

# 2026 Kansas City Metro Economic Outlook

Kansas City Federal Reserve Bank

November 6, 2025

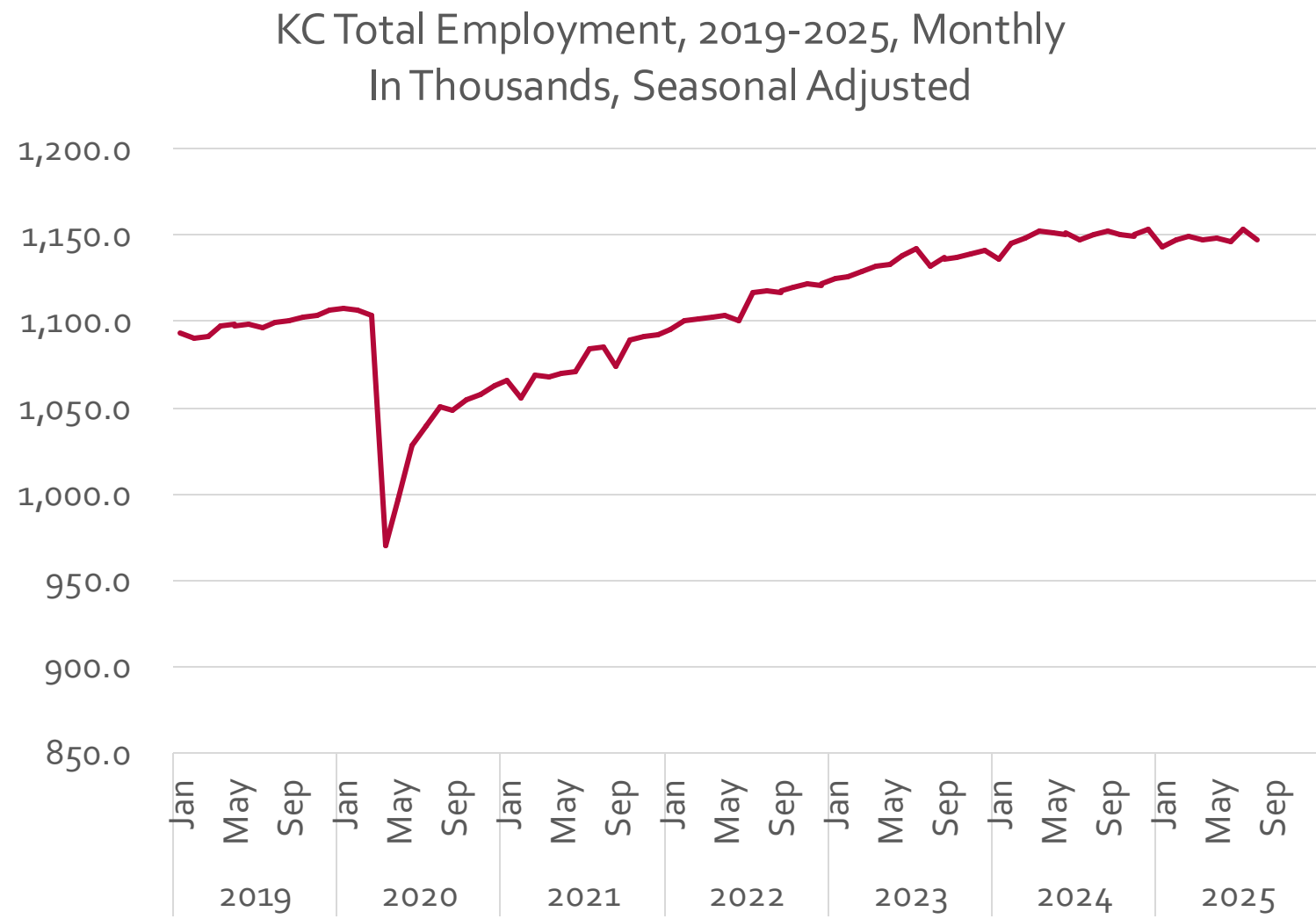
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# Historical Context

Yet, KC's economy has lost momentum. Employment has remained flat for 18 months.

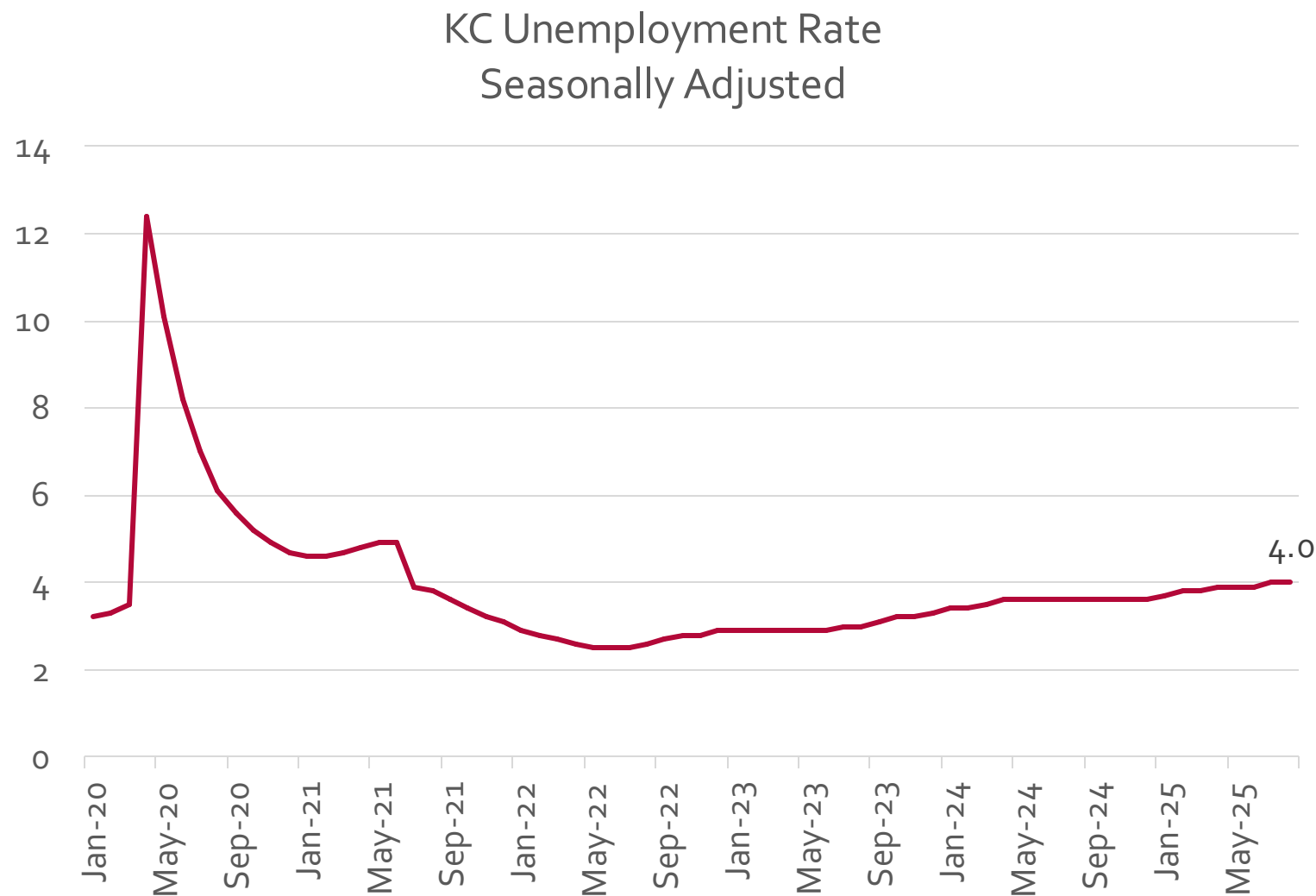
Note: data extends through August 2025.



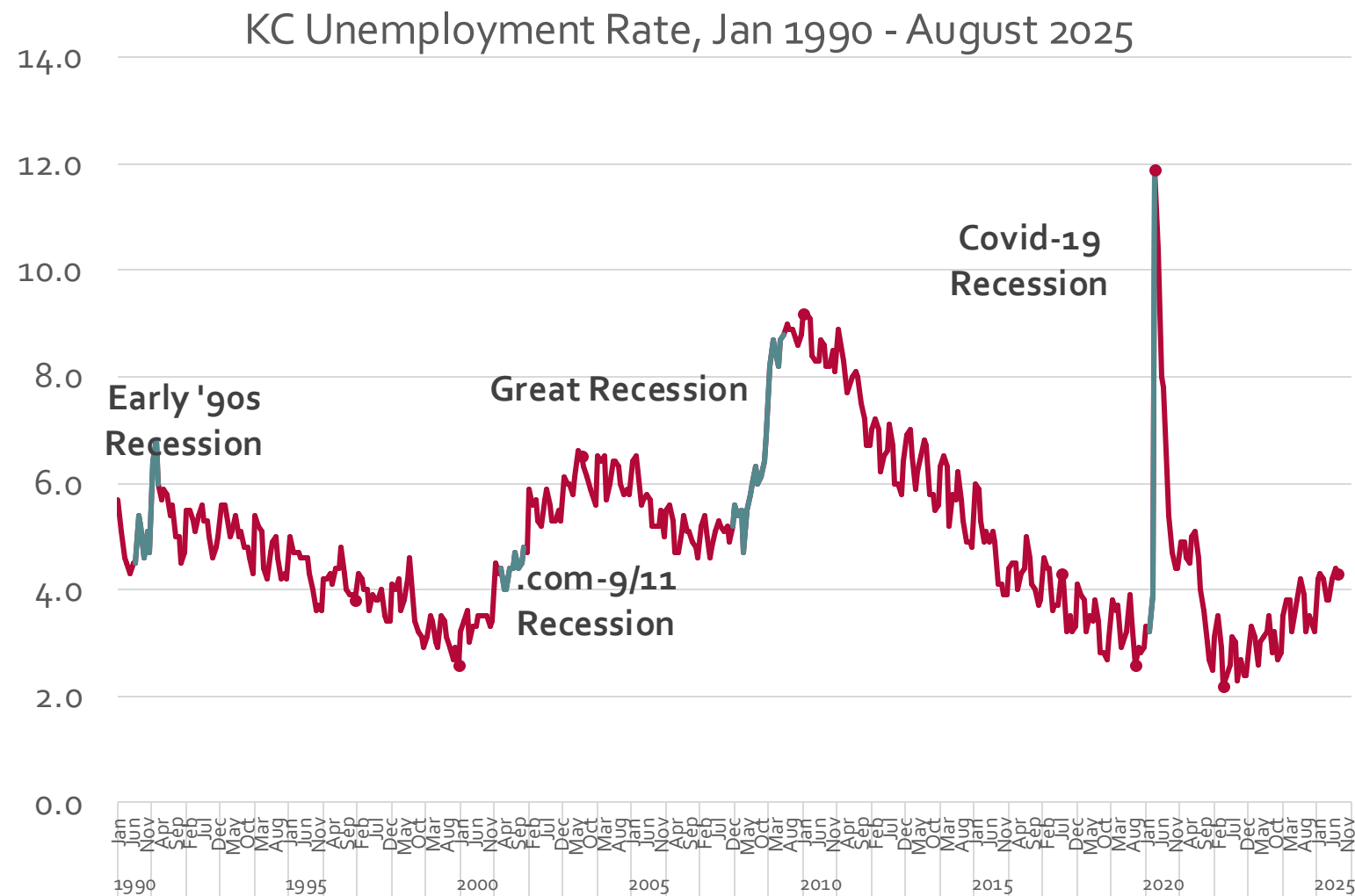
Source: Bureau of Labor Statics, Current Economic Statistics through August 2025

As a result, the labor market is showing signs of weakening.

The last time the KC unemployment rate was this high was in 2017.



