

2024 Economic Forecast

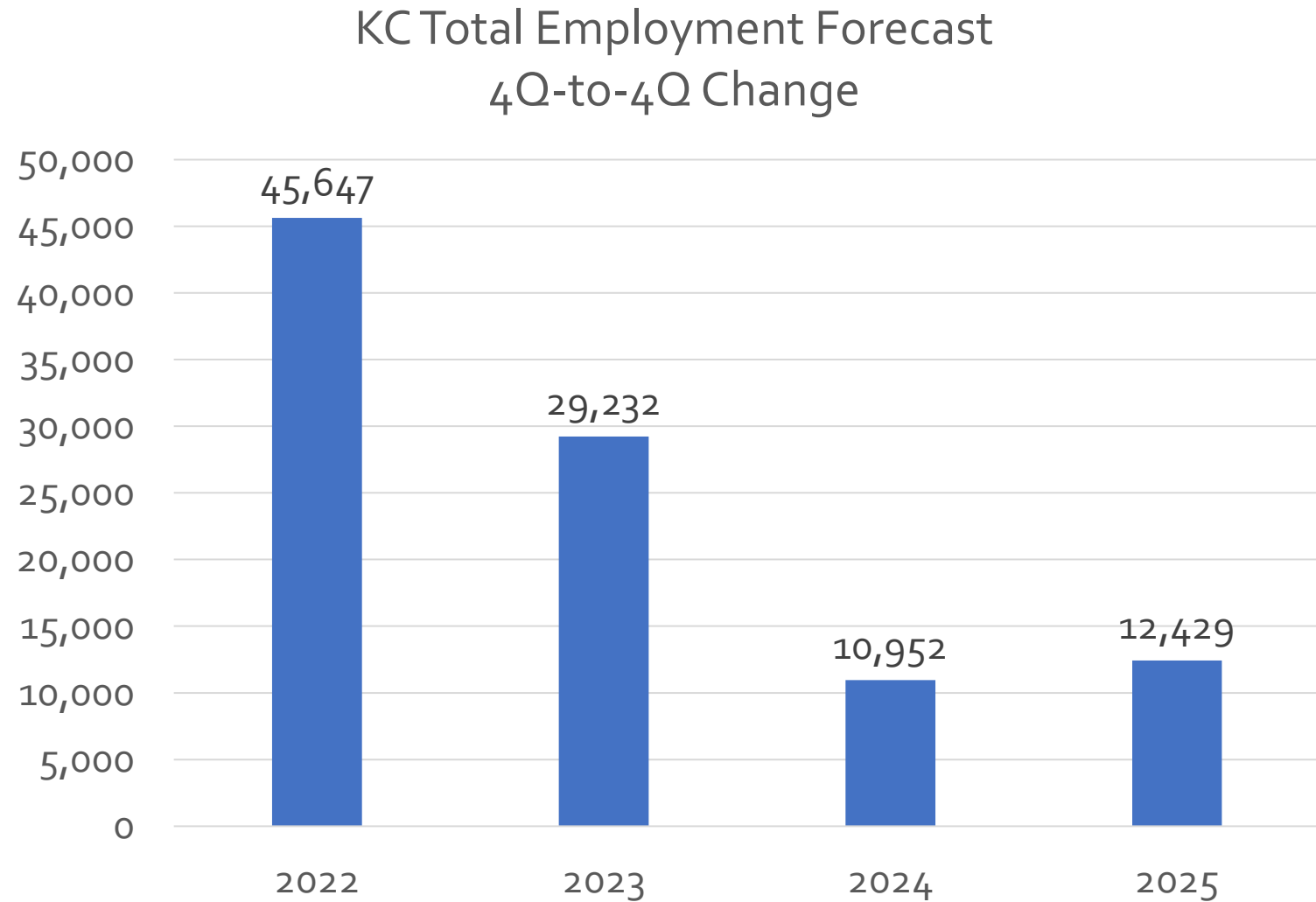
and some implications

MARC Board of Directors

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Frank Lenk
Director of Research Services
Mid-America Regional Council
flenk@marc.org

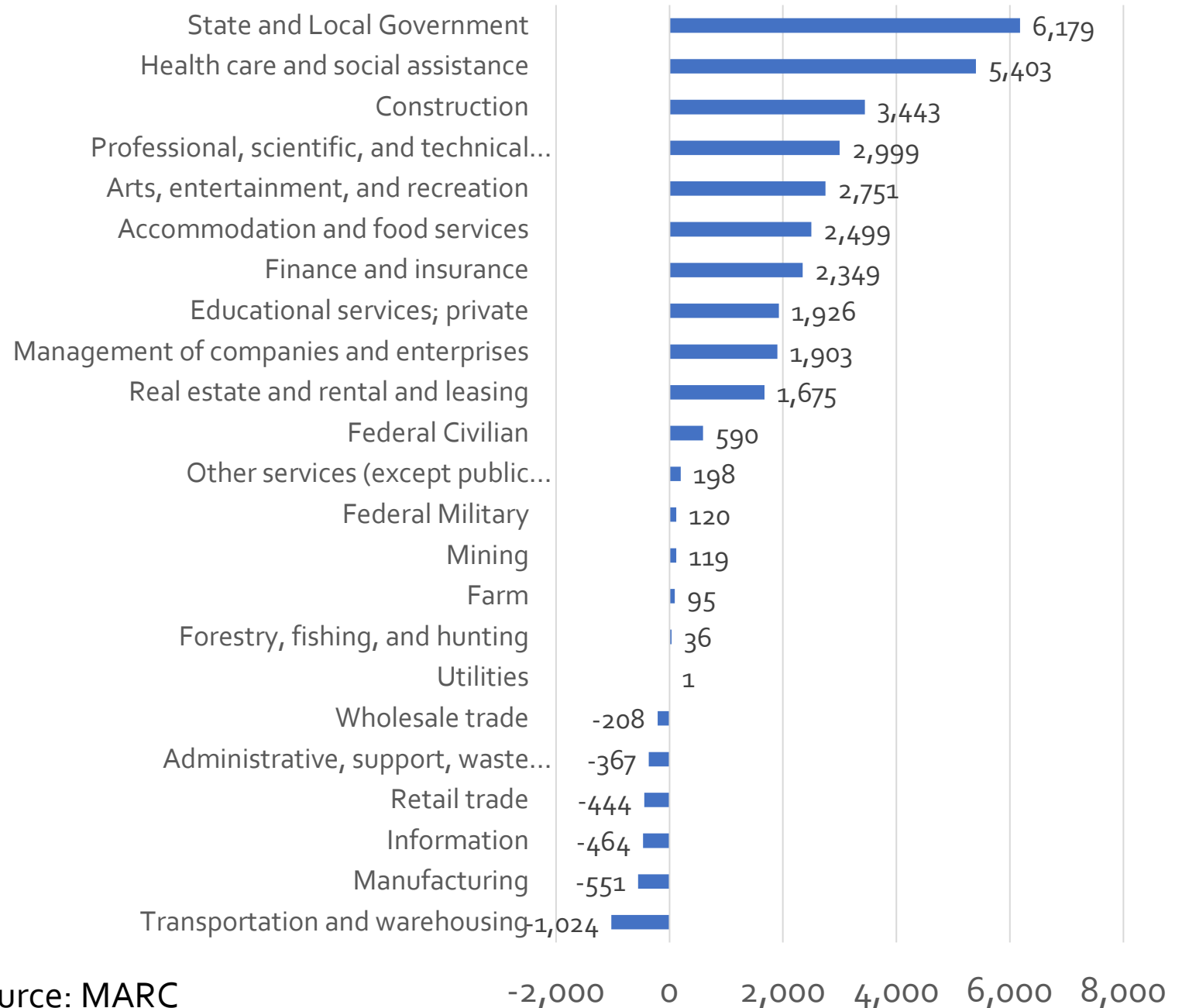
In 2022, the economy was still bouncing back from the pandemic-induced recession. Growth moderated substantially in 2023 and as employment growth is expected to be about 2/3 that of 2022. But job growth moving forward will be about 1/3 that of 2023.



