



WASHTENAW ECONOMIC CLUB

@ Washtenaw Community College

ROSE B. BELLANCA, Ed.D.

President,
Washtenaw Community College





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Today's Moderator

ALEX WEST

Ann Arbor SPARK
Director of Research

Submit questions to Alex in the chat panel.



Today's Moderator

Session I (10 minutes) and Q&A (8-10 minutes)
– 11:20-11:40 a.m.

Session II (15 minutes) and Q&A (8-10 minutes)
– 11:40 a.m.-12:05 p.m.

Session III (20 minutes) and Q&A (10-15 minutes)
– 12:05-12:45 p.m.

Submit questions to Alex in the chat panel.



TODAY'S SPEAKERS



GABRIEL EHRLICH

Director, RSQE
University of Michigan



DONALD GRIMES

Regional Economic Specialist
University of Michigan

The Economic Outlook for Washtenaw County, 2020–2022



Washtenaw Economic Club
2020 Event Series

May 29, 2020

Jacob Burton

Gabriel Ehrlich

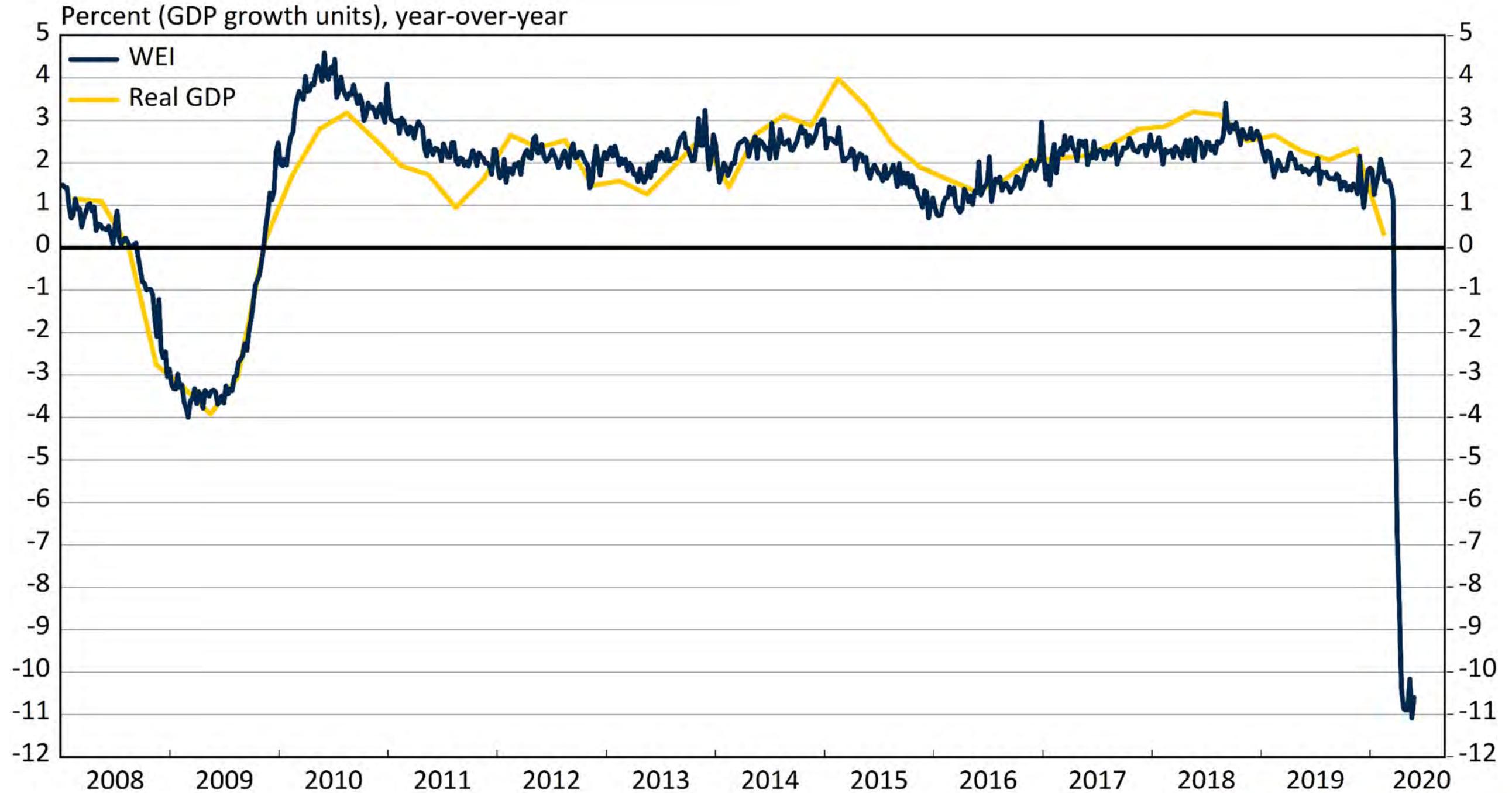
Donald Grimes

Michael McWilliams

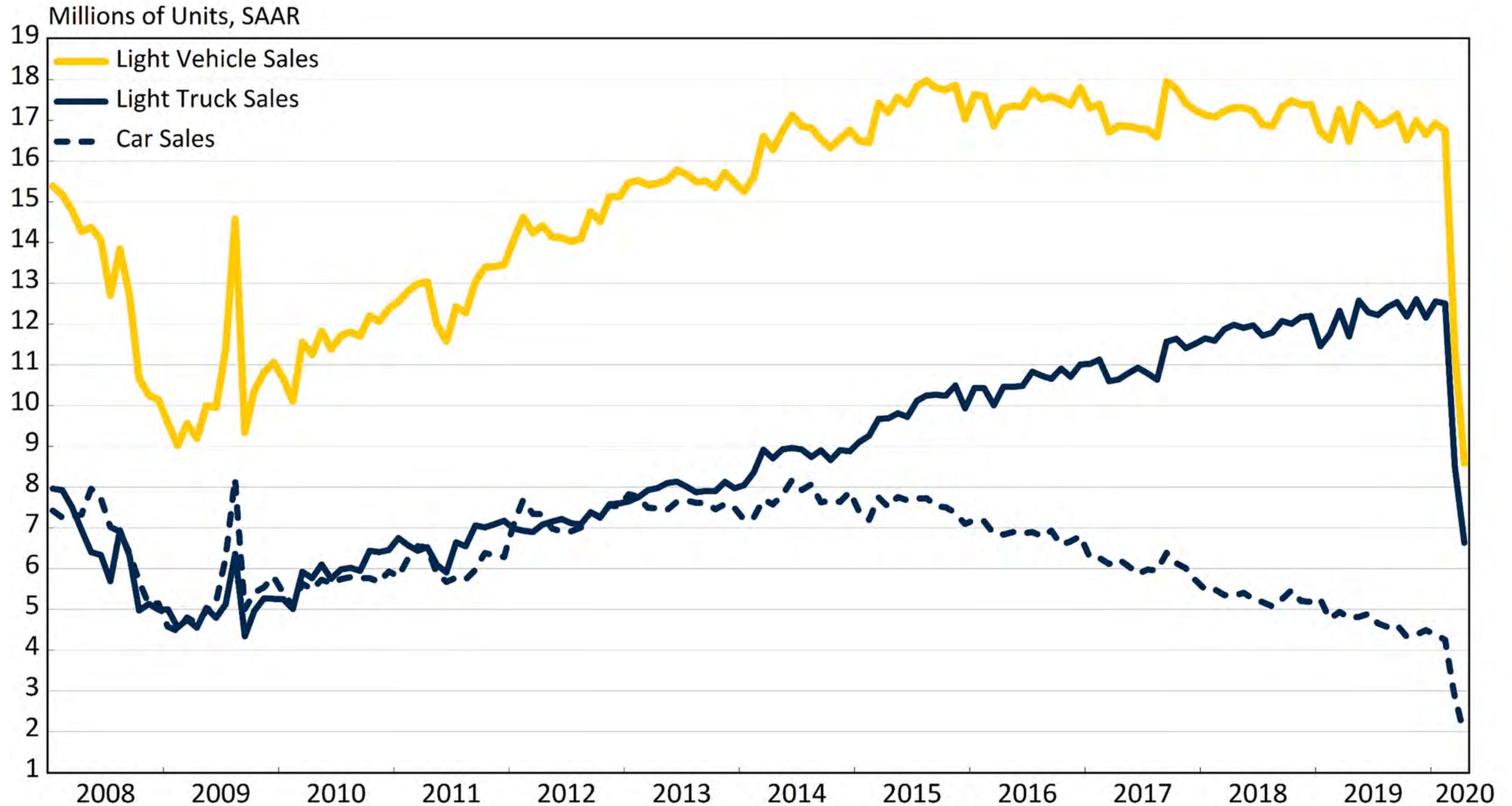
Research Seminar in Quantitative Economics

