
2014 Kansas Economic Outlook Conference

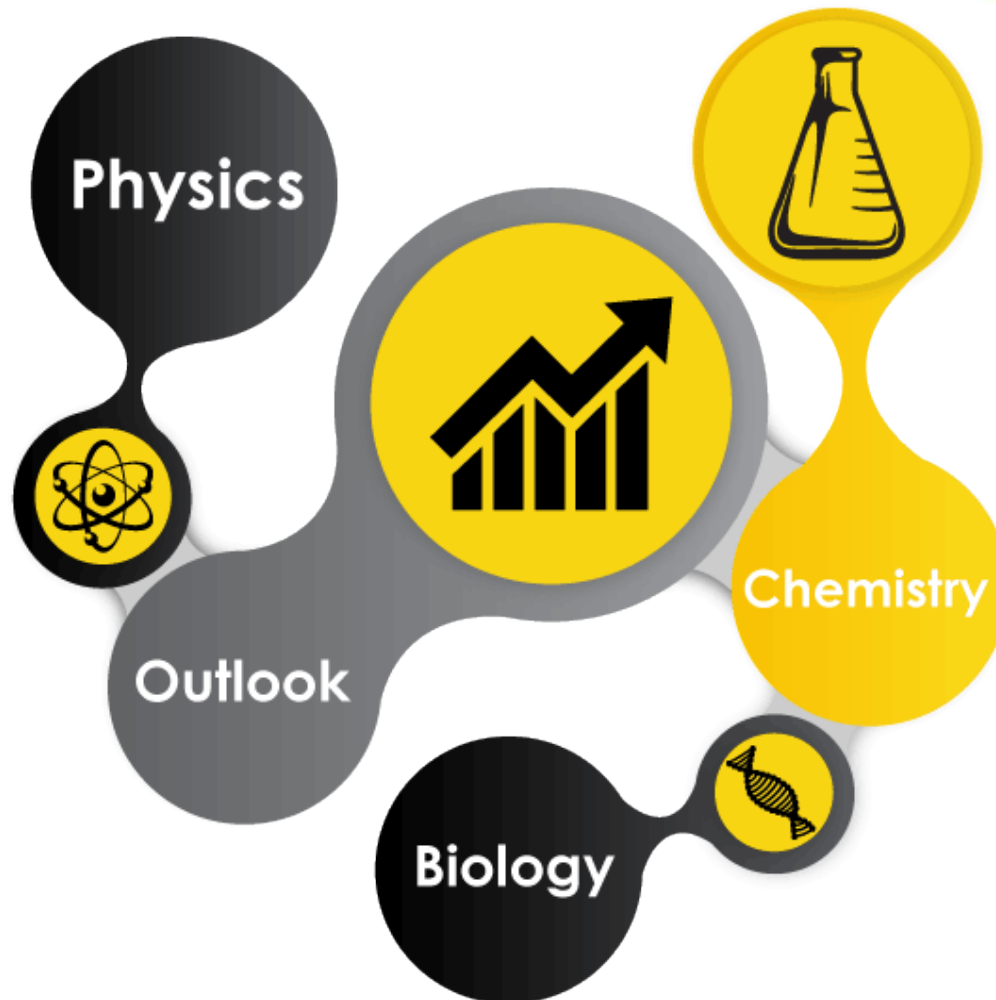
Jeremy Hill

Summary

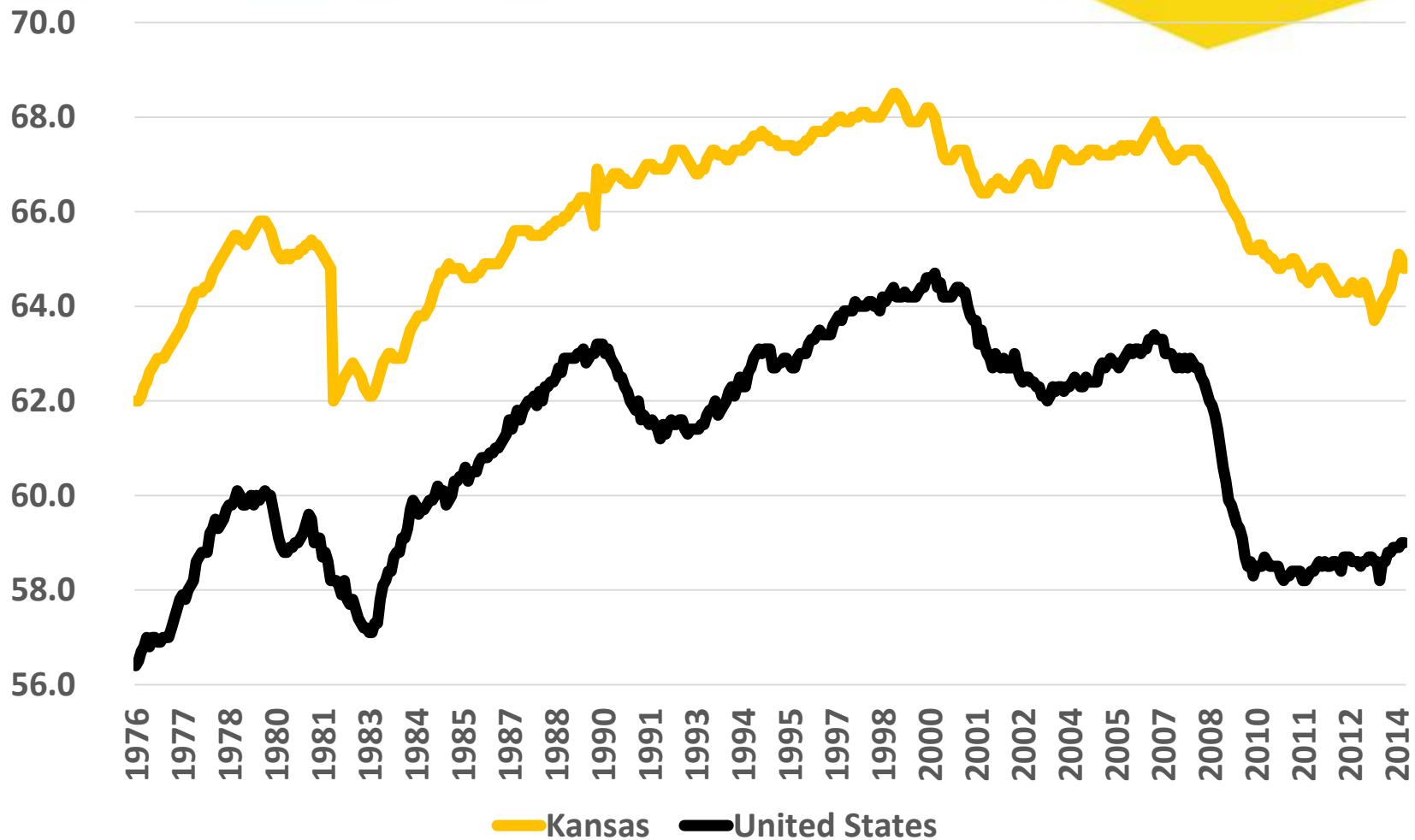
- There are **regional structural** labor market issues that need to be addressed for long term growth
- Labor market is **determined** and **resourceful**, and will continue to **reengage** over the next year
- Consumers will continue to **bargain shop**, while maintaining a balanced budget
- Businesses 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**.



