



IMPACT OF COVID-19 PANDEMIC ON THE KANSAS CITY METROPOLITAN ECONOMY

(U.S. FORECAST: MAY 2020)

Civic Council Membership Meeting
May 29, 2020

ONE PART OF THE CIVIC RESPONSE TO COVID-19

- Numerous surveys of businesses and entrepreneurs
- Small Business Relief Loan Fund
- Non-profit loan fund
- KC Chamber, KC ADC, Civic Council, MARC Safe Return Guide
- And much more
- This forecast is being conducted under the auspices of KC Rising and its Data and Analytics Resource Team, with funding from the Civic Council.

U.S. Macroeconomic Forecast

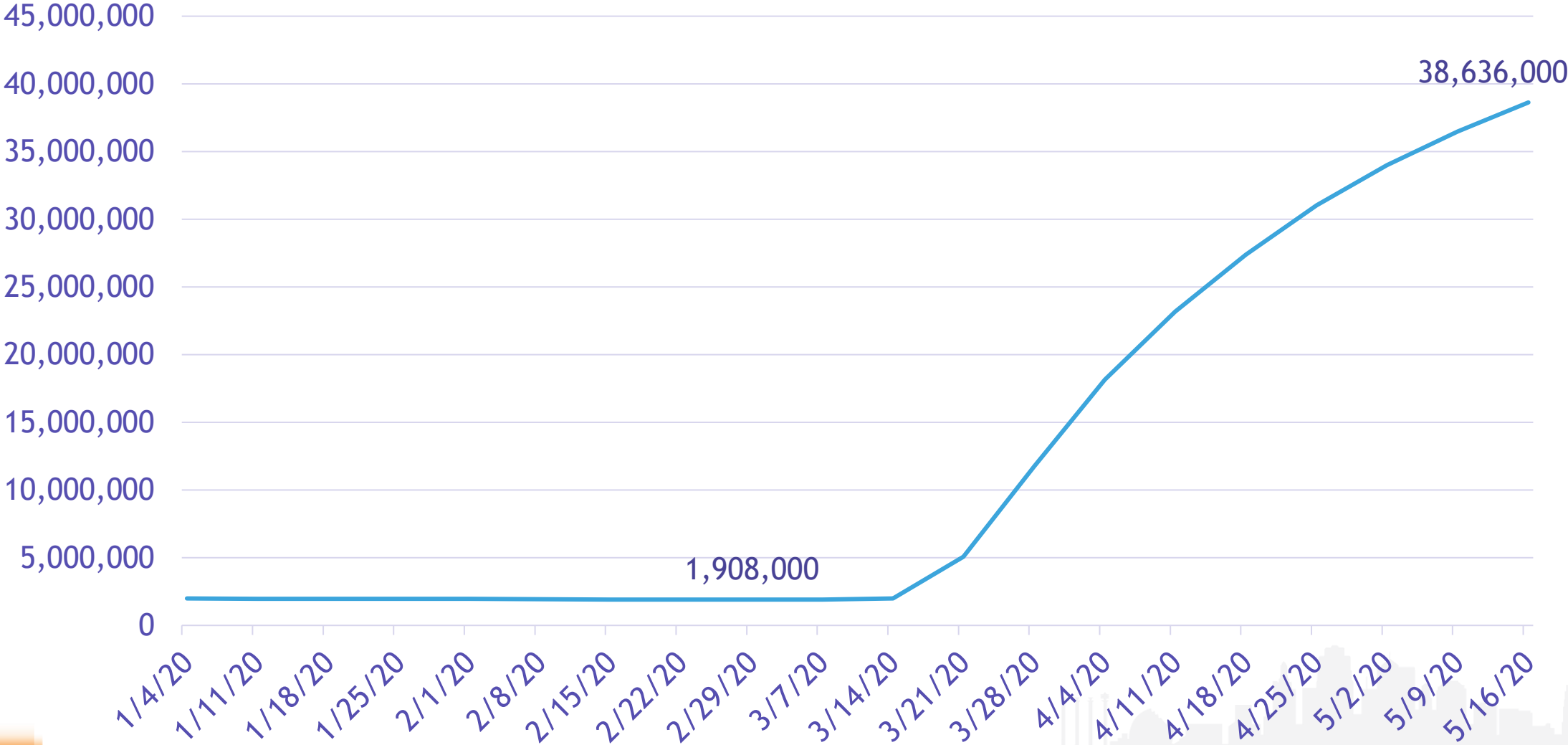
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U.S. Total Non-Farm Payroll Employment (As of April 2020, in thousands)



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U.S. Initial UI Claims, Seasonally adjusted Sum over prior nine weeks



MOODY'S ANALYTICS BASELINE U.S. FORECAST ASSUMPTIONS



There is no widespread second wave of COVID-19



The next round of fiscal stimulus is passed without significant delays and includes aid to state and local governments



Small-business bankruptcies are limited so that people can return to their jobs relatively quickly

