

Economic Conditions in Grand Rapids: Looking into 2021

A Presentation to
THE RIGHT PLACE

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W.E. Upjohn Institute for Employment Research
November 10, 2020

W.E. Upjohn Institute for Employment Research

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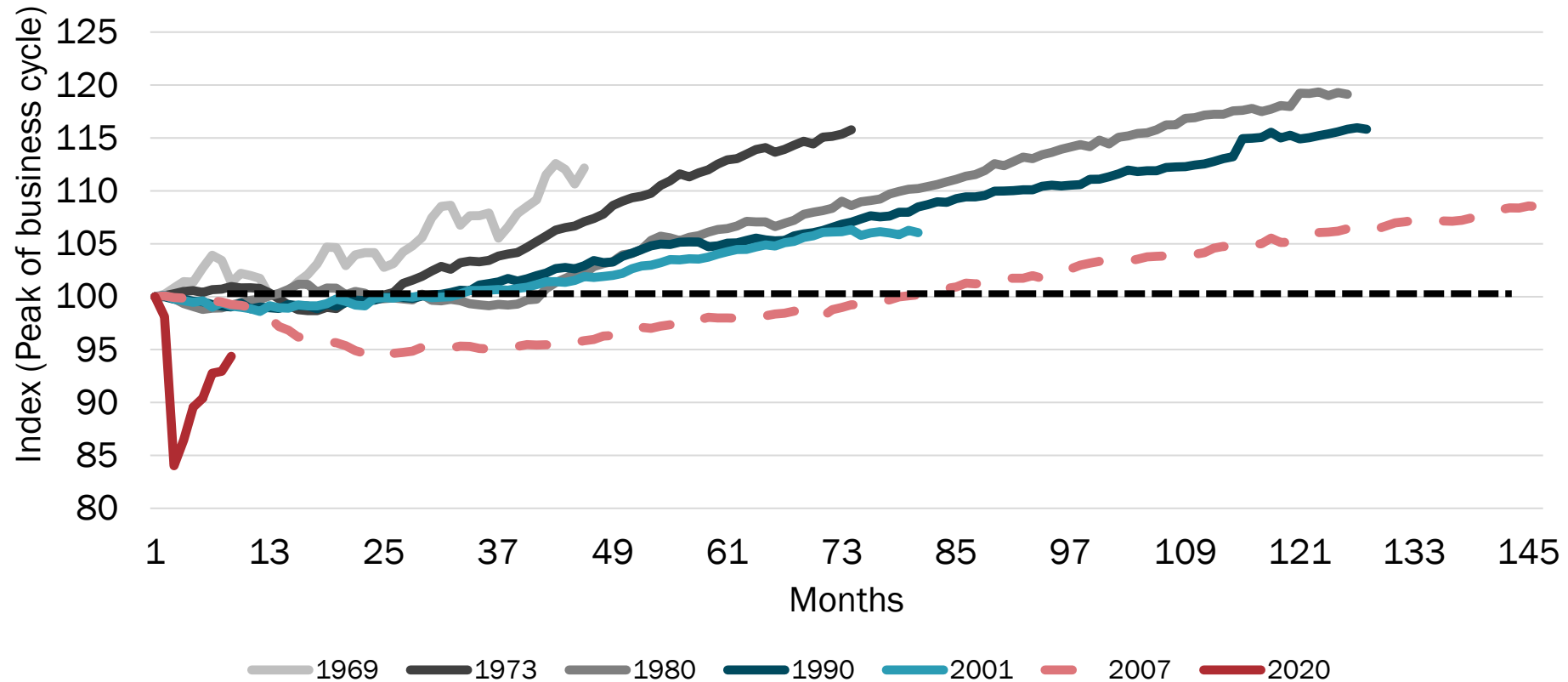
The W.E. Upjohn Institute for Employment Research is a private, nonprofit, nonpartisan, independent research organization devoted to investigating the causes and effects of unemployment, to identifying feasible methods of insuring against unemployment, and to devising ways and means of alleviating the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

We'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	

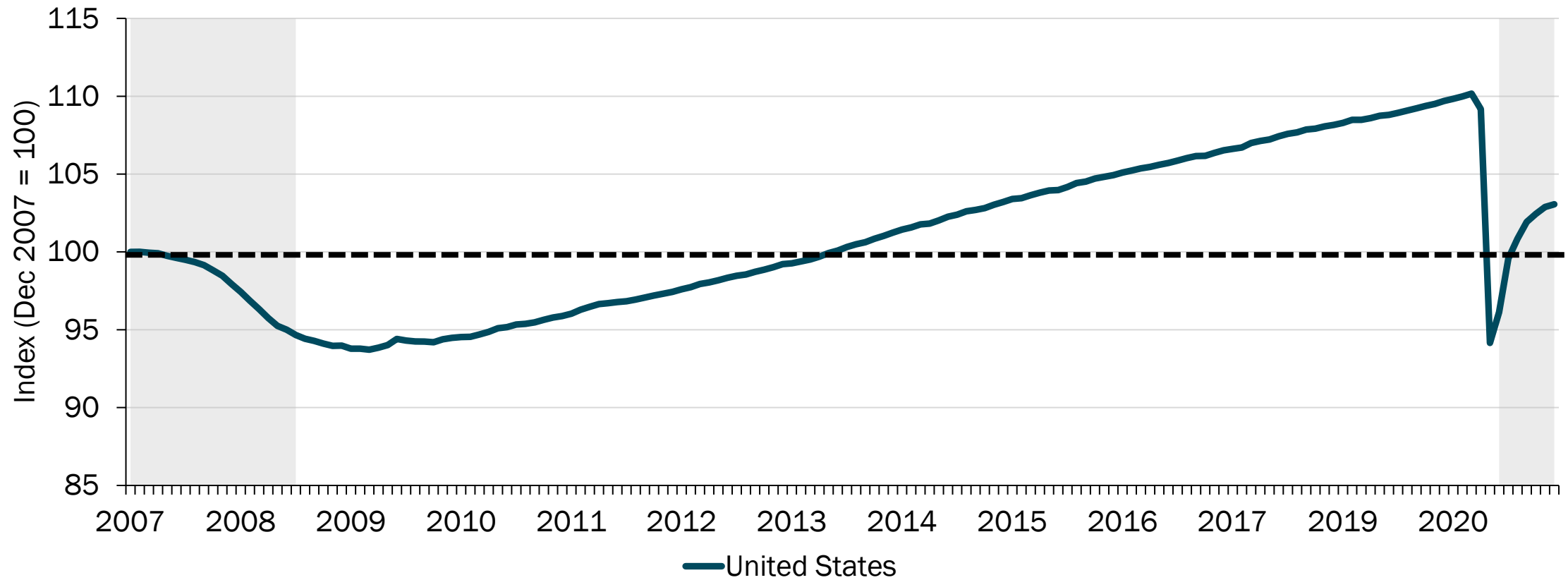
And now we face another record: The deepest and quickest recession yet

Peak to peak of national business cycles since 1969
(seasonally adjusted)



Employment is only slightly higher than December 2007

Nonfarm Employment Index



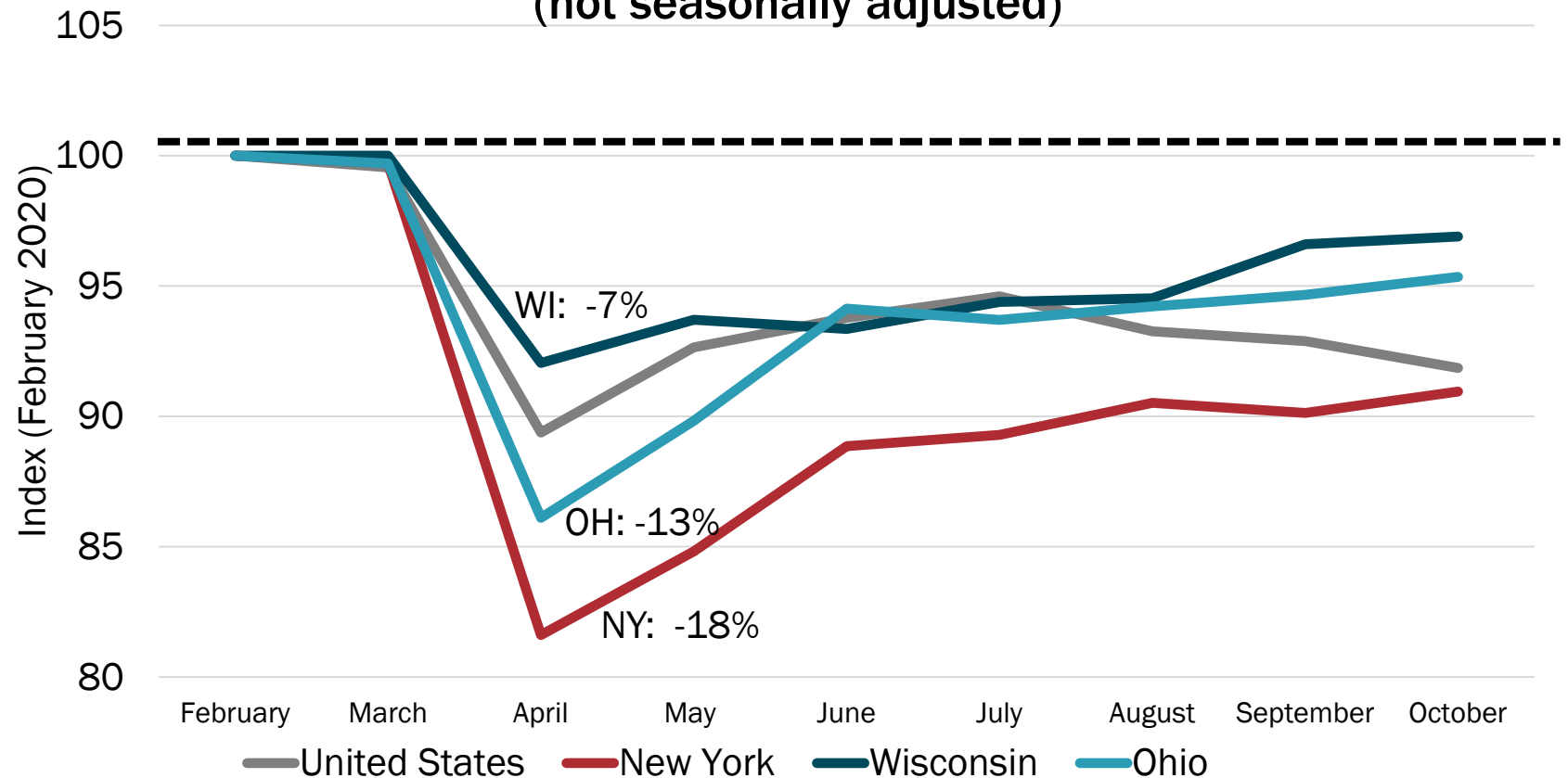
The COVID-19 pandemic has hit the economy worse than the Spanish Flu of 1918

Manufacturing Employment during Spanish Flu Pandemic

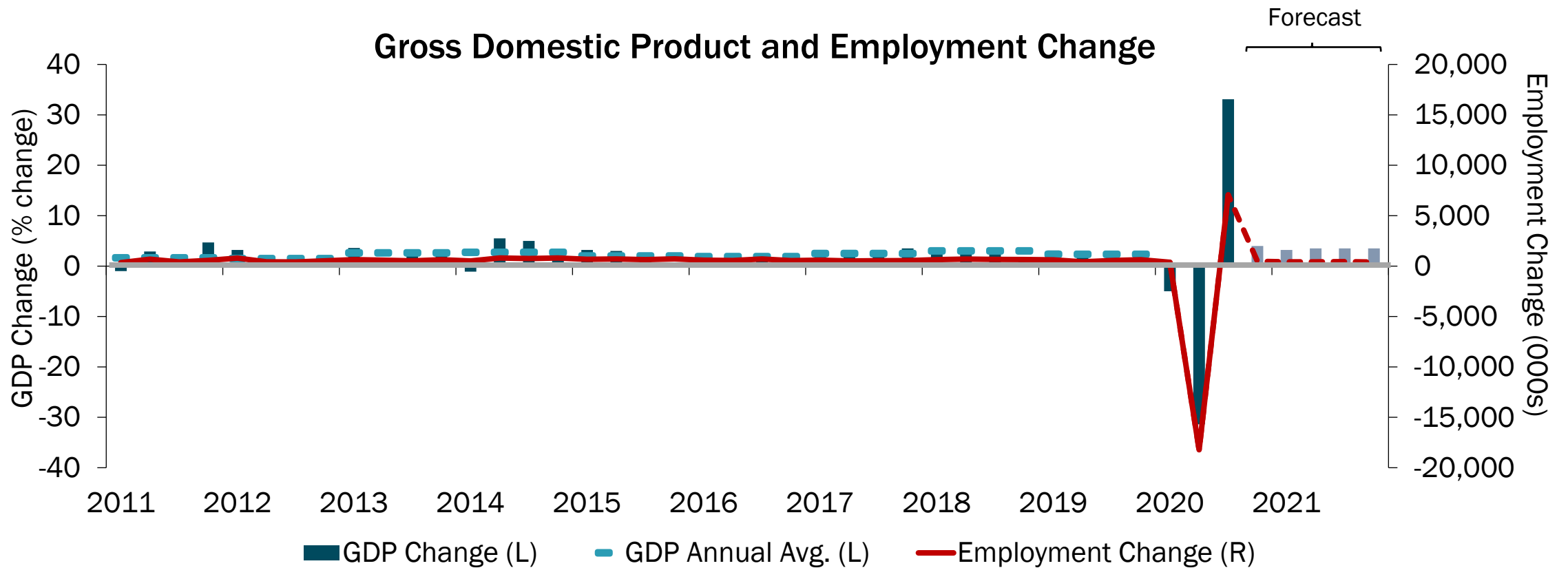
New York: -15%
 Ohio: -11%
 Wisconsin: -7%

