

2020 Economic Outlook?

Thoughts and Observations

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

July 14, 2020

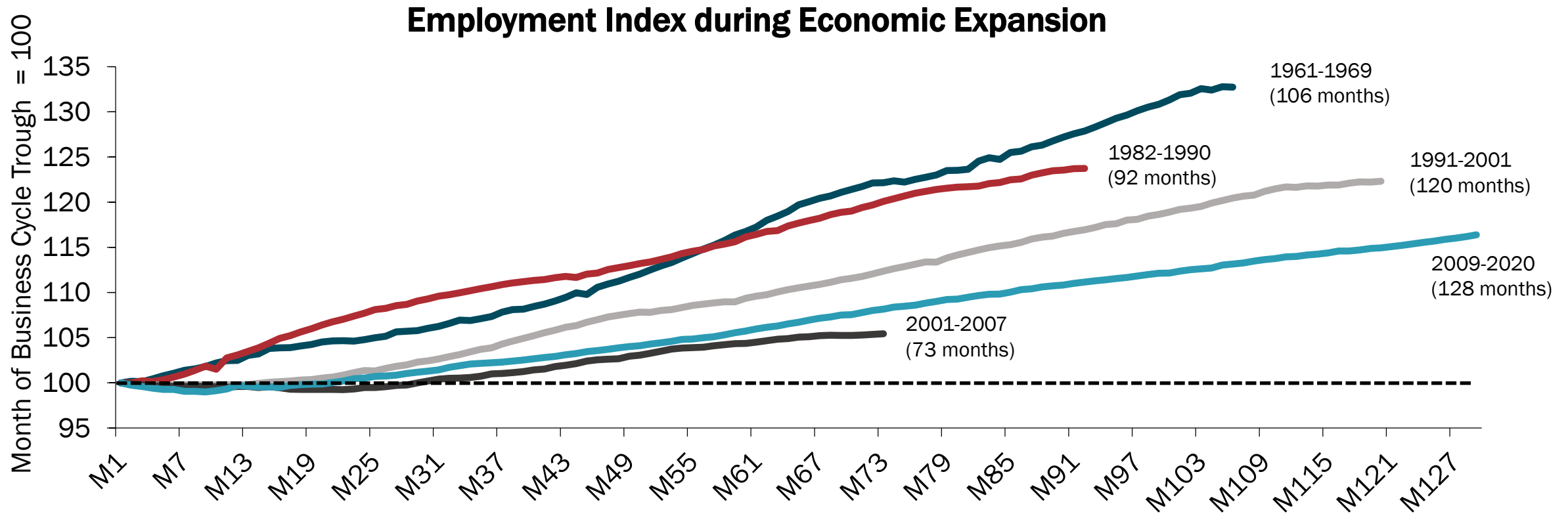
W.E. Upjohn Institute for Employment Research

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.

MISSION:

The W.E. Upjohn Institute for Employment Research is a private, nonprofit, nonpartisan, independent research organization devoted to investigating the causes and effects of unemployment, to identifying feasible methods of insuring against unemployment, and to devising ways and means of alleviating the distress and hardship caused by unemployment.

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



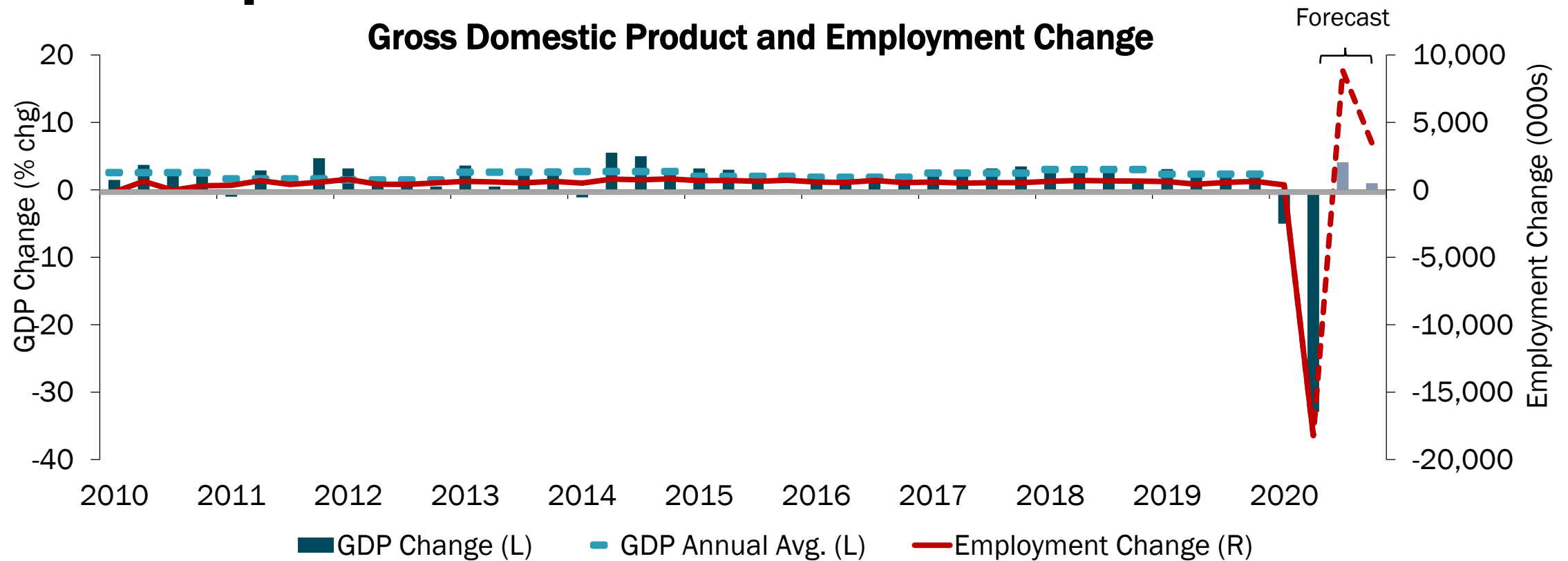
We're at the end of the longest business cycle (contraction and expansion) and the longest expansion, while experiencing the longest recession since measurement began

Length of:	1945-1948	1949-1953	1954-1957	1958-1960	1961-1969	1970-1973	1975-1980	1980-1981	1982-1990	1991-2001	2002-2007	2007-2020	2020-?
Contraction	8	11	10	8	10	11	16	6	16	8	8	18	?
Expansion	37	45	39	24	106	36	58	12	92	120	73	128	
Business Cycle	45	56	49	32	116	47	74	18	108	128	81	146	

