



# 2008 Kansas Economic Report



# 2008 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*



The Kansas Department of Labor is pleased to release the *2008 Kansas Economic Report*. This is the second year we have released this report, and we intend to make this a Labor Day tradition.

Our agency gathers awesome data about the labor market in our State. This report is a handy resource, collecting in one place important economic and labor market information compiled by our agency and other sources. You will find many measures to help us better understand what is happening in our State's economy.

We find our country facing tough economic times in 2008. In this report, we examine Kansas job numbers, which saw significant growth in 2007 and have seen some slow down in 2008. This report also provides focus on two areas of the economy which have recently received much attention -- the housing crisis and inflation -- and their effects on the Kansas economy.

Kansas is made up of various strong industries from aerospace production to health care. My hope is that we use valuable information like the material found in this report to focus our efforts on continuing to grow jobs, providing for skilled training needed for our future workforce and continuing to diversify the Kansas labor market.

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

A handwritten signature in black ink that reads "Jim Garner".

Jim Garner  
Kansas Secretary of Labor

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## Executive Summary

In 2007, Kansas experienced healthy employment growth in almost all sectors of the economy. It was one of the highest growth rates in employment since 1998.

Labor market conditions, including indicators like the unemployment rate and non-farm employment, demonstrate continued growth in employment across all major industries in Kansas. The Kansas unemployment rate, which averaged 4.1 percent in 2007, declined from 4.3 percent in 2006. In 2007, the labor market improved in all four metropolitan statistical areas and the balance of state. Short-term labor demands indicate modest employment expansion in Kansas will continue in 2008 and 2009.

Considering other economic indicators such as the gross domestic product (GDP), personal income and exports, Kansas experienced healthy economic growth in 2007. Real gross domestic product in Kansas increased by 2.8 percent, while real per capita gross domestic product increased by 2.1 percent in 2007. All major industries recorded growth in their output from 2006 to 2007. Similarly, personal income continued to grow in 2007 with nominal per capita personal income increasing 5.7 percent. Total exports in Kansas increased 18.8 percent in 2007, indicating strong growth in industries that export goods and services.

In 2007, Kansas experienced this economic growth with a modest increase in inflation. The Midwest consumer price index, which includes Kansas, rose 2.7 percent in 2007. However, inflationary pressure has since increased dramatically, particularly in fuel prices. The housing market nationwide has been volatile, while housing prices in Kansas remained relatively steady in 2007. However, during the first half of 2008, the slowdown in the housing sector nationwide has impacted Kansas in terms of prices, home sales and building permits.

Overall, the economy in Kansas grew at a healthy pace in 2007. Labor market conditions in 2007 indicated a tight labor market. However, due to the impact of high inflationary pressure and a slowing housing market coupled with tightening of the credit markets, the overall economic activity in Kansas is expected to slow this year. This may soften labor market conditions as the unemployment rate increases. One of the other challenges, besides the slowing economy, is the increasing rate of poverty both nationwide and in Kansas. Approximately 11.7 percent of the Kansas population in 2005 was living below the poverty threshold.

Note: Due to revisions and benchmarking processes, some data may have been updated since the 2007 Economic Report was published. For more information on data found in this report, see Sources on page 30.

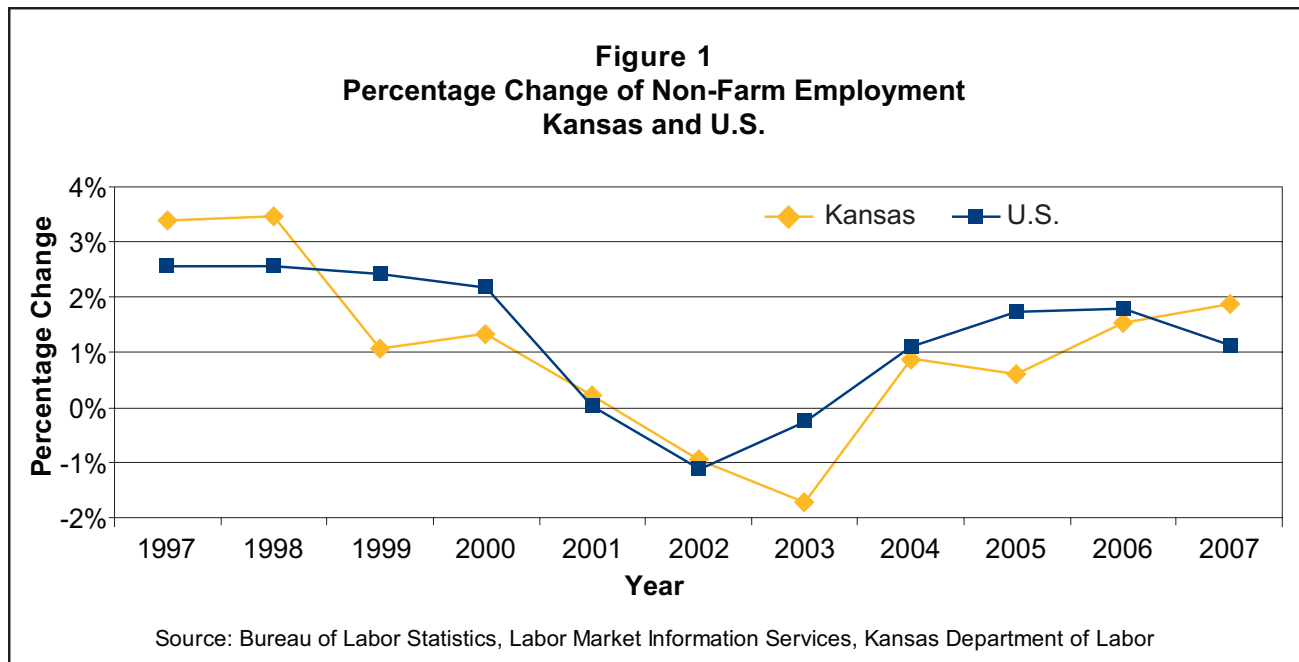
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## Employment

***Non-farm 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 employment levels accordingly. Employment growth indicates a healthy labor market for an area's economy.***

In 2007, Kansas experienced healthy employment growth, adding approximately 25,200 jobs. This growth rate of 1.9 percent was Kansas' strongest recorded growth in employment since 1998. At the national level, non-farm employment grew by 1.1 percent in 2007. This was the first year since 2001 that Kansas' non-farm growth rate outpaced the nation.

*In 2007, Kansas experienced healthy employment growth, adding approximately 25,200 jobs. This growth rate of 1.9 percent was Kansas' strongest recorded growth in employment since 1998.*



Kansas experienced a decline in employment growth from 2001 to 2003, but the situation has improved considerably. By mid 2006, employment levels had recovered and surpassed 2001 levels. The strong employment growth experienced in 2007 was due mainly to expansion in the professional and business services, education and health services, trade, transportation, and utilities and government industries. All the major industries in Kansas gained employment in 2007.

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Early 2008 data indicates employment growth has slowed in recent months. Although employment growth in Kansas is projected to continue, we can anticipate only modest increases throughout 2008 and 2009.

**Table 1  
Kansas and U.S. Non-Farm Employment\***

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Kansas</b>	1,228.3	1,269.9	1,314.2	1,328.4	1,346.1	1,348.8	1,336.1	1,313.2	1,325.0	1,333.1	1,353.8	1,379.0
<b>U.S.</b>	119,708	122,776	125,930	128,993	131,785	131,826	130,341	129,999	131,435	133,703	136,086	137,623
<b>2008</b>												
	<b>January</b>	<b>February</b>	<b>March</b>	<b>April</b>	<b>May</b>	<b>June**</b>						
<b>Kansas</b>	1,362.5	1,371.1	1,382.8	1,387.5	1,394.5	1,393.6						
<b>U.S.</b>	135,912	136,439	137,033	137,730	138,405	138,694						

\*In Thousands

\*\* Preliminary

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

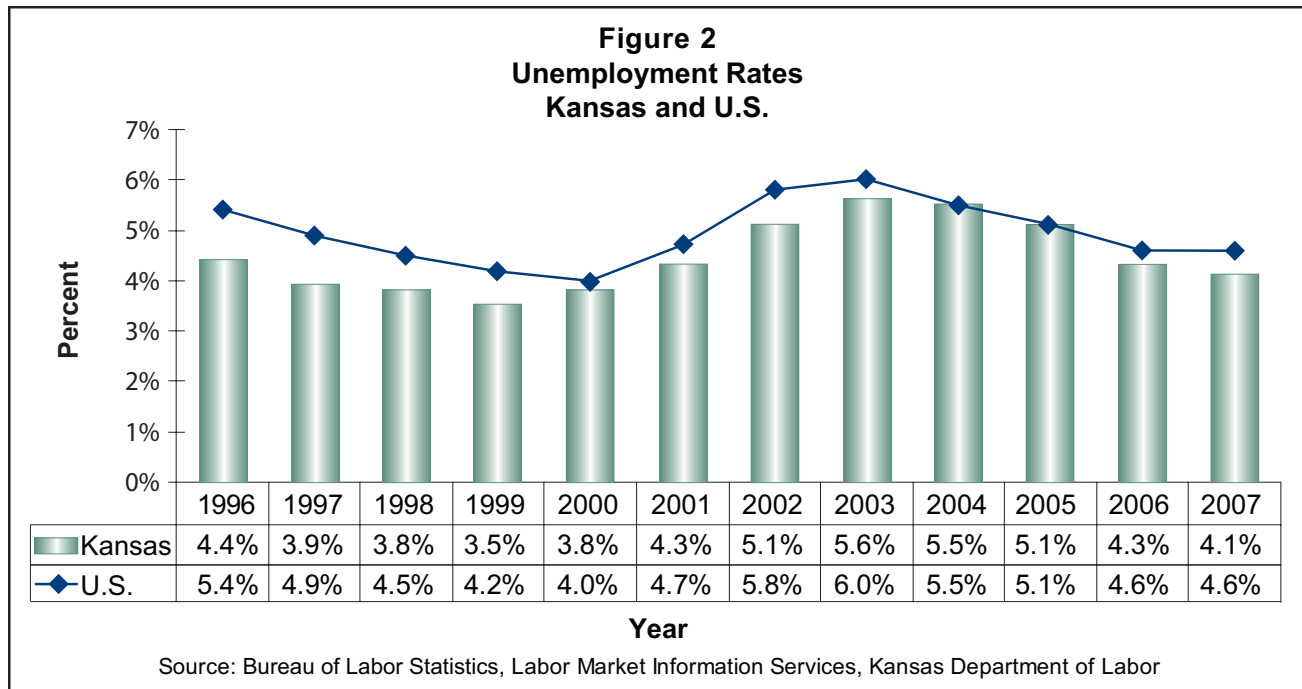
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## Unemployment Rate and Labor Force

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

### Unemployment Rate

In 2007, Kansas reported an unemployment rate of 4.1 percent, lower than the national rate of 4.6 percent.



Similar to the national trend, the Kansas unemployment rate has gradually declined for the past four years. However, the unemployment rate in Kansas has consistently remained at or below the national rate. Initial 2008 unemployment rates have been slightly higher than 2007 data due to the recent slowdown in the labor markets.

The number of people in the labor force, a key factor in determining unemployment, has increased from approximately 1,470,800 people in 2006 to 1,478,800 people in 2007, a 0.54 percent increase. At the same time, employment increased by 0.82 percent. When employment increases at a higher rate than the increase in the labor force, the unemployment rate declines – which was the case in 2007. This reflects a strong demand for workers by Kansas businesses as the economy expands.

