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

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W.E. Upjohn Institute for Employment Research

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National Economic Outlook
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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<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>
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<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>127</td>
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| Business     | 45        | 56        | 49        | 32        | 116       | 47        | 92        | 18        | 108       | 128       | 81       | 142   | Cycle
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.
## University of Michigan RSQE national forecast

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

Federal Deficit and Debt

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

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

Source: Bureau of Economic Analysis
Class 8 Truck orders declined significantly in 2019

Class 8 Truck Orders (in thousands)
Regional Conditions:
Northwest Ohio
Interesting tool: Georgia State University

- [https://frc.gsu.edu/georgias-rankings-among-the-states-data-viz/#1548267161264-a3f8a752-0bc2](https://frc.gsu.edu/georgias-rankings-among-the-states-data-viz/#1548267161264-a3f8a752-0bc2)

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

Source: BLS Quarterly Census of Employment and Wages
Manufacturing employment has been steady
...as has service employment growth
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

2020–2025 Projection

Employment Change vs. Gross Product Change

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%
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