

# Peering Into Economic Conditions: A Look at the Nation, the State, and the Battle Creek Region

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A Presentation at the 2020 Economic Outlook  
for Battle Creek Unlimited

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W.E. Upjohn Institute for Employment Research

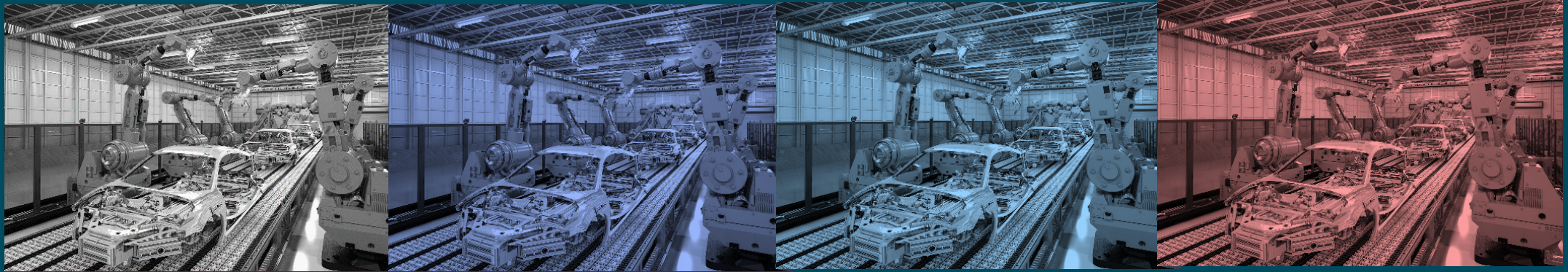
February 18, 2020

# W.E. Upjohn Institute for Employment Research

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## MISSION:

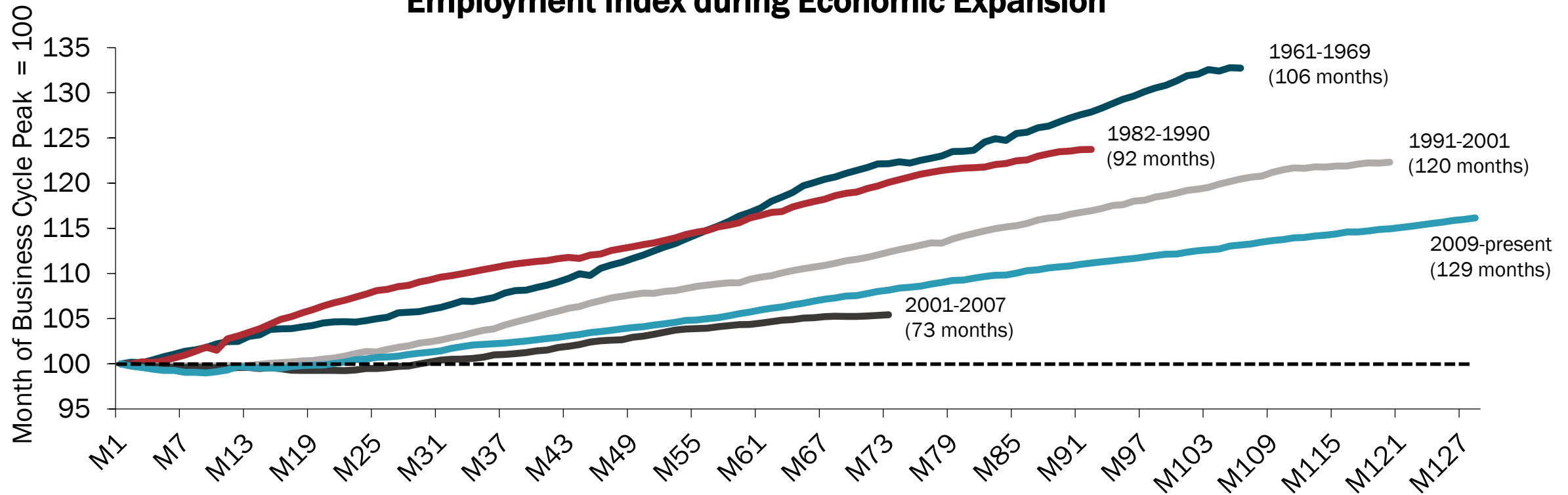
The W.E. Upjohn Institute for Employment Research is a private, nonprofit, nonpartisan, independent research organization devoted to investigating the causes and effects of unemployment, to identifying feasible methods of insuring against unemployment, and to devising ways and means of alleviating the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



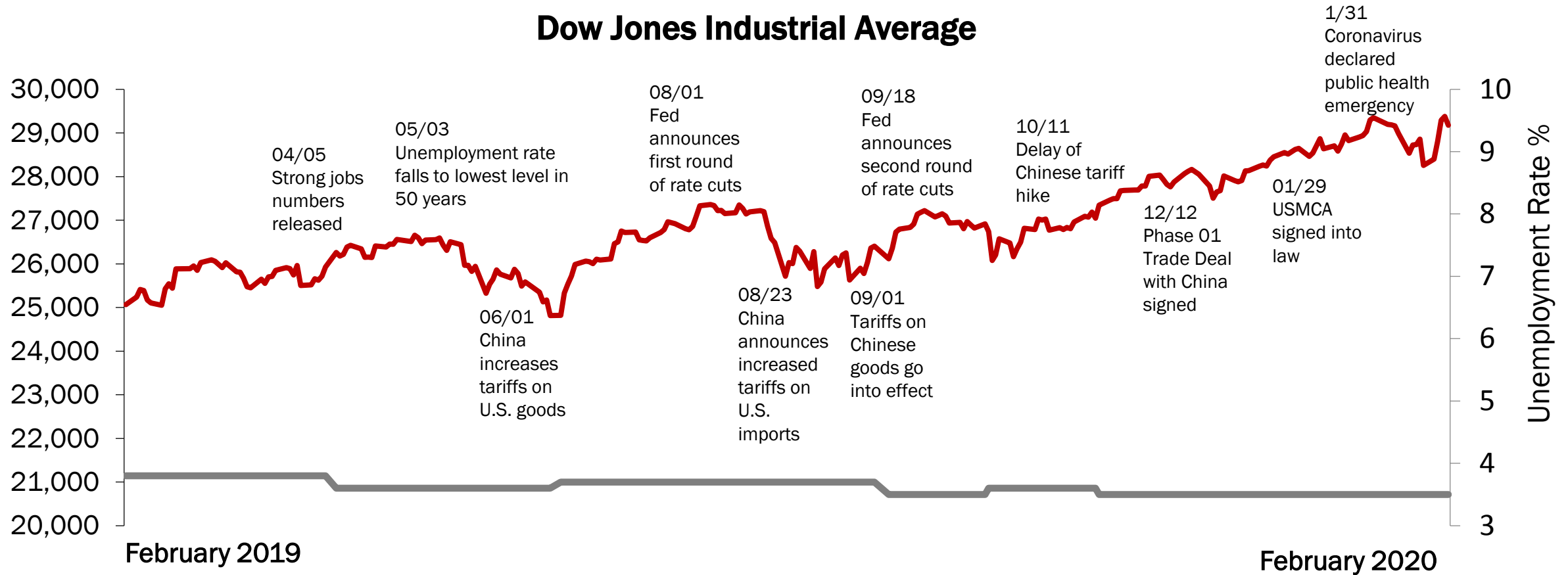
# National Economy

# We are currently in the longest expansion since WWII

## Employment Index during Economic Expansion



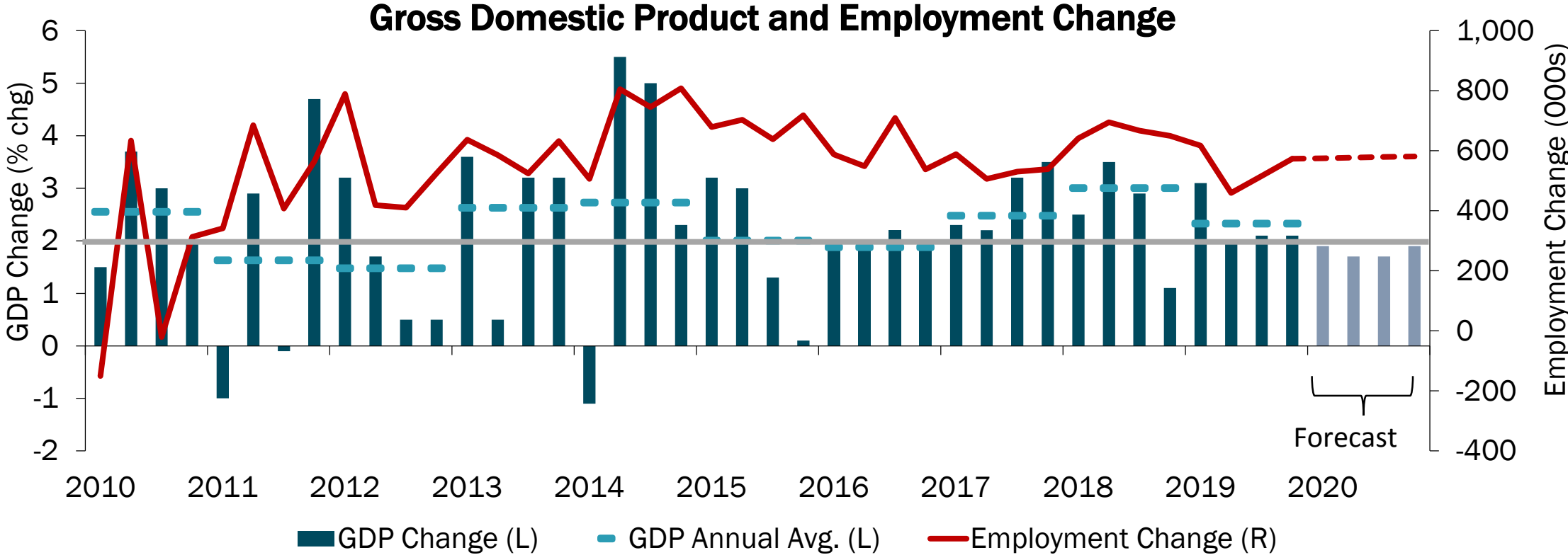
# The stock market reacted to various events last year, but continues to grow



