Update on the Kansas and Missouri Economies

The Kansas and Missouri economies continued to grow during the fall of 2013. Employment growth was positive in both states, led by growth in professional and business services in Kansas and by construction in Missouri. The unemployment rate also declined in both states. Residential real estate also continued to show signs of improvement with the value of construction and home prices rising. Finally, farmland values rose in the fourth quarter in Kansas as well as in Missouri, but lower crop prices hurt farm income.

Kansas payroll employment growth in late summer and early fall was more pronounced than in the summer (Chart 1). The top five sectors that drove employment growth in Kansas were professional and business services, information, natural resources and mining, financial activities and leisure and hospitality. By contrast, the sectors contracted the most during the third quarter were state and federal government and construction (nonresidential). The metro areas in Kansas that had positive employment growth were Kansas City, Lawrence, Topeka and Wichita. The only metro area with slightly negative employment growth during the fall was Manhattan, Kan.

Total payroll employment growth for the fall months in Missouri was also positive. The sectors in Missouri that supported this positive growth were construction, leisure and hospitality, education and health services, financial activities and retail trade. State and federal government were the sectors with the largest negative growth, in addition to the information sector. Employment growth in the major metro

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**Chart 1**

**Total Nonfarm Employment**

*Year-over-year Growth*

- U.S.
- KS
- MO

areas of Missouri was positive, with Columbia and Springfield as the strongest areas.

The unemployment rates during the fall of 2013 for Kansas and Missouri were down from levels seen in the summer (Chart 2). The Kansas unemployment rate in October was 5.6 percent, a 0.4 percent decline since July. In Missouri, the unemployment rate was 6.5 percent in October, also a 0.4 percent decline since July. While the labor force in Missouri increased during the fall with stronger employment growth, the Kansas labor force dropped slightly. New claims for unemployment insurance have been steadily declining during the fall months, with Missouri’s claims declining at a slower pace than in Kansas.

The Kansas and Missouri residential real estate market has continued to improve. The value of residential construction in Missouri is the highest it has been since early 2008. Kansas residential construction value has been steady throughout the fall months, but is higher when compared to the same time last year. Moreover, home prices in both states appreciated during the fall, although at a slower pace compared to recent months (Chart 3).

Farmland values rose during the early fall months of 2013 in both Kansas and Missouri (Chart 4). The pace of growth, however, has slowed in Kansas compared to the growth seen in 2012. Farm income saw a reduction caused by lower crop prices. Respondents to the Kansas City Fed’s Agricultural Survey reported they expected farm income to continue to remain low for the rest of 2013 even with the support of crop insurance. Additionally, futures prices for soybeans, wheat and corn indicate that prices for these commodities will remain flat or continue on their decreasing trend. Livestock producers have, however, gained from the lower prices of the commodities used in feed and have shown a gradual improvement in their incomes.

Update provided by Andres Kodaka, research associate, at the Federal Reserve Bank of Kansas City.
Spotlight On: Topeka, Kan.

Topeka, Kan., is the fifth-largest city in Kansas by population. As the state capital, government is a significant part of its economy. Other important sectors in Topeka include education and health services and personal and business services. The beginning of the year brought some positive growth for the city. More recently, however, employment has been declining. Topeka’s dependence on some of its larger sectors is one possible reason it is not growing as fast as other metro areas in Kansas.

The total nonfarm employment in Topeka was a seasonally adjusted 109,500 in October 2013. That was a 0.9 percent reduction in employment compared to October 2012 (Chart 5). Total nonfarm employment has shown negative growth since late summer. In the spring and early summer months of 2013, Topeka employment growth was positive, but not quite at the levels of other metropolitan areas in Kansas.

The sectors in Topeka’s economy that grew the most in October were leisure and hospitality (5.7 percent), information (5.6 percent), personal and business services (4.2 percent), manufacturing (2.8 percent) and other services (2 percent). As of October 2013, those sectors combined represent almost a third of total jobs in Topeka (Chart 6). The sectors with the largest declines in employment growth year over year in October were local government (-7.7 percent), warehousing and utilities (-4.9 percent), wholesale trade (-3.0 percent), federal government (-2.8 percent) and state government (-2.3 percent). As of October 2013, those sectors combined also represent almost a third of total jobs in Topeka. Additionally, the sector in Topeka’s economy with the largest share of jobs is educational and health services. This sector’s employment was at the same level as in October 2012.
The Great Recession began in December 2007 and ended in June 2009, according to the National Bureau of Economic Research. During that time, it is estimated that nearly 8 million jobs were lost throughout the United States. Since then, the pace of recovery has varied substantially across the country. Even within states subsequent job growth has been faster or slower in different areas. This variation may be due to the composition of the local economy and the extent to which areas did or did not experience a large run-up in housing prices and subsequent collapse. One geographical designation that helps show these differences are comparisons between metro (“urban”) and nonmetropolitan areas. The U.S. Census Bureau classifies metropolitan areas as those with at least 50,000 in population in the urban core.

In Kansas, the pace of job loss was different in metro versus nonmetro areas. Employment began falling noticeably in metro areas in November 2008, but did not start falling at the same pace in the nonmetro portion of the state until February 2009 (Chart 7). Similarly, by April 2010, nonmetro areas on net began adding jobs, while job gains in metro portions of the state began a month later. Since then, Kansas nonmetro areas have experienced a faster pace of recovery and have seen employment return to peak levels prior to the recession. Metropolitan areas on the other hand, are still about 2 percent below their pre-recession level. One possible explanation for the difference is the higher reliance upon agriculture and agricultural service industries in nonmetro areas of Kansas, which experienced record farm incomes during the last four to five years. Construction activity was also higher in metropolitan areas and was hit harder by the recession compared to other industries.