

Albion 2020 Economic Forecast



A Presentation to the ALBION ECONOMIC
DEVELOPMENT CORPORATION

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W.E. Upjohn Institute for Employment Research

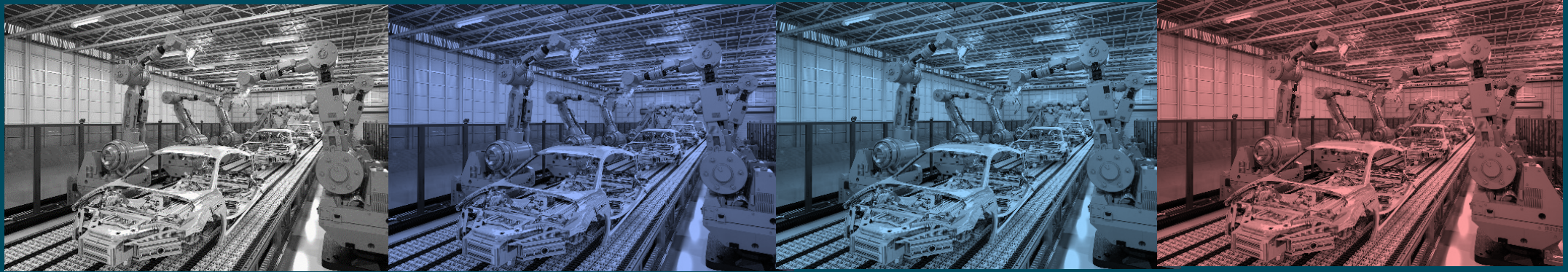
March 5, 2020

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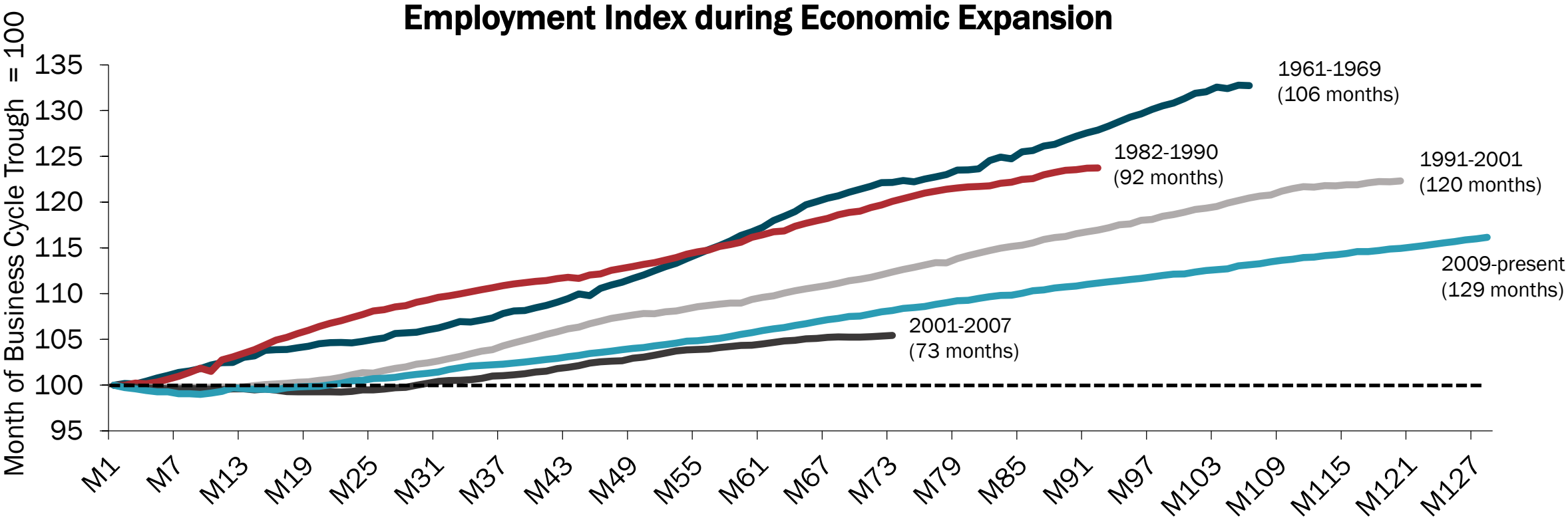
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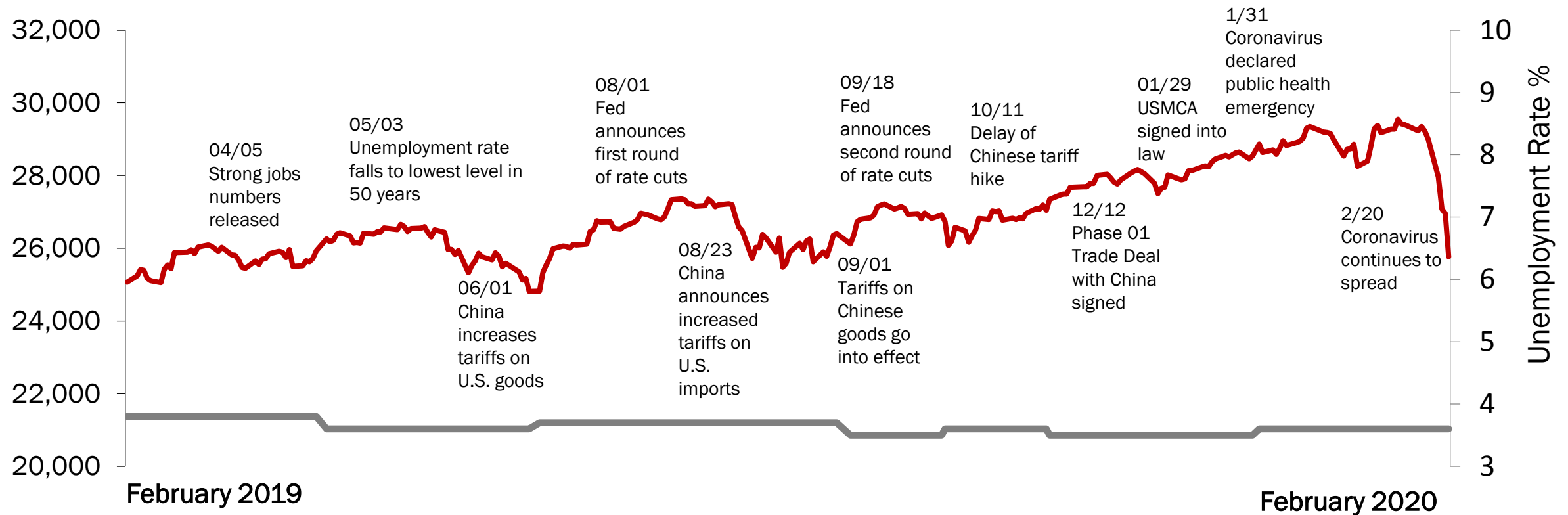
National Economy

