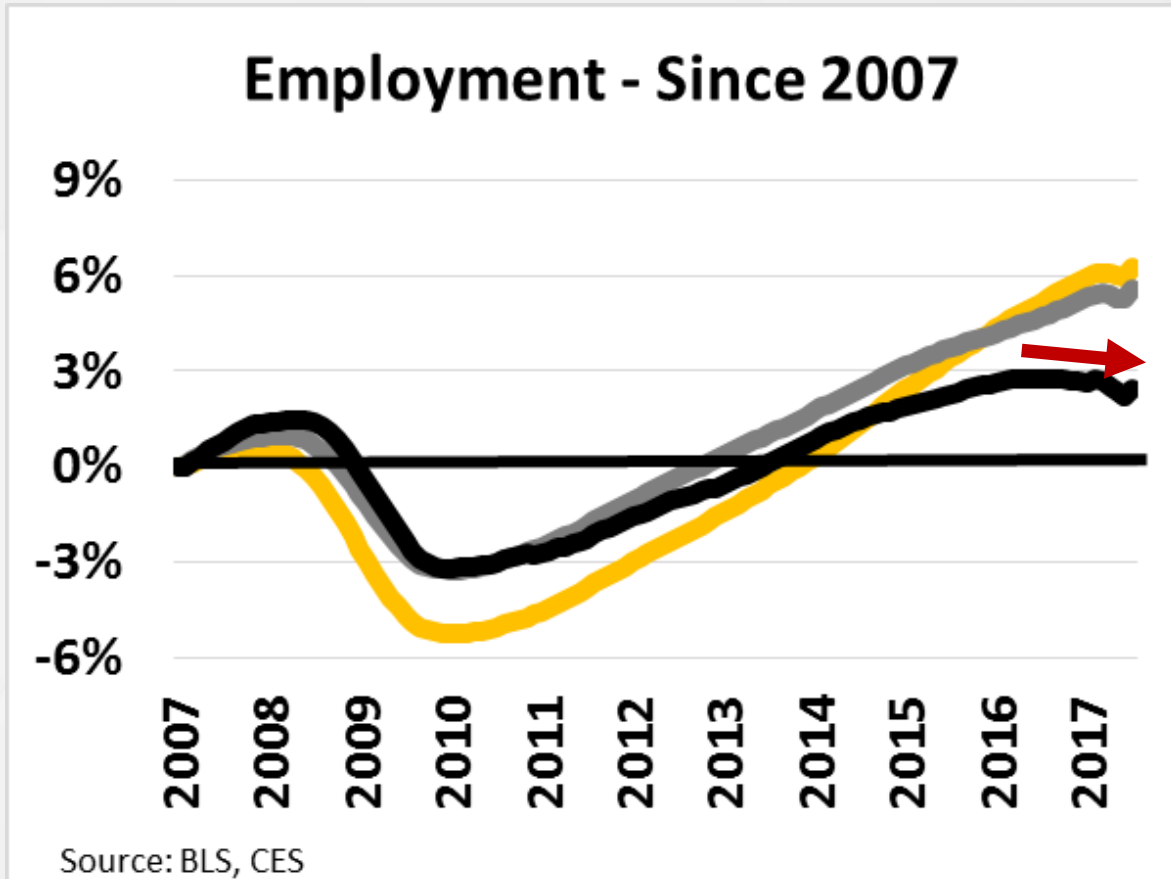


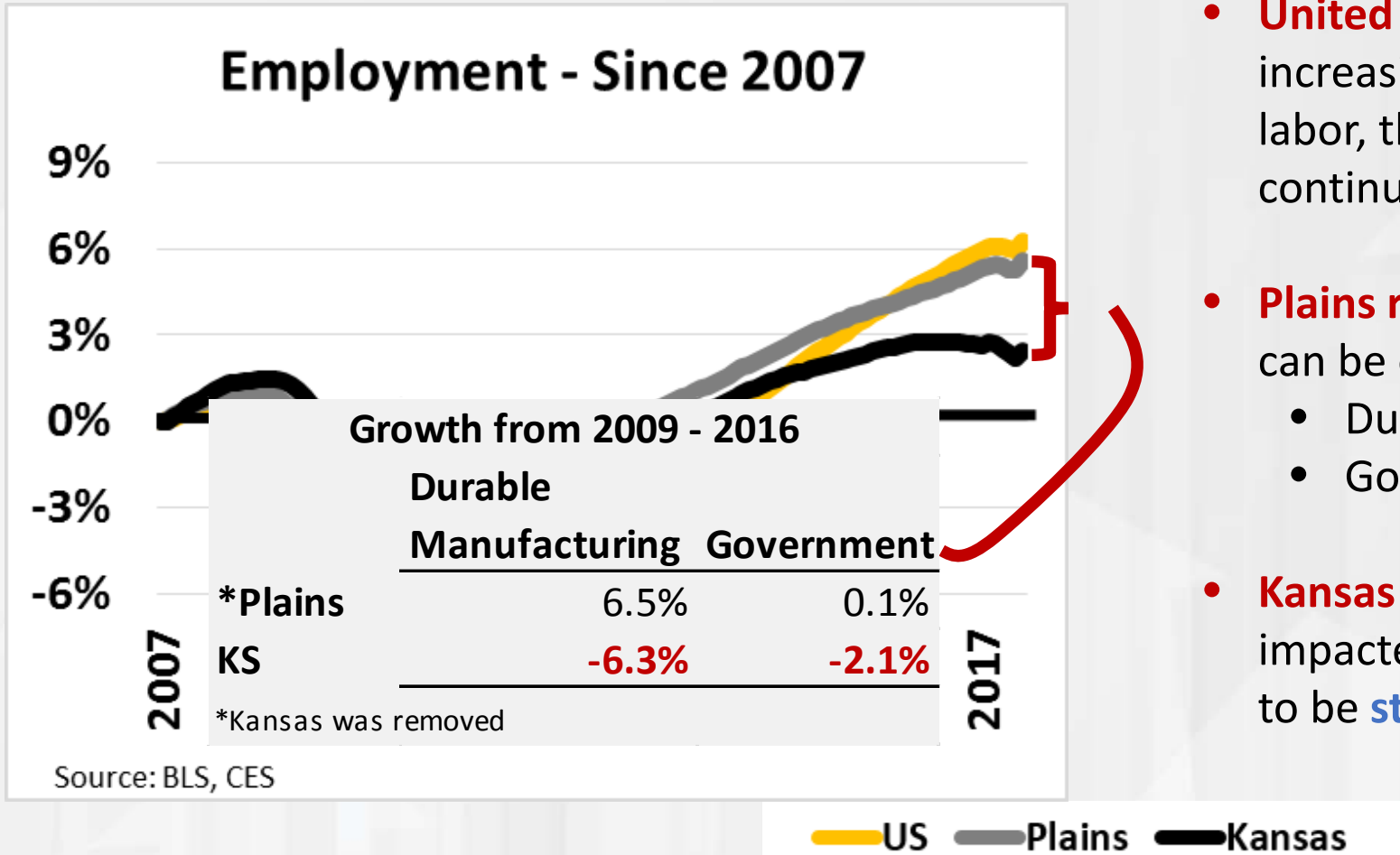
Global and National

Is the KS economy stalling?



- **United States** – Although there are increasing concerns about availability of labor, the market is balanced and continues to **grow**.
- **Plains region** – The difference in growth can be explained by:
 - Durable manufacturing (Aerospace)
 - Government
- **Kansas** – Employment growth has been impacted by core industries and **appears** to be **stalling**.

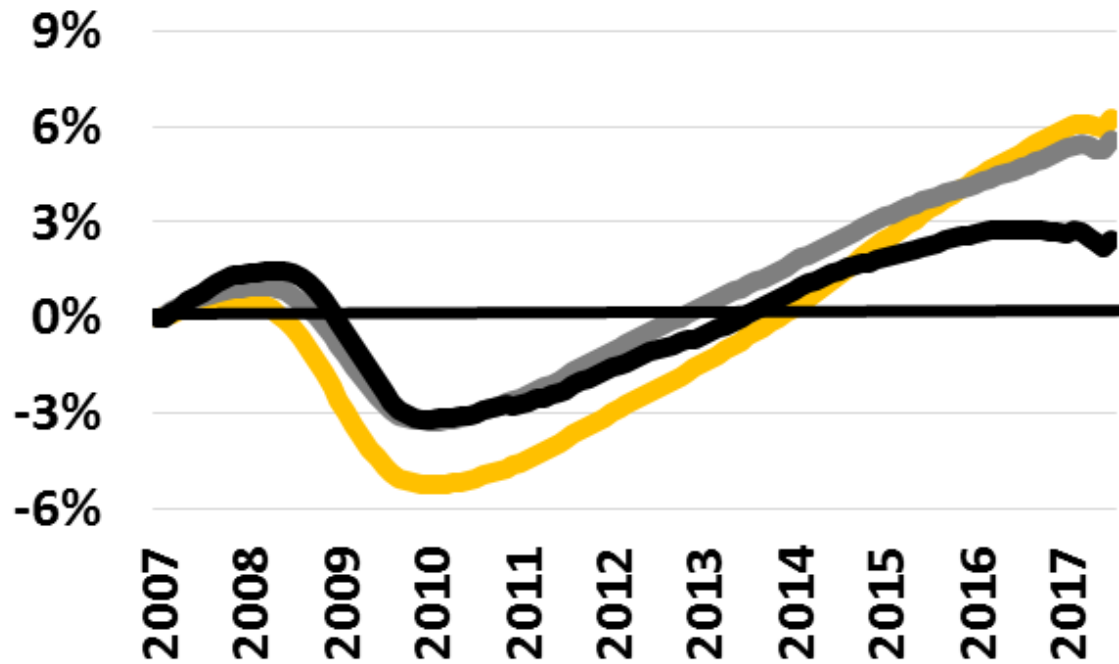
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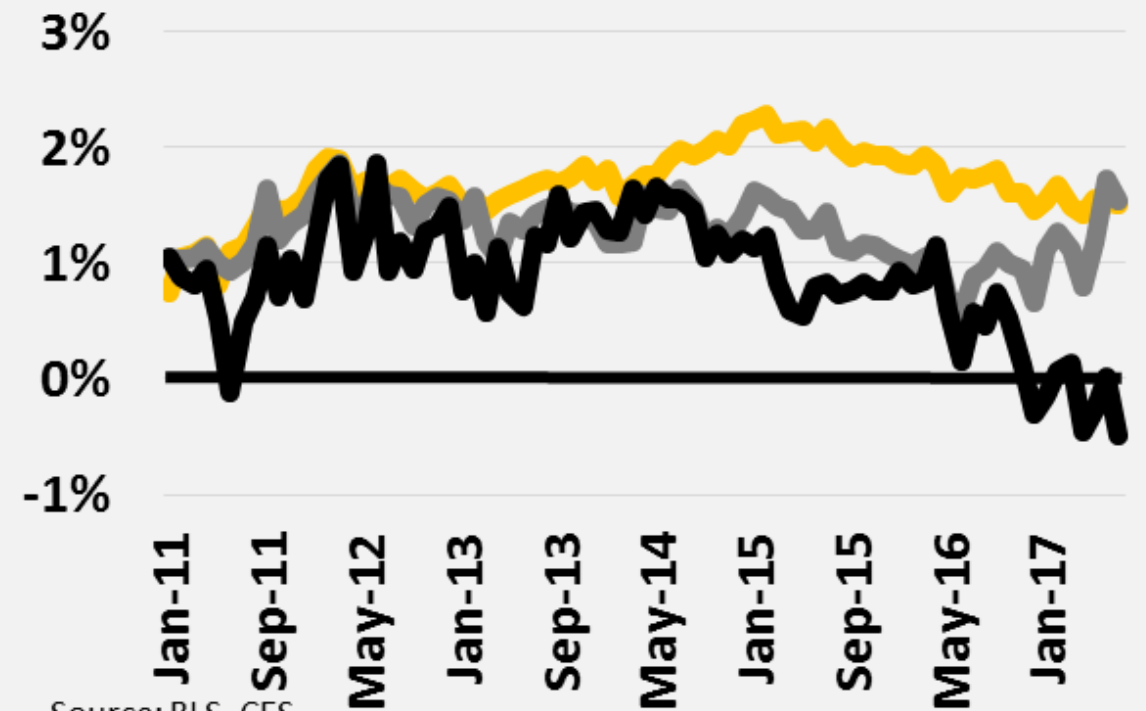
Is the KS economy stalling?

