



2025 Economic Forecast

MARC Board of Directors

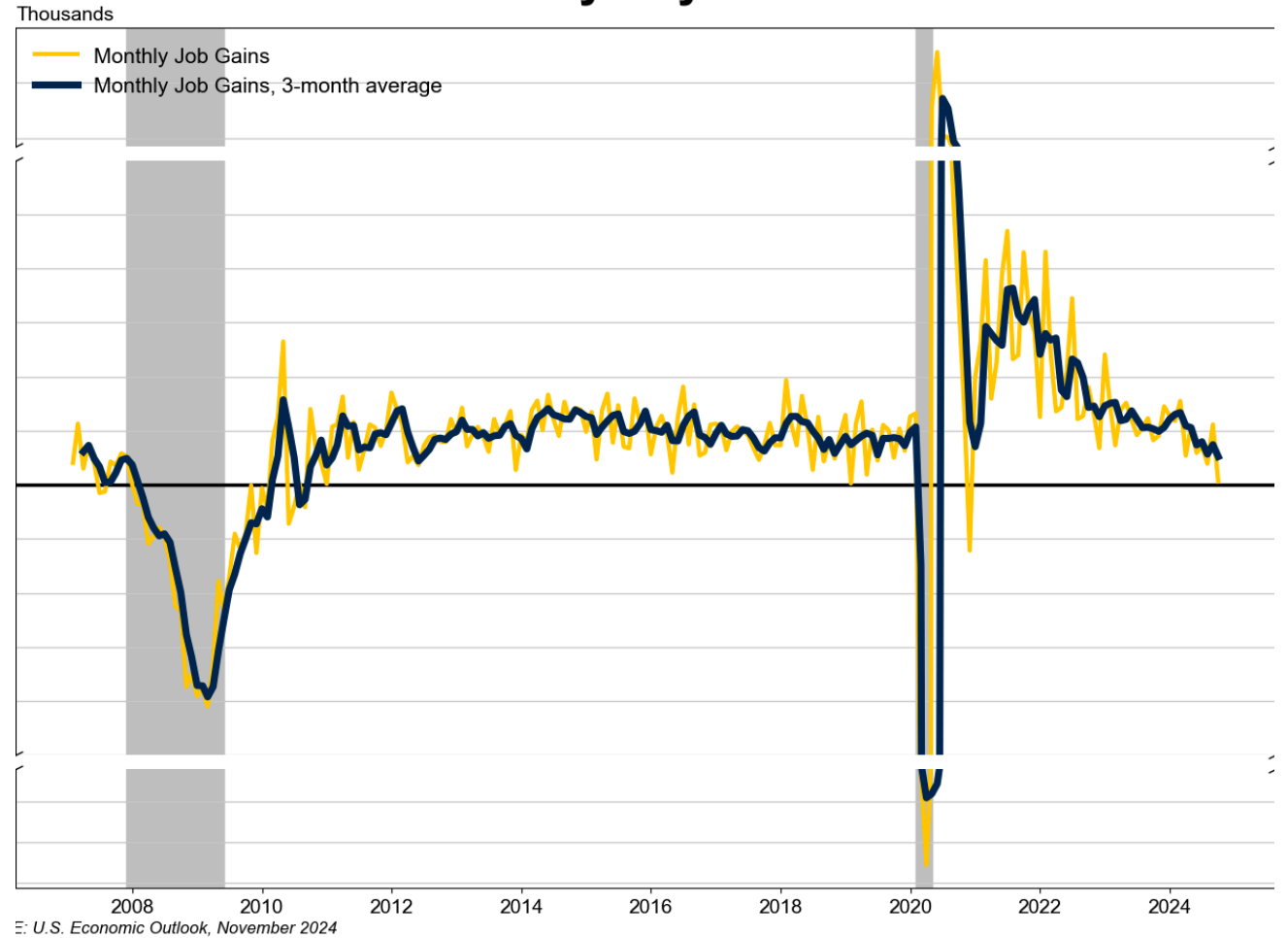
December 17, 2024

Frank Lenk
Director of the Office of Economic Research

US Labor market is cooling

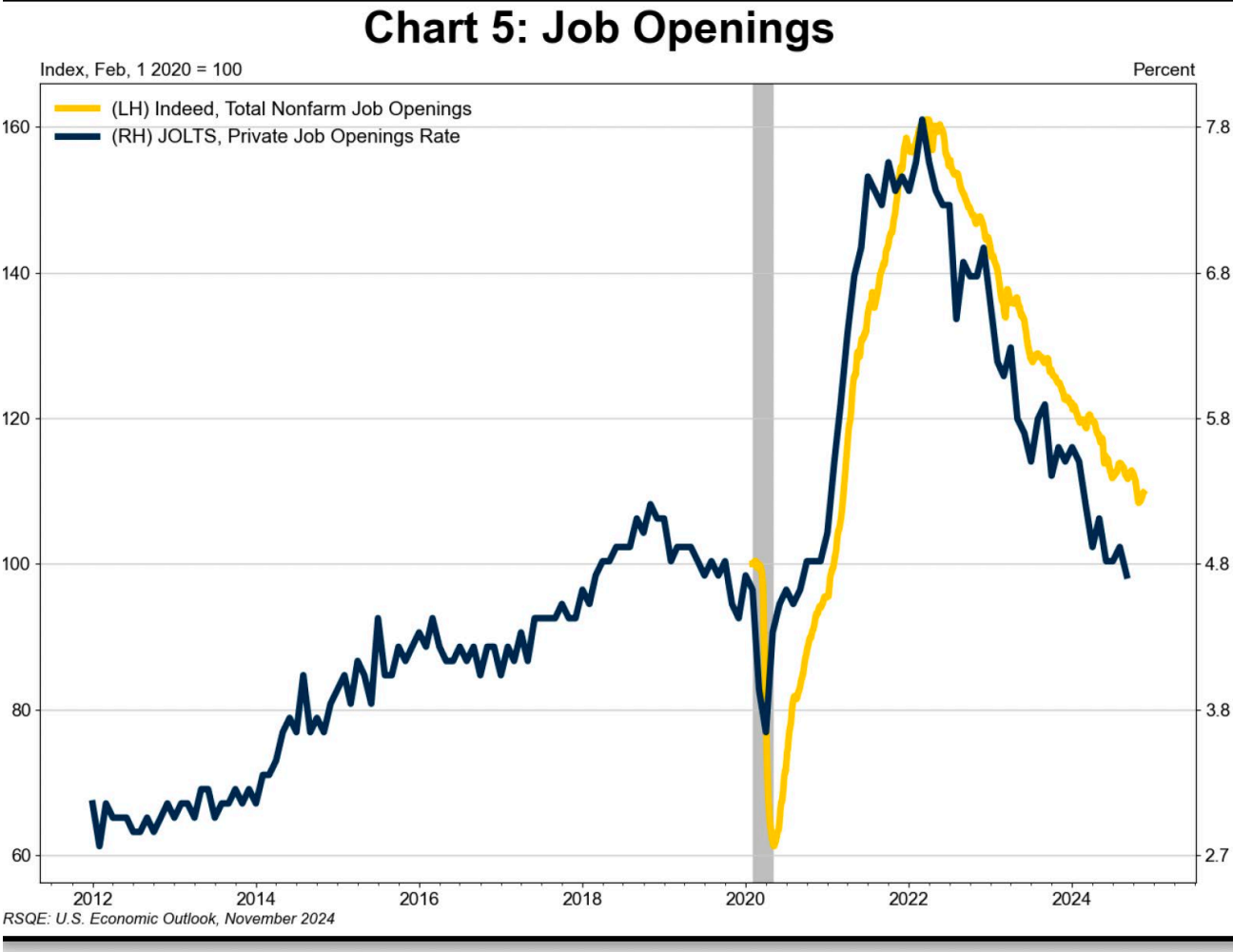
Job growth is now under 200,000 per month