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

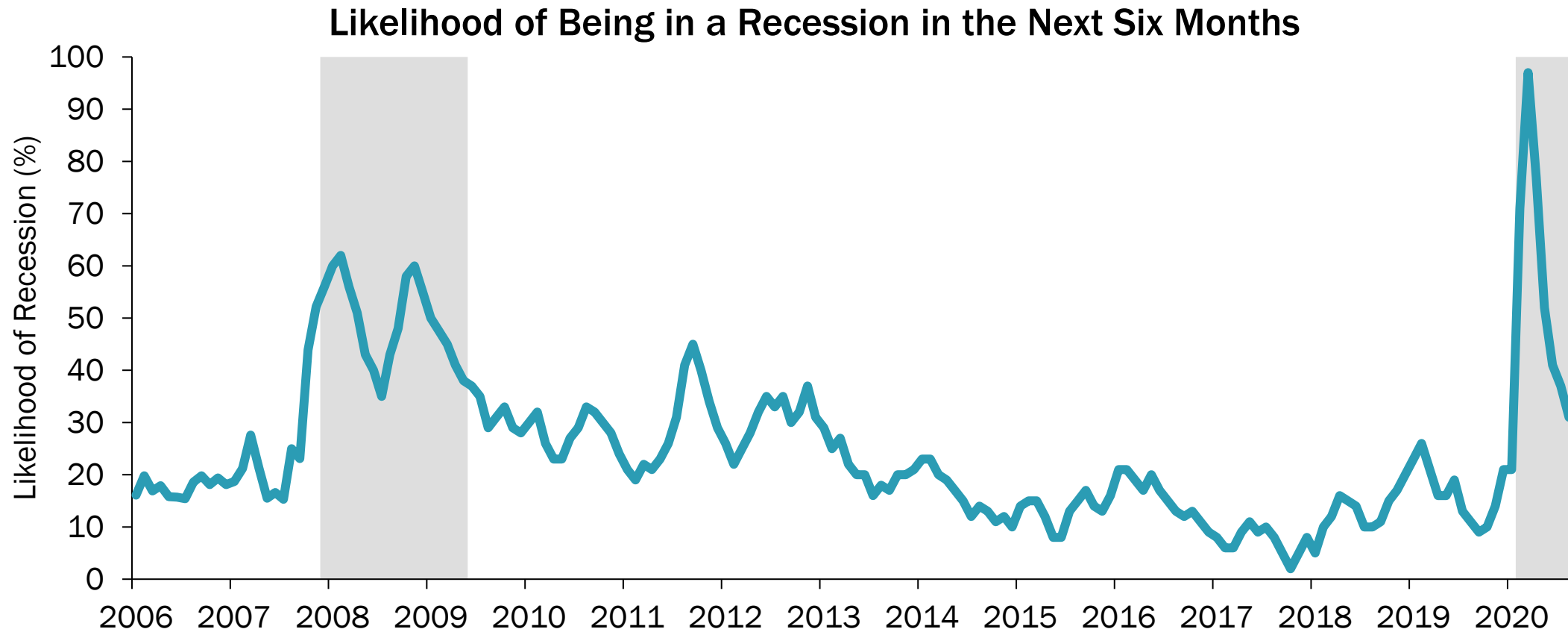
Manufacturing employment in selected states in 2020
 (not seasonally adjusted)



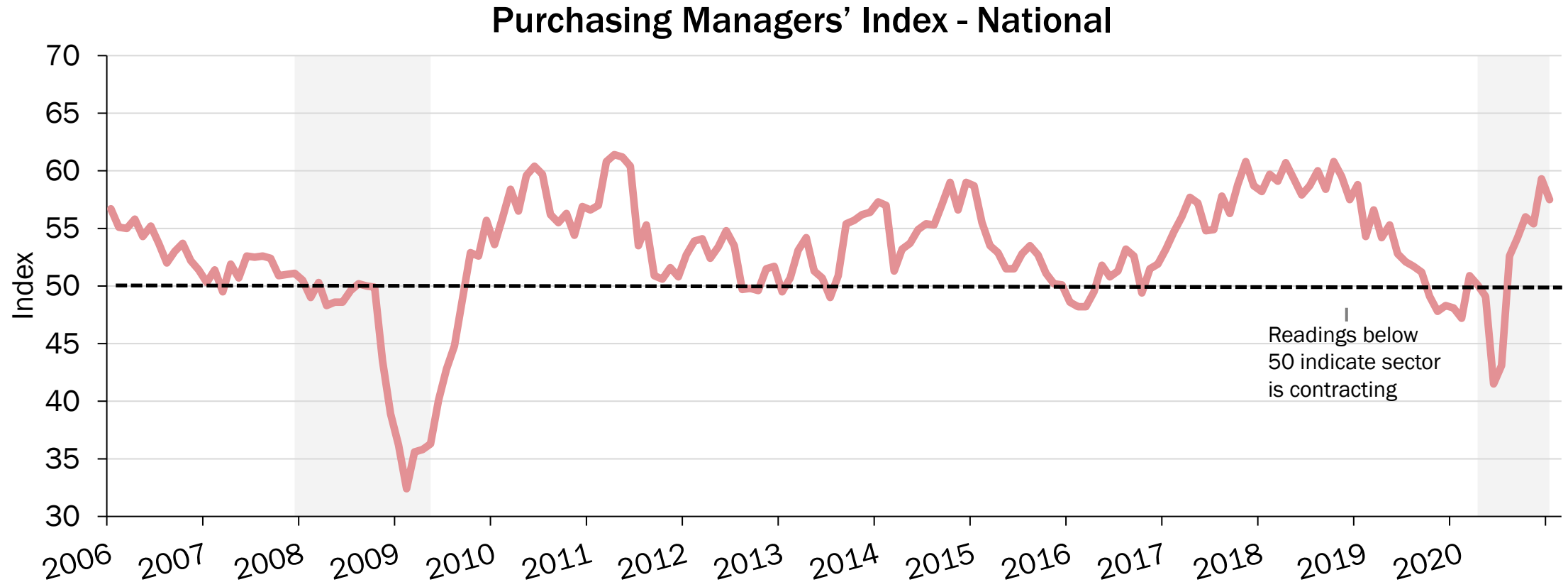
GDP growth is projected to remain solid, although employment growth is slowing



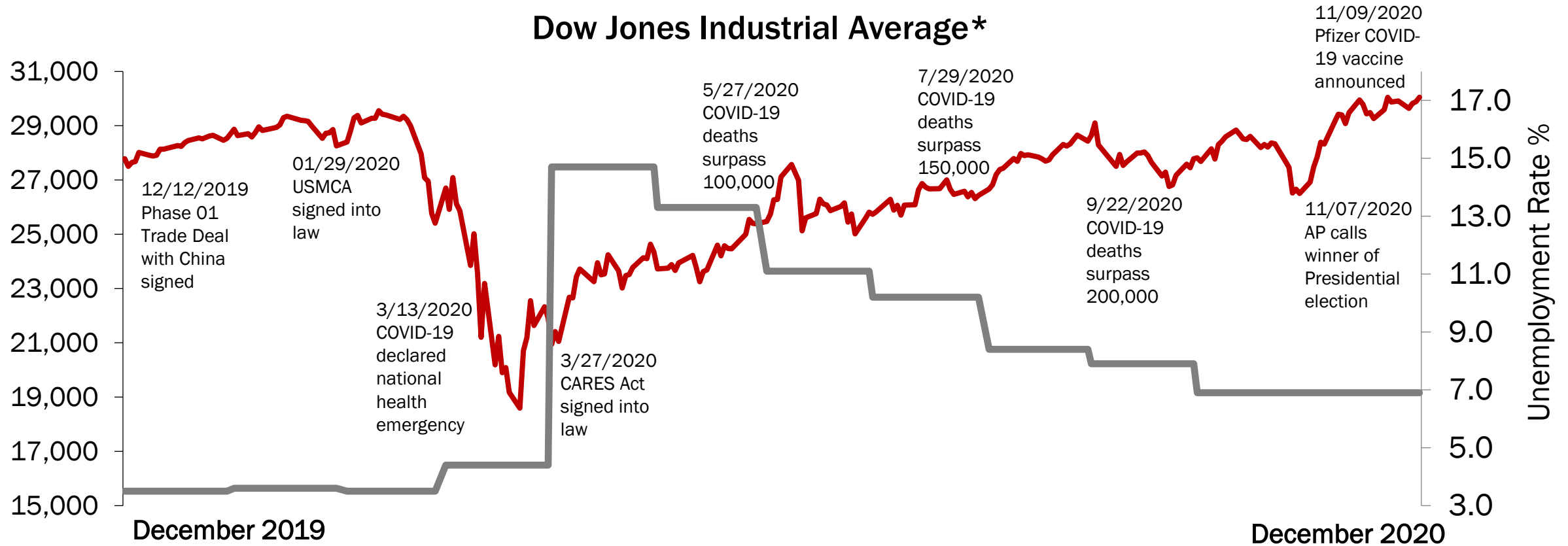
Moody's predictions of a recession are trending downward: 31% for September



National PMI stood at 57.5 in November, indicating that the Manufacturing sector is expanding

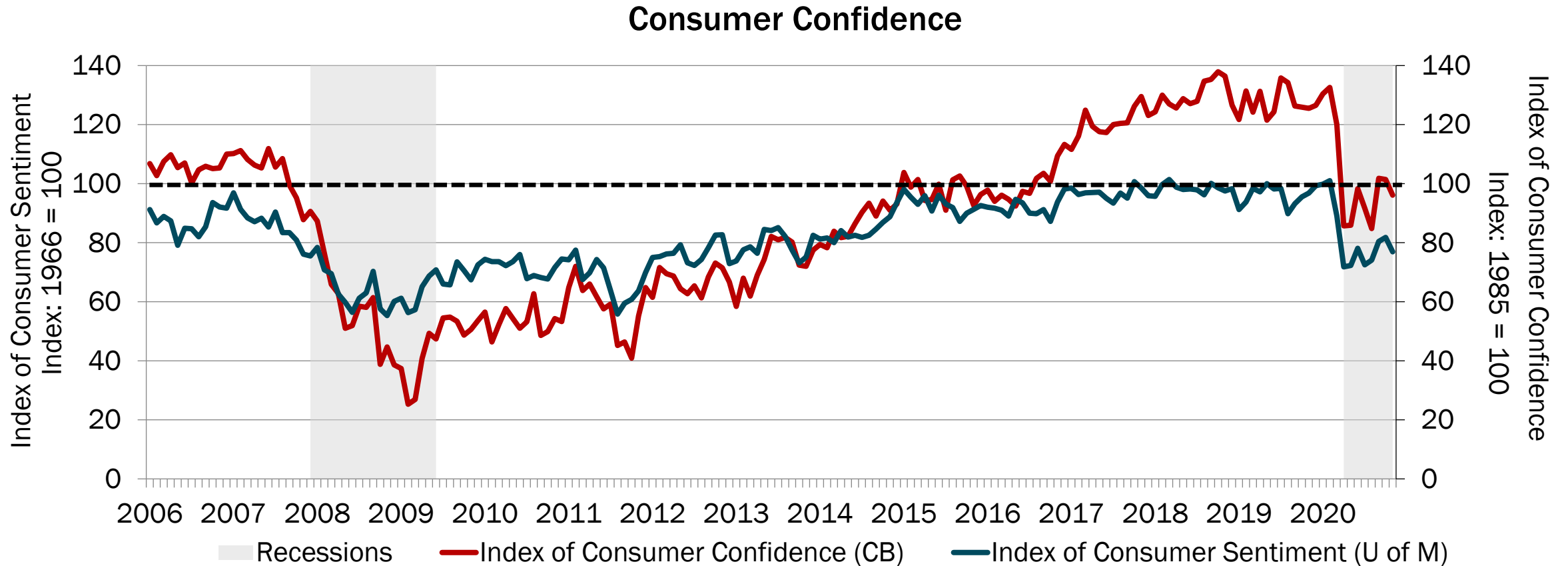


The stock market has reacted to various events this year, and the recent ride has been surprisingly good



*As of December 2, 2020

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



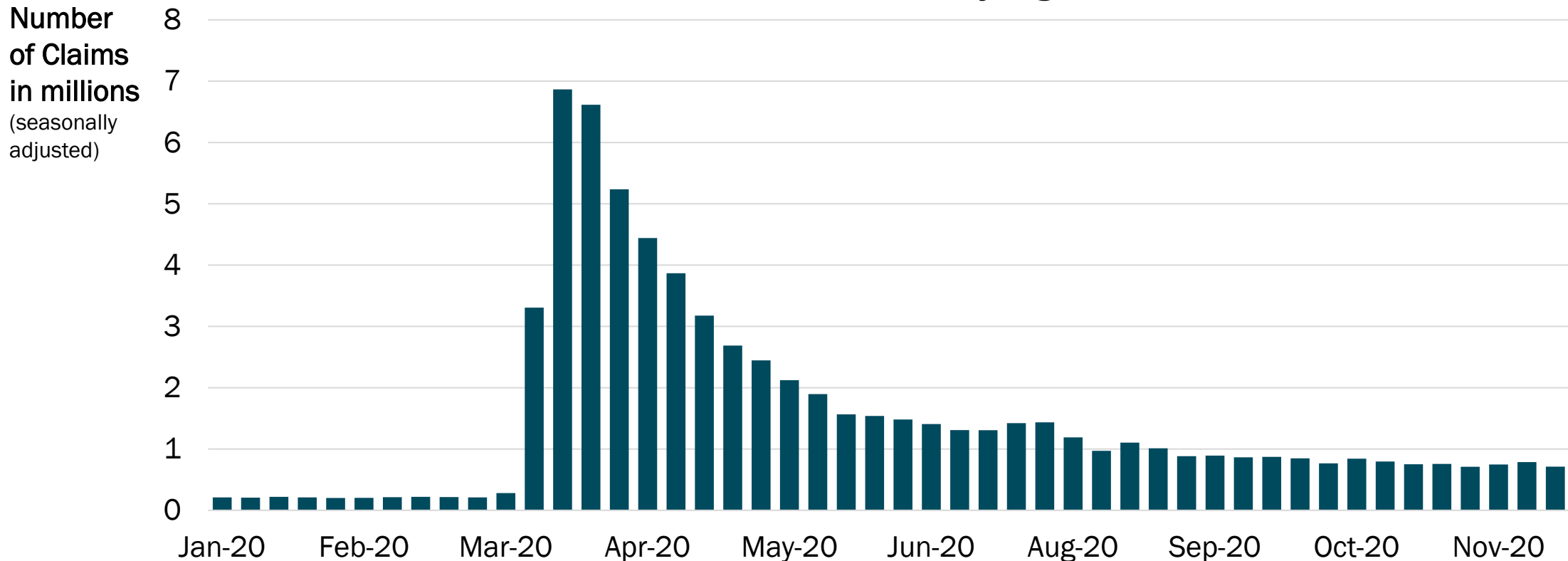
University of Michigan RSQE November national forecast*: Note that these estimates are annualized

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

* November 2020

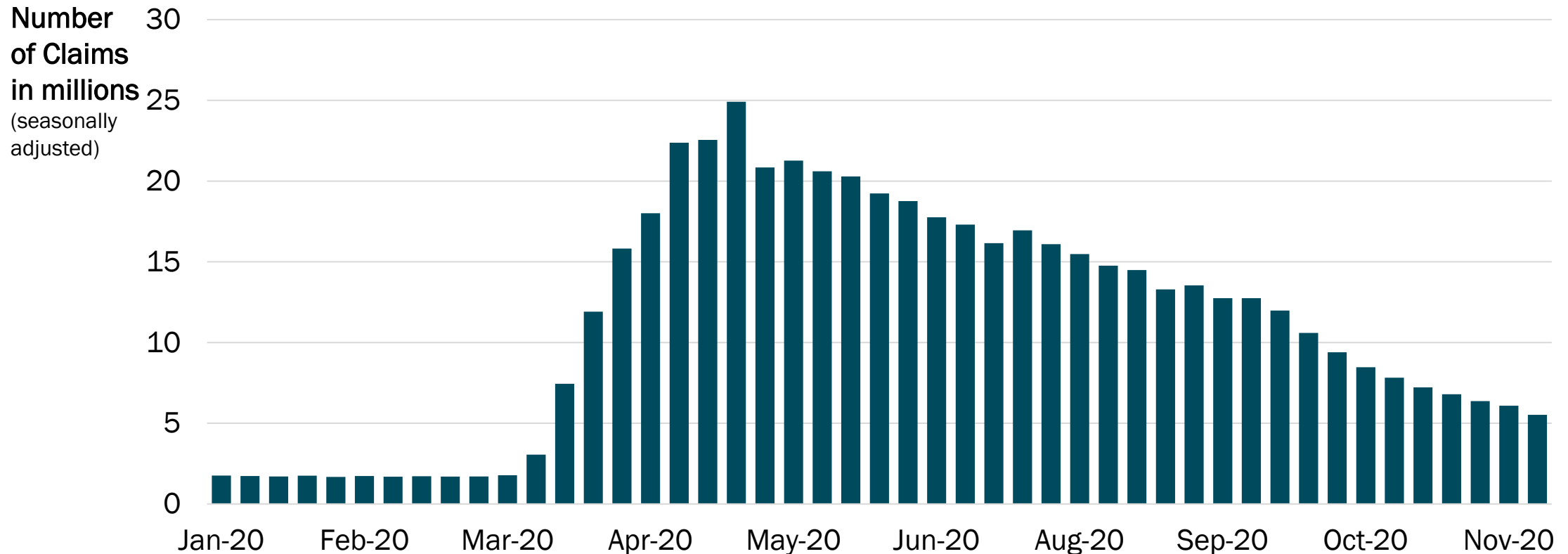
The number of initial UI claims have been trending downward