Employment - Since 2007



Source: BLS, CES

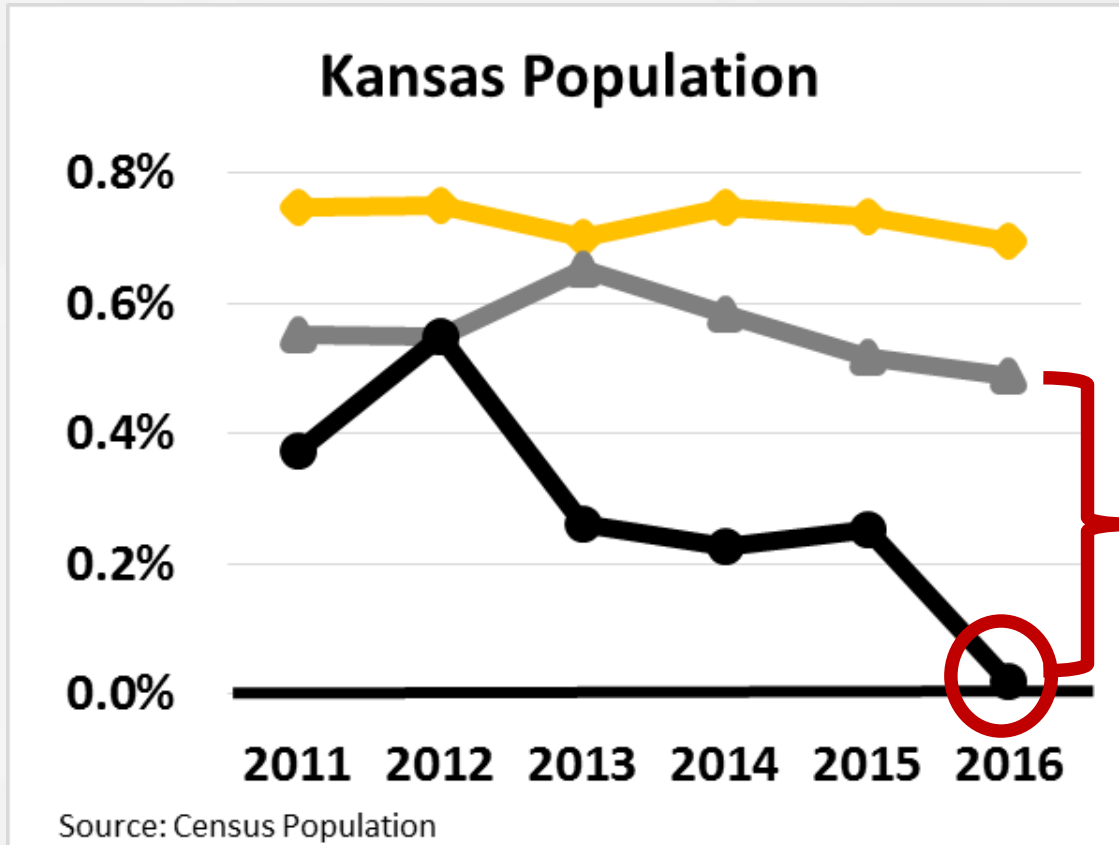
Employment YR/YR



Source: BLS, CES

— US — Plains — Kansas

Current trends may reduce future opportunity

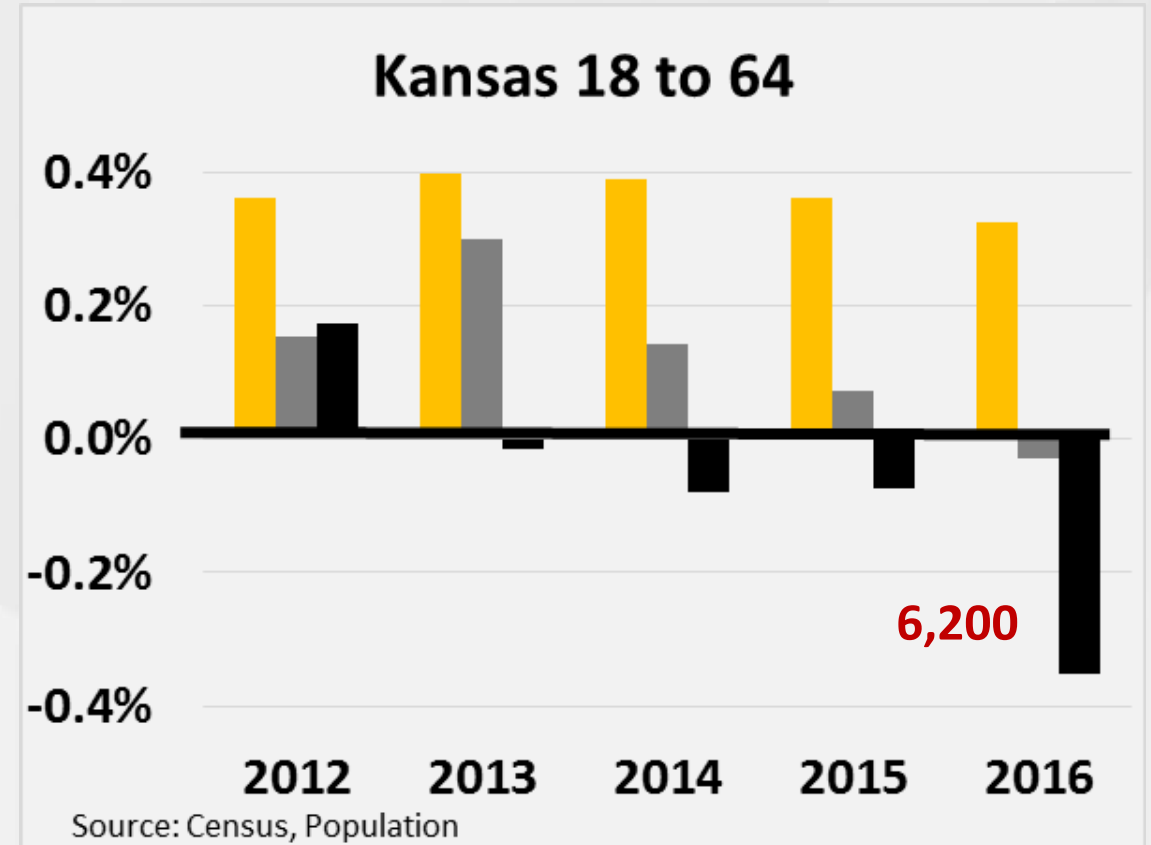
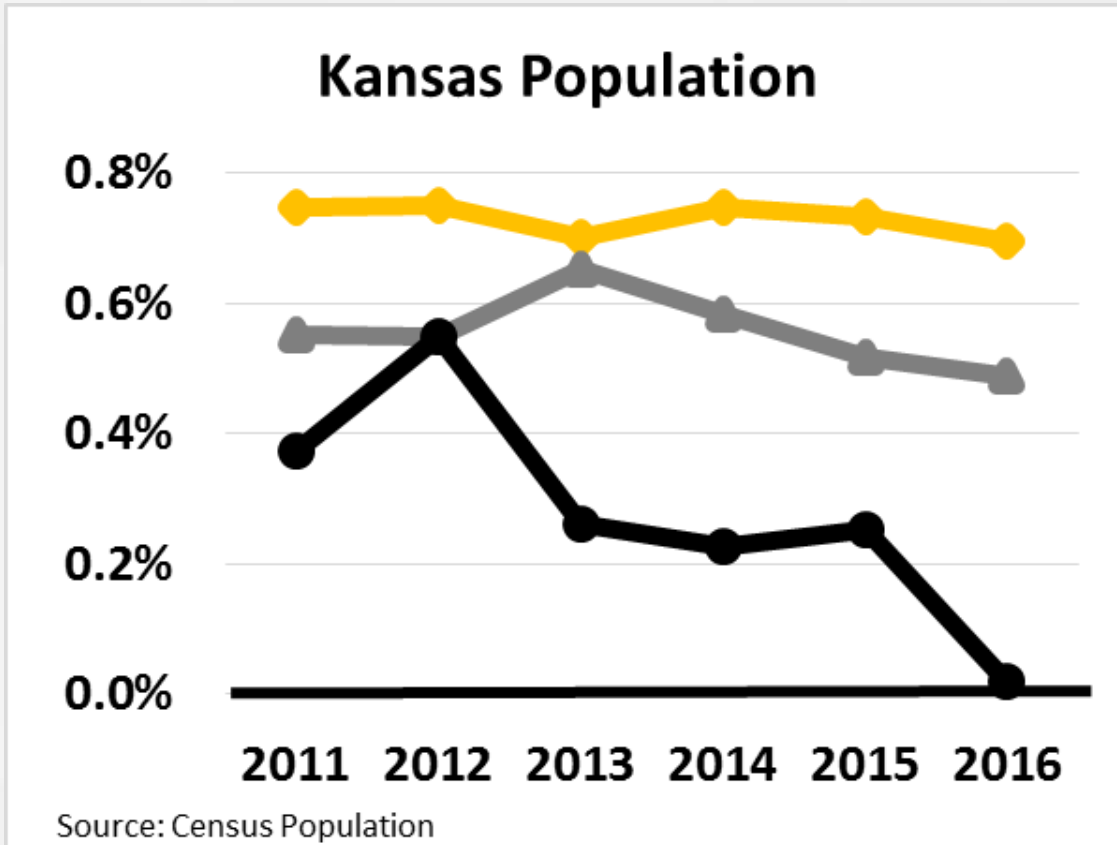


	<u>Population</u>
KS 2015	2,906,721
Births	38,702
Deaths	25,390
Net migration	<u>(12,744)</u>
KS 2016	2,907,289

- **Net migration**, not births or deaths, is one contributing factor to the stalled growth in Kansas.