Source: MARC

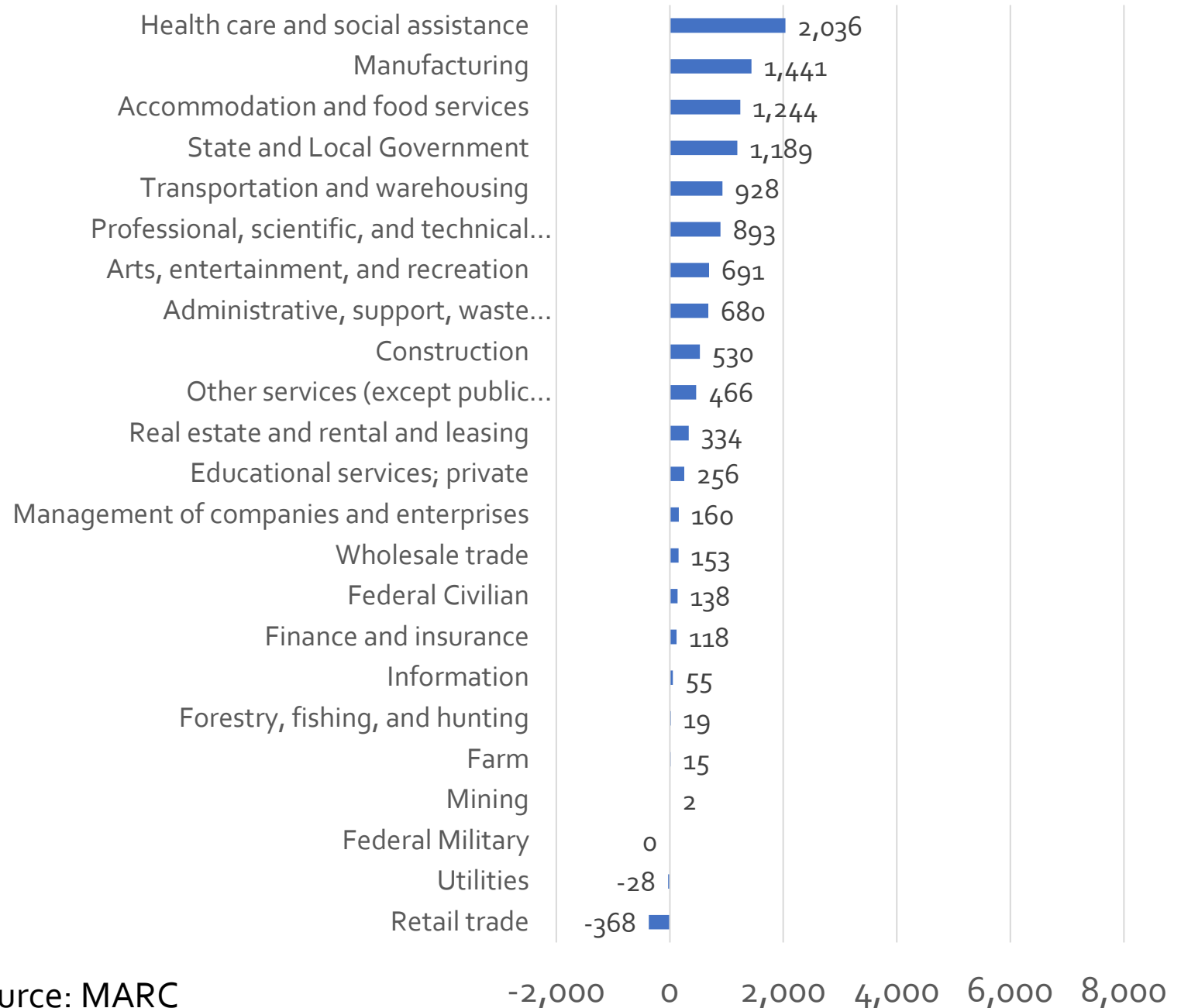
In 2023, State and Local government rebounded, and consumers continued to enjoy going out more. Construction remained strong, as did Professional Services and Health Care.

