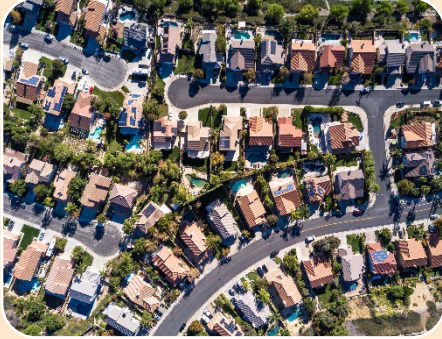




Kansas Economic Outlook



A Story From Three Perspectives



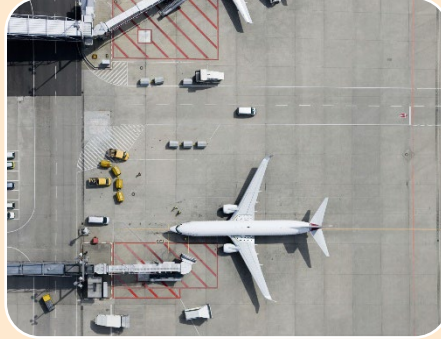
Household

Misery Index

Consumer Price Index

Wages

Employment



Business

Employment

Cost of Labor

PPI

Supply Chain

Business Starts



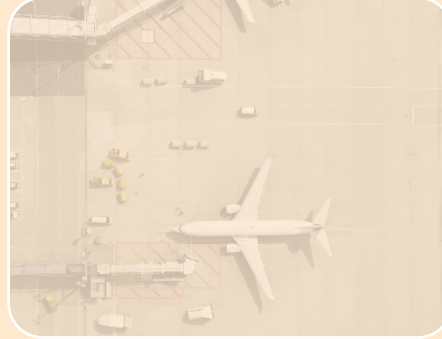
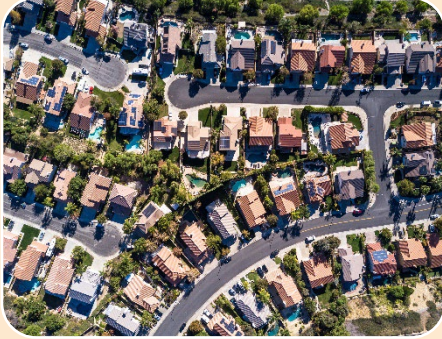
Government

Housing Prices

Retail Sales

Population

Perspective 1: Households



Household

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Infrastructure

Population

Household Misery was fleeting

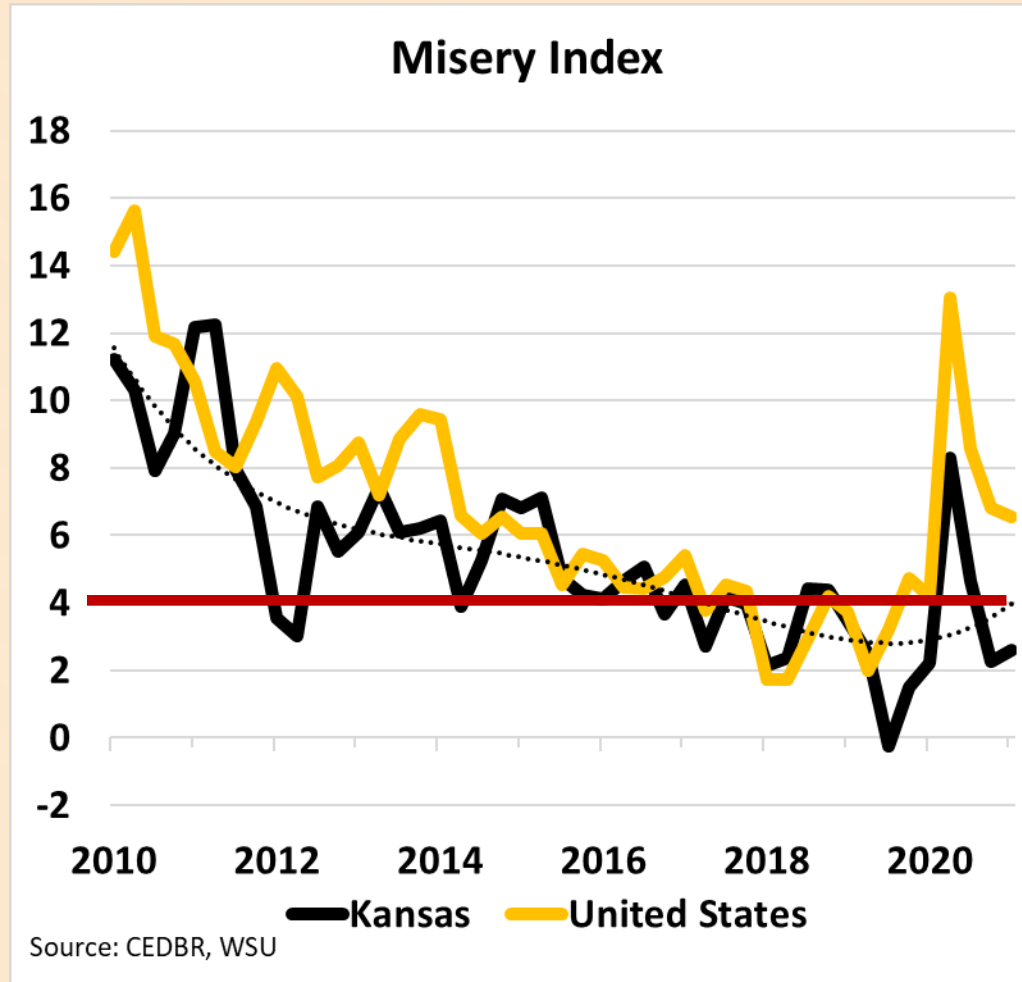


Household **Misery Index**

Consumer Price Index

Wages

Employment



Components: Housing prices, CPI, and Unemployment Rate

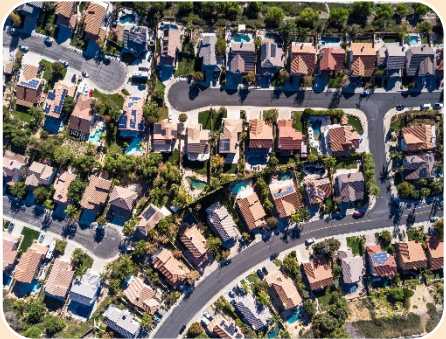
United States

- Home prices and unemployment rates have contributed to households feeling better
- Overall, Misery continues to decline and is on track to reach pre-COVID levels

