2020 Economic Outlook?

Thoughts and Observations

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W.E. Upjohn Institute for Employment Research

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We are at the end of the longest economic expansion since WWII.

We’re at the end of 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>
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<td>Expansion</td>
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<td>Business Cycle</td>
<td>45</td>
<td>56</td>
<td>49</td>
<td>32</td>
<td>116</td>
<td>47</td>
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<td>18</td>
<td>108</td>
<td>128</td>
<td>81</td>
<td>146</td>
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Source: National Bureau of Economic Research
Moody’s predictions of a recession are nearly universal: 97% in April

Likelihood of Being in a Recession in the Next 6 Months

Source: Moody’s Analytics
GDP growth was initially projected to remain solid, although employment growth is slowing, with the forecast pre-COVID.
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
- **09/18**: Fed announces second round of rate cuts
- **08/23**: China announces increased tariffs on U.S. imports
- **10/11**: Delay of Chinese tariff hike
- **12/12**: Phase 01 Trade Deal with China signed
- **01/29**: USMCA signed into law
- **03/13**: Coronavirus declared national health emergency
- **03/27**: CARES Act signed into law
- **05/27**: Coronavirus deaths surpass 100,000
- **07/07**: Coronavirus cases surpass 3 million

**Source:** Yahoo Finance; Bureau of Labor Statistics
Consumer confidence is rebounding slightly

Source: Conference Board and University of Michigan
University of Michigan RSQE interim national forecast: Note these estimates are annualized

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<thead>
<tr>
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<th>2019</th>
<th>2020 (Forecast)</th>
<th>2021 (Forecast)</th>
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<tbody>
<tr>
<td>GDP</td>
<td>2.3%</td>
<td>-2.9%</td>
<td>3.7%</td>
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<tr>
<td>Employment</td>
<td>1.3%</td>
<td>-8.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Light Vehicle Sales (Millions)</td>
<td>16.9</td>
<td>13.3</td>
<td>15.2</td>
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<tr>
<td>Unemployment Rate</td>
<td>3.7%</td>
<td>10.5%</td>
<td>7.8%</td>
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<tr>
<td>Housing Starts (Millions)</td>
<td>1.30</td>
<td>1.01</td>
<td>1.09</td>
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<tr>
<td>CPI/Inflation</td>
<td>1.8%</td>
<td>0.4%</td>
<td>1.64%</td>
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Light vehicle sales have dropped; will work from home change consumption patterns?

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

16.8 (2000 to 2007 Average)

16.7 (2013 to 2020 Average)

Source: Moody’s Analytics
In April 2020, Class 8 Truck orders reached their lowest level in 25 Years

Class 8 Truck Orders

Source: ACT Research
Declining number of UI filings since week ending March 28th

Weekly initial claim filings for unemployment insurance are slowing, but remain at historically high levels

Source: Unemployment Insurance Weekly Claims Data, U.S. Department of Labor & Upjohn Institute
Methodology
Methodology

- Upjohn uses a REMI model (www.REMI.com)
  - To estimate economic impacts from projects and events
  - Forecast regional changes in trends, including for The Right Place
- 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
National Economy REMI Forecasts
Total Projected Employment in United States

Year

Total Employment (thousands)

- March 2020 (2.4.3)
- April 2020 (2.4.3)
- May 2020 (2.4.3)
Total Projected Value-Added in United States

Year

Total Value-Added (billions of current $)

March 2020 (2.4.3)  April 2020 (2.4.3)  May 2020 (2.4.3)
Total Projected Output per Worker in United States

Total Output per Worker (thousands of current $)

Year

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035

March 2020 (2.4.3) April 2020 (2.4.3) May 2020 (2.4.3)
First Energy Region Economy REMI Forecasts
Total Projected Value-Added in First Energy Region

Year

Total Value-Added (billions of current $)

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035

March 2020 (2.4.3)  April 2020 (2.4.3)  May 2020 (2.4.3)
Total Projected Output per Worker in First Energy Region

Year

Total Output per Worker (thousands of current $)

2019 2020 2021 2022 2023 2024 2025 2026 2027 2028 2029 2030 2031 2032 2033 2034 2035

- March 2020 (2.4.3)
- April 2020 (2.4.3)
- May 2020 (2.4.3)
Moving Forward
Considerations for the Future of the Economy

• The shape of the recovery curve?
• Supply versus demand?
  • SME’s
  • WARN data
• What will be the impact of a second wave?
• Is re-shoring real?
  • Supply chain issues
• How will technology impact employment?
• Will people go back to work?
  • Until the end of July the additional $600 UI benefit
  • Fear of illness
  • Barriers, notably childcare, in returning
Questions?

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