

The Kansas Economy is Recovering

Donna K. Ginther

Roy A. Roberts Distinguished Professor of Economics
Director, Institute for Policy & Social Research, University of Kansas
Research Associate, National Bureau of Economic Research

November 19, 2021

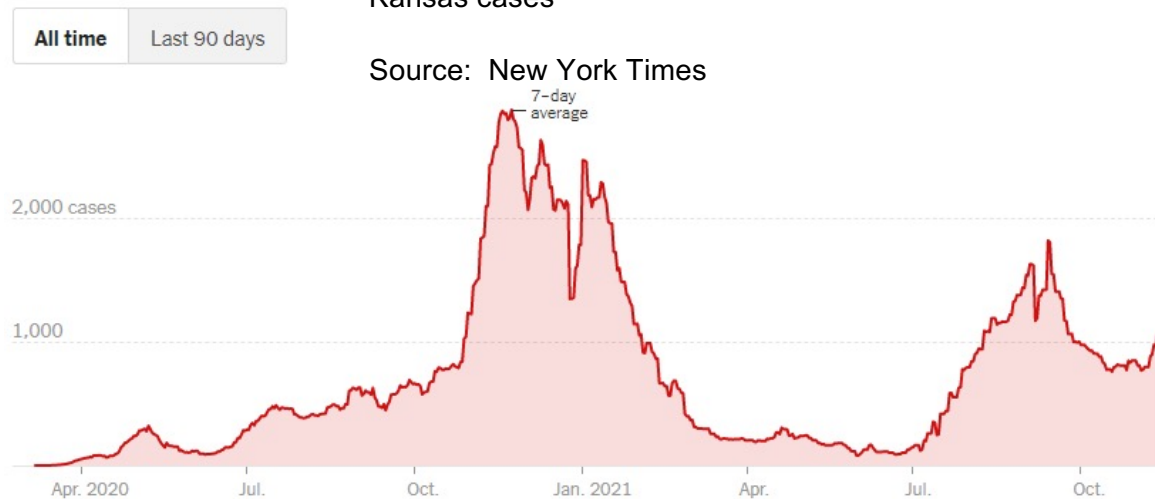
KU INSTITUTE FOR
POLICY &
SOCIAL RESEARCH
The University of Kansas

Overview

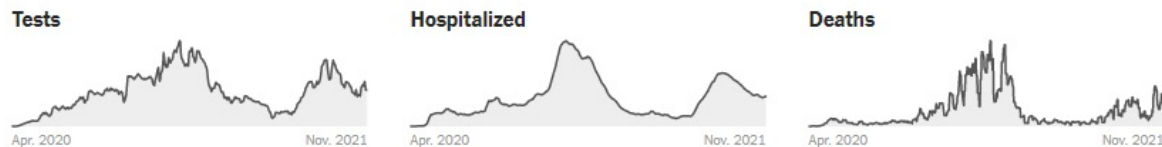
- Update on COVID-19 in Kansas and the United States
- What's happened to the US & Kansas economies in 2021.
 - The recovery is gaining steam in Kansas.
- Economic Growth will recover much faster than the labor market.
- **COVID remains a threat to the full recovery.**

Kansas Daily Cases Are Increasing

New reported cases



- The 7-day moving average of new cases is 1,082 per day.
- This is an increase of 34% in the past 14 days.
- 443 were hospitalized on November 15th—a decrease of 5%.
- COVID is not over.



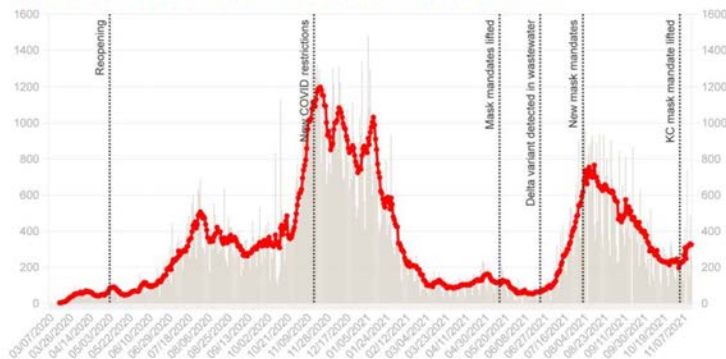
We May be Starting the Fourth Wave

Health officials concerned over COVID-19 uptick as holidays approach, mask mandates end

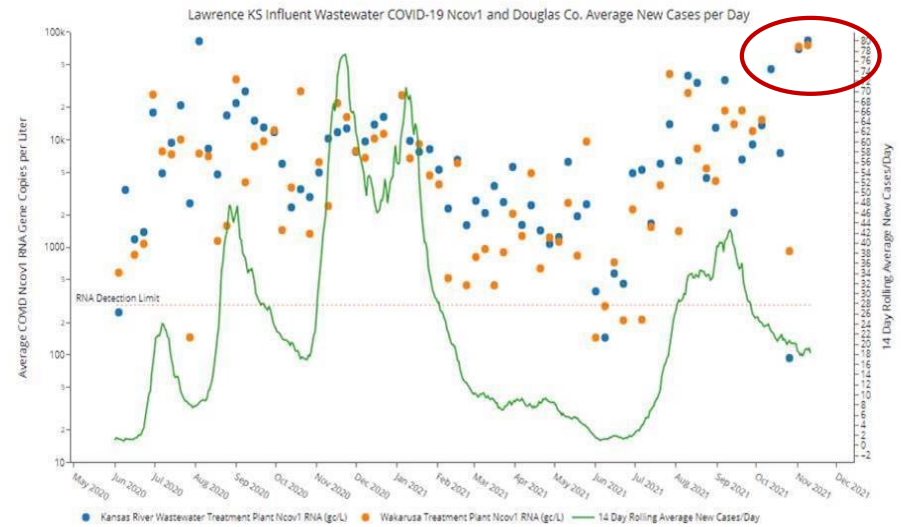
BY ROBERT A. CRONKLETON
UPDATED NOVEMBER 17, 2021 5:57 AM



NUMBER OF NEW CASES IN THE KC METRO AREA

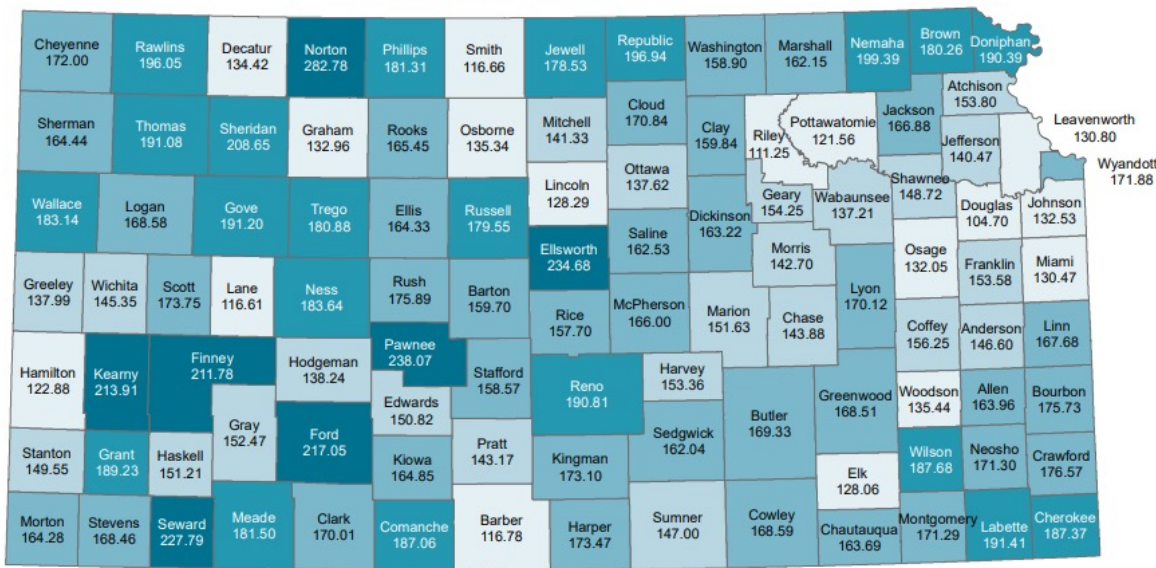


- Vaccines lose efficacy after 6 months, while mask mandates are ending.
- People are moving indoors and will get together for the holidays.
- COVID at the highest levels in Lawrence wastewater.
- COVID is not over.



Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County as of November 14, 2021

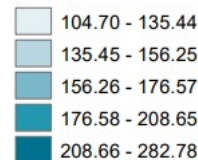


• Darker colors indicate that these counties have higher case rates:

- Ford, Seward, and Finney Counties have case rates that are > 211 per 1,000
- Douglas, Sedgwick & Johnson Counties have case rates of 104–162 per 1,000
- Leavenworth & Wyandotte Counties have case rates of 130–172 per 1,000

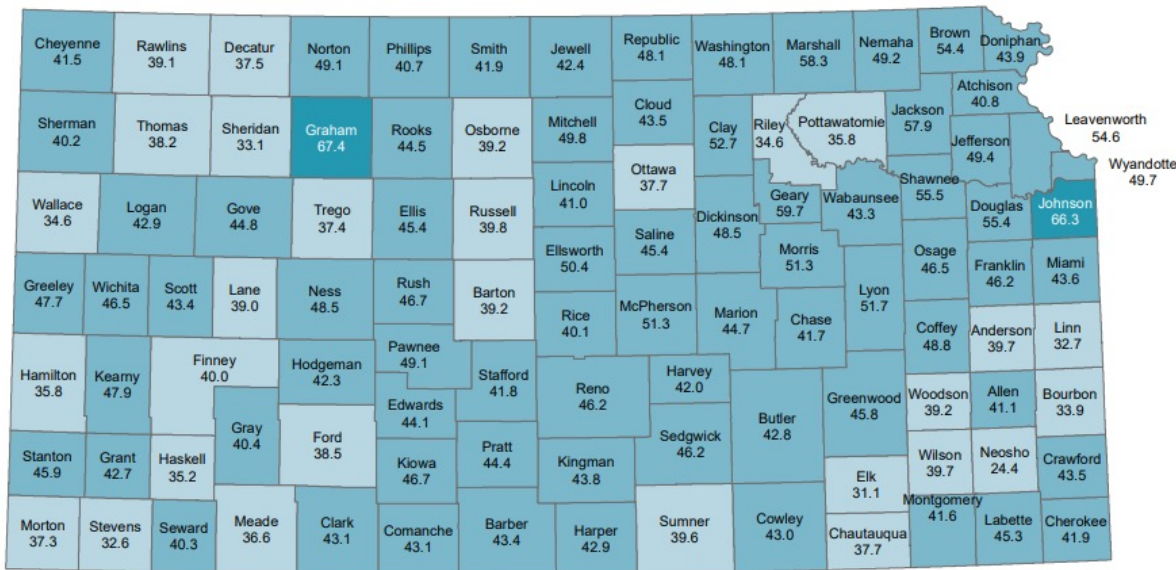
Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times and U.S. Census Bureau.

Cases per 1,000 people



Covid Vaccines per 1,000 People per County

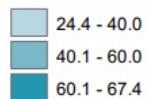
Percent of People Fully Vaccinated in Kansas, by County of Residence as of November 15, 2021



- 55.1% of Kansas population has received at least one shot.
- Darker colors indicate that these counties have more vaccine per population:
 - Uneven distribution of the vaccine.
- We now have the vaccine for children

Source: Institute for Policy & Social Research, The University of Kansas; data from the Centers for Disease Control and Prevention.