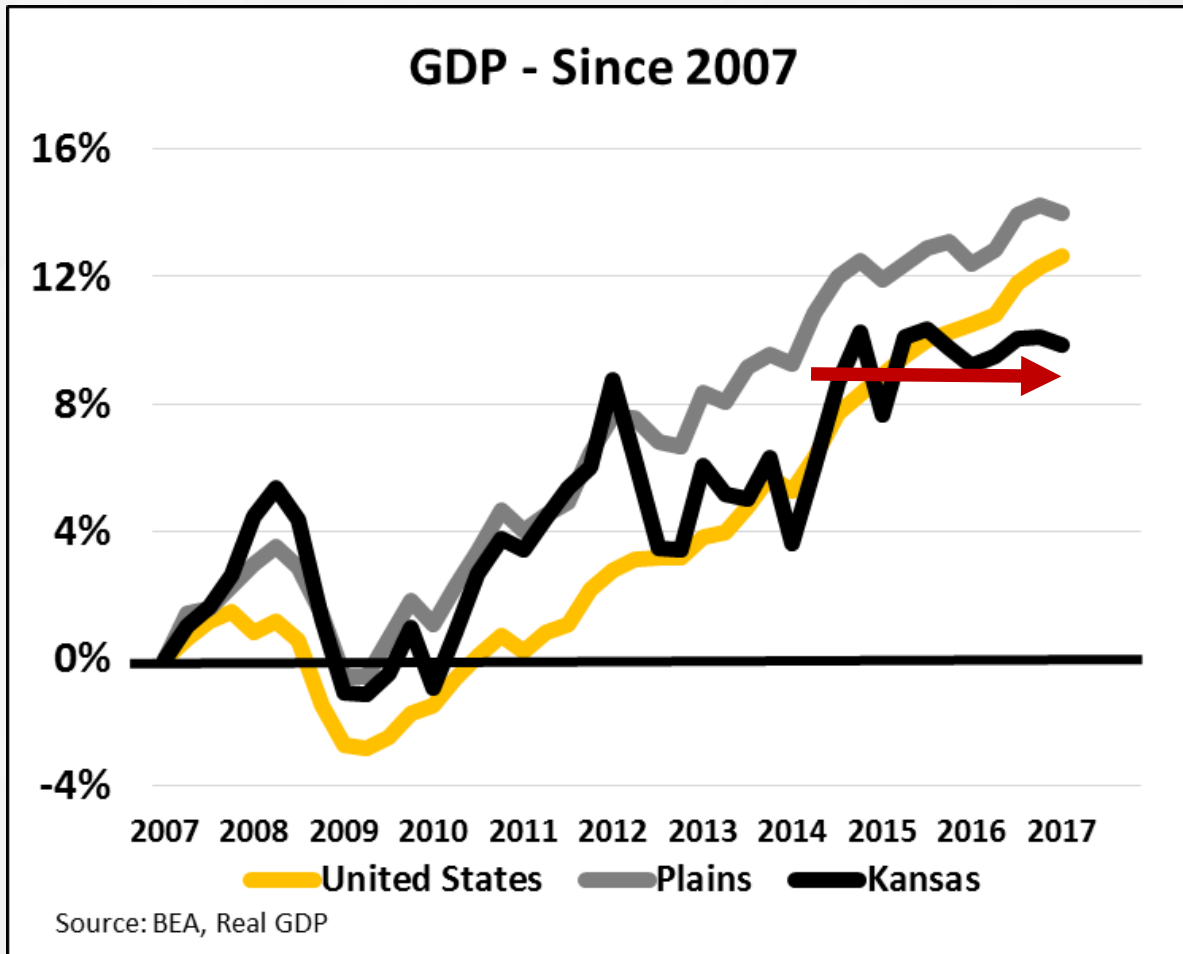
— US — Plains — Kansas

Current trends may reduce future opportunity



— US — Plains — Kansas

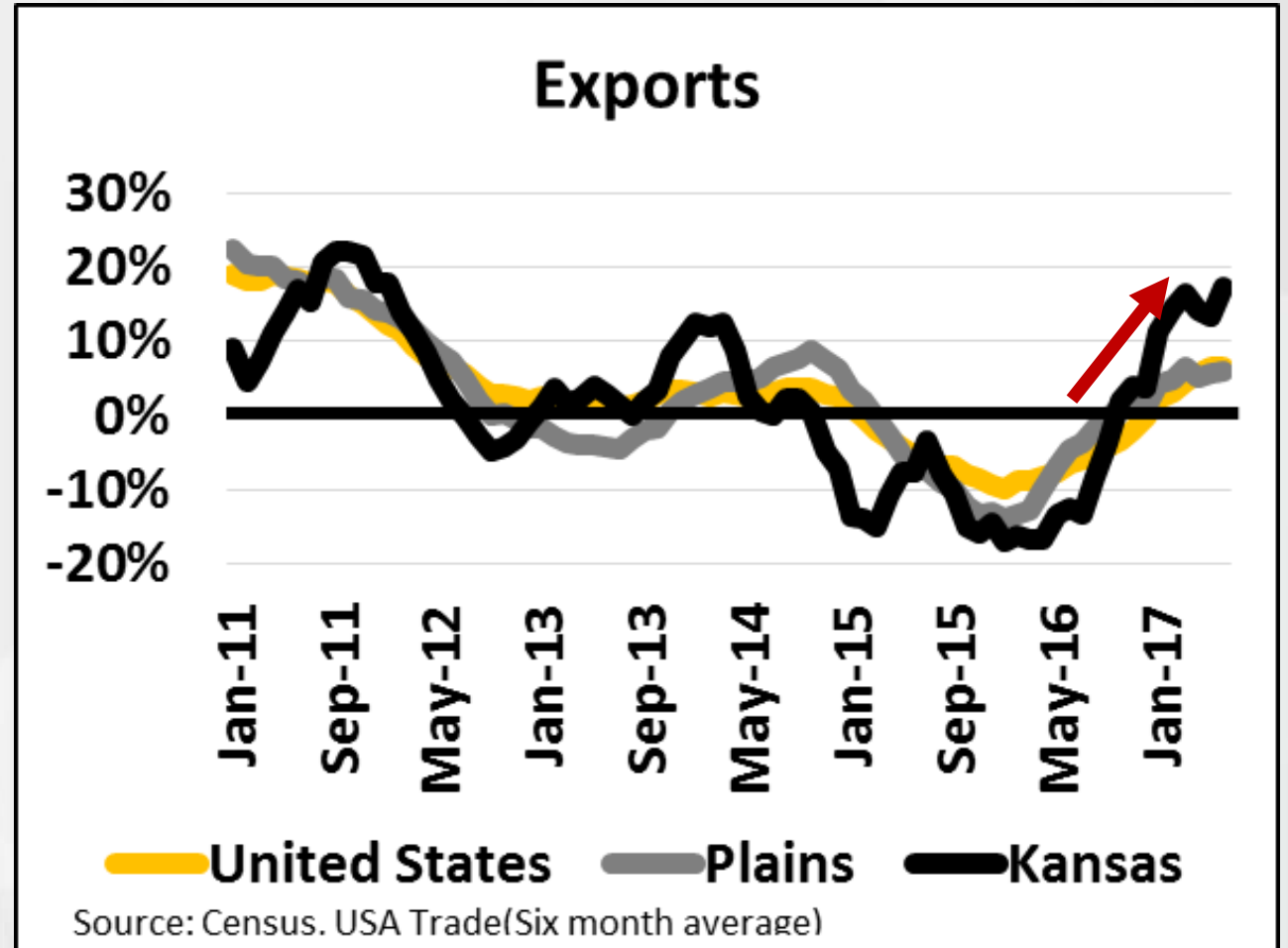
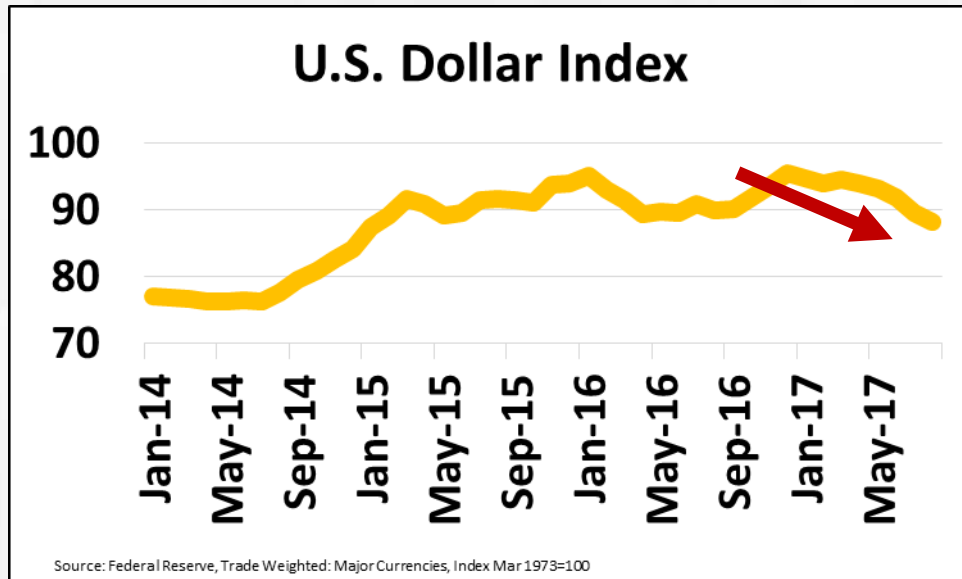
Or...is there still room for optimism?



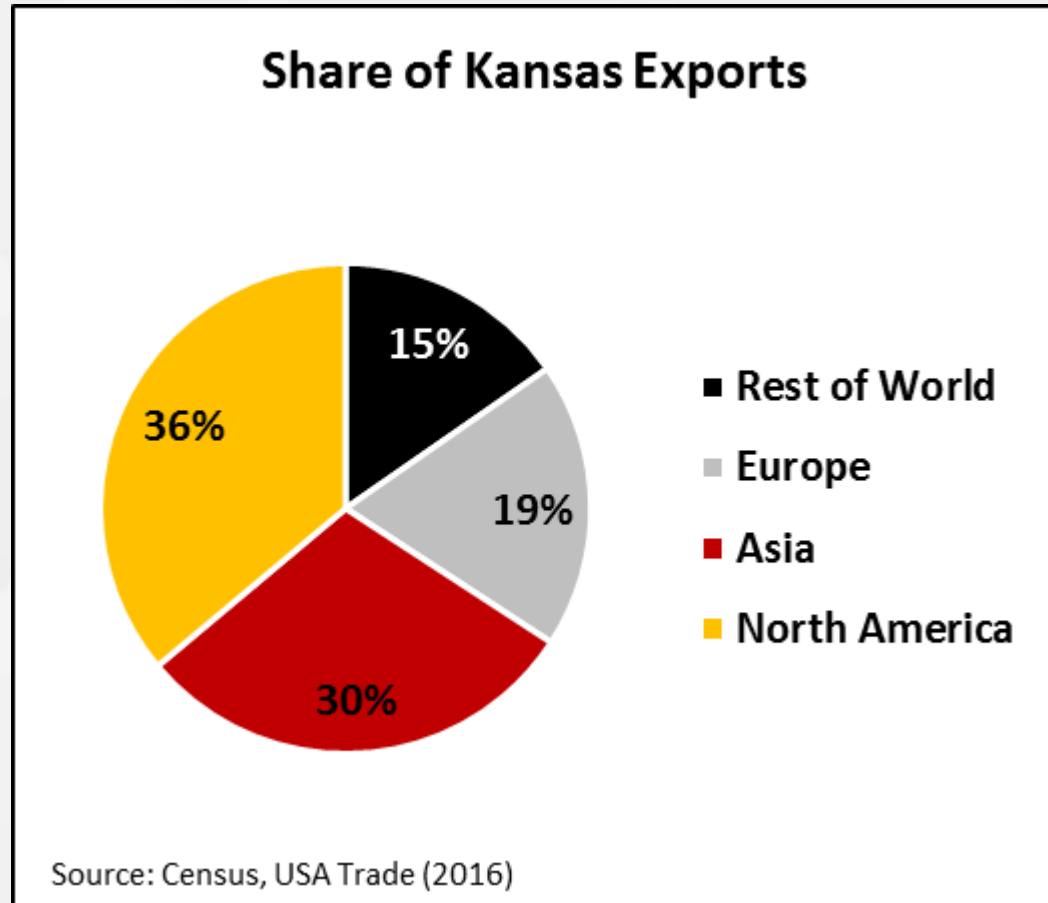
- **Agriculture** – income, real estate values, and credit conditions continued to weigh down this sector. Growth is not expected, but the sector is **stable**.
- **Oil & Natural Gas** – currently **flat** and waiting for better market conditions in the long term.
- **Manufacturing** – could continue to **slowly grow** or **accelerate**. Outcomes are dependent on policies at the national and global level (e.g. increased protectionism).
- **Services** – this sector is hamstrung by population growth and limited labor supply and **might stall** out.