2023 KC Employment Growth, 4Q-to-4Q



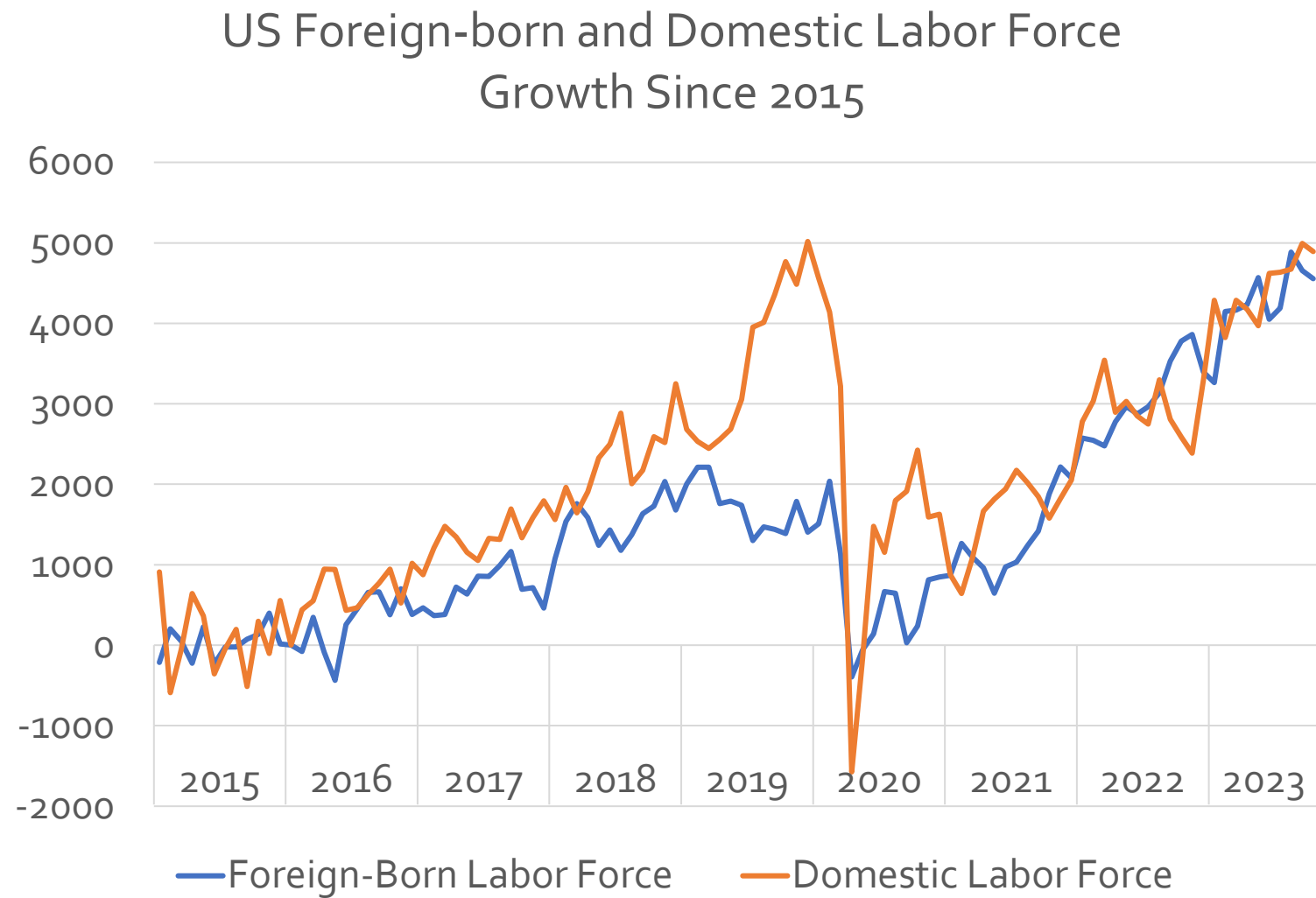
In 2024, all industries experience a substantial slow down. One bright spot for KC, though, is that the Panasonic plant begins to come on line, boosting manufacturing employment above what would have otherwise been expected. Health Care remains the fastest growing industry.

2024 Employment Growth, 4Q-to-4Q



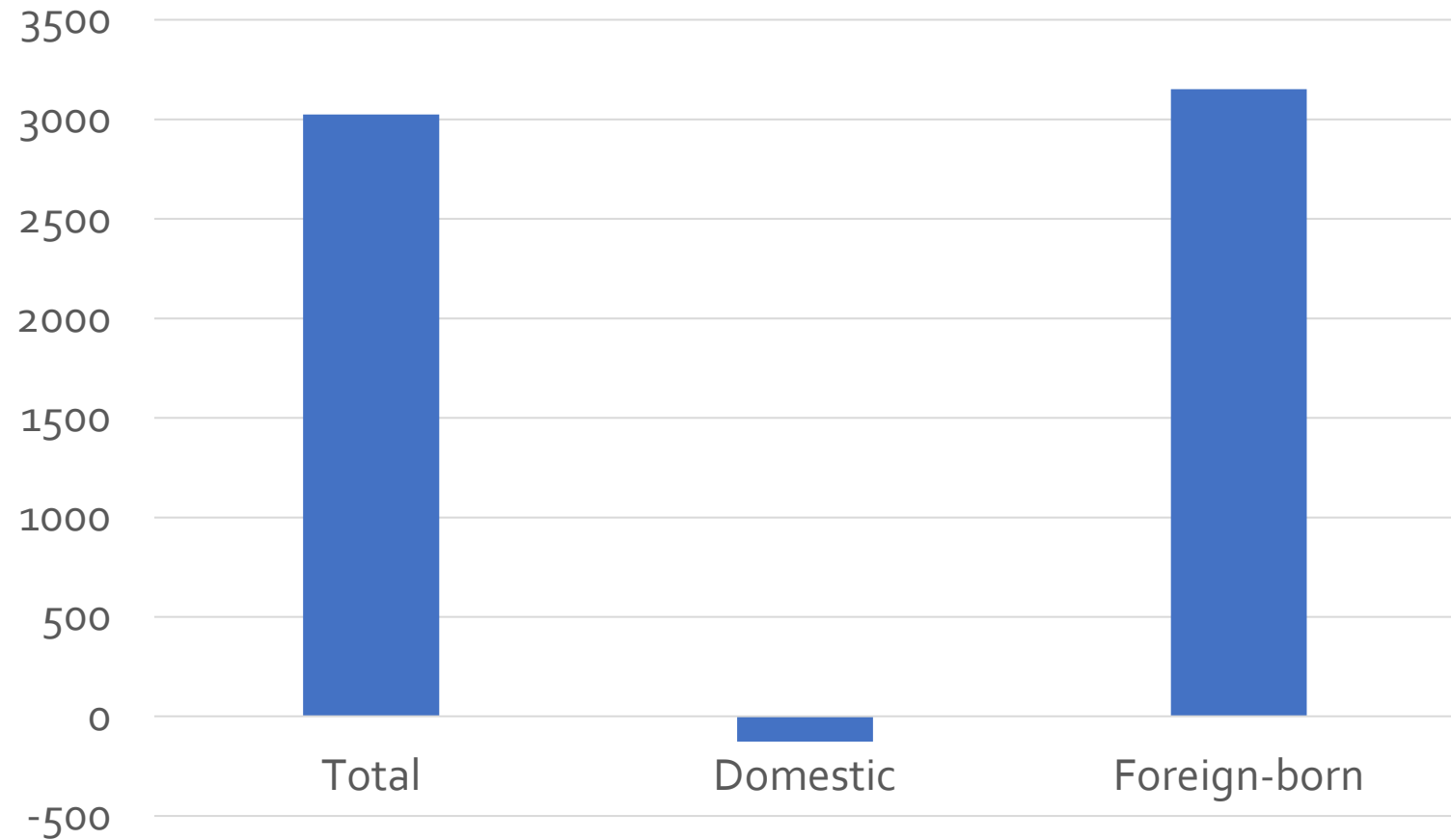
Workforce is the main constraint on economic growth.