Most historical periods that include recessions experience roughly a doubling of the unemployment rate from the trough to the peak

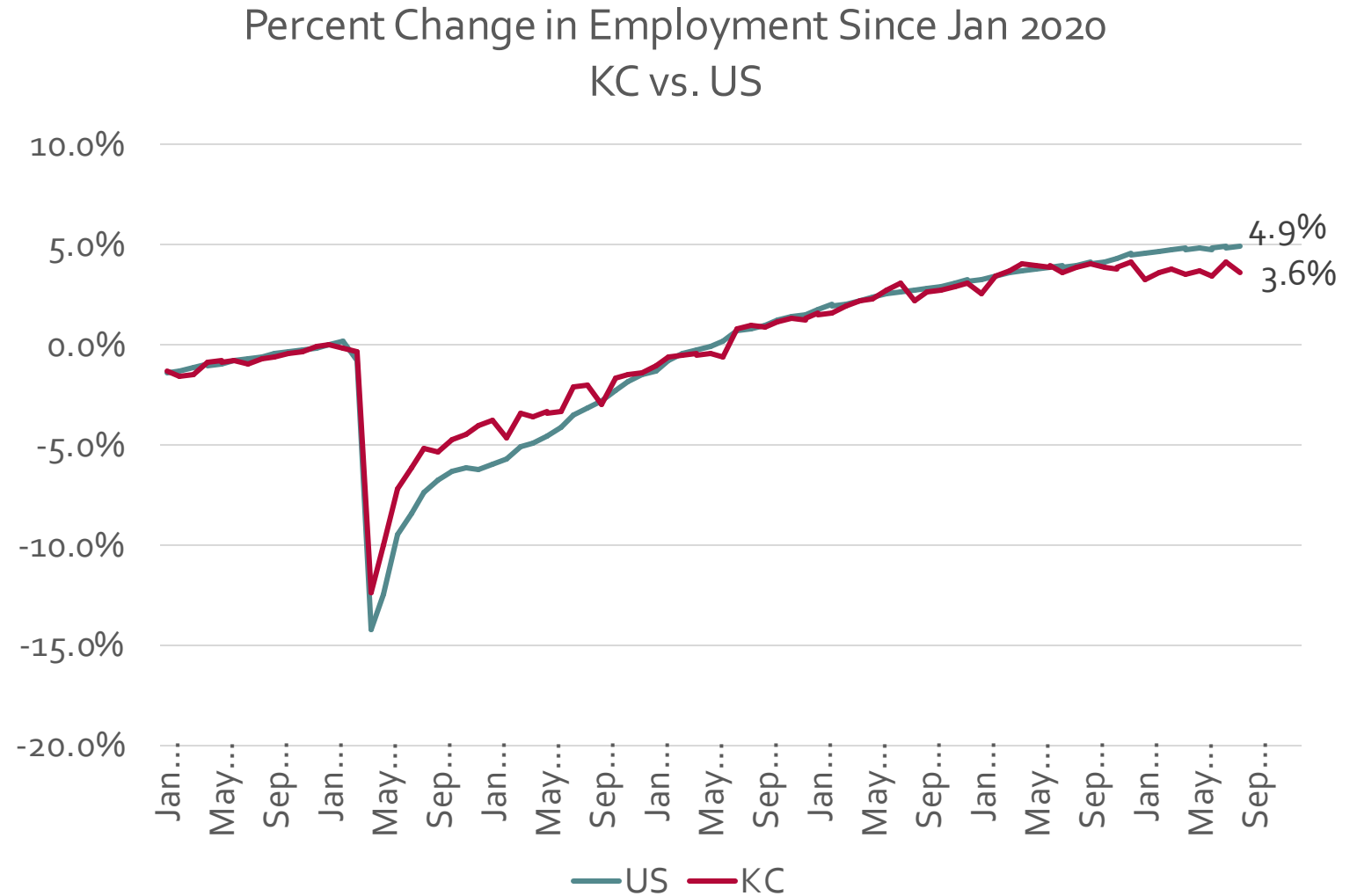


That's where we are today.

Moody's calls this "Jobcession," where growth hasn't stopped but it is low enough that unemployment rises.

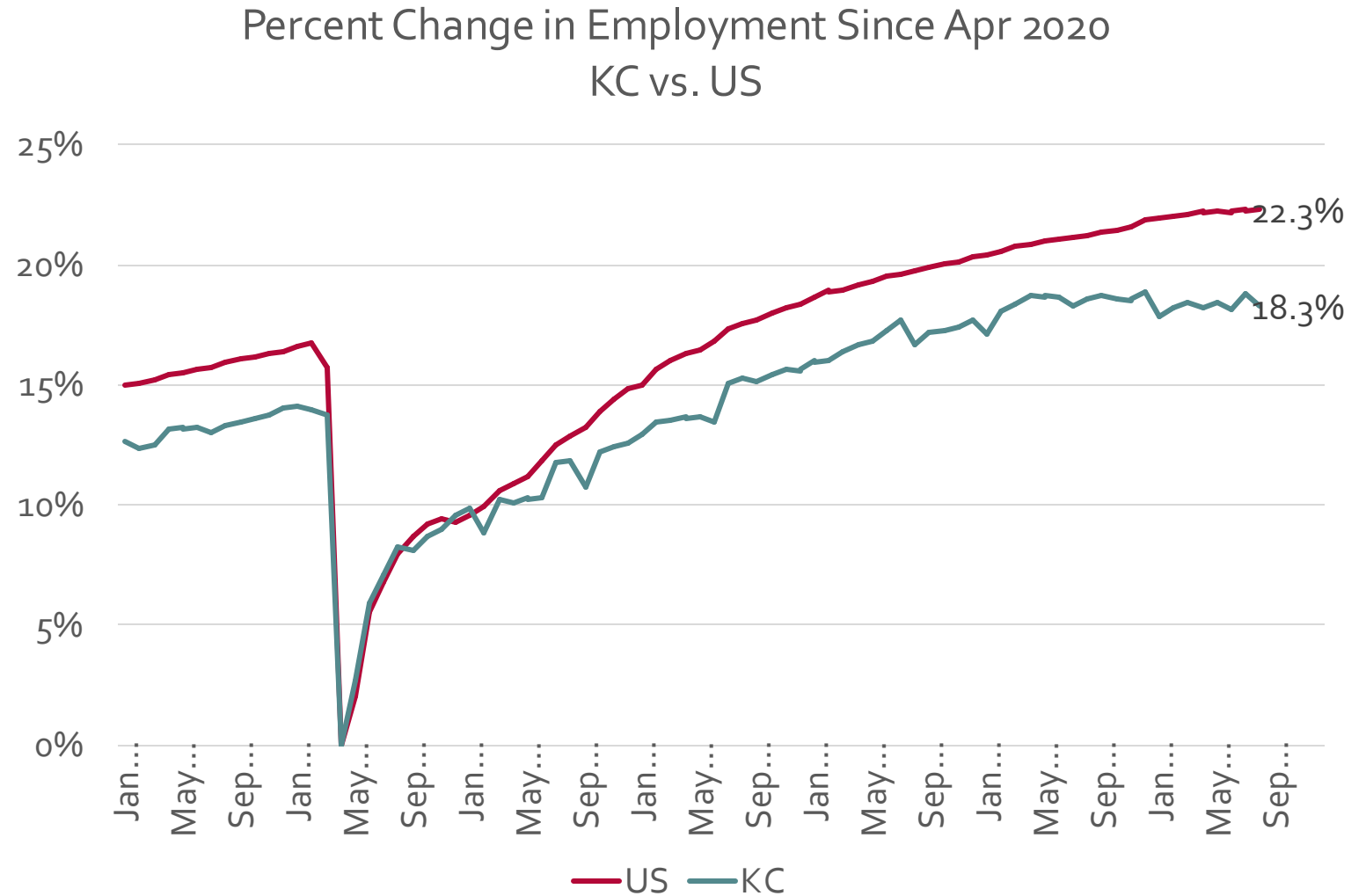
	KC recession dating:	Unemployment Rate	Length (months)	Change (ppt)	Trough-to-Peak Ratio
Early 90's	May-90	4.3	9	2.5	1.58
	Feb-91	6.8			
.com-9/11	Dec-99	2.6	43	3.9	2.50
	Jul-03	6.5			
Great Recession	Apr-07	4.6	34	4.6	2.00
	Feb-10	9.2			
Covid-19	Sep-19	2.6	7	8.6	4.31
	Apr-20	11.2			
Current Period	Apr-22	2.2	40	2.1	<b>1.95</b>
	Aug-25	4.3			

During COVID, KC's economy didn't bust as low, but it didn't boom as high. Result, KC lags US growth since Jan 2020 by 1.3%



Bust periods are much shorter than boom periods, meaning every cycle, KC slips a little.

Looking at the recovery period alone, KC lags US employment growth by 4%.



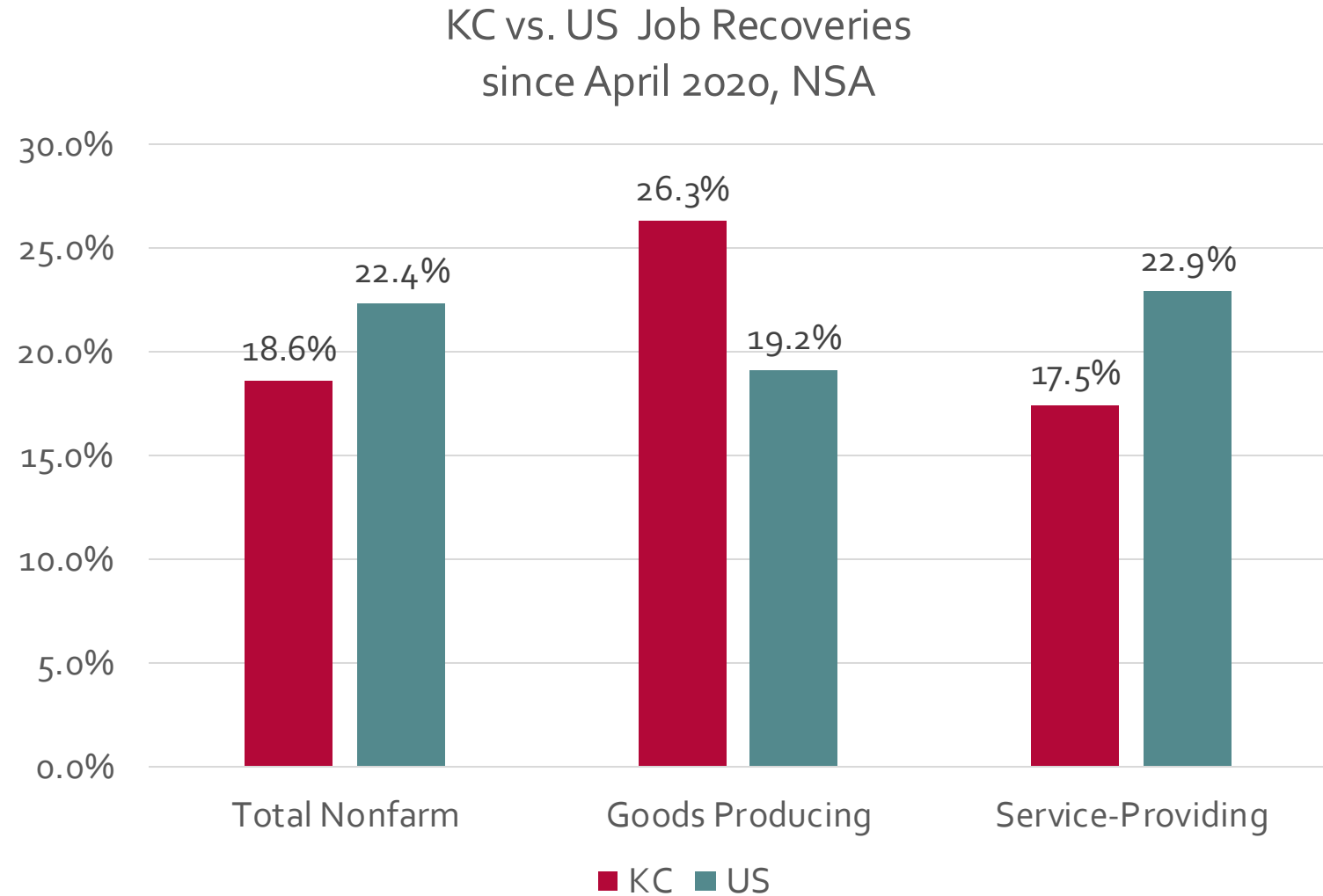




What industries are  
driving this difference?