Global conditions could improve KS outlook

- **Value of the US Dollar** – The decline since January has increased demand for US goods.



Strength of trading partners can spill over to KS



- **Global** – outlook continues to improve, in particular North America and Asia.
- **Canada and Mexico** were 36% of Kansas exports, and accounted for the majority of recent growth.

KS businesses remain concerned about competitiveness

Global Concerns	2017	2016
U.S. competitive position	1	1
Global demand for U.S. goods and services	2	2
Middle Eastern instability	3	4
European instability	4	3
Lower GDP growth in China	5	4

Red = Decrease Blue = Increase

New administration brings in new concerns

- **Federal debt** and **Monetary Policy** are both seen as less of an issue now; however, both are likely to resurface in coming months.
- Given limited supply of labor in Kansas, some businesses are looking to **immigration policy** as an important component of future growth.

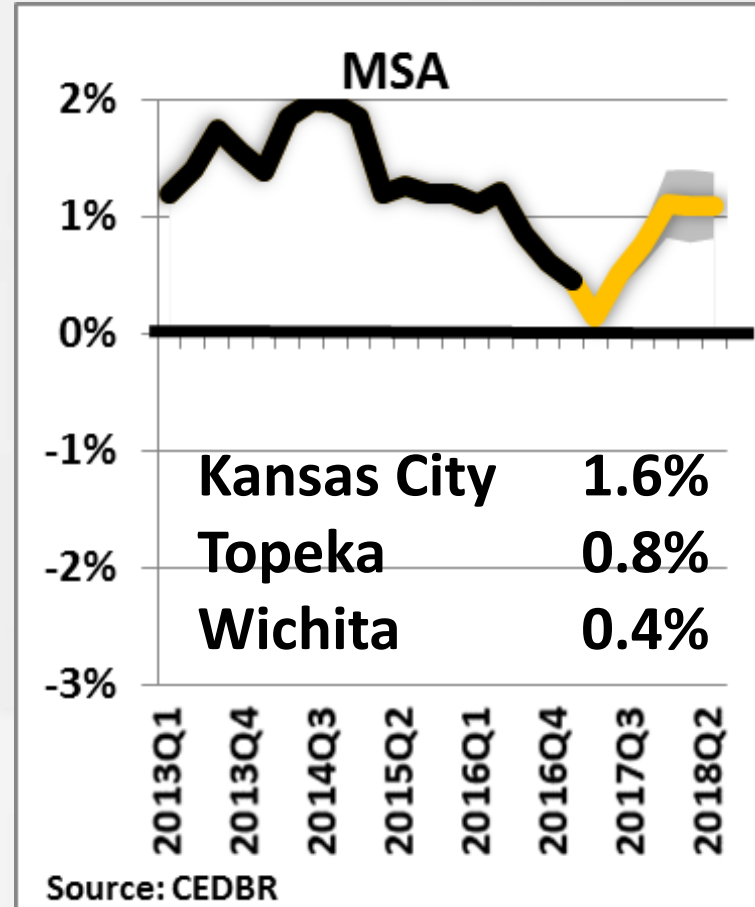
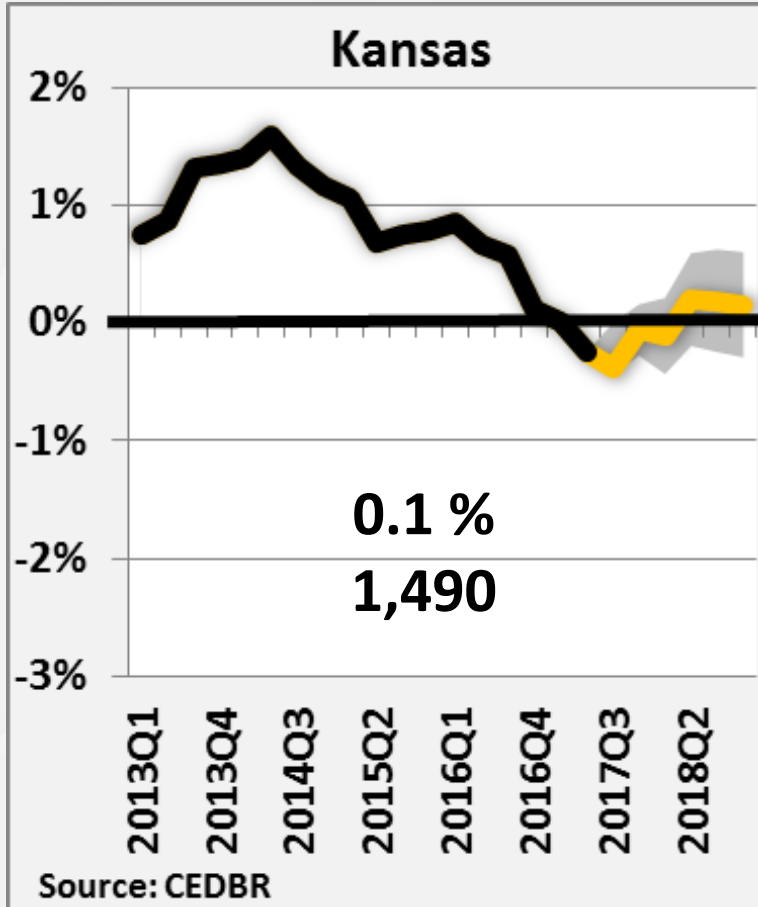
National Concerns	2017 *	2016
Available labor	(New) 1	
Health care reform	(New) 2	
Tax structure	3	3
Federal debt	4	1
Inflation	5	5
Trade policy	6	8
Immigration policy	7	9
Wage costs	8	6
Federal Reserve monetary policy	9	7

Red = Decrease **Blue** = Increase

*Changes: Oil and Long term Unemployed were removed

Kansas Outlook and the Manufacturing Sector

Forecast - Total EMP expectations vary across the State

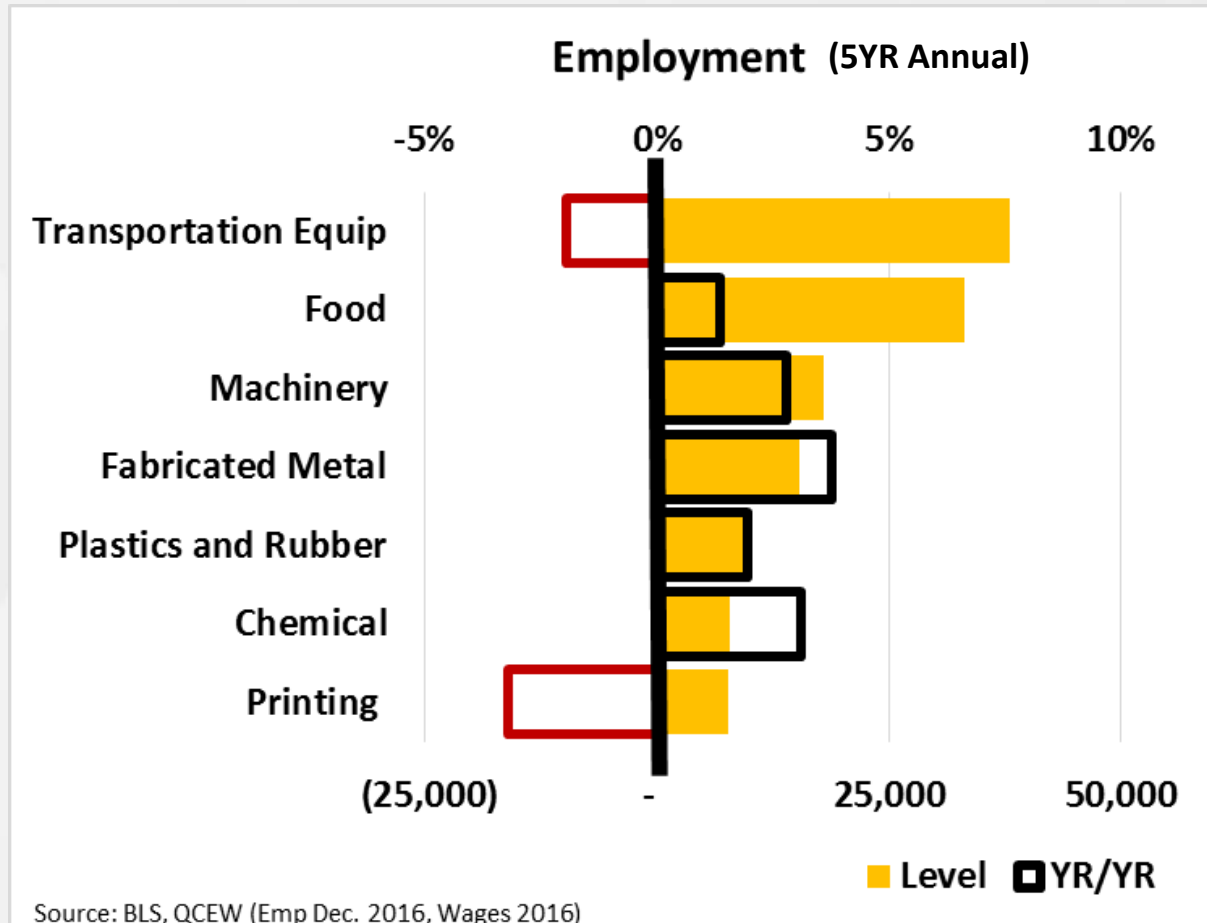


Kansas City	1.6%
Topeka	0.8%
Wichita	0.4%

- **Kansas** – Employment growth is expected to further **slow down**, given both labor issues and weaknesses within core sectors.
- **Metro** – The three large metro areas are expected to see **slower growth** rates compared to previous years.
- **Non Metro** – The rest of the state, as a whole, is expected to be **stagnant** in 2017, as they are waiting on conditions to improve in agriculture, oil, and manufacturing.