Overview

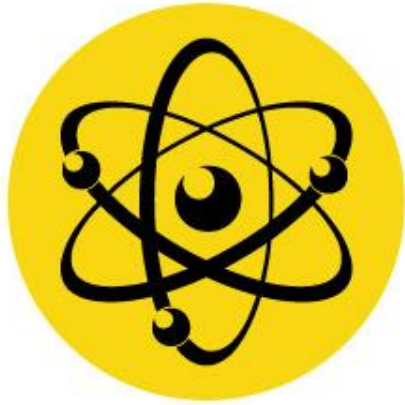


EMP-Population Ratio



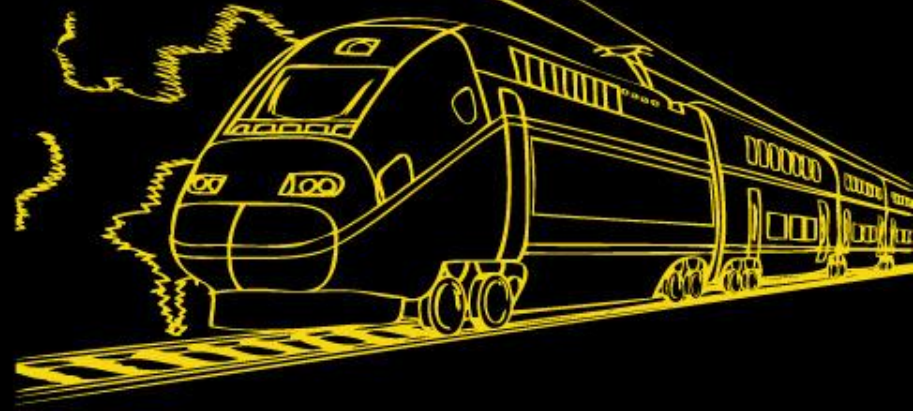
Other national data

- US **employment** market continues to **expand** (~200,000+ jobs per month).
- US **inflation** was 1.8% in Q2 of 2014, which **slowed slightly** due to energy.
- US **real GDP** was 4.6% in Q2 of 2014, which was an **acceleration** from the surprising drop in Q1.



