
Wichita Economic Outlook Conference

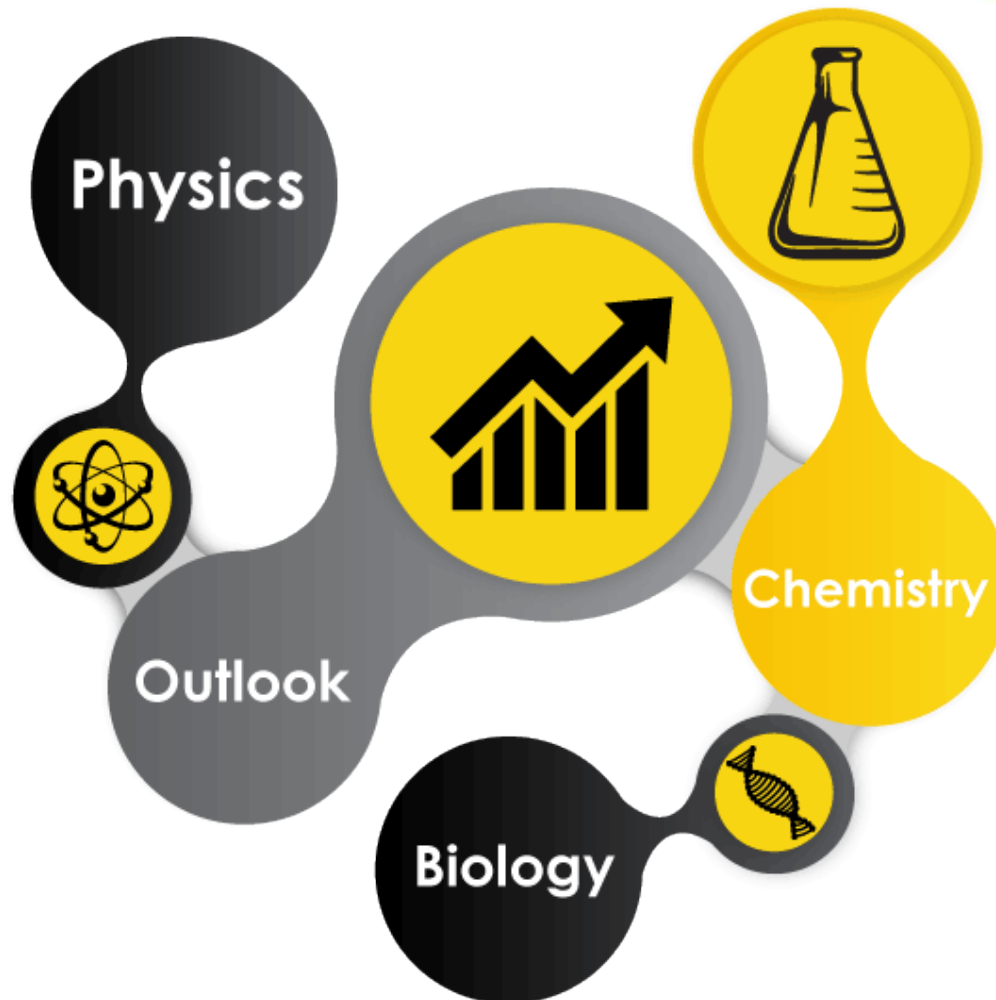
Jeremy Hill

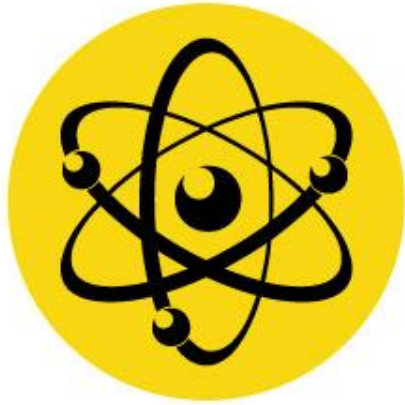
Summary

- There are **structural** labor market issues that need to be addressed for long-term growth
- Labor market is **determined** and **resourceful**, and will continue to **re-engage** over the next year
- Consumers will continue to **bargain shop**, while maintaining a balanced budget
- Businesses will **invest strategically**, carefully matching the fledgling demand
- Businesses are focused on “**tomorrow**” instead of the “past” or the “potential”
- Moderate growth **will not occur** until general aviation sees **consistent positive signs**
- Employment is expected to **increase by 1.2%** (3,419) in 2014. This remains **subpar** from **potential growth**.