High-Frequency Economic Indicators

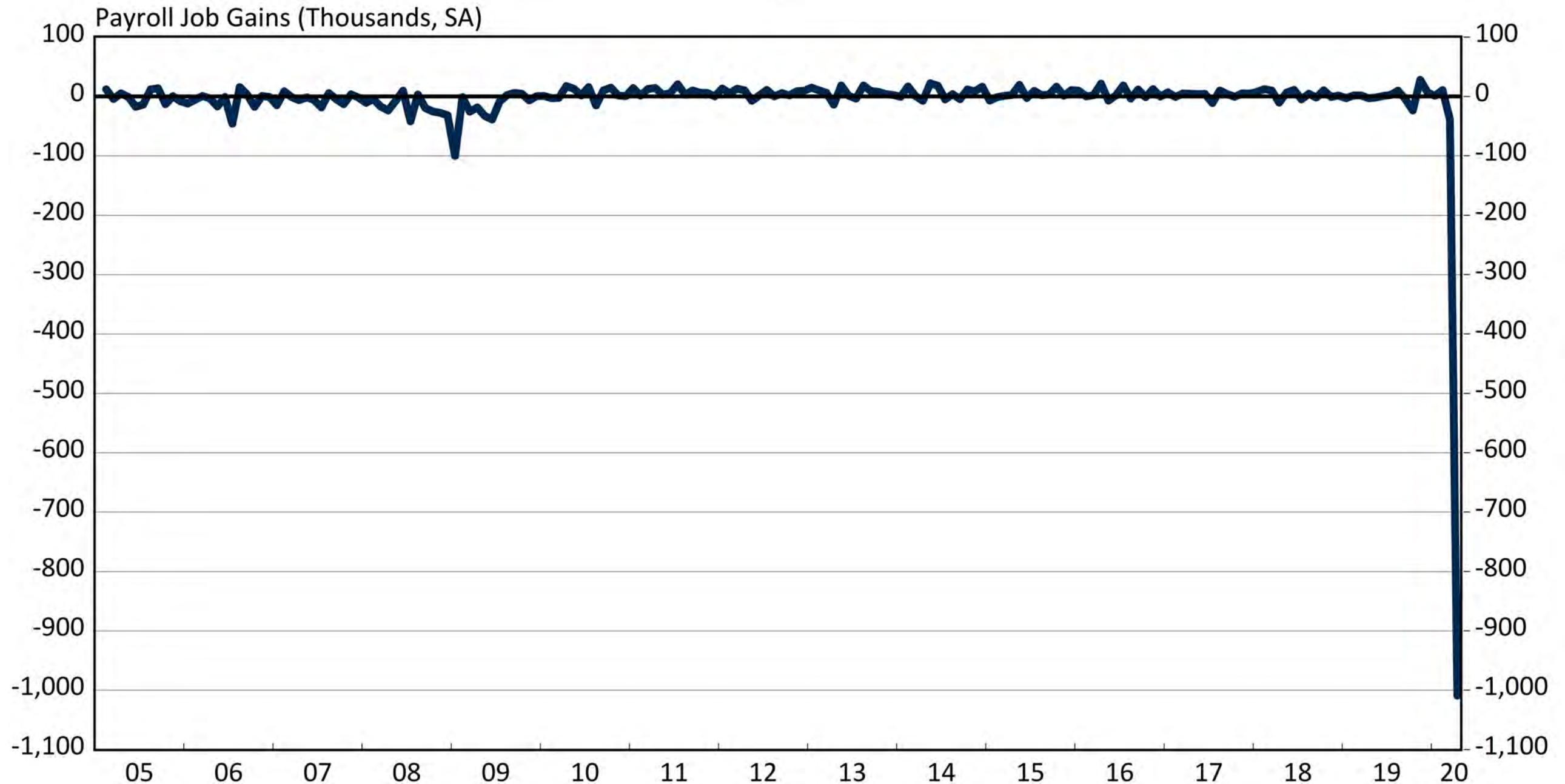
Weekly Economic Index (Lewis-Mertens-Stock)