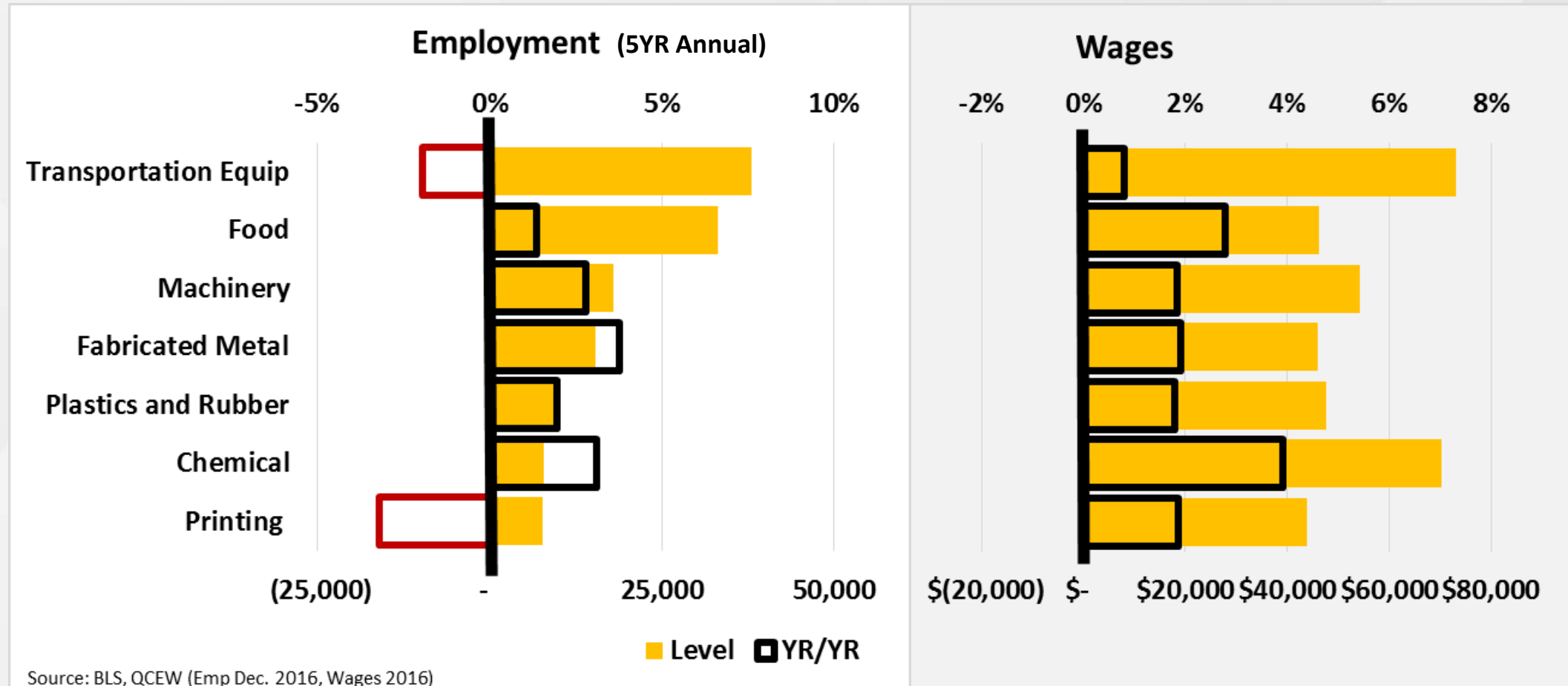
■ Range ■ Forecast — Actual

Long-term KS manufacturing EMP has declined

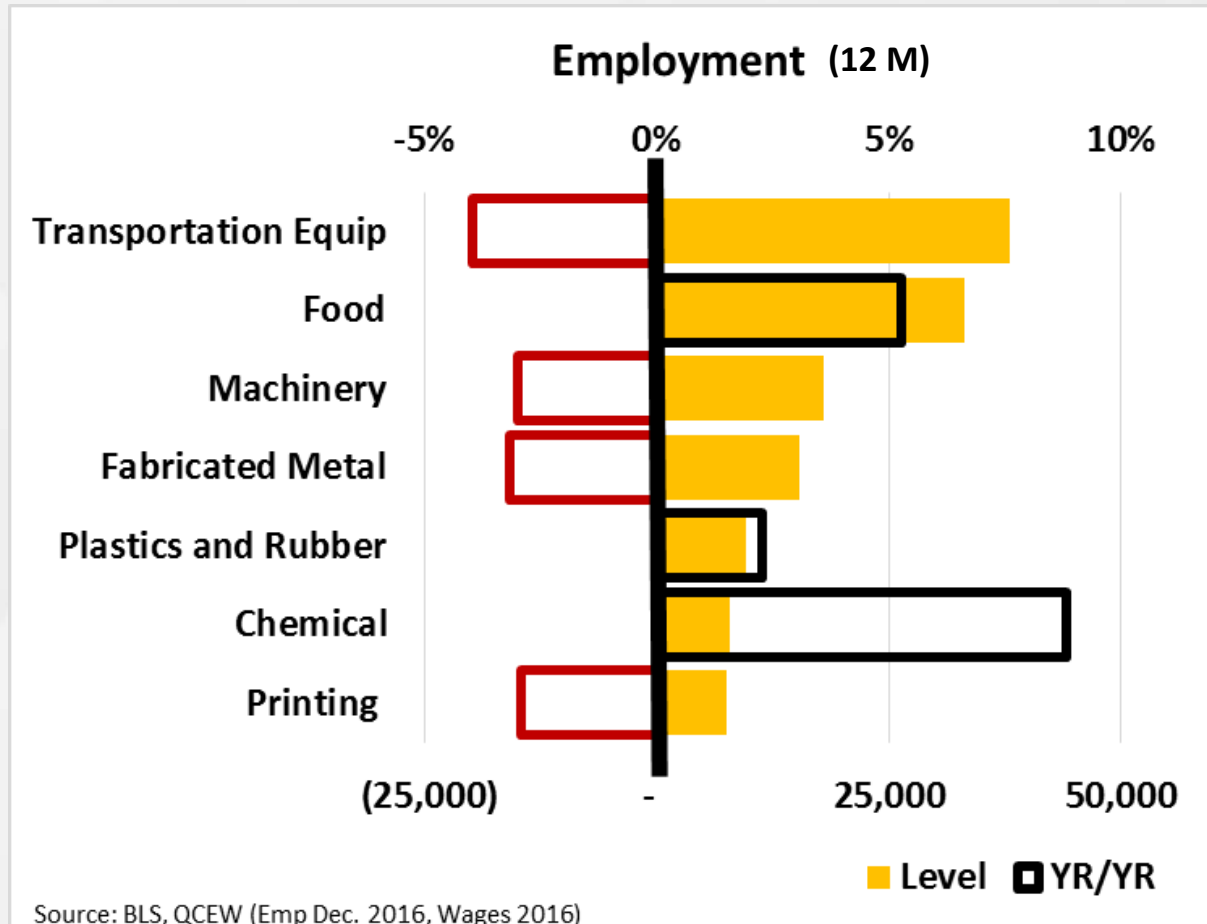


- **Total Manufacturing** – has **declined** by 0.7 % annually, shedding just over 2,700 jobs in five years.
- **Transportation Equipment** – accounts for 24% of all manufacturing and has seen consistent **declines**.
- **Food** – has **grown** by just under 1,500 jobs due to increased income at the US level.
- **Outlook** - CEDBR is forecasting the sector to **decline** by 0.6% in 2018.

Long-term KS manufacturing EMP has declined

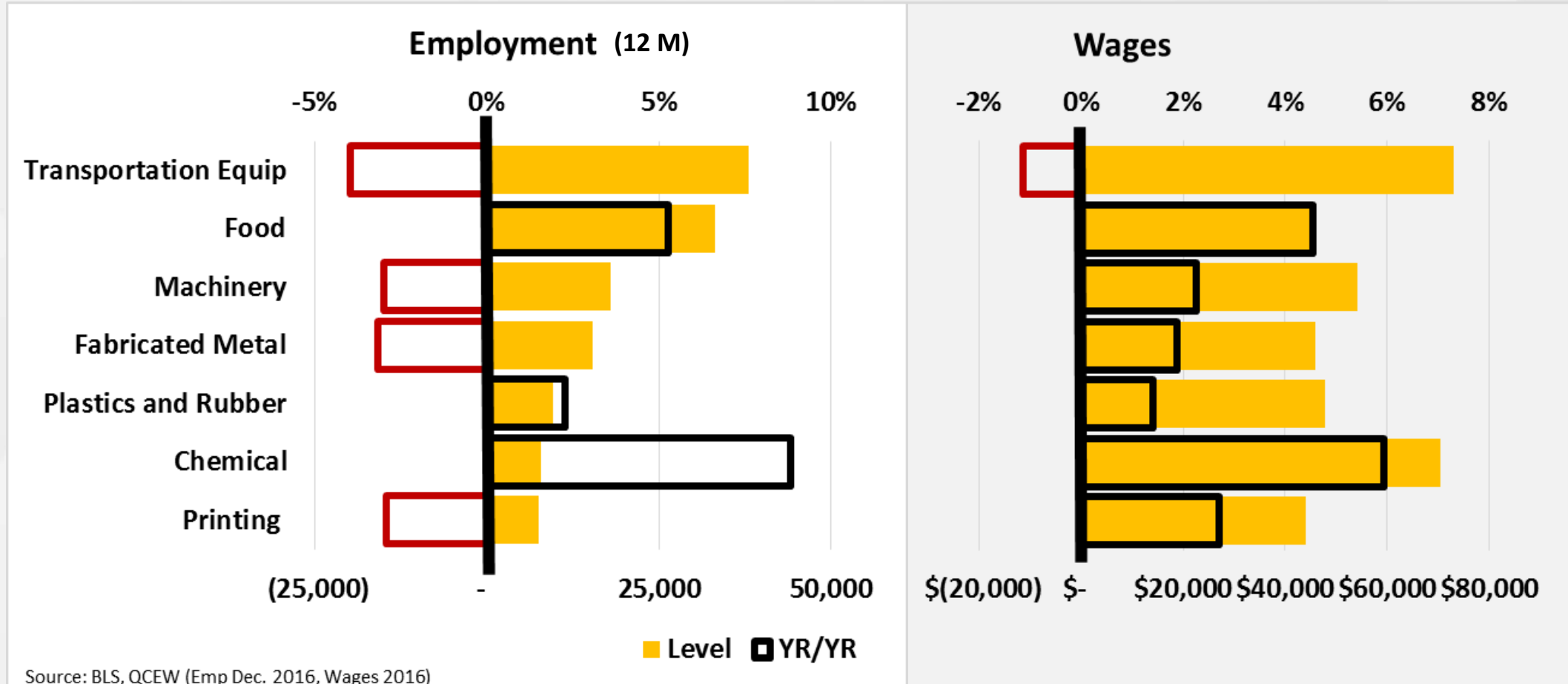


Short-term manufacturing EMP growth has been mixed



- **Food, Plastics, and Chemical** were the only major sectors to see growth over the previous year.
- **Food** – animal foods, meat processing, and bakeries have all seen **growth** statewide.
- **Chemical** – byproducts of oil and pharmaceuticals (human and animal) continue to see **solid growth** markets.

