

EXECUTIVE SUMMARY
Economic Impact Analysis

MANUFACTURING SECTOR

SPRINGFIELD, MISSOURI

Prepared for
**The Springfield Area Chamber of Commerce
and the City of Springfield, Missouri**

December 2006

DEVELOPMENT STRATEGIES®

CONSULTANTS IN REAL ESTATE, ECONOMIC, AND COMMUNITY DEVELOPMENT
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CONSULTANTS IN REAL ESTATE, COMMUNITY, AND ECONOMIC DEVELOPMENT
REAL ESTATE APPRAISAL

December 13, 2006

Mr. Jim Anderson
President
Springfield Area Chamber of Commerce
202 S. John Q. Hammons Parkway
Springfield, Missouri 65806

Dear Mr. Anderson:

Development Strategies is pleased to submit this report on the economic impact of manufacturing sector in the Springfield metropolitan area. The analysis is the result of (1) a review of standard economic statistics obtained from state and federal sources and (2) a survey conducted of manufacturers in the Springfield region. The survey sought information on these manufacturers' spending and revenue patterns in the area and on their employment.

Collectively, the manufacturing sector is large in the diverse economic environment of the Springfield area, making up some 8.3% of all jobs in the region (7.7% in metropolitan Springfield alone). While that is an impressive impact itself, this report also describes the multiplier effects of manufacturing sector spending. All manufacturers take in revenues, much of it from customers from out of town. And they all spend money to operate—for payrolls, supplies, services, capital improvements, etc. These expenditures become income, or revenue, for employees and other businesses who, in turn, spend that money to support their households and businesses. The re-spending effects “ripple” through Springfield, and their scale can be estimated with multipliers that were obtained from the U.S. Department of Commerce, Bureau of Economic Analysis (BEA). BEA tracks economic activity in every county in the nation and is able to determine the economic relationships between economic sectors and geographic areas. One outcome is a set of multipliers for the ten-county Springfield region.

Collectively, an estimated 727 manufacturing firms in the metro area spend more than \$6.74 billion per year. Not all of that money is spent in metro Springfield; some “leaks” out and has no impact on the Springfield economy. Based on the survey, about 54% of all operating expenditures and 89% of payroll expenditures are paid directly into the metro economy. Subsequent rounds of re-spending, of course, cause additional leakage of that “original” spending, eventually dwindling to zero over time. But the multiplier effects create more income and spending in the metro Springfield economy than simply the direct effects of the manufacturers themselves.

That \$6.74 billion in spending, therefore, triggers an estimated. . .

- \$11.95 billion in additional economic activity in the MSA;
- \$2.59 billion in additional household income for the Springfield labor force; and

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- 70,900 jobs throughout the MSA, both full and part time, in addition to the approximately 19,200 employed by all manufacturers. Together, these roughly 90,000 jobs in metropolitan Springfield account for over one-quarter of the metro area's economy.

The largest 49 employers tracked by the Greater Springfield Chamber of Commerce have a total of almost 62,000 employees (http://business4springfield.com/publications/major_employers.htm), so the ripple effects from manufacturing are greater than the jobs represented by this impressive list. Indeed, 13 of the 49 employers are manufacturers, led by Kraft Foods with about 1,100 employees. These 13 firms, alone, account for about 8,175 employees, or about four out of ten manufacturing workers in the metropolitan area.

As Missouri's third largest metropolitan economy, Metro Springfield contributes strongly to the diversity of jobs and tax base that benefit the state. Manufacturing is less dominant in the greater Springfield area than in many other metro economies, including Kansas City and St. Louis, but is still a major trigger of crucial multiplier effects.

It has been a pleasure to work with you on this assignment. We look forward to Springfield's continued economic expansion as it capitalizes on this major sector.

Respectfully submitted on behalf of
DEVELOPMENT STRATEGIES, INC.

Robert M. Lewis, AICP, CEcD
Principal and Chief Economist

EXECUTIVE SUMMARY

Manufacturing jobs in the Springfield metropolitan economy made up 7.7% of all jobs in the five-county area in 2004, less than in Missouri as a whole (9.2%) and the nation (8.7%). For the larger greater Springfield region, which adds five other counties to the metro area, manufacturing jobs made up 8.3% of all jobs, making the added five counties as relatively more dependent on manufacturing than the metropolitan area. In all these areas, however, manufacturing jobs as a share of all jobs has declined dramatically over time. For instance, manufacturing made up 13.7% of all state jobs in 1994 while they made up 11.8% of all jobs in metro Springfield in 1994.