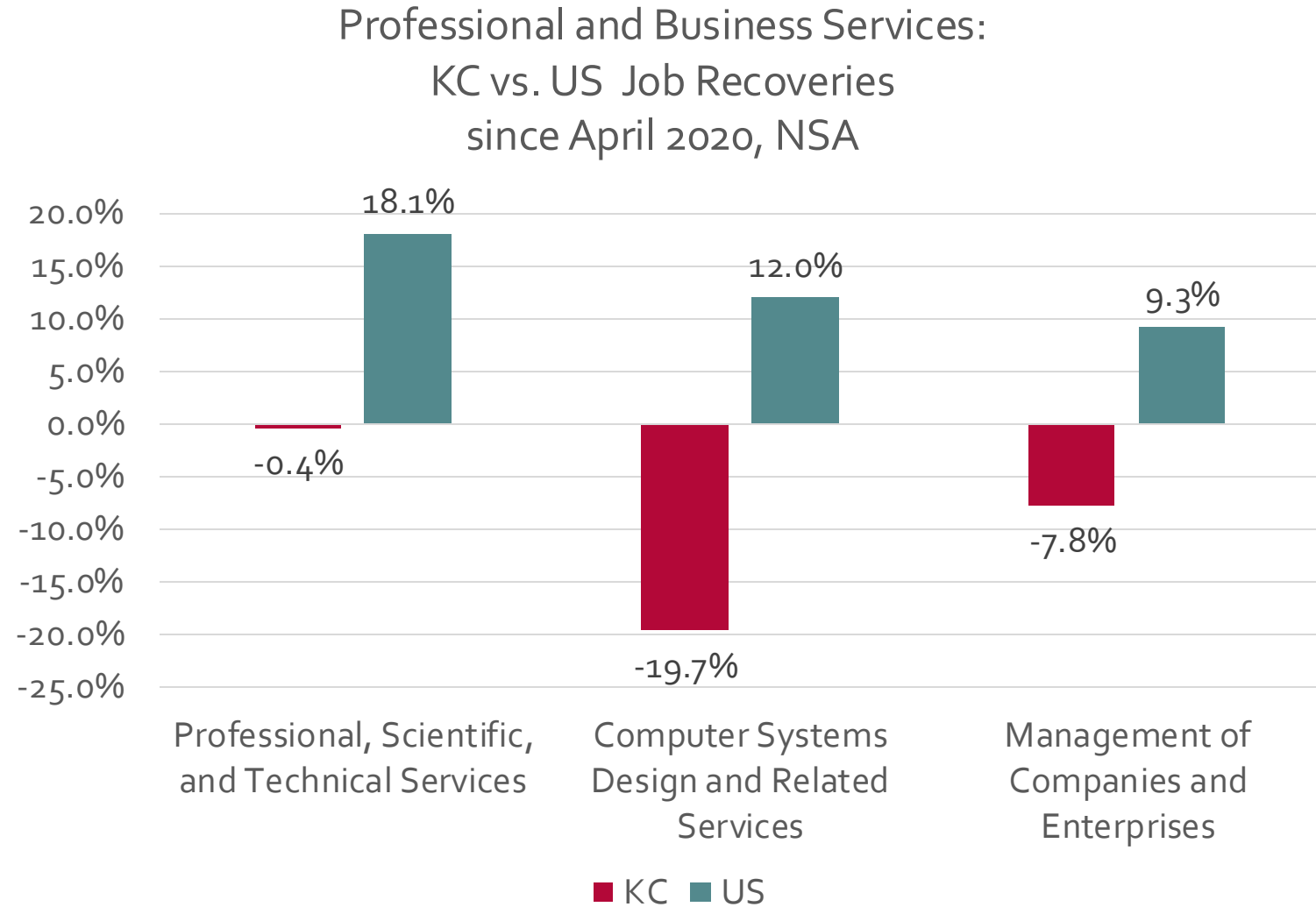
KC's good-producing sectors are performing better than the US, but not its service-producing.

And KC specializes in producing services.



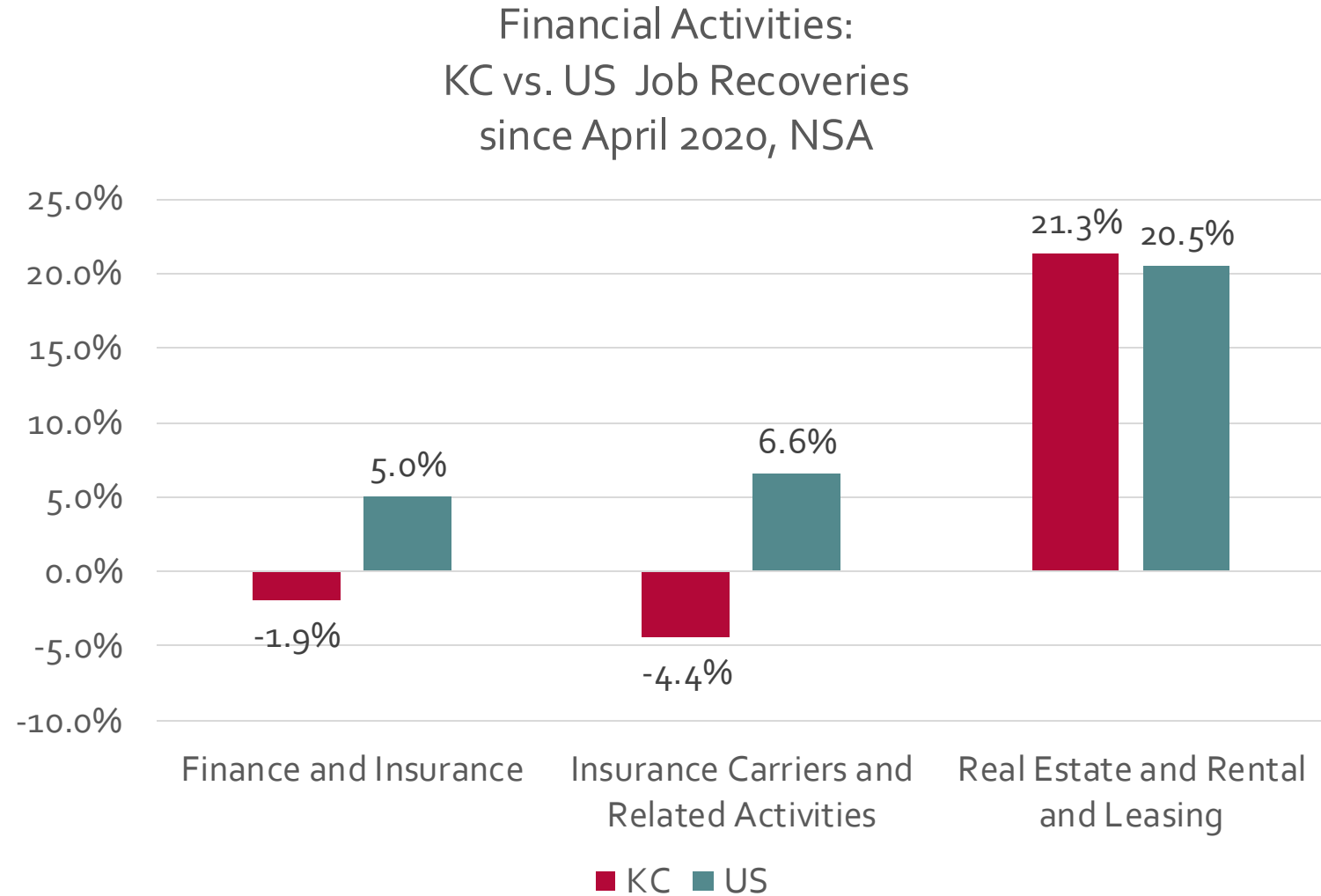
The professional and business services, an historic KC economic strength is one of the main drivers of this disparity in growth rates.

The decline in Computer Systems Design is being driven by the sale of Cerner to Oracle.



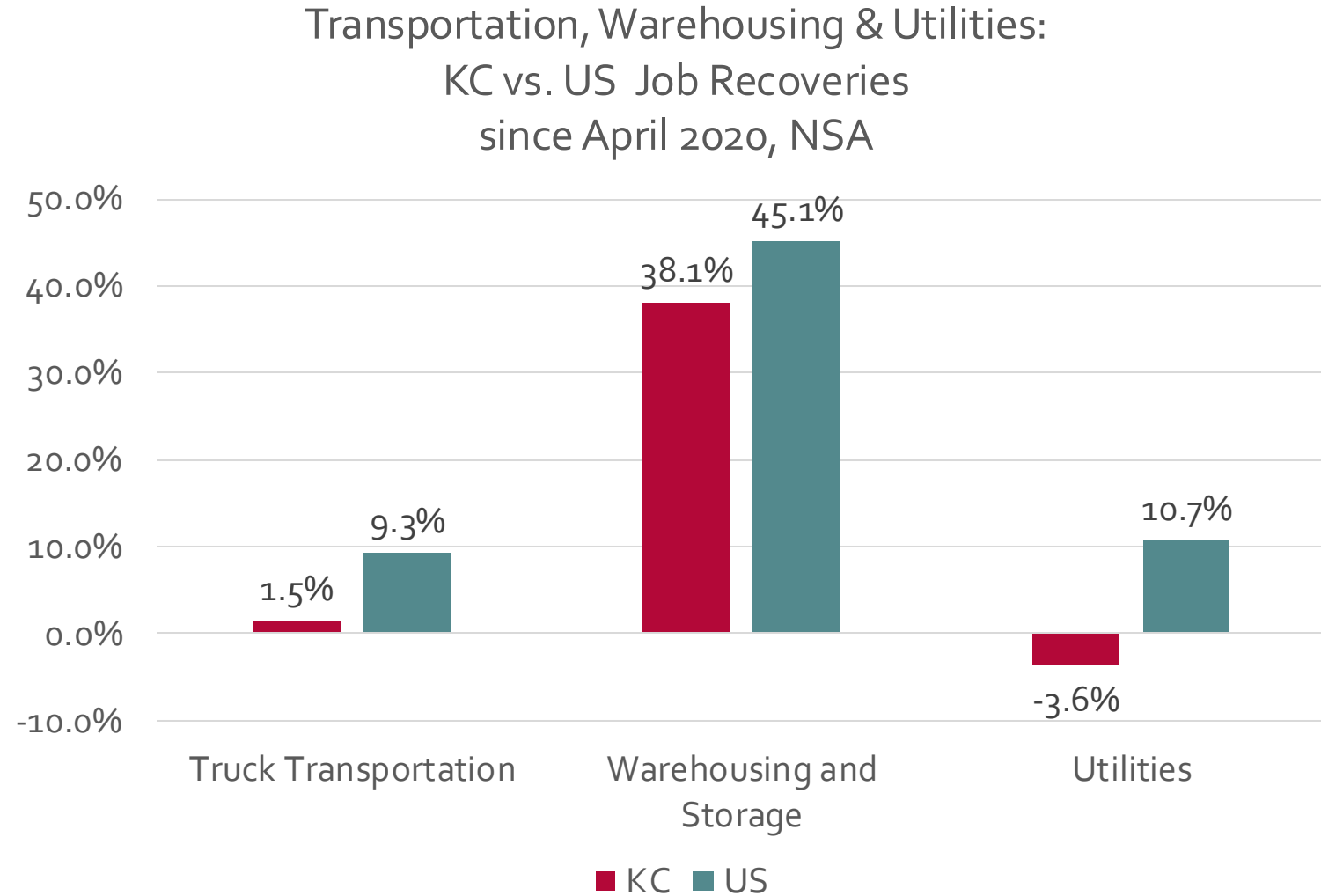
Source: Bureau of Labor Statics, Current Economic Statistics through August 2025

The region has an outsized concentration in insurance, but this sector is also performing significantly worse than the nation.



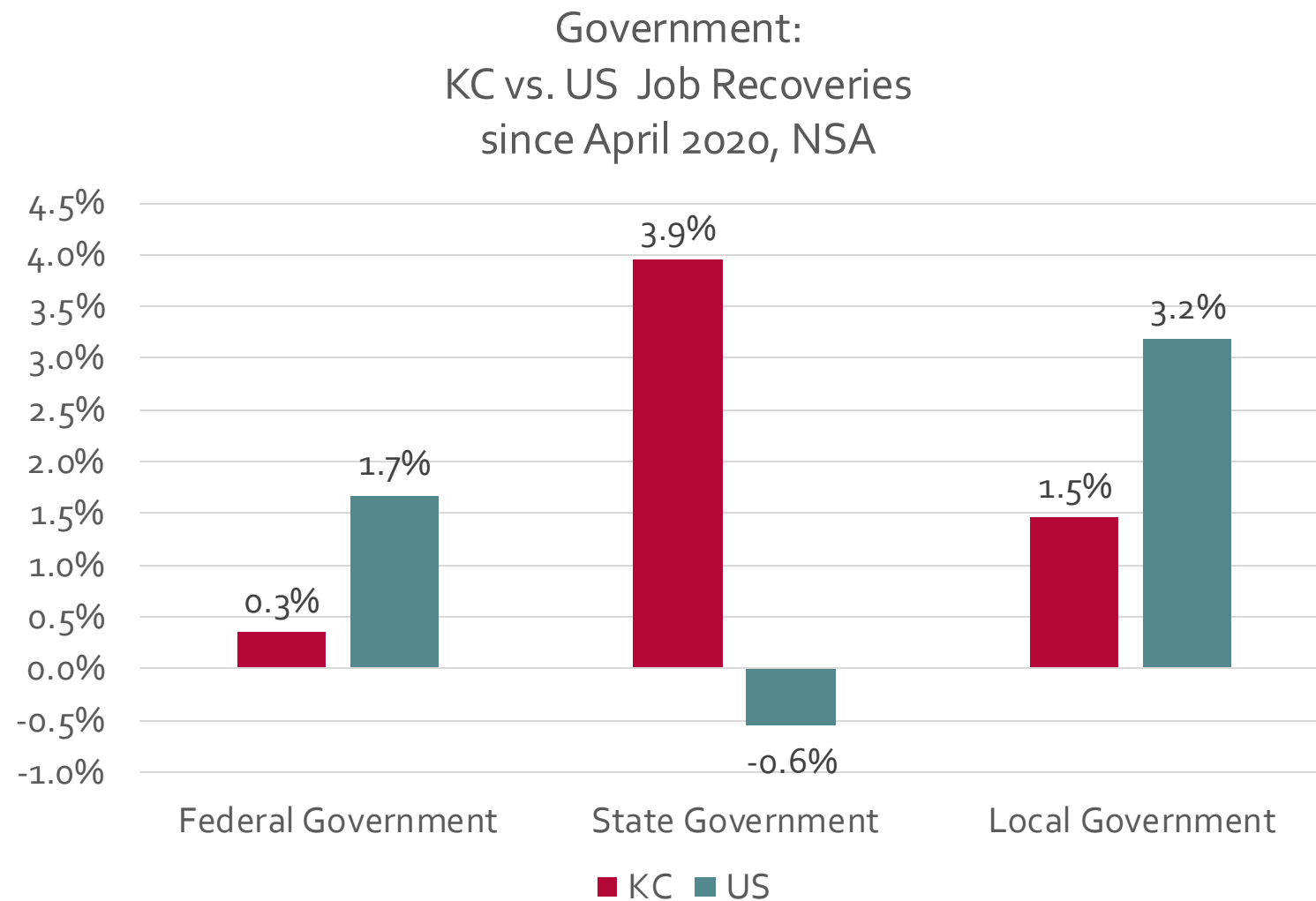
Source: Bureau of Labor Statics, Current Economic Statistics through August 2025