The domestic labor force has fully recovered from the pandemic, but it has not grown



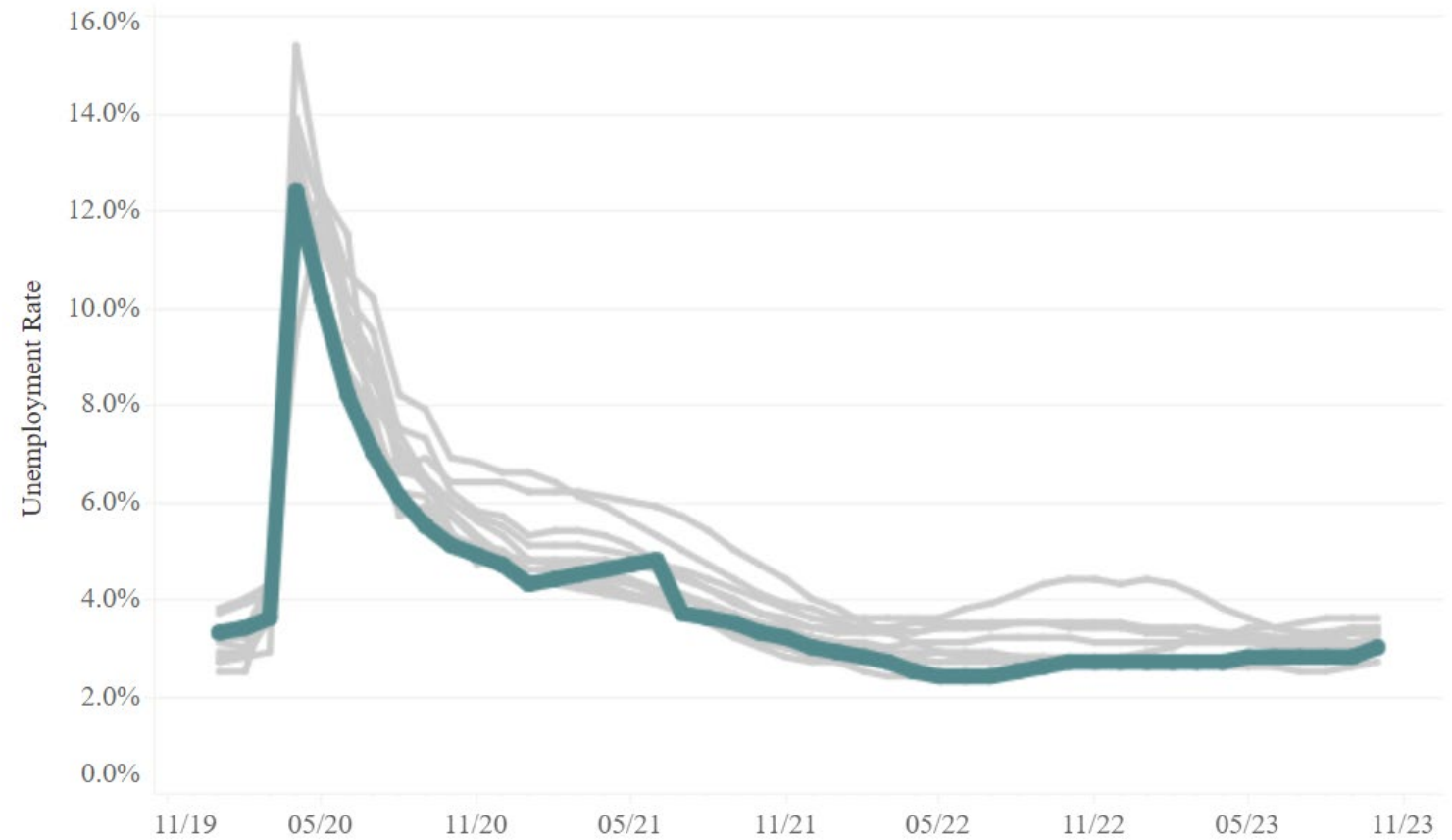
All net growth in the US labor force over pre-pandemic levels has been due to the increase in foreign-born workers.

