

2021 Economic Outlook: West Michigan

A presentation to
LKF Marketing

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W.E. Upjohn Institute for Employment Research

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National Economy

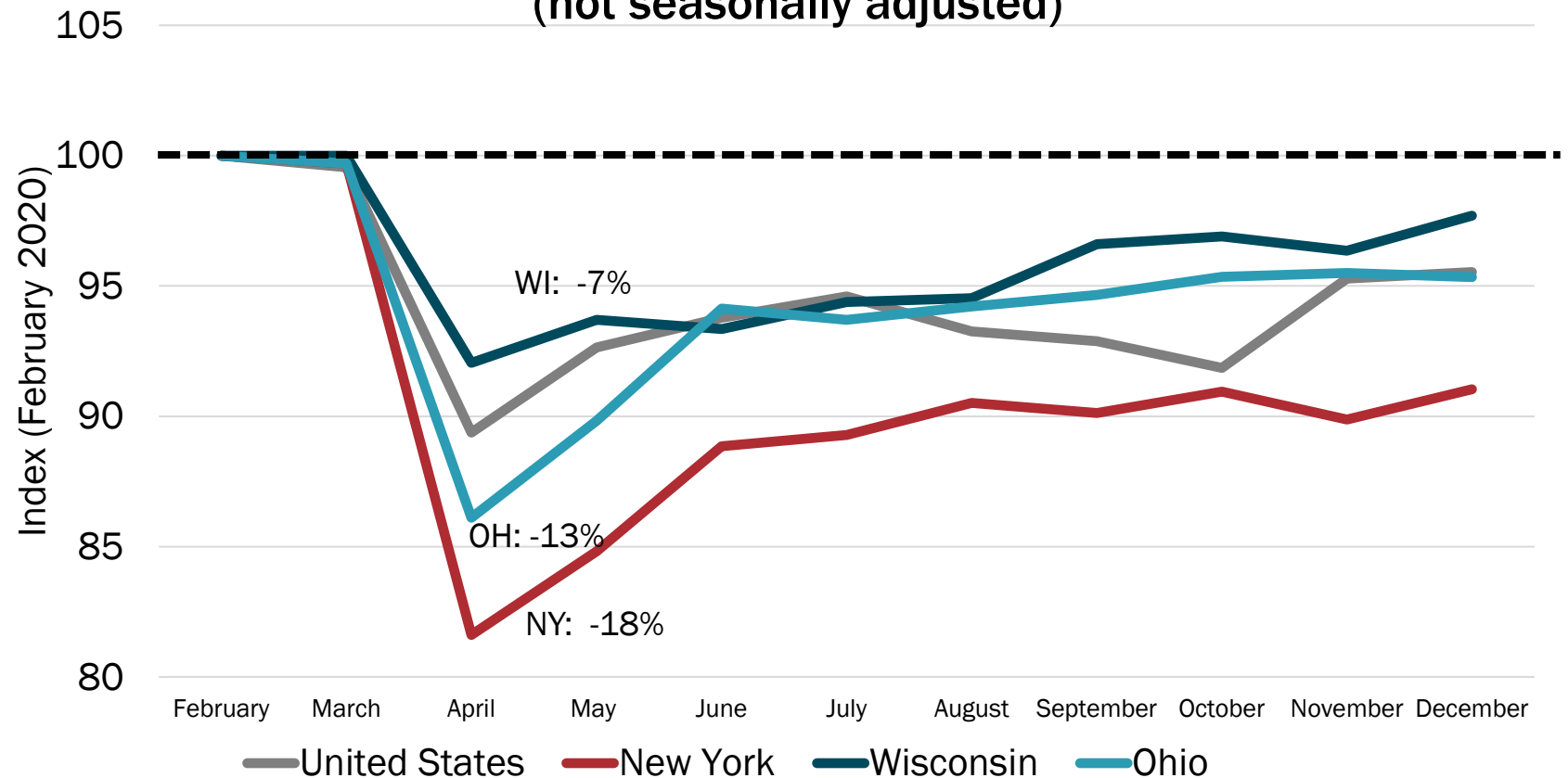
The COVID-19 pandemic has hit the economy similarly to the Spanish Flu of 1918

Manufacturing Employment during Spanish Flu Pandemic

Wisconsin: - 7%
Ohio: -11%
New York: -15%

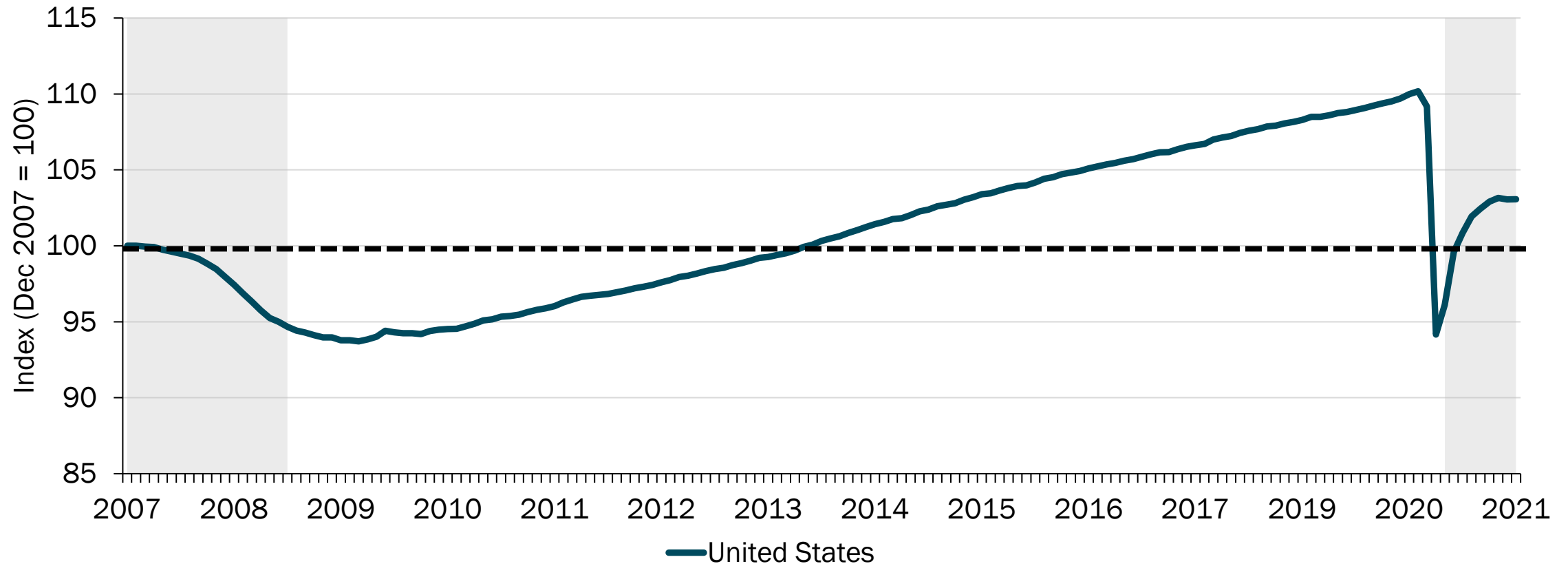
Velde, F. R. (2020). What happened to the US economy during the 1918 influenza pandemic? A view through high-frequency data.

Manufacturing Employment in Selected States in 2020
(not seasonally adjusted)

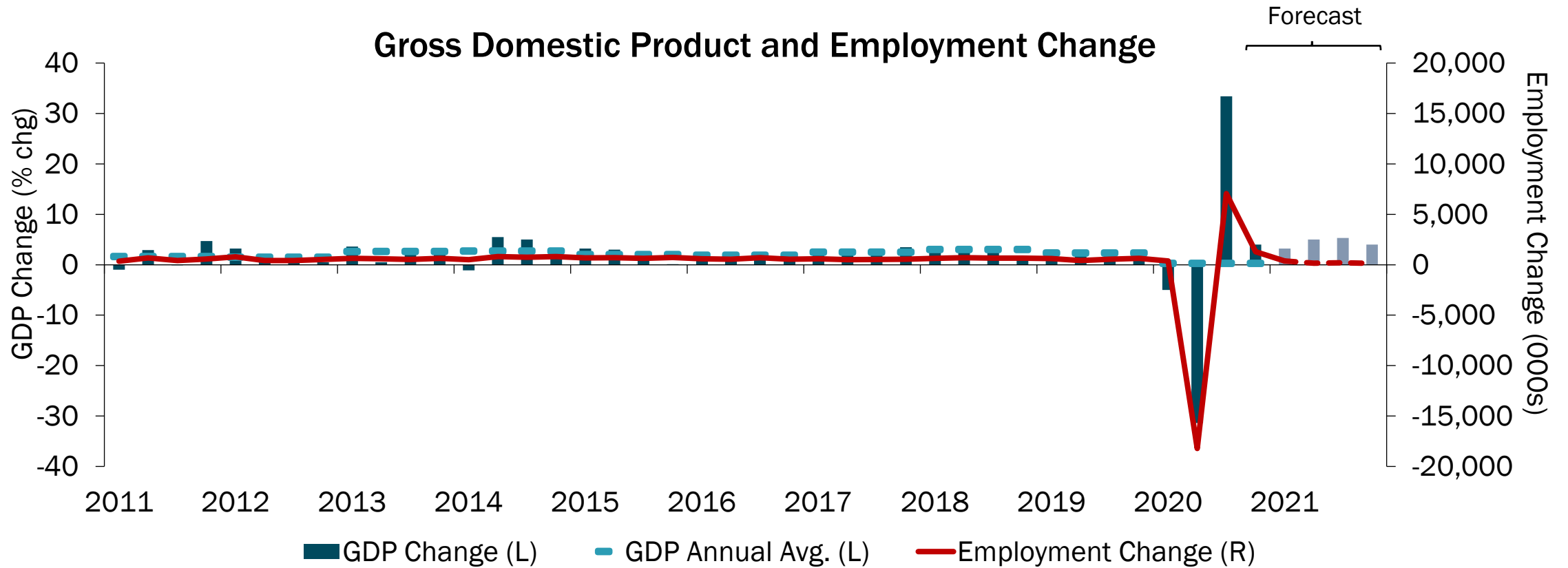


Employment is higher than December 2007, but not fully recovered

Nonfarm Employment Index



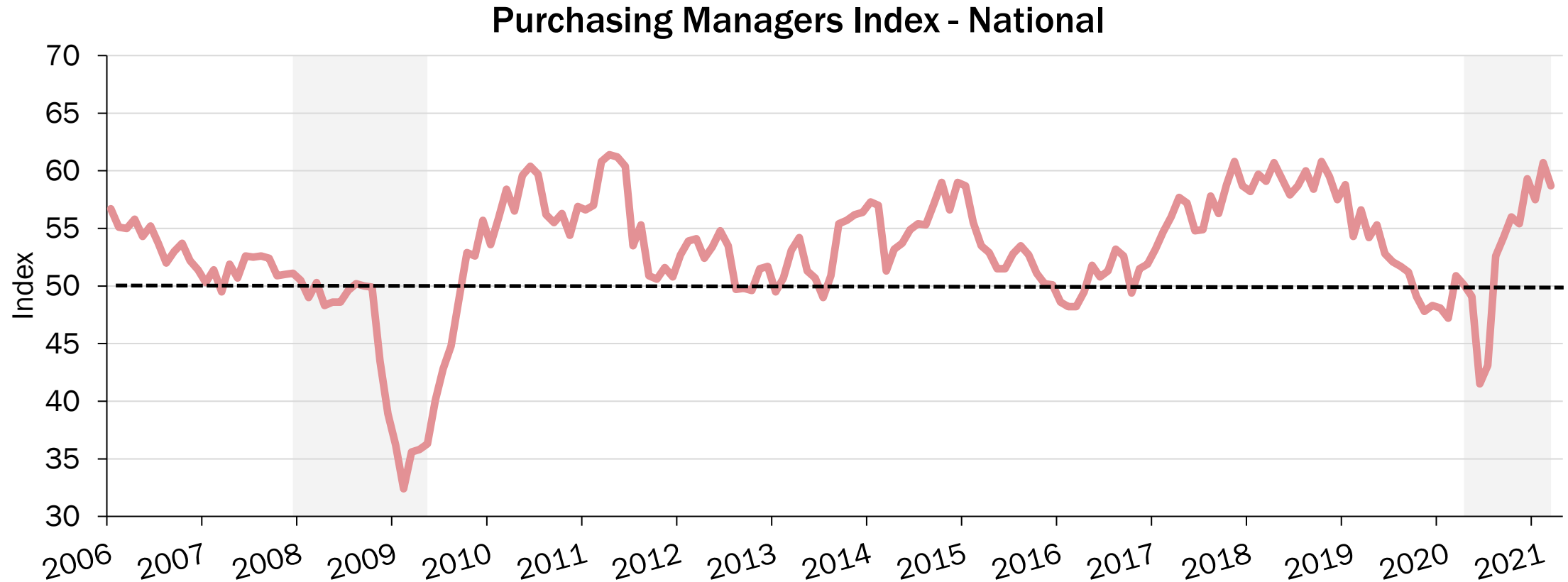
GDP growth is projected to remain solid, although employment growth is forecast to be slowing