Chart 4: Monthly Payroll Job Gains



US Labor market is cooling

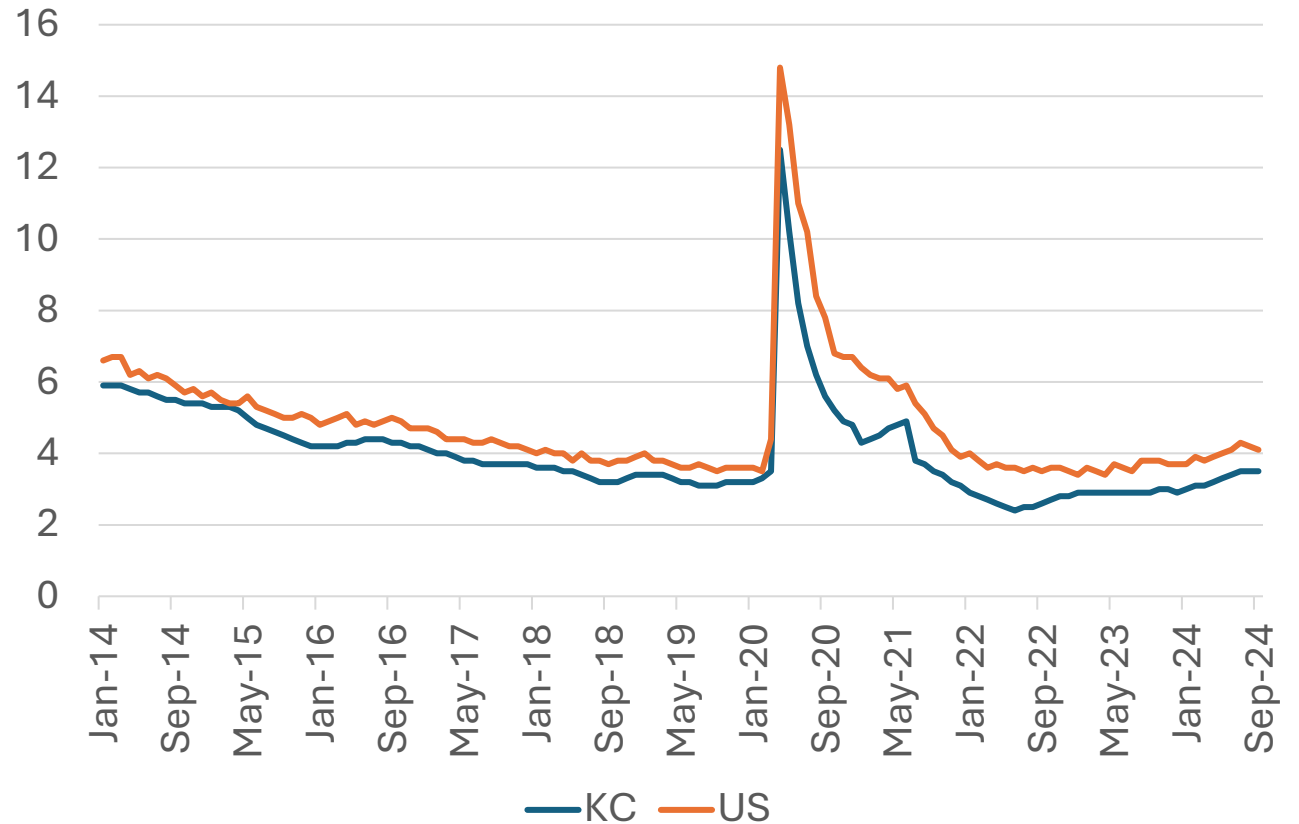
Employers are looking for workers at pre-pandemic rates



KC labor market appears tighter than the US

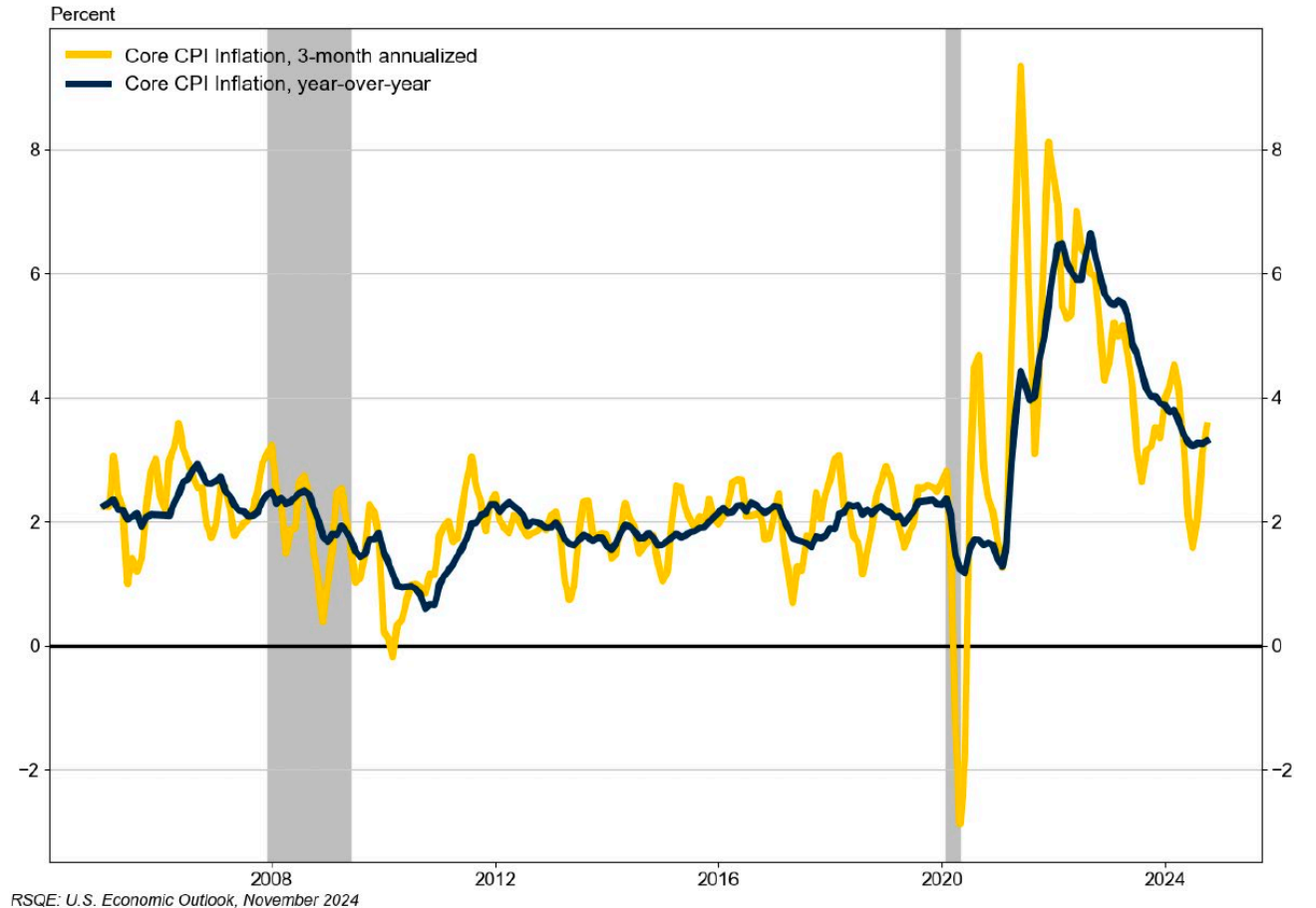
KC's unemployment rate is more than one-half point lower than the U.S.

KC vs. US Unemployment Rate
Seasonally adjusted



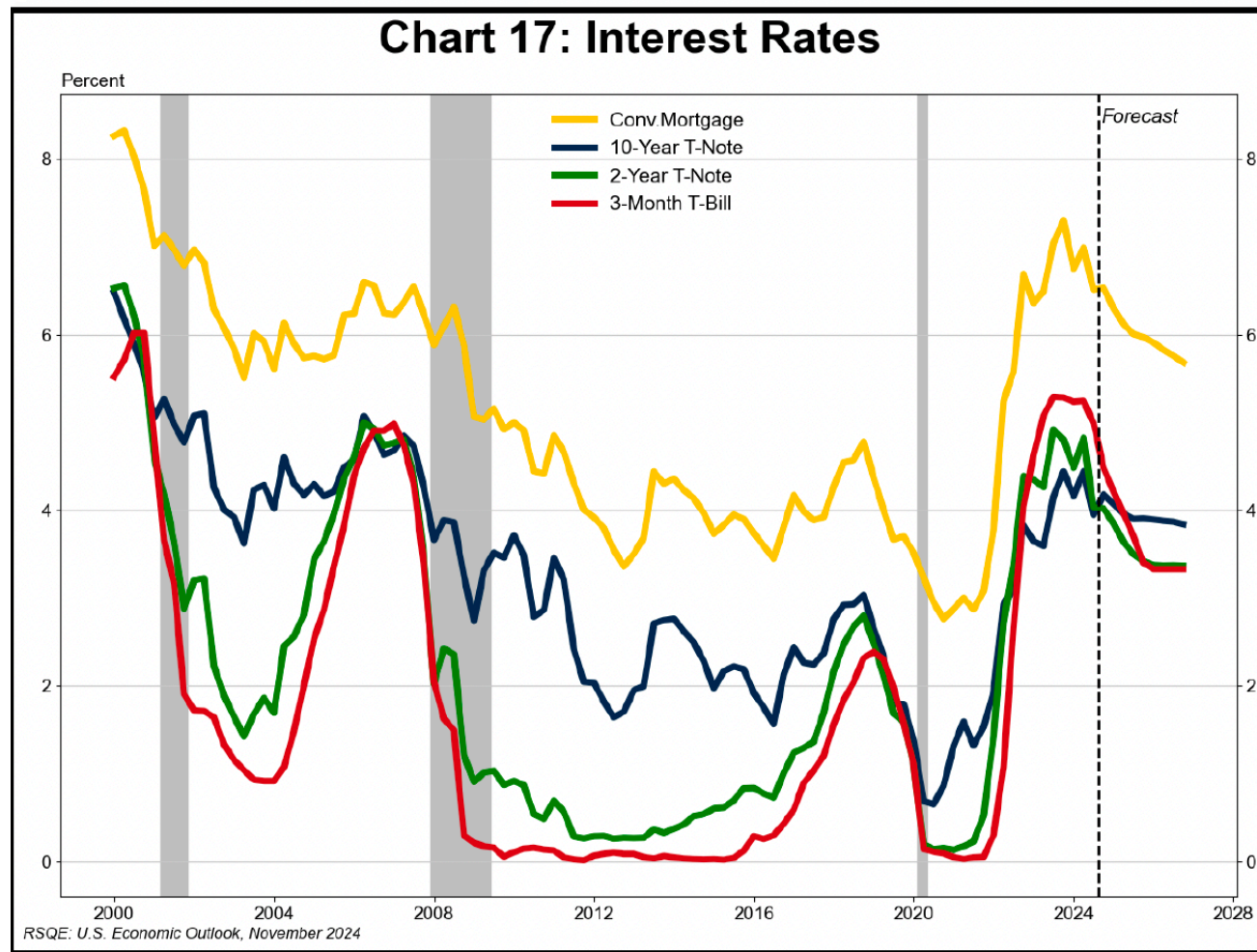
And inflation is trending down, though slowly

