

# Greater Kansas City Chamber of Commerce

## 2024 Economic Forecast

December 7, 2023

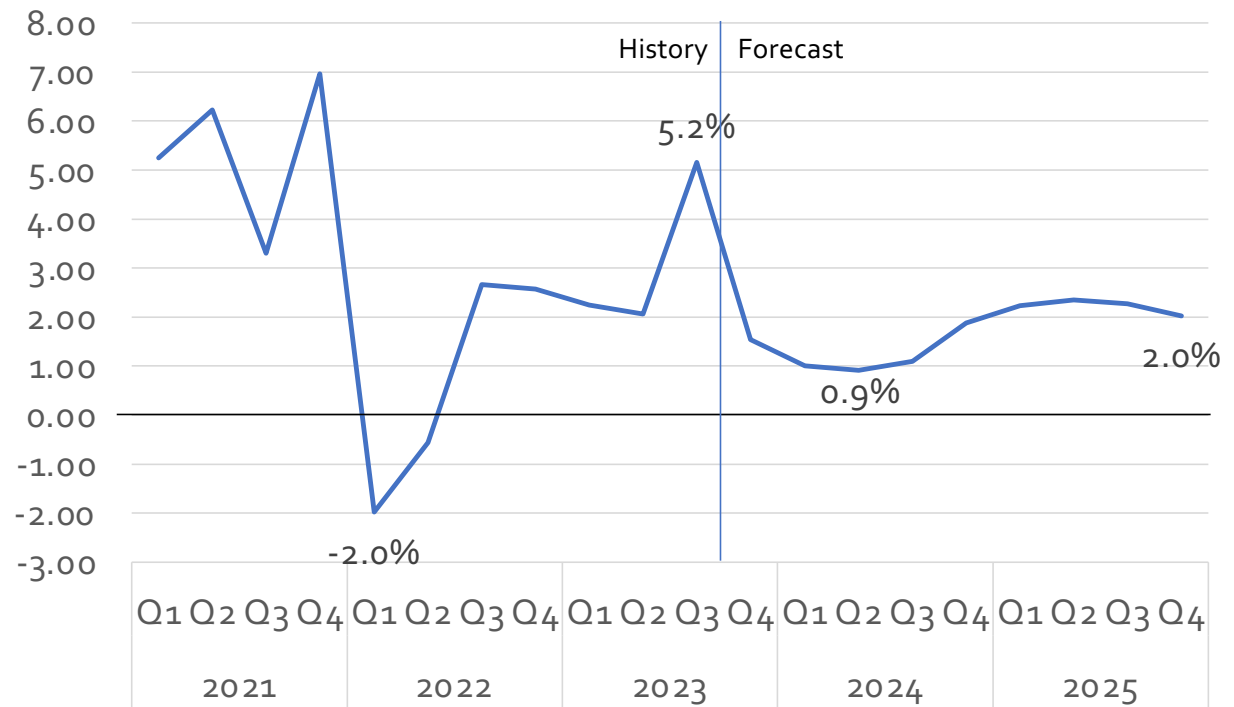
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# US history and forecast



The US economy rebounded sharply from the 2020 pandemic-induced recession, then paused, sparking fears of another recession. Since then, GDP resumed growing at a more moderate pace. The forecast is for continued moderation in economic growth but no recession.

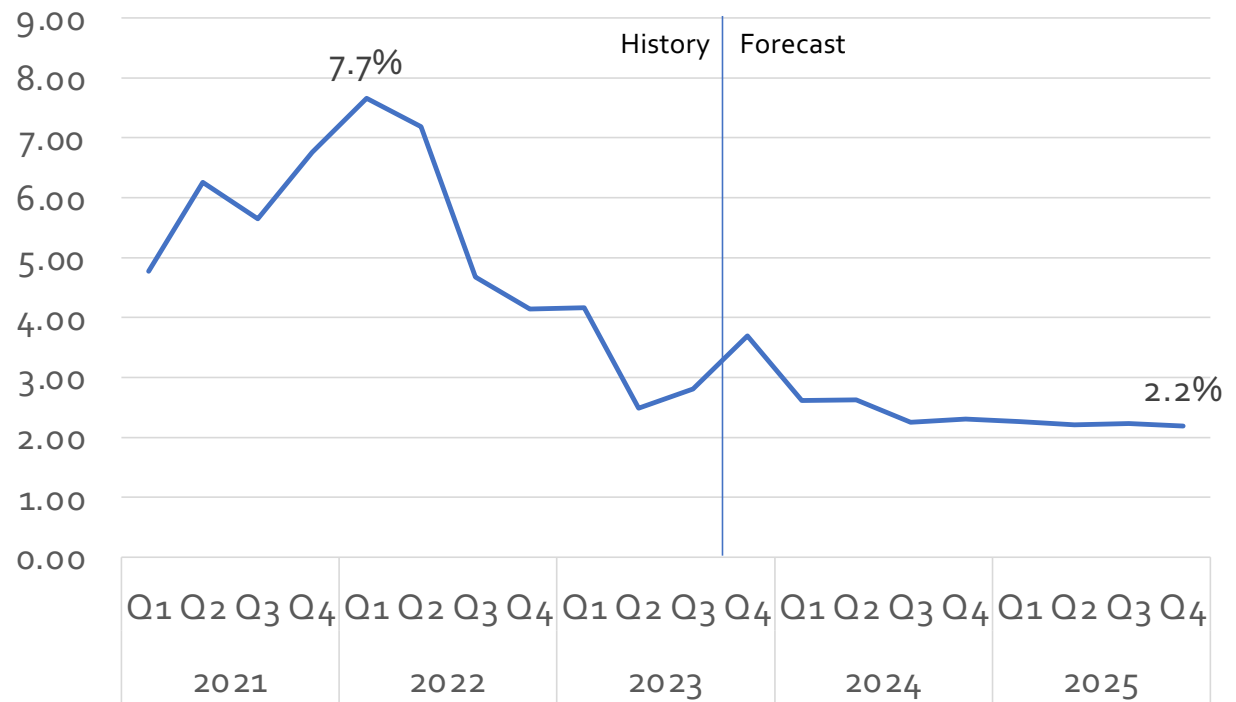
Real Gross Domestic Product  
Quarterly Percent Change at Annual Rates



Sources: FRED, BEA, RSQE

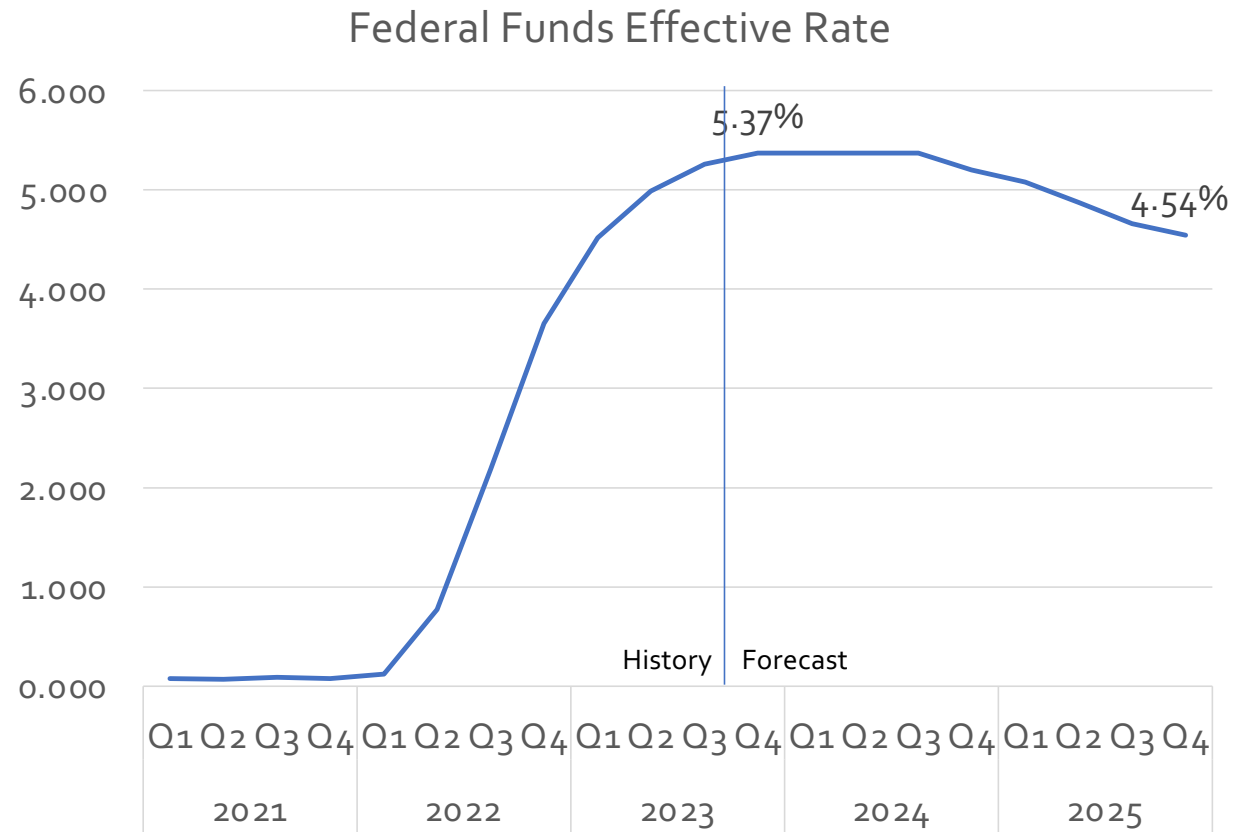
Because demand snapped back much quicker than supply, inflation reached levels not seen since the 1980s. But inflation rates are now half what they were an on their way to the Fed's 2% target

Personal Consumption Expenditures Price Index  
Quarterly Change at Annual Rates



Sources: FRED, BEA, RSQE

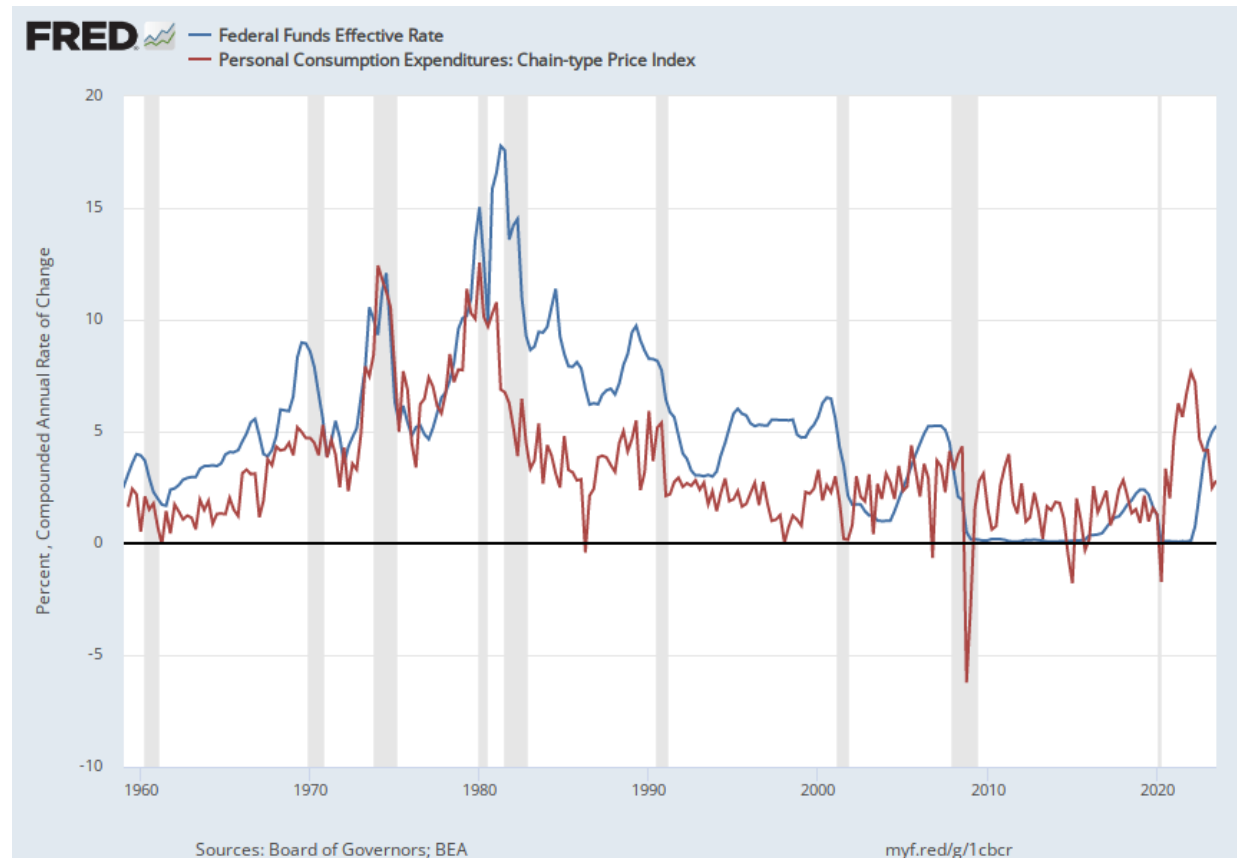
In response to inflationary pressures, the Fed dramatically increase its policy interest rate, the Fed Funds rate



