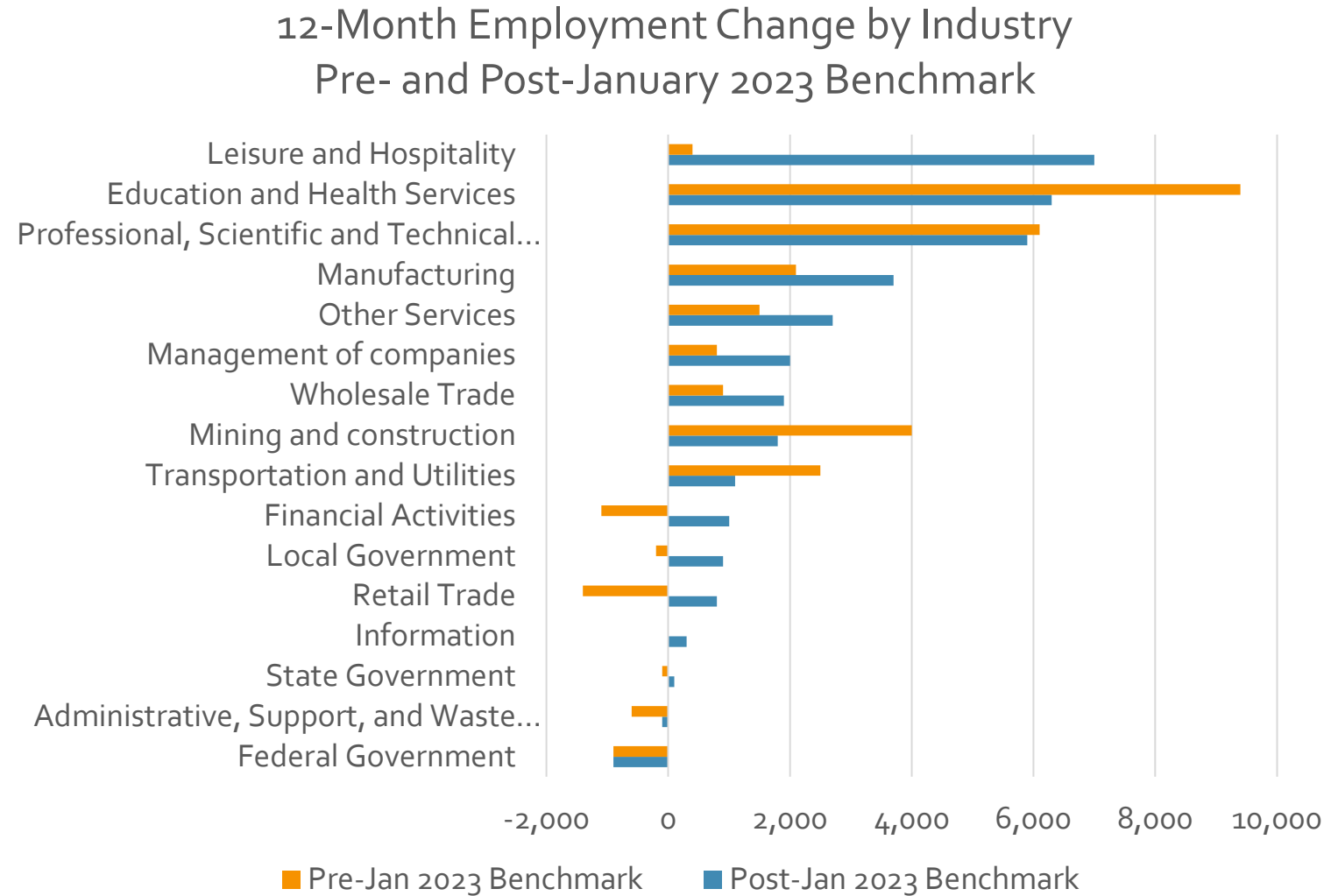


# KC Economy – Current Situation



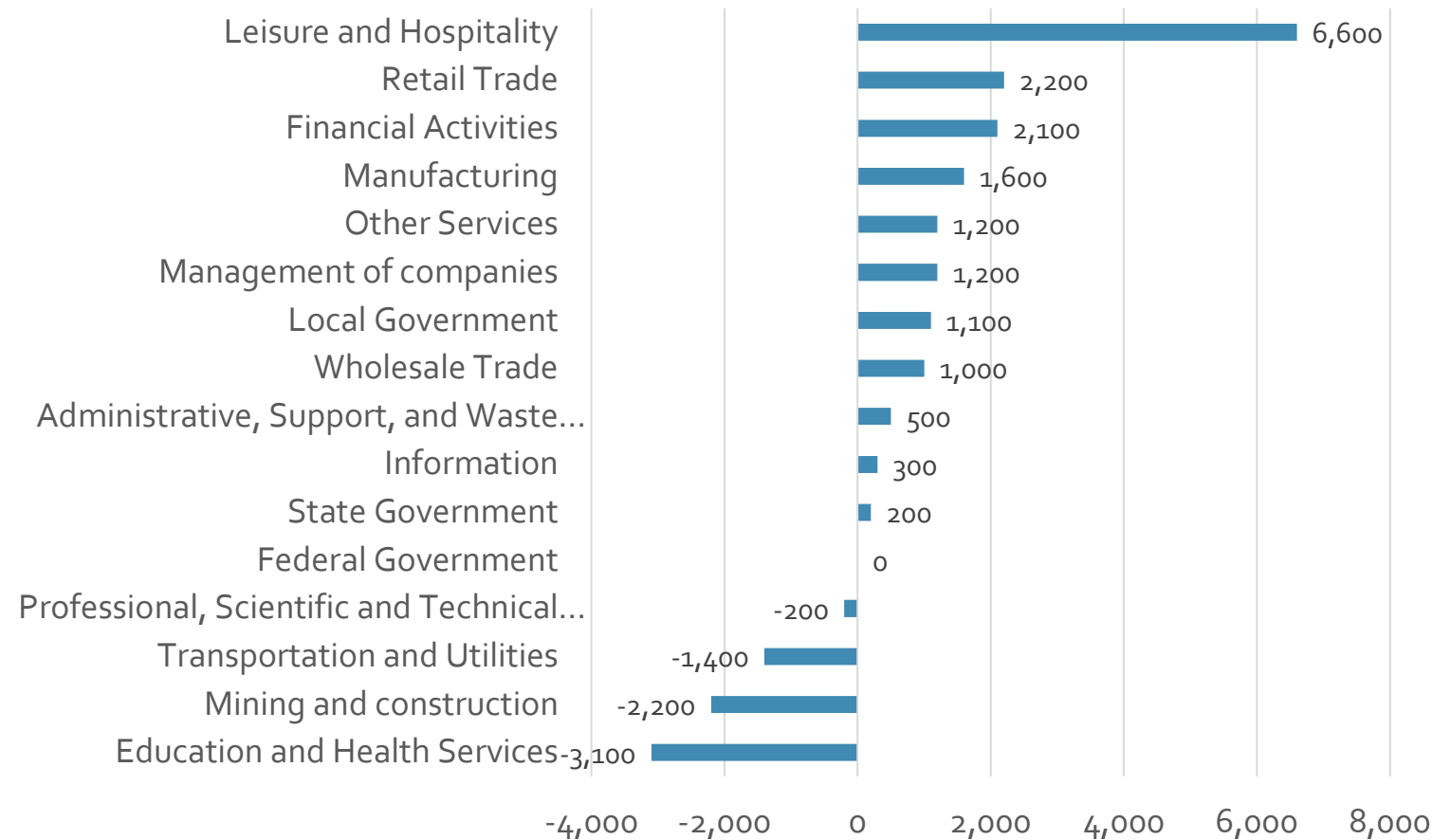
Photo by [Jake Fagan](#) on [Unsplash](#)

