

The Kansas Economy is Recovering

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KU INSTITUTE FOR
POLICY &
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The University of Kansas

Overview

- Update on COVID-19 in Kansas and the United States
- What's happened to the US & Kansas economies in 2021.
 - The recovery is gaining steam in Kansas.
- Economic Growth will recover much faster than the labor market.
- What the COVID Economy taught us about the future.

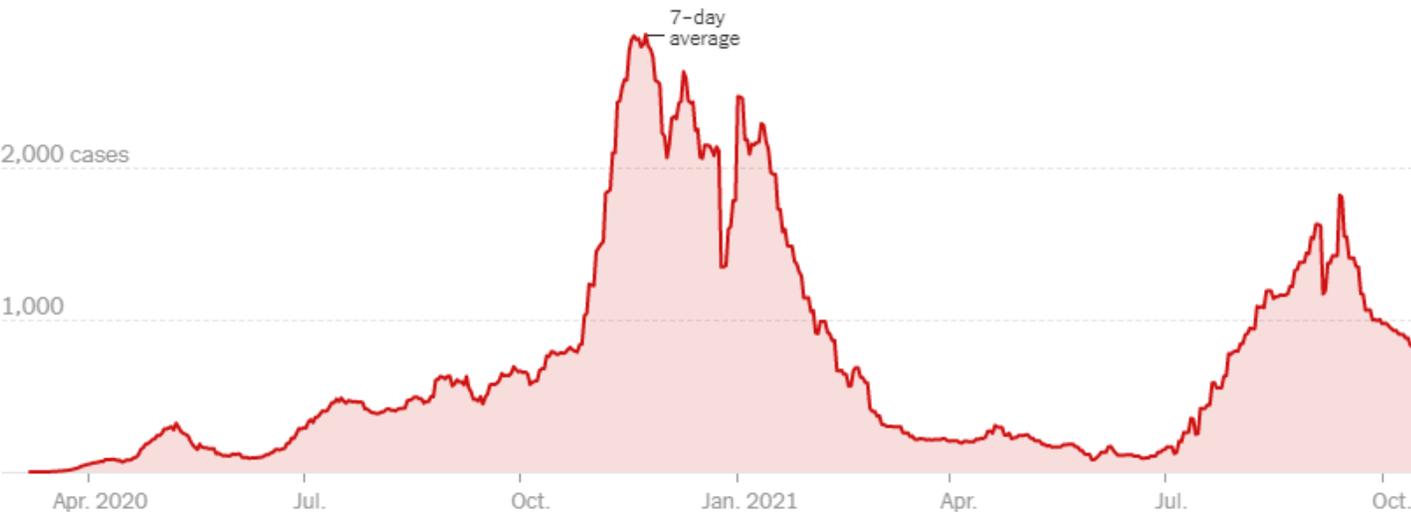
Kansas Daily Cases Are Decreasing

New reported cases

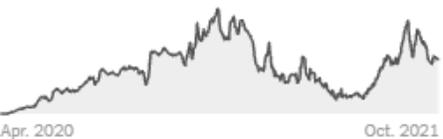
All time Last 90 days

Kansas cases

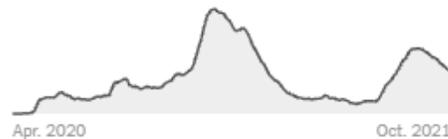
Source: New York Times



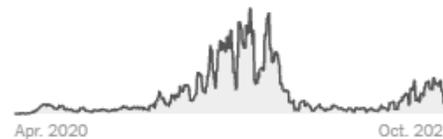
Tests



Hospitalized



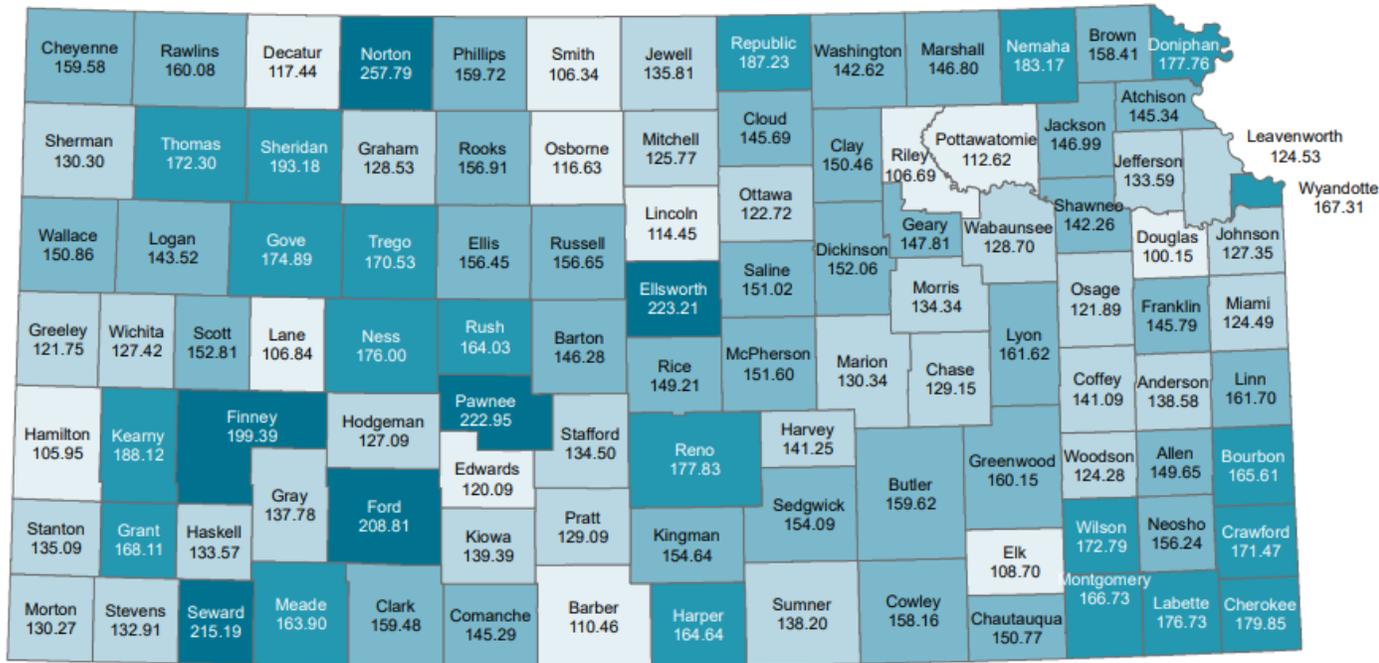
Deaths



- The 7-day moving average of new cases is 778 per day.
- This is a decrease of 20% in the past 14 days.
- 509 were hospitalized on October 18th—a decrease of 16%.
- COVID is not over but the trend is in the right direction.

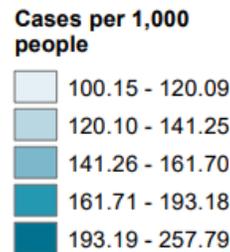
Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County
as of October 17, 2021



- Darker colors indicate that these counties have higher case rates:
 - Ford, Seward, and Finney Counties have case rates that are > 199 per 1,000
 - Douglas, Sedgwick & Johnson Counties have case rates of 100–154 per 1,000
 - Leavenworth & Wyandotte Counties have case rates of 125–167 per 1,000

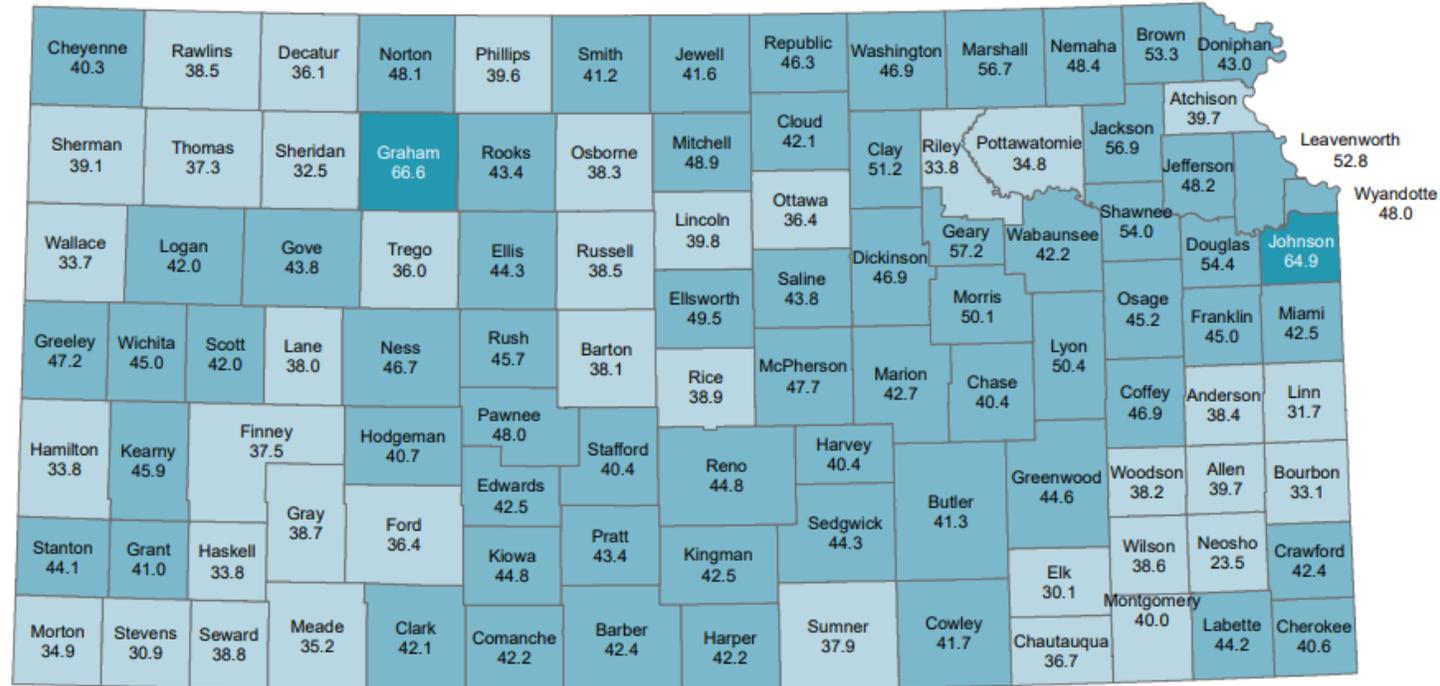
Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times and U.S. Census Bureau.



Source: New York Times & US Census Bureau

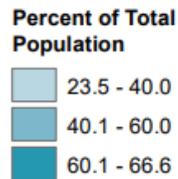
Covid Vaccines per 1,000 People per County

Percent of People Fully Vaccinated in Kansas, by County of Residence
as of October 17, 2021



- 52.6% of Kansas population has received at least one shot.
- Darker colors indicate that these counties have more vaccine per population:
 - Uneven distribution of the vaccine.
- On the verge of having vaccine for children

Source: Institute for Policy & Social Research, The University of Kansas; data from the Centers for Disease Control and Prevention.

