Looking into 2020:

Don’t Shoot the Messenger

A Presentation to the
REGIONAL GROWTH PARTNERSHIP and
JOBSOHIO

Jim Robey, Director, Regional Economic Planning Services
W.E. Upjohn Institute for Employment Research

January 22, 2020

W.E. UPJOHN INSTITUTE
FOR EMPLOYMENT RESEARCH

W.E. Upjohn Institute for Employment Research

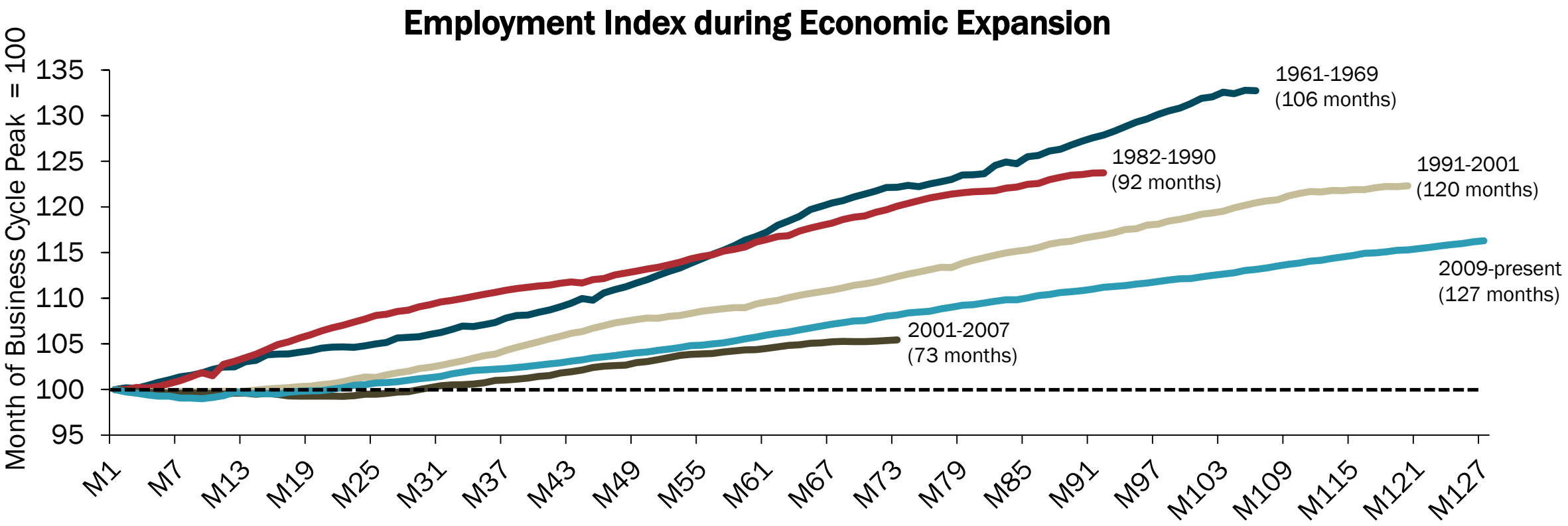
The Institute is an activity of the W.E. Upjohn Unemployment Trustee Corporation, which was established in 1932 to administer a fund set aside by Dr. W.E. Upjohn, founder of the Upjohn Company.

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 Economic Outlook

We are currently in the longest expansion since WWII



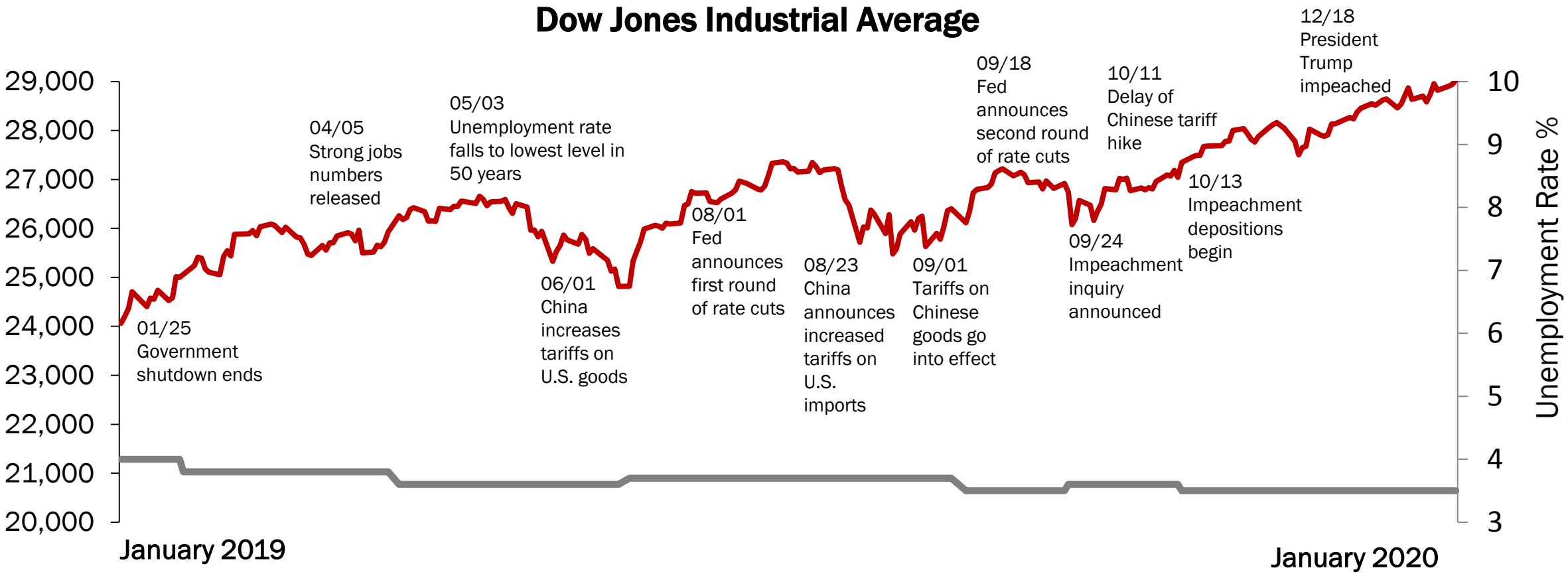
Source: Bureau of Labor Statistics Current Employment Survey

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	127
Business Cycle	45	56	49	32	116	47	92	18	108	128	81	142

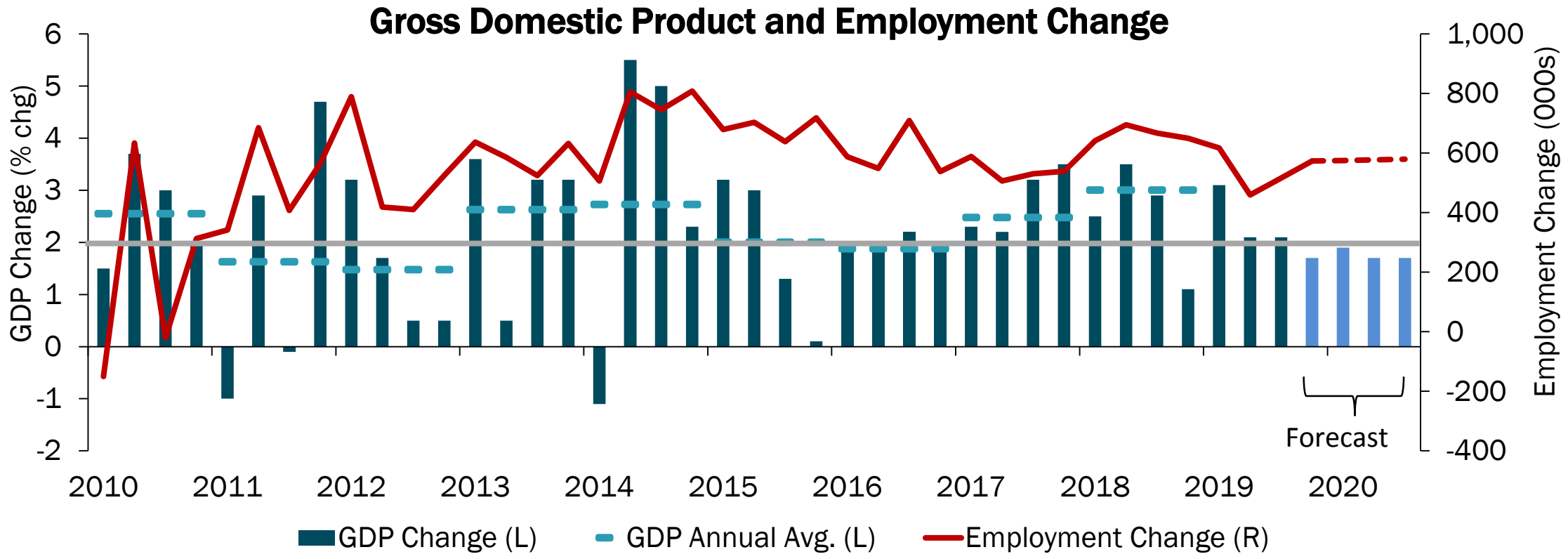
Source: National Bureau of Economic Research

