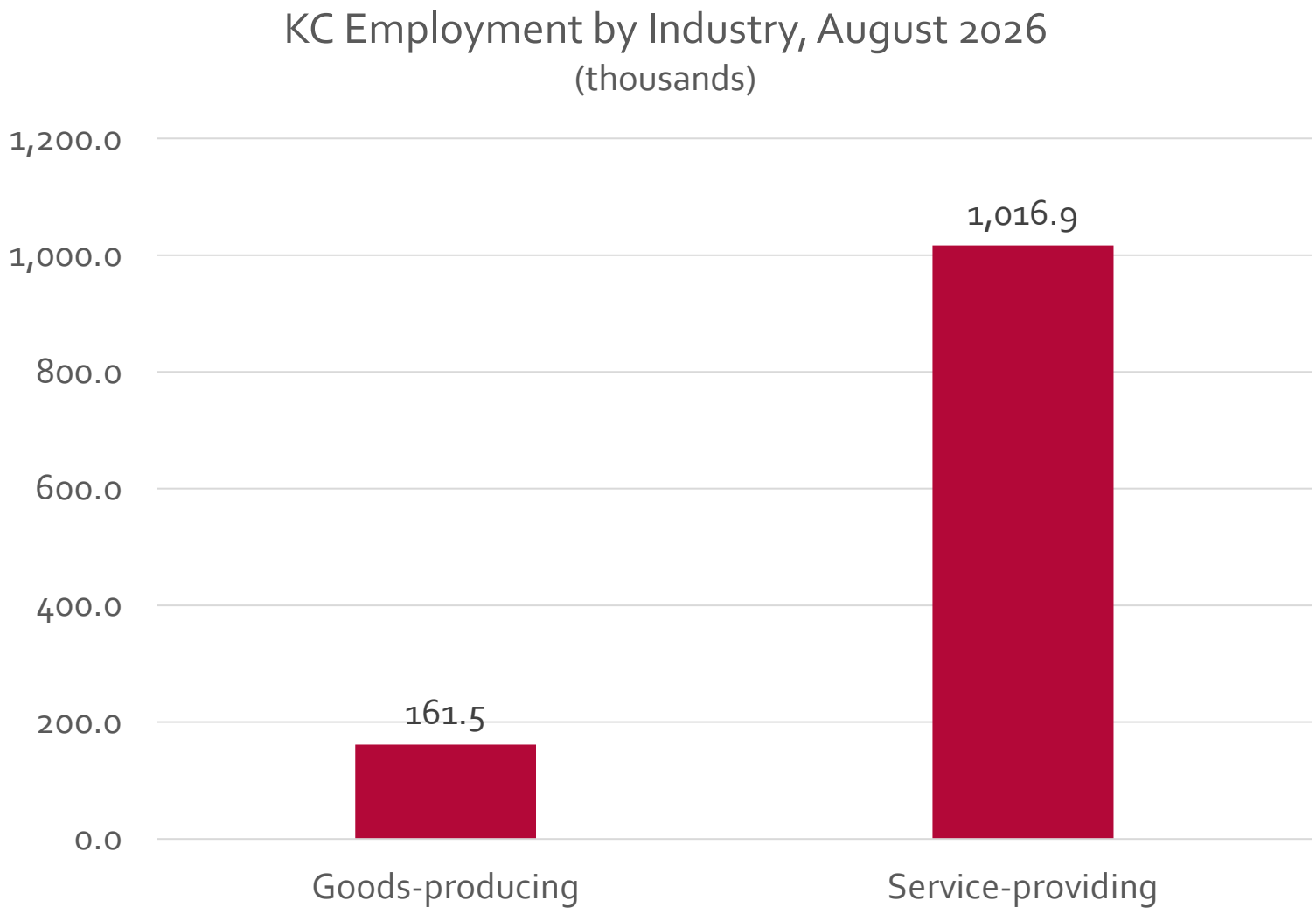
2027 KC Economic Forecast

Frank Lenk, Director
Office of Economic Research
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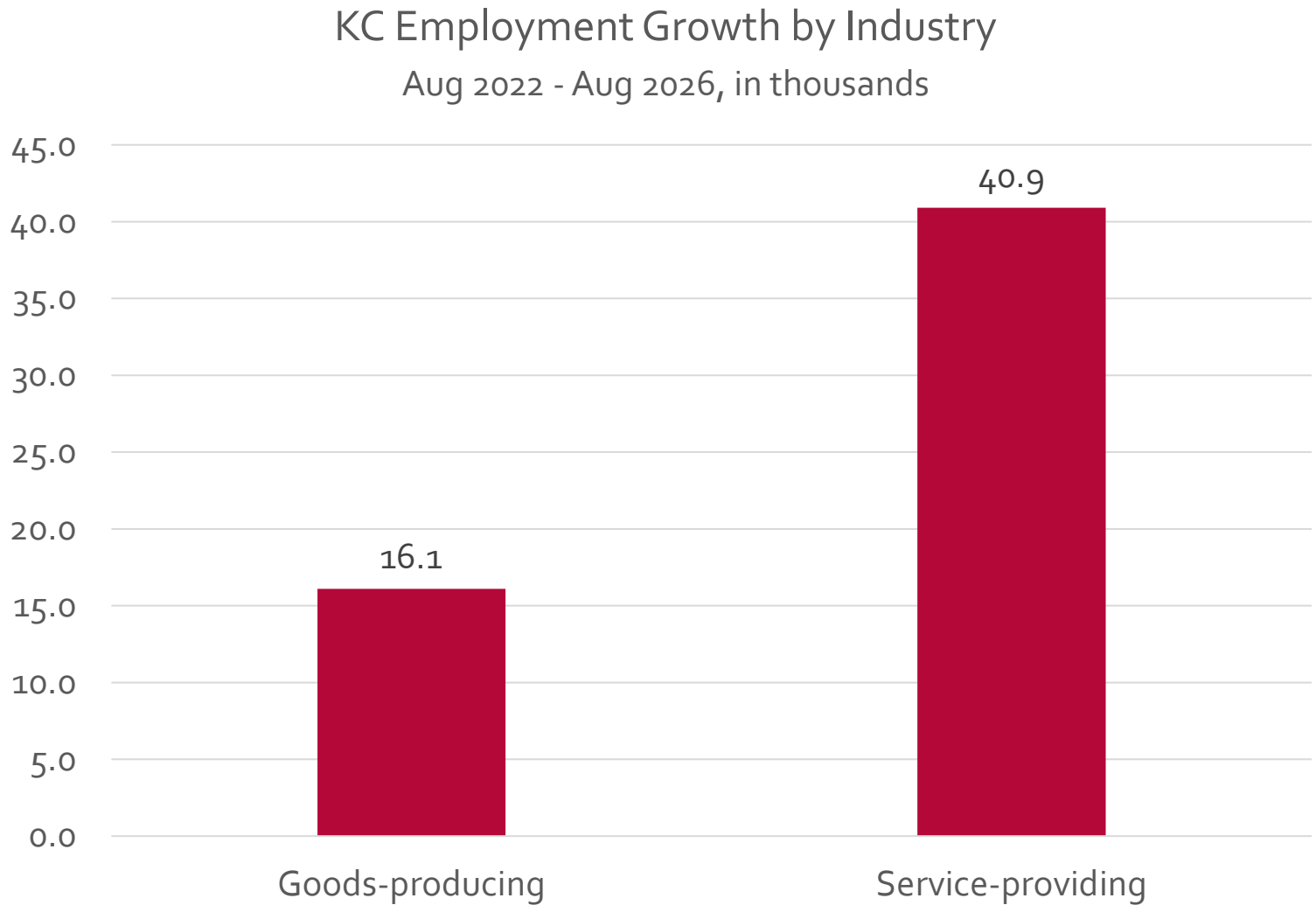
Current Situation

KC specializes more in providing services that producing goods. Six times as many KC residents work in the service sector as in the goods sector



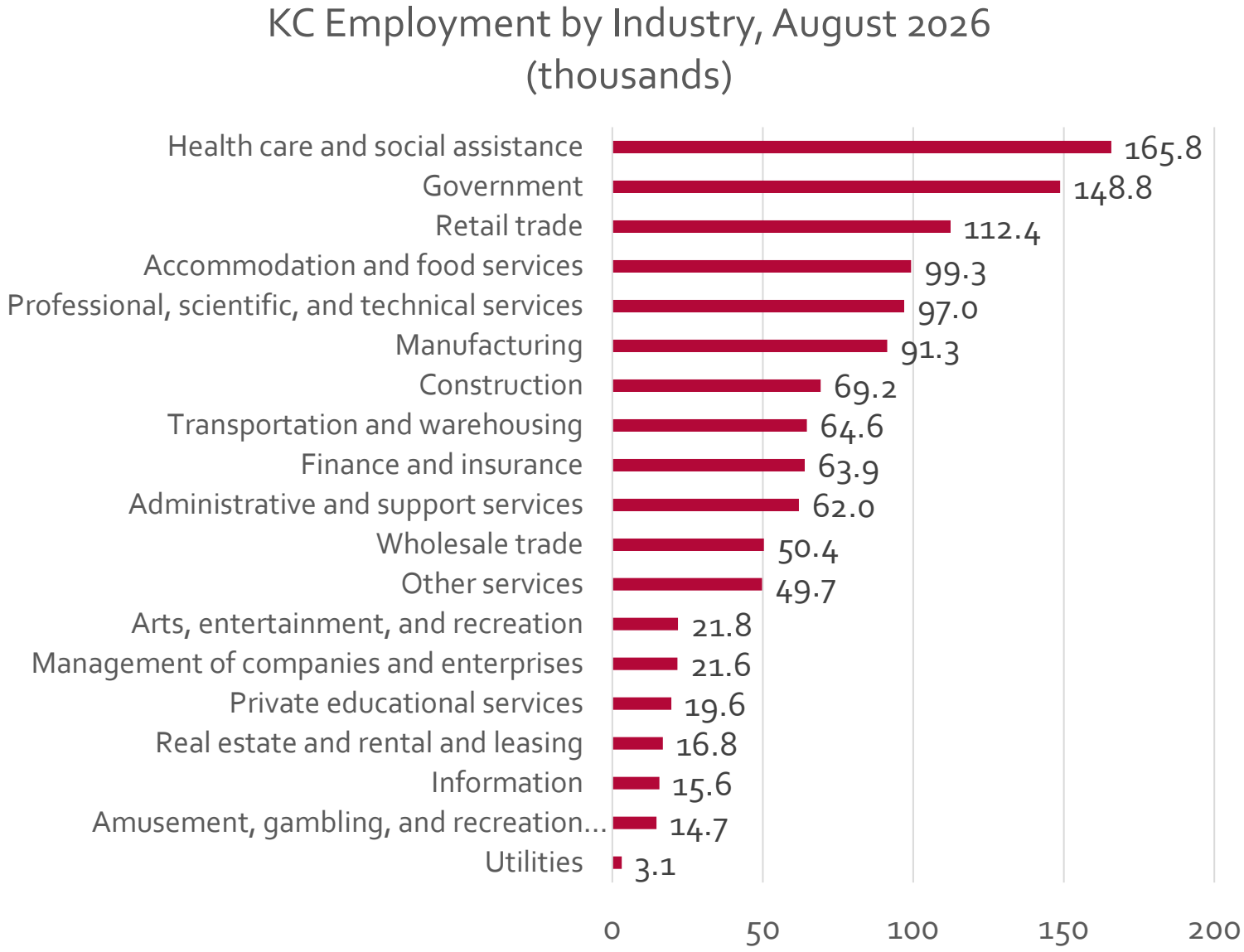
Source: Bureau of Labor Statistics

But the goods producing sector is punching above its weight in terms of job growth, accounting for more than a third of the region's increase in employment.



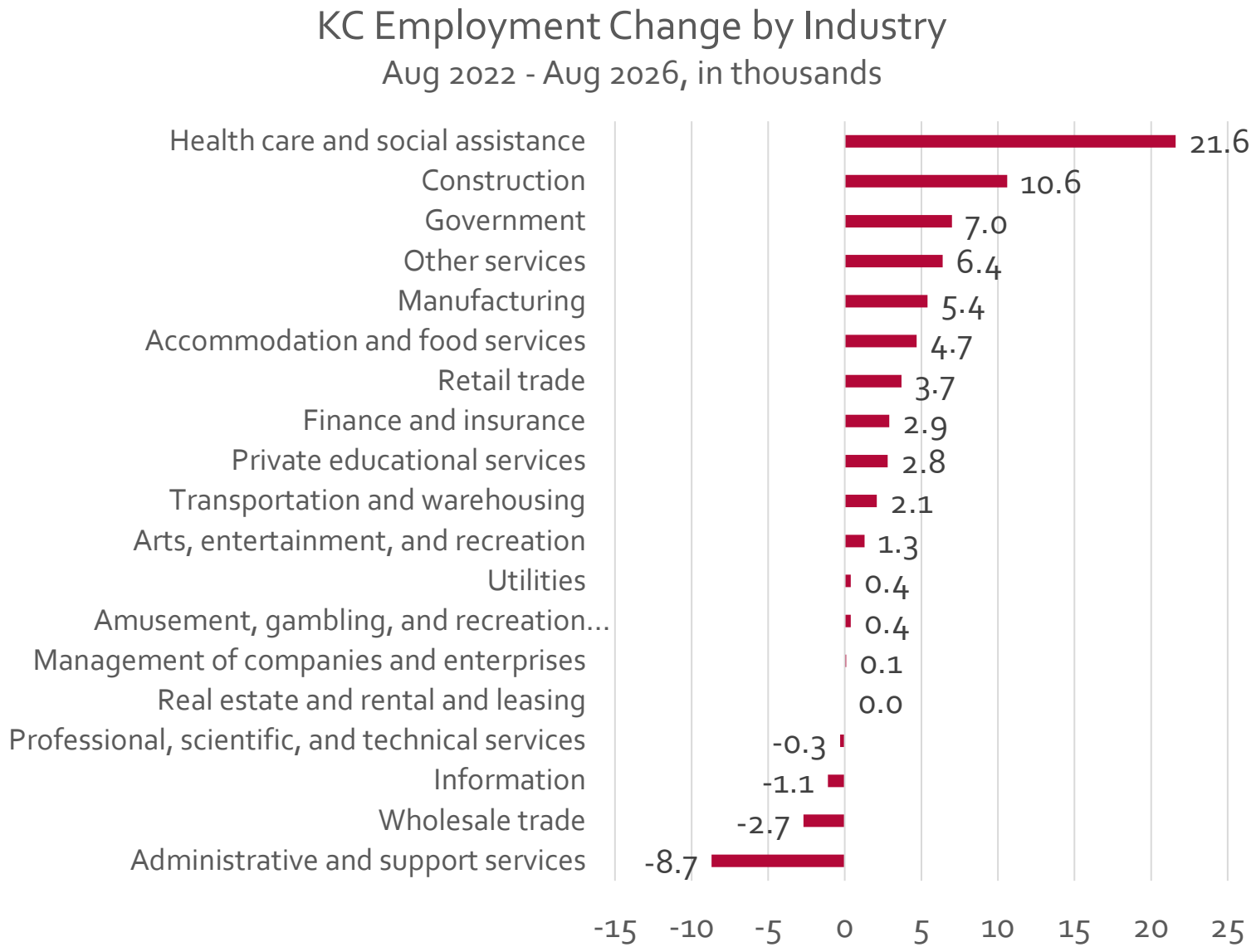
Source: Bureau of Labor Statistics

Health care, Government (including public schools) and Retail are our largest employers, followed by Accommodation and food, Prof/Sci/Tech Services and Manufacturing.