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

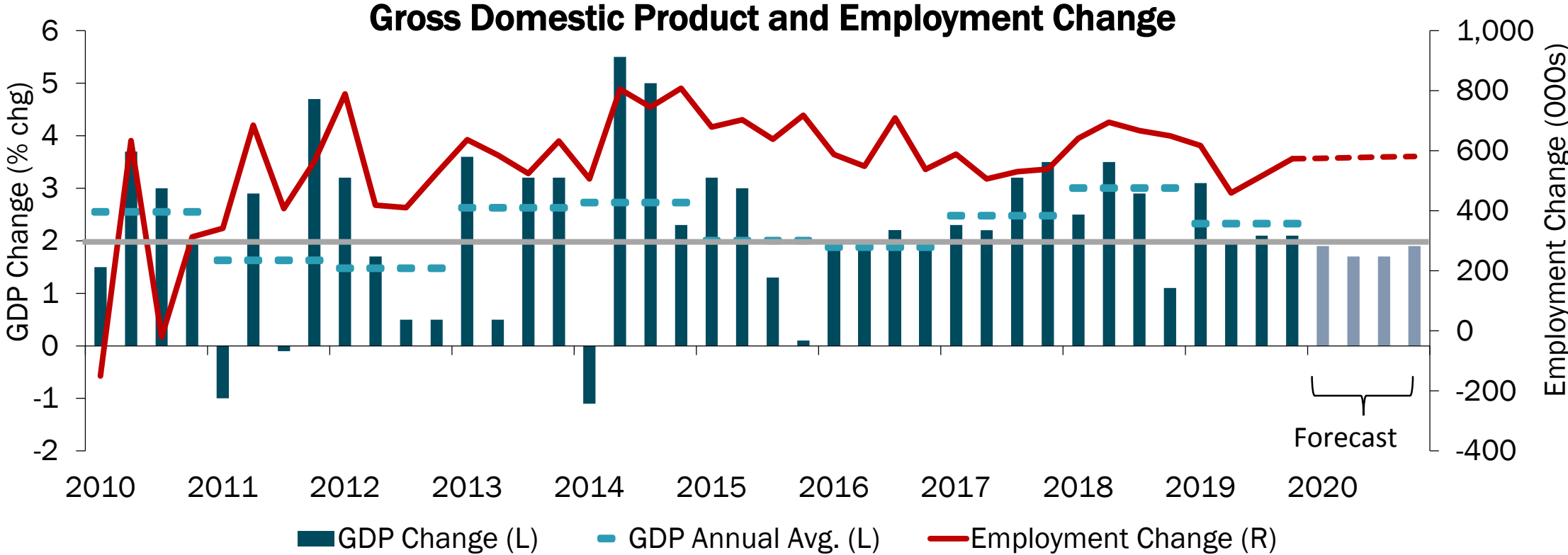
Dow Jones Industrial Average



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

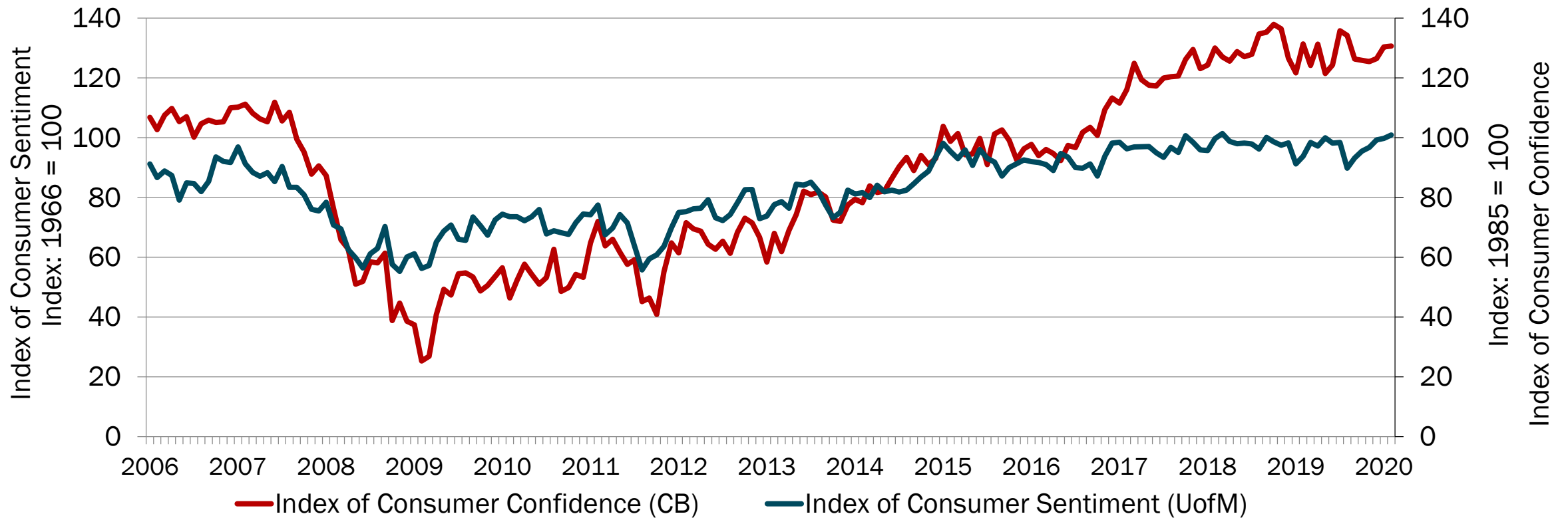


University of Michigan RSQE national forecast

	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%

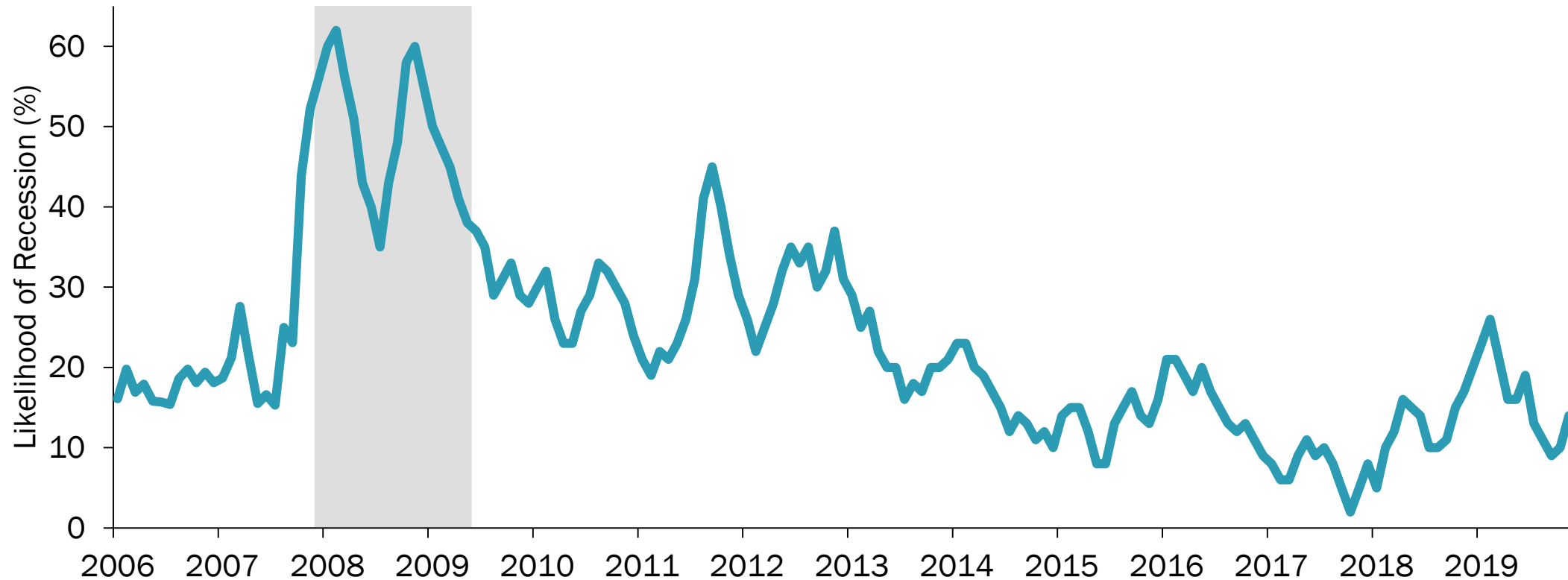
High and stable consumer confidence

Consumer Confidence

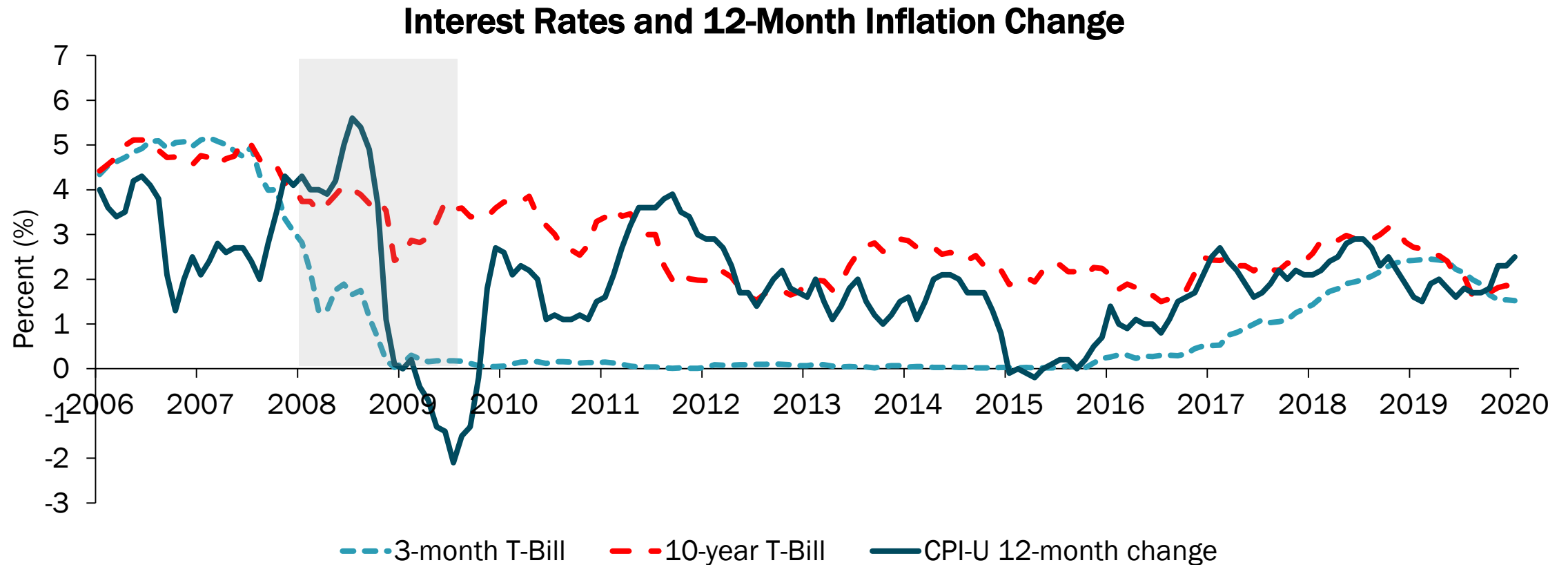


Moody's predictions of a recession are relatively low: 14% in December

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?

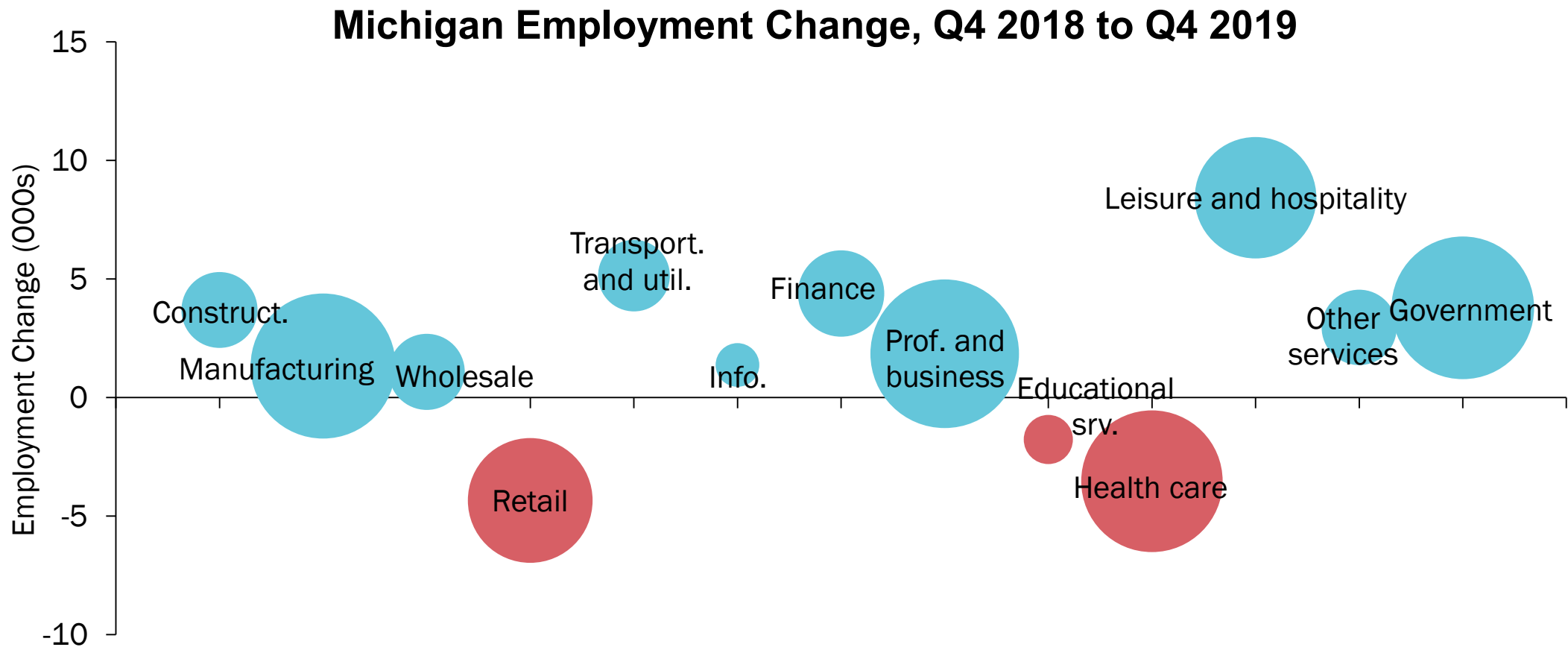
- Trade wars (tariffs and taxes are the same—a cost to consumers)
- Volatility of stock market
- Low interest rates
- Federal debt and deficits
- Tax cuts
- Politics
- Global Pandemics