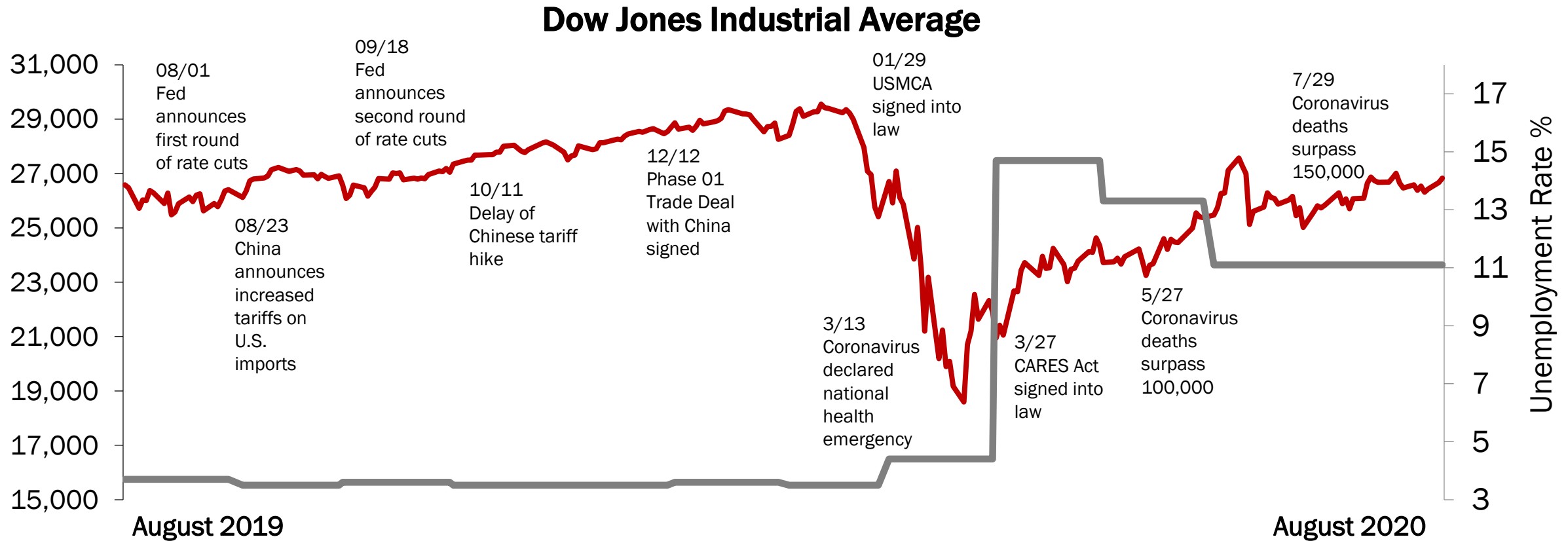
Moody's predictions of a recession are receding: 77% in May



GDP growth was initially projected to remain solid, although employment growth is slowing, with the forecast pre-COVID-19

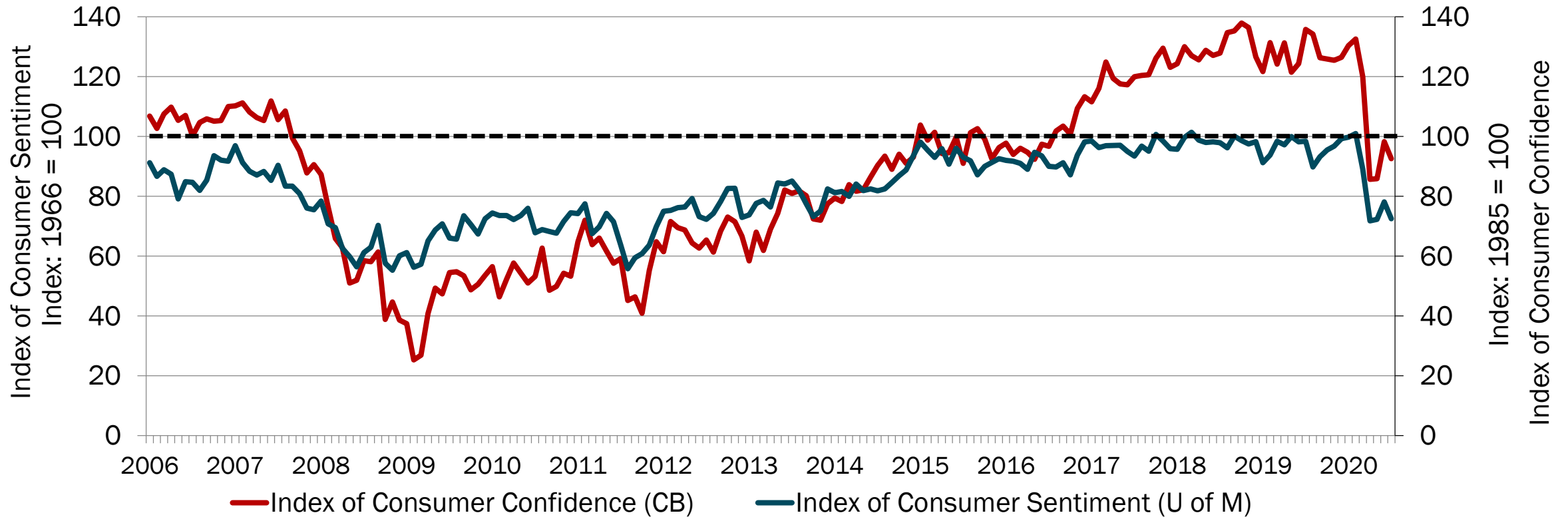


The stock market has reacted to various events this year, and the recent ride has been surprisingly good



Consumer confidence has rebounded slightly

Consumer Confidence

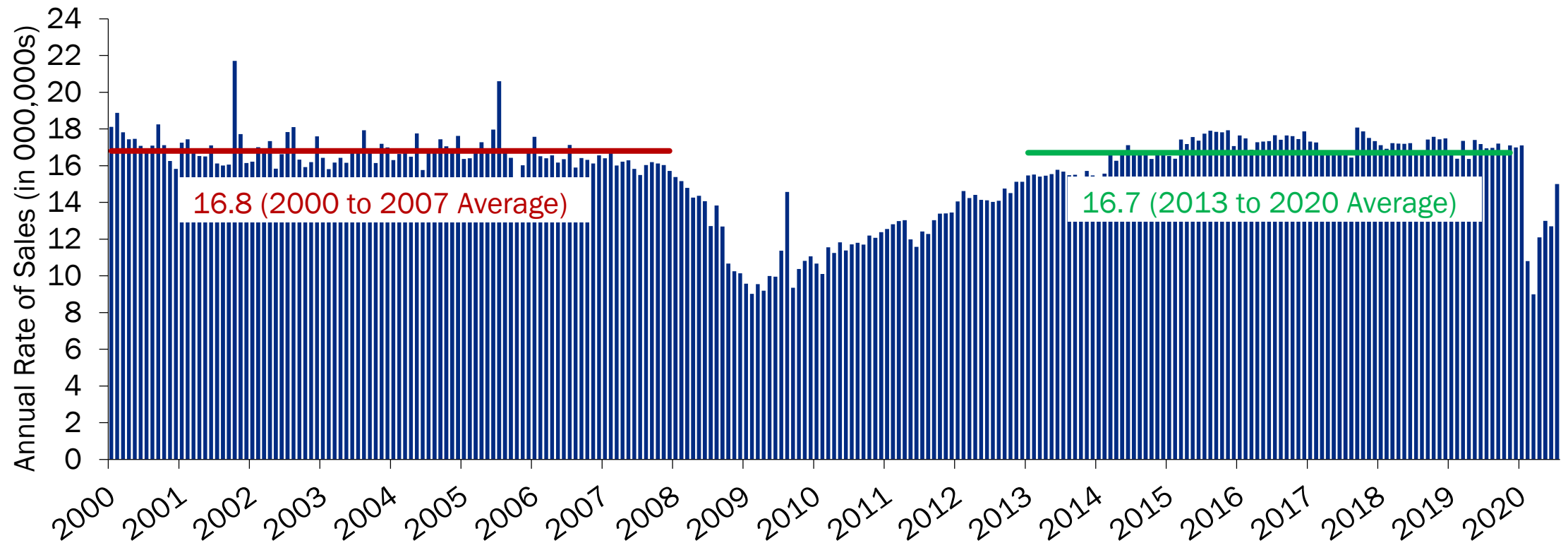


University of Michigan RSQE interim national forecast: Note these estimates are annualized

