

2021 Economic Outlook: West Michigan

A presentation to
Kalamazoo Rotary

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W.E. Upjohn Institute for Employment Research

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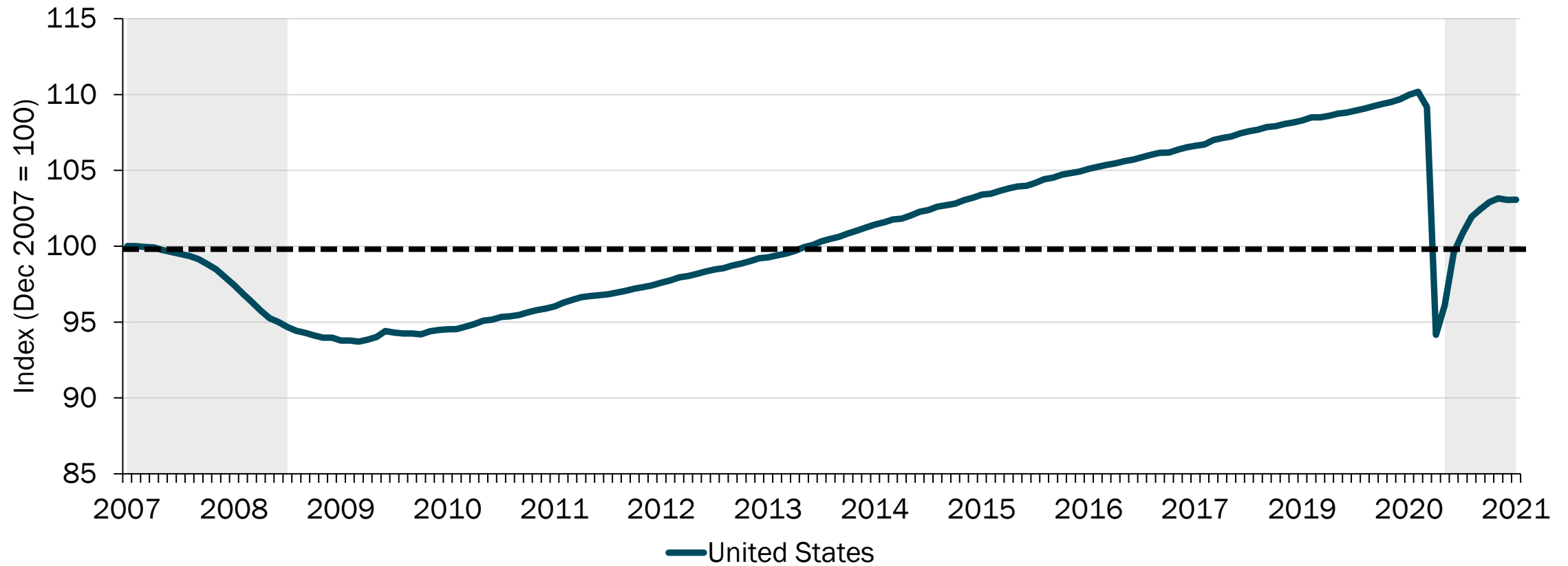
MISSION:

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National Economy

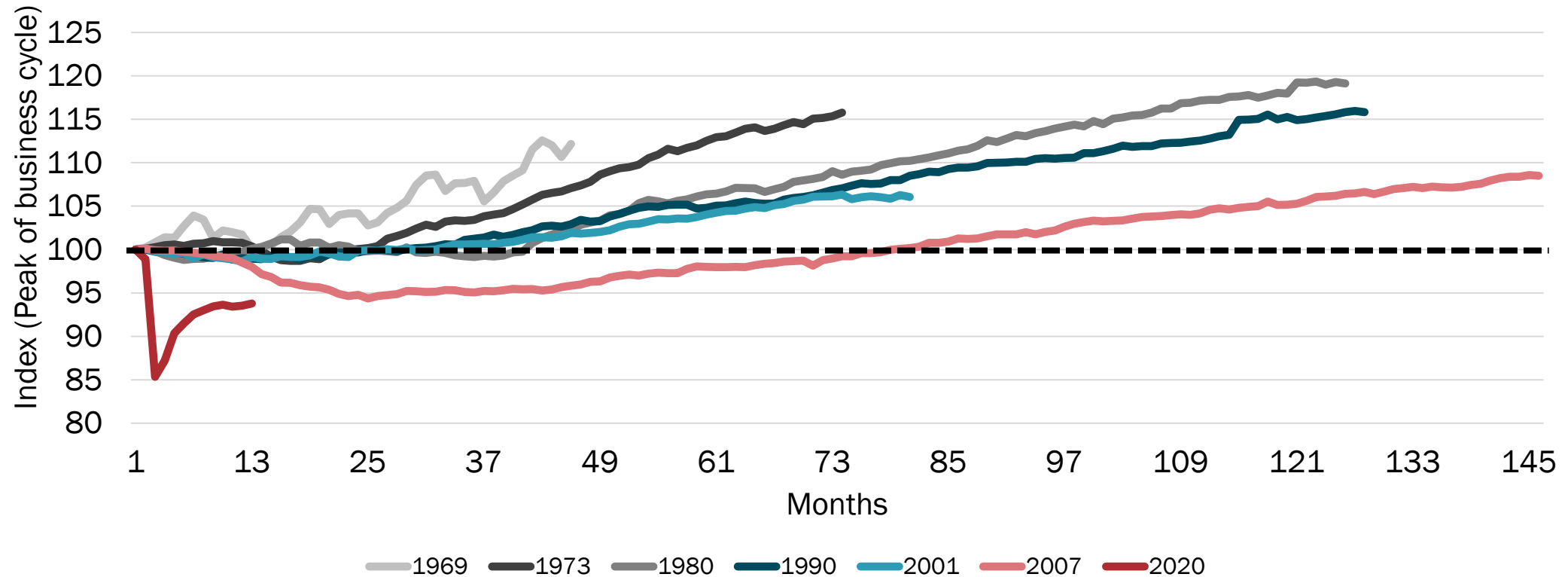
Employment is higher than December 2007, but not fully recovered

Nonfarm Employment Index

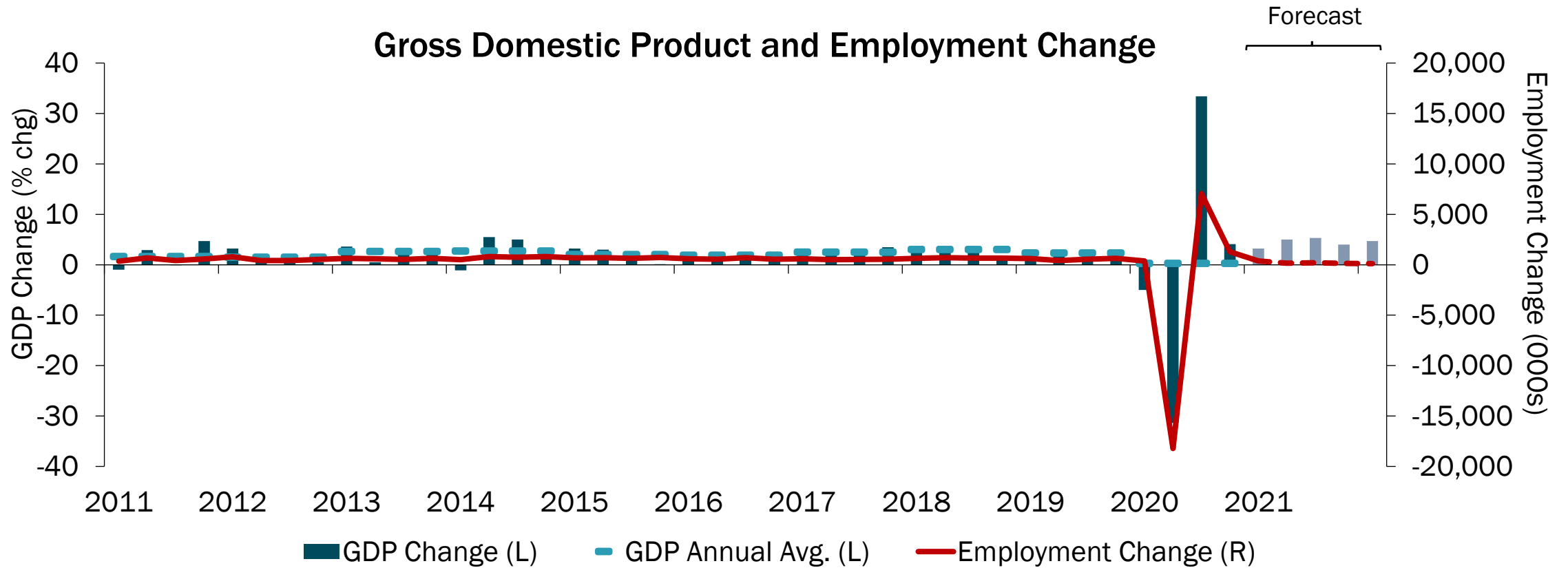


Employment growth has been slow in recent recessions

Peak to peak of national business cycles since 1969
(seasonally adjusted)