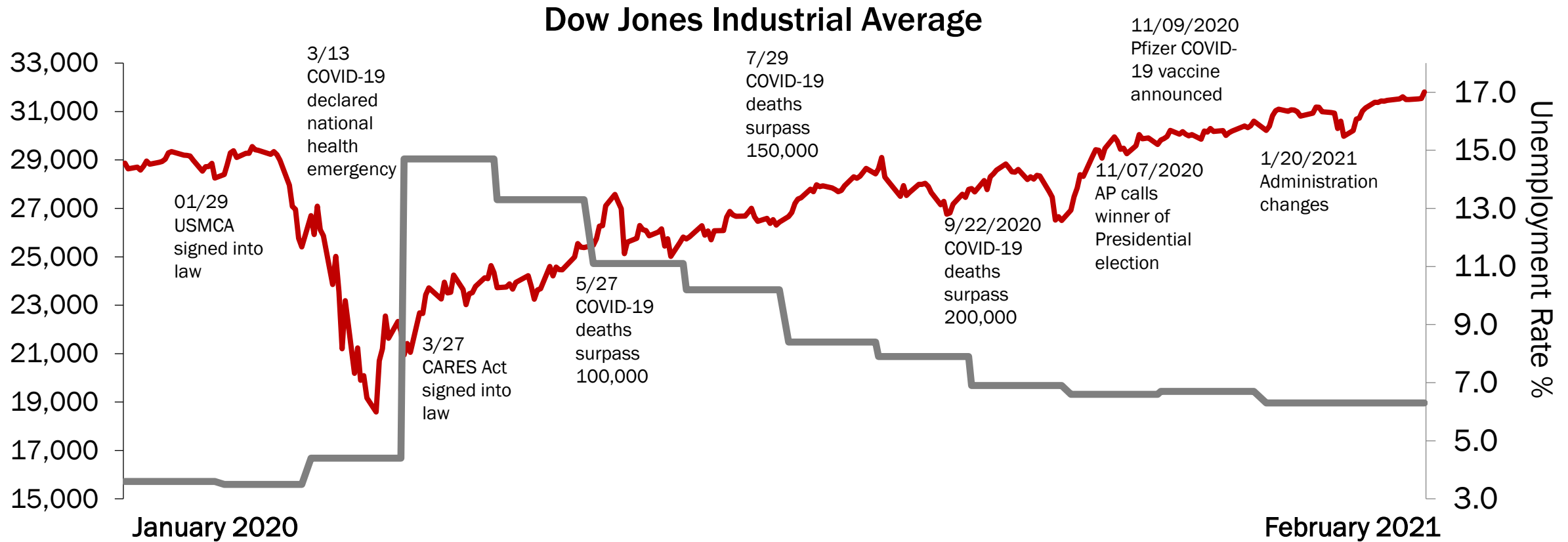
Moody's predictions of a recession are trending downward: 28% in December



National PMI stood at 58.7 in February, indicating that the manufacturing sector is expanding

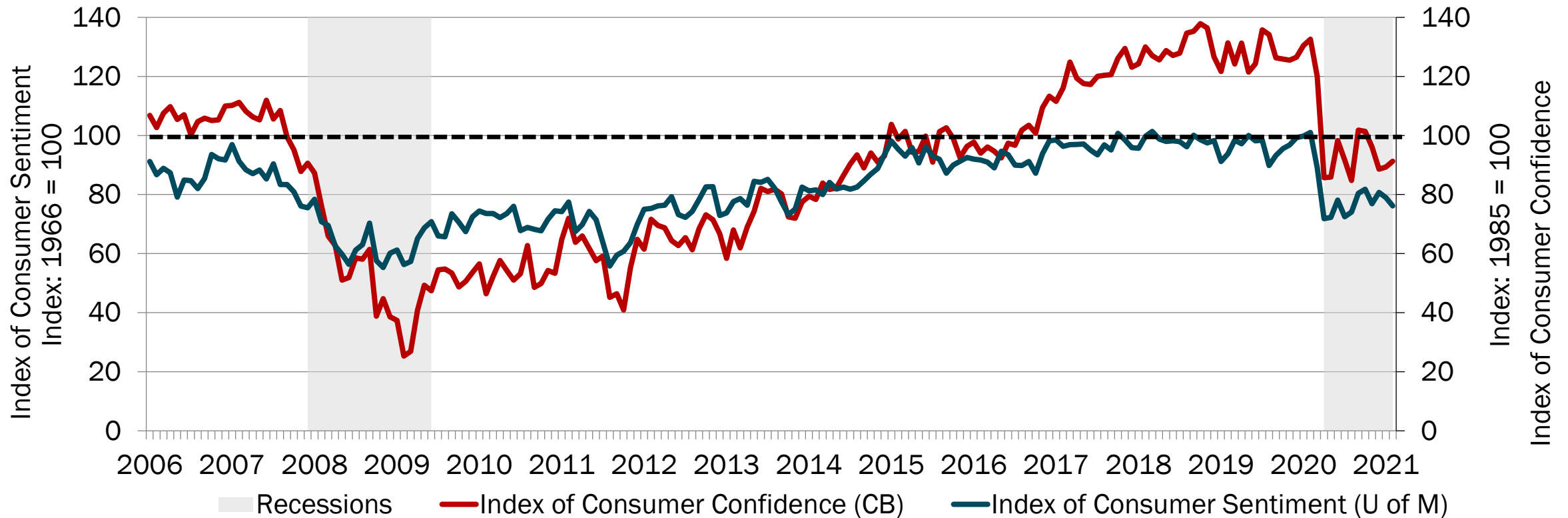


The stock market has reacted to various events this year, and the recent ride has been surprisingly good



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

Consumer Confidence



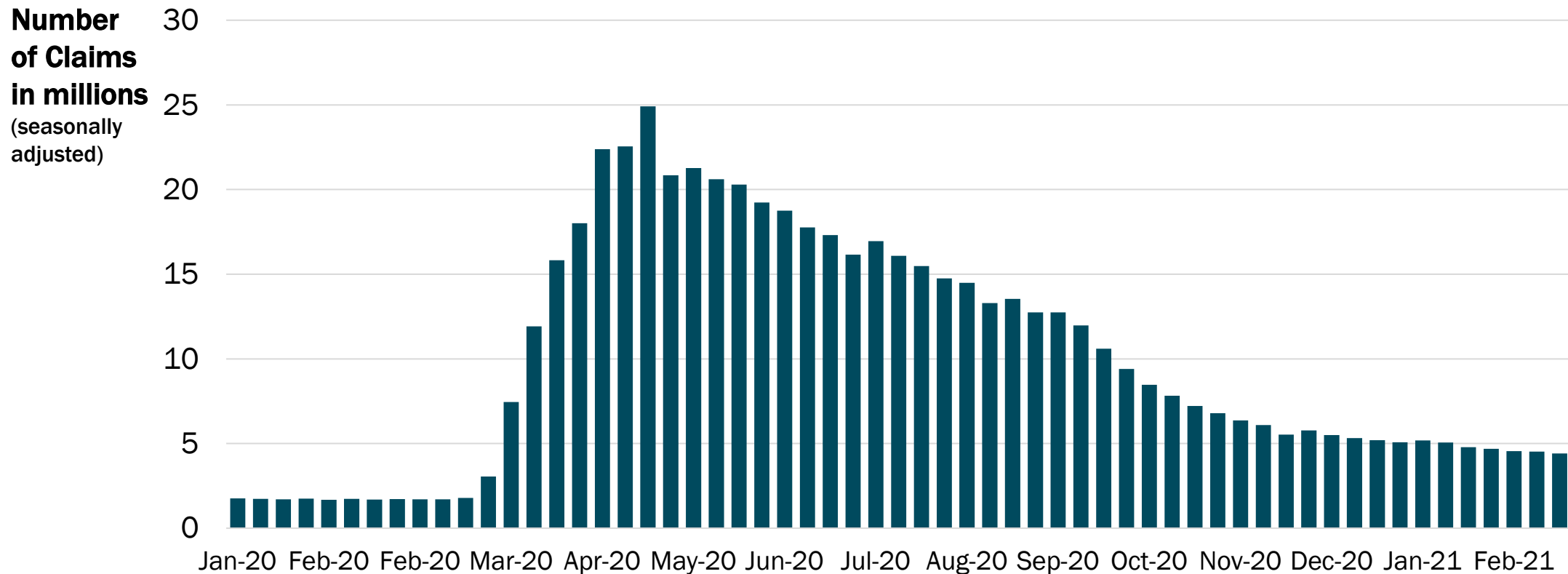
University of Michigan/RSQE February* national forecast:

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%

The number of traditional continuing claims are trending downward

Weekly Continuing Claims for Unemployment Insurance



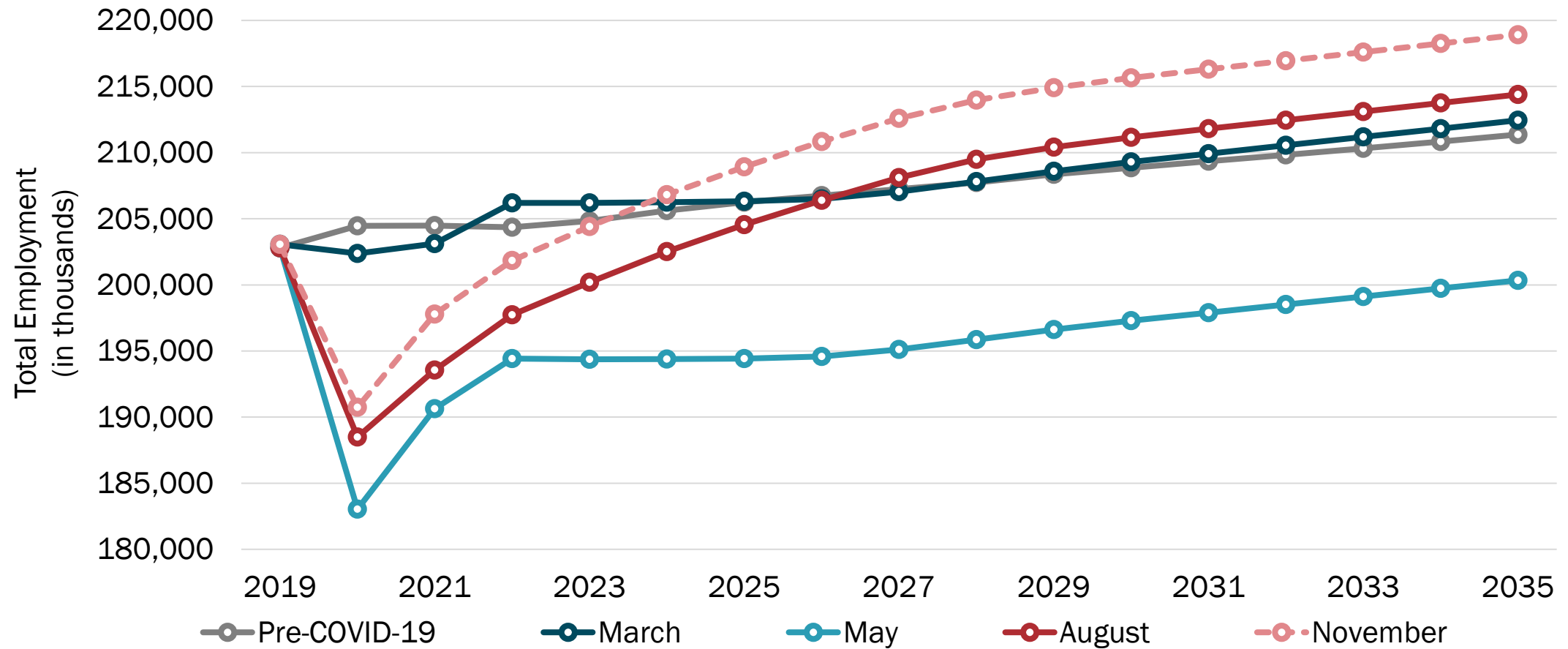
REMI Forecasts

National Economic Forecast

Methodology

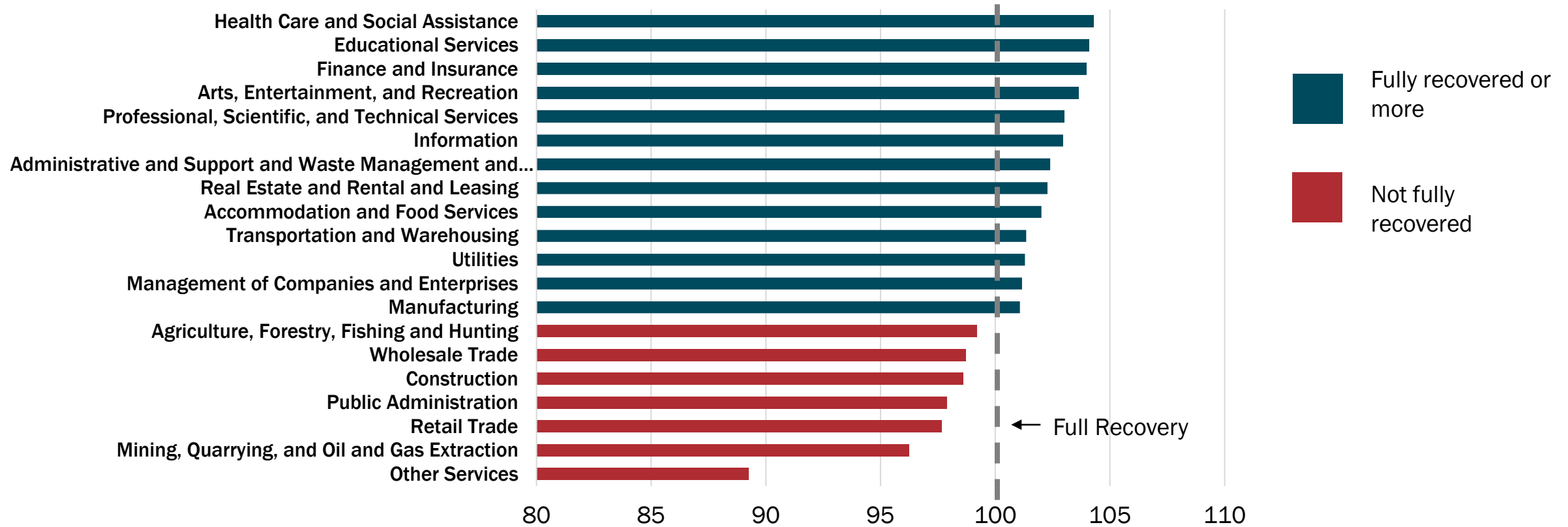
- Upjohn uses a REMI model (www.REMI.com)
 - To estimate economic impacts from projects and events
 - Forecast national and regional changes in trends
- As new forecasts were produced the latest REMI model was updated
 - National forecast is updated
 - Regional forecasts are updated
 - Forecasts come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

