

# Peering Into Economic Conditions: A Look at the Nation, the State, and the Grand Rapids Region

---

A Presentation at the 2020 Economic Outlook  
for West Michigan

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

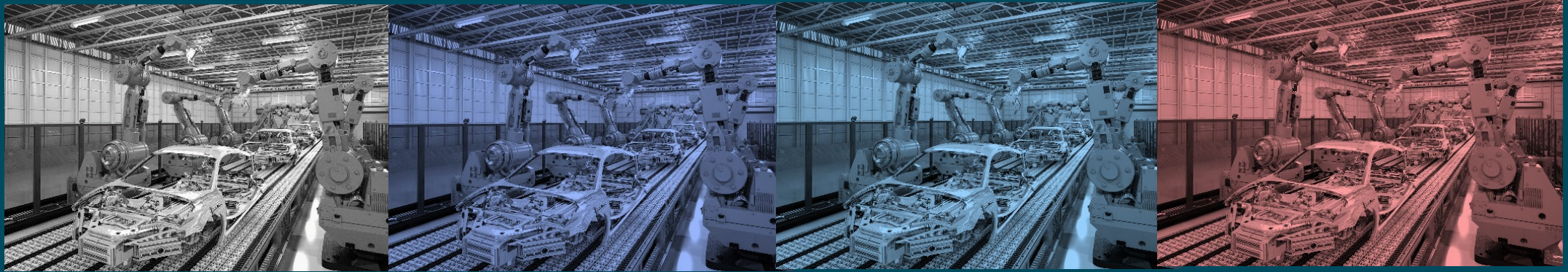
December 11, 2019

# 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:

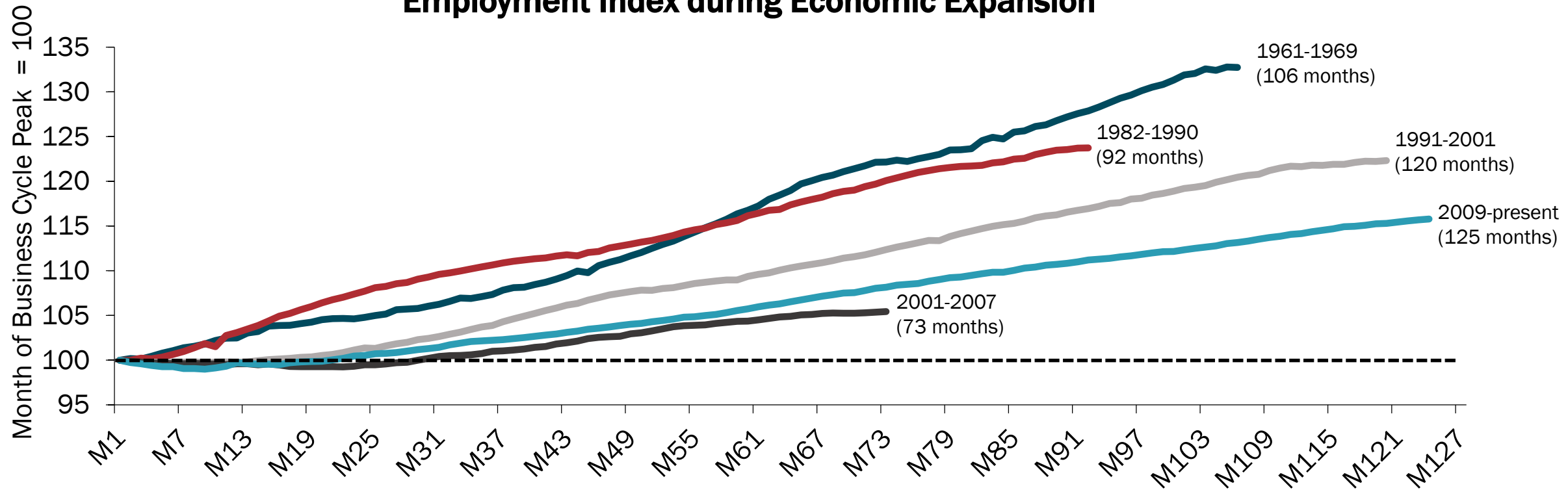
The W.E. Upjohn Institute for Employment Research is a private, nonprofit, nonpartisan, independent research organization devoted to investigating the causes and effects of unemployment, to identifying feasible methods of insuring against unemployment, and to devising ways and means of alleviating the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



# National Economy

# We are currently in the longest expansion since WWII

## Employment Index during Economic Expansion

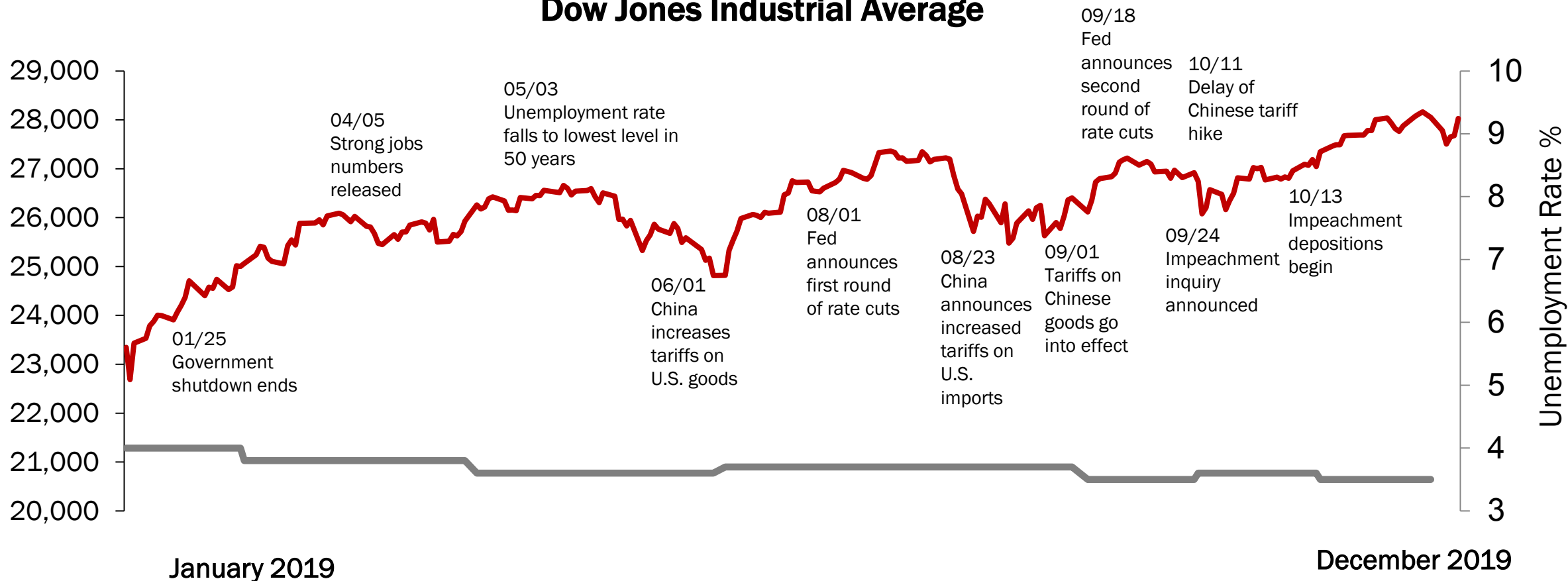


# We're in the longest business cycle (contraction and expansion) and the longest expansion, while experiencing the longest recession since measurement began

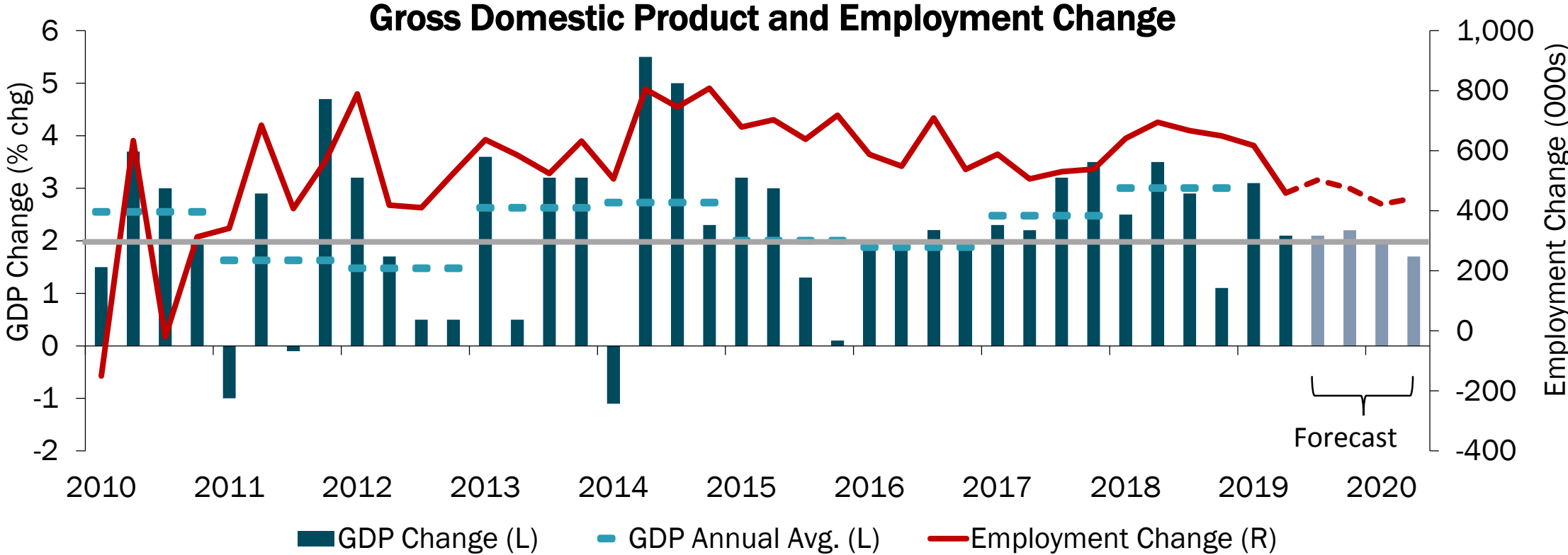
Length of:	1945-1948	1949-1953	1954-1957	1958-1960	1961-1969	1970-1973	1975-1980	1980-1981	1982-1990	1991-2001	2002-2007	2007-?
Contraction	8	11	10	8	10	11	16	6	16	8	8	18
Expansion	37	45	39	24	106	36	58	12	92	120	73	125
Business Cycle	45	56	49	32	116	47	92	18	108	128	81	142