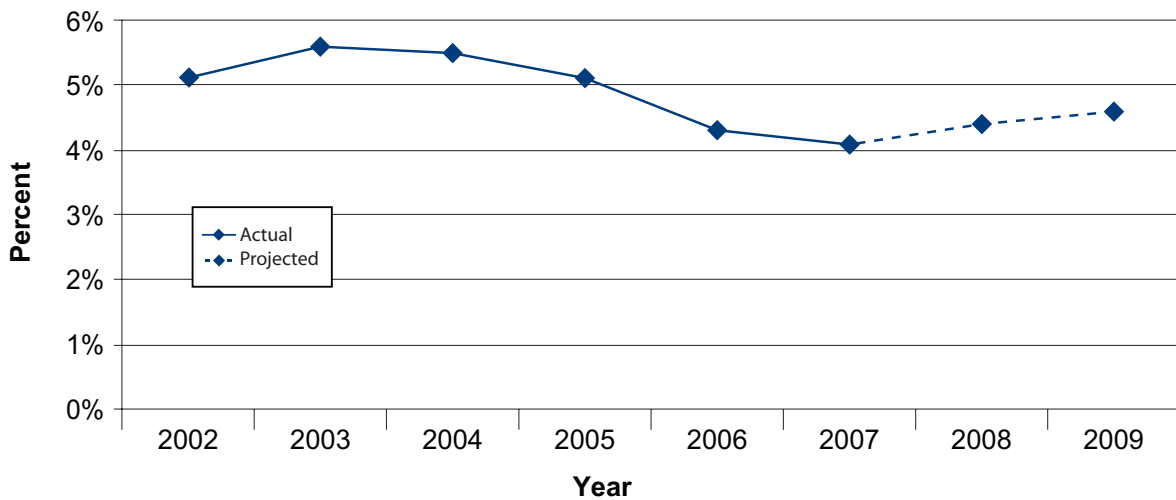
*Similar to the national trend, the Kansas unemployment rate has gradually declined for the past four years.*



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The unemployment rate in Kansas is expected to increase to 4.4 percent in 2008 and 4.6 percent in 2009. Although with this expected increase, the projected unemployment rates are likely to stay below the 2003 high of 5.6 percent. The anticipated increase is largely due to expected slowdowns in the economy.

**Figure 3**  
**Unemployment Rates**  
**Kansas**

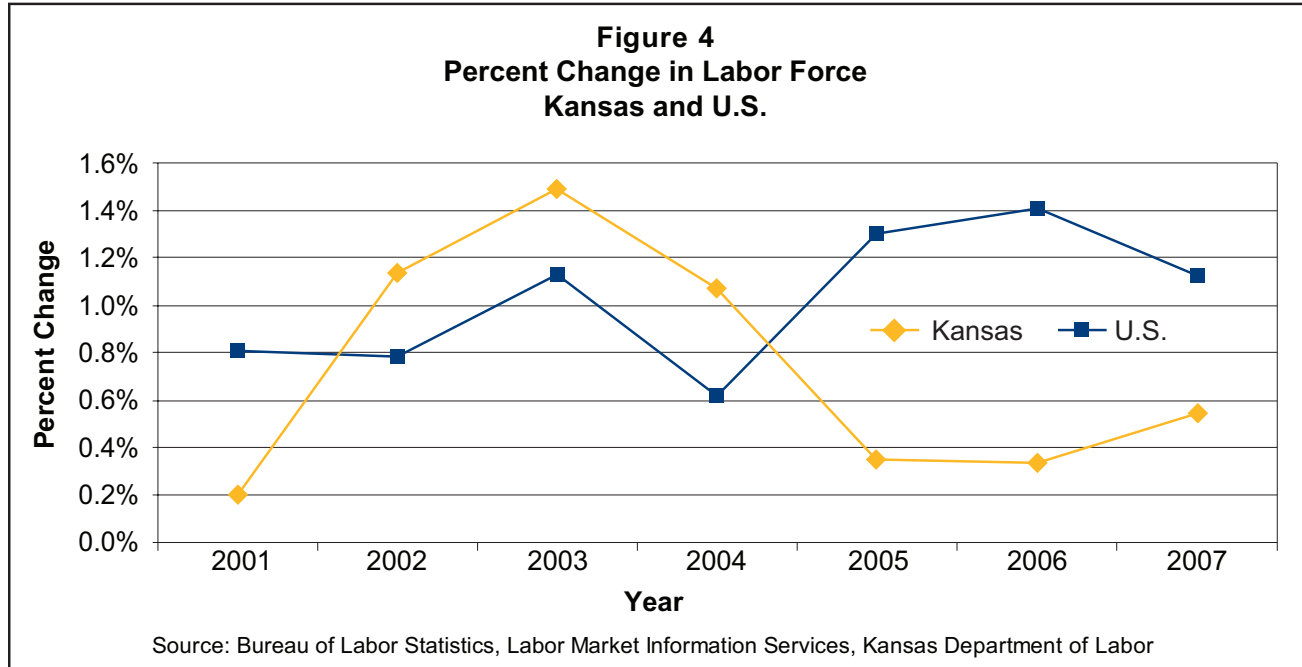


Source: Labor Market Information Services, Kansas Department of Labor,  
Kansas Department of Administration, Division of the Budget

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## Labor Force and Labor Force Participation Rate

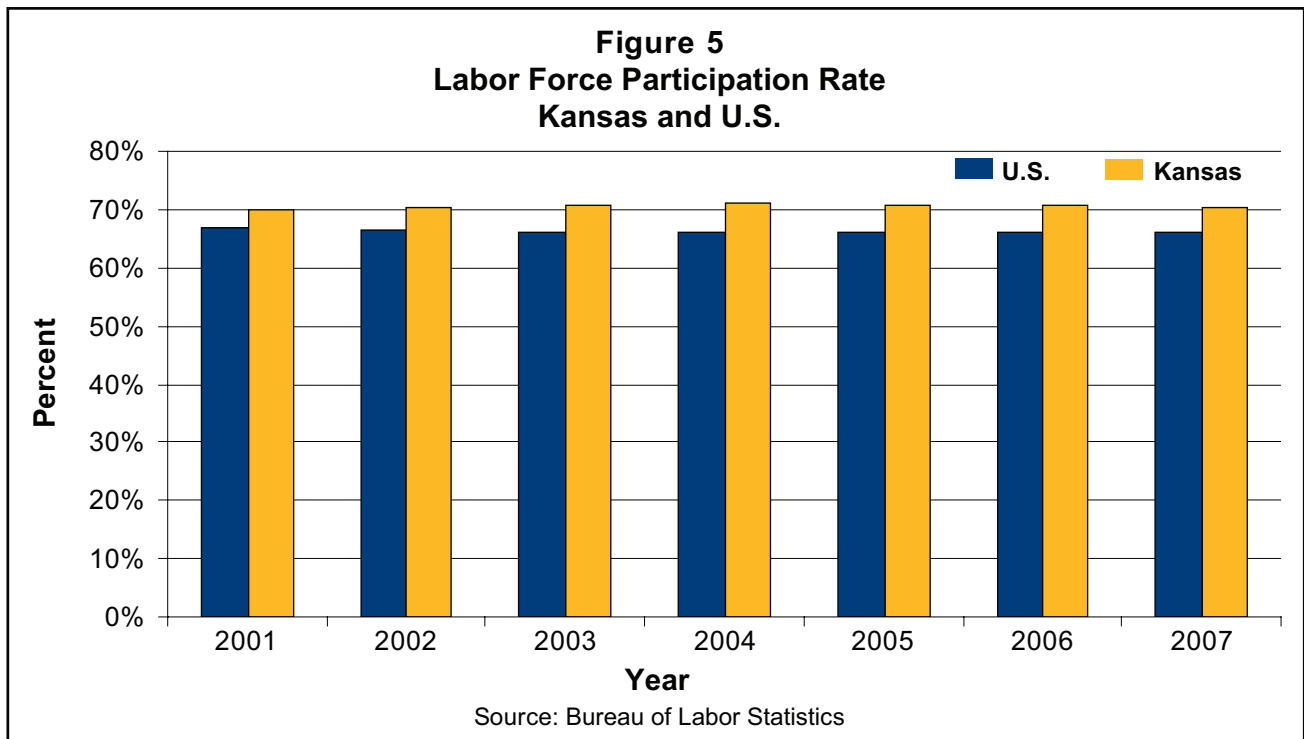
The labor force is the total number of people available for work – those who are employed and unemployed. The total number of people in the labor force in Kansas has increased every year since 2001. In 2003, Kansas labor force growth peaked at 1.5 percent and has slowed since. In 2007, the Kansas labor force grew by 0.54 percent, below the national average of 1.12 percent.



From 2002 to 2007 the Kansas labor force expanded nearly 3.8 percent, while the U.S. labor force grew more than 5.7 percent. The different growth rates for the U.S. and Kansas may be partially explained by lower population growth in Kansas. During this same time population in Kansas grew by 2.3 percent while the U.S. recorded a 4.8 percent increase in population.

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An important consideration in 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, as seen in Figure 5. In 2007, the labor force participation rate in Kansas was 70.4 percent, much higher than the national average of 66.1 percent.



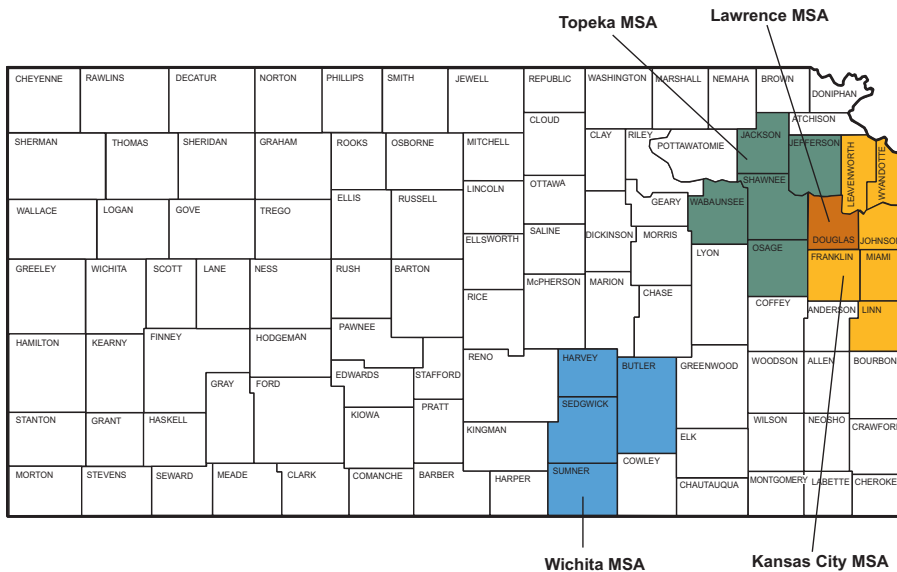
The high participation rate means that more than 70 percent of Kansas' population over the age of 16 is either working or looking for work. With this high level of the population participating in the labor force, an additional demand for workers may not be met by simply recruiting more workers from the existing Kansas population. This factor will be particularly relevant as the 'baby boomer' generation begins to retire in the coming years. Increasing productivity and population are some options that may be necessary to meet future demands for workers in Kansas. Approximately 217,000 or 14.5 percent of the civilian labor force will be eligible for retirement in the next ten years. This excludes the 71,000 individuals who are 65 and over and currently participating in the labor force.

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## Spotlight on Kansas MSAs

Kansas is divided into four Metropolitan Statistical Areas (MSAs) consisting of the Kansas City, Wichita, Topeka and Lawrence areas. The remaining areas of the state are accounted for in the Balance of the State category. Since 2004, all of the MSAs and the Balance of State have experienced a steady decline in their unemployment rates, as seen in Figure 6.



*Since 2004, all of the MSAs and the Balance of State have experienced a steady decline in their unemployment rates.*

	2000	2001	2002	2003	2004	2005	2006	2007
<b>Statewide</b>	1,405,104	1,408,103	1,424,054	1,445,385	1,460,866	1,465,930	1,470,819	1,478,781
<b>Kansas City</b>	401,684	405,012	408,906	420,732	426,890	432,844	432,487	438,686
<b>Wichita</b>	299,138	301,689	305,128	302,994	304,895	307,359	307,960	313,074
<b>Lawrence</b>	58,476	59,283	59,658	61,658	63,040	63,188	62,725	62,395
<b>Topeka</b>	120,402	121,526	123,787	124,179	125,002	123,568	119,609	120,210
<b>Balance of State</b>	525,404	520,593	526,575	535,822	541,039	538,971	548,038	544,416

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

## Kansas City Area

The Kansas City Area is composed of Johnson, Leavenworth, Miami, Wyandotte, Franklin and Linn counties. The labor force in the Kansas City Area, which includes employed and unemployed individuals, reported a growth of 1.4 percent from 2006 to 2007. In addition, the unemployment rate dropped to 4.6 percent, the lowest rate since 2001. From 2000 to 2007, the Kansas City Area labor force grew 9.2 percent.

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## Wichita MSA

The Wichita MSA includes Butler, Harvey, Sedgwick and Sumner counties. The Wichita MSA experienced a 1.7 percent increase in its labor force from 2006 to 2007. This MSA reported a decrease in the unemployment rate from 4.5 percent in 2006 to 4.0 percent in 2007. From 2000 to 2007, the Wichita MSA reported a gain of 4.7 percent in the labor force.

