

Wichita 2012 Review

2013 Forecast

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OCTOBER 2012

General Expectations from 2011

October 6, 2011

- Global and National “**uncertainties**” within the market need to be alleviated before **business confidence returns**.
- Global **business profits** have to **remain high** before local moderate GDP growth.
- Acceleration in **manufacturing** (EMP 1.2%) will spill over to the **service and retail sectors**.
- **Input costs** will continue to rise in 2012, putting pressure on **businesses that sell locally**.
- **Upper middle and high** income households will **increase consumption**, but the slightest negative news will cause an abrupt decline in purchases.
- Wichita’s **labor market** will continue to heal, but it will remain fragmented with a portion of the labor market **underemployed** in 2012.
- Employment is expected to **increase by 1.3%** (3,800) in 2012. This is a **welcomed relief**, but **minimal growth**.



Heat



Fuel



Oxygen



Heat:
Consumer Demand



Fuel:
Market Place



Oxygen:
Environment

Consumer Demand

- Retail
- Unemployment
- Personal Income
- Savings
- Consumer Confidence

Market Place

- Bankruptcies
- Business Births
- Loans
- GDP

Environment

- Euro Debt Crisis
- Political Uncertainties
- QE3
- Fiscal Cliff
- BRIC - Slowdown

National / Global Economic Environment



Consumer demand

- Retail Spending
- Income
- Unemployment
- Home Values
- Farm Income

Market place

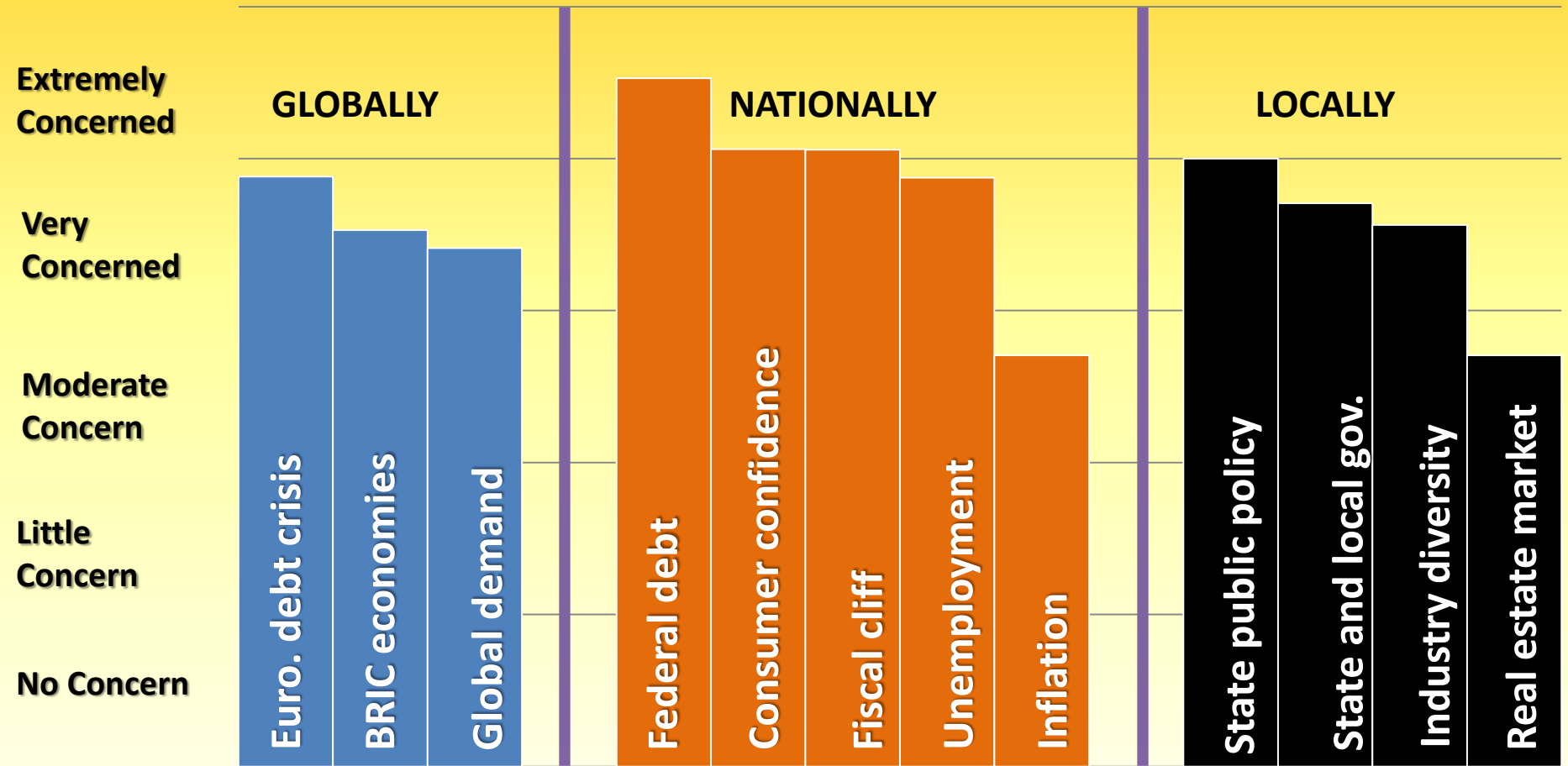
- Loans
- Employment
- Commercial Investment-
Martens Company

