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

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.

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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.

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<td>Expansion</td>
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<td>Cycle</td>
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<td>108</td>
<td>128</td>
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Source: National Bureau of Economic Research
And now we face another record: The deepest and quickest recession yet

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

Source: Bureau of Labor Statistics and Upjohn Institute
Employment is only slightly higher than December 2007

Nonfarm Employment Index

Index (Dec 2007 = 100)

United States

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%


Source: Bureau of Labor Statistics and Upjohn Institute
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.

Dow Jones Industrial Average*

- **12/12/2019**: Phase 01 Trade Deal with China signed into law.
- **01/29/2020**: USMCA signed into law.
- **3/27/2020**: CARES Act signed into law.
- **5/27/2020**: COVID-19 deaths surpass 100,000.
- **7/29/2020**: COVID-19 deaths surpass 150,000.
- **9/22/2020**: COVID-19 deaths surpass 200,000.
- **11/07/2020**: AP calls winner of Presidential election.

*As of December 2, 2020

Source: Yahoo Finance and Bureau of Labor Statistics
Consumer confidence and sentiment are bouncing around, after falling precipitously between February and April.

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

<table>
<thead>
<tr>
<th></th>
<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>-3.6%</td>
<td>4.2%</td>
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<tr>
<td>Employment</td>
<td>1.3%</td>
<td>-5.7%</td>
<td>2.7%</td>
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<tr>
<td>Light Vehicle Sales (Millions)</td>
<td>16.9</td>
<td>14.5</td>
<td>16.3</td>
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<tr>
<td>Unemployment Rate</td>
<td>3.7%</td>
<td>8.1%</td>
<td>5.9%</td>
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<tr>
<td>Housing Starts (Millions)</td>
<td>1.30</td>
<td>1.34</td>
<td>1.39</td>
</tr>
<tr>
<td>CPI/Inflation</td>
<td>1.8%</td>
<td>1.2%</td>
<td>2.0%</td>
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* 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

Source: Unemployment Insurance Weekly Claims Data, U.S. Department of Labor and Upjohn Institute
The number of continuing claims are trending downward

Weekly continuing claims for Unemployment Insurance

Source: Unemployment Insurance Weekly Claims Data, U.S. Department of Labor and Upjohn Institute
Michigan Economy
# University of Michigan RSQE current* state forecast

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

*November 2020
Light vehicle sales have rebounded; will work from home change consumption patterns?

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

Source: Moody's Analytics
Class 8 truck orders reach highest level since 2019

Class 8 Truck Orders

Source: ACT Research
Grand Rapids Economy
Current Conditions
The current unemployment rate is 3.7%*, with 21,130 persons looking for work

*As of October 2020

Source: Bureau of Labor Statistics Local Area Unemployment Statistics
The Grand Rapids MSA has quickly recovered jobs that were displaced in the COVID-19 Recession

Source: Bureau of Labor Statistics Current Employment Survey and Upjohn Institute
Manufacturing employment took a large hit during the lockdowns but has rebounded faster than the nation or state.

Source: Bureau of Labor Statistics Current Employment Survey and Upjohn Institute
The service sector employment rebound is faster than the state and on pace with the nation.
Employment recovery

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

- Finance and Insurance: 127%
- Mining, Logging and Construction: 112%
- Transportation, Warehousing, and Utilities: 98%
- Administrative and Support and Waste Management and...: 87%
- Retail Trade: 82%
- Other Services: 82%
- Health Care and Social Assistance: 77%
- Total Nonfarm: 72%
- Professional, Scientific, and Technical Services: 65%
- Accommodation and Food Services: 64%
- Manufacturing: 62%
- Wholesale Trade: 31%
- Educational Services: 20%
- Information: 20%
- Management of Companies and Enterprises: 11%
- Government: 4%

Percent of jobs regained by October 2020: 0% 25% 50% 75% 100% 125% 150% 175% 200% 225%

*Data not seasonally adjusted

Source: Bureau of Labor Statistics and U.S. Census Bureau
The trend is continuing upward—56.0 in November

