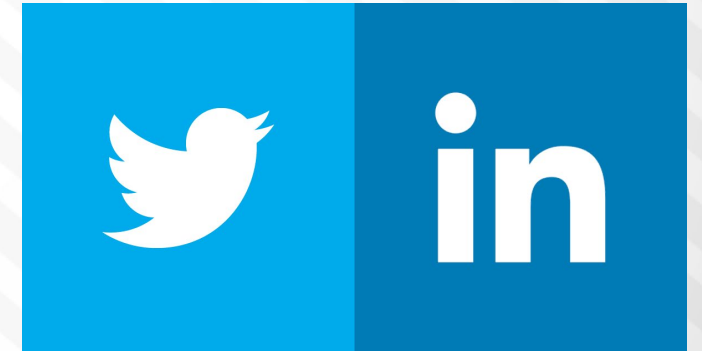


Kansas Economic Outlook

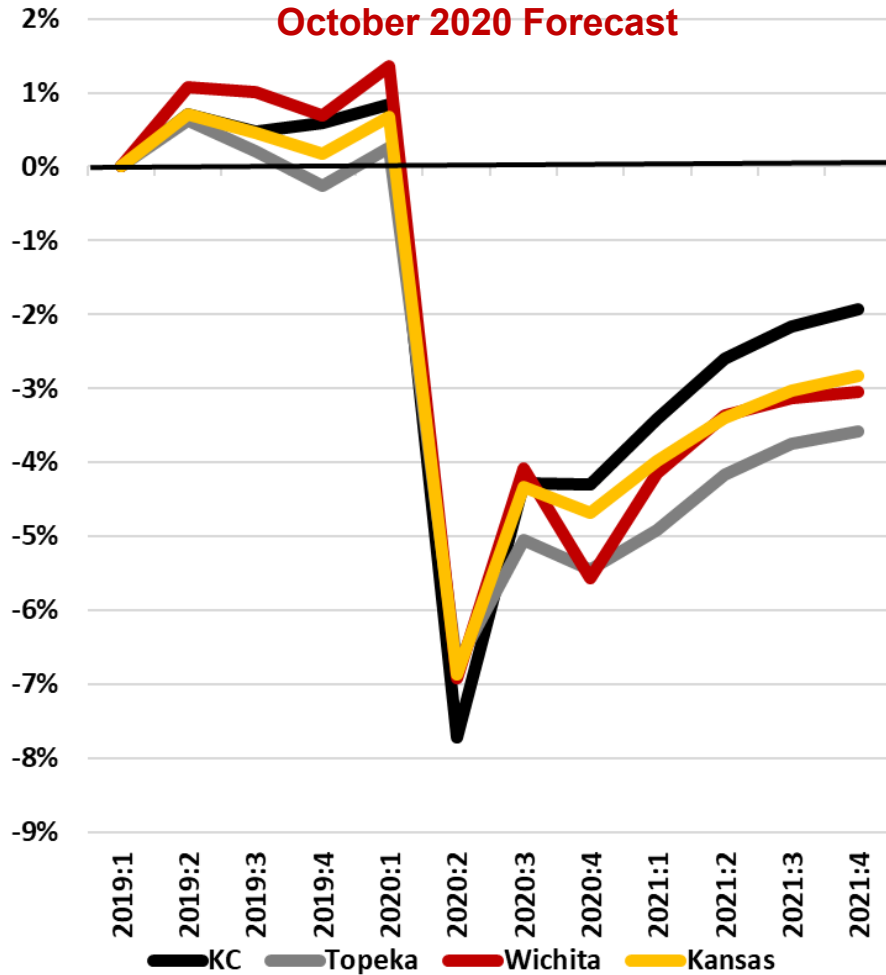


#KSEcon

Employment Forecast - Review

Growth from January

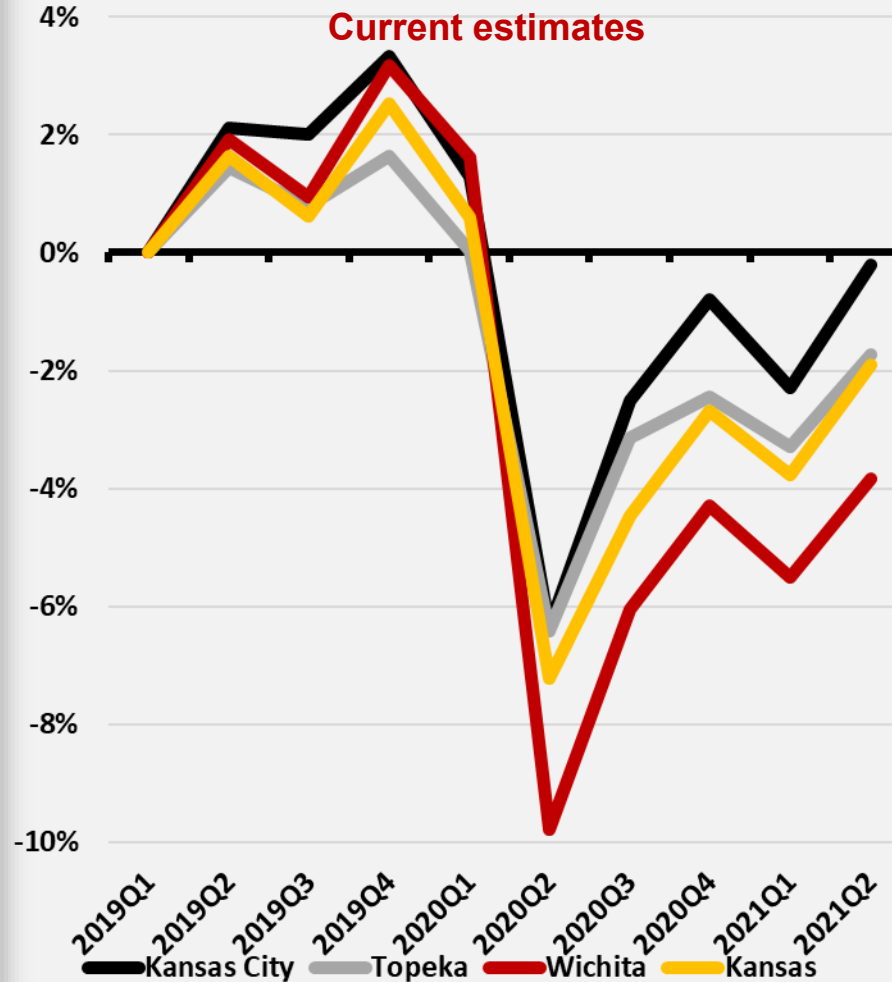
October 2020 Forecast



Source: CEDBR

Growth from January

Current estimates



Source: CEDBR, BLS- CES

Review

- Kansas is 1.9% below its Q1 2019 level
- Wichita had the largest decline
- Kansas City is almost back to its Q1 2019 level

Discussion – INDY 500

- **COVID and the economy** 
 - Loss and road to recovery
- **Labor market conditions** 
 - Are there hazardous track conditions?
- **Industry update** 
 - A check-in on the leaderboard
- **Households** 
 - Pit crew
- **Forecast**
 - How many more to 200 laps?



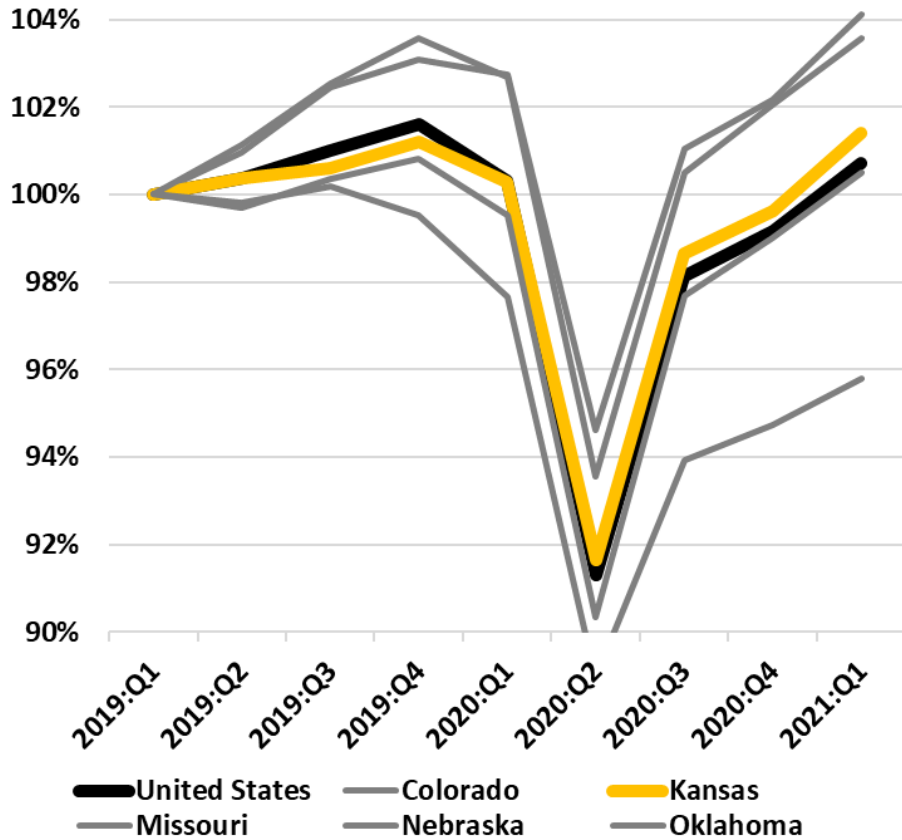


COVID and the Economy

The red flag stopped the race.

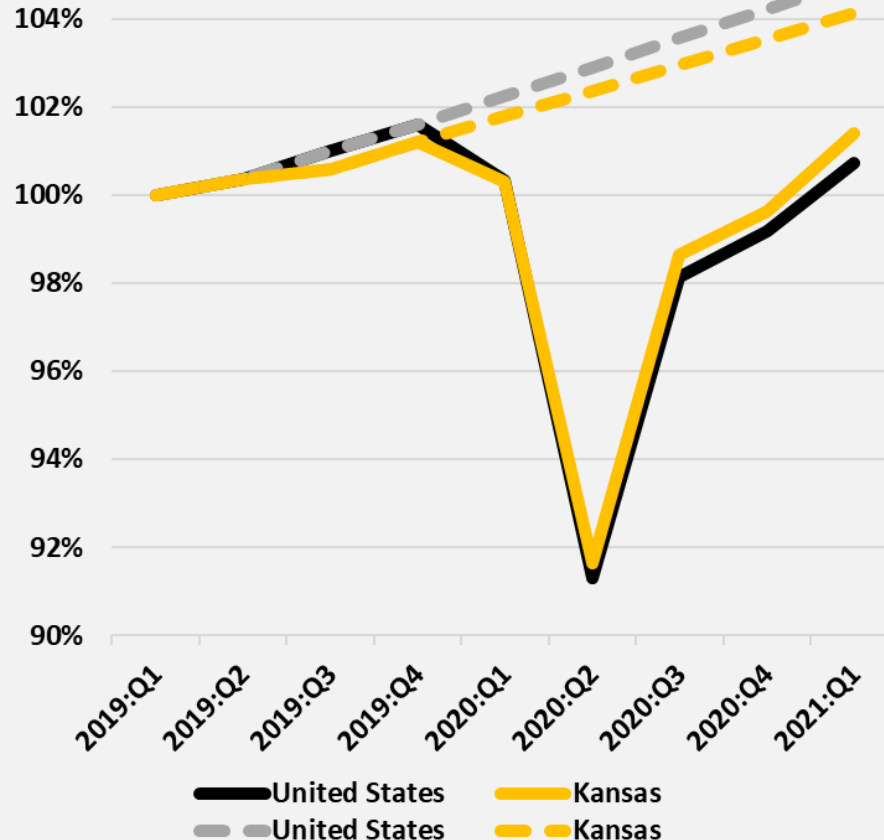
GDP has recovered, but still below potential

GDP Growth Since Q1 2019



Source: CEDBR, BEA

Potential GDP Growth Since Q1 2019



Source: CEDBR, BEA

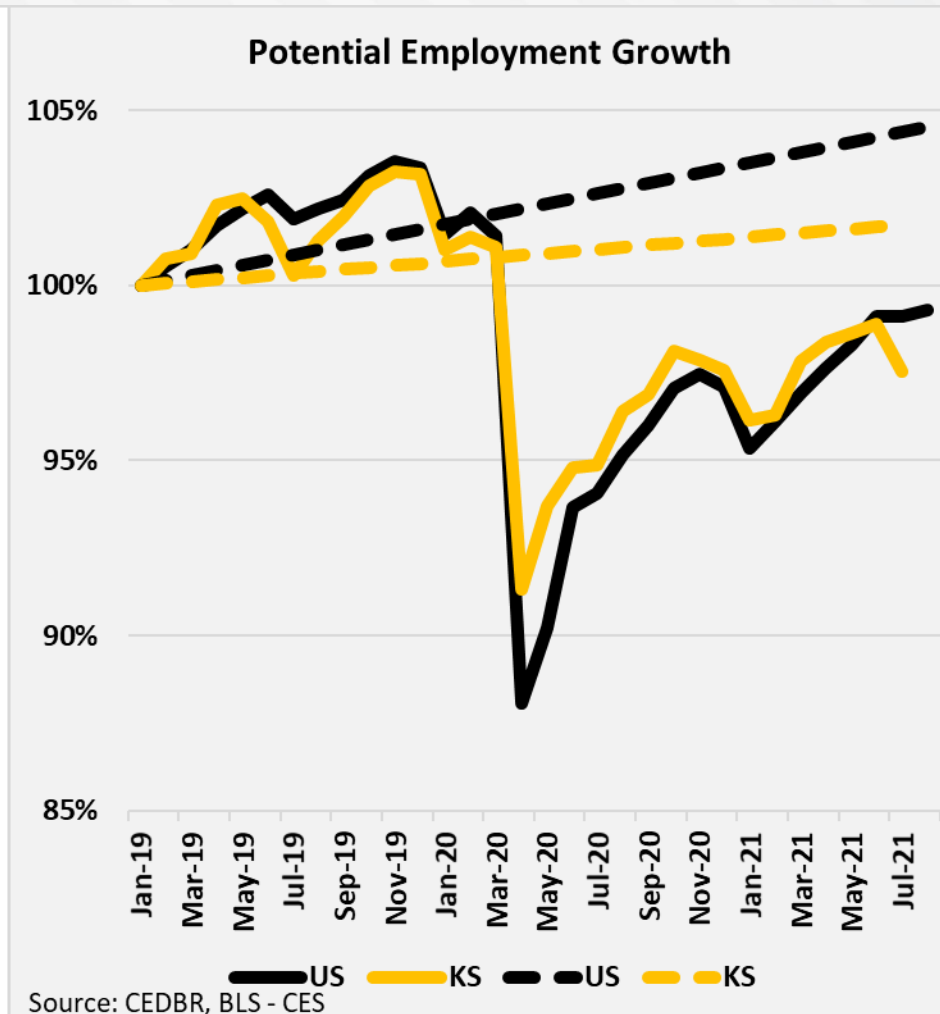
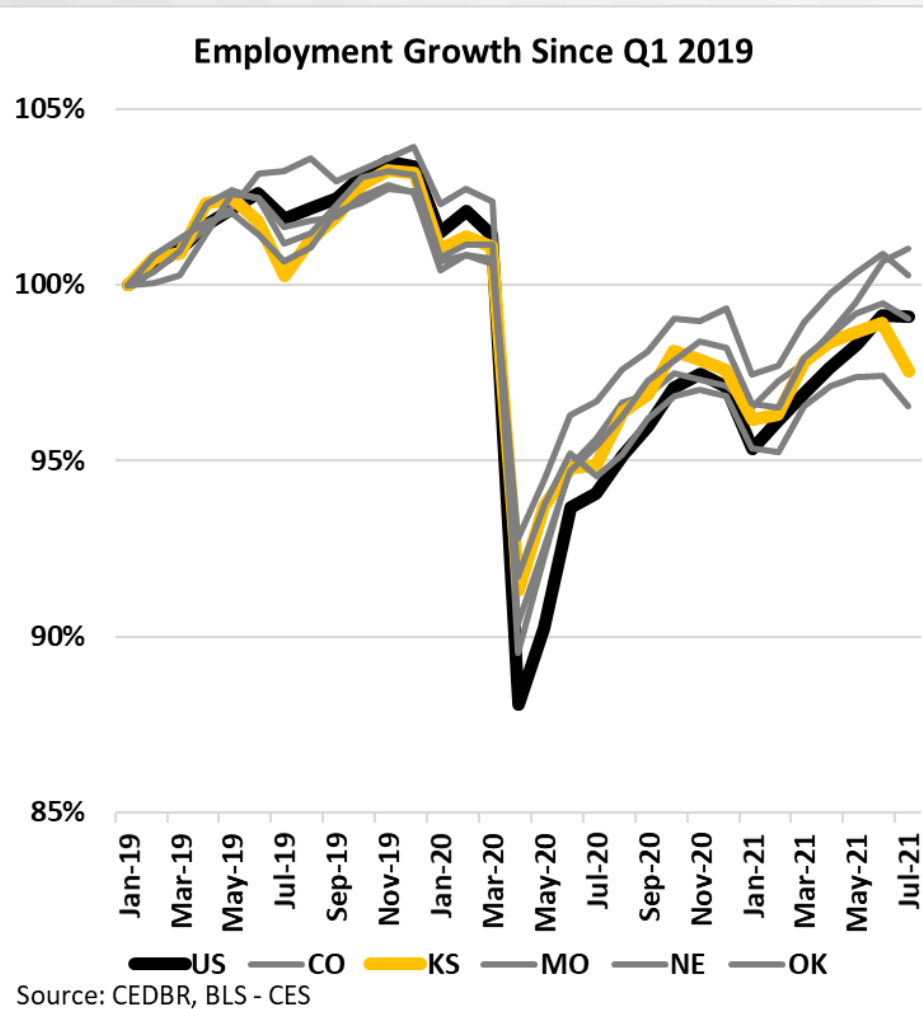
• Regional

