

2020 Economic Outlook

A Presentation to the
MICHIGAN COMMUNITY COLLEGE BUSINESS
OFFICERS ASSOCIATION

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

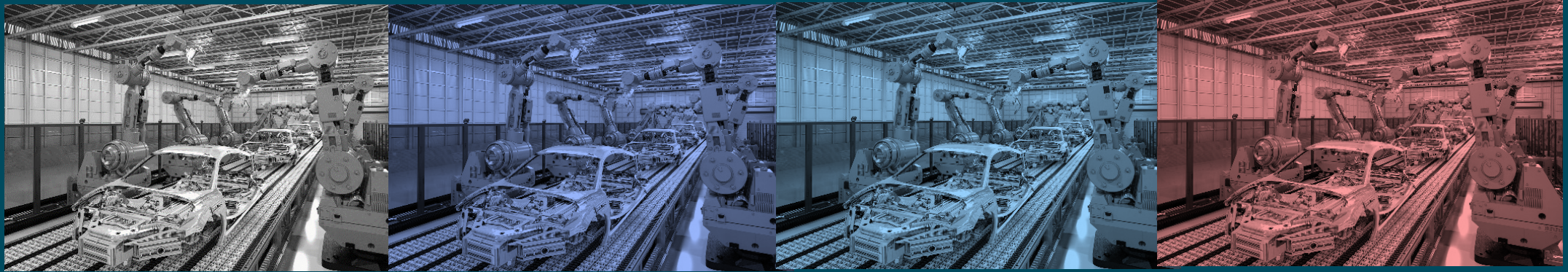
March 5, 2020

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.

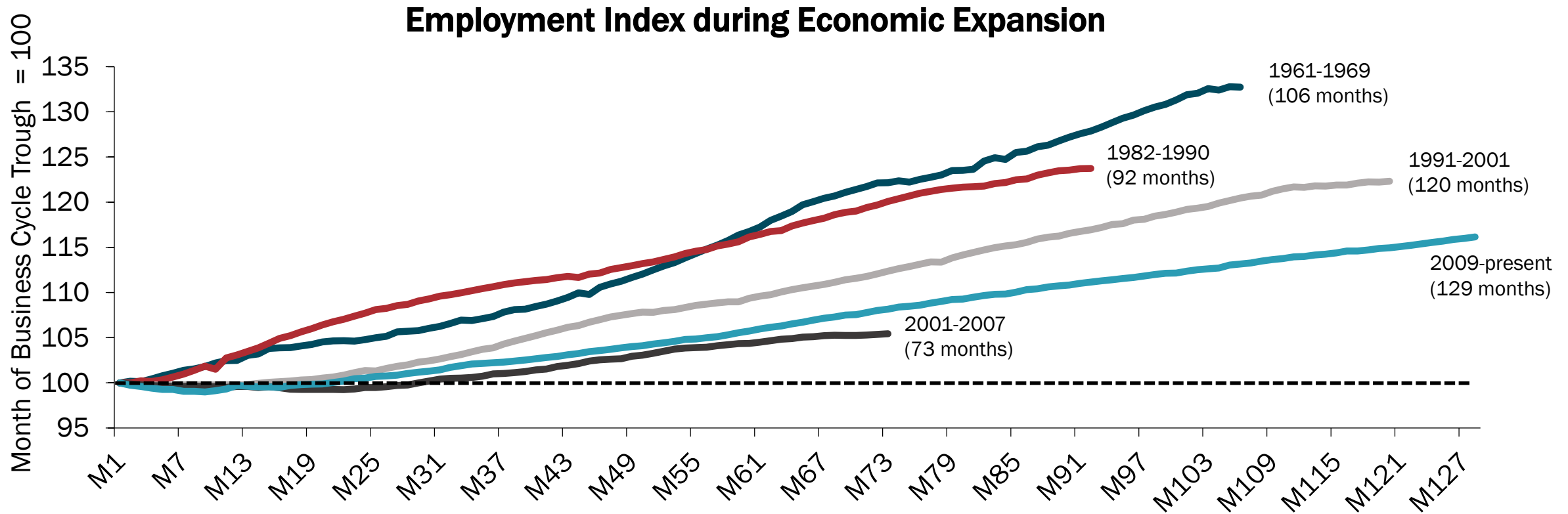
MISSION:

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.