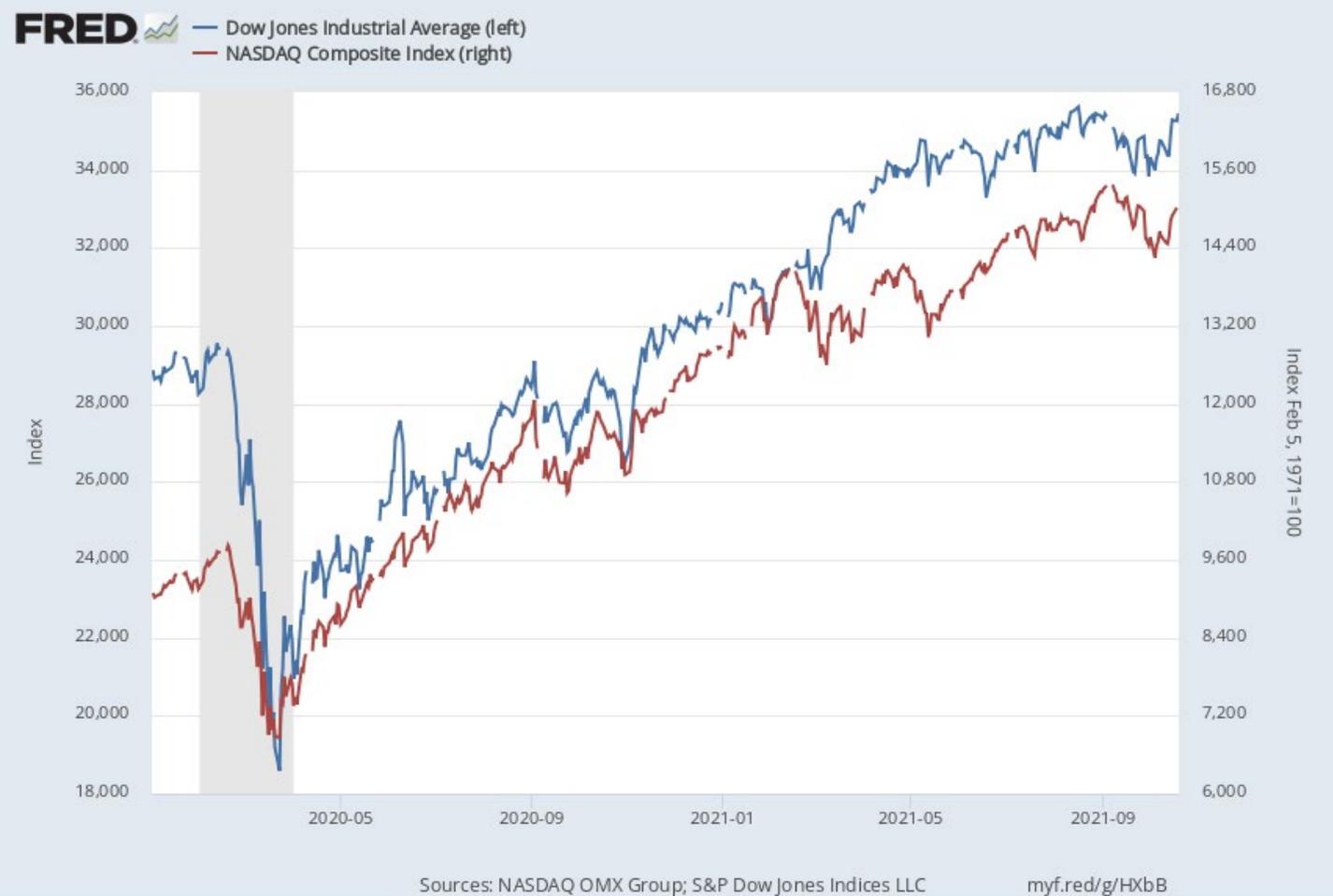




The Recovery Continues

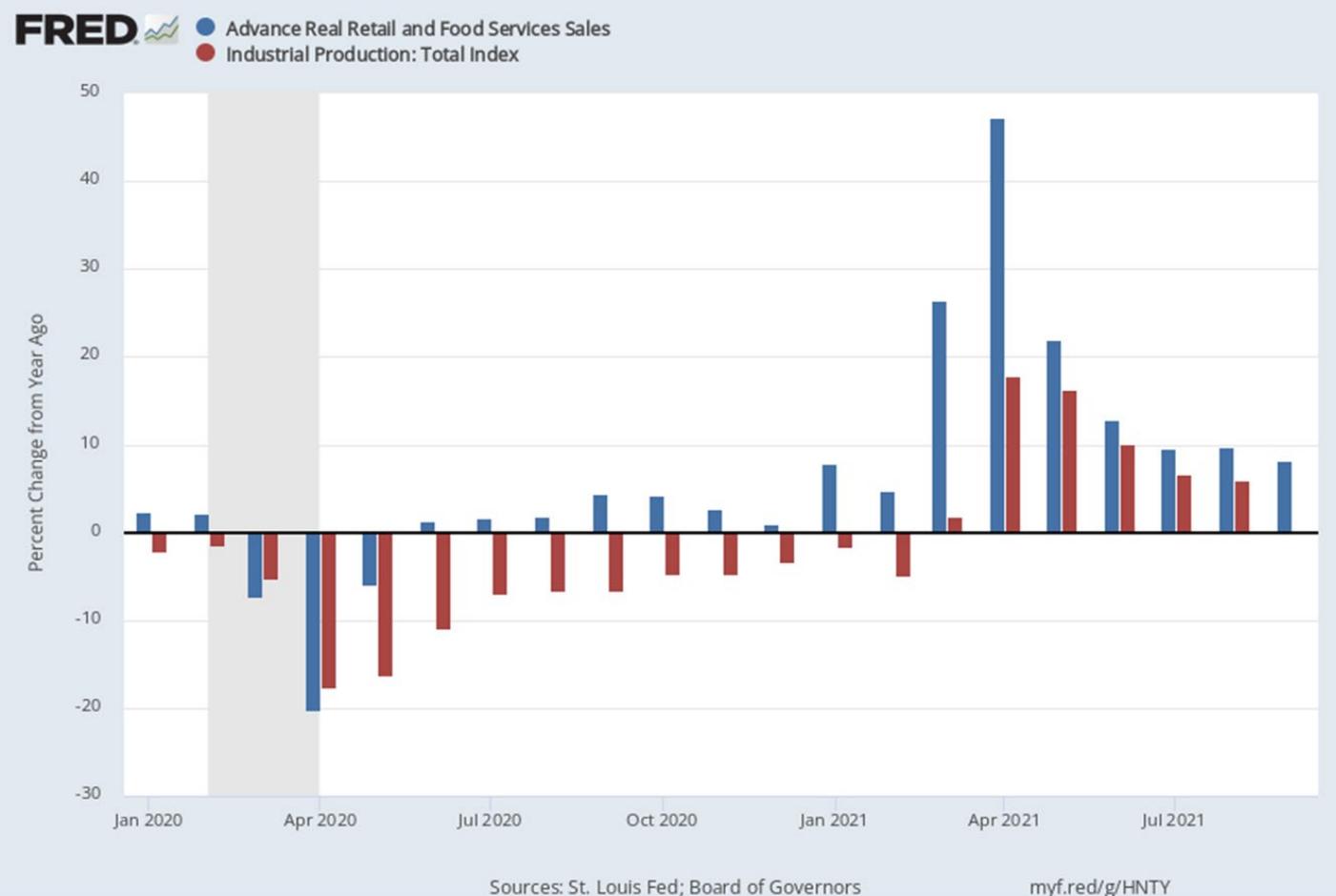
A Strengthening Recovery

The Stock Market has Soared



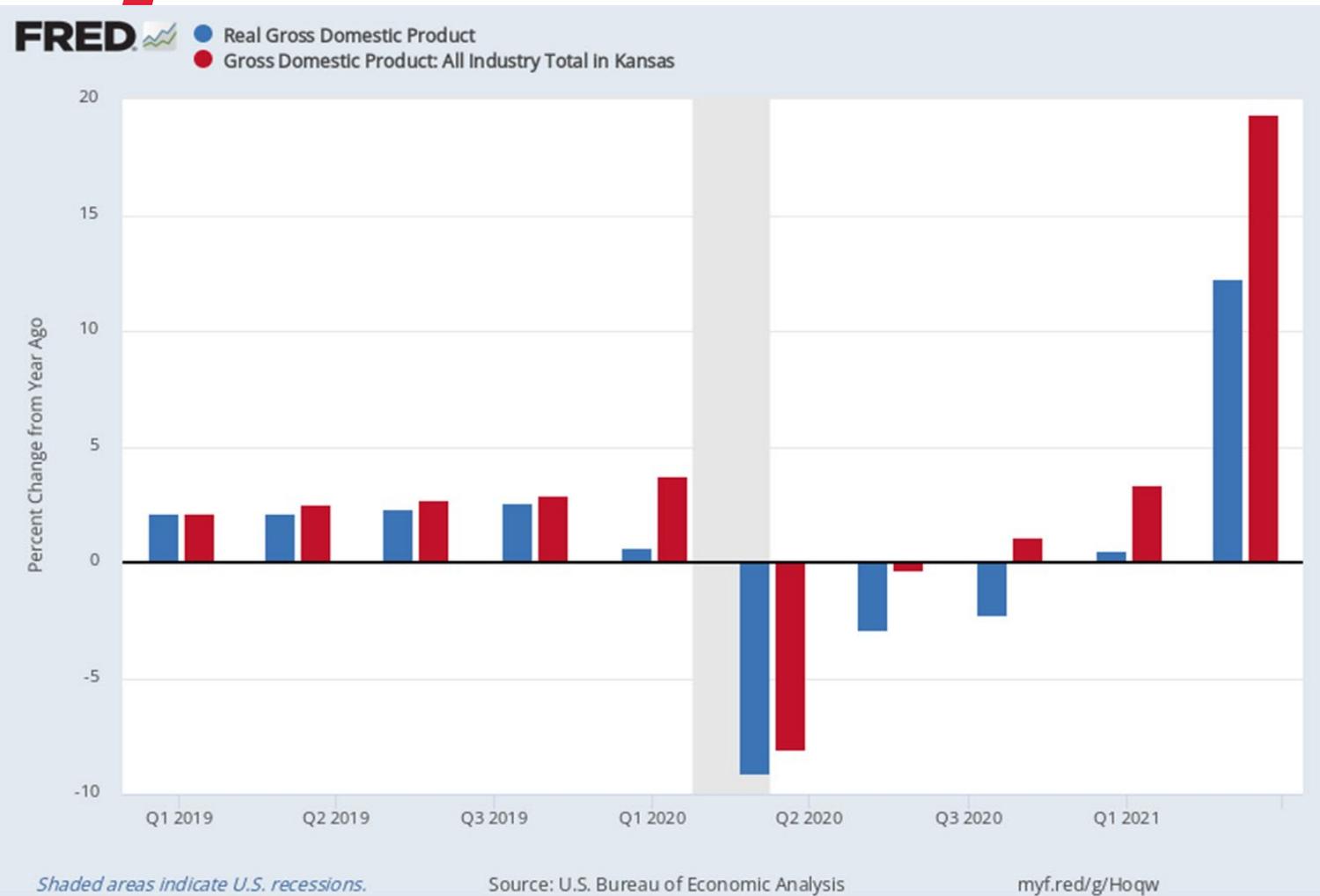
- Dow Jones Industrial Average is up 22% since January, 2020.
- NASDAQ is up 65%.
- Retirement portfolios are flush.

Industrial Production & Retail Sales in September



- Compared to a year ago, retail sales were up 9.7% in August.
- Compared to a year ago, industrial production is up 8.1%.
- Sales and production have largely recovered.

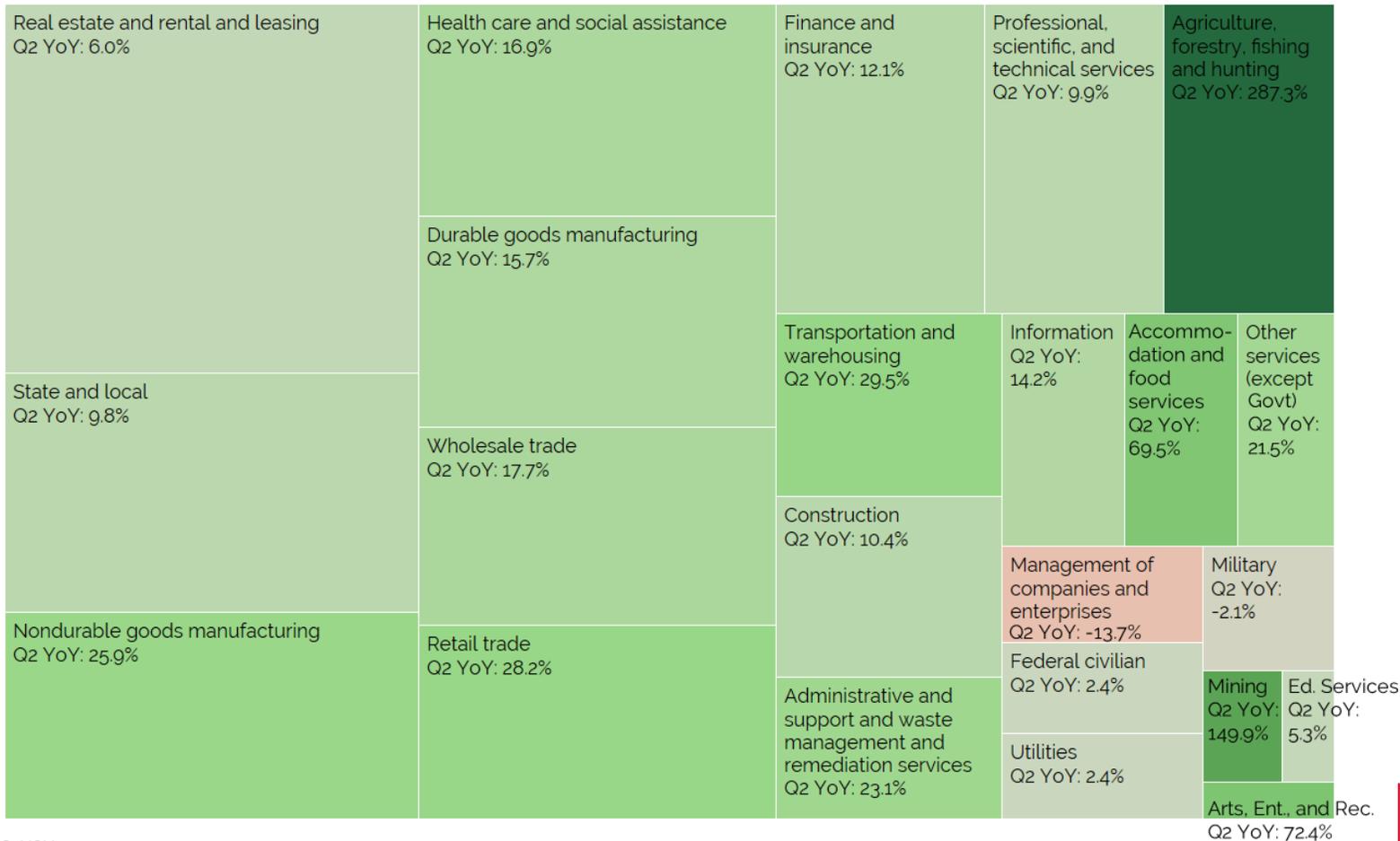
US & Kansas Gross Domestic Product



- US Gross Domestic Product was up 12.2% from a year ago in Q2.
- Kansas Gross State Product was up 19.4% in Q2 compared to a year ago.
- Agriculture income has increased significantly.

Kansas Economy Made Up Lost Ground in Q4

Kansas GDP by Sector, Q2 2021

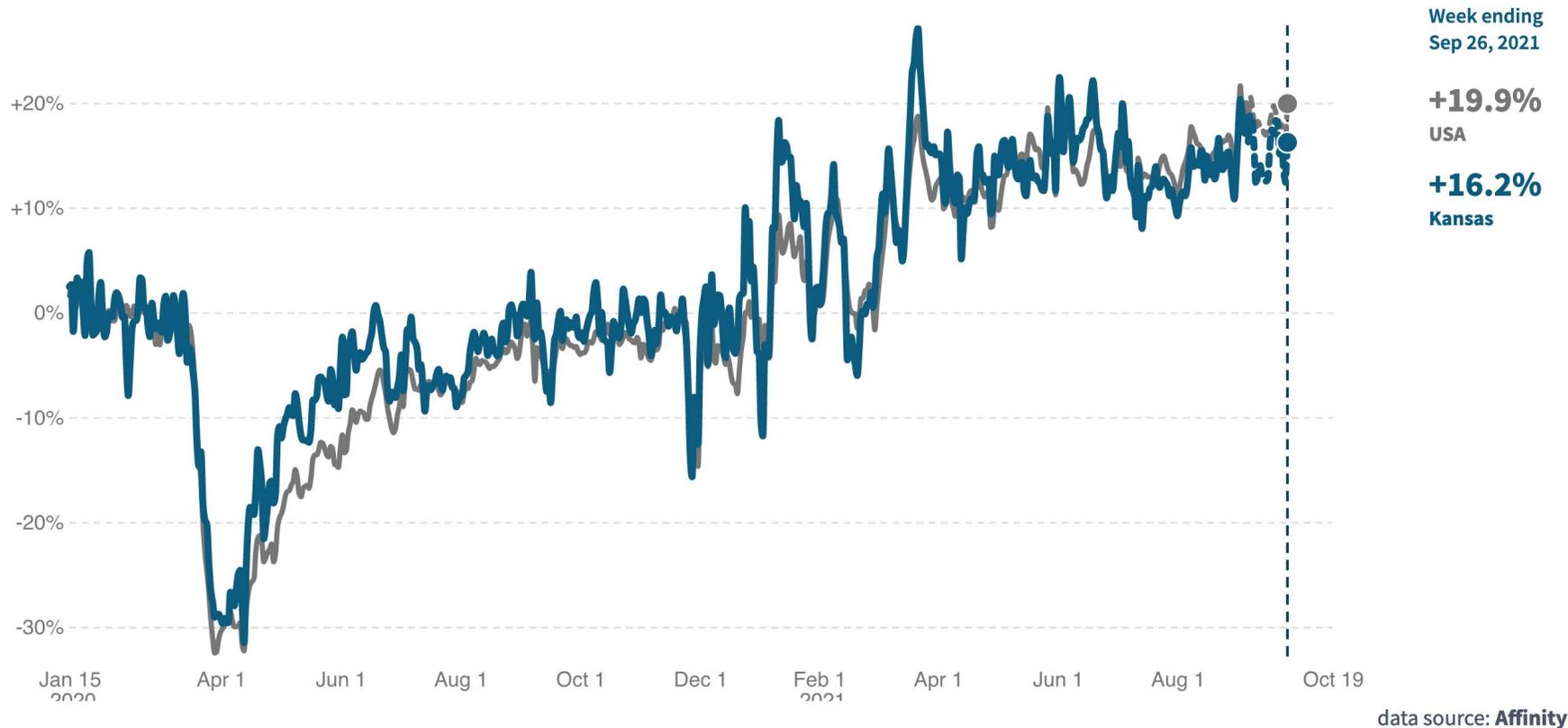


- Green is growth
- Red is contraction
- Growth:
 - Agriculture up 287.3%
 - Retail up 28.2%
 - Finance up 6.8%
 - Accommodation & Food Services up 69.5%
- Contraction:
 - Management of Companies and enterprises down -13.7%

Kansas Consumption is Increasing

Percent Change in All Consumer Spending*

In **Kansas**, as of **September 26, 2021**, total spending by all consumers **increased** by **16.2%** compared to January 2020.



- Kansas consumption expenditures are up 16% compared to January 2020. US consumption is up 19%.
- Consumption is 2/3rds of GDP.



Employment

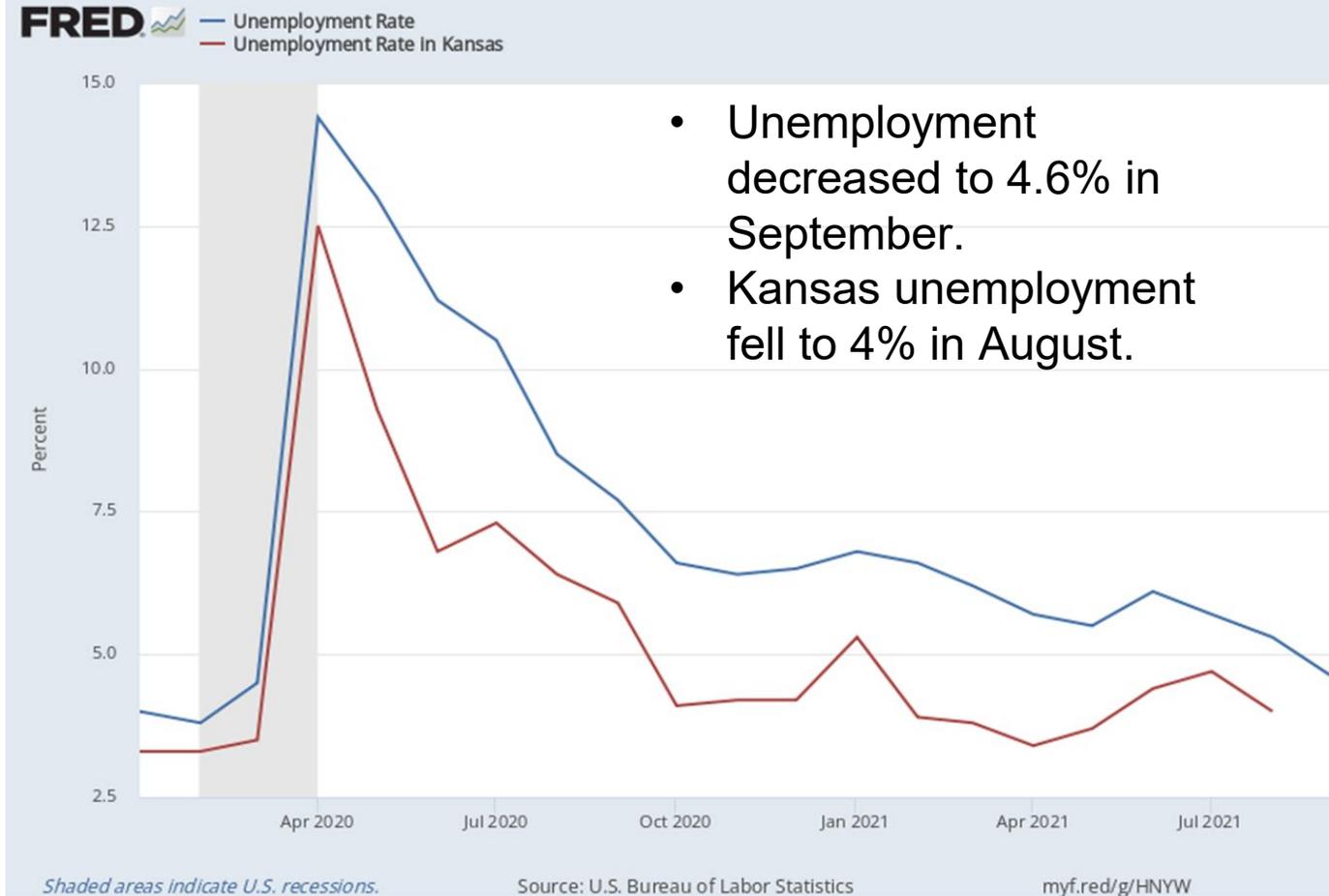
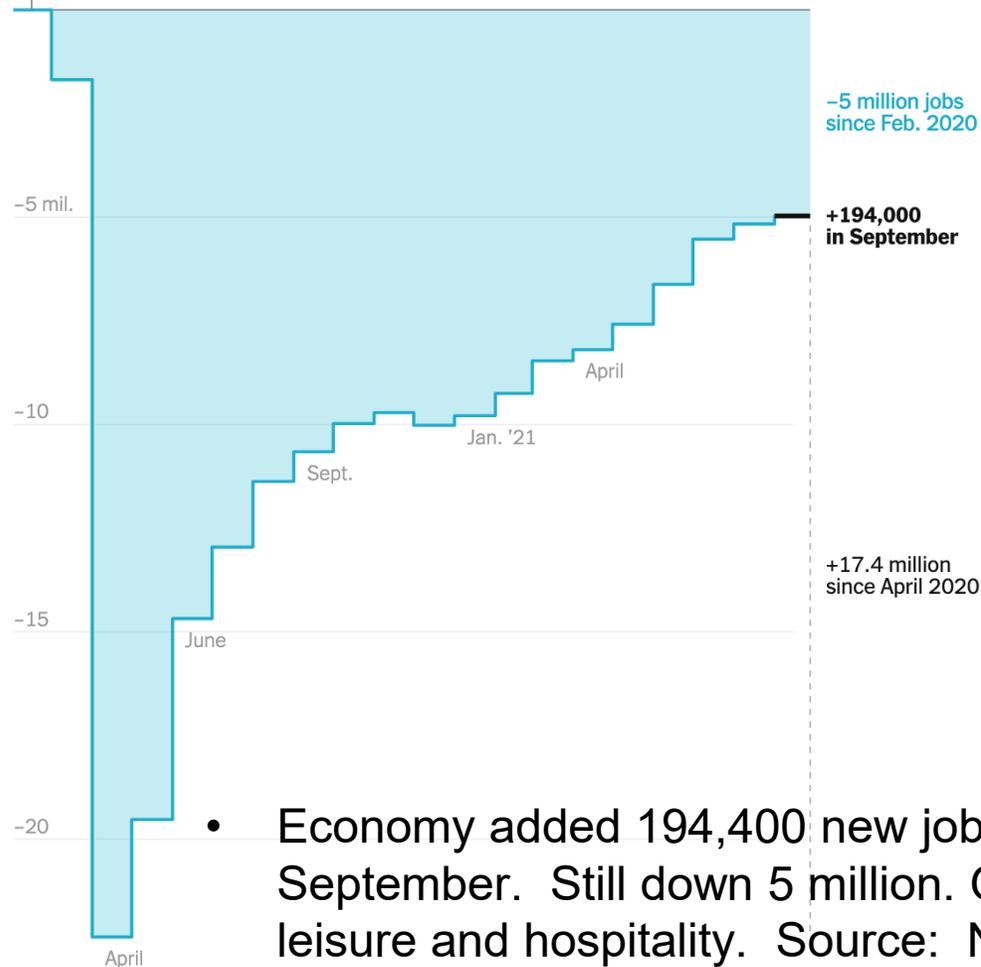
Roots of the Labor Shortage

Employment & Unemployment in March 2021

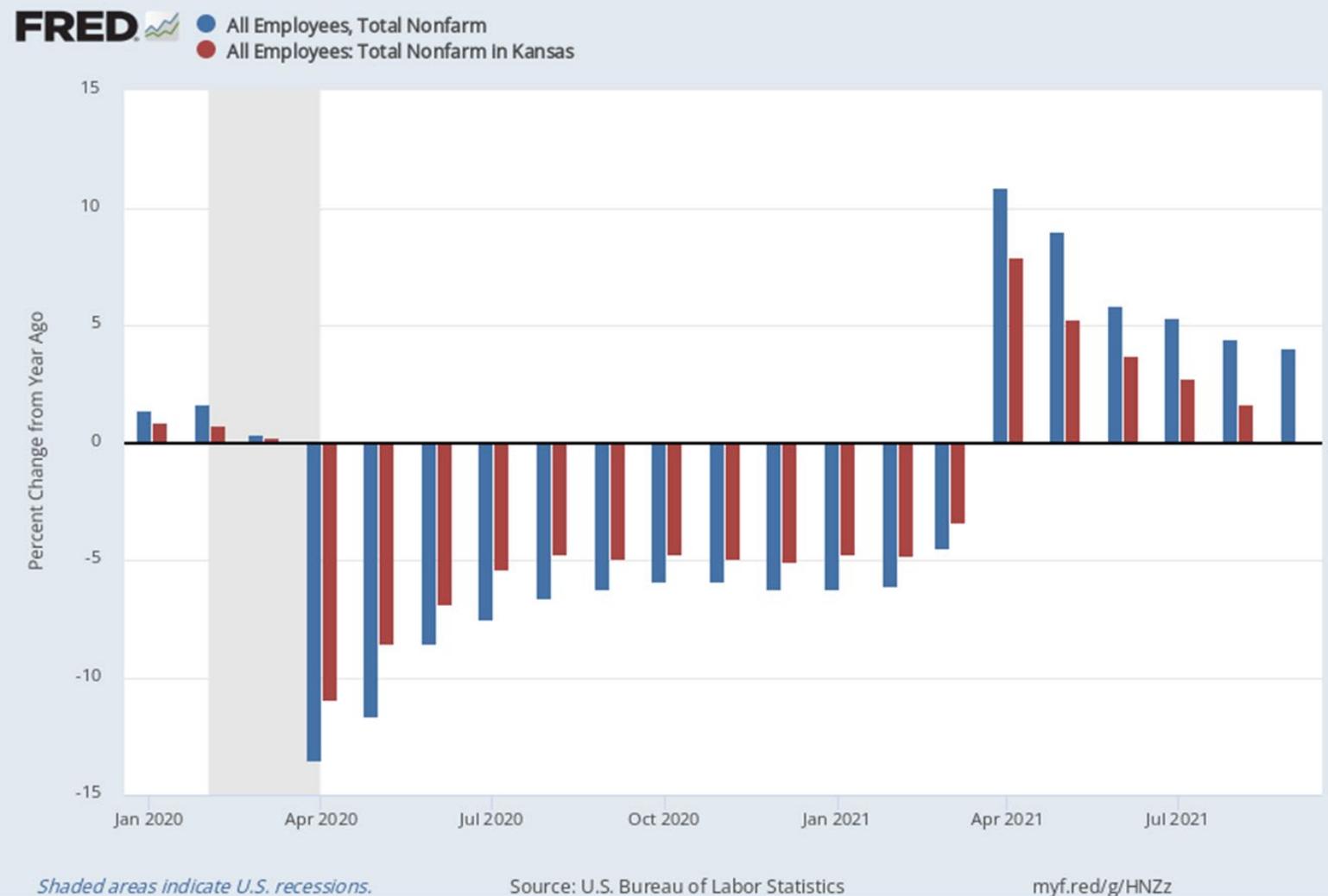
September was another weak month for job growth.