National forecast for total employment

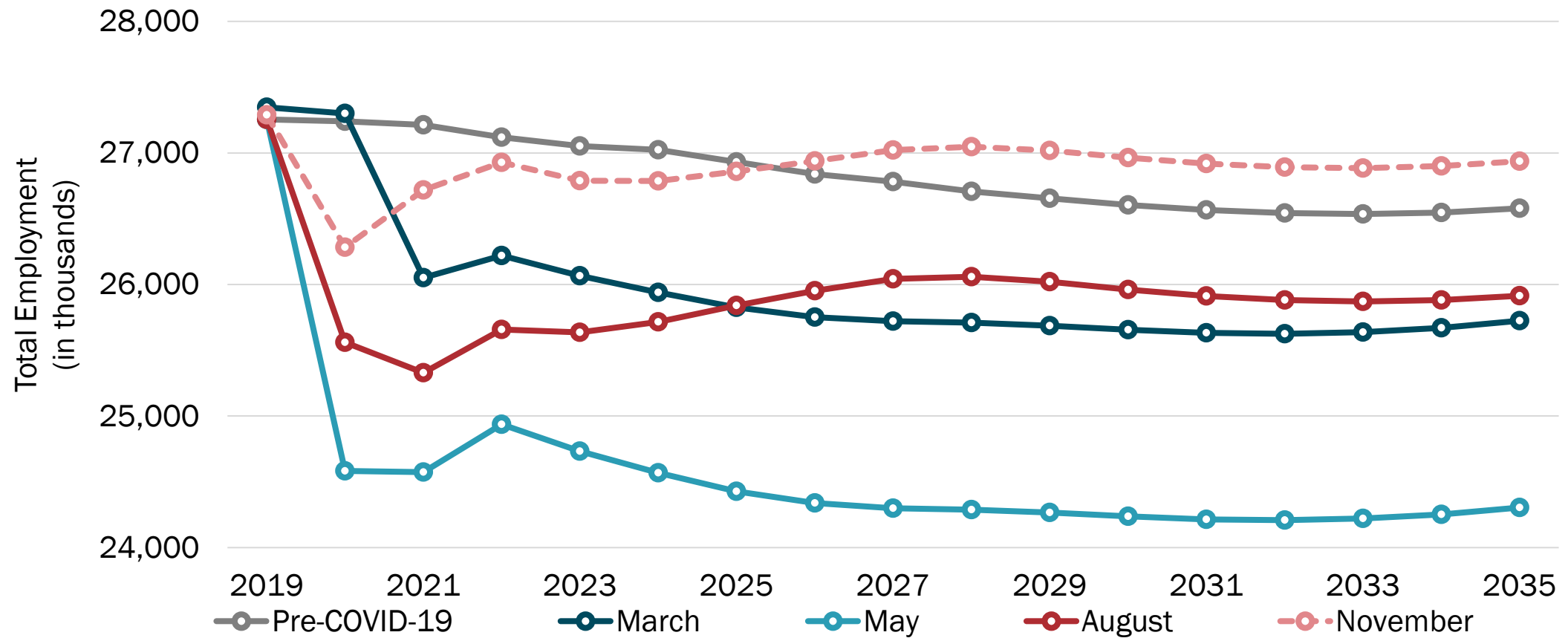


Industry recovery forecast

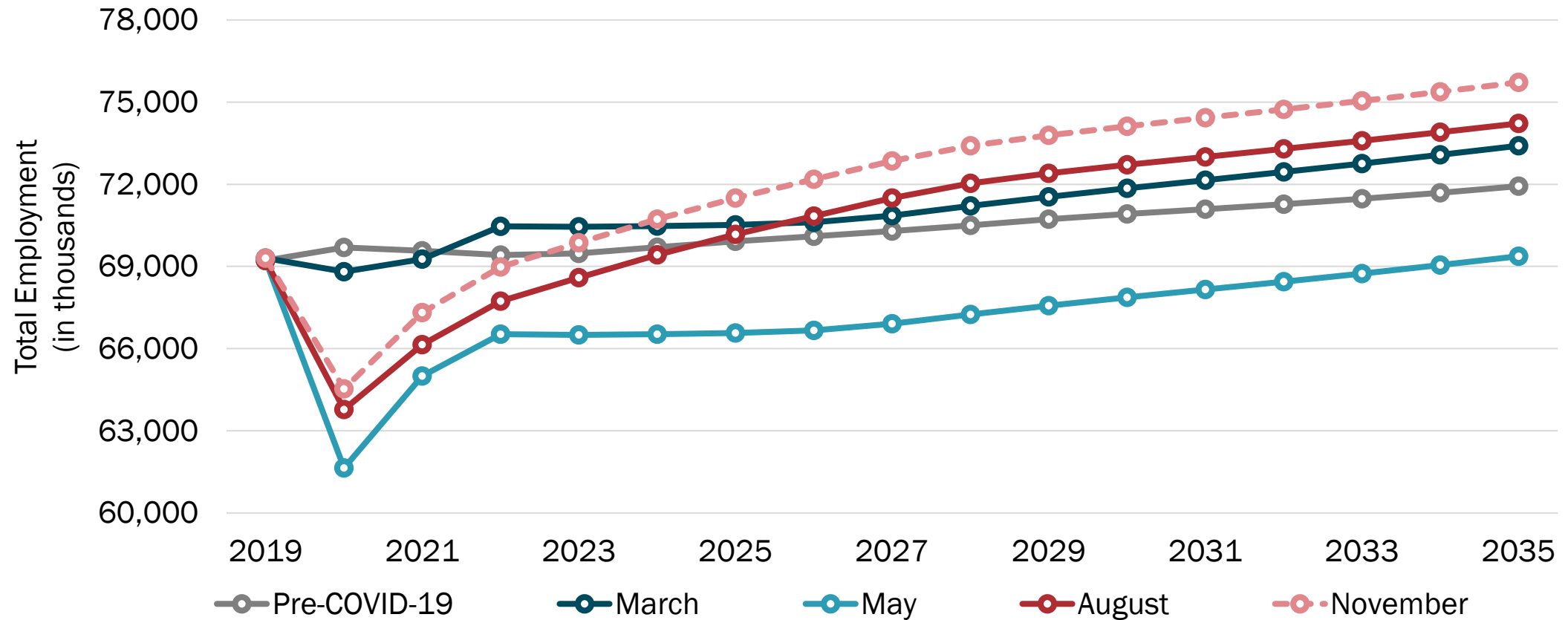
Projected Recovery of Industry Sectors Nationally by 2025



National forecast for goods producing employment

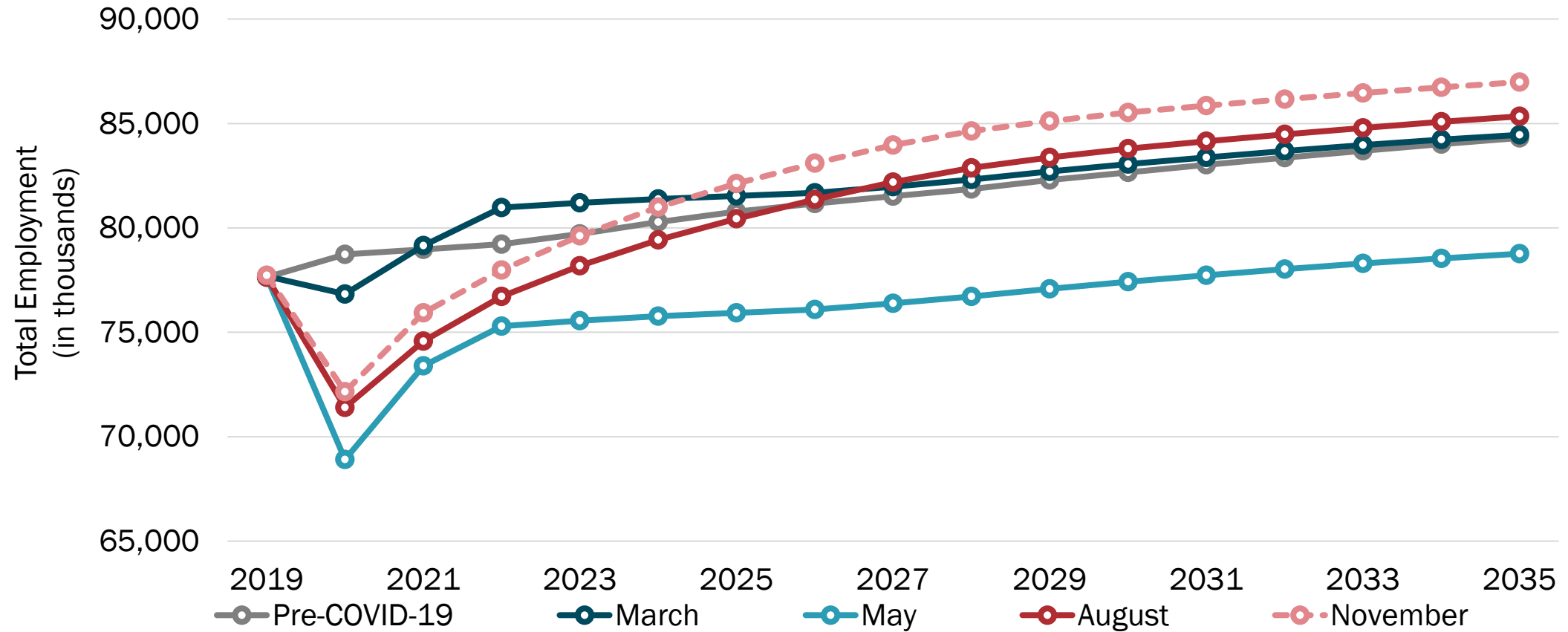


National forecast for business services sector* employment



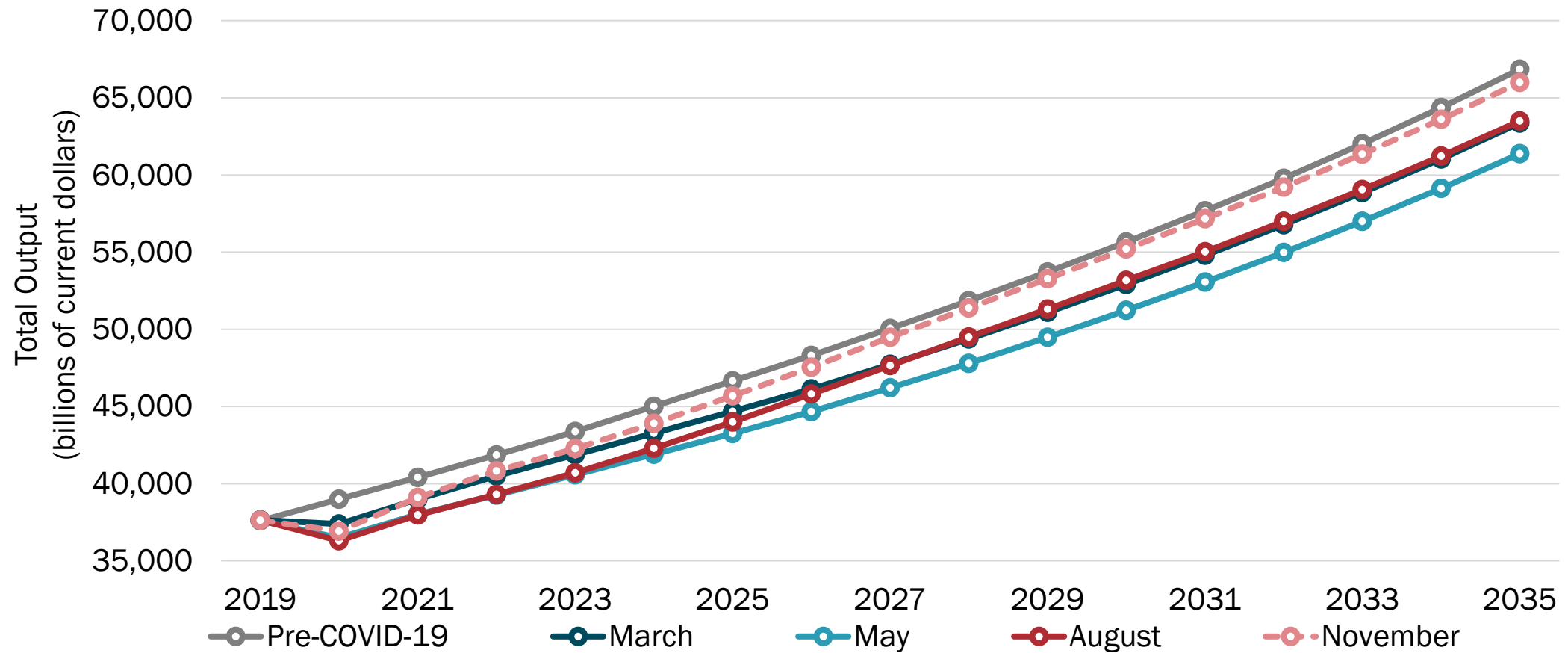
*Includes: Wholesale Trade; Transportation & Warehousing; Information, Finance, & Real Estate; Professional, Scientific, & Business Services; Management of Companies & Enterprises; Administrative, Support, Waste Management & Remediation Services