Short-term manufacturing EMP growth has been mixed



Kansas companies are seeing stronger markets in the near term.

Kansas GDP by Top Industries

	2015 Level	Annual Growth Rate	
		2010-2015	2014-2015
Other transportation equipment	5,071	1%	33%
Food and beverage and tobacco products	4,216	4%	8%
Petroleum and coal products	3,373	45%	-6%
Chemical products	2,042	0%	17%
Machinery	1,947	8%	7%
Motor vehicles, bodies and trailers, and parts	1,376	7%	12%
Fabricated metal products	1,363	7%	3%

Source: BEA (millions of current dollars)

KS businesses worried about health of manufacturing

State Concerns	2017*2016	
State tax policy	1	1
State government spending policy	2	2
Manufacturing industry	3	5
Employment growth	4	3
State education policy and funding	5	4
Agricultural industry	6	6
State health care funding	New 7	
Oil industry	8	7
Transportation infrastructure	9	8
Energy costs	10	9

Red = Decrease **Blue** = Increase

- **State tax and spending policy** remain top concerns. Kansas businesses are desperate for stability and reduced uncertainty.
- The health and vitality of the **manufacturing** sector is seen as critical for overall growth.

Available labor and stalled growth are top concerns

- **Labor** scarcity of both skilled and quality labor is driving companies to settle.
- Respondents highly disagree on their level of concern about **Housing**, which is mostly a divide between urban and rural areas.

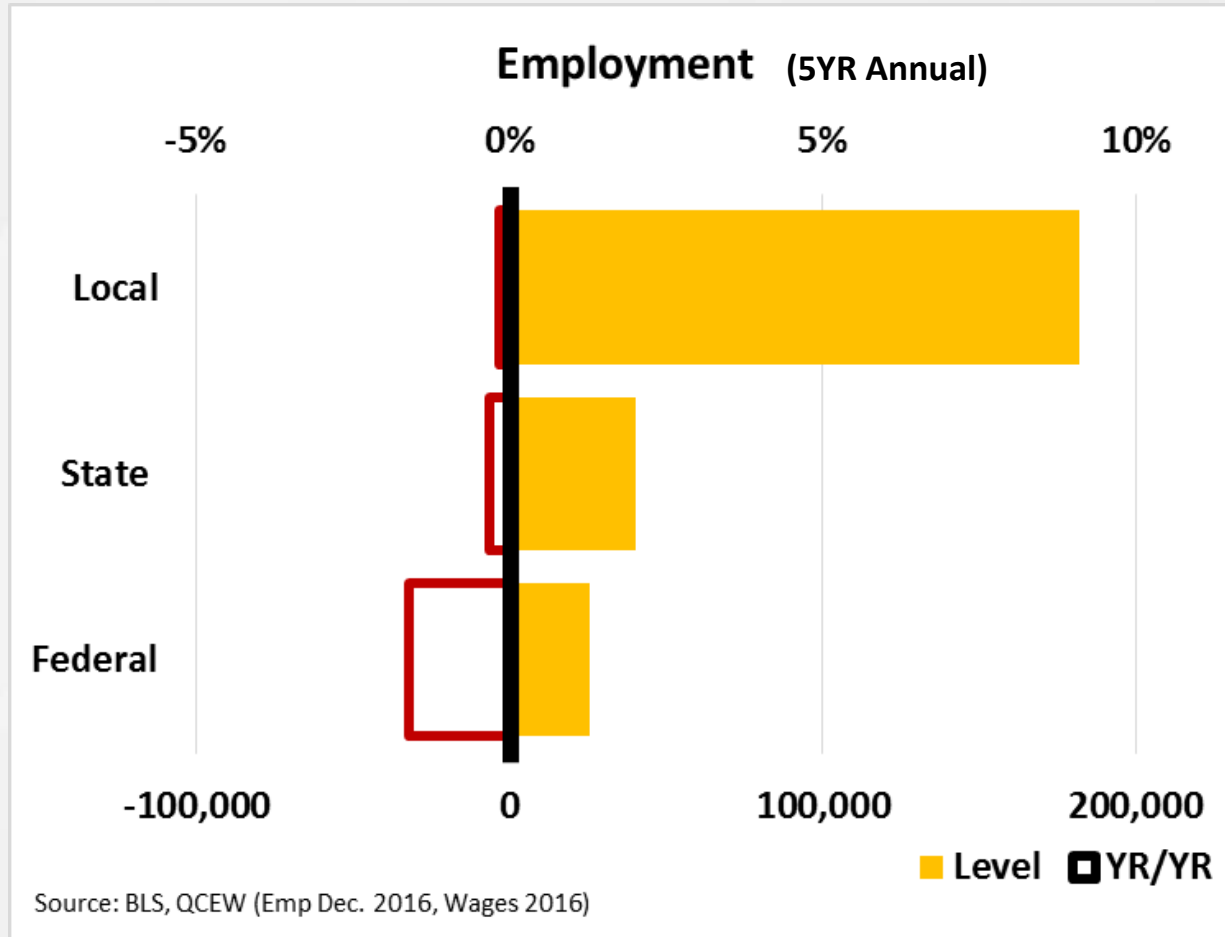
Local Concerns Across Kansas	2017	*2016
Growth in your area's primary industry (i.e. Mfg., Oil, Ag.)	1	1
Availability of labor	New 2	
Industry diversity	3	2
Employment growth	4	4
Local consumer demand	5	5
Economic development policy	New 6	
Housing	7	7
Local government budget	8	6

Red = Decrease **Blue** = Increase

*Changes: Availability of Entry and Skilled Labor were removed

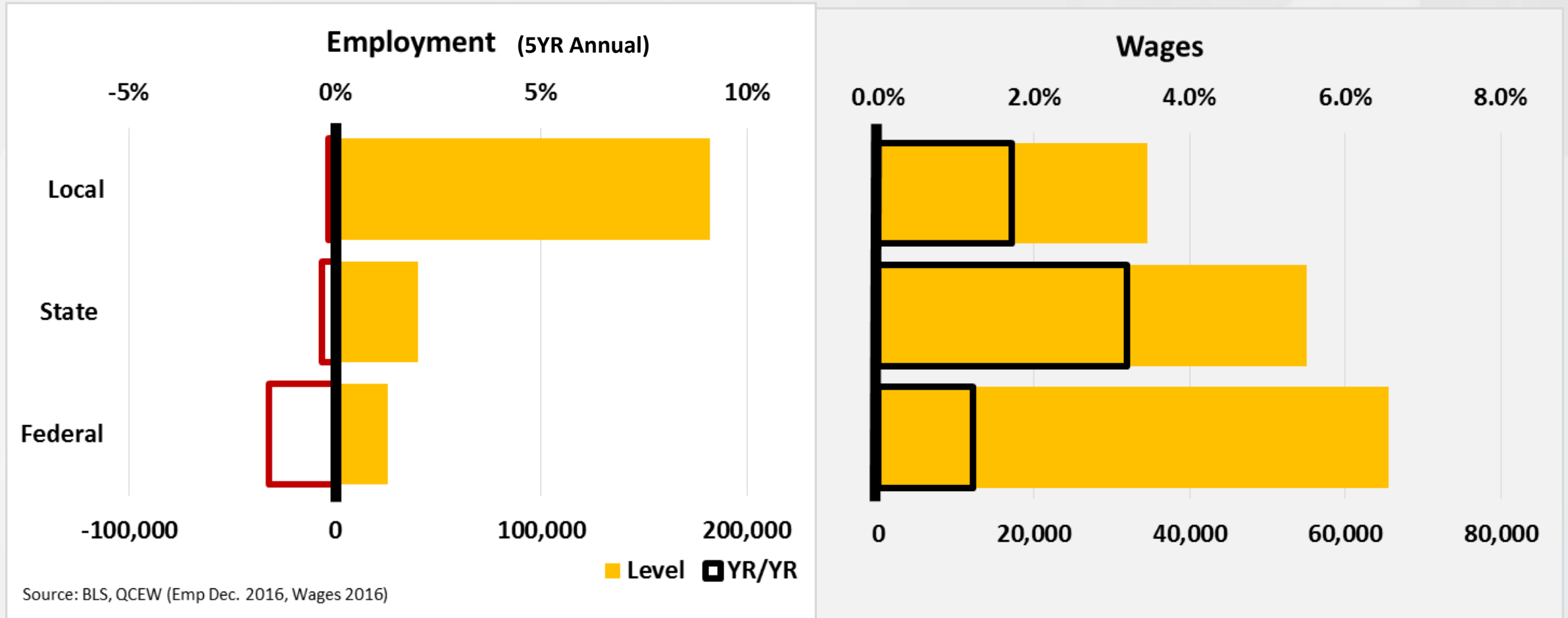
Kansas Outlook and the Government Sector

Long-term government EMP has declined

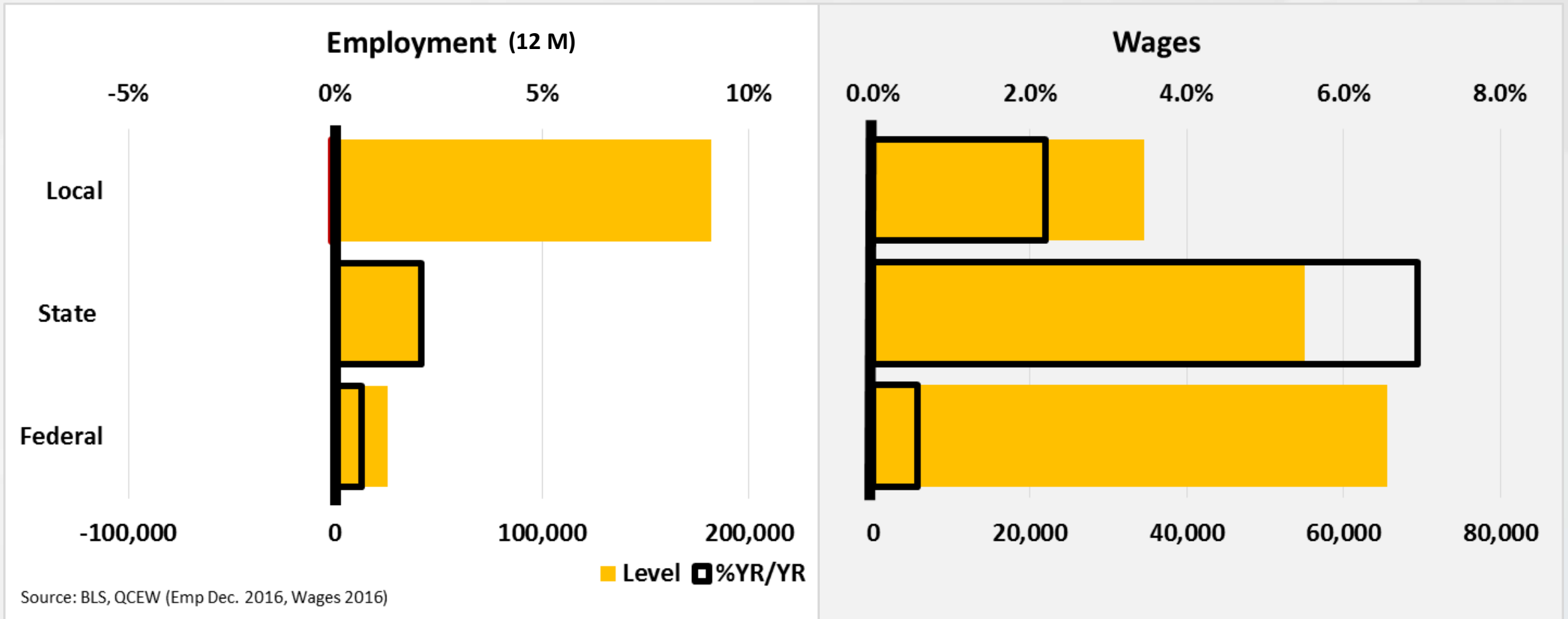


- **Austerity** and **weak conditions** have impacted government employment.
- **Local government** – this sector represents 73% of government jobs, and had, essentially, **stalled** growth over the last five years.
- **State government** – the state has shed just over 650 direct jobs, which does not include public education.
- **Federal** - in December 2016, there were just over 25,000 federal-related jobs within the state.
- **Outlook** – government is expected to **decline** by 0.4% in 2018.