Environment

- Energy
- Changing Political
Environment
- Hawker
- Boeing

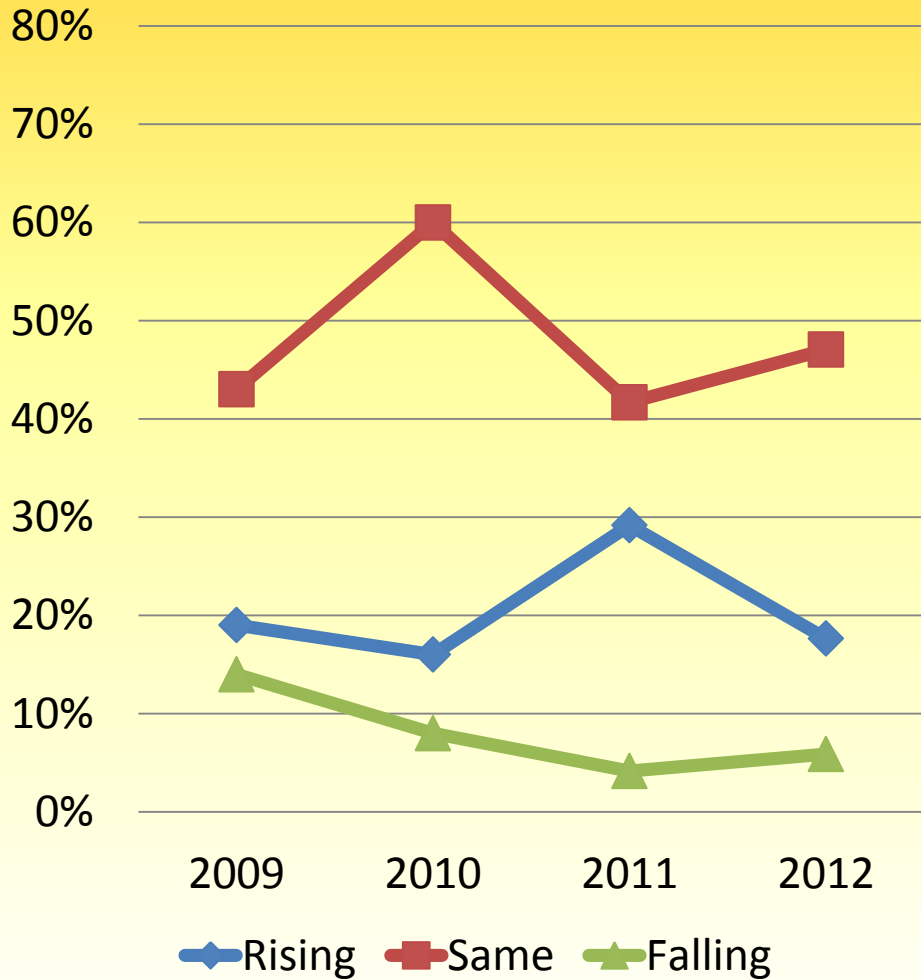
Kansas/Wichita Economic Environment

Wichita Business Concerns