# 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	128
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



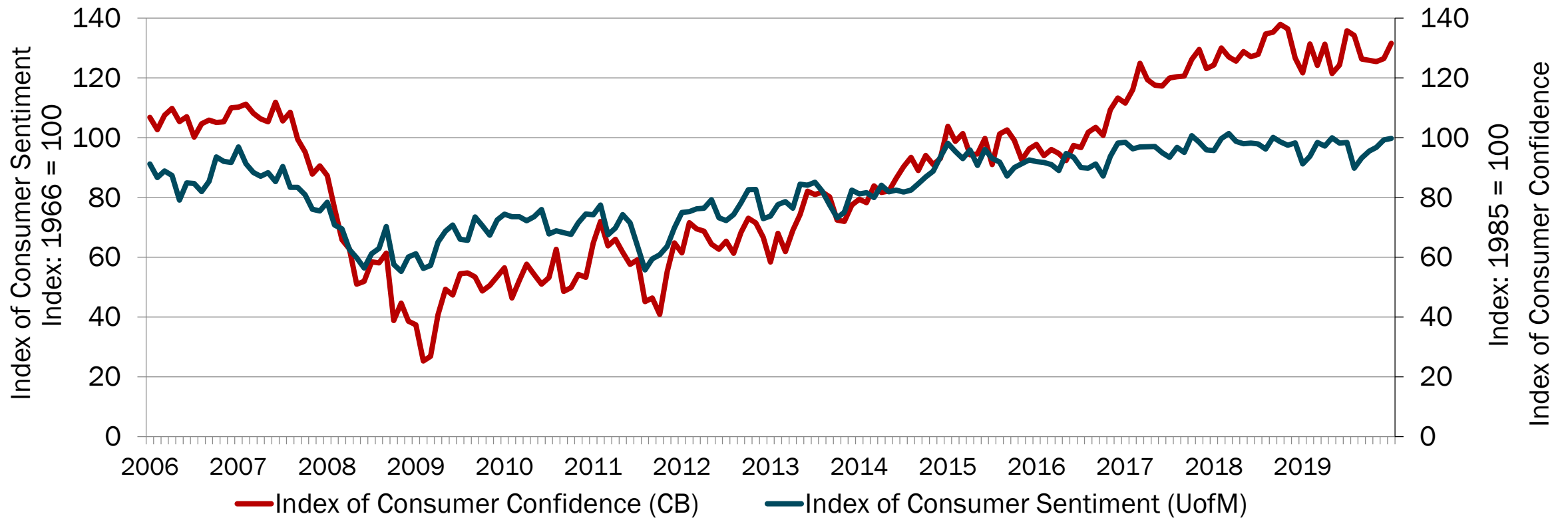
# University of Michigan RSQE national forecast

	2019 (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

## Consumer Confidence

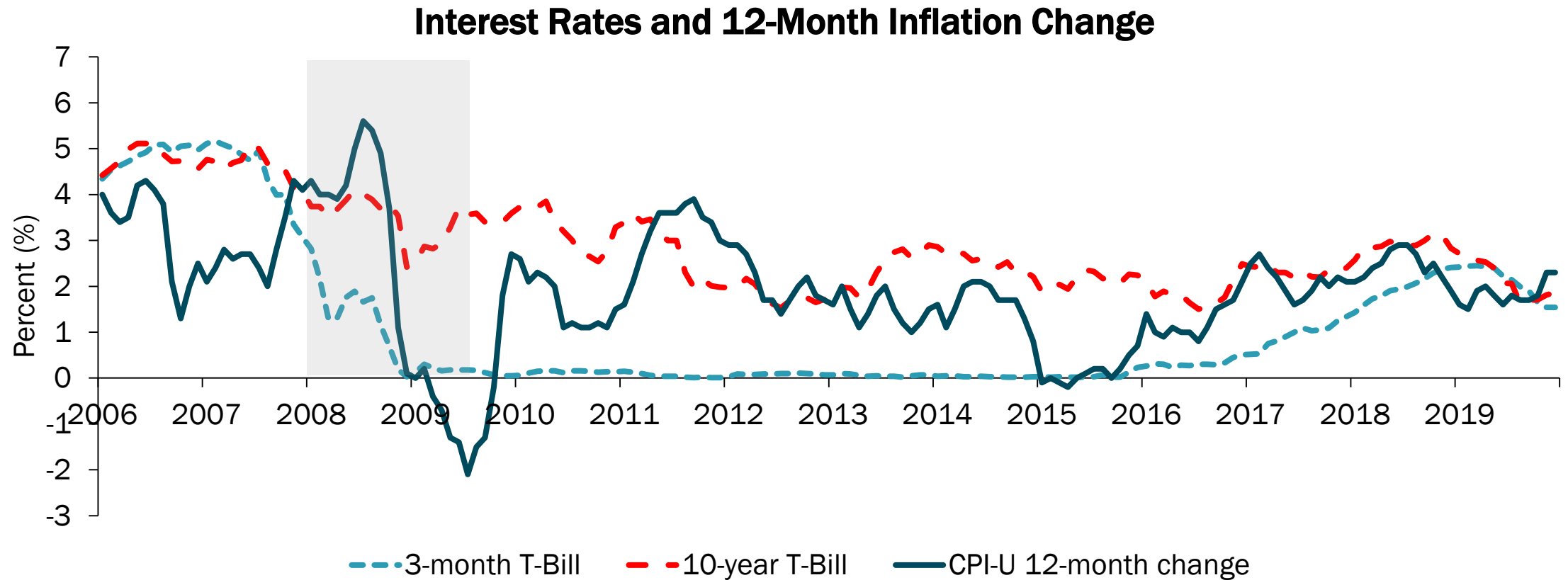


# Moody's predictions of a recession are relatively low: 10% in November

## Likelihood of Being in a Recession in the Next 6 Months



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





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# The Next Recession: What We're Watching

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

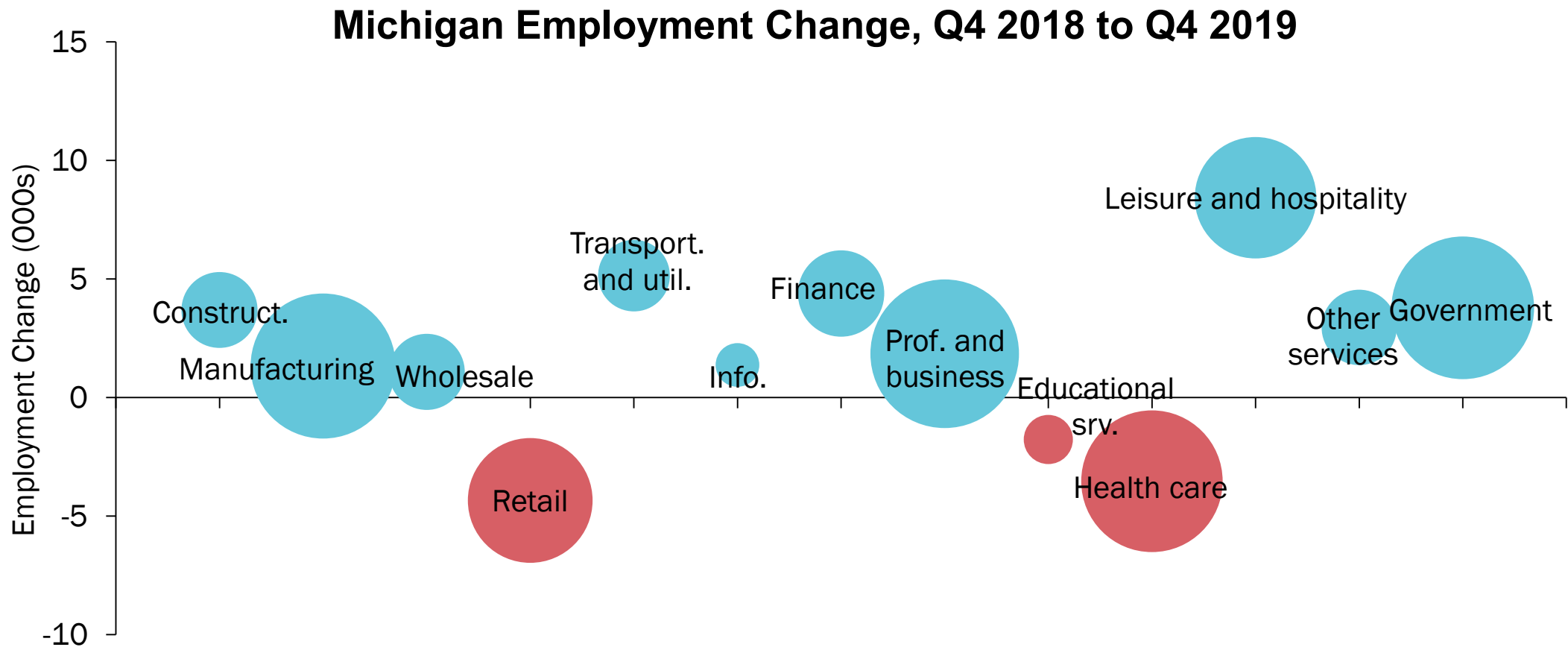
- Trade wars (tariffs and taxes are the same—a cost to consumers)
- Volatility of stock market
- Low interest rates
- Federal debt and deficits
- Tax cuts
- Politics
- Global Pandemics