- CO and NE net growth was ~4%
- OK lost 4.2%
- MO net gain 0.5%

• Kansas

- KS net growth was 1.4%
- Agriculture and manufacturing explains most of the growth

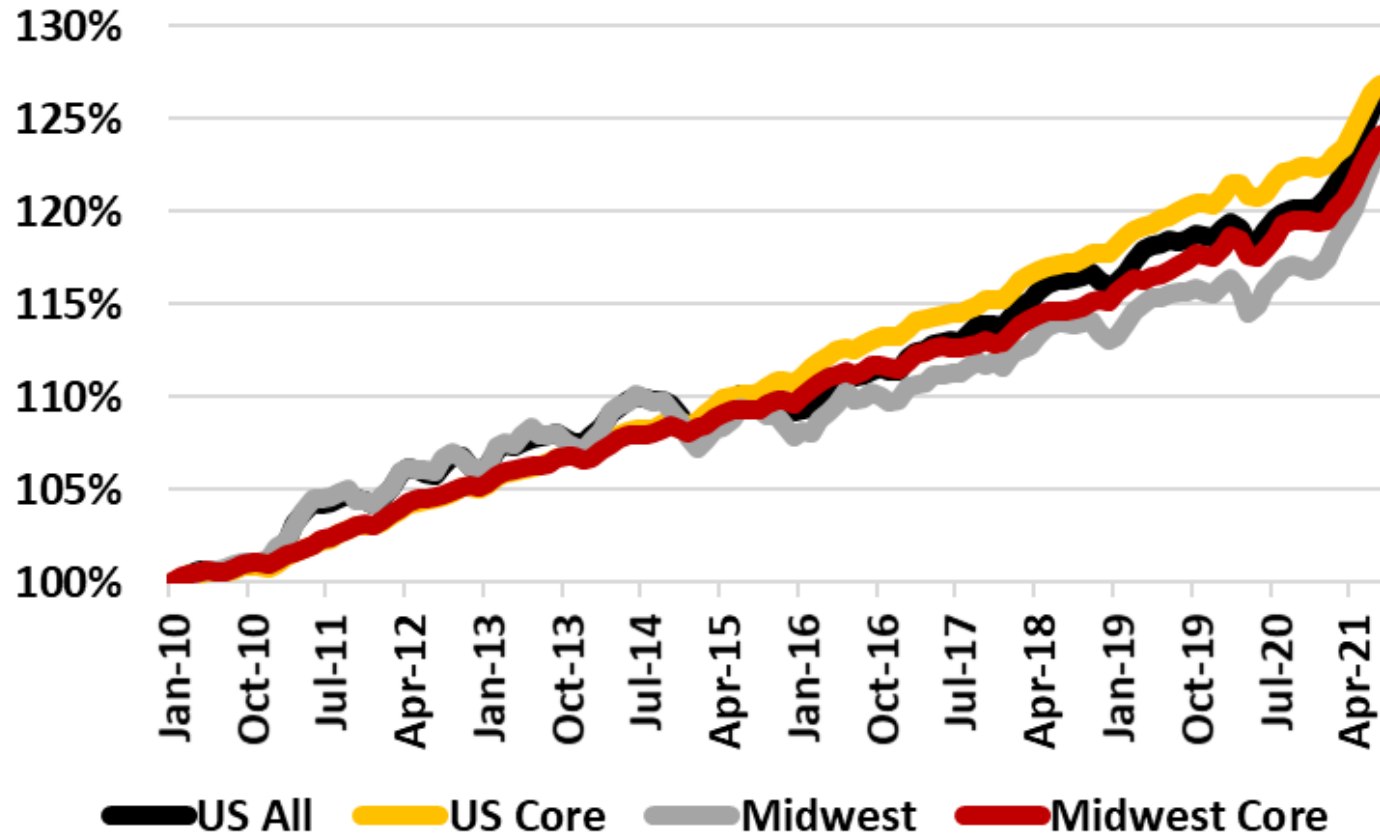
Employment is nearing previous peak



- **Regional**
 - CO and NE were the only two to exceed its 2019 level
 - MO has a net loss of 1%
- **Kansas**
 - KS net loss was 2.3%
 - Net loss of 34,600

Inflation remains transitory

Inflation Growth Since Jan 2010



Source: CEDBR, BLS- CPI

• Causes

- Supply chain disruptions
- Mismatches between supply and demand
- Reopening of the market

• US

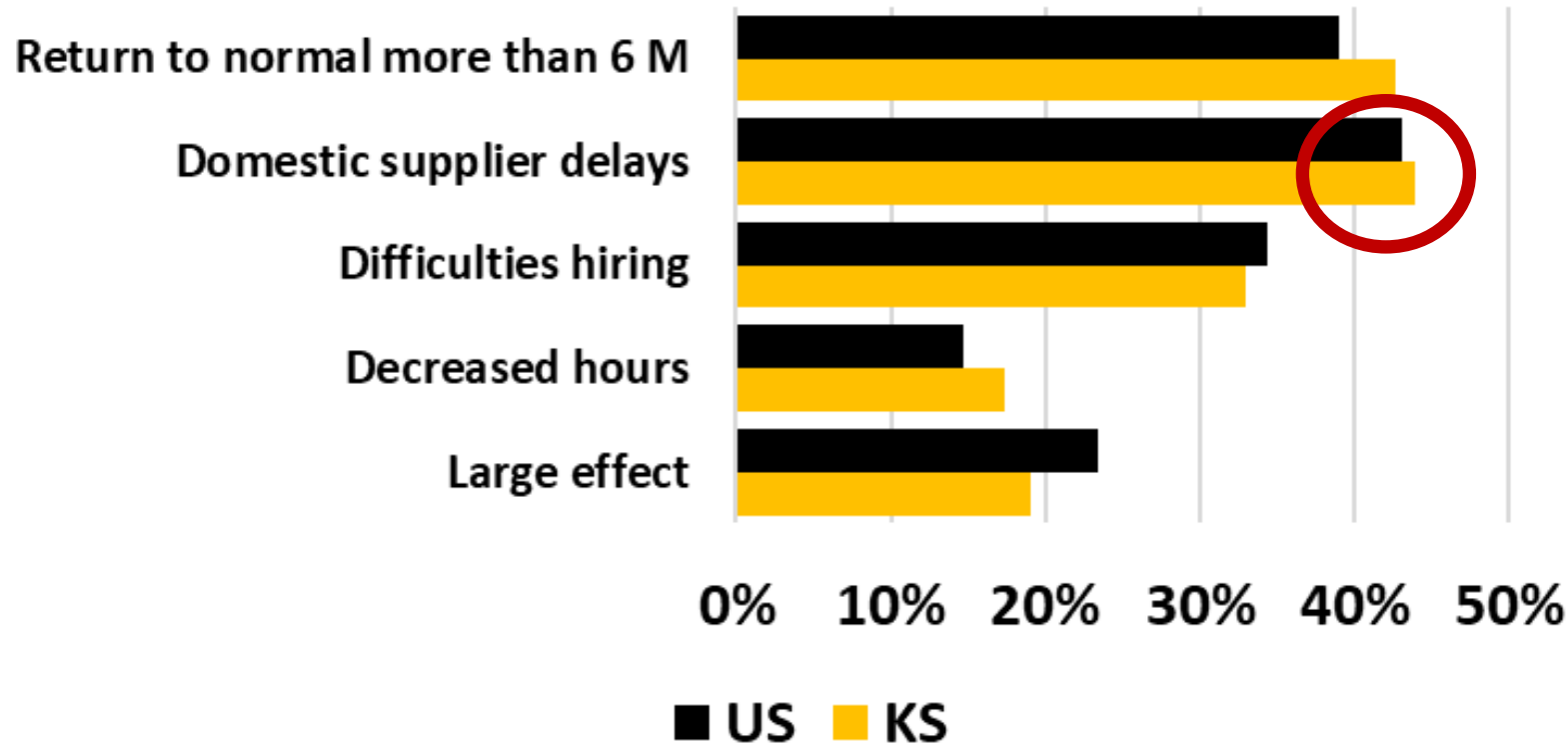
- August core inflation was up 5.3% YR/YR, which is higher than the 2.4% historic growth.

• Midwest

- August core inflation was up 5.7% YR/YR.
- Increases in energy are weighing on the Midwest

KS BIZ cruising along

Business Pulse



Source: CEDBR, Census-BPS

- **Supplier issues**

- KS BIZ continue to struggle with suppliers and find alternates

- **Labor issues**

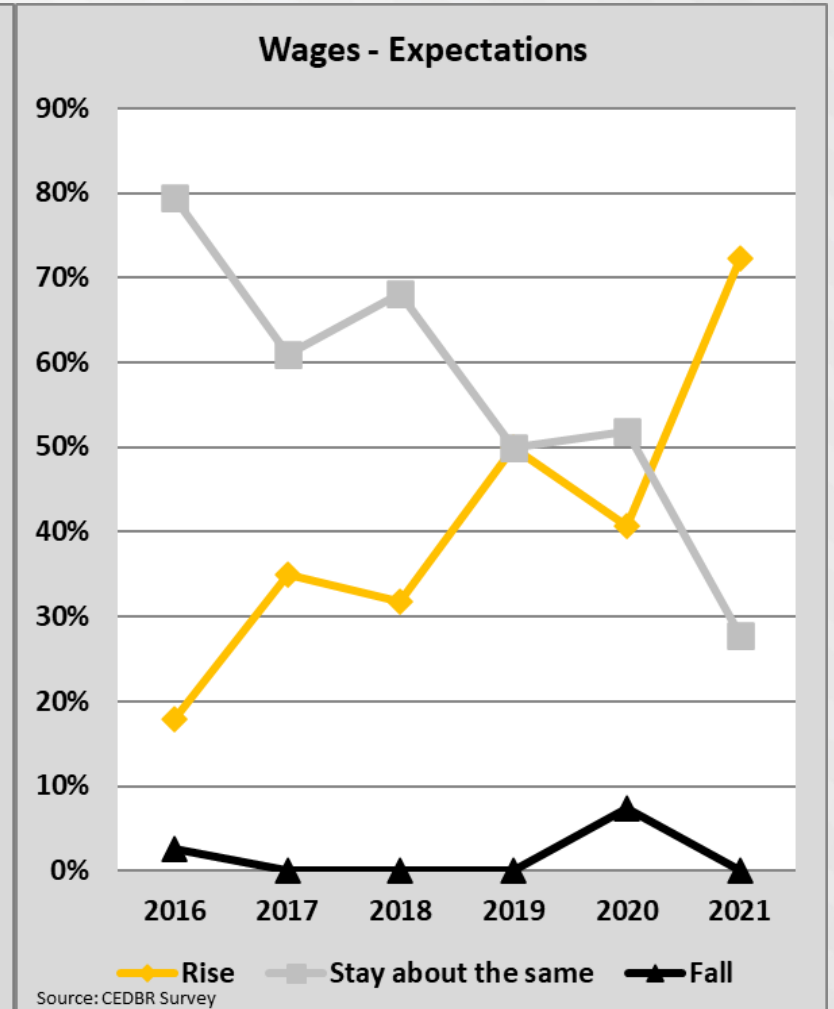
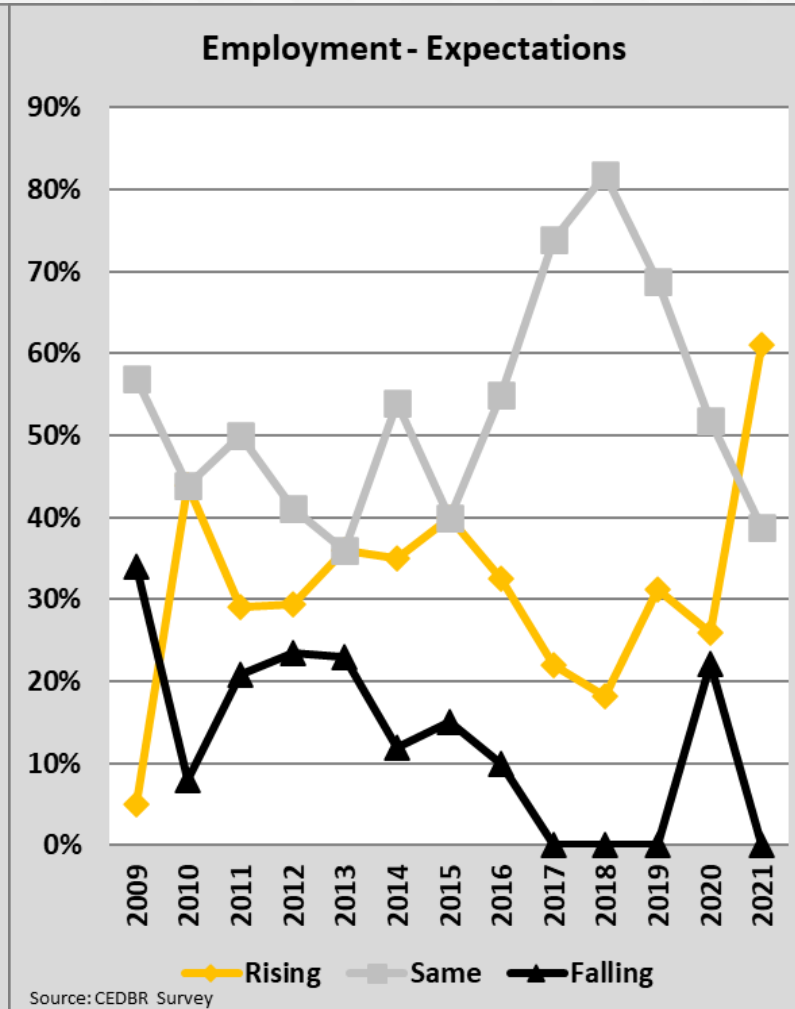
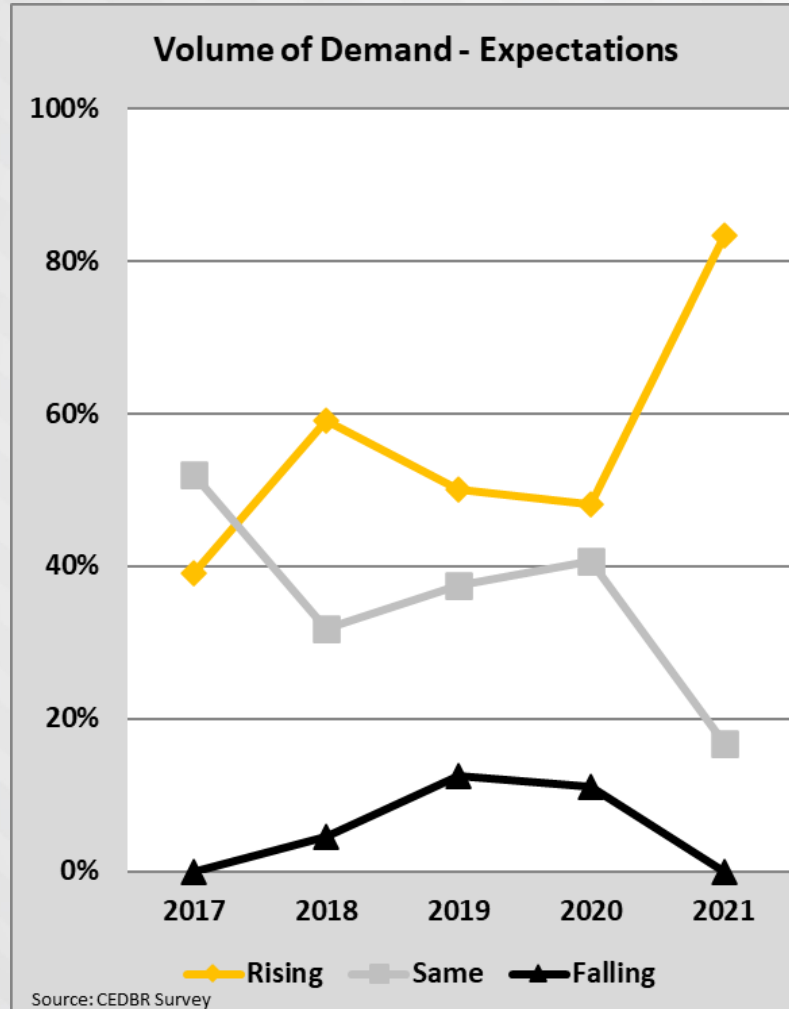
- 33% of KS BIZ are struggling to hire labor
- 17% of KS BIZ have decreased hours

