

Economic Forecast Update

September 2023

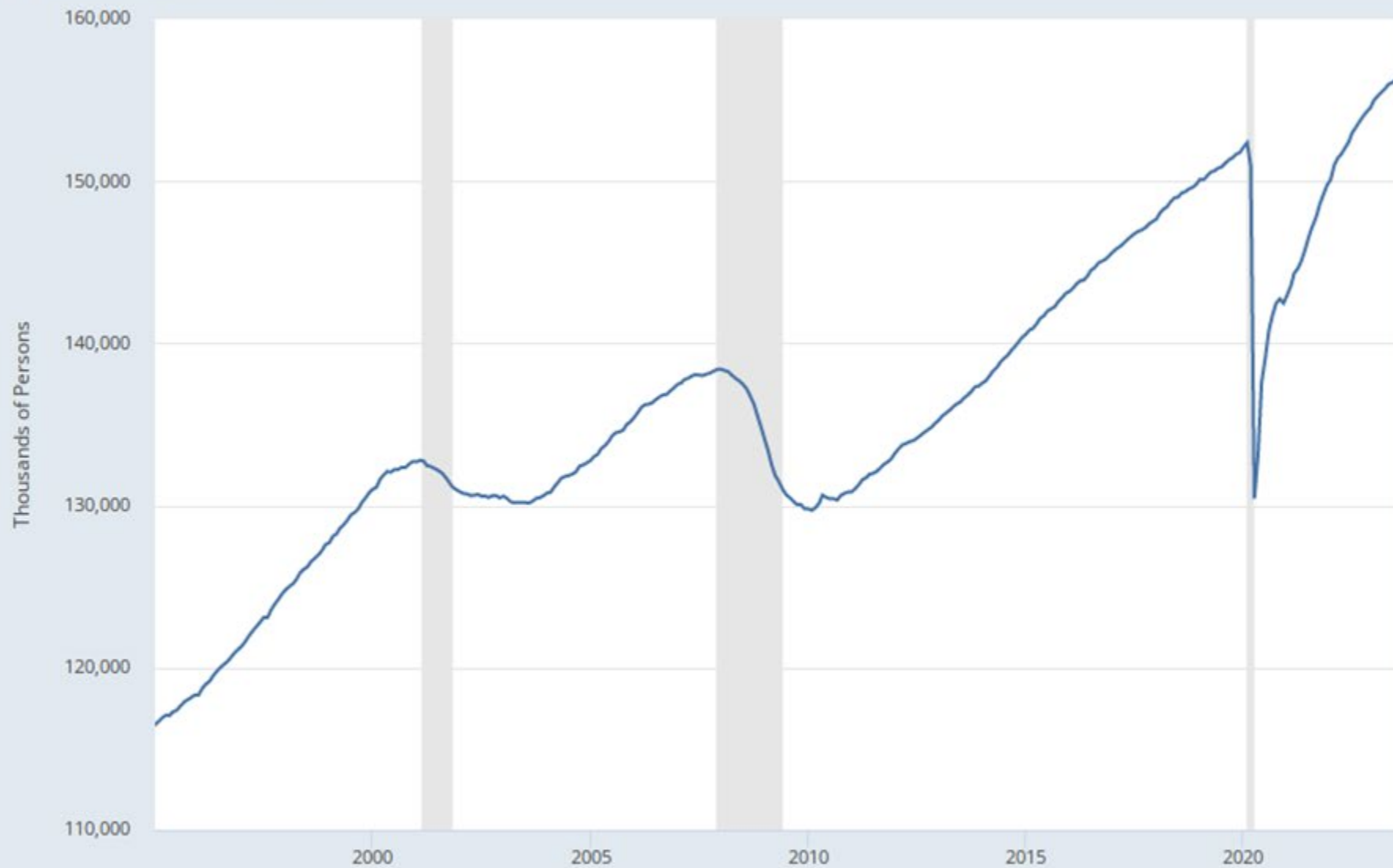


US History and Forecast

FRED



All Employees, Total Nonfarm



Total Non-Farm Employment

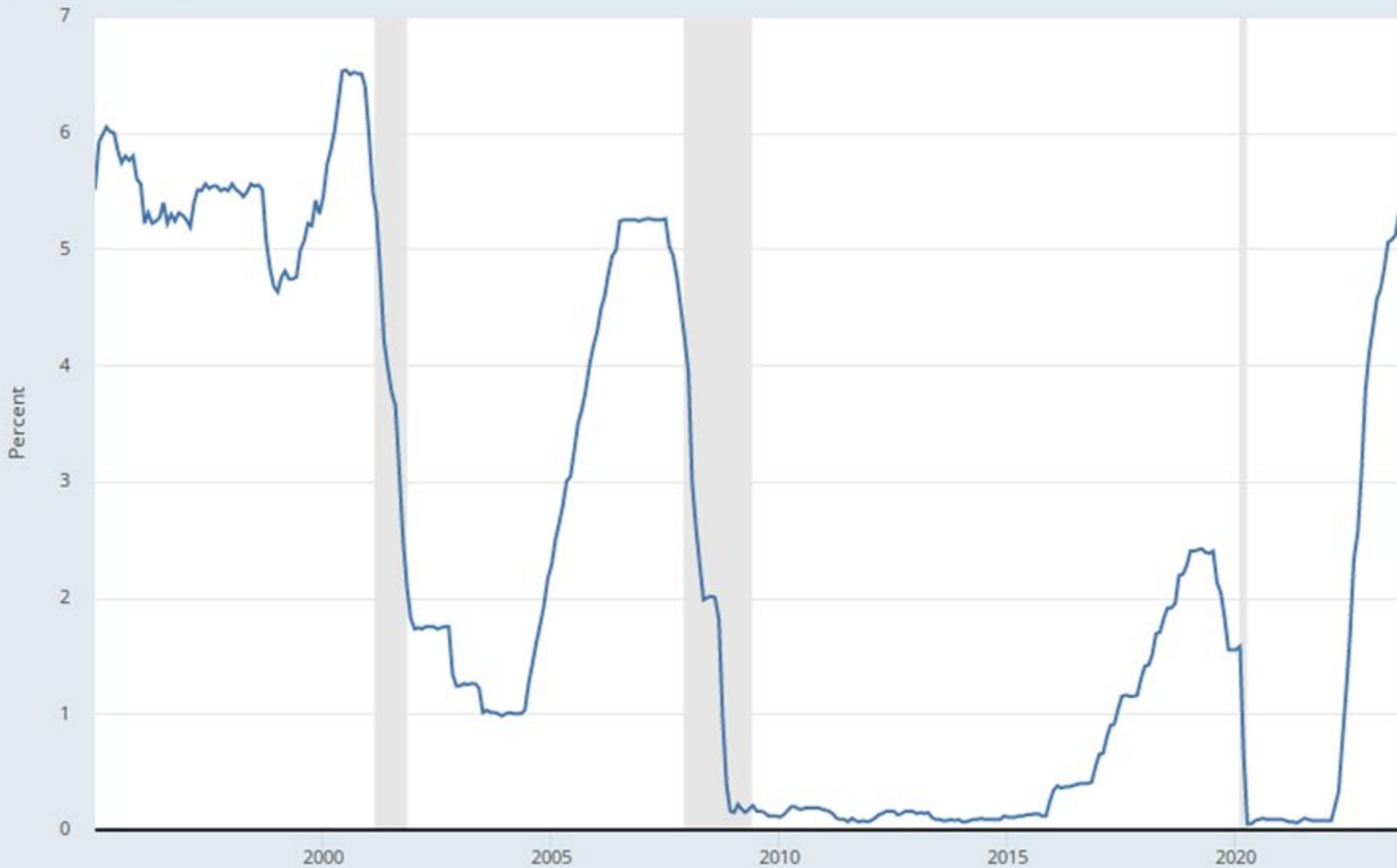
Source: U.S. Bureau of Labor Statistics

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FRED



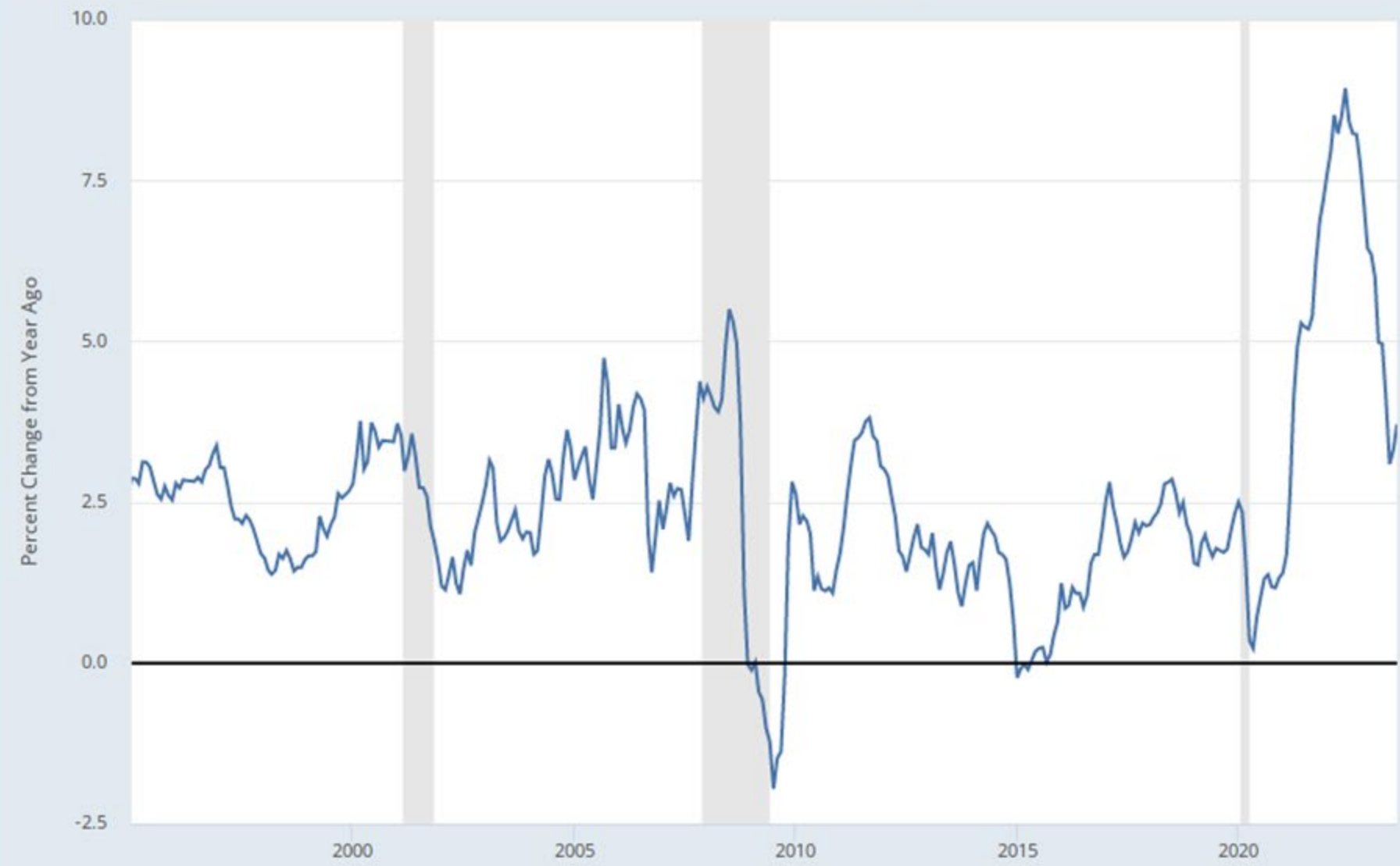
Federal Funds Effective Rate



Fed Funds Rate

Policy follows the real economy

Source: Board of Governors of the Federal Reserve System (US)



Inflation Rate (CPI)

We never had so severe a recession nor as quick a bounce back. The result was inflation we hadn't seen since the 1980s