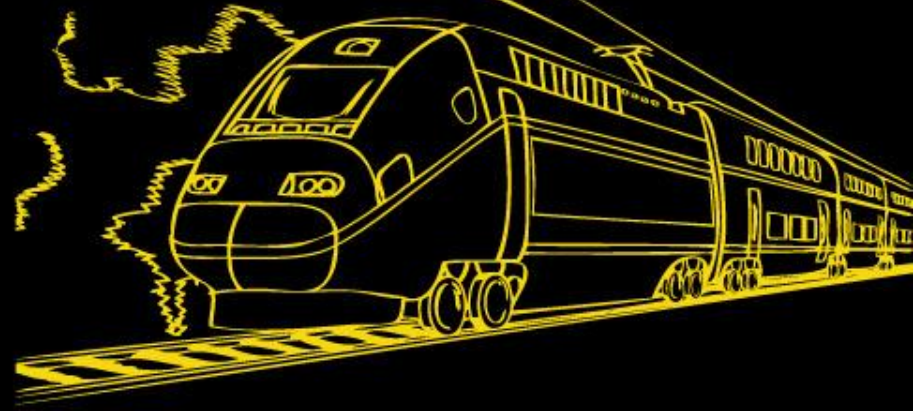
Overview



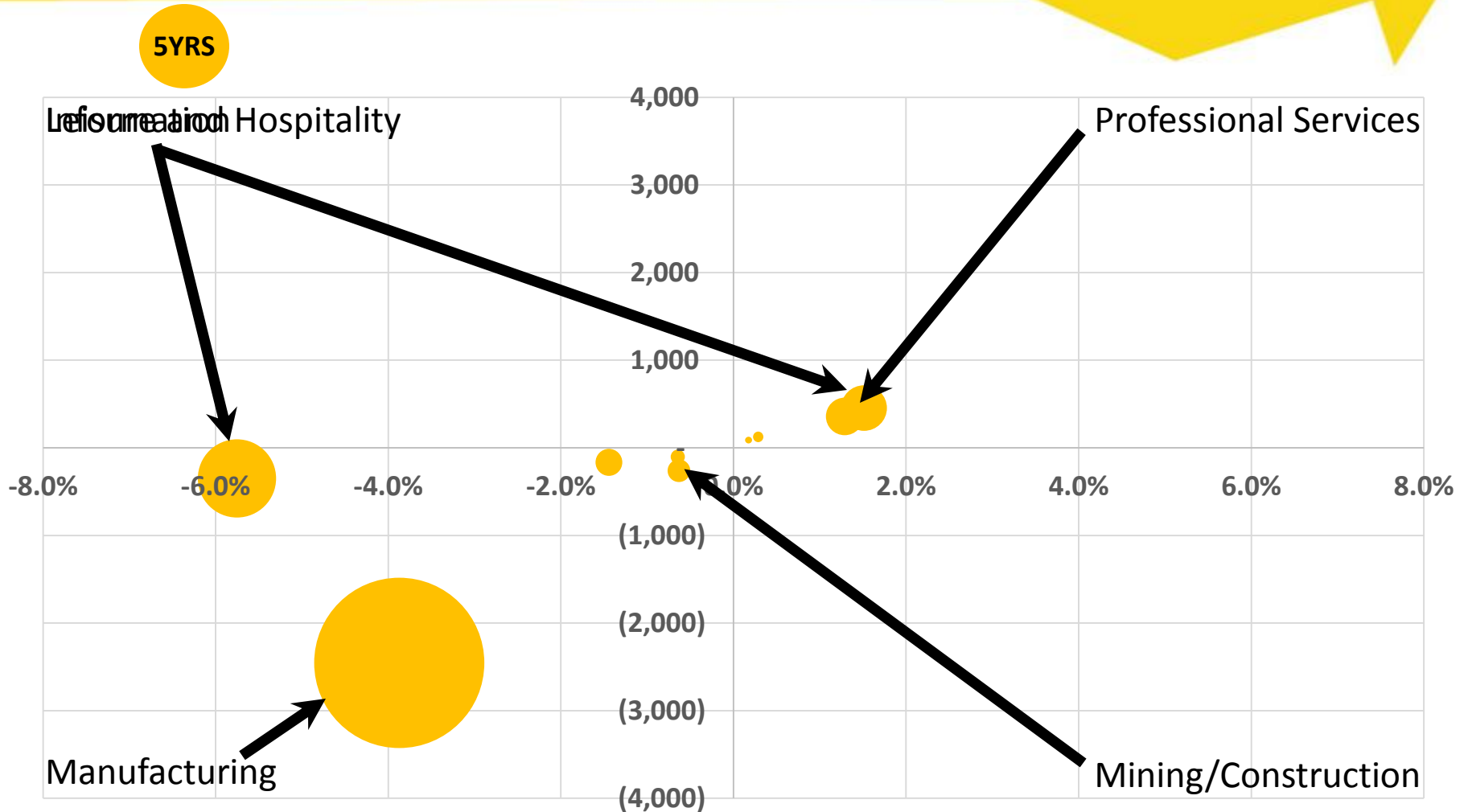


Physics

Momentum

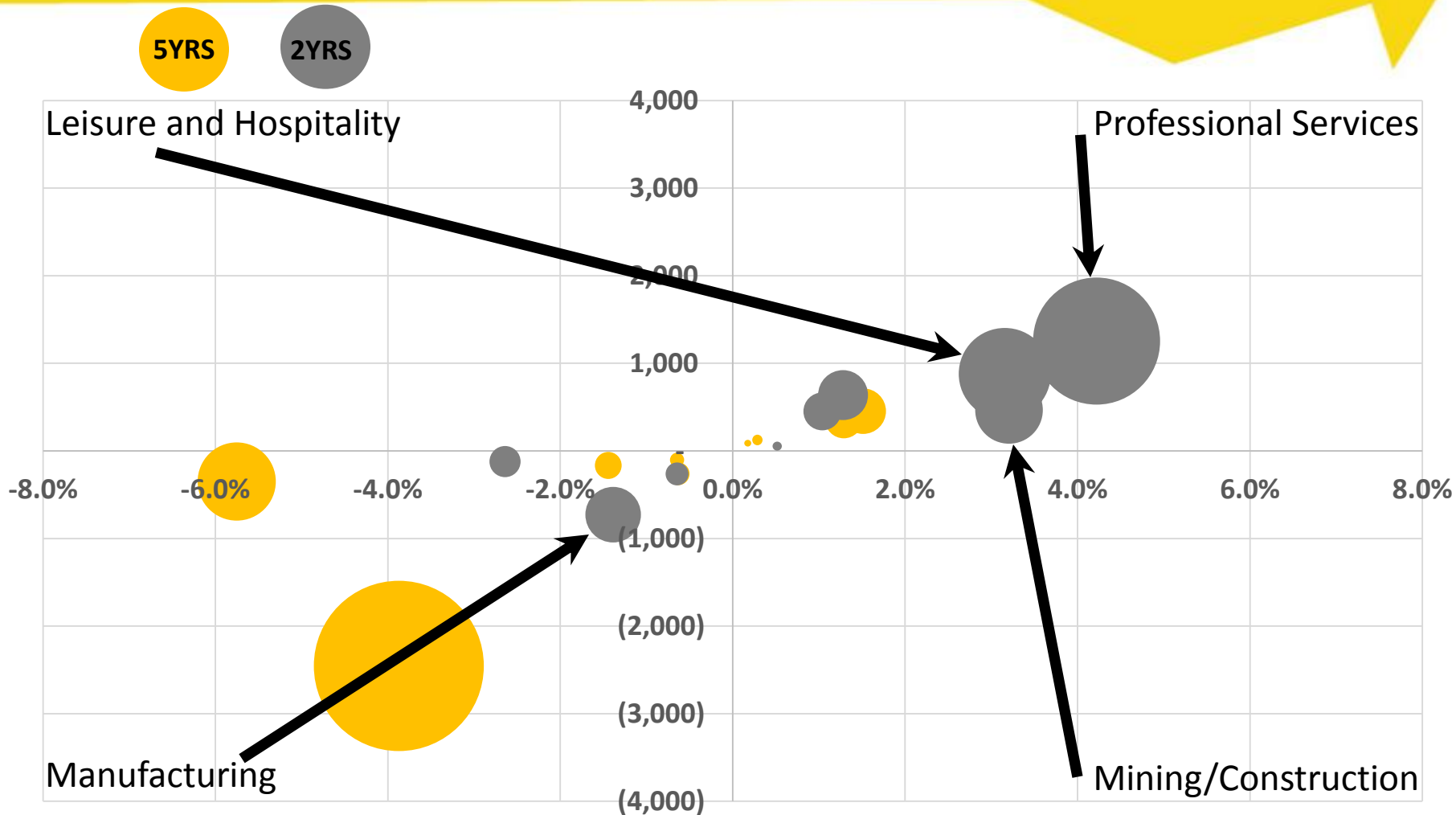


2009-2014 – Annualized Wichita EMP



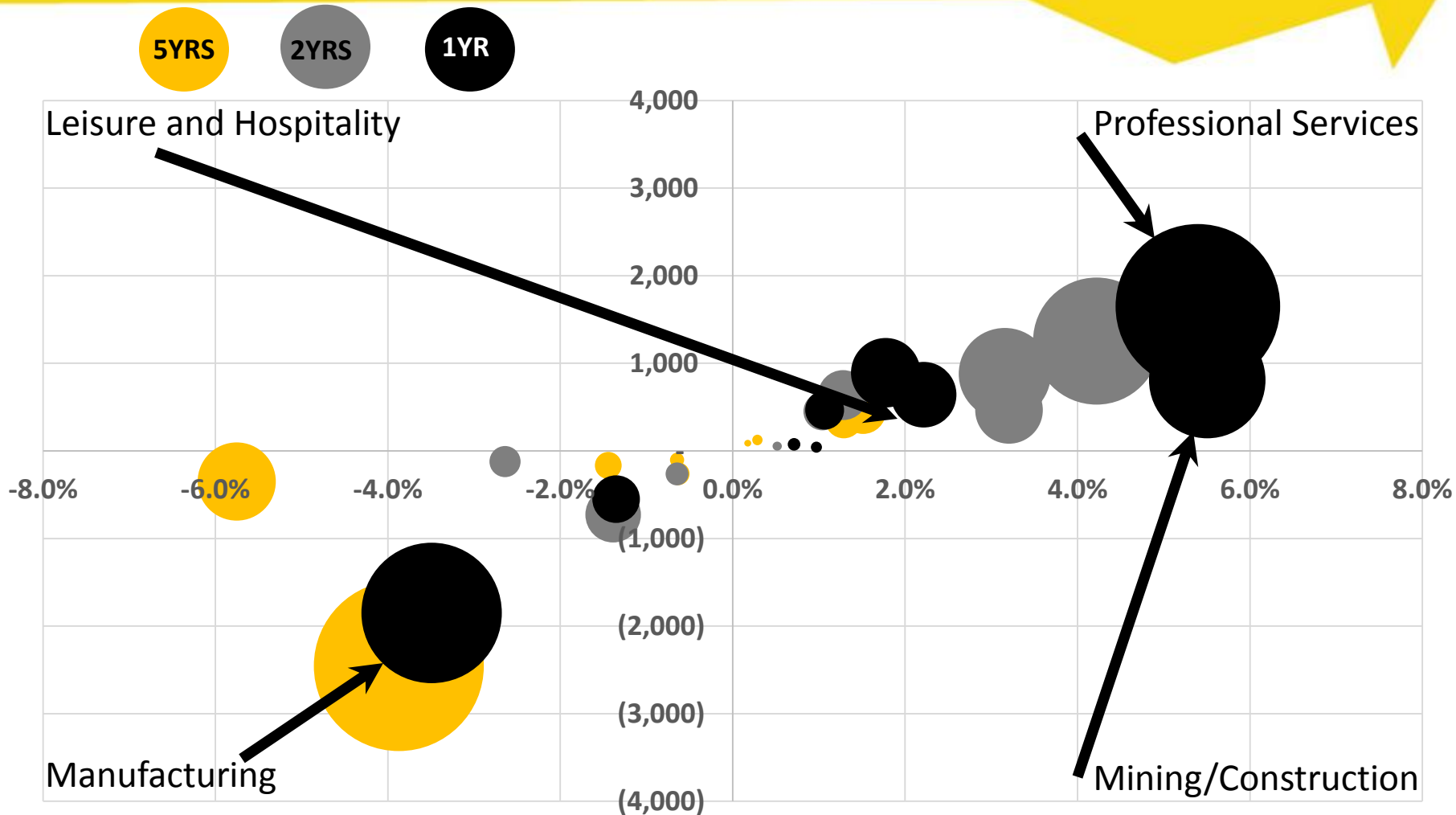
Source: BLS, CES – 12M AVG (Aug-July) 5YR CHNG

2012-2014 - Annualized



Source: BLS, CES – 12M AVG (Aug-July) 2YR CHNG

2013-2014 – Annualized



Source: BLS, CES – 12M AVG (Aug-July) 1YR CHNG

Summary

- The **loss** in Aerospace employment (velocity and mass) has had a **significant** impact on the regional economy and support related sectors.
