



Kansas Economic Outlook

What is your favorite 2020 hashtag?

#Coronageddon #CornTeen

#DoomScrolling #Maskne

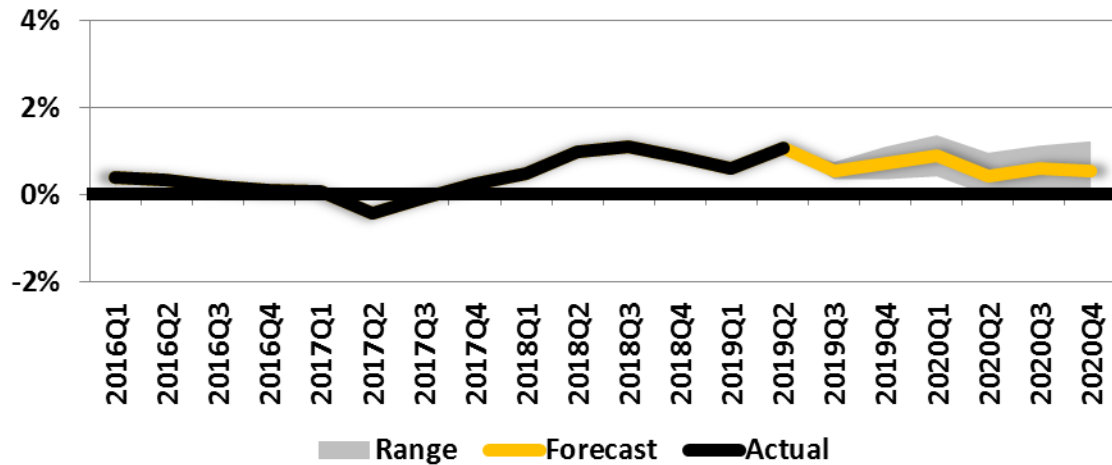
Extra points for economy related hashtags!

#KSEcon



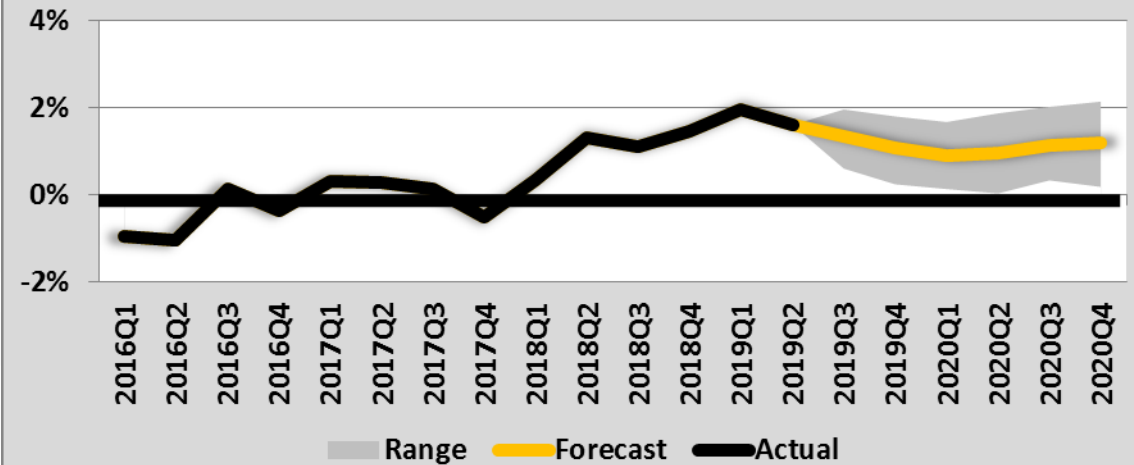
2019 Forecast Review

Kansas Total Nonfarm Employment Growth



Source: CEDBR, BLS - CES

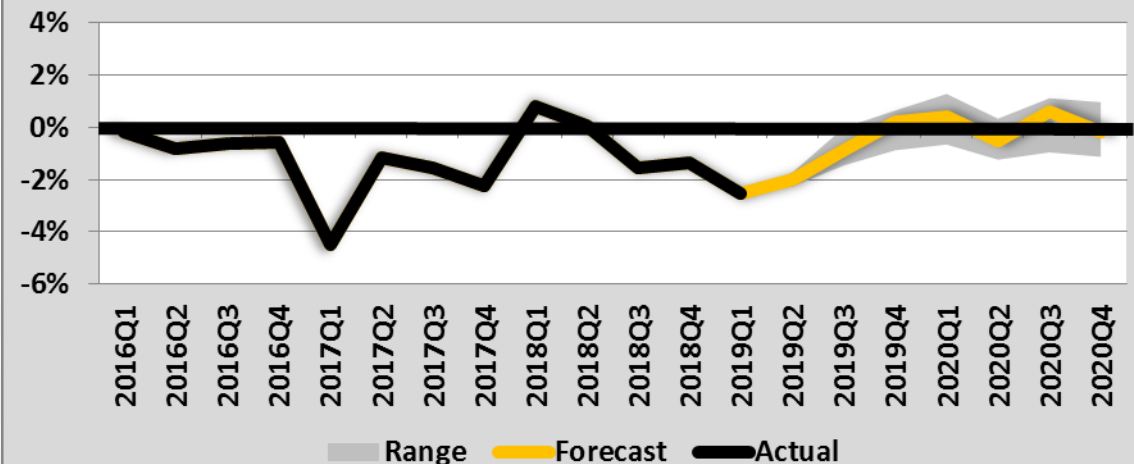
Kansas Total Real Wage Growth



Source: CEDBR, BEA

- **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.

Kansas Inflation-Adjusted Taxable Retail Sales Growth



Source: CEDBR, KS DOR

Shakespearean Tragedy



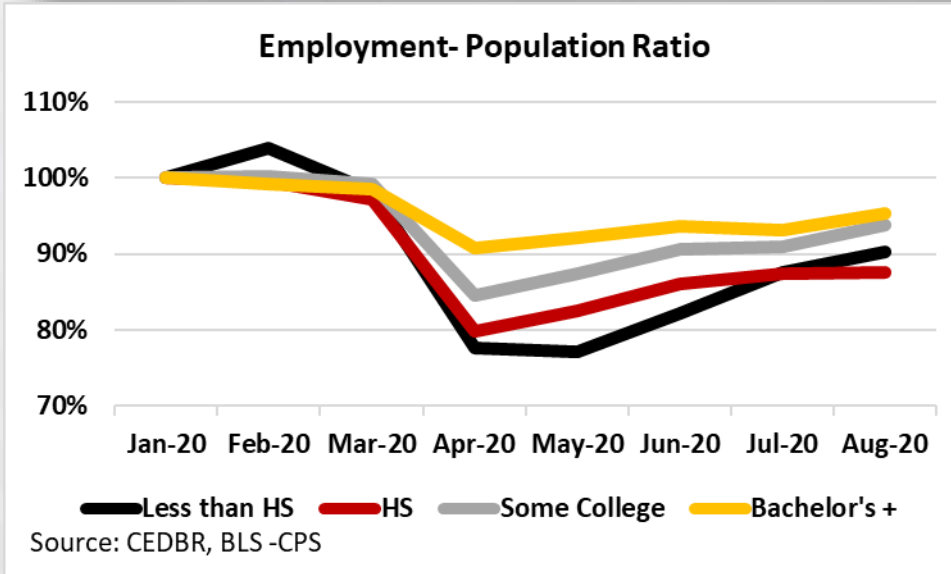
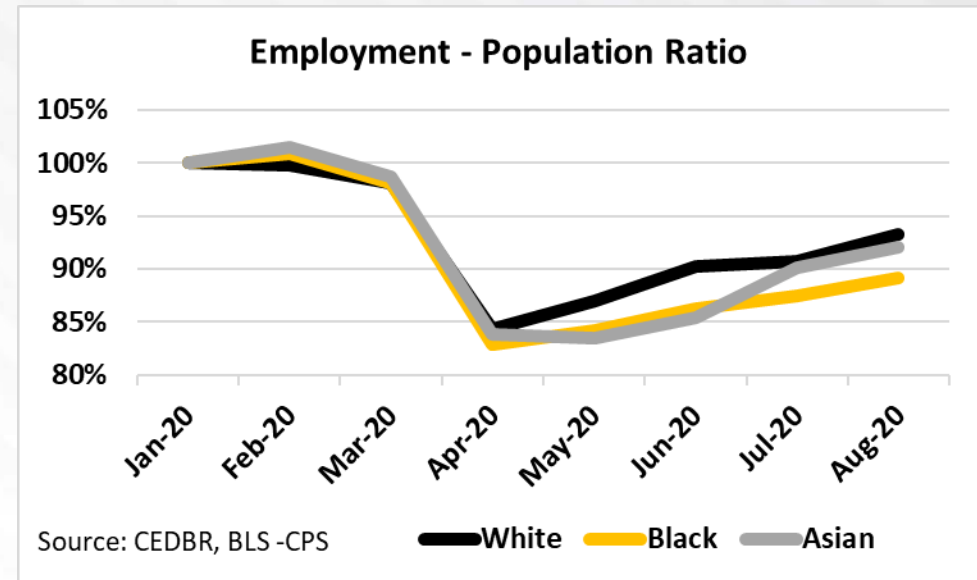
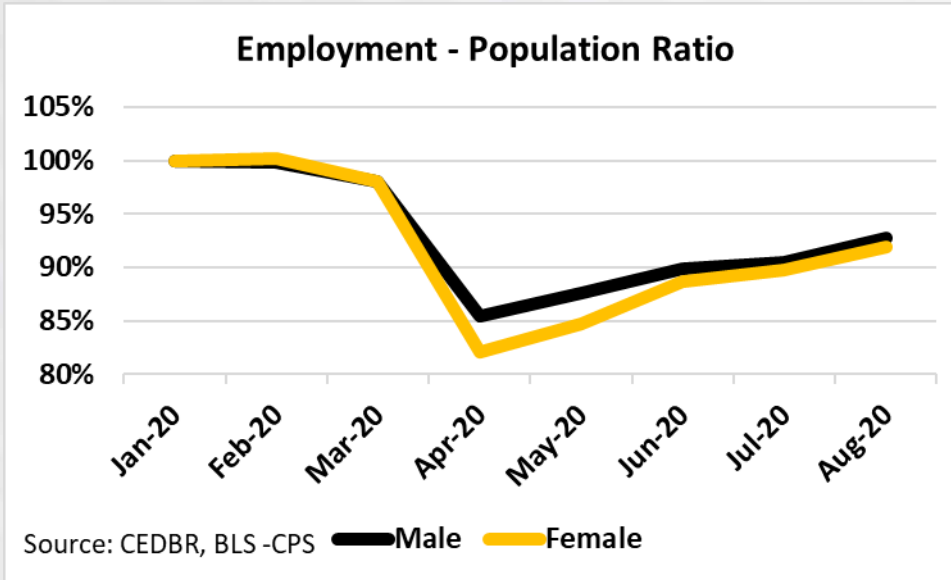
US cumulative EMP loss was highly concentrated

	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Mining and logging	92%	89%	88%	87%	87%
Construction	86%	92%	94%	95%	95%
Durable goods	88%	90%	94%	94%	94%
Nondurable goods	91%	93%	94%	95%	95%
Wholesale trade	93%	94%	95%	94%	94%
Retail trade	85%	87%	93%	94%	96%
Transportation and warehousing	90%	90%	91%	92%	93%
Information	90%	89%	89%	89%	89%
Financial activities	97%	97%	98%	98%	98%
Professional and business services	89%	90%	92%	92%	93%
Education and health services	89%	90%	93%	94%	94%
Leisure and hospitality	51%	59%	71%	75%	76%
Government	96%	94%	94%	95%	96%

Source: CEDBR, BLS -CPS (Employment - January 2020 Base)

- **Restaurants** remain the hardest hit sector with 24% below January 2021 levels
- **Financial activities** have been the least impacted by COVID-19

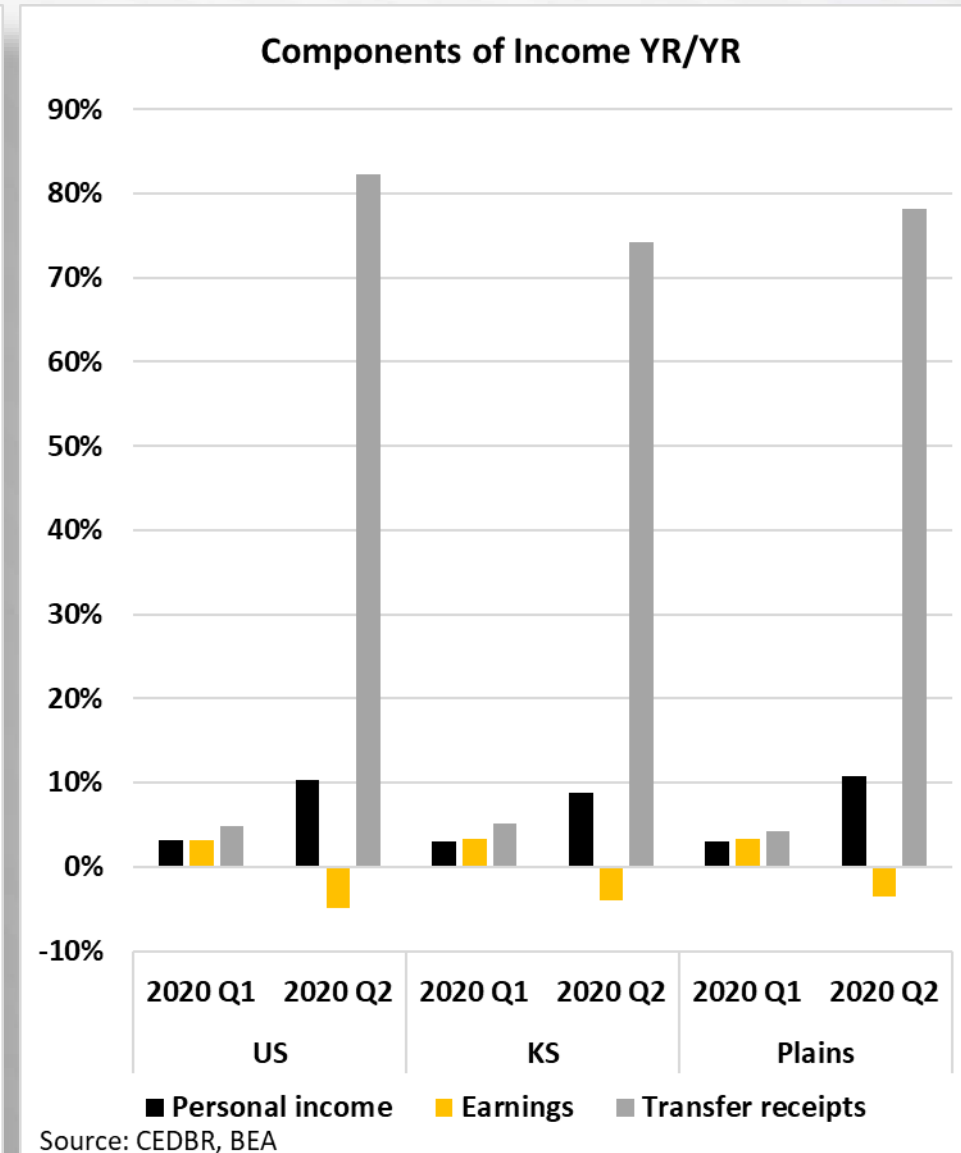
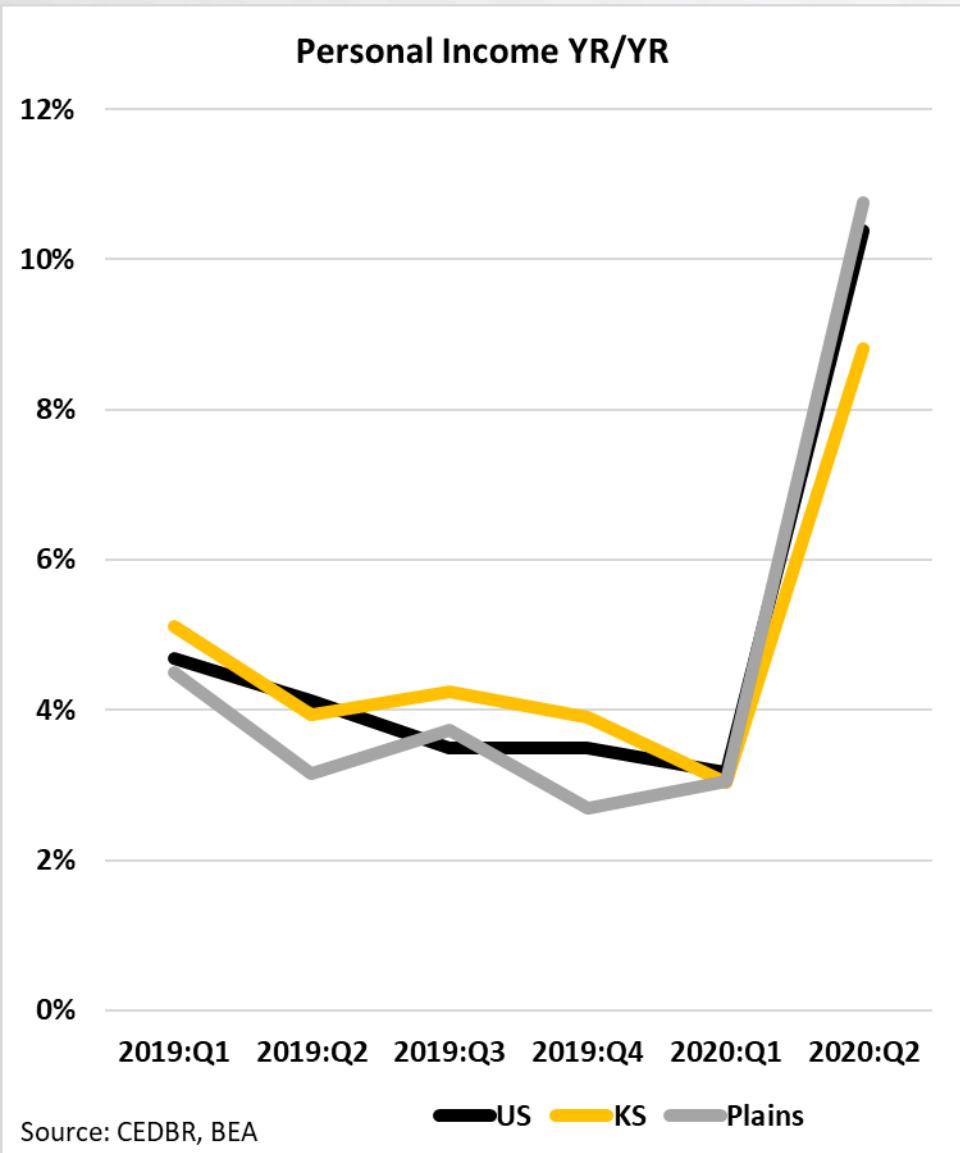
The impact was not shared equally