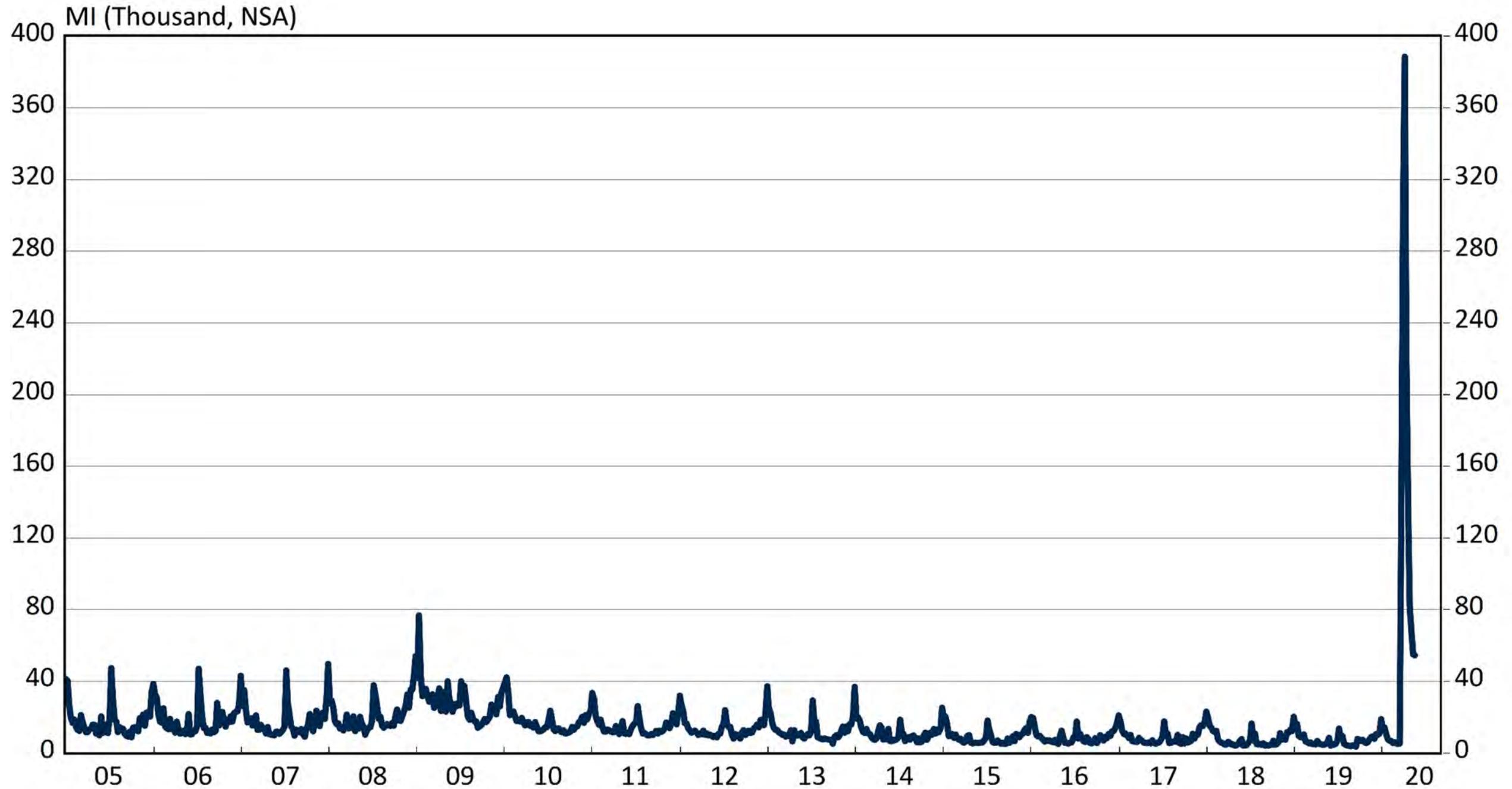
Monthly U.S. Light Vehicle Sales



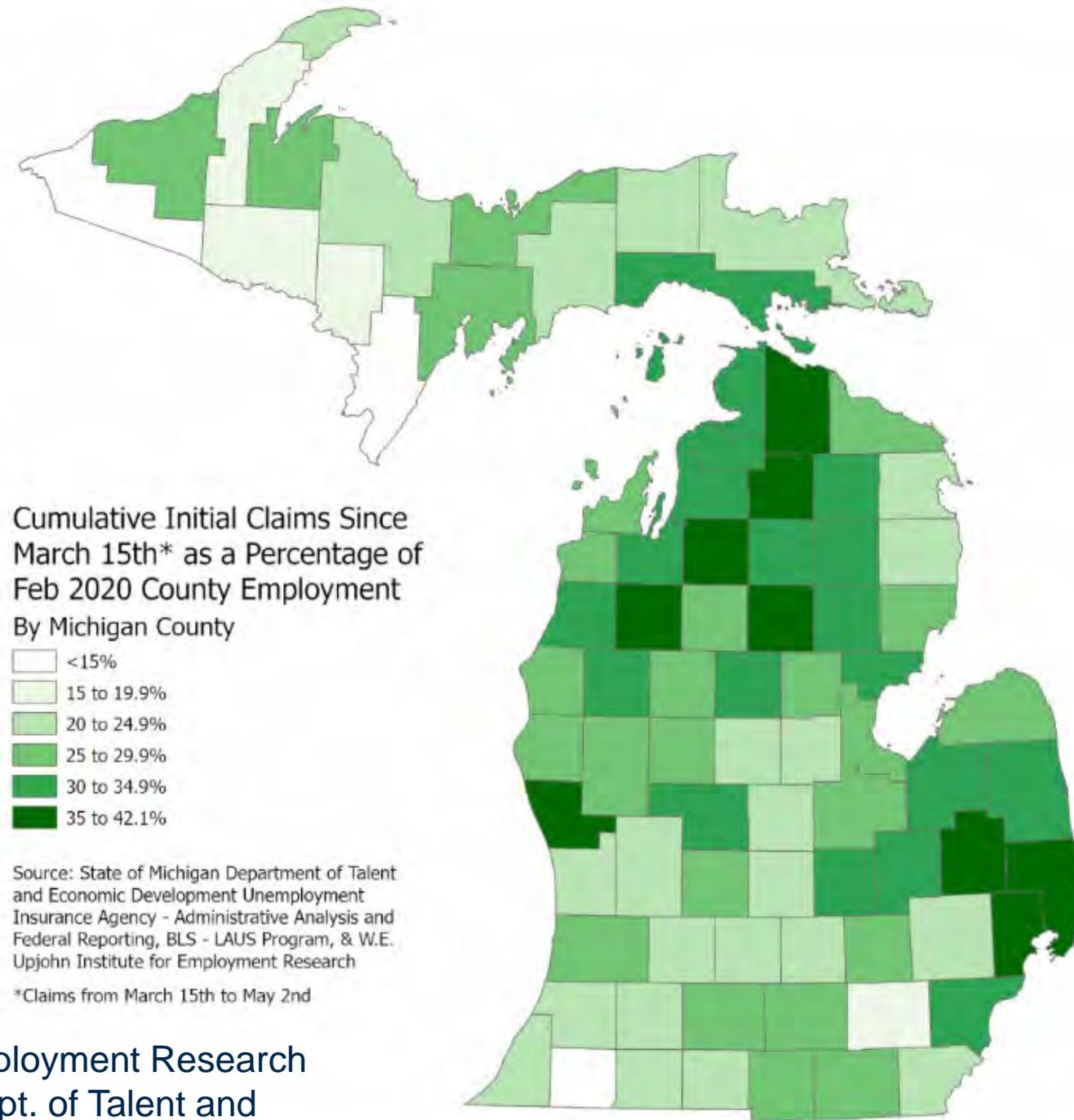
Monthly Michigan Payroll Job Gains



Weekly Initial Unemployment Insurance Claims (Michigan)



Cumulative Initial Unemployment Insurance Claims

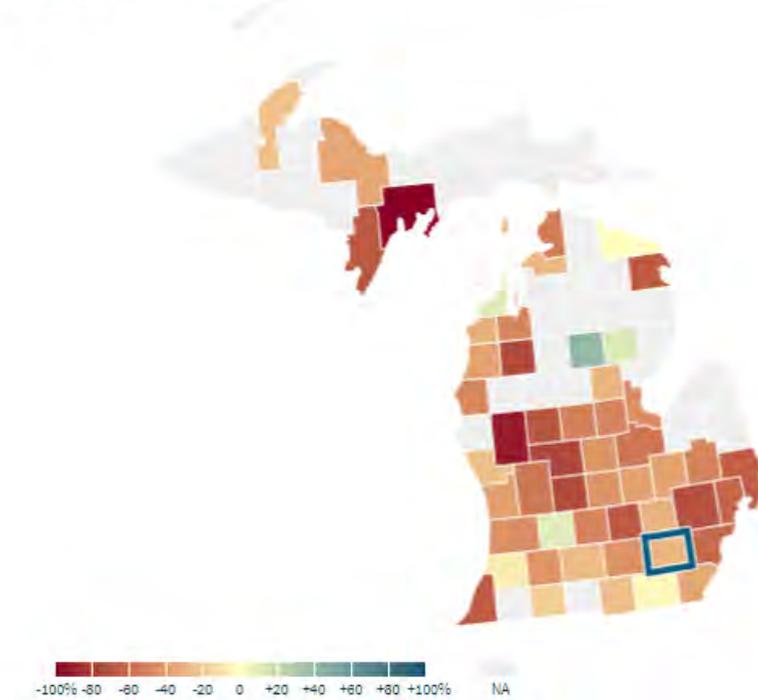


Source: W.E. Upjohn Institute for Employment Research using data from State of Michigan Dept. of Talent and Economic Development Unemployment Insurance Agency
RSQE: May 2020

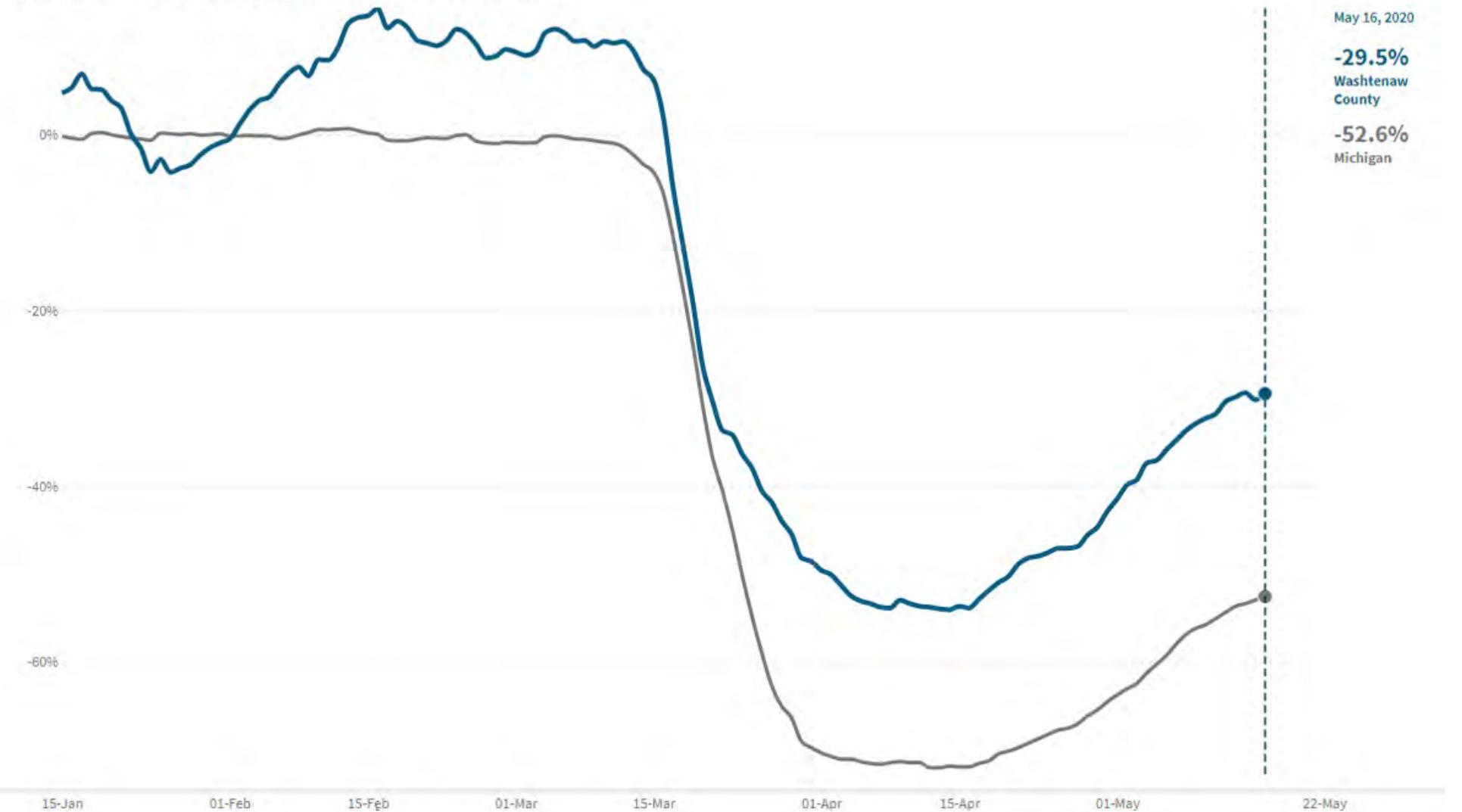
Homebase Small Business Trends

Percent Change in Hourly Employees in Small Businesses ⓘ

Michigan



In **Washtenaw County**, as of May 16, 2020, the number of hourly employees in small businesses decreased by **29.5%** compared to early January 2020.