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

## Dow Jones Industrial Average



# GDP growth is projected to remain solid, although employment growth is slowing

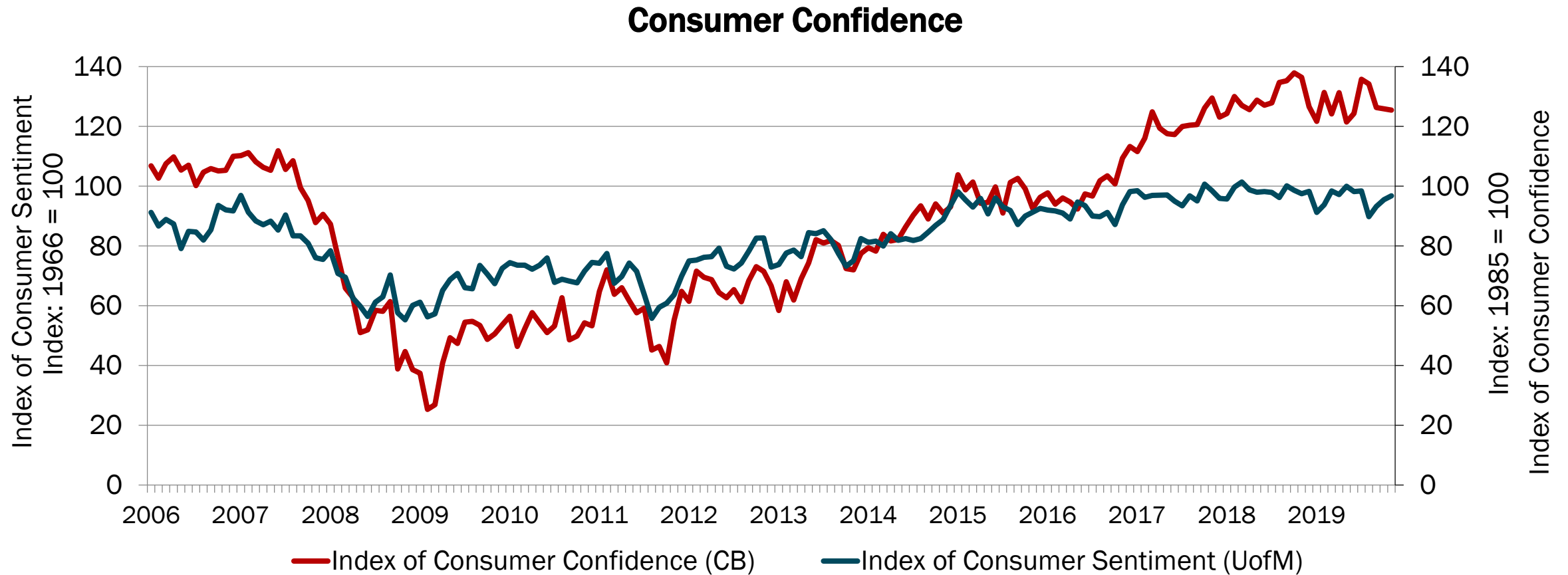


# University of Michigan RSQE national forecast

	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%



# High and stable consumer confidence

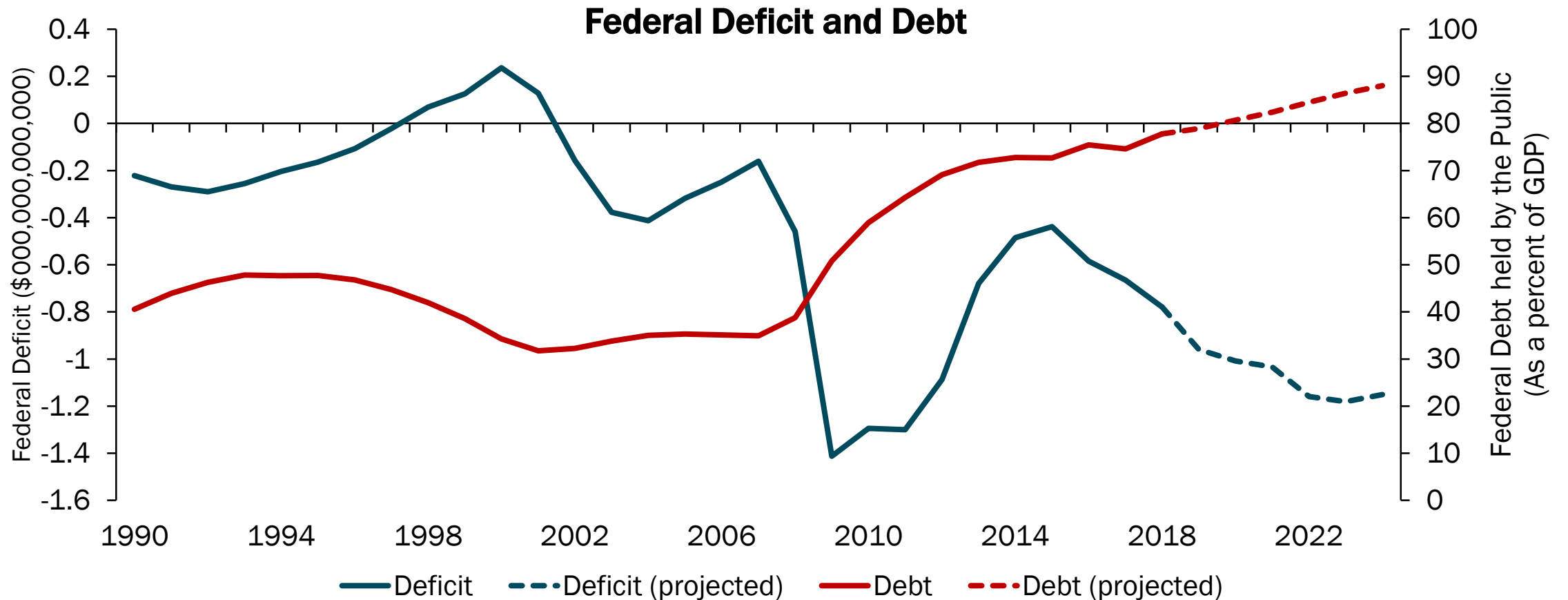


# Moody's predictions of a recession are relatively low and decreasing: 9% in October

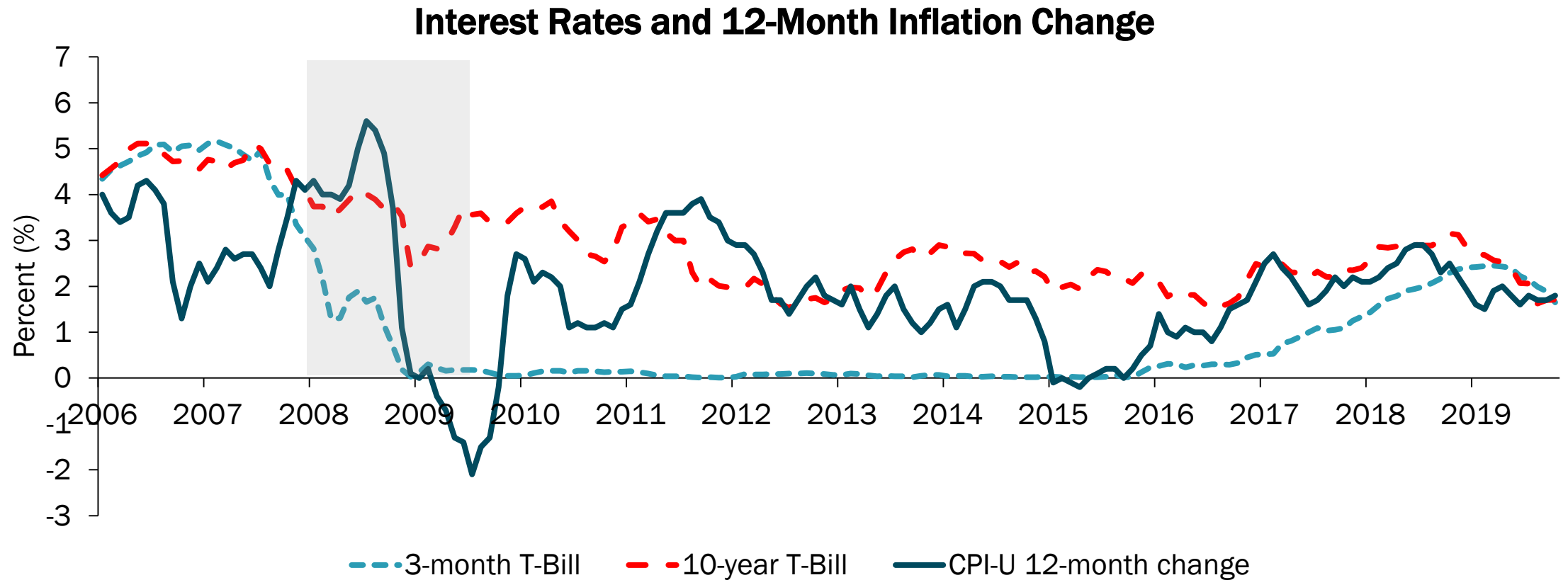
Likelihood of Being in a Recession in the Next 6 Months



# With tax cuts and 2018 fiscal stimulus overhang, federal debt and deficits continue to climb



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





---

# The Next Recession: What We're Watching

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

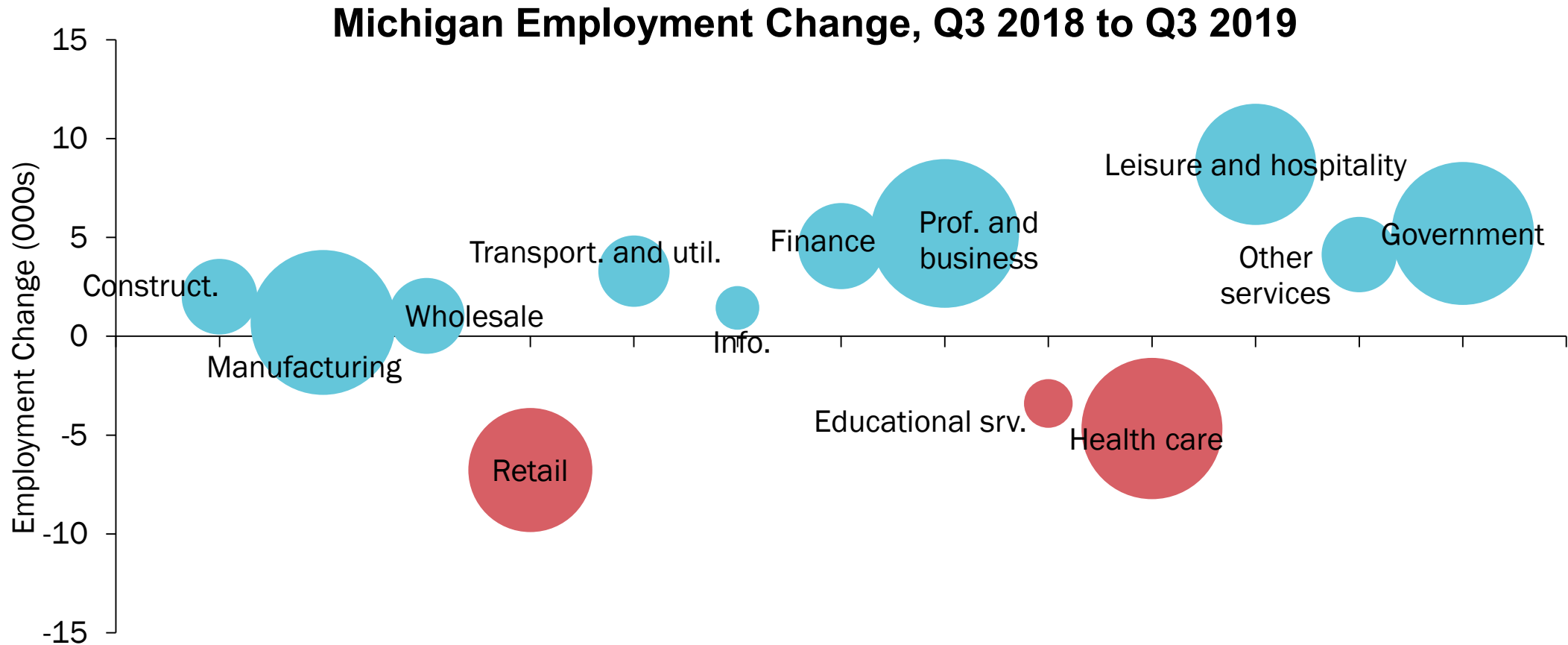
- Trade wars (tariffs and taxes are the same—a cost to consumers)
- Volatility of stock market
- Low interest rates
- Federal debt and deficits
- Tax cuts
- Politics

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



# Michigan

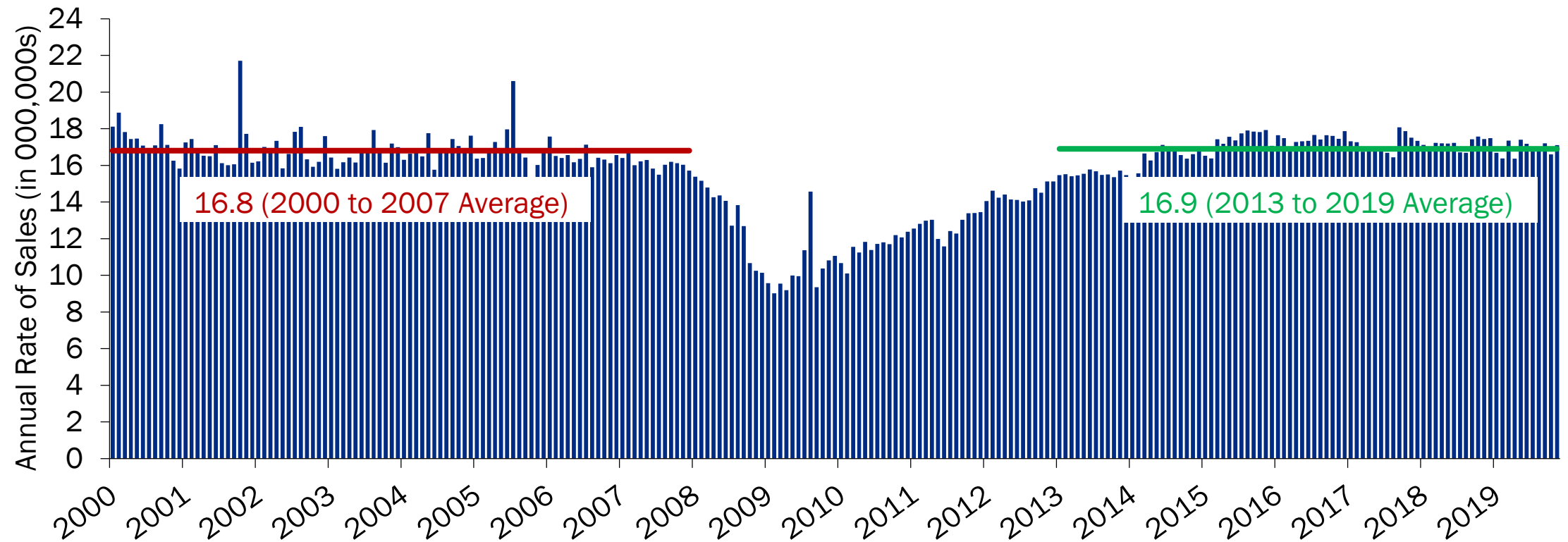
# Michigan continues to outperform expectations





# Light vehicle sales have been steady

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



# 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%

# Michigan exports in 2018: USMCA matters!

Industry	Total	China	Canada	Mexico	EU
TOTAL	\$58,034,773,175	6.1%	41.8%	21.2%	12.5%
Transportation equipment	\$28,174,245,233	6.5%	52.5%	15.7%	8.5%
Chemicals	\$5,277,878,144	7.7%	14.1%	22.1%	26.5%
Machinery	\$4,902,788,438	5.5%	27.9%	35.6%	15.6%
Computer and electronic	\$3,064,025,650	6.3%	19.1%	27.3%	14.7%
Electrical equipment	\$2,453,426,141	5.8%	25.0%	41.2%	11.0%
Primary metals	\$2,389,388,016	2.3%	47.5%	14.6%	10.7%
Fabricated metals	\$2,382,272,594	6.1%	28.1%	40.9%	11.8%

# Exposure on the agricultural side

	Illinois	Indiana	Michigan	Ohio	Wisconsin
Soy bean farms	36,393	22,174	11,961	25,595	18,296
Soy bean sales	\$5,668,028	\$3,024,384	\$998,608	\$2,333,805	\$938,273
Agricultural products to China (% change 2017-2018)	\$163,752 (-88.7%)	\$209 (-99.2%)	\$109 (-46.6%)	\$157,678 (-74.3%)	\$18,952 (-12.6%)
Other animal products to Canada (% change 2017-2018)	\$2,713 (-48.1%)	\$7,703 (-1.9%)	\$8,297 (-8.1%)	\$47,732 (+43.0%)	\$103,047 (+40.0%)
Food manufacturing to Canada (% change 2017-2018)	\$1,254,712 (-1.2%)	\$347,206 (+1.7%)	\$405,388 (-3.1%)	\$732,669 (+6.5%)	\$938,941 (-6.0%)