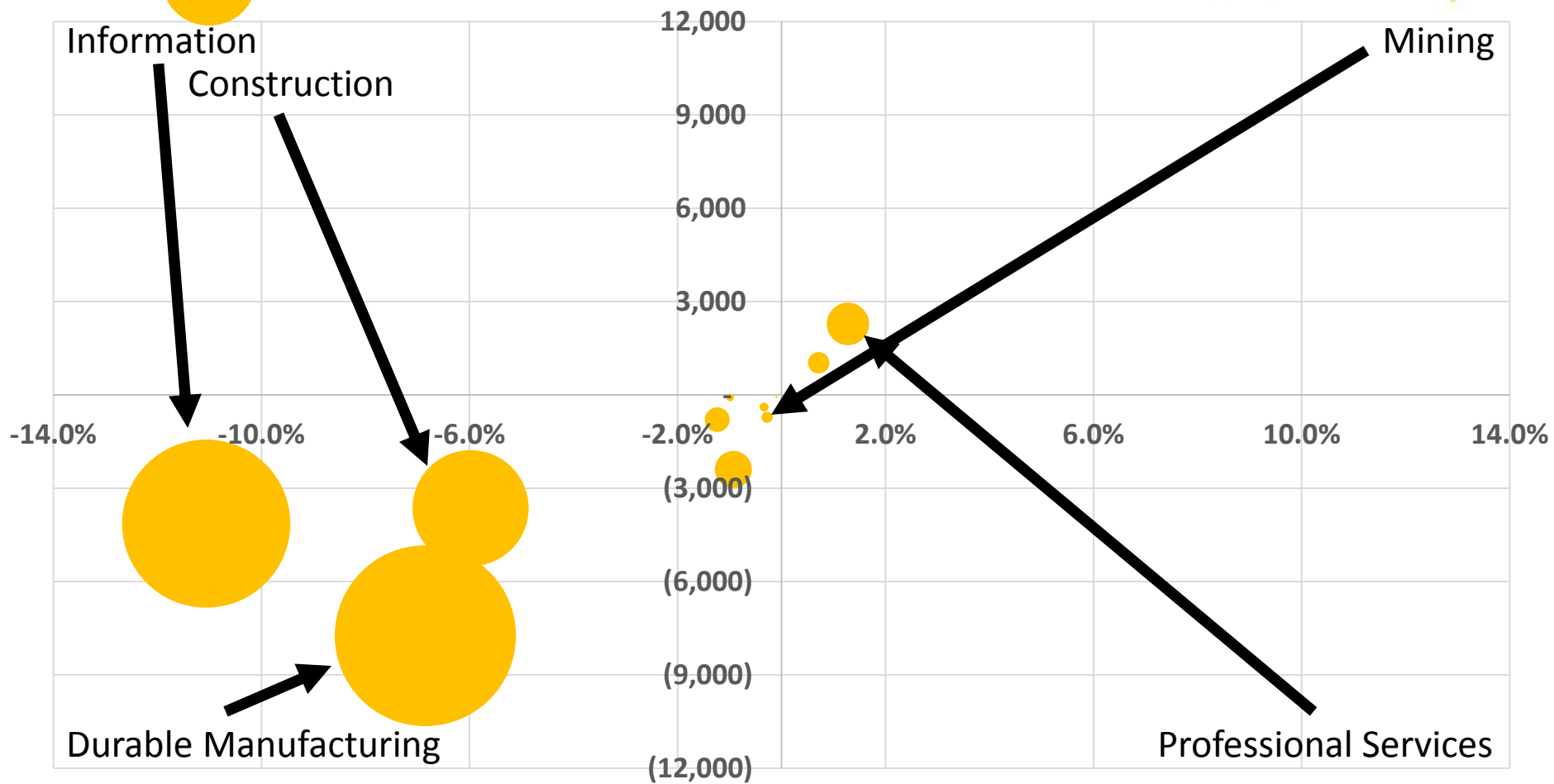
Physics

Momentum



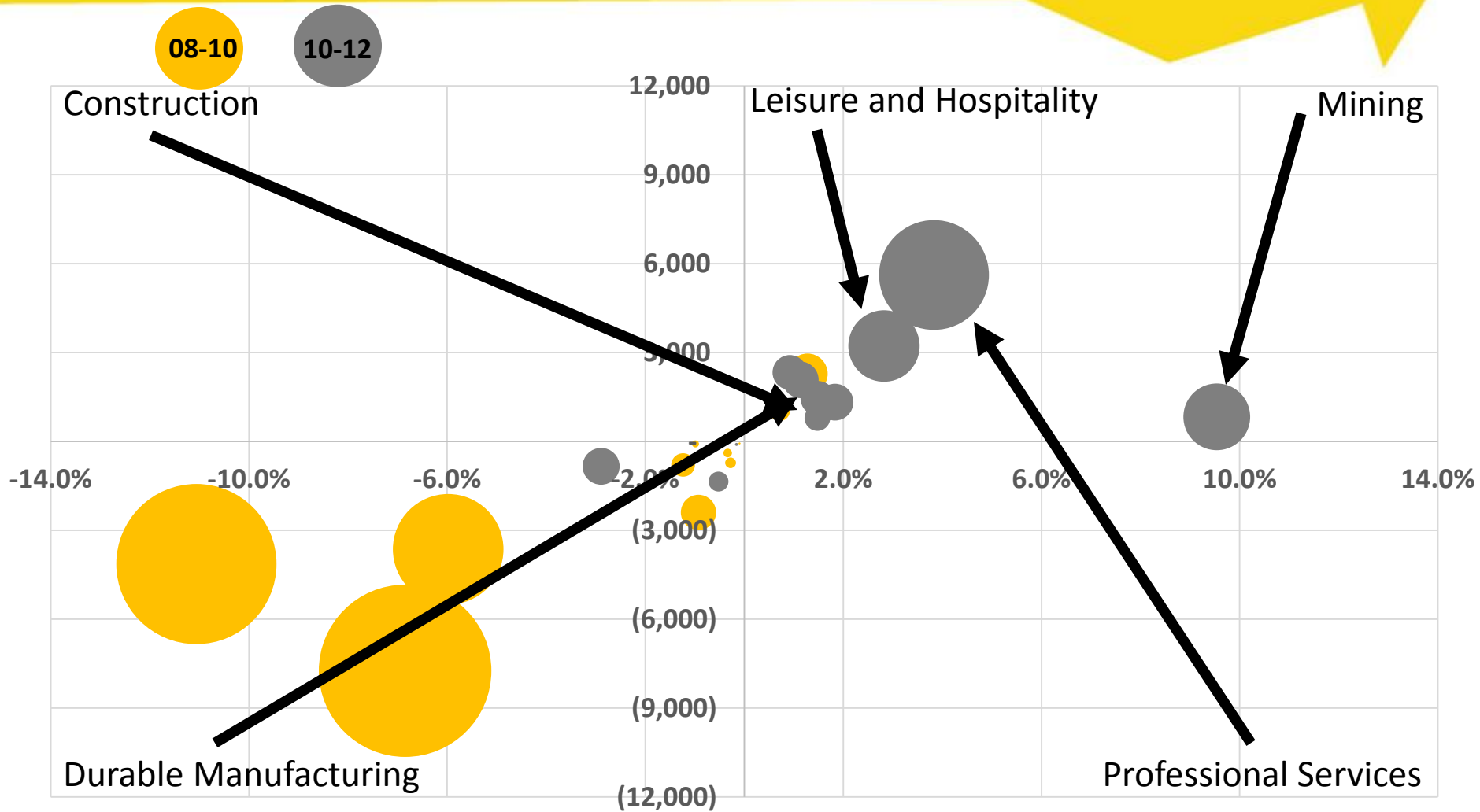
2008-2010 – Annualized

08-10



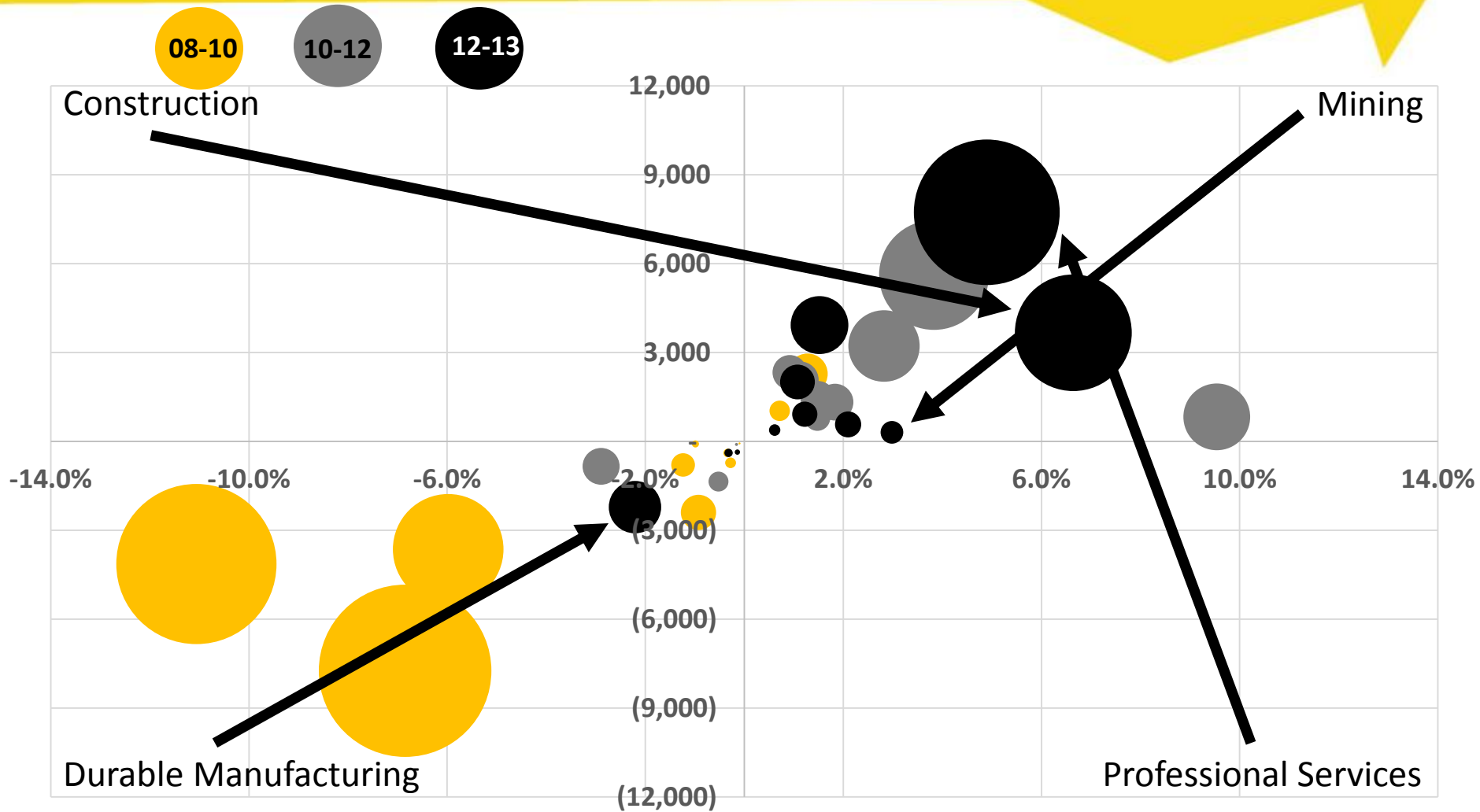
Source: BLS, CES – 12M AVG (Aug-July)