Post COVID World

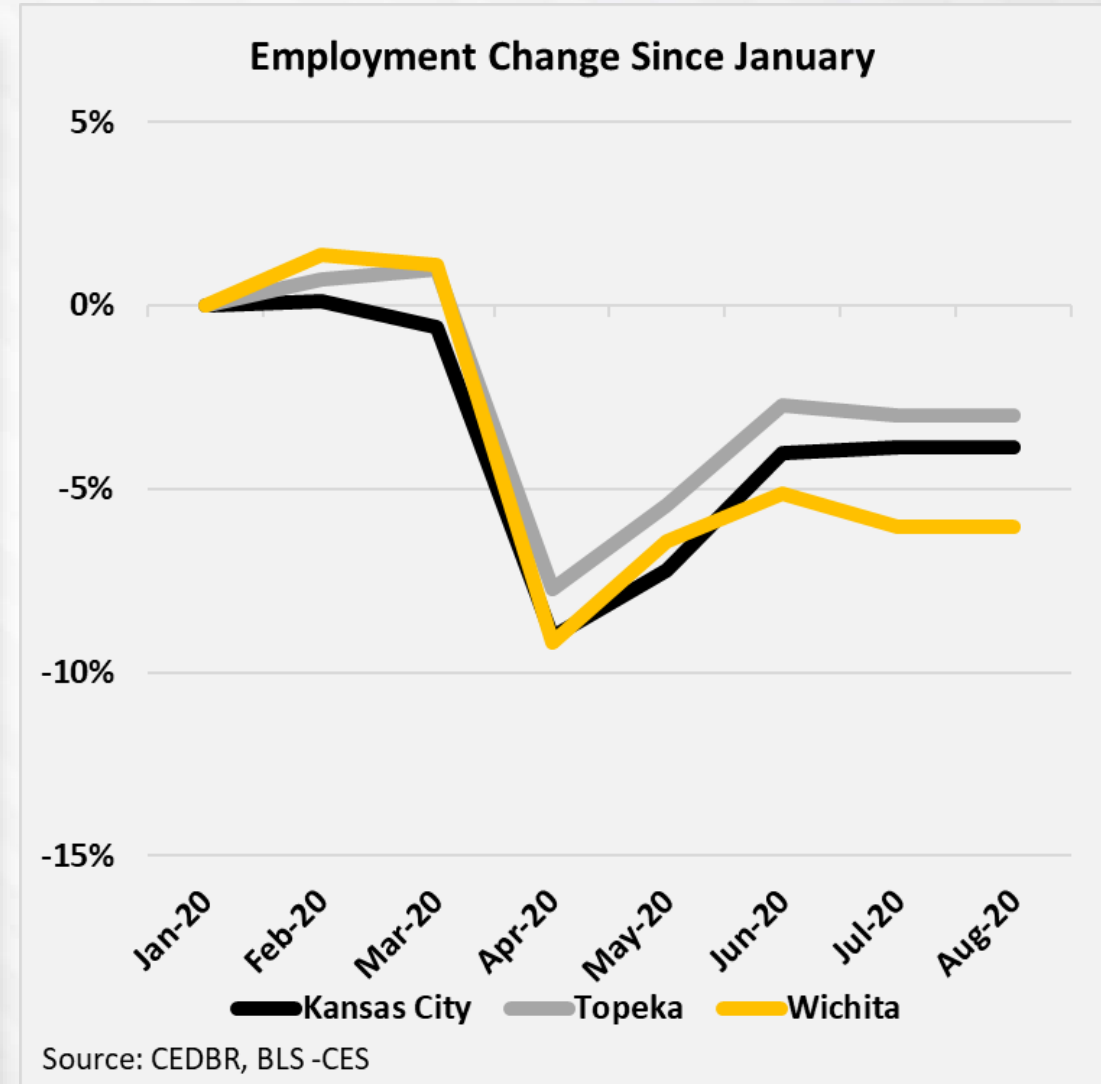
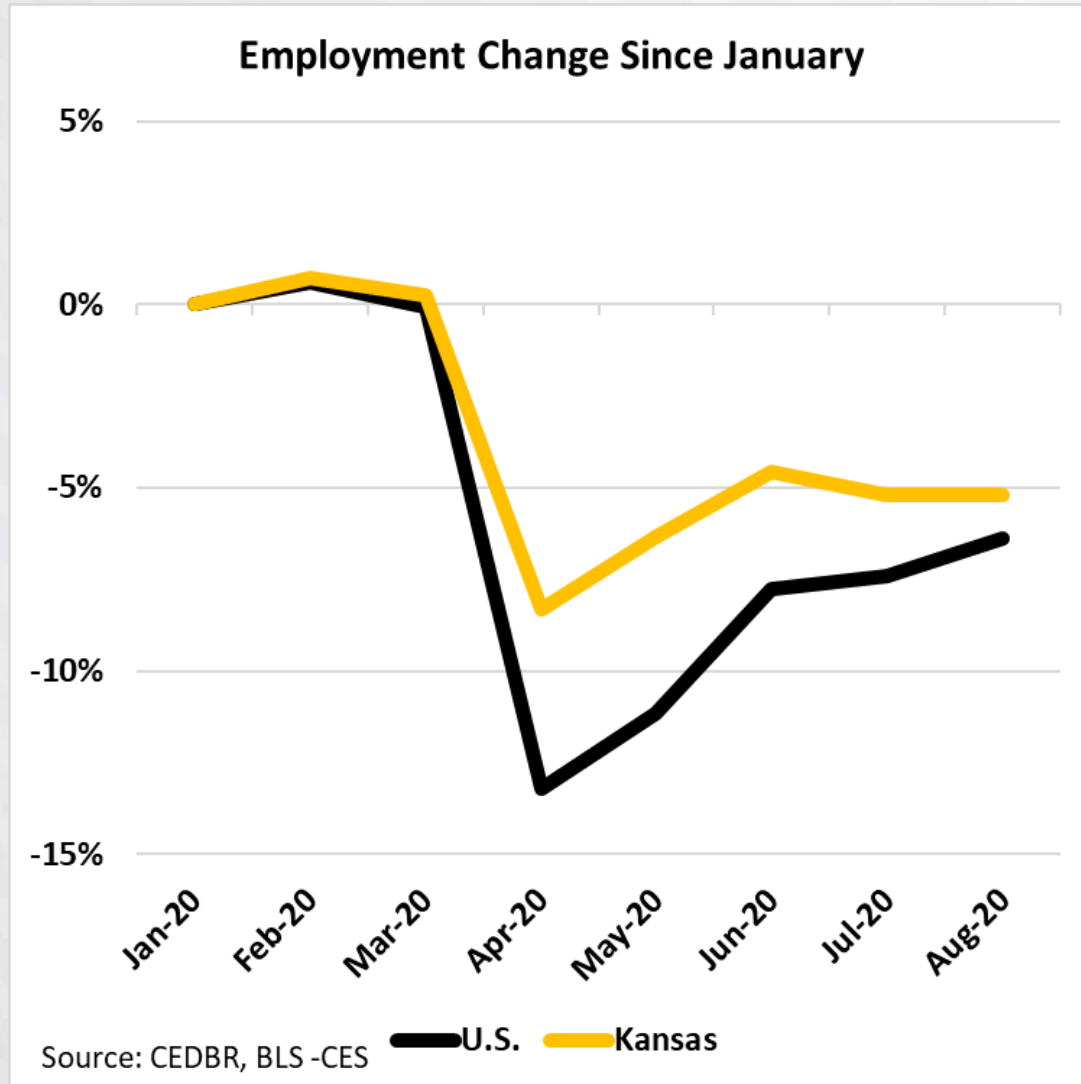
- Decrease low-skilled occupations?
 - Telework World
 - Urban de-densification
 - Automation forcing
 - Shift from labor to automation
- Decreased/increased upward mobility?

Personal income soared in Q2 from transfer of payments

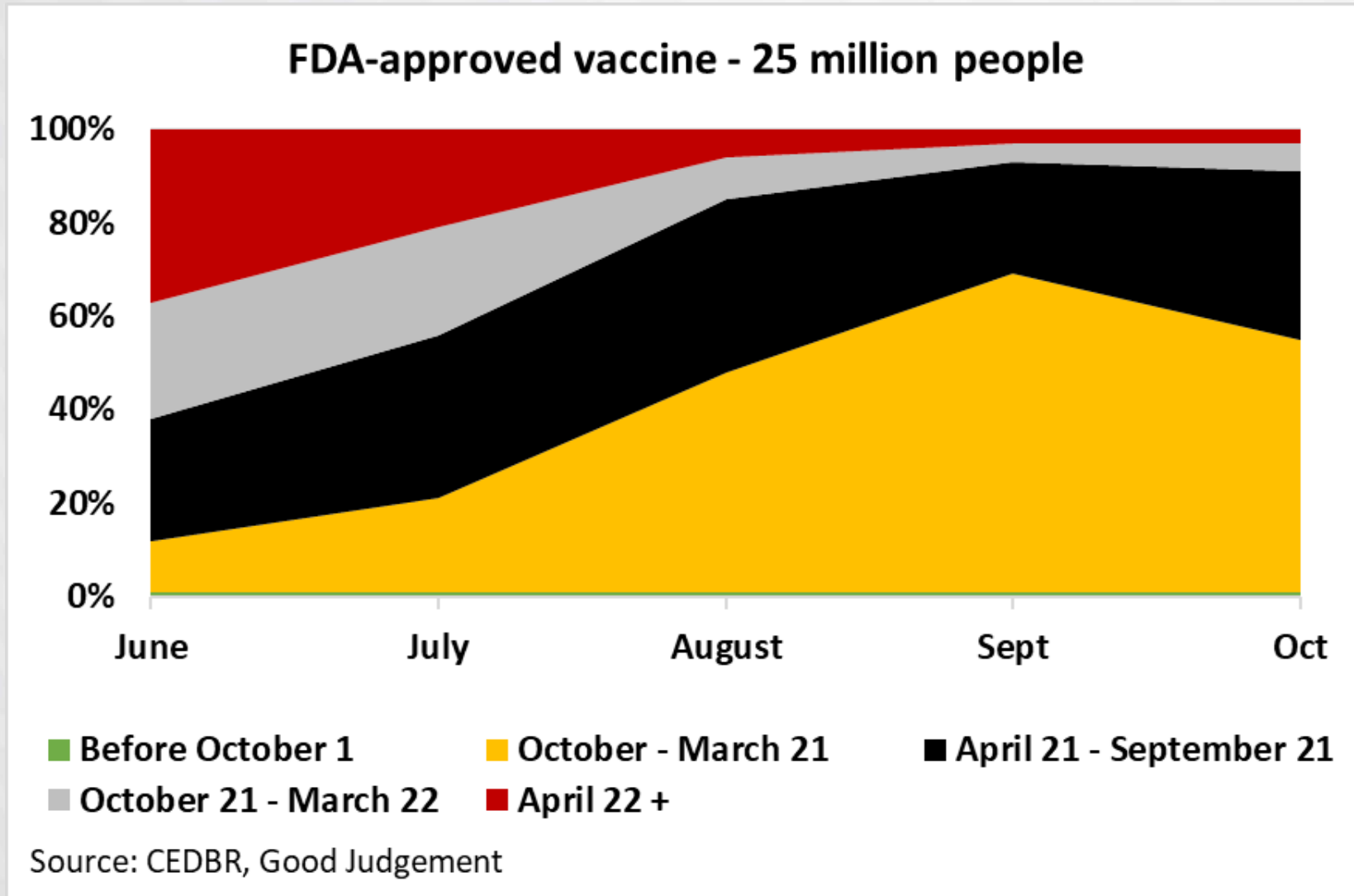


- **Transfer receipts** include unemployment insurance benefits and other payments
- **Personal income** is the broadest definition, which includes earned income, government transfers, and other capital income

Job losses were less in Kansas than the Nation



Vaccine and disseminations in reach



- **53%** - March 2021
- **38%** - September 2021
- There are four main candidates for an early vaccine in the US – Pfizer, Moderna, AstraZeneca, and Johnson & Johnson

Shakespearean Tragedy



Unemployment rates

US 8.4 Aug

Kansas
7.1 Aug

Wichita
10.2 Aug

Topeka
6.5 Aug

**Kansas
City**
6.7 Aug

KS unemployment claims per 1,000 workers

	PreCOVID	Peak	
	1/4/2020	3/28/2020	9/19/2020
Agriculture, forestry, and mining	0.8	6.3	4.2
Construction	5.6	18.1	17.6
Manufacturing	2.1	84.8	11.9
Wholesale trade	1.0	19.3	8.7
Retail trade	0.7	29.7	12.0
Transportation and utilities	1.1	19.9	8.2
Information	0.4	15.7	4.7
Finance, insurance, and real estate	0.7	8.6	13.9
Professional services	2.4	23.4	19.2
Educational health care services	0.3	15.9	6.2
Arts, entertainment, and recreation	0.9	77.9	3.2
Accommodation and food services	1.2	92.5	18.6
Other services	0.4	66.2	21.5
Public administration	0.5	3.6	4.4