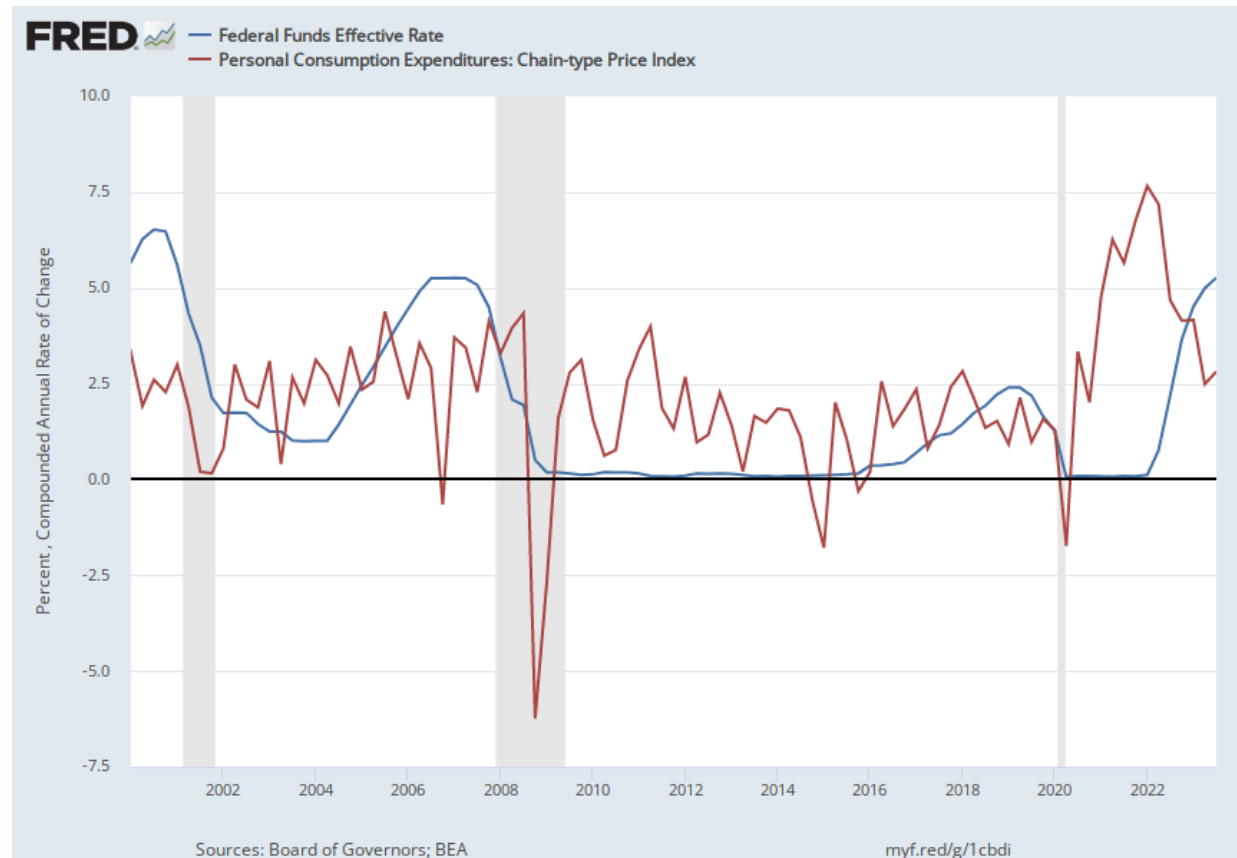
Sources: FRED, Federal Reserve Board

Here we can see how high inflation ran relative to the 1980s. The blue line is the policy rate used to keep the red line near 2%.

But note, in 2022 the red line moved downward at the exact same time as the blue line started to increase. So, it can't really be higher interest rates that cooled inflation.

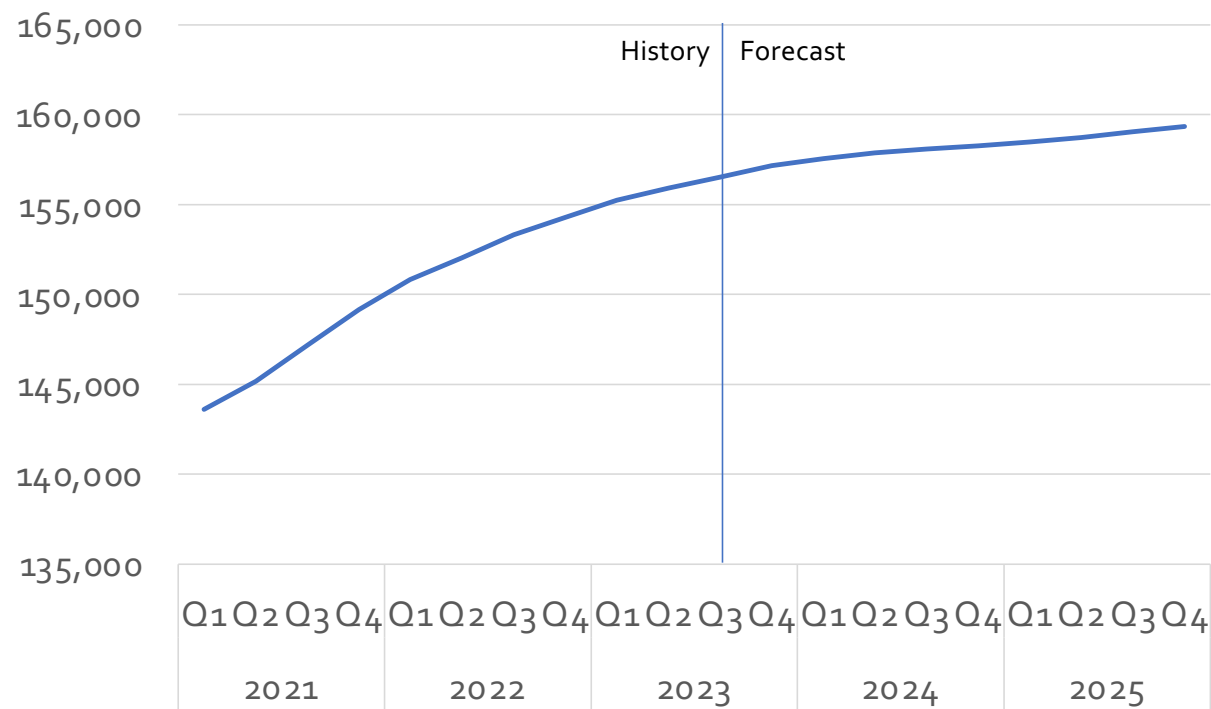


It appears that that signaling of higher interest rates to come, and the commitment to do so, was sufficient to keep inflation expectations in check. In turn, this bought time for supply chains to heal and the supply of goods to increase. The combination produced the desired soft-landing - lowering inflation without a recession.



Consequently, we find ourselves at an inflection point between a high growth and a low growth regime in terms of how fast the US adds jobs.

### Total US Non-Farm Employment Forecast (thousands)

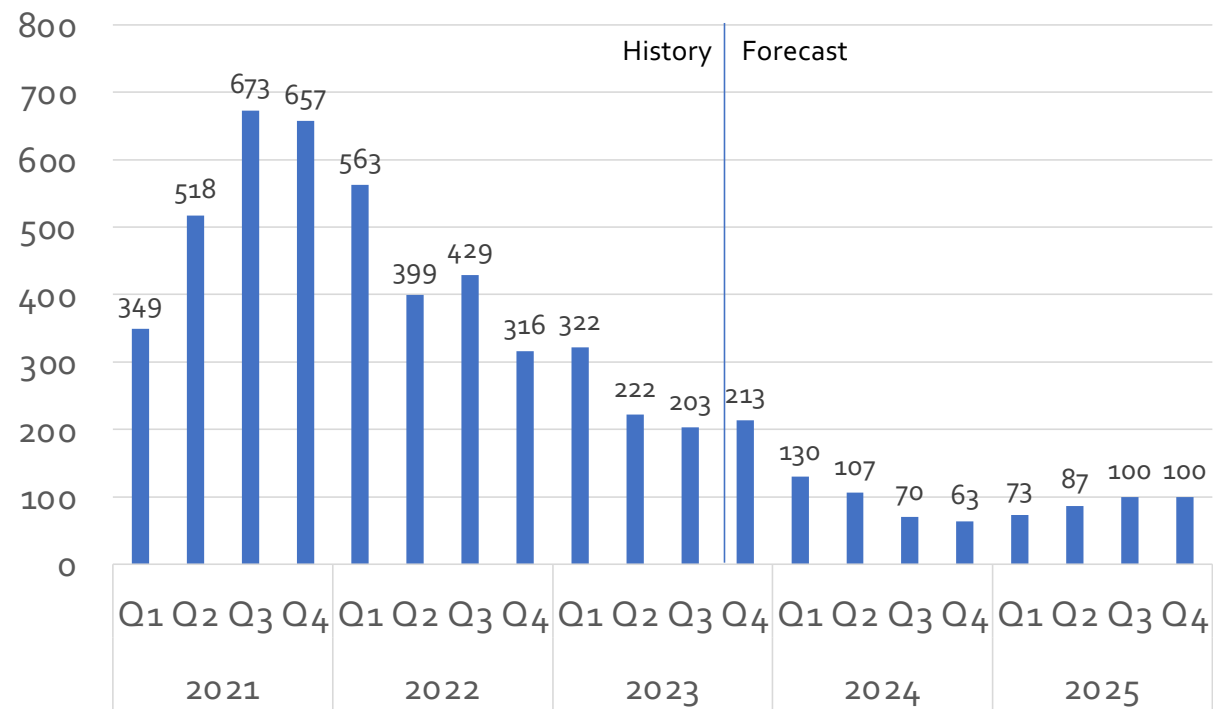


Sources: BLS, RSQE



Historically, the US economy has averaged adding roughly 200,000 jobs a month during recoveries. With many workers aging out of the labor force, the natural monthly increase in workers is now about 100,000 per month. That level is what the economy is transitioning too.

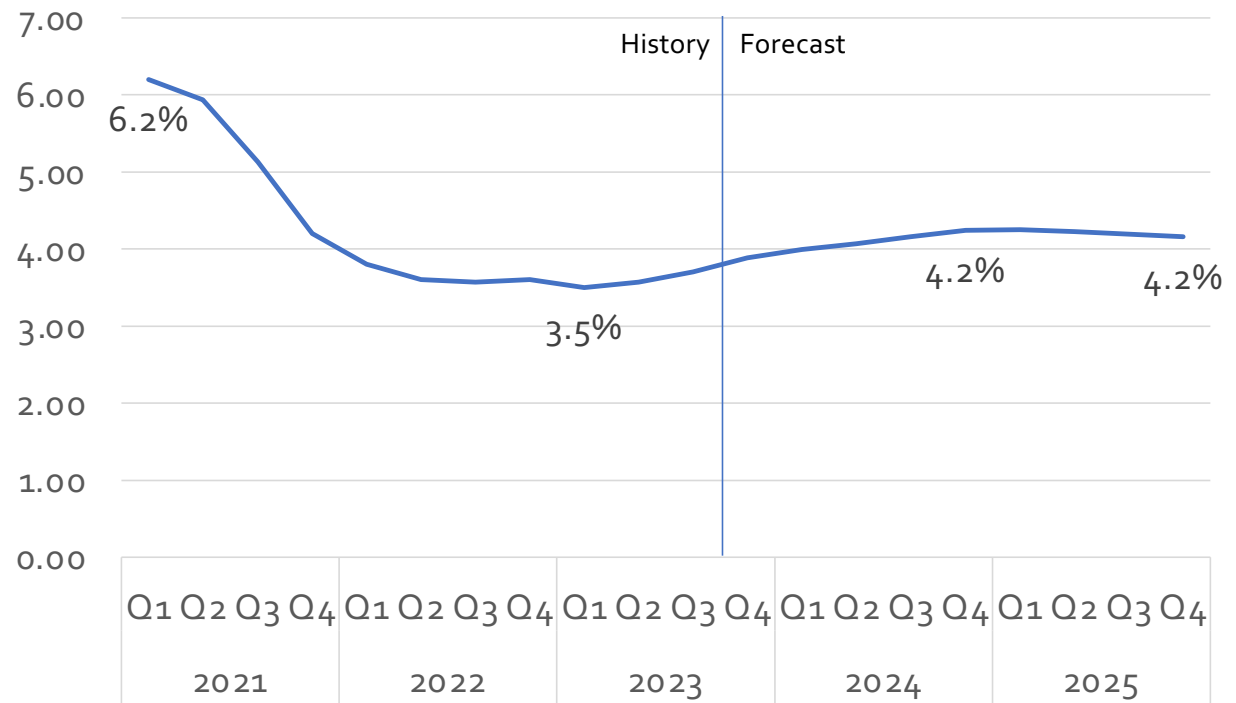
### Average Monthly Change in US Jobs, by Quarter In Thousands



Sources: BLS, RSQE

This is the principal reason the unemployment rate has stayed so low despite a slowing economy. Even after fully absorbing the impact of higher interest rates, the unemployment rate still remains very near 4%, the level historically considered full employment.