	2019	2020 (Forecast)	2021 (Forecast)
GDP	2.3%	-2.9%	3.7%
Employment	1.3%	-8.5%	3.0%
Light Vehicle Sales (Millions)	16.9	13.3	15.2
Unemployment Rate	3.7%	10.5%	7.8%
Housing Starts (Millions)	1.30	1.01	1.09
CPI/Inflation	1.8%	0.4%	1.64%

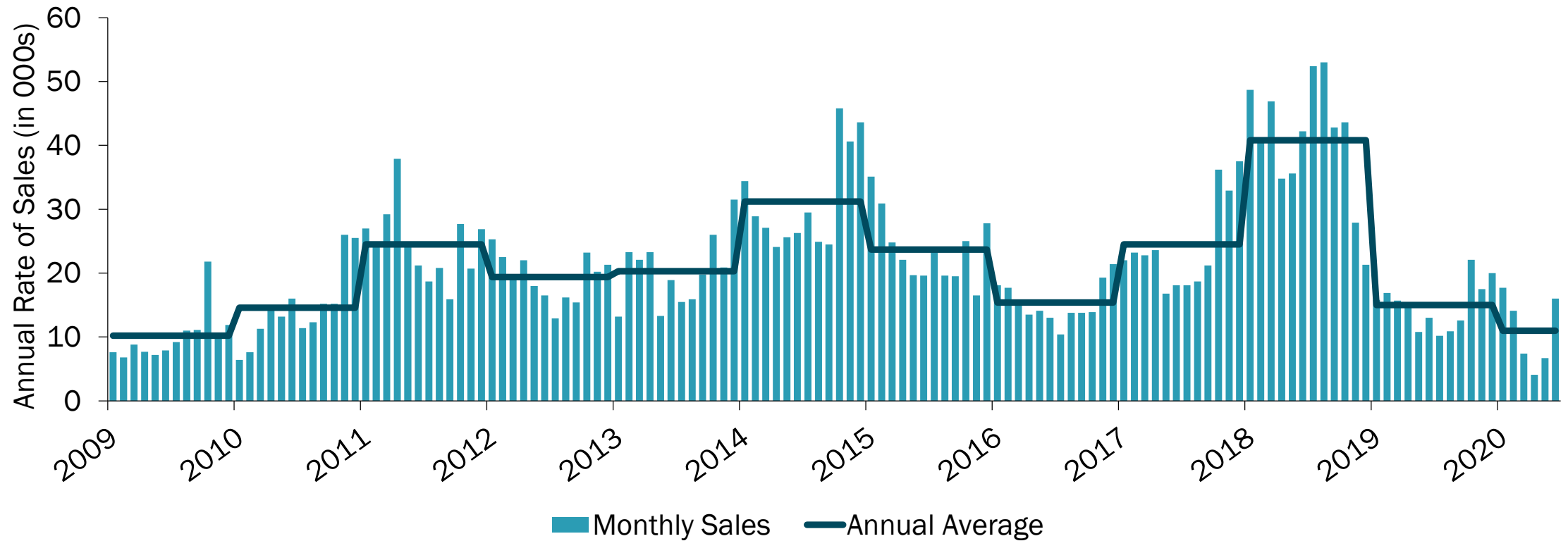
Light vehicle sales are starting to drop; will work from home change consumption patterns?

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



Class 8 Truck Orders rebounded in June 2020 from their lowest level in 25 years in April 2020.

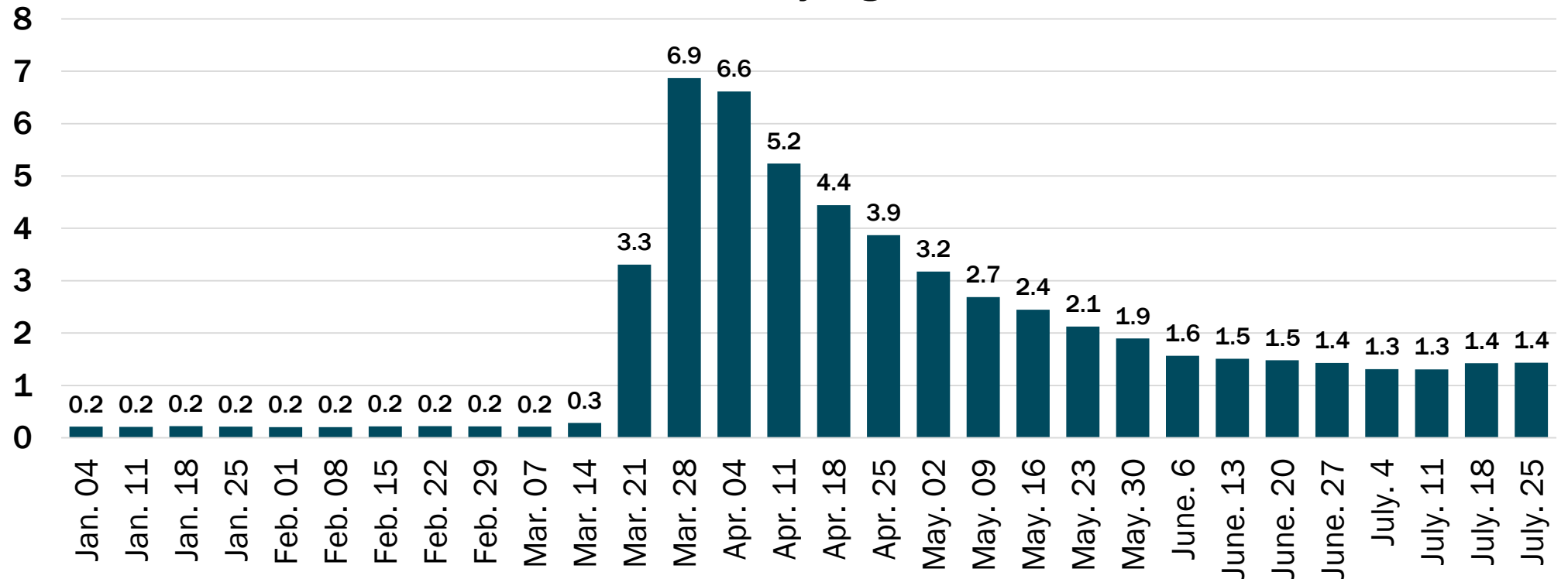
Class 8 Truck Orders



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

Number of Claims in millions (seasonally adjusted)