Source: Bureau of Labor Statistics

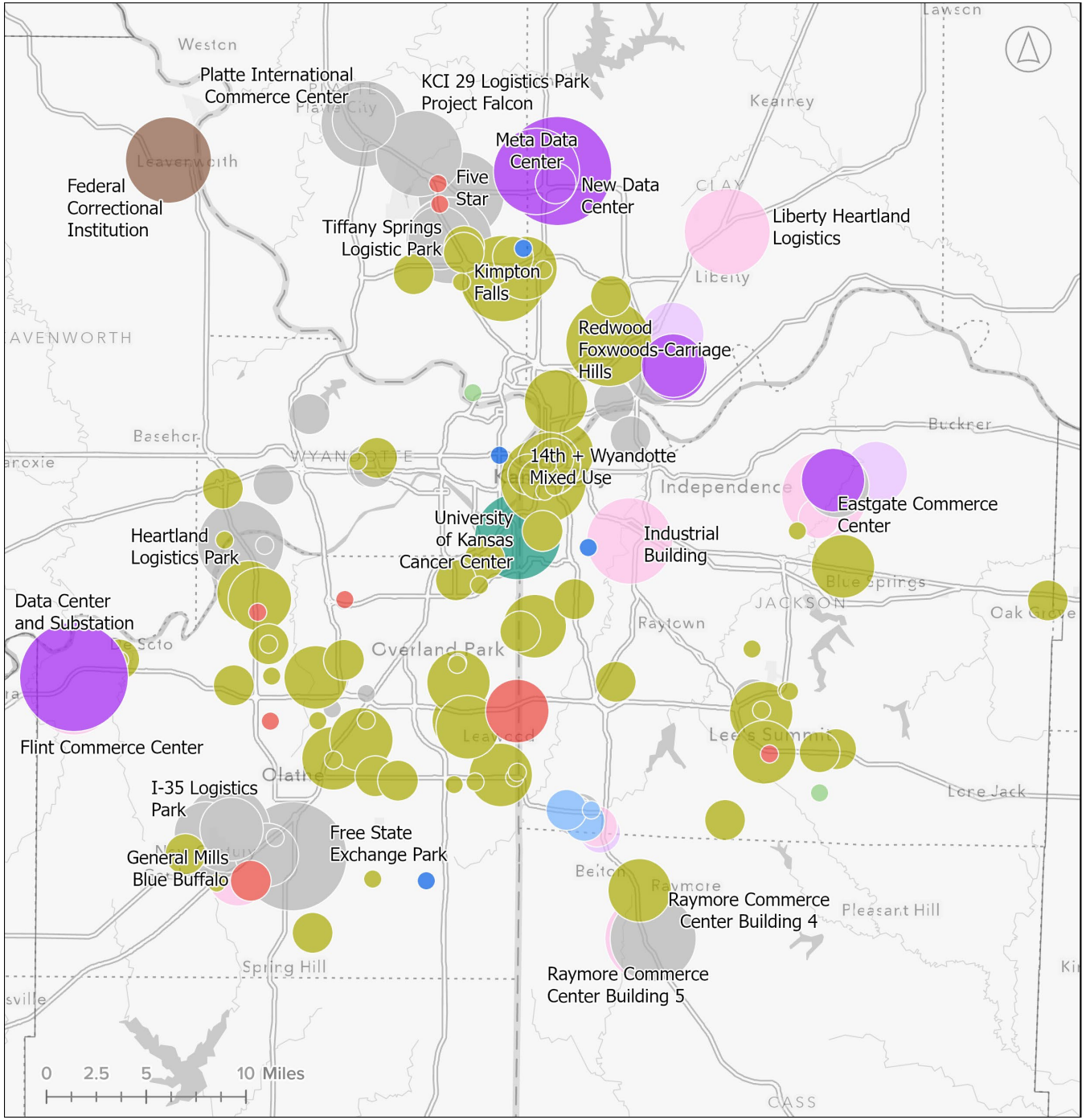
The distribution of recent job growth is somewhat different. Construction and Other services rise to the top while Prof/Sci/Tech moves toward the bottom



Source: Bureau of Labor Statistics

Most of the construction projects either industrial or multi-family.

Source: F.W. Dodge



Large Construction Projects in the Kansas City Region 2024 to 2026

Construction projects completed or started.

Type

- Education
- Recreation - Venue
- Commercial
- Government
- Housing
- Industrial - Warehouse
- Industrial - Manufacturing
- Industrial - Both W & M
- Infrastructure - Data Center
- Medical
- Public Safety

Building Square Footage

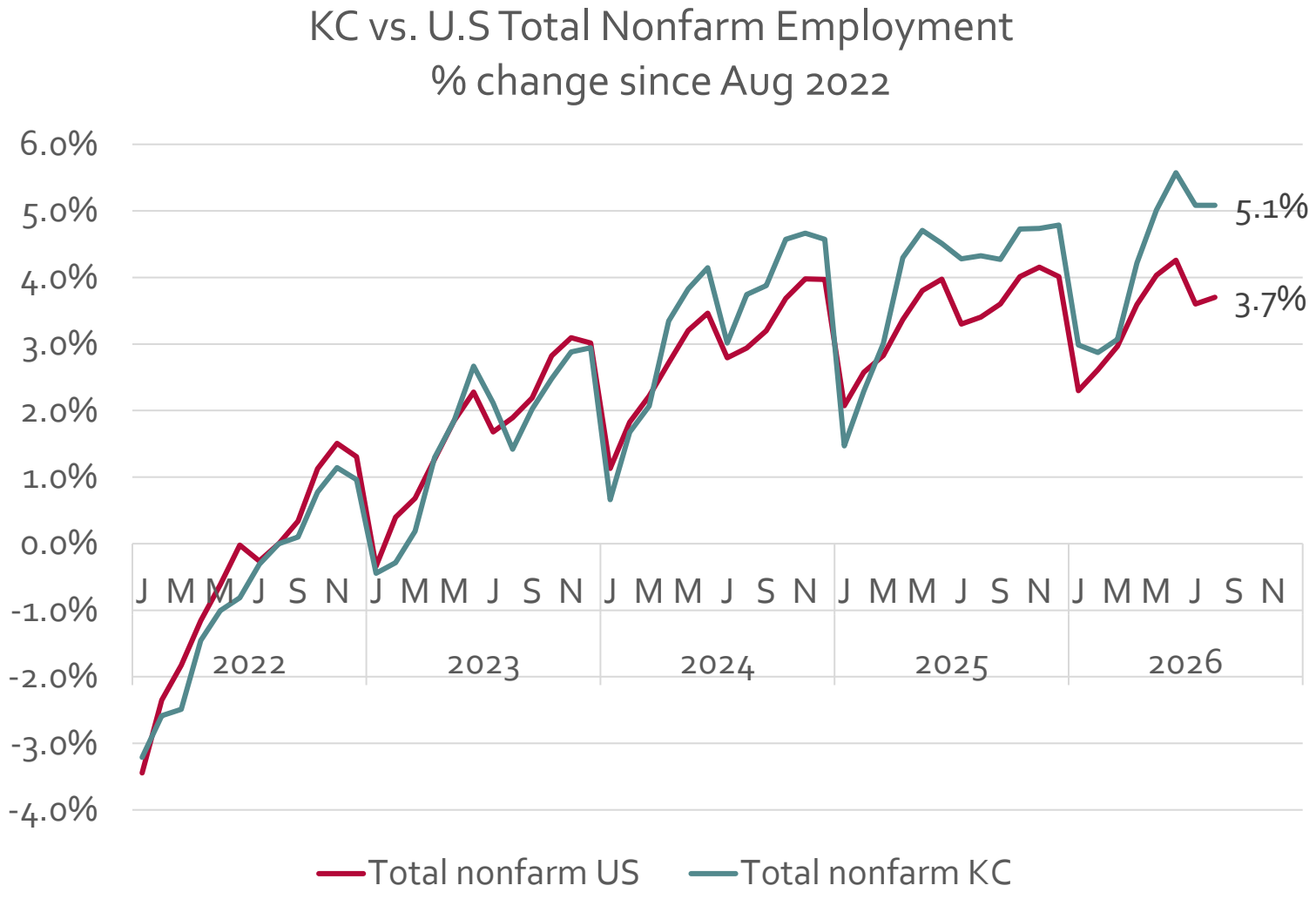
- 3,000,000
- 500,000
- 250,000
- 100,000

Source: F.W. Dodge. Projects published since 2024 whose square footage is > 100,000.

MARC
MID-AMERICA REGIONAL COUNCIL
GEOGRAPHIC INFORMATION SYSTEMS

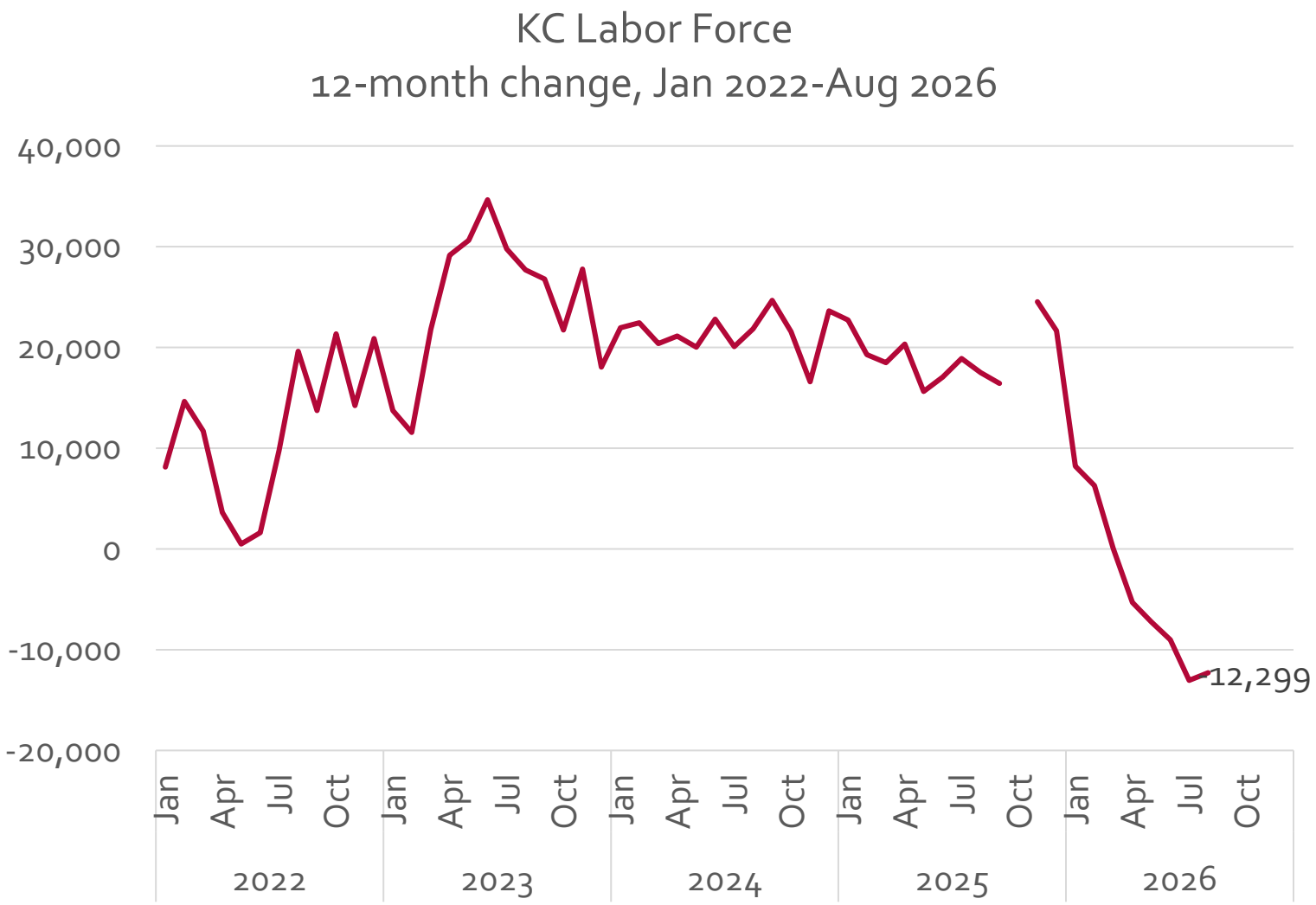
KANSAS MISSOURI

In a marked change from past analyses, KC's employment has begun to grow at a significantly faster rate than the U.S., especially in the last year.