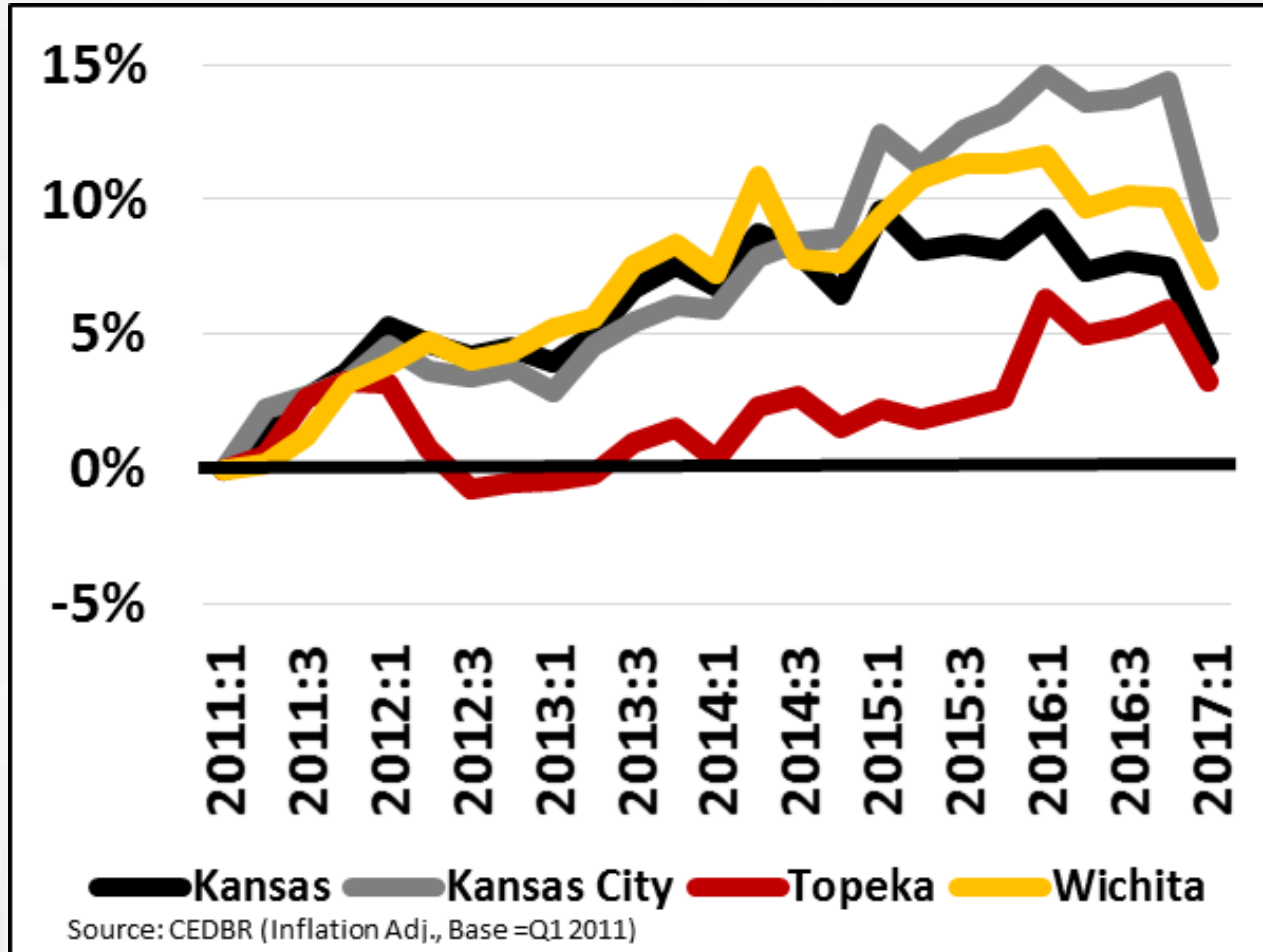
Long-term government EMP has declined



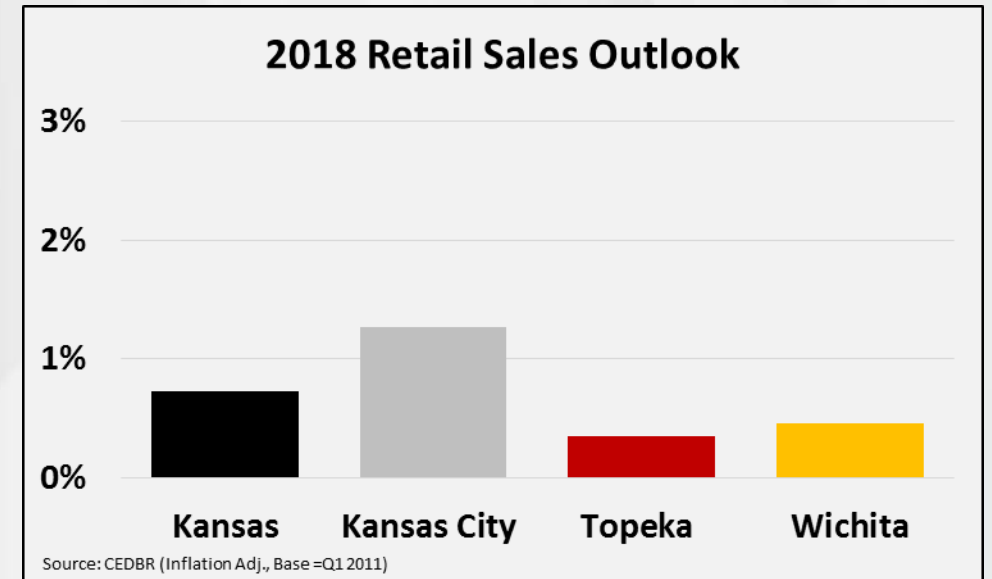
Short-term government EMP had small growth



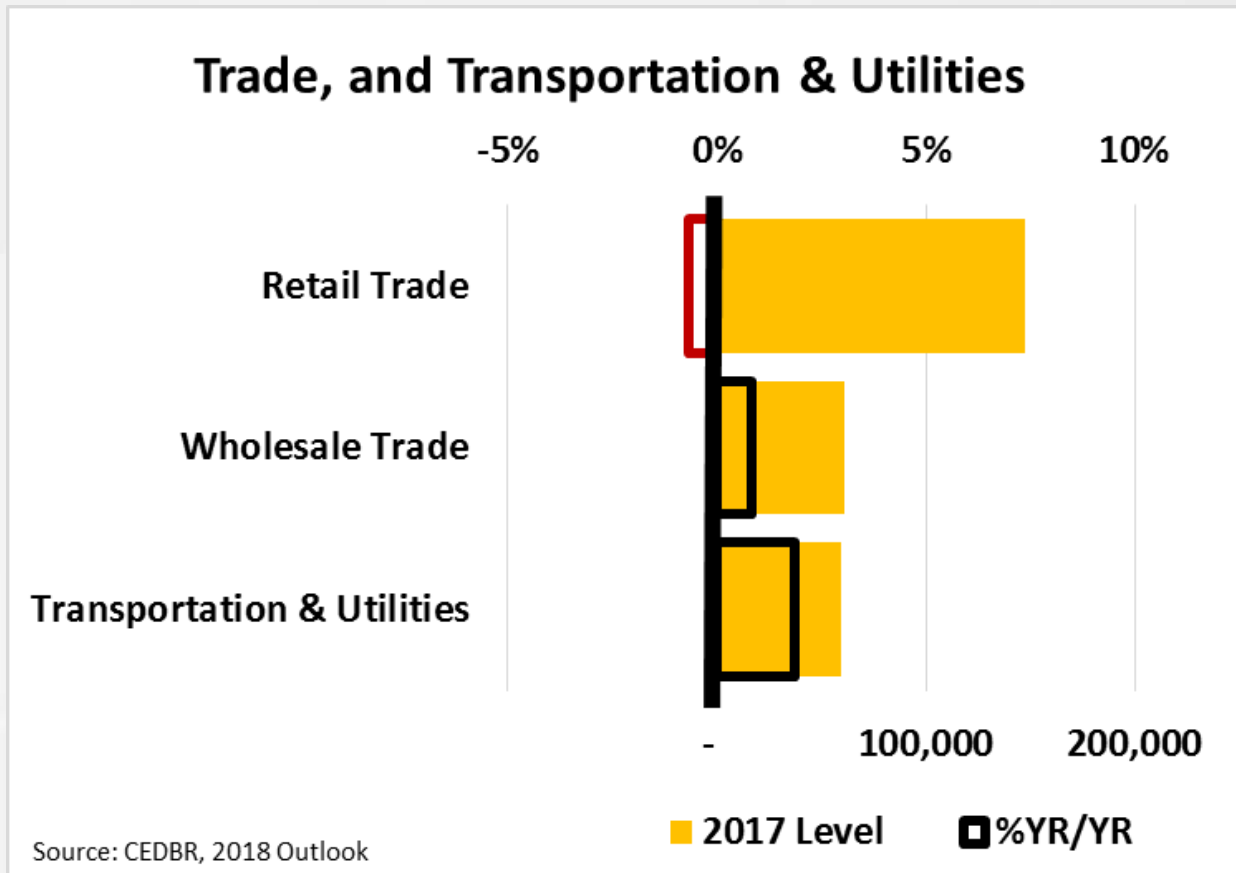
Retail Sales – Growth Since 2011



- Downward pressures from both weak job growth and slowing population will dampen retail sales.
- Kansas City will likely see the most growth given the stronger market conditions.