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



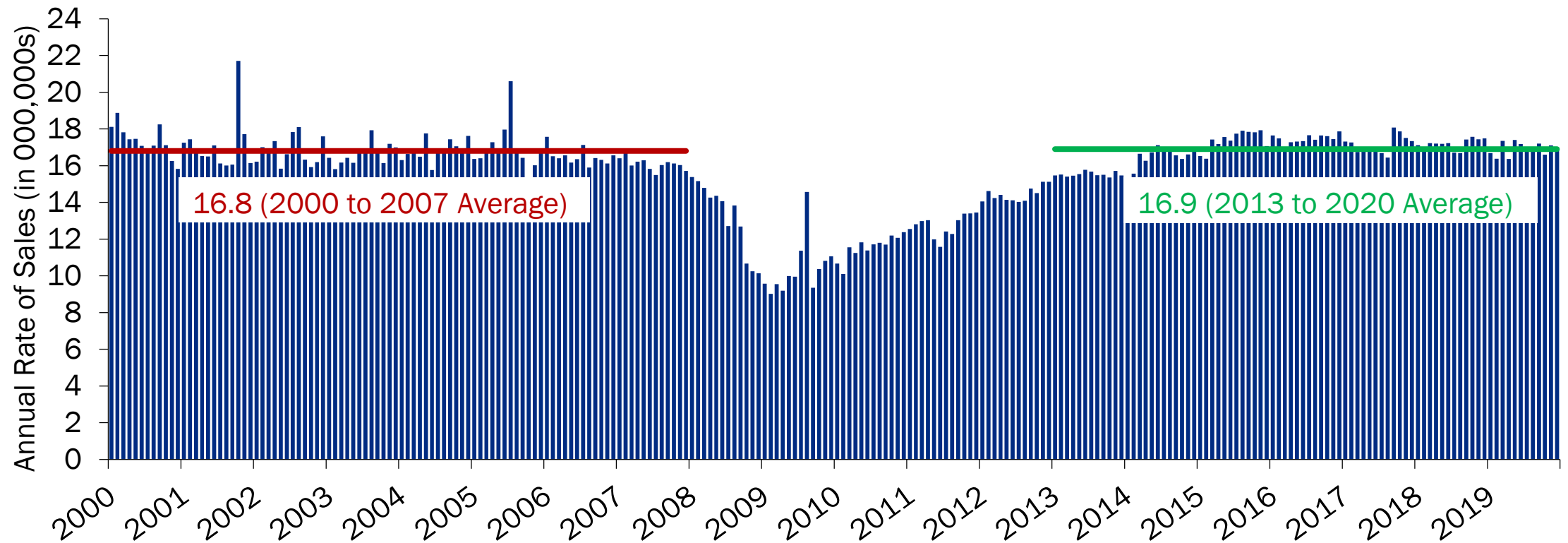
Michigan

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)



University of Michigan RSQE statewide forecast

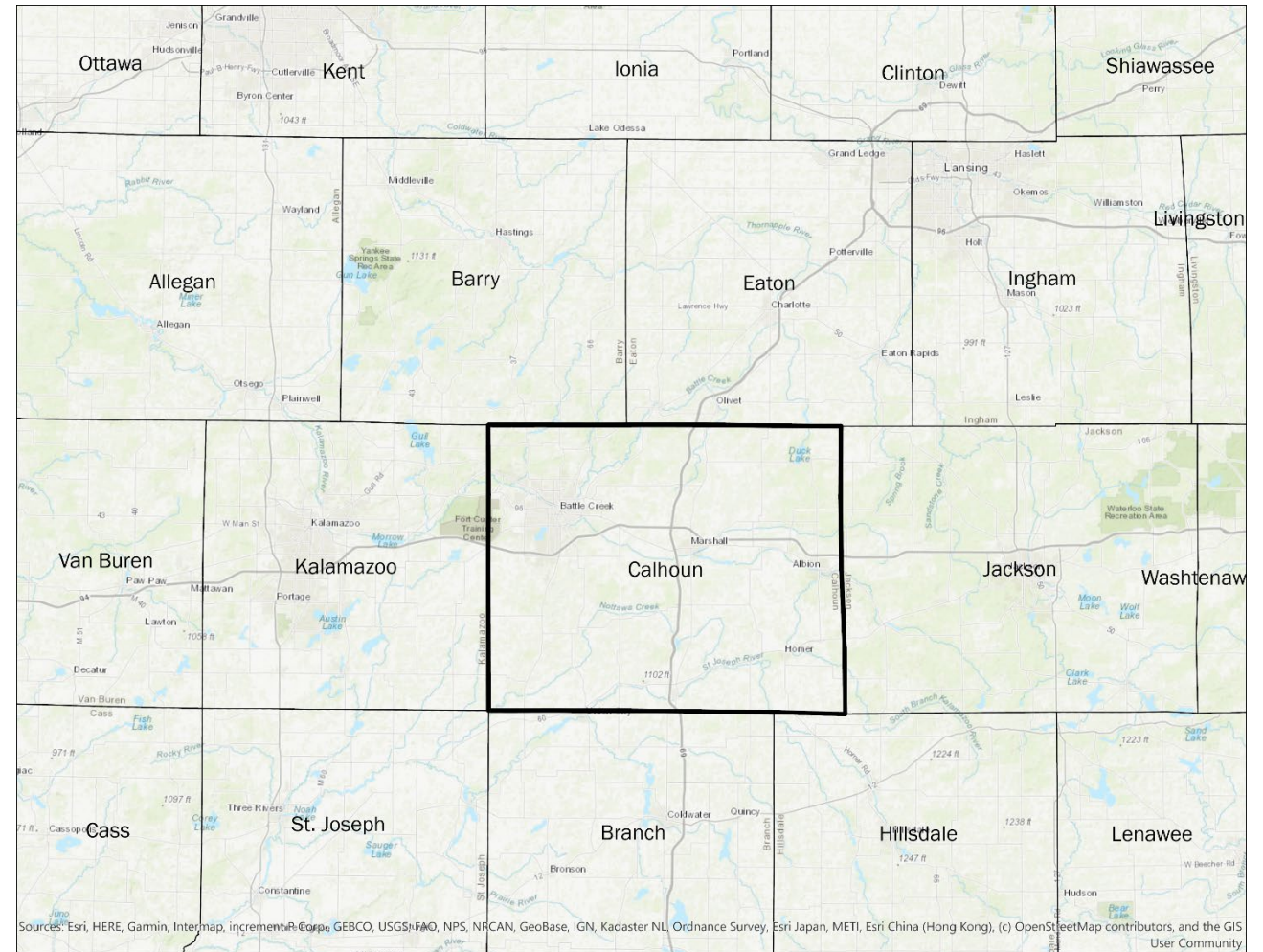
	2019 (Forecast)	2020 (Forecast)	2021 (Forecast)
Employment Change	23,300 (.99%)	29,000 (.64%)	25,900 (.42%)
Manufacturing Employment Change (Workers)	2,100 (.33%)	2,000 (.32%)	1,600 (.25%)
Unemployment Rate	4.1%	3.9%	3.7%
Labor Force Participation Rate	61.9%	61.7%	61.7%



Regional Conditions: Battle Creek MSA

The Battle Creek Metropolitan Statistical Area

- Calhoun County



Unemployment rates are between 2.3% and 6% for counties in West Michigan

The MSA is at full employment

Michigan's rate is 3.9% (December 2019)