Percent of Total Population



Source: KDHE



The Recovery Continues

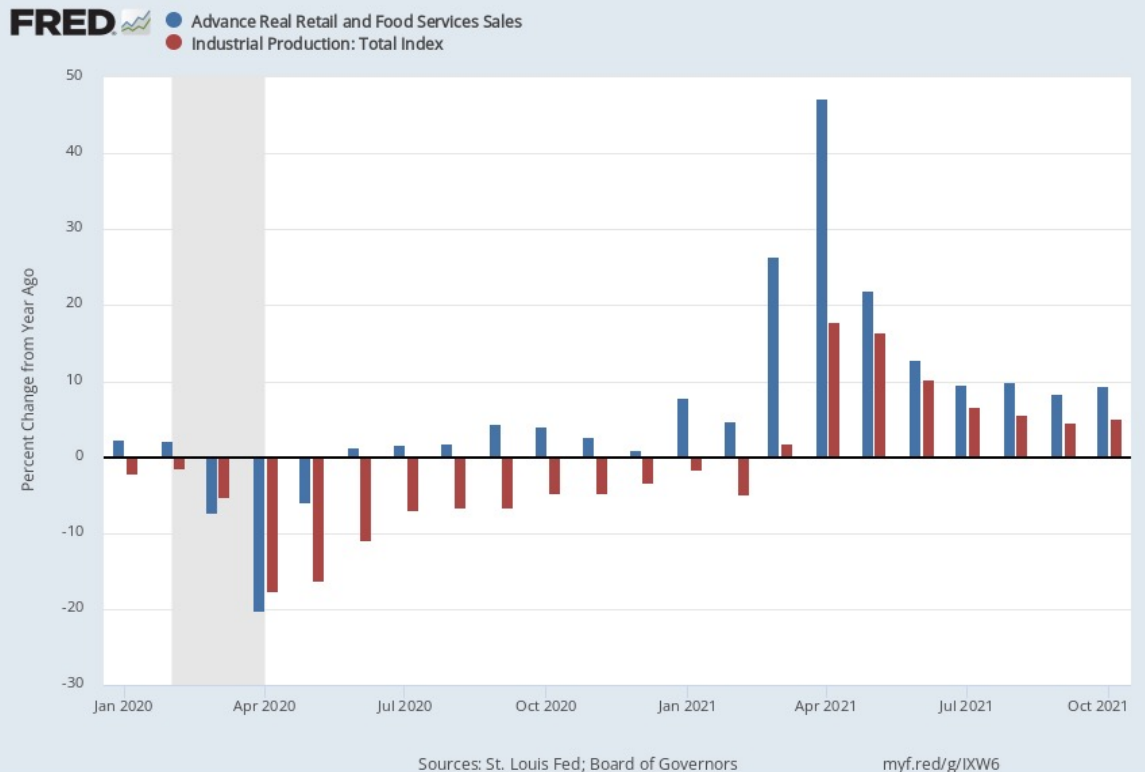
A Strengthening Recovery

The Stock Market has Soared



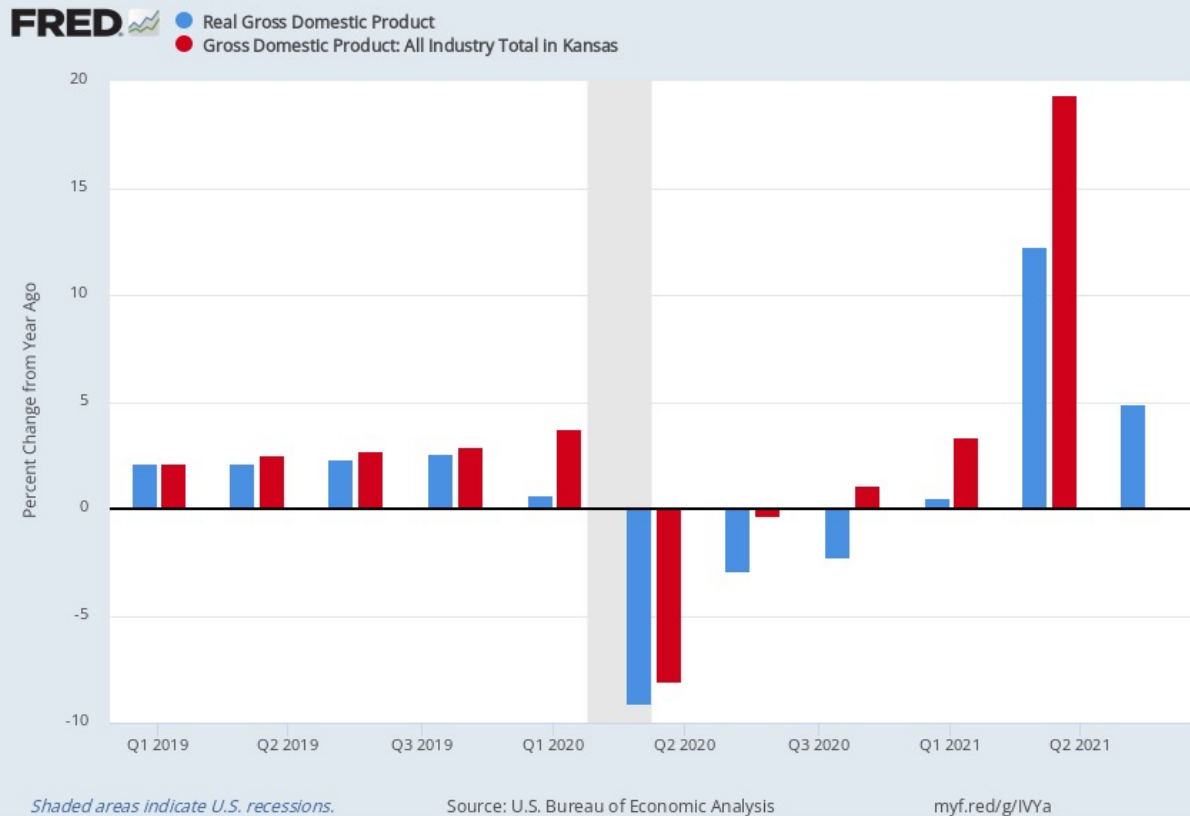
- Dow Jones Industrial Average is up 25% since January, 2020.
- NASDAQ is up 74%.
- Retirement portfolios are flush.

Industrial Production & Retail Sales in September



- Compared to a year ago, retail sales were up 9.5% in October.
- Compared to a year ago, industrial production is up 5.1%.
- Sales and production have fully recovered.

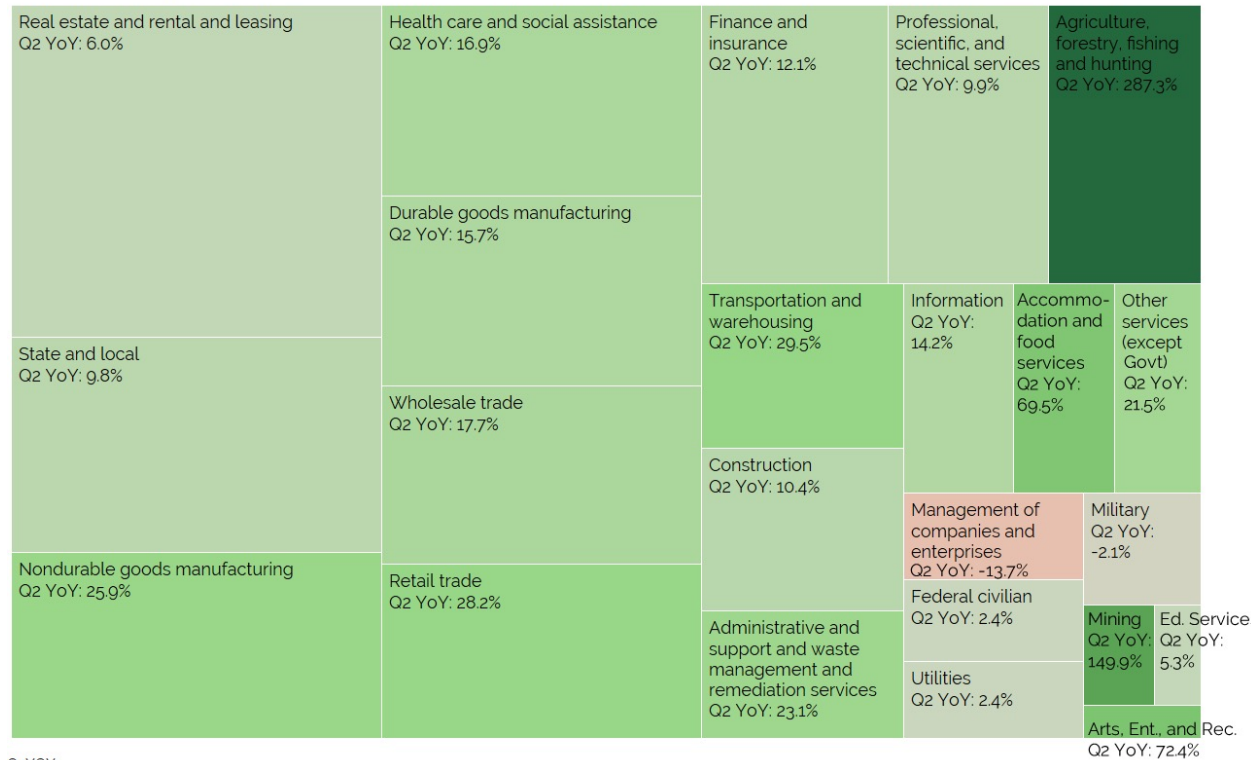
US & Kansas Gross Domestic Product



- US Gross Domestic Product was up 4.8% from a year ago in Q3.
- Kansas Gross State Product was up 19.4% in Q2 compared to a year ago.
- Agriculture income has increased significantly.

Kansas Economy Made Up Lost Ground in Q2

Kansas GDP by Sector, Q2 2021

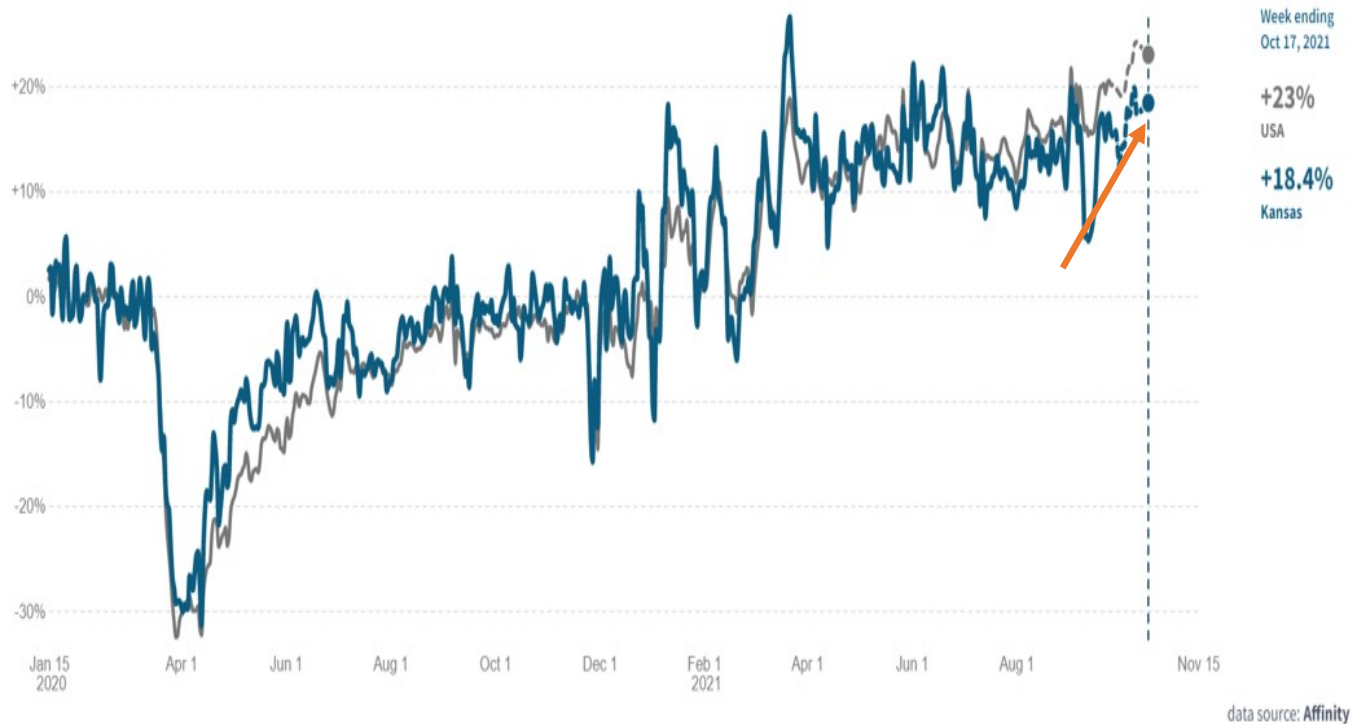


- Green is growth
- Red is contraction
- Growth:
 - Agriculture up **287.3%**
 - Retail up 28.2%
 - Finance up 6.8%
 - Accommodation & Food Services up 69.5%
- Contraction:
 - Management of Companies and enterprises down -13.7%

Kansas Consumption is Increasing

Percent Change in All Consumer Spending*

In Kansas, as of October 17 2021, total spending by all consumers increased by 18.4% compared to January 2020.



