

# *Kansas Community Outlook* **EVENTS**

Neosho County

Local Partner:



# WELCOME

**1:00 Registration / Networking / Refreshments**

1:30 State/Regional Outlook

2:15 -- Q & A --

2:30 Local Update

2:50 -- Q & A --

3:00 Closing Remarks / Adjourn

## *Kansas Community Outlook EVENTS*

Local Partner:



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# AGENDA

- 8:00 Registration / Networking / Refreshments
- 8:30 State/Regional Outlook**
- 9:15 -- Q & A --
- 9:30 Local Update
- 9:50 -- Q & A --
- 10:00 Closing Remarks / Adjourn

## *Kansas Community Outlook EVENTS*



### **Jeremy Hill**

Director, CEDBR  
Wichita State University

Local Partner:





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# Economic Outlook

Jeremy Hill

# 2018 Forecast Review

- As **fundamentals** improve, businesses have **increased optimism** about the coming year.
- **Most markets** across Kansas are **expected to improve**.
- Employment **growth is expected to return** for Kansas, Wichita, and Topeka.
- Expectations of a **looming recession** have been **pushed off** to 2020 or later.
- **Headwinds include:**
  - Commodities prices, available skilled labor, slow population growth, trade wars and weak wage growth.
- **Tailwinds include:**
  - Growth in US consumption, improvements to aerospace supply chain, and business/consumer optimism.



# Concerns that need to be addressed

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- **U.S.**

- Is the economy still growing?
- Will trade issues pull us into a recession?

- **Kansas**

- Will our recent economic reacceleration last?
- Is Kansas still lagging behind the nation in real wage growth?

- **Urban**

- When will we run out of skilled labor?
- Are there still underlying issues within manufacturing?

- **Rural**

- Can farmers survive a trade war?
- Is quality of life disappearing with retail stores?

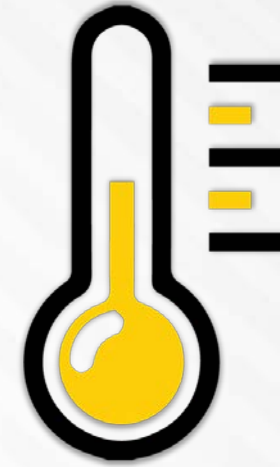
# Vital Signs of the Economy

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**Respiratory**



**Body Temperature**



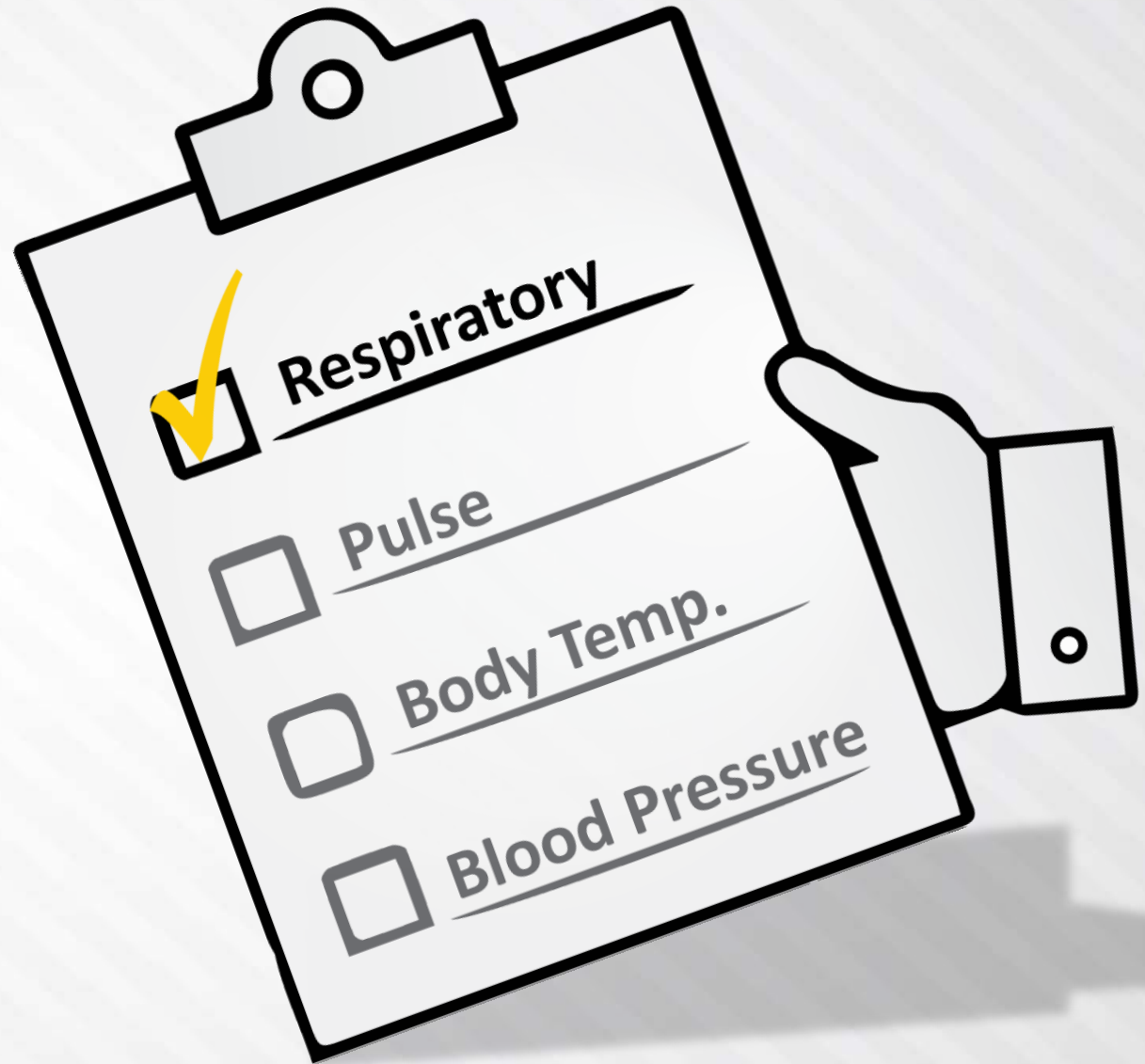
**Pulse**



**Blood Pressure**

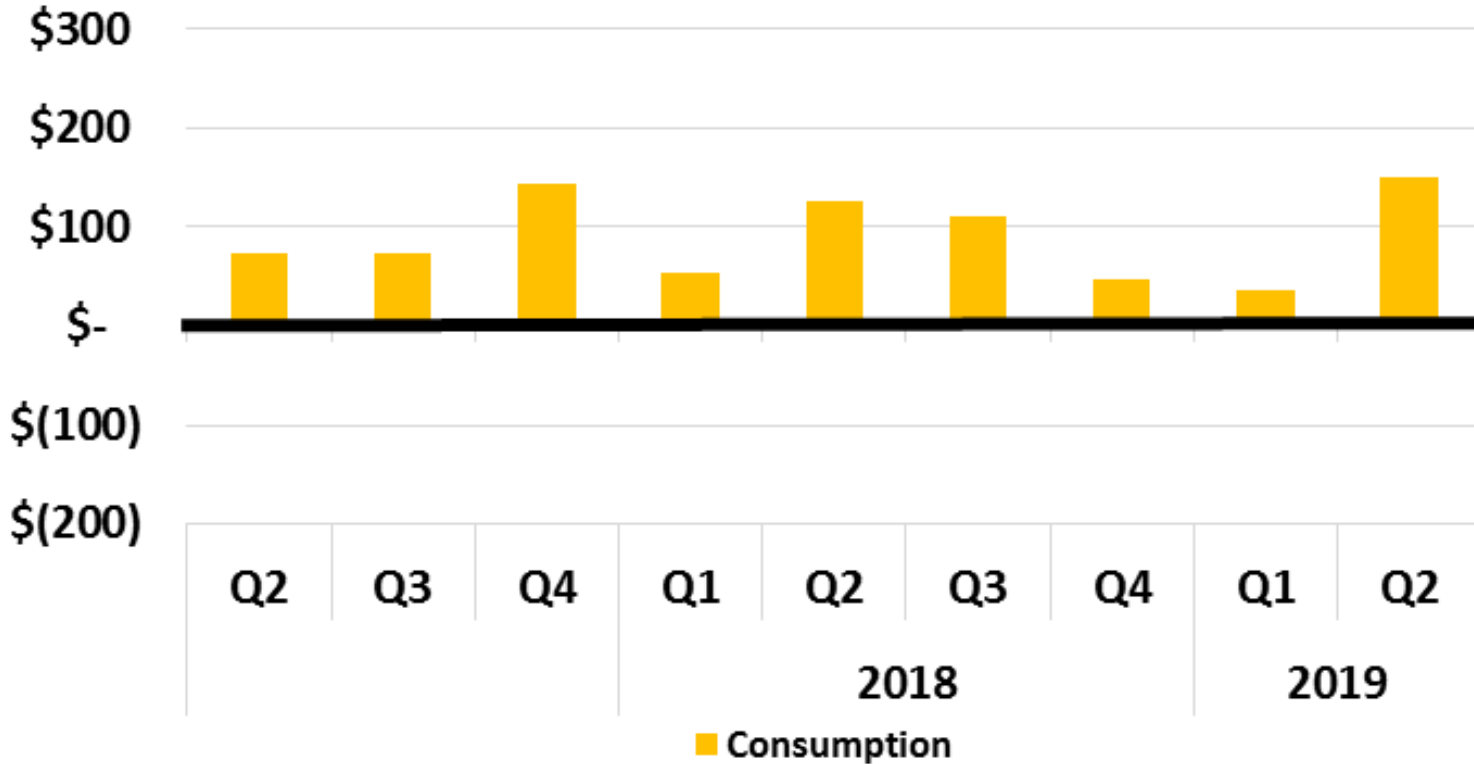






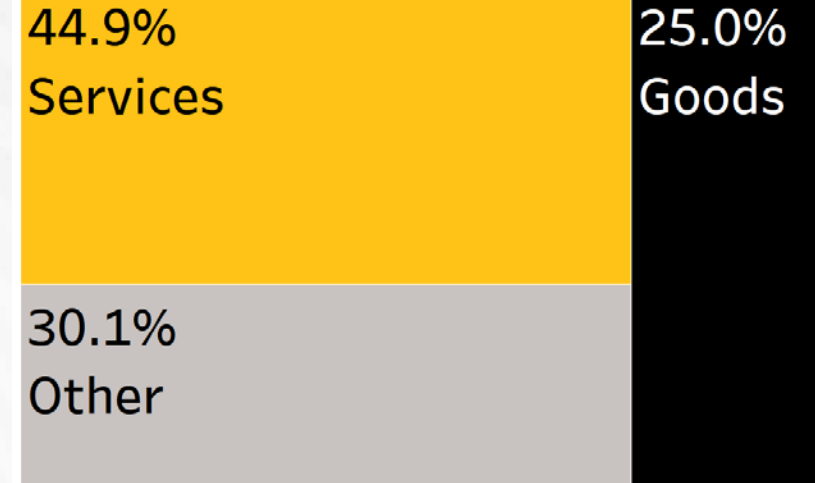
# Consumers were still active

## U.S. Consumption



Source: CEDBR, BEA - inflation adjusted annualized change (billions of 2012\$)

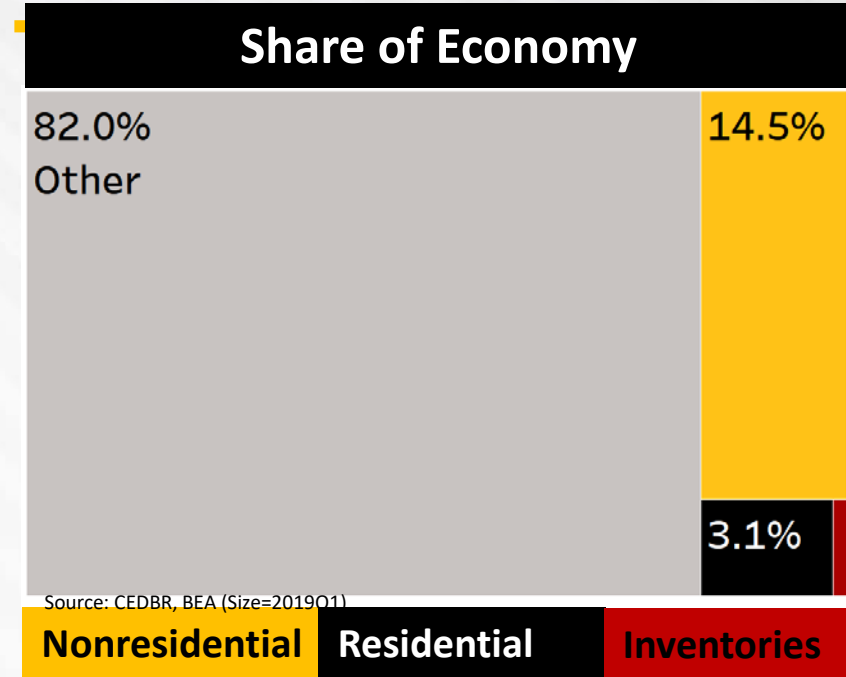
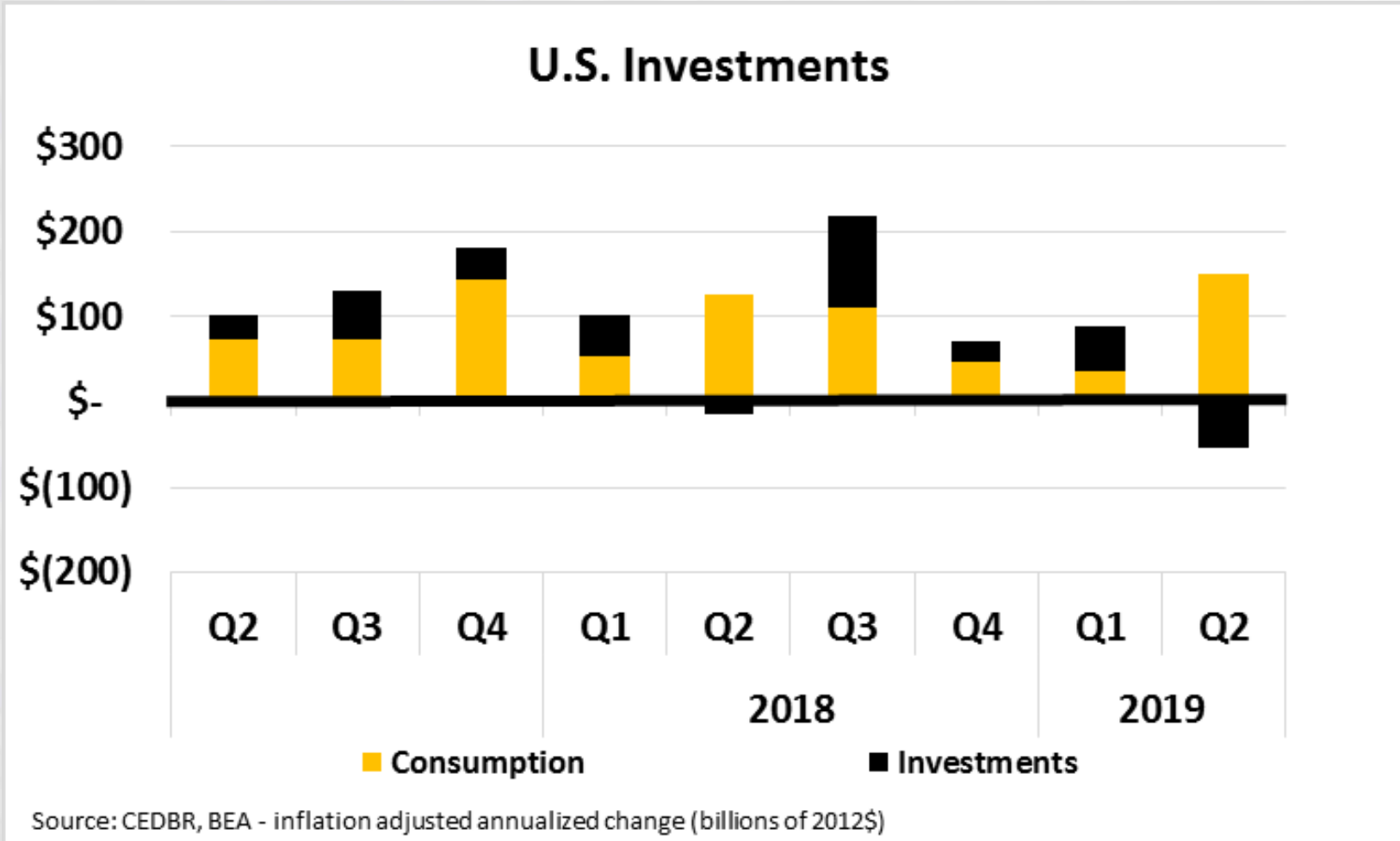
## Share of Economy



Source: CEDBR, BEA (Size=2019Q1)

- Consumption **grew 2.2%** annually since 2008.
- Consumption **increased 2.7%** in Q2 2019.
- Goods **grew by 3.8%** over the previous year, making it the fastest segment.

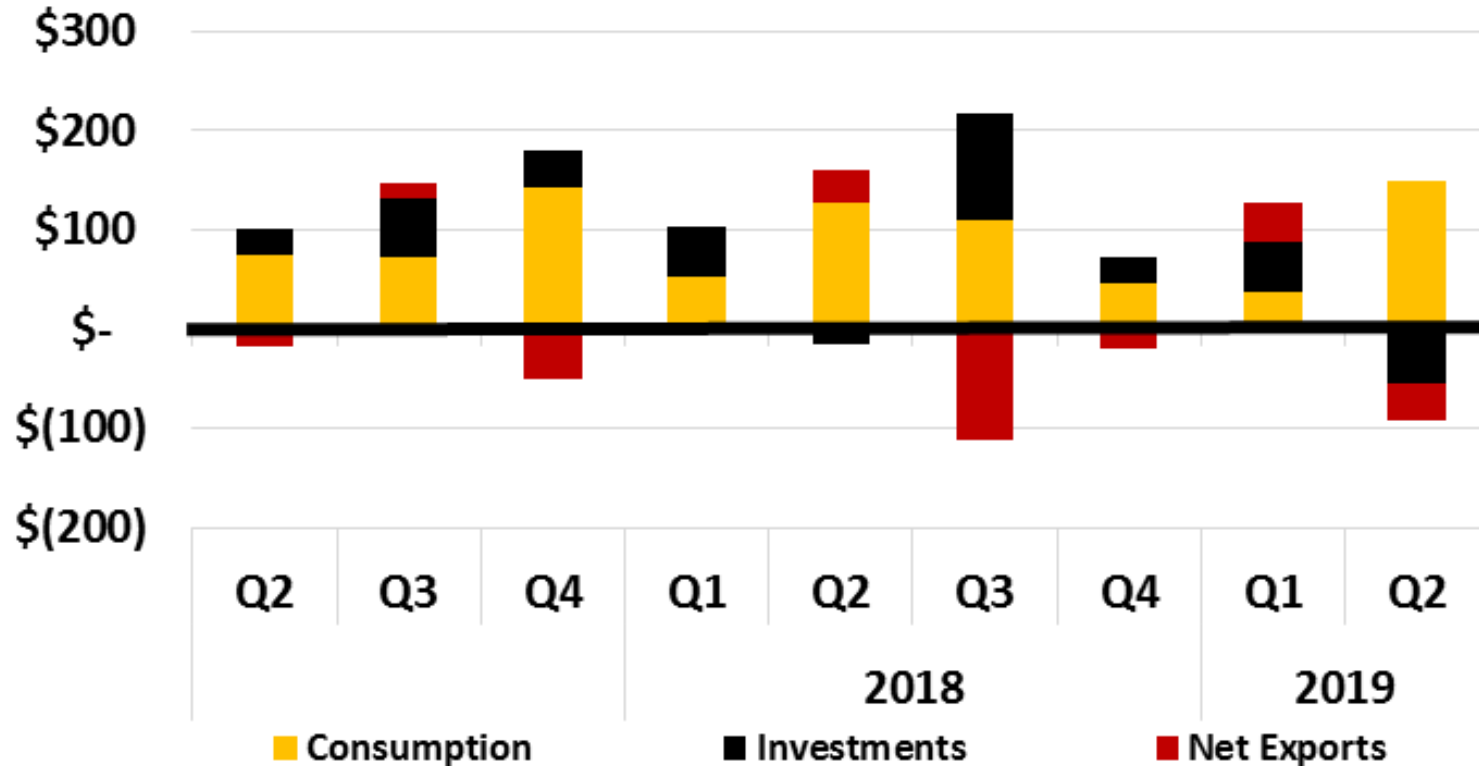
# Looming concerns rattled investments



- Residential investments **declined 0.7%**.
- Businesses appeared **rattled** over trade issues, as investment declined.

# Trade weighed on growth

## U.S. Net Exports



Source: CEDBR, BEA - inflation adjusted annualized change (billions of 2012\$)

## Top Export Markets

Canada 299,768,502,094	Mexico 265,442,787,072
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China 120,148,141,129	Korea, South
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Japan 75,229,207,847	Brazil	Belgium
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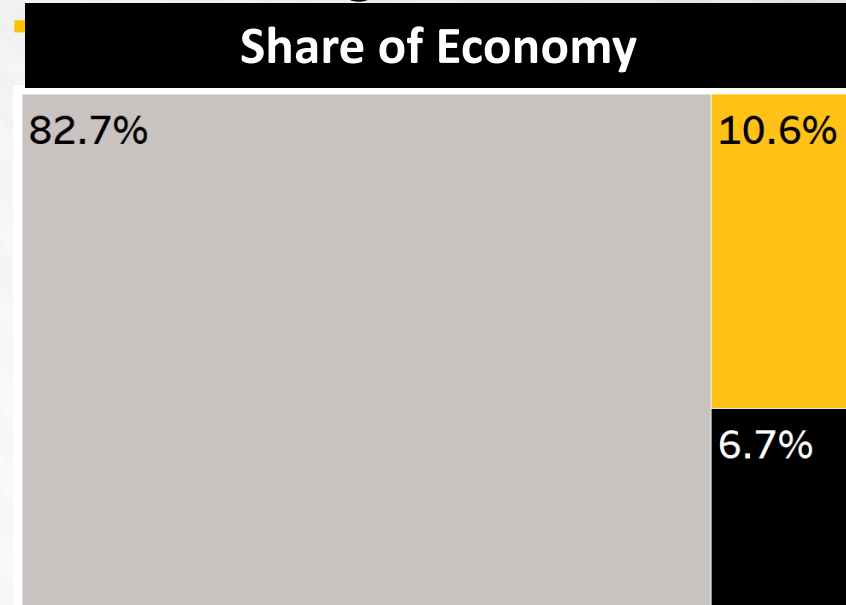
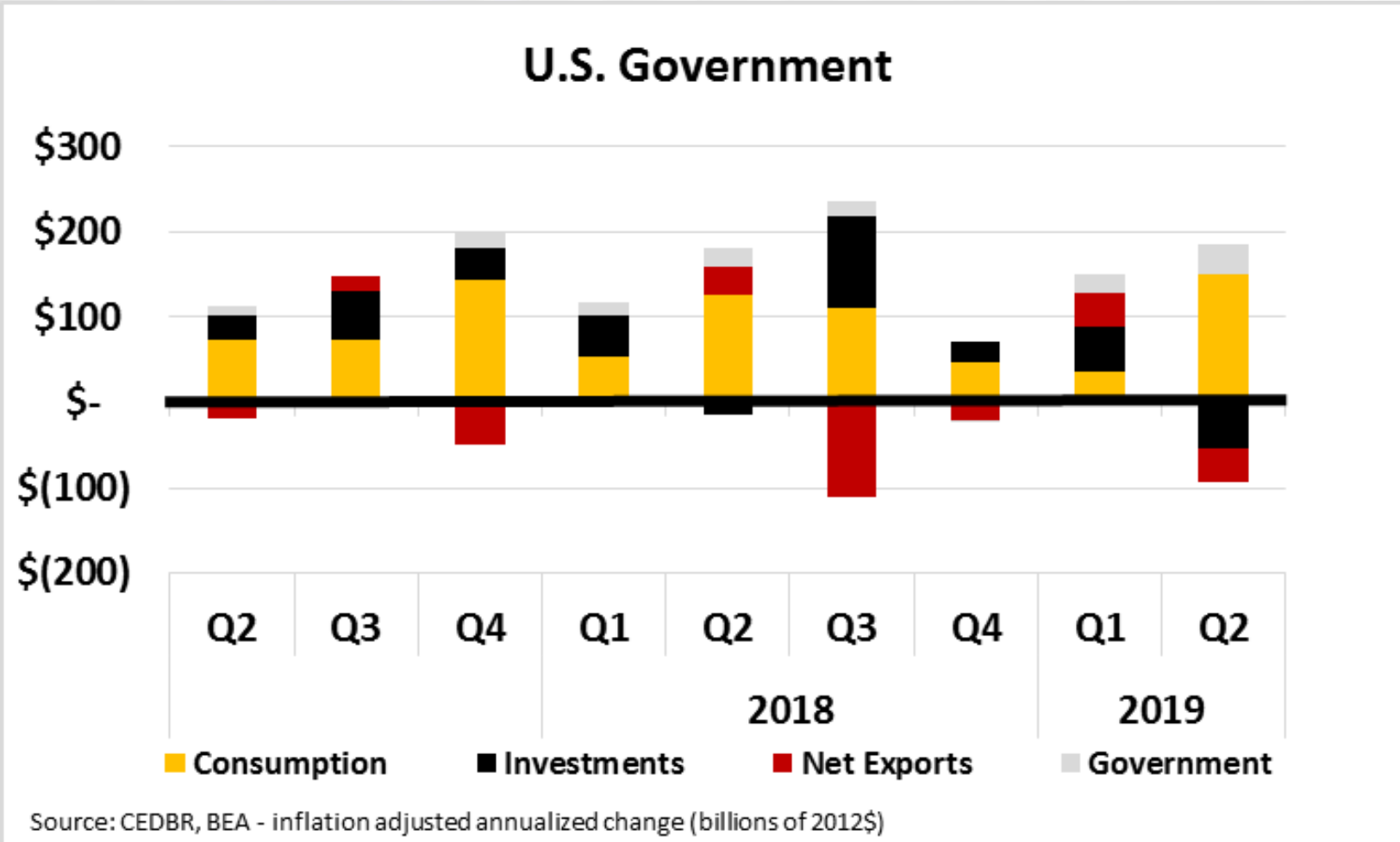
Germany	Hong Kong	Taiwan	Africa
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Declining