- Management of companies, employment agencies, and oil income have been the **primary economic drivers**.
- Leisure and Hospitality will likely **follow** the general growth rate.



Biology

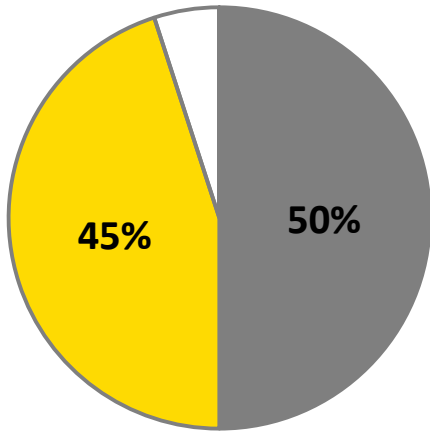
Sea-monkeys



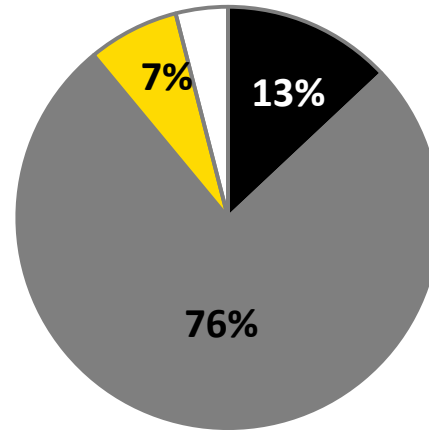
Contingent workforce

Past 5 Years

Part-time

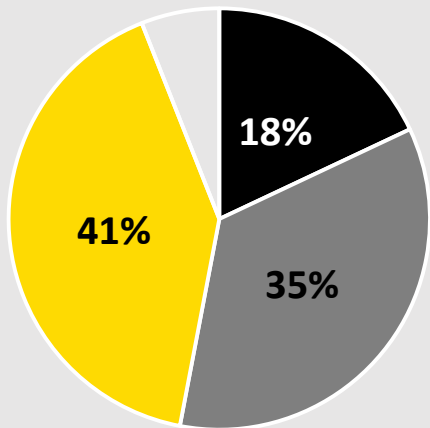


Next 5 Years

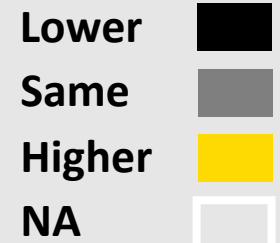
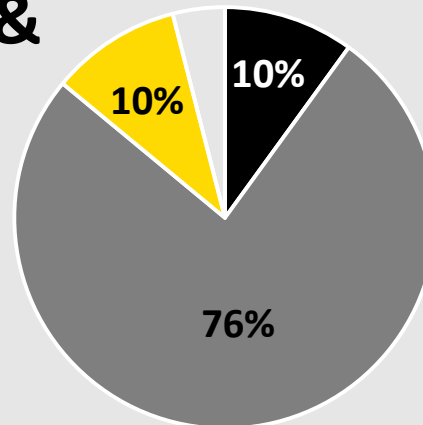