Cumulative change in jobs since before the pandemic

152.5 million jobs in February 2020



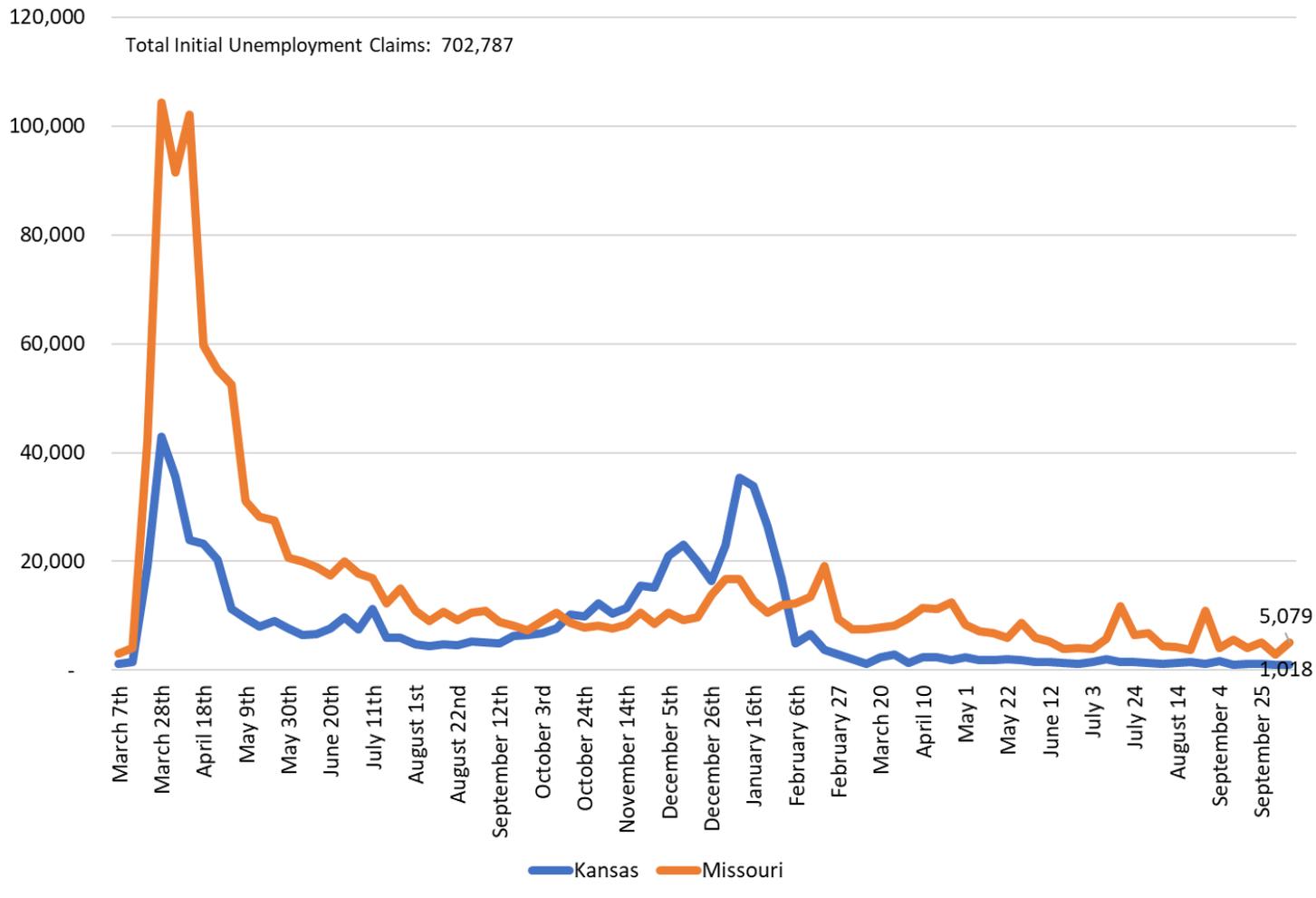
Employment in Kansas and US Compared to a Year Ago



- Kansas employment was up 1.7% from a year ago in August.
- US employment was up 4% compared to a year ago in September.
- More than 300,000 women left the labor force in September.
 - Lack of childcare continues to hurt women's employment.

Initial Claims are Trending Down

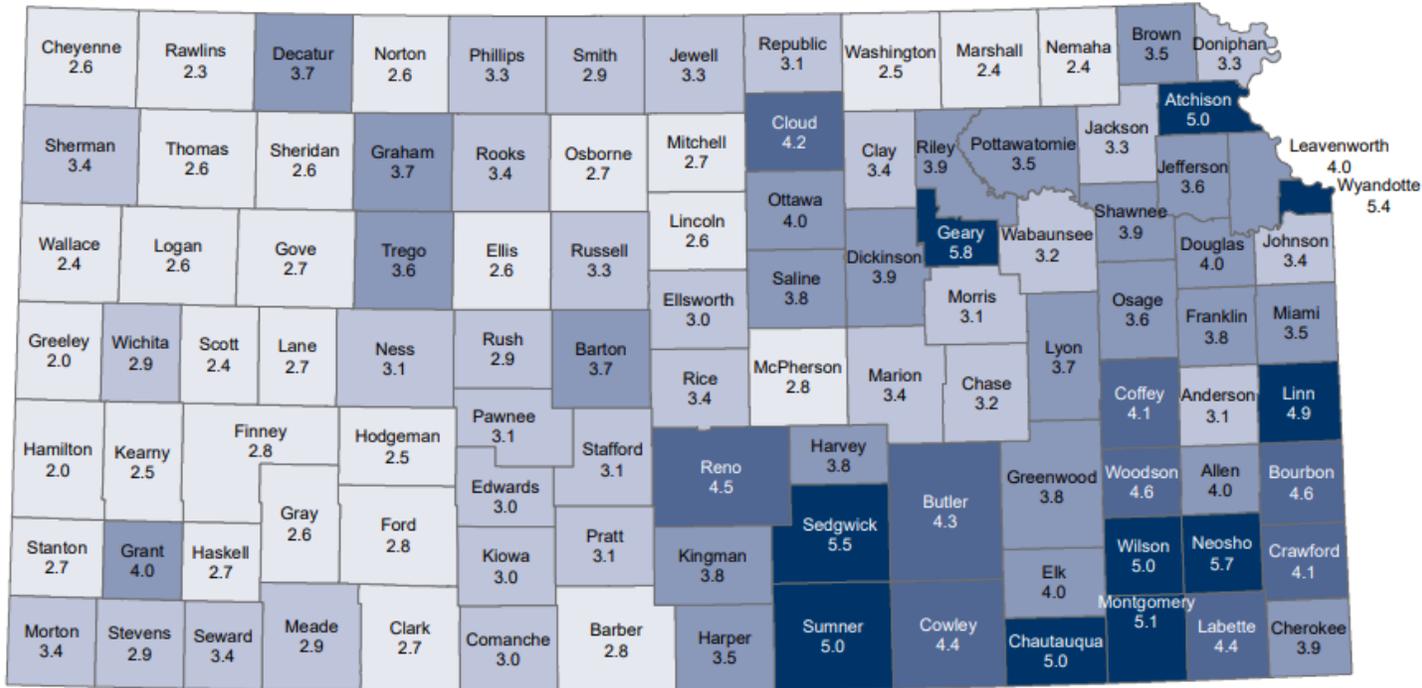
Initial Unemployment Claims in Kansas and Missouri, March 2020 - October 2021



- Kansas continuing and initial unemployment claims have stabilized.
- There are 1,018 new initial claims as of the week ending October 9th.
- State Unemployment ~4%.

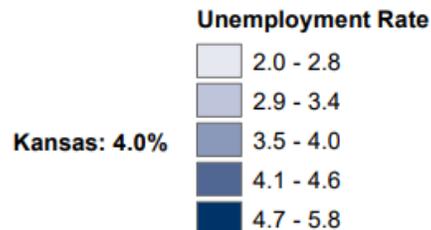
August Kansas Unemployment Rate 4%

Unemployment Rate in Kansas, by County
August 2021



- Uneven impact across the state:
 - Sedgwick County 5.5%
 - Douglas 4.0%
 - Johnson 3.4%
 - Wyandotte 5.4%
 - Shawnee 3.9%
- Unemployment has remained constant since July.

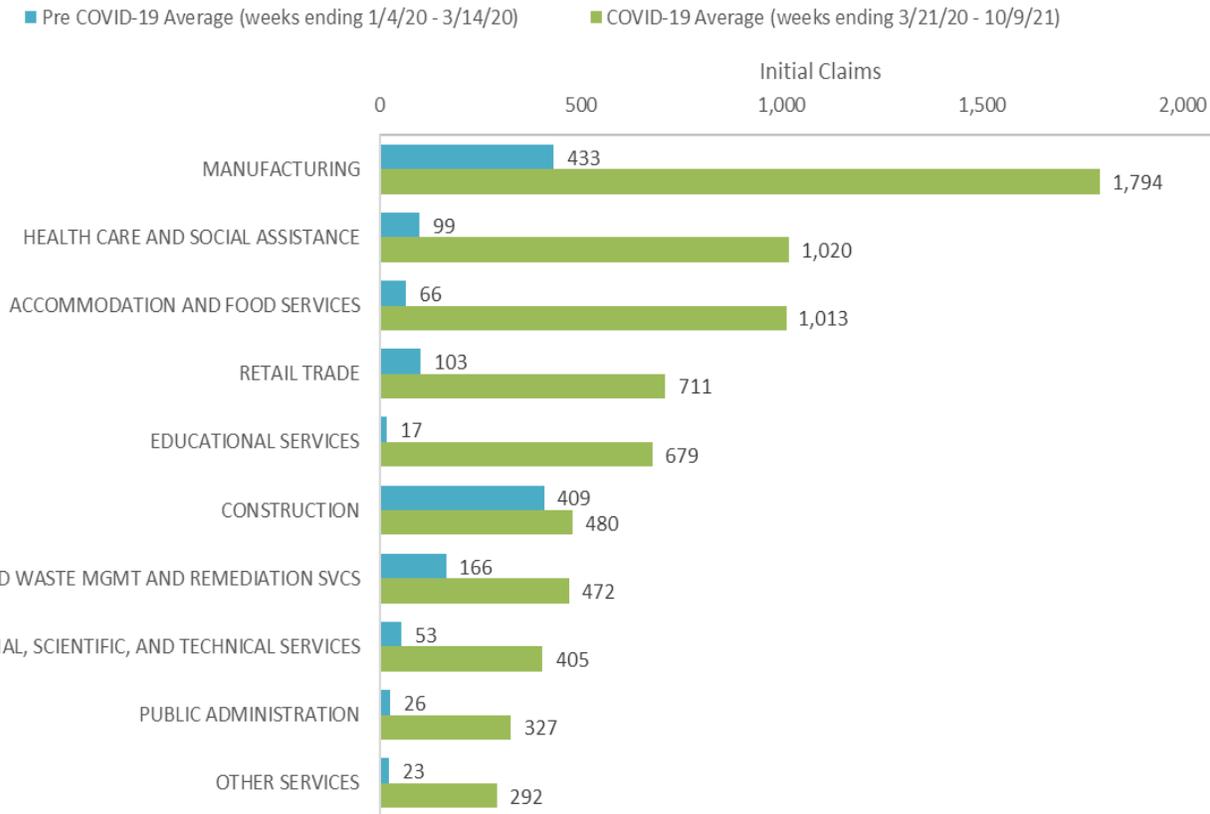
Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor.



Average Initial Unemployment Claims by Industry

Kansas Initial Claims by Industry

Top 10 for Weeks Ending 3/21/20 - 10/9/21



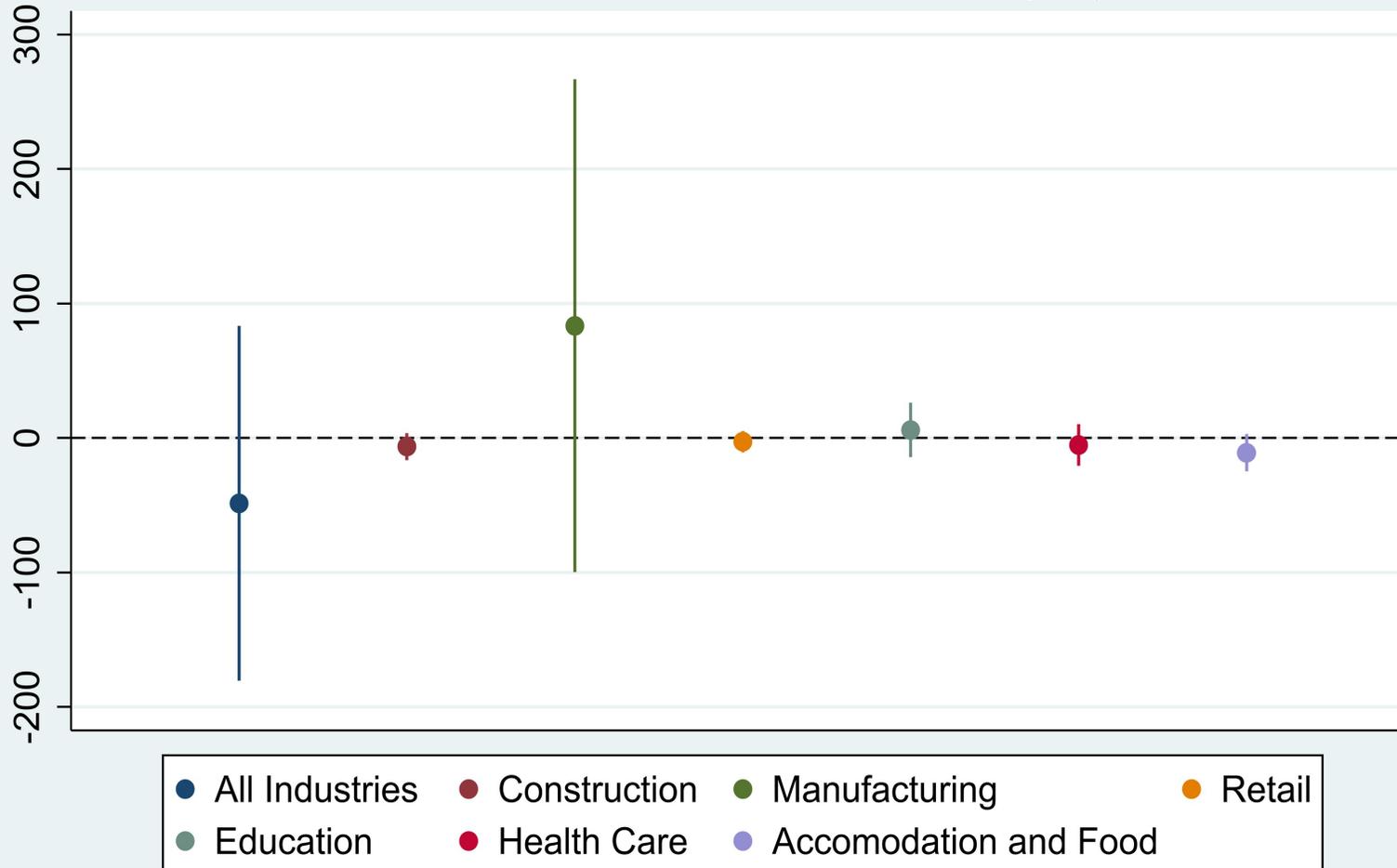
Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program

• Our Five Largest Industries by Employment:

- Public Administration
- Health Care
- Manufacturing
- Retail
- Accommodation & Food Service

Did Mask Policies Affect Unemployment Claims?