National forecast for personal services sector* employment



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

National forecast for total output



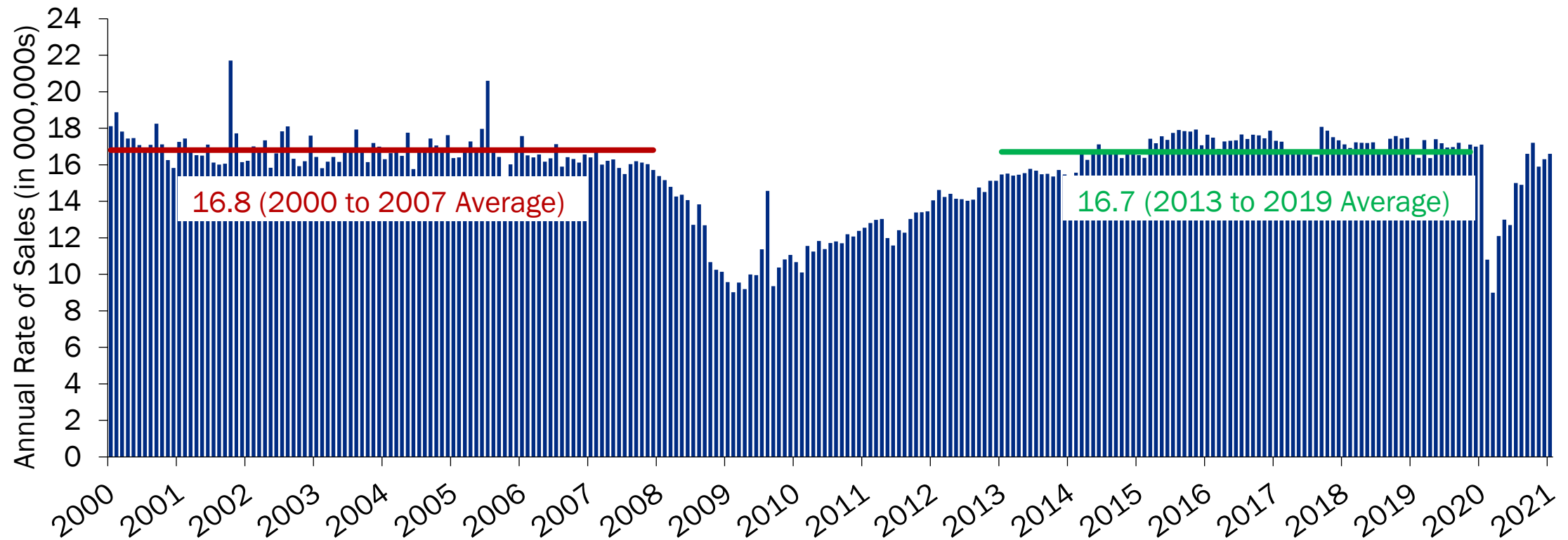
Michigan Economy

University of Michigan RSQE current* state forecast

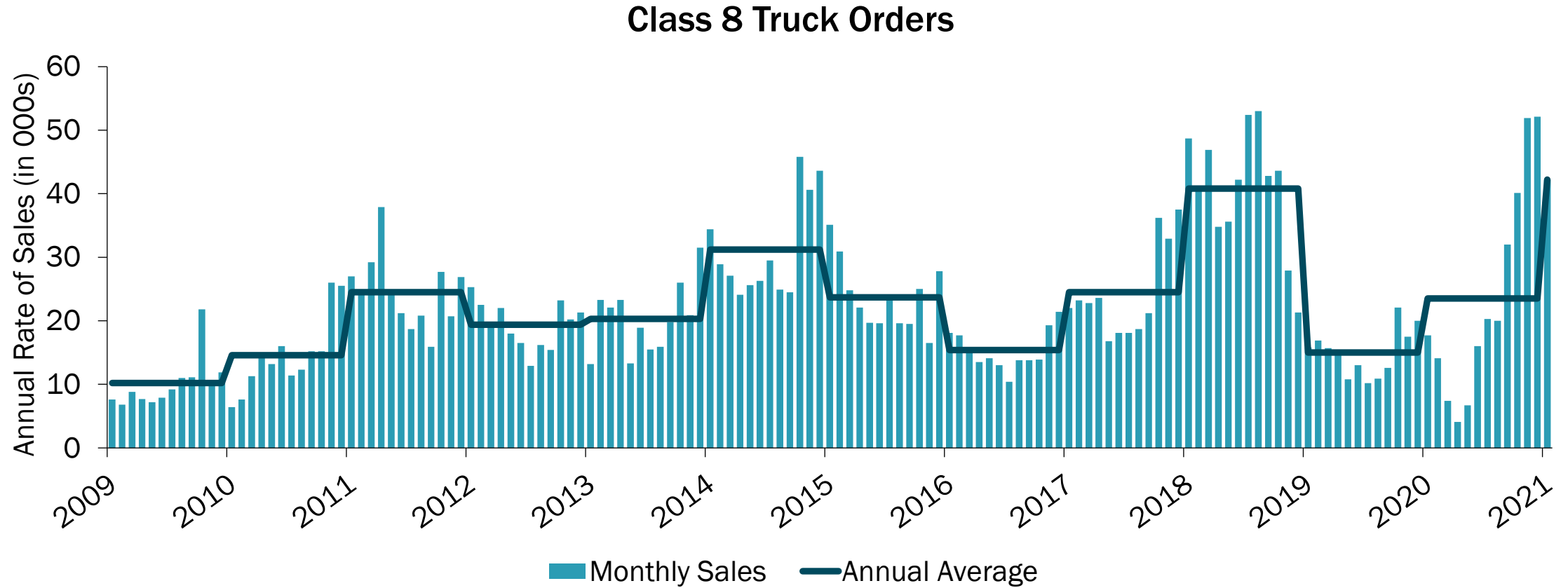
	2020	2021 (Forecast)	2022 (Forecast)
Employment Change (thousands)	-350.75 (-7.4%)	172.6 (+3.9%)	88.3 (+1.94%)
Manufacturing Employment Change (thousands)	-67.0 (-10.7%)	23.74 (+4.2%)	19.49 (+3.34%)
Unemployment Rate	9.8%	6.8%	5.2%
Labor Force Participation Rate	60.3%	61.2%	60.6%

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

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



Class 8 Truck Orders reach highest level since 2019



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

3.6 to 5%

5.1 to 6%

6.1 to 7%

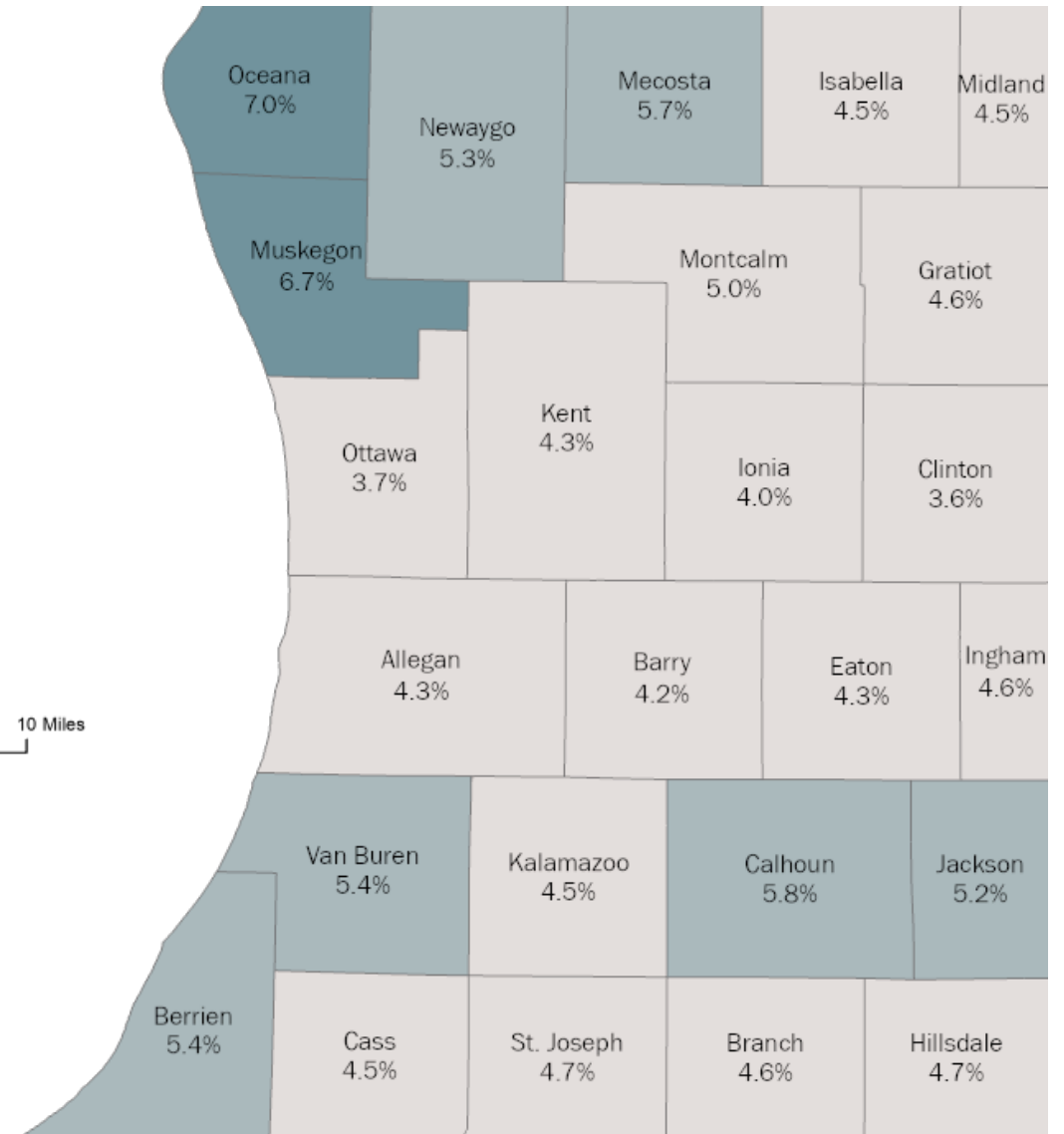
7.1 to 8%

8.1 to 12.6%



0 5 10 Miles

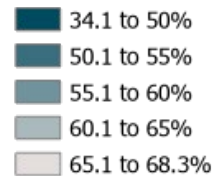
Source: Bureau of Labor Statistics,
U.S. Census Bureau