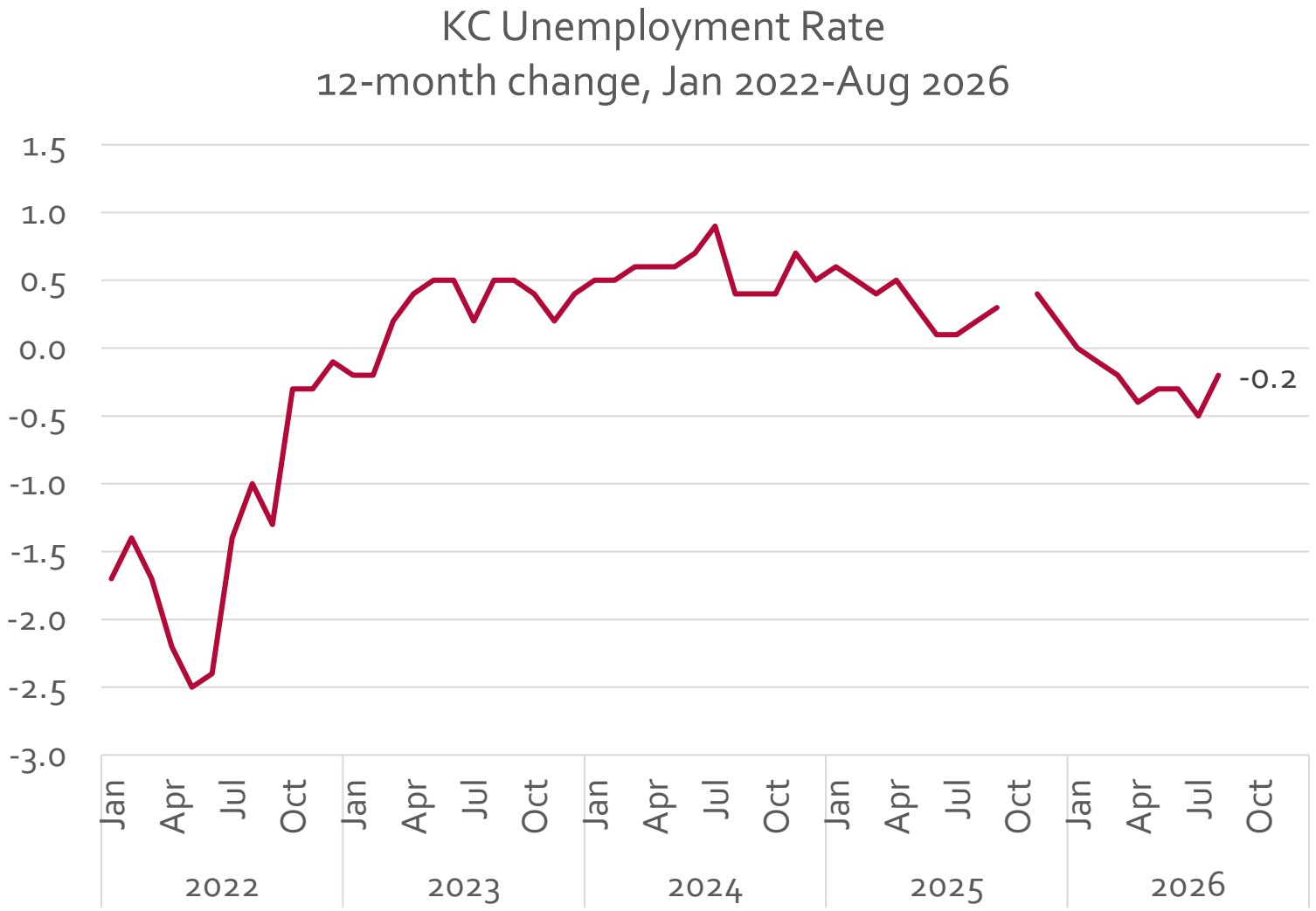
Source: Bureau of Labor Statistics

This is kind of a strange result, since in the last year the region's labor force has been shrinking.



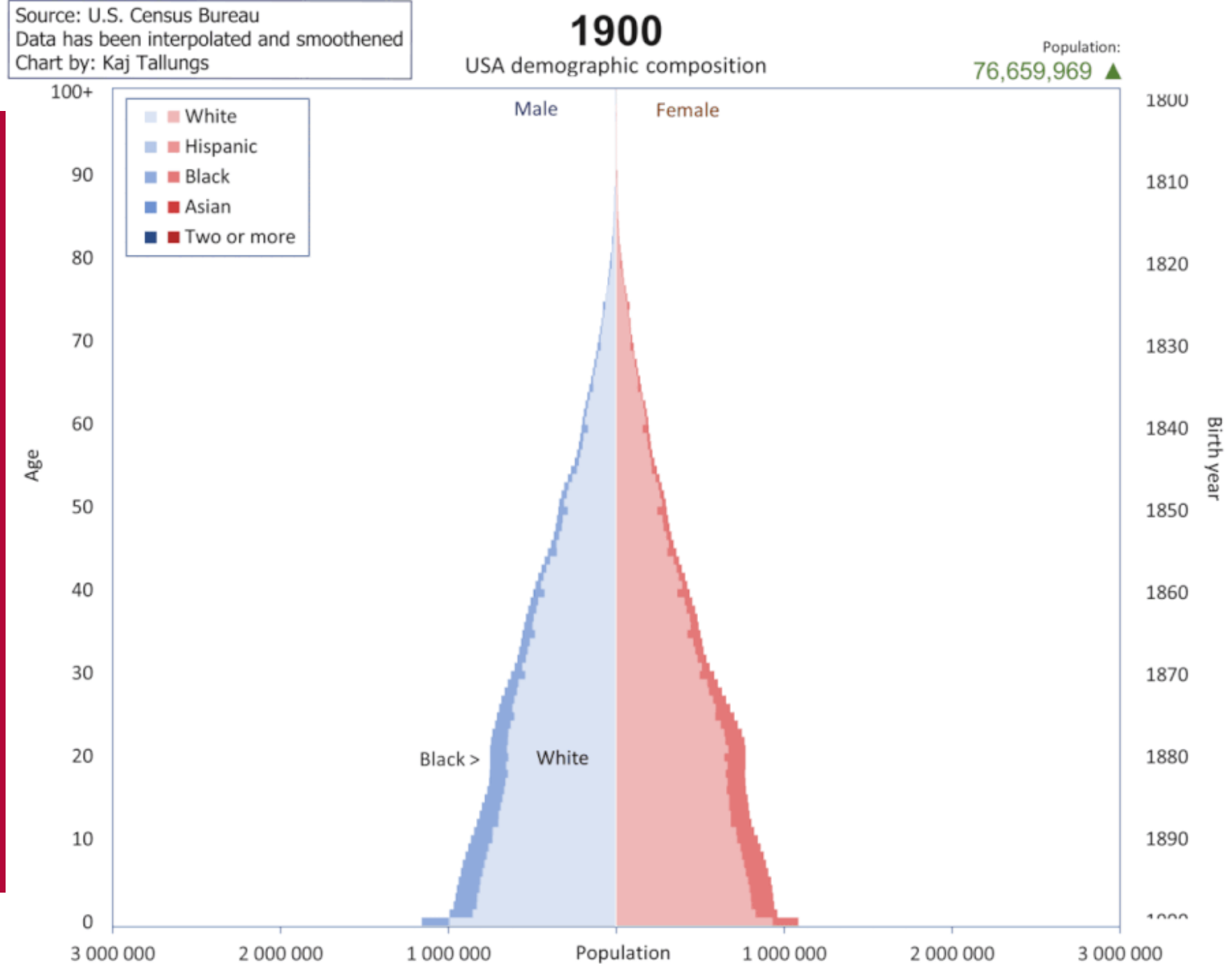
Source: Bureau of Labor Statistics

Post-pandemic, KC unemployment rate dropped to 2.5% before beginning a slow rebound to about 4%. That it has started to decline again as labor force is also declining means the number of unemployed persons is dropping even faster.

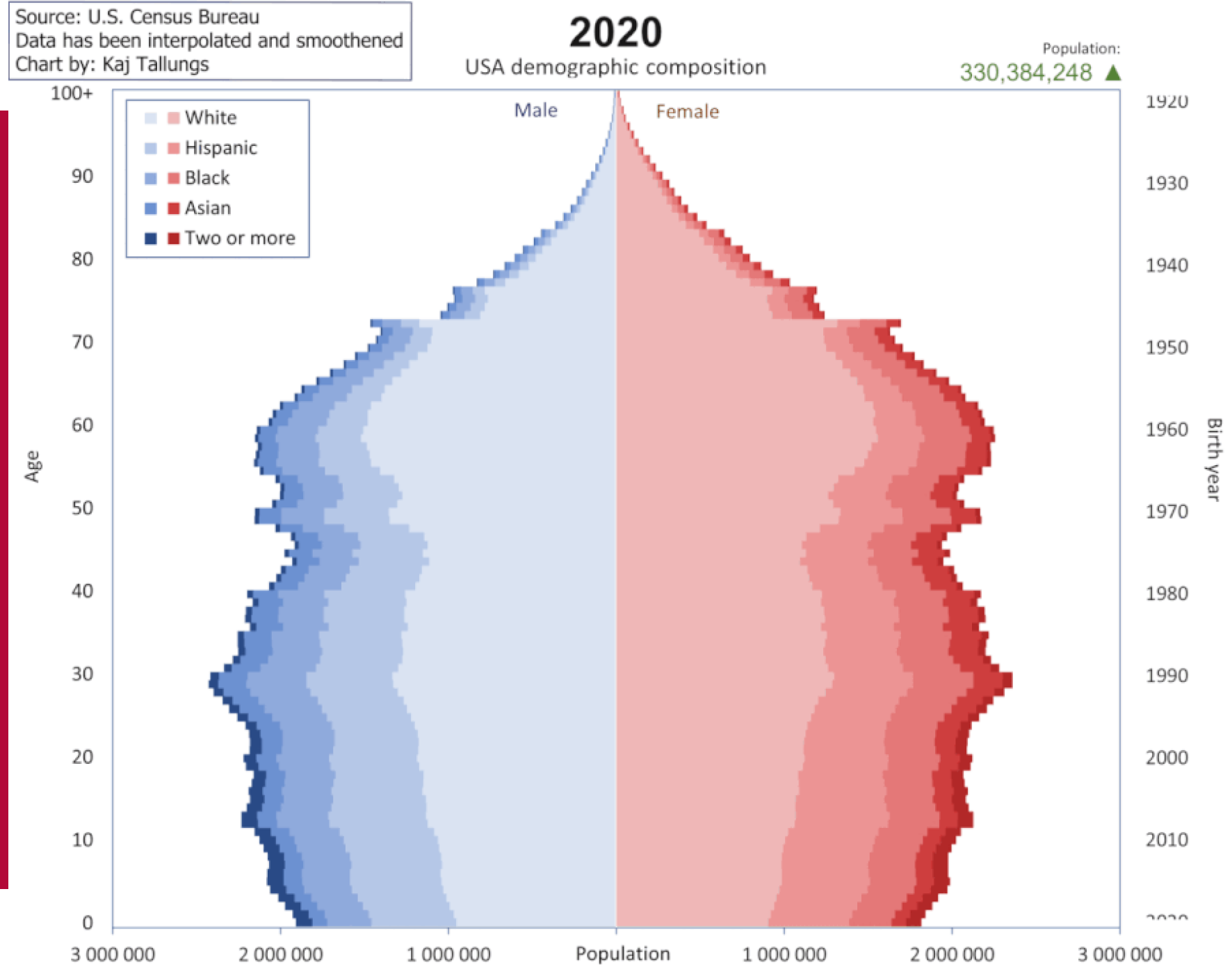


Source: Bureau of Labor Statistics

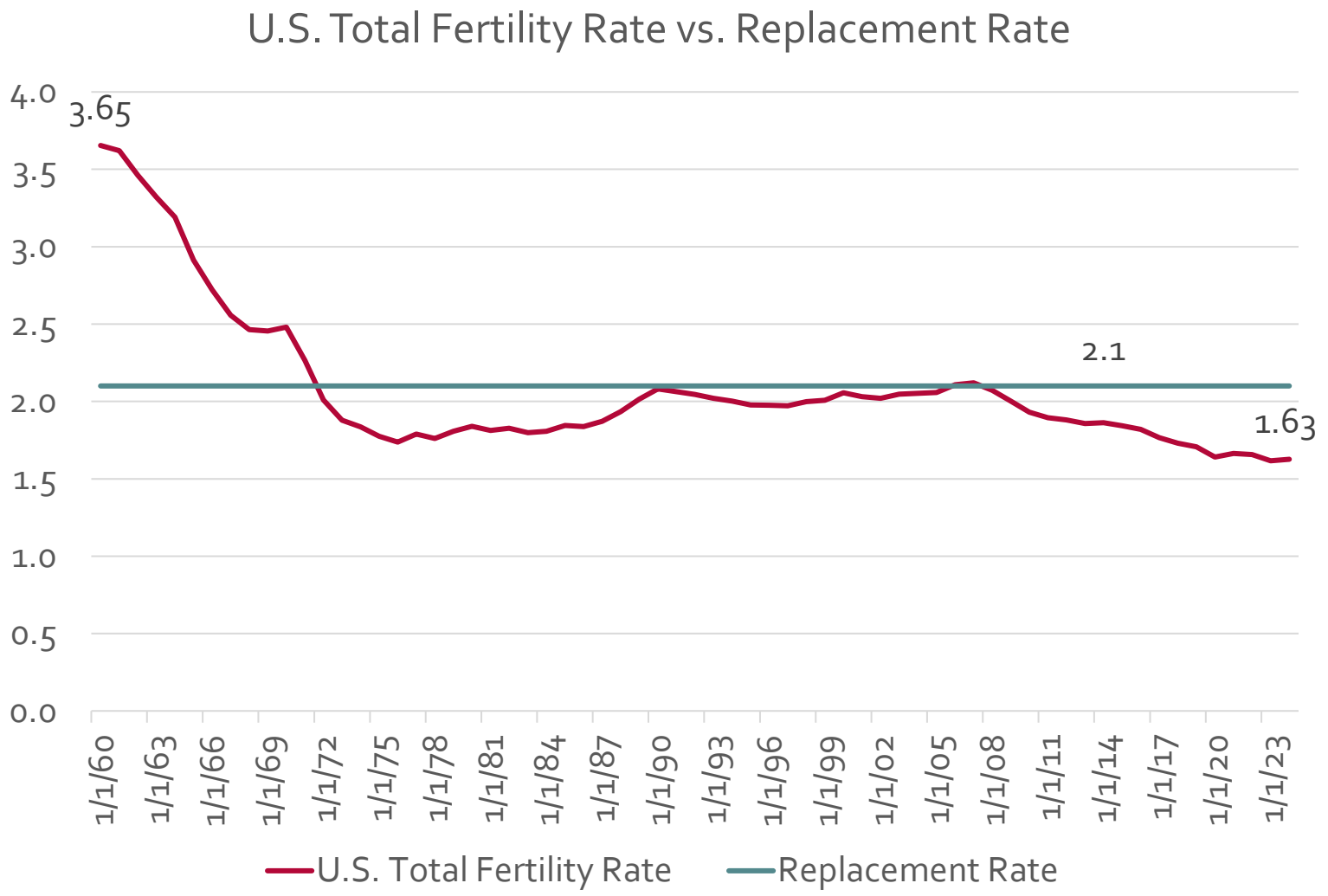
The challenge of a declining labor force is a long-term problem, fueled by the age structure of the population.



The population is growing older, with many aging out of the workforce.



At the same time, fertility rates are falling, limiting the number of new labor force entrants.



Source: World Bank via FRED®

Net immigration has historically filled the labor demand gap.