Purchasing Managers’ Index – Grand Rapids

Readings below 50 indicate sector is contracting
REMI Forecasts

Grand Rapids MSA Job Postings
Total job postings in the Grand Rapids MSA

Source: Burning Glass Technologies
Total job postings for Health Care and Social Assistance in the Grand Rapids MSA
Total job postings for Manufacturing in the Grand Rapids MSA

Source: Burning Glass Technologies
Total job postings for Retail Trade in the Grand Rapids MSA

Source: Burning Glass Technologies
Total job postings for Accommodation and Food Services in the Grand Rapids MSA

Source: Burning Glass Technologies
Total job postings for Professional, Scientific, and Technical Services in the Grand Rapids MSA

Source: Burning Glass Technologies
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.
Population percent change from 2010 to 2020

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

Source: Claritas Pop-Facts Premier 2020
Population Percent by Race in 8 County Region for 2020

- White: 84.3%
- Hispanic: 15.7%
- Black: 6.8%
- Asian: 1.7%

Population Percent by Race in 8 County Region for 2020

- White: 82.1%
- Hispanic: 17.9%
- Black: 6.9%
- Asian: 2.4%

Source: Claritas Pop-Facts Premier 2020
Population Percent by Race in 8 County Region for 2010 (Ages 25 to 34)

- White: 81.1%
- Hispanic: 18.9%
- Black: 9.4%
- Asian: 2.0%

Source: Claritas Pop-Facts Premier 2020

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

- White: 79.1%
- Hispanic: 20.9%
- Black: 10.9%
- Asian: 2.7%

Source: Claritas Pop-Facts Premier 2020
Population Percent by Race in 8 County Region for 2010 (Ages 35 to 44)

- White: 82.9%
- Hispanic: 7.1%
- Black: 7.8%
- Asian: 2.2%

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

- White: 77.8%
- Hispanic: 22.2%
- Black: 8.4%
- Asian: 3.2%

Source: Claritas Pop-Facts Premier 2020
Population Percent by Race in 8 County Region for 2010 (Ages 45 to 54)

- White: 88.6%
- Hispanic: 11.4%
- Black: 5.8%
- Asian: 1.2%

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

- White: 85.7%
- Hispanic: 14.3%
- Black: 6.5%
- Asian: 1.9%
Population Percent by Race in 8 County Region for 2010 (Ages 55 and Older)

- White: 92.3%
- Hispanic: 7.7%
- Black: 4.3%
- Asian: 0.9%

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

- White: 91.3%
- Hispanic: 8.7%
- Black: 4.2%
- Asian: 1.3%

Source: Claritas Pop-Facts Premier 2020
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
Total forecast employment change in the Grand Rapids MSA

Source: REMI, RSQE, and Upjohn Institute
Industry recovery forecast

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

- Computer and electronic product manufacturing
- Personal and laundry services
- Motion picture and sound recording industries
- Telecommunications
- Air transportation
- Hospitals; private
- Oil and gas extraction
- Construction
- Social assistance
- Museums, historical sites, and similar institutions
- Support activities for mining
- Religious, grantmaking, civic, professional, and similar organizations

Source: REMI, RSQE, and Upjohn Institute
Total forecast for goods producing employment in the Grand Rapids MSA

Total Employment (in Thousands)

Source: REMI, RSQE, and Upjohn Institute
Total forecast for private service sector employment in the Grand Rapids MSA

Source: REMI, RSQE, and Upjohn Institute
**REMI Grand Rapids MSA Pre-Covid-19/Post-Covid-19 employment difference between forecasts**

<table>
<thead>
<tr>
<th>Total Change in Employment (In Thousands)</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
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<tbody>
<tr>
<td>Total</td>
<td>-64.9</td>
<td>-23.3</td>
<td>-5.2</td>
</tr>
<tr>
<td>Goods producing</td>
<td>-9.6</td>
<td>0.1</td>
<td>3.1</td>
</tr>
<tr>
<td>Service providing</td>
<td>-52.4</td>
<td>-20.7</td>
<td>-6.3</td>
</tr>
<tr>
<td>Government</td>
<td>-5.7</td>
<td>-5.3</td>
<td>-4.7</td>
</tr>
</tbody>
</table>

Source: Upjohn Institute, REMI, and Bureau of Labor Statistics
Total forecast for total output in the Grand Rapids MSA

Source: REMI, RSQE, and Upjohn Institute
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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