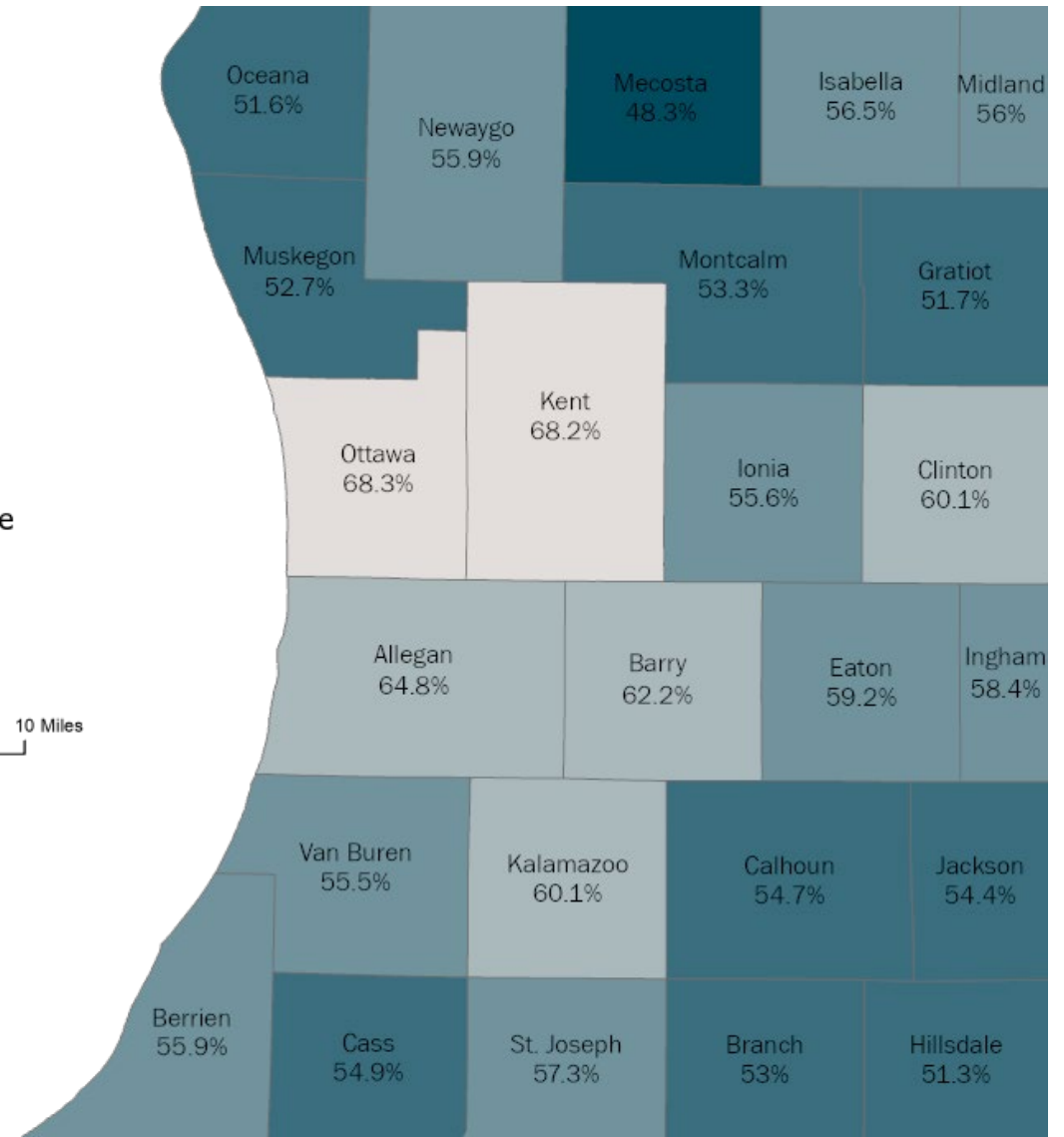
Michigan labor force participation rate

- 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

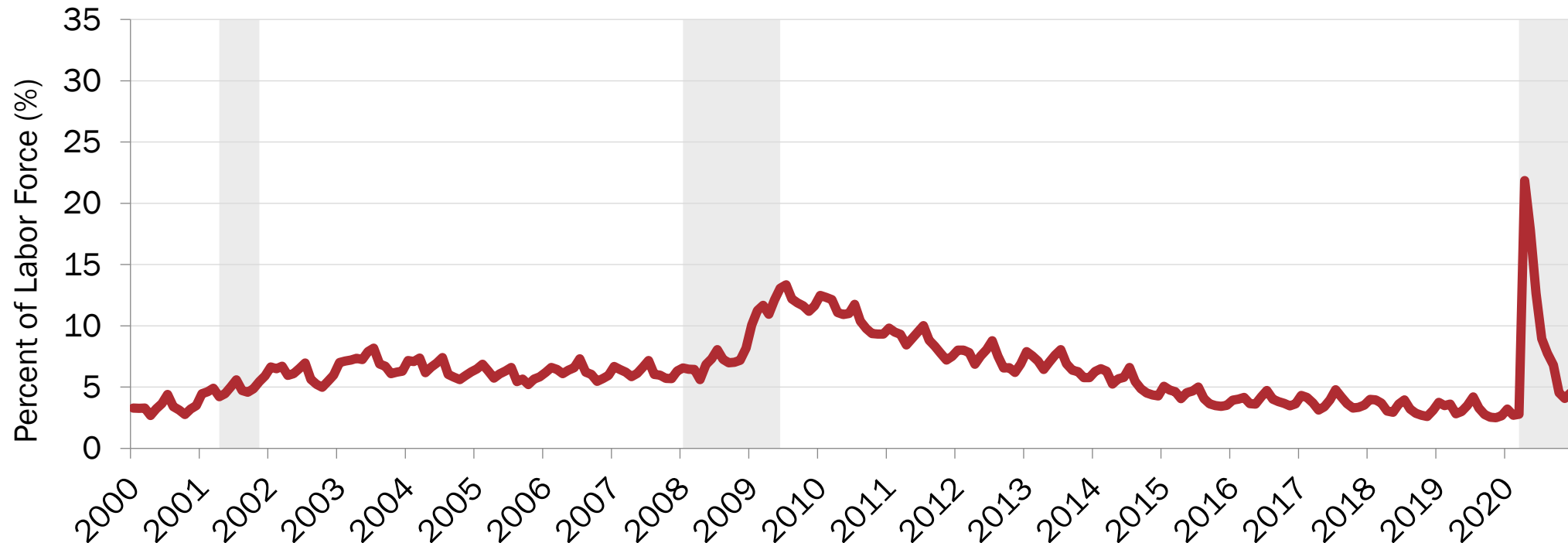


Current Conditions

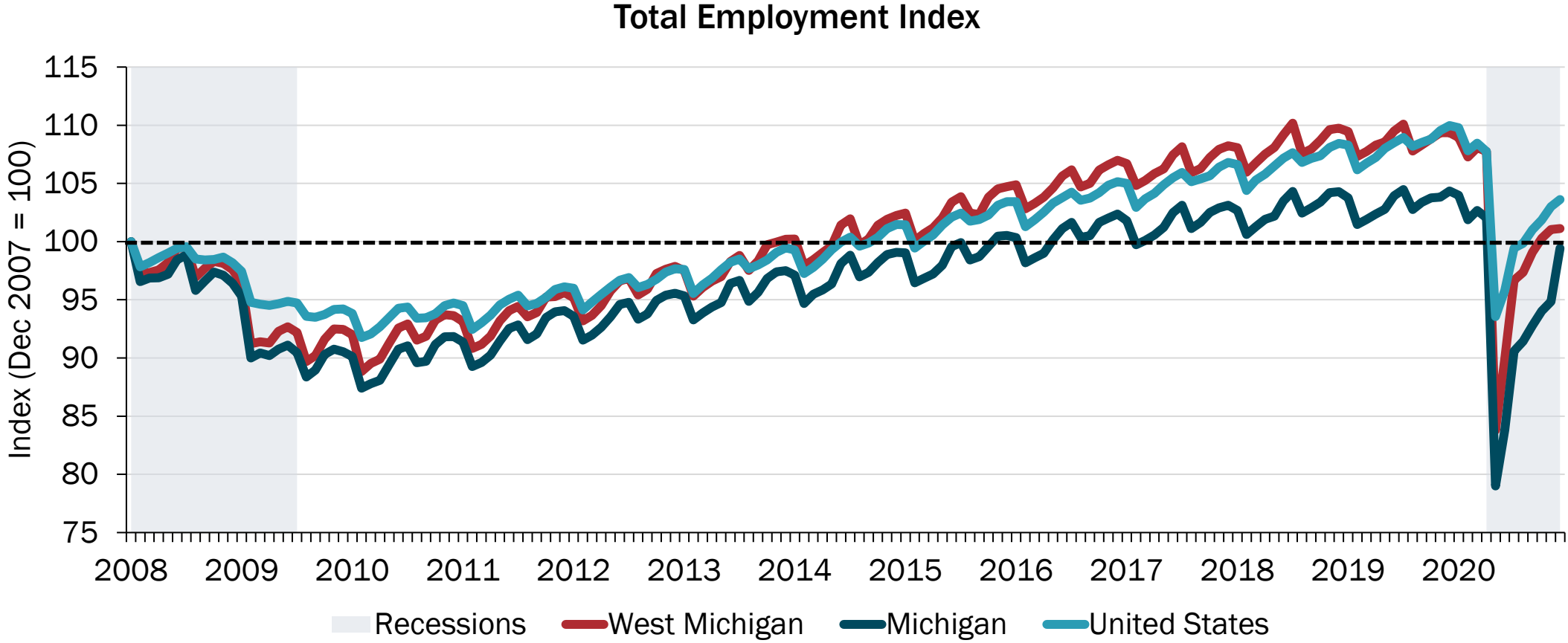
West Michigan Economy

Based on the latest data, the current unemployment rate for West Michigan was 4.5% in December

Unemployment Rate for West Michigan

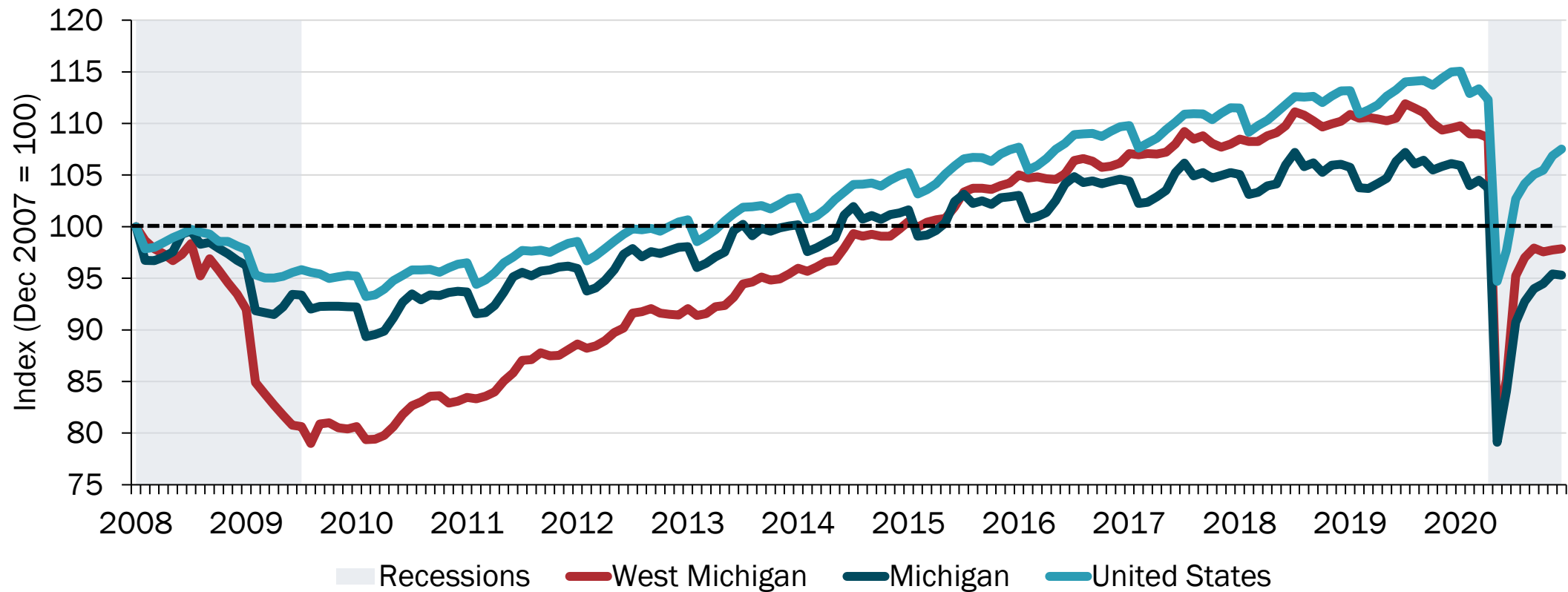


West Michigan continues to recover



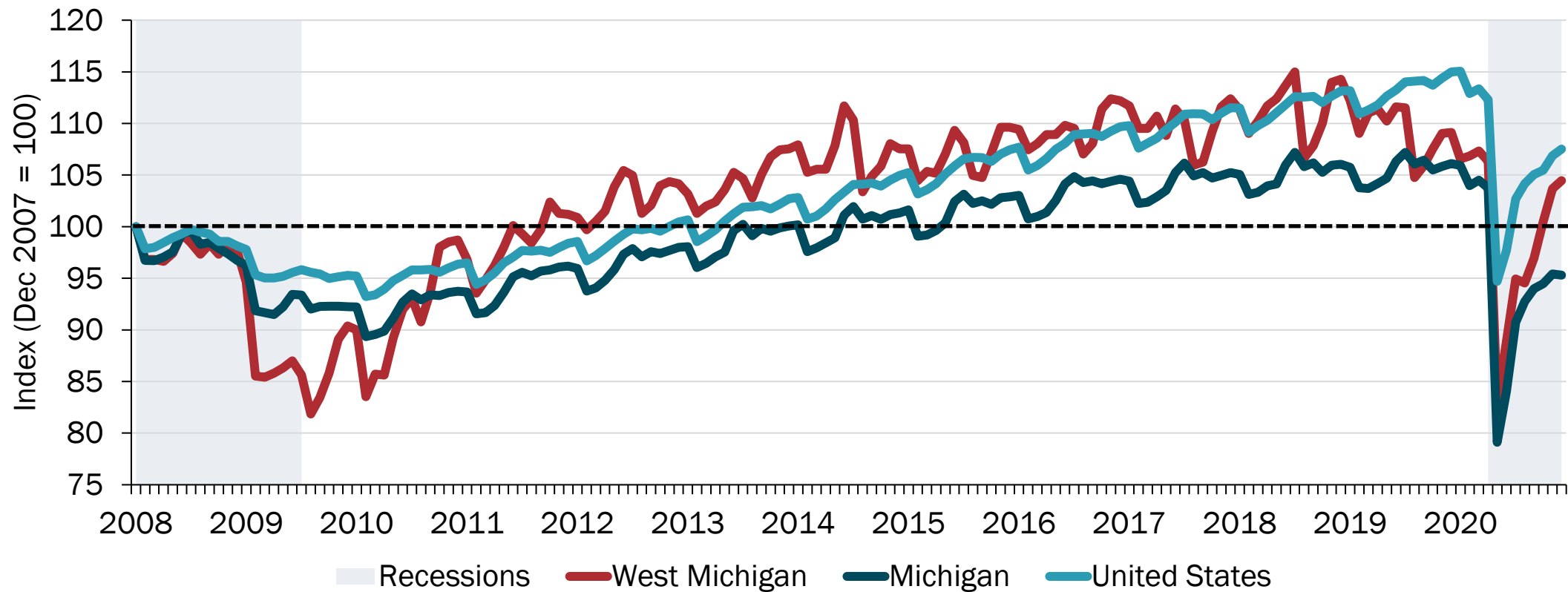
Manufacturing employment has not fully rebounded

