

2021 Economic Outlook?

A presentation to
EXPRESS EMPLOYMENT PROFESSIONALS

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W.E. Upjohn Institute for Employment Research

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W.E. Upjohn Institute for Employment Research

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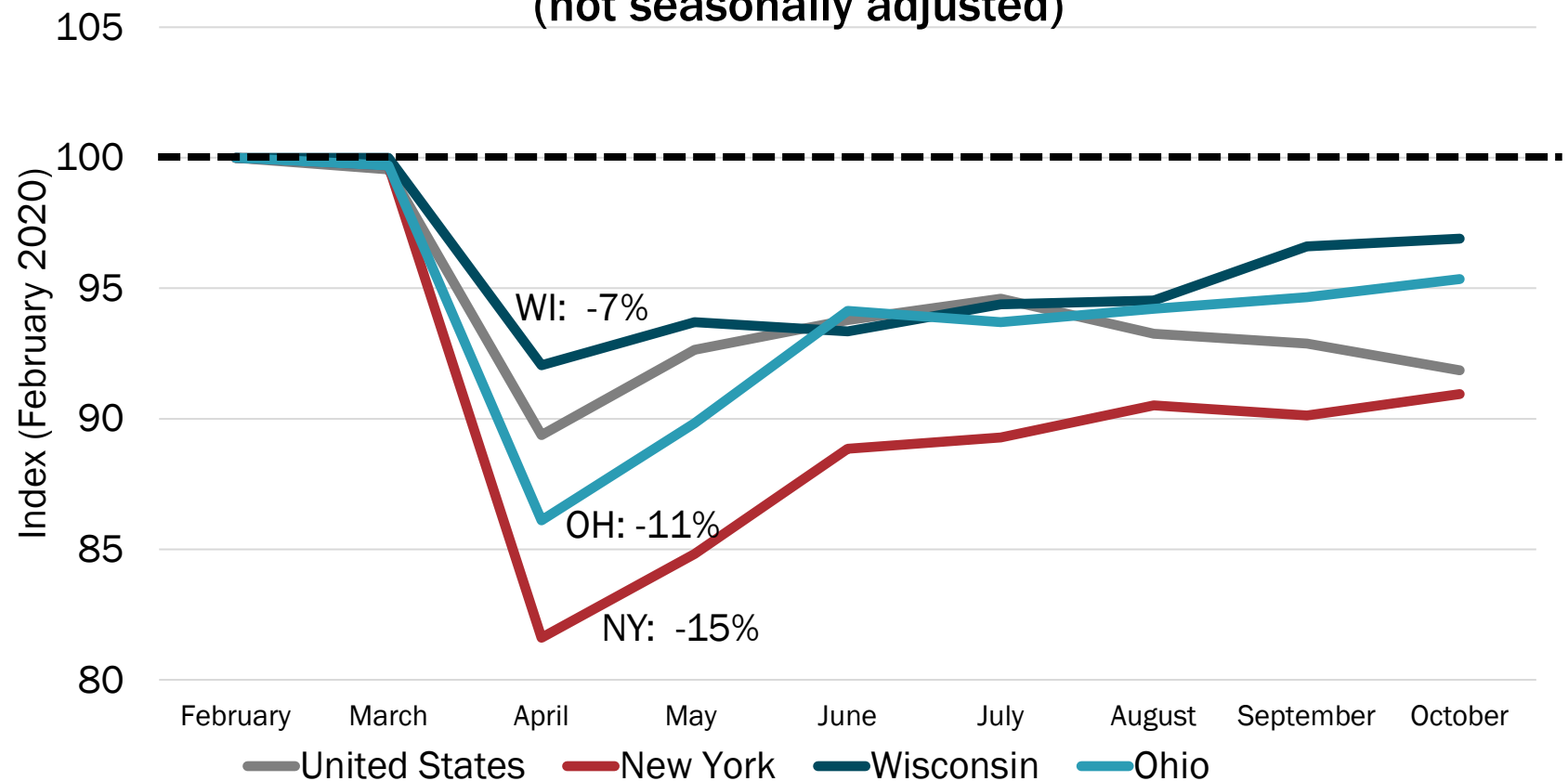
The COVID-19 pandemic has hit the economy similarly to the Spanish Flu of 1918

Manufacturing Employment during Spanish Flu Pandemic

Wisconsin: - 7%
Ohio: -11%
New York: -15%

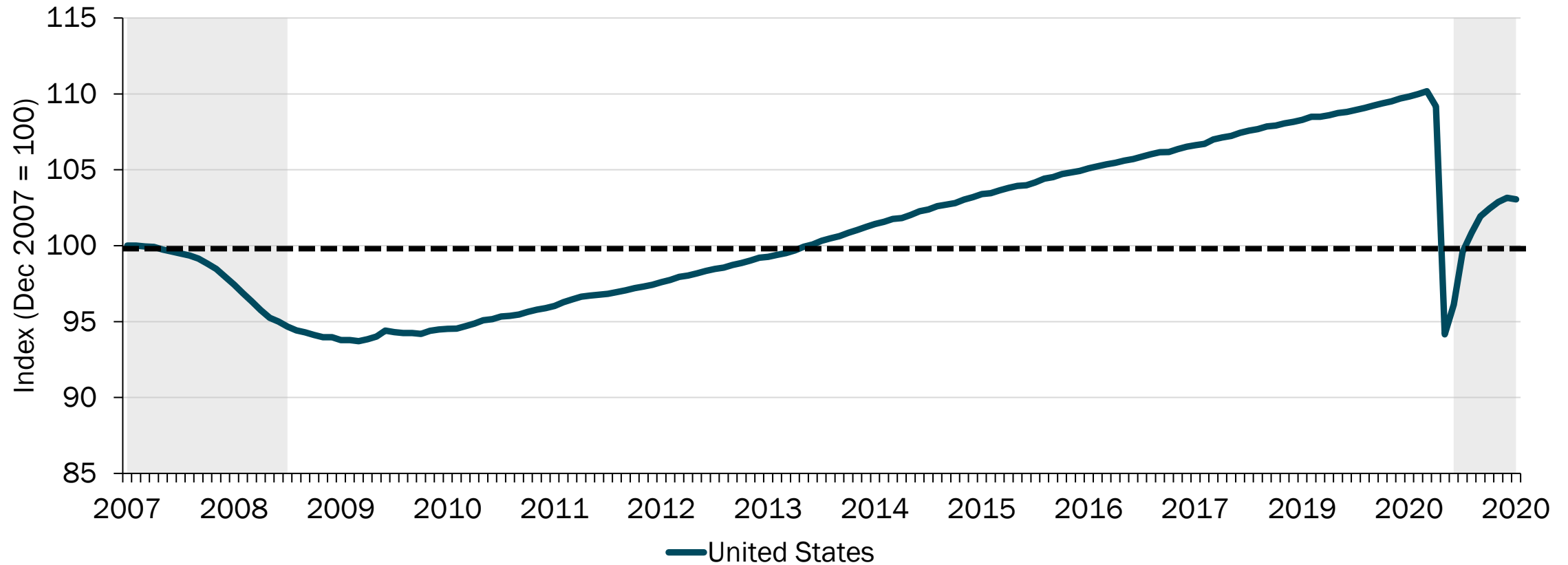
Velde, F. R. (2020). What happened to the US economy during the 1918 influenza pandemic? A view through high-frequency data.

Manufacturing Employment in Selected States in 2020 (not seasonally adjusted)

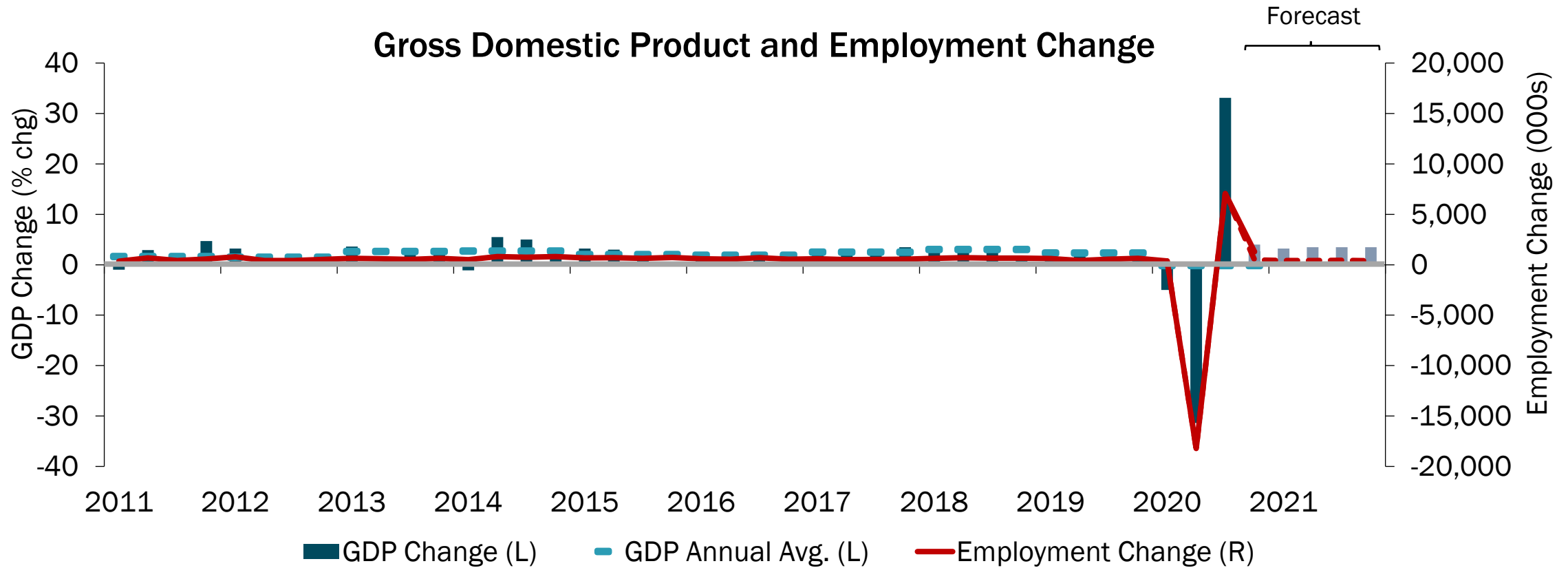


Employment is higher than December 2007, but not fully recovered

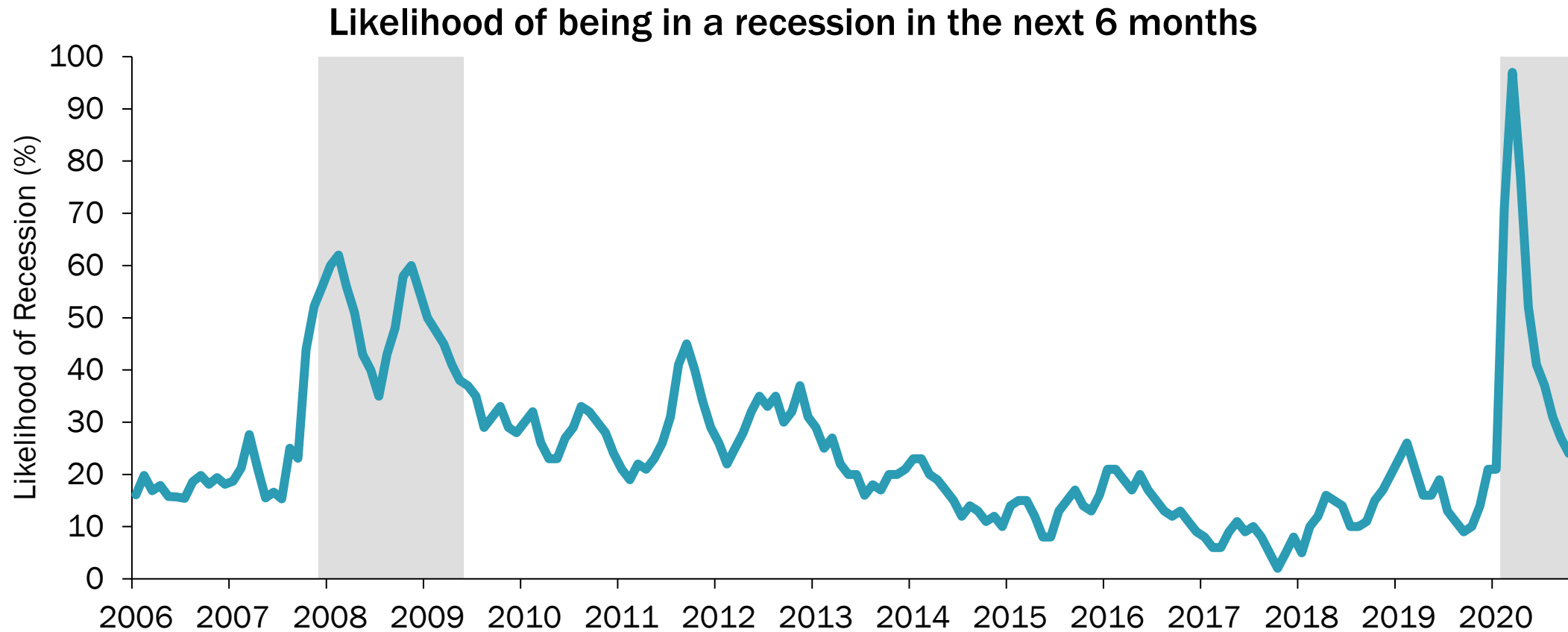
Nonfarm Employment Index



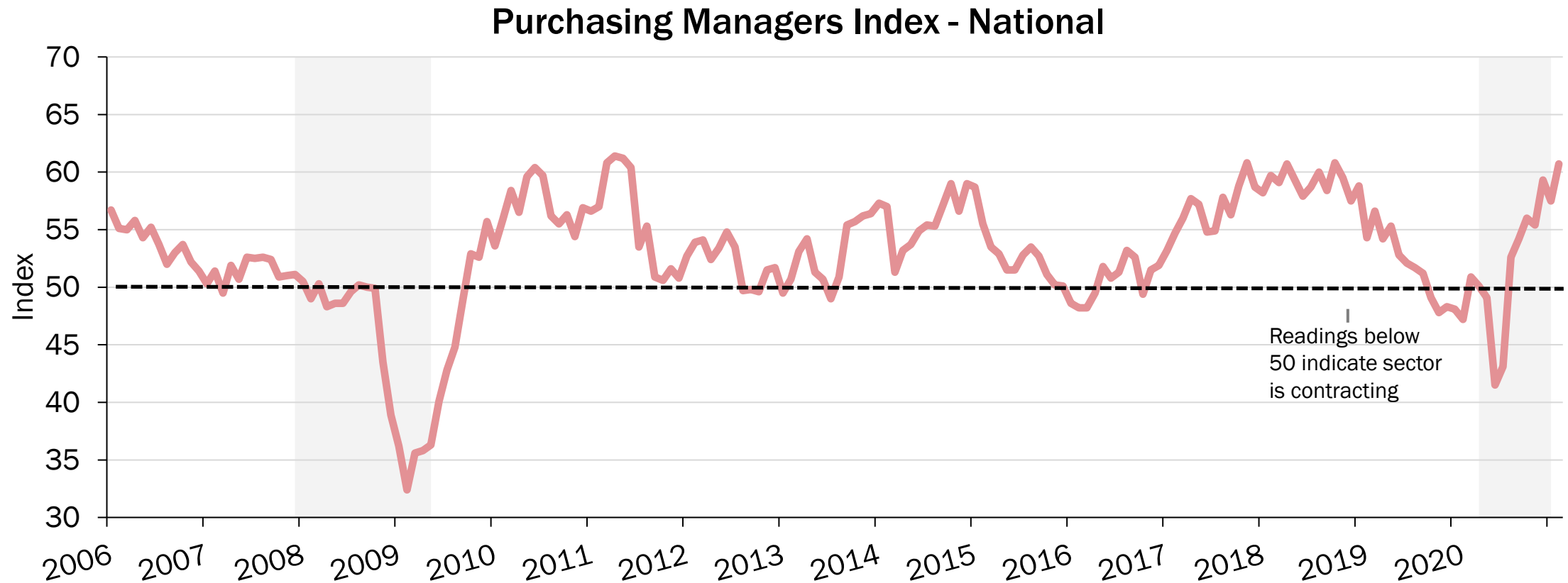
GDP growth is projected to remain solid, although employment growth is forecast to be slowing