- Kansas consumption expenditures are up 18.4% compared to January 2020.
- US consumption is up 23%.
- **Consumption is 2/3rds of GDP.**



Employment

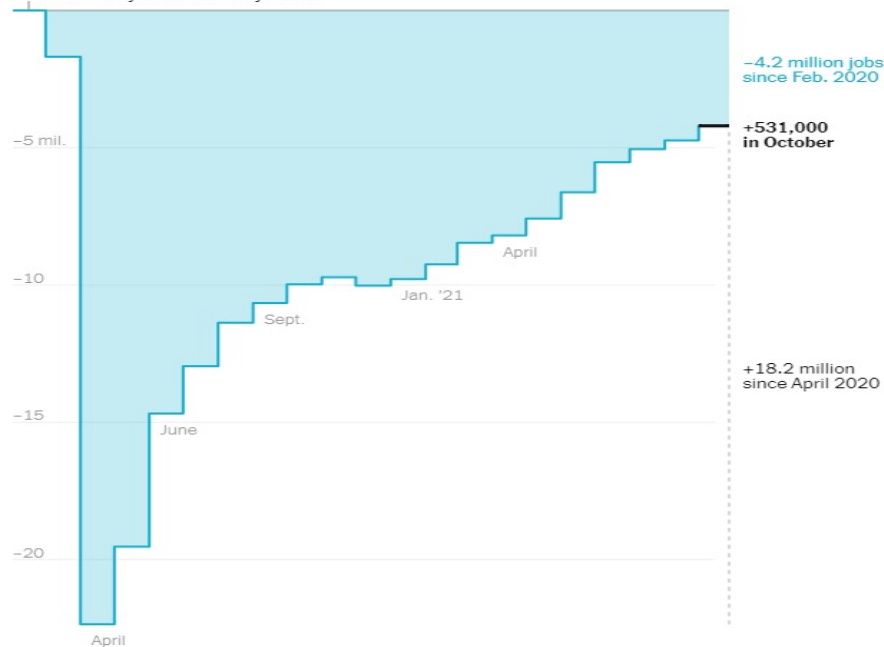
Roots of the Labor Shortage

Employment & Unemployment in March 2021

Hiring rose sharply last month.

Cumulative change in jobs since before the pandemic

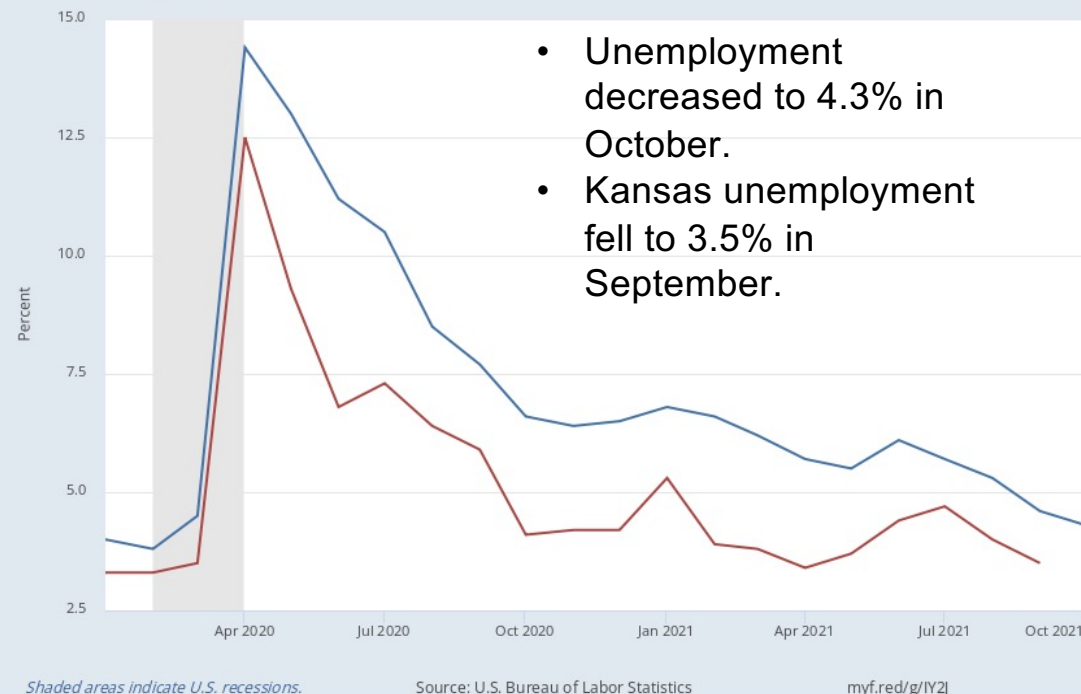
152.5 million jobs in February 2020



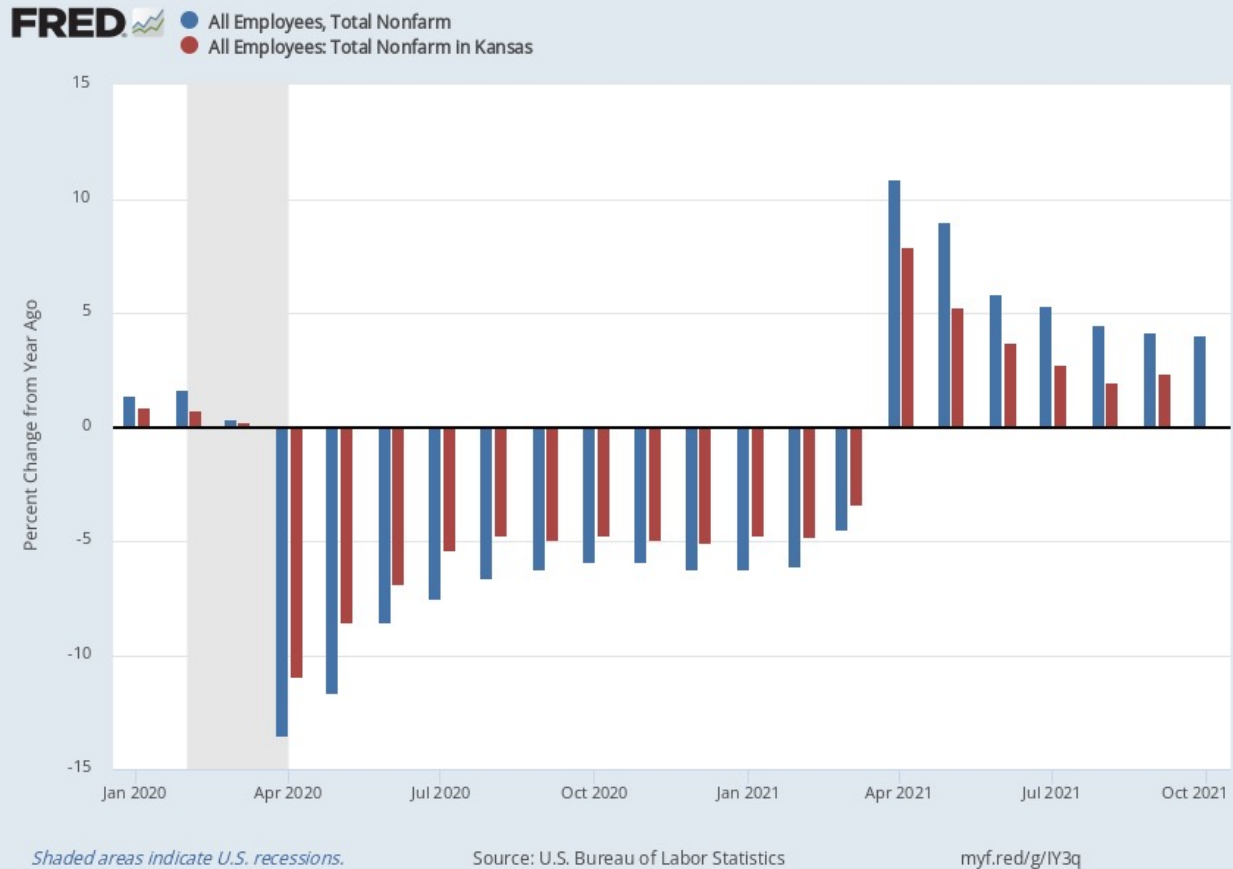
Data is seasonally adjusted. Source: Bureau of Labor Statistics By Ella Koeze

- Economy added 531,000 new jobs in October. Still down 4.2 million. Gains in leisure and hospitality. Source: NY Times

FRED Unemployment Rate Unemployment Rate in Kansas



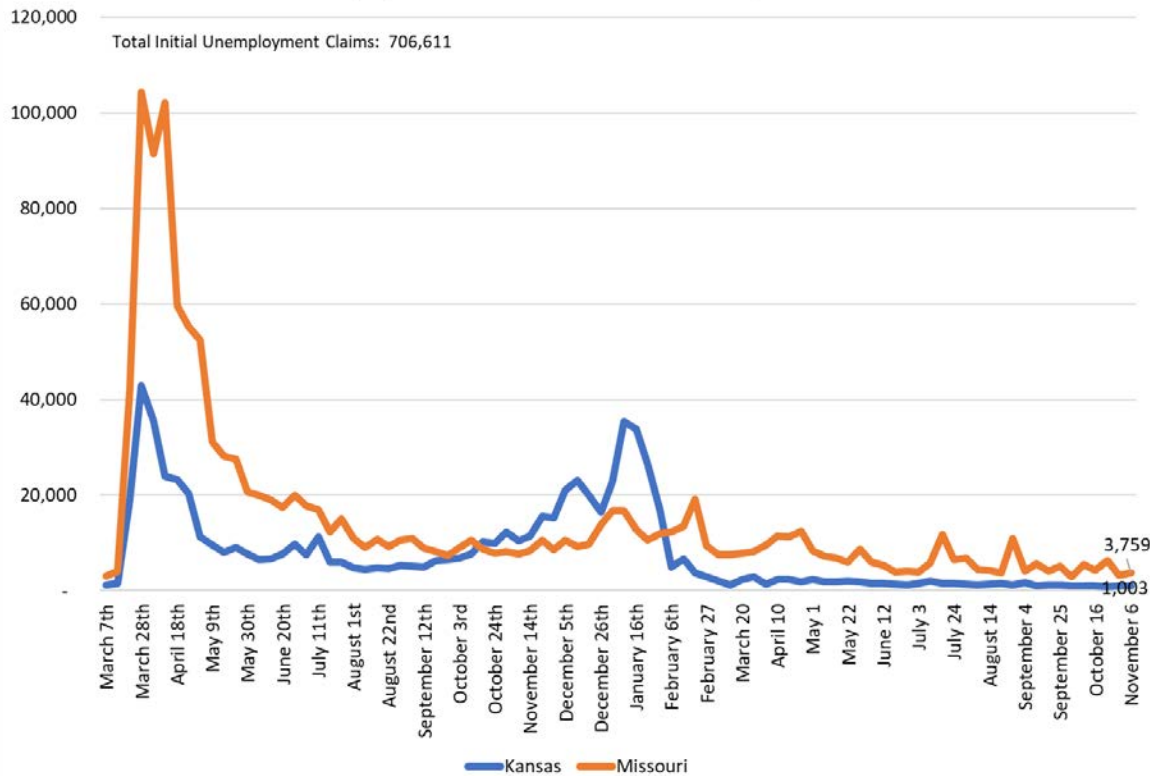
Employment in Kansas and US Compared to a Year Ago



- Kansas employment was up 2.4% from a year ago in September.
- US employment was up 4% compared to a year ago in October.
- More than 300,000 women left the labor force in September.
 - Lack of childcare continues to hurt women's employment.