Manufacturing Employment Index



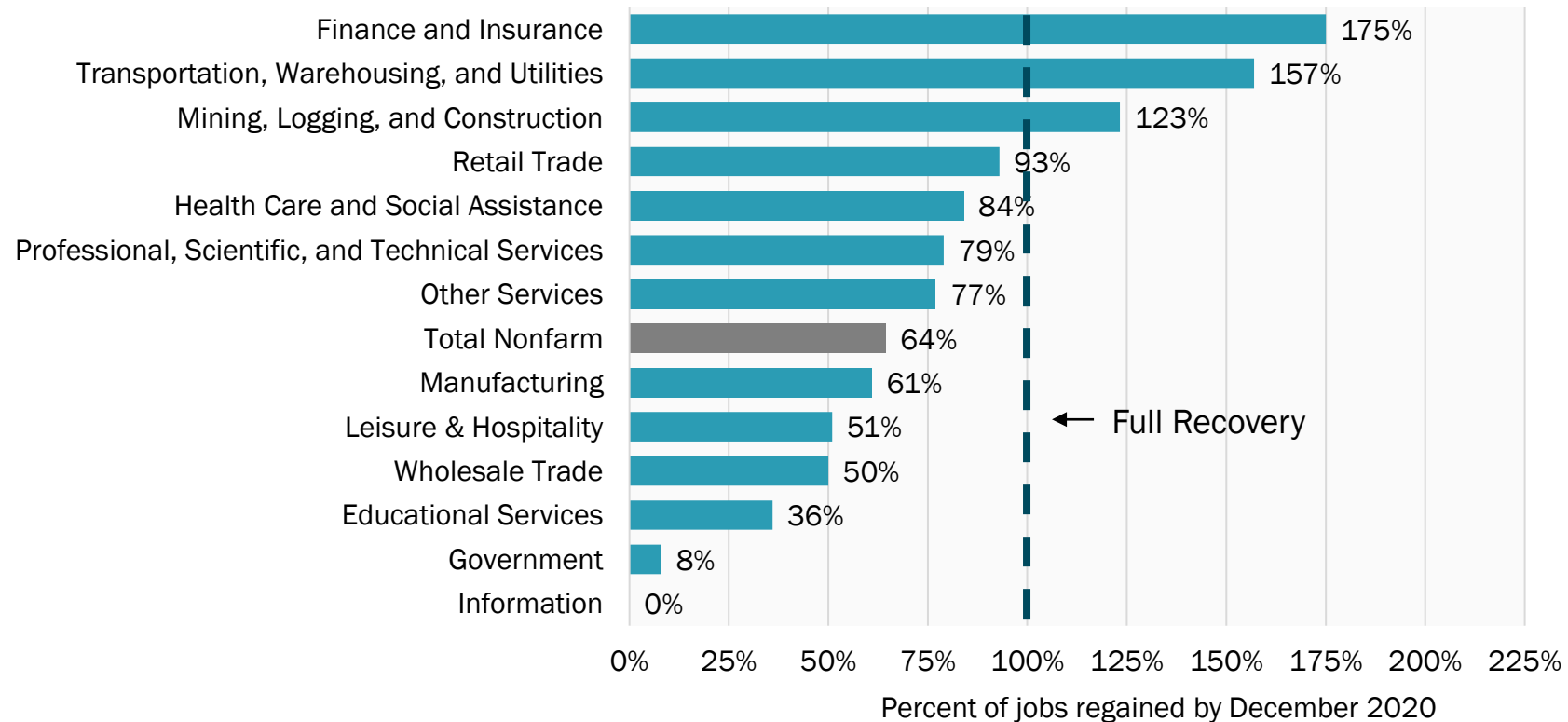
The services sector employment rebound is faster than the state

Service Providing Employment Index



Employment recovery

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

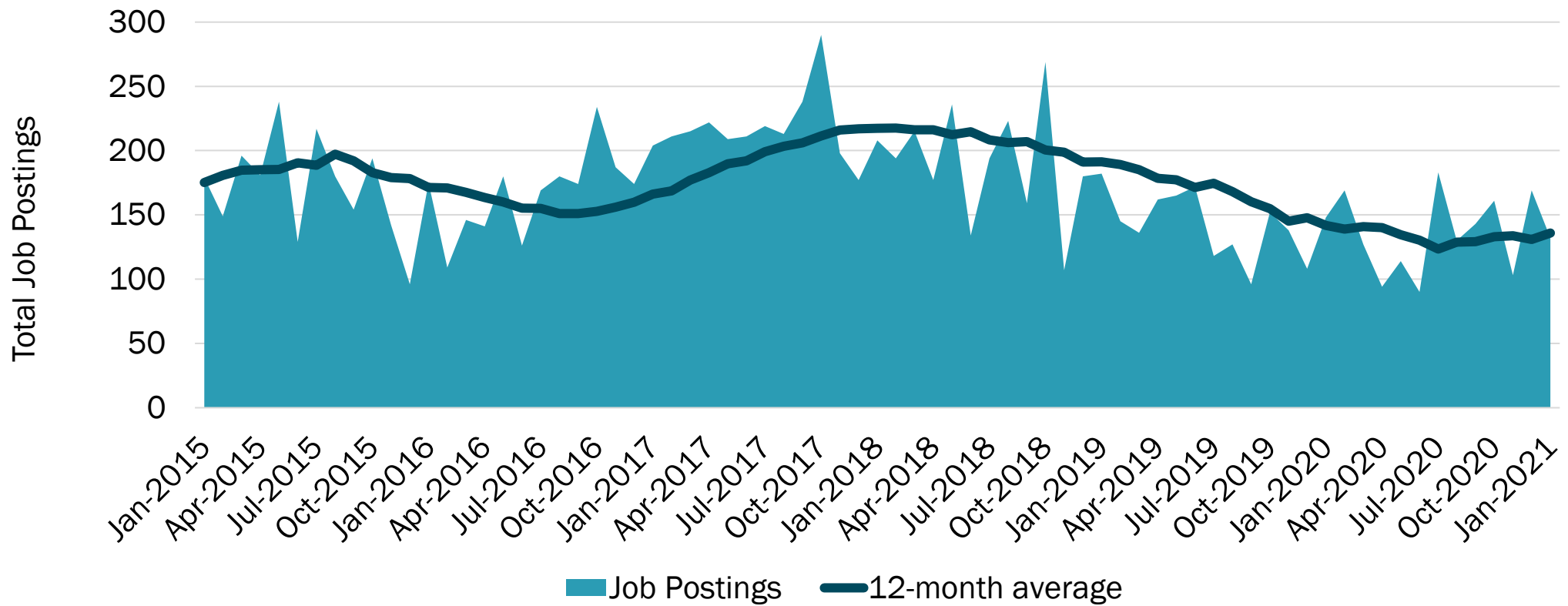


*Data not seasonally adjusted

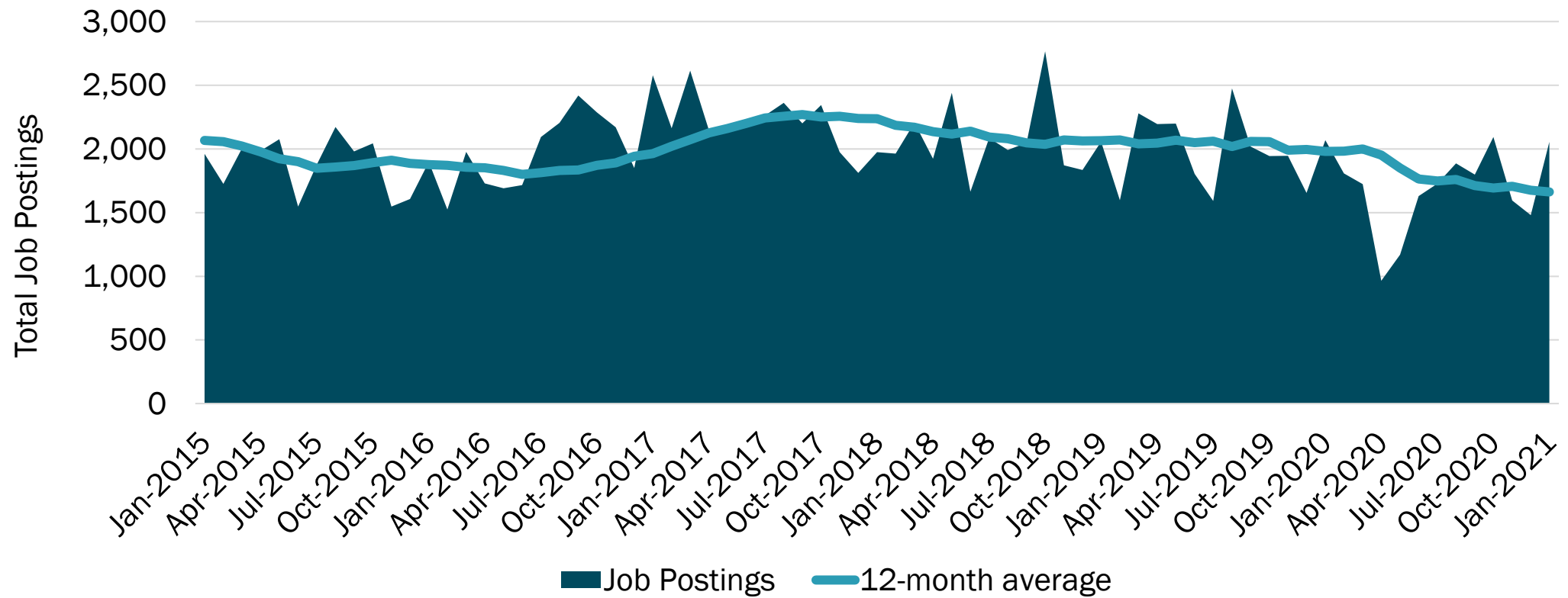
Job Postings

West Michigan

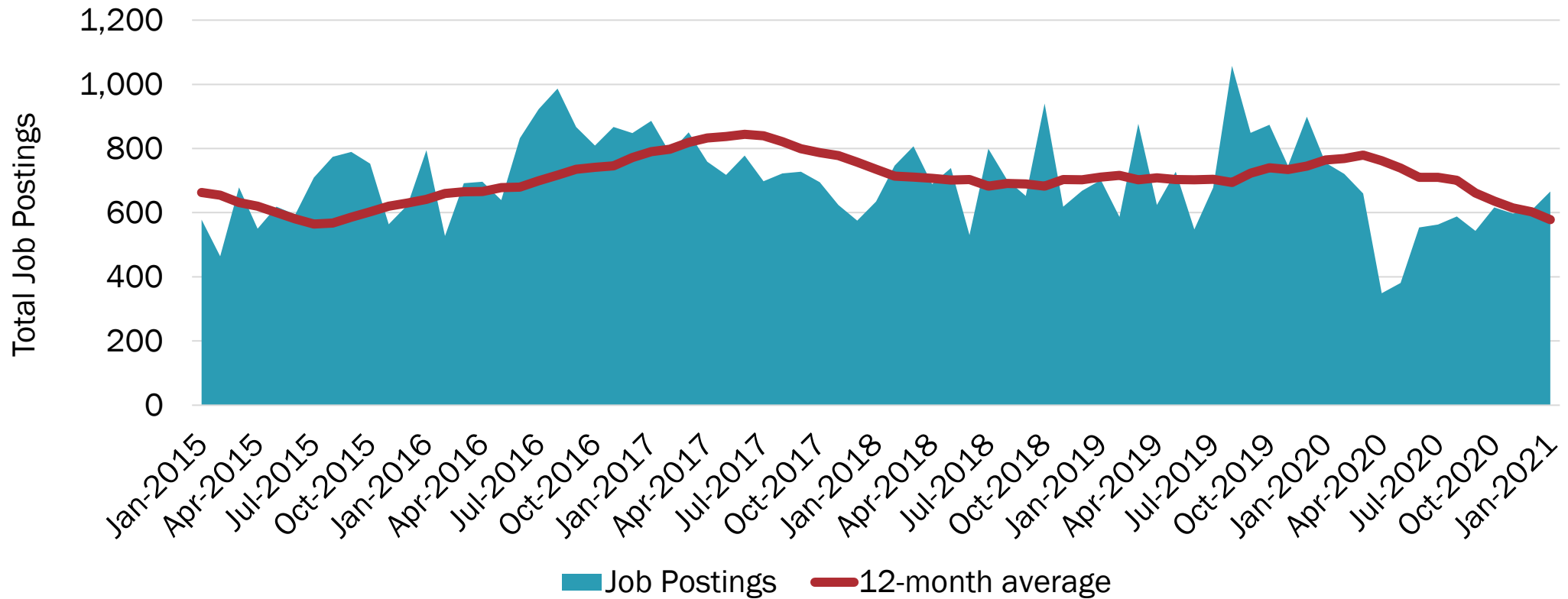
Total job postings in West Michigan



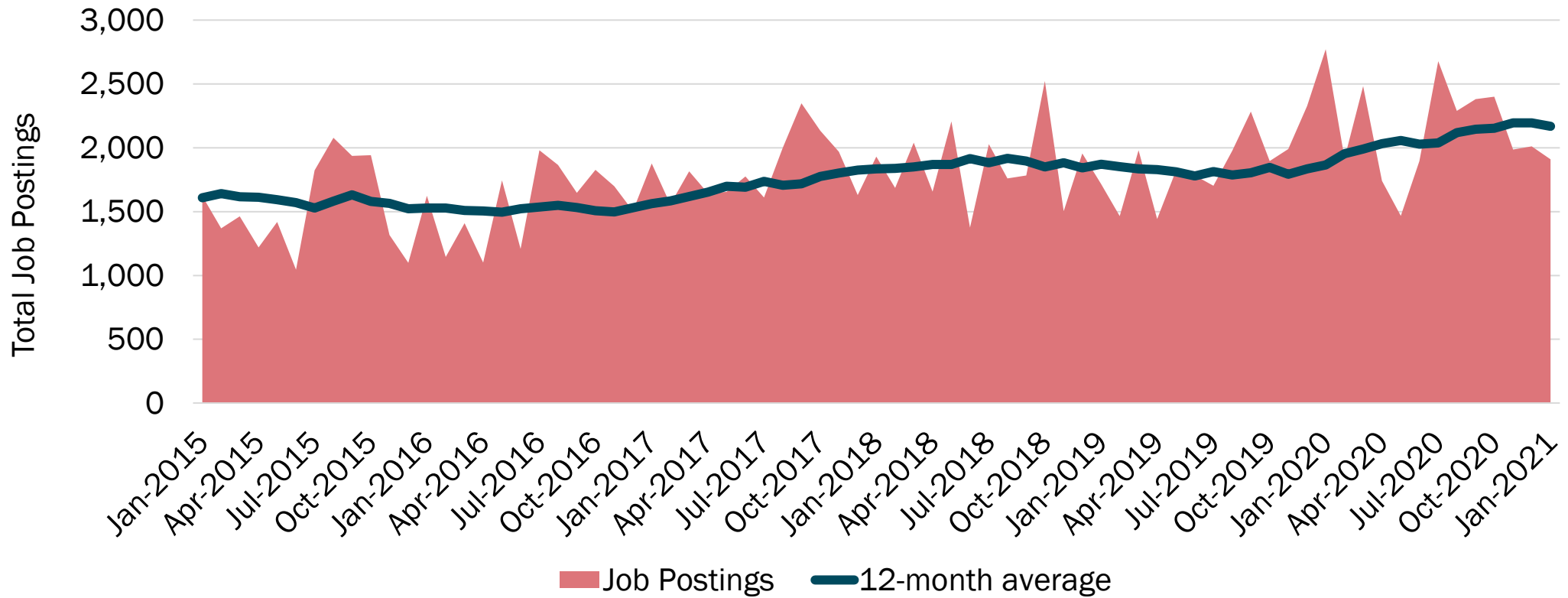
Total job postings for manufacturing in West Michigan