Past 5 Years

Temporary & Contract



Next 5 Years



Summary

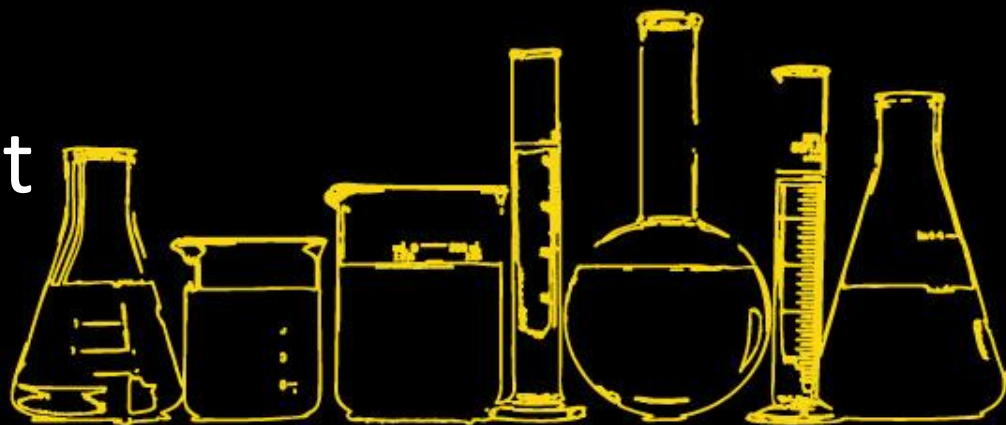
- Production workers remain **underutilized** in our market, which is an **asset** and a concern.
- A contingent workforce is now a **more prominent** part of the labor market.
- Evaluating **permanent hires, cost management**, and **value added** are all key strategies of local employers.



Chemistry



Business Environment



Global

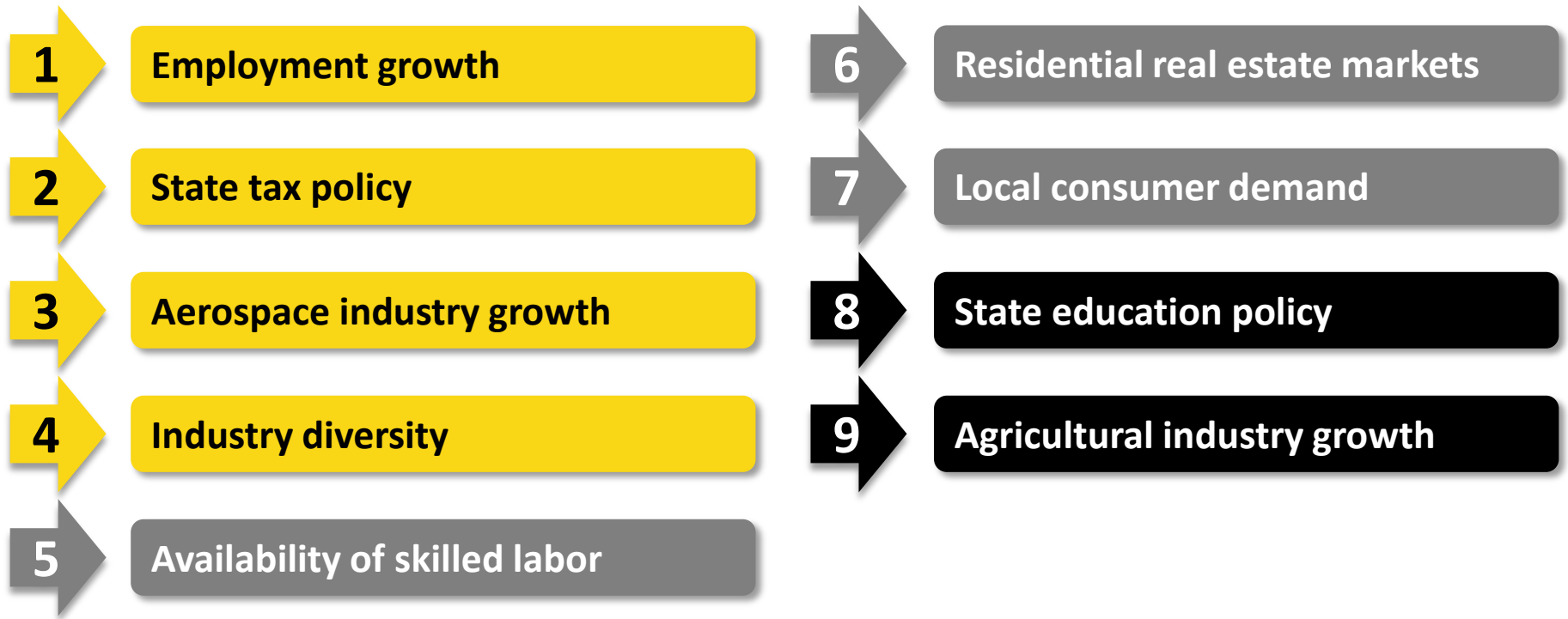


- 1** → **U.S. competitive position**
- 2** → **Global demand for goods and services**
- 3** → **Middle Eastern instability**
- 4** → **Eastern European instability**