BLS revises metro non-farm payroll employment data every March. Last year, this resulted in a substantial downgrade of the region's job growth. This year it was upgraded, from 23,400 over the past 12 months to 34,500.



Some of the industries that were performing sluggishly experienced the largest upward revisions, while others that were top performers showed the largest revisions downward.

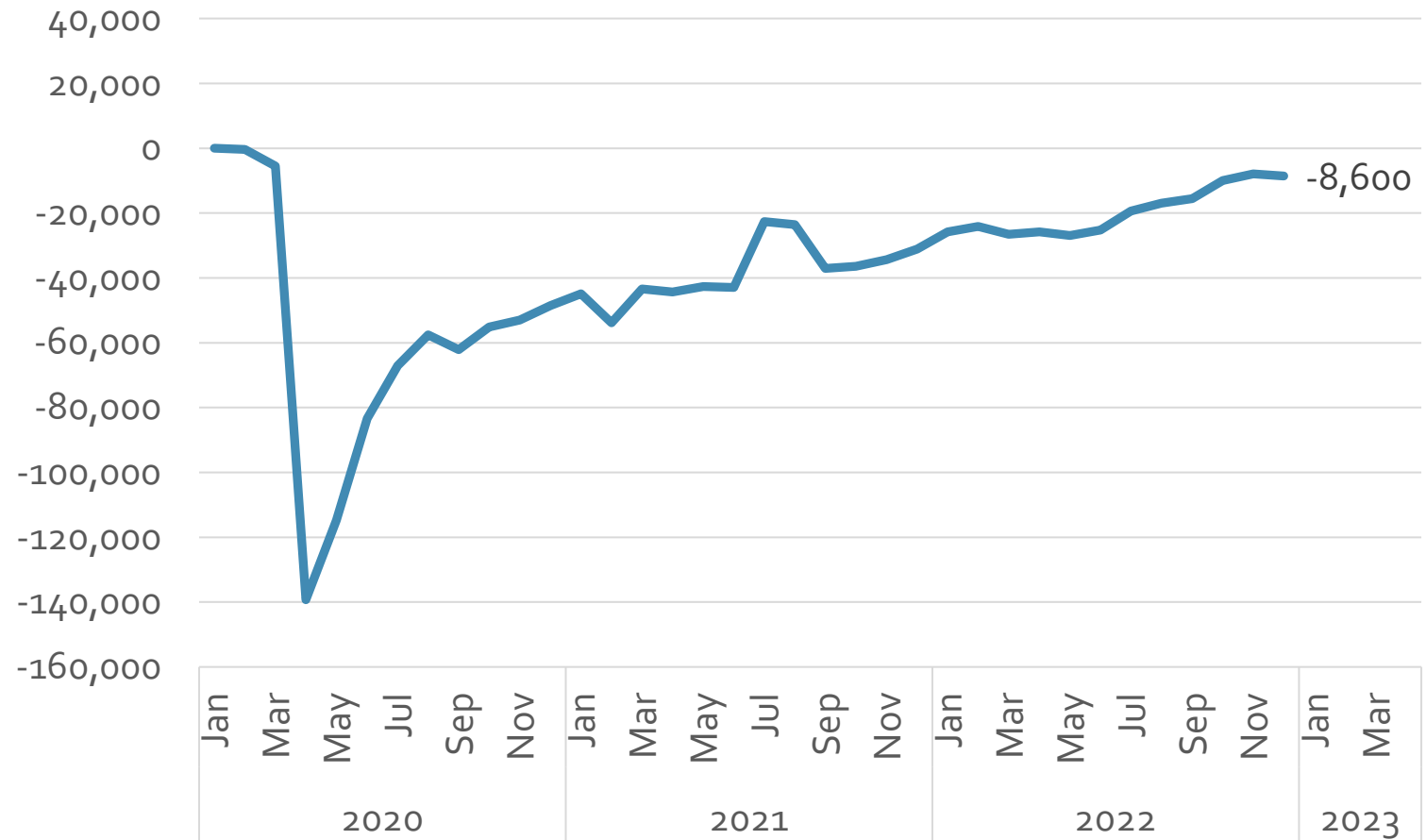
### Difference in 12-Month Employment Change Pre- and Post-Jan 2023 Benchmark



These revisions stretch back as far as two years. Consequently, while in December we said this:

*"KC has only recovered 95% of our lost jobs while the U.S. has recovered all of them, plus an additional 12%."*