Kansas

- The labor market improvement within Kansas was a driver of the recovery

Inflation accelerates in the Midwest due to energy



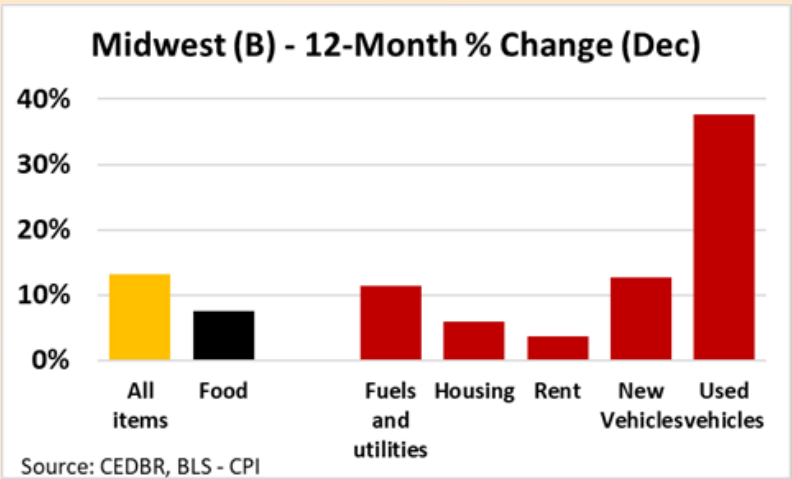
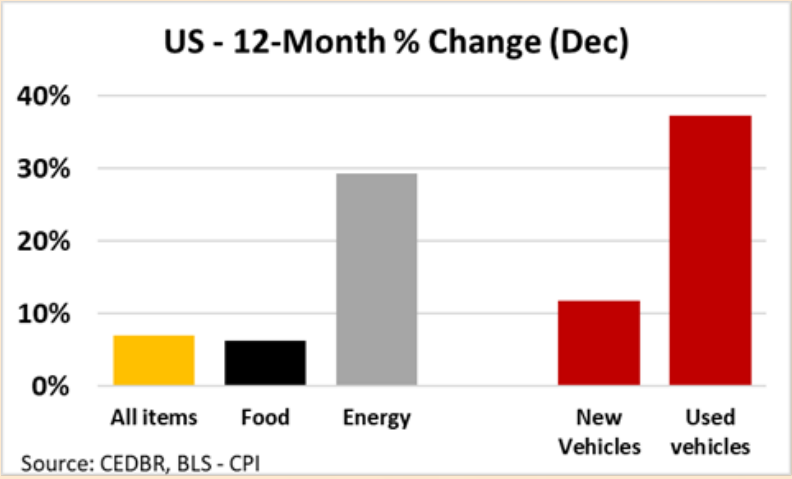
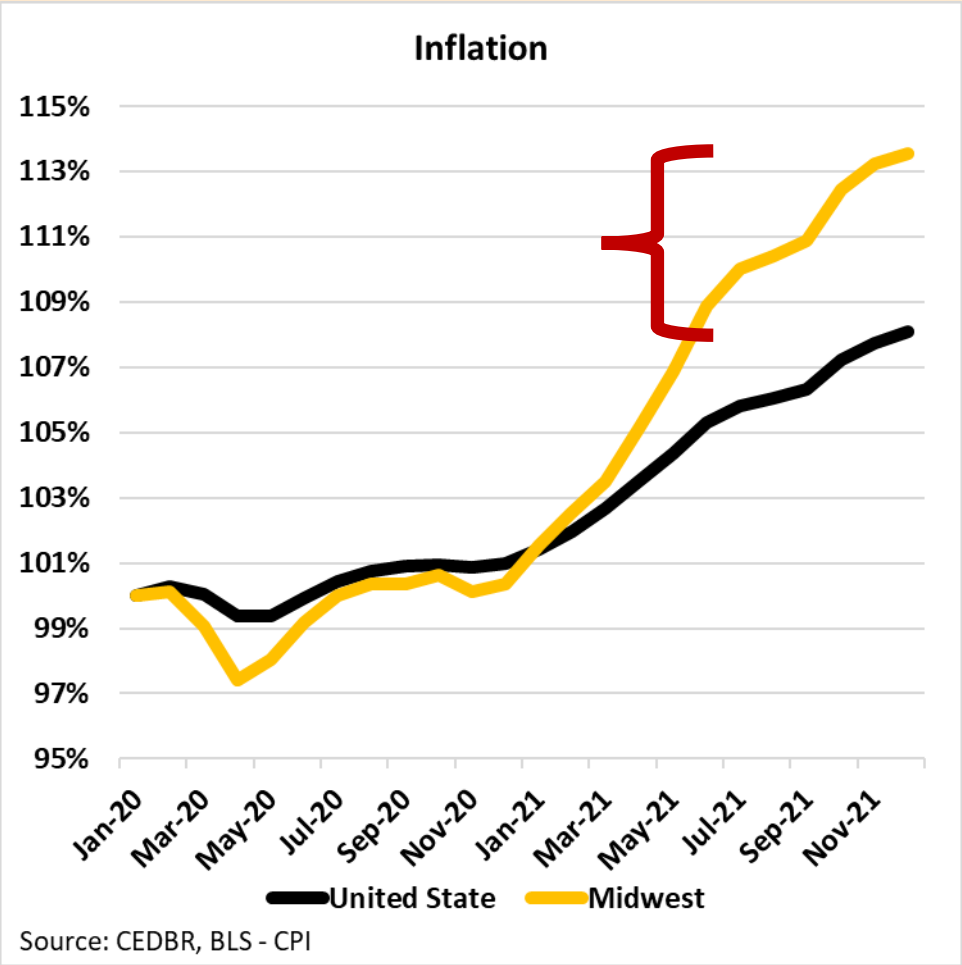
Household

Misery Index

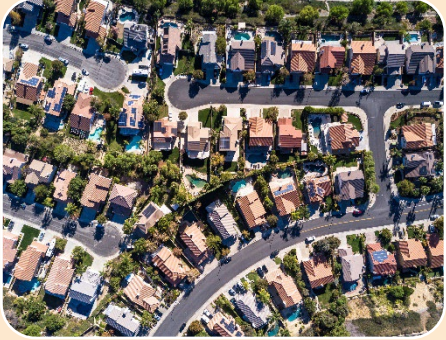
Consumer
Price Index

Wages

Employment



Households are shifting sectors and gaining opportunities



Household

Misery Index

Consumer Price Index

Wages

Employment

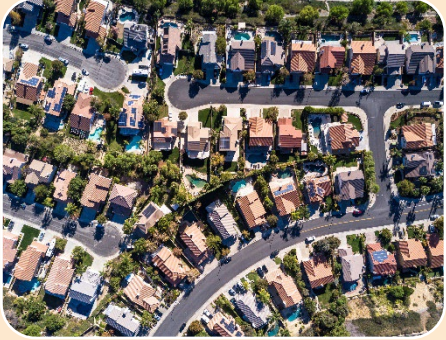
Industry	Kansas Wages		
	2020	2021	Growth
Total, all industries	\$50,752	\$52,312	3.07%
Service-providing	\$49,036	\$50,492	2.97%
Goods-producing	\$56,680	\$58,708	3.58%
Natural resources and mining	\$45,188	\$46,488	2.88%
Construction	\$57,096	\$57,616	0.91%
Manufacturing	\$57,928	\$60,580	4.58%
Trade, transportation, and utilities	\$45,032	\$46,592	3.46%
Information	\$69,004	\$75,868	9.95%
Financial activities	\$69,784	\$81,484	16.77%
Professional and business services	\$66,508	\$66,924	0.63%
Education and health services	\$46,072	\$48,464	5.19%
Leisure and hospitality	\$17,784	\$19,552	9.94%
Other services	\$40,144	\$40,872	1.81%
Source: CEDBR, BLS - QCEW			

Wages

- Overall wages increased 3.1% in 2021.
- Financial and leisure were the two primary growth sectors