2010-2012 – Annualized



Source: BLS, CES – 12M AVG (Aug-July)

2012-2013 – Annualized



Source: BLS, CES – 12M AVG (Aug-July)

Summary

- The Kansas **labor market** (emp-pop ratio) has **improved** in 2014, the **first time** in **five** years.
- The **loss** in Durable Manufacturing employment (velocity and mass) has had a **significant** impact on the state economy and support related sectors.
- Management of companies, employment agencies, and oil income have been the **primary economic drivers**.



Biology

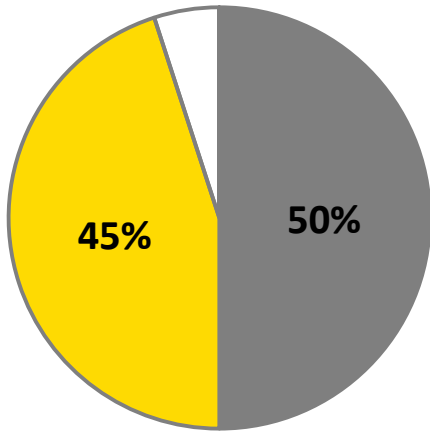
Sea-monkeys



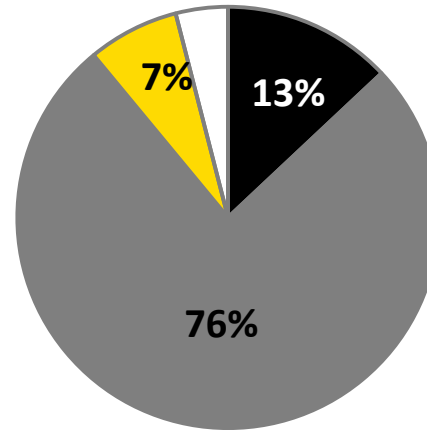
Contingent workforce

Past 5 Years

Part-time

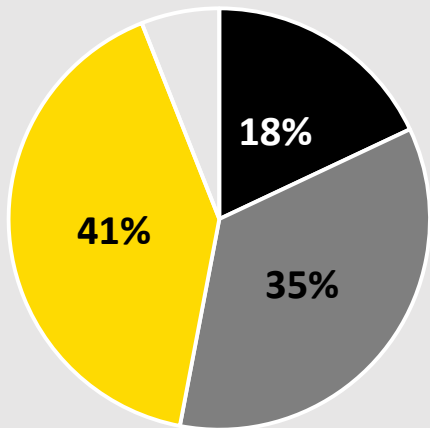


Next 5 Years

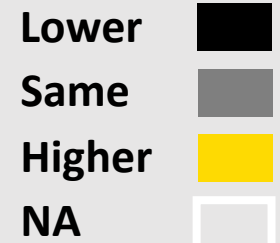
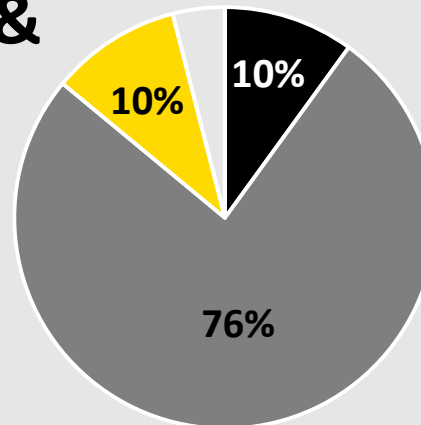


Past 5 Years

Temporary & Contract



Next 5 Years



Summary

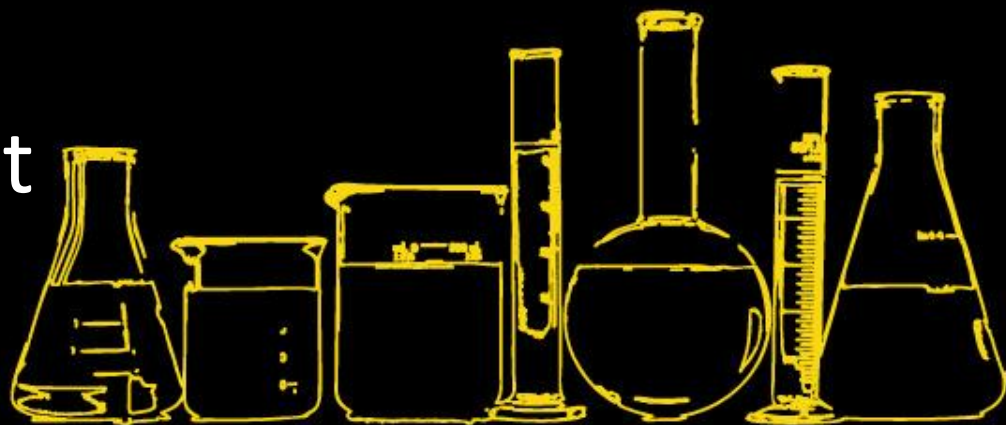
- Production workers remain **underutilized** in the state, which is an **asset** and a concern.
- A contingent workforce is now a **more prominent** part of the labor market.
- Evaluating **permanent hires, cost management**, and **value added** are all key strategies of local employers.