Growing

Source: CEDBR, Census - USA Trade (Value =2018, YR/YR July 2019)

# Government spending propped up the economy

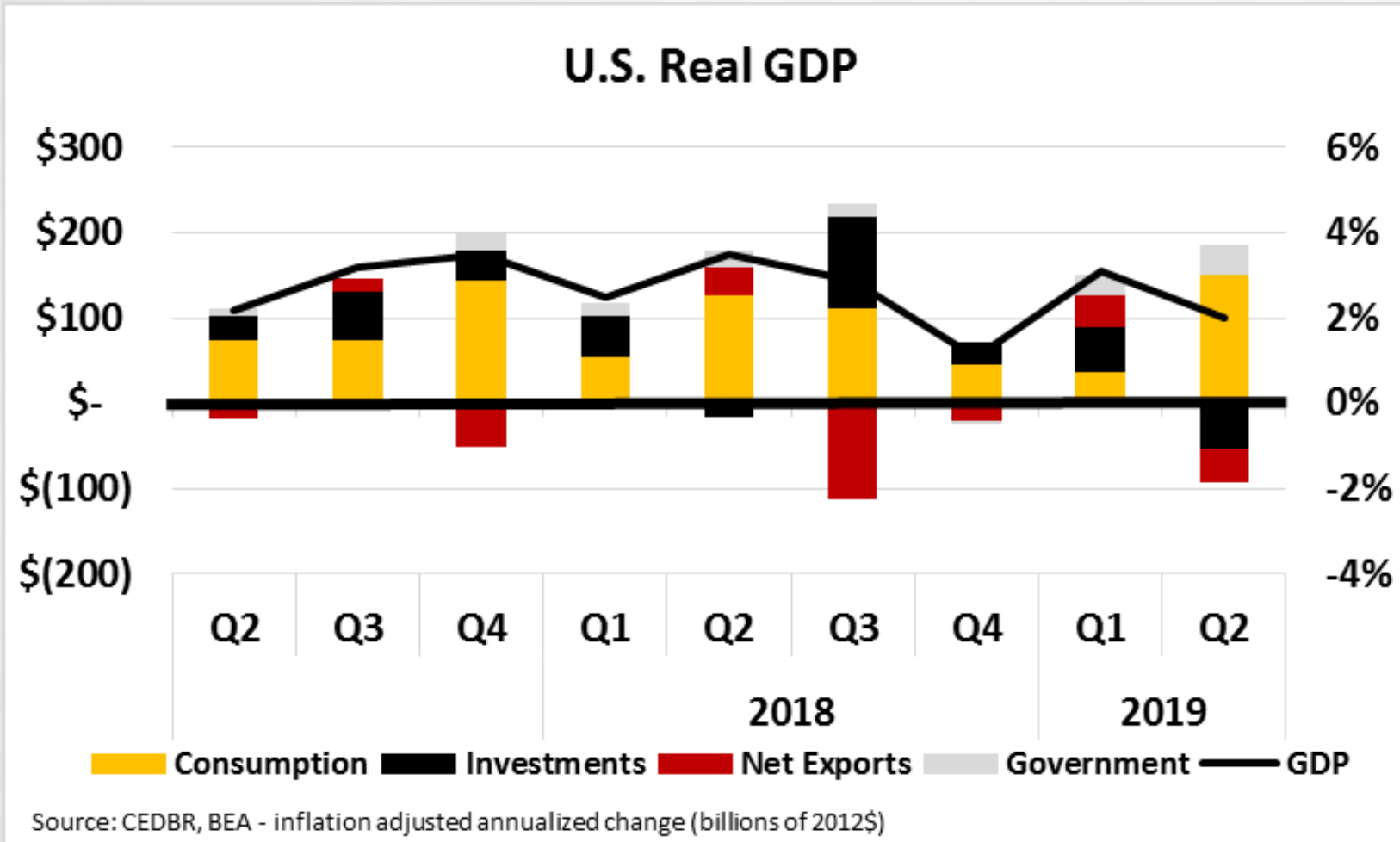


Source: CEDBR, BEA (Size=2019Q1)

**Federal**      **State and Local**

- Nondefense spending **added the most** to the recent growth.
- State and local government spending had **consistent growth** over the last six years.

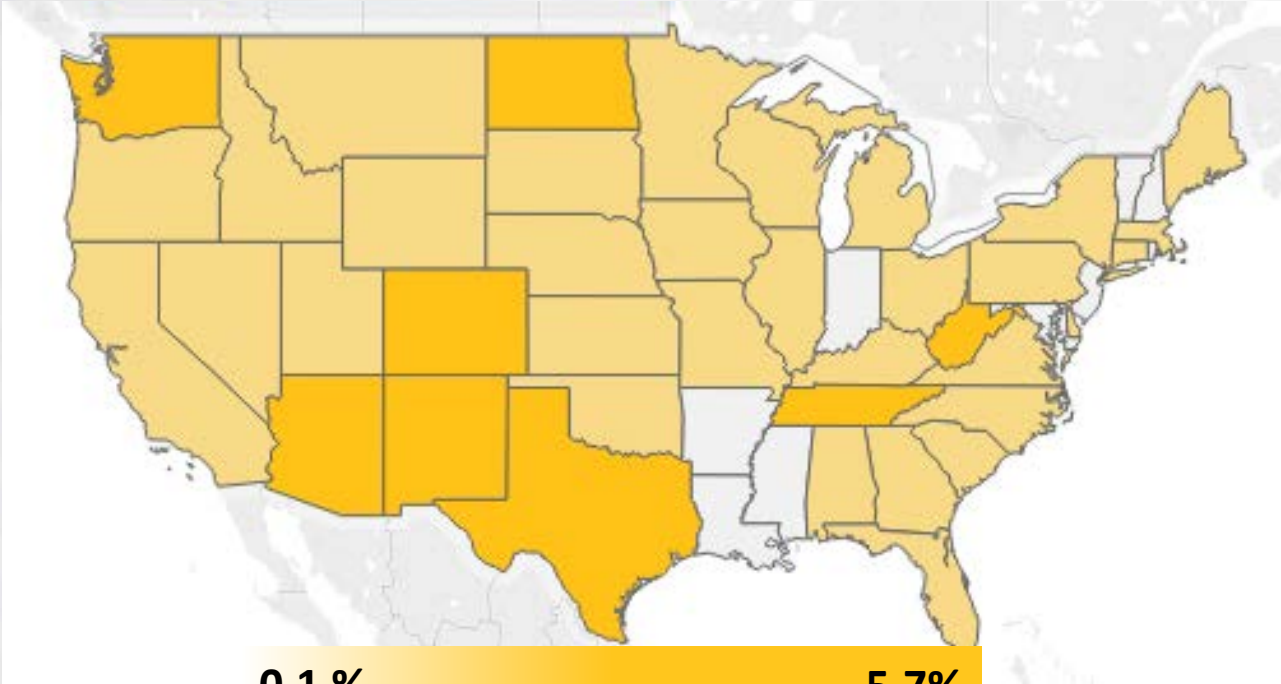
# GDP grew, but weaknesses mount



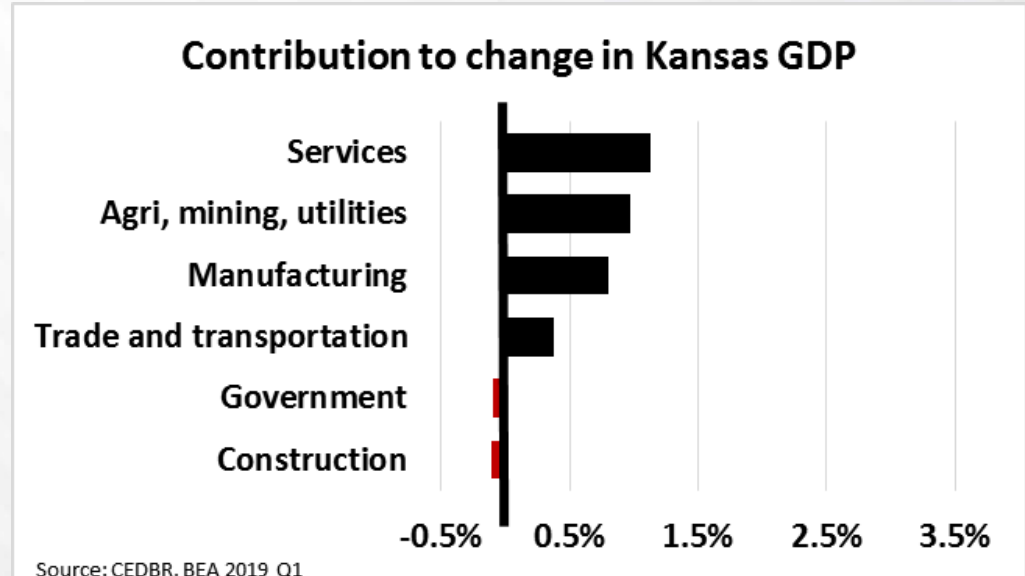
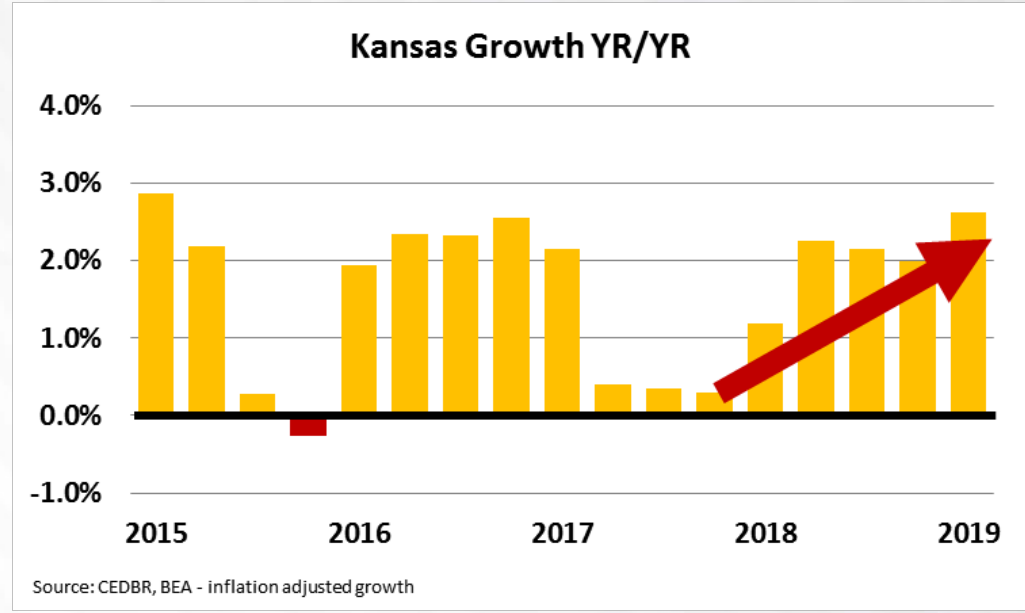
- U.S. economic growth **slowed down** in Q1 2019.
- Investments had the **largest negative impact**, slowing GDP by 1.1 percentage points.
- Exports **slowed GDP** by 0.7 percentage points.
- U.S. consumption **remained uninhibited**.

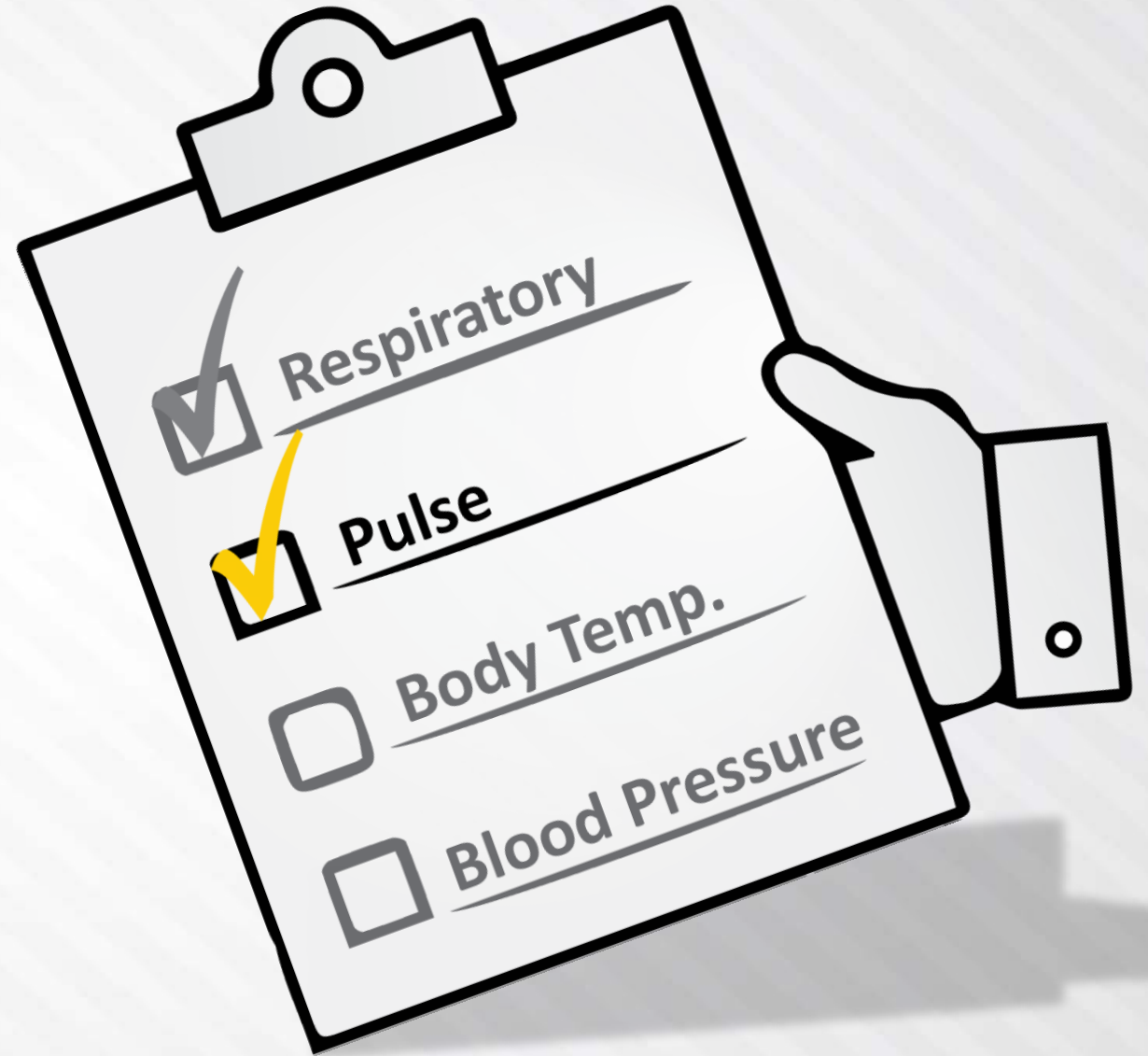


# Kansas accelerated Q1 2019



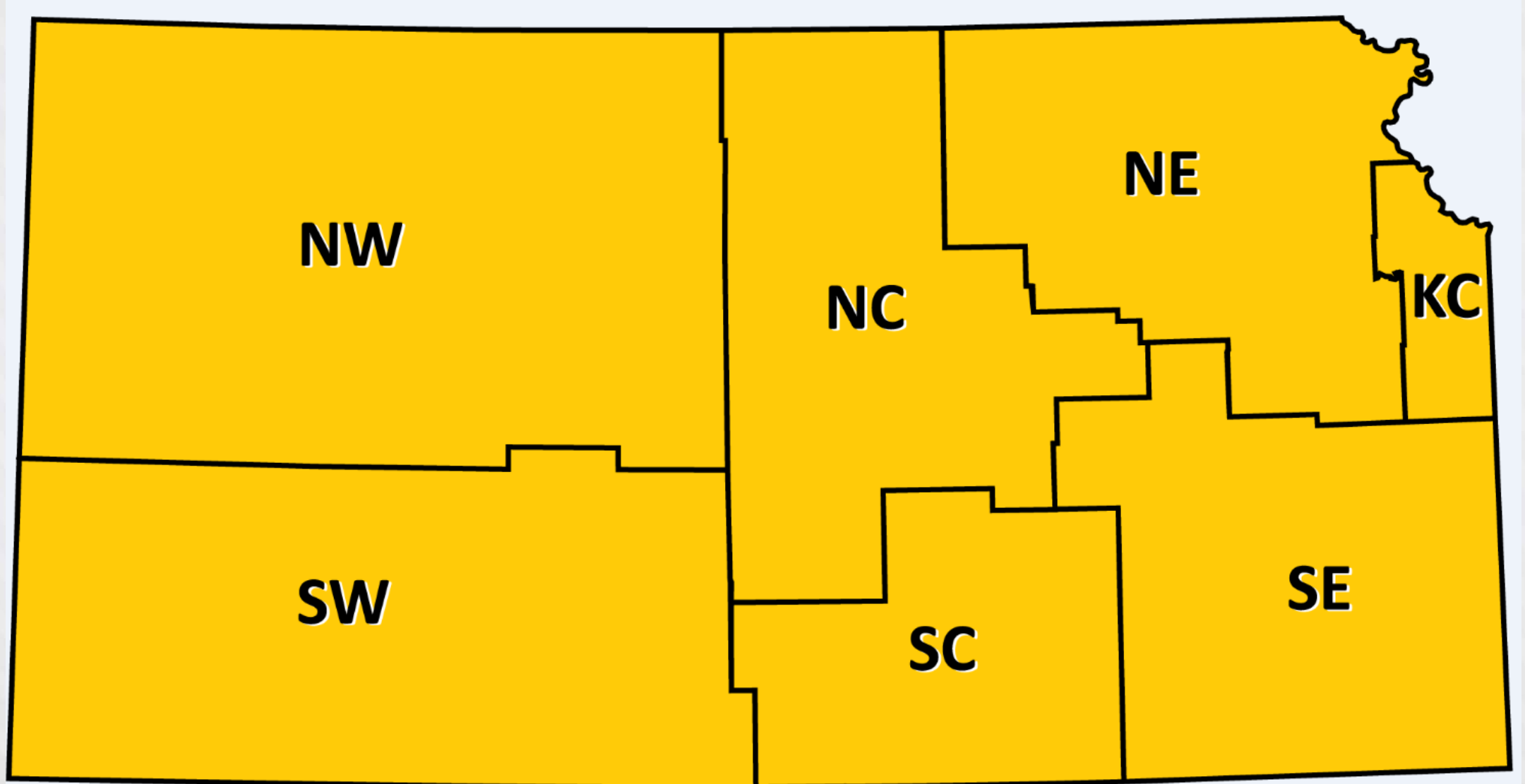
- Kansas GDP grew **2.6%** YR/YR in Q1 2019, which was 0.6 percentage points slower than the U.S.
- **Agriculture** was **up from the previous quarter** only because of government payments.
- **State and local government** spending had **consistent growth** over the last six years.



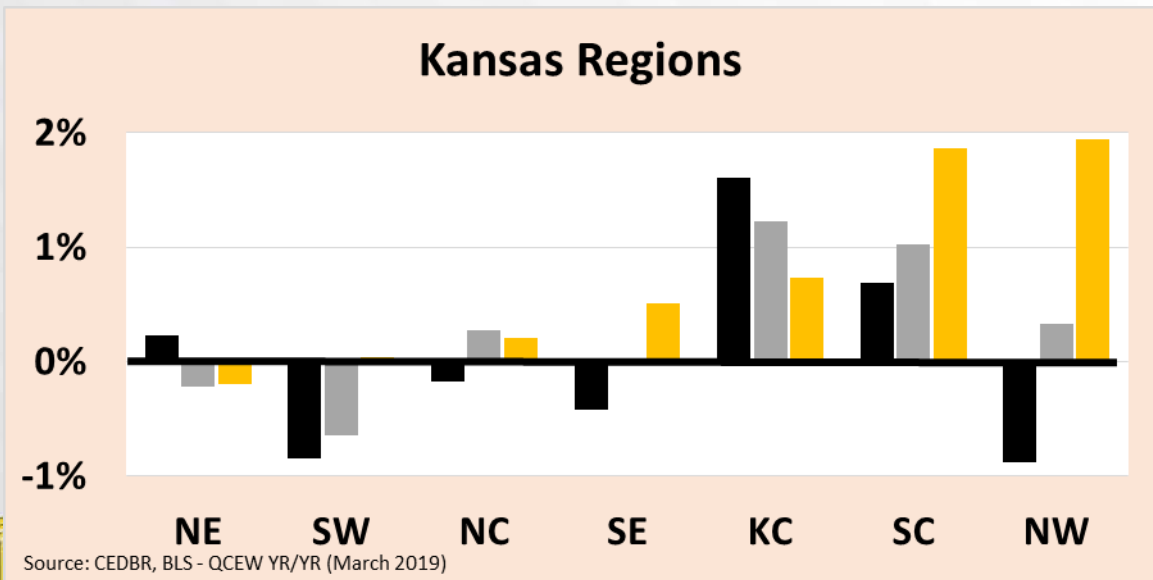
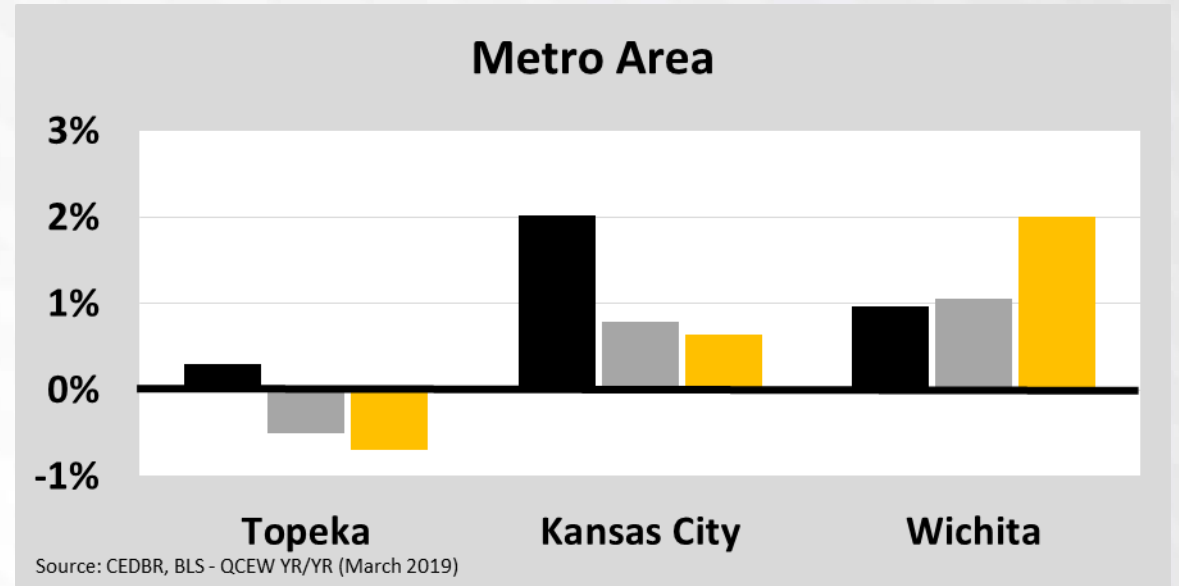
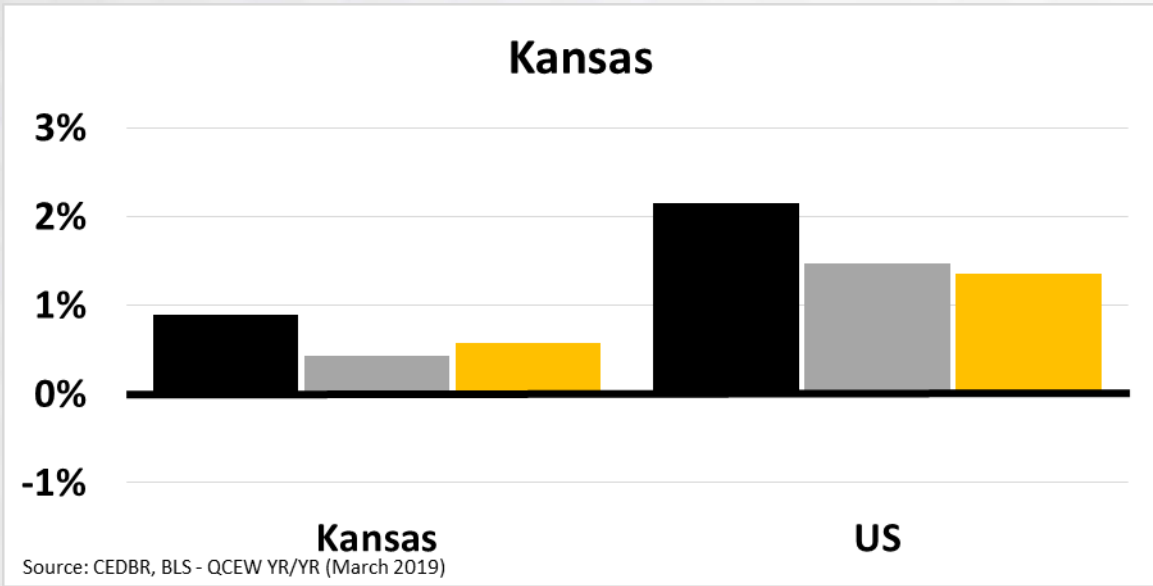