Chart 8: Core Consumer Price Index Inflation



Interest rates are expected to fall, but even more slowly, and not by a lot

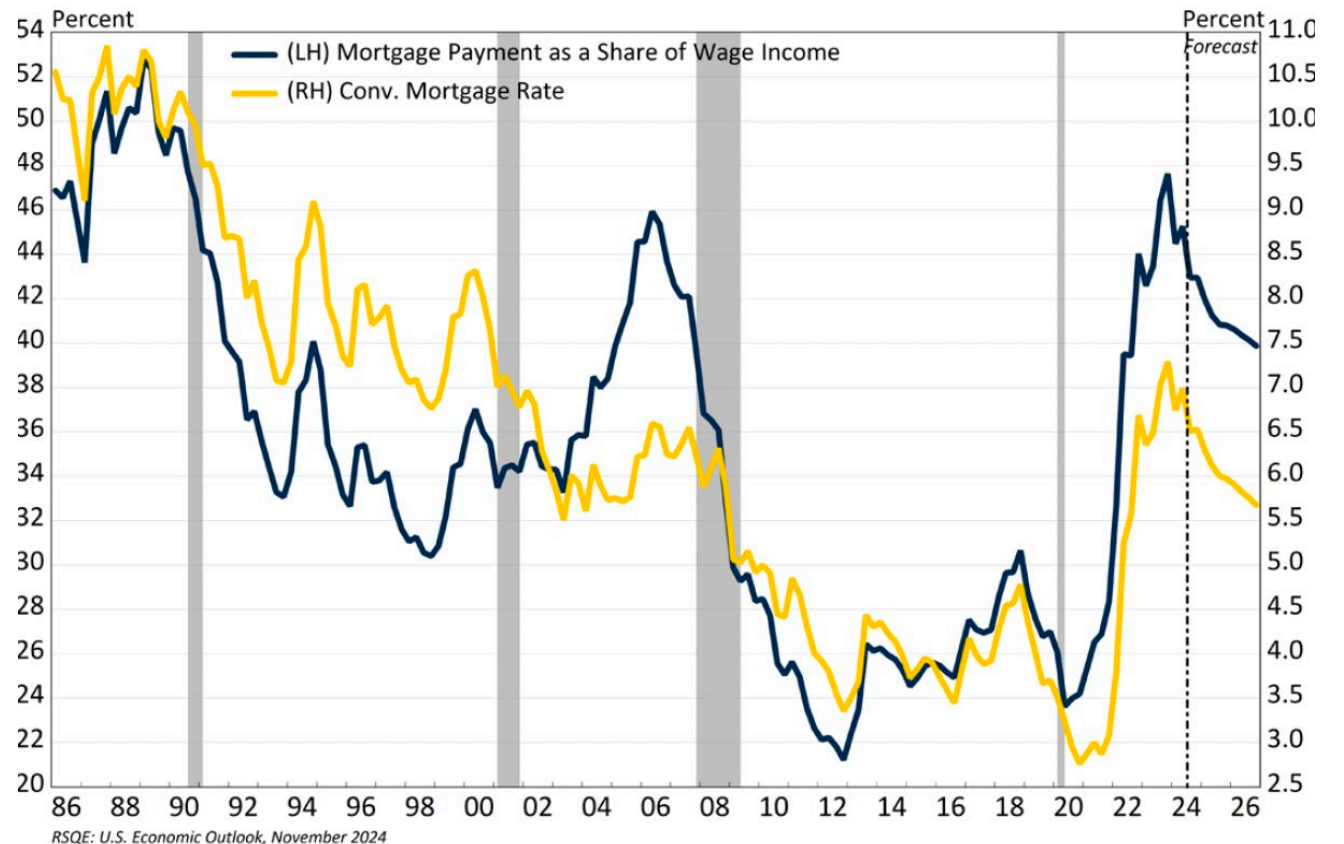
Conventional mortgage rates fall only to a little under 6 percent in this forecast



Housing costs as a share of income is coming down, but nowhere near the affordability of the prior decade.

Mortgage payment on a newly purchased home relative to the average monthly wage of workers expected to drop from 48% to 40% nationally.

Chart 18: Housing Affordability at Time of Purchase

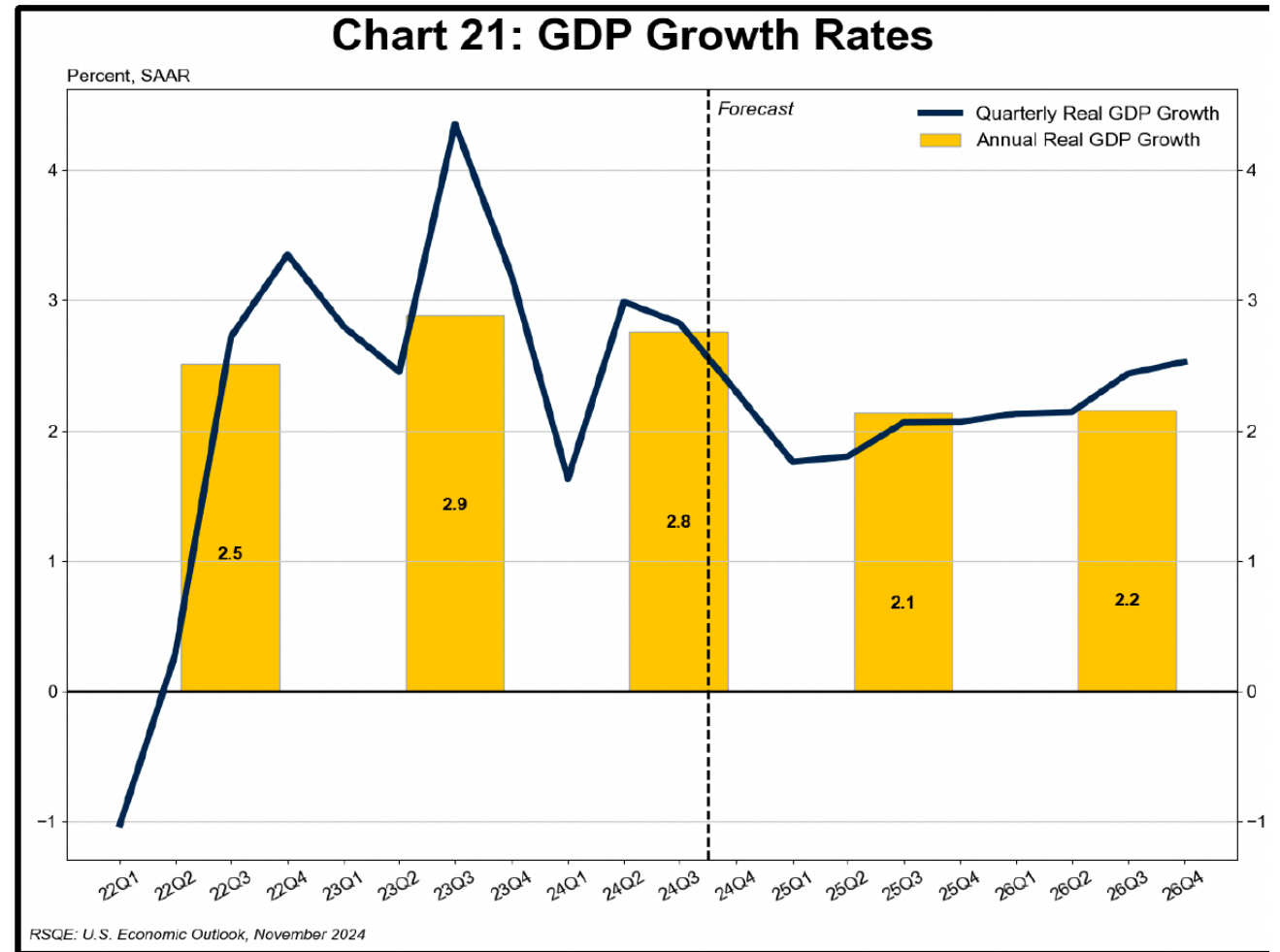


U.S. Economic Growth downshifts to sustainable levels

Key Assumptions:

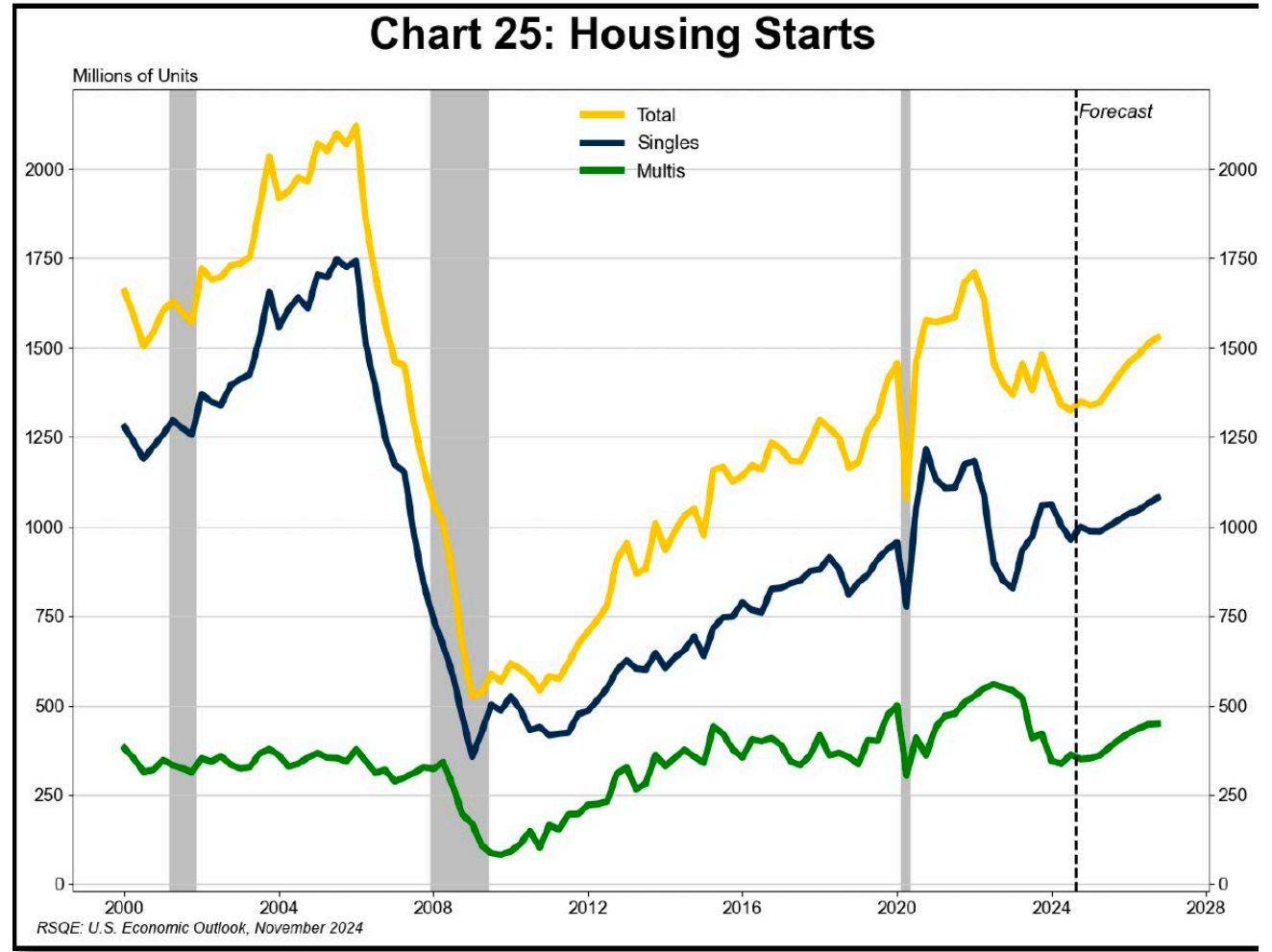
Trump will keep his promises but not so much that they damage economic growth

- Tax cuts more than spending cuts
- Tariffs on China but not everyone
- Deportations, but not so much as to depress immigrant labor participation



Housing starts rebound from current lows

But still remain depressed compared to historical levels



Housing supply in KC is still tight but beginning to loosen a little.

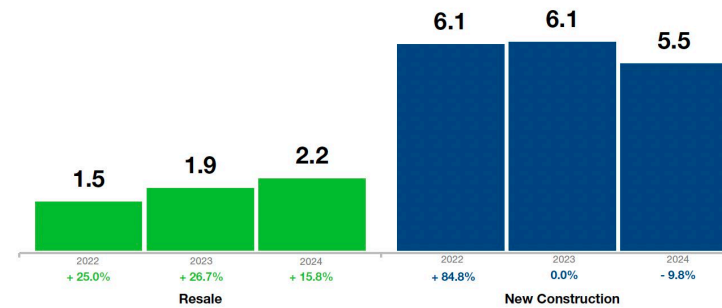
The two-month supply of homes for resale is still well-below a balanced market with a six-month inventory.

Supply

The inventory of homes for sale at the end of a given month, divided by the average monthly closed sales from the last 12 months.