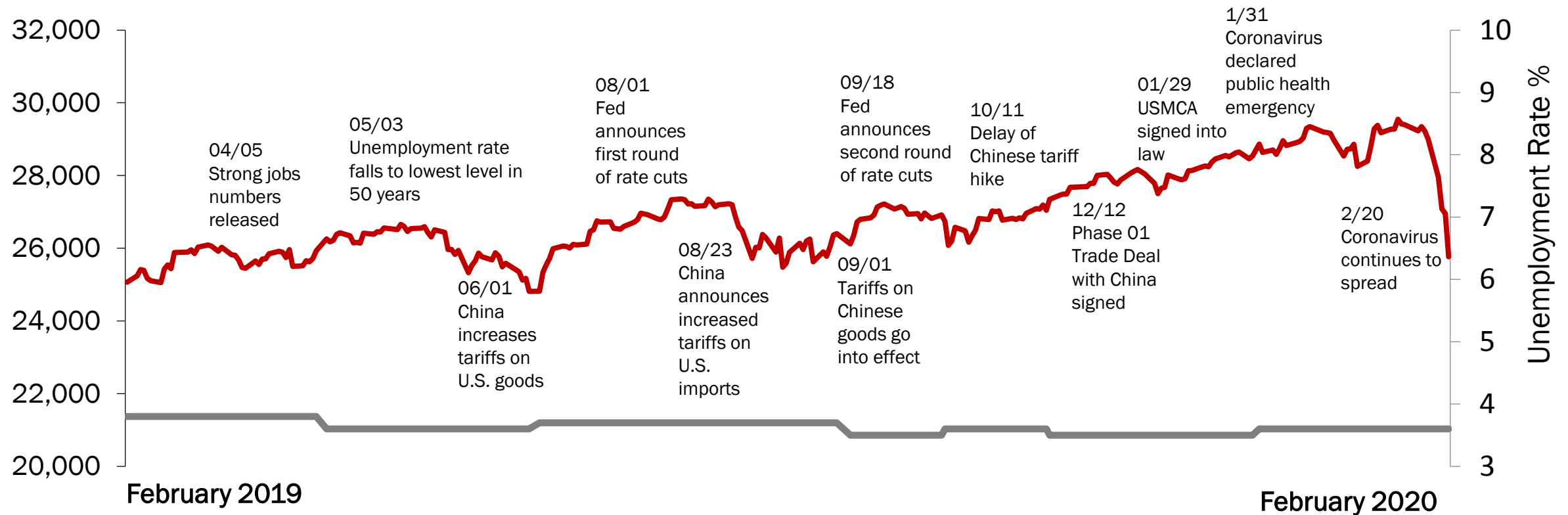
National Economy

We are currently in the longest expansion since WWII



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

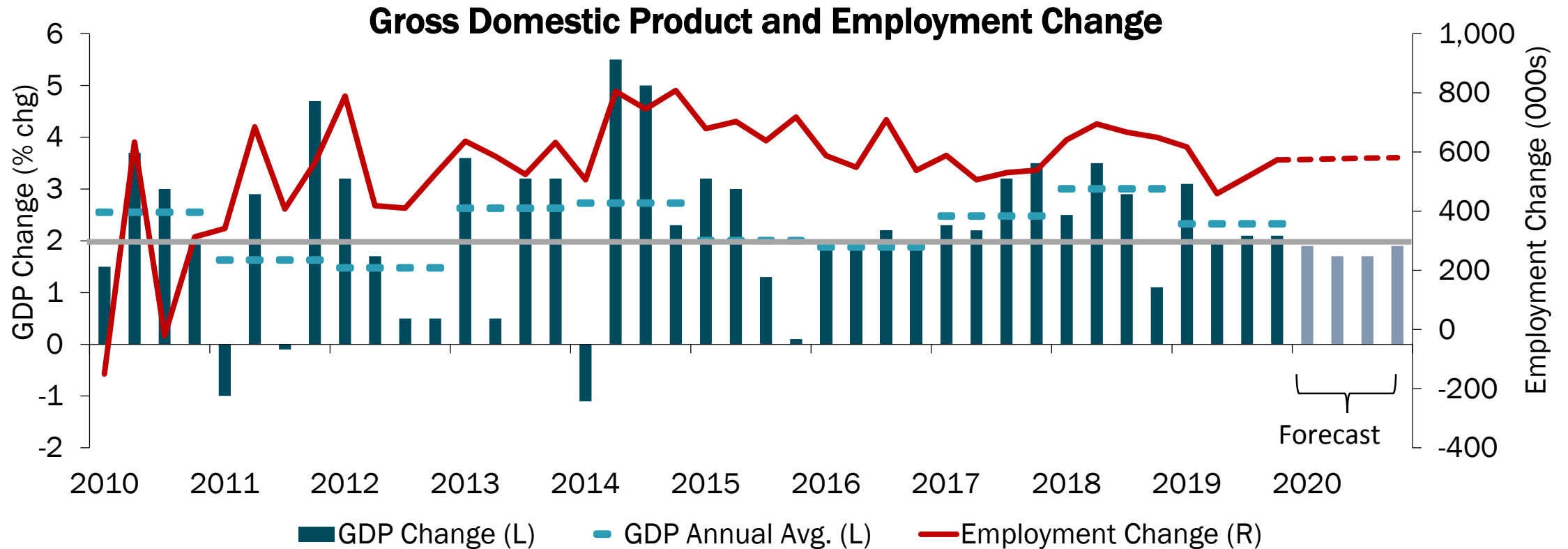
Dow Jones Industrial Average



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

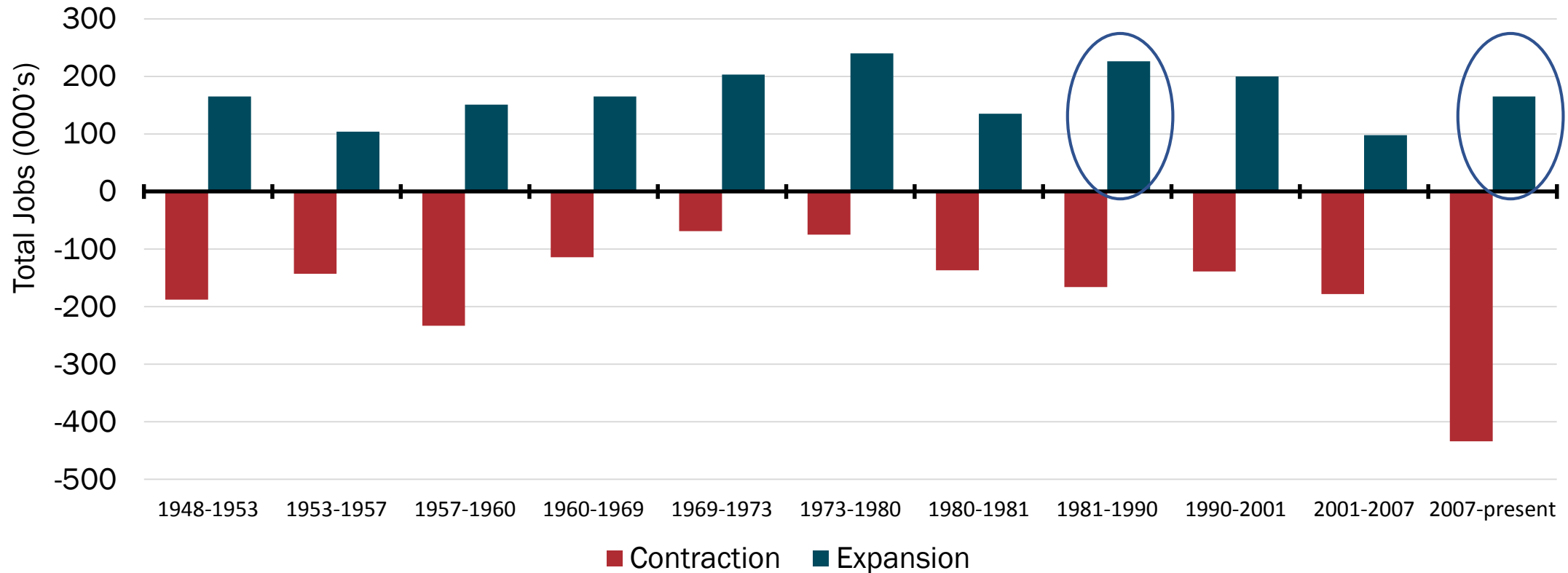
| Length of: | 1945-1948 | 1949-1953 | 1954-1957 | 1958-1960 | 1961-1969 | 1970-1973 | 1975-1980 | 1980-1981 | 1982-1990 | 1991-2001 | 2002-2007 | 2007-? |
|----------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|--------|
| 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 | 129 |
| Business Cycle | 45 | 56 | 49 | 32 | 116 | 47 | 92 | 18 | 108 | 128 | 81 | 142 |

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

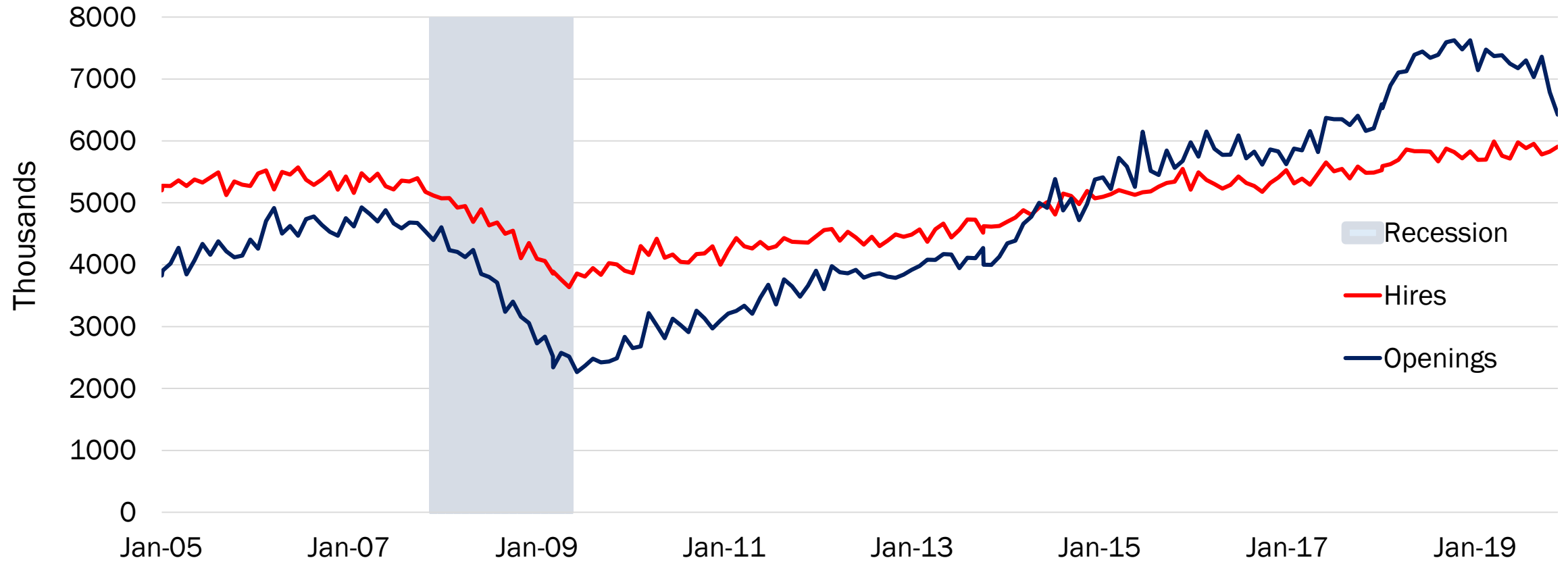


People ask why this recovery has been more anemic

Average Monthly Employment Change during Business Cycle



Job openings exceed hires

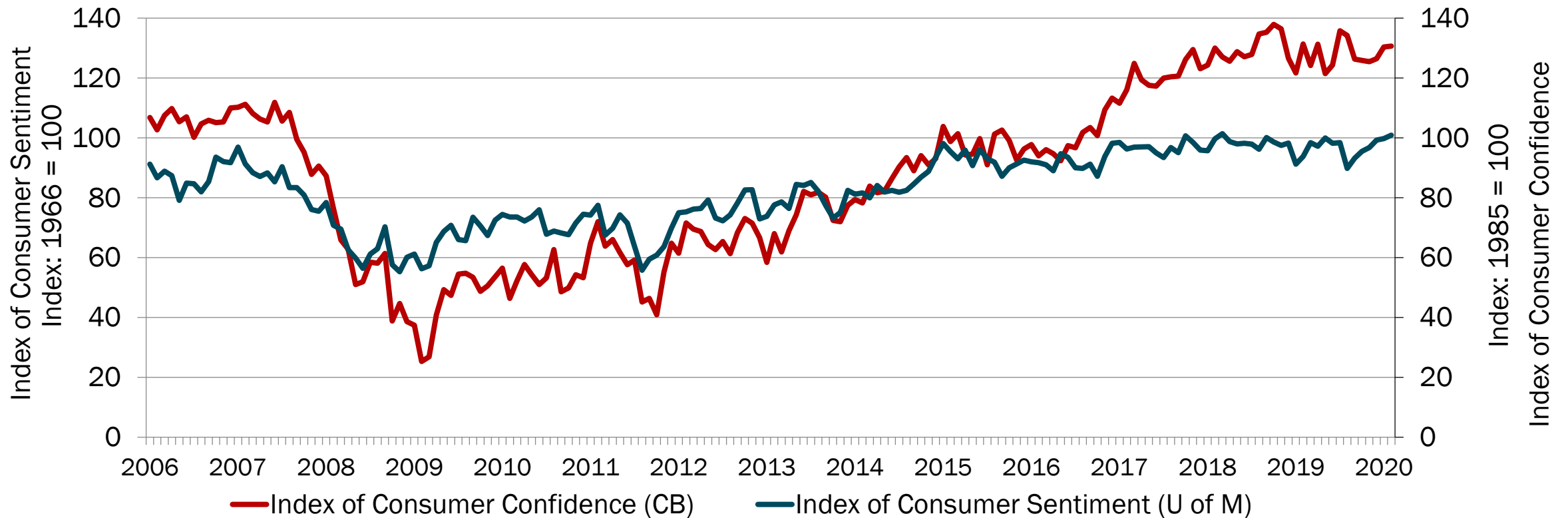


University of Michigan RSQE national forecast

| | 2019 | 2020 (Forecast) | 2021 (Forecast) |
|-----------------------------------|------|--------------------|--------------------|
| GDP | 2.3% | 2.1% | 1.9% |
| Employment | 1.3% | 1.5% | 1.2% |
| Light Vehicle Sales (Millions) | 16.9 | 16.8 | 16.6 |
| Unemployment Rate | 3.7% | 3.4% | 3.3% |
| Housing Starts (Millions) | 1.30 | 1.34 | 1.35 |
| CPI/Inflation | 1.8% | 2.0% | 1.9% |