Chemistry



Business Environment



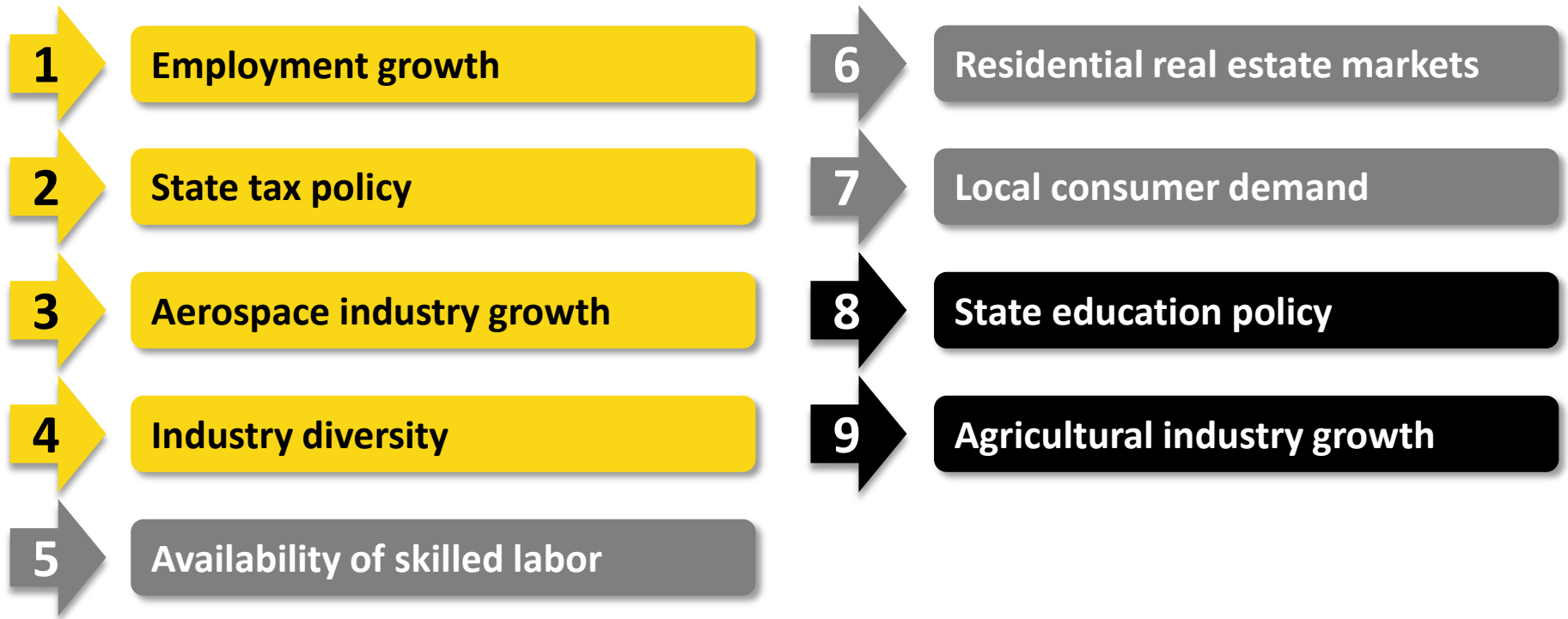
Global

- 1** U.S. competitive position
- 2** Global demand for goods and services
- 3** Middle Eastern instability
- 4** Eastern European instability

National Concerns

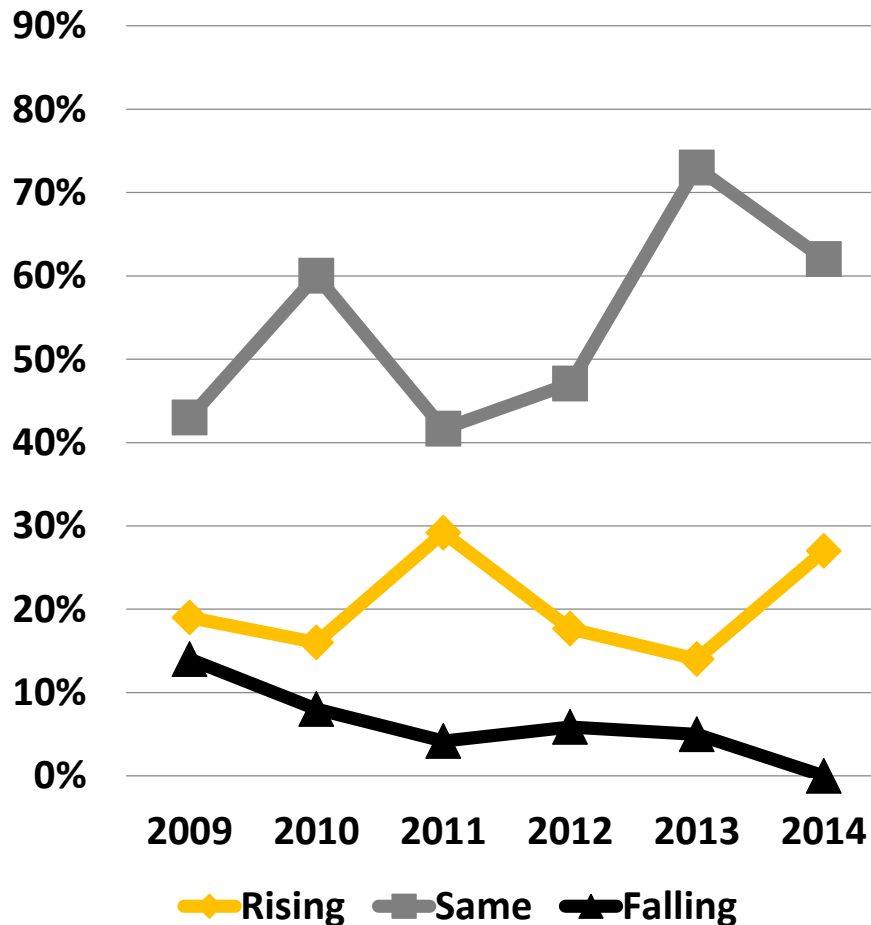
- 1 Long term unemployment
- 2 Federal debt
- 3 GDP growth
- 4 Changes to the health care system
- 5 Tax structure
- 6 Inflation
- 7 Changes to environmental policy
- 8 Federal Reserve monetary policy
- 9 Changes to immigration policy