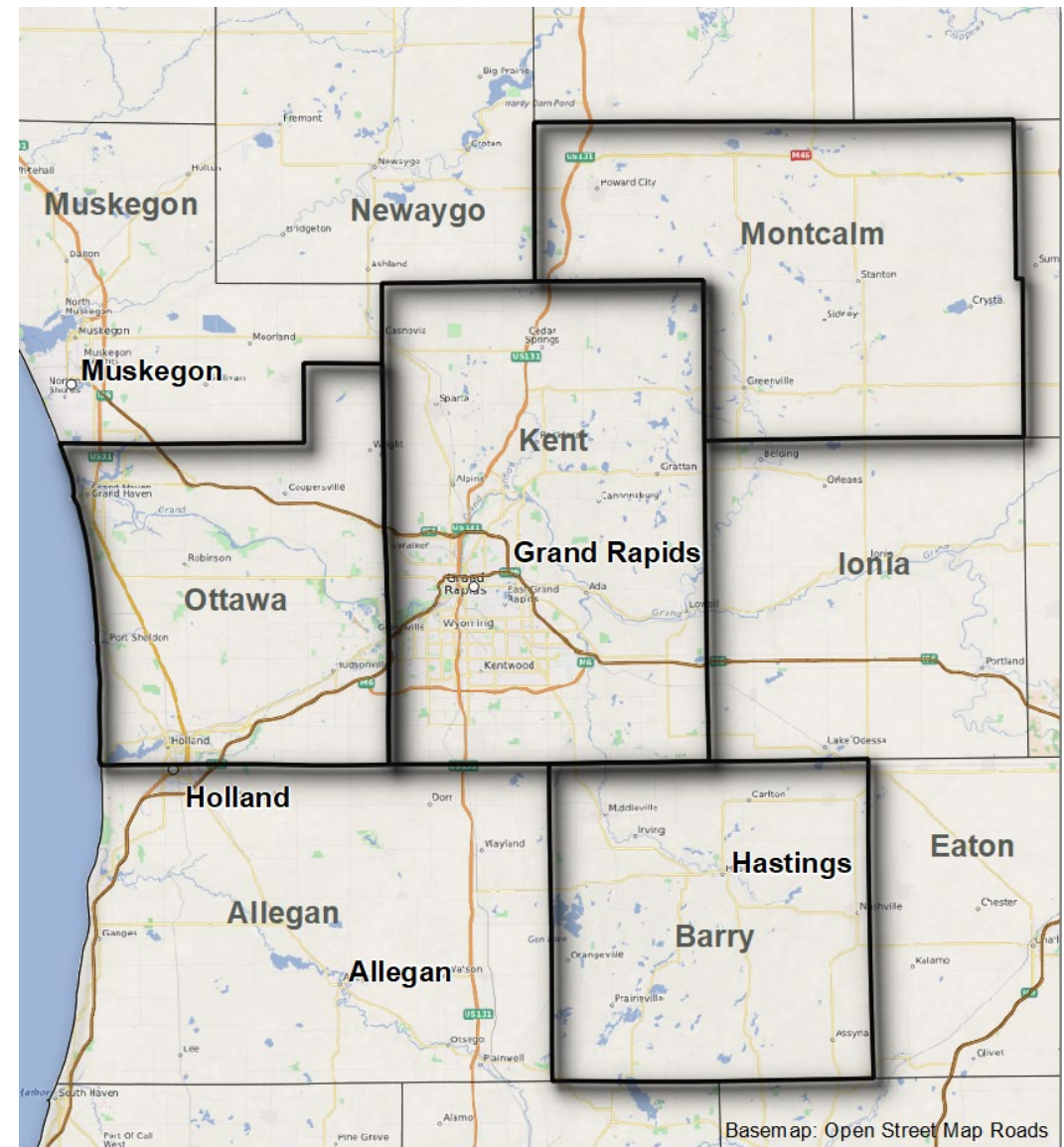
Dollars in '000s



# Regional Conditions: The Right Place

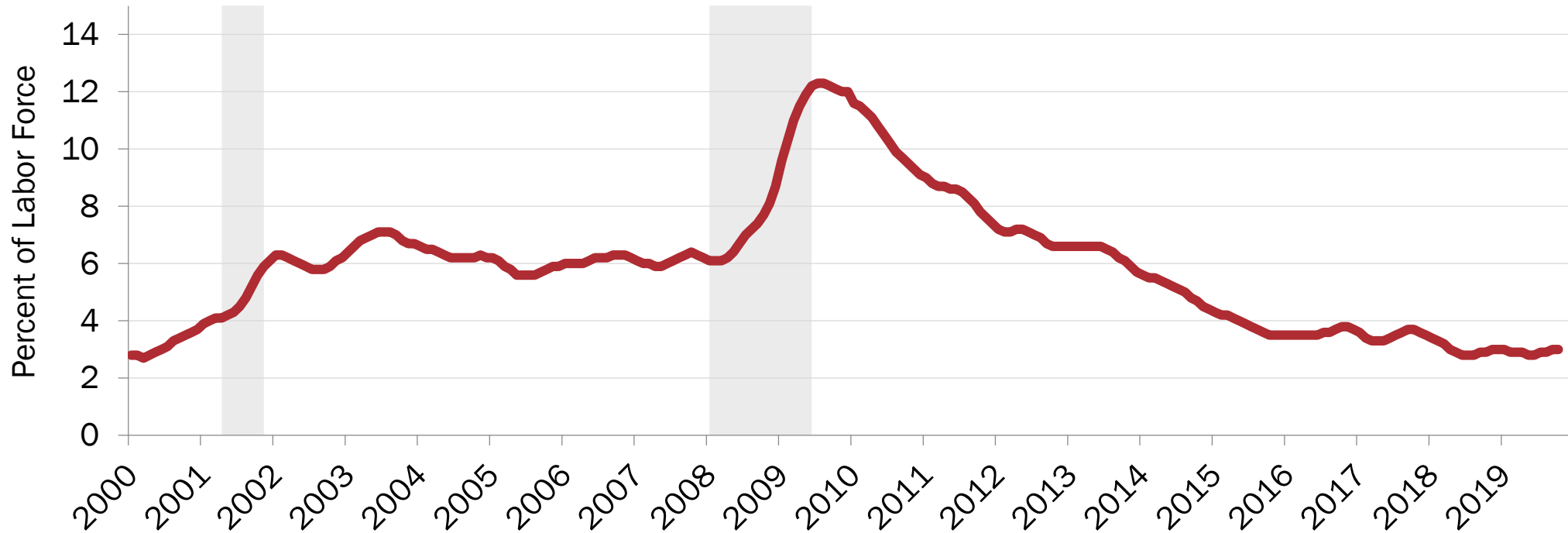
# The Grand Rapids- Wyoming Metropolitan Statistical Area

- Barry County
- Kent County
- Montcalm County
- Ottawa County



# The current unemployment rate is 3.0%, with 17,746 persons looking for work

## Unemployment Rate for Grand Rapids, MSA



# Unemployment rates are between 2.3% and 4.7% for counties in West Michigan

The MSA is at full employment

Michigan's rate is 4.1% (October 2019)

Southwest Michigan Unemployment Rate

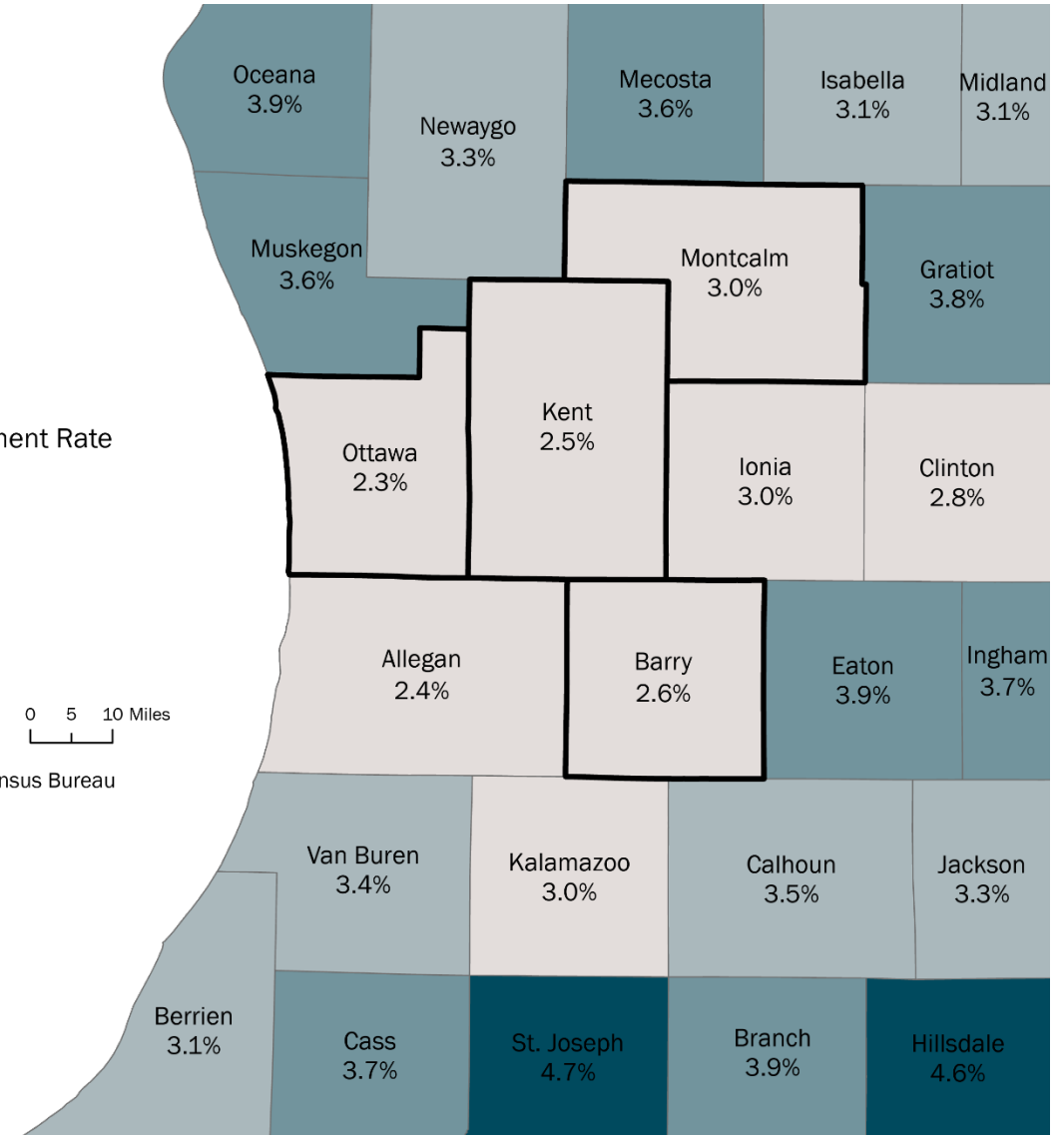
October 2019

- ≤3.0%
- 3.1% to 3.5%
- 3.5% to 4.0%
- 4.0% to 4.5%
- >4.5%
- MSA



0 5 10 Miles

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





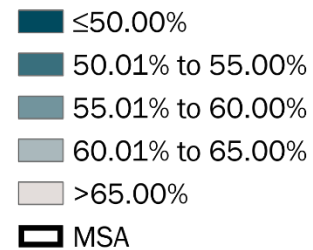
**Labor force participation rates are more varied**

**While Montcalm struggles, the rest of the MSA is doing well**

**Michigan's rate is 61.8% (October 2019)**

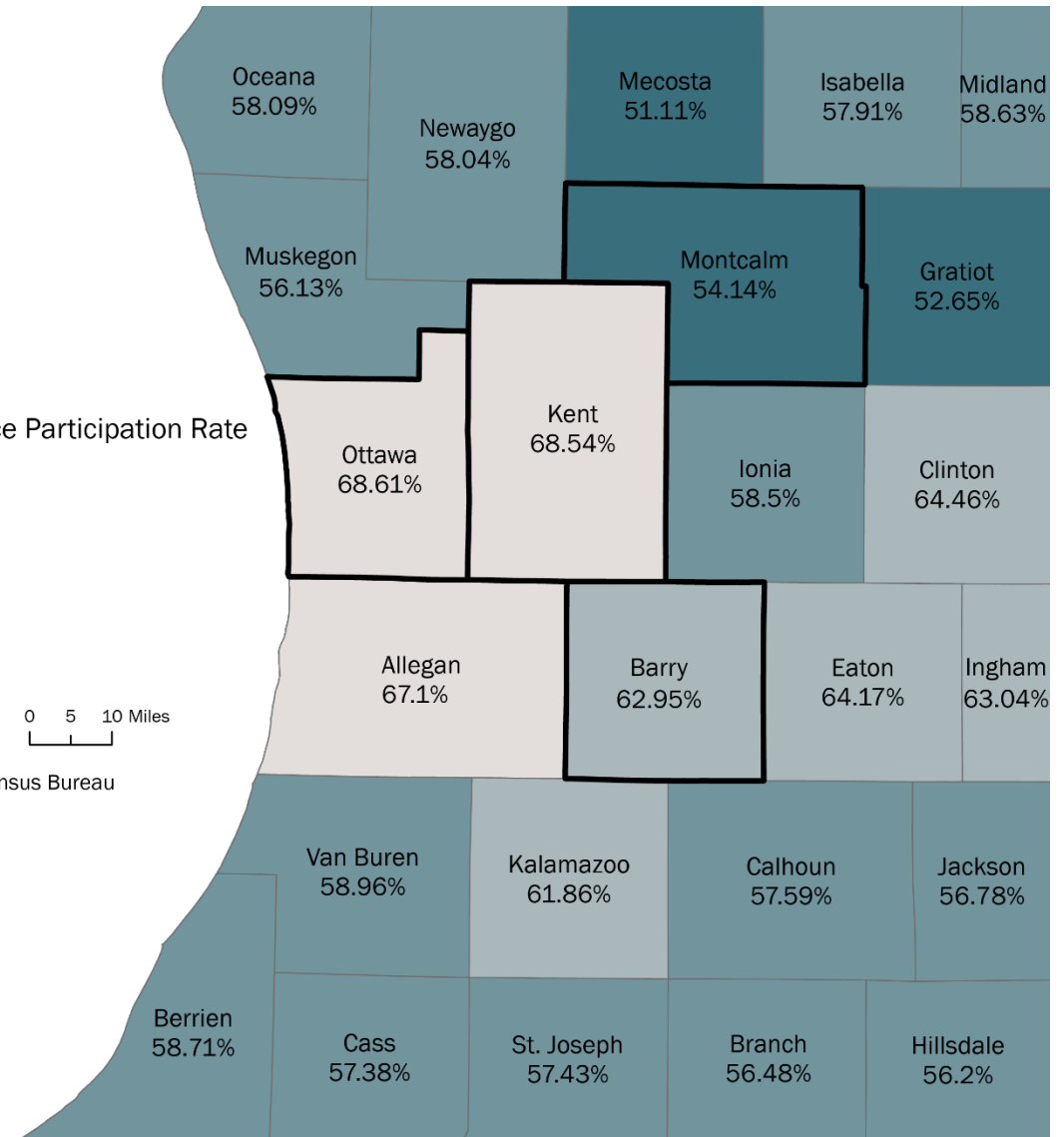
Southwest Michigan Labor Force Participation Rate

October 2019



0 5 10 Miles

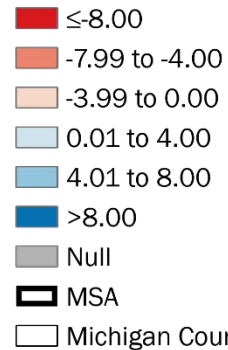
Source: Bureau of Labor Statistics, U.S. Census Bureau



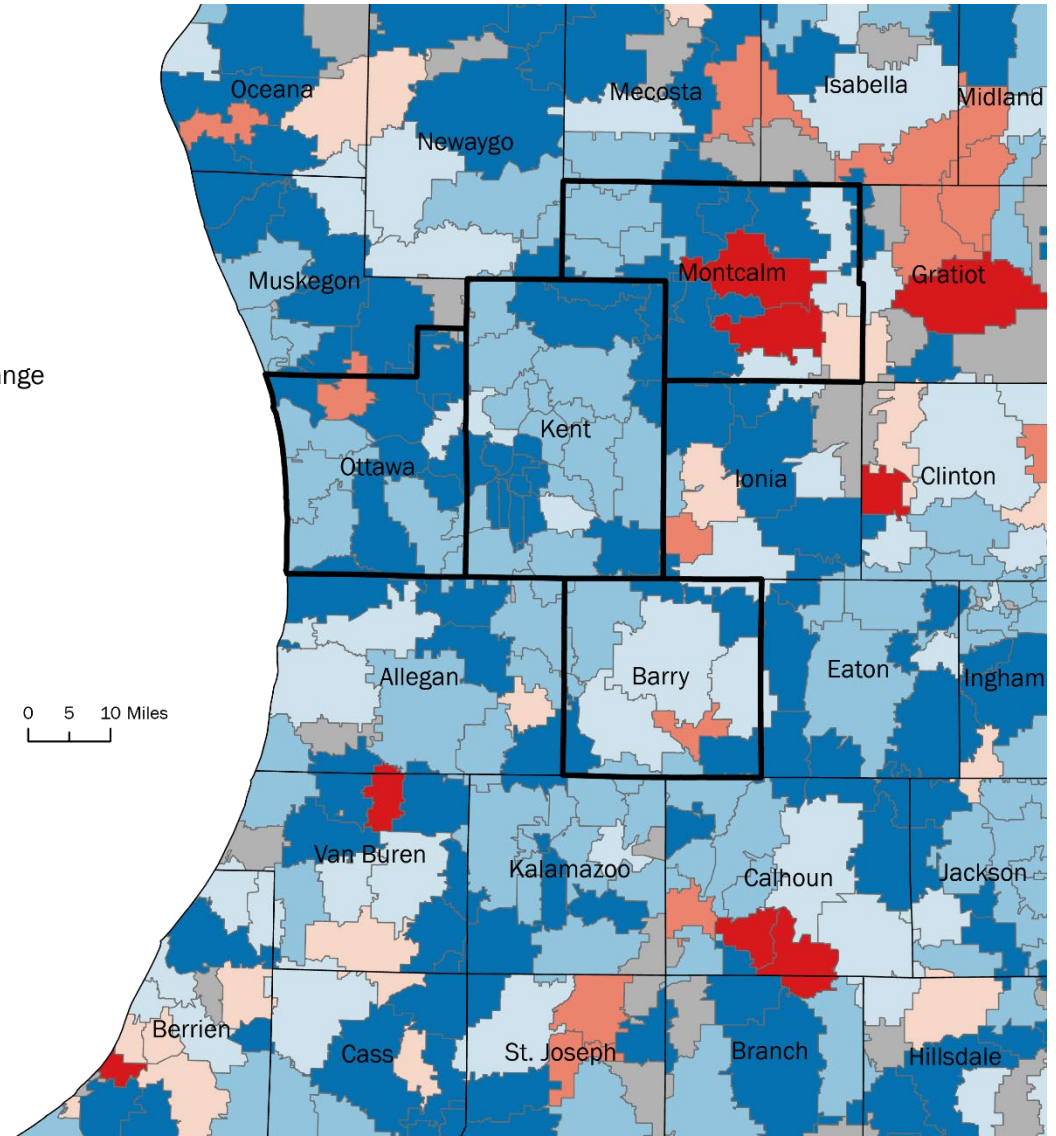
# Housing values continue to rise.