## Topeka MSA

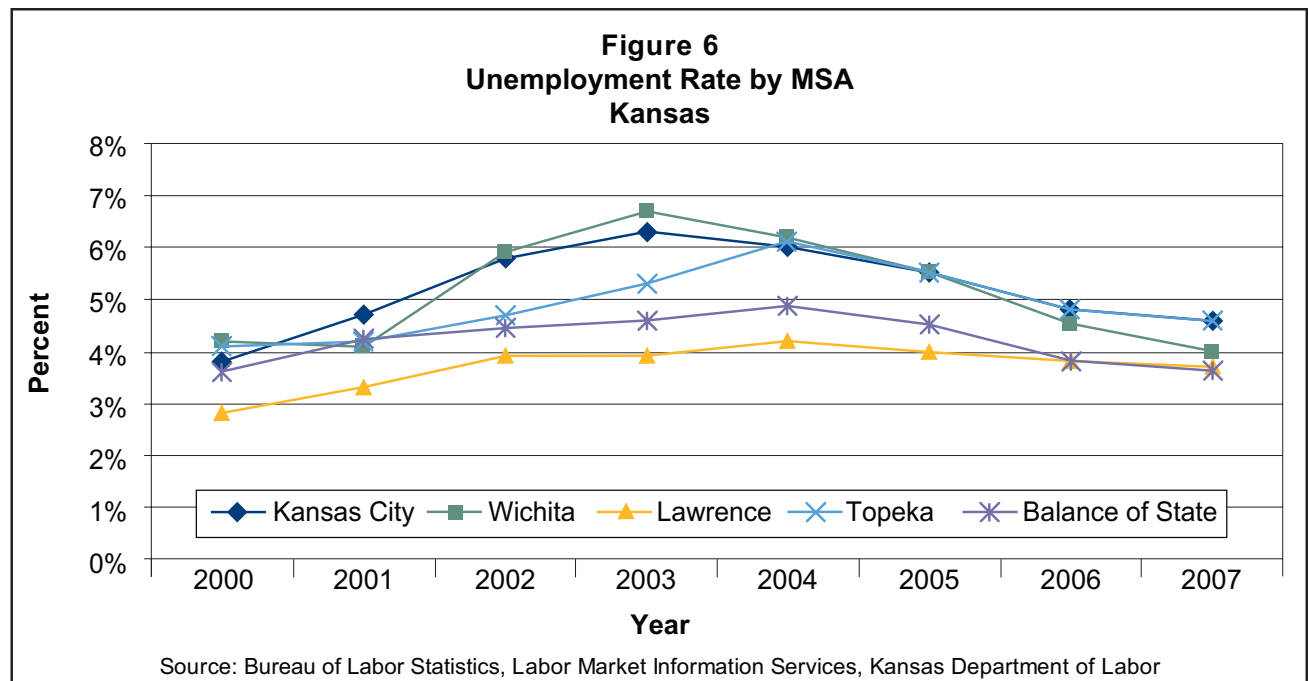
The Topeka MSA contains Jackson, Jefferson, Osage, Shawnee and Wabaunsee counties. In 2007, the labor force in this MSA increased by 600, or about 0.5 percent from 2006. The unemployment rate for this MSA declined to 4.6 percent, the lowest since 2002. From 2000 to 2007, the labor force and employment reported decreases of 0.2 percent and 0.6 percent, respectively.

## Lawrence MSA

Douglas County is the only county in the Lawrence MSA. From 2006 to 2007, the labor force and employment in the Lawrence MSA reported decreases of 0.5 percent and 0.4 percent, respectively. The unemployment rate for this MSA was 3.7 percent in 2007, which is the lowest of any of the Kansas MSAs. From 2000 to 2007, the Lawrence MSA labor force expanded 6.7 percent, adding nearly 4,000 people.

## Balance of State

The Balance of State category contains the 89 counties not included in the MSAs. In 2007, the labor force for this area decreased by 3,600 people, or about 0.7 percent. The unemployment rate decreased to 3.6 percent, the lowest since 2000. From 2000 to 2007, the Balance of State labor force and employment increased 3.6 percent.



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## Short-Term Outlook

### 2008 Job Vacancies

**The Kansas Job Vacancy Survey is a key tool that provides a recent snapshot of the short-term demand for workers in Kansas.**

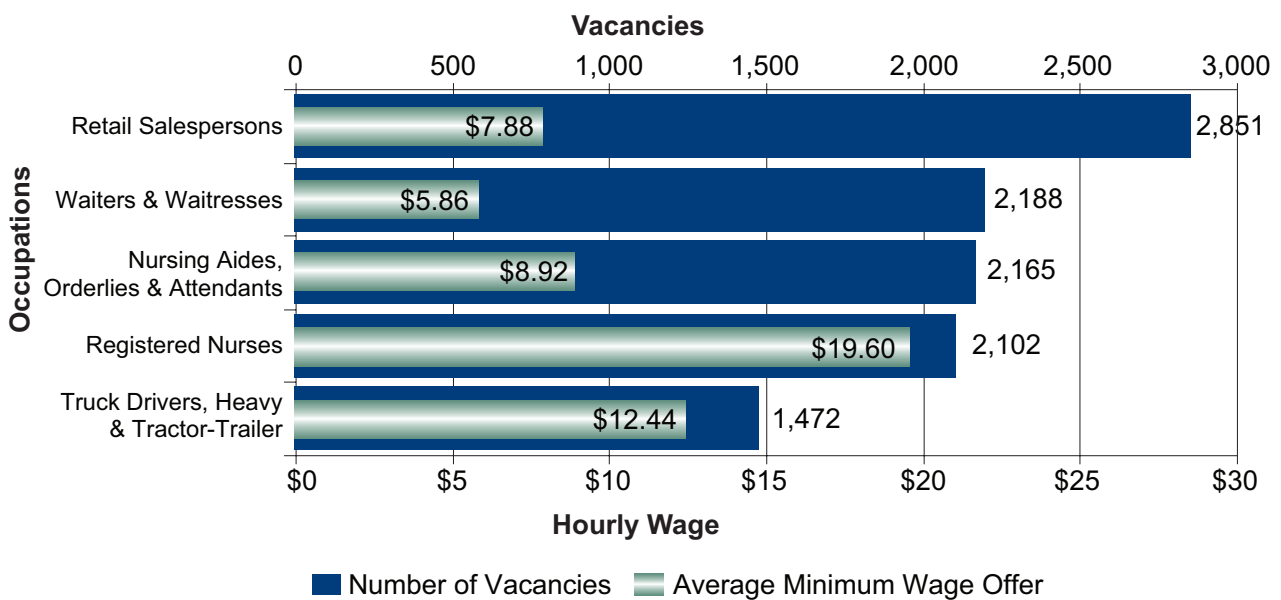
The Job Vacancy Survey conducted by the Kansas Department of Labor surveys employers across the state to measure recent labor demands by industry and occupation. The most recent survey was conducted in the second quarter of 2008 and will be released in September. Results of the survey indicate a healthy demand for workers, reflecting the expansion of various industries across the state.

The statewide job vacancy rate in 2008 was 3.5 percent, or 3.5 job vacancies for every 100 filled positions. In 2008, there were approximately 46,584 job vacancies in the state, a decline from the previous year vacancies of 52,230. The top five most vacant jobs in Kansas (seen in Figure 7) accounted for approximately 23 percent of all job vacancies in the state.

The increased demand for skilled workers in the health care industry continues to be evident, as both registered nurses and nursing aides and orderlies/attendants are listed in the top five most vacant occupations.

*The 2008 Job Vacancy Survey indicates a healthy demand for workers, reflecting the expansion of various industries across the state.*

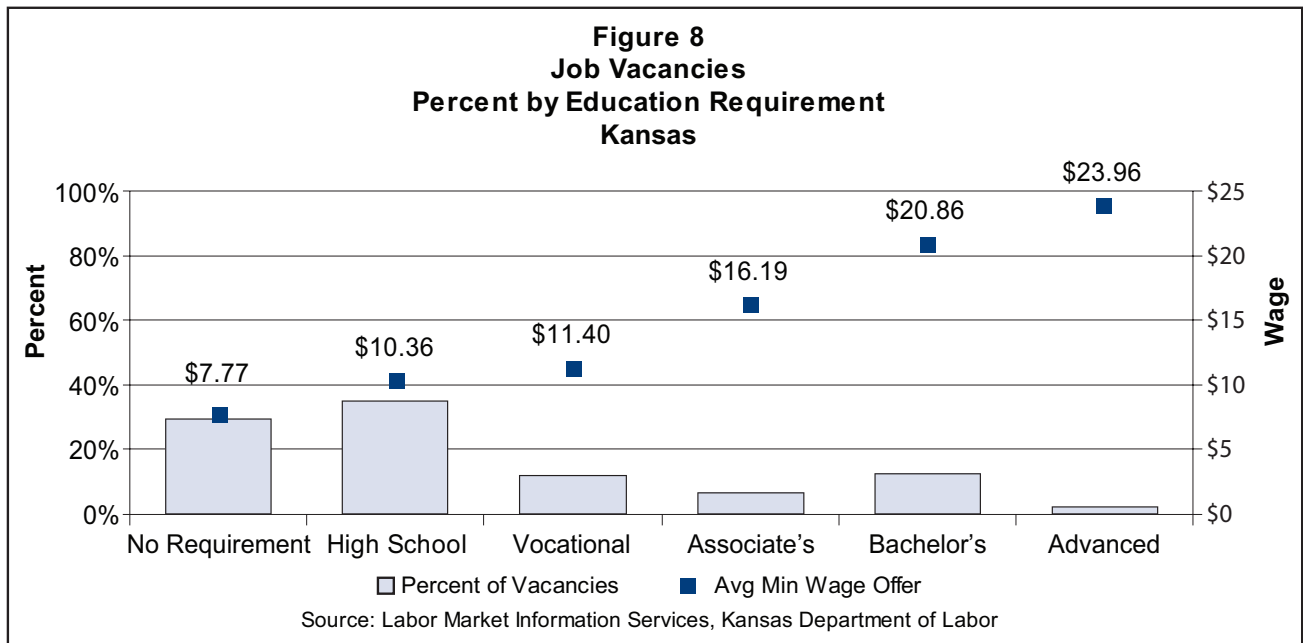
**Figure 7  
Top Five Most Vacant Occupations**



Source: Labor Market Information Services, Kansas Department of Labor

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Wages offered for these vacant positions closely correlate with the education requirements for the positions. Figure 8 illustrates the average minimum wage offered by employers steadily increases with the level of education required for the position. Occupations requiring an advanced degree, such as a master's or doctorate, were offered the highest average minimum wage of \$23.96 an hour. Employers also indicated that a large portion of openings that require an advanced degree were open for 60 days or more or always open, reflecting some difficulty in recruiting higher educated and skilled workers.



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## Long-Term Outlook

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

### 2004-2014 Occupational Outlook

In June 2008, the Kansas Department of Labor released the *2004-2014 Kansas Occupational Outlook* report. Using employment information for 2004 as the base year, the agency projected future industry and occupation demands through the year 2014.