State and Local

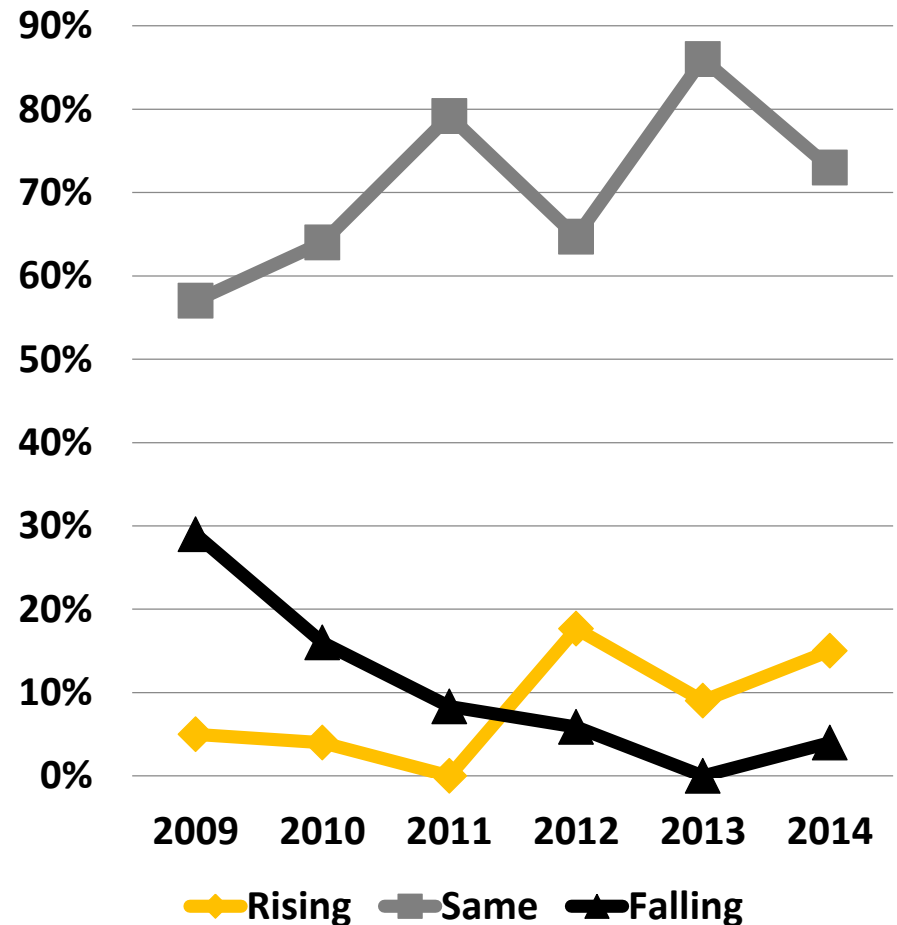


Existing Conditions

Material Costs

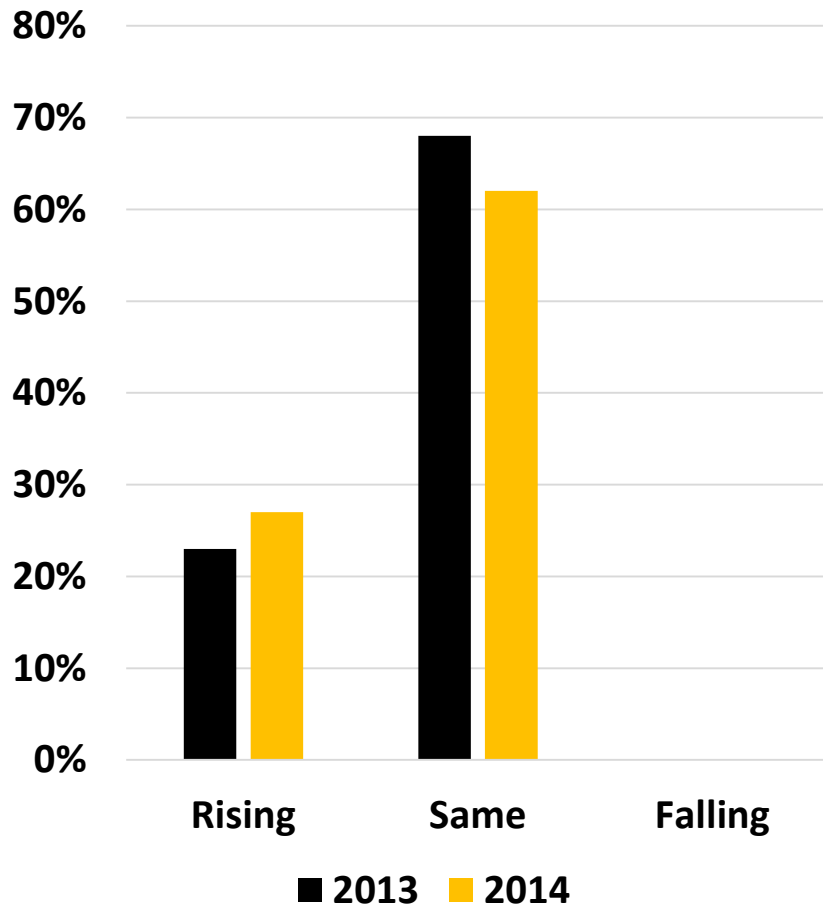


Prices Charged

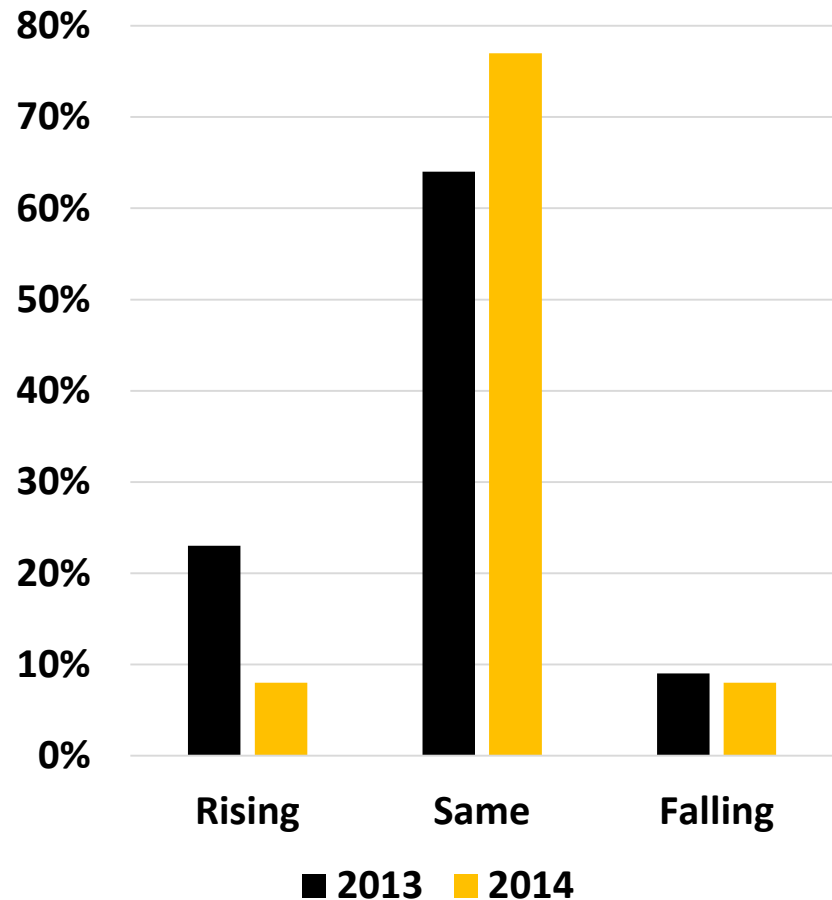


Future Expectations

Material Costs

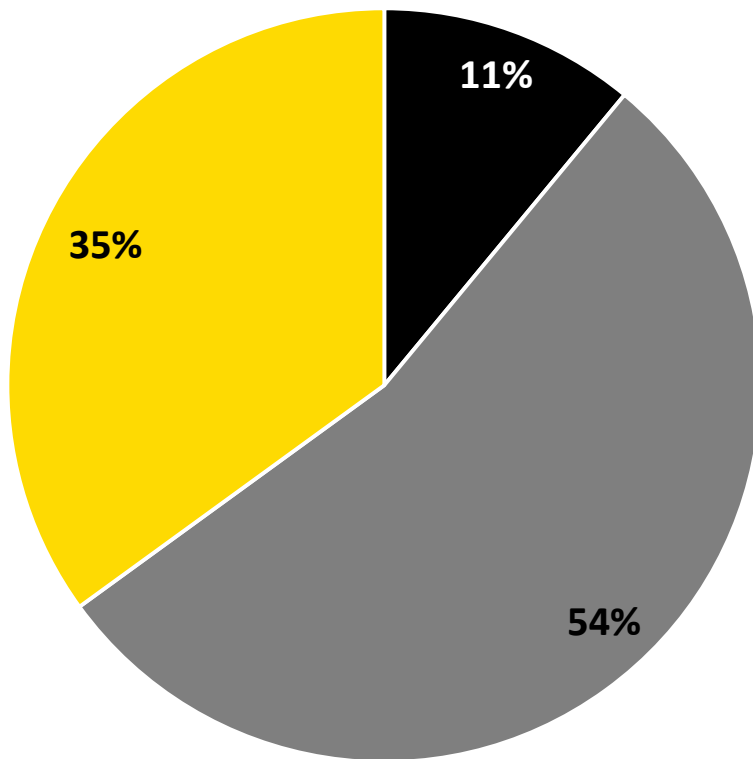


Prices Charged



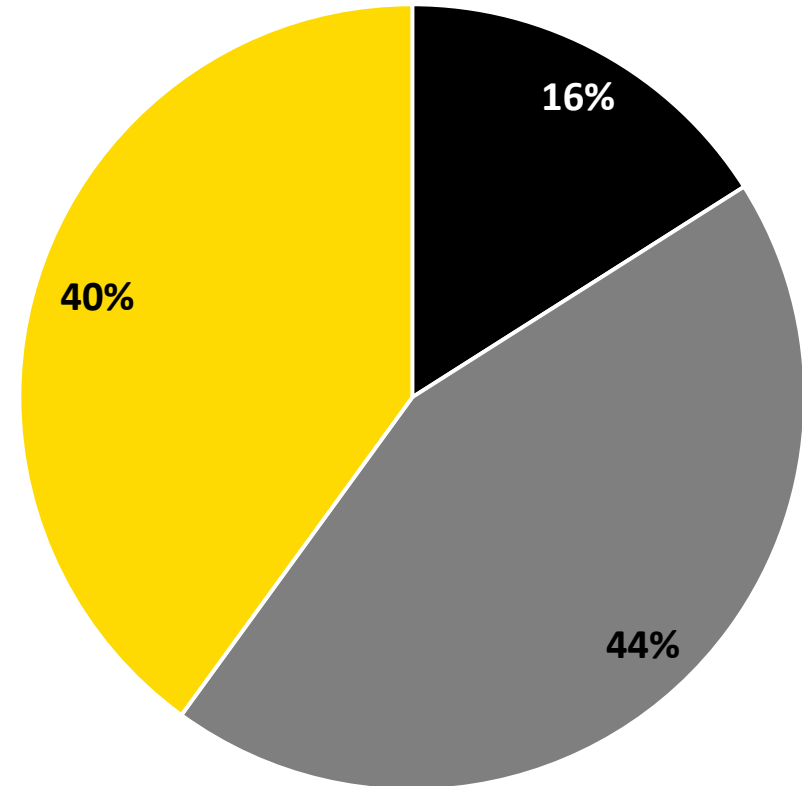
Future Conditions

Employment



■ Decrease ■ Same ■ Increase

Outlook



■ Uneven / decline ■ Minimal ■ Moderate

Summary

- Businesses continue to focus **less** on **policy** and **more** on factors of **demand**.
- Top concerns are **targeted** on economic growth.