# Kansas Regions

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# Employment Growth

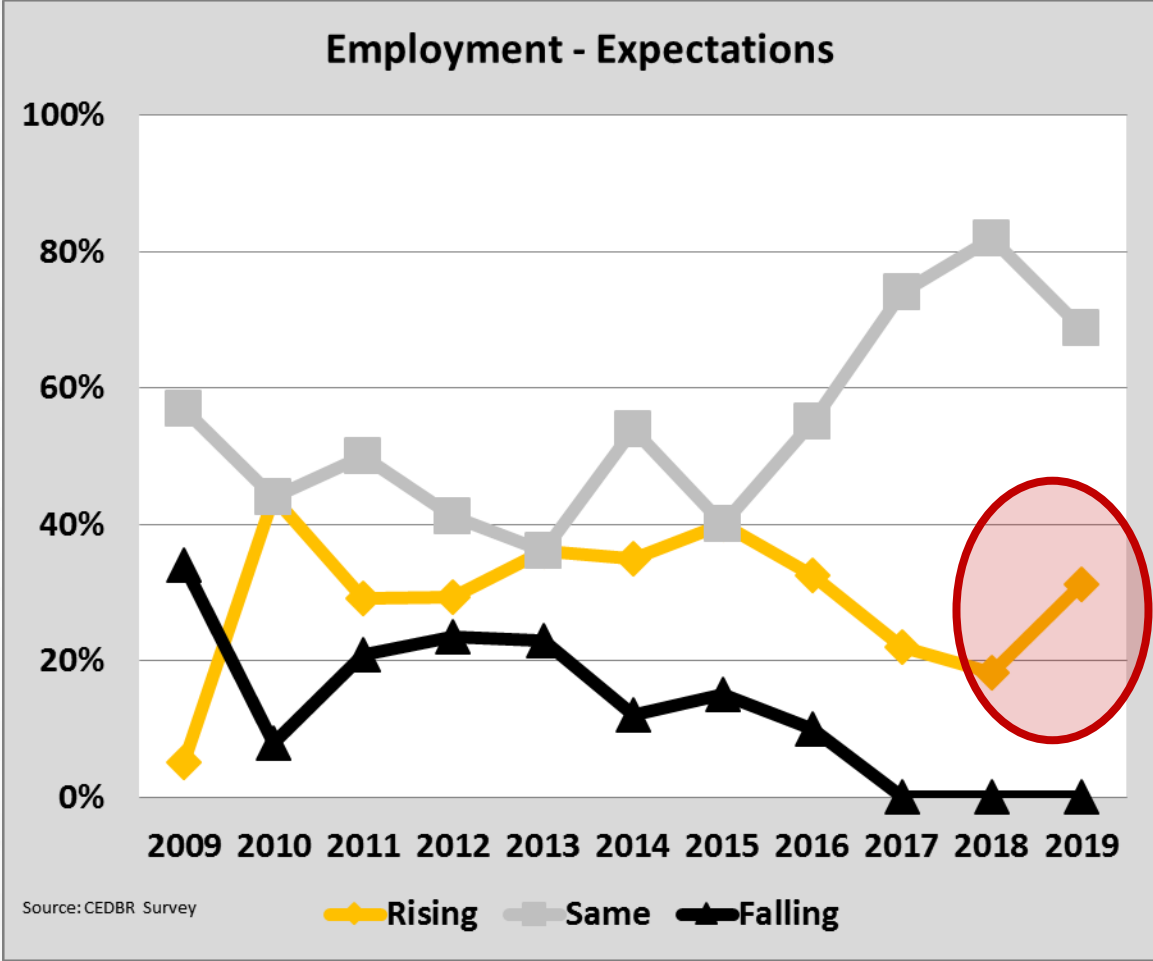
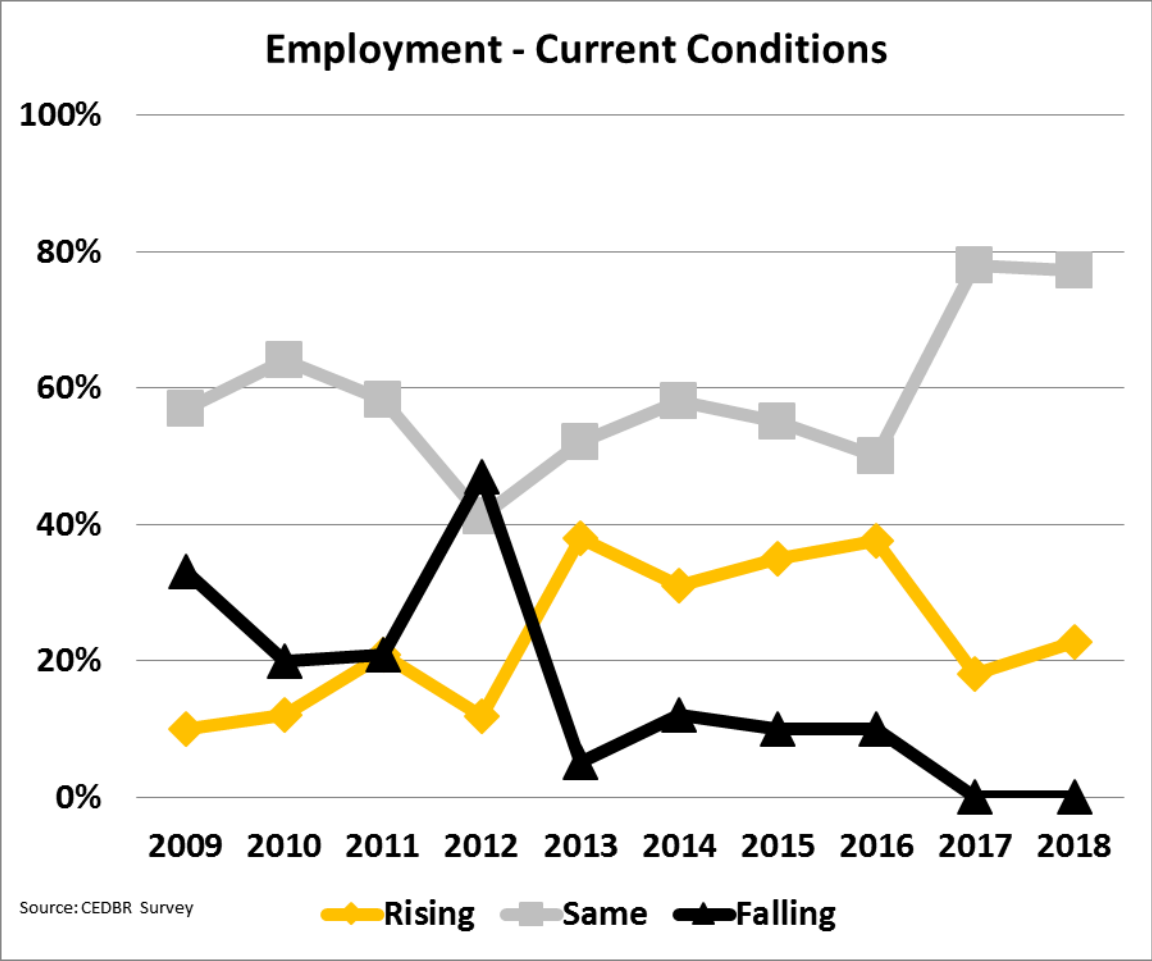


- **Kansas City** continues to be **hampered** by the tight labor market.
- **Wichita** got a **boost from Manufacturing**.
- **NW added over 1,100 jobs**, presumably driven by agriculture payments.

■ 5YR    ■ 2YR    ■ 1YR

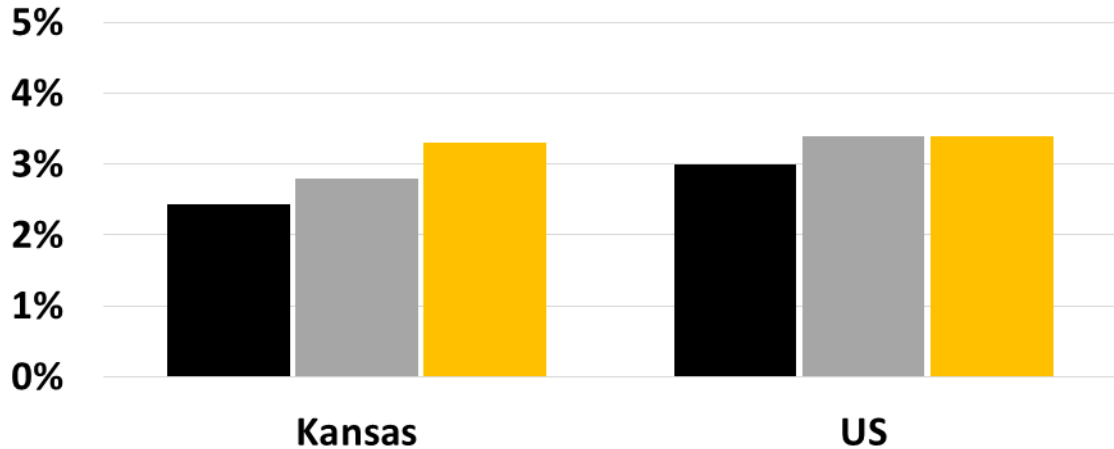


# Businesses are positioned to hire in 2020



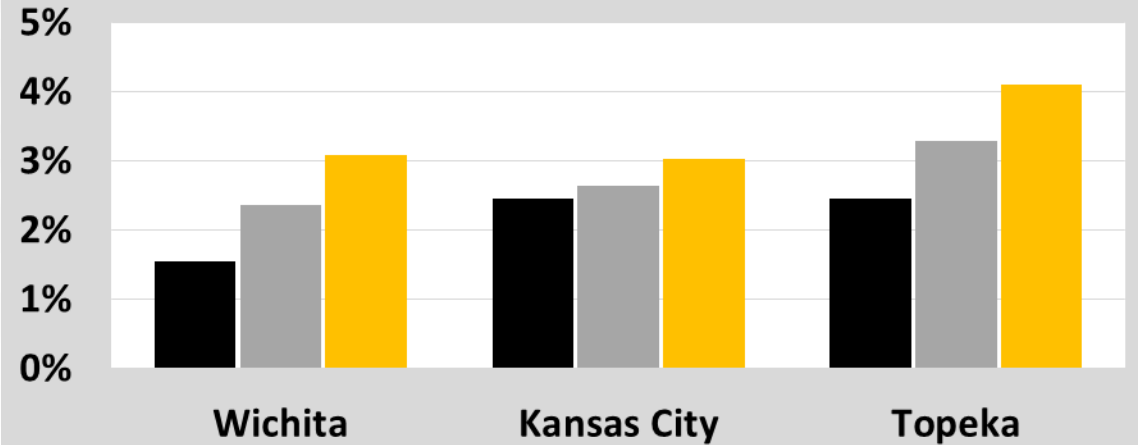
# Wage Growth

## Kansas



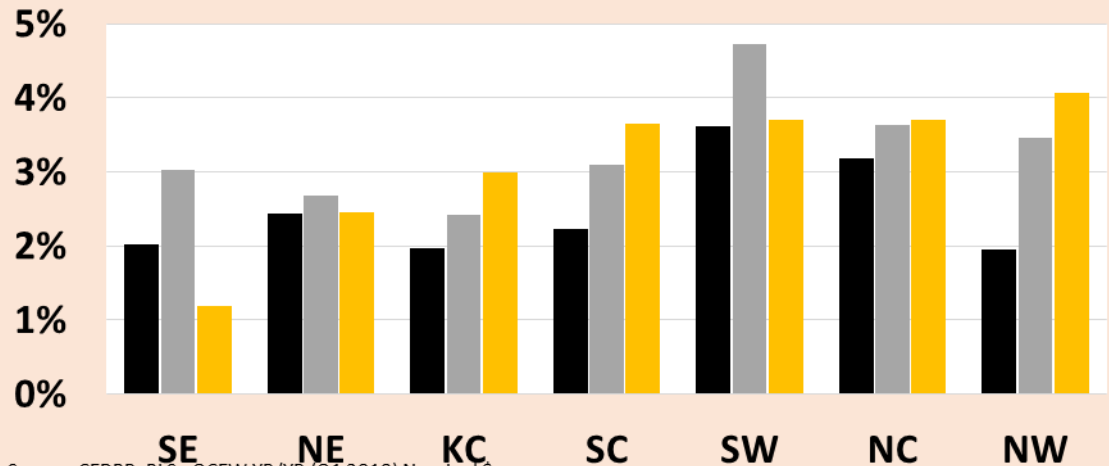
Source: CEDBR, BLS - QCEW YR/YR (Q1 2019) Nominal \$

## Metro Areas



Source: CEDBR, BLS - QCEW YR/YR (Q1 2019) Nominal \$

## Kansas Regions



Source: CEDBR, BLS - QCEW YR/YR (Q1 2019) Nominal \$

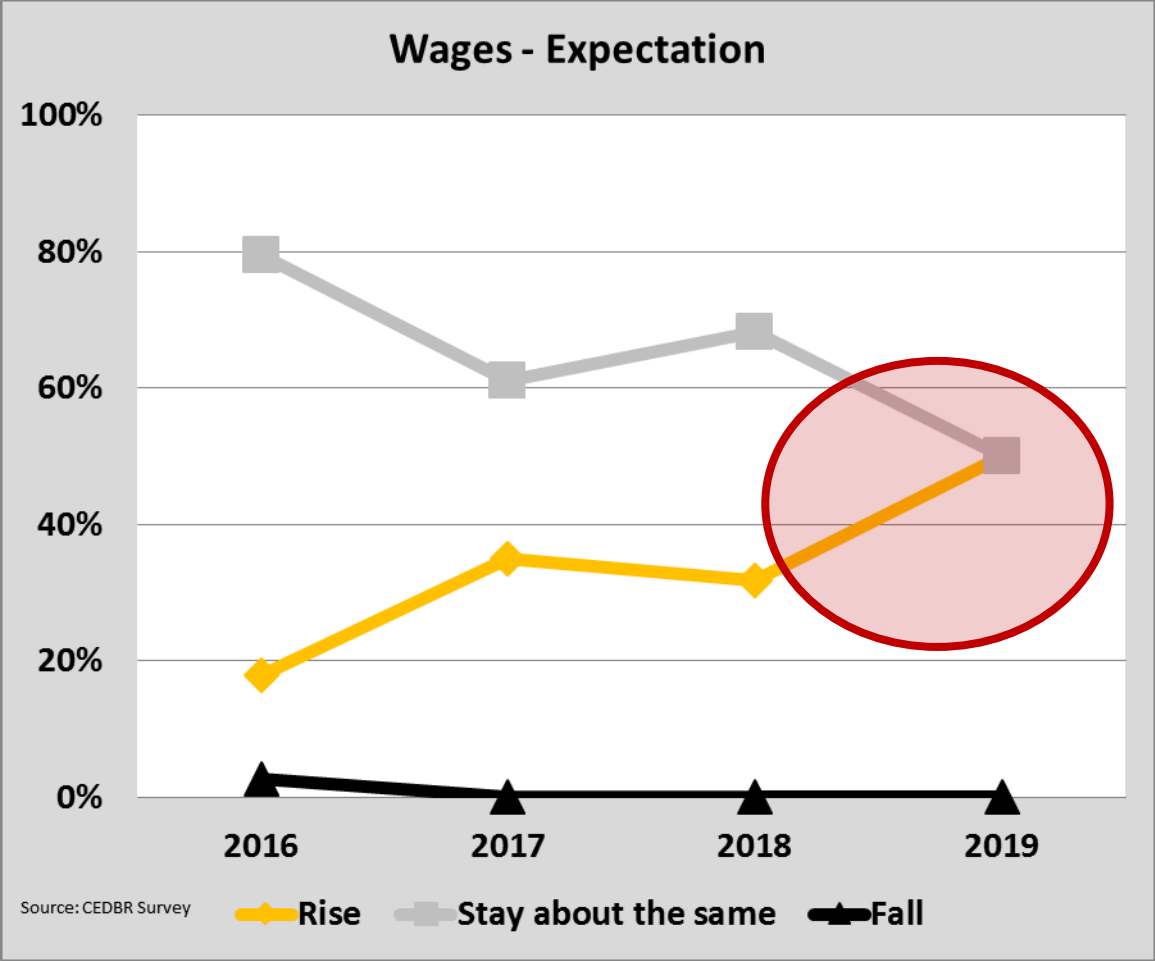
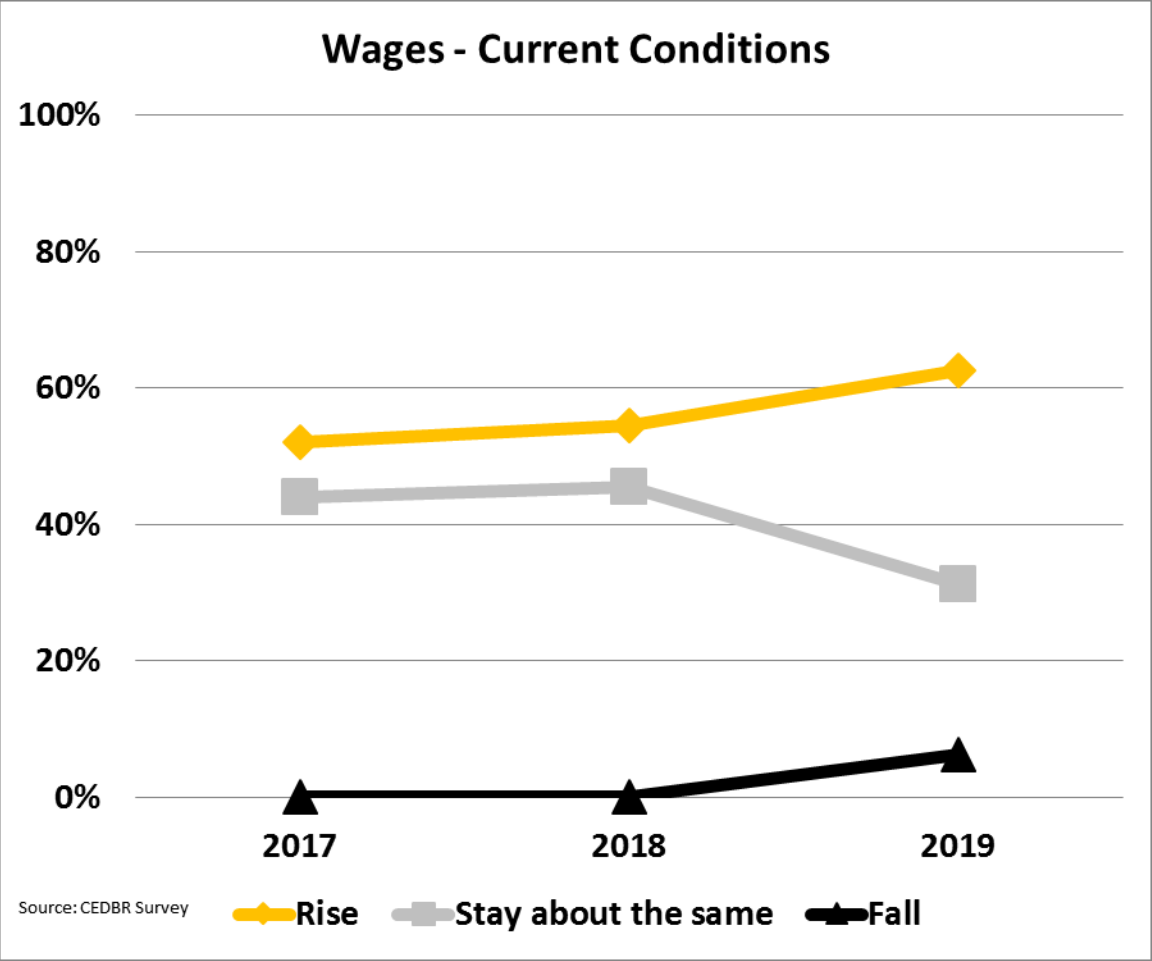
- **Kansas** had its **fastest growth** in a decade. Annual Wages reached \$46,607 in 2018.
- **Manufacturing** wages **explains most of the growth** in Topeka and Wichita.
- **Western and central KS** had the **strongest growth** in wages compared to the rest of the state.