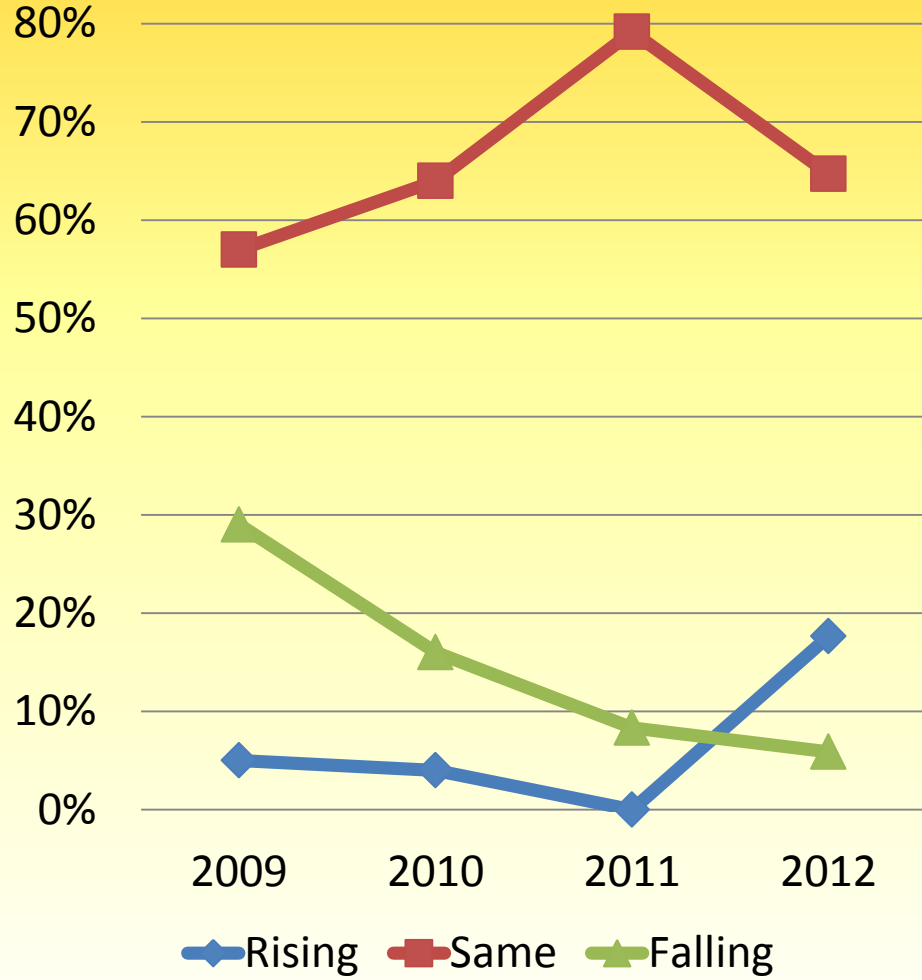


Existing Conditions

Price of Inputs

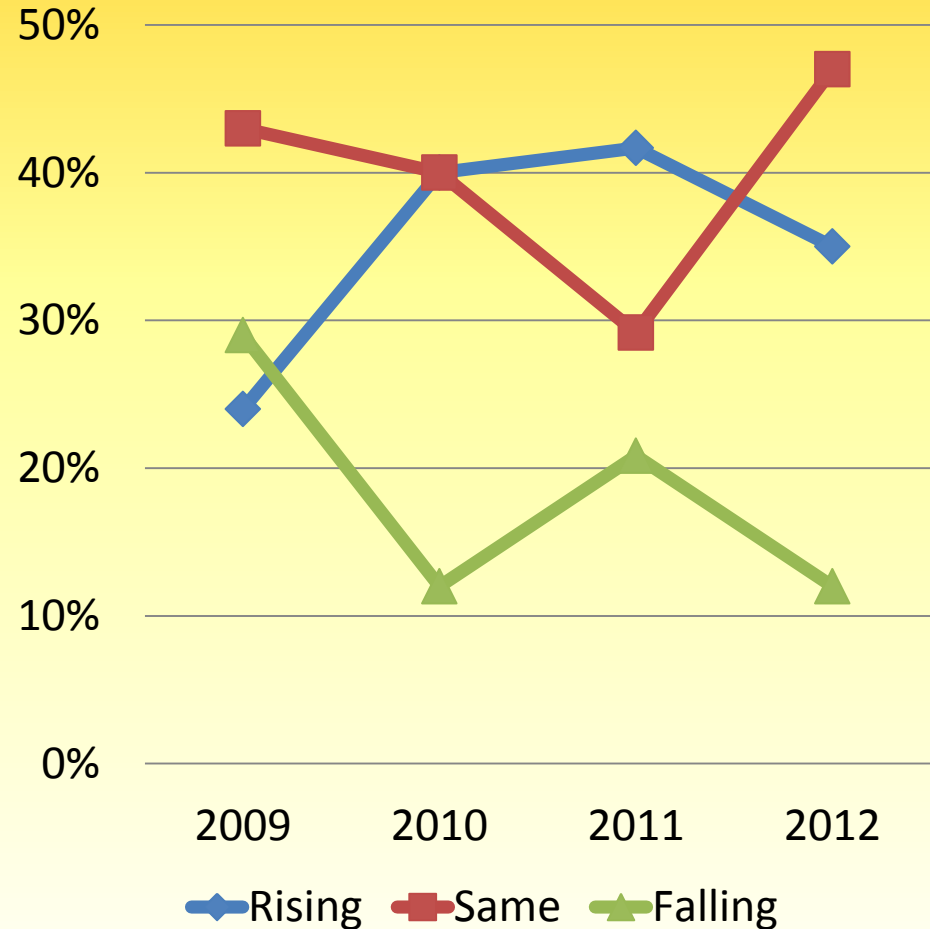


Prices Charged

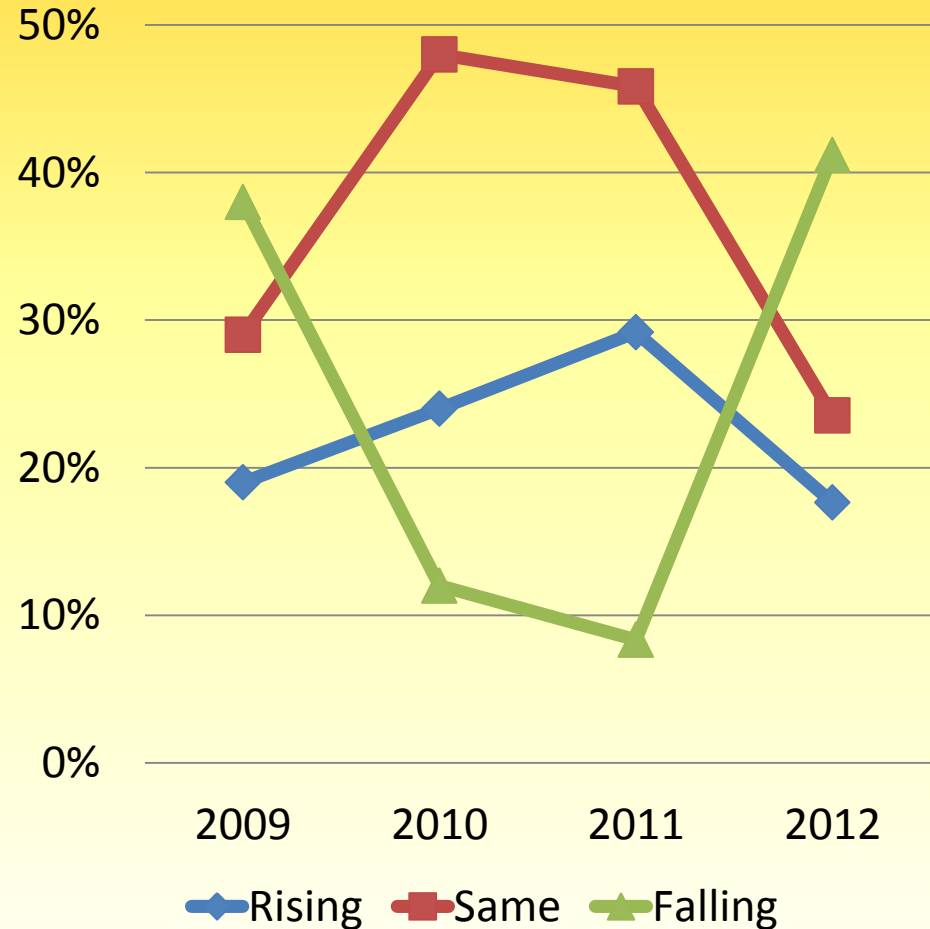