The stock market has reacted to various events this year, but continues to grow



Source: Yahoo Finance & Bureau of Labor Statistics

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

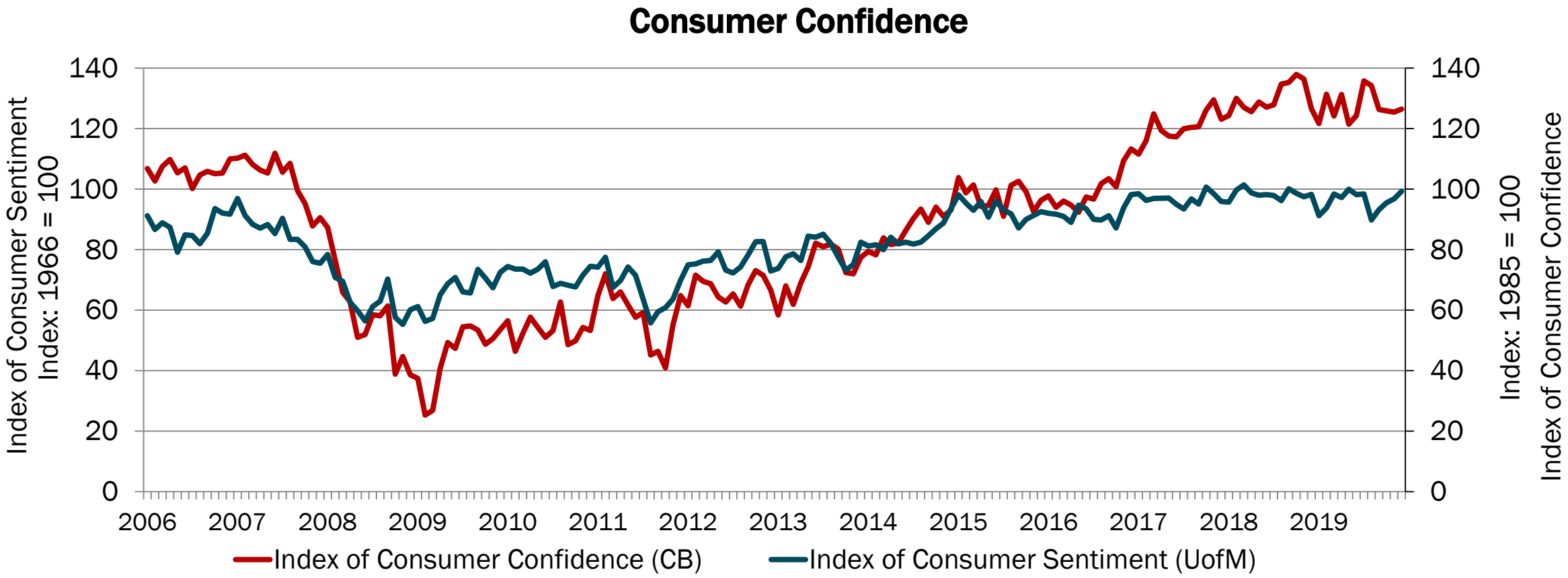


Source: Bureau of Labor Statistics Current Employment Survey, Bureau of Economic Analysis, Philadelphia Federal Reserve Consensus Forecast

University of Michigan RSQE national forecast

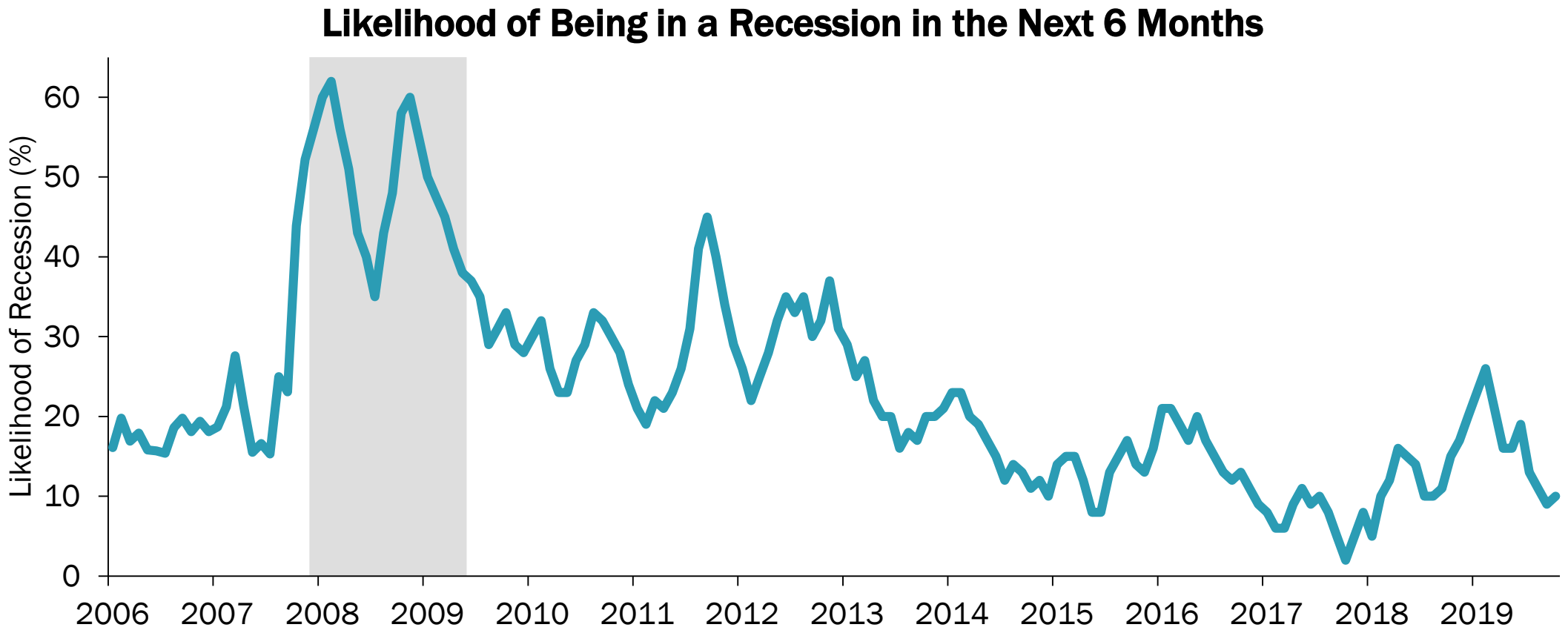
	2019 (Forecast)	2020 (Forecast)	2021 (Forecast)
GDP	2.3%	1.7%	1.7%
Employment	1.6%	1.3%	1.1%
Light Vehicle Sales (Millions)	17.0	16.8	16.7
Unemployment Rate	3.7%	3.5%	3.4%
Housing Starts (Millions)	1.25	1.26	1.28
CPI/Inflation	1.7%	1.7%	2.0%

