

Building a Resilient Kansas Economy

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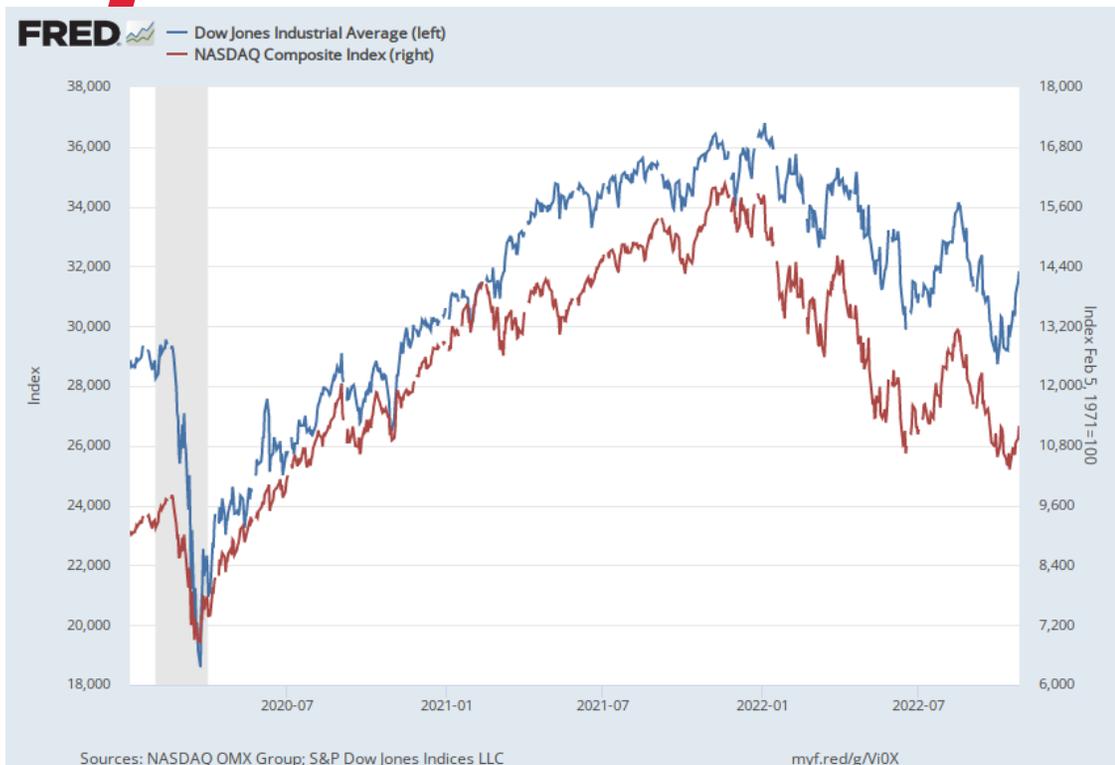
October 27, 2022

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Overview

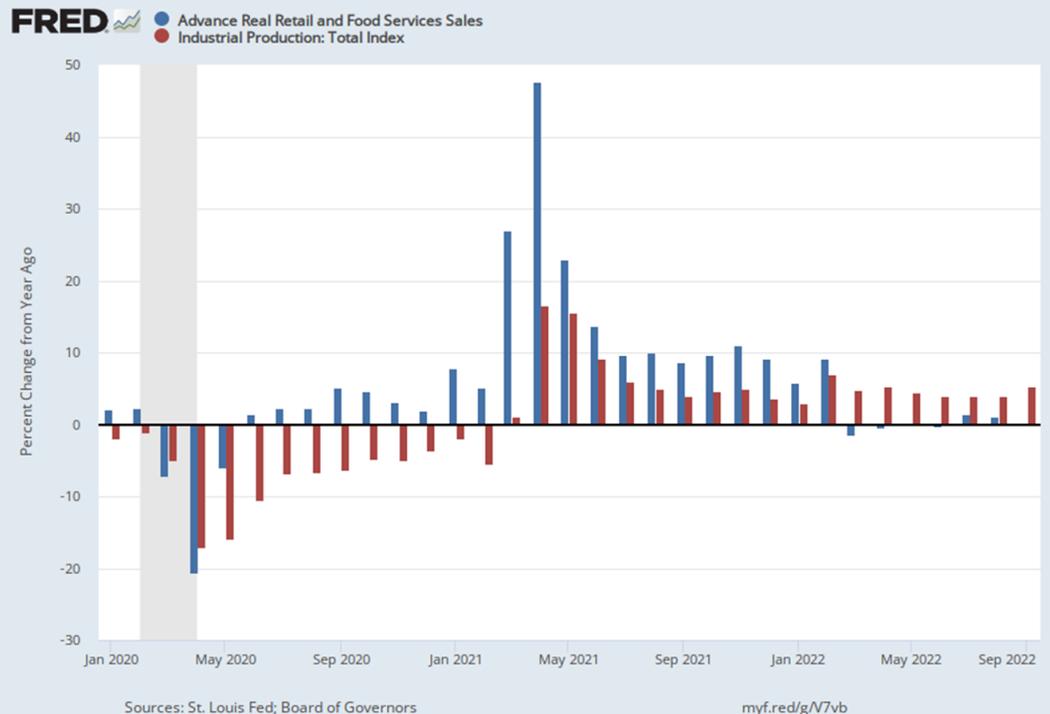
- Update on the Kansas Economy
- Employment Situation
- Inflation
- Are we in a Recession?
 - Not right now.
- Kansas Challenges to Economic Resilience

The Stock Market has Soared but is Returning to Earth



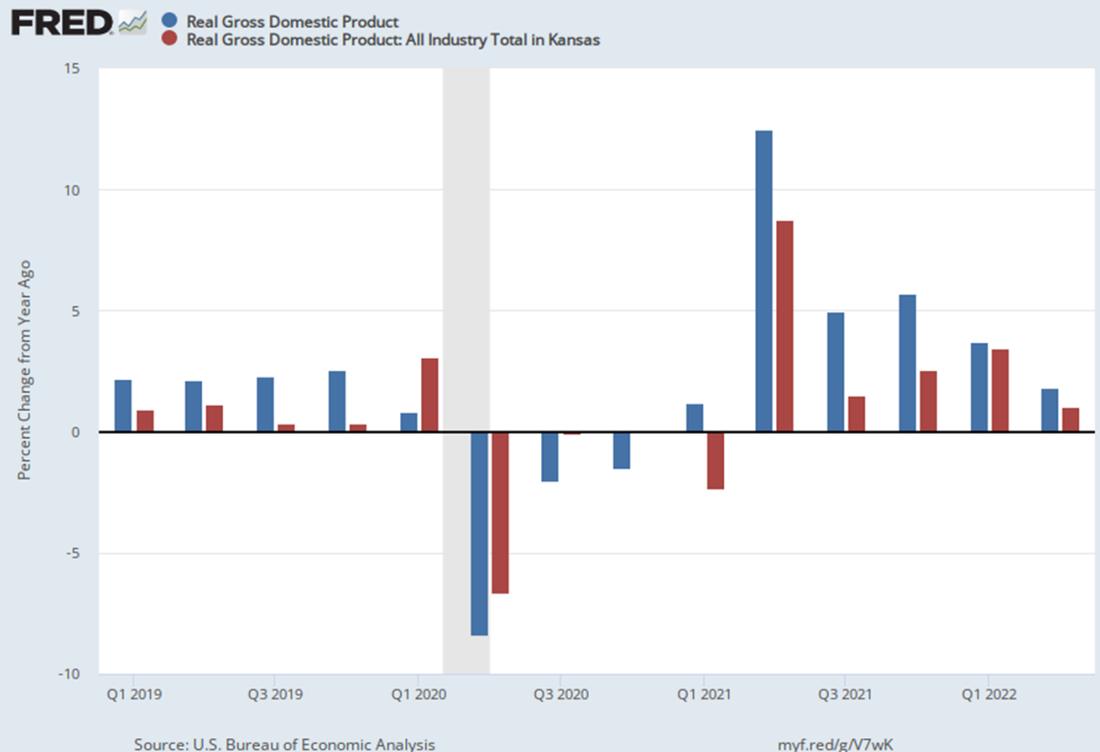
- Dow Jones Industrial Average is up 11% since January 2020.
- NASDAQ is up 20%.
- Both have fallen since beginning of the year.
- Because of increasing interest rates, the market will remain volatile.

Industrial Production & Retail Sales in September



- Compared to a year ago, retail sales were unchanged in September.
- Compared to a year ago, industrial production was up 5.3% in September.
- Sales are flat as consumers respond to higher prices.
- Industrial production remains strong.

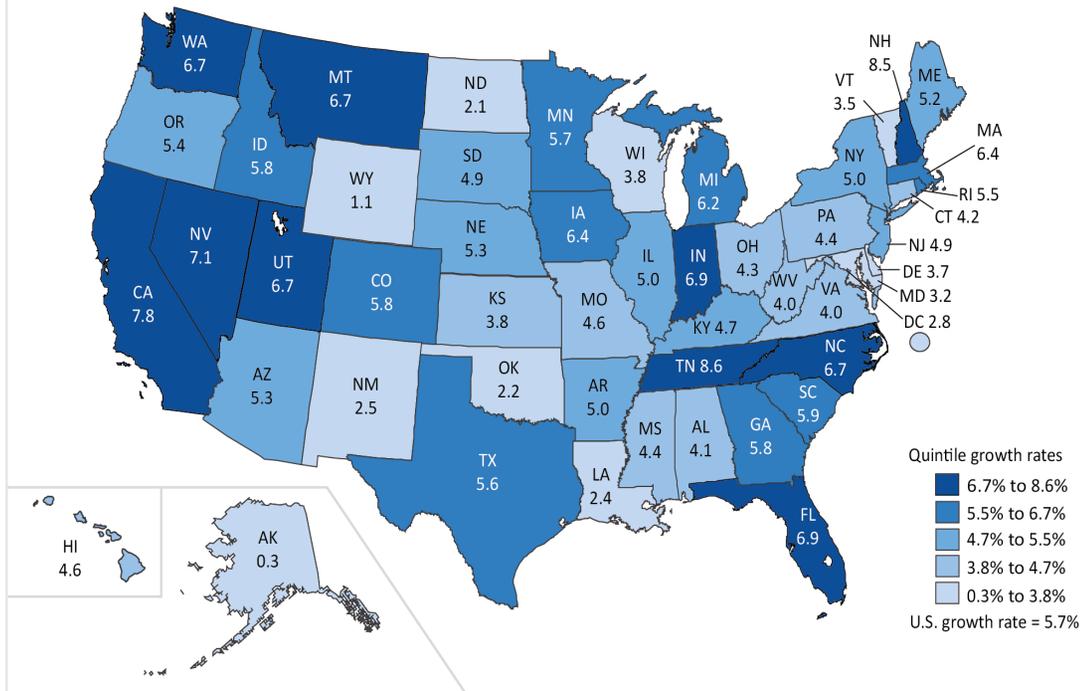
US & Kansas Gross Domestic Product



- US Gross Domestic Product was up 1.8% from a year ago in Q2.
- Kansas Gross State Product was up 1% in Q2 compared to a year ago.
- Growth has been lower in 2022.

Kansas Economy Grew in 2021

Real GDP: Percent Change at Annual Rate, 2020–2021



- The Kansas Economy grew 3.8% in 2021 compared with 2020.
- Kansas growth is higher than Oklahoma and lower than other surrounding states.

