

# Outlook for Economic Conditions in West Michigan and St. Joseph County

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## St. Joseph County EDGE Annual Meeting

Jim Robey, PhD  
W.E. Upjohn Institute for Employment Research

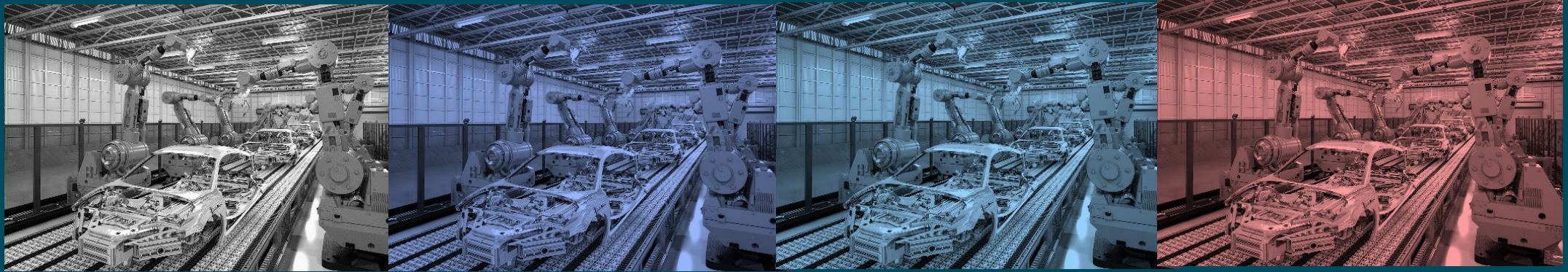
December 6, 2019

# W.E. Upjohn Institute for Employment Research

The Institute is an activity of the W.E. Upjohn Unemployment Trustee Corporation, which was established in 1932 to administer a fund set aside by Dr. W.E. Upjohn, founder of the Upjohn Company.

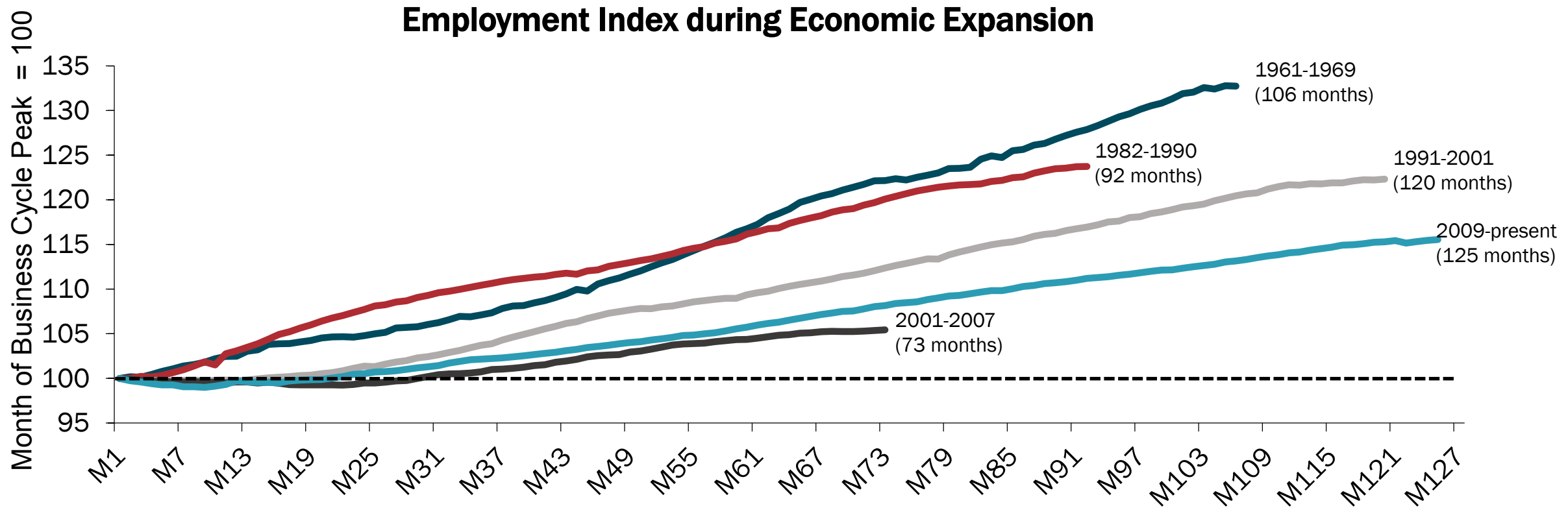
## MISSION:

The W.E. Upjohn Institute for Employment Research is a private, nonprofit, nonpartisan, independent research organization devoted to investigating the causes and effects of unemployment, to identifying feasible methods of insuring against unemployment, and to devising ways and means of alleviating the distress and hardship caused by unemployment.



# National Economy

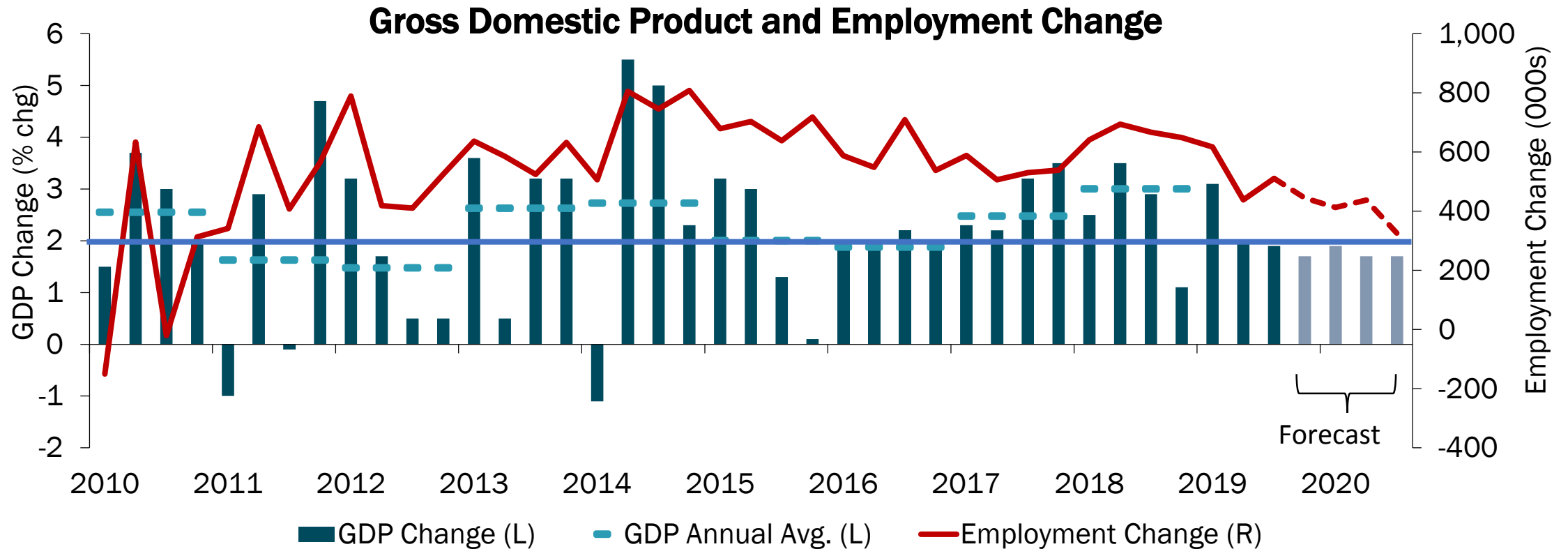
# We are currently in the longest expansion since WWII



# We're in the longest business cycle (contraction and expansion) and the longest expansion, while experiencing the longest recession since measurement began

Length of:	1945-1948	1949-1953	1954-1957	1958-1960	1961-1969	1970-1973	1975-1980	1980-1981	1982-1990	1991-2001	2002-2007	2007-?
Contraction	8	11	10	8	10	11	16	6	16	8	8	18
Expansion	37	45	39	24	106	36	58	12	92	120	73	125
Business Cycle	45	56	49	32	116	47	92	18	108	128	81	143

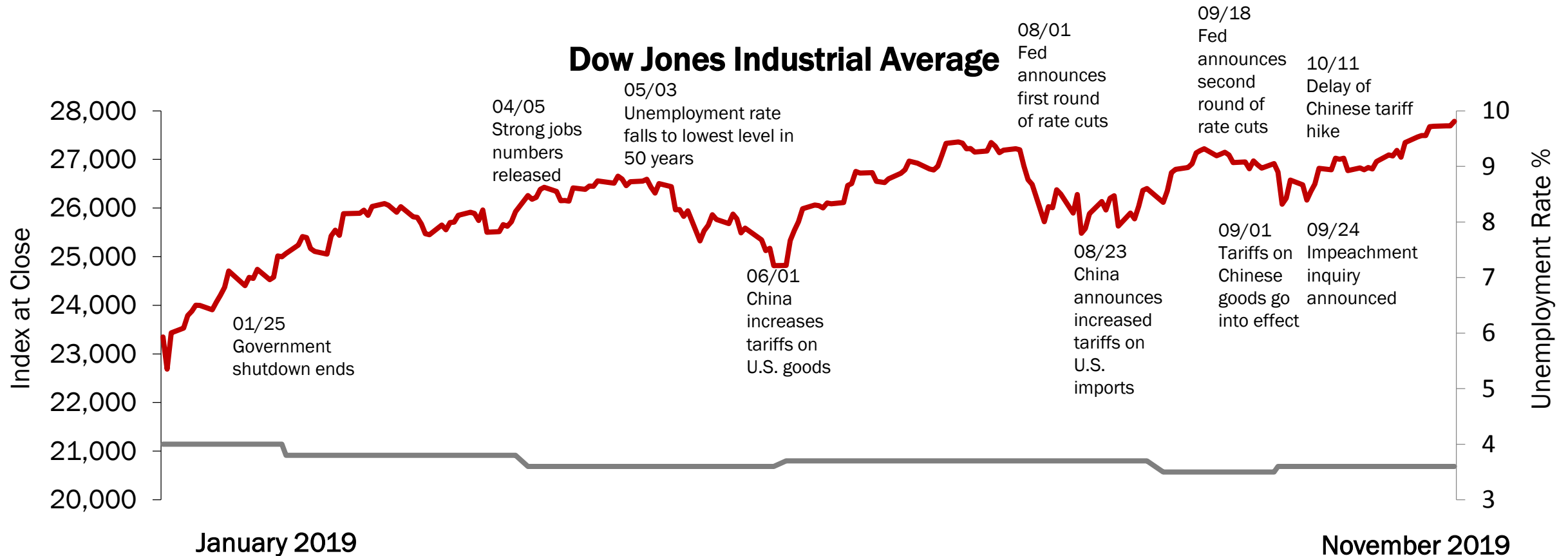
# Both GDP growth and employment growth are slowing...