- **Expectations**

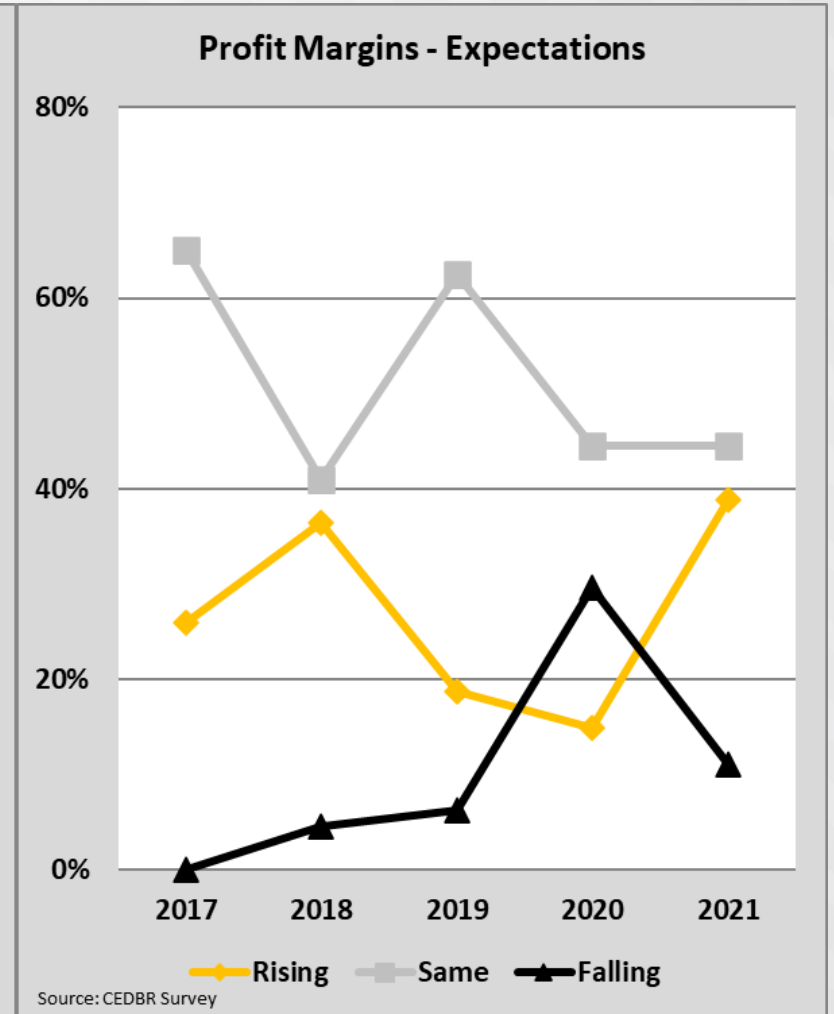
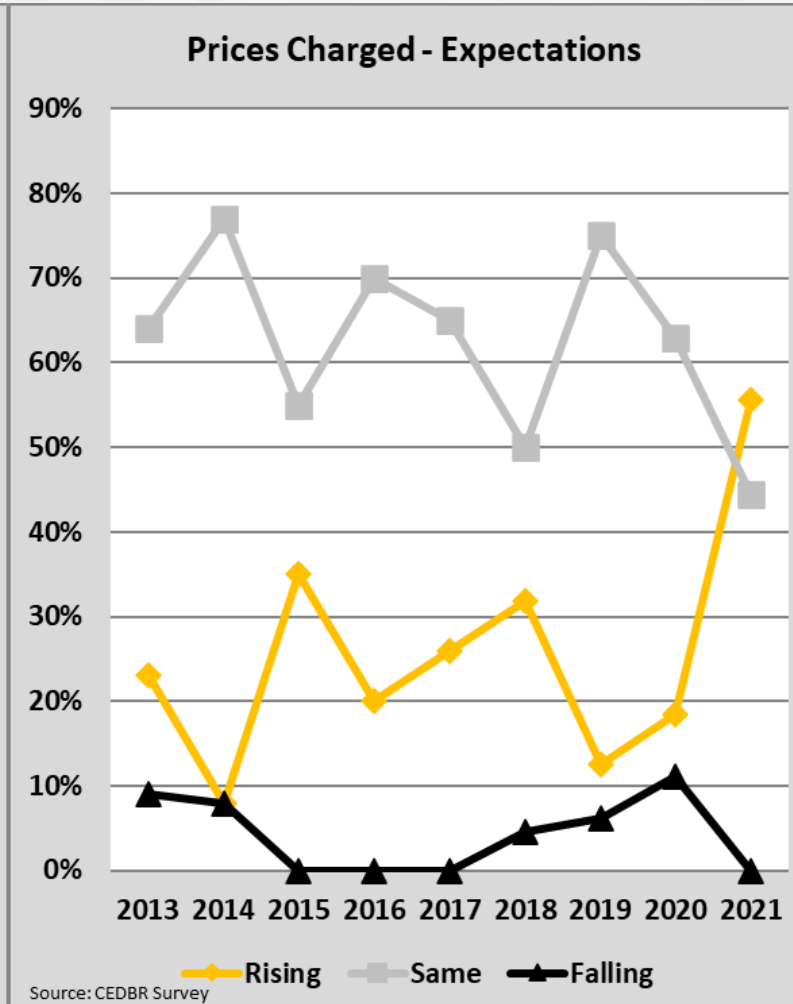
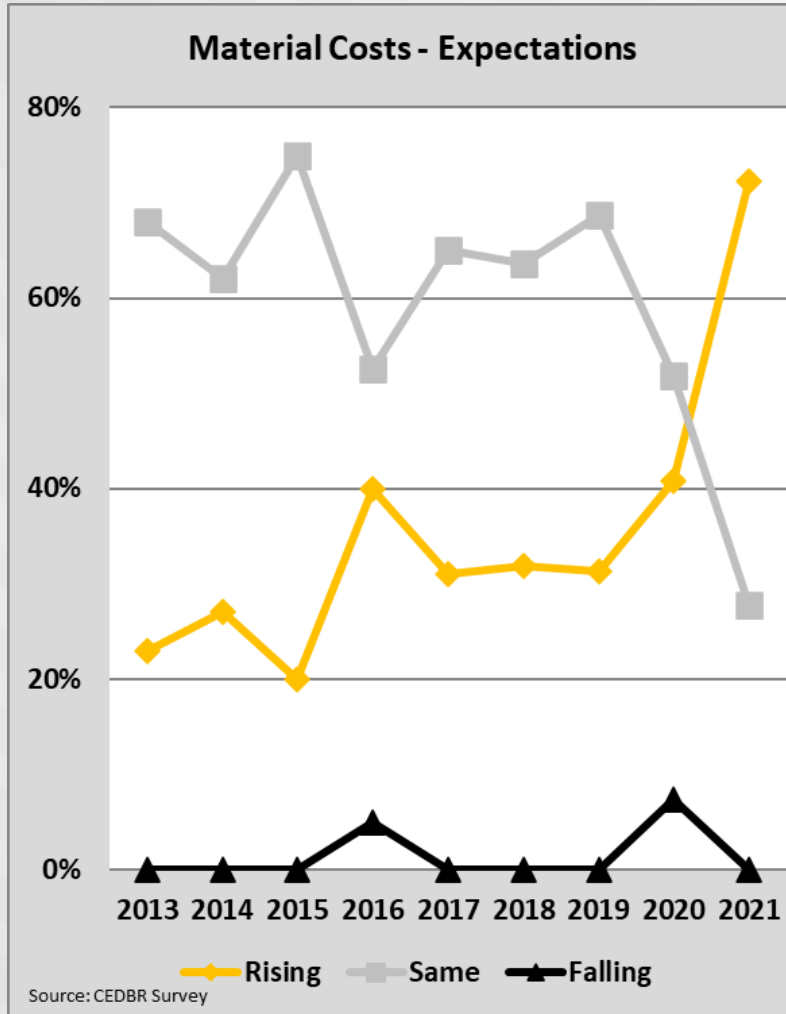
- 47% of KS BIZ expect it will take more than 6M

Source: Census-BPS 09-12-21

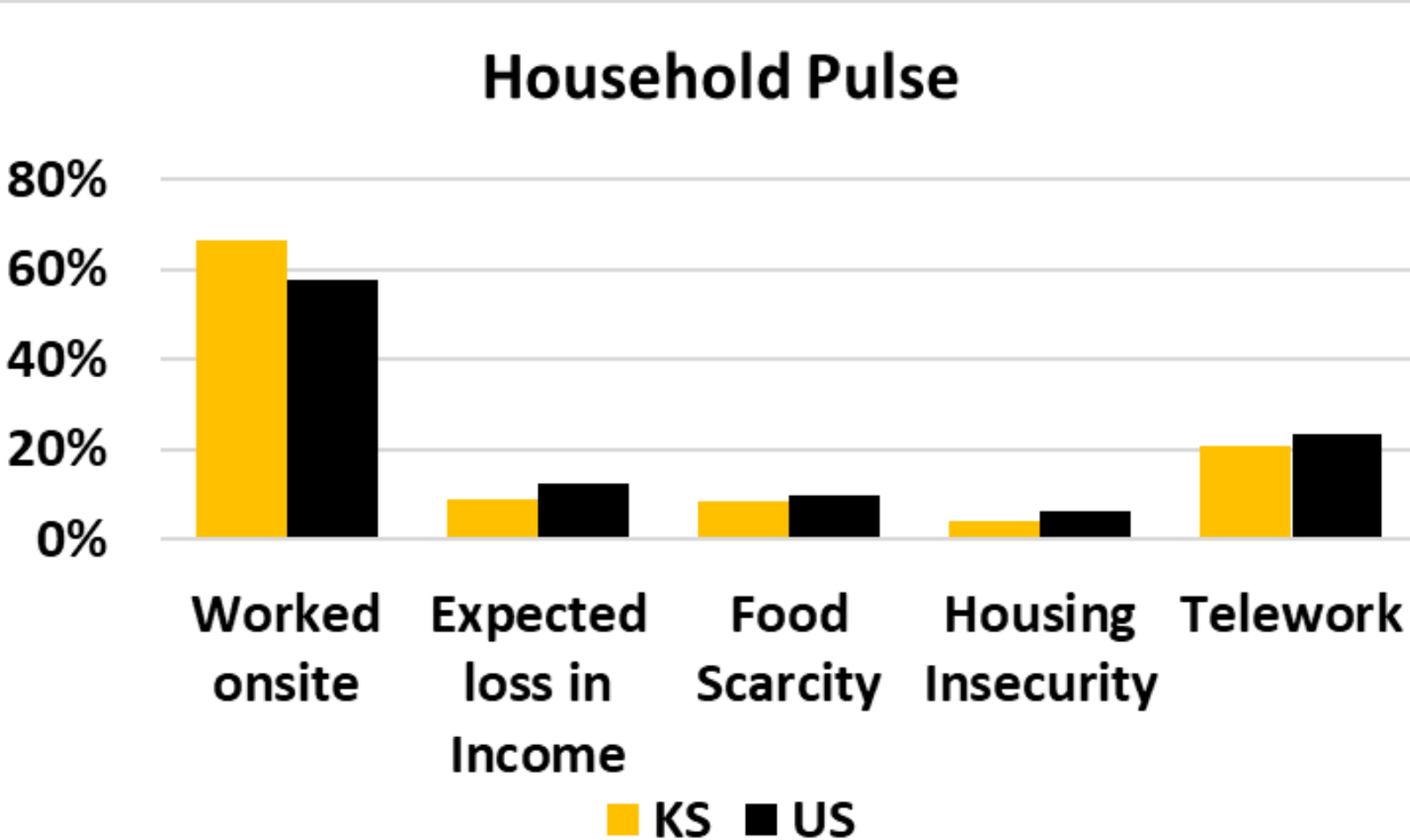
Increased demand leads to growth in EMP and wages



Increasing costs will be passed onto customers



KS households are fairing better



Source: CEDBR, Census-HPS

• Employment

- 8.9% of KS expect loss in income in the next 4 weeks
- 21% teleworked because of COVID

• Insecurity

- 8.6% of KS are dealing with food scarcity
- 4.1% of KS are worried about missing a payment

Source: Census-HPS Week33

COVID – Impact Review

- **Output** has **returned** to pre-COVID levels
- **Employment improved**, but **labor matching** remains an issue
- Although **KS Businesses are struggling** with suppliers and remain cautious, they are **highly focused in a growth mode**.
- **KS households** have returned to onsite work activity and are **fairing slightly better** than the nation, on average.



Labor market conditions

The yellow flag is slowing growth.