U.S. Bureau of Economic Analysis

Kansas GDP by Sector

Kansas GDP by Sector, Q2 2022

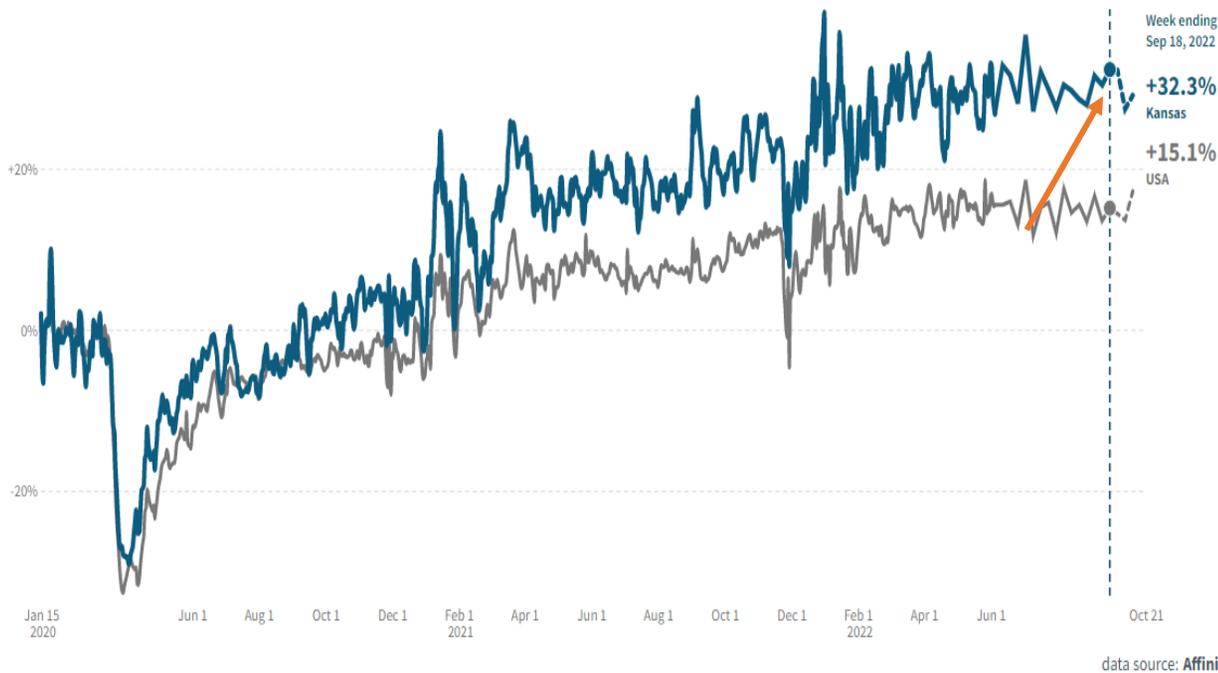


- Agriculture down 5.63% YoY in Q2.
- Finance, construction, wholesale trade, real estate also down.
- Gains in management, information, manufacturing.

Kansas Consumption Is Increasing

In **Kansas**, as of September 18, 2022, total spending by all consumers increased by **32.3%** compared to January 2020.

DOWNLOAD CHART 



- Kansas consumption expenditures are up 32.3% compared to January 2020.
- US consumption is up 15.1%.
- **Consumption is 2/3rds of GDP.**
- **Suggests that growth will continue in the state.**



Employment

Roots of the Labor Shortage



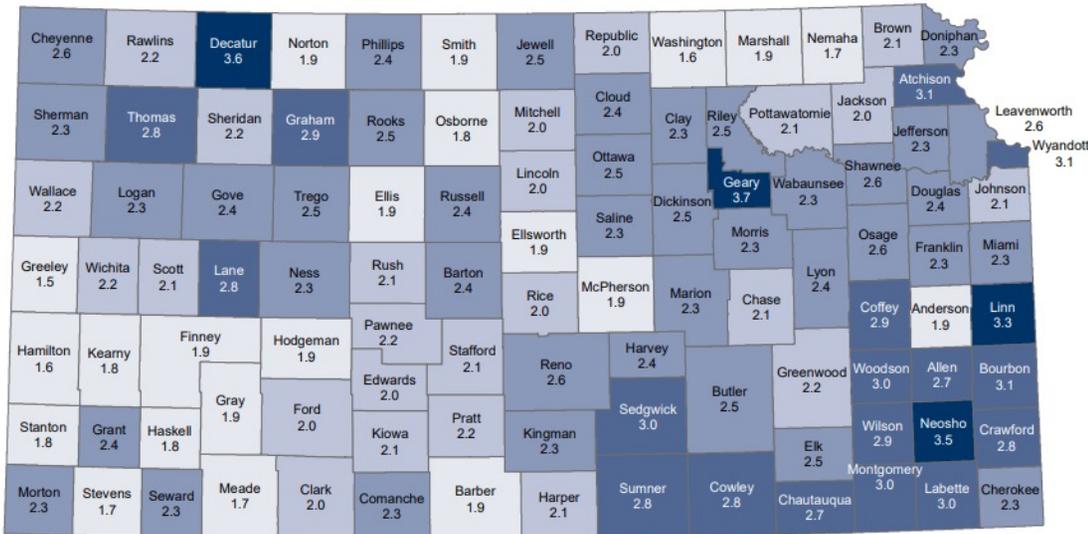
Unemployment in August 2022



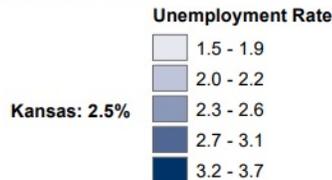
- Unemployment fell to 3.3% in September.
- Kansas unemployment fell to 3.1% in August.
- Kansas is at full employment.

September Kansas Unemployment Rate 2.5%

Unemployment Rate in Kansas, by County
September 2022



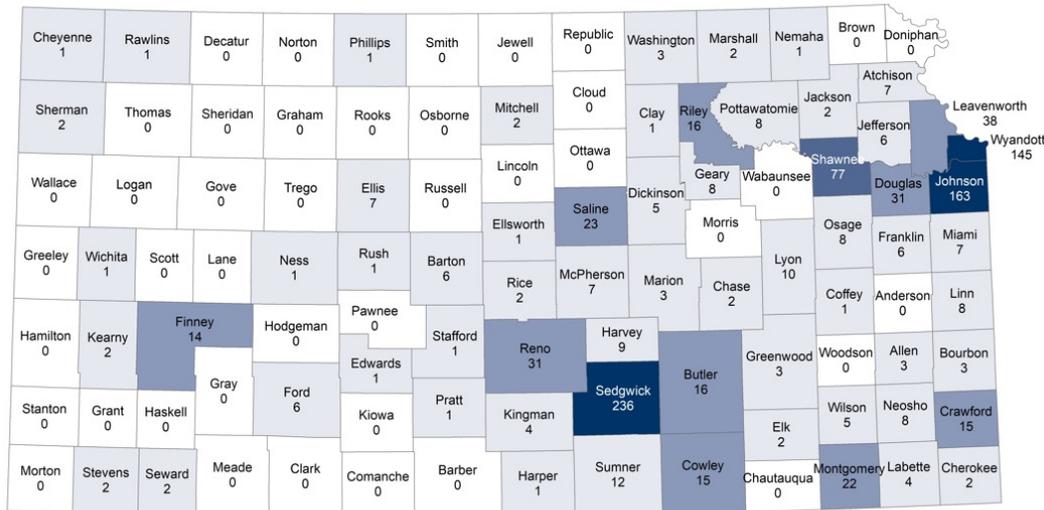
Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor.



- Kansas is at full employment.
- Sedgwick County unemployment is 3.0%.
- Southeast Kansas has the “highest” unemployment rate that is < 4%.
- This creates a ceiling on economic growth.

Initial Claims by County – October

Initial Jobless Claims in Kansas, by County
Week Ending October 8, 2022



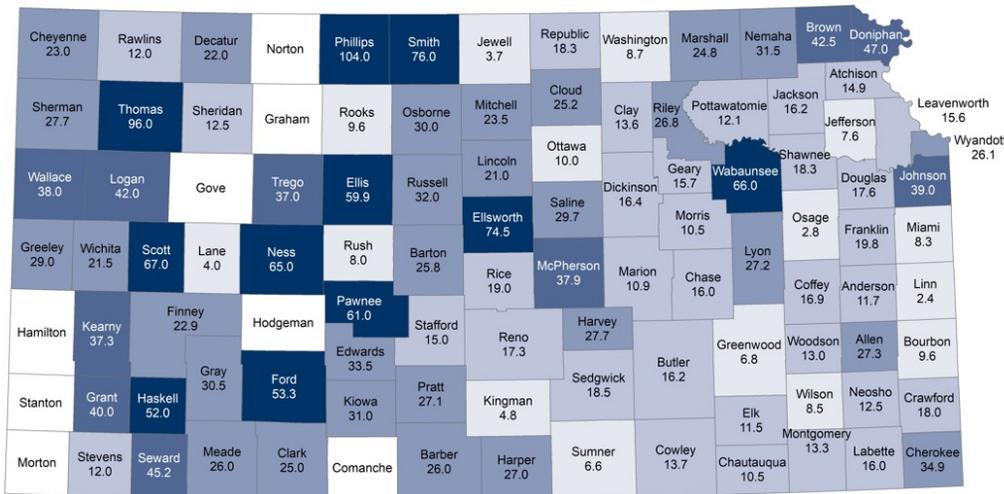
- As of October 8:
 - 163 Claims in Johnson County
 - 236 in Sedgwick County
 - 77 in Shawnee County
 - 145 in Wyandotte County
 - 31 in Douglas County

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor, Labor Market Information Services.



Job Openings Outnumber Unemployment Claims

Job Openings per Initial Jobless Claim in Kansas, by County



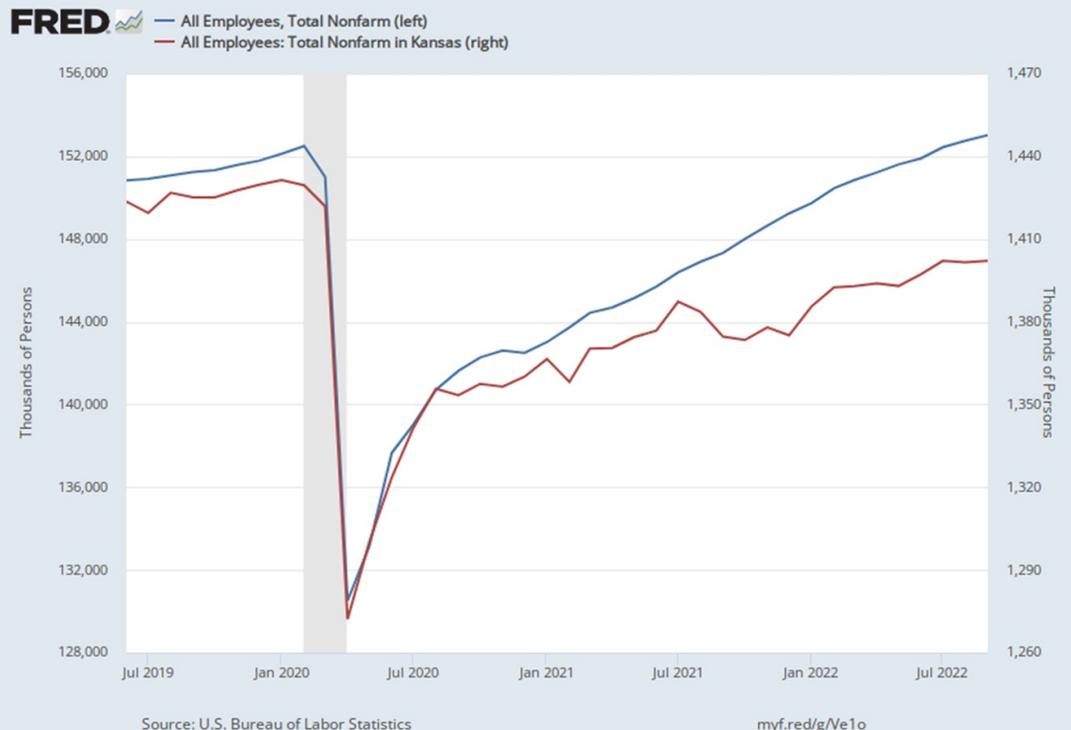
Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor, Labor Market Information Services.

Job openings advertised online on October 23, 2022. Initial unemployment claimants from weeks ending September 17 through October 8, 2022.