# University of Michigan RSQE national forecast

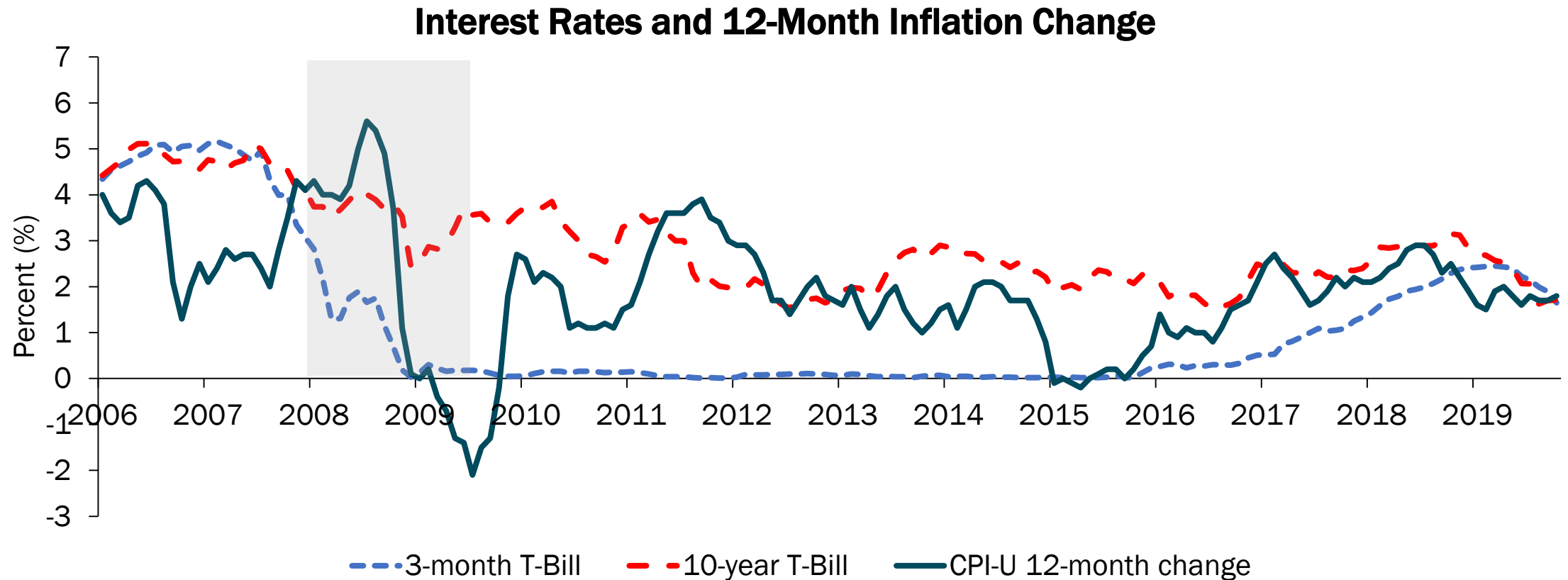
	2019 (Forecast)	2020 (Forecast)	2021 (Forecast)
GDP	2.3%	1.7%	1.7%
Employment	1.6%	1.3%	1.1%
Light Vehicle Sales (Millions)	17.0	16.8	16.7
Unemployment Rate	3.7%	3.5%	3.4%
Housing Starts (Millions)	1.25	1.26	1.28
CPI/Inflation	1.7%	1.7%	2.0%

# The stock market has reacted to various events this year, and the ride is getting bumpier



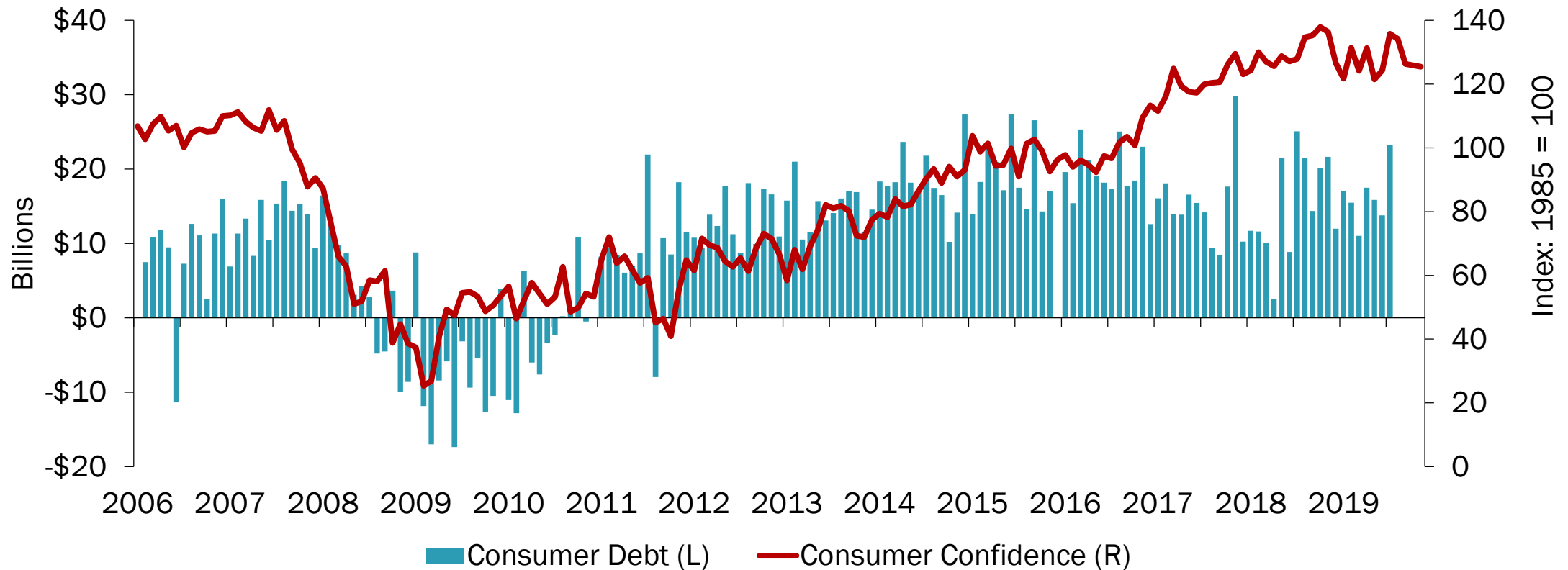


# Inflation and interest rates have increased in the past 2 years



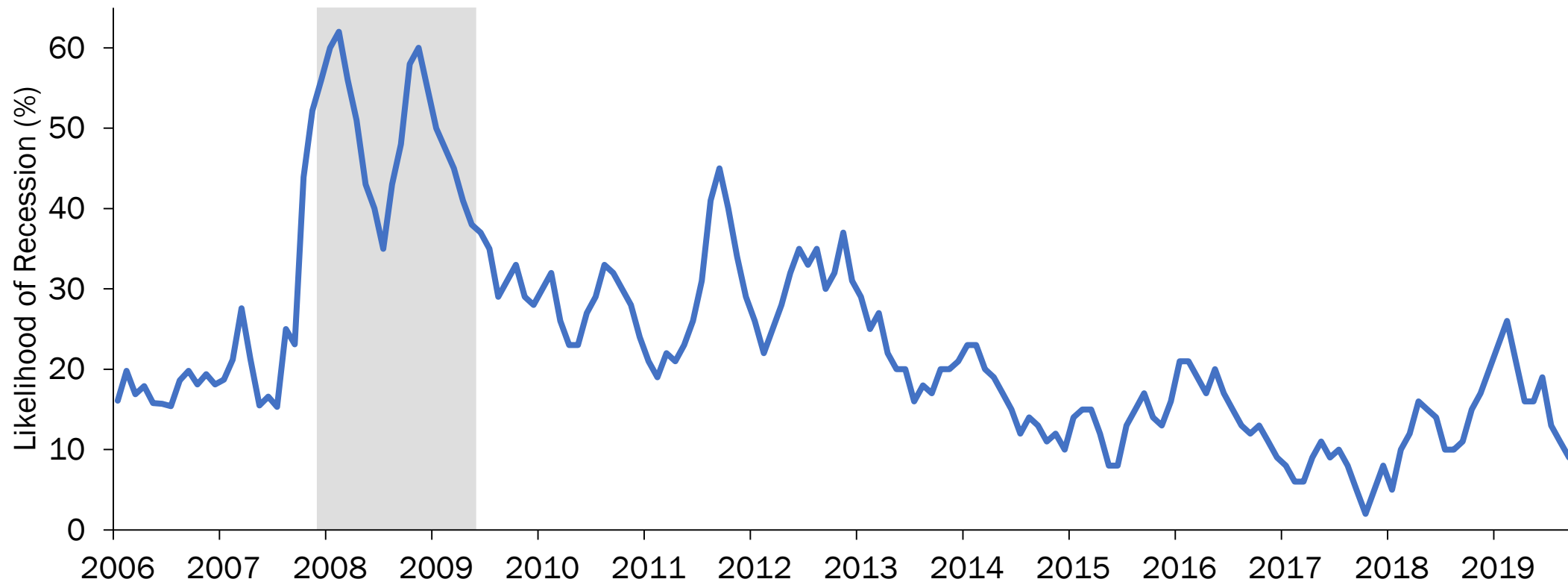
# High consumer confidence (↓@125.5) and slower debt growth