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



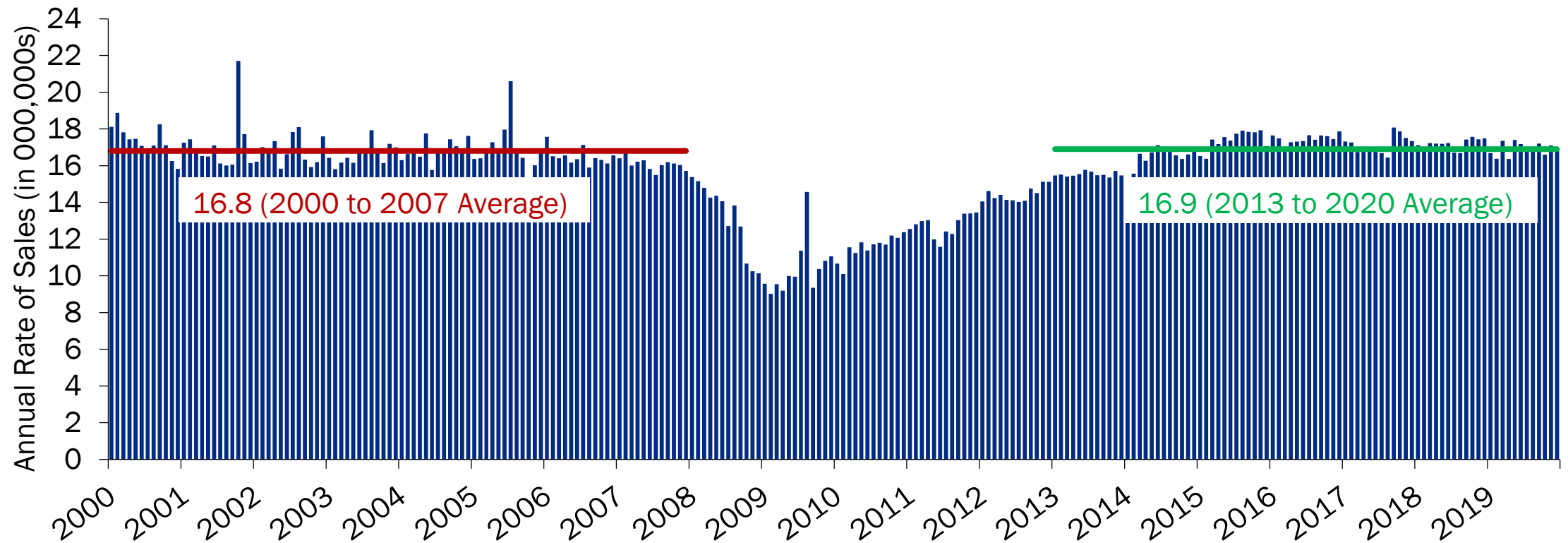
# Michigan

# 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

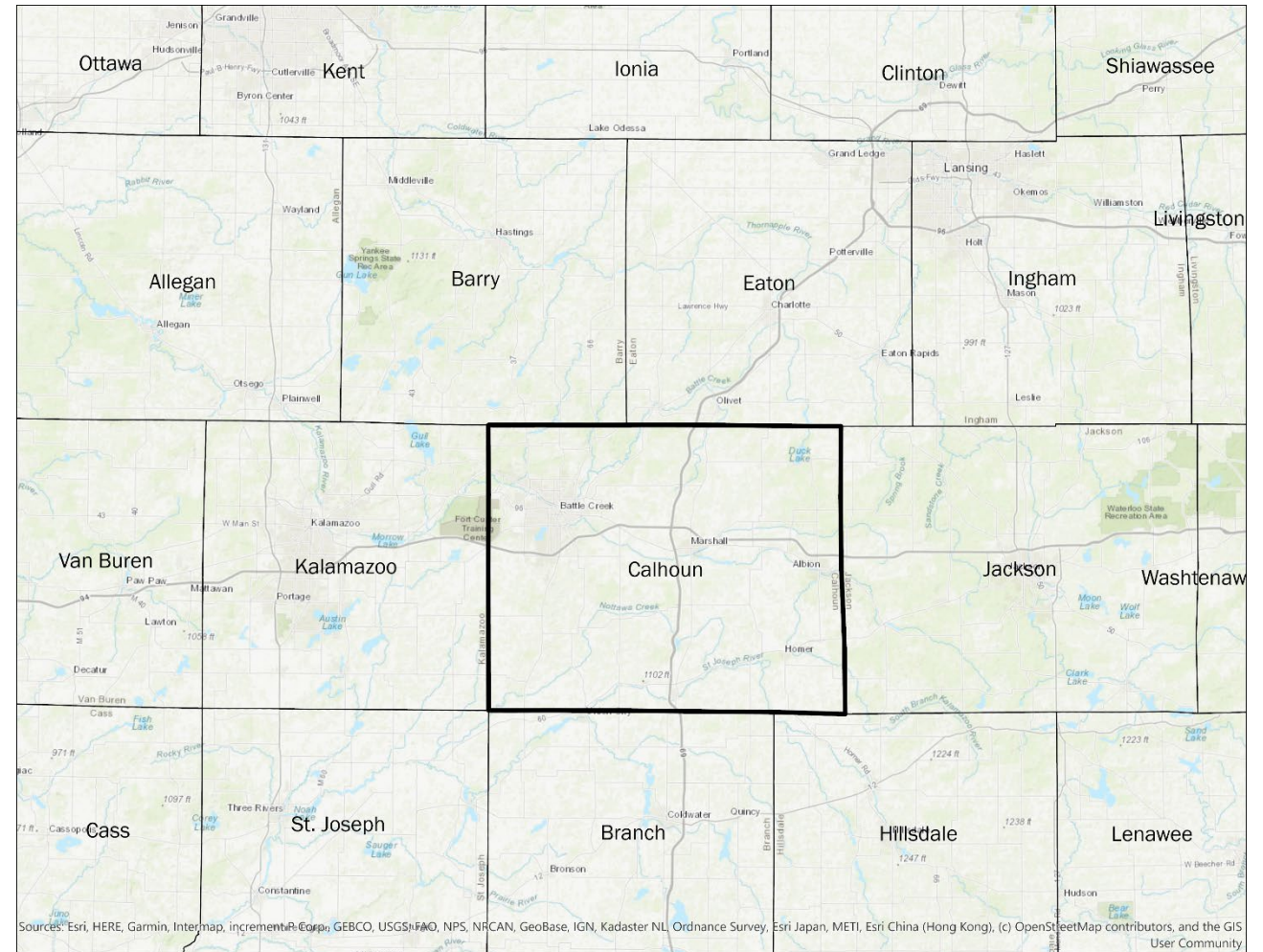
	2019 (Forecast)	2020 (Forecast)	2021 (Forecast)
Employment Change	23,300 (.99%)	29,000 (.64%)	25,900 (.42%)
Manufacturing Employment Change (Workers)	2,100 (.33%)	2,000 (.32%)	1,600 (.25%)
Unemployment Rate	4.1%	3.9%	3.7%
Labor Force Participation Rate	61.9%	61.7%	61.7%



# Regional Conditions: Battle Creek MSA

# The Battle Creek Metropolitan Statistical Area

- Calhoun County

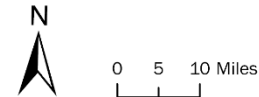
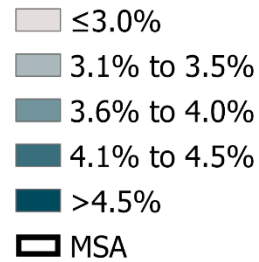


# Unemployment rates are between 2.3% and 4.7% for counties in West Michigan

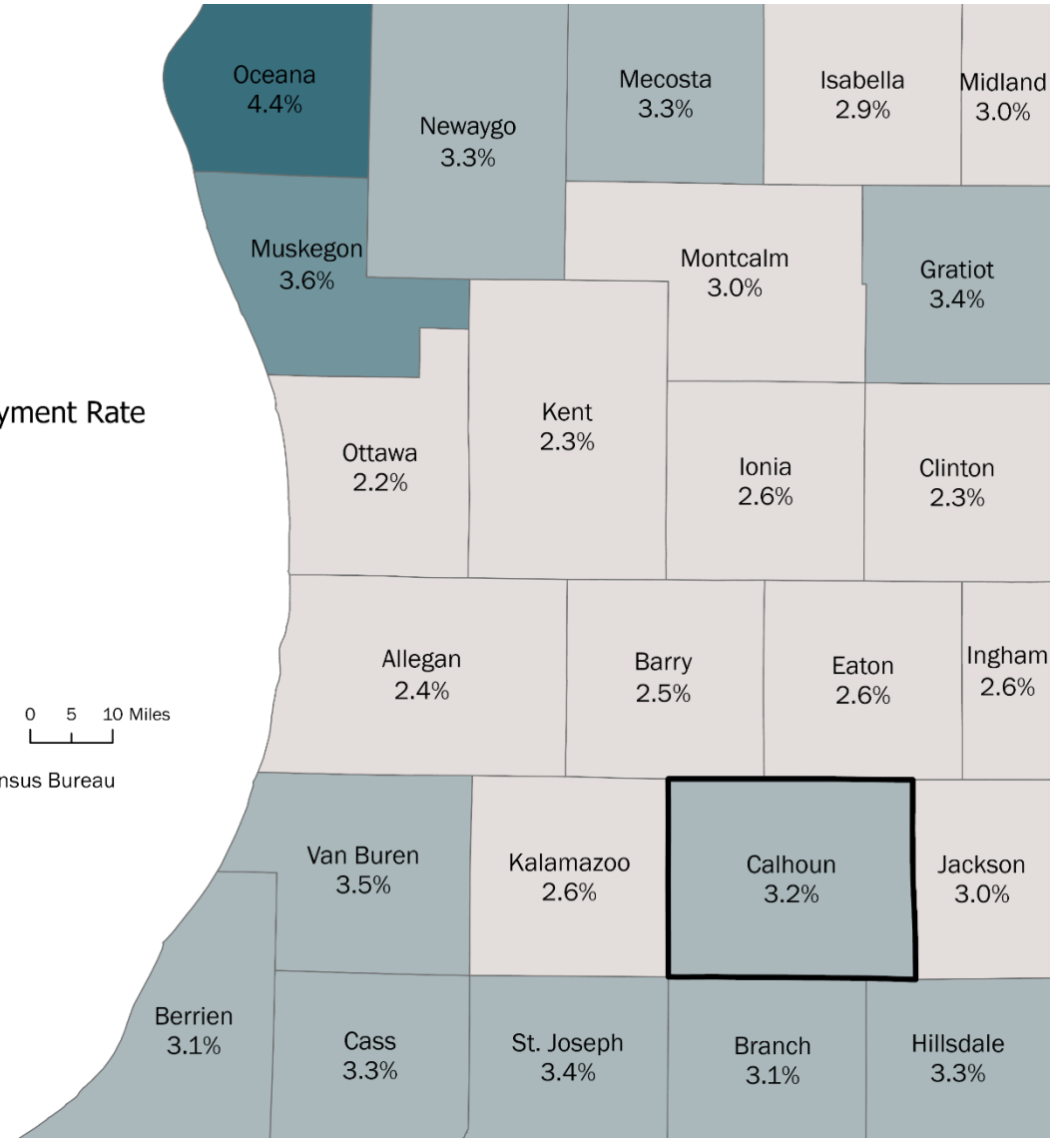
The MSA is at full employment

Michigan's rate is 4.0% (November 2019)