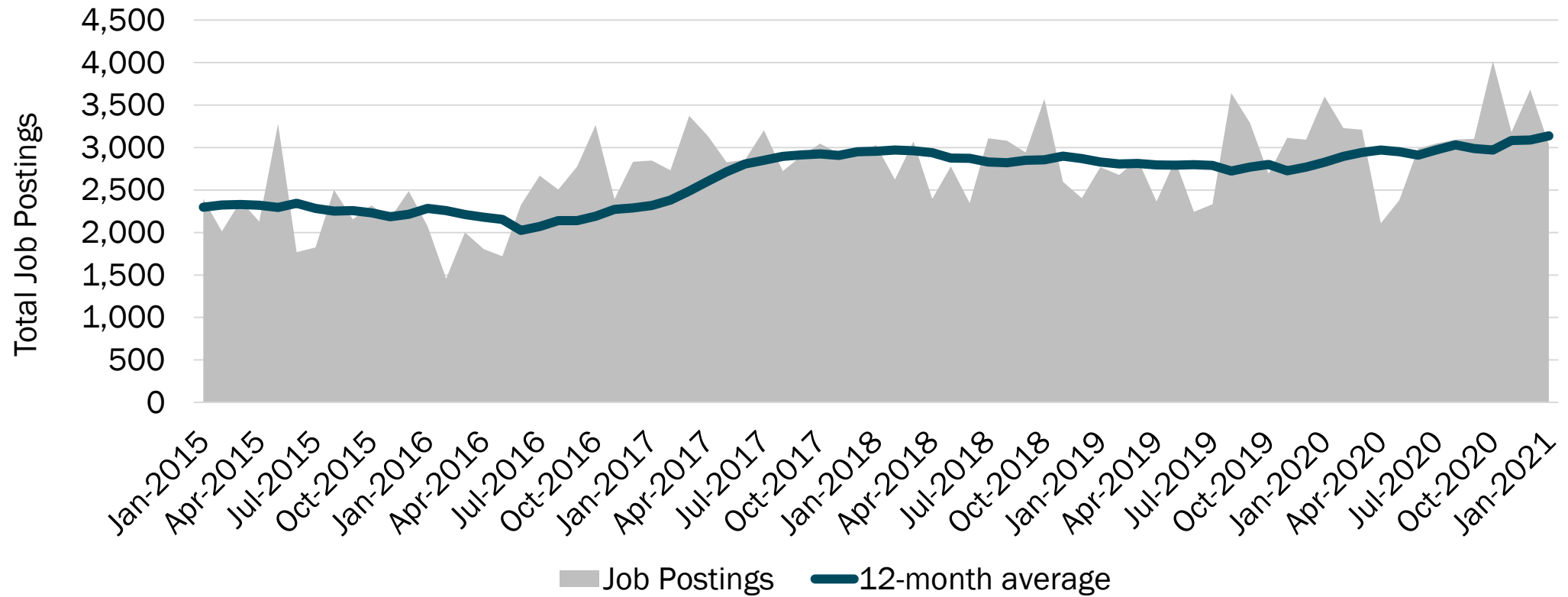
Total job postings for professional, scientific, and technical services in West Michigan



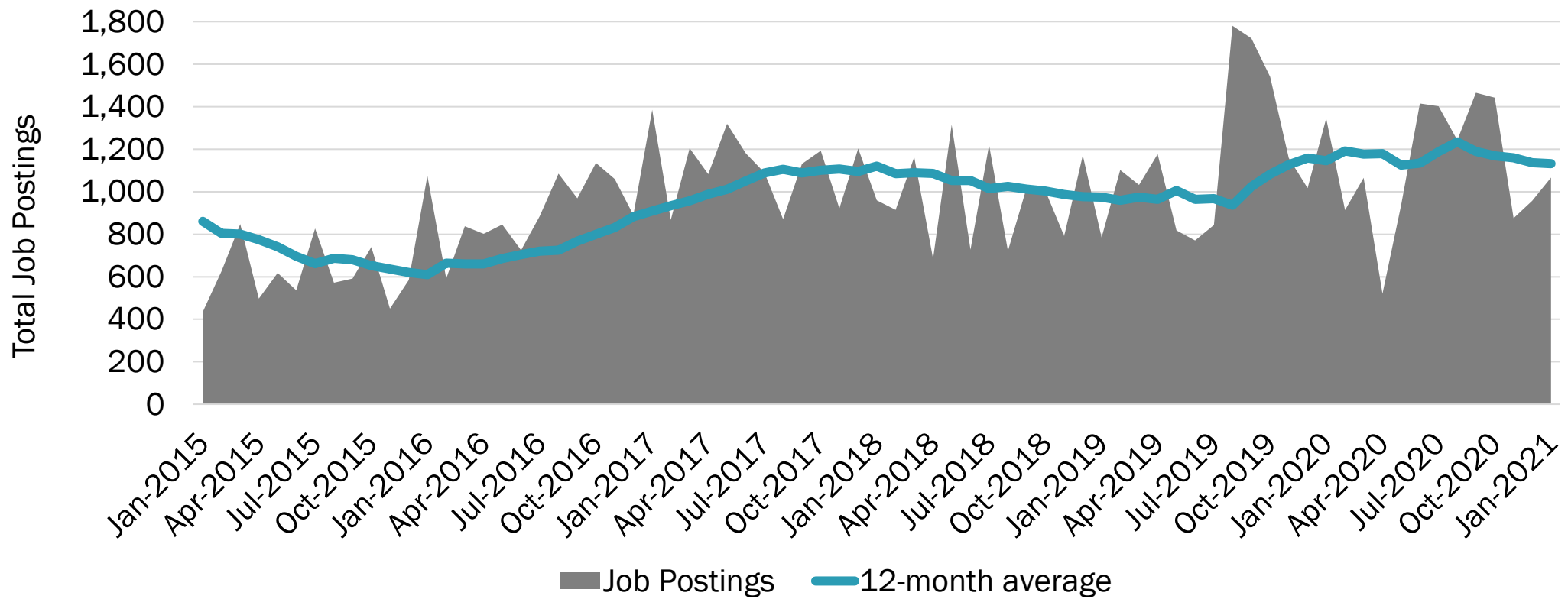
Total job postings for retail trade in West Michigan



Total job postings for health care and social assistance in West Michigan



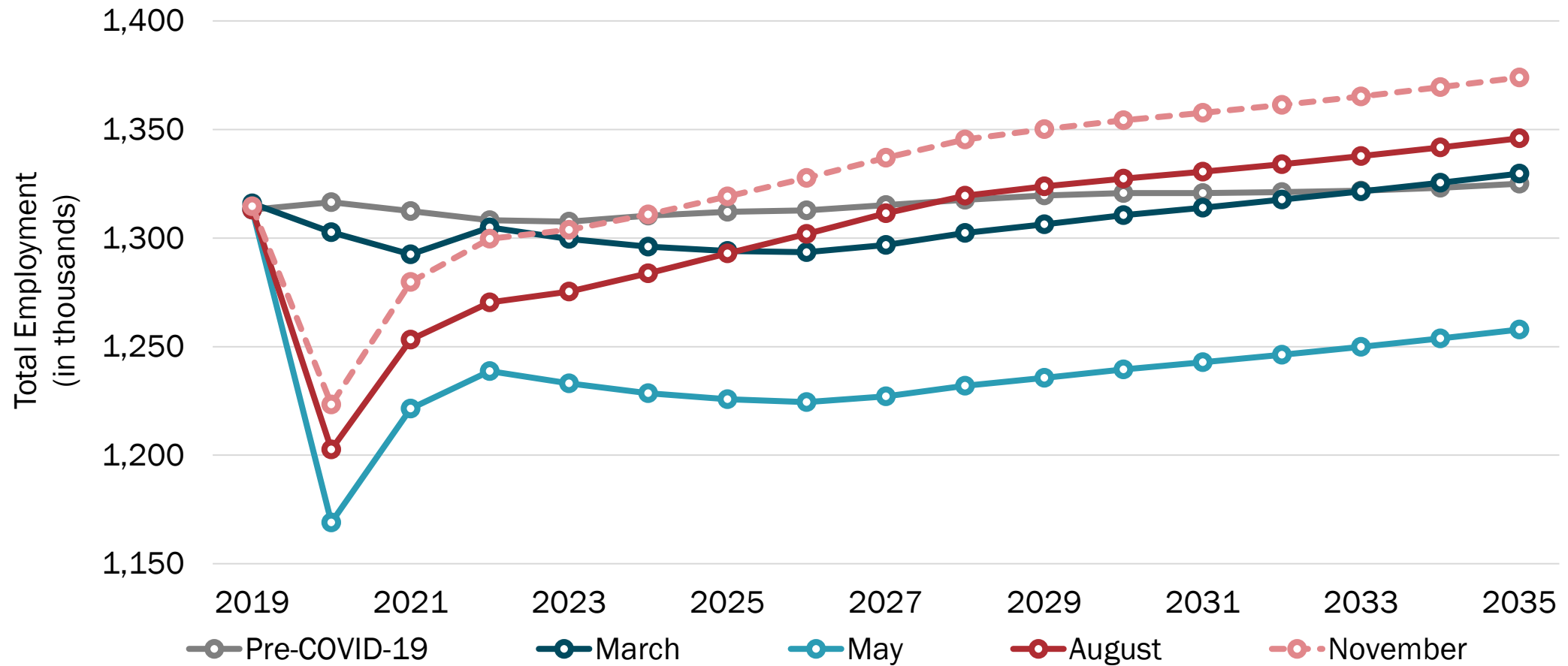
Total job postings for accommodation and food services in West Michigan