Initial Claims are Trending Down

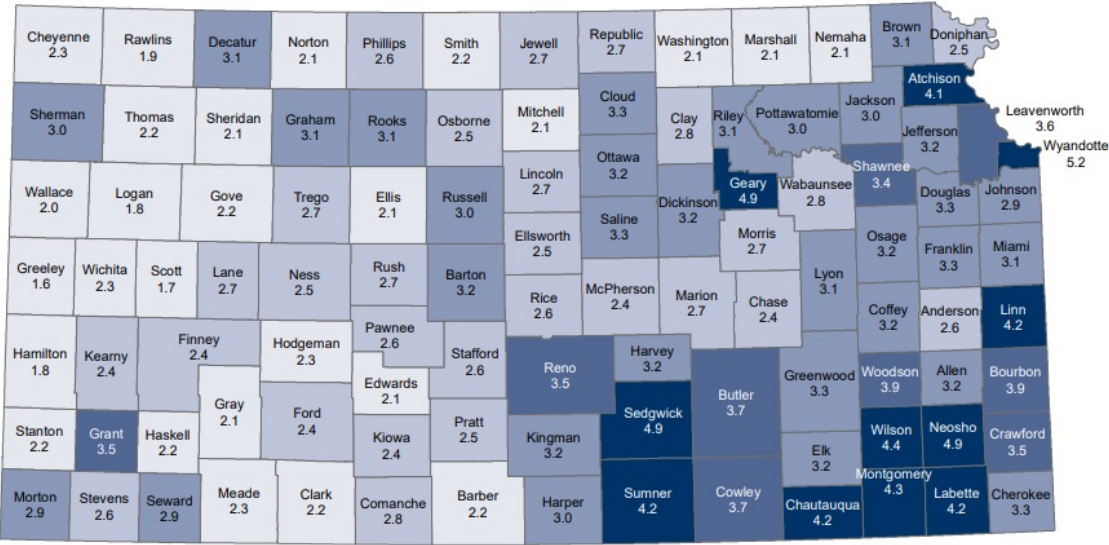
Initial Unemployment Claims in Kansas and Missouri, March 2020 - November 2021



- Kansas continuing and initial unemployment claims have stabilized.
- There are 1,003 new initial claims as of the week ending November 6th.
- State Unemployment ~3.5%.

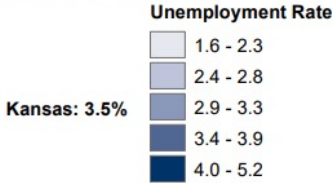
September Kansas Unemployment Rate 3.5%

Unemployment Rate in Kansas, by County
September 2021



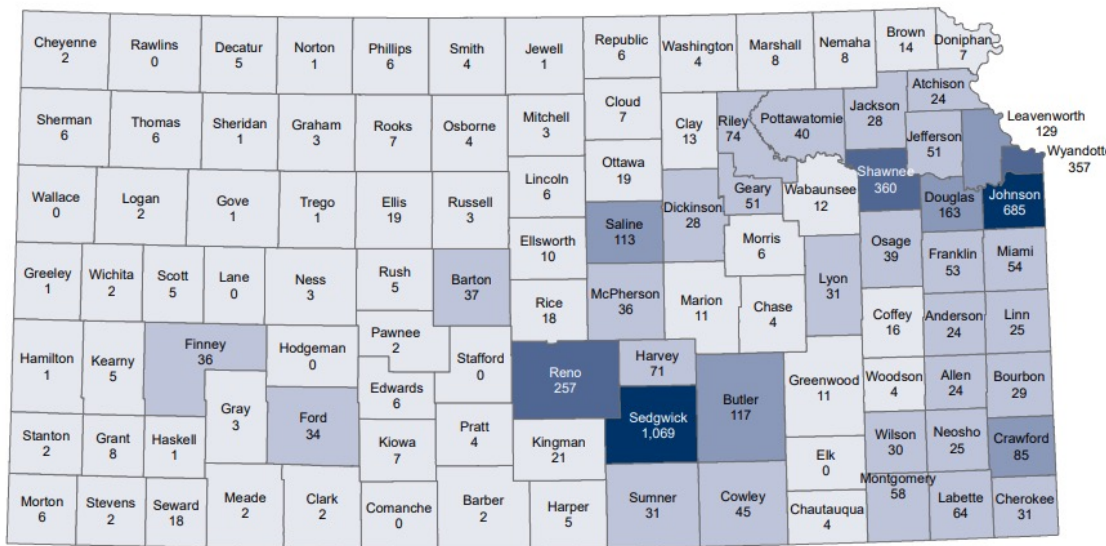
- Uneven impact across the state:
 - Sedgwick County 4.9%
 - Douglas 3.3%
 - Johnson 2.9%
 - Wyandotte 5.2%
 - Shawnee 3.4%
- Unemployment has remained constant since July.

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor.



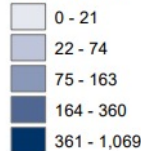
Initial Claims by County

Initial Jobless Claims in Kansas, by County
October 2 - 30, 2021



Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor, Labor Market Information Services.

Initial Claims



- Sedgwick County saw 1,069 initial claims in October

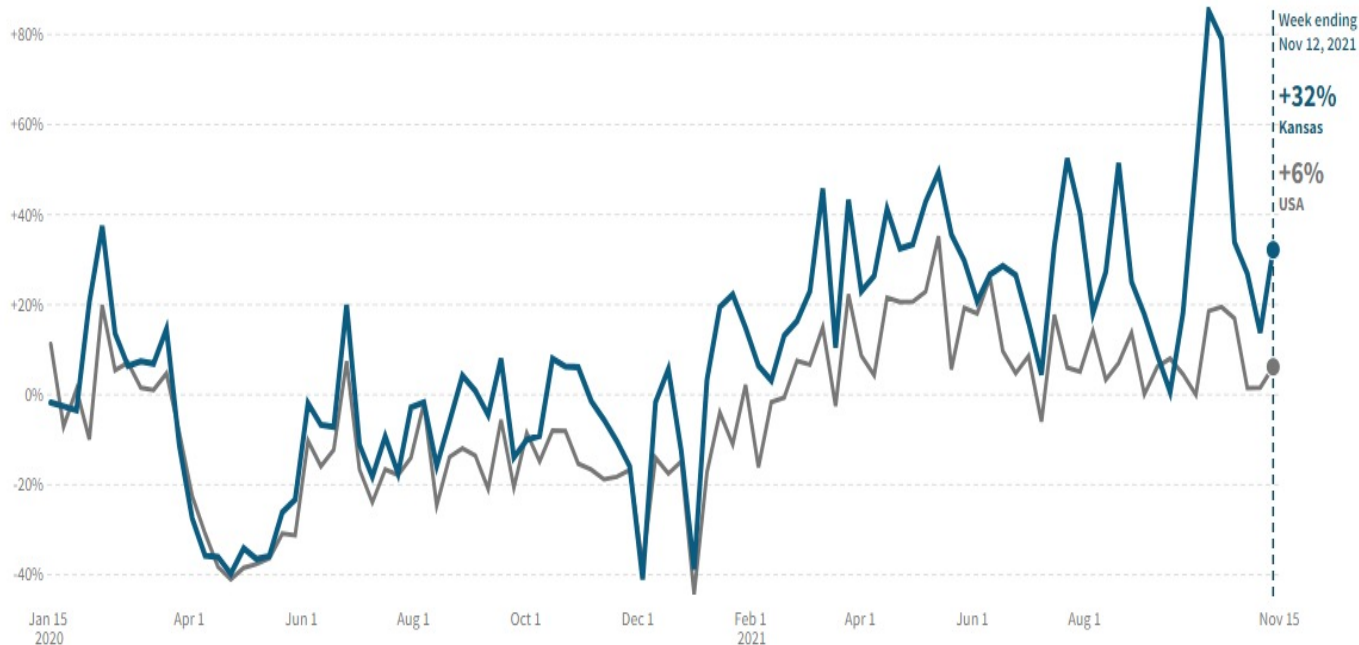
- Johnson: 685
- Shawnee: 360
- Wyandotte: 357
- Reno: 257
- Douglas: 163
- Leavenworth: 129

- Wichita area still sees most new claims

Job Postings Have Increased

In **Kansas**, as of November 12, 2021, total job postings increased by **32%** compared to January 2020.

DOWNLOAD CHART 

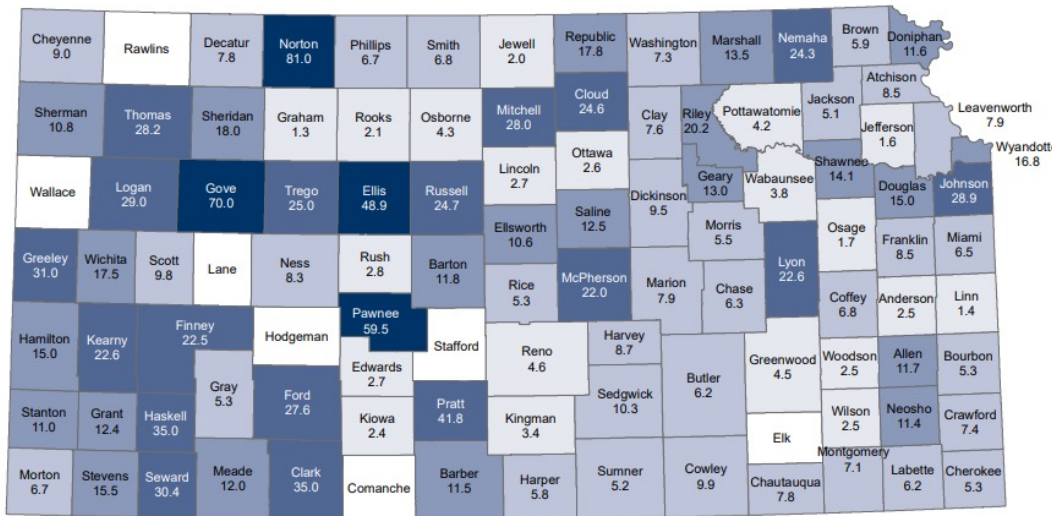


data source: Burning Glass Technologies

1. Job Postings are up 32% in Kansas compared to the start of the pandemic.
2. In the US, job postings are up 6%.
3. Job postings are noisy.
4. One approach to filling jobs is to pay more.

Job Openings Outnumber Unemployment Claims

Job Openings per Initial Jobless Claim in Kansas, by County



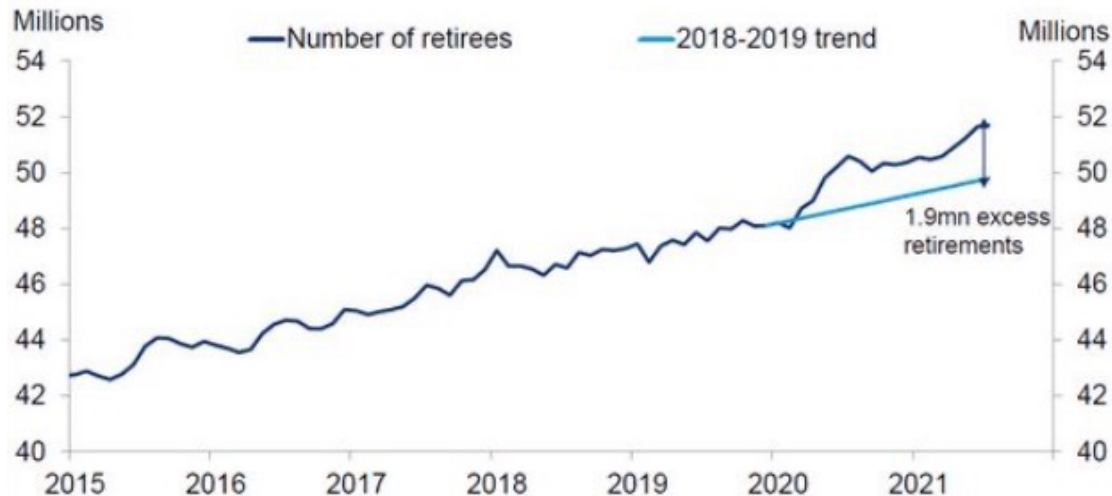
Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor, Labor Market Information Services.