Southwest Michigan Unemployment Rate  
November 2019



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



**The labor force participation rate in Calhoun county is 58.5%**

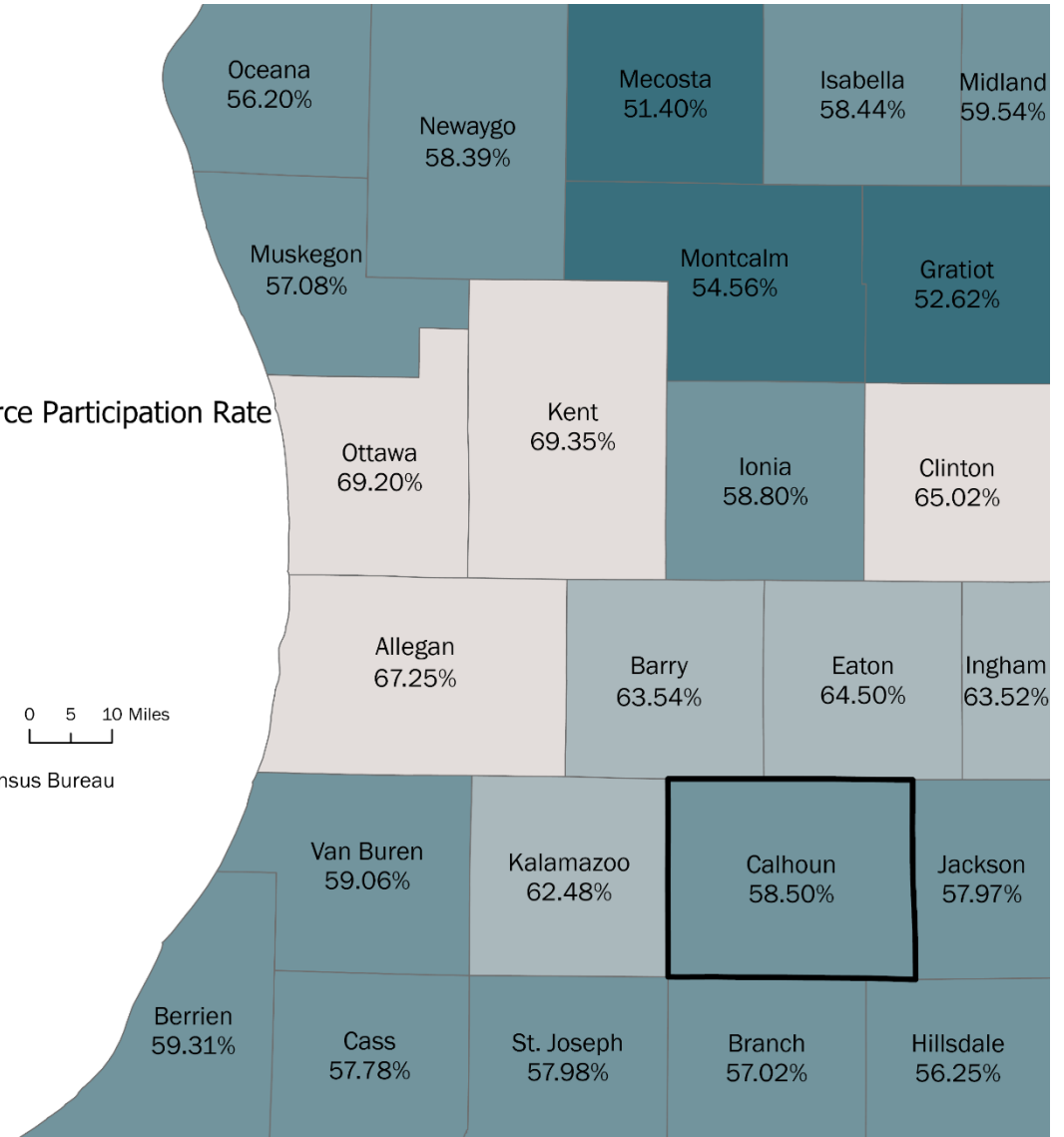
**Michigan's rate is 61.7% (November 2019)**