High and stable consumer confidence



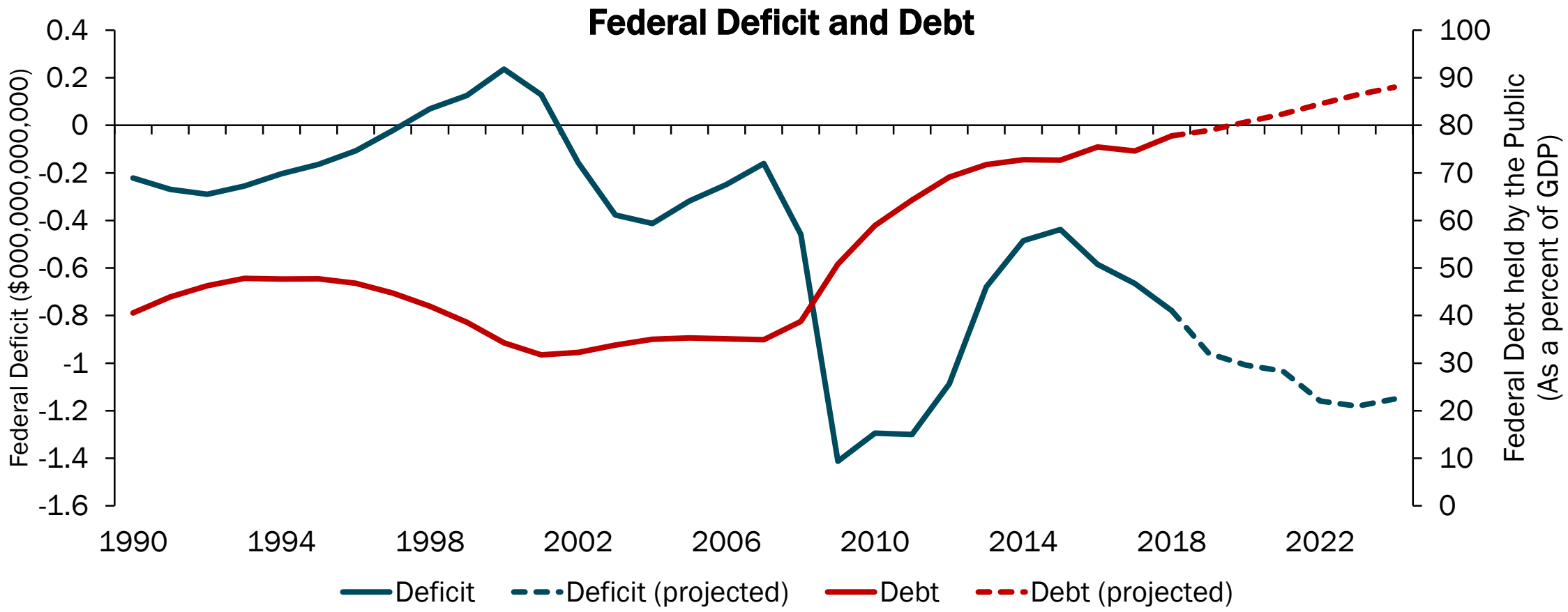
Source: Conference Board and University of Michigan

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



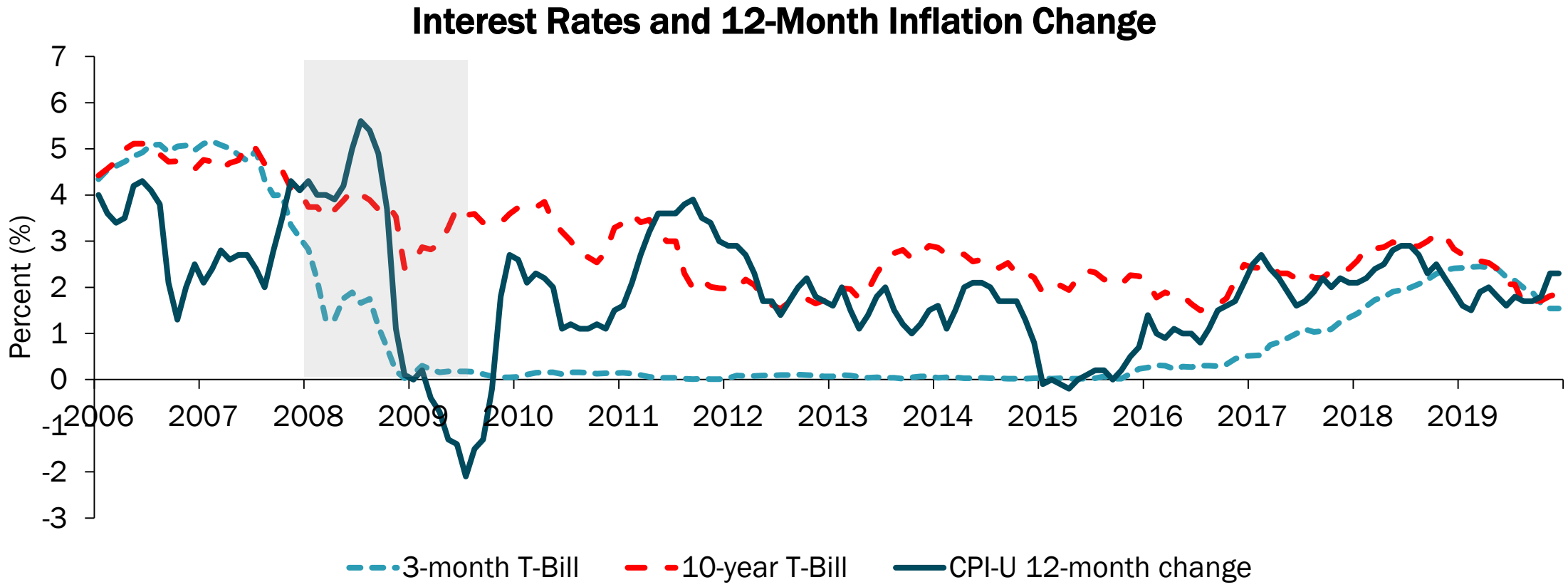
Source: Moody's Analytics

With tax cuts and 2018 fiscal stimulus overhang, federal debt and deficits continue to climb



