

WSU CEDBR Revised 2009 Forecast

November 24, 2008

The Center for Economic Development and Business Research has revised its 2008 Review and 2009 Forecast for the Wichita area based on recently released national and local data. According to the forecast, Wichita is expected to increase jobs by 0.5 percent or approximately 1,650 jobs in 2009, after an increase of 0.5 percent in 2008.

The U.S. economy will continue to experience significant challenges. However, economists are predicting improvement in the national economy in the second quarter of 2009 and a return to more normal conditions in the credit markets. Based on this turnaround, job growth is expected to begin in the third quarter of 2009.

As in recent quarters, the Wichita economy continues to outperform the U.S. economy, due to its significantly different industry make-up. However, the WSU Current Conditions Index, which is designed to mirror the current Wichita economy, decreased 4.4 percent from June to September. All of the indicators that compose the Index deteriorated from second to third quarter. Those seasonally adjusted indicators are home sales, hotel occupancy rate, airport activity, and employment.

The WSU Leading Index, which signals change in the Wichita economy approximately six months into the future, has declined 2.4 percent over the five months ending in September. Even then, the Index remains only 3.1 Index points below its all-time high of 128. The Indexes indicate our economy has slowed and will likely continue at a slower pace at least through first quarter next year.

In spite of reports of weakening aviation markets, order backlogs remain at record highs. Both Hawker Beechcraft and Cessna have made adjustments to their 2009 production schedules with modest layoffs of approximately 800 workers. At the same time, Cessna continues its Citation Columbus development which is expected to add 1,000 workers over the next five years.

In addition, the Wichita housing market has remained stable with continuing, slow appreciation in home values. While construction activity slowed in 2008, the time on market for houses being sold has been very consistent.

Based on both national and local events, the indicators point to modest growth for the Wichita area, with most job growth expected to occur in the second half of the year, as shown in the table below.

Wichita MSA Employment by Industry Forecast Summary*

	2008 (e)	2009 (f)	Level Change	Percent Change
Total Nonfarm	304,086	305,747	1,661	0.5%
Production Sectors	82,313	83,108	795	1.0%
Natural Resources, Mining & Cons.	17,001	17,180	179	1.1%
Manufacturing	65,312	65,928	616	0.9%
Durable Goods	57,589	58,384	794	1.4%
Non-Durable Goods	7,723	7,544	(179)	-2.3%
Trade, Transportation & Utilities	51,929	52,091	162	0.3%
Wholesale Trade	11,191	11,317	127	1.1%
Retail Trade	32,592	32,582	(10)	0.0%
Transportation & Utilities	8,147	8,192	46	0.6%
Service Sectors	129,228	129,804	576	0.4%
Information	6,206	6,087	(118)	-1.9%
Financial Activities	11,447	11,516	69	0.6%
Professional & Business Services	29,801	29,874	73	0.2%
Educational & Health Services	42,658	43,028	370	0.9%
Leisure & Hospitality	28,248	28,434	185	0.7%
Other Services	10,868	10,865	(3)	0.0%
Government	40,616	40,743	128	0.3%

*Annual values are derived from average quarterly observations and projections. Detail may not sum to total due to rounding.

(e) = estimate (f) = forecast