The region specializes in logistics. But despite growth in transportation and warehousing, KC is performing below national averages.

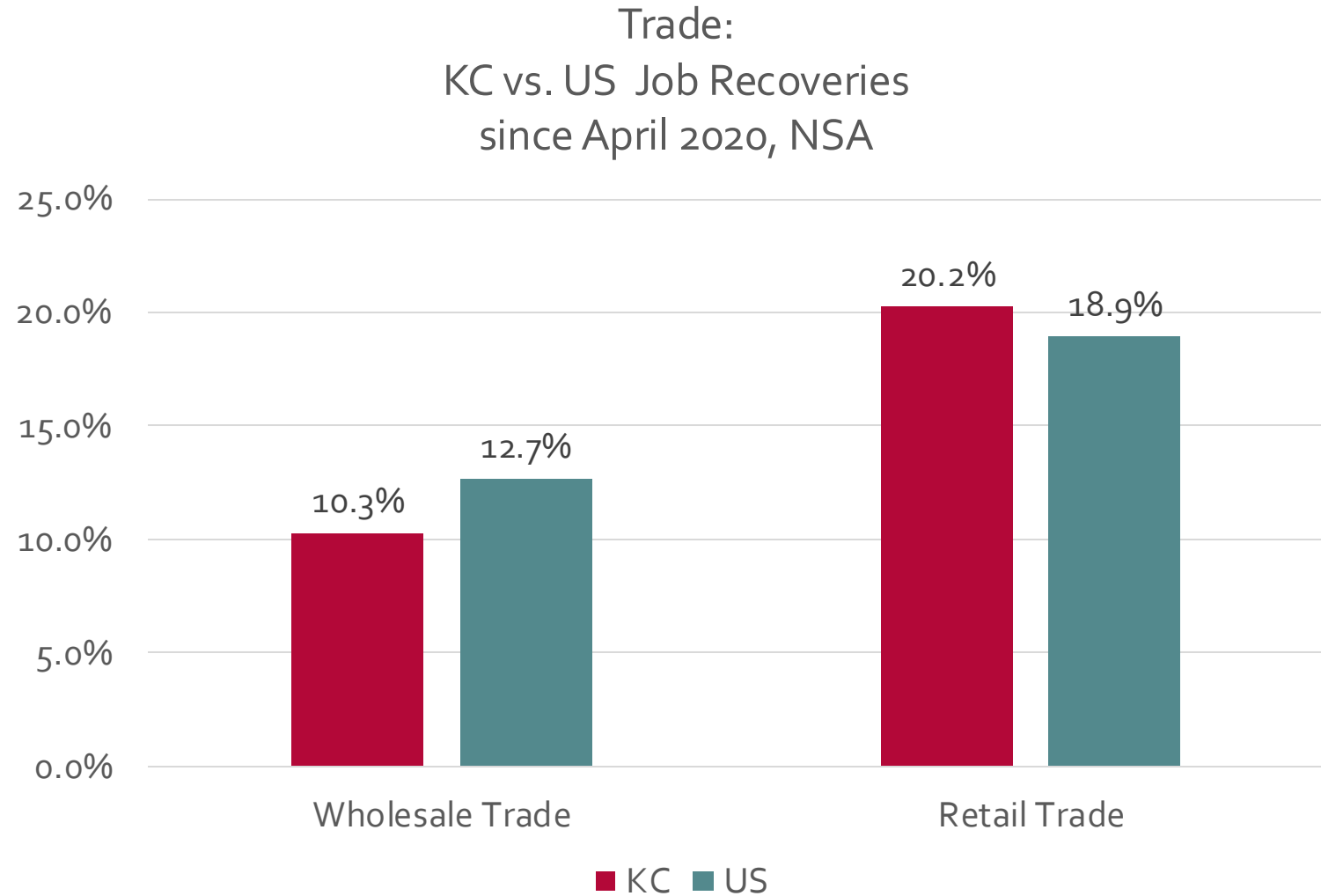


Source: Bureau of Labor Statics, Current Economic Statistics through August 2025

Federal and local government have not experienced the same growth here as in the rest of the nation, but state government employment has exceeded it.

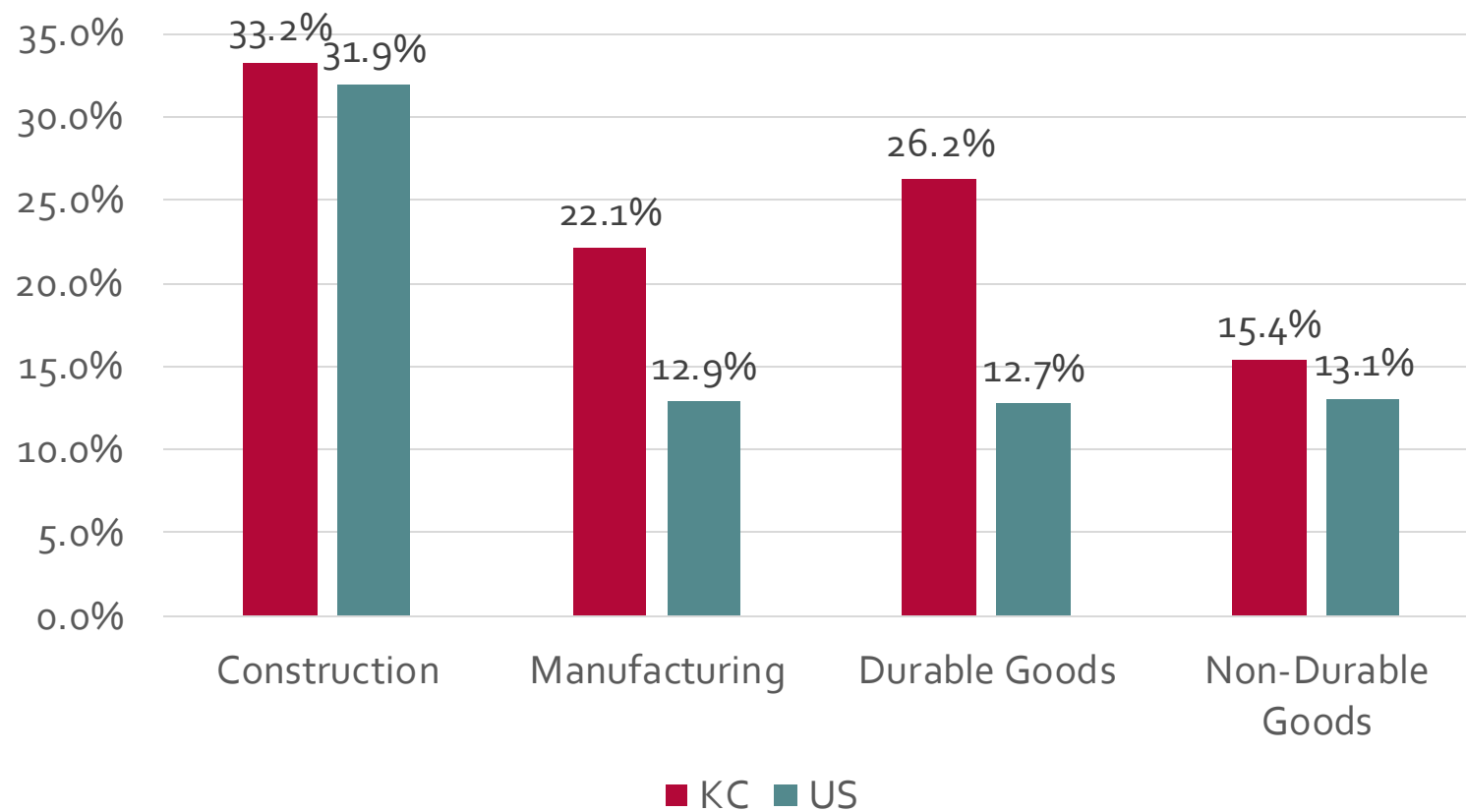


KC has a concentration in wholesale trade, but it is underperforming the nation. Area retail trade slightly outperforms it.



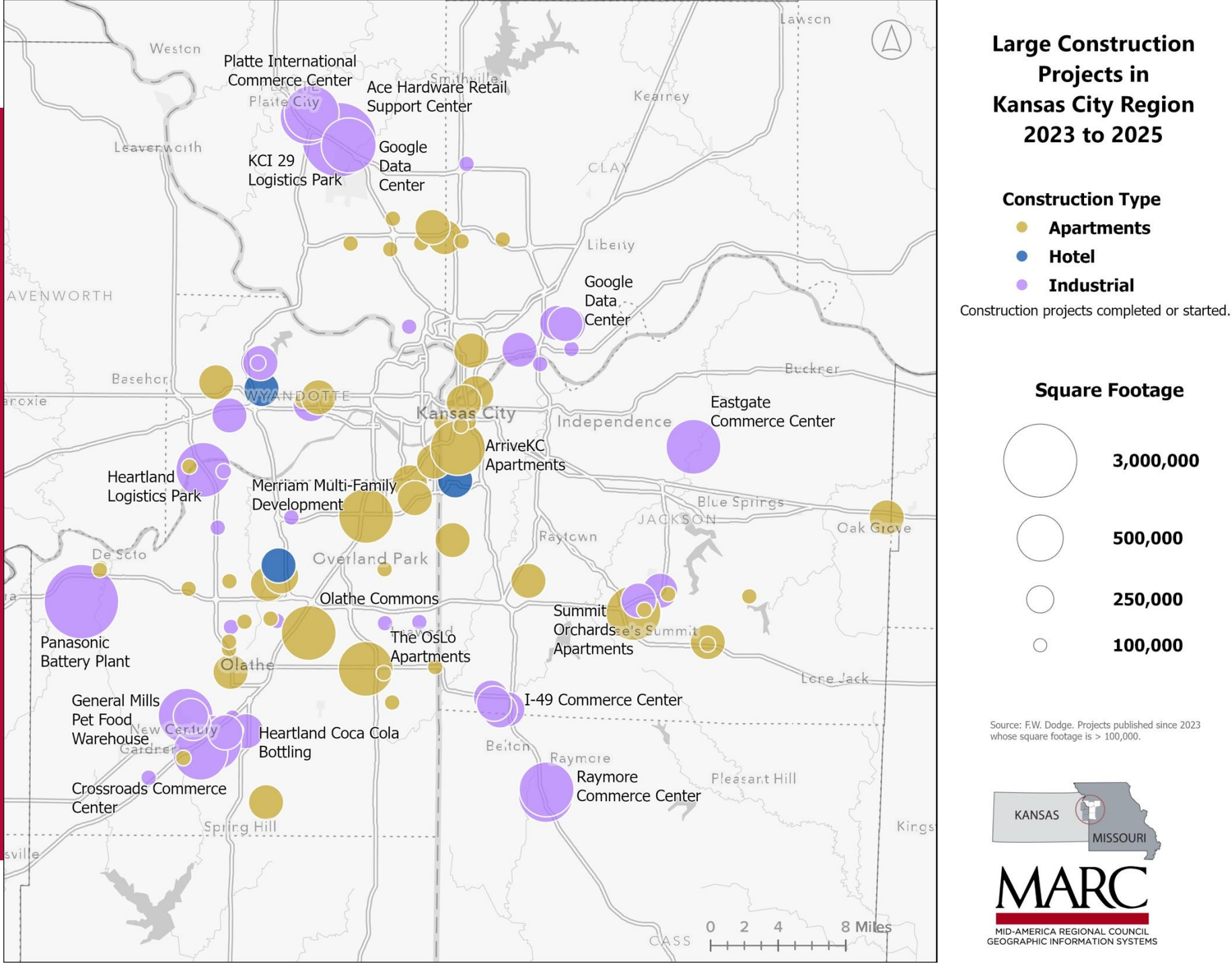
Drilling deeper into the good-producing sectors, construction has grown the most. Durable goods manufacturing leads the way in outpacing the nation.