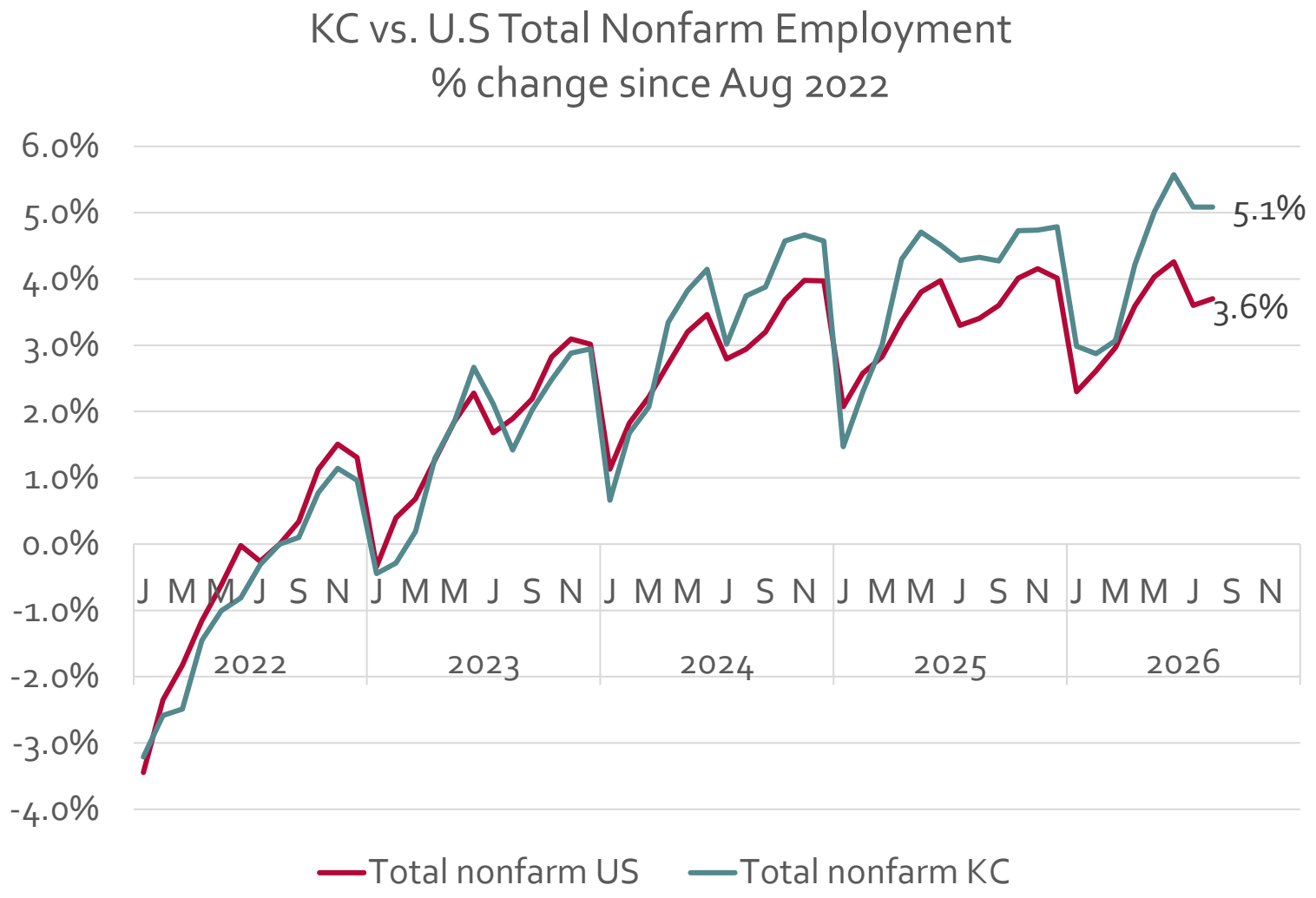
Now, that looks much less certain.



Source: *The Demographic Outlook: 2026-2056*, Congressional Budget Office

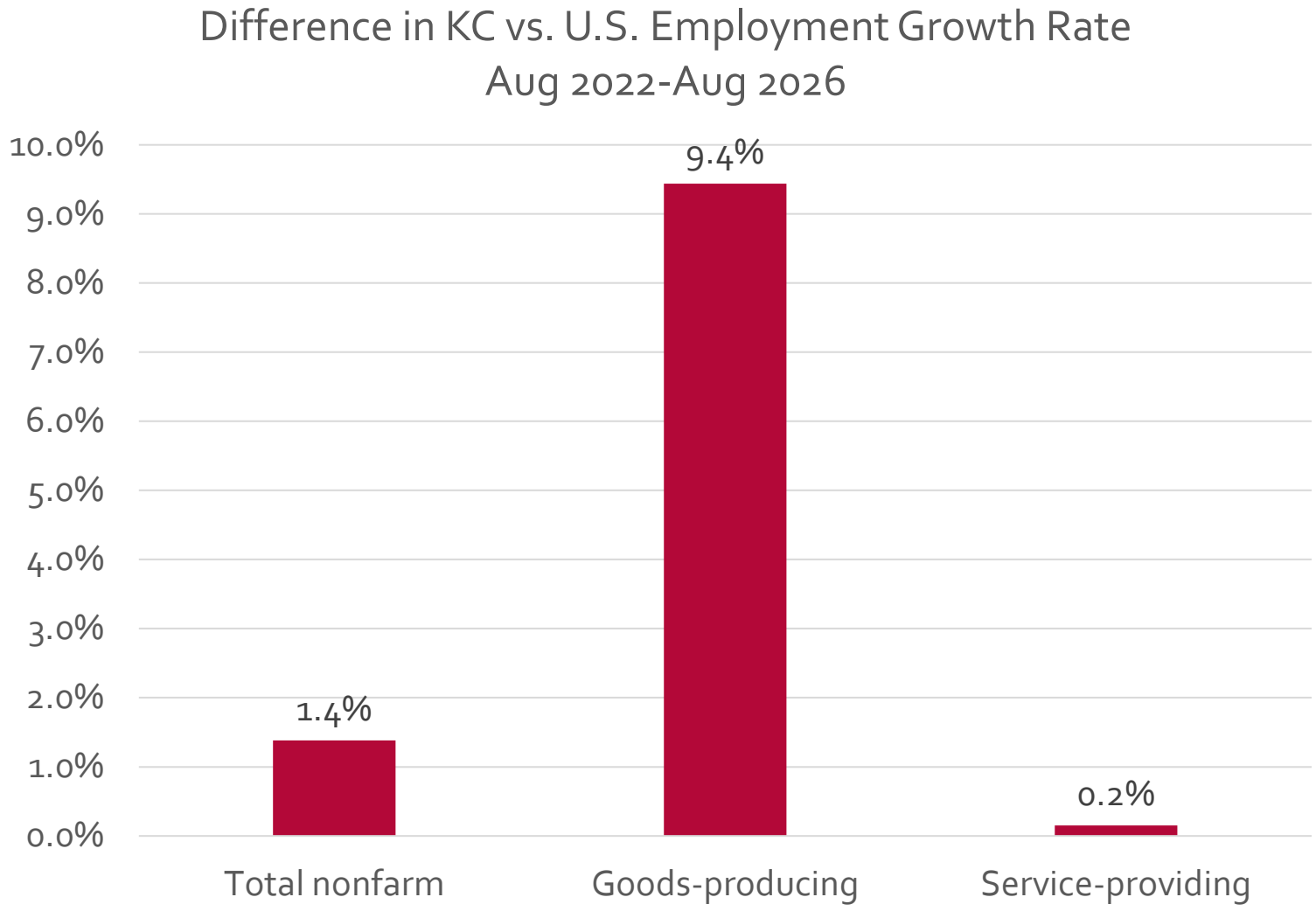
If KC is now growing faster than the U.S., which industries are powering that growth?

Which ones are beating baseline expectations and increasing the region's economic competitiveness?



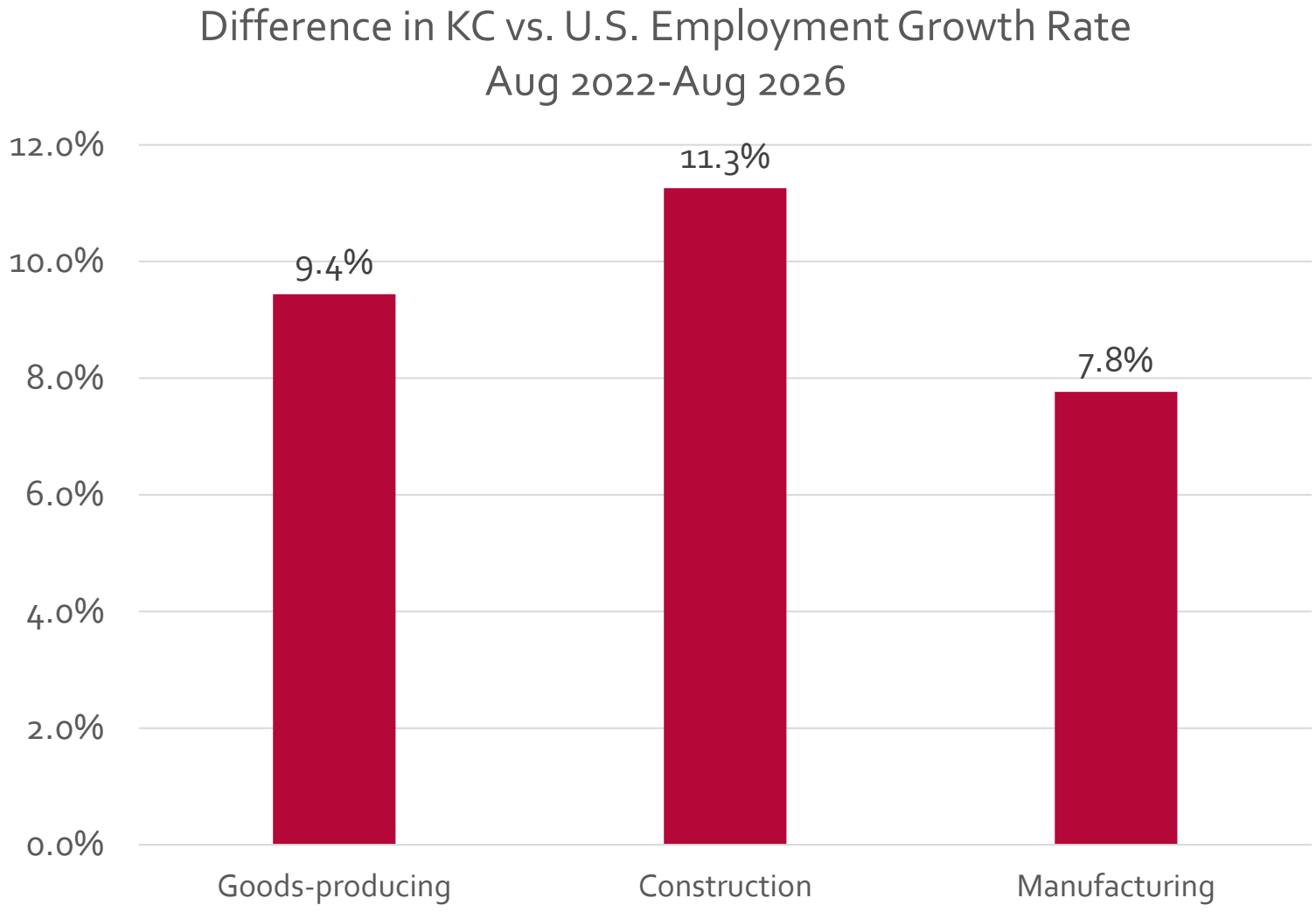
Source: Bureau of Labor Statistics

Overwhelmingly, it is the much smaller goods-producing industries.



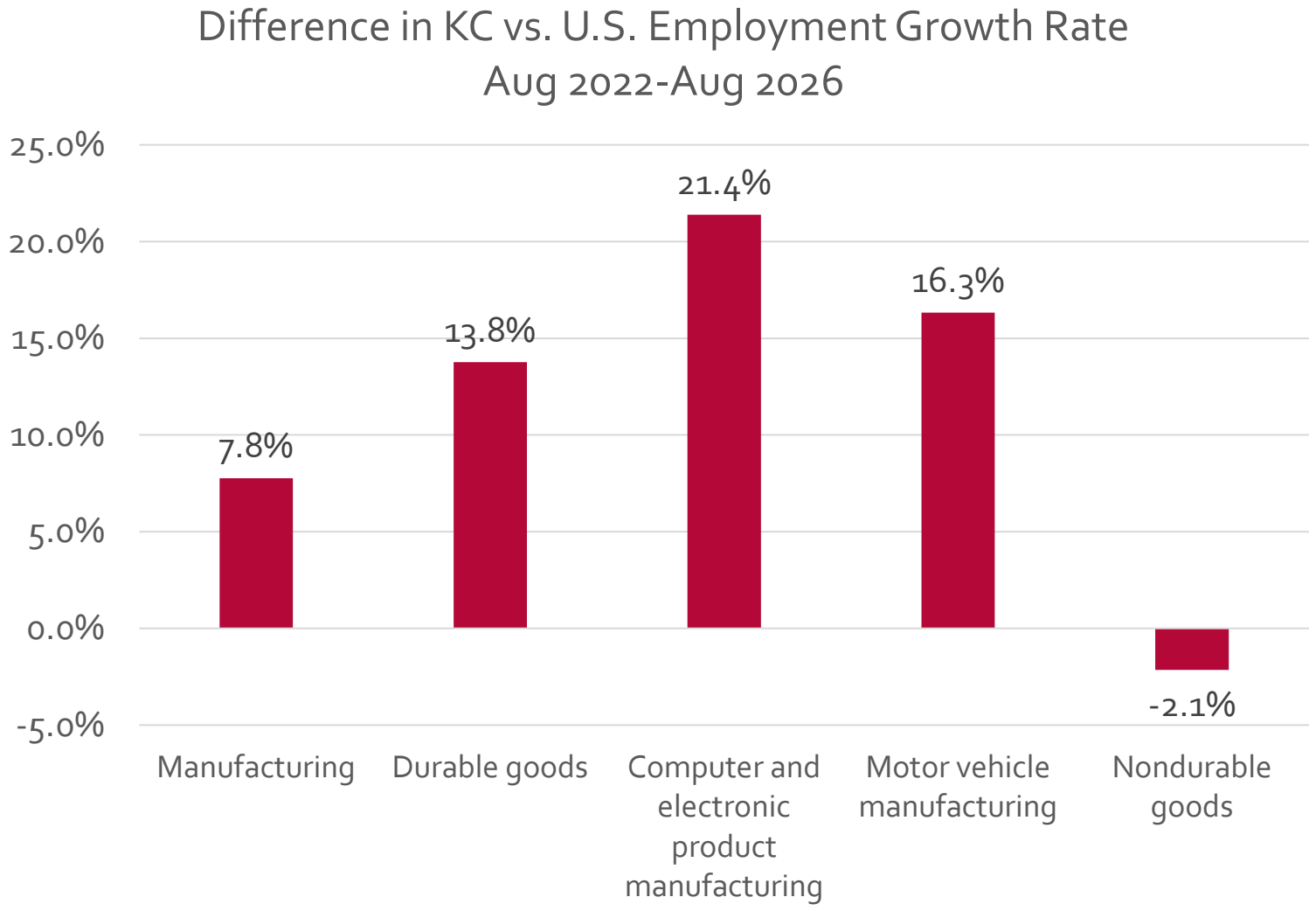
Source: Bureau of Labor Statistics

The goods-producing industries are primarily Construction and Manufacturing here. Both contributed significantly to this sector's outsized performance.