# But the pace continues to decelerate nationally

Housing Price Index Change  
2017 to 2018 Annual Percent Change

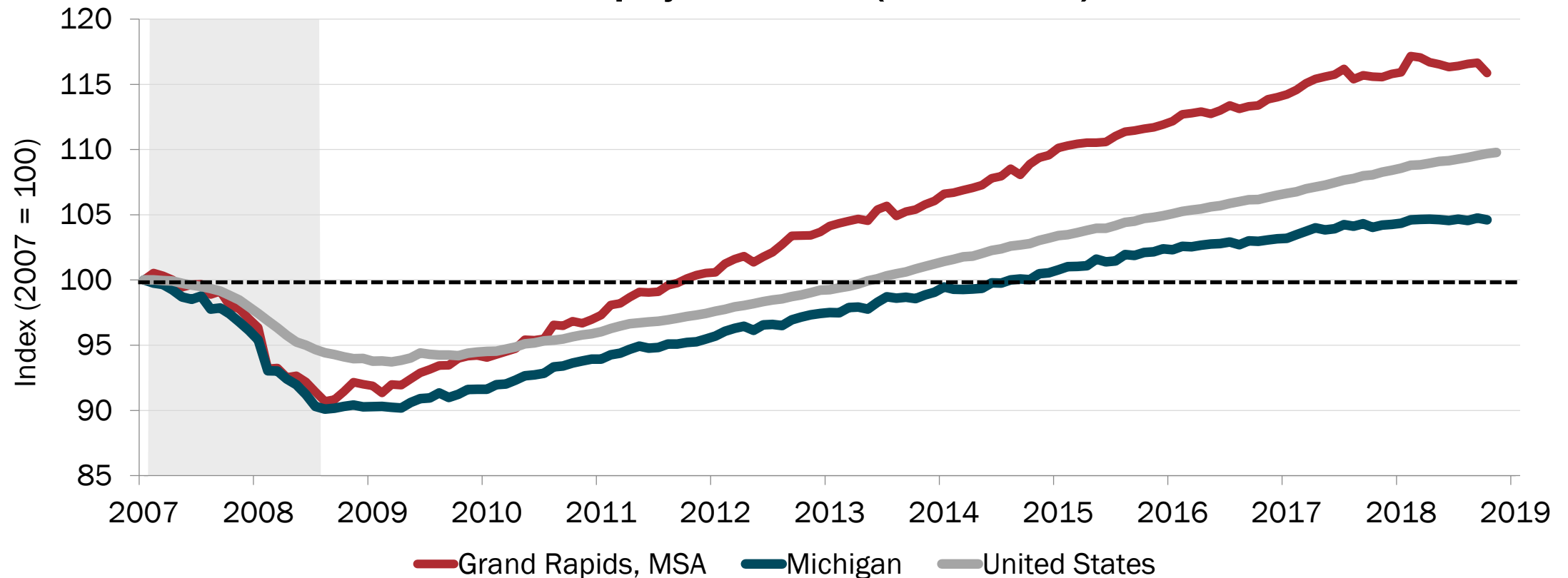


Source: Federal Housing Finance Agency



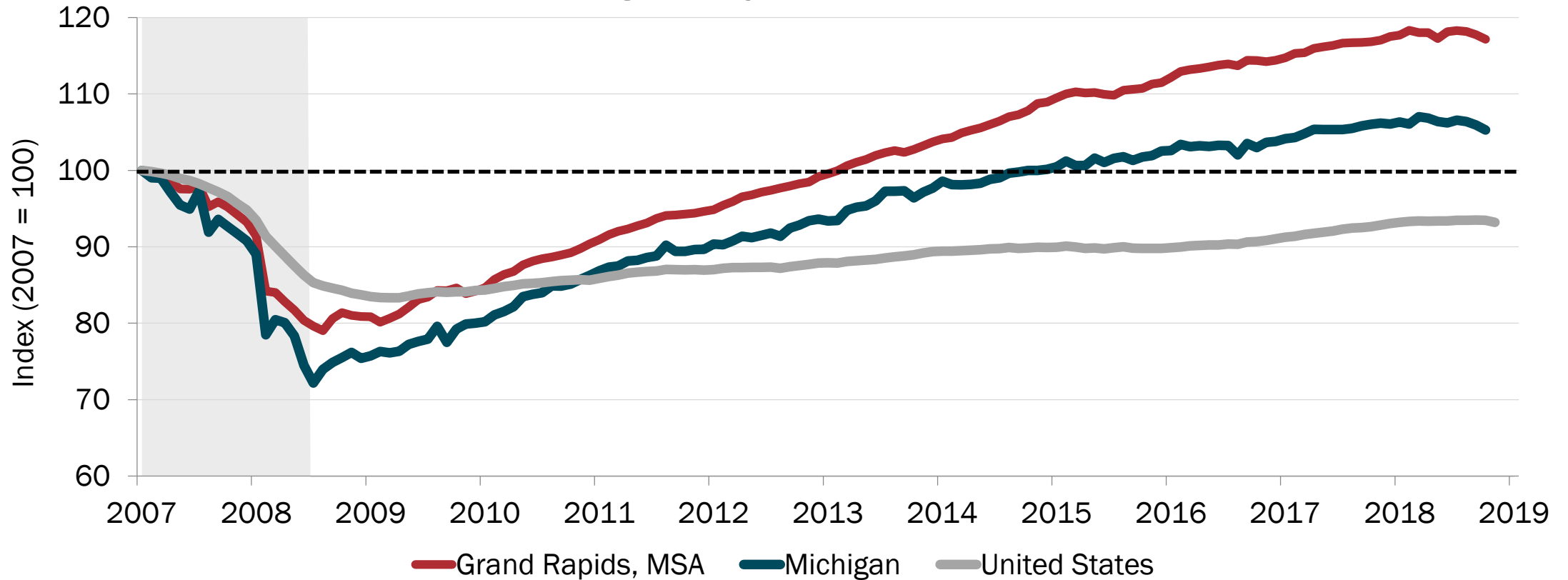
# Grand Rapids continues to outpace the state and nation in employment growth

Nonfarm Employment Index (2007 = 100)



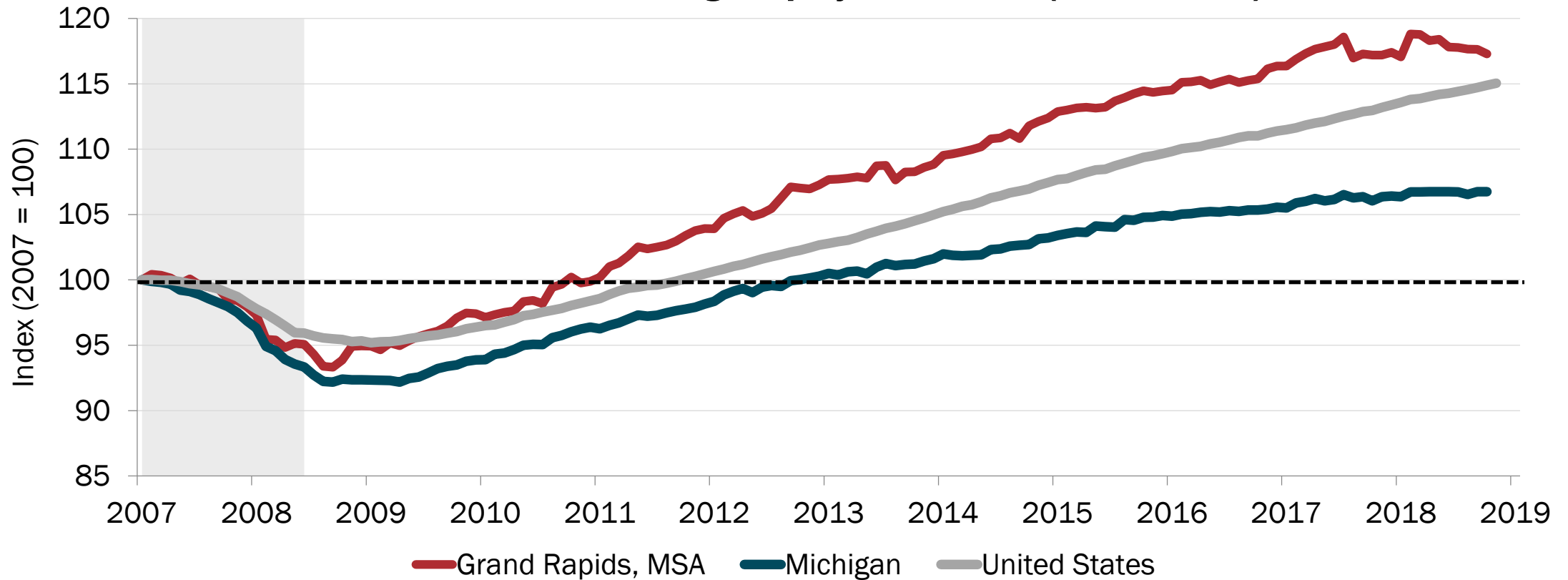
# Grand Rapids recovered faster than the state or nation, although growth appears to be slowing

Manufacturing Employment Index (2007 = 100)



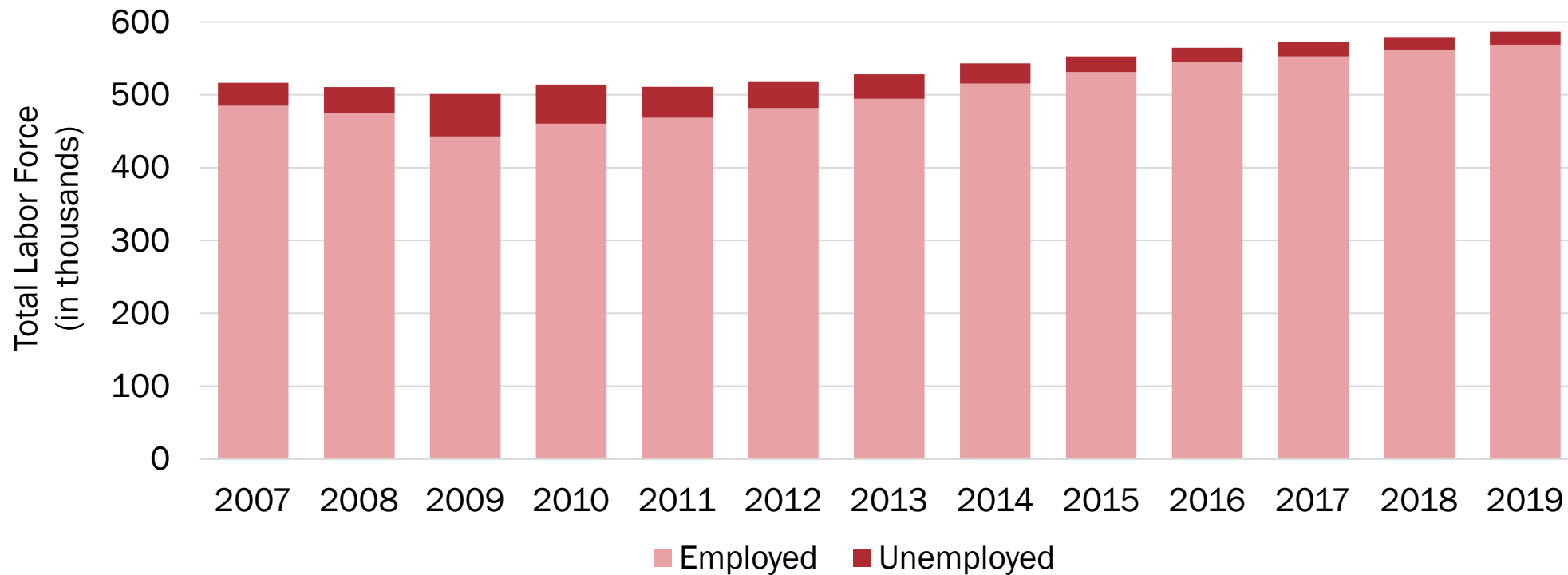
# Grand Rapids exceeds both the state and nation, although employment growth is leveling off

Private Services Providing Employment Index (2007 = 100)