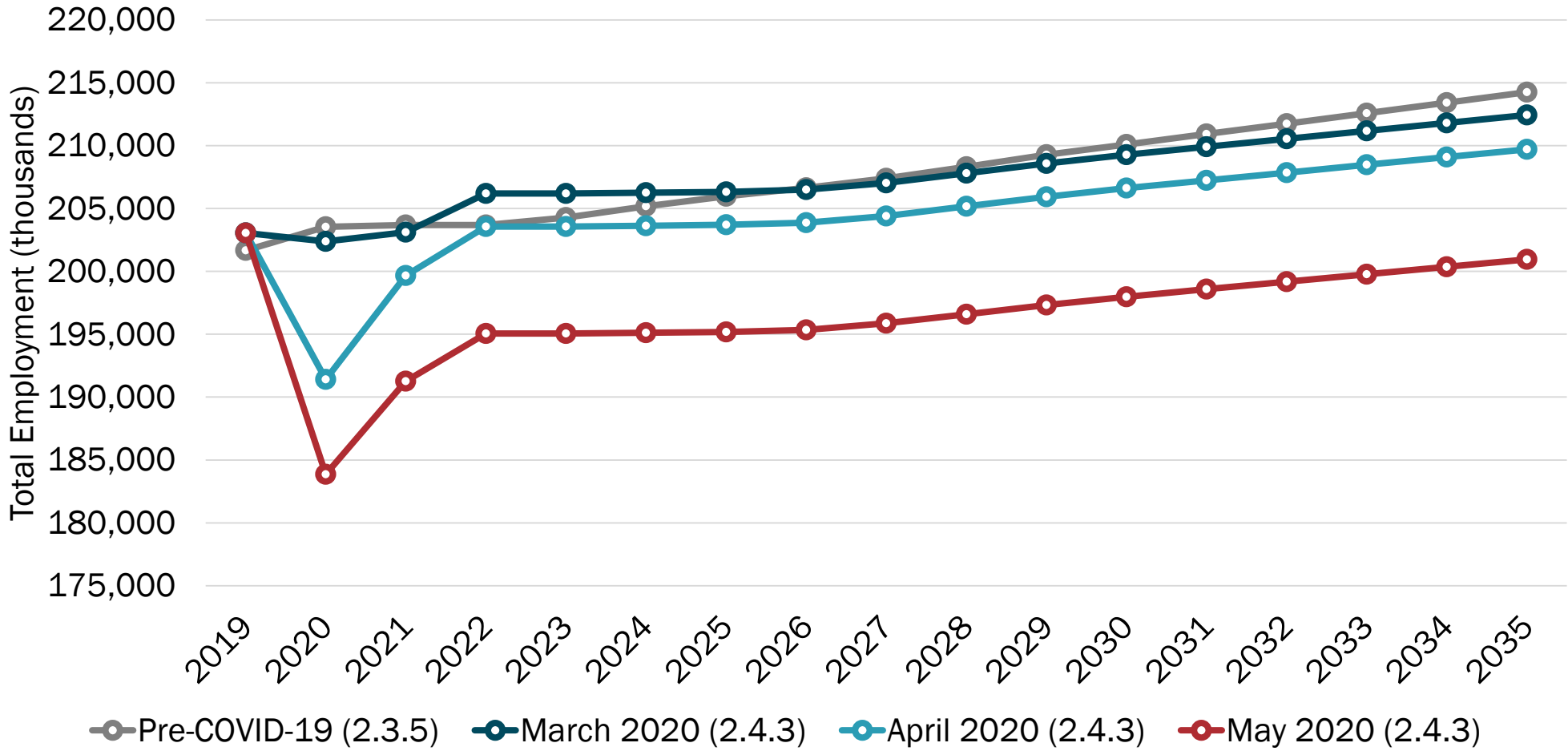
Forecast Methodology

Methodology

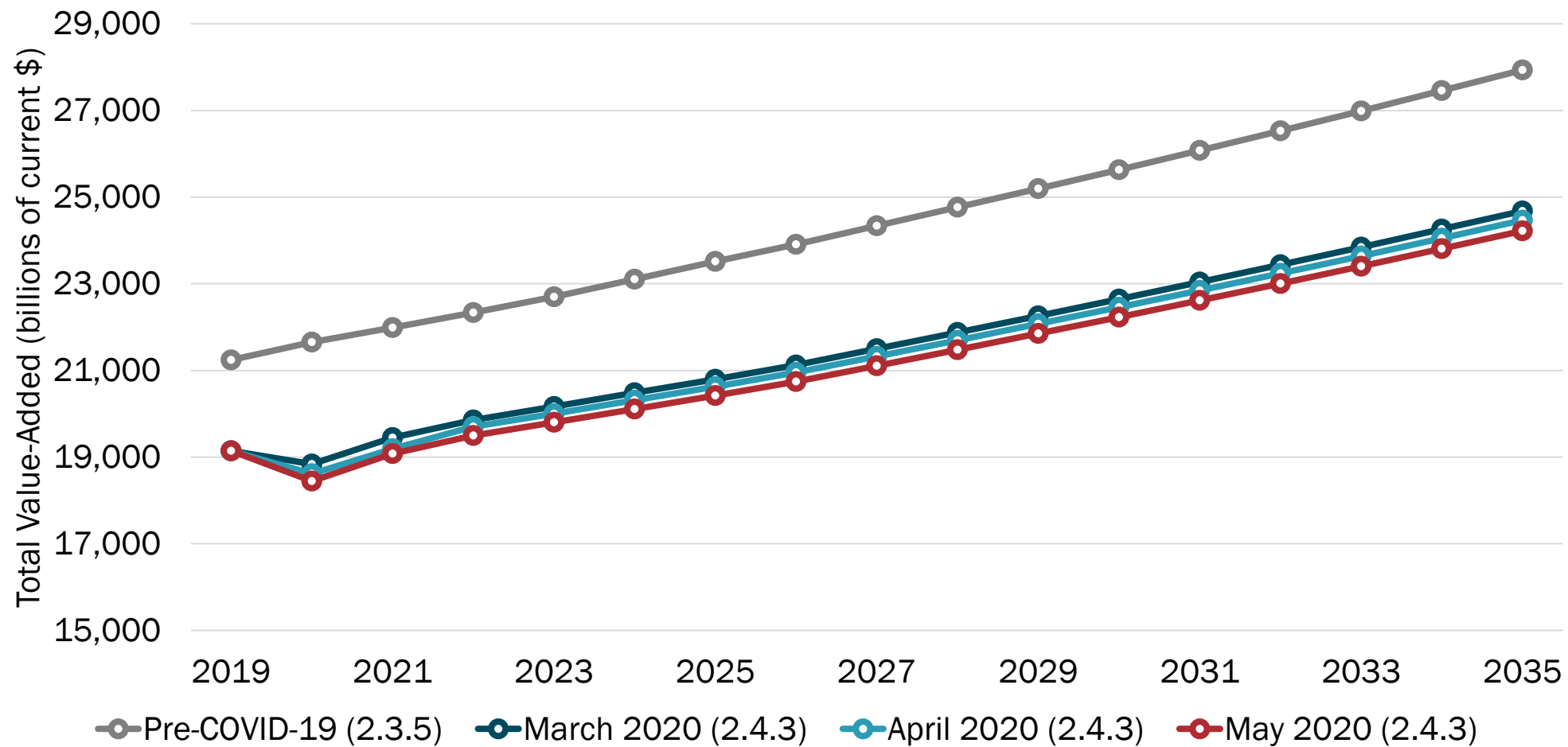
- Upjohn uses a REMI model (www.REMI.com)
 - To estimate economic impacts from projects and events
 - Forecast national and regional changes in trends
- As new forecasts were produced the latest REMI model was updated
 - National forecast is updated
 - Regional forecasts are updated
 - Forecasts come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