Kansas has already returned to a tight labor market



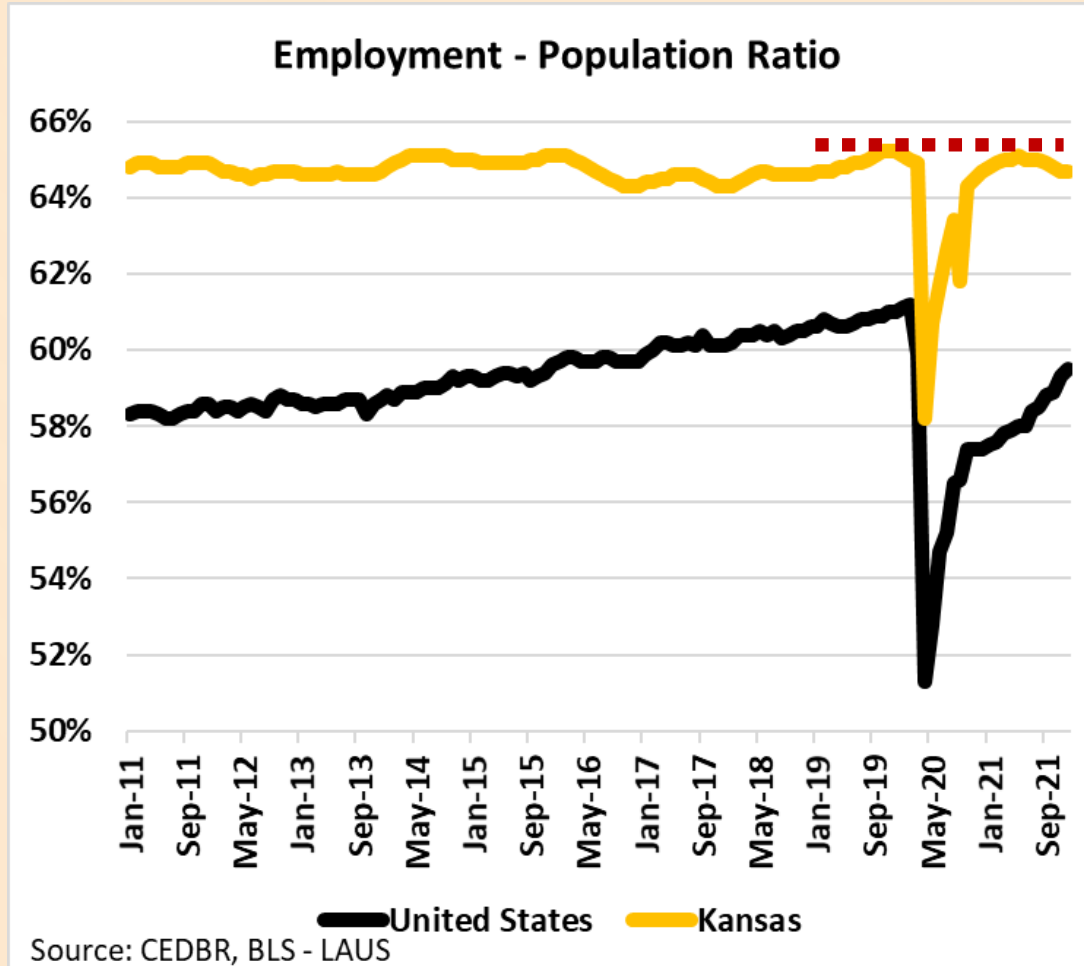
Household

Misery Index

Consumer Price Index

Wages

Employment



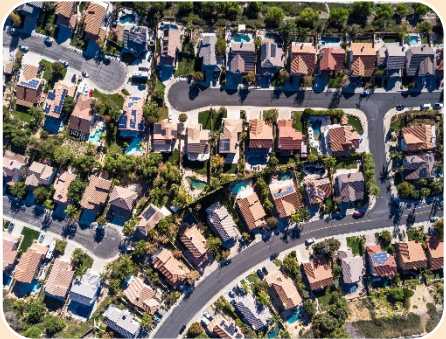
Kansas Unemployment

- Peak unemployment was 187,075 in April of 2020.
- December unemployment rate was 3.3 percent

Employment - population ratio

- Kansas returned its pre-COVID level
- The United States has a ways to go to recover

Labor Force trends through the Pandemic



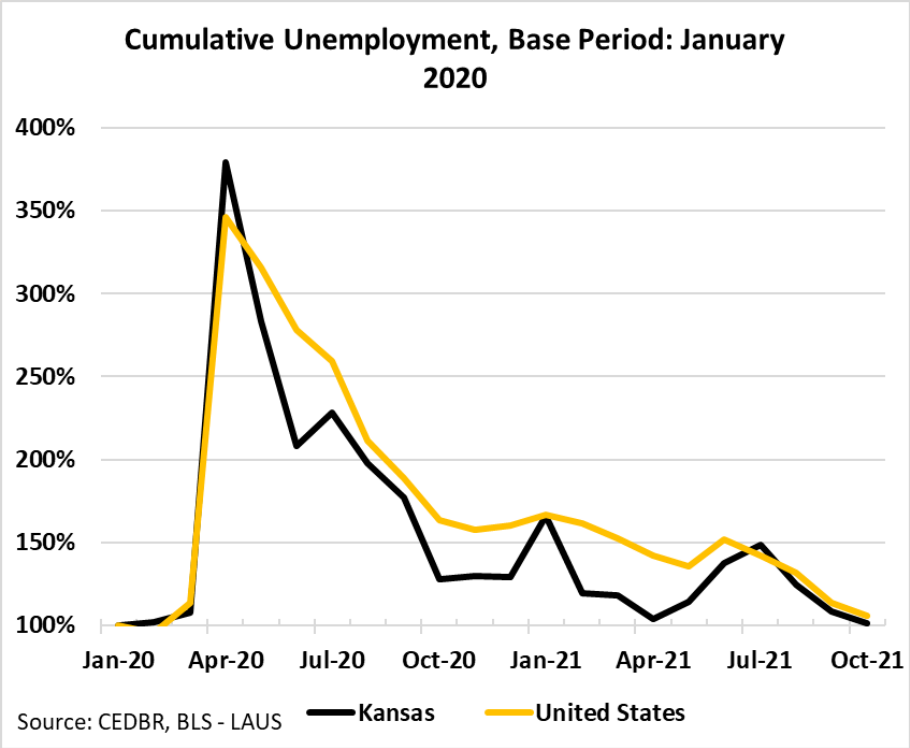
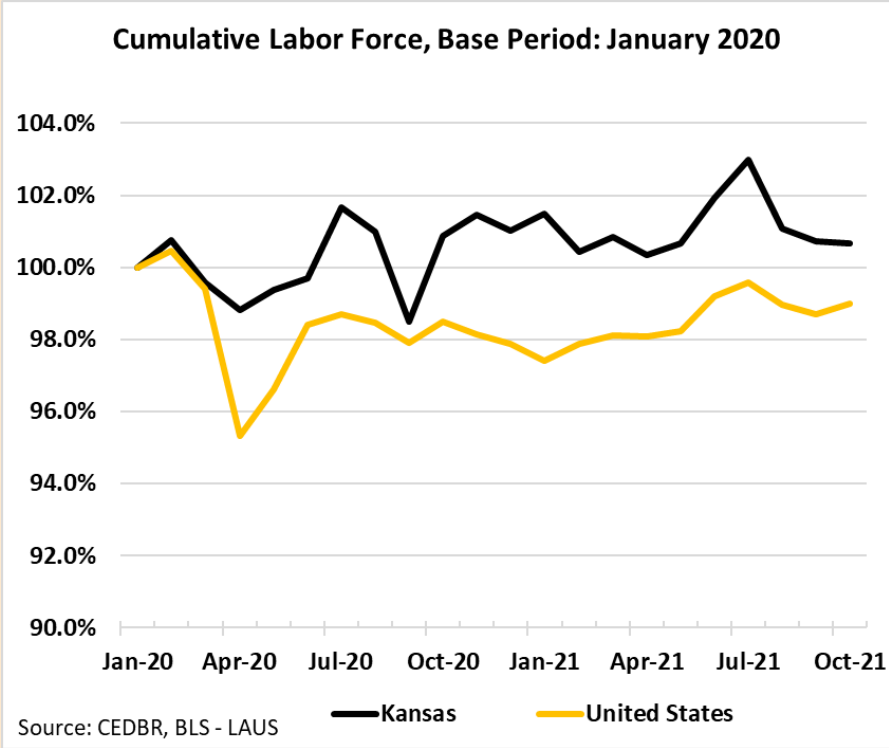
Household

