The Current Economic Conditions

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Seidman College of Business
Grand Valley State University
How We Did Last Year - Employment

Difference Between Forecast and Actual Employment Growth In West Michigan

CPI Inflation Expectations for 2022

<table>
<thead>
<tr>
<th></th>
<th>Federal Reserve Prediction</th>
<th>GVSU Prediction</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
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<tr>
<td>Actual Low</td>
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<td>Actual High</td>
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Source: BLS and Isely calculations

Source: BLS and Isely calculations
Pandemic Stimulus Fading Combined with Higher Interest Rates Will Place a Drag on the Economy
The Drag on the Economy has Already Begun
Monetary Policy

Interest Rates

Source: Federal Reserve
Massive Increase In Wealth

Change in Net Worth Since February 2020

Source: Board of Governors
Source: BEA
Started to Affect Retail in December

Michigan Retail Index

Source: Chicago Federal Reserve
As these drags on the economy take hold, prices increases will decelerate – not go away.
Expectations

Source: GVSU Survey
Supply Chain Pressure

Global Supply Chain Pressure Index

Source: New York Fed
Wages

2023 Wage Change

Source: GVSU Survey
Inflation is Baked in for Next Year

How Money is Spent with Inflation

11.2% Slowing to 5%
6.7% Accelerating to 9.5%
19.8% Slowing to -20%
6.6% Slowing to near zero
6.6% Accelerating to 9.5%

Source: BLS and Isely Calculations
Even With The Drag On The Economy Accelerating There Will Not Be Enough Workers
Demographics

Wage Growth By Income Quartile

Percent YOY Increase

Source: Atlanta Fed
Population Growth Not Fast Enough

Source: Census and BLS
Not A lot of Workers to Come Back

Why People are Not Working In Michigan

- December 2020: Roughly 6% childcare, 4% eldercare, 2% do not want
- July 2021: Roughly 10% childcare, 2% eldercare, 1% do not want
- December 2021: Roughly 5% childcare, 3% eldercare, 2% do not want
- July 2022: Roughly 7% childcare, 3% eldercare, 2% do not want
- December 2022: Roughly 5% childcare, 3% eldercare, 2% do not want

Additional Reasons:
- Roughly 50% retired
- 13% disabled
- 1% concerned about COVID
Grand Haven Has A Housing Problem Making It Hard to Solve the Talent Problem
Housing Prices Rising Faster

Percent Change Since 2000

49441, 49442, 49444, 49424, 49417, 49456, 49423
Rental Prices Higher

Monthly Rental Costs

Source: Zillow
People Not Moving To

Percent Change in Moves To The Area Between 2018 and 2022

Source: US Postal Service
NW Ottawa’s Two Major Industries Look Good For This Year
Reason 2 – Tourism

Leisure and Hospitality
West Michigan Employment

Source: BLS
Big Exposure to Manufacturing

Ottawa County Exposure to Manufacturing before COVID

- **Holland/Zeeland**: 50% Percent of Ottawa County Jobs, 0% Percent of Jobs Manufacturing
- **Grand Haven/Spring Lake**: 40% Percent of Ottawa County Jobs, 40% Percent of Jobs Manufacturing
- **Hudsonville/Georgetown Twp**: 10% Percent of Ottawa County Jobs, 10% Percent of Jobs Manufacturing

Source: On the Map
Reason 3 -- Automotive

Light Vehicle Sales Over 12 Month Period

Source: BEA

Forecast 2023
### Summary

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<thead>
<tr>
<th></th>
<th>West Michigan Survey</th>
<th>United States</th>
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</thead>
<tbody>
<tr>
<td><strong>Current Confidence</strong></td>
<td>70</td>
<td></td>
</tr>
<tr>
<td><strong>2023 Confidence</strong></td>
<td>67</td>
<td></td>
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<tr>
<td><strong>Sales Growth</strong></td>
<td>2.3%</td>
<td>1.3%</td>
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<tr>
<td><strong>Employment Growth</strong></td>
<td>1.8%</td>
<td>0.65%</td>
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<tr>
<td><strong>Wage Growth</strong></td>
<td>4.1%</td>
<td>4.3%</td>
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<tr>
<td><strong>Inflation Expectation</strong></td>
<td>5.6%</td>
<td>5.4%</td>
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Source: Isely Surveys, Philadelphia Federal Reserve, and Conference Board
Things to Watch

• Consumer Spending – When does wealth effect wear off?

• Federal Reserve Action -- More or less will trade off growth and price.

• Supply Disruptions – Faster resolution means faster reduction in inflation

• Inflation Expectations – If expectations have been built in, then inflation will be persistent.

• Other Shocks
  • Budget Showdown
  • Mid Year Fake
Questions