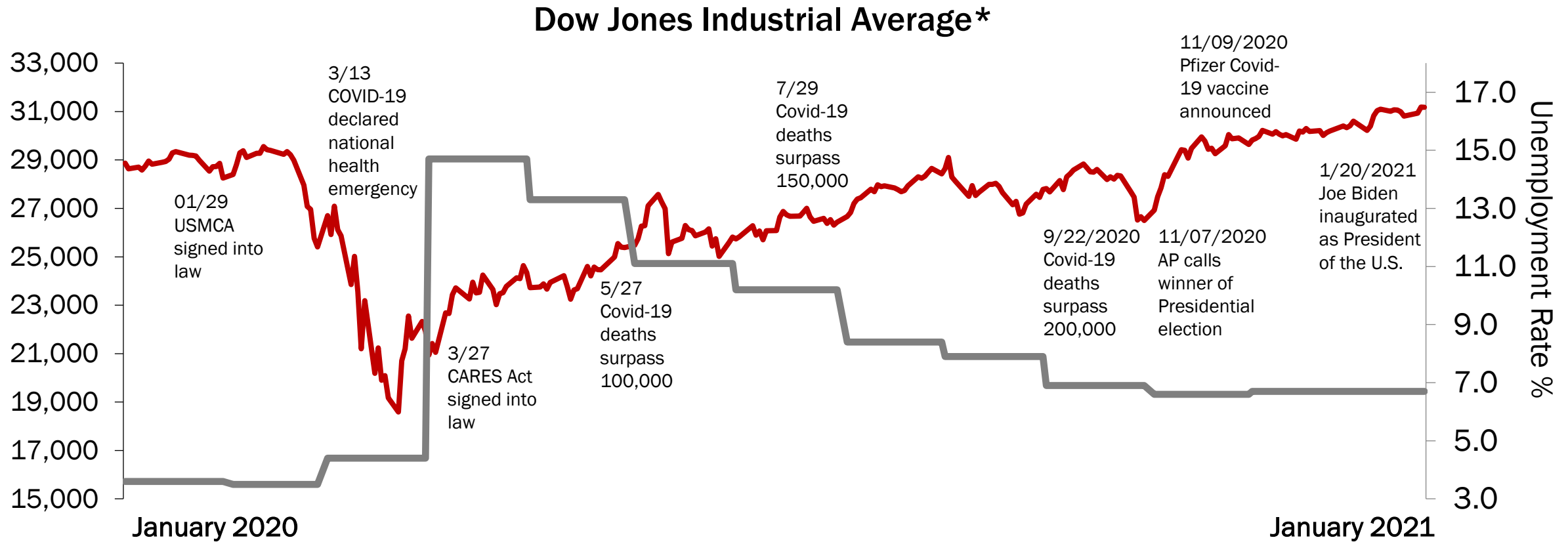
Moody's predictions of a recession are trending downward: 24% in November



National PMI stood at 60.7 in December, indicating that the manufacturing sector is expanding

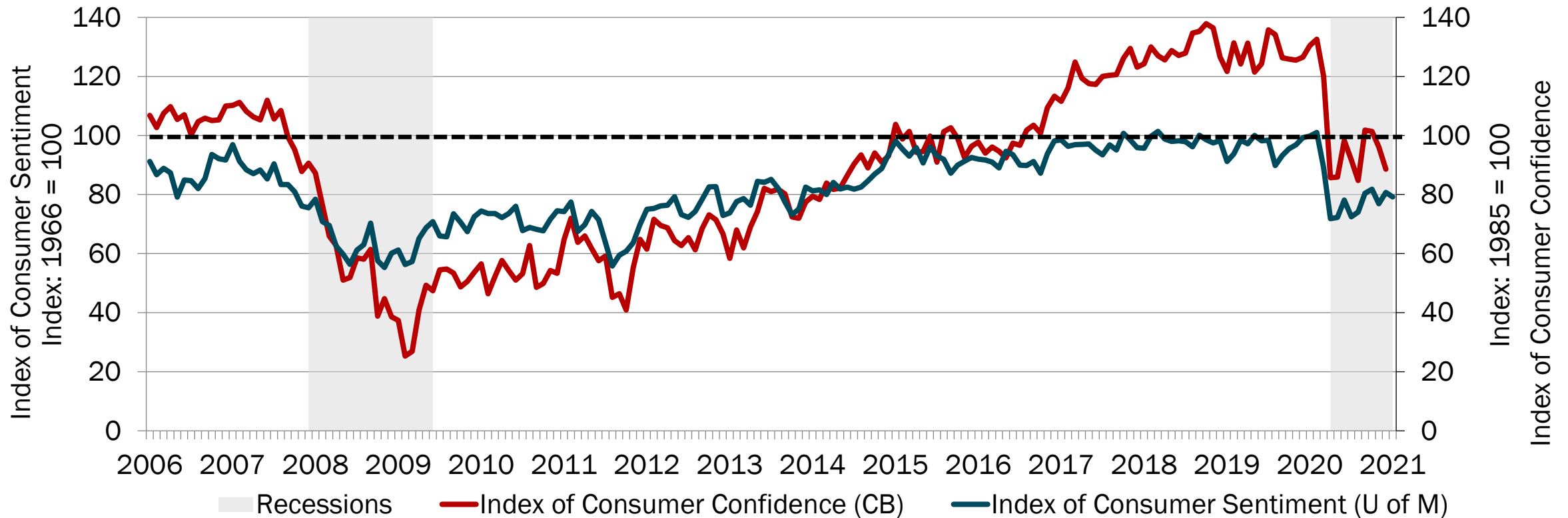


The stock market has reacted to various events this year, and the recent ride has been surprisingly good



Consumer confidence and sentiment are bouncing around after falling precipitously between February and April

Consumer Confidence



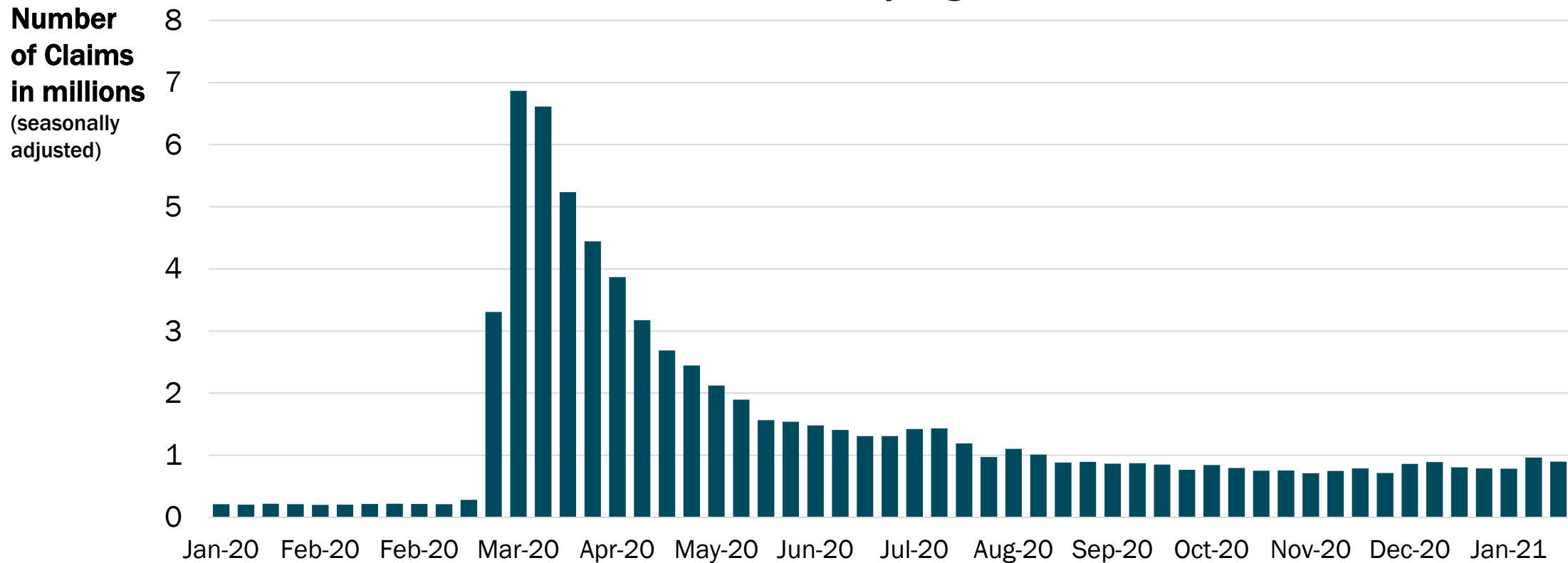
University of Michigan/RSQE November national forecast:

Note that these estimates are annualized

	2019	2020 (Forecast)	2021 (Forecast)	2022 (Forecast)
GDP	2.3%	-3.6%	4.2%	3.0%
Employment	1.3%	-5.7%	2.7%	2.6%
Light Vehicle Sales (Millions)	16.9	14.5	16.3	16.7
Unemployment Rate	3.7%	8.1%	5.9%	5.3%
Housing Starts (Millions)	1.30	1.34	1.39	1.42
CPI/Inflation	1.8%	1.2%	2.0%	2.1%

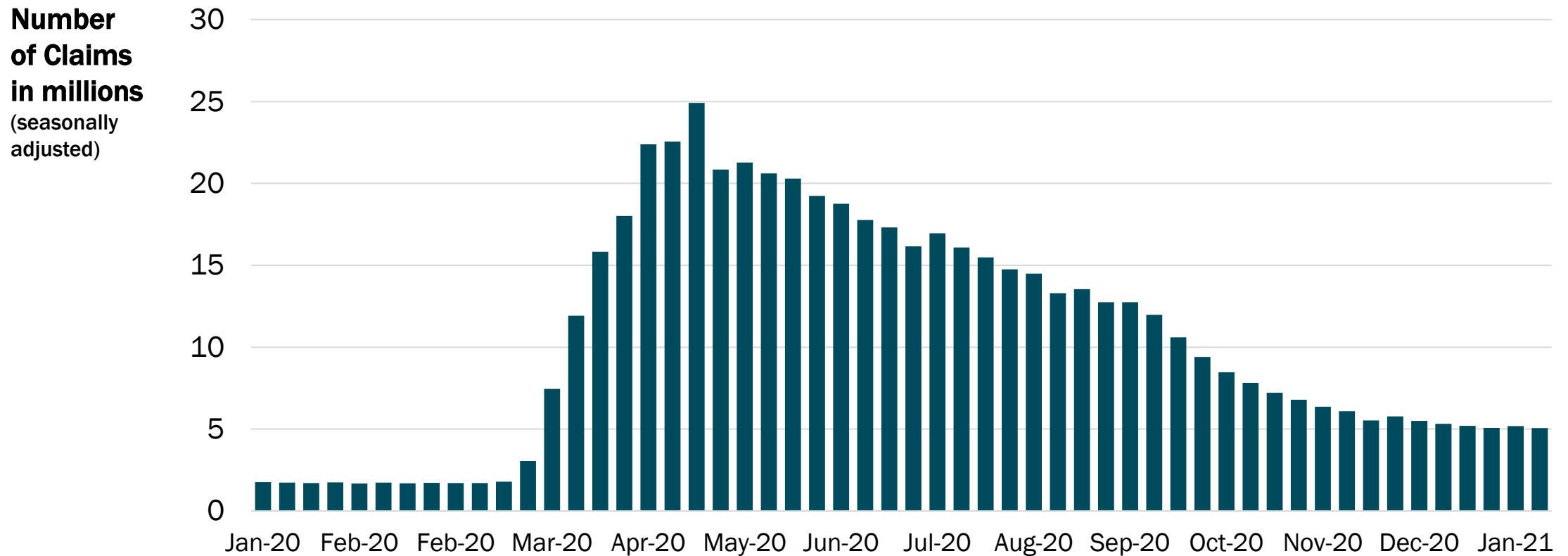
The number of UI filings have stabilized while trending downward

Weekly Initial Claim Filings for Unemployment Insurance are Slowing but Remain at Historically High Levels