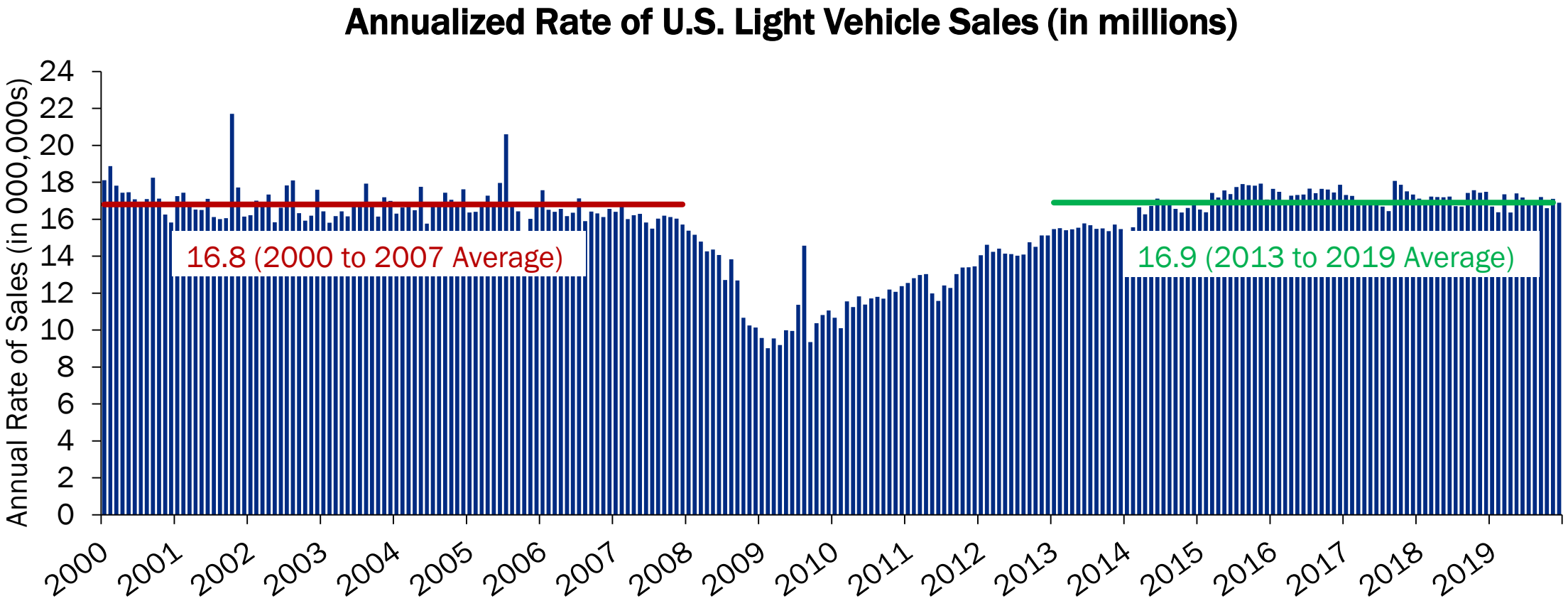
Source: Office of Management and Budget

Inflation and interest rates have increased in the past 2 years



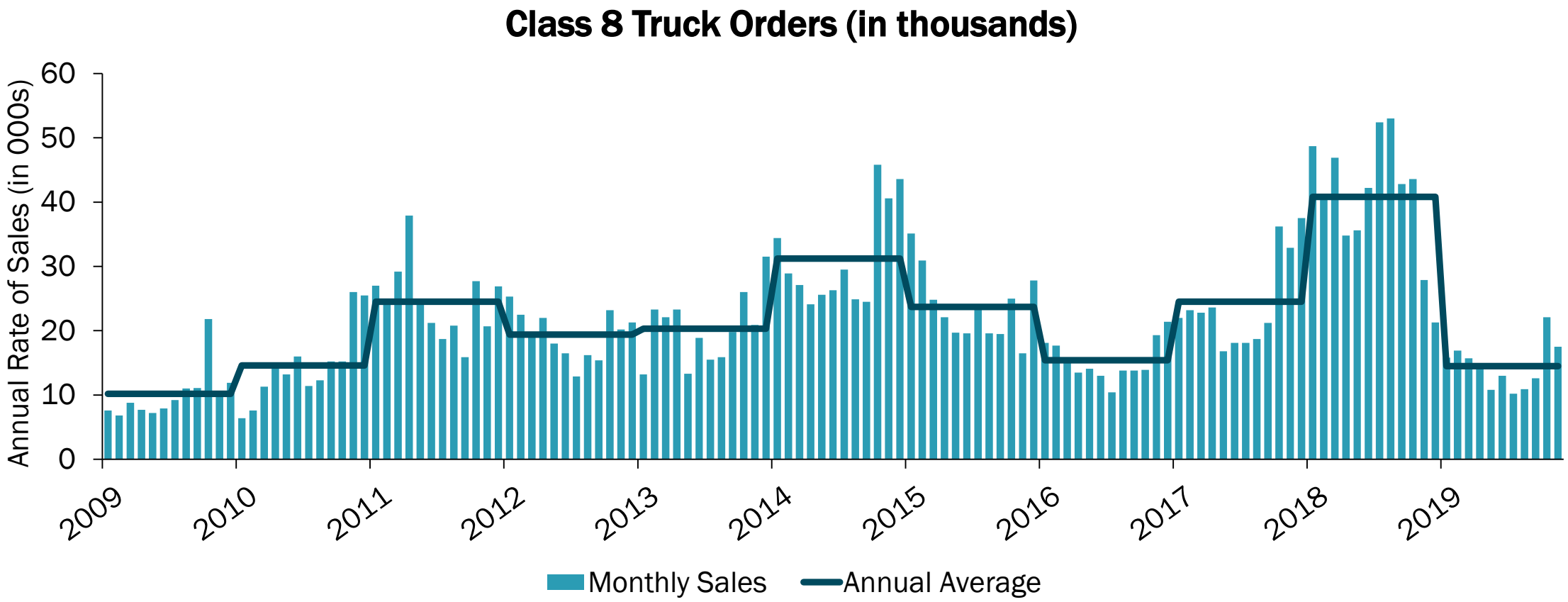
Source: Bureau of Labor Statistics and New York Federal Reserve

Light vehicle sales have been steady



Source: Bureau of Economic Analysis

Class 8 Truck orders declined significantly in 2019



Source: ACT Research

Regional Conditions: Northwest Ohio

Interesting tool: Georgia State University

- https://frc.gsu.edu/georgias-rankings-among-the-states-data-viz/#1548267161264-a3f8a752-0bc2
- How Ohio Ranks:

	Rank	Ohio	Number 1
– Per capita local taxes:	19	$2,083	$5,006 (NY)
– Per capita state taxes:	34	$2,598	$5,008 (VT)
– Per capita federal revenue:	26	$2,224	$4,756 (AK)
– Mean tuition at publics:	16	$11,330	$17,474 (VT)
– Higher Ed per FTE student:	35	$6,361	$18,001 (WY)

Moody's: By the numbers for the MSA

- Drivers are Manufacturing and Logistics
- Cost of:
  - Living: 87%
  - Business: 89%
- Employment Growth Rank (of 410 MSAs):
  - 2018 to 2020: 376
  - 2018-2023: 349
- Quality of Life: 229 of 378

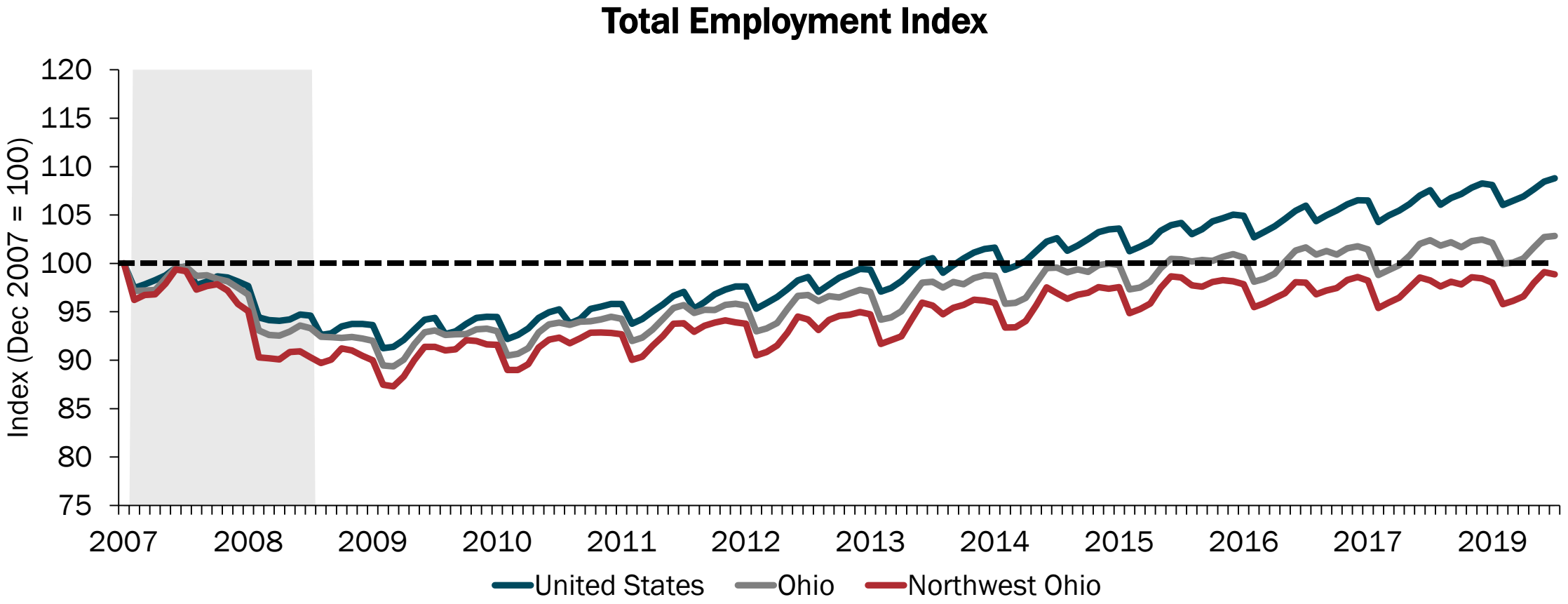
Source: Moody's via FirstEnergy

Moody's: a quick SWOT for the MSA

- Strengths
  - Manufacturing infrastructure
  - Healthcare services
  - COL and COB
- Weaknesses
  - Quality of labor force
  - Out migration
  - Lack of high tech jobs—leading to lower incomes