- The majority of businesses will see **increasing costs**, yet customers **remain price sensitive**.
- Although more companies are **moderately optimistic**, some segments may experience **more losses** in 2015.



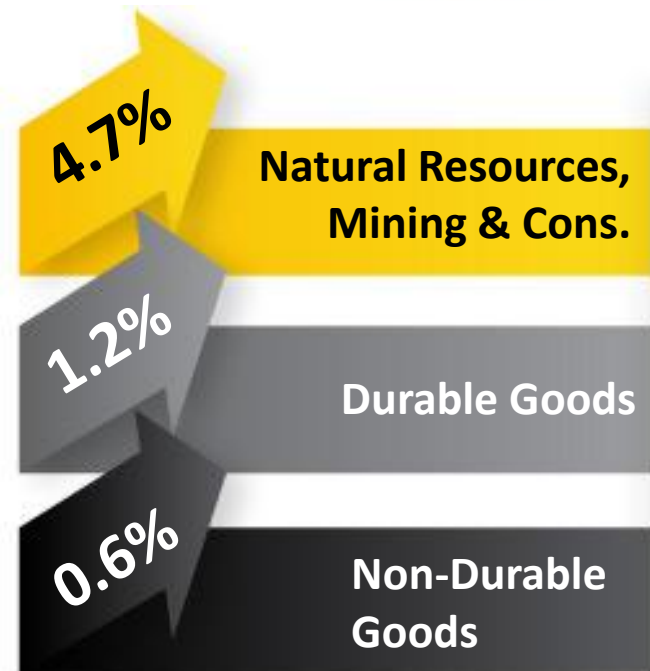
Outlook



Employment, Wages, and Retail Sales

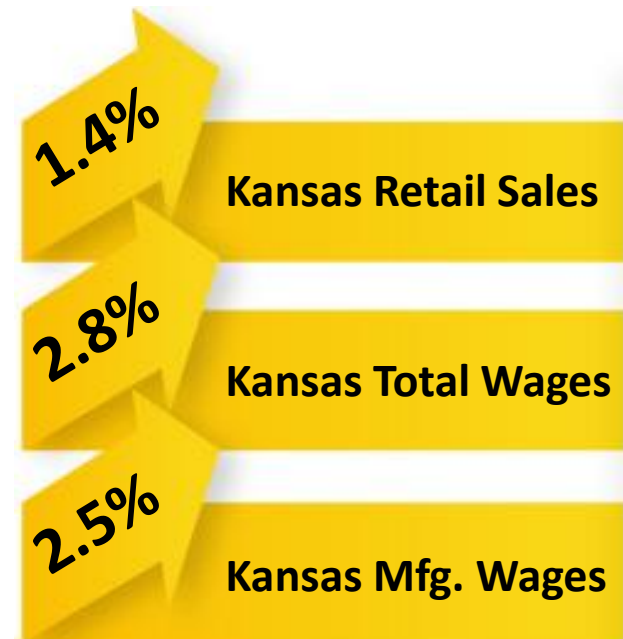
Goods Producing

- Kansas oil production has had **moderate** growth in 2014.
- Construction labor market has **improved**, but will remain below previous peak.
- Machinery **peaked** in Dec 2012 and has since **flattened**.
- Animal Slaughtering and Processing **continues to improve**, but **remains** about 1,000 jobs below the previous peak.