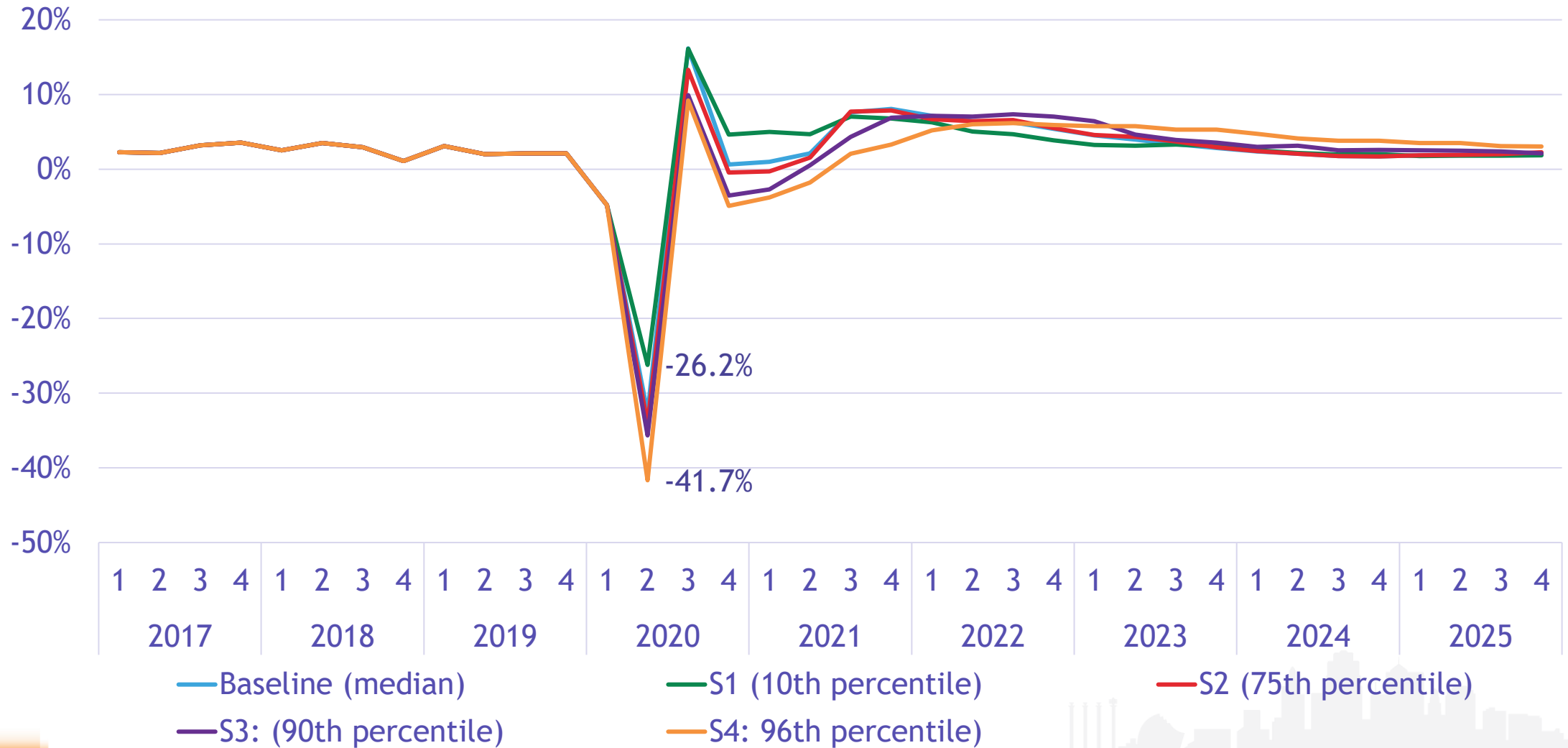


Financial markets don't tighten significantly



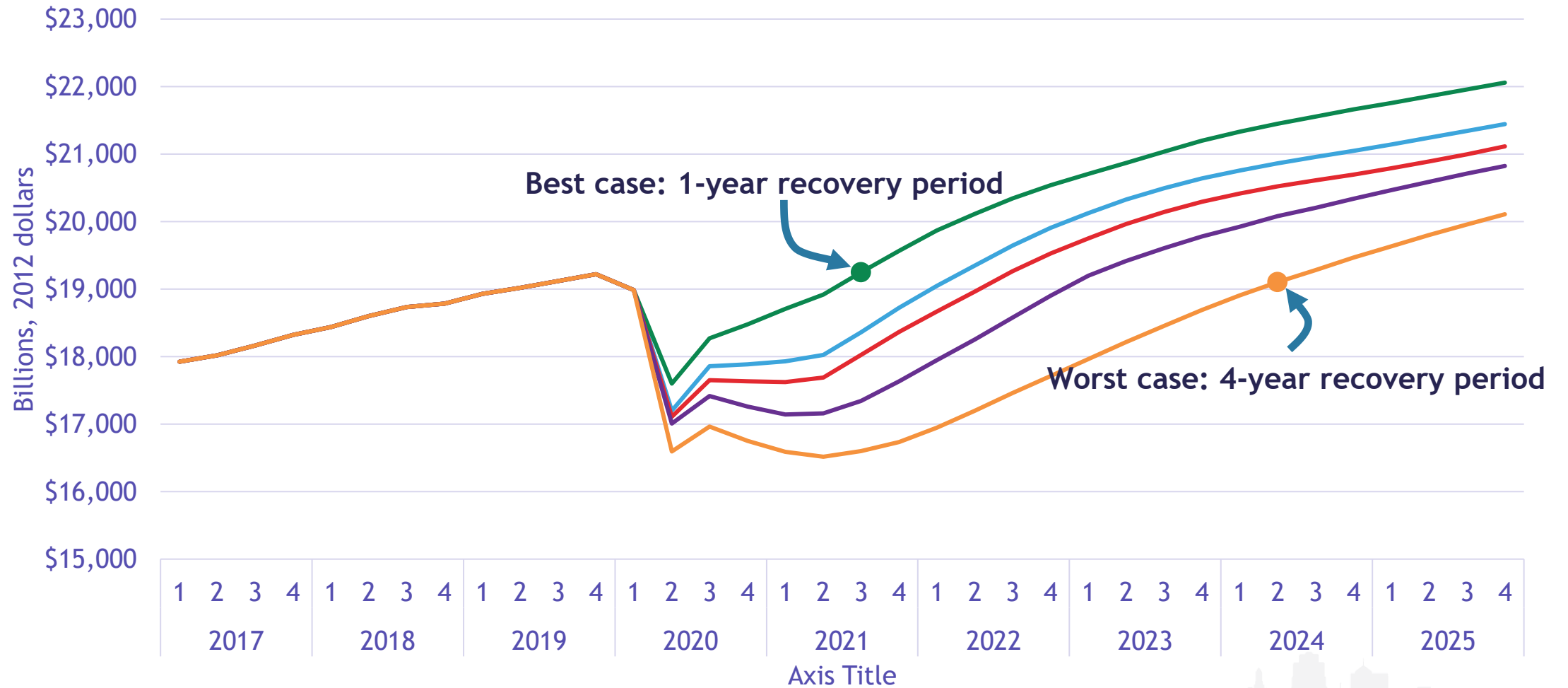
Political and economic tensions between the U.S. and China remain manageable

U.S. GDP (percent change at annual rates) Moody's May 2020 Scenarios



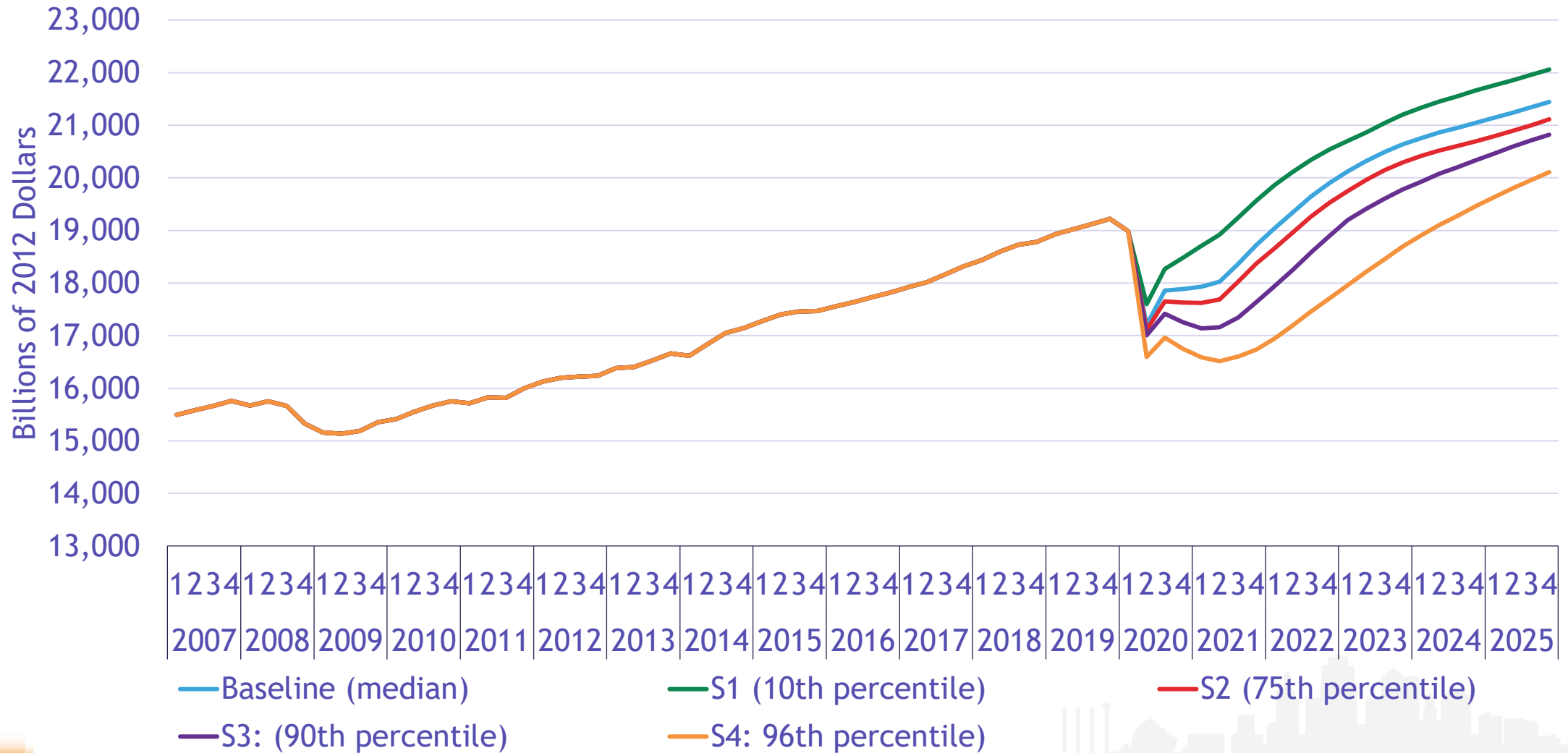
US GDP

Moody's May 2020 Scenarios



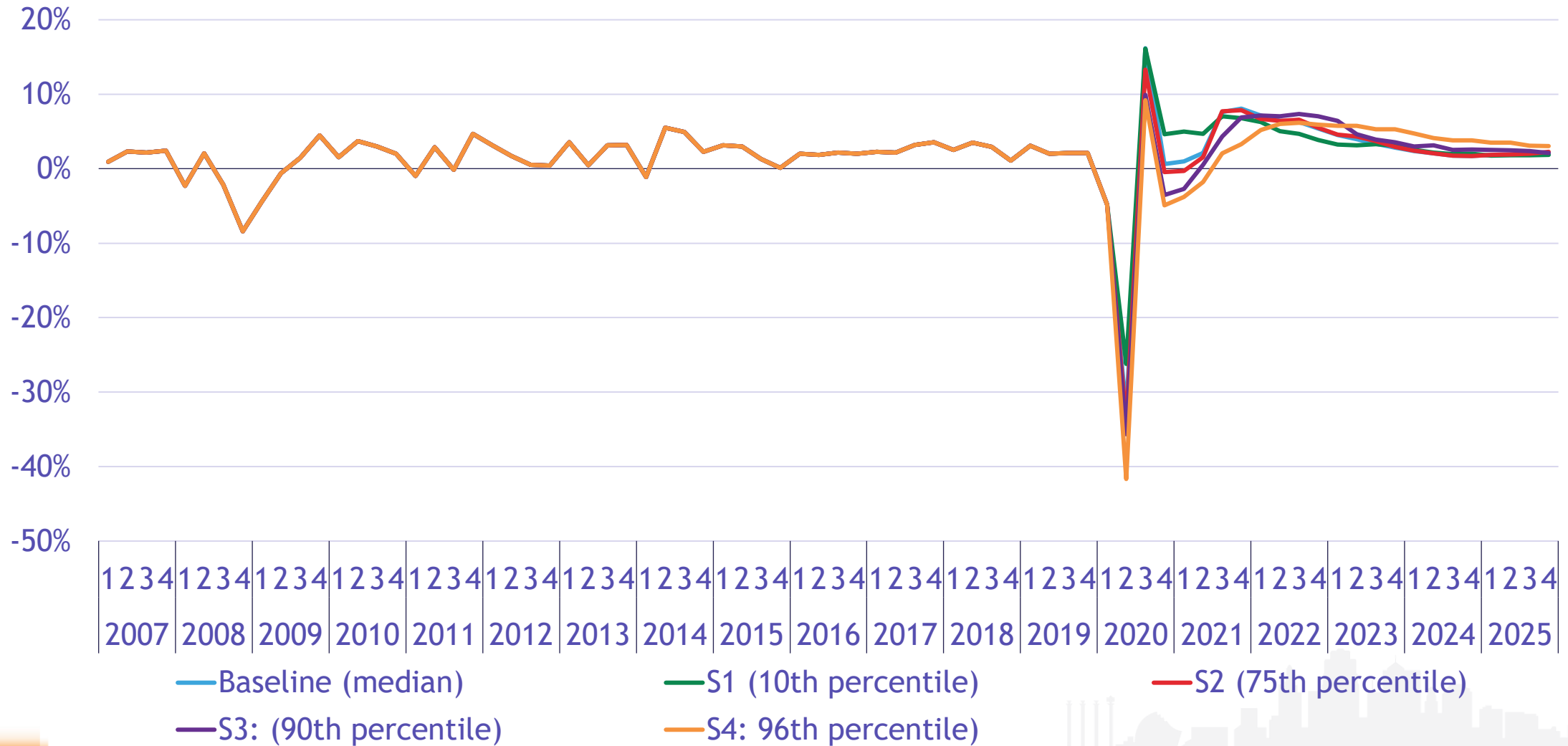
— Baseline (median) — S1 (10th percentile) — S2 (75th percentile) — S3: (90th percentile) — S4: 96th percentile)