Weekly initial claim filings for Unemployment Insurance are slowing, but remain at historically high levels



The number of continuing claims are trending downward

Weekly continuing claims for Unemployment Insurance



Michigan Economy

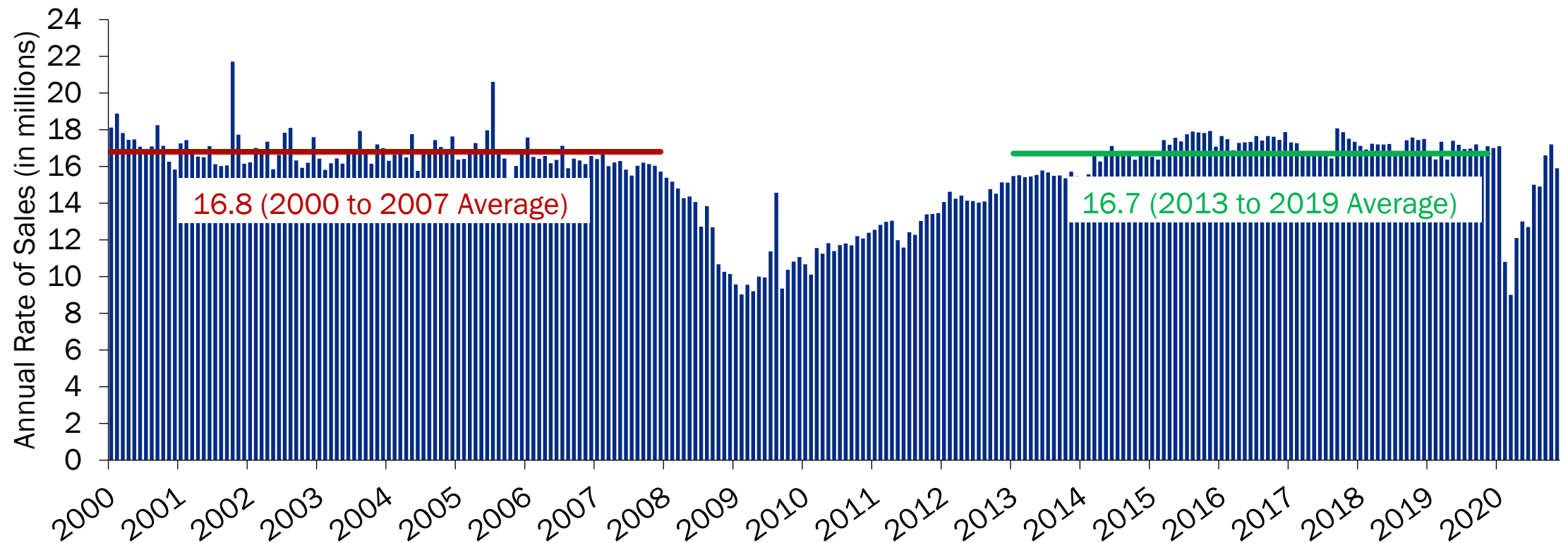
University of Michigan RSQE current* state forecast

	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%

*November 2020

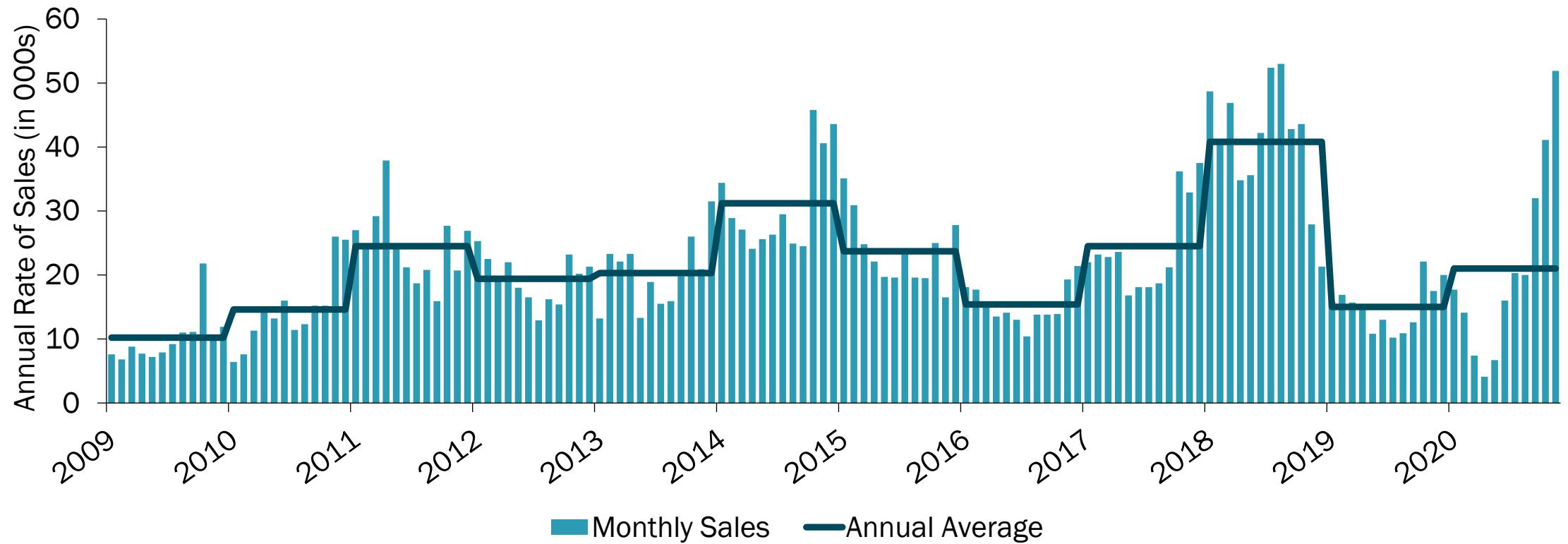
Light vehicle sales have rebounded; will work from home change consumption patterns?

Annualized Rate of U.S. Light Vehicle Sales (In Millions)



Class 8 truck orders reach highest level since 2019

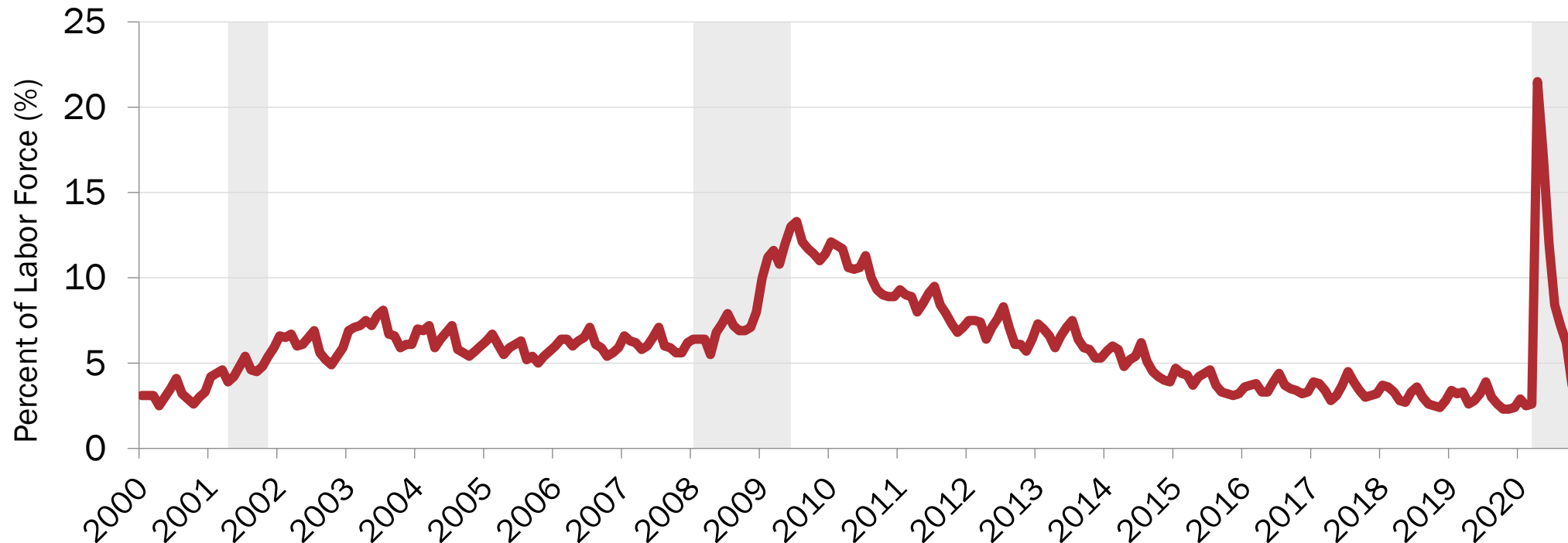
Class 8 Truck Orders



Grand Rapids Economy Current Conditions

The current unemployment rate is 3.7%*, with 21,130 persons looking for work

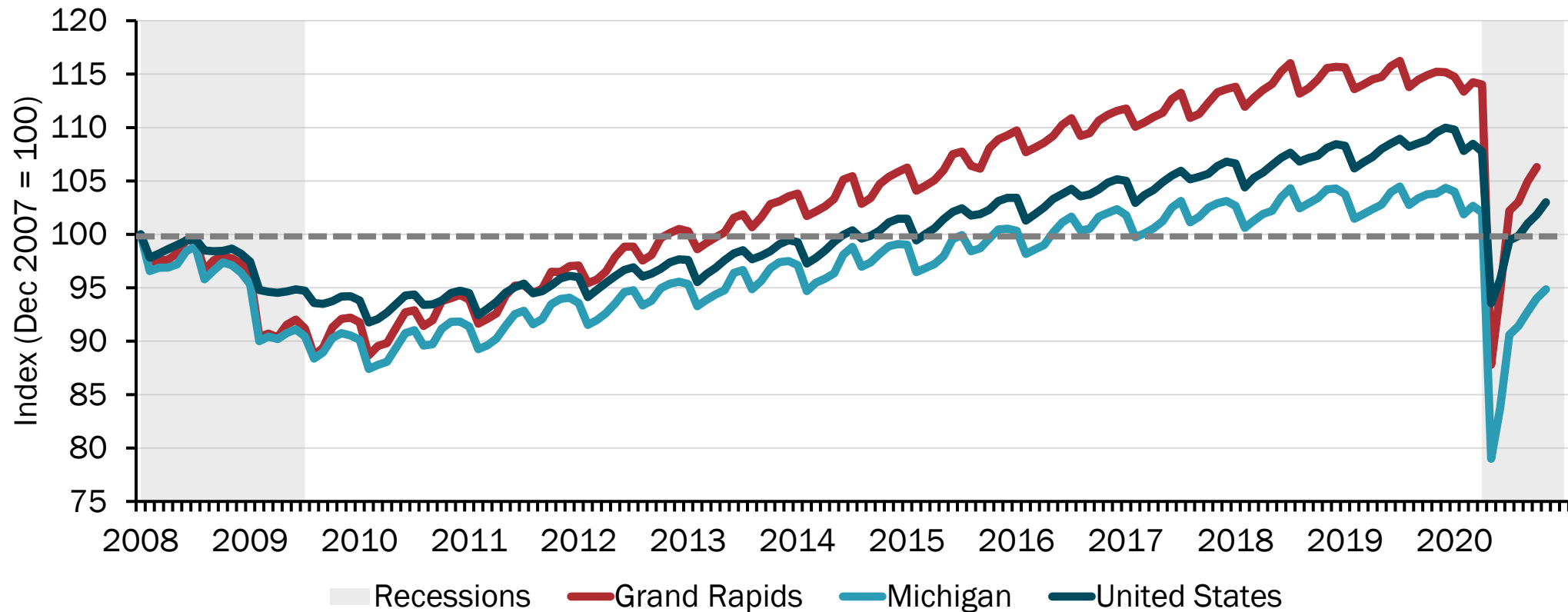
Unemployment Rate for the Grand Rapids MSA



*As of October 2020

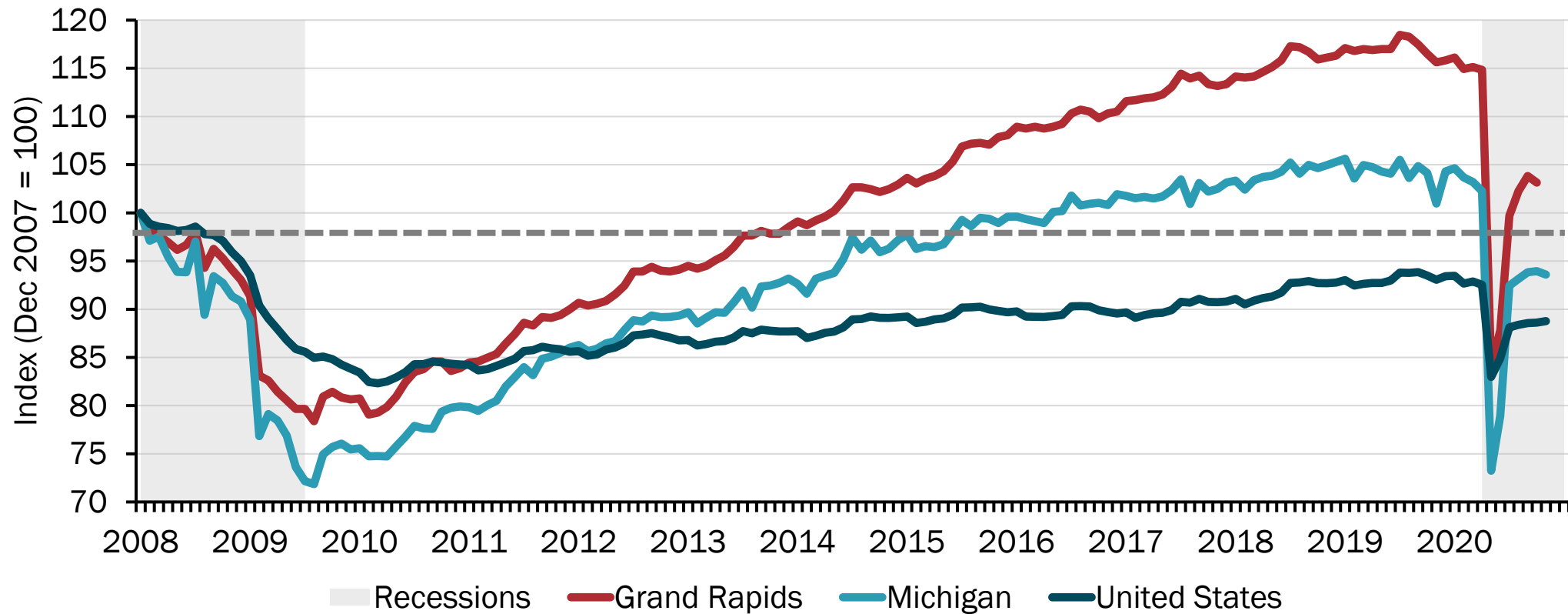
The Grand Rapids MSA has quickly recovered jobs that were displaced in the COVID-19 Recession