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

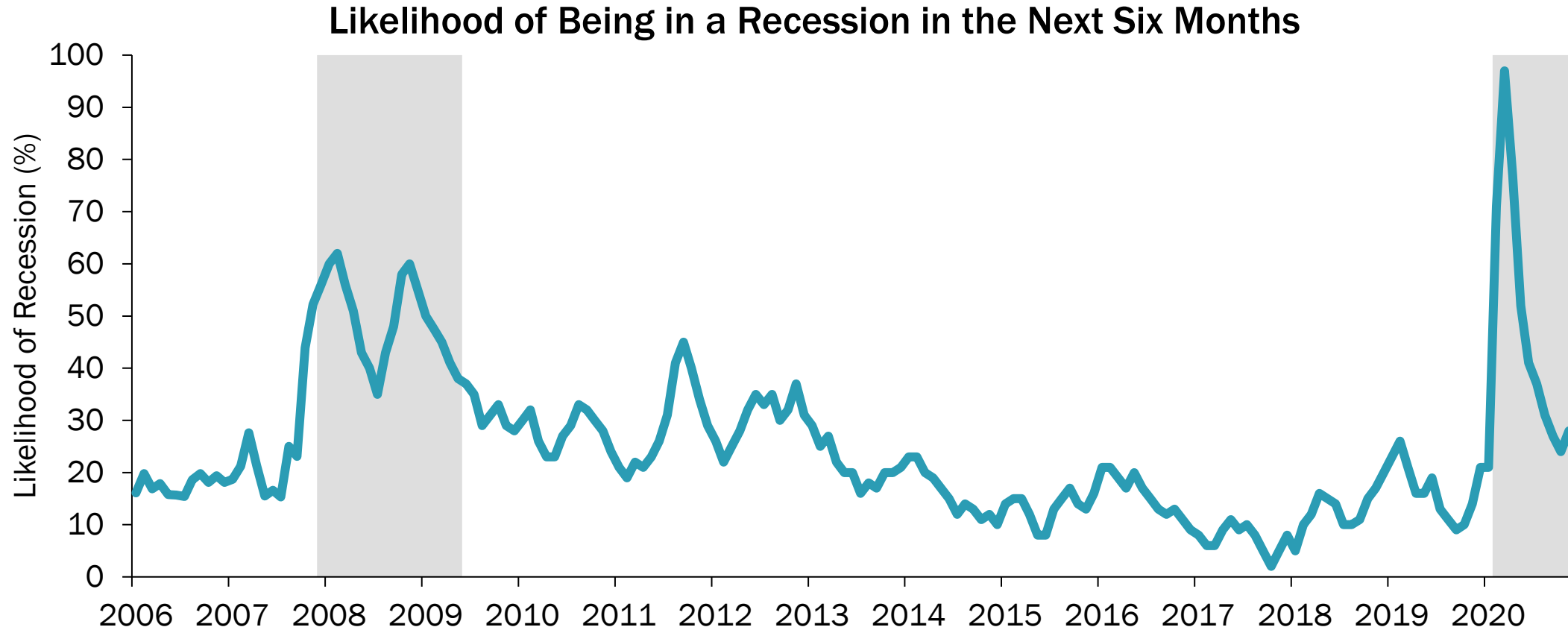


University of Michigan/RSQE February* national forecast:

Note that these estimates are annualized

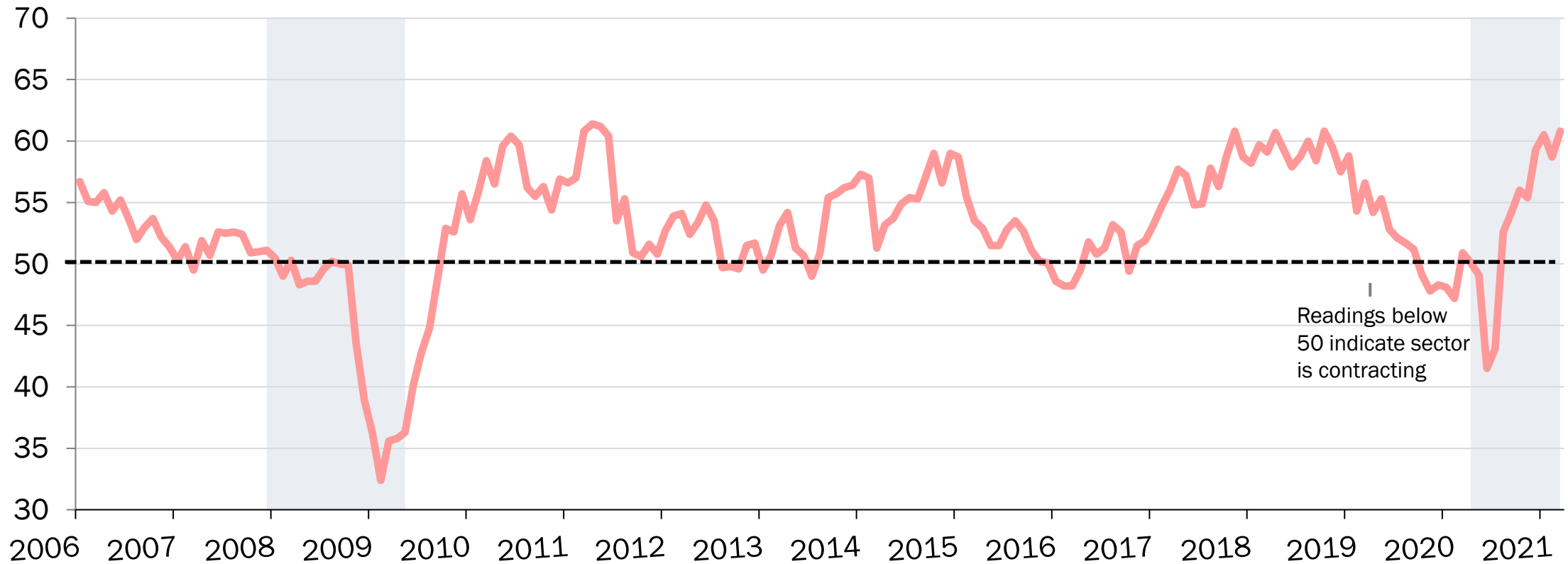
	2020	2021 (Forecast)	2022 (Forecast)
GDP	-3.5%	7.1%	6.1%
Employment	-5.9%	2.4%	3.6%
Light Vehicle Sales (Millions)	14.4	16.5	16.8
Unemployment Rate	8.1%	5.8%	4.8%
Housing Starts (Millions)	1.40	1.61	1.66
CPI/Inflation	1.2%	2.3%	2.1%

Moody's predictions of a recession are trending downward: 28% in December



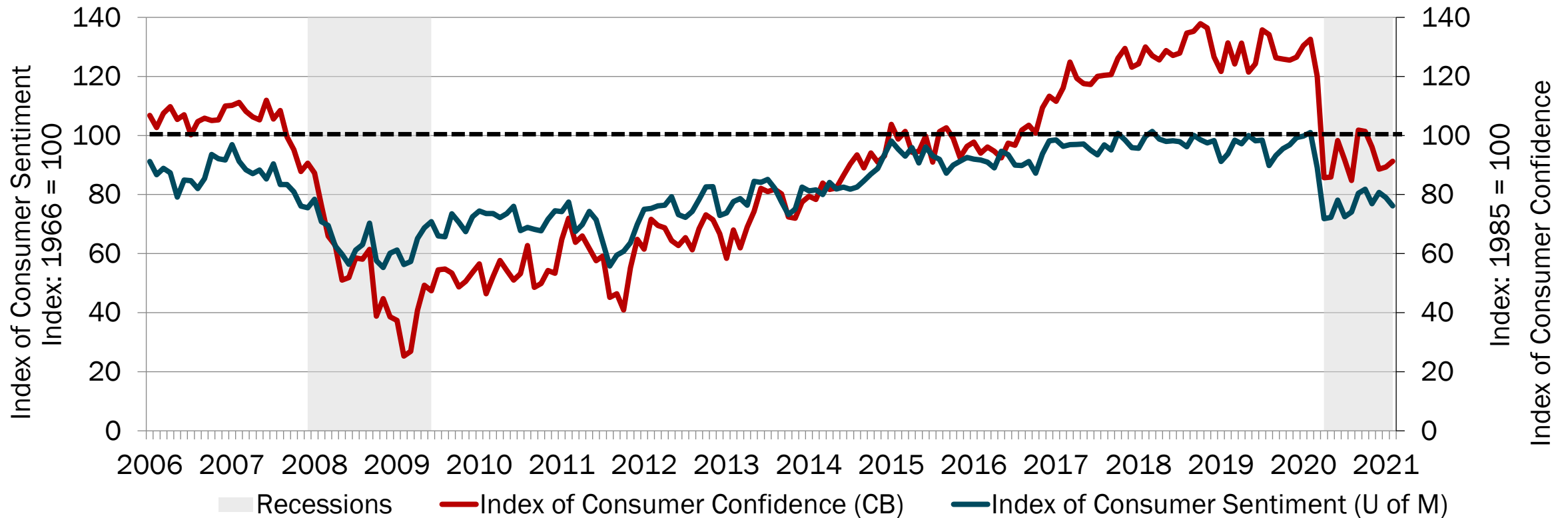
National PMI stood at 60.8% in February, indicating that the manufacturing sector is expanding