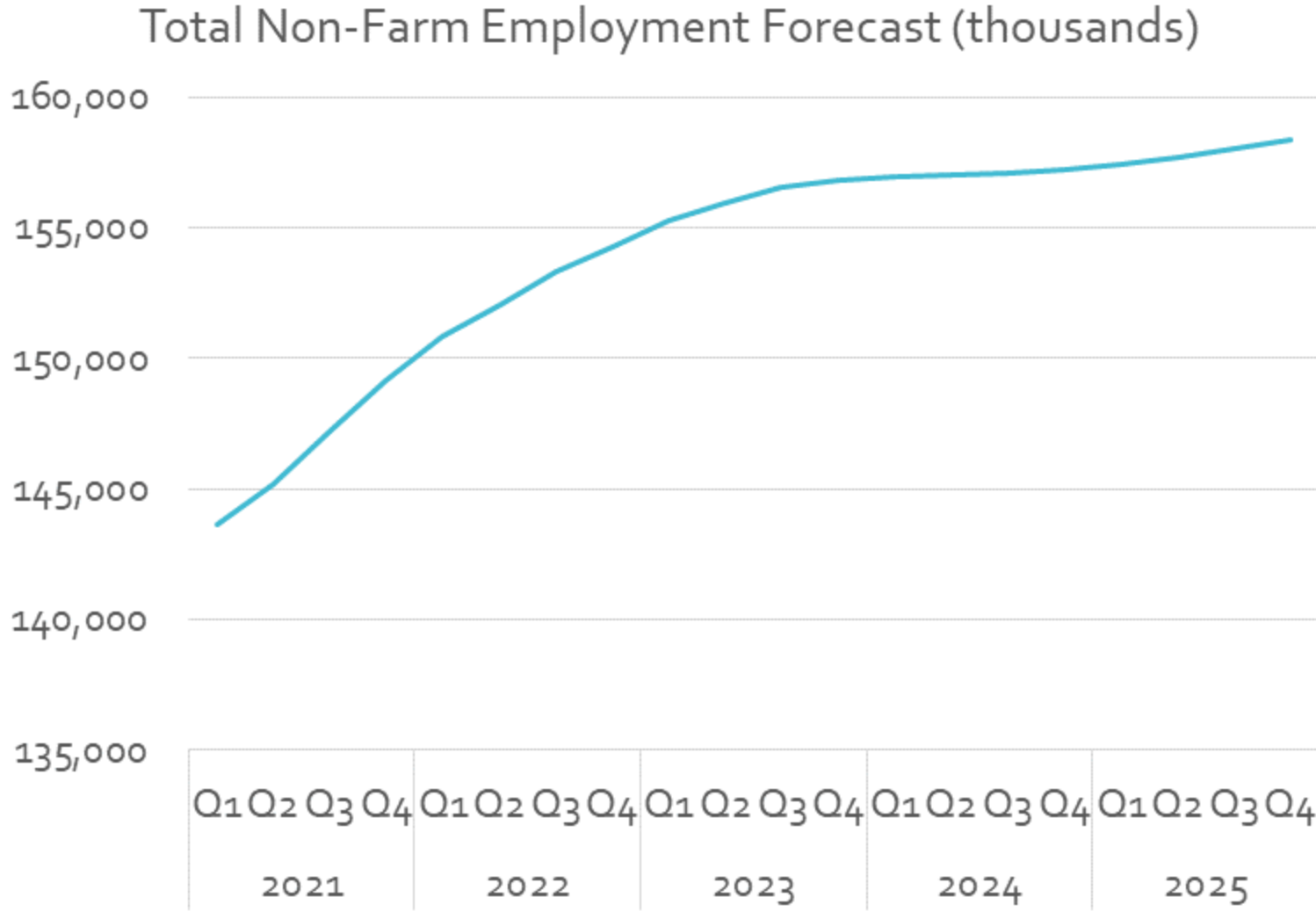
U.S. GDP Forecast

Source: University of Michigan's Research Seminar in Quantitative Economics (RSQE)

Real GDP Growth Rate (annual rates)



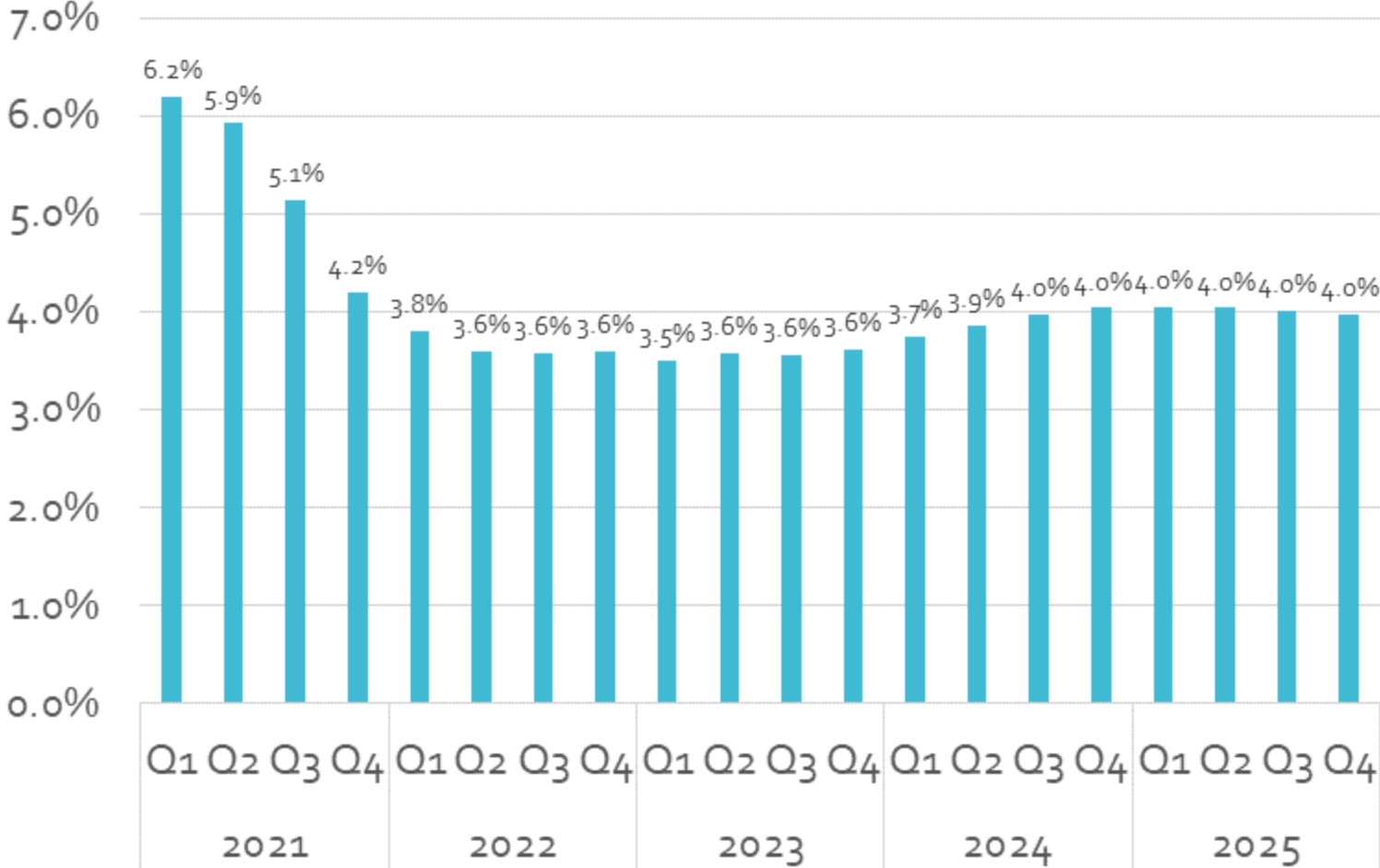
US Total Non-Farm Employment Forecast



Unemployment Rate Forecast

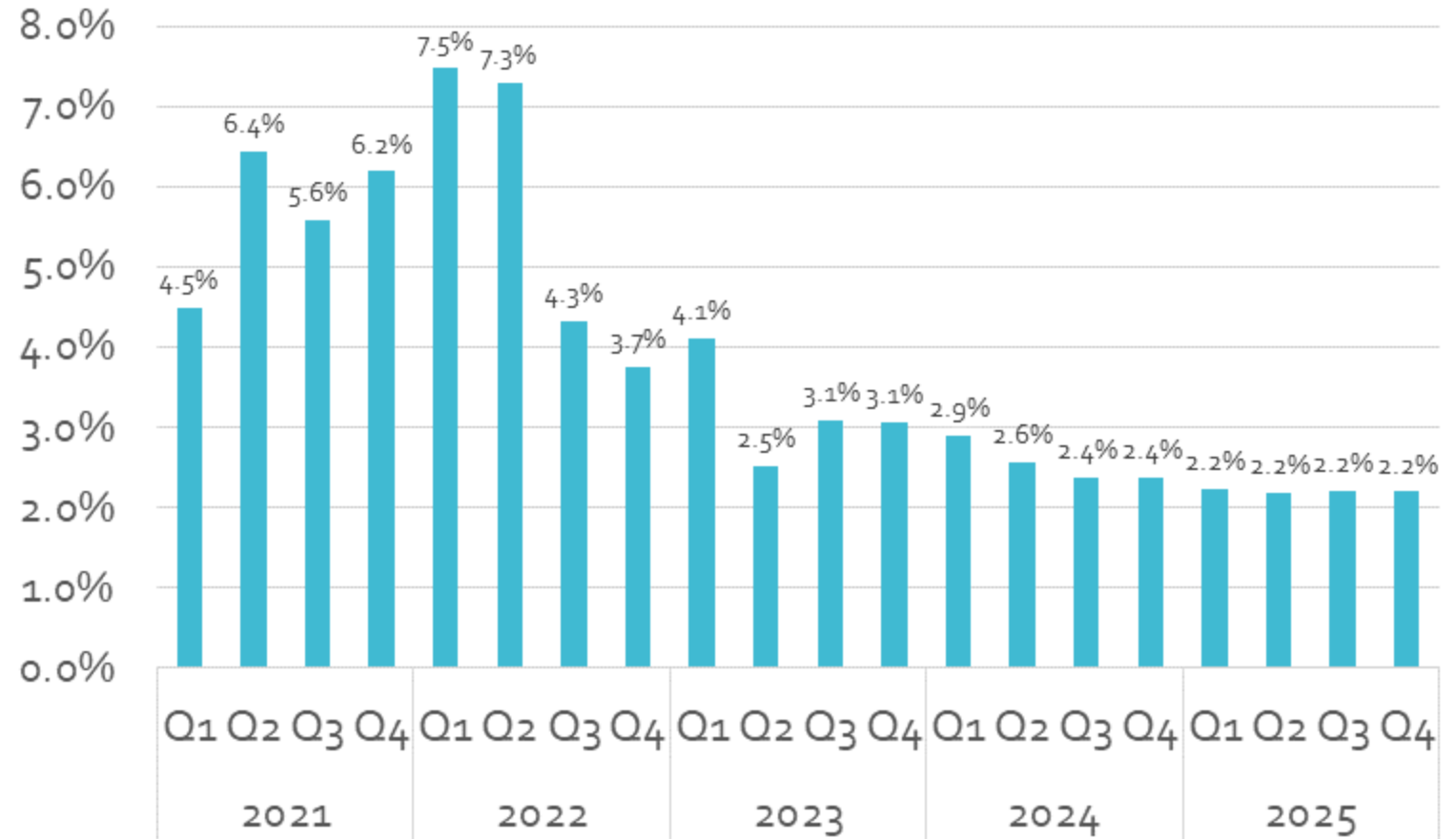
Note: 4% unemployment has historically been considered "full employment"

Unemployment Rate Forecast



Inflation Forecast

Percent Change in Personal Consumption Price Deflator (annual rates)