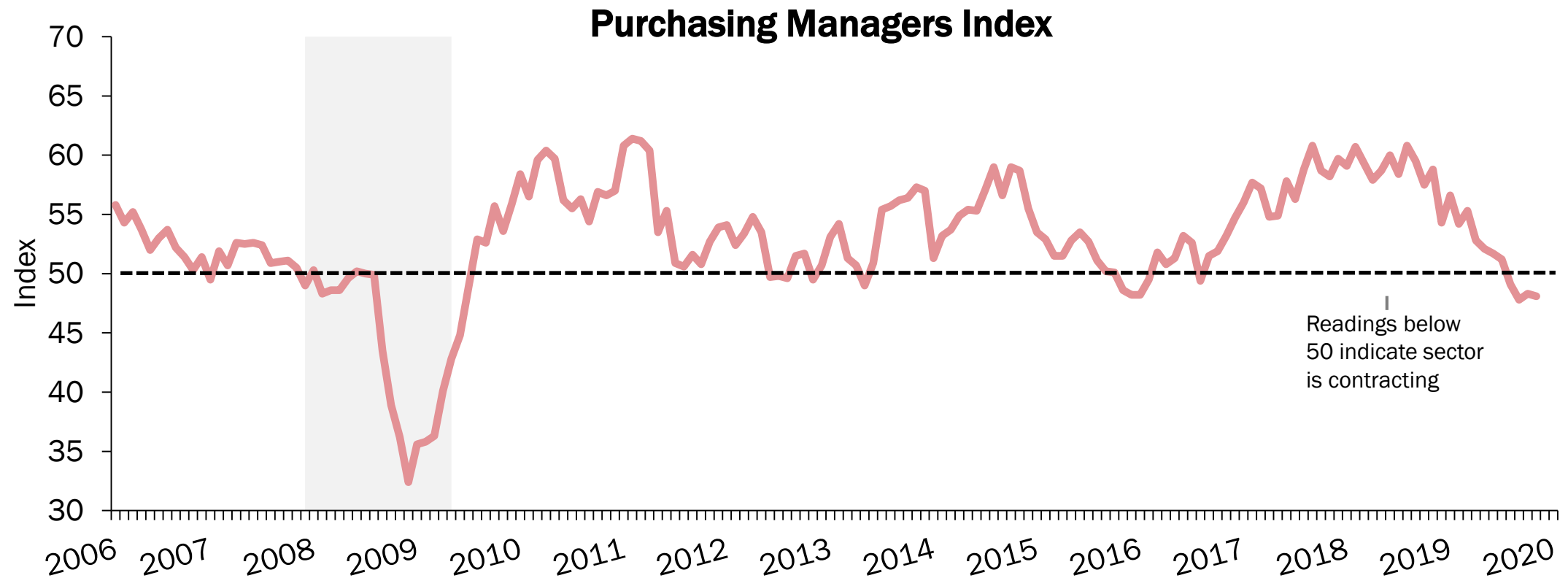


# The total labor force in Grand Rapids continues to grow

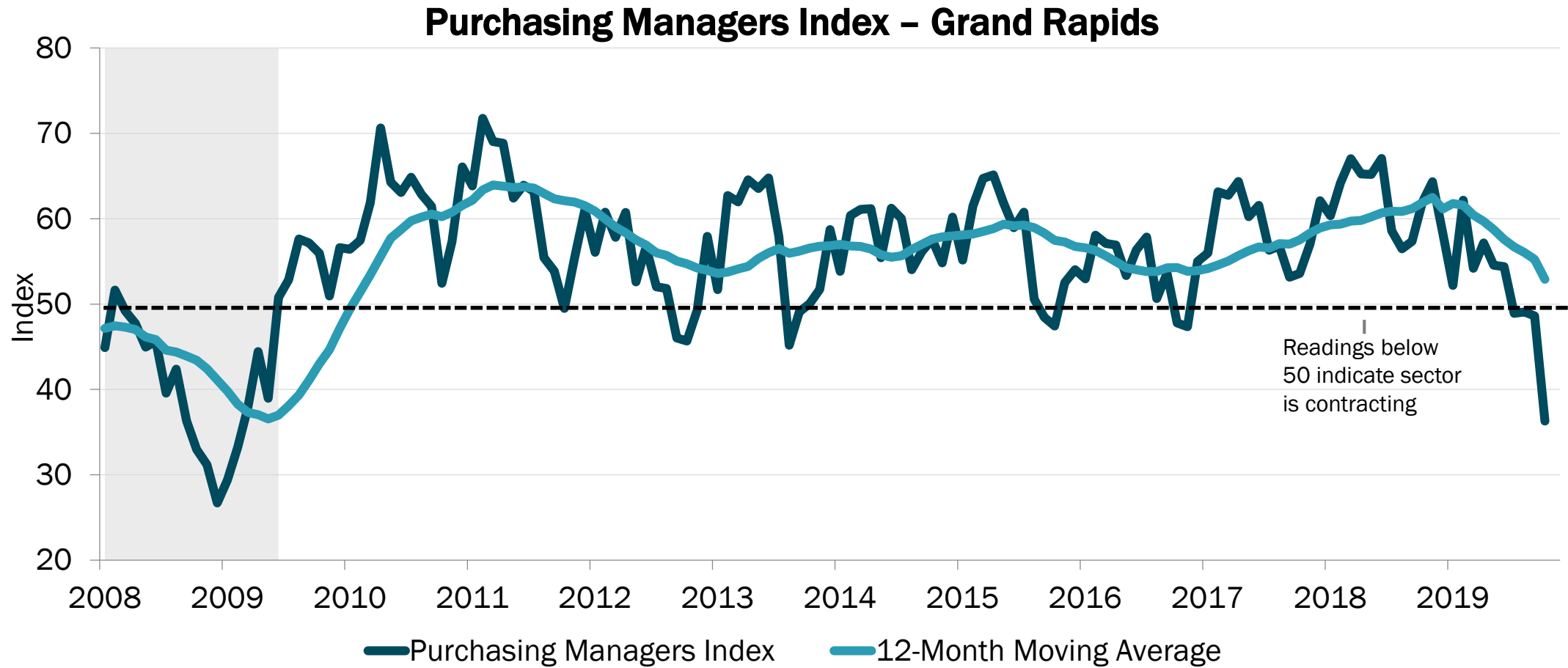
Total Labor Force: Grand Rapids-Wyoming Metro Area



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



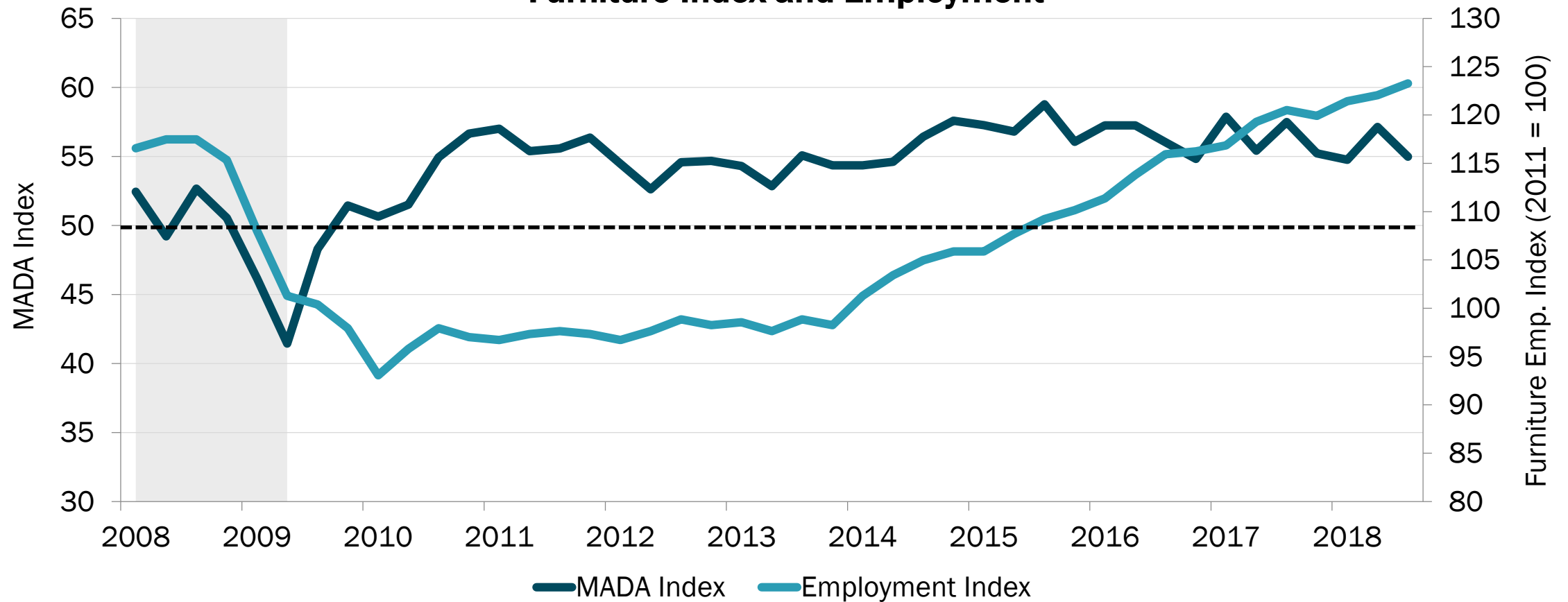
# The recent trend is plunging downward – 36.3 in October (although the GM strike may have impacted this number)





# A stable index with positive regional employment growth

## Furniture Index and Employment





---

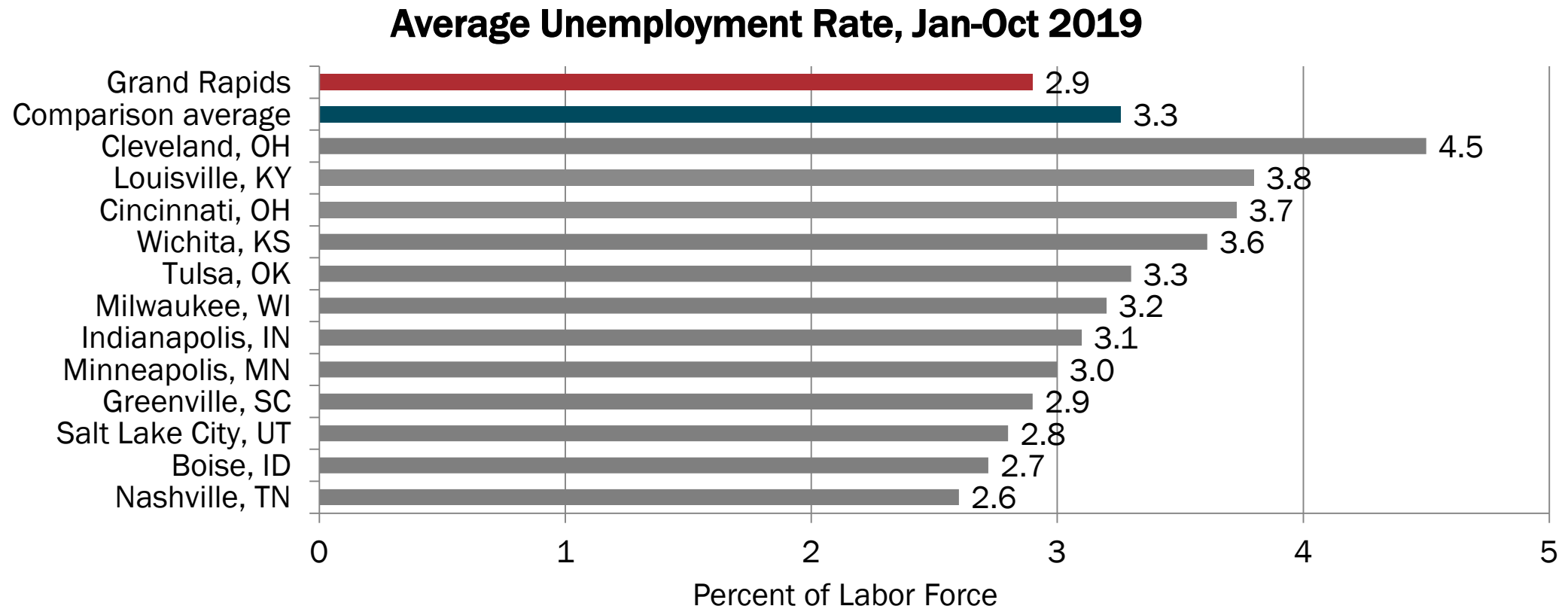
**How is the Grand Rapids region doing compared to peer regions?**

# Comparison areas: Economically comparable and/or aspirational

## Metropolitan Statistical Areas:

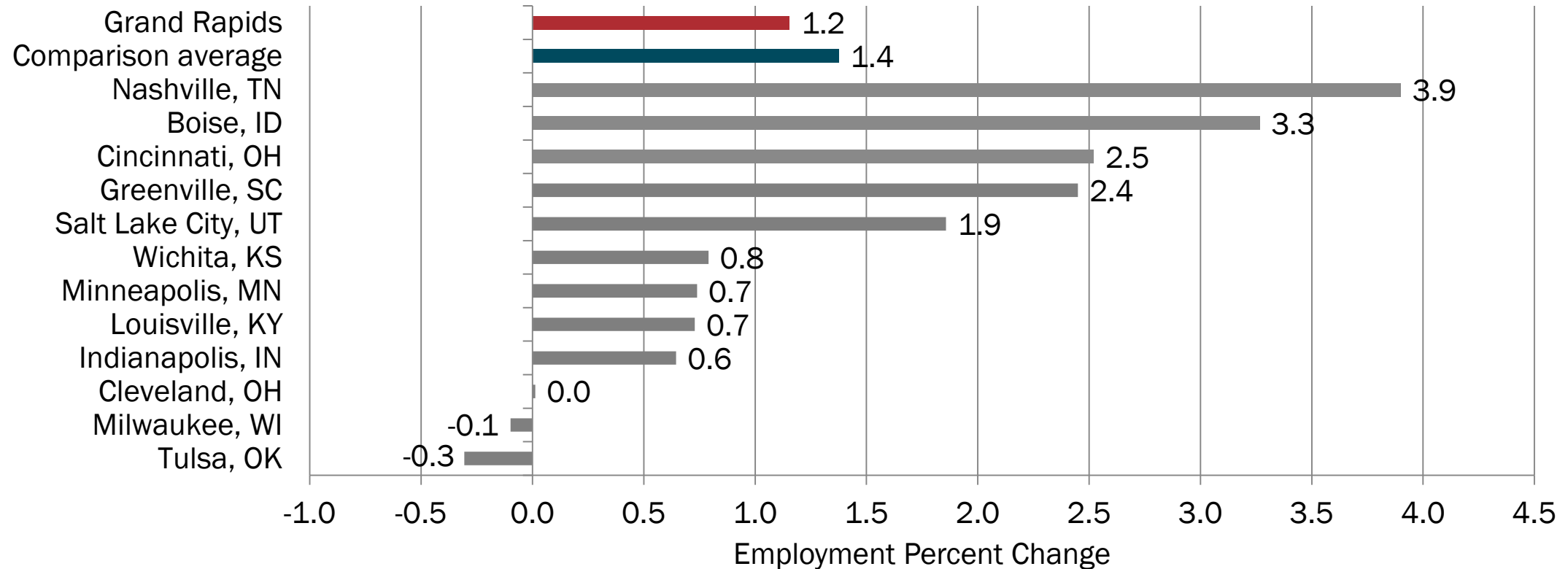
- Boise, ID
- Cincinnati, OH-KY-IN
- Cleveland-Elyria, OH
- Greenville-Anderson-Mauldin, SC Metro Area
- Indianapolis-Carmel-Anderson, IN Metro Area
- Louisville/Jefferson County, KY-IN Metro Area
- Milwaukee-Waukesha-West Allis, WI Metro Area
- Minneapolis-St. Paul-Bloomington, MN-WI Metro Area
- Nashville-Davidson-Murfreesboro-Franklin, TN Metro Area
- Salt Lake City, UT
- Tulsa, OK
- Wichita, KS