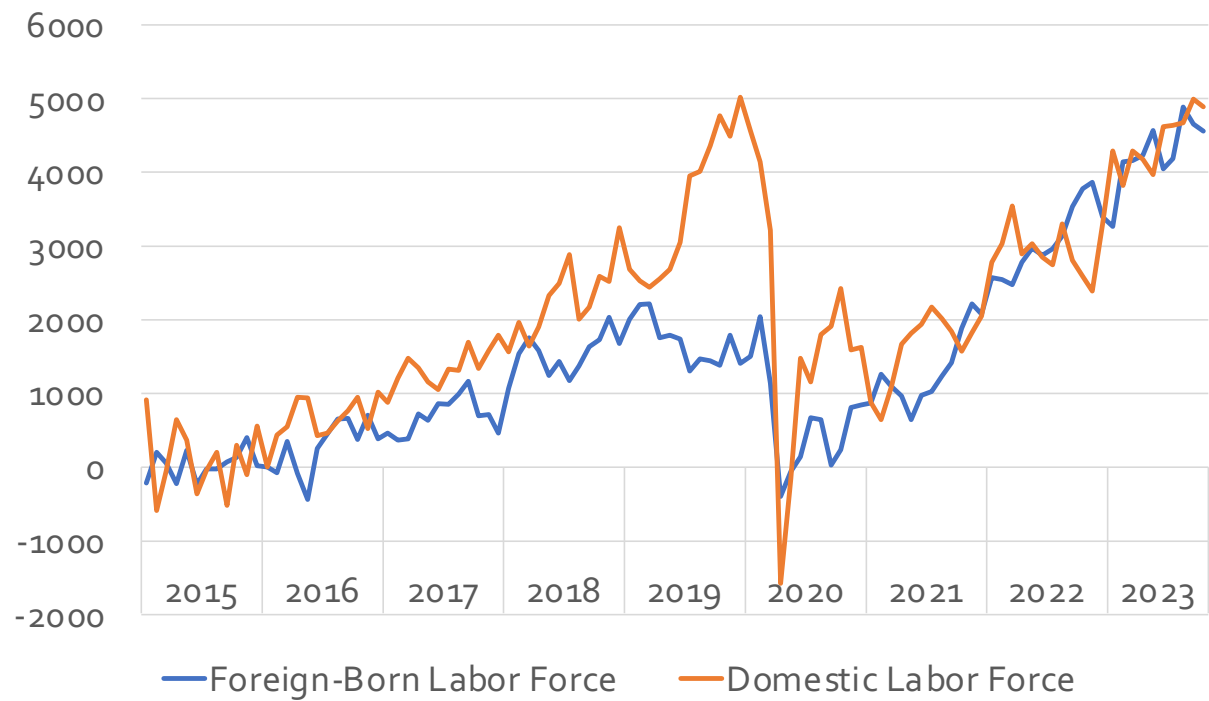
### Unemployment Rate Seasonally Adjusted



Sources: BLS, RSQE

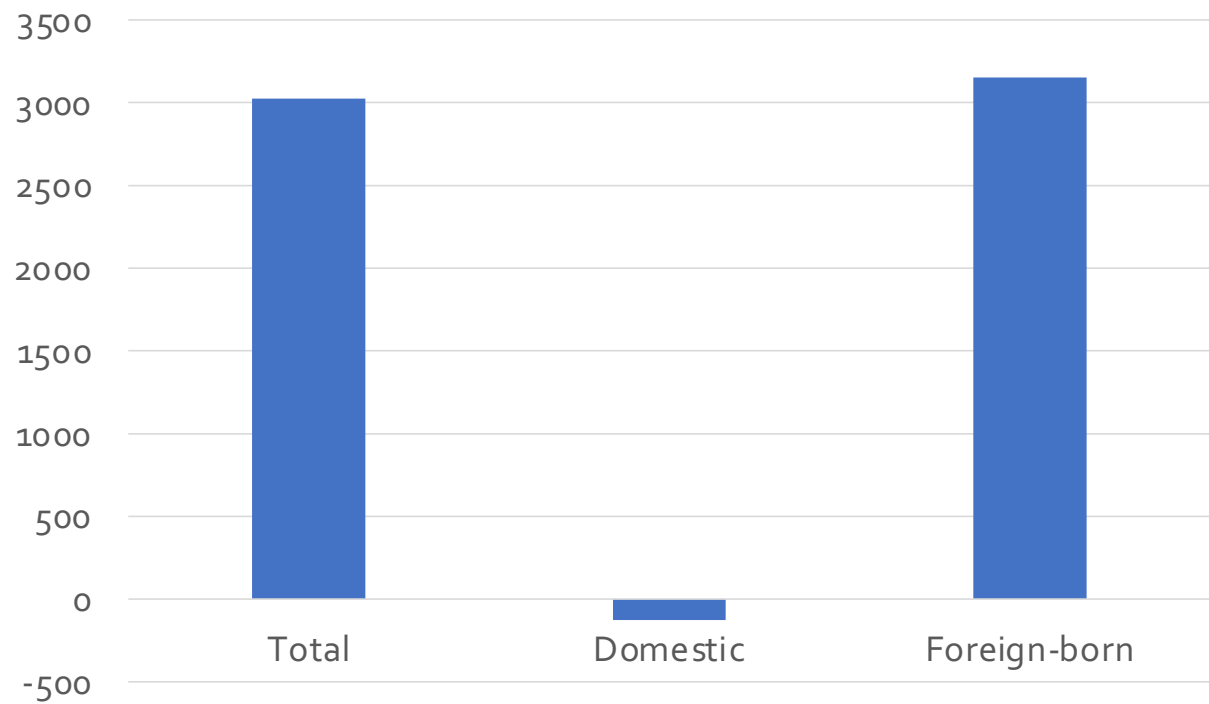
If the natural increase in the labor force is only 100,000 per month, how have we been adding much more than that post-pandemic? Most was simply putting back to work those that lost their jobs. Labor Force participation is now fully back. But also, foreign-born workers have played an increasing role.

### Foreign-born and Domestic Labor Force Growth Since 2015



In fact, any LF growth beyond the pre-pandemic peak can be attributed to growth in foreign-born workers. Employment in the US would not be larger today than it was pre-pandemic without an influx of foreign workers

Labor Force Growth Since Pandemic Began  
December 2019 to October 2023



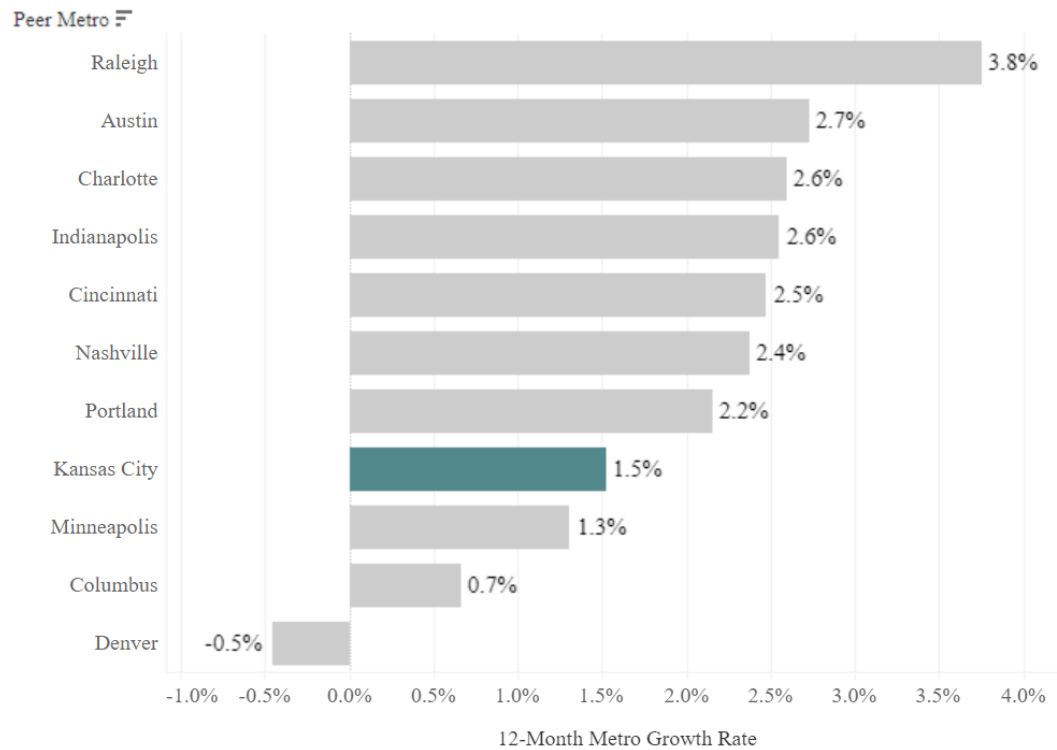


# KC History and Forecast



Still, the region's economic performance over the past year lags most the metros we benchmark our progress against.

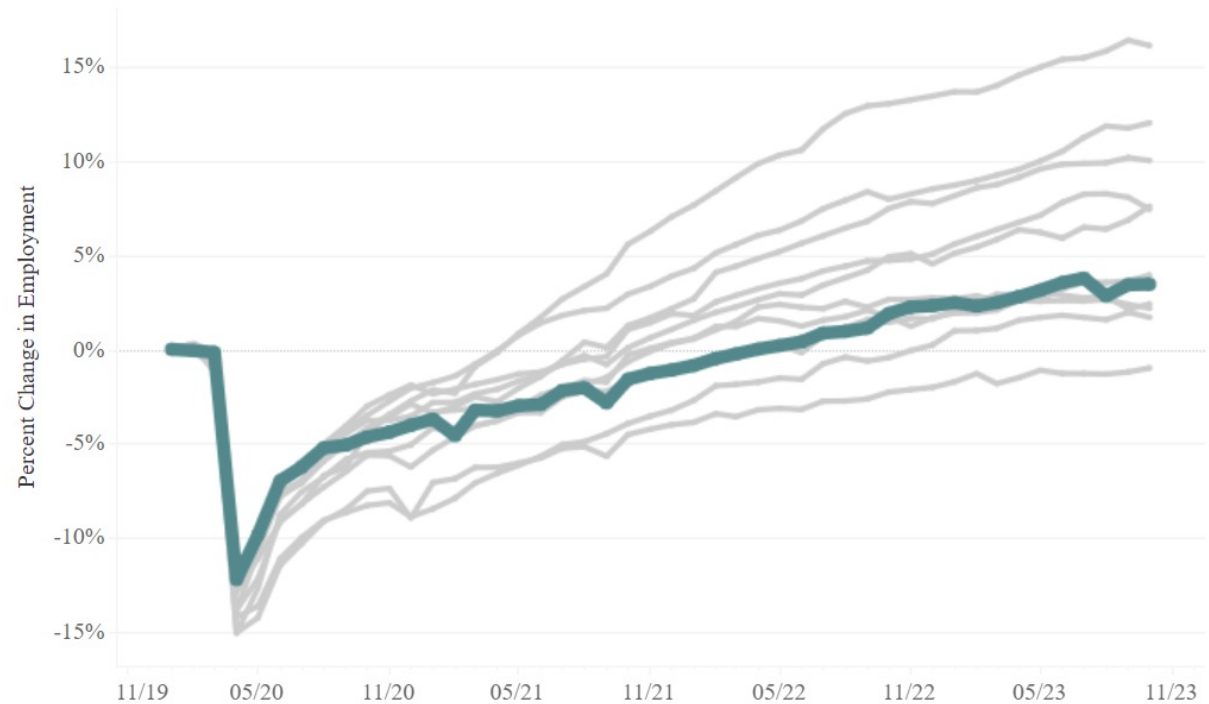
### Peer Metro Rank by Employment Growth Rate Seasonally Adjusted



Source: BLS, MARC

This has been true almost since the recovery from the pandemic began and, in fact, since the early 2000s.

