

**Economic Conditions:  
A Look at Factors Affecting the Grand Rapids  
Region and a Look Forward**

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December 7, 2016

# W.E. Upjohn Institute for Employment Research

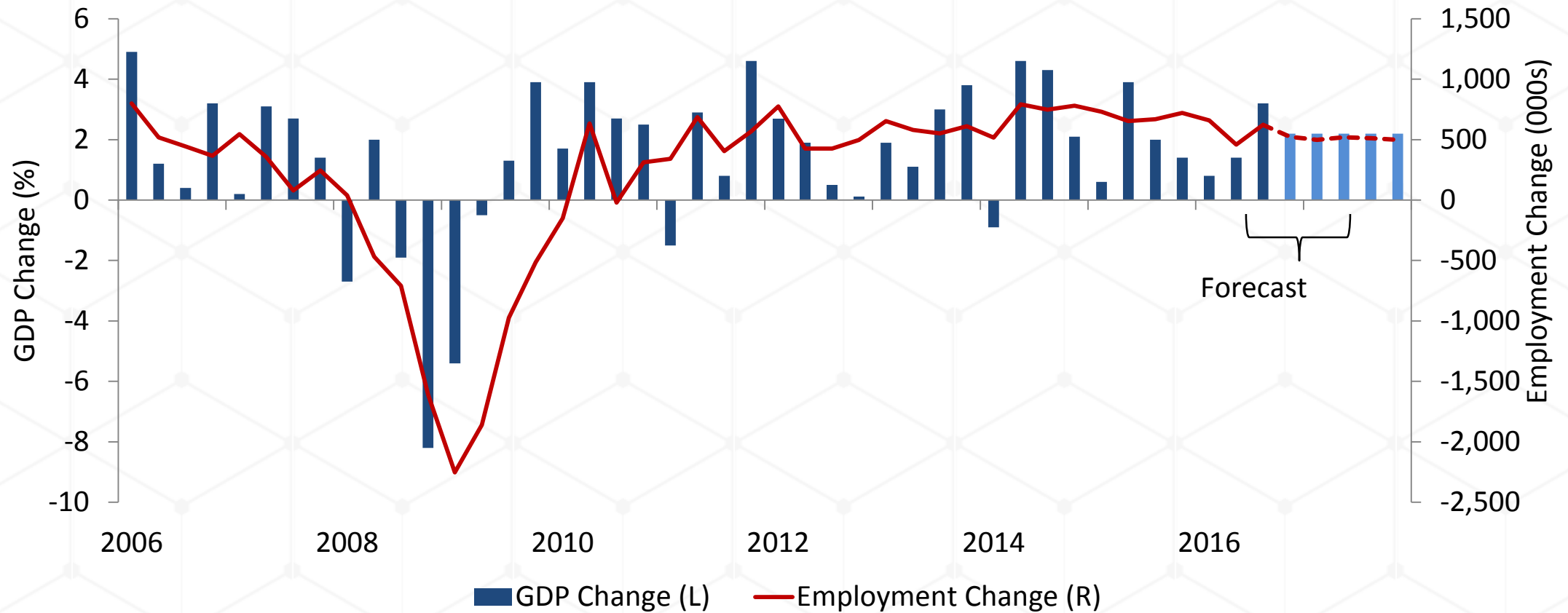
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# Regional and Economic Planning Services

- Data Dissemination & Analysis
- Economic Impact Studies
- Economic & Workforce Development Strategy
- Talent Assessment
- Urban & Regional Planning

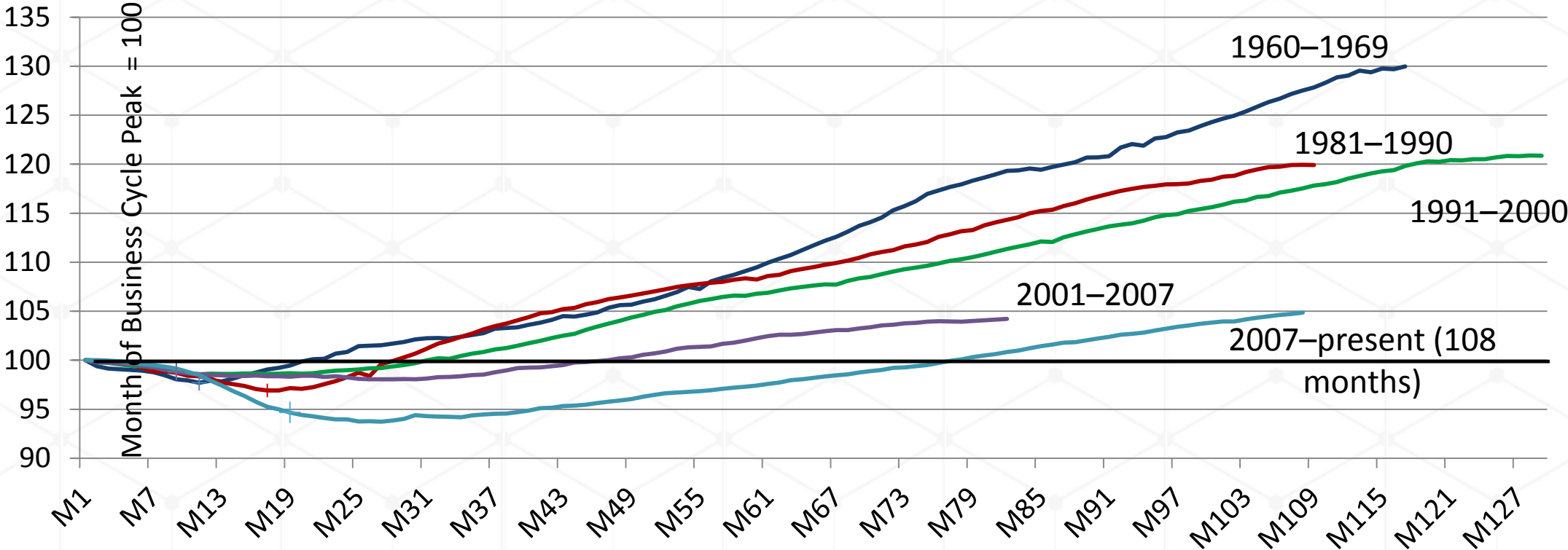
# Is it really that good?

## Gross Domestic Product and Employment Change



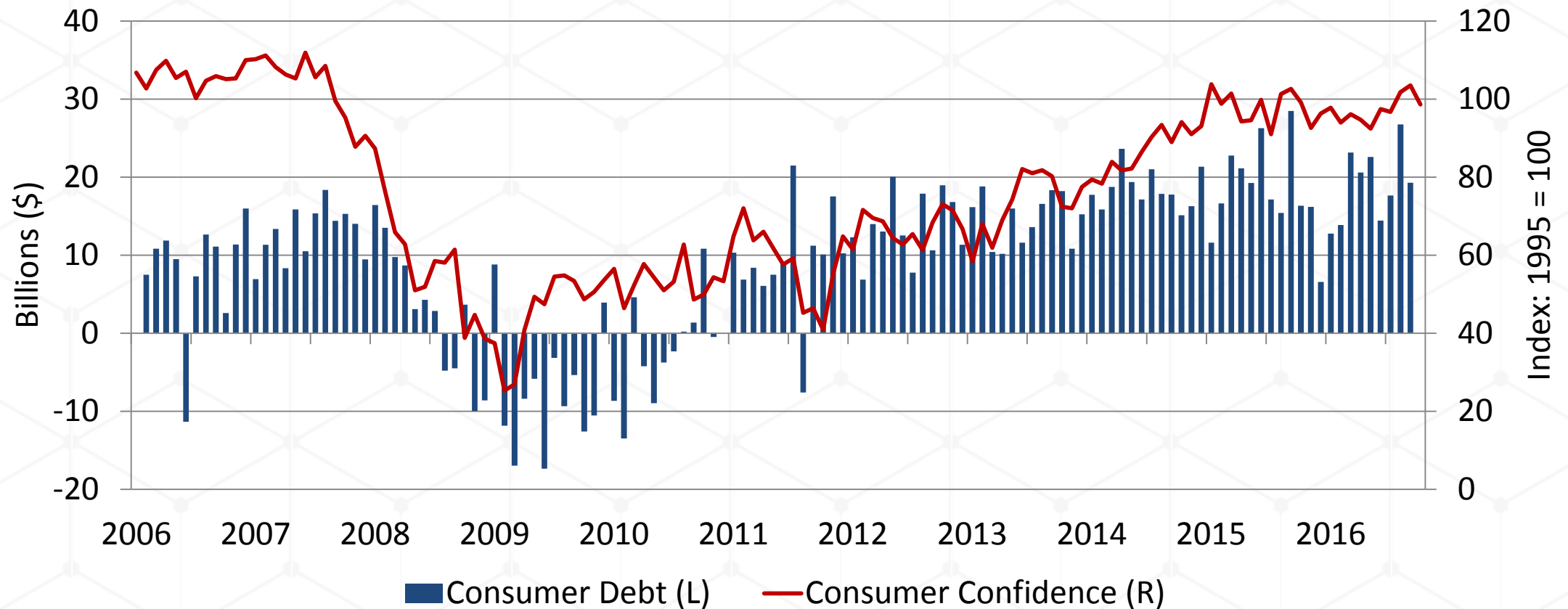
# The calendar isn't yet calling for a recession—if you trust history

### Employment Index From Business Cycle Peak



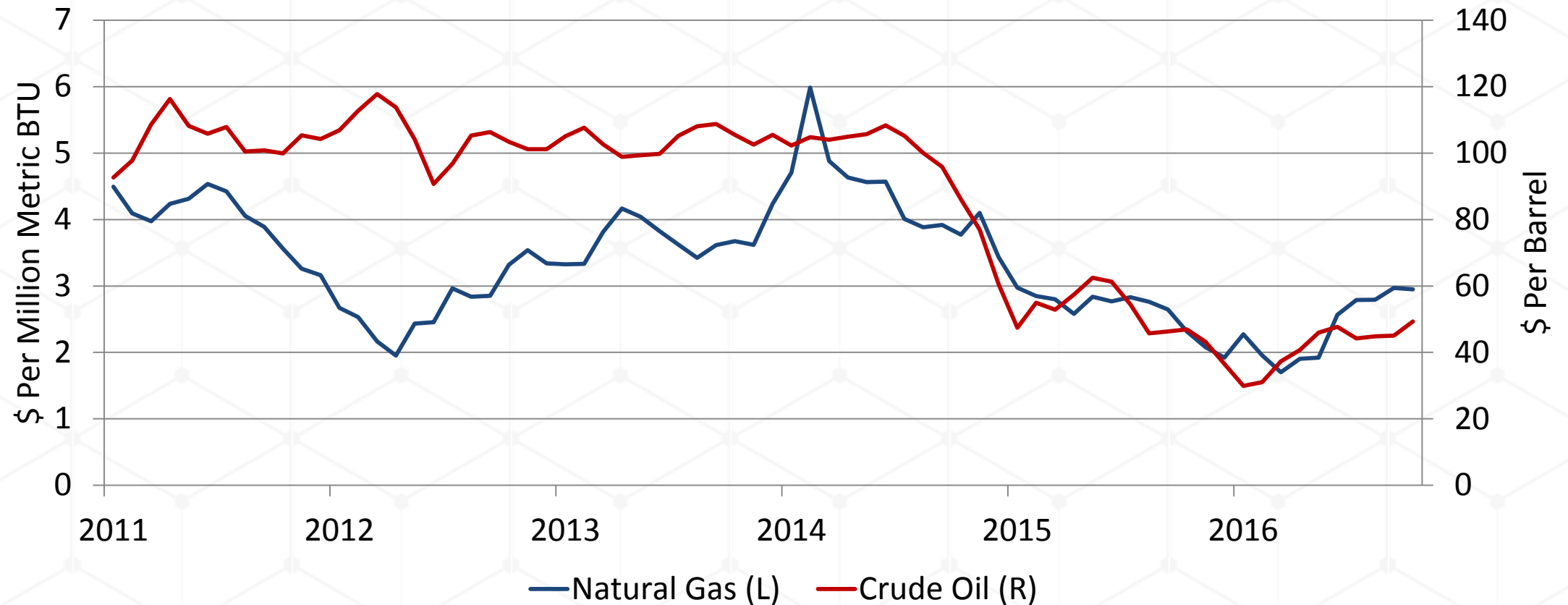
# Consumer confidence has been flat for over a year

