

# Outlook for Economic Conditions in West Michigan and Barry County

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Thoughts at the Barry County Economic Summit

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W.E. Upjohn Institute for Employment Research

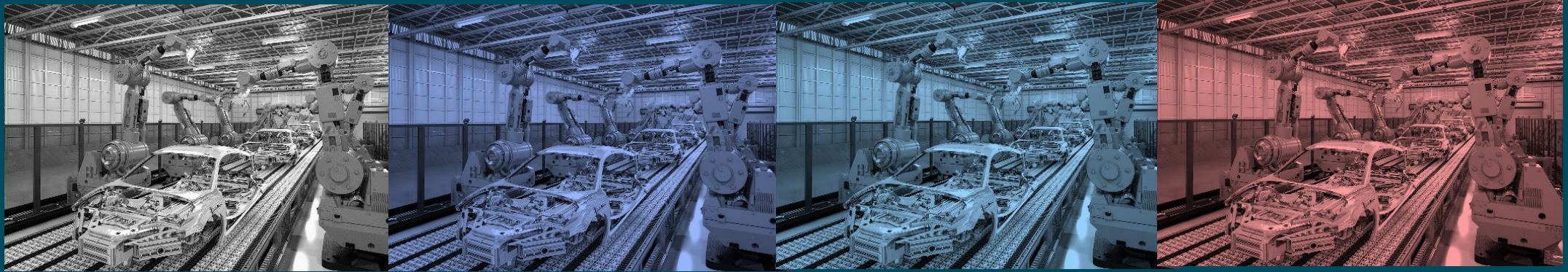
November 6, 2019

# W.E. Upjohn Institute for Employment Research

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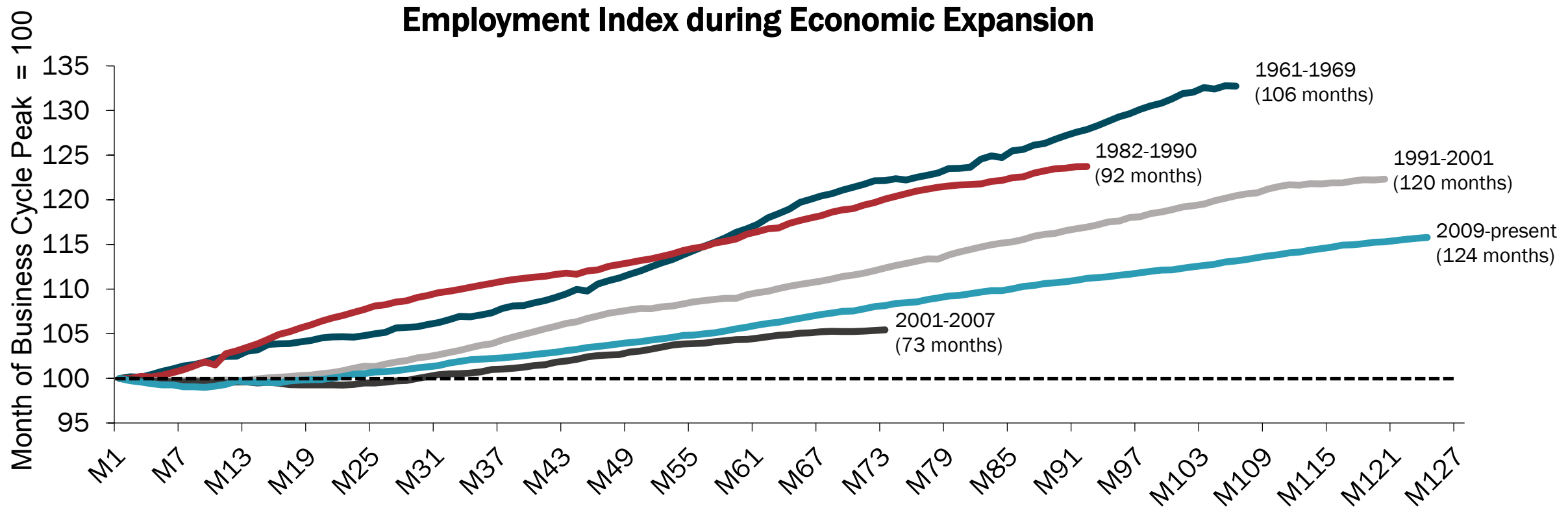
## MISSION:

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# National Economy

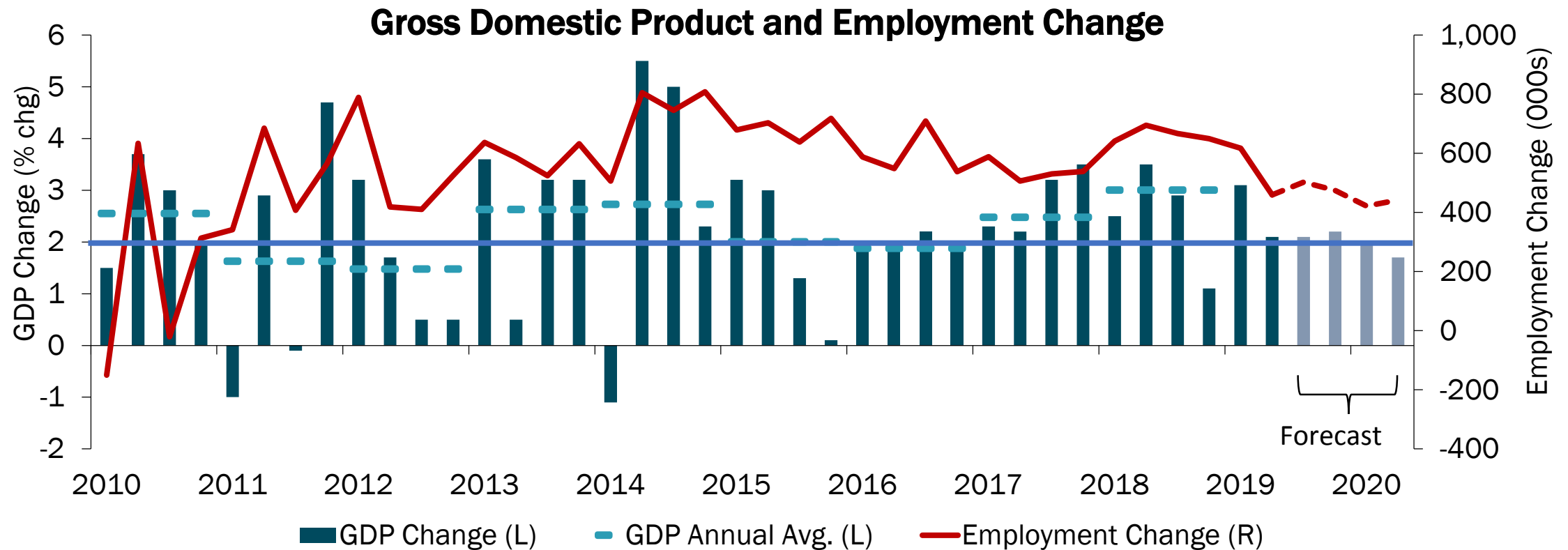
# We are currently in the longest expansion since WWII



# 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	124
Business Cycle	45	56	49	32	116	47	92	18	108	128	81	142

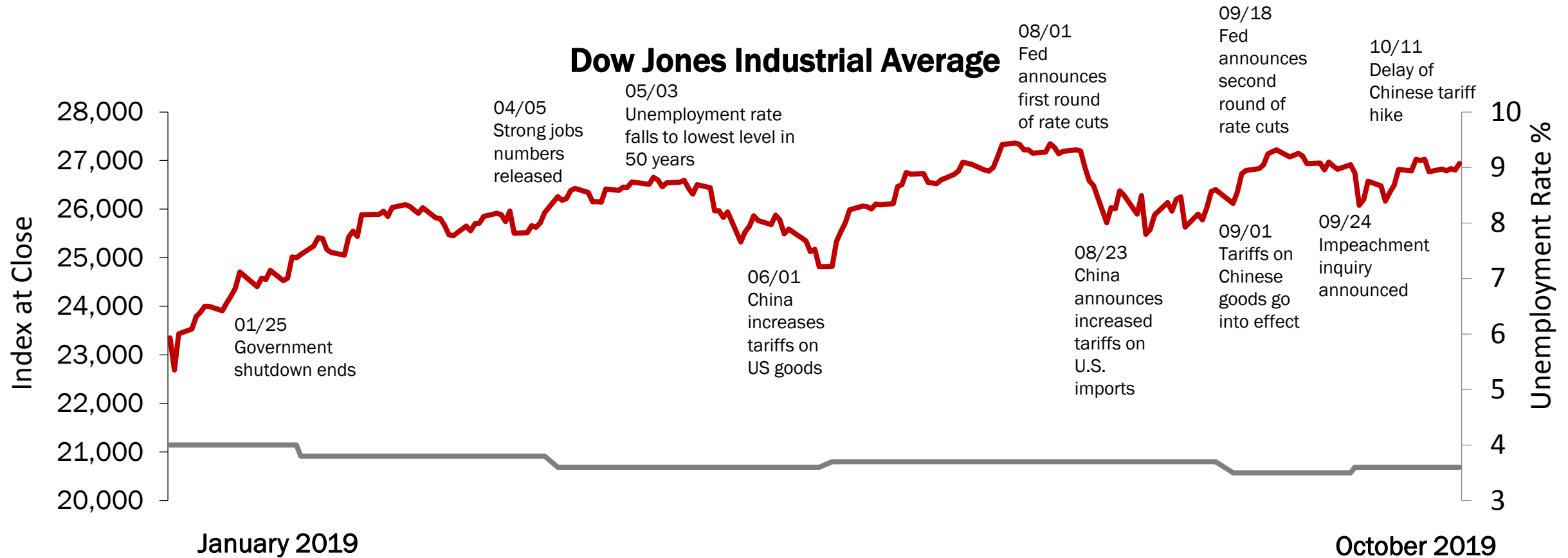
# GDP growth is projected to remain solid, although employment growth is slowing



# University of Michigan RSQE national forecast

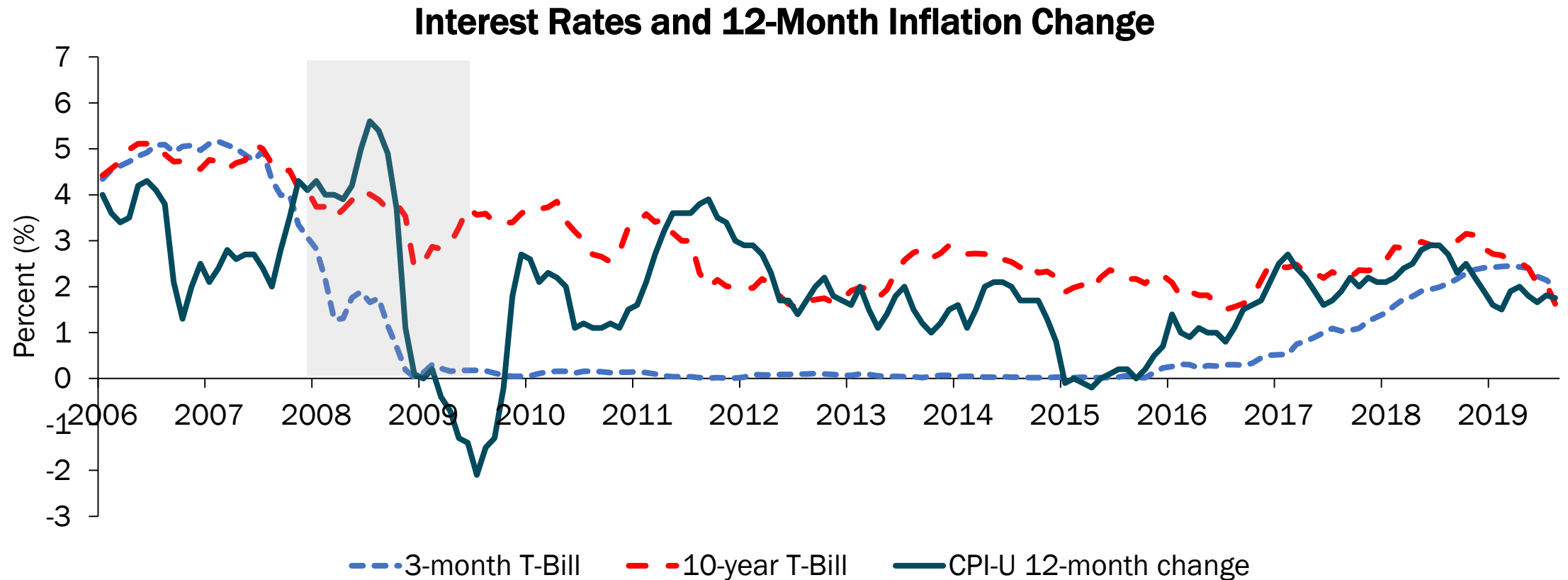
	2019 (Forecast)	2020 (Forecast)	2021 (Forecast)
GDP	2.3%	1.7%	1.6%
Employment	1.5%	1.1%	1.0%
Light Vehicle Sales (Millions)	17	16.9	16.6
Unemployment Rate	3.7%	3.6%	3.4%
Housing Starts (Millions)	1.23	1.24	1.24
CPI/Inflation	1.7%	1.9%	1.9%