National Concerns

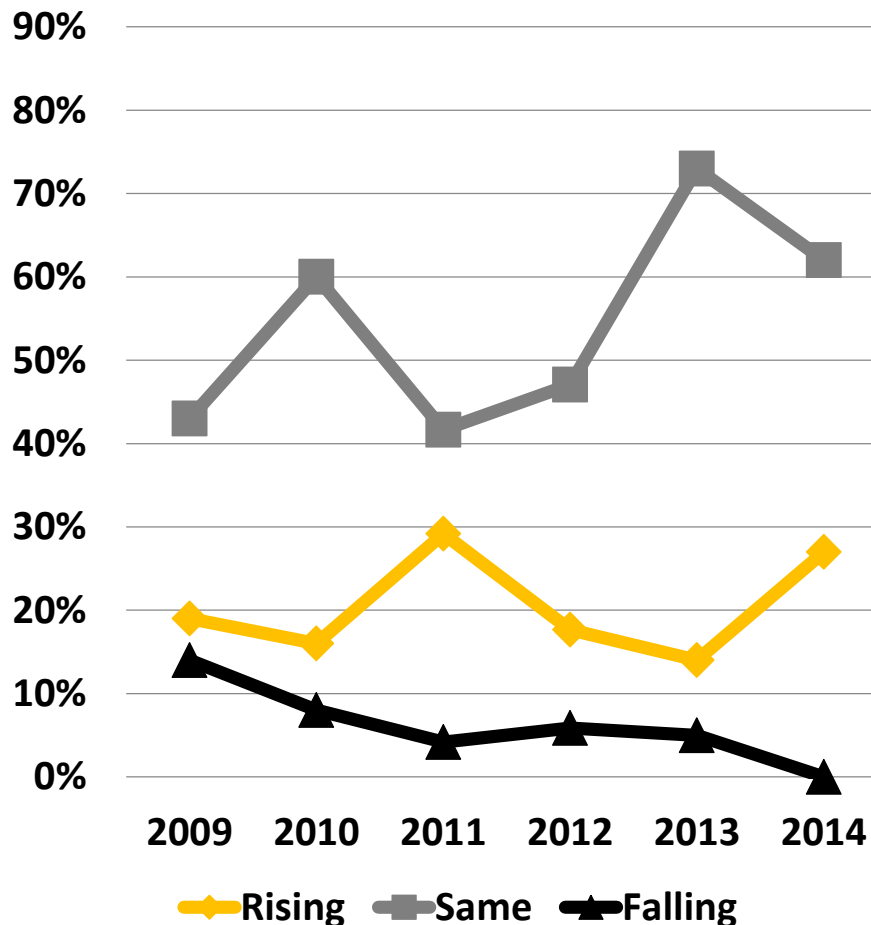
- 1 Long term unemployment
- 2 Federal debt
- 3 GDP growth
- 4 Changes to the health care system
- 5 Tax structure
- 6 Inflation
- 7 Changes to environmental policy
- 8 Federal Reserve monetary policy
- 9 Changes to immigration policy