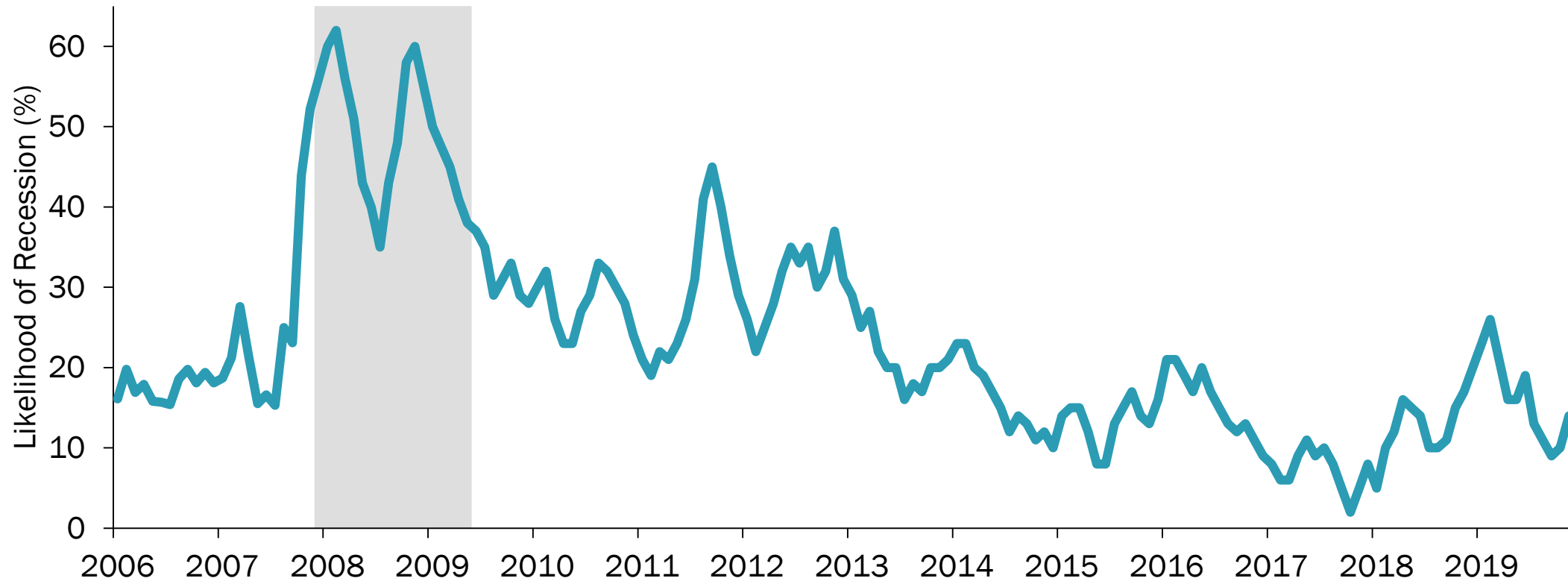
High and stable consumer confidence

Consumer Confidence

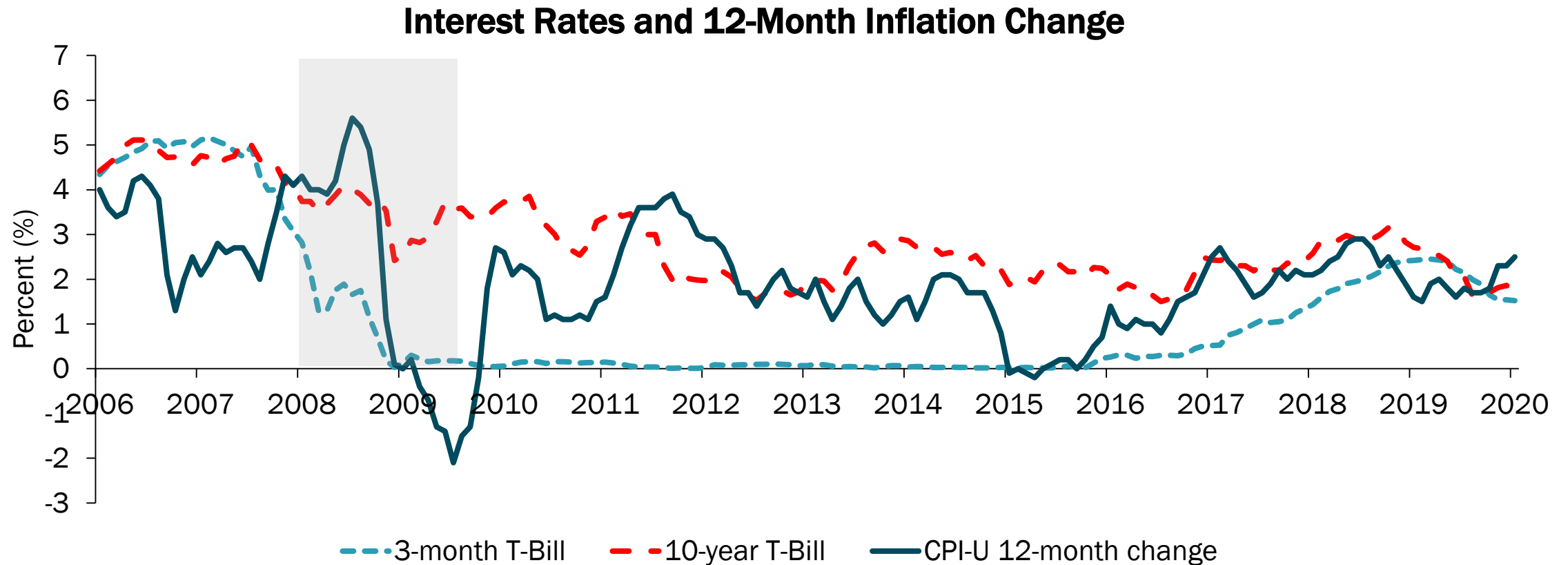


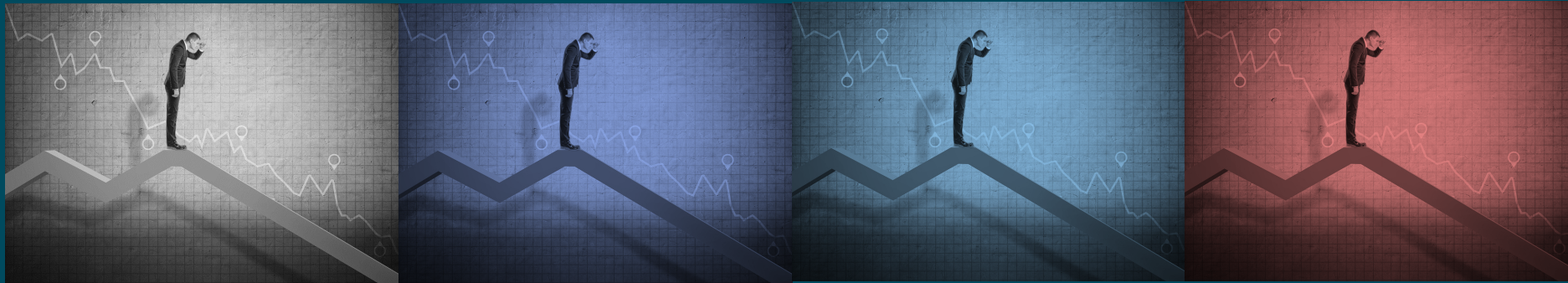
Moody's predictions of a recession are relatively low: 14% in December

Likelihood of Being in a Recession in the Next 6 Months



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?

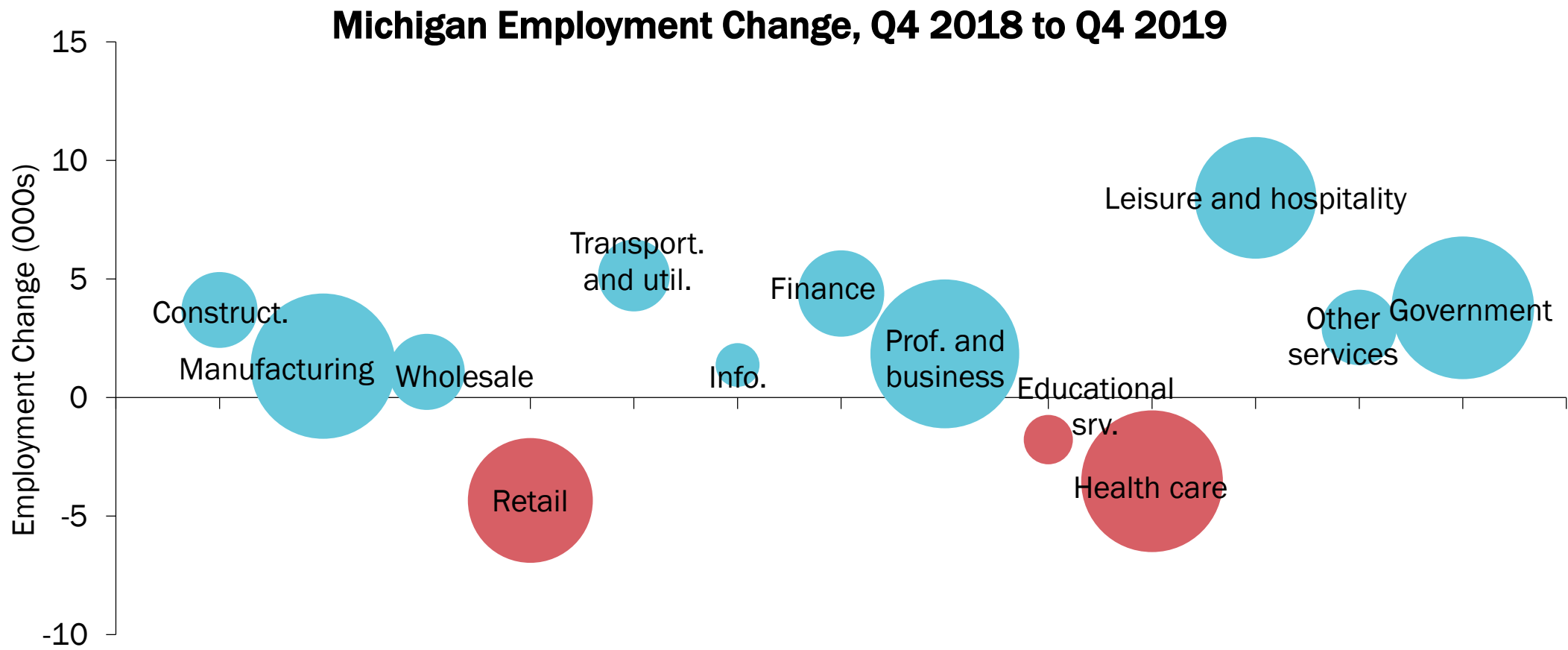
- Trade wars (tariffs and taxes are the same—a cost to consumers)
- Volatility of stock market
- Low interest rates
- Federal debt and deficits
- Tax cuts
- Politics
- Global pandemics

