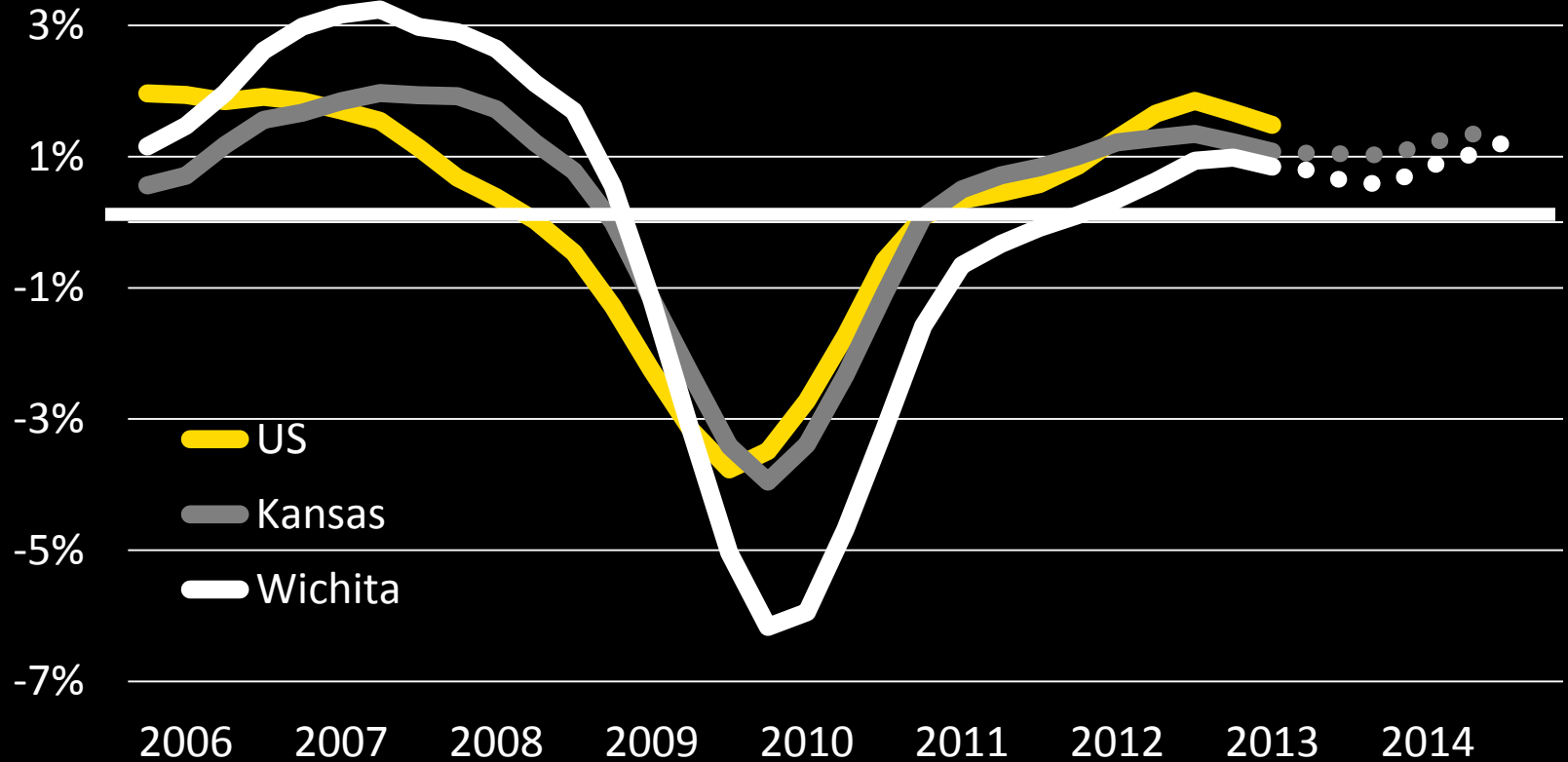


Summary

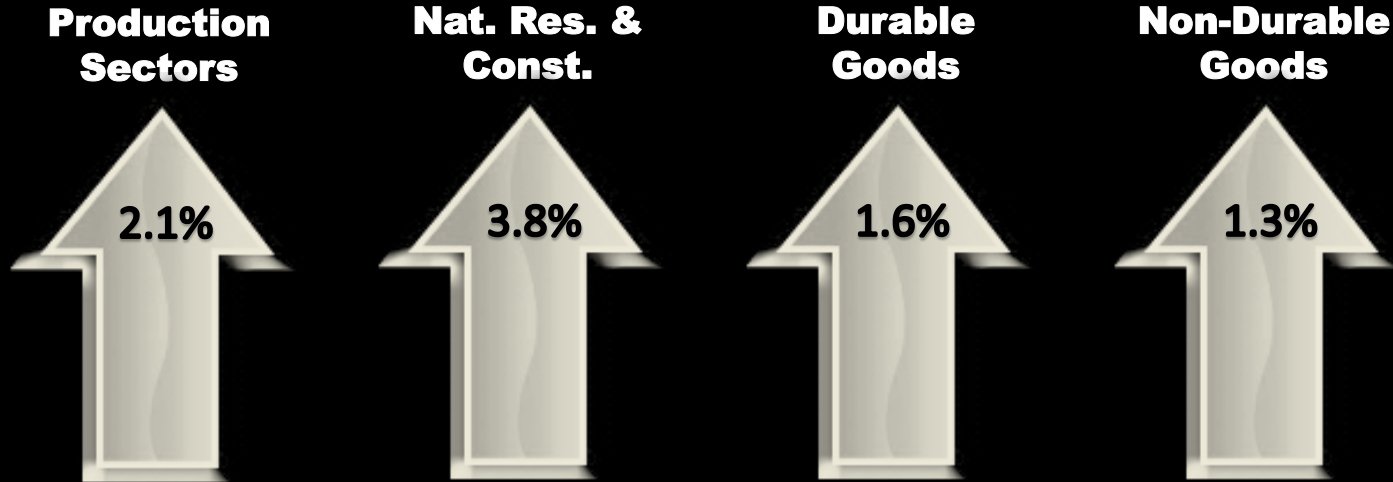


- Businesses **concerns** have **shifted** over the last year to issues that are more directly related to their **bottom line**.
- The **U.S. competitive position**, **long term unemployment**, and **government budgets** are the top concerns this year.
- Business **environment** is **improving** and growth **expectations remain mixed**.

EMPLOYMENT



Goods Production



- **Natural Resources** - Oil is rematerializing and creating wealth, but is far from previous peak
- **Construction** - Market place is improving in selective segments and selective areas. Overall, it is matching weak general growth
- **Machinery** – has been up because of agriculture and aerospace suppliers, continued growth is not likely
- **Plastics/rubber**- steady increase since 2009, auto and general consumption is improving slowly
- **Food Manufacturing** – declining since 2012 because of cost of production

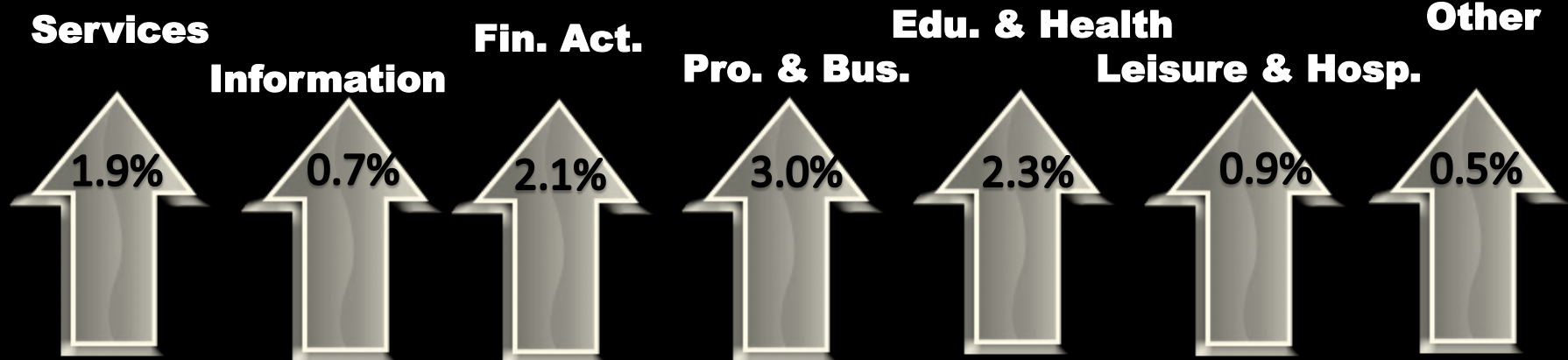


Trade, Transportation and Utilities

- **Consumption**
 - Unemployment and income are limiting growth
- **Retail**
 - Large scale growth is not likely – pushed to discount stores and high end retail.
- **Transportation**
 - Pipeline improvements are opening up processing and byproduct opportunities



Services



- **Financial Services** – has adapted to a constantly evolving regulatory environment, but pressure remains for small and regional banks
- **Professional Services** – there is currently unmet demand for labor
- **Education** – Higher Education funding is counter to needs and national trends
- **Leisure and Hospitality** – slowing, but continued growth

Government



- ?

Government



Summary

- There are **regional structural** labor market issues that need to be addressed for long term growth
- Labor market is **determined** and **resourceful**, and will continue to **reengage** over the next year
- Consumers will continue to **bargain shop**, while maintaining a balanced budget
- Businesses will **invest strategically**, carefully matching the fledgling increased demand
- Business are focused on “**tomorrow**” instead of the “past” or the “potential”
- Moderate growth **will not occur** because of slowing agriculture, machinery equipment, food production, and a weak aerospace market
- Employment is expected to **increase by 1.4%** (19,141) in 2014. This remains **subpar** from **potential growth**.