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



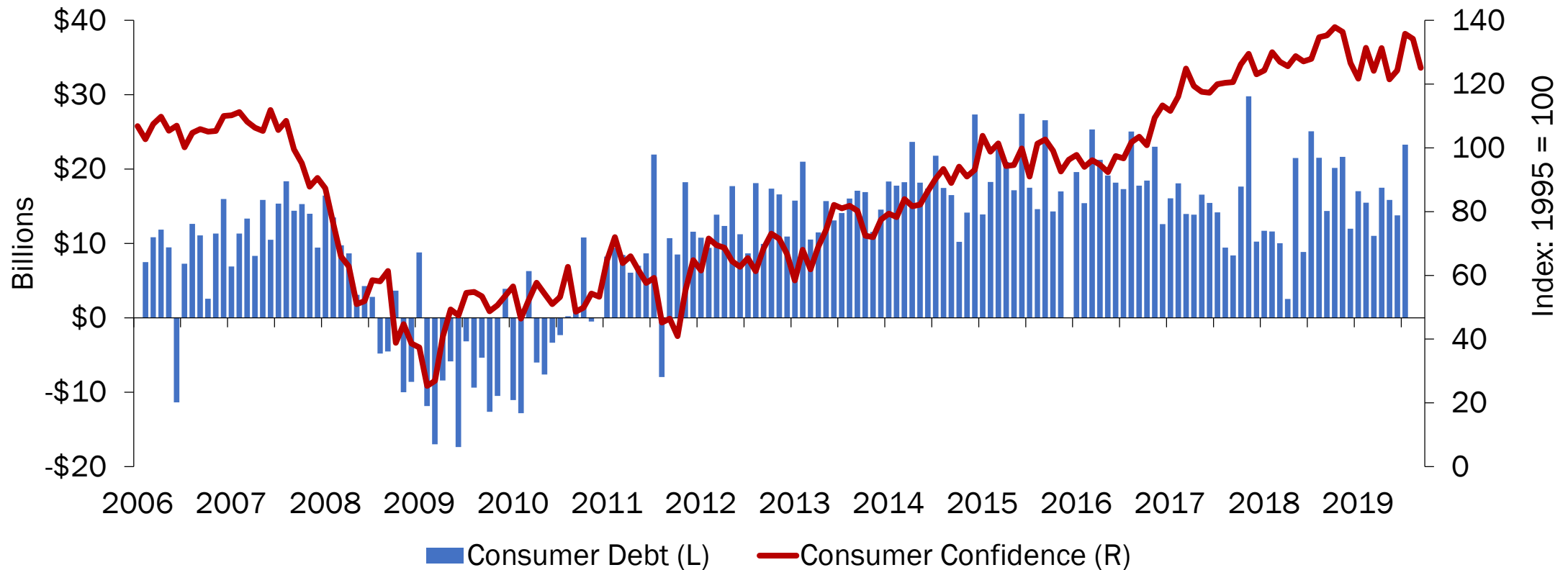


# Inflation and interest rates have increased in the past 2 years



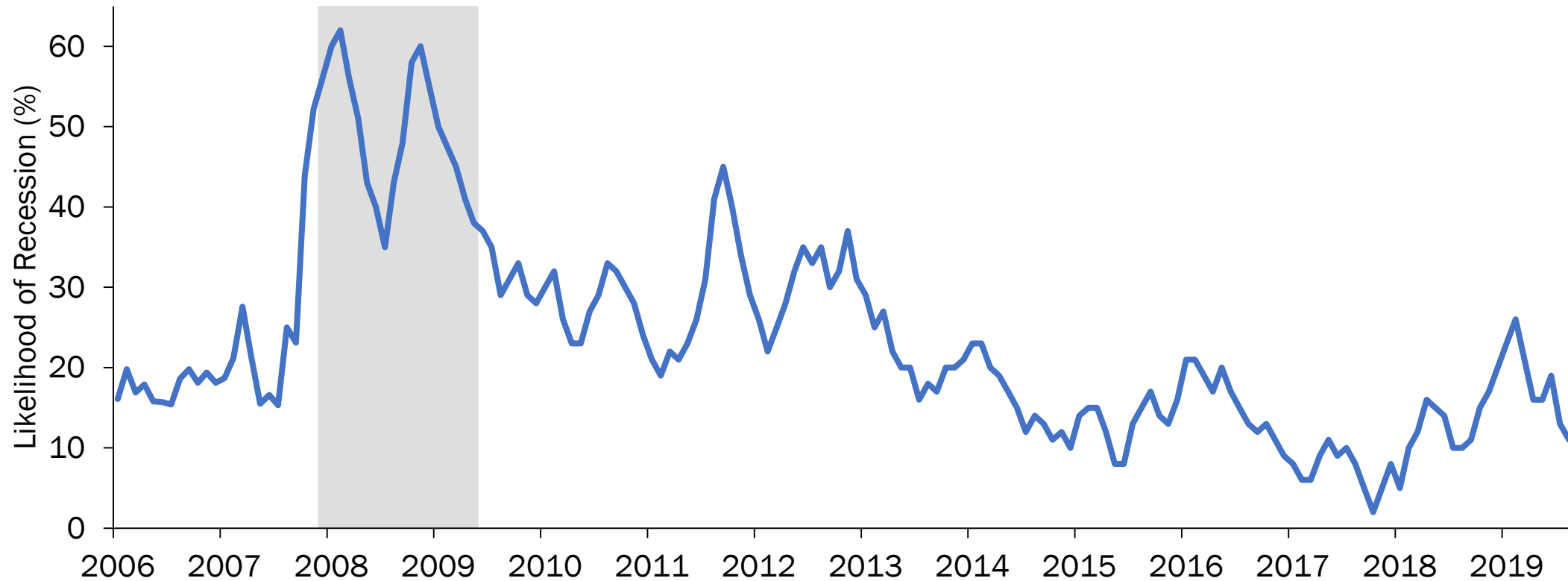
# High consumer confidence (↑@125.9) and slower debt growth

Consumer Confidence and Change in Consumer Debt

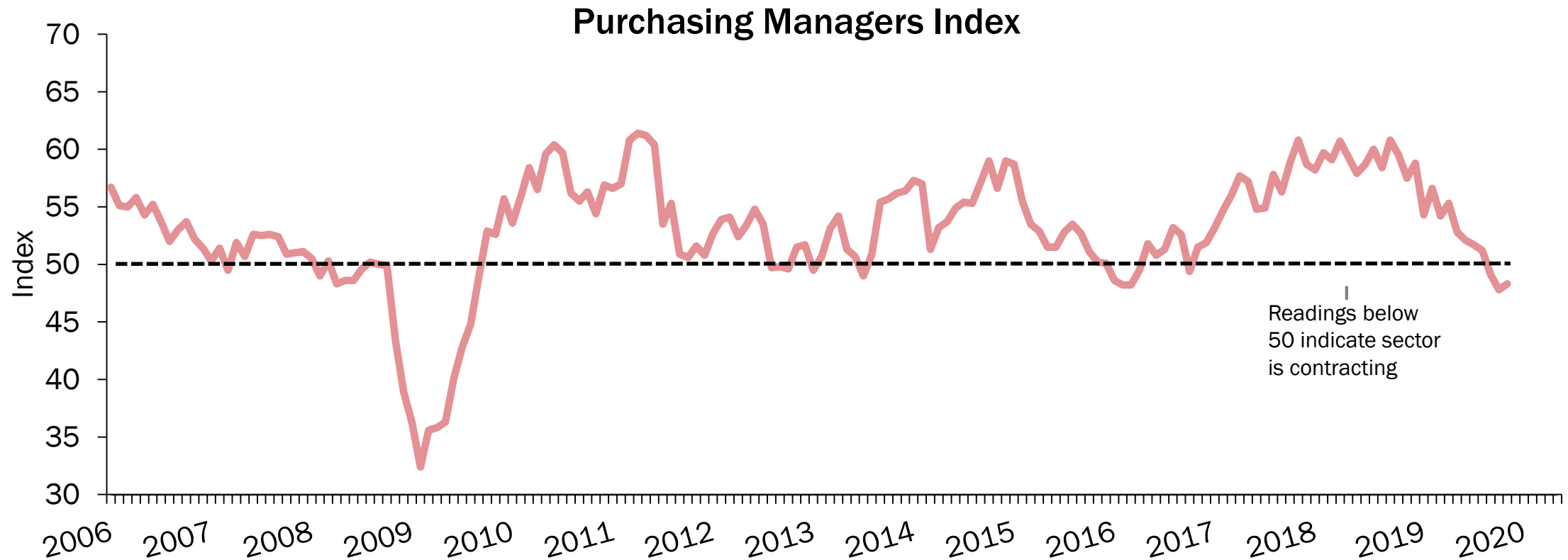


# Moody's predictions of a recession are relatively low and volatile: September 11%

Likelihood of Being in a Recession in the Next 6 Months

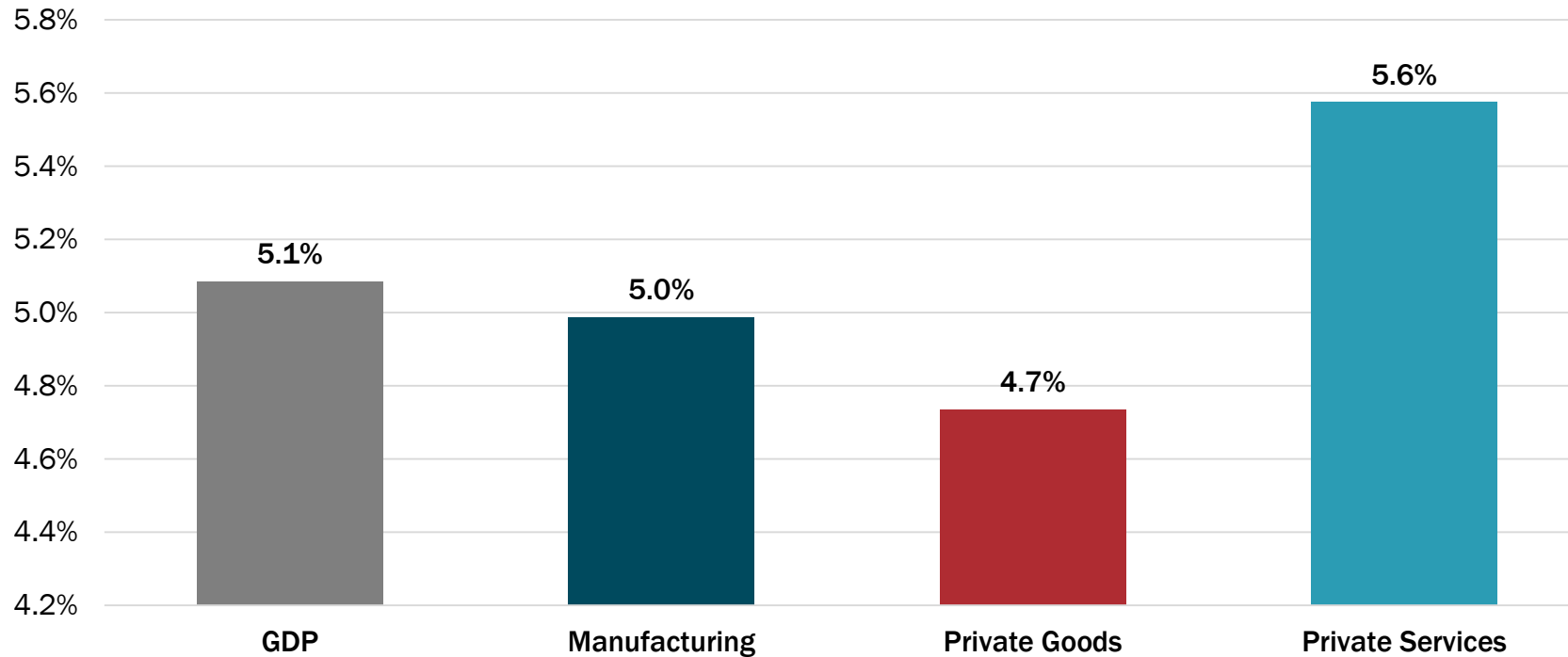


# PMI stood at 48.3 in October, indicating the manufacturing sector may be contracting



# Despite waning confidence, the manufacturing sector grew last year

Real GDP and Real Value Added by Sector  
Percentage Change, Q1 2018 to Q1 2019





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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
- Growing income inequality
- Low interest rates
- Federal debt and deficits
- Tax cuts

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



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# Michigan

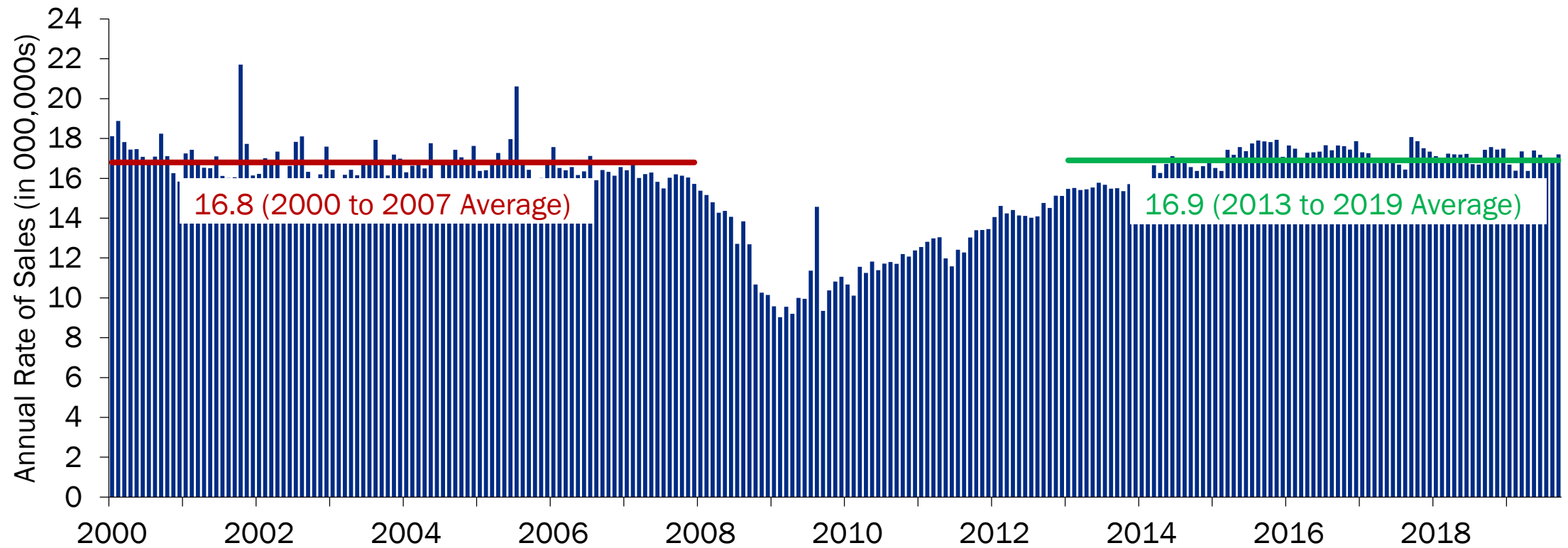


# University of Michigan RSQE statewide forecast

	2018	2019 (Forecast)	2020 (Forecast)
Employment	50,000	22,500	20,400
Manufacturing Employment (Workers)	13,400	2,800	-100
Unemployment Rate	4.4%	4.4%	4.1%
Labor Force Participation Rate	61.4%	61.9%	61.5%