Purchasing Managers Index - National



Consumer confidence and sentiment are bouncing around after falling precipitously between February and April

Consumer Confidence



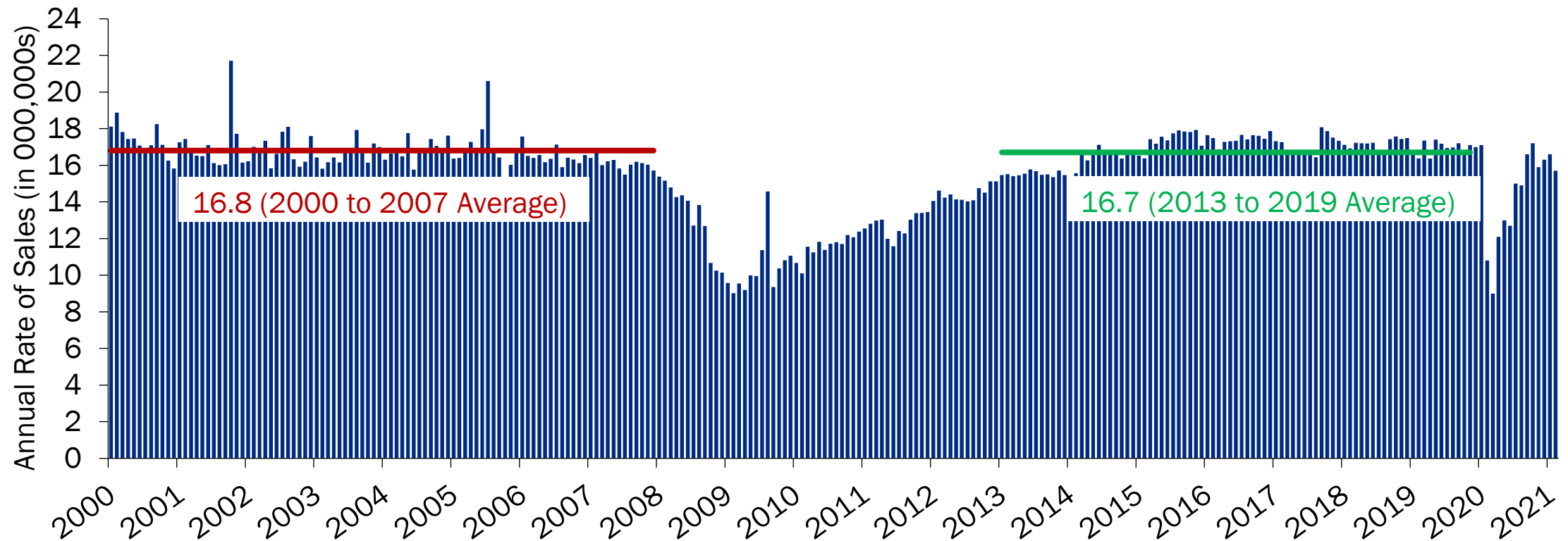
Michigan Economy

University of Michigan RSQE current* state forecast

	2020	2021 (Forecast)	2022 (Forecast)
Employment Change (thousands)	-350.75 (-7.4%)	172.6 (+3.9%)	88.3 (+1.9%)
Manufacturing Employment Change (thousands)	-67.0 (-10.7%)	23.74 (+4.2%)	19.49 (+3.3%)
Unemployment Rate	9.8%	6.8%	5.2%
Labor Force Participation Rate	60.3%	61.2%	60.6%

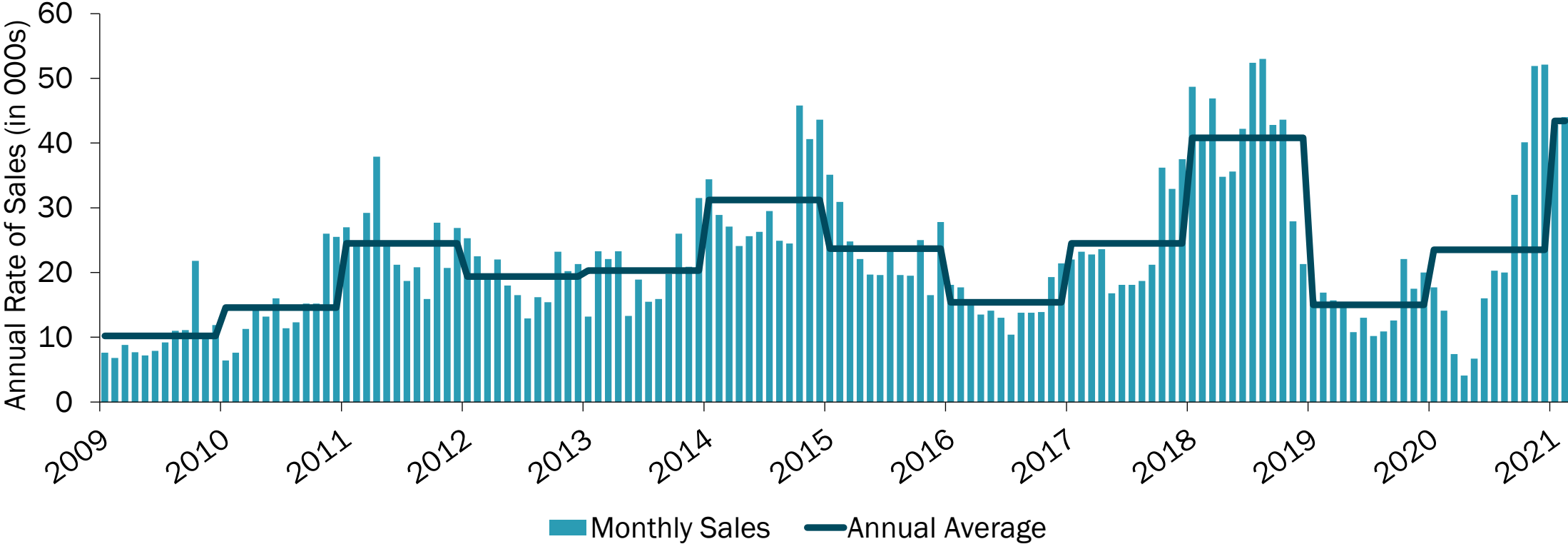
Light vehicle sales are doing relatively well, but will supply chain issues and affordability affect supply and demand?

Annualized Rate of U.S. Light Vehicle Sales (In Millions)