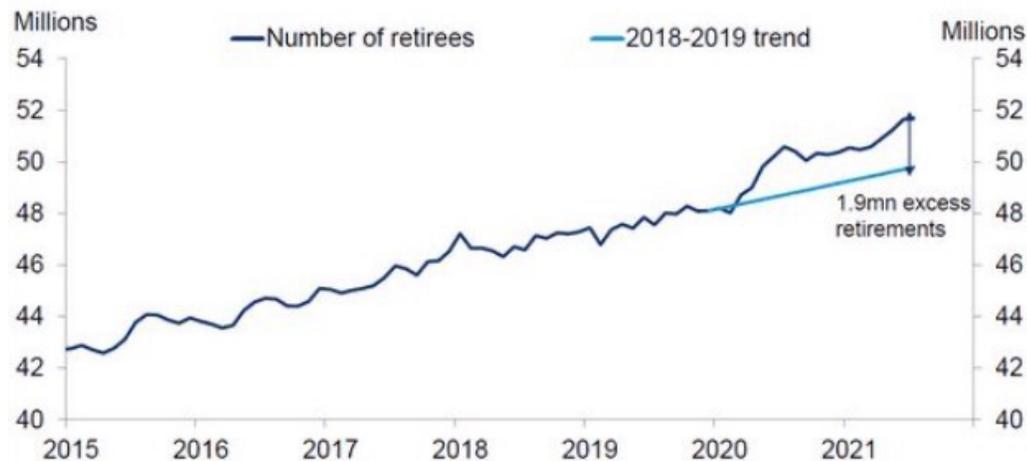
- In all counties with unemployment claims, job openings outnumber claims.
- Six largest Kansas counties have 15.6-39.0 openings per claim.
- **Kansas needs workers.**

Kansas Employment has Stalled



- Employment is rebounding at a faster rate in the US than in Kansas.
- Employment has fully recovered in the US.
- Kansas had **27,400** fewer workers in September 2022 compared with February 2020.

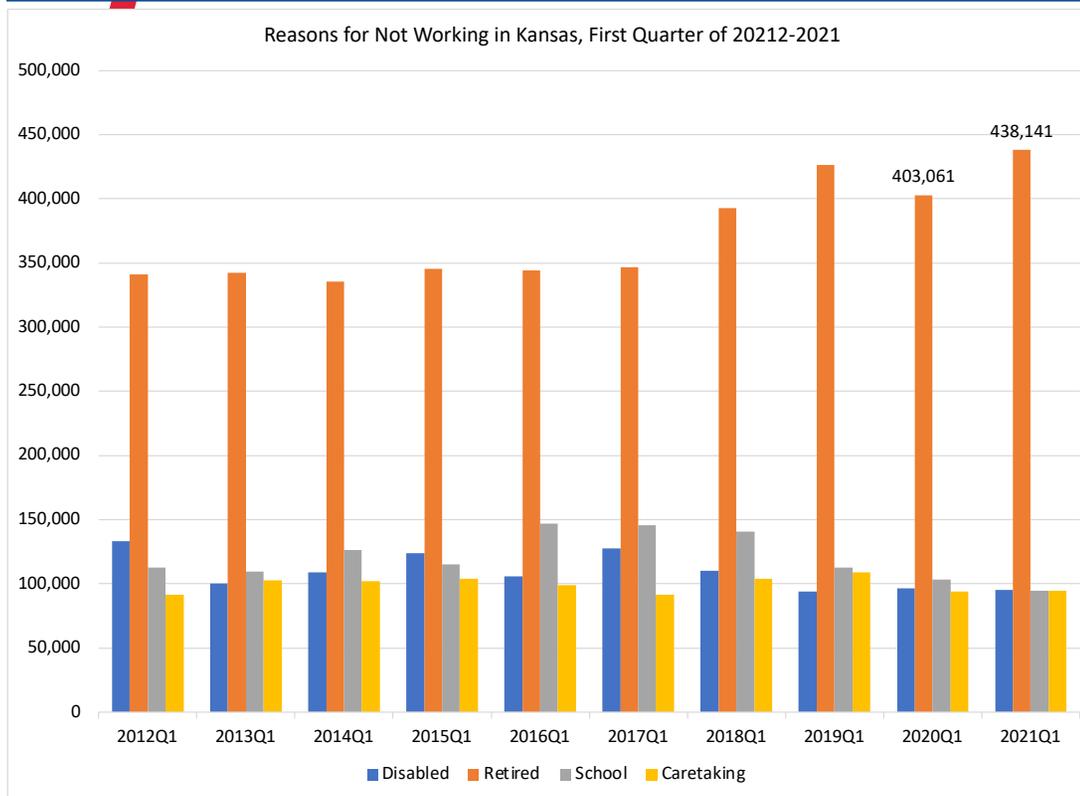
Labor Shortage Has Many Causes



Source: Deutsche Bank, Data from Current Population Survey

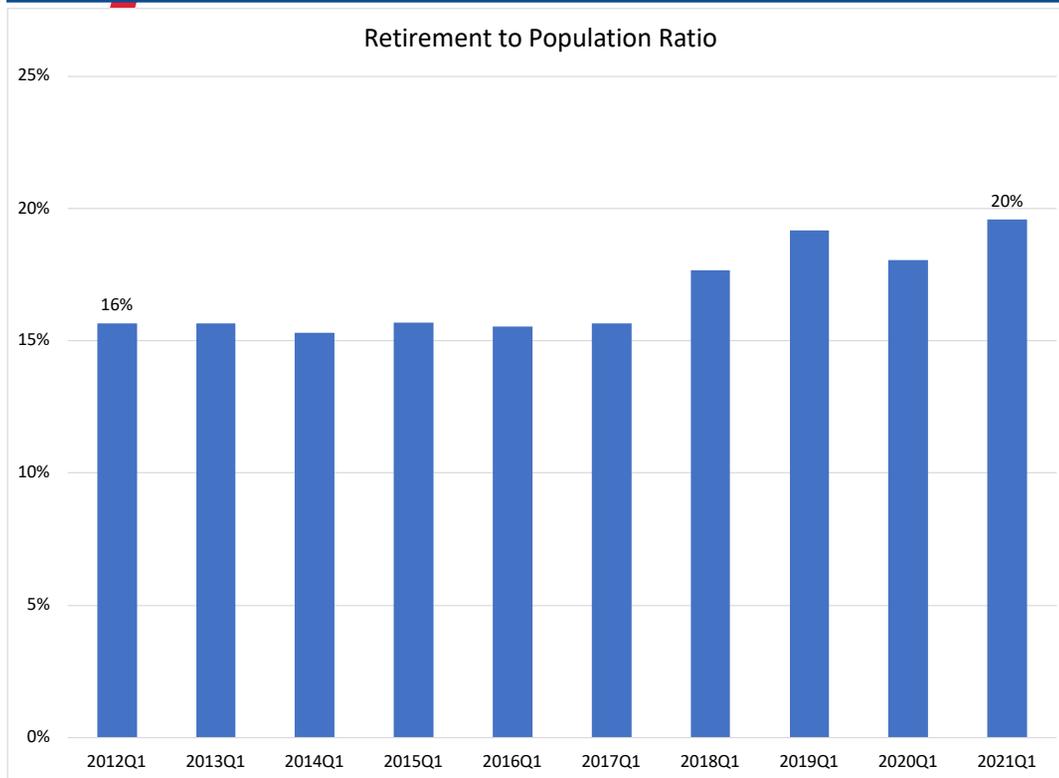
- Great Retirement ~ 2 million people will not return to the labor force.
- Childcare. Mothers were hit hard and left the labor force. Childcare centers are having difficulty finding workers due to low pay.
- Some people have decided that low-paying jobs aren't worth dying for.

Kansas Labor Shortage is Associated with Retirement



- **Great Retirement ~ 35,000** Kansans have retired in the last year.
- **Childcare.** Some evidence of increase in caretaking associated with not in the labor force (6% report not working due to childcare).
- No evidence that enhanced unemployment benefits are contributing to labor shortage.

Kansas Labor Shortage is Associated with Retirement

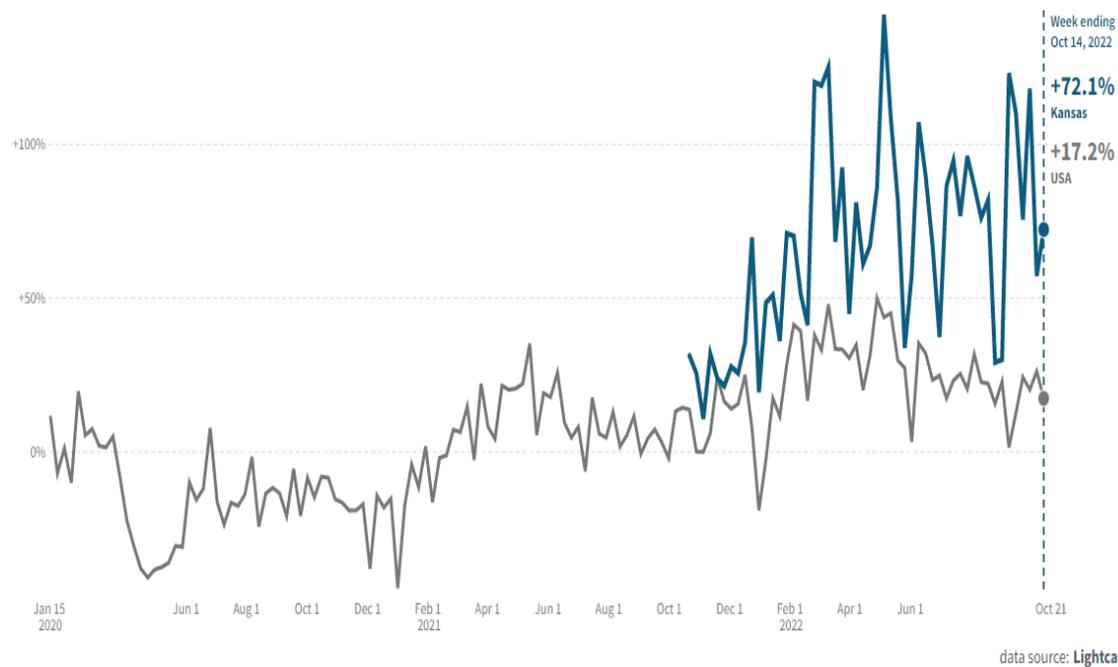


- Retirement to population ratio has increased to its highest level of 20%.
- Retirements started increasing in 2018 but accelerated because of the pandemic.
- The baby boom has “left the building” all at once.
- Retirees are not likely to come back.
- Kansas desperately needs workers.

Job Postings Have Increased

In **Kansas**, as of October 14 2022, total job postings increased by **72.1%** compared to January 2020.

