Outlook for Economic Conditions in West Michigan and Barry County

Thoughts at the Barry County Economic Summit

Jim Robey, PhD
W.E. Upjohn Institute for Employment Research
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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.

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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.

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</thead>
<tbody>
<tr>
<td>Contraction</td>
<td>8</td>
<td>11</td>
<td>10</td>
<td>8</td>
<td>10</td>
<td>11</td>
<td>16</td>
<td>6</td>
<td>16</td>
<td>8</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td>Expansion</td>
<td>37</td>
<td>45</td>
<td>39</td>
<td>24</td>
<td>106</td>
<td>36</td>
<td>58</td>
<td>12</td>
<td>92</td>
<td>120</td>
<td>73</td>
<td>124</td>
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<tr>
<td>Business Cycle</td>
<td>45</td>
<td>56</td>
<td>49</td>
<td>32</td>
<td>116</td>
<td>47</td>
<td>92</td>
<td>18</td>
<td>108</td>
<td>128</td>
<td>81</td>
<td>142</td>
</tr>
</tbody>
</table>

Source: National Bureau of Economic Research
GDP growth is projected to remain solid, although employment growth is slowing.

### University of Michigan RSQE national forecast

<table>
<thead>
<tr>
<th></th>
<th>2019 (Forecast)</th>
<th>2020 (Forecast)</th>
<th>2021 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP</td>
<td>2.3%</td>
<td>1.7%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Employment</td>
<td>1.5%</td>
<td>1.1%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Light Vehicle Sales (Millions)</td>
<td>17</td>
<td>16.9</td>
<td>16.6</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>3.7%</td>
<td>3.6%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Housing Starts (Millions)</td>
<td>1.23</td>
<td>1.24</td>
<td>1.24</td>
</tr>
<tr>
<td>CPI/Inflation</td>
<td>1.7%</td>
<td>1.9%</td>
<td>1.9%</td>
</tr>
</tbody>
</table>
The stock market has reacted to various events this year, and the ride is getting bumpier.

Dow Jones Industrial Average

- 08/01 Fed announces first round of rate cuts
- 08/18 Fed announces second round of rate cuts
- 09/01 Tariffs on Chinese goods go into effect
- 09/24 Impeachment inquiry announced
- 08/23 China announces increased tariffs on U.S. imports
- 06/01 China increases tariffs on US goods
- 05/03 Unemployment rate falls to lowest level in 50 years
- 04/05 Strong jobs numbers released
- 01/25 Government shutdown ends
- 04/05 Strong jobs numbers released
- 09/24 Impeachment inquiry announced
- 10/11 Delay of Chinese tariff hike

Source: Yahoo Finance & Bureau of Labor Statistics
Inflation and interest rates have increased in the past 2 years

Source: Bureau of Labor Statistics and New York Federal Reserve
High consumer confidence (↑@125.9) and slower debt growth

Source: Bureau of Labor Statistics and New York Federal Reserve
Moody’s predictions of a recession are relatively low and volatile: September 11%
PMI stood at 48.3 in October, indicating the manufacturing sector may be contracting

Source: Institute for Supply Management
Despite waning confidence, the manufacturing sector grew last year

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

Source: Bureau of Economic Analysis
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.”
Michigan
## University of Michigan RSQE statewide forecast

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>2019 (Forecast)</th>
<th>2020 (Forecast)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment</td>
<td>50,000</td>
<td>22,500</td>
<td>20,400</td>
</tr>
<tr>
<td>Manufacturing Employment (Workers)</td>
<td>13,400</td>
<td>2,800</td>
<td>-100</td>
</tr>
<tr>
<td>Unemployment Rate</td>
<td>4.4%</td>
<td>4.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Labor Force Participation Rate</td>
<td>61.4%</td>
<td>61.9%</td>
<td>61.5%</td>
</tr>
</tbody>
</table>
Light vehicle sales have been steady

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

Source: Bureau of Economic Analysis
Regional Conditions: Barry County
Employment growth has slowed in 2019

Source: BLS Quarterly Census of Employment and Wages
Non-durable Manufacturing is forecast to decline in employment and increase in gross domestic product.