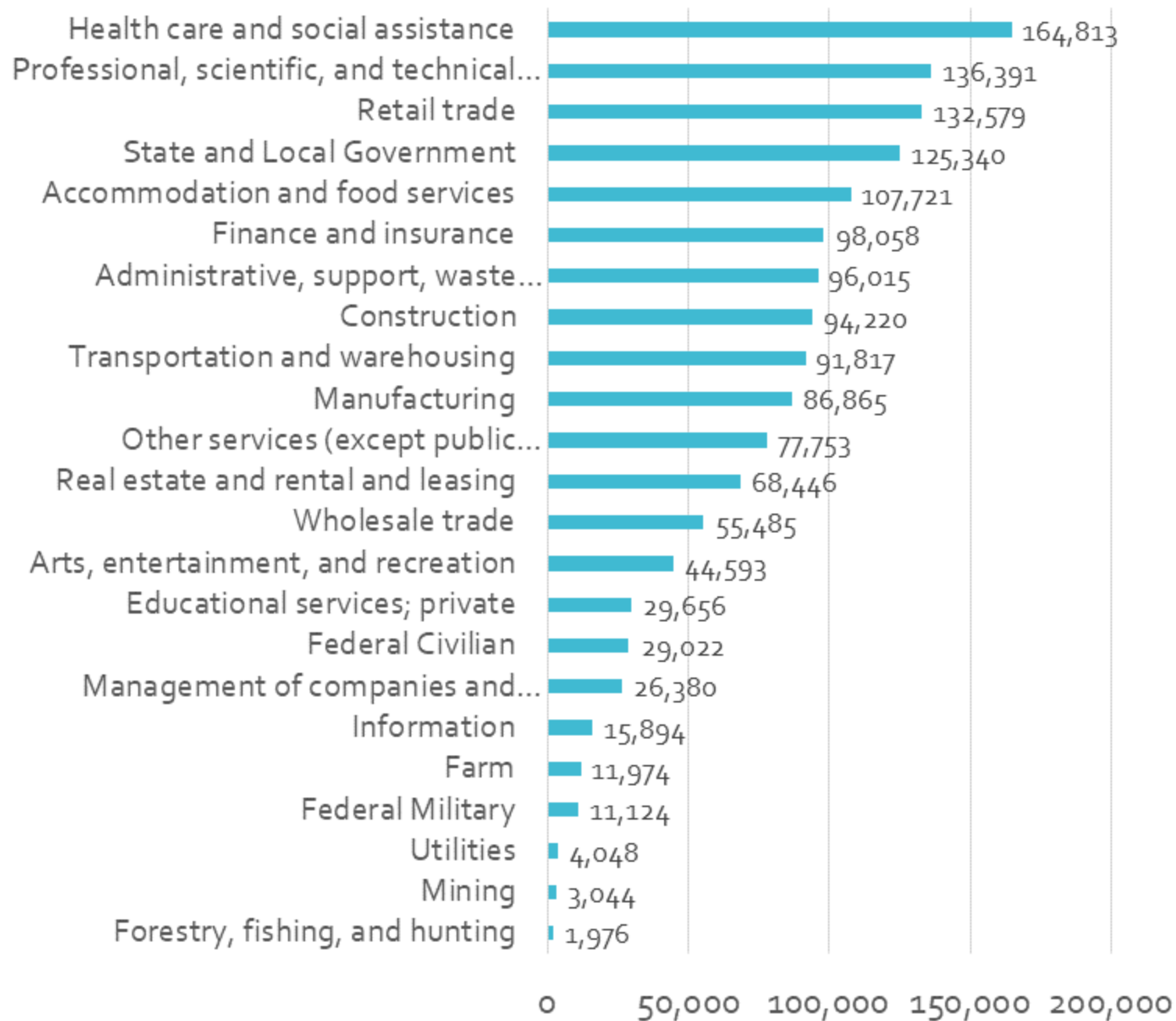


KC History and Forecast

Current Distribution of Industry Employment

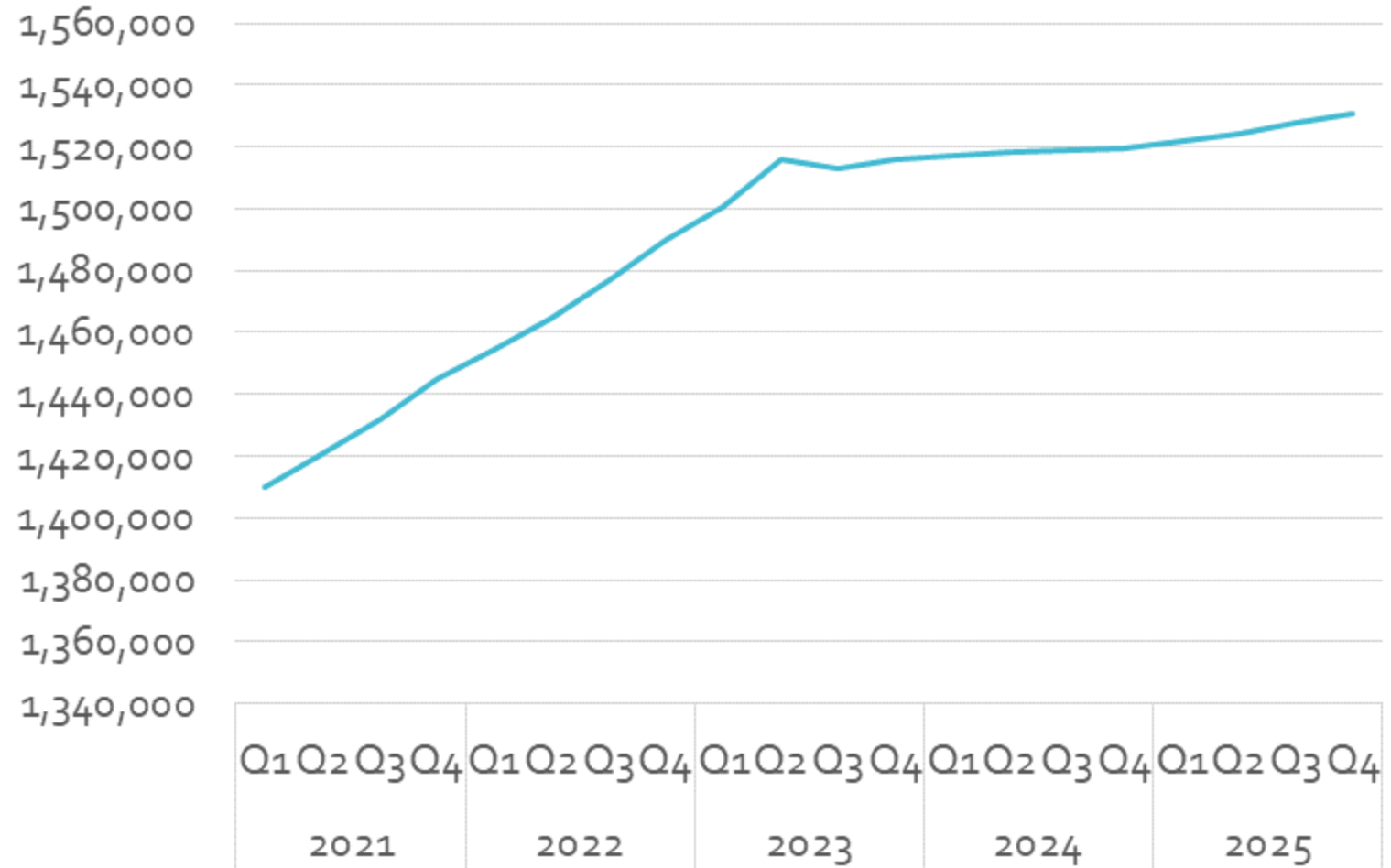
Note: employment levels consistent with BEA's definition of employment, which includes the self-employed.

KC Employment by Sector, 3Q 2023



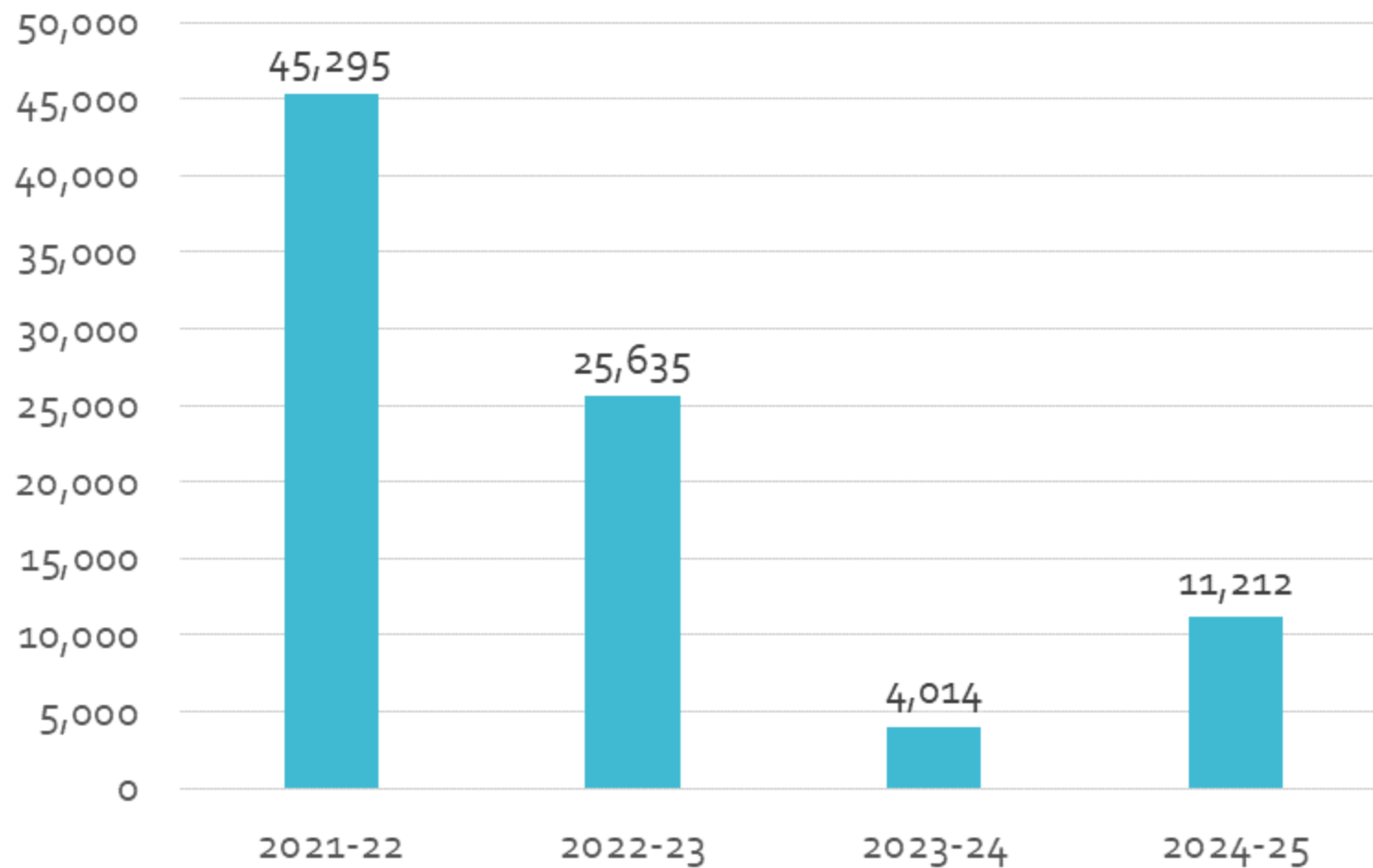
KC's employment forecast follows a similar pattern to the US. The sharpness of the break from past trends is due to the August employment data showing a significant drop in KC. This is preliminary data, however.