Job openings advertised online on November 15, 2021. Initial unemployment claims from week ending October 2nd through week ending October 30th.



- In all counties with unemployment claims, job Openings outnumber claims.
- Six largest Kansas counties have 7.9-28.9 openings per claim.
- Labor shortage is not the result of workers receiving unemployment benefits.

Labor Shortage Has Many Causes

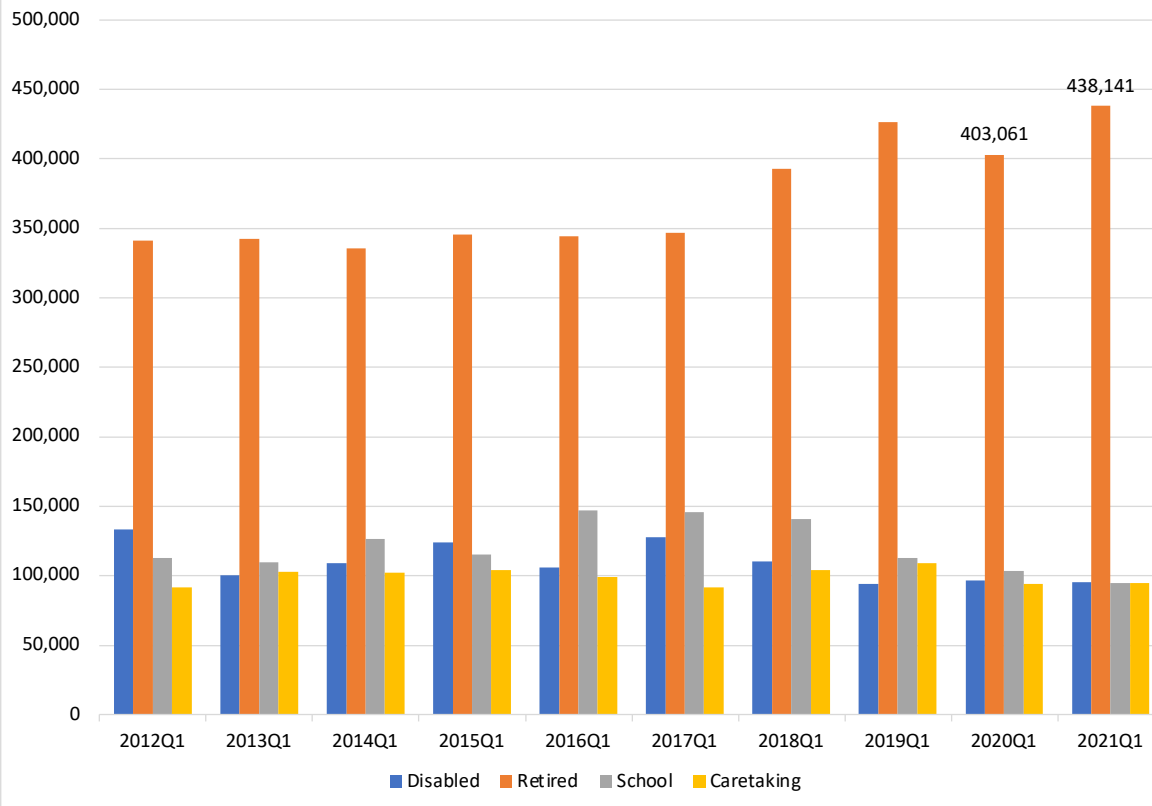


Source: Deutsche Bank, Data from Current Population Survey

1. Great Retirement ~ 2 million people will not return to the labor force.
2. Childcare. Mothers were hit hard and left the labor force. Childcare centers are having difficulty finding workers due to low pay.
3. Some people have decided that low-paying jobs aren't worth dying for.

Kansas Labor Shortage is Associated with Retirement

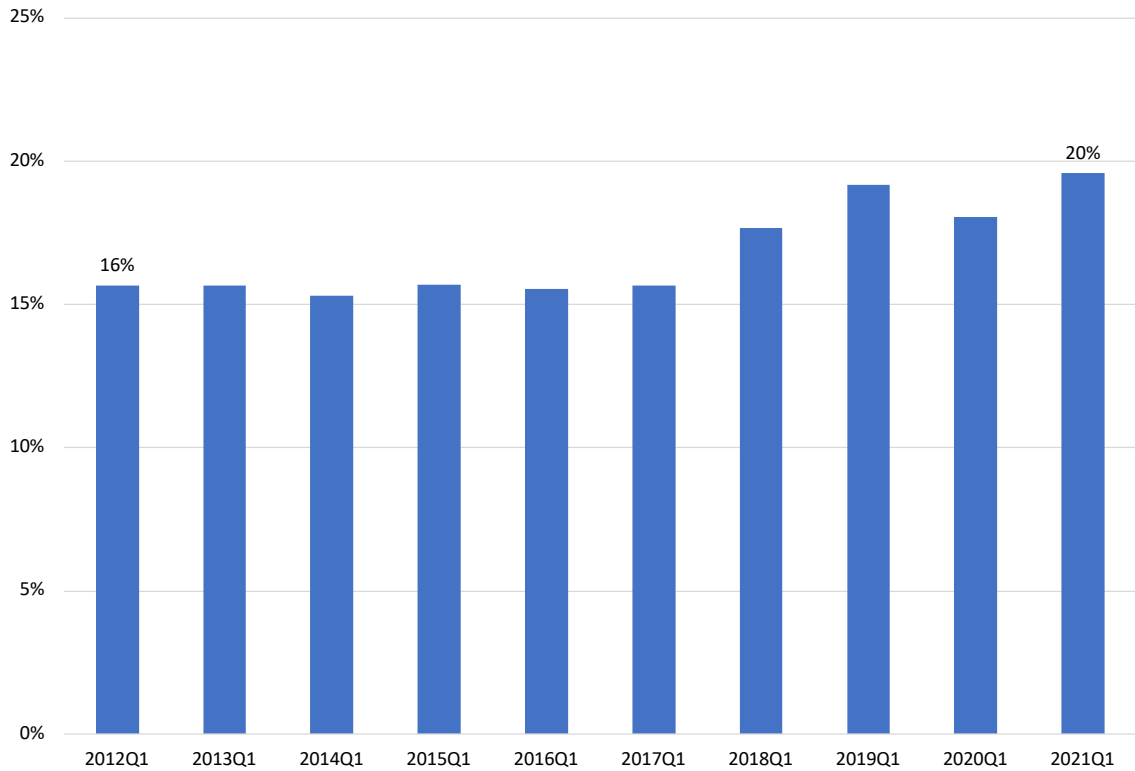
Reasons for Not Working in Kansas, First Quarter of 2012-2021



1. **Great Retirement** ~ 35,000 Kansans have retired in the last year.
2. **Childcare**. Limited evidence of increase in caretaking associated with not in the labor force (only 4% report not working due to childcare).
3. No evidence that enhanced unemployment benefits are contributing to labor shortage.

Kansas Labor Shortage is Associated with Retirement

Retirement to Population Ratio



1. Retirement to population ratio has increased to its highest level of 20%.
2. Retirements started increasing in 2018 but accelerated because of the pandemic.
3. The baby boom has "left the building" all at once.

Employees are Quitting in Drove

U.S. workers set another new record for quitting their jobs

Rate at which U.S. nonfarm workers are voluntarily leaving their jobs



Note: Seasonally adjusted

Source: Bureau of Labor Statistics

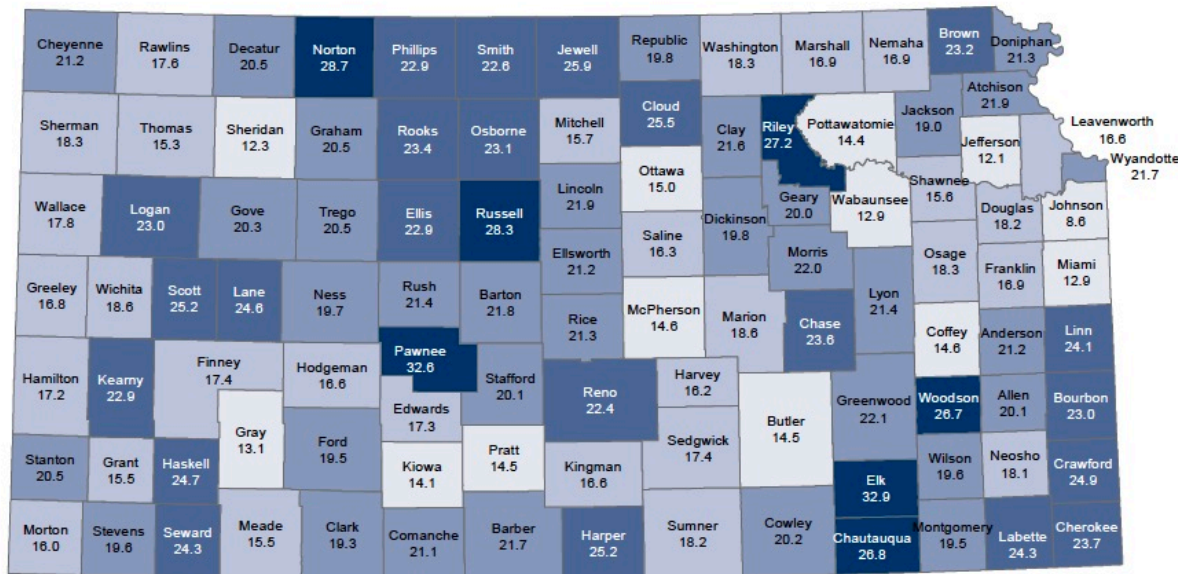
THE WASHINGTON POST

- Employees are quitting at an increasing rate.
- Driven by workers seeking better hours and compensation.
- For the first time since the 1990s, it's a seller's market for labor.

Source: The Washington Post

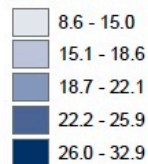
How Many Kansans Would See a Pay Increase?

Percent of Workers Earning Less than \$25,000 in the Past 12 Months in Kansas, by County
2015-2019



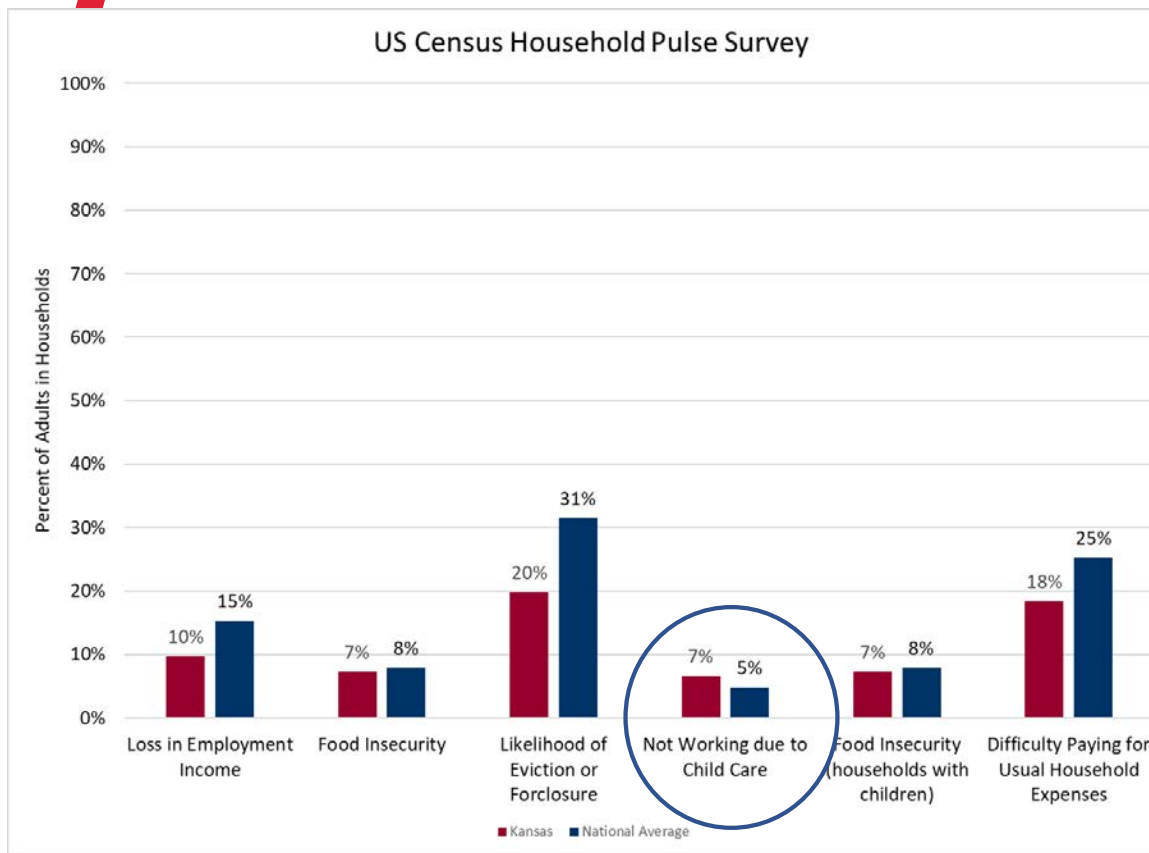
Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, 2015-19 American Community Survey.