Class 8 Truck Orders reach highest level since 2019

Class 8 Truck Orders

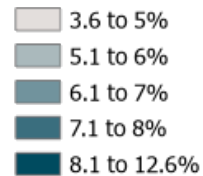


Michigan unemployment rate

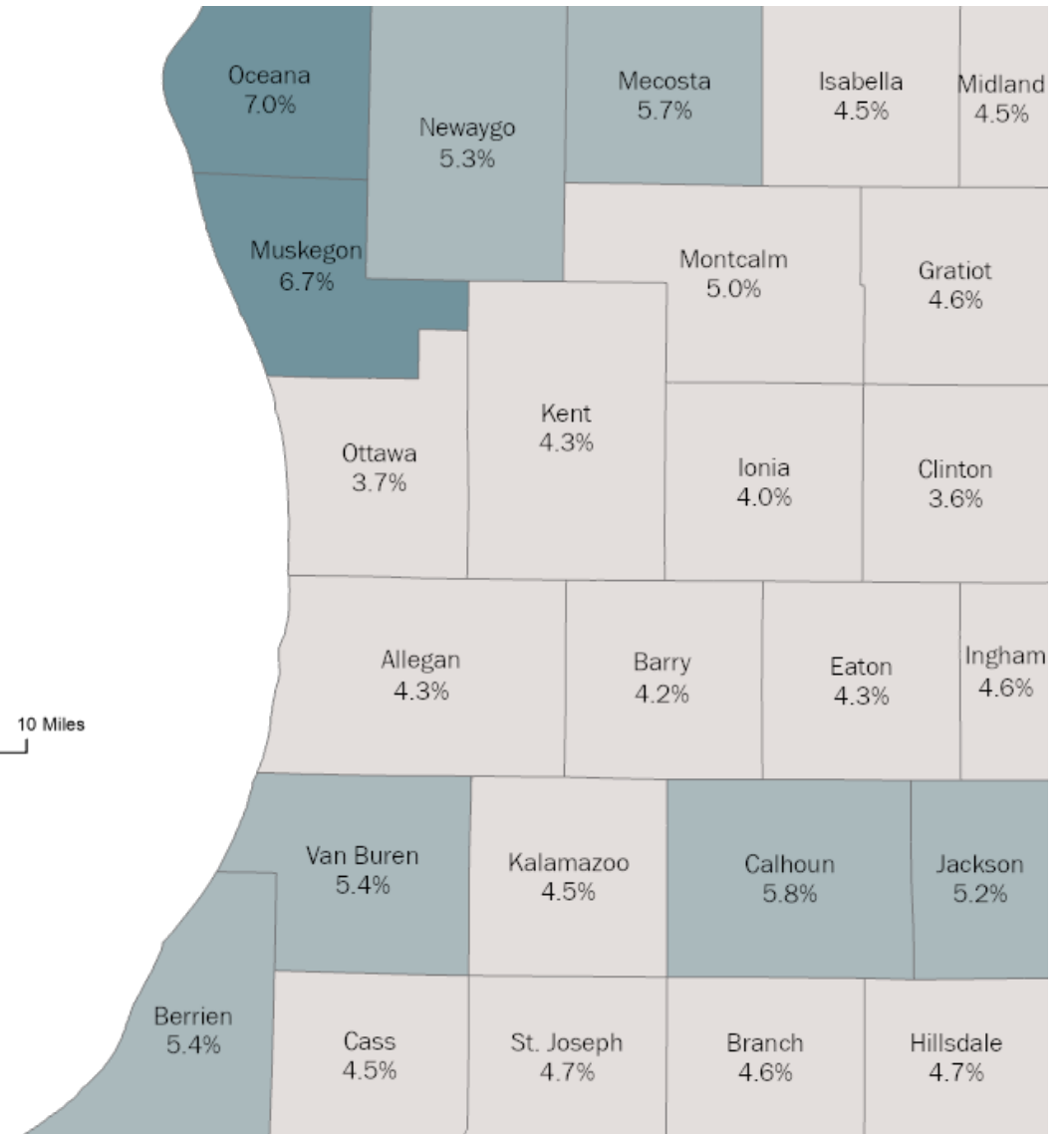
- In December 2020, Michigan's unemployment rate was at 7.5% and the United States was at 6.7%.

Unemployment Rate

December 2020



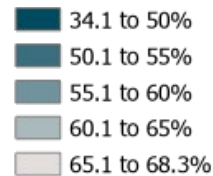
Source: Bureau of Labor Statistics,
U.S. Census Bureau



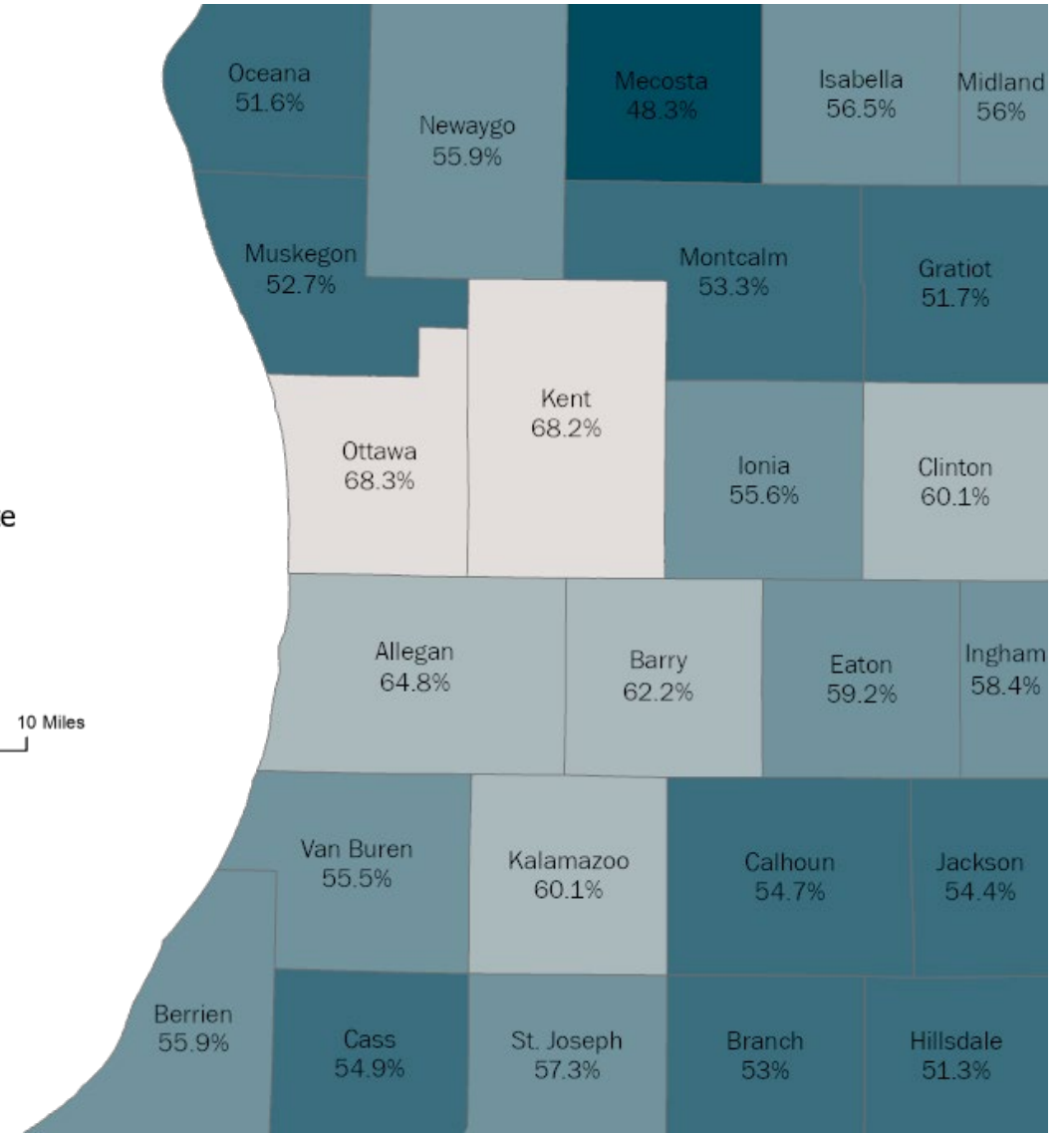
Michigan labor force participation rate

- In December 2020, Michigan's labor force participation rate was at 59.9% and the United States was at 61.5%.