Existing Conditions

Volume of Demand



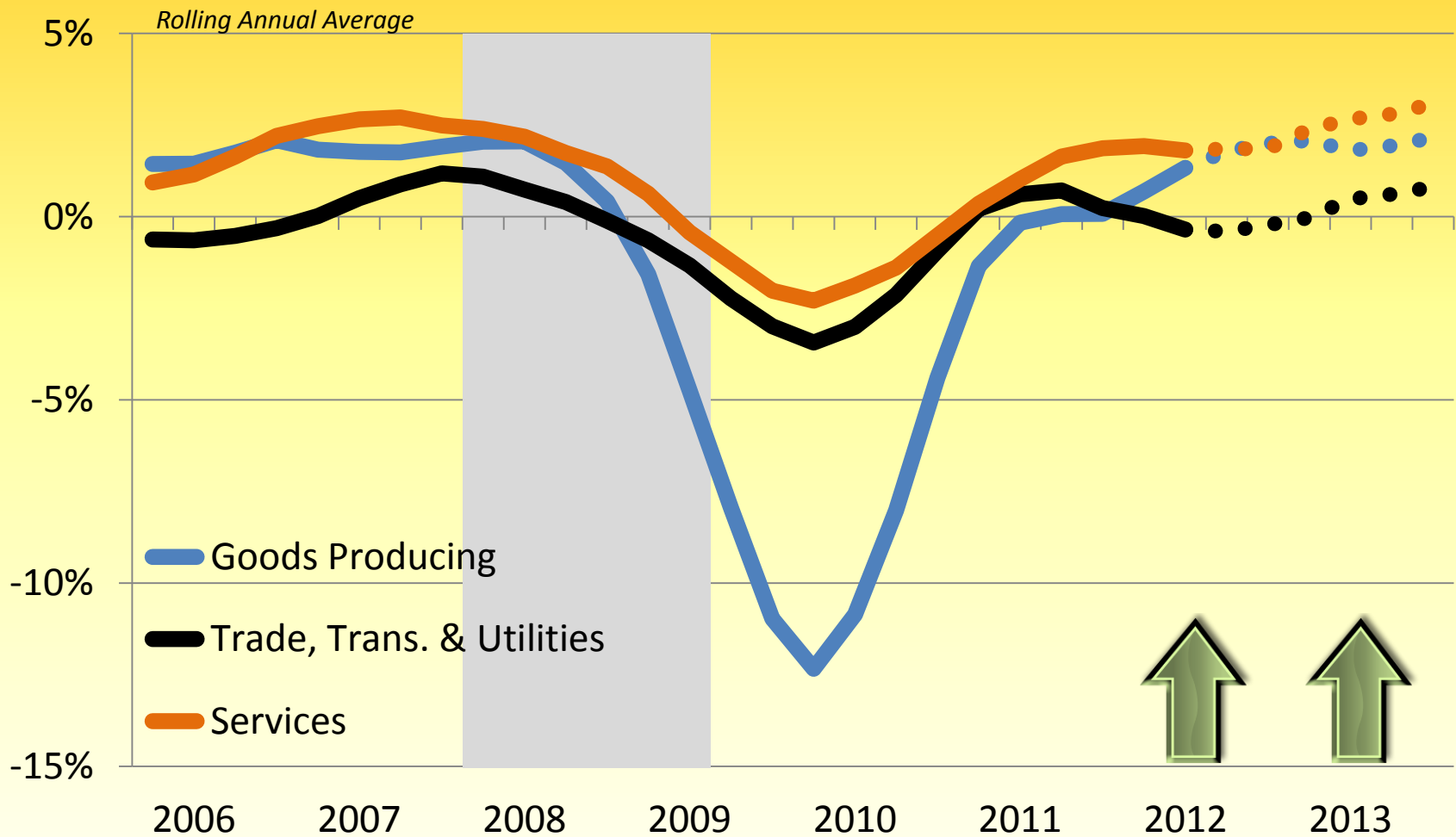
Profit Margins



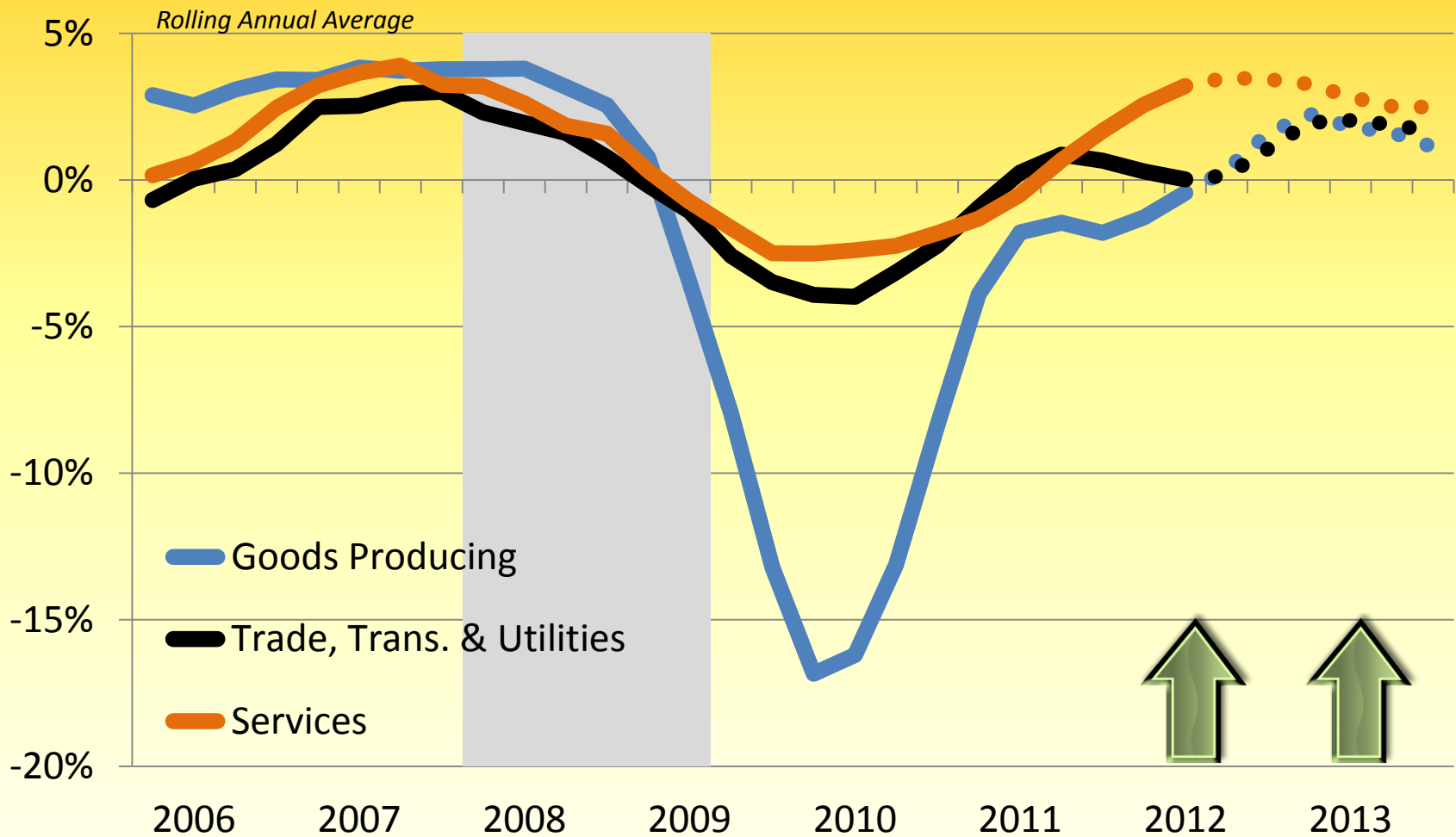
Overall Business Expectations Next 3 to 6 Months

- **Cost of inputs**
 - 6% - costs will fall
- **Prices Charged -**
 - 53% - prices will not change
 - 29% - prices will increase
- **Employment –**
 - 41% expect no changes
 - 29% expect increases
- **Overall**
 - **The economy will struggle and the expansion will be subpar, at or below its potential growth rate.**