# Light vehicle sales have been steady

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

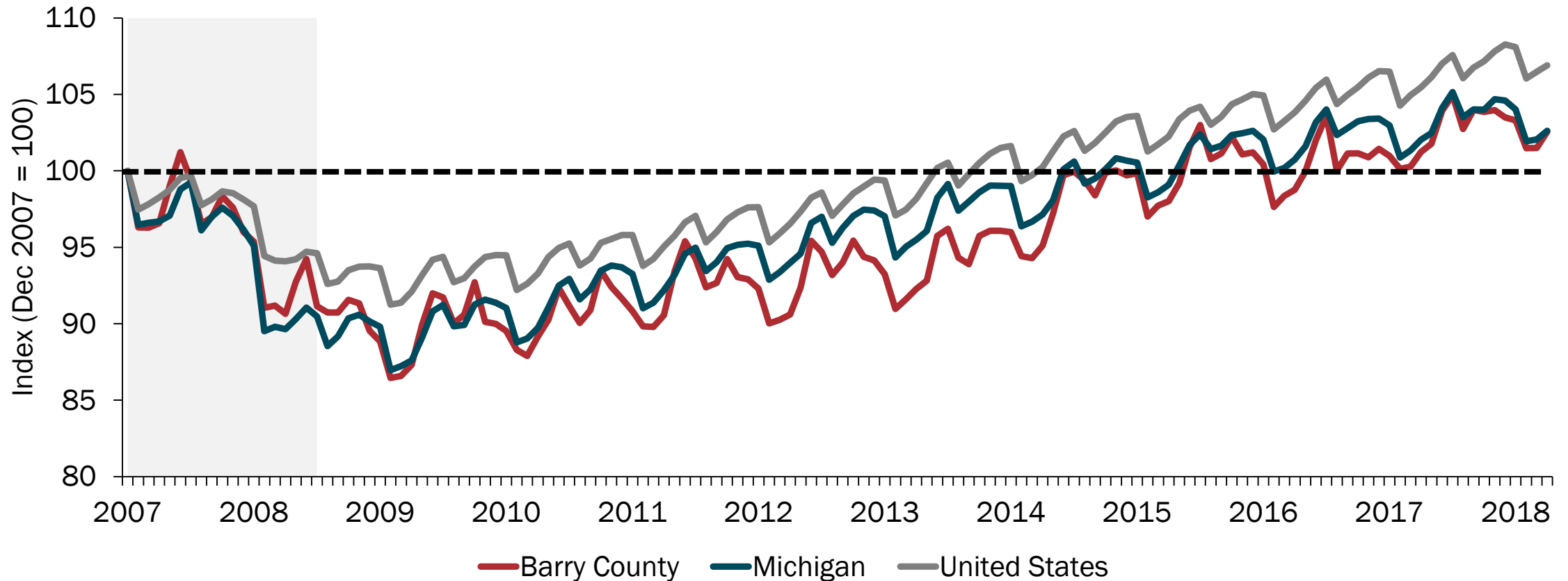




# Regional Conditions: Barry County

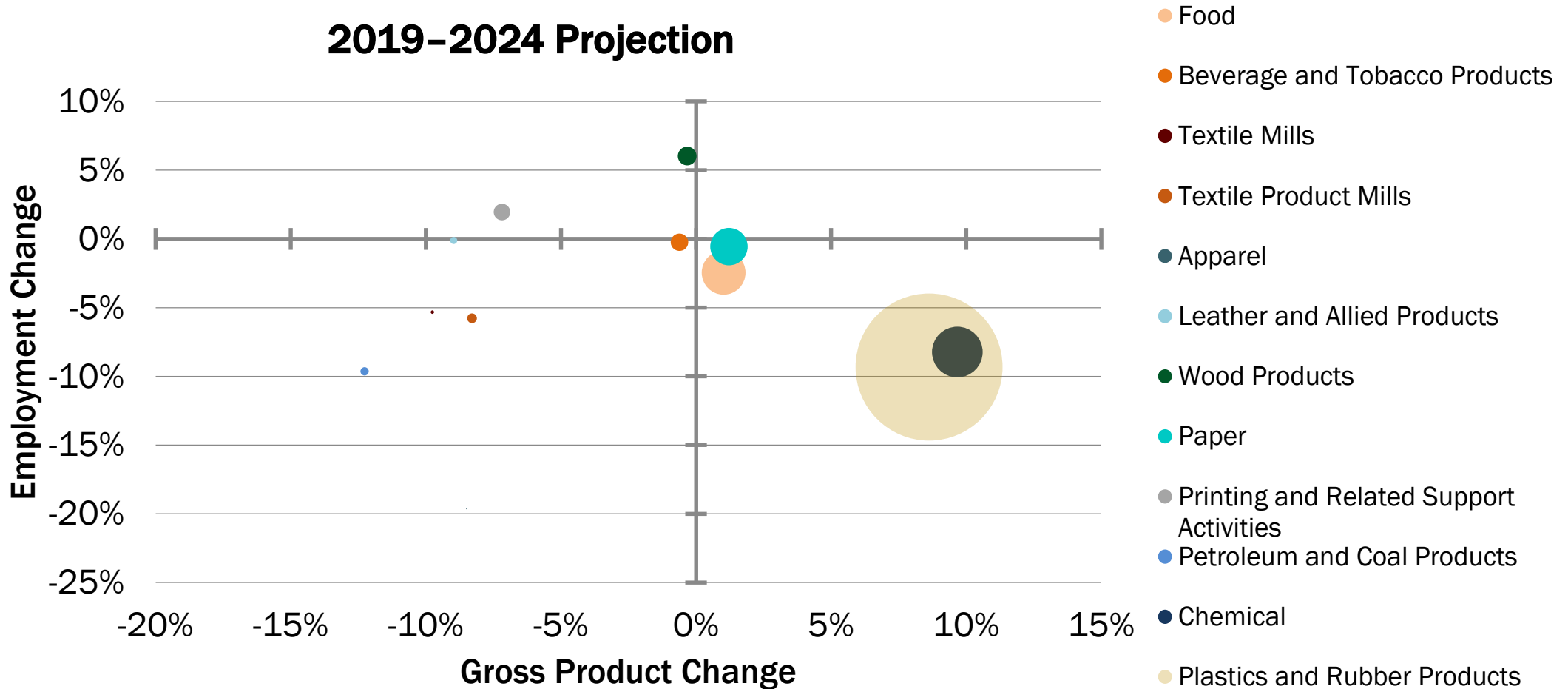
# Employment growth has slowed in 2019

## Total Employment Index



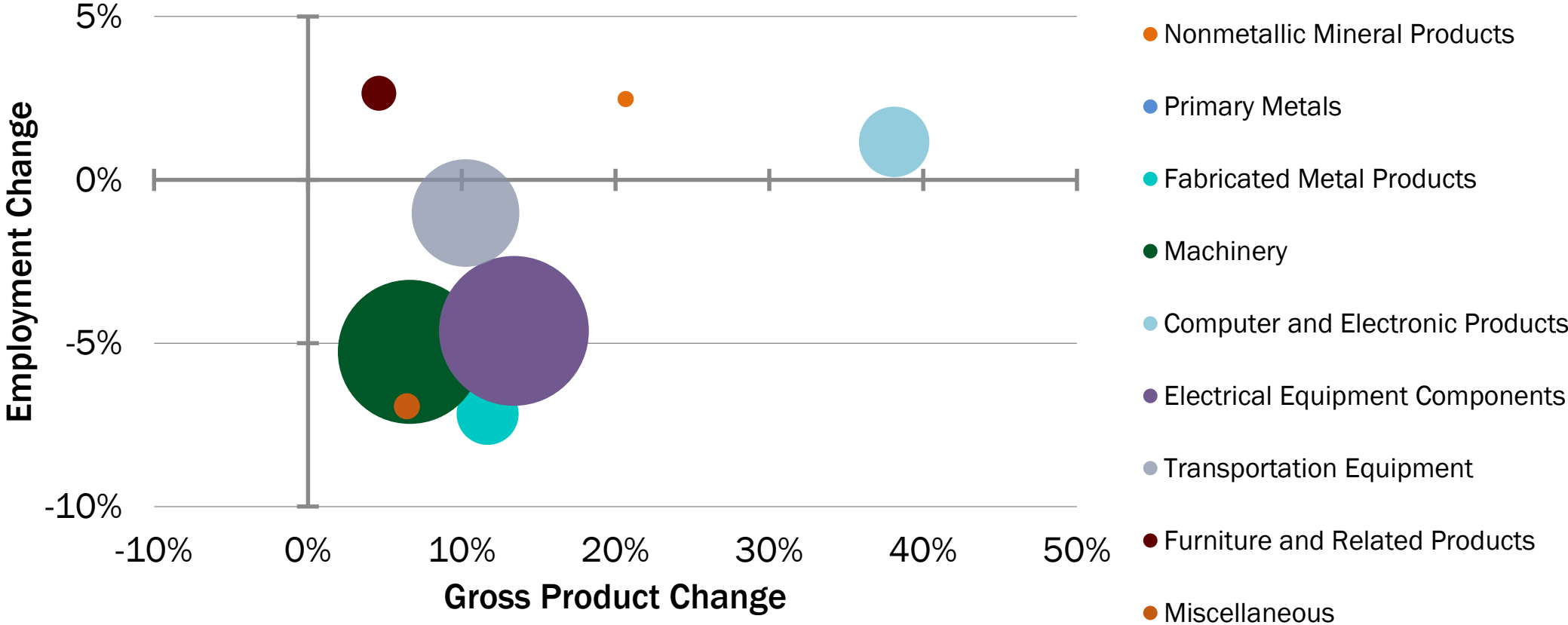
# Non-durable Manufacturing is forecast to decline in employment and increase in gross domestic product

2019–2024 Projection



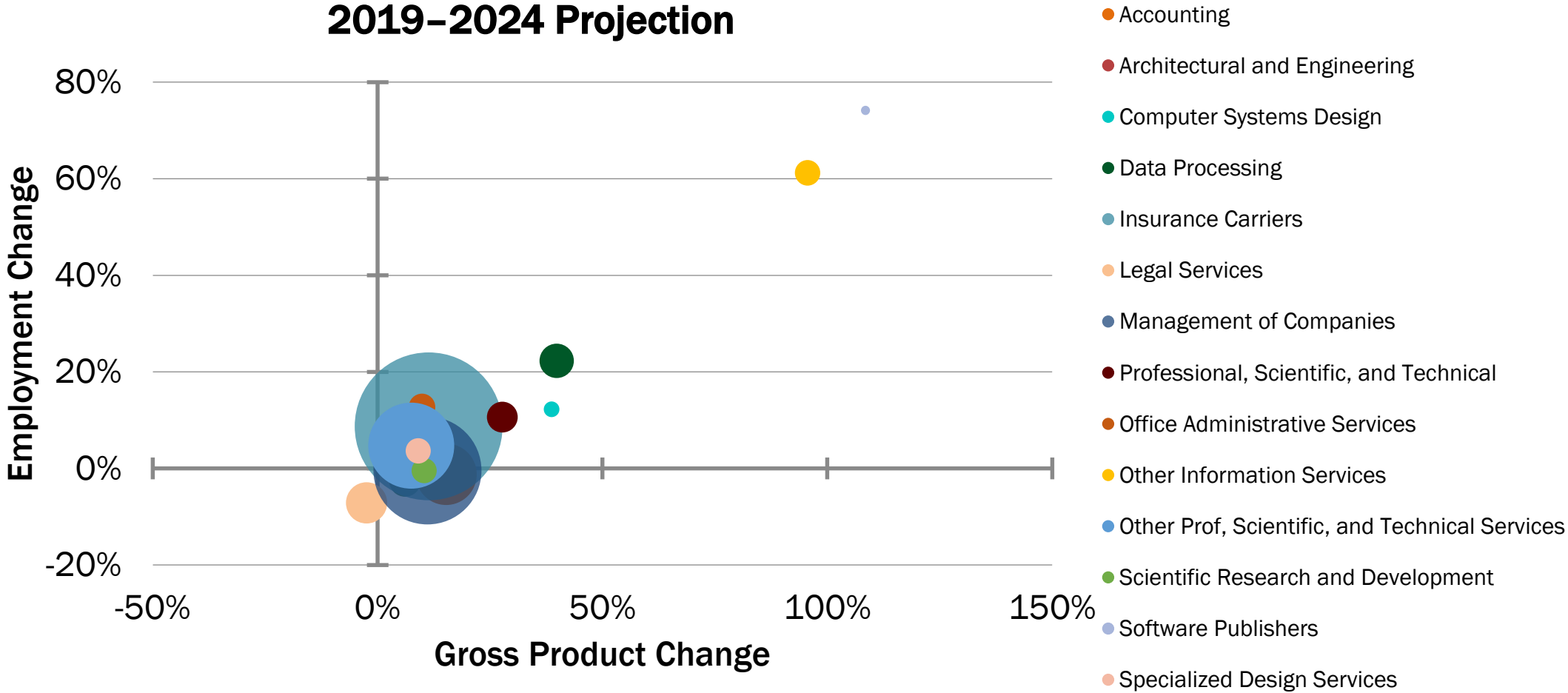
# Durable Manufacturing is forecast to increase in gross domestic product and lose employment