The number of traditional continuing claims are trending downward

Weekly Continuing Claims for Unemployment Insurance



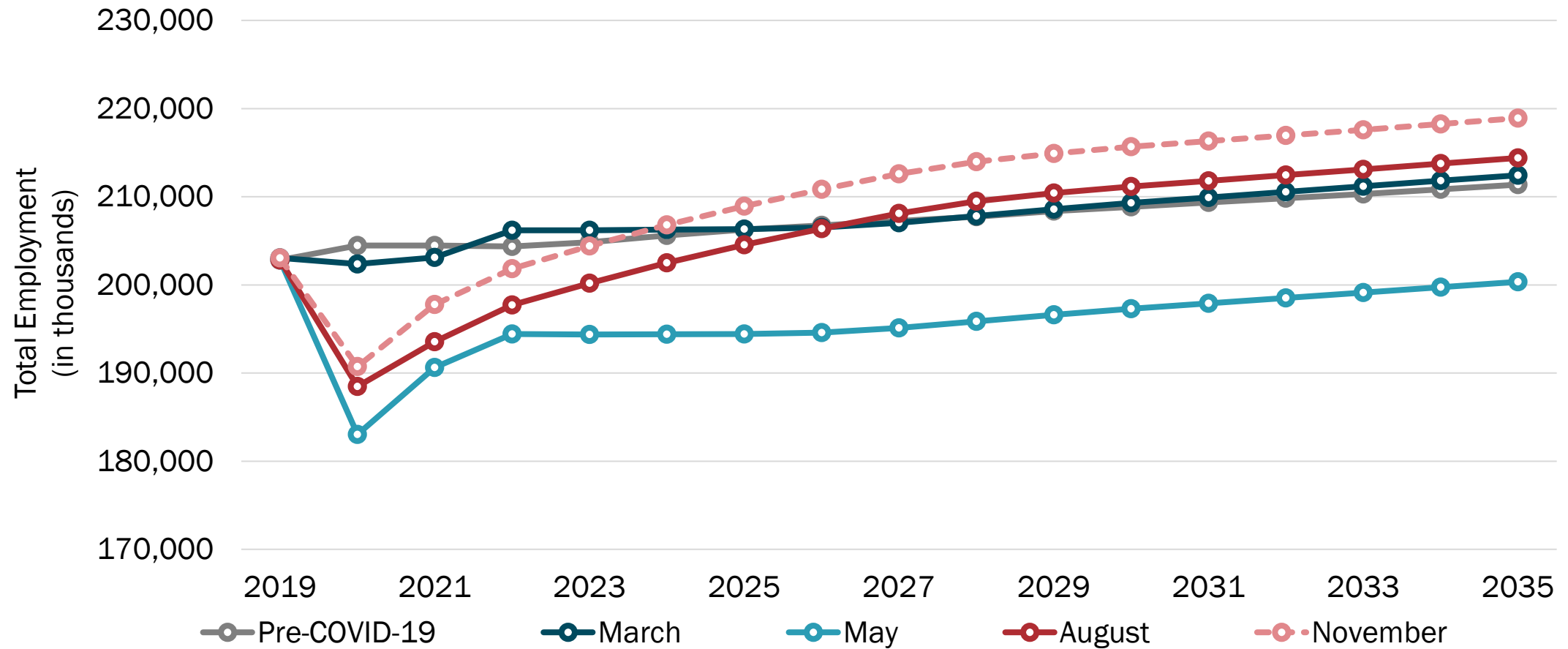
REMI Forecasts

National Economy

Methodology

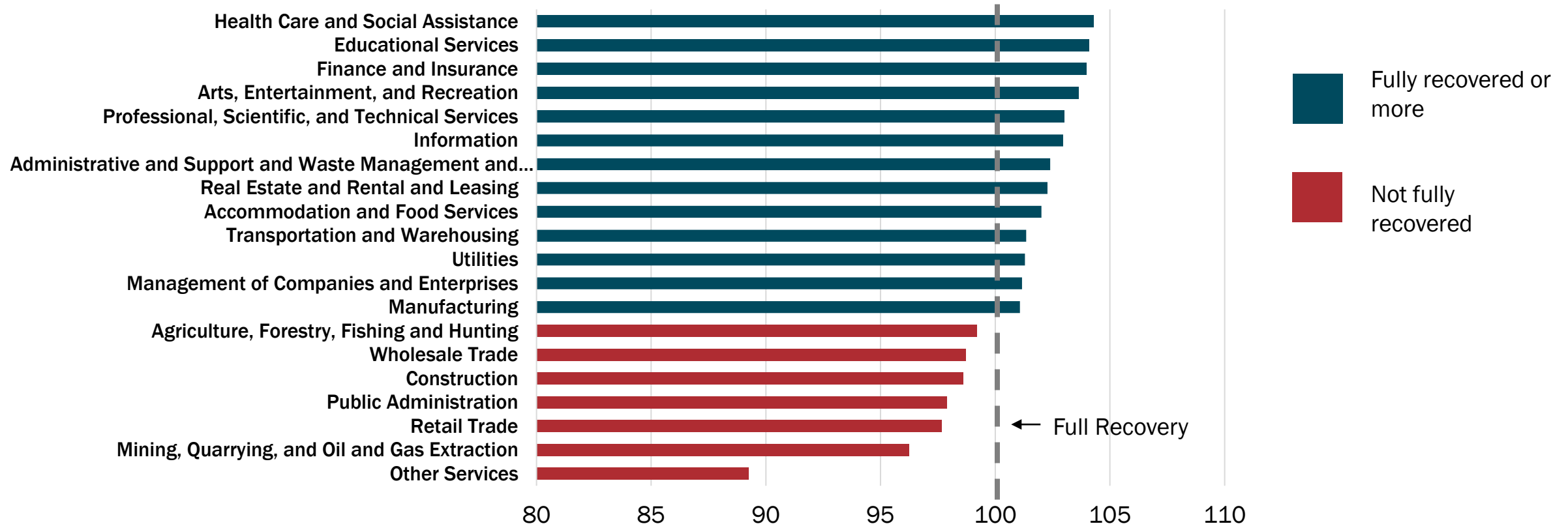
- Upjohn uses a REMI model (www.REMI.com)
 - To estimate economic impacts from projects and events
 - Forecast national and regional changes in trends
- As new forecasts were produced the latest REMI model was updated
 - National forecast is updated
 - Regional forecasts are updated
 - Forecasts come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

National forecast for total employment

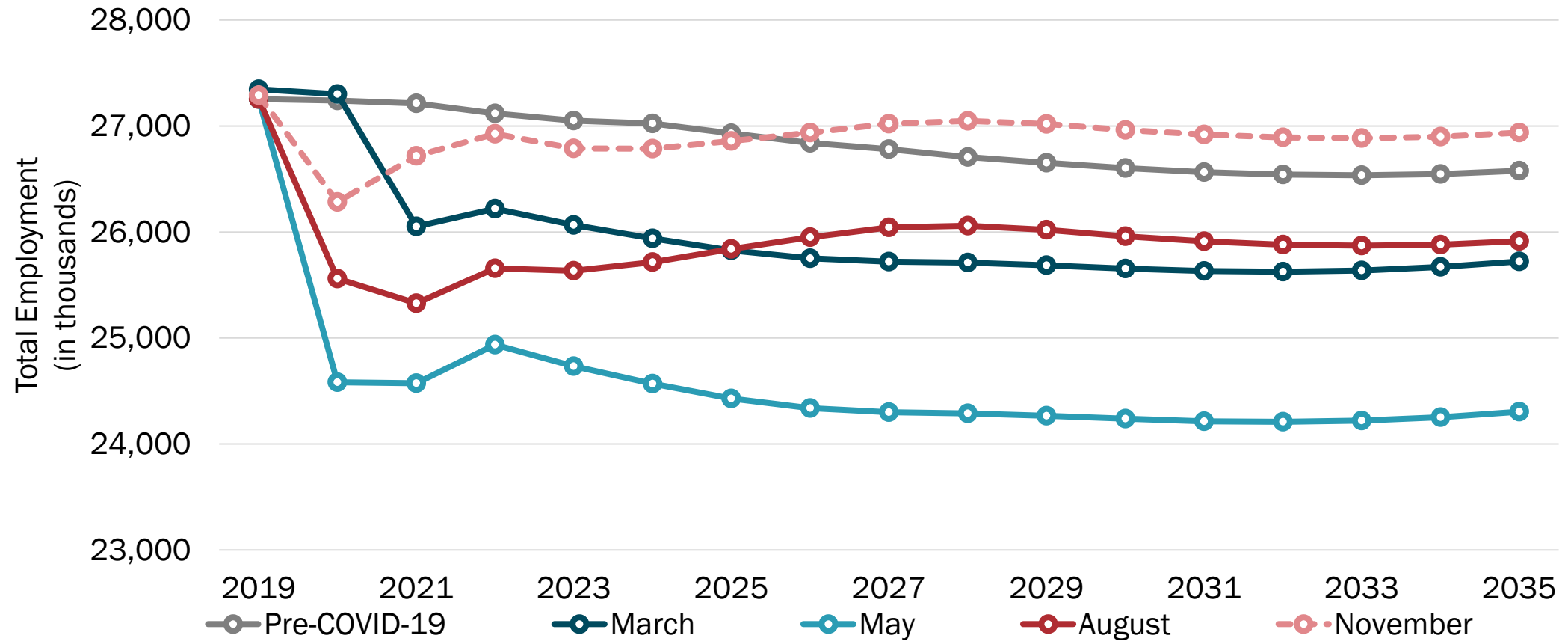


Industry recovery forecast

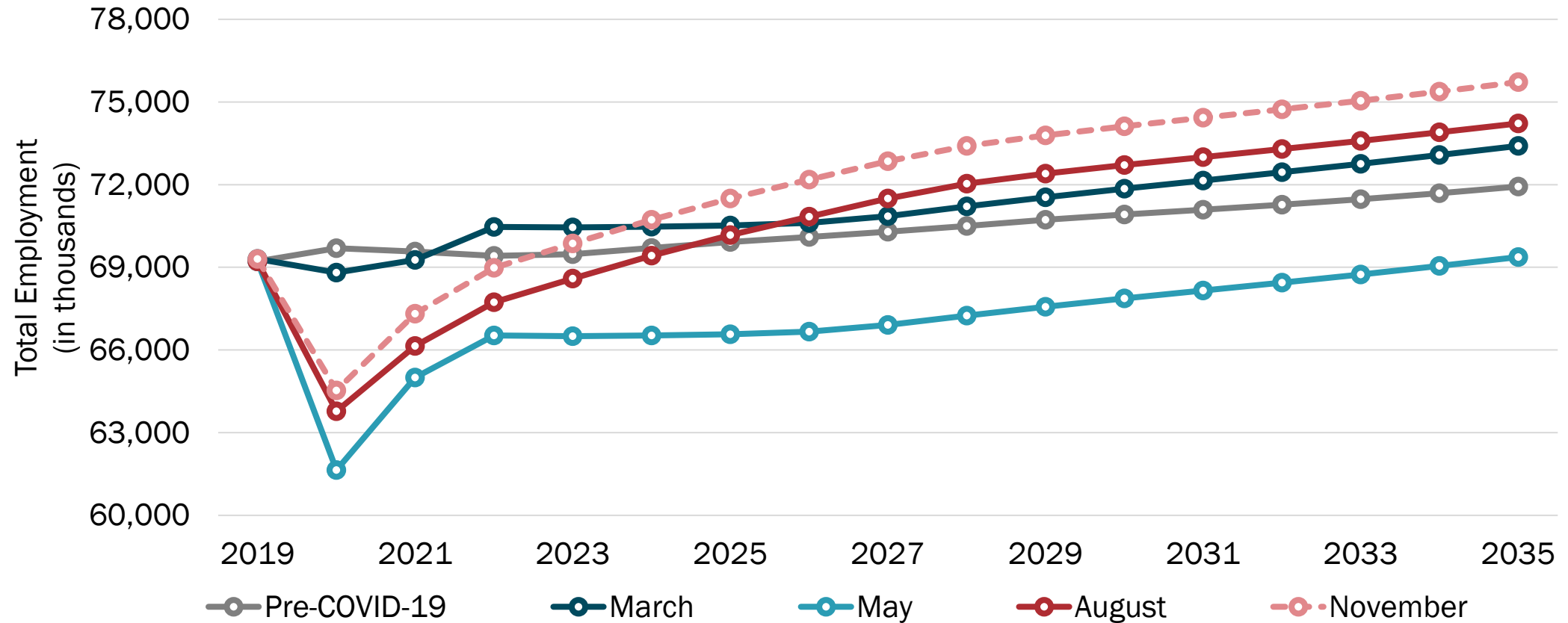
Projected Recovery of Industry Sectors Nationally by 2025