Unemployment rates

US 5.3 Aug

Kansas
4.0 Aug

Wichita
5.2

Topeka
3.8

**Kansas
City**
3.8

Tight labor market

- **“Ghosting coasting”**

- Coasting through an interview that you are not really interested in and then not responding to an offer

- **Unemployed per job openings are at record lows**

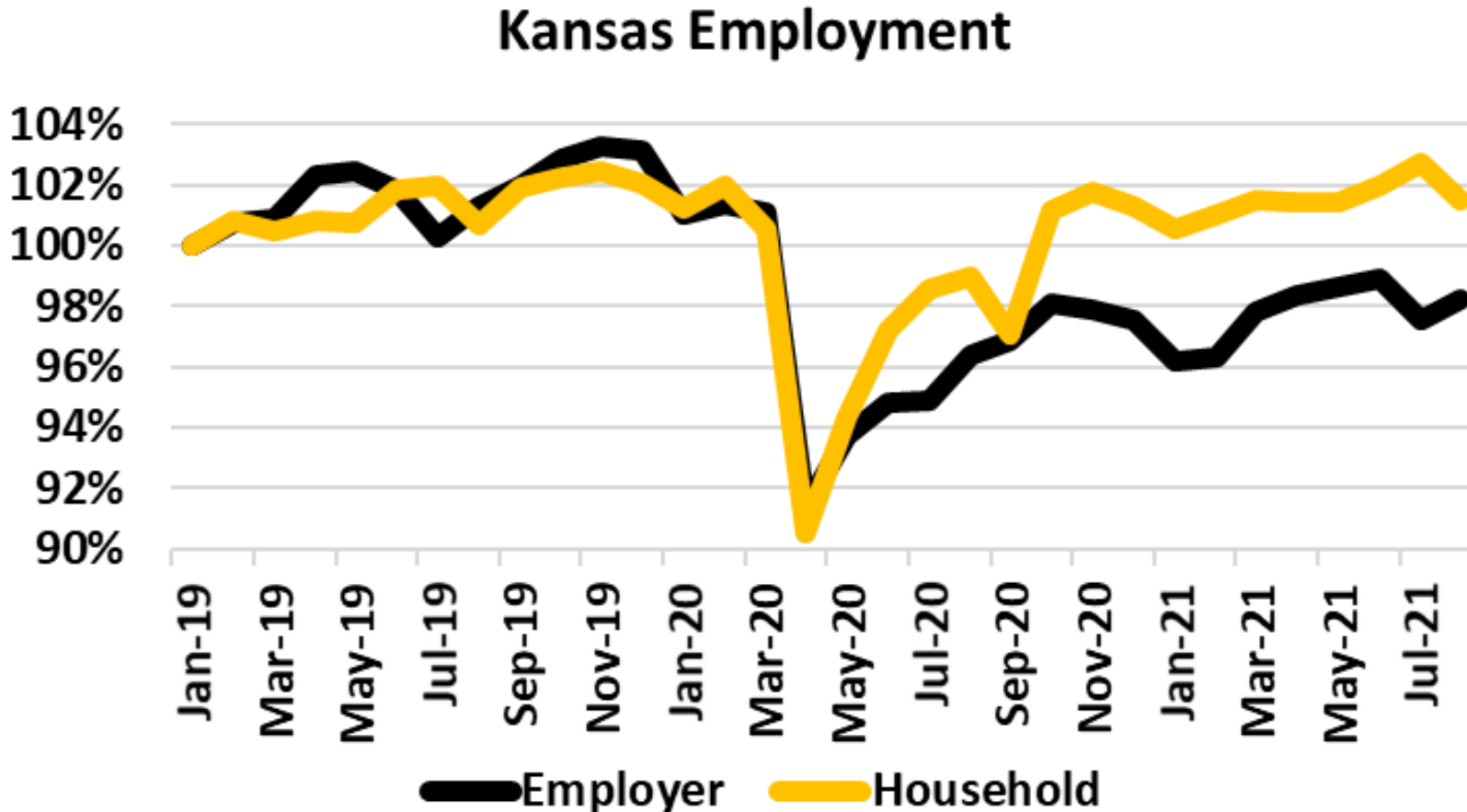
- There are 0.8 people for each job opening

- **Employer incentives**

- Down payments on housing as a bonus

- **Shortened hours of operations**

Has employment recovered?



Source: CEDBR, BLS-CES and LAUS

Data

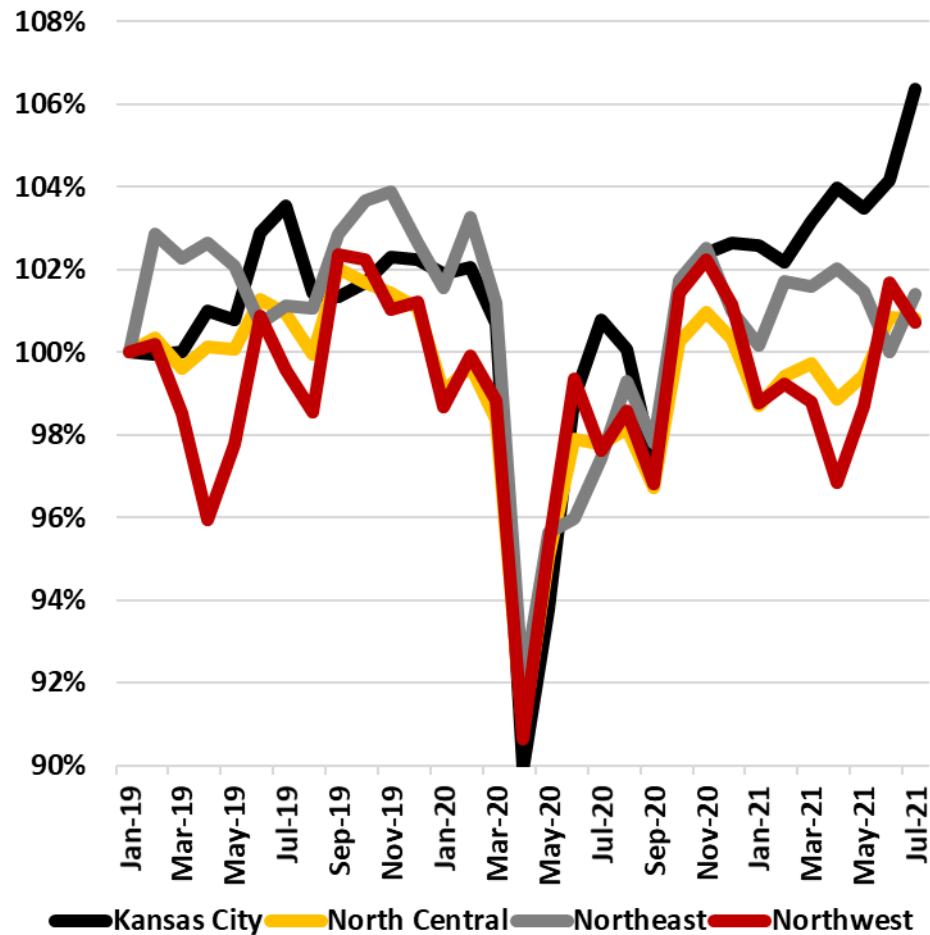
- Employers haven't reached the previous peak, whereas households have exceeded their peak.

Trends

- Multiple jobs (-16%)
- Part-time workers (-10%)
- Self employed (-7%)

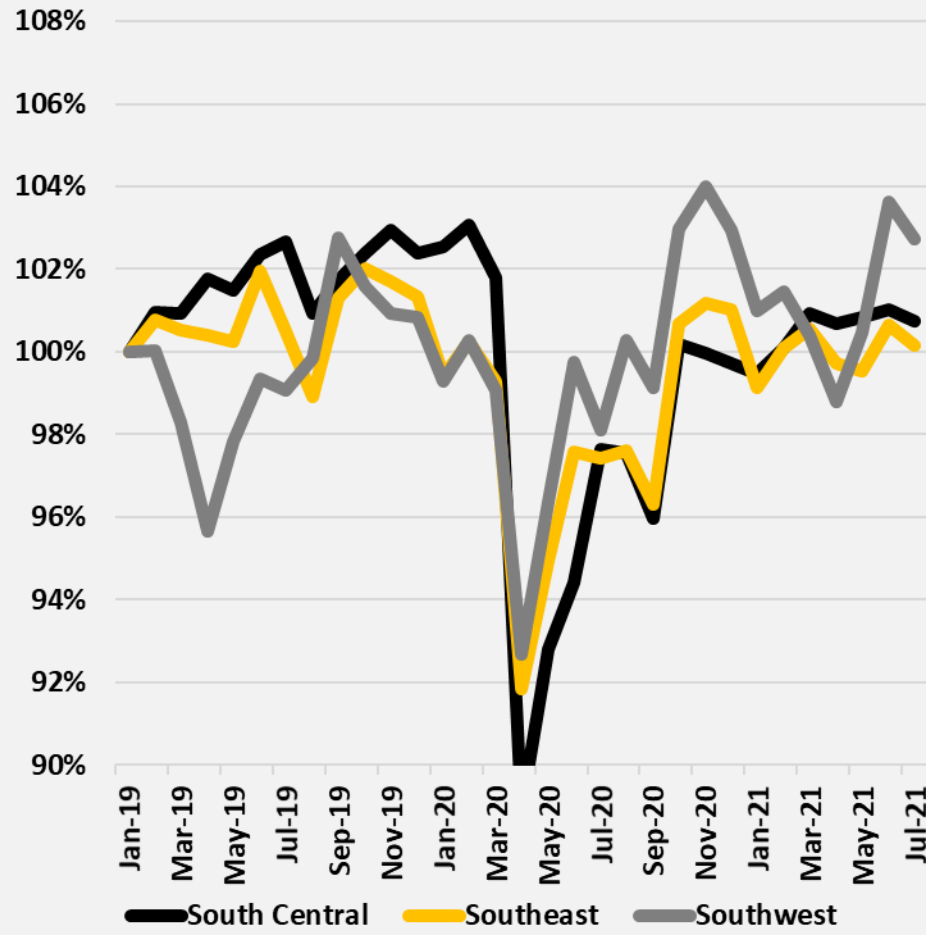
KC and SW Employment have expanded

Employment Growth



Source: CEDBR, BLS-LAUS

Employment Growth

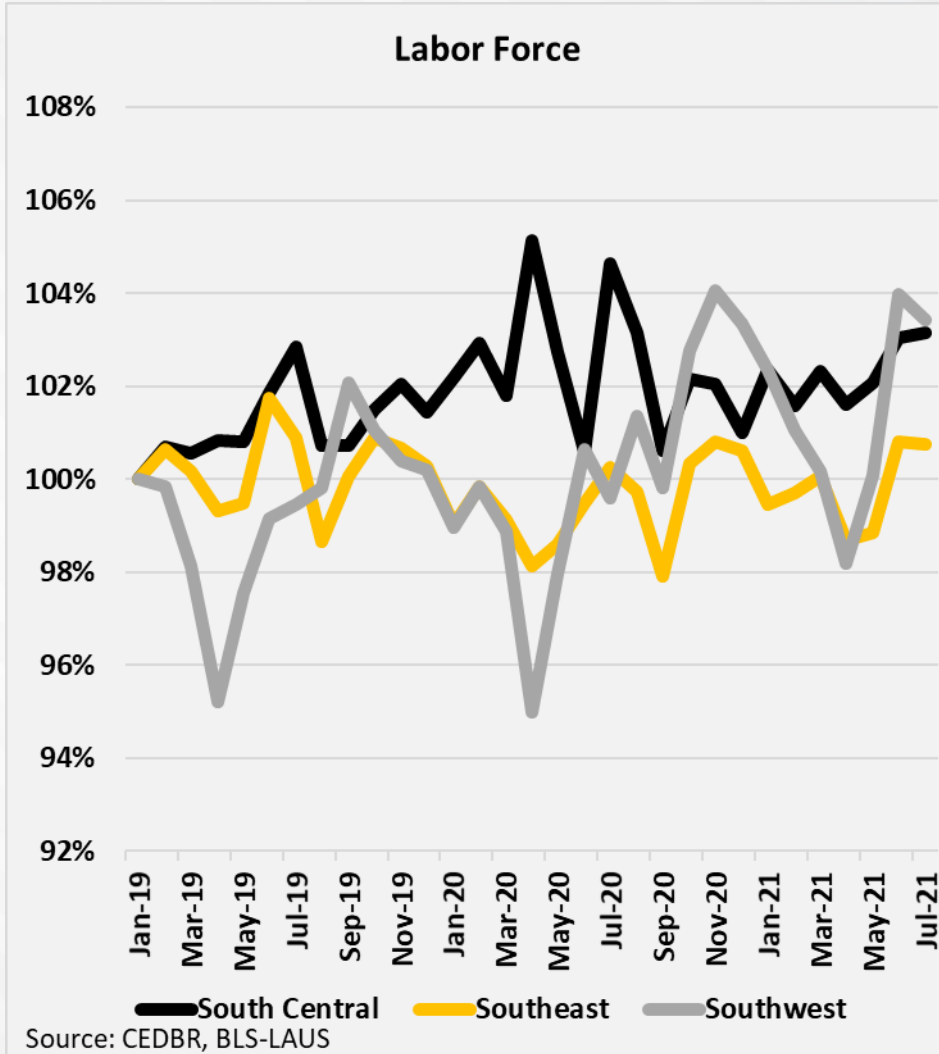
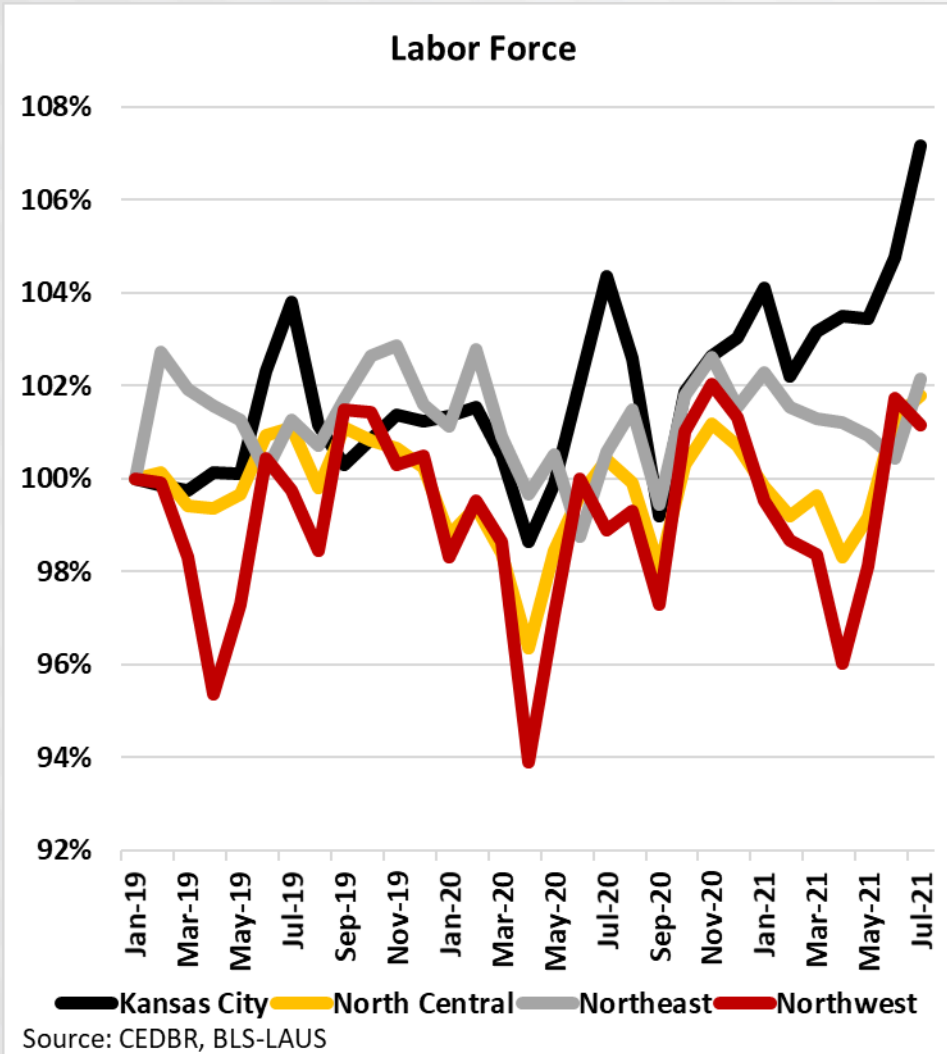