Misery Index

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Wages

Employment



Forecast - Labor markets will continue to transition

Kansas					Metro Areas			
	Rate	Unemployment	Employment	Labor force		Kansas City	Topeka	Wichita
2020	6.2%	88,008	1,408,995	1,497,003	2020	6.6%	6.1%	9.0%
2021*	4.0%	58,540	1,450,559	1,509,099	2021*	4.3%	3.9%	5.5%
2022**	3.2%	47,284	1,461,089	1,508,373	2022**	2.9%	3.2%	4.3%
2023**	3.0%	44,338	1,472,742	1,517,080	2023**	2.5%	2.9%	3.7%

Source: CEDBR *estimated ** forecasted

- Employment growth will depend on labor matching
- Competition for skilled labor will continue to benefit households

Per Capita Income					
	Kansas City		Topeka		Wichita
2020	\$	59,281	\$	51,569	\$ 55,608
2021*	\$	60,858	\$	52,655	\$ 56,640
2022**	\$	62,413	\$	53,733	\$ 57,657
2023**	\$	63,946	\$	54,803	\$ 58,660
Source: CEDBR *estimated ** forecasted					

Summary

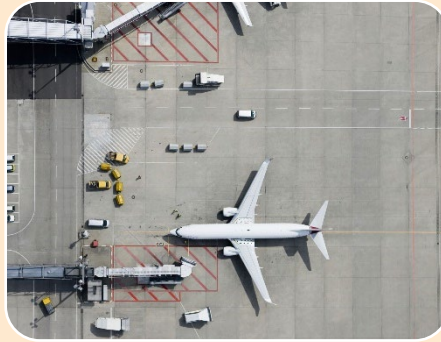
- **Review**

- The level of household misery has returned to historic lows
- The Kansas labor market has completely recovered
- 2021 was a year of upward mobility for the labor market
- Wage increases followed high demand occupations in 2021

- **Forecast**

- Wage increases are likely in 2022 to find labor and to retain workers
- Labor markets will improve over the next two years, but KS wages have to be more competitive nationally
- Labor markets appear to be healing, which will take time as households will need to gain more training and move to new opportunities

Perspective 2: Business



Household

Misery Index

Consumer Price Index

Wages

Employment

Business

Employment

Cost of Labor

PPI

Supply Chain

Business Starts

Government

Housing Prices

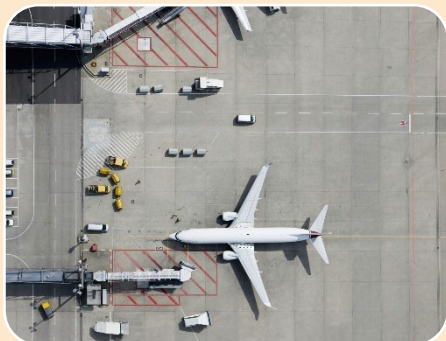
Retail Sales

Federal Spending

Infrastructure

Population

Manufacturing grew while leisure rebounded in 2021



Business

Employment

Cost of Labor

PPI

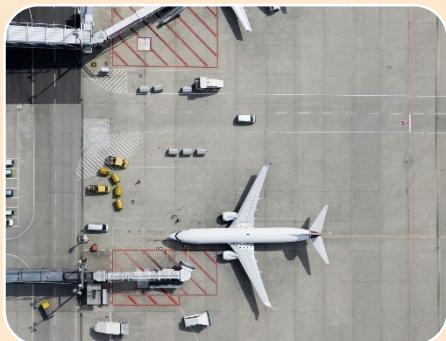
Supply Chain

Business Starts



Kansas Employment by Sector			
Industry	2020	2021	Growth
Total, all industries	1,071,630	1,113,921	3.95%
Service-providing	835,790	867,614	3.81%
Goods-producing	235,840	246,307	4.44%
Natural resources and mining	19,203	19,240	0.19%
Construction	65,078	66,213	1.74%
Manufacturing	151,559	160,854	6.13%
Trade, transportation, and utilities	251,561	259,703	3.24%
Information	16,512	16,743	1.40%
Financial activities	72,951	73,188	0.32%
Professional and business services	165,461	168,443	1.80%
Education and health services	191,500	193,097	0.83%
Leisure and hospitality	107,777	124,469	15.49%
Other services	30,028	31,971	6.47%
Source: CEDBR, BLS - CES - Private Sector			