REMI Forecasts

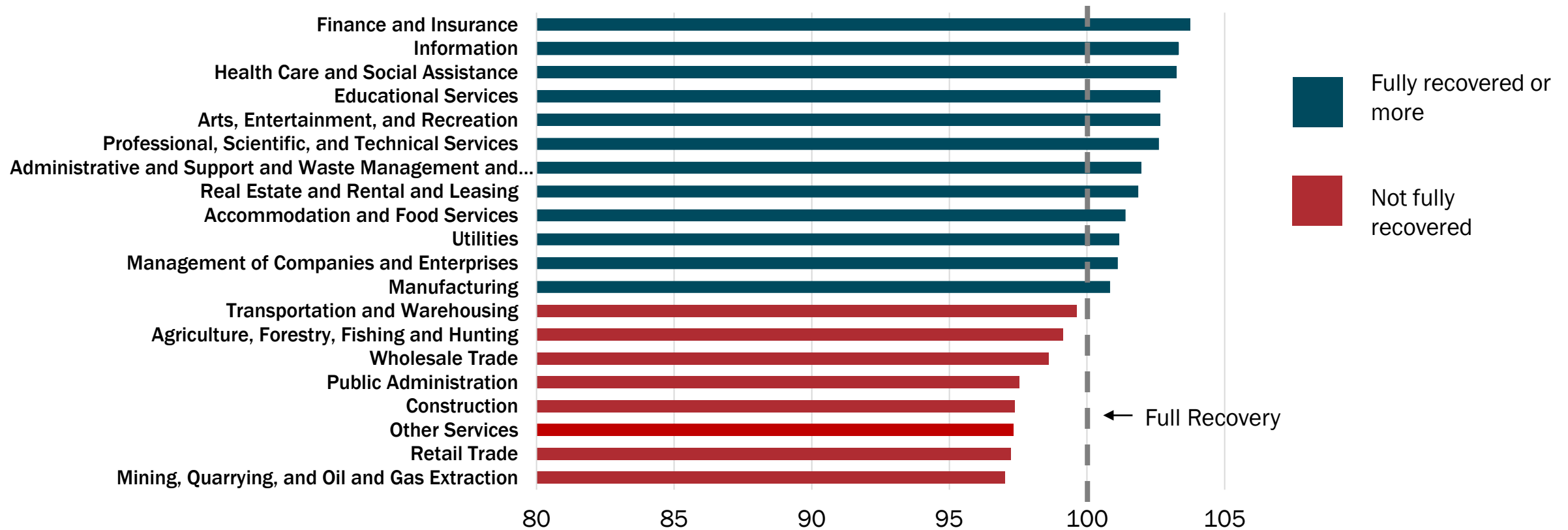
West Michigan Forecast

Forecast for total employment in West Michigan

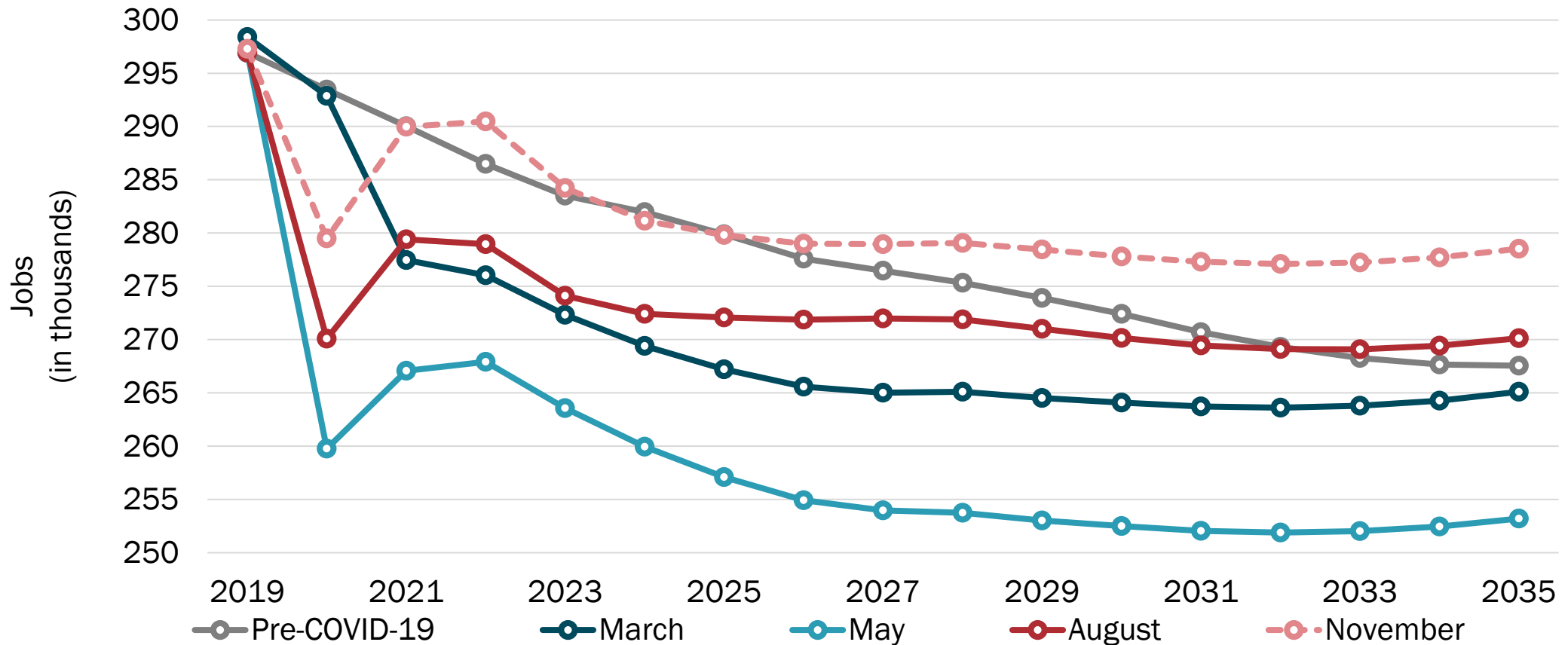


Industry recovery forecast

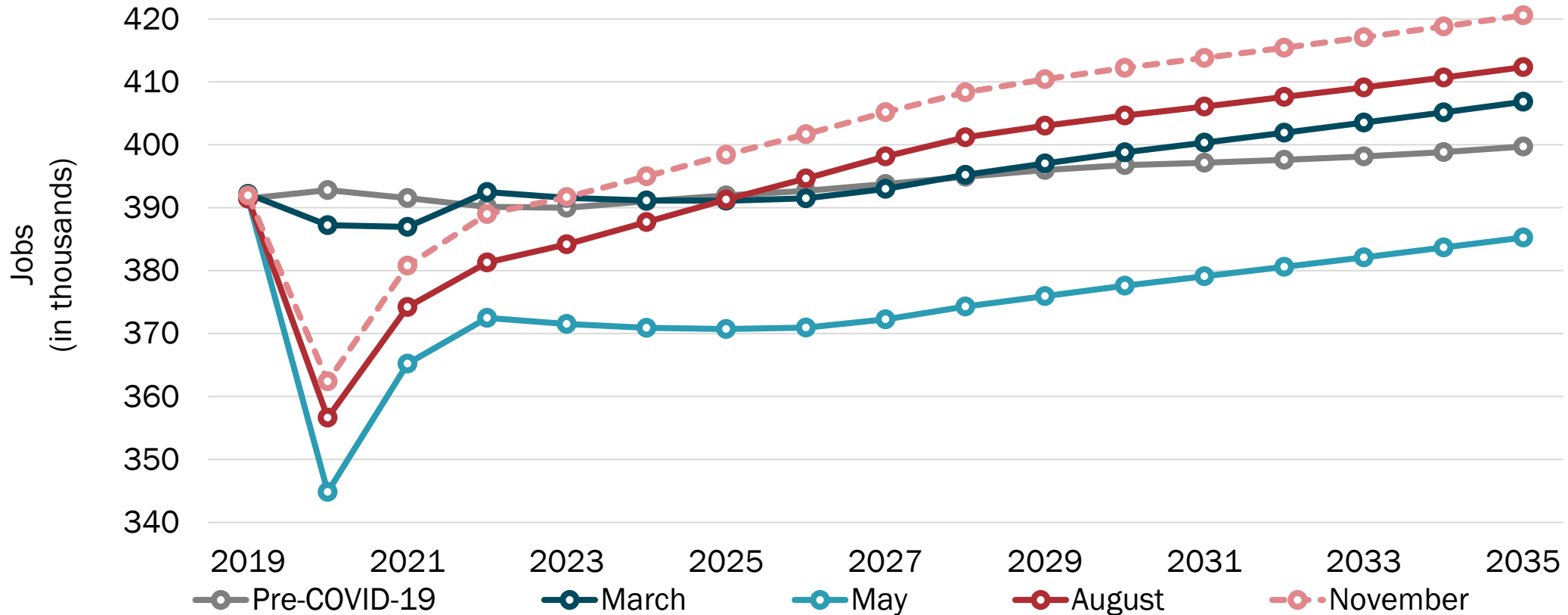
Projected Recovery of Industry Sectors in West Michigan by 2025



Forecast for goods producing employment in West Michigan

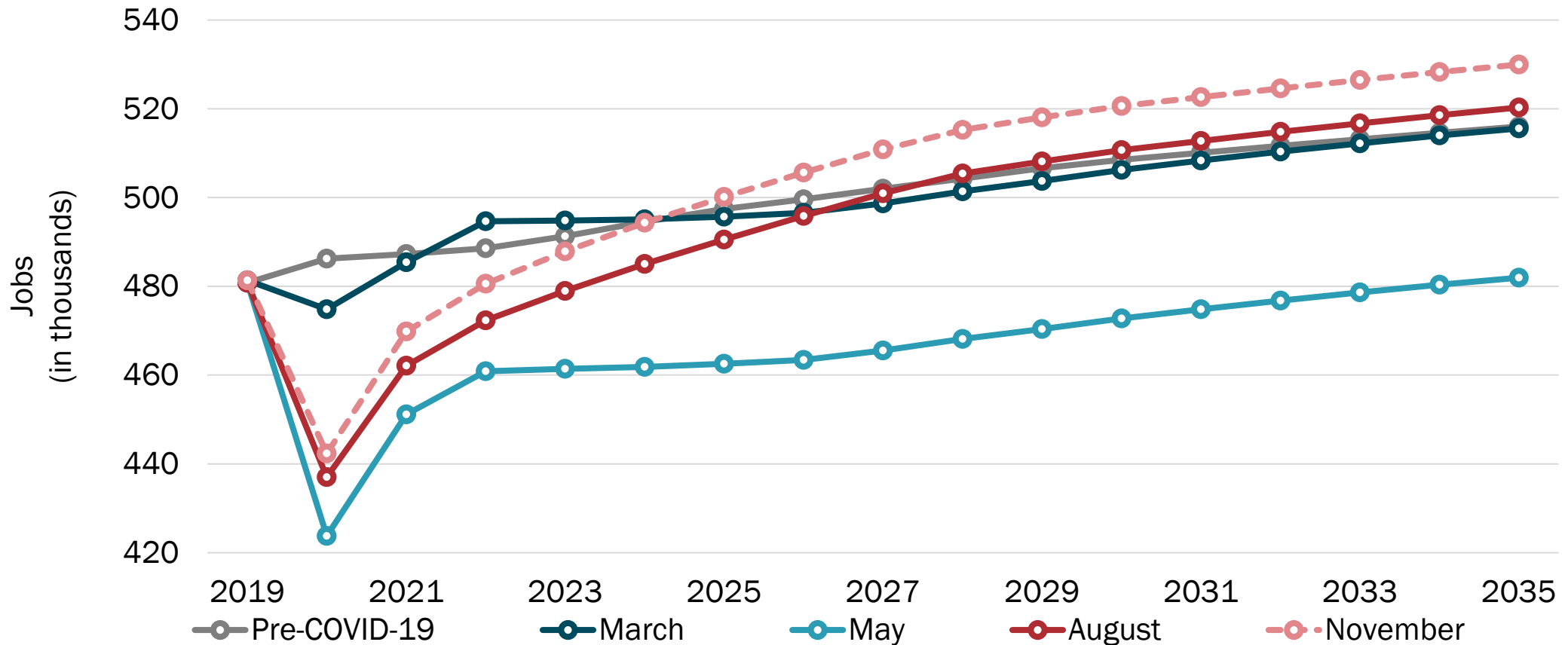


Forecast for business services* employment in West Michigan



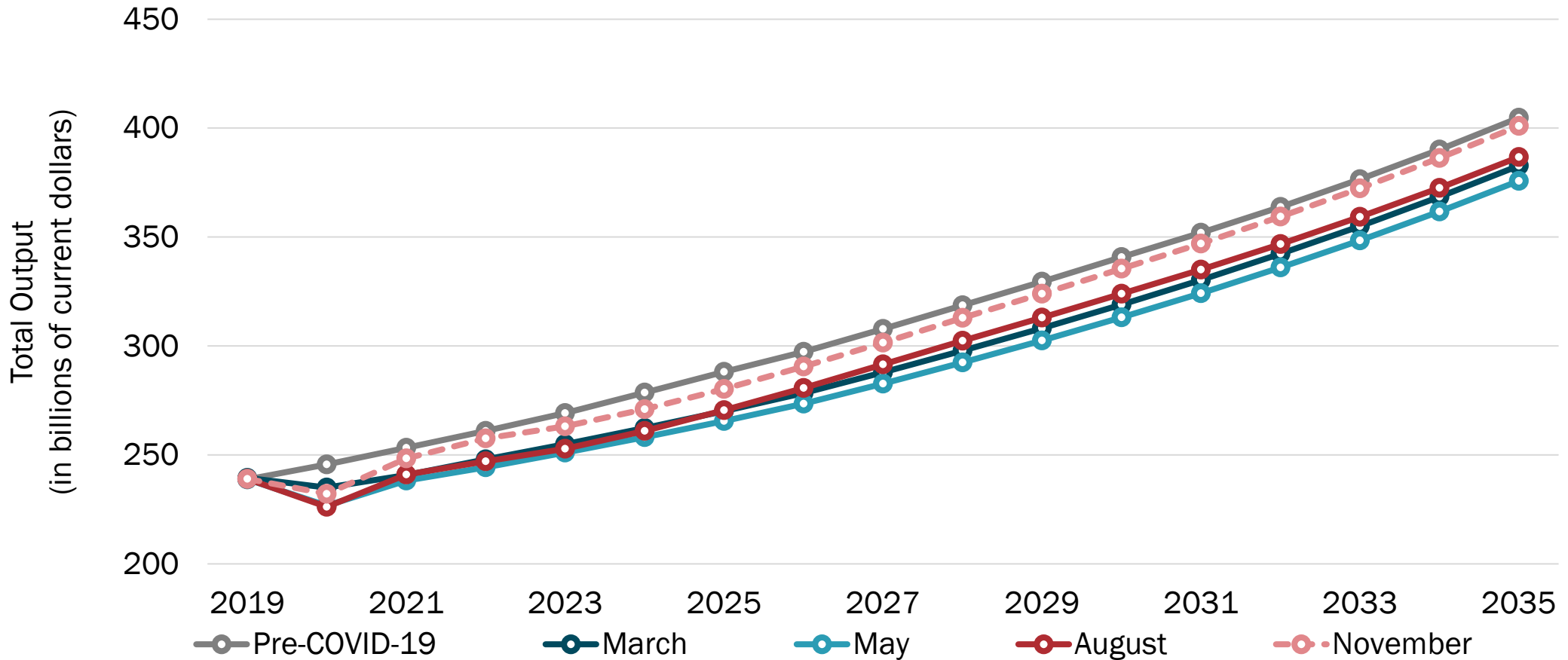
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Forecast for personal services* employment in West Michigan



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

Forecast for total output in West Michigan



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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 - Keep up to date with Regional by signing up for our email list. Send an email to boyle@upjohn.org to register.