

Looking into 2020: What We Are Watching

A Presentation to the
CADILLAC AREA CHAMBER OF COMMERCE

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W.E. Upjohn Institute for Employment Research

February 19, 2020

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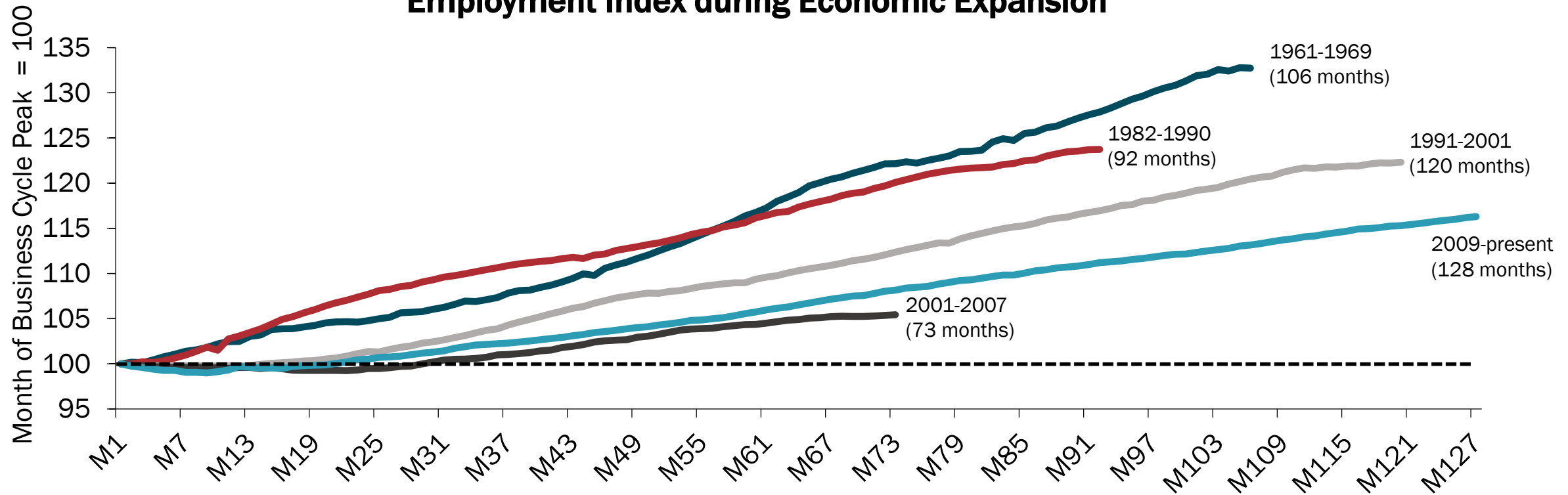
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National Outlook

We are currently in the longest expansion since WWII

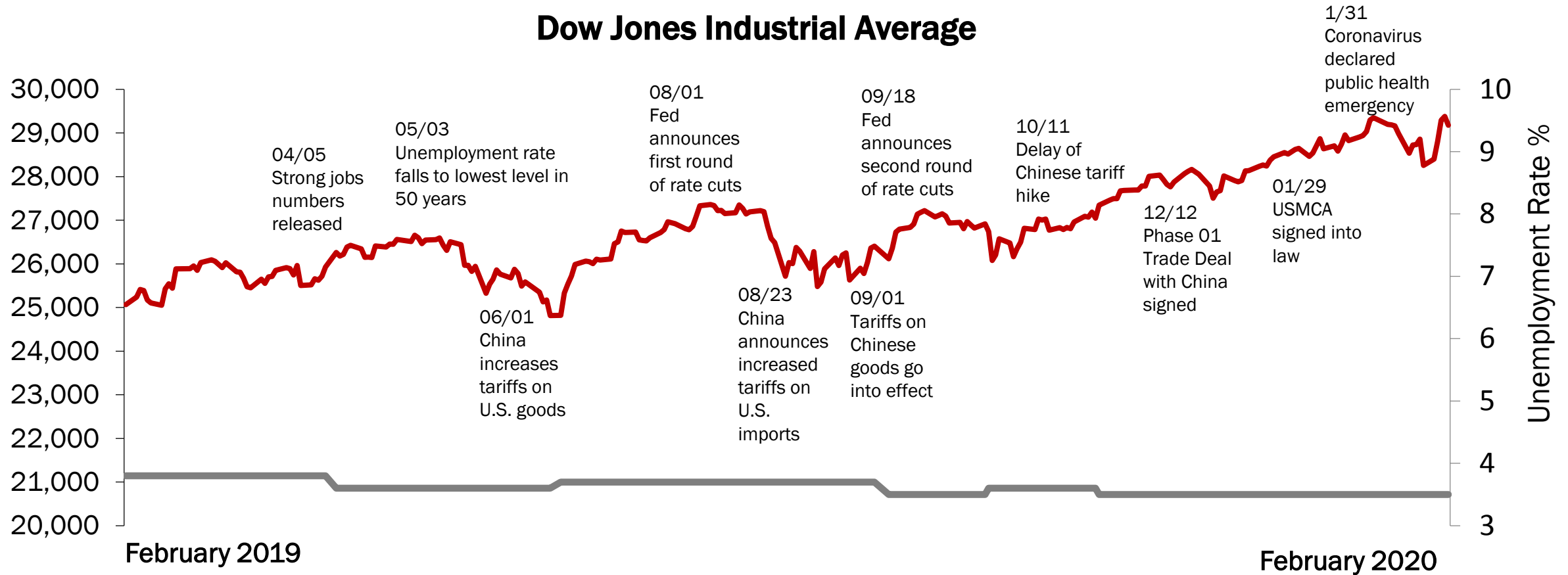
Employment Index during Economic Expansion



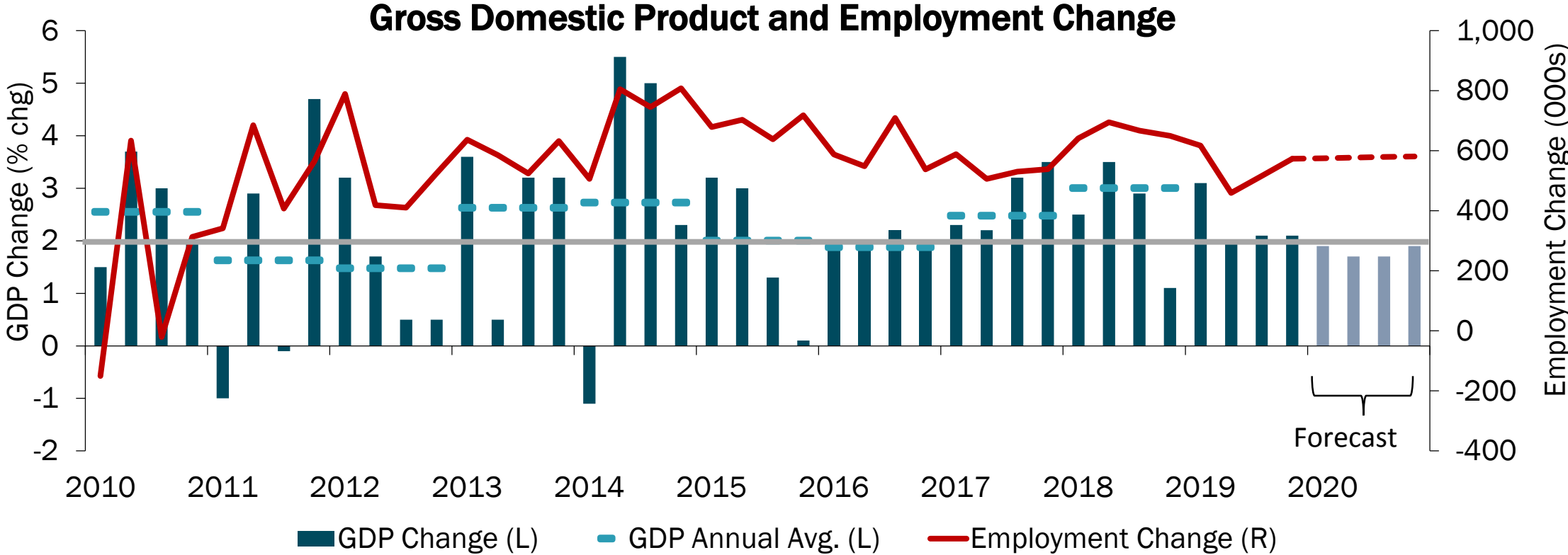
We're in the longest business cycle (contraction and expansion) and the longest expansion, while experiencing the longest recession since measurement began

