



**KANSAS**

DEPARTMENT OF LABOR

**Labor Market Information Services**

**2007**  
**Kansas**  
**Economic Report**



# 2007 Kansas Economic Report

The Honorable Kathleen Sebelius  
Governor  
State of Kansas

Jim Garner, Secretary  
Kansas Department of Labor



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## *Message from the Secretary*

When I first came to the Kansas Department of Labor, I often said that our agency's labor market information was the best kept secret in state government. It has been my goal to make the public aware of the great information we have in our labor market information programs. This report is another step toward that goal.

The *2007 Kansas Economic Report* is a summary of key economic indicators that paint the picture of our economy in 2006. This is timely, meaningful information that can be used by anyone interested in the Kansas workforce and labor market.

Kansas has a growing and diverse economy, with increased job opportunities. The Kansas economy mirrors some positive national trends, and in some cases, bucks some negative ones. Our state enjoys an affordable cost of living and low inflation. We appear poised for continued growth in the coming years. Despite all these positive signs, we cannot be complacent. We face some challenges down the road in our efforts to combat poverty and to attract more skilled workers to our state.

Thank you for your interest in the Kansas economy. I hope this report is a helpful resource for you.

Jim Garner  
Kansas Secretary of Labor

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## *Executive Summary*

In 2006, Kansas experienced healthy growth in almost all sectors of the economy. Kansas experienced one of the most significant years of economic growth since 2000.

Since the slowdown beginning in 2001, the Kansas economy started its path to recovery in 2004. Labor market conditions, including indicators like the unemployment rate and nonfarm employment, indicate continued growth in employment across the majority of the industries in Kansas. The Kansas unemployment rate, which averaged 4.5 percent in 2006, declined sharply from a high of 5.6 percent in 2003 and 2004. In 2006, the labor market improved in all four metropolitan statistical areas and the balance of state. Short-term and long-term labor demands indicate that moderate employment expansion in Kansas will continue in 2007 and 2008.

Other economic variables, like gross domestic product (GDP), personal income and exports, also indicate healthy economic growth in 2006. The growth rate of Kansas GDP has increased since the nationwide slowdown in 2001. In 2006, total real GDP in Kansas grew by 3.4 percent, while real per capita GDP grew by 2.8 percent. All major industries recorded growth in their output from 2005 to 2006. Similarly, personal income continued to grow in 2006, with nominal per capita personal income increasing 5.7 percent in 2006. Total exports in Kansas increased 28.4 percent in 2006, indicating strong growth in industries that export goods and services.

Kansas experienced this economic growth while maintaining an inflation rate that was lower than national inflation. The Midwest consumer price index, which includes Kansas, has been consistently below the national index since 2001. The housing market nationwide has been volatile, while Kansas housing prices and building permits have remained fairly steady.

Overall, these indicators suggest healthy economic performance in 2006. The Kansas economy is expected to continue growing in 2007 as businesses continue to expand and create more opportunities for Kansans. Despite the positive news in this report, some indicators show that Kansas will face some challenges down the road, particularly in our efforts to combat poverty and to attract more skilled workers to meet growing labor demands in our state.

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## Employment

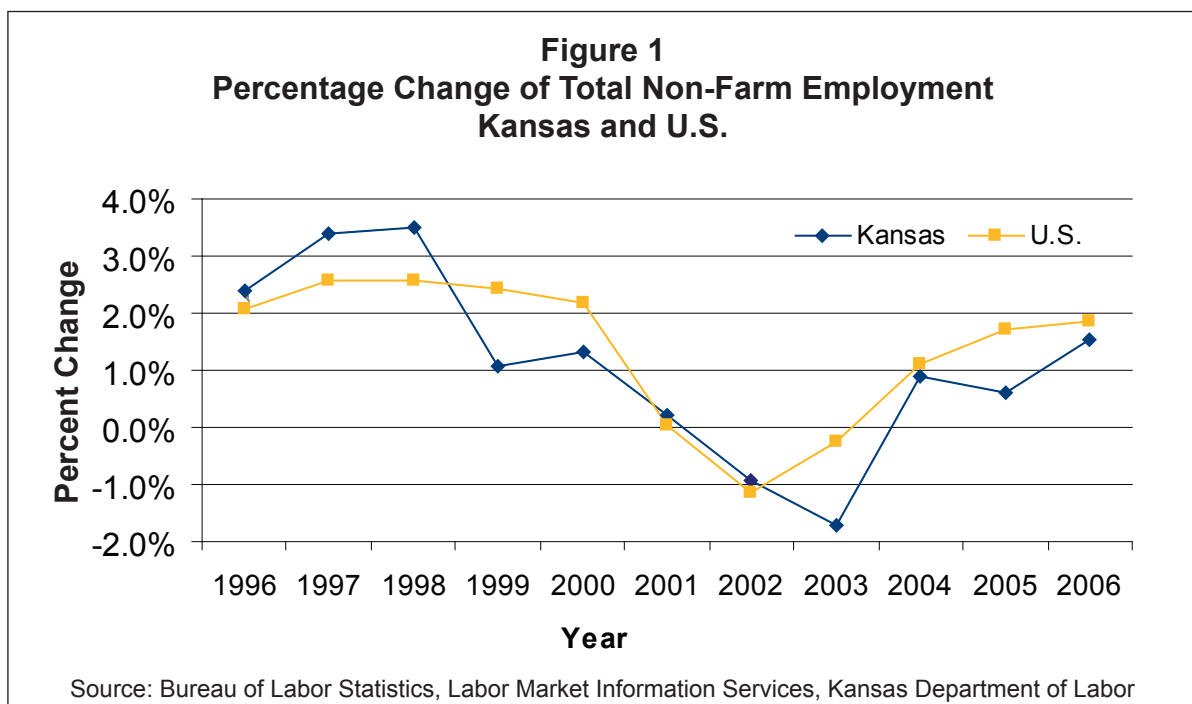
*Nonfarm employment is one of the most current indicators of the health of the economy each month.*

As firms experience changes in demand for their goods and services, they adjust the level of employment accordingly. When firms hire additional workers to meet growing demands, it is a good indication of an improving employment market, and perhaps an improving economy in general. In 2006, Kansas experienced robust employment growth, adding approximately 20,500 jobs. This was the strongest recorded growth in employment since 1998.

Kansas experienced slow employment growth from 2001 to 2003, but the employment situation improved in 2004 and 2005. The robust employment expansion experienced in 2006 was due mainly to expansion in the professional and business services, leisure and hospitality, government, manufacturing and construction industries.

The majority of the industries in Kansas gained employment in 2006 and these industries led the way.

**In 2006, Kansas experienced robust employment growth, adding approximately 20,500 jobs. This was the strongest recorded growth in employment since 1998.**



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Robust growth in employment has continued in the first two quarters of 2007. According to the preliminary report for June 2007, the Kansas economy has added approximately 32,800 jobs since June 2006, a 2.4 percent growth. Employment in Kansas is projected to continue increasing during the balance of 2007 and in 2008.

Table 1 Kansas and U.S. Non-Farm Employment*										
	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
<b>Kansas</b>	1,269	1,314	1,328	1,346	1,348	1,336	1,313	1,325	1,333	1,353
<b>U.S.</b>	122,776	125,930	128,993	131,785	131,826	130,341	129,999	131,435	133,703	136,174
<b>2007</b>										
	January	February	March	April	May	June				
Kansas	1,351	1,362	1,373	1,382	1,390	1,400				
U.S.	135,189	135,904	136,826	137,682	138,623	139,127				

\*In Thousands

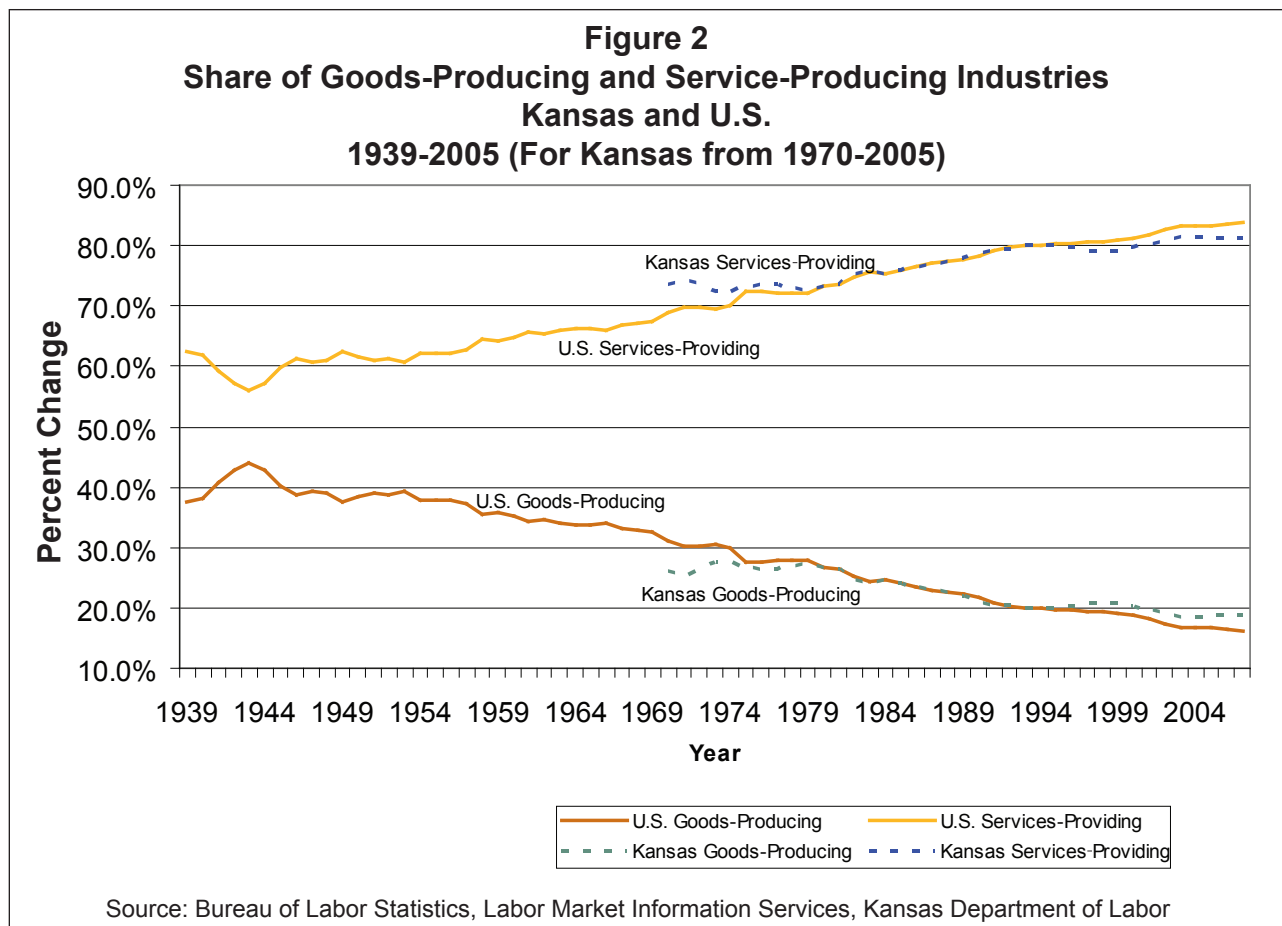
Source: Bureau of Labor Statistics and Labor

# 2007 Kansas Economic Report

## The Changing Structure of the Kansas Economy

*Service-providing industries have become increasingly important in the state and national economy.*

From the late 1970s through the mid-1990s, the distribution of employment between the goods-producing and service-providing sectors was similar in the Kansas and U.S. economies. Since the mid-1990s, the Kansas economy has deviated slightly from the national trend.



As seen in Figure 2, the structure of the Kansas economy, similar to the U.S. economy, has changed dramatically over the past few decades. There has been a marked shift in employment, with a greater share in service-providing industries. In 1970, service-providing industries comprised nearly 74.0 percent of total employment in Kansas. This share increased to more than 81.0 percent in 2006. Since 1970, employment in service-providing industries has increased approximately 120.0 percent while employment in goods-producing industries increased 44.0 percent.

**Since 1970, employment in service-providing industries has increased approximately 120.0 percent while employment in goods-producing industries increased 44.0 percent.**



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Although service-providing industries continue to increase their share of total employment in Kansas and the U.S., their share has increased at a slower pace in Kansas. There are two main reasons for this trend. First, employment in Kansas' goods-producing sector grew 6.8 percent from 1995 to 2006, while employment in this sector declined 2.5 percent nationwide. Kansas' manufacturing industries, particularly transportation equipment manufacturing (largely aerospace manufacturing), have experienced recent growth, while employment in manufacturing sectors nationwide have declined.

Although employment in goods-producing industries has increased, its share of total employment has declined consistently over the past decades. This shift can be linked to productivity gains and outsourcing, which have reduced demand for employment in traditional goods-producing jobs like manufacturing.

A second reason that the U.S. and Kansas economies are beginning to differ in structure is that employment in the service-providing sector nationwide grew at a faster rate (20.6 percent) than Kansas (14.6 percent) from 1995 to 2006.