Source: CEDBR, KSDOL - Kansas Initial Claims

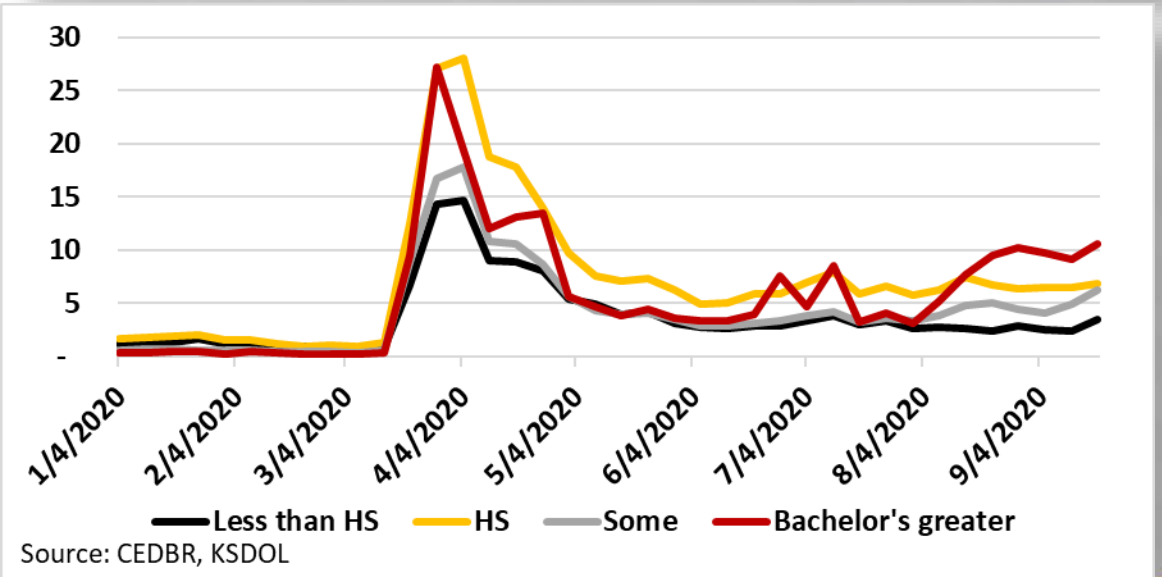
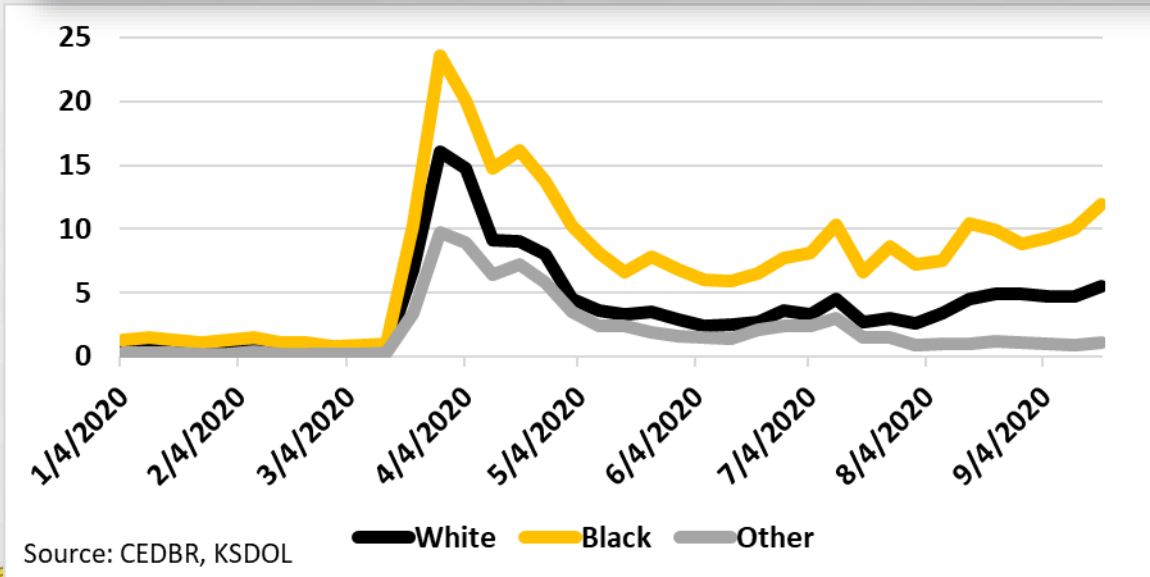
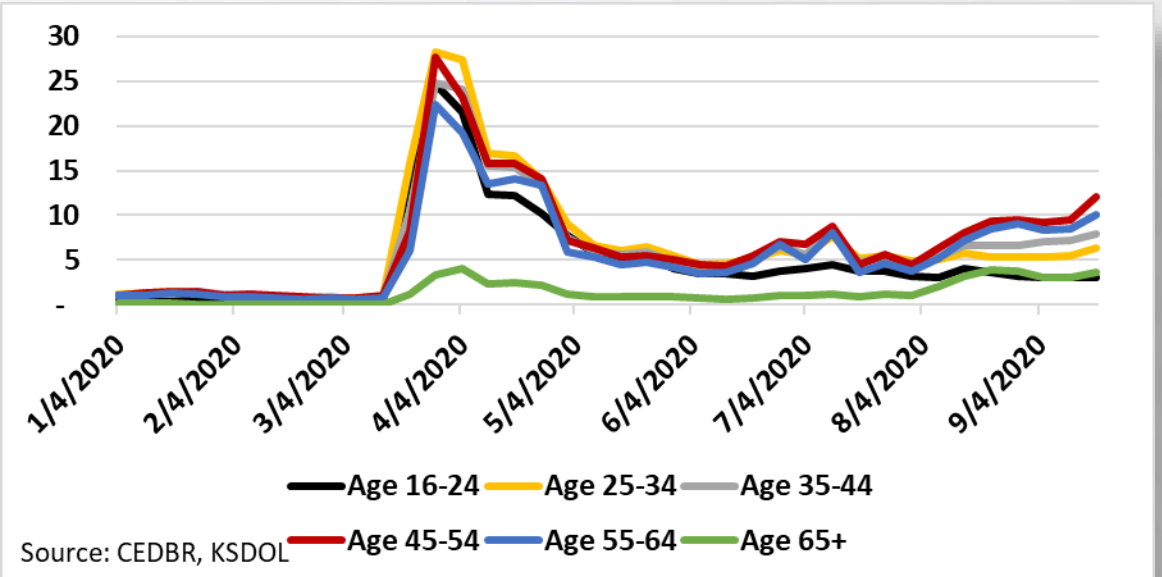
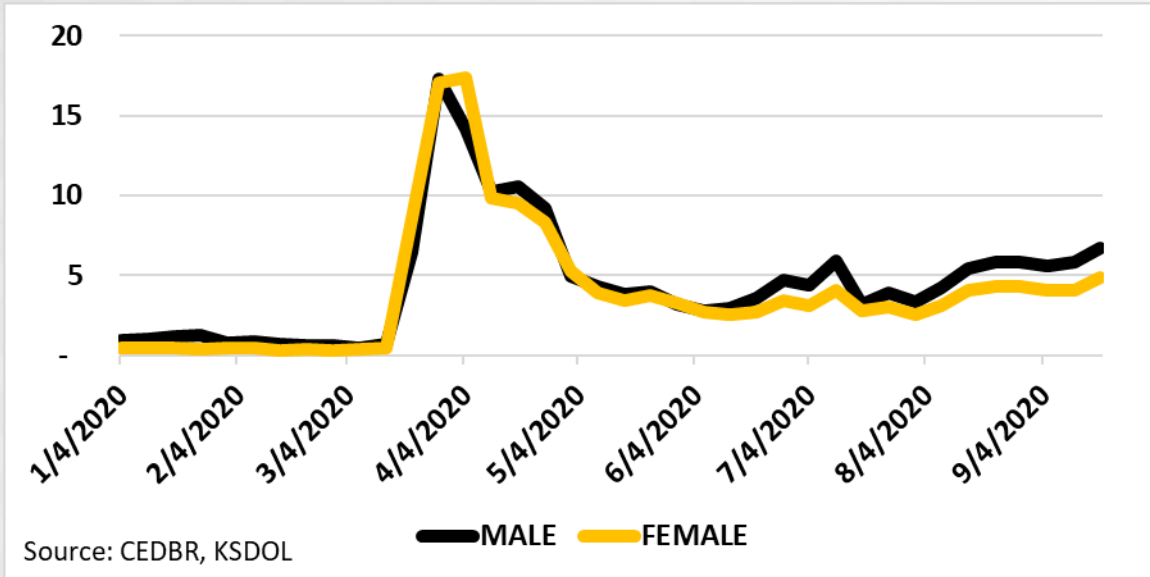
• Peak

- Manufacturing
 - 85 out of 1,000
 - Discouraged workers tried to reenter the market
- Food service
 - 93 out of 1,000

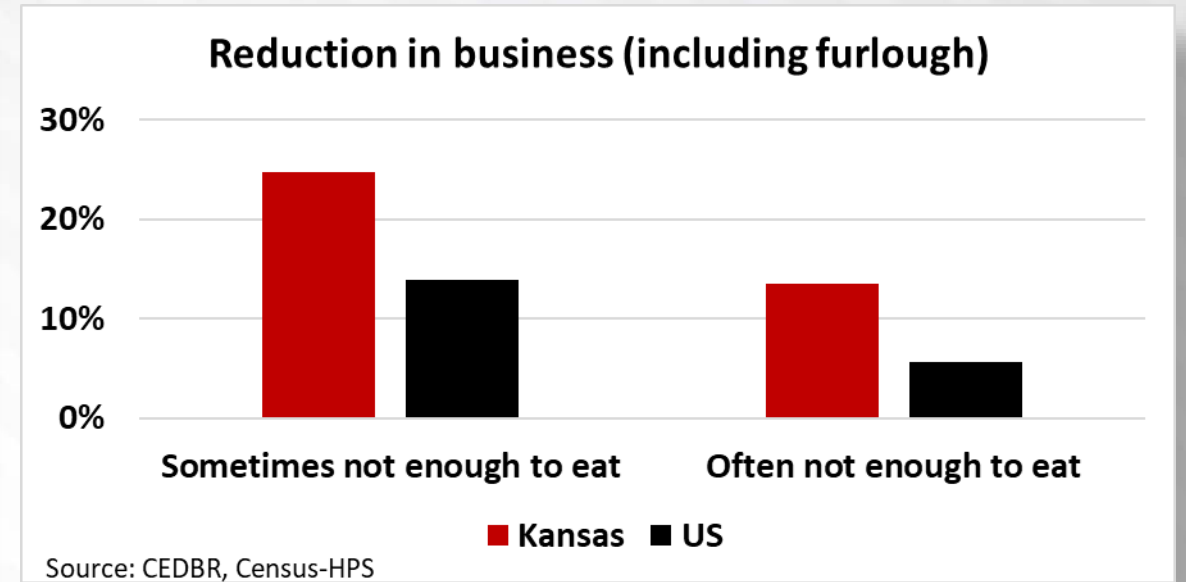
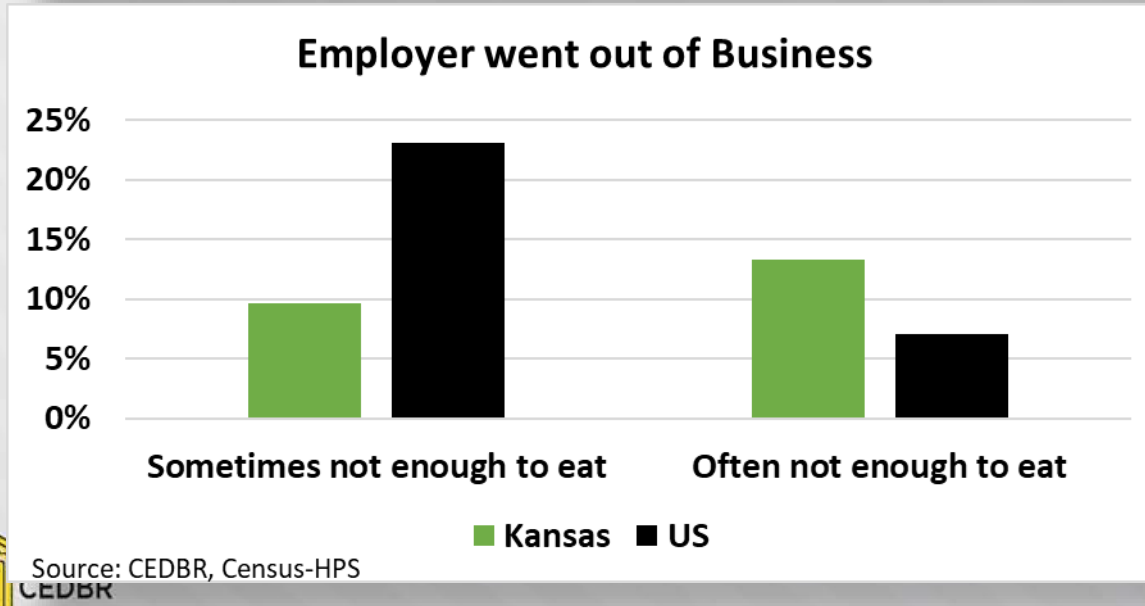
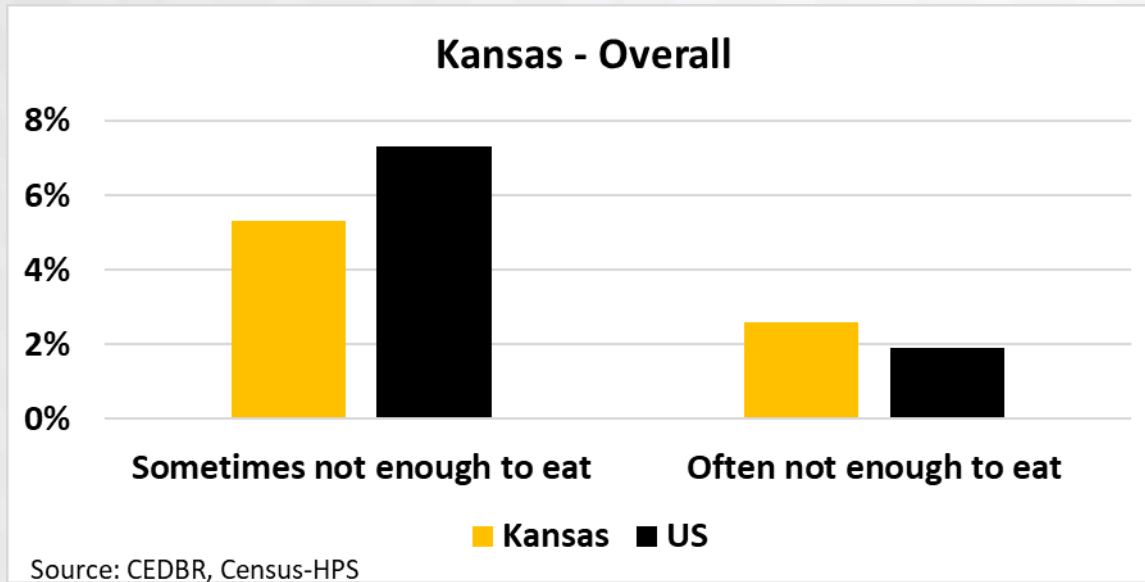
• Now

- Lost demand seeping over into the service sector
 - Other services
 - Professional
 - Finance