Labor Force Participation Rate
December 2020



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

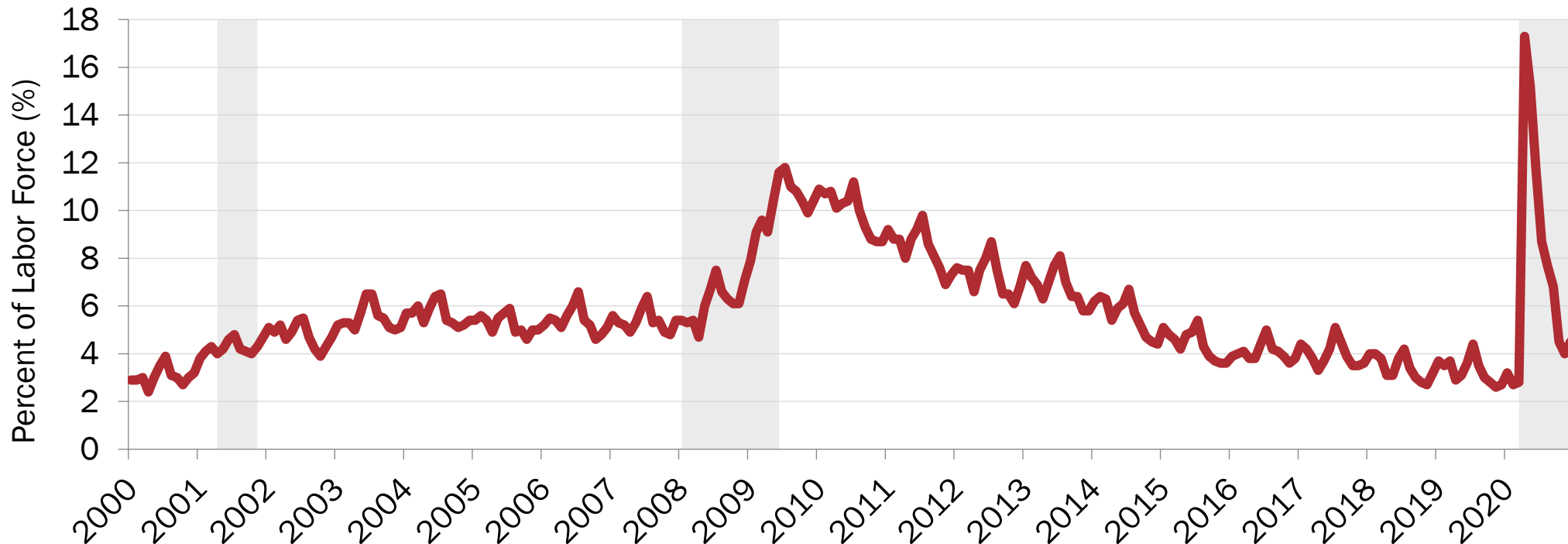


Current Conditions

Kalamazoo County Economy

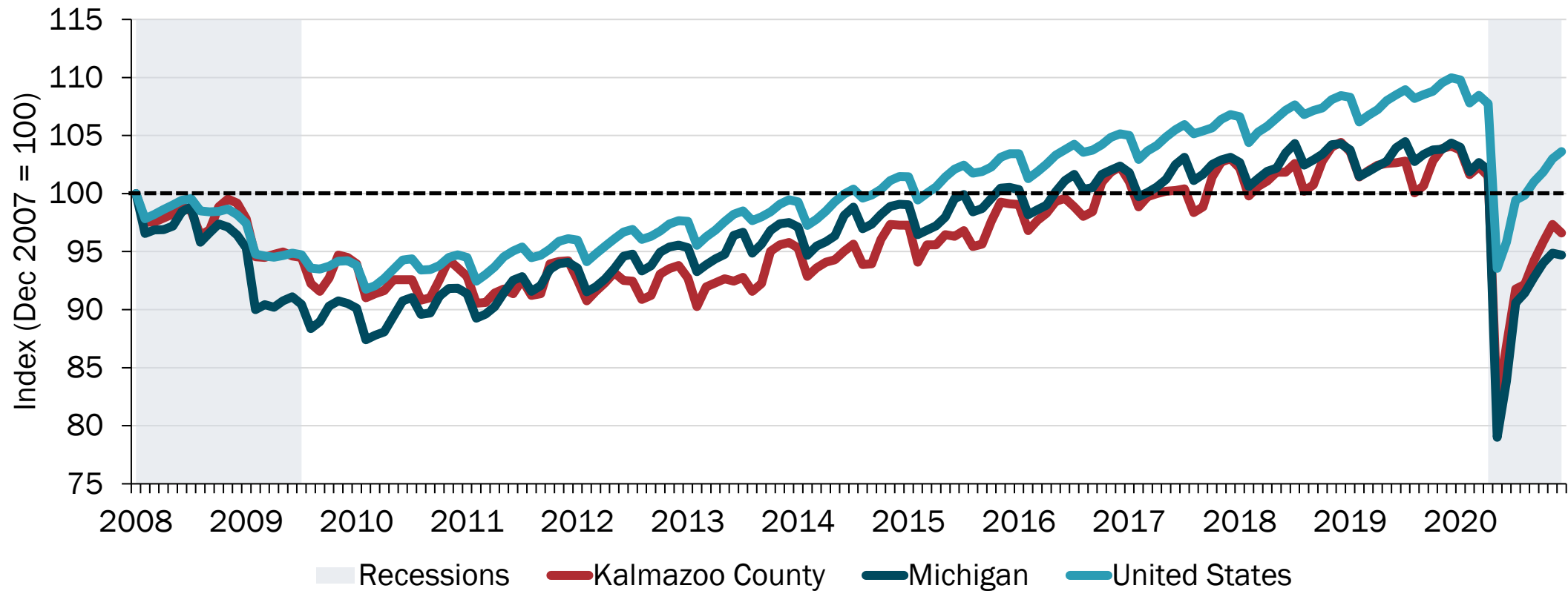
Based on the latest data, the current unemployment rate for the Kalamazoo County was 4.5% in December

