2014 Was An Even Better Year for the Grand Rapids MSA

George Erickcek

W.E. Upjohn Institute for Employment Research

December 16, 2014
A Special Thanks to

The Right Place for making this whole program possible.

The participants of the Forecast Advisory Focus Group who accept none of the credit but all of the blame for our forecasts.
The national economy is driving forward on $2.50 gasoline and low interest rates

Robust car and truck sales are fueling Michigan’s economy

The Grand Rapids MSA is outperforming most MSAs in the country

Forecast: more employment growth despite talent shortage
GDP Grew by 3.9 Percent in the Third Quarter, and Forecasters Are Promising Continued Growth

Gross Domestic Product and Nonfarm Employment

Source: BLS, BEA, University of Michigan RSQE.
Employment Conditions Have Improved; the Number of Job Seekers Per Opening Has Dropped Below 2

U.S. Job Openings and New Hires

- Job openings at end of month
- Job seekers per opening

Source: BLS.
Unemployment Is Falling, but There Are Still Too Many Long-term Unemployed Workers

Source: BLS.
Consumer Confidence Is Rising Despite Stagnant Wages; However Other Polls Have Not Been as Positive

Source: Conference Board and the Federal Reserve.

Consumer Confidence and Real Hourly Earnings

Source: Conference Board and the Federal Reserve.
Prices and Interest Rates Remain Low:

*Prices may be too low but who is complaining about $2.40 per gallon gas?*

Source: Federal Reserve, BLS.

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**Interest Rates and Inflation**

- **10-year Treasury bill**
- **30-year mortgages**
- **3-month Treasury bill**
- **12-month change in CPI-U**

![Graph showing interest rates and inflation trends from 2009 to 2014](image-url)
So Let’s Sum Up

• The national economy was surprisingly strong in the third quarter and continued growth is forecasted
• Inflation and interest rates are low and expected to stay low. Gas price may stay low for the year.
• National employment is on the rise but wages remain flat
• The Fed has stopped its purchasing of bonds but will likely keep interest rates low
• On the negative side, the nation is standing alone in the global economy
Michigan Forecast

- Strong auto sales are pushing the state forward and most are forecasting that auto sales will remain high until at least 2017
- The state’s unemployment is down to pre-recession levels but still higher than the nation
- In fact, the state has not yet fully recovered from the recession... *unlike some MSAs*
- Employment growth expected in 2015 and 2016
State Employers Added 36,000 Jobs During the Past 4 Quarters

Employment Change, 3rd Q 2013 to 3rd Q 2014

- Total
- Construction
- Manufacturing
- Wholesale
- Retail
- Trans and Util
- Information
- Financial
- Business & Professional
- Education and Health
- Leisure and Hospitality
- Other Services
- Government

Employment in thousands

Source: BLS.
Michigan Employment Trends

• So from 3rd Quarter 2013 to 3rd Quarter 2014, employment increased by 36,300 jobs
  – Manufacturers added 12,400 jobs during the same period
  – If you are willing to assume an employment multiplier for manufacturing of 3.0, all of the state’s employment growth during the period was due—directly and indirectly—to its manufacturers
The State’s Unemployment Rate Is Back to Pre-recession Levels and Now Stands at 7.1 Percent

Source: BLS LAUS.
Auto Sales Continue to Pick Up and Are Forecast to Drive Past 16 Million Units in 2015 and 2016

Strong sales years are expected in 2015 and 2016; and what about $2.40 gal gas?

Source: BEA.
However, the State Has Not YetRecovered from the Recession

• Statewide, employment fell by 408,200 jobs during the Great Recession, and only 288,300 jobs have been created during the recovery so far

• In other words, the state is still short 120,000 jobs

• In manufacturing, the loss is 41,200 jobs
Latest University of Michigan Employment Forecast for the State Is Very Bullish

Employment forecast:

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>89,480 jobs</td>
</tr>
<tr>
<td>2015</td>
<td>50,250 jobs</td>
</tr>
<tr>
<td>2016</td>
<td>52,140 jobs</td>
</tr>
</tbody>
</table>