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

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



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

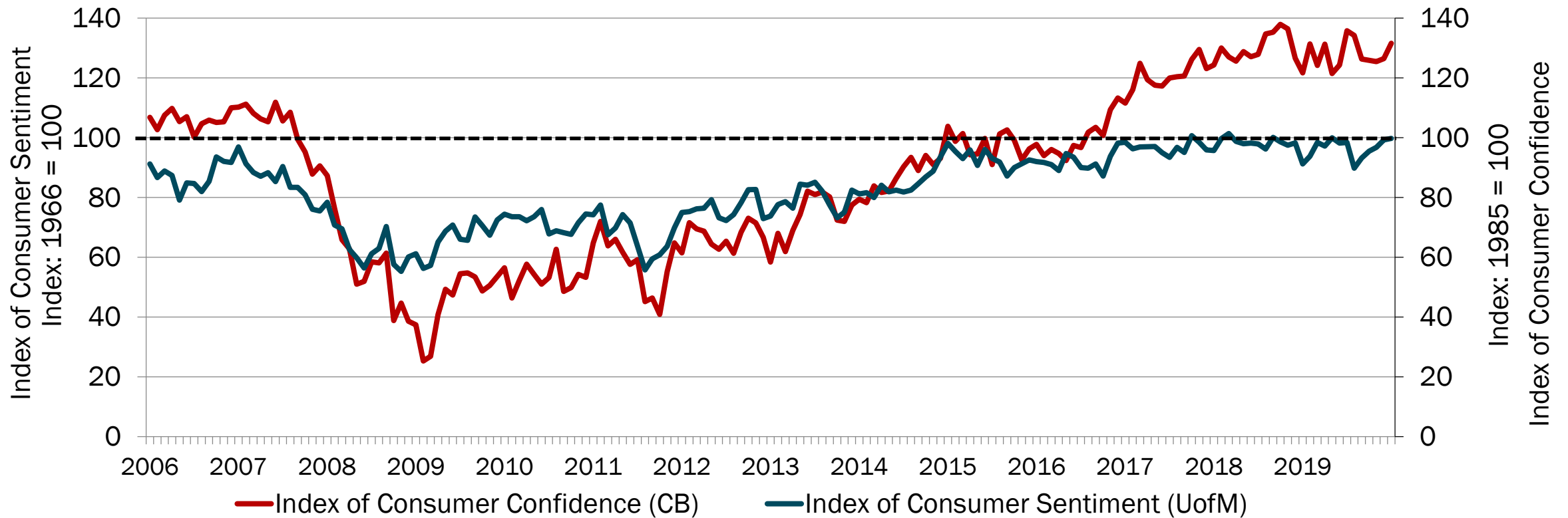


University of Michigan RSQE national forecast

	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

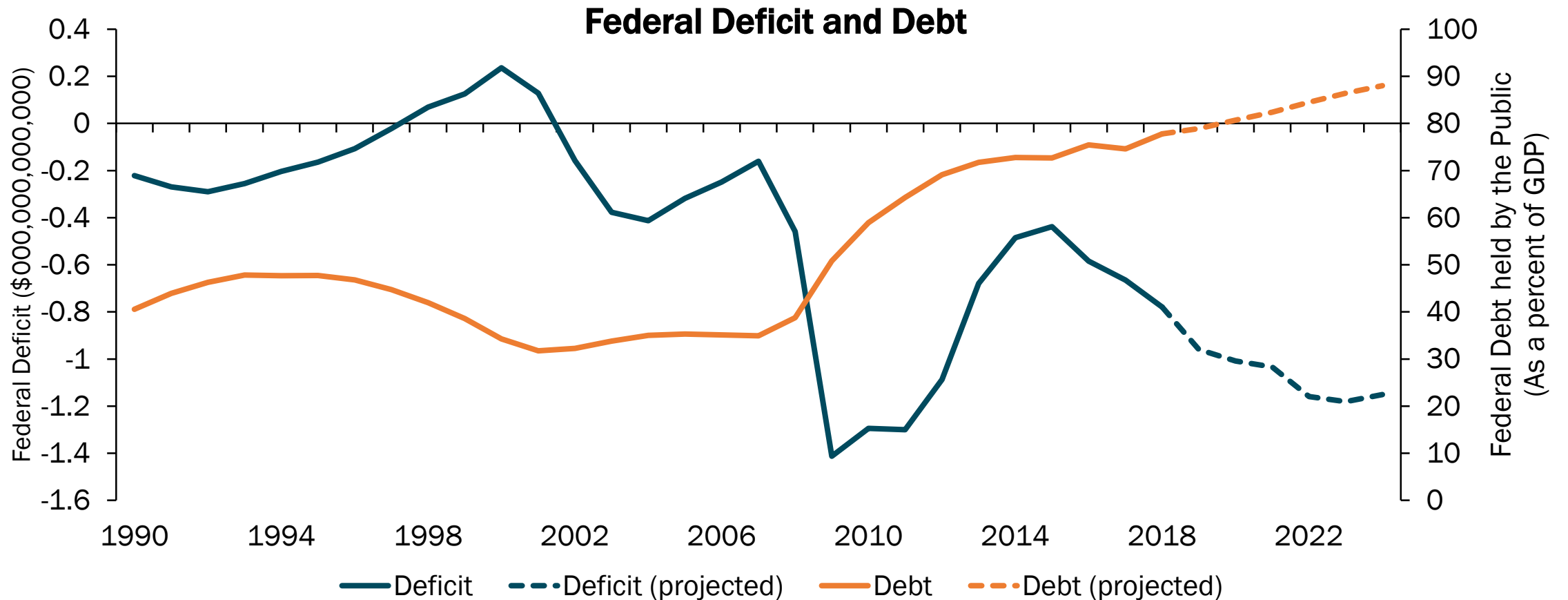


Moody's predictions of a recession are relatively low: 10% in November

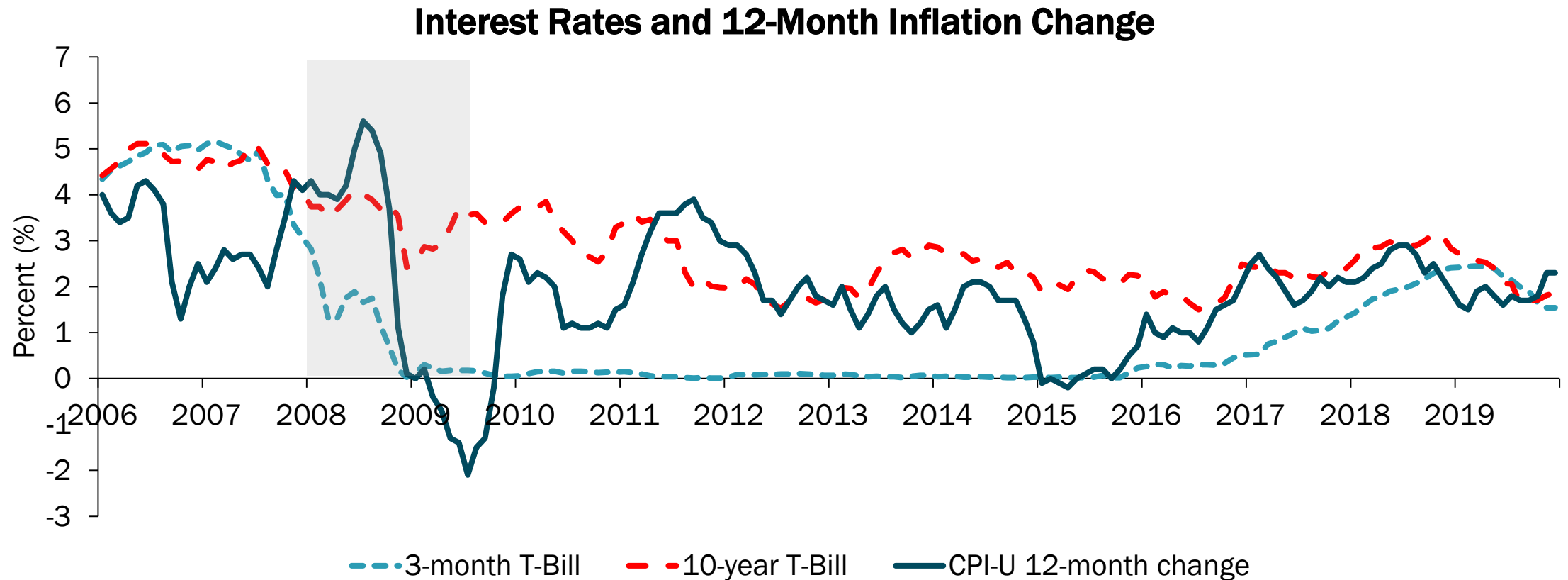
Likelihood of Being in a Recession in the Next 6 Months