KS unemployment claims per 1,000 workers



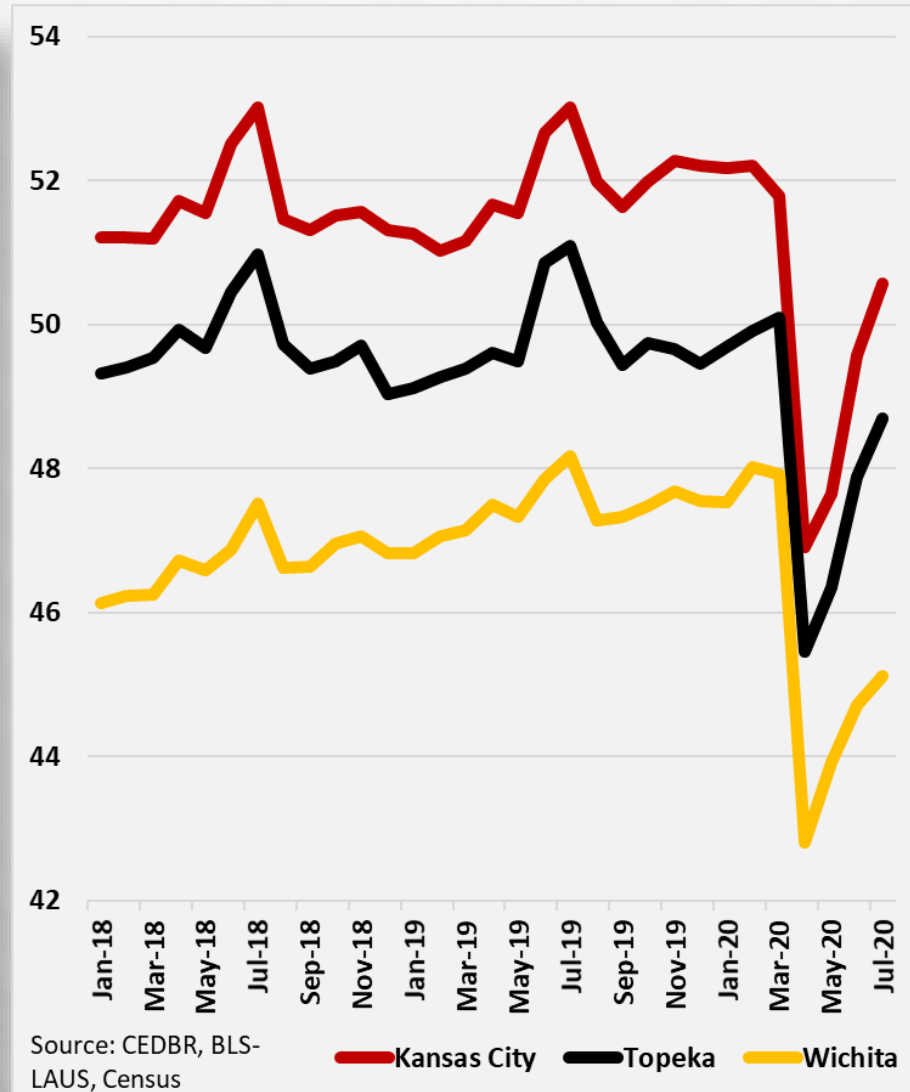
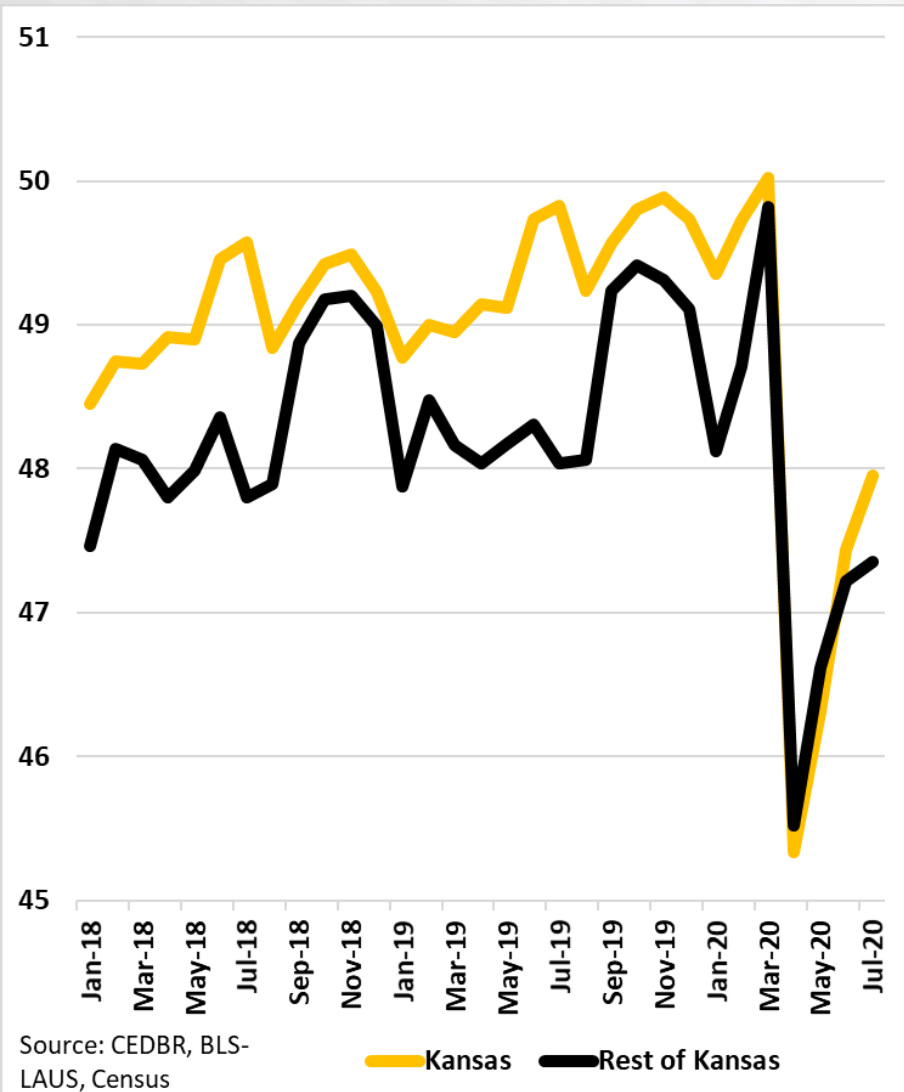
Food Scarcity



Sometimes and Often

- Kansas 169,096
- Furloughed workers 38%
- Closed business 23%

Labor utilization points to hiring opportunities



- The **employment-population ratio** measures all employed workers to total population.
- **Wichita** and **Rest of Kansas** are struggling more than other parts of the state.

Mystery about jobs in 2020

Households

- Too much competition for the same job

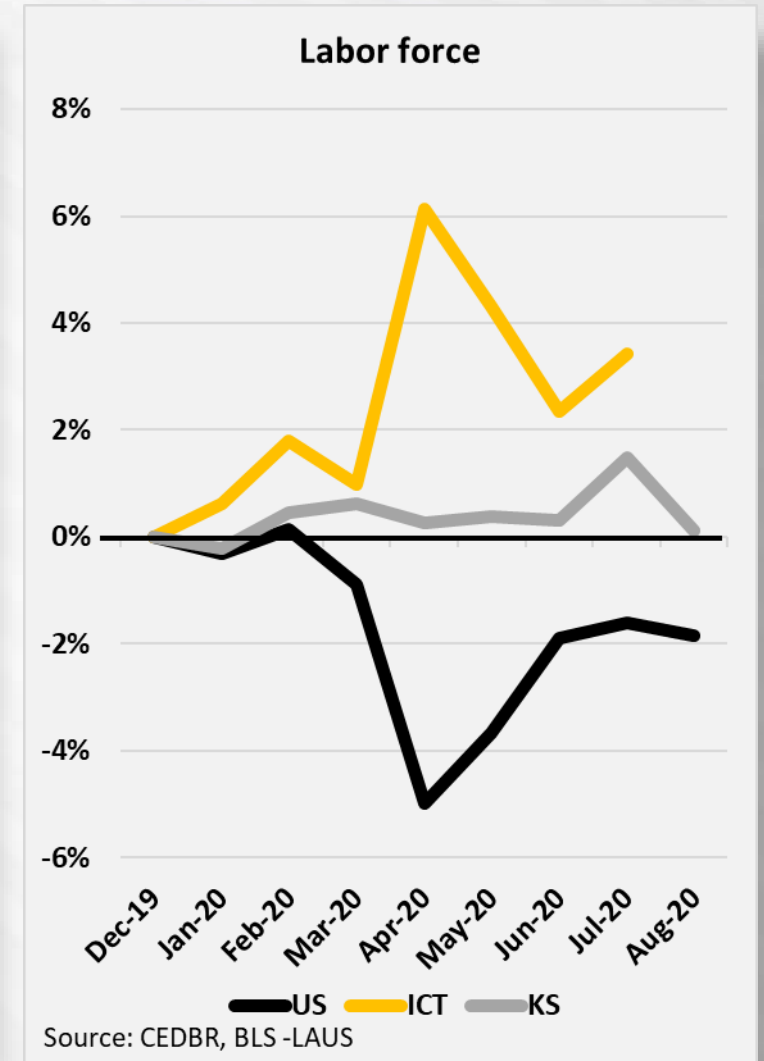
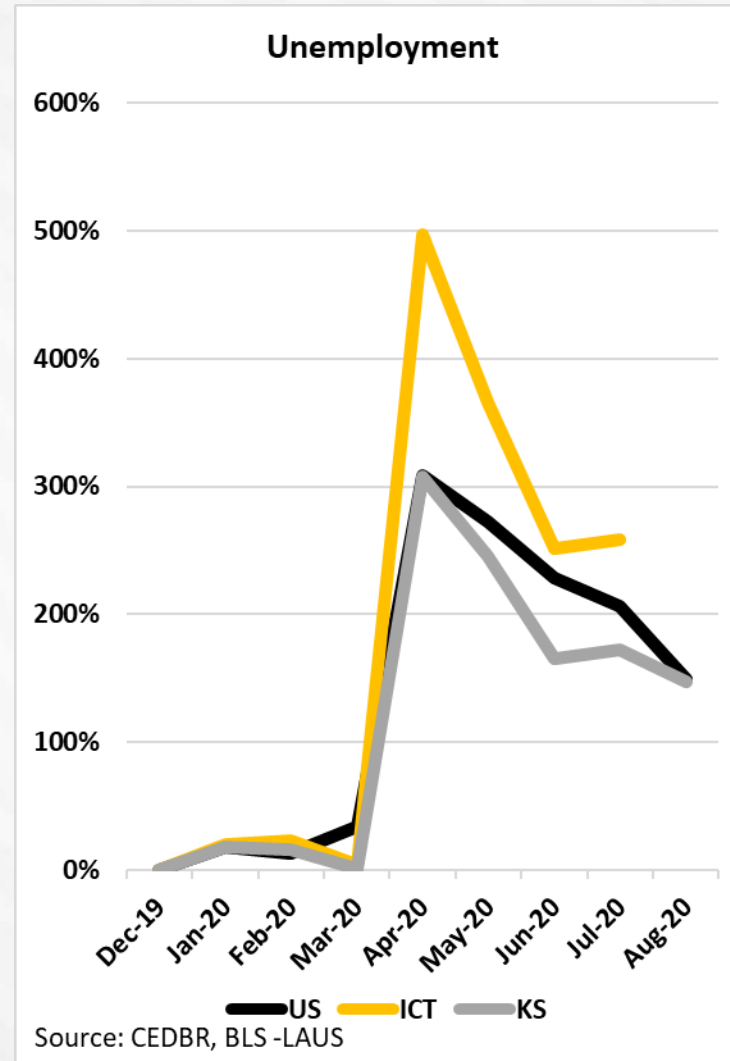
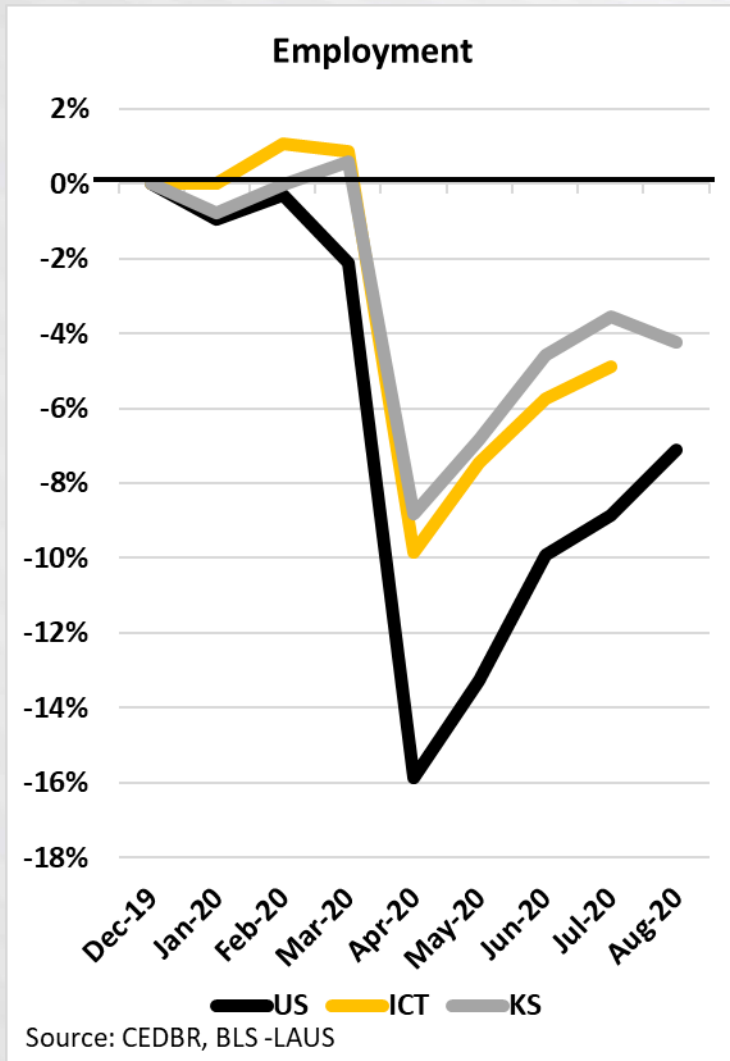
Employers

- Struggling to fill jobs

Is the mystery due to unemployment benefits? Not likely.

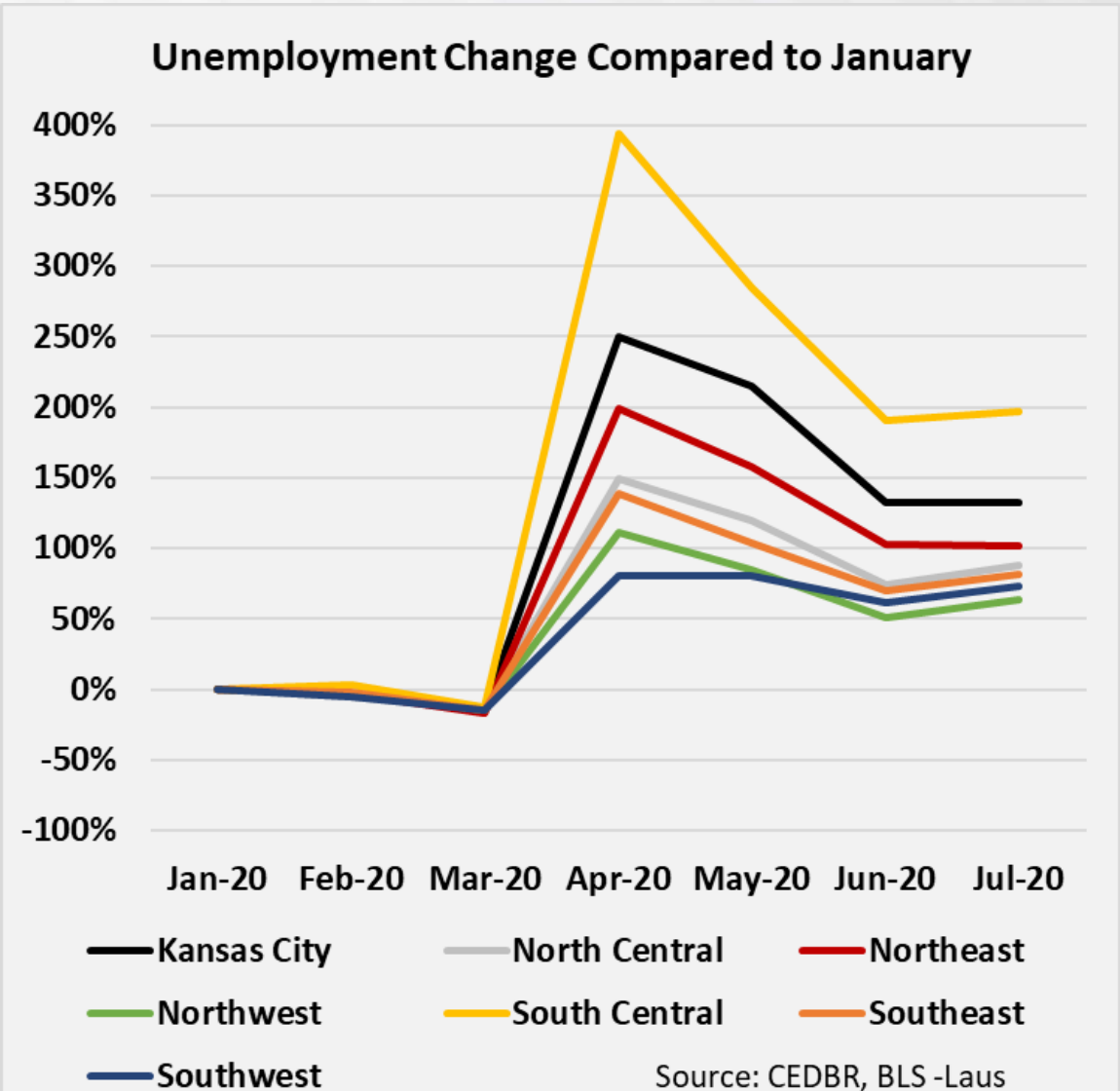
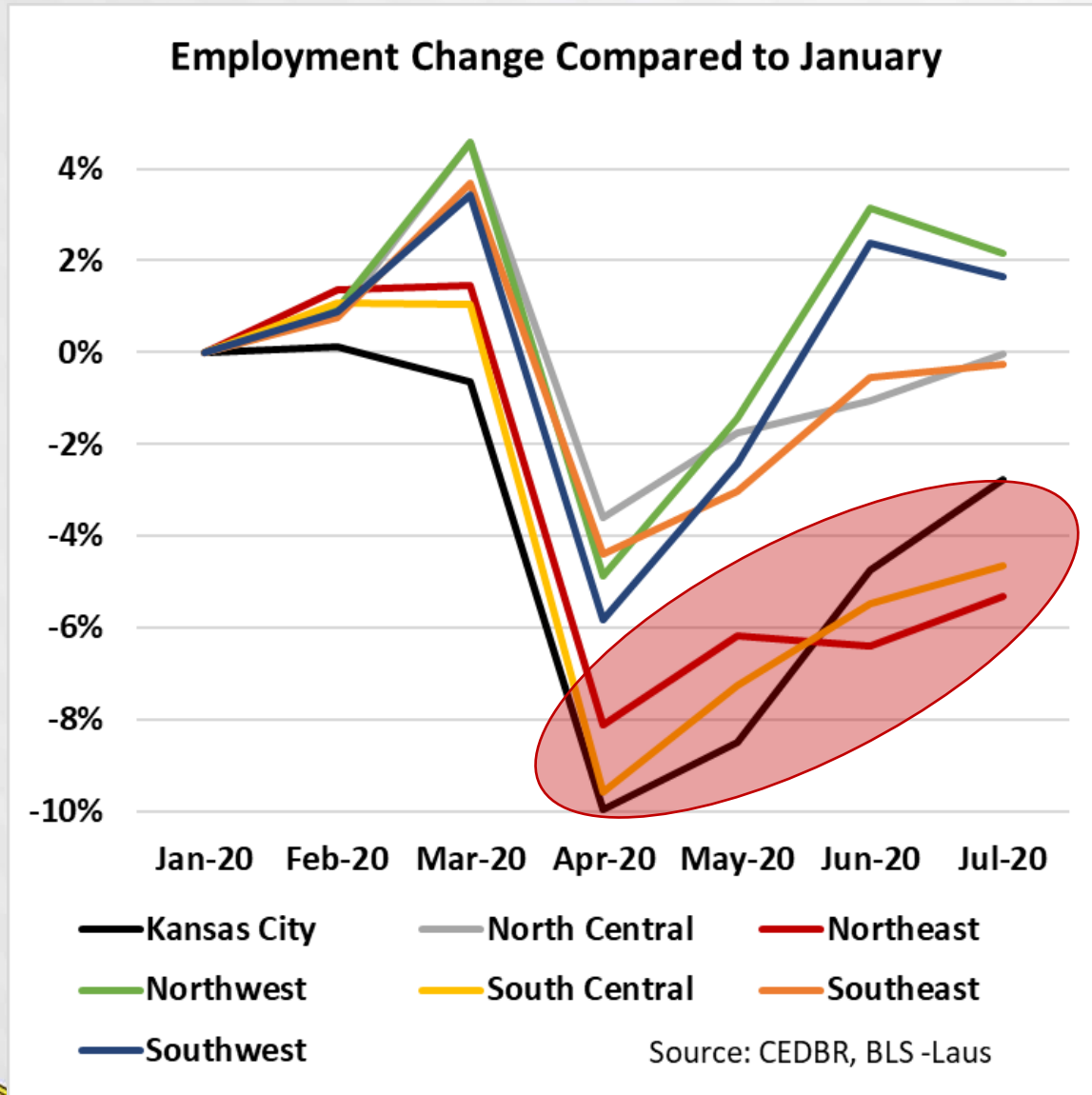
- **Economic shock** – labor supply \neq labor demand within regional markets and industries
- **Structural changes** – labor retraining will be needed