U.S. GDP: Great Recession vs. COVID-19 Recession Moody's May 2020 Scenarios



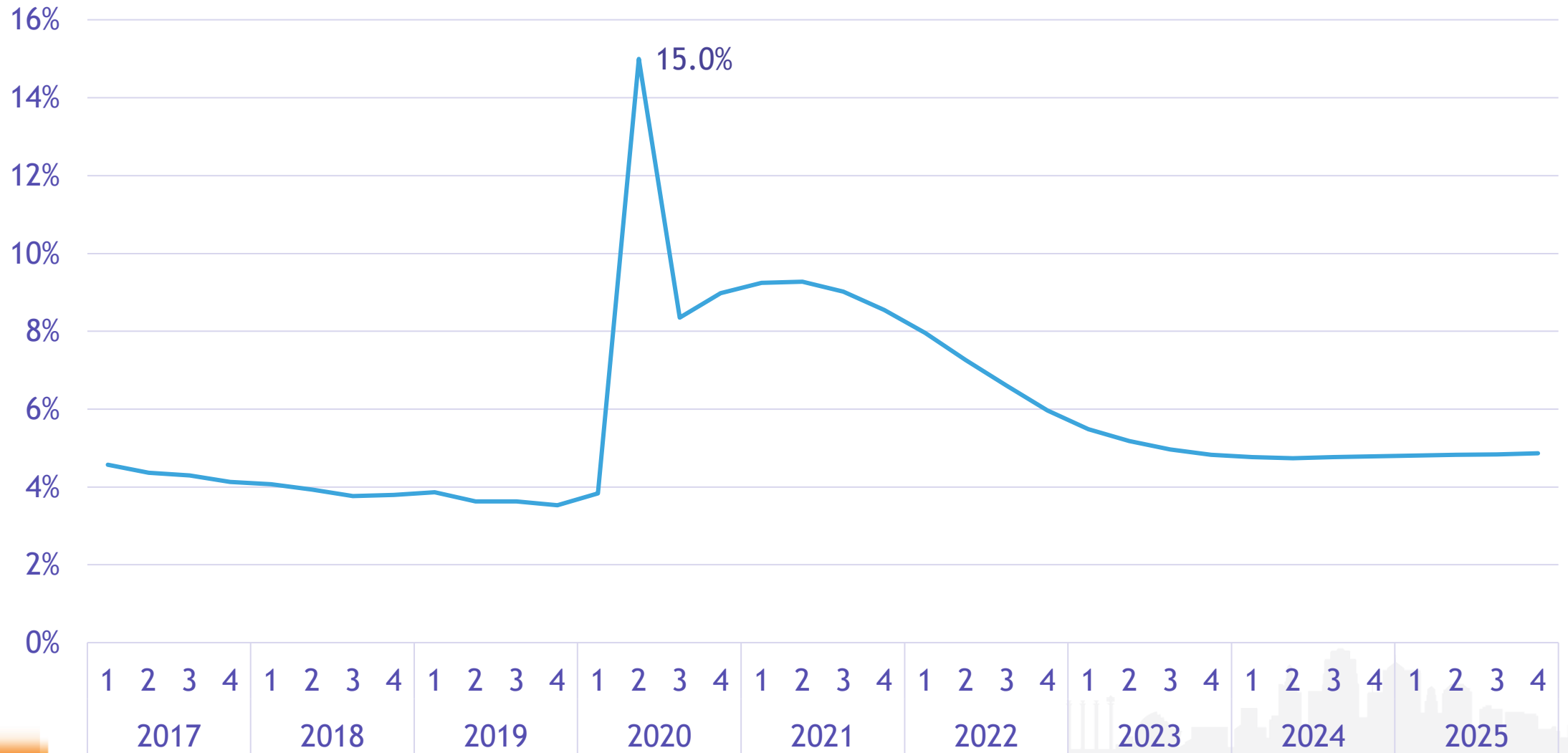
U.S. GDP: Great Recession vs. COVID-19 Recession