Consumer Confidence and Change in Consumer Debt

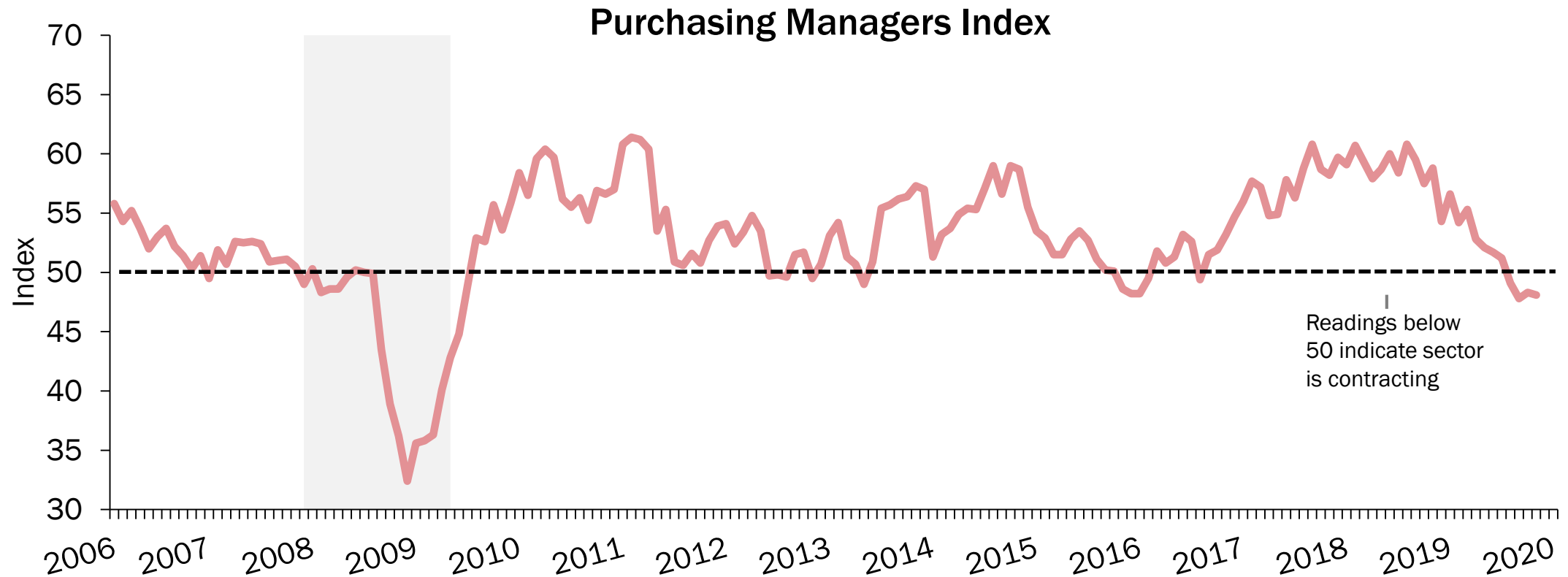


# Moody's predictions of a recession are relatively low and decreasing: 9% in October

Likelihood of Being in a Recession in the Next 6 Months

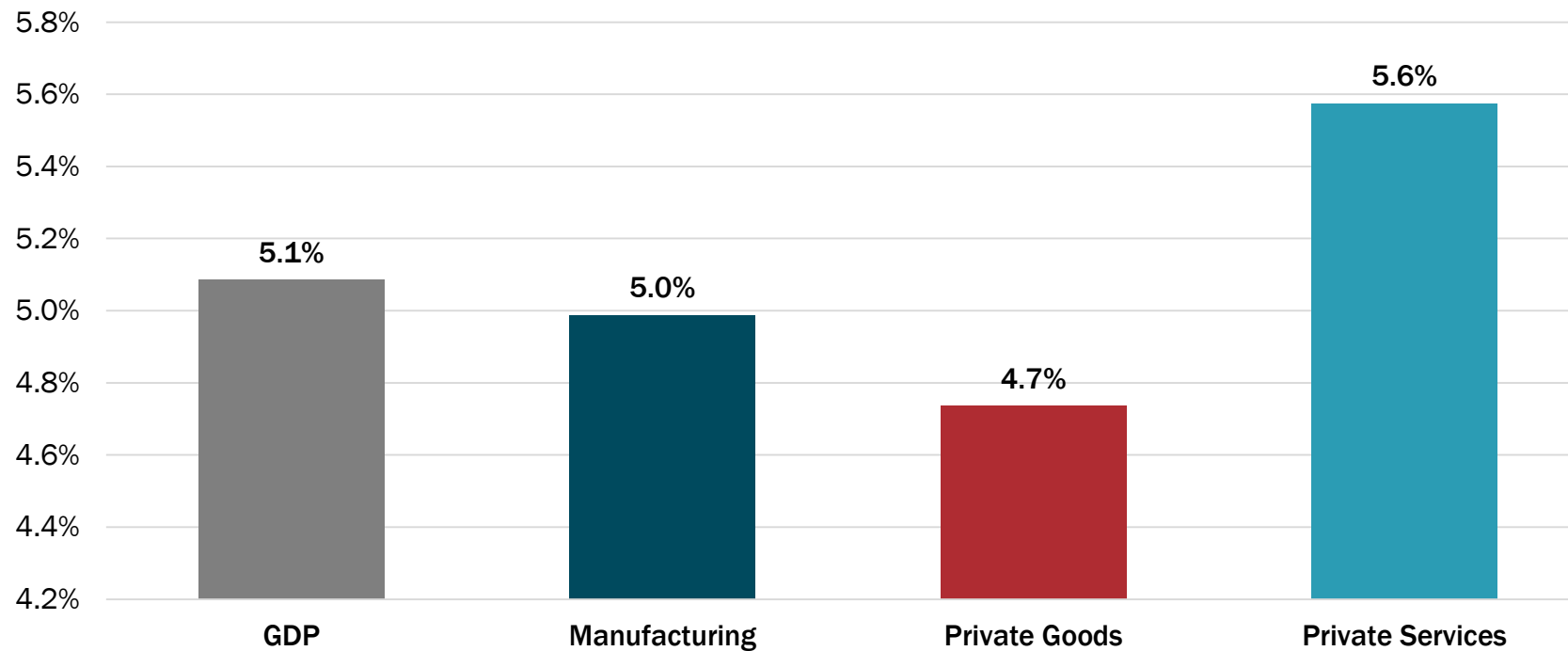


# PMI stood at 48.1 in November, indicating the manufacturing sector may be contracting



# Despite slowing global growth, the manufacturing sector grew last year

Real GDP and Real Value Added by Sector  
Percentage Change, Q1 2018 to Q1 2019





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# The Next Recession: What We're Watching

# What keeps economists up at night worrying about a recession?

- Trade wars (tariffs and taxes are the same—a cost to consumers)
- Volatility of stock market
- Growing income inequality
- Interest rates
- Federal debt and deficits
- Tax cuts
- Politics

“Expansions don’t get tired; rather, they end due to policy mistakes.”



# Michigan



# University of Michigan RSQE statewide forecast

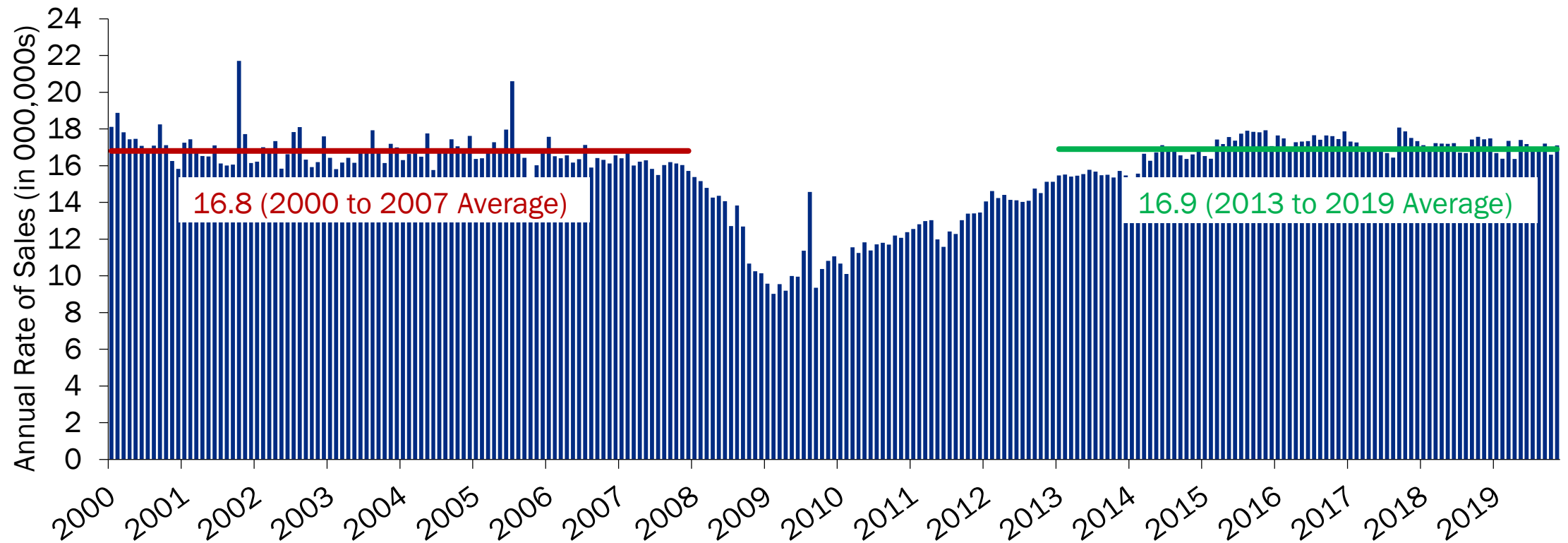
	2019 (Forecast)	2020 (Forecast)	2021 (Forecast)
Employment Change	23,300 (.99%)	29,000 (.64%)	25,900 (.42%)
Manufacturing Employment Change (Workers)	2,100 (.33%)	2,000 (.32%)	1,600 (.25%)
Unemployment Rate	4.1%	3.9%	3.7%
Labor Force Participation Rate	61.9%	61.7%	61.7%



# Regional Conditions: St. Joseph County

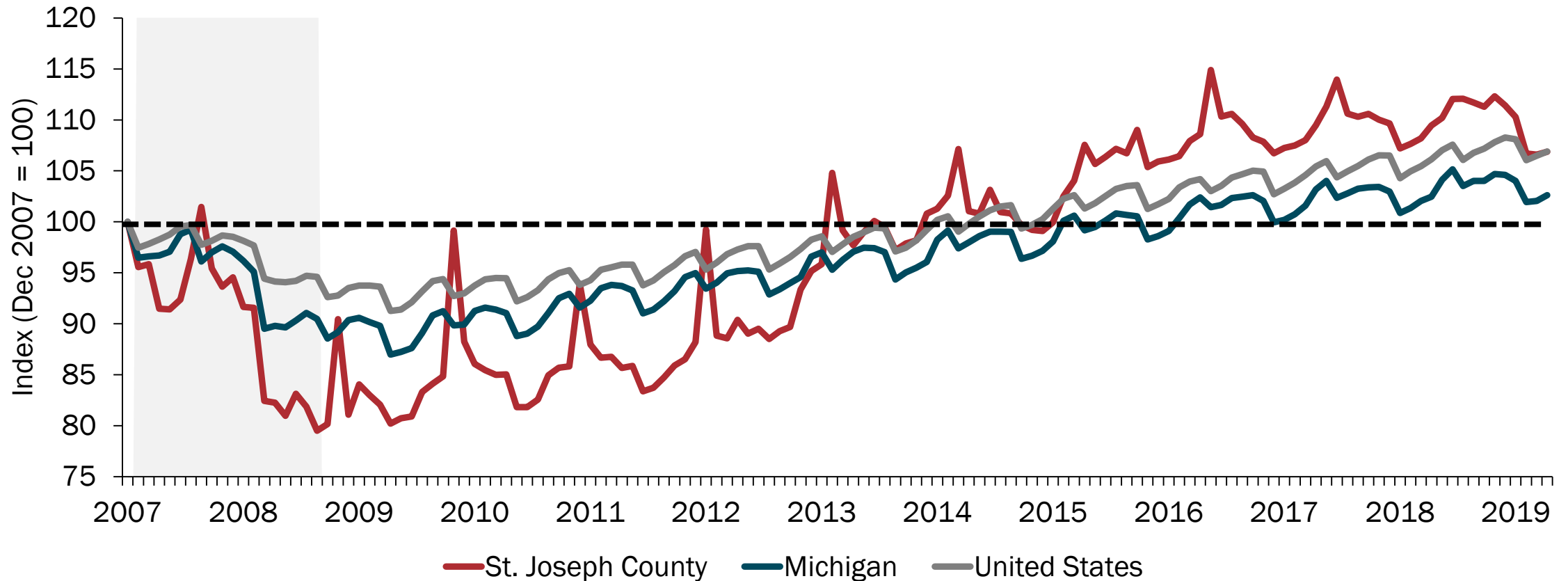
# Light vehicle sales have been steady

Annualized Rate of U.S. Light Vehicle Sales (in millions)