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

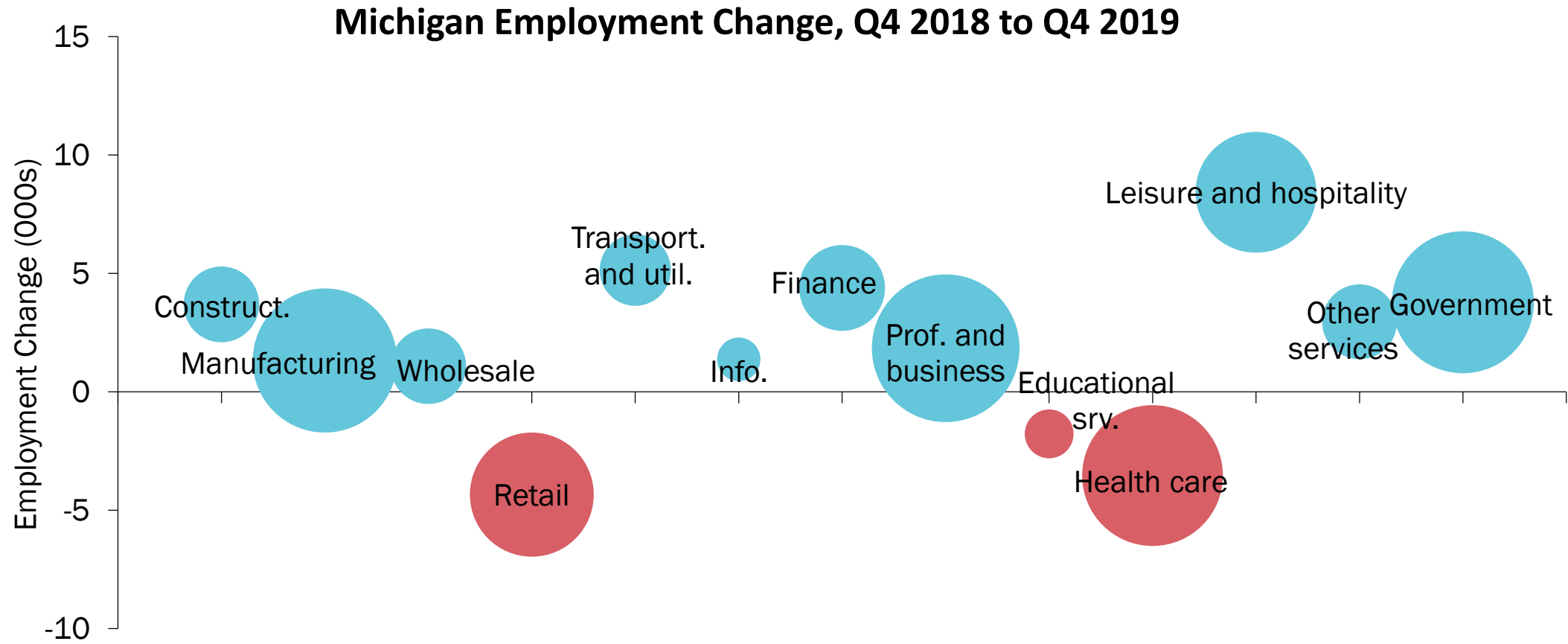


Inflation and interest rates have increased in the past 2 years



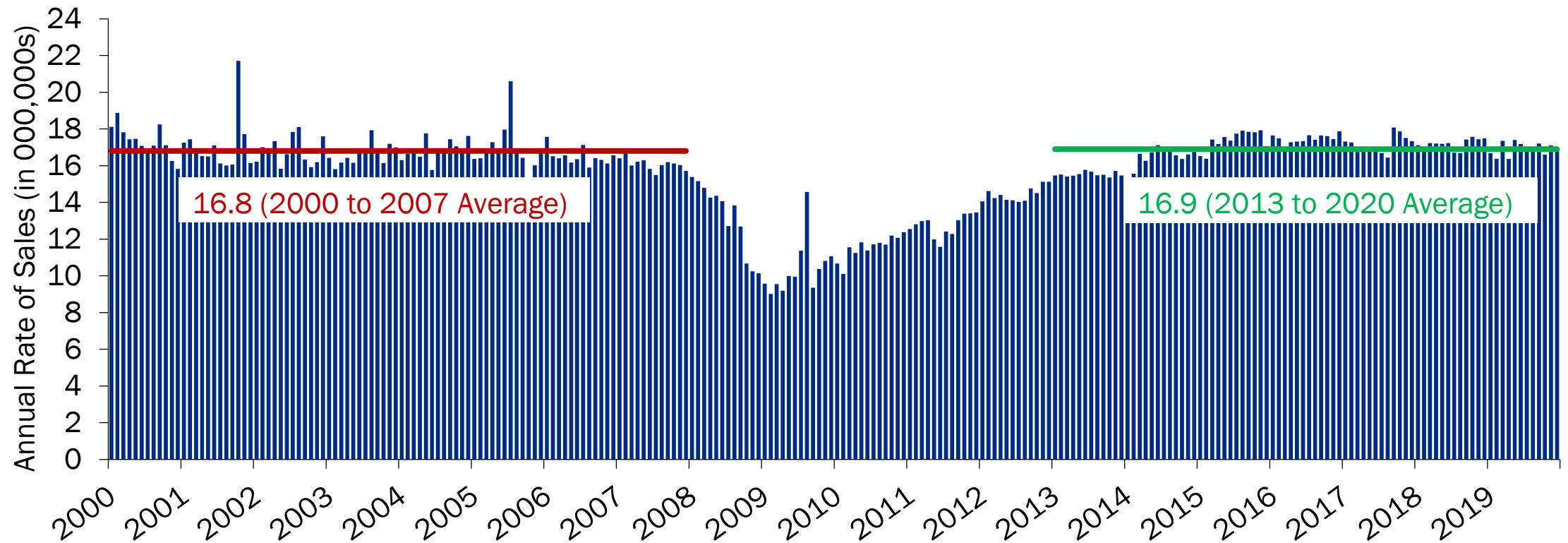
Michigan Outlook

Michigan has seen declines in some key sectors of the economy



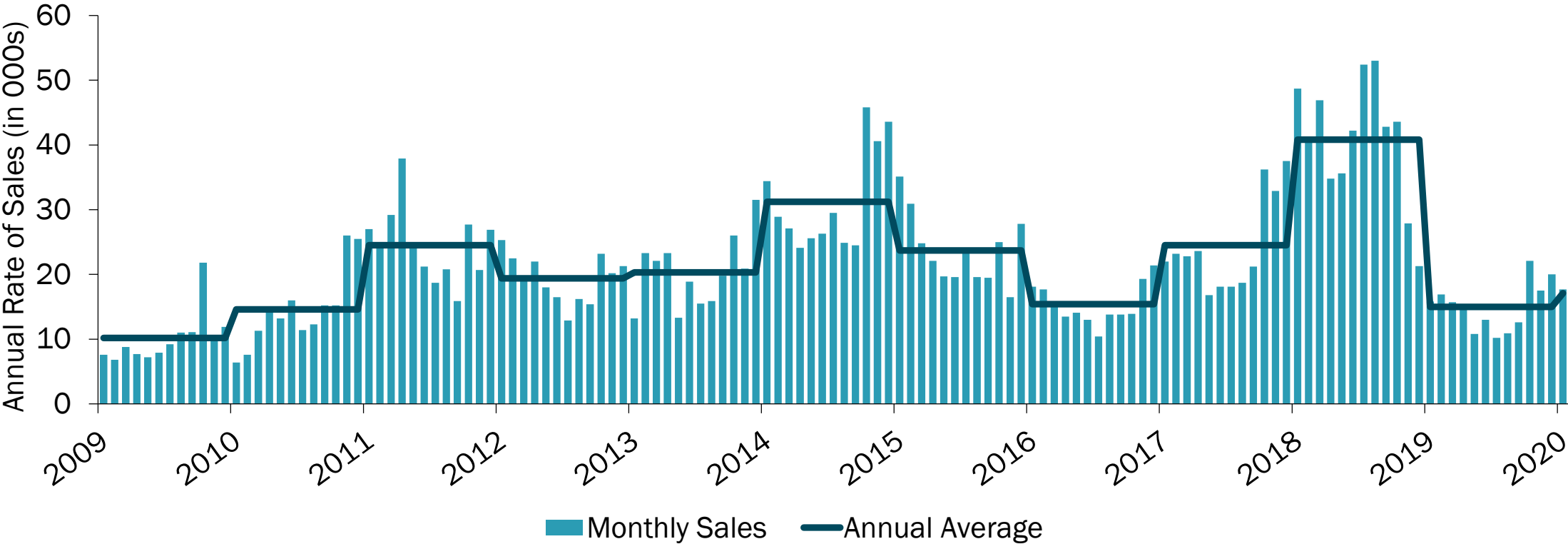
Light vehicle sales have been steady

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



Class 8 Truck orders declined significantly in 2019

Class 8 Truck Orders (in thousands)