Table 3 Occupational Projections Kansas 2004-2014				
Occupational Group	2004	2014	Change	
			Absolute	Percentage
<b>Total, All Occupations</b>	<b>1,422,070</b>	<b>1,597,210</b>	<b>175,140</b>	<b>12.3</b>
Management Occupations	70,480	80,730	10,250	14.5
Business and Financial Operations Occupations	56,990	66,750	9,760	17.1
Computer and Mathematical Occupations	28,310	34,490	6,180	21.8
Architecture and Engineering Occupations	27,460	31,780	4,320	15.7
Life, Physical, and Social Science Occupations	11,180	12,820	1,640	14.7
Community and Social Services Occupations	17,770	21,970	4,200	23.6
Legal Occupations	9,410	10,440	1,030	11.0
Education, Training, and Library Occupations	84,420	99,590	15,170	18.0
Arts, Design, Entertainment, Sports, and Media Occupations	22,200	24,040	1,840	8.3
Healthcare Practitioners and Technical Occupations	70,220	85,540	15,320	21.8
Healthcare Support Occupations	42,610	53,260	10,650	25.0
Protective Service Occupations	25,920	29,250	3,330	12.9
Food Preparation and Serving Related Occupations	108,480	124,390	15,910	14.7
Building and Grounds Cleaning and Maintenance Occupations	48,290	56,310	8,020	16.6
Personal Care and Service Occupations	50,020	59,780	9,760	19.5
Sales and Related Occupations	148,510	160,660	12,150	8.2
Office and Administrative Support Occupations	230,610	242,140	11,530	5.0
Farming, Fishing, and Forestry Occupations	7,890	8,150	260	3.3
Construction and Extraction Occupations	76,540	82,240	5,700	7.5
Installation, Maintenance, and Repair Occupations	61,160	67,450	6,290	10.3
Production Occupations	127,180	139,970	12,790	10.1
Transportation and Material Moving Occupations	96,440	105,470	9,030	9.4

Source: Labor Market Information Services, Kansas Department of Labor



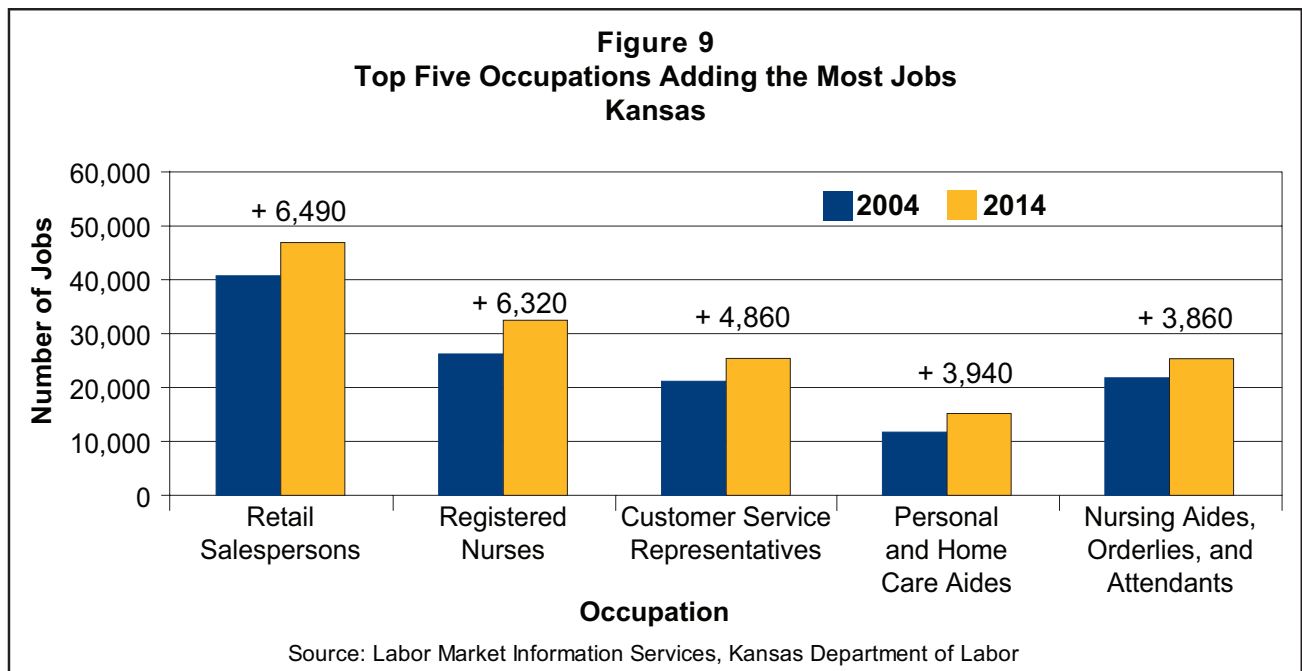
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The total employment in Kansas is projected to increase 12.3 percent from 2004 to 2014. The Health Care and Social Assistance industry is projected to grow the most adding approximately 37,870 jobs. The Administrative and Waste Services industry is projected to grow the fastest increasing by more than 30 percent from 2004 to 2014. Other significant increases are projected for jobs in the Transportation Equipment Manufacturing and Ambulatory Health Care industries which are projected to grow by 45.7 and 40.8 percent respectively, recording the highest percentage change during this time period.

*The total employment in Kansas is projected to increase 12.3 percent from 2004 to 2014. The Health Care and Social Assistance industry is projected to grow the most, adding approximately 37,870 jobs.*

In addition to projecting growth by industries, the *2004-2014 Kansas Occupational Outlook* looks at projected growth within specific occupations. Table 3 reports projected growth in all major occupational groups. Healthcare support occupations are projected to grow the most, increasing 25.0 percent by 2014. Other significant increases were in community and social services occupations, as well as computer and mathematical occupations, which are projected to grow 23.6 and 21.8 percent respectively.

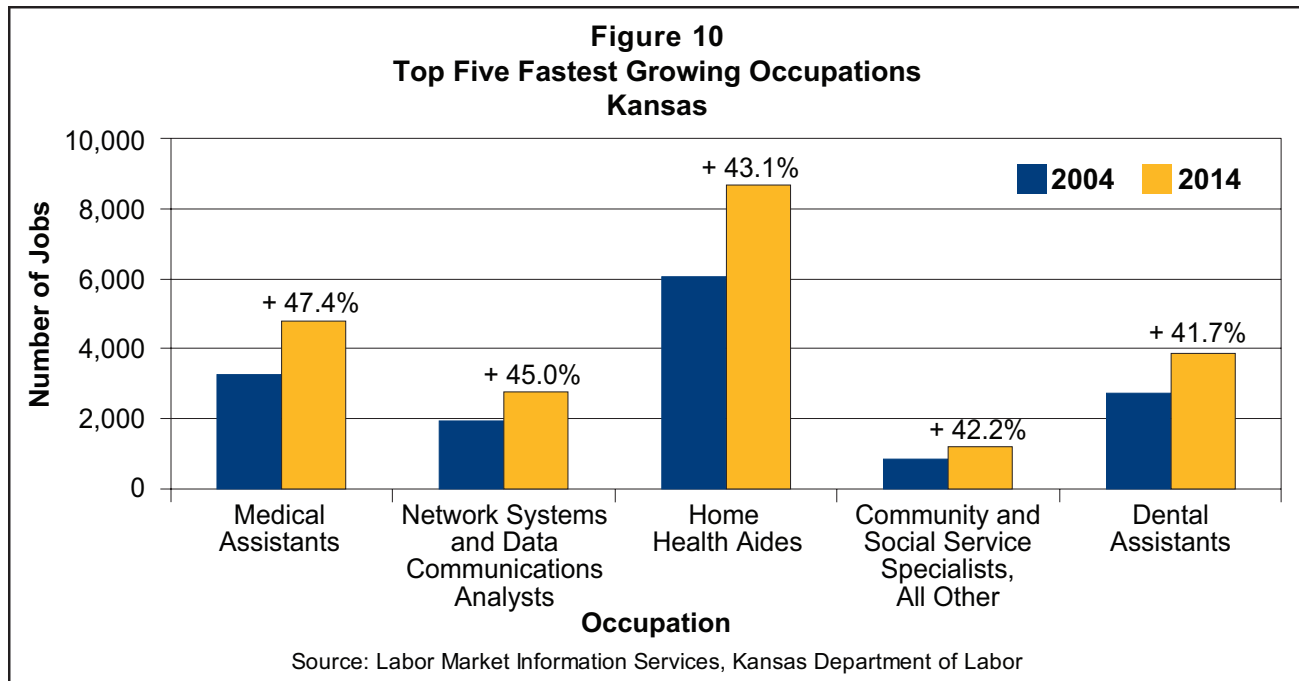
Figure 9 depicts occupations that are projected to add the most jobs in Kansas by 2014. The retail salespersons position is anticipated to increase the most adding 6,490 jobs, a growth rate of 16.0 percent. Three of the top five occupations listed are related to the healthcare sector, reflecting the growing demand for health care services in Kansas.



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Kansas' fastest growing occupations are shown in Figure 10. These are occupations projected to have 1,000 or more jobs by 2014 and a percentage change in employment from 2004 that is at least two times the average change for all occupations. Medical assistants are projected to be the fastest growing occupation, increasing by 47.4 percent by 2014.

Demand in this occupation is projected to increase from 3,230 in 2004 to 4,760 in 2014. Approximately 81 percent of the medical assistants work in the Ambulatory Health Care industries, which include physicians' office and other outpatient services. Since demand for outpatient health care services (mostly provided by Ambulatory Health Care industries) is projected to increase at a relatively rapid pace, Medical assistants who provide administrative and clinical services within this industry will, therefore, be in high demand.



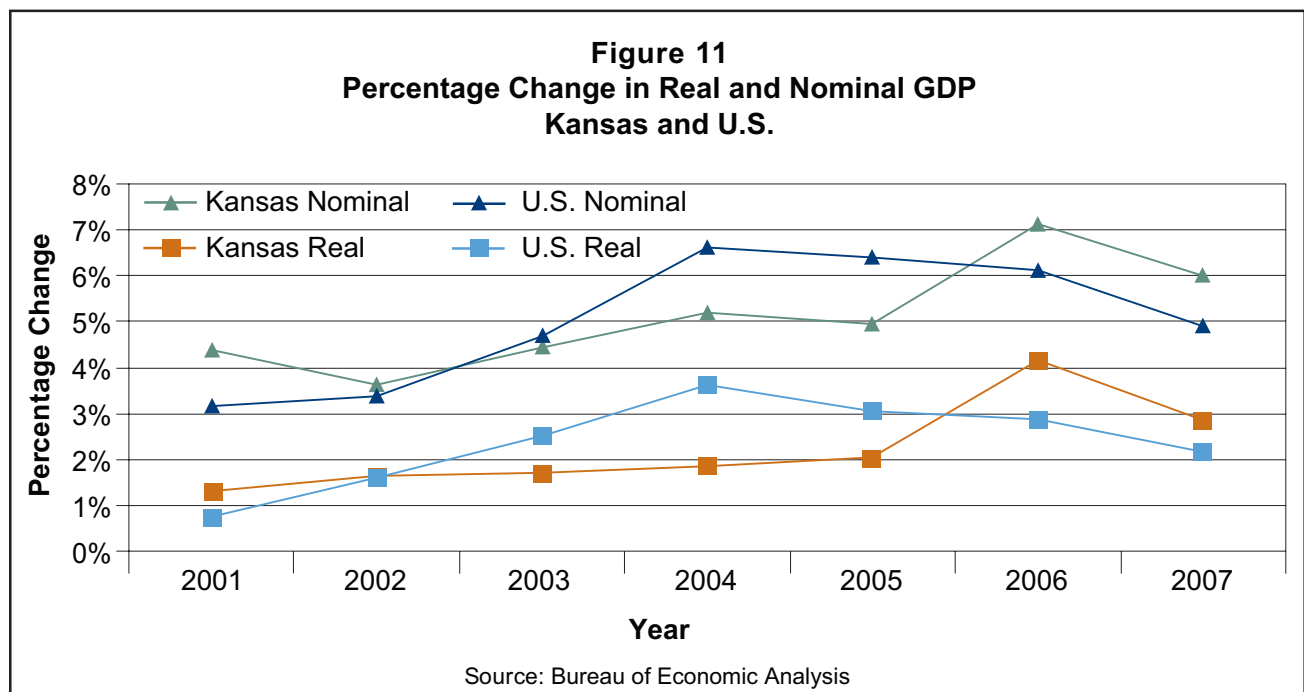
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## Gross Domestic Product (GDP)

*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 eight years, according to estimates from the Bureau of Economic Analysis.

From 2000 to 2007, Kansas nominal GDP grew 41.7 percent, while real GDP grew 16.6 percent. During the same time period, the U.S. nominal GDP expanded at nearly an equal rate of 41.0 percent, while real GDP grew 17.8 percent. Figure 11 reflects that the percentage change in Kansas' nominal and real GDP follows the national trend.



Kansas outpaced the nation in GDP in 2007. Nominally, Kansas GDP grew to more than \$117 billion in 2007, up 6.0 percent from 2006. Kansas had an over the year expansion in real GDP of 2.8 percent, up to over \$96 billion as measured in year 2000 dollars. The U.S. nominal and real GDP had over-the-year growth of 4.9 percent (nominal) and 2.2 percent (real).