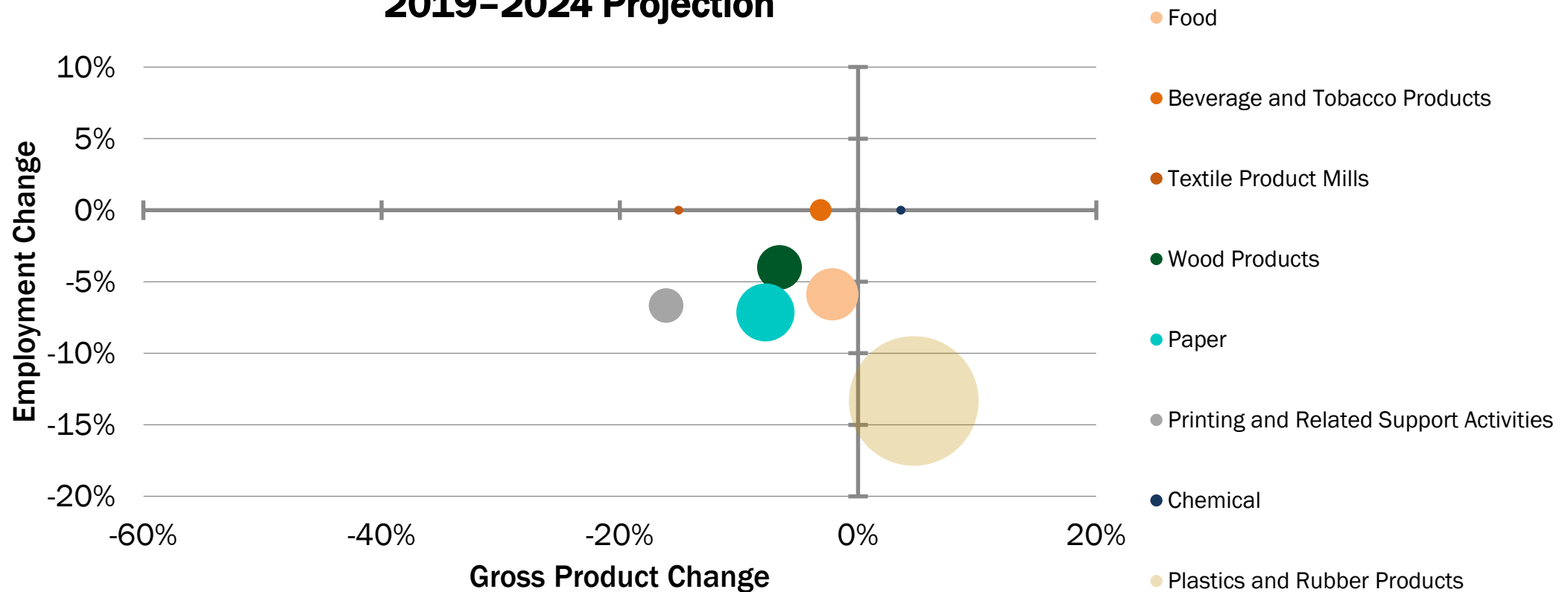
# Employment growth has slowed in 2019...