Source: CEDBR, BLS-LAUS

Growth since Jan 2020

- **KC** region employment is over **four percent larger**
- **South Central** area is the only region that is **below** its Jan level
- All **other areas** are **at or above** their Jan levels

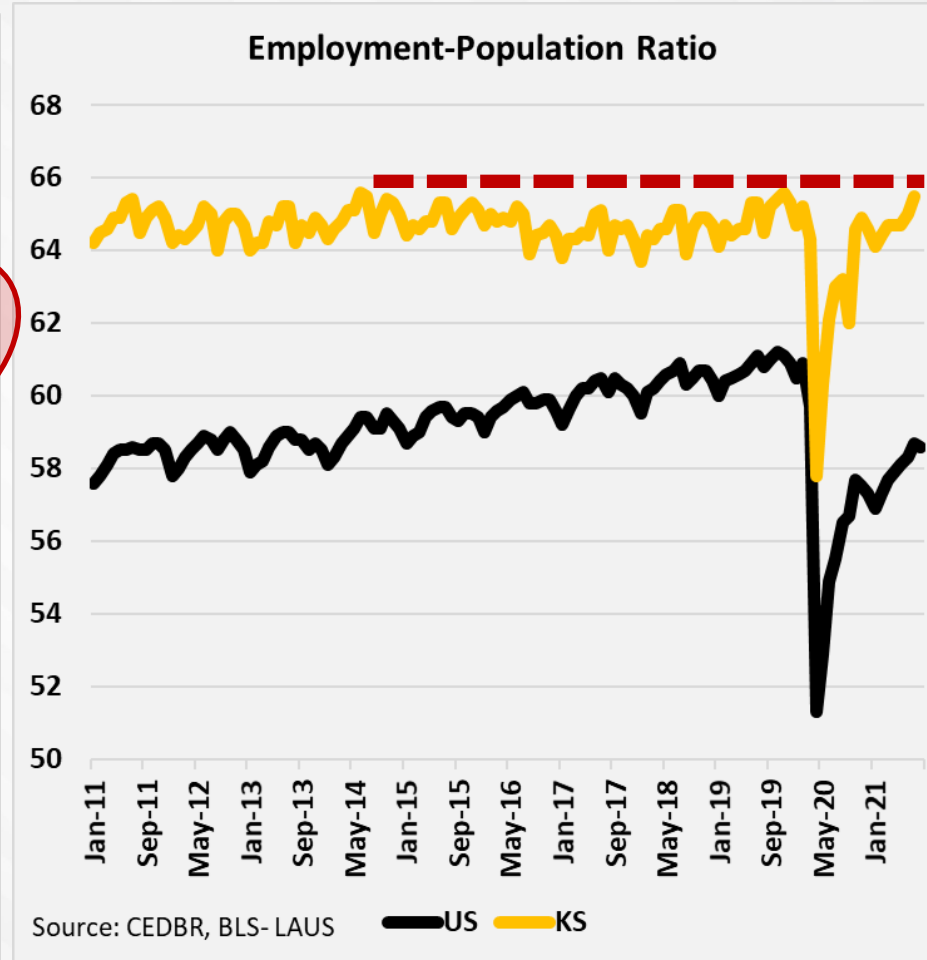
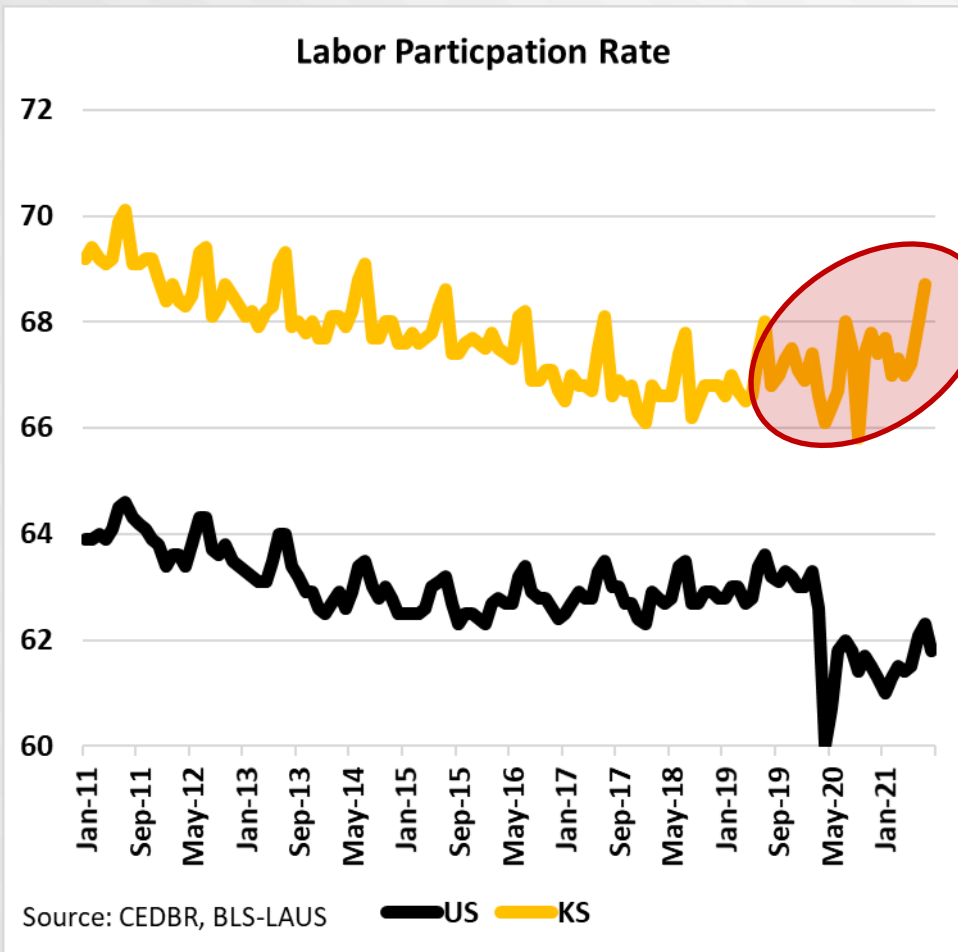
Labor force increased in all markets



Growth since Jan 2020

- Labor force is **larger in all markets**
- **KC** region had the **largest increase**
- **Northeast** and **South central** had the **smallest increases**

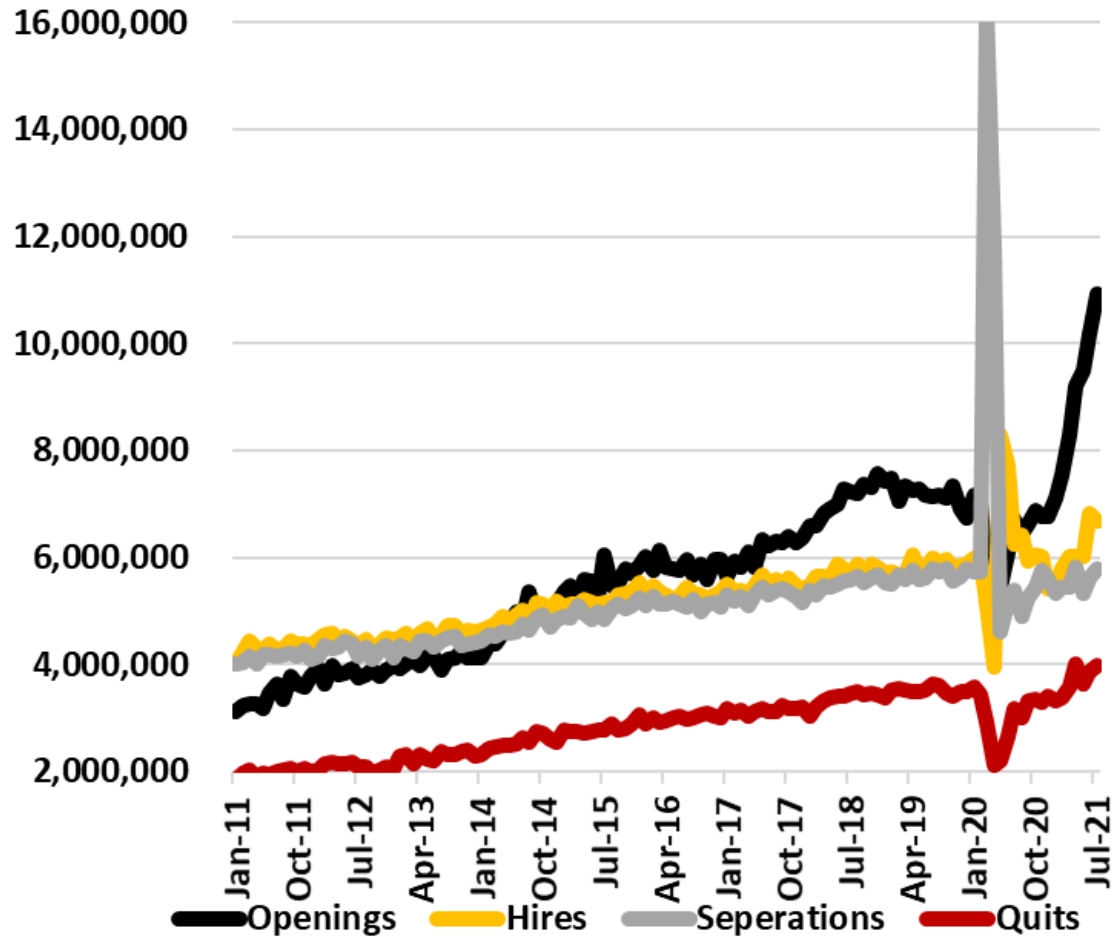
KS – Labor supply is back or above pre-COVID levels



- Kansas has **exceeded** its pre-pandemic labor force **participation rate**
- Kansas is now **back inline** with its **employment to population ratio**
- **Kansas labor market** looks **different** than the nation

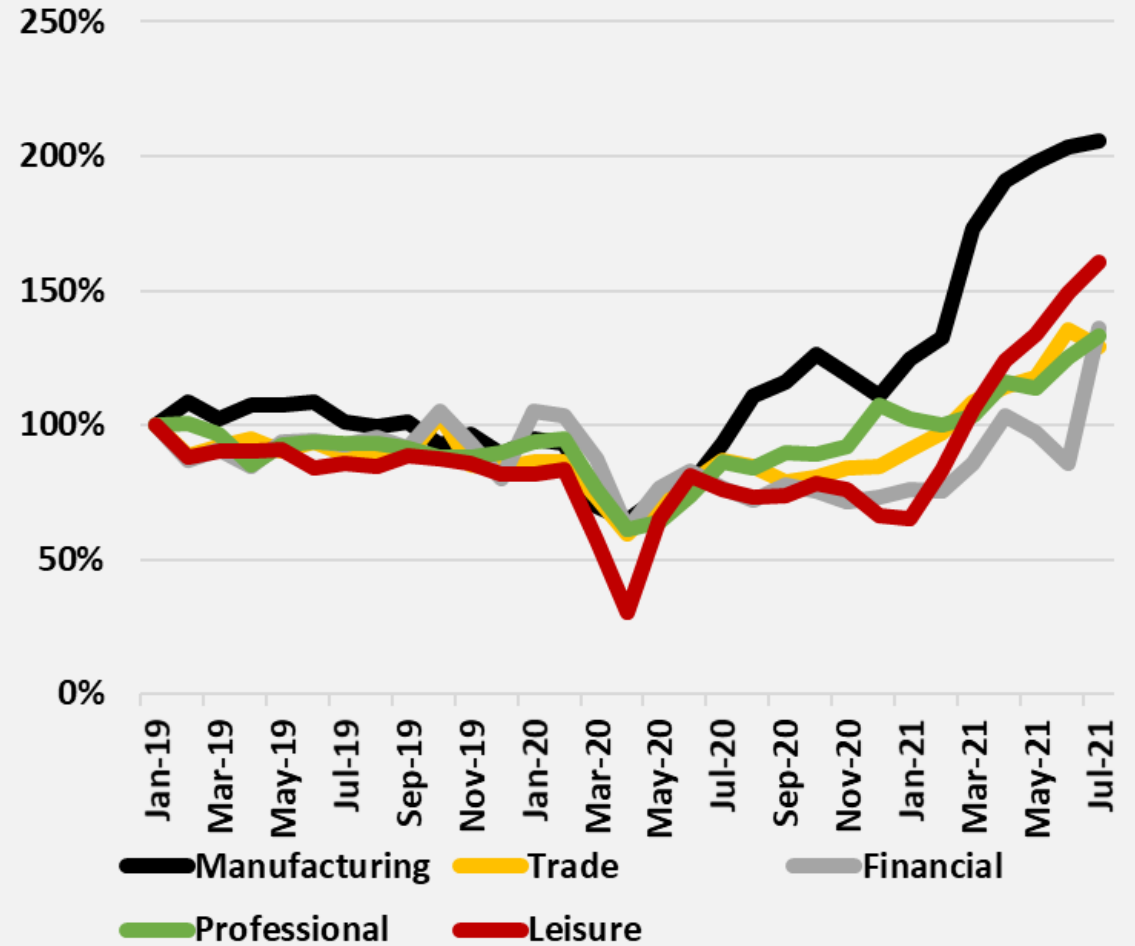
US - It is a labor demand issue, not supply

Labor Market



Source: CEDBR, BLS JOLT

Openings - Growth Since January 2019



Source: CEDBR, BLS-JOLT

Mystery about jobs in 2021

Friction within the labor market

- New jobs require training and moving

COVID fear

- Some have left the labor market to take care of family members

Baby boomers - Exit strategy lines up with historic high stock markets

- **Upward mobility** – labor is exiting retail and food service for other higher paying service jobs
- **Competitive wages** – wages are not inline with the industry or region

Labor Market Conditions - Review

- **Households** are engaged in the labor market **at or above** pre-pandemic levels
- **Tightness** in the labor market **can be explained** by several factors: friction, fear, and a shrinking labor force.
- **Business job openings** are at **record levels**, indicating that the tightness is driven by demand and not a supply issue.