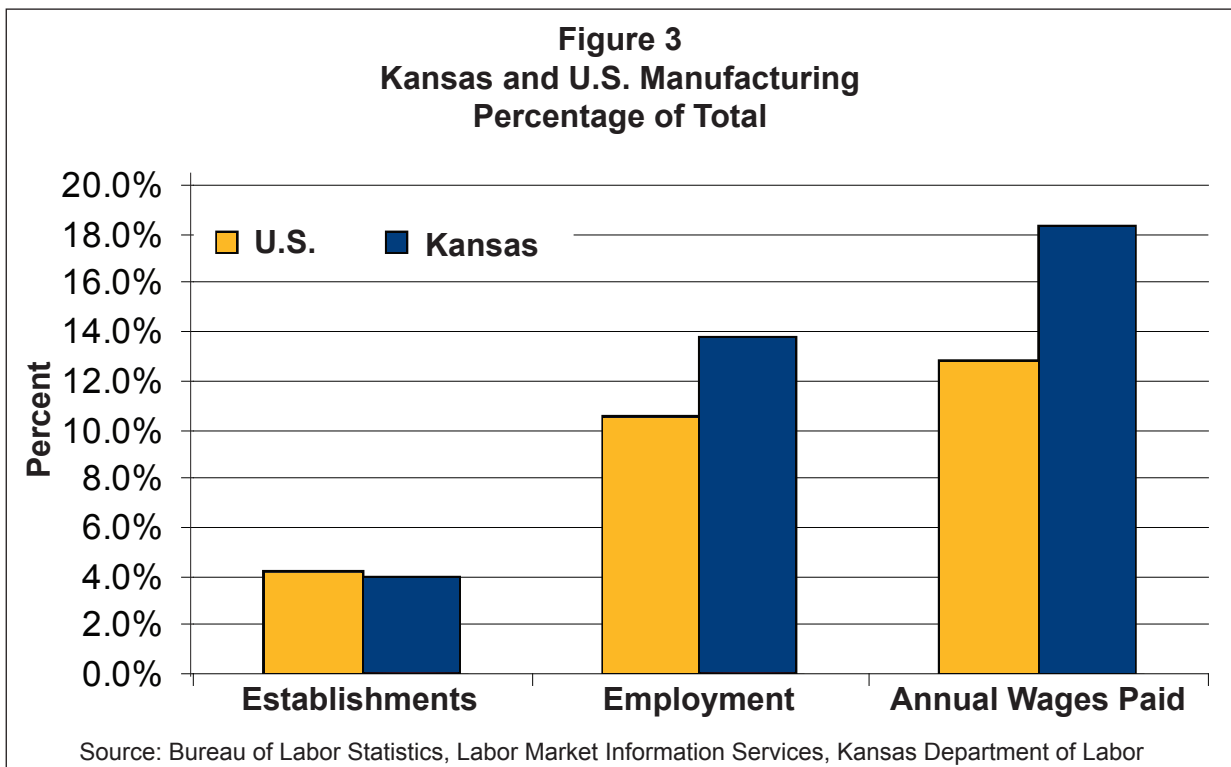
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## Industries in Focus: Manufacturing

The manufacturing industry includes a variety of durable and non-durable goods manufacturers. Durable goods are goods that have an average life of at least three years, such as automobiles, aircraft and appliances. Non-durable goods are goods which have an average life of less than three years, such as food products, soft drinks, and apparel.

In 2006, the manufacturing sector accounted for approximately 13.8 percent of total employment and 16.8 percent of all private employment in Kansas. When compared to the nation, the manufacturing industry in Kansas has a higher percentage of total employment and wages, as indicated in Figure 3.

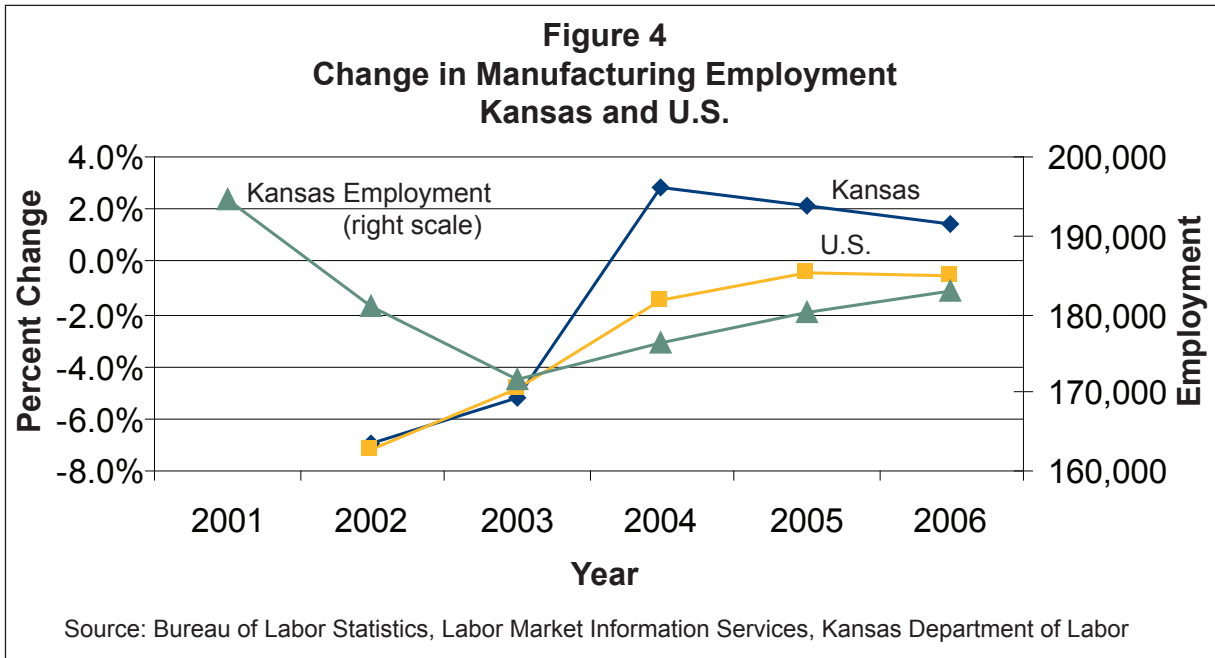
**Manufacturing gained approximately 2,800 jobs in 2006.**



In 2006, there were approximately 3,380 manufacturing establishments in Kansas, representing about 4.0 percent of all the establishments in the state. Manufacturing establishments paid a total of \$8.7 billion in wages in 2006. The manufacturing industry accounted for approximately 18.3 percent of total wages paid in Kansas, reflecting the significance of this industry in the state's economy. The average annual wage paid in the manufacturing industry was significantly higher than the overall average annual wage in Kansas. In 2006, the Kansas overall average annual wage was \$35,699, compared to \$47,504 in the manufacturing sector, a 33.1 percent difference.

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Kansas manufacturing employment totaled approximately 183,000 in 2006, an increase of about 2,800 jobs from 2005. Kansas experienced a manufacturing slowdown beginning in 2000, but employment has gradually increased since 2004. The rate of expansion, however, has slowed as seen in Figure 4.



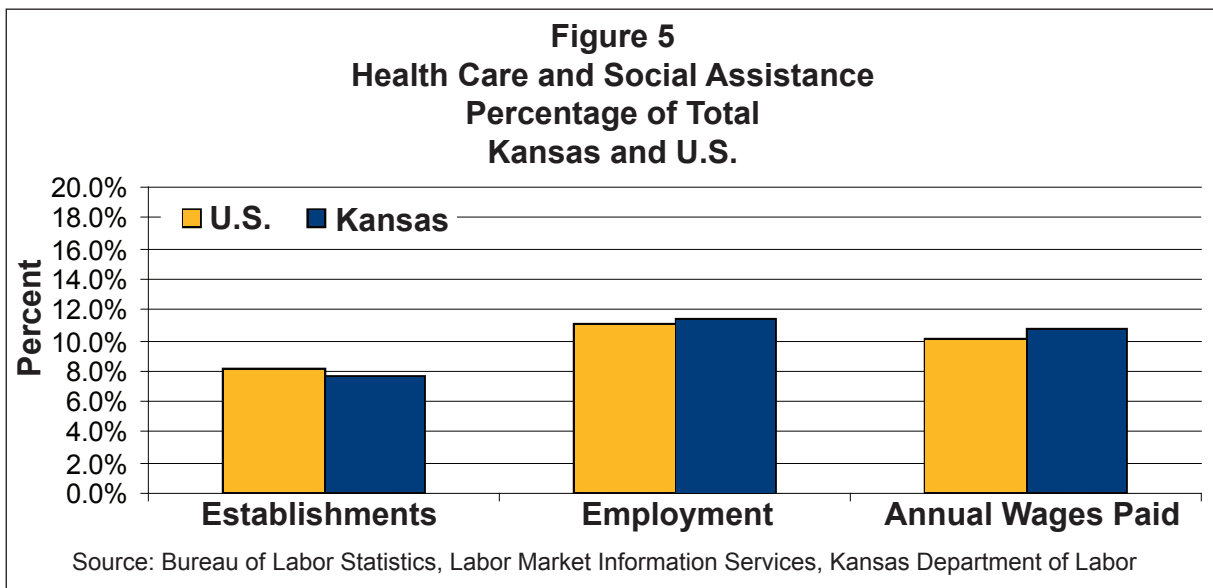
While the manufacturing employment nationwide is contracting, Kansas' manufacturing economy has shown healthy growth. The majority of these gains were due to expansion in transportation equipment manufacturing, particularly aerospace manufacturing. Aerospace manufacturing represents the largest concentration of employment in Kansas' manufacturing industry. Rising demand for aerospace parts and products worldwide has translated into increased employment in this industry. Conversely, non-durable goods manufacturing, such as chemical and paper manufacturing, has declined overall in employment. Food manufacturing, which includes meat packing, was one of the few non durable sub-sectors which increased in employment in 2006.

According to preliminary data, manufacturing has continued to expand during the first two quarters of 2007 and is expected to grow during the balance of 2007.

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## Industries in Focus: Health Care and Social Assistance

The health care and social assistance industry includes services such as hospitals, nursing care facilities and child day care services. In 2006, the health care and social assistance industry accounted for 11.3 percent of total employment in Kansas. There were about 6,460 establishments in this industry, representing approximately 7.6 percent of the total establishments in Kansas. Health care and social assistance employed approximately 150,500 in 2006. Approximately one-third of this employment came from ambulatory health care services, which include services like physicians, dentists and home health care.



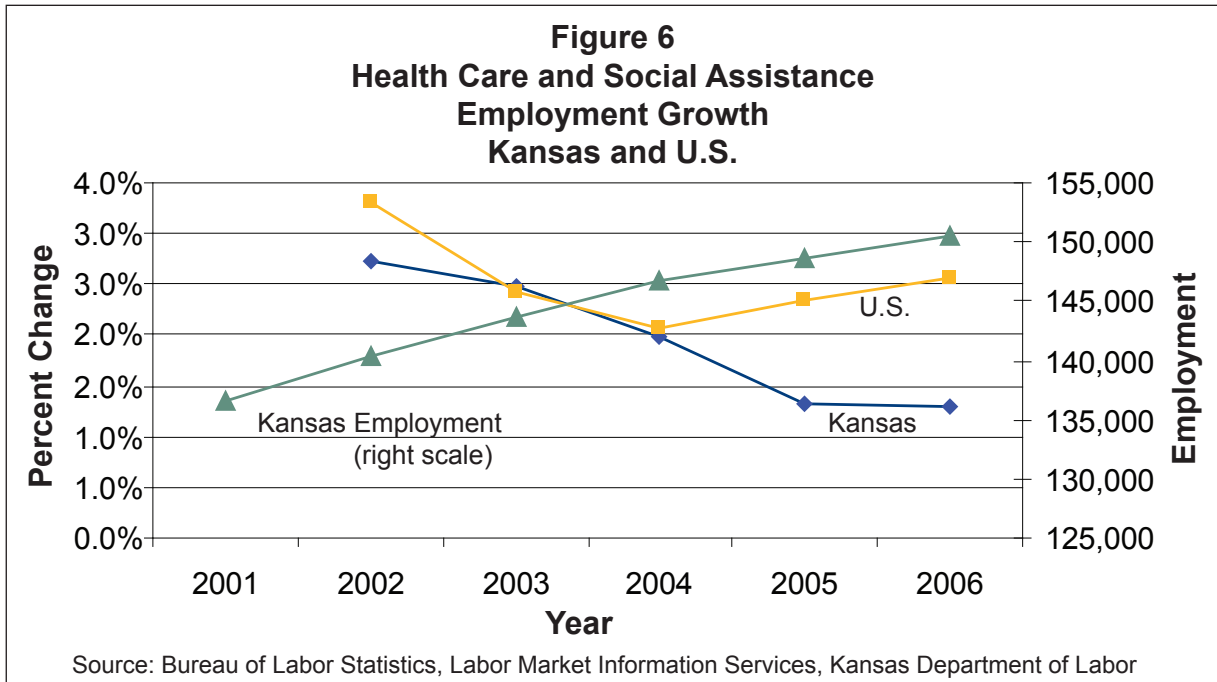
The industry paid total wages of about \$5.1 billion dollars, representing 10.7 percent of all wages paid in Kansas. The average annual wage in this industry was \$33,745, below the statewide average of \$35,699. This was due to lower average wages in two sub-sectors of this industry: nursing and residential care facilities and social assistance related services. The average annual wages in the other two sub-sectors of this industry, ambulatory care services and hospitals, were \$46,632 and \$39,520 respectively, higher than the Kansas average.

Since 2001, this industry has posted employment gains in Kansas every year, adding 13,900 jobs by 2006, a 10.2 percent gain. In 2006, the industry gained 1,900 jobs, a 1.3 percent increase. Three of the four sub-sectors (ambulatory health care services, hospitals and social assistance) posted employment gains from 2005 to 2006, while nursing and residential care facilities declined slightly. Much of the employment gain in this industry was due to strong demand for ambulatory care services, particularly in outpatient service centers which expanded by 13.5 percent in 2006.

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Despite this good news, Figure 6 indicates a slowing pace of growth in this industry in Kansas since 2002, while nationwide growth rates have increased in 2005 and 2006.

This is mainly due to strong nationwide gains in ambulatory health care services and social assistance, while growth in Kansas has been moderate due to a decline in the nursing and residential care facilities sub-sector.