Firms are complaining about costs, but labor was not the primary cause



Business

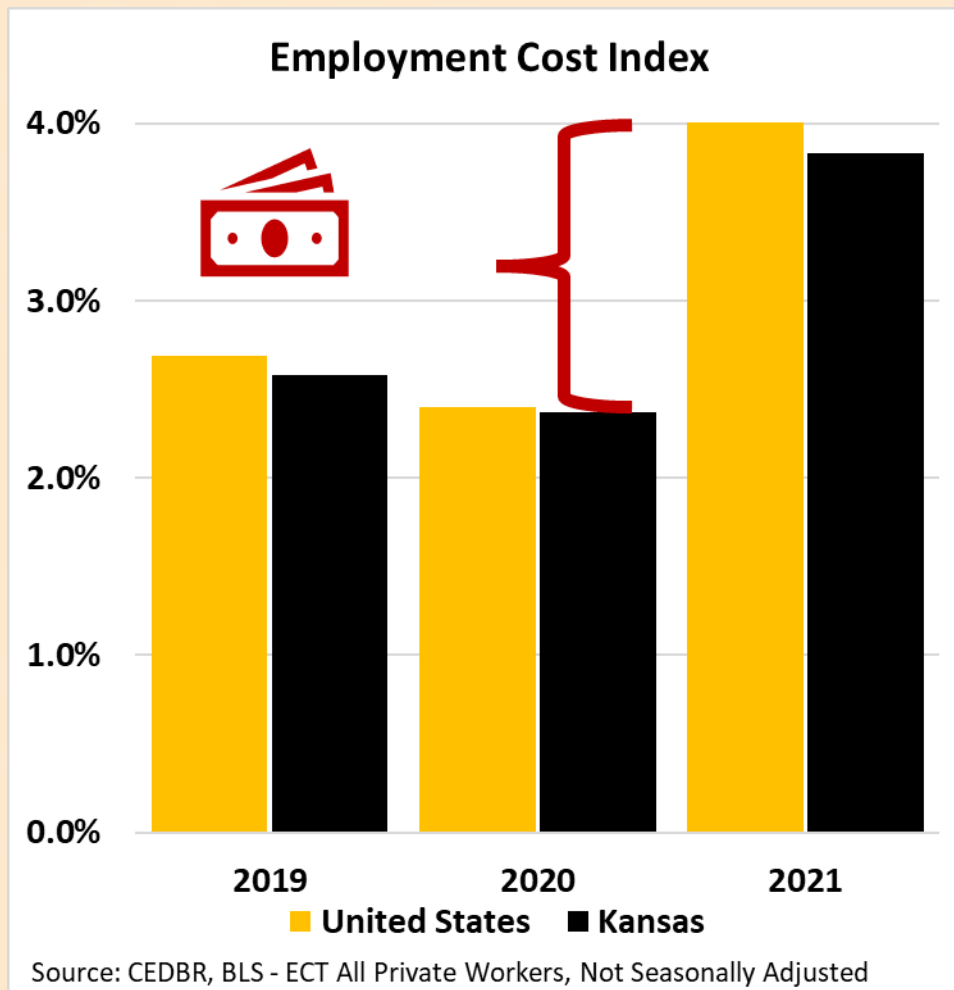
Employment

Cost of Labor

PPI

Supply Chain

Business Starts



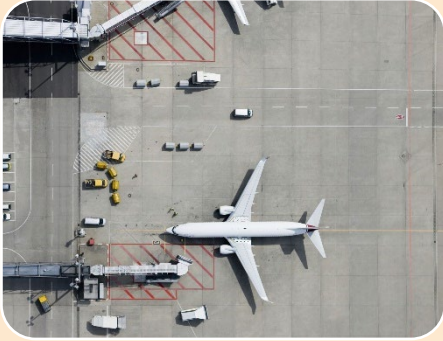
Inflation measures

- CPI – 7.0% Dec
- PPI – 9.8% Dec

Trends

- US labor costs increased 4.1%
- KS labor costs increased 3.8%
- Employment costs include salaries and benefits

Producer Price Index increased 9.8% in Dec (YR/YR)



Business

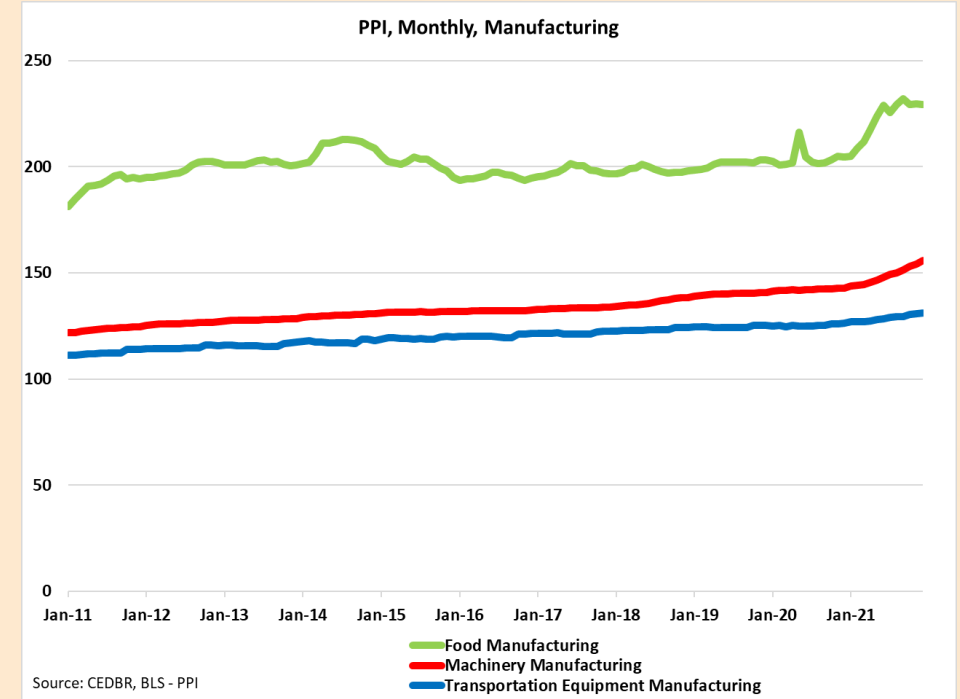
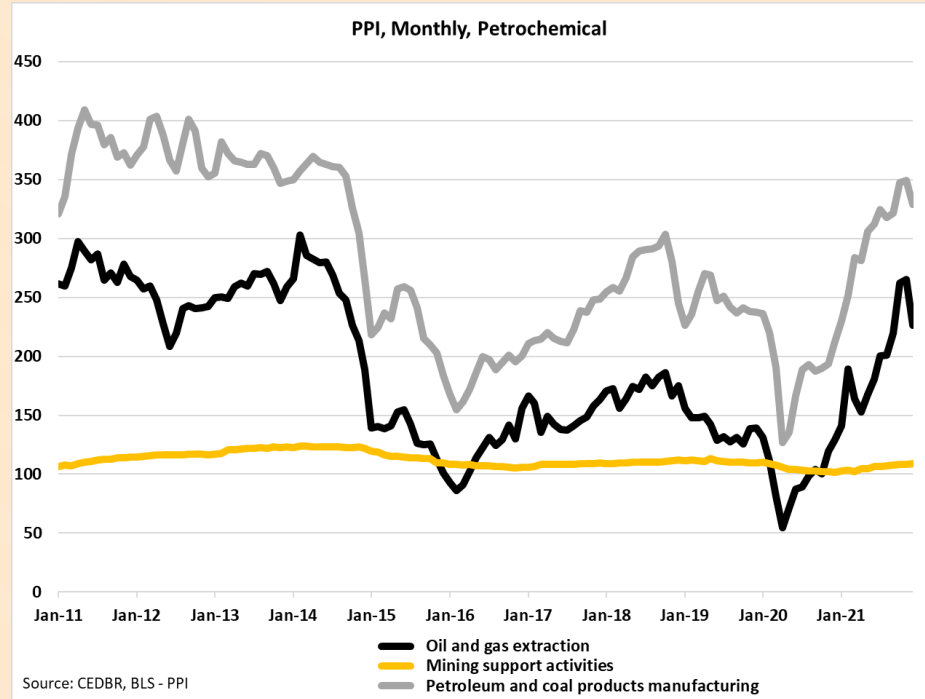
Employment

Cost of Labor

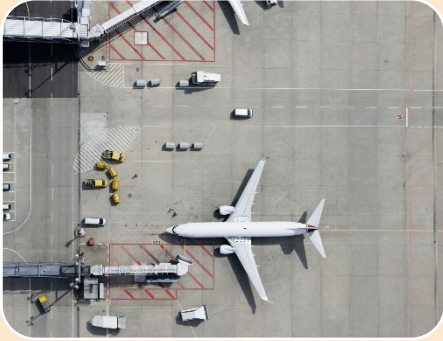
PPI

Supply Chain

Business Starts



Supply chain issues remain but should subside within 12 M



Business

Employment

Cost of Labor

PPI

Supply Chain

Business Starts

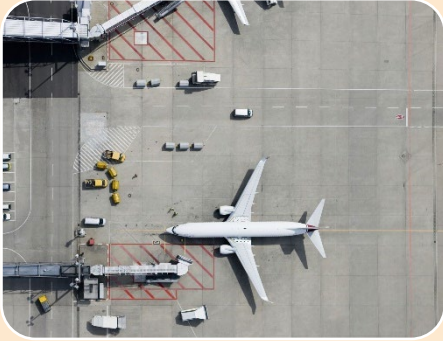
ISM manufacturing

- Manufacturing index dropped from 61.1 to 58.7, a sign of softening in the market.
- Deliveries and imports improved, indicating that the softness might be COVID related

ISM non-manufacturing

- Nonmanufacturing expended for the 19th month in a row, but the index had a large fall from 69.1 to 62.
- Backlogs and employment weighed down the index in December.