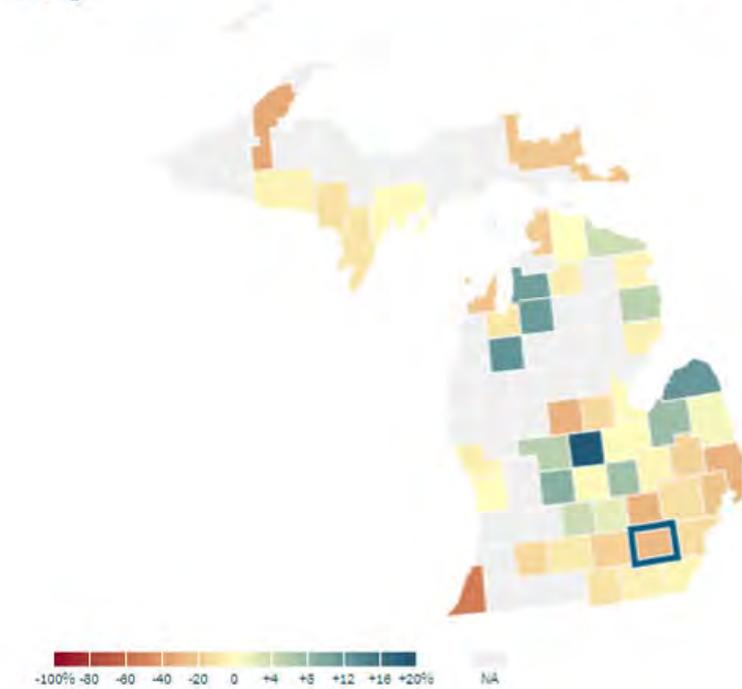


Chetty, Friedman, Hendren, Stepner, and the OI Team (2020) >

Source: Opportunity Insights Economic Tracker
using data from Homebase
RSQE: May 2020

Affinity Solutions Consumer Spending Trends

Percent Change in All Consumer Spending ①
Michigan



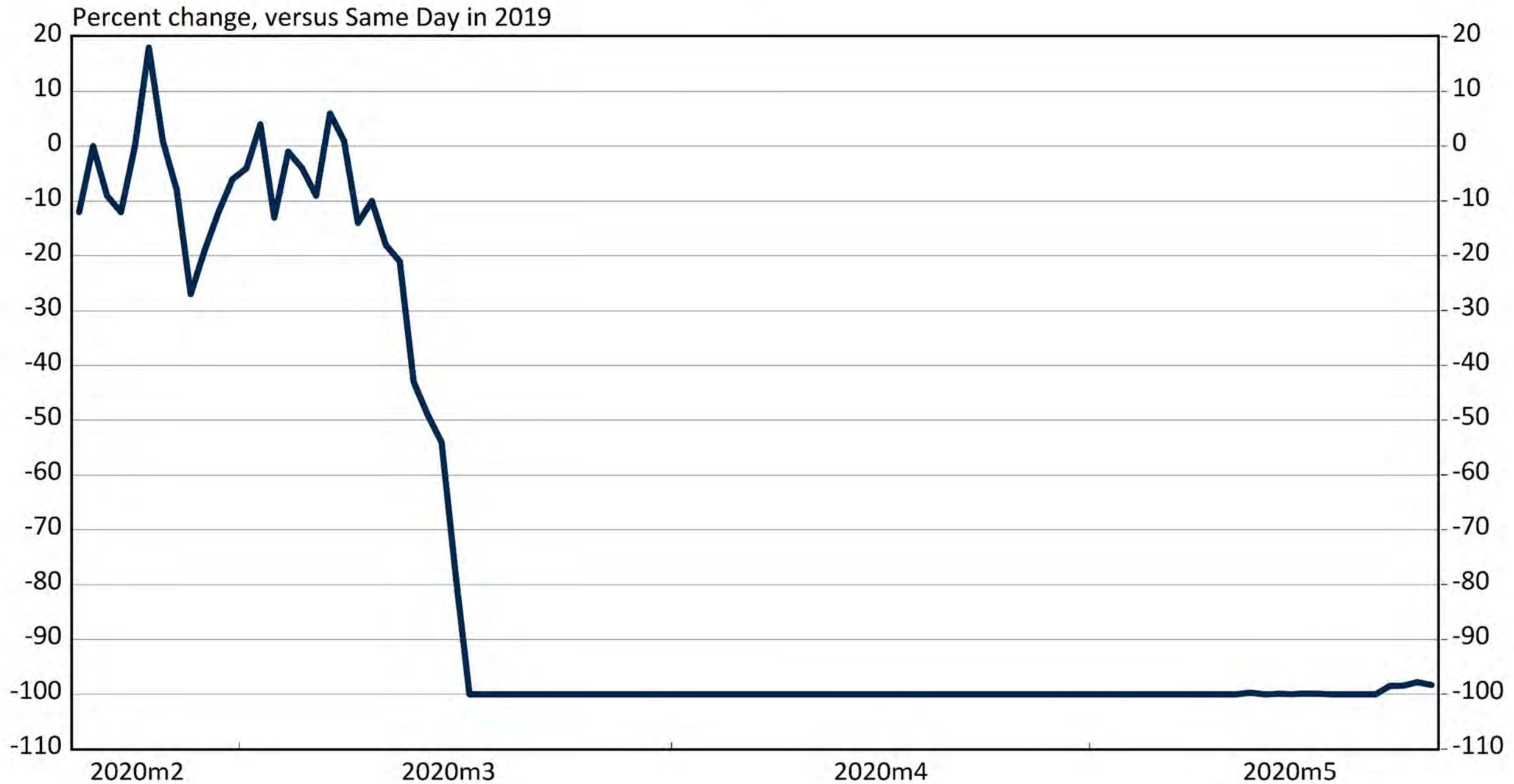
In Washtenaw County, as of May 10 2020, total spending by all consumers decreased by **27.5%** compared to early January 2020.



Chetty, Friedman, Hendren, Stepner, and the OI Team (2020) >

Source: Opportunity Insights Economic Tracker
using data from Affinity Solutions
RSQE: May 2020

Seated Diners at OpenTable.com Restaurants (Michigan)



Source: Opentable

RSQE: May 2020

7-Day Moving Average of Daily New Cases (Michigan)