Further unraveling the labor market mysteries

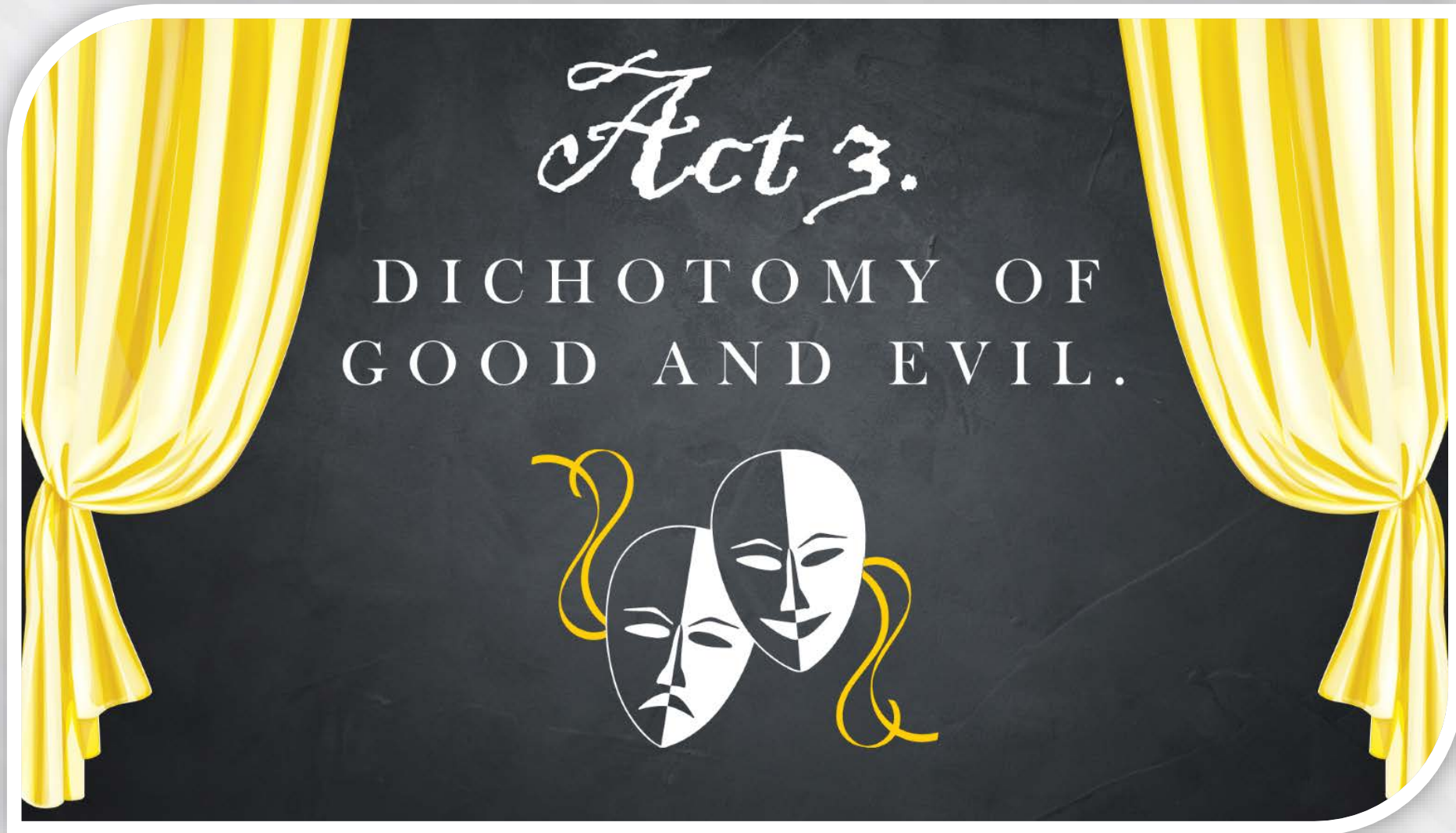


Growth since December 2019

There are two economies during COVID-19



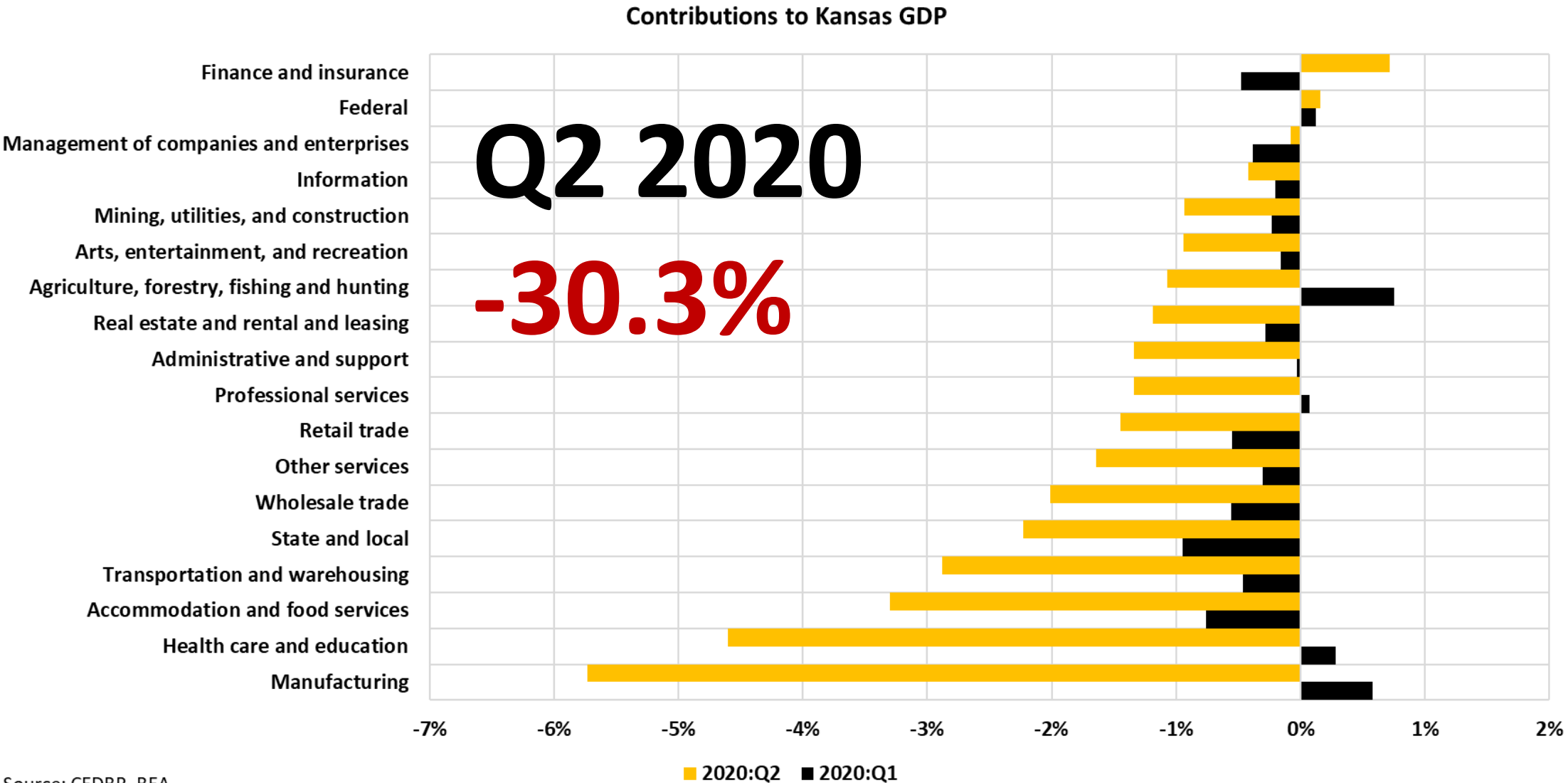
Shakespearean Tragedy



KS employment was down from last year, but up over the previous month

	Year-Over-Year								Month-Over-Month							
	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20
Arts, Entertainment, and Recreation	0%	1%	0%	-51%	-43%	-15%	-13%	-12%	1%	0%	-1%	-50%	13%	49%	2%	2%
Leisure and Hospitality	2%	2%	-2%	-39%	-29%	-17%	-13%	-13%	0%	0%	-4%	-38%	16%	18%	5%	0%
Accommodation and Food Services	2%	3%	-2%	-38%	-27%	-17%	-13%	-14%	0%	0%	-5%	-36%	17%	14%	5%	0%
Other Services	2%	2%	1%	-22%	-17%	-9%	-7%	-7%	0%	0%	-1%	-21%	5%	10%	4%	0%
Information	-2%	-3%	-2%	-12%	-11%	-9%	-9%	-10%	-3%	-1%	1%	-11%	1%	2%	0%	-1%
Durable Goods	1%	0%	0%	-10%	-9%	-10%	-12%	-13%	1%	-1%	0%	-10%	1%	-1%	-2%	0%
Education and Health Services	2%	2%	0%	-10%	-7%	-5%	-3%	-4%	0%	0%	-1%	-10%	3%	3%	2%	0%
Retail Trade	-1%	0%	-1%	-9%	-5%	-2%	-1%	1%	0%	0%	-1%	-8%	4%	3%	0%	2%
Professional and Business Services	0%	0%	-1%	-7%	-6%	-4%	-4%	-4%	0%	0%	-1%	-6%	0%	2%	0%	0%
Mining, Logging and Construction	1%	5%	5%	-7%	-1%	-4%	-3%	-2%	3%	3%	0%	-8%	3%	-1%	-1%	1%
Local Government	0%	0%	1%	-5%	-8%	-8%	-6%	-5%	0%	0%	0%	-5%	-3%	0%	2%	1%
Wholesale Trade	0%	-1%	-1%	-3%	-3%	-3%	-5%	-5%	0%	-1%	-1%	-1%	0%	-2%	-1%	0%
Non-Durable Goods	2%	3%	3%	-1%	0%	1%	0%	1%	1%	1%	0%	-3%	1%	1%	-1%	1%
Financial Activities	1%	2%	0%	-1%	-2%	-2%	-3%	-3%	0%	1%	-2%	-1%	-1%	0%	-1%	0%
Transportation, Warehousing, and Utilities	2%	2%	2%	1%	0%	2%	2%	1%	-1%	0%	0%	-1%	0%	2%	0%	0%
State Government	6%	2%	2%	1%	-3%	-1%	-2%	0%	3%	-3%	0%	0%	0%	-3%	0%	2%
Federal Government	3%	1%	2%	2%	2%	2%	5%	8%	0%	0%	0%	0%	0%	0%	3%	3%
Source: CEDBR, BLS - CES																

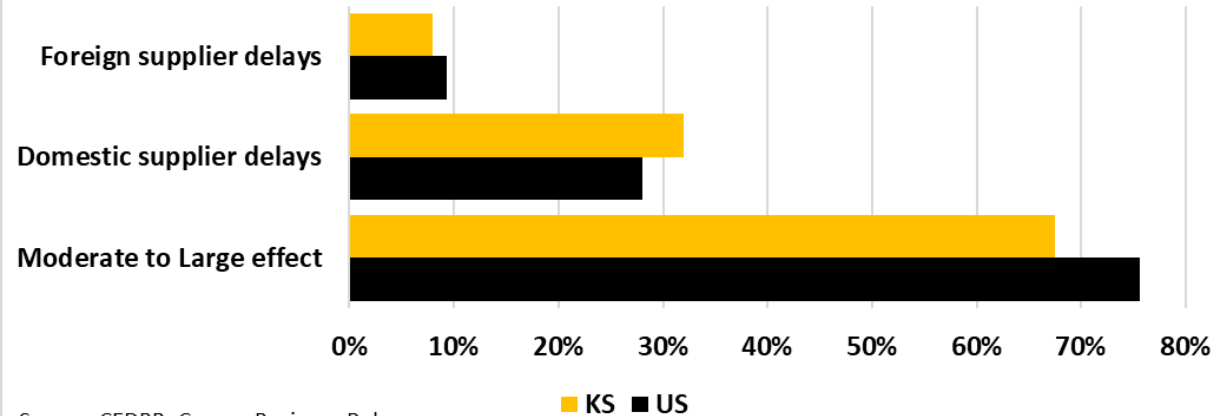
Manufacturing and health care were hit the hardest