Goods Producing:  
KC vs. US Job Recoveries  
since April 2020, NSA





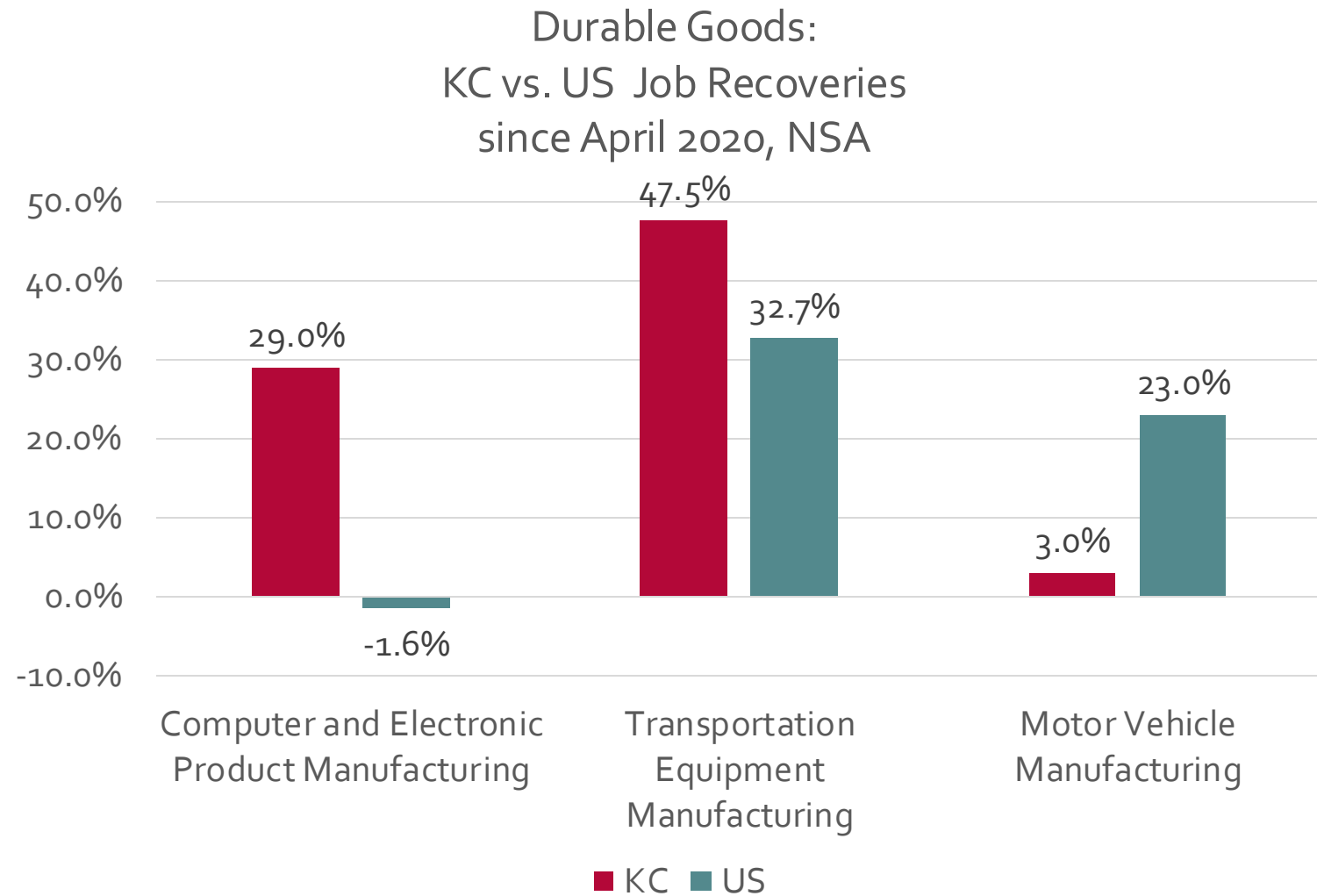
KC continues to see a large amount of new construction, especially industrial and apartments. A significant portion of the industrial development is new data centers



Within durable goods, computer and electronic manufacturing (Garmin) out-performs the US by a wide margin.

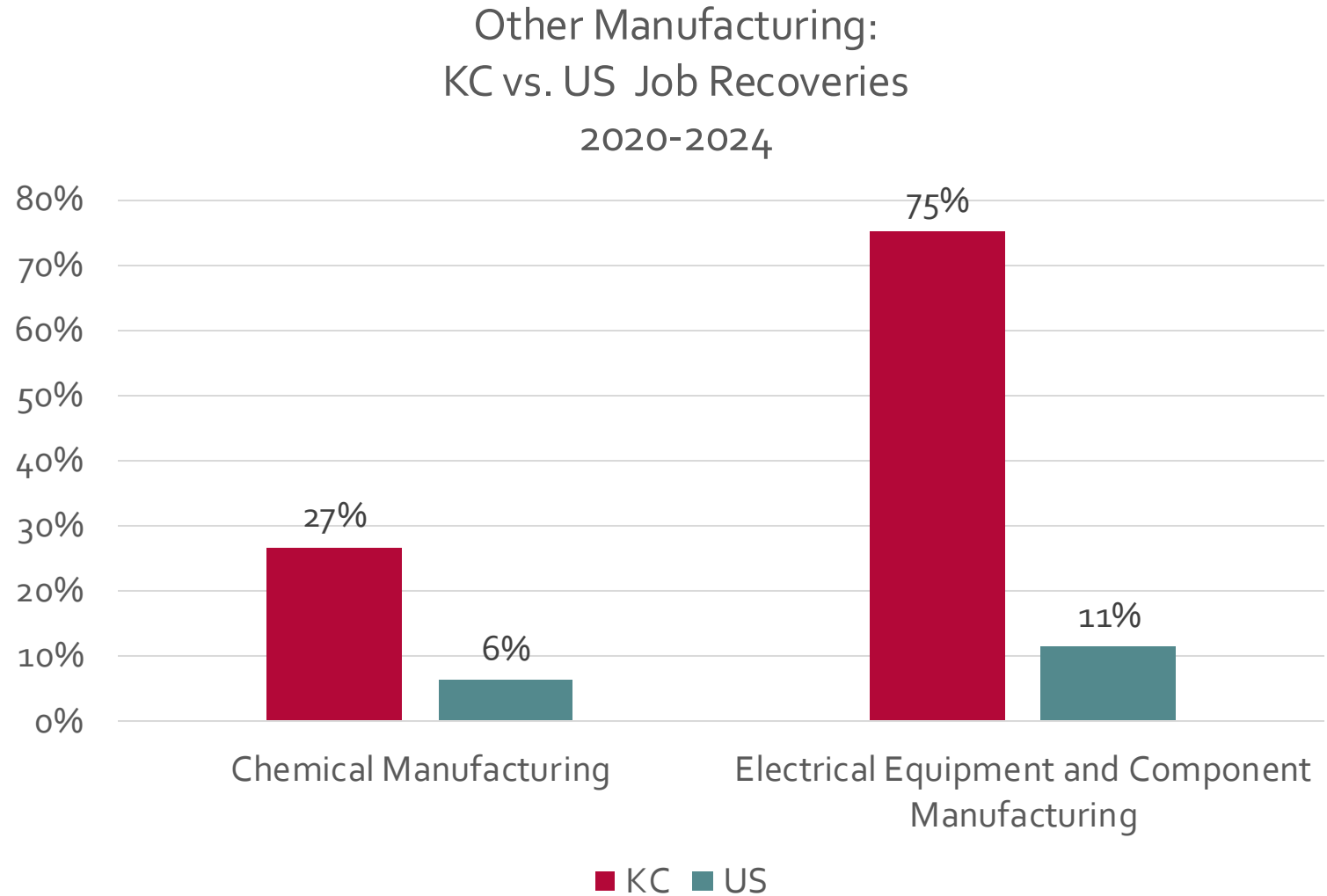
Transportation Equipment includes the non-nuclear missile components made at the National Security Campus.

But motor vehicle production, our biggest export, lags.



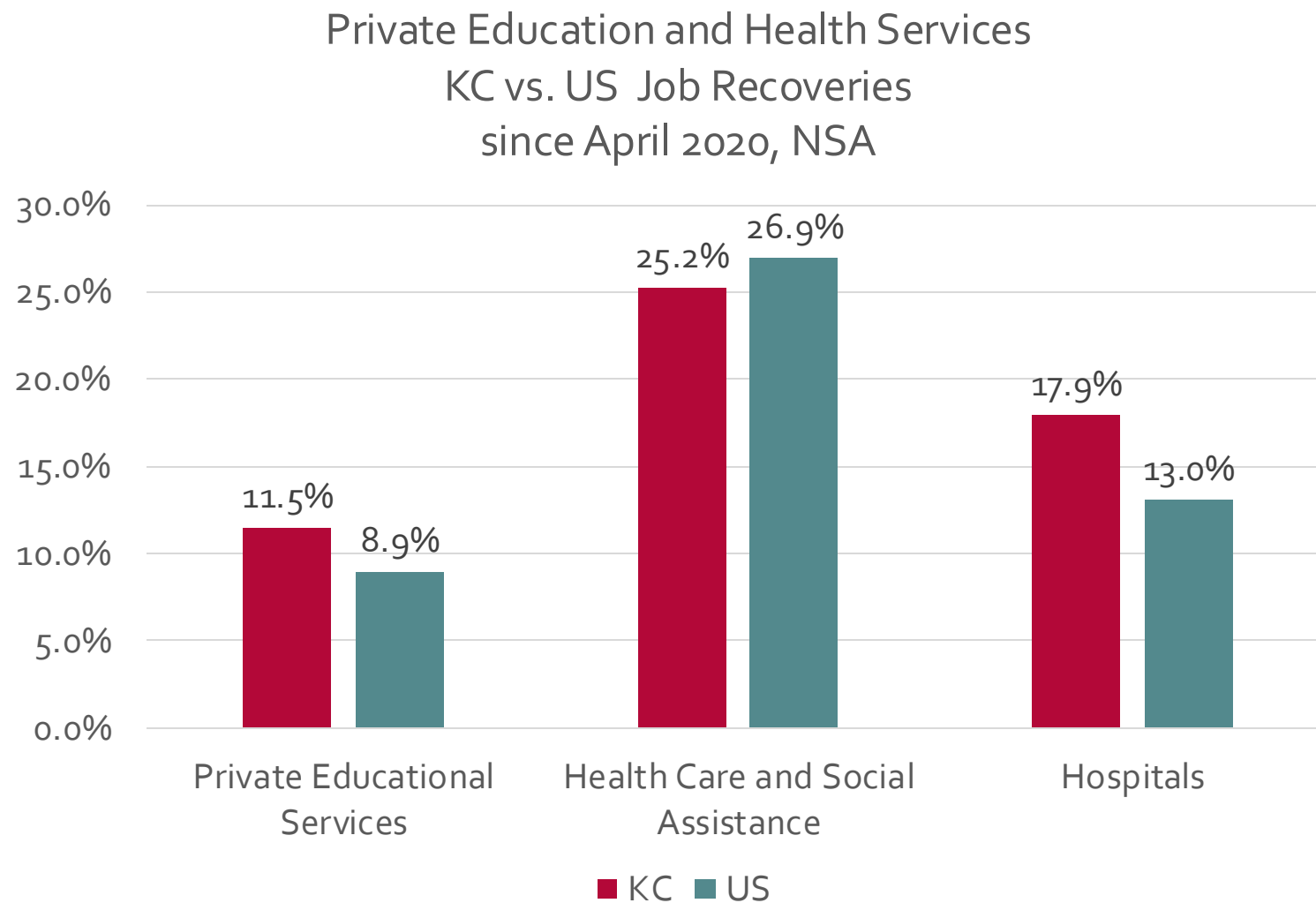
Source: Bureau of Labor Statics, Current Economic Statistics through August 2025

Other manufacturing sectors doing better than average include chemical manufacturing, driven by the region's pharmaceutical sector, and electrical equipment, driven by Panasonic and its suppliers.