# The Grand Rapids MSA posted one of the lower unemployment rates of the group



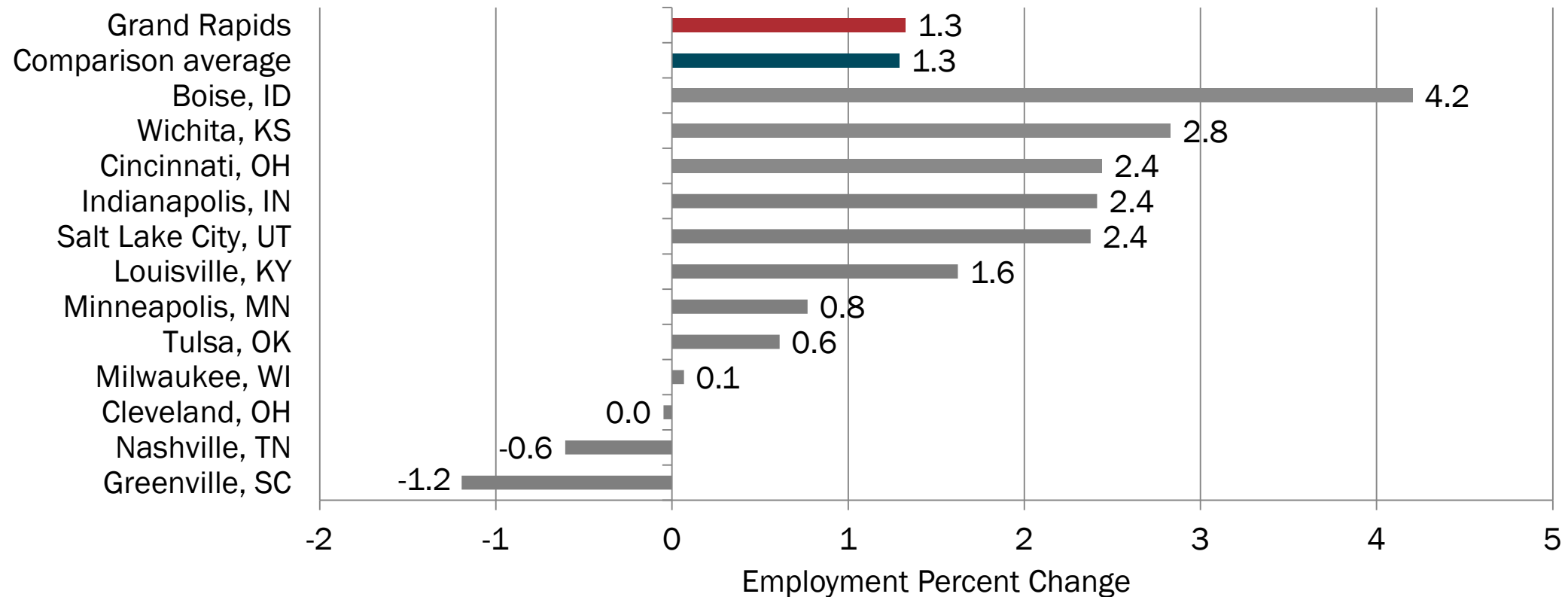
# Grand Rapids ranked in the middle in employment growth

Total Employment Change Jan-Oct 2018 to Jan-Oct 2019



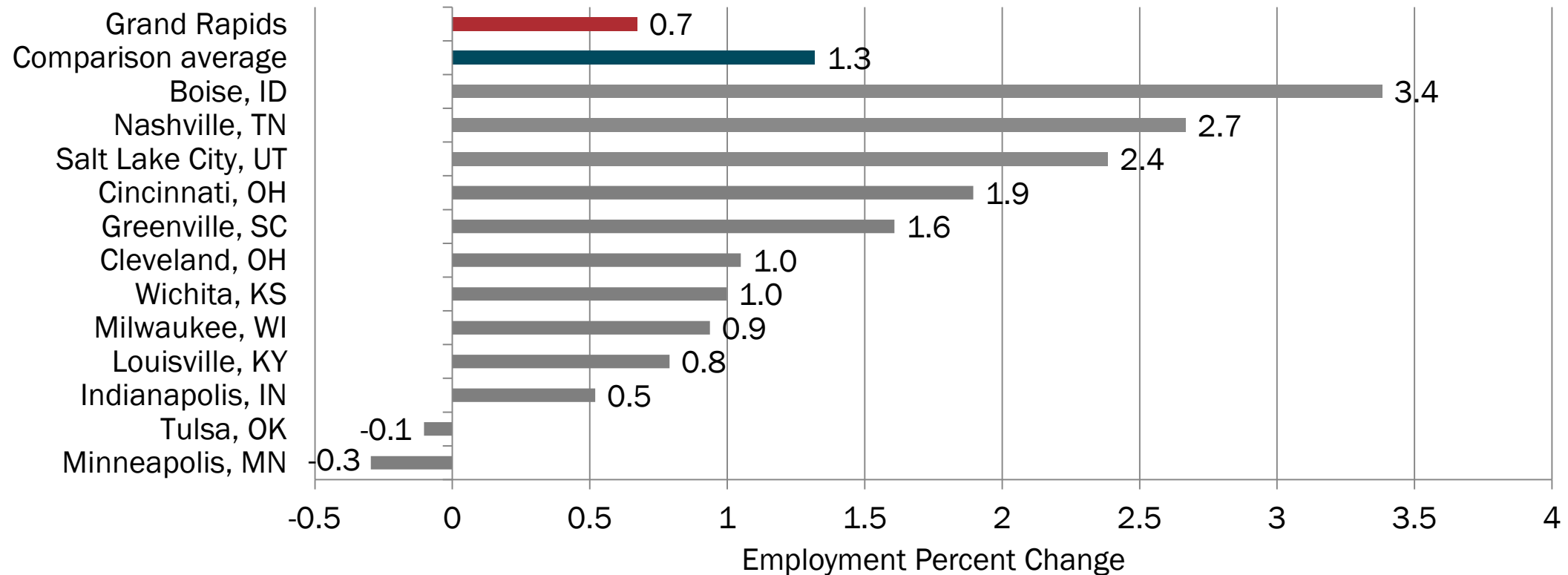
# Manufacturing employment change at the comparison group average

## Manufacturing Employment Change Jan-Oct 2018 to Jan-Oct 2019



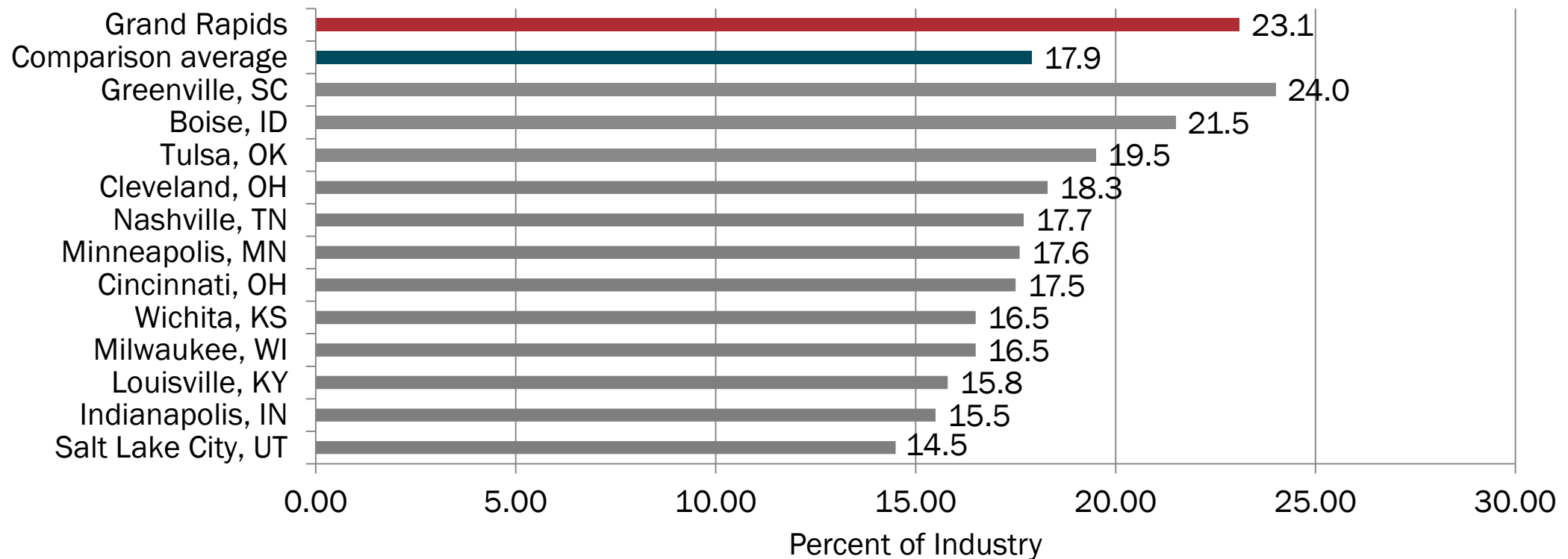
# Services grew slower than the average of the comparison group

Services Employment Change Jan-Oct 2018 to Jan-Oct 2019



# The indicator for entrepreneurship shows the area at the top of the comparison group

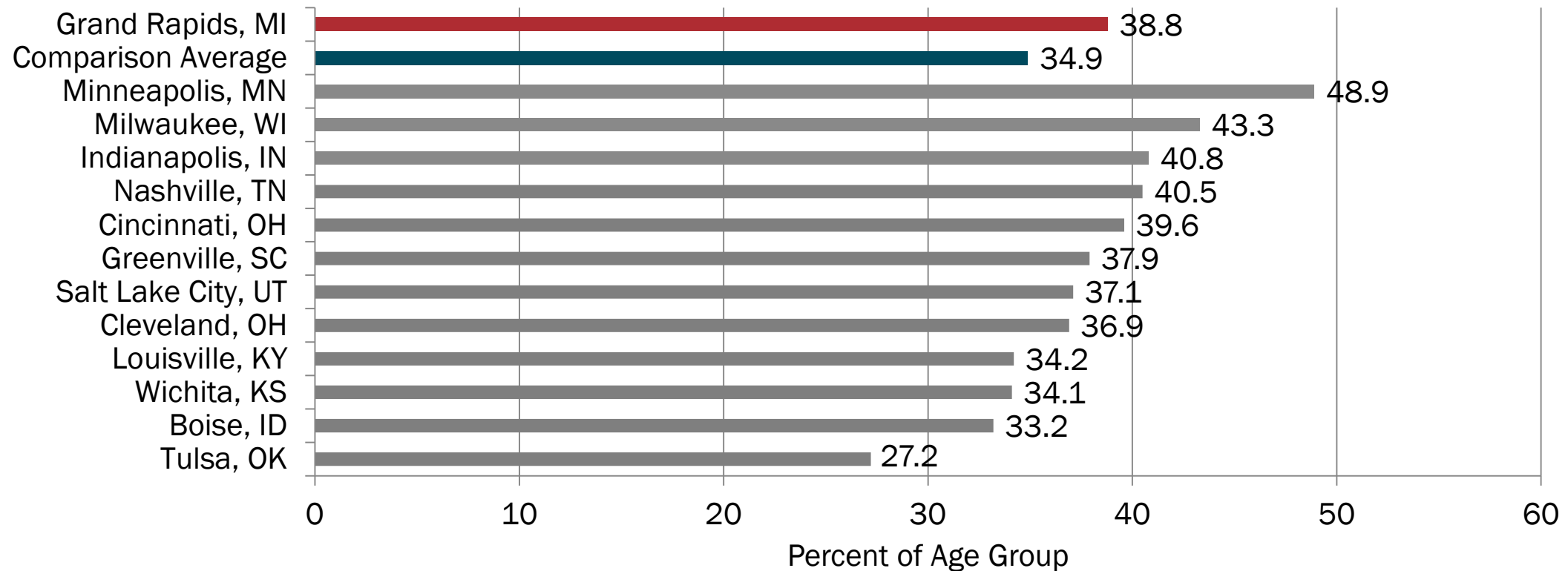
## Percent Self-Employed in Professional, Scientific, and Technical Services





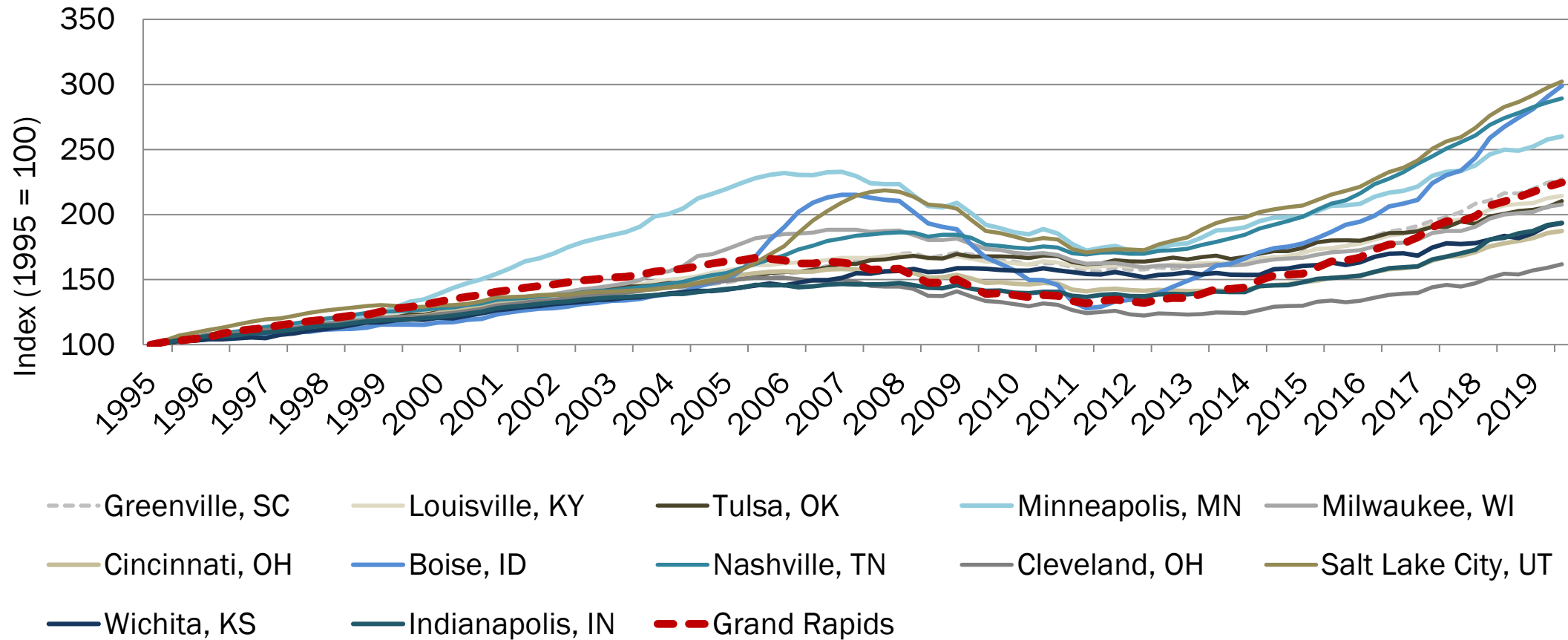
# The area ranks in the middle for college-educated emerging workers within the comparison group

## Bachelor's Degree or Higher, Age 25-34



# Housing prices are rising at the rate near the average for the group

Housing Price Index (1995=100)