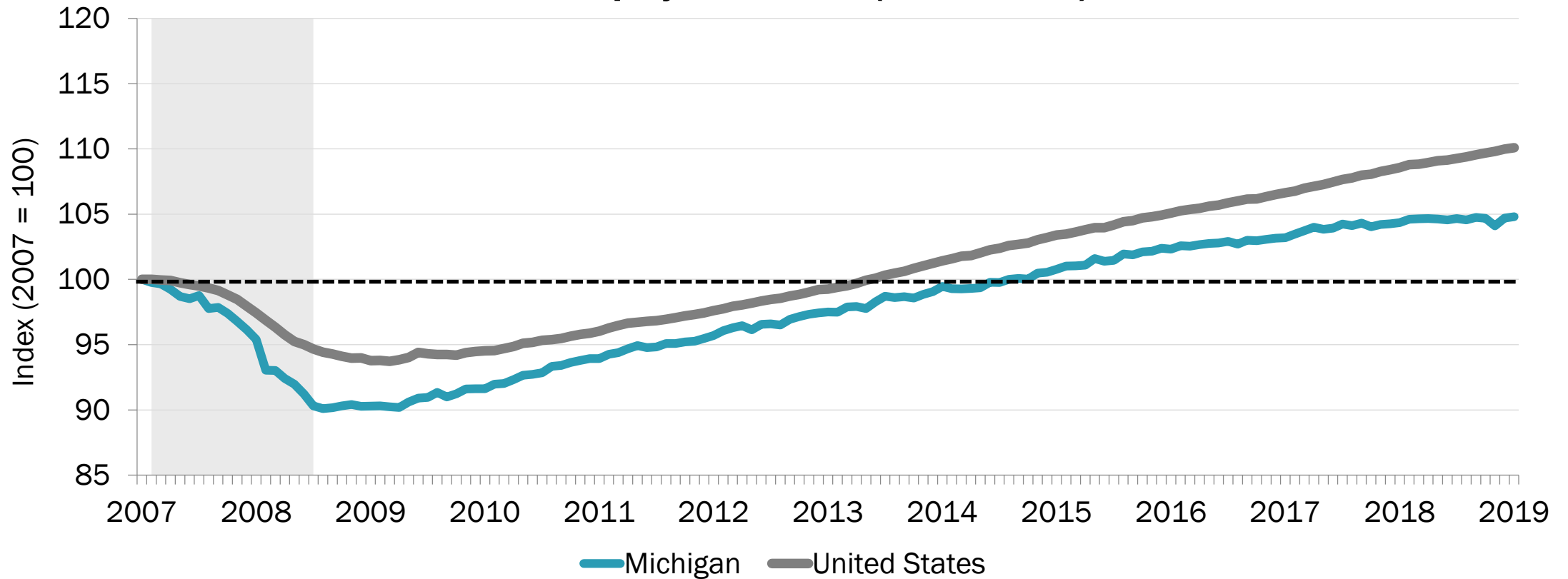


University of Michigan RSQE statewide forecast

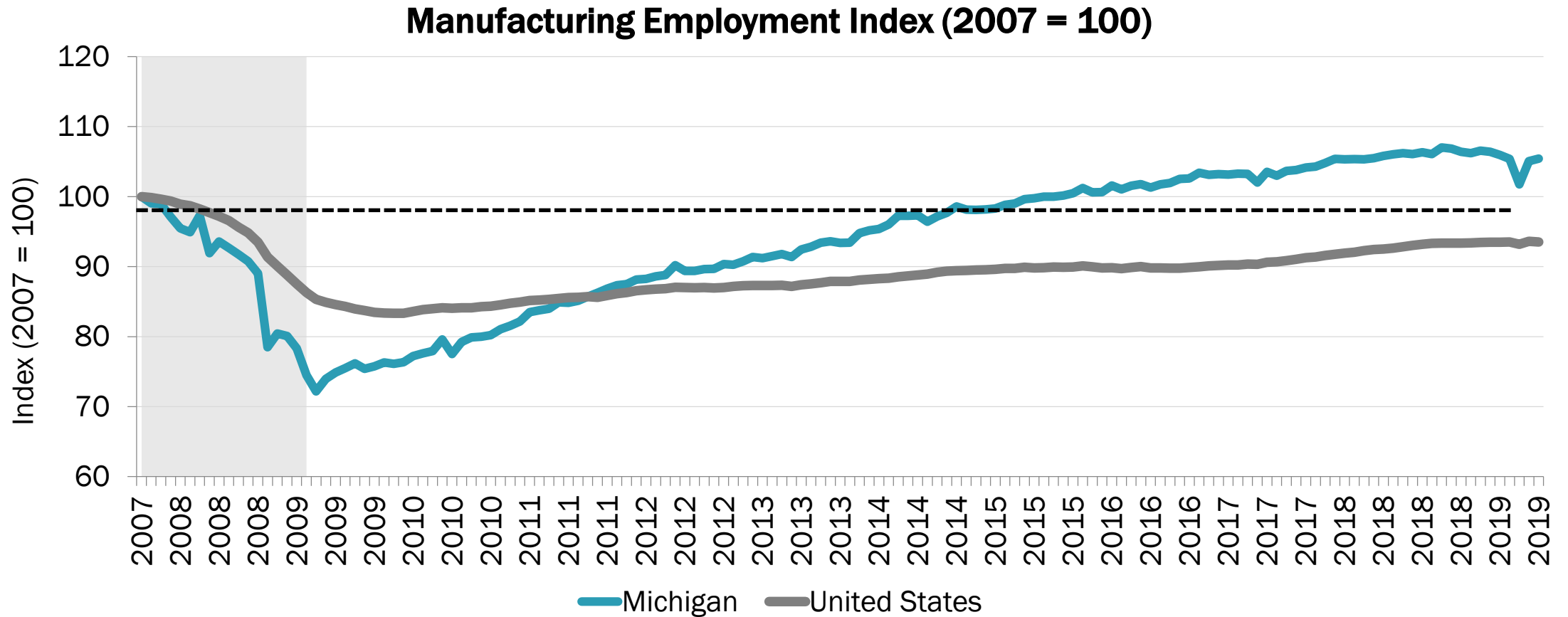
	2019 (Forecast)	2020 (Forecast)	2021 (Forecast)
Employment Change	23,300 (.99%)	29,000 (.64%)	25,900 (.42%)
Manufacturing Employment Change (Workers)	2,100 (.33%)	2,000 (.32%)	1,600 (.25%)
Unemployment Rate	4.1%	3.9%	3.7%
Labor Force Participation Rate	61.9%	61.7%	61.7%

U.S. total employment growth continues to outpace Michigan

Nonfarm Employment Index (2007 = 100)