Percent of Full-Time, Year-Round Workers



- If the Minimum Wage increased to \$12 per hour, a larger number of Kansans would see a higher wage.
 - 17% in Sedgwick County
 - 33% in Pawnee & Elk counties
- Higher wages may draw more workers into the labor market.

Kansas and US Household Comparison September 27



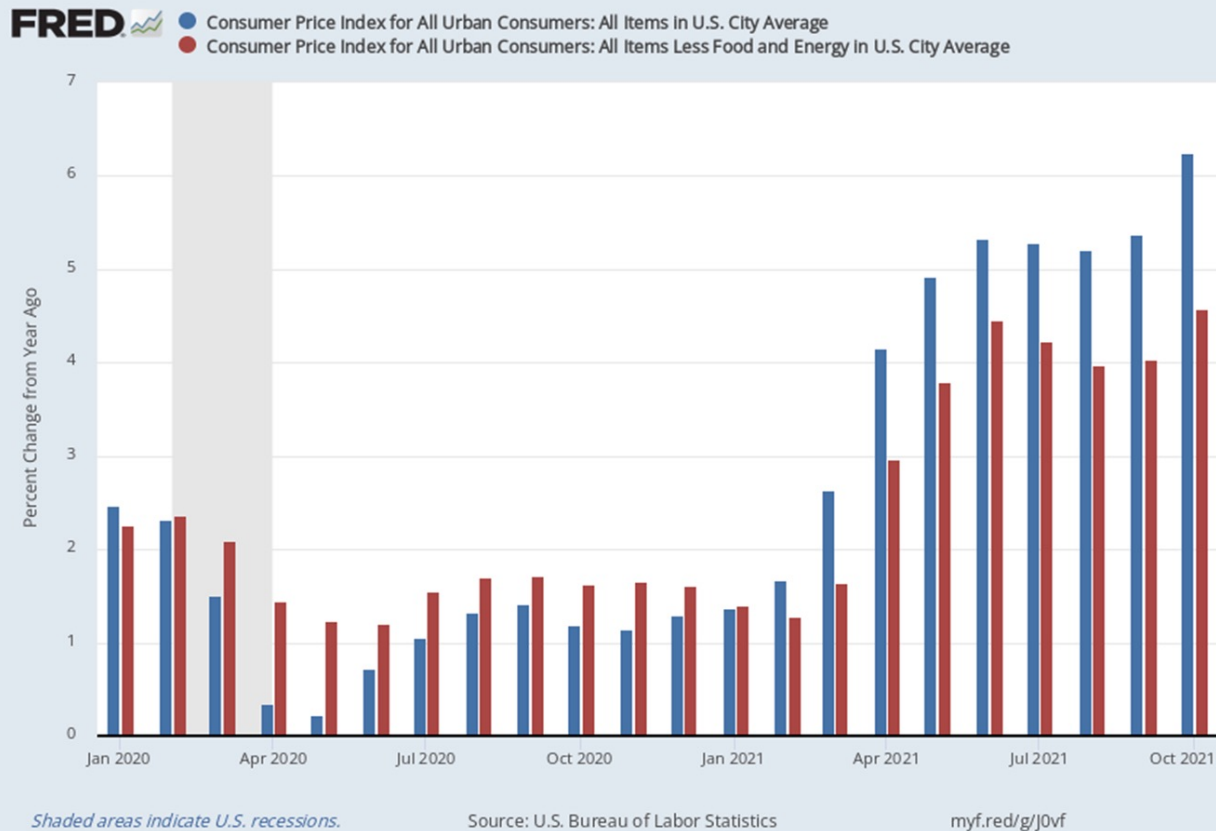
- 10% of Kansas households faced loss in employment income
 - 20% of Kansas households report likely or somewhat likely eviction or foreclosure
- Childcare issues are more pressing in Kansas.
- **Fixing childcare shortage will address the labor shortage**



Inflation is Increasing

Supply Chains are Driving Prices Higher

Inflation has Increased

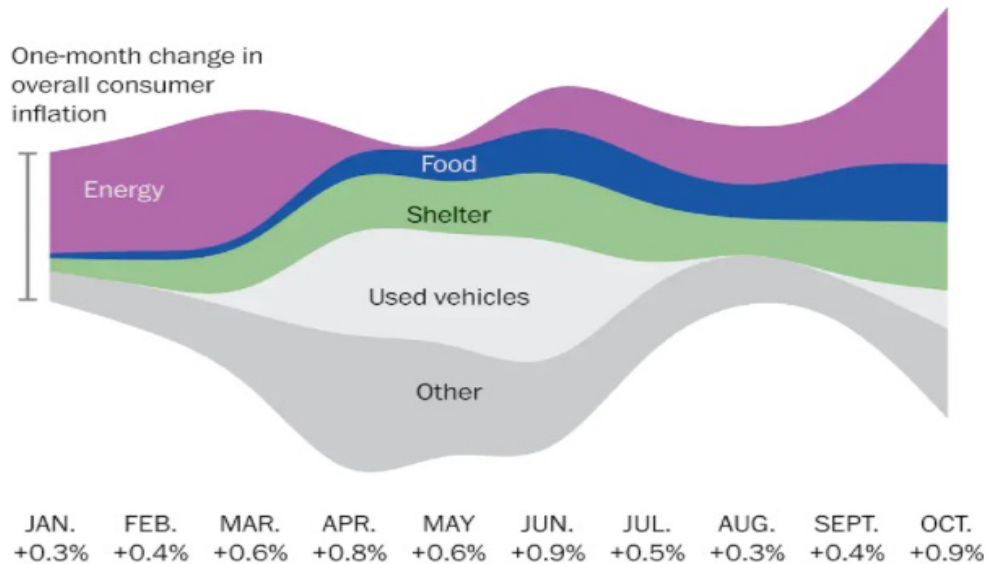


- CPI up over 6.2% compared to a year ago.
 - CPI less food and energy up 4.6%.
 - Last year inflation was incredibly low due to the pandemic.
- Inflation being driven by supply shocks.

Food and Shelter are Driving Inflation

What increased overall consumer inflation in 2021?

Energy prices accounted for a growing share of inflation in October



Energy costs had a slight negative impact on overall inflation in April and May, and used vehicles had a negative impact on overall inflation in January, February, August and September. Seasonally adjusted.

Source: Labor Department

THE WASHINGTON POST

Energy prices accounted for a growing share of inflation in October (The Washington Post)

Source: The Washington Post

- Increasing cost of food and shelter are now driving inflation.
- Energy and used vehicles are less of a factor than they were in the spring.

Supply Shocks Resulted in Vehicle Price Increases

Cars and trucks show different pressures on prices

Percent change in consumer price index since Oct. 2019, seasonally adjusted



Source: Labor Department

THE WASHINGTON POST

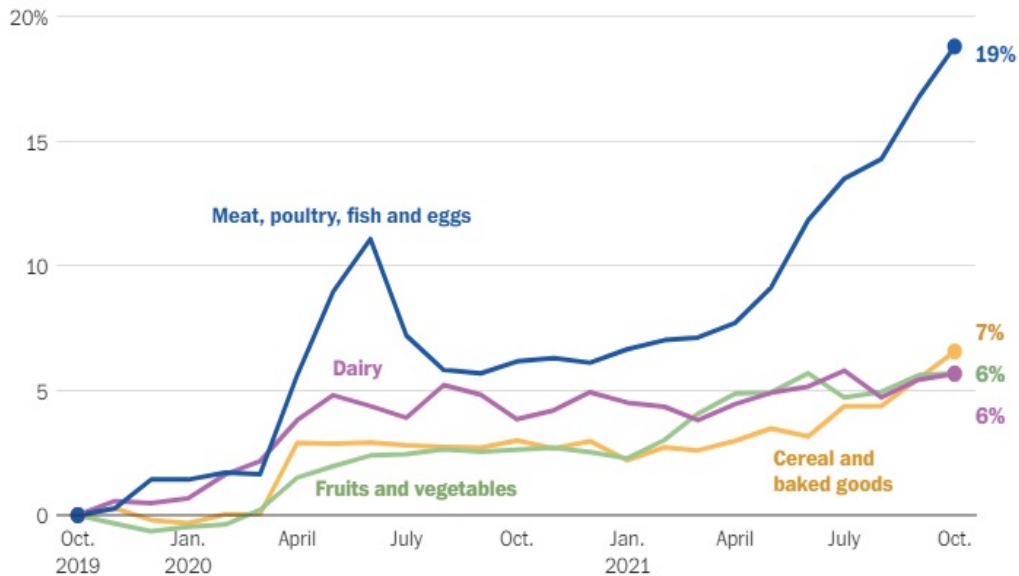
- Rental car companies sold off their cars early in the pandemic, leading to a shortage now.
- Supply chain issues have made new and used cars more expensive.
- Used car prices are up 58%

Source: The Washington Post

The Price of Meat is Climbing

Meat prices spike above other food categories

Percent change in consumer price index since Oct. 2019, seasonally adjusted



Source: Labor Department

THE WASHINGTON POST

- Meat prices have risen 19% since September 2019.
 - Fruits and vegetables up 6%
 - Cereals and baked goods: 7%
 - Dairy and related: 6%
- Agriculture income is up.

Source: The Washington Post

Is Inflation Transitory or Permanent?

- Some have argued that inflation is due to the economic stimulus.
- Inflation is also much higher in Europe, suggesting that it's not fully the result of US fiscal policy.
- **Bryan Lowry, McClatchy November 16th:** “The fact of the matter is, if we want to talk about inflation, it really is talking about dealing with COVID,” said Kent Smetters, an economics professor at the University of Pennsylvania’s Wharton School. “That is the driver here. And everything else is a sideshow, or it’s something that is a Federal Reserve problem over time instead of a fiscal problem.”