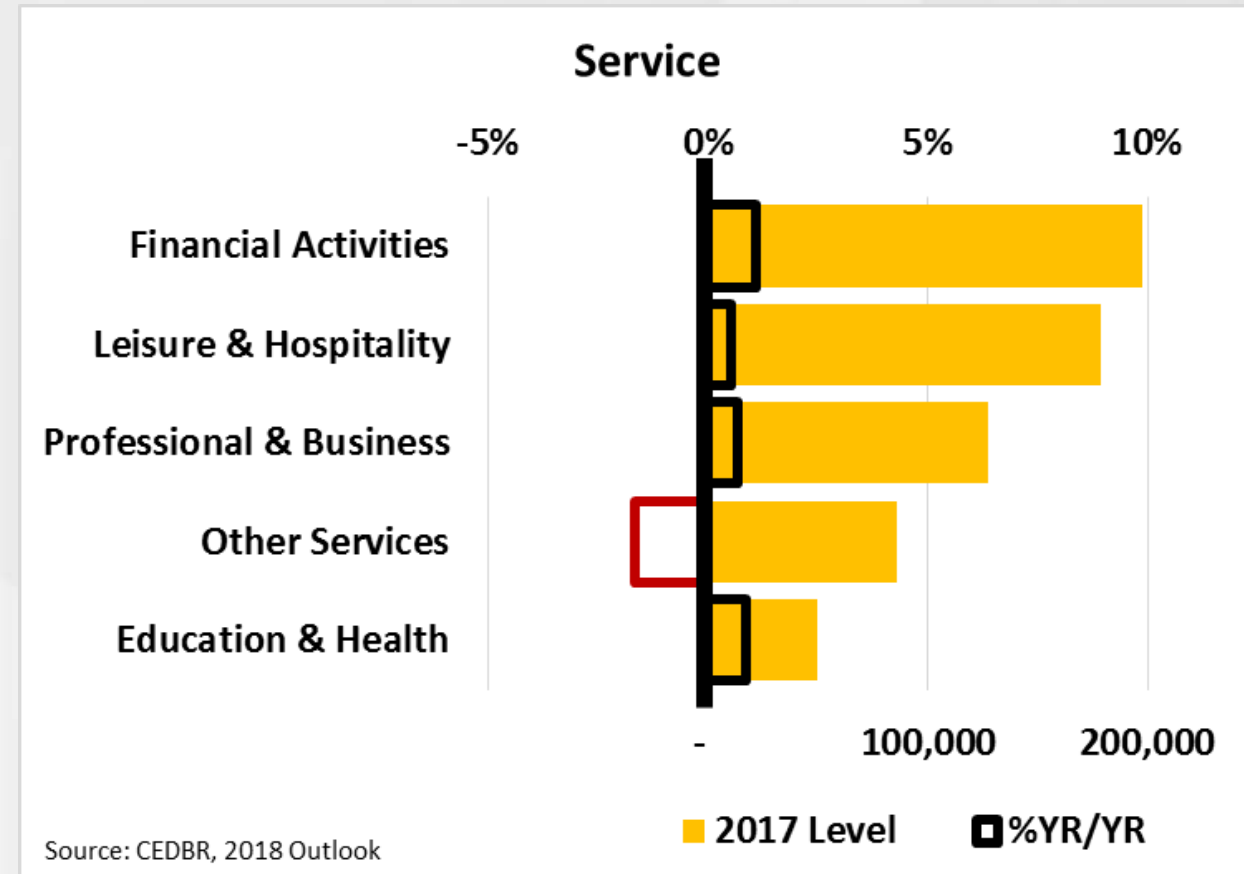
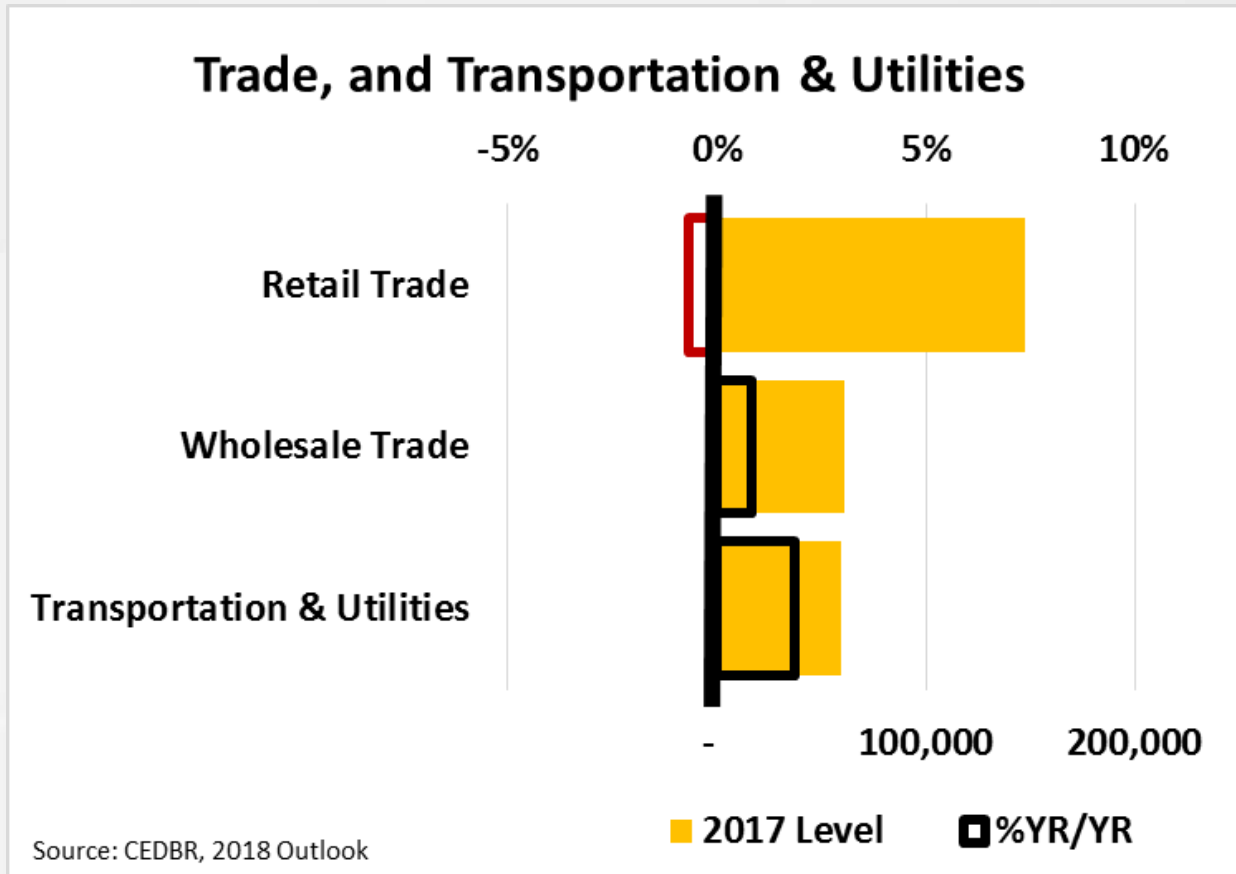


Forecast - 2018 employment outlook is mixed

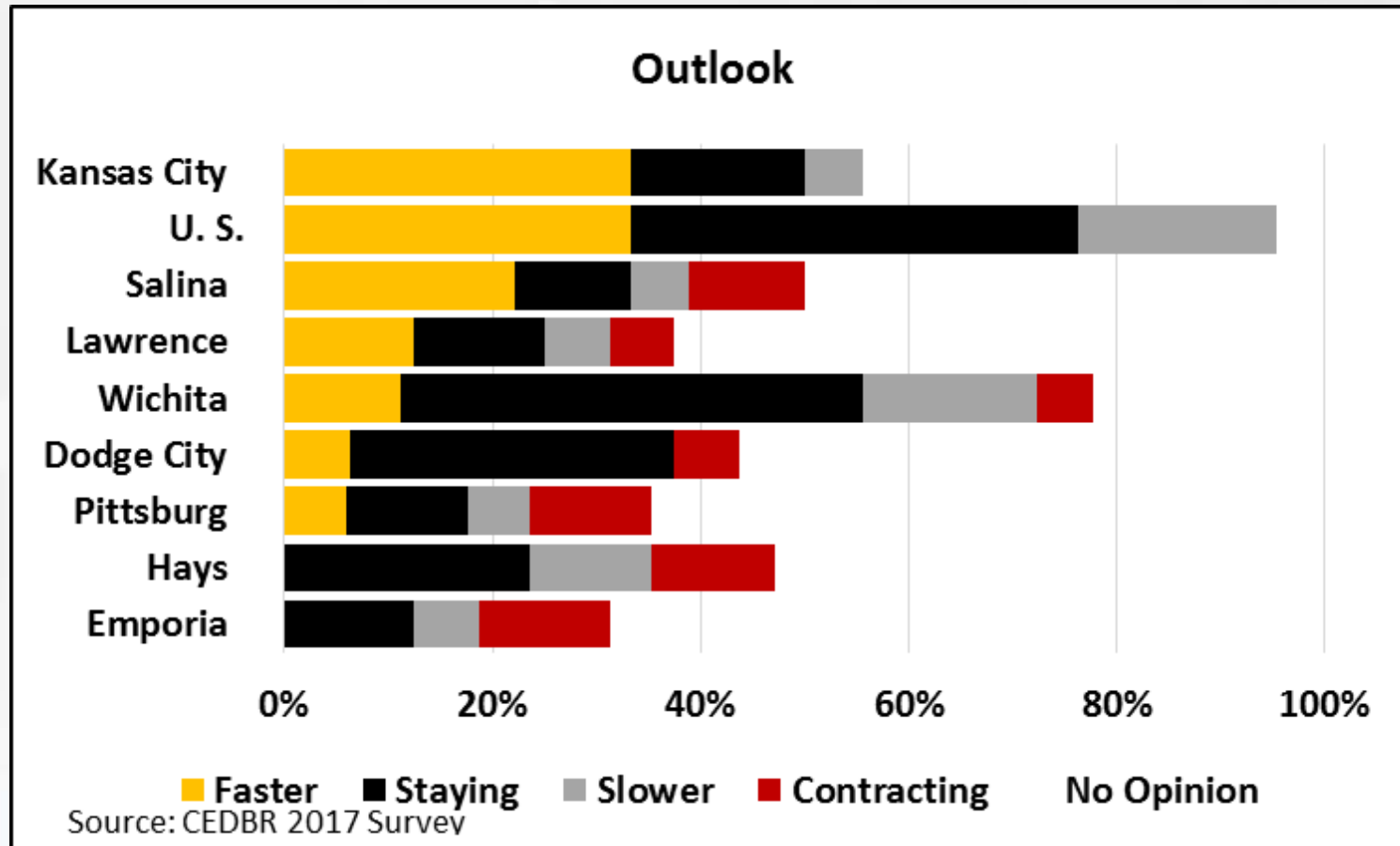


- **Retail Trade** – out migration, changing preferences, and negative expectations are all weighing on employment growth.
- **Transportation & Utilities** - all of the growth is expected on the transportation and warehousing side. Employment within utilities has stalled since 2015.

Forecast - 2018 employment outlook is mixed



Businesses are optimistic about KC, and negative to mixed for the rest of the state.



Could businesses be too optimistic?