Source: Bureau of Labor Statistics

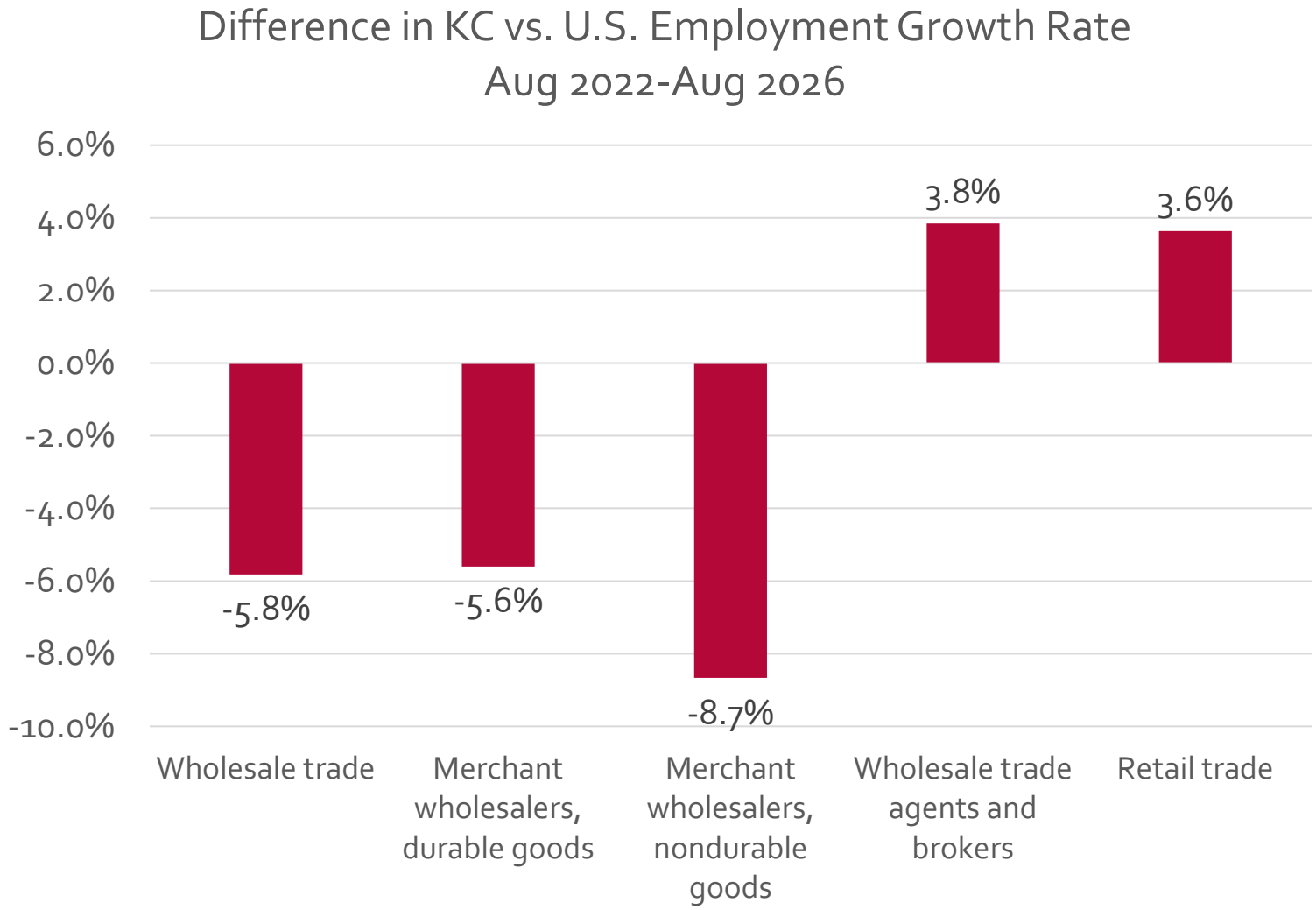
Within Manufacturing, it is the Durable goods sector that accounted for all the increased competitiveness. Computer and electronic products grew faster than the U.S. Motor Vehicles were stable while the U.S. declined.



Source: Bureau of Labor Statistics

The Retail industry is one of the few service industries that is outperforming the nation.

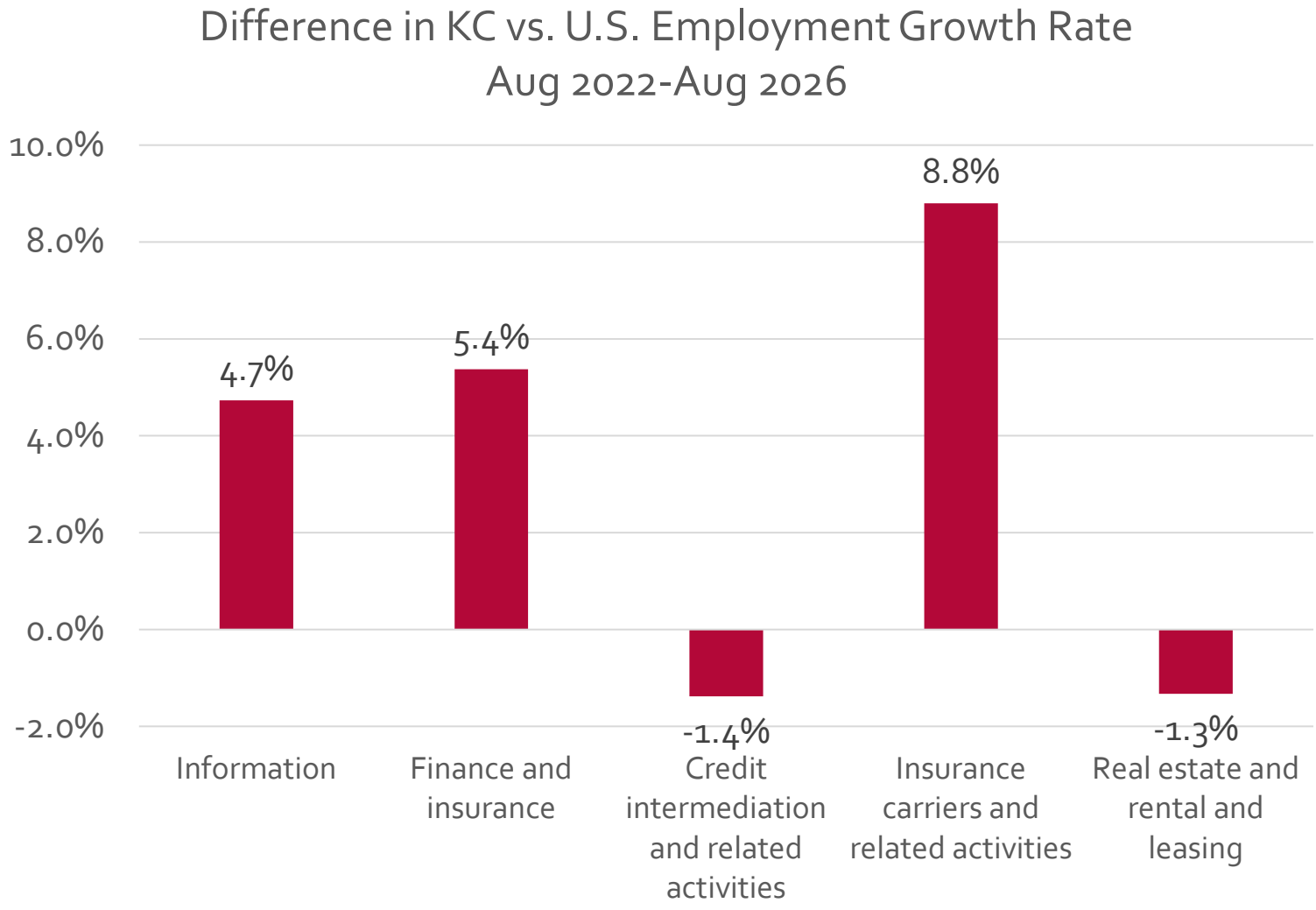
However , Wholesale trade, a regional economic specialty, is underperforming, except for the portion that acts as the middleman between producers and wholesalers.



Source: Bureau of Labor Statistics

Information is declining industry, but it is declining here more slowly than the nation.

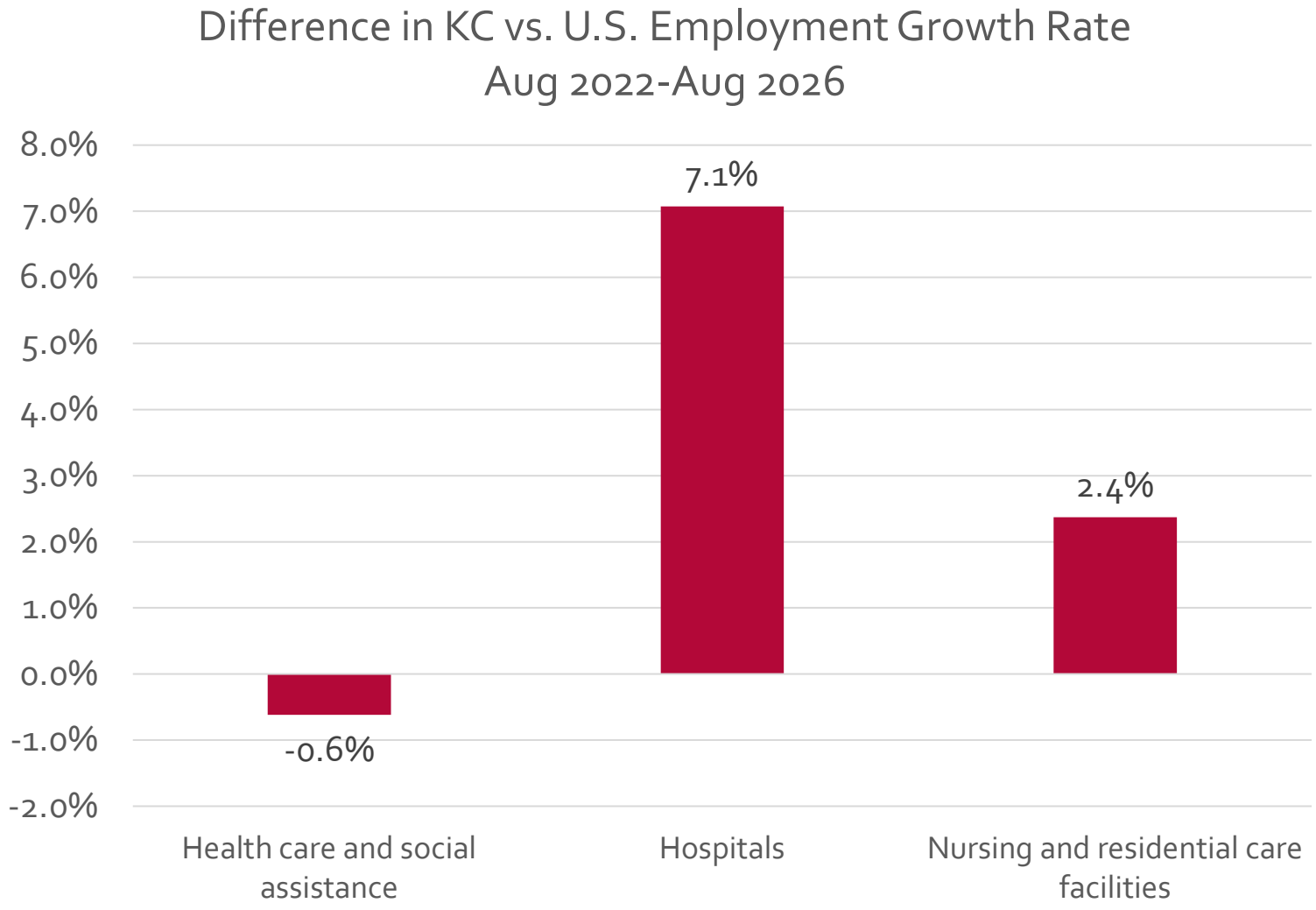
Finance and Insurance's competitiveness is being driven entirely by Insurance, another regional economic concentration, as it continues to grow here while being stable nationally.