Unemployment Rate for Kalamazoo County



Kalamazoo County continues to recover

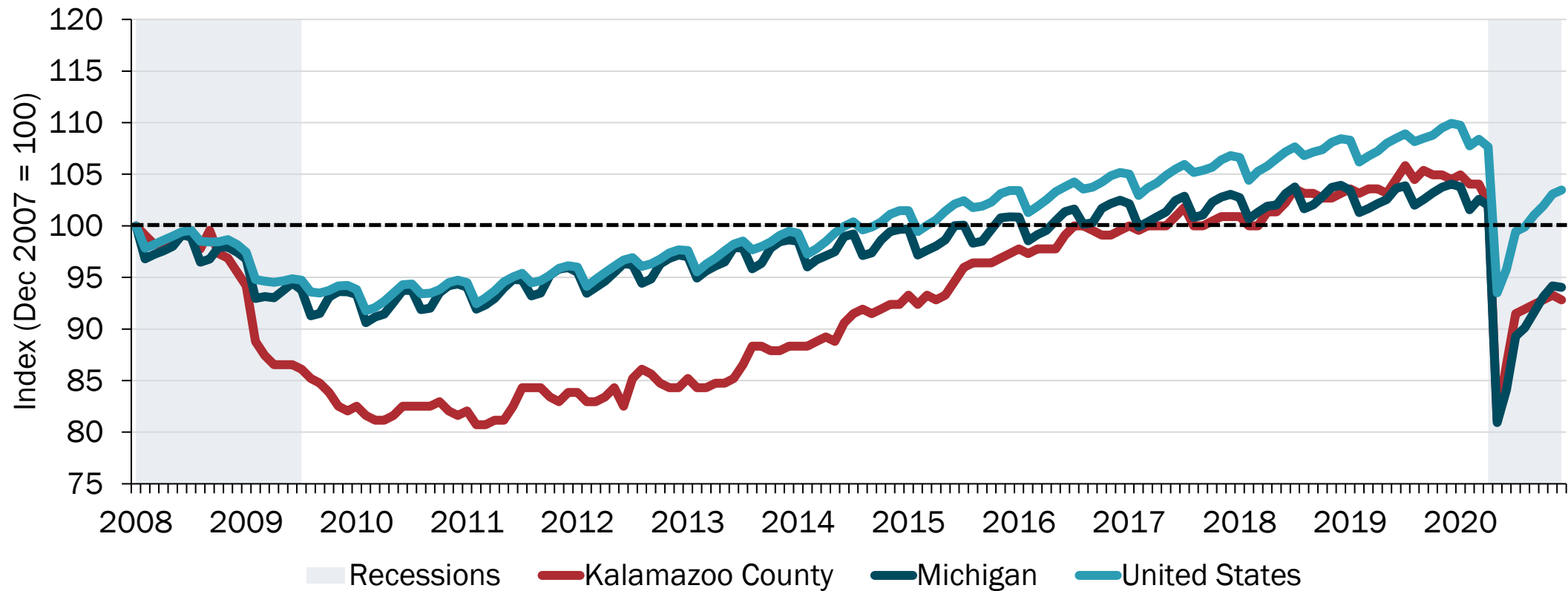
Total Employment Index



Note: Data reported through December 2020

Manufacturing employment has not fully rebounded

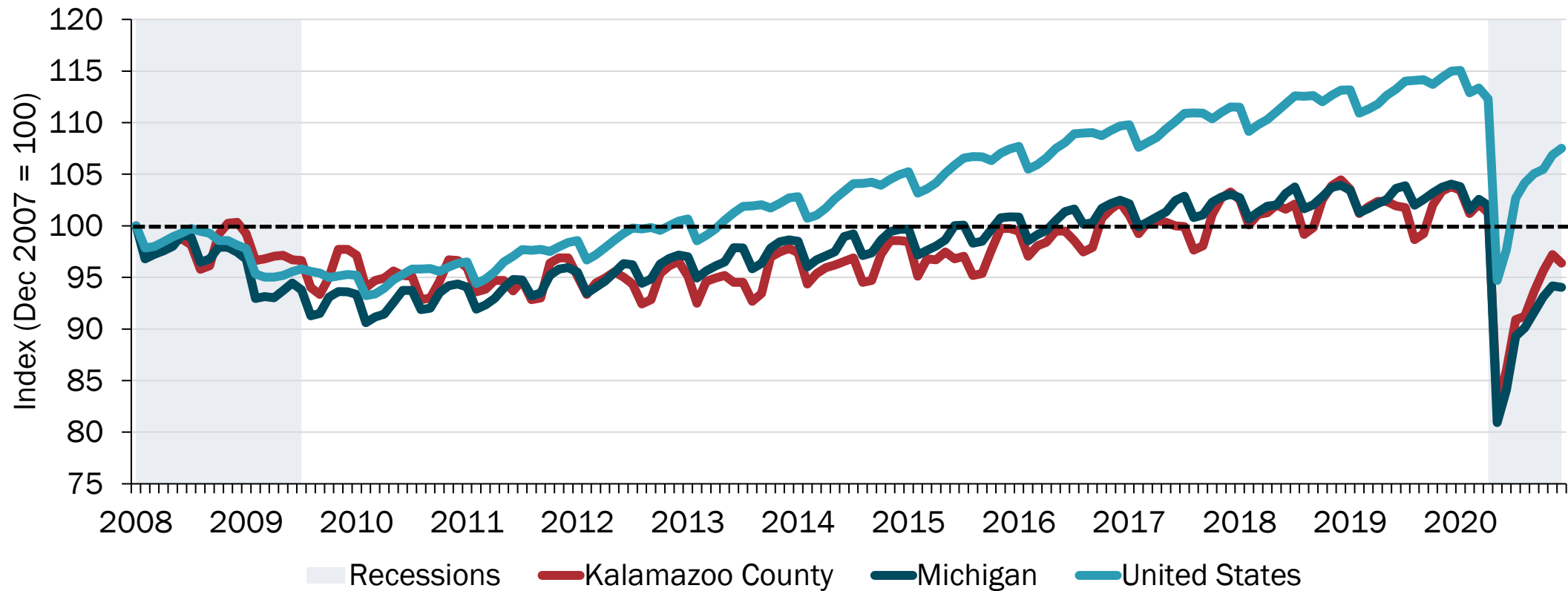
Manufacturing Employment Index



Note: Data reported through December 2020

The service sector employment rebound is faster than the state

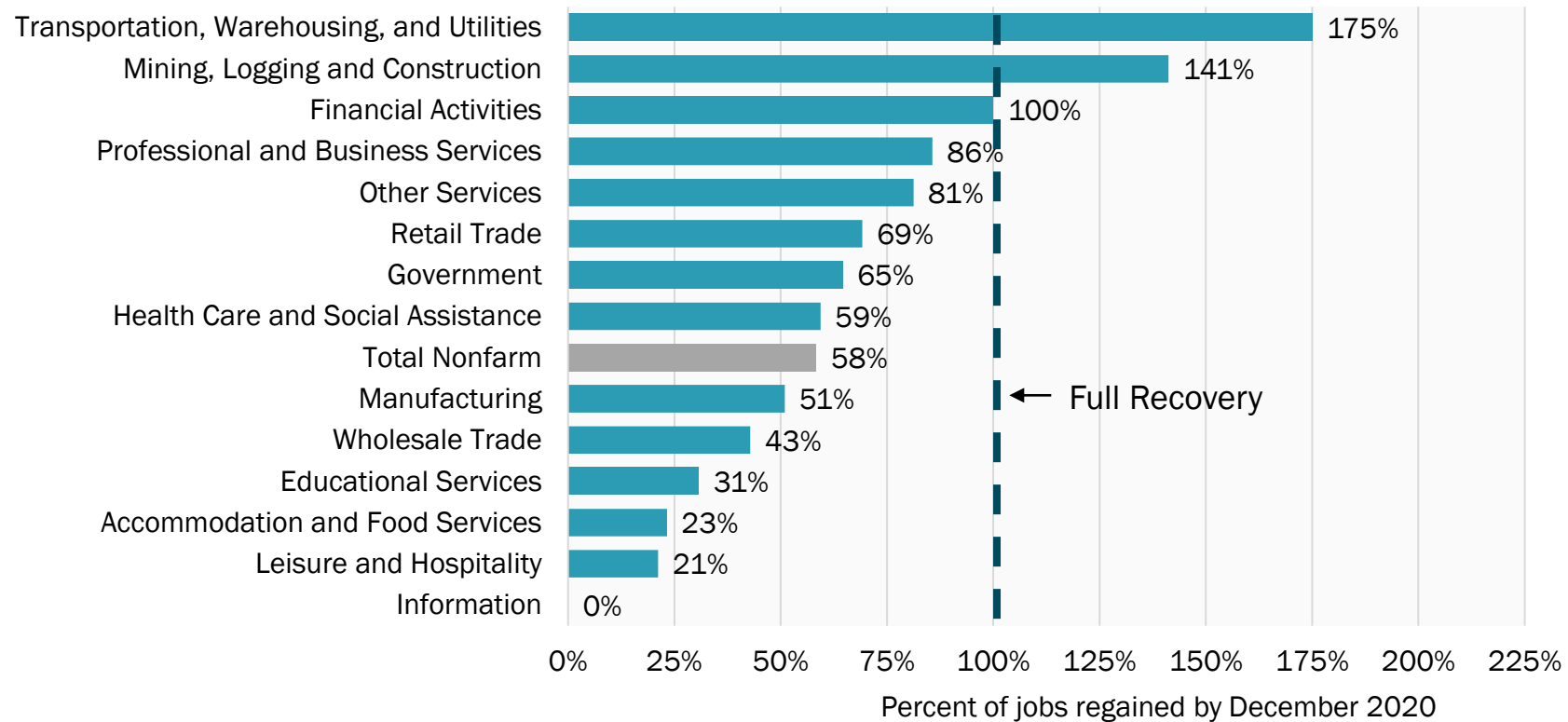
Service Providing Employment Index



Note: Data reported through December 2020

Employment recovery

Percent of Jobs Regained* by December 2020 Following Employment Declines Beginning in March in Kalamazoo by Major Sector