Percent Change at Annual Rates, Moody's May 2020 Scenarios



U.S. Unemployment Rate

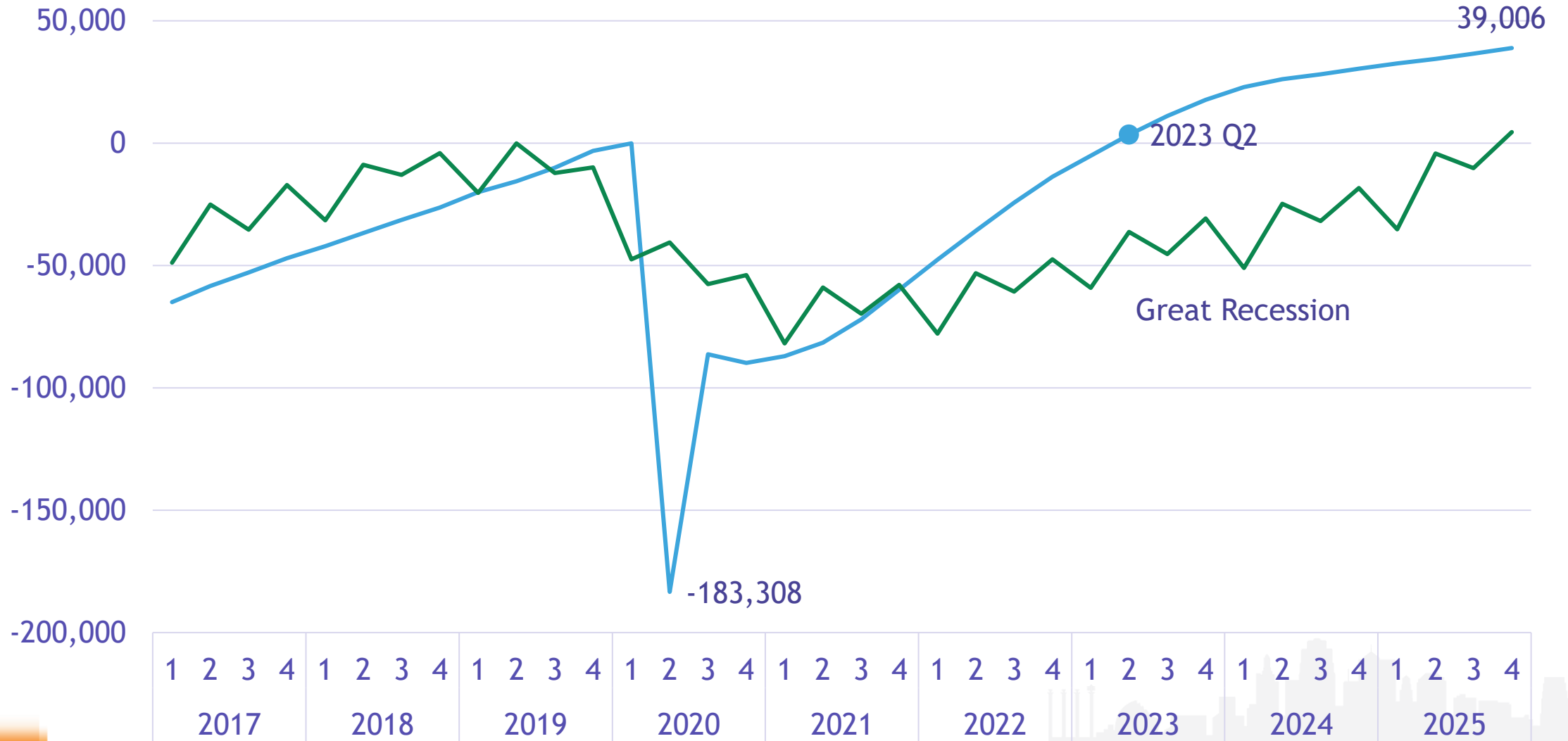
Moody's May 2020 Baseline



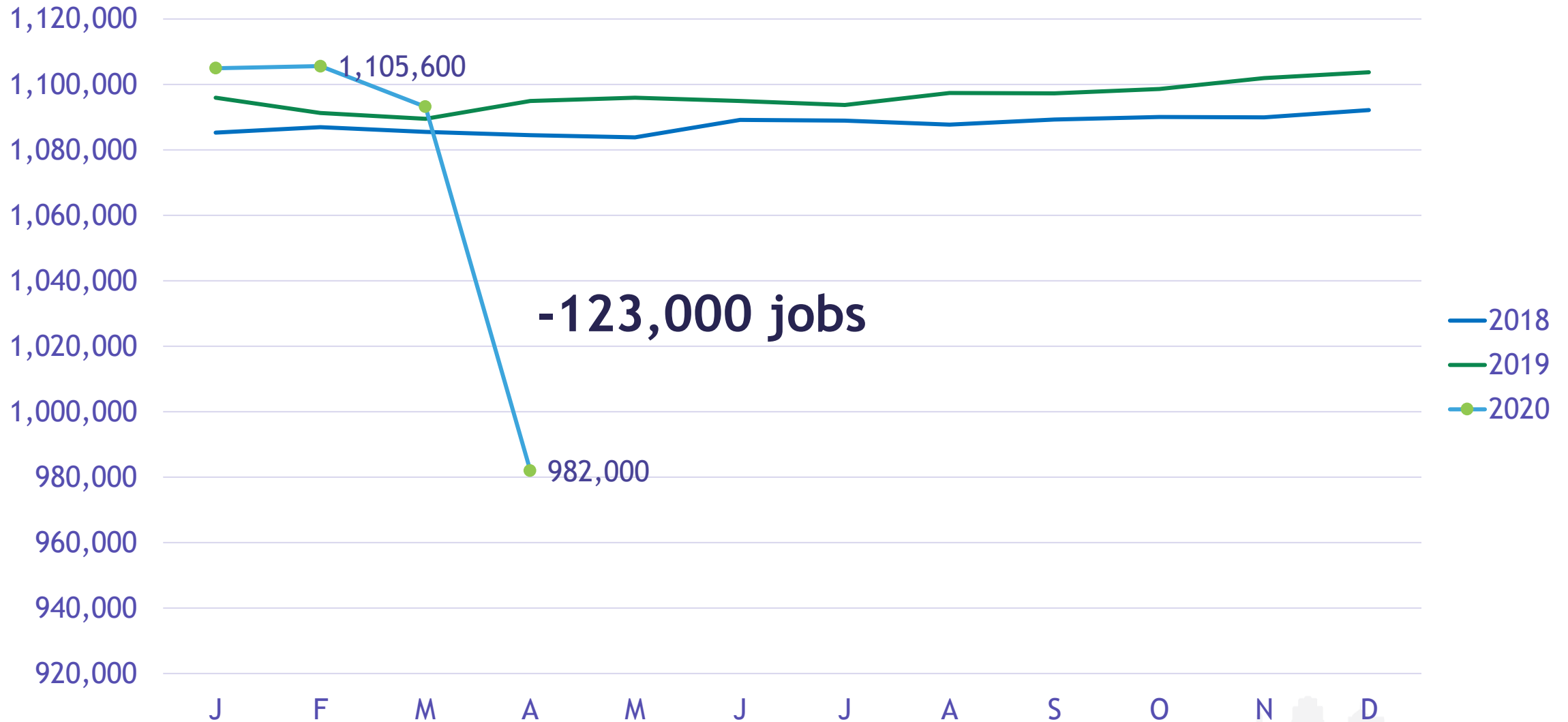
KC Economic Forecast

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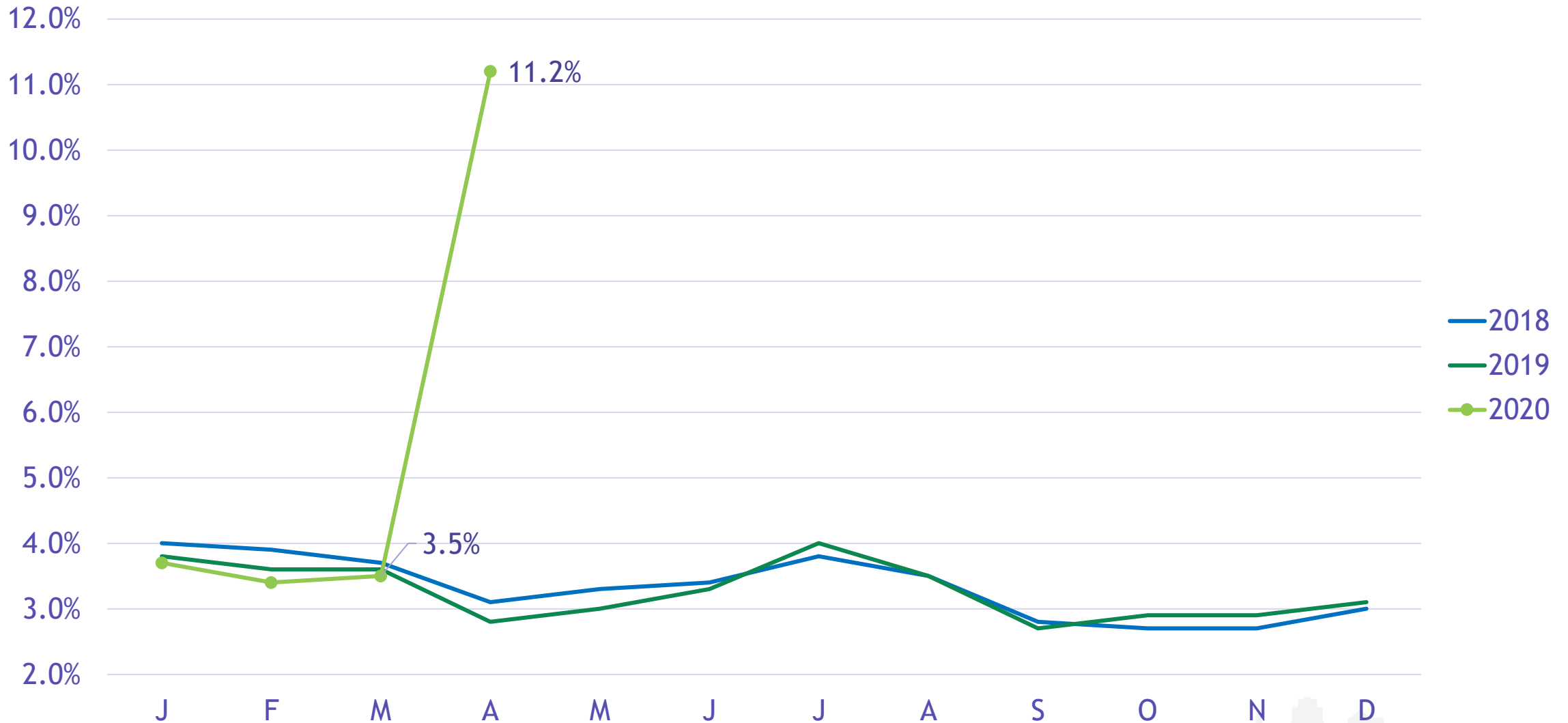
KC Total Employment, Change Since 2020 Q1 May Baseline



