Update on the Kansas and Missouri Economies

The Missouri and Kansas economies expanded slightly during the end of 2013 and into the new year. Payroll employment grew in Kansas, led by hiring in natural resources and mining. The situation in Missouri was similar, but employment growth there was led by the construction sector. The rate of unemployment continued to decline in both states, though this reduction came with a lower labor force participation rate, particularly in Kansas. Residential and commercial real estate maintained levels seen in recent months, and farmland values rose at a slower pace than previous months. Farm income continued to be diminished by low crop prices.

Total payroll employment growth in Kansas during the winter months was positive overall (Chart 1). The sectors in Kansas with the largest employment growth in December were natural resources and mining, financial activities, professional business services, construction and state government. Only two sectors had employment contract during the winter months—retail trade and federal government. The Kansas City, Wichita, Topeka and Lawrence metro areas saw slight employment declines in December, but employment in some areas was higher than in this time last year.

Missouri also experienced growth in payroll employment during the winter months. The particular sectors in Missouri that experienced the most growth in December employment were construction, financial activities, wholesale trade, professional business services, education and health services. The sectors with constrained job growth were natural resources and mining.

Have income and wages returned to their pre-Great Recession levels? Economist Jason Brown answers this timely question about the Kansas and Missouri economies on Page 4.
resources and mining; information; and federal, state and local governments. In western Missouri, St. Joseph and Joplin observed the fastest job growth rates.

The unemployment rates in Kansas and Missouri were lower in the winter months compared to their fall levels (Chart 2). The December 2013 unemployment rate in Kansas was 4.9 percent, a 0.7-percentage-point decline from the fall reading in October. In Missouri, the unemployment rate was 5.9 percent in December 2013, up from 6.5 percent in the fall. While job growth occurred, the decline in the unemployment rate is also partially explained by the decline in labor force participation in both states.

The residential and commercial real estate markets in Kansas and Missouri held steady during the last months of 2013. The value of residential construction in both states is steadily returning to levels seen near the start of the recession (Chart 3). Home prices in Kansas City and Wichita are higher than last winter, and the number of homes sold is also higher in most metro areas. Finally, commercial real estate construction value is higher than the same time a year ago in Kansas and Missouri.

Kansas and Missouri farmland values rose only modestly during the winter months, slowing from the pace of recent months. When compared to a year ago, nonirrigated farmland values were up 10.7 percent and 15.9 percent in Kansas and Missouri, respectively (Chart 4). Respondents to the Kansas City Fed’s Agricultural Survey reported they believe farmland values have peaked and they anticipate lower prices in the near future. Continued lower crop prices are causing reductions in farm income, which is expected to remain low throughout 2014. Livestock producers, however, are benefiting from lower crop prices that have caused feed costs to drop. Meanwhile, cattle prices are increasing.

Update provided by Andres Kodaka, research associate, at the Federal Reserve Bank of Kansas City.
Since the end of the Great Recession, many smaller metropolitan areas in Missouri have shown a healthy amount of growth in output and employment. One of the metro areas that exemplifies this growth is St. Joseph. This city has displayed a relatively active manufacturing sector, but it has also recently seen a rise in investment from service sector firms.

Output in the St. Joseph metropolitan area, as measured by Gross Metropolitan Product (GMP), has continued on a steady growth trend (Chart 5). In fact, according to a report by the National Association of Counties, Buchanan County, where St. Joseph is the county seat, was one of only three counties in Missouri during the Great Recession that did not experience a recession. According to the Bureau of Economic Analysis, the GMP of the St. Joseph MSA was $4.42 billion in 2012; that level of output represented a 9.8 percent increase from the previous year. Though that elevated level of output growth is not likely in coming years, the metro is in a good economic position.

St. Joseph has also experienced a significant increase in employment (Chart 6). On an annual basis, payroll employment grew 3 percent and 1.6 percent in 2012 and 2013, respectively. Employment has grown about 7.4 percent from the highs reached before the recession. In comparison, Kansas City’s employment was 1.6 percent below its pre-recession high at the end of 2013. The unemployment rate in the St. Joseph MSA was 5.1 percent in December 2013, a 0.8-percentage-point difference from the higher overall Missouri unemployment rate. One possible explanation for St. Joseph’s stronger job growth may be sizablehirings across companies in a diverse set of industries such as healthcare, food manufacturing, local government, animal pharmaceuticals, financial services and retail.
Personal income per capita is one of the broadest measures of income collected and reported by the Bureau of Economic Analysis (Chart 7). During the Great Recession, personal income per capita declined more in Kansas (-5.5 percent) and Missouri (-5.1 percent) compared to the U.S. (-4.7 percent). Since reaching the lowest levels in 2010, income levels have grown faster in Kansas (9.3 percent) compared to Missouri (3.6 percent) through the third quarter of 2013, pushing Kansas above pre-recession levels but leaving Missouri slightly behind. The most recent reading showed the level of per capita personal income in Kansas ($41,300) was just below the U.S. ($41,700), while Missouri ($37,500) continued to lag.

Unlike the broader measure of personal income, wages have been mostly unchanged since the Great Recession (Chart 8). During downturns in the economy, wages tend to be “sticky,” meaning employers would like to reduce wages further, but find it difficult to pay current employees less. Similarly, during the recovery the re-entry of lower wage workers can put slight downward pressure on average wages. The set of workers who remain often see slow growth in their wages as a result. Compared to pre-recession levels, average weekly earnings have grown, but only modestly—2.4, 0.9 and 1.8 percent in Kansas, Missouri and the U.S., respectively. Faster growth in average wages in the future would indicate continued strength in the economic recovery.