Southwest Michigan Labor Force Participation Rate  
November 2019

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

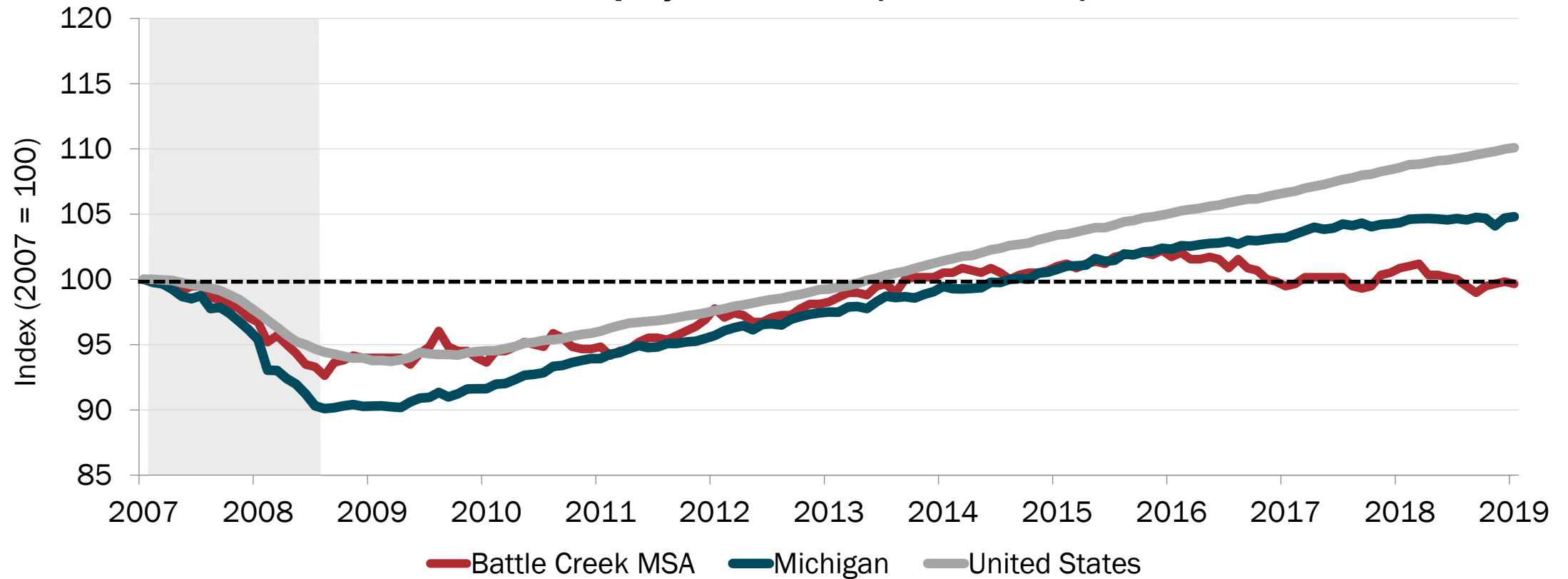


Source: Bureau of Labor Statistics, U.S. Census Bureau

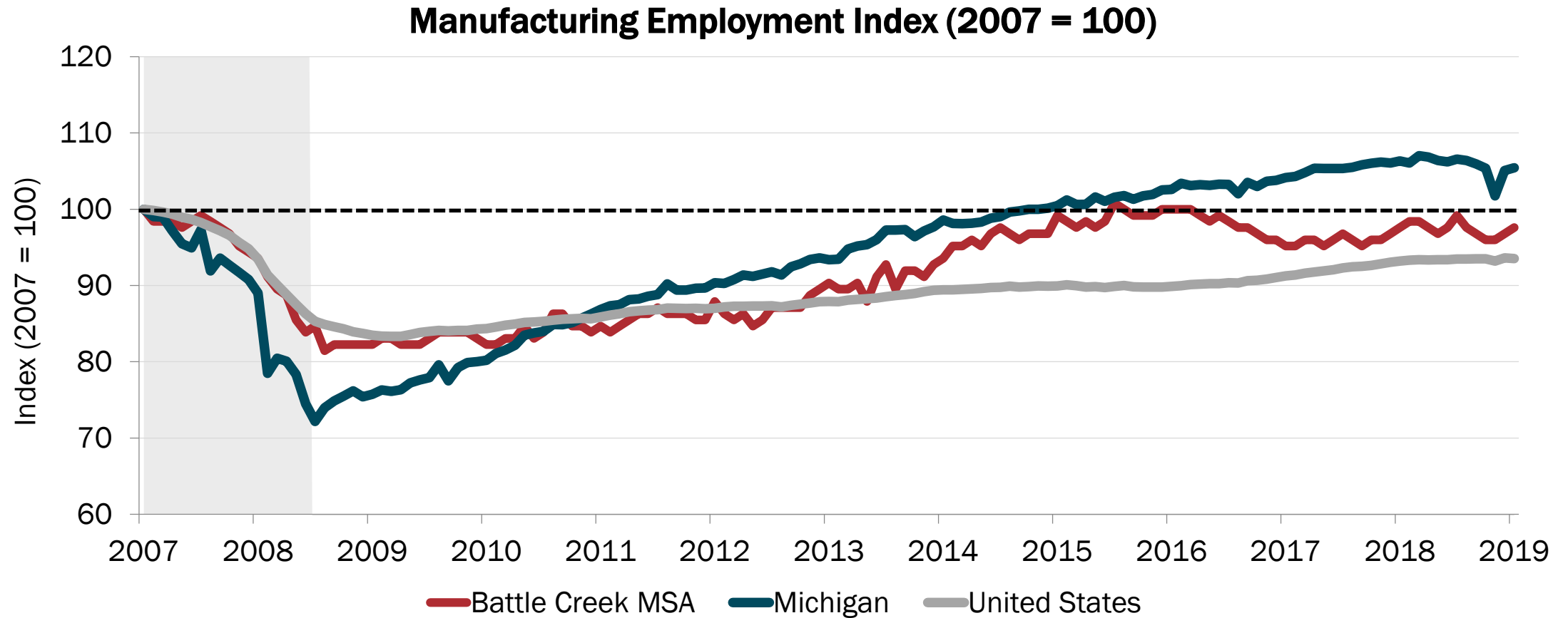


# Total Employment in the MSA continues to be just above pre-recession levels

Nonfarm Employment Index (2007 = 100)

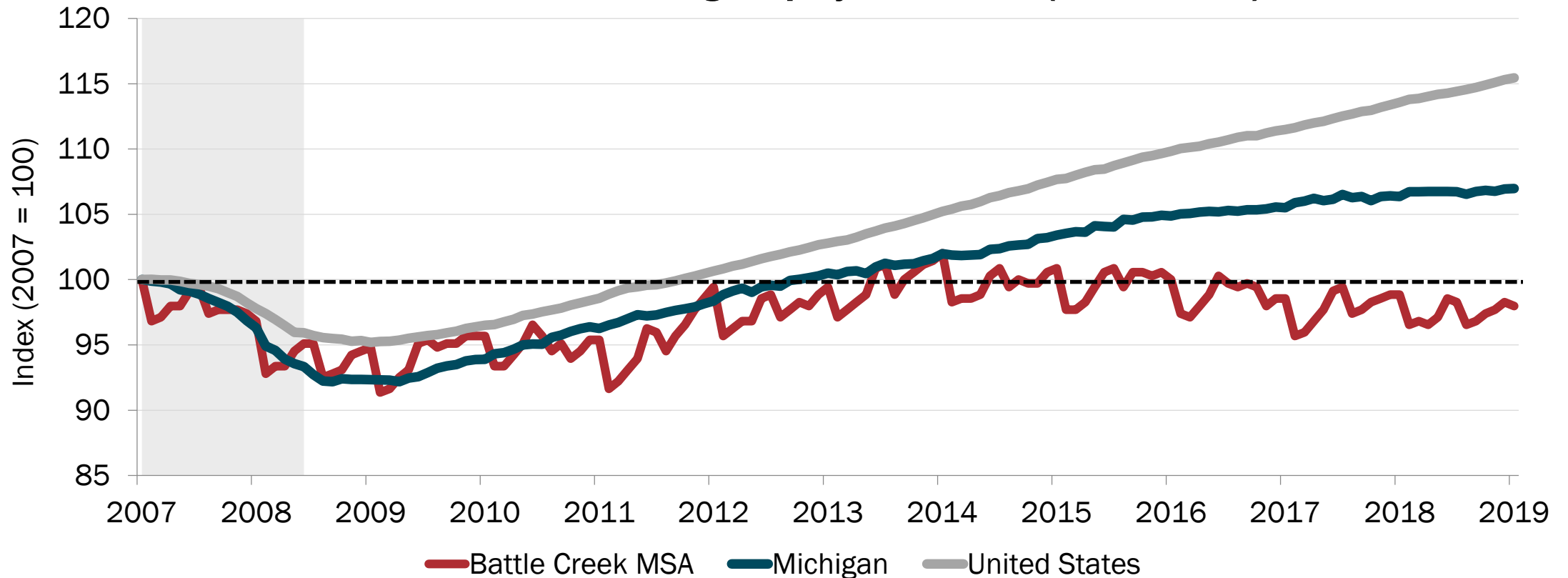


# Battle Creek manufacturing growth is trending above the nation



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

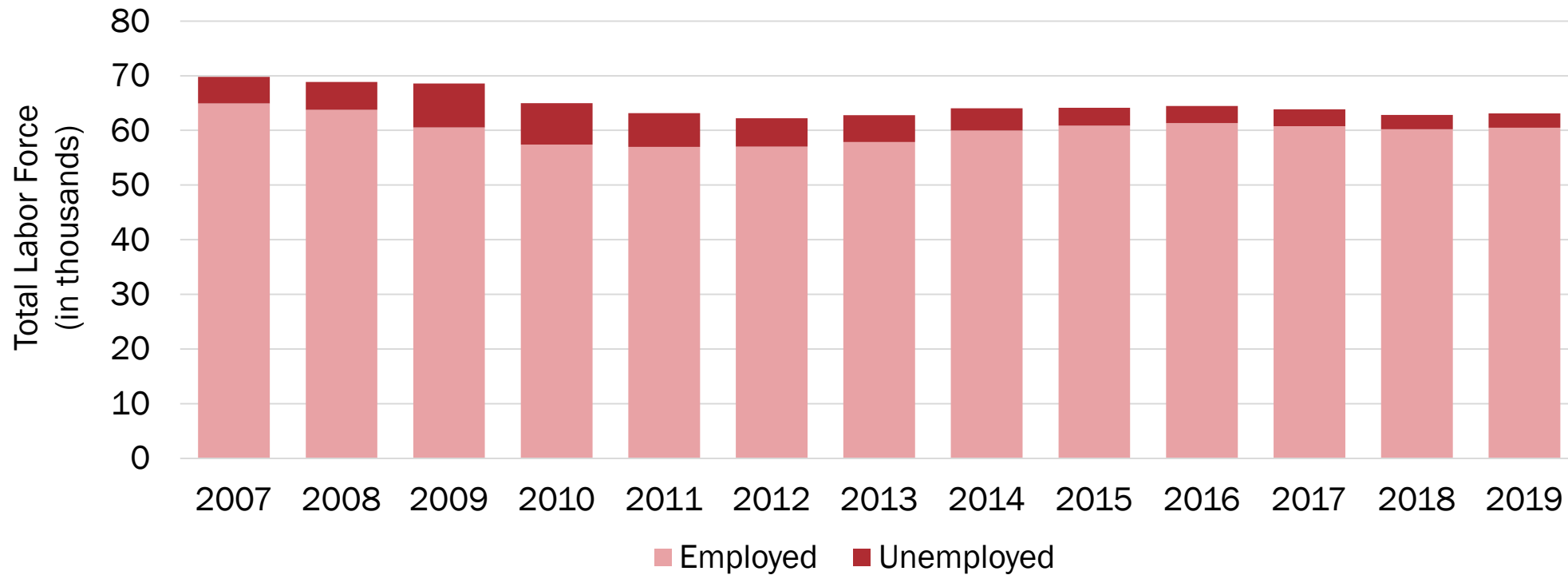
Private Services Providing Employment Index (2007 = 100)





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

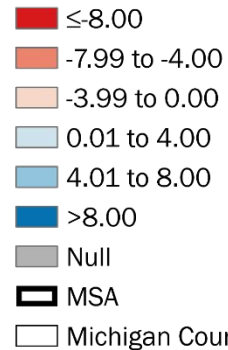
Total Labor Force: Battle Creek Metro Area