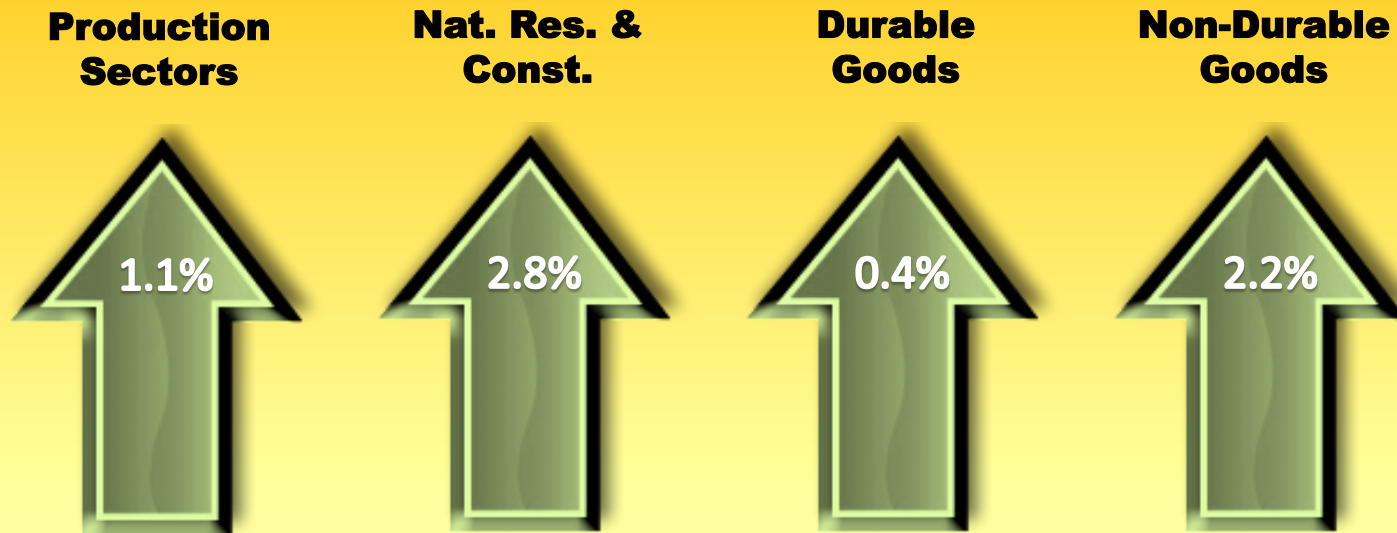
Kansas Employment



Wichita Employment



Goods Production - 2013 Outlook



- ***Natural Resources***

- Emerging oil and gas will add fuel to retail and professional services

- ***Aviation***

- Commercial – “Up” business cycle
- Defense – slowing
- General – “wait and see”

Trade, Transportation and Utilities - 2013 Outlook

- **Consumption**
 - Tolerant to negative news
 - On par with last year, but limited by unemployment and income
- **Retail**
 - Employment is catching up with recent retail sales
- **Transportation**



Services - 2013 Outlook

Services

Fin. Act.

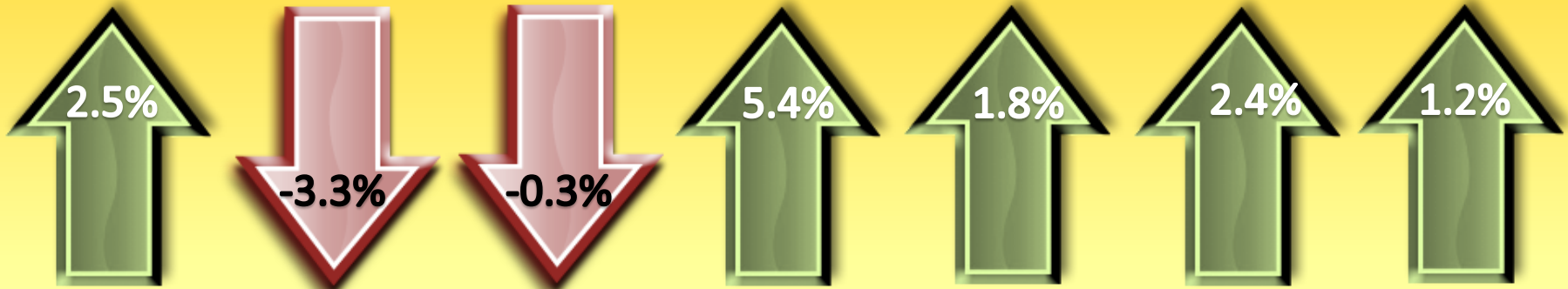
Edu. & Health

Other

Information

Pro. & Bus.