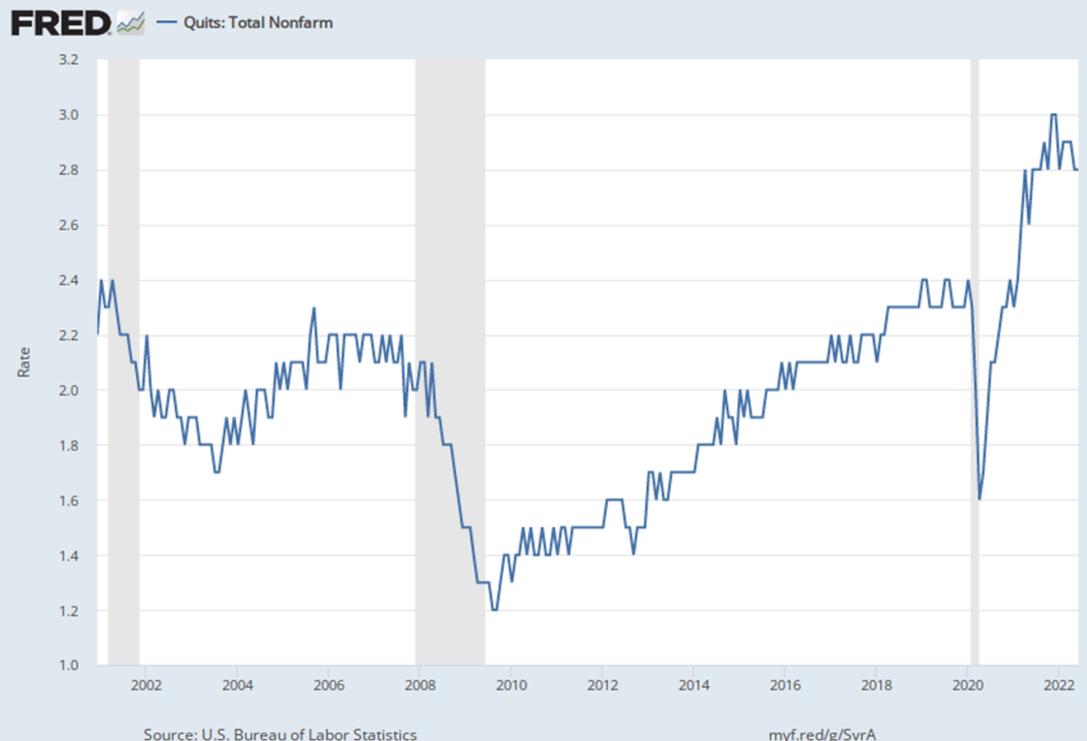
DOWNLOAD CHART 



data source: **Lightcast**

- Job Postings are up 72% in Kansas compared to the start of the pandemic.
- In the US, job postings are up 17%.
- Job postings are noisy.
- One approach to filling jobs is to pay more.

Employees are Quitting in Drove



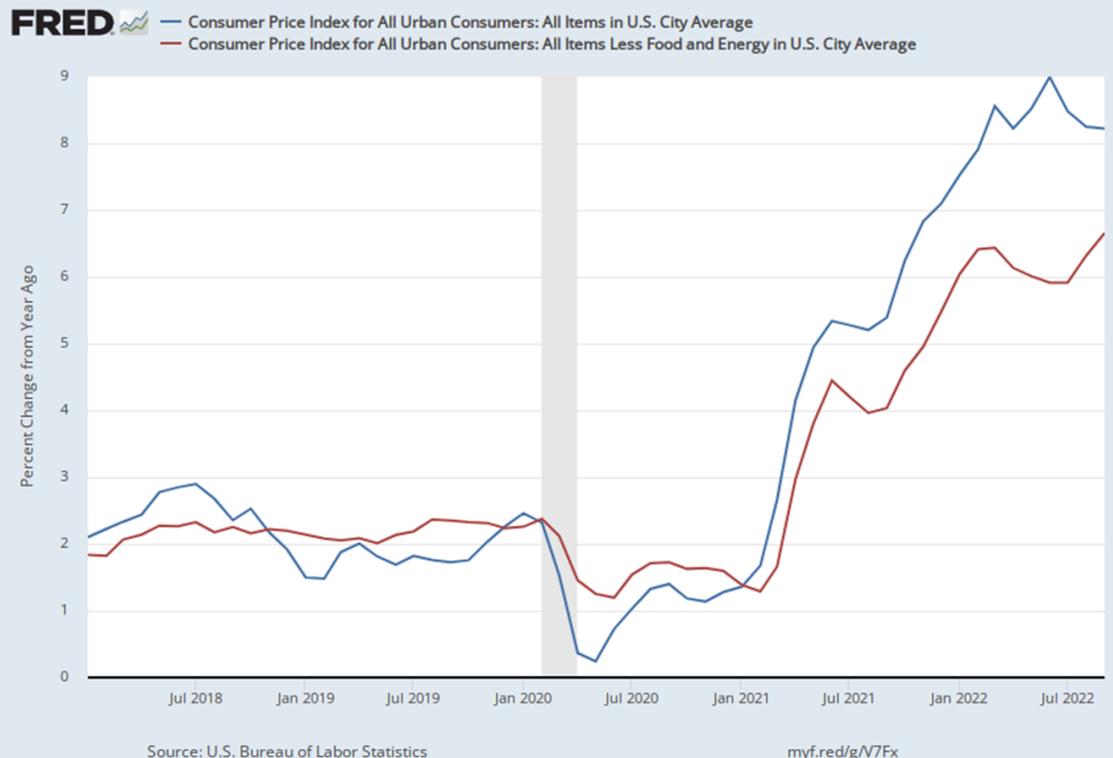
- Quit rates are very high (2.7%)
- Driven by workers seeking better hours and compensation.



Inflation Is Increasing

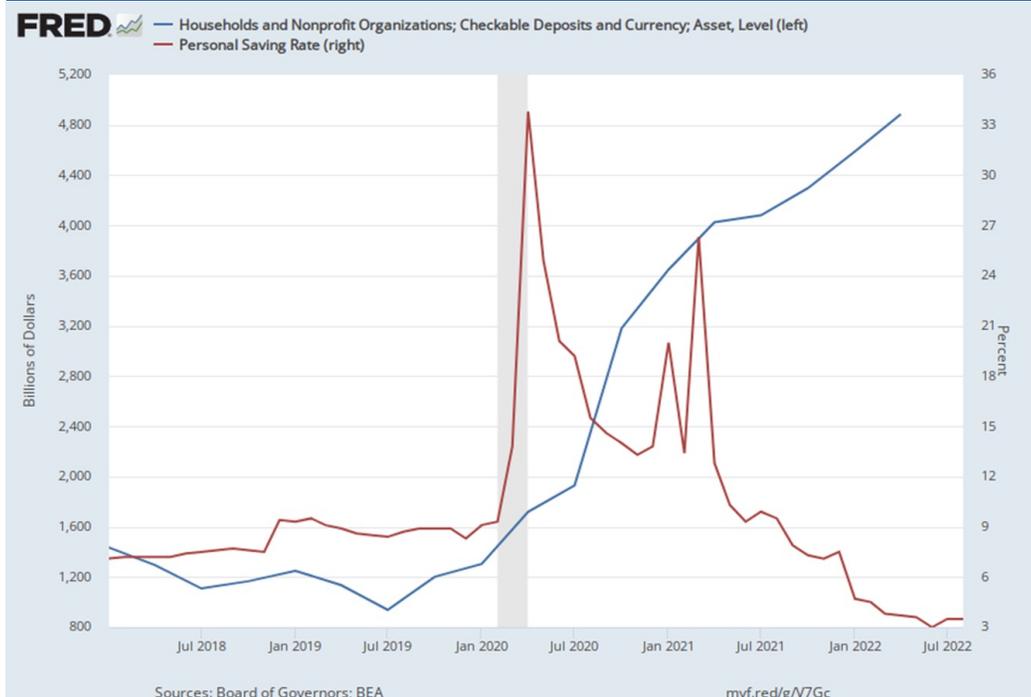
A Perfect Storm of Demand and Supply Shocks

Inflation has Increased



- CPI up over 8.2% compared to a year ago.
 - CPI less food and energy now rising at 6.7%.
 - Increase of core inflation is bad news.
- Inflation being driven by supply shocks & increased demand.

Household Savings & Balance Sheets

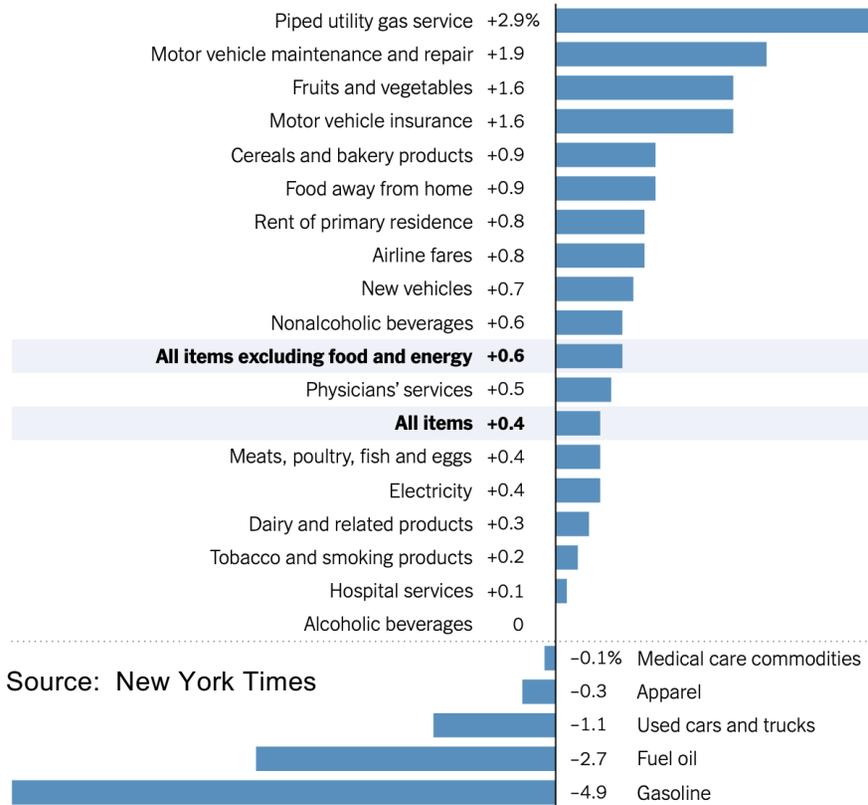


- Household checking accounts swelled during the pandemic.
- Savings rate jumped from 8% to 34%.
 - Expenditures on services dropped significantly (no travel or restaurants)
 - Saving rate has now fallen to lowest level since 2008.
 - Households are consuming out of savings.

Source: St. Louis Fed

Takeaways from another painful inflation report.

Monthly changes in September



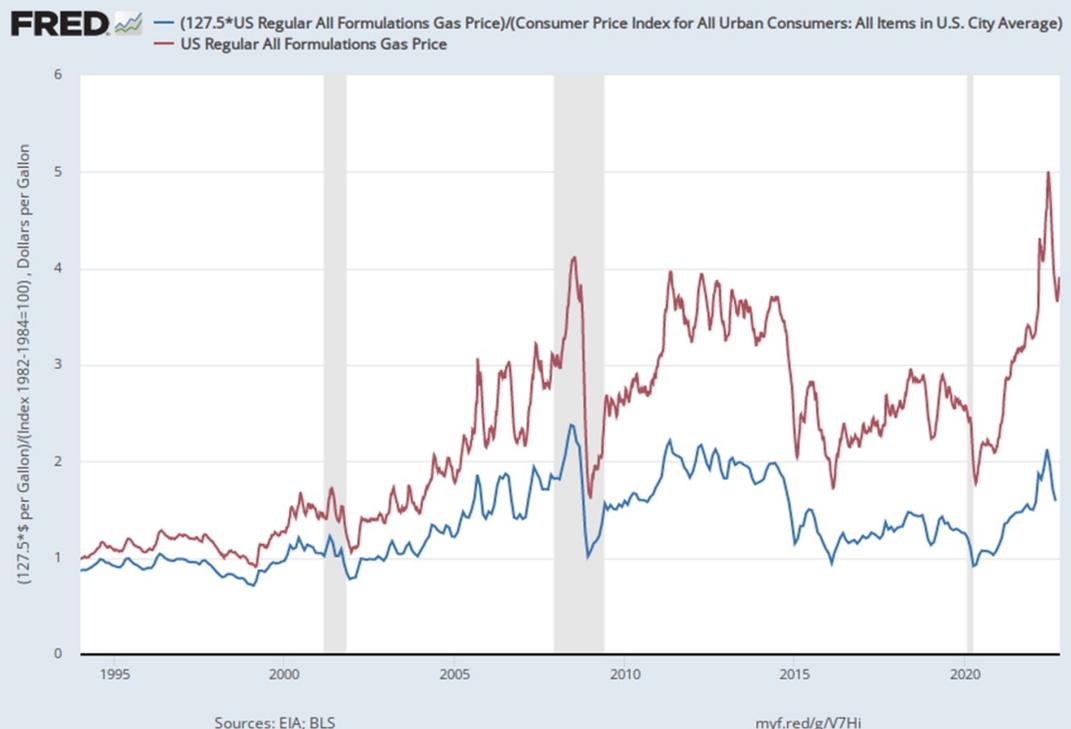
Source: New York Times

August-to-September changes in a selection of categories of the Consumer Price Index • Source: Bureau of Labor Statistics