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## Labor Force and Unemployment Rate

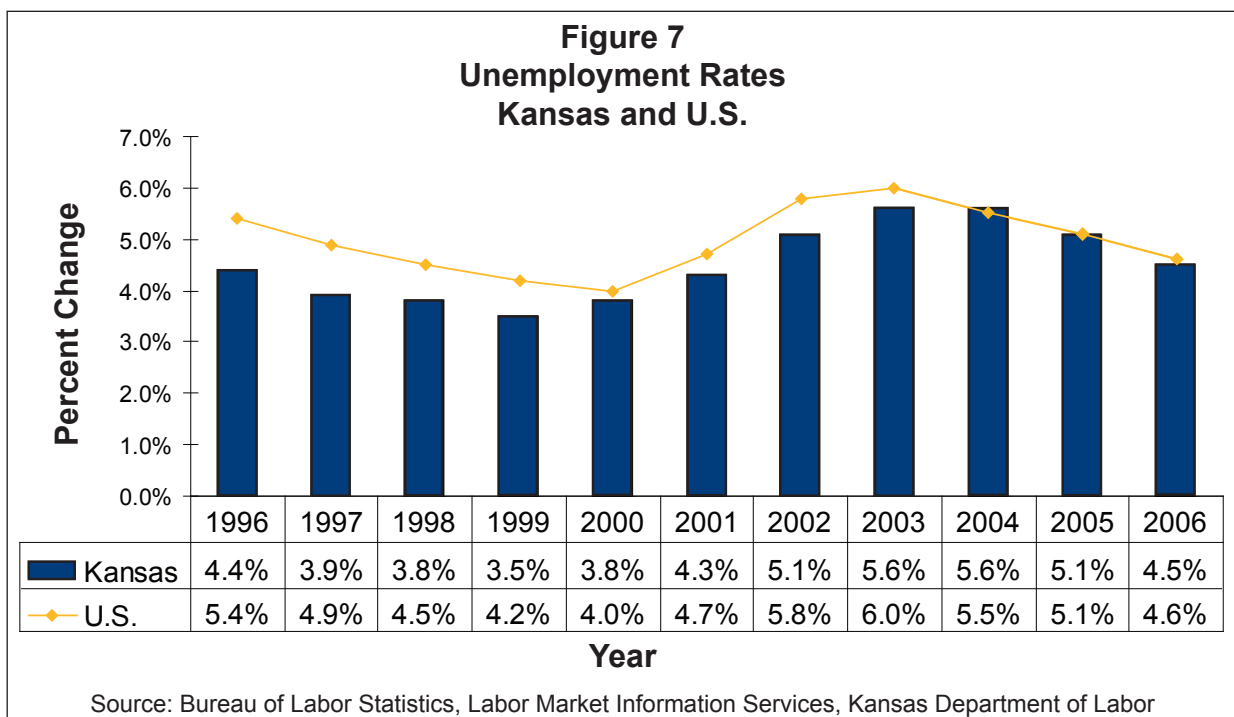
The labor force participation and the unemployment rate provide key insights into the dynamics of labor availability and demand.

### Unemployment Rate

In 2006, Kansas reported an unemployment rate of 4.5 percent, slightly lower than the national rate of 4.6 percent.



Since peaking in 2003, the Kansas unemployment rate has gradually declined for the past three years, similar to the national trend.

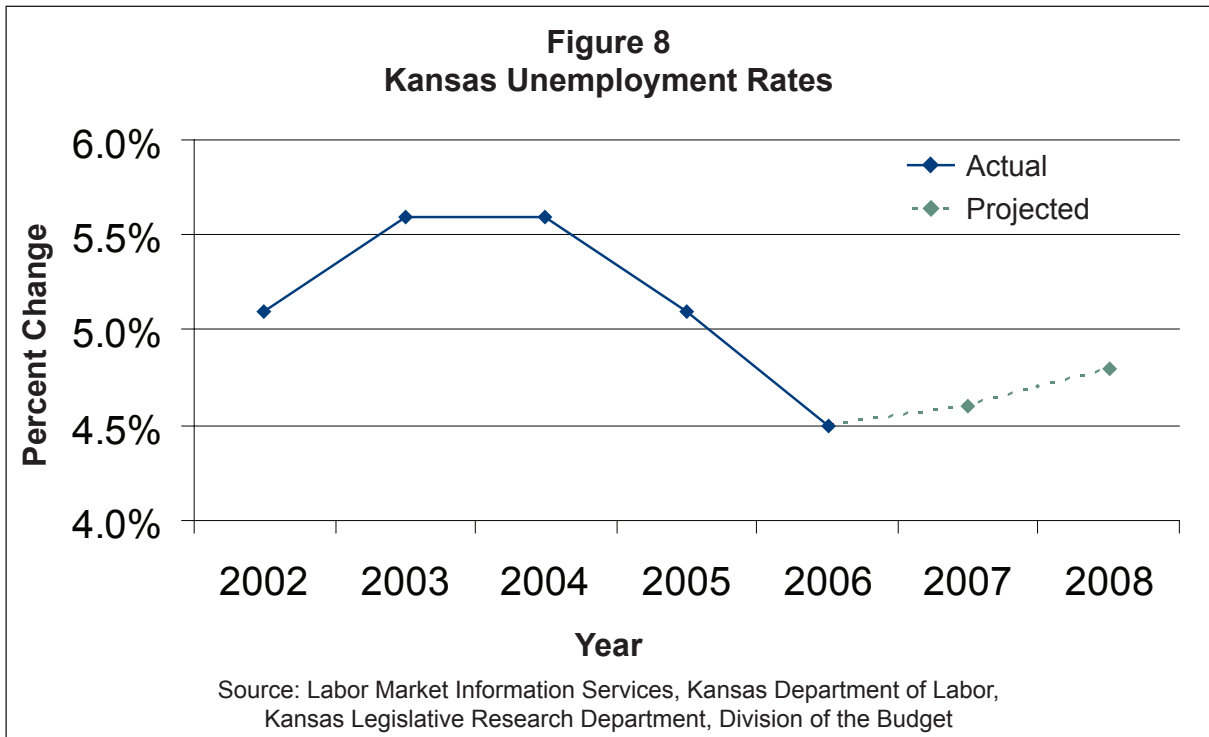


Since peaking in 2003, the Kansas unemployment rate has gradually declined for the past three years, similar to the national trend. The unemployment rate in Kansas, except for 2004, has consistently remained at or below the national rate. This trend is depicted in Figure 7.

The number of people in the labor force, a key factor in unemployment, has increased from approximately 1,464,000 in 2005 to 1,466,000 in 2006, a 0.1 percent increase. At the same time, employment has increased by 0.8 percent. More people entering the labor force, combined with the rising employment rate, has pushed the unemployment rate down. This change in the labor market reflects a strong demand for workers by Kansas businesses as they continue to grow.

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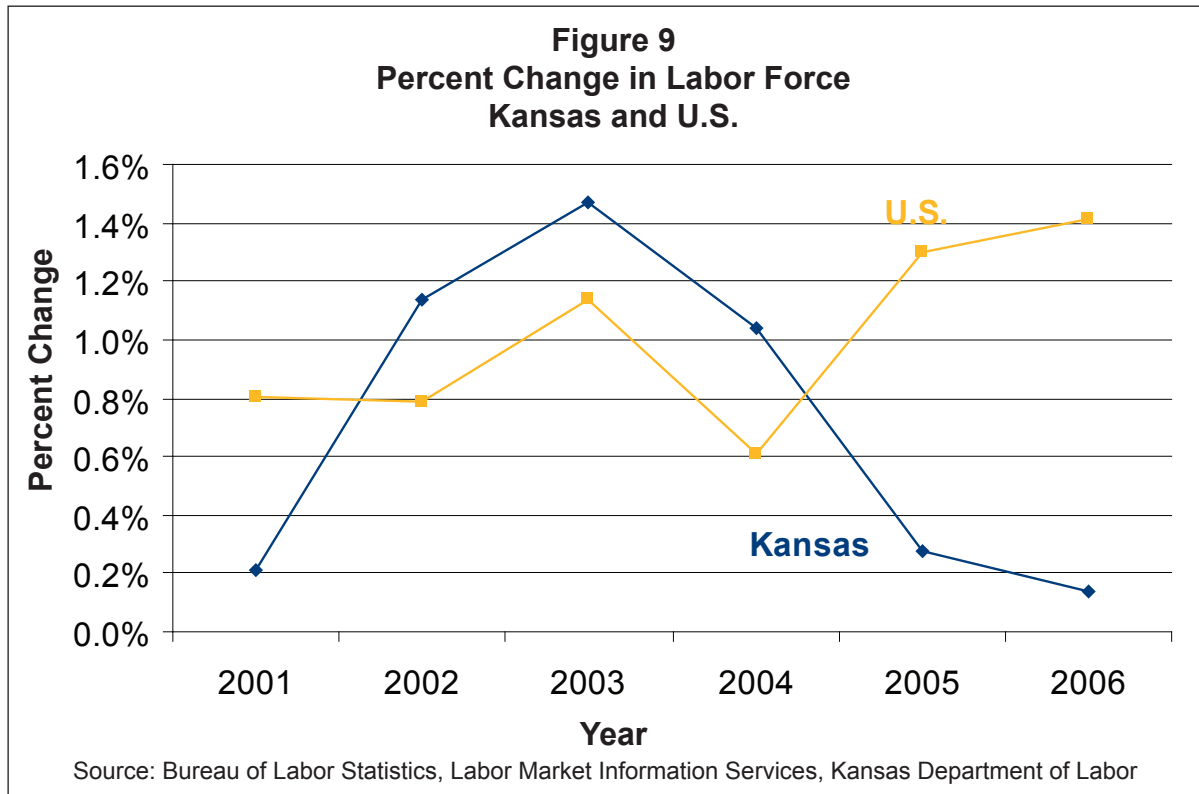
The overall Kansas unemployment rate is expected to increase slightly to 4.6 percent in 2007 and 4.8 percent in 2008. Although it is expected to increase slightly, the projected unemployment rates are still well below the 2003 high of 5.6 percent. The projected increase is mainly due to a mild slowdown projected for employment growth.



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## Labor Force and Labor Force Participation Rate

The labor force is the total number of people who are employed and unemployed. Since 2001, the total number of people in the labor force in Kansas has increased every year. In 2003, Kansas labor force growth peaked at 1.5 percent and has been slowing since. In 2006, the Kansas labor force grew by a modest 0.1 percent, below the national average of 1.4 percent.



Over the five year period from 2001 to 2006, the Kansas labor force expanded nearly 4.1 percent, while the U.S. labor force has grown more than 5.4 percent. Growth in the Kansas and national labor force is depicted in Figure 9. The different growth rates for the U.S. and Kansas may be partially explained by lower population growth in Kansas.

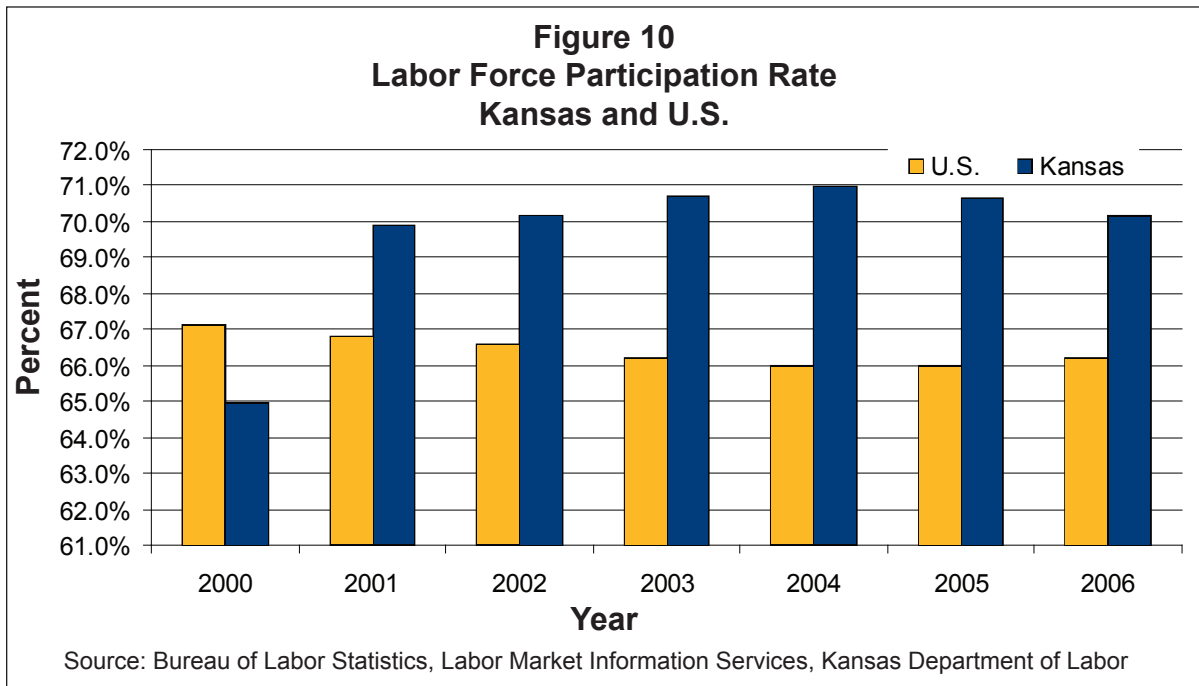
One of the important considerations with regards to the labor force is the labor force participation rate. This rate provides an indication of what percentage of all individuals above the age of 16, non-institutionalized and civilian, participate in the labor force. The labor force participation rate in Kansas has been consistently higher than the national average since 2001, as seen in Figure 10. In 2006, the labor force participation rate in Kansas was 70.2 percent, much higher than the national average of 66.2 percent.