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



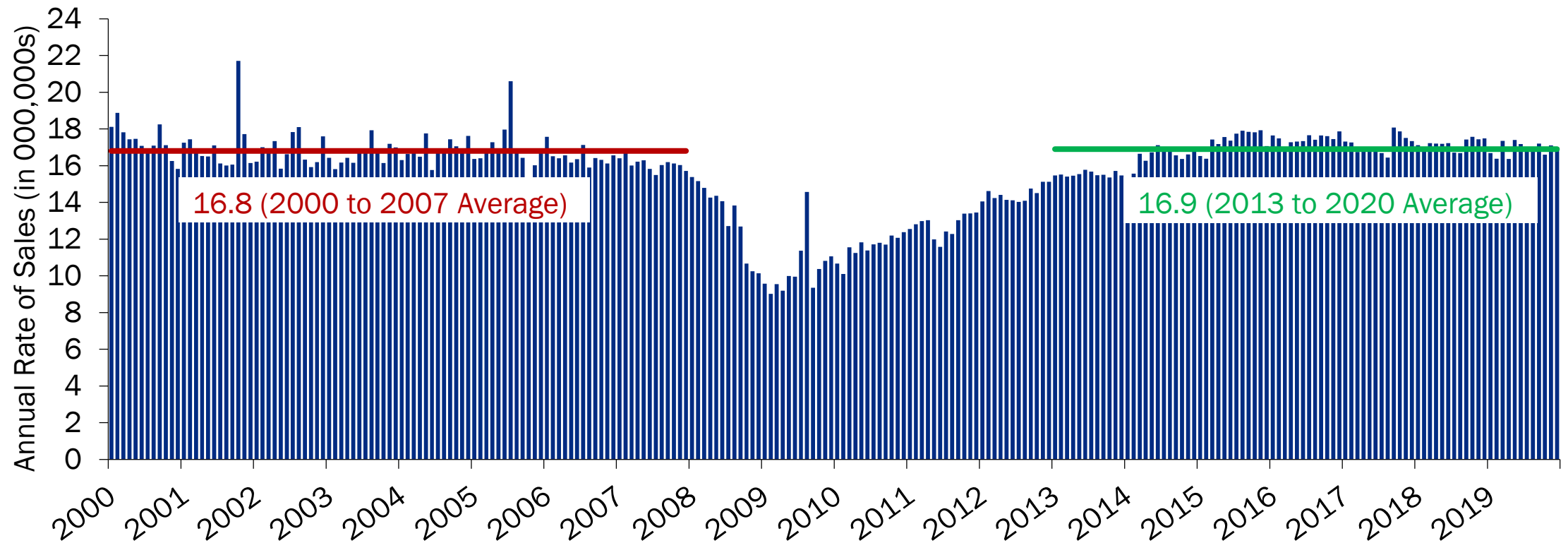
Michigan Outlook

Michigan has seen declines in some key sectors of the economy



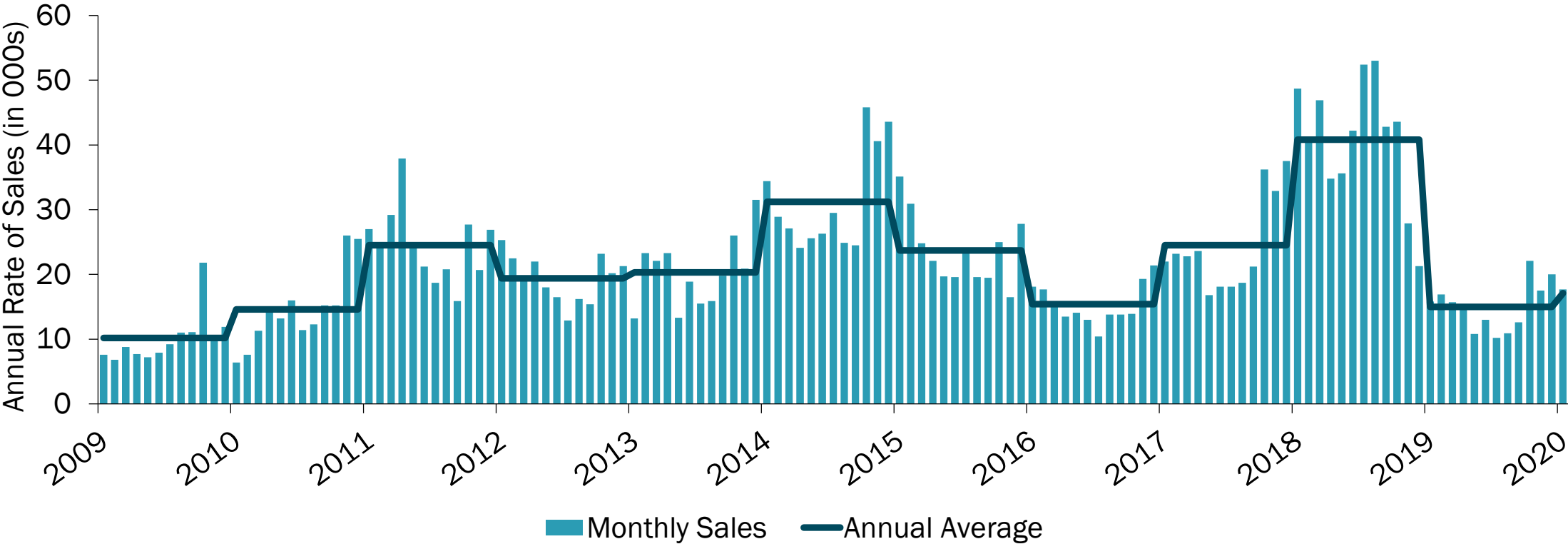
Light vehicle sales have been steady

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



Class 8 Truck orders declined significantly in 2019

Class 8 Truck Orders

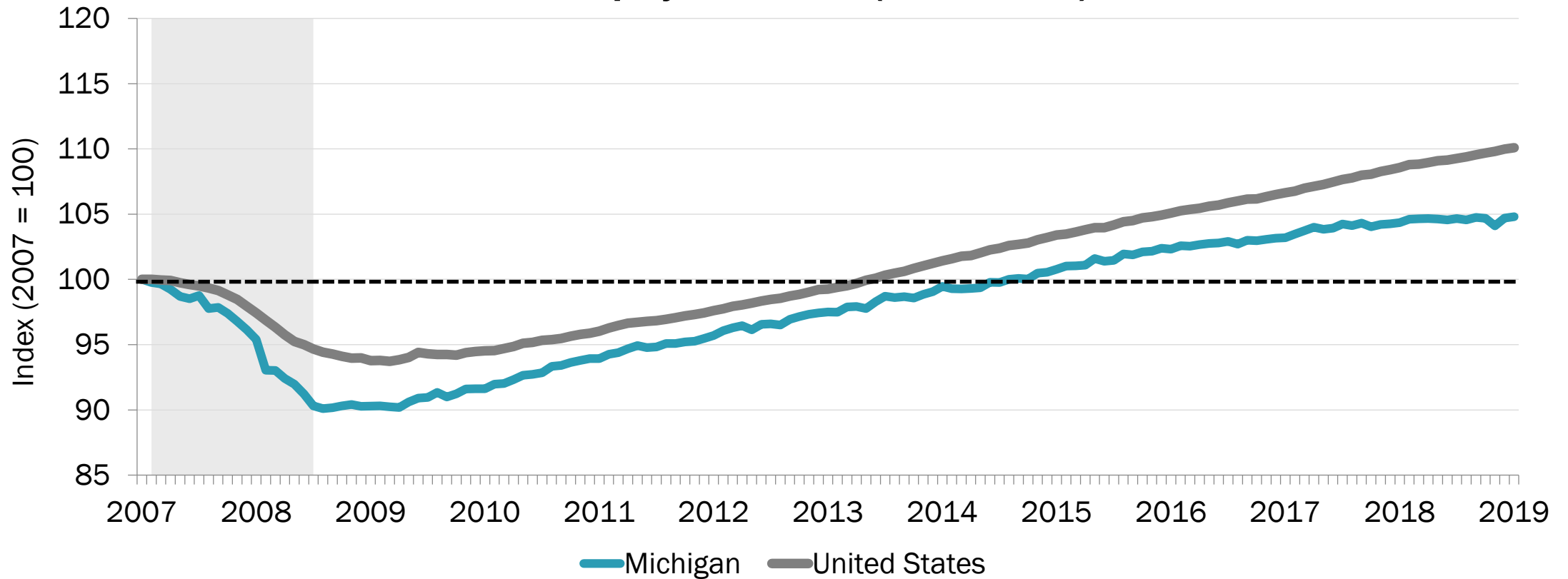


University of Michigan RSQE statewide forecast

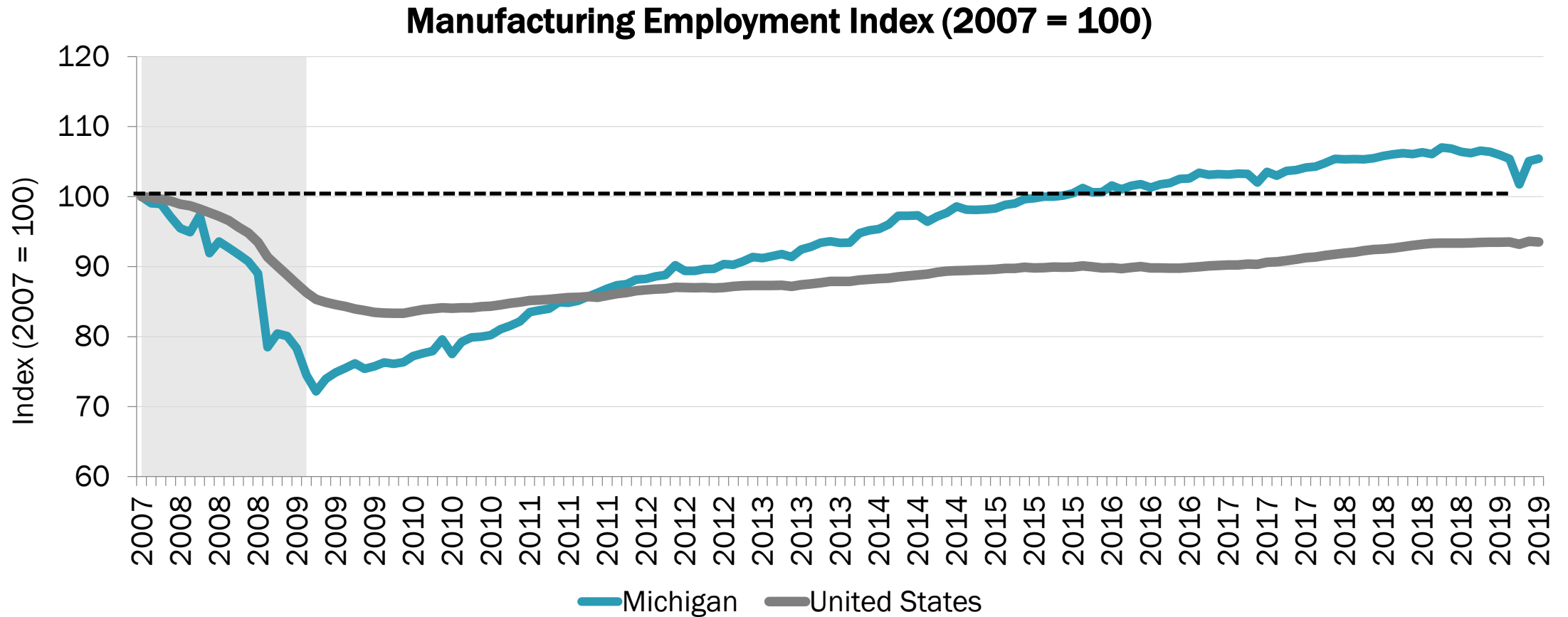
| | 2019 | 2020 (Forecast) | 2021 (Forecast) |
|---|--------------|--------------------|--------------------|
| Employment Change | 24,400 (.6%) | 30,700 (.7%) | 28,900 (.6%) |
| Manufacturing Employment Change (Workers) | 1,300 (.2%) | 3,300 (.5%) | 2,100 (.3%) |
| Unemployment Rate | 4.1% | 3.9% | 3.7% |
| Labor Force Participation Rate | 61.7% | 61.7% | 61.7% |