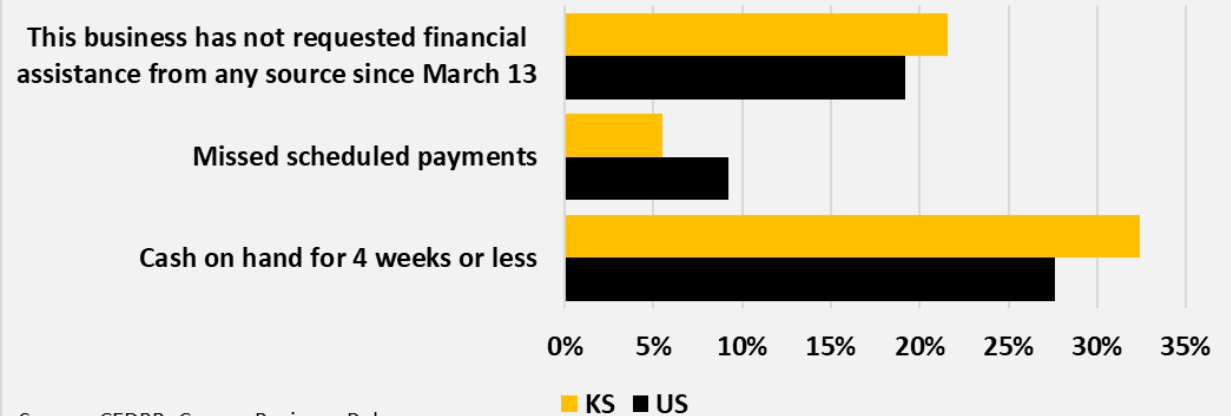
Source: CEDBR, BEA

KS Biz weathering the COVID storm a little better than the Nation

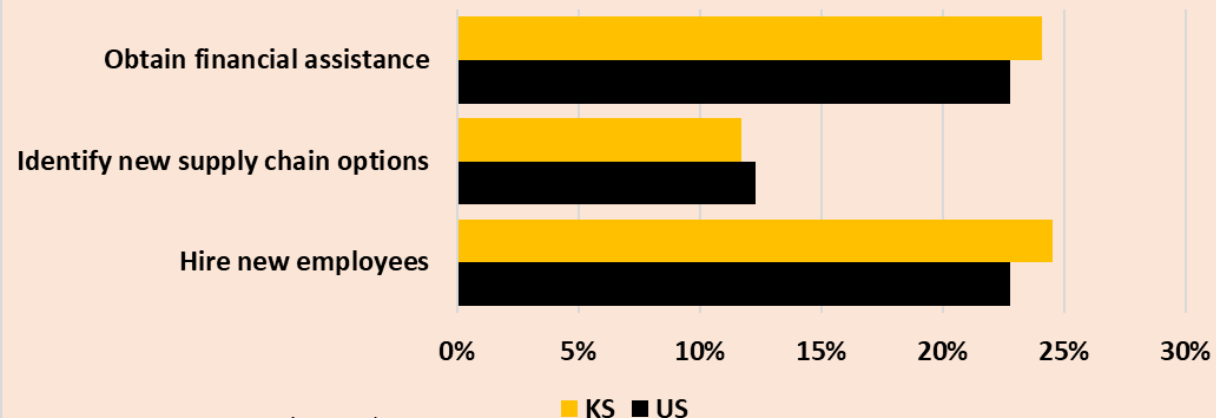
COVID-19 Impact



Financial Conditions

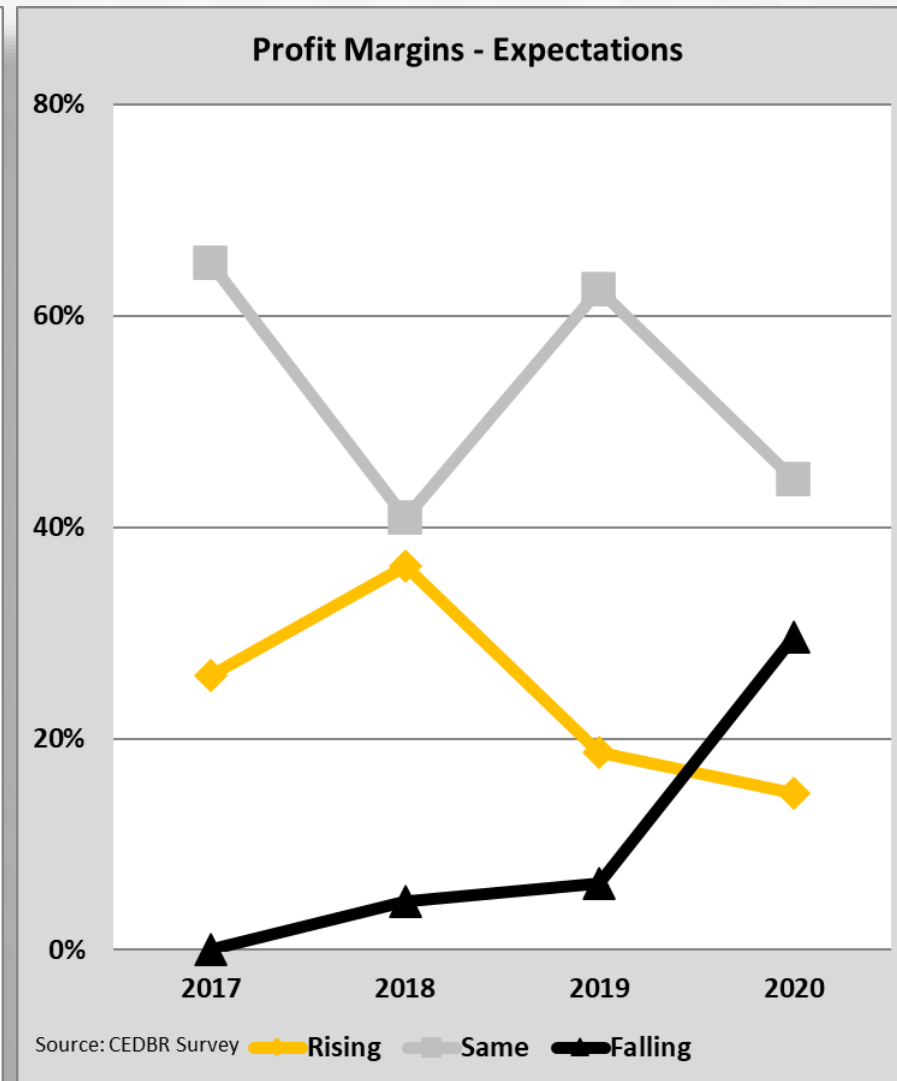
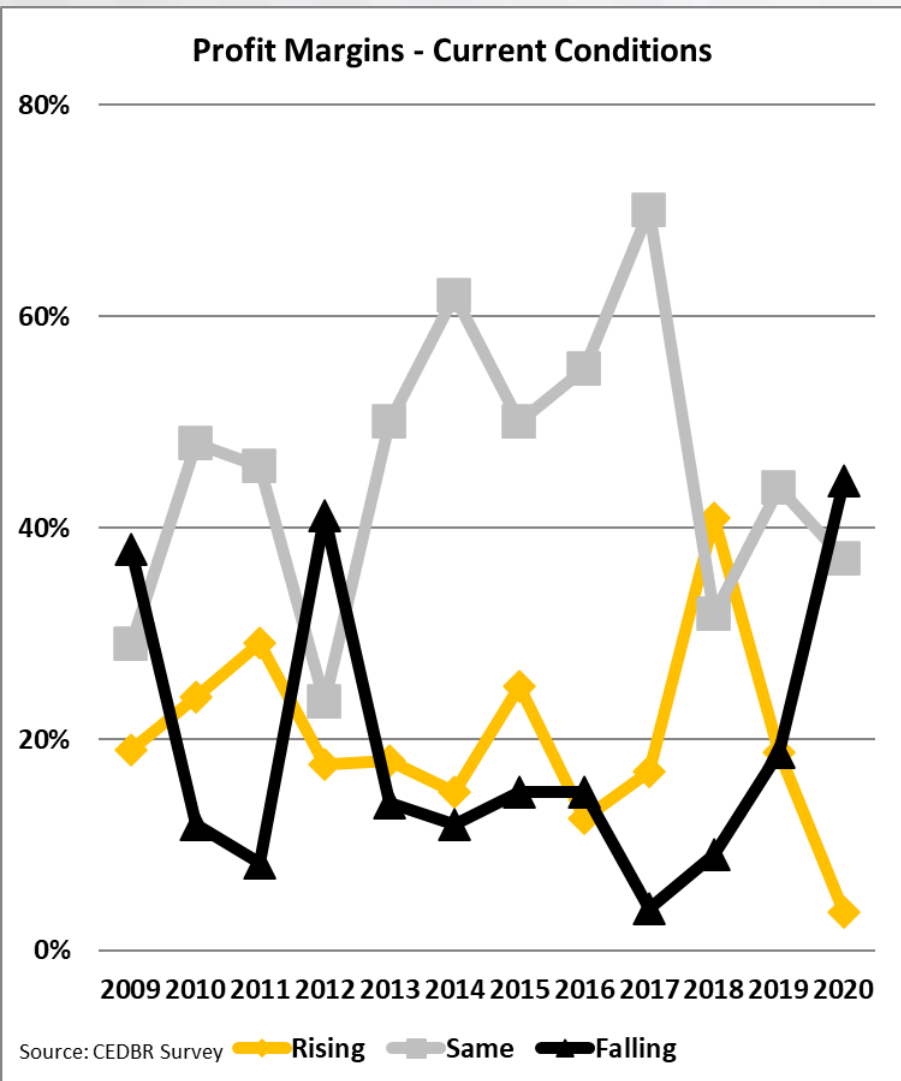


Expectations in Six Months



- The impact was **less in KS** than US.
- KS biz have **more cash** on hand and **waiting** for the market to settle.
- KS biz are not **"starry-eyed"** hopefuls. They are **patiently** waiting out the COVID storm.
- KS biz are making lots of **small bets**.

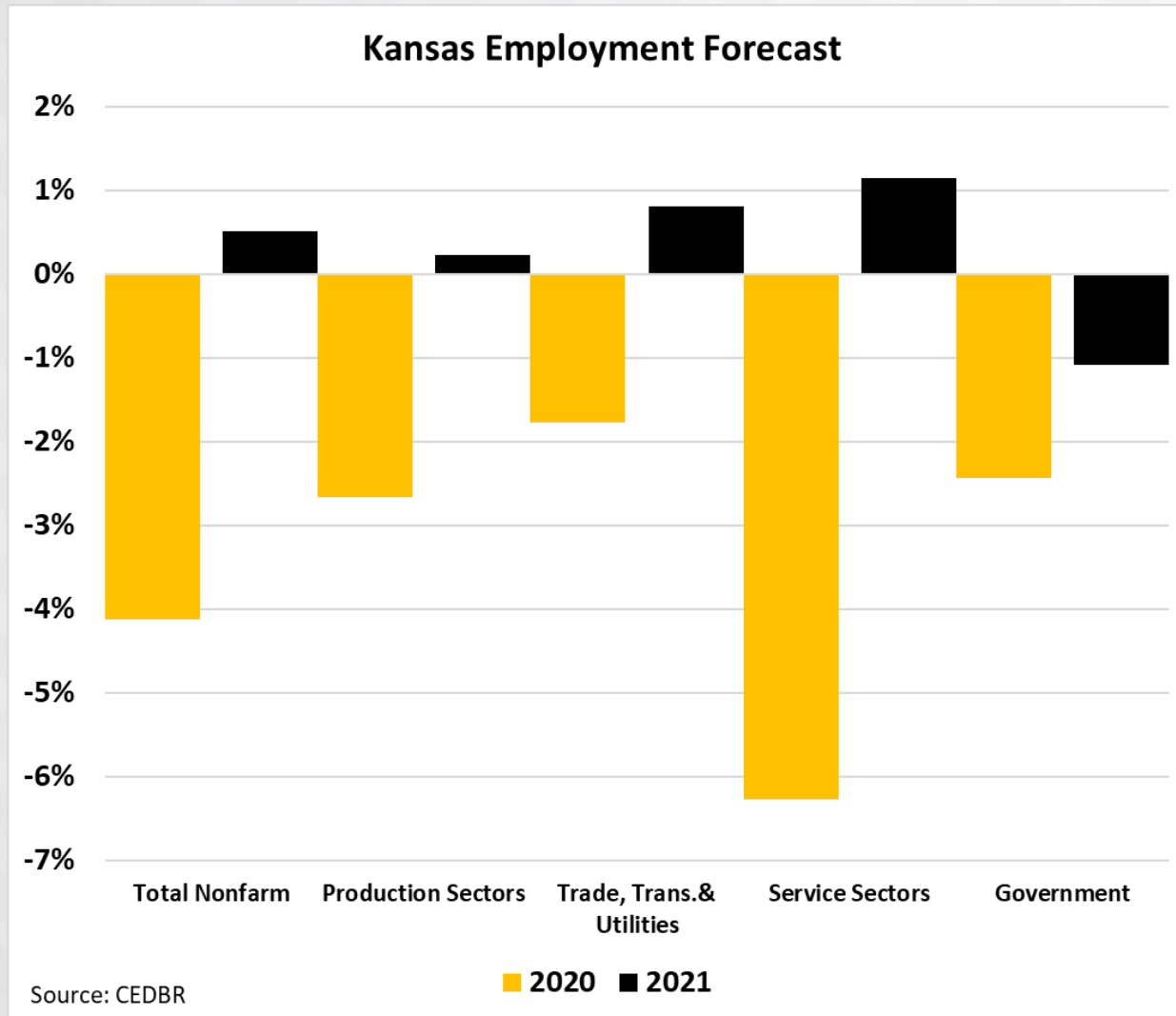
Businesses see a tough road ahead in 2021



Next 12 Months

- **Volume** will rebound, but mixed growth expectations
- **Input costs** expectations are split between increasing and flat
- **Prices charged** will not change for 67% of respondents

Broad growth is expected, but some sectors will see continued loss



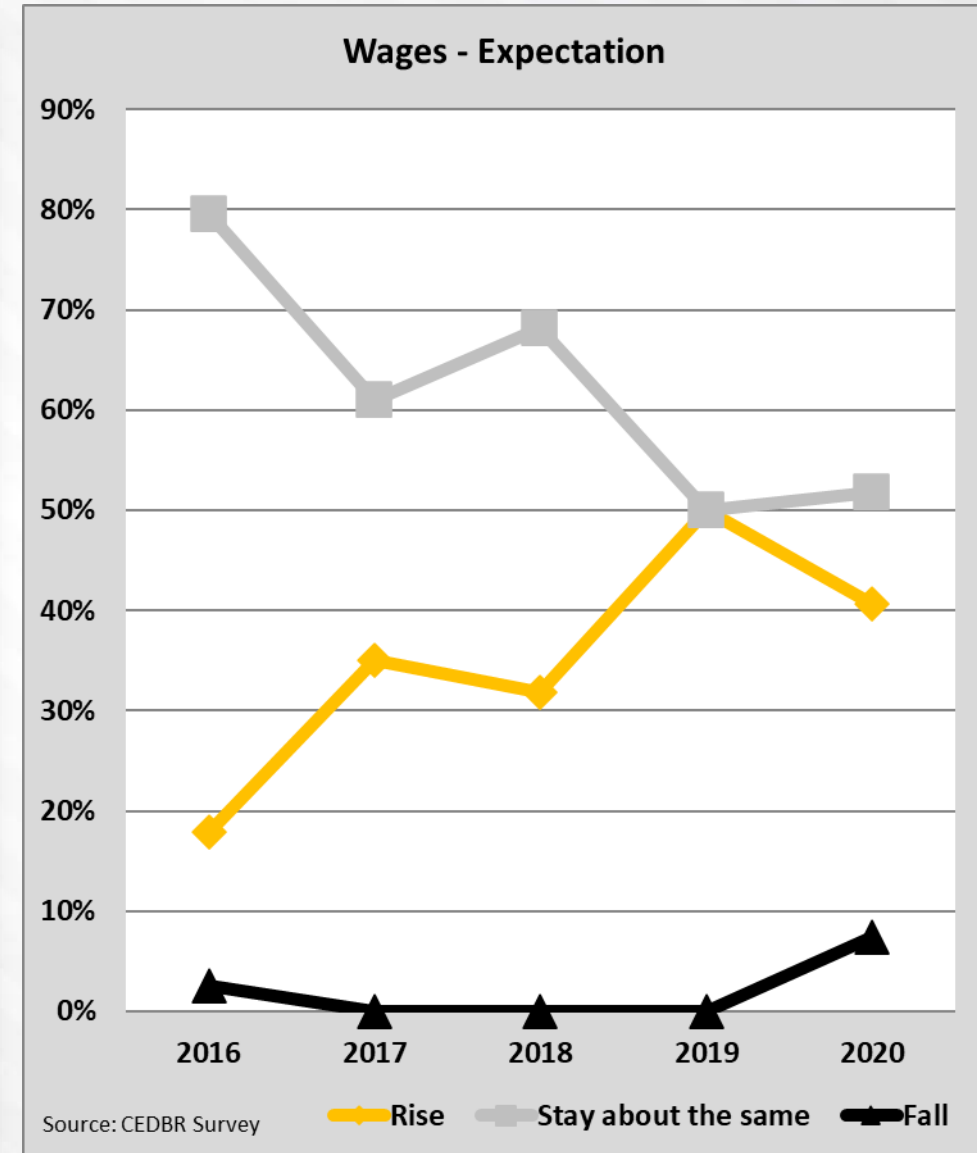
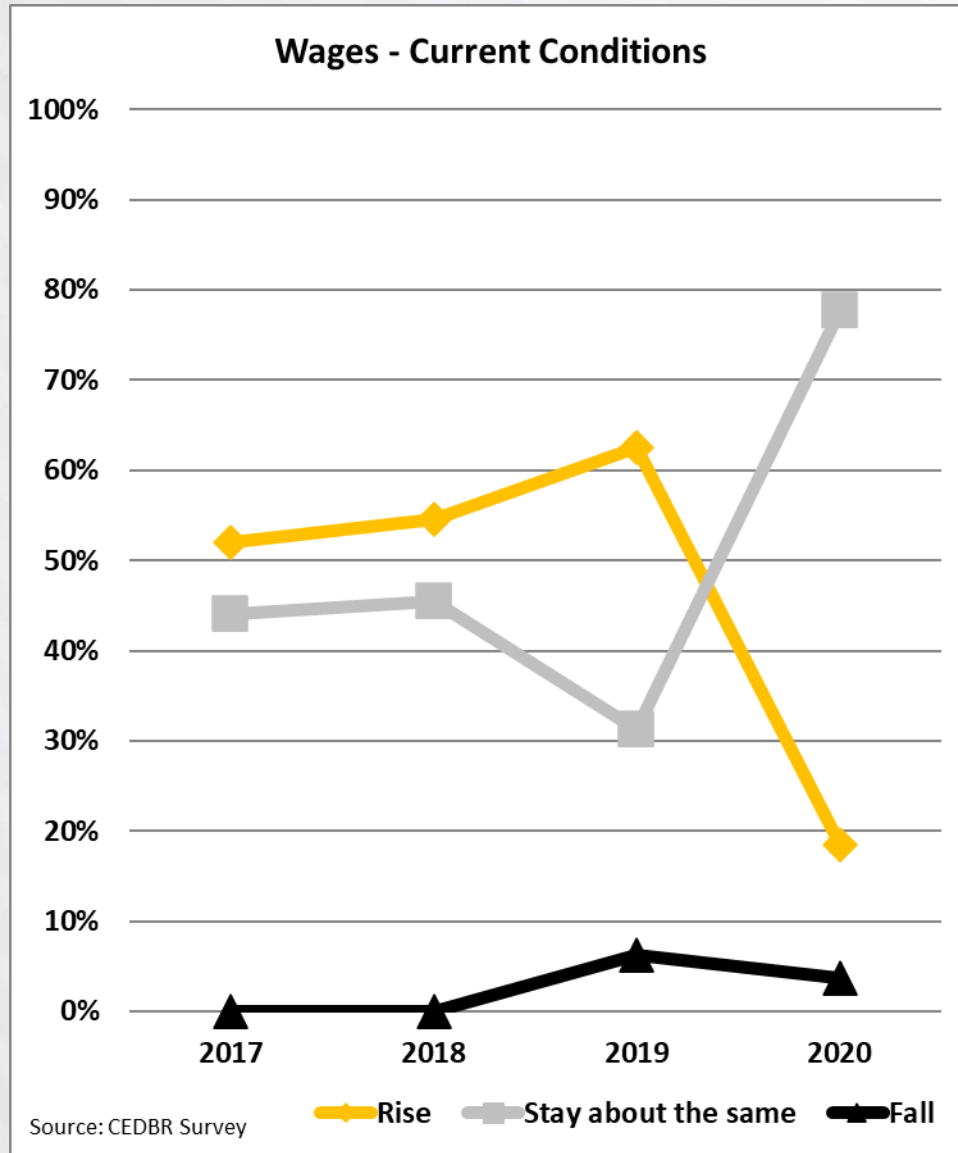
	2020-2021 Level	2020-2021 Percent
Total Nonfarm	6,972	0.5%
Production Sectors	529	0.2%
Natural Resources, Mining & Cons.	1,346	1.9%
Manufacturing	-817	-0.5%
Durable Goods	-1,626	-1.8%
Non-Durable Goods	809	1.2%
Trade, Transportation & Utilities	2,113	0.8%
Wholesale Trade	-547	-1.0%
Retail Trade	1,592	1.2%
Transportation & Utilities	1,067	1.6%
Service Sectors	7,072	1.1%
Information	-1,323	-8.0%
Financial Activities	548	0.7%
Professional & Business Services	-64	0.0%
Education & Health Services	1,640	0.9%
Leisure & Hospitality	5,393	4.8%
Other Services	877	1.9%
Government	-2,741	-1.1%