■ 5YR ■ 2YR ■ 1YR

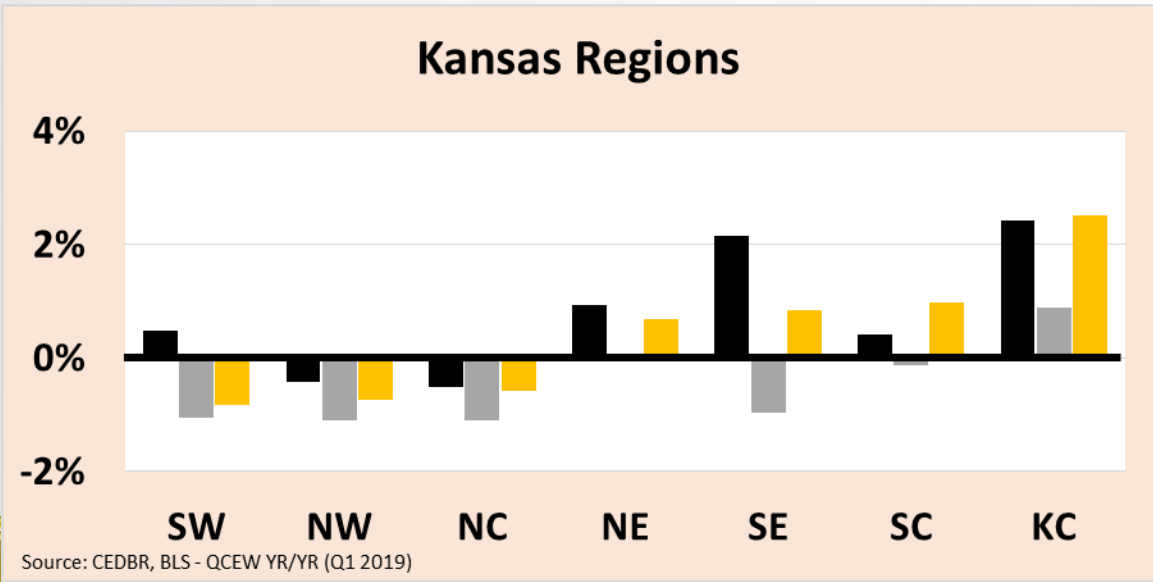
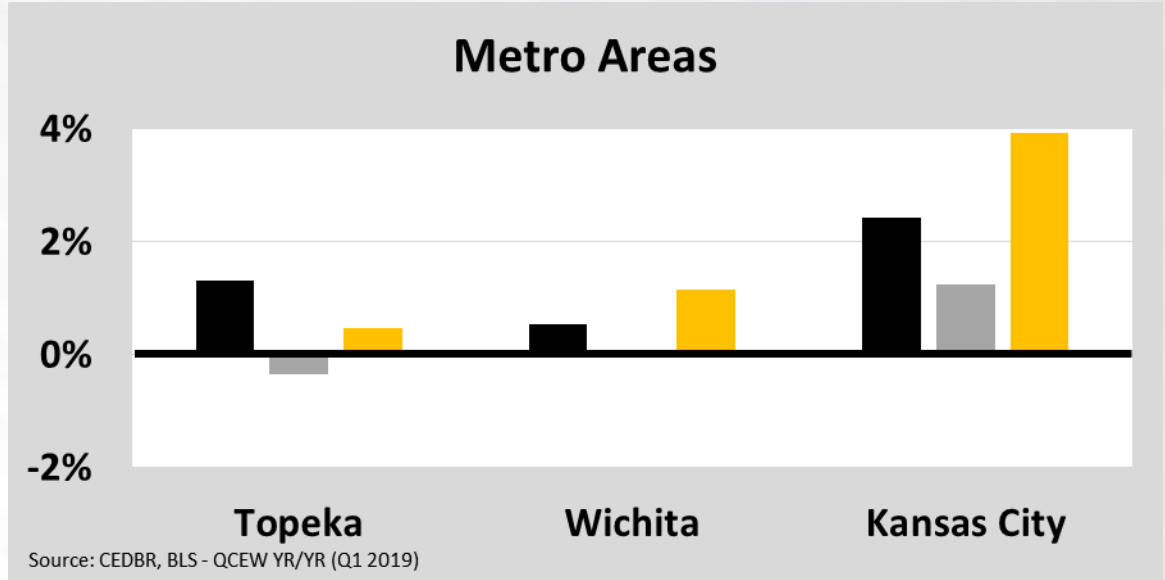
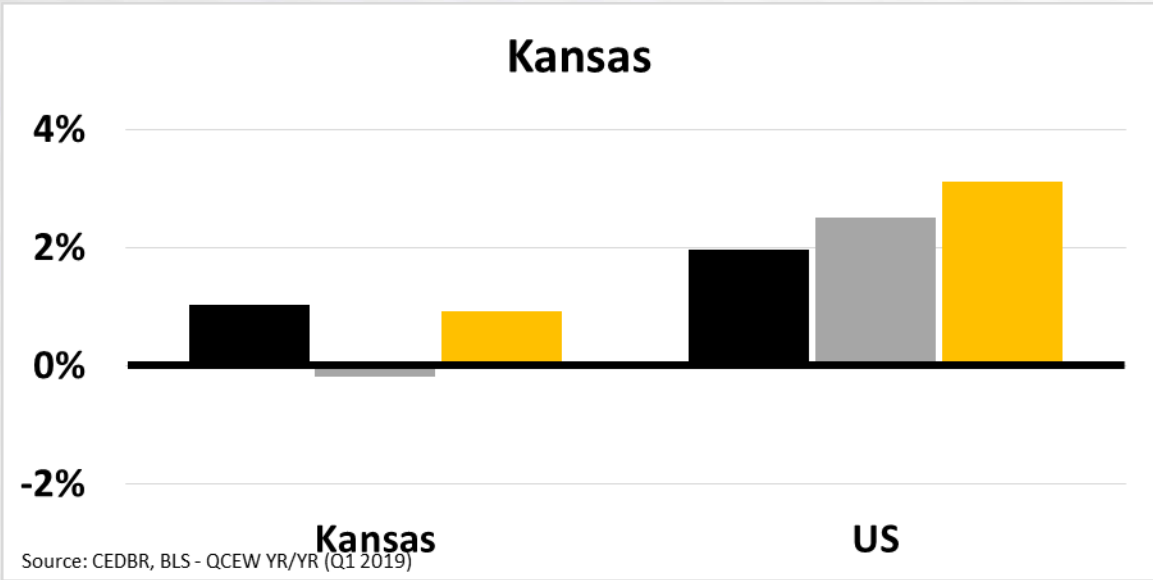




# Competition for skilled labor is driving up wages



# Establishment Growth

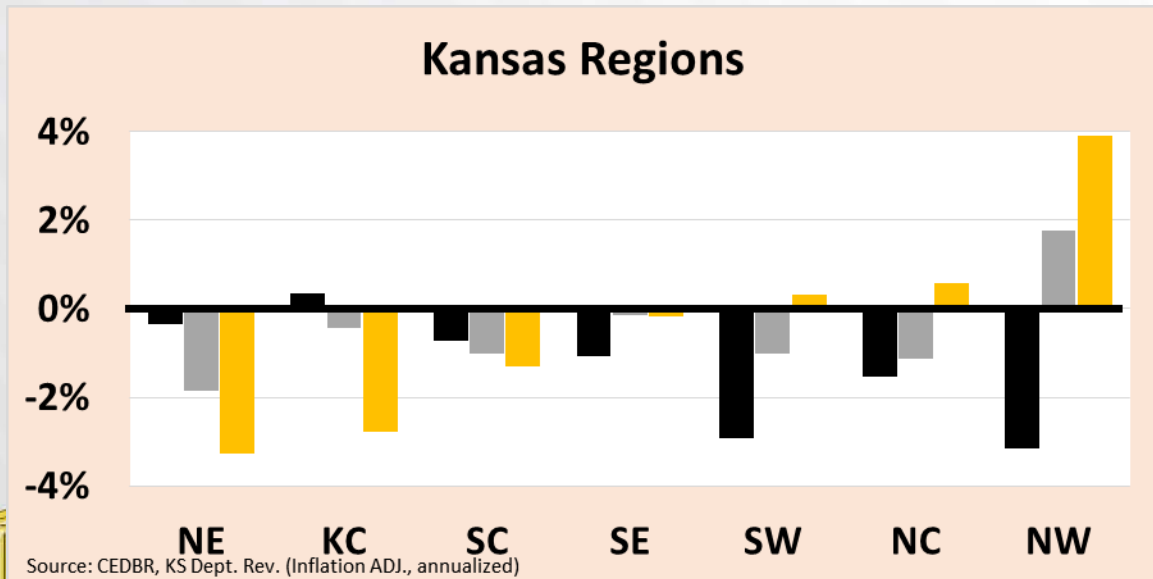
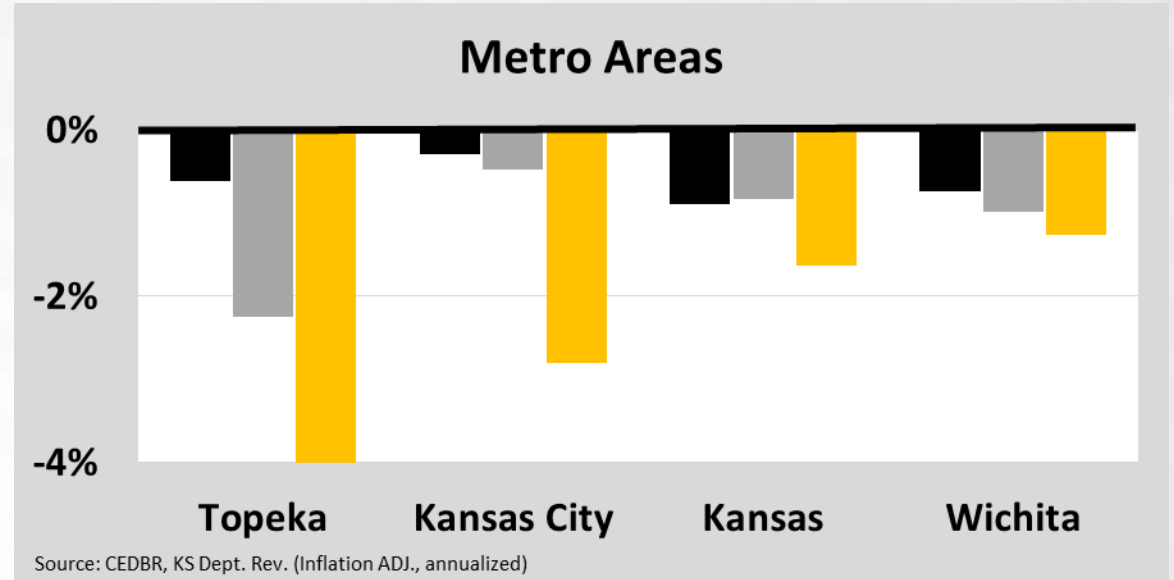
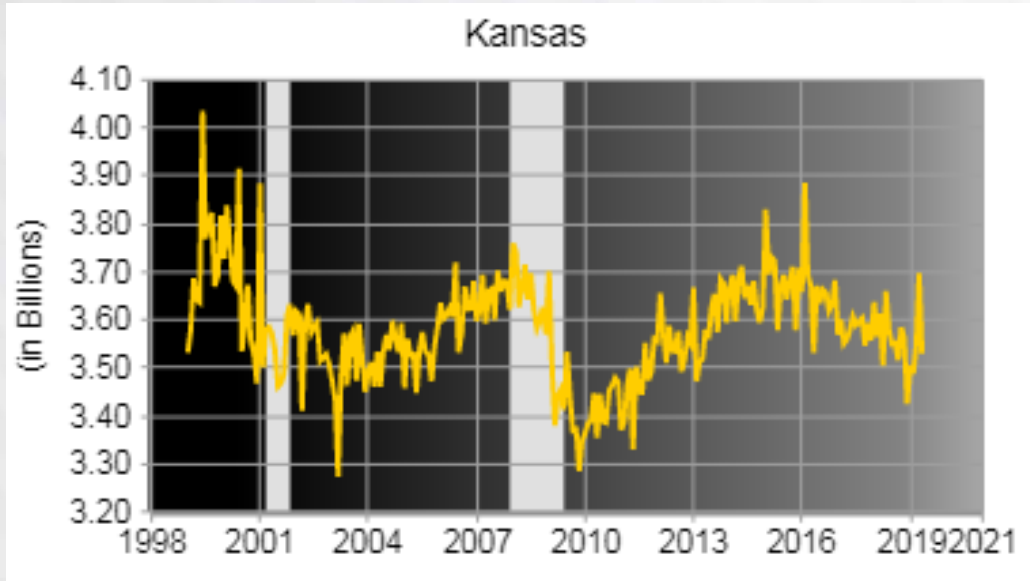


- U.S. had the **fastest growth** in Q1 2019 since the recession.
- Kansas returned to **normal growth** after the recent slump.
- Kansas City **added new establishments** primarily in business and leisure services.

■ 5YR   ■ 2YR   ■ 1YR



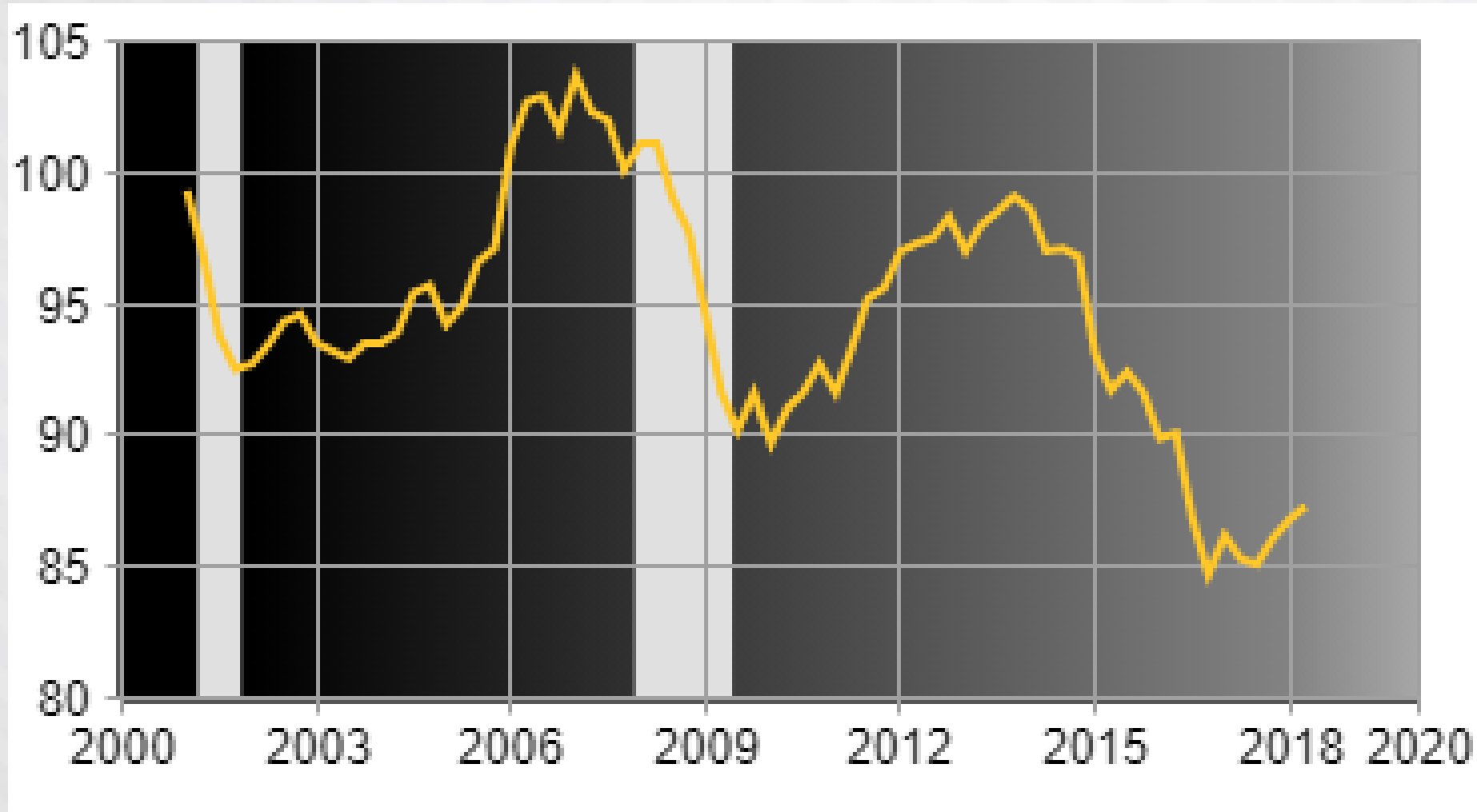
# Retail Sales



- Kansas is now in its **fourth year of decline**.
- Kansas City had a **surprising drop** over the last twelve months.
- Wichita and NW KS **fared better** due to recent employment growth.

■ 5YR ■ 2YR ■ 1YR

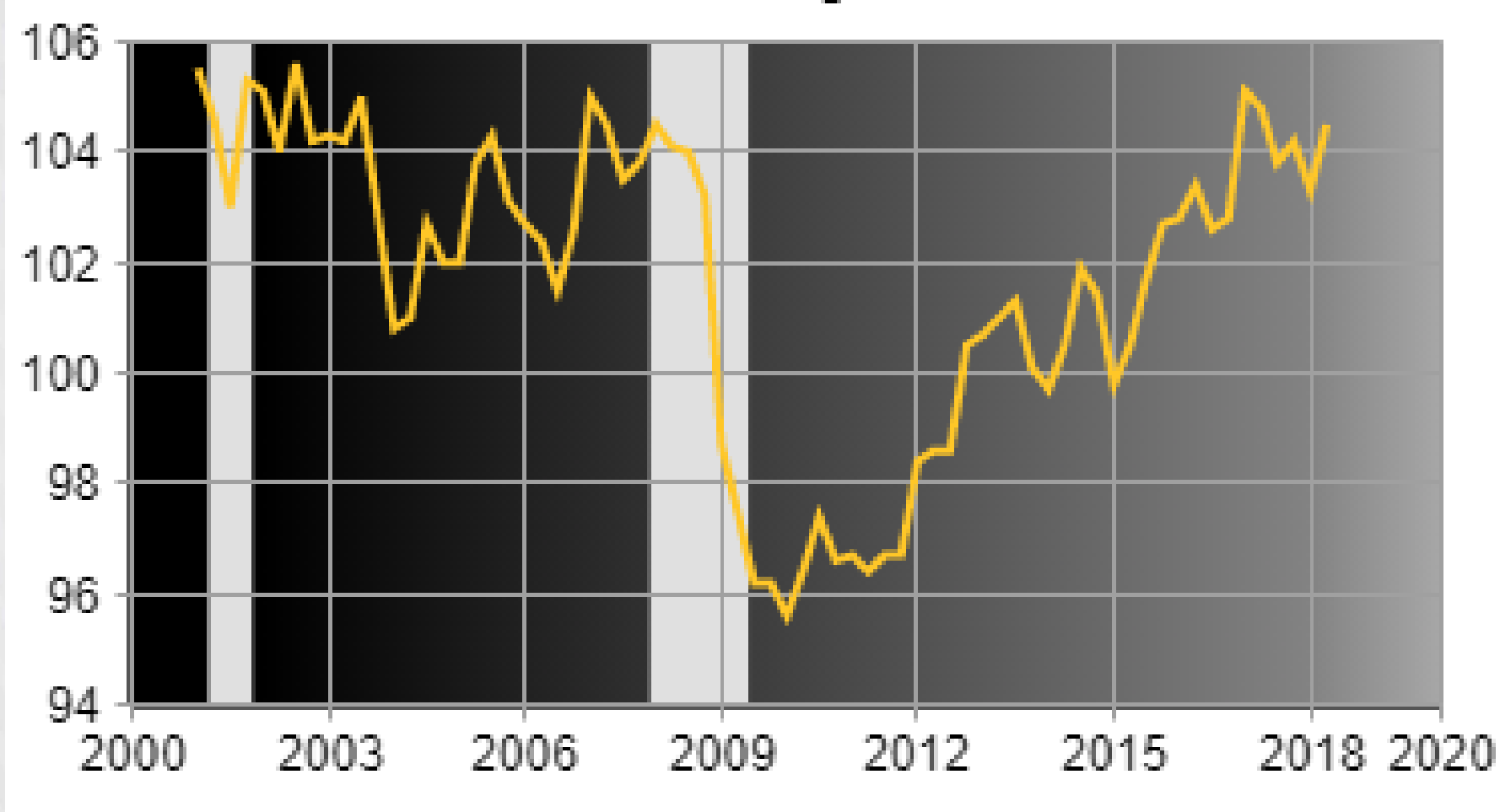
# Montgomery Index – Improving conditions



- **Core variables:**
  - Employment
  - Unemployment
  - Retail sales
- **Conditional variables:**
  - Manufacturing wages
  - KS oil production
  - KS farm proprietor's income

Source: CEDBR <https://www.kansaseconomy.org/local-indices/county-indices>

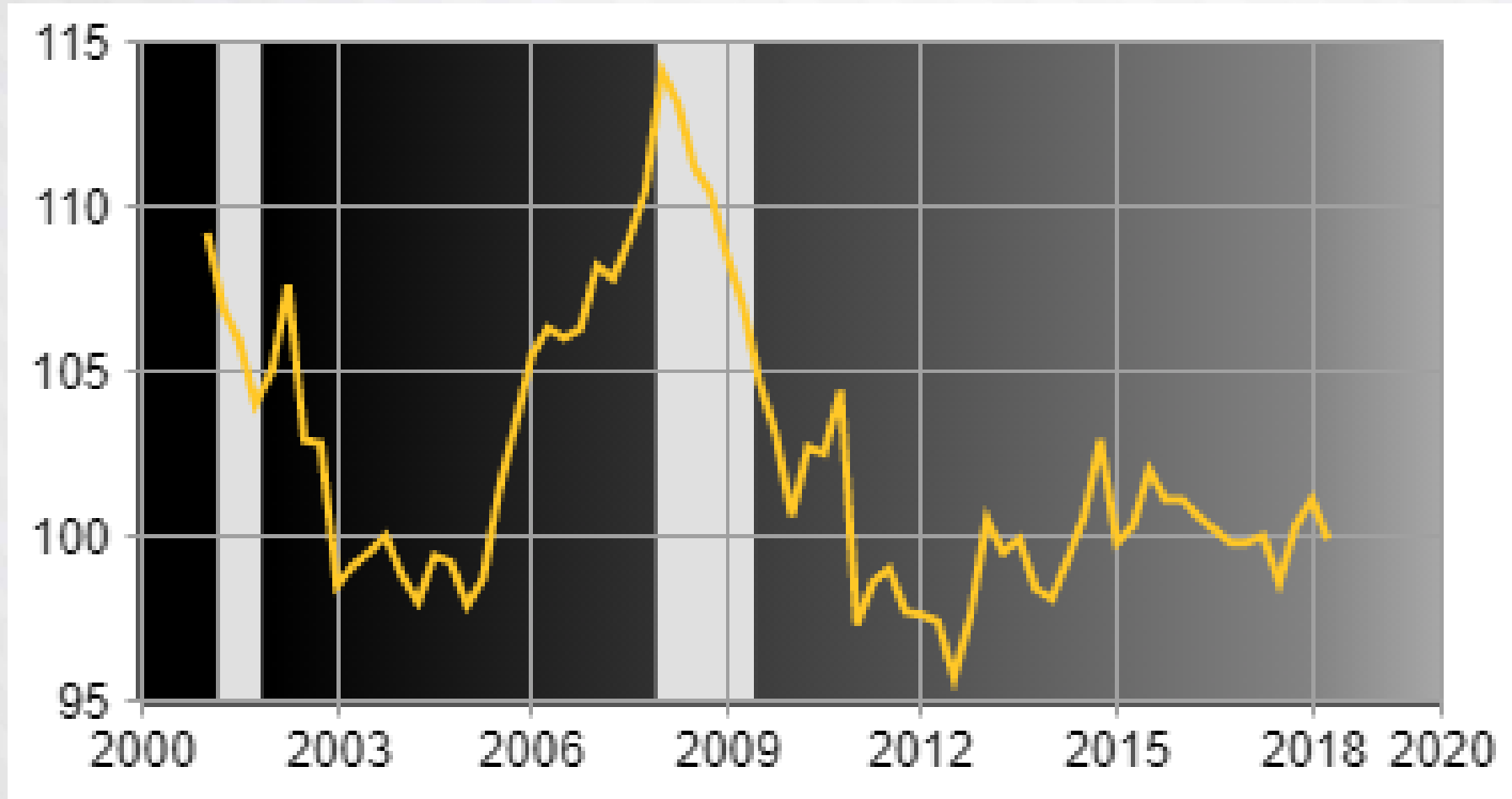
# Crawford/Pittsburg Index – Recovered from down turn



- **Core variables:**
  - Employment
  - Unemployment
  - Retail sales
- **Conditional variables:**
  - Manufacturing wages
  - KS oil production
  - KS farm proprietor's income