U.S. total employment growth continues to outpace Michigan

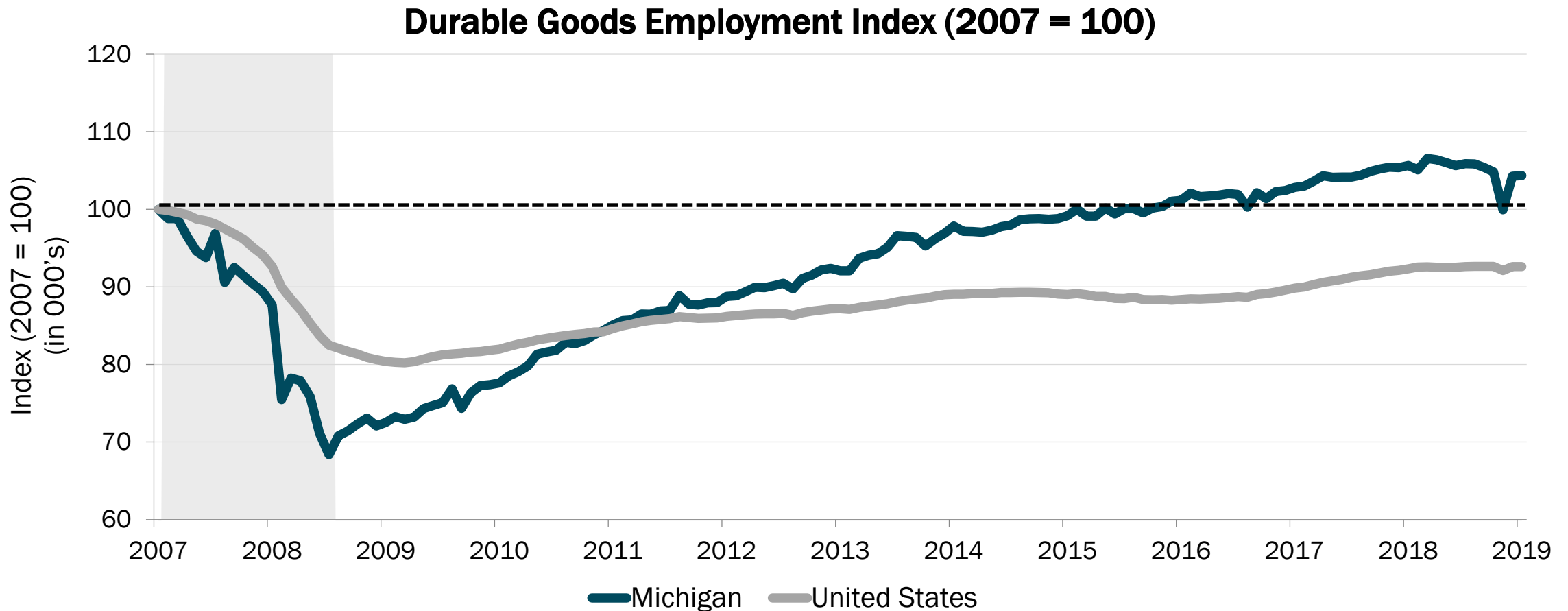
Nonfarm Employment Index (2007 = 100)



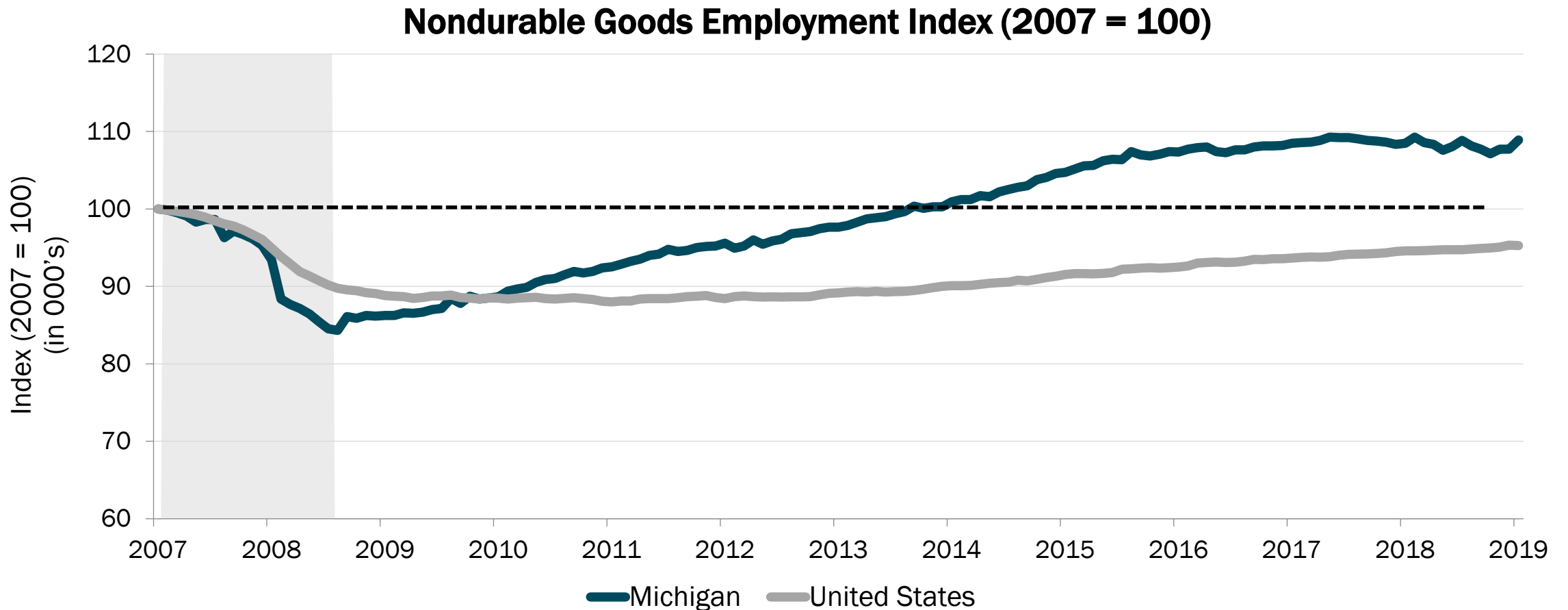
Michigan manufacturing employment outpaces the nation



The same holds true for durable goods manufacturing

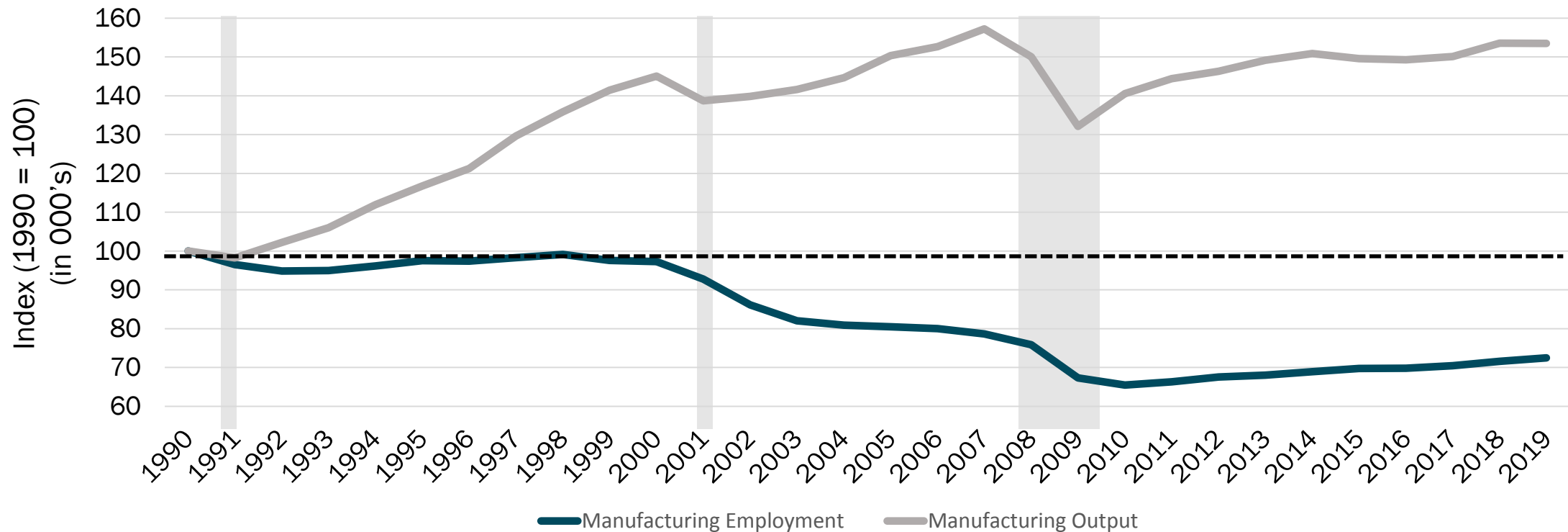


And for nondurable goods manufacturing



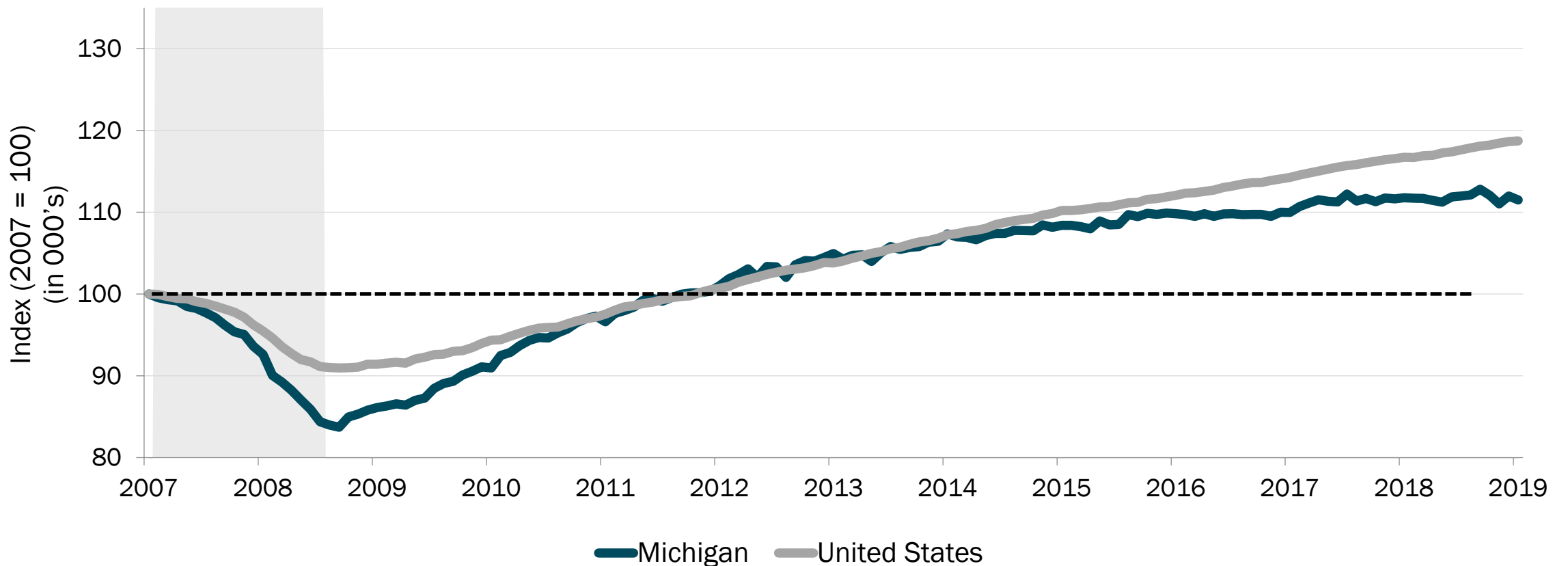
The long-term decline in manufacturing employment is not a sign of decline in manufacturing output