Source: New York Times

Q&A

ALEX WEST

Ann Arbor SPARK
Director of Research

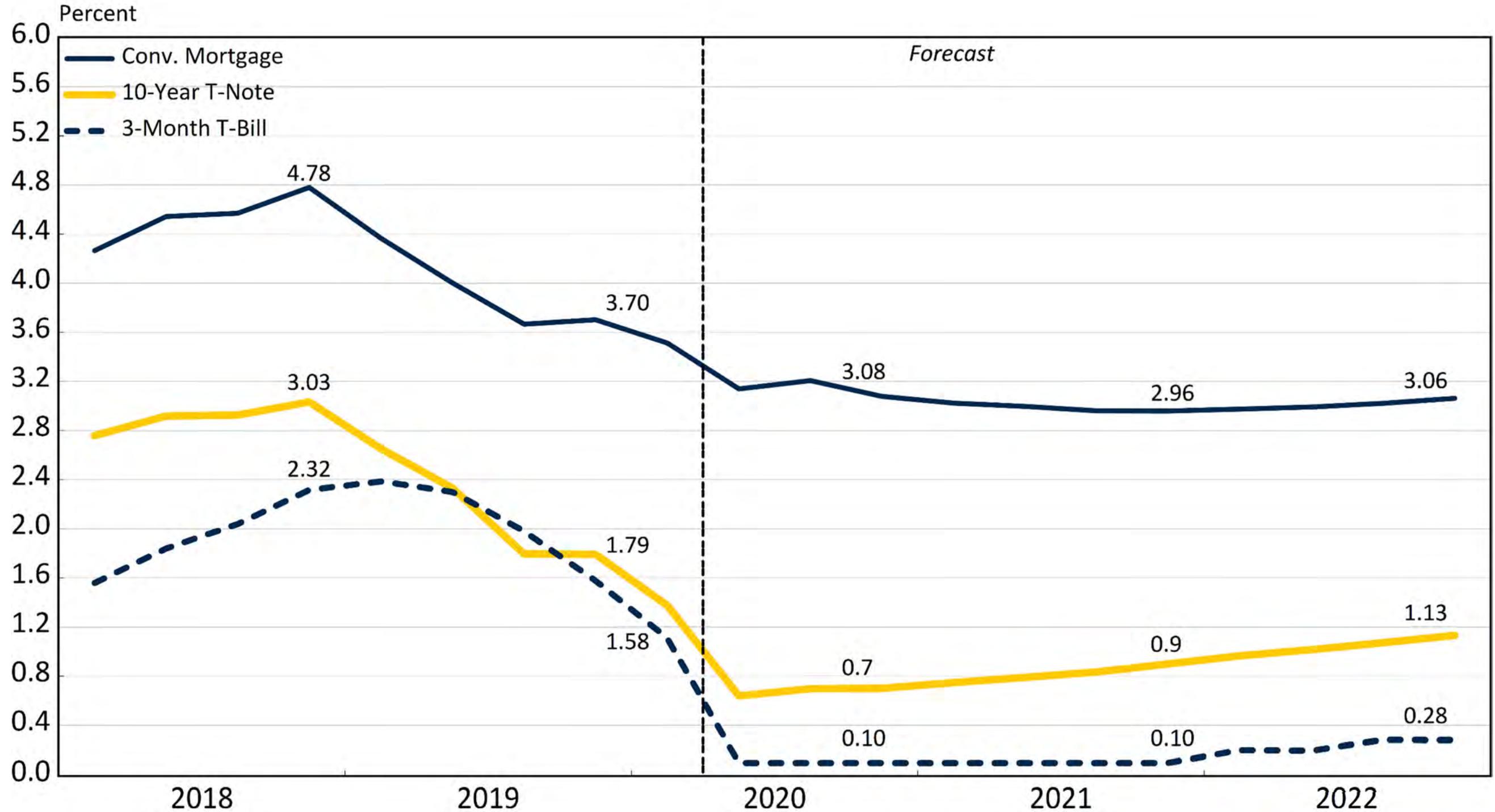


U.S. Economic Outlook

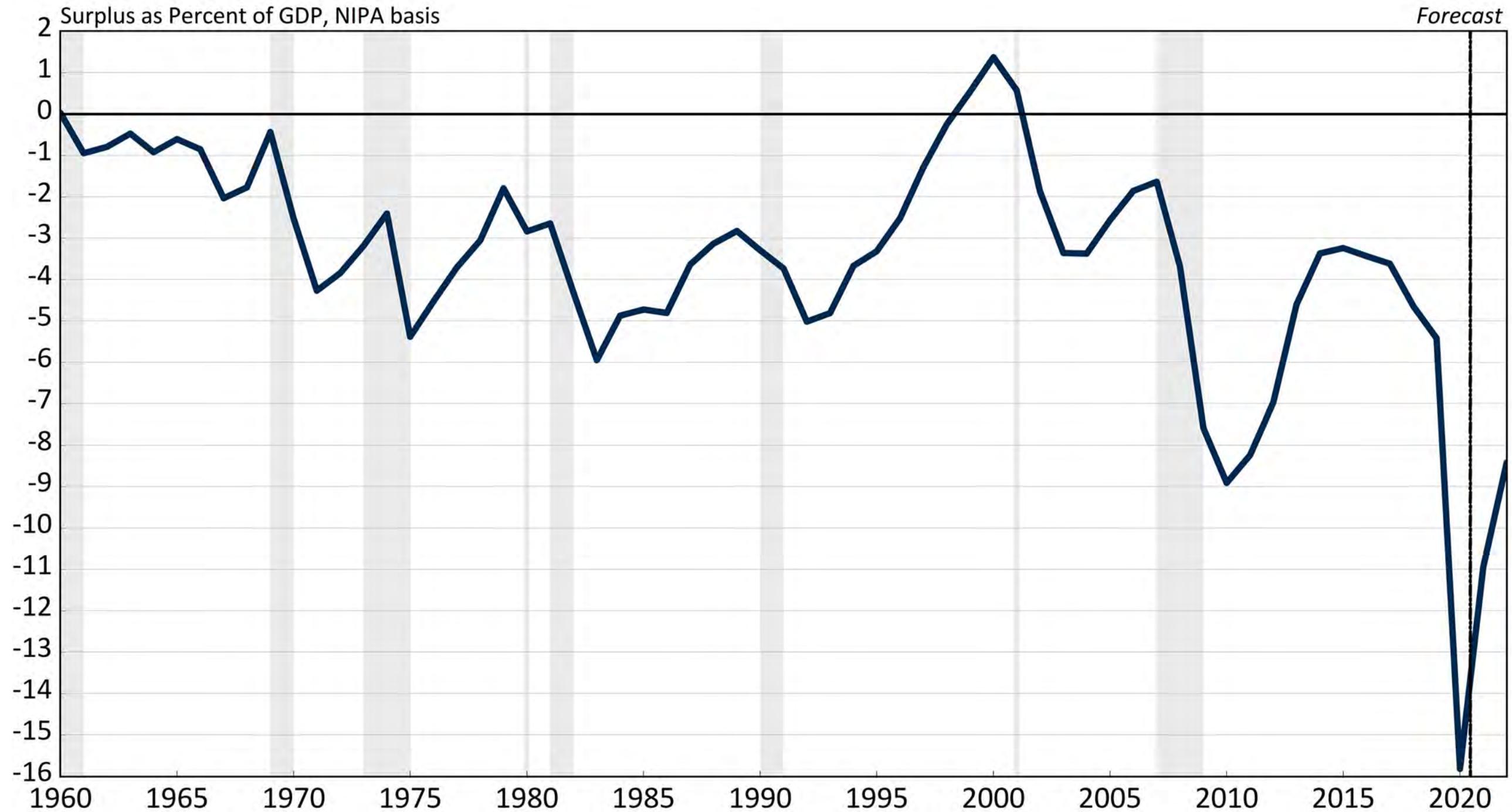
Epidemiological and Public Health Policy Assumptions

- Assumptions, not recommendations!
- Around 80% of deaths are among those over 65
 - A shift in strategy likely in favor of helping the vulnerable isolate
 - Ease restrictions on businesses gradually, with new safety protocols and capacity constraints in place
- We expect/hope no largescale rebound in cases or “second wave”
- Service industries with the highest perceived risk of infection won’t rebound until customers feel safe
 - Sit-in restaurants, air travel, public transportation, concerts, sporting events, etc.
 - We project these industries to return to ‘business as usual’ by mid-2021
- We are cautiously optimistic about K-12 schools reopening in-person this fall/winter (with precautions)
 - Otherwise, there is likely to be large-scale absenteeism from work
 - Children’s susceptibility to severe illness from COVID-19 appears much lower than adults’
 - Children appear unlikely to be super-spreaders of COVID-19