Source: CEDBR <https://www.kansaseconomy.org/local-indices/county-indices>

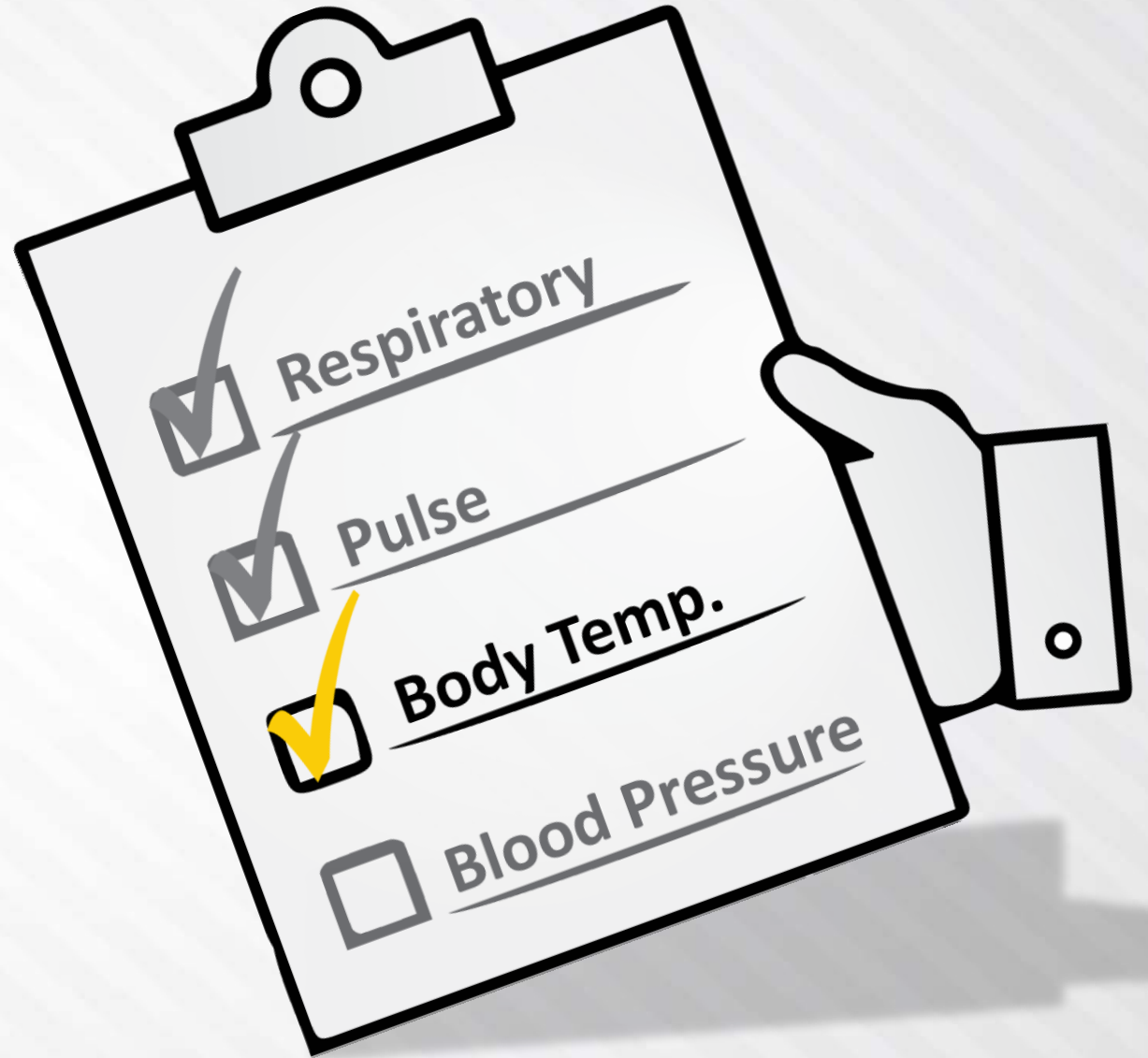
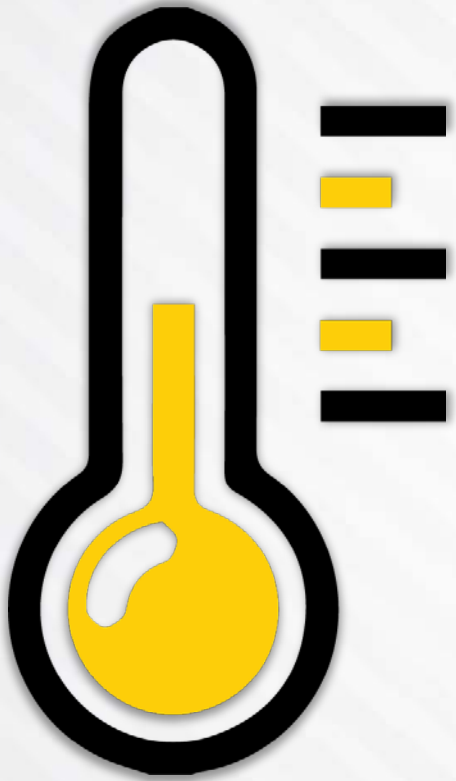
# Labette/Parsons Index – Stable



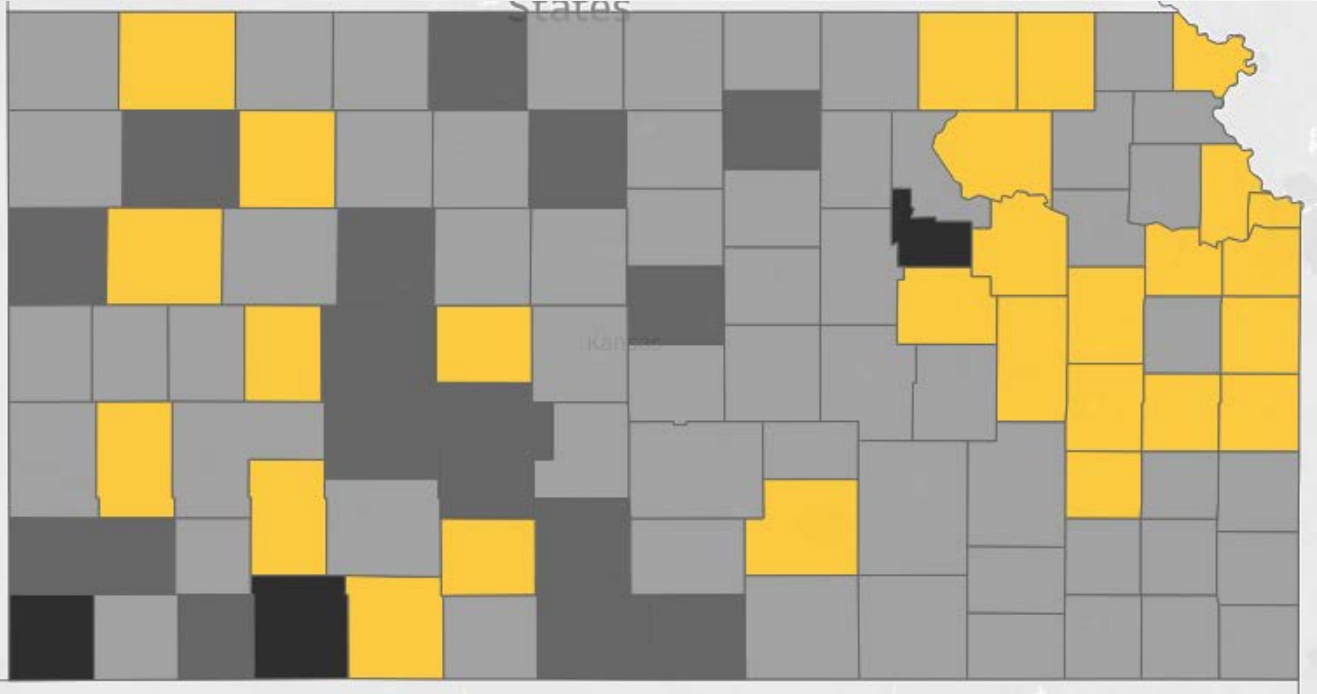
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Source: CEDBR <https://www.kansaseconomy.org/local-indices/county-indices>

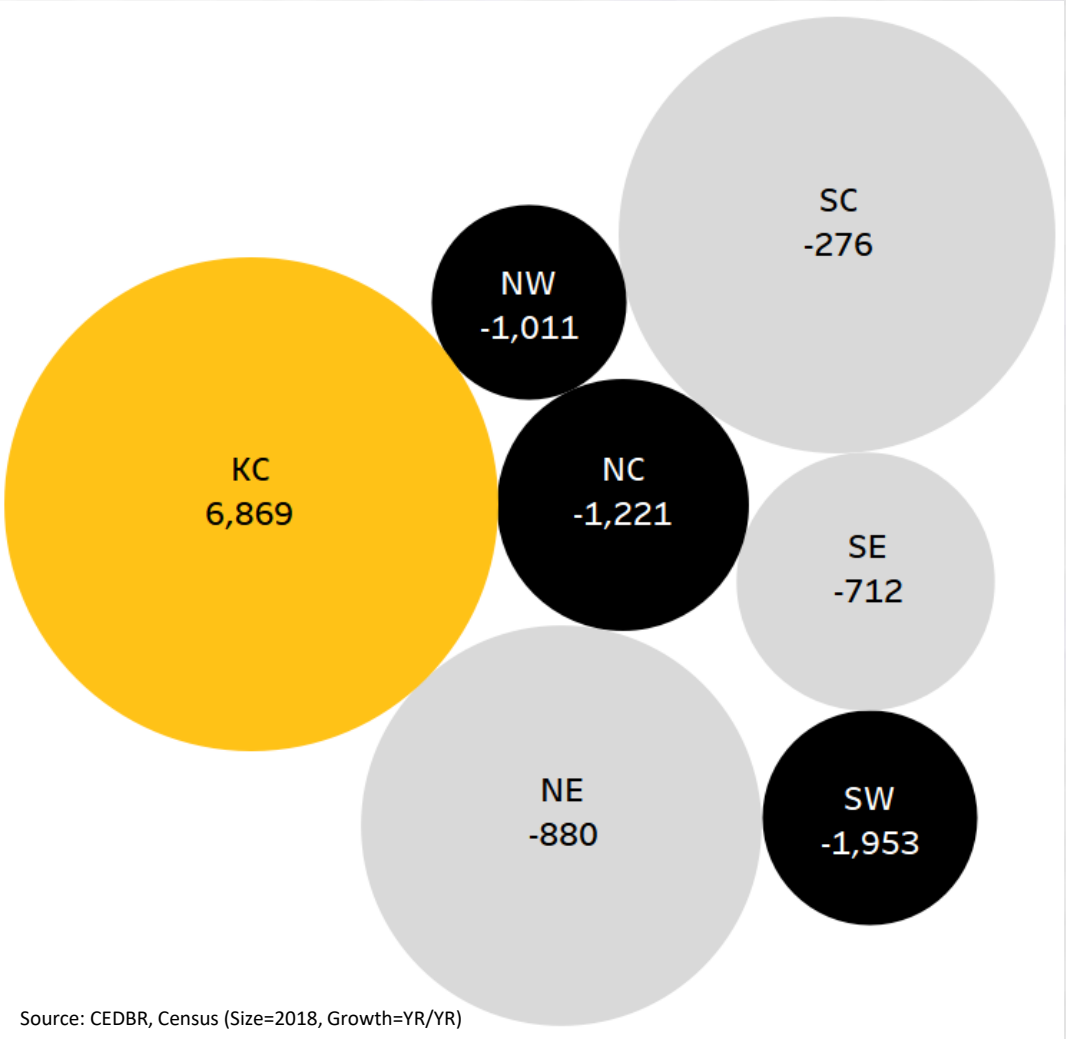




# 2018 Population Growth

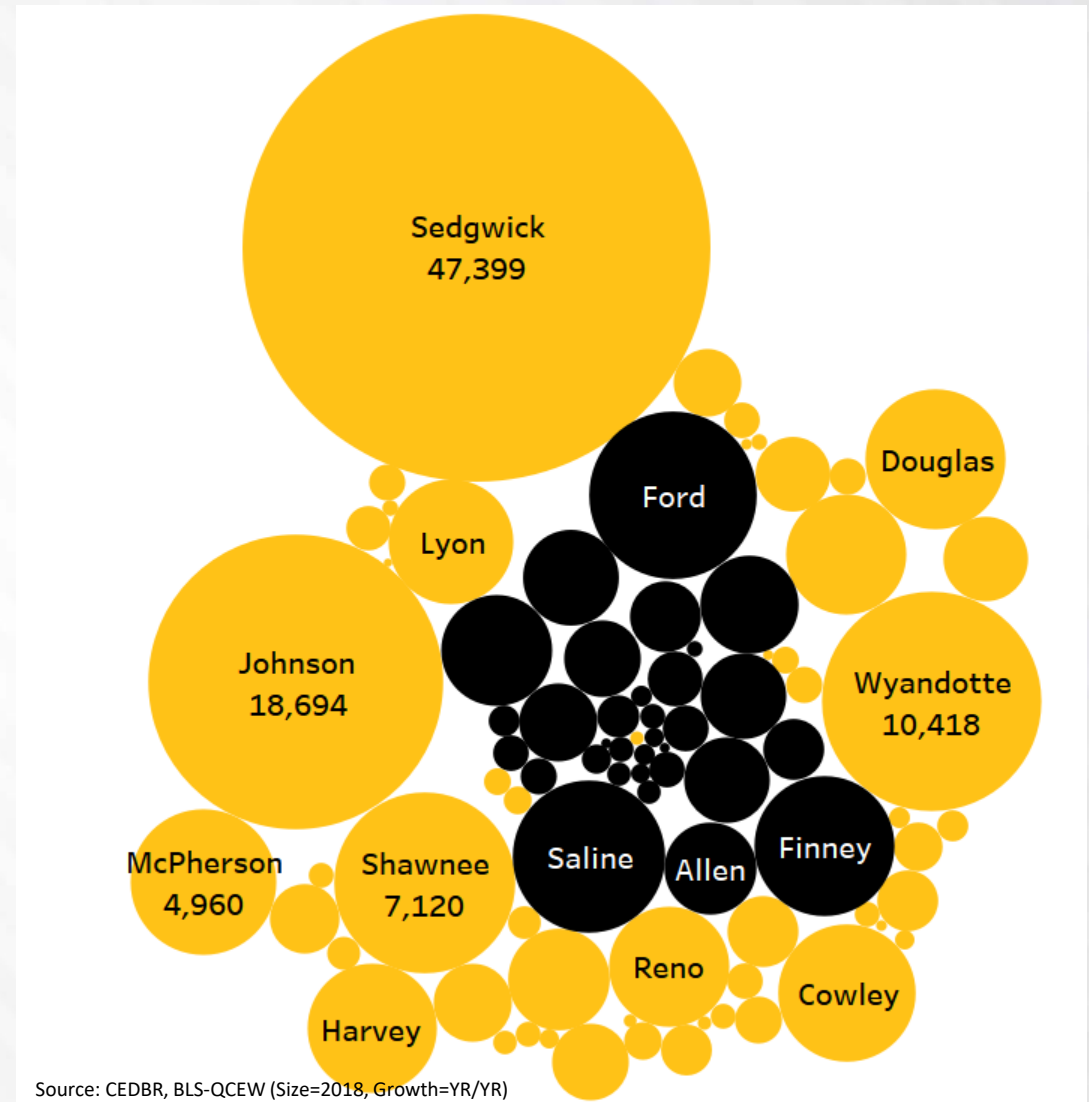
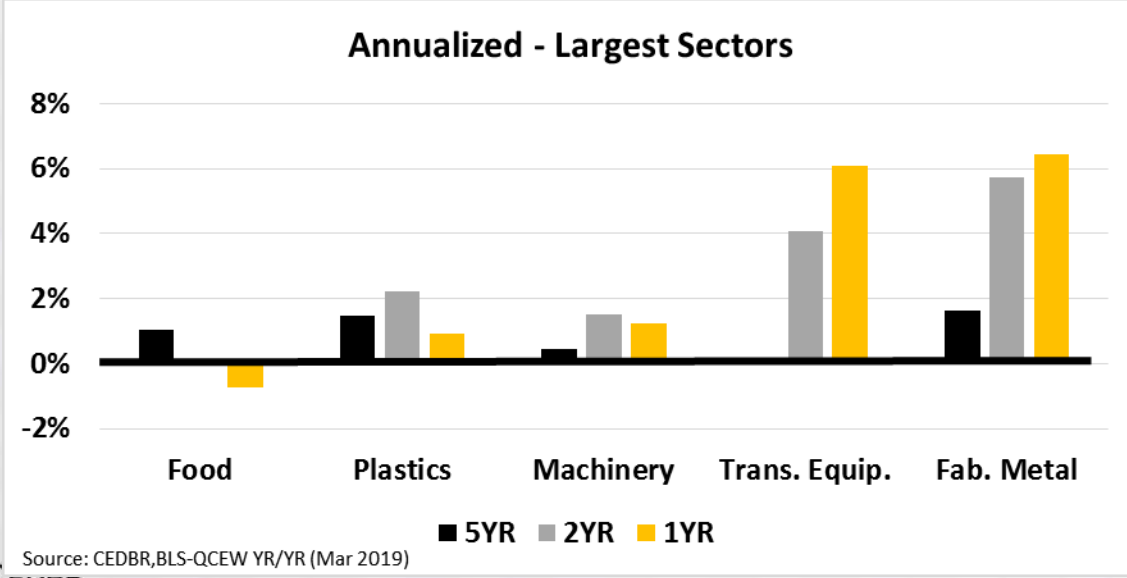
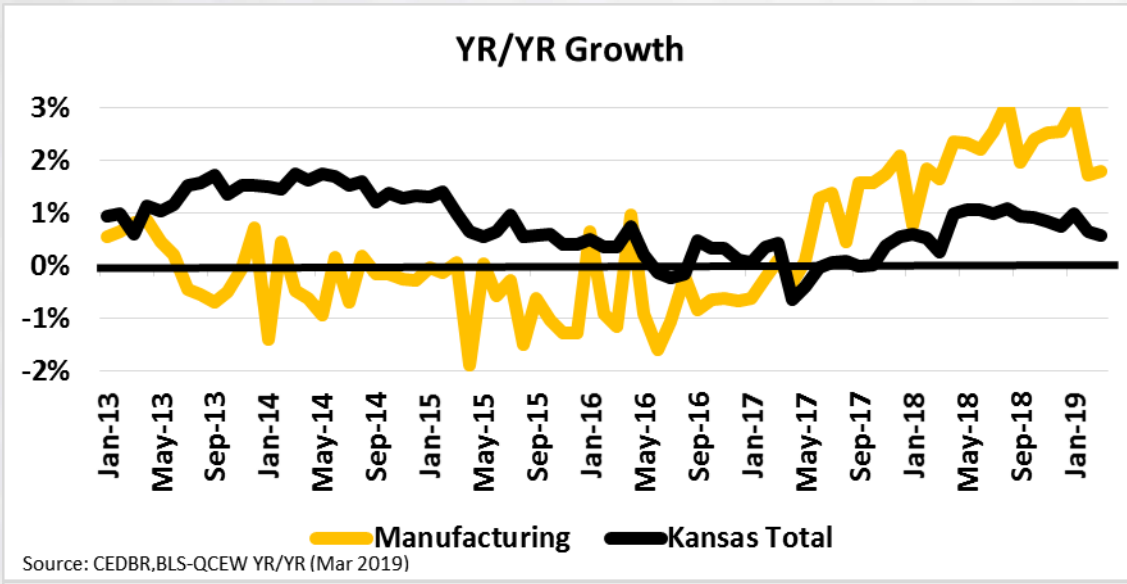


Source: CEDBR, Census (YR/YR)



Source: CEDBR, Census (Size=2018, Growth=YR/YR)

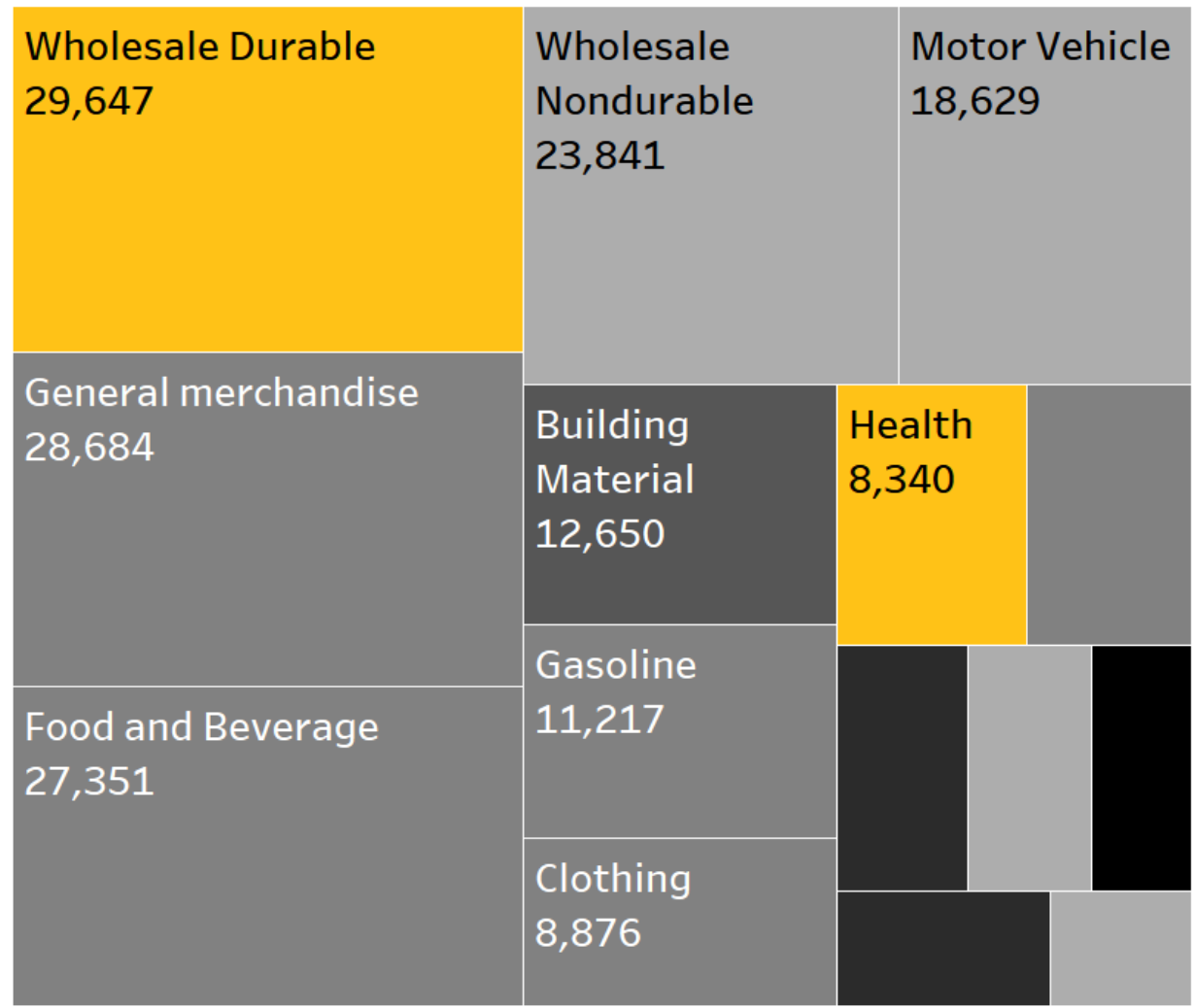
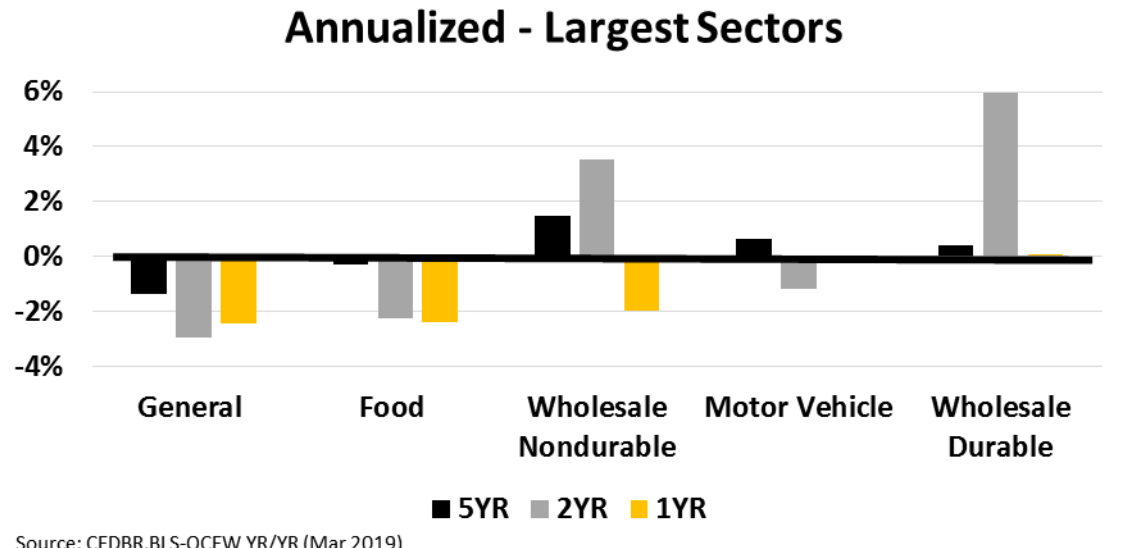
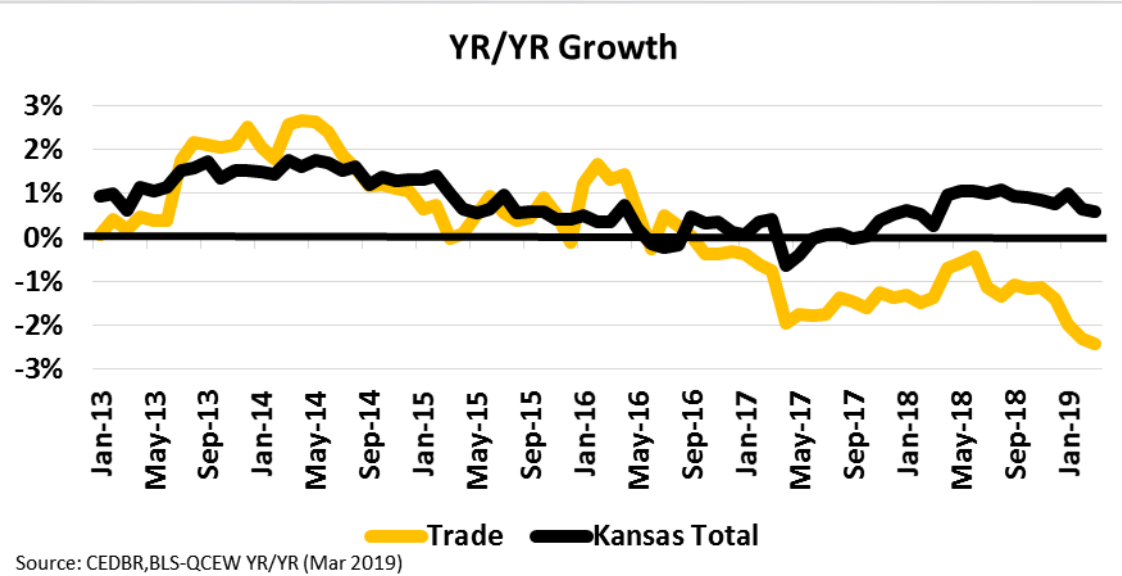
# Manufacturing Employment