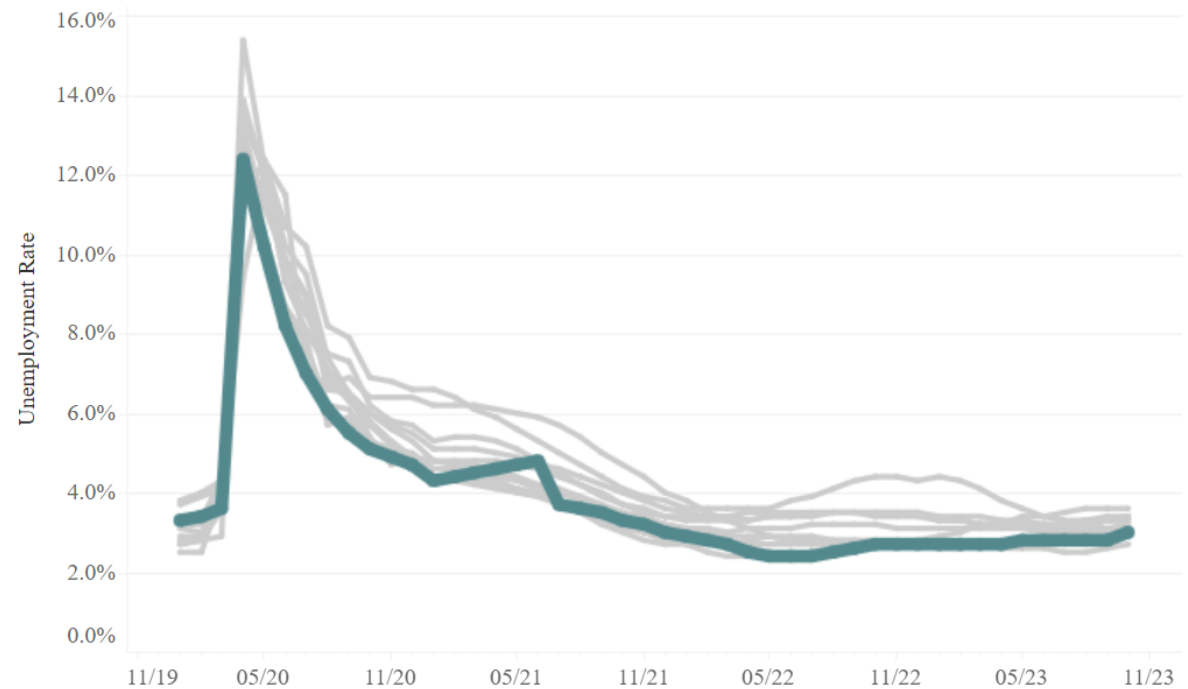
## Employment Seasonally Adjusted





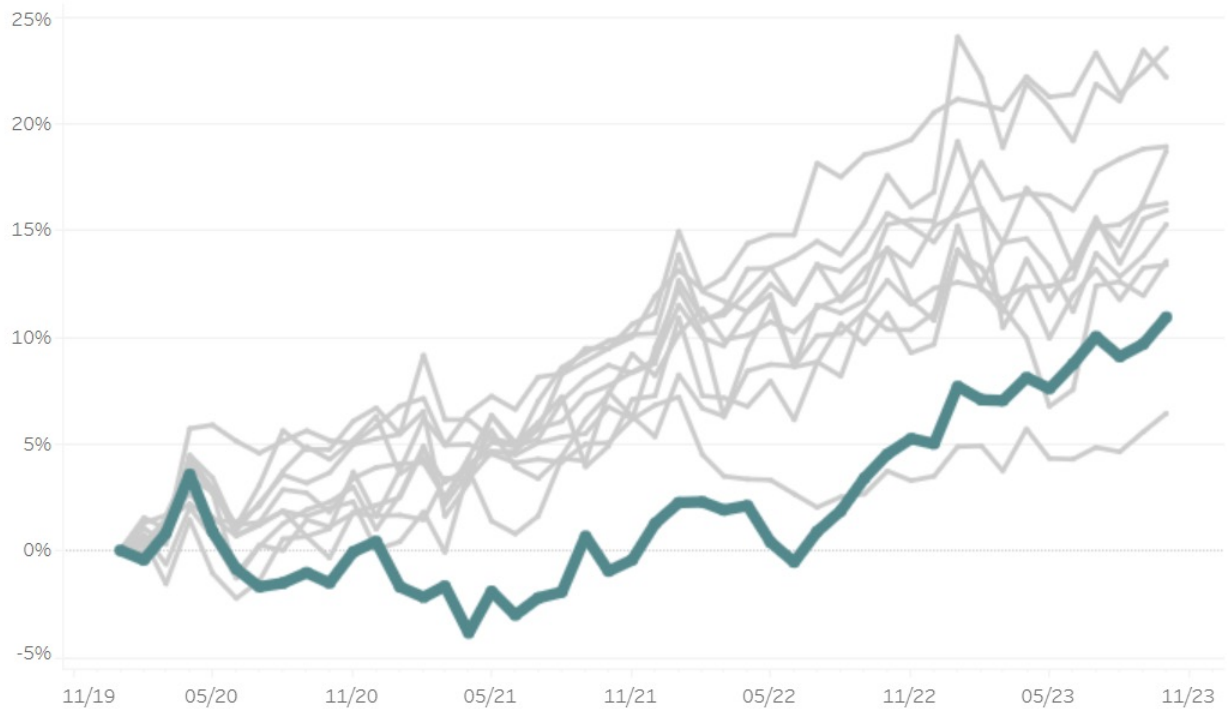
Despite this, our unemployment rate, at 2.8 percent, remains substantially below the nation's 3.9 percent and is second lowest among to benchmark metros.

### Unemployment Rate Seasonally Adjusted



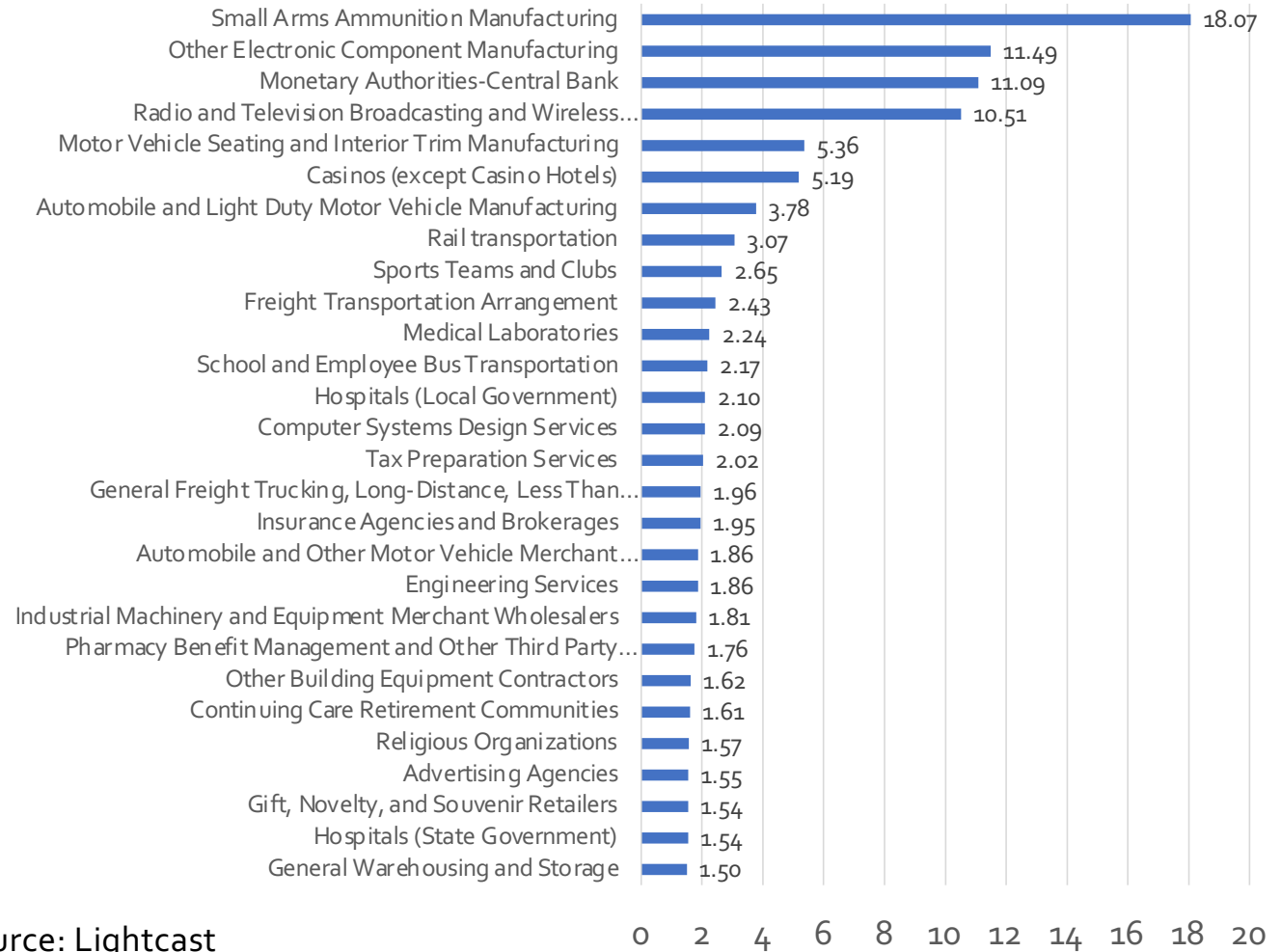
Yet a tight labor market has not translated into above-average wage gains for area workers. KC's post-pandemic increase in average hourly earnings for those working for private employers is second lowest among the benchmark metros

Average Private Hourly Earnings  
Non-Seasonally Adjusted



The question is, "Why?". At least in part, it is due to the region's relatively weaker ability to export goods and services to the rest of the U.S. and world. One measure of which industries export most is by how much our employment here exceeds the national average, given the overall size of our economy. By this measure, these are our largest exporting industries.

## KC Largest Exporting Industries Ranked by 2022 Employment Concentration



Source: Lightcast

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

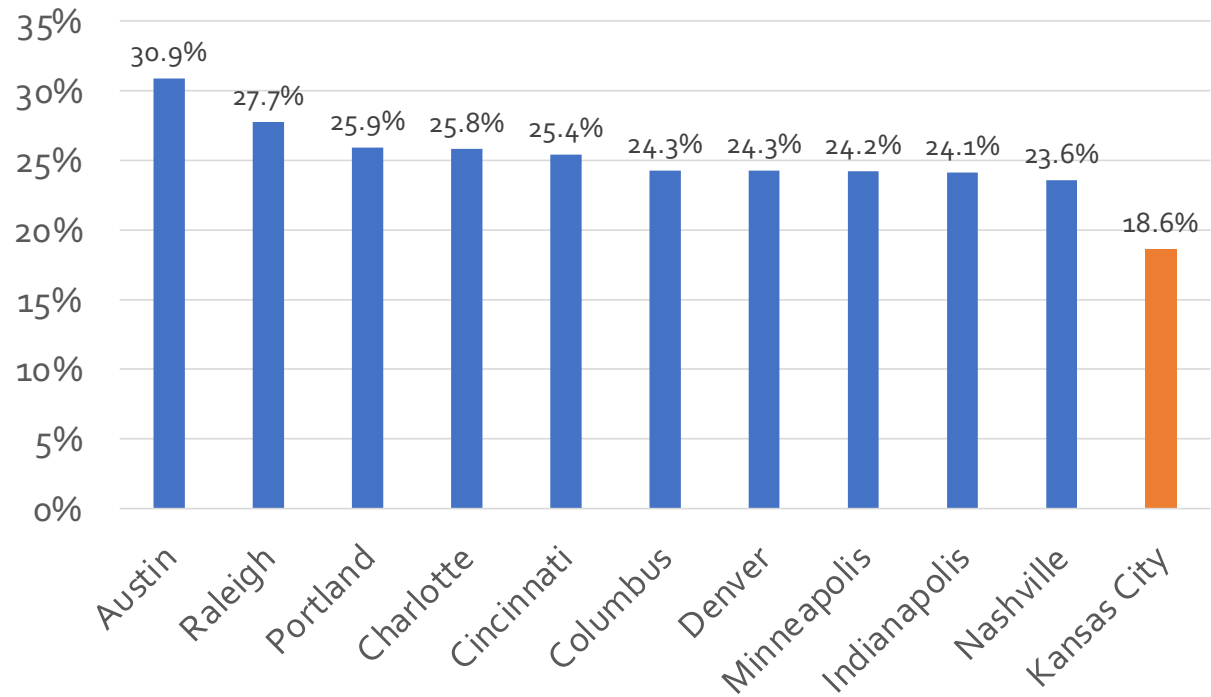
## KC Largest Exporting Industries Ranked by 2022 Jobs



Source: Lightcast

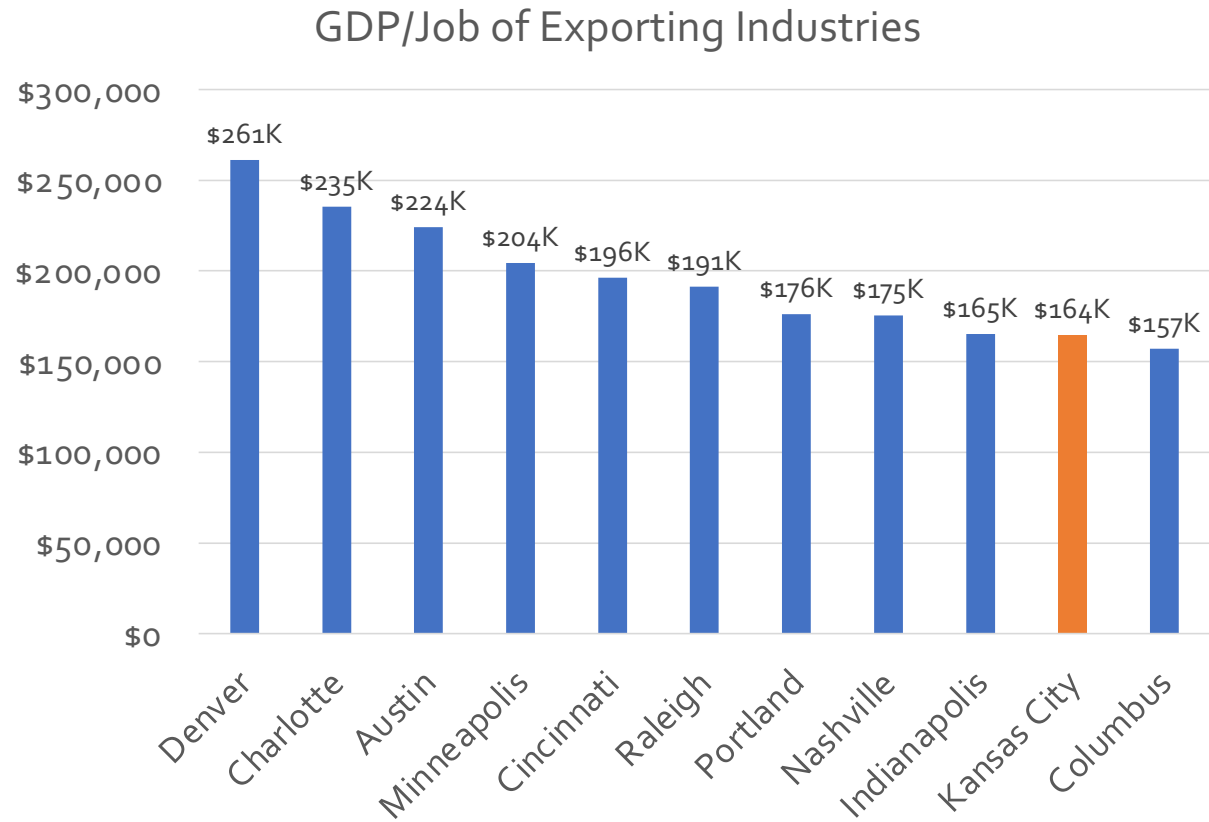
But when we sum the total employment in our exporting industries, express it as a share of total employment, and compare that share against the benchmark metros, KC lags far behind them all.