Total Employment Index



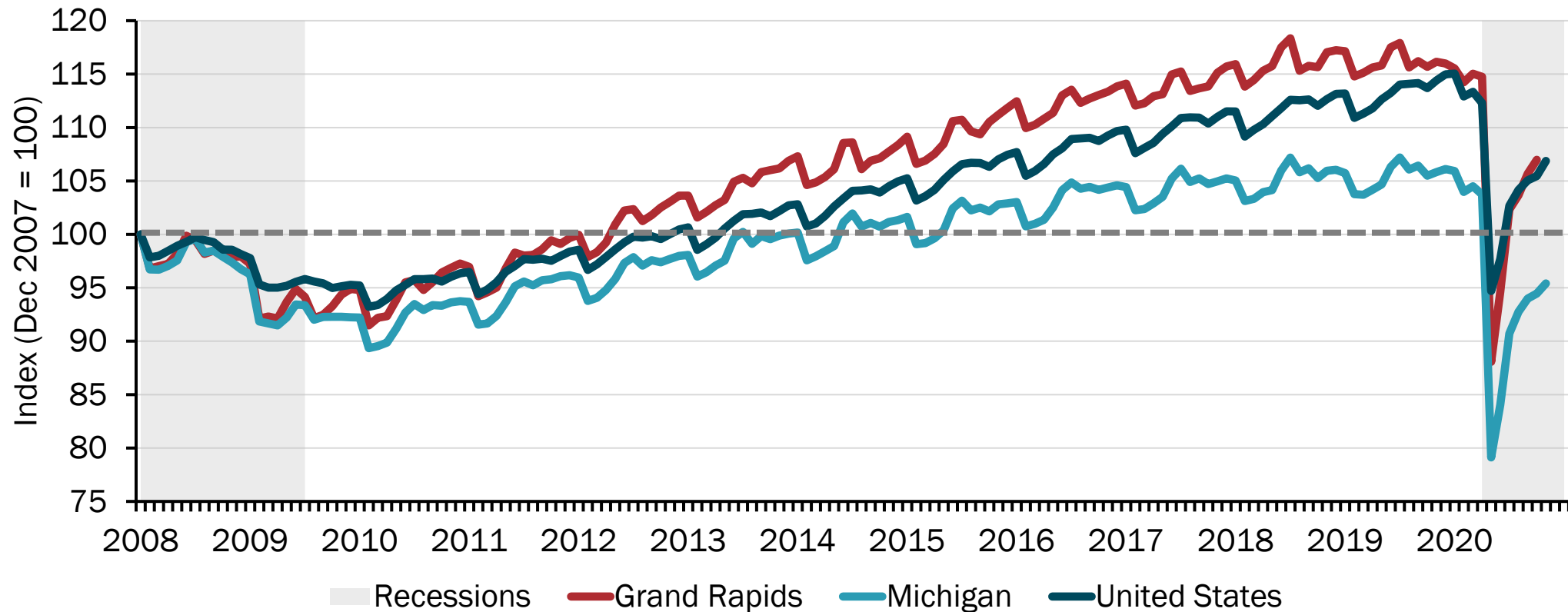
Manufacturing employment took a large hit during the lockdowns but has rebounded faster than the nation or state

Manufacturing Employment Index



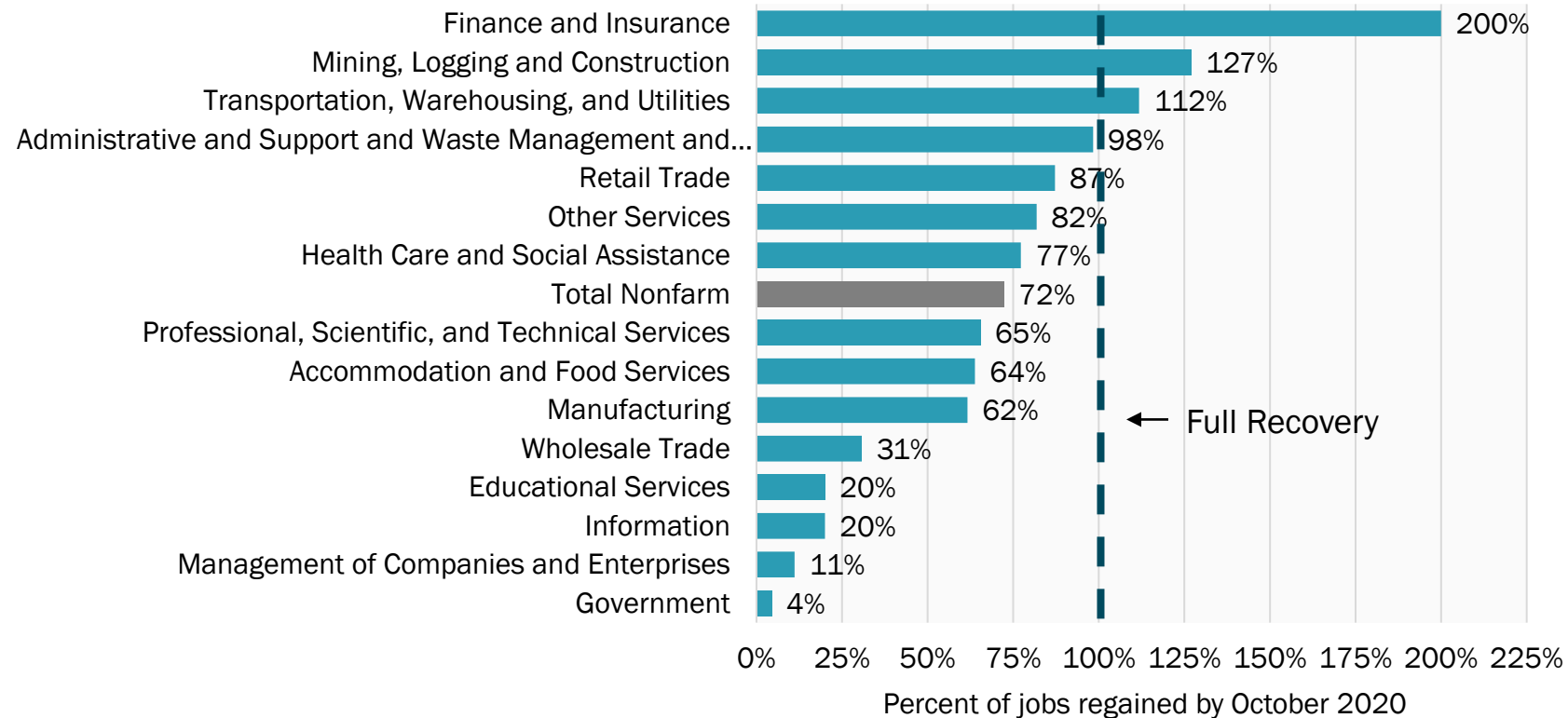
The service sector employment rebound is faster than the state and on pace with the nation

Service Providing Employment Index



Employment recovery

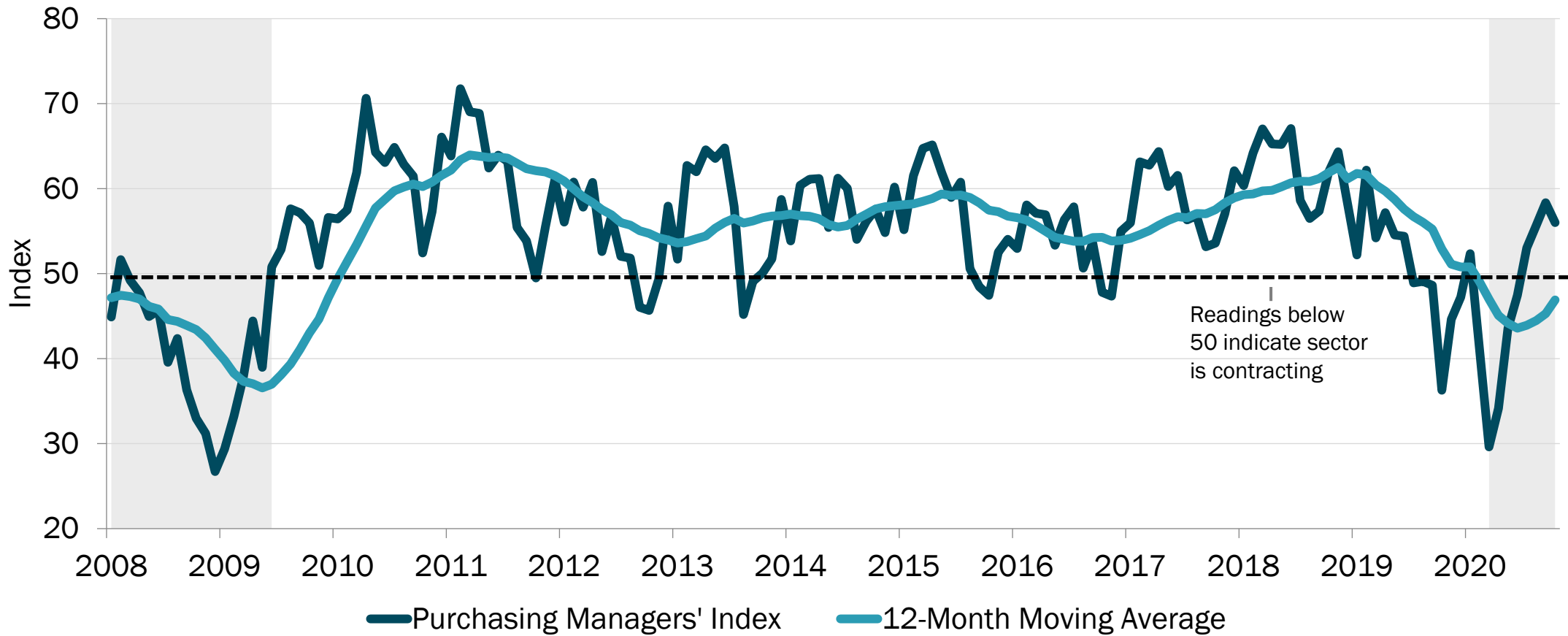
Percent of Jobs regained* by October 2020 Following Employment Declines Beginning in March in Grand Rapids by Major Sector



*Data not seasonally adjusted

The trend is continuing upward—56.0 in November

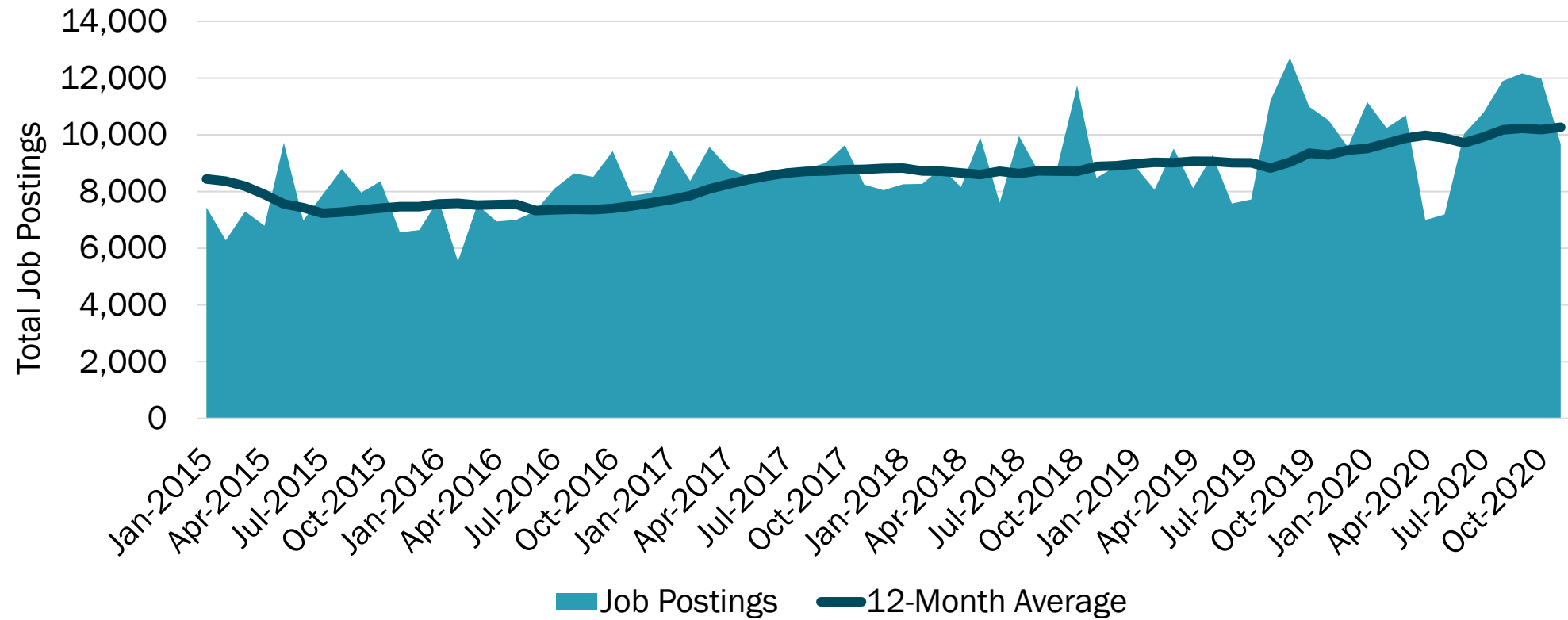
Purchasing Managers' Index – Grand Rapids