Unemployment Rate

December 2019

≤3.0%

3.1% to 3.5%

3.6% to 4.0%

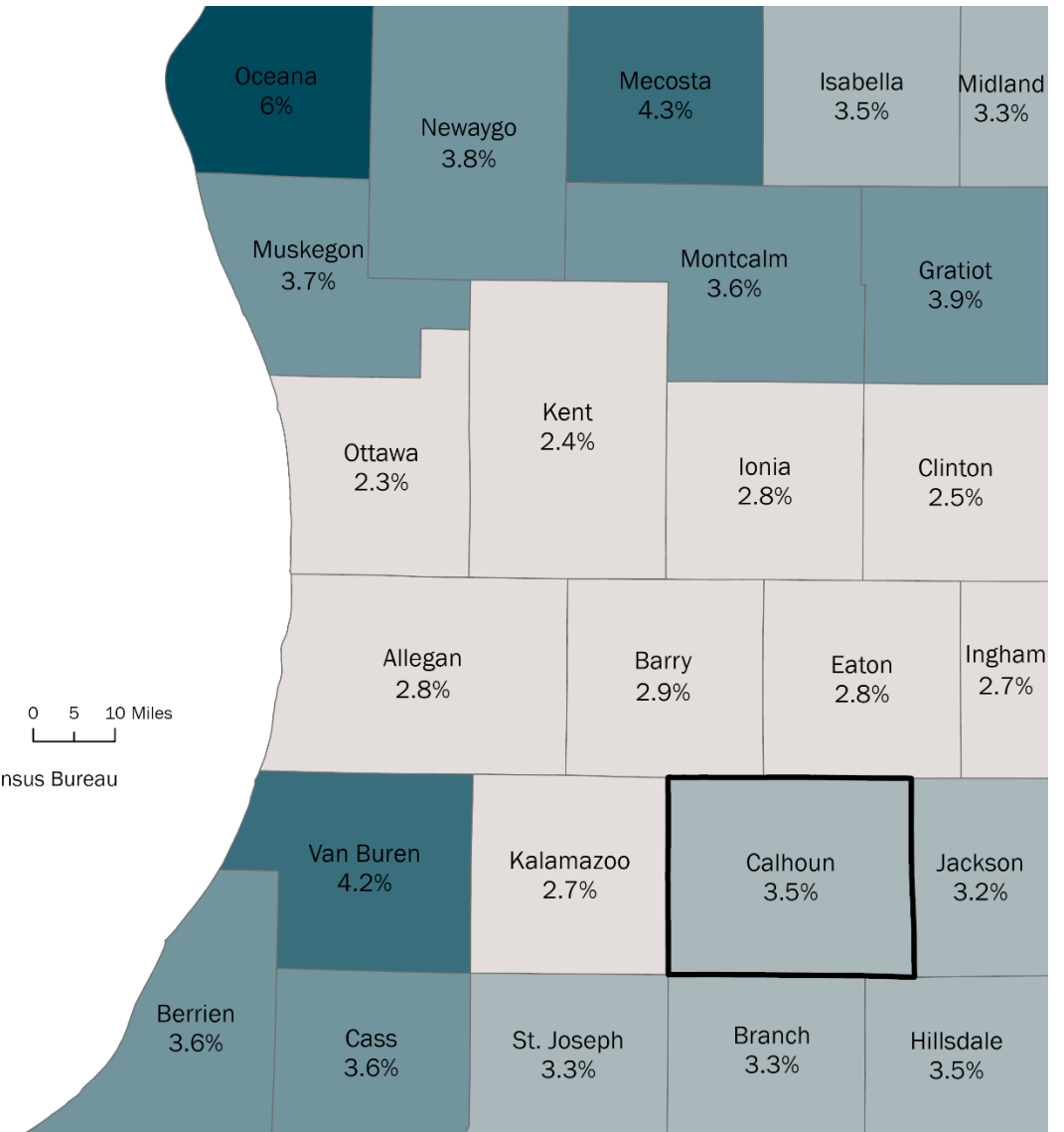
4.1% to 4.5%

>4.5%



0 5 10 Miles

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



The labor force participation rate in Calhoun county is 58.24%

Michigan's rate is 61.7% (December 2019)