KC Monthly Total Employment, 2018 - 2020

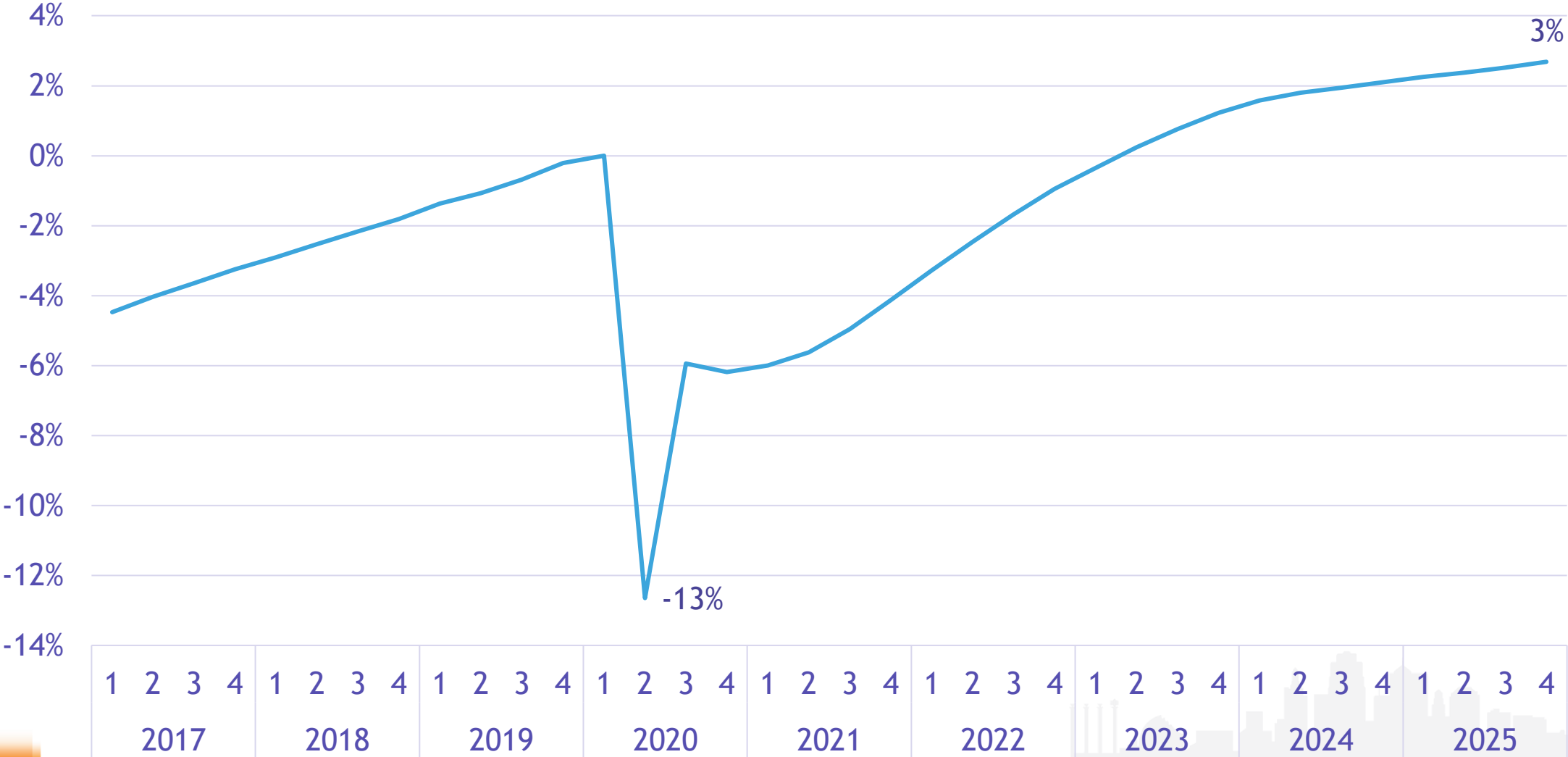


KC Monthly Unemployment Rate



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KC Total Employment, May Baseline Percent change since 2020 Q1

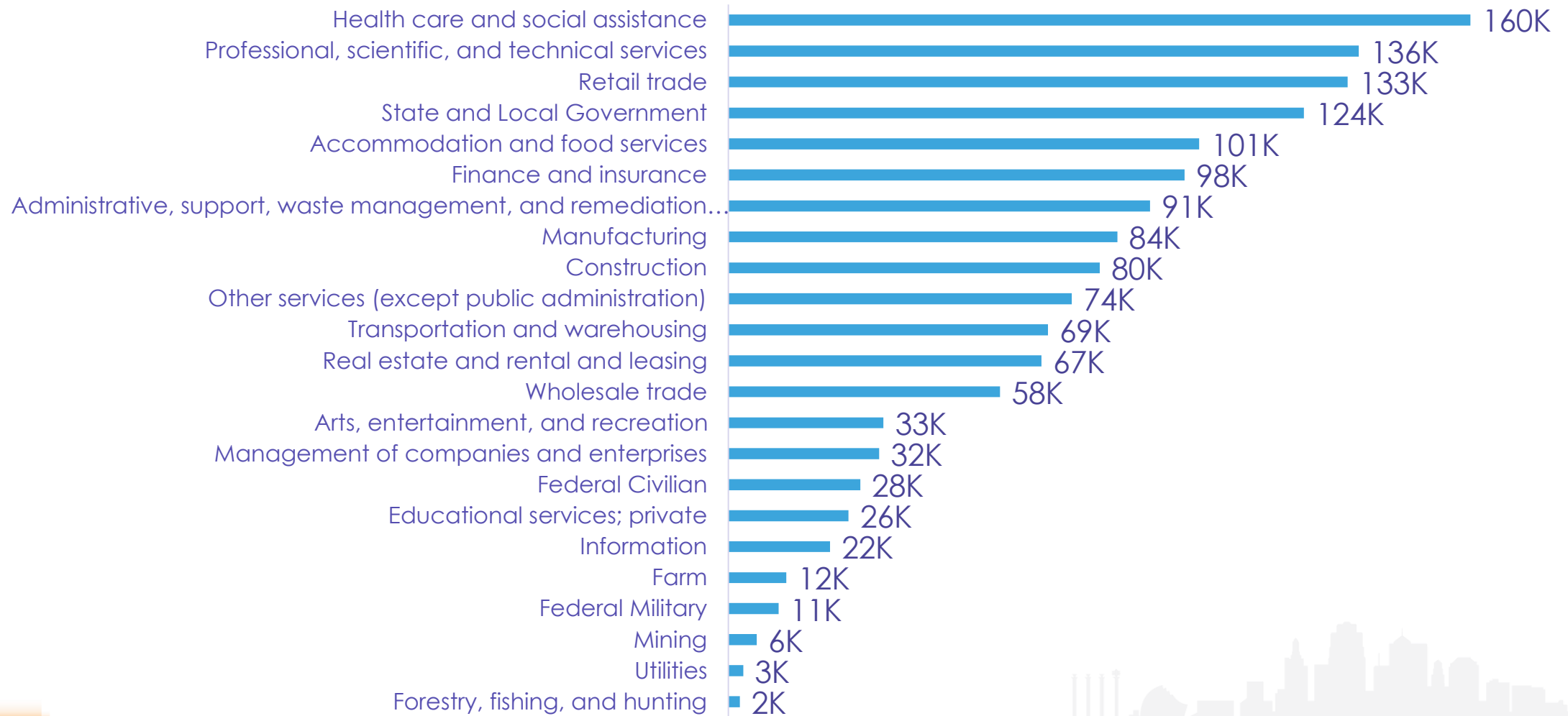


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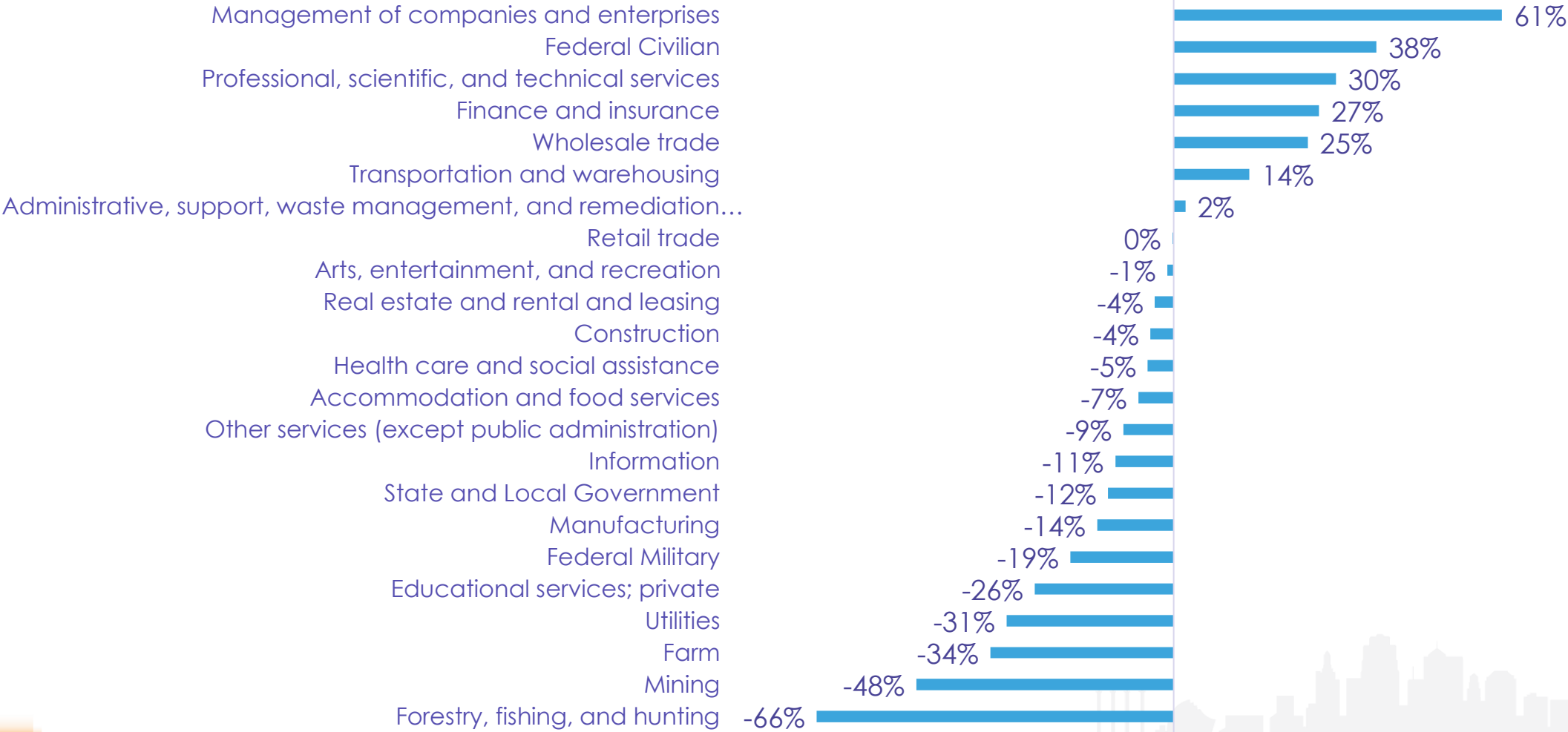
KC Employment by Industry, 2020 Q1

(Includes the Self-Employed, Public Education is Included in Government)