Source: CEDBR

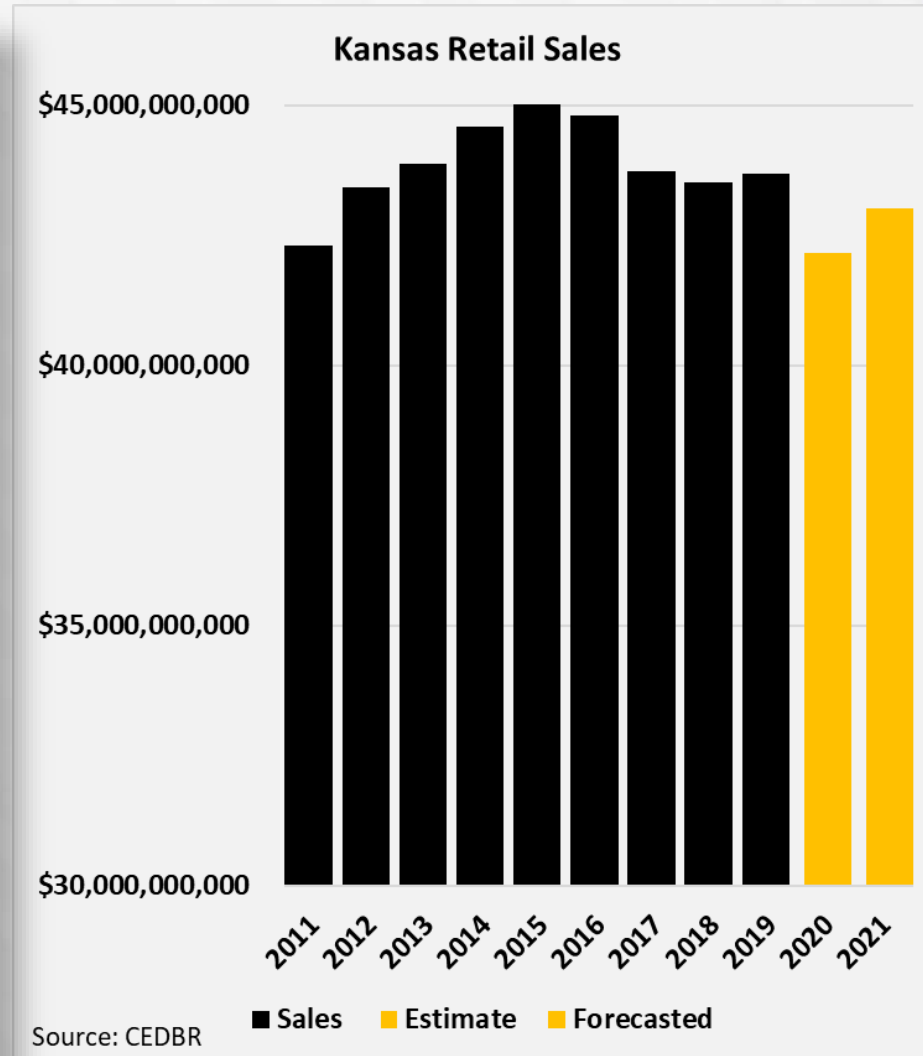
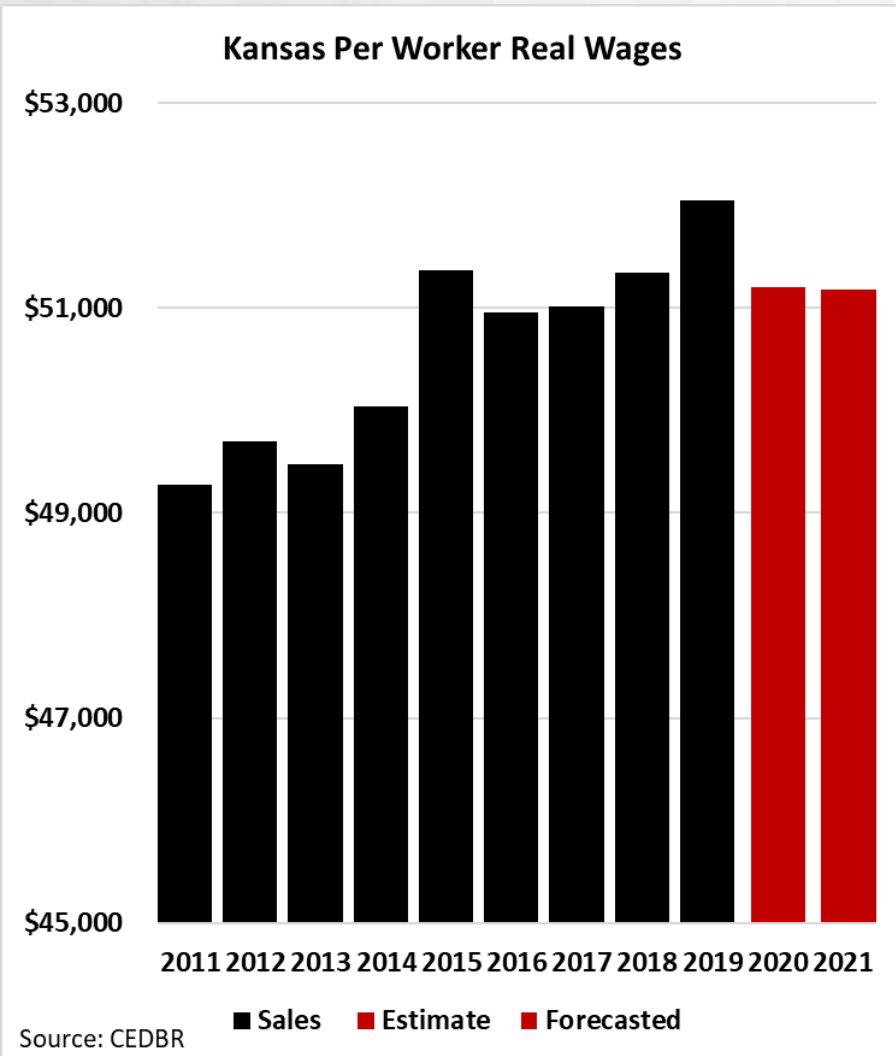
Shakespearean Tragedy



Wage increases will be strategic

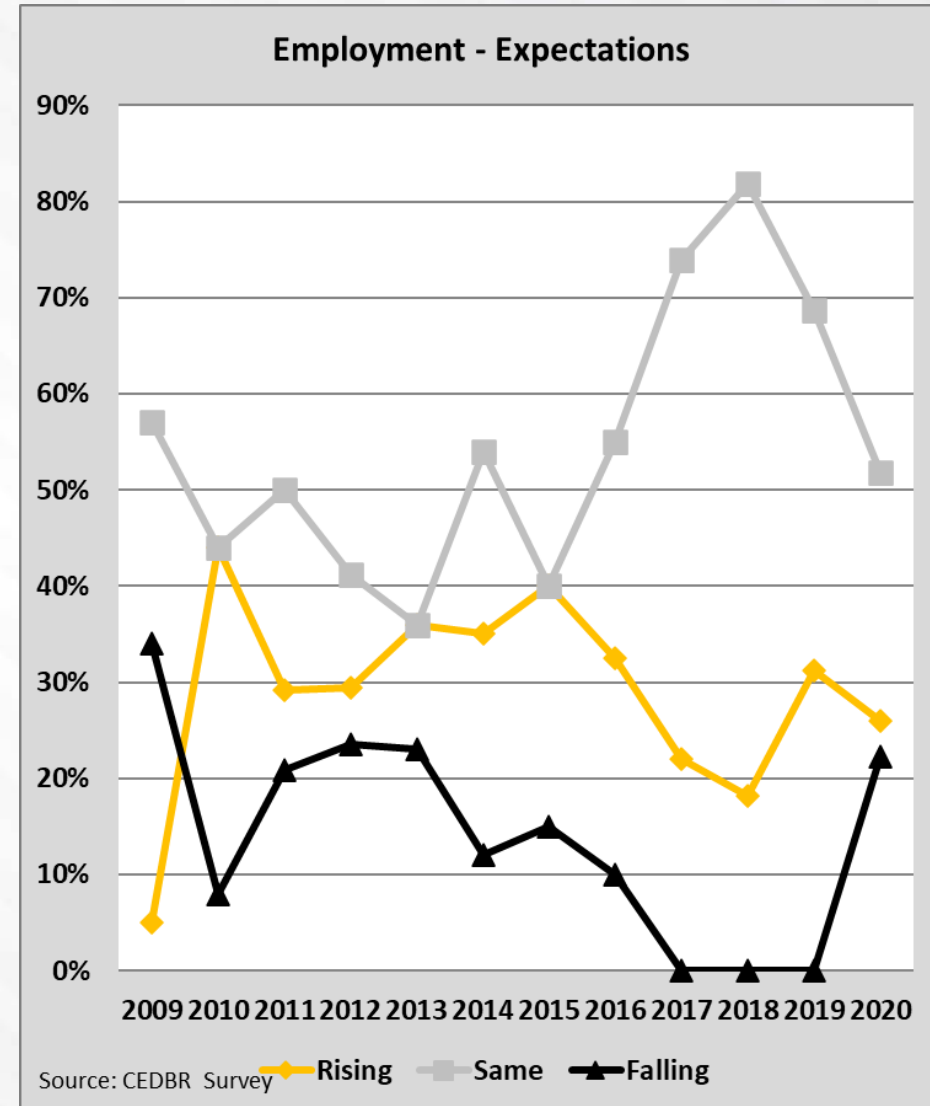
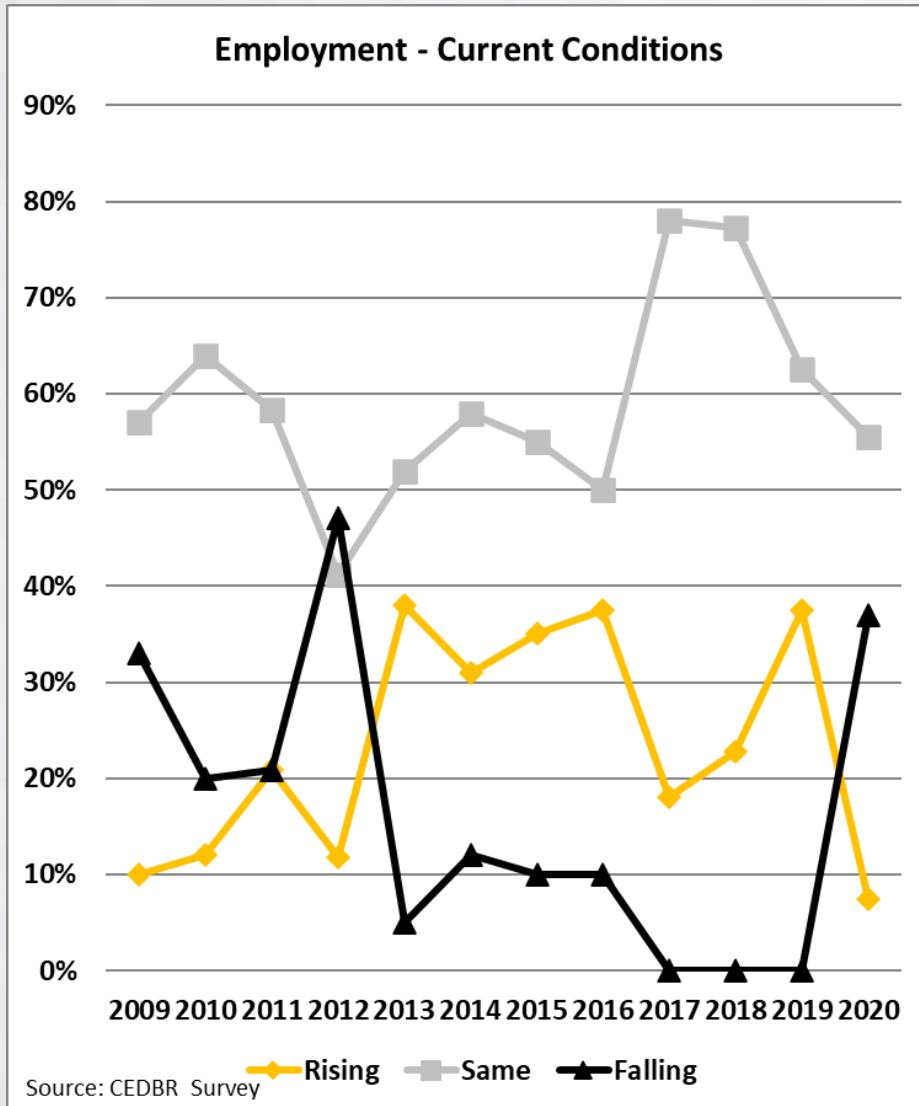