Grand Rapids

• 15,000 jobs were added in the last three months
• The area’s unemployment rate is down to 4.6 percent and for the right reasons
• Residential construction has turned the corner
• Indeed the area’s economy may be stronger than you think
• Forecast: continued growth
Employers Added Nearly 15,000 Jobs during the Past 4 Quarters

Employment Change, Q3 2013 to Q3 2014

Total nonfarm
Construction
Manufacturing
Wholesale
Retail
Transportation and util.
Information
Financial
Prof. and bus. services
Edu. and health serv.
Leisure and hospitality
Other services
Government

Source: BLS CES and Upjohn Institute.
Can’t Get Enough Car Parts

Manufacturing Employment Change, Q1 2013 to Q1 2014

- Food
- Beverage
- Textile
- Wood
- Paper
- Printing
- Chemical
- Plastics
- Nonmetallic mineral
- Primary metal
- Fabricated metal
- Machinery
- Computer and elec.
- Electrical equip.
- Transportation
- Furniture
- Misc.

Source: BLS QCEW and Upjohn Institute.
The Area’s Unemployment Rate Is Down to 2001 Levels

Unemployment Rate

Source: BLS LAUS and Upjohn Institute.
And, the Area’s Unemployment Rate Dropped Even Though 19,000 More Workers Entered the Workforce

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor force</th>
<th>Employment</th>
<th>Unemployed</th>
<th>Unemployment rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-18,450</td>
<td>-30,680</td>
<td>13,792</td>
<td>12.0</td>
</tr>
<tr>
<td>2010</td>
<td>-1,212</td>
<td>4,649</td>
<td>-6,543</td>
<td>10.3</td>
</tr>
<tr>
<td>2011</td>
<td>5,413</td>
<td>12,622</td>
<td>-7,950</td>
<td>8.1</td>
</tr>
<tr>
<td>2012</td>
<td>9,469</td>
<td>14,140</td>
<td>-5,151</td>
<td>6.7</td>
</tr>
<tr>
<td>2013</td>
<td>3,007</td>
<td>2,270</td>
<td>868</td>
<td>6.8</td>
</tr>
<tr>
<td>2014</td>
<td>19,157</td>
<td>26,652</td>
<td>-8,261</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Change in Individuals, October to October

Source: BLS LAUS and Upjohn Institute.
Employment Levels Are Reaching New Highs

Total Employment Index (100 = 2000 Average)

The area lost 25,400 jobs during the recession, but gained 62,000, so far, in the recovery.

Source: BLS CES and Upjohn Institute.
Service Employment Is Up More Than 15 Percent Above 2000 Levels

Private-Services Employment Index (100 = 2000 Average)

Source: BLS CES and Upjohn Institute.
Manufacturing Employment Remains below 2008 Levels

Source: BLS CES and Upjohn Institute.
Fastest Growing Occupations, 2007 to 2014

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Security guards</td>
<td>1,070</td>
</tr>
<tr>
<td>Nursing assistants</td>
<td>840</td>
</tr>
<tr>
<td>Misc. healthcare support occupations</td>
<td>810</td>
</tr>
<tr>
<td>Misc. assemblers and fabricators</td>
<td>800</td>
</tr>
<tr>
<td>Customer service representatives</td>
<td>800</td>
</tr>
<tr>
<td>Home health aides</td>
<td>790</td>
</tr>
<tr>
<td>Landscaping and groundskeeping workers</td>
<td>770</td>
</tr>
<tr>
<td>Fast food and counter workers</td>
<td>760</td>
</tr>
<tr>
<td>Financial analysts and advisors</td>
<td>740</td>
</tr>
<tr>
<td>Waiters and waitresses</td>
<td>640</td>
</tr>
<tr>
<td>Registered nurses</td>
<td>630</td>
</tr>
</tbody>
</table>