Inflation has Increased— Across the Board

- Pandemic services:
 - Airfare, food away from home.
 - Utility gas service
- New vehicles
- Rent
- Other:
 - Meat, fruits and vegetables
 - Cereals

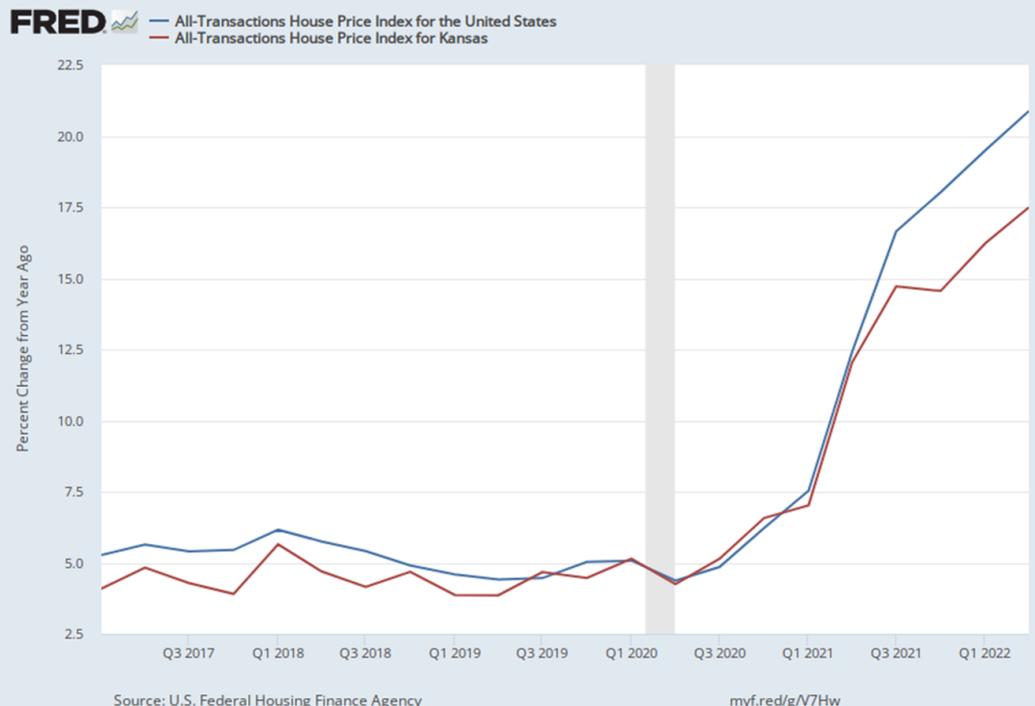
Energy Prices Have Increased Because of the War in Ukraine



Sources: Council of Economic Advisers & St. Louis Fed

- Gas prices have started to fall.
- China is in a recession and that reduces global demand for oil.
- Adjusted for inflation, gasoline prices are not as high as they were in 2011-2015.

Housing Prices Are Contributing to Inflation

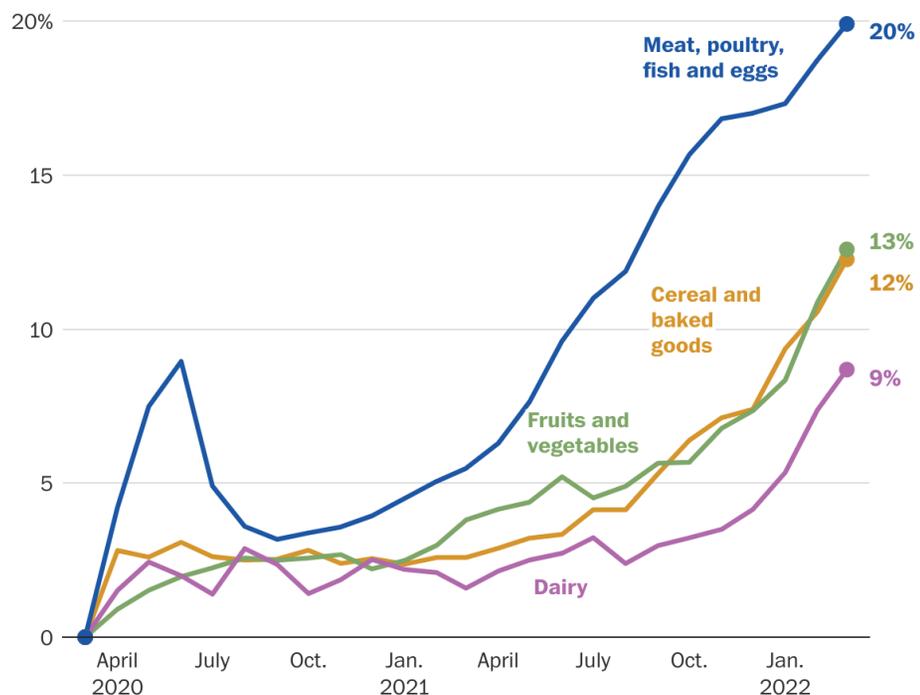


- US housing prices are up 20.8% in Q2 2022 compared to the previous year.
- Kansas housing prices are up 17.5%.
- Housing demand is up because construction was down for the past decade.
 - Millennials are now the largest age group and they're buying houses.

Food Prices are Climbing

Increased food prices led by rapid rise in price of meat

Percent change in consumer price index since Mar. 2020, seasonally adjusted



Source: The Washington Post

- Meat prices have risen 20% since March 2020.
 - Egg prices are up 13.6% in the past year.
 - Avian flu is a contributor.
- Meat & fruit prices likely increasing because they are less processed.
 - This also means that there are fewer, large producers with significant market power.

Food and Other Input Prices are Climbing

- According to harvesters:
 - Food prices will be 12% higher by the end of the year
 - Freight costs have increased 200% since the pandemic
 - 12% of US agriculture imports are from Ukraine
 - Worldwide labor and packaging shortages
 - Pork and avian epidemics have caused further shortages
- Food prices will remain high for the foreseeable future.

Source: The Washington Post

Inflation is a Worldwide Phenomena

Eurozone Inflation Sets Another Record, Hitting 10 Percent in September

Jumps in energy and food prices again pushed inflation in the 19 countries that use the euro to the highest annual rate recorded since the currency was created.

The New York Times

Inflation in Britain Hits 10.1 Percent, Driven Higher by Food Prices

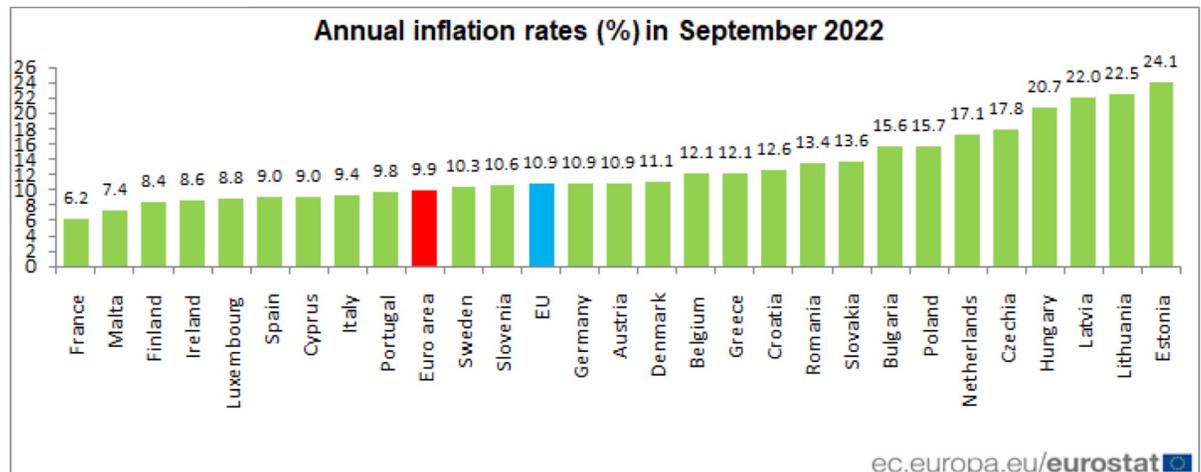
After easing slightly the previous month, inflation continued rising in September, heightening the country's cost-of-living crisis.

Inflation in Europe Now Looks Even Less Transitory Than in US

- Prices climb faster, more broadly in energy-squeezed euro area
- Recession risk and wage losses are also bigger in EU than US

By Ben Holland
October 2, 2022, 11:00 PM CDT

Source: Bloomberg



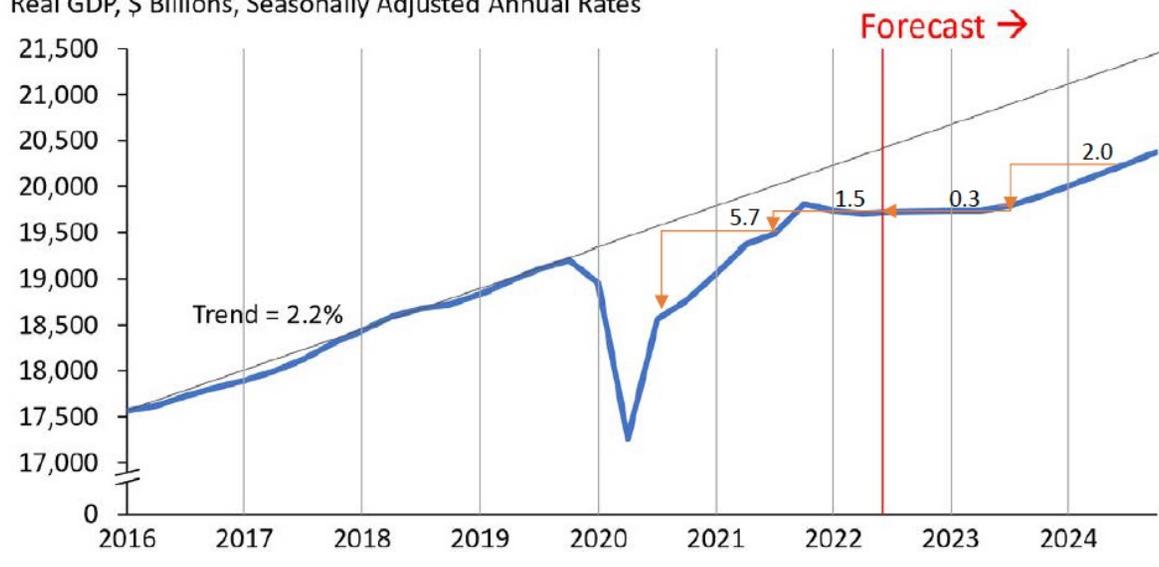


Recession Fears Are Increasing

Will there be a soft landing?

Growth Is Forecasted to Slow Through 2024

Real GDP, \$ Billions, Seasonally Adjusted Annual Rates



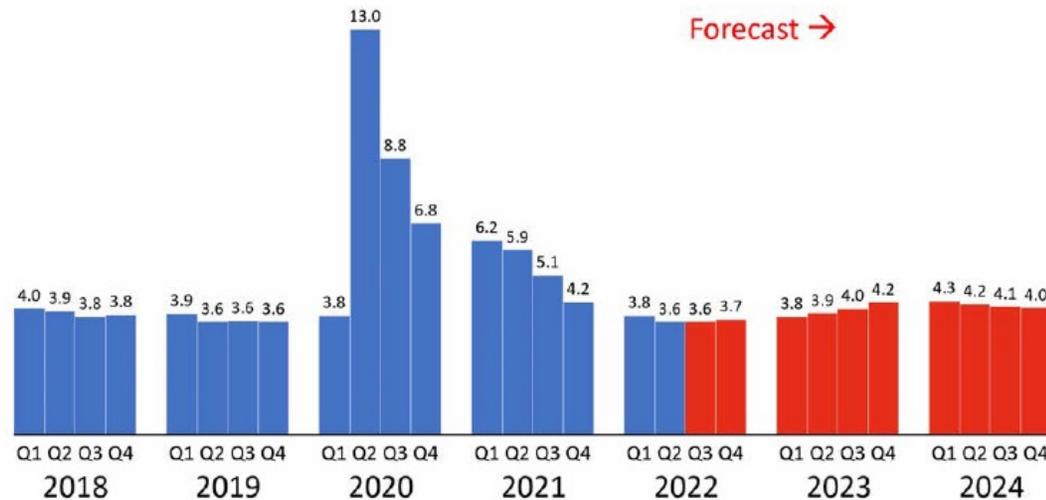
GDP is forecast to remain below long-run trend because of the economic slowdown.