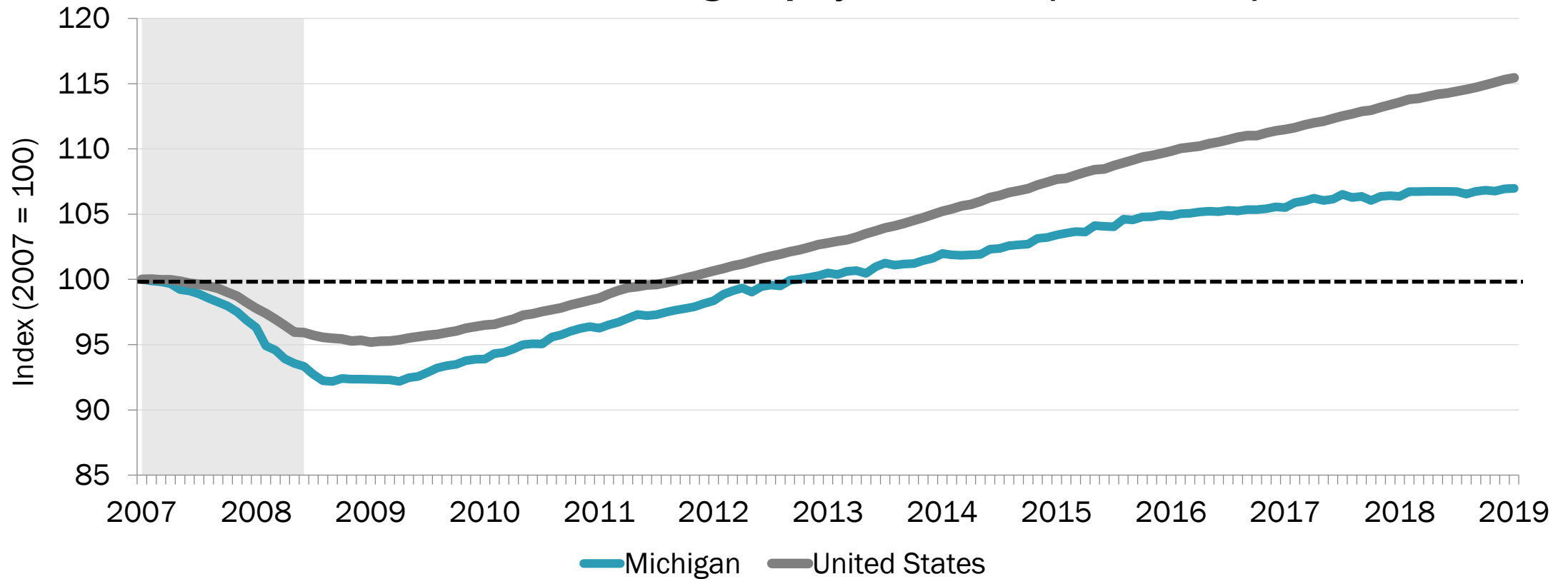


Michigan manufacturing employment outpaces the nation



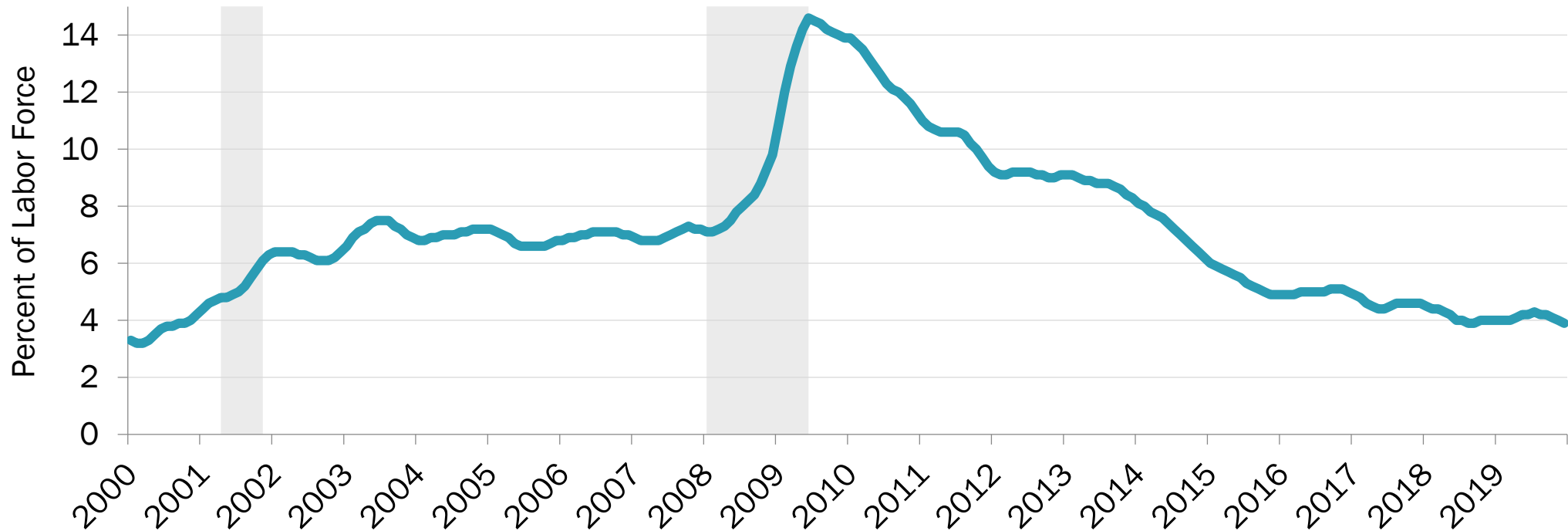
Employment in services continues to stay above pre-recession levels, although growth is slowing

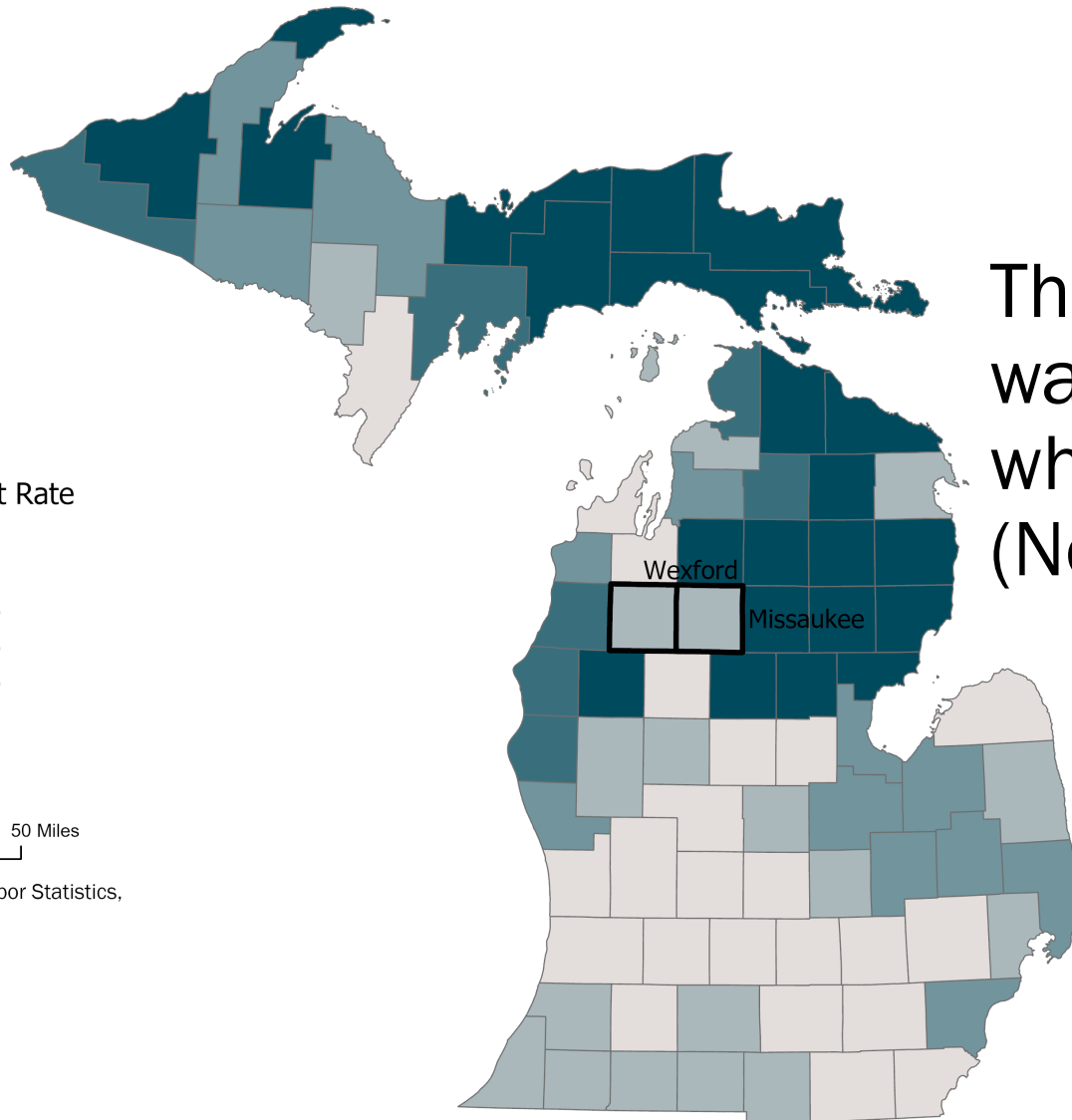
Private Services Providing Employment Index (2007 = 100)



The current unemployment rate is 4.0%, with 191,395 persons looking for work

Unemployment Rate for Michigan



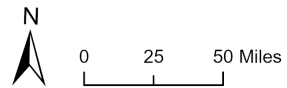


The national unemployment rate was 3.5% in November 2019 while Michigan was at 4.0 (November 2019).