Source: Bureau of Labor Statistics

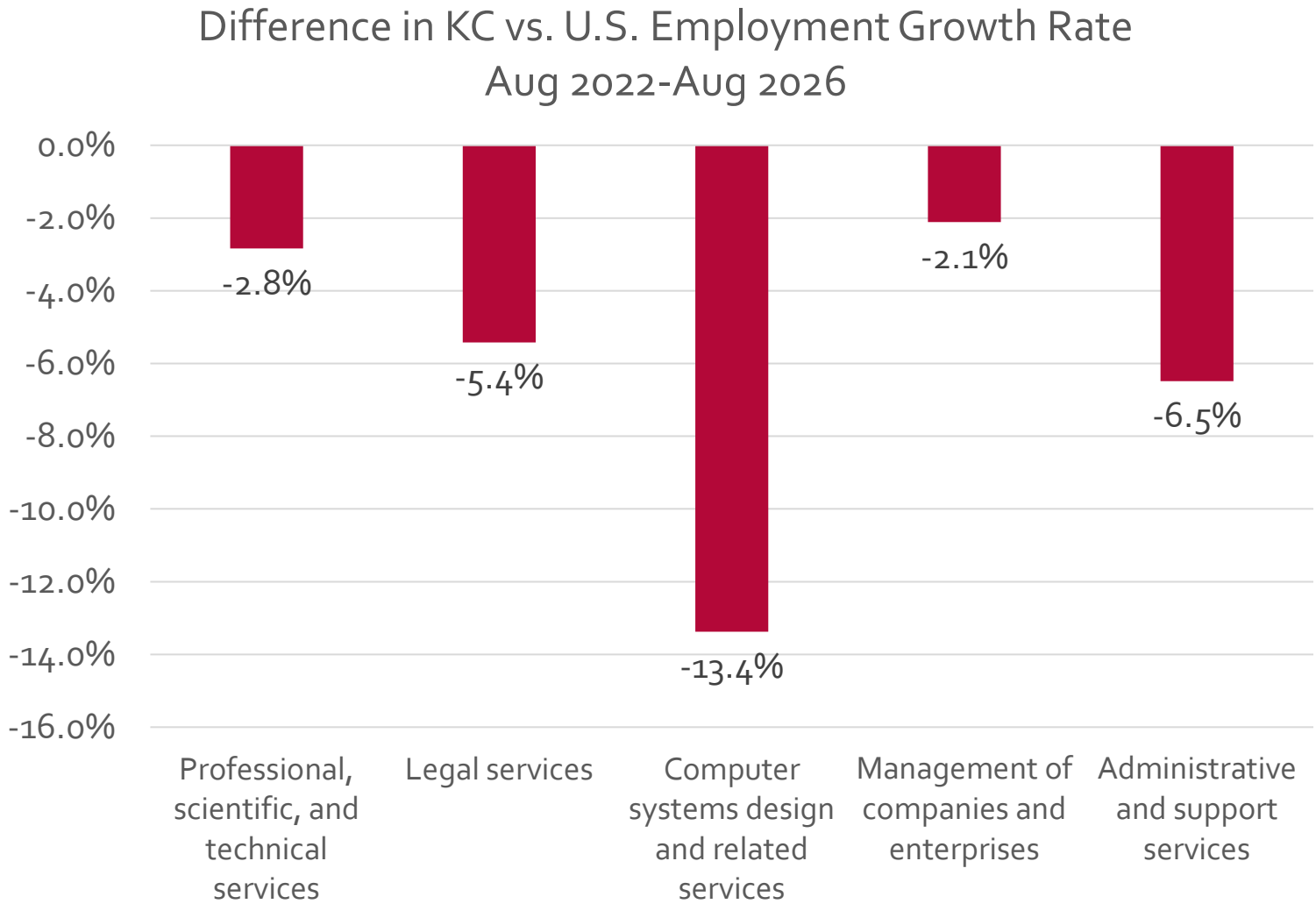
The Health care industry is the region's biggest contributor to job growth. But that job growth slightly lags national averages – except for the hospital portion.

This may reflect the region's growing role in destination health care.



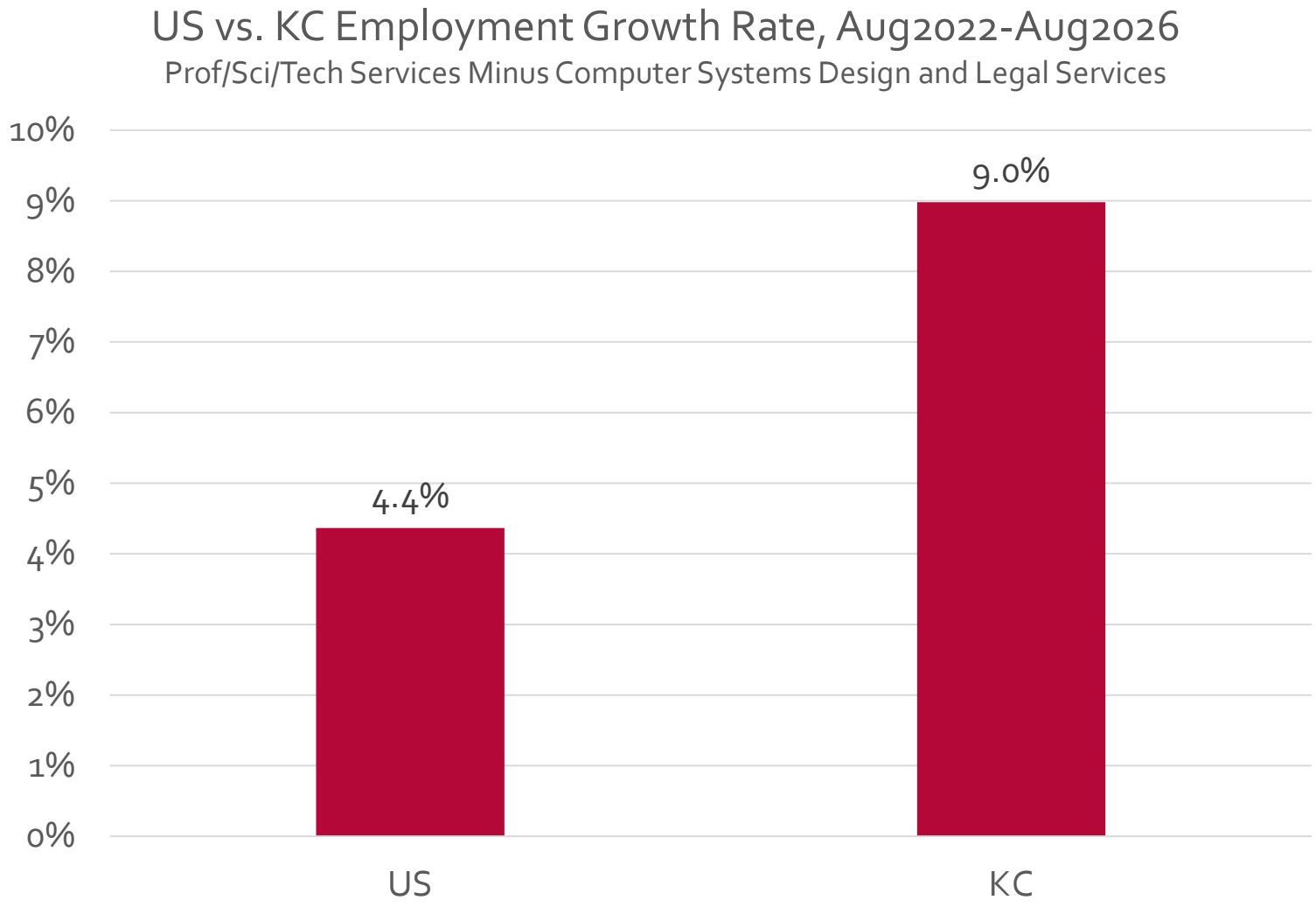
Source: Bureau of Labor Statistics

Meanwhile, job growth in the Business and Professional services sector appears to significantly lag what would be expected from national averages.



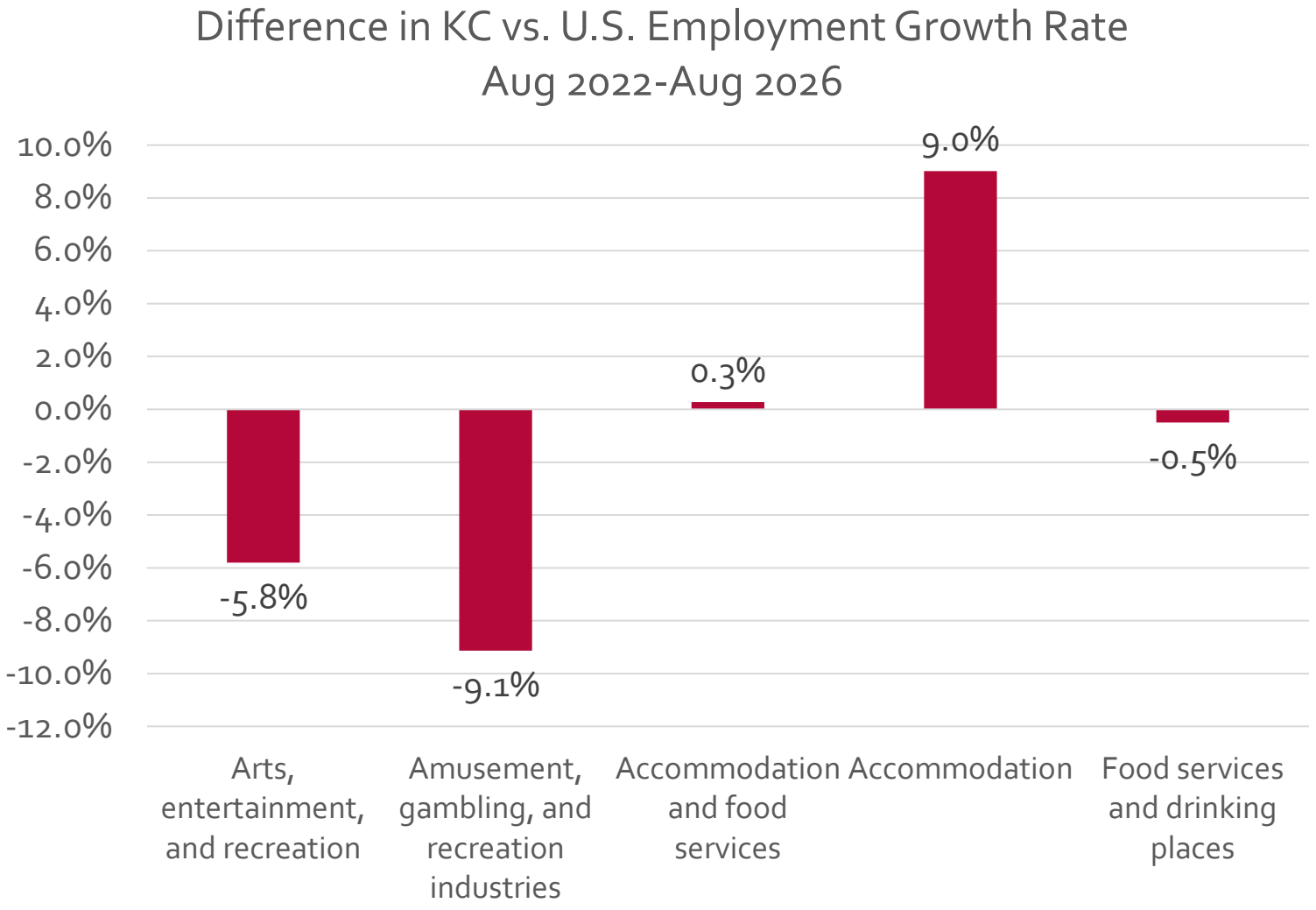
Source: Bureau of Labor Statistics

What you a can't see is that, once you discount the declining portions industries shown, the rest of the Prof/Sci/Tech industry – including Engineering/ Architecture, the Tech sector and Scientific R&D – is actually outcompeting the nation, with job growth exceeding U.S. averages by 5%.



Source: Bureau of Labor Statistics, author's calculations

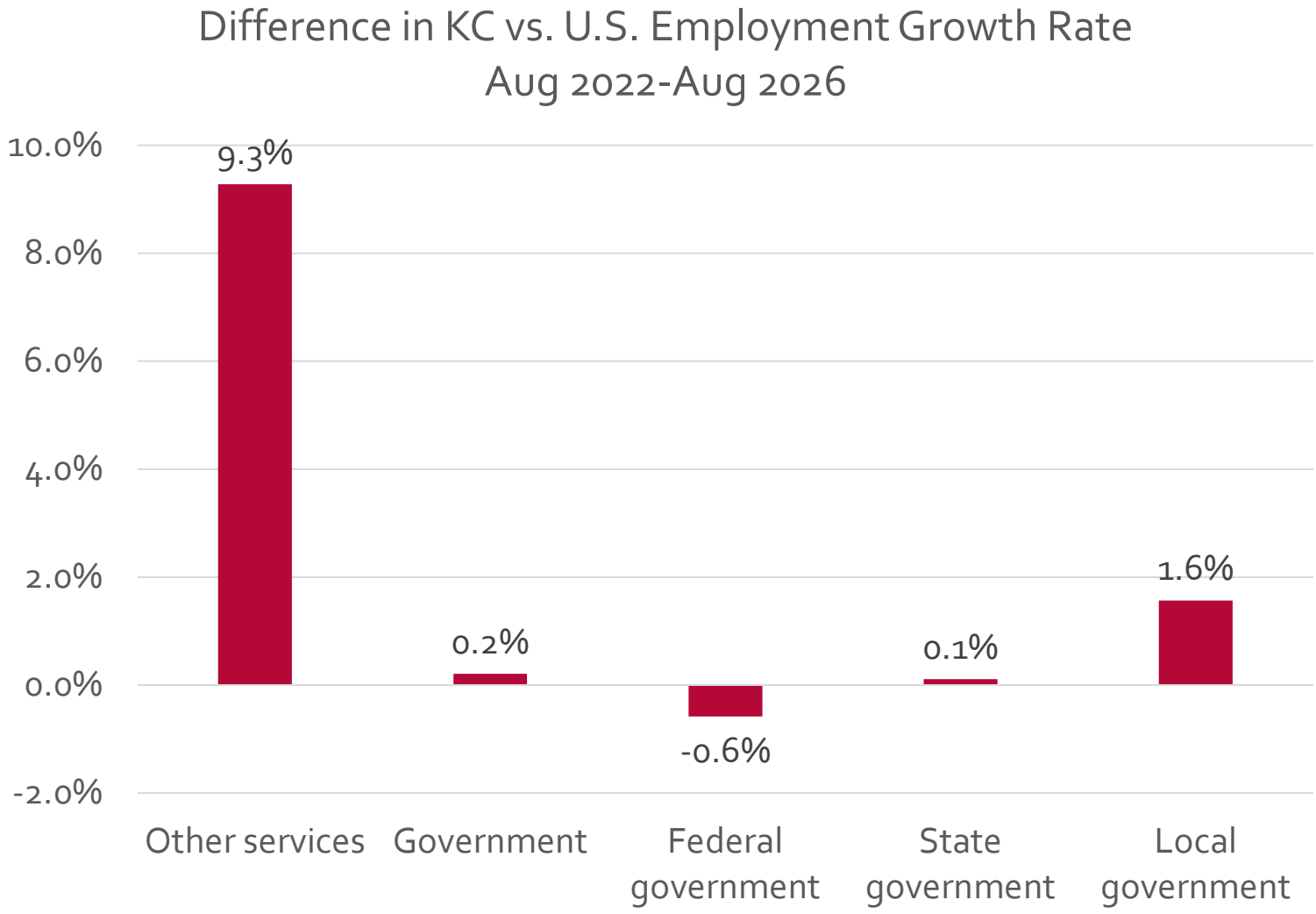
Employment growth in KC's Arts and Amusement industries is not keeping pace with national averages, while Food and drinking employment is roughly tracking the nation. Only the much smaller Accommodation sector saw outsized employment growth, perhaps reflecting the region's growing role as tourist destination.