**This high participation rate in Kansas indicates that further demand for workers may not be met by simply recruiting more workers from existing Kansas population. This will be particularly relevant as 'baby boomers' retire in the coming years.**



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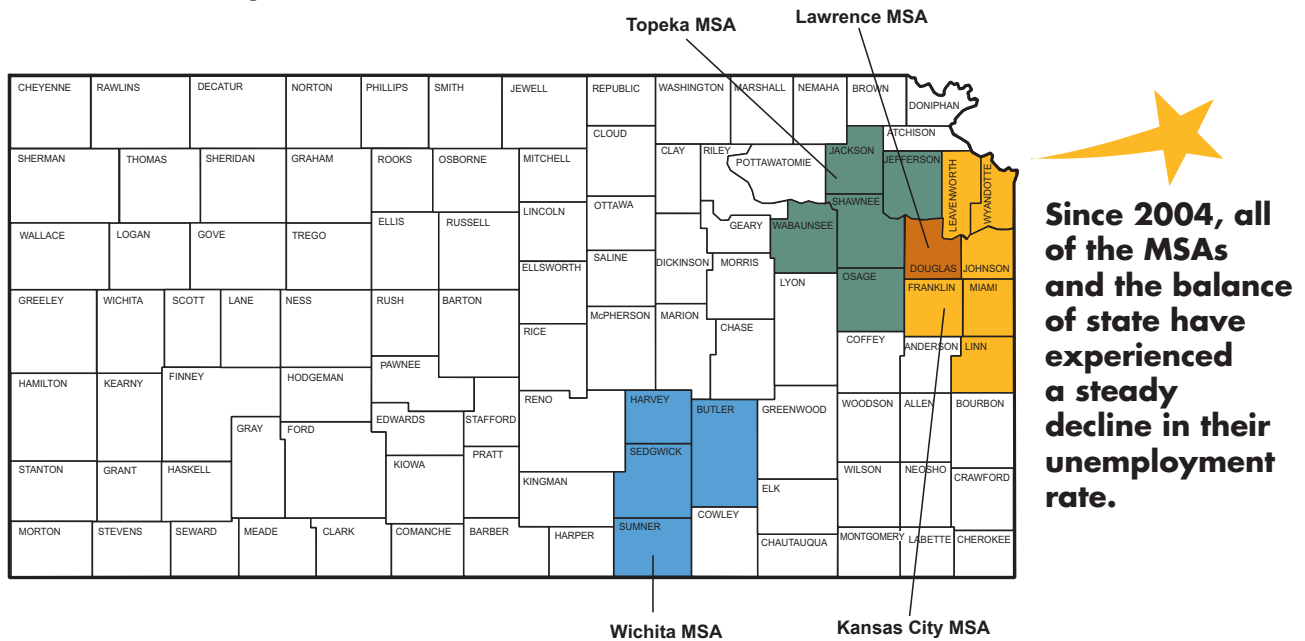
This means that more than 70 percent of the population over age 16 in Kansas are either working or looking for work. This high participation rate in Kansas indicates that further demand for workers may not be met by simply recruiting more workers from existing Kansas population. This will be particularly relevant as 'baby boomers' retire in the coming years. Increasing productivity and population are some options that maybe necessary to meet future demands for workers in Kansas.



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## Spotlight on Kansas MSAs

Kansas is divided into four Metropolitan Statistical Areas (MSAs) and one Balance of State category. The four MSAs are Kansas City, Wichita, Topeka and Lawrence. Since 2004, all of the MSAs and the balance of state have experienced a steady decline in their unemployment rate, as seen in Figure 11.



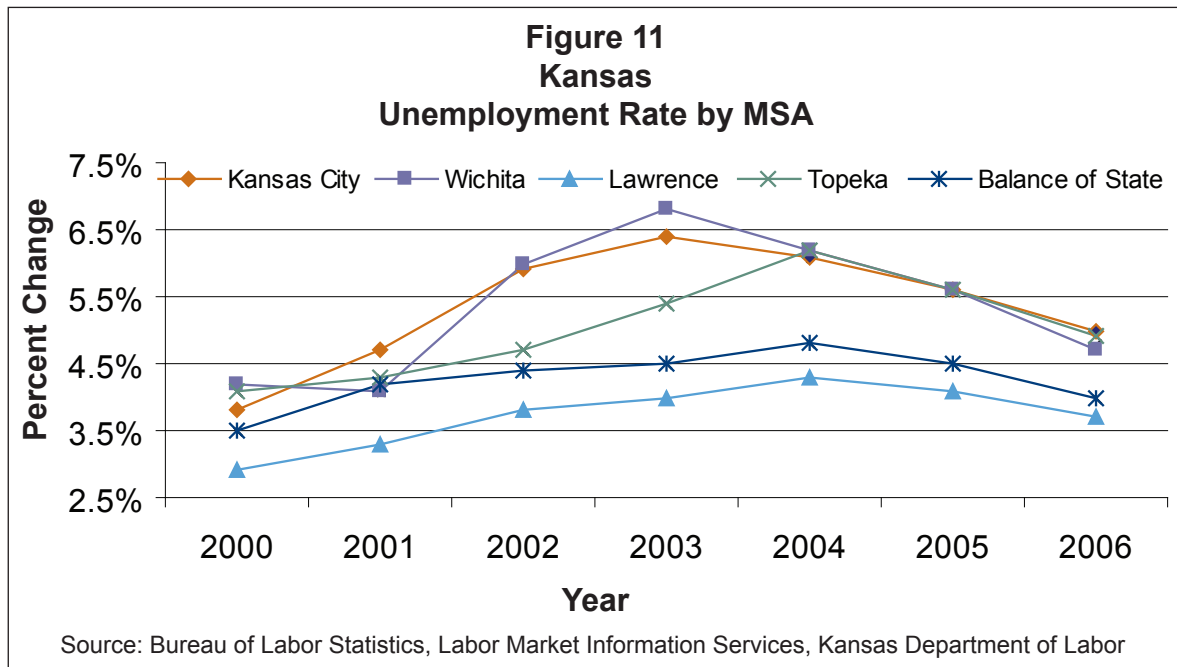
	2000	2001	2002	2003	2004	2005	2006
Statewide	1,405,104	1,408,103	1,424,054	1,445,220	1,459,965	1,464,151	1,466,004
Kansas City	398,601	400,967	404,454	416,449	422,560	427,590	432,609
Wichita	296,946	298,698	301,880	299,989	301,908	303,732	308,169
Lawrence	57,719	59,727	60,113	61,308	62,727	61,994	61,821
Topeka	119,536	120,464	122,584	123,017	123,884	122,134	120,751
Balance of State	532,302	528,247	535,023	544,457	548,886	548,701	542,654

Source: Bureau of Labor Statistics, Labor Market Information Services, Kansas Department of Labor

### Kansas City MSA

The Kansas City MSA is composed of Johnson, Leavenworth, Miami, Wyandotte, Franklin and Linn counties. The labor force in the Kansas City MSA, which includes employed and unemployed individuals, reported a growth of 1.2 percent from 2005 to 2006. In addition, the unemployment rate dropped to 5.0 percent, the lowest rate since 2001. From 2000 to 2006, the Kansas City MSA labor force grew 8.5 percent.

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## Wichita MSA

The Wichita MSA includes Butler, Harvey, Sedgwick and Sumner counties. The Wichita MSA experienced a moderate 1.5 percent increase in its labor force in 2006. This MSA reported a decrease in the unemployment rate from 5.6 percent in 2005 to 4.7 percent in 2006. From 2000 to 2006, the Wichita MSA reported a gain of 3.8 percent in the labor force.

## Topeka MSA

The Topeka MSA contains Jackson, Jefferson, Osage, Shawnee and Wabaunsee counties. In 2006, the labor force in this MSA decreased by nearly 1,400, or about 1.1 percent. The unemployment rate for the MSA declined to 4.9 percent, the first time the rate has been below 5.0 percent since 2003. From 2000 to 2006, the labor force and employment reported modest gains of 1.0 percent and 0.2 percent, respectively.

## Lawrence MSA

Douglas County is the only county in the Lawrence MSA. In 2006, the Lawrence MSA recorded a slight decline of 0.3 percent in the labor force and a slight gain in employment of 0.1 percent. The unemployment rate for this MSA was 3.7 percent in 2006, which is the lowest of any of the Kansas MSAs. It is also lower than the statewide and national rates. From 2000 to 2006, the Lawrence MSA labor force expanded 7.1 percent, adding more than 4,000 people.

## Balance of State

The Balance of State category contains the 89 counties not included in the MSAs. In 2006, this labor force decreased by more than 6,000 people, contracting 1.1 percent. The unemployment rate decreased to 4.0 percent, the first time it has been below 4.5 percent since 2002. From 2000 to 2006, the Balance of State labor force increased nearly 2.0 percent while employment expanded 1.5 percent.

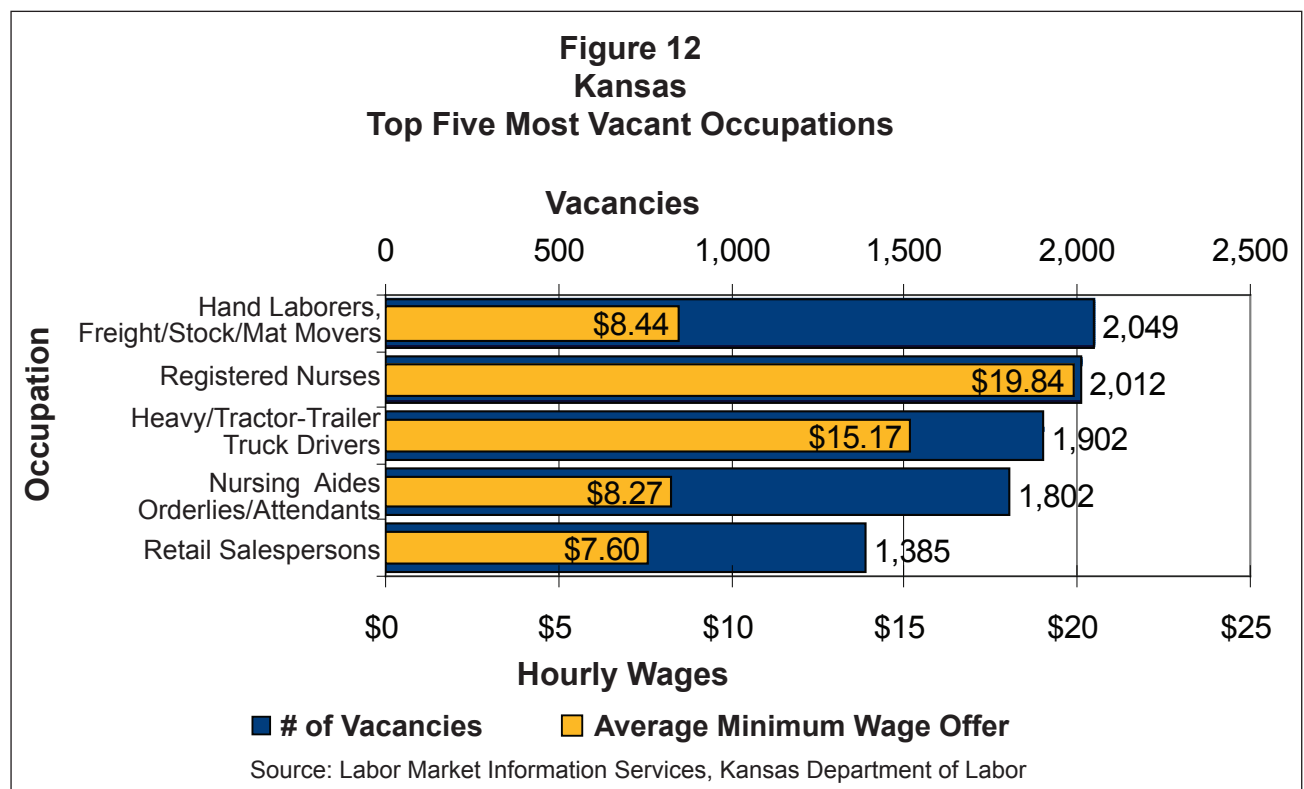
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## Short-Term Outlook

### 2006 Job Vacancies

*This is a key statistic that provides a recent snapshot of the short-term demand for workers in Kansas.*

The Job Vacancy Survey conducted by the Kansas Department of Labor surveys employers across the state to measure recent labor demands by industry and occupation. The 2006 survey indicated a healthy demand for workers, reflecting the expansion of various industries across the state.

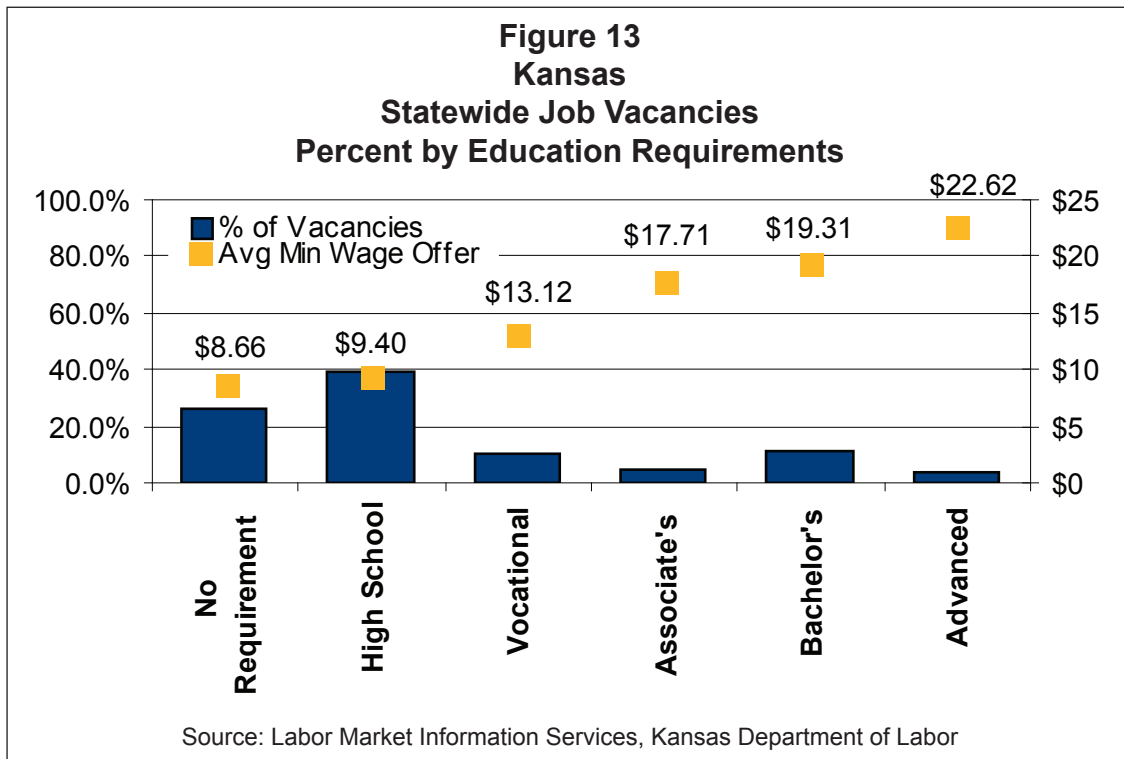


The statewide job vacancy rate in 2006 was 3.6 percent, or 3.6 job vacancies for every 100 filled positions. In 2006, there were approximately 47,900 job vacancies in the state. The top five most vacant jobs in Kansas accounted for nearly 20.0 percent of all job vacancies in the state, as seen in Figure 12. The increased demand for skilled workers in the health care industry is apparent, as both registered nurses and nursing aides and orderlies/attendants are listed in the top five most vacant occupations.