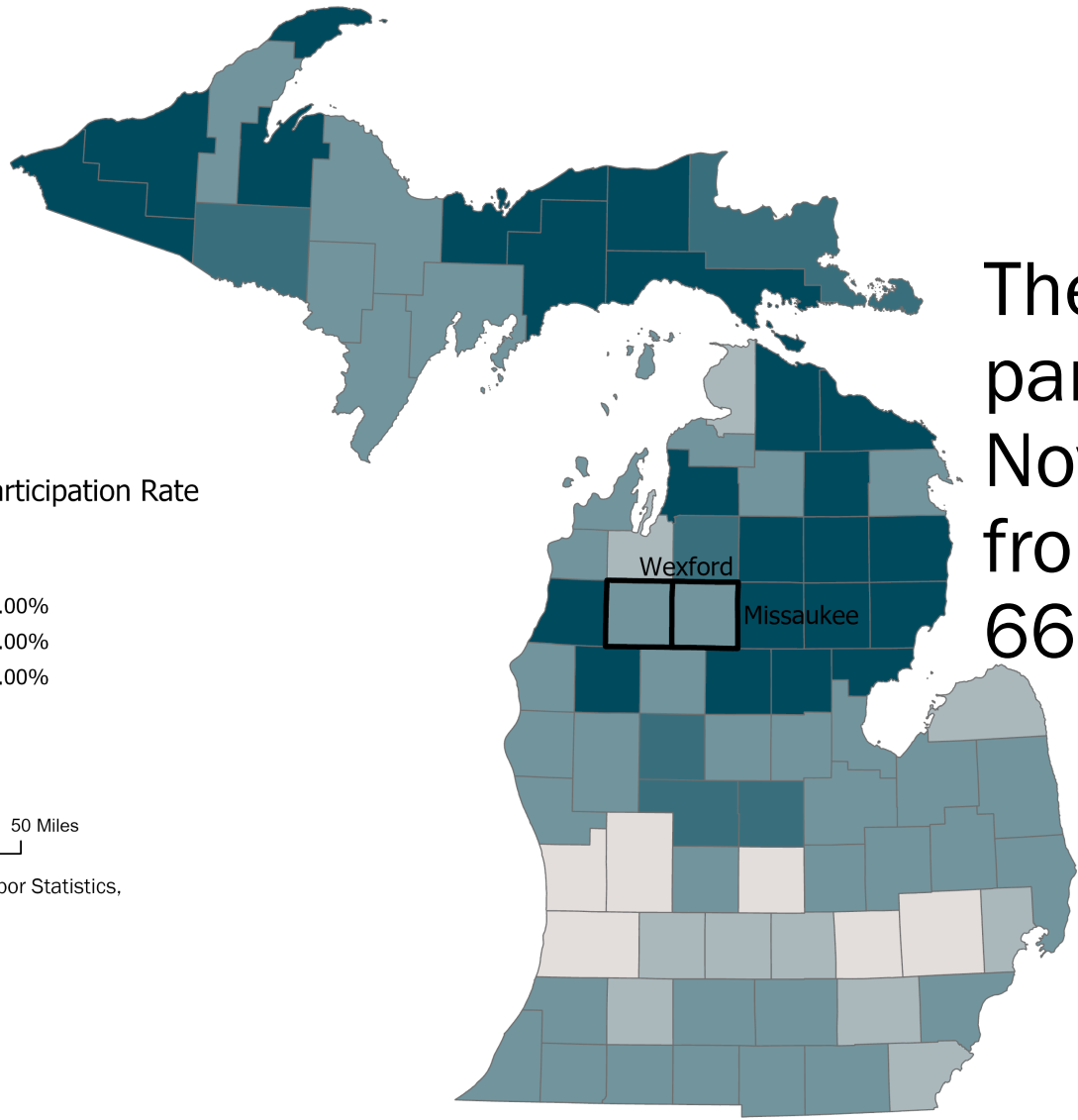
Unemployment Rate

November 2019

- ≤3.0%
- 3.1% to 3.5%
- 3.6% to 4.0%
- 4.1% to 4.5%
- >4.5%
- MSA



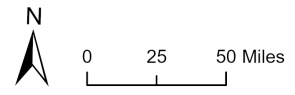
Source: Bureau of Labor Statistics, U.S. Census Bureau



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

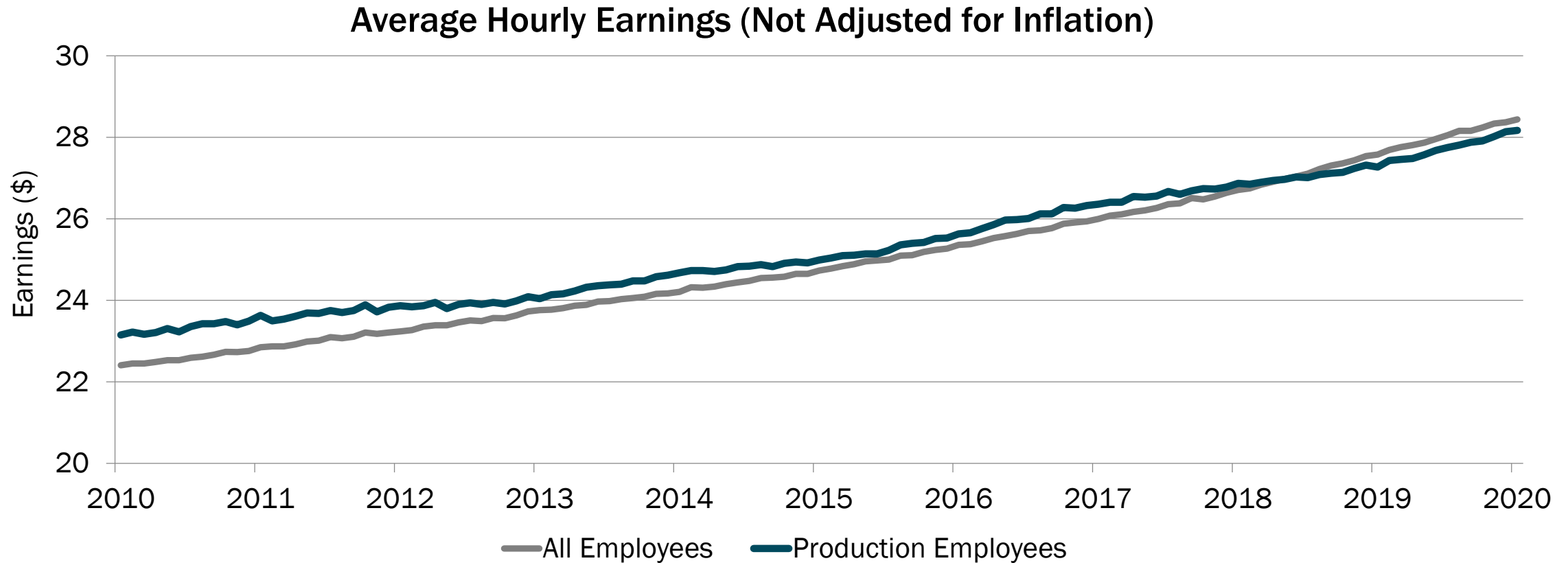


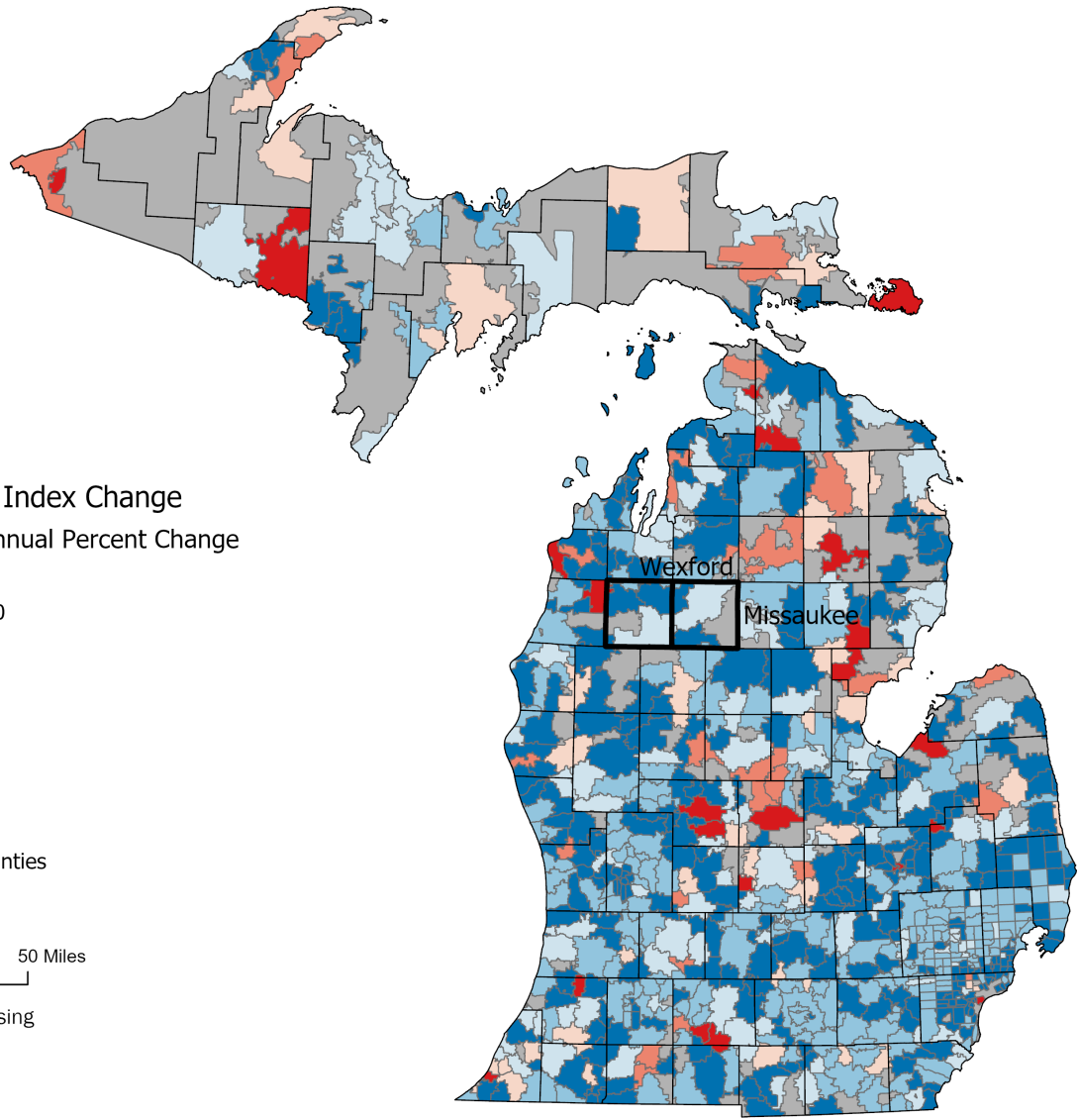
Source: Bureau of Labor Statistics, U.S. Census Bureau

The national labor force participation rate was 63.2% in November 2019. This is down from October 2007, when it was 66%.