US Labor Force Growth Since Pandemic Began
December 2019 to October 2023



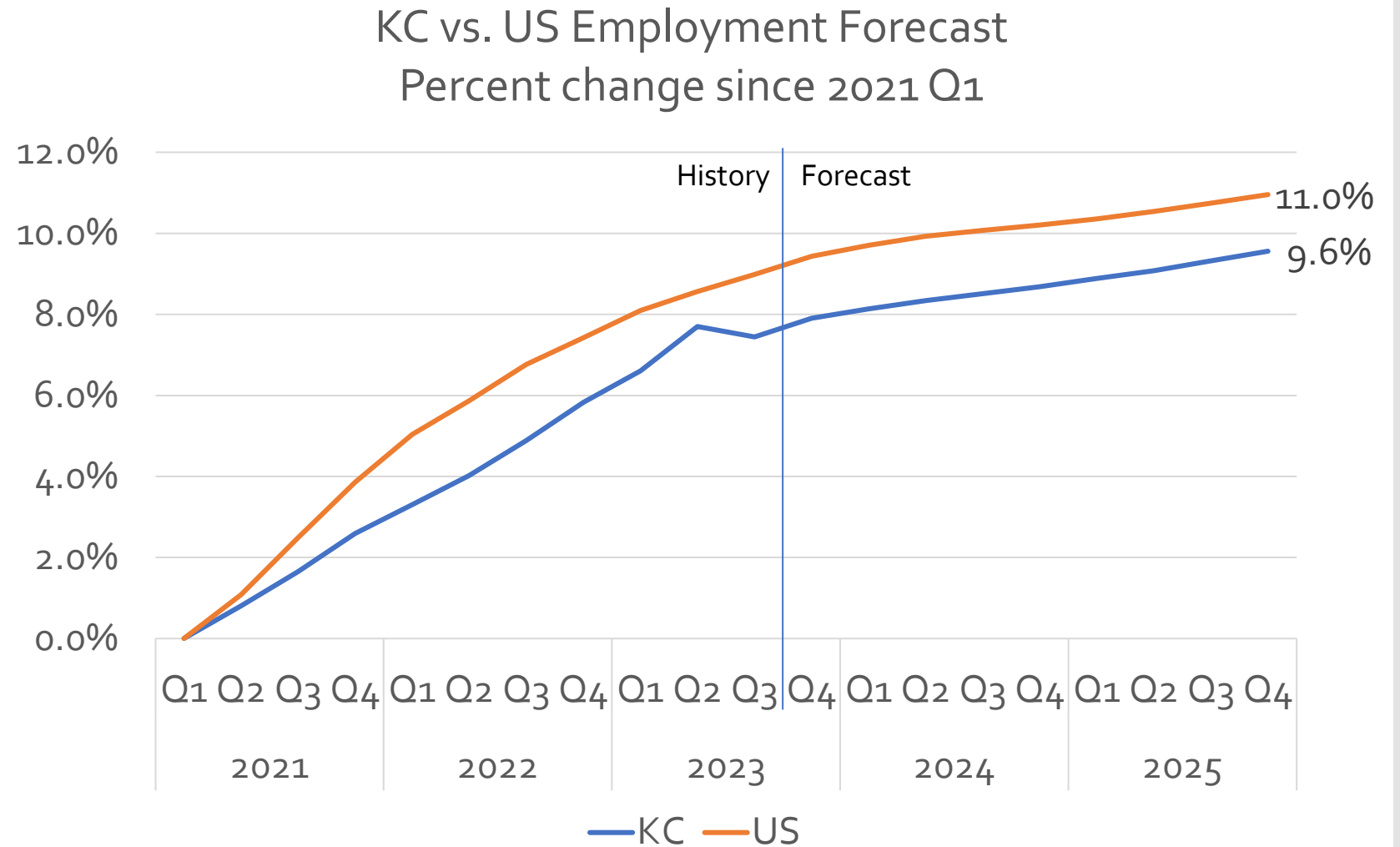
The labor shortage keeps the unemployment rate low

Unemployment Rate
Seasonally Adjusted



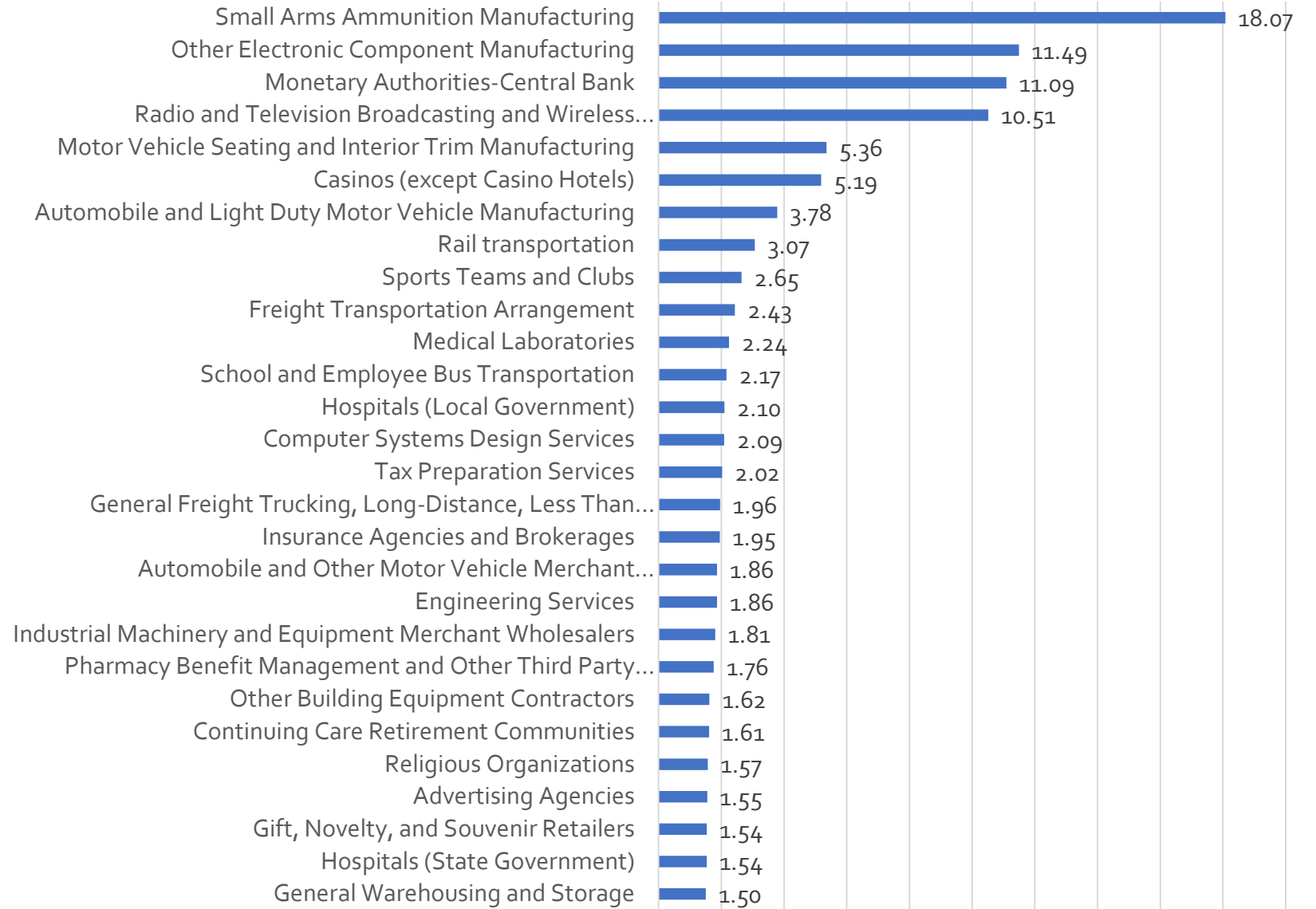
But going forward, job growth flattens, here and nationwide.