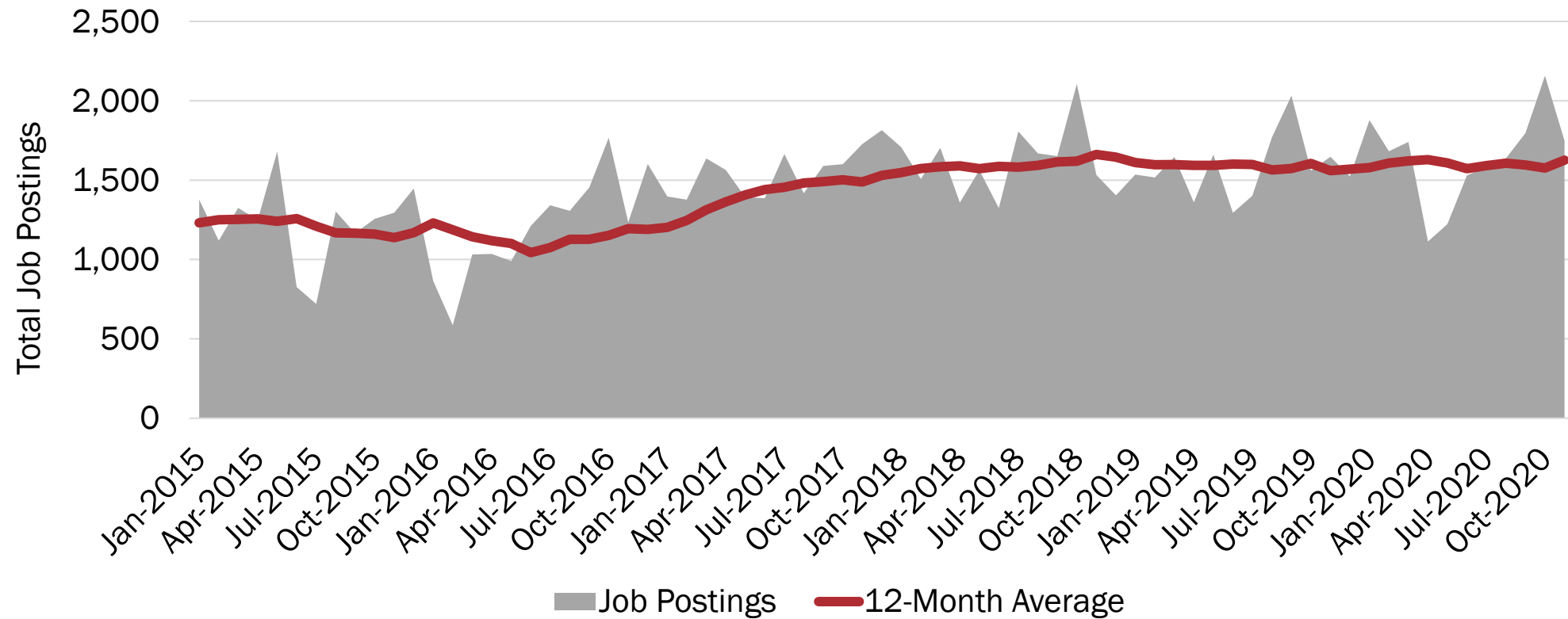
REMI Forecasts

Grand Rapids MSA Job Postings

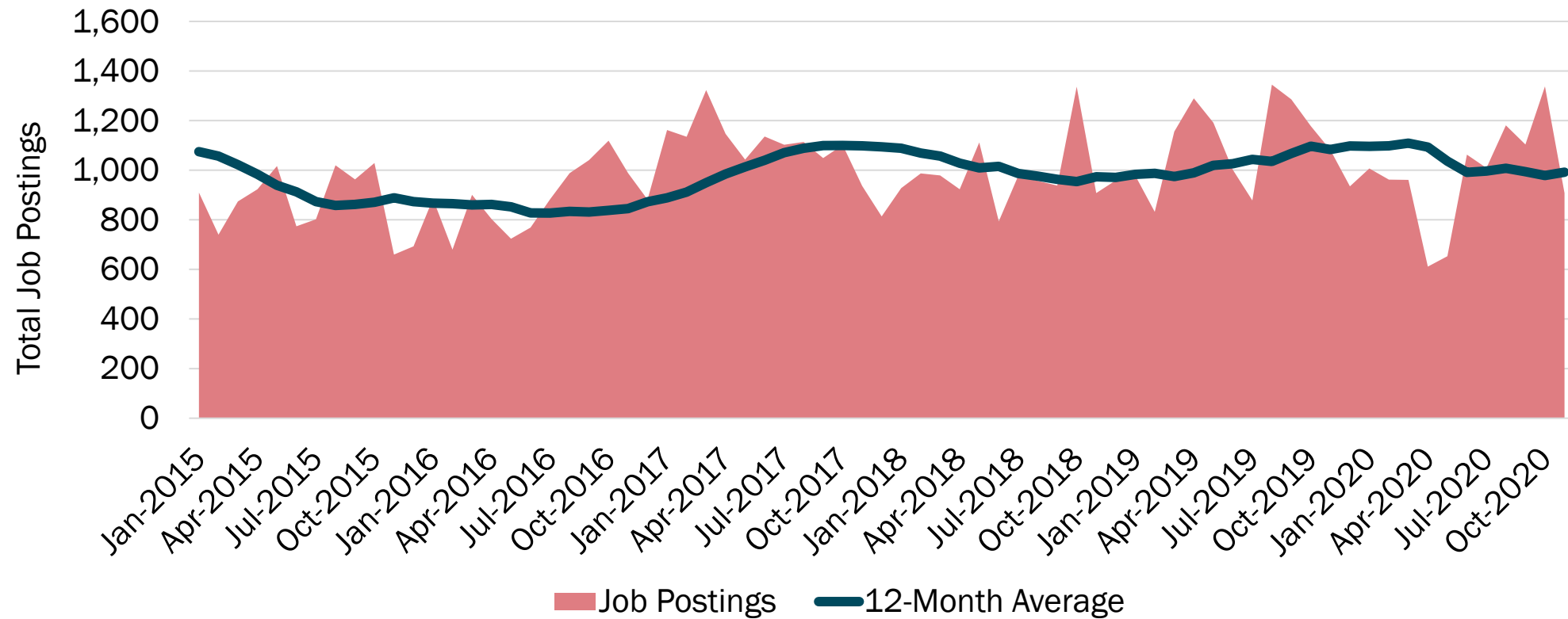
Total job postings in the Grand Rapids MSA



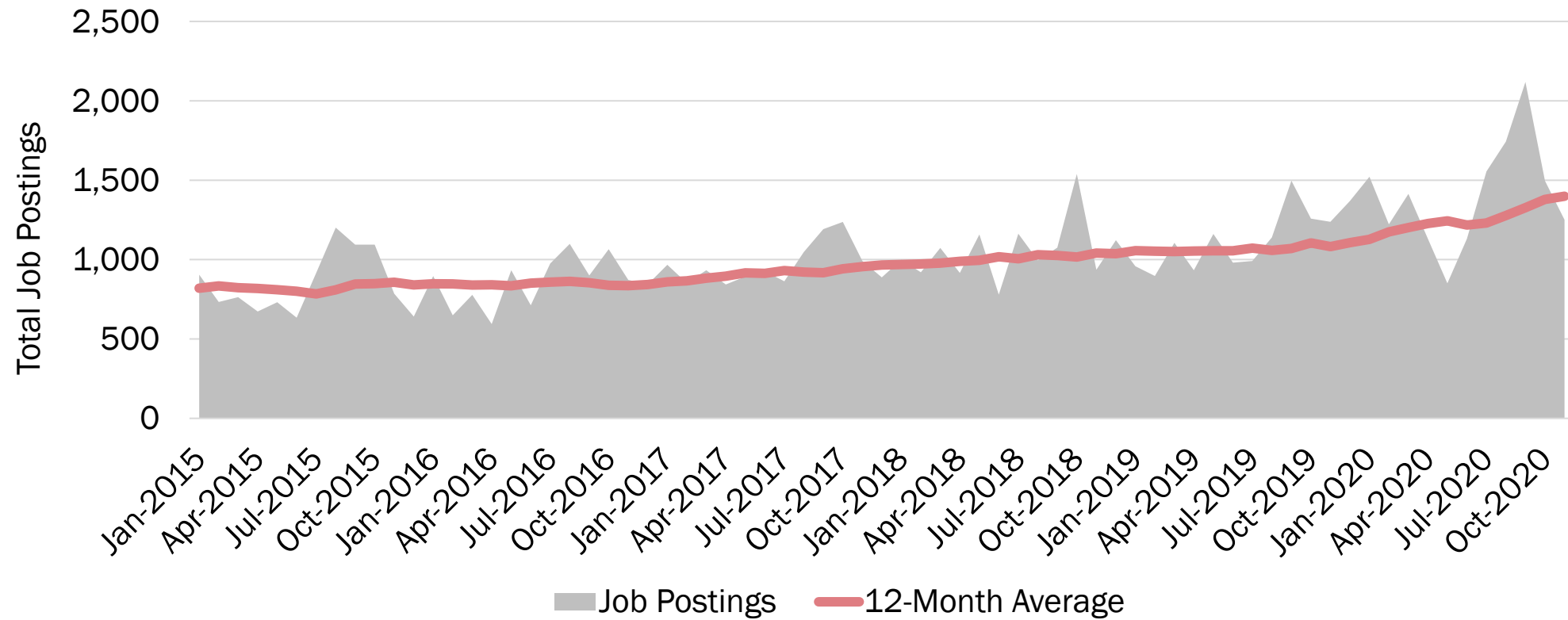
Total job postings for Health Care and Social Assistance in the Grand Rapids MSA



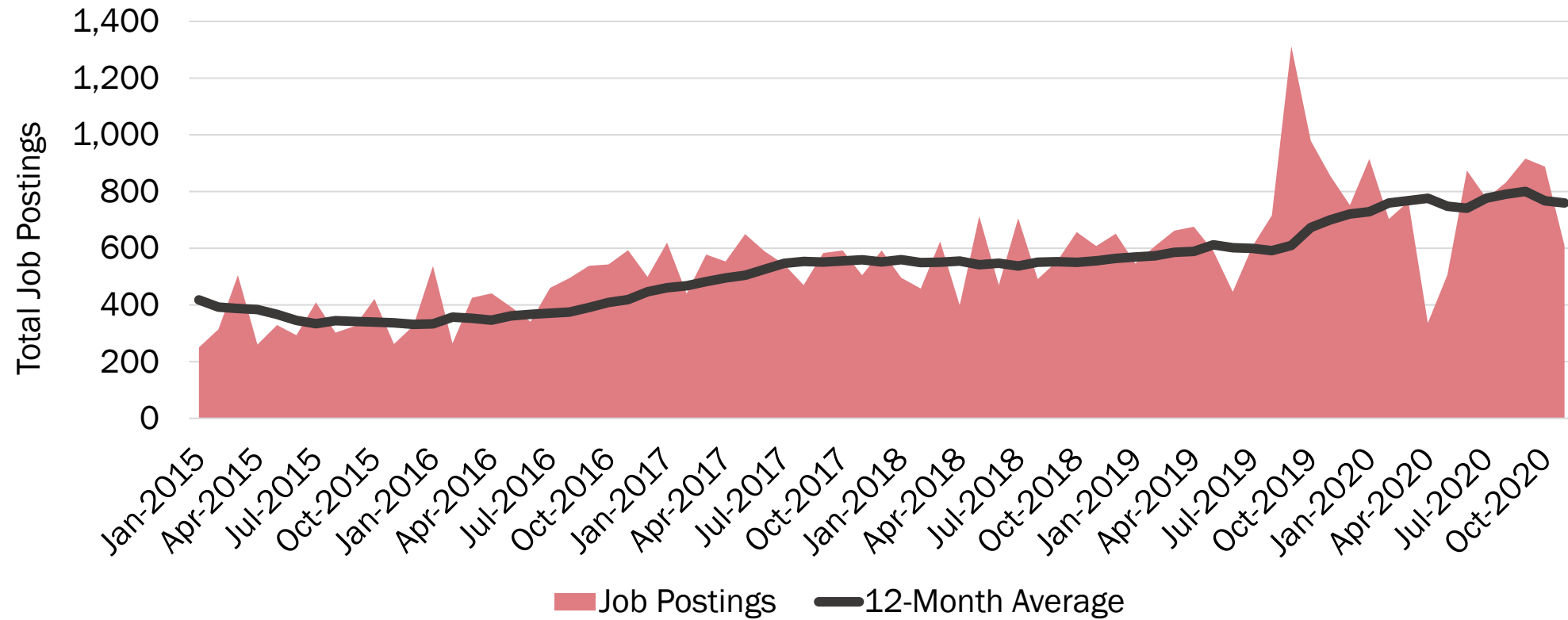
Total job postings for Manufacturing in the Grand Rapids MSA



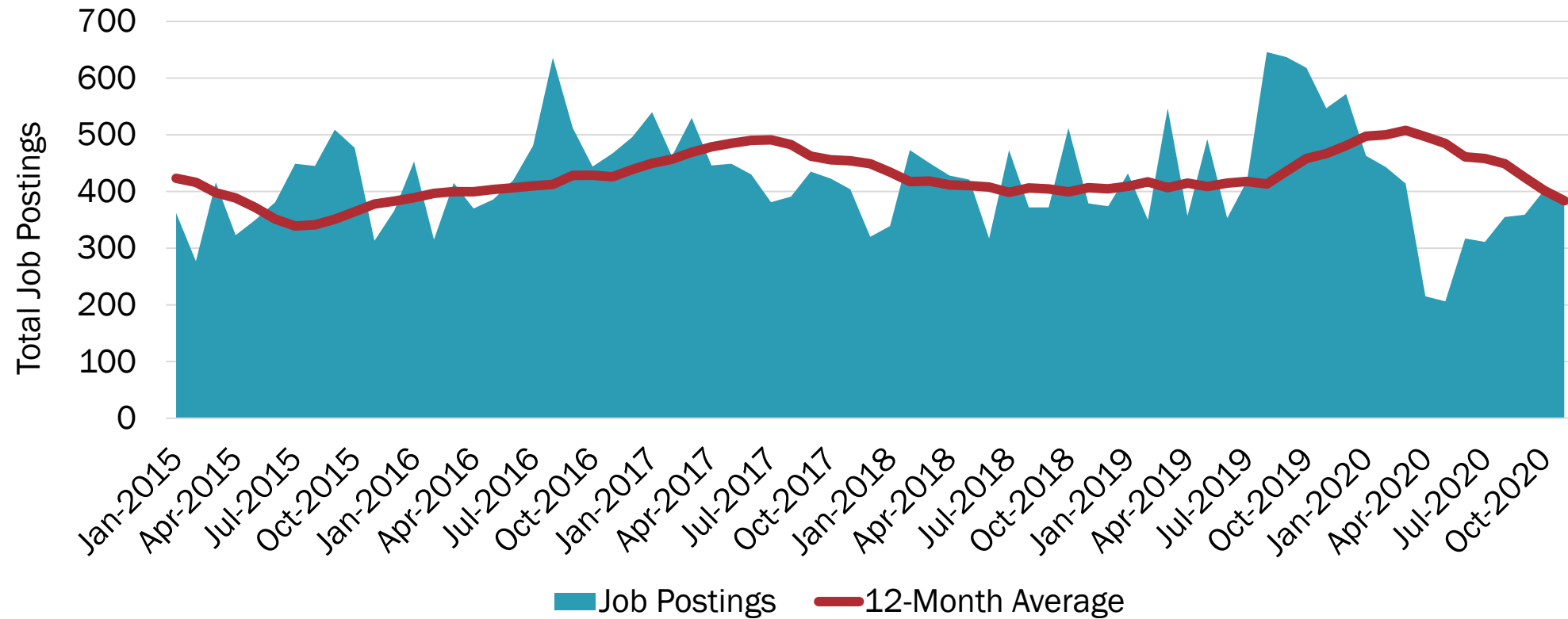
Total job postings for Retail Trade in the Grand Rapids MSA