While declining in terms of positions, manufacturing is still a very high paying sector of the economy. Manufacturing jobs paid an average of \$52,500 in 2004 in metro Springfield, 62% higher than the average earnings of all workers and 71% higher than all non-manufacturing jobs. The average earnings of a non-manufacturing worker in metro Springfield was \$30,700 in 2004, compared to \$40,800 for the average health care worker, \$42,000 in transportation and warehousing, and \$23,550 for the average retail employee.

Because manufacturing is often touted as a foundation of economic development, the Springfield Area Chamber of Commerce, in conjunction with the City of Springfield, asked Development Strategies to conduct a formal economic impact analysis of the sector in metropolitan Springfield area and in a larger “greater Springfield area” consisting of the metro area’s five counties plus five added counties south and west of the metro area.

One intent was to identify the direct and multiplier impacts of manufacturing in terms of jobs created and income generated by and within the sector. The key to an economic impact analysis is the amount of spending generated by manufacturing firms, especially the spending that takes place directly in the Springfield regional economy. To obtain such spending information, and related economic factors, a survey was conducted of manufacturing firms in the ten counties.

Aggregate results from the survey responses are discussed in this report. Those results are then utilized to determine multiplier effects which illustrate three key impacts on the Springfield economy:

1. The **increase in economic activity**, or “gross domestic product,” triggered by the spending of the manufacturing firms. This is called the “output” multiplier.
2. The **increase in personal income** for Springfield area households that results from spending and re-spending of dollars in the metro economy. This is called the “earnings” multiplier.
3. The **increase in jobs** supported by the multiplier effects that are triggered by manufacturing operations. This is called the “employment” multiplier.

Using financial data provided by a survey of manufacturers in the ten-county greater Springfield area and obtained from the U.S. Census Bureau’s *County Business Patterns*, an economic impact model was created to demonstrate multiplier effects on the ten-county area. Summary results of these impacts are shown on Table E-1.

ECONOMIC IMPACT OF MANUFACTURING

Table E-1: Annual Economic Impact of Manufacturing Firms on the Five-County Springfield Metropolitan Area (millions of current dollars)				
	Capital Improvements	Operating Expenditures	Employee Compensation	Total
	\$91.3	\$5,642.5	\$1,006.8	\$6,740.6
Multipliers				
Output	2.05	1.93	1.24	1.83
Earnings	0.67	0.70	0.36	0.51
Employment	18.8	11.1	12.4	18.9
ECONOMIC IMPACT IN METRO ECONOMY				
Output	\$187.5	\$10,516.3	\$1,247.6	\$11,951.3
Earnings	\$61.3	\$2,170.6	\$359.2	\$2,591.1
Employment (weighted annual average jobs)	1,720	56,730	12,450	70,900

The first set of numbers across the top of the table shows that, together, the manufacturing sector spends about \$91.3 million per year for capital improvements, \$5,642.5 million for operating expenditures other than payroll, and \$1,006.8 million for payroll.

The multipliers are specific to the five-county Springfield metro area. Effectively, they indicate how much growth in the economy will result from the noted expenditures. The multipliers already take into consideration the effects of “leakage” of spending from the metro economy, so they create a finite amount of growth that can occur. What is not known, however, is the speed at which this triggered growth takes place. The velocity of change is a function of the strength and vibrancy of the local and national economies, not of the relationship of the manufacturing to other sectors—which is what the multipliers indicate.

Thus, output (or economic activity or greater Springfield’s contribution to the nation’s gross domestic product) will increase by \$6,740.6 million (just over \$6.7 billion) in the regional economy as a result of the spending by the area’s manufacturing companies. Metro Springfield households capture \$2,591.1 million of this in earnings, thus supporting additional household expenditures. And 70,900 jobs (full and part time) in the Springfield MSA are in some way supported by this added economic activity in addition to the 19,200 jobs in 727 manufacturing facilities in the metro area.

This total of about 90,000 jobs represents over a third of all jobs in the metro area, which is not surprising in light of the scale of the manufacturing sector and its ability to both attract “new” dollars into Metro Springfield while paying relatively high wages to a large part of the local labor market which spends and re-spends its earnings in the region.