**Declining** | **Growing**



# Wholesale and Retail Trade Employment

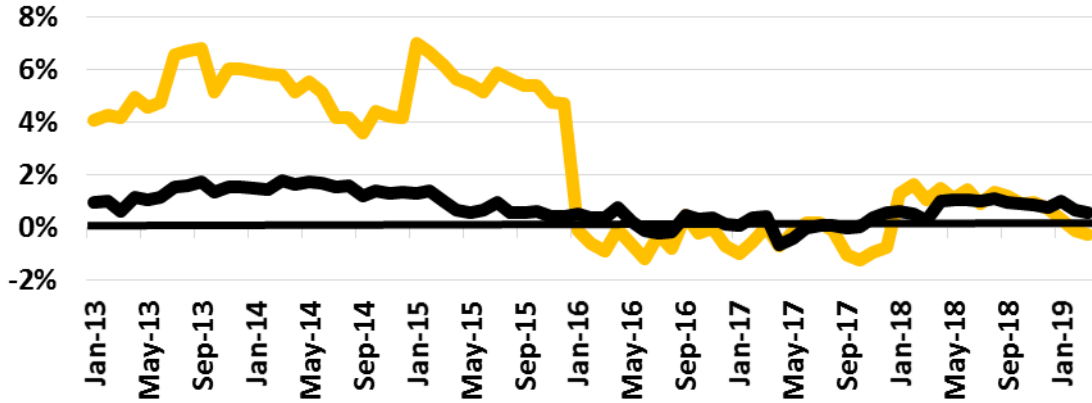


Source: CEDBR, BLS-QCEW (Size=2018, Growth=YR/YR)

Declining Growing

# Professional and Business Employment

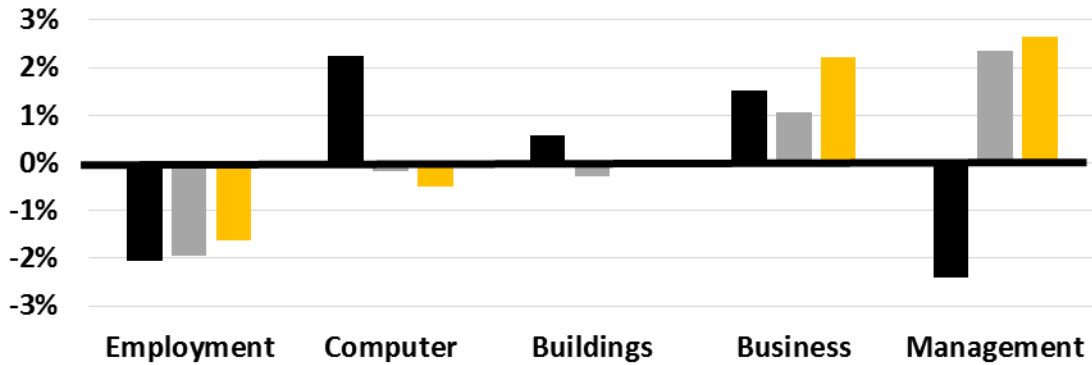
YR/YR Growth



Professional and Business Services Kansas Total

Source: CEDBR, BLS-QCEW YR/YR (Mar 2019)

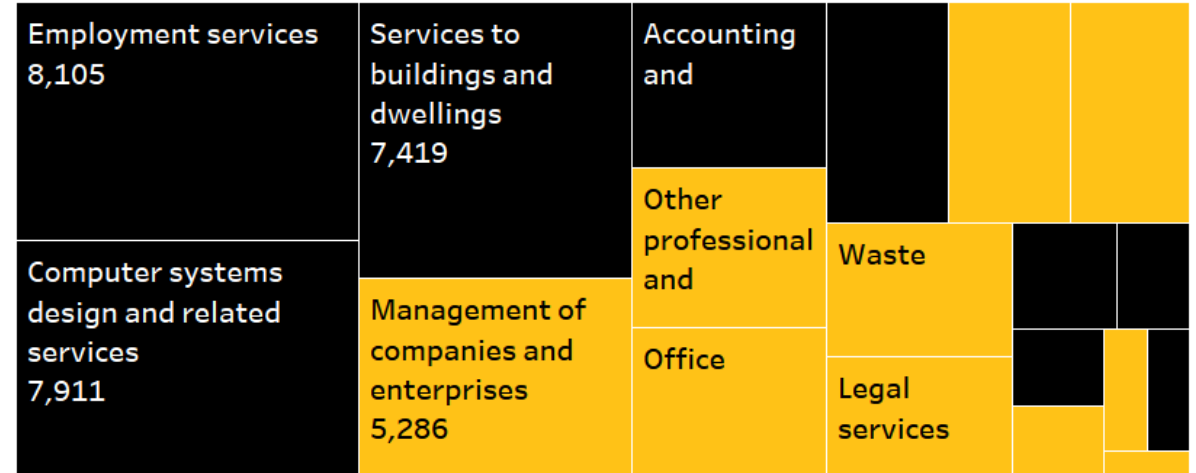
Annualized - Largest Sectors



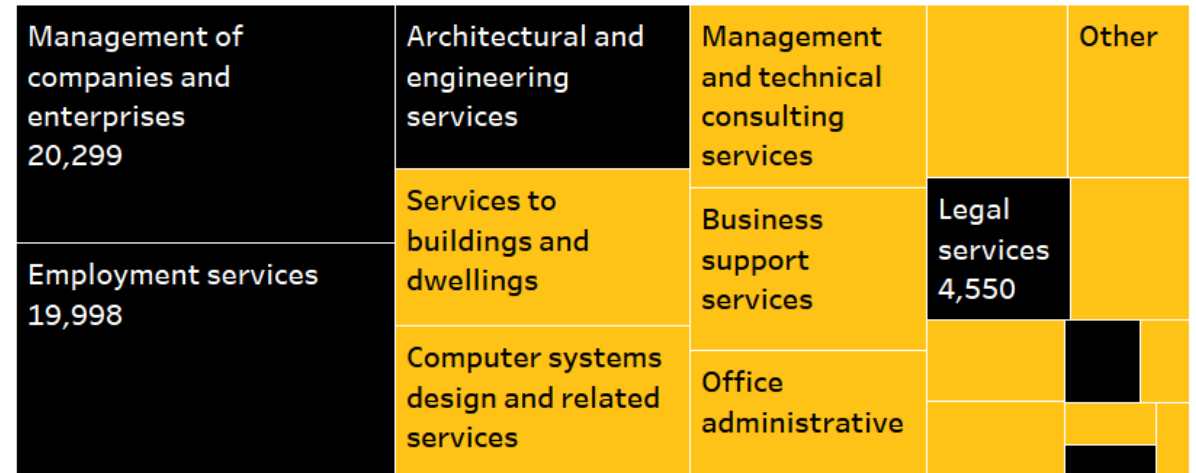
3YR 2YR 1YR

Source: CEDBR, BLS-QCEW YR/YR (Mar 2019)

## Rural



## Urban

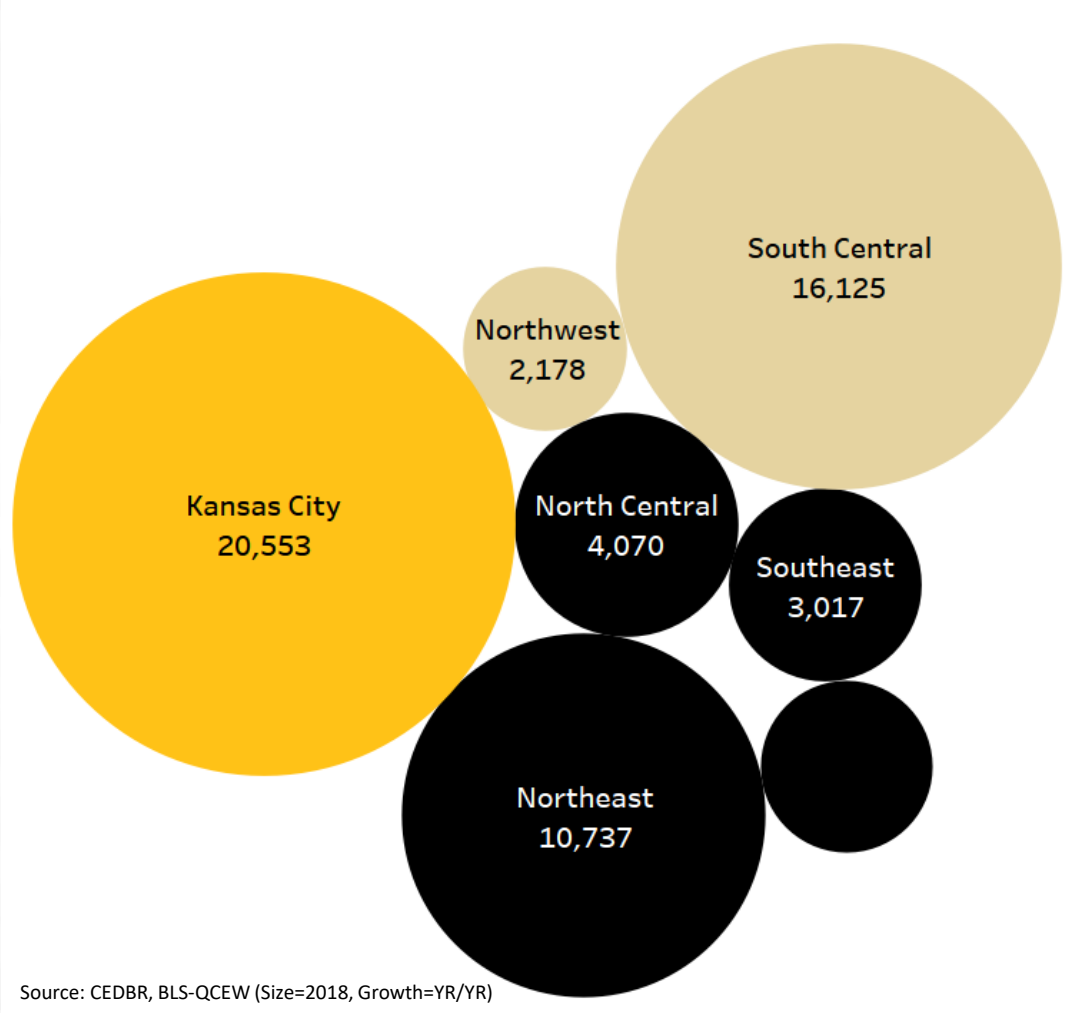
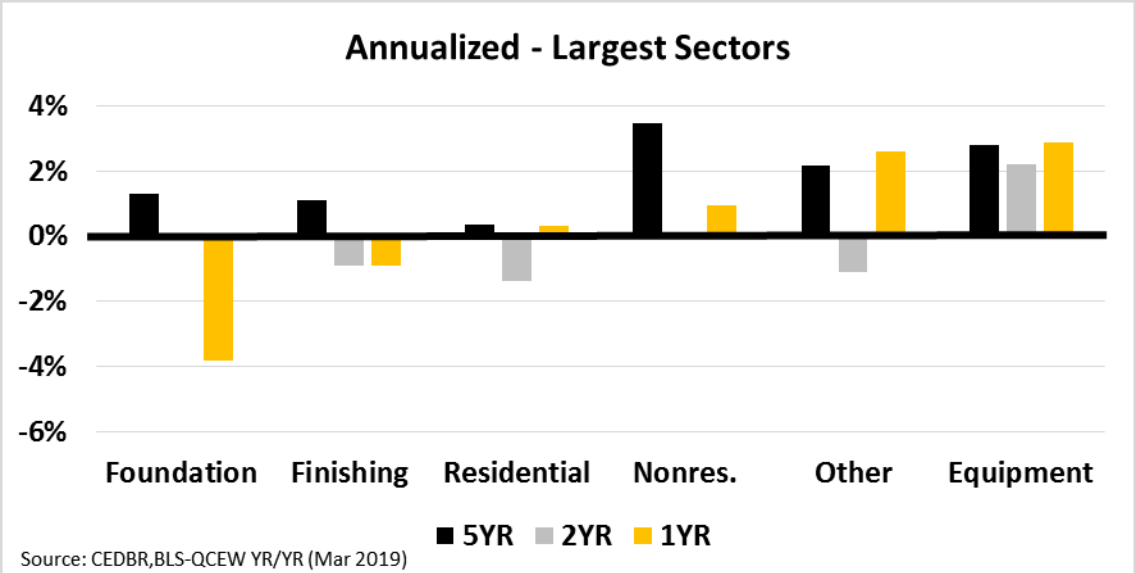
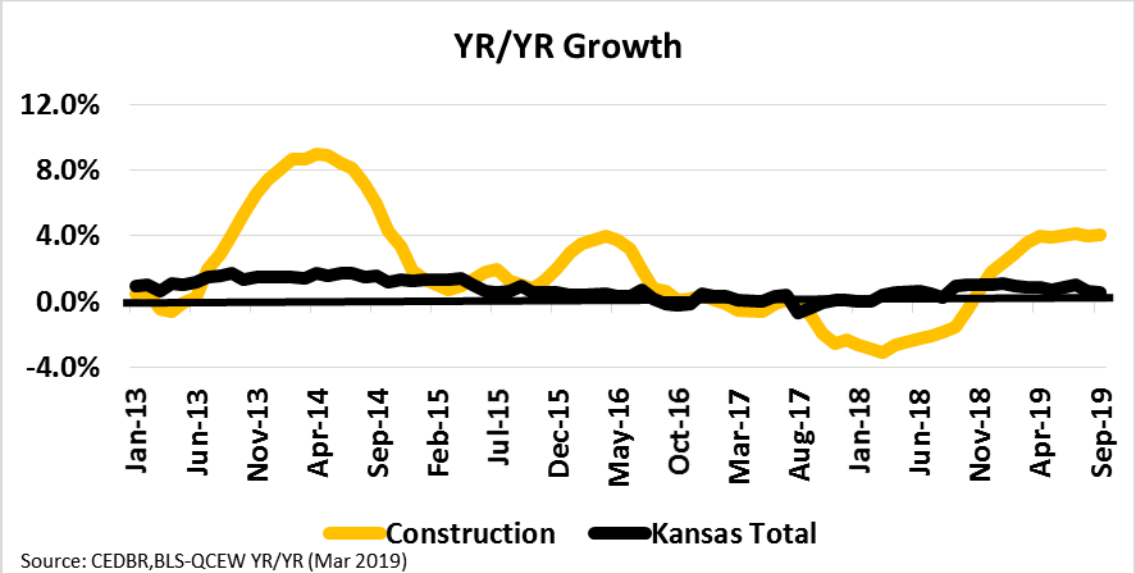


Source: CEDBR, BLS-QCEW (Size=2018, Growth=YR/YR)

Declining Growing



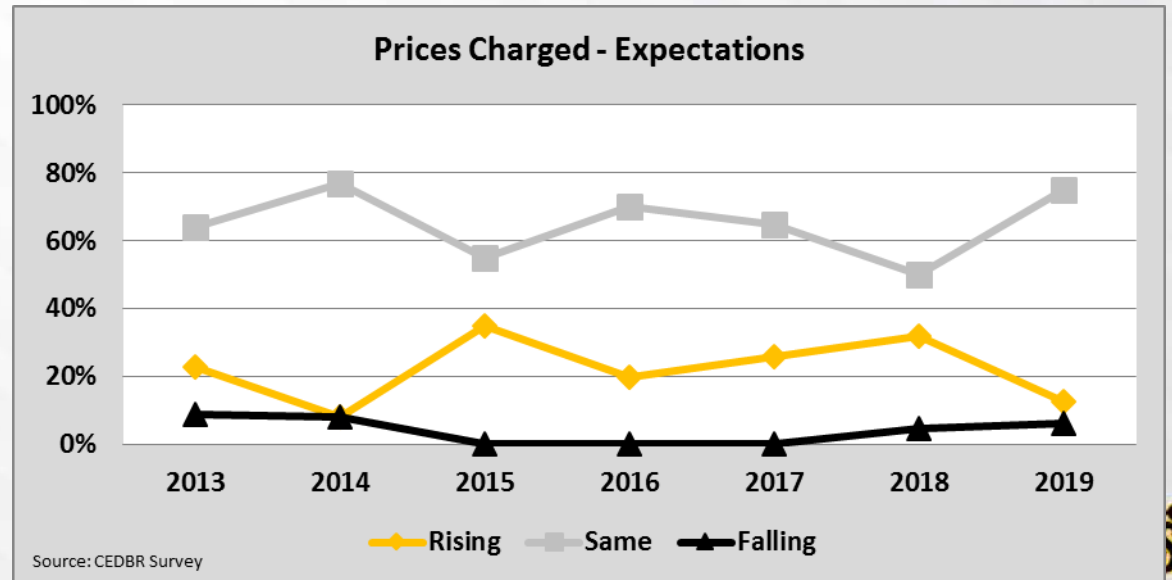
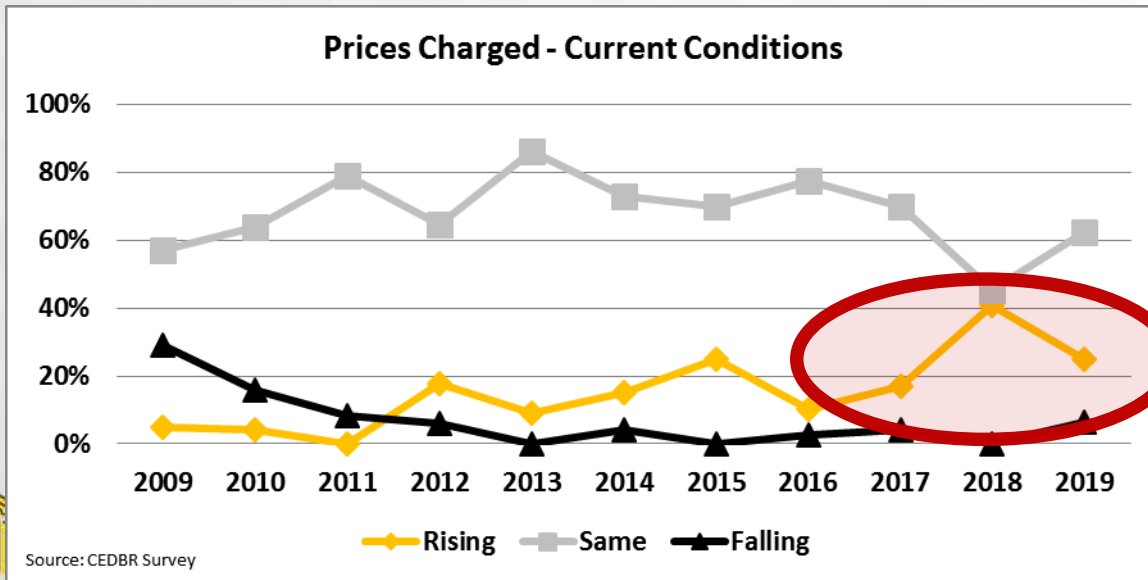
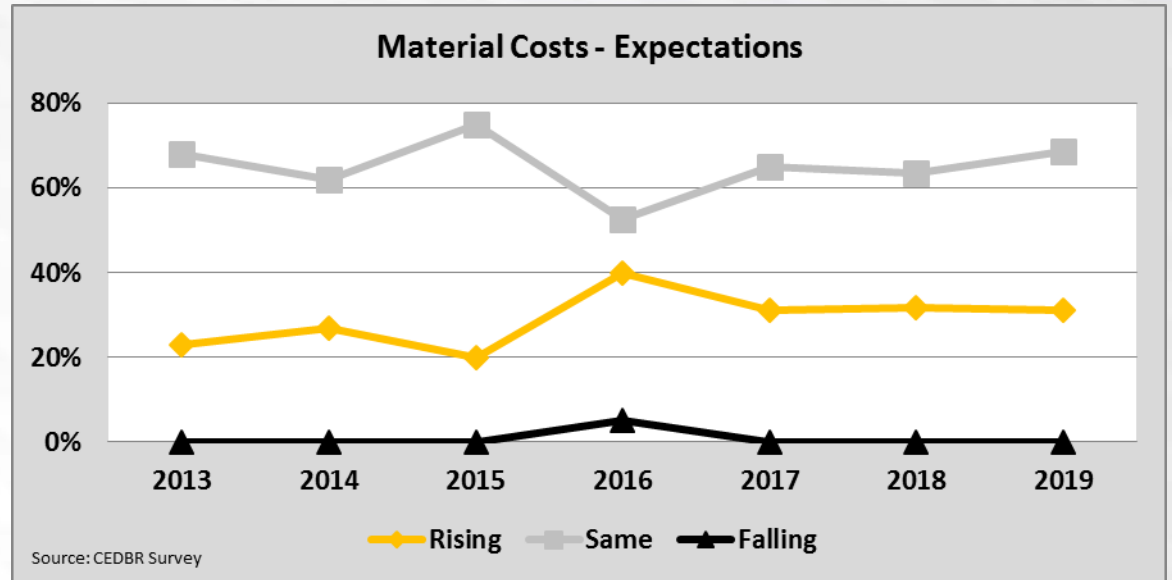
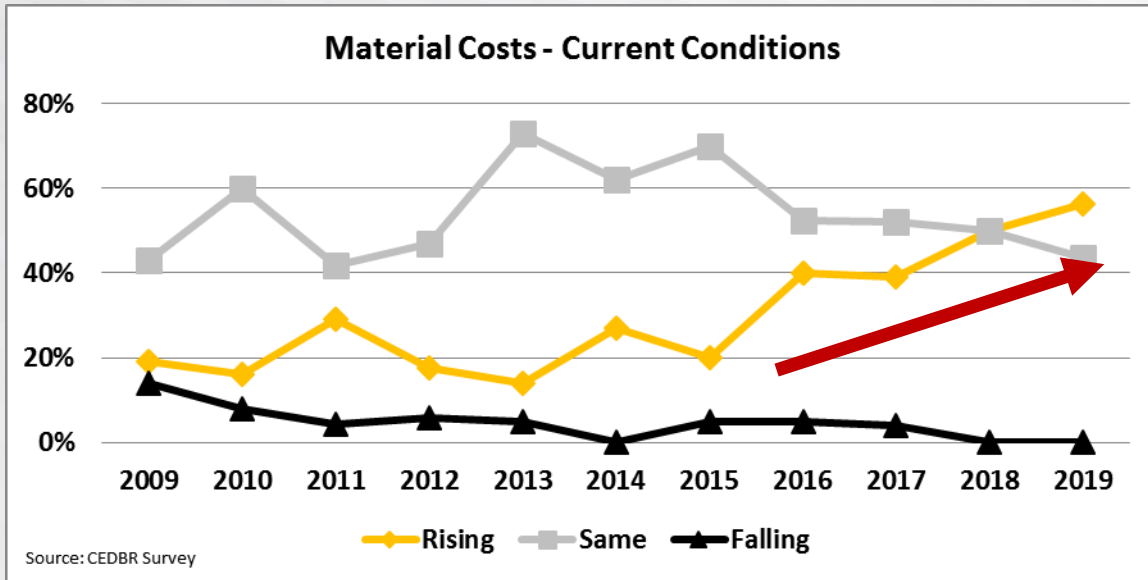
# Construction Employment