Total job postings for Accommodation and Food Services in the Grand Rapids MSA



Total job postings for Professional, Scientific, and Technical Services in the Grand Rapids MSA



Claritas Population and Demographic Estimates

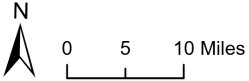
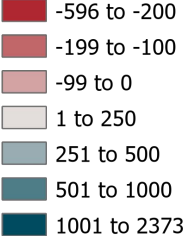
Kent County and Adjacent Counties

Population Difference Total Change (2010 to 2020)

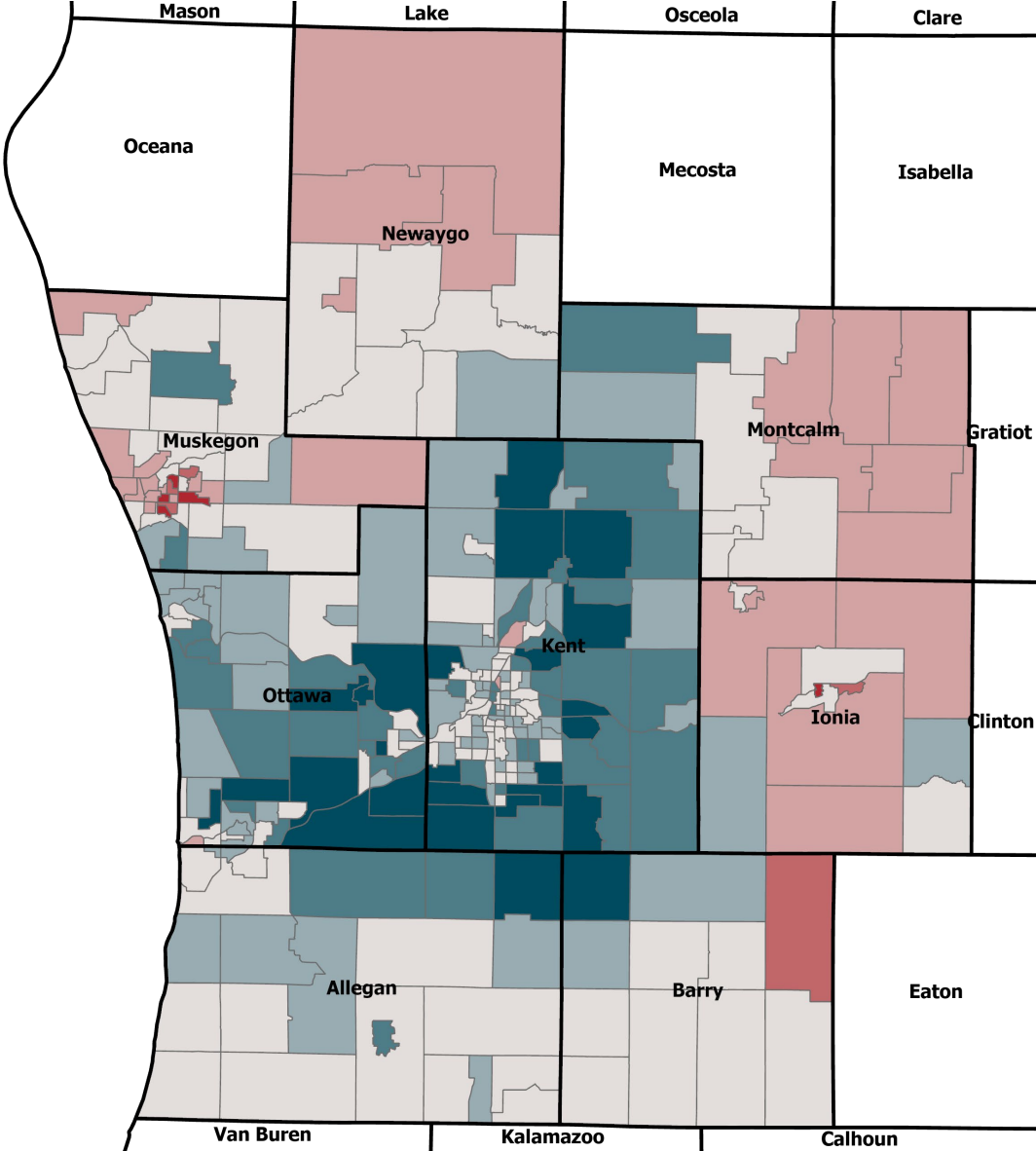
- Kent, Ottawa, Allegan and Barry counties had a population increase in most of the county.
- Muskegon, Newaygo, Montcalm and Ionia had population decreases in most of the county.
- Areas with the largest population decrease include the city of Muskegon and the city of Ionia.

2010 to 2020
Population Difference

By Census Tract

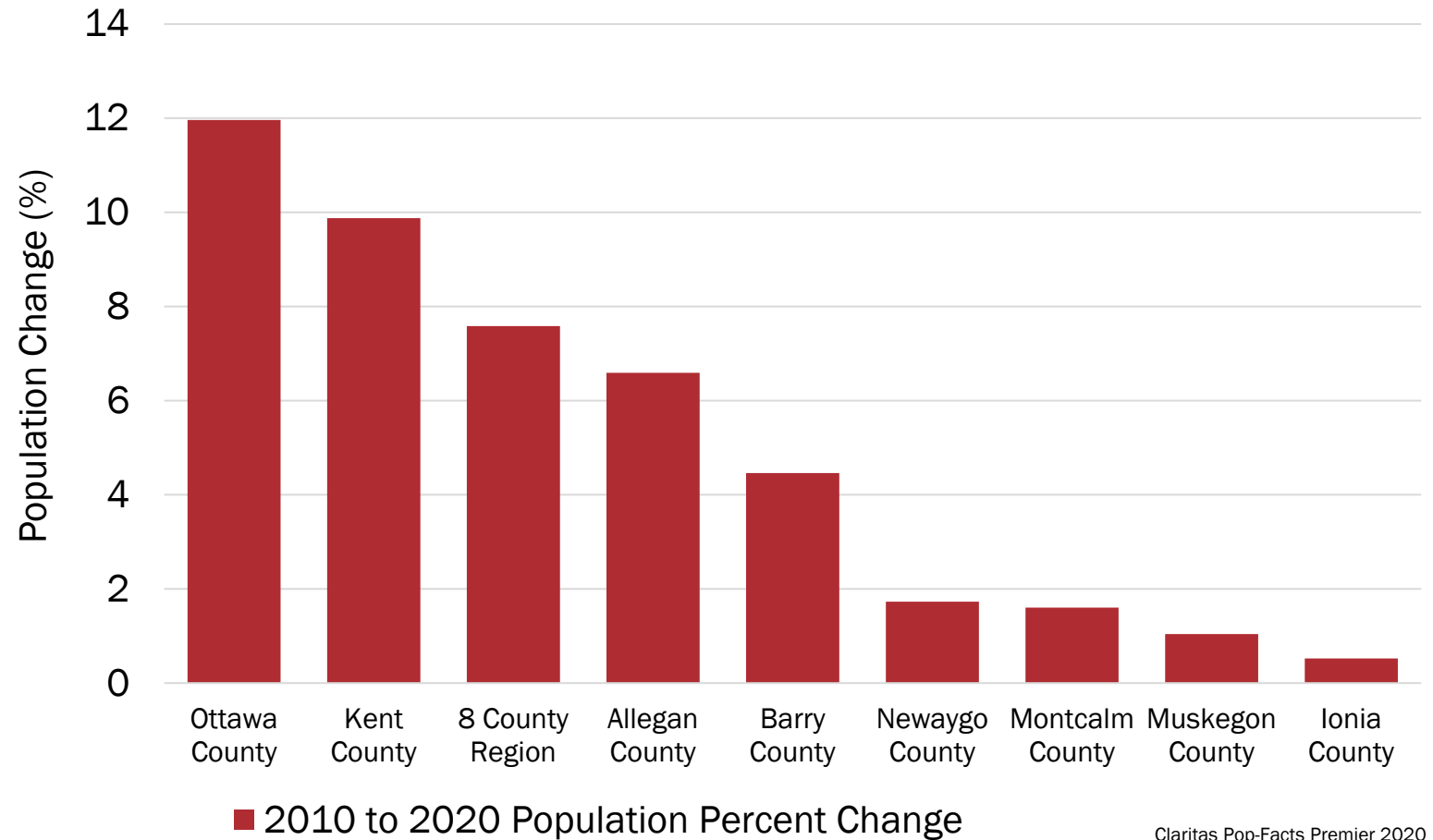


Source: Claritas Pop-Facts
Premier 2020



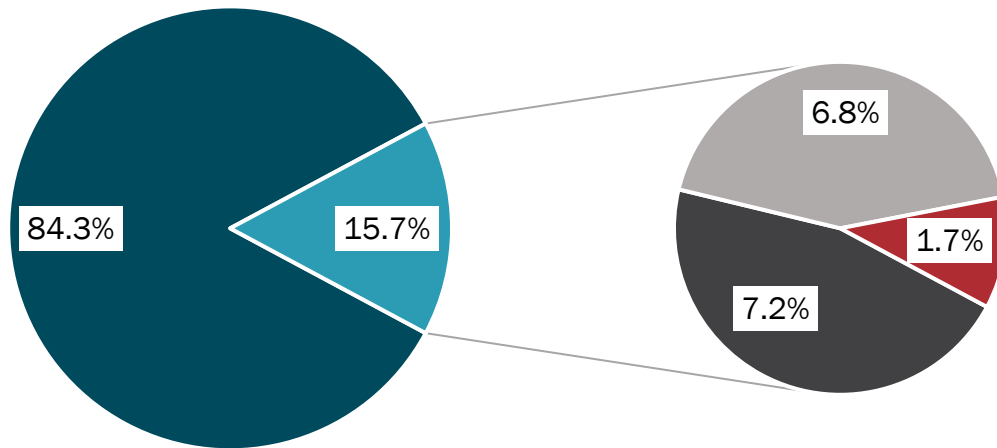
Population percent change from 2010 to 2020

- Ottawa County had the largest percent change in population from 2010 to 2020.



Claritas Pop-Facts Premier 2020

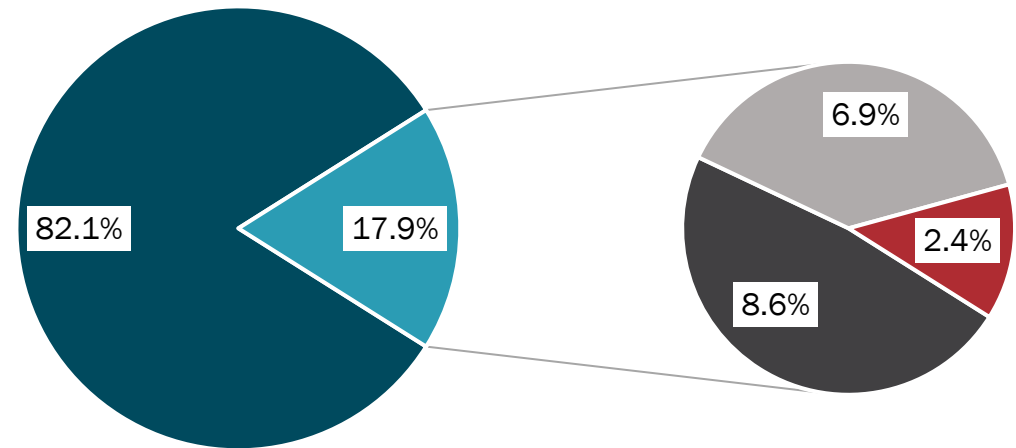
Population Percent by Race in 8 County Region for 2010



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

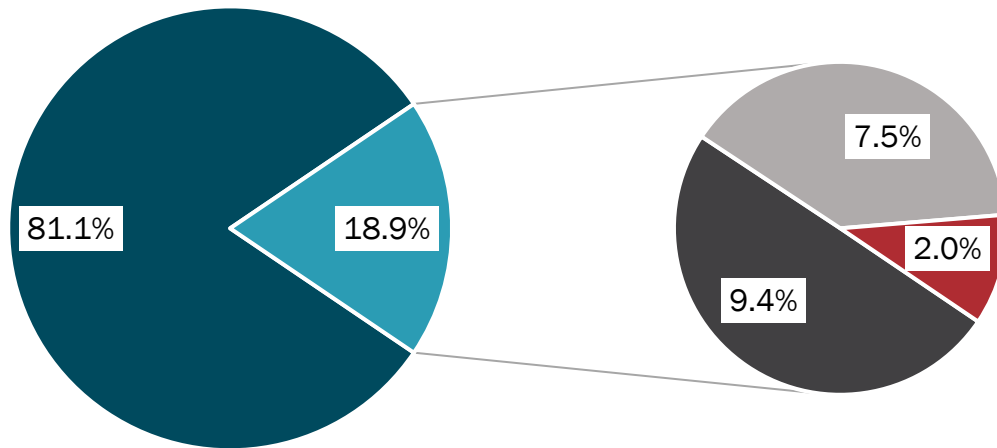
Population Percent by Race in 8 County Region for 2020



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

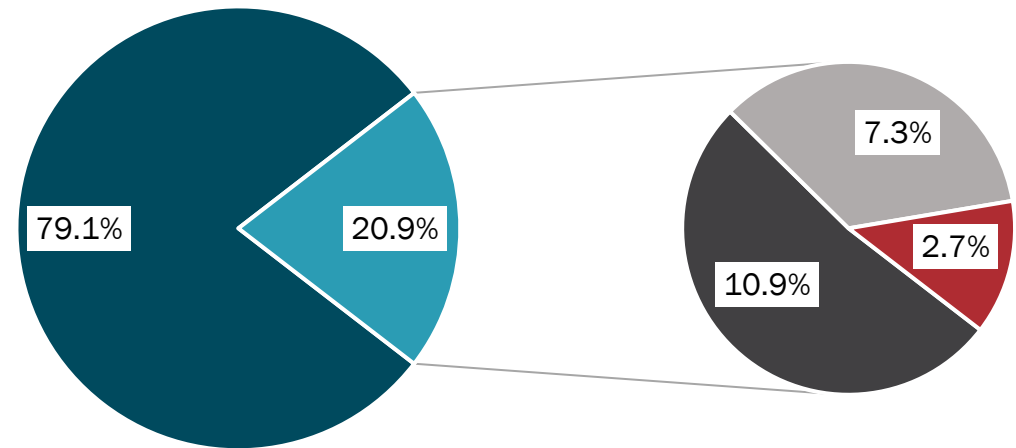
Population Percent by Race in 8 County Region for 2010 (Ages 25 to 34)