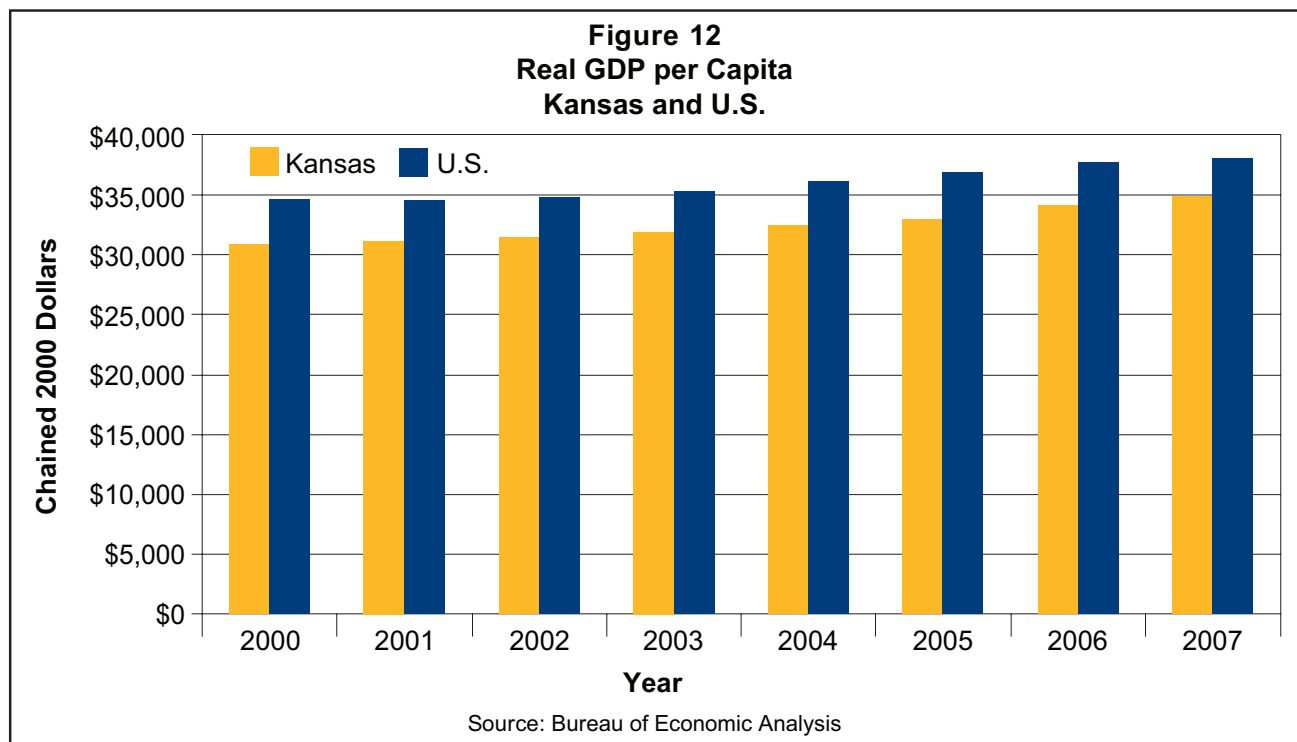
Kansas ranked 10<sup>th</sup> among the 50 states in terms of over the year growth rate of real GDP. However, the growth for Kansas in 2007 was below the 2006 level of 4.2 percent. Overall, Kansas' GDP accounts for less than 1.0 percent of total U.S. GDP in both nominal and real terms.

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## Gross Domestic Product (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 for the area. As a standard of living measure, GDP per capita can be used to evaluate and compare different countries, states or areas.*

Kansas ranked 29th in the nation in terms of real GDP per capita among the 50 states in 2007. At the same time, Kansas' real GDP per capita was \$34,770, measured in year 2000 dollars, while the U.S. real GDP per capita was \$38,020. From 2006 to 2007, Kansas' real GDP per capita increased 2.1 percent, and the U.S. real GDP per capita increased 1.1 percent. Over the period from 2000 to 2007, Kansas real GDP per capita increased 13.1 percent, while the U.S. real GDP per capita increased 10.1 percent.



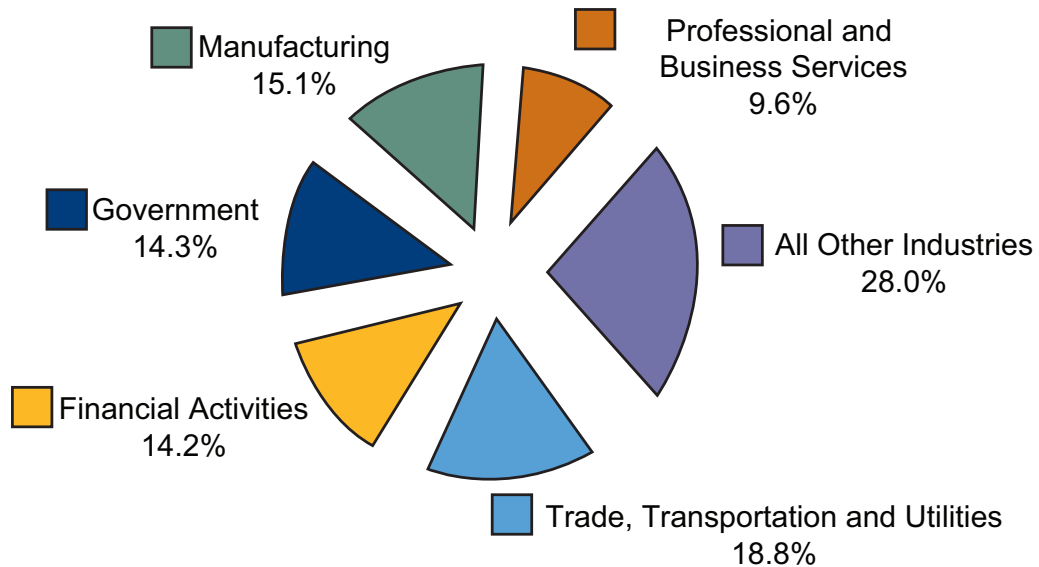
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## Industries Contributing to Gross Domestic Product (GDP)

Several industry sectors contribute to Kansas' nominal GDP. As seen in Figure 13, the trade, transportation, and utilities sector was the largest single industry to contribute to Kansas' nominal GDP in 2007, making up 18.8 percent of total GDP. The contribution to nominal GDP by this sector totaled over \$22 billion. Additionally, manufacturing in Kansas contributed 15.1 percent to total nominal GDP, while the government and financial activities sectors added 14.3 and 14.2 percent, respectively. Together, these four industries accounted for almost 62 percent of all nominal GDP in the state. This trend is similar to that of the nation where the same four industries account for approximately 62 percent of national GDP.

*As seen in Figure 13, the trade, transportation, and utilities sector was the largest single industry to contribute to Kansas' nominal GDP in 2007, making up 18.8 percent of total GDP.*

**Figure 13**  
**Percentage of GDP by Industry**  
**Kansas**  
**2007**



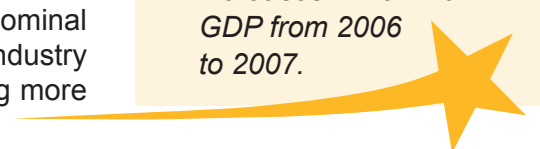
Source: Bureau of Economic Analysis

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All industries, except construction, reported increases in nominal GDP from 2006 to 2007. The natural resources and mining industry recorded the largest over the year percentage increase in GDP of 18.1 percent. This is largely due to the increased agricultural and other commodity prices and higher production levels of many commodities. Nominal GDP in this industry increased by approximately \$958 million reaching more than \$6.2 billion in 2007. However, this industry's contribution to overall Kansas GDP was 5.3 percent. This industry includes agriculture, forestry, fishing, hunting and mining.

The second largest percentage increase in over the year nominal GDP was recorded by the information industry. The industry posted an increase of \$775 million (11.0 percent) reaching more than \$7.8 billion in 2007.

*All industries, except construction, reported increases in nominal GDP from 2006 to 2007.*



**Table 4  
Nominal GDP Growth by Industry  
Kansas**

	<b>2006*</b>	<b>2007*</b>	<b>Percent Change</b>
Natural Resources & Mining	\$5,295	\$6,253	18.1%
Construction	\$4,295	\$3,938	-8.3%
Manufacturing	\$16,726	\$17,724	6.0%
Trade, Transportation & Utilities	\$20,903	\$22,009	5.3%
Information	\$7,056	\$7,831	11.0%
Financial Activities	\$16,164	\$16,623	2.8%
Professional & Business Services	\$10,398	\$11,309	8.8%
Educational & Health Services	\$8,237	\$8,804	6.9%
Leisure & Hospitality	\$3,175	\$3,222	1.5%
Other Services	\$2,633	\$2,811	6.8%
Government	\$15,763	\$16,780	6.5%

\*Millions of Current Dollars


Source: Bureau of Economic Analysis

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## Personal Income

*Personal income is another important measure of economic health. 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 2007, Kansas' nominal total personal income increased by 6.4 percent to more than \$102 billion.*



In 2007, Kansas' nominal total personal income increased by 6.4 percent to more than \$102 billion. U.S. personal income increased by just a bit less, 6.2 percent to more than \$11.6 trillion from 2006 to 2007. Kansas was ranked 23<sup>rd</sup> among 50 states in terms of over the year percentage increase of personal income.

Wages and salaries were the largest contributing part adding 3.2 percent of the 6.4 percent increase. In terms of industries, durable goods manufacturing industry (which includes aerospace manufacturing) contributed the largest percentage, adding 0.58 percent of the 6.4 percent increase in total Kansas personal income.

Table 5 Kansas and U.S. Personal Income*								
	2000	2001	2002	2003	2004	2005	2006	2007
Kansas	\$74,570.00	\$77,563.75	\$78,606.00	\$81,116.25	\$84,642.25	\$89,676.00	\$95,900.50	\$102,367.75
U.S.	\$8,422,073.75	\$8,716,992.00	\$8,872,871.00	\$9,150,320.00	\$9,711,363.25	\$10,284,356.00	\$10,968,393.00	\$11,652,587.00

\* In Millions

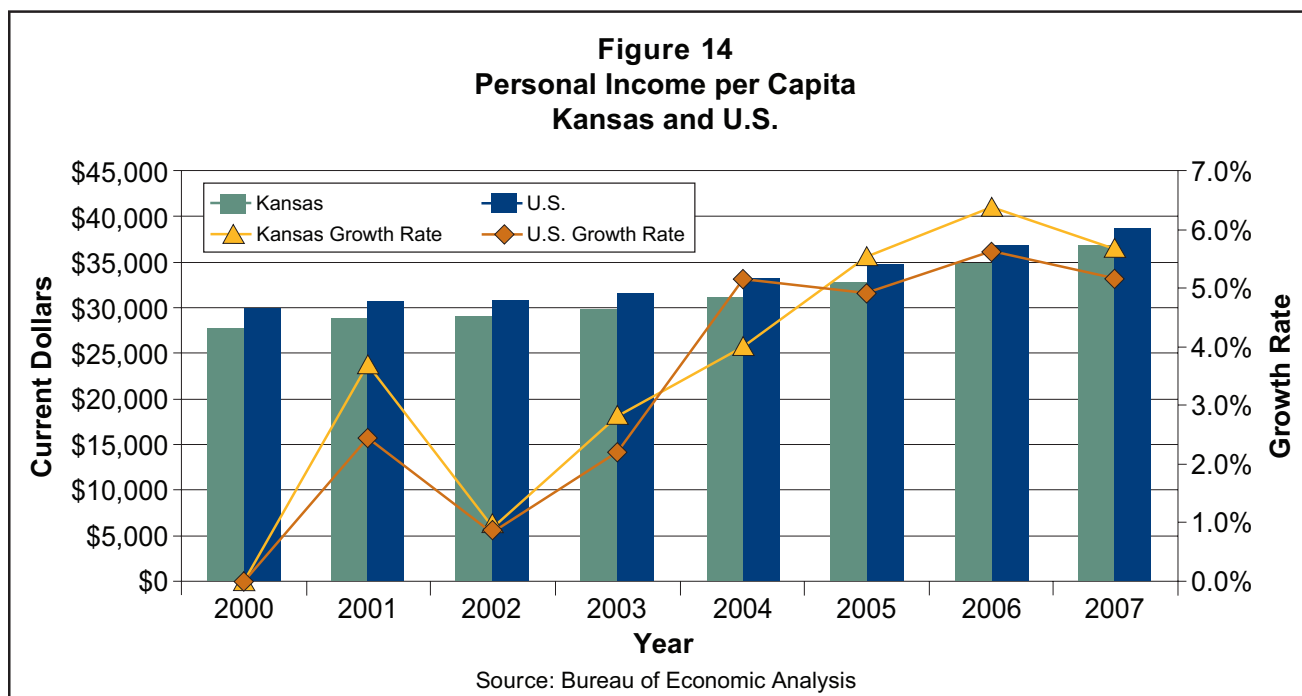
Source: Bureau of Economic Analysis

# 2008 Kansas Economic Report

## Per Capita Personal Income

In 2007, Kansas reported a per capita personal income of \$36,768, while the U.S. reported \$38,611. In 2007, Kansas ranked 22nd in nominal per capita personal income, up from 23rd in 2006. Over the year from 2006 to 2007, Kansas' per capita personal income grew by 5.7 percent compared to 5.2 percent nationwide.