## Consumer Confidence and Change in Consumer Debt



# Good for the consumer, but...

## Energy Commodity Prices

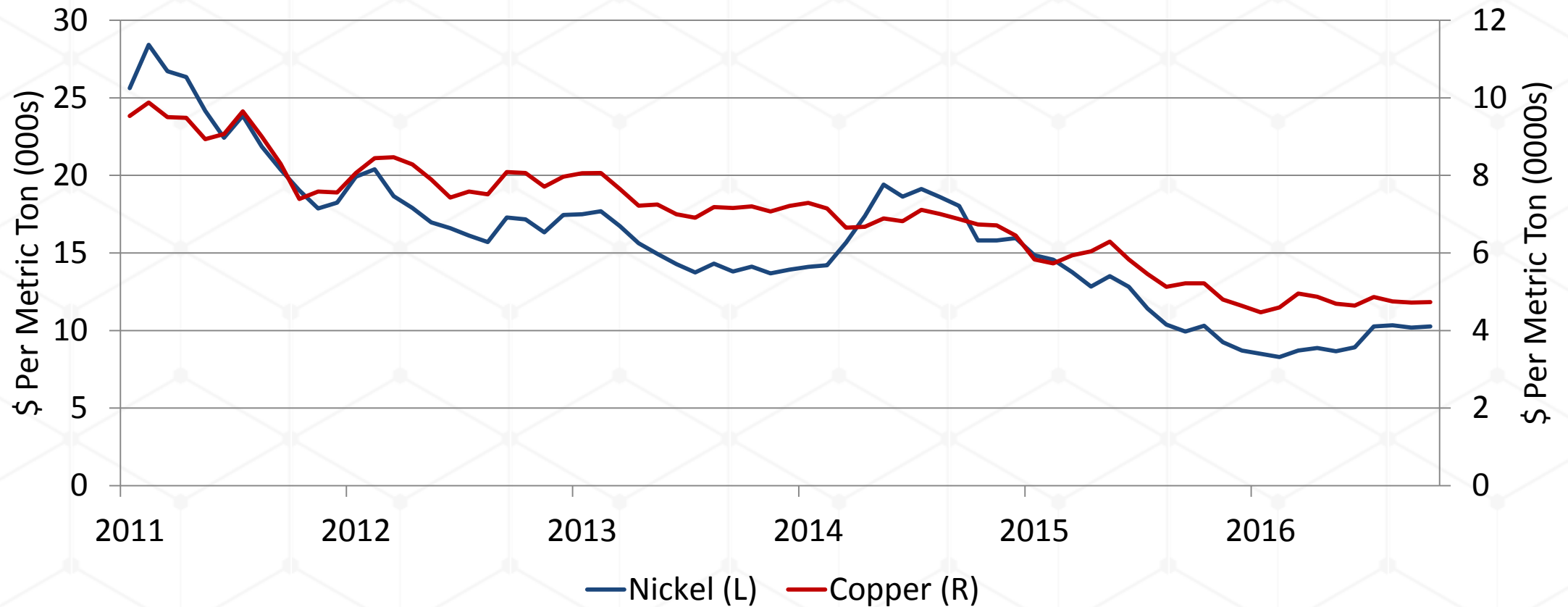


Natural Gas spot price at the Henry Hub terminal in Louisiana, US\$ per million metric BTU;  
Crude Oil (petroleum) simple average of Dated Brent, West Texas Intermediate, and the Dubai Fateh.

Source: International Monetary Fund

# Some recent upturns portend good things

## Industrial Inputs Commodity Prices



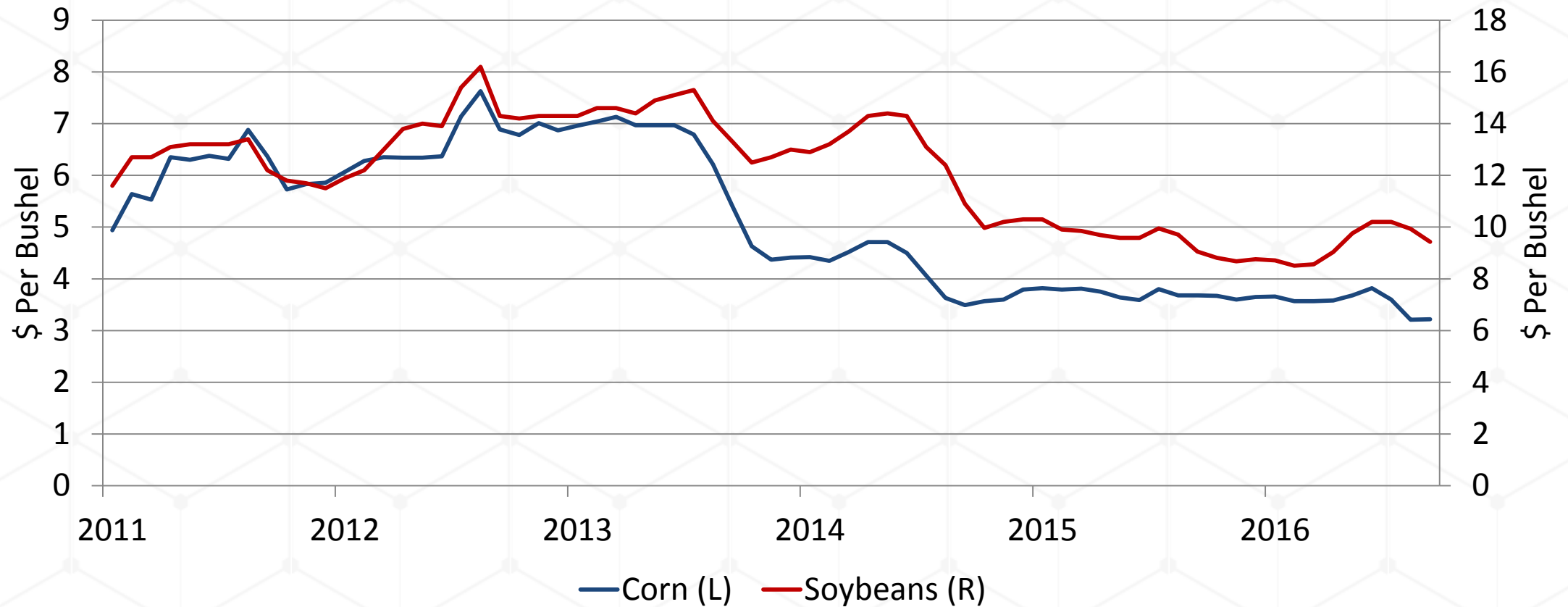
Nickel - melting grade; Copper - grade A cathode, LME spot price, CIF European ports.

Source: International Monetary Fund



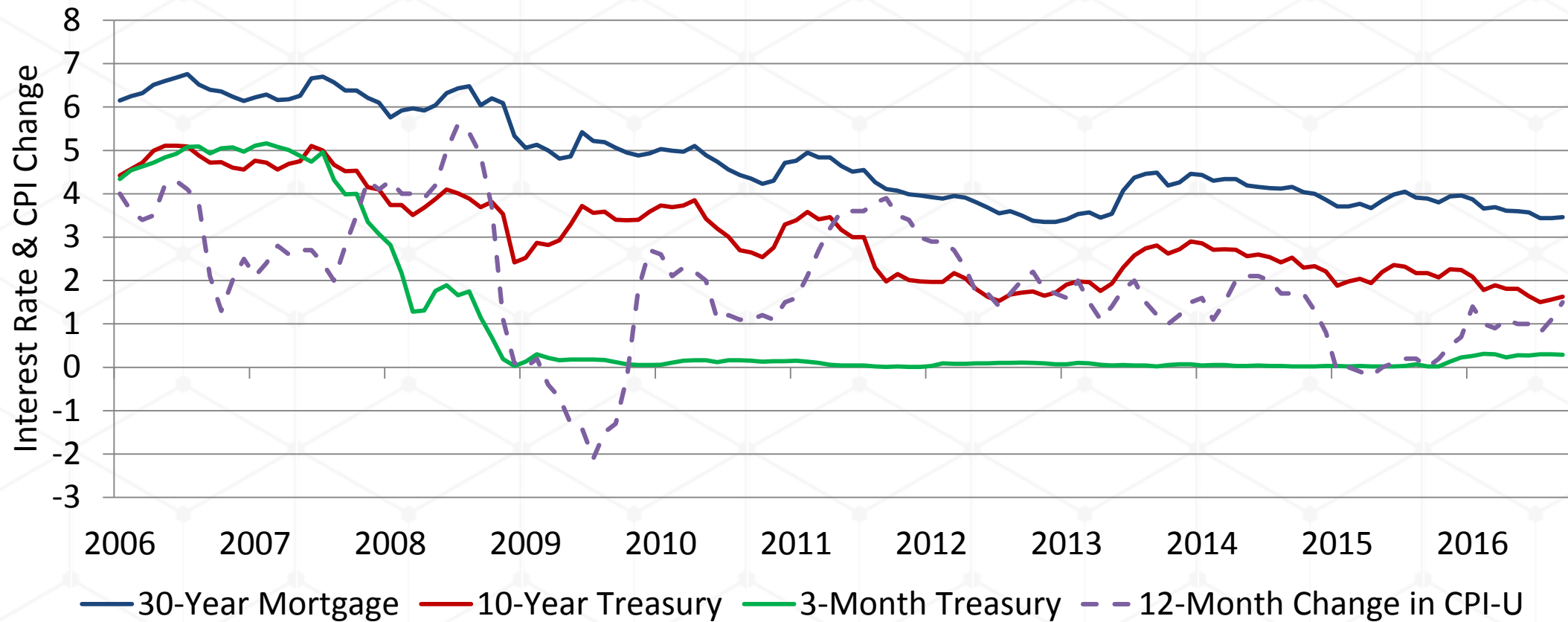
# Bumper crops will not be good for agricultural capital expenditures