2019-2024 Projection



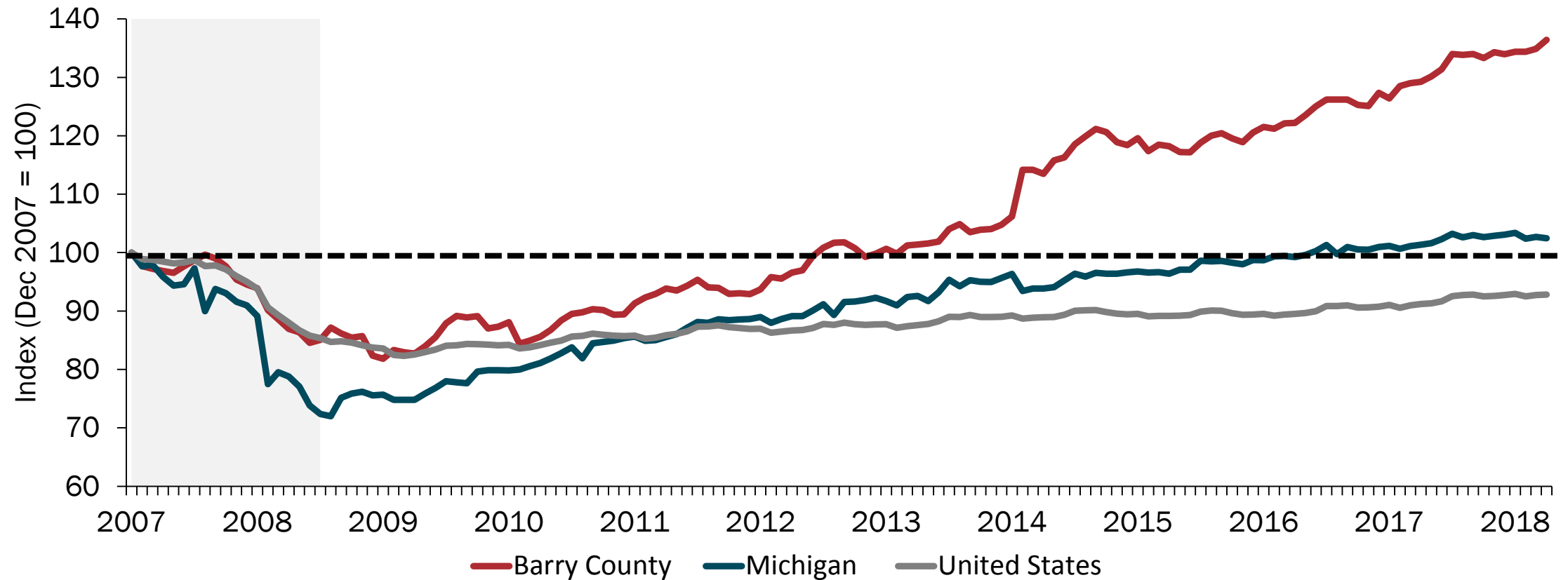
# Technology and services are expected to increase in both employment and gross domestic product

2019–2024 Projection



# Manufacturing employment growth continues to trend positively...

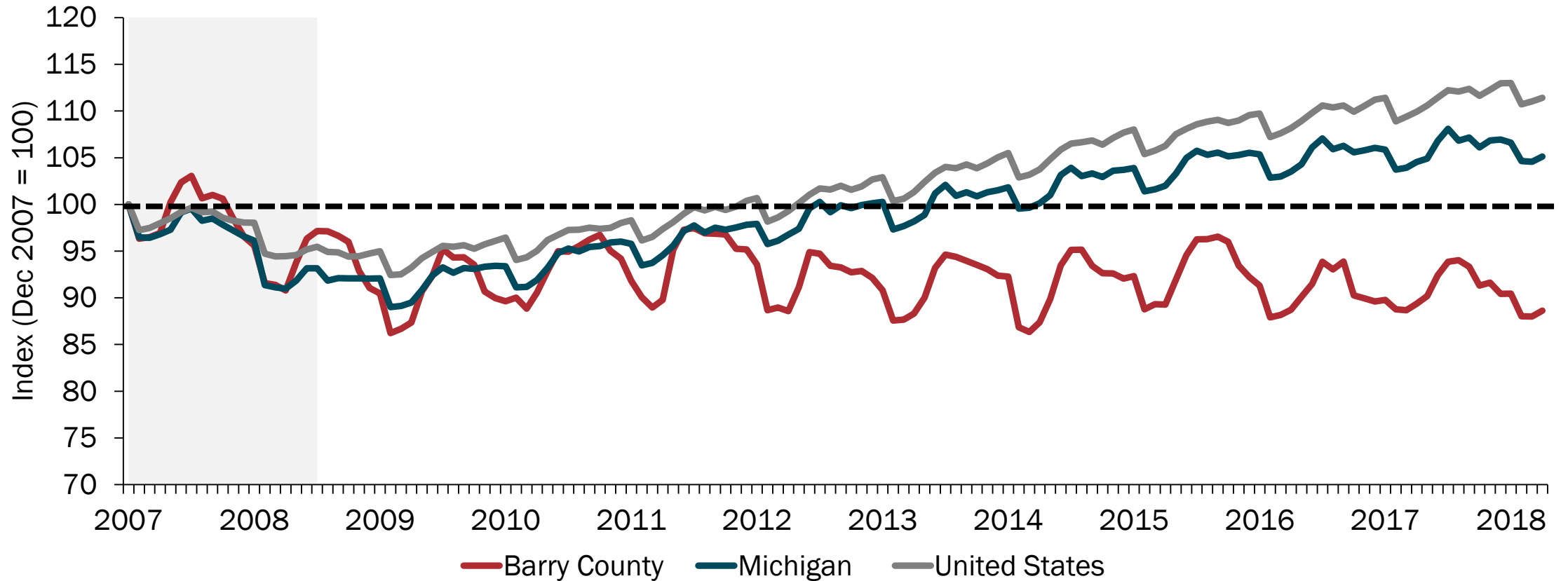
## Manufacturing Employment Index





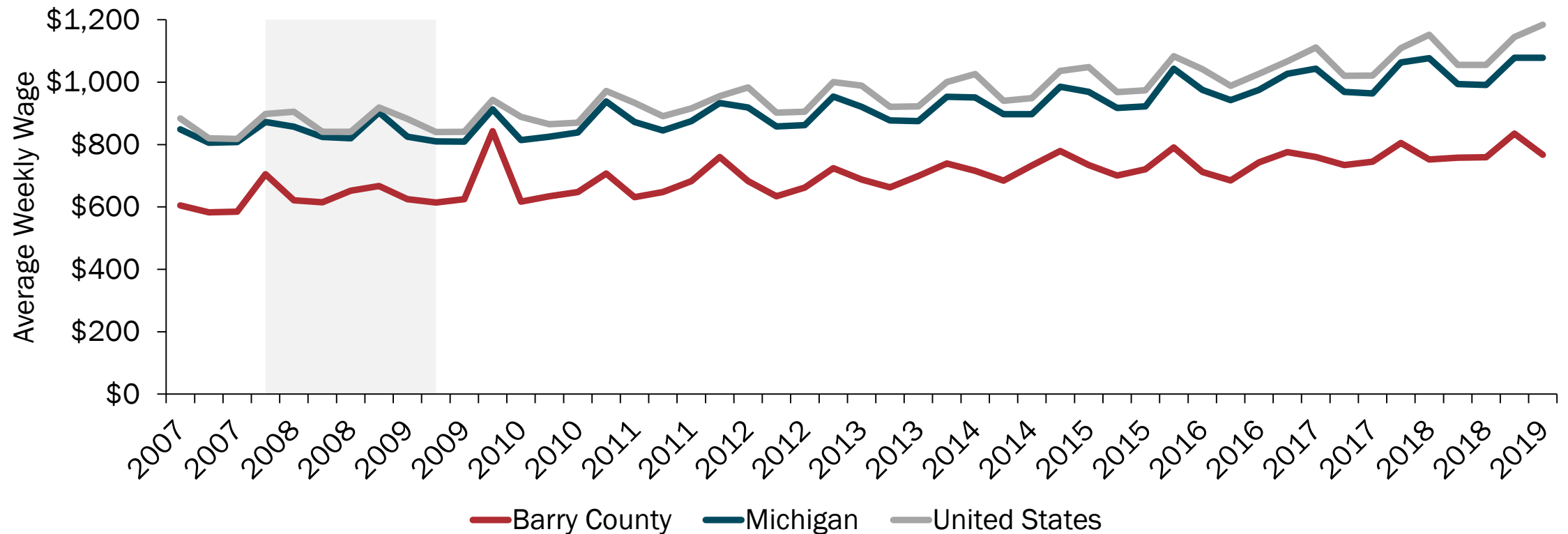
# ...unlike service employment growth

## Service Employment Index



# Wages have been growing at a pace similar to the nation but at lower levels

## Average Weekly Wage (\$) All Occupations

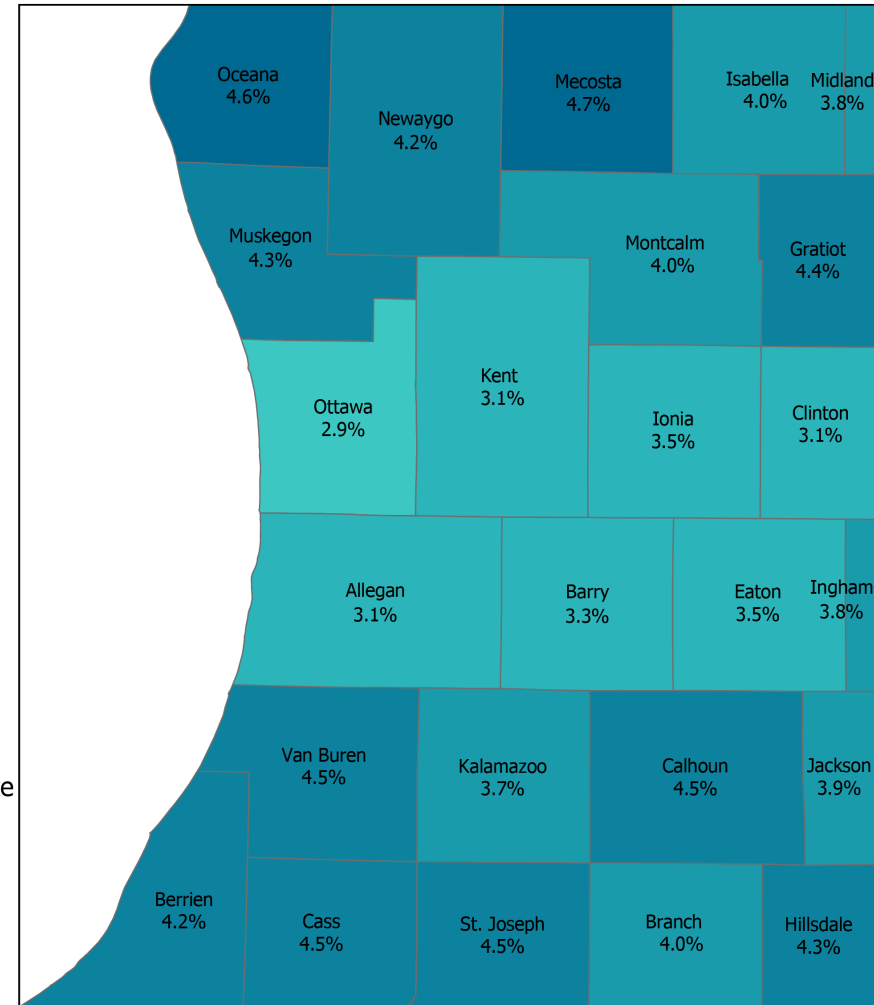
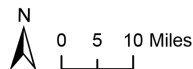
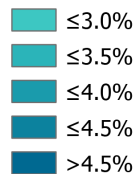


# Unemployment rates are between 3% and 5% for most counties in West Michigan

Michigan's rate was **4.3%**

Barry County was **3.3%**

Southwest Michigan Unemployment Rate August 2019

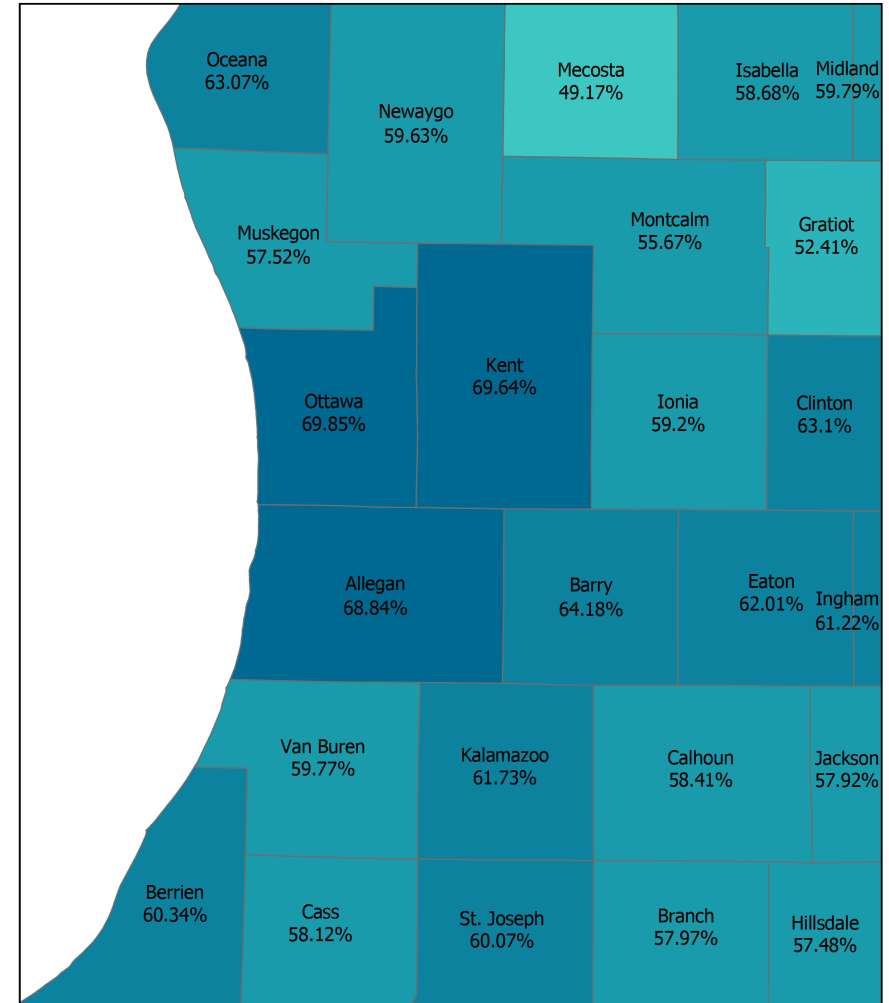
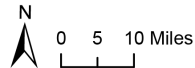