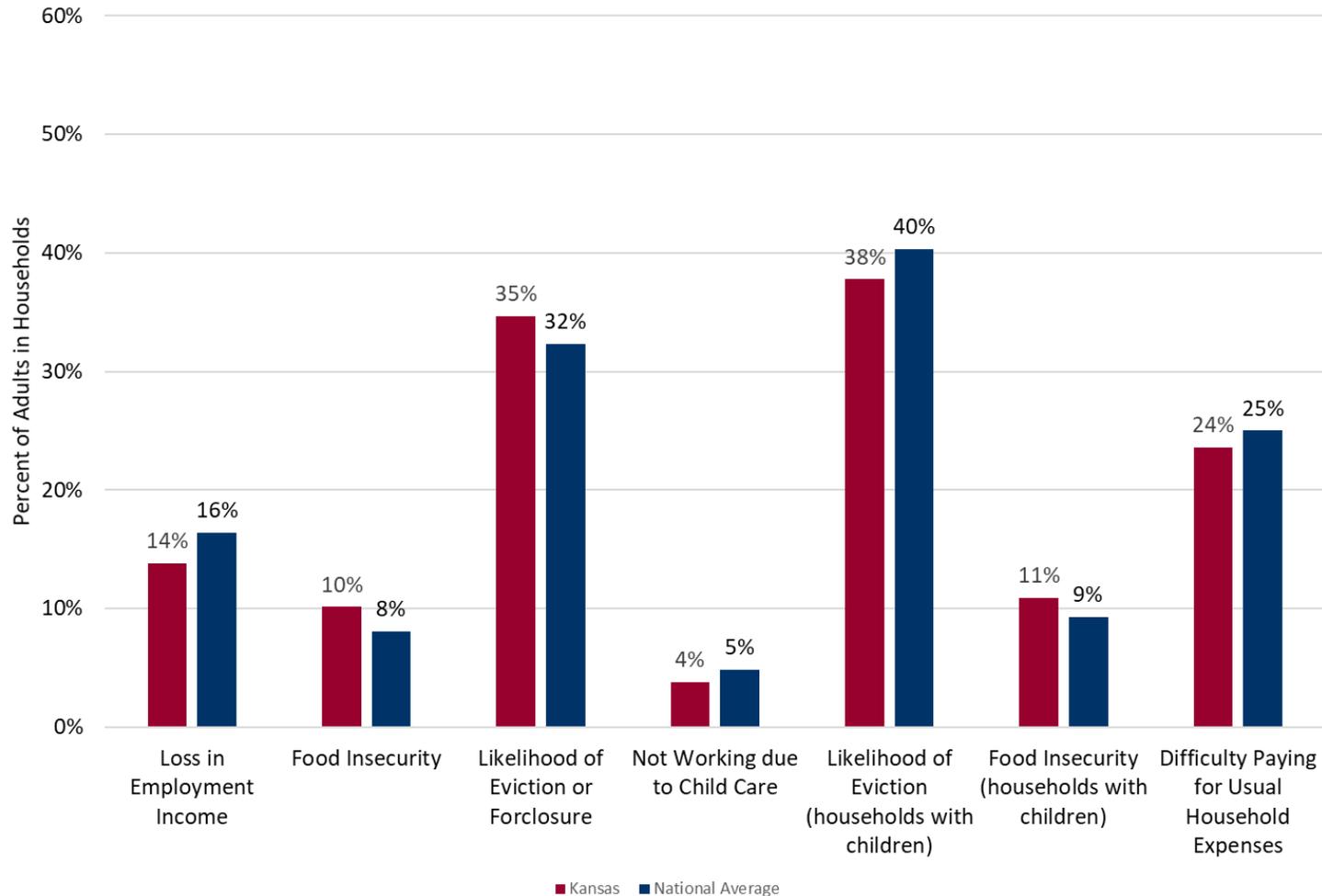
Difference-in-Differences Estimates of the Effect of Mask Policies on Initial Unemployment Claims



- Current research with Carlos Zambrana asks whether mask mandates from July-Dec, 2020 affected economic activity.
 - Comparing initial unemployment claims in counties with and without mask mandates, we found no increase in unemployment.
 - In some industries, unemployment claims were lower in mandate counties.

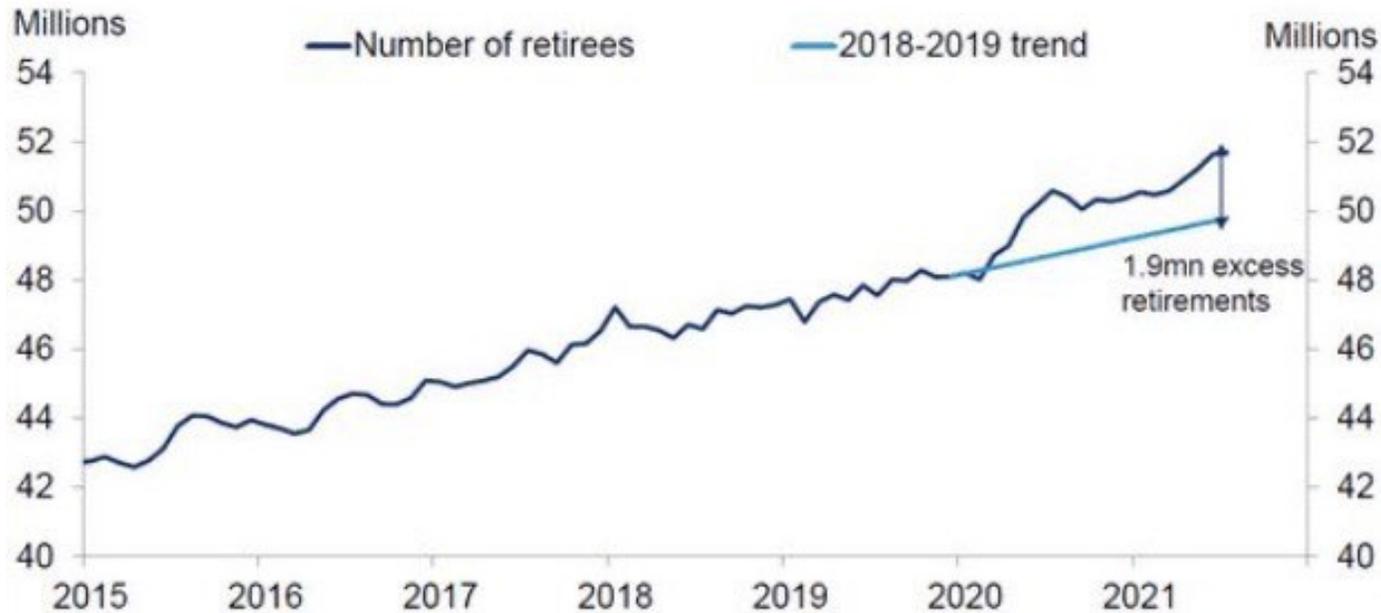
Kansas and US Household Comparison September 27

US Census Household Pulse Survey



- 14% of Kansas households faced loss in employment income
 - 38% of Kansas households with children report likely or somewhat likely eviction
 - 11% of Kansas households with children are food insecure

Labor Shortage Has Many Causes

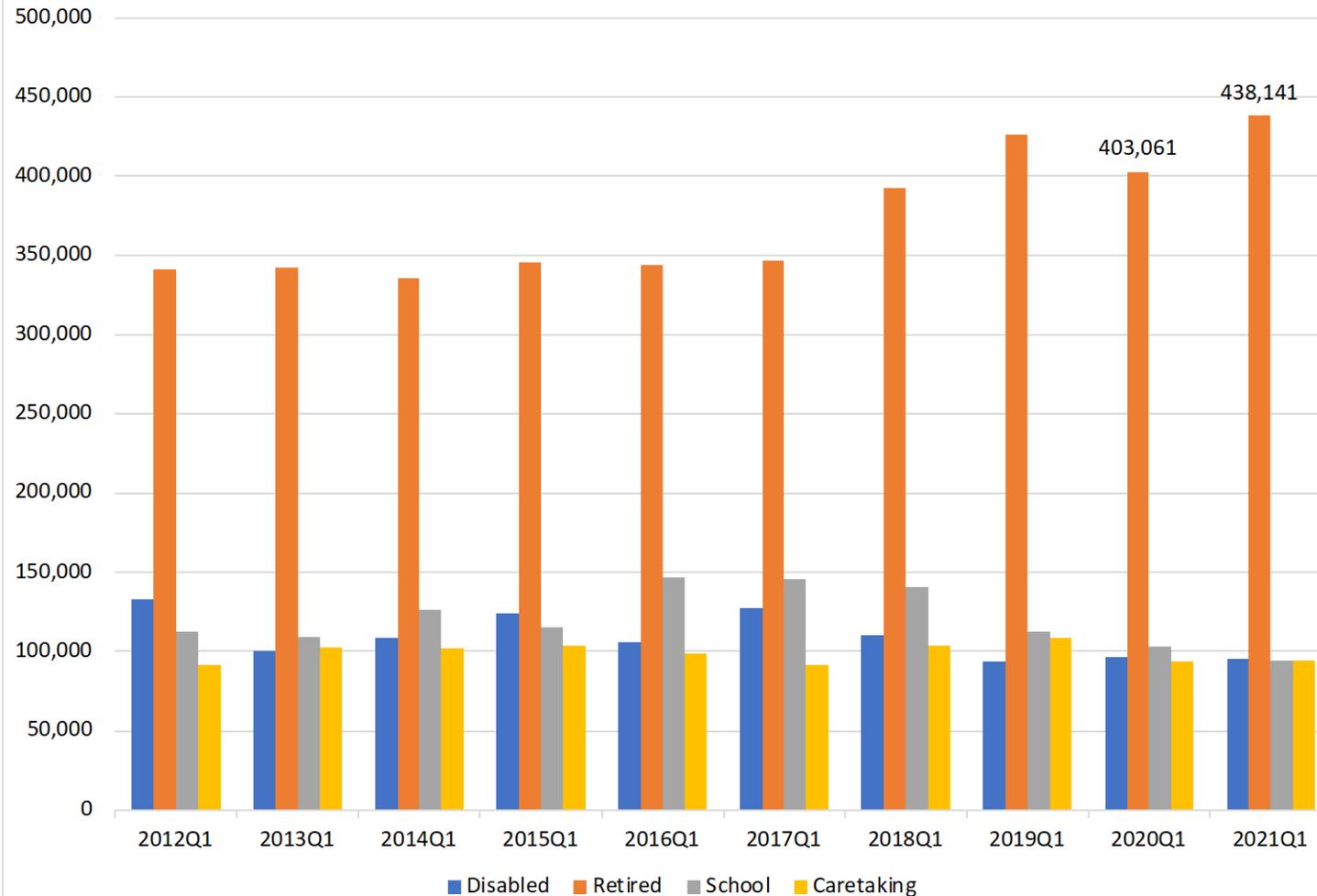


Source: Deutsche Bank, Data from Current Population Survey

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

Kansas Labor Shortage is Associated with Retirement

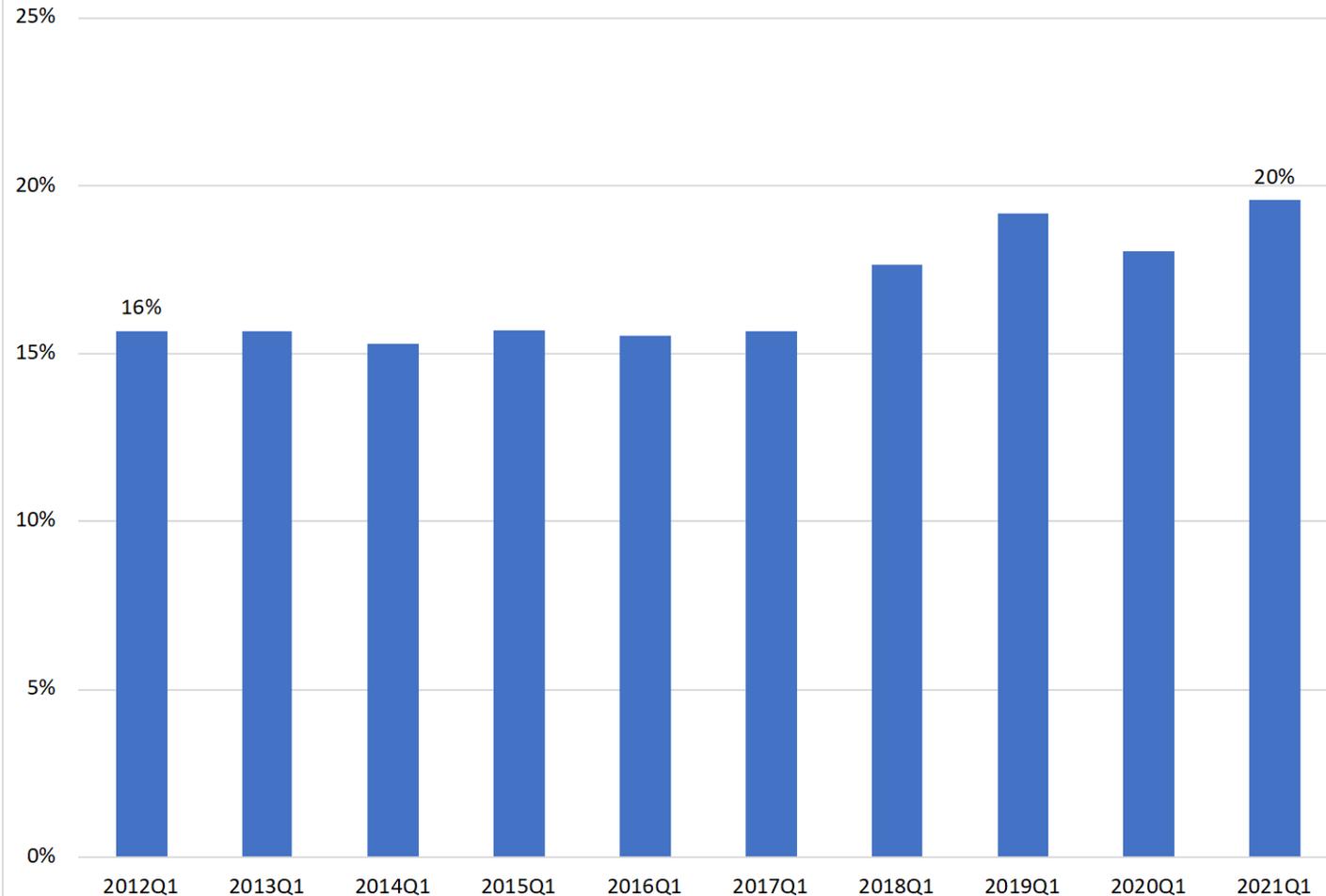
Reasons for Not Working in Kansas, First Quarter of 2012-2021



1. **Great Retirement** ~ 35,000 Kansans have retired in the last year.
2. **Childcare.** Limited evidence of increase in caretaking associated with not in the labor force (only 4% report not working due to childcare).
3. No evidence that enhanced unemployment benefits are contributing to labor shortage.

Kansas Labor Shortage is Associated with Retirement

Retirement to Population Ratio

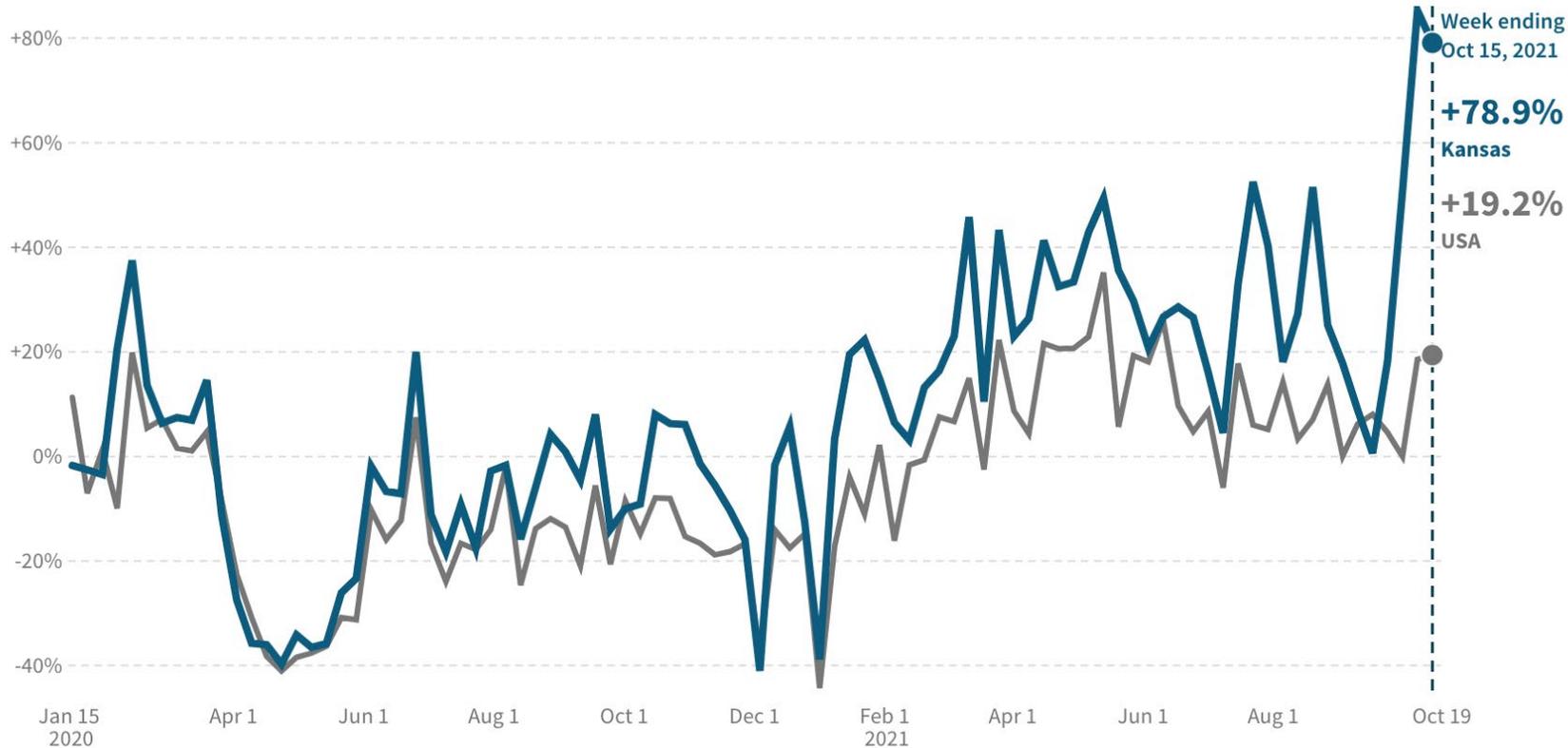


1. Retirement to population ratio has increased to its highest level of 20%.
2. Retirements started increasing in 2018 but accelerated because of the pandemic.
3. The baby boom has "left the building" all at once.

Job Postings Have Increased

In **Kansas**, as of October 15, 2021, total job postings increased by **78.9%** compared to January 2020.