## Agriculture Commodity Prices

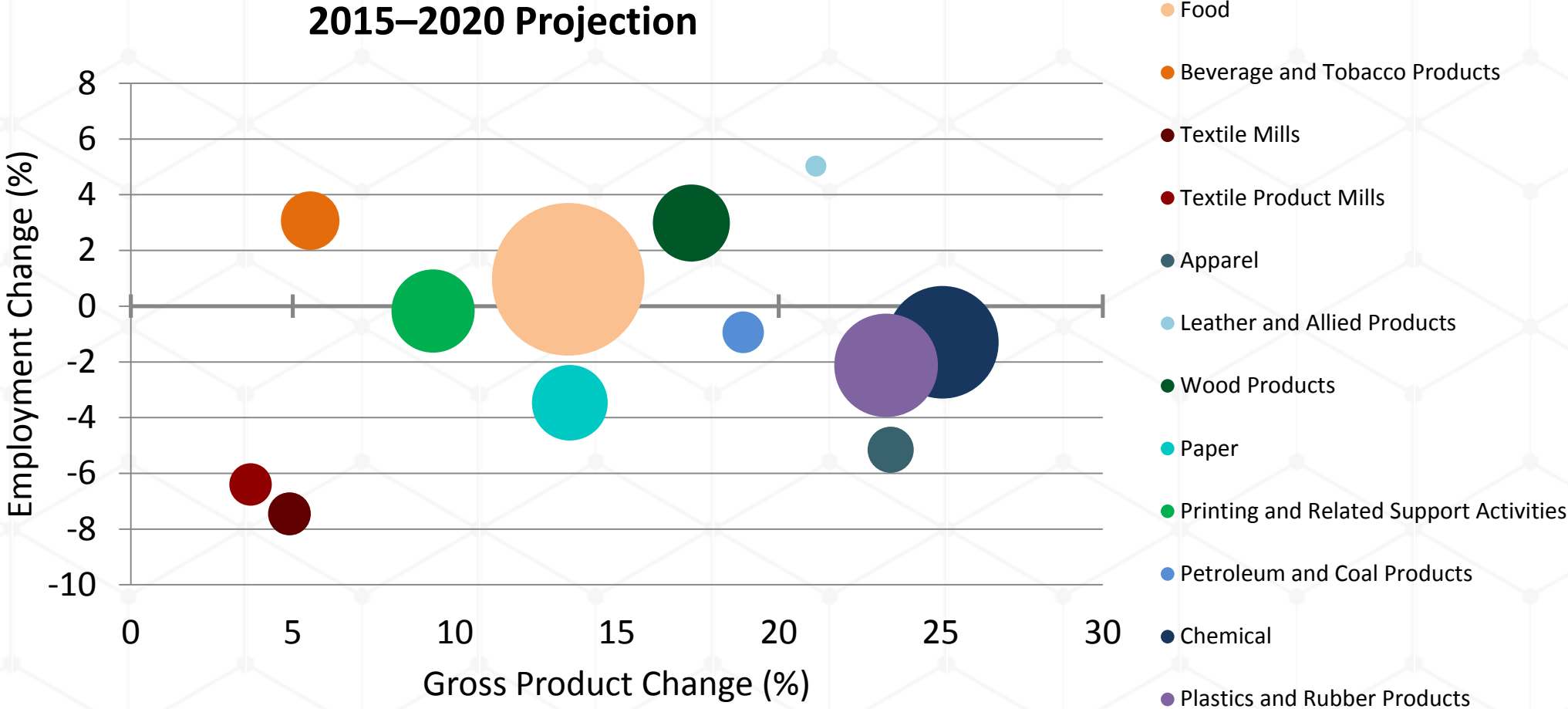


# Mixed signals from credit markets?

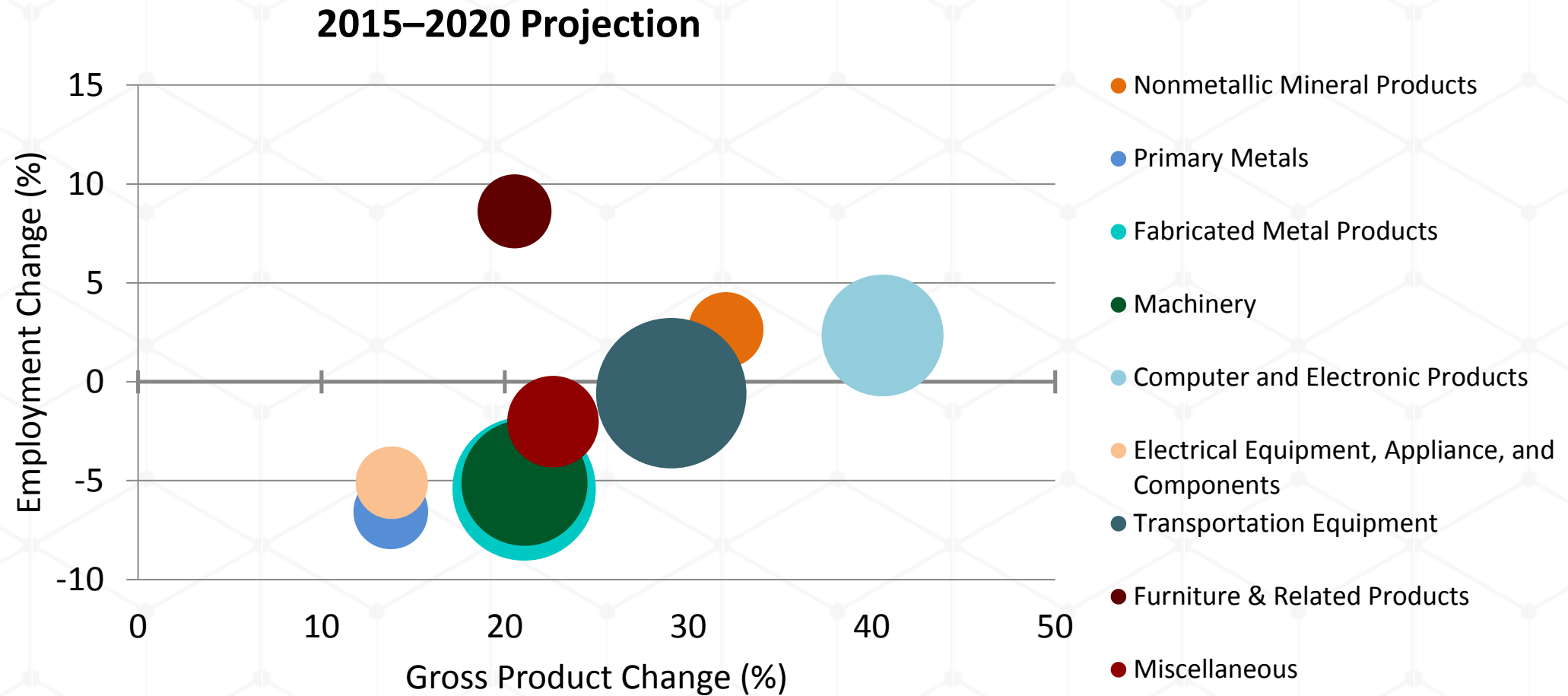
## Interest Rates and Change in Consumer Price Index



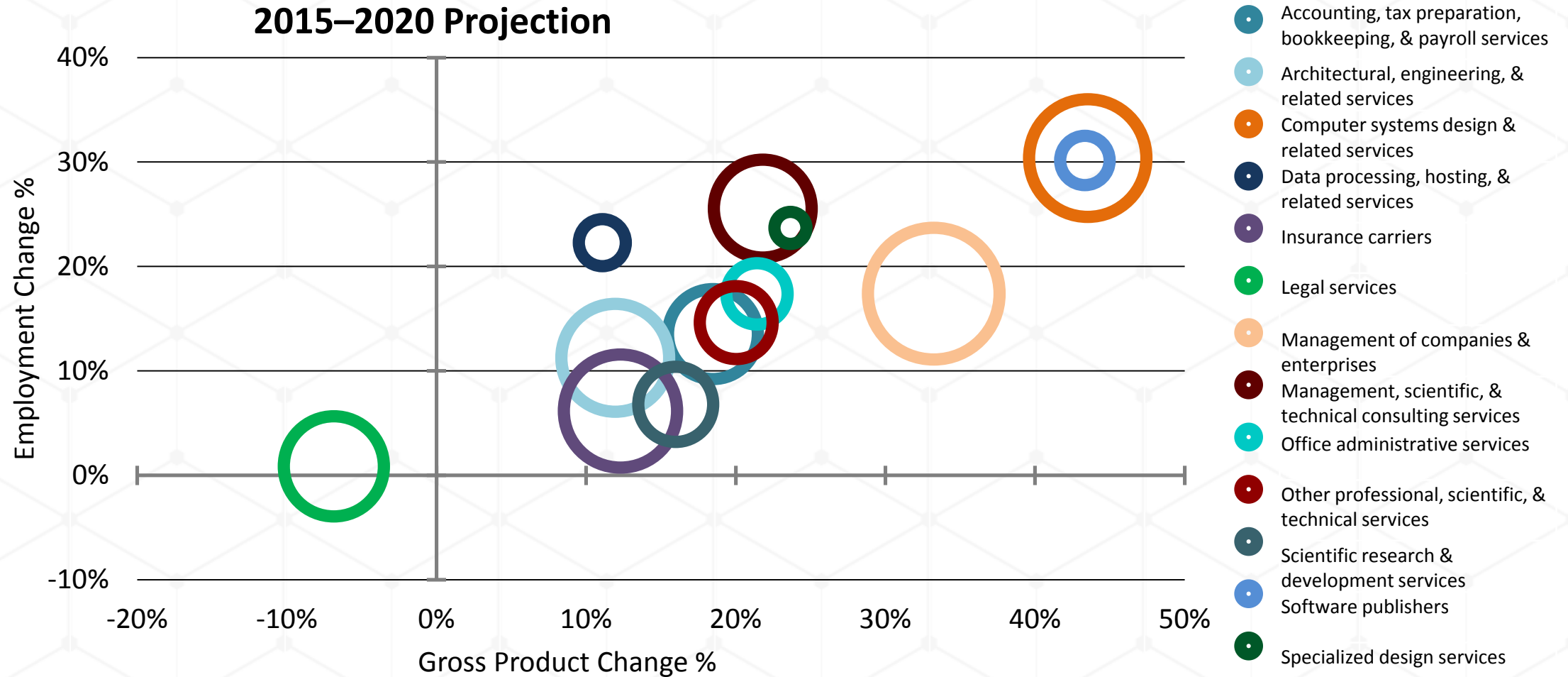
# National nondurables: Growth or no growth?