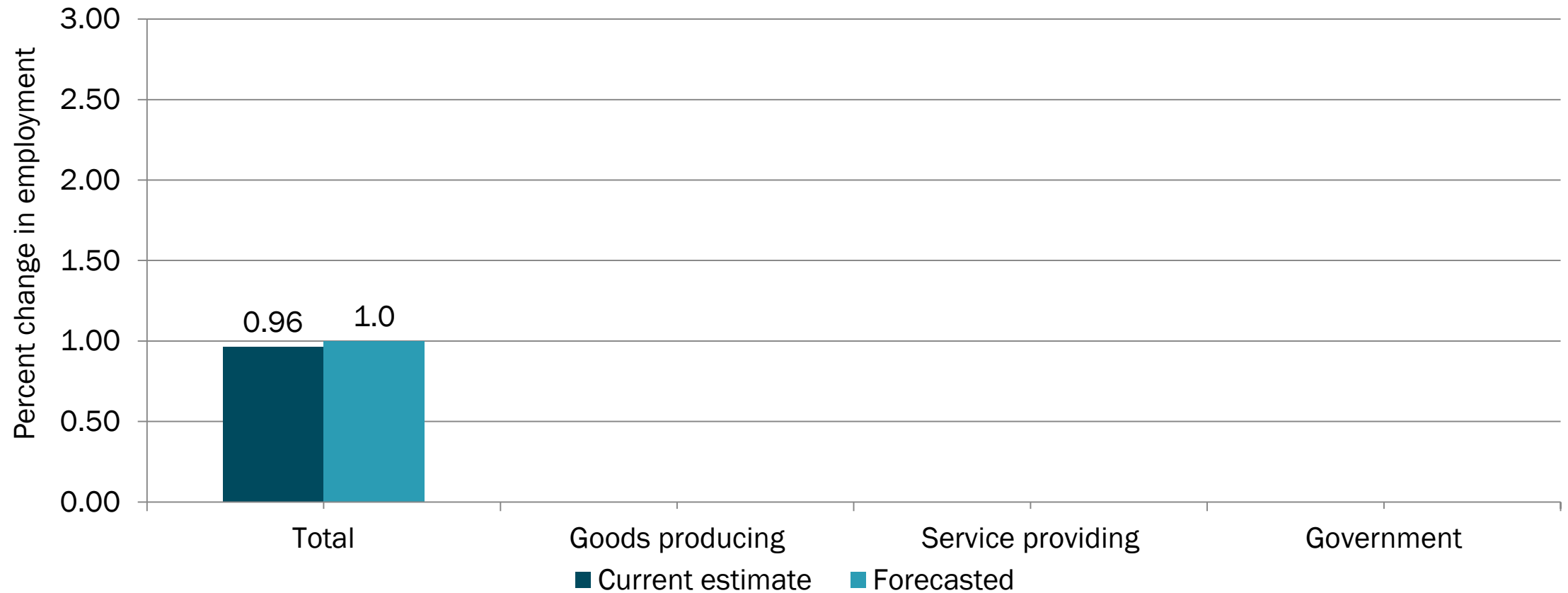




**How did we do last year?**

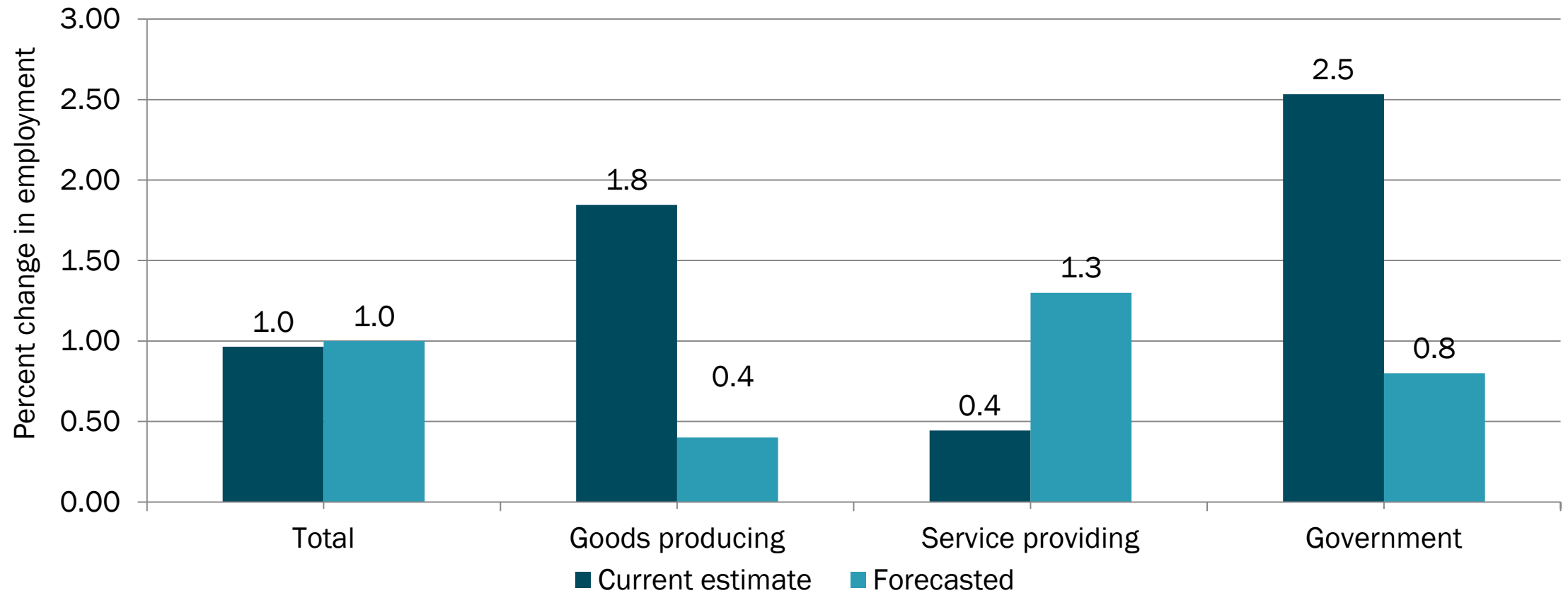
# Review of last year's forecast

## Annual Percent Change in Employment



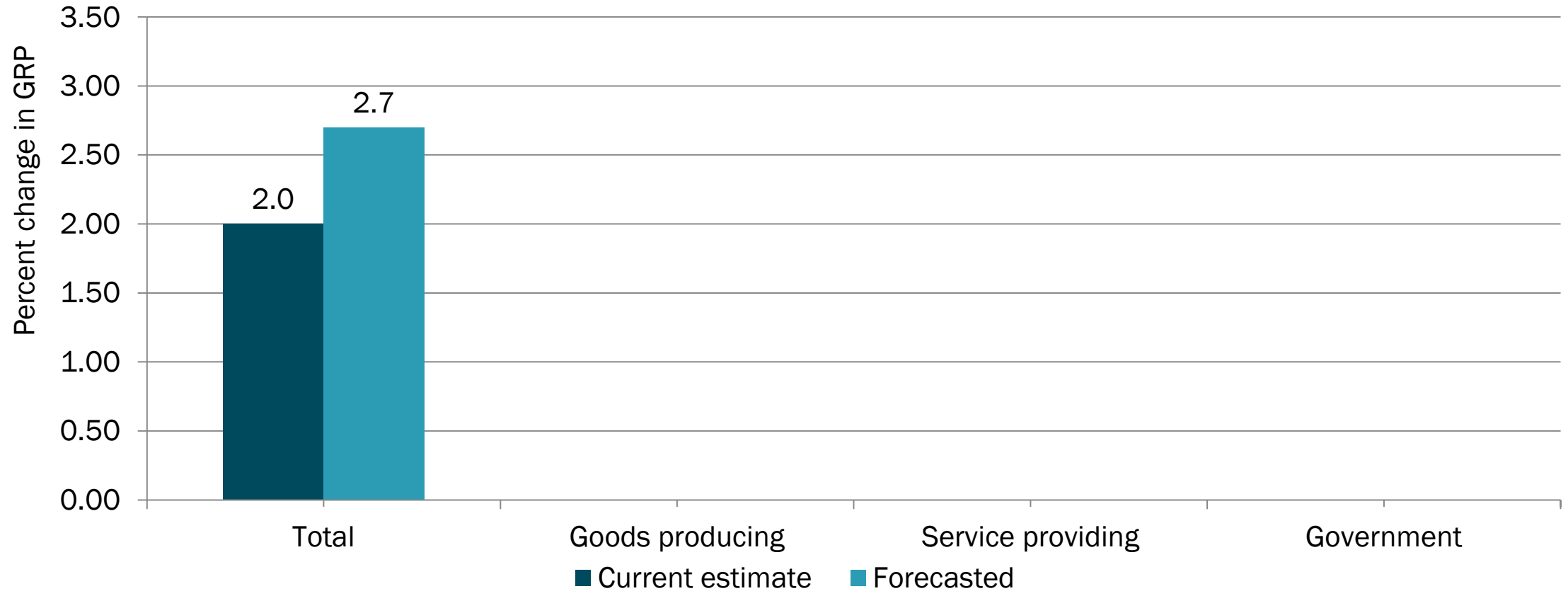
# Review of last year's forecast

## Annual Percent Change in Employment



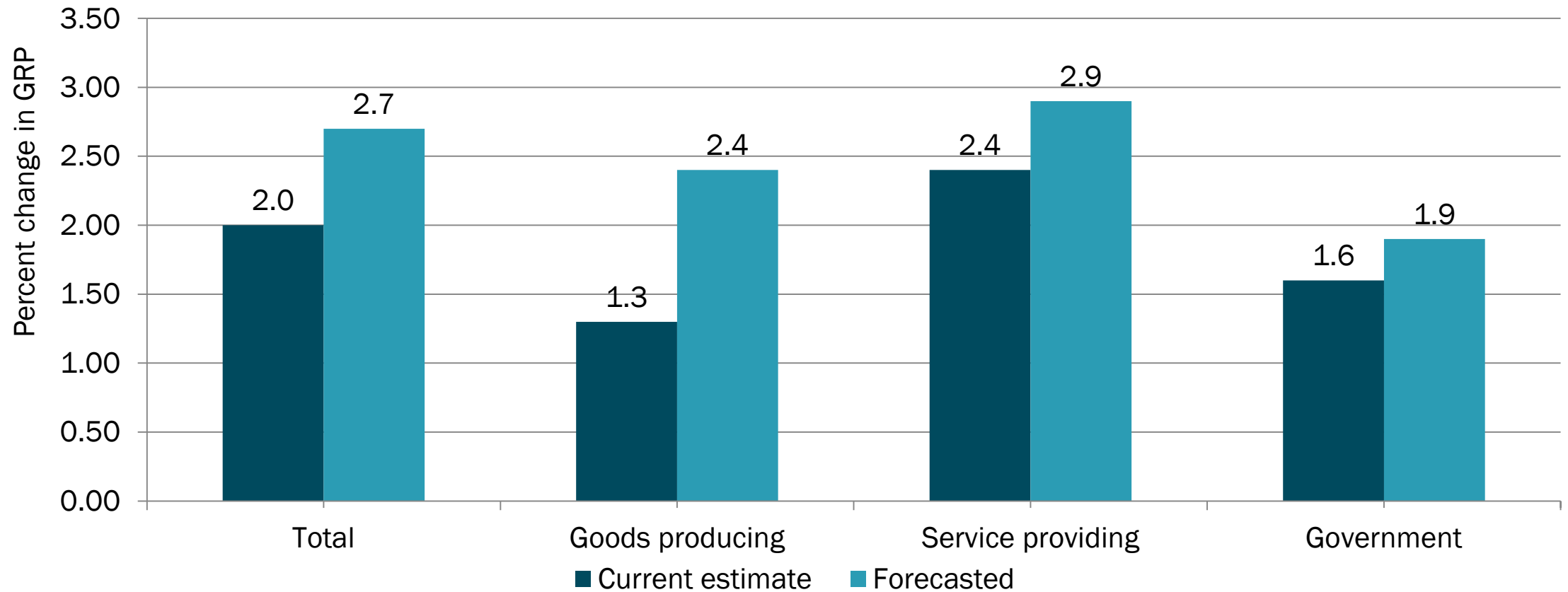
# Review of last year's forecast

## Annual Percent Change in GRP



# Review of last year's forecast

## Annual Percent Change in GRP



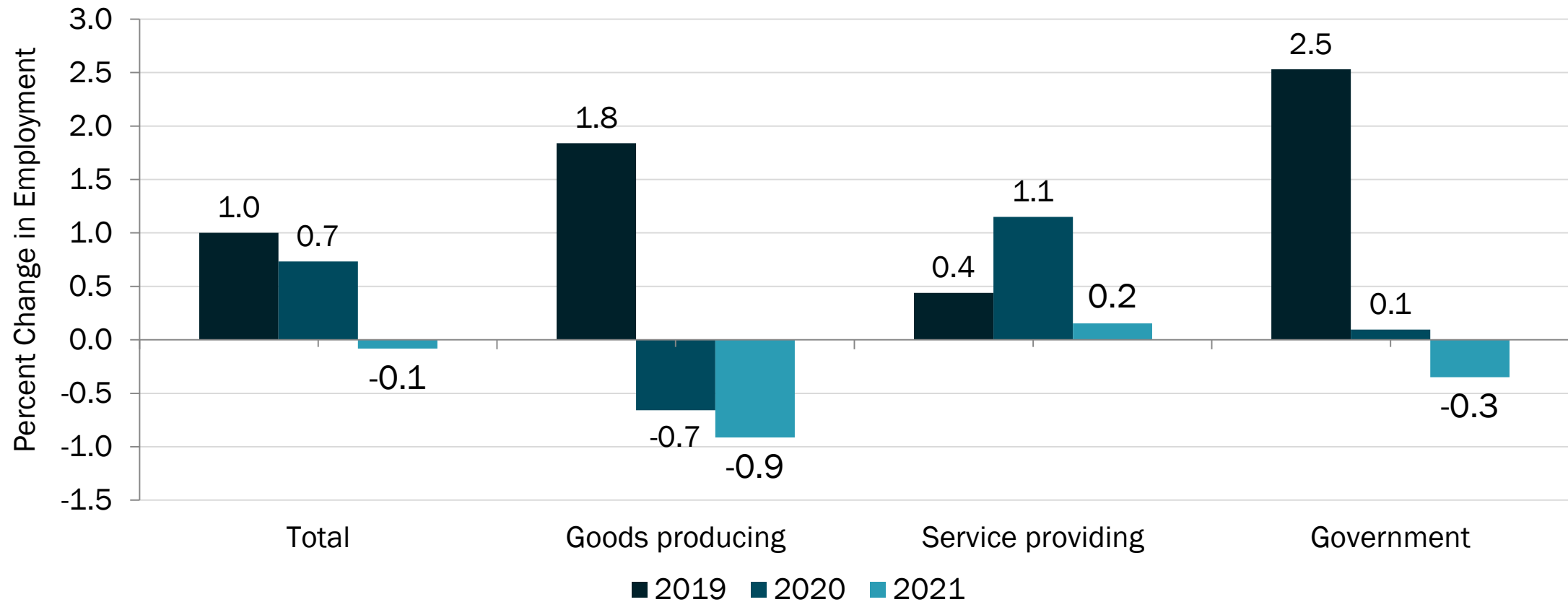


# Our View of 2020 & 2021



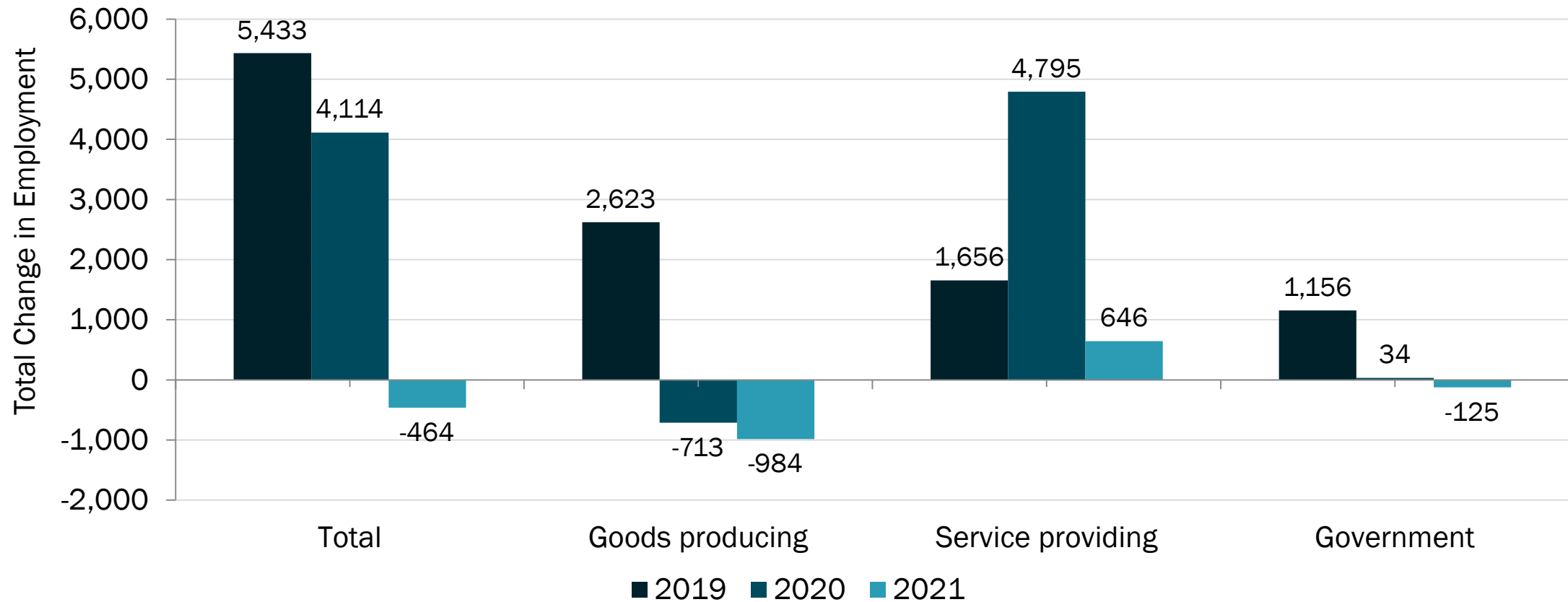
# REMI Grand Rapids MSA 2019–2020 employment forecast