Source: Upjohn Institute REMI model.
## Declining Occupations, 2007 to 2014

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail salespersons</td>
<td>-560</td>
</tr>
<tr>
<td>Stock clerks and order fillers</td>
<td>-380</td>
</tr>
<tr>
<td>Cashiers</td>
<td>-330</td>
</tr>
<tr>
<td>Tellers</td>
<td>-270</td>
</tr>
<tr>
<td>Molders and molding machine operators</td>
<td>-260</td>
</tr>
<tr>
<td>Printing press operators</td>
<td>-260</td>
</tr>
<tr>
<td>Preschool and kindergarten teachers</td>
<td>-240</td>
</tr>
<tr>
<td>Military</td>
<td>-210</td>
</tr>
<tr>
<td>First-line supervisors of production workers</td>
<td>-210</td>
</tr>
<tr>
<td>Carpenters</td>
<td>-200</td>
</tr>
<tr>
<td>Electricians</td>
<td>-190</td>
</tr>
</tbody>
</table>

Source: Upjohn Institute REMI model.
In 2014, 45 Percent of All Jobs Paid Less Than $30,000

Job growth (2007–2014) by annual income (in $000s)

Source: Upjohn Institute REMI model and BLS.
42 Percent of the Jobs Created Generated Annual Incomes of Less Than $30,000

Job growth (2007–2014) by annual income (in $000s)

Source: Upjohn Institute REMI model and BLS.
I See a “U” Starting; Do You?

Construction Permits Issued, Grand Rapids MSA

- **Total, all structure types**
- **Single family houses**

Source: Census Housing Starts.

* Projection based on year to date, Oct 2014
Comparison Analysis

Comparison Areas:

- Omaha, NE
- Pittsburgh, PA
- Des Moines, IA
- Detroit, MI
- Ft. Wayne, IN
- Indianapolis, IN
- Kansas City, MO
- Louisville, KY
- Milwaukee, WI
- Minneapolis, MN
- St. Louis, MO
The Area’s Unemployment Rate Is Slightly below Average

Average Unemployment Rate, Jan–Oct 2014

<table>
<thead>
<tr>
<th>City</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Rapids</td>
<td>5.4</td>
</tr>
<tr>
<td>Omaha</td>
<td>4.0</td>
</tr>
<tr>
<td>Des Moines</td>
<td>4.3</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>4.3</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>5.4</td>
</tr>
<tr>
<td>Fort Wayne</td>
<td>5.4</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>5.5</td>
</tr>
<tr>
<td>Kansas City</td>
<td>6.1</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>6.3</td>
</tr>
<tr>
<td>Louisville</td>
<td>6.7</td>
</tr>
<tr>
<td>St. Louis</td>
<td>6.9</td>
</tr>
<tr>
<td>Detroit</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Comparison Average: 5.8

Source: BLS LAUS.
Sorry, Fort Wayne


- Grand Rapids: 3.8%
- Comparison Average: 1.4%
- Fort Wayne: 3.4%
- Des Moines: 2.3%
- Indianapolis: 2.0%
- Minneapolis: 1.8%
- Milwaukee: 1.8%
- Omaha: 1.3%
- Louisville: 1.2%
- St. Louis: 1.1%
- Kansas City: 0.5%
- Pittsburgh: 0.4%
- Detroit: 0.1%

Source: BLS CES.
Again, Only Fort Wayne Is Even in the Same League


-Grand Rapids: 3.3%
-Fort Wayne: 3.1%
-Des Moines: 2.0%
-Milwaukee: 1.8%
-Indianapolis: 1.7%
-Minneapolis: 1.6%
-Omaha: 1.3%
-Louisville: 1.1%
-St. Louis: 1.1%
-Pittsburgh: 0.6%
-Kansas City: 0.5%
-Detroit: -0.3%

Source: BLS CES.
Okay, Fort Wayne Has Some Game


<table>
<thead>
<tr>
<th>City</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Rapids</td>
<td>3.9%</td>
</tr>
<tr>
<td>Comparison Average</td>
<td>1.7%</td>
</tr>
<tr>
<td>Fort Wayne</td>
<td>-2.8%</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>3.3%</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>2.8%</td>
</tr>
<tr>
<td>Louisville</td>
<td>2.7%</td>
</tr>
<tr>
<td>Detroit</td>
<td>2.0%</td>
</tr>
<tr>
<td>Omaha</td>
<td>1.7%</td>
</tr>
<tr>
<td>Des Moines</td>
<td>1.5%</td>
</tr>
<tr>
<td>Kansas City</td>
<td>1.2%</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>0.4%</td>
</tr>
<tr>
<td>St. Louis</td>
<td>-0.3%</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>-2.8%</td>
</tr>
</tbody>
</table>