Creative destruction?



Business

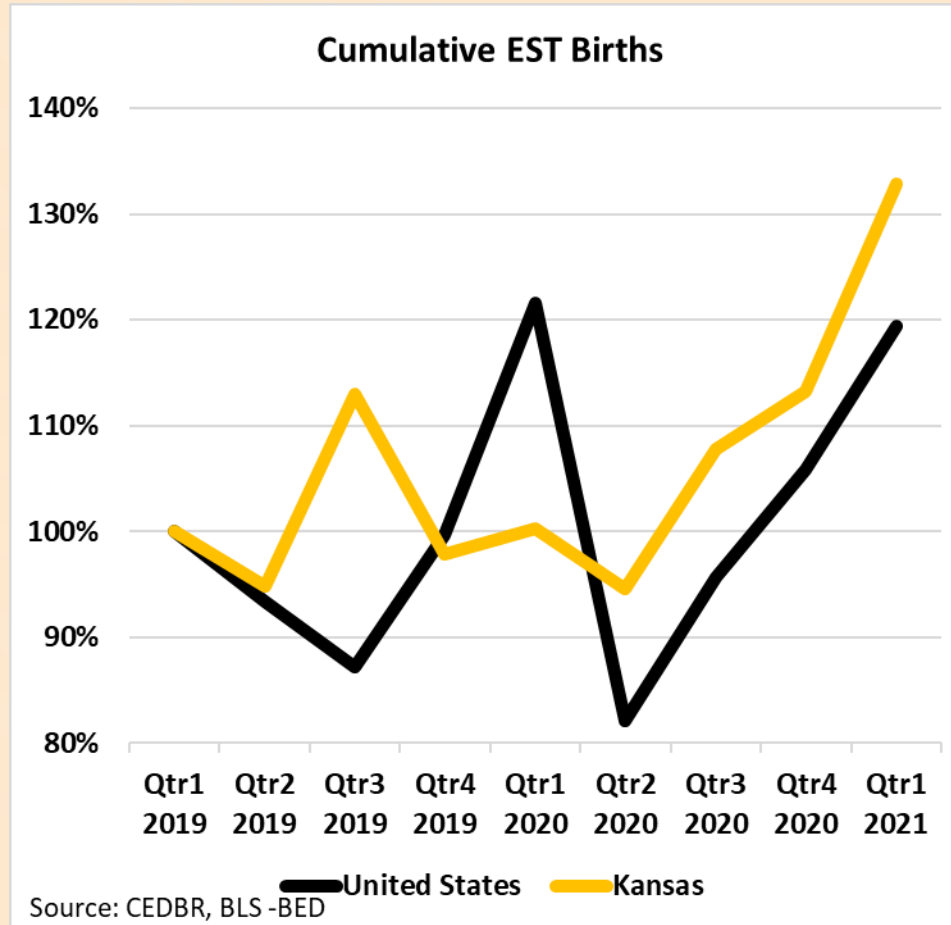
Employment

Cost of Labor

PPI

Supply Chain

Business Starts



Kansas historical trends

- The growth rate in business starts remained below the nation for a decade.

Post-Covid

- Business starts have taken off, and the cumulative growth rate since 2019 is now higher than the nation.
- Kansas has grown by more than 13 percentage points faster than the nation.

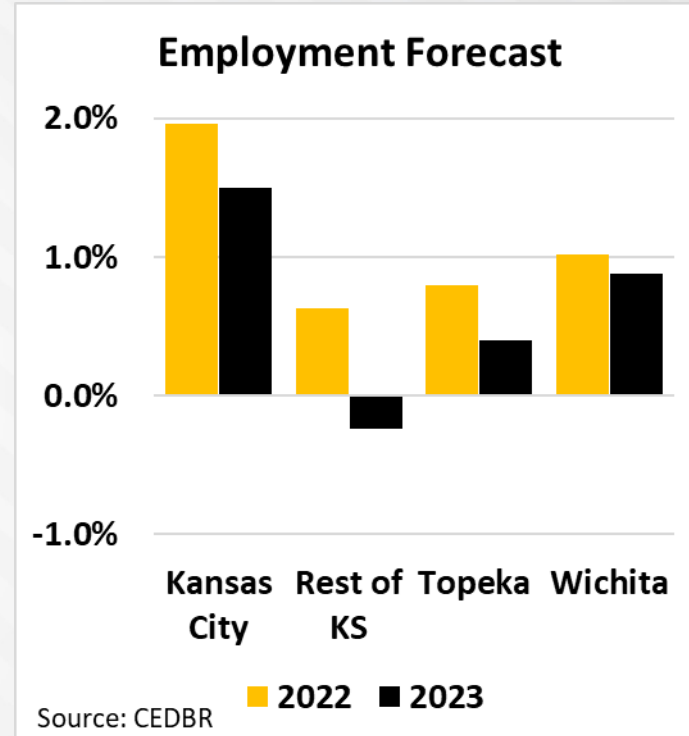
Forecast – KS firms are expected to add 14,700 jobs in 2022

Kansas Employment by Industry*							
	2020 (a)	2021 (e)	2022 (f)	2023 (f)	2021	2022	2023
Production	149,433	148,936	151,716	153,437	-0.3%	1.9%	1.1%
Nat. Resources, Mining & Cons.	69,217	69,728	70,176	70,707	0.7%	0.6%	0.8%
Durables	58,625	57,484	59,484	60,314	-1.9%	3.5%	1.4%
Non-Durables	21,592	21,724	22,056	22,416	0.6%	1.5%	1.6%
Trade	260,242	270,504	274,956	277,079	3.9%	1.6%	0.8%
Services	619,633	627,342	633,464	637,052	1.2%	1.0%	0.6%
Information	16,942	16,495	16,069	15,399	-2.6%	-2.6%	-4.2%
Financial Activities	77,042	75,040	75,194	75,279	-2.6%	0.2%	0.1%
Professional & Business Services	168,967	172,539	173,456	174,740	2.1%	0.5%	0.7%
Education & Health Services	197,950	197,380	198,394	199,616	-0.3%	0.5%	0.6%
Leisure & Hospitality	110,242	117,329	121,823	123,498	6.4%	3.8%	1.4%
Other	48,492	48,559	48,527	48,520	0.1%	-0.1%	0.0%
Government	250,967	250,122	251,536	251,736	-0.3%	0.6%	0.1%
Total	1,280,275	1,296,904	1,311,672	1,319,303	1.3%	1.1%	0.6%

*Annual values are derived from average quarterly observations and projections.