Increase in interest rates will create a drag on the economy.

Source: US Bureau of Labor Statistics and UCLA Anderson Forecast

Low Unemployment Is Forecast for the Next Two Years

Unemployment Rate (%)

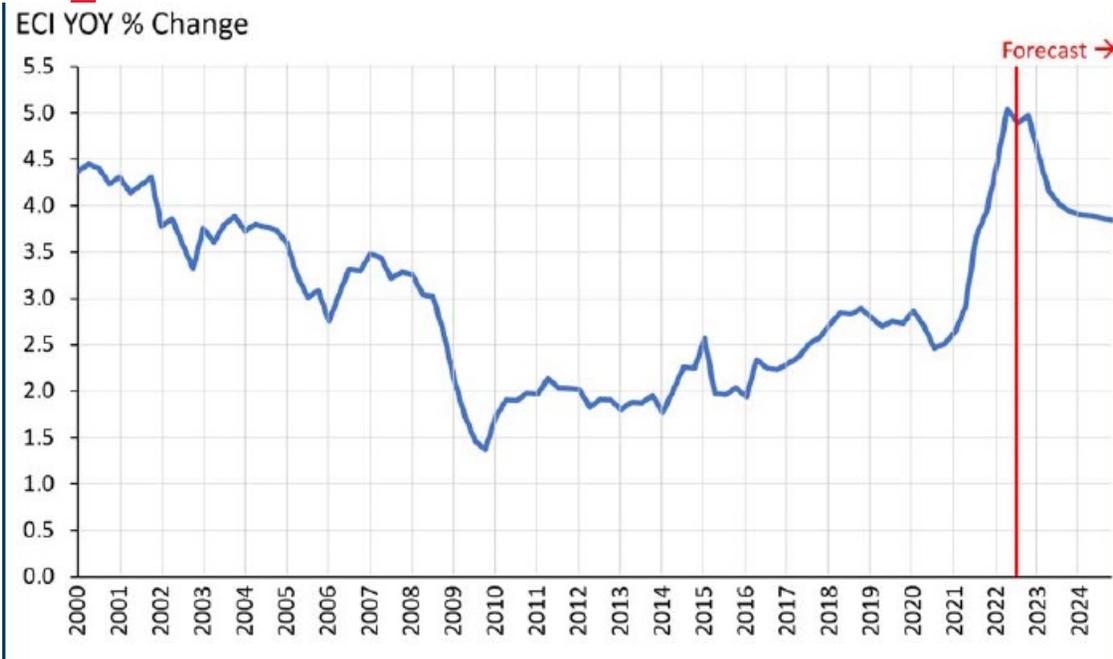


Unemployment will tick up in 2023 and 2024

UCLA is not expecting huge spikes in unemployment.

Reflects the tight labor market conditions.

Wages Are Increasing but Not at the Same Rate as Inflation



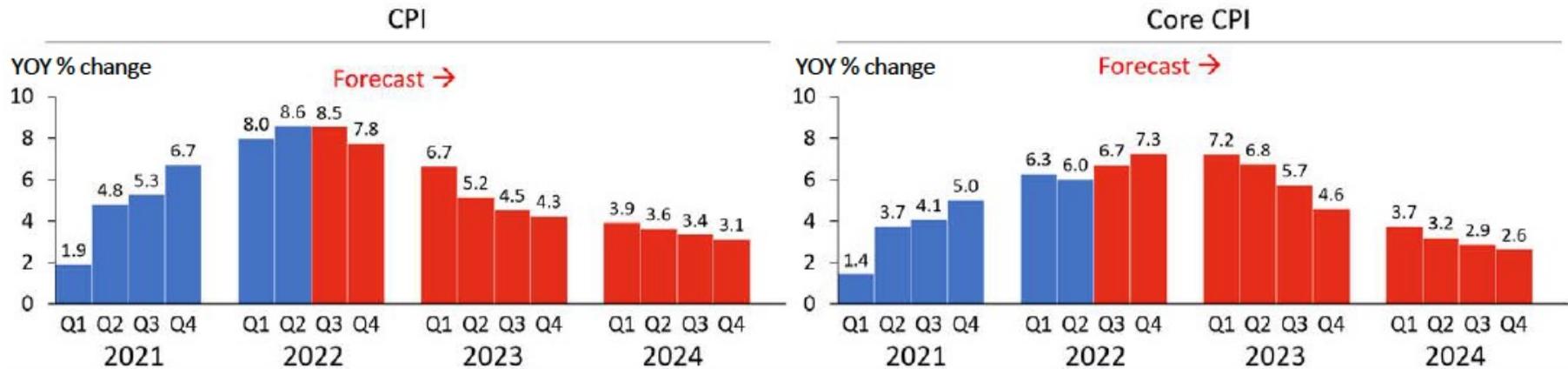
Inflation is up 8.5%

But wages are only up 5%.

In real terms, workers are losing out.

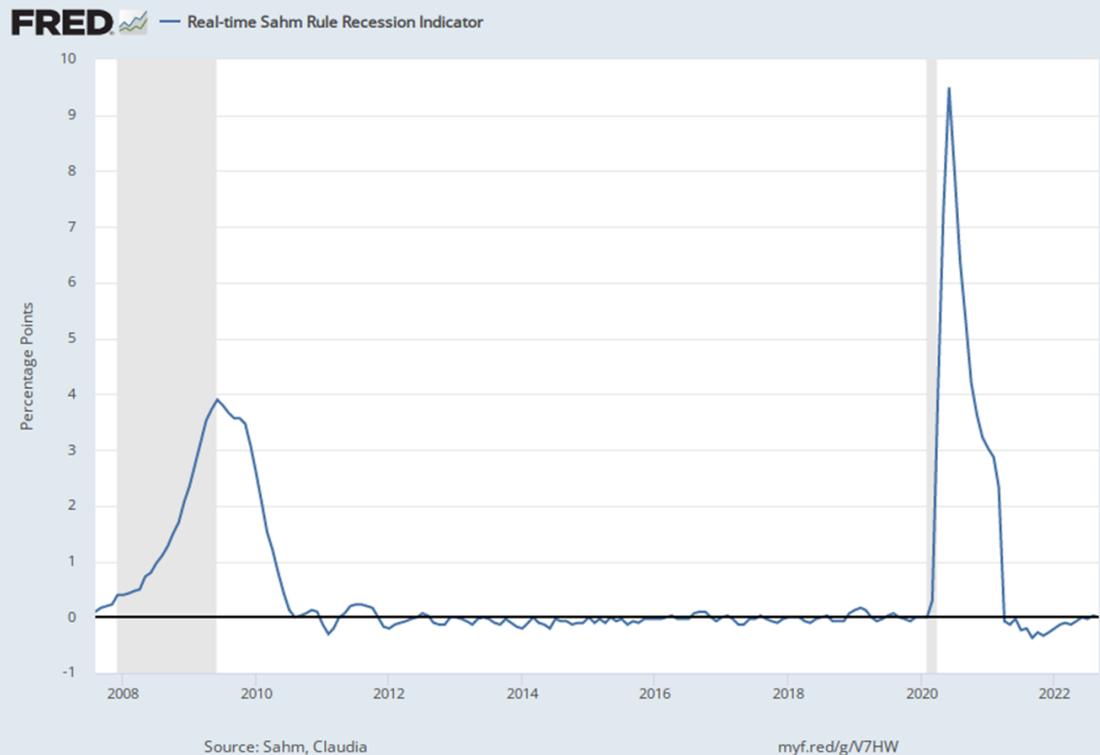
Employment Cost Index is expected to decrease.

Inflation will be with us until the end of the year.



The Fed is increasing rates to slow inflation. However, it will take 12 to 18 months for that to have an effect.

No Evidence of a Recession from the Sahm Index



No indication of recession from the Sahm Index.

Hard to call anything a recession when the economy is at full employment.

The Fed is Being Aggressive About Raising Interest Rates



Fed raised interest rates by 0.75 basis points in September.

However, the Federal Funds Rate is well below 2007 levels.

Interest rates are now neutral, not recessionary.

What's Driving the Recovery

- Full bank accounts from the pandemic.
- Consumers are grumpy about inflation, but this only starting to dampen demand.
- Employment has returned to pre-pandemic levels in the US, but lower levels in Kansas.
- Increased wages are helping.

What Will Slow the Recovery?

- Rising interest rates
- Supply constraints from China's zero-COVID policy
- Higher energy costs due to the Russian invasion of Ukraine.
- Higher inflation is affecting retail sales/consumption.
- UCLA is forecasting a "softish landing."



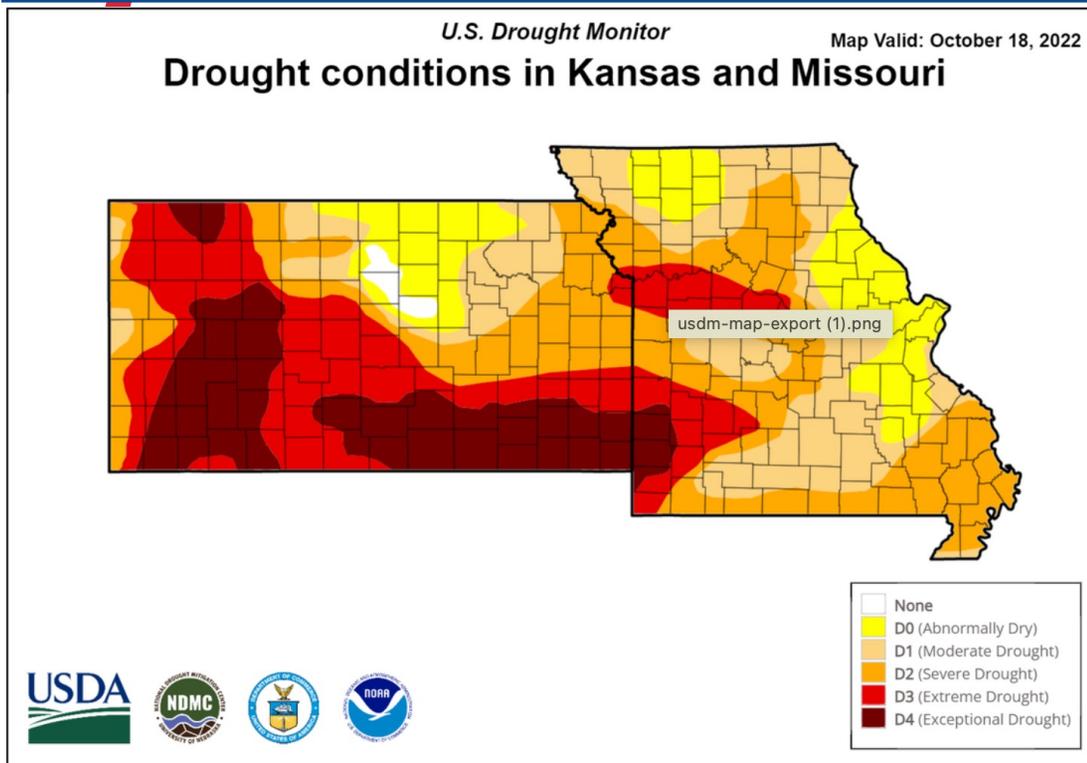
Kansas Challenges to Economic Resilience

Drought, Population, Workers, Housing,
Childcare, Broadband

Economic Resilience Definition

- According to the Economic Development Administration:
 - “Economic resilience becomes inclusive of three primary attributes: the ability to recover quickly from a shock, the ability to withstand a shock, and the ability to avoid the shock altogether. Establishing economic resilience in a local or regional economy requires the ability to anticipate risk, evaluate how that risk can impact key economic assets, and build a responsive capacity.”