**The 2006 Job Vacancy Survey indicated a healthy demand for workers, reflecting the expansion of various industries across the state.**

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Wages offered to workers being recruited for these vacant positions seems closely correlated with the education required. As seen in Figure 13, the average minimum wage offered by employers steadily increases with the level of education required. Occupations requiring advanced degrees, such as a master's or doctorate, were offered the highest average minimum wage of \$22.62 an hour. Employers also indicated that a large portion of openings that require an advanced degree were open for 60 days or more, reflecting some difficulty in recruiting highly educated, skilled workers.



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## Long-Term Outlook: Occupational Projections

*Occupational projections provide an important look into the future demand and composition of the labor market.*

Total employment in Kansas is projected to increase 13.4 percent from 2002 to 2012. Healthcare support occupations are projected to grow the most, increasing over 25.0 percent by 2012. Other significant increases were in education, training and library occupational groups, as well as health care practitioner and technical occupations, which are projected to grow 23.8 and 22.1 percent respectively. Table 3 reports projected growth in all major occupational groups.



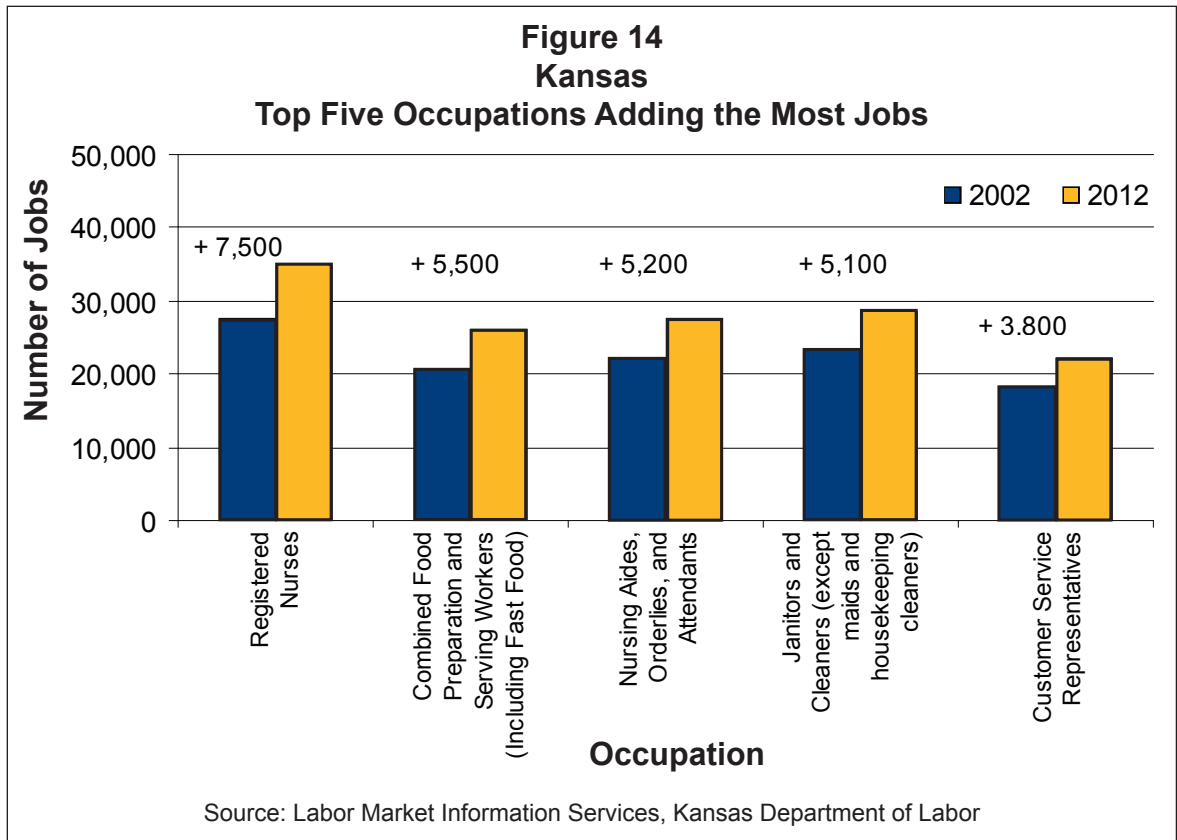
**Total employment in Kansas is projected to increase 13.4 percent from 2002 to 2012. Healthcare support occupations are projected to grow the most, increasing more than 25.0 percent by 2012.**

Table 3 Kansas Occupational Projections				
	2002	2012	Change	
			Actual	Percent
Management	170,940	179,030	8,090	4.73%
Business and Financial Operations	51,300	59,380	8,080	15.75%
Computer and Mathematical Science	30,250	36,340	6,090	20.13%
Architecture and Engineering	30,310	34,130	3,820	12.60%
Life, Physical, and Social Science	9,140	10,360	1,220	13.35%
Community and Social Services	24,900	29,390	4,490	18.03%
Legal	8,080	9,370	1,290	15.97%
Education, Training, and Library	81,880	101,350	19,470	23.78%
Arts, Design, Entertainment, Sports and Media	20,120	23,120	3,000	14.91%
Healthcare Practitioner and Technical	74,520	91,010	16,490	22.13%
Healthcare Support	39,730	49,910	10,180	25.62%
Protective Service	24,920	28,690	3,770	15.13%
Food Preparation and Serving Related	105,710	123,570	17,860	16.90%
Building and Grounds Cleaning and Maintenance	48,490	59,110	10,620	21.90%
Personal Care and Service	42,470	49,840	7,370	17.35%
Sales and related	154,410	174,450	20,040	12.98%
Office and Administrative Support	225,320	240,650	15,330	6.80%
Farming, Fishing, and Forestry	8,300	9,560	1,260	15.18%
Construction and Extraction	67,860	81,170	13,310	19.61%
Installation, Maintenance, and Repair	59,780	68,980	9,200	15.39%
Production Operations	121,270	128,450	7,180	5.92%
Transportation and Material Moving	101,820	114,130	12,310	12.09%
<b>Total</b>	<b>1,501,520</b>	<b>1,701,990</b>	<b>200,470</b>	<b>13.35%</b>

Source: Labor Market Information Services, Kansas Department of Labor

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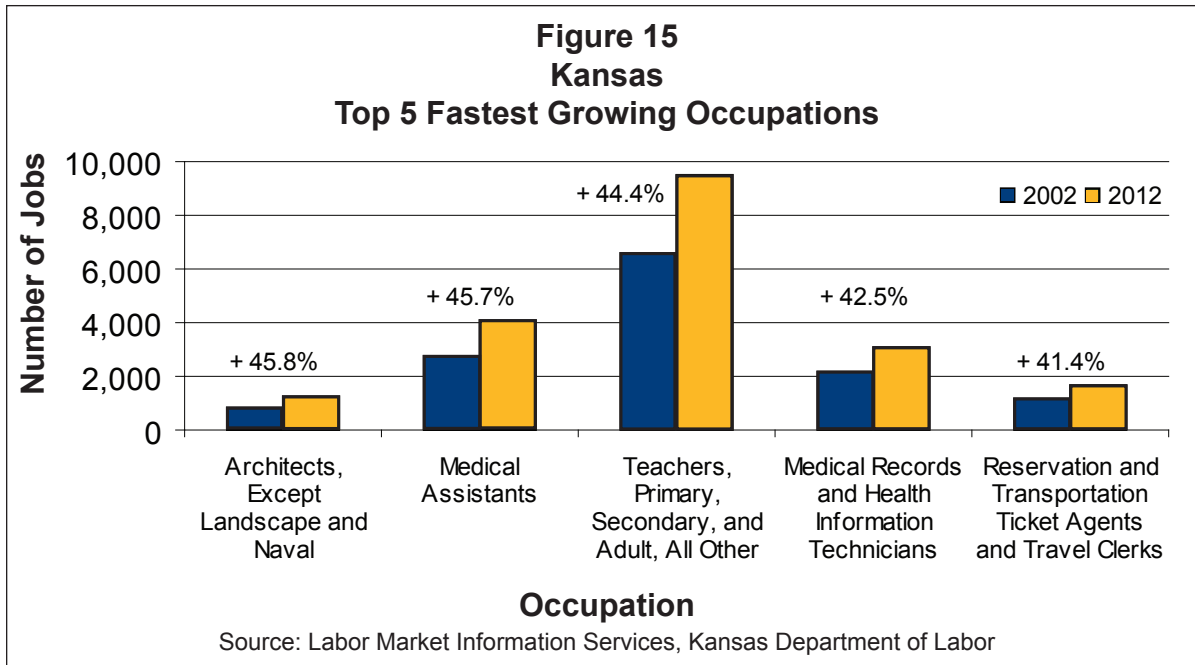
Figure 14 depicts occupations which are projected to add the most jobs in Kansas by 2012. Registered nurses are projected to increase by 7,500 jobs, a growth rate of 27.2 percent.



According to the *2006 Kansas Wage Survey*, there were a total of approximately 25,300 registered nurses working in Kansas. This number is expected to increase to approximately 35,100 in 2012. Two of the top five occupations listed are in the health care industry, reflecting the growing demand for health care services in Kansas.

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The fastest growing occupations are listed in Figure 15. These are occupations projected to have 1,000 or more jobs by 2012 and a percentage change in employment from 2002 that is at least two times the average change for all occupations. Architects are the fastest growing occupation, increasing by nearly 46.0 percent by 2012. Architects are projected to increase from 830 in 2002 to 1,210 in 2012.





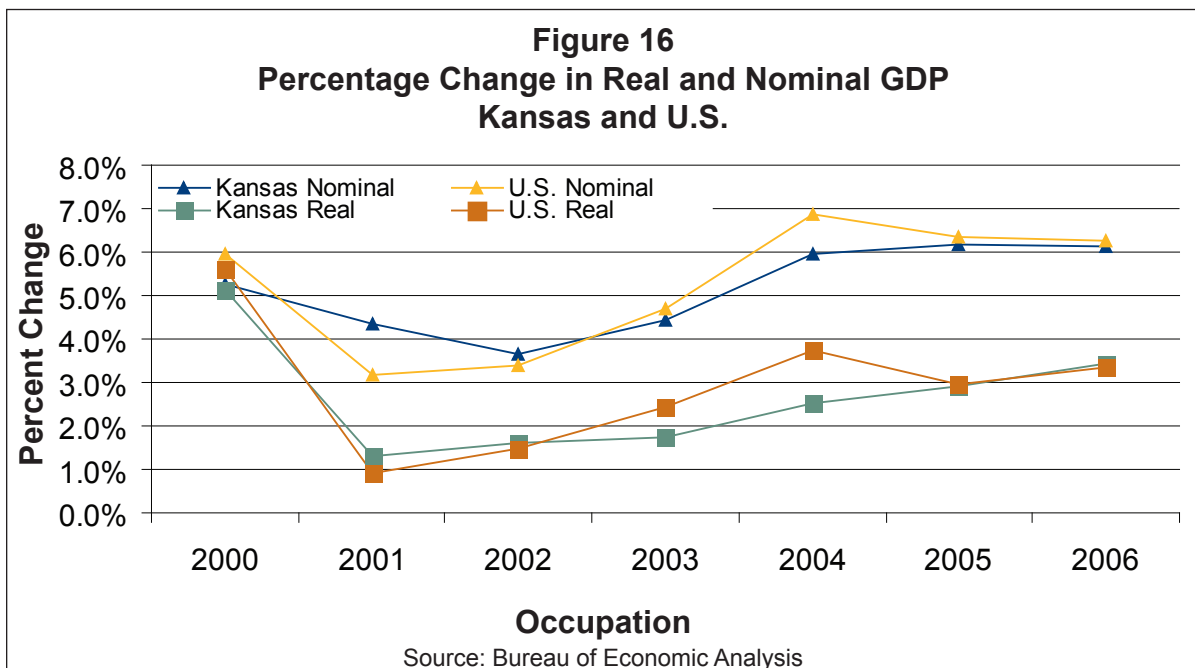
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## Gross Domestic Product (GDP)

*Gross Domestic Product (GDP) is the broadest measure of economic conditions. The growth or decline in GDP in a specific area is commonly used as an indicator of economic health. There are two common measures of GDP, nominal and real. Nominal GDP is the measure of an area's output in current dollars, or what the value is in the market right now. Real GDP is a measure of an area's output in fixed dollars, or what the value of the output is at a fixed point in time (i.e. 2000 dollars).*

Both nominal and real GDP in Kansas have consistently grown over the last six years, according to estimates from the Bureau of Economic Analysis. From 2000 to 2006, Kansas nominal GDP grew 34.9 percent, while real GDP grew 14.3 percent. To compare, during the same time period, U.S. nominal GDP expanded at an identical 34.9 percent, while real GDP grew 15.8 percent. Figure 16 reflects that the percentage change in Kansas' nominal and real GDP follows the national trend.