**Labor force participation rates are more varied**

**Michigan's rate was 61.9%**

**Barry County was 64.2%**

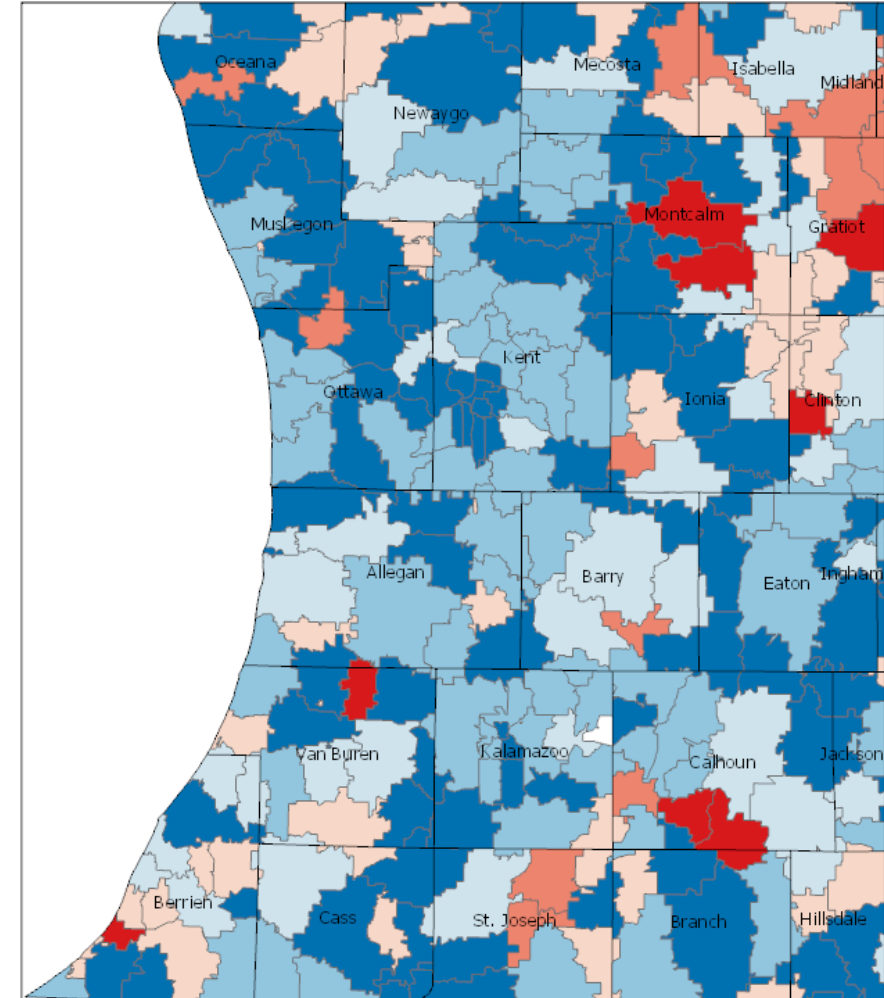
Southwest Michigan Labor Force Participation Rate - August 2019



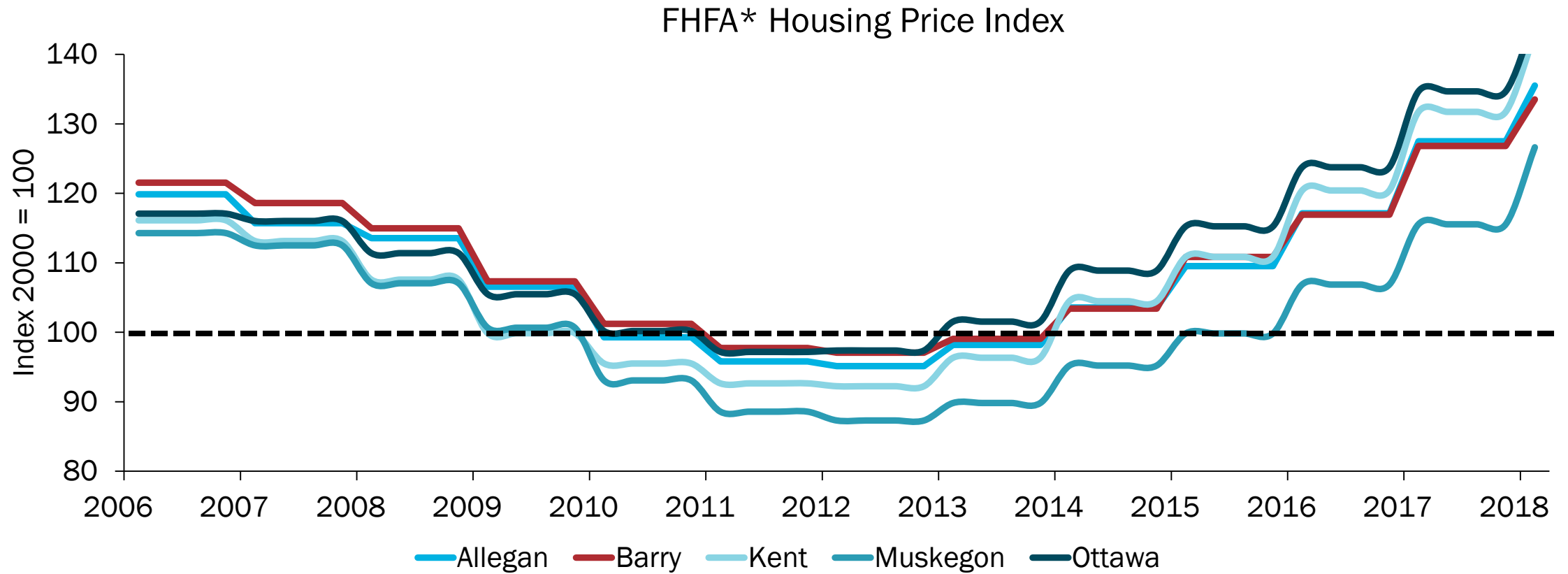
# Housing values continue to rise, but the pace continues to decelerate nationally

