Update on the Kansas and Missouri Economies

The economic outlook in Kansas and Missouri generally improved throughout the spring of 2014, though some factors have yet to return to pre-winter levels. The unemployment rate in both states turned lower, especially in Missouri, which had seen its unemployment rate rise during the first months of the year. After abnormally harsh winter months, payroll employment has consistently risen in both states. Residential real estate showed slight improvement from the winter downtrend, but was not at the levels of 2013. The appreciation of farmland values slowed, while farm income declined in both states.

The Kansas unemployment rate was 4.8 percent, the lowest it has been since late 2008. Missouri unemployment was 6.6 percent, lower than the March reading, but not as low as the 6 percent reached in January 2014 (Chart 1). The labor force participation rate in both states has steadily increased since the beginning of the year, though Missouri saw a small reduction in April. On a seasonally adjusted basis, initial claims for unemployment insurance were down in both states during the spring months. Missouri claims turned higher in January and February, but the most recent months’ data showed a sharp decline.

Missouri has shown positive growth in payroll employment since January, gaining more than 13,000 jobs (Chart 2). In April, the fastest growing sector from March was leisure and hospitality—representing 10 percent of all Missouri payroll jobs—followed closely by construction and professional and business services. The information sector lost...
the most jobs in April, possibly reflecting the job losses in the telecommunications sector in some parts of the state. Federal and state government also endured a decline in employment. In western Missouri, Kansas City and Joplin employment grew 0.6 percent and 1.4 percent, respectively, from year-ago levels.

Payroll employment in Kansas also has grown steadily since the beginning of the year. The latest release showed the number of jobs was less than 1 percent off its pre-recession peak. In April, the sectors that grew the most from a year ago were construction, professional and business services, information and other services. In contrast, the sectors that experienced a reduction in jobs were federal and state government and manufacturing. The latter was largely due to recent layoffs in the aerospace industry. In Kansas, Wichita employment grew 0.8 percent and Topeka grew 1 percent from April 2013.

After slowing during the colder-than-usual winter months, the residential real estate market has recently shown improvement. Home sales in Kansas and western Missouri rose in the spring months but are still lower than a year ago. Residential construction values increased modestly in both states, rebounding from the lower values seen at year-end 2013 (Chart 3). Commercial real estate was down slightly in both states but was also lower from a year ago.

Kansas nonirrigated farmland values were flat compared to winter levels, while up 10.3 percent from a year ago (Chart 4). In Missouri, farmland values declined 1.9 percent from winter levels, though values were up 5.5 percent from a year ago. Farm income was lower in both states, mainly due to lower crop prices. Respondents to the Kansas City Fed’s Agricultural Survey expect lower farm income in the next few months. Recent futures prices for corn and wheat indicated a continuation of their lower levels, while soybeans prices were expected to be even lower in the fall. Livestock operators, however, continued to benefit from lower crop prices and experienced improved margins.

Update provided by Andres Kodaka, research associate, at the Federal Reserve Bank of Kansas City.
The Kansas and Missouri economies produce agricultural and manufactured products that are exported worldwide. Knowing which products are sought by markets outside the United States can help illustrate the connection between the Kansas and Missouri economies with the global economy. A simple but meaningful way to do this is by analyzing the top exports in both states and observing how they have changed over time.

The total value of Kansas exports in 2013 was $12.4 billion, up 5.3 percent from 2012 and 116 percent from 10 years ago (Chart 5). Adjusted for inflation, the peak year for Kansas exports was 2008 when it exported $13.5 billion (in 2013 dollars). Kansas’ top four export sectors were agricultural products (20.8 percent), food manufacturing (19.8 percent), transportation equipment (17.4 percent), and machinery except electrical (10.6 percent). Over the last 10 years, more than half of Kansas exports consisted of just of food manufacturing and transportation equipment. This suggests that the Kansas export mix has changed somewhat over the past decade and is more balanced now than it was in 2003.

In 2013, Missouri exported more than $12.9 billion worth of goods outside of the United States. That total was more than $1 billion below what it exported the prior year (Chart 6). Exports in Missouri have been declining since a recent peak in 2011. After adjusting for inflation, Missouri exported the highest value of goods in 2007, when it exported just over $15 billion. The top four product sectors last year were transportation equipment (21.5 percent), chemicals (17.6 percent), food manufacturing (12.1 percent) and machinery except electrical (10.8 percent). A decade ago, the Missouri product mix was slightly different. More than 50 percent of exports in 2003 were from transportation and chemicals, and food manufacturing was not one of the top four sectors. In fact, Missouri exported over $1 billion dollars more of food manufacturing in 2013 than it did 10 years prior.
Domestic oil production in the United States has increased substantially in the last five years. Between 2008 and 2013, annual production increased nearly 50 percent. Over the same period, annual production in the state of Kansas grew 18 percent. Advances in drilling technology and higher crude oil prices have both played large roles in increasing production. Much of the increase has occurred in areas with shale formations where horizontal drilling and hydraulic fracturing have made extraction more profitable. Crude oil has mostly been trading in a band between $90 and $100 per barrel over the past few years, which has also supported more costly extraction in shale plays.

Kansas oil production increased a little over 3.1 million barrels to 43.7 million barrels between 2012 and 2013 according to the Kansas Geological Survey. However, much of this increase was concentrated in a handful of counties (Map 1). Harper County, near the Kansas/Oklahoma border, saw annual production increase by 860,000 barrels, which represents almost 28 percent of the total increase for the state. Other counties that experienced large production increases include Rawlins, Haskell, Comanche and Finney. Combined with Harper County, they account for almost 71 percent of the total increase in production in the state over the last year. The Mississippi Limestone is the main formation in Kansas where recent extraction has occurred, but extraction is more costly compared to conventional drilling in other parts of the state. Continued improvements in technology and oil prices sustained at high levels may allow for even more oil to be extracted in these areas.

Map 1