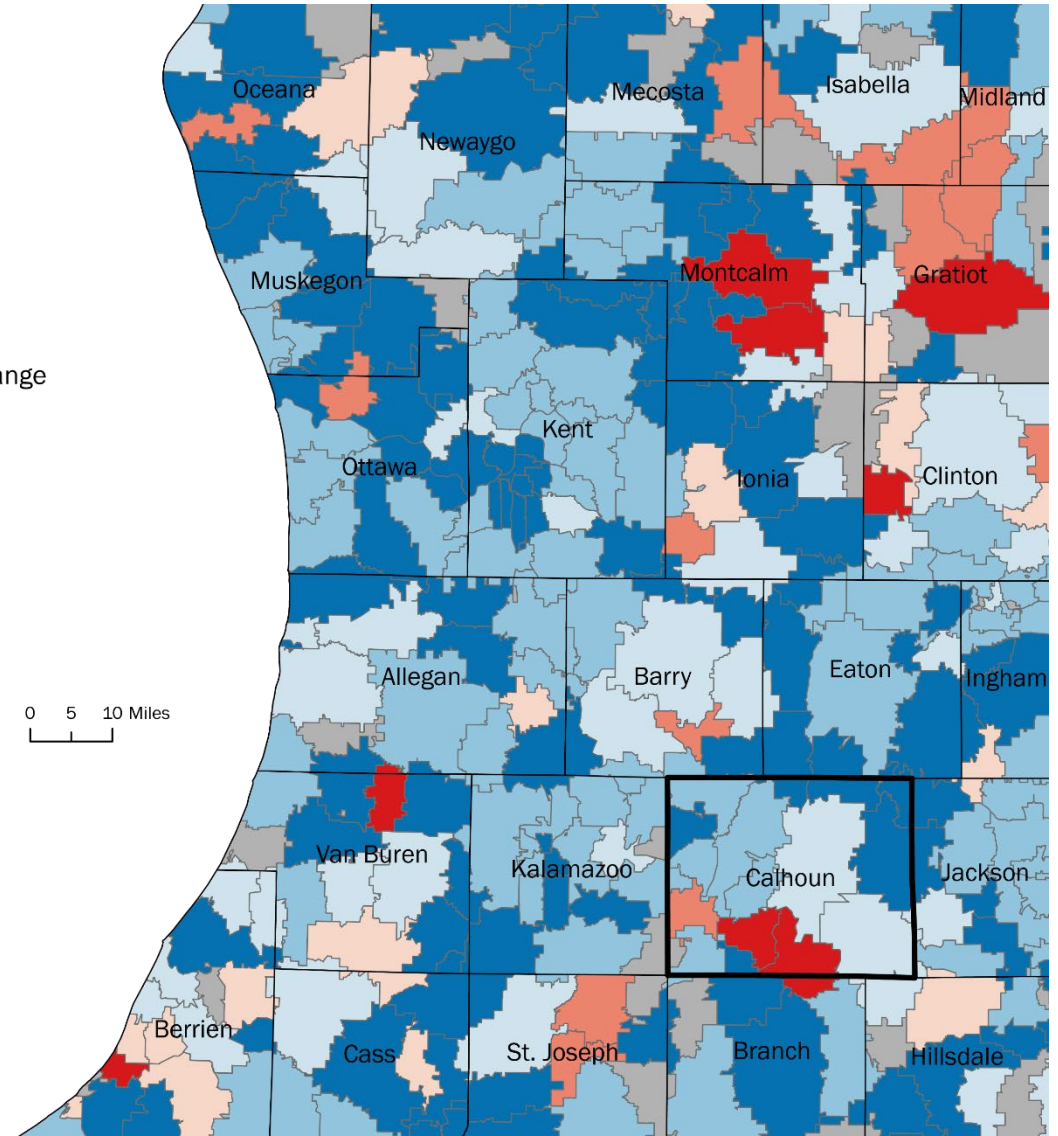
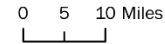
# Housing values continue to rise.

# But the pace continues to decelerate nationally

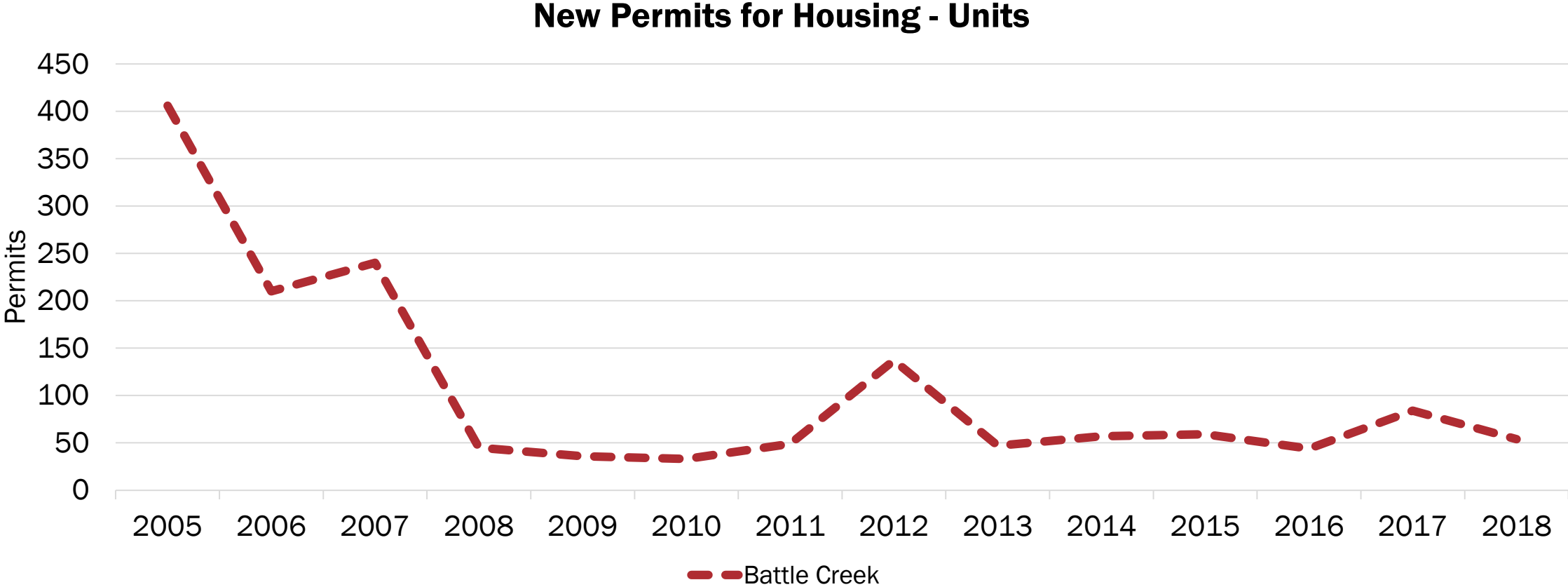
Housing Price Index Change  
2017 to 2018 Annual Percent Change



Source: Federal Housing Finance Agency

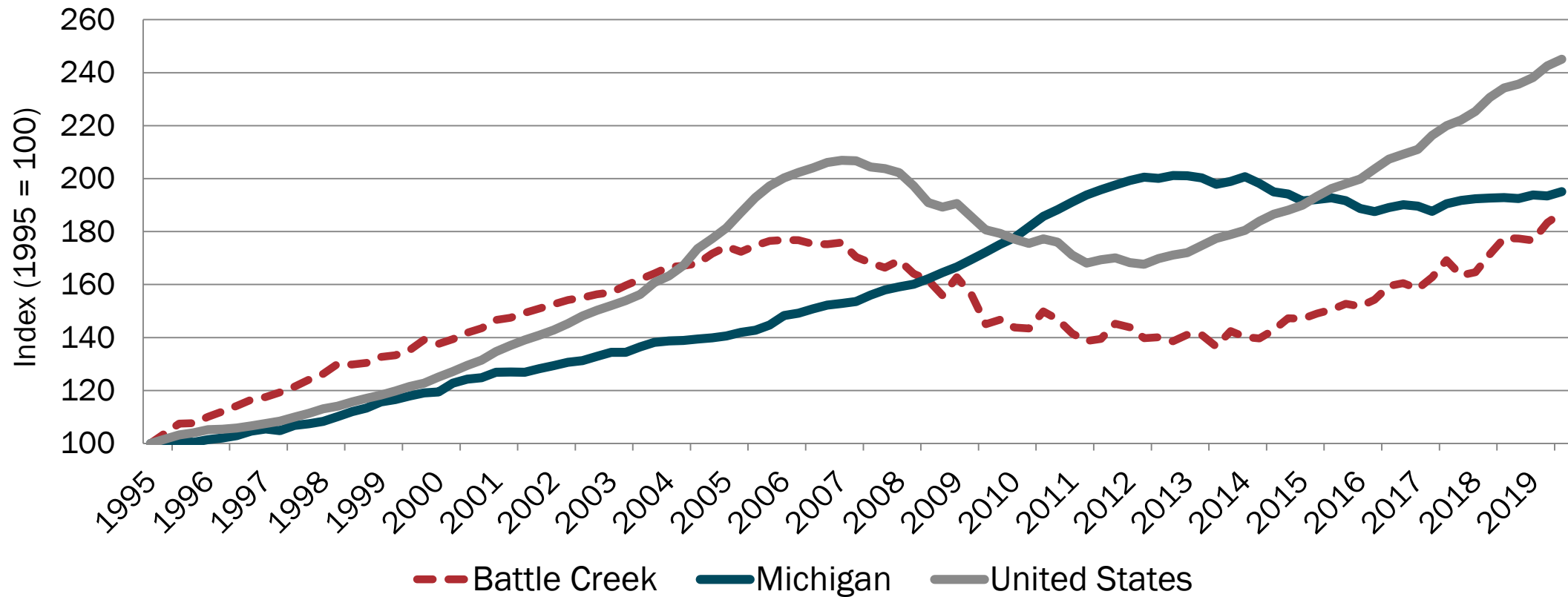


# New construction has remained relatively flat



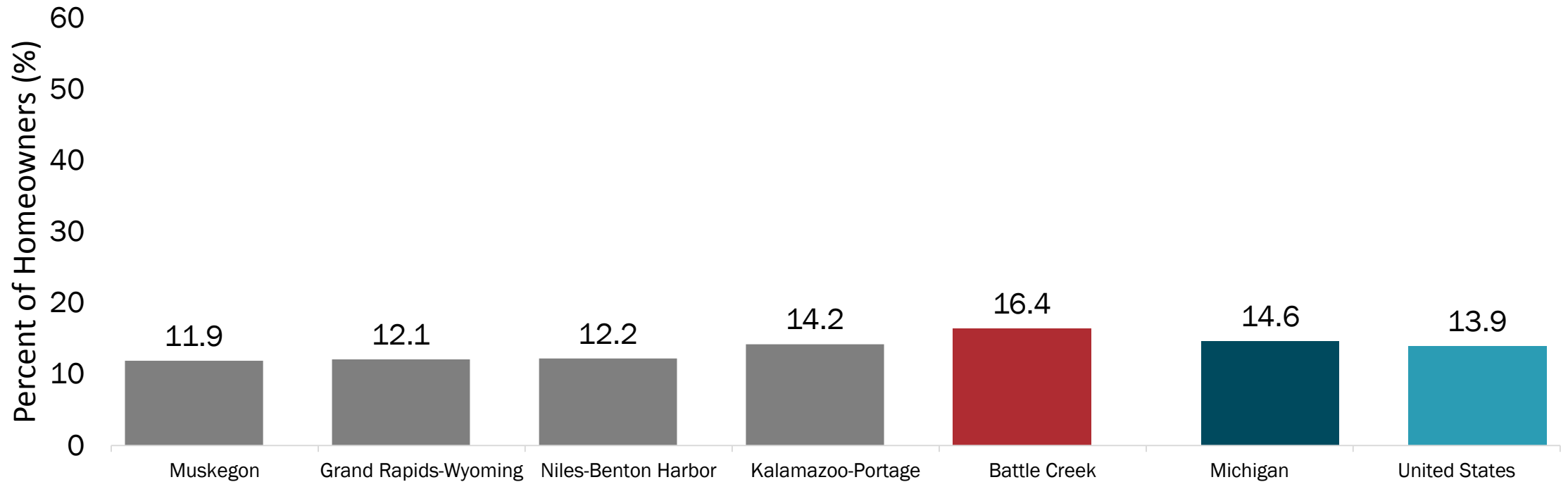
# Housing prices are rising more quickly than the State of Michigan