# National durables: More of the same?



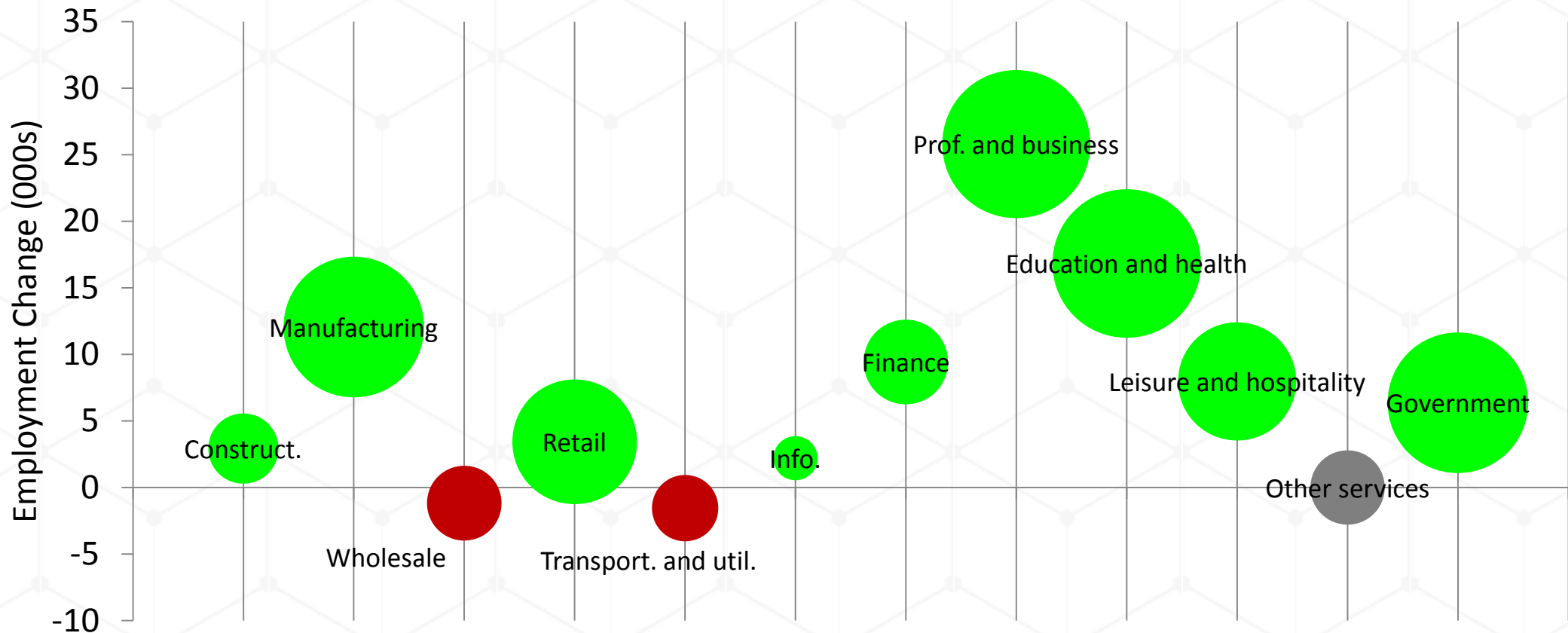
# The technology and business services



# Moving on to Michigan

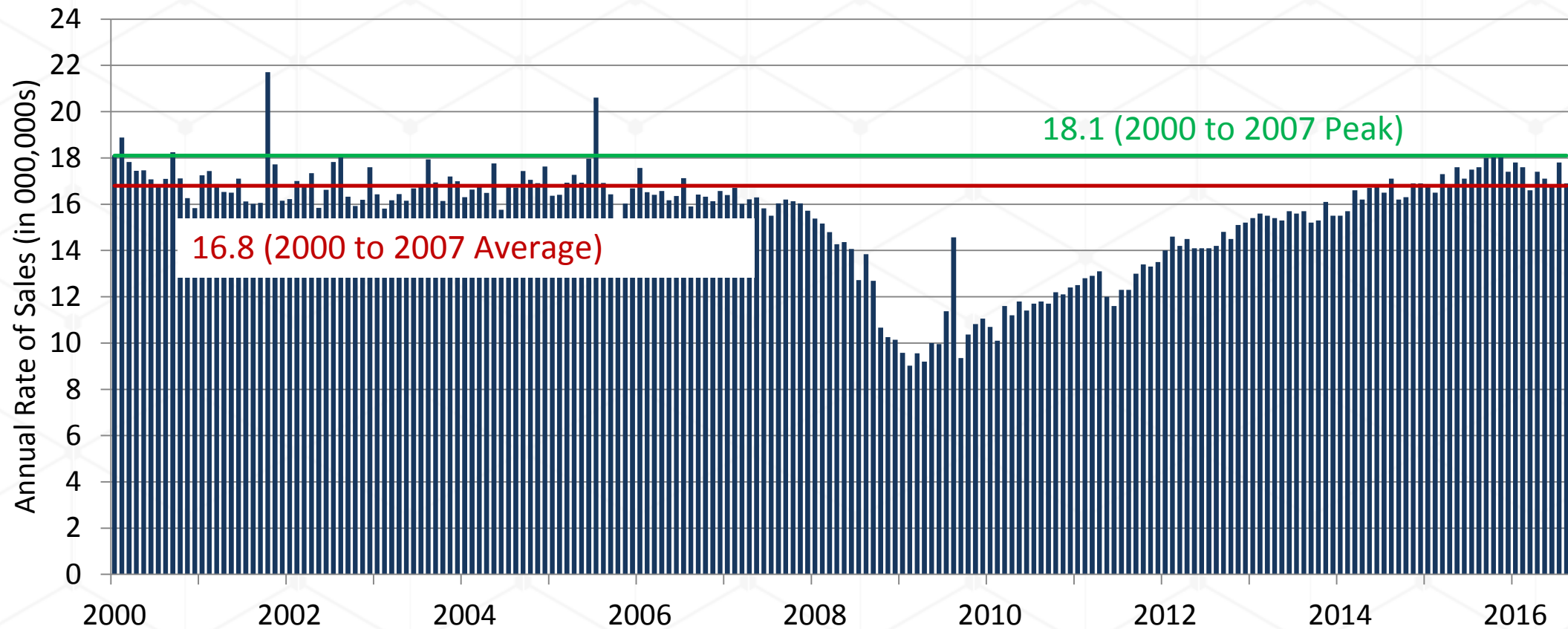
# Michigan is doing well, year to date

## Employment Change, Q3 2015 to Q3 2016



# Auto sales have reached a peak?

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





# Michigan Forecast

## Job Growth Per Year

(All Sectors)