State and Local

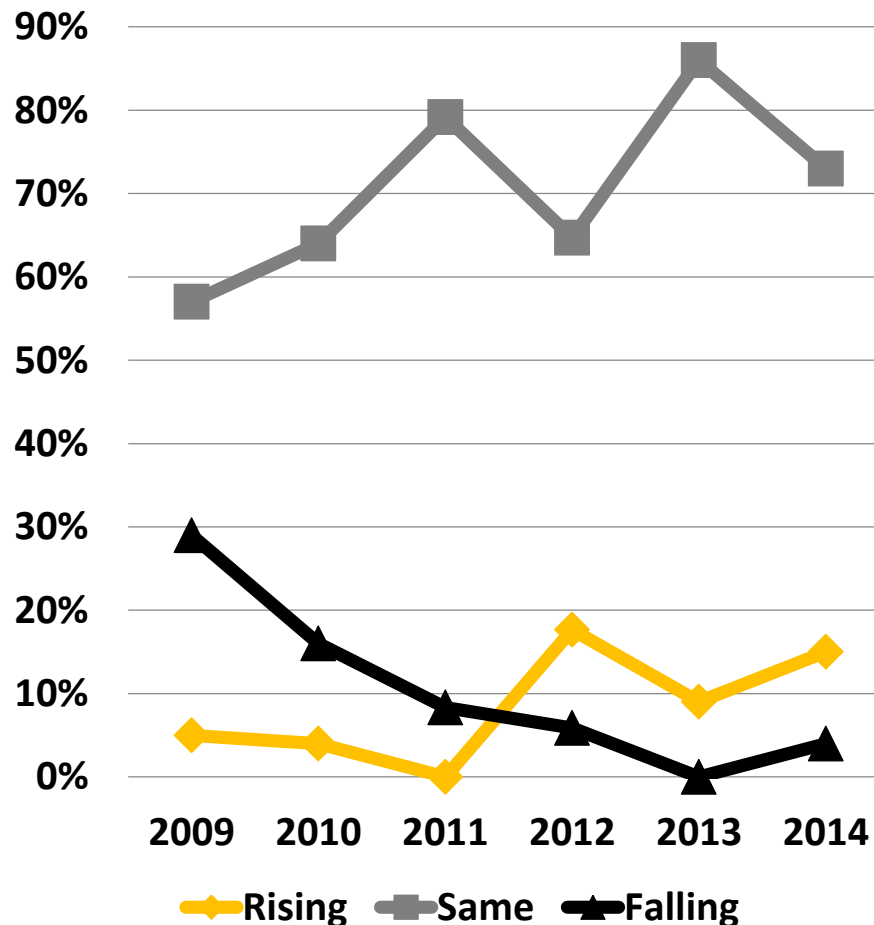


Existing Conditions

Material Costs

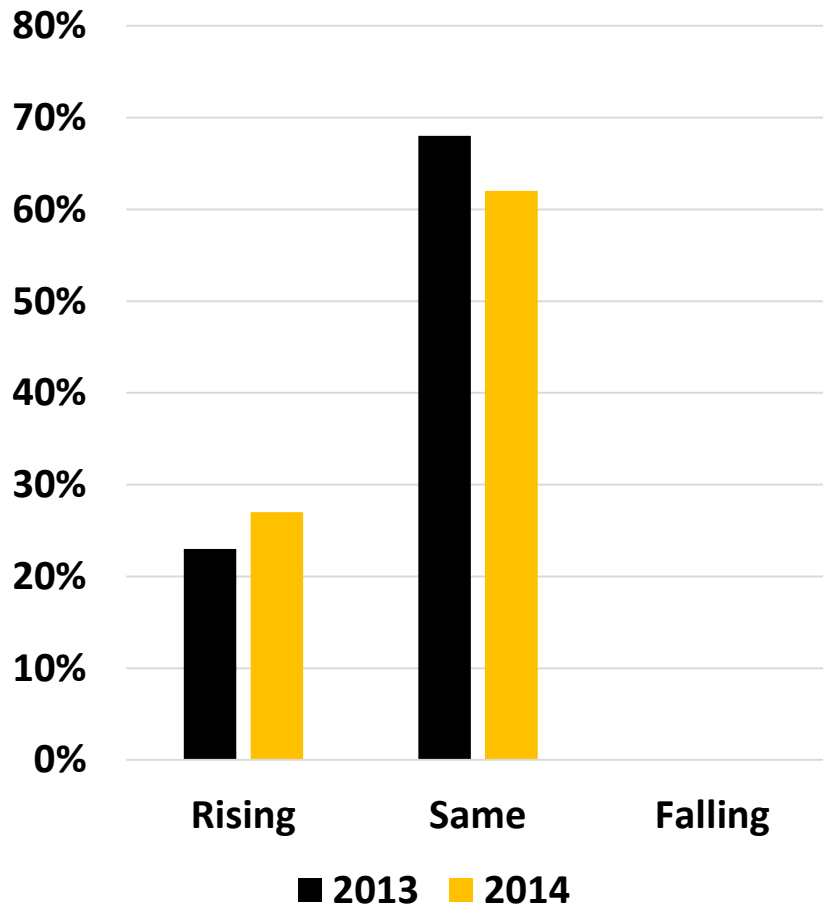


Prices Charged

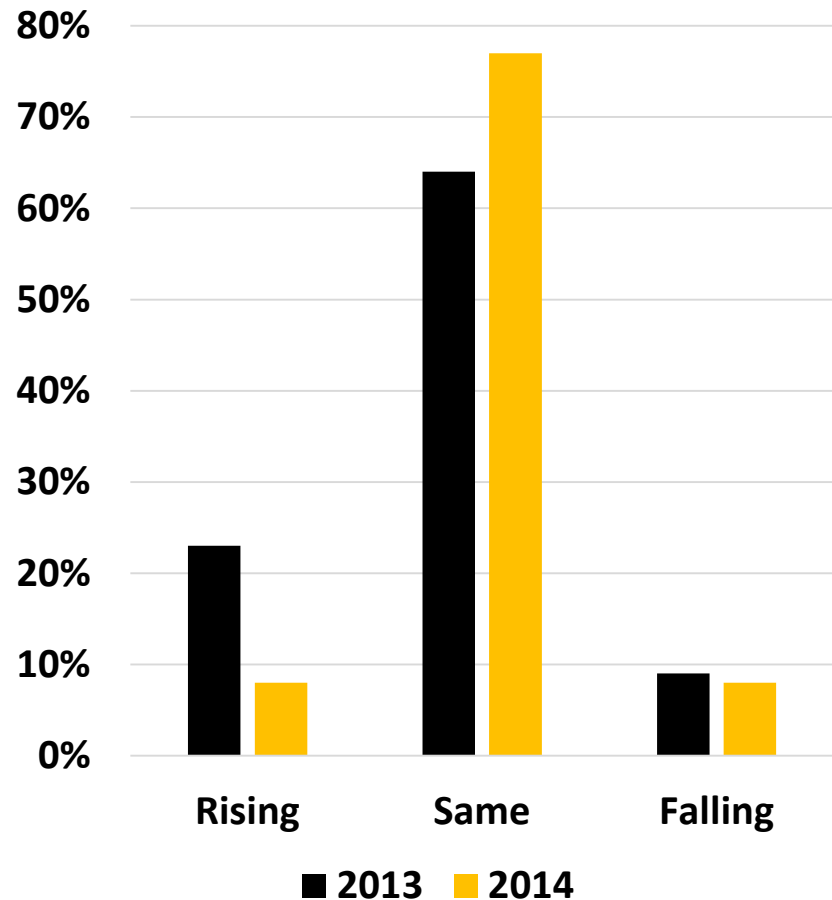


Future Expectations

Material Costs

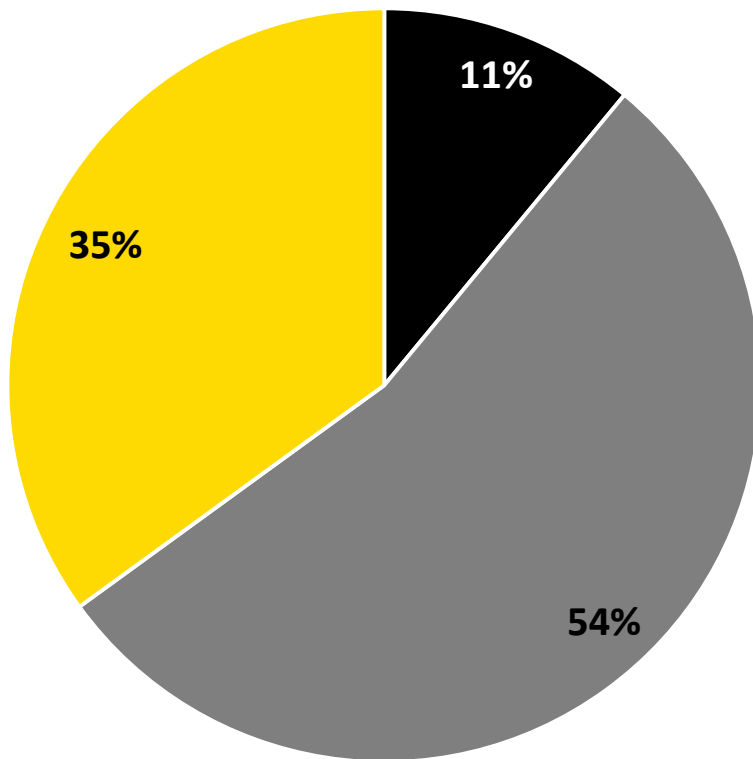


Prices Charged



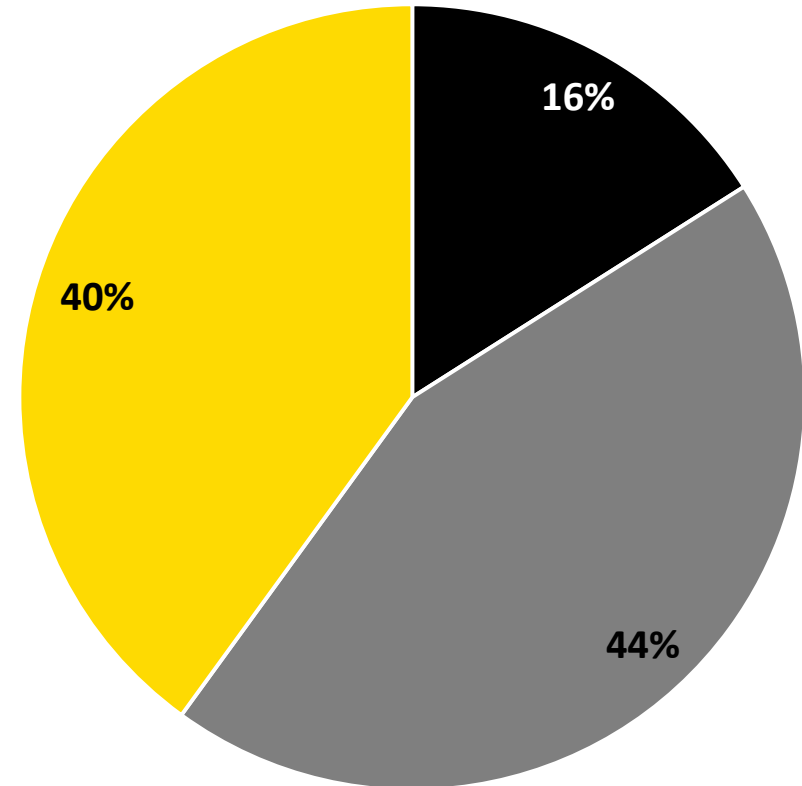
Future Conditions

Employment



■ Decrease ■ Same ■ Increase

Outlook



■ Uneven / decline ■ Minimal ■ Moderate

Summary

- Businesses continue to focus **less** on **policy** and **more** on factors of **demand**.
- Top concerns are **targeted** on economic growth.
- The majority of businesses will see **increasing costs**, yet customers **remain price sensitive**.
- Although more companies are **moderately optimistic**, some segments may experience **more losses** in 2015.