2019–2024 Projection

-25% -20% -15% -10% -5% 0% 5% 10% 15%

Employment Change

-20% -15% -10% -5% 0% 5% 10% 15%

Gross Product Change

Source: Moody’s Analytics & Upjohn Institute
Durable Manufacturing is forecast to increase in gross domestic product and lose employment

**2019–2024 Projection**

Source: Moody’s Analytics & Upjohn Institute
Technology and services are expected to increase in both employment and gross domestic product

[Diagram showing employment and gross product change for various industries from 2019 to 2024 projection.]

Source: Moody's Analytics & Upjohn Institute
Manufacturing employment growth continues to trend positively...

Source: BLS Quarterly Census of Employment and Wages
...unlike service employment growth

Service Employment Index

Index (Dec 2007 = 100)

Source: BLS Quarterly Census of Employment and Wages
Wages have been growing at a pace similar to the nation but at lower levels.

**Average Weekly Wage ($ All Occupations**

Source: BLS Quarterly Census of Employment and Wages
Unemployment rates are between 3% and 5% for most counties in West Michigan

Michigan’s rate was 4.3%

Barry County was 3.3%

Source: Bureau of Labor Statistics, U.S. Census Bureau
Labor force participation rates are more varied

Michigan’s rate was 61.9%

Barry County was 64.2%

Source: Bureau of Labor Statistics, U.S. Census Bureau
Housing values continue to rise, but the pace continues to decelerate nationally.
Local housing prices have been rising for the last few years.

Source: Federal Housing Finance Administration
Out-migration from Barry County MSA: 2013 to 2019
In-migration to Barry County: 2013 to 2019
Net Migration to Barry County: 2013 to 2019

Barry County Net Migration
# of Persons Per County (2013 to 2019); Total
- <5
- 5 to 5
- >5

Barry County
Primary Roads

Source: Infutor and The Upjohn Institute
Out-migration to Barry County: 2013 to 2019

Emerging workers aged 25 to 34
In-migration to Barry County: 2013 to 2019

Emerging workers aged 25 to 34
Net Migration to Barry County: 2013 to 2019

Emerging workers aged 25 to 34
Out-migration to Barry County: 2013 to 2019

Prime-aged workers, 35 to 54
In-migration to Barry County: 2013 to 2019

Prime-aged workers, 35 to 54

Source: Infutor and The Upjohn Institute
Net Migration to Barry County: 2013 to 2019

Prime-aged workers, 35 to 54
Out-migration to Barry County: 2013 to 2019

Post-prime-aged workers, 55 and older
In-migration to Barry County: 2013 to 2019

Post-prime-aged workers, 55 and older

Migration to Barry County
# of Persons Per MSA (2013 to 2019); Ages 55 plus
- ≤5
- >5
- Barry County
- Primary Roads
Net Migration to Barry County: 2013 to 2019

Post-prime-aged workers, 55 and older
Are homeowners paying too much for housing?

Percent of Owners Paying 35% or More

<table>
<thead>
<tr>
<th>Location</th>
<th>Percent of Homeowners (%)</th>
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<tbody>
<tr>
<td>Ottawa</td>
<td>13.6</td>
</tr>
<tr>
<td>Kent</td>
<td>14.6</td>
</tr>
<tr>
<td>Kalamazoo</td>
<td>16</td>
</tr>
<tr>
<td>Allegan</td>
<td>16.8</td>
</tr>
<tr>
<td>Barry</td>
<td>17.5</td>
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<tr>
<td>Muskegon</td>
<td>17.7</td>
</tr>
<tr>
<td>Calhoun</td>
<td>18.6</td>
</tr>
<tr>
<td>Van Buren</td>
<td>19.3</td>
</tr>
<tr>
<td>Michigan</td>
<td>18.8</td>
</tr>
<tr>
<td>United States</td>
<td>22.3</td>
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Renters are in worse shape

Percent of Renters Paying 35% or More

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<thead>
<tr>
<th>Location</th>
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<tr>
<td>Allegan</td>
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</tr>
<tr>
<td>Barry</td>
<td>36.1</td>
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<tr>
<td>Calhoun</td>
<td>36.6</td>
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<td>Kalamazoo</td>
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<td>Muskegon</td>
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</tr>
<tr>
<td>Ottawa</td>
<td>42.8</td>
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<tr>
<td>Van Buren</td>
<td>46.1</td>
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<tr>
<td>Michigan</td>
<td>41.8</td>
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<tr>
<td>United States</td>
<td>41.5</td>
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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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