DOWNLOAD CHART 



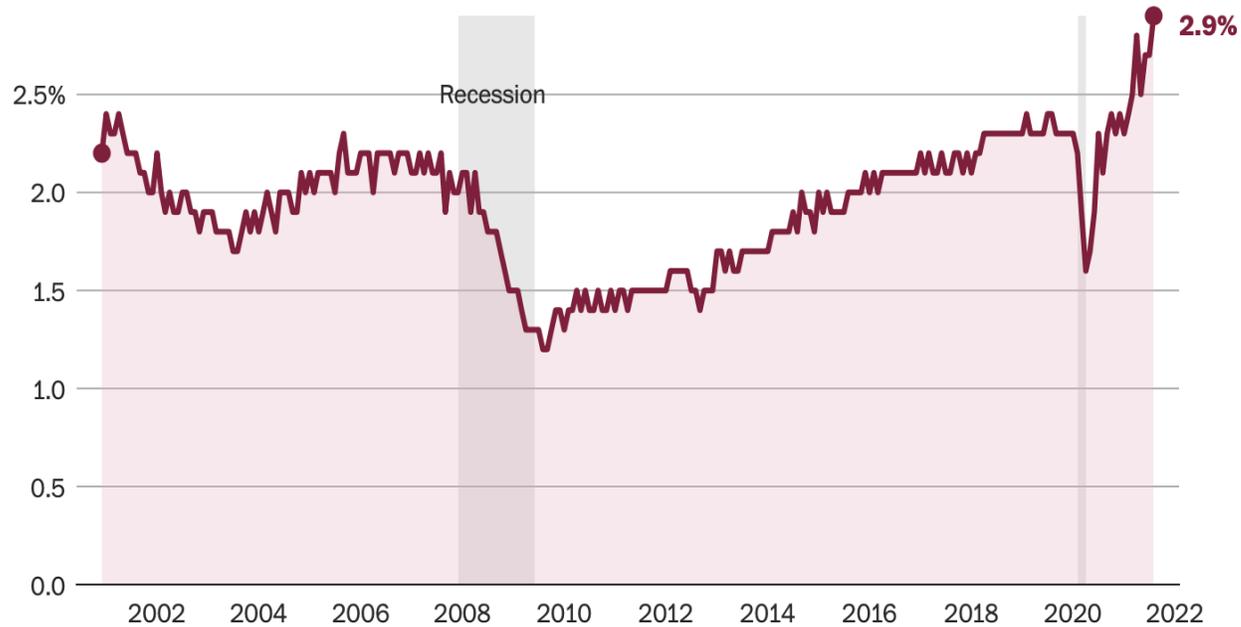
data source: **Burning Glass Technologies**

1. Job Postings are up 79% in Kansas compared to the start of the pandemic.
2. In the US, job postings are up 19%.
3. Job postings are noisy.
4. One approach to filling jobs is to pay more.

Employees are Quitting in Drove

Americans are quitting their jobs at the highest rates on record

Rate at which employees are voluntarily quitting



Note: seasonally adjusted

Source: Bureau of Labor Statistics via FRED

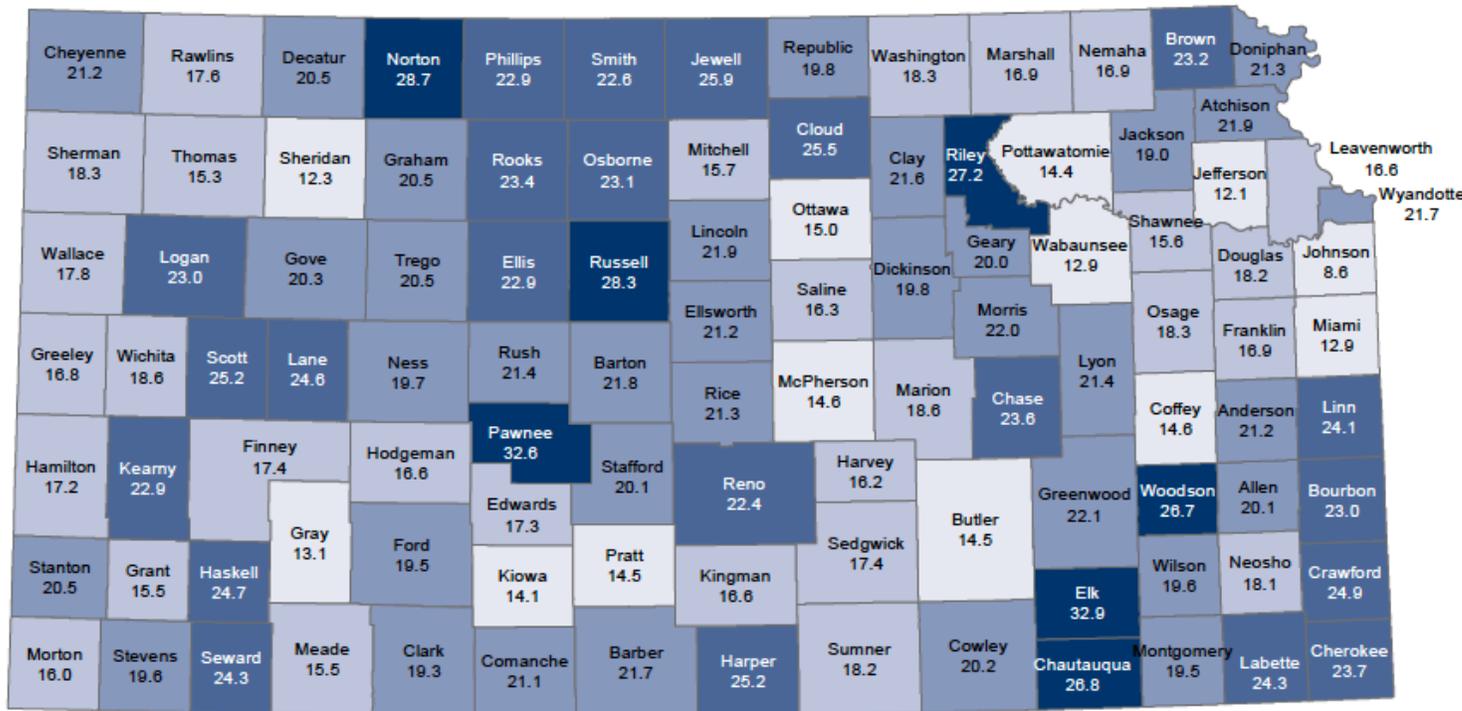
THE WASHINGTON POST

- Employees are quitting at an increasing rate.
- Driven by workers seeking better hours and compensation.

Source: The Washington Post

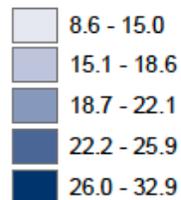
How Many Kansans Would See a Pay Increase?

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



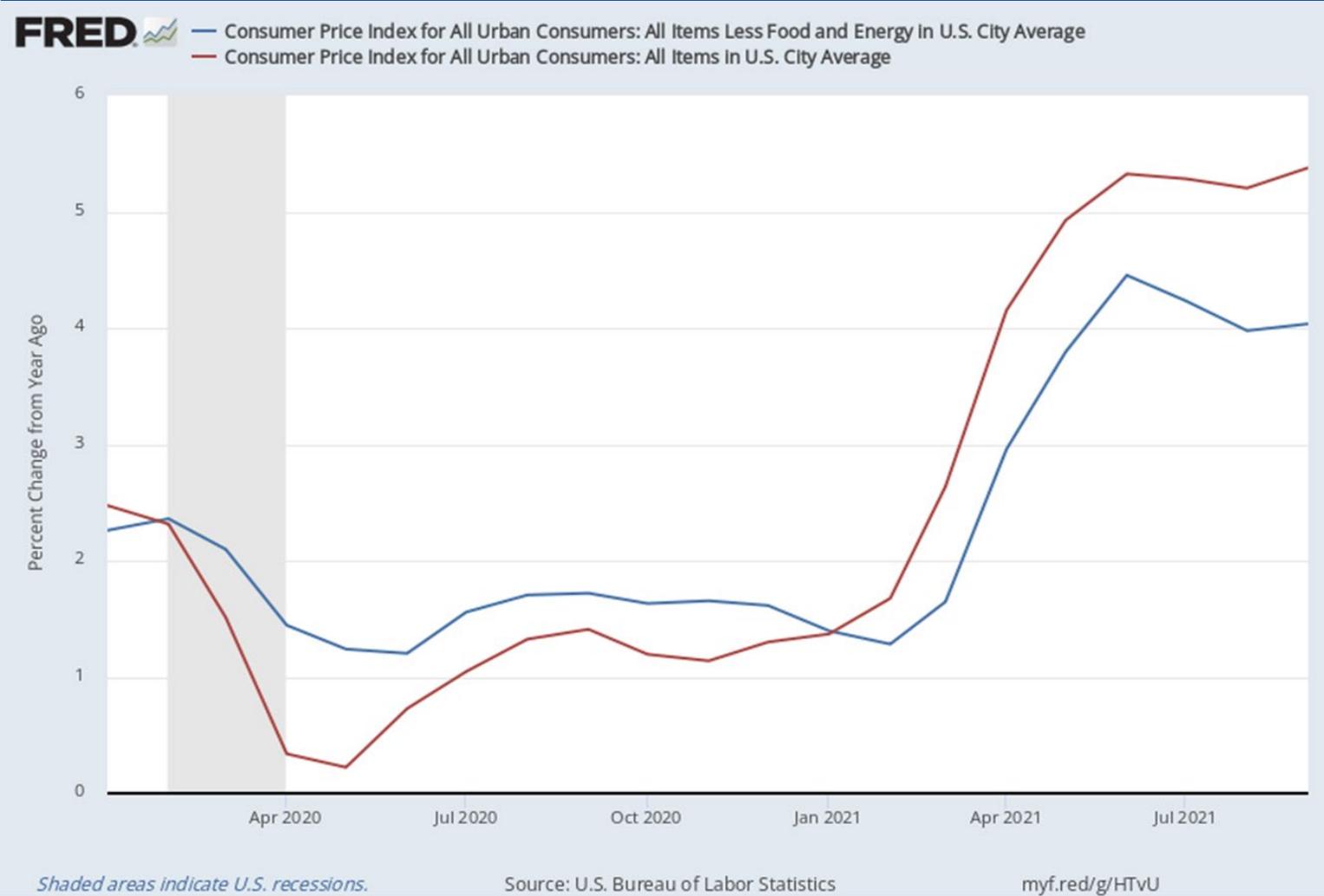
- If the Minimum Wage increased to \$12 per hour, a larger number of Kansans would see a higher wage.
 - 17% in Sedgwick County
 - 33% in Pawnee & Elk counties



Inflation is Increasing

Supply Chains are Driving Prices Higher

Inflation has Increased

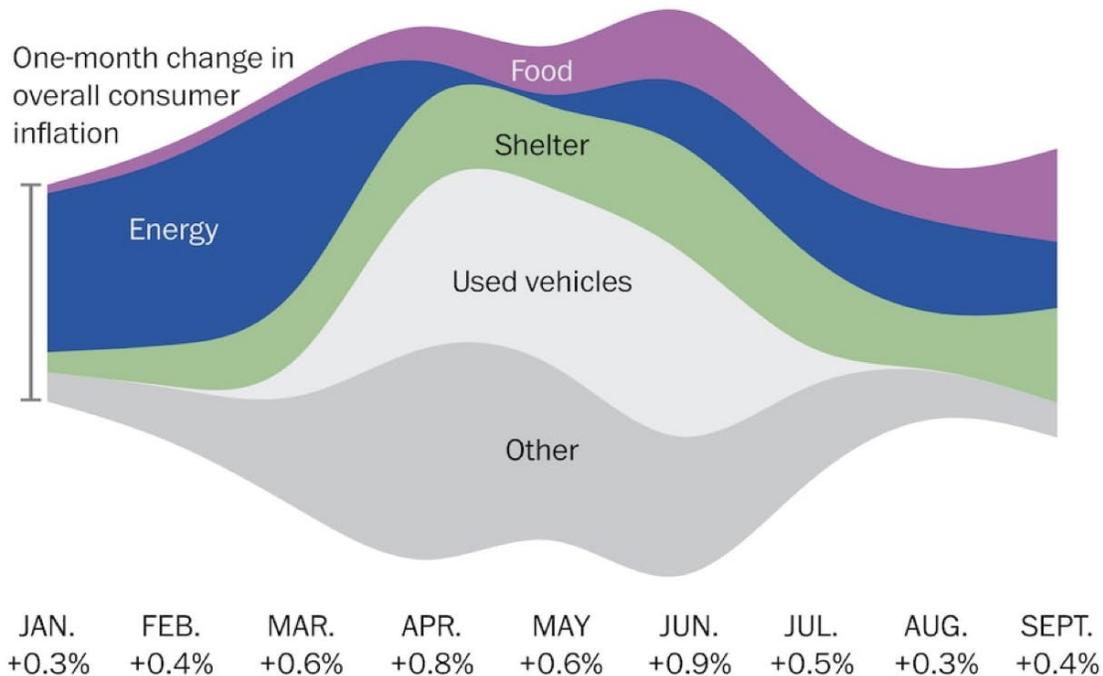


- CPI up over 5.4% compared to a year ago.
 - CPI less food and energy up 4%.
 - Last year inflation was incredibly low due to the pandemic.
- Inflation being driven by supply shocks.

Food and Shelter are Driving Inflation

What drove overall consumer inflation in 2021?

Price increases in food and shelter accounted for a growing share of inflation in Sept., in contrast to energy and used vehicles earlier in the year



Energy costs had a slight negative impact on overall inflation in April and May (-0.0001 and -0.007 percentage points). Seasonally adjusted.

Source: Labor Department

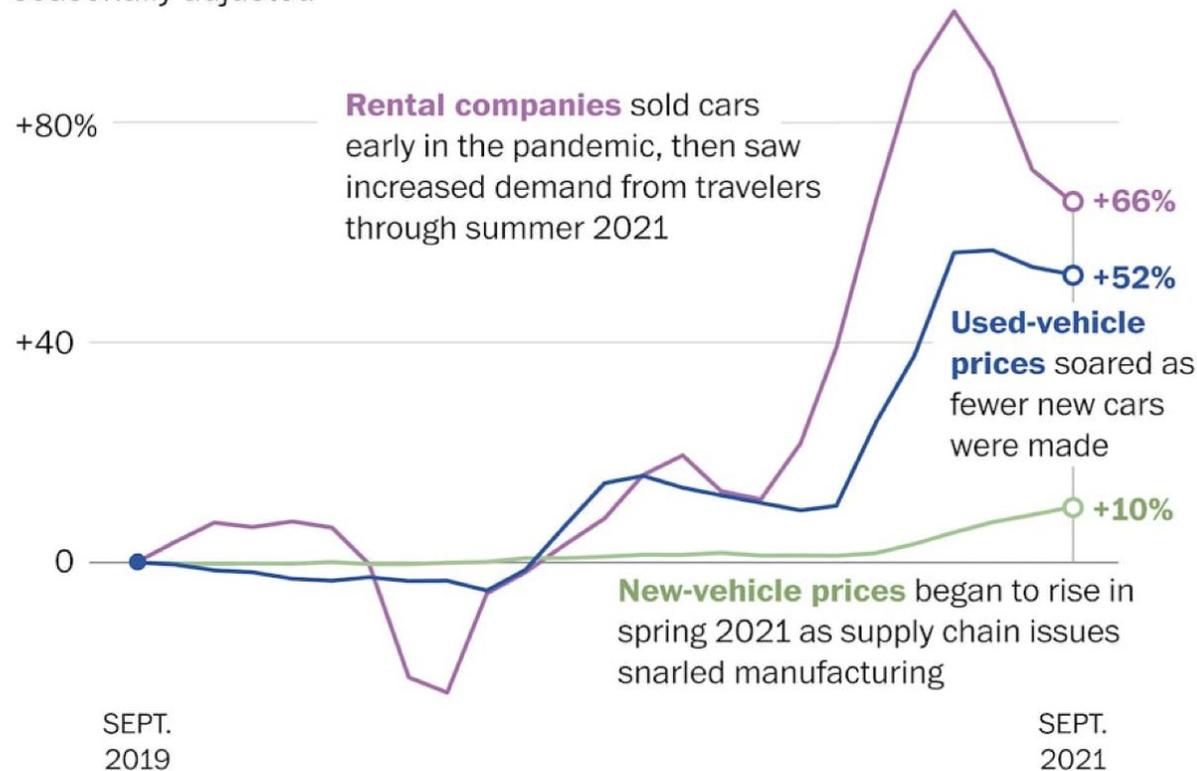
THE WASHINGTON POST

- Increasing cost of food and shelter are now driving inflation.
- Energy and used vehicles are less of a factor than they were in the spring.

Supply Shocks Resulted in Vehicle Price Increases

Cars and trucks show different pressures on prices

Percent change in consumer price index since Sept. 2019, seasonally adjusted



Source: Labor Department

THE WASHINGTON POST

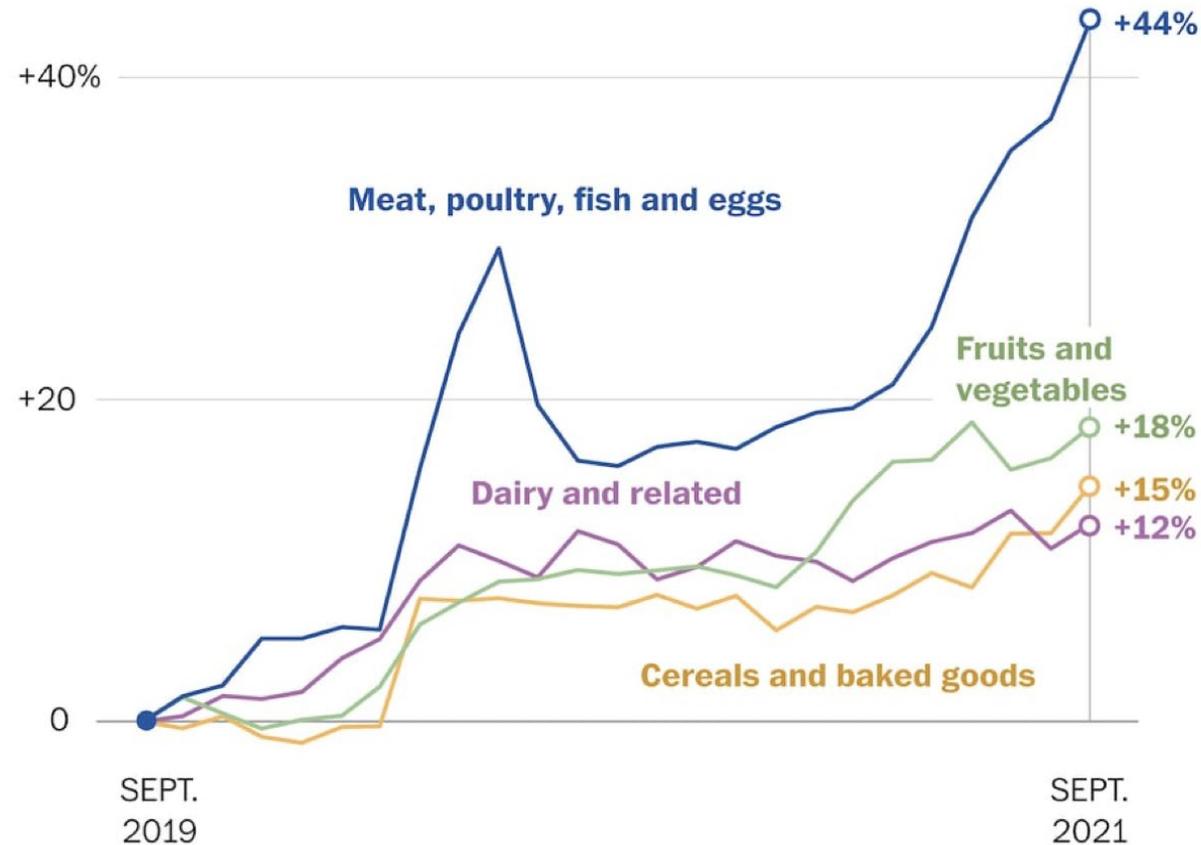
- Rental car companies sold off their cars early in the pandemic, leading to a shortage now.
- Supply chain issues have made new and used cars more expensive.
- Used car prices are up 52%

Source: The Washington Post

The Price of Meat is Climbing

Meat prices spike above other food categories

Percent change in consumer price index since Sept. 2019, seasonally adjusted



Source: Labor Department

THE WASHINGTON POST

- Meat prices have risen 44% since September 2019.
 - Fruits and vegetables up 18%
 - Cereals and baked goods: 15%
 - Dairy and related: 12%
- Agriculture income is up.