Labor Force Participation Rate

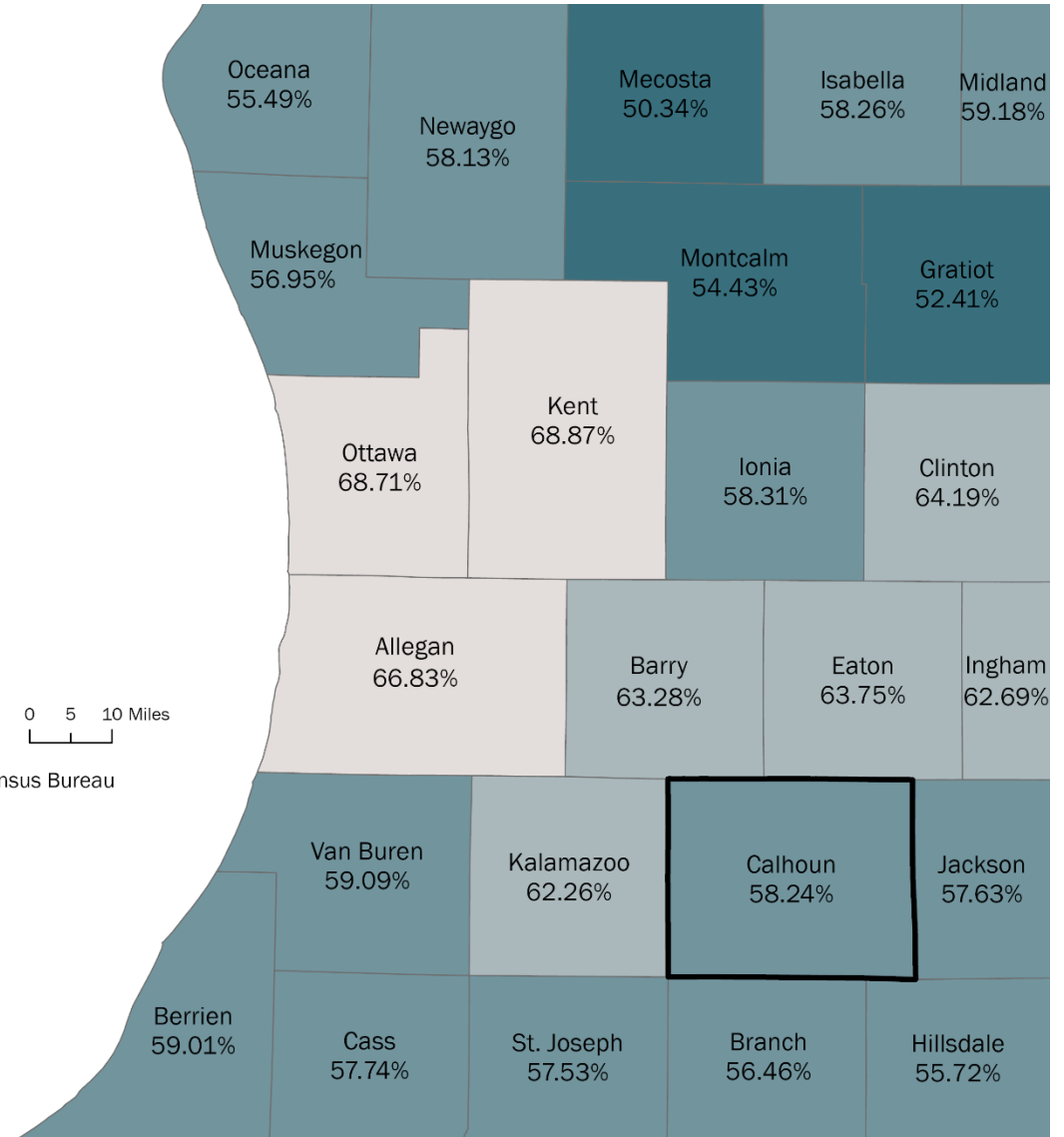
December 2019

- ≤50.00%
- 50.01% to 55.00%
- 55.01% to 60.00%
- 60.01% to 65.00%
- >65.00%



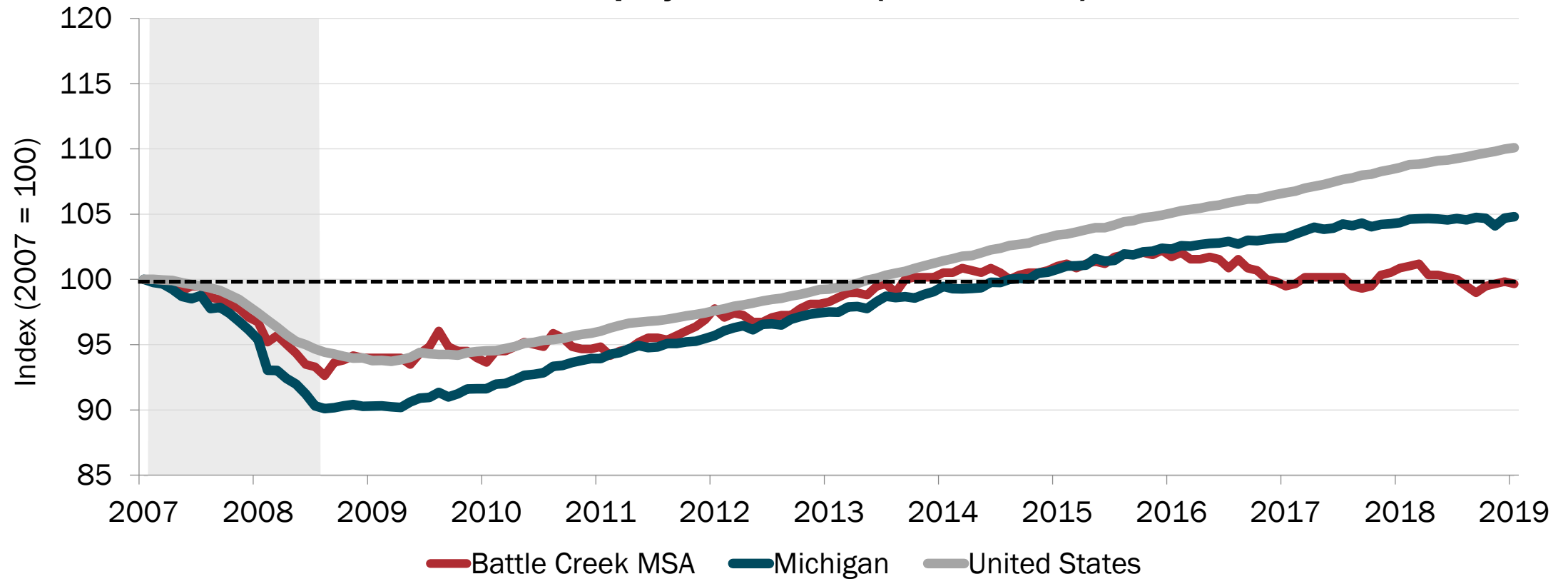
0 5 10 Miles

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

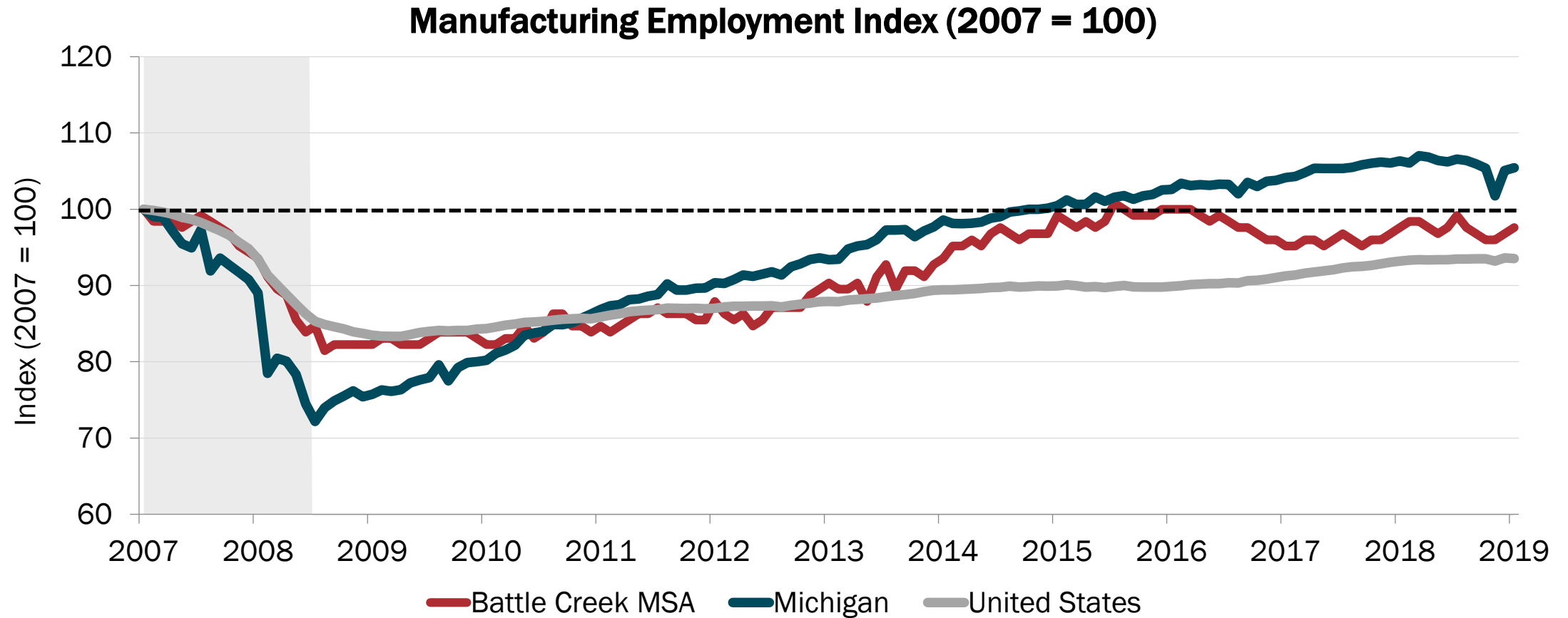


Total Employment in the MSA continues to be just above pre-recession levels

Nonfarm Employment Index (2007 = 100)

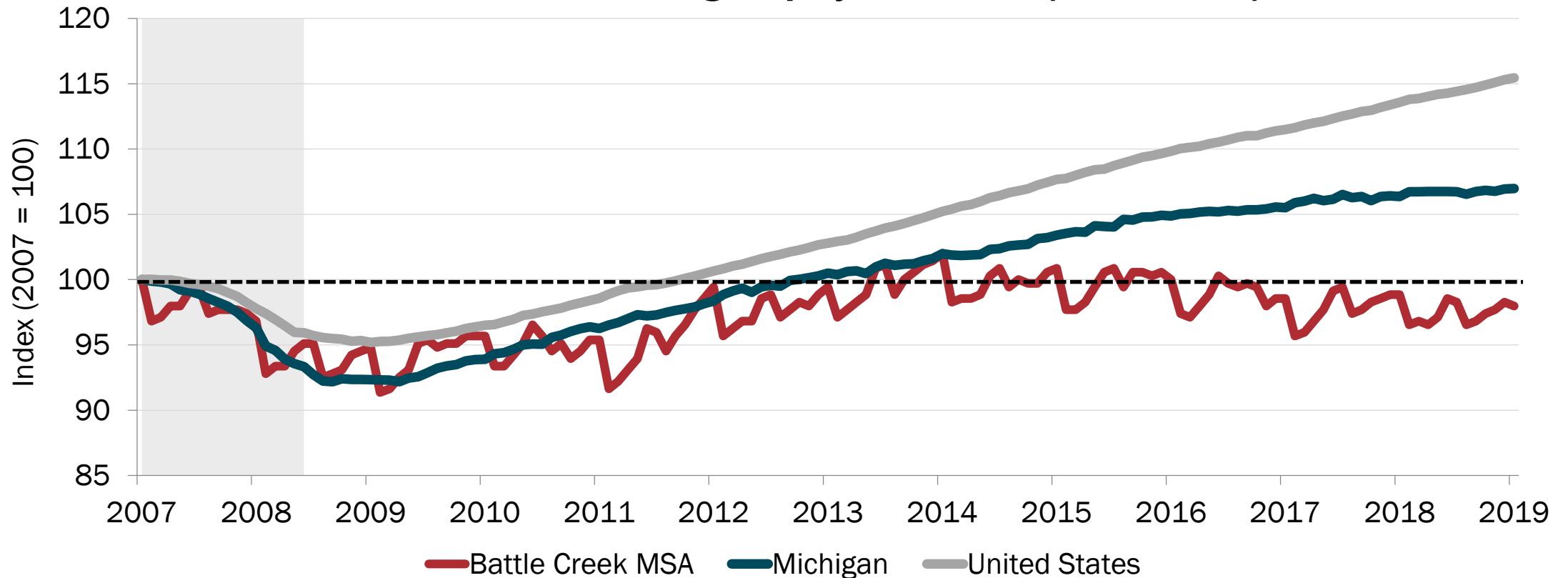


Battle Creek manufacturing growth is trending above the nation



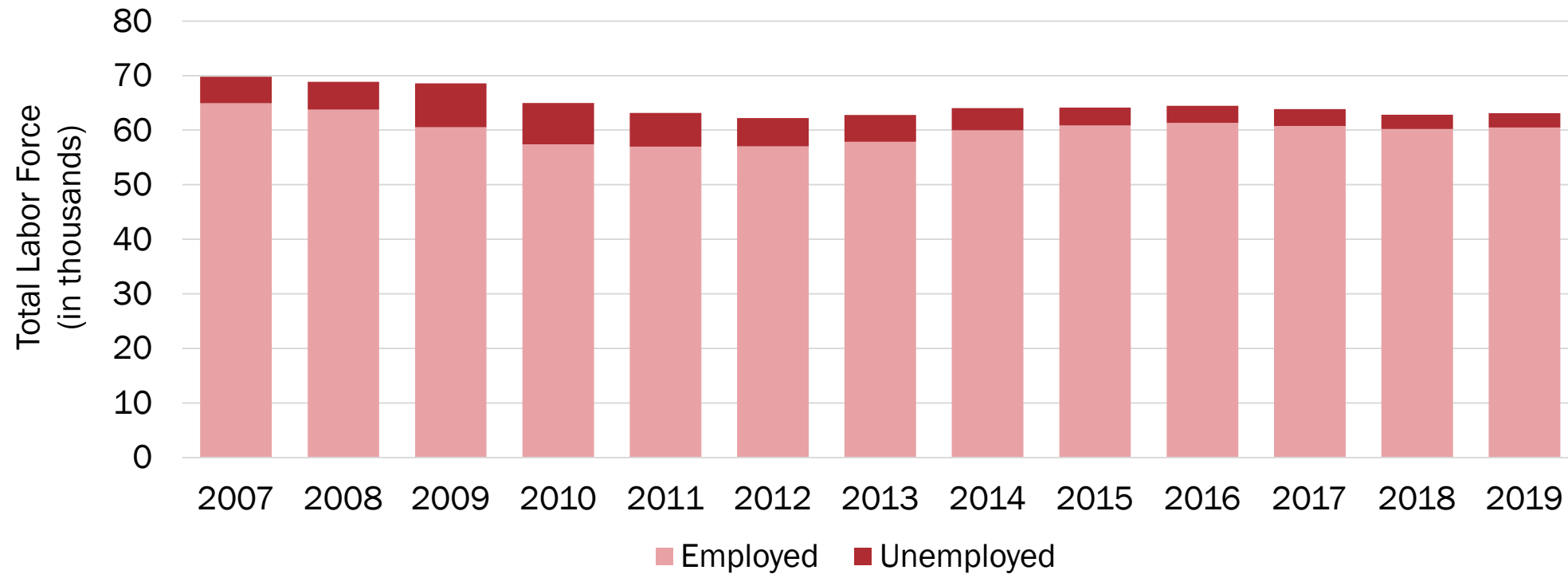
Employment in services has held near pre-recession levels for the past seven years

Private Services Providing Employment Index (2007 = 100)



Overall, a greater proportion of the labor force in Battle Creek is employed than in the past

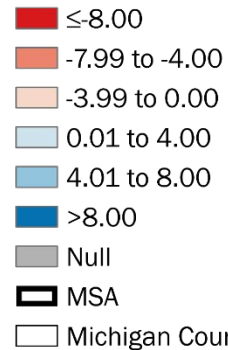
Total Labor Force: Battle Creek Metro Area