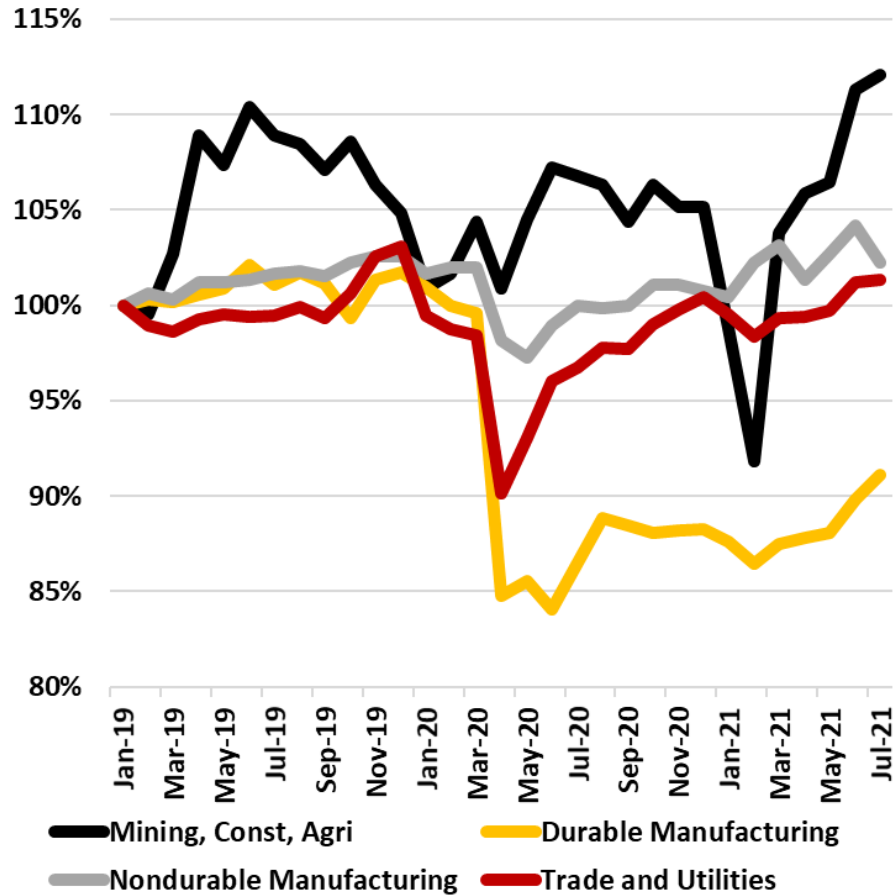


Industry Update

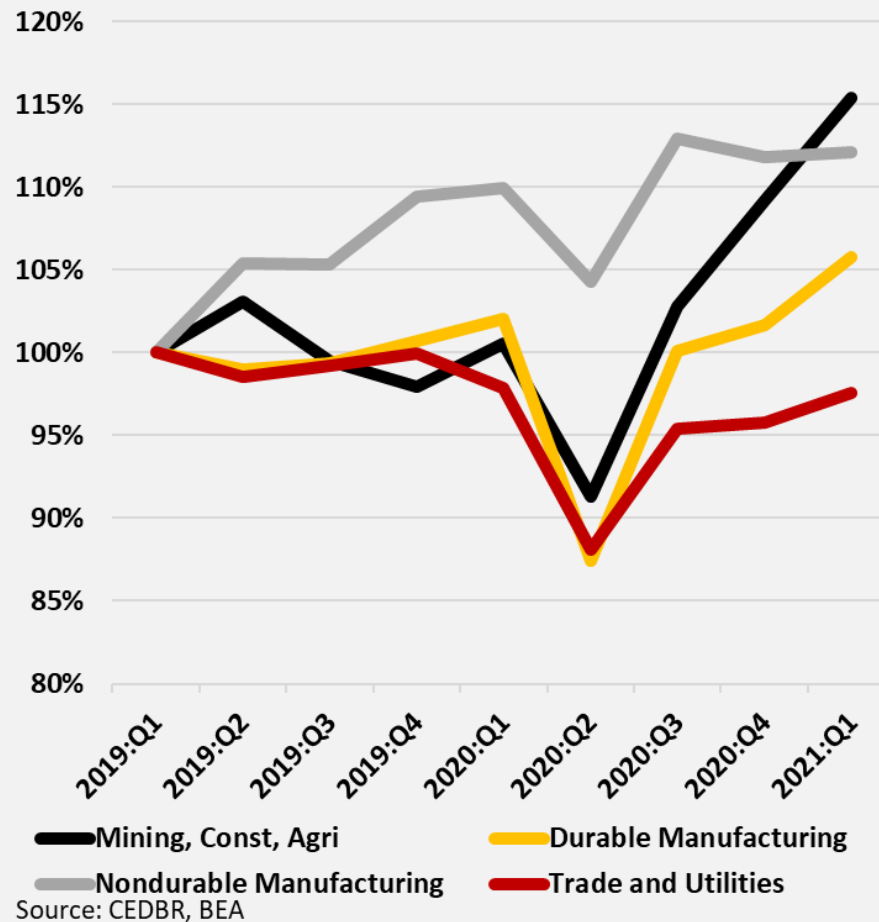
Some industries have received the black flag.

Agriculture and Non-durable Manu stabilized the KS economy

Employment Growth Since January 2019



GDP Growth Since Q1 2019

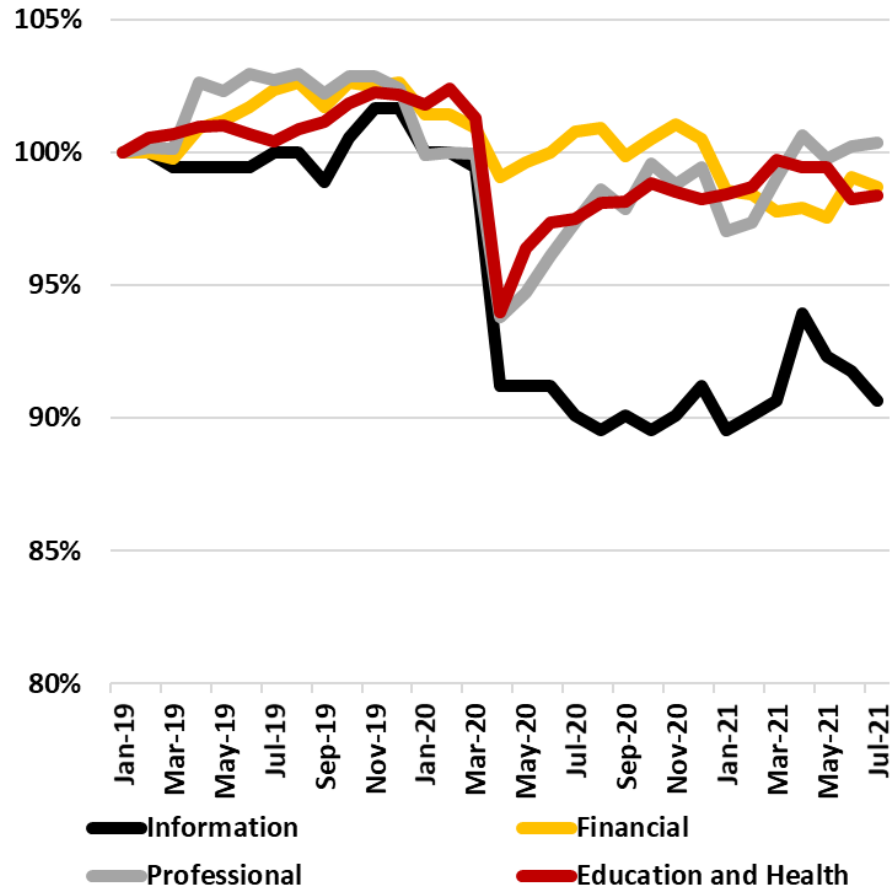


Growth since Jan 2020

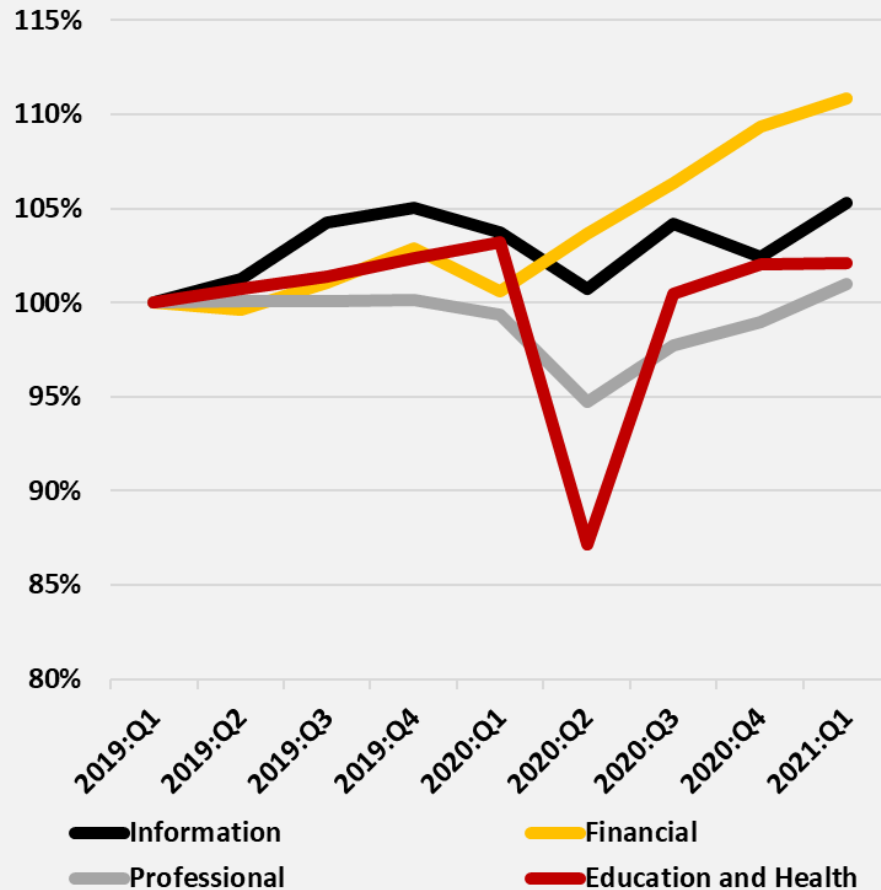
- **Agriculture** added 538 jobs and **grew by 5%**
- **Construction** added 1,629 jobs and **grew by 3%**
- **Manufacturing** productivity explains recent **growth**
- **Retail** employment is **down 2%**

Employment hasn't recovered as much as output

Employment Growth Since January 2019



GDP Growth Since Q1 2019

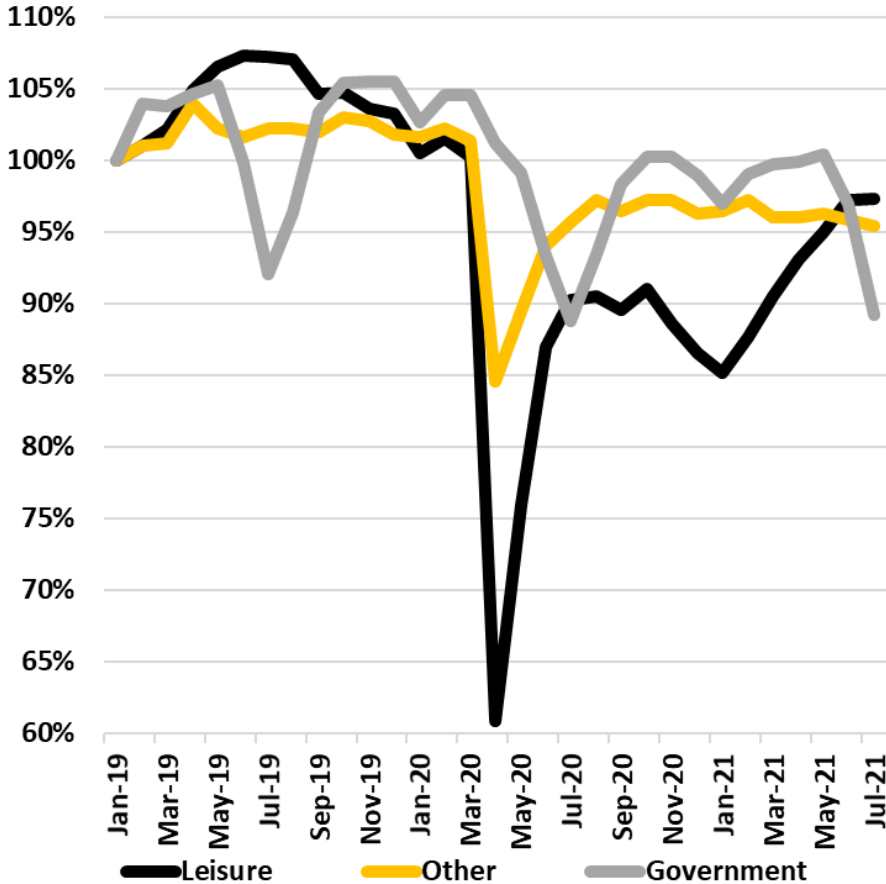


Growth since Jan 2020

- **Professional** was the only market to add jobs
- **Information** had the largest net decline of 9%
- **Financial** services is down in jobs, but had the largest growth in output

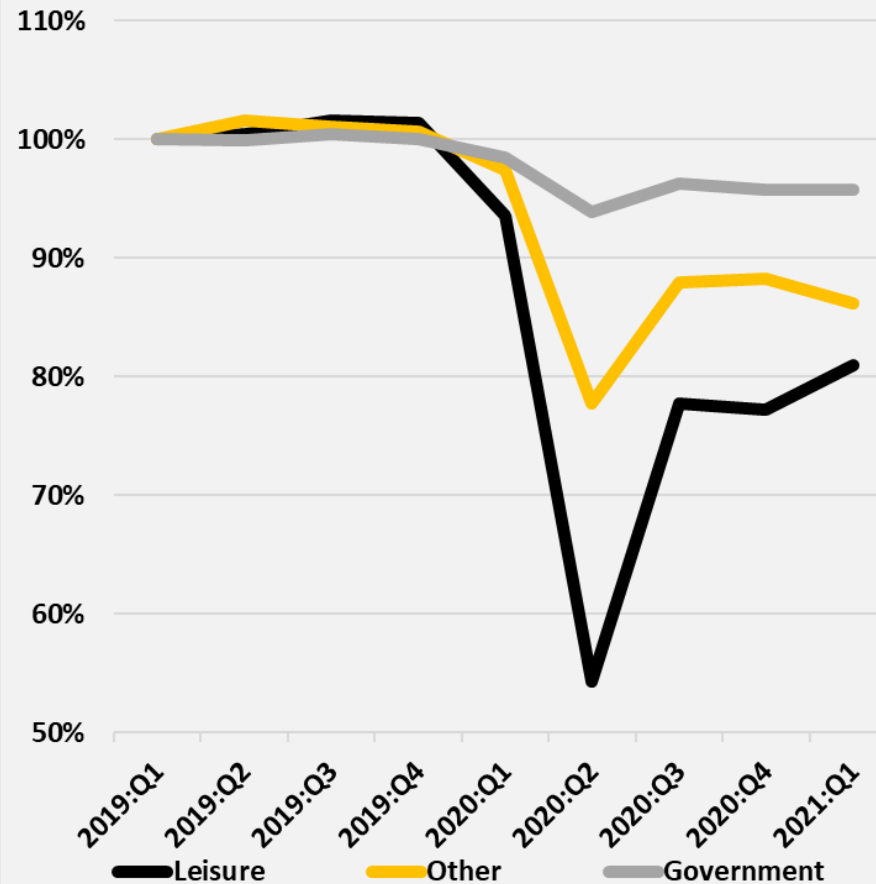
KS leisure sector continues to struggle post COVID

Employment Growth Since January 2019



Source: CEDBR, BLS -QCEW

GDP Growth Since Q1 2019



Source: CEDBR, BEA

Growth since Jan 2020

- **Arts and Entertainment** lost 2,324 jobs with a decline of 16%
- **Food** had the largest total decline of 9,386 jobs
- **Other** lost 2,073 with a decline of 6%
- **Government** recent declines in employment reflects seasonality