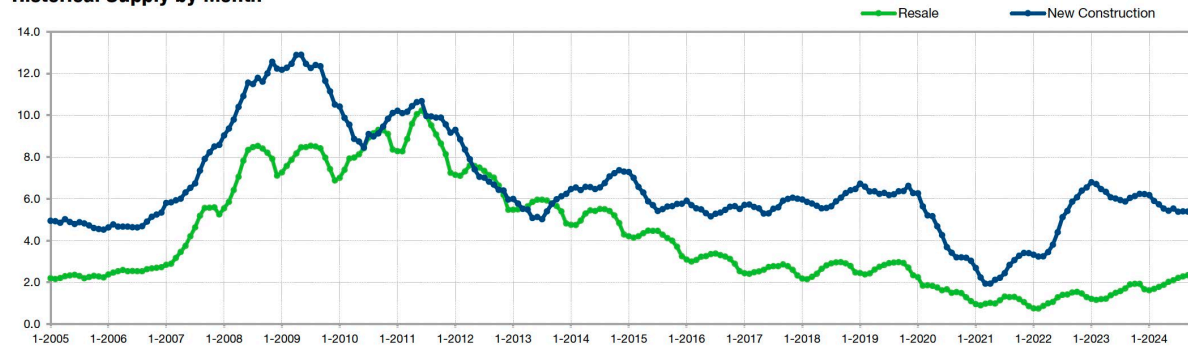
October



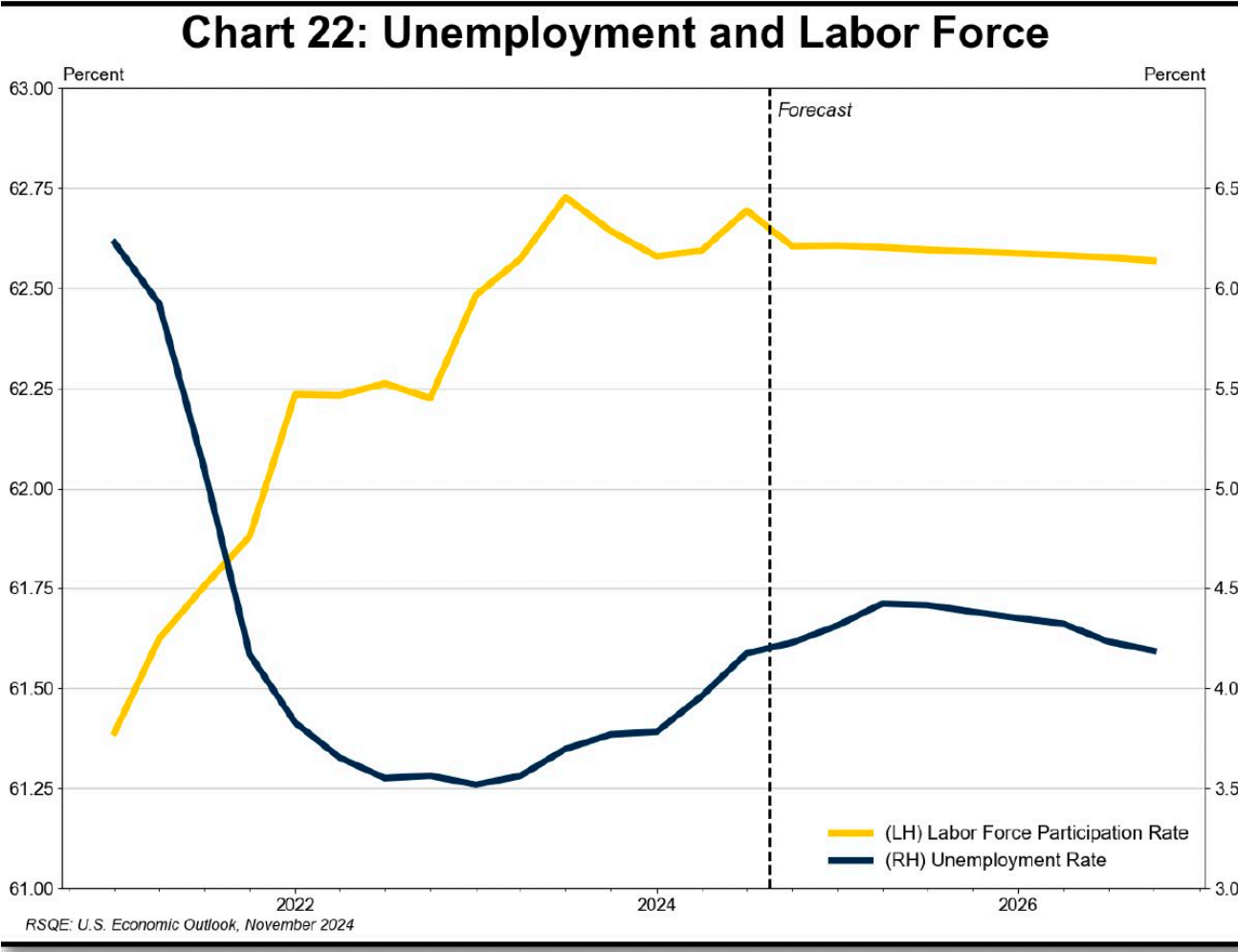
Supply	Resale	Year-Over-Year Change	New Construction	Year-Over-Year Change
Nov-2023	1.9	+26.7%	6.2	-3.1%
Dec-2023	1.7	+30.8%	6.2	-4.6%
Jan-2024	1.6	+33.3%	6.2	-8.8%
Feb-2024	1.7	+41.7%	5.9	-11.9%
Mar-2024	1.8	+50.0%	5.7	-12.3%
Apr-2024	1.9	+58.3%	5.5	-12.7%
May-2024	2.0	+42.9%	5.4	-11.5%
Jun-2024	2.1	+40.0%	5.5	-8.3%
Jul-2024	2.2	+37.5%	5.4	-8.5%
Aug-2024	2.3	+35.3%	5.4	-8.5%
Sep-2024	2.3	+21.1%	5.4	-10.0%
Oct-2024	2.2	+15.8%	5.5	-9.8%
12-Month Avg*	2.0	+35.5%	5.7	-9.1%

* Supply for all properties from November 2023 through October 2024. This is not the average of the individual figures above.

Historical Supply by Month

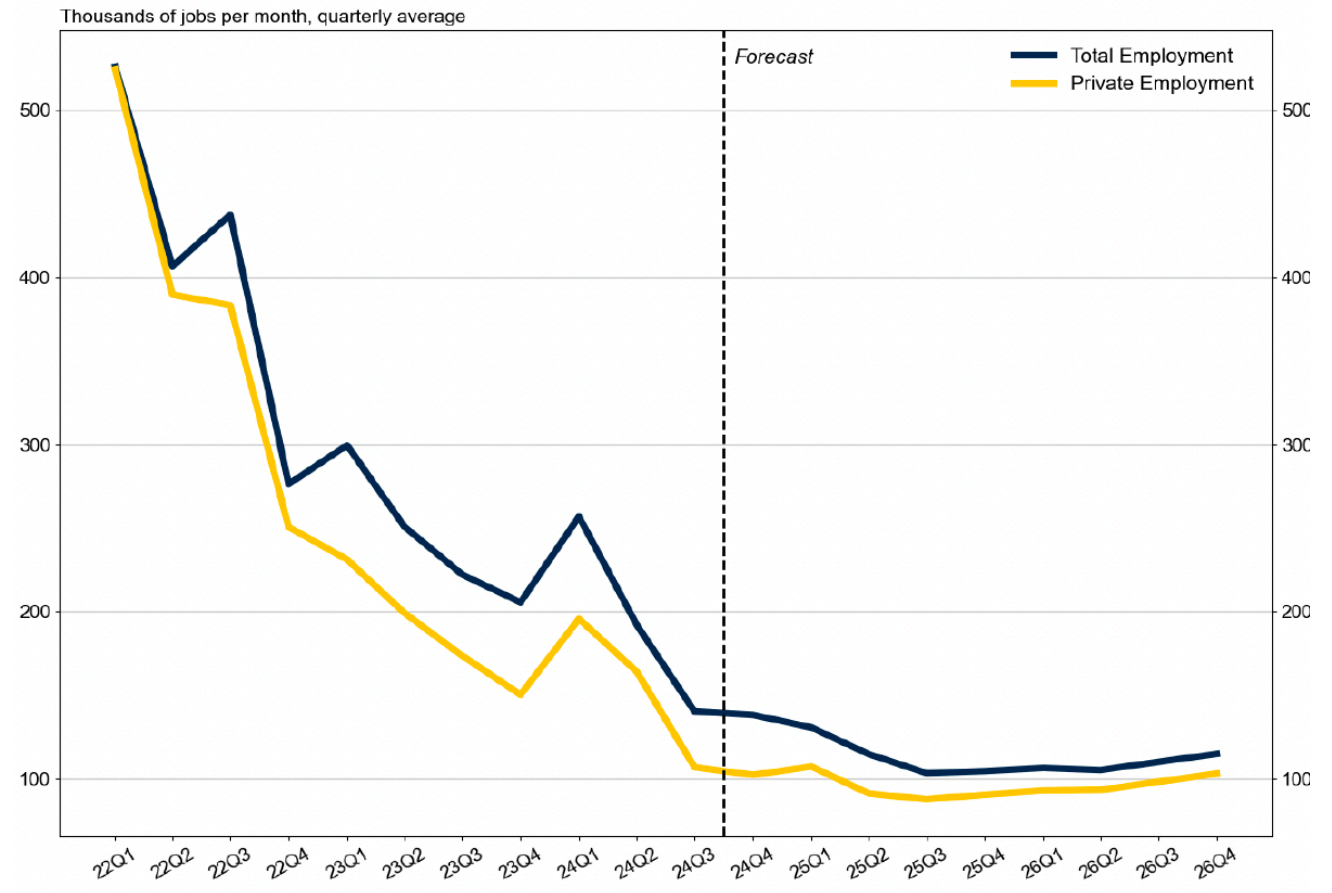


Labor force participation declines as baby-boomers retire. Unemployment rises slightly.



Employment growth slows to levels consistent with current labor force growth

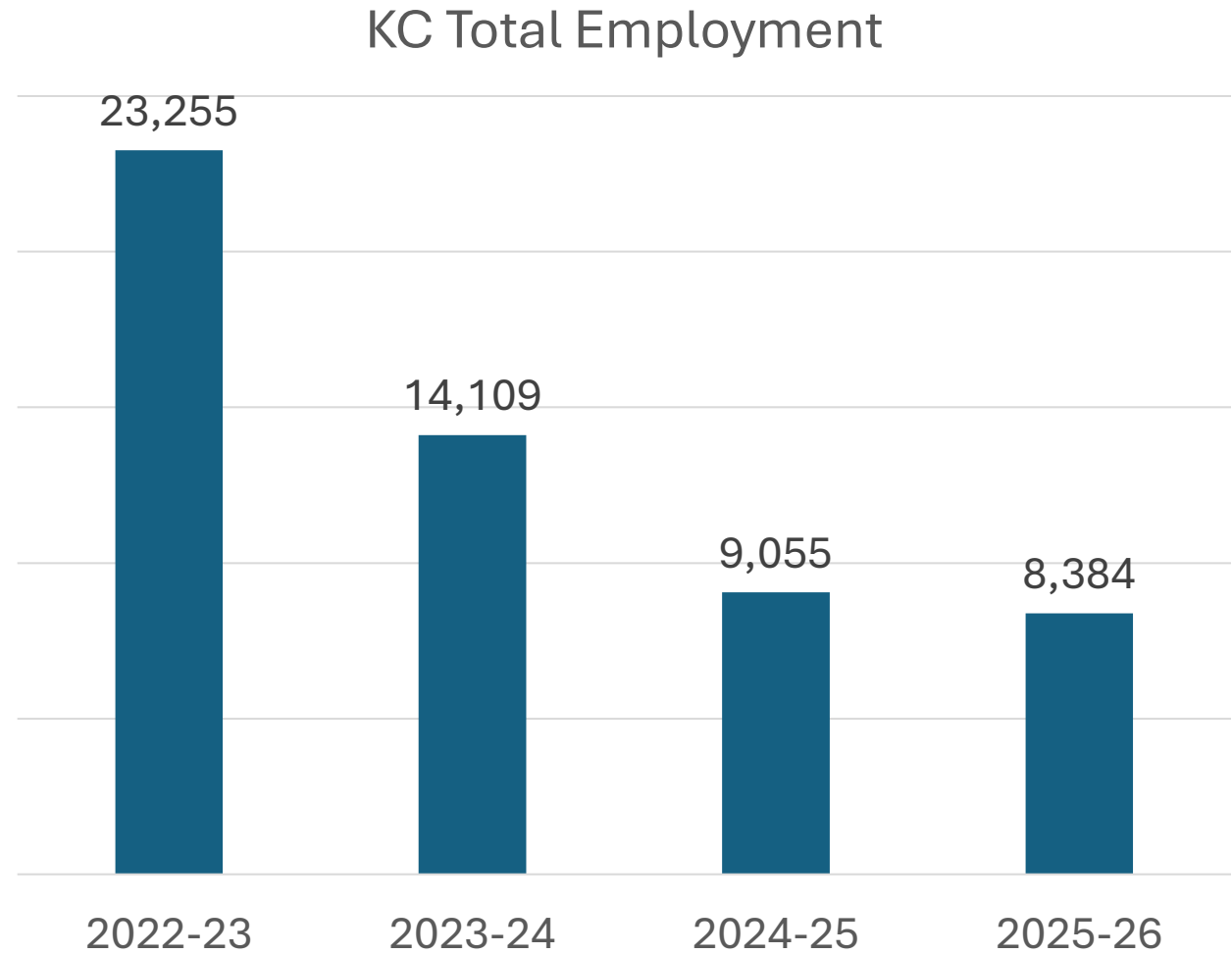
Chart 23: Total and Private Employment Change