### Export Industry Employment as a Share of All Employment



Source: Lightcast

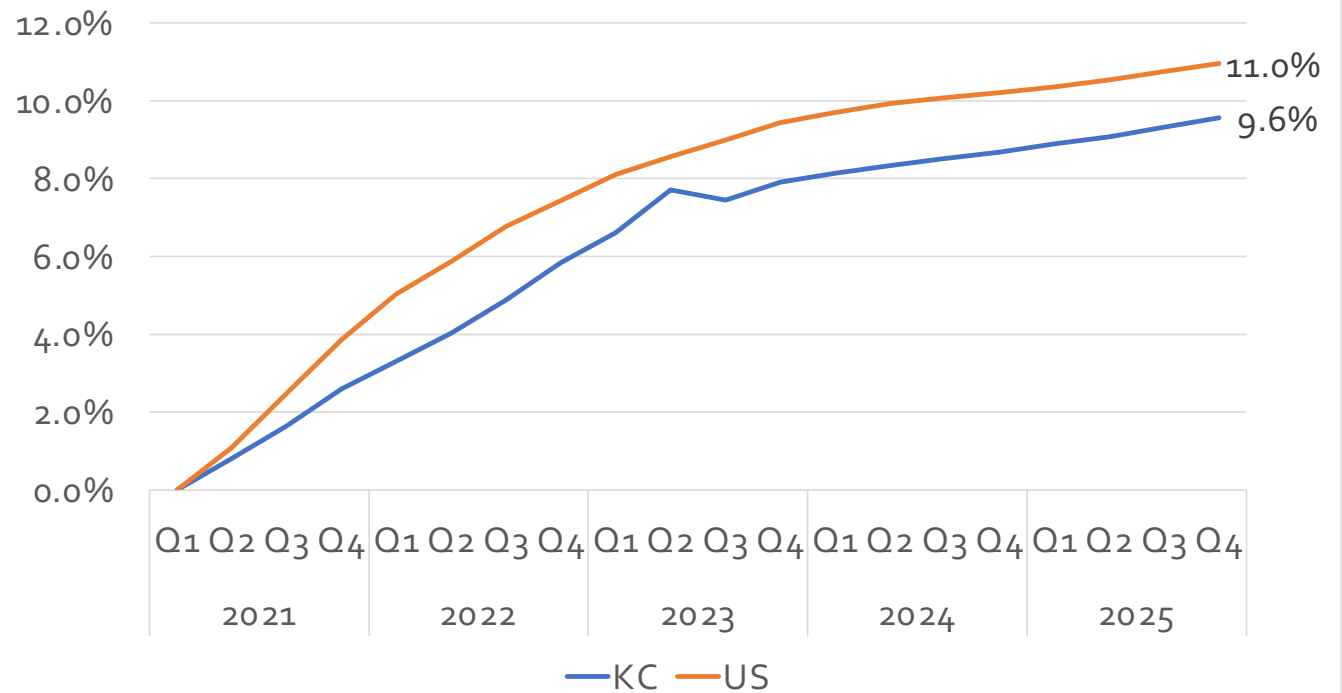
Additionally, when we look at how productive the employees are in those exporting industries, measured by the value of the products and services the industries sold on a per employee basis, We find that KC is ranked near the bottom here as well.



Source: Lightcast

Consequently, t, we see that KC has been performing worse than the nation in terms of job growth, and we forecast this gap will not to narrow appreciably in the near future.

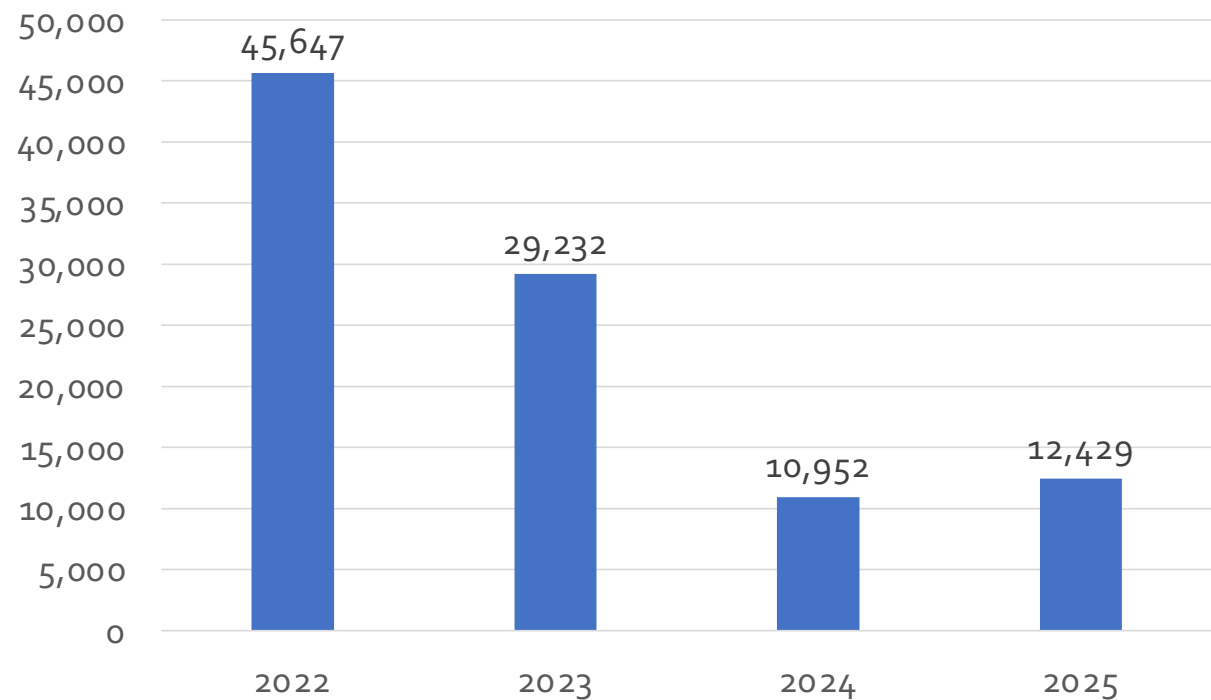
KC vs. US Employment Forecast  
Percent change since 2021 Q1



Source: BLS, RSQE, MARC

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.

KC Total Employment Forecast  
4Q-to-4Q Change

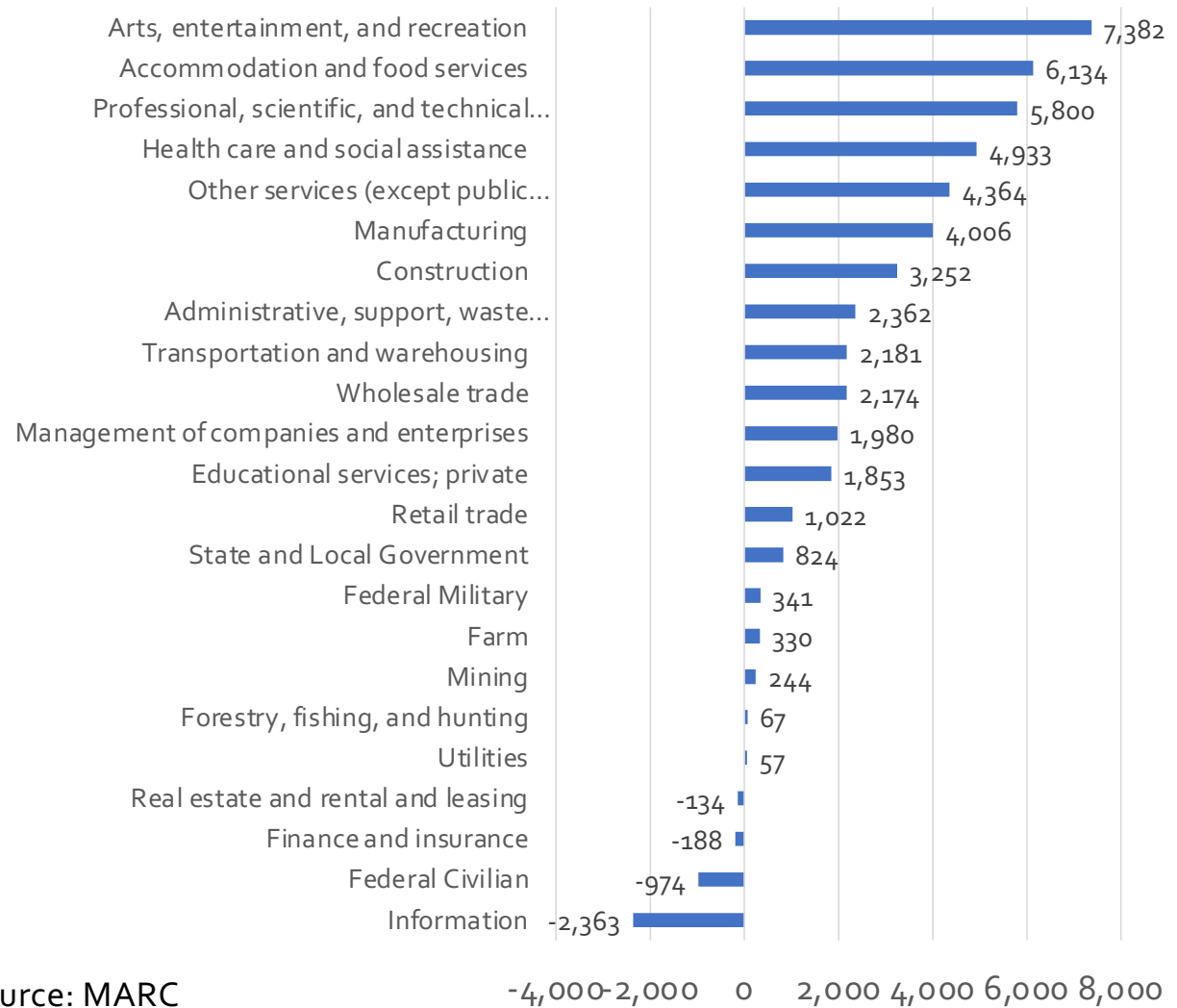


Source: MARC



Looking by industry, many of the those that were hardest hit by the pandemic also rebounded the most sharply. Traditionally strong industries such as Professional Services and Healthcare also experienced significant growth.

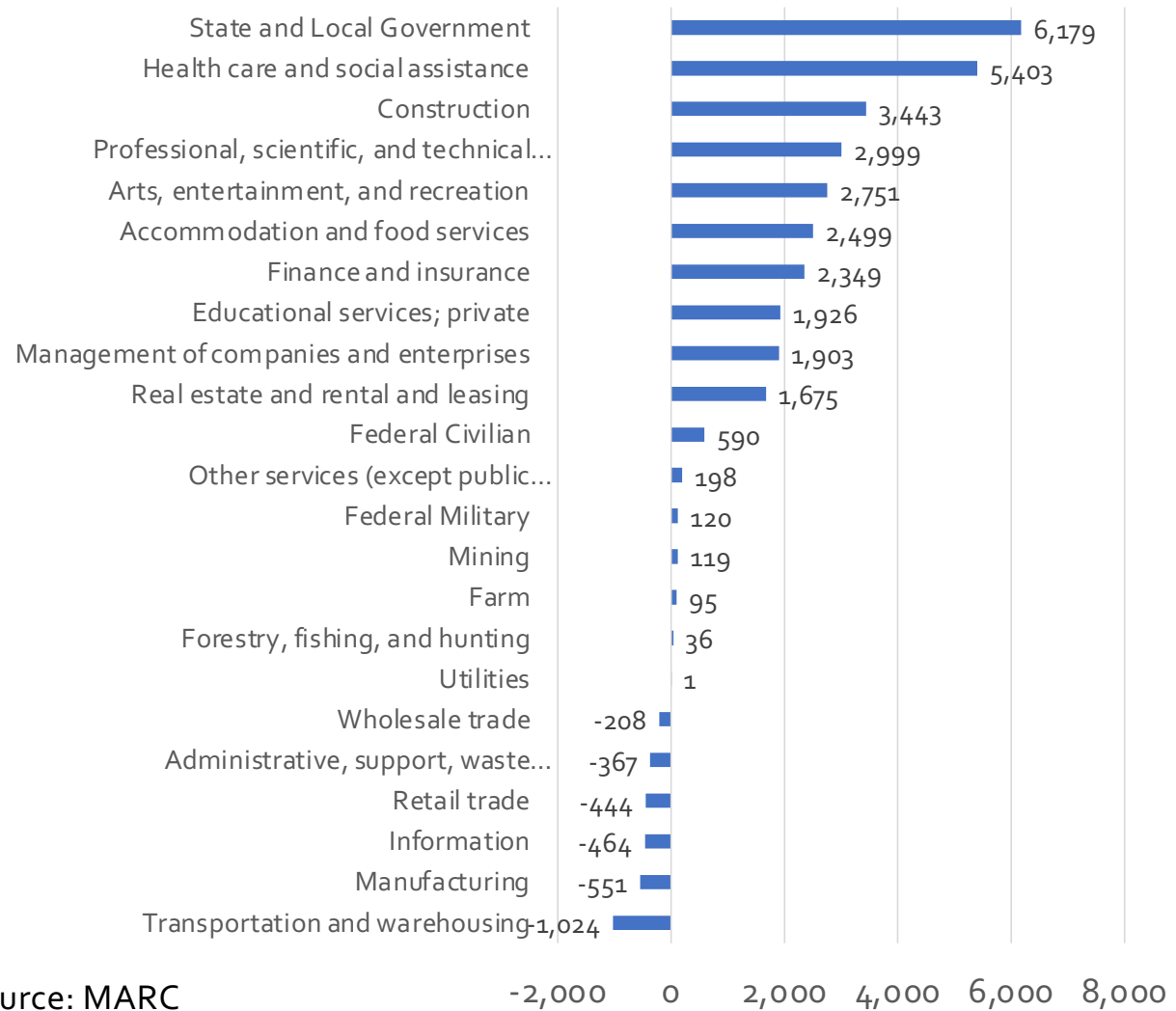
## 2022 KC Employment Growth, 4Q-to-4Q



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.