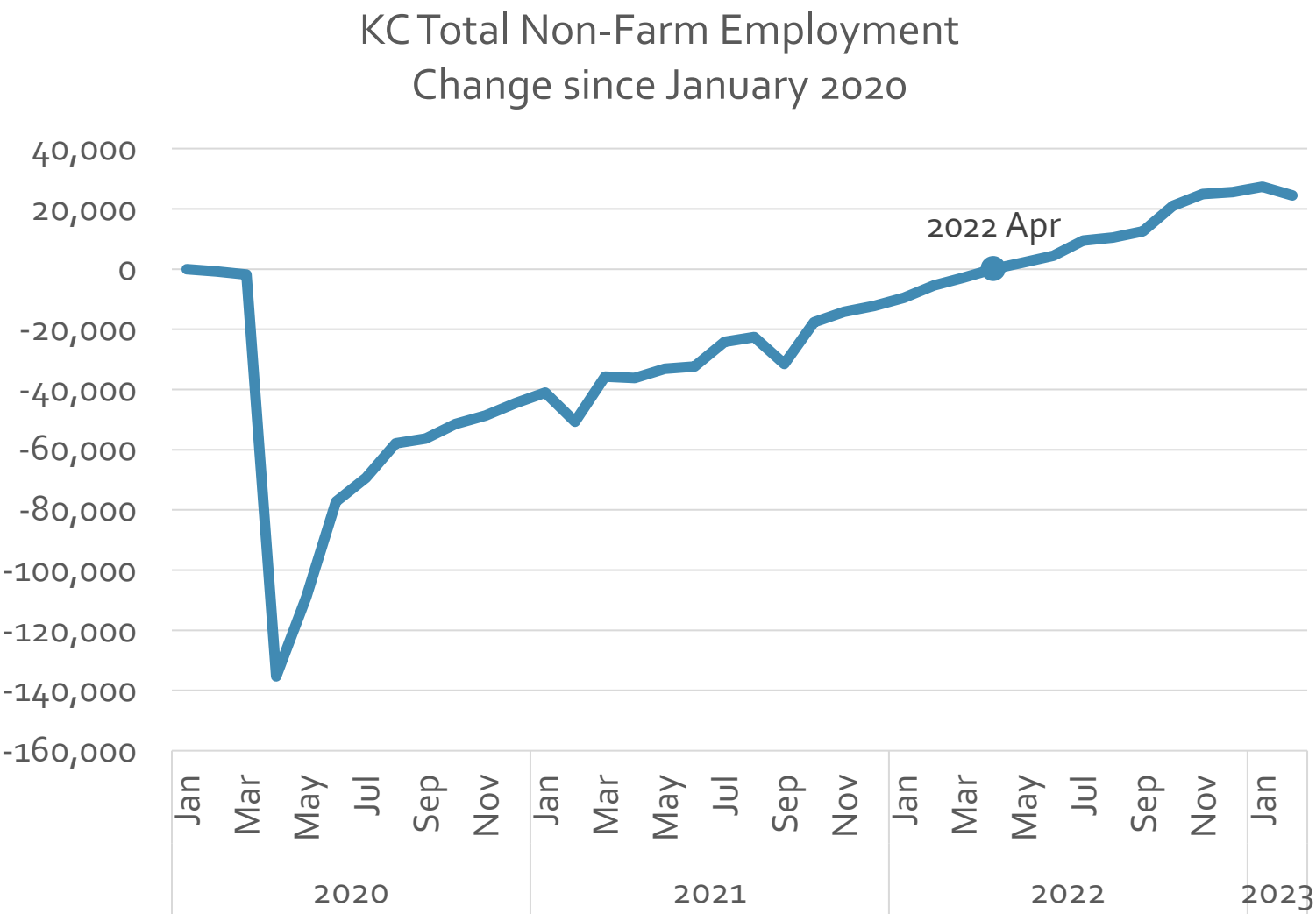
KC Total Non-Farm Payroll Employment Change Since January 2020



Source: Bureau of Labor Statistics

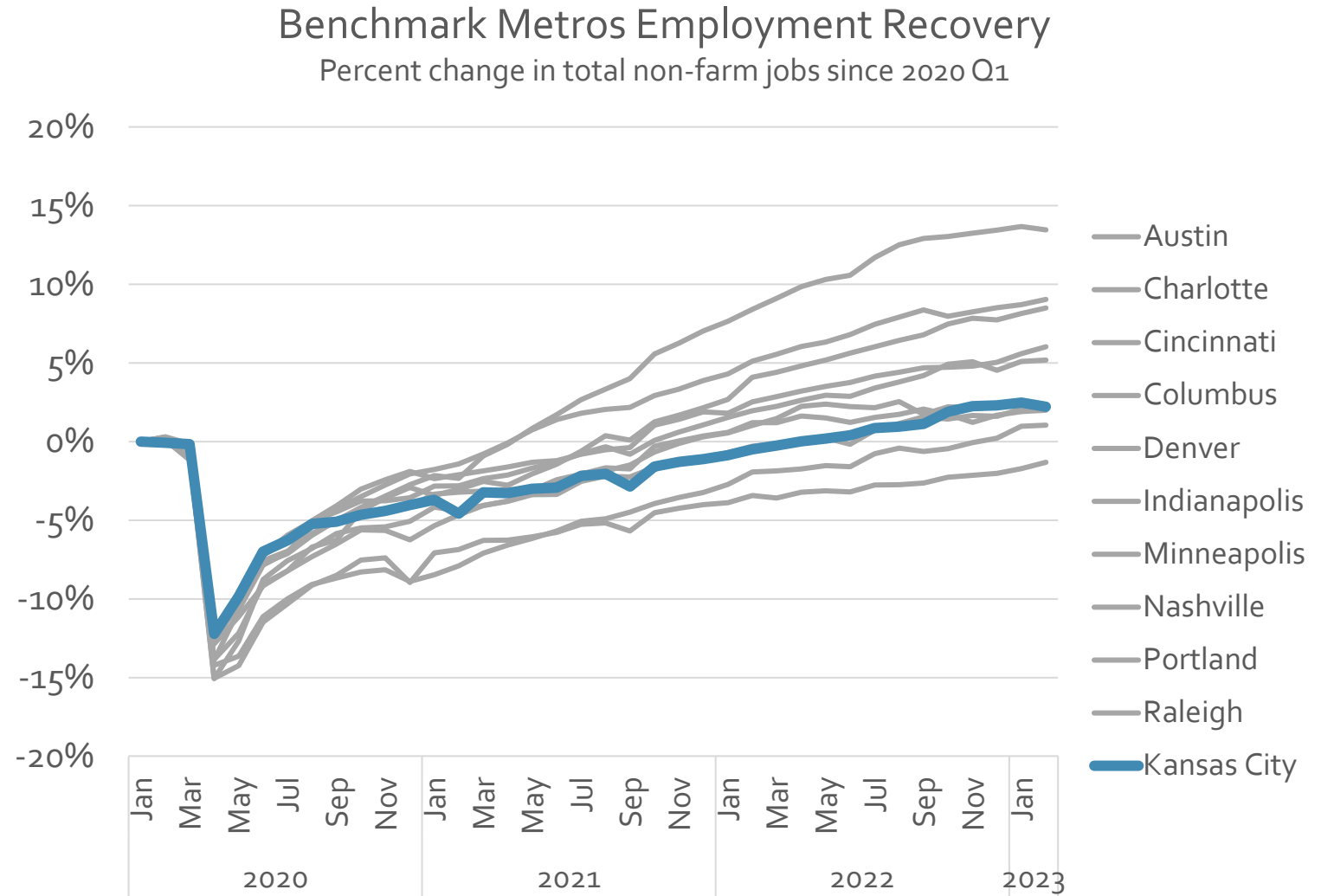
Instead, it now appears KC achieved its pre-pandemic employment level in April last year and is now sitting 24,500 (2.2%) above that level.

Relative to the 10 other metros KC benchmarks economy against, the region’s 12-month job growth ranks 5<sup>th</sup> instead of 8<sup>th</sup>.