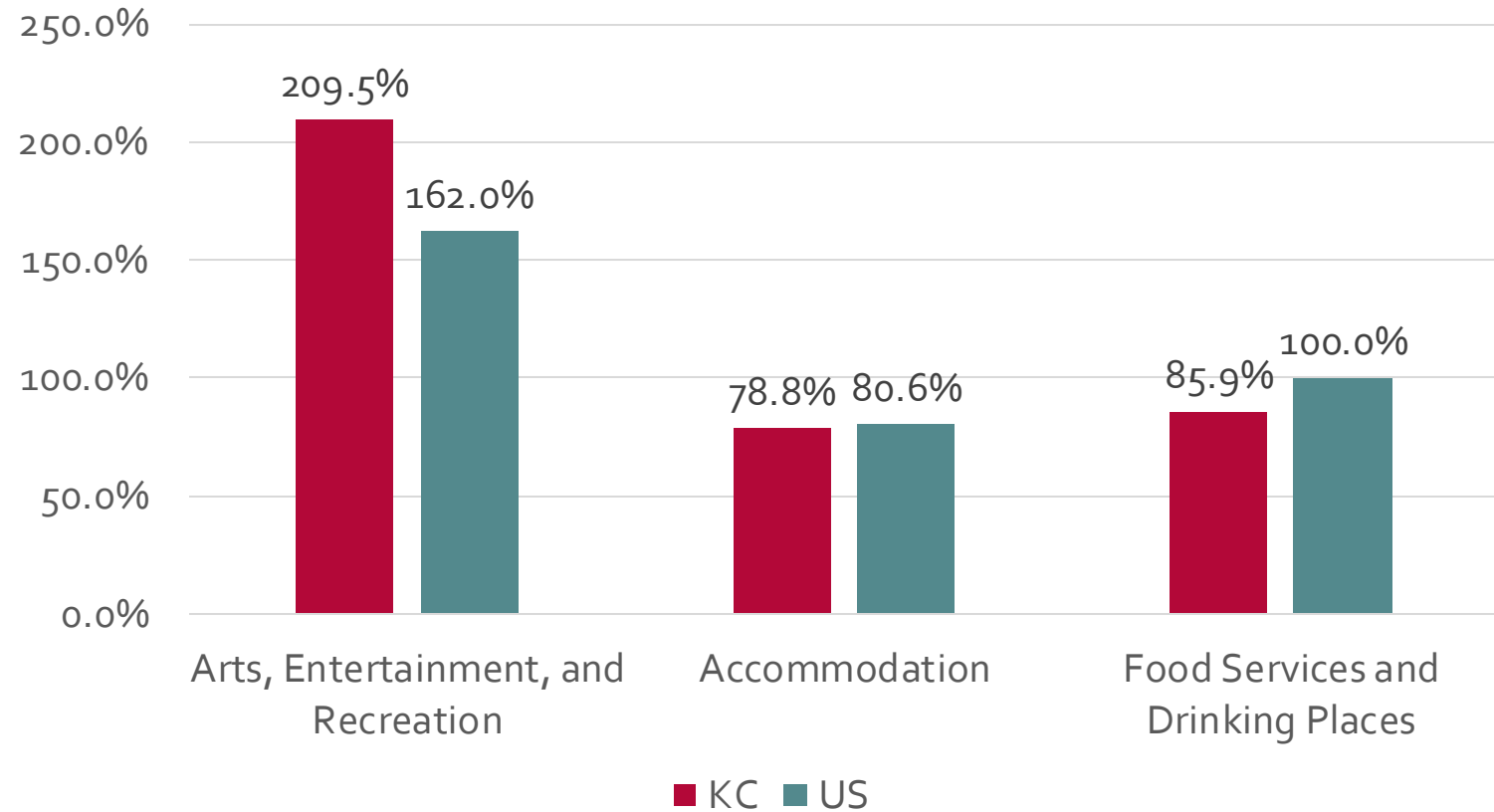
Source: Lightcast, annual data

Hospital employment is one of the service sectors that is outperforming the nation, but other parts of the health care system are not.



Arts and entertainment was the sector worst hit by Covid, and it has recovered here even more than in the US overall.

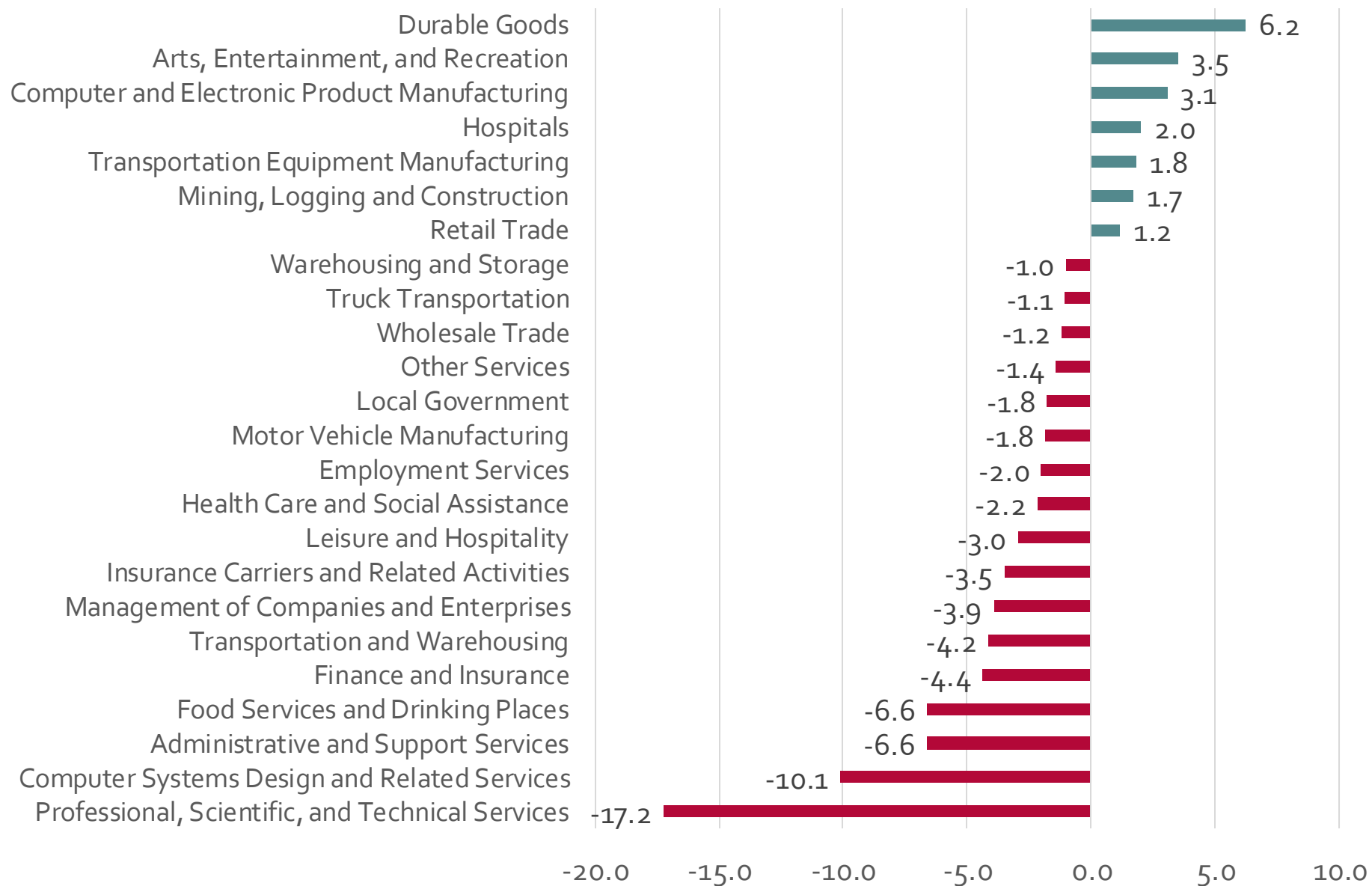
Leisure and Hospitality:  
KC vs. US Job Recoveries  
since April 2020, NSA



When viewed in terms of the number of jobs created rather than growth rate, durable goods manufacturing overperforms the most – esp. electronic products and transportation equipment other than vehicles – followed by arts, hospitals, and construction.

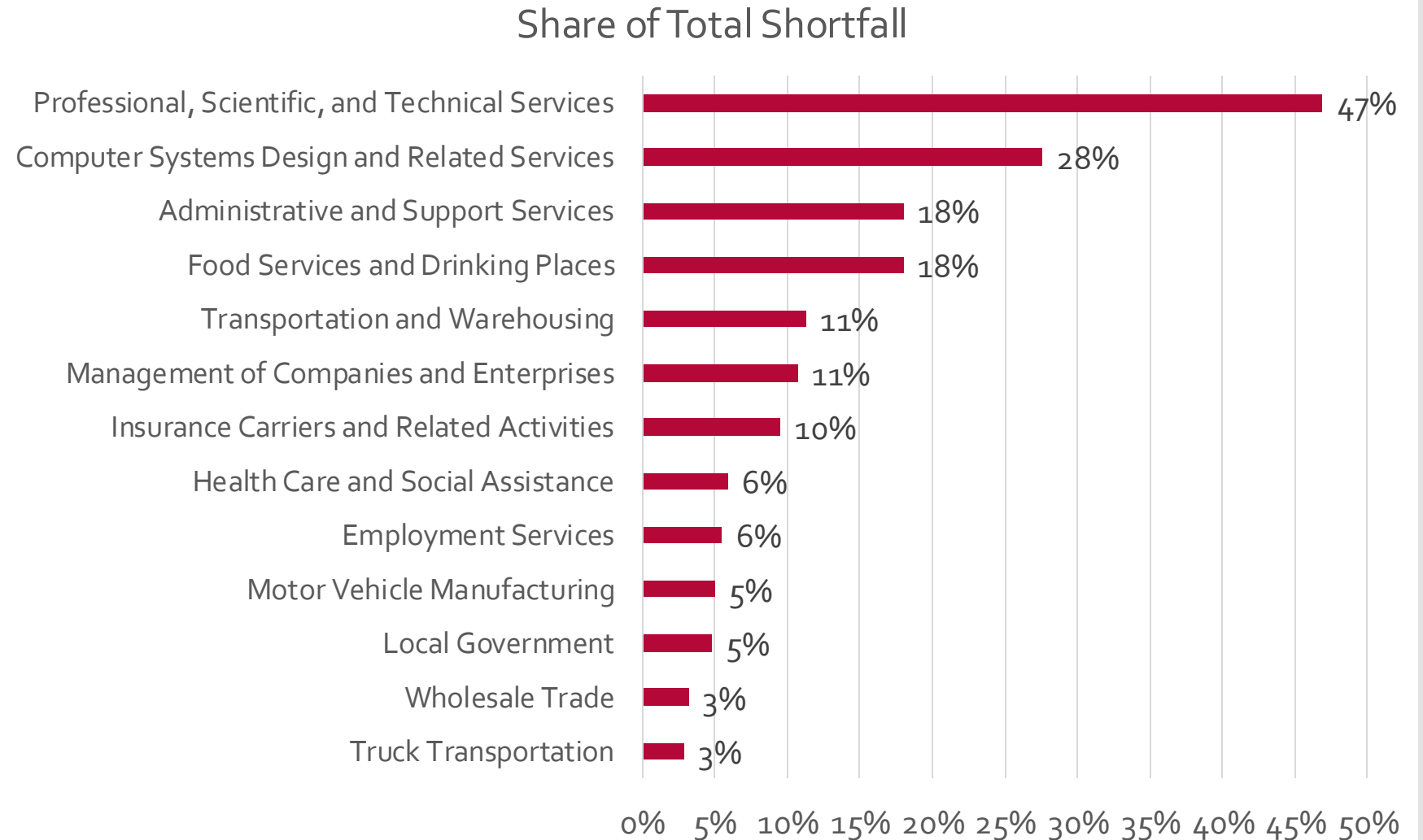
## Best/Worst Industry Contributors to KC Job Growth Relative to US

Job Excess/Deficit if KC Industry Grew at National Rates, in thousands



If KC employment recovered at the same rate as the nation, it would have nearly 37,000 more jobs in August 2025.

Professional, Scientific and Technical Services accounts for nearly half of the shortfall.