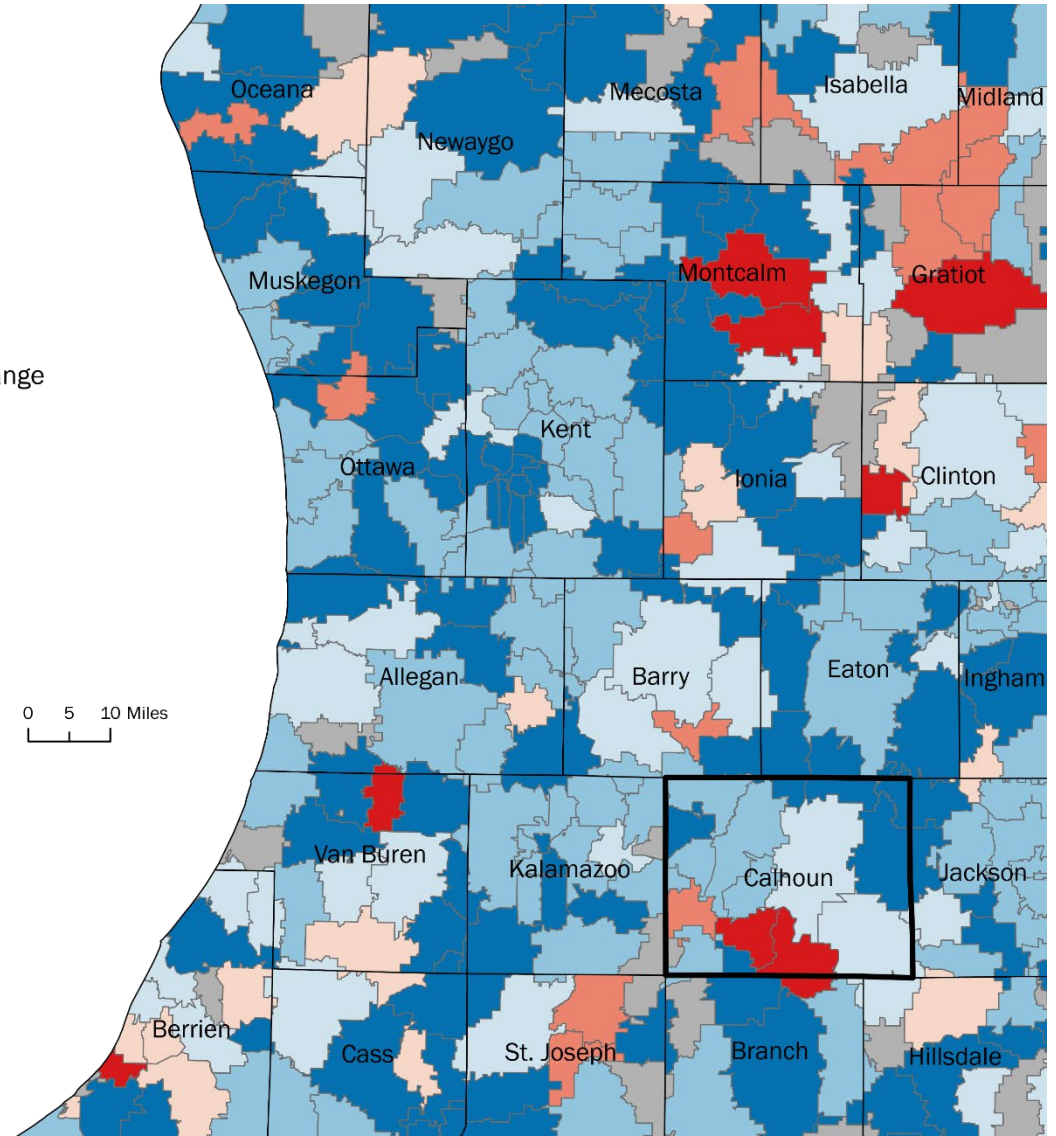
Housing values continue to rise.

But the pace continues to decelerate nationally

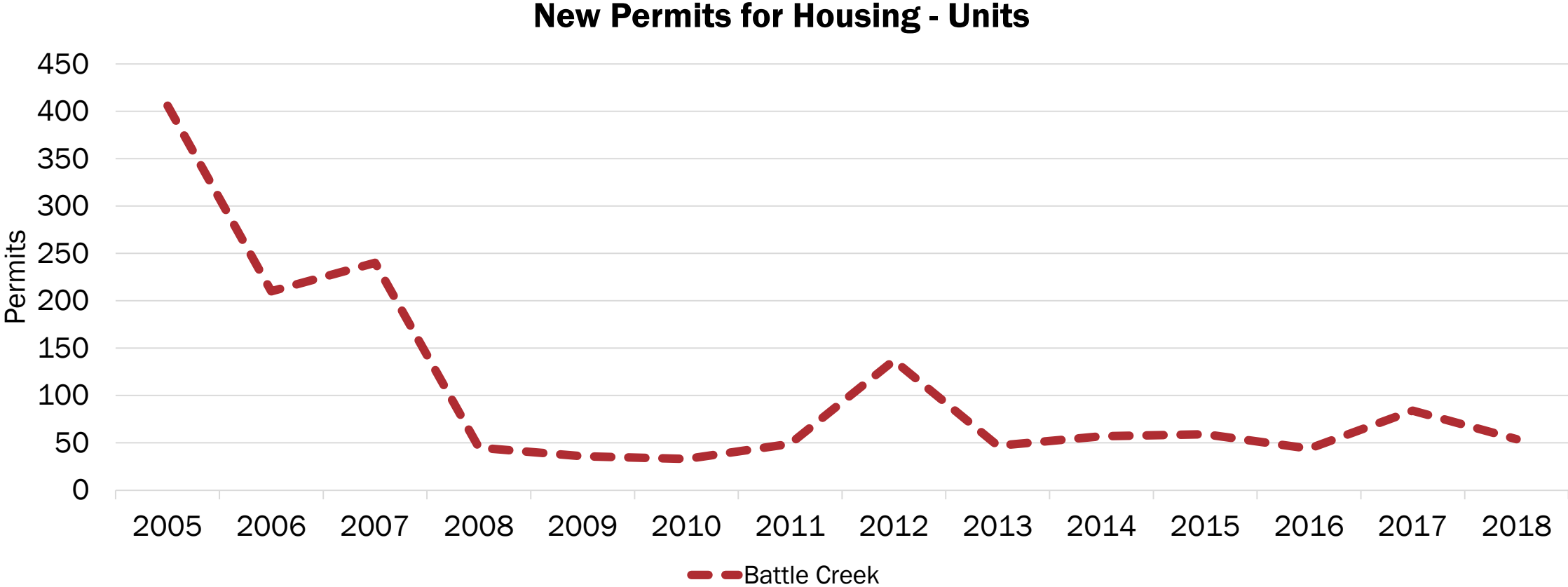
Housing Price Index Change
2017 to 2018 Annual Percent Change



Source: Federal Housing Finance Agency

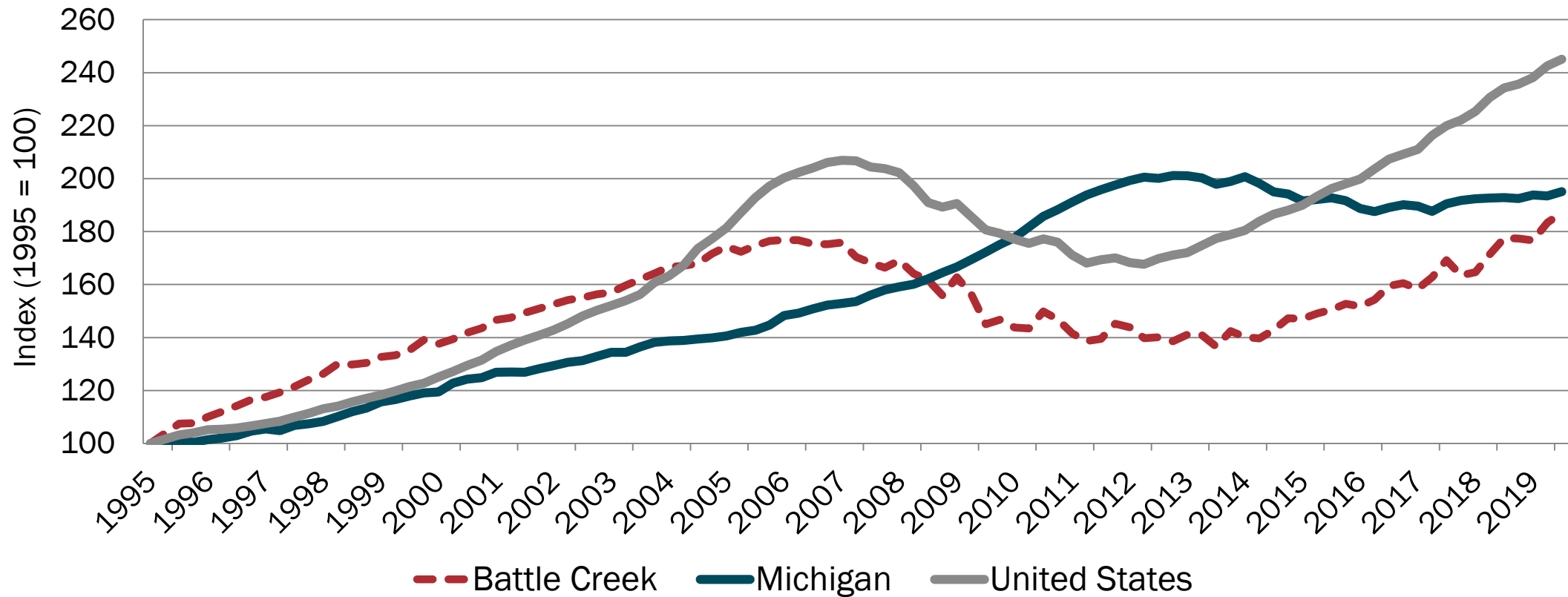


New construction has remained relatively flat



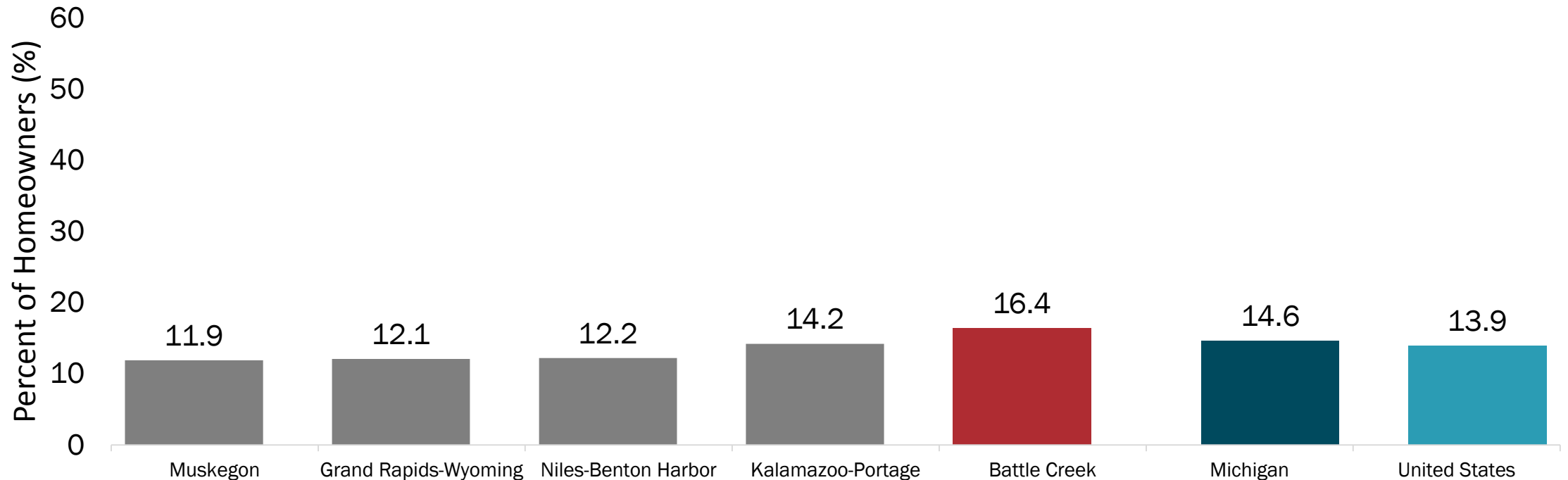
Housing prices are rising more quickly than the State of Michigan