Wage and retail sales forecast

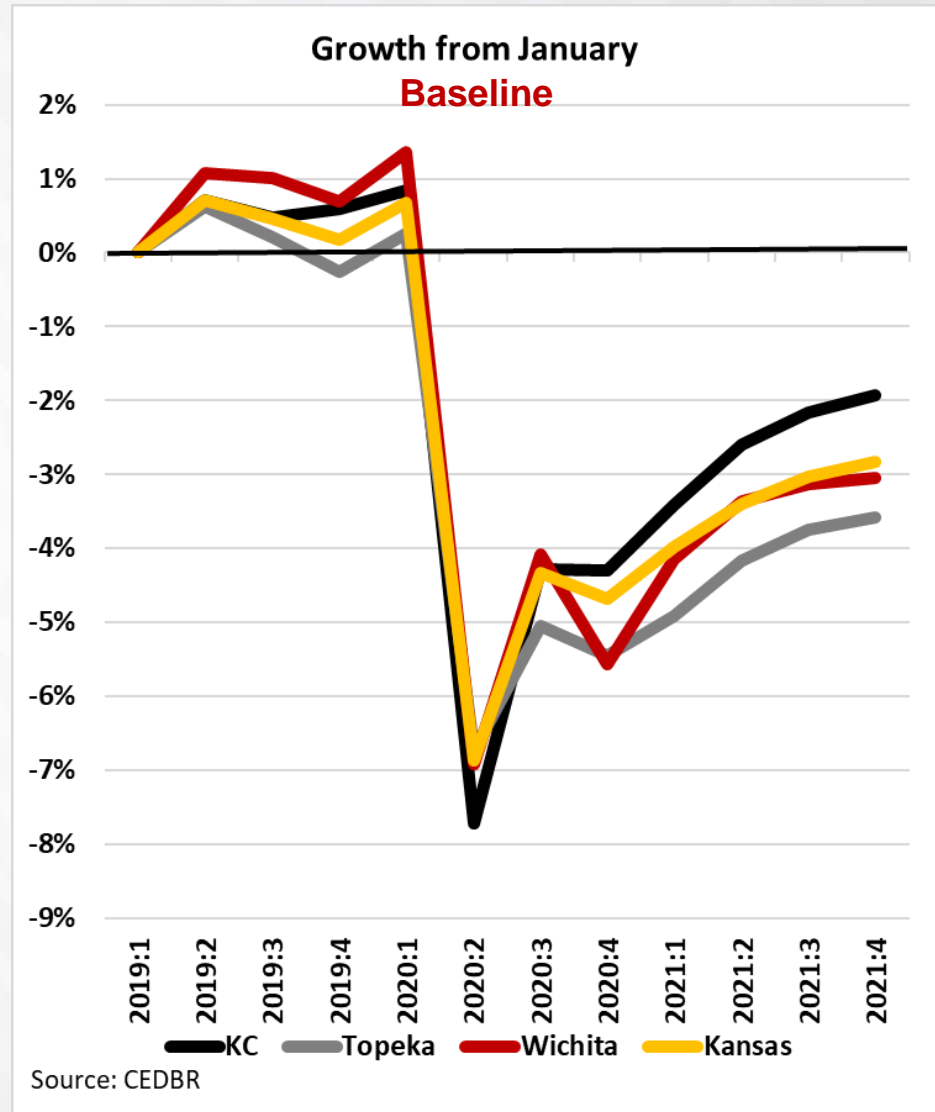
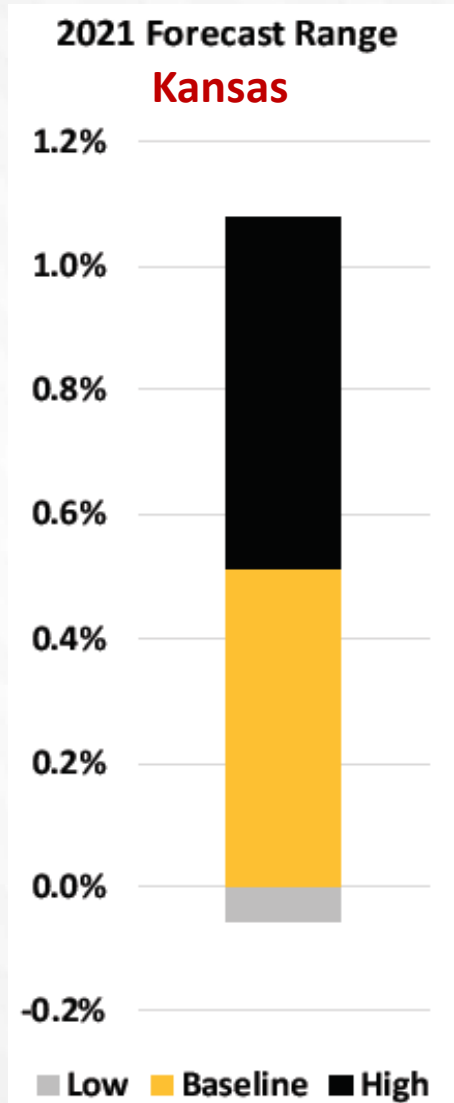
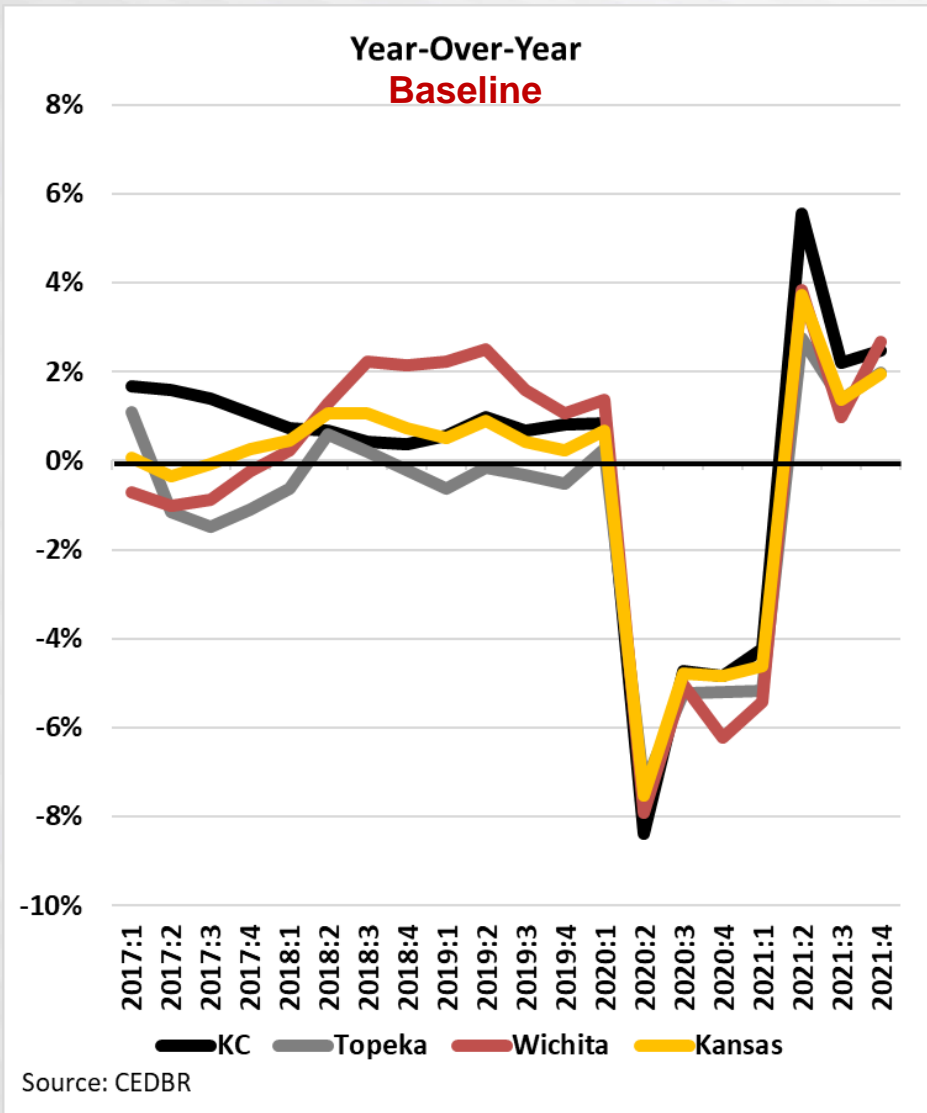


- **Wage** growth is expected to be flat in 2021, as the labor market heals from COVID-19
- **Retail sales** are expected to increase by 2.1% next year due to pent up demand and general growth

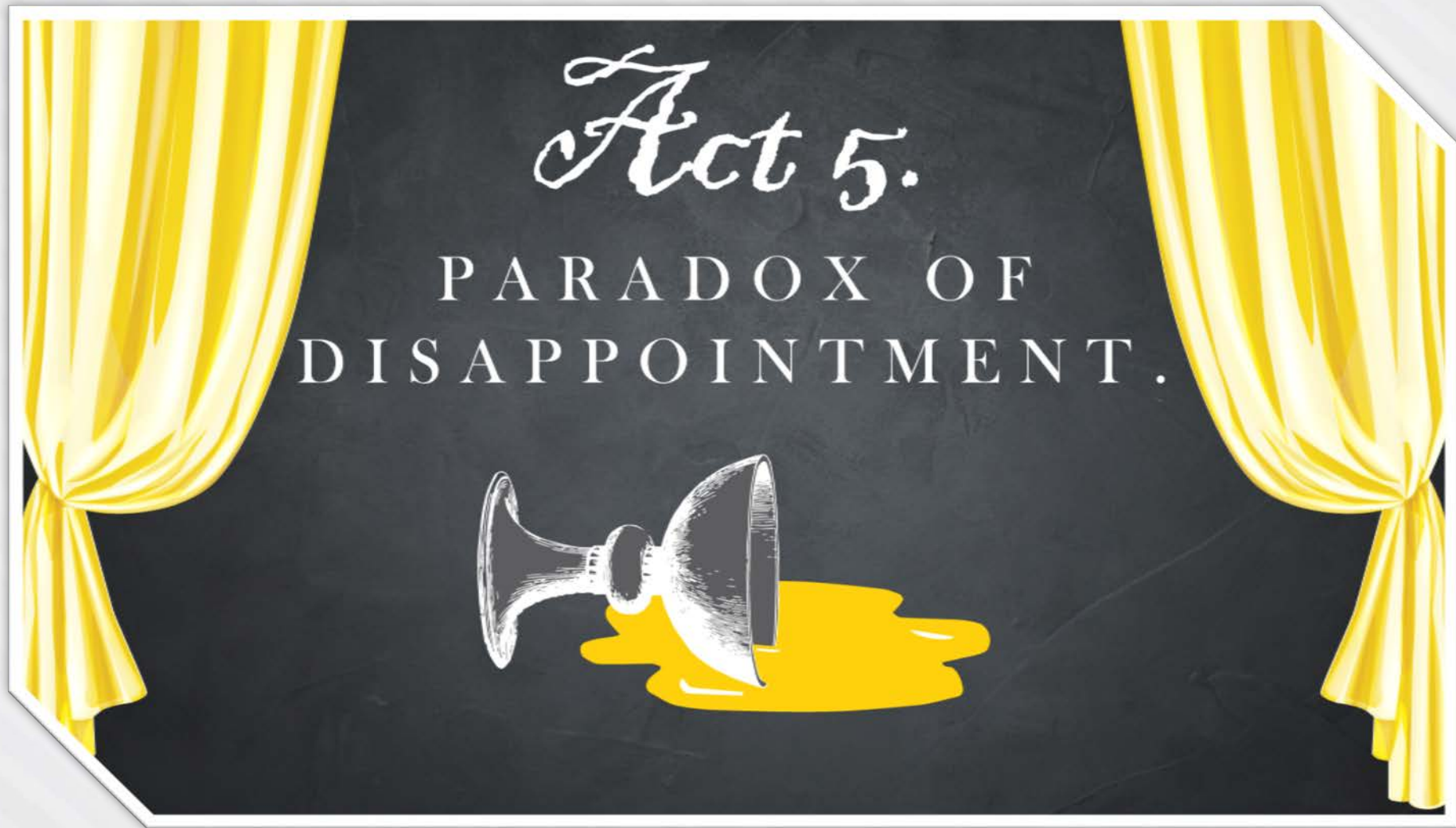
Businesses expect weaker job growth in 2021



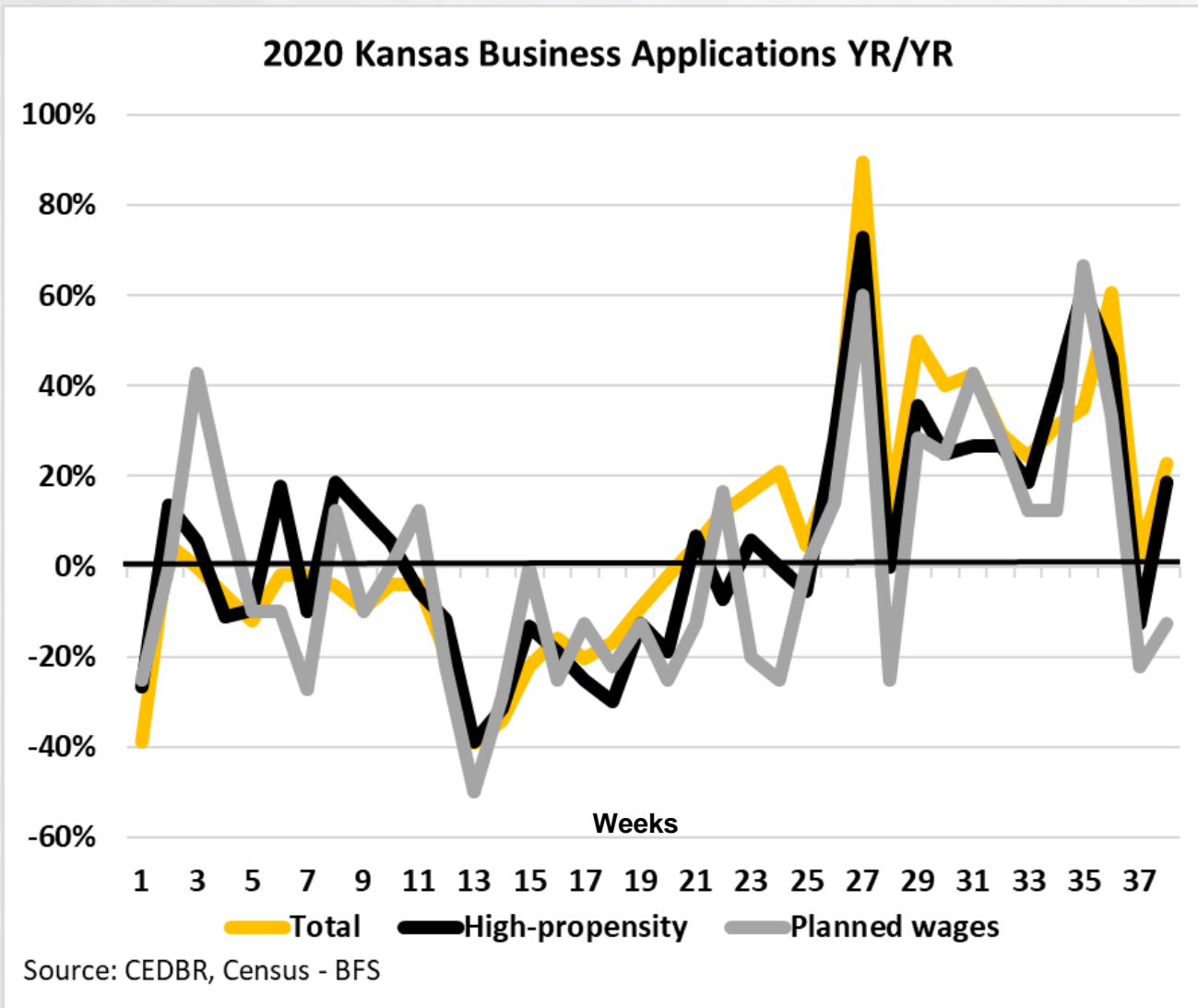
All markets are expected to grow, but the range of uncertainty is high



Shakespearean Tragedy



Business applications increase post COVID



- **Business applications** include employer identification number filings to the IRS.
- **High-Propensity** includes companies that will likely turn into a business with payroll and based on the following: corporate entity, identified employees, or selected sectors (manufacturing, retail, health care, food services).

Where is the silver lining post COVID?

Teleworking - increased the labor pool

- Disabilities
- Transportation/vehicles

Removal of rules/laws – reduce costs

- Telehealth
- Others?

Consumer behavior – new opportunities

- New products
- Different markets

Business practices – increase productivity

- Big data is crushing analog practices
- Adoption of productivity software

2021 Outlook

- **2020 and 2021** will be a period of **creative destruction**.
- **Management of companies, agriculture, and nondurable** manufacturing are likely to help **stabilize economic growth** over the next twelve months.
- Although the **highest disruption** was concentrated in **low-skilled minority** households, that is **shifting** to other **segments** as the economy struggles to recover.
- **Kansas employment** is dependent on a vaccine and distribution. The target growth expectation is **0.5 percent**.
- **Ad Astra per Aspera** – “to the stars through difficulties”