2016 – 69,000 jobs

2017 – 41,600 jobs

2018 – 50,000 jobs

# Michigan Forecast

## Job Growth Per Year (Manufacturing)

2016 – 11,900 jobs

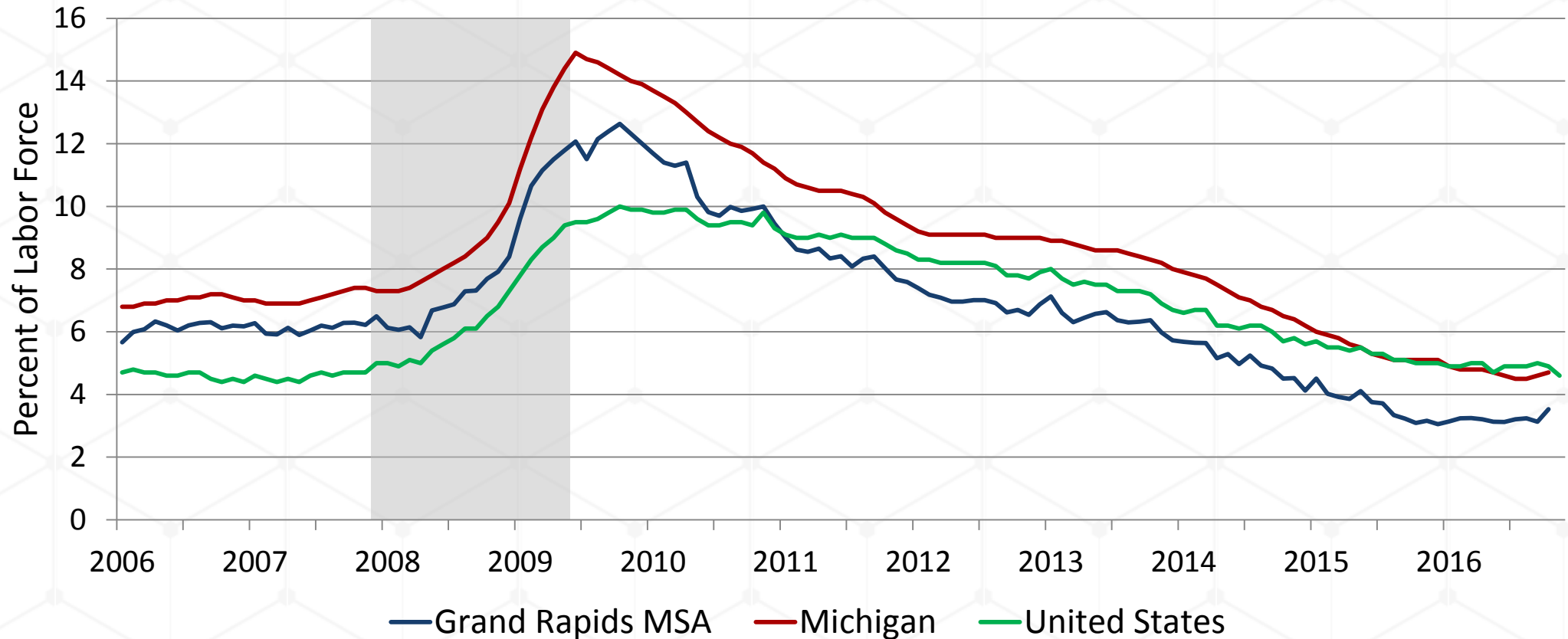
2017 – -7,040 jobs

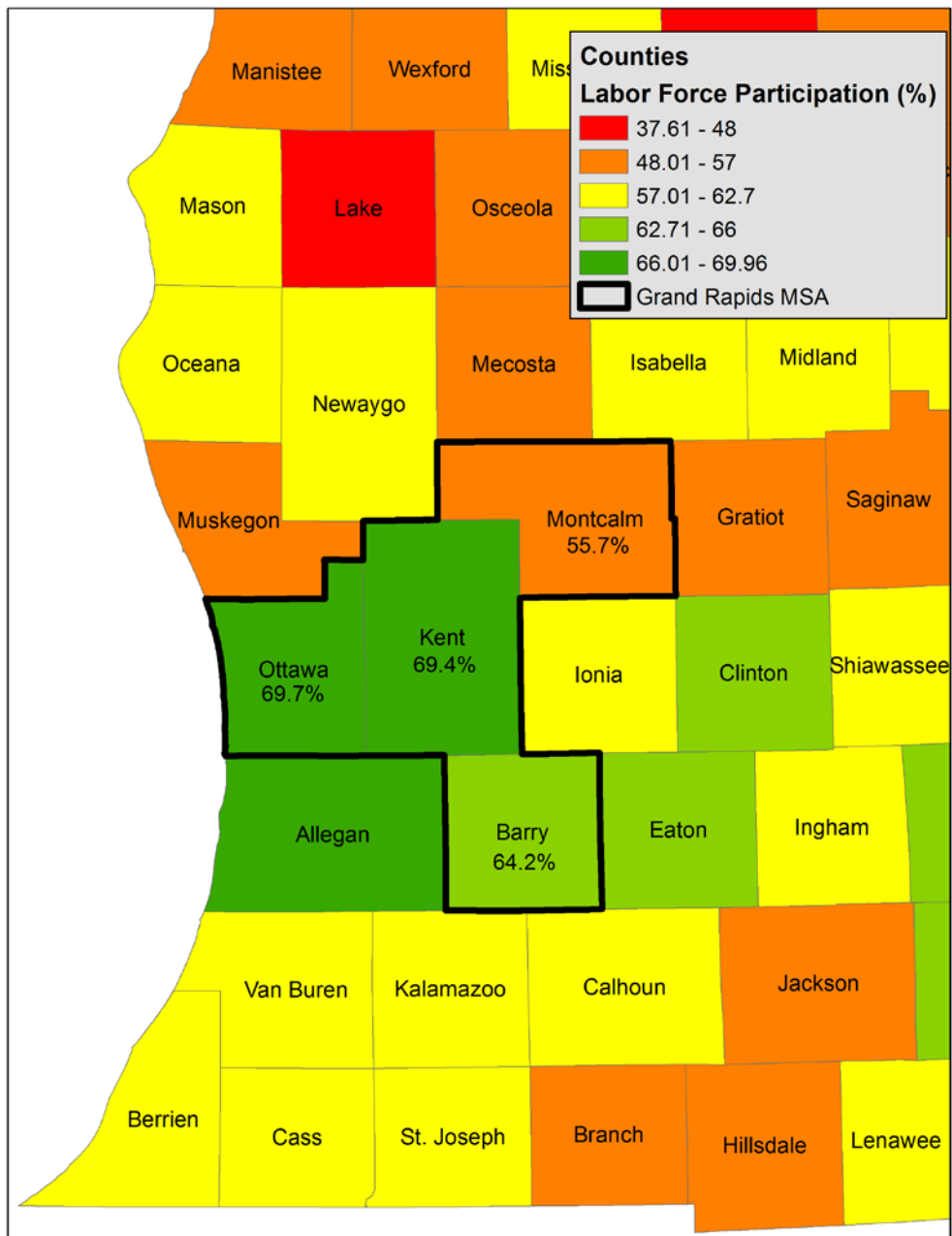
2018 – -2,990 jobs

# Moving on to Grand Rapids

# Tight labor markets should push wages up

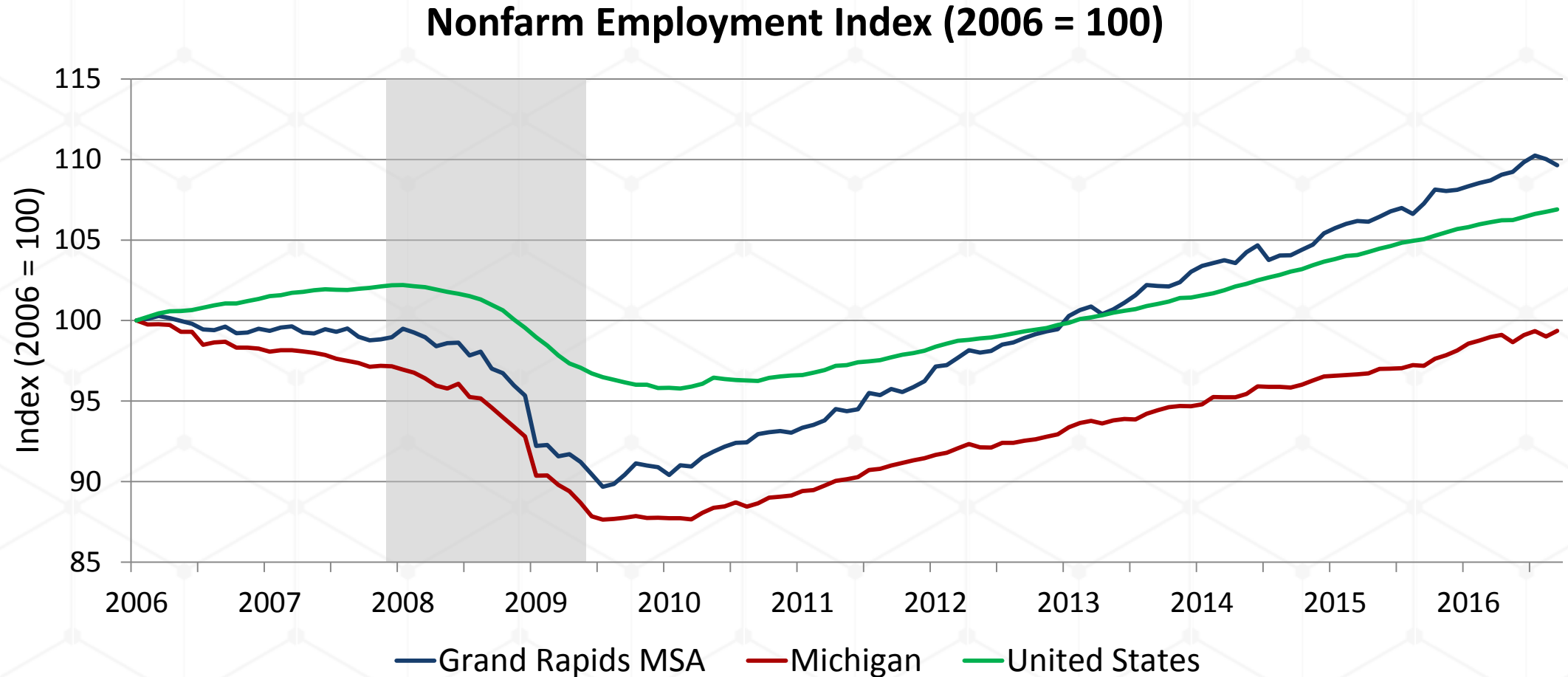
## Unemployment Rate





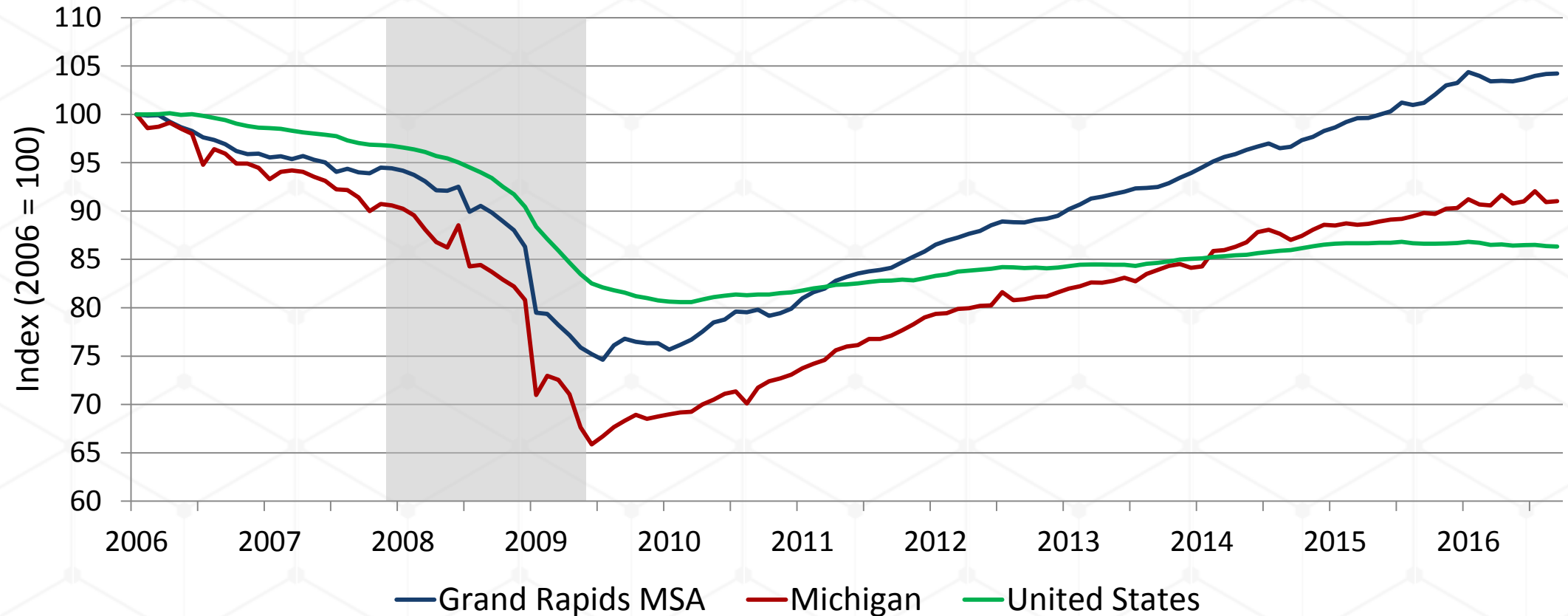
# Labor Force Participation, 62.7 in the United States

# Full recovery by 2013, and then some



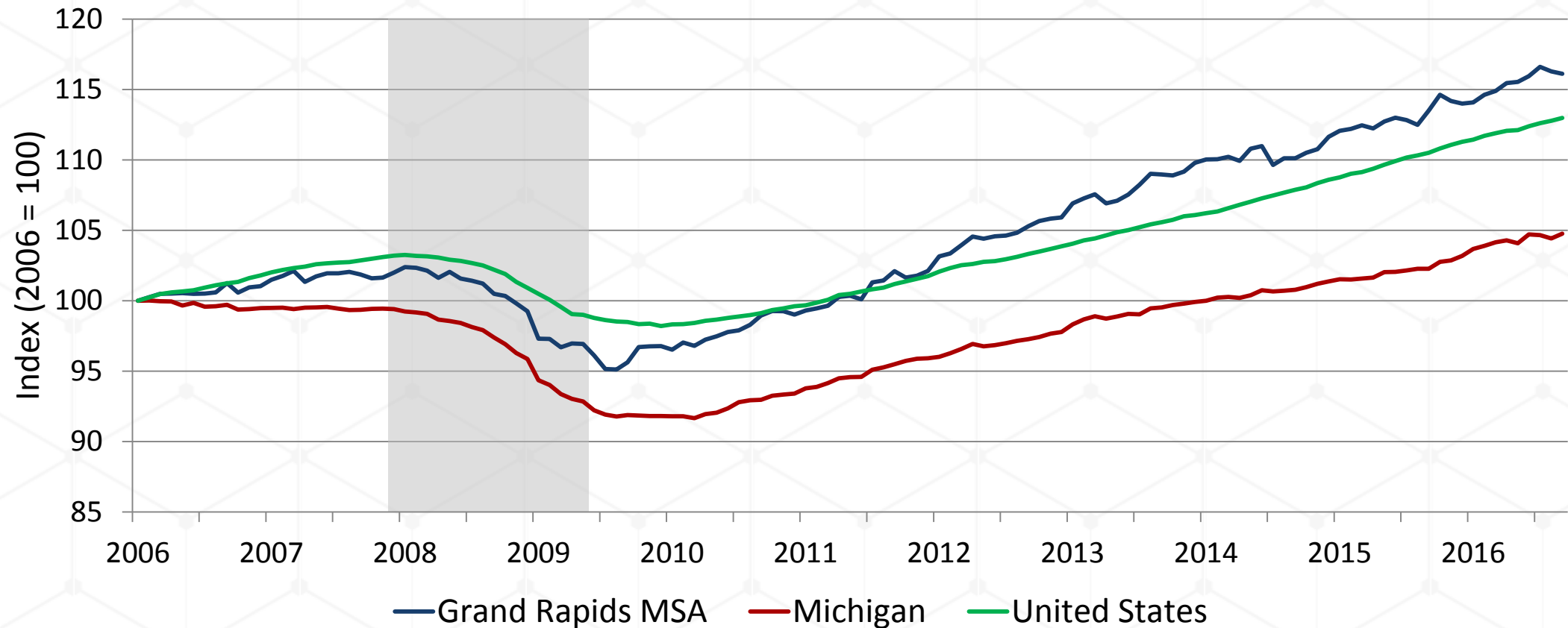
# Pre-recession by mid-2015

## Manufacturing Employment Index (2006 = 100)



# Strong performance in the services sector

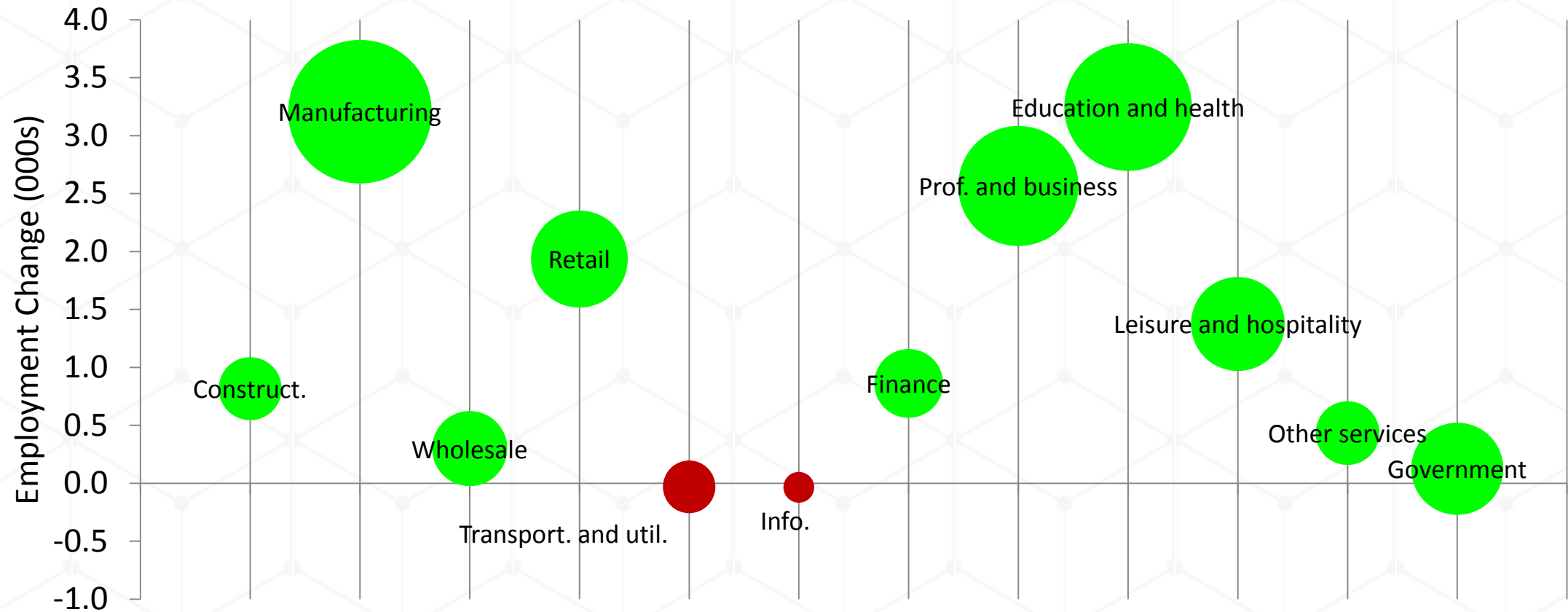
Private Service-Providing Employment Index (2006 = 100)