RSQE: U.S. Economic Outlook, November 2024

KC poised to follow this national trend

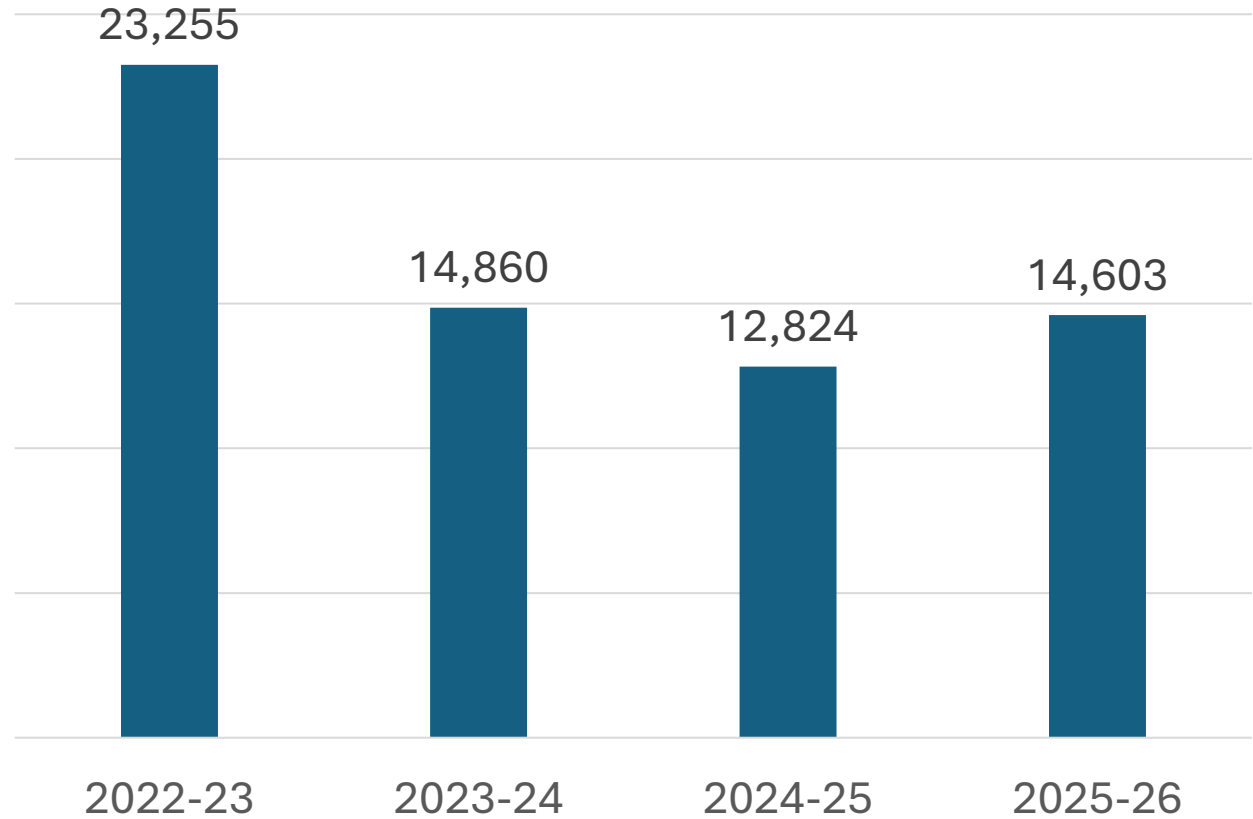
Based on the national economic forecast, this is the employment forecast that can be expected for KC. The decline in growth rate isn't as much from a decline in employer demand as much as it is from declining labor availability.



Except for the positive jolt from the Panasonic plant

Assuming a slower ramp up than initially promised due to sluggish adoption of EVs. Faster growth possible despite labor constraints because these are the kind of jobs that can attract workers to the region increasing labor supply. Still, net effect will be to tighten the local labor market even more.

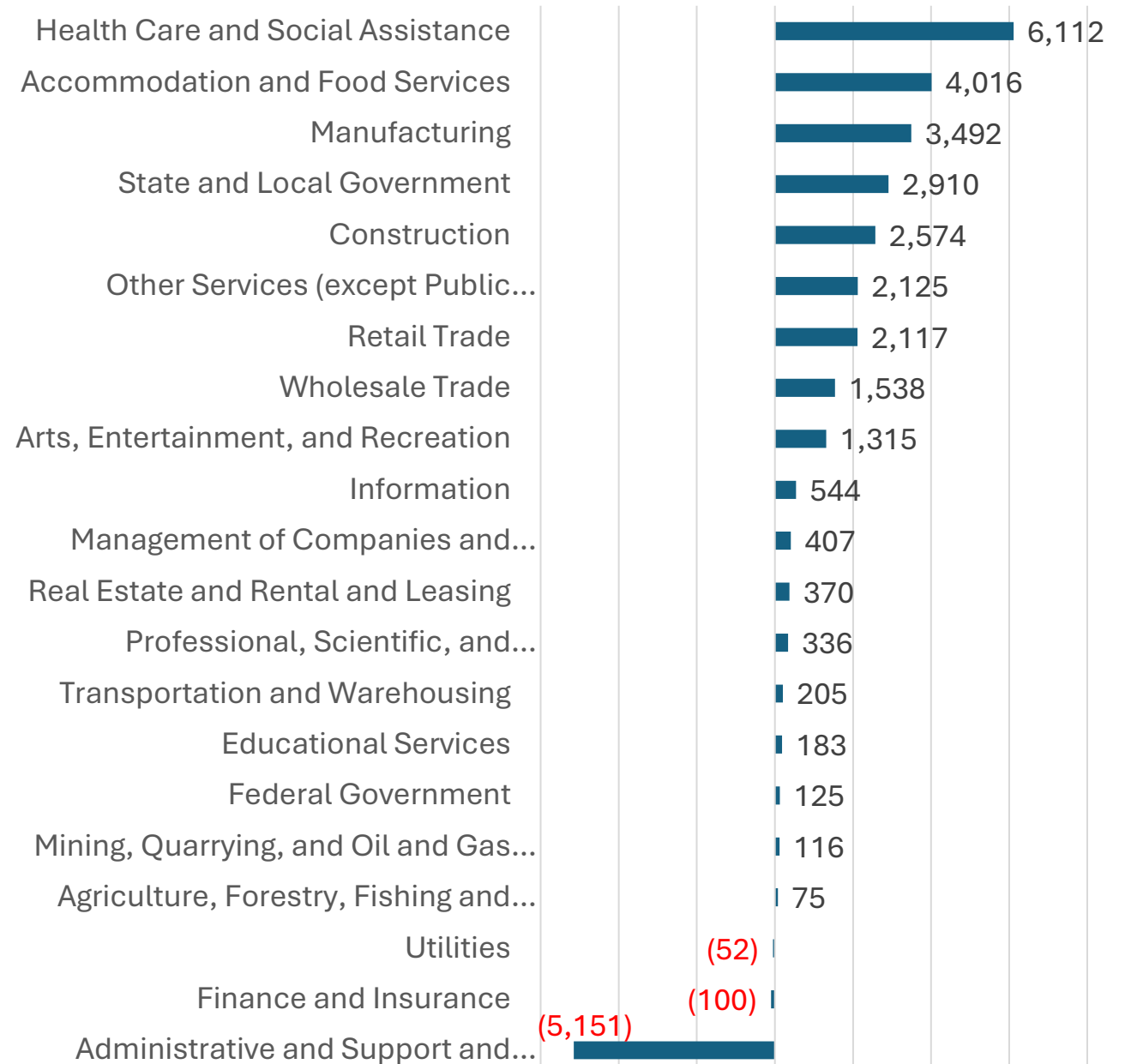
KC Total Employment After Adding In Panasonic



Employment by Industry Trends, 2022-23

Much of the growth this period is still rebound from the pandemic recession. Construction, Manufacturing, and Health Care reflect true net growth.