Industry Update - Review

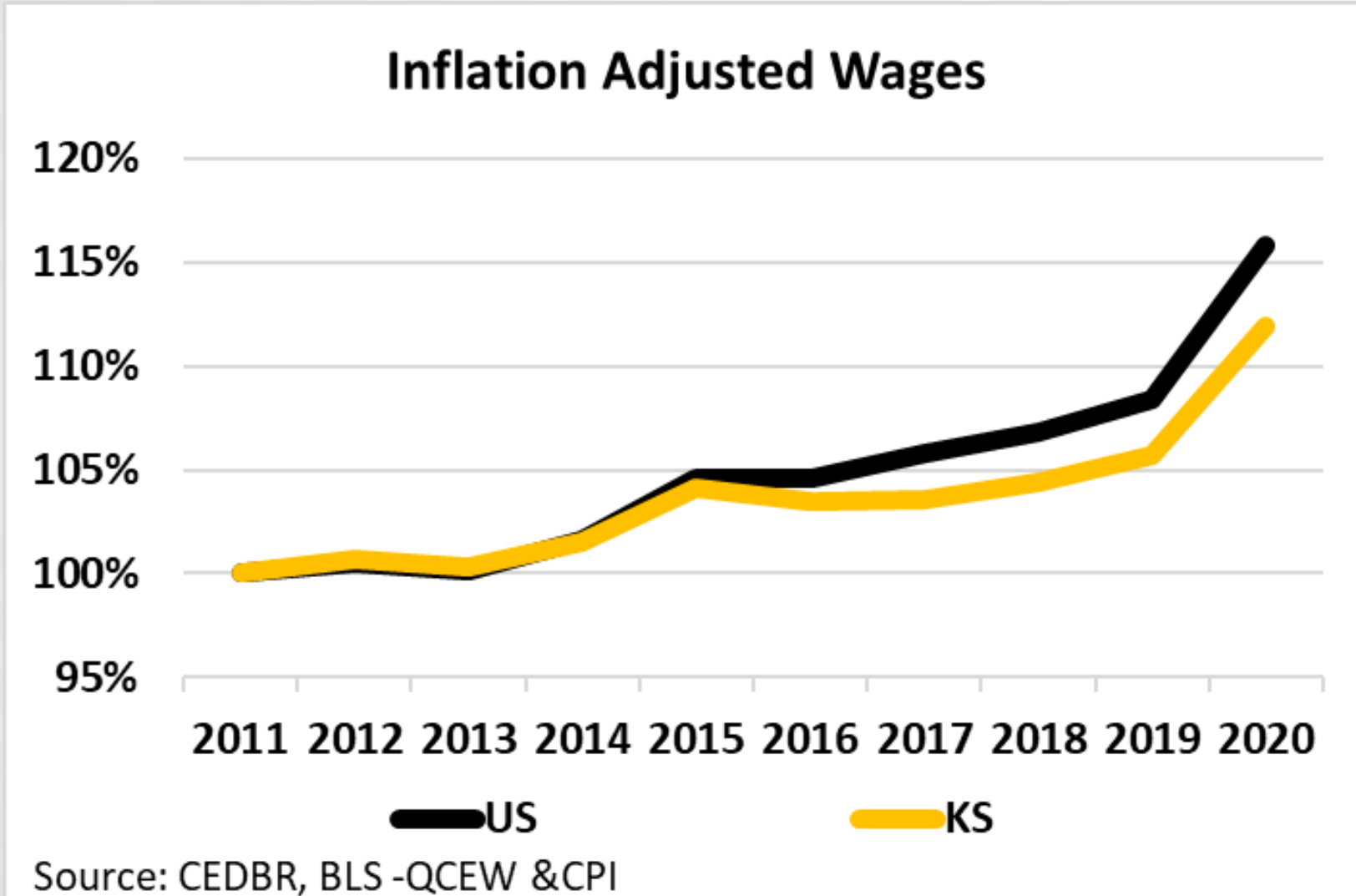
- **Agriculture** and **manufacturing** helped **stabilize** the Kansas economy in late 2020 and early 2021
- **Financial services** experienced the **largest output growth** among the other business and professional services sectors
- **Leisure** and **hospitality** output remains almost **20% below** its pre-COVID levels.



Household

Most households are
back in the race.

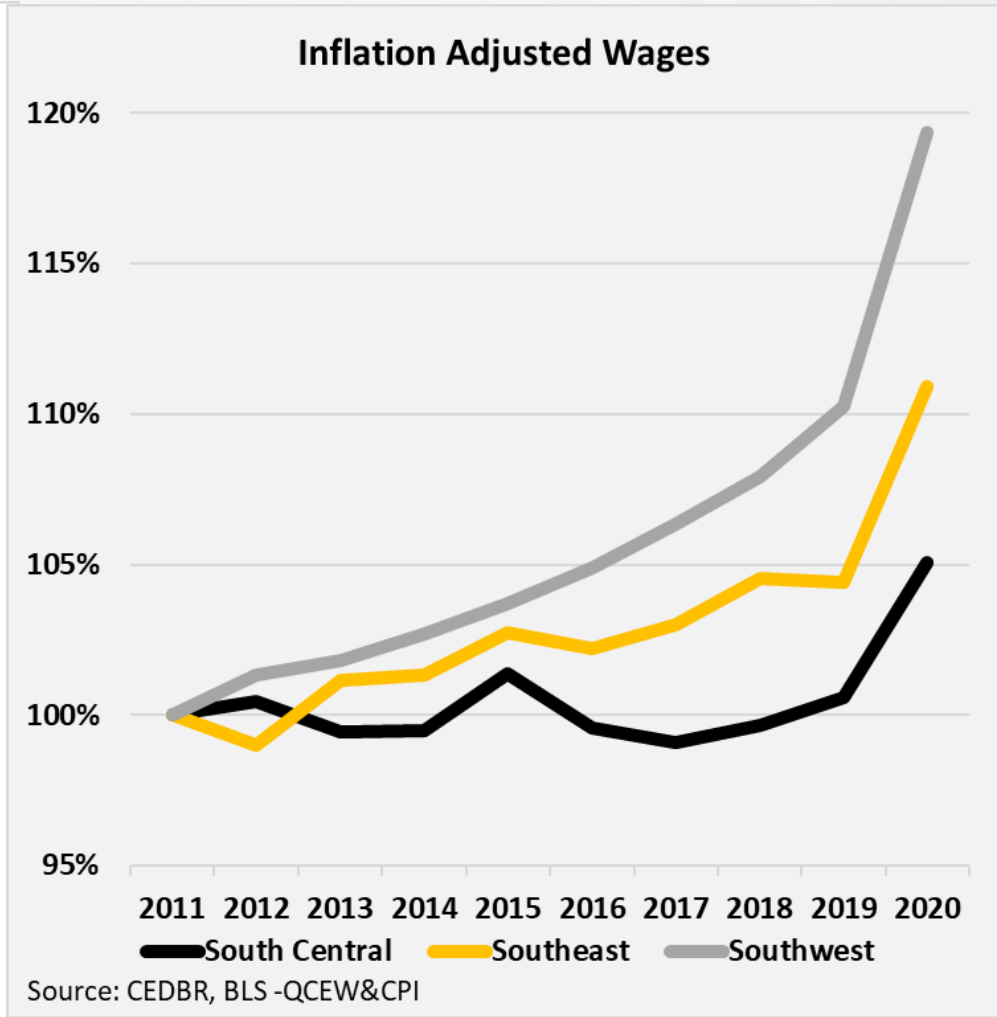
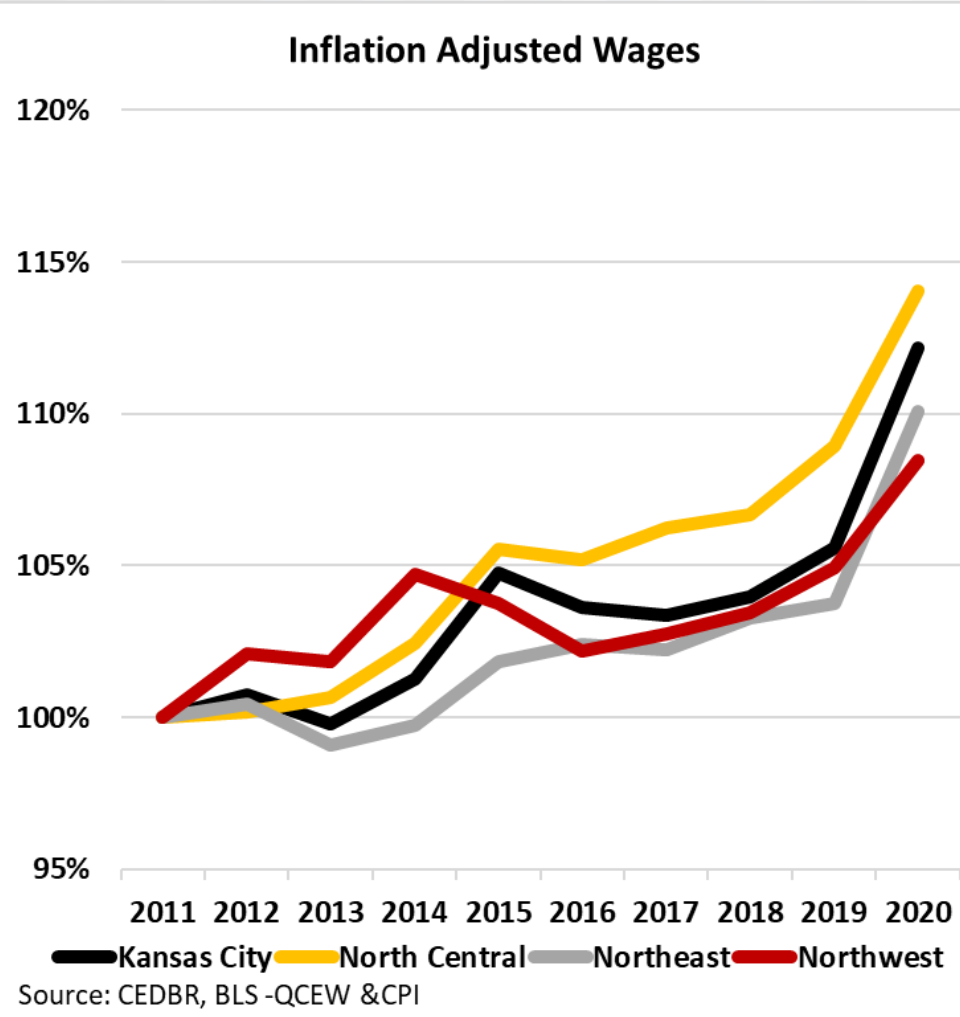
Growth in annual wages fell behind the US



US
\$64,021

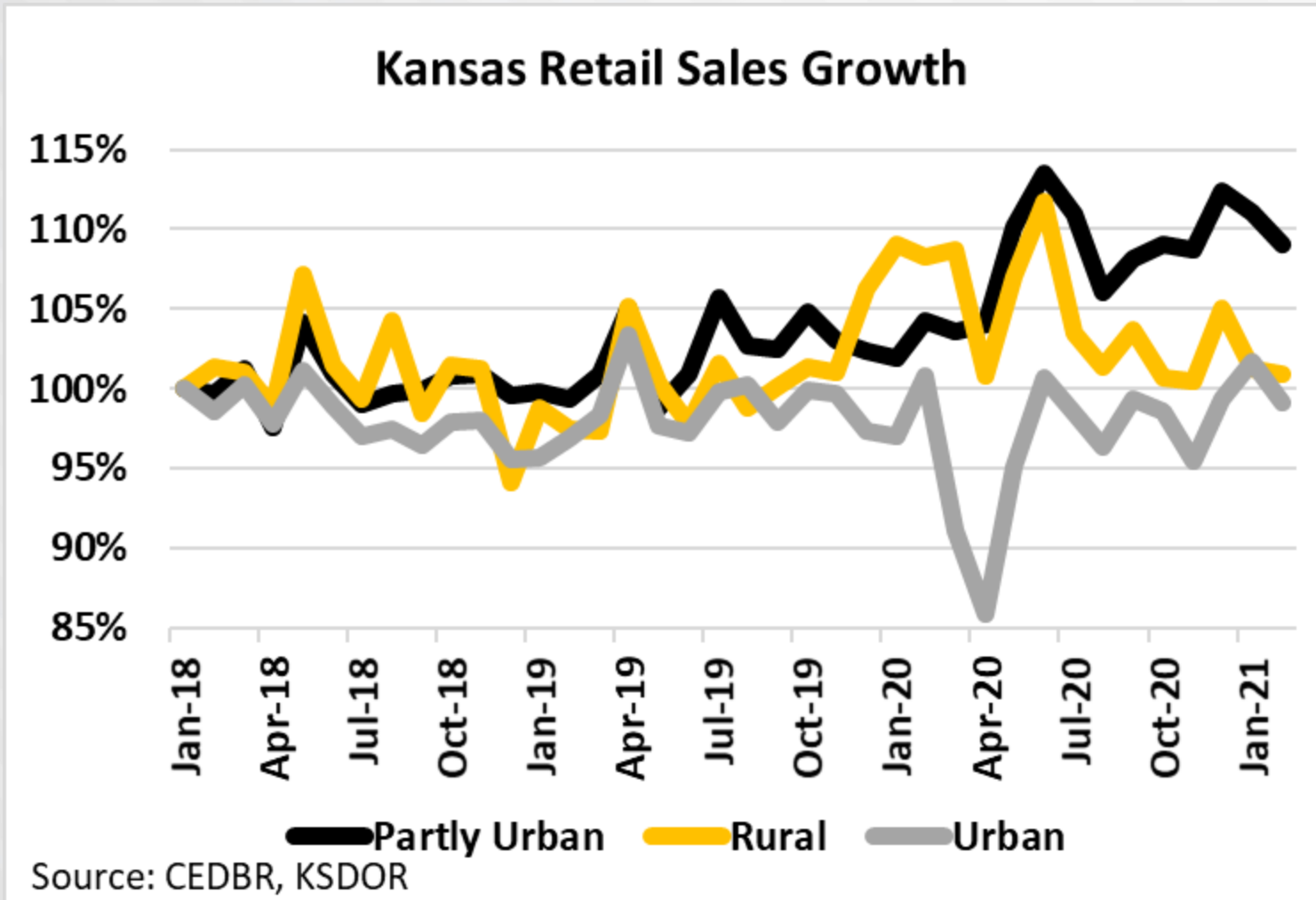
KS
\$51,490

Regional growth in wages varied



	2020
Kansas City	\$ 61,461
North Central	\$ 41,782
Northeast	\$ 45,431
Northwest	\$ 39,054
South Central	\$ 49,854
Southeast	\$ 40,363
Southwest	\$ 44,997

Partly urban areas have benefited the most from COVID



Growth since Jan 2020

- **Partly Urban** areas grow by 7%
 - Partly urban includes counties outside of a major metro area
- **Urban** areas grow by 2%
 - Urban include micropolitan and metropolitan communities
- **Rural** areas declined by 7%
- **NW and SC** were the only two regions to have net growth
- **NC** had the largest decline in taxable retail sales of 4.7%

Household - Review

- **Incomes increased**, but still not as fast as the nation
- **Southwest** and **North Central** had the fastest growths in income
- COVID **drove retail** sales to the **suburbs**

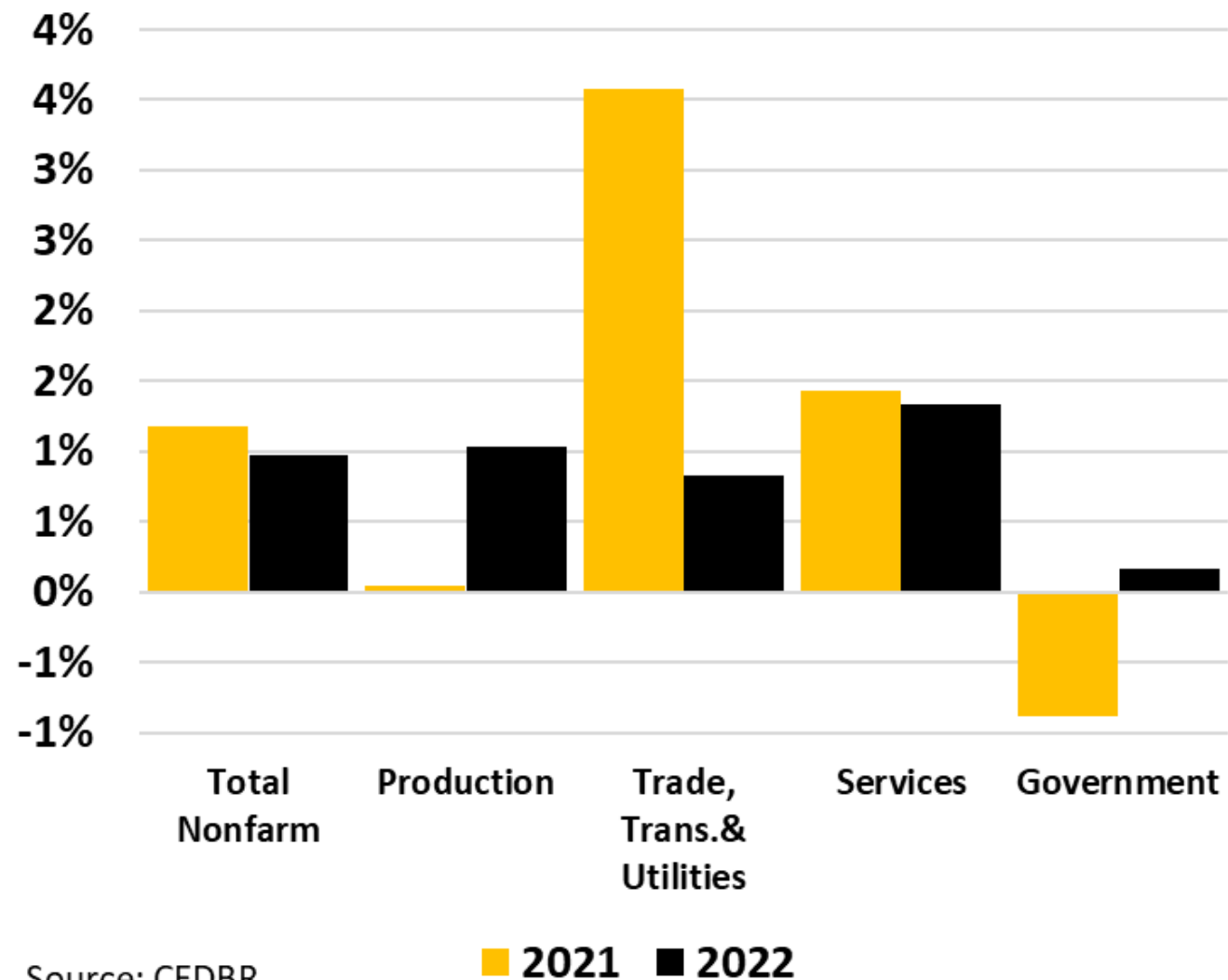


2022 Outlook

How many more laps?