From 2002 to 2007, Kansas' per capita personal income expanded 26.9 percent while the U.S. increased 25.3 percent. With the exception of 2004, Kansas' nominal per capita personal income has grown faster than the U.S. nominal per capita personal income each year since 2001.





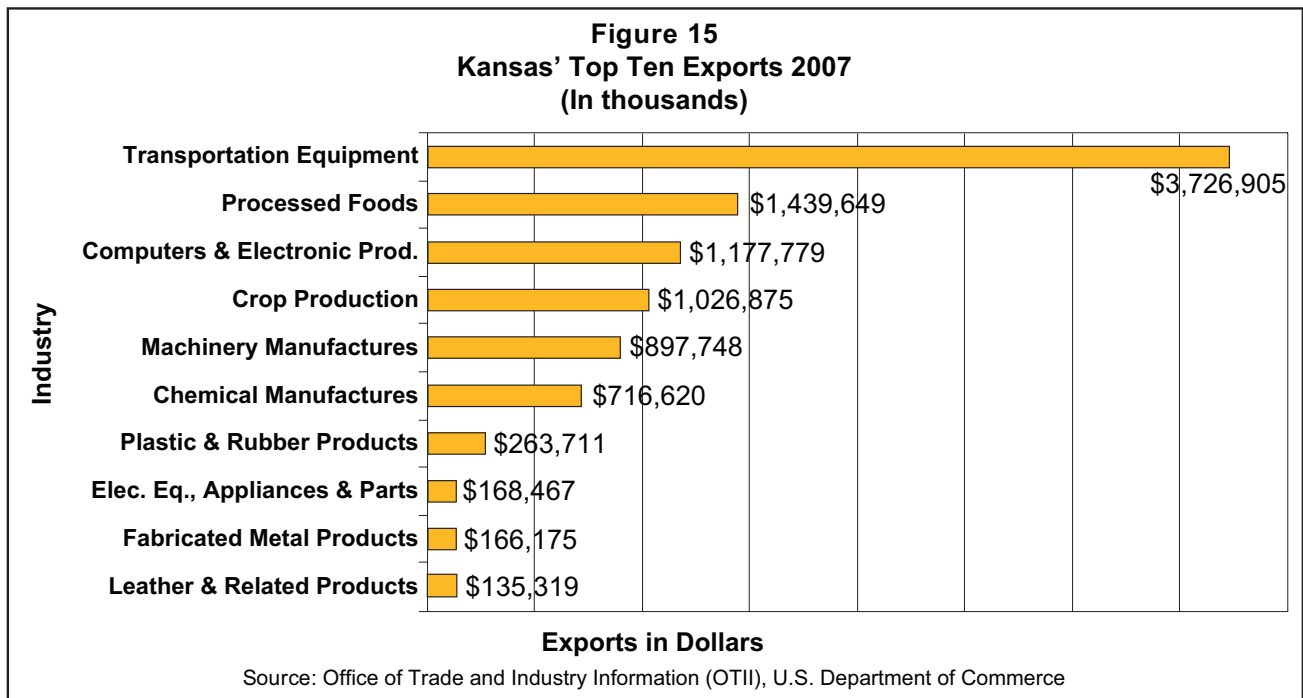
# 2008 Kansas Economic Report

## Global Business

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

Kansas businesses compete in a global marketplace where products are sold around the world. Global economic growth contributes to the rising demand for Kansas exports. As the global economy expands, demand for products in which Kansas has a competitive advantage will continue to rise. The depreciation of the U.S. dollar in 2007 compared to other world currencies made the goods produced in U.S. cheaper, contributing to increased demand of U.S. goods and services.

Kansas exports increased 18.8 percent in 2007, with a reported \$10 billion in sales to various countries around the world. Exports in Kansas have increased dramatically, increasing by more than 105 percent since 2002. Transportation equipment was the most exported product from Kansas, with more than \$3.7 billion dollars in exports in 2007. This sector includes industries that produce aerospace parts and products, motor vehicle parts and assembly, and other transportation equipment manufacturing, along with various other types of transportation equipment. Exports in this industry recorded an increase of 12.6 percent from 2006 to 2007.



# 2008 Kansas Economic Report

Processed foods were the second most exported products, with over \$1.4 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 products with over \$1 billion dollars in exports. This includes the semiconductor products, electronic instrument and computer sub-industries.

Canada was Kansas' largest trading partner in 2007, importing over \$2.4 billion goods and services, a 7.0 percent increase over 2006. However, exports to Canada increased by an average of 18 percent annually from 2002 to 2006, so the increase reflected in 2007 was comparatively low.

Table 6 Kansas' Top Export Countries in 2007	
	2007*
Canada	\$2,427,678
Mexico	\$915,777
Germany	\$615,631
United Kingdom	\$593,111
China	\$489,168
Japan	\$376,663
Brazil	\$338,820
Australia	\$281,522
France	\$245,583
South Korea	\$226,674

Source: Office of Trade and Industry Information (OTII), U.S. Department of Commerce

\*In thousands

Mexico imported the second highest amount of Kansas goods and services at \$915 million -- a 4.2 percent decrease over last year. Germany was third, with more than \$615 million in imports from Kansas -- an over the year increase of 59.0 percent. The largest increase of exports in terms of dollars was also to Germany, recording an increase of more than \$228 million from 2006 to 2007. The United Kingdom came in fourth with over \$593 million in imports -- an increase of 12.0 percent from 2006.

Overall, Kansas ranked 27<sup>th</sup> among states in total exports and 17<sup>th</sup> in exports of transportation equipment.

*Overall, Kansas ranked 27<sup>th</sup> among states in total exports and 17<sup>th</sup> in exports of transportation equipment.*

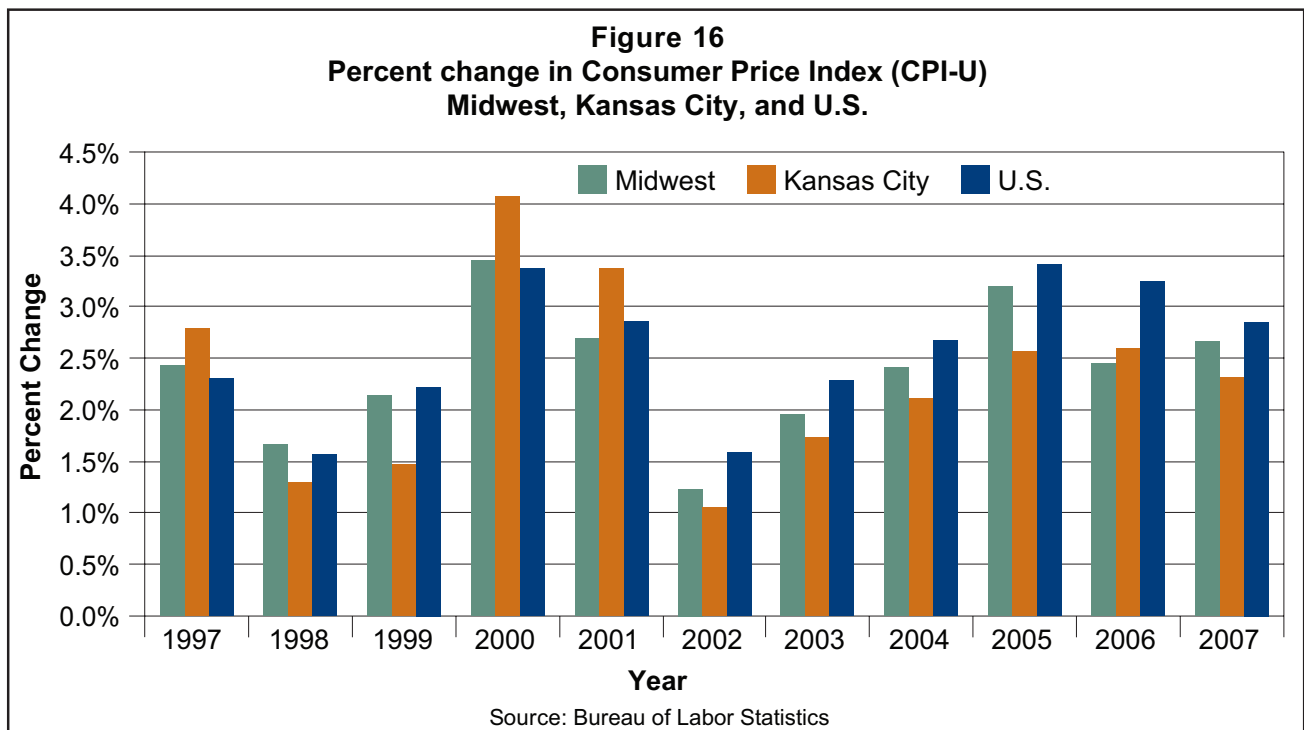
# 2008 Kansas Economic Report

## Inflation and Wages

### 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 CPI is published by the Bureau of Labor Statistics. 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 prices for goods and services in the representative market basket.**

Based on the U.S. CPI-U, the national inflation rate was 2.8 percent in 2007. During the same year, the Midwest recorded an inflation of 2.7 percent and the Kansas City MSA had an inflation rate of 2.3 percent. Kansas is one of 12 states in the Midwest CPI region. In the Midwest region, motor fuel (which includes gasoline) and electricity recorded the largest over the year increase in prices, 9.7 and 8.8 percent respectively.



From 1997 to 2007, inflation nationwide was 29.2 percent, the Midwest region was 26.4 percent and Kansas City MSA was 24.8 percent. The U.S. and Midwest CPI-U figures were on average consistently higher than Kansas City MSA, indicating that the Kansas City MSA has lower inflationary pressures than the nation and other states in the Midwest.

According to the June 2008 report, prices in the Midwest region have increased 4.9 percent since June 2007 compared to 5.0 percent nationwide. This reflects the increasing inflationary pressure experienced in the Midwest and the rest of the nation. Several items in the Midwest CPI index recorded high increases in prices. Motor fuel prices increased 28.9 percent from June 2007 to June 2008 compared to 9.7 percent in calendar year 2007. Similarly transportation prices were up 11.5 percent compared to 2.9 percent, while food and beverage prices were up 5.1 percent compared to 3.7 percent during the last calendar year.

# 2008 Kansas Economic Report

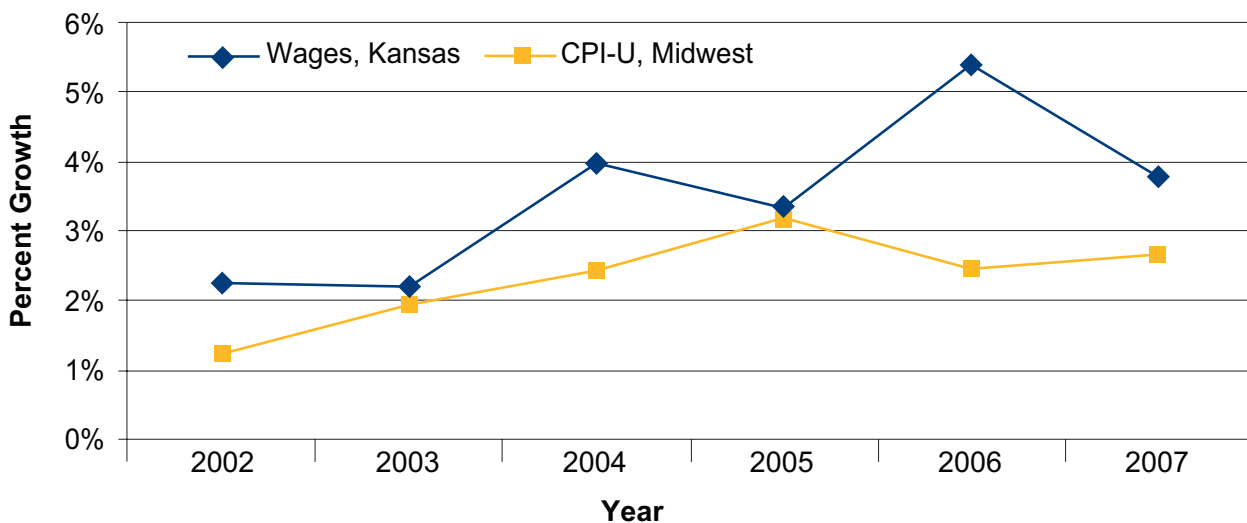
## Wages

Wages and salaries account for more than 53 percent of the total personal income in Kansas. They are an important component in determining the health of the economy. Wages and salaries data are more meaningful when taking inflation into consideration. If inflation increases at a faster pace than wages, wage and salary earners experience a reduction in their real (inflation adjusted) wages, which may change or reduce consumption patterns. This can have an adverse affect on the economy since consumer spending is the largest component of the Gross Domestic Product in the U.S.