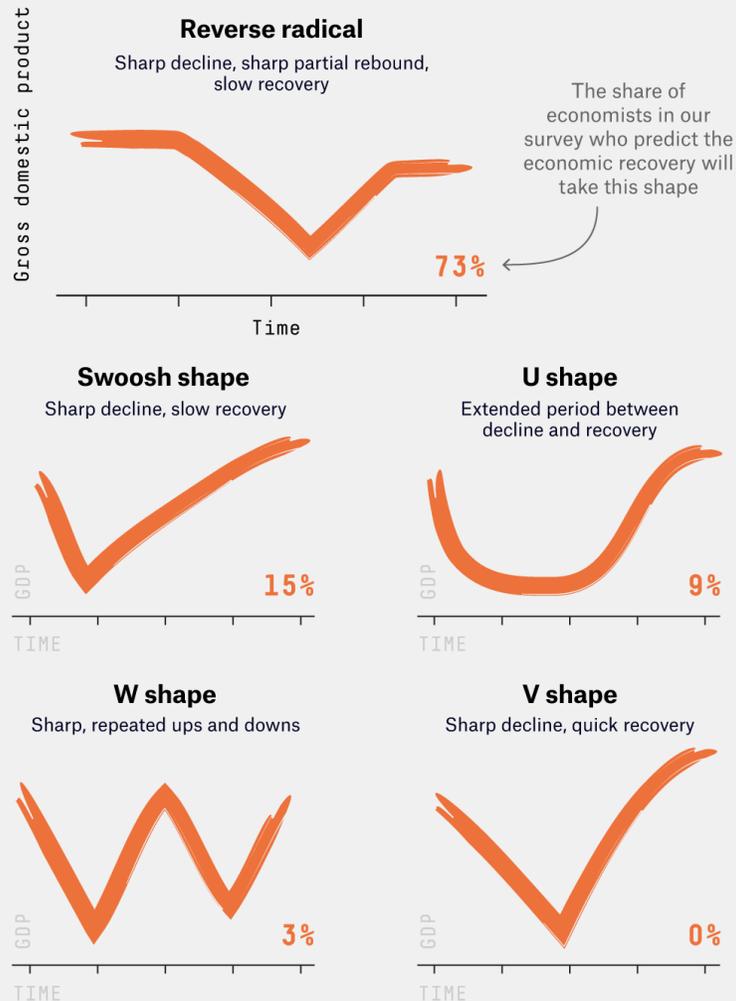


The Recovery is
Progressing
Although threats remain

Shape of the Recovery—Reverse Radical?

Economists in our survey expect an uneven recovery

Expert predictions for the shape of the U.S. economic recovery



- In June, Fivethirtyeight.com interviewed top macroeconomists about the recovery.
- Now economists are talking about K-shaped recovery

Economy

The recession is over for the rich, but the working class is far from recovered

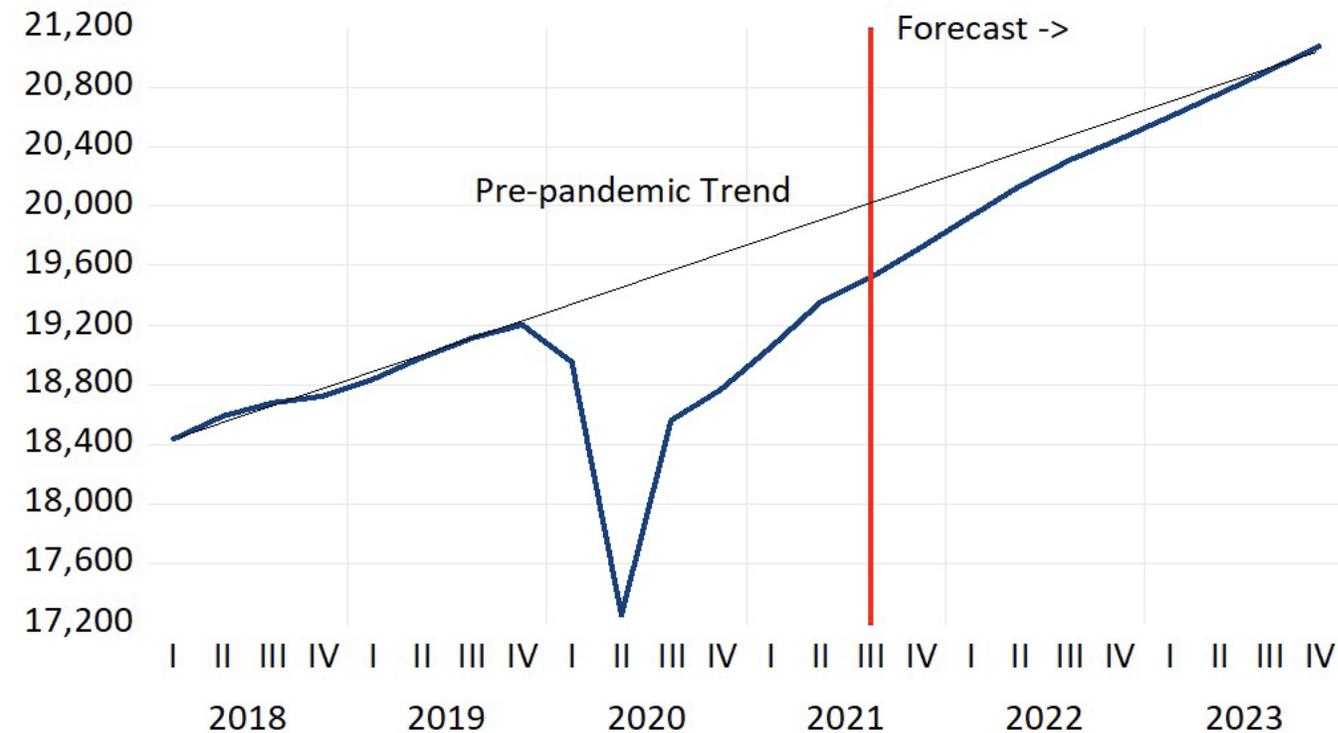
The stock market and home values are back at record levels, while jobs remain scarce for those earning less than \$20 an hour

Source: <https://fivethirtyeight.com/features/what-economists-fear-most-during-this-recovery/>

We have surpassed pre-pandemic growth as of Q2 2021

Real GDP Levels, 2018Q1–2023Q4

Billions of chained 2012\$, annual rate

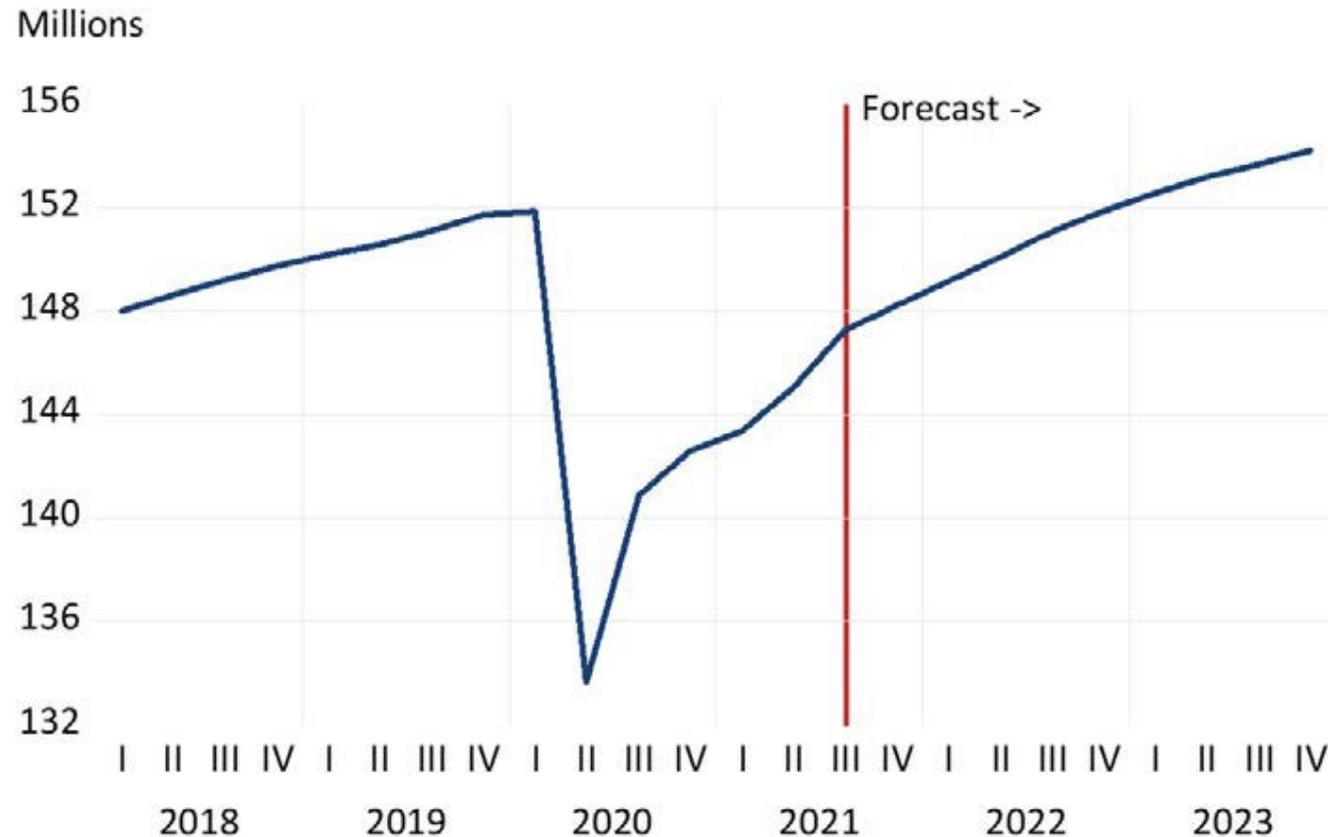


GDP has fully recovered. There is pent up demand for services that will grow as more people get vaccinated.

By Q3 2023, we will return to trend growth.

Employment will Take Longer to Recover

Total Nonfarm Payroll Jobs, 2018Q1–2023Q4



According to UCLA Forecast, it will take until Q4 2022 for all of the jobs lost due to COVID to return.

Many Service sector jobs will not return.

What's Driving the Recovery

- American Rescue Plan is pumping more money into households and has provided much needed support for state and local governments.
- COVID cases have plateaued as more people have gotten vaccinated.
- Pent up demand for a return to “normalcy.”
- Full bank accounts from the pandemic.

What's Will Slow the Recovery?

- Supply chain bottlenecks in the near term will increase prices and may slow economic activity.
- Small businesses that closed may never return.
- Service sector jobs may not return.
- Some workers may not return to the labor market.
- Lack of infrastructure—broadband—will affect long-term growth.

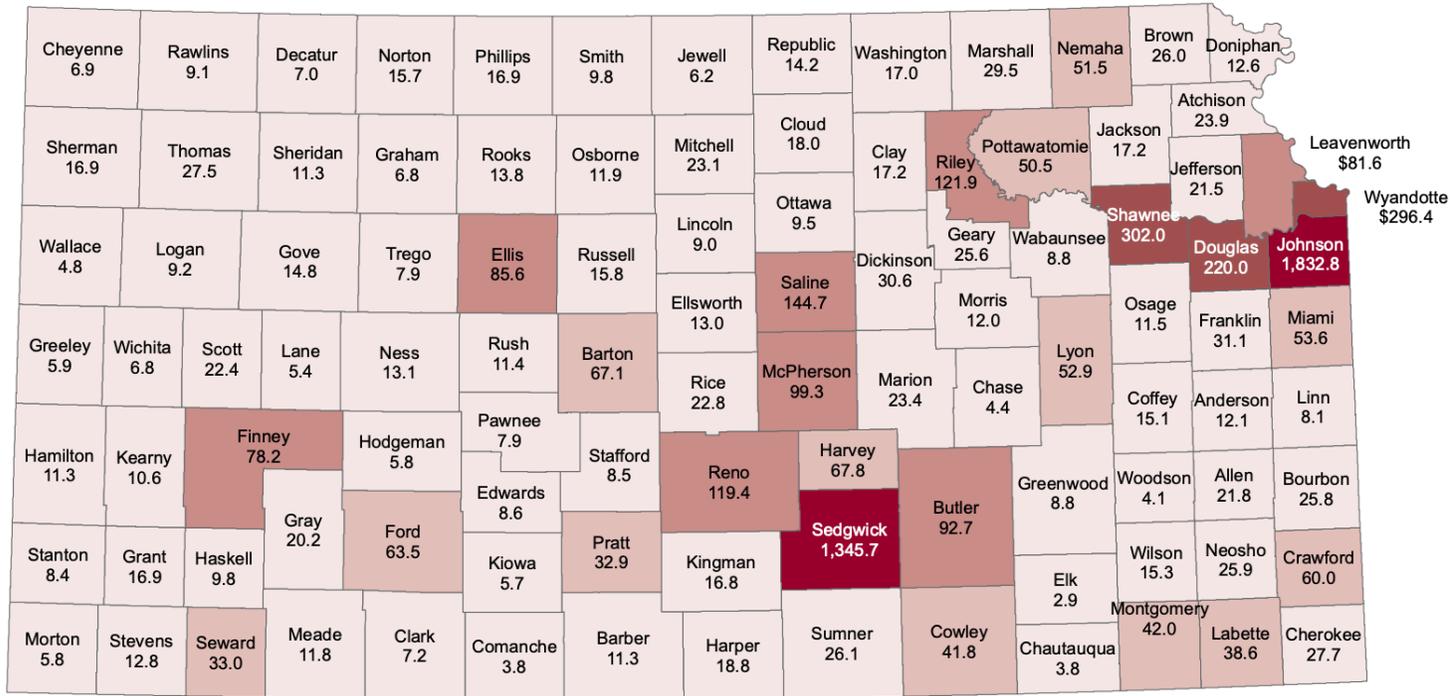


Show me the Federal Money

Kansas has received significant Federal Support

PPP Loans in Kansas

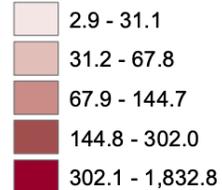
Amount Loaned via PPP Loans in Kansas, by County, as of March 3, 2021



- Johnson County businesses received \$1.8 billion in PPP loans as of March 3rd.
- Statewide total of \$6.6 billion out of 89,548 loans

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Small Business Administration.

Dollars (in millions)

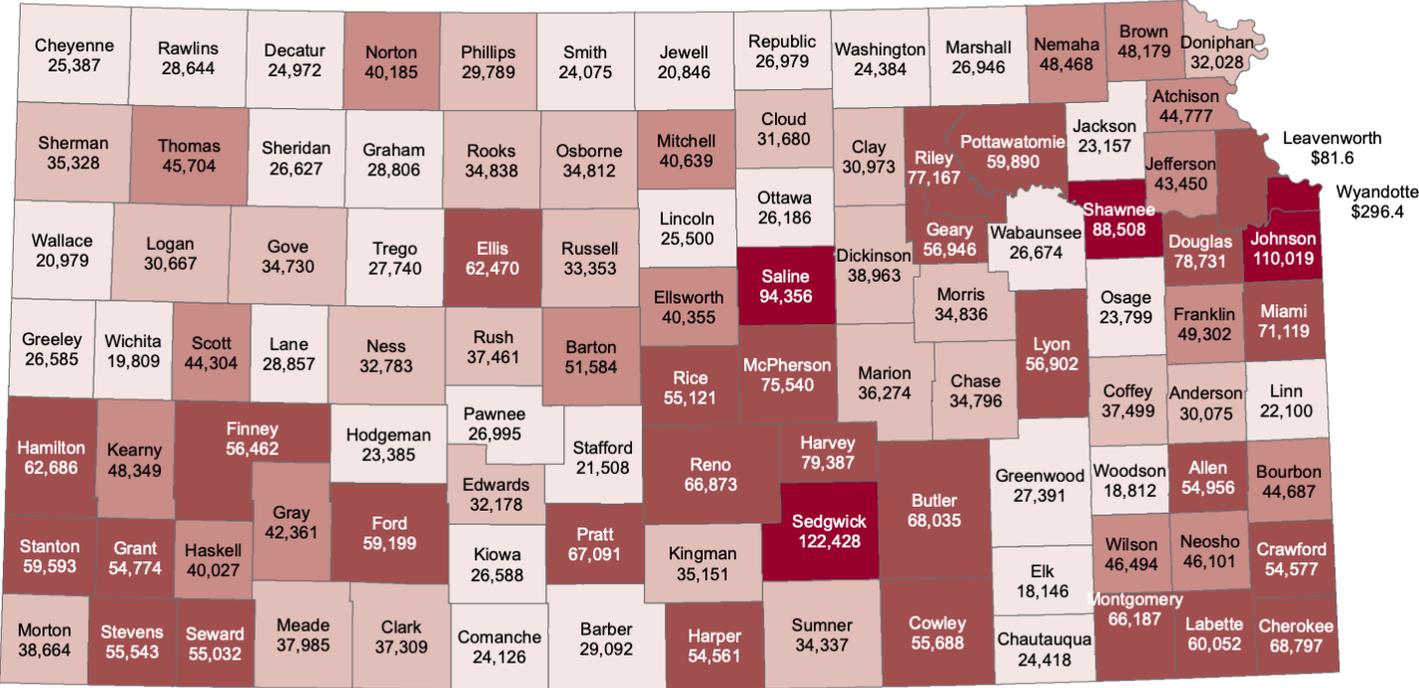


Kansas Total:

\$6,574.1 million
89,548 loans

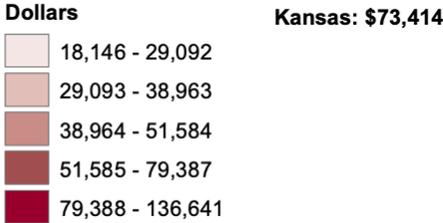
Average Amount of Kansas PPP Loans

Average Amount per PPP Loan in Kansas, by County, as of March 3, 2021



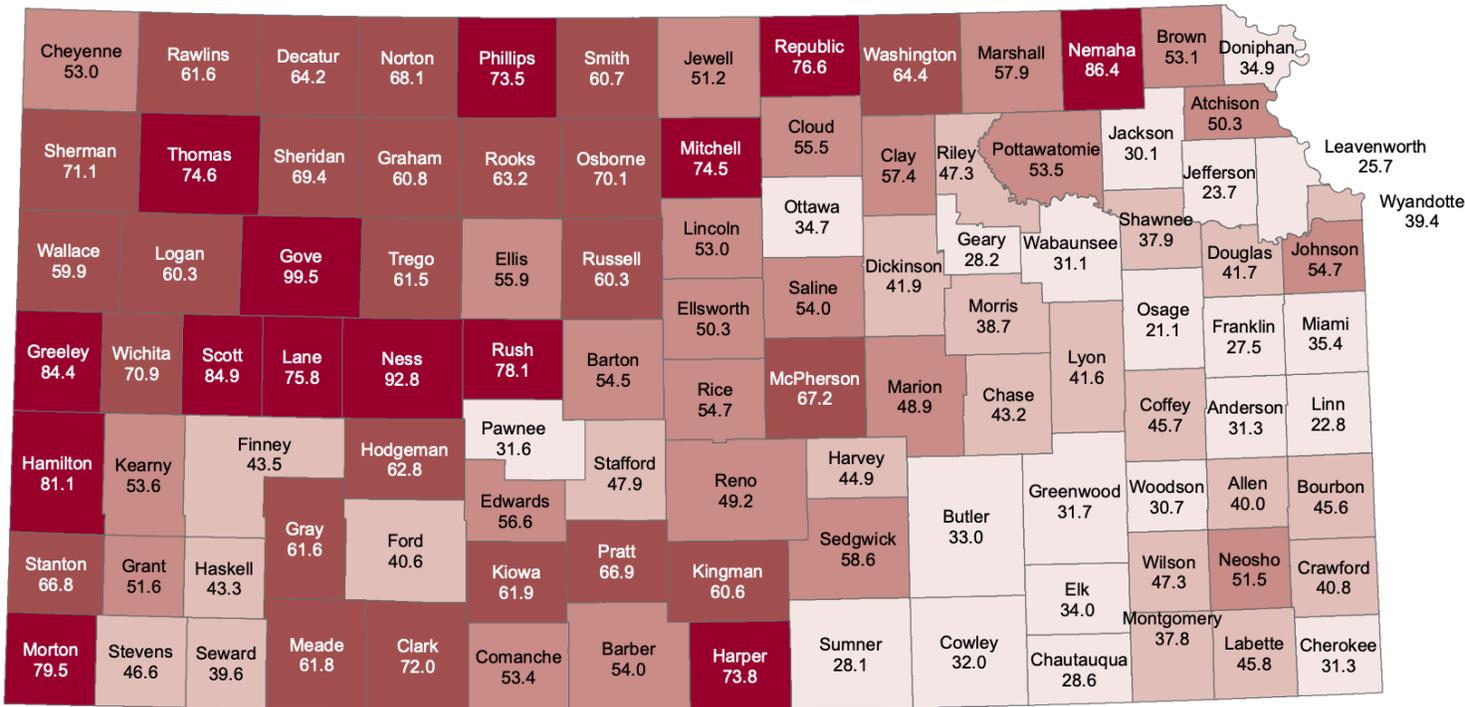
- Ranged from \$18,146 in Elk County to \$122,428 in Sedgwick County.
- Statewide average \$73,414.