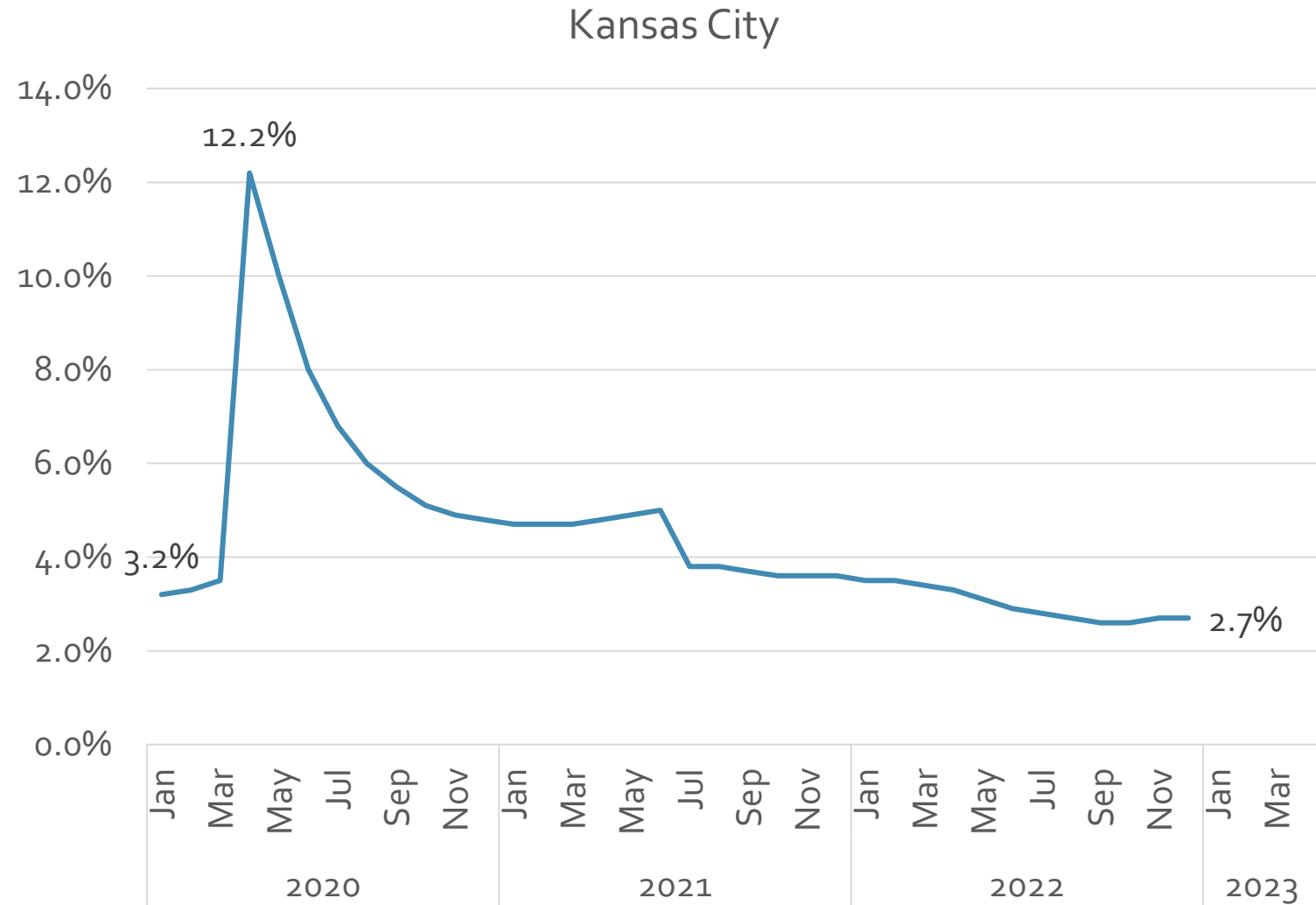


Source: Bureau of Labor Statistics

The stronger recent job growth boosted KC's rate of job recovery relative to pre-pandemic highs as well. Compared to the benchmark metros, the strength of KC's recovery is now essentially tied for 6<sup>th</sup>. Before the data revision, KC was ranked 9<sup>th</sup>.



Rather than a low unemployment rate indicating labor supply issues may be holding back the region's growth, the new data suggest the reverse – The region's job growth is driving its unemployment rate to very low levels – 3<sup>rd</sup> lowest among the benchmark metros.