KC Industry Employment Specializations

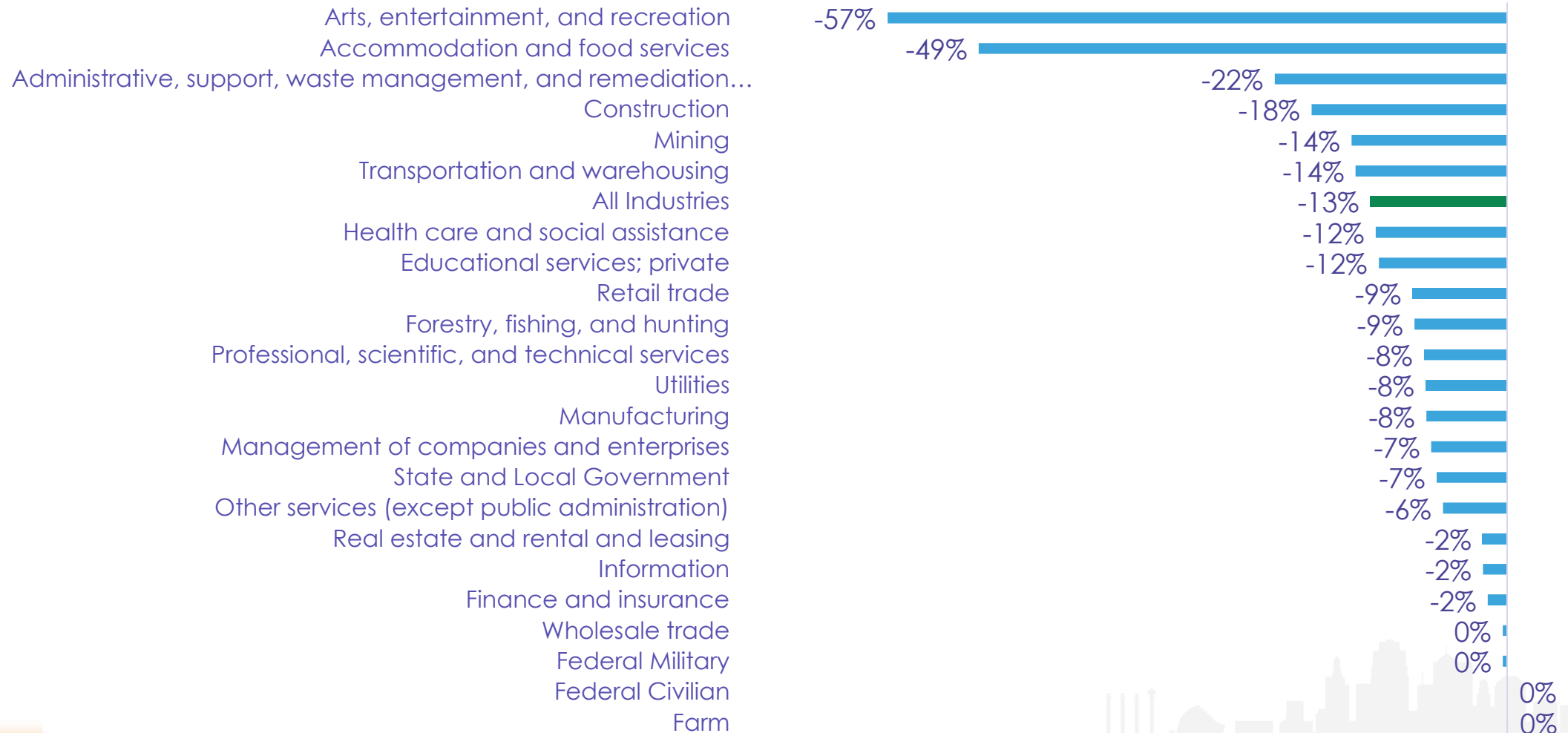
Share of KC Economy Relative to Share of U.S.



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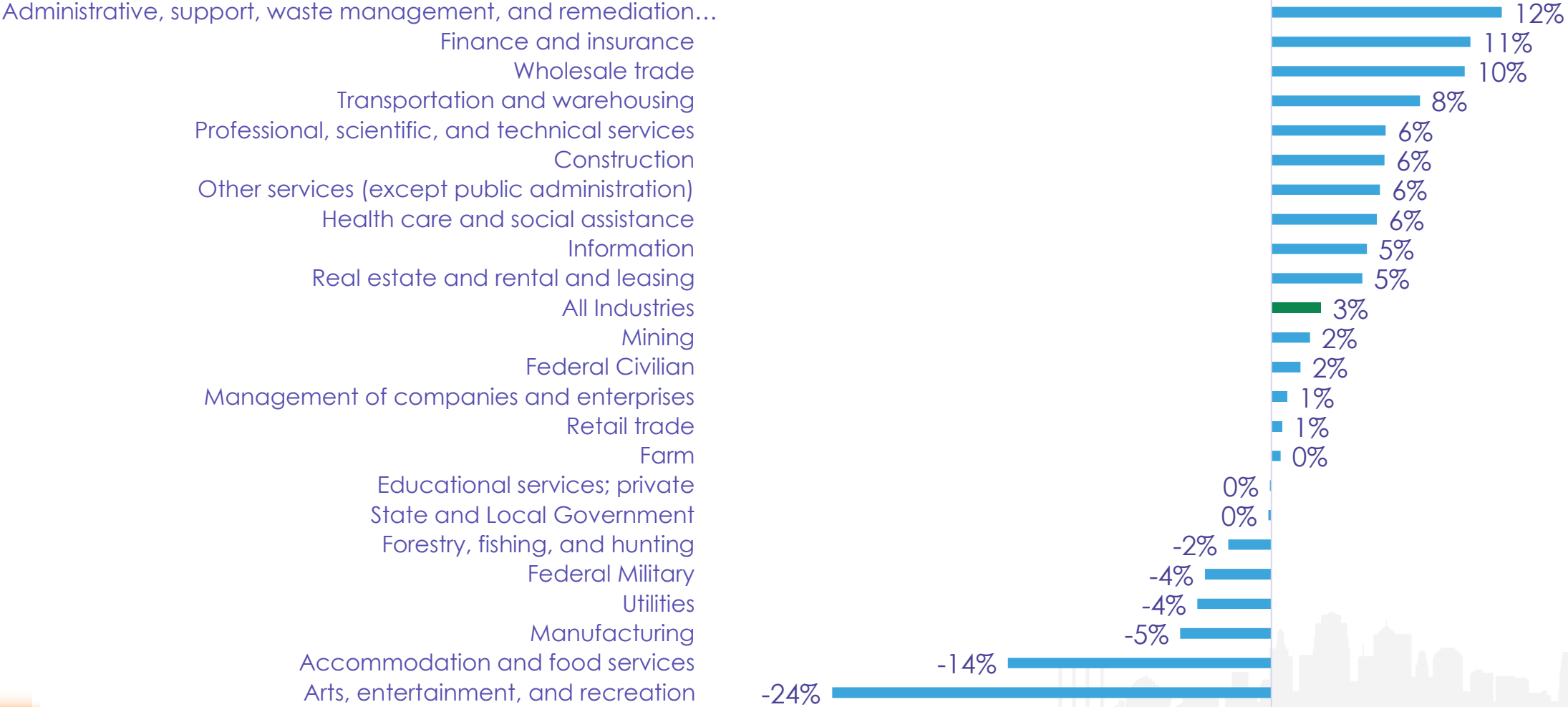
Depth of Downturn by Industry, May Baseline

Percent Change in Employment, 2020 Q1 to 2020 Q2



Strength of Recovery by Industry, May Baseline

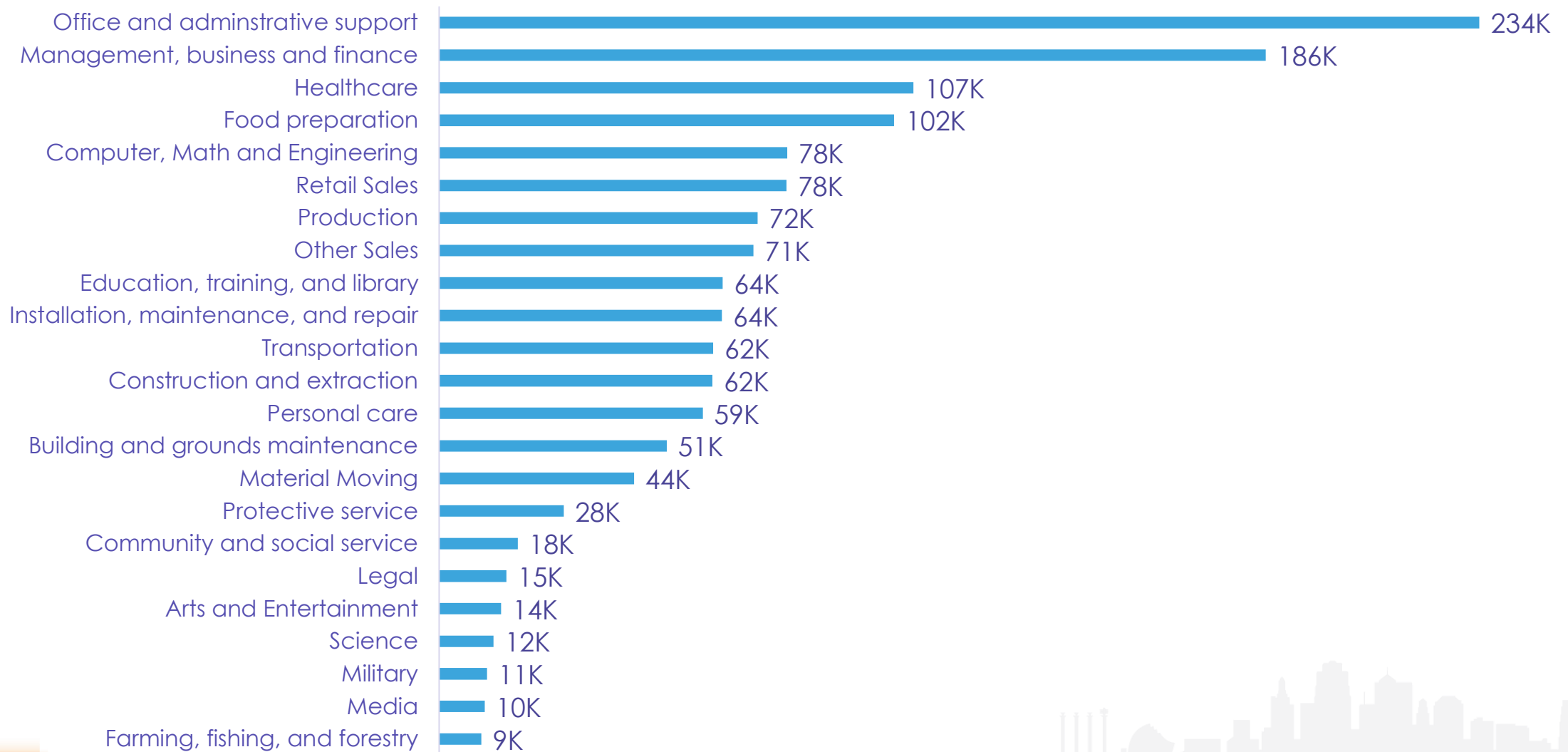
Percent Change in Employment, 2020 Q1 to 2020 Q2