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Small Business Administration.



Jobs Retained Through PPP Loans

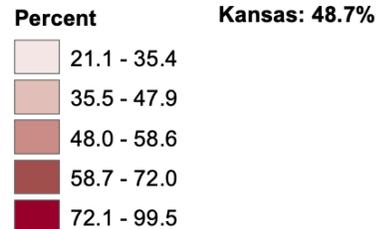
Jobs Retained with PPP Loans as a Percentage of Civilian Labor Force in Kansas, by County, as of March 3, 2021



- Jobs retained through PPP loans ranged from 25.7% to 58.6% of the civilian labor force in Kansas' six largest counties.

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Small Business Administration and Bureau of Labor Statistics.

Civilian labor force estimates from February 2021.



PPP Loans by Industry

PPP Loans by Industry in Kansas through March 3, 2021



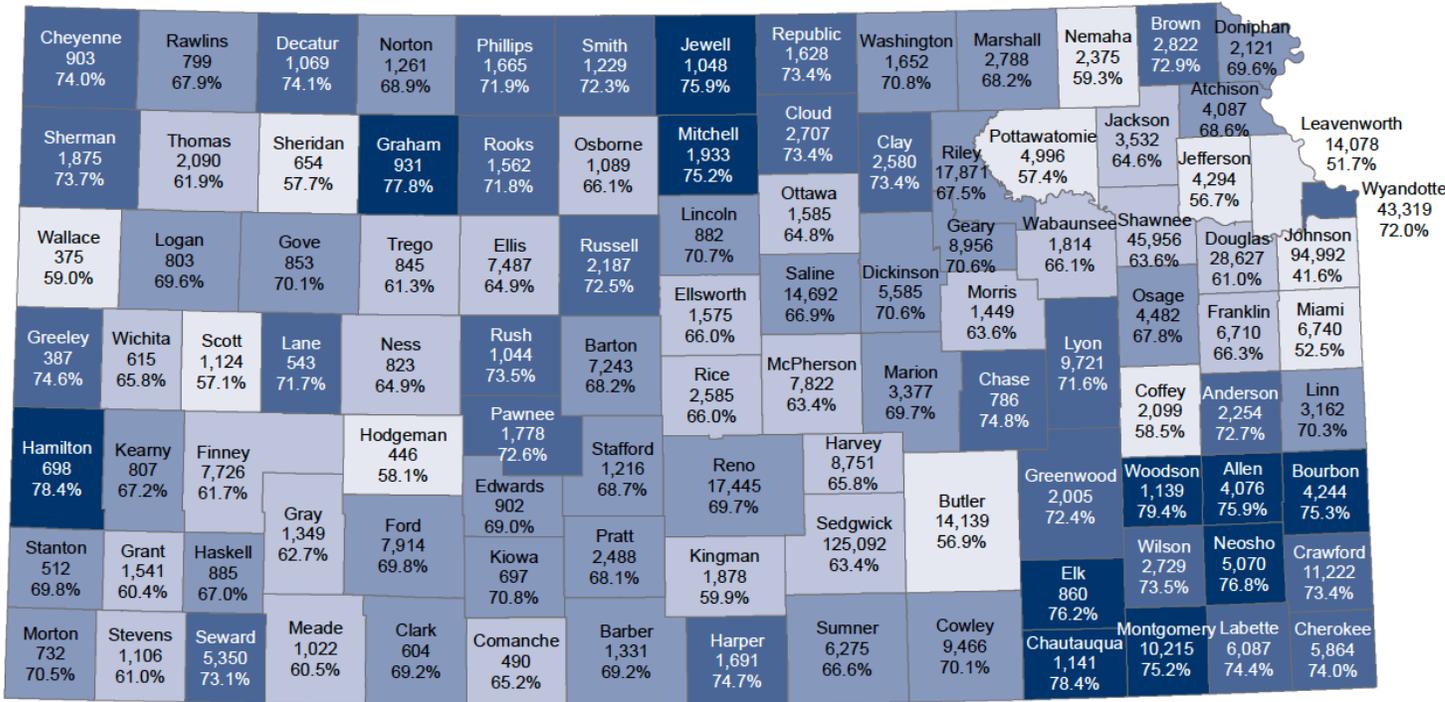
The Healthcare and Social Assistance industry received \$988 million in PPP loans, retaining 111,739 jobs

Manufacturing: \$786 million retaining 71,800 jobs.

Accommodation and Food Services: \$558 million retaining 107,578 jobs.

How Many Households will get Stimulus Checks?

Household with Income Less than \$75,000 in Kansas, by County
2015-2019

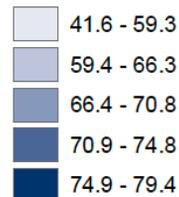


- Estimate 61% of Kansas households received those payments.
- In some Kansas counties (darker colors), over 75% of households received stimulus checks from the American Rescue Plan Act of 2021.

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

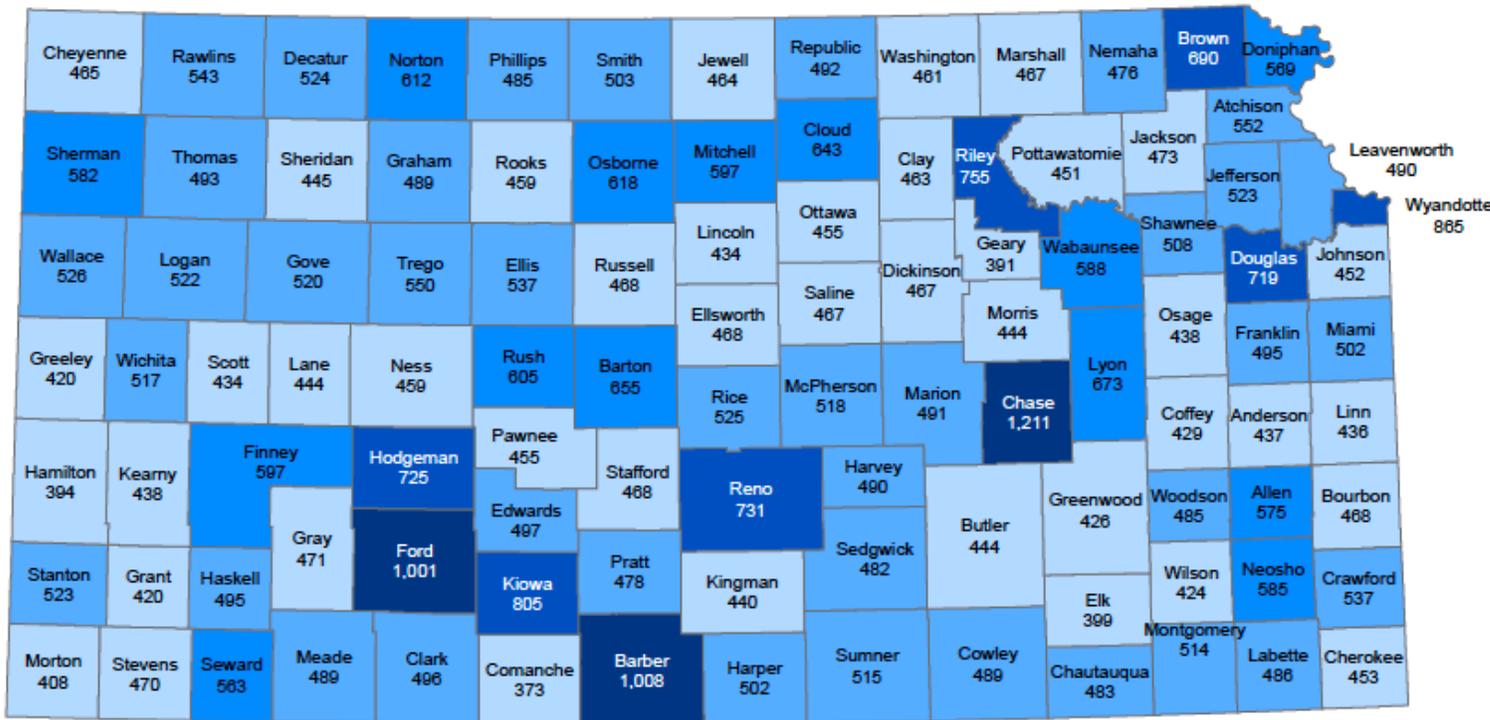
Kansas Households with Income < \$75,000
Number: 688,121
Percent: 60.9%

Percent of Households



Per Capita CARES and ARPA Funding

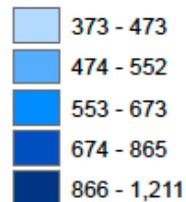
CARES Act and American Rescue Plan Funding Allocations in Kansas



- Federal funding allocated based on population and unemployment.
- Chase, Barber, and Ford Counties are receiving over \$1000 per person in federal funding.
- Many counties are receiving half of that per capita.

Source: Institute for Policy & Social Research, The University of Kansas; data from the Kansas Office of Recovery, National Association of Counties, and U.S. Census Bureau, 2020 Census.

Dollars Per Capita





COVID Underscored Significant Challenges

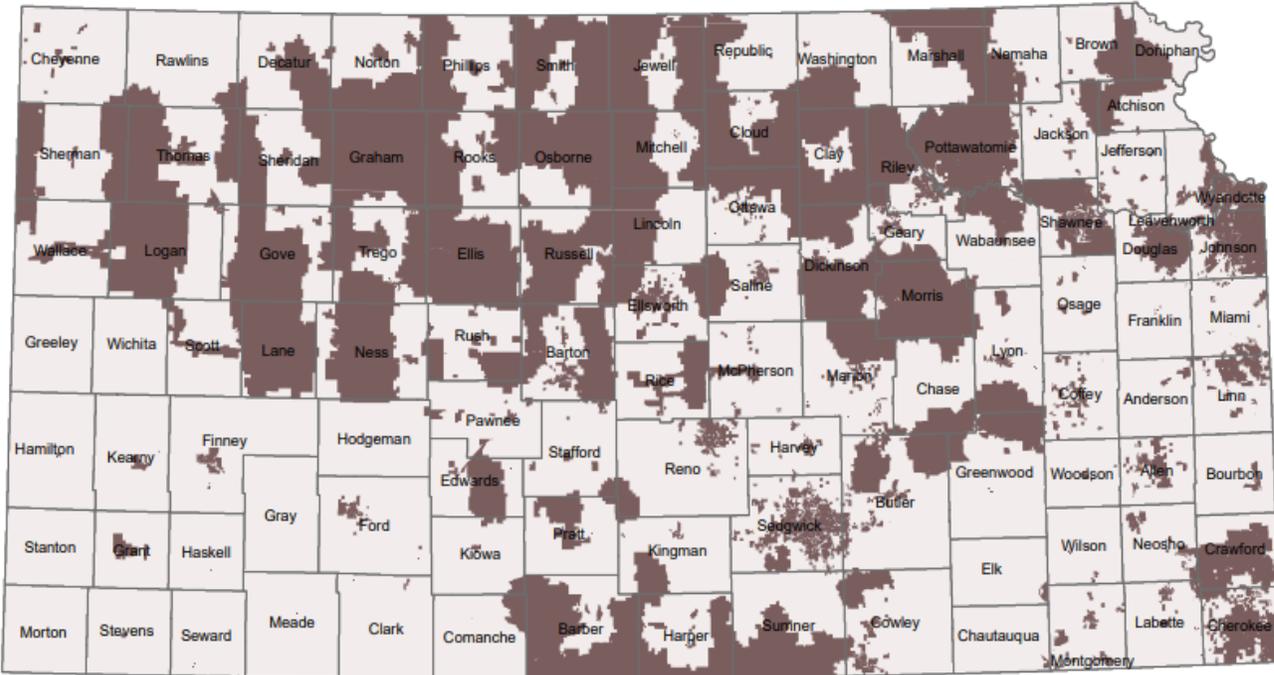
Broadband, Childcare, Housing

Broadband Access in Kansas

- Three problems:
 - Lack of reliable data on internet access
 - Lack of last-mile infrastructure in rural parts of the state
 - Lack of affordability in urban parts of the state.
- IPSR is studying broadband access in Kansas.

FCC Broadband Data

Broadband Internet Access in Kansas, 2020



- Industry self-reported data show the entire state has access to broadband speed internet (25mbps upload and 3mbps download).
 - Darker colors indicate 100mbps down and 20 up speeds.
 - Broadband is now defined as 100/20.

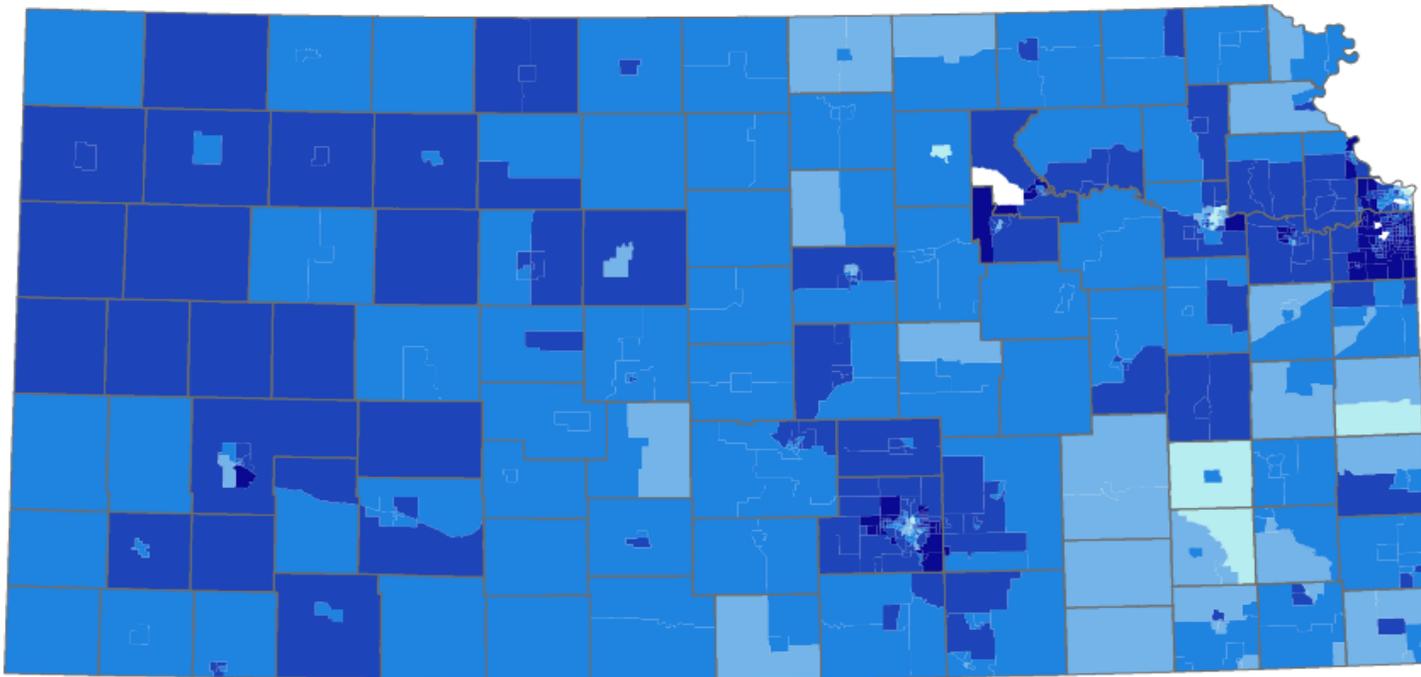
Source: Institute for Policy & Social Research, The University of Kansas; data from Federal Communications Commission (June 2020 V1).

Maximum Advertised Speeds at least:

- 100mbps down/20 mbps up
- 25mbps down/3 mbps up

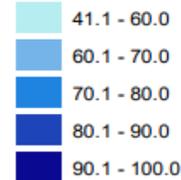
ACS Broadband Data

Percent of Households with Broadband Internet Access in Kansas, by Census Tract, 2015-19



Source: Institute for Policy & Social Research, The University of Kansas;
data from U.S. Census Bureau, 2015-2019 American Community Survey.