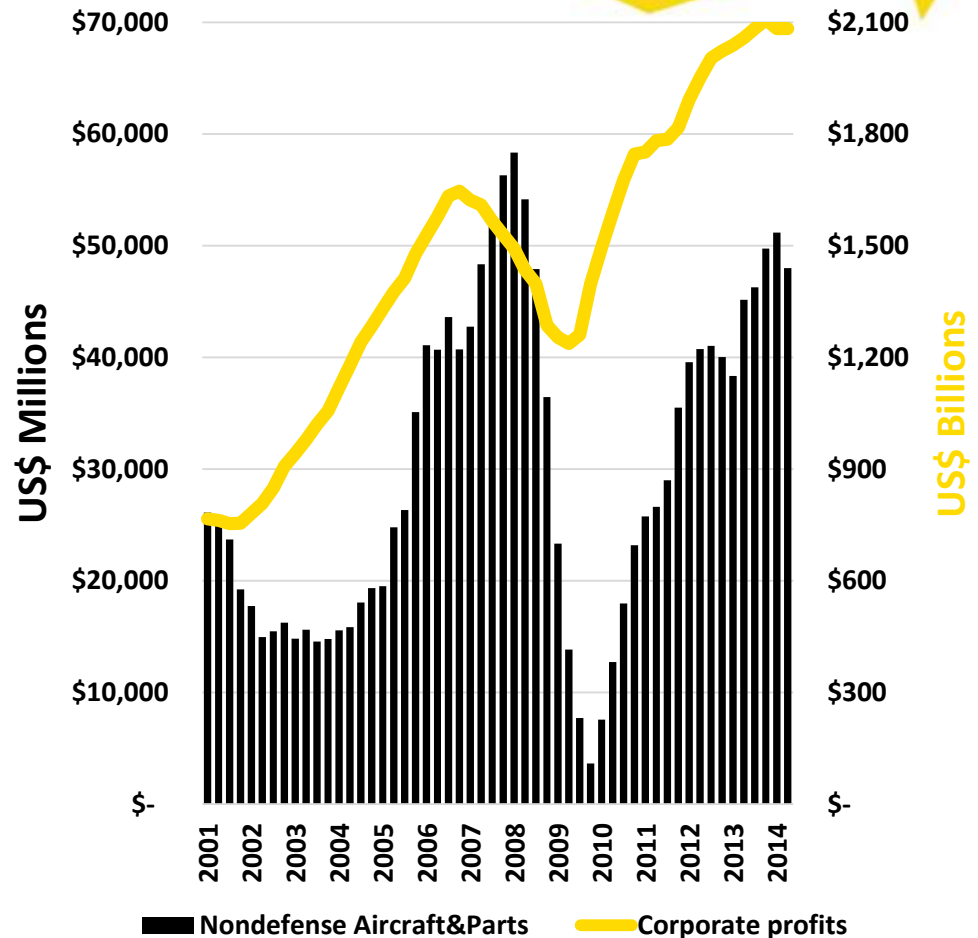
Outlook



Employment, Wages, and Retail Sales

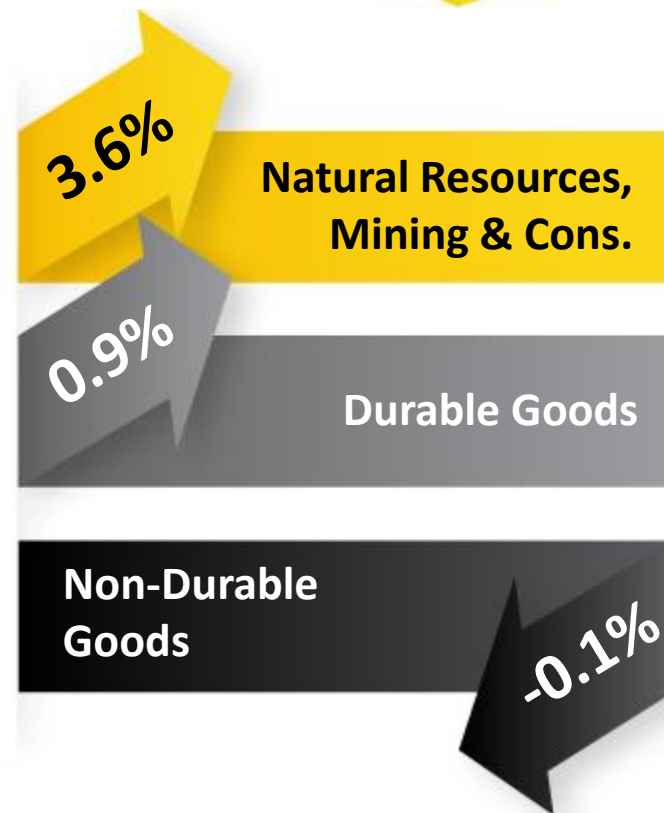
Corporate Profits and New Orders

- General Aviation employment will **slowly expand** over the next five years.
- Military is **weak**, but existing contracts will **maintain** employment.
- Commercial employment **growth is pending** sustained productivity increases.



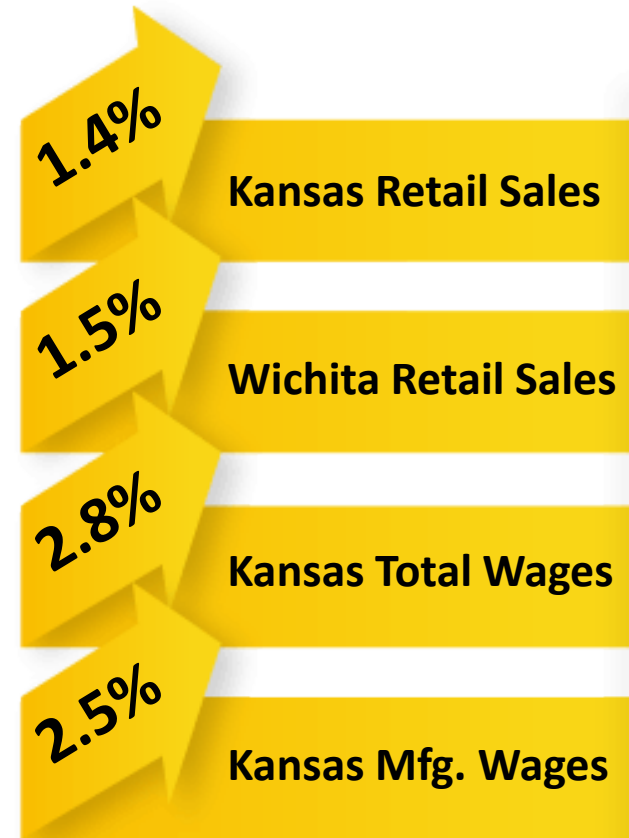
Goods Producing

- Kansas oil production has had **moderate** growth in 2014.
- Construction labor market has **improved**, but will remain below previous peak.
- Non-aviation durables represents 1/3 of the durable sector and has **mixed** demand opportunities.



