Update on the Kansas Economy

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Overview

• Update on COVID-19 in Kansas and the United States
• What’s happened to the US & Kansas economies so far?
• Is Kansas at Full Employment?
• What will our economy look like after COVID?
We Have Exceeded 28.8 Million Cases & 520,000 Deaths

- In the past week we’ve averaged 62,924 cases per day.
- This is a decrease of 14% compared in the last two weeks/
- 2,369 deaths on March 4th
- Cases are beginning to plateau.

Source: New York Times
Kansas Daily Cases Are Decreasing

- The 7-day moving average of new cases trended down in the past weeks.
- Cases are decreasing:
  - Cases are forecast to increase.
- Kansas has had 296,798 cases and 4,735 deaths
Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County as of February 28, 2021

• Darker colors indicate that these counties have higher case rates:
  • Ford, Seward, and Finney Counties have case rates that are > 164 per 1,000
  • Douglas, Sedgwick & Johnson Counties have case rates of 70–103 per 1,000
  • Leavenworth & Wyandotte Counties have case rates of 82–115 per 1,000


Source: New York Times & US Census Bureau
16% of Kansas population has received at least one shot.
64% of vaccine has been used
Darker colors indicate that these counties have more vaccine per population:
- Uneven distribution of the vaccine.
Despite What Texas has done, COVID’s not Over Yet

‘Masks required’ signs are coming down after Texas, Mississippi lift coronavirus restrictions

Impact of rescinding mandates is immediate, and Biden blasts governors’ ‘Neanderthal thinking’

• “They should wear masks until we actually prove that vaccines prevent transmission,” said Dr. Anthony S. Fauci, director of the National Institute for Allergy and Infectious Diseases (NY Times).
It Ain’t Over Til It’s Over

• Three Variants of Concern:
  • B.1.1.7—UK Variant. More virulent and more deadly. Vaccine protects against this.
  • B.351—South African Variant. More virulent. Current vaccines do not work as well on this.
  • P1—Brazilian Variant. More virulent. Preliminary evidence suggests that neither current vaccine nor prior infections protect against this variant.

• All Three variants have been found in the US.
• The tough issue here is that, much like staying home or mask-wearing, a significant benefit of getting vaccinated is to protect other people. The more Americans who get vaccinated, the less likely the disease can spread (Daniel Dresner, Washington Post).
COVID-19 and the US & Kansas Economies

A Stalling Recovery
• Gross Domestic Product was still down 2.5% from a year ago in Q4.
• Consumption was down 2.6% in Q4.
• GDP grew 0.99% in Q4 compared to Q3.
Industrial Production & Retail Sales in January

- Compared to a year ago, retail sales are up 6%.
- Compared to a year ago, industrial production is down 1.8%.
- Although sales have recovered, production has not.

Source: https://fred.stlouisfed.org
US & Kansas Gross Domestic Product

- Gross Domestic Product was still down 2.5% from a year ago in Q4.

- Kansas Gross State Product was down 1.9% in Q3 compared to a year ago.
Kansas Economy Had Uneven Growth in Q3

- Green is growth
- Red is contraction

- Growth:
  - Agriculture up 11%
  - Nondurable manufacturing up 7%

- Contraction:
  - Accommodation & Food -21%
  - Transportation & Warehousing -17%
  - State & Local -7%

Source: IPSR14 Donna K. Ginther, PhD
Change in Sales Tax Revenue by Industry Underscores Changes to the Kansas Economy

- Accommodation receipts are down 47%
- Food & Drinking Places are down 11%
- Groceries are up 15%
- Building Material and Garden Supply receipts are up 24%
Is Kansas at Full Employment?
Employment & Unemployment in February 2021

- Employment rose by 0.79% in February.
- Service employment rose by 0.15%.
- Economy added 379,000 new jobs.

- Unemployment decreased to 6.2% in February.
- Kansas unemployment fell to 3.5% in December.
Employment in Kansas and US Compared to a Year Ago

• Kansas employment was down 4.2% from a year ago in December.
• US employment was down 6.2% compared to a year ago in January.
• The economy added 379,000 jobs in February.
• Now we’re only down 9.5 million jobs compared to March 2020.
Cumulative Initial Unemployment Claims by Industry

- Industries hardest hit include:
  - Manufacturing: 144,144
  - Accommodation & Food Services: 123,781
  - Health care & Social Assistance: 98,422
  - Retail Trade: 75,729
  - Other Services: 52,744

- These five industries account for 60% of people who have lost their jobs.

Source: Calculations using KS and MO Department of Labor Data

Donna K. Ginther, PhD
Average Initial Unemployment Claims by Industry

Our Five Largest Industries by Employment:
- Public Administration
- Health Care
- Manufacturing
- Retail
- Accommodation & Food Service

Source: Kansas Department of Labor, Labor Market Information Services; Unemployment Insurance Statistics Program
Unemployment in Kansas Remains High

- Kansas continuing and initial unemployment claims remain high.
- There are 3,774 new initial claims as of the week ending Feb 20th.
- State Unemployment ~3.8%.
Top 5 Counties by Cumulative Initial Claims:

- Sedgwick 165,234
- Johnson 121,927
- Wyandotte 32,871
- Shawnee 45,115
- Douglas 31,874


Source: IPSR calculations using Kansas Department of Labor Data
December Kansas Unemployment Rate 3.5%

- Uneven impact across the state:
  - Sedgwick County 4.4%
  - Douglas 3.9%
  - Johnson 3.3%
  - Wyandotte 3.6%
  - Shawnee 4.1%

- Unemployment decreased compared to November.
Employment by Major City in Kansas Through December 2020

- Kansas City MSA is down 2.8% from a year ago.
- Wichita is down 4.3%.
- Lawrence is down 9.4%.
- Manhattan is down 10.5%.
- Topeka is down 2.8%.
A Quick Economics Lesson on the Unemployment Rate

• Unemployment Rate = People Looking for Work / Labor Force

• Labor Force = Employed + People Looking For Work

• Who’s Missing?
  • People who left the labor force, discouraged workers, and those marginally attached to the labor force.
• The Fed and Treasury are taking the official unemployment rate and adding people who (a) have dropped out of the labor market since February 2020 or (b) are misclassified because of a pandemic-tied reporting quirk.