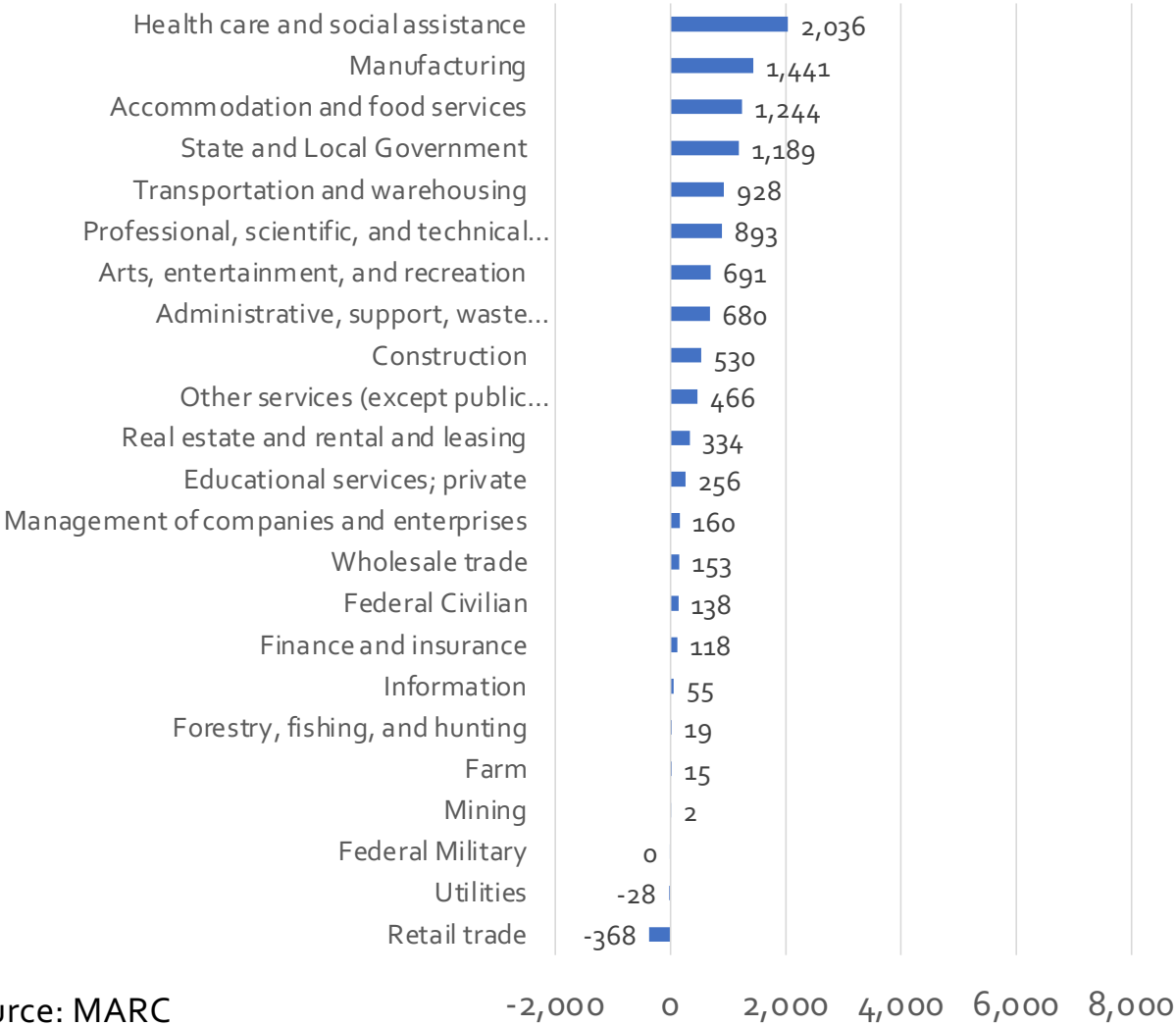
## 2023 KC Employment Growth, 4Q-to-4Q



Source: MARC

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.

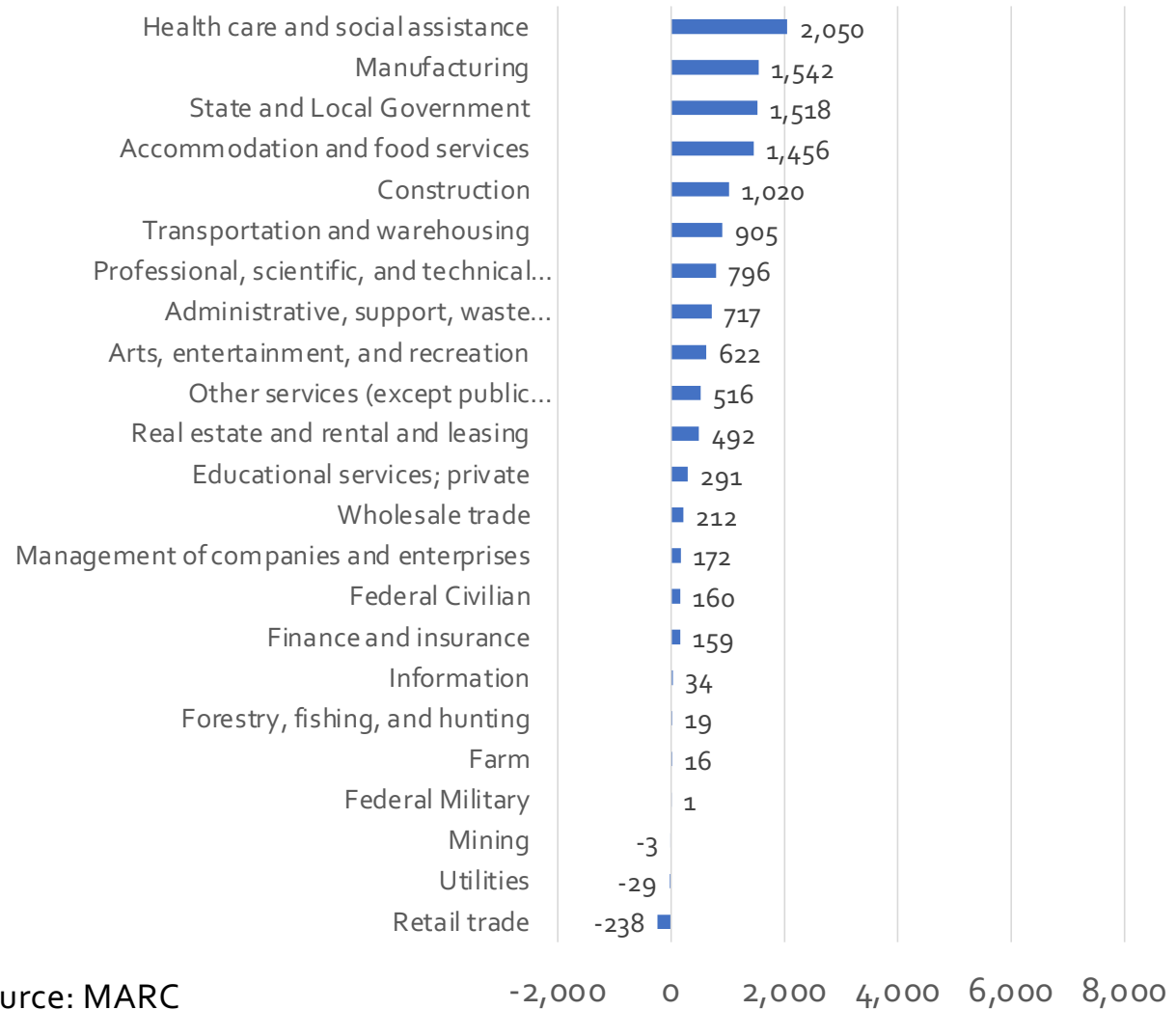
### 2024 Employment Growth, 4Q-to-4Q



Source: MARC

This sluggish growth continues into 2025. Health Care continues to lead the way, followed by Manufacturing. Construction begins to rebound as interest rates begin to fall again.

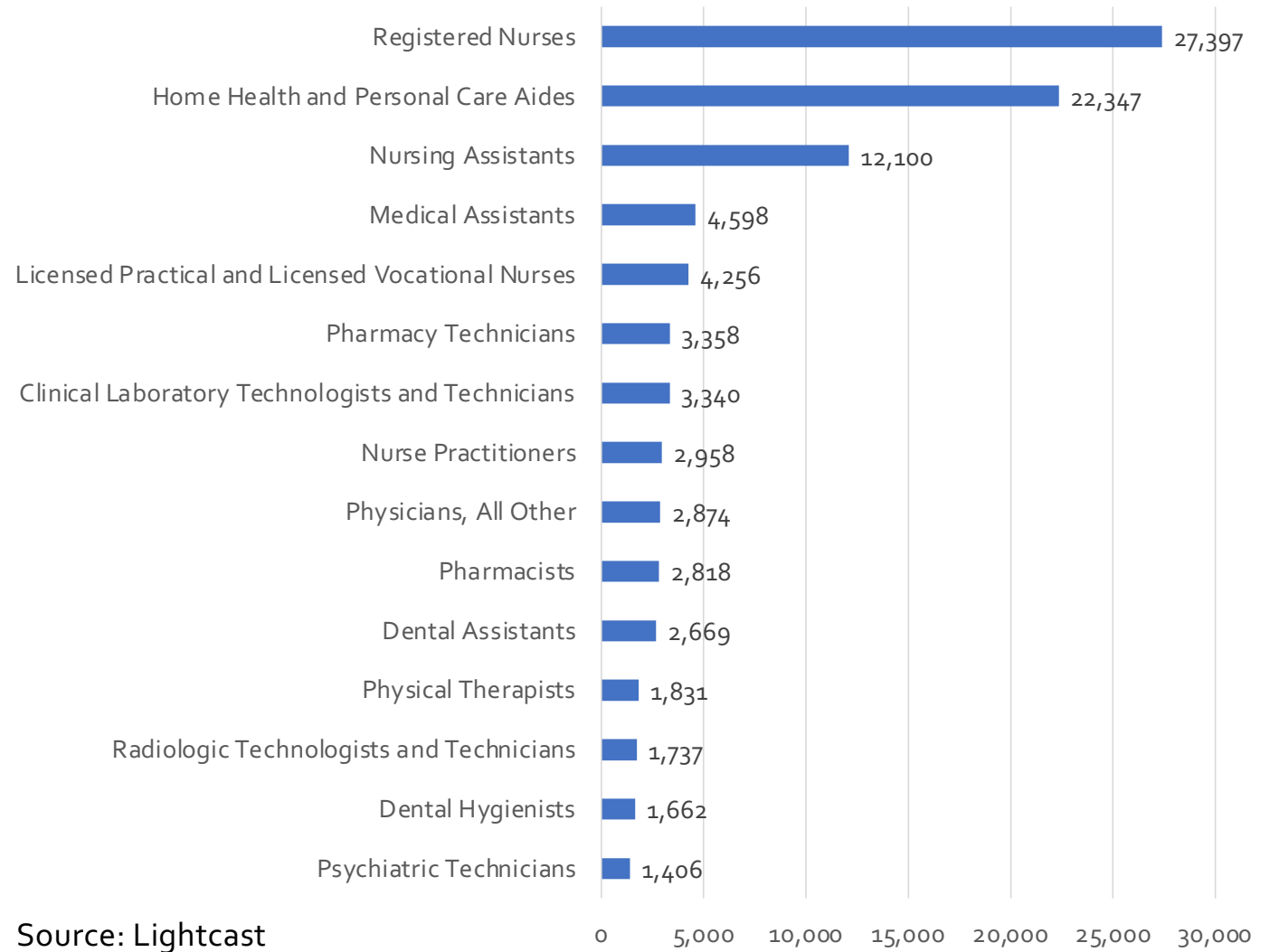
## 2025 Employment Growth, 4Q-to-4Q



Source: MARC

Given Health Care is typically our biggest job generator, what kinds of jobs are they?