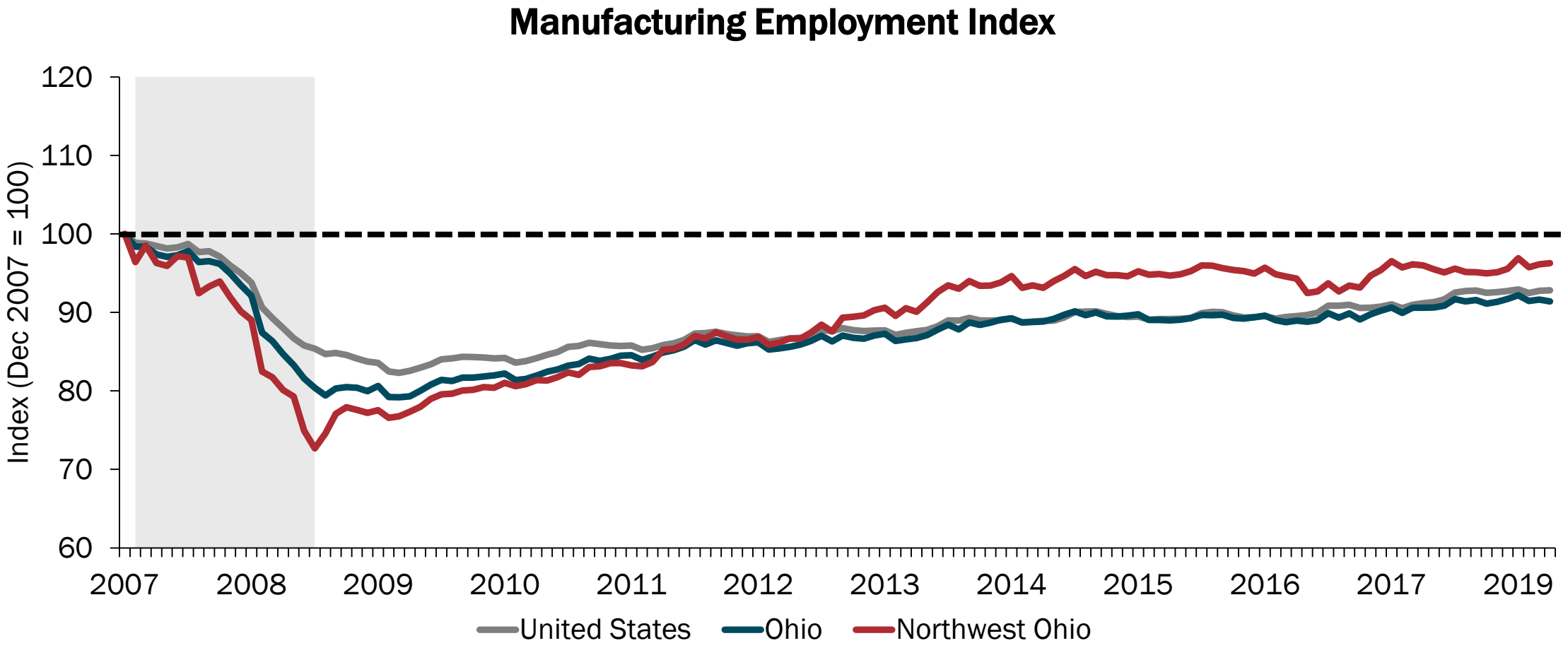
Source: Moody's via FirstEnergy

Employment growth slowed in 2019. . .



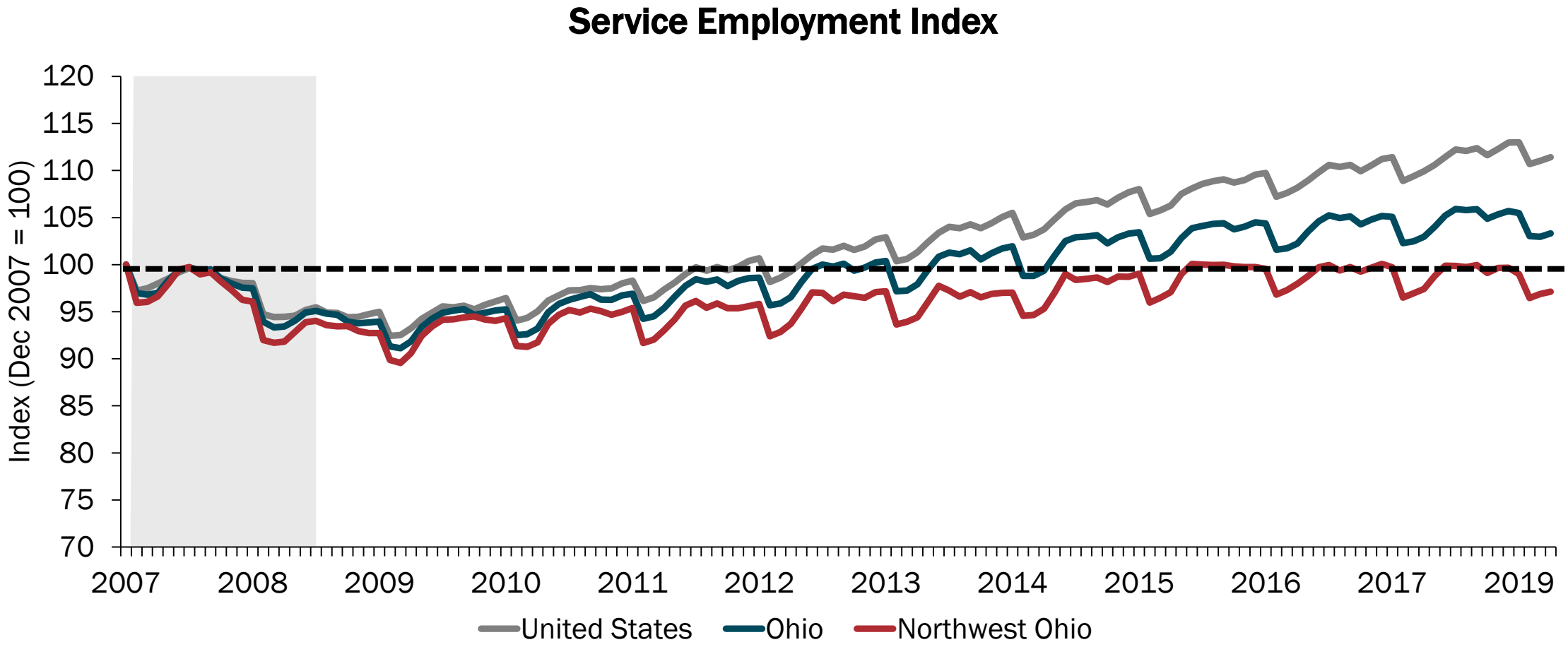
Source: BLS Quarterly Census of Employment and Wages