Manufacturing Output and Employment in the United States
(1990-2019)



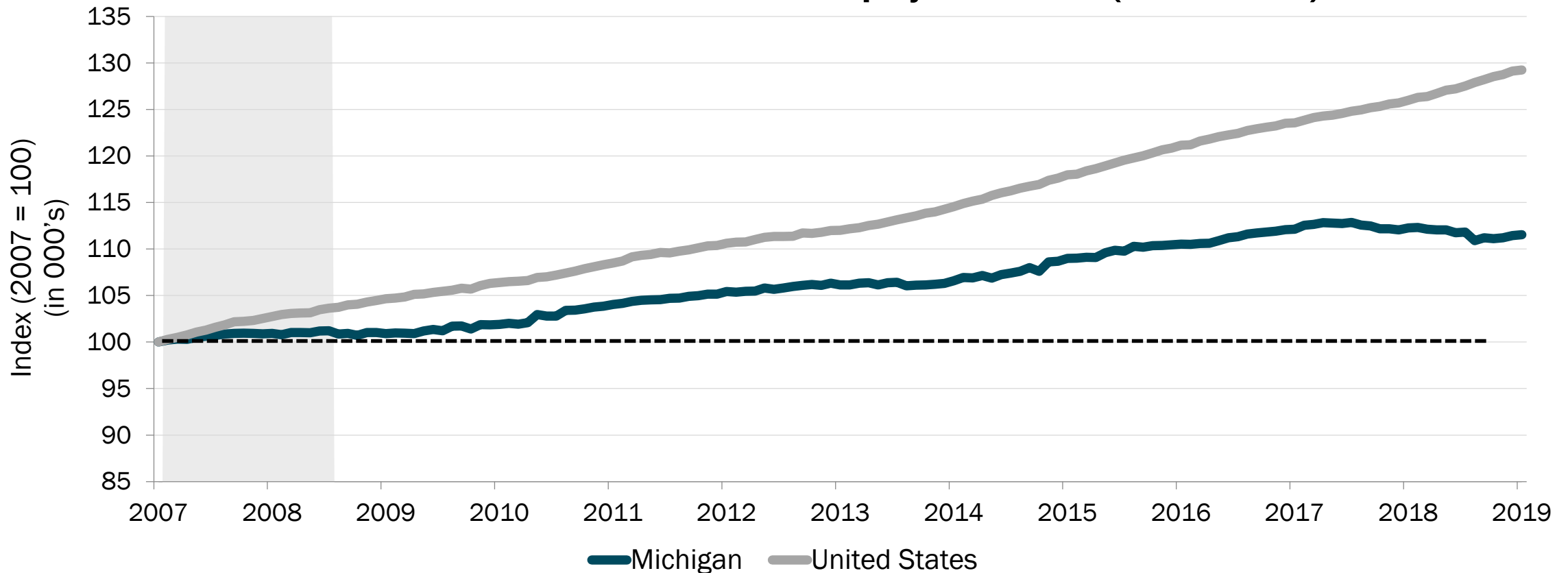
Professional and business services employment gains have been very strong

Professional and Business Services Employment Index (2007 = 100)



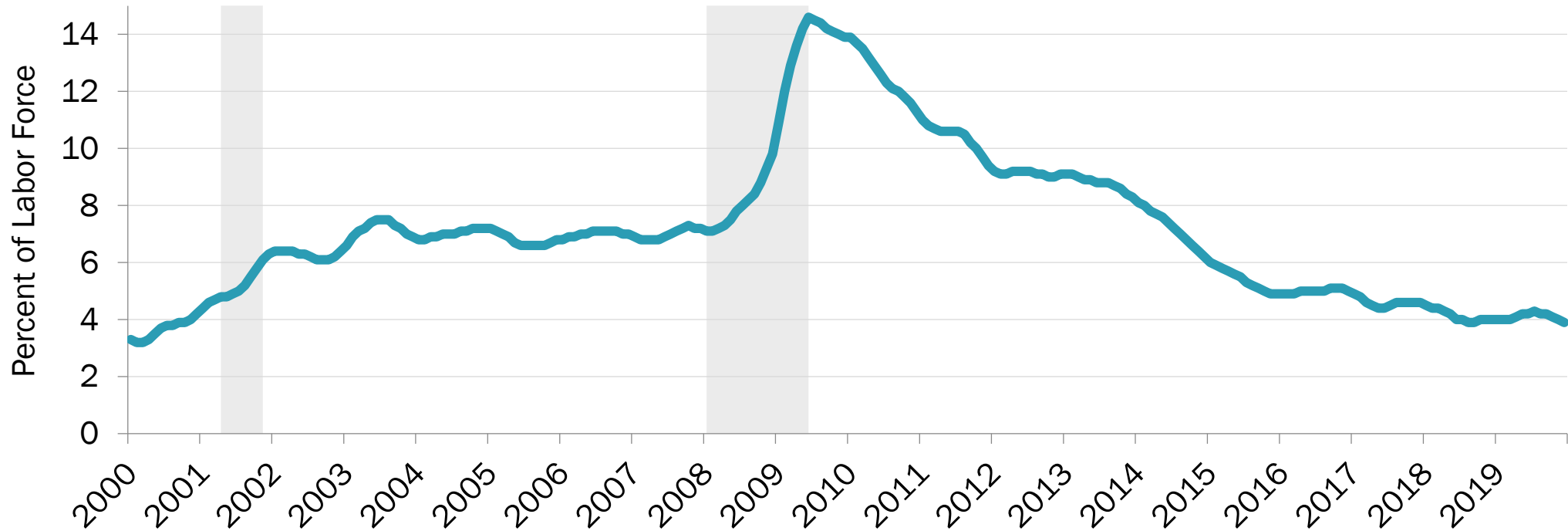
Employment in the health services industry has been very strong, although that can vary by state

Education and Health Services Employment Index (2007 = 100)

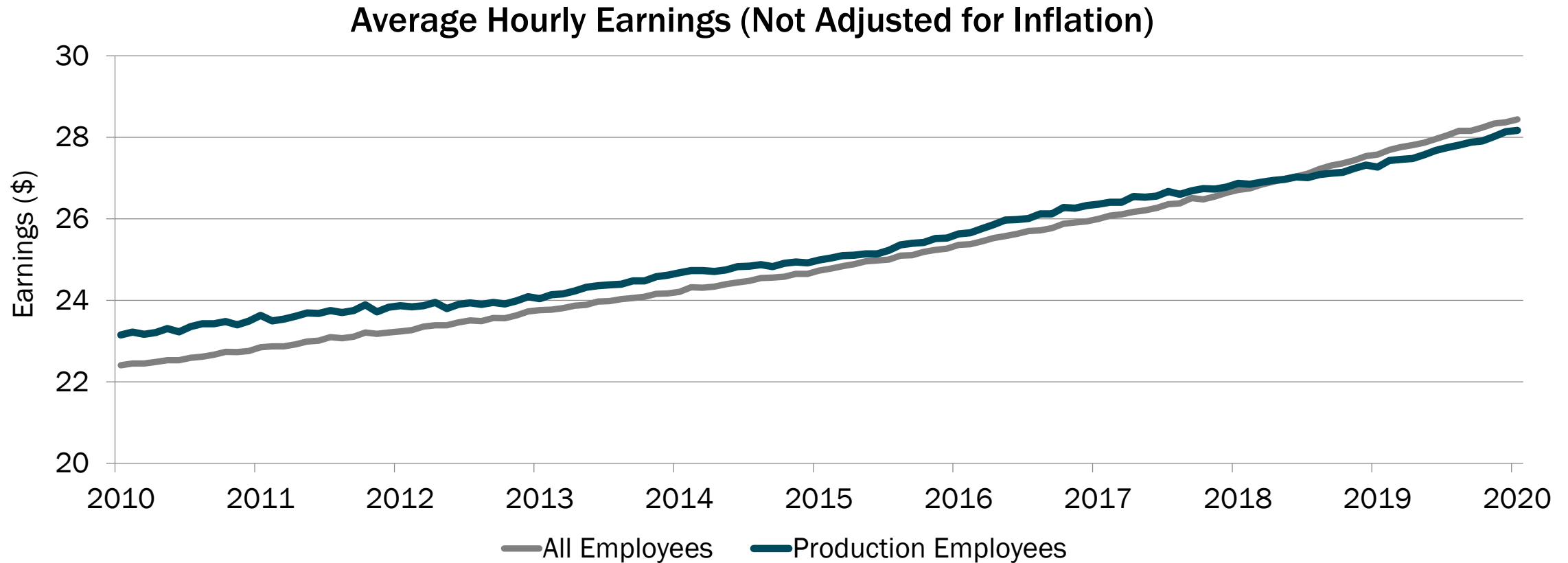


The current unemployment rate is 3.9%, with 191,395 persons looking for work

Unemployment Rate for Michigan

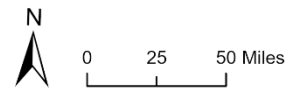
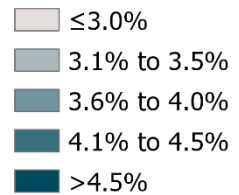


Will some upward wage pressure bring more employees into the Michigan labor market?