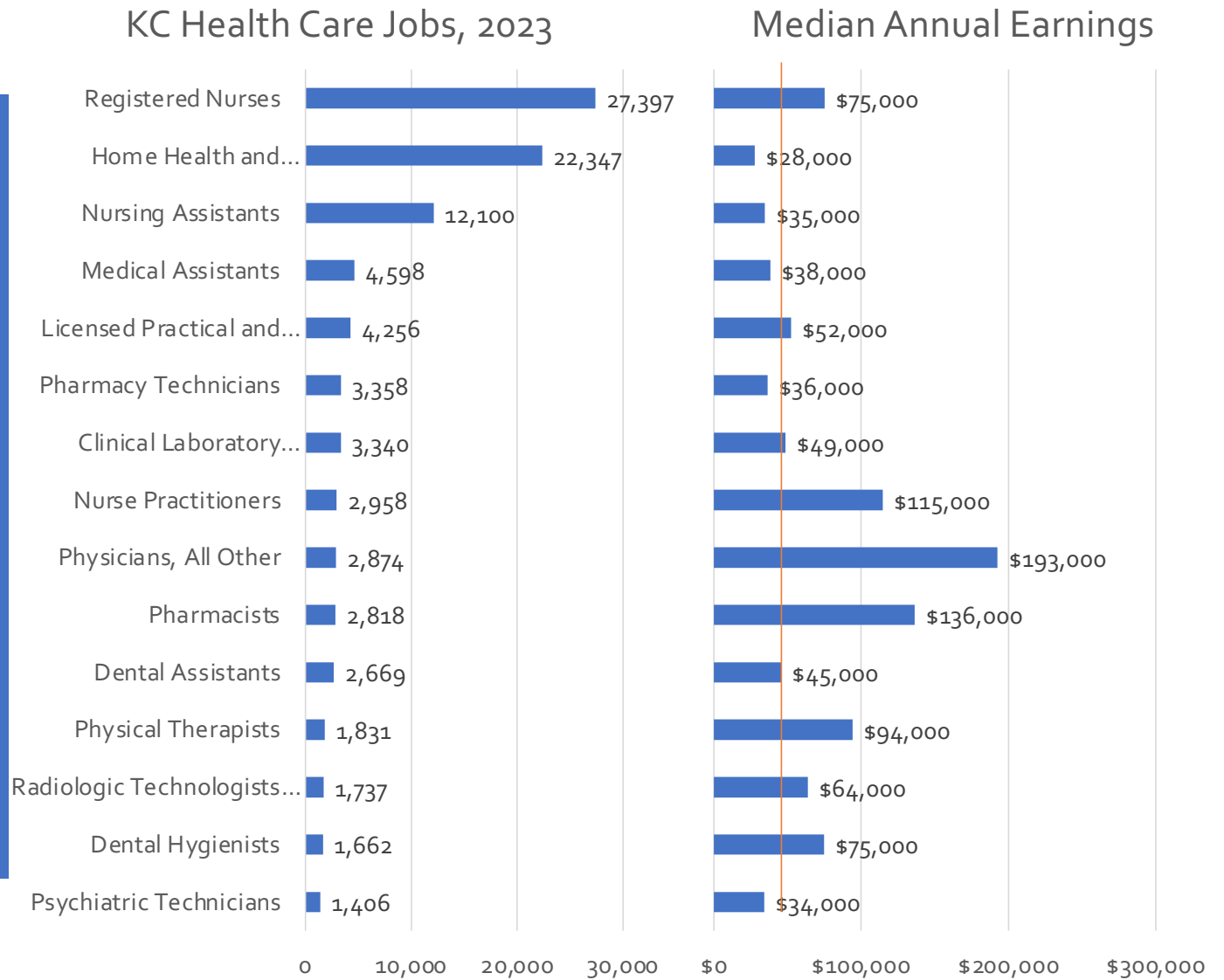
## KC Health Care Jobs, 2023



Source: Lightcast

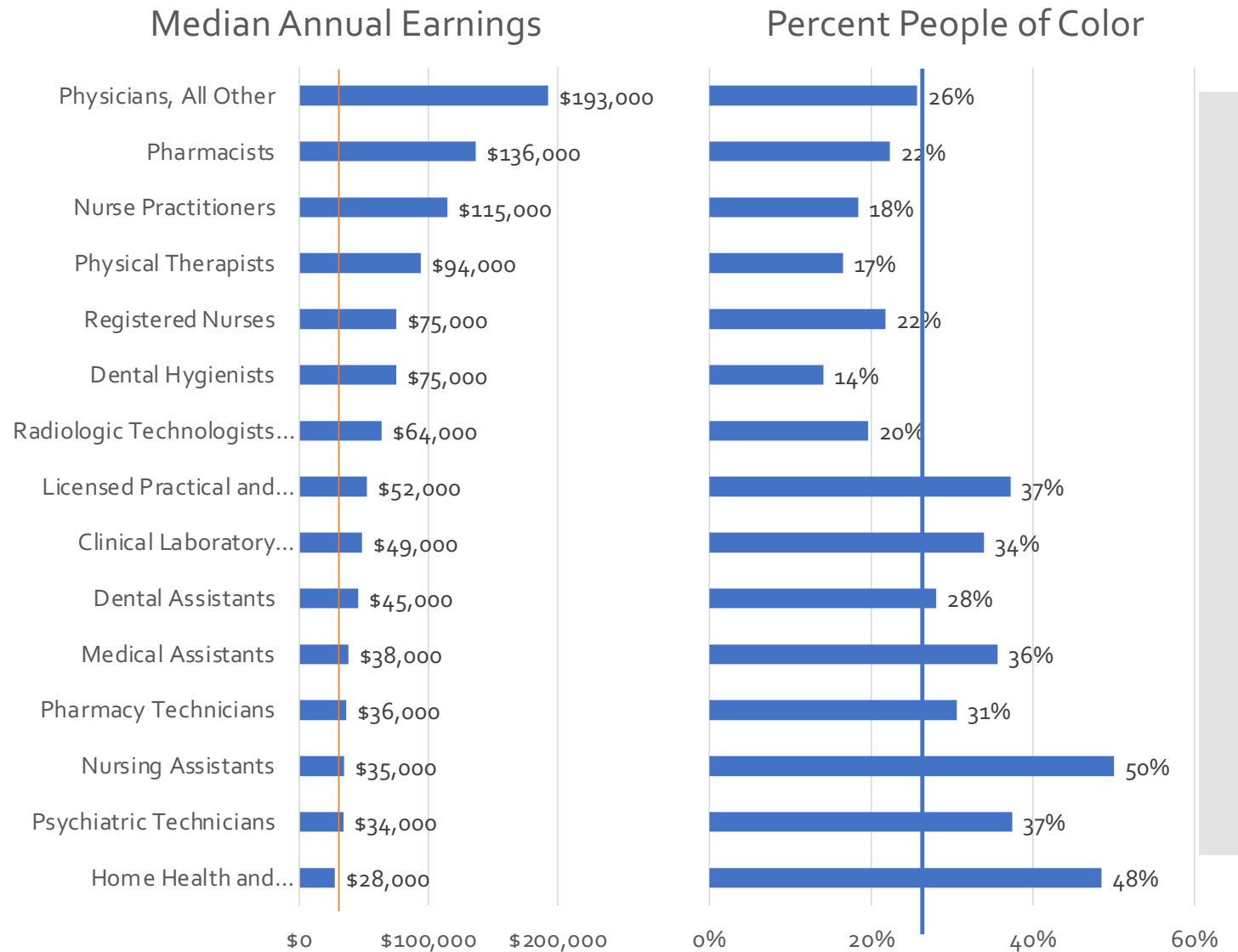
The pay for these jobs is bi-modal. That is, there are many that are relatively low paid, and many that are relatively high-paid, with Registered Nurses in the middle.

Source: Lightcast



Health care occupations often provide an entry point for people of color into a career with the potential to pay. However, they remain under-represented in those higher paying occupations and over-represented in the lower-paid ones.

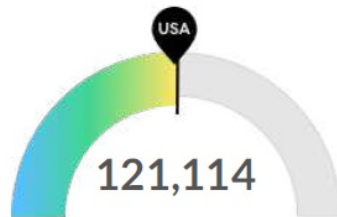
Source: Lightcast



Lightcast also provides analysis of job postings. Over the past year, then number of postings in the health care sector exceeds what would be expected from a city our size, based on national averages.

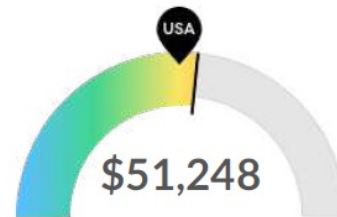
## Executive Summary

### Aggressive Hiring Competition Over an Average Supply of Regional Talent



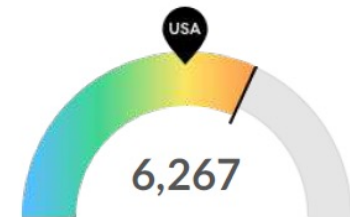
Supply (Jobs)

Kansas City, MO-KS is about average for this kind of talent. The national average for an area this size is 120,071\* employees, while there are 121,114 here.



Compensation

The cost for talent is about average in Kansas City, MO-KS. The national median salary for your occupations is \$48,616, while you'll pay \$51,248 here.



Demand (Job Postings)

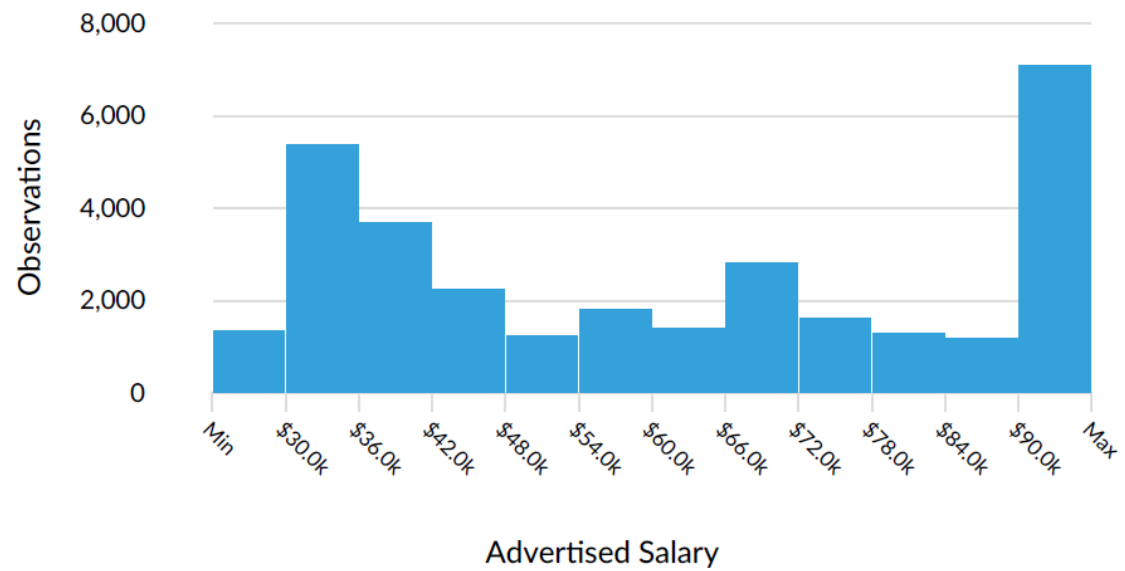
Competition from online job postings is high in Kansas City, MO-KS. The national average for an area this size is 4,280\* job postings/mo, while there are 6,267 here.

Source: Lightcast



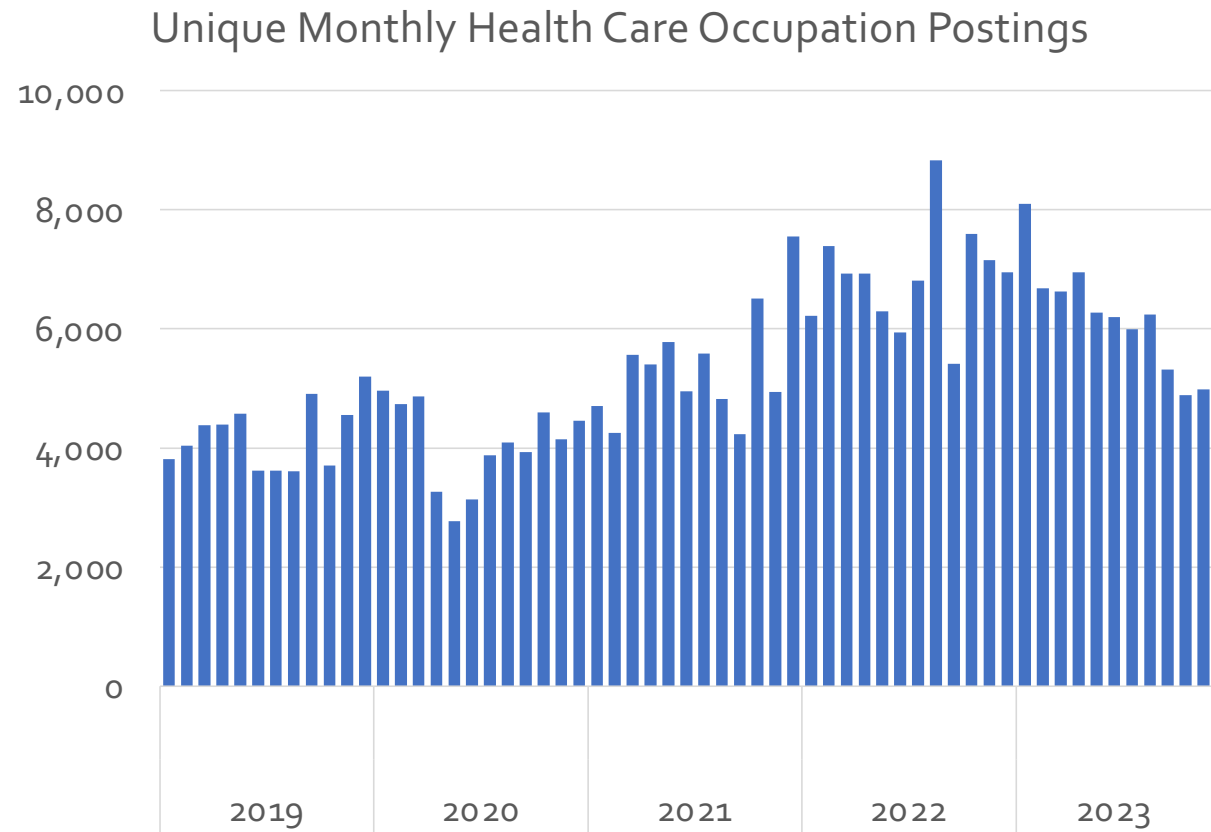
Only 37% of postings have salary information. Nonetheless, the postings reflect the bimodal nature of the industry.