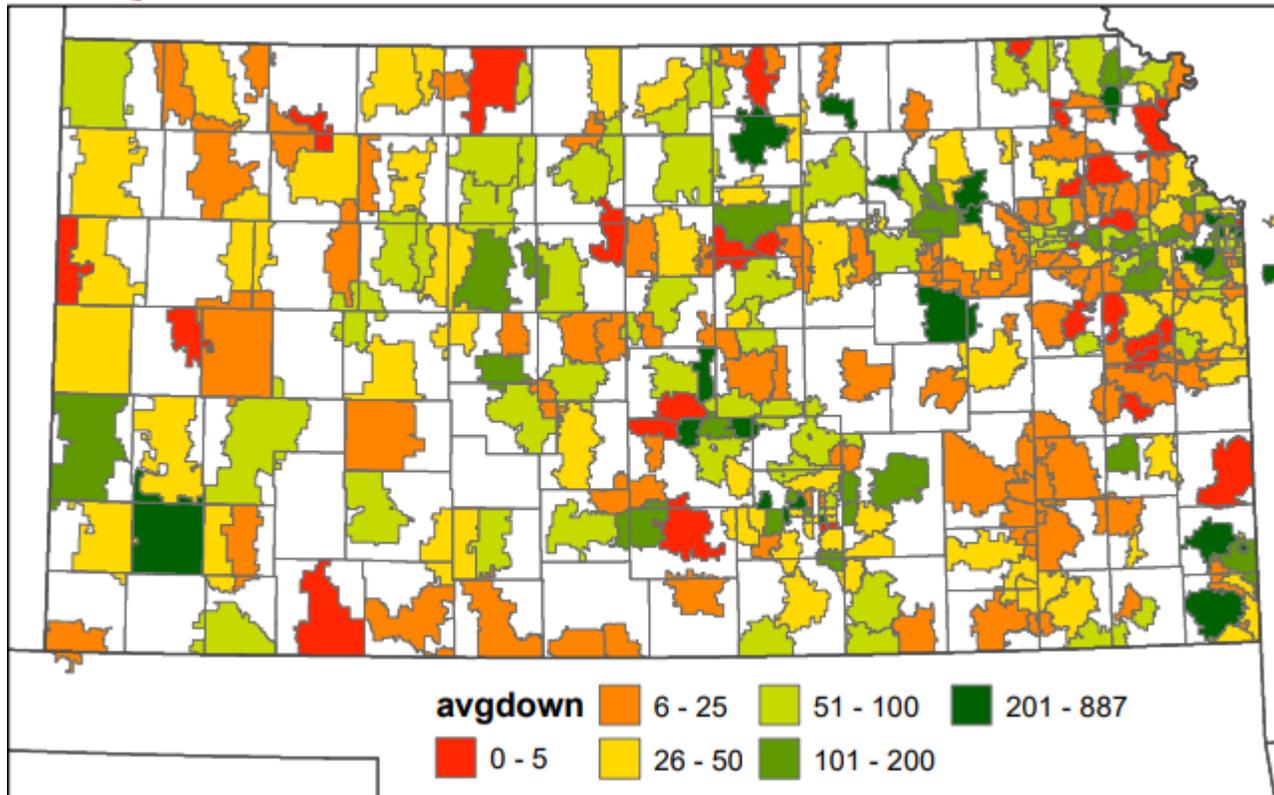
Percent



Kansas: 81.8

- ACS survey data show that in some census tracts, less than half of respondents have broadband access.
- Parts of KC, Wichita, Topeka, and southeast Kansas counties show low coverage.

Preliminary Broadband Survey Results



- Combined data from IPSR's Broadband Survey and Regents data show low average download speed in much of Kansas.
 - Orange areas are below or just barely at broadband speed.
 - Red areas have less than broadband speed or no internet.

Please take our Survey!

- <http://ipsr.ku.edu/broadband/kansas.shtml>
- Our report will inform broadband policy and access for the state of Kansas.
- QR code for the survey

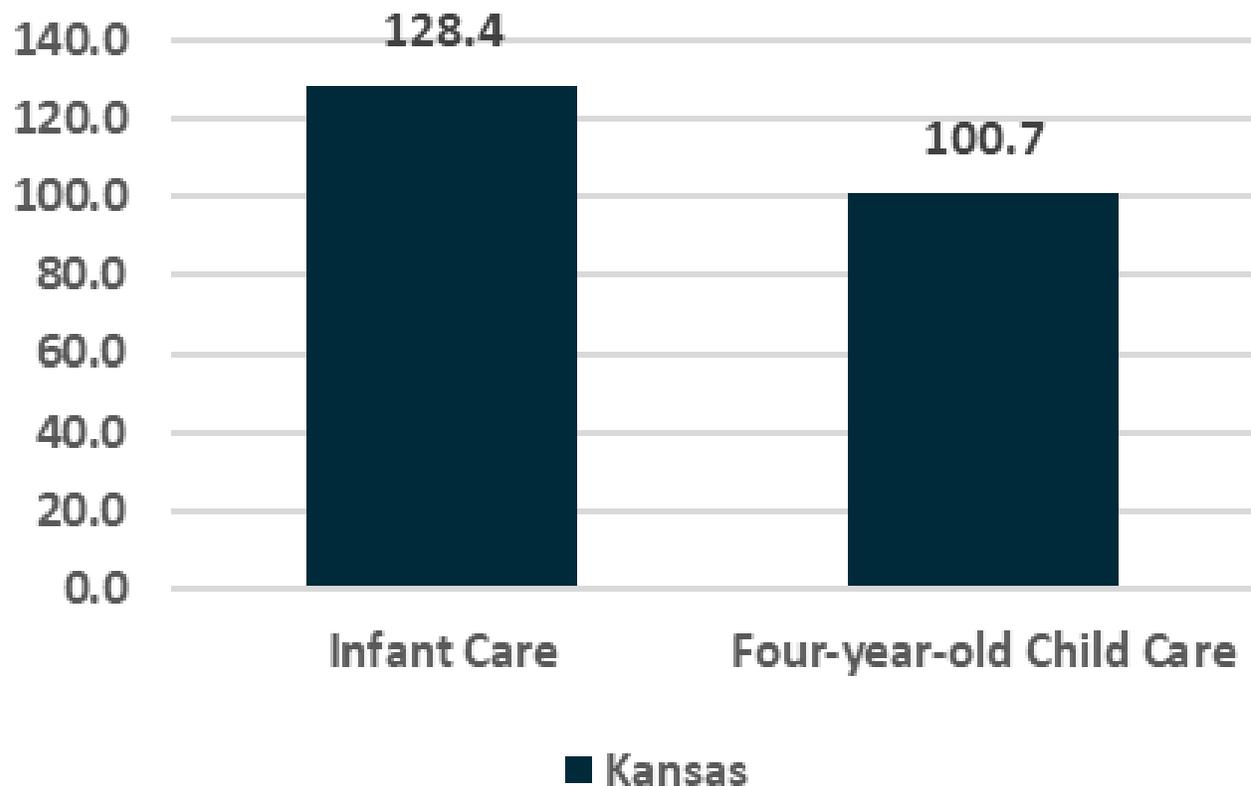


Childcare in Kansas

- The pandemic underscored how important childcare is to women's labor force participation.
- Childcare is costly and not widely available.
- Kansas lost over 300 licensed childcare providers due to COVID.

Childcare

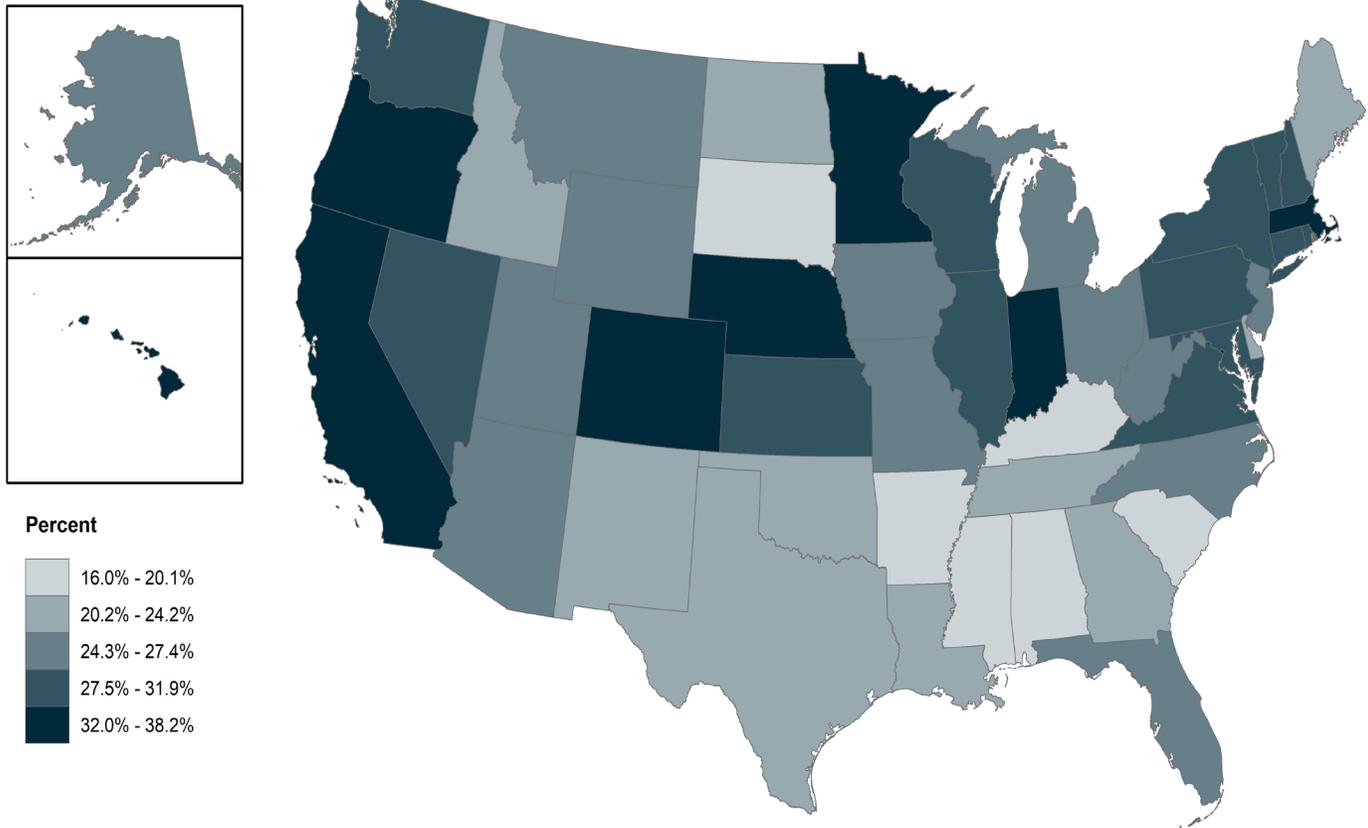
Child Care Costs as a Share of In-State College Tuition, 2018



- Infant Care costs in Kansas are 28% higher than the cost of in-state college tuition.
- Childcare costs for a four-year old are equivalent to the costs of in-state college tuition.
- The burden of childcare at home often falls upon women, and so the high cost of childcare affect employment opportunities for women.

Childcare

Cost of Infant Care as Percentage of Women's Median Annual Earnings, by State, 2017

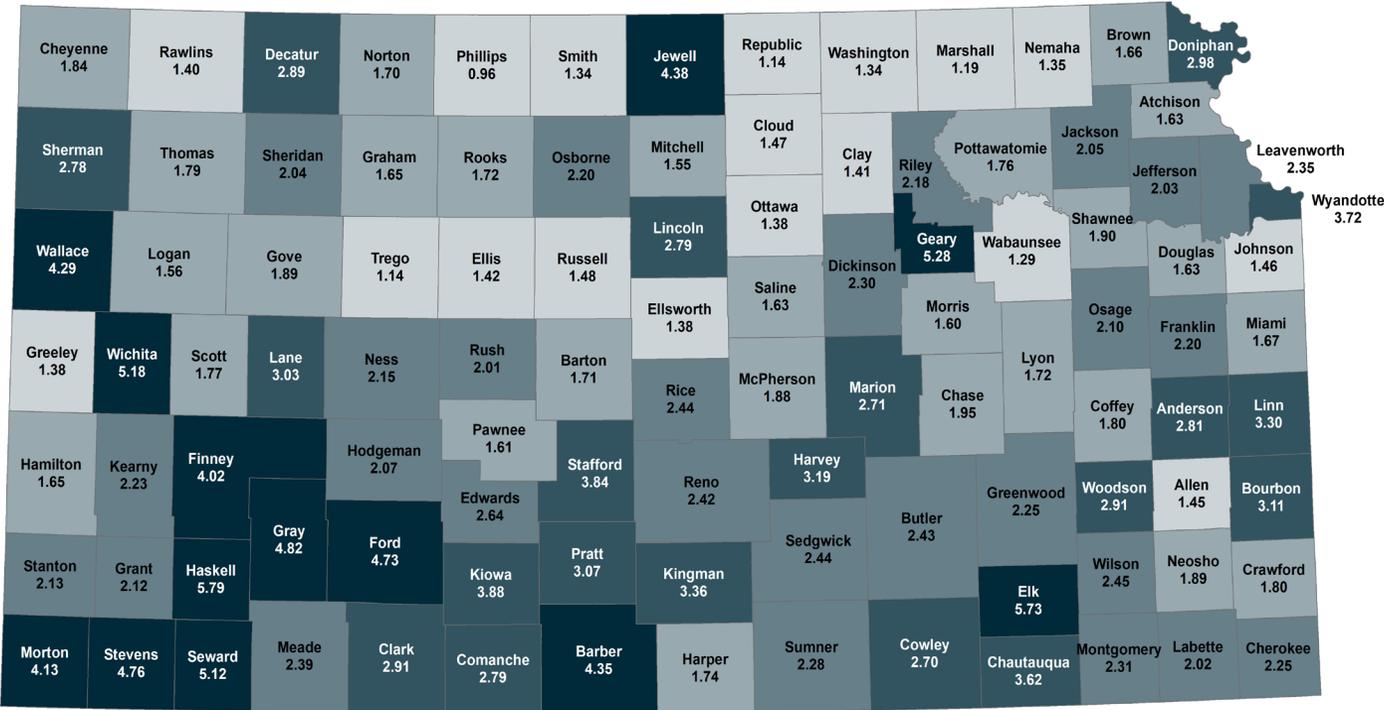


Source: Institute for Policy & Social Research, The University of Kansas; data from Economic Policy Institute and U.S. Census Bureau, 2017 American Community Survey.

- Infant care in Kansas is less affordable than most other states.
- The average annual cost of Infant care in Kansas is \$11,222 a year, which is 29.4% of women's median income.

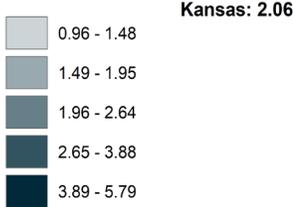
Childcare

Number of Children Under 5 per Child Care Slot in Kansas, by County, 2020



- Kansas lacks adequate childcare facilities in many areas. In southwest Kansas counties, the number of children under 5 per childcare slot ranges from 4 to 5.79.
- As a whole, the state has 2.06 children under 5 per childcare slot.

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, 2015-2019 American Community Survey; Kansas Department of Health and Environment, Bureau of Child Care Licensing and Registration, Capacity as of December 31, 2020.

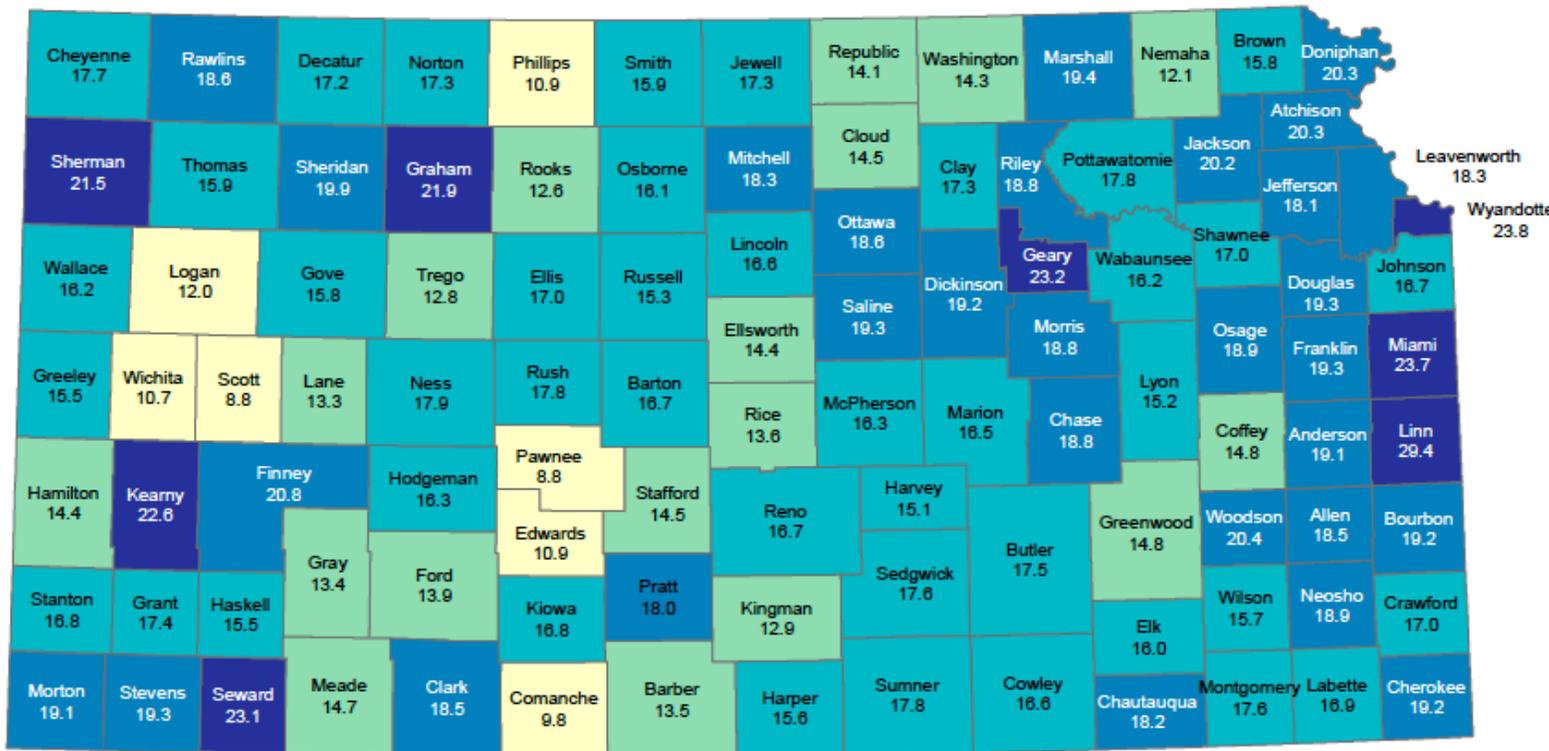


Housing in Kansas

- Kansas is a low-wage state suggesting that housing will be a larger share of income here than in other places.
- 35% of all Kansas households and 38% of households with children report being likely or somewhat likely to be evicted.
- Housing prices and rents are rising.

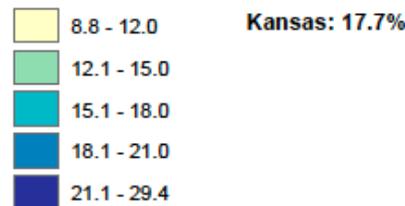
Housing is more Affordable for Owners

Percent of Owner-Occupied Households with Selected Owner Costs of 30% or More of Household Income



- Blue colors indicate that more home owners are paying over 30% of income on housing.
- Eight counties (dark blue) have more than 1 in 5 owner-occupied households paying more than 30% of income on housing.

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, 2015-2019 American Community Survey.



Overview of the Conference

- How local governments are moving forward:
 - Trey Cocking, Deputy Director, Kansas League of Municipalities
 - Janet McRae, Economic Development Director, Miami County
 - Maury Thompson, Deputy County Manager, Johnson County
- Building a resilient Kansas: Childcare, housing, broadband
 - Kelly Davydov, Executive Director, Childcare Aware of Kansas
 - Shannon Oury, Executive Director, Lawrence-Douglas County Housing Authority
 - Stanley Adams, Office of Broadband Development, Kansas Department of Commerce

Overview of the Conference

- Policy to advance recovery and resilience
 - Senator Dinah Sykes, Minority Leader
 - Senator Brenda Dietrich
 - Representative Chris Croft
 - Representative Susan Concannon

Thank You!

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