**Both nominal and real GDP in Kansas have consistently grown over the last six years, according to estimates from the Bureau of Economic Analysis.**



Nominally, Kansas GDP grew to more than \$111 billion in 2006, up 6.2 percent from 2005. Kansas had an over the year expansion in real GDP of 3.4 percent, up to \$95 billion as measured in 2000 dollars. Similarly, the U.S. nominal and real GDP had over-the-year growth of 6.3 percent and 3.4 percent, respectively.

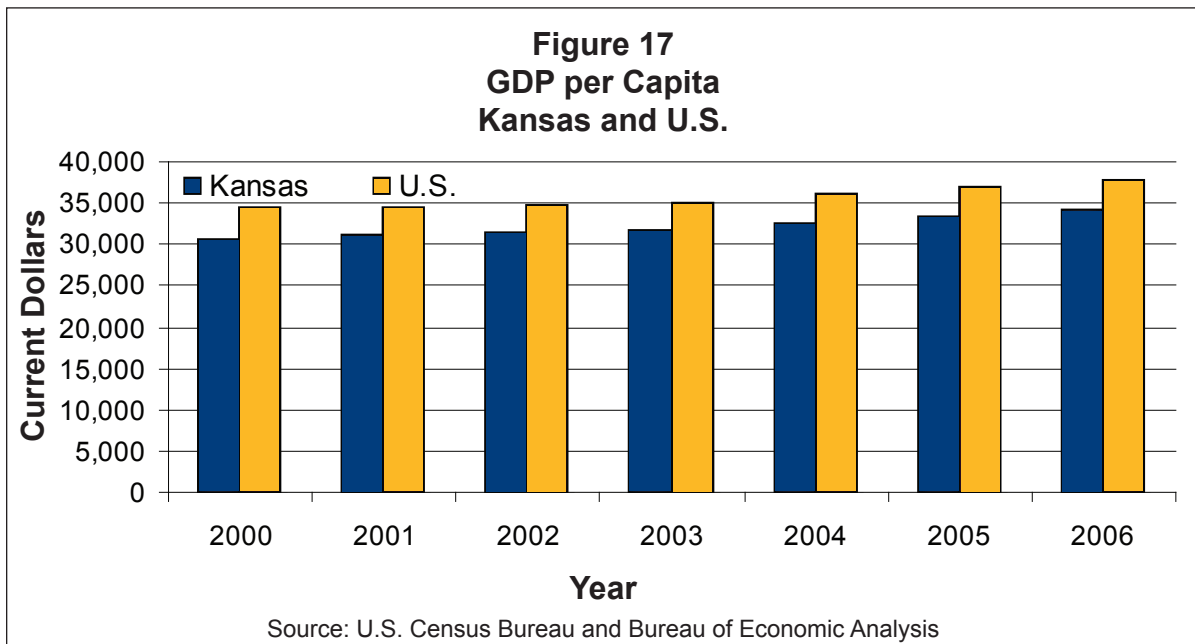
In 2006, Kansas had the 19<sup>th</sup> highest GDP of the 50 states. However, Kansas' GDP accounted for less than 1.0 percent of total U.S. GDP in both nominal and real terms.

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## GDP per Capita

*GDP per capita is calculated by dividing real or nominal GDP by the population for any given area. GDP per capita gives an idea of the standard of living. As a standard of living measure, GDP per capita can be used to evaluate and compare different countries, states or areas. In 2006 Kansas ranked 32nd in the nation in terms of real GDP per capita.*

In 2006, Kansas' real GDP per capita was \$34,242, measured in 2000 dollars. The U.S. Real GDP per Capita was \$37,714. From 2005 to 2006, Kansas' real GDP per capita increased 2.8 percent. Similarly, the U.S. real GDP per capita increased 2.4 percent. Over the period from 2000 to 2006, Kansas real GDP per capita increased 11.4 percent; while the U.S. real GDP per capita increased 9.2 percent.



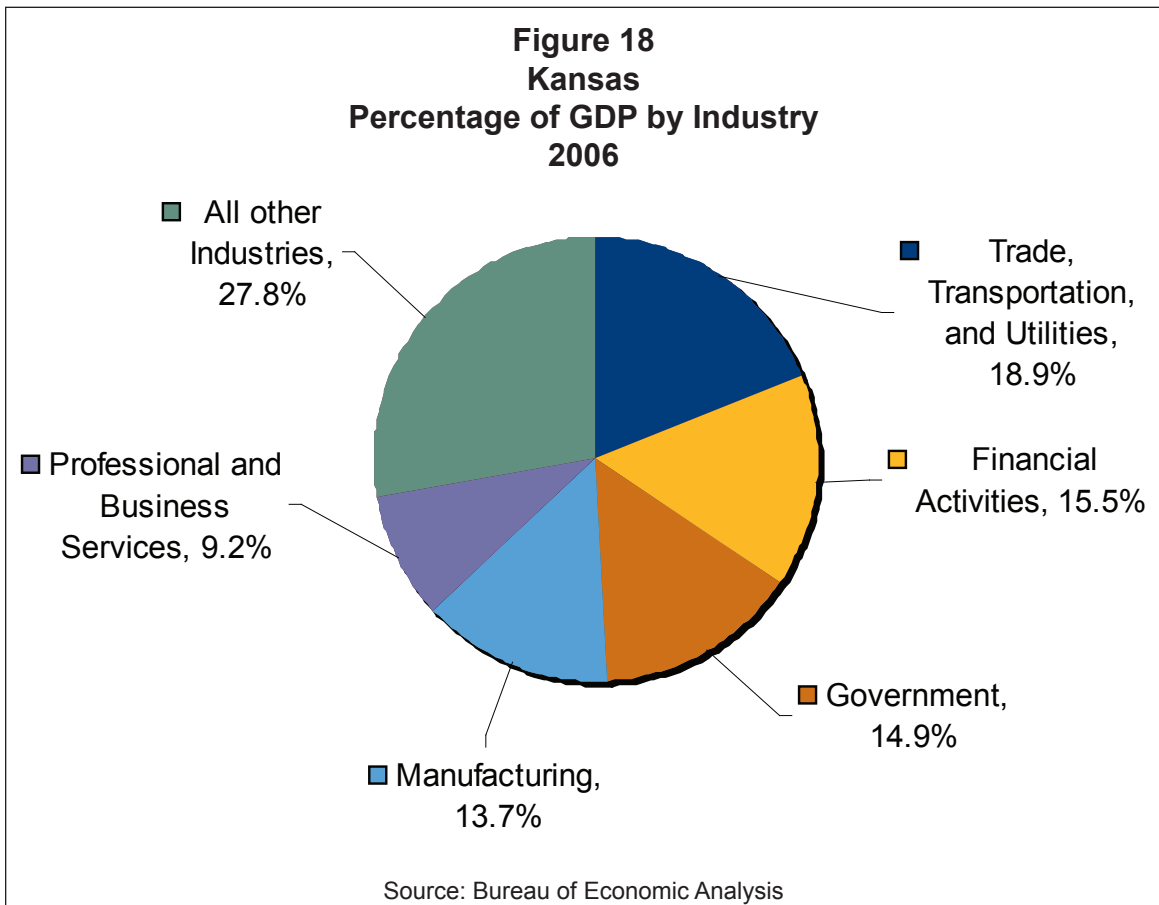
# 2007 Kansas Economic Report

## Industries Contributing to GDP

Several industry sectors contribute to Kansas' nominal GDP. As seen in Figure 18, the trade, transportation, and utilities sector was the largest single industry to contribute to Kansas' nominal GDP in 2006, making up 18.9 percent of total GDP. The contribution to nominal GDP by this sector totaled over \$21 billion. Additionally, financial activities in Kansas contributed 15.5 percent to total nominal GDP, while the government sector added 14.9 percent. Together, these three industries accounted for nearly half of all nominal GDP in the state.



**As seen in Figure 18 the trade, transportation and utilities sector was the largest single industry to contribute to Kansas' nominal GDP in 2006 with 18.9 percent of total GDP.**



# 2007 Kansas Economic Report

Two other industry sectors significantly contributing to Kansas' nominal GDP were the manufacturing and professional and business services sectors. Manufacturing added more than \$15.3 billion, accounting for 13.7 percent of the GDP. The professional and business services sector added more than \$10.3 billion, contributing 9.2 percent. Together, five of the 11 total industry sectors accounted for more than 72.0 percent of the GDP in Kansas. This trend is similar to that of the nation where the same five industries account for more than 74.0 percent of national GDP.

	2005*	2006*	Change
Construction	\$4,239	\$4,465	5.3%
Education and Health Services	\$8,007	\$8,424	5.2%
Financial Activities & Real Estate	\$16,146	\$17,330	7.3%
Government	\$15,878	\$16,622	4.7%
Information	\$6,555	\$6,798	3.7%
Leisure and Hospitality	\$2,966	\$3,134	5.7%
Manufacturing	\$14,092	\$15,309	8.6%
Natural Resources and Mining	\$5,525	\$5,670	2.6%
Other Services	\$2,502	\$2,575	2.9%
Professional and Business Services	\$9,232	\$10,308	11.7%
Trade, Transportation and Utilities	\$20,086	\$21,066	4.9%

\*Millions of Current Dollars

Source: Bureau of Economic Analysis

All industries in Kansas reported growth in their output during 2006, as seen in Table 4. The manufacturing industry expanded the most, adding \$1.2 billion in absolute terms, for an 8.6 percent change. The financial activities sector followed closely, reporting an over the year increase of \$1.18 billion or 7.3 percent. In terms of percentage growth, the professional and business services sector led with an 11.7 percent increase during the year.



**All industries in Kansas reported growth in their output during 2006.**


As stated previously, Kansas' GDP historically trends in the same direction as the nation. For 2007 and 2008, the U.S. nominal GDP is expected to grow 4.9 percent in 2007 and 5.3 percent in 2008. In real terms, the U.S. GDP is projected to expand 2.6 percent in 2007 and 3.0 percent in 2008. The Kansas GDP is forecasted through 2007 at a growth rate of 4.5 percent.

# 2007 Kansas Economic Report

## Personal Income

*Personal income is another important measure of economic success. This measure is used to identify the portion of an area's output transferred to individuals. Personal income includes earnings, property income and transfer payments. It is a measure of income that is available for spending and can be used as an indicator of the well-being of residents of an area. Similar to GDP, personal income can be expressed as per capita to show the average share of personal income for each individual in a given area.*

In 2006, Kansas' nominal total personal income increased 6.3 percent to more than \$96 billion. U.S. personal income increased 6.3 percent to more than \$10.9 trillion from 2005 to 2006. From 2000 to 2006, both Kansas and U.S. personal income increased roughly 29.0 percent. A comparison of the U.S. and Kansas personal income changes provide evidence that Kansas' personal income trends in the same direction as national personal income. This is similar to the relationship that exists between Kansas' GDP and the national GDP.



**In 2006, Kansas' nominal total personal income increased 6.3 percent to more than \$96 billion.**

	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Kansas	\$74,569,739	\$77,563,762	\$78,606,098	\$81,116,278	\$85,520,120	\$90,320,478	\$96,031,000
U.S.	\$8,422,074,000	\$8,716,992,000	\$8,872,871,000	\$9,150,320,000	\$9,716,351,000	\$10,220,942,000	\$10,860,917,000

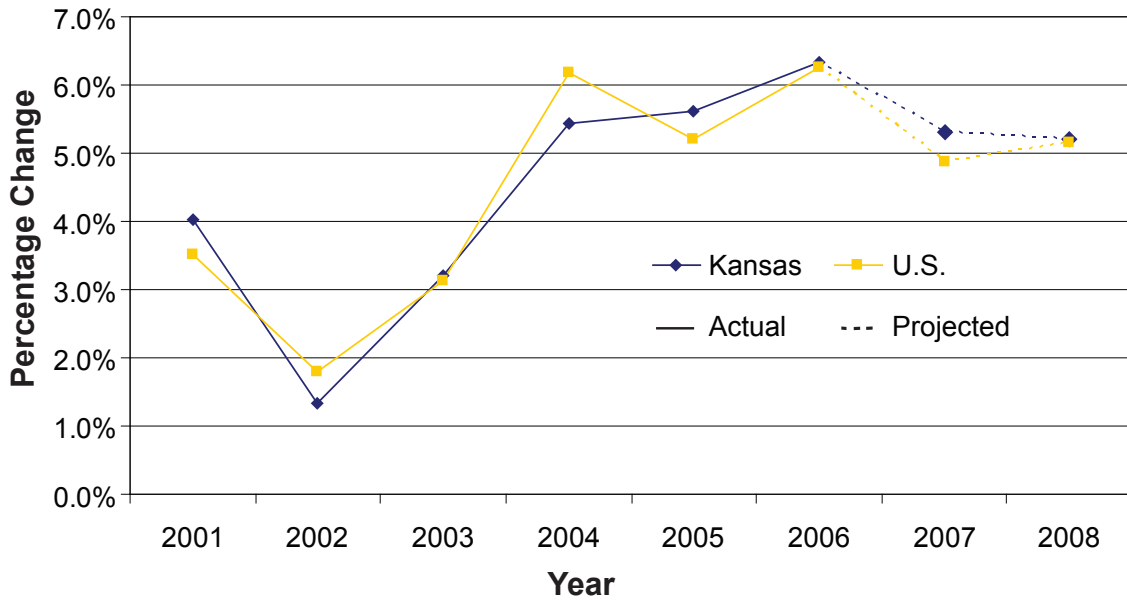
\* In Millions

Source: Bureau of Economic Analysis

The U.S. nominal personal income grew by 6.3 percent from 2005 to 2006. It is estimated that U.S. nominal personal income will continue to grow; it is projected to grow 5.4 percent for 2007 and 5.2 percent for 2008, while in Kansas nominal personal income is projected to increase by 5.3 percent in 2007 and 5.2 percent in 2008 as seen in Figure 19.