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

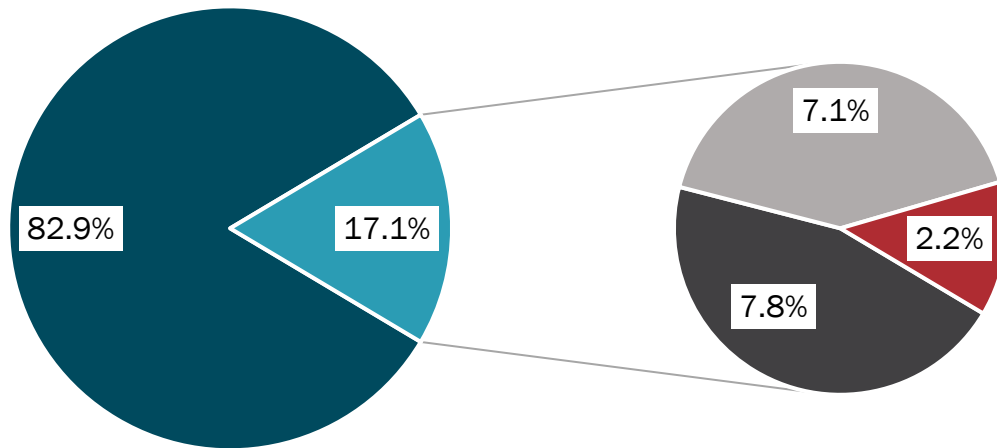
Population Percent by Race in 8 County Region for 2020 (Ages 25 to 34)



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Claritas Pop-Facts Premier 2020

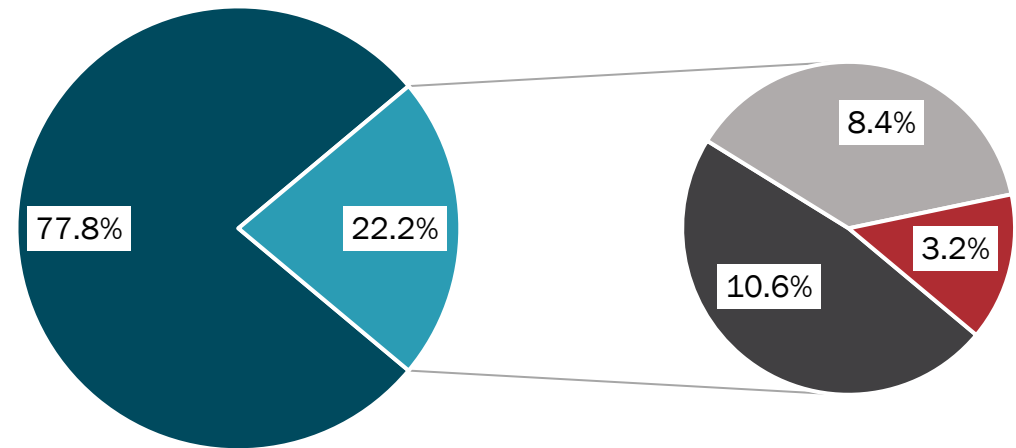
Population Percent by Race in 8 County Region for 2010 (Ages 35 to 44)



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

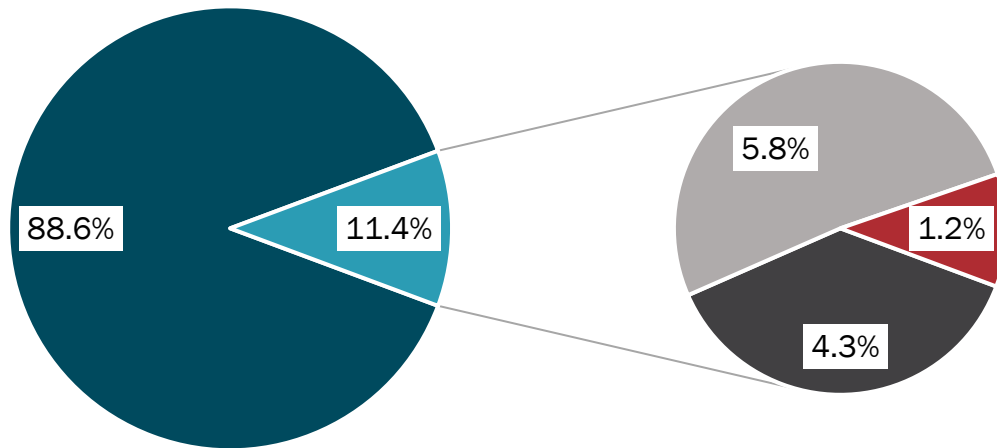
Population Percent by Race in 8 County Region 2020 for (Ages 35 to 44)



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

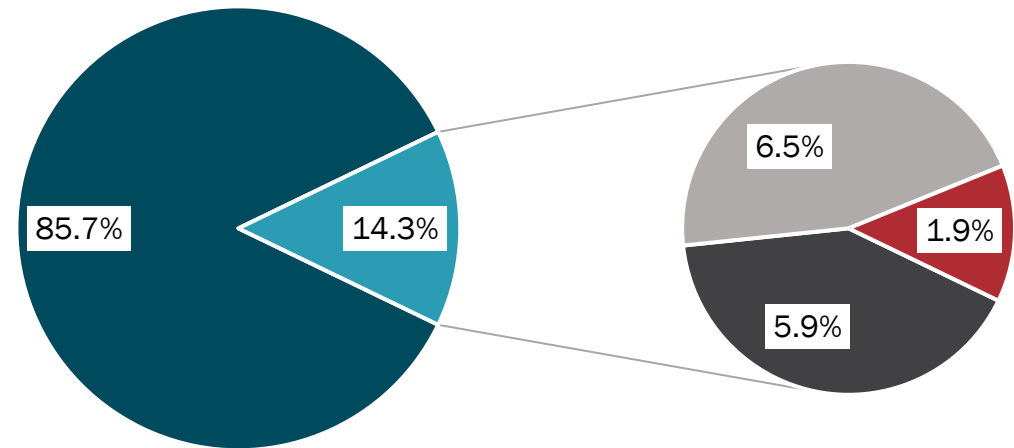
Population Percent by Race in 8 County Region for 2010 (Ages 45 to 54)



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

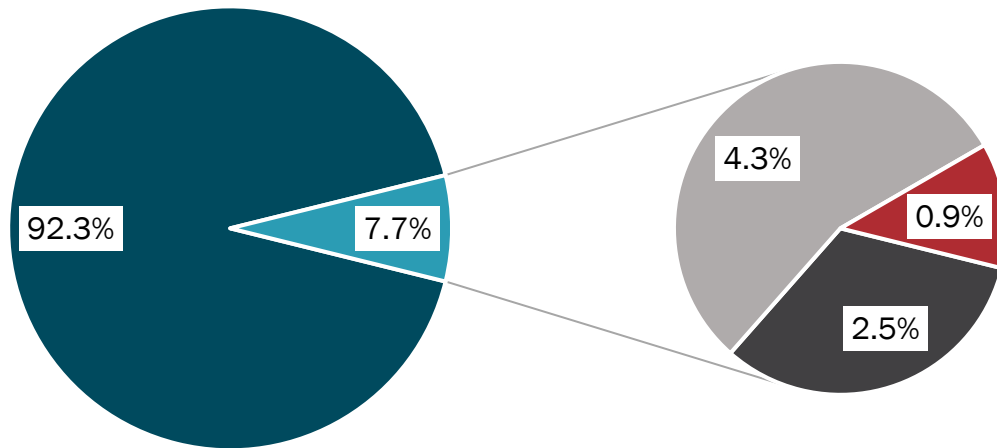
Population Percent by Race in 8 County Region for 2020 (Ages 45 to 54)



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

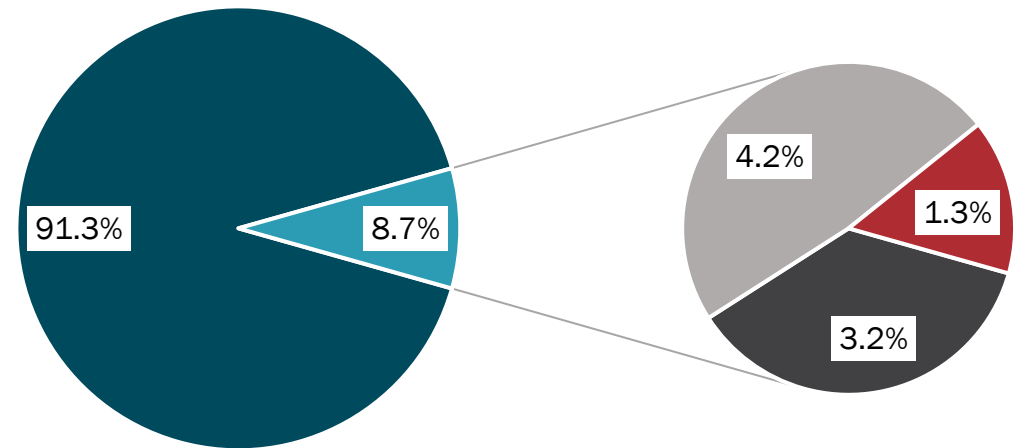
Population Percent by Race in 8 County Region for 2010 (Ages 55 and Older)



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

Population Percent by Race in 8 County Region for 2020 (Ages 55 and Older)



■ White ■ Hispanic ■ Black ■ Asian

Claritas Pop-Facts Premier 2020

REMI Forecasts

Grand Rapids MSA

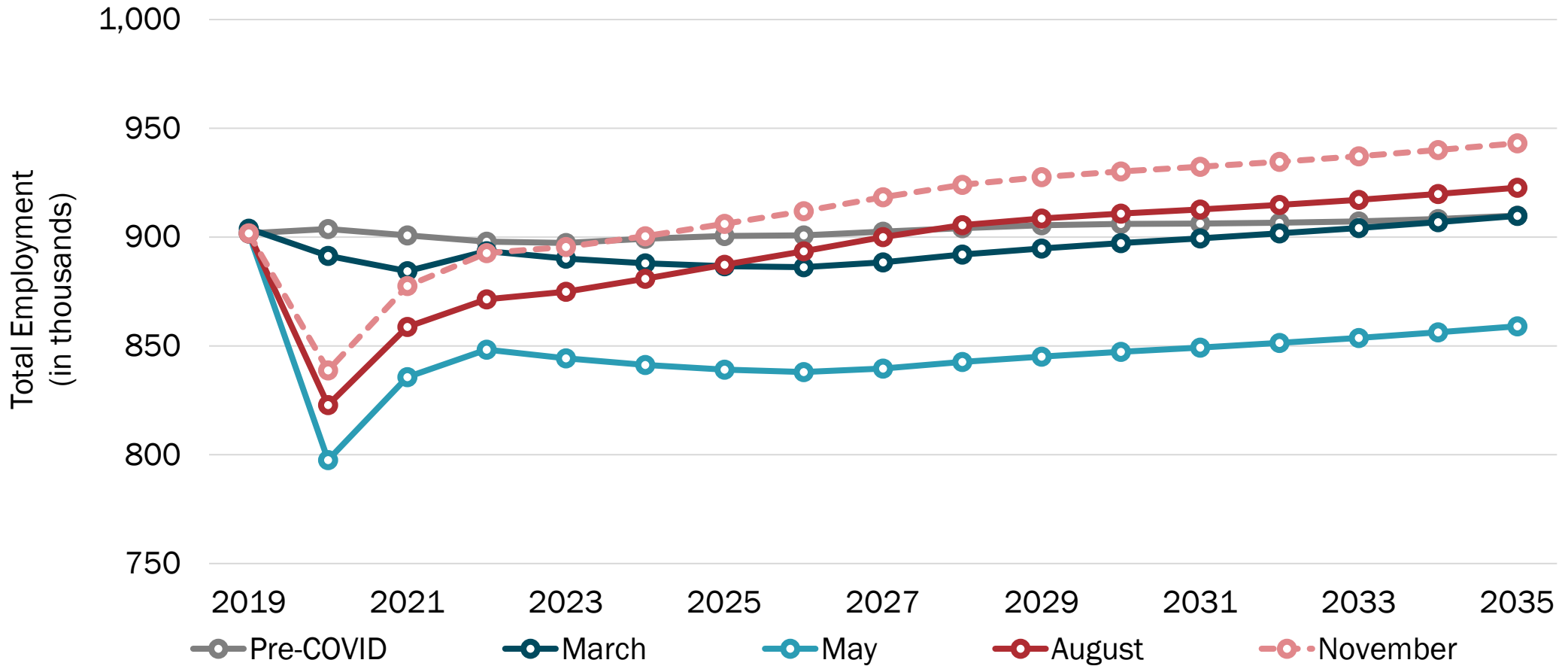
Methodology

- Upjohn uses a REMI model (www.REMI.com)
 - To estimate economic impacts from projects and events
 - Forecast regional changes in trends
- Pre-COVID-19 baseline using a prior version of REMI
- As new forecasts were produced the latest REMI model was updated
 - National forecast is updated
 - Regional forecasts are updated
 - Revised forecasts come from:
 - Research Seminar in Quantitative Economics at University of Michigan
 - Congressional Budget Office