Retail Sales and Wages

- Retail sales will be **stronger** due to growth in **wages**.
- Tightening labor slack and competition nationally are **driving wages** up in 2015.

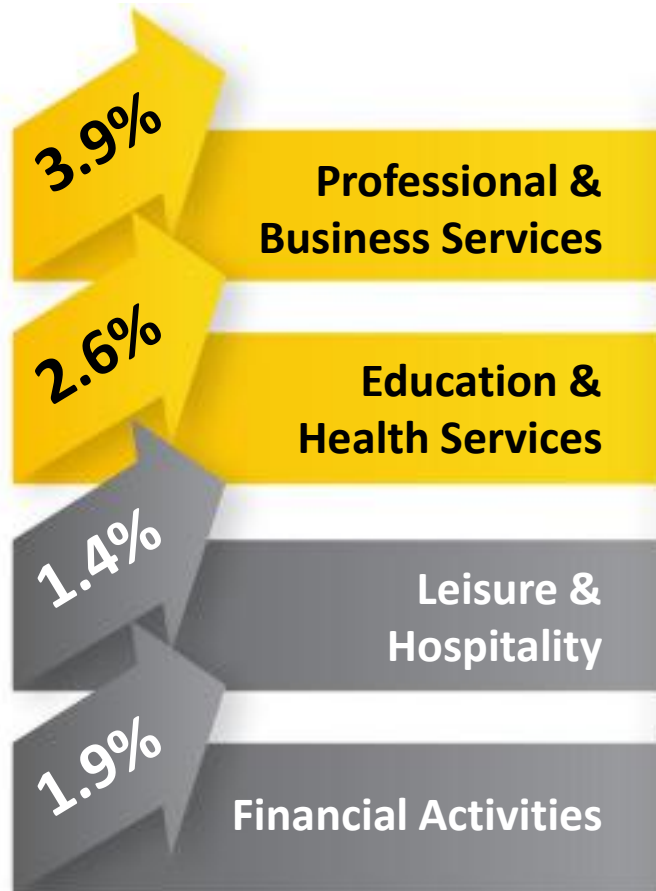


Trade, Transportation and Utilities



- Retail employment growth will **soften** in 2015 to adjust for the higher than expected growth in 2014 and due to online shopping.
- Transportation & Utilities will **mirror** the national trend and general growth within the region.

Services

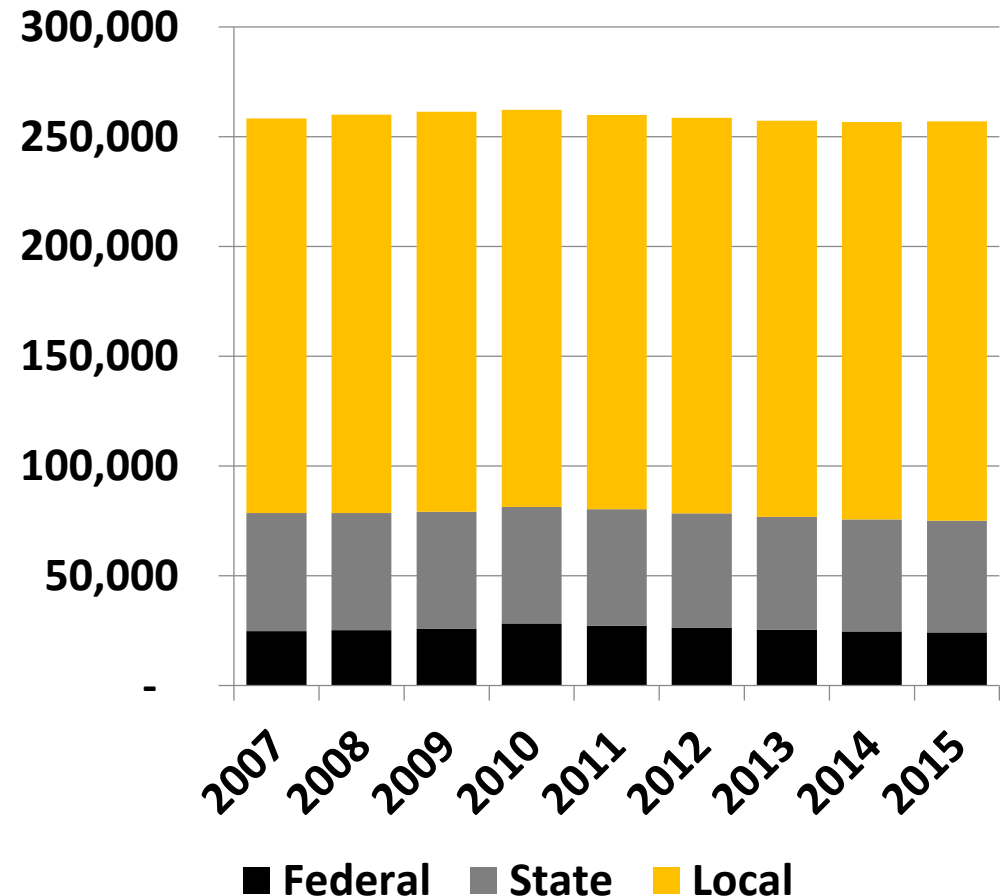


- Professional Services have **increasingly** become a larger component of the economy.
- Health Services will see **continued growth** in therapists, outpatient care, diagnostic labs, and residential care facilities.
- Financial Activities **growth** reflects recent consolidations and **efficiencies** gained.







Government Employment

- **Changing political priorities** at any level of government could impact the employment outlook.
- The **decreased** 2015 state budget will likely impact state employment.
- Overall, government employment is expected to **increase more slowly** than the general growth of the economy.

Government Employment



Summary

-  Professional Services will **lead** the state economy; however, growth will be **limited** until production workers are reengaged.
-  Although businesses have already **shifted** to more contingent labor, the workforce mindset will still need to **adjust** to this new reality.
-  **Increased costs** nationally and the **slow** state economy **may impact** some companies in the coming year.
-  Consumers are **regaining** their strength (employment and wages); however, they remain **slightly over leveraged** and have little cushion for another downturn.
-  Provided **consistent positive** news, manufacturing should see **some** employment growth within the next two years.
-  Employment is expected to **increase by 1.7% (23,239)**, which would be an improvement over 2014; however, it is **still below** potential.