# Most sectors in Grand Rapids are doing well

## Employment Change, Q3 2015 to Q3 2016



# Comparison cities (in partnership with The Right Place)

## Comparison areas:

- Birmingham-Hoover, AL
- Charlotte-Concord-Gastonia, NC-SC
- Dallas-Fort Worth-Arlington, TX
- Greenville-Anderson-Mauldin, SC
- Knoxville, TN
- Louisville/Jefferson County, KY-IN Metro Area
- Portland-Vancouver-Hillsboro, OR-WA Metro Area
- Rochester, NY
- Tulsa, Ok

# Comparison city criteria

- Population 20% above or 20% below the Grand Rapids-Wyoming MSA
- Not located on an oceanic coast
- Not a state capital city
- Must have at least 10% of its overall GRP generated from the manufacturing sector

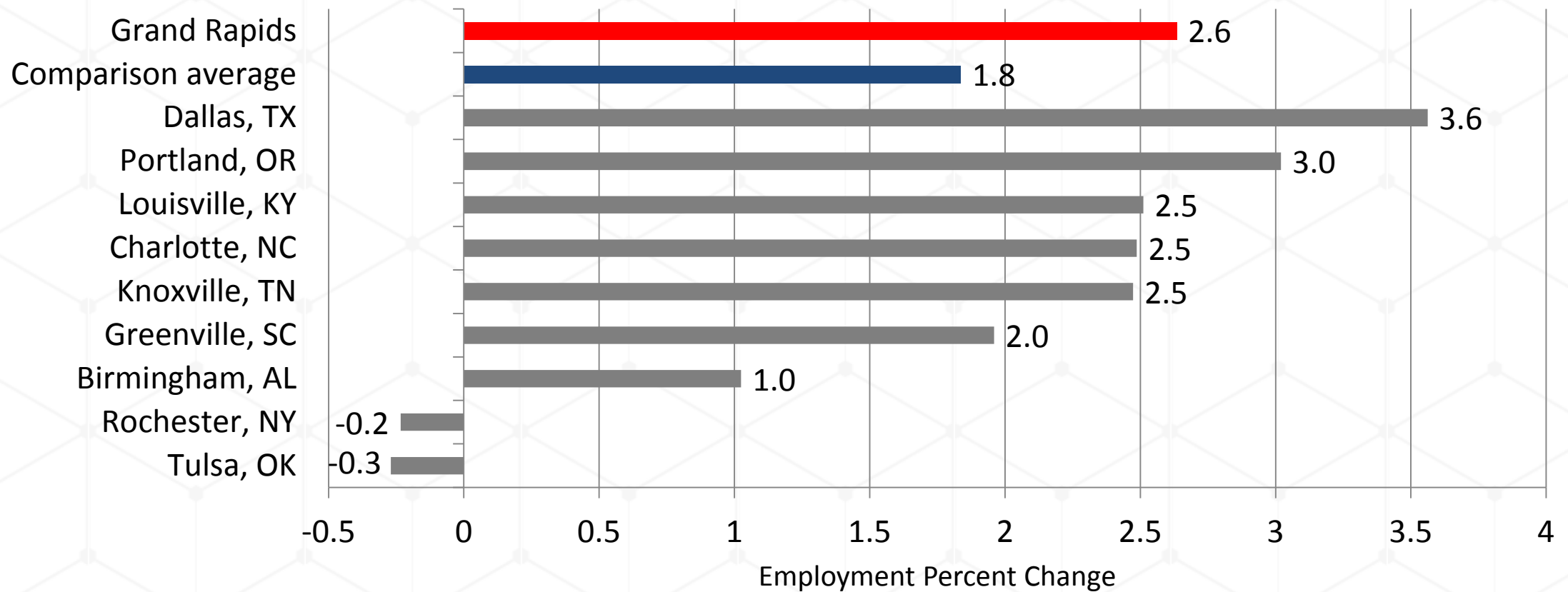
# The tightest labor market

Average Unemployment Rate, Jan-Oct 2016



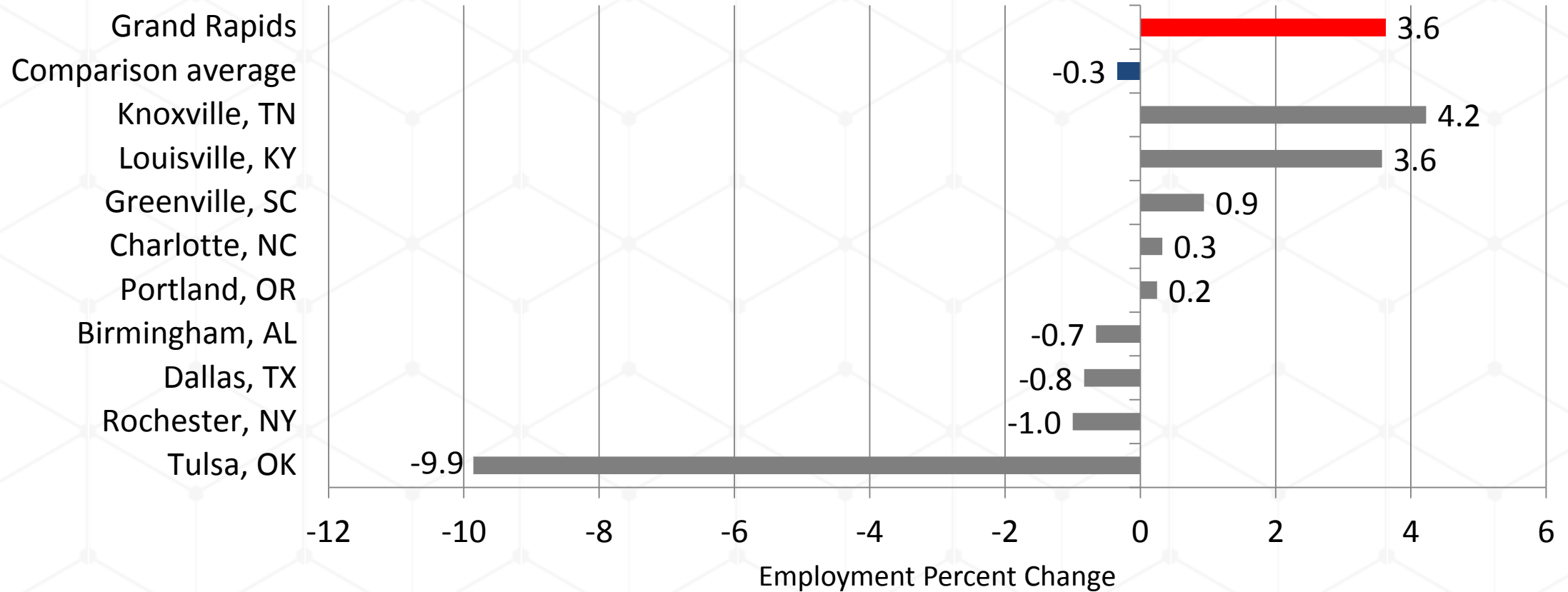