National Economy: REMI Forecasts

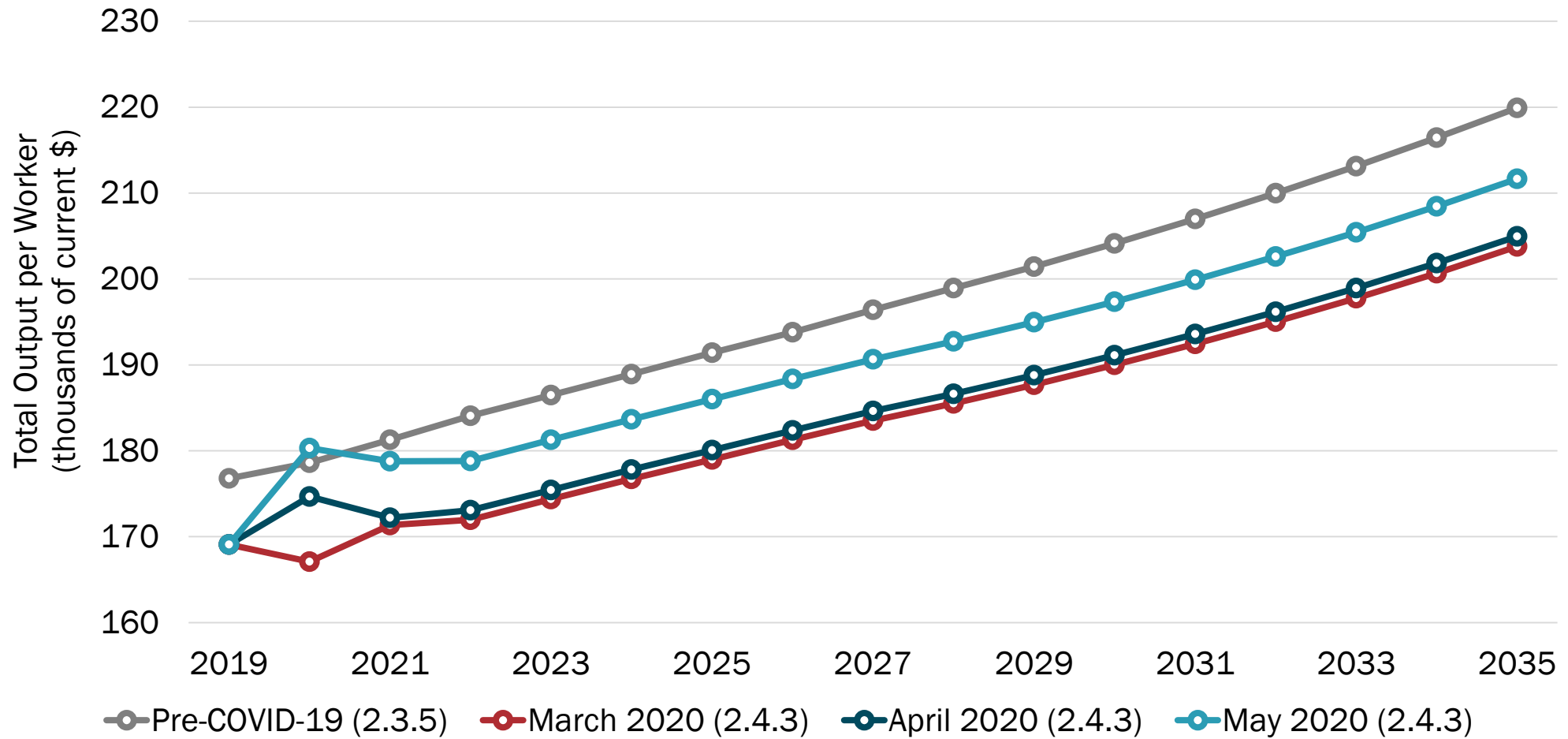
Total Projected Employment in United States