National forecast for goods producing employment

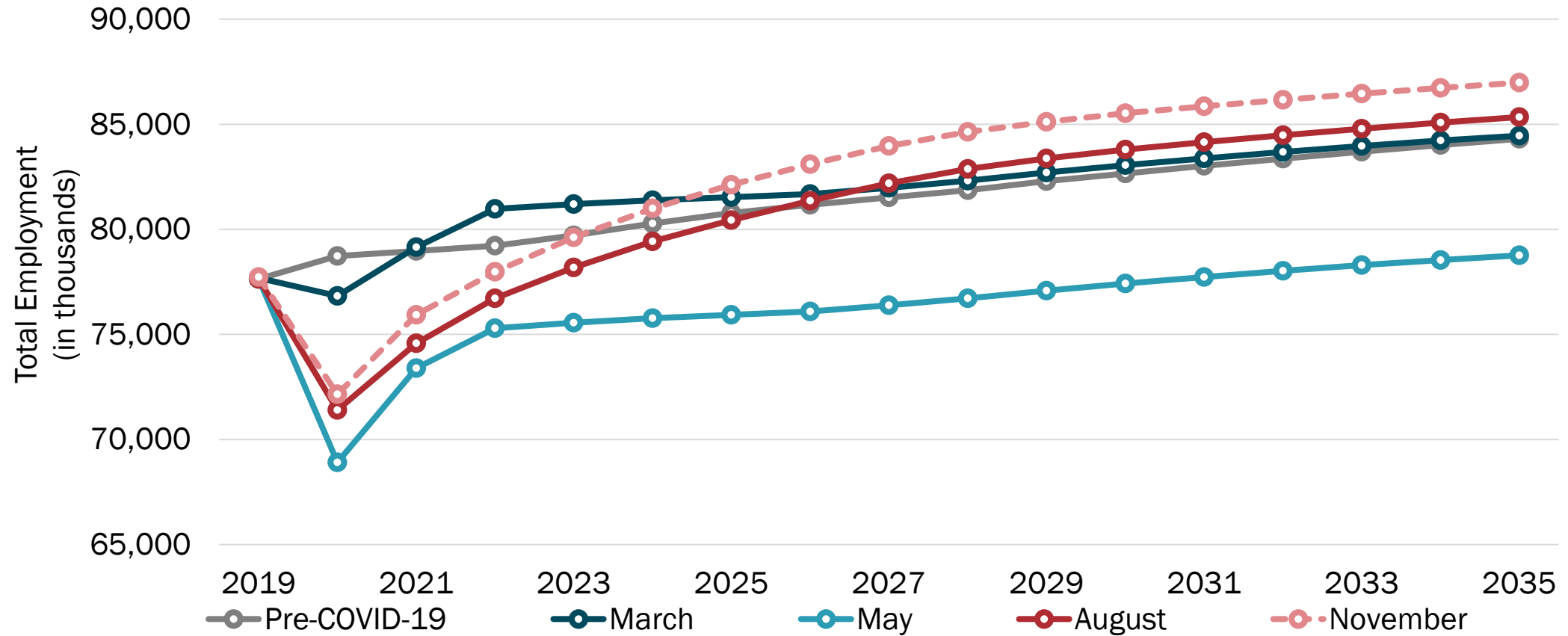


National forecast for business service sector* employment



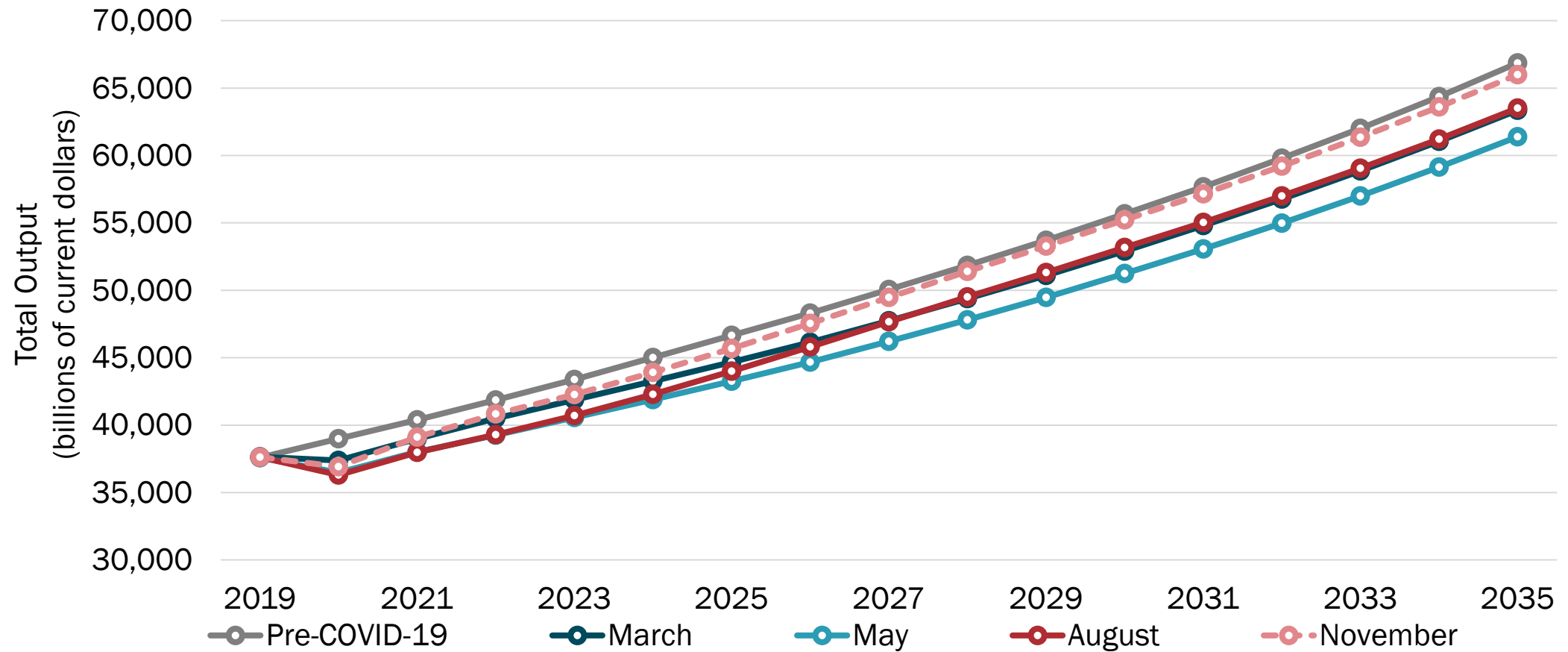
*Includes: Wholesale Trade; Transportation & Warehousing; Information, Finance, & Real Estate; Professional, Scientific, & Business Services; Management of Companies & Enterprises; Administrative, Support, Waste Management & Remediation Services

National forecast for personal service sector* employment



*Includes: Retail Trade, Education & Health Services, Leisure & Hospitality, Other Services (excluding Public Administration).

National forecast for total output



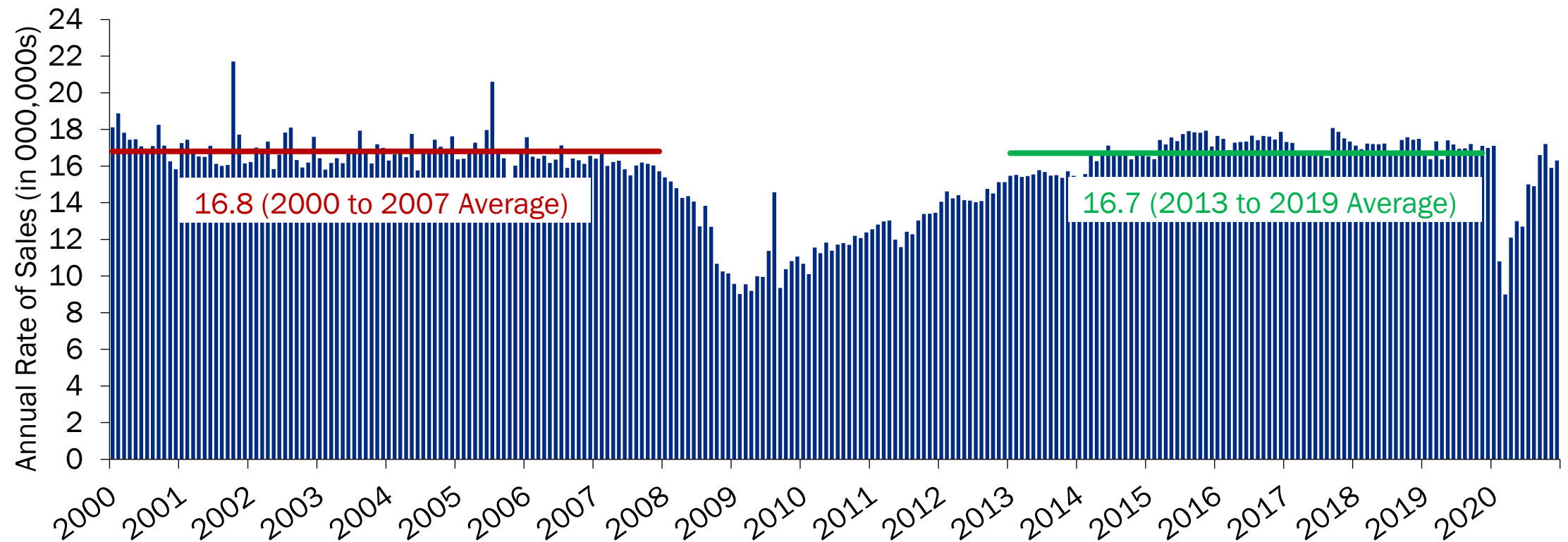
Michigan Economy

University of Michigan RSQE current* state forecast

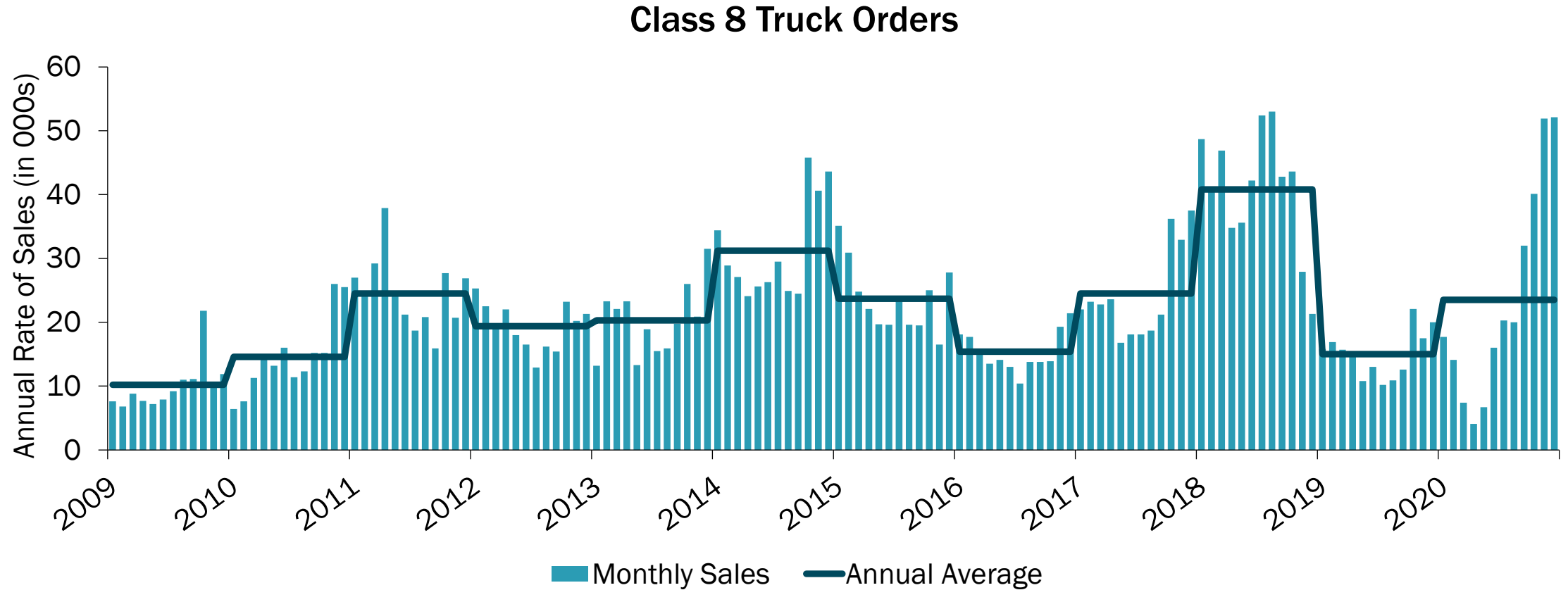
	2019	2020 (Forecast)	2021 (Forecast)
Employment Change (thousands)	36.7 (+.08%)	-352.1 (-7.4%)	176.6 (+4.0%)
Manufacturing Employment Change (thousands)	-2.1 (-.03%)	-64.4 (-10.3%)	31.5 (+5.6)
Unemployment Rate	4.1%	10.1%	7.1%
Labor Force Participation Rate	61.8%	61.0%	61.2%

Light vehicle sales are doing relatively well, but will supply chain issues and affordability affect supply and demand?

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



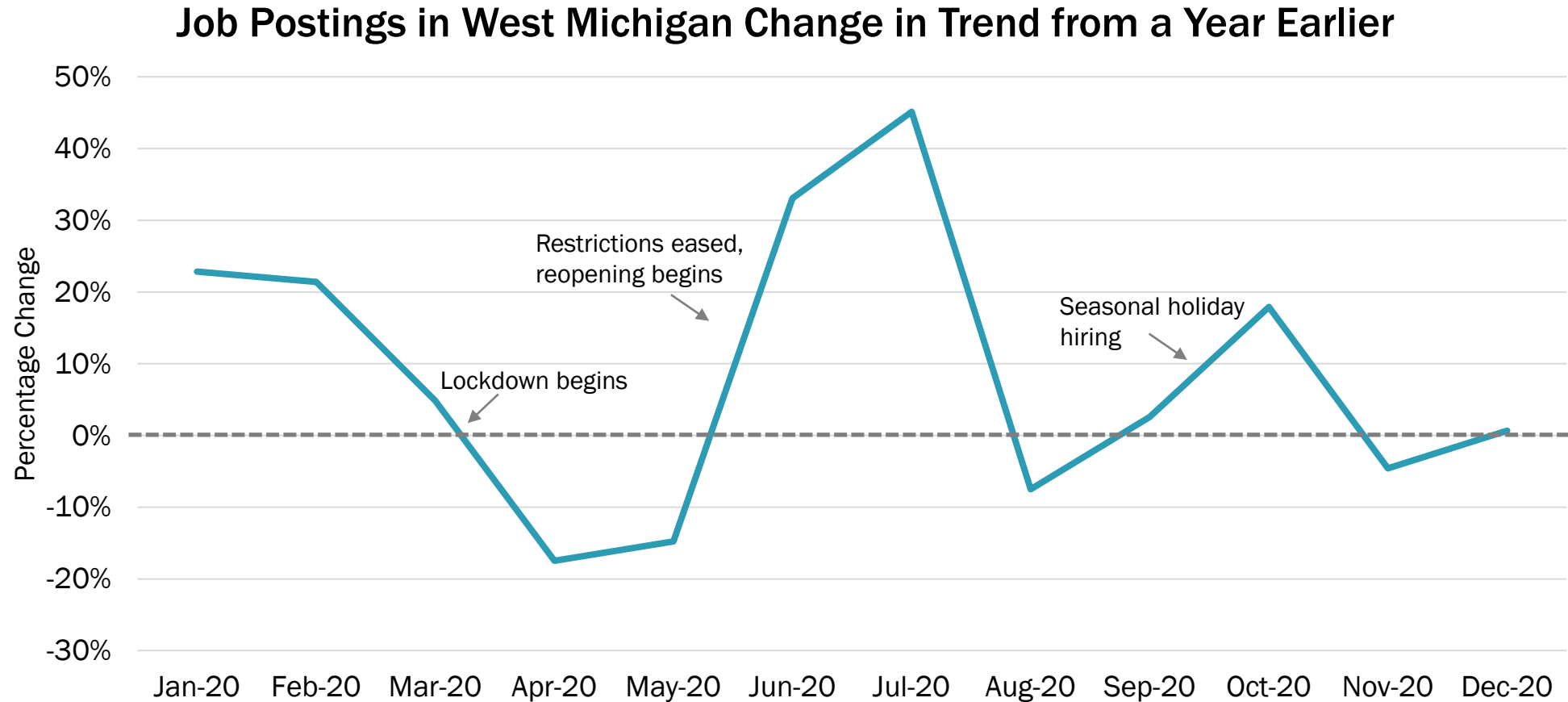
Class 8 Truck Orders reach highest level since 2019