(a) actual (e) estimated (f) forecasted

Source: CEDBR, BLS - CES



Summary

- **Review**

- The struggle to find labor is here to stay
- Supply chain issues should be worked out over the next twelve months
- Prices should moderate through 2022

- **Forecast**

- Kansas firm employment is expected to grow by 1.1 percent in 2022, and then slow down to 0.6 percent in 2023.
- Kansas City is expected to see a continued rebound post COVID in 2022.

Perspective 3: Government



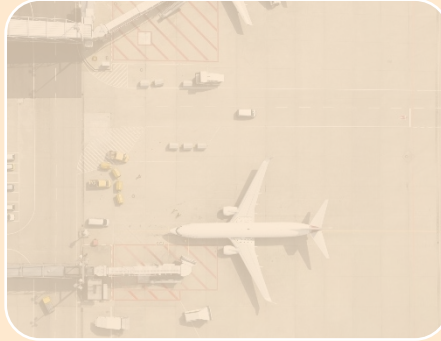
Household

Misery Index

Consumer Price Index

Wages

Employment



Business

Employment

Cost of Labor

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Business Starts



Government

Housing Prices

Retail Sales

Population

Large growth in home prices are expected to be sticky

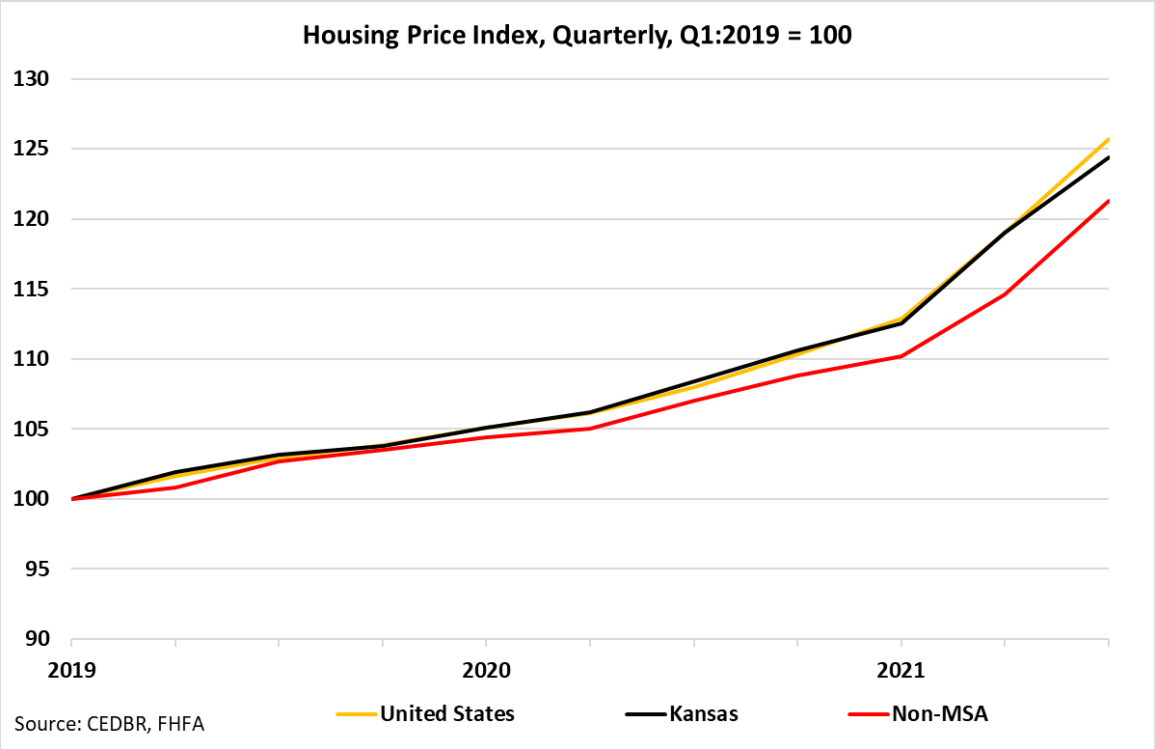


Government

Housing Prices

Retail Sales

Population



HPI, Q1:2019 = 100			
Period	United States	Kansas	Non-MSA
2020, Q1	105.1	105.1	104.4
2020, Q2	106.1	106.2	105.0
2020, Q3	108.0	108.4	107.0
2020, Q4	110.3	110.6	108.8
2021, Q1	112.9	112.6	110.2
2021, Q2	119.0	119.0	114.6
2021, Q3	125.7	124.4	121.3

Source: CEDBR, FHFA

Retail sales exploded in 2021



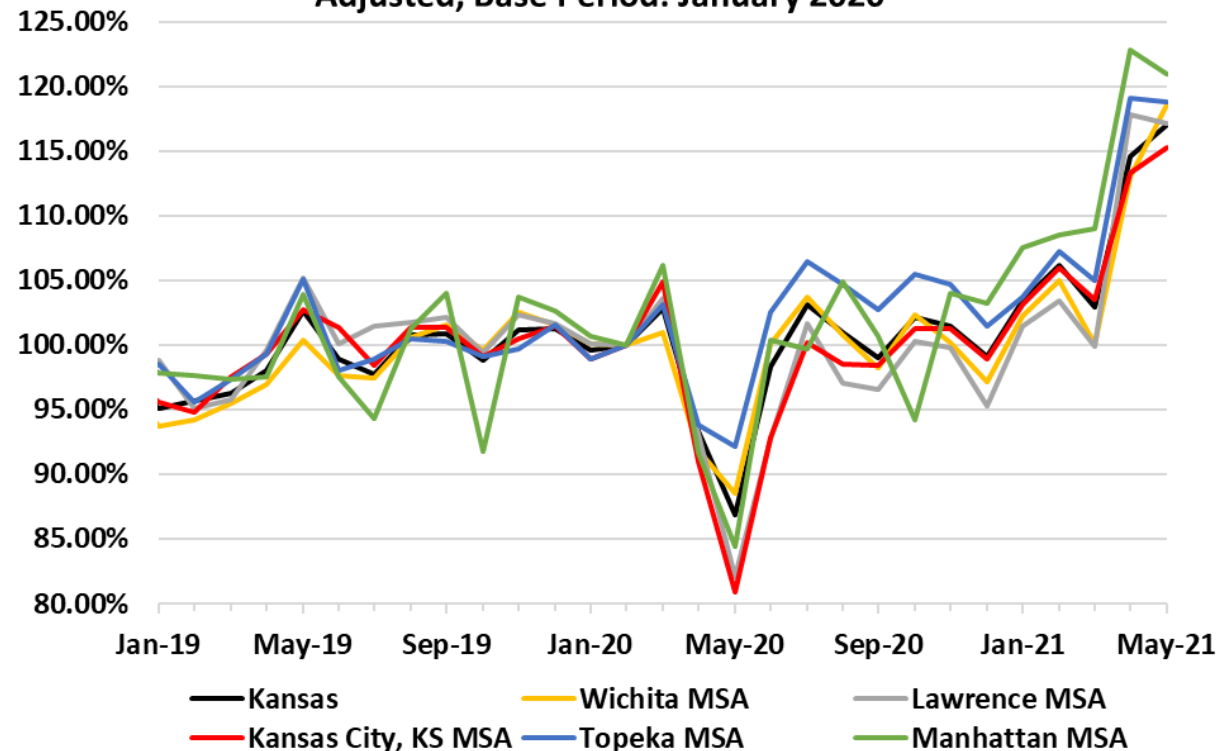
Government

Housing Prices

Retail Sales

Population

Retail Sales 2019 - 2021, Monthly, Cumulative, Seasonally
Adjusted, Base Period: January 2020



