

The Economic Impact of Missouri's Auto Industry Expansion



Executive Summary:

By 2015, the 13,959 new and retained jobs at automotive plants and parts suppliers, and the \$1.29 billion in capital investments reported to date in Missouri is expected to support an additional 21,187 jobs in the state. Over the six years, these jobs and investment spending cumulatively support \$8.7 billion in personal income and \$15.4 billion in Gross Domestic Product.

The automotive manufacturing sector faced major layoffs and restructuring during the recession and its aftermath. These issues impacted Missouri and many other large automobile-producing states. At a peak in 1996, automotive plants employed over 20,800 workers in Missouri; but due to plant closures in the following decade, that number fell to just over 5,000 by early 2010. Since that time, the state's two automotive plants, Ford in Claycomo and General Motors in Wentzville, have rebounded to add new production lines and workers. Parts and service suppliers have also scaled up operations to meet this new demand, benefiting additional workers around Missouri.

The growth in automotive manufacturing jobs has been fueled by new capital investments and hiring over the past few years to produce new versions of Ford and Chevrolet vans and pickups. The positive trend in hiring has continued into 2014 and is poised to grow further given the recent September announcements by GM to add 750 jobs for a third shift at the Wentzville plant and Ford's plan to add 1,200 jobs with an additional line at Claycomo¹. Employment at the two automotive facilities could reach over 9,000 in the coming year if production activities go as planned.

Automotive plant and after-market product suppliers have also expanded in recent years. Since 2010, 60 companies have added or announced plans to add 4,389 new jobs, retain 220 existing workers, and make over \$600 million



Governor Nixon joined Ford Motor Company in Kansas City to announce 1,200 new jobs by adding a second shift for the production of the Transit Van.

in direct capital investments in Missouri. These larger business announcements are complemented by smaller firms throughout Missouri that are ramping up production and services to meet the growing demand for vehicles and first tier suppliers. Conducting an economic impact analysis can help better understand the broader influence these automotive plants and suppliers have on Missouri by estimating the total number of jobs necessary to support these operations and the impact of worker spending in the overall economy.



Automotive Industry Expansion Impact to Missouri's Economy

An economic impact analysis of the automotive plants demonstrates how these facilities not only benefit the workers making vehicles, but also suppliers who expand to meet the increased demandⁱⁱ. These direct and after-market parts and service companies will hire more workers who will spend new income at restaurants, stores, and other businesses in their local communities.

This analysis considers the cumulative economic impact if both automotive plants and suppliers reach full hiring plans by 2015. The GM plant is scaling up to employ 3,350 in the coming months, whereas Ford's facility plans to have 6,000 workers by next year. These plants would, in combination, directly employ 9,350 workers. Since 2010, automotive

parts and after-market suppliers have announced 4,609 new or retained jobs planned for their Missouri operations.

Table 1 (below) highlights the expected cumulative contribution from 2010 to 2015 of the retained/new jobs and capital investments made in the automotive industry over the 6-year period. By 2015, direct employment of 13,959 at automobile plants and parts suppliers and over \$1.29 billion in capital investments reported to date would support over 21,100 additional jobs in the state. These indirect jobs would include the additional employment expected from parts and service providers up and down the supply chain as well as induced employment from worker spending in the economy. These jobs and spending would cumulatively support \$8.7 billion in personal income and \$15.4 billion in Gross Domestic Product over the six years.

TABLE 1. Motor Vehicle and Parts Manufacturing Impact Summary

	2010	2011	2012	2013	2014	2015
Direct Capital Investments (in Millions)	\$102	\$304	\$235	\$199	\$248	\$203
Direct Motor Vehicle Plant & Supplier Retained/New Jobs	4,732	6,444	7,134	8,860	10,855	13,959
Indirect Jobs	8,465	12,690	12,423	13,209	14,984	21,187
Total Jobs Supported	13,197	19,134	19,557	22,069	25,839	35,146
Personal Income (in Millions)	\$729	\$1,116	\$1,226	\$1,449	\$1,757	\$2,437
Gross Domestic Product (in Millions)	\$1,417	\$2,075	\$2,167	\$2,511	\$3,017	\$4,225



Visit our Auto Supplier Web Portal: ded.mo.gov/auto

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ⁱ Wentzville GM plant adding third shift. St. Louis Post Dispatch, Sept. 16, 2014. http://www.stltoday.com/business/local/wentzville-gm-plant-adding-third-shiftjobs/article_596e91e7-f6c2-5e6b-9a8b-33d2ab89a73d.html

Ford will add 1,200 jobs at Claycomo plant for its new Transit van. The Kansas City Star, Sept. 24, 2014. <http://www.kansascity.com/news/business/article2235432.html>

ⁱⁱ Impact analysis conducted with REMI Policy Insight economic model.