# 2007 Kansas Economic Report

**Figure 19**  
**Percentage Growth in Nominal Personal Income**  
**Kansas and U.S.**



2007 and 2008 Data are projections.

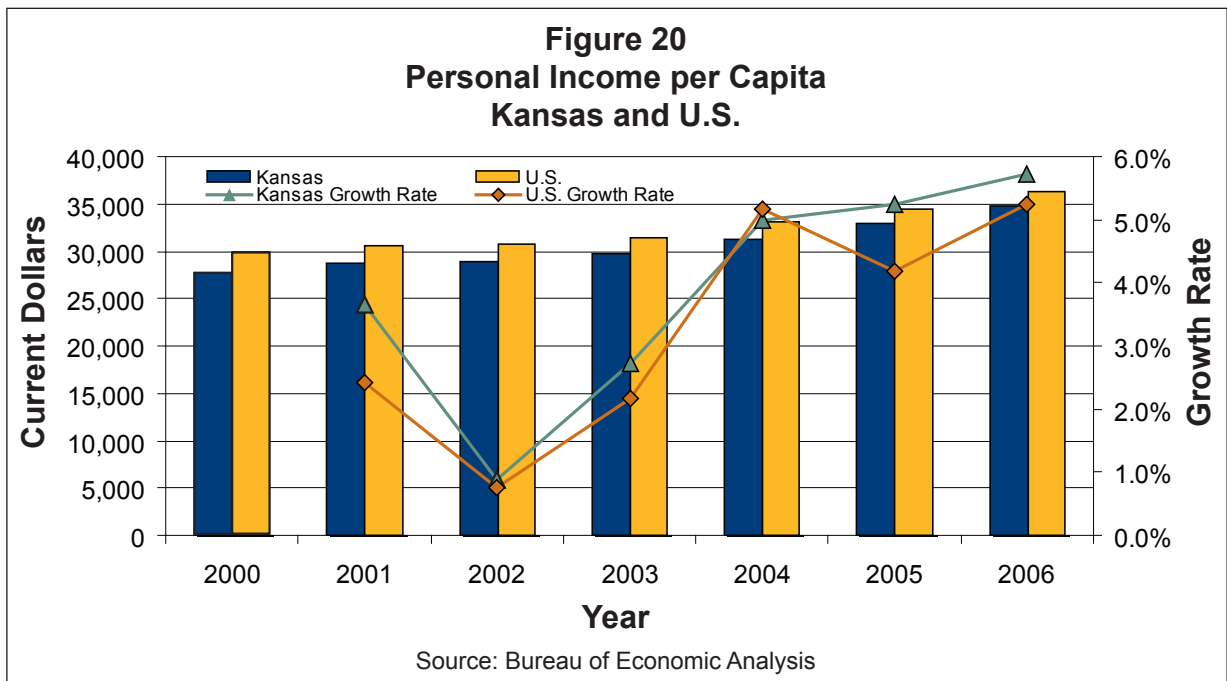
Source: Bureau of Economic Analysis and Kansas Legislative Research

# 2007 Kansas Economic Report

## Per Capita Personal Income

In 2006, Kansas reported a nominal per capita income of \$34,743, while the U.S. reported \$36,276. In 2006, Kansas ranked 21<sup>st</sup> in nominal per capita personal income, up from 23<sup>rd</sup> in 2005.

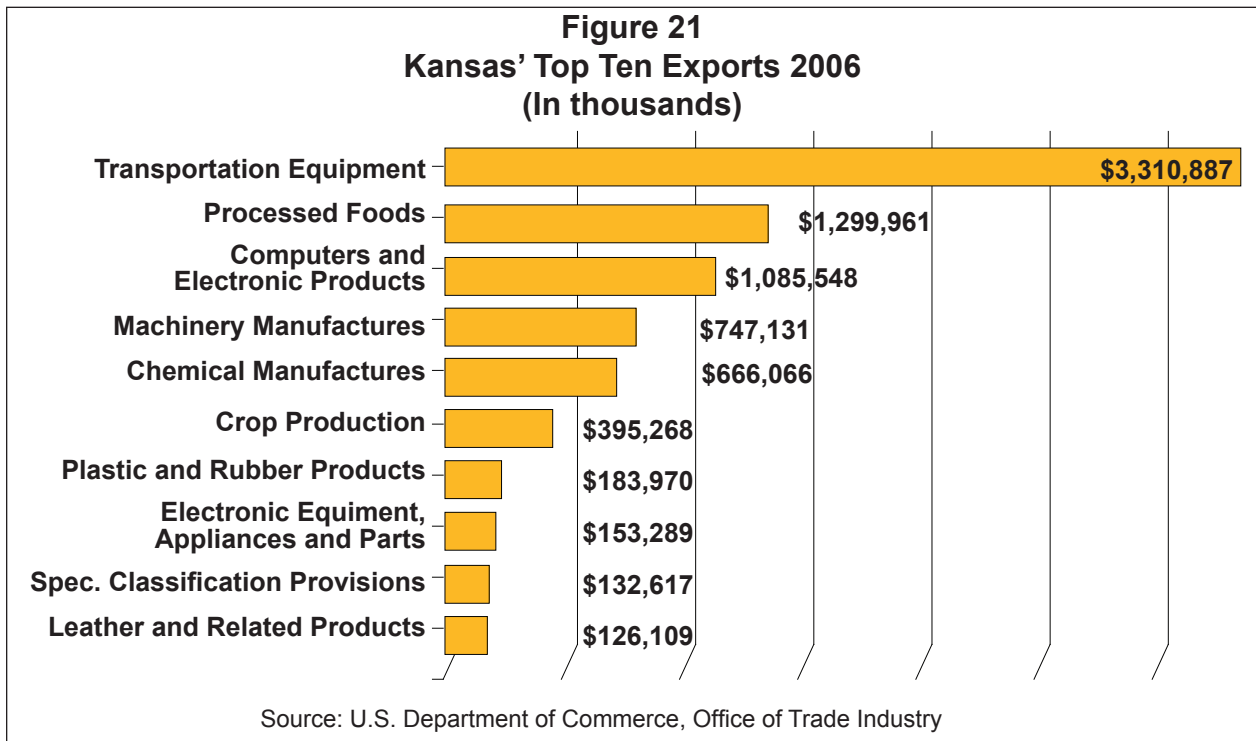
From 2000 to 2006, Kansas' nominal per capita personal income expanded 25.5 percent while the U.S. increased 21.6 percent. With the exception of 2004, Kansas' nominal per capita personal income has grown faster than the U.S. nominal per capita personal income every year since 2000. The Kansas population is growing more slowly than the national population and Kansas personal income is growing faster than the national personal income. As a result, Kansas' nominal personal income per capita has outpaced the nation.



# 2007 Kansas Economic Report

## Global Business

*Kansas has a thriving export business, trading a variety of goods and services from food to aerospace products. Exports can demonstrate how diverse an economy is and can show areas where a state may have a competitive advantage in the production of a specific product.*



Kansas workers and businesses compete in a global marketplace where products can be made and purchased around the corner and around the world. Global economic growth contributes to the rising demand for Kansas exports. As the global economy expands, demand for products that Kansas has a competitive advantage in will continue to rise.

Kansas exports increased 28.4 percent in 2006, with a reported \$8 billion in sales to various countries around the world. Transportation equipment was the most exported product from Kansas, with more than \$3.3 billion dollars exported. This sector includes industries that produce aerospace parts and products, motor vehicle parts and assembly, and railroad car manufacturing, along with various other types of transportation equipment.

Processed foods were the second most exported product, with nearly \$1.3 billion in exports. This includes food manufacturing for animals, several types of processed food products for human consumption made from grain, as well as several types of food products made from beef, poultry and swine. Computer and electronic products were the third most exported product with just over \$1 billion dollars in exports. This includes products for the semiconductor, electronic instrument and computer sub-industries.



# 2007 Kansas Economic Report

Canada was Kansas' largest trading partner in 2006, importing nearly \$2.3 billion for a 26.5 percent increase over 2005. Mexico imported the next highest amount of Kansas goods at \$956 million. The United Kingdom came in third, with more than \$529 million in imports.

Two countries of note showed a fast-paced increase in imports from Kansas. The United Kingdom and Hong Kong increased their imports by 72.8 percent and 77.7 percent, respectively, from 2005 to 2006.

Trade with the United Kingdom increased the fastest, in absolute terms, in the transportation equipment sector. Trade with Hong Kong increased quickly in the processed foods industry. Overall, Kansas ranked 28<sup>th</sup> among states in total exports and 17<sup>th</sup> in transportation equipment exports.



**Overall, Kansas ranked 28<sup>th</sup> among states in total exports and 17<sup>th</sup> in transportation equipment.**

Table 6 Kansas' Top Export Countries in 2006	
(shown in millions)	2006*
Canada	\$2,267
Mexico	\$956
U.K.	\$529
Germany	\$387
China	\$359
Japan	\$366
Australia	\$252
Singapore	\$199
Hong Kong	\$196
Brazil	\$183

Source: U.S. Department of Commerce, Office of Trade and Industry

# 2007 Kansas Economic Report

## Consumer Price Index (CPI)

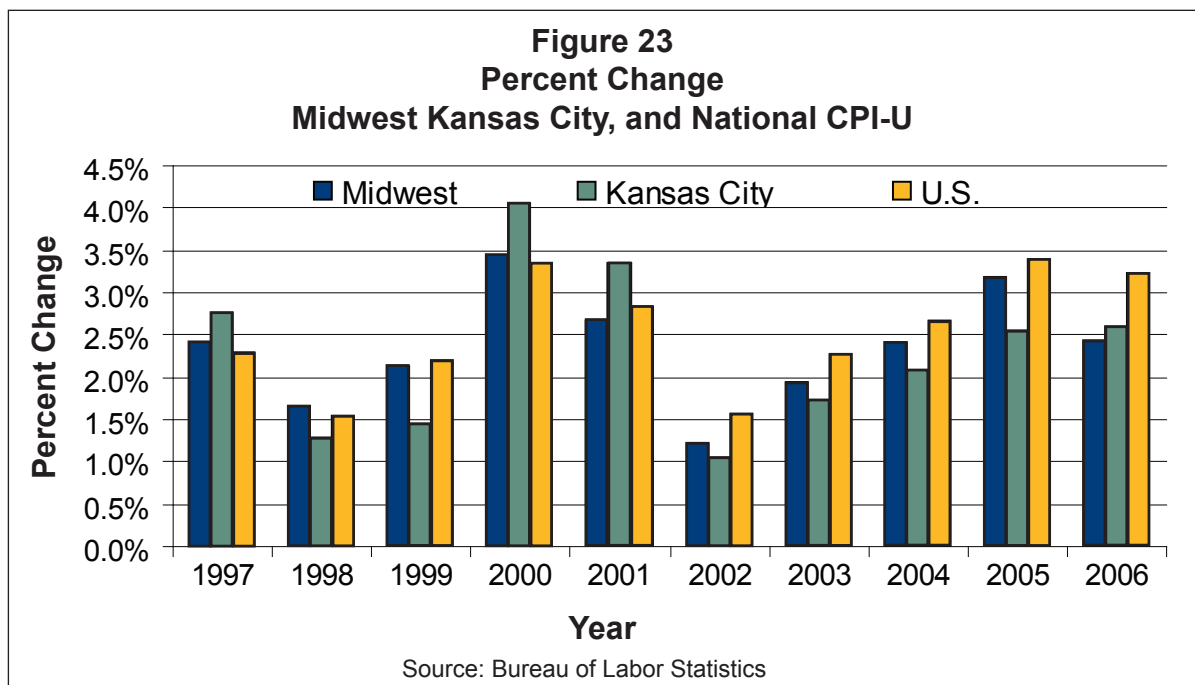
The Consumer Price Index (CPI) is a measure of prices paid by consumers for a representative basket of goods and services.

The most general measure of the CPI is the CPI-U, which stands for the CPI of all urban consumers. This measure factors in all the prices for goods and services in the representative market basket.

In 2006, the U.S. reported a CPI-U of 201.6, while the Midwest CPI-U and the Kansas City CPI-U were 193.0 and 190.1, respectively. Based on the U.S. CPI-U, the national inflation rate was 3.2 percent from 2005 to 2006. During the same time frame, the Midwest recorded inflation of 2.4 percent, while Kansas City had inflation of 2.6 percent.

**The U.S. and Midwest CPI-U figures were consistently higher than Kansas City, indicating Kansas City has a lower cost of living than the nation and other states in the Midwest.**

Over the 10-year period from 1997 to 2006, the U.S. inflationary increase was 25.6 percent, the Midwest region was 23.2 percent and Kansas City was 22.0 percent. The U.S. and Midwest CPI-U figures were consistently higher than Kansas City, indicating Kansas City has a lower cost of living than the nation and other states in the Midwest.