Will some upward wage pressure bring more employees into the current labor market?





Housing Price Index Change
2017 to 2018 Annual Percent Change

- ≤ -8.00
- -7.99 to -4.00
- -3.99 to 0.00
- 0.01 to 4.00
- 4.01 to 8.00
- > 8.00
- Null
- MSA
- Michigan Counties



Source: Federal Housing Finance Agency

The national S&P CoreLogic Case-Shiller index change year/year for October 2019 was 3.3%.



Michigan exports in 2019: USMCA matters!

Industry	Total	China	Canada	Mexico	EU
TOTAL	\$55,314,589,565	5.9%	41.0%	20.2%	13.8%
Transportation equipment	\$27,343,832,561	6.8%	51.5%	14.8%	9.6%
Chemicals	\$5,005,572,148	7.6%	14.1%	16.7%	32.7%
Machinery	\$4,169,676,675	4.4%	32.2%	31.7%	14.6%
Computer and electronic	\$2,888,333,921	6.7%	17.9%	30.5%	14.9%
Fabricated metals	\$2,294,195,949	2.4%	45.2%	13.5%	30.8%
Electrical equipment	\$2,252,355,800	3.2%	23.2%	40.2%	16.0%
Primary metals	\$1,979,295,285	4.8%	29.0%	42.0%	10.2%

Exposure on the agricultural side

	Illinois	Indiana	Michigan	Ohio	Wisconsin
Soy bean farms	36,393	22,174	11,961	25,595	18,296
Soy bean sales	\$5,668,028	\$3,024,384	\$998,608	\$2,333,805	\$938,273
Agricultural products to China (% change 2017-2018)	\$95,962 (-70.6%)	\$37 (-457.4%)	\$33 (-223.4%)	\$582,771 (+72.9%)	\$11,765 (-61.3%)
Other animal products to Canada (% change 2017-2018)	\$1,640 (-65.4%)	\$5,987 (-28.6%)	\$5,378 (-54.3%)	\$26,307 (-81.4%)	\$77,328 (-33.3%)
Food manufacturing to Canada (% change 2017-2018)	\$1,217,959 (-3.0%)	\$451,691 (+17.2%)	\$405,328 (0.0%)	\$746,601 (+1.9%)	\$898,814 (-4.5%)

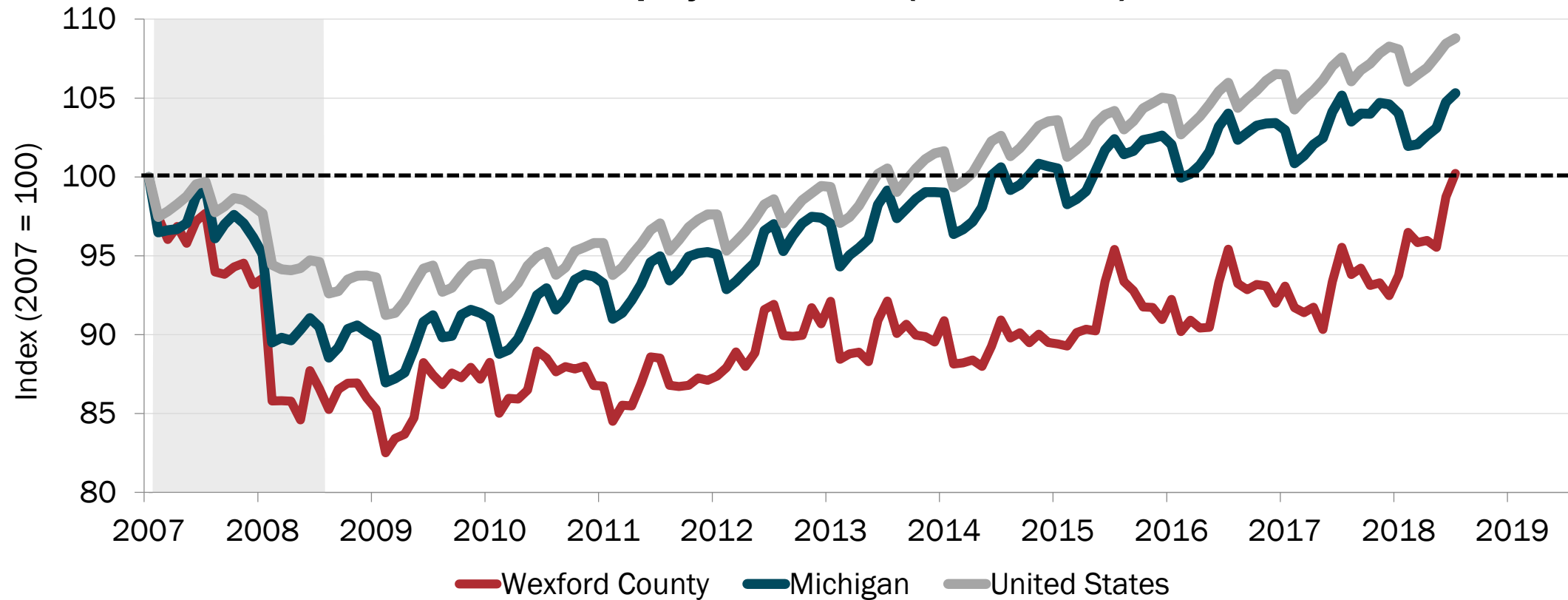
Dollars in '000s

Current Conditions

Cadillac/Wexford County

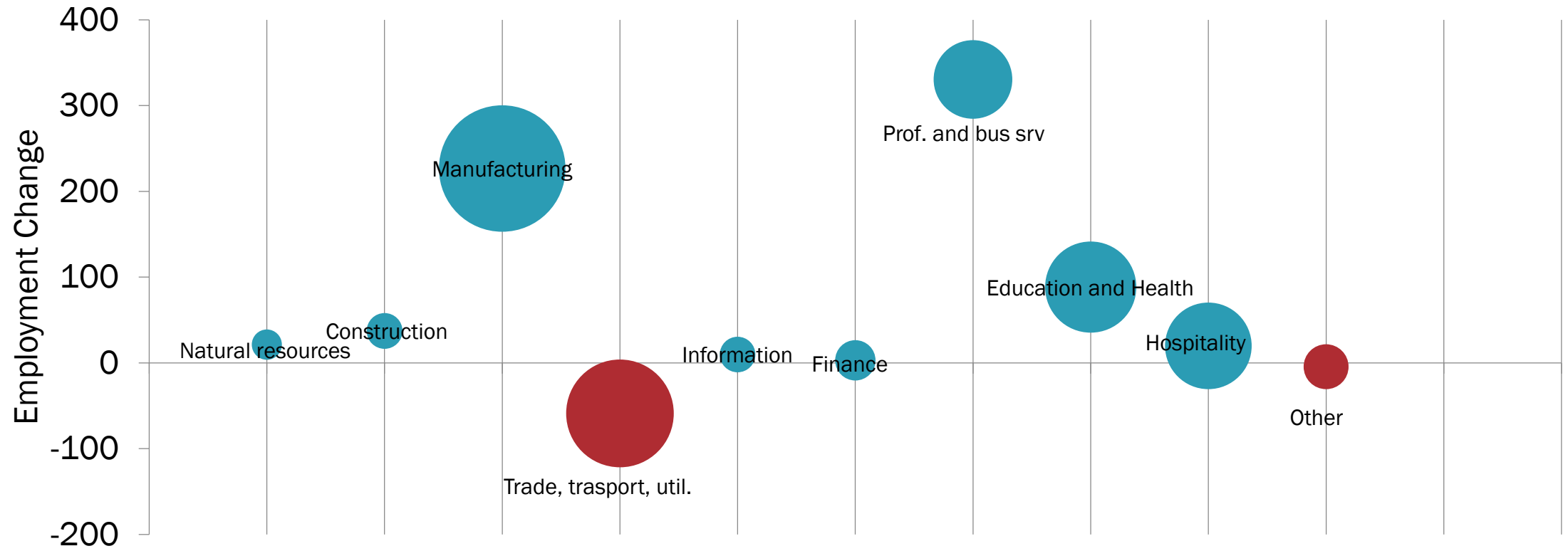
The county is just starting to reach pre-recession levels of employment

Nonfarm Employment Index (2007 = 100)