## Total Employment Index

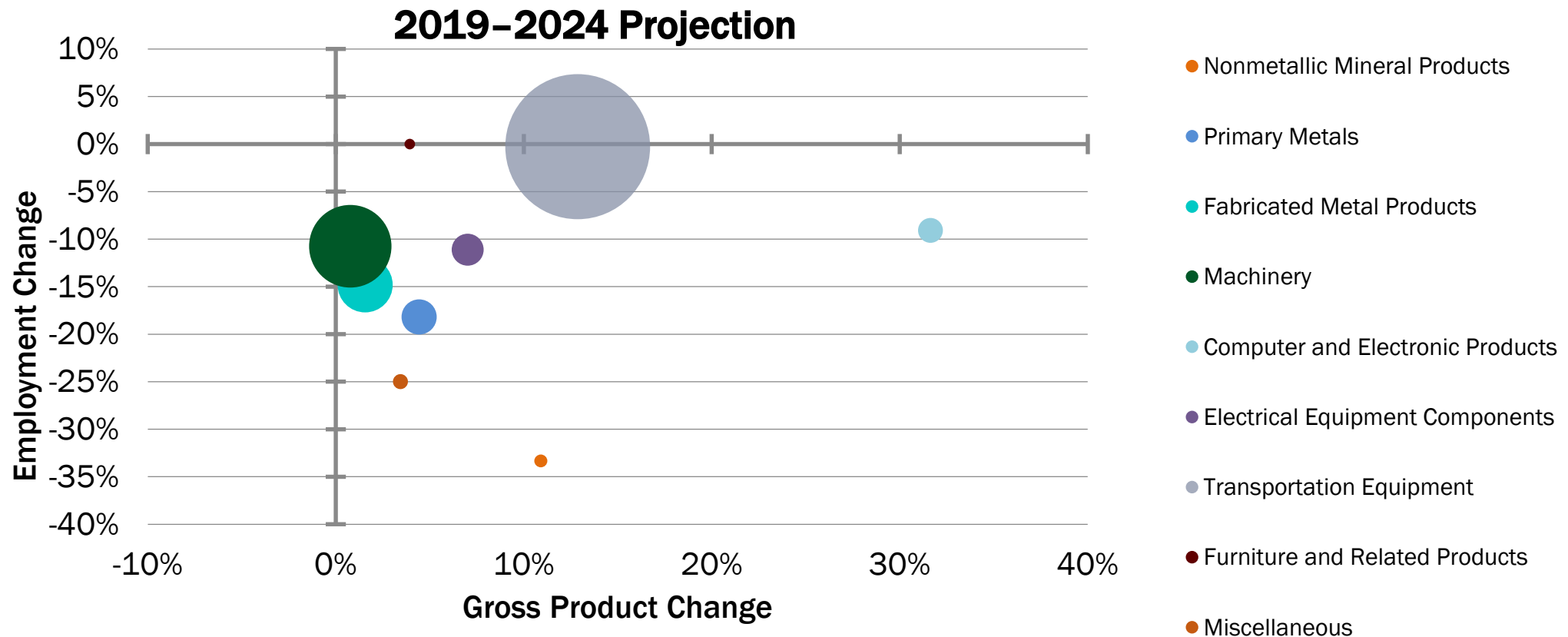


# Nondurable Manufacturing is forecast to mostly decline in both employment and gross domestic product

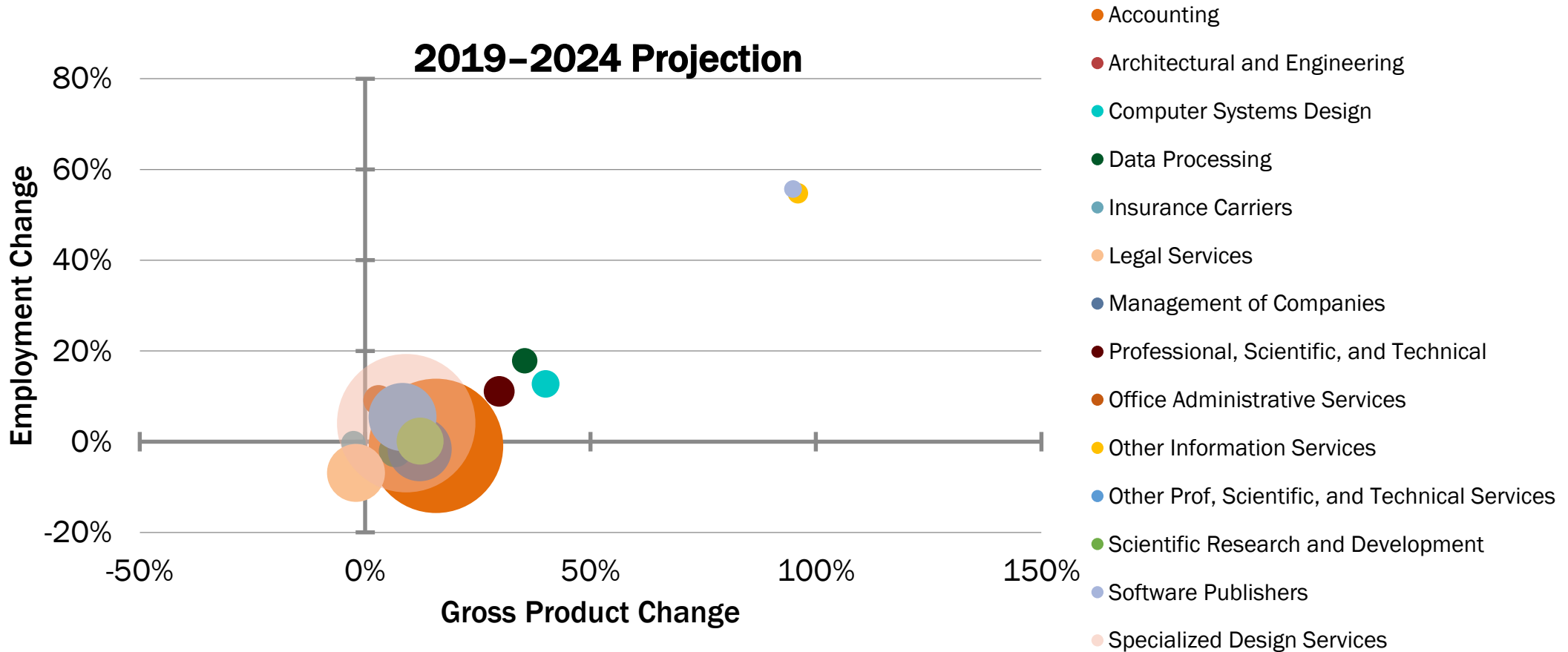
2019–2024 Projection



# Durable Manufacturing is forecast to increase in gross domestic product and lose employment

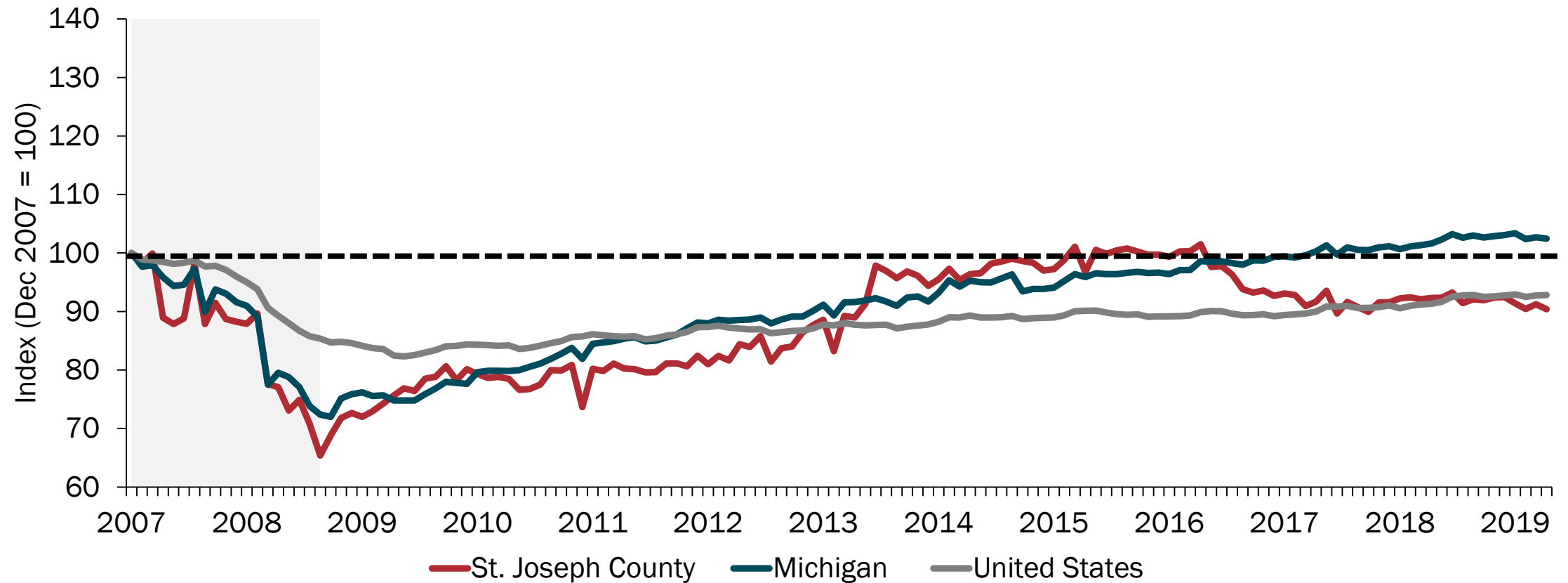


# Information Services and Software Publishing are expected to grow the most



# Manufacturing employment growth has been trending downward

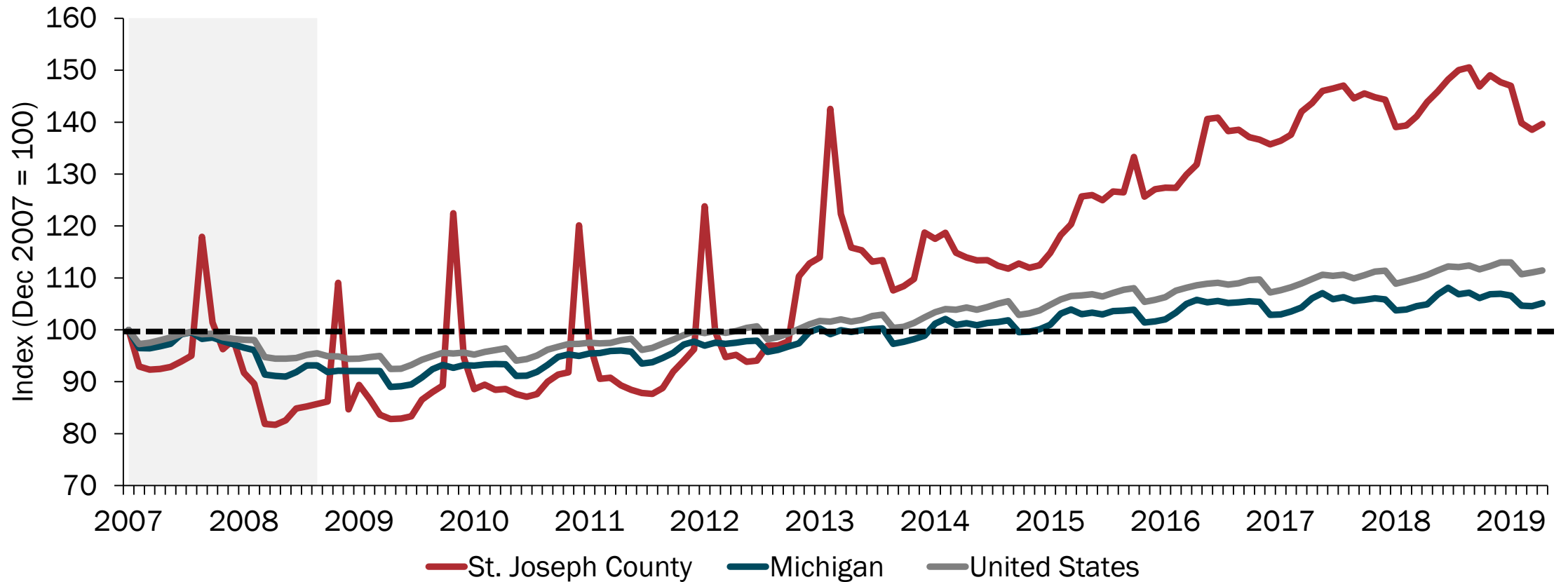
## Manufacturing Employment Index





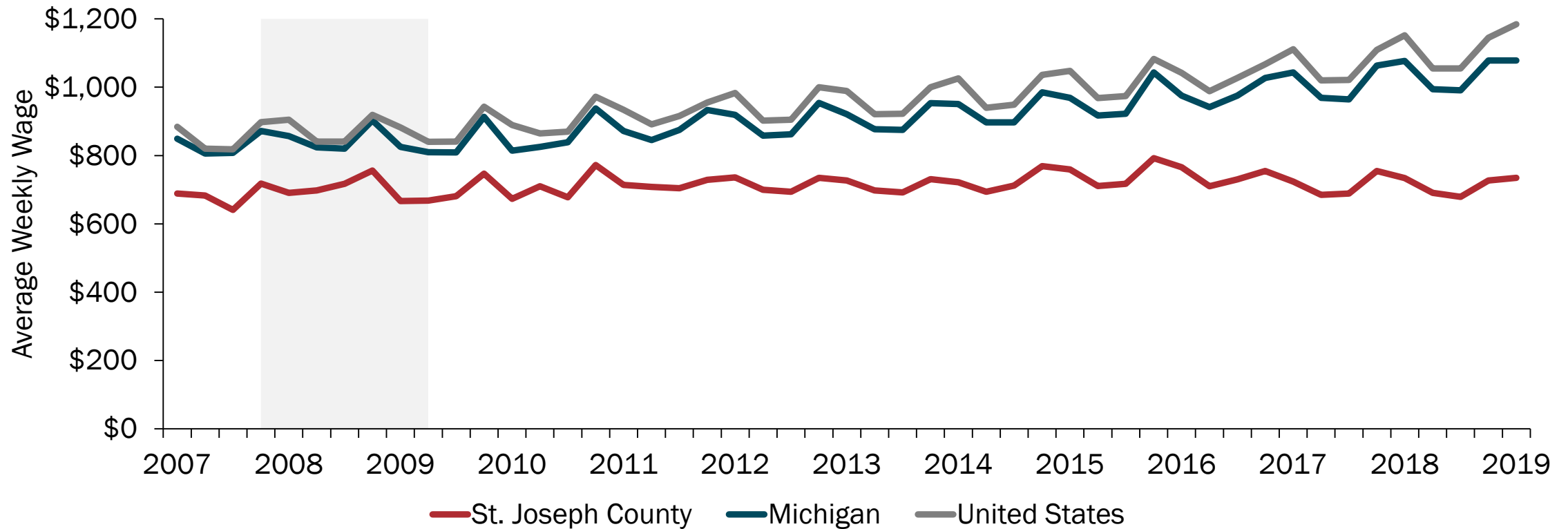
# ...unlike service employment growth

## Service Employment Index



# Wages have been growing at a pace somewhat similar to the nation but at lower levels

## Average Weekly Wage (\$) All Occupations



# Unemployment rates are between 3% and 5% for most counties in West Michigan

Michigan's rate was 4.2%

St. Joseph County was 3.7%

Southwest Michigan Unemployment Rate

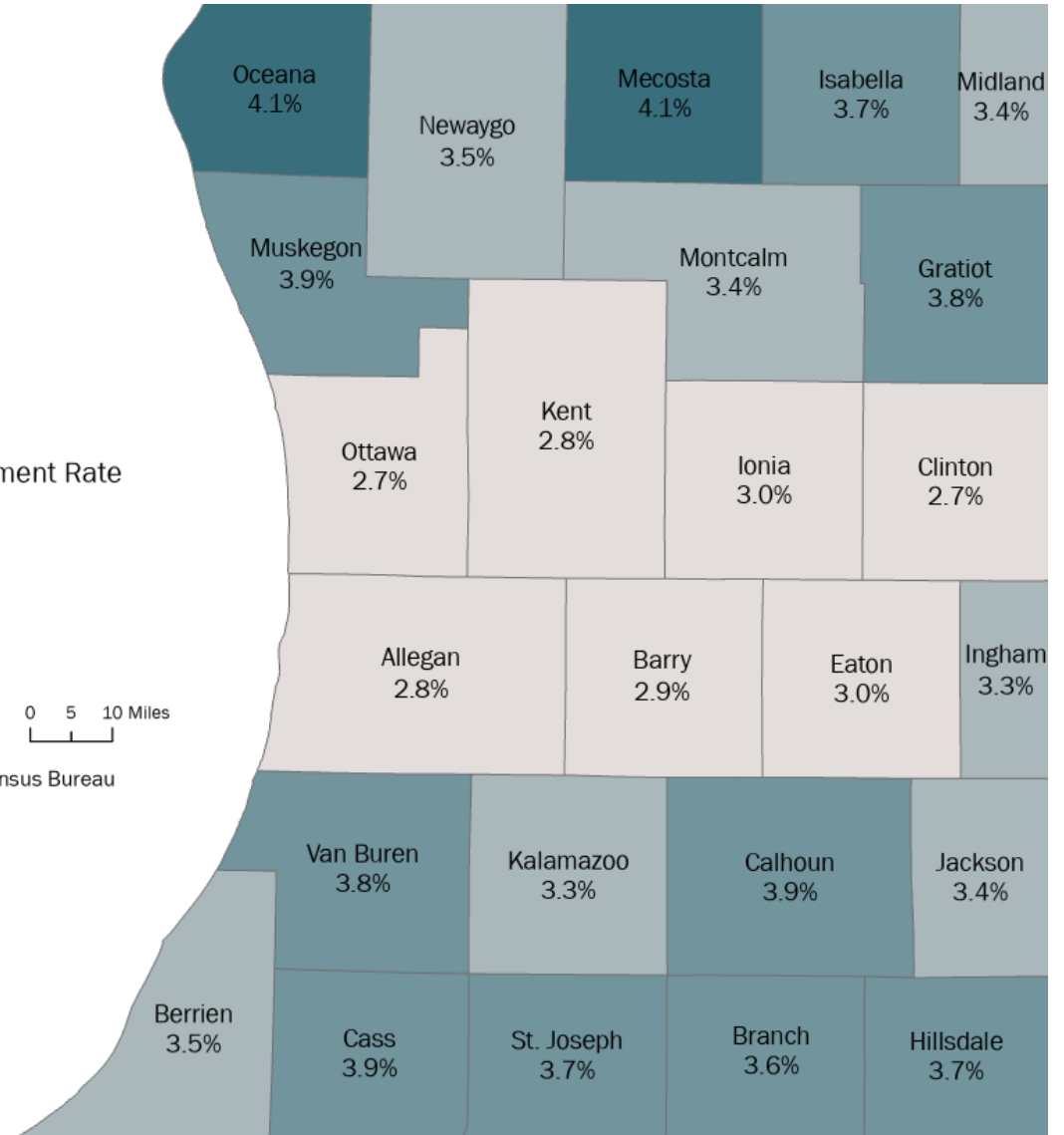
September 2019

- ≤3.0%
- 3.1% to 3.5%
- 3.6% to 4.0%
- 4.1% to 4.5%
- >4.5%



0 5 10 Miles

Source: Bureau of Labor Statistics, U.S. Census Bureau

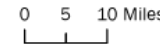
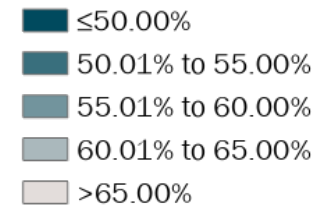