Housing Price Index (1995=100)



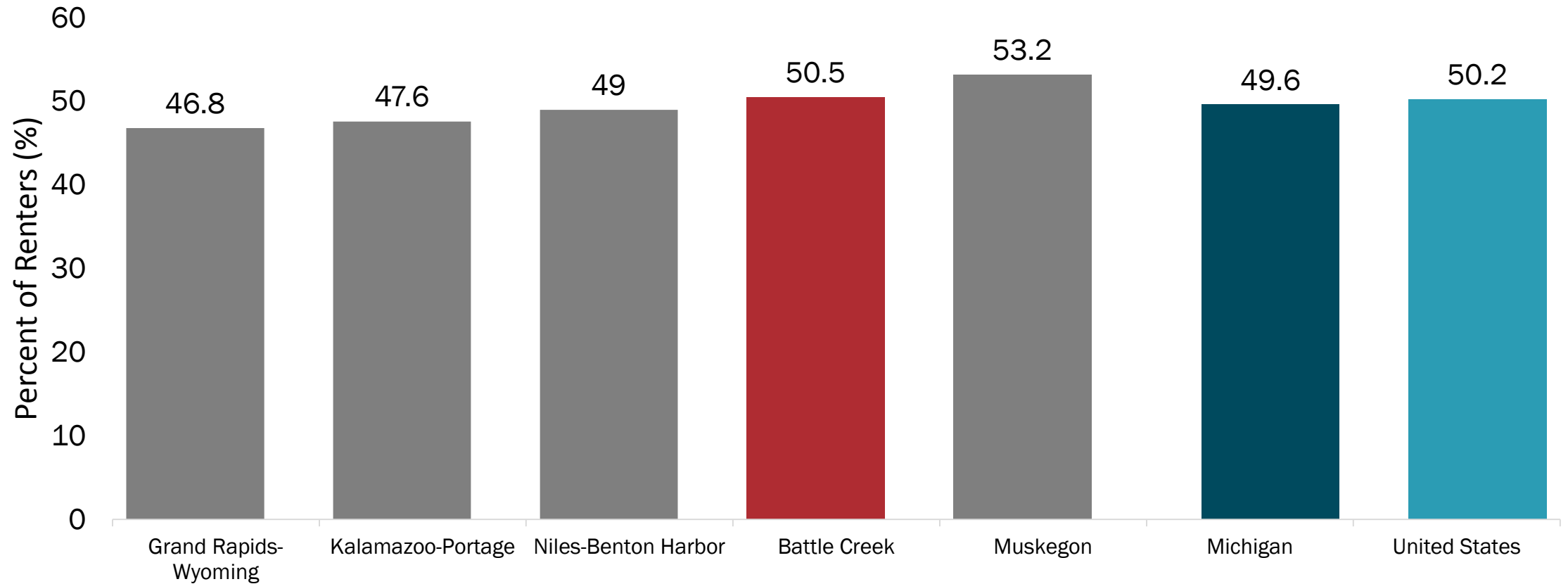
# There are concerns when housing costs exceed 30% of household income

Percent of Homeowners Paying 30% or More



# Would more housing help?

Percent of Renters Paying 30% or More



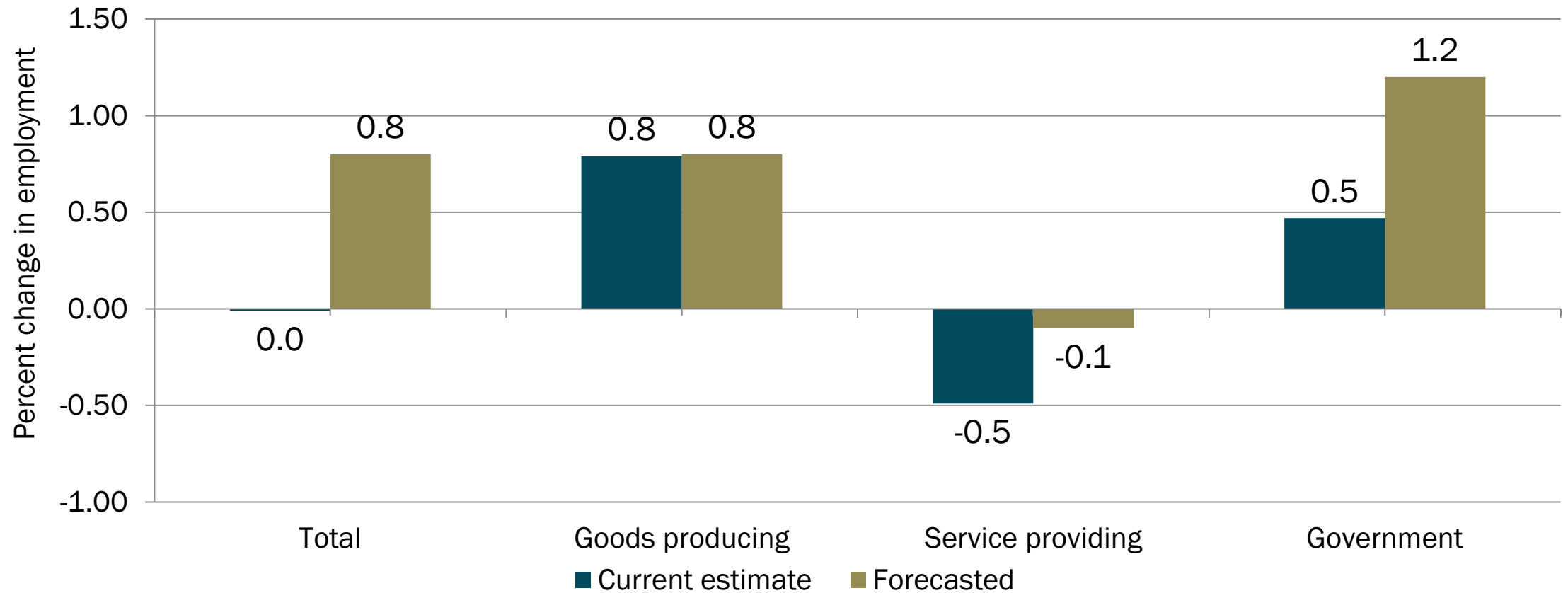


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**How did we do last year?**