Manufacturing employment has been steady



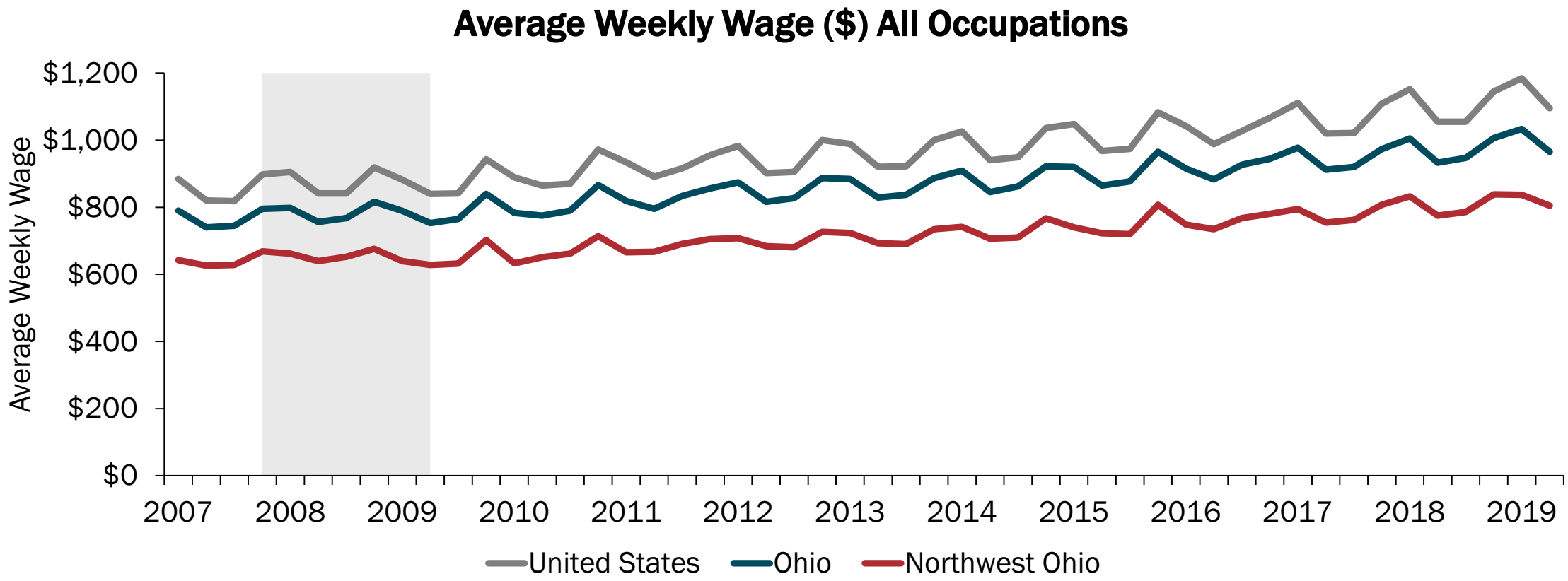
Source: BLS Quarterly Census of Employment and Wages

...as has service employment growth



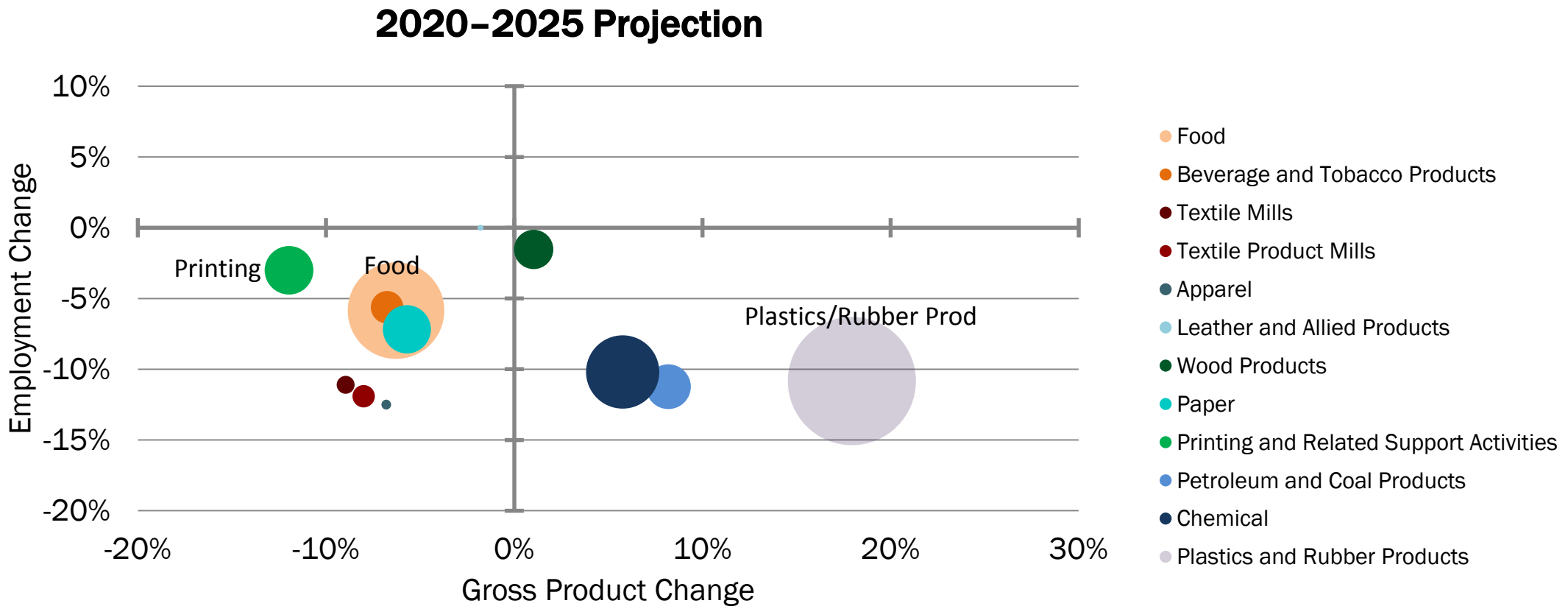
Source: BLS Quarterly Census of Employment and Wages

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



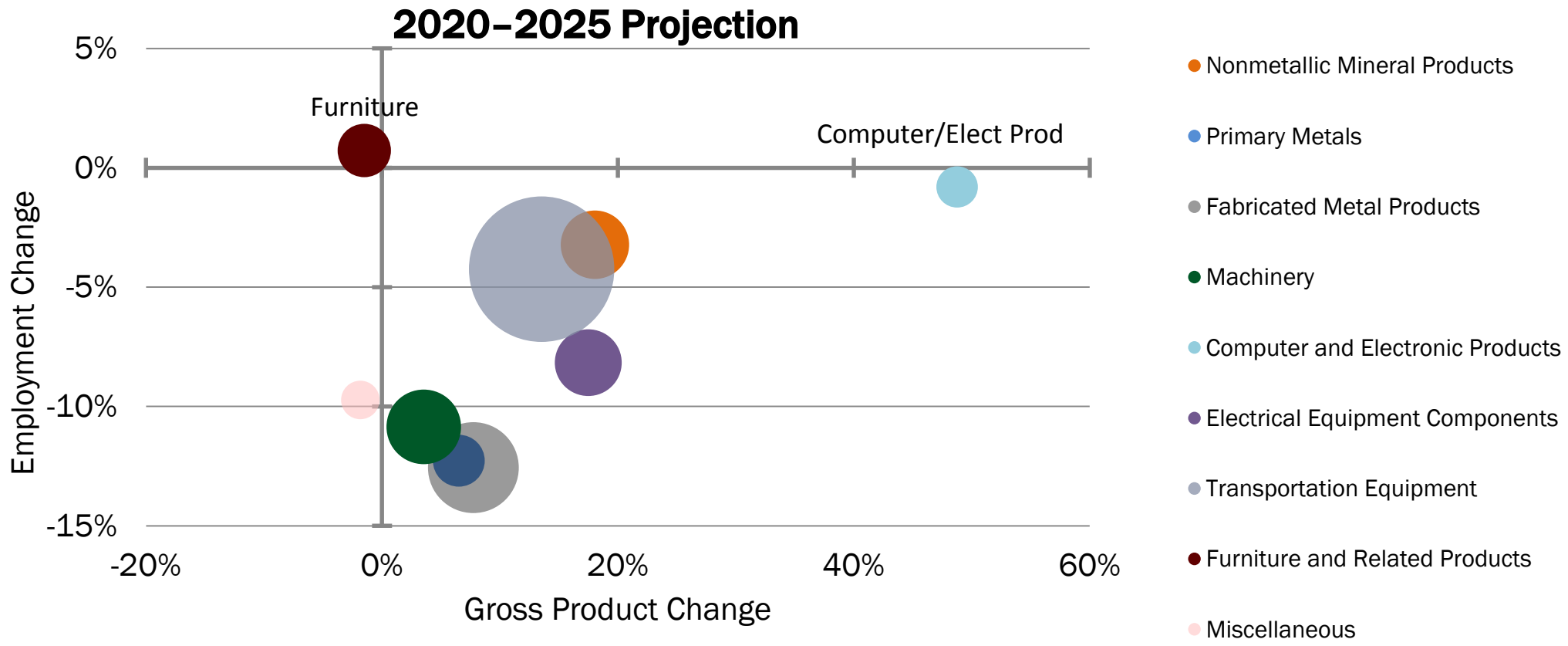
Source: BLS Quarterly Census of Employment and Wages