# KC Employment Forecast

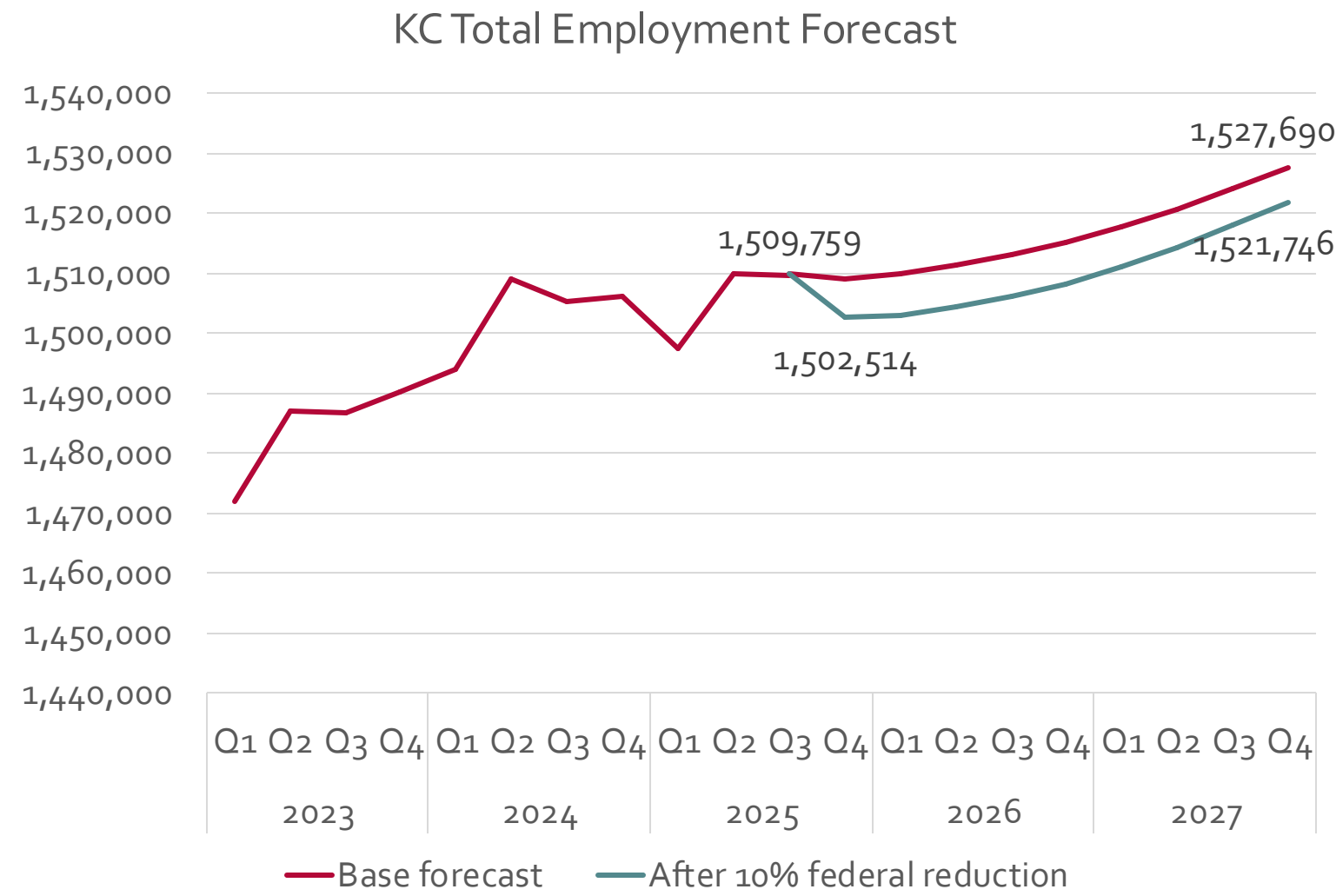


## Steps to a KC employment forecast

- Use RSQE forecast to update the national forecast used to drive MARC's regional economic model, REMI.
- Calibrate the national forecast to more closely match recent history.
- Update the Kansas City MSA control forecast based on the new national forecast.
- Calibrate the Kansas City model to more closely match recent history to create the base forecast.
- Simulate the expected loss of about 10% of the federal workforce.

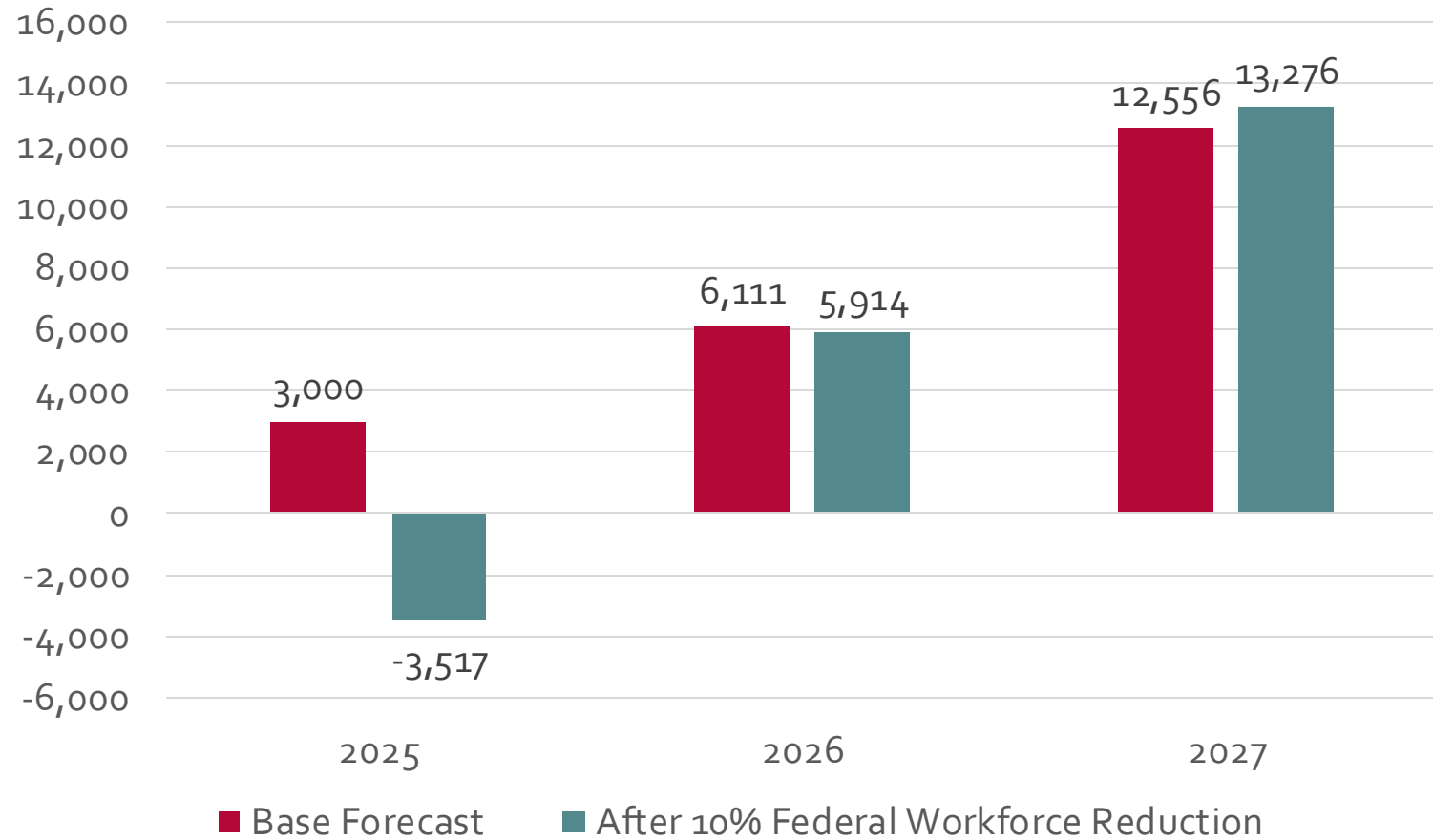
Employment growth in the base forecast for KC follows a similar pattern as RSQE's national forecast.

But if, as expected, KC loses about 10% of its federal workforce, this would push us from flat to short-term decline.



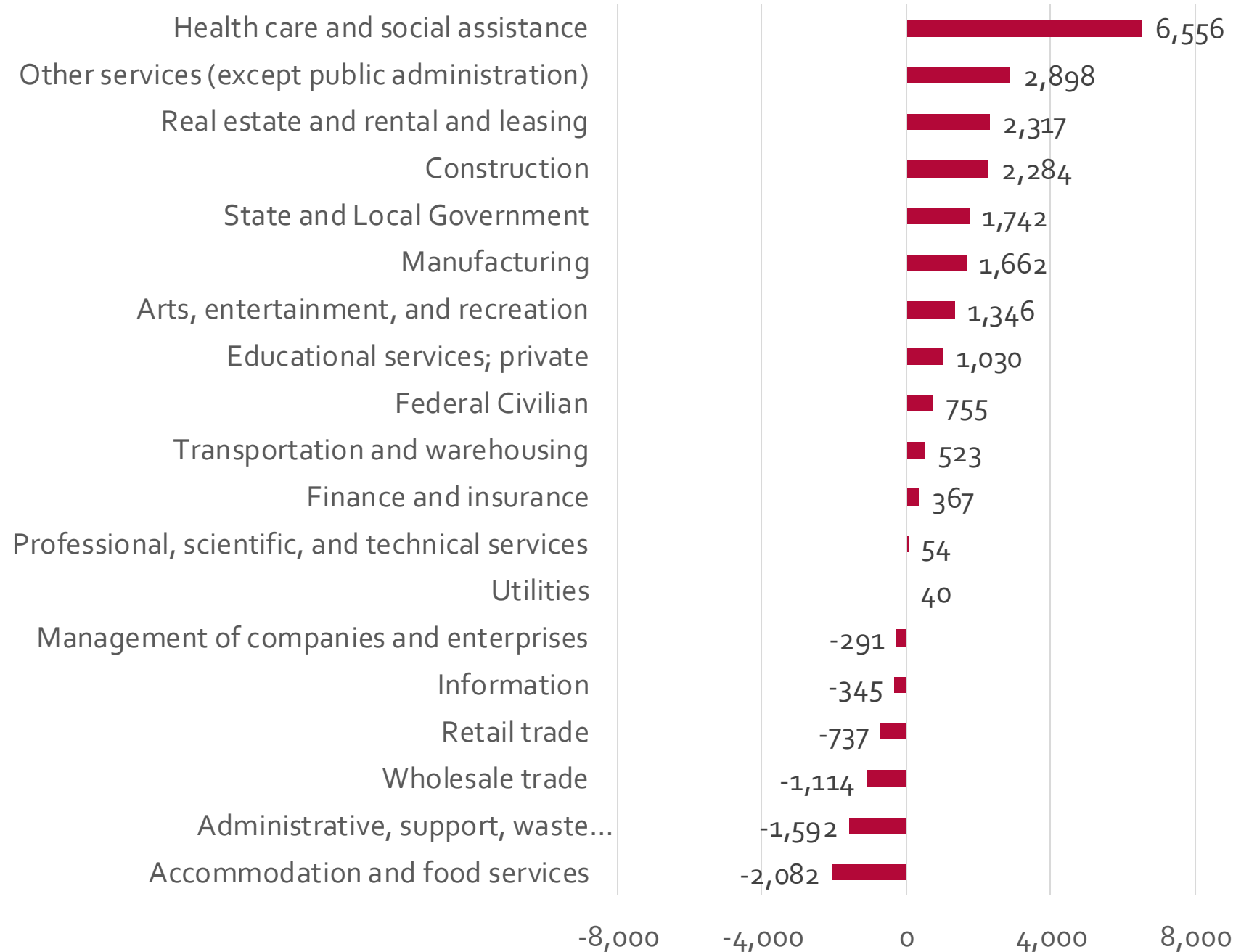
A 10% reduction is about 3,000 federal employees. The economy-wide employment loss is estimated at about 6,500.