# Labor force participation rates are more varied

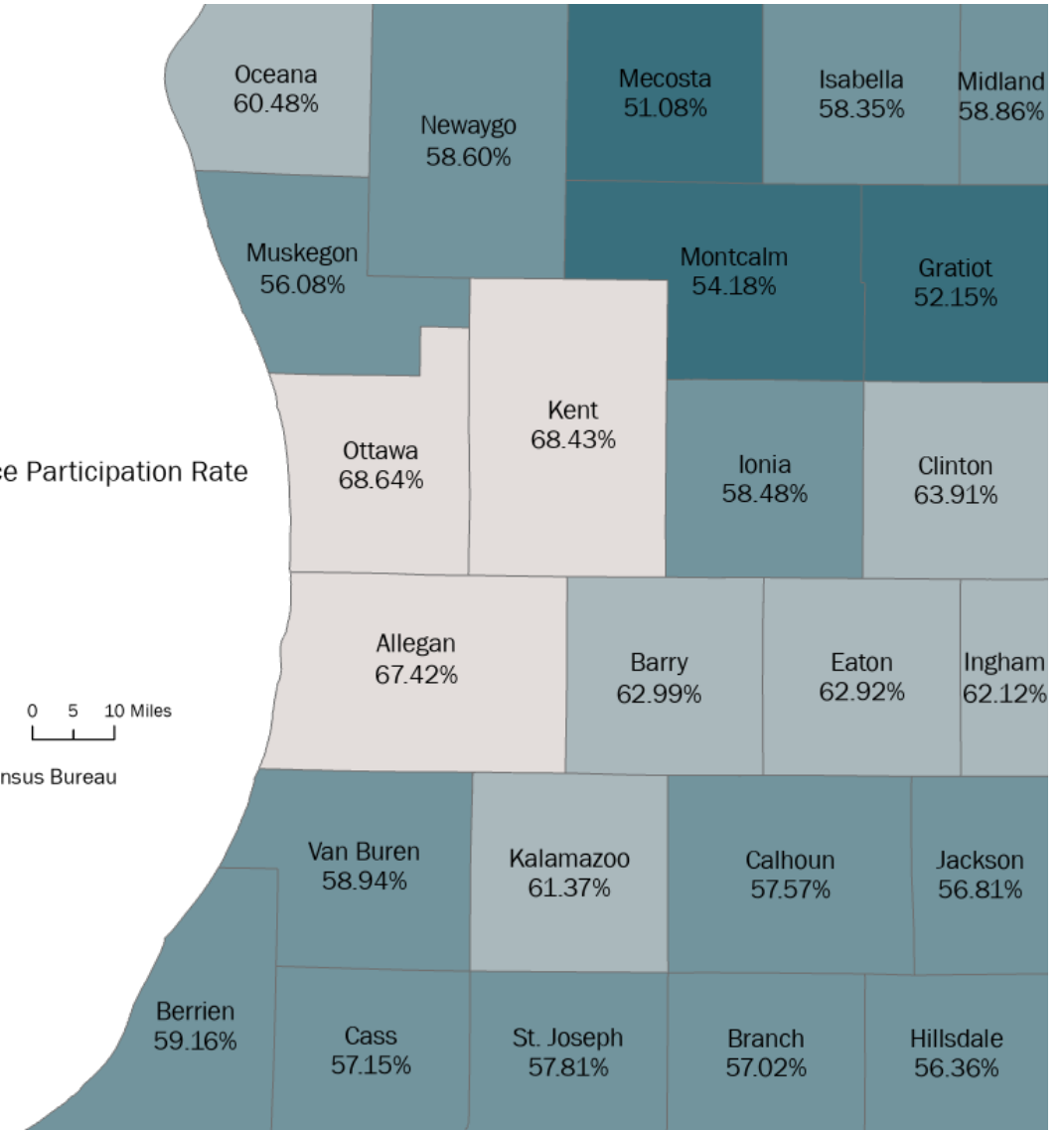
Michigan's rate was **61.8%**

St. Joseph County was **57.81%**

Southwest Michigan Labor Force Participation Rate  
September 2019

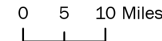


Source: Bureau of Labor Statistics, U.S. Census Bureau

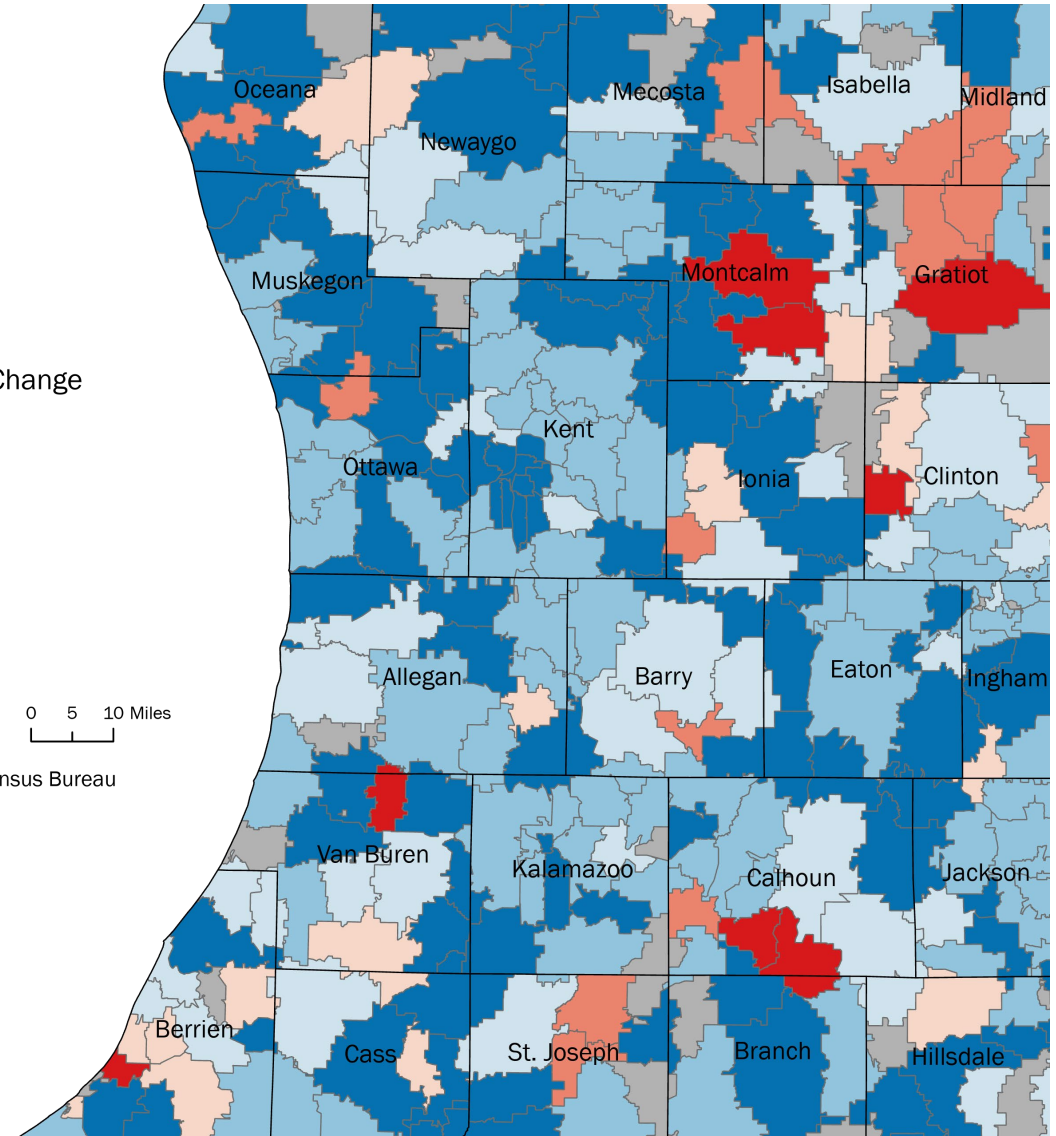


# Housing values continue to rise, but the pace continues to decelerate nationally

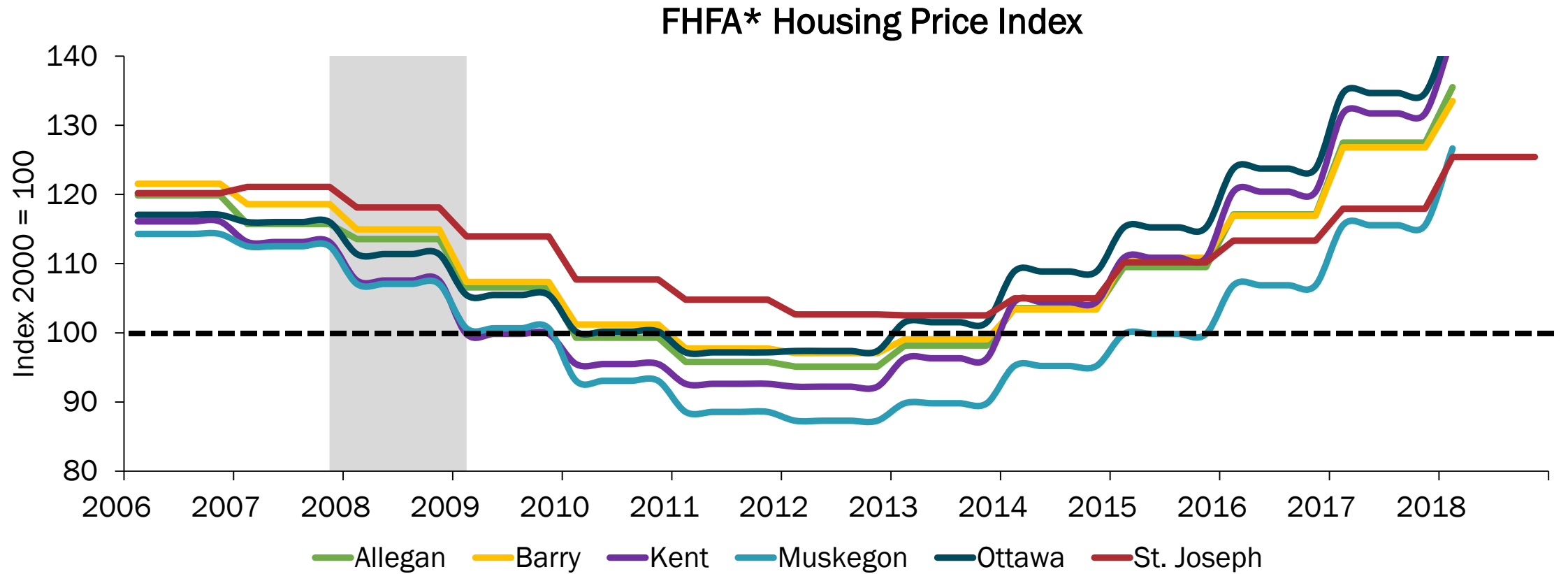
Housing Price Index Change  
2017 to 2018 Annual Percent Change