Housing Price Index (1995=100)



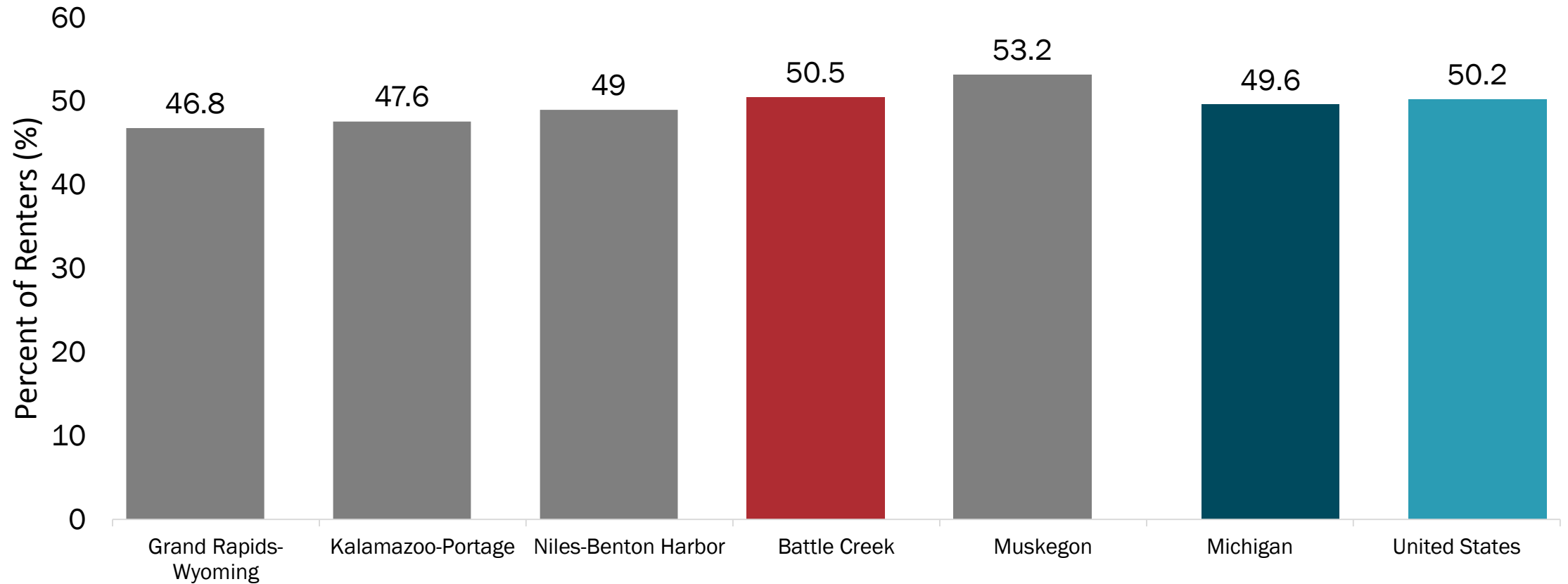
There are concerns when housing costs exceed 30% of household income

Percent of Homeowners Paying 30% or More



Would more housing help?

Percent of Renters Paying 30% or More

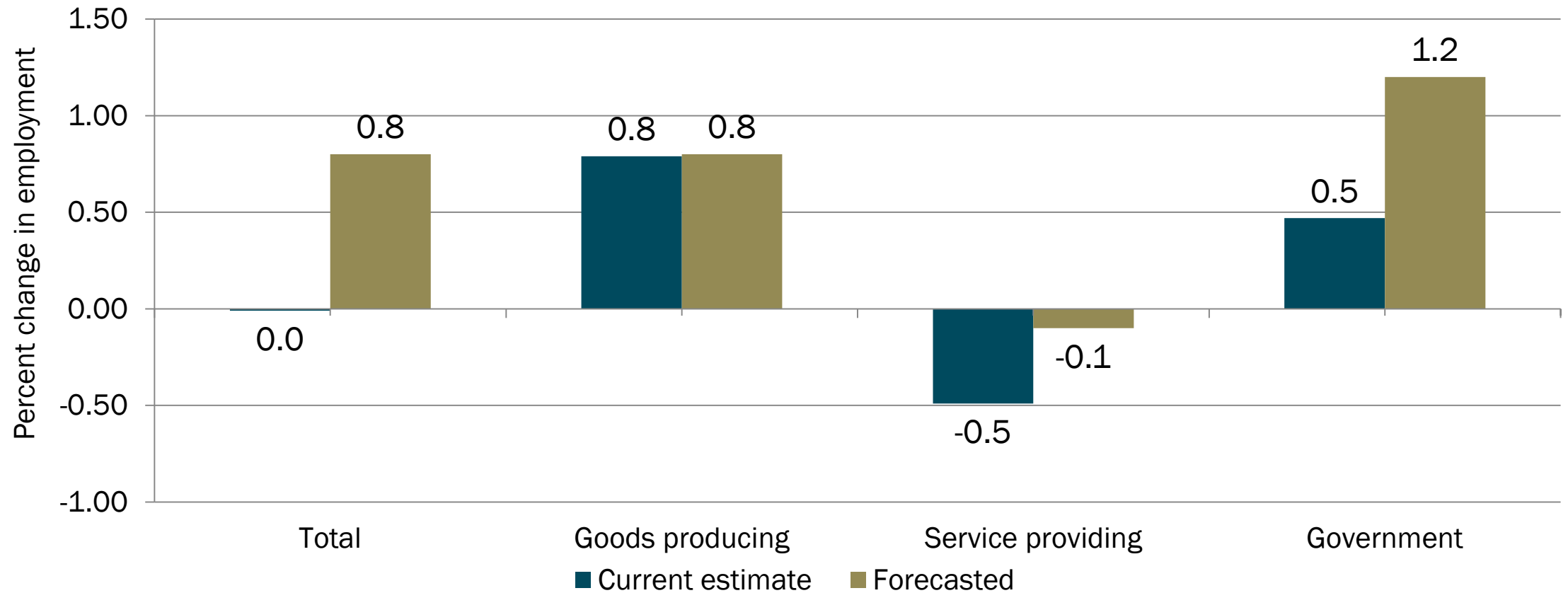




How did we do last year?