KC Total Employment Forecast



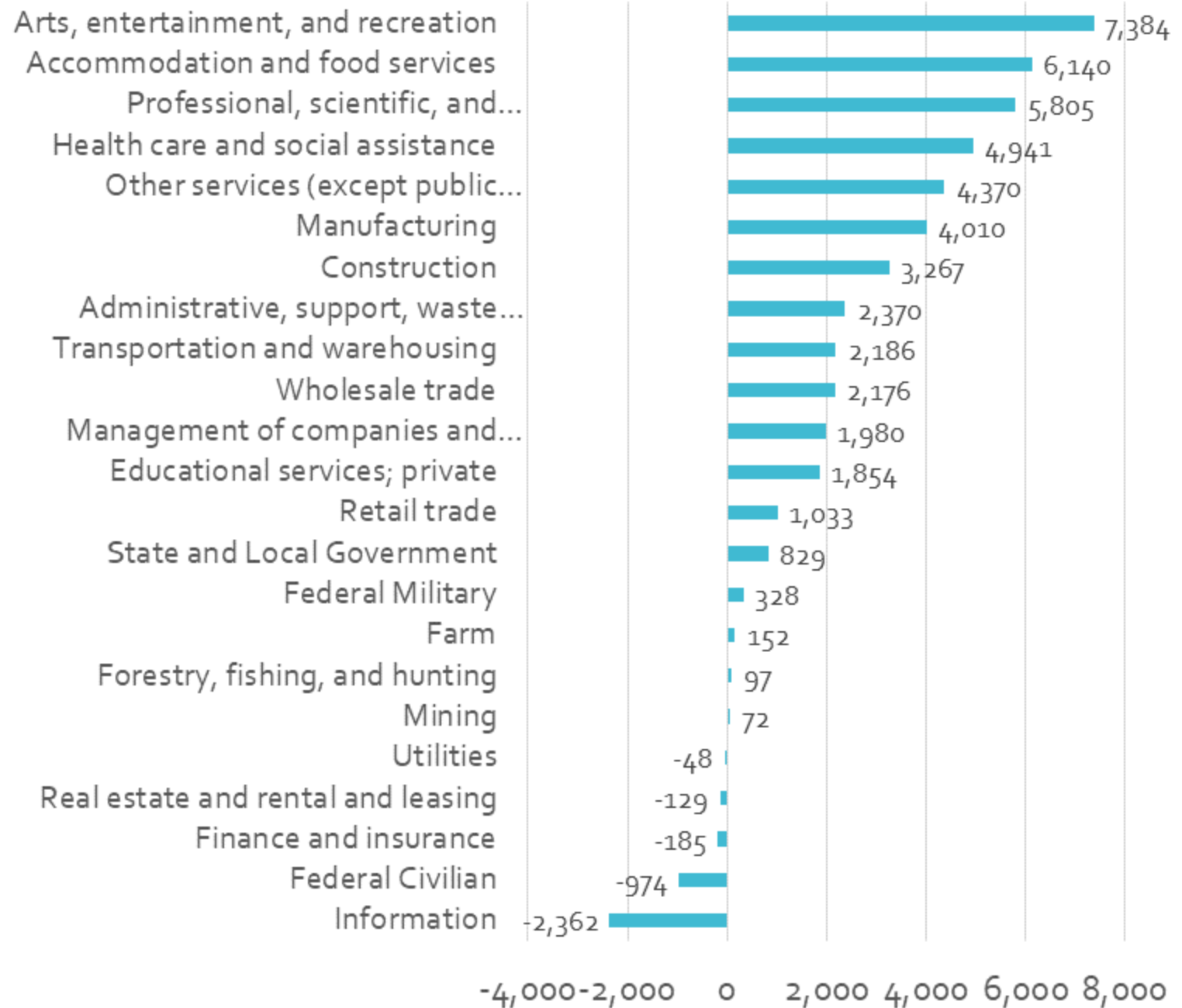
Measured on a 4th quarter-to-4th quarter basis, we see a period of very slow growth in 2023 followed by a modest rebound in 2024. This growth rate may be the “new normal” for the region in a period where labor force growth slows nationwide.

KC Total Employment Change



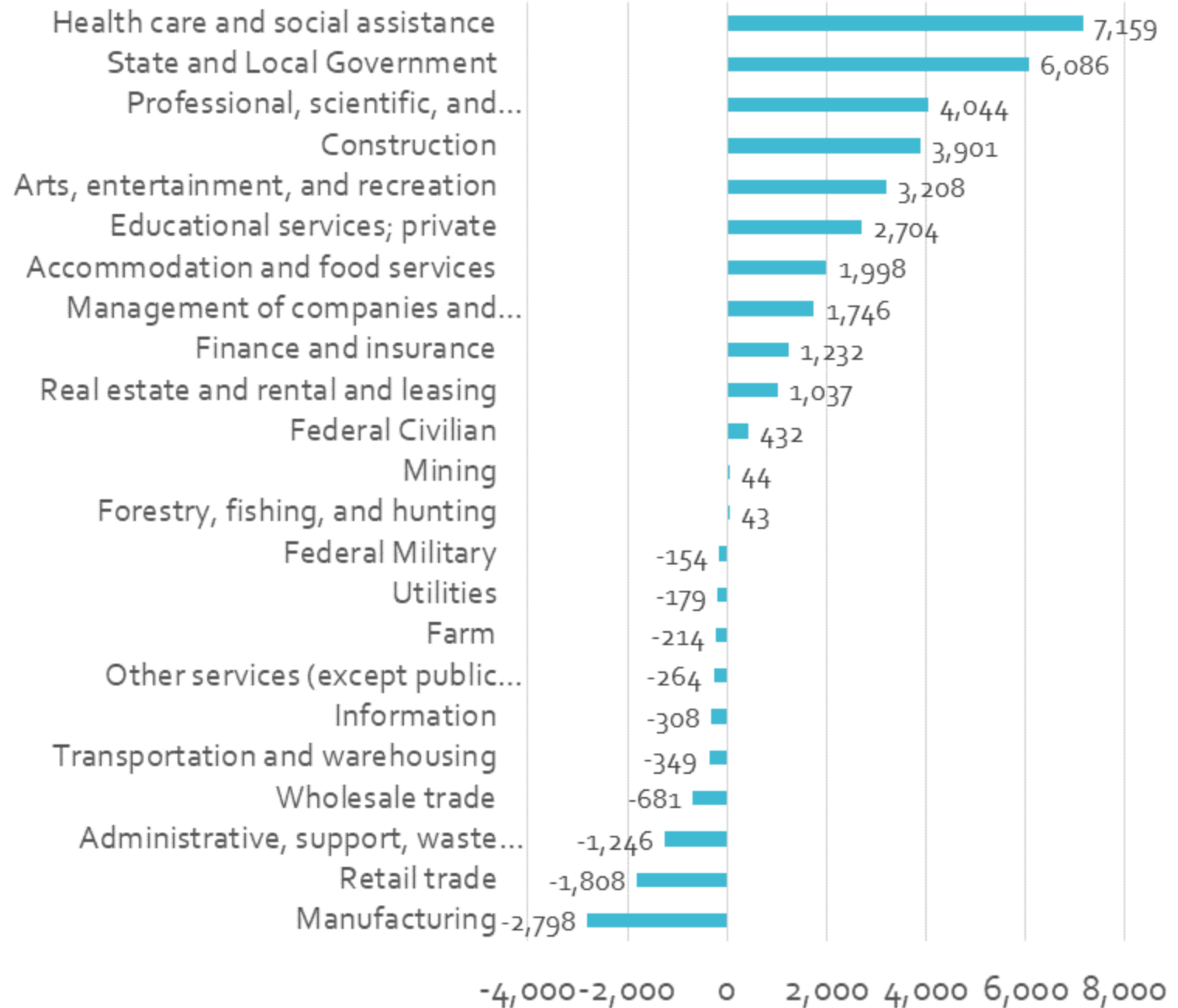
2022's employment growth was dominated by hard-hit industries rebounding, plus strong growth in tech services, health care, manufacturing and construction.

KC 4Q-to-4Q Employment Growth, 2021-22



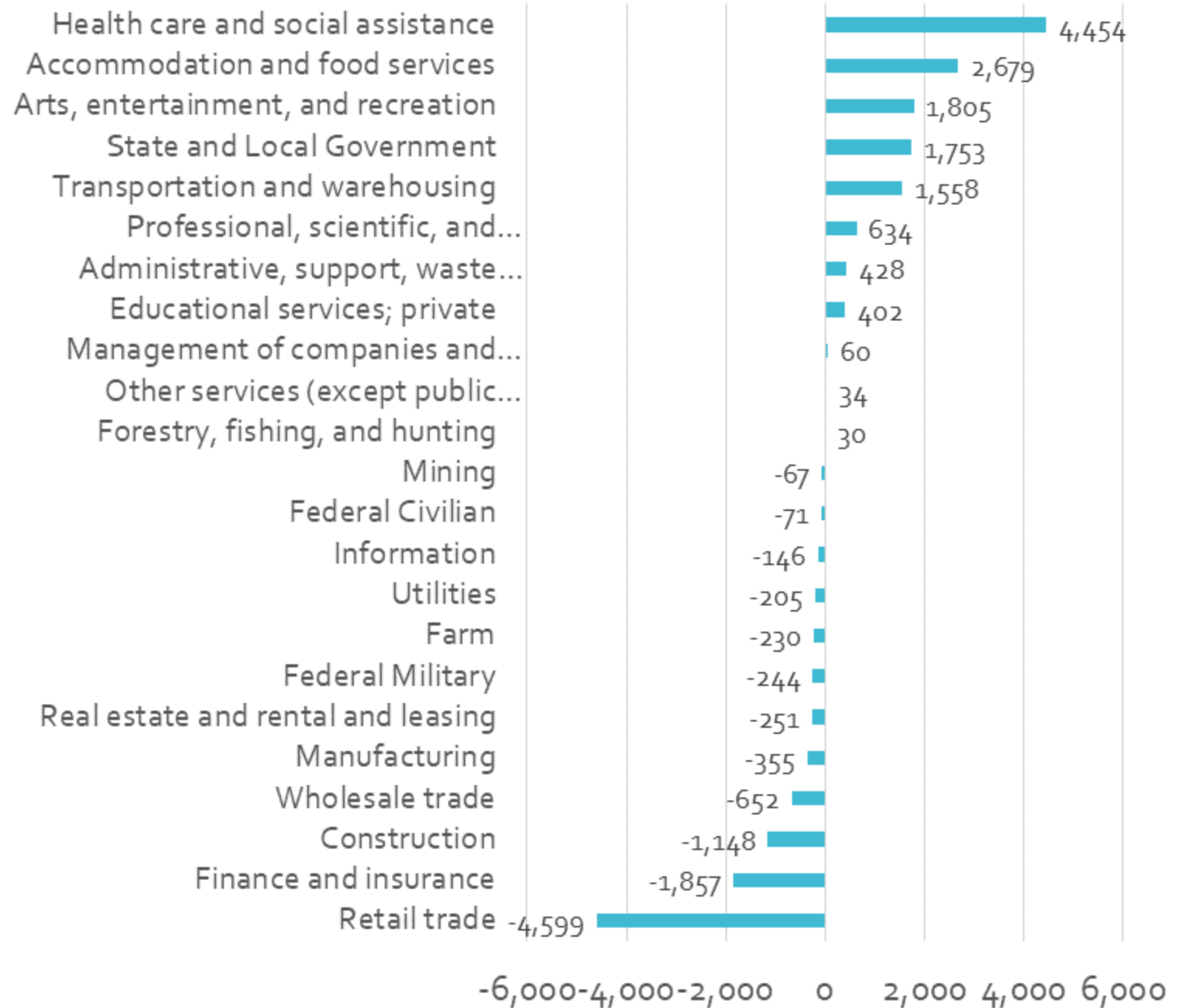
In 2023, that rebound extended to local government (which also includes public schools). But manufacturing and retail are expected to show declines by the end of the year.

KC 4Q-to-4Q Employment Growth, 2022-23



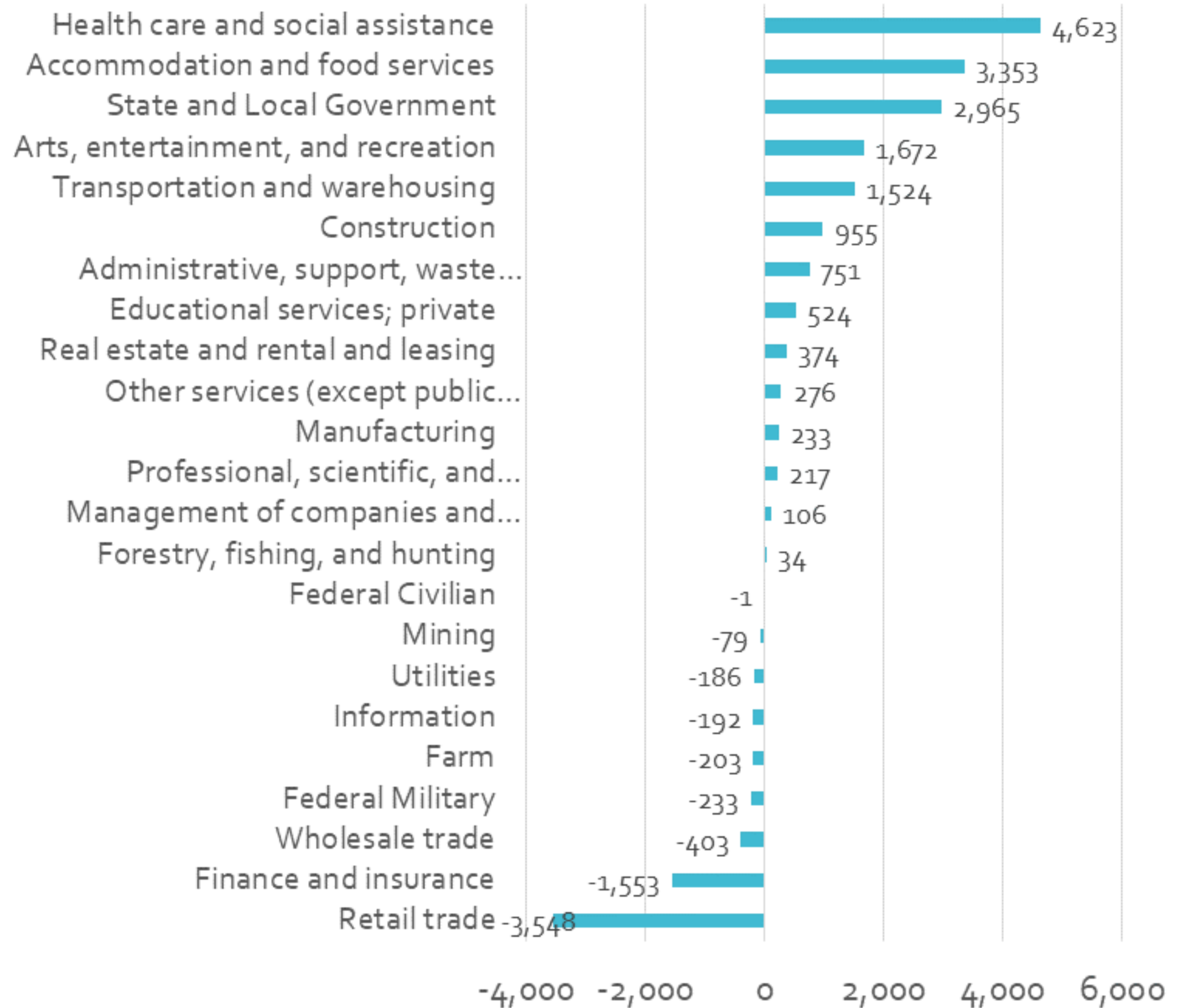
In 2024, growth slows dramatically and so many industries are expected to lay off workers. The shift to consuming services rather than goods continues, shown by the relatively strong growth in health care, food and entertainment.