KC continues to underperform.



Source: BLS, RSQE, MARC

KC Largest Exporting Industries Ranked by 2022 Employment Concentration



Source: Lightcast

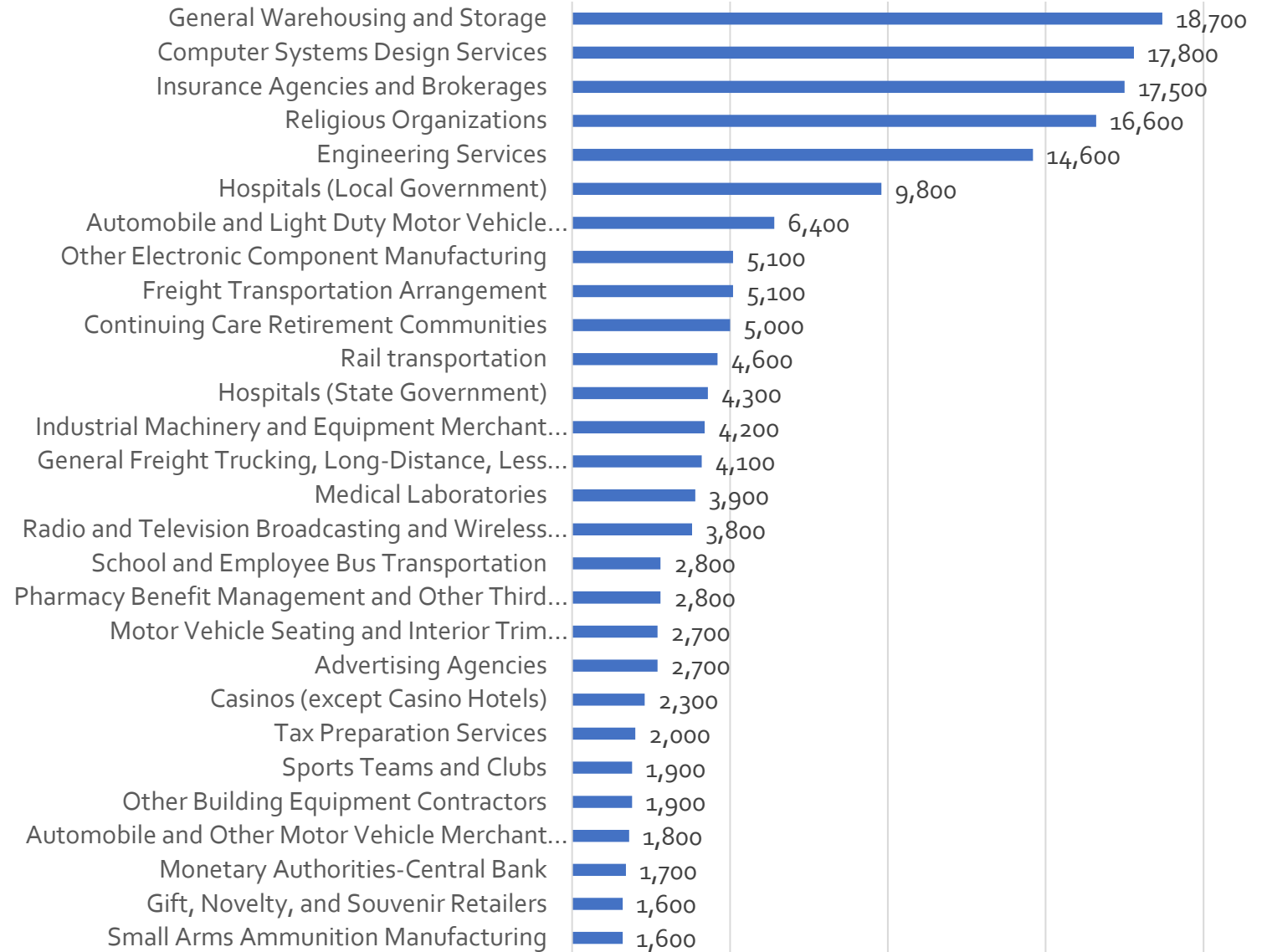
The question is, "Why?"

Regions grow when they
produce value for the
larger economy.

Which KC industries export
most can be estimated by
those whose share of KC
employment exceeds US
averages.

Here are the same industries, ranked by their employment size. The region's well-known major sectors are represented – Warehousing, Health IT, Insurance, Engineering, Autos, Electronics manufacturing, Freight.