**Euro zone Oct inflation
confirmed at 4.1% y/y on energy
spike**

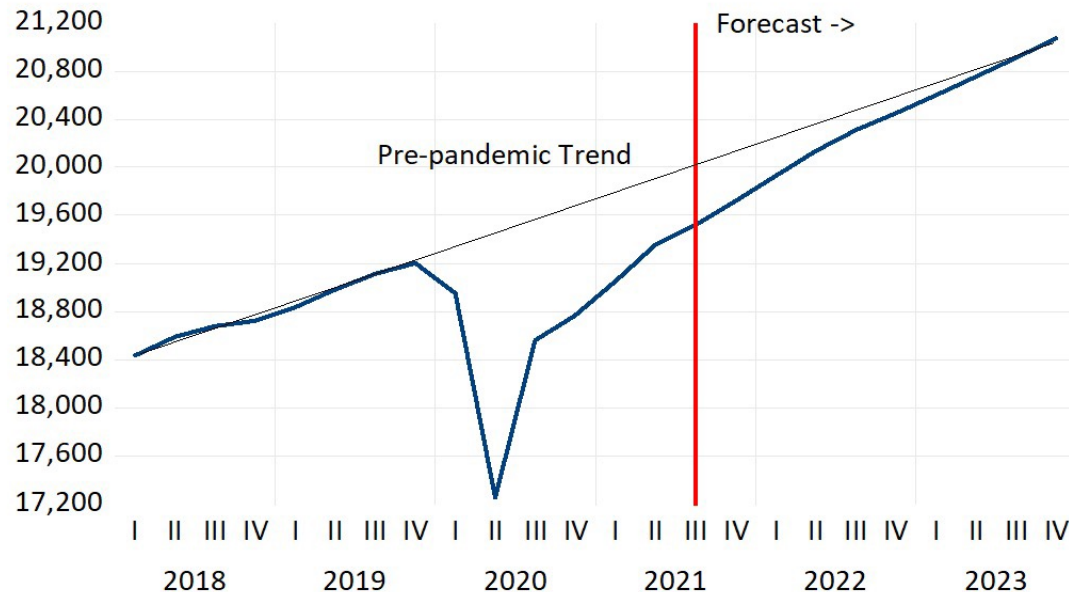


The Recovery is
Progressing
Although threats remain

We have surpassed pre-pandemic growth as of Q2 2021

Real GDP Levels, 2018Q1–2023Q4

Billions of chained 2012\$, annual rate

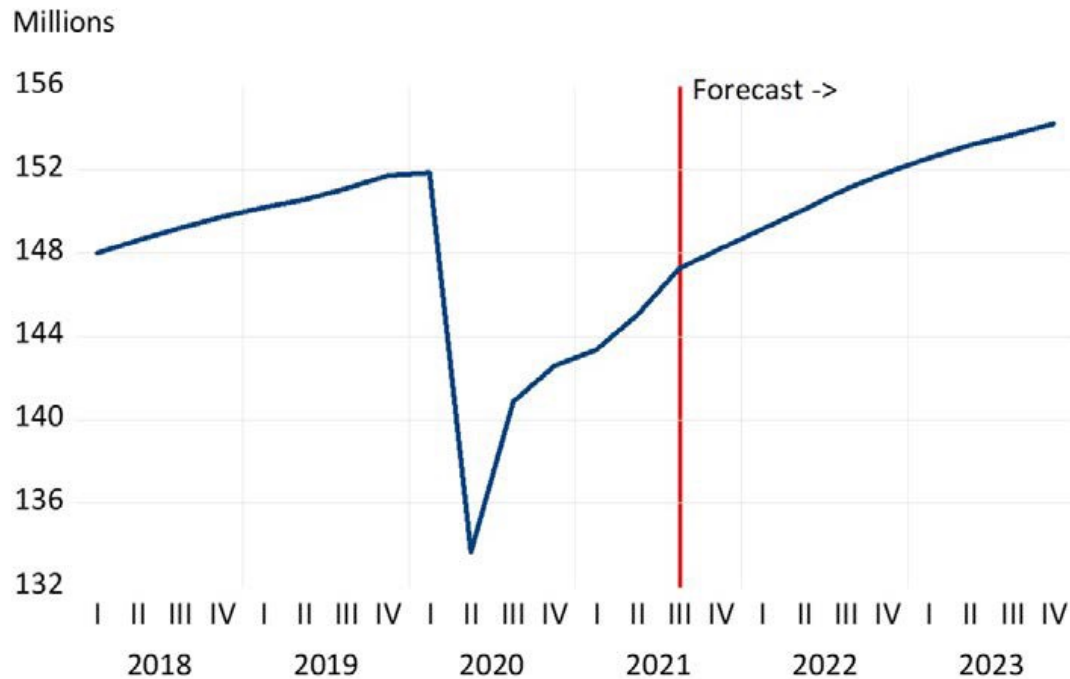


GDP has fully recovered. There is pent up demand for services that will grow as more people get vaccinated.

By Q3 2023, we will return to trend growth.

Employment will Take Longer to Recover

Total Nonfarm Payroll Jobs, 2018Q1–2023Q4



According to UCLA Forecast, it will take until Q4 2022 for all of the jobs lost due to COVID to return.

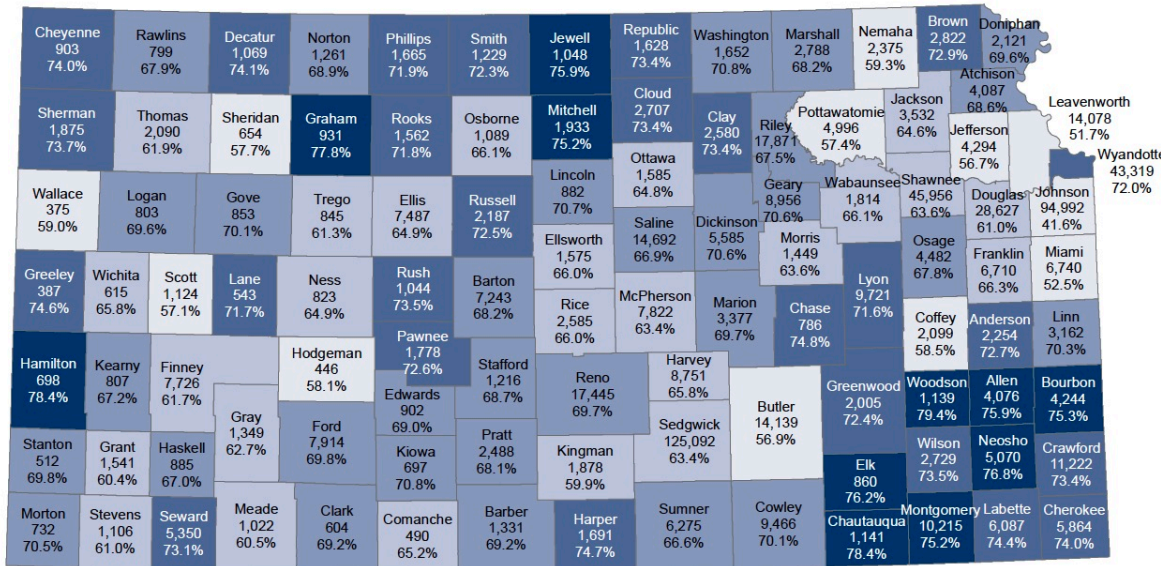
Many Service sector jobs will not return.

What's Driving the Recovery

- American Rescue Plan is pumping more money into households and has provided much needed support for state and local governments.
- COVID cases have plateaued as more people have gotten vaccinated.
- Pent up demand for a return to “normalcy.”
- Full bank accounts from the pandemic.

How Many Households will get Stimulus Checks?

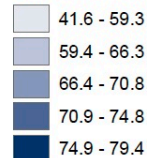
Household with Income Less than \$75,000 in Kansas, by County
2015-2019



Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Census Bureau, 2015-19 American Community Survey.

Kansas Households with Income < \$75,000
Number: 688,121
Percent: 60.9%

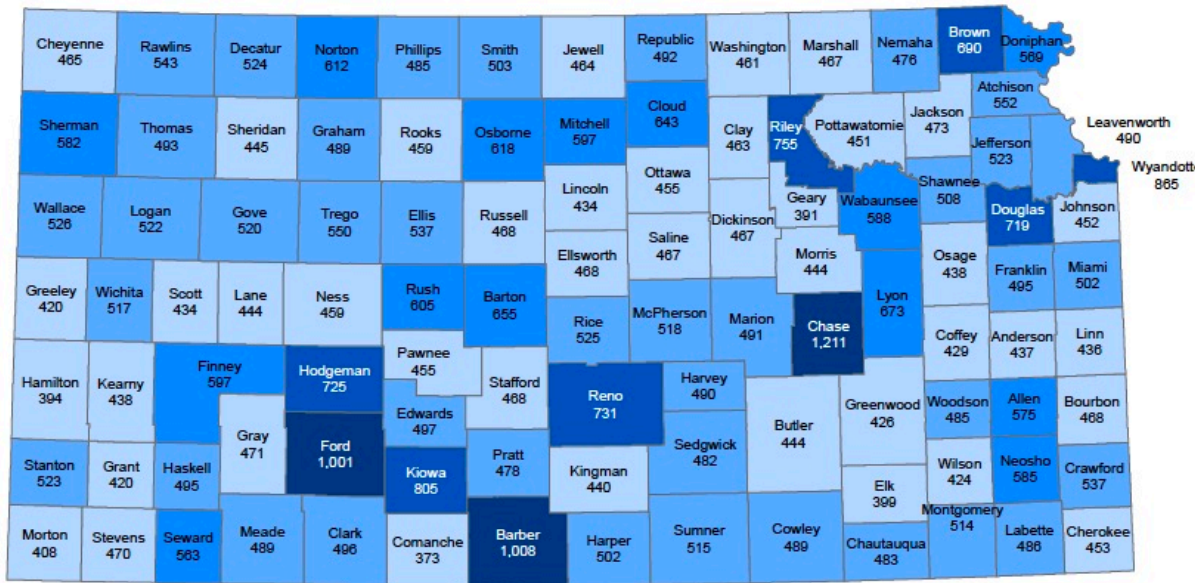
Percent of Households



- Estimate 61% of Kansas households received those payments.
- In some Kansas counties (darker colors), over 75% of households received stimulus checks from the American Rescue Plan Act of 2021.

Per Capita CARES and ARPA Funding

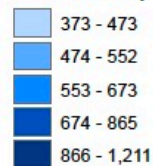
CARES Act and American Rescue Plan Funding Allocations in Kansas



- Federal funding allocated based on population and unemployment.
- Chase, Barber, and Ford Counties are receiving over \$1000 per person in federal funding.
- Many counties are receiving half of that per capita.

Source: Institute for Policy & Social Research, The University of Kansas; data from the Kansas Office of Recovery, National Association of Counties, and U.S. Census Bureau, 2020 Census.

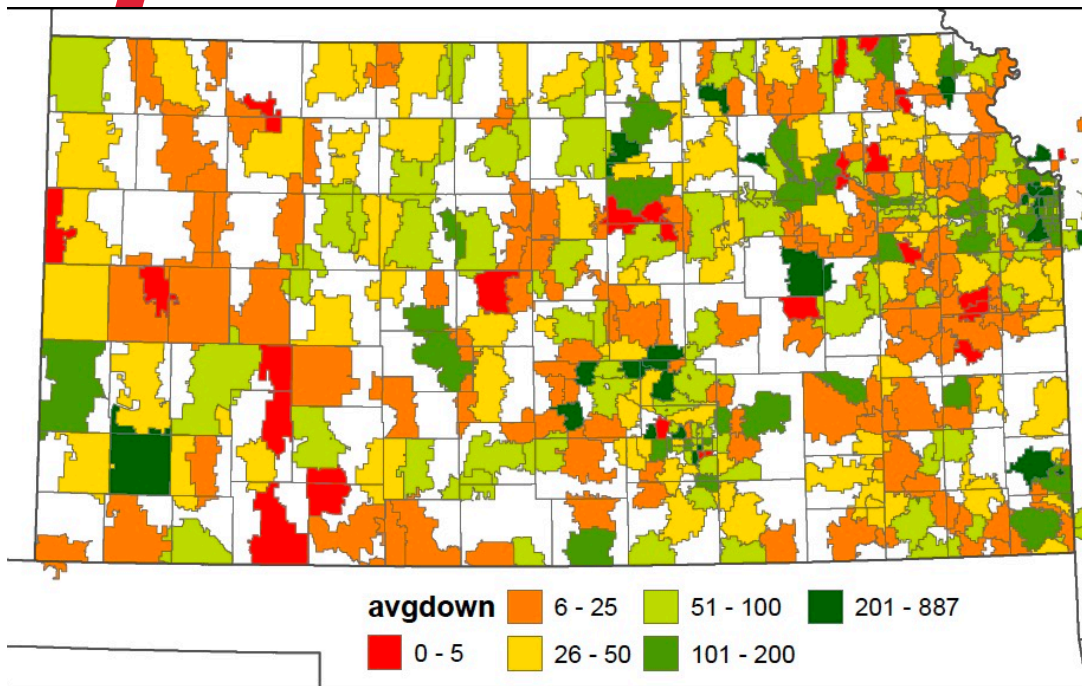
Dollars Per Capita



What's Will Slow the Recovery?

- Supply chain bottlenecks in the near term will increase prices and may slow economic activity.
- Small businesses, some service sector jobs, and some workers may never return.
- COVID remains a threat
- Lack of infrastructure—broadband—will affect long-term growth.
 - Infrastructure bill will help!