Salary of Health Care Occupation Job Postings  
December 2022 – November 2023



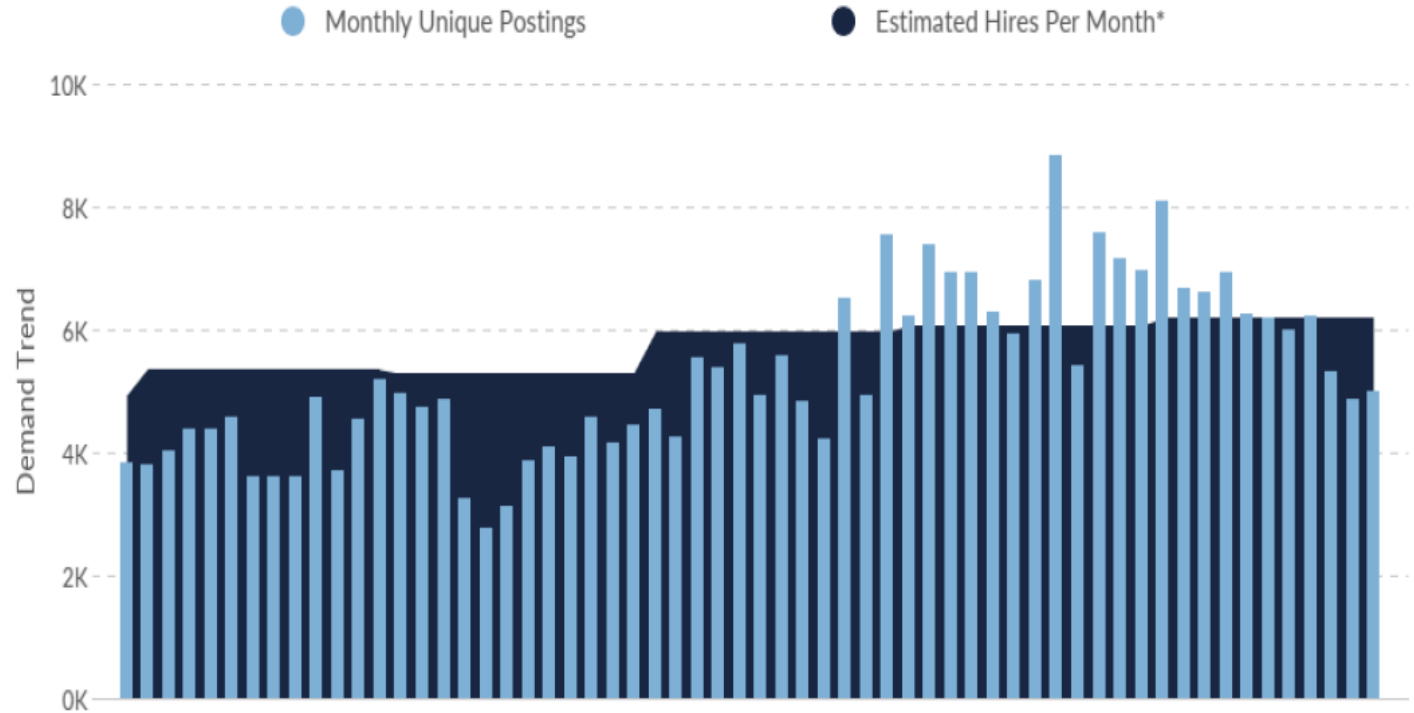
Source: Lightcast

Job postings in the health care sector reached their peak in late 2022 and have been trending down since then.



Source: Lightcast

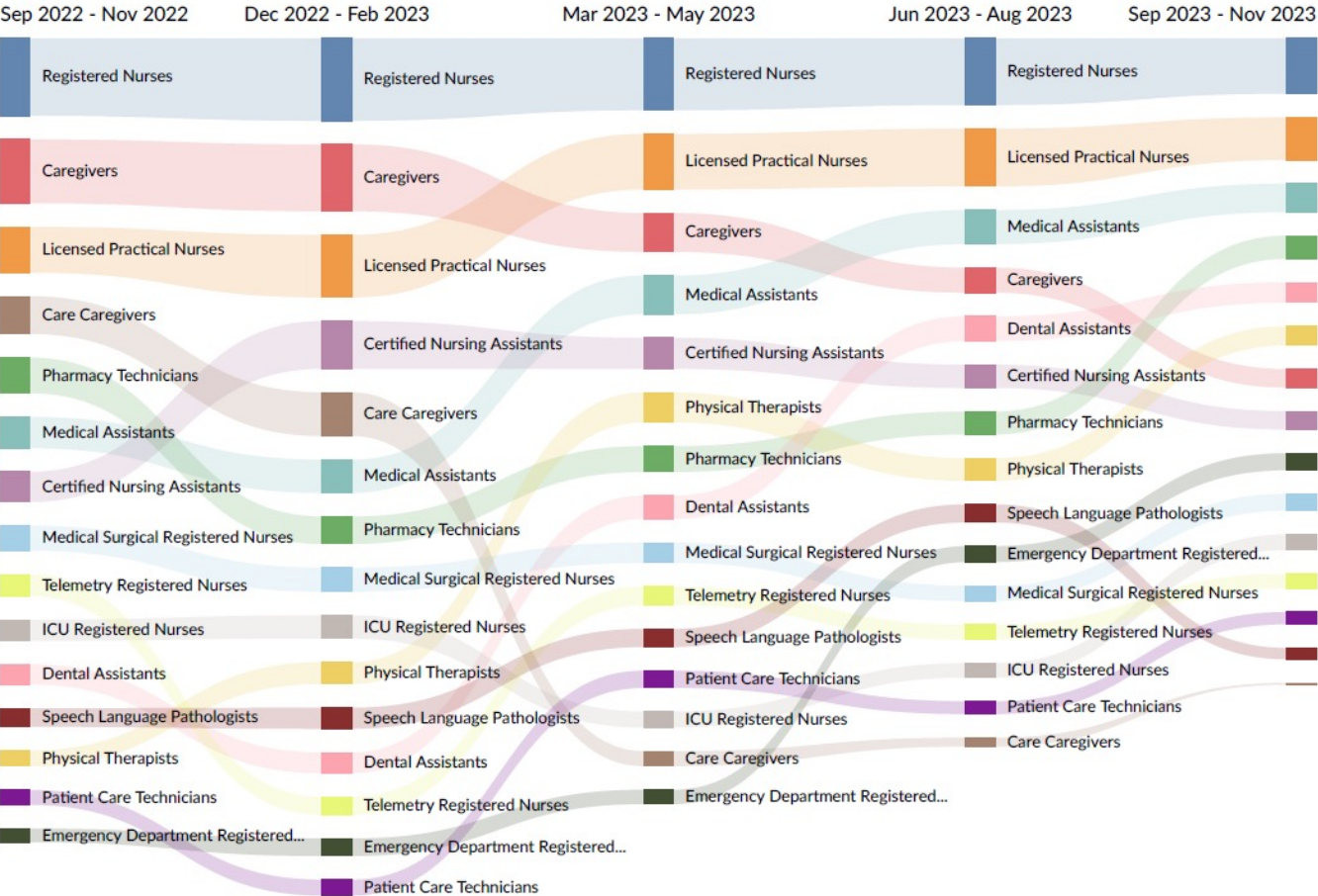
Beginning in late 2021, postings began to exceed hires. That has reversed in recent months, as has the duration of the postings, from 28 days to 18 days.



Source: Lightcast

# Job Title Trends in Job Postings by Quarter

The chart below captures the postings trend for the top 15 job titles posted for based on your filters.

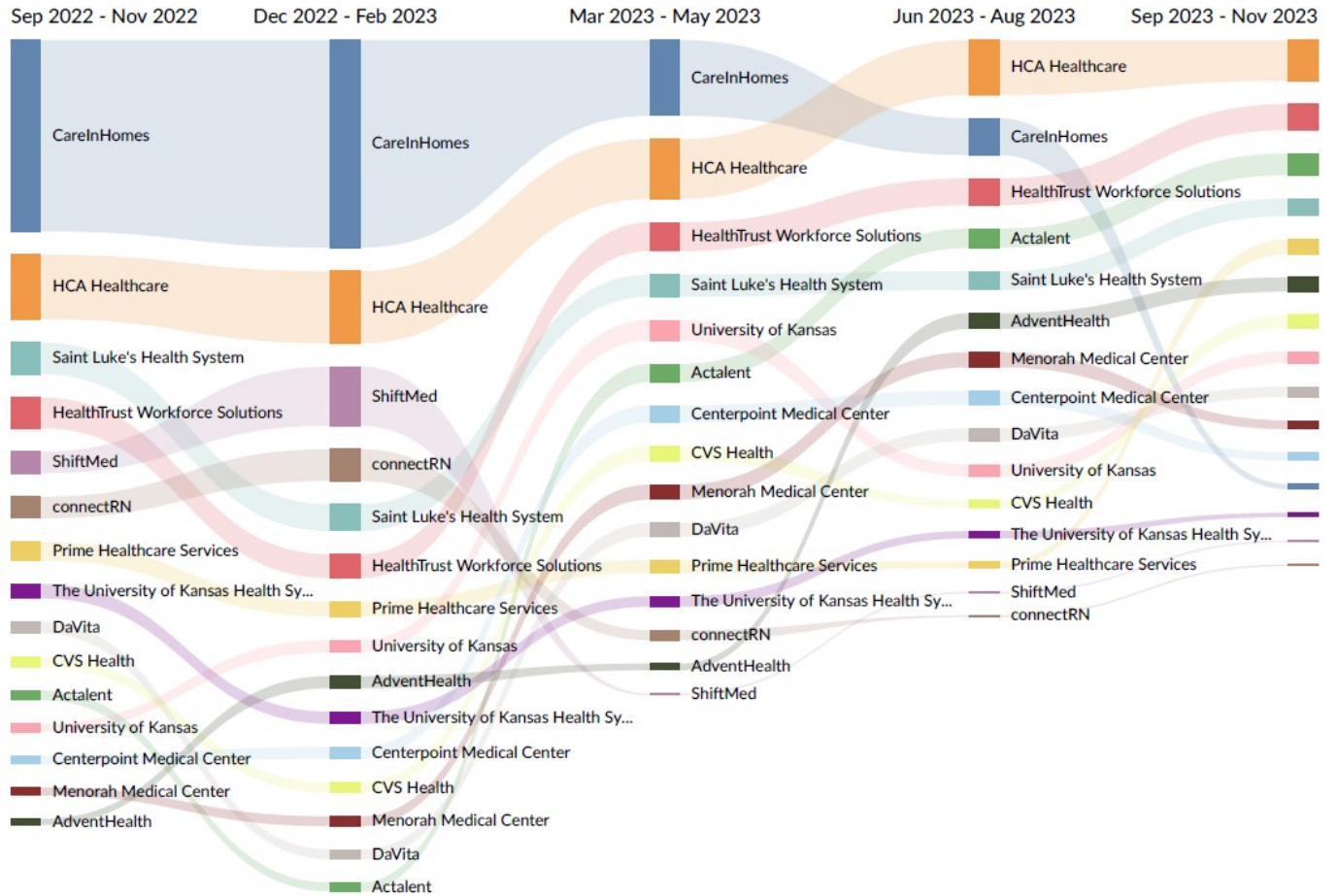


The kinds of jobs being sought by employers have changed over the past year, especially for “care givers” (or “caregivers”).

Source: Lightcast

## Company Trends in Job Postings by Quarter

The chart below captures the postings trend for the top 15 companies posted for based on your filters.



This reflects which companies are doing the posting. Currently, temporary help firms are the second and third largest posters.

Source: Lightcast

## Conclusion

- Workforce is THE constraint on economic growth moving forward
- Without foreign-born workers, US labor force would not have grown beyond pre-pandemic levels.
- Labor shortages will continue to put upward pressure on wages, which will make the Fed cautious about lowering interest rates.
- To pay for higher wages and increase economic growth, investment to raise the productivity of the current workforce will be paramount going forward.
- This is also key to improving the value of KC's production and its ability to expand into new markets in the larger economy with innovative products and services that command a premium.
- Low cost is no longer enough. We must become a high-value place to produce as well.
- That requires innovation, which in turn depends on capital – human, physical (space, buildings), financial – and how we invest it.

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