KC Largest Exporting Industries Ranked by 2022 Jobs

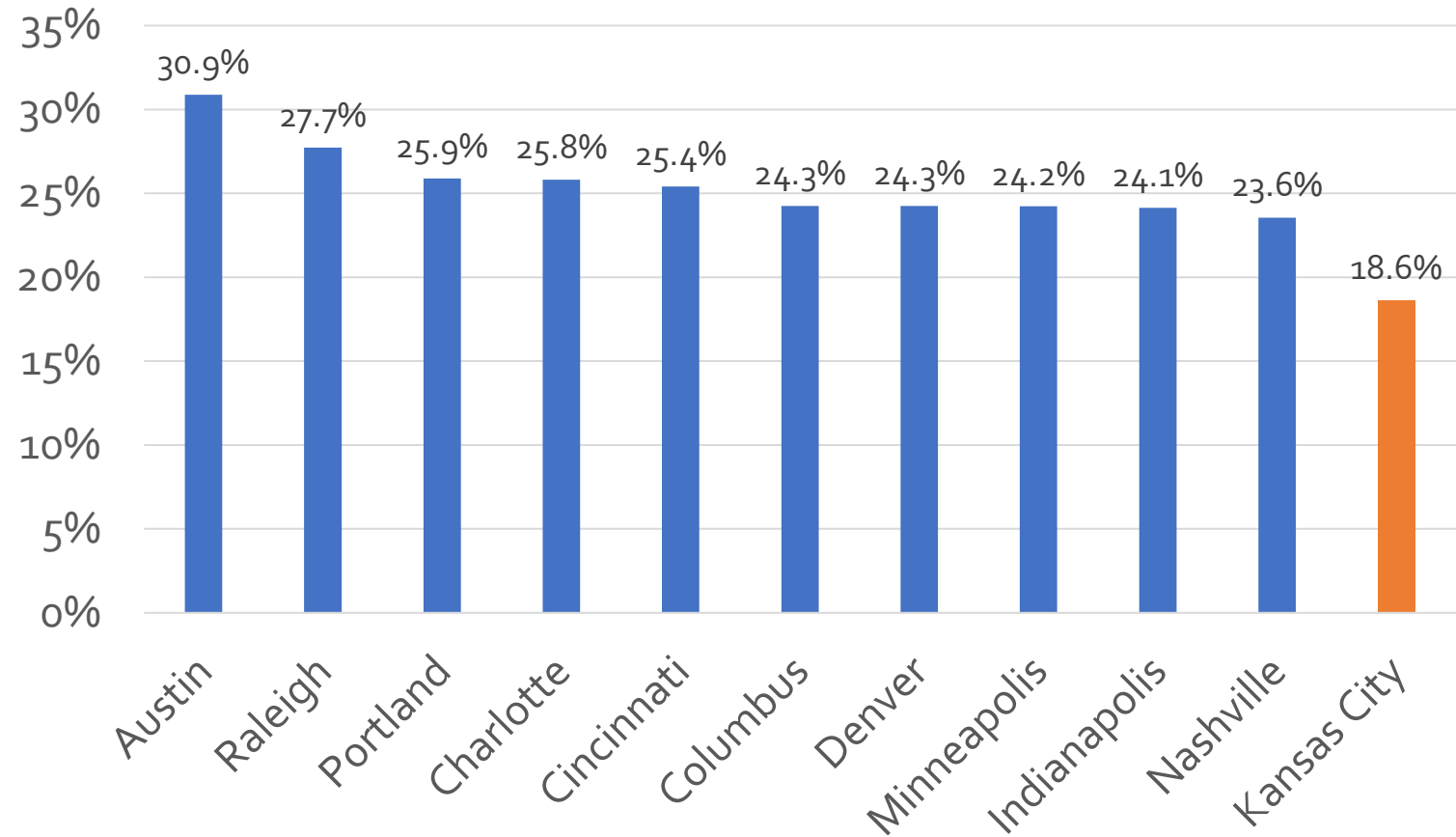


Source: Lightcast

0 5,000 10,000 15,000 20,000

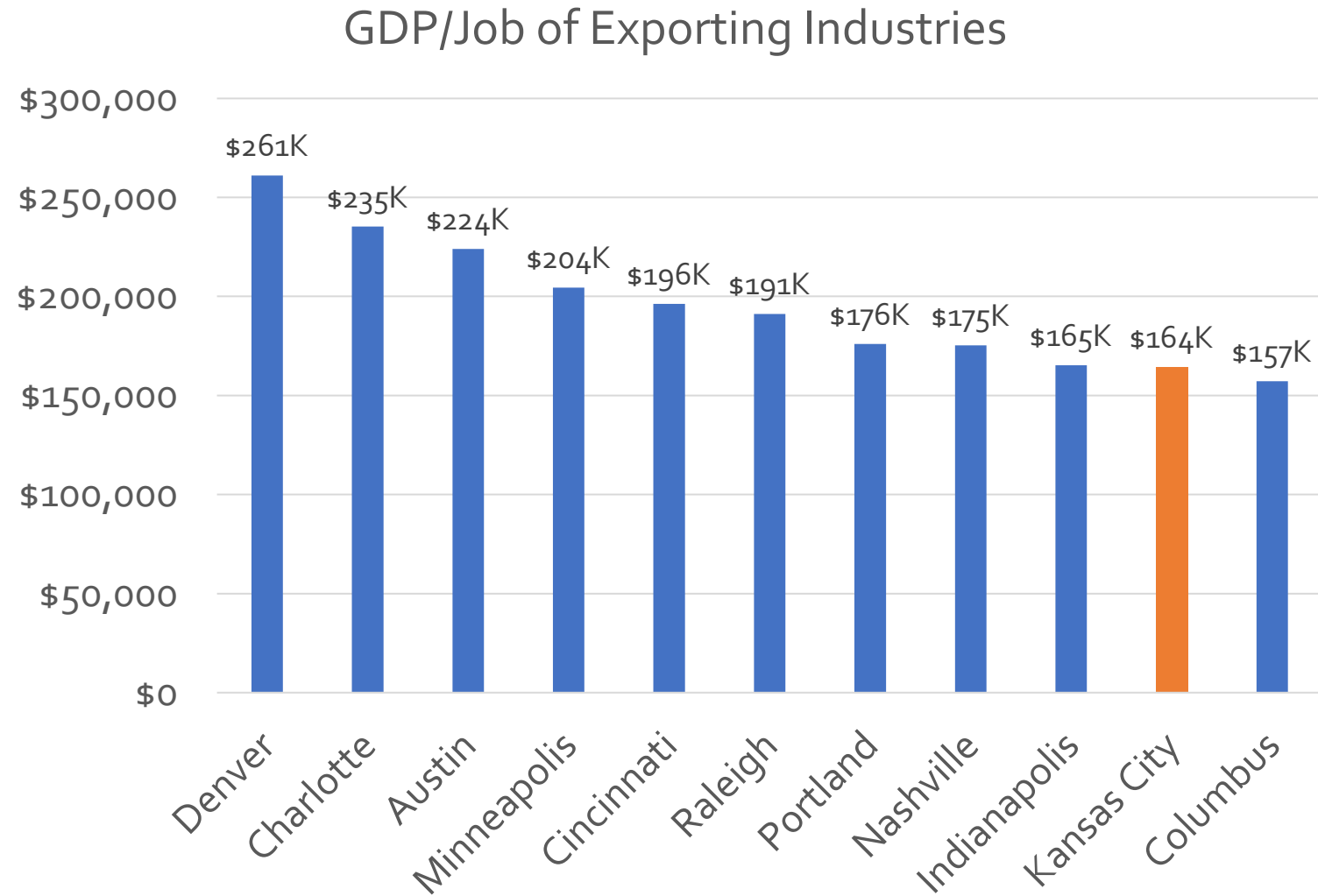
But when we sum the total employment in our exporting industries, express it as a share of total employment, and compare that share against the benchmark metros, KC lags far behind them all.

Export Industry Employment as a Share of All Employment



Source: Lightcast

Additionally, when we look at how productive the employees are in those exporting industries, measured by the **value** of the products and services the industries sold on a per employee basis, We find that KC is ranked near the bottom here as well.