# KC Economy – Forecast

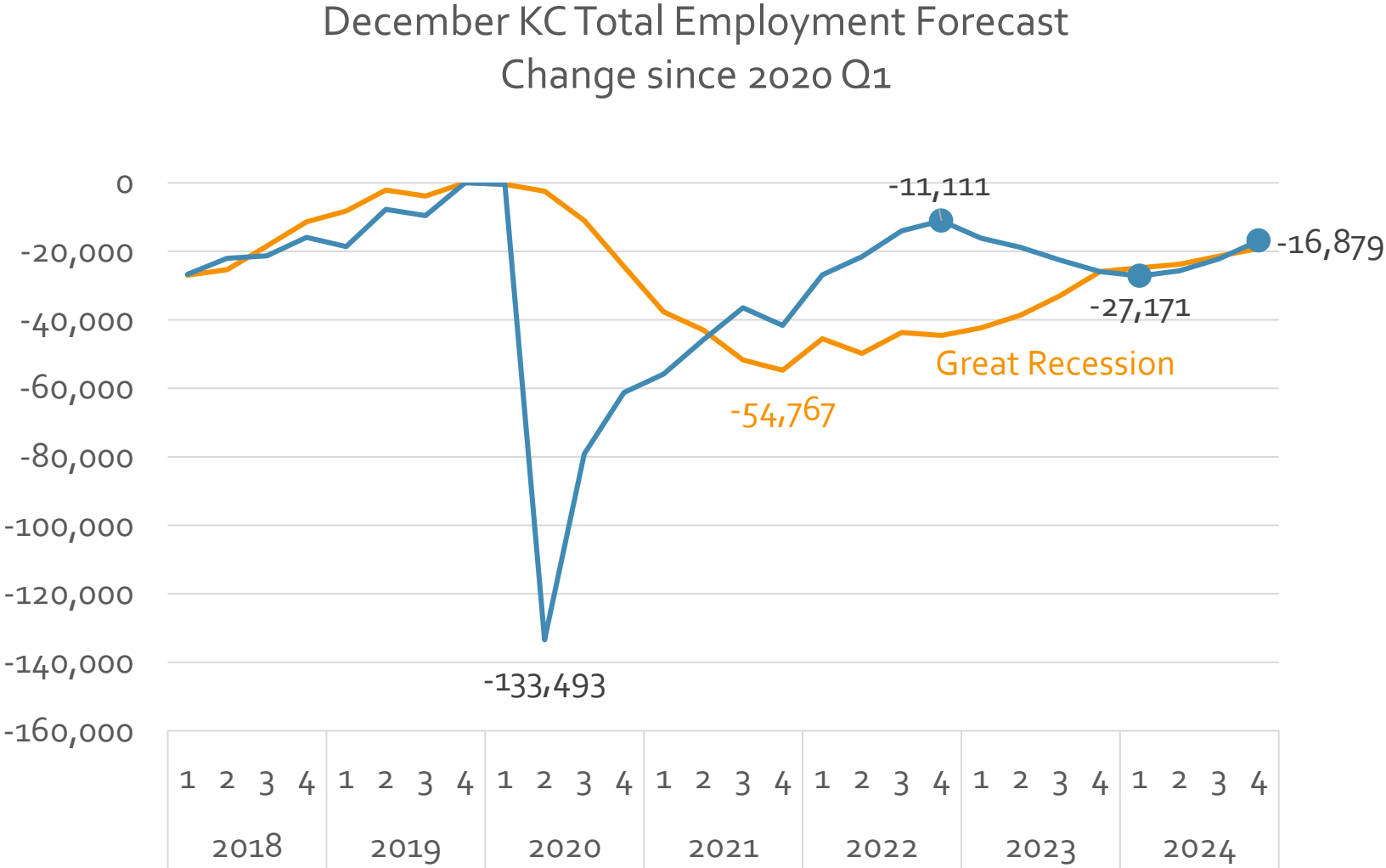


Photo by [Jake Fagan](#) on [Unsplash](#)

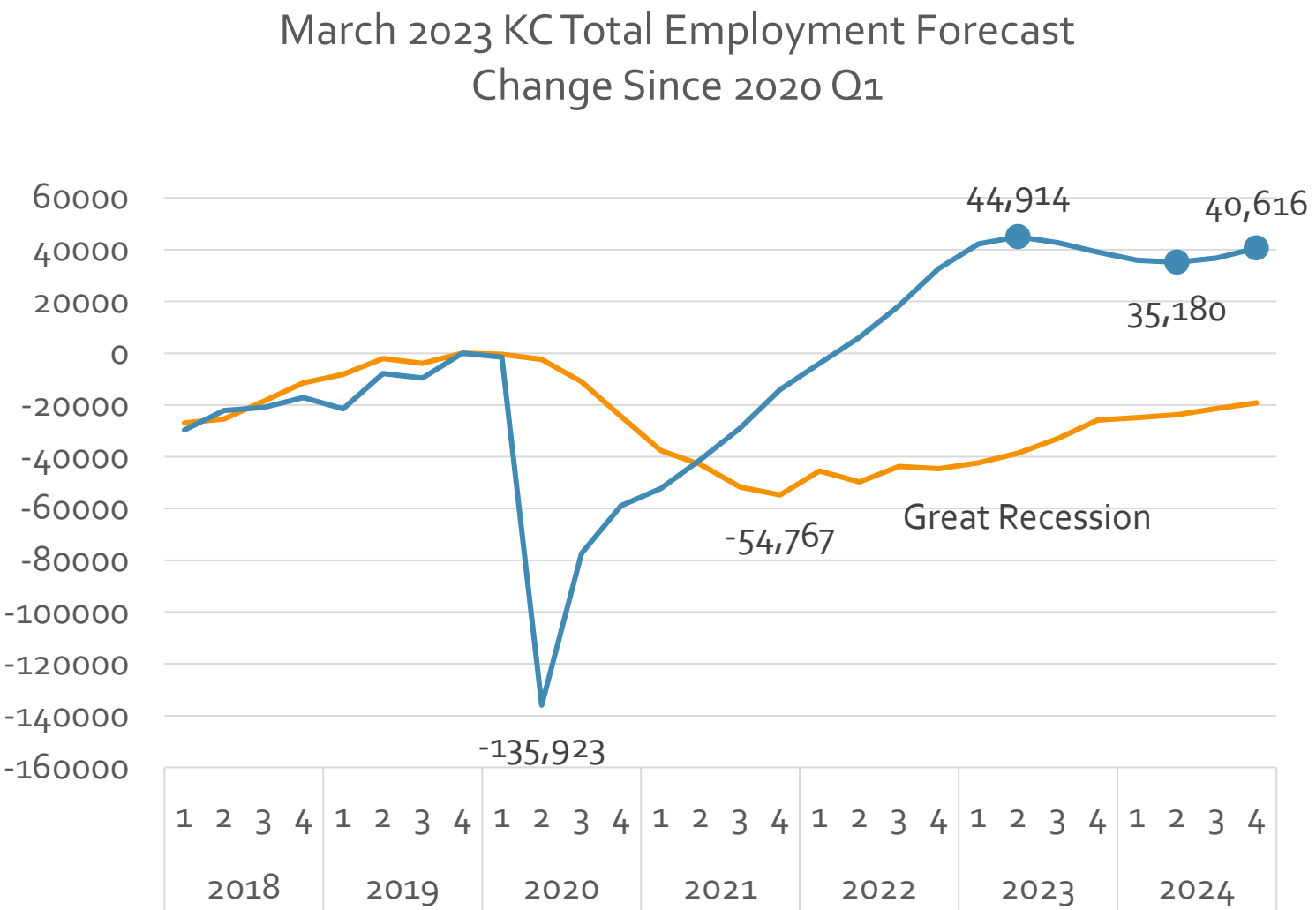


In December, we forecast a double-dip recession, though the second one would be much milder than the first. It was forecast to begin in early 2023, with a loss of about 16,000 job peak to trough.

Recent job growth both nationally and locally have come in stronger than expected, however.