Source: Bureau of Labor Statistics, U.S. Census Bureau

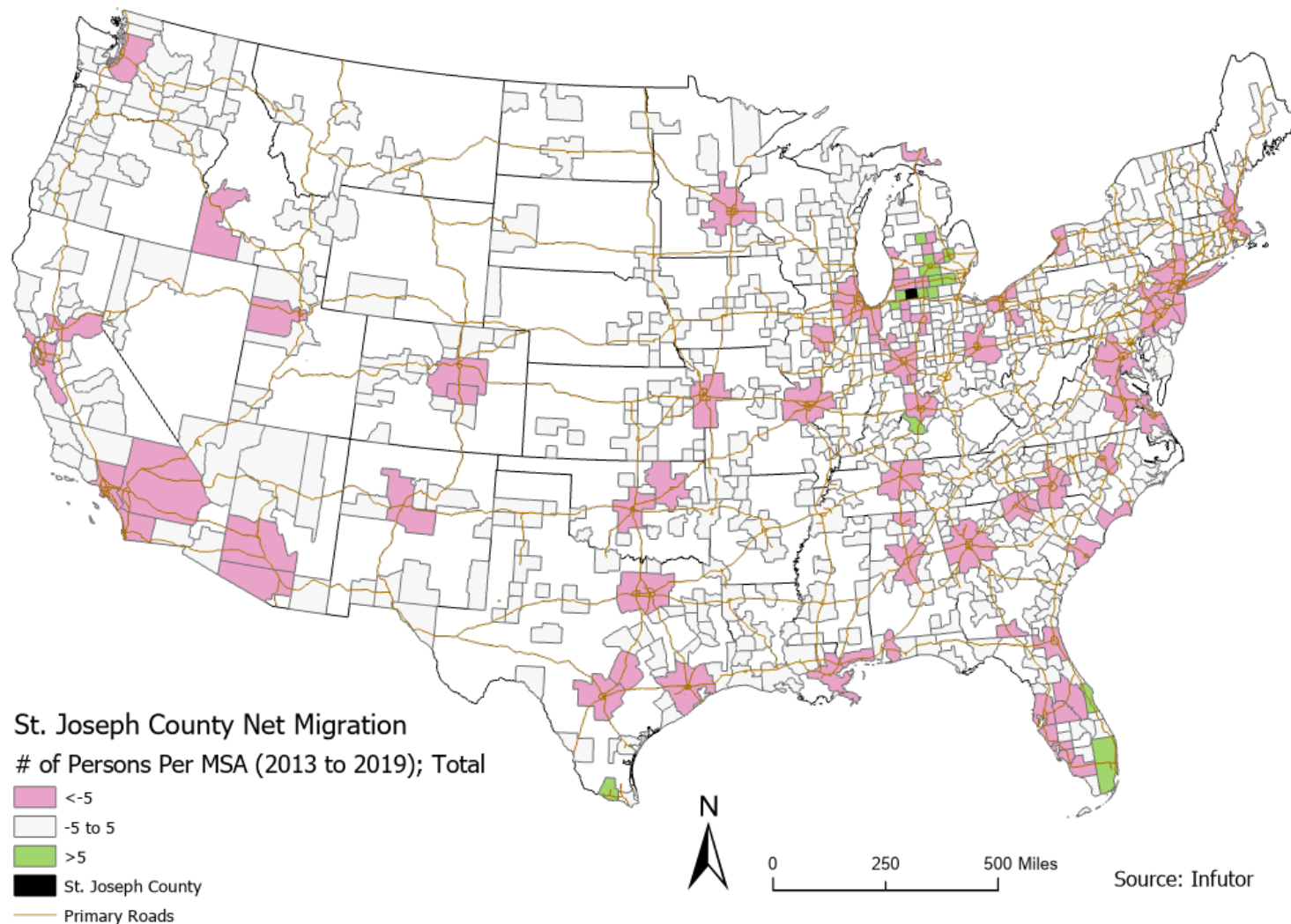


# Local housing prices have been rising for the last few years



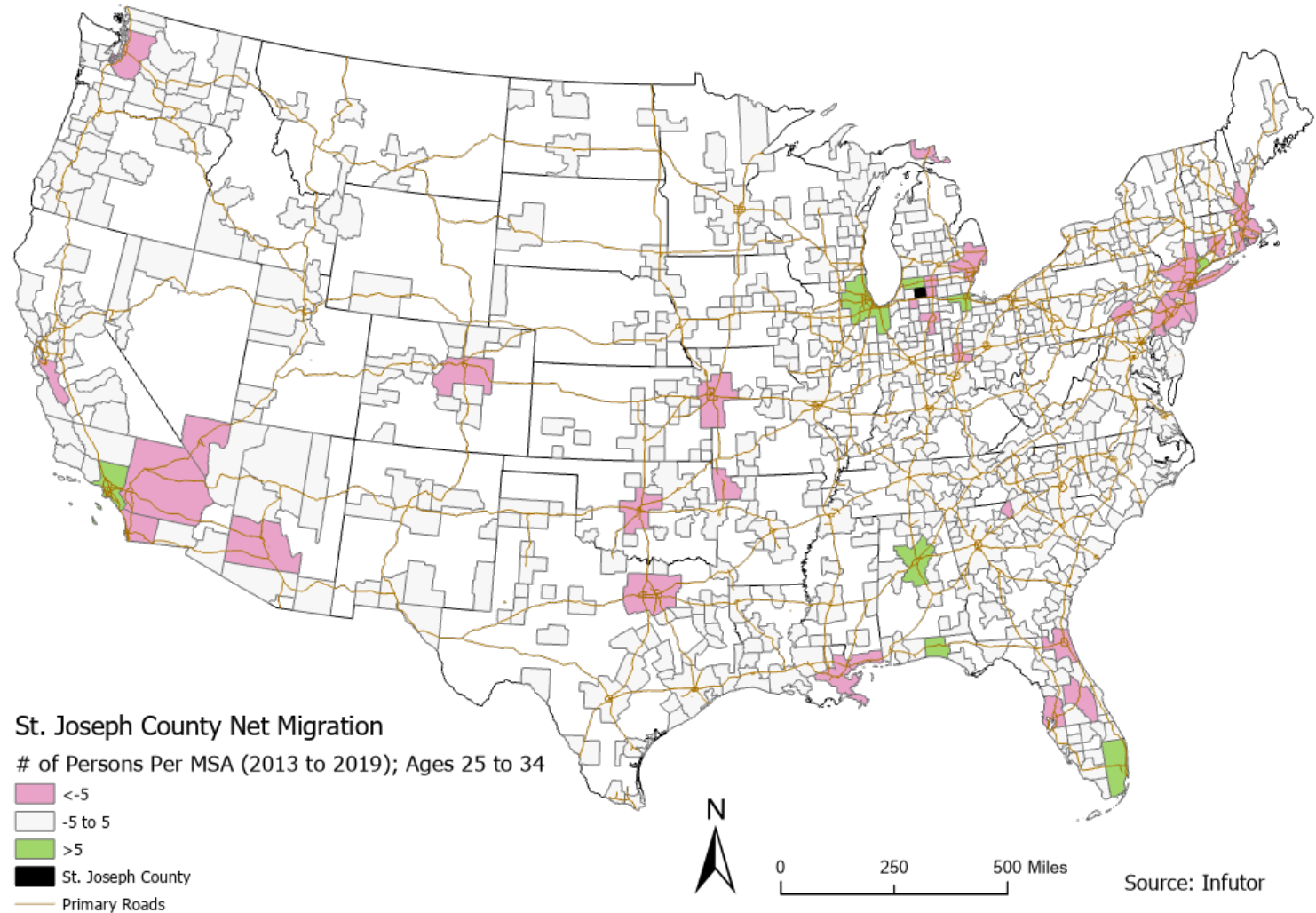
\*Federal Housing Finance Agency

# Net Migration to St. Joseph County: 2013 to 2019



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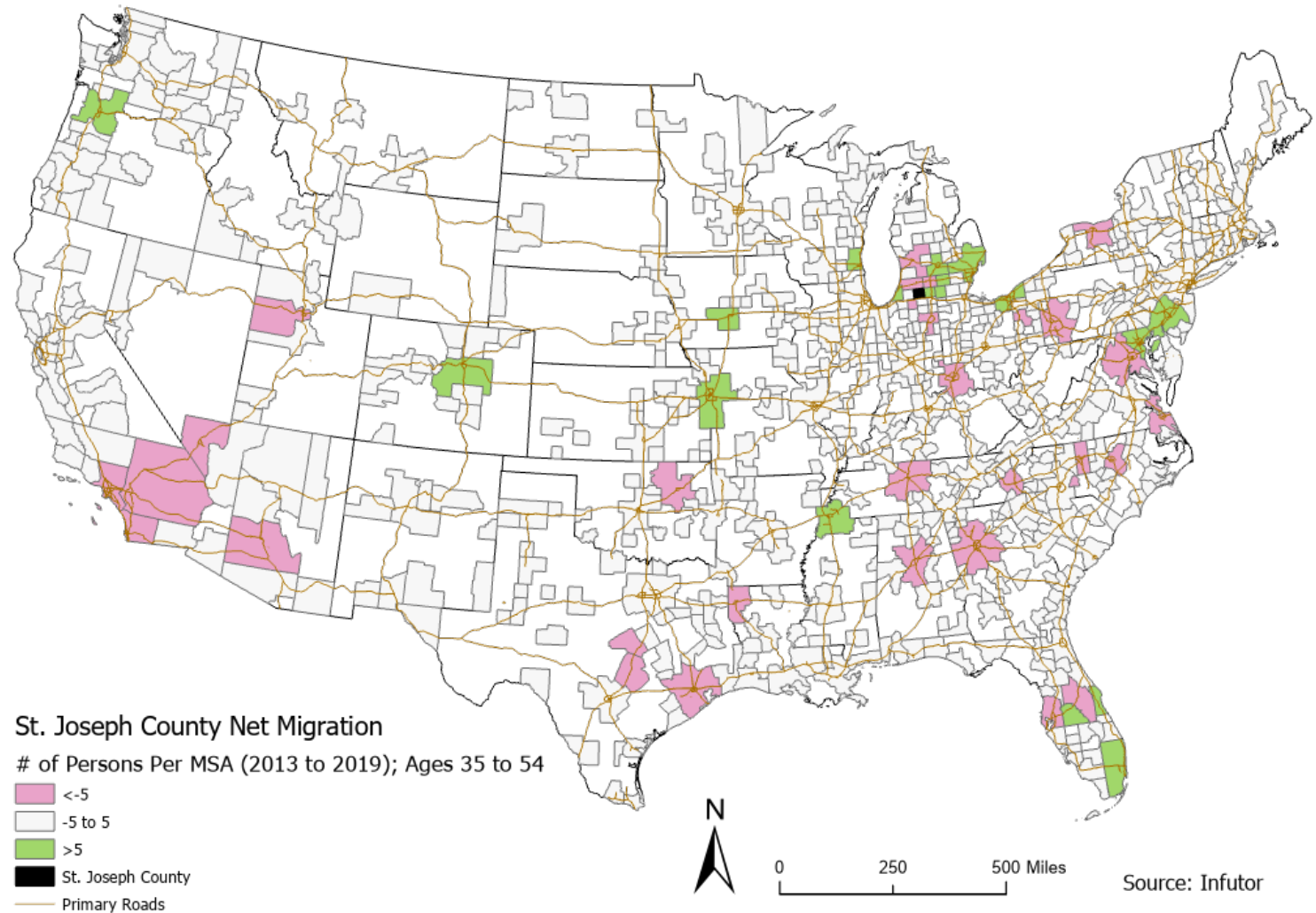
## Emerging workers, ages 25 to 34