Source: Bureau of Labor Statistics

The Other services industry, which includes the non-profit sector and religious organizations as well as repair and household services, is an area of strength for the region.

KC appears to have been hurt worse by the firing of federal workers. Local government, which includes schools, is growing more strongly here than average.



Source: Bureau of Labor Statistics

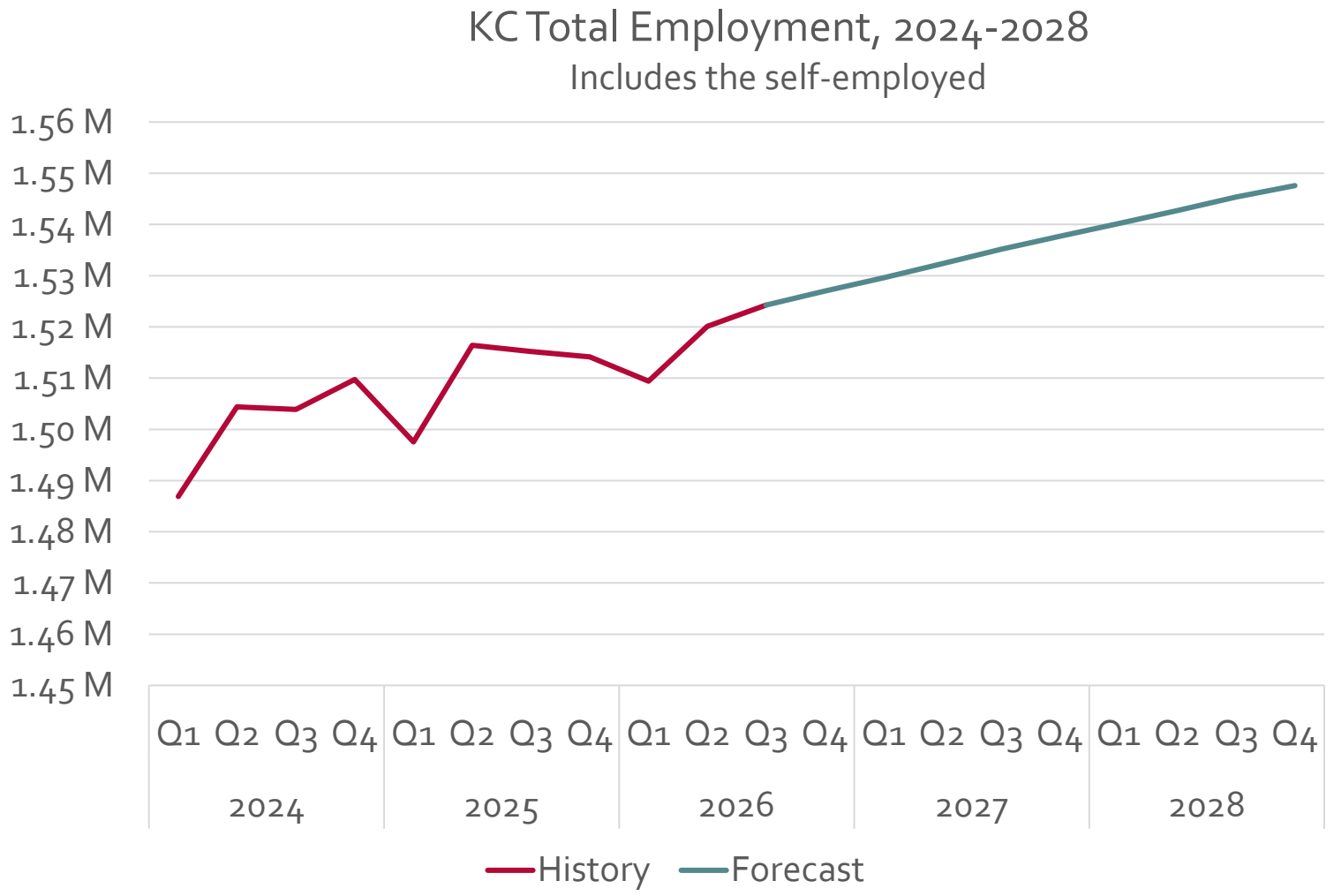
KC forecast

Methodology

- MARC licenses a structural economic and demographic model from Regional Economic Models, Inc. (REMI)
- REMI models how well the KC economy competes with the rest of the US industry by industry.
- Competitiveness is assessed via relative business and labor costs.
- It models labor supply through the demographic forecast and labor demand through the employment forecast.
- It is a computable general equilibrium model with 2000+ simultaneous equations where prices adjust to match supply and demand.
- It depends on there first being a national forecast. MARC imports the national forecast from the University of Michigan's Research Seminar in Quantitative Economics.
- MARC calibrates the results so they more closely match recent trends.

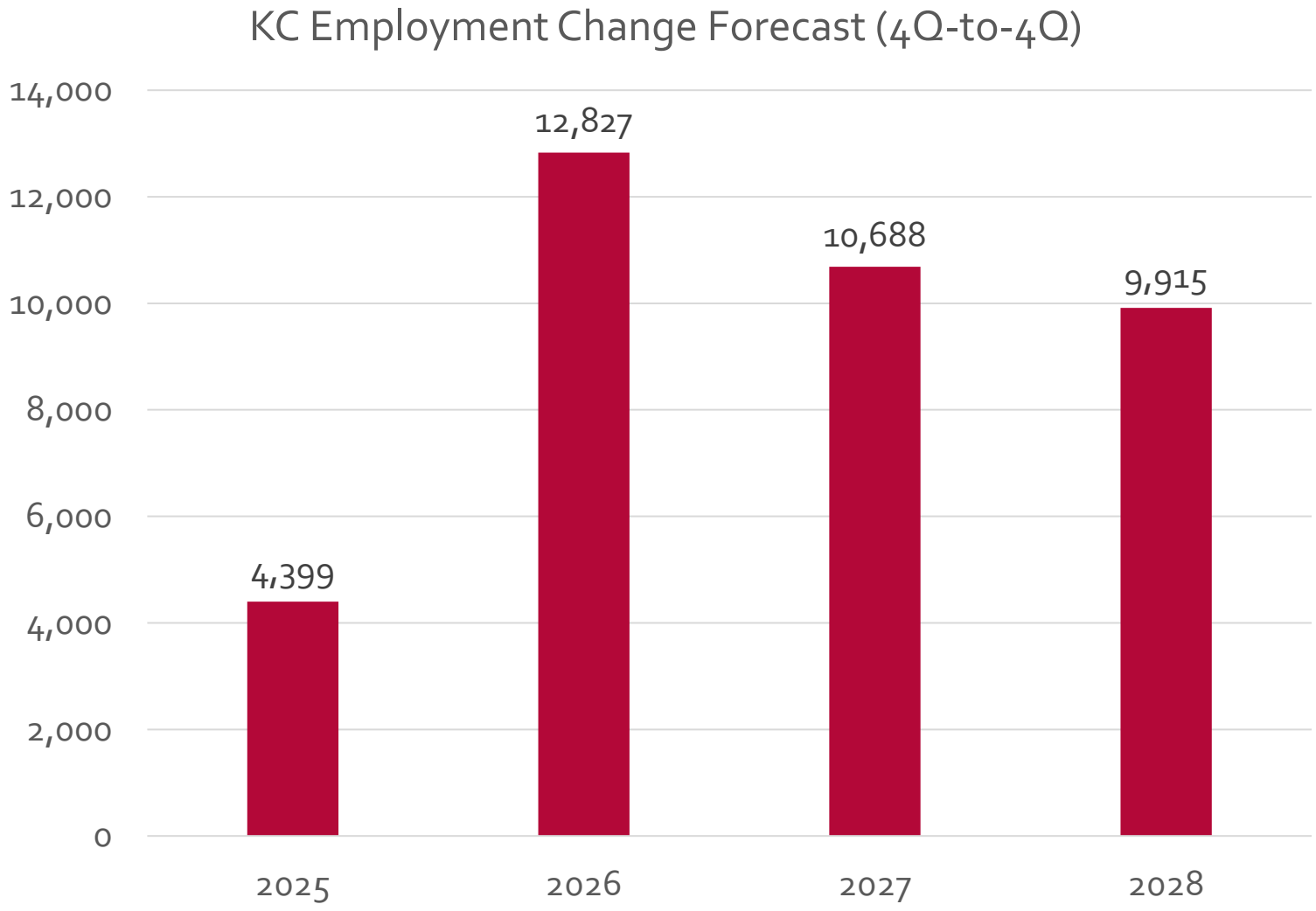
What comes out of REMI is essentially a projection of the KC share of national employment.

The RSQE employment forecast shows no sign of a recession.



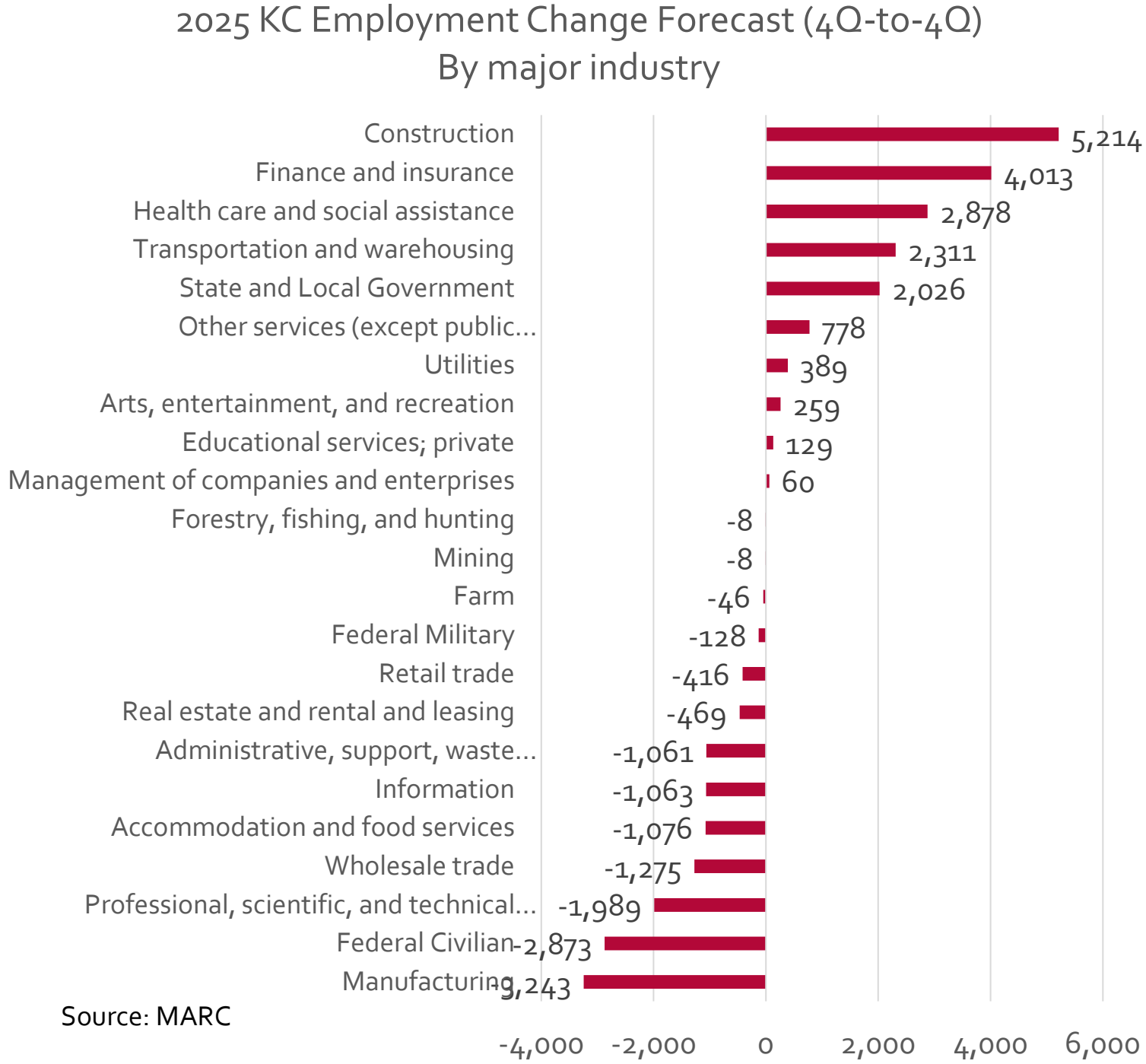
Source: MARC

2026 is estimated to be a rebound year from 2025, when early figures showed the region losing jobs. Job growth is expected to gradually slow from there.



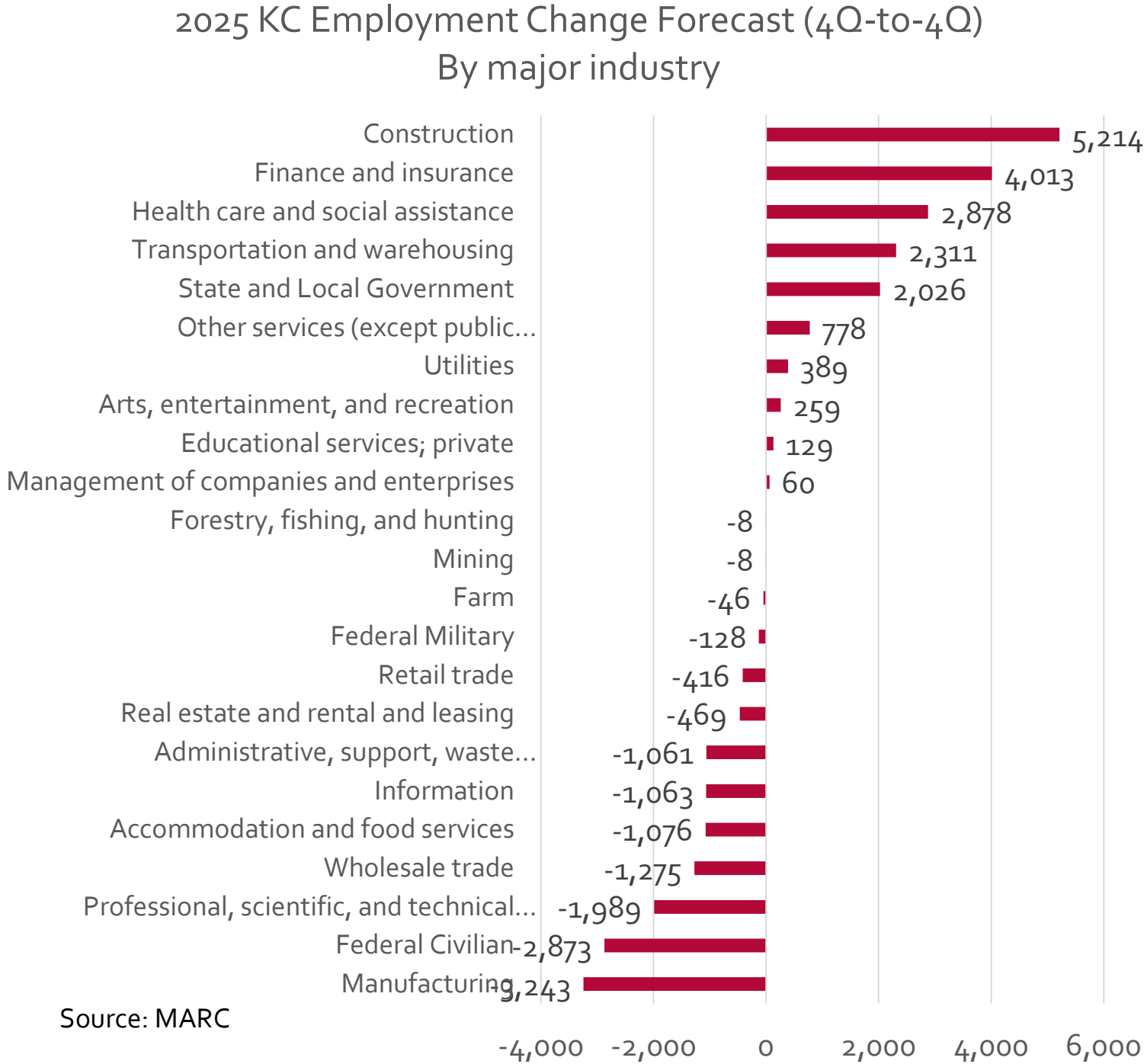
Source: MARC

That Construction, Health care and Transportation and warehousing led the region in job growth is not surprising. Finance being near the top is. In part this is a rebound from prior years' decline and partly it reflects the inclusion of the large number of self-employed agents in the insurance industry. These aren't captured in standard BLS data.