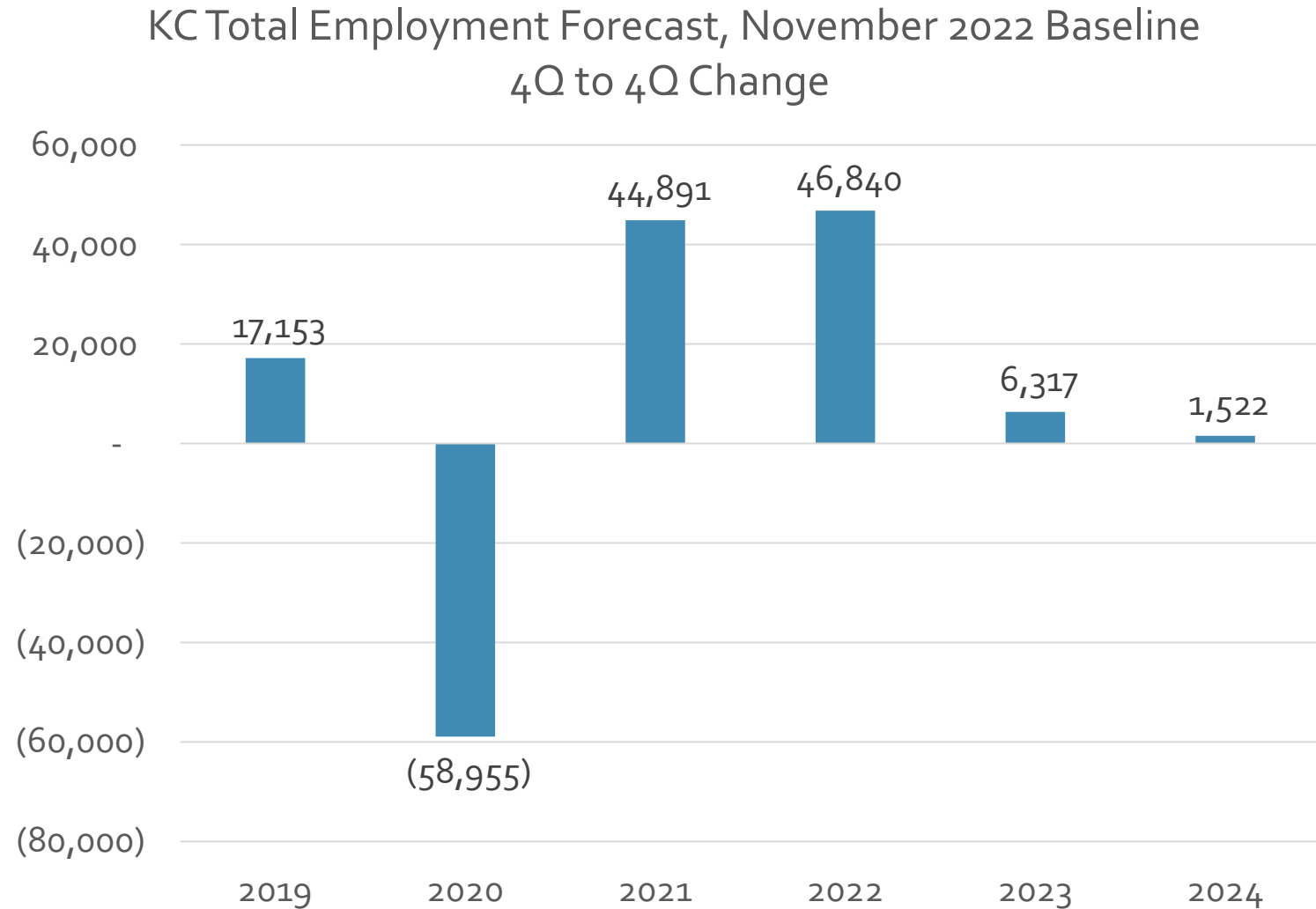


Now there is no double-dip recession as we have already recovered all the jobs lost during the Covid-19 recession. We still expect a recession, but it begins later – last half of 2023 – and is even milder, with a loss of just under 10,000 jobs, peak to trough.



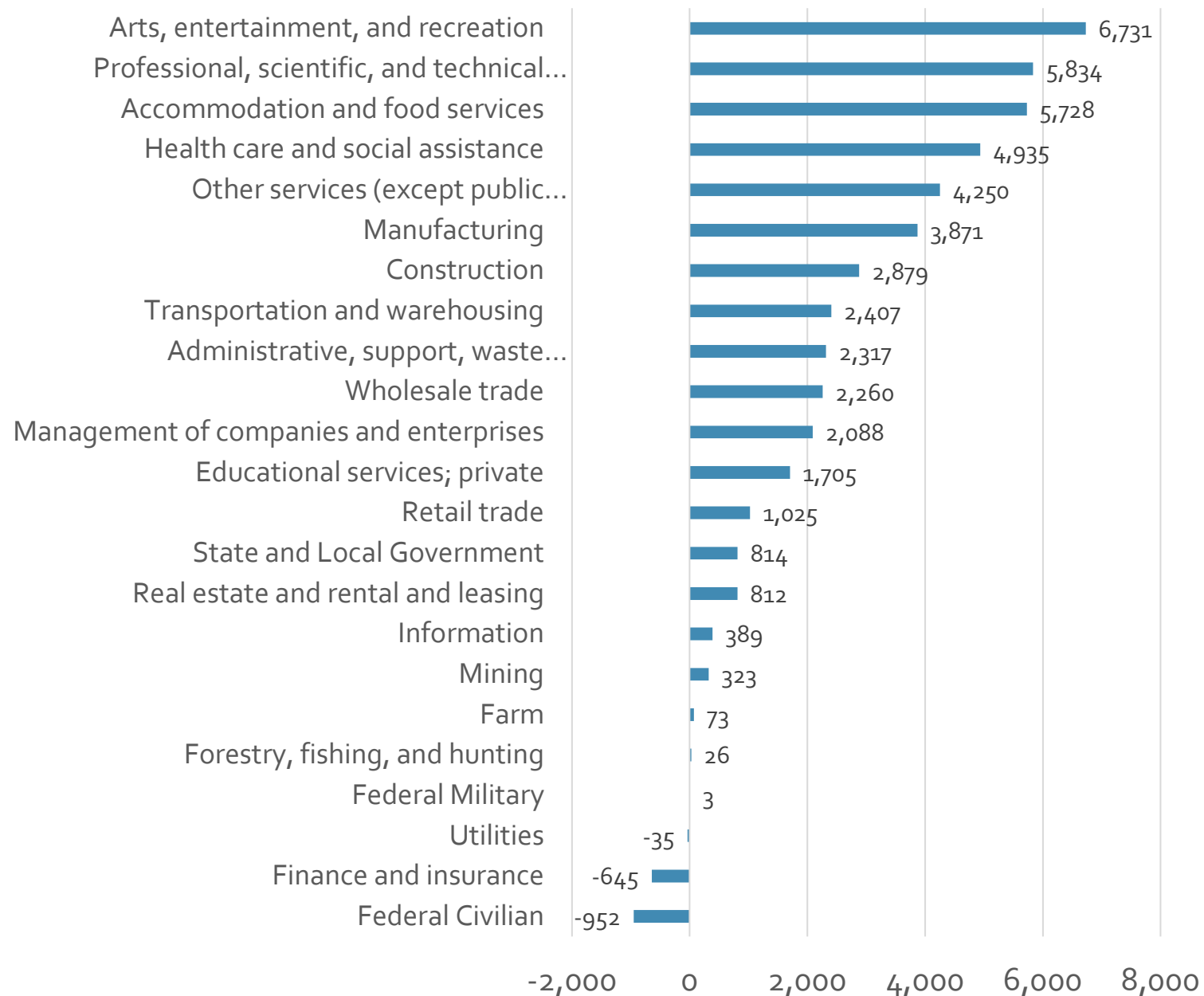
Note: Forecast employment includes both payroll employment and proprietor (business owners) employment

Measured on a 4<sup>th</sup>-quarter to 4<sup>th</sup>-quarter basis, the mildness of the recession is even more apparent as there is no period showing a decline. But it does result in an extended period of essentially stagnant job growth and essentially represents what is meant by a “soft landing.”