KC 4Q-to-4Q Employment Growth, 2023-24



In 2025, most industries begin to grow again, but Finance and Retail continue to struggle, in part due to digital competition from national firms.


KC 4Q-to-4Q Employment Growth, 2024-25





Characteristics of the Public Workforce

Special tabulation of data from the Census Bureau's American
Community Survey

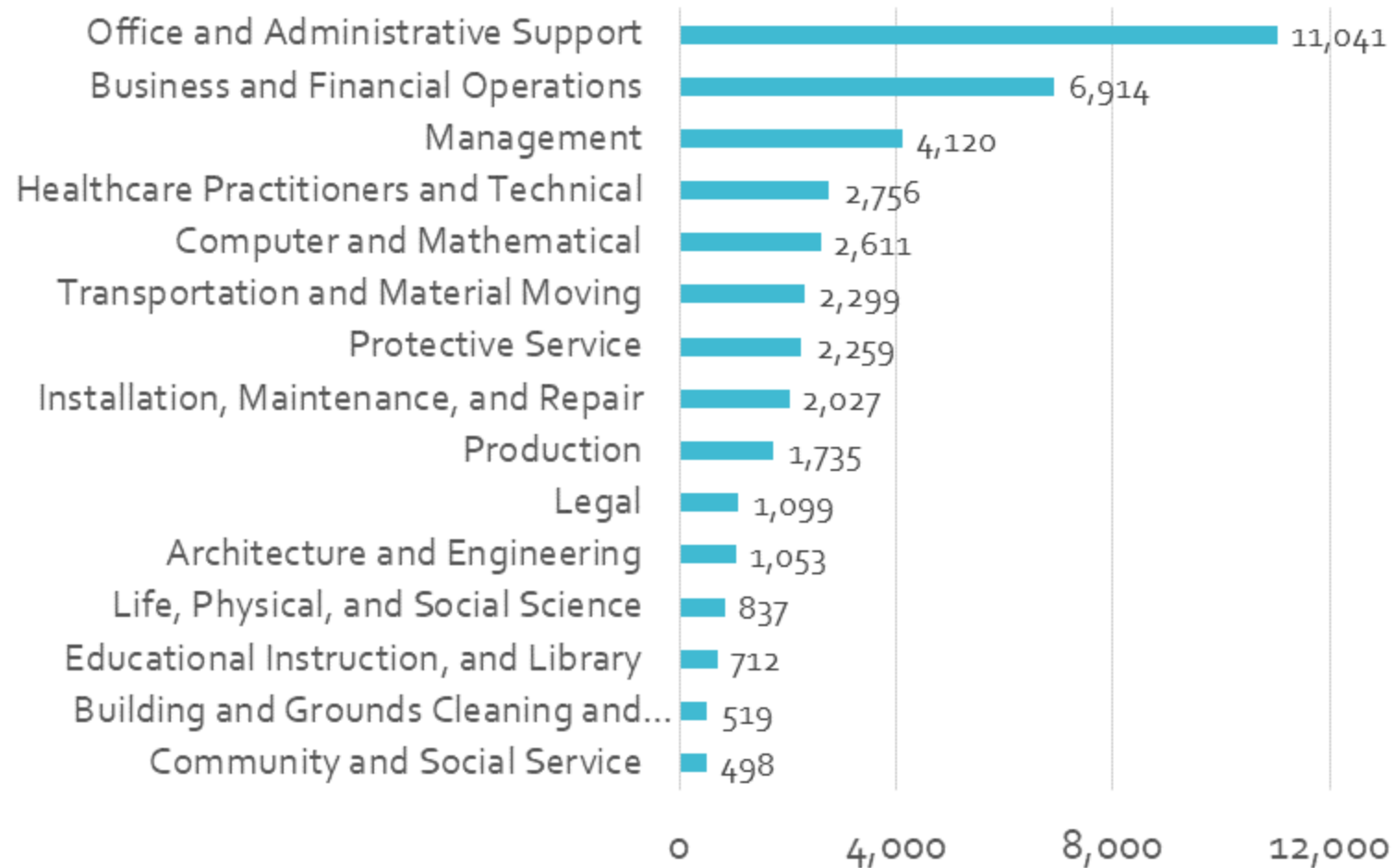


But forecast public sector employment growth may not be achieved due to difficulty in hiring and retention.

- To better understand the challenges of building the public sector workforce, it is necessary to first understand where things stand.
- Unfortunately, there is little readily available data on the characteristics of the public sector workforce relative to private sector.
- Additionally, the different levels of government face different hiring and retention issues.
- The data here are the result of a custom tabulation of public use microdata from the American Community Survey known as PUMS.

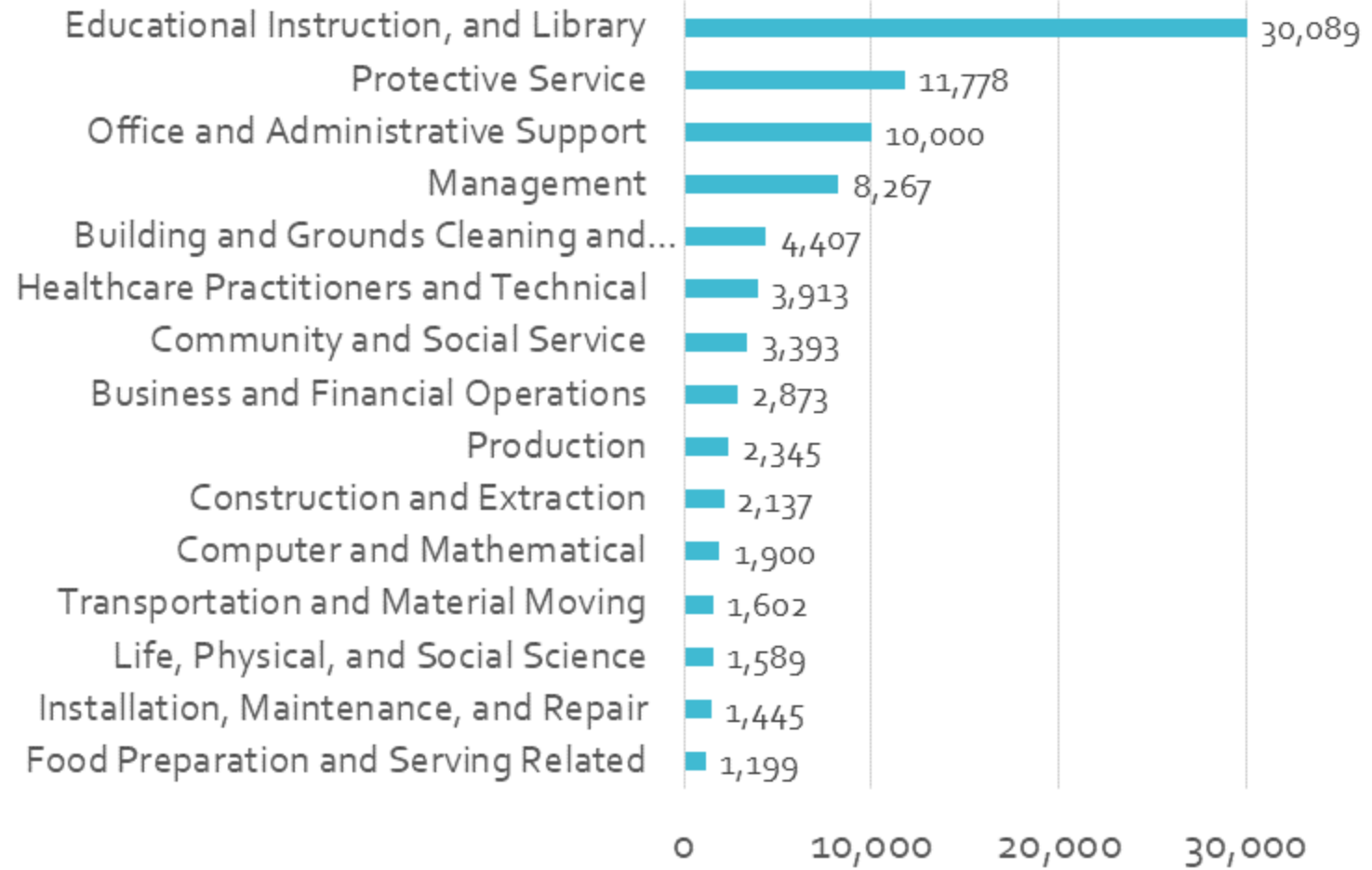
The federal workforce is heavily office-oriented

Top 15 Federal Government Occupations



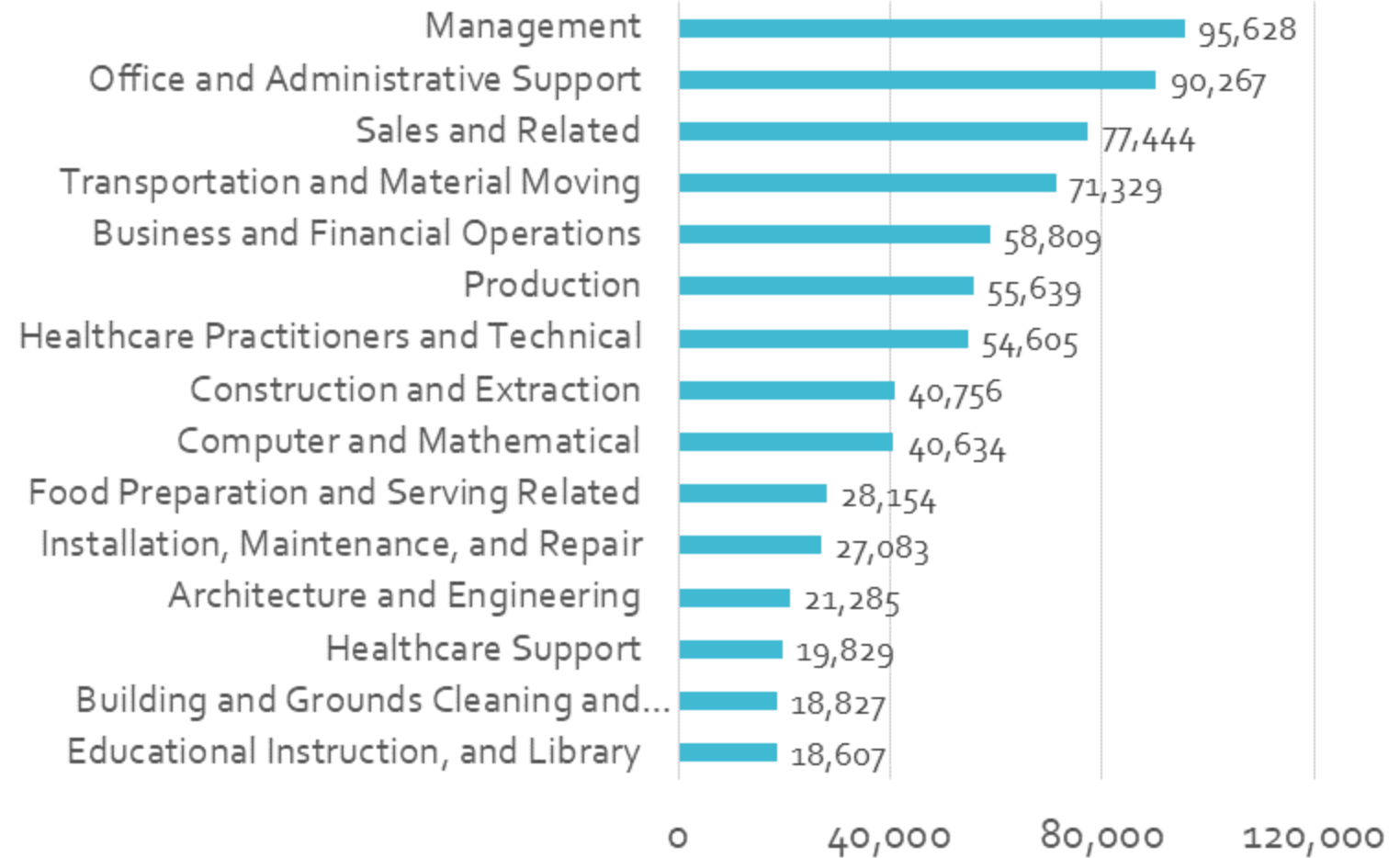
The state and local government workforce is both in the field – in schools and protecting communities– and in city halls.

