

2019 Economic Forecast

Presented by Dr. Paul Isely, Associate Dean of the Seidman College of Business at GVSU

It was the first Tuesday in February, time for our annual Economic Forecast Breakfast held at the Grand Haven Community Center. Dr. Isely shared with us the national economic factors and then focused more closely on West Michigan. The big questions on everyone's minds were: Is a Recession on its way? and How can I get more qualified workers to grow my business?

At home in **West Michigan**, we are poised a little stronger than the national economy. We are still expected to have a 2% sales growth and employment is predicted to continue growing a little slower at 1%-2%. The crunch comes in when looking for qualified workers. In Ottawa County, we have 4,000 unemployed people looking for work. We have 150,000 people working. Unfortunately, out of the 4,000 searching for work right now, a good percentage of them have mis-matched skills for open positions, have quality concerns, or issues with drugs and substances.

There are a couple of unique labor related issues we are facing in our community. One issue we are facing is **immigration** into Northwest Ottawa County. Cutting immigration during a labor shortage will seriously impact our employment growth. The other issue is the **age of our population**. Our 25-35 year old groups are much smaller than our 65+ year old age groups. Generations Y & Z are not calling Northwest Ottawa County their home, unlike Kent County. With all these labor force issues, companies are forced to do more with less, automate, change processes or use less labor to make the same stuff.

Other areas to watch include **wage growth**, housing, trade, and tax changes. Muskegon County wages have grown 10% last year, while Ottawa County wages have only grown 2%. Muskegon County is getting more competitive, and there is no longer a wage gap between the two counties. **Housing** is in good shape. We have more households being created in Northwest Ottawa County than houses. This means property values should keep going up, and we are building at just about the same rate as the population. We still need more **affordable** housing however.

As for **trade**, 1 out of 9 jobs in West Michigan is dependent on trade. And, with the recent tariff war, companies are spending between 10-40% more to bring in their products than before. This is causing uncertainty for many businesses, and we will all watch the trade negotiations closely. Finally, 2018 saw **tax changes**, with the goal to increase investment. However, we have not seen the effects of this yet and indications show that it may not happen.

One shining star that we have in our community is **tourism**. For every 1% growth in tourism, we will see a two-thirds to three-quarters of million dollars added into our local economy. People are coming to our area for visit, and it is a great opportunity to try and get those visitors to move here.

The overall economy is likely to see a small recession begin in late 2019. This will not hit every industry, but it will have an impact. We are seeing labor shortages, competition in labor from neighboring counties, and our generational workforce is not getting diverse. Workers are taking

advantage of flexibility and benefits, not necessarily wage growth. Real estate and tourism are in good positions for 2019, while those exporting and trading will face uncertainty. We should plan for tighter profit margins as we go into 2019. Finally, we need to recruit the younger generations to live in Northwest Ottawa County and plant their seeds in our community.

For the complete Economic Development Forecast, please visit
<http://grandhavenstream.tv/community/02052019-2468>