Preliminary Broadband Survey Results



- Combined data from IPSR's Broadband Survey and Regents data show low average download speed in much of Kansas.
 - Orange areas are below or just barely at broadband speed.
 - Red areas have less than broadband speed or no internet.
 - White areas are missing.

<http://ipsr.ku.edu/broadband/kansas.shtml>

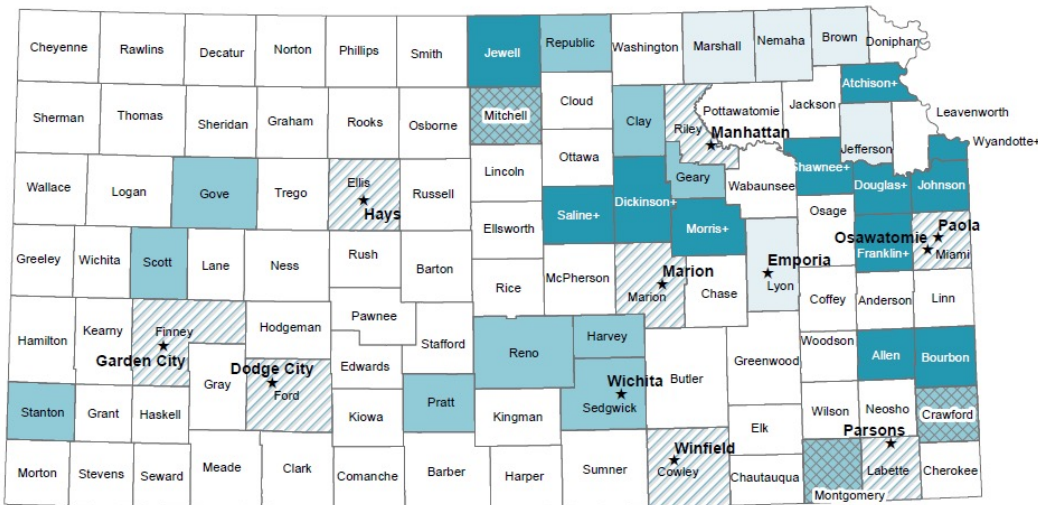


Did Health Policy Hurt the Kansas Economy?

New Research by Carlos Zambrana, IPSR

The Kansas Natural Experiment

Mask Mandates in Kansas, by County
as of November 17, 2020



Source: Institute for Policy & Social Research, The University of Kansas; data from the Kansas Health Institute.

+ indicates county has a mask mandate in addition to other preventative policies.

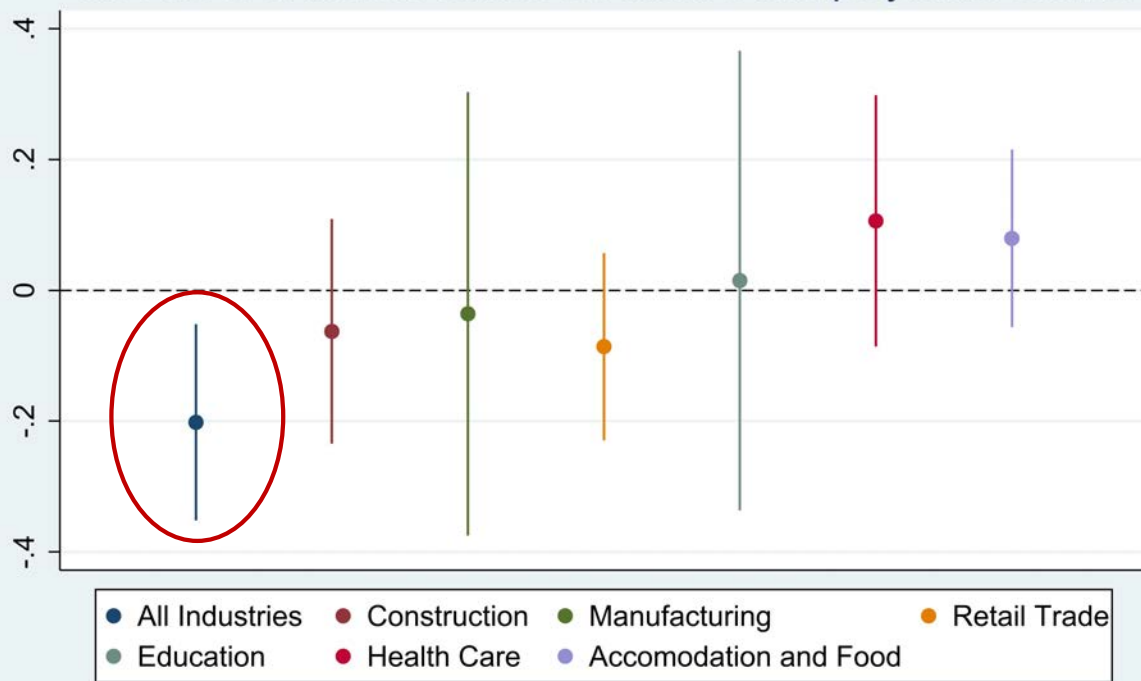
Mask Mandates by Date of Implementation



- Counties in Dark Green adopted a mask mandate (treatment group) Those in white did not (control group).
- Compare Unemployment Claims & Visits to establishments in treatment and control counties.
- Did Mask Mandate affect these outcomes?

Did Mask Policies Affect Unemployment Claims?

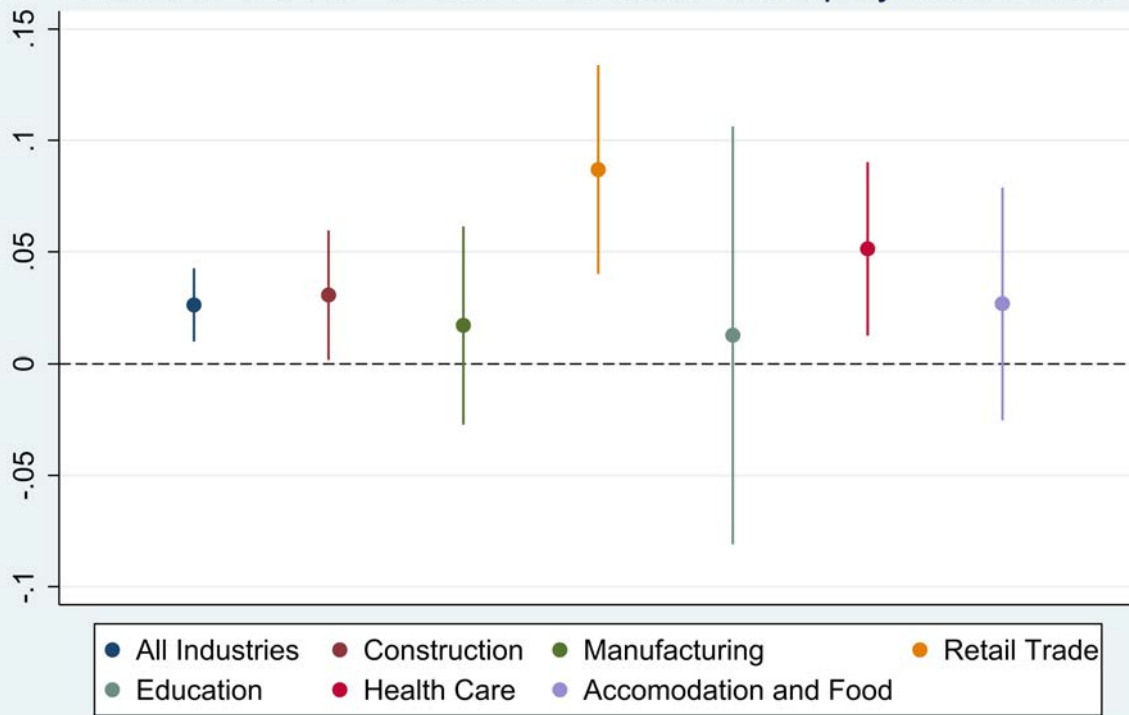
Difference-in-Differences Estimates of the Effect of Mask Policies on Initial Unemployment Claims



- Current research by Carlos Zambrana asks whether mask mandates from July-Dec, 2020 affected economic activity.
 - Comparing initial unemployment claims in counties with and without mask mandates, he found no significant increase in claims.
 - For all industries combined, **unemployment claims were lower in mask mandate counties.**

Did COVID Cases Affect Unemployment Claims?

Effect of COVID-19 Cases on Initial Unemployment Claims

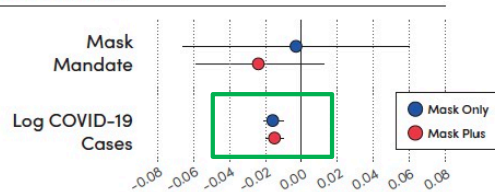


- Comparing initial unemployment claims in counties with and without mask mandates, **COVID cases increased unemployment claims.**

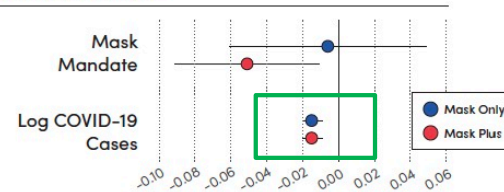
Did Policies Affect Establishment Visits?

Estimated Effect of Mask Policies and COVID Cases on Visits to Kansas Establishments

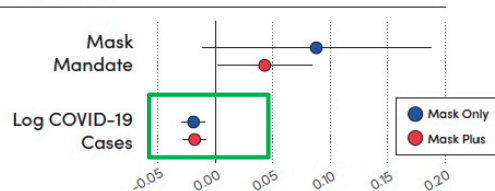
All Industries



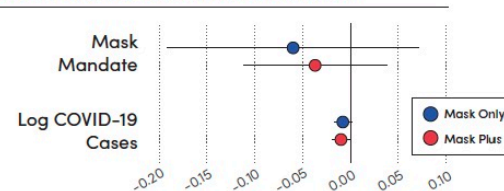
Wholesale Trade



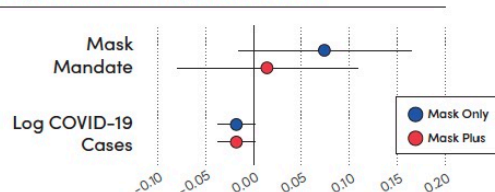
Retail Trade



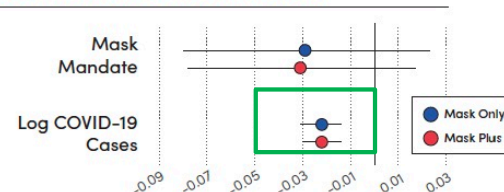
Health Care & Social Administration



Arts, Entertainment, & Recreation



Accommodation & Food Services



- Two types of policies:
 - Mask Only
 - Mask Plus other restrictions.
- Mask Plus—positive impact on visits to retail.
- COVID cases reduce visits in most industries.

Source: The Institute for Policy & Social Research, the University of Kansas, data from: SafeGraph.

Health Policy is Economic Policy

- We may be entering a fourth wave of COVID cases in Kansas.
 - Unvaccinated people, waning efficacy of vaccine and holiday travel may add fuel to the COVID fire.
- Mask Policies did not slow economic activity.
- COVID cases:
 - Increase unemployment claims
 - Reduce visits to establishments.

Health Policy is Economic Policy

- To paraphrase James Carville: **It's the virus, stupid!**
- "This virus is highly infectious. If you decide to try to run the game clock out, don't try to do it. This virus will find you, it will infect you eventually," Michael Osterholm, director for the Center for Infectious Disease Research and Policy at the University of Minnesota.
- Vaccinated Adults should get their booster.

Health Policy is Economic Policy

- Announced proposal to allow people who refuse to get the vaccine to claim unemployment benefits will:
 - Add to the state's labor shortage
 - Cost companies money
- We have ~363,000 unvaccinated workers in the labor force.
 - If 10% do not get the shot, it will cost the UI system between \$127.4 to \$509.7 million dollars.
- This policy will prolong COVID in Kansas.

I Wish You a Happy & Healthy Thanksgiving



INSTITUTE FOR
POLICY &
SOCIAL RESEARCH
University of Kansas

Thank You!

Thank You *Mahalo*
Tack **Kiitos**
Grazie **Toda**
Obrigado **Thanks**
Takk **Merci**
Danke **Gracias**