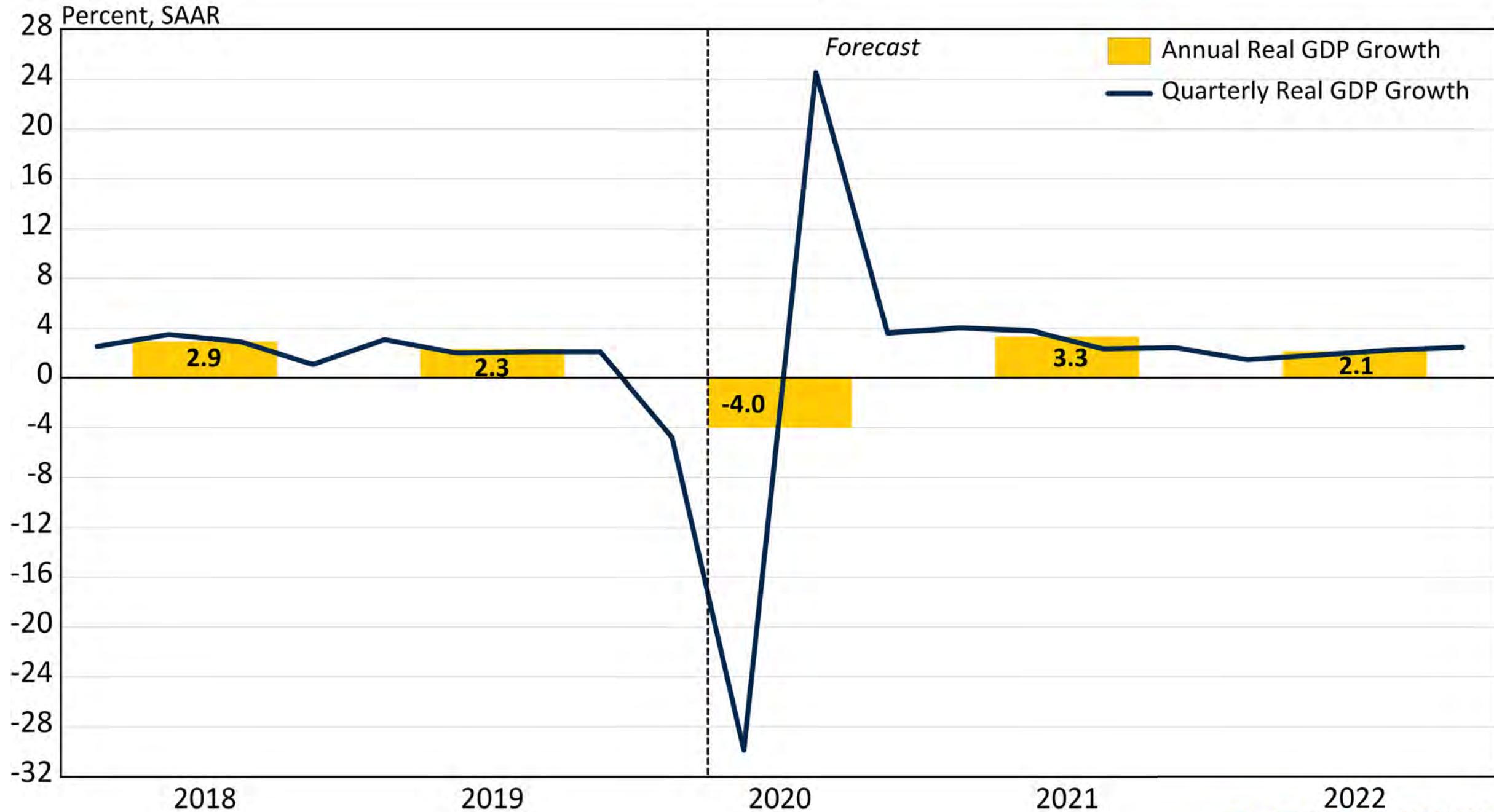
Market Interest Rates



Federal Budget Balance



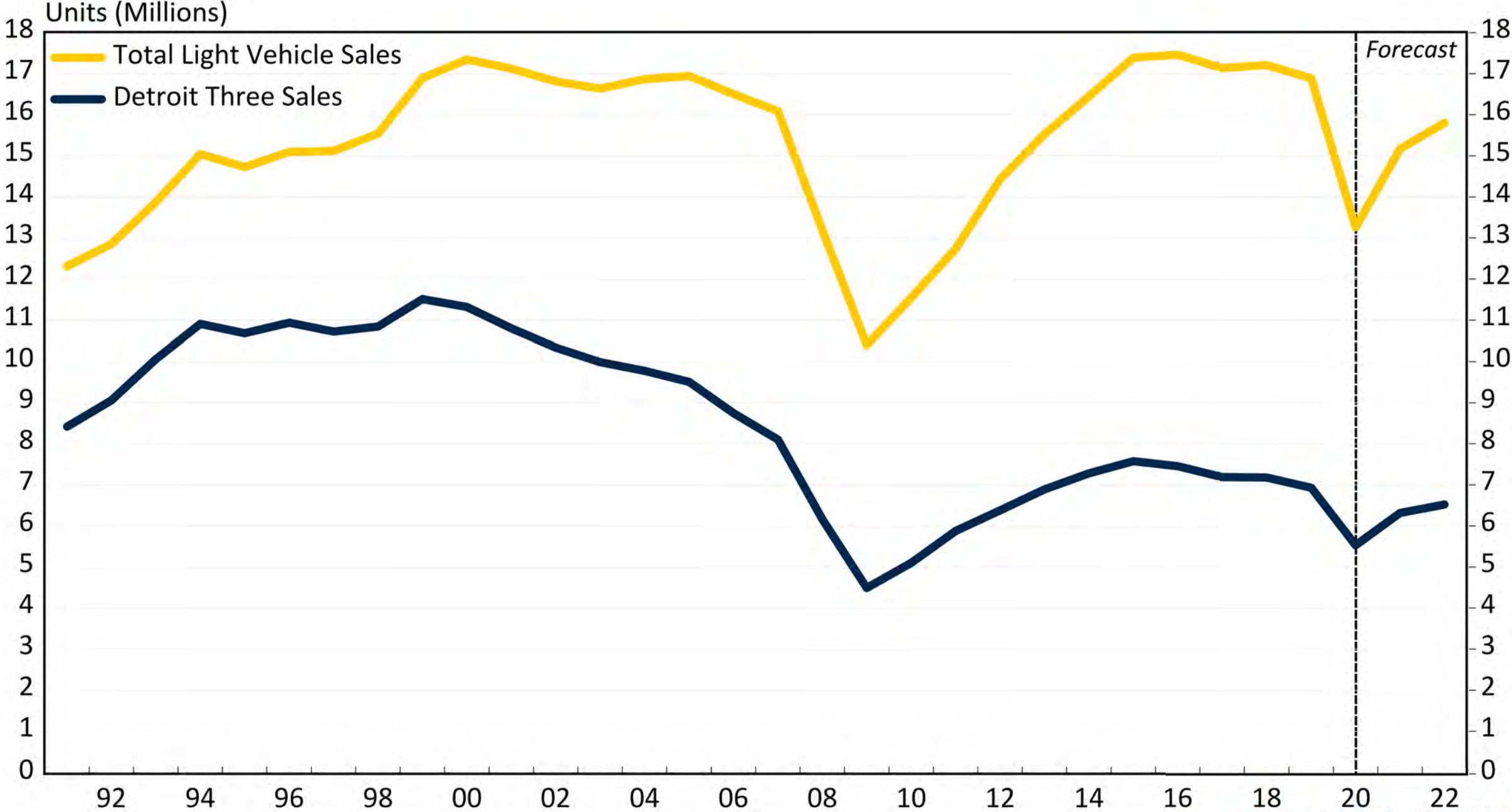
Growth in Real U.S. GDP, 2018–2022



Quarterly U.S. Real GDP



U.S. Light Vehicle Sales, 1991–2022



Michigan Economic Outlook

The Short-Run Impact on Michigan Payroll Employment

- We estimate 54% of Michigan workers able to work onsite in April, increasing in May and June
- We estimate 33% of Michigan workers can perform jobs remotely (Dingel and Neiman 2020)
- Together, nearly 70% of workers able to do their jobs in April
- Additional 550,000 workers out of work because of decline in demand (“second round effects”)
- Approximately 725,000 workers not working but continued to be paid
 - Using sick or vacation leave, covered by Paycheck Protection Program, large firms avoiding layoffs
- Second quarter payroll employment decline of 23.5 percent (1,050,000 jobs)
 - Reflects ongoing resumption of economic activity in May and June
 - Consistent with pattern of initial unemployment insurance claims

Estimating the Pace of Recovery: Sources of Persistent Employment Shortfall

➤ Small business failures

- Small Business Association of Michigan: nearly one in seven small businesses in Michigan do not expect to survive
- Cross-tabs: smallest businesses most likely to expect to fail (consistent with other data sources)
- Extrapolating to larger businesses, approximately 4.9 percent of employees worked at businesses expected to fail

