Economic Forecast Update September 2023

US History and Forecast

Total Non-Farm Employment



- All Employees, Total Nonfarm

- Federal Funds Effective Rate

Fed Funds Rate

Policy follows the real economy



Inflation Rate (CPI)

We never had so severe a recession nor as quick a bounce back. The result was inflation we hadn't seen since the 1980s





- Consumer Price Index for All Urban Consumers: All Items in U.S. City Average

U.S. GDP Forecast

Source: University of Michigan's Research Seminar in Quantitative Economics (RSQE)



Real GDP Growth Rate (annual rates)

US Total Non-Farm Employment Forecast



Unemployment Rate Forecast

Note: 4% unemployment has historically been considered "full employment"



Unemployment Rate Forecast

Inflation Forecast

Percent Change in Personal Consumption Price Deflator (annual rates)



KC History and Forecast

KC Employment by Sector, 3Q 2023



Current Distribution of Industry Employment

Note: employment levels consistent with BEA's definition of employment, which includes the selfemployed.

0 50,000 100,000 150,000 200,000

KC's employment forecast follows a similar pattern to the US. The sharpness of the break from past trends is due to the August employment data showing a significant drop in KC. This is preliminary data, however.



KCTotal Employment Forecast

Measured on a 4th quarter-to-4th quarter basis, we see a period of very slow growth in 2023 followed by a modest rebound in 2024. This growth rate may be the "new normal" for the region in a period where labor force growth slows nationwide.

KC Total Employment Change



KC 4Q-to-4Q Employment Growth, 2021-22



2022's employment growth was dominated by hard-hit industries rebounding, plus strong growth in tech services, health car, manufacturing and construction.

-4,000-2,000 0 2,000 4,000 6,000 8,000

KC 4Q-to-4Q Employment Growth, 2022-23



In 2023, that rebound extended to local government (which also includes public schools). But manufacturing and retail are expected to show declines by the end of the year.

-4,000-2,000 0 2,000 4,000 6,000 8,000

KC 4Q-to-4Q Employment Growth, 2023-24

Health care and social assistance 4,454 Accommodation and food services 2,679 Arts, entertainment, and recreation 1,805 State and Local Government 1,753 Transportation and warehousing 1,558 Professional, scientific, and... 634 Administrative, support, waste... 428 Educational services; private 402 Management of companies and... 60 Other services (except public... 34 Forestry, fishing, and hunting 30 Mining -67 Federal Civilian -71 Information -146 Utilities -205 Farm -230 Federal Military -244 Real estate and rental and leasing -251 Manufacturing -355 Wholesale trade -652 Construction -1,148 Finance and insurance -1,857 Retail trade -4,599

In 2024, growth slows dramatically and so many industries are expected to lay off workers. The shift to consuming services rather than goods continues, shown by the relatively strong growth in health care, food and entertainment.

-6,000-4,000-2,000 0 2,000 4,000 6,000

KC 4Q-to-4Q Employment Growth, 2024-25



In 2025, most industries begin to grow again, but Finance and Retail continue to struggle, in part due to digital competition from national firms.

-4,000 -2,000 0 2,000 4,000 6,000

Characteristics of the Public Workforce

Special tabulation of data from the Census Bureau's American Community Survey But forecast public sector employment growth may not be achieved due to difficulty in hiring and retention.

- To better understand the challenges of building the public sector workforce, it is necessary to first understand where things stand.
- Unfortunately, there is little readily available data on the characteristics of the public sector workforce relative to private sector.
- Additionally, the different levels of government face different hiring and retention issues.
- The data here are the result of a custom tabulation of public use microdata from the American Community Survey known as PUMS.

The federal workforce is heavily officeoriented

Top 15 Federal Government Occupations



Top 15 State & Local Occupations

The state and local government workforce is both in the field in schools and protecting communitiesand in city halls.



The private sector is more occupationally diverse, including office but also sales, goods movement, production and services.

Top 15 Private Occupations



In general, public sector workforce is older than the private sector

50 43.8 44.1 45 40.8 40 35 30 25 20 Federal State & Local Private

Median Age of Workers by Sector

Median age masks how much greater the proportion of workers under 40 is in the private vs. the public sector in many occupations



More than half of private sector computer workers are under 40, double that of federal workers



Computer and Mathematical

Workers between 40 and 60 years typically account for more than half of the public sector workforce.





Management is one of the few where even in the private sector those between 40 and 60 predominate



Protective service workers are one of the few where the federal workforce has a higher proportion of young workers than the private sector.



Federal jobs pay better than either state and local jobs or the private sector



Median Income by Sector

Federal Annual Median Wage Difference From Private Sector

Life, Physical, and Social Science \$52.7K \$47.4K Legal \$40.9K \$36.1K \$29.2K \$24.9K \$21.6K \$20.4K \$14.4K \$14.4K \$13.1K \$12.8K \$10.3K \$9.8K Production \$9.1K \$4.6K Management \$0.8K \$0.5K -\$3.3K -\$6.6K -\$7.8K Sales and Related -\$8.8K

Community and Social Service Educational Instruction, and Library Transportation and Material Moving Building and Grounds Cleaning and... Farming, Fishing and Forestry Healthcare Practitioners and Technical Architecture and Engineering Protective Service Computer and Mathematical Office and Administrative Support Construction and Extraction Arts, Design, Entertainment, Sports,... Healthcare Support Business and Financial Operations Food Preparation and Serving Related Installation, Maintenance, and Repair Personal Care and Service

The median wage also substantially higher for federal workers than the private sector for most occupations.

> \$40,000 \$60,000 \$20,000 -\$20,000 \$0

State & Local Annual Median Wage Difference From Private Sector



Meanwhile, state and local government jobs pay roughly the same as the private sectors in most occupations, but substantially less in critical business, management and computer occupations.

-\$25,000 -\$15,000 -\$5,000 \$5,000 \$15,000

Many of the issues related to the age of the workforce or pay relative to private sector show up in job postings data. But for education and protective service occupations, hiring and retention challenges also include the inherent difficulty of the work and changing public perceptions.

Top Posted Occupations

| | - Total/Unique (Jan 2022 Aug 2023) | Posting Intensity | Median Posting Duration |
|--|---------------------------------------|-------------------|----------------------------|
| Managers, All Other | 193 / 65 | 3:1 | 32 days |
| Secretaries and Administrative Assistants, Except Legal, Medical, and Executive | 146 / 62 | 2:1 | 28 days |
| Industrial Engineering Technologists and Technicians | 178 / 56 | 3:1 | 31 days |
| Police and Sheriff's Patrol Officers | 99 / 51 | 2:1 | 36 days |
| Correctional Officers and Jailers | 97 / 45 | 2:1 | 28 days |
| Maintenance and Repair Workers, General | 92 / 34 | 3:1 | 35 days |
| Firefighters | 294 / 27 | 11:1 | 45 days |
| Security Guards | 60 / 24 | 3:1 | 36 days |
| Production Workers, All Other | 46 / 24 | 2:1 | 25 days |
| Accountants and Auditors | 79 / 21 | 4:1 | 30 days |