## Annual Percent Change in Employment

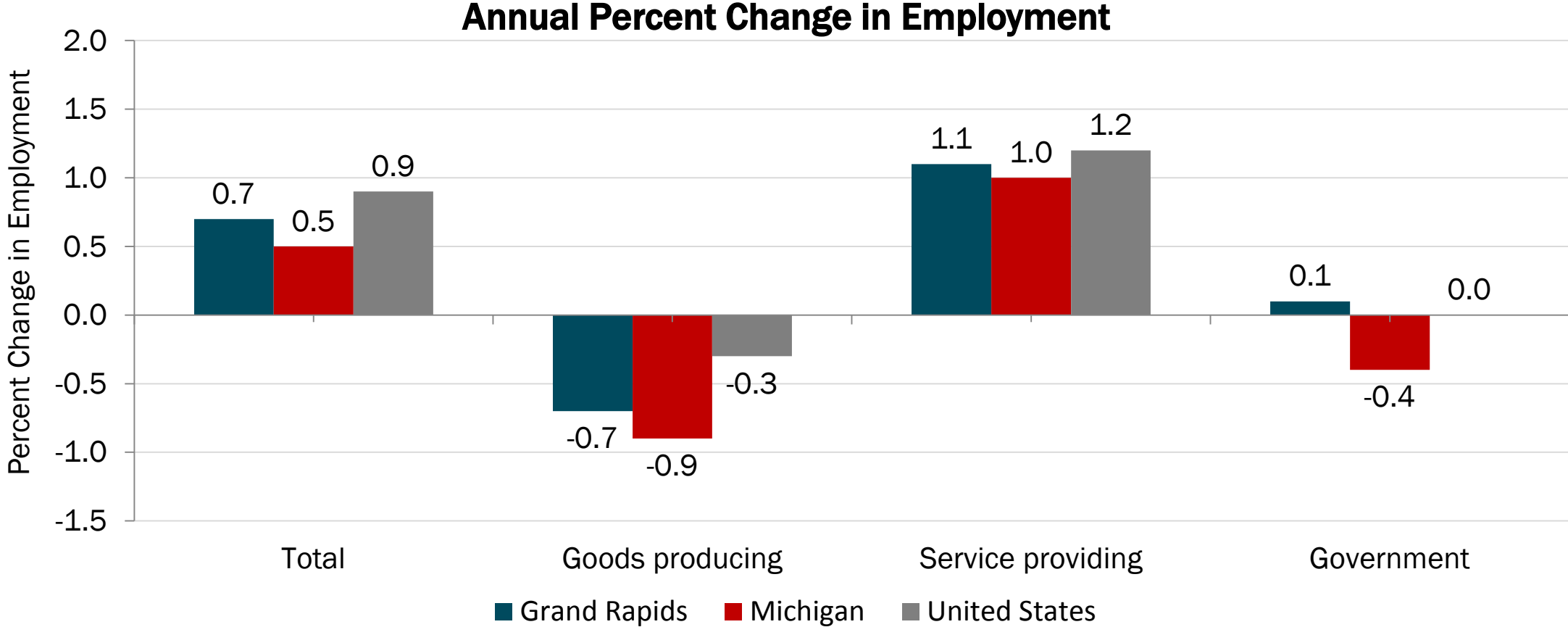


# REMI Grand Rapids MSA 2019–2020 employment forecast

## Total Change in Employment

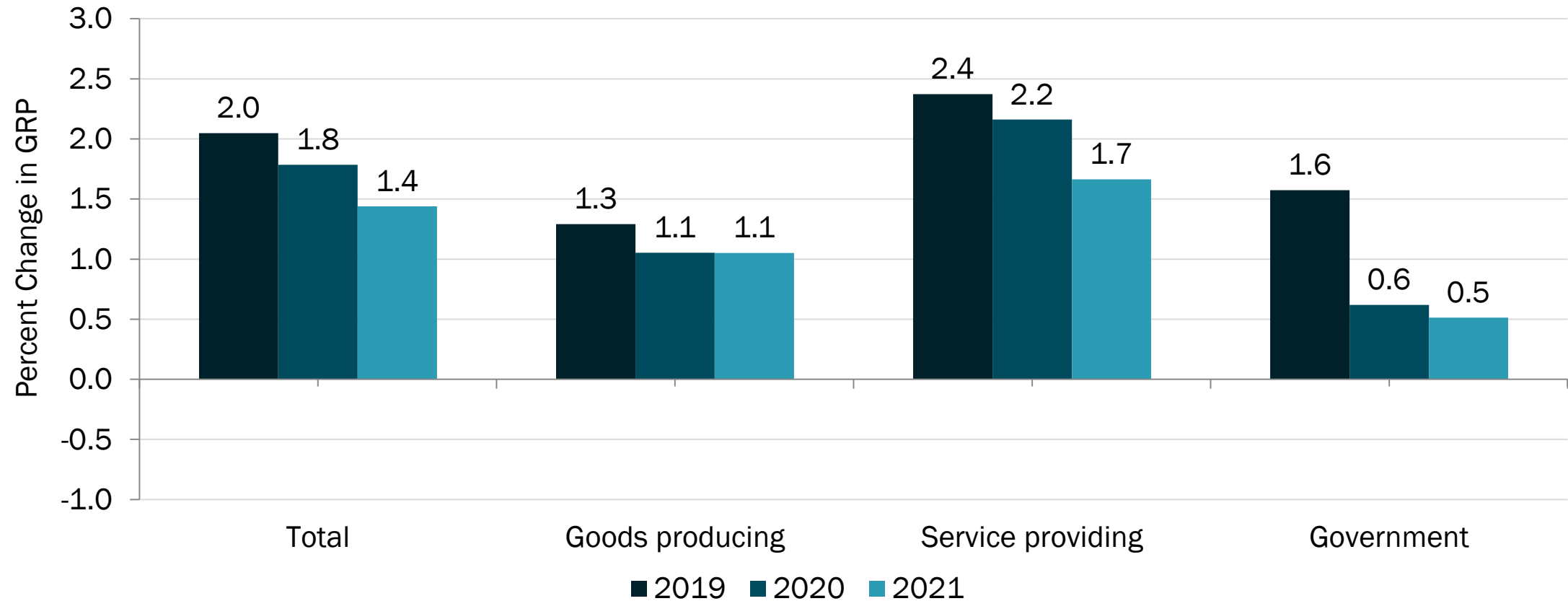


# Grand Rapids MSA, state, & national 2020 employment forecast

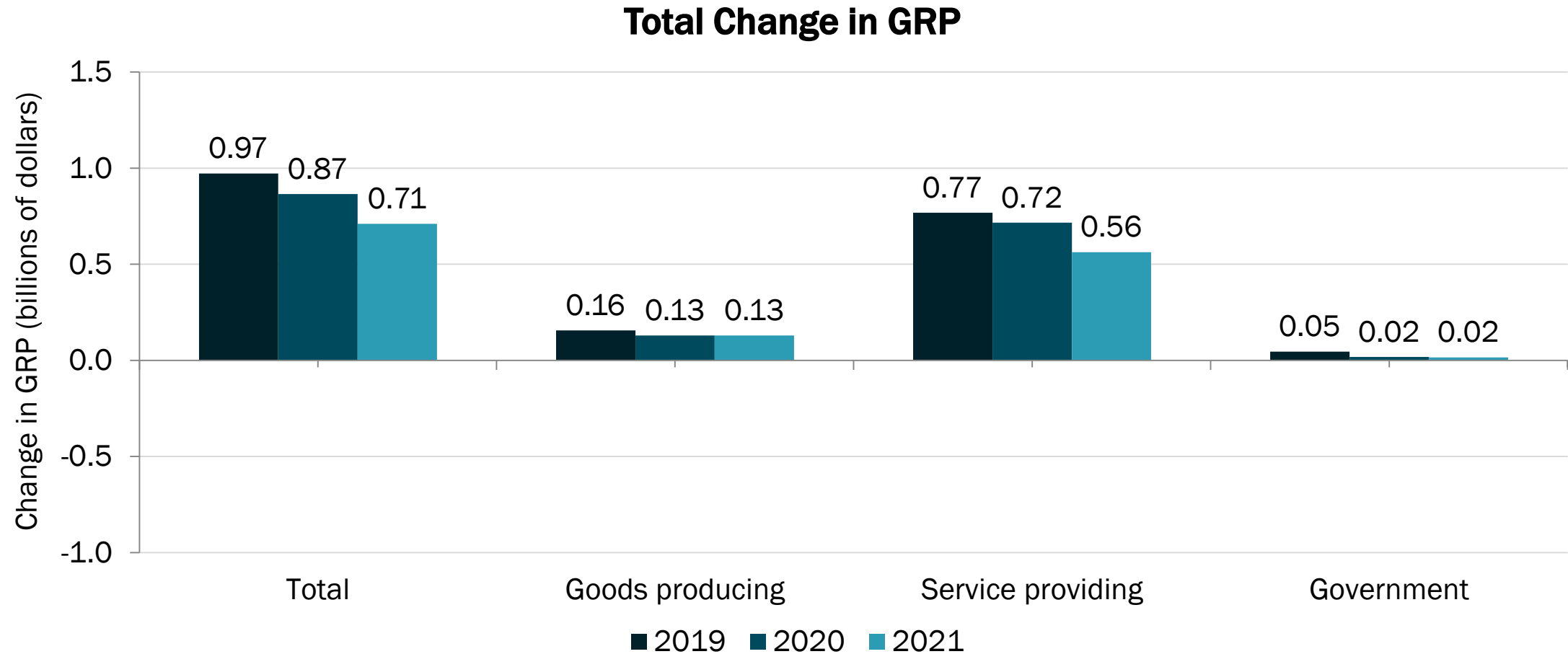


# REMI Grand Rapids MSA 2019–2020 GRP forecast

## Annual Percent Change in GRP

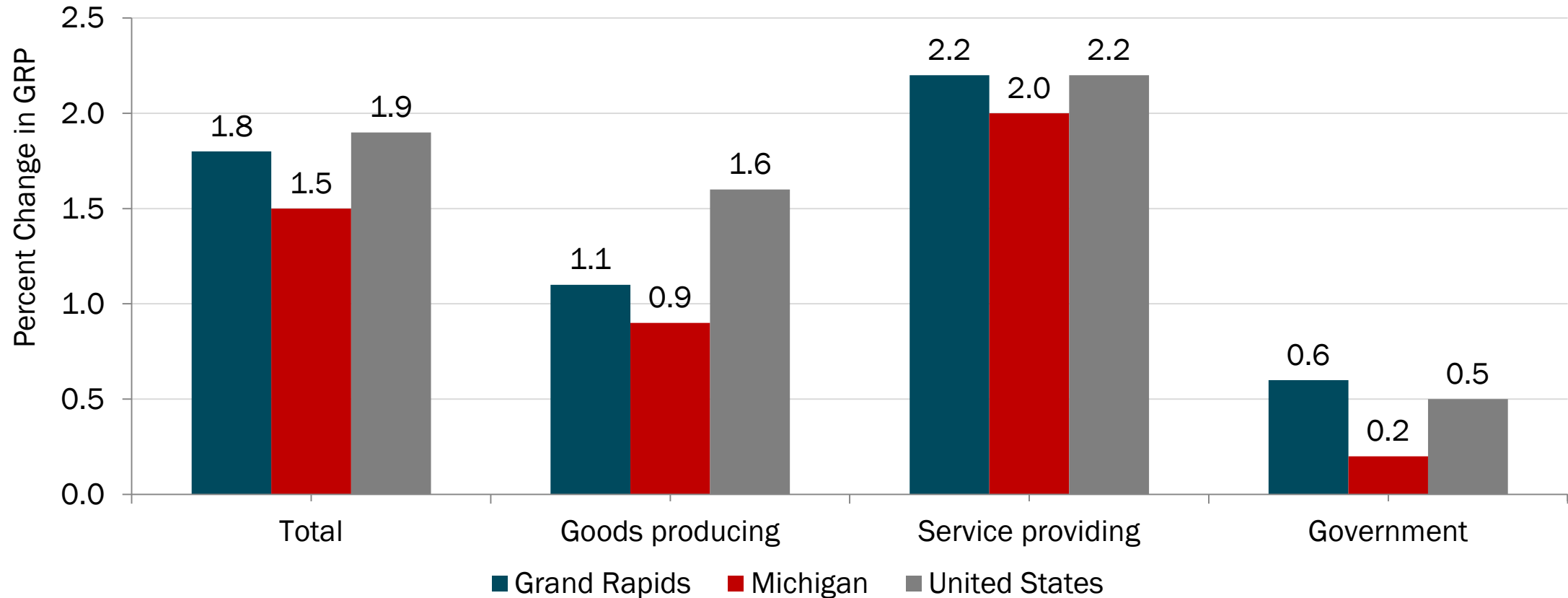


# REMI Grand Rapids MSA 2019–2020 GRP forecast



# Grand Rapids MSA, state, & national 2020 GRP forecast

## Annual Percent Change in GRP



# Questions?

- Jim Robey, PhD
  - Email: [jrobey@upjohn.org](mailto:jrobey@upjohn.org)
  - Phone: 269-343-5541
- Contributors
  - Kathleen Bolter, PhD, Regional Research Analyst
  - Gerrit Anderson, Mapping and Data Visualization Specialist
  - Emily Boyle, Project Coordinator / Copy Editor
  - Zachary Ray, Regional Intern