Southwest Michigan Housing Price Index Change by 5 Digit Zip Code

Housing Price Index Change 2017 to 2018 Percent Change

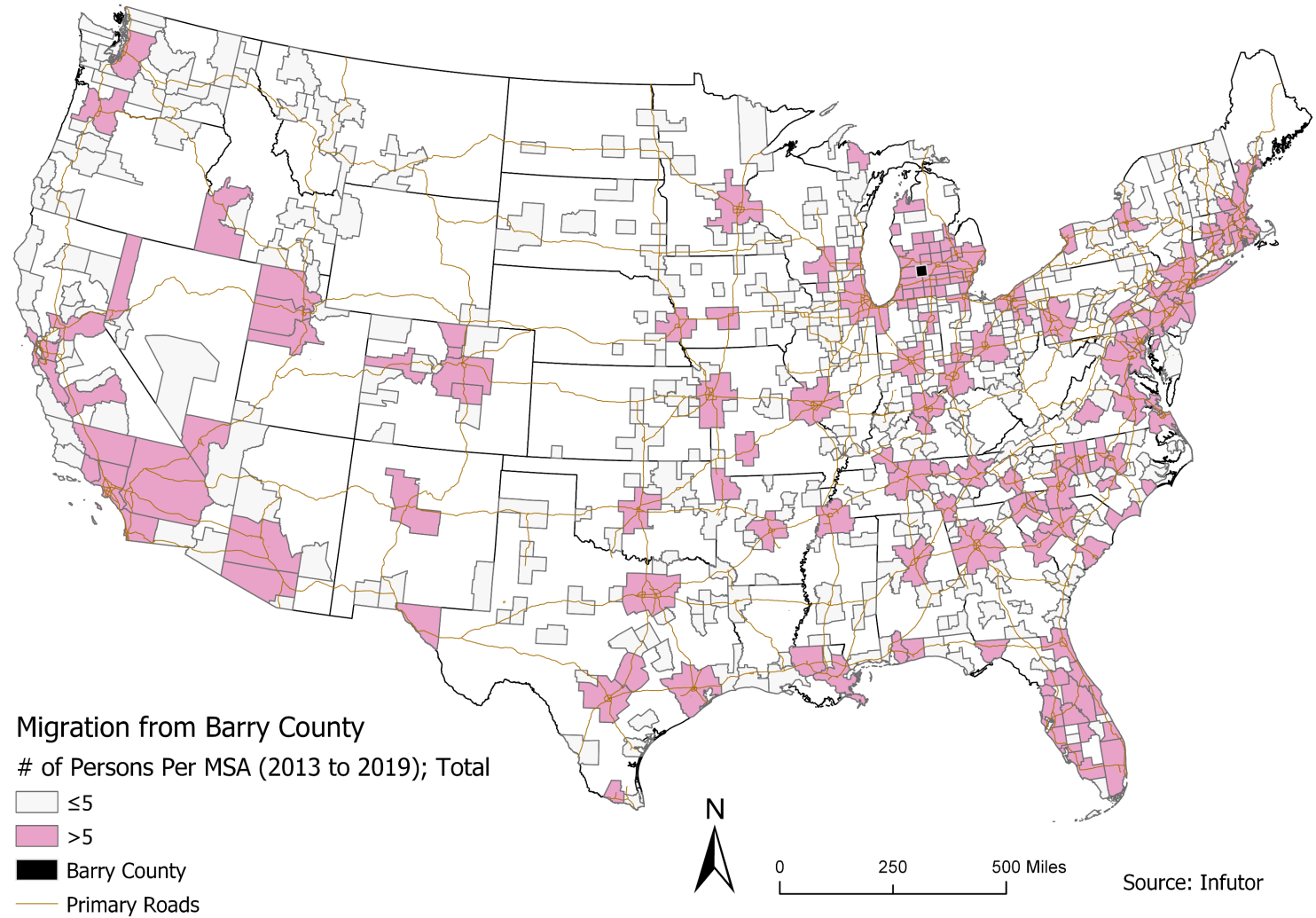


# Local housing prices have been rising for the last few years

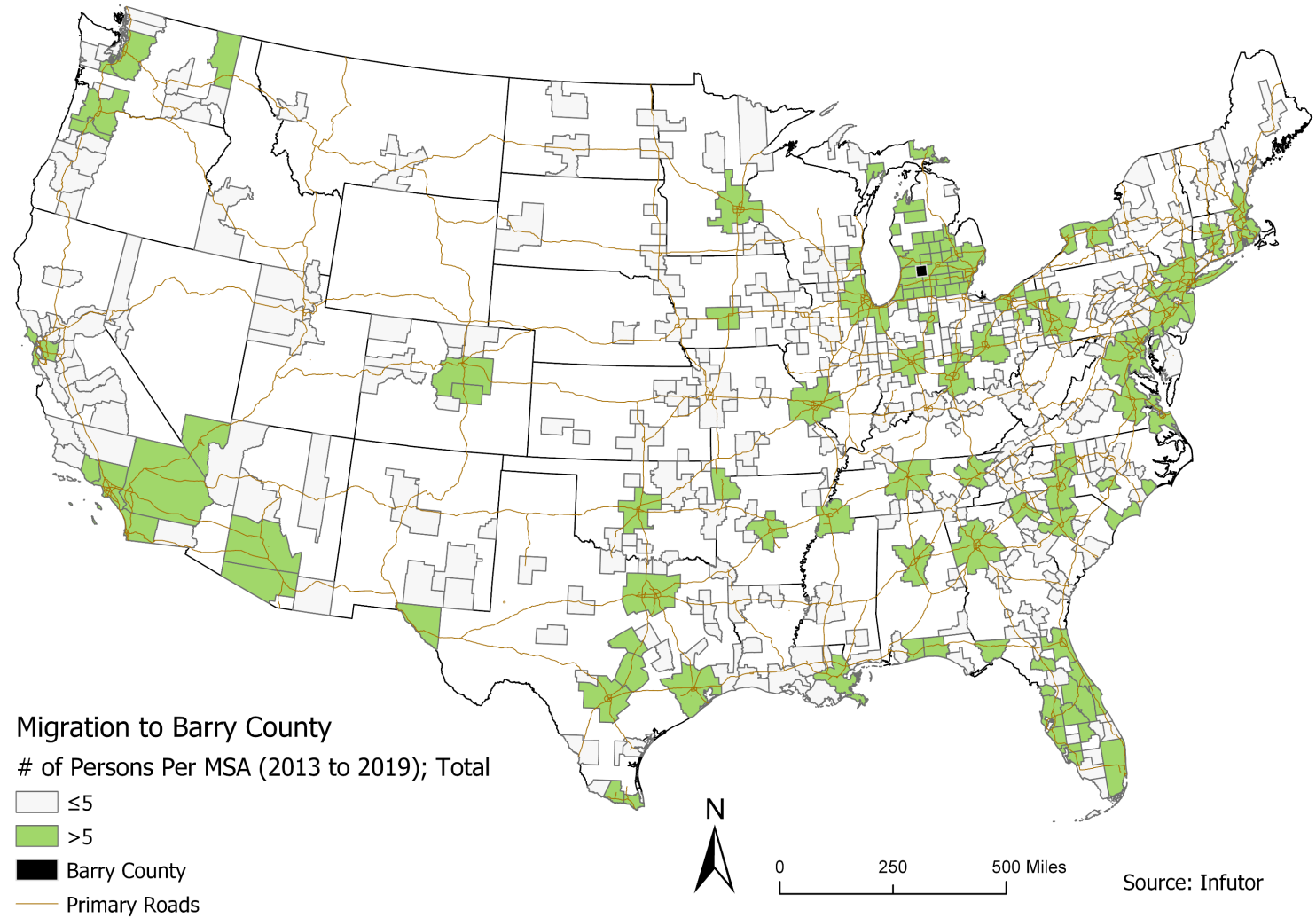


\*Federal Housing Finance Agency

# Out-migration from Barry County MSA: 2013 to 2019

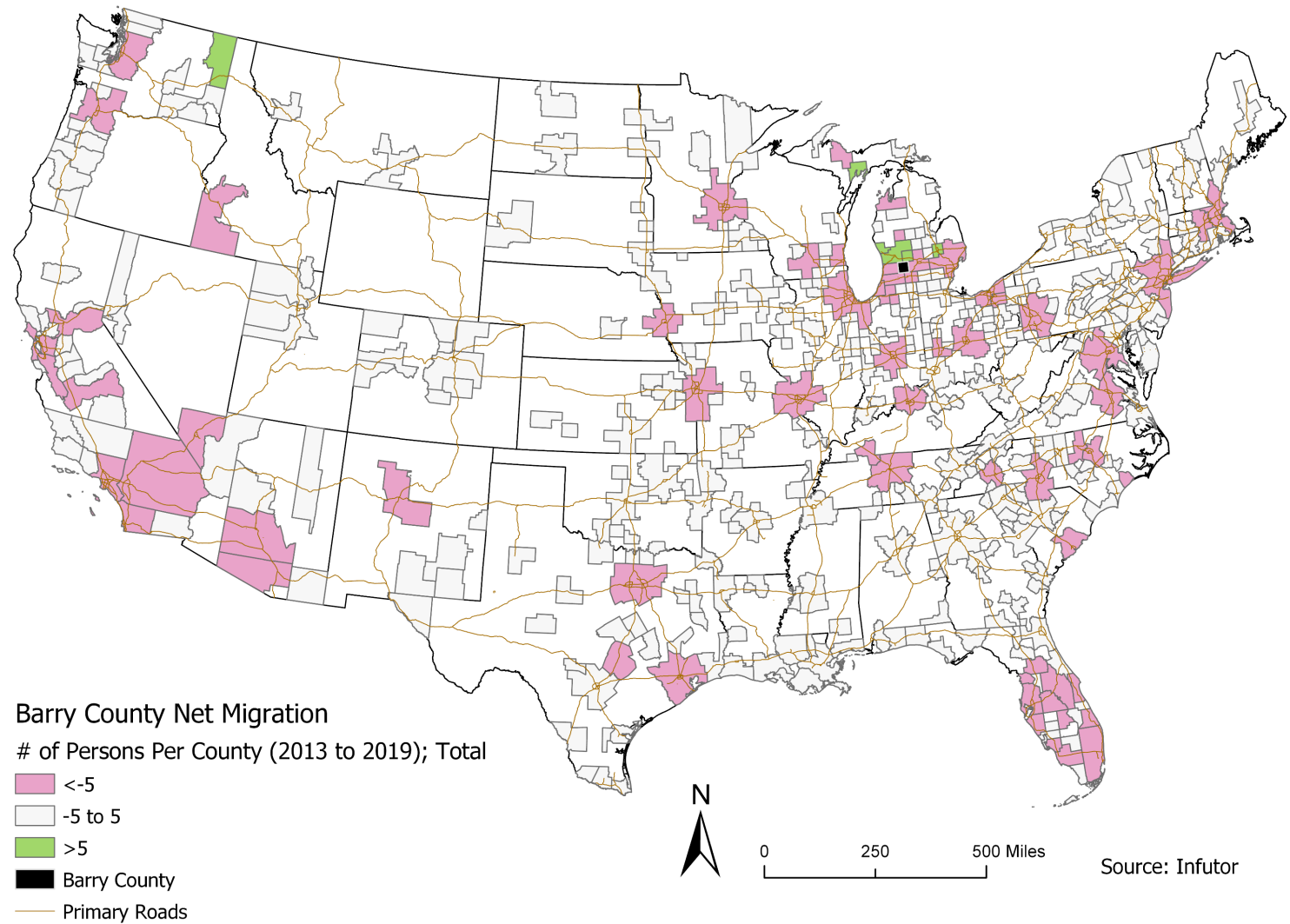


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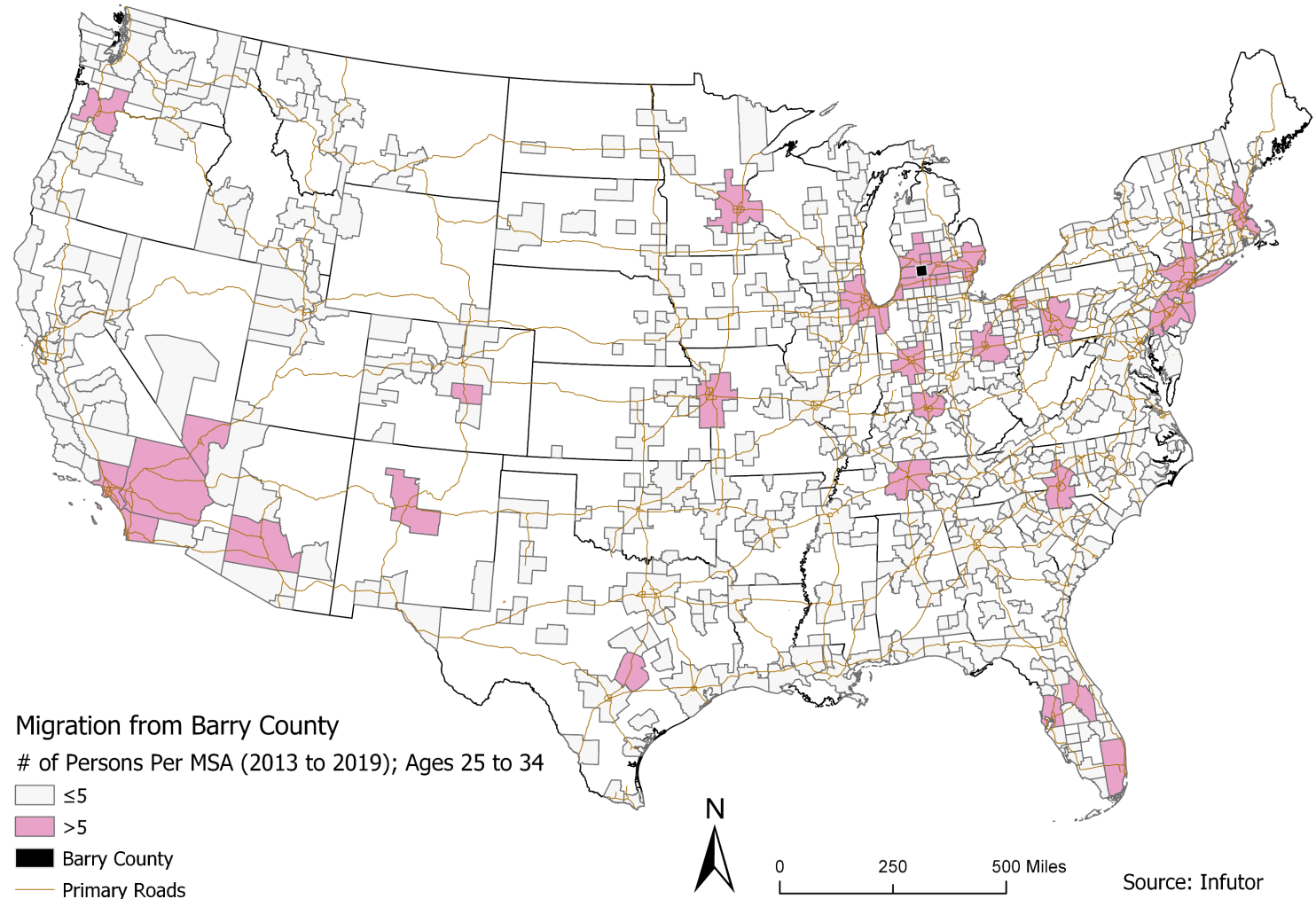


# Net Migration to Barry County: 2013 to 2019



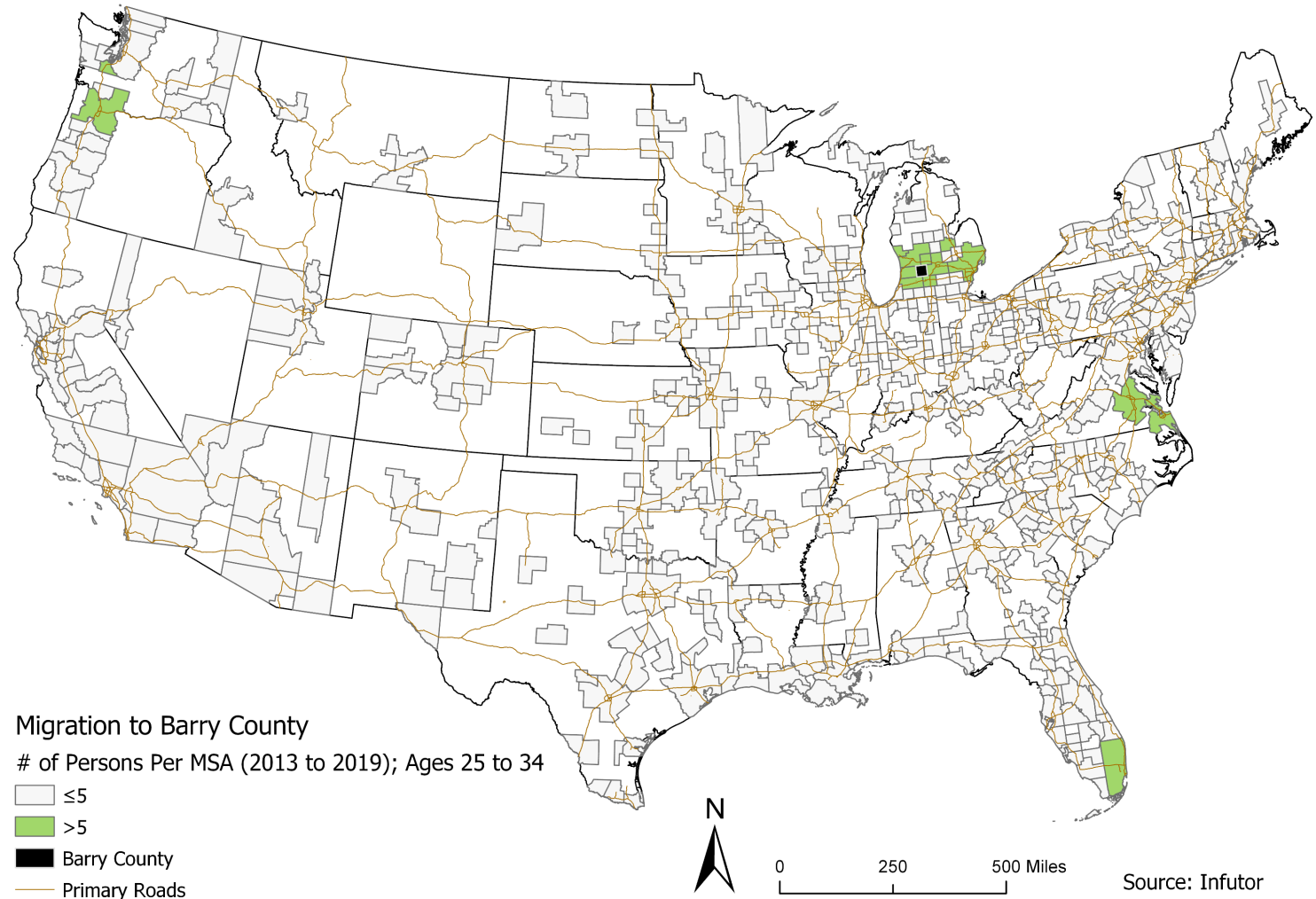
# Out-migration to Barry County: 2013 to 2019