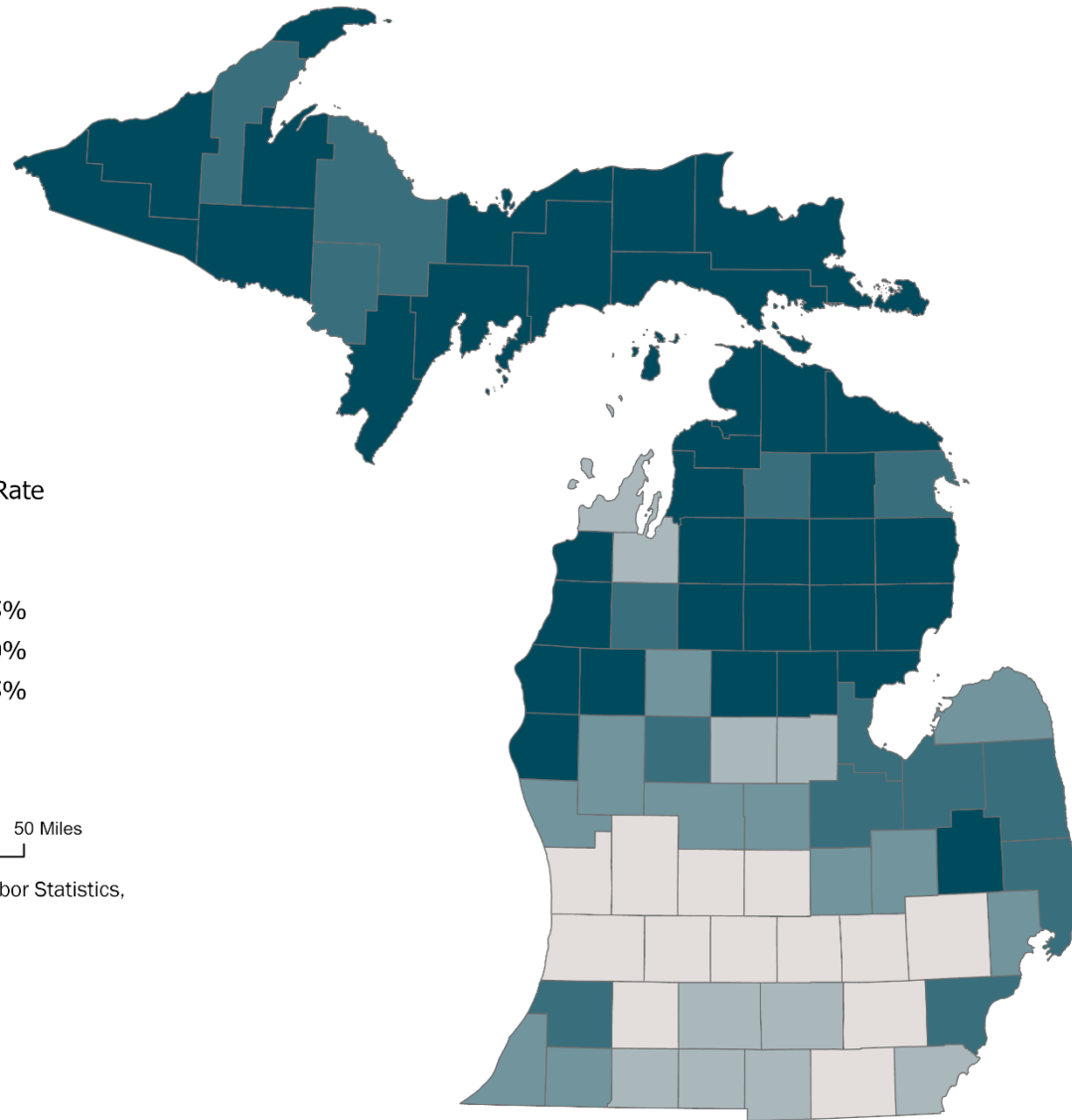


Unemployment Rate

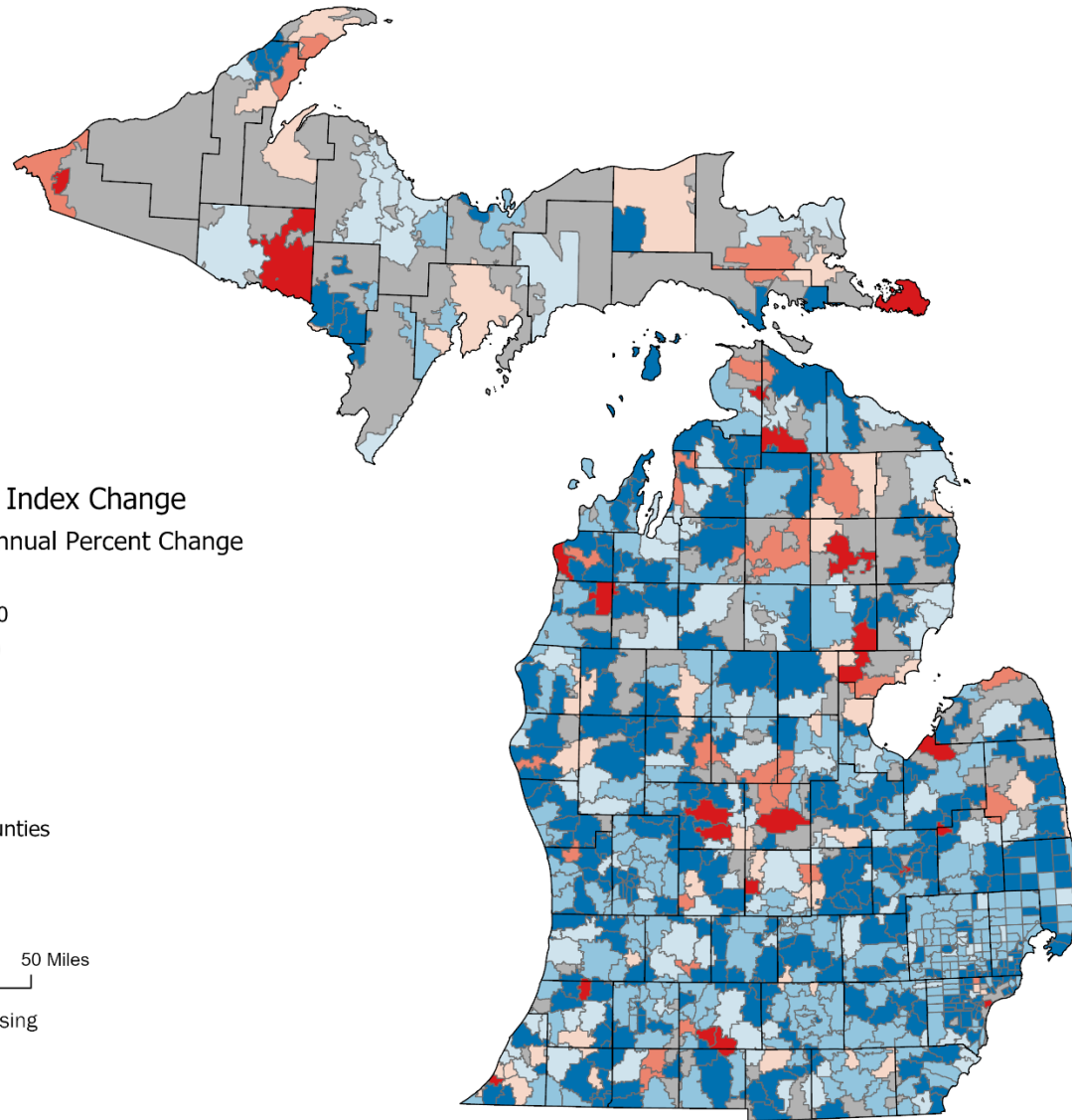
December 2019



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



The national unemployment rate was 3.5% in December 2019 while Michigan was at 3.9% (December 2019).



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

Source: Federal Housing Finance Agency

Source: Federal Housing Finance Administration



Projections for National Net Employment Growth and Occupational Openings

National trends in new and replacement employment

| BLS Projection estimates, 2018-2028 | All occupations |
|--|-----------------|
| Employment in 2018 | 161,037,700 |
| Employment projected for 2028 | 169,435,900 |
| Net employment change | 8,398,100 |
| Net employment change | 5.2% |
| Projected annual occupational openings, 2018-2028, annual averages | 19,694,000 |

| Occupation | 2018 Emp | 2028 Emp | Level change | % change | Annual openings |
|---|-------------|-------------|--------------|----------|-----------------|
| All occupations | 161,037,700 | 169,435,900 | 8,398,100 | 5.2% | 19,694,000 |
| Healthcare practitioners and technical | 9,107,800 | 10,190,400 | 1,082,600 | 11.9% | 650,300 |
| Protective service | 3,560,900 | 3,656,000 | 95,200 | 2.7% | 400,400 |
| Firefighters | 322,400 | 350,000 | 17,600 | 5.3% | 25,000 |
| Bailiffs, correctional officers and jailers | 453,900 | 422,400 | -31,500 | -6.9% | 35,500 |

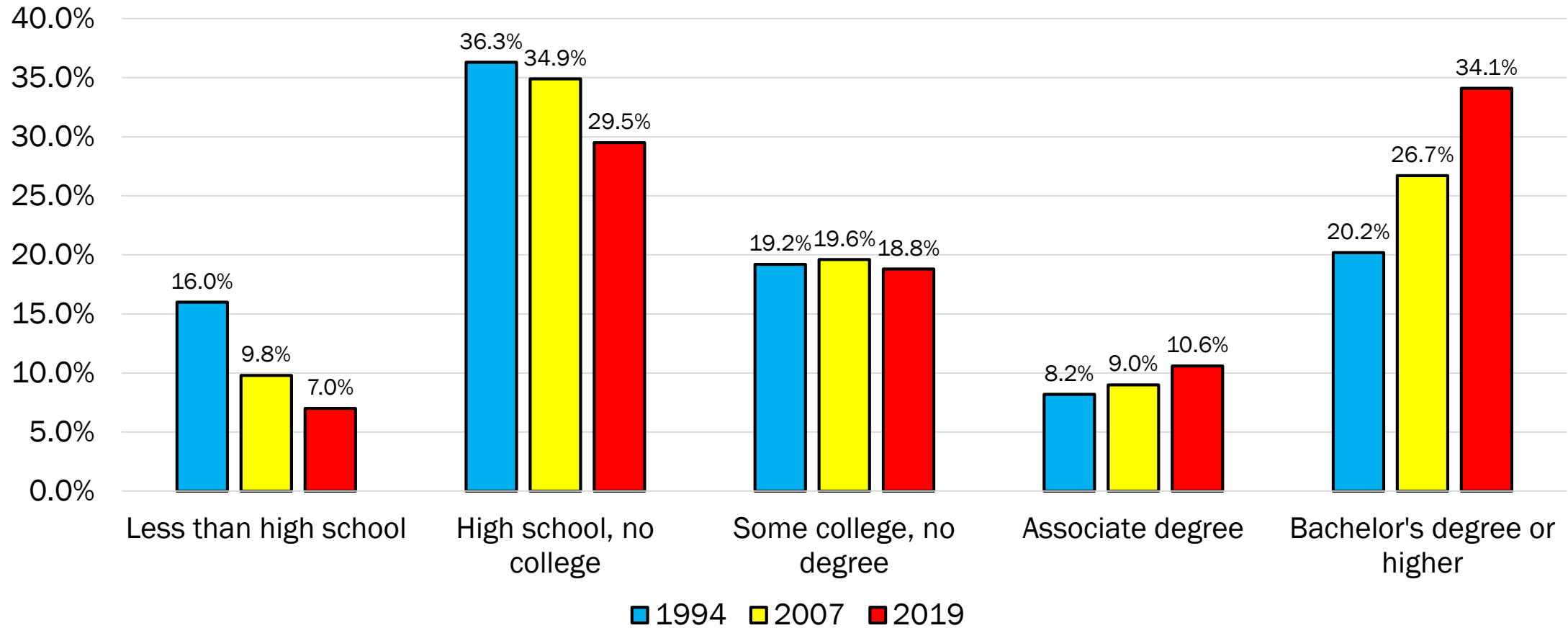
| Occupation | 2018 Emp | 2028 Emp | Level change | % change | Annual openings |
|--------------------------------------|------------|------------|--------------|----------|-----------------|
| Food prep and serving related | 13,644,000 | 15,152,200 | 1,488,300 | 10.9 | 2,638,000 |
| Personal care and service | 7,117,200 | 8,354,800 | 1,237,600 | 17.4 | 1,266,600 |
| Farming, fishing and forestry | 1,096,900 | 1,100,000 | 3,200 | 0.3 | 177,700 |
| Construction and extraction | 7,212,500 | 7,916,500 | 704,000 | 9.8 | 907,500 |
| Installation, maintenance and repair | 6,108,100 | 6,341,300 | 233,200 | 3.8 | 632,900 |
| Production | 9,452,400 | 9,022,900 | -429,500 | -4.5 | 1,028,100 |

| Typical education needed for entry into an occupation (2018) | Median wage | Total annual average occupational openings | Cumulative distribution of total occupational openings |
|--|-------------|--|--|
| No formal educational credential | \$ 24,430 | 6,266.5 | 31.8% |
| High school diploma or equivalent | \$ 37,020 | 7,545.9 | 70.1% |
| Some college, no degree | \$ 35,820 | 446.2 | 72.4% |
| Post secondary nondegree award | \$ 38,640 | 1,151.9 | 78.2% |
| Associate degree | \$ 53,700 | 364.1 | 80.1% |
| Bachelor's degree | \$ 73,960 | 3,349.6 | 97.1% |
| Masters degree | \$ 73,580 | 269.8 | 98.5% |
| Doctoral or professional degree | \$105,700 | 301.5 | 100% |