Source: MARC

Meanwhile, tariff uncertainty seems to have hurt manufacturing. The policy to reduce federal employment nationwide had a particularly large impact on KC.

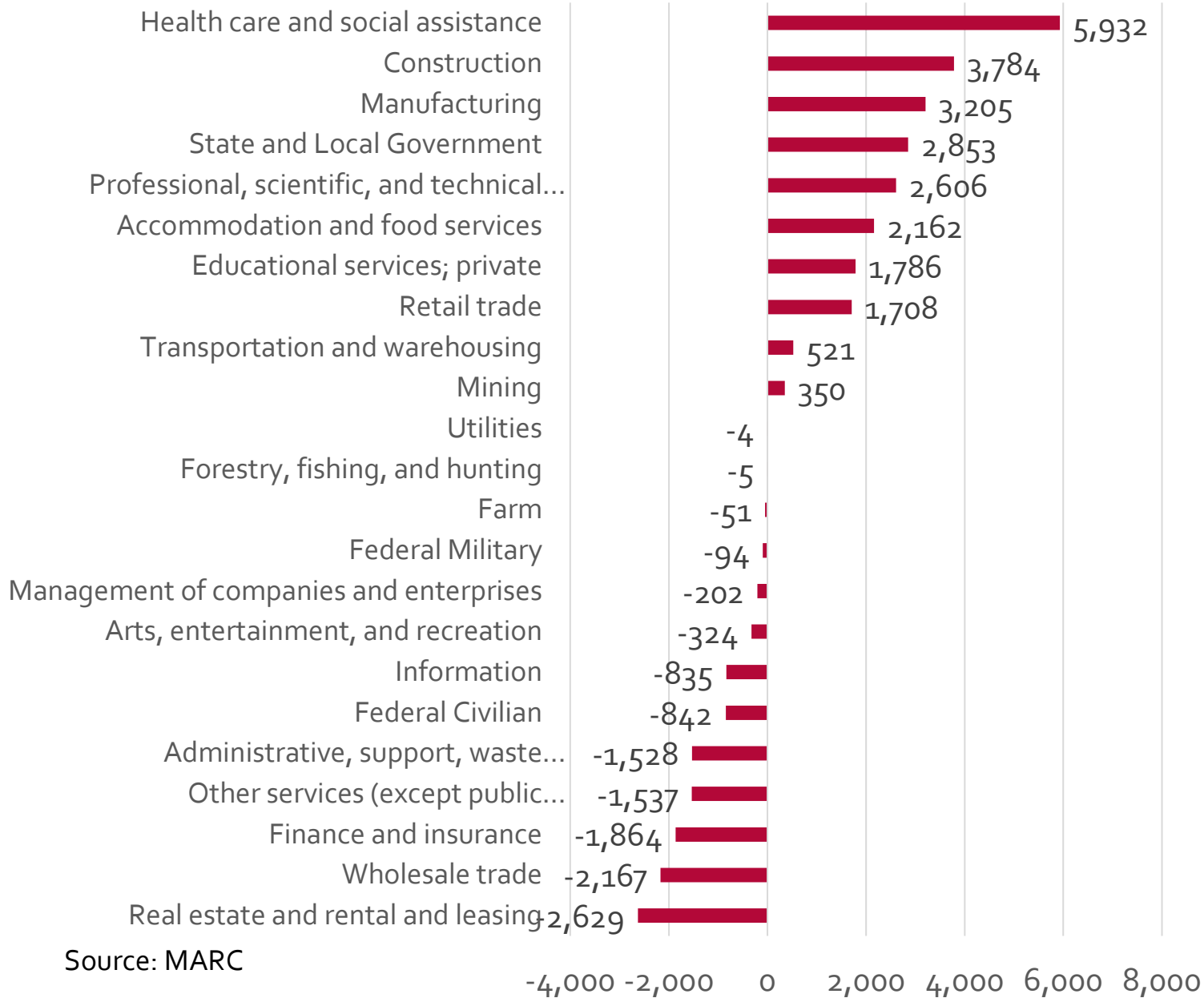


Source: MARC

This year, Health care and Construction again lead the way. Manufacturing rebounded as did Prof/Sci/Tech.

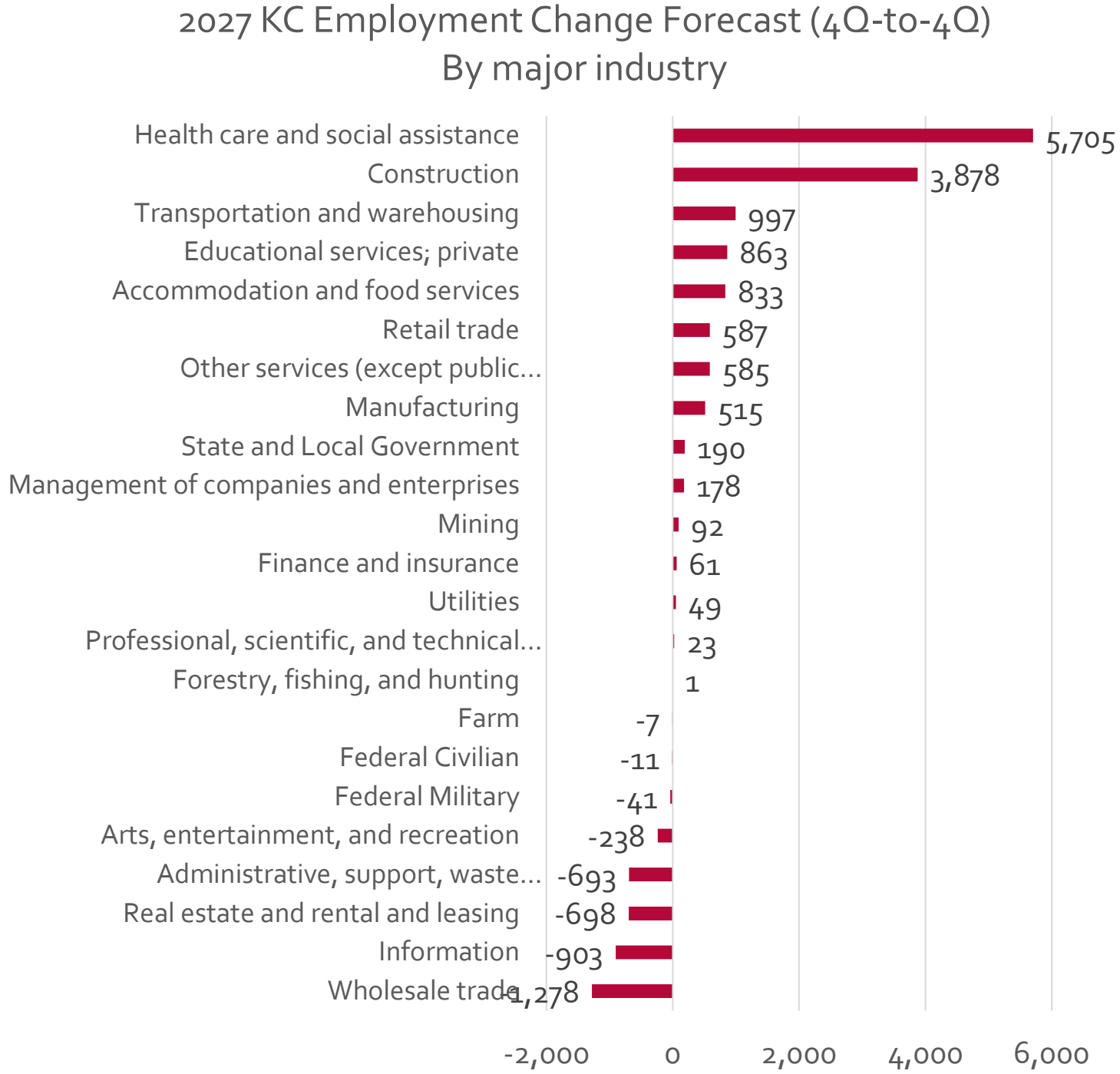
Meanwhile, the Real Estate industry struggled as the housing market cooled.

2026 KC Employment Change Forecast (4Q-to-4Q)
By major industry



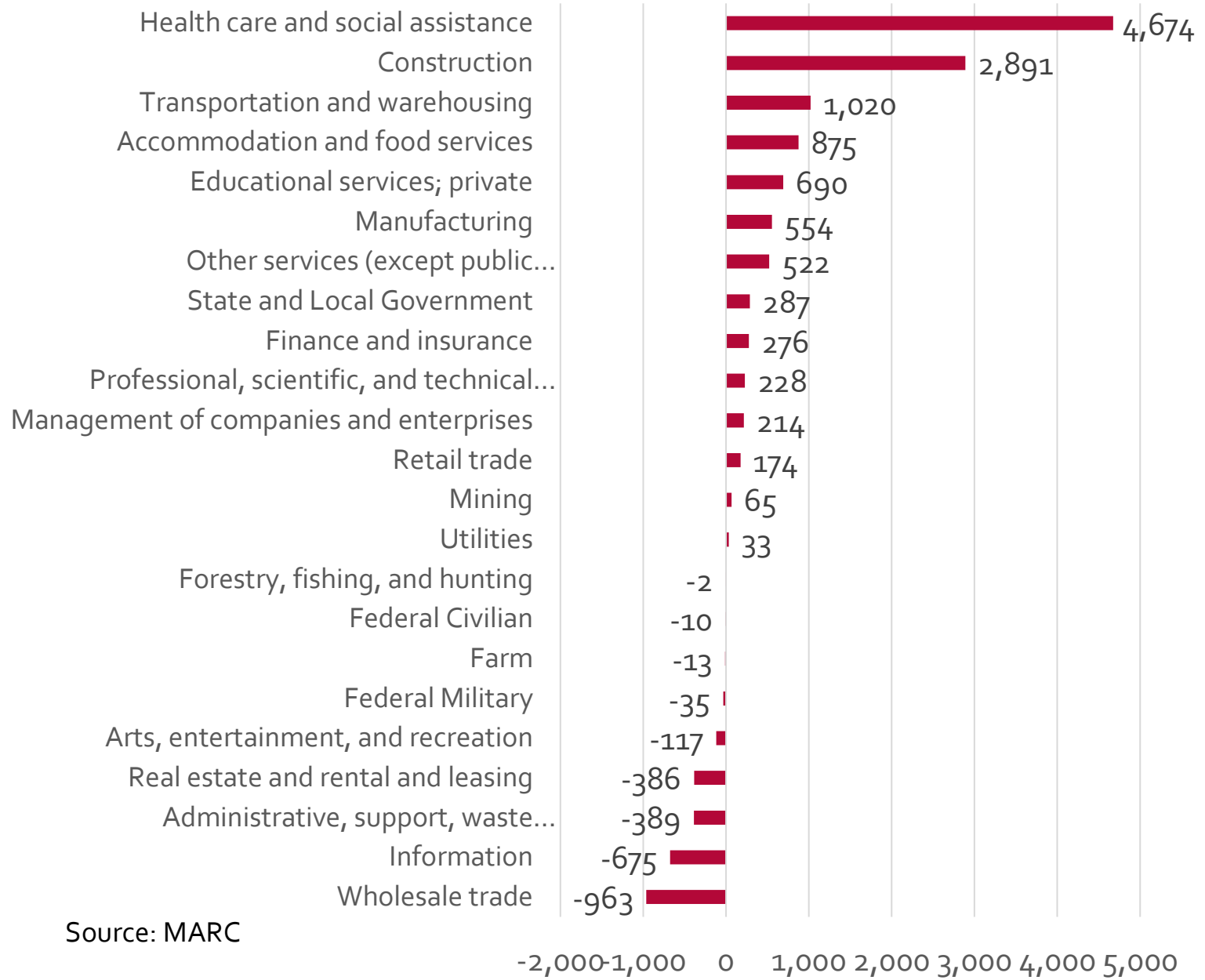
Source: MARC

Next year job growth overall slows and becomes more concentrated in a few sectors. But job losses are also smaller.



The 2028 forecast continues these trends.

2028 KC Employment Change Forecast (4Q-to-4Q)
By major industry



Source: MARC

Conclusion

- Revisions to the employment data show KC as outperforming the nation in terms of job growth.
- The increase in regional economic competitiveness is largely being driven by the goods producing sector, Manufacturing and Construction in particular.
- But certain parts of the service producing sector are also important contributors, especially hospital and the Professional, scientific and technical services industries outside of Computer systems design and legal services.
- The region's ability to continue outperforming the nation depends on local efforts to promote and invest in these sectors.
- Efforts like the Critical Material Crossroads and the KC BioHub represent new efforts to increase the scale of these important sectors of the KC economy.
- What else can we do?