Review of last year's forecast

Annual Percent Change in Employment

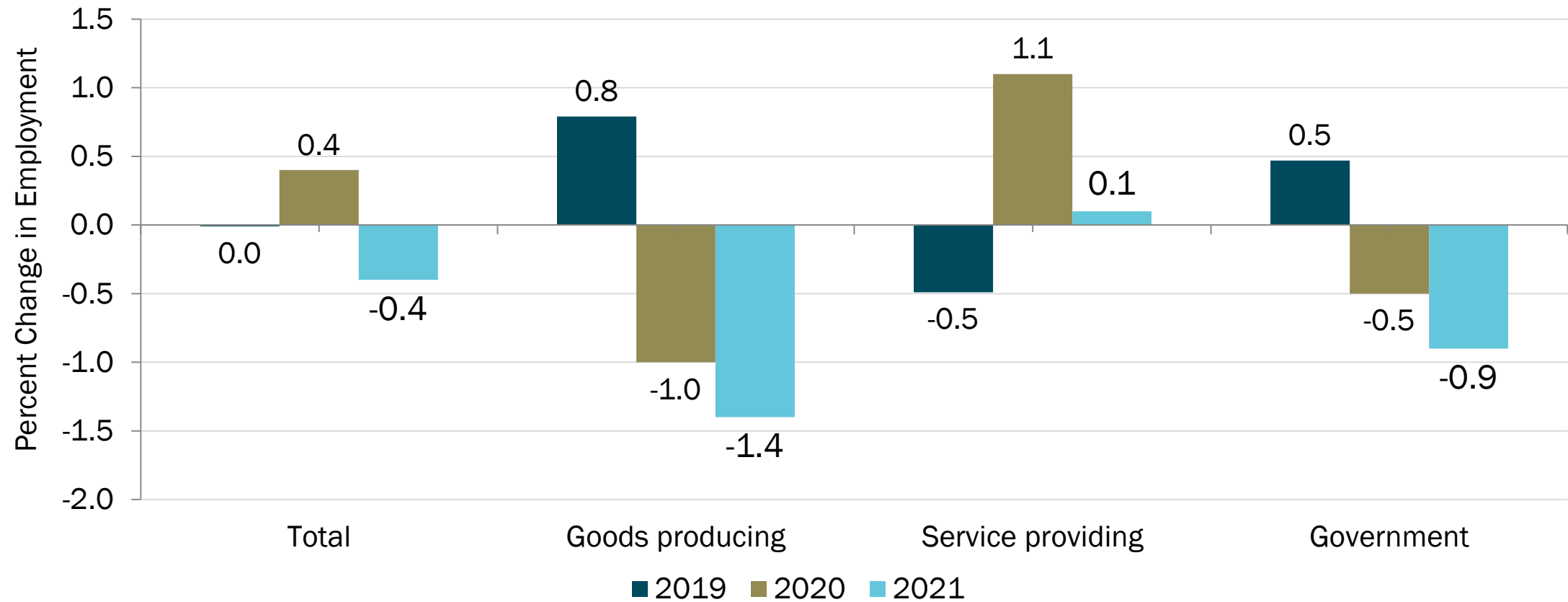




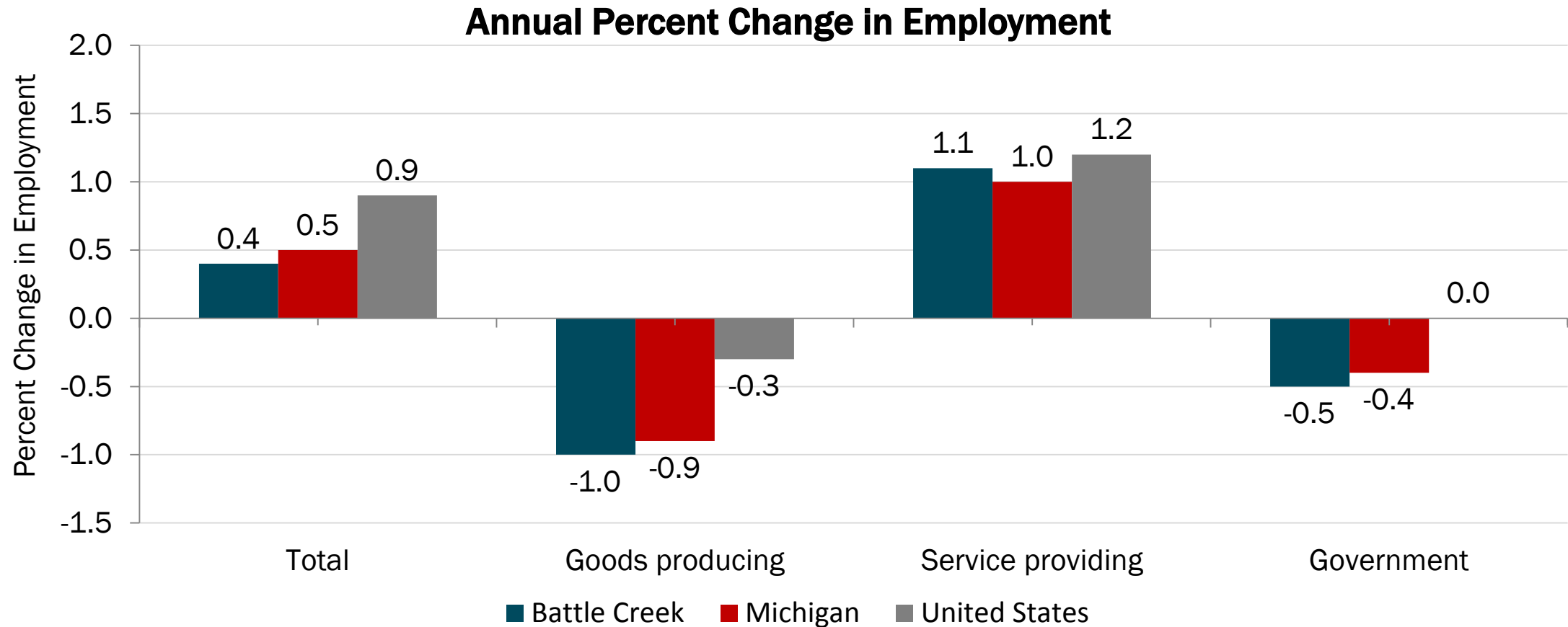
Our View of 2020 & 2021

Battle Creek MSA 2020–2021 employment forecast

Annual Percent Change in Employment

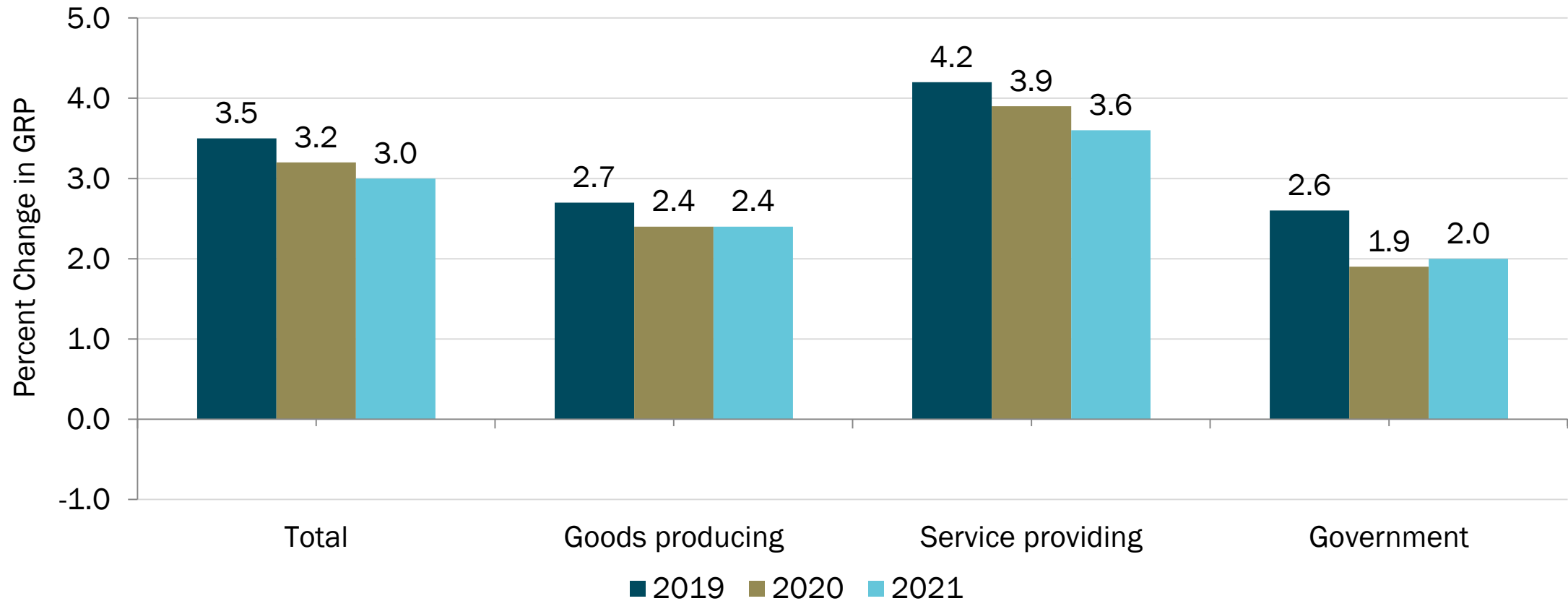


Battle Creek MSA, state, & national 2020 employment forecast



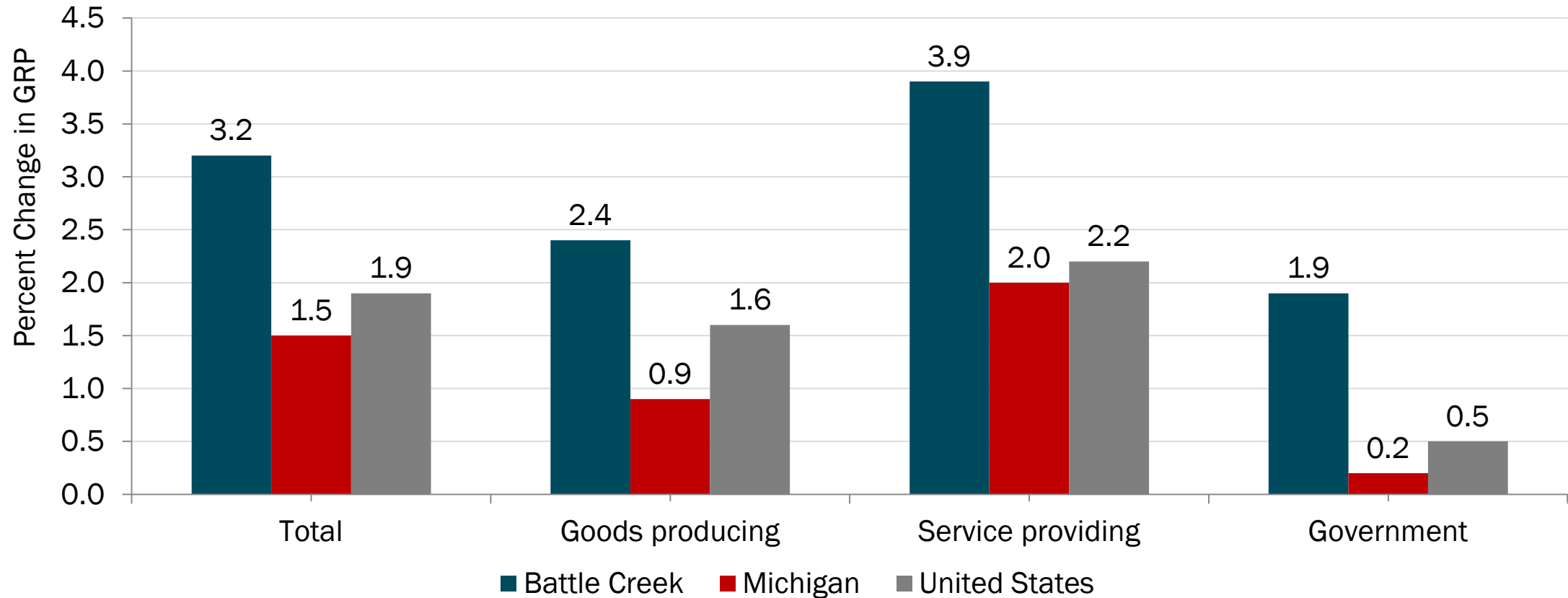
REMI Battle Creek MSA 2020–2021 GRP forecast

Annual Percent Change in GRP



Battle Creek MSA, state, & national 2020 GRP forecast

Annual Percent Change in GRP



Questions?

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