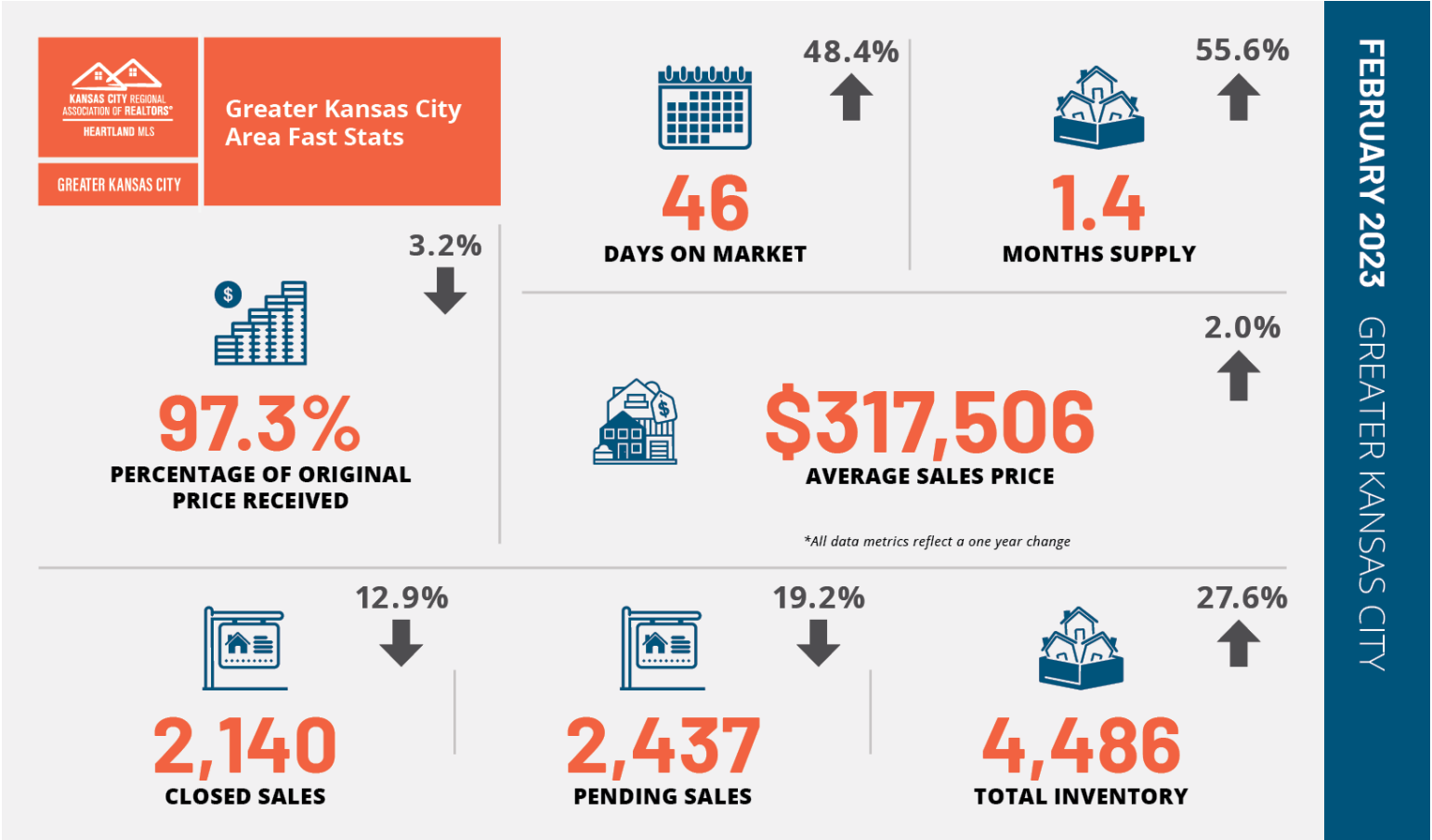


In 2022, virtually all sectors grew, led by recovery in some of the industries hardest hit by the Covid-recession such as Arts and entertainment and Accommodation and food. But Professional and Health services also grew strongly.