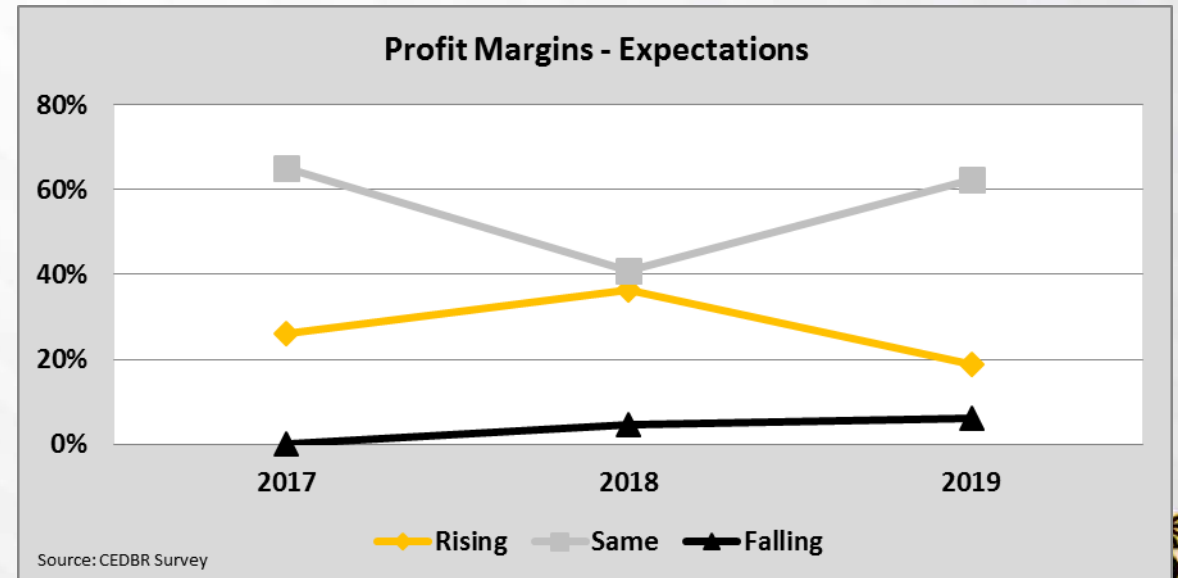
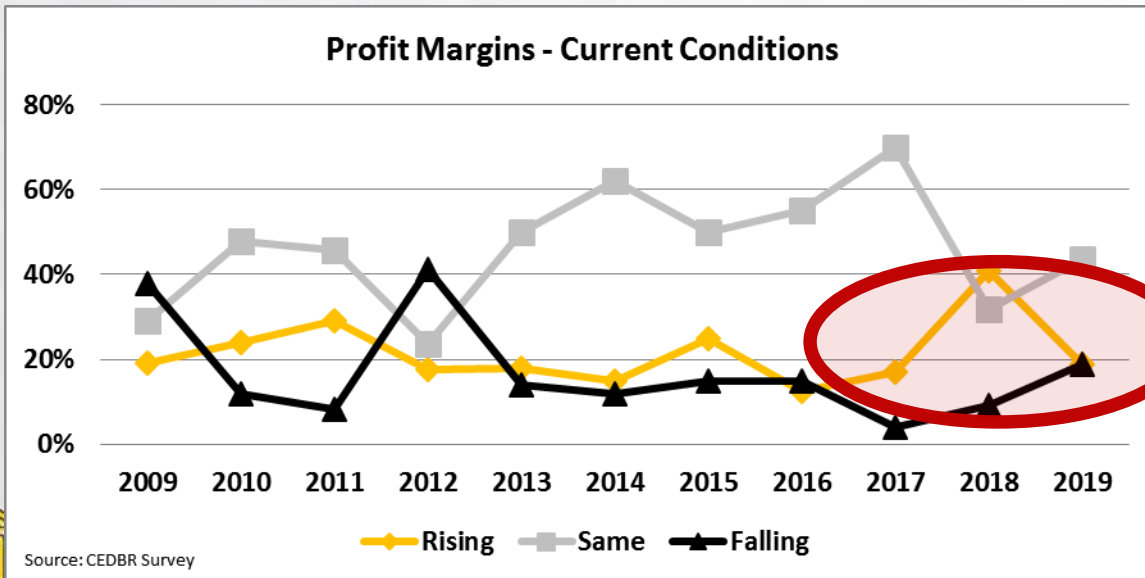
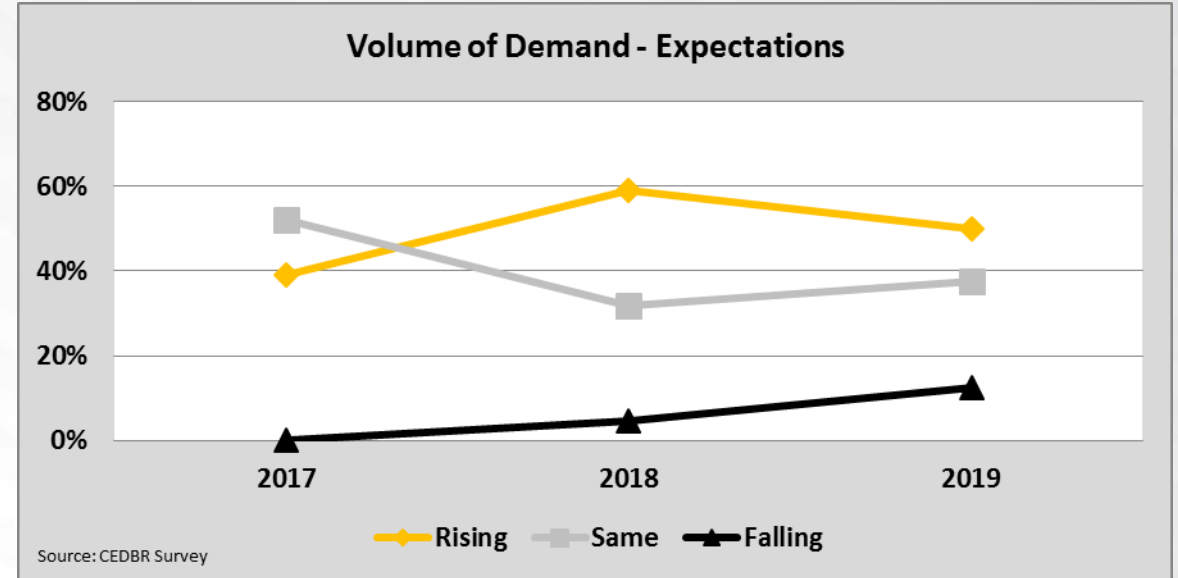
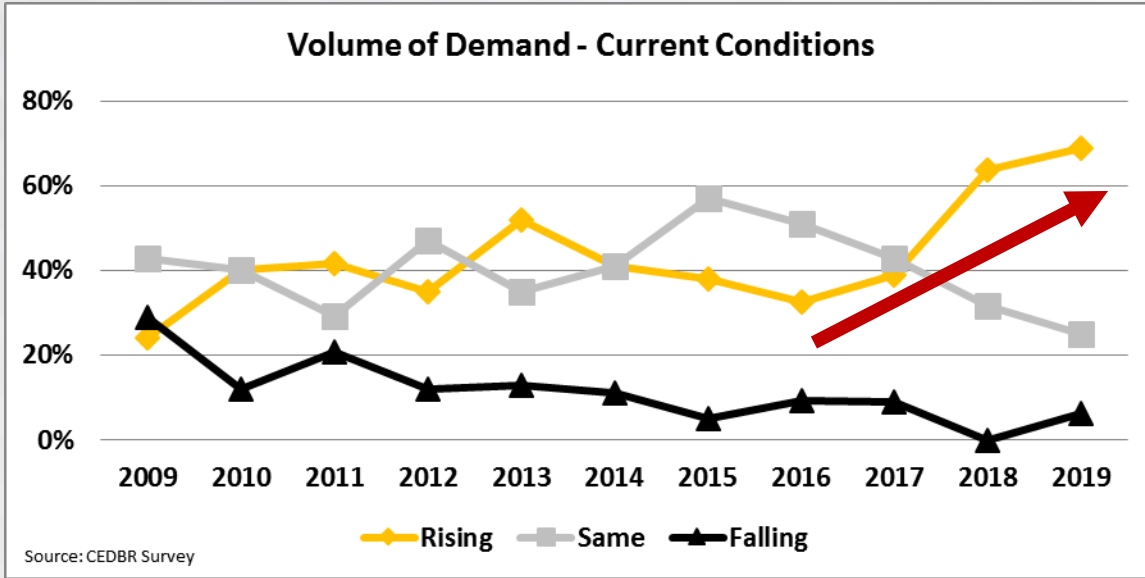
**Declining** | **Growing**

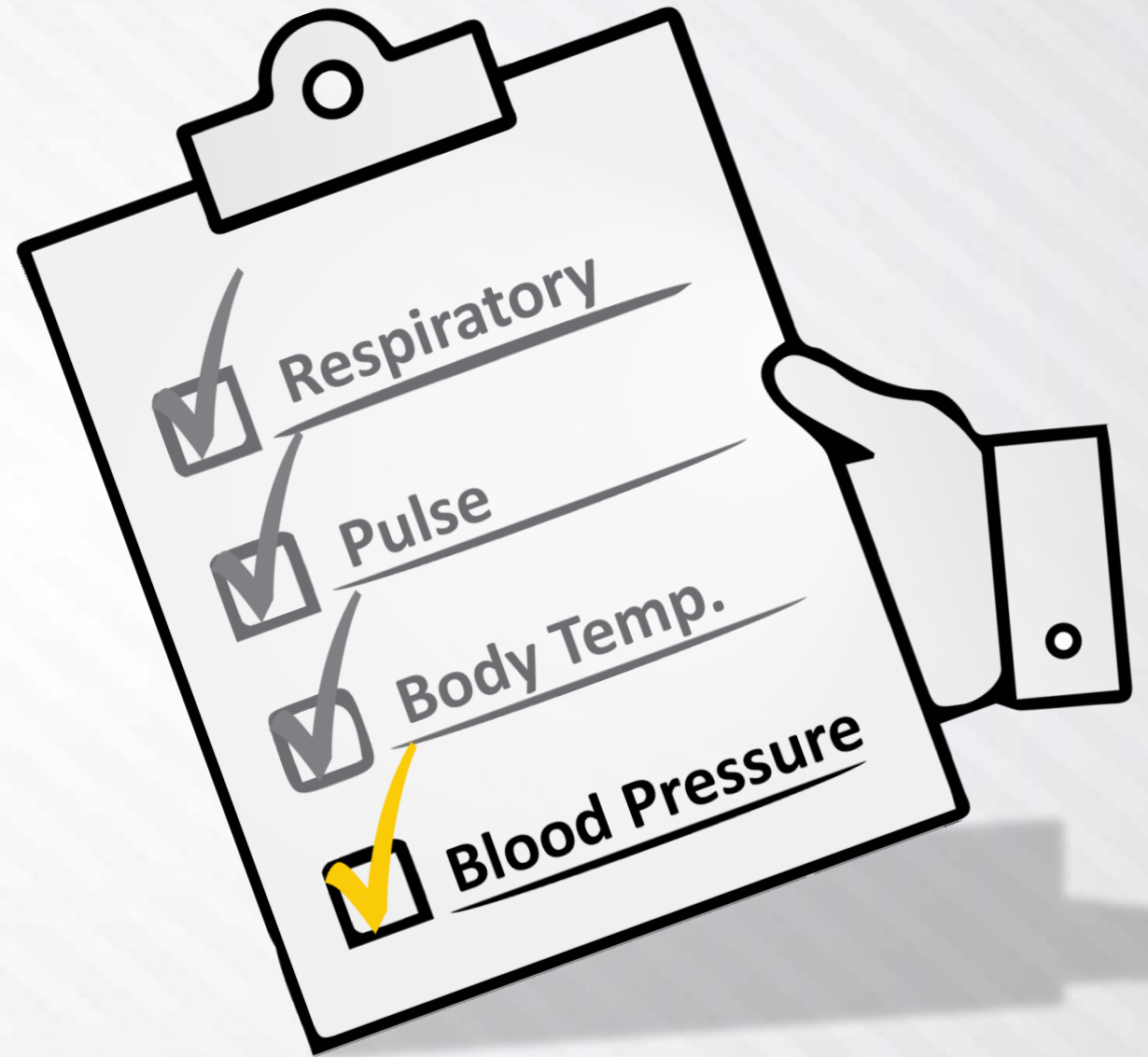


# Business Perspectives - Kansas



# Business Perspectives - Kansas





# Highlight of current business concerns

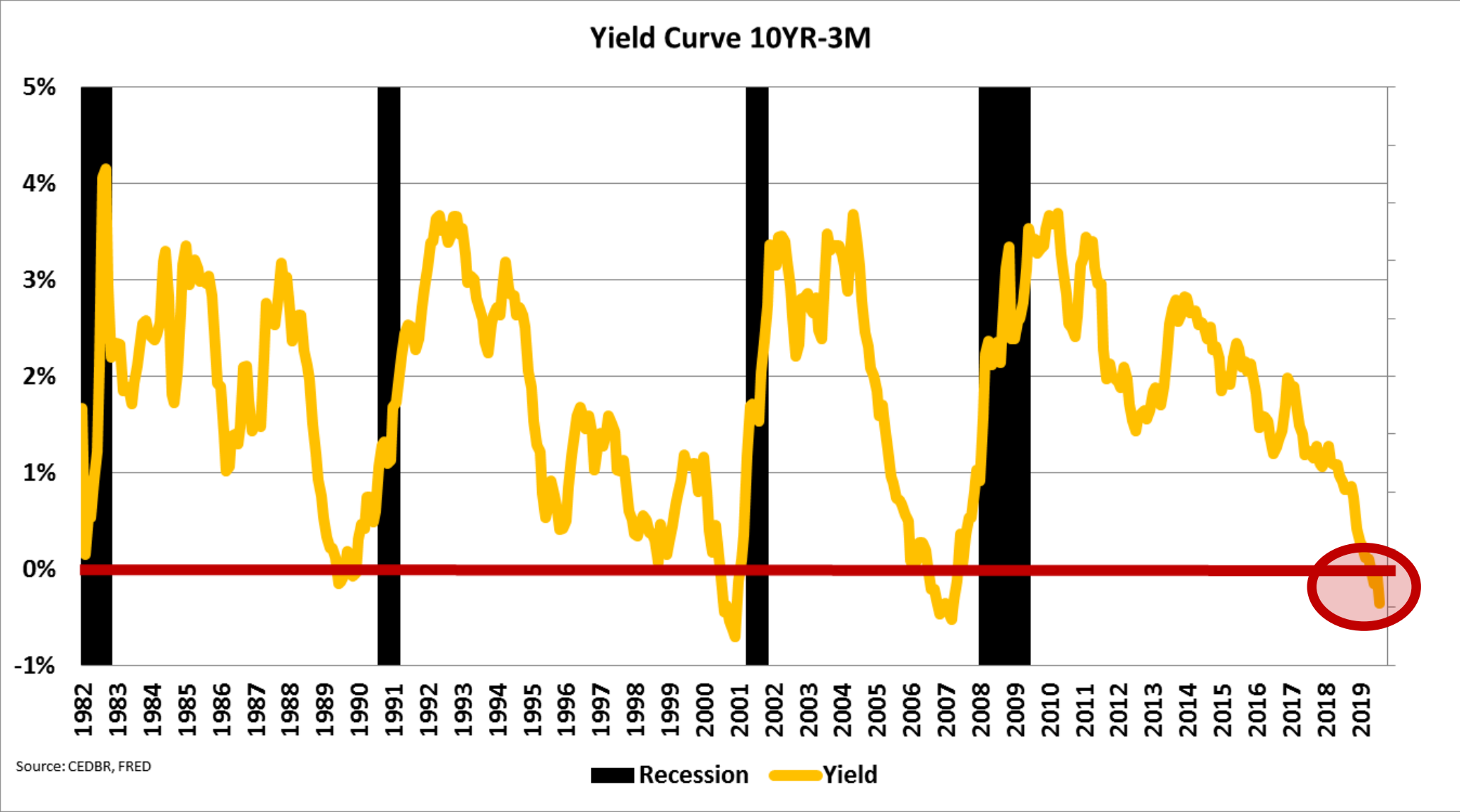
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<b>Global</b>	<b>National</b>
Global slowdown	Trade war
Trade agreements	Monetary policy
Monetary policy	Consumer debt
Brexit	Federal debt

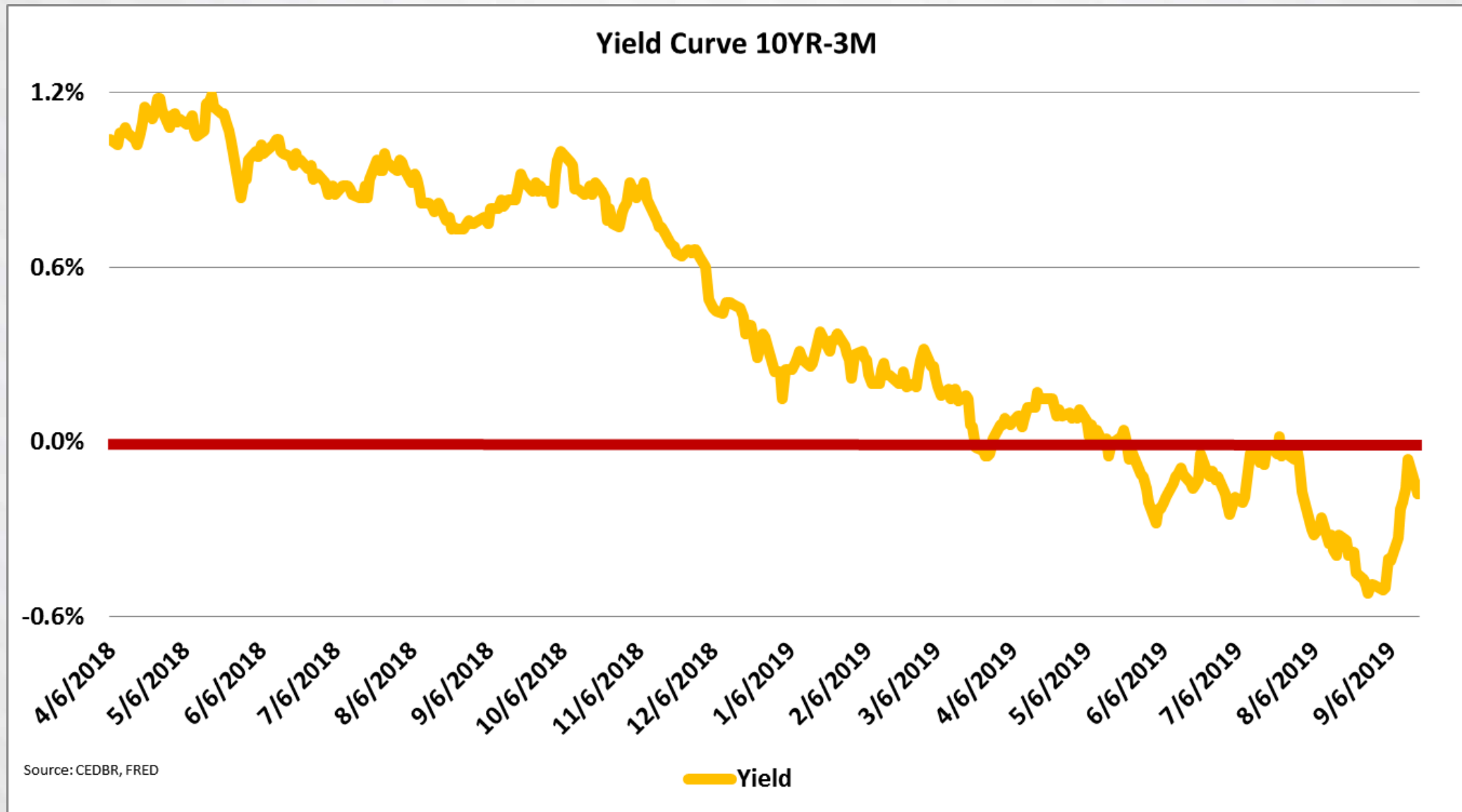
  

<b>State</b>	<b>Local</b>
Available labor	Skilled labor
Retail sales	Farm debt
State policies	Oil prices

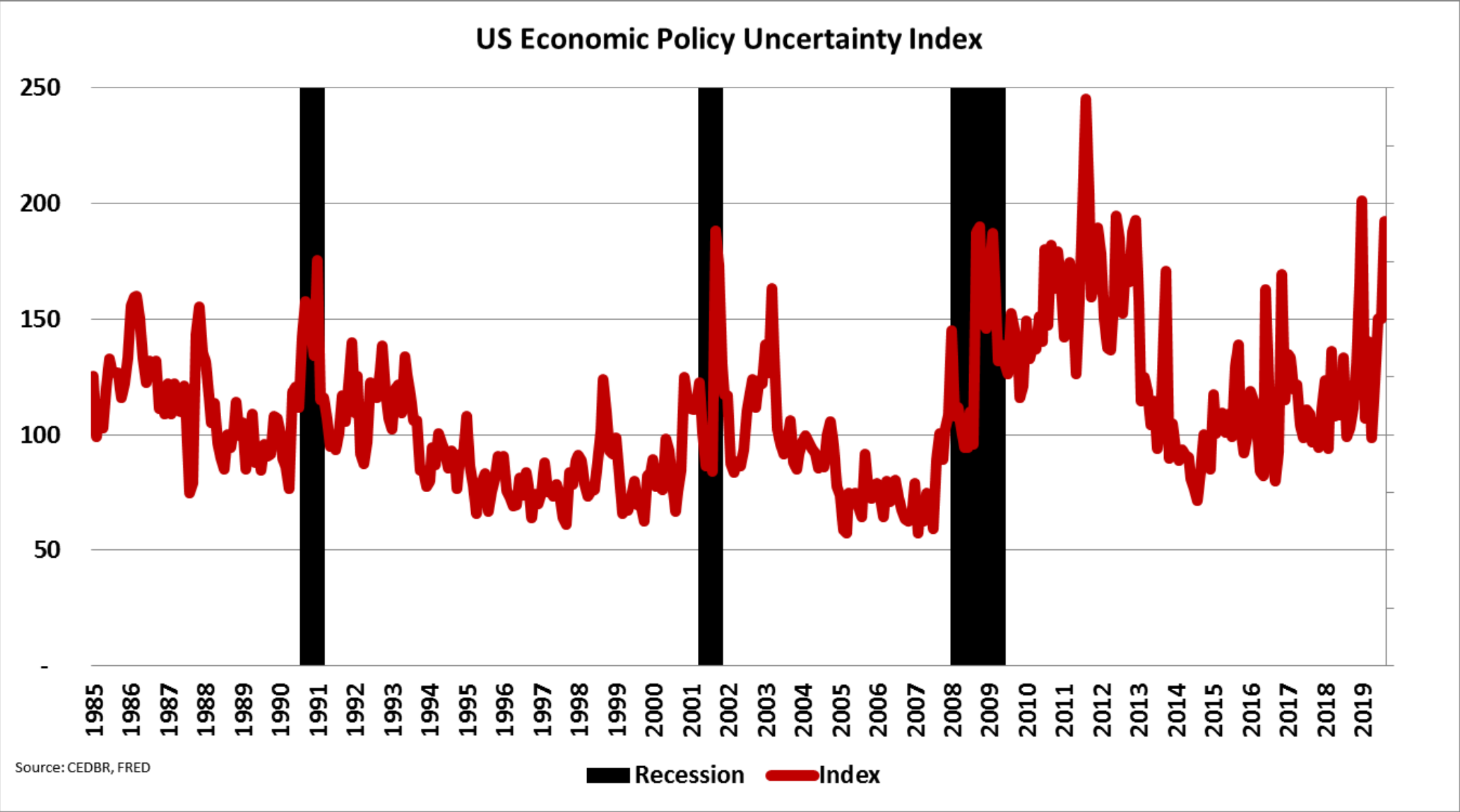
# Yield curve continues to provide concern