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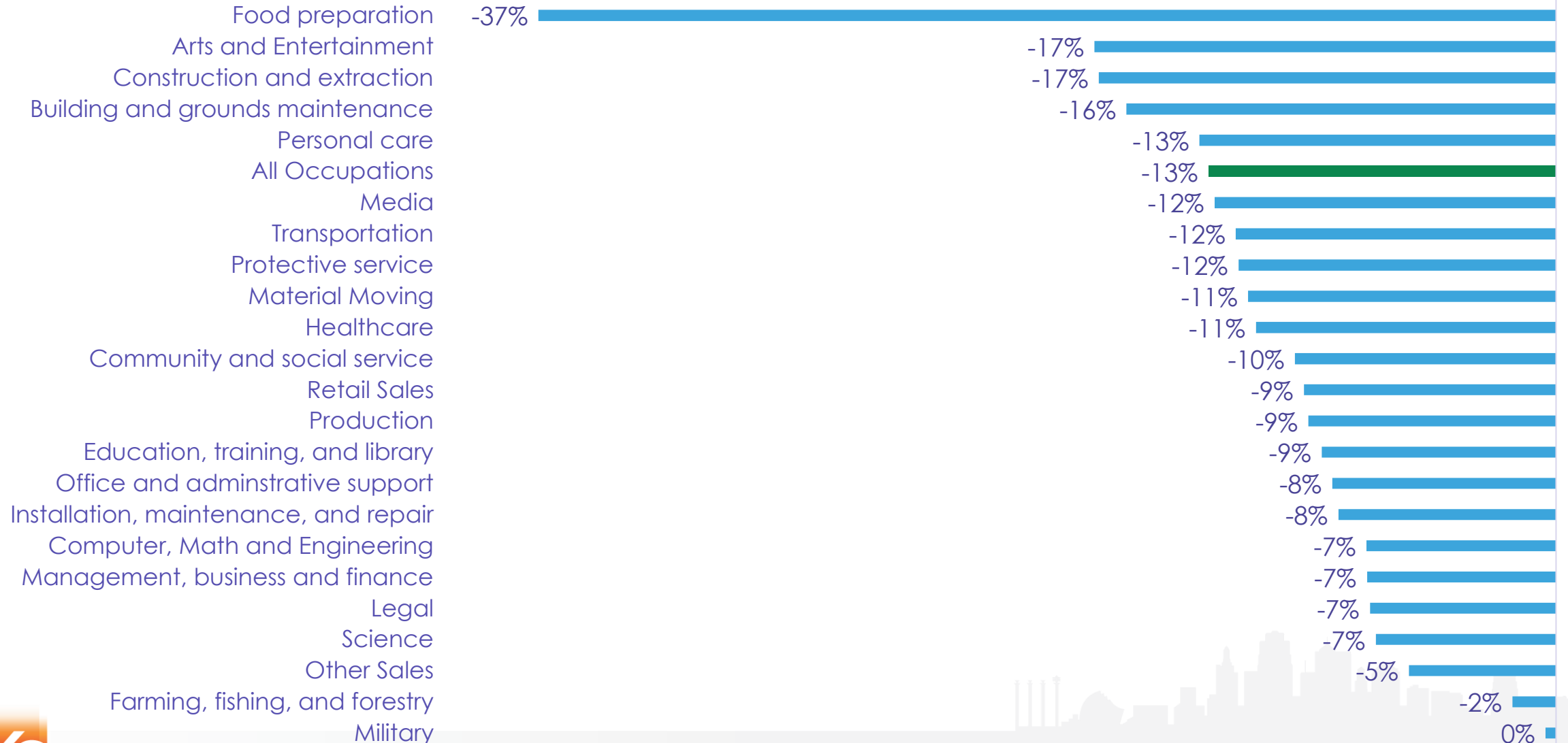


KC Employment by Occupation, 2020 Q1



Depth of Downturn by Occupation, May Baseline

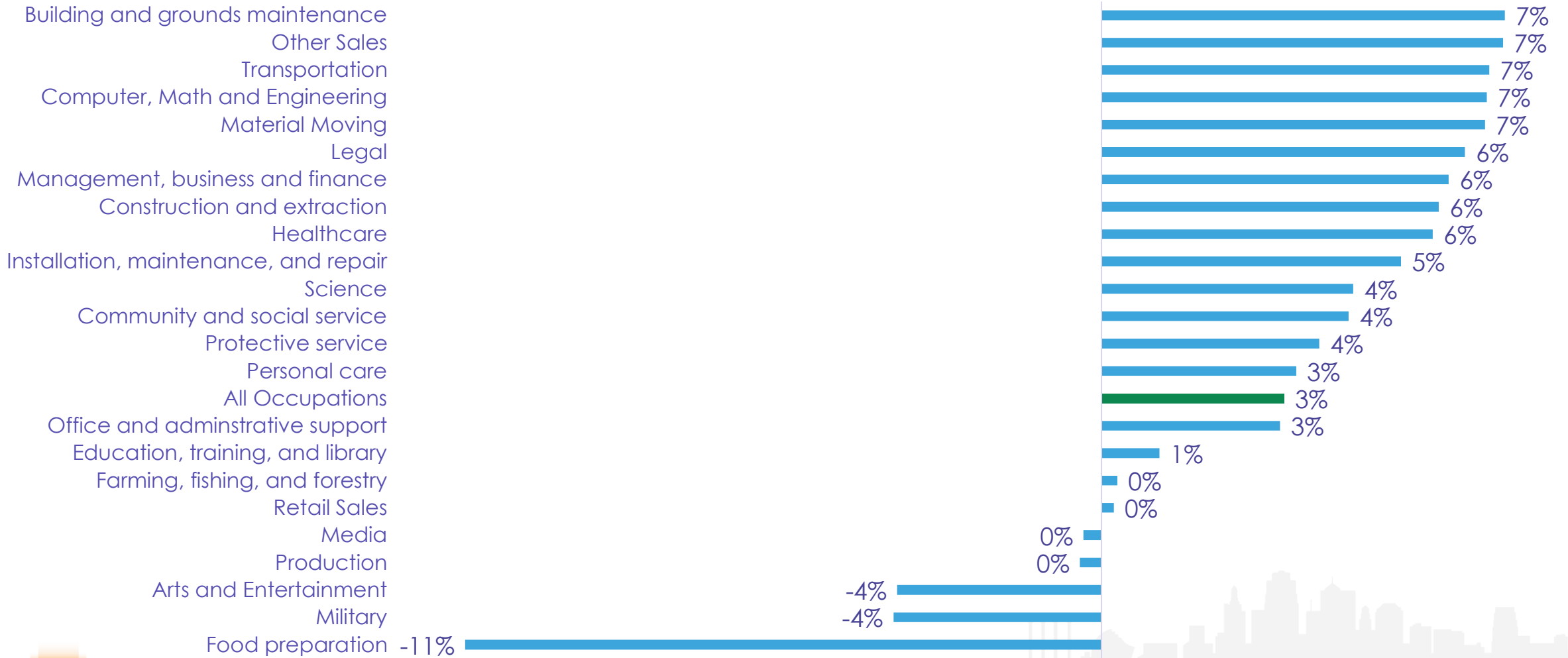
Percent Change in Employment, 2020 Q1 to 2020 Q2