Leisure & Hospitality is expected to continue its recovery into 2022

Kansas Employment Forecast



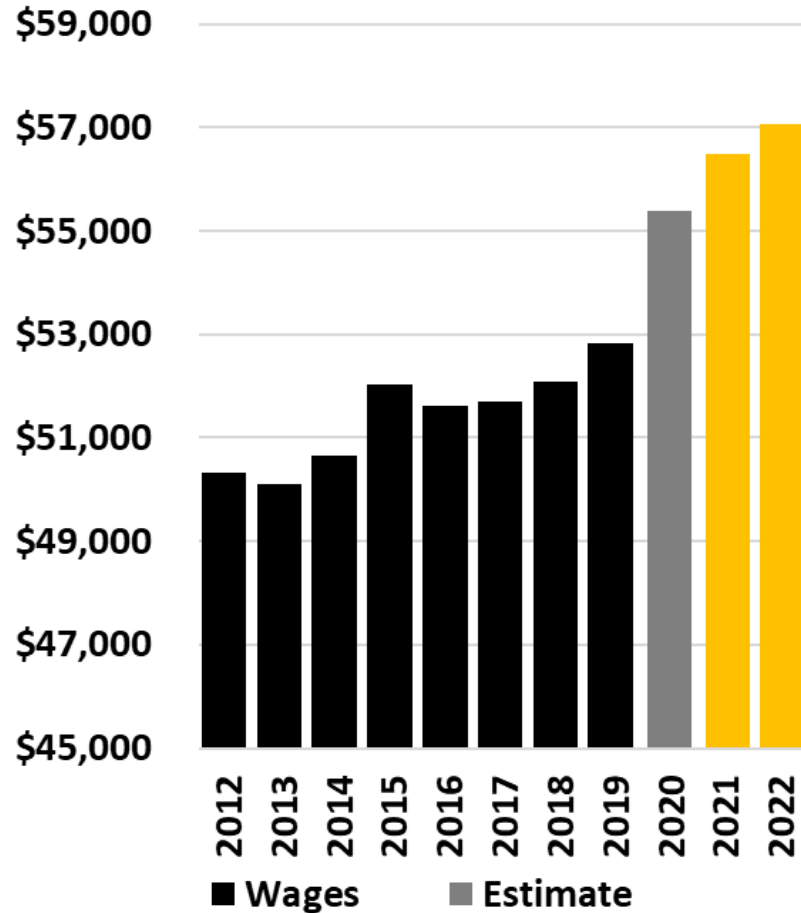
Source: CEDBR

	2021-2022 Level Change	2021-2022 Percent Change
Total Nonfarm	13,401	1.0%
Production Sectors	2,367	1.0%
Natural Resources, Mining & Cons.	1,329	1.9%
Manufacturing	1,038	0.7%
Durable Goods	398	0.4%
Non-Durable Goods	640	0.9%
Trade, Transportation & Utilities	2,215	0.8%
Wholesale Trade	174	0.3%
Retail Trade	184	0.1%
Transportation & Utilities	1,857	2.6%
Service Sectors	8,413	1.3%
Information	253	1.5%
Financial Activities	559	0.7%
Professional & Business Services	1,018	0.6%
Education & Health Services	2,293	1.2%
Leisure & Hospitality	4,302	3.7%
Other Services	-12	0.0%
Government	407	0.2%

Source CEDBR

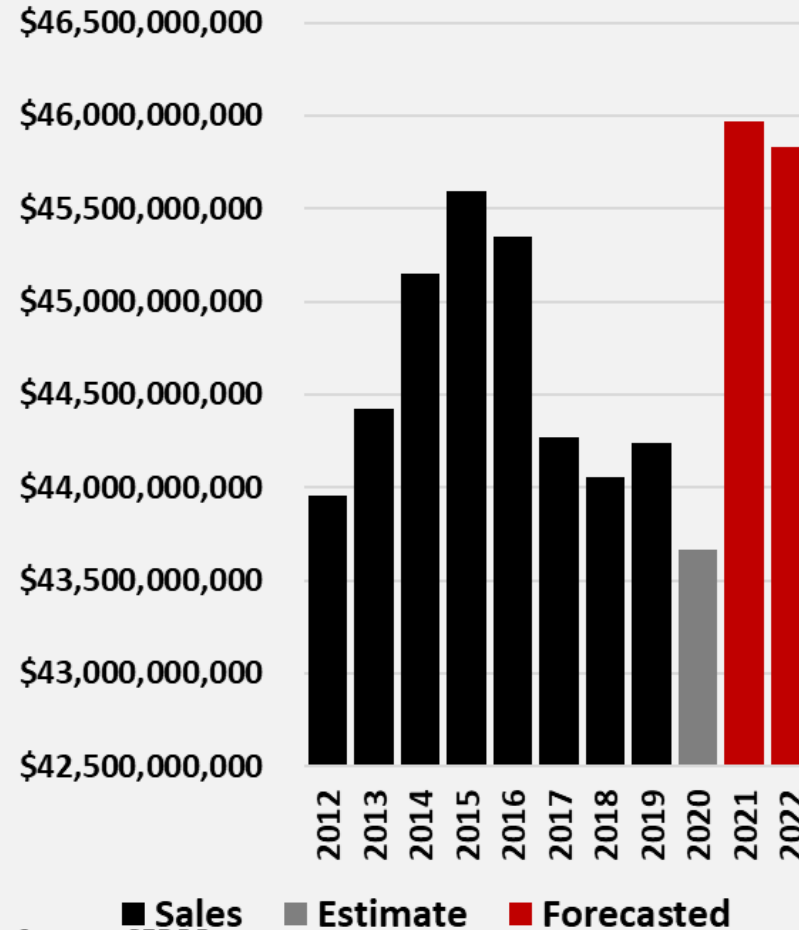
Wage and retail sales forecast

Kansas Per Worker Real Wages



Source: CEDBR

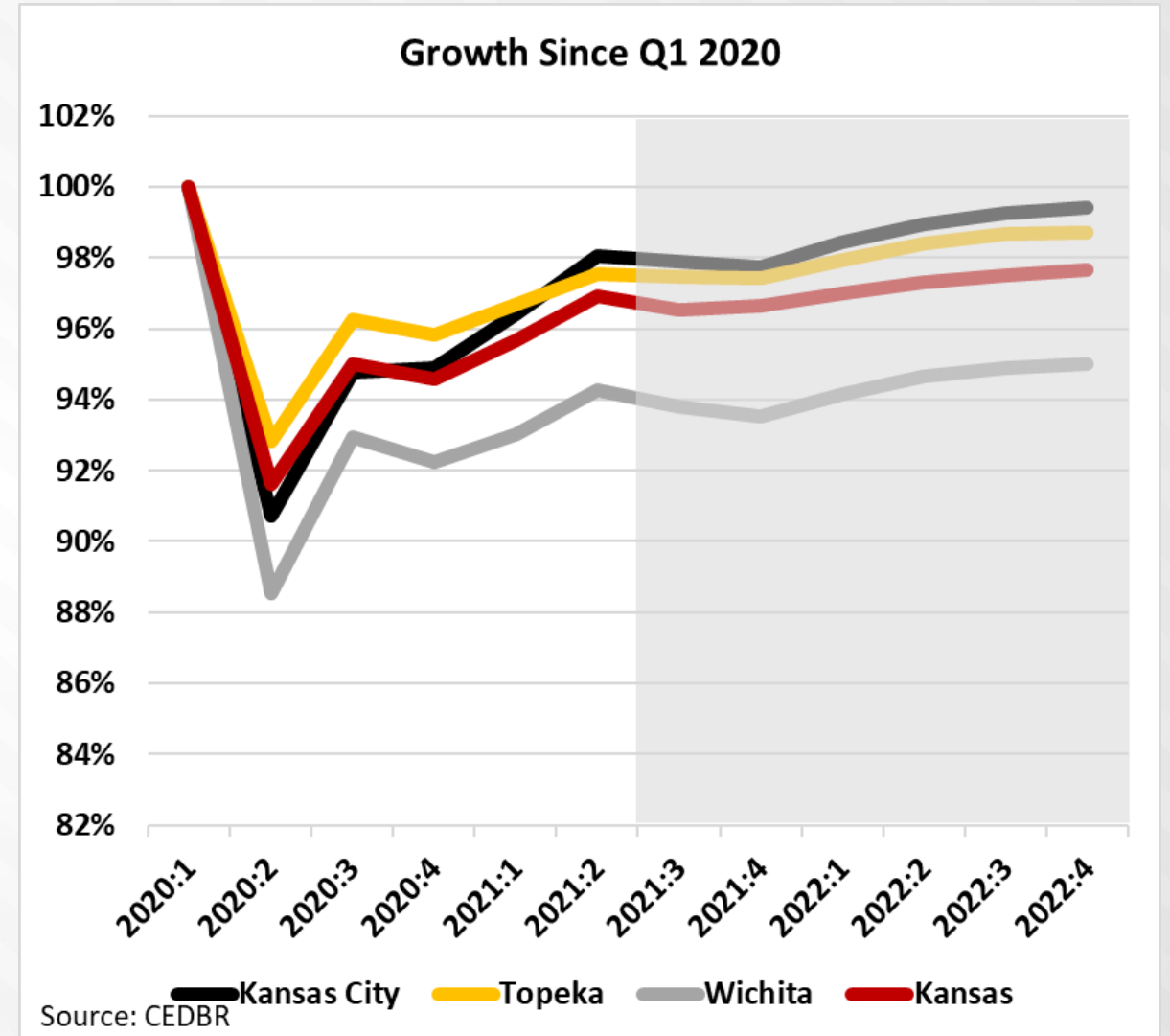
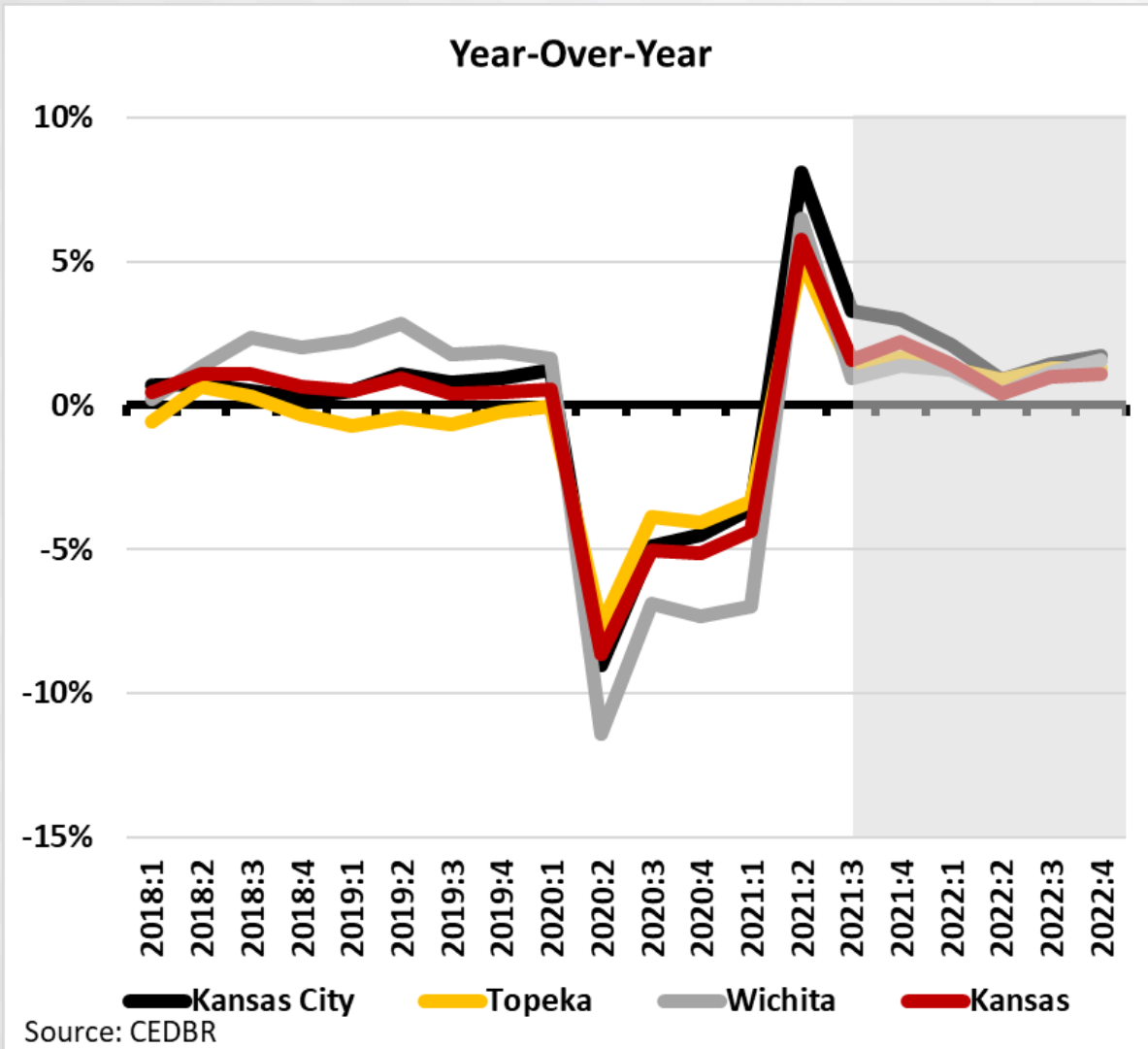
Kansas Retail Sales



Source: CEDBR

- **Wage** growth is expected to increase in 2022, as employers race to find talent
- **Retail sales** are expected to increase by 5.3% next year as demand increases from employment and wage growth

All markets are expected to expand in 2022



2022 Outlook

- **Economic resiliency** in Kansas will help position its **growth in 2022**.
- **Tight labor** market conditions are **here to stay**. Companies that invest and implement capital and technology will reap the benefits.
- **Durable manufacturing** and **leisure** employment will **bounce back** in 2022.
- **Households** are in the **driver seat** for both consumption and labor availability.
- **Kansas employment** is dependent on a vaccine and distribution. The target growth expectation is **1.0% and 13,000 jobs**.