Source: Lightcast

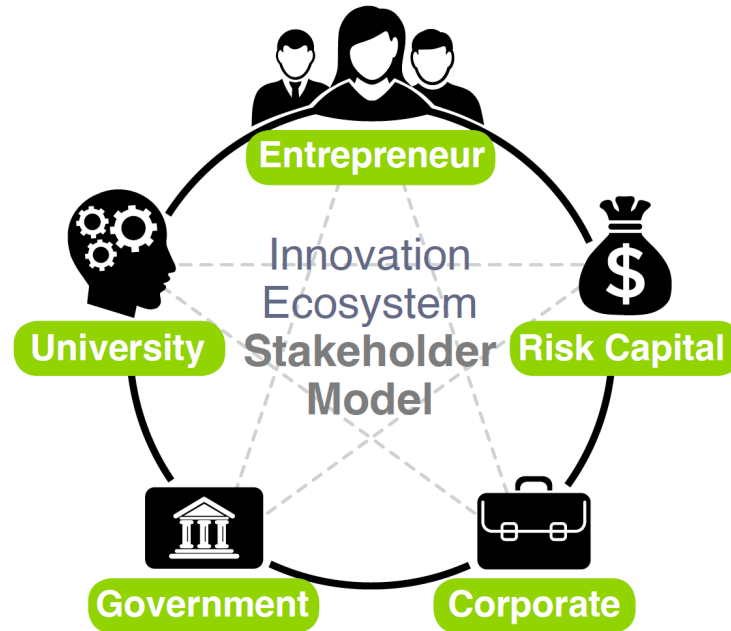
Value is driven
by innovation.

Today, most
innovation is created
by young firms
incorporating new
technology.

Innovation Driven
Enterprises (IDEs)
comprise 0.3% of
firms but generate
nearly 25% of GDP.

**No one
is “in charge” of
entrepreneurship...**

STAKEHOLDERS

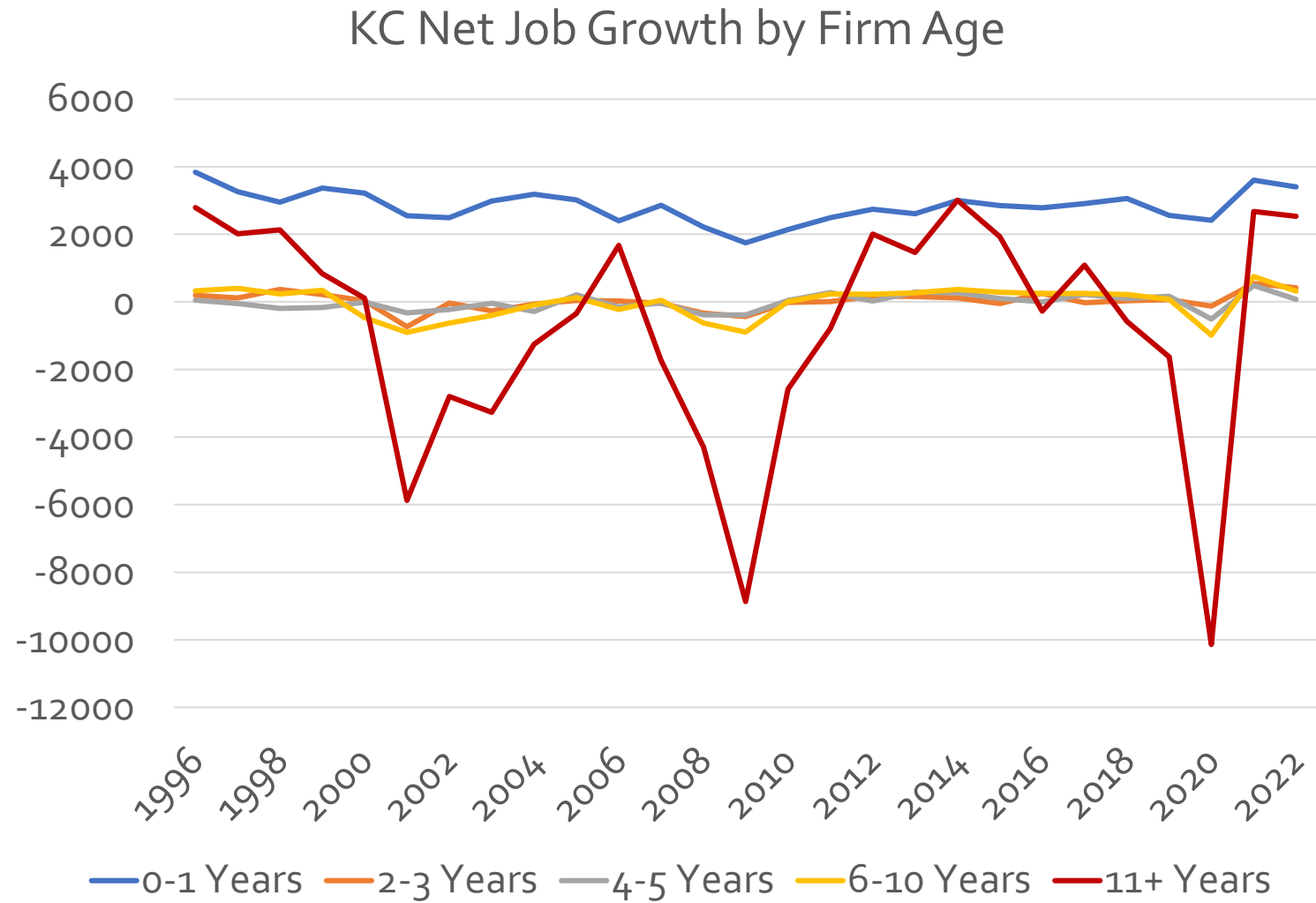


**But each
stakeholder
plays a critical
role in
success...**



PennDOT LTAP announced that the annual Build a Better Mousetrap Innovation Challenge (BABMT) is now accepting submissions from

All net job growth comes from the creation of young firms



Source: Quarterly Workforce Indicators, U.S. Census Bureau

Conclusion

- Workforce development and upskilling is Job 1.
 - Education and skills drive productivity and wages
 - The number of workers may be limited but their potential to create value is not.
- Generating more new businesses, especially innovation-driven enterprises (IDEs), is Job 2.
- Local governments have a role in promoting both.