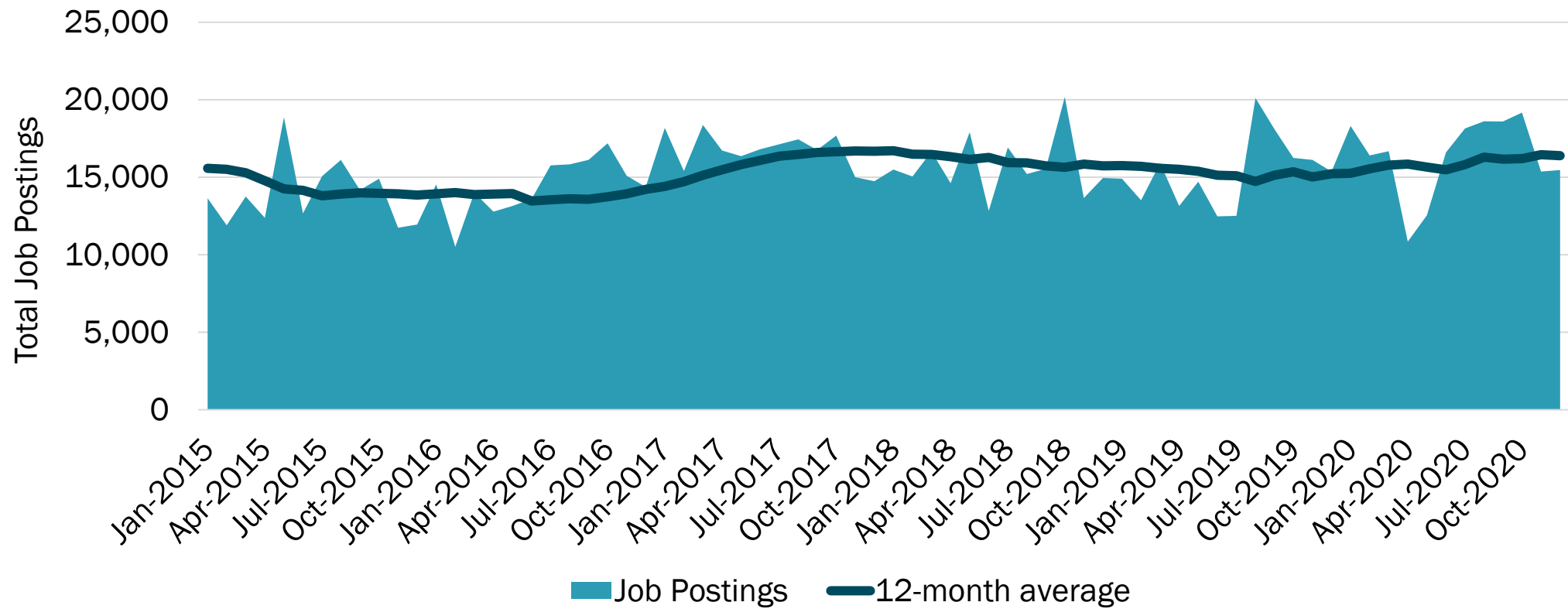
Job Postings

West Michigan Economy

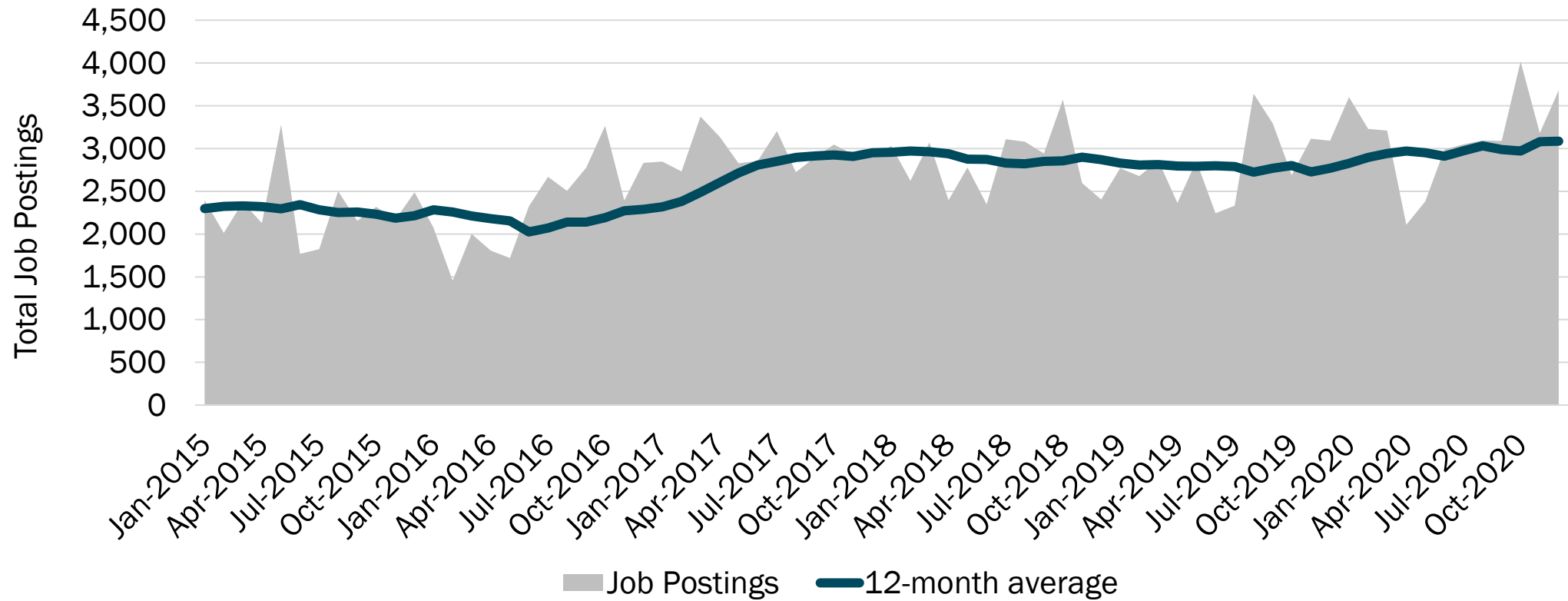
Job postings in West Michigan in December 2020 were about where they were in December of 2019



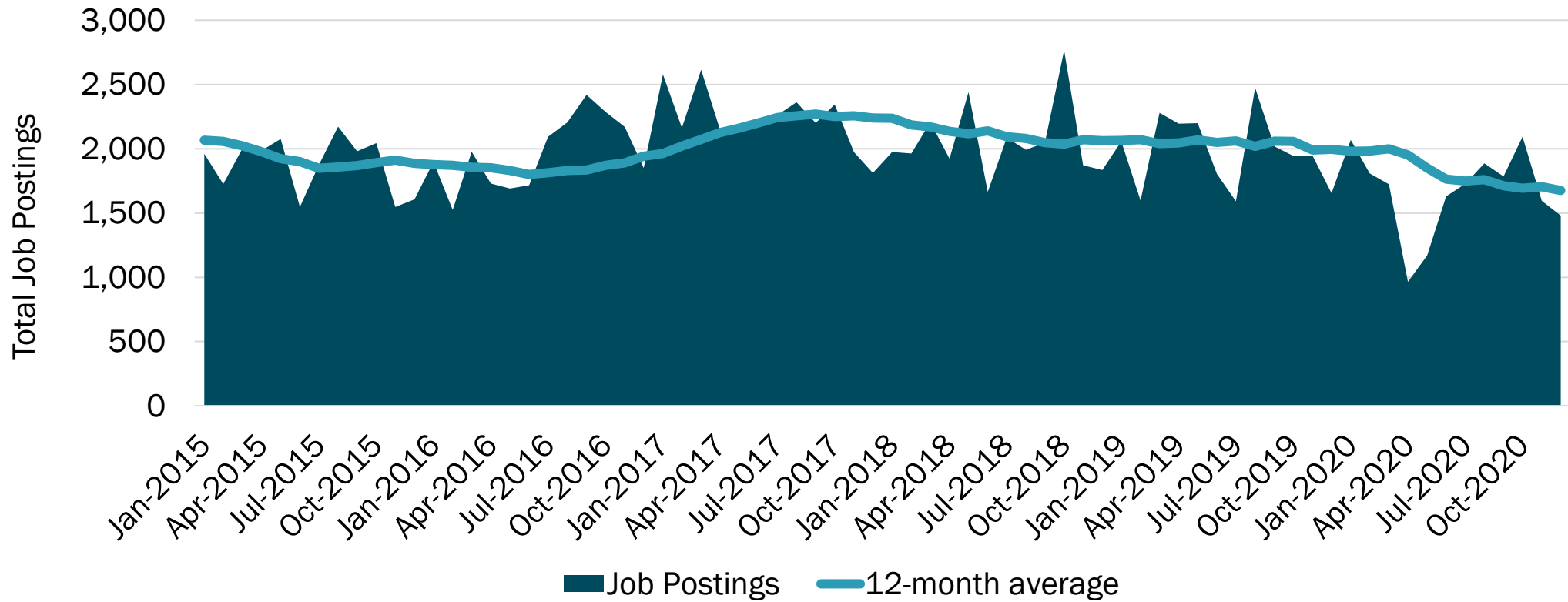
Total job postings in West Michigan



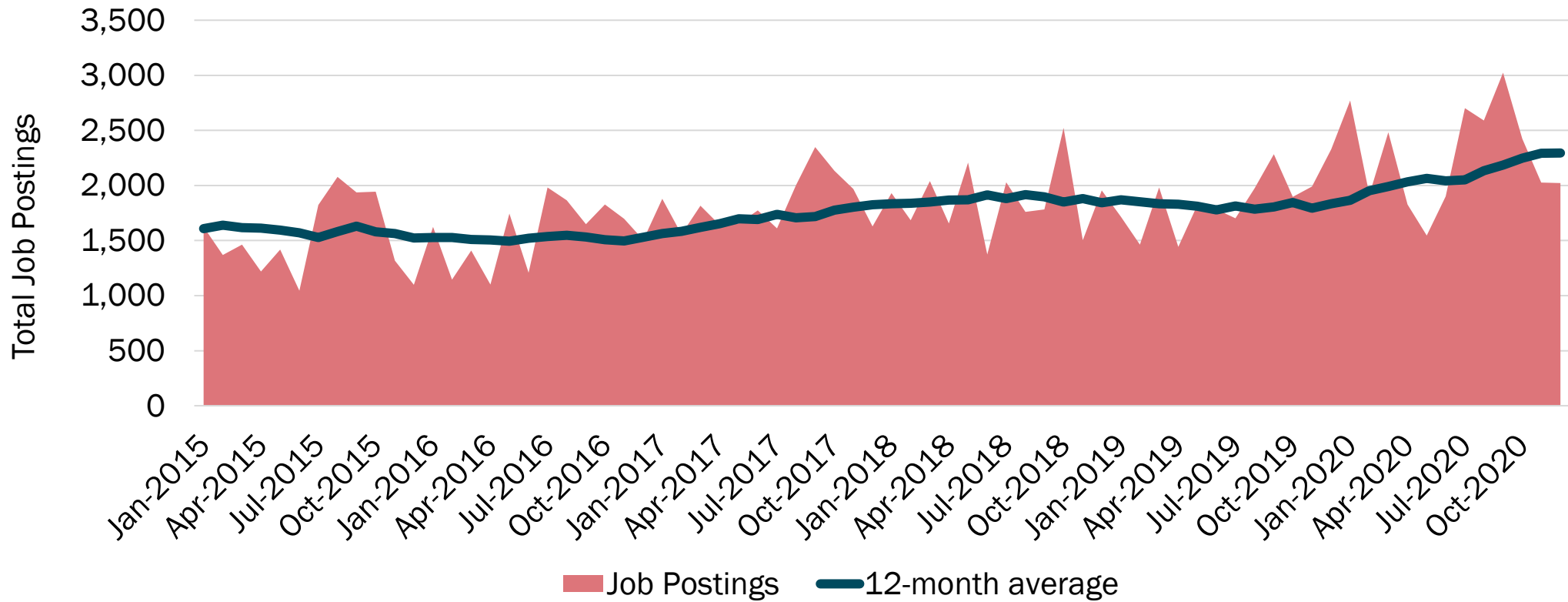
Total job postings for health care and social assistance in West Michigan



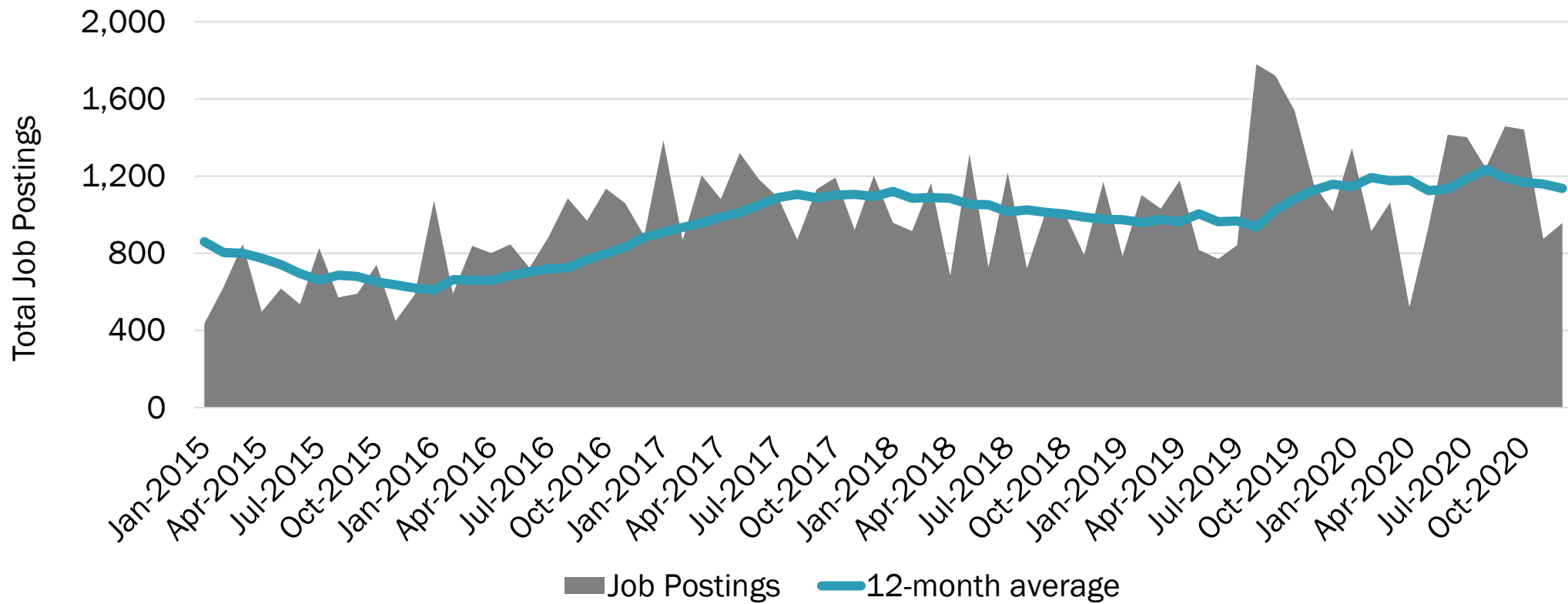
Total job postings for manufacturing in West Michigan