## KC Employment Change, 2021-22 Fourth-quarter to fourth-quarter

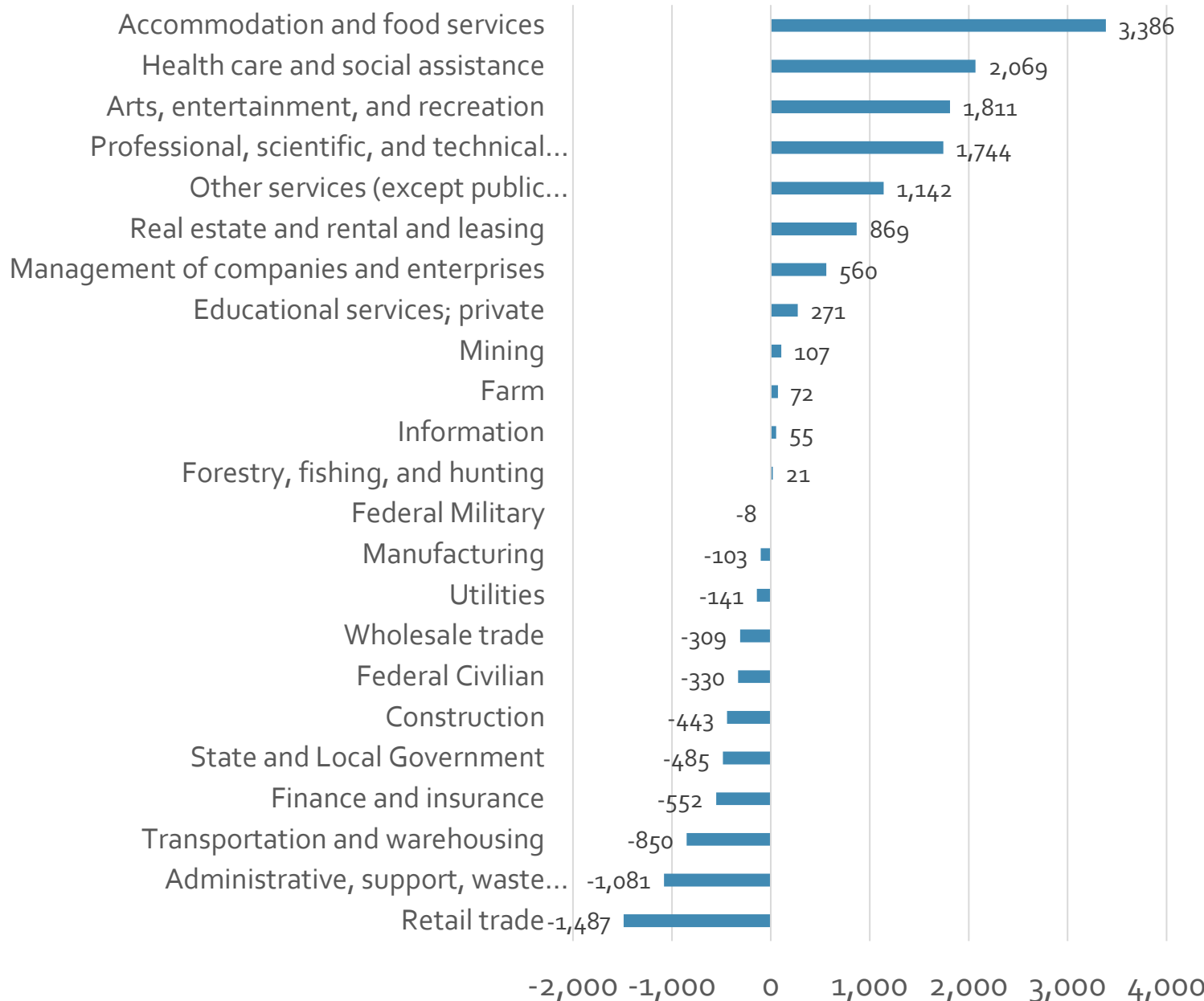


While interest rate increases in 2022 didn't slow down the job market, the real estate market is another story. Inventory and days on the market began to grow substantially in the last half of 2022, while sales prices increases began to moderate. A stagnant economy will cause prices to further also stagnate and may even decline in some markets.

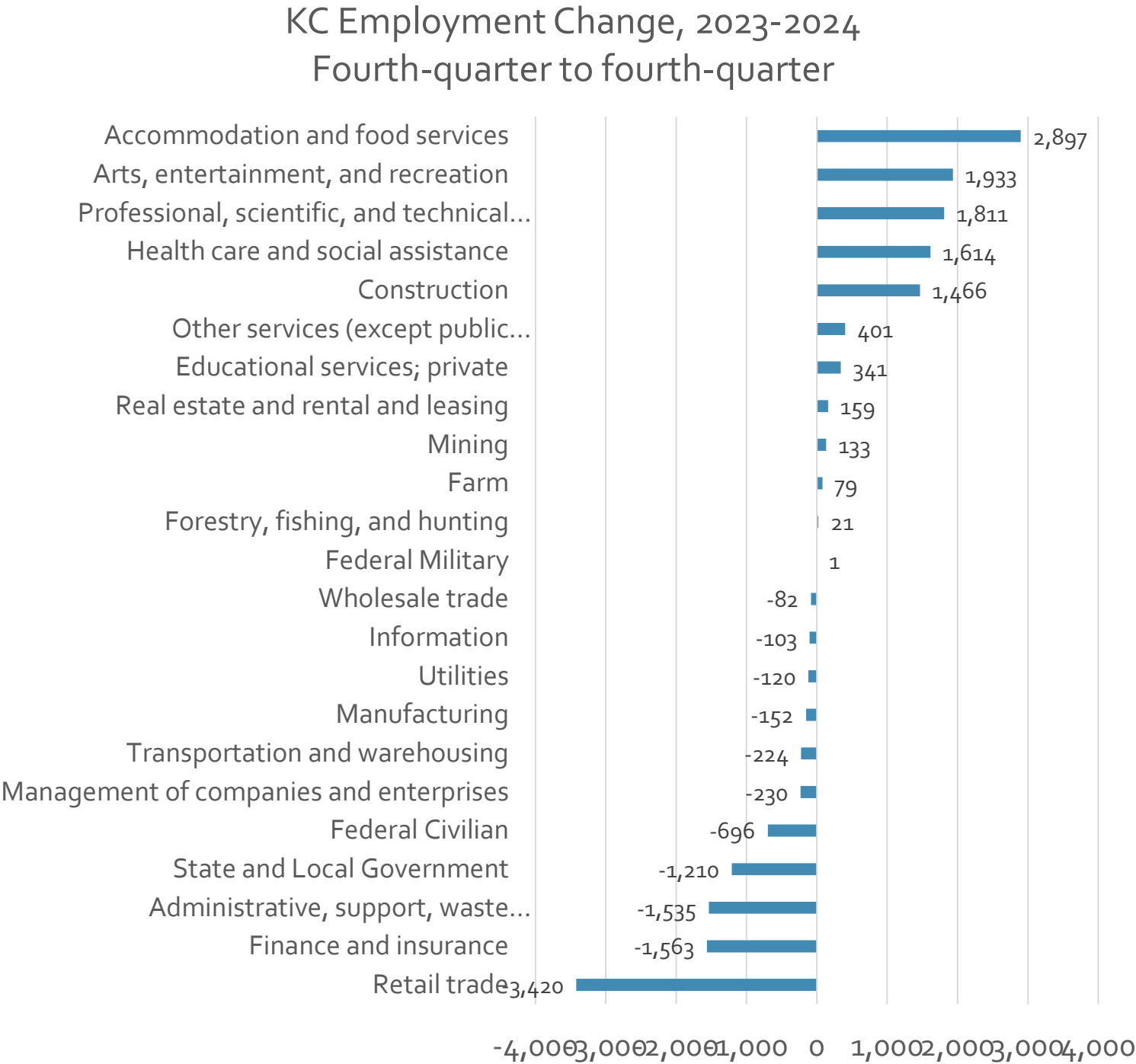


In 2023, the recession hits and job growth becomes more of a mixed bag. Generally, those that were growing strongly prove more resilient, suffering only declines in growth. Those that were growing more modestly suffer outright losses in jobs. Retail is expected to be hit the hardest.

KC Employment Change, 2022-2023  
Fourth-quarter to fourth-quarter



In 2024, the rebound begins, but it is only just getting started before the end of the forecast period arrives, so 4-quarter job growth is meager. Sectors showing growth nonetheless are Accommodation and food, Arts and entertainment, Professional services, Health services and Construction. Retail, Finance, Administrative services and Local government do not yet begin to grow by the end of 2024.



# Summary

- The Kansas City economy proved more resilient during the recovery from Covid-19 recession than previously thought. Instead of growing at rates near the bottom of its benchmark metros, it is now more in the middle of the pack
- Much of the revised increase in job growth came from industries hit hardest by recession.
- Last year's rapid increases in interest rates probably mean a mild recession will begin in the last half of this year, resulting in a loss of about 10,000 jobs in the KC area, peak to trough.
- Those industries that have been growing the strongest generally prove to be the most resilient during this downturn.
- While not yet affecting the labor market, the rapid rise in interest rates has already had an impact on the housing market, raising borrowing costs to the point where many consumers who had been planning to buy a home can no longer afford to.



# Questions?

MARC Board of Directors  
March 28, 2023

## U.S. and KC Economic Forecast

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