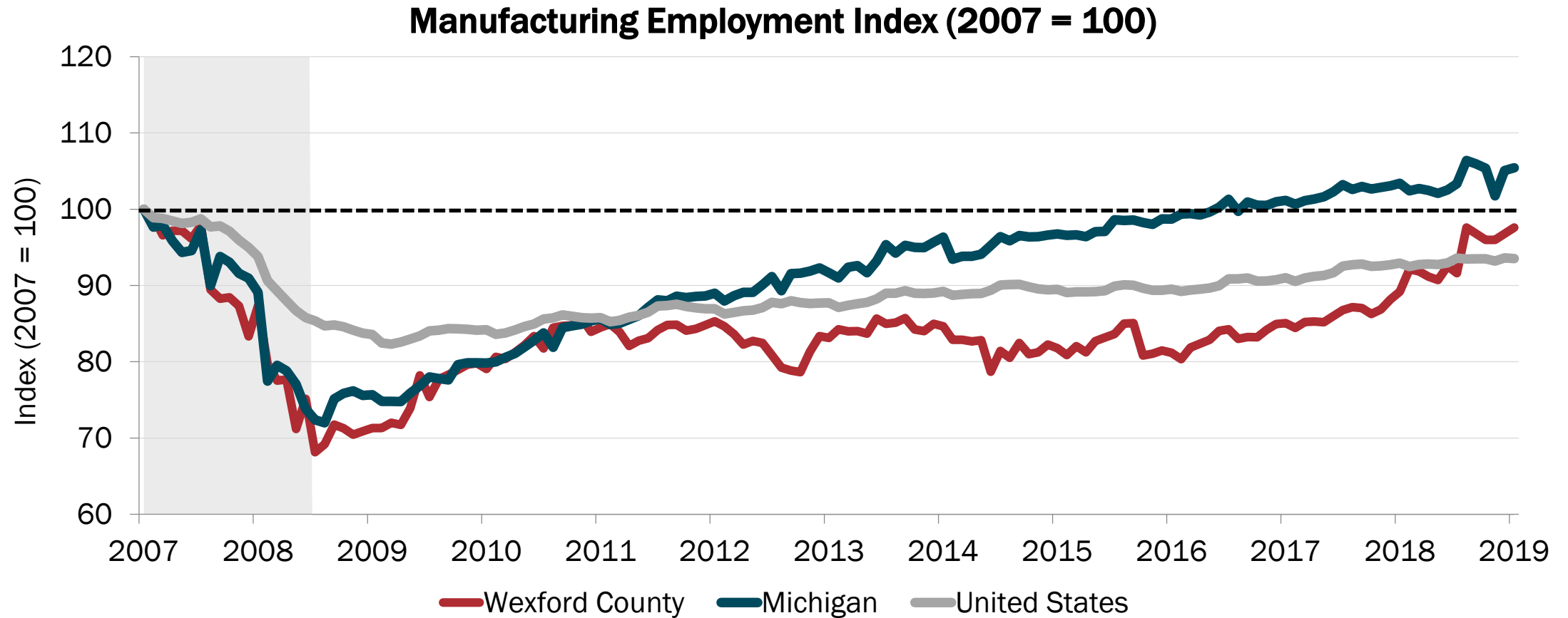


Manufacturing shines

Employment Change, Q1/2 2018 to Q1/2 2019

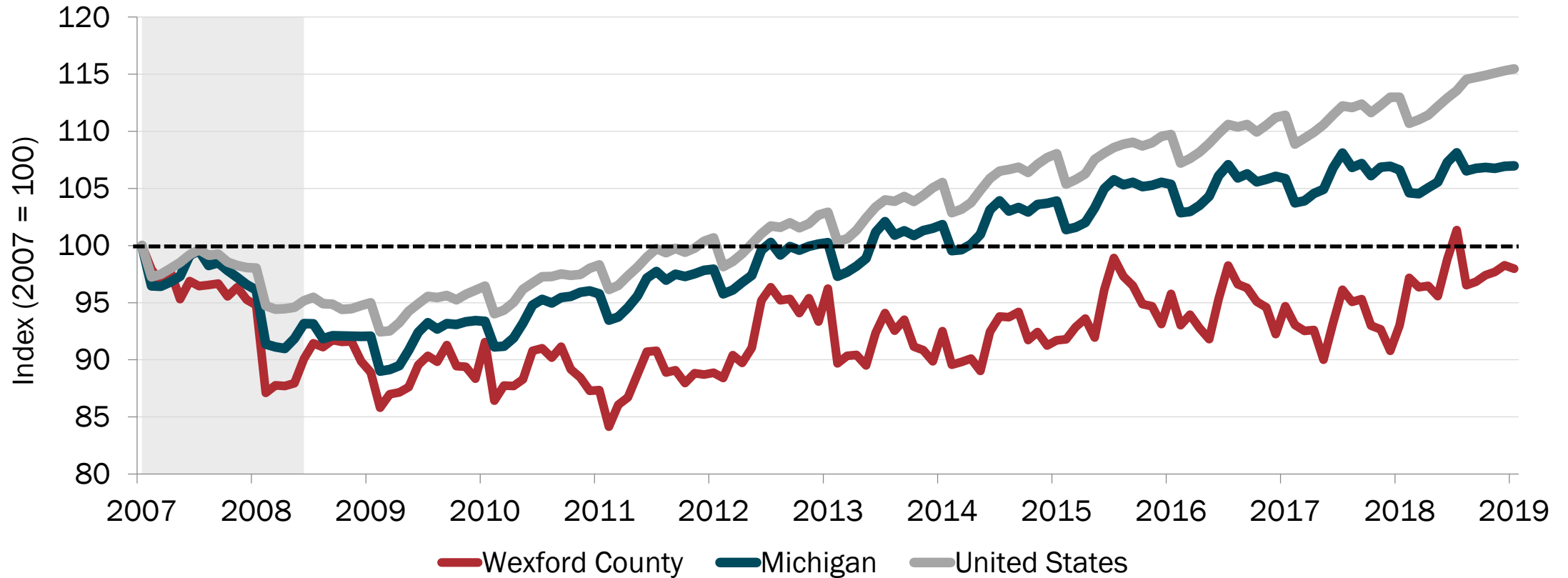


Manufacturing employment is growing



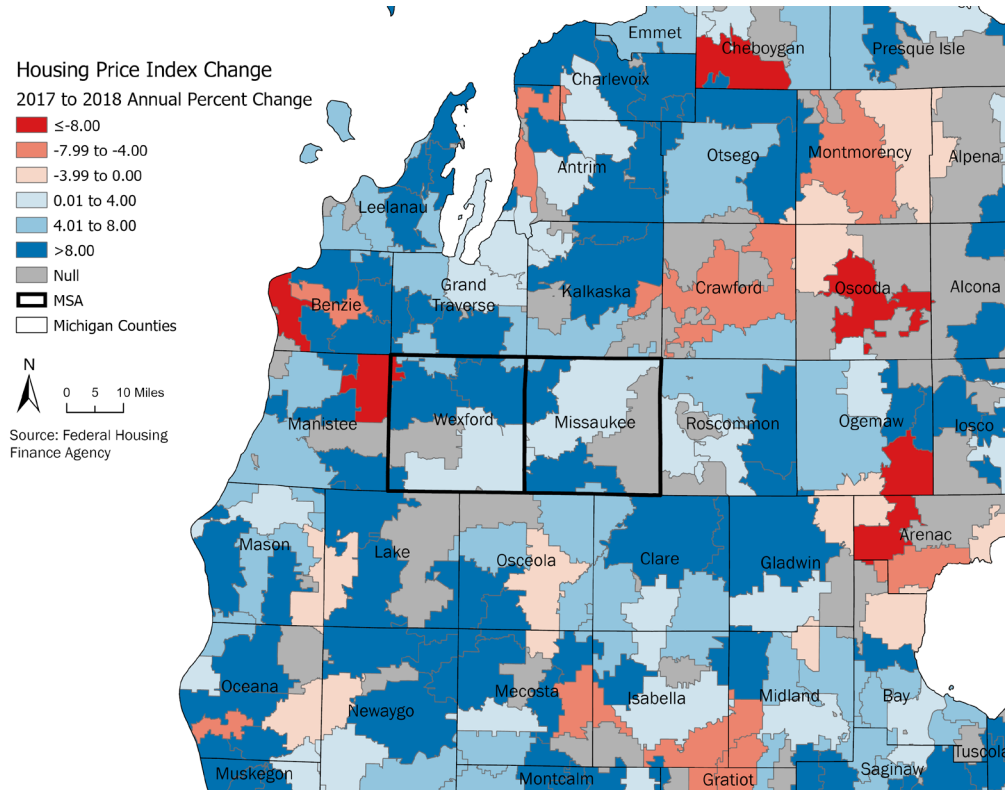
Employment in Services has been trending upward in recent years

Private Services Providing Employment Index (2007 = 100)



House prices are rising in Wexford and the surrounding counties.

But the pace continues to decelerate nationally.





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/increases
- Politics—elections matter
- Global pandemics

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

Questions?

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