Total Projected Value-Added in United States



Total Projected Output per Worker in United States

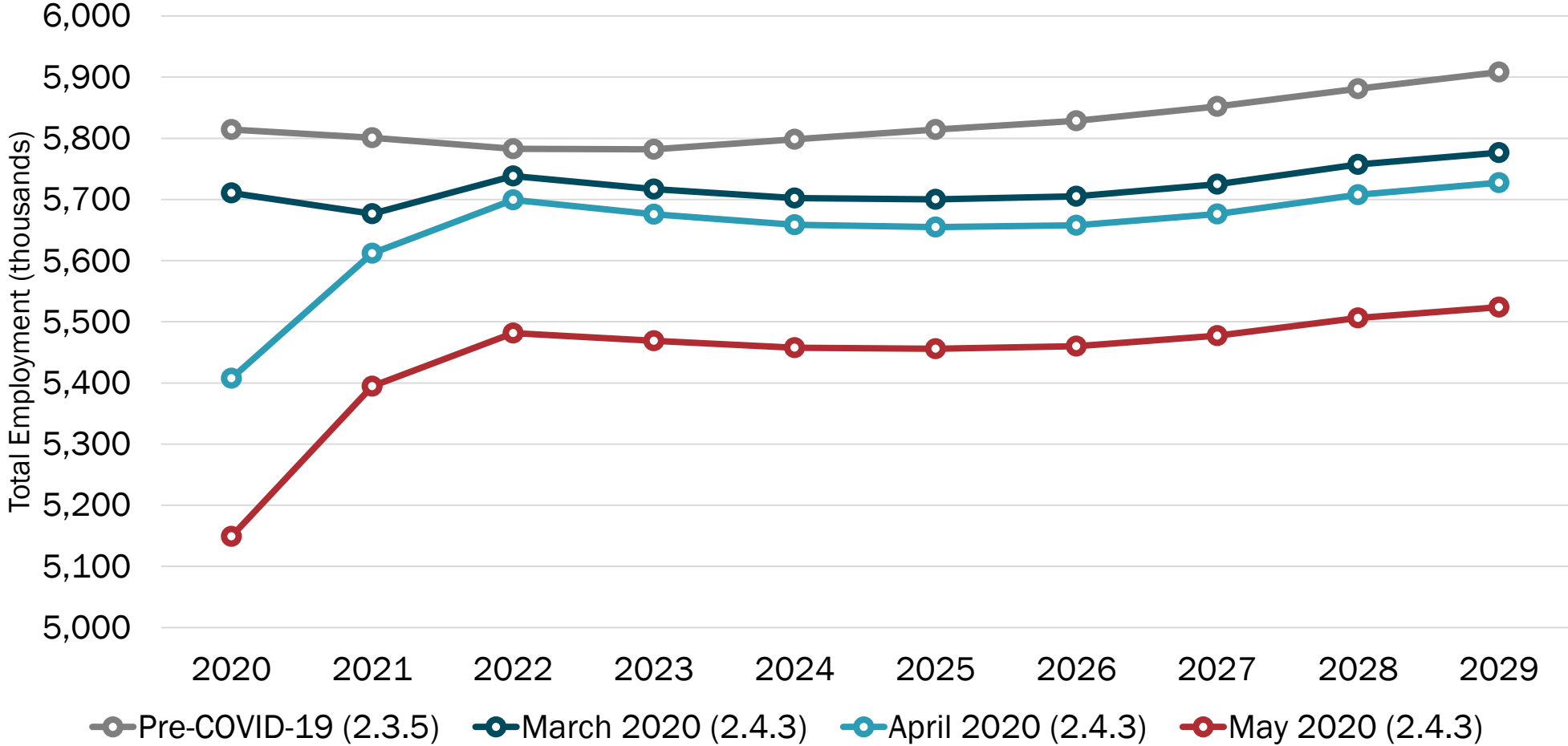


Michigan Economy: REMI Forecasts

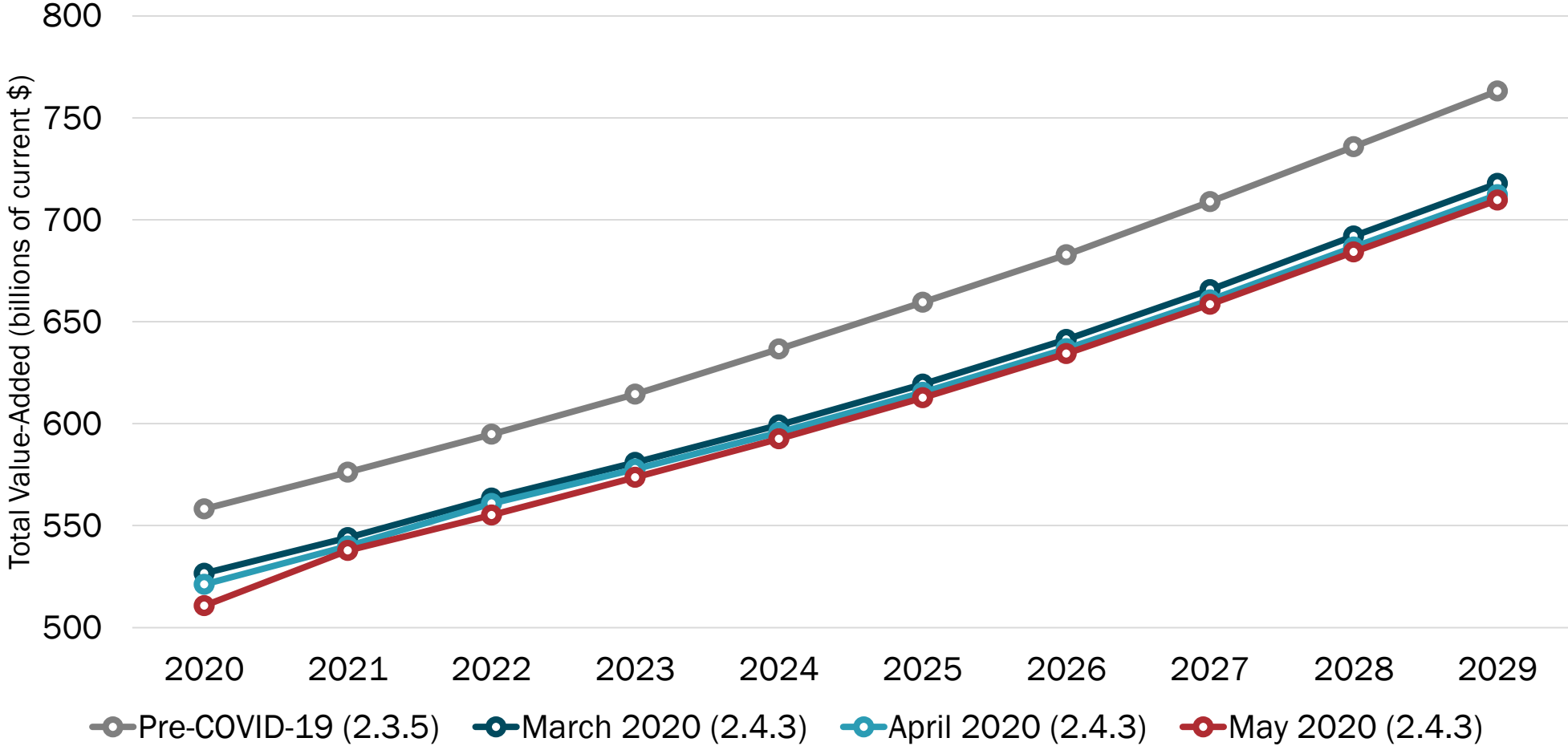
Michigan

- Summary: Pre-COVID-19
 - Jobs: 5.71 million jobs
 - Output: \$1031.87 billion
 - GSP: \$526.84 billion
 - Personal income: \$503.31 billion
- Projected annualized loss of almost 665k (11.4%) positions
- Location Quotients
 - Manufacturing (all): 1.7
 - Furniture: 1.9
 - Motor Vehicles: 6.4
 - Machinery MFG: 2.4
 - Fabricated Metals: 1.9