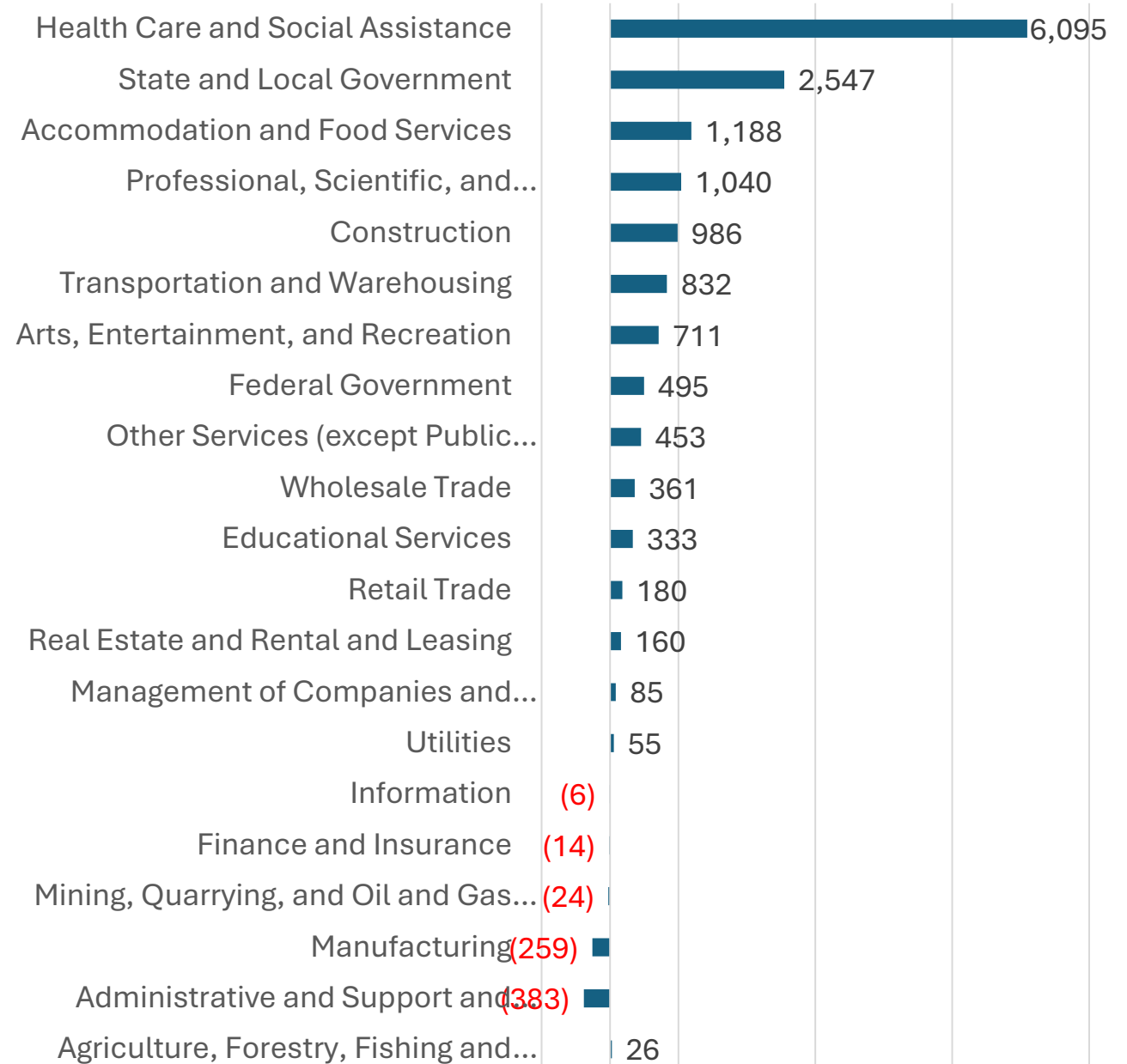
KC Employment Change by Industry
2022-23



Employment by Industry Forecast, 2023-24

Health Care continues to lead all sectors in employment growth, responding to an aging population. State and Local Government, and Accommodation and Food complete their rebound. Despite growth, Professional Services remains below pre-pandemic levels.

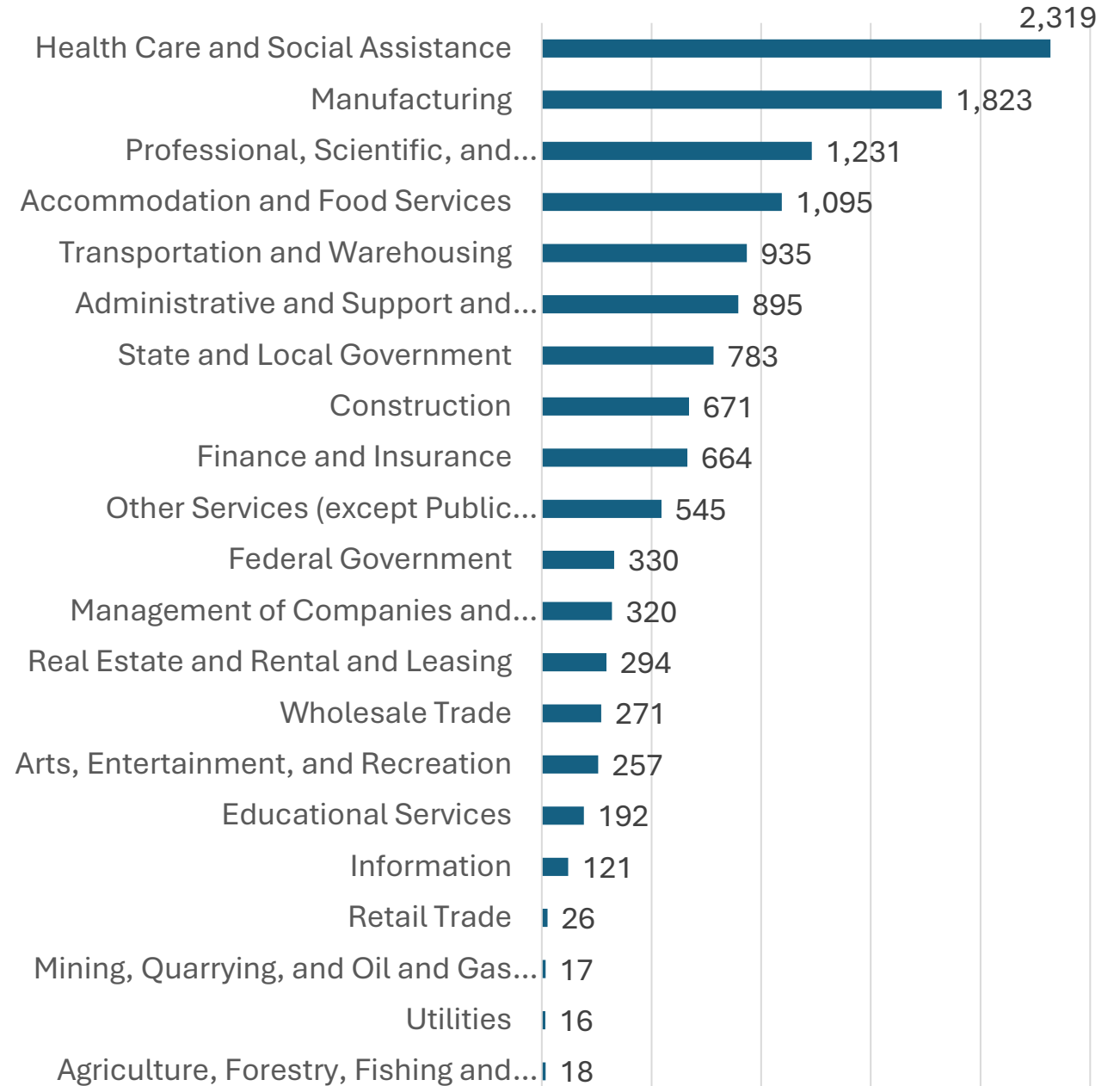
KC Employment Change by Industry 2023-24



Employment by Industry Forecast, 2024-25

Employment growth downshifts in most sectors, except for Manufacturing as the Panasonic plant begins operation. Professional Services continues its rebound.