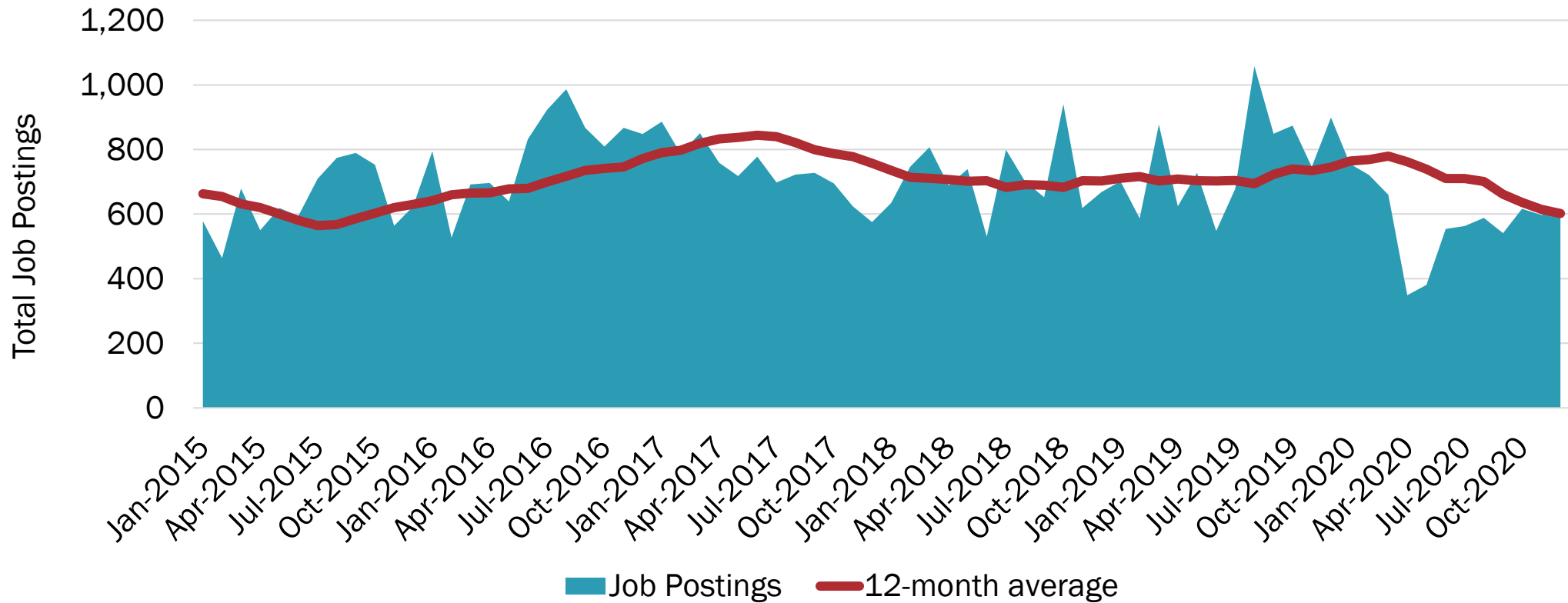
Total job postings for retail trade in West Michigan



Total job postings for accommodation and food services in West Michigan



Total job postings for professional, scientific, and technical services in West Michigan

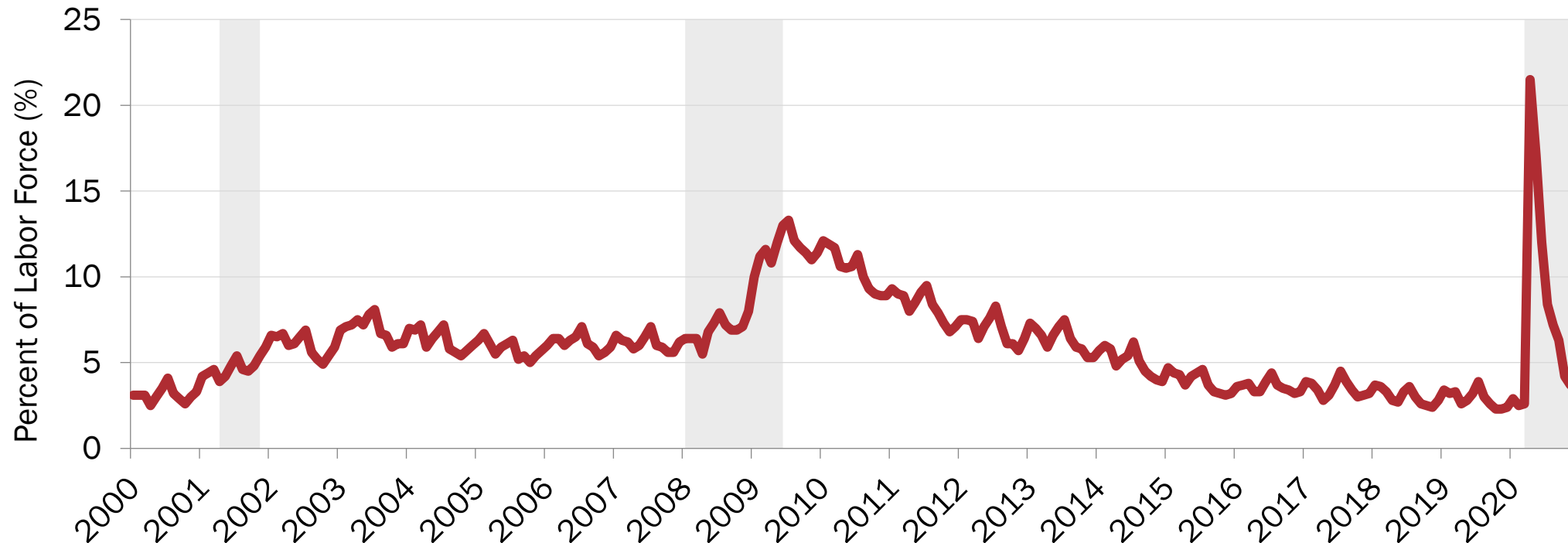


Current Conditions

Grand Rapids Economy

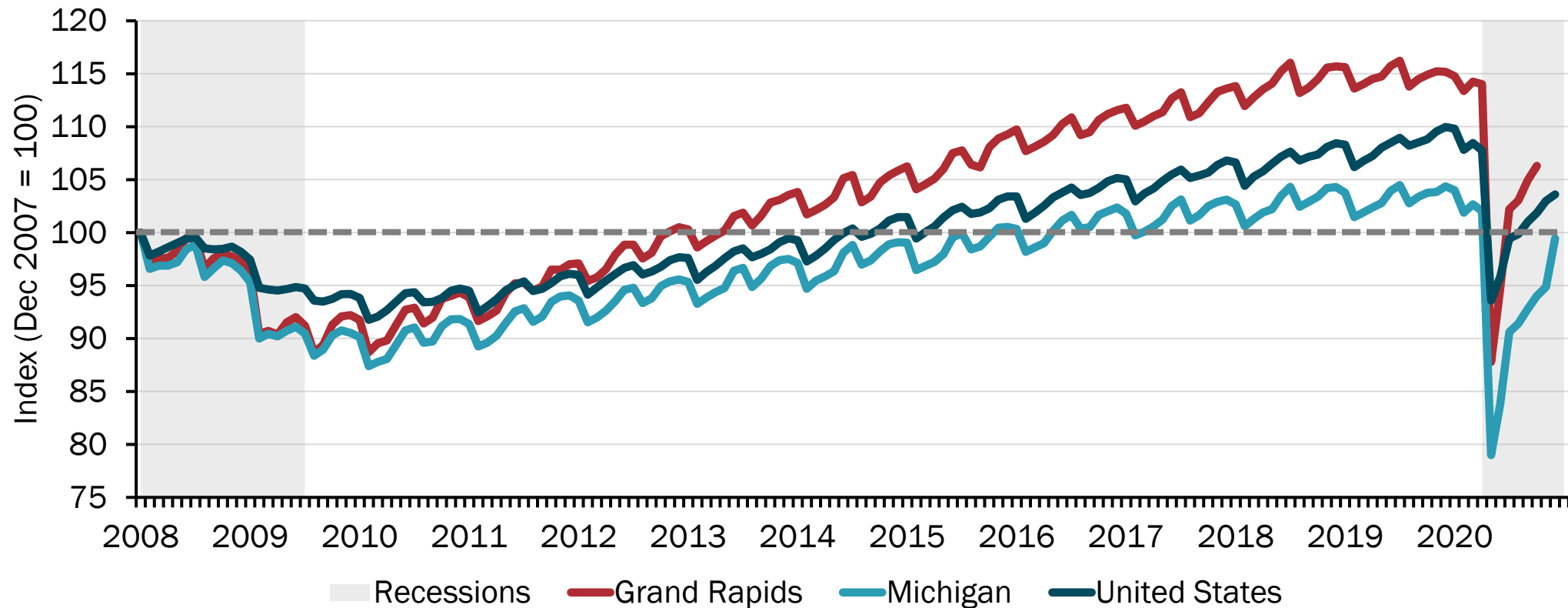
Based on the latest data, the current unemployment rate was 3.7% in November, with 21,130 persons looking for work

Unemployment Rate for the Grand Rapids MSA



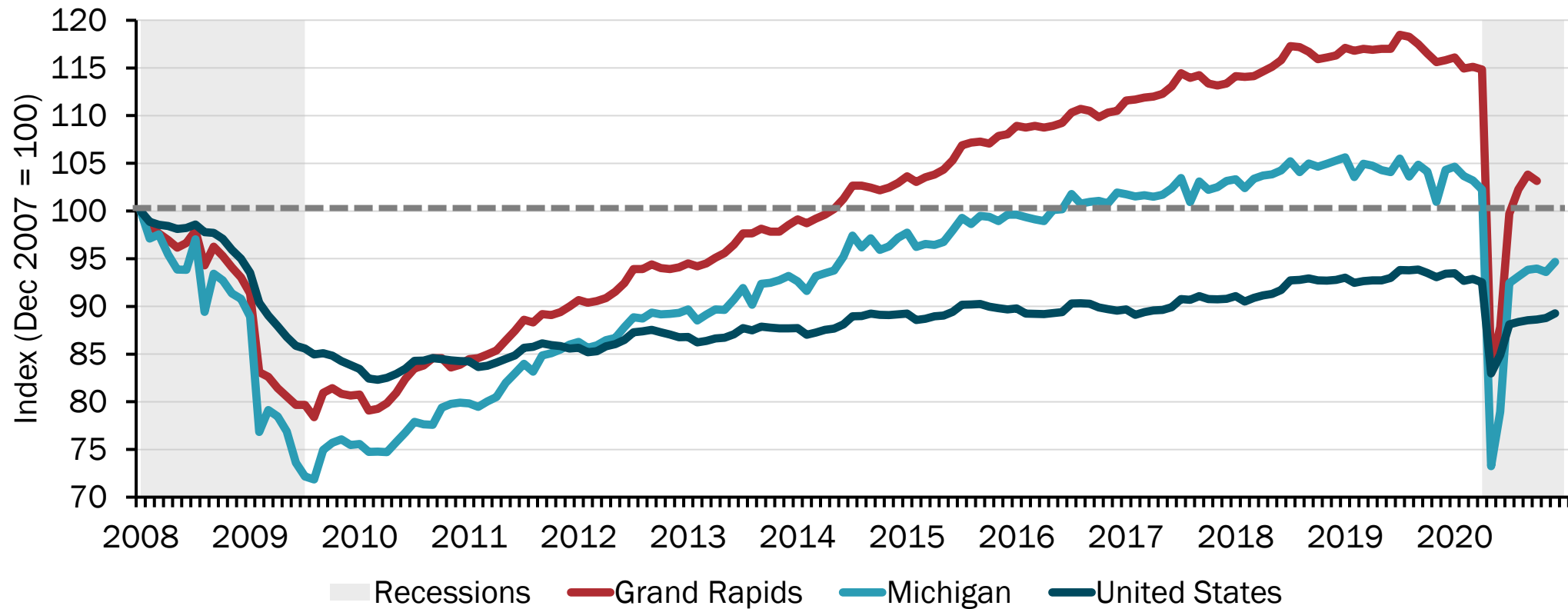
The Grand Rapids MSA has quickly recovered jobs that were displaced in the COVID-19 Recession