Drought Conditions Are Severe to Exceptional

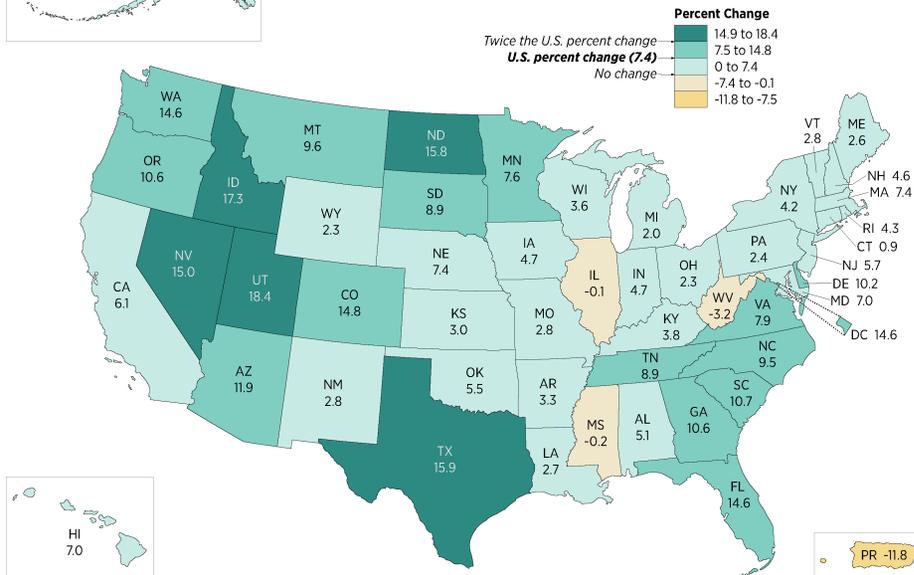


- Over two-thirds of the state is facing Extreme or Exceptional drought.
- Drought will be more likely in the future.
- How will Kansas manage scarce water resources?
- What can be done to combat wildfires?

Kansas Population Growth Is Slow



Percent Change in Resident Population for the 50 States, the District of Columbia, and Puerto Rico: 2010 to 2020



- Only Missouri grew more slowly than Kansas in the past decade.
- Kansas Speaks survey indicates that 19% of Kansans expect to live in another state within 5 years!
 - That number was 9% in 2018.

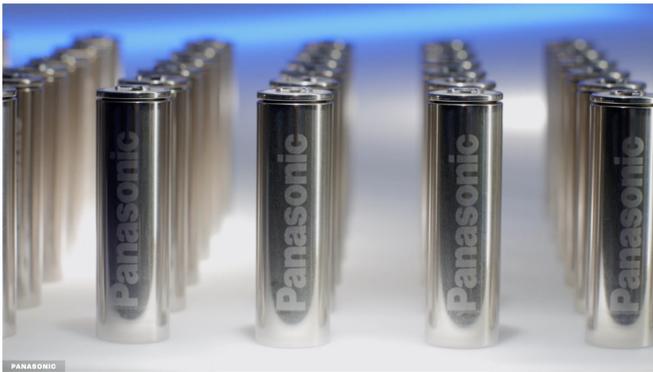
Kansas Needs Workers

News > Industry News

Kansas City Lands Panasonic's Second Huge US EV Battery Factory

The Kansas plant will be the electronic giant's second plant in North America and will supply Tesla's Giga Texas plant, among others.

BY JIM MOTAVALLI • JUL 18, 2022



- ◆ Japanese multinational electronics company Panasonic is set to build a new lithium-ion battery plant near Kansas City.
- ◆ The facility represents a \$4 billion investment and will create up to 4000 jobs.
- ◆ The Kansas plant is expected to produce Tesla-designed next-generation 4680 cells and supply the carmaker's factory in Texas.

Source: Autoweek

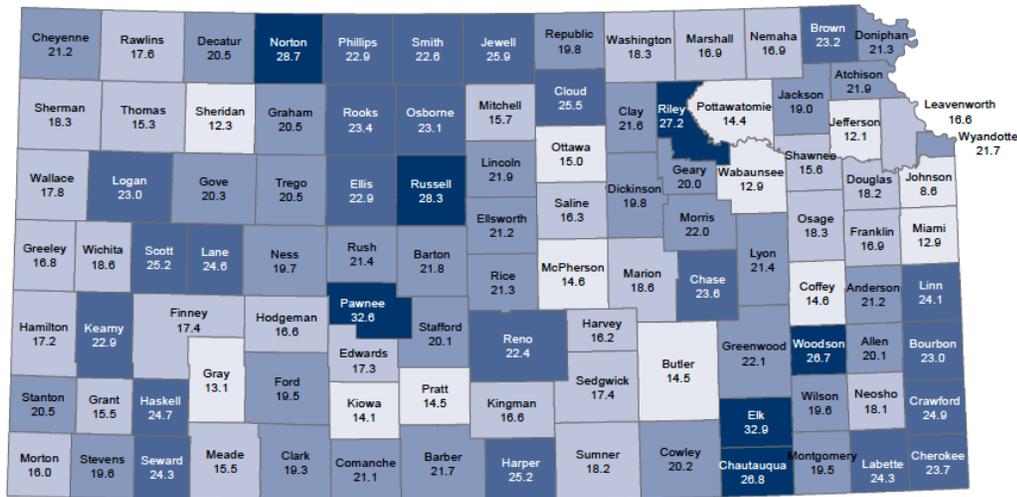


- Projected to create 4,000 jobs at the plant
- An additional 4,000 jobs from suppliers.
- Incentives in the Inflation Reduction Act will increase the demand for EVs.
- Where will Kansas get these workers?

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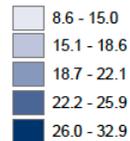
How Many Kansans Would See a Pay Increase?

Percent of Workers Earning Less than \$25,000 in the Past 12 Months in Kansas, by County
2015-2019



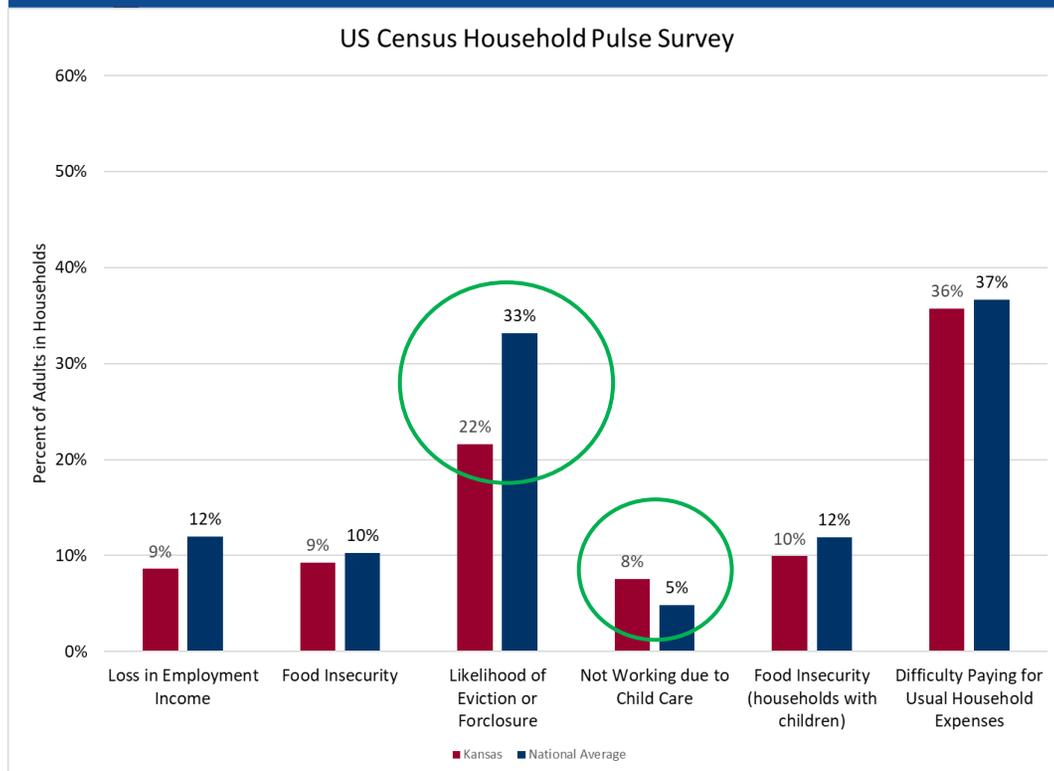
Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, 2015-19 American Community Survey.

Percent of Full-Time, Year-Round Workers



- If the minimum wage increased to \$12 per hour, a larger number of Kansans would see a higher wage.
 - 17% in Franklin & Leavenworth counties.
 - 21% in Wyandotte.

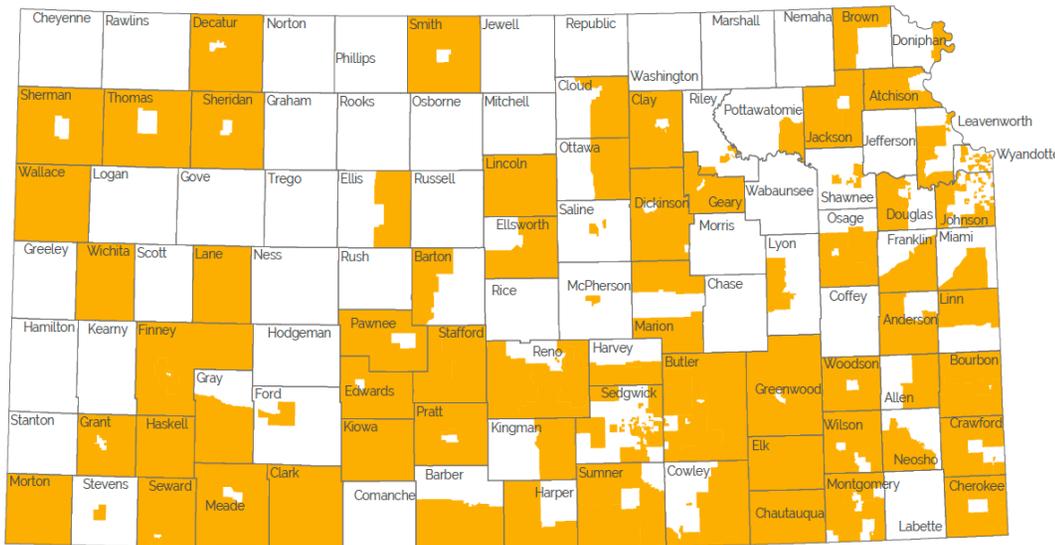
Kansas and US Household Comparison September 26



- 9% of Kansas households faced loss in employment income
 - 22% of Kansas households report likely or somewhat likely eviction or foreclosure
 - 10% of Kansas households with children are food insecure
 - 8% of Kansas Households not working due to childcare.