## Emerging workers aged 25 to 34



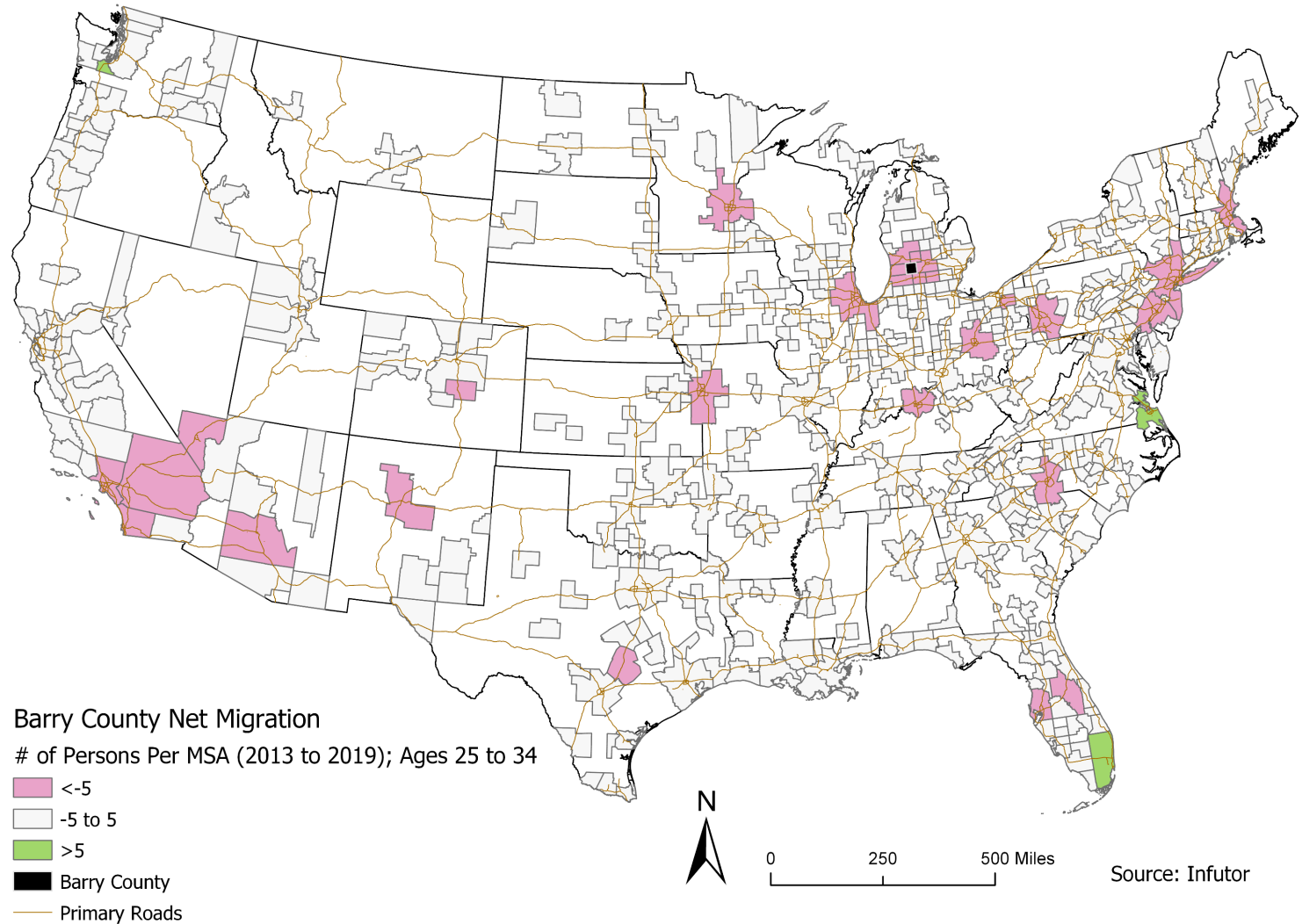
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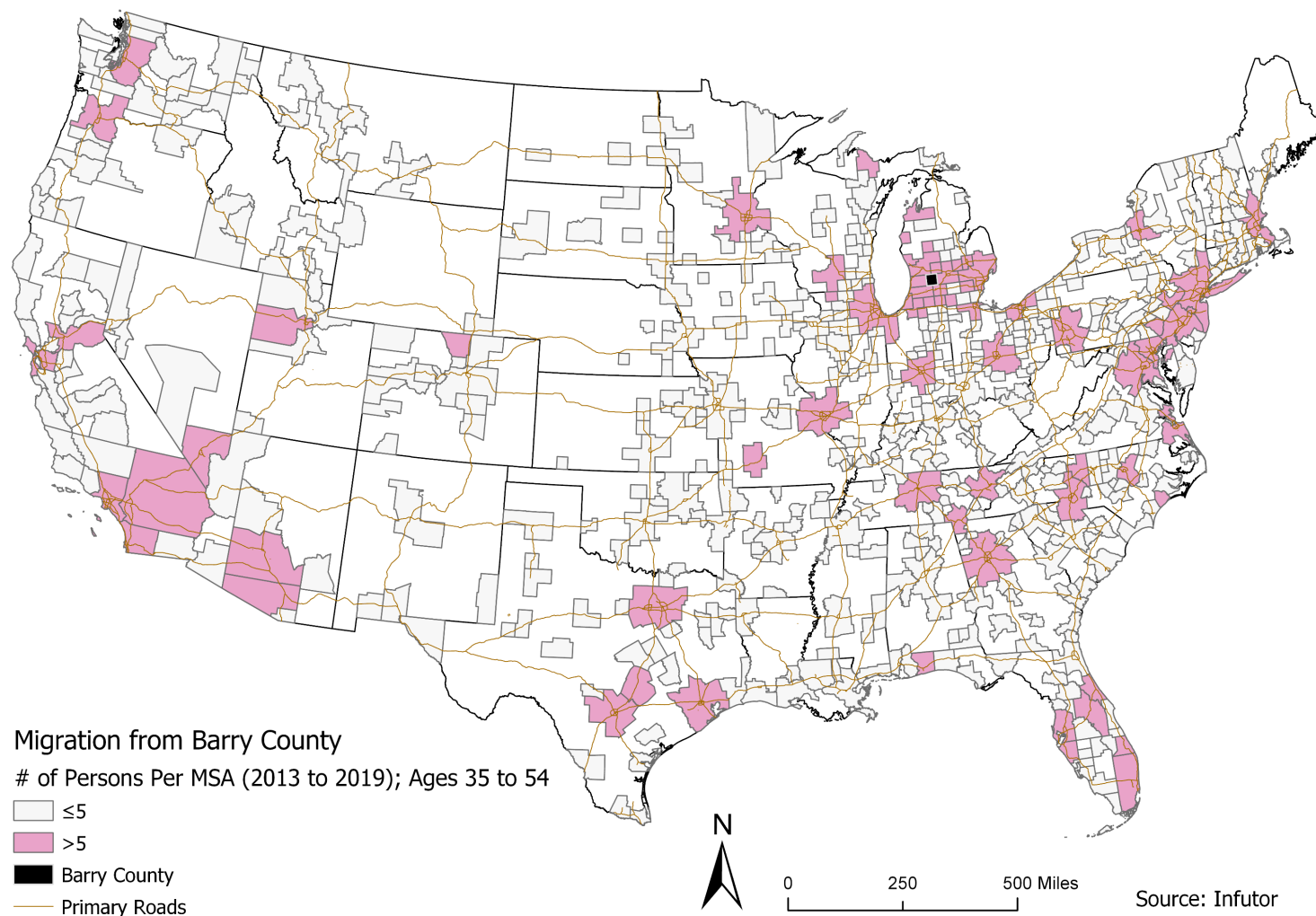
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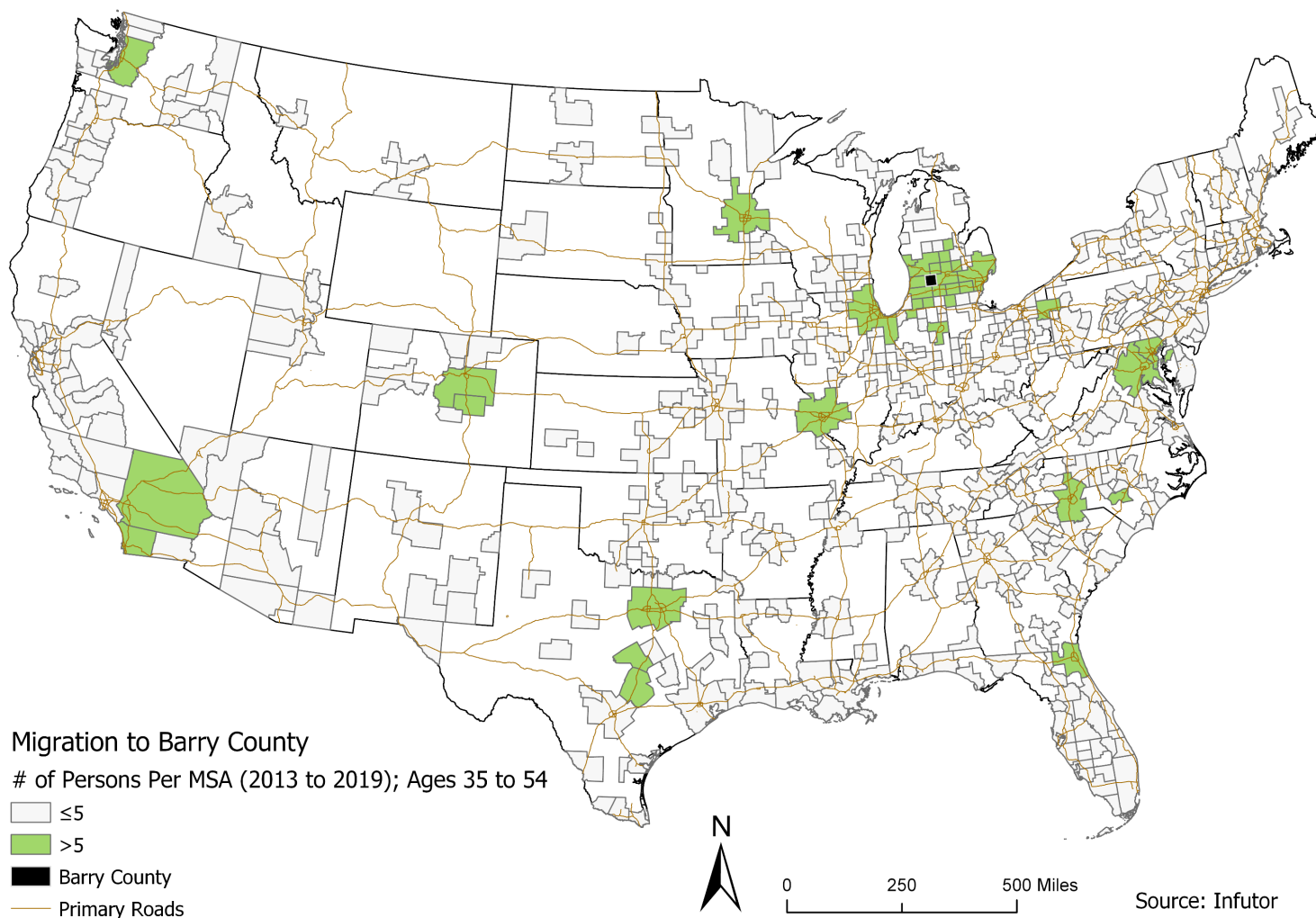
# Out-migration to Barry County: 2013 to 2019

## Prime-aged workers, 35 to 54



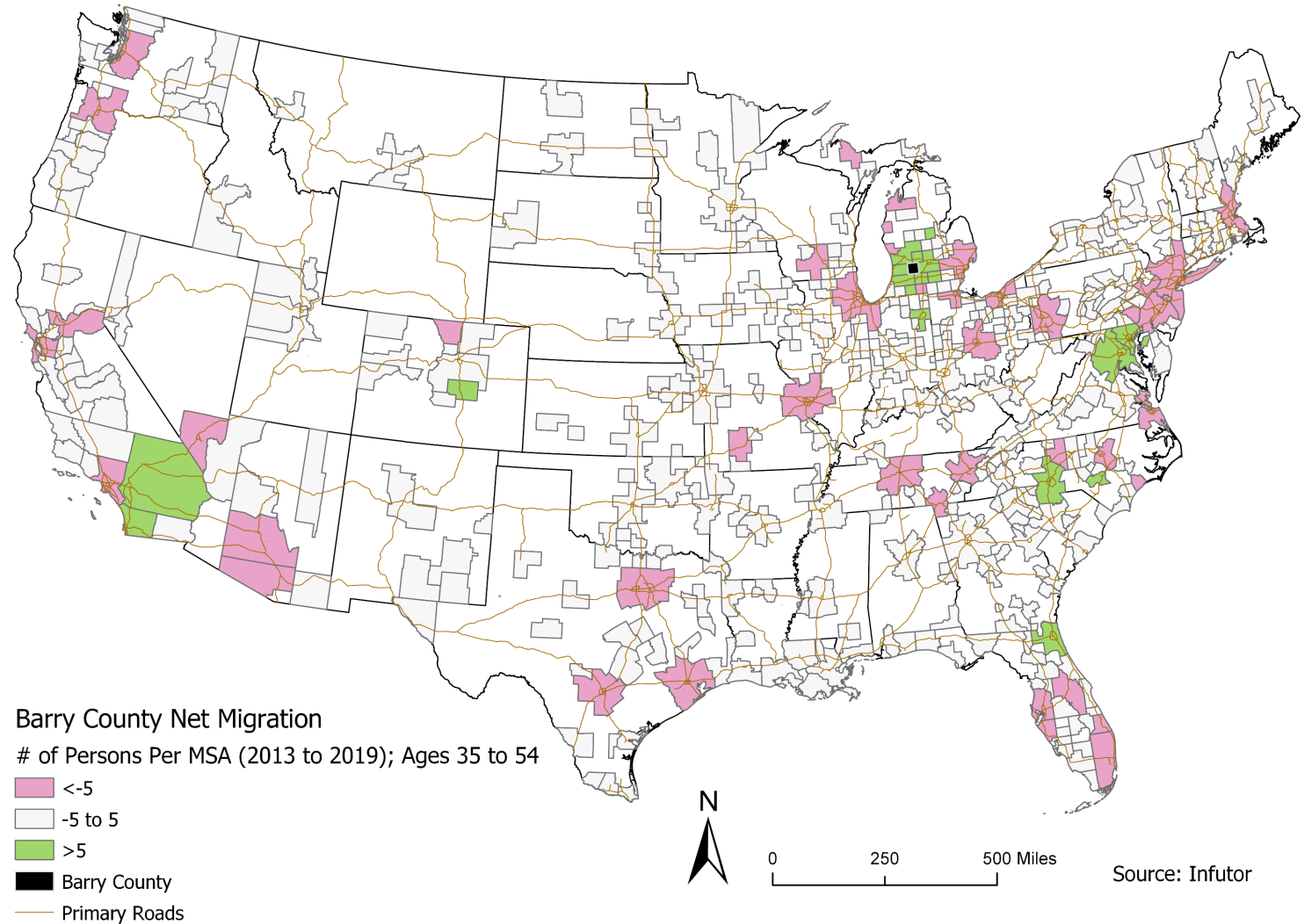
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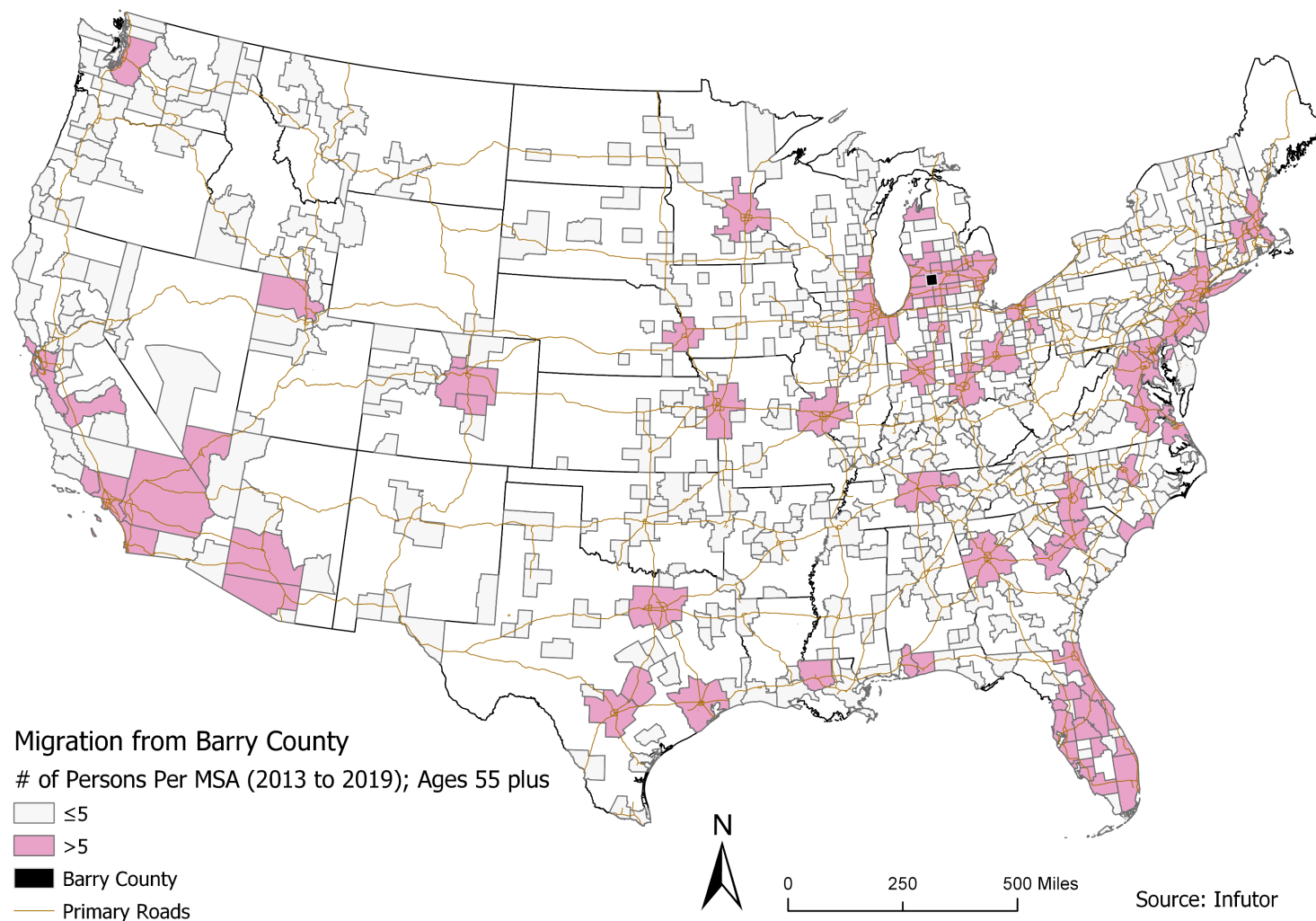
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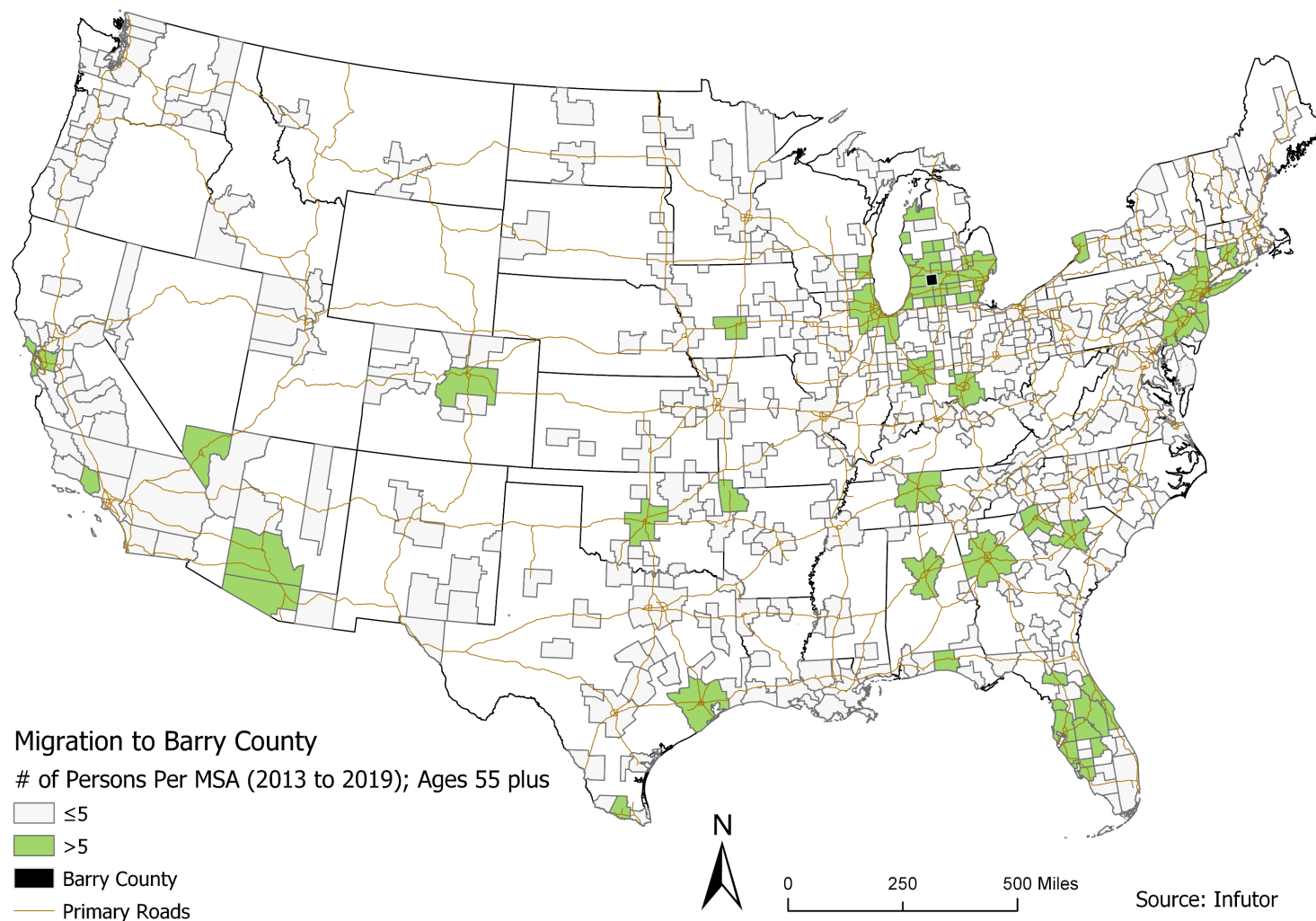
## Post-prime-aged workers, 55 and older