Nondurable Manufacturing is forecast to mostly decline in employment



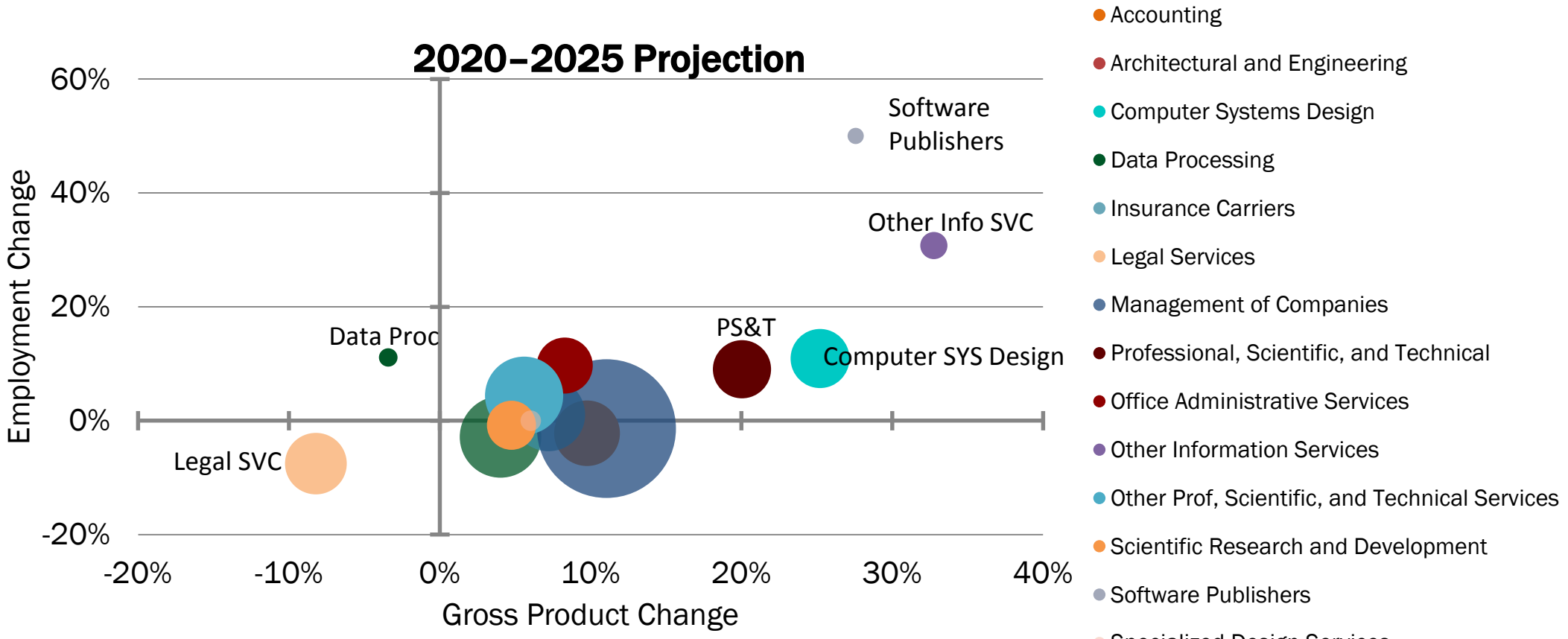
Source: Moody's Analytics and Upjohn Institute