Retail Sales and Wages

- Retail sales will be **stronger** due to growth in **wages**.
- Tightening labor slack and competition nationally are **driving wages** up in 2015.

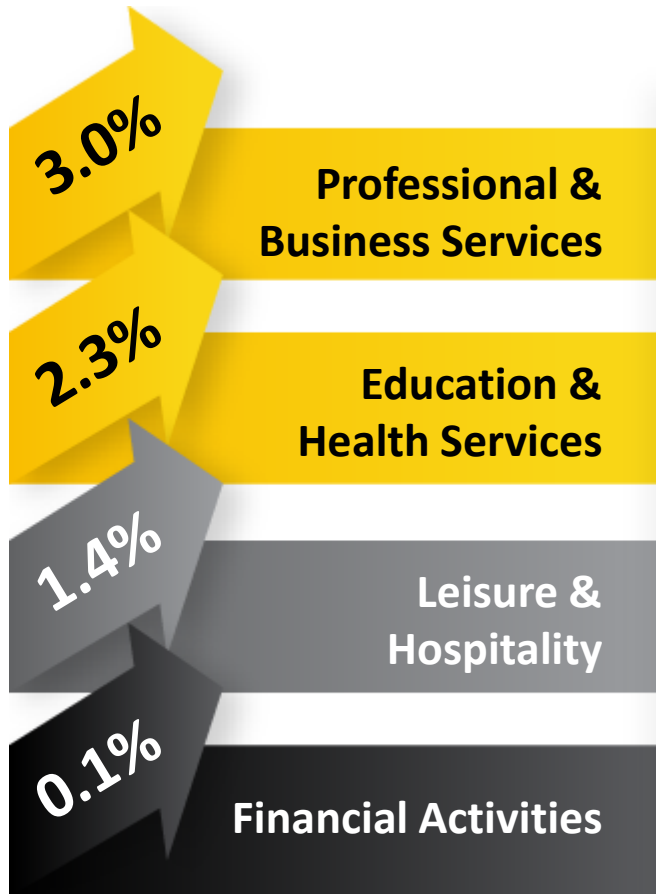


Trade, Transportation and Utilities



- Retail employment growth will **soften** in 2015 to adjust for the higher than expected growth in 2014 and due to online shopping.
- Transportation & Utilities will **mirror** the national trend and general growth within the region.

Services

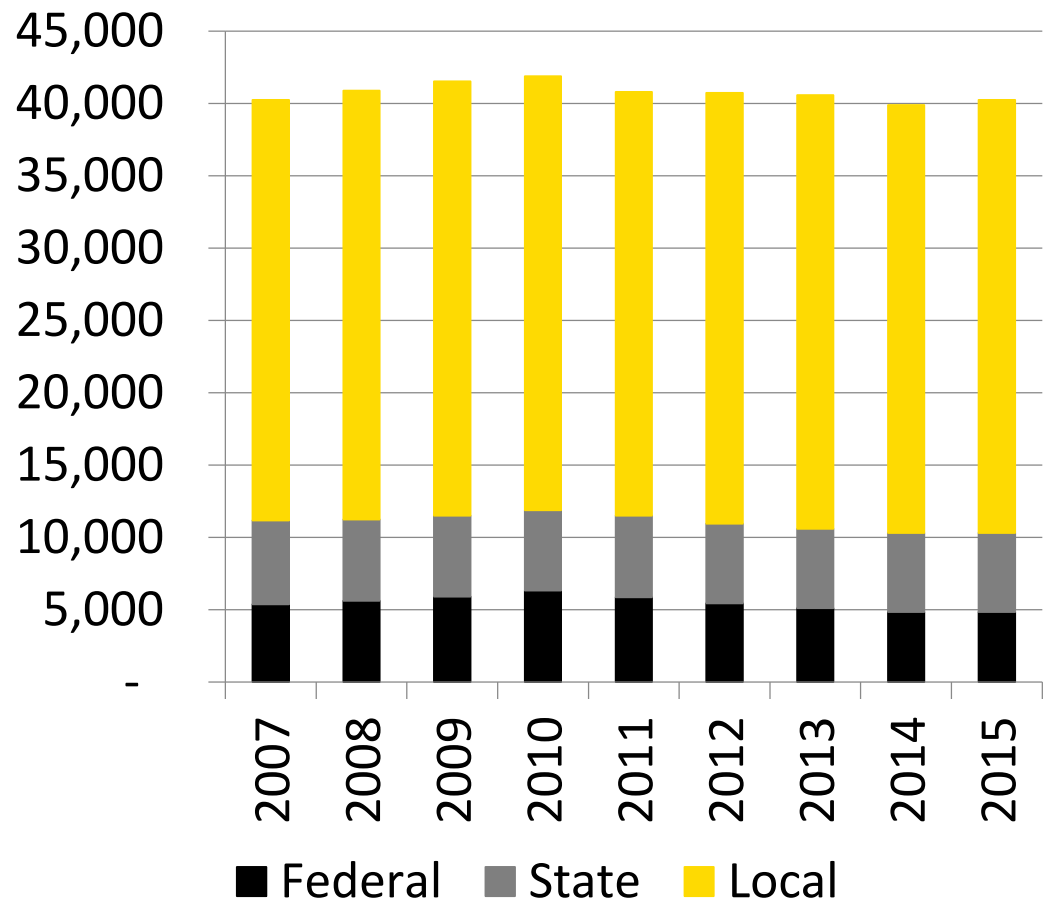


- Professional Services have **increasingly** become a larger component of the economy.
- Health Services will see **continued growth** in therapists, outpatient care, diagnostic labs, and residential care facilities.
- Financial Activities **growth** reflects recent consolidations and **efficiencies** gained.







Government Employment

- **Changing political priorities** at any level of government could impact the employment outlook.
- The **decreased** 2015 state budget will likely impact state employment.
- Overall, government employment is expected to **increase more slowly** than the general growth of the economy.

Government Employment



Summary

-  Professional Services will **lead** the regional economy; however, growth will be **limited** until production workers are reengaged.
-  Although businesses have already **shifted** to more contingent labor, the workforce mindset will still need to **adjust** to this new reality.
-  **Increased costs** nationally and the **slow** regional economy **may impact** some companies in the coming year.
-  Consumers are **regaining** their strength (employment and wages); however, they remain **slightly over leveraged** and have little cushion for another downturn.
-  Provided **consistent positive** news, aerospace should see some **limited** employment growth within the next two years.
-  Employment is expected to **increase by 1.5%**, which would be an improvement over 2014; however, it is **still below** potential.