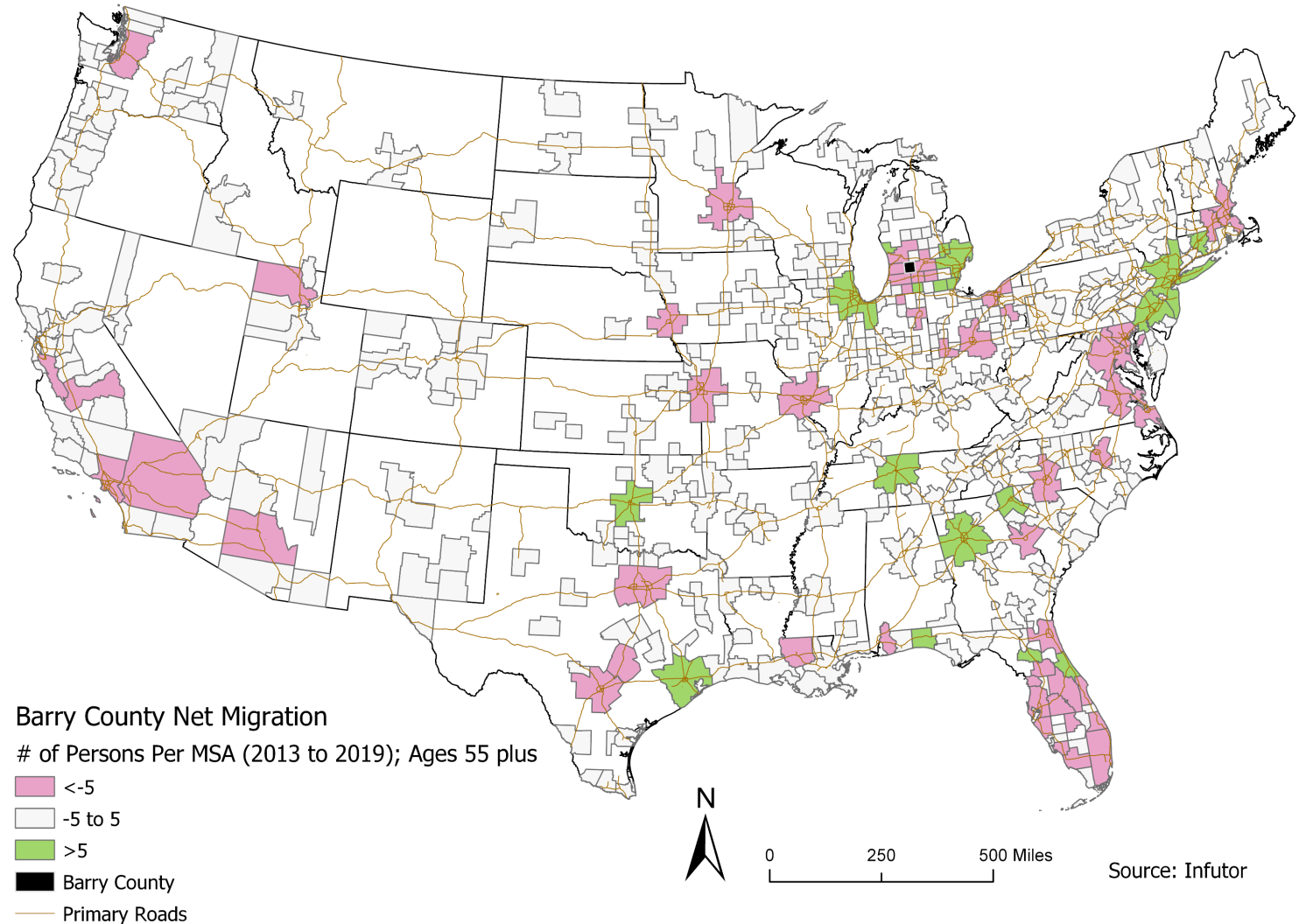
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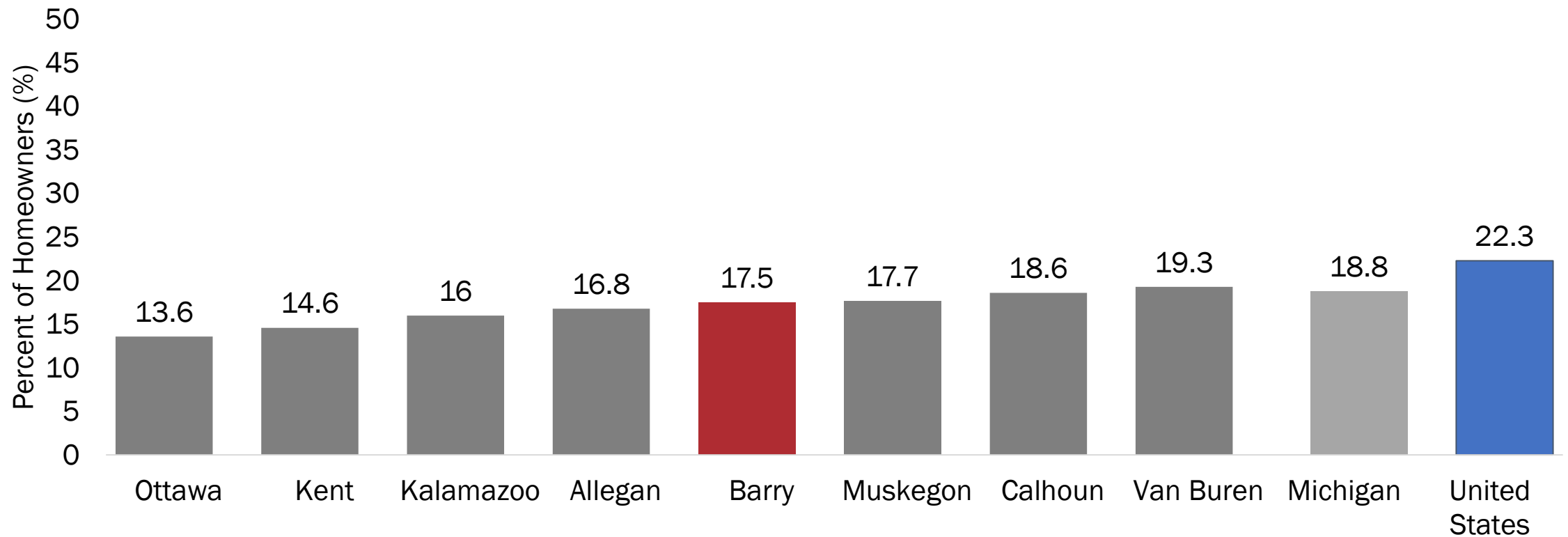
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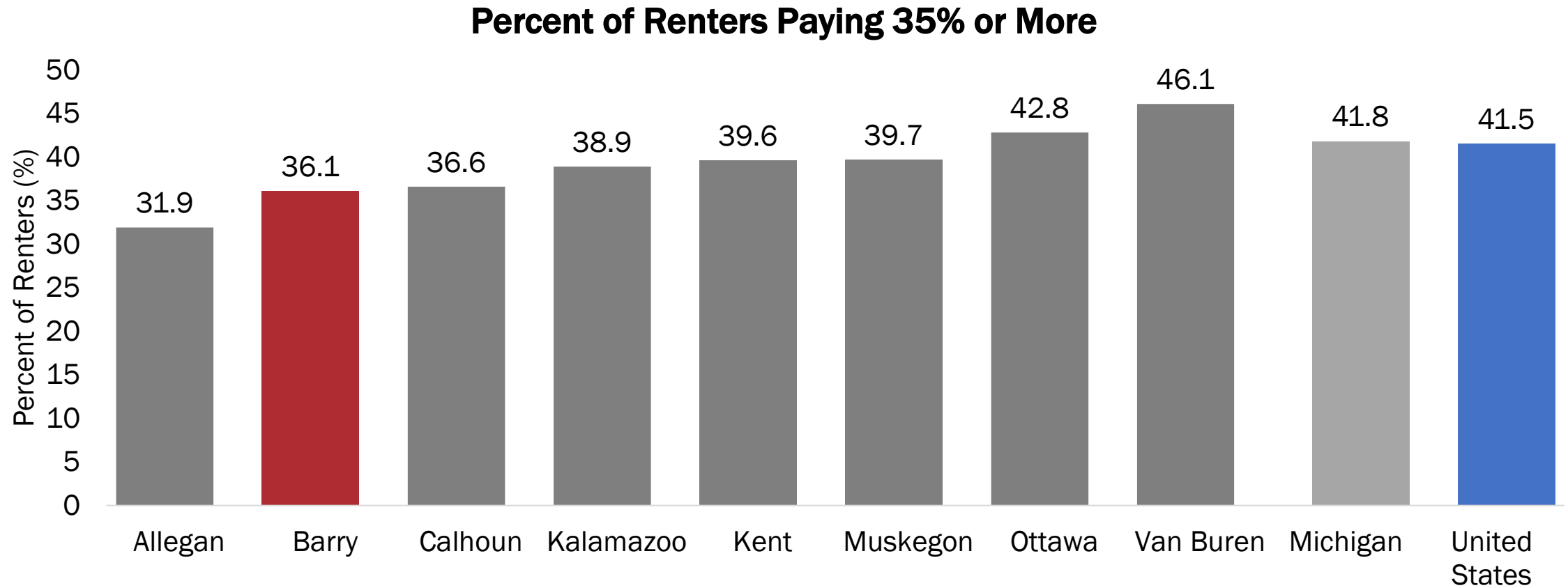


# Are homeowners paying too much for housing?

Percent of Owners Paying 35% or More



# Renters are in worse shape



# Risk Factors to West Michigan

- Global trends
- Light vehicle trends
- Contracts with the OEMs
- Available buildings and sites
- Available workforce
  - Barriers to entry
  - Skill sets
- Affordable housing

# Questions?

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