Leisure & Hosp.



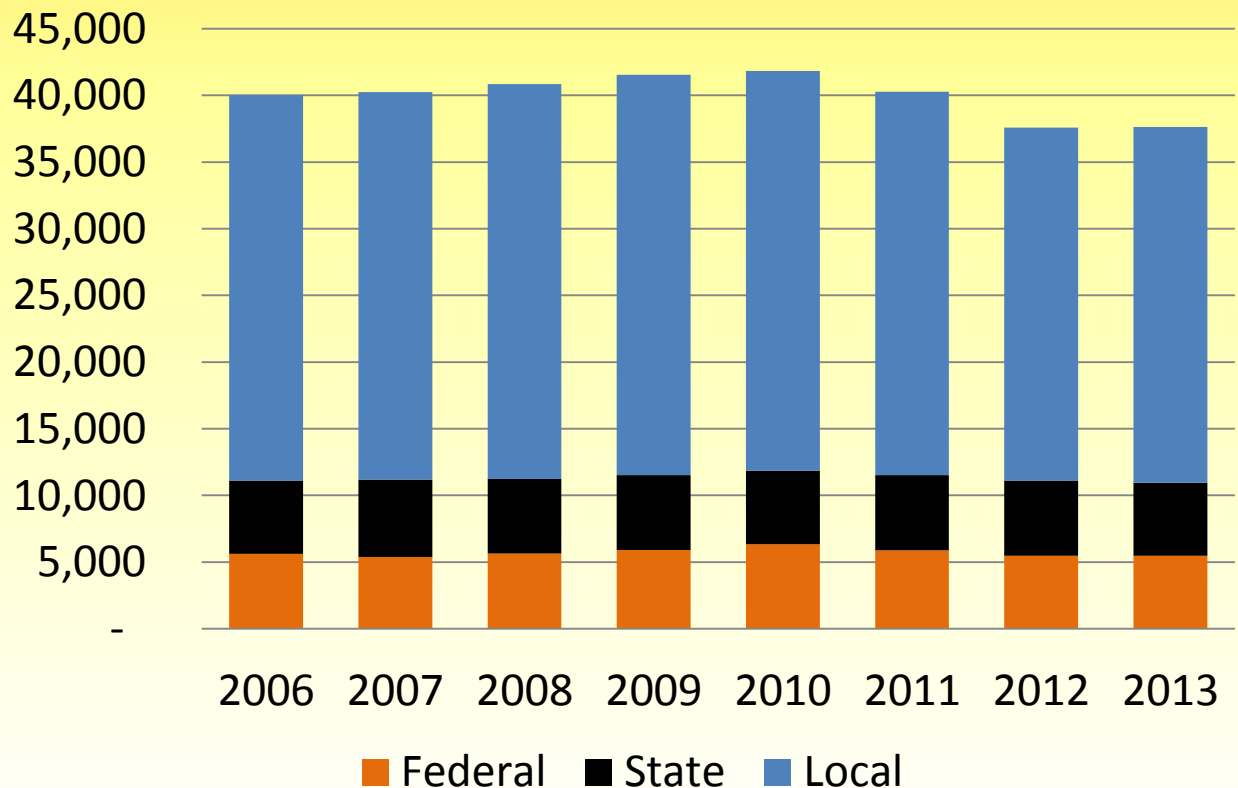
- **Information** – NetApp will add 400 jobs over the next five years
- **Financial Services** - Regulation likely to put continued pressure on small and regional banks
- **Professional Services** – National trend
- **Healthcare** – National trend – Affordable Care Act

Government - 2013 Outlook

- *National, State and Local elections*
- *Fiscal Cliff / Sequestration*
- *McConnell Air Force Base*



Employment



2013 General Expectations - Wichita

- **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**.
- Moderate growth **will not occur** until general aviation sees **consistent positive signs**.
- **Consumers** are **more tolerant** to negative news, but will be limited by both high unemployment and income.
- Wichita’s **labor market** will improve, but employers will still **struggle** to match available skills.
- Employment is expected to **increase by 1.7%** (4,885) in 2013. This remains **subpar** from **potential growth**.