In 2007, the average weekly wage in Kansas increased by 3.8 percent over the year to \$712. Nationwide, the average weekly wage increased by 4.5 percent in 2007 to \$855. When accounting for 2.7 percent inflation in the Midwest region, the real growth in average weekly wage for Kansas was a modest 1.1 percent. Nationwide the growth in inflation-adjusted average weekly wage was 1.7 percent. Considering the high inflation experienced so far in the first half of the 2008, it is unclear if wages will continue to increase faster than inflation, particularly in a softening labor market across the nation.

Considering the wage increases across industries in Kansas, the utilities industry recorded the largest over the year increase of 6.2 percent, followed by the information industry with a 5.7 percent increase. Both of these industries also recorded the highest average weekly wages paid among all industries, with the utilities industry paying \$1,363 and the information industry paying \$1,216 in average weekly wages.

**Figure 17**  
**Consumer Price Index (CPI-U) and Wage Growth**  
**2002 - 2007**



Source: Bureau of Labor Statistics

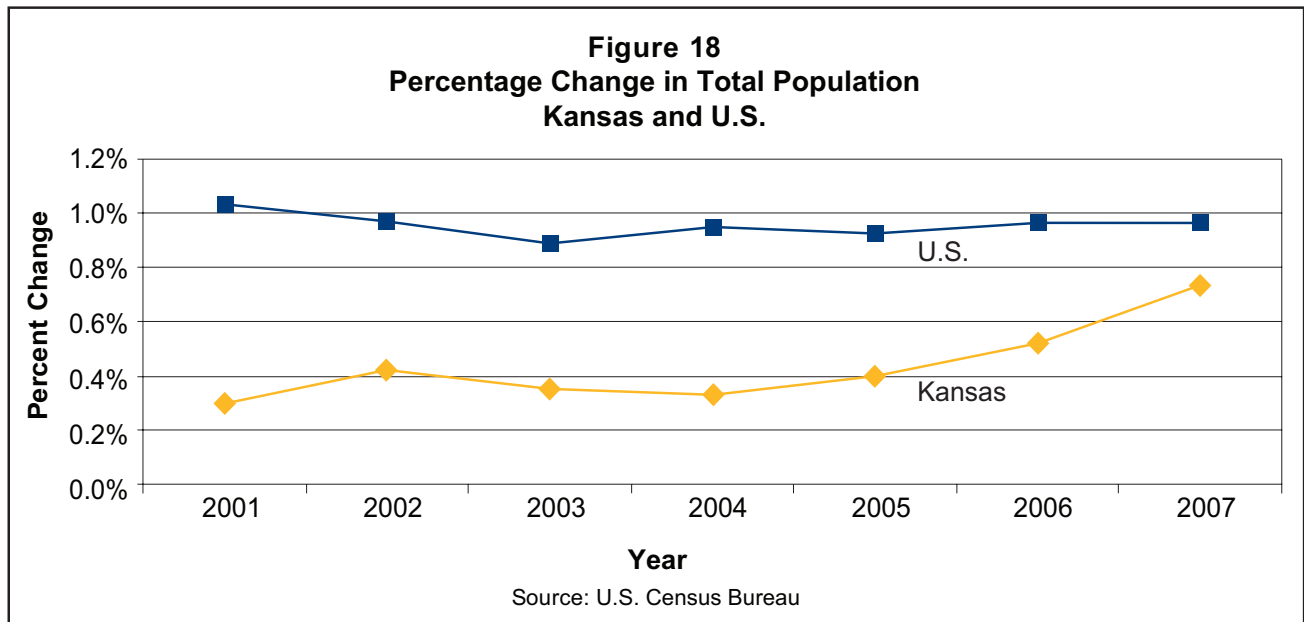
# 2008 Kansas Economic Report

## Population

The population in Kansas has grown over the previous six years. From 2006 to 2007, population growth in Kansas was 0.7 percent, the largest annual growth during the previous six years. The U.S. population has experienced larger growth rates, increasing about 1.0 percent each year over the same six-year period.

From 2000 to 2007, Kansas' population experienced a growth of 3.1 percent, while the U.S. population grew nearly 6.9 percent. Figure 18 compares the changes in the Kansas and U.S. populations during the past six years. As shown in Table 7 Kansas' population in 2007 was a little less than one percent of the total U.S. population. In 2007, Kansas' population ranked 33rd out of the 50 states.

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



**Table 7**  
**Total Population**

	2000	2001	2002	2003	2004	2005	2006	2007
Kansas	2,692,890	2,700,979	2,712,383	2,721,824	2,730,828	2,741,665	2,755,817	2,775,997
U.S.	282,194,308	285,112,030	287,888,021	290,447,644	293,191,511	295,895,897	298,754,819	301,621,157

Source: U.S. Census Bureau

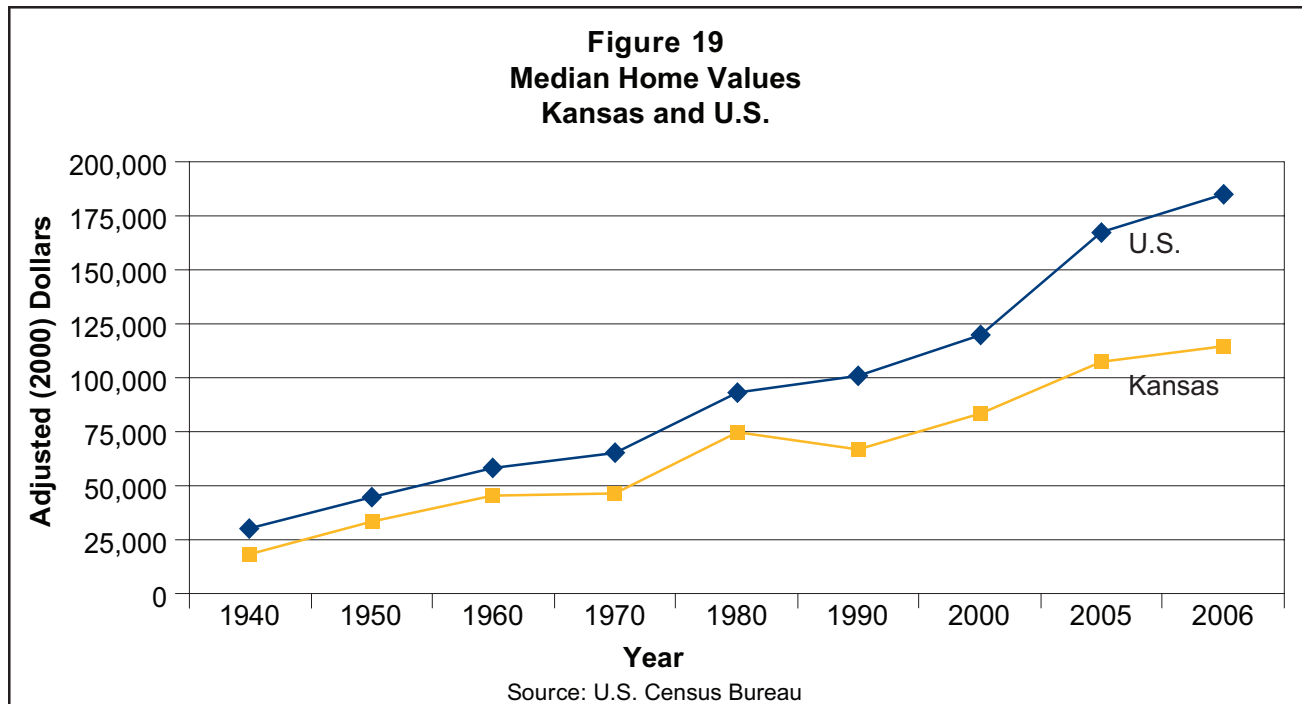
# 2008 Kansas Economic Report

## 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 changing demand.*

In the past few months, the housing market has seen a substantial slowdown in Kansas and the nation. The aftermath of the "sub-prime" mortgage crises and the ensuing financial crises continue to have a strong negative impact on the housing sector. The negative effects certainly are more pronounced nationwide than in Kansas.

Sub-prime mortgages grew from virtually nothing in 1993 to more than \$625 billion by 2005, allowing more than 12 million individuals to own homes. During these years the U.S. home ownership rate rose from 64 percent to 69 percent. Since then, approximately 12 percent of sub-prime loans have foreclosed. According to the data published by the Federal Reserve Bank of New York, there were approximately 16,983 housing units with subprime loan out of total of 1,131,200 housing units in Kansas in June 2008. Nationwide there were more than 3 million units with subprime loans. Approximately 0.9 per 1000 units were in foreclosure in Kansas, compared to 2.5 per 1000 units nationwide.



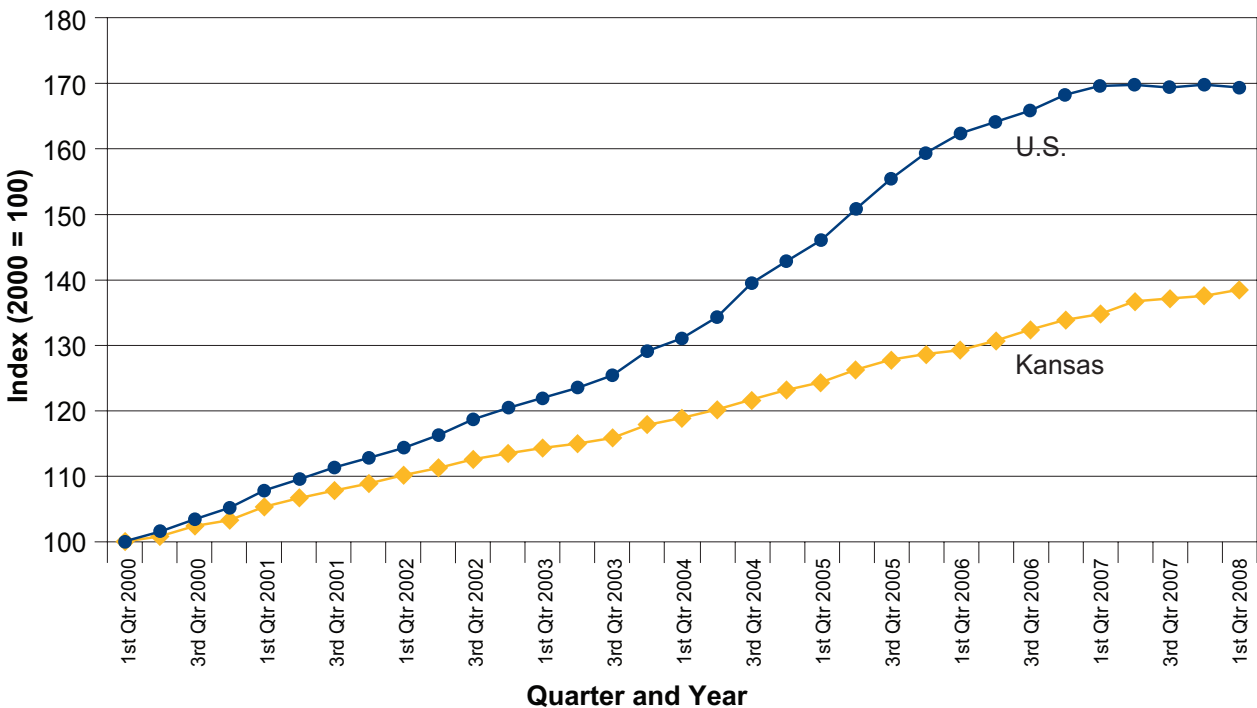
# 2008 Kansas Economic Report

According to the data published by the American Community Survey (ACS), the median home value in Kansas has consistently been lower than that of the U.S. In 2006, the median home value in Kansas was \$114,400, while the U.S. reported a median value of \$185,200. Due to a moderate growth in home prices in Kansas, compared to dramatic increases in other parts of the country, Kansas has not experienced the dramatic declines in home prices experienced in many other parts of the country.