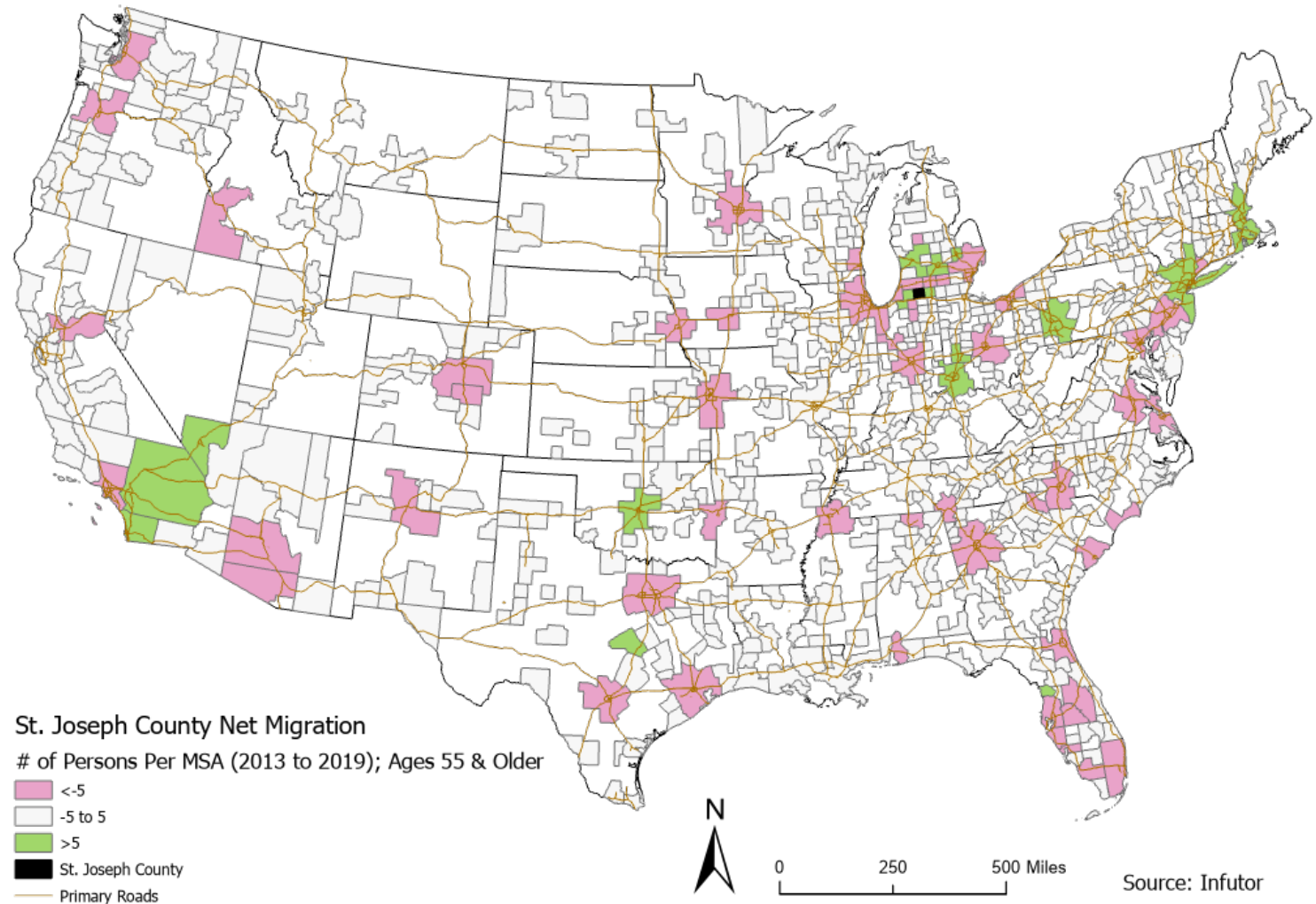
# Net Migration to St. Joseph County: 2013 to 2019

## Prime-aged workers, 35 to 54



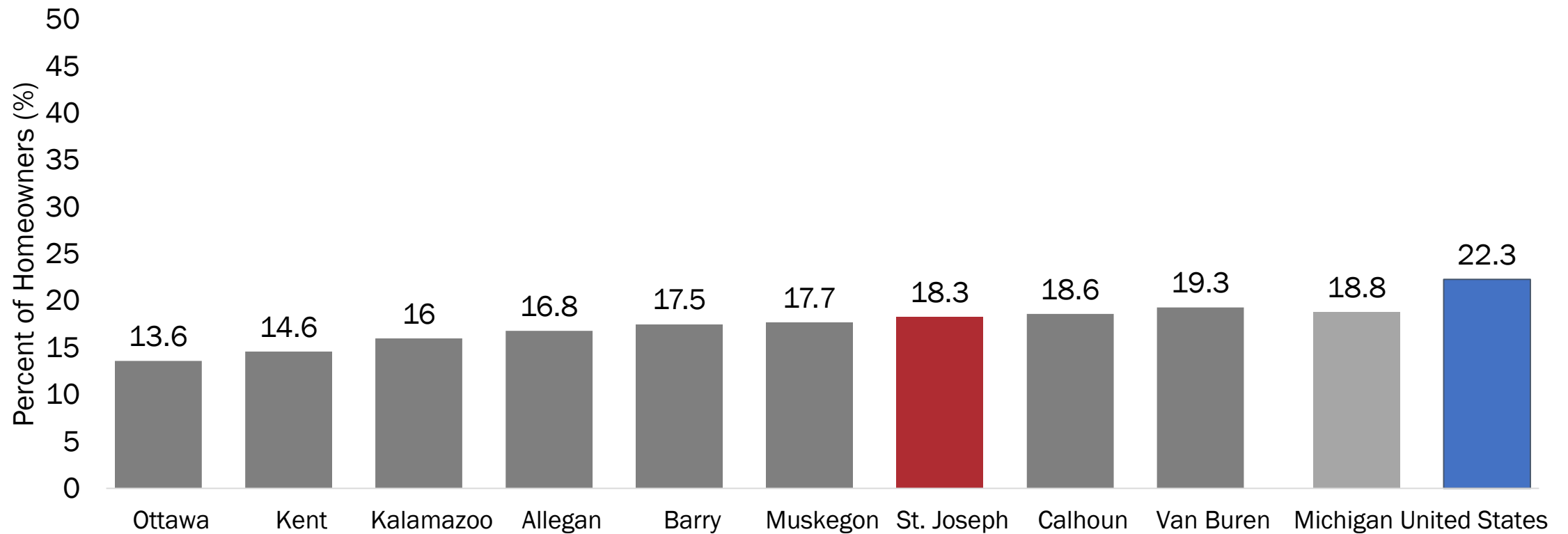
# Net Migration to St. Joseph County: 2013 to 2019

## Post-prime-aged workers, 55 and older

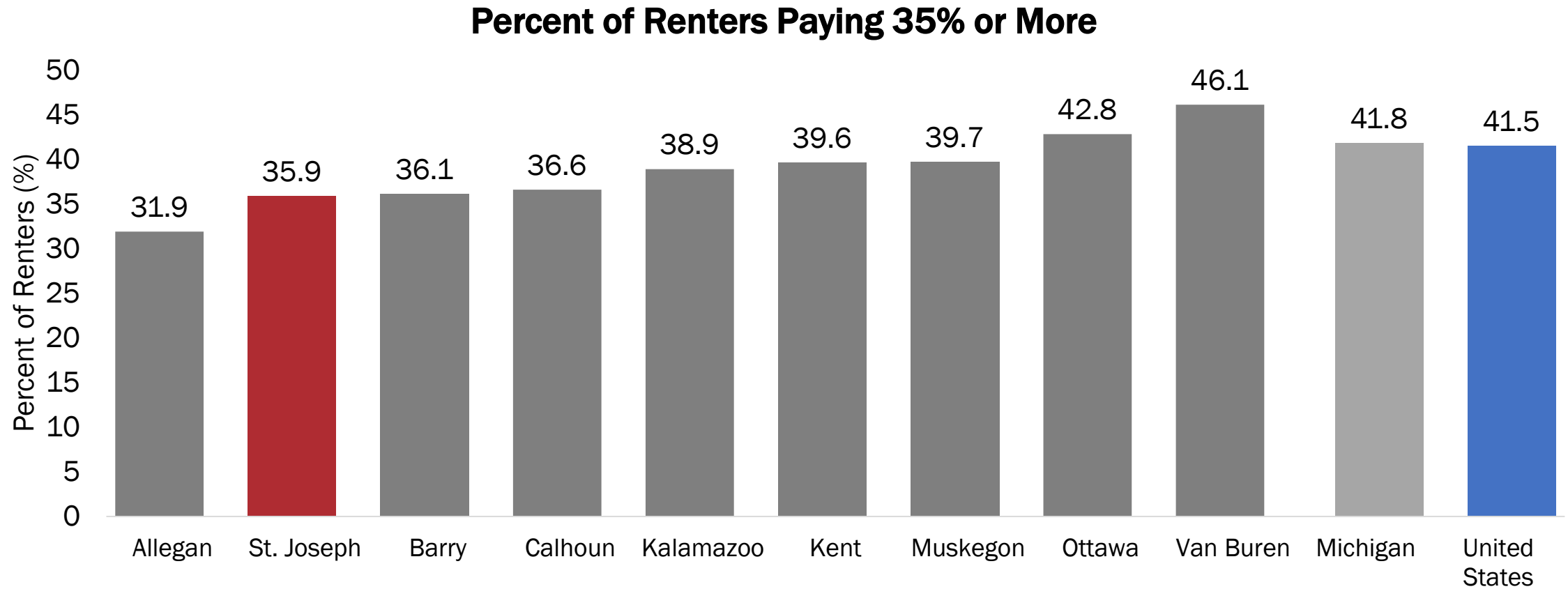


# Are homeowners paying too much for housing?

## Percent of Homeowners Paying 35% or More



# Renters are in worse shape



# Risk Factors to West Michigan

- Global trends
- Light vehicle trends
- Contracts with the OEMs
- Available buildings and sites
- Available workforce
  - Barriers to entry
  - Skill sets
- Affordable housing

# Questions?

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