REMI Forecasts

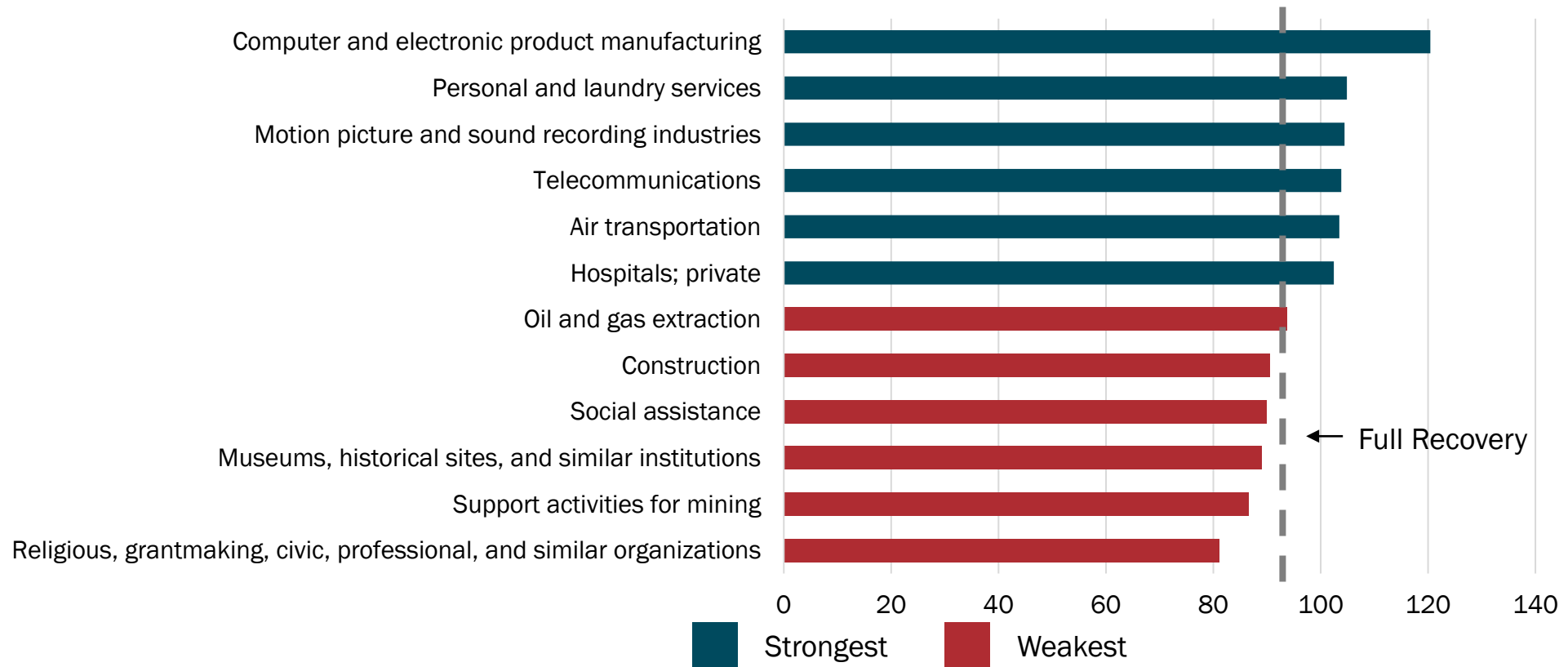
Grand Rapids MSA Employment

Total forecast employment change in the Grand Rapids MSA

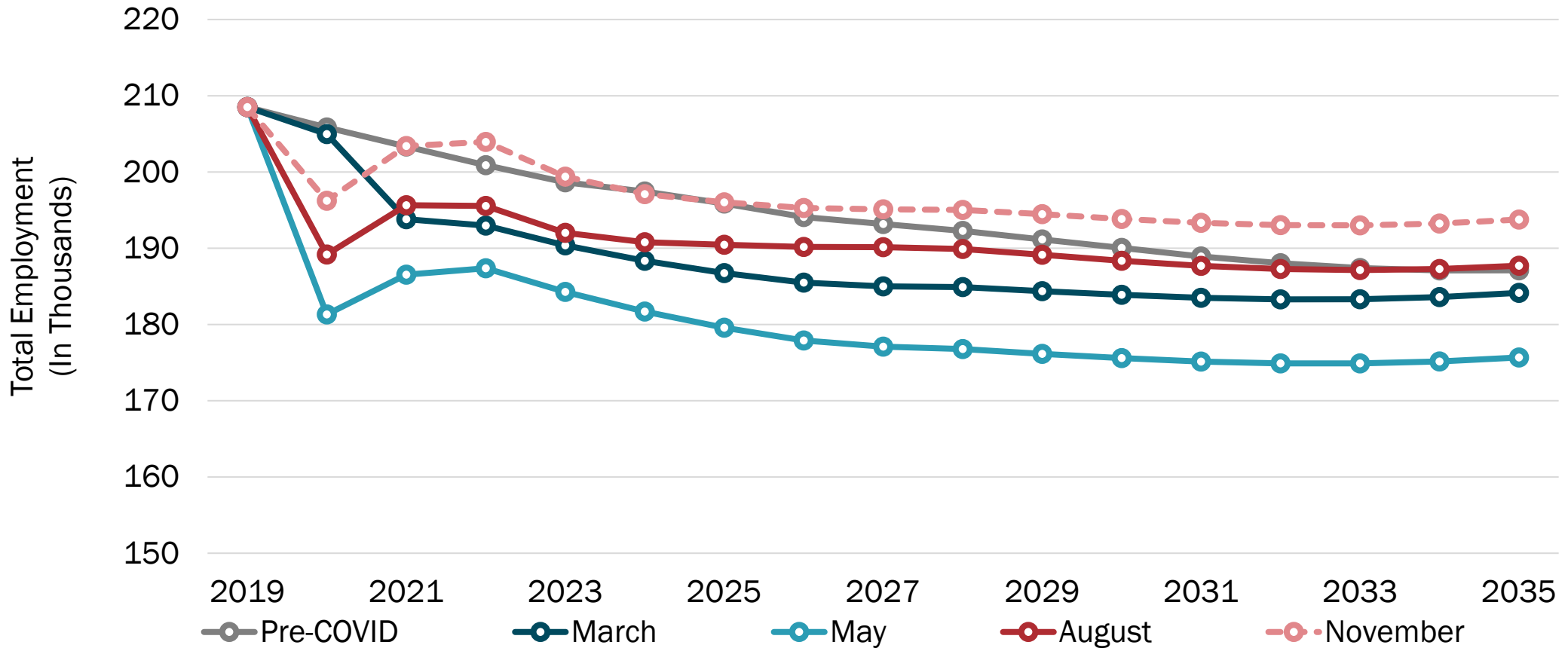


Industry recovery forecast

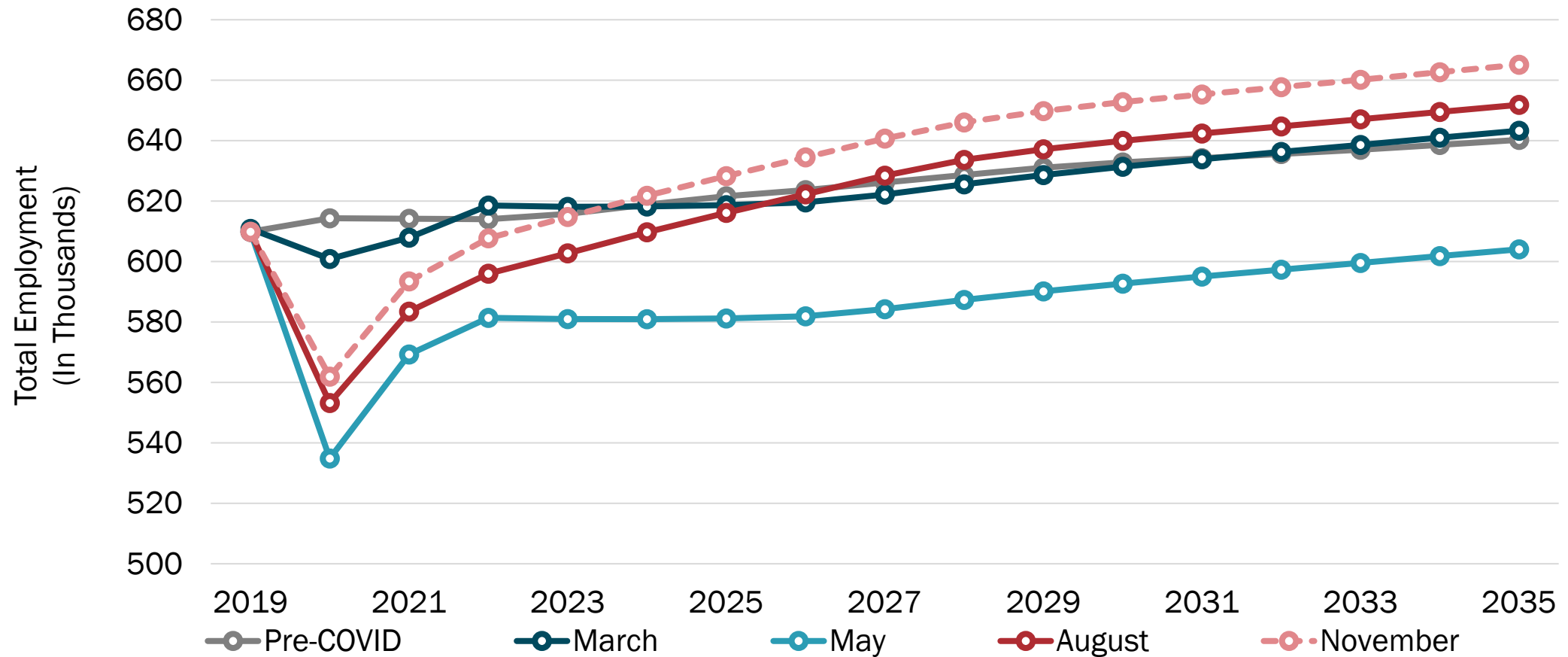
Selected Sectors and Subsectors with the Strongest and Weakest Projected Recoveries in Grand Rapids MSA by 2025



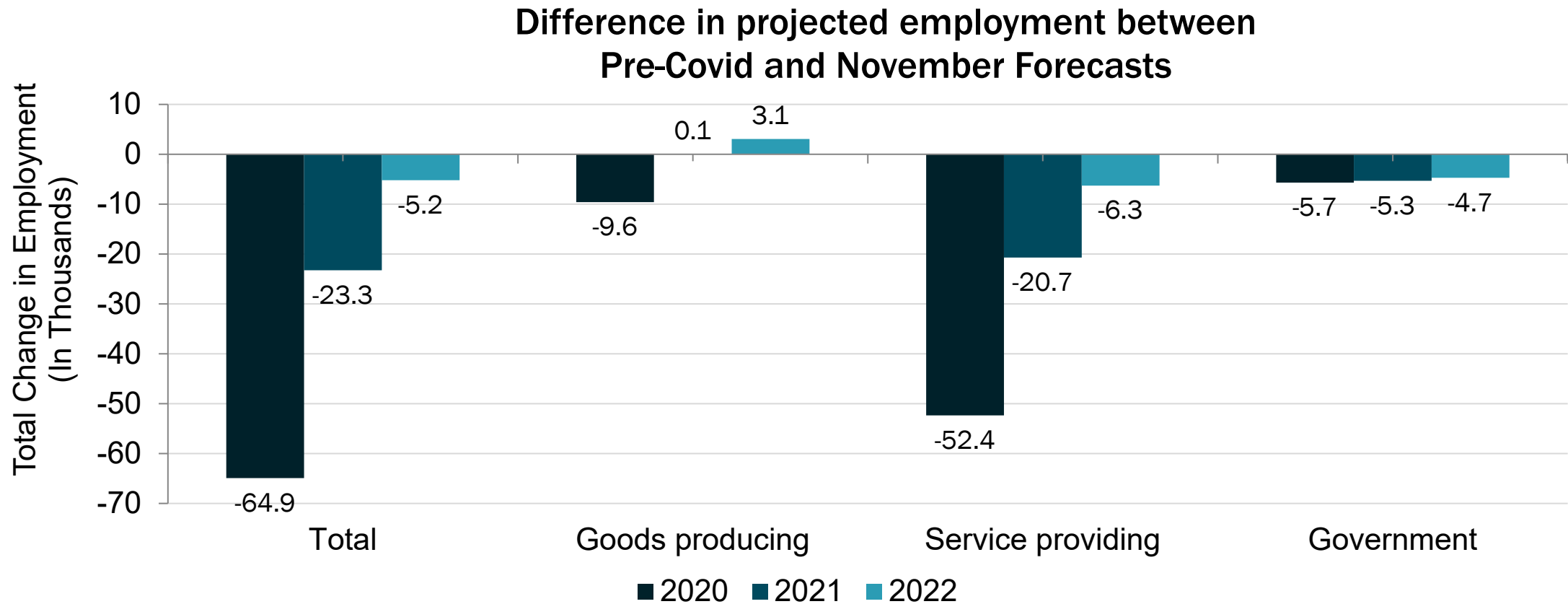
Total forecast for goods producing employment in the Grand Rapids MSA



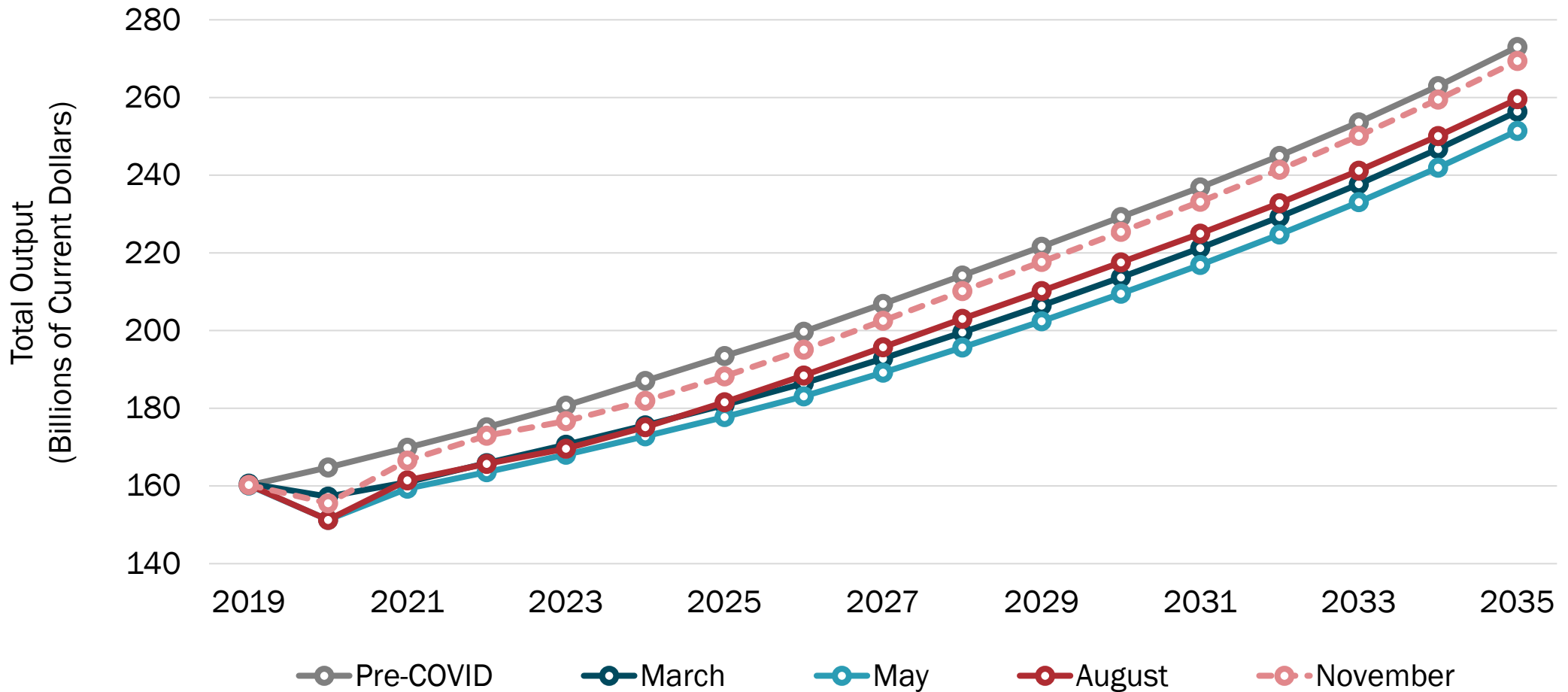
Total forecast for private service sector employment in the Grand Rapids MSA



REMI Grand Rapids MSA Pre-Covid-19/Post-Covid-19 employment difference between forecasts



Total forecast for total output in the Grand Rapids MSA



Things We Are Monitoring

Potential issues impacting the Grand Rapids MSA:

Macro issues

- Impact of a change in presidential administration
- Impact of additional relief packages
- The shape(s) of the recovery curve?
- What will be the impact of additional waves?
- Is reshoring real?
 - Supply chain issues
- How will technology impact employment?

Potential issues impacting the Grand Rapids MSA:

Micro issues

- Will people go back to work?
 - Fear of illness
 - Barriers, notably childcare, in returning
 - Uncertainty around unemployment benefits
- Industrial/flex/commercial and residential real estate
- Migration and population change
- Broadband access
- Supply versus demand?
 - How have and will SMEs fare?

Regional email updates

- Are you interested in keeping up to date on the Regional Team's latest products?
 - Sign up for the Regional Team's email list to receive alerts and updates on our latest work.
 - To subscribe to our email list, contact Emily Boyle at boyle@upjohn.org.

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