Top 15 State & Local Occupations

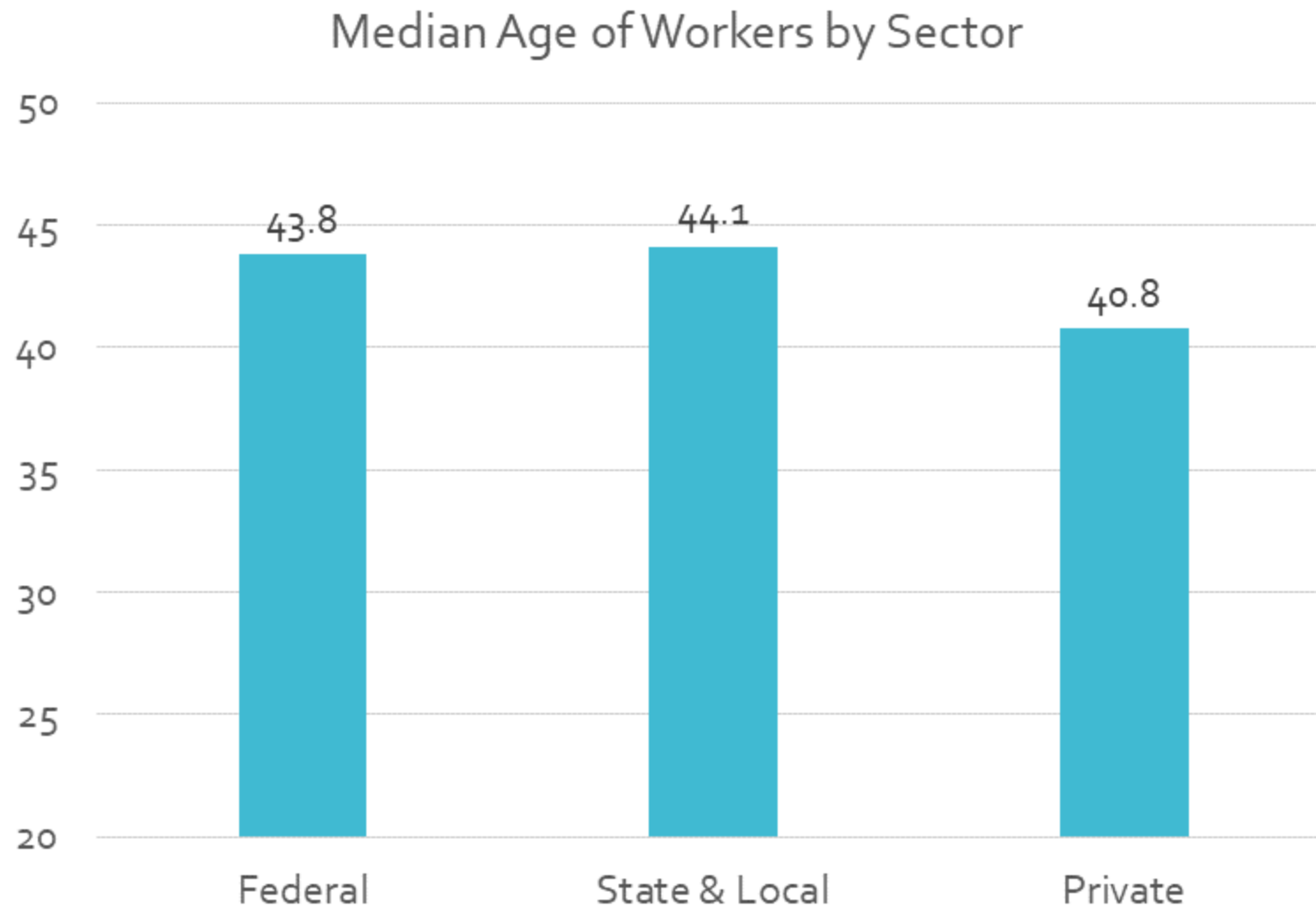


The private sector is more occupationally diverse, including office but also sales, goods movement, production and services.

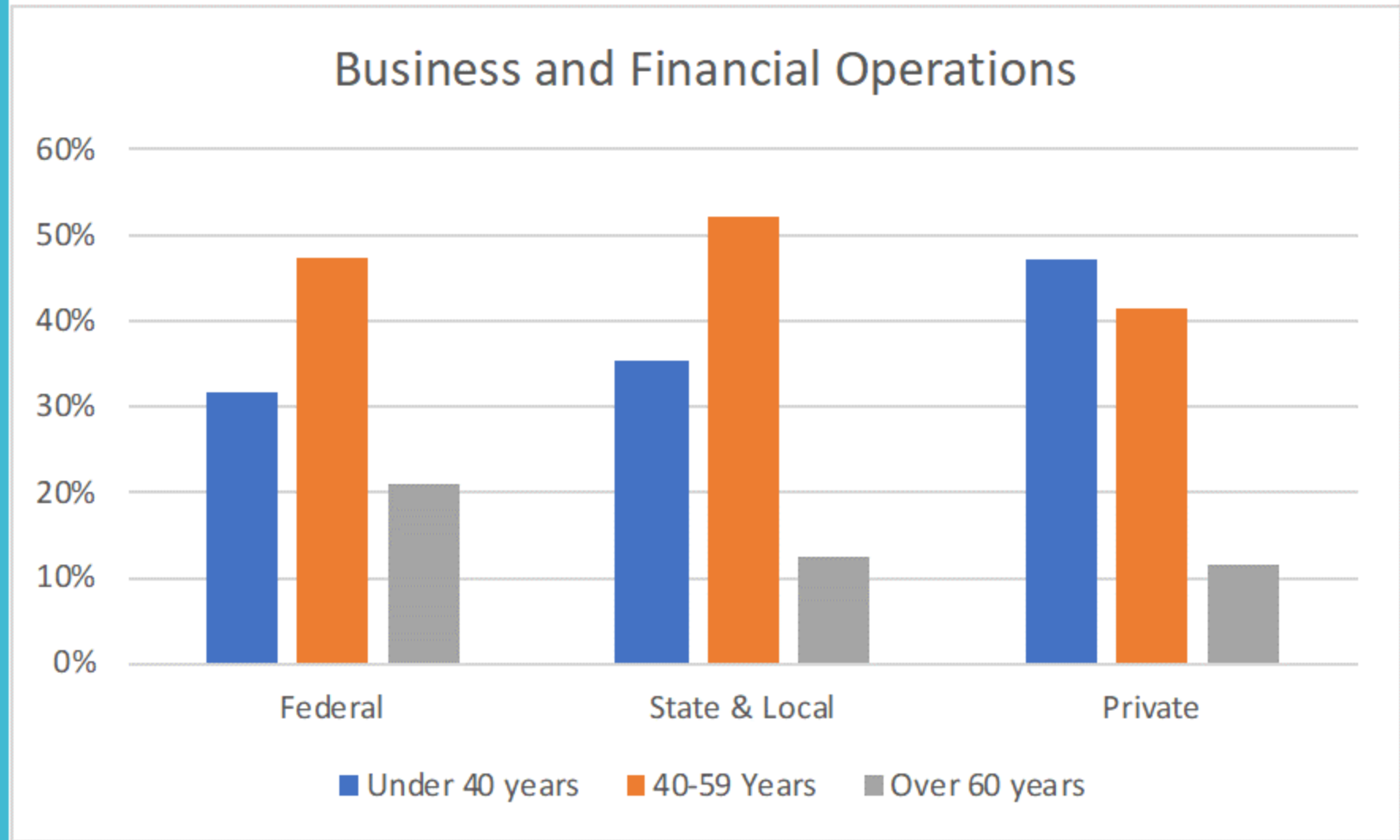
Top 15 Private Occupations



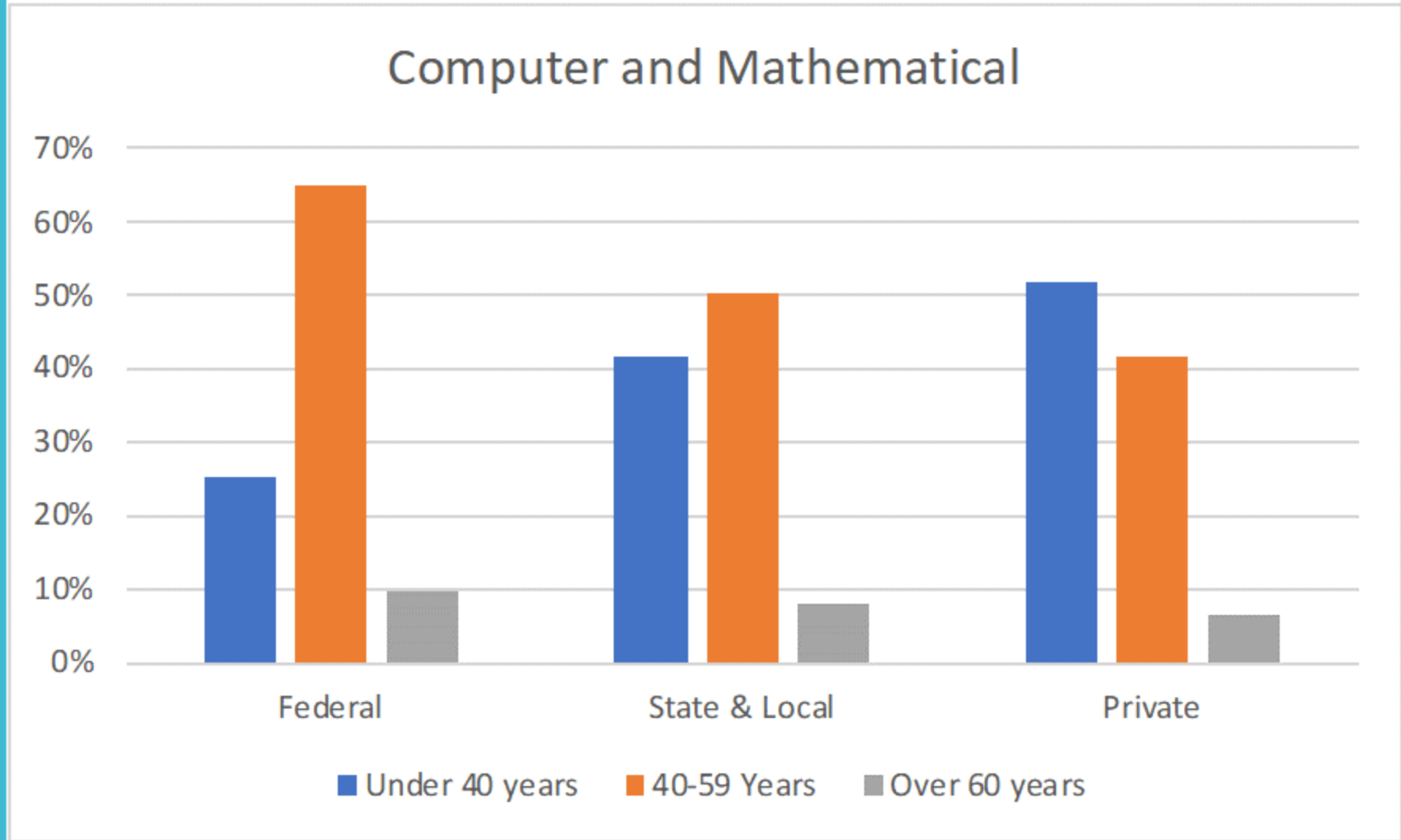
In general,
public sector
workforce is
older than the
private sector