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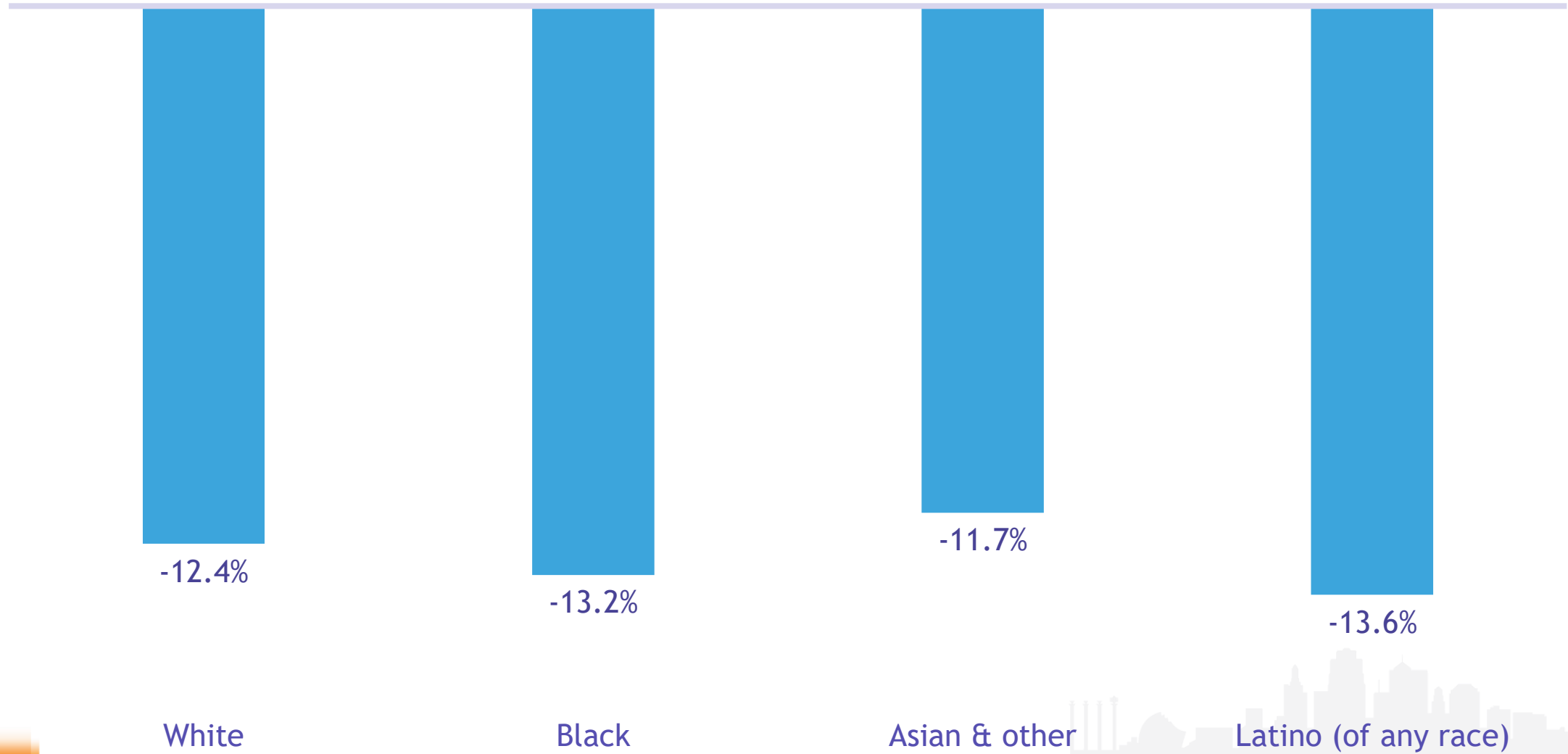
Strength of Recovery by Occupation, May Baseline

Percent Change in Employment, 2020 Q1 to 2025 Q4



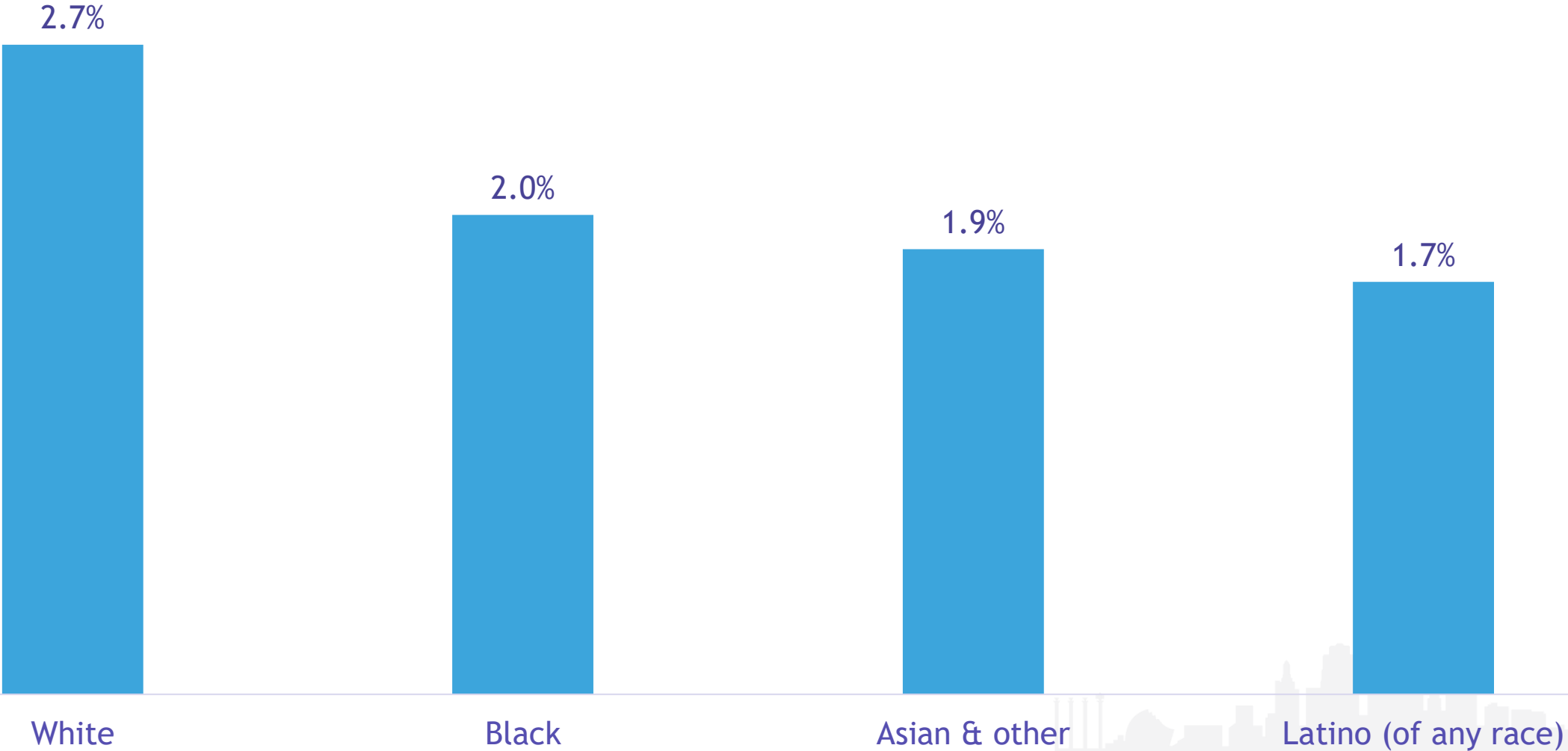
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Depth of Downturn by Race/Ethnicity, May Baseline Percent Change in Employment, 2020 Q1 to 2020 Q2



Strength of Recovery by Race/Ethnicity, May Baseline

Percent Change in Employment, 2020 Q1 to 2025 Q4



SUMMARY

- Recession rivaling the Great Depression in depth but not length due to exceptionally vigorous response of monetary and fiscal policy.
- All scenarios show a quick but partial rebound resulting in a recovery of about 1/3 of the jobs lost by the end of the year.
- The path from there depends on the virus, confidence in our ability to contain it, and additional stimulus to state and local governments to avoid large budget cuts



SUMMARY (CONTINUED)

- All scenarios suggest cautious consumers and risk-averse businesses dominate resulting in a slow recovery, though not as slow as from the Great Recession
- Some sectors in which the KC economy specializes in appear to be more resilient than average
- Policy challenge is to successfully capitalize on this and emerge more strongly than we did in the Great Recession.



SO WHAT?

- **It's bad, but it could be worse.**
 - Is all of the federal money being delivered to the region being put to the best and highest use? Are we positioning ourselves to make quick and best use of any additional dollars or programs, such as infrastructure?
- **We need to be clear about why we recovered more slowly than our peers after the Great Recession.**
 - In a word, Sprint. No other peer had a sector in which it specialized decline. Are we doing everything we can to ensure T-Mobile's promise of an HQ2 occurs and is successful?

SO WHAT?

- We got burned putting all of our eggs in one basket. We need to continue with a high-growth sector diversification strategy, building on our strengths.
 - Scientific and Technical Services, and Finance stand out as opportunities with well-paying jobs. Though manufacturing is declining in employment, it still is the region's biggest exporting sector. New demand for centrally located manufacturing may arise from either from re-shoring or new life science manufacturing capacities. Distribution is also a strength.
- Much of our workforce is stuck in dead-end, low-paying, insecure jobs. Our economy will be more resilient when our people are.
 - We need a data-informed training strategy that moves people from low-opportunity occupations to those with similar skill requirements but are likely to be stable or growing in the face of rapid increases in the pace of automation.

NOW WHAT?

- KC Rising is convening the TRADE Driving Committee to determine a strategic traded sector strategy.
- The People Driving Committee will unpack the occupation forecasts here and other data to determine a workforce training strategy that moves people into higher opportunity occupations.





RISING

Please contact Sheri Gonzales at sgonzales@kcciviccouncil.org
to learn how you can get involved or visit us at:

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