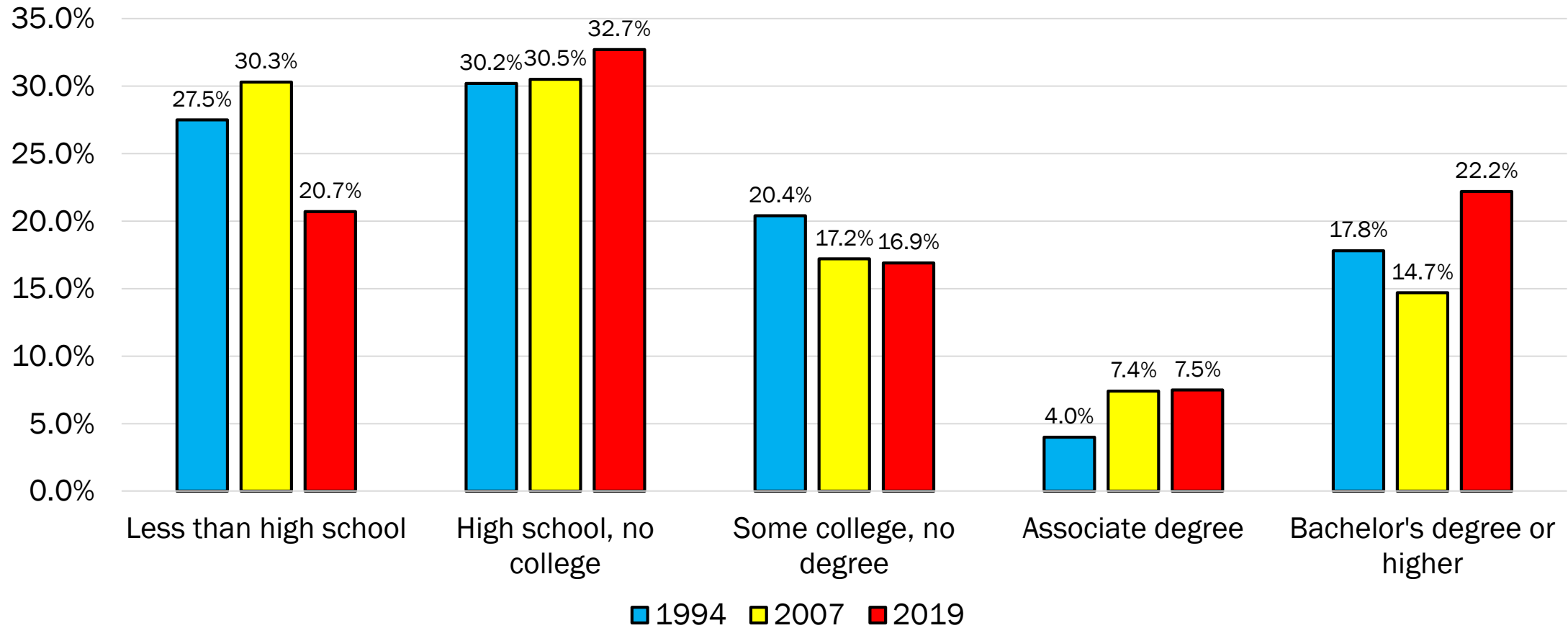


Michigan Variability by Education

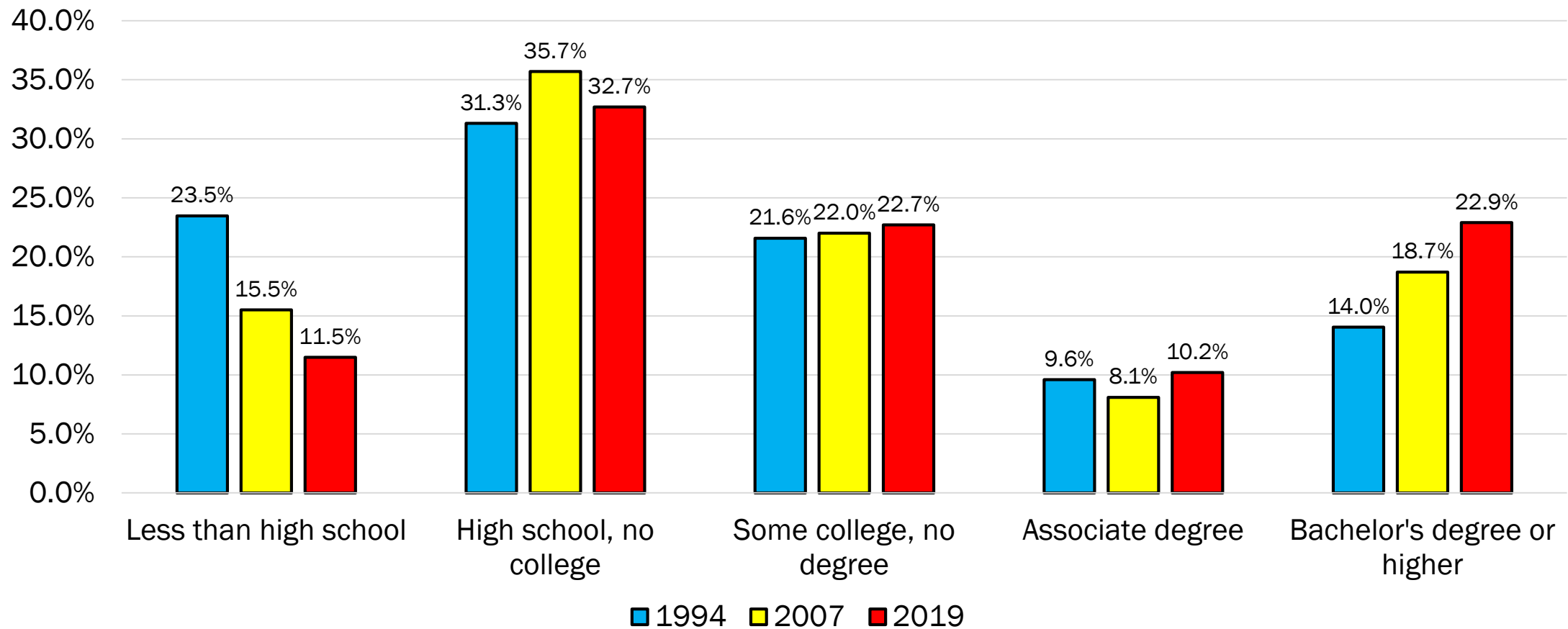
Michigan Educational Attainment Distribution of the Labor Force, Ages 25 and Older



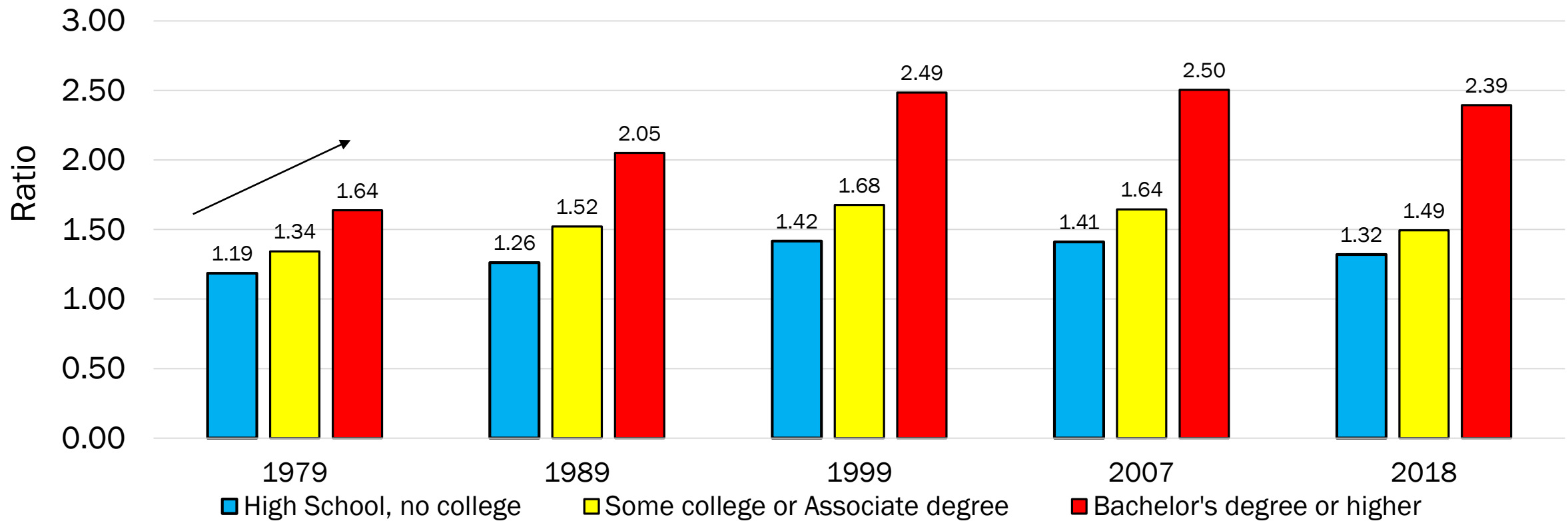
Michigan Educational Attainment Distribution of the Hispanic Labor Force, Ages 25 and Older



Michigan Educational Attainment Distribution of the Black Labor Force, Ages 25 and Older



Ratio of median weekly earnings by educational attainment group to median weekly earnings of those with less than a high school diploma



Questions?

- Jim Robey, PhD
 - Email: jrobey@upjohn.org
 - Phone: 269-343-5541
- Contributors
 - Mike Horrigan, PhD, President
 - Kathleen Bolter, PhD, Regional Research Analyst
 - Gerrit Anderson, Mapping and Data Visualization Specialist
 - Emily Boyle, Project Coordinator/Copy Editor