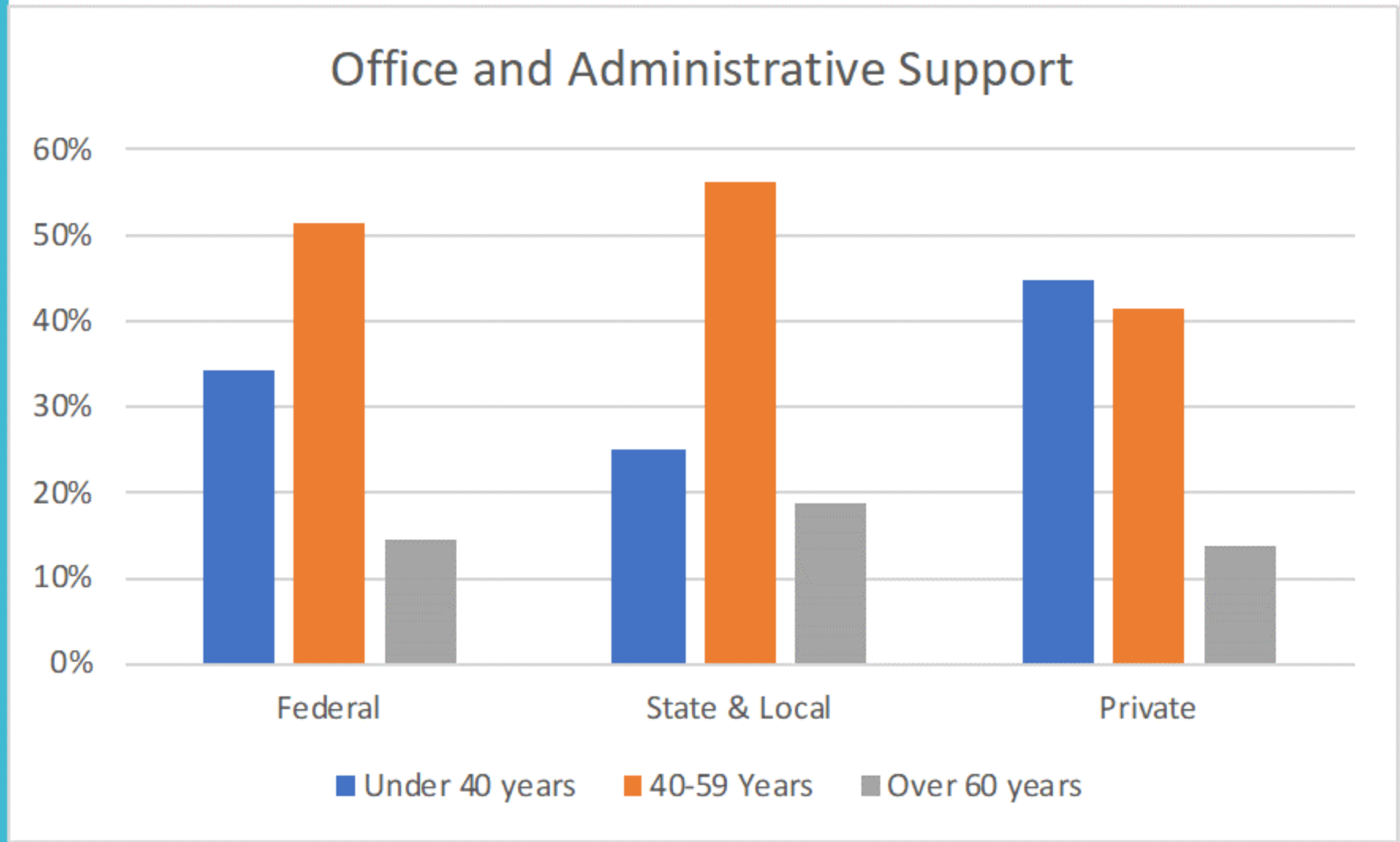
Median age masks how much greater the proportion of workers under 40 is in the private vs. the public sector in many occupations



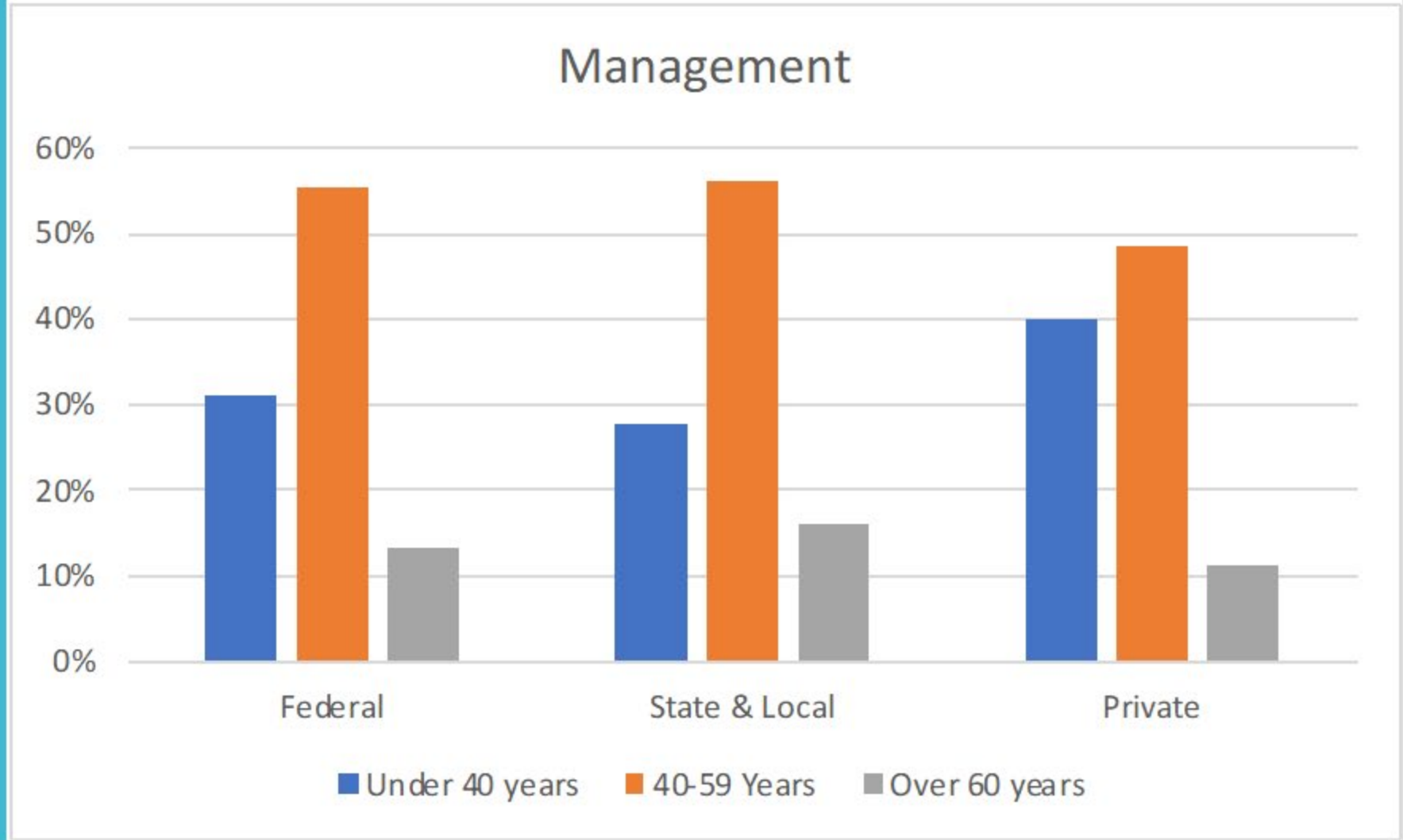
More than half of private sector computer workers are under 40, double that of federal workers



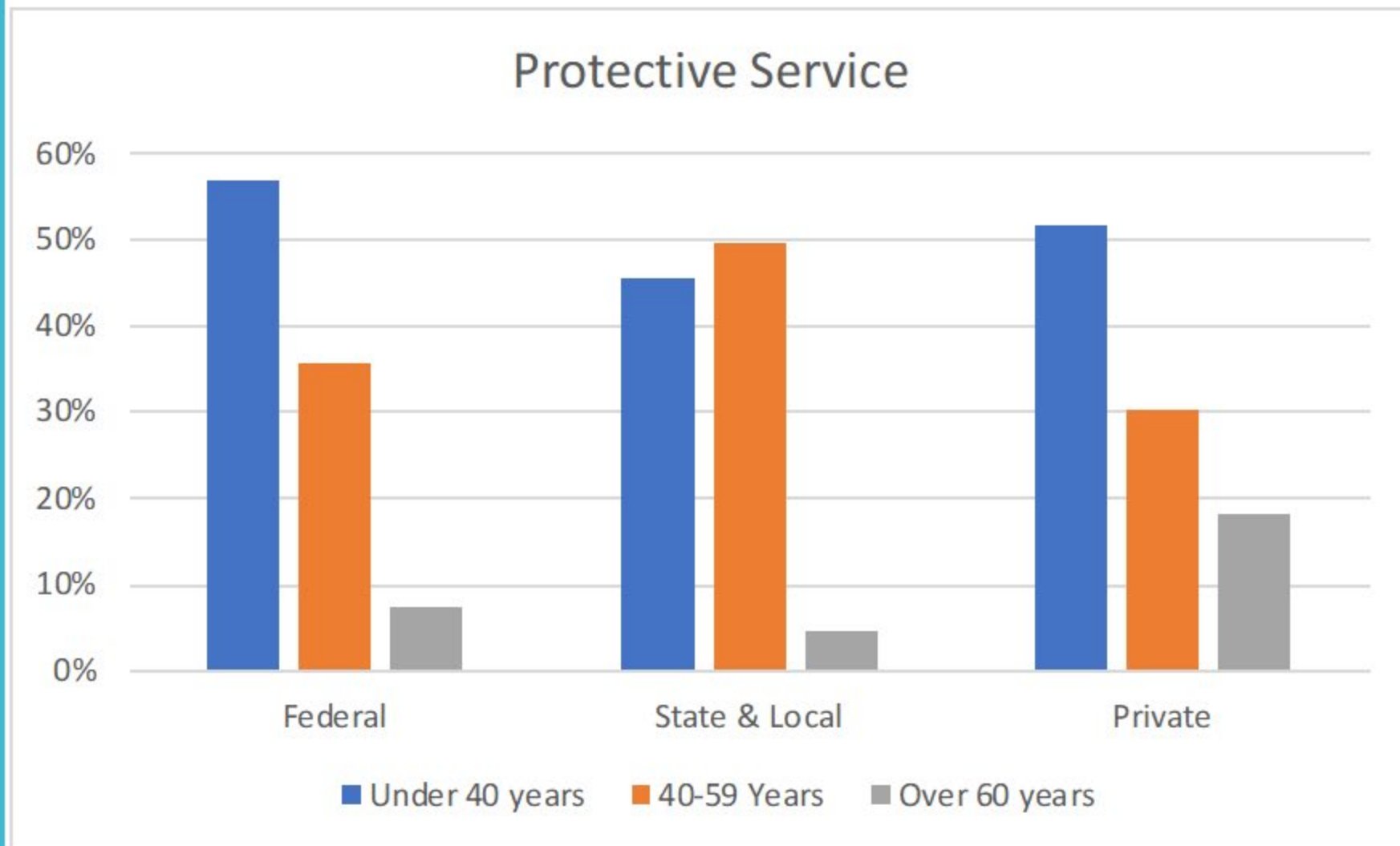
Workers between 40 and 60 years typically account for more than half of the public sector workforce.