# Above average growth

## Total Employment Change Jan-Oct 2015 to Jan-Oct 2016



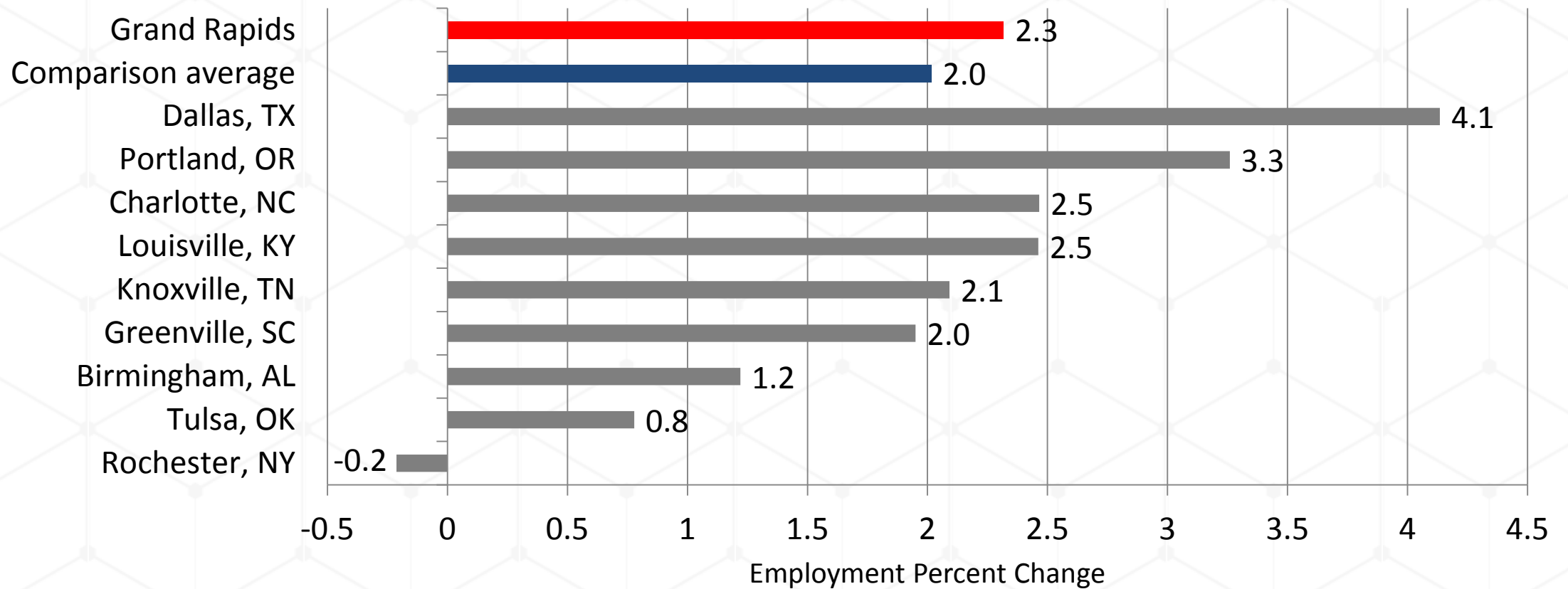
# Strong manufacturing performance YTD

## Manufacturing Employment Change Jan-Oct 2015 to Jan-Oct 2016



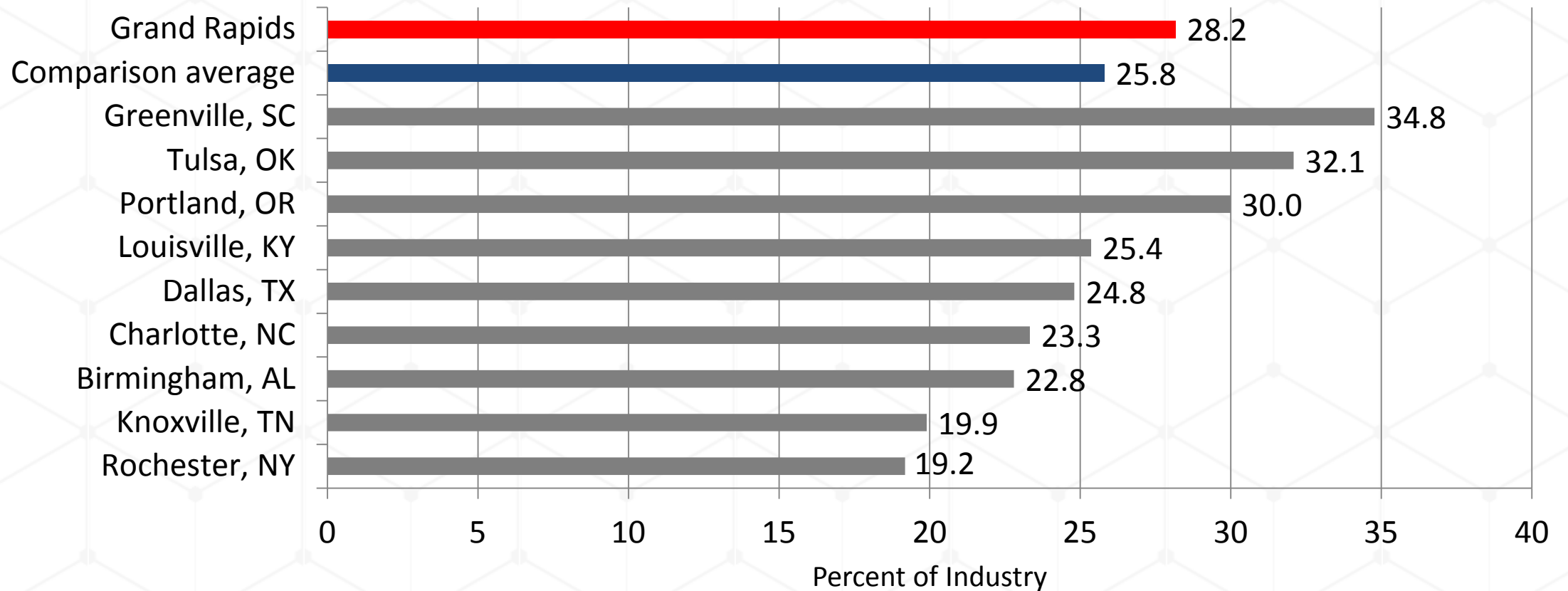
# Middle of the pack in services

Services Employment Change Jan-Oct 2015 to Jan-Oct 2016



# Entrepreneurial activity in a growing sector

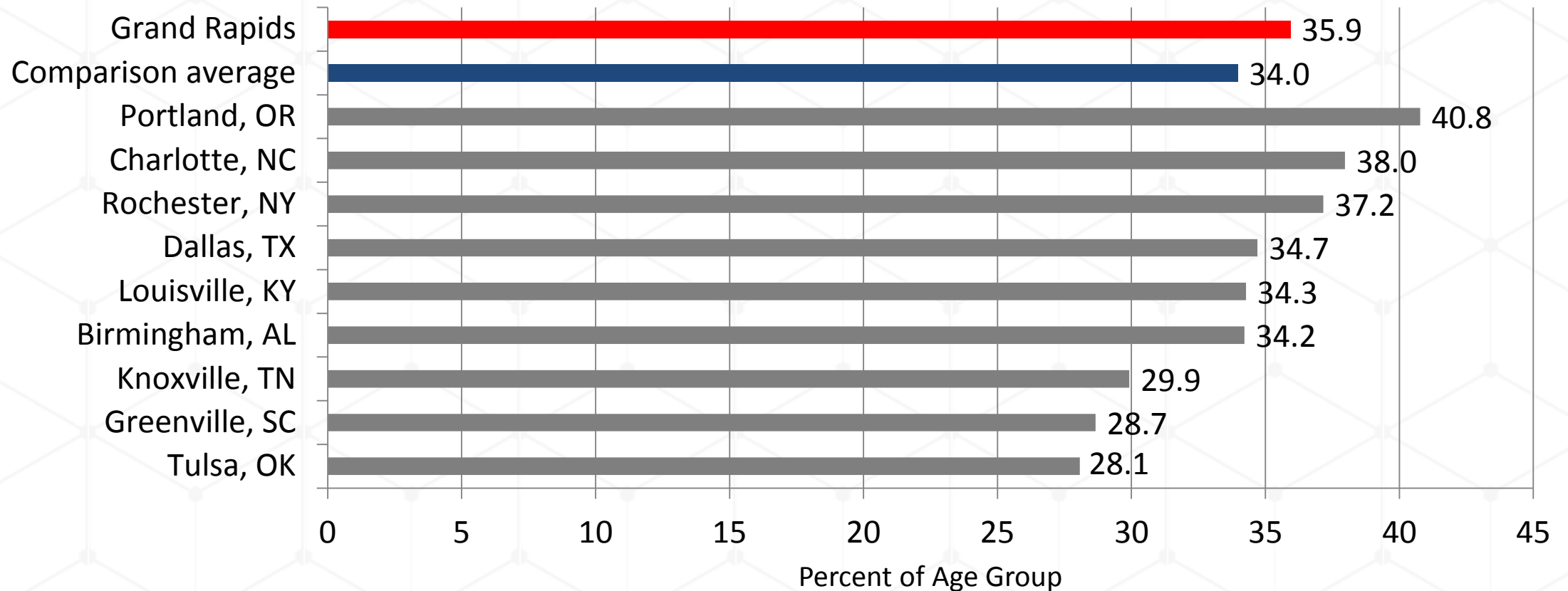
## Percent Self-Employed in Professional, Scientific, and Technical Services





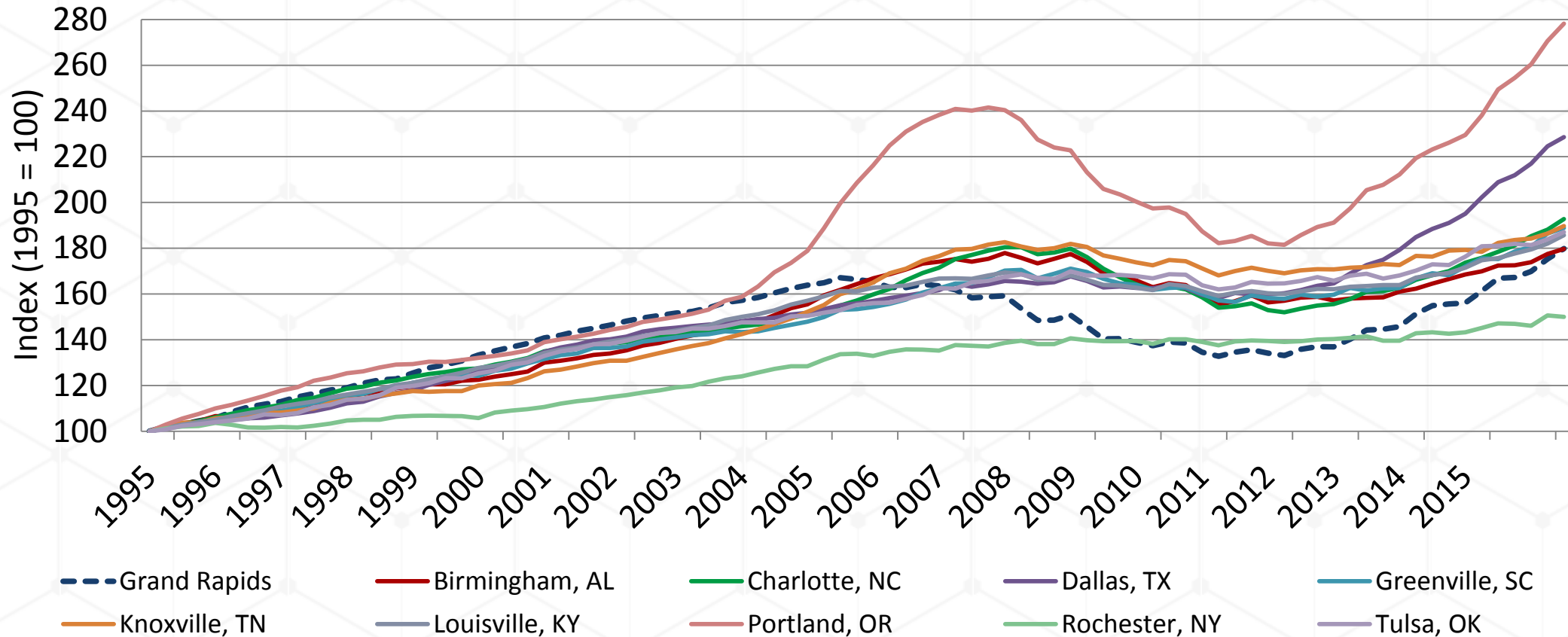
# More than one third have at least a four-year degree

## Bachelor's Degree or Higher, Age 25-34



# Low growth in housing prices

## Housing Price Index (1995=100)

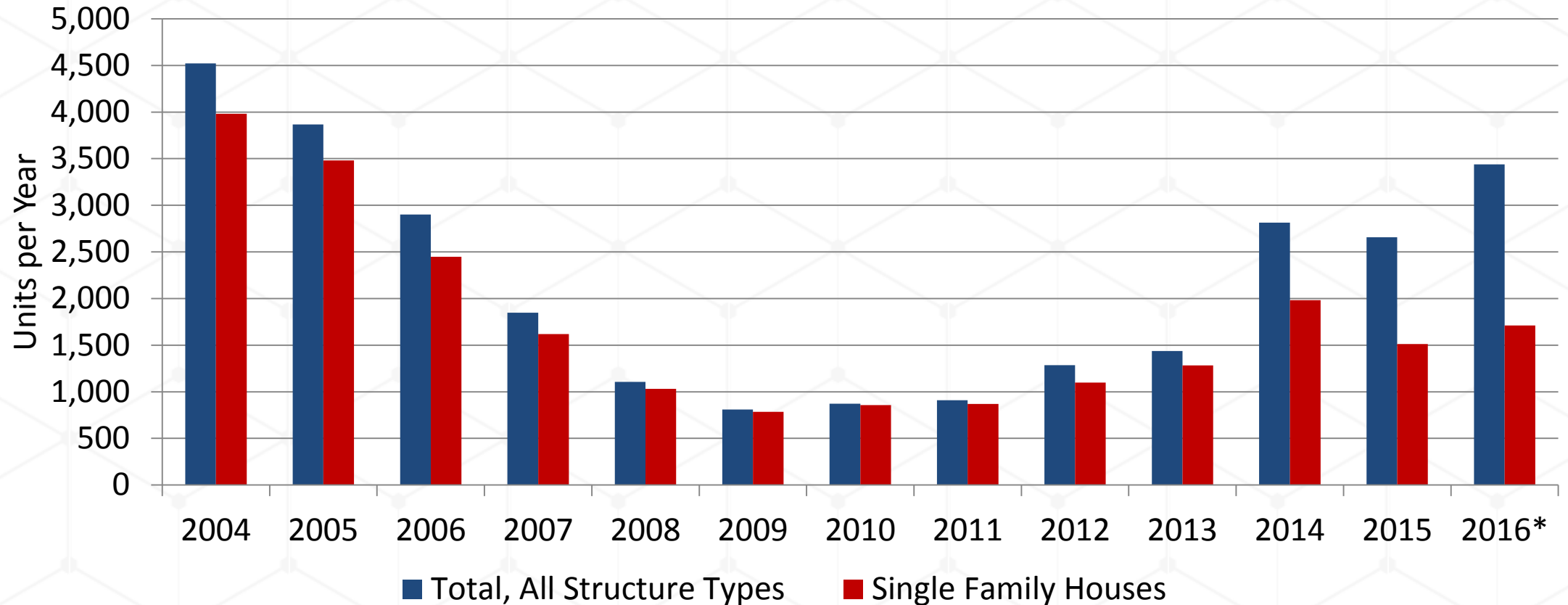


# Local Forecast

- Thank you to the Right Place and to our focus group contributors
- The next section includes “factors” affecting our forecast