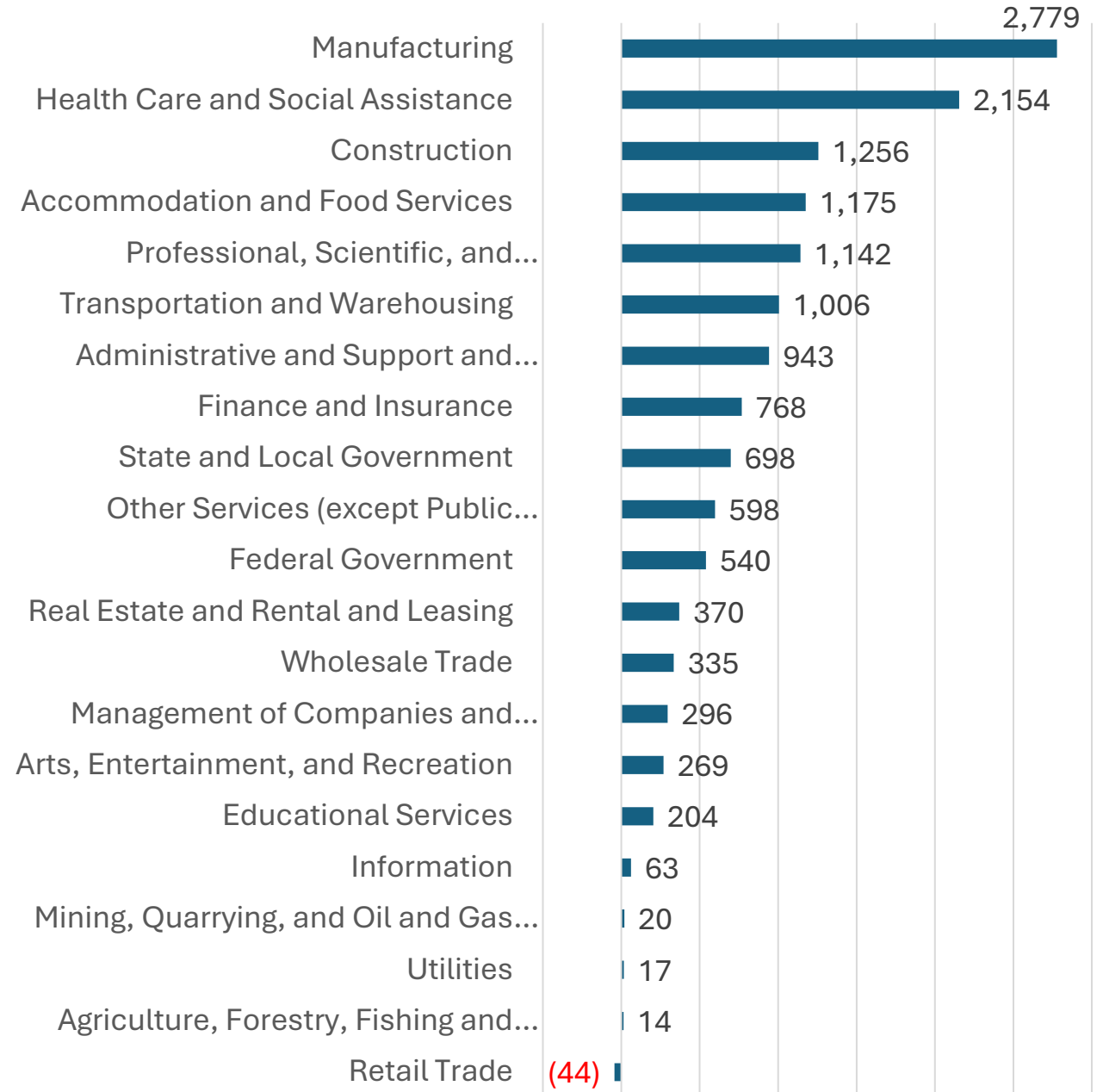
KC Employment Change by Industry 2024-25



Employment by Industry Forecast, 2025-26

Manufacturing jumps to the top position as the Panasonic plant continues to ramp up toward its full capacity. In addition to Health Care, Construction starts growing significantly again. Professional Services completes its rebound.

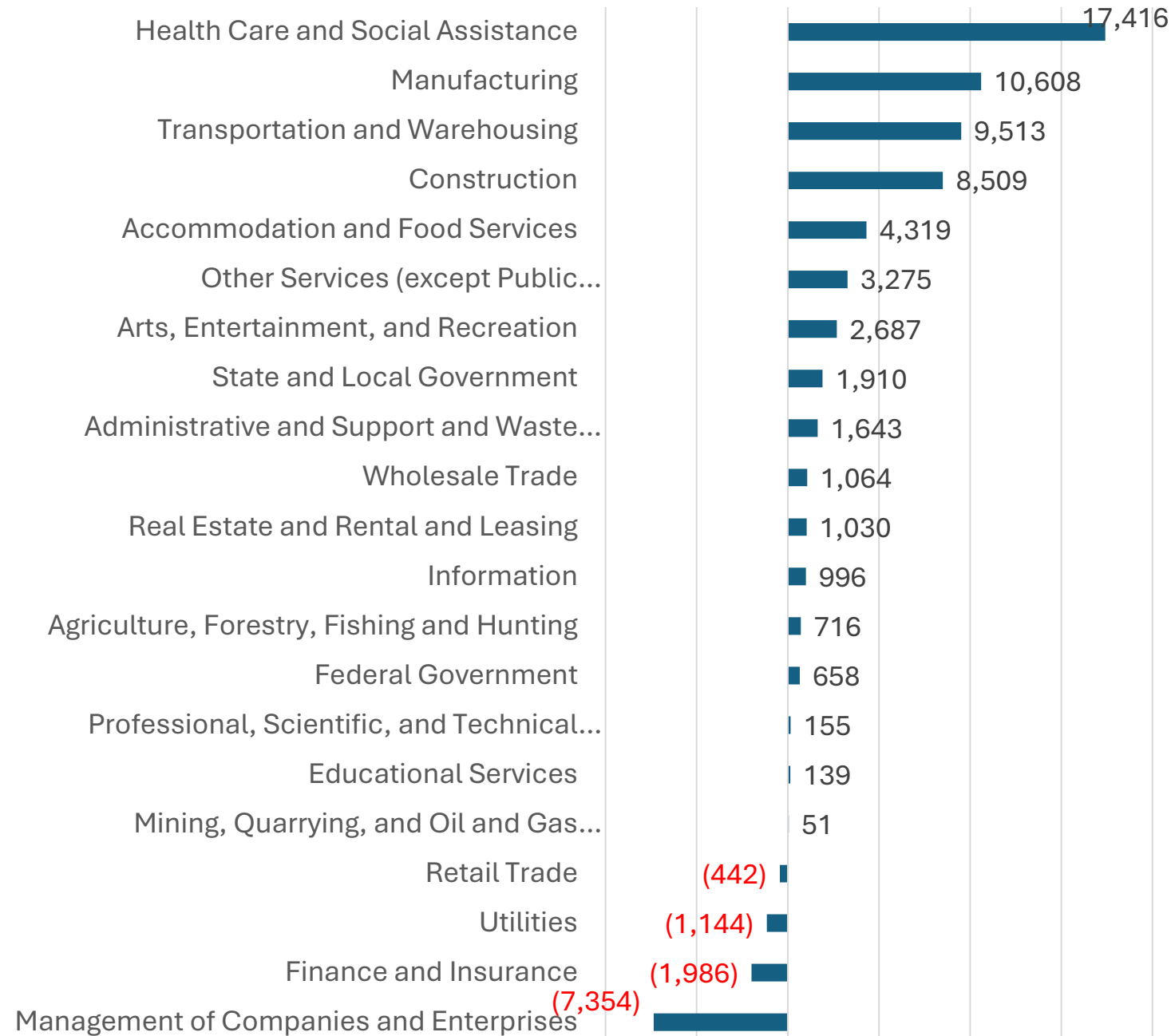
KC Employment Change by Industry
2025-26



Employment by Industry Forecast, 2019-26

- Net growth since the pandemic reflects significant shifts in the economy.
- Some like health care are due to forces that began long-before the pandemic.
- But others, like the shift to remote work and increase delivery of goods were significantly advanced by the pandemic.
- Some sectors benefited – Transportation and Warehousing, Construction.
- Others were hurt – Finance, Management of Companies.
- Finally, some that we thought would be damaged permanently have bounced back stronger – Accommodation and Food, Arts and Entertainment.

Net Projected Industry Growth, 2019-2026



Summary

- A year ago, we thought the economy would barely avoid a recession.
- Job market turned out to be much stronger than anticipated
- Declining inflation means things are coming into balance, and greater balance means growth at the current level can be sustained
- Locally, KC's job growth has struggled to keep pace with the nation's
- The boost from Panasonic will help in the short-run
- Can we build on that to produce greater long-term momentum?

Questions?



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