# Yield curve continues to provide concern

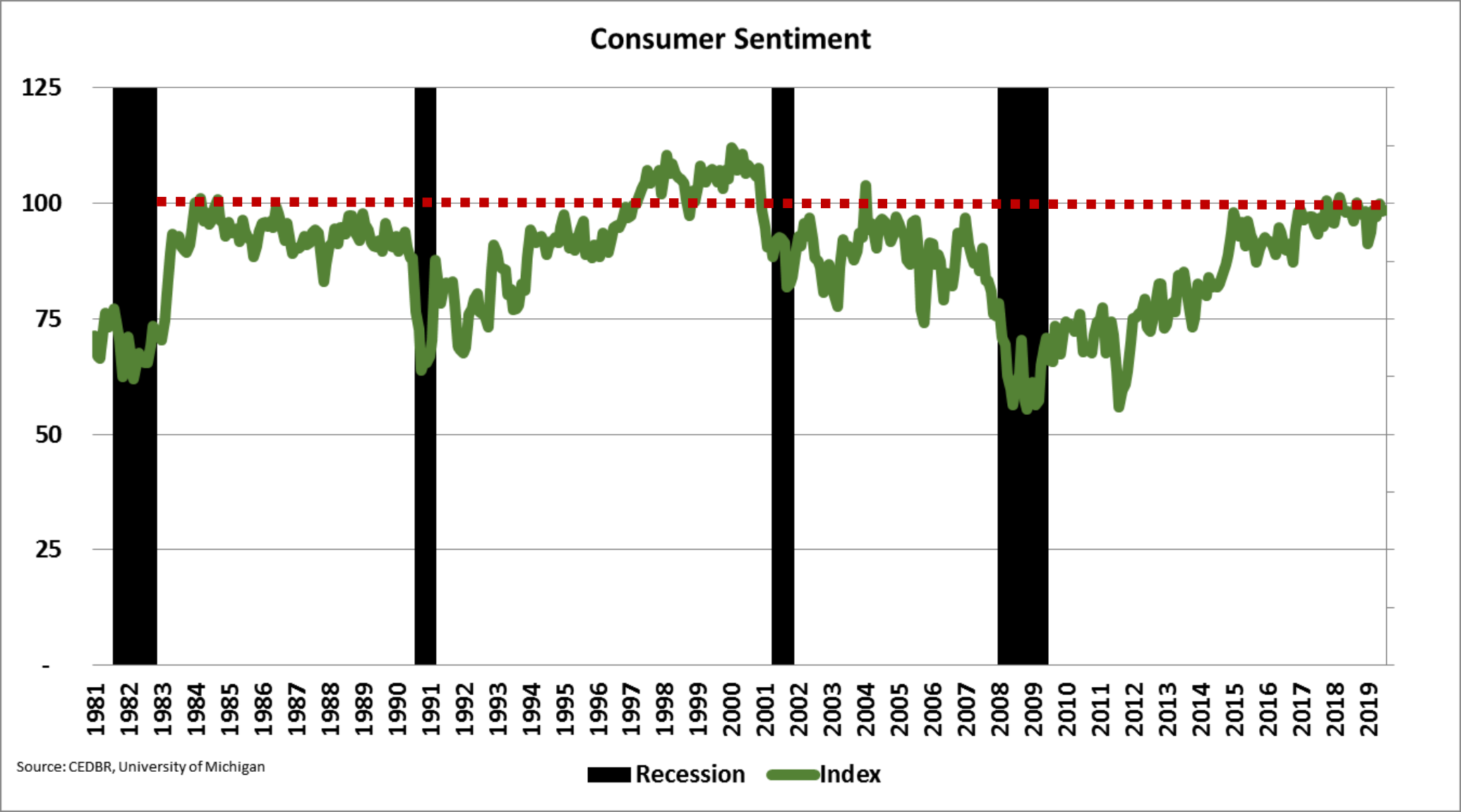


# Uncertainty high and likely to stick around





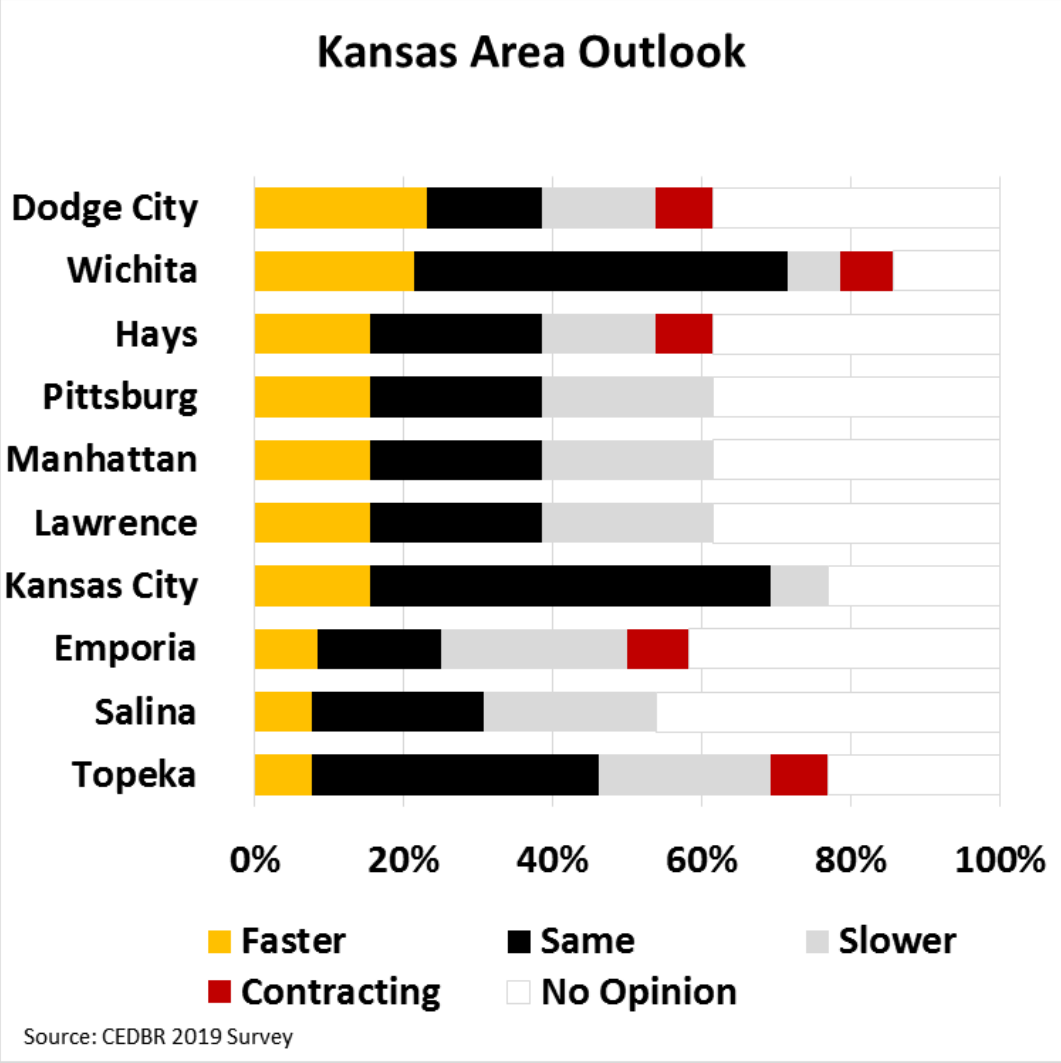
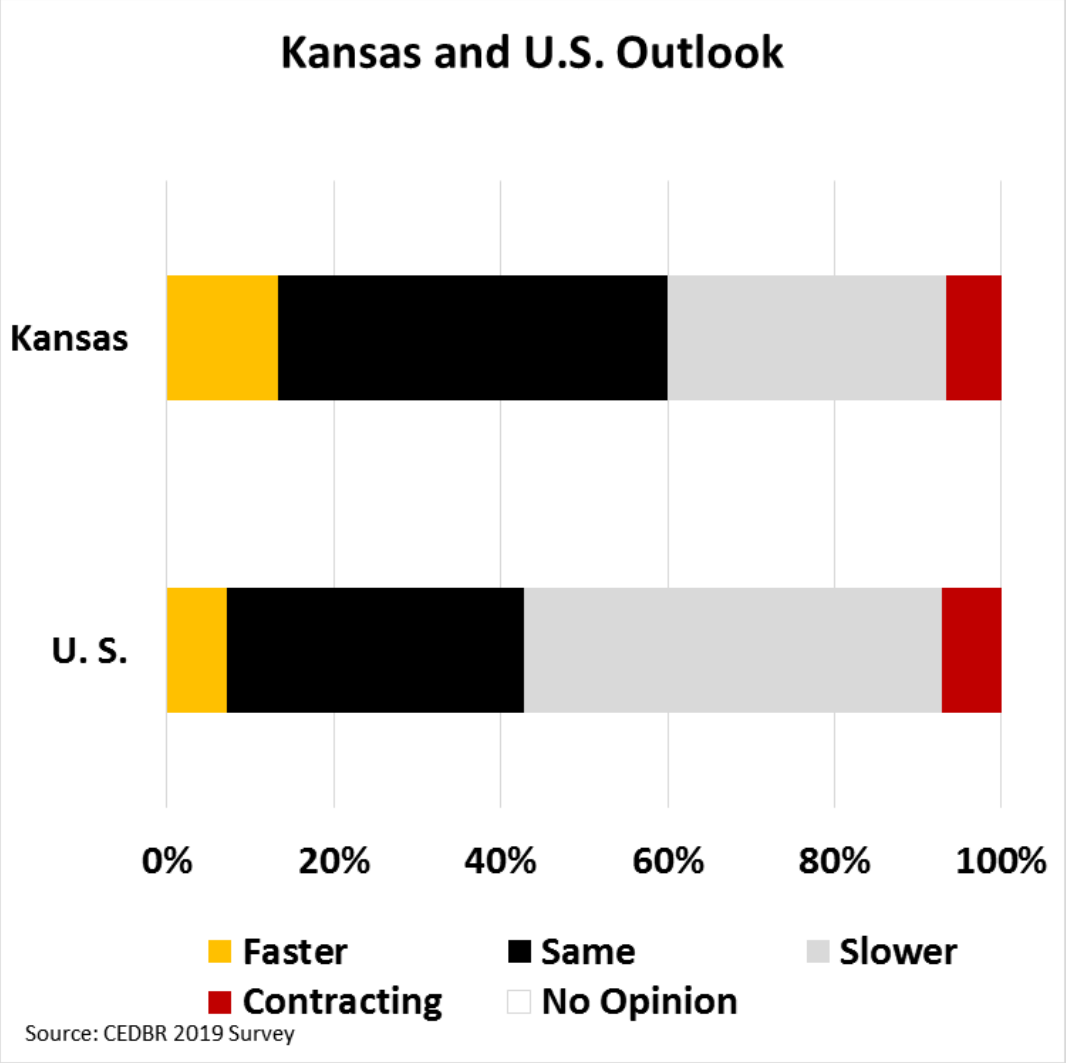
# Consumers remain optimistic





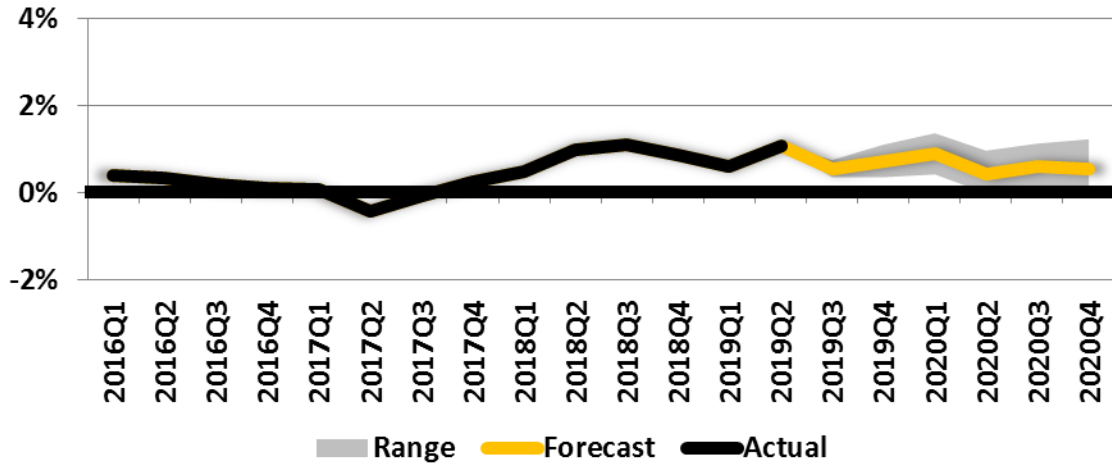
Forecast

# Businesses were realistically optimistic



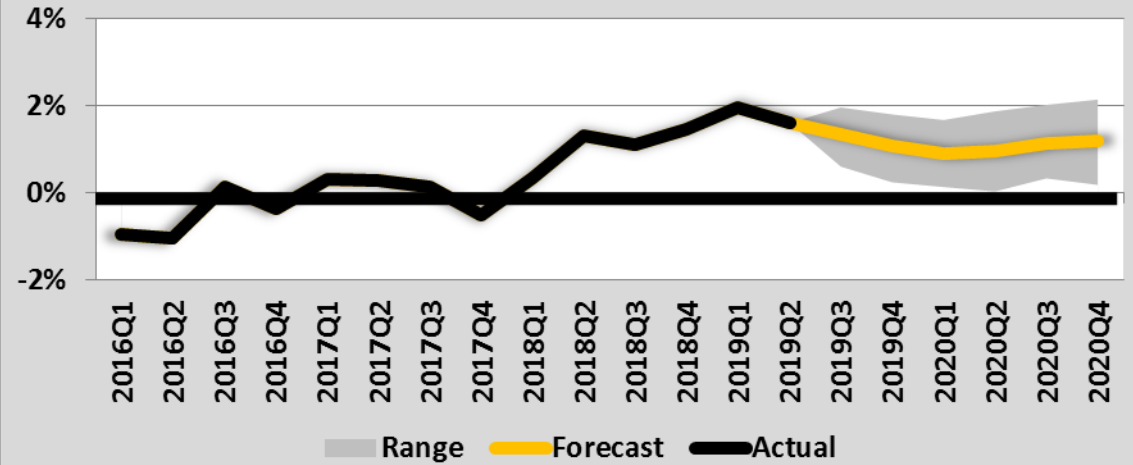
# Growth is expected, but range widens

### Kansas Total Nonfarm Employment Growth



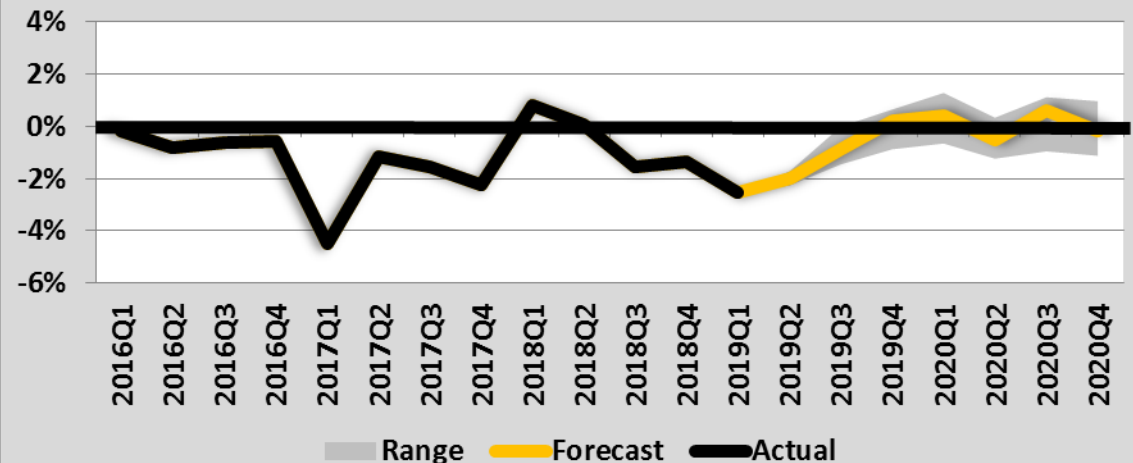
Source: CEDBR, BLS - CES

### Kansas Total Real Wage Growth



Source: CEDBR, BEA

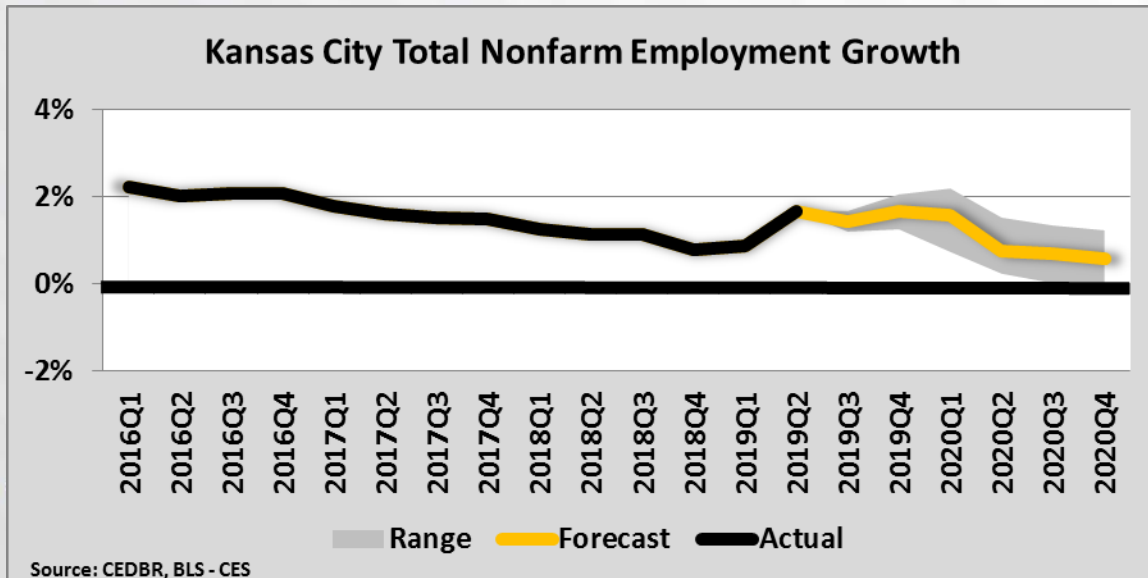
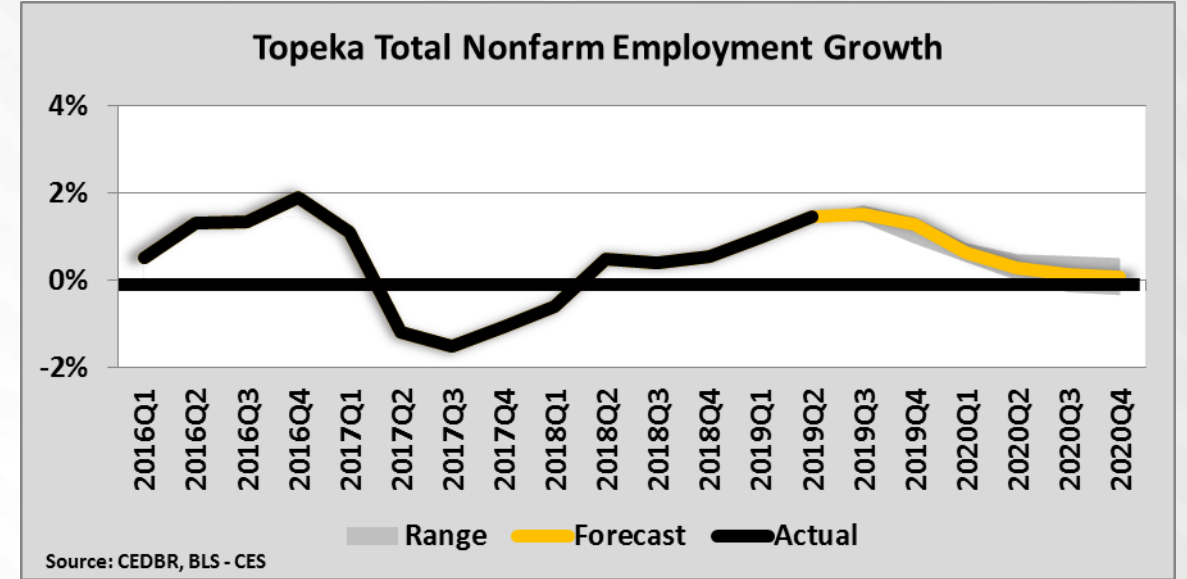
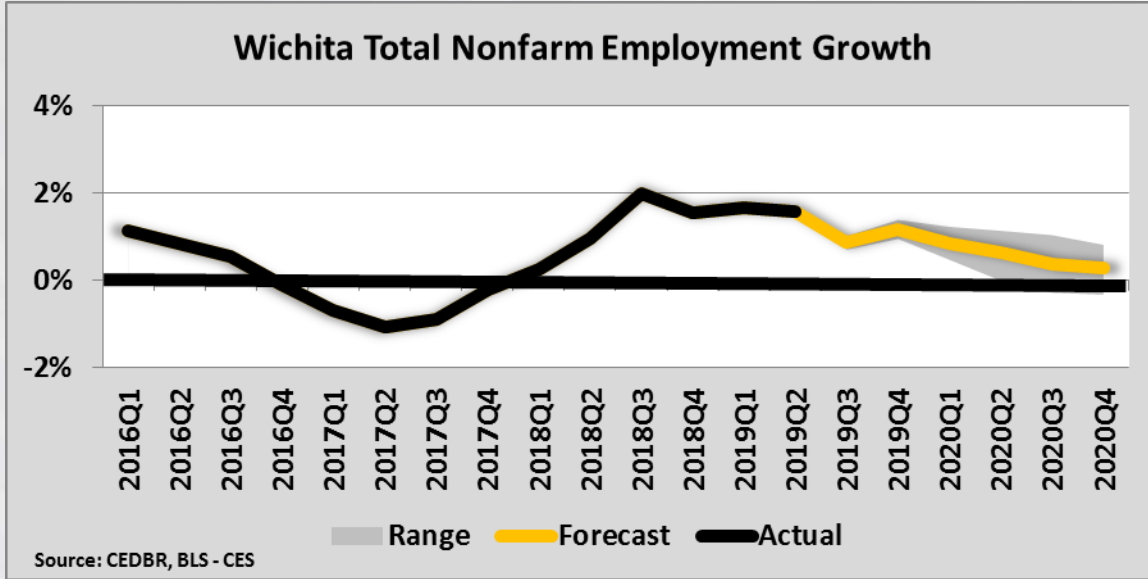
### Kansas Inflation-Adjusted Taxable Retail Sales Growth



Source: CEDBR, KS DOR

- **Kansas** is expected to grow by 0.6% in 2020, **adding 8,926 jobs** to the state economy.
- **Total Wages** in Kansas are expected to **continue to expand**, as employment and income are likely to increase.
- The decline in **taxable retail sales** should **slow, if not improve** over the next year.

# Slowing growth is on the horizon



- **Wichita** is forecasted grow in most sectors and **increase by 1,600 jobs**.
- **Topeka** is likely to **grow by 0.3%**, which is inline with its long-term grow rate.
- **Kansas City** is expected to **add more than 10,000 jobs** by the end of next year.

# Summary

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- As long as **employment and wages** continue to grow the U.S. economy should **continue to expand**; although at a slower pace.
- **Kansas employment** is expected to **grow by 0.6%**, but trade issues could derail that quickly.
- **Manufacturing jobs** are projected to **increase** and this sector will likely be a driver for the state economy over the next year.
- The **tight labor** market will likely continue to **push wages up** in Kansas over the next year; however, retail sales are not projected to increase.
- Although a **recession is inevitable** in the long-run, there is **not imminent danger** on the horizon despite mounting concerns.



# AGENDA

- 1:00 Registration / Networking / Refreshments
- 1:30 State/Regional Outlook
- 2:15 -- Q & A --**
- 2:30 Local Update
- 2:50 -- Q & A --
- 3:00 Closing Remarks / Adjourn

## *Kansas Community Outlook EVENTS*

Local Partner:





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## *Kansas Community Outlook EVENTS*



### **Matt Godinez**

Executive Director  
Chanute Regional  
Development Authority

Local Partner:



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## *Kansas Community Outlook EVENTS*

### **Jeremy Hill**

Director, CEDBR  
Wichita State University

Local Partner:



#KSEcon 

# *Thank You*

**for attending today's conference!  
We hope to see you again next year.**

*Kansas  
Community  
Outlook*  
**EVENTS**