Kansas Lacks Childcare

Child Care Deserts in Kansas
December 2021

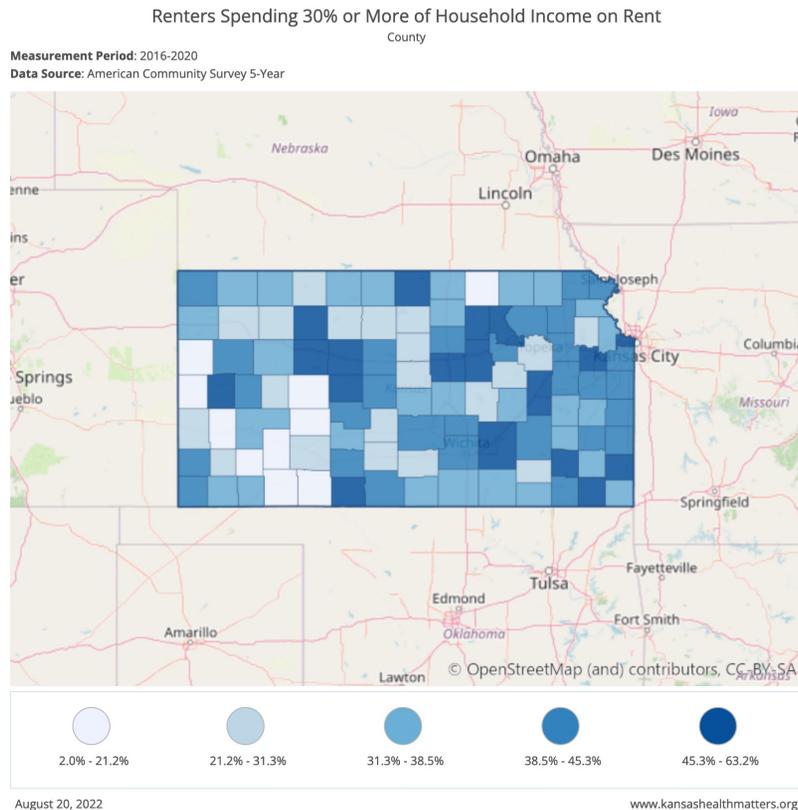


Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Health & Environment, Child Care Licensing and U.S. Census Bureau, 2015-2019 American Community Survey.

Tract with more than 50 children under age 5 and either no child care providers or more than 3x as many children as licensed care slots.

- Childcare Deserts:
 - Tract with 50+ children under age 5 and no childcare providers, or
 - More than 3 times as many children as licensed care slots
- New Panasonic plant located in a childcare desert.
- Counties around Wichita are childcare deserts.

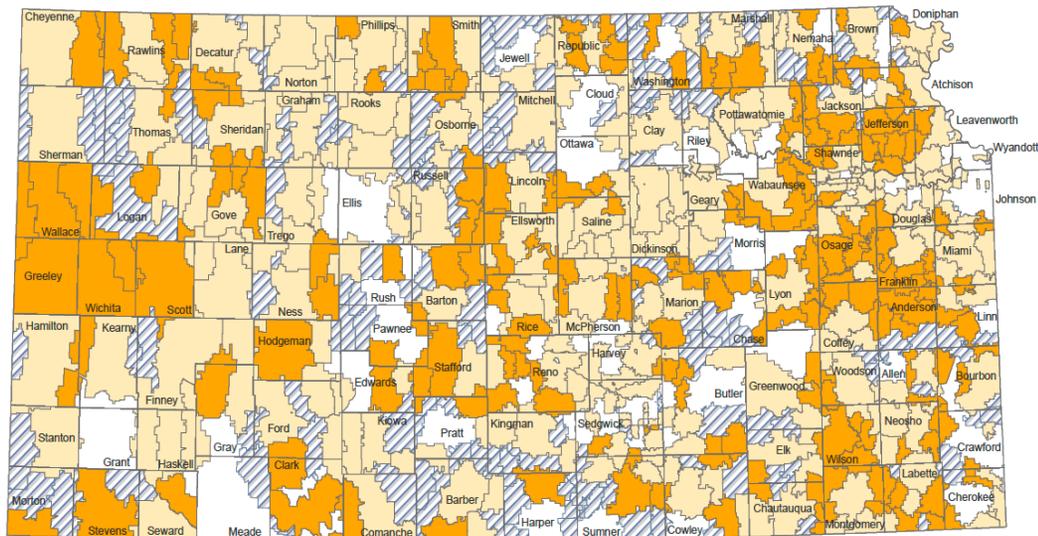
Before the Pandemic, Some Counties had Housing Affordability Challenges



- 45% or more of renters spending 30% or more of income on rent in:
 - Wyandotte, Douglas, Butler, Russell, Comanche, Crawford Counties
- This has likely worsened as rents have increased.
- Panasonic plant will increase housing demand.
 - Surrounding counties have higher rents.

Kansans Lacks Broadband Access

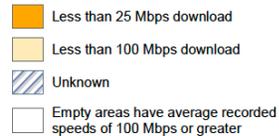
Less than Optimal Speeds by Zipcode



- Gold areas < 25 MBPS Download
- Beige areas < 100 MBPS Download
- White – Average recorded speeds of 100 MBPS+
- Hatched – data missing
- Likely 1 million Kansans lacking adequate broadband.

Source: Institute for Policy & Social Research, The University of Kansas.

Data are based on recorded speed tests conducted as part of an online survey deployed by IPSR from January 2021 - January 2022.



Focus Group Feedback on Broadband

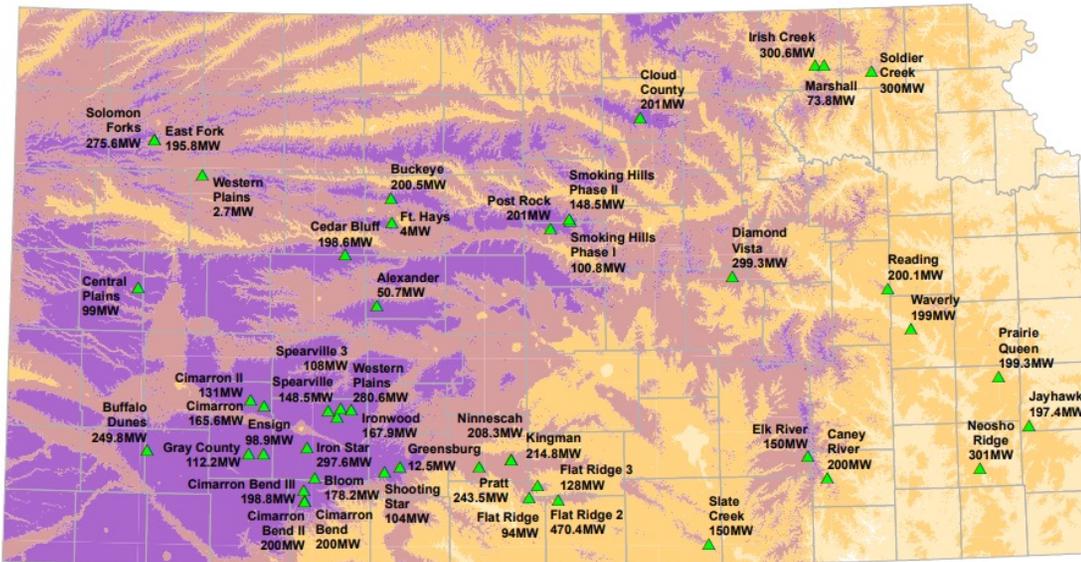
- One real estate appraiser elaborated on a common experience among residents who lacked internet access at home:
 - “On weekends I still try to do work. I still have email access on my phone but I have no way to respond to reports. So, I literally have to drive to Topeka and do my work and respond to people. There’s nothing I can do out there. You feel helpless and frustrated. You have to get in the car and drive. And that’s not practical. Even looking for a recipe. My phone internet is not dependable enough to even pull up a recipe. Or to find a substitution because I’m in the middle of nowhere without a grocery store. I can’t imagine if we still had kids at home how they would be able to do schoolwork. They couldn’t do their classes. You’re just sitting out there helpless and disconnected.”

Focus Group Feedback on Broadband

- Living on the edge of access:
 - “Fiber is available within three miles of our home, but the provider won’t bring it to us. That three miles is the difference between advancing my career (finding a remote job that I can do while living on the family farm) and falling behind.”
- As one electric cooperative representative explained:
 - “From our perspective the biggest risk is either not being awarded an area because [the FCC broadband availability map] says it’s served and we know it isn’t or having something awarded that we know is served but it’s just not properly updated. That’s our biggest concern and risk.”

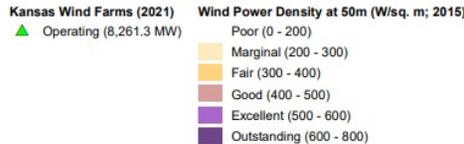
Bright Spot: Kansas Wind Potential

Wind Farms and Wind Resource Potential in Kansas



Source: Institute for Policy & Social Research, The University of Kansas; data from the National Renewable Energy Laboratory with wind farm data from the U.S. Energy Information Administration.

MW - megawatts



- Kansas has significant renewable energy potential.
- IPSR estimated that a 2.8 million MW windfarm would reduce carbon emissions from coal by a value of \$2.5 billion over 30 years using the \$51 price of carbon.
 - Each MW of renewable energy reduces ~1 metric ton of carbon.

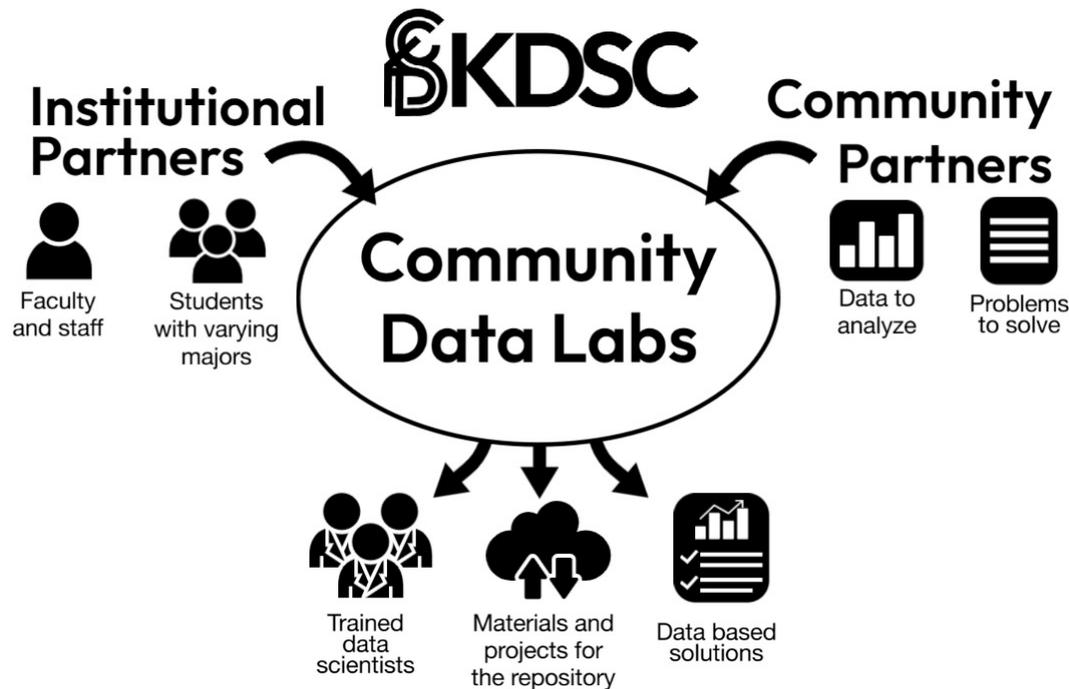
Conclusions

- Stock market will remain volatile.
- Employment in the US has rebounded to pre-recession levels
 - Kansas is still down 27,000 workers compared to pre-recession
- Inflation is a persistent problem worldwide
 - Energy prices are falling, but food prices are high
- We are not in a recession now—UCLA forecasts a “softish” landing.

Conclusions

- Kansas faces economic challenges:
 - We have run out of workers and demand for labor will increase dramatically with the Panasonic plant.
 - 8% of people report not working because of childcare in Kansas (higher than the U.S. rate of 5%). Kansas has significant childcare deserts.
 - Housing is in short supply and prices are increasing.
 - Broadband access is critical for work in the state.

Kansas Data Science Consortium is looking for partners with data projects!



NSF-Epscor funded project housed in IPSR.
For Spring 2023:
27 partners and counting!

Contact: William Duncan
williamduncan@ku.edu



How Can We Build a Resilient Kansas Economy?

Thank You!

Thank You *Mahalo*
Tack **Kiitos**
Grazie **Toda**
Obrigado **Thanks**
Takk **Gracias** **Merci**
Danke

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