*Data not seasonally adjusted

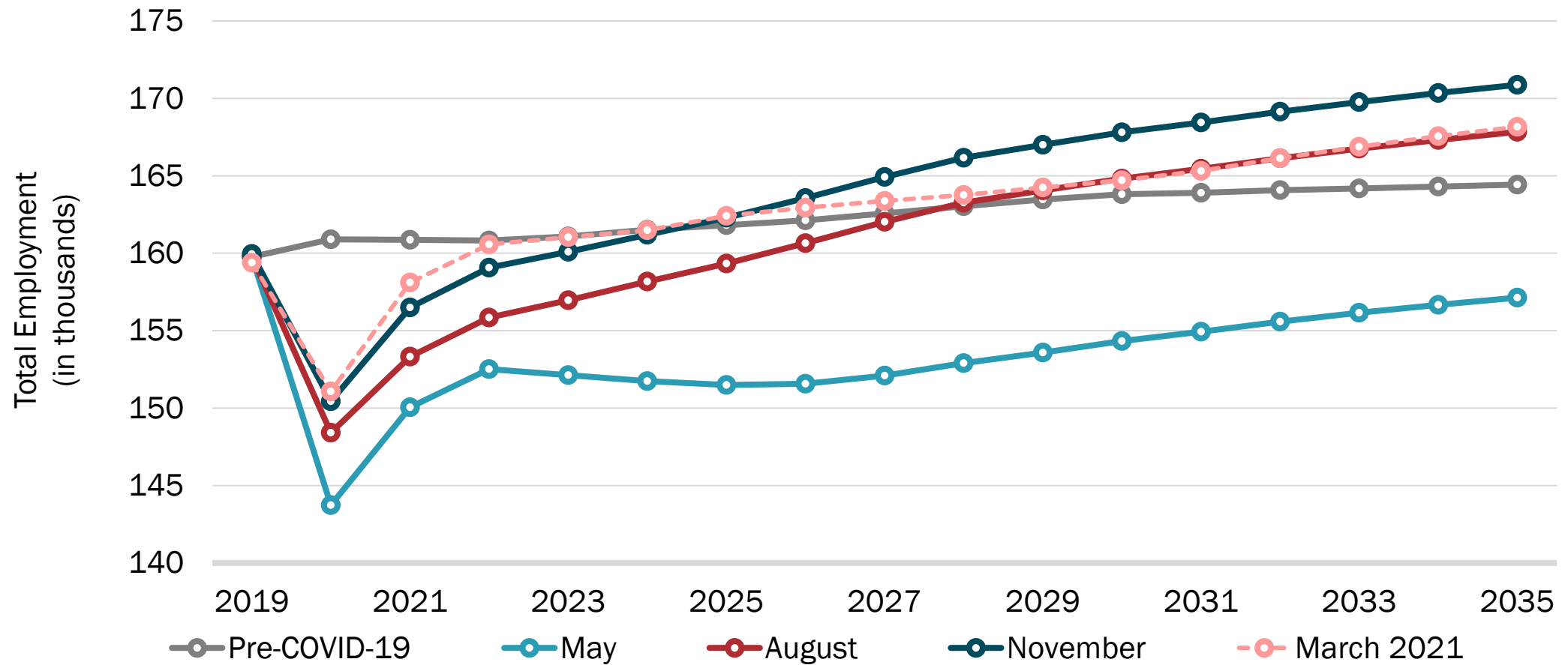
REMI Forecasts

Kalamazoo County

Methodology

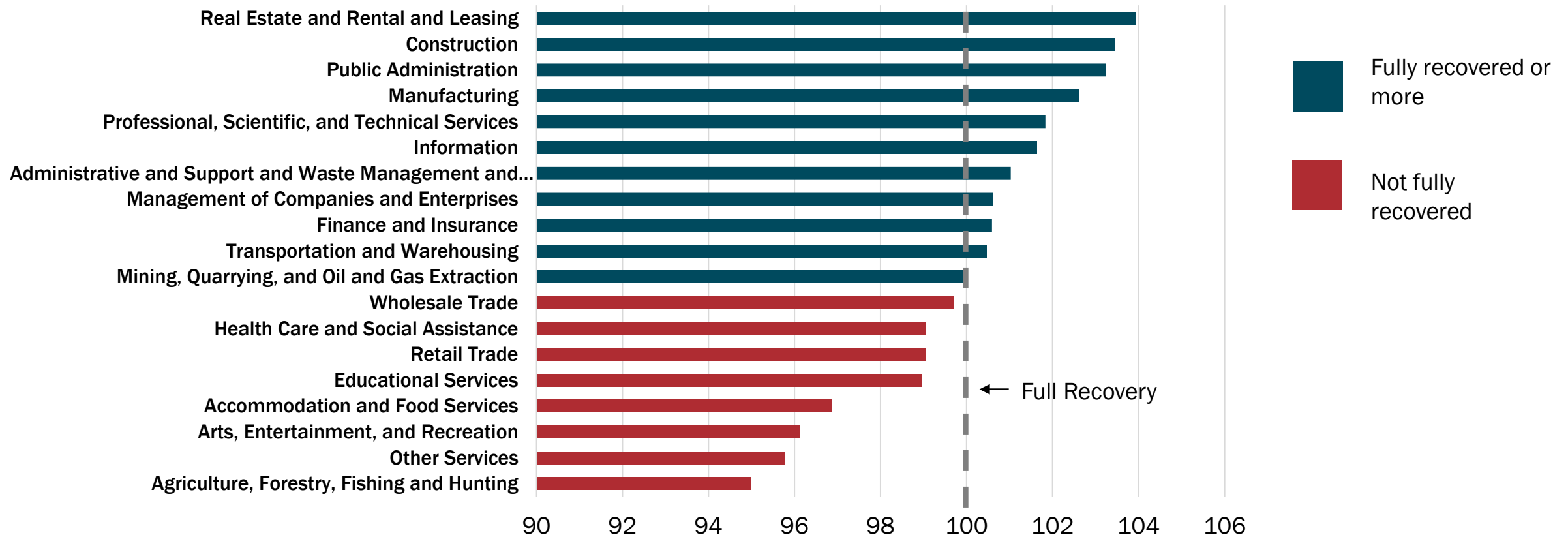
- Upjohn uses a REMI model (www.REMI.com)
 - To estimate economic impacts from projects and events
 - Forecast national and regional changes in trends
- As new forecasts were produced the latest REMI model was updated
 - National forecast is updated
 - Regional forecasts are updated
 - Forecasts come from:
 - Research Seminar in Quantitative Economics at U of M
 - Congressional Budget Office (CBO)

Forecast for total employment for Kalamazoo

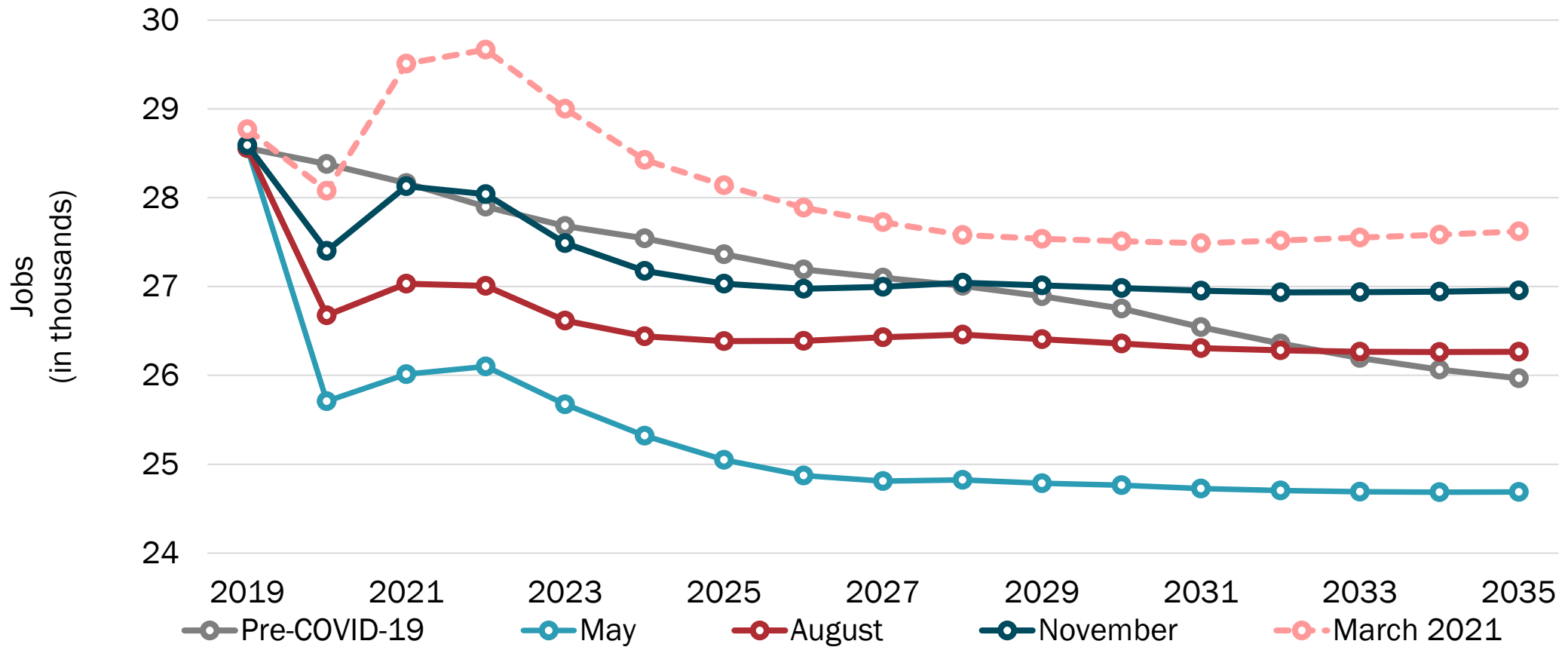


Industry recovery forecast

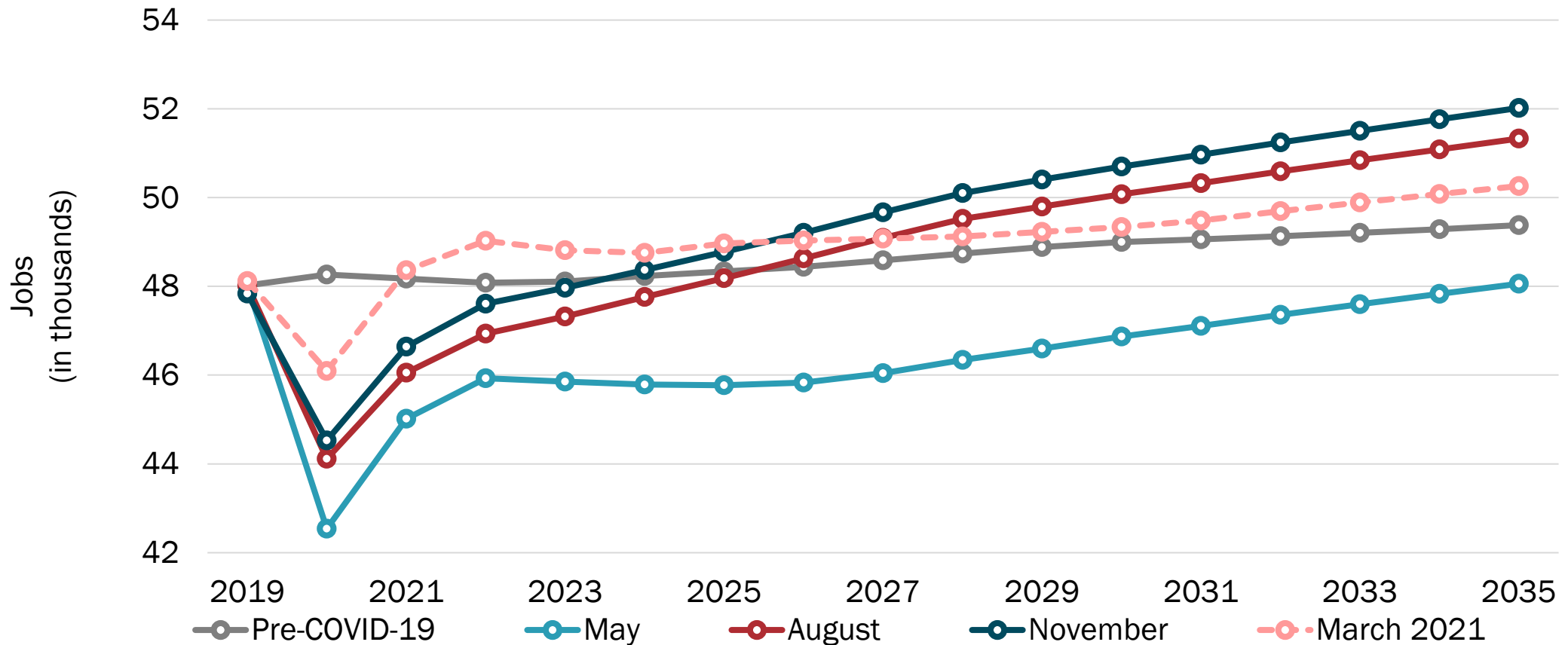
Projected Recovery of Industry Sectors in Kalamazoo County by 2025