➤ Shortfall in business formation

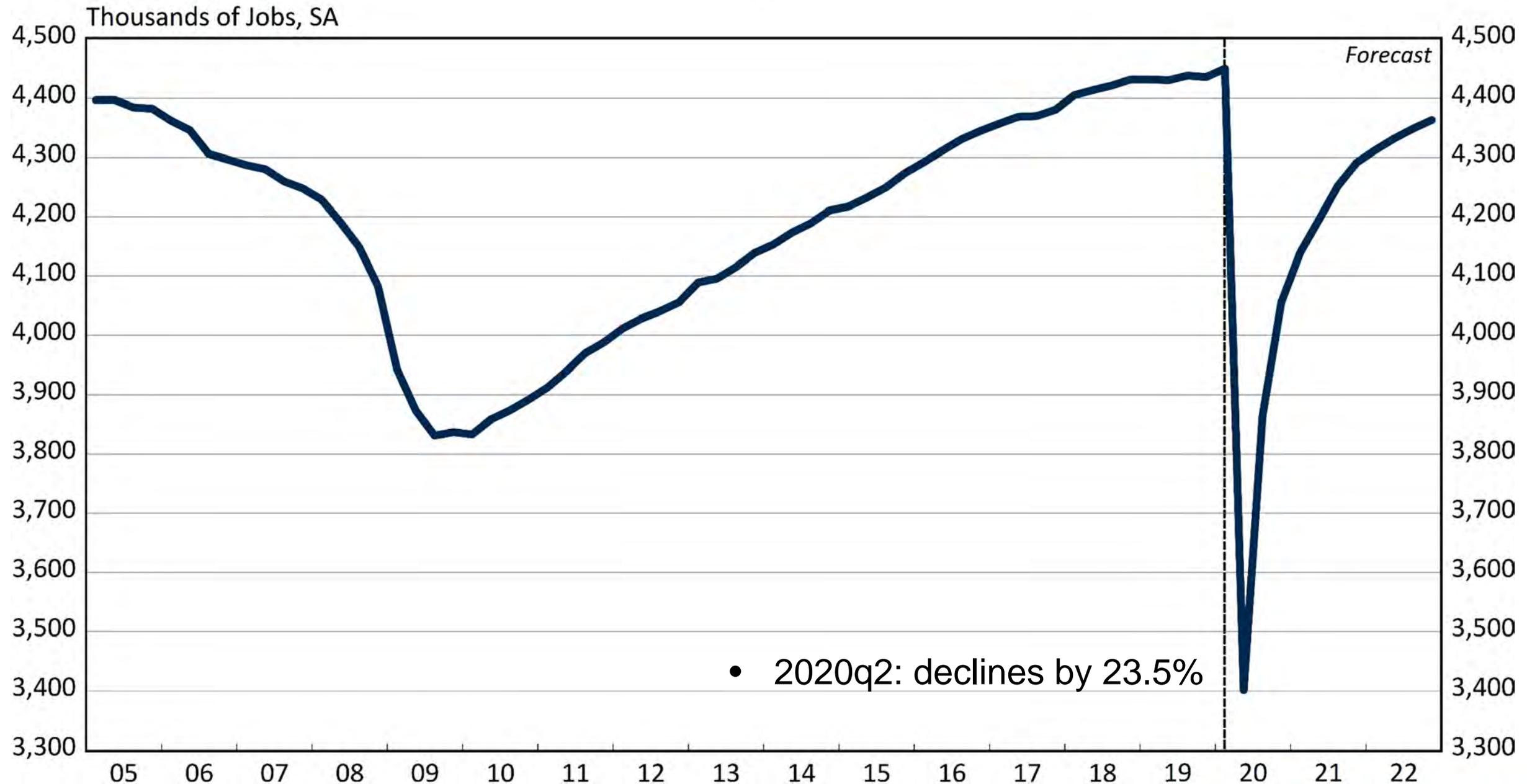
- Census Bureau's Weekly Business Formation Statistics: "High Propensity Business Applications" have been approximately 34% lower during crisis
- With assumptions, estimate total annual employment shortfall from missing business formation of 1.8 percent

➤ Reduced labor demand at continuing establishments (hardest to estimate, but they are all hard)

- Nationally, most layoffs so far are expected to be temporary

➤ Estimate payroll employment shortfall of 9 percent by end of 2020

Michigan Payroll Employment, 2005q1–2022q4



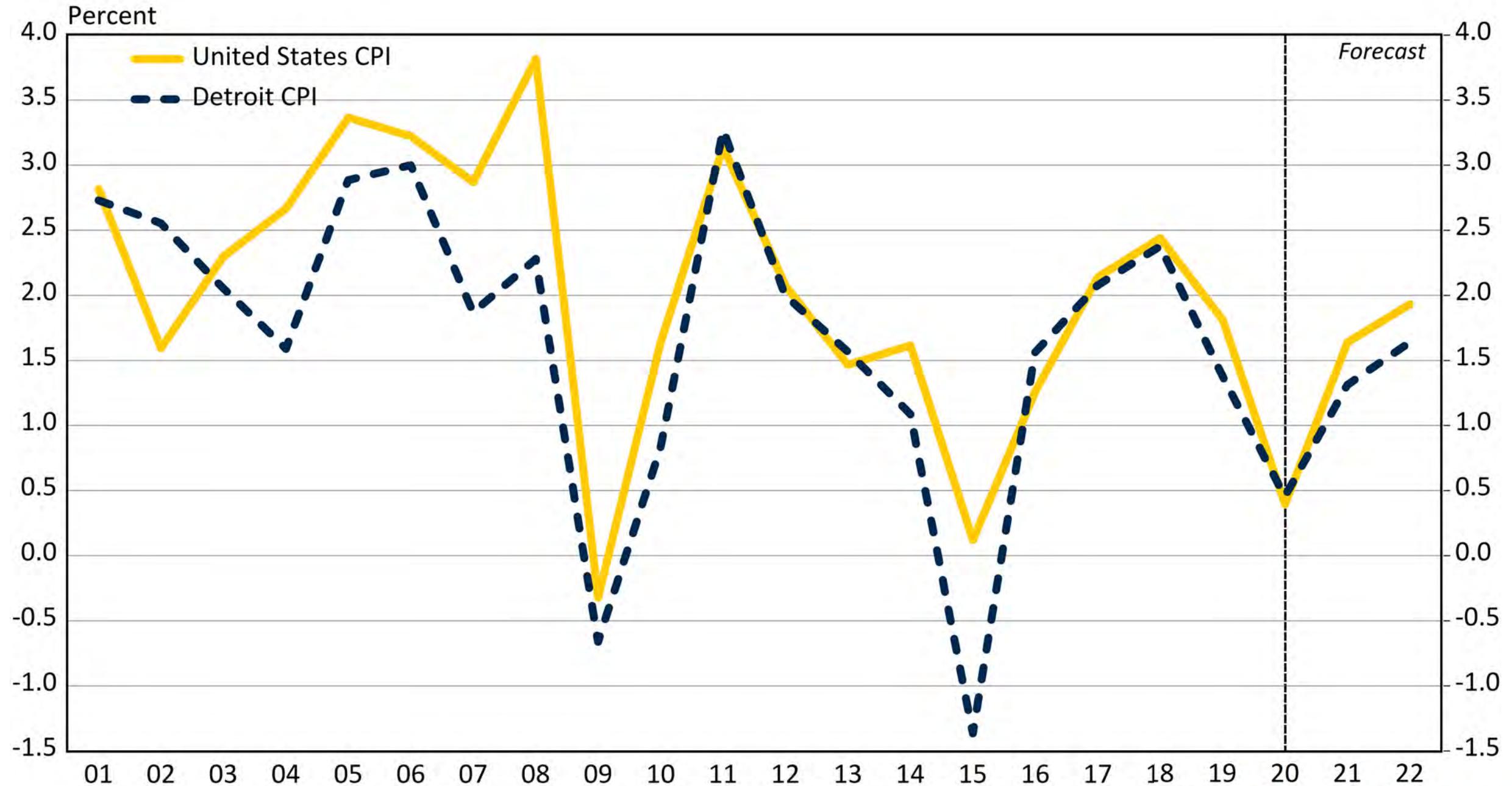
Outlook for Michigan Personal Income

- The CARES Act contains multiple provisions to shield incomes from the downturn in employment
- Economic impact payments (“\$1,200 checks”)
 - Estimate just over \$8 billion to Michigan residents
- Pandemic Unemployment Assistance/Compensation
 - Flat \$600 benefit in addition to normal UI benefits available through July
 - Maximum weekly benefit now \$962 in Michigan (normally \$362 per week)
- Access to UI benefits expanded
 - Maximum duration increased by 13 weeks
 - Job search requirements waived
 - Eligibility extended to self-employed and independent contractors