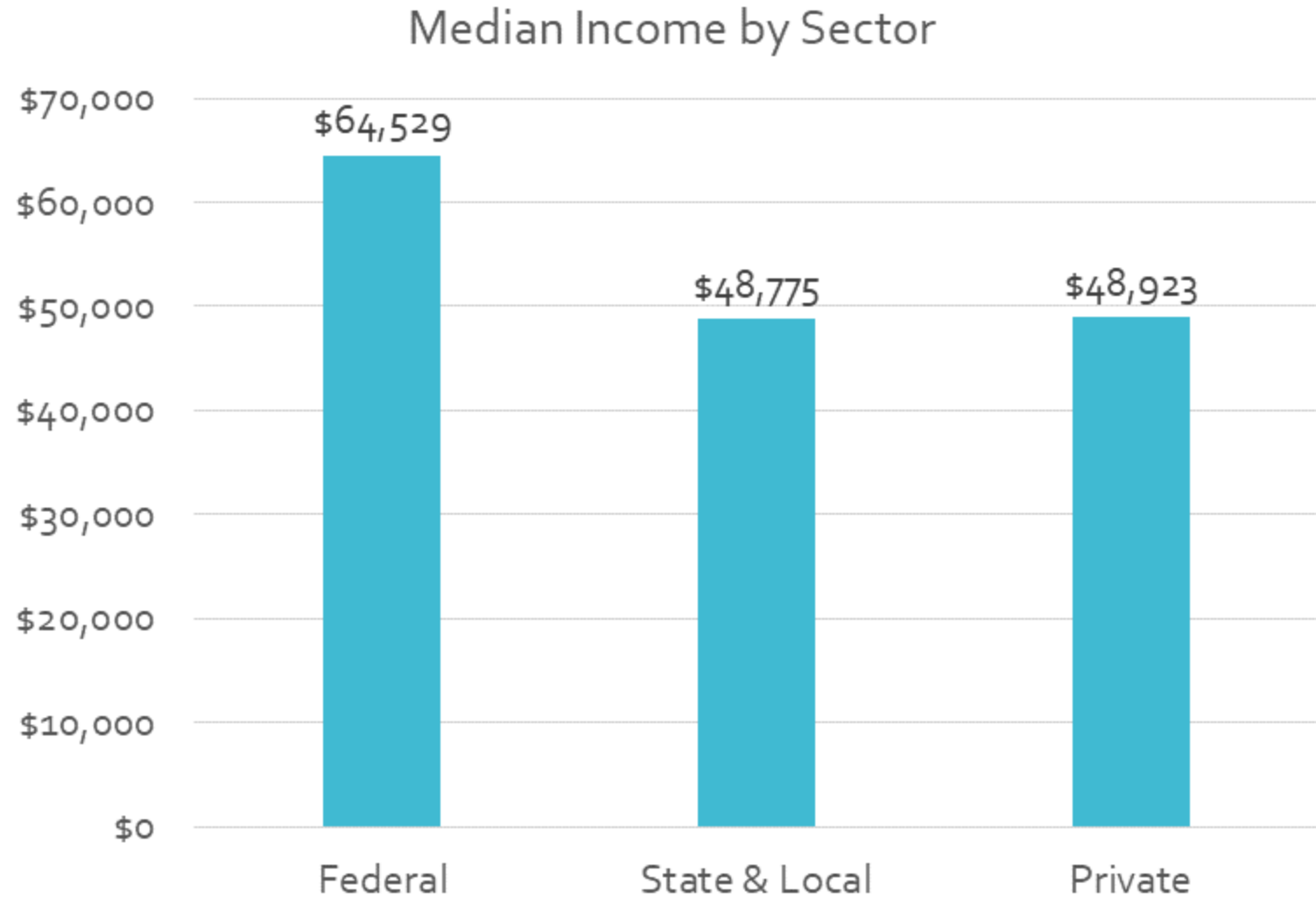
Management is one of the few where even in the private sector those between 40 and 60 predominate



Protective service workers are one of the few where the federal workforce has a higher proportion of young workers than the private sector.

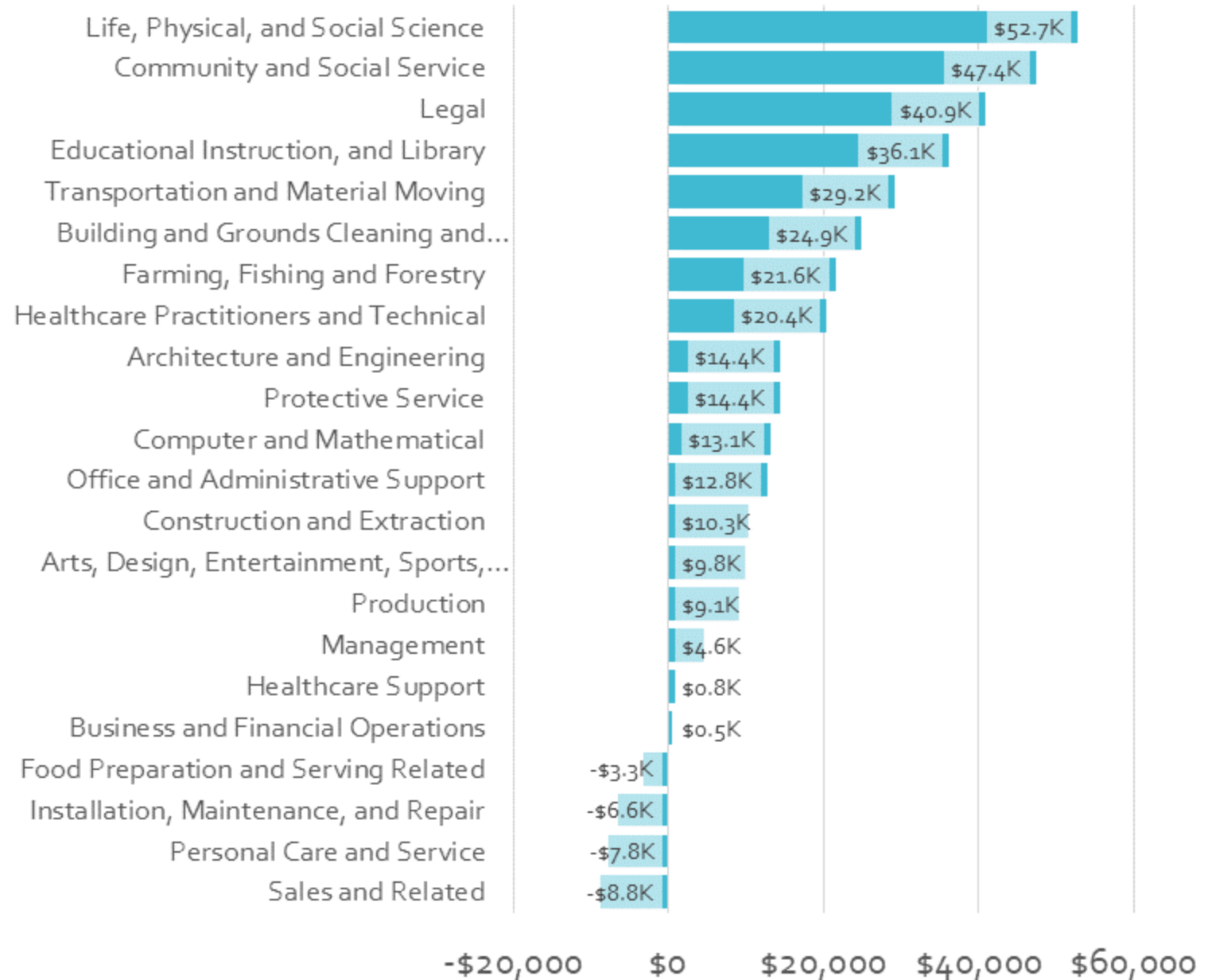


Federal jobs pay better than either state and local jobs or the private sector



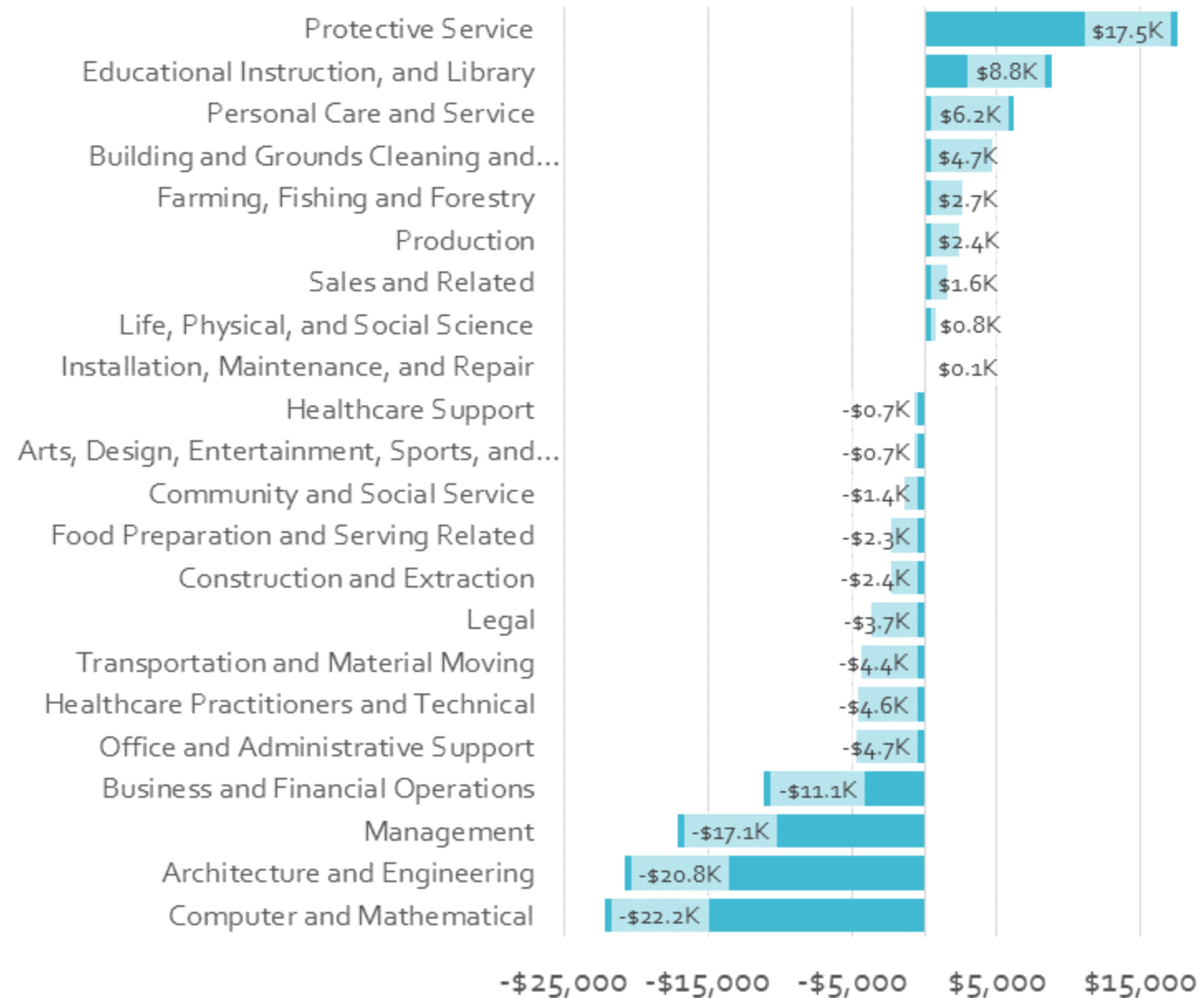
The median wage also substantially higher for federal workers than the private sector for most occupations.

Federal Annual Median Wage Difference From Private Sector













Meanwhile, state and local government jobs pay roughly the same as the private sectors in most occupations, but substantially less in critical business, management and computer occupations.

State & Local Annual Median Wage Difference From Private Sector



Many of the issues related to the age of the workforce or pay relative to private sector show up in job postings data. But for education and protective service occupations, hiring and retention challenges also include the inherent difficulty of the work and changing public perceptions.

Top Posted Occupations

	Total/Unique (Jan 2022 - Aug 2023)	Posting Intensity	Median Posting Duration
Managers, All Other	193 / 65	3 : 1 	32 days
Secretaries and Administrative Assistants, Except Legal, Medical, and Executive	146 / 62	2 : 1 	28 days
Industrial Engineering Technologists and Technicians	178 / 56	3 : 1 	31 days
Police and Sheriff's Patrol Officers	99 / 51	2 : 1 	36 days
Correctional Officers and Jailers	97 / 45	2 : 1 	28 days
Maintenance and Repair Workers, General	92 / 34	3 : 1 	35 days
Firefighters	294 / 27	11 : 1 	45 days
Security Guards	60 / 24	3 : 1 	36 days
Production Workers, All Other	46 / 24	2 : 1 	25 days
Accountants and Auditors	79 / 21	4 : 1 	30 days