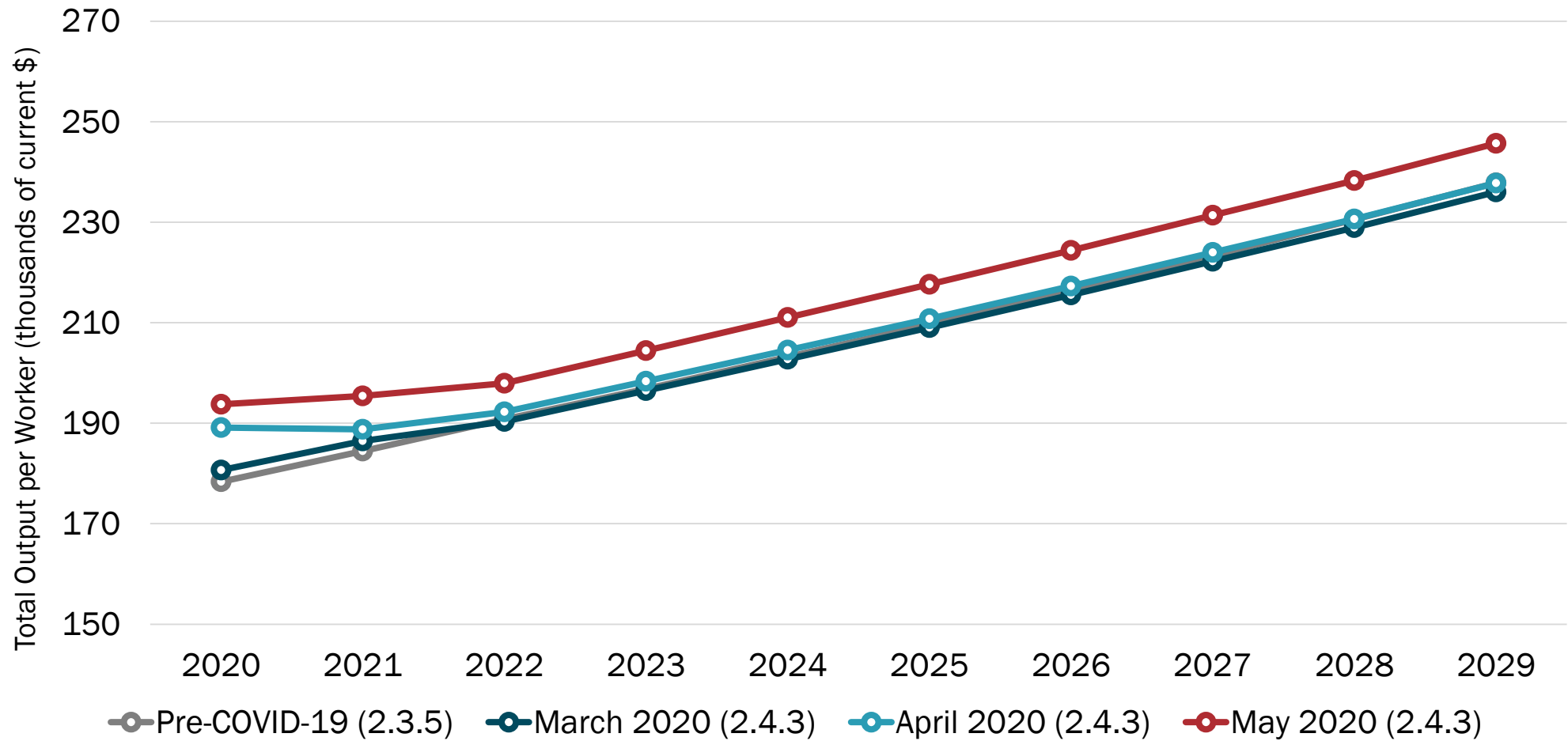
Total Projected Employment in Michigan



Total Projected Value-Added in Michigan



Total Projected Output per Worker in Michigan

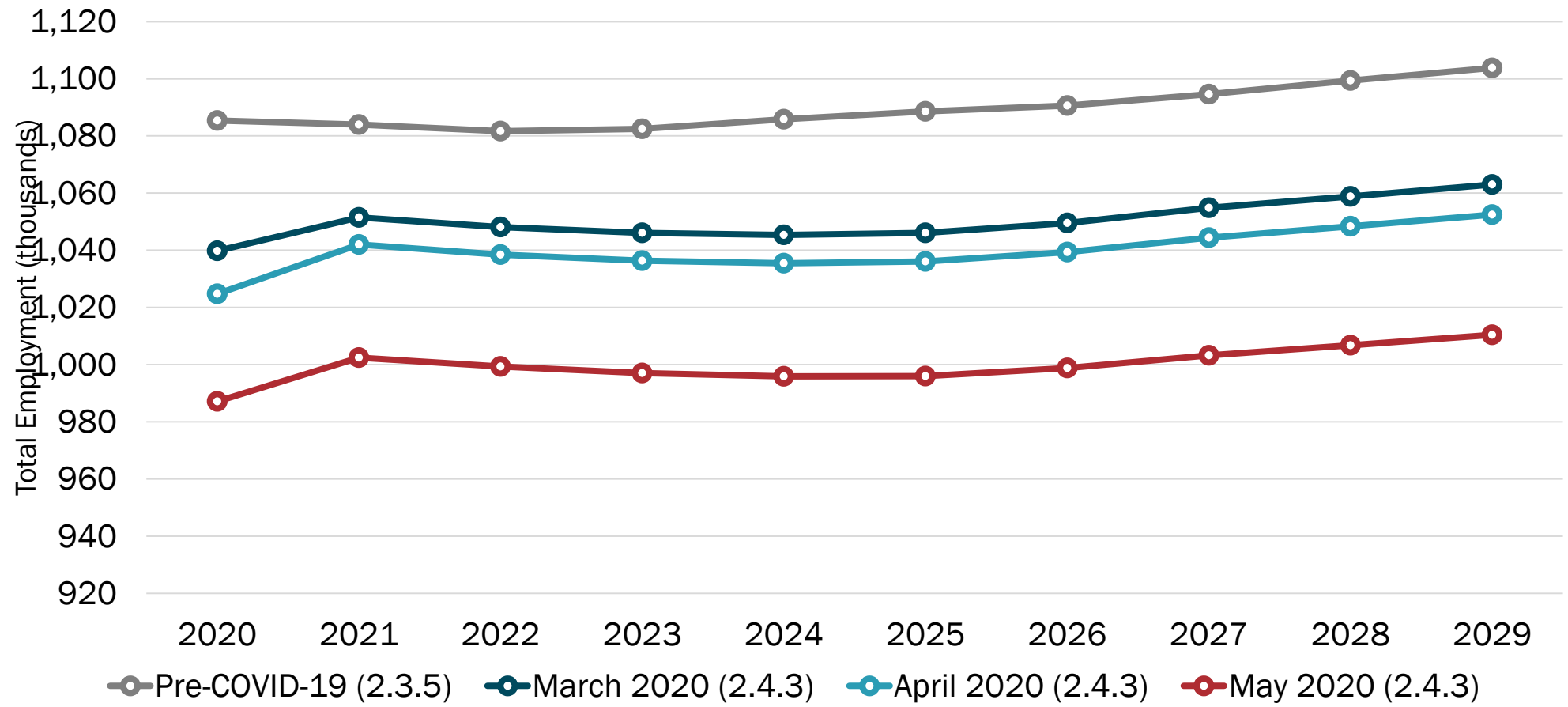


West Michigan Economy: REMI Forecasts

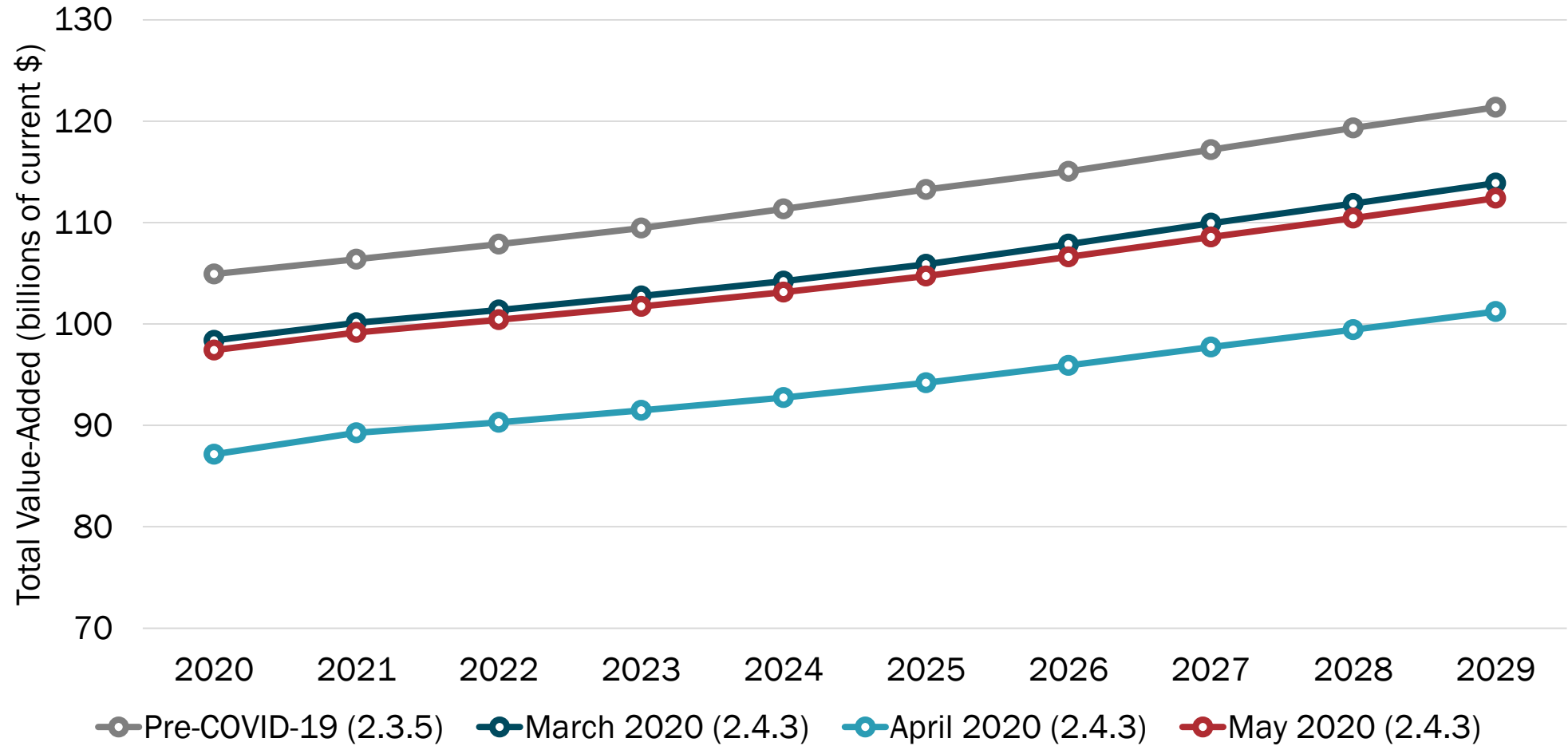
West Michigan

- Summary Pre-COVID-19
 - Jobs: 546K
 - Output: \$92 billion
 - GRP: \$46.2 billion
 - Personal Income: \$39.2 billion
- Projected annualized loss of more than 90k (15.8%) positions
- Location Quotients
 - Manufacturing: 2.46
 - Machinery MFG: 3.06
 - Motor Vehicles: 5.43
 - Furniture: 6.35
 - Plastics and Rubber MFG: 3.57

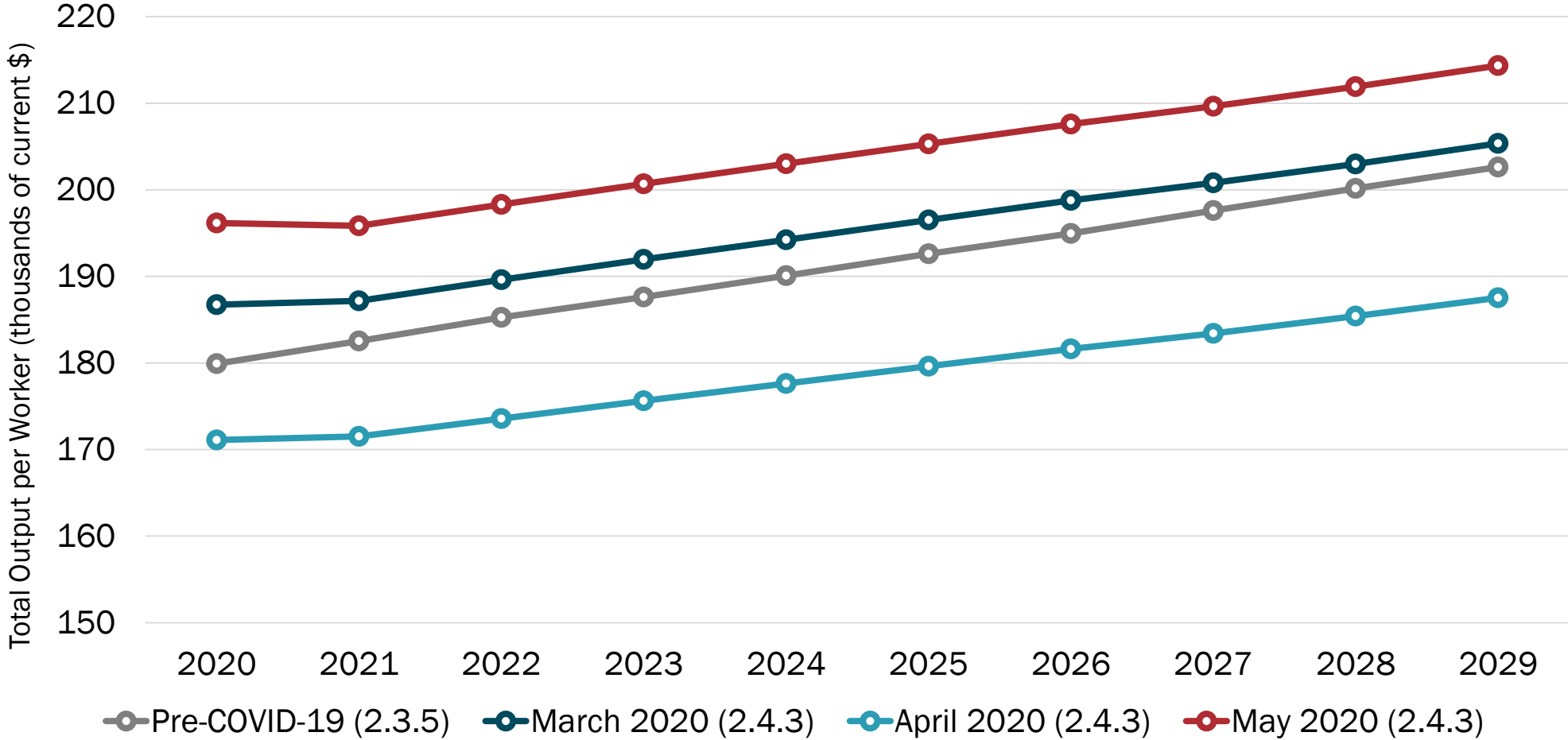
Total Projected Employment in West Michigan



Total Projected Value-Added in West Michigan



Total Projected Output per Worker in West Michigan



Moving Forward

Considerations for the Future of the Economy

- The shape of the recovery curve?
- Will temporary become permanent?
 - Trends in WARN data
- Supply versus demand?
 - SME's
- 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?
 - What will Congress do about expiration of the additional \$600 UI benefit
 - Fear of contracting COVID-19
 - Barriers, notably childcare and school openings, in returning

Questions?

- Jim Robey, PhD
 - Director, Regional and Economic Planning Services
 - Email: jrobey@upjohn.org
 - Phone: 269-343-5541