• On Tuesday, Powell said that when the Fed thinks about “full employment,” it thinks about the employment-to-population rate, not just the unemployment rate. It underlined that officials are very aware that the plain-vanilla jobless rate doesn’t capture the entire labor market picture.


By Giovanni Russonello
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Kansas is not at Full Employment

- Using the U-6 measure that captures labor underutilization, the Kansas unemployment rate is 10.3% as of Q4 2020.
  - 59,000 workers are part-time for economic reasons.
- The US U-6 rate is 11.1%
Demand for Social Assistance Has Fallen BUT

  - Caseloads have decreased by 9.5% in Shawnee County & increased by 4.7% in Douglas County.

- Dark red counties indicate an increase of 10% or more.
TANF Caseloads Appear to be Falling BUT

- We know that employment is down, especially among low-wage workers.
- Why are TANF cases falling?
- It’s not employment.
- Because of the HOPE Act.

- DCF Queried database and found 376 TANF cases that were denied/closed.
- 227 (60.3%) were denied/closed because of time limits.
- ~500 people lost TANF due to HOPE Act restricting benefits to 24 months.
Demand for SNAP Benefits Have Also Increased

- Percent change in households receiving SNAP benefits by county, November 2019 – November 2020
- Dark red counties indicate an increase of 10.1% or more.
- Expect these numbers to increase.
How Does Kansas Compare?
Kansas Consumption is Down after Increasing in December

In Kansas, as of February 14 2021, total spending by all consumers decreased by 3.3% compared to January 2020.

- Kansas consumption expenditures are worse than Missouri and Iowa.
  - Kansas down -3.3%
  - Missouri up 3.2%
  - Iowa up 3.7%
  - US up 1.7%

- December increase:
  - Holidays
  - $600 Stimulus checks

Source: Economic Tracker, https://tracktherecovery.org/
Kansas and US Household Comparison February 1st

41% of Kansas households faced loss in employment income
- 10% of Kansas households with children report likely or somewhat likely eviction
- 10% of Kansas households with children are food insecure
32% of Kansas Small Businesses Have Closed Since 2020

In Kansas, as of February 10 2021, the number of small businesses open decreased by 32.4% compared to January 2020.

The number of small businesses open in Kansas has fallen by 32.4% since January, 2020

- In the US, the number is -38%
- Kansas is doing worse than Missouri: -28.9% and better than Iowa: 34.5%

Source: Economic Tracker, https://tracktherecovery.org/
Almost Half of Restaurants & Hotels Have Closed

- In Kansas, 33% of small businesses have closed since January, 2020
- 47% of Leisure and Hospitality Businesses in Kansas have closed since that time.
  - This is a huge source of jobs for low skilled individuals.
  - This is better than in the US (53% have closed).

Source: Economic Tracker, https://tracktherecovery.org/35 Donna K. Ginther, PhD
• Dark Blue: Kansas small businesses
• Light Blue: US small businesses
• 20.3% of Kansas small businesses reported a large negative impact from the pandemic in the most recent week.
• Better than the share of US businesses reporting a large negative impact.
In June, Fivethirtyeight.com interviewed top macroeconomists about the recovery. 73% of economists expect a reverse radical recovery:

- Sharp-partial recovery with prolonged lower level.

Now economists are talking about K-shaped recovery.

Source: https://fivethirtyeight.com/features/what-economists-fear-most-during-this-recovery/
The recession is over for the rich, but the working class is far from recovered

The stock market and home values are back at record levels, while jobs remain scarce for those earning less than $20 an hour

August 13, 2020
Is This a K-shaped Recovery? Yes, in the US, but No in Kansas

In the United States, as of December 12, 2020, employment rates among workers in the bottom wage quartile decreased by 23.8% compared to January 2020 (not seasonally adjusted).

In Kansas, as of December 12, 2020, employment rates among workers in the bottom wage quartile decreased by 21.5% compared to January 2020 (not seasonally adjusted).

Kansas is losing More High wage and Middle wage jobs than in the US.

Job losses of Lower Wage jobs are somewhat smaller.

The loss of High and Middle wage jobs may reflect the shrinking of state and local employment.

This is the most worrisome figure that I have shared today.
What Will Our Economy Look Like After COVID

It will be different
What Happens Next for Our Economy?

- We’ve been in a COVID Economy for a year.
  - Big and lasting changes are underway for our economy.
- Will we ever go back to the office to work?
- Will people continue to live in large cities?
- So many small businesses have closed. Will they reopen?
- Or will large corporations grab more market share?
• Where we work may have changed permanently.

• **Problem:** Decrease in the value of commercial real estate.

• **Opportunity:** Increase number of people living in Kansas but working elsewhere.

Attracting People to Kansas Will Require Better Broadband

- IPSR Survey of Download Speeds (N=2600)
- People need > 25 Megabytes per second to stream, telecommute etc.
- Red, yellow and orange are lower speeds.

Source: IPSR
One Thought: Investments in the Skilled Technical Workforce

- Many low-skilled, service sector jobs will not return.
- These workers will need retraining for the jobs of the future.
- Community college enrollments are down at a time when people potentially have the time to invest in retraining.
- If Kansas receives federal funding, resources could be devoted to addressing this need.