# Review of last year's forecast

## Annual Percent Change in Employment



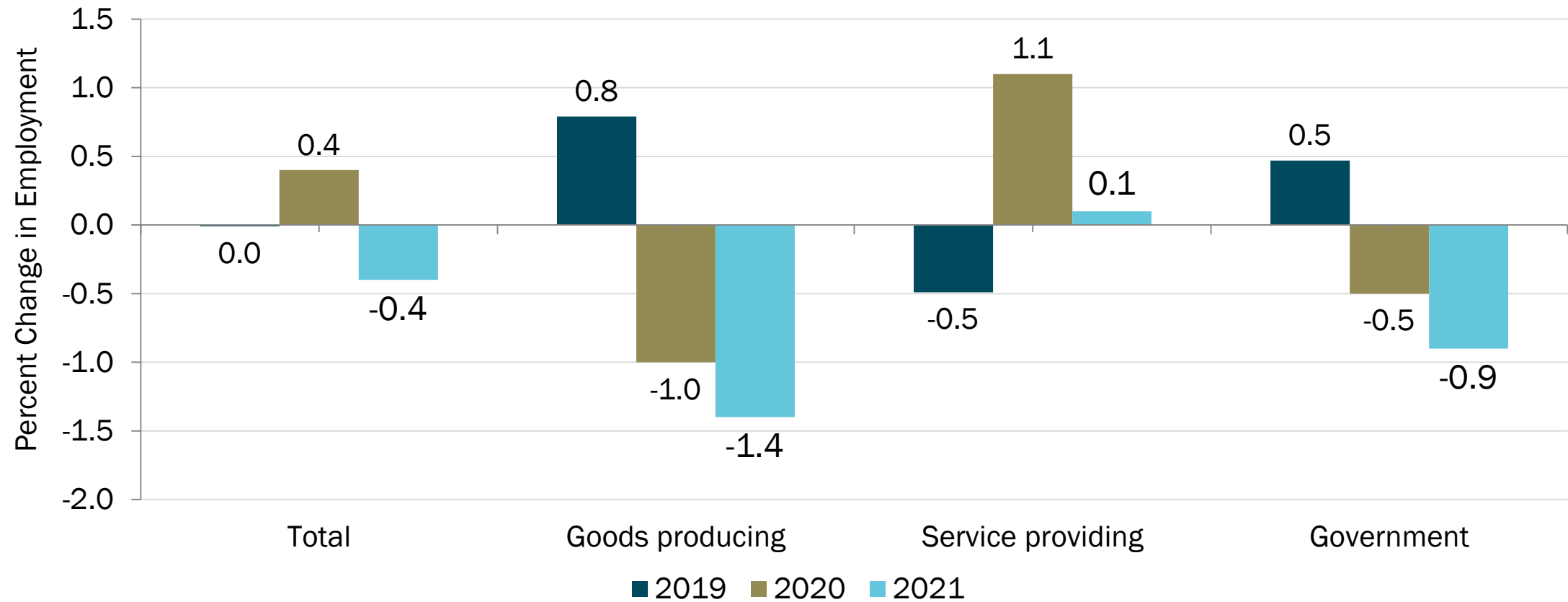




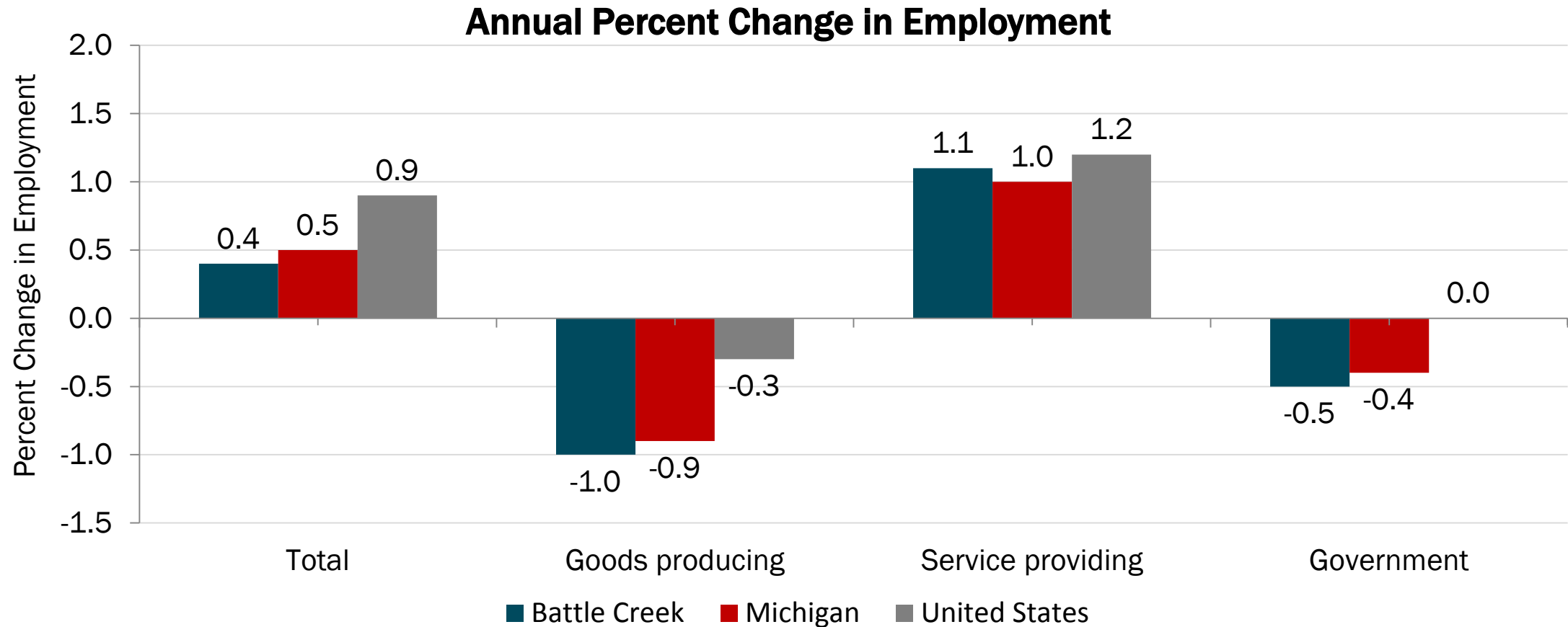
# Our View of 2020 & 2021

# Battle Creek MSA 2020–2021 employment forecast

## Annual Percent Change in Employment

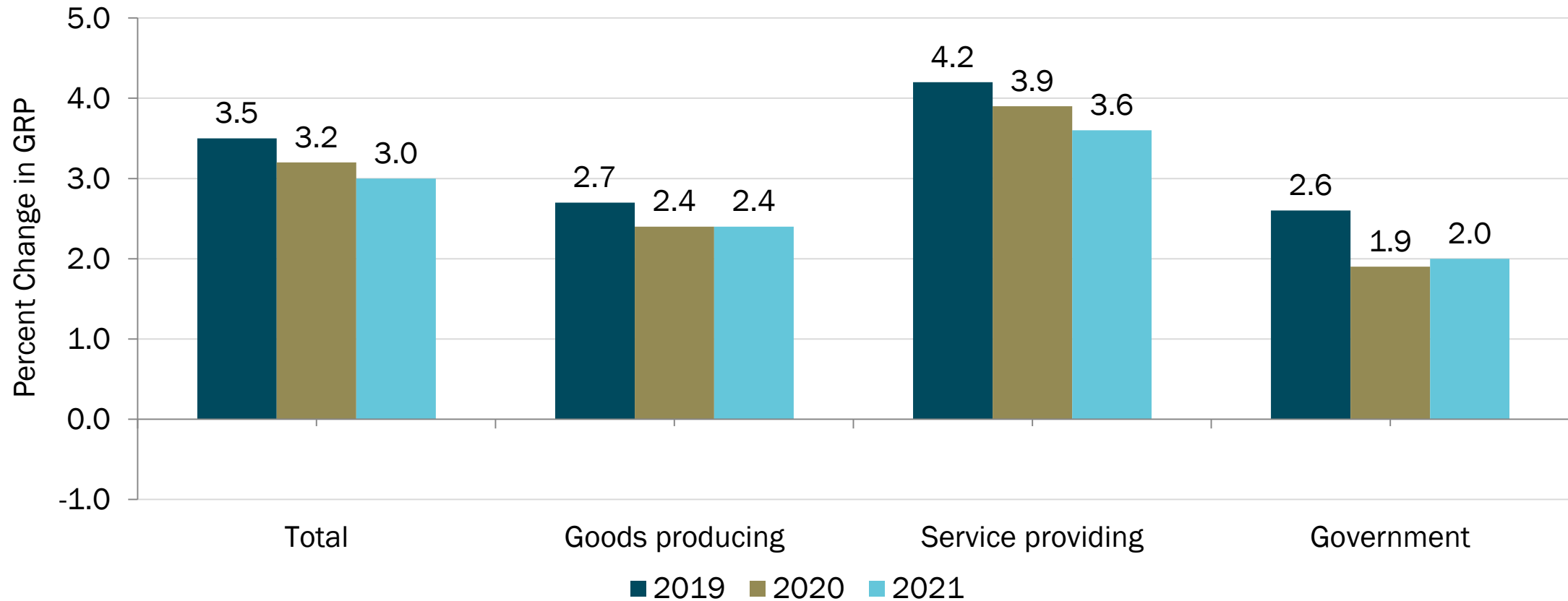


# Battle Creek MSA, state, & national 2020 employment forecast



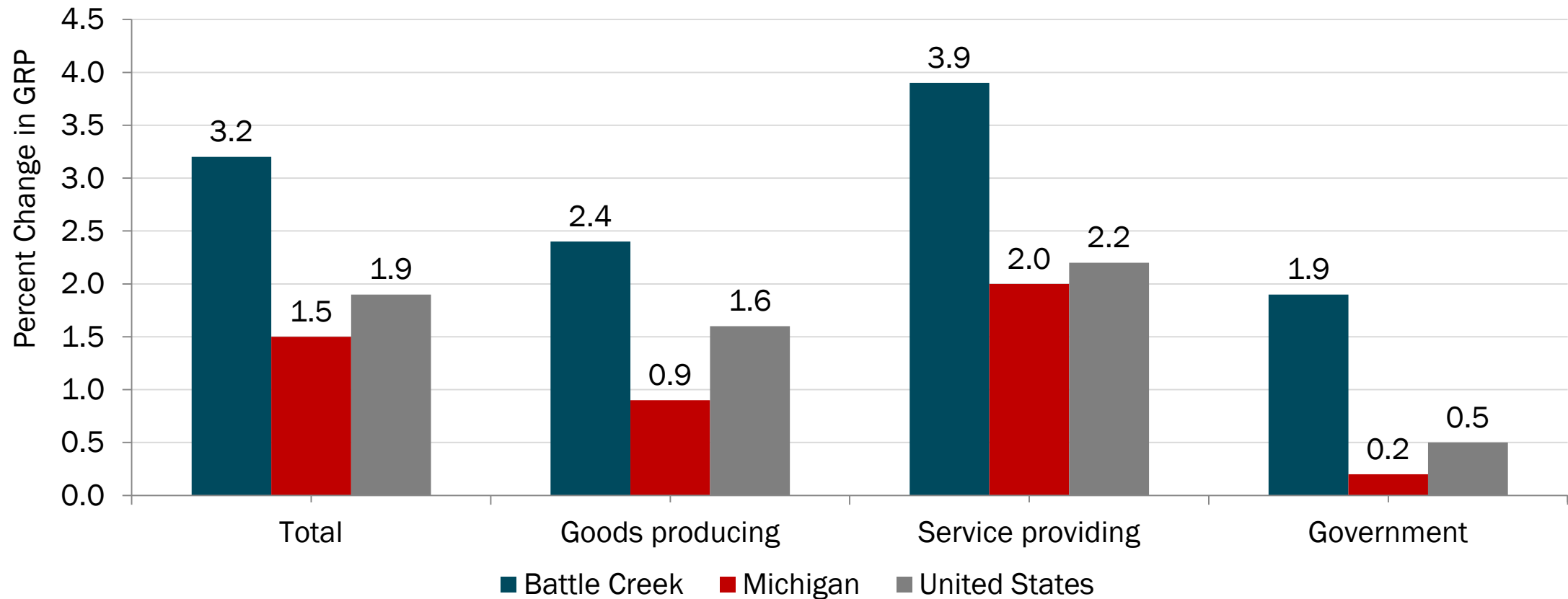
# REMI Battle Creek MSA 2020–2021 GRP forecast

## Annual Percent Change in GRP



# Battle Creek MSA, state, & national 2020 GRP forecast

## Annual Percent Change in GRP



# Questions?

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