*Due to a moderate growth in home prices in Kansas, compared to dramatic increases in other parts of the country, Kansas has not experienced the dramatic declines in home prices experienced in many other parts of the country.*

Data compiled by the Office of Federal Housing Enterprise Oversight (OFHEO) indicates home prices in the U.S. increased by 0.9 percent from the fourth quarter of 2006 to 2007, while Kansas posted an increase of 2.7 percent. Using a separate measure of home prices, the S&P/Case-Shiller Home Price Indices, home values nationwide dropped by 8.9 percent from the fourth quarter of 2006 to 2007. According to the same index, the home prices have dropped approximately 14.1 percent when comparing first quarter prices from 2007 to 2008. Statewide data for Kansas is not available for this index.

**Figure 20**  
**Housing Price Index**  
**1st Quarter 2000 to 1st Quarter 2008**  
**Kansas and U.S.**



Source: Office of Federal Housing Enterprise Oversight

# 2008 Kansas Economic Report

For most homeowners, their home represents a significant asset. When housing prices increase, homeowner's unrealized wealth increases. This increased wealth may affect consumer spending as households borrow against or sell this asset. If home values slow their ascent, or even contract, this may have a negative effect on consumer spending, impacting the economy as a whole.

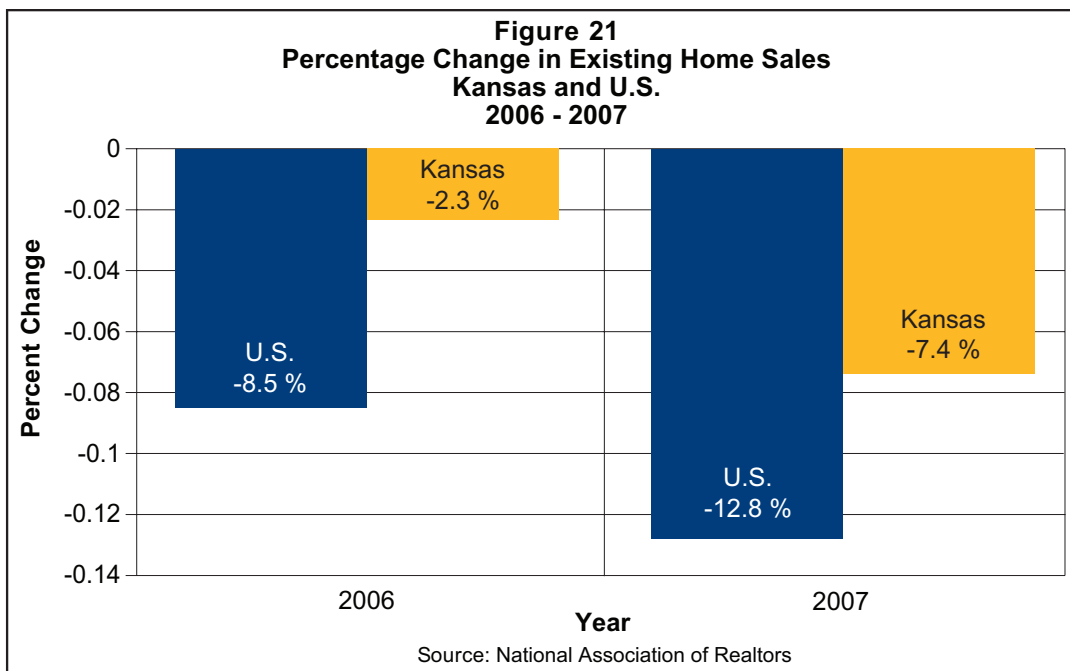
**Table 8**  
**2006 Housing Characteristics**  
**Kansas and U.S.**

	U.S.	Percent	Kansas	Percent
<b>Housing Units</b>	126,311,823		1,207,391	
Occupied	111,617,402	88%	1,088,288	90%
Vacant	14,694,421	12%	119,103	10%
<b>Owner Occupied Housing Units</b>	75,086,485	59%	761,022	63%
Housing Units with a Mortgage	51,234,170	68%	495,047	65%
Housing Units without a Mortgage	23,852,315	32%	265,975	35%

Source: U.S. Census Bureau

According to the data published by the National Association of Realtors (NAR) sales of existing homes in Kansas declined by approximately 7.4 percent from 2006 to 2007. During the same time period, sales of existing homes in the U.S. declined by 12.8 percent. The weakness in sales of existing homes have continued into 2008 in Kansas and nationwide. Comparing data from second quarter 2008 to second quarter 2007, sales have dropped by 16.5 percent and 16.3 percent in Kansas and nationwide respectively.

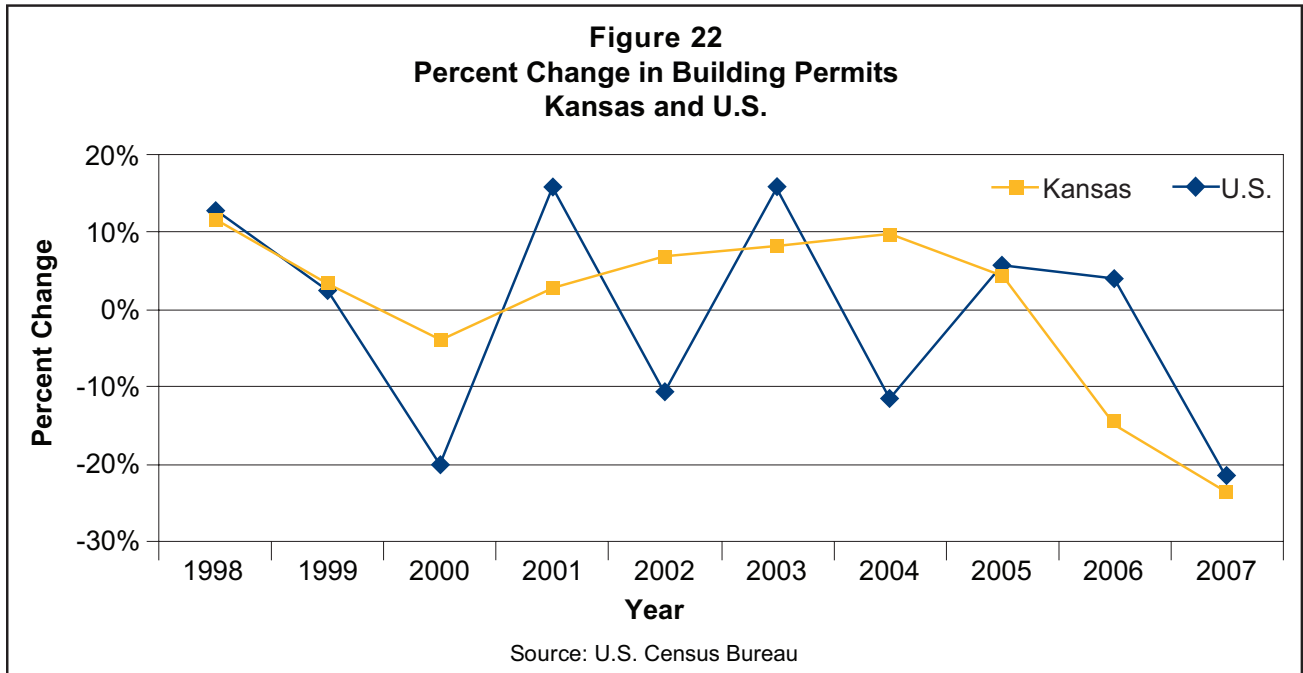
**Figure 21**  
**Percentage Change in Existing Home Sales**  
**Kansas and U.S.**  
**2006 - 2007**





# 2008 Kansas Economic Report

The number of building permits issued can also indicate future activities in the housing market. In Kansas, total building permits decreased 21.5 percent in 2007. Building permits in the U.S. decreased 24.0 percent in 2007. The slowdown in building permits has continued into 2008.

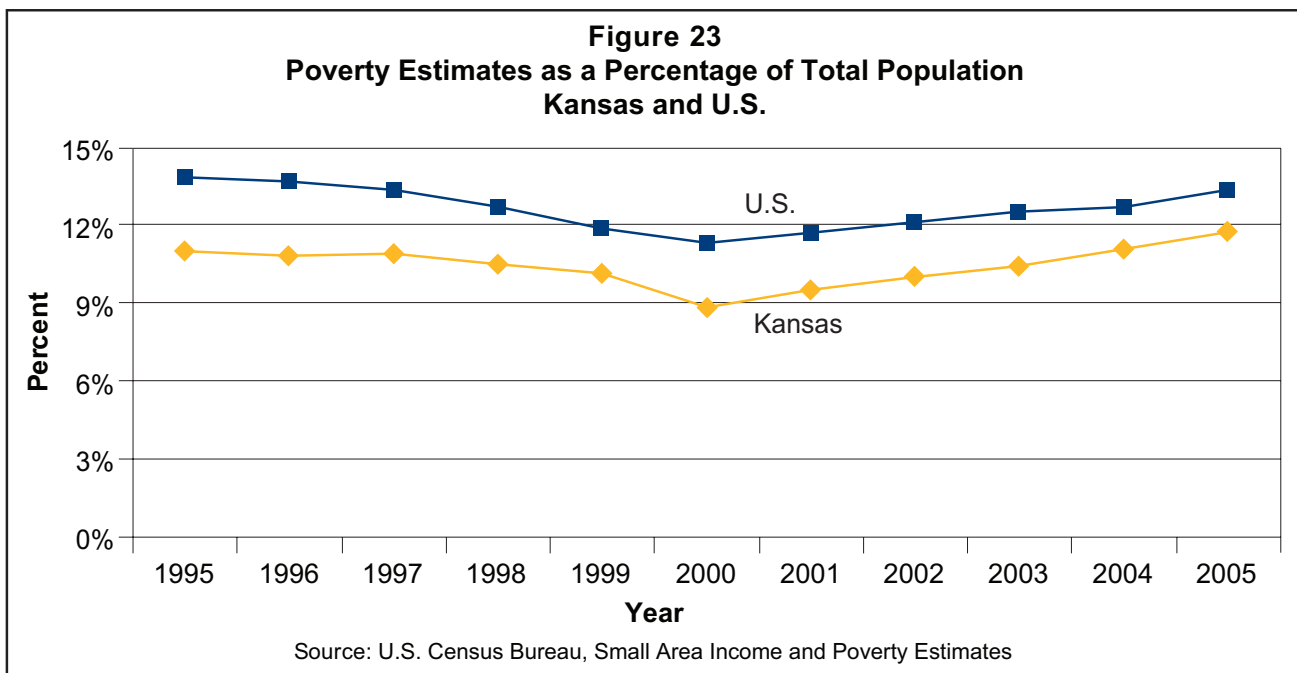


# 2008 Kansas Economic Report

## 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 23, the number of Kansans estimated to be living below the poverty threshold in 2005 totaled 310,666, or 11.7 percent of the total Kansas population. Nationwide the total number of individuals living under the poverty threshold was more than 38 million, or 13.3 percent of the total U.S. population. There were 30 states that reported a higher percentage of individuals living under poverty than Kansas. In 2005, the poverty threshold for a family of four (2 adults and 2 children under 18) was \$19,806.



Poverty among children ages five and younger was higher than other age groups. In 2005, approximately 20 percent of this age group in Kansas were living under the poverty threshold. Nationwide the number was 21.3 percent.

The Gini Index, which is one of the indicators published by the U.S. Census Bureau's American Community Survey (ACS), measures inequality of wealth distribution. A low Gini index means more equal wealth distribution, while a high Gini coefficient indicates a more unequal distribution. Zero corresponds to perfect equality and one corresponds to perfect inequality. According to the 2006 ACS data, Kansas had a Gini index of 0.441 compared to a nationwide index of 0.464, indicating more inequality nationwide than in Kansas.

# 2008 Kansas Economic Report

## Sources

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