Total Employment Index



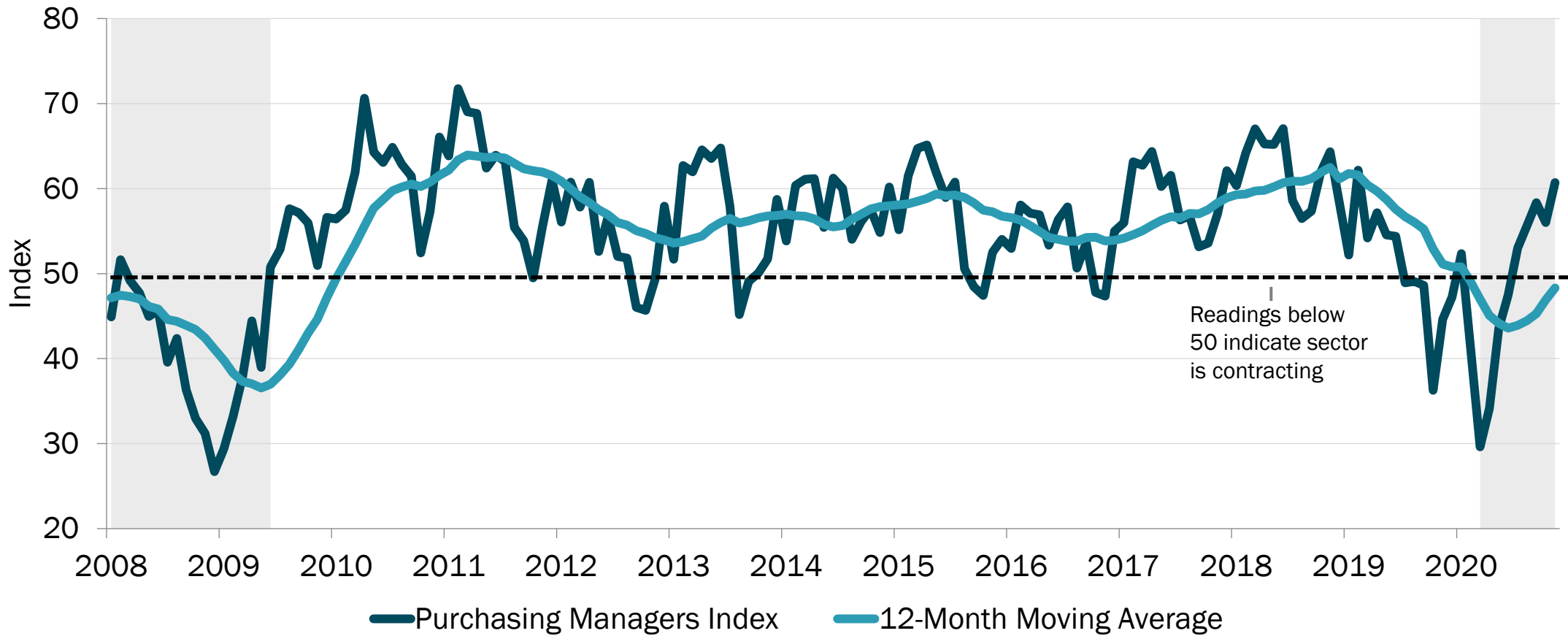
Manufacturing employment took a large hit during the lockdowns but has rebounded faster than the nation or state

Manufacturing Employment Index



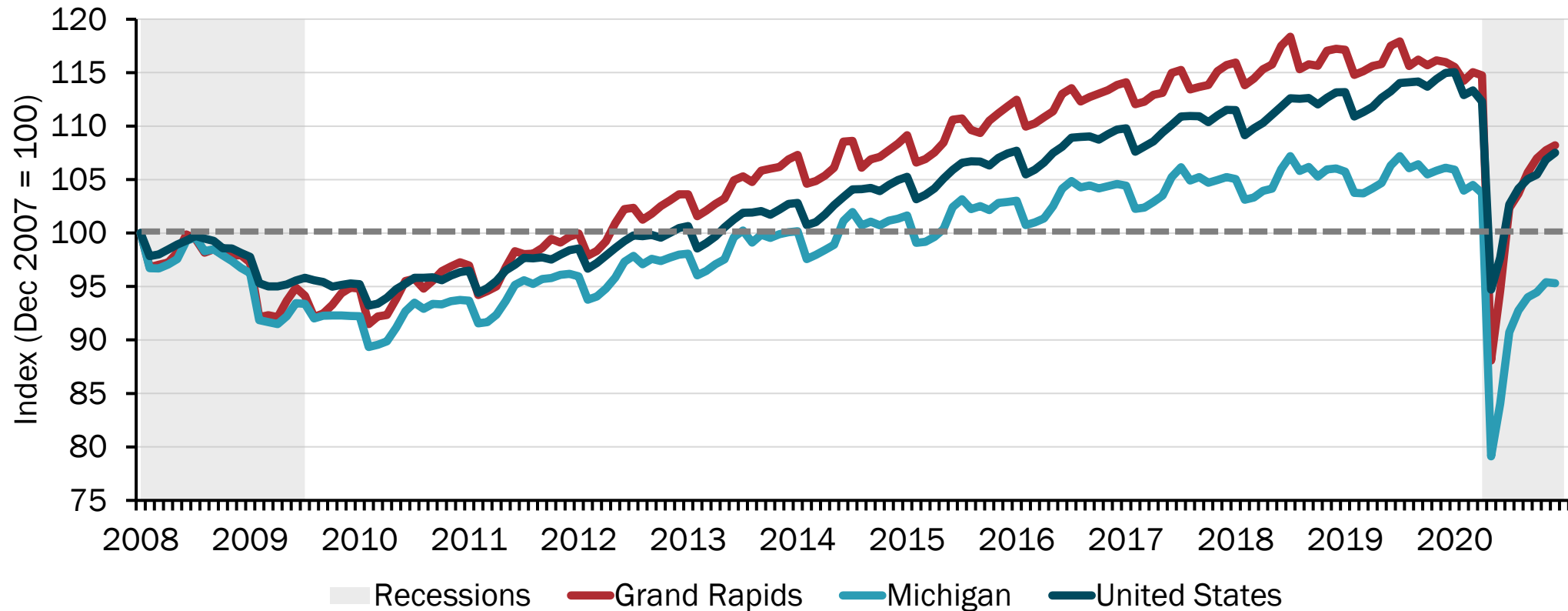
The trend is continuing upward—60.7 in December

Purchasing Managers Index – Grand Rapids



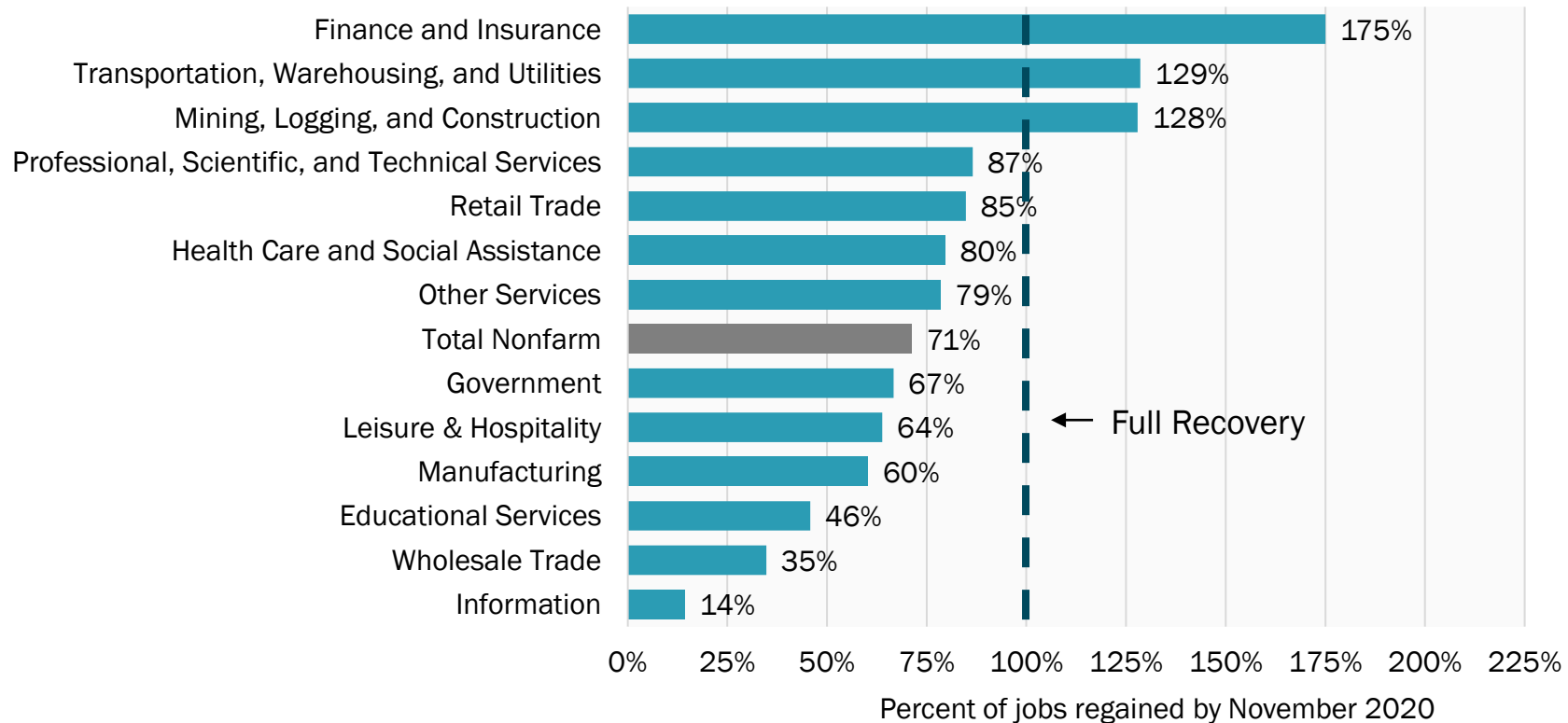
The service sector employment rebound is faster than the state and on pace with the nation

Service Providing Employment Index



Employment recovery forecast

Percent of Jobs Regained* by November 2020 Following Employment Declines Beginning in March in Grand Rapids by Major Sector