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



Source: Moody's Analytics and Upjohn Institute

Information Services and Software Publishing are expected to grow the most

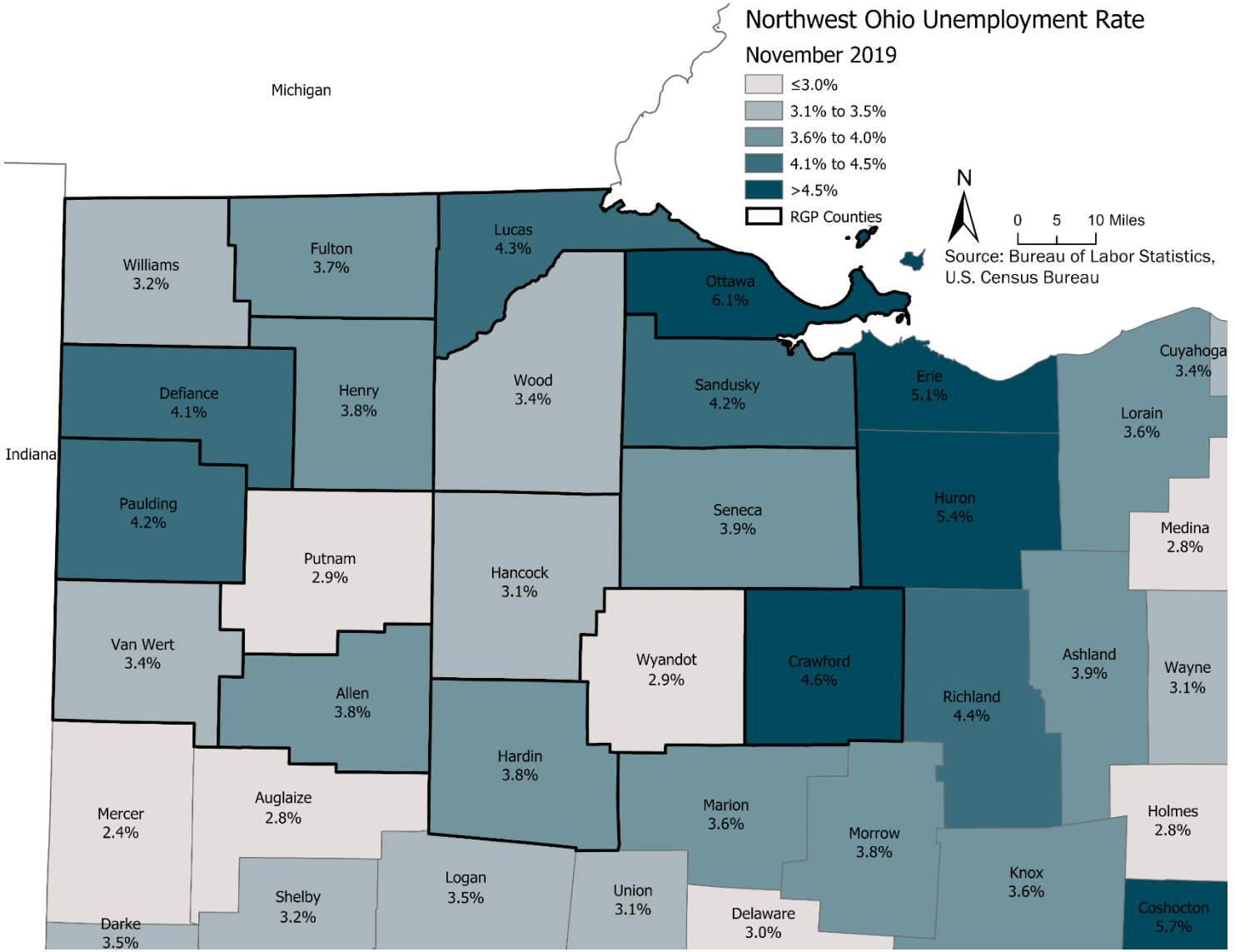


Source: Moody's Analytics and Upjohn Institute

Unemployment rates are between 3% and 5% for most counties in NW Ohio

Ohio's rate was 4.2%

U.S. was 3.5% with NROU at 4.562%

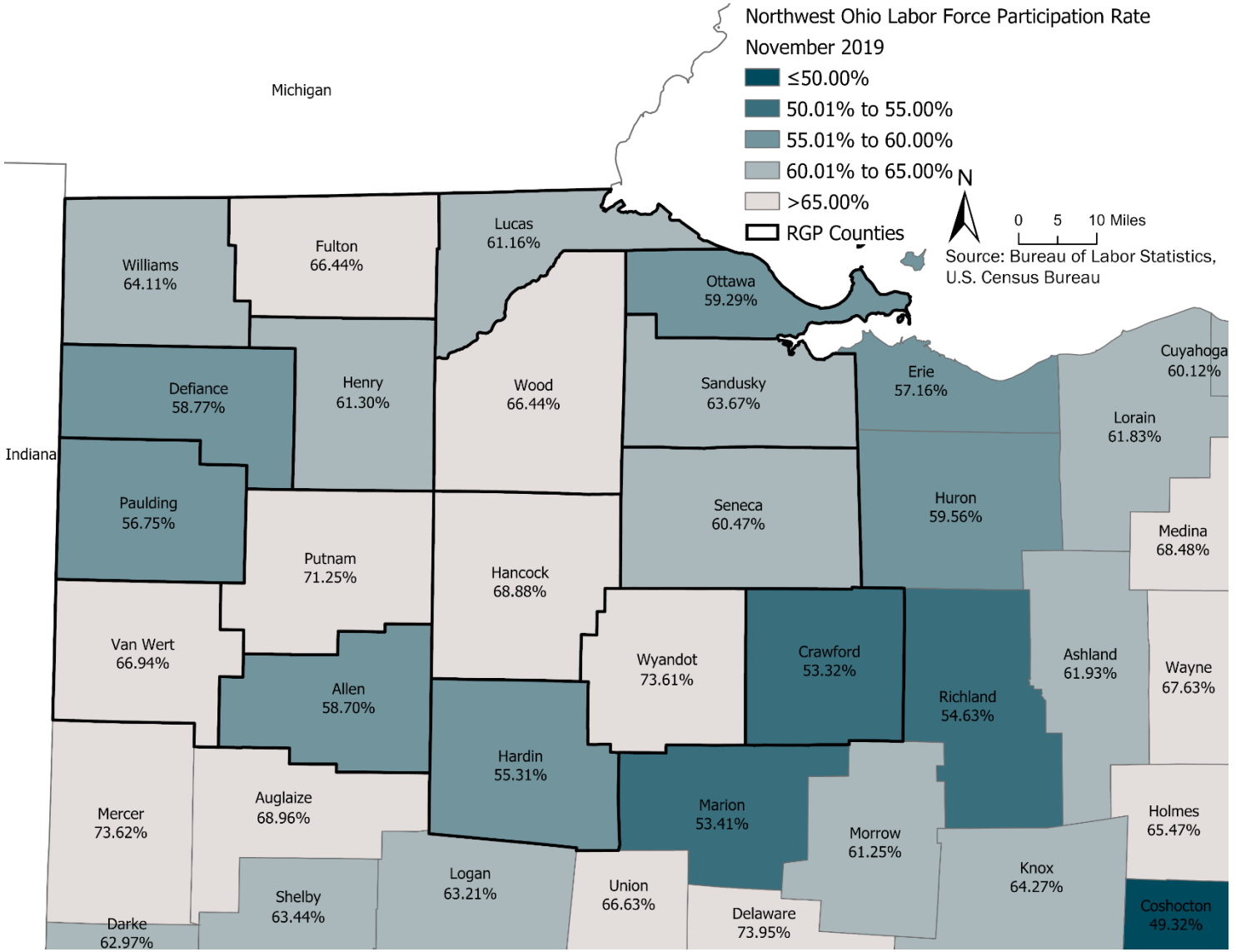


Source: Bureau of Labor Statistics, U.S. Census Bureau

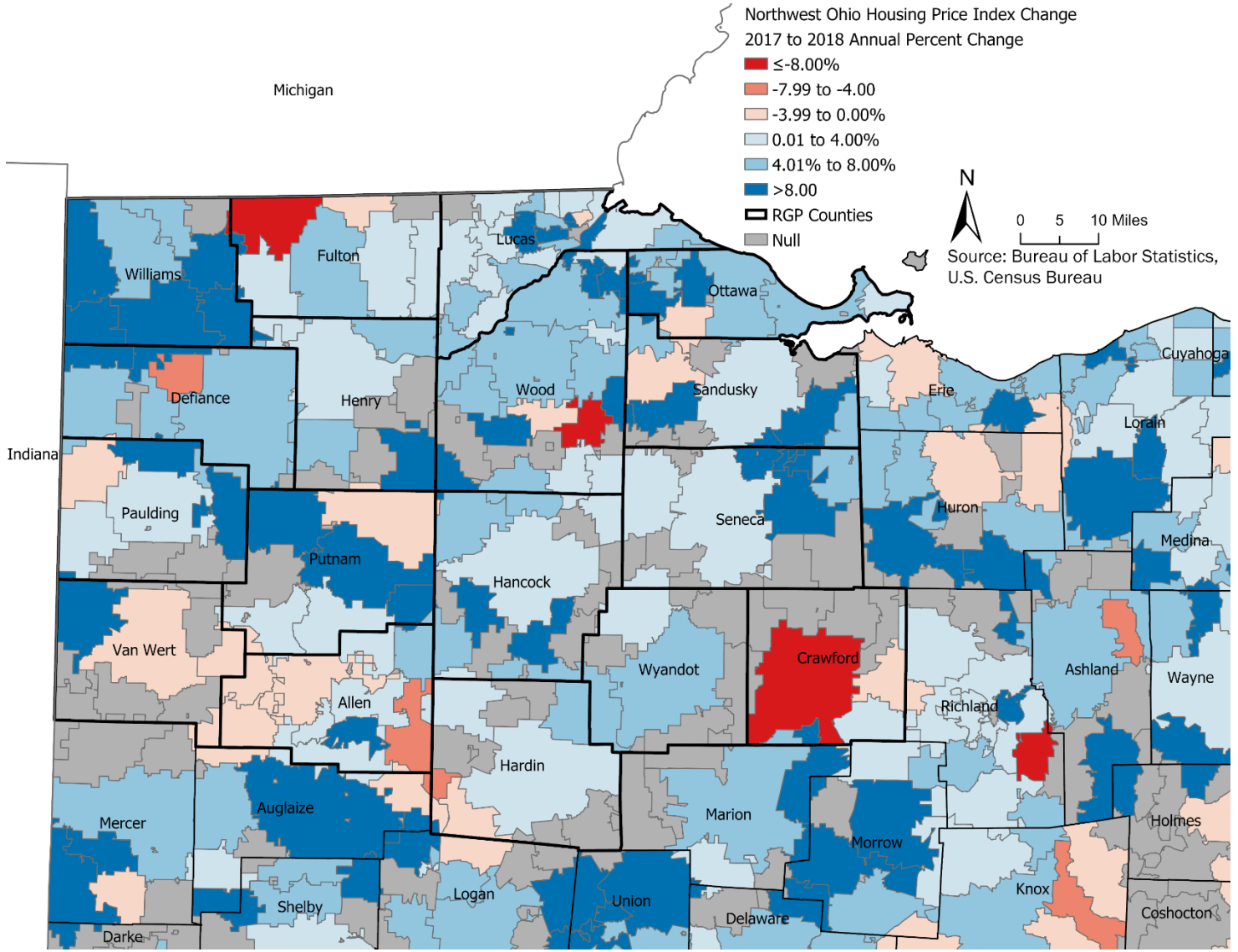
Labor force participation rates are less varied in NW Ohio

Ohio's rate was 62.8%

U.S. was 63.2%



Housing values continue to rise, but the pace continues to decelerate nationally to 3.4% (y/y) in October 2019 from 5.0% (y/y) in December 2018



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

"Expansions don't get tired; rather, they end due to policy mistakes."

Questions?

- Jim Robey, PhD
  - jrobey@upjohn.org
  - 269-385-0450
- Contributors:
  - Kathleen Bolter, PhD, Regional Research Analyst
  - Gerrit Anderson, Mapping and Data Visualization Specialist
  - Emily Boyle, Project Coordinator / Copy Editor
  - And our friends, Gabe Ehrlich and the team at RSQE, University of Michigan