Source: BLS CES.
Entrepreneurship Seems Strong

Percent Self-Employed in Professional, Scientific, and Technical Services

<table>
<thead>
<tr>
<th>City</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grand Rapids</td>
<td>23.3%</td>
</tr>
<tr>
<td>Comparison Average</td>
<td>17.5%</td>
</tr>
<tr>
<td>Louisville</td>
<td>22.0%</td>
</tr>
<tr>
<td>Fort Wayne</td>
<td>19.2%</td>
</tr>
<tr>
<td>Minneapolis</td>
<td>19.1%</td>
</tr>
<tr>
<td>Omaha</td>
<td>18.2%</td>
</tr>
<tr>
<td>Indianapolis</td>
<td>17.9%</td>
</tr>
<tr>
<td>Pittsburgh</td>
<td>17.3%</td>
</tr>
<tr>
<td>Detroit</td>
<td>17.0%</td>
</tr>
<tr>
<td>Milwaukee</td>
<td>15.7%</td>
</tr>
<tr>
<td>St. Louis</td>
<td>15.6%</td>
</tr>
<tr>
<td>Des Moines</td>
<td>15.3%</td>
</tr>
<tr>
<td>Kansas City</td>
<td>15.3%</td>
</tr>
</tbody>
</table>

Source: Census ACS 2013.
Talent Matters; However Grand Rapids and Fort Wayne Are Clear Outliers

Bachelor's Degree or Higher, Age 25–34

Source: Census ACS 2013.
Housing Prices Are Picking up in Grand Rapids, Unlike in Fort Wayne

Housing Price Index (1995=100)

Source: FHFA.
Maybe it Is Time to Compare Grand Rapids with Everyone

• Comparing employment growth from December 2007 to October 2014 (seasonally adjusted)
  – Out of nation’s 349 MSAs, the Grand Rapids MSA ranked
    • 22nd in absolute increase
    • 35th in percent increase
  – Of the top 40 (Blue in the following maps)
    • 14 are in Texas
    • Only 2 are in Indiana, Illinois, Michigan, Ohio, Pennsylvania, and Wisconsin
    • And I never heard of Columbus, Indiana

Source: BLS and U.S. Census.

Source: BLS and U.S. Census.

Source: BLS and U.S. Census.

Source: BLS and U.S. Census.
The Competitive Strength of the Grand Rapids Region Is in Its Export Base Industries

Source: REMI.

More than 40 percent of all workers in the area’s export industries received post-secondary training.
On to Our Forecast...

Wait, what about last year’s forecast?
Review of Last Year’s Forecast:

*We Nailed Government for the Second Year in a Row*

<table>
<thead>
<tr>
<th>Percent change in employment</th>
<th>Current estimate</th>
<th>Forecasted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Goods producing</td>
<td>5.8%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Service providing</td>
<td>3.4%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Government</td>
<td></td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

Source: Upjohn Institute and BLS.
Brian Long’s PMI Indicates a Stable Trend in Business Activity

West Michigan Area
Purchasing Managers Index

Purchasing Managers Index
12-month moving average

2009 2010 2011 2012 2013 2014
Michael Dunlap’s MADA Index Shows Stable to Improving Conditions in Office Furniture

On December 2, BIFMA released the new IHS Global Insight industry forecast which calls for the industry production to increase by 4.0 percent in 2015, up from 3.7 percent in 2014.

Source: MADA and BLS.
Grand Rapids MSA
2015–2016 Preliminary Forecast

Annual Percent Change in Employment

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>3.8%</td>
<td>5.8%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Goods producing</td>
<td>3.2%</td>
<td>4.8%</td>
<td>2.8%</td>
</tr>
<tr>
<td>Service providing</td>
<td>3.4%</td>
<td>3.2%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Government</td>
<td>-0.3%</td>
<td>-0.2%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

Source: Upjohn Institute.
So What Keeps Me up at Night?

• The global economy – *The U.S. is the only game on the planet. Can we do it alone?*

• Lack of improvement in income equality.
  – Polls suggest that households are more pessimistic not only about their economic future, but for their kids, as well.
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