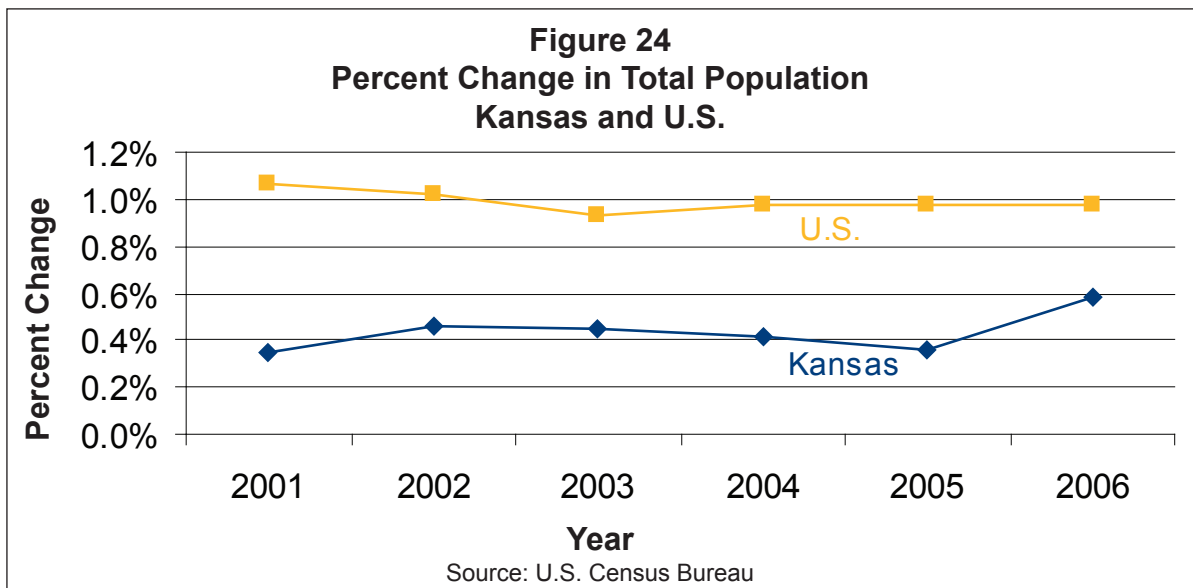
# 2007 Kansas Economic Report

## Population

The population in Kansas has steadily grown over the previous six years. From 2005 to 2006, population growth in Kansas was 0.6 percent, the largest annual growth during the previous six years. The U.S. population has experienced large growth rates, increasing about 1.0 percent each year over the same six year period.

**The population in Kansas has steadily grown over the previous six years.**

From 2000 to 2006, Kansas' population experienced a growth of 2.6 percent, while the U.S. population expanded over 6.0 percent. Figure 24 compares the changes in Kansas and U.S. population during the past six years. As shown in Table 7 Kansas' population in 2006 was nearly one percent of the total population. Kansas' population ranked 33<sup>rd</sup> of 50 states and the District of Columbia.



	2000	2001	2002	2003	2004	2005	2006
Kansas	2,692,947	2,702,446	2,714,792	2,727,042	2,738,356	2,748,172	2,764,075
U.S.	282,216,952	285,226,284	288,125,973	290,796,023	293,638,158	296,507,061	299,398,484

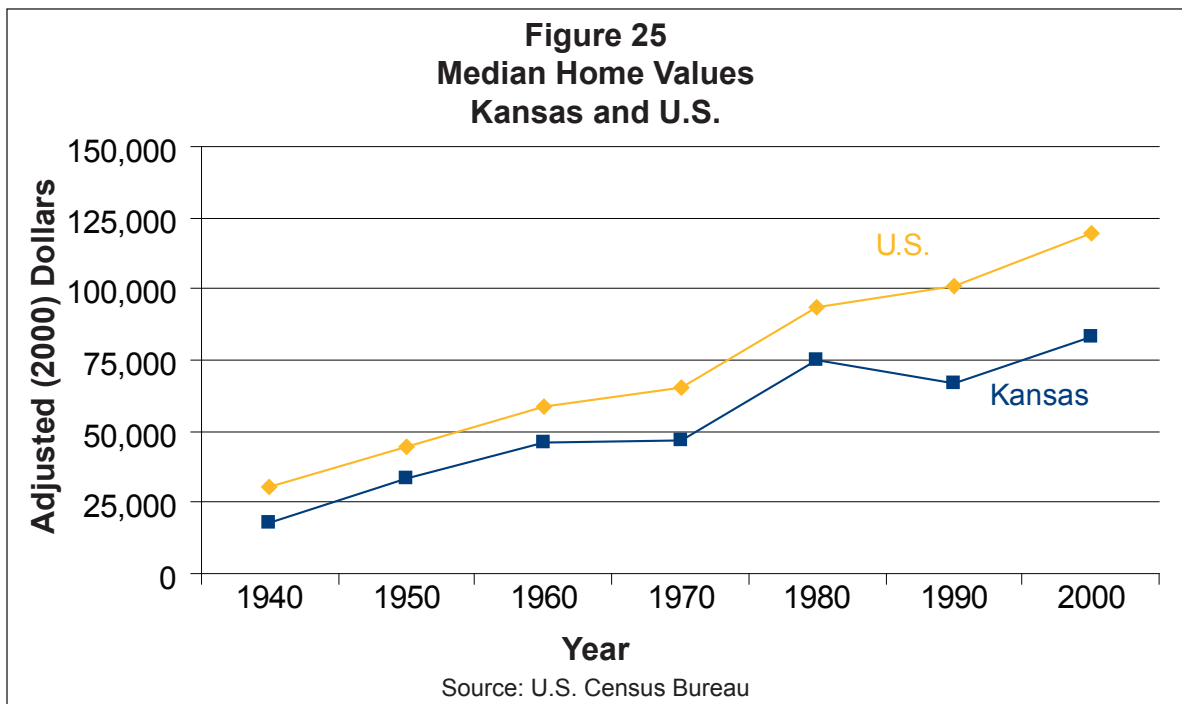
Source: U.S. Census Bureau

# 2007 Kansas Economic Report

## Housing Sector

*Housing production is one of the largest economic activities in the economy and crosses several industry subsectors including but not limited to, manufacturing, construction and financial services. Growth and decline in housing activity can permeate several other areas of the economy as workers and businesses adjust to prices and demand.*

The median home value in Kansas has consistently been lower than that of the U.S. In 2005, the median home value in Kansas was \$107,800, while the U.S. reported a median value of \$167,500. Kansas housing values have increased every decade since 1940, with the exception of the 1990s when the median home value in Kansas decreased about \$8,000 (adjusted for inflation). Similarly, the U.S. median housing value has increased every decade since 1940.



From 1940 to 1980, the Kansas median home value closely followed the national values, experiencing similar increases. In the 1990s, the median home value in Kansas broke with that pattern, as Kansas home values fell in real terms, while the national median home value increased. From 2000 to 2005, the increase in the median home value in the U.S. outpaced the increases in Kansas. To illustrate, Kansas' median home value increased by roughly 30.0 percent, while the national value increased more than 40.0 percent. For most home owners, their home represents a largest asset. When housing prices increase home owner's unrealized wealth increases. This increased wealth may affect consumer spending as households can now borrow against, or sell this asset.

**While there may have been a decrease in activity nationally, the Kansas housing market has proven to be less volatile compared to the U.S.**

# 2007 Kansas Economic Report

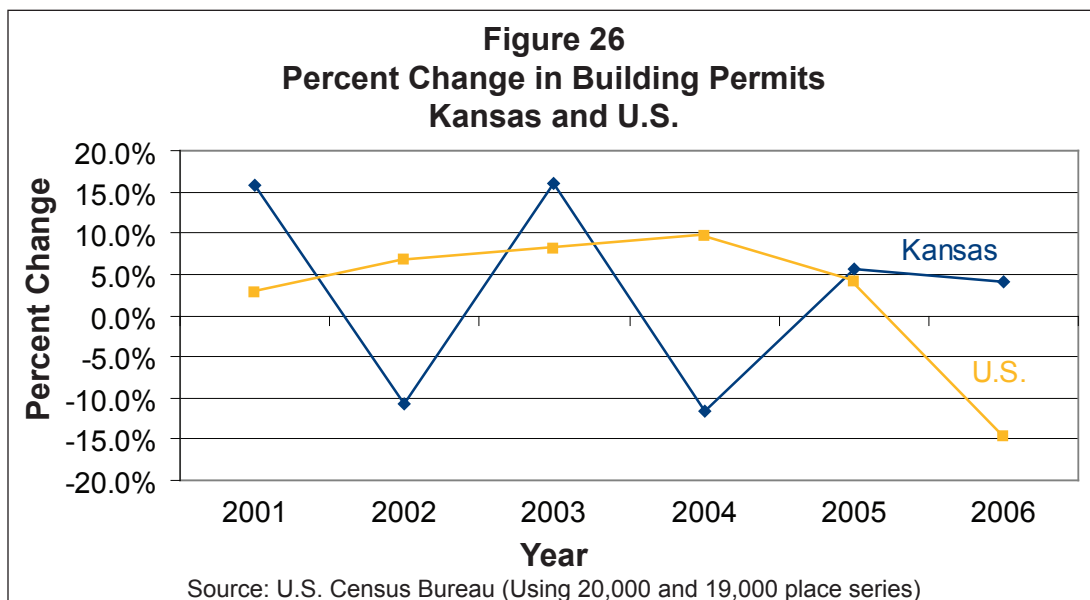
If home values slow their ascent, or even contract, this may have a negative effect on consumer spending, and on the economy as a whole.

In 2005, there were 1,196,211 housing units in Kansas. A housing unit may be a single house, or several units in an apartment complex. Of these housing units, nearly 90.0 percent were occupied and more than 62 percent were owner-occupied. Furthermore, 65 percent of the housing units that were owner-occupied had a mortgage, while 35 percent did not. Kansas statistics are similar to the U.S. as a whole, where the occupied rate was less than Kansas' at 89 percent. The owner-occupied rate was also less, at 60 percent. The percentage of owner-occupied housing units with a mortgage was higher than Kansas, suggesting that, on average, more people in Kansas own their housing units outright.

	<b>U.S.</b>	<b>Percent</b>	<b>Kansas</b>	<b>Percent</b>
<b>Housing Units</b>	124,521,886	--	1,196,211	--
<b>Occupied</b>	111,090,617	89%	1,071,938	90%
<b>Vacant</b>	13,431,269	11%	124,273	10%
<b>Owner Occupied Housing Units</b>	74,318,982	60%	744,580	62%
<b>Housing Units with a Mortgage</b>	50,462,973	68%	483,960	65%
<b>Housing Units without a Mortgage</b>	23,856,009	32%	260,620	35%

Source: U.S. Census Bureau

For much of 2006, national headlines focused on housing sector contractions. New home sales in the U.S. increased 10.8 percent in 2004 and 6.7 percent in 2005. However, new home sales decreased more than 18.0 percent in the U.S. in 2006. The Midwest region experienced a similar downturn in new home sales. While there was a decrease in housing activity nationally, the Kansas housing market proved to be less volatile. In 2006, total building permits in Kansas increased 4.1 percent, while U.S. building permits declined 14.7 percent. Building permit trends in Kansas and the U.S. are depicted in Figure 26.



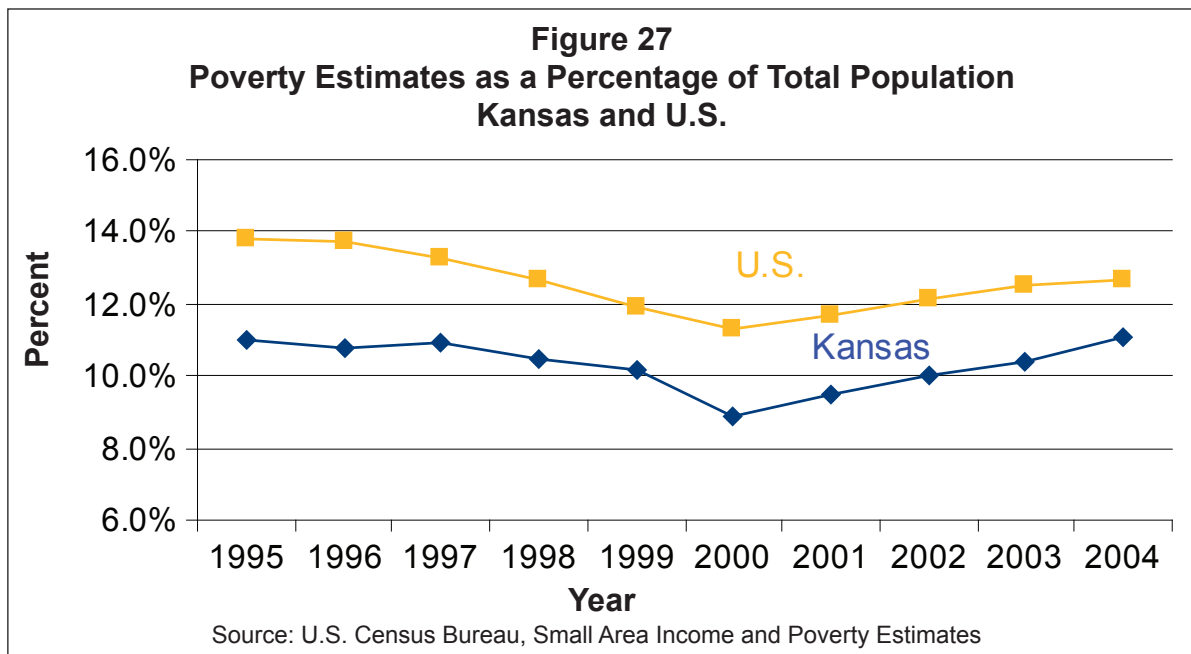
# 2007 Kansas Economic Report

## Kansas Poverty

Poverty estimates offer a glimpse as to possible economic disparity in a given area. If average incomes rise while more people enter poverty, income disparity (the gap between rich and poor) could rise.

As seen in Figure 27, the number of Kansans estimated to be living below the poverty threshold in 2004 totaled 297,733, or more than 11.0 percent of the total population. From 2000 to 2004, Kansas poverty increased 26.6 percent while poverty in the U.S. went up 17.3 percent. From 2000 to 2004, the number of people in Kansas living below the poverty level increased more rapidly than the state's population as a whole, with a 26.6 percent increase in poverty and a 1.7 percent increase in population.

Since a low in 2000, the number of people under the age of 18 in poverty in Kansas has increased by nearly 20.0 percent, reaching more than 98,000 people in 2004. This rate was higher than the national rate which increased at 12.5 percent. Additionally, the number of people under age five in poverty in Kansas has increased 27.5 percent in the past five years compared to 15.1 percent for the nation.



# 2007 Kansas Economic Report

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