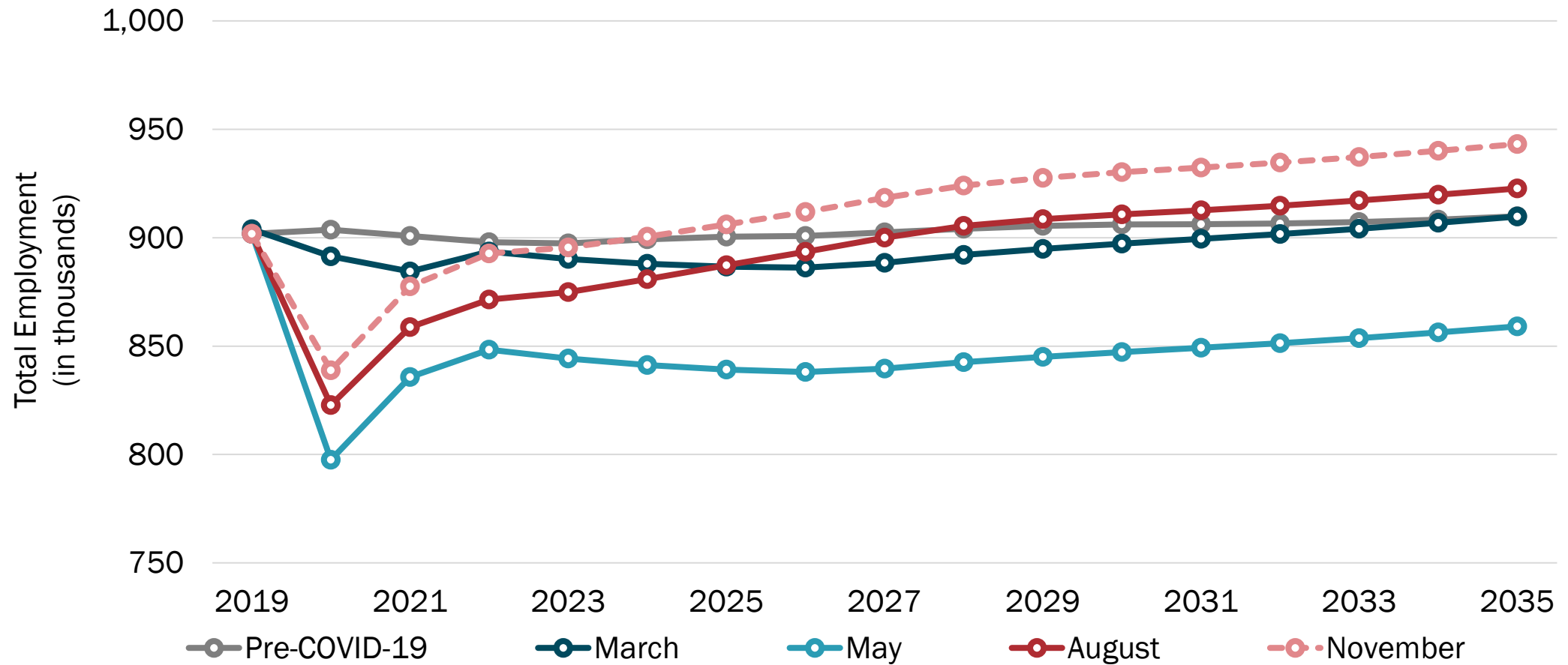


*Data not seasonally adjusted

REMI Forecasts

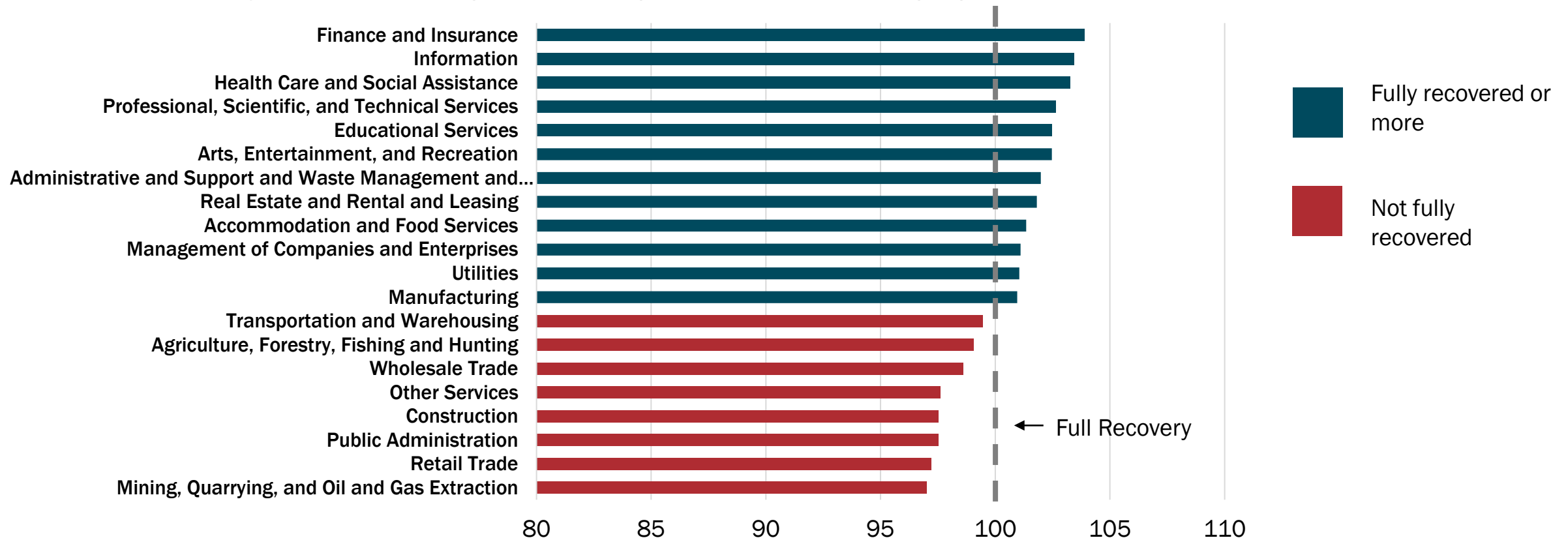
Grand Rapids Area Employment

Forecast for total employment in the Grand Rapids area

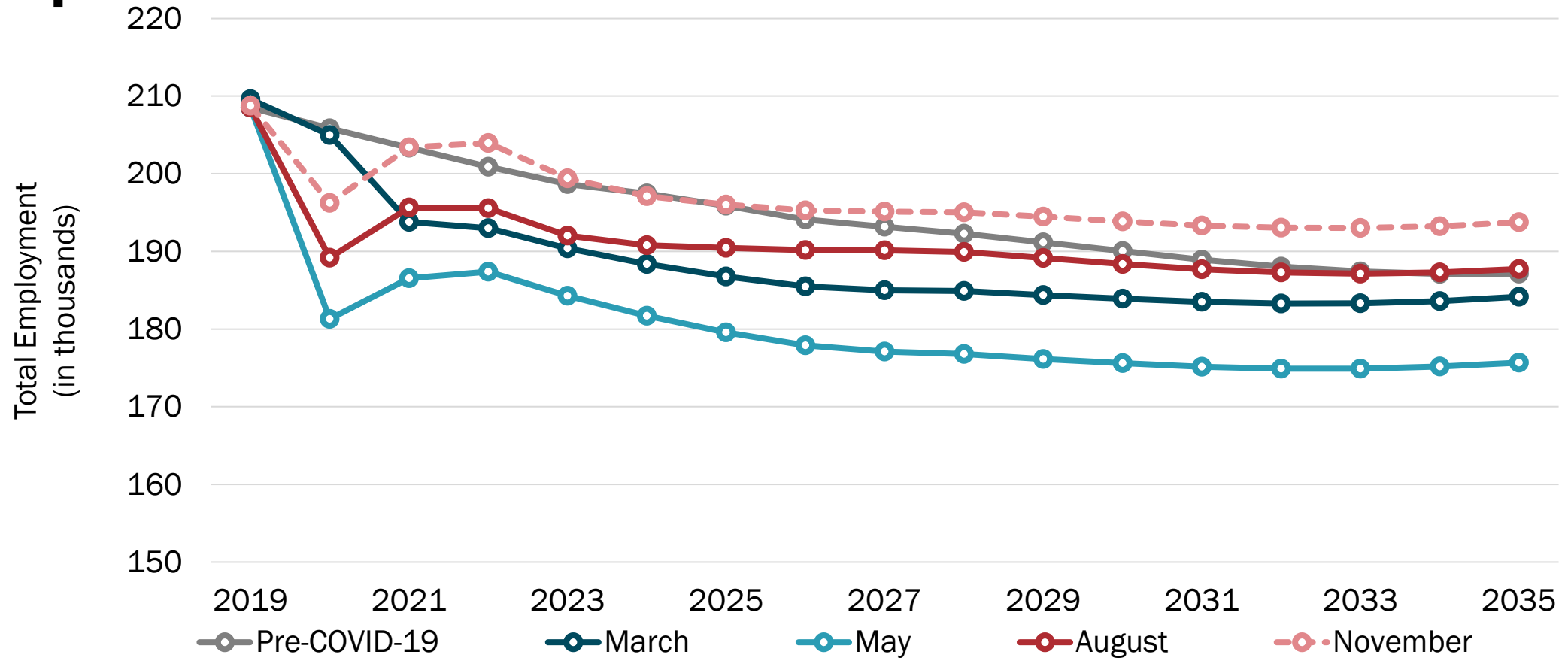


Industry recovery forecast

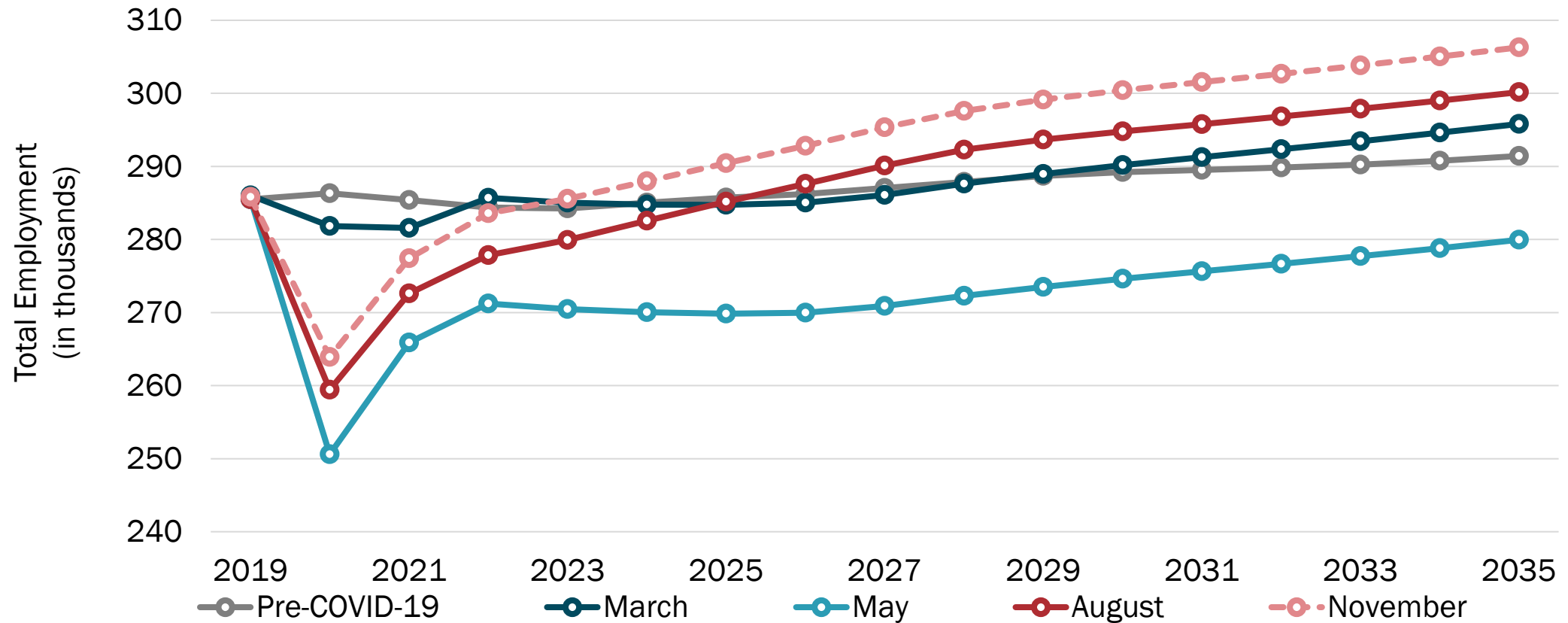
Projected Recovery of Industry Sectors Nationally by 2025



Forecast for goods producing employment in the Grand Rapids area

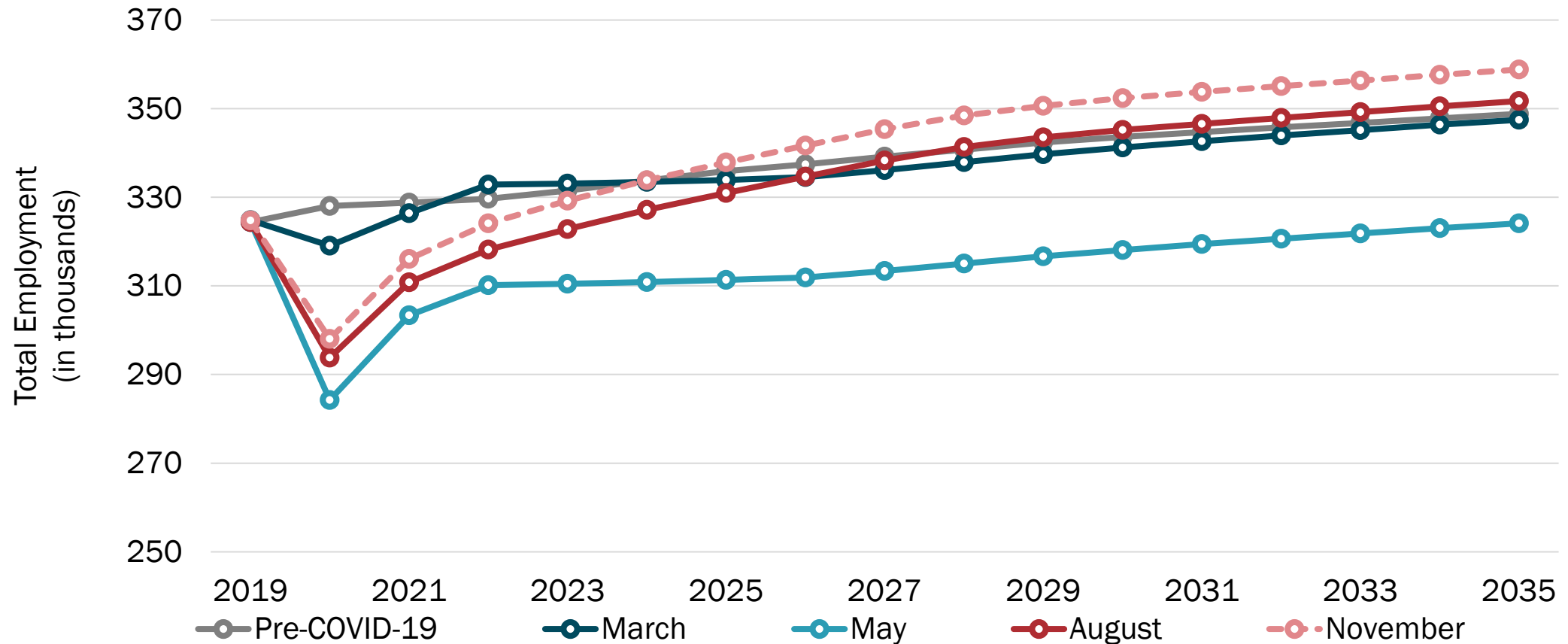


Forecast for business service sector* employment in Grand Rapids area



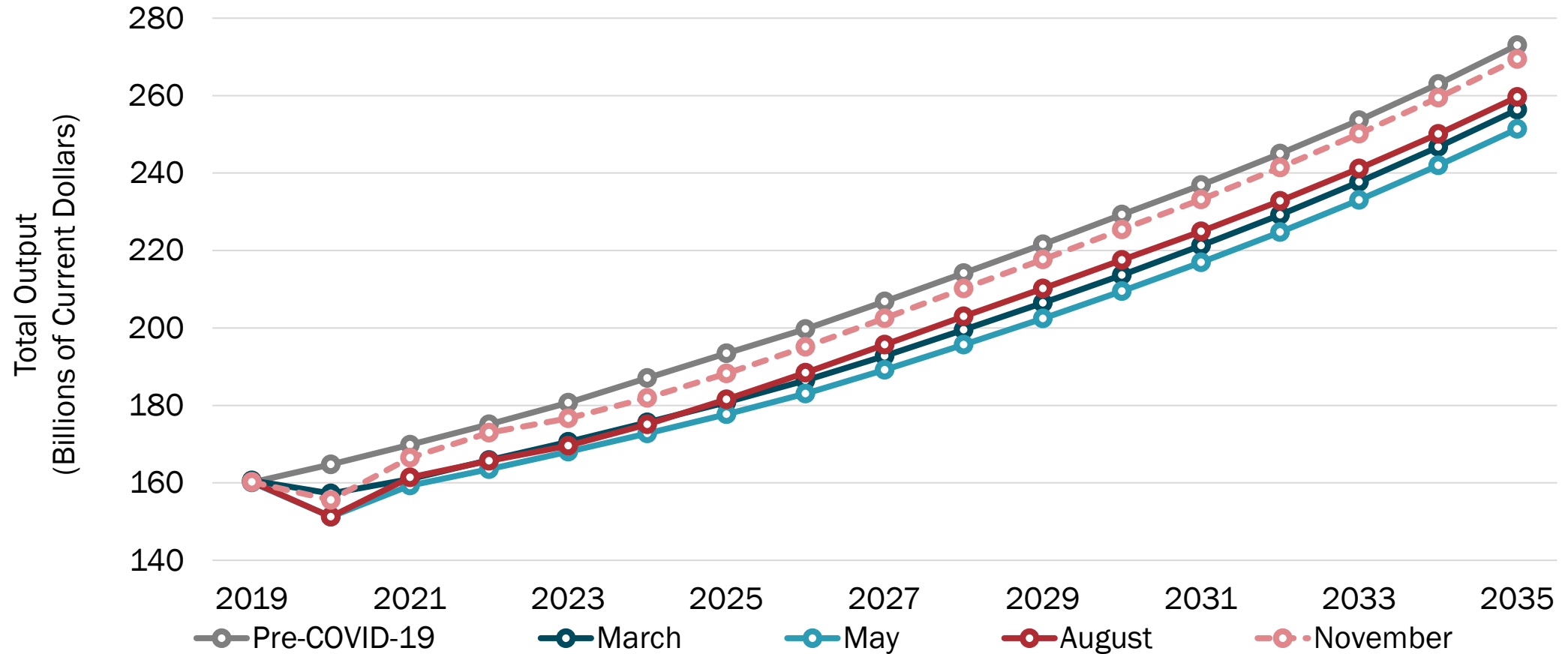
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Forecast for personal service sector* employment in Grand Rapids Area



*Includes: Retail Trade, Education & Health Services, Leisure & Hospitality, Other Services (excluding Public Administration).

Forecast for total output in the Grand Rapids Area



Moving Forward

Considerations for the Future of the Economy: National

- The shape of the recovery curve?
- Will temporary closures become permanent?
- Supply versus demand?
 - SME's
- What will be the impact of:
 - The new strain?
 - Vaccines ?
- What will be the impact from the new administration?
 - Tax policy
 - Trade policy
 - Stimulus policy

Considerations for the Future of the Economy

- Is reshoring real?
 - Supply chain issues
 - Available buildings and sites
- How will technology impact employment?
- When and will people go back to work?
 - What will the new Administration do about UI benefits?
 - Fear of contracting COVID-19?
 - Barriers, notably childcare and school openings, in returning?
- Other state and regional administrative decisions
 - Openings/closings
 - Vaccine availability and distribution

Questions?

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