Source: CEDBR, Dept. of Revenue

Driving factors

- Upward mobility
- Transfer of payments
- Increases in wealth
- Wage increase

Sustainability

- Wage parity in 2022
- Wage increases for skilled high-demand occupations
- Inflation drain

Population Change

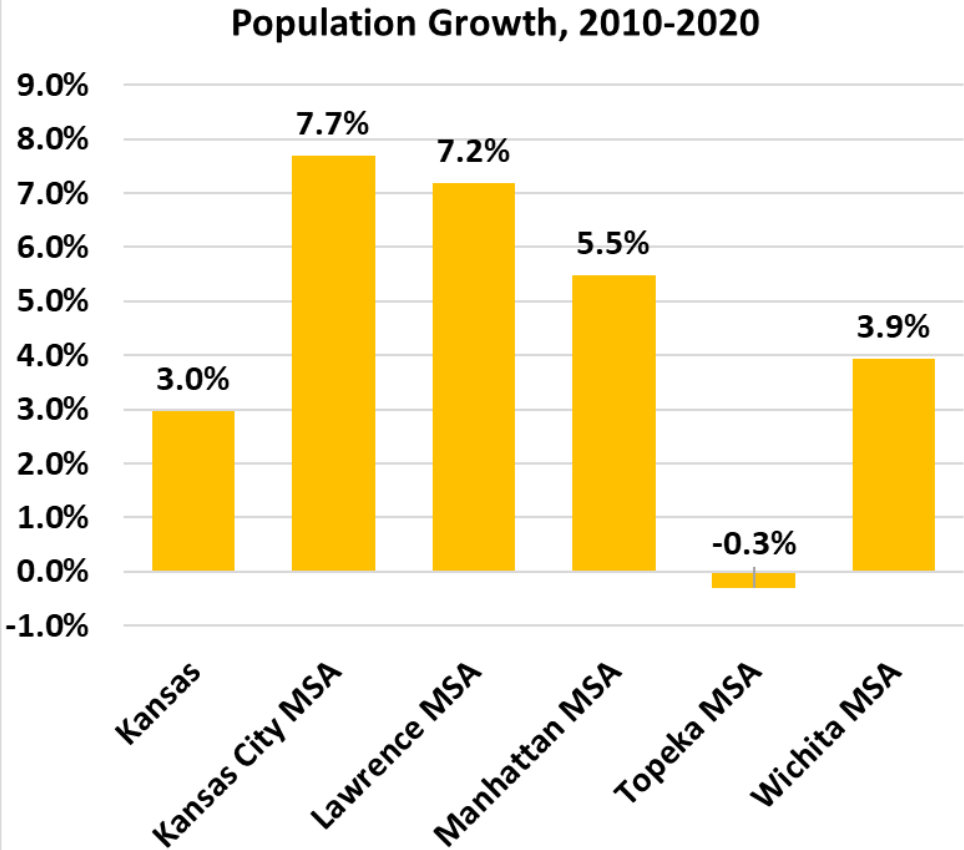


Government

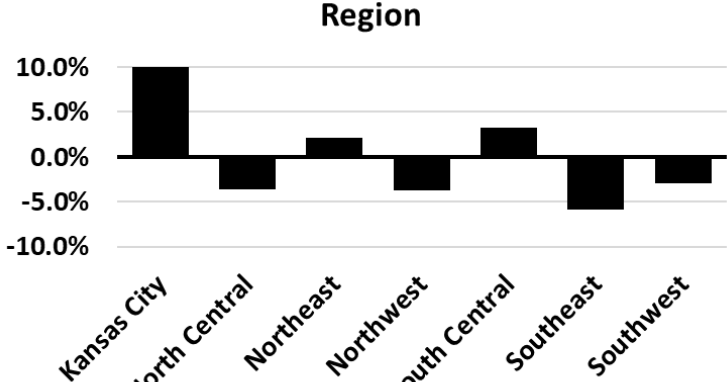
Housing Prices

Retail Sales

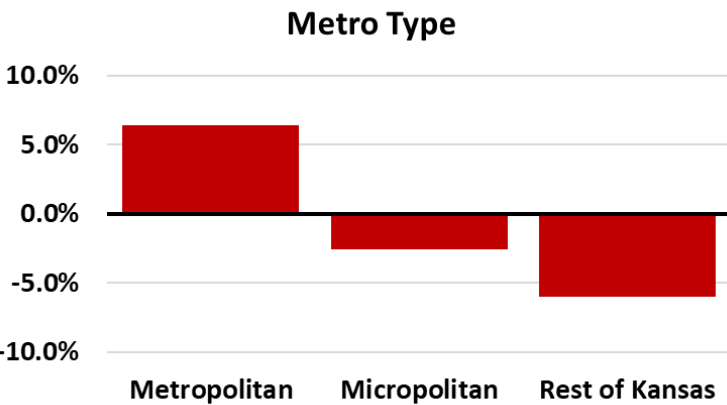
Population



Sources: CEDBR, Decennial Redistricting Census 2010-2020



Source: CEDBR, Decennial Redistricting Census 2010-2020



Source: CEDBR, Decennial Redistricting Census 2010-2020

Forecast – Retail sales and total income are expected to have continued growth

Retail Sales

	Kansas	Kansas City	Lawrence	Manhattan	Rest of KS	Topeka	Wichita
2020	-1%	-3%	-5%	-1%	0%	1%	-1%
2021*	10%	12%	12%	13%	11%	8%	8%
2022**	7%	5%	5%	2%	10%	4%	4%
2023**	2%	2%	2%	0%	4%	1%	1%

Source: CEDBR *estimated ** forecasted

- Demand for retail sales is fueled by employment and income growth
- Long term growth is expected to slow due to limited labor supply

Total Income

	Kansas City	Topeka	Wichita
2020	2.9%	2.5%	2.2%
2021*	3.4%	2.5%	2.6%
2022**	3.3%	2.4%	2.5%
2023**	3.2%	2.4%	2.5%

Source: CEDBR *estimated ** forecasted

Summary

• Review

- Retail sales were driven by transfers of payment, employment growth, and wage increase.
- The state's population grew by 0.3 percent per year over the last decade
- The population growth was concentrated within metro areas

• Forecast

- Retail sales are expected to continue to grow due to upward mobility and an increasing middle class
- Total income is expected to grow over the next two years

Economic Concerns

- **High**

- Global supply chain issues don't ease
- Fed policy error
- Sudden shift to fiscal austerity

- **Medium**

- Persistent labor supply issues
- Inflation doesn't moderate
- Next COVID wave

- **Low**

- House price decline
- Stock market correction
- Conflict between Russia and Ukraine