Comparison of KC Employment Change Forecasts  
4Q to 4Q



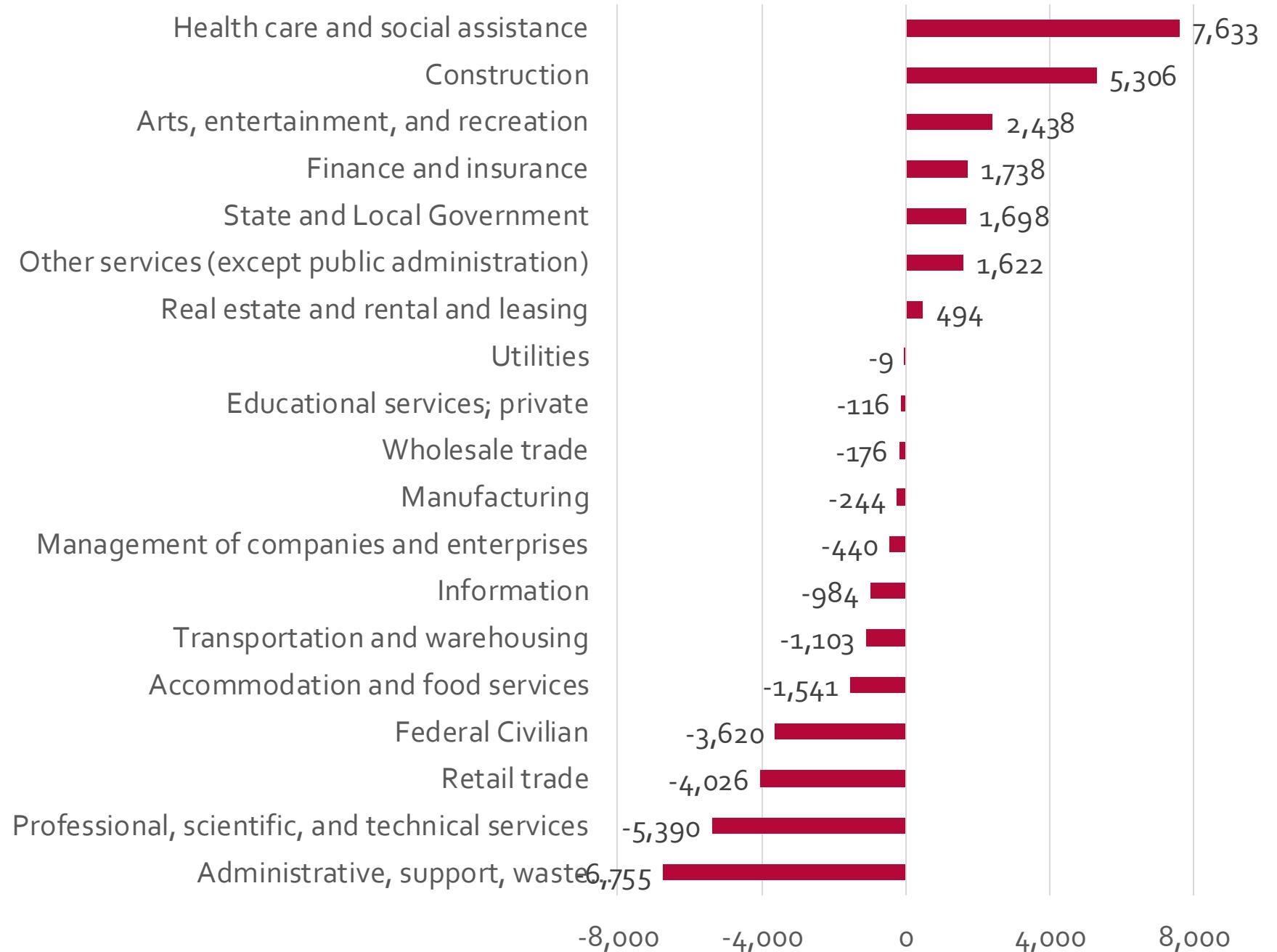
With overall employment increasing by nearly 16,000 in 2024, most sectors grew, led by health care. Some sectors, like administrative and support and accommodation and food, lost jobs

## 2024 KC Employment Change Forecast (4Q-to-4Q)



In 2025, job growth was trending to be essentially flat which means sectors gaining jobs are offset by those losing them. Once federal resignations kick in, the balance shifted to a net loss.

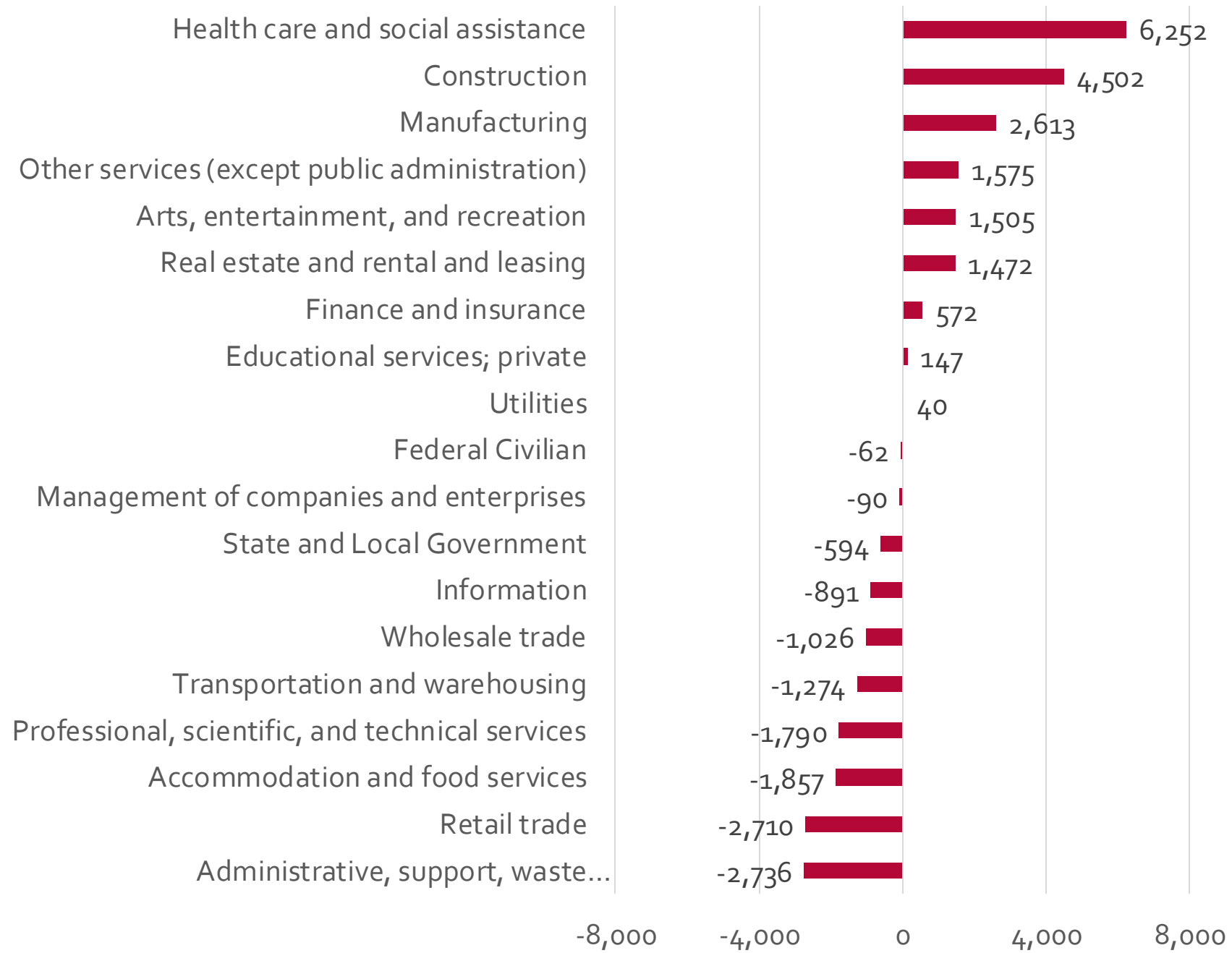
2025 KC Employment Change Forecast (4Q-to-4Q)



In 2026, growth rebounds, though still relatively low.

Sectors that are declining see lower losses.

2026 KC Employment Change Forecast (4Q-to-4Q)



# Conclusion

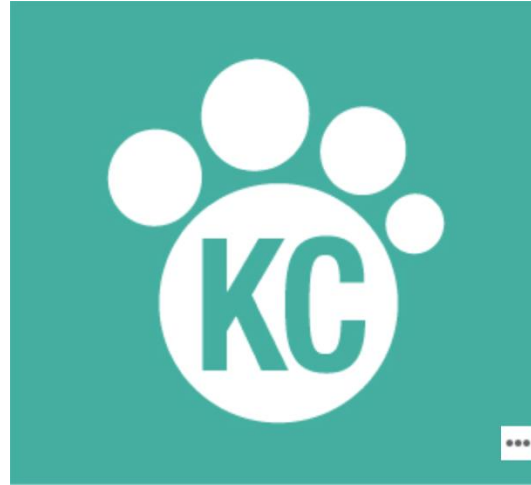
- The KC economy plays a strong defense against recessions, but it's offense during recovery seems to be missing a few pieces.
- The goods sector is out-performing the nation, but it is relatively small.
- The services sector, especially professional, scientific and technical services, is where the region's job generating weakness is most pronounced.
  - The loss of Cerner as a growth engine has really hurt, recalling the loss of Sprint in its heyday.
- Health, advanced manufacturing, and construction are currently leading the way.
- What are the region's business and civic community are doing to increase the number and effectiveness of region's offensive weapons?



# KC's Economic Current Development Initiatives



Prior efforts have resulted in several on-going strategic economic development initiatives.



**NCI Comprehensive  
Cancer Center**



The region spent a year developing an “Investment Playbook” around sectors we think will drive US and regional growth over the next several decades

## Energy

Led by Mario Azar, Chairman and CEO of Black and Veatch

## National Security

Led by Ian Colrain, President and CEO of MRI Global

## BioScience & Healthcare

Led by Bob Page, President and CEO, University of Kansas Health System, and Douglas Girod, Chancellor, University of Kansas

These leaders presented their views on the region’s challenges and opportunities at the 2025 Economic Outlook conference hosted by the Federal Reserve Bank of Kansas City and MARC on November 6.

# National Security

- The region contains many national security assets – the National Security Campus, Ft. Leavenworth, Lake City Ammunition, and a cluster of cybersecurity firms.
- Data centers are driving energy demand. According to Ian Colrain, building data centers in the US is a matter of national security. The data that runs AI includes data on all of us and we don't want a foreign power to control access to it. It is also an economic multiplier as companies locate to regions where there is computing power.
- Industry requires access to processed critical minerals that right now are monopolized by China and a small number of other countries. UMKC is an NSF Engines finalist to build the capacity to process critical minerals into critical materials domestically. Kansas and Missouri could provide critical supply chain connectivity around the planned Critical Materials Campus and similar sites.
- Biosecurity is an inherent regional strength due to the presence of NBAF. But pharmacological security is also a national security issue. Most testing and development of life-saving drugs is done in China, which often steals IP invented in the US.

# Energy

- According to Mario Azar, we need more energy from all sources in a balanced way. The economics of energy production will determine which sources dominate in the future.
- Kansas is blessed with lots of wind energy.
- But to be counted as part of base load, it needs long-duration energy storage
- This can build on the technical and manufacturing capacities being developed as part of the battery ecosystem around the Panasonic plant.
- Kansas also has huge potential to produce and store hydrogen, providing another way to store energy and count it as part of the region's base load.
- Energy doesn't need public money (except for maybe hydrogen). Real resources are the bottleneck.

## Bioscience & Healthcare

- KC BioHub, a division of BioNexus KC, won EDA designation as a Tech Hub for biologics production. They are working with MRI Global to develop new manufacturing technologies to make biomanufacturing more scalable, more predictable and more efficient.
- They are also working to knit together the region's contract research and contract manufacturing and development organizations to build a drug development and regulatory approval capacity that rivals China's. Many of these organizations are in Johnson County.
- Bob Page noted The University of Kansas Health System (TUKHS) as a powerful economic and workforce engine. TUKHS employs 35% of all healthcare workers in the state of KS and has an annual economic impact of ~\$6B. As a result, they have moved from "You don't have to leave KC to get the best healthcare" to "Come to KC for the best healthcare" – destination healthcare.

*"If you could suggest one priority we should pursue – and one pitfall we should avoid – to most improve our region's competitiveness and viability over the next decade, what would they be?"*

### **Douglas Girod, University of Kansas**

**Opportunity:** Grow new bioscience companies here. KU is 15th in the country in exited dollars from a college campus, rivaling UT-Austin

**Pitfall:** Our risk averse nature. We need a new way to get investors.

### **Bob Page, The University of Kansas Health System**

**Opportunity:** We have that rare combination of competence and humility

**Pitfall:** We are too humble. We need to lean into becoming World Class.

### **Ian Colrain, MRI Global**

**Opportunity:** Evolve and adapt to the new environment. A [policy] comet has hit. Are we dinosaurs or mammals?

**Pitfall:** Overwhelming desire to be cautious. Need to think big or go home.

### **Mario Azar, Black & Veatch**

**Opportunity:** Data centers. We have the ability to scale power. Need to educate on what they are and what they are not.

**Pitfall:** Not participating out of fear.

# What do these have in common?

We are too risk averse.

Governments are not set up to take big risks.

But they can create an environment where it is easier for the private sector to take them.

What might that look like here?