Forecast for goods producing employment for Kalamazoo County

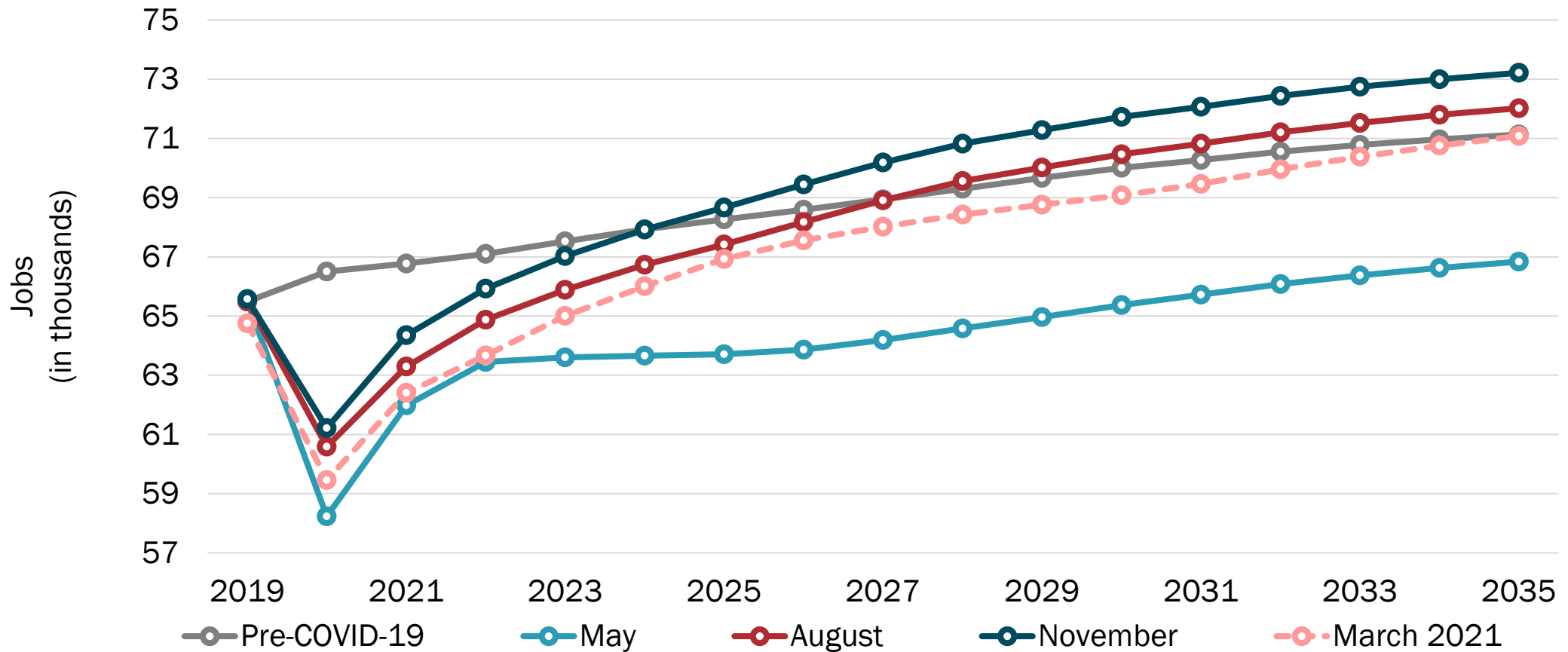


Forecast for business services* employment for Kalamazoo County



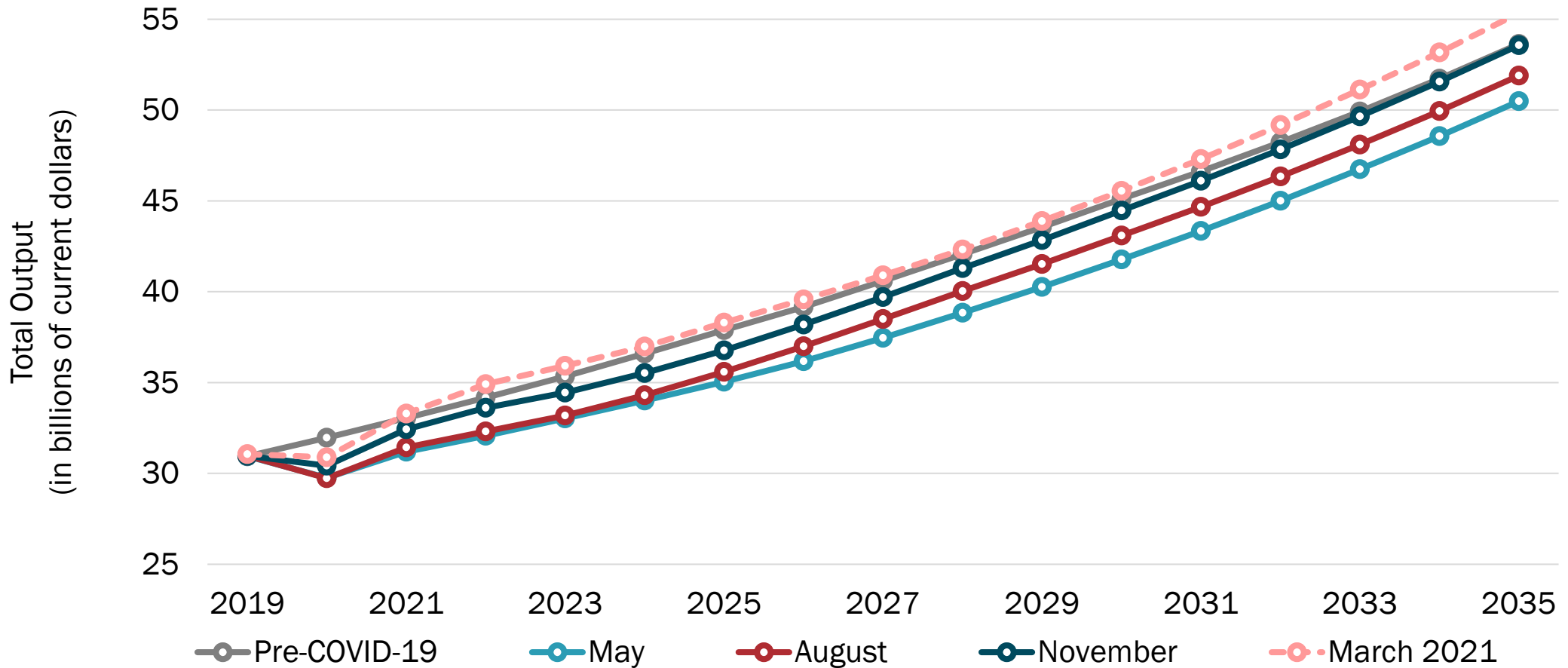
*Includes: Wholesale Trade; Transportation & Warehousing; Information, Finance, & Real Estate; Professional, Scientific, & Business Services; Management of Companies & Enterprises; Administrative, Support, Waste Management & Remediation Services

Forecast for personal services* employment for Kalamazoo County



*Includes: Retail Trade, Education & Health Services, Leisure & Hospitality, Other Services (excluding Public Administration).

Forecast for total output for Kalamazoo County



Moving Forward

Considerations for the Future of the Economy: Macro

- The shape of the recovery curve?
- Will temporary closures become permanent?
- Supply versus demand?
 - SME's
- What will be the impact of:
 - The new strain?
 - Vaccines?
- What will be the impact from the new administration?
 - Tax policy
 - Trade policy
 - Stimulus policy

Considerations for the Future of the Economy: Regional

- Is reshoring real?
 - Supply chain issues
 - Available buildings and sites
- How will technology impact employment?
- When and will people go back to work?
 - What will the new Administration do about UI benefits?
 - Fear of contracting COVID-19?
 - Barriers, notably childcare and school openings, in returning?
- Other state and regional administrative decisions
 - Openings/closings
 - Vaccine availability and distribution

Questions?

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