# Permits issued at pre-recession levels

## Construction Permits Issued, Grand Rapids MSA

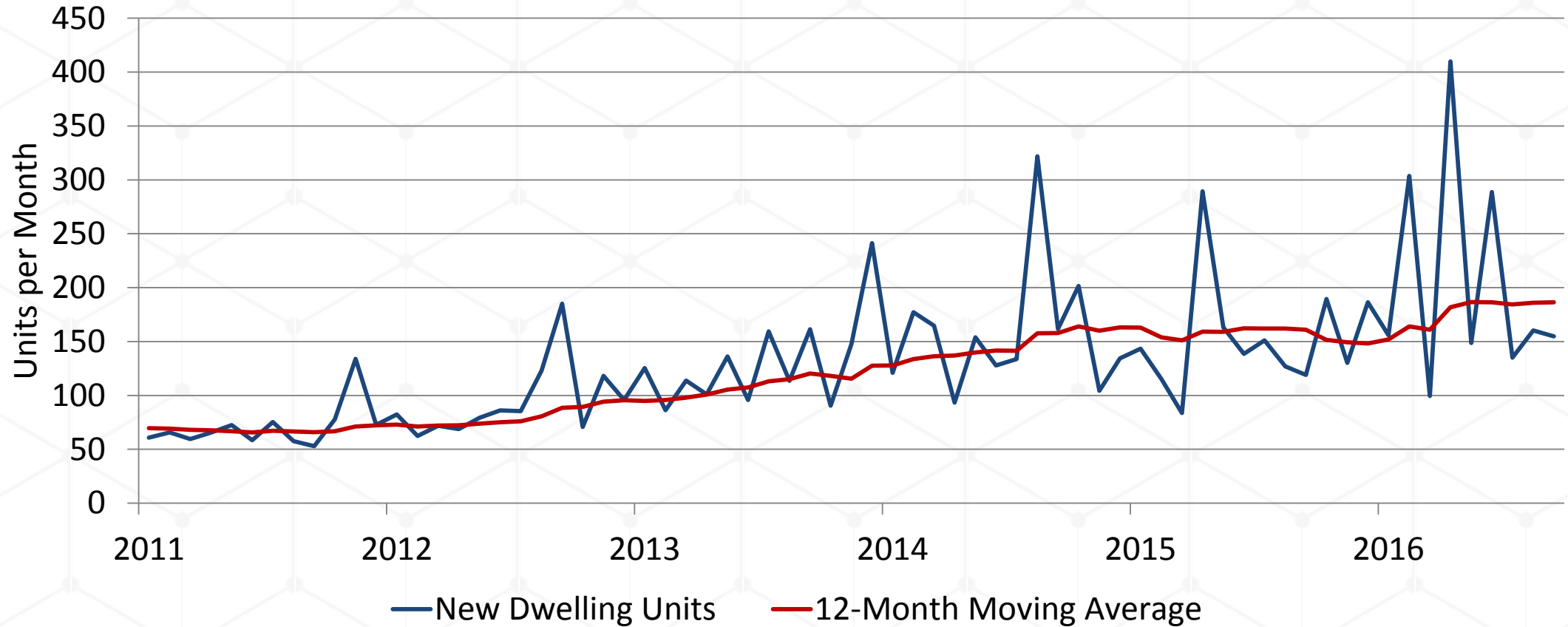


\* Projection based on year to date Oct 2016

Source: US Census Building Permit Survey

# Increased activity in 2016

## Number of Dwelling Units Placed Under Contract for Construction

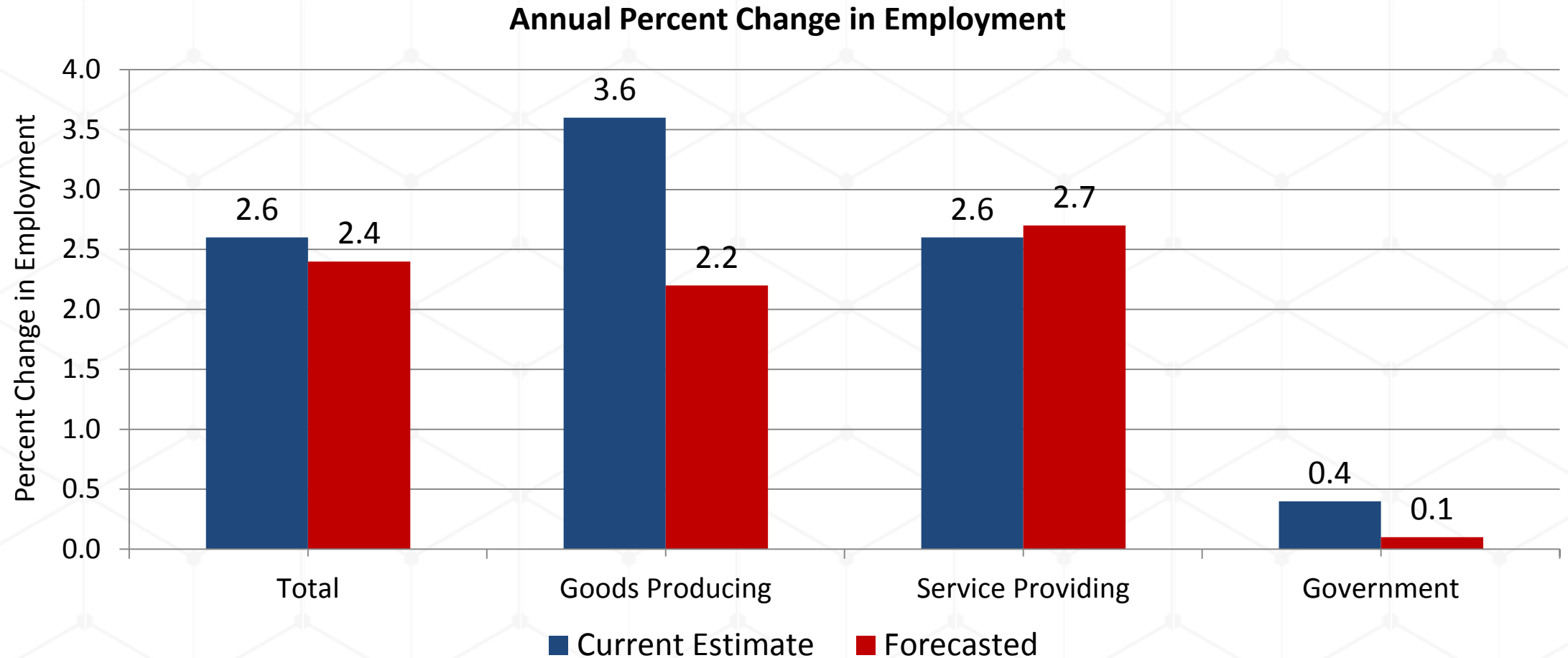


# Positive long-run trend to Purchasing Managers Index

## West Michigan Purchasing Managers Index



# Last year's forecast – not too far off

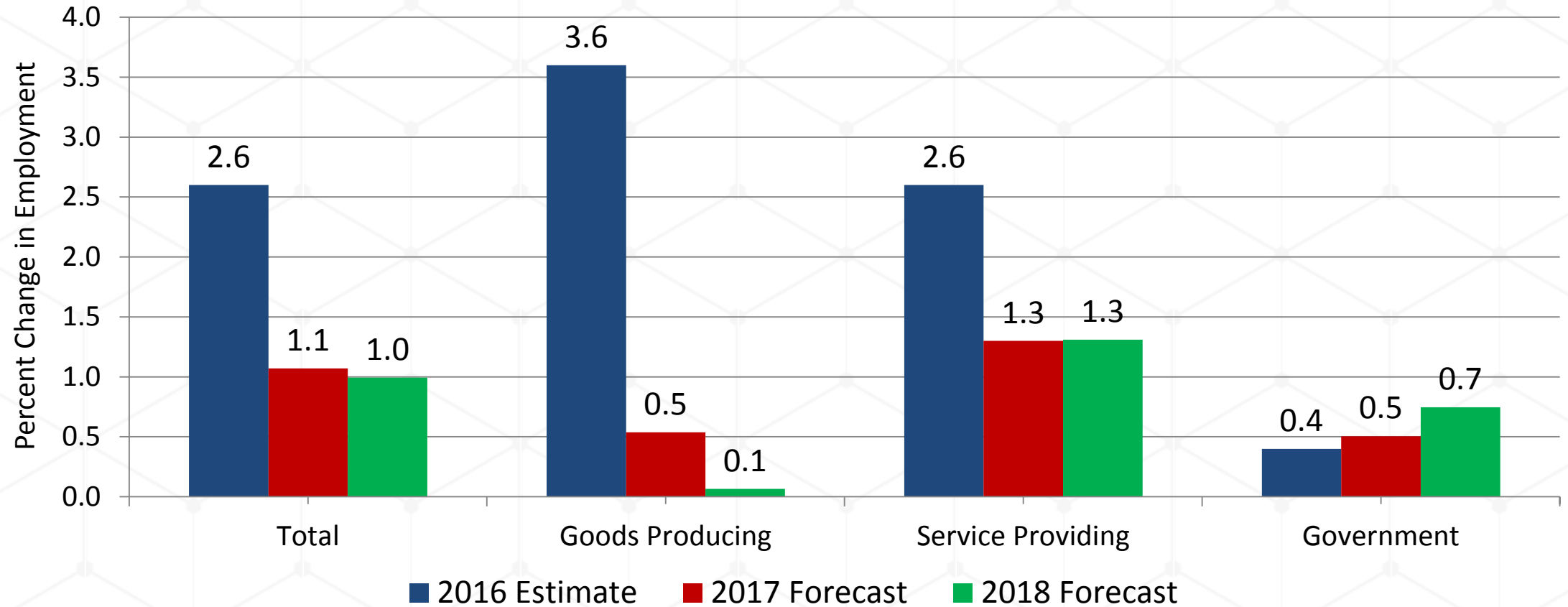


# Our View of 2017 and 2018



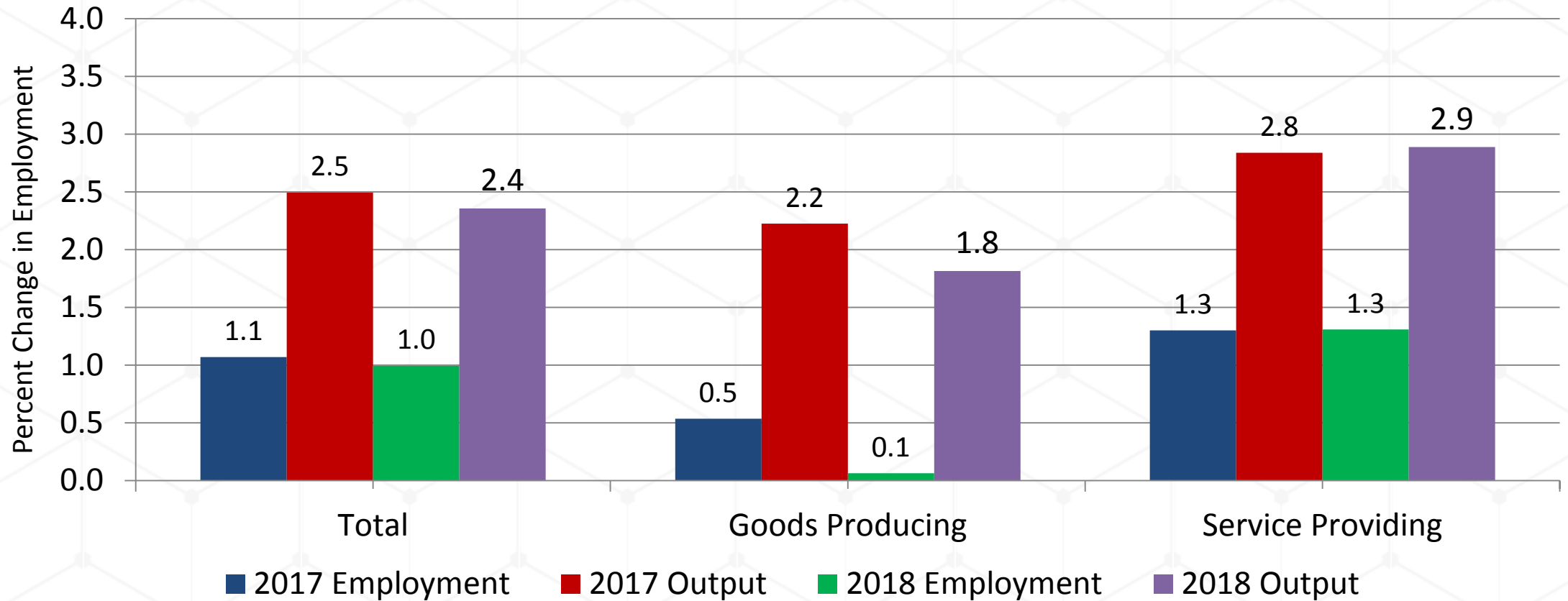
# Grand Rapids MSA 2017–2018 Employment Forecast

## Annual Percent Change in Employment



# Grand Rapids MSA 2017–2018 Output Forecast

## Annual Percent Change in Output



# Questions/Comments?

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