Michigan Personal Income, 2005q1–2022q4



Inflation Rate, National and Detroit CPI, 2001–2022



Q&A

ALEX WEST

Ann Arbor SPARK
Director of Research

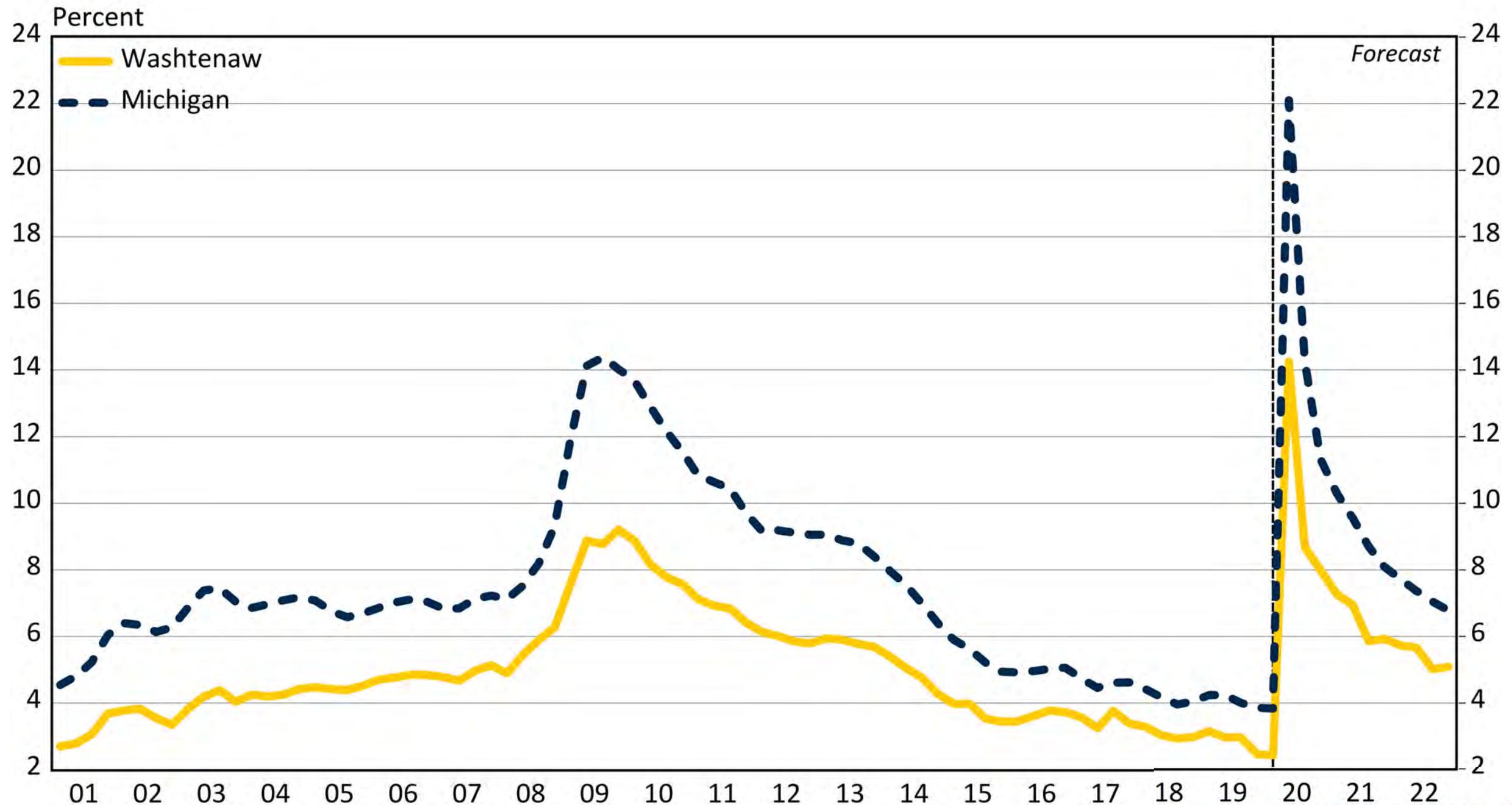


Washtenaw County Economic Outlook

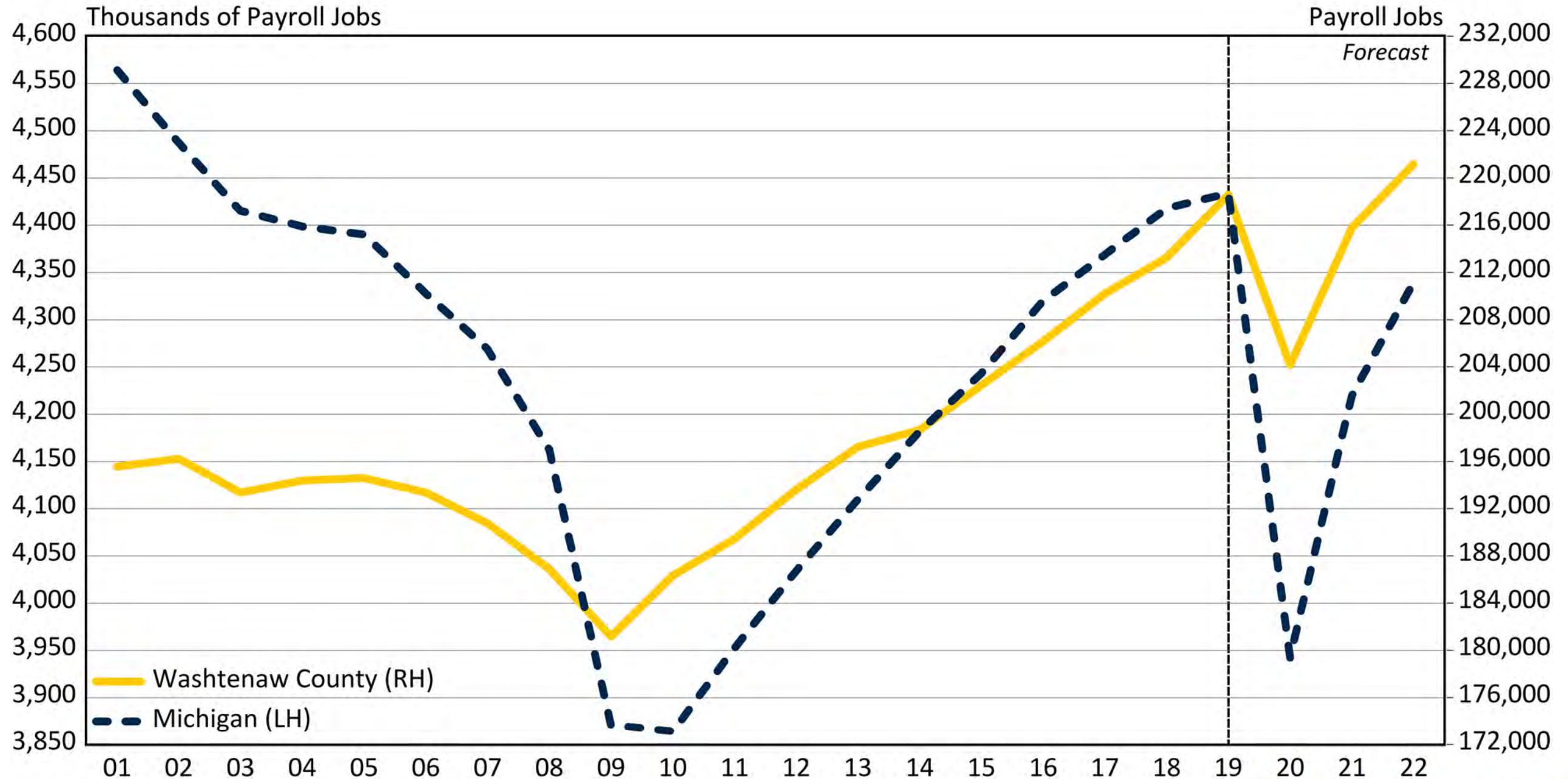
Will Universities Re-open in the Fall?

- The situation is evolving and will depend on the virus
 - Cal State system online only whole fall term; Notre Dame, South Carolina reopening in August, ending semester at Thanksgiving
 - Eastern Michigan University President Smith: “While some factors may not be in our control, we are planning for university operations to be held in person on campus this fall including, wherever possible, classroom instruction, housing, dining, and similar activities”
 - Washtenaw Community College President Bellanca: “Maybe you take a class and it meets online one day and another day on ground, and you split the class up like that... All of the faculty and deans have completed plans of how we plan to do this.”
- University of Michigan has not made a formal announcement
 - President Schlissel: “I remain cautiously optimistic that we will be able to deliver a public health-informed Fall semester on our three campuses.”
 - Hybrid semester a possibility—large lectures online; smaller seminars, labs, studio classes in person
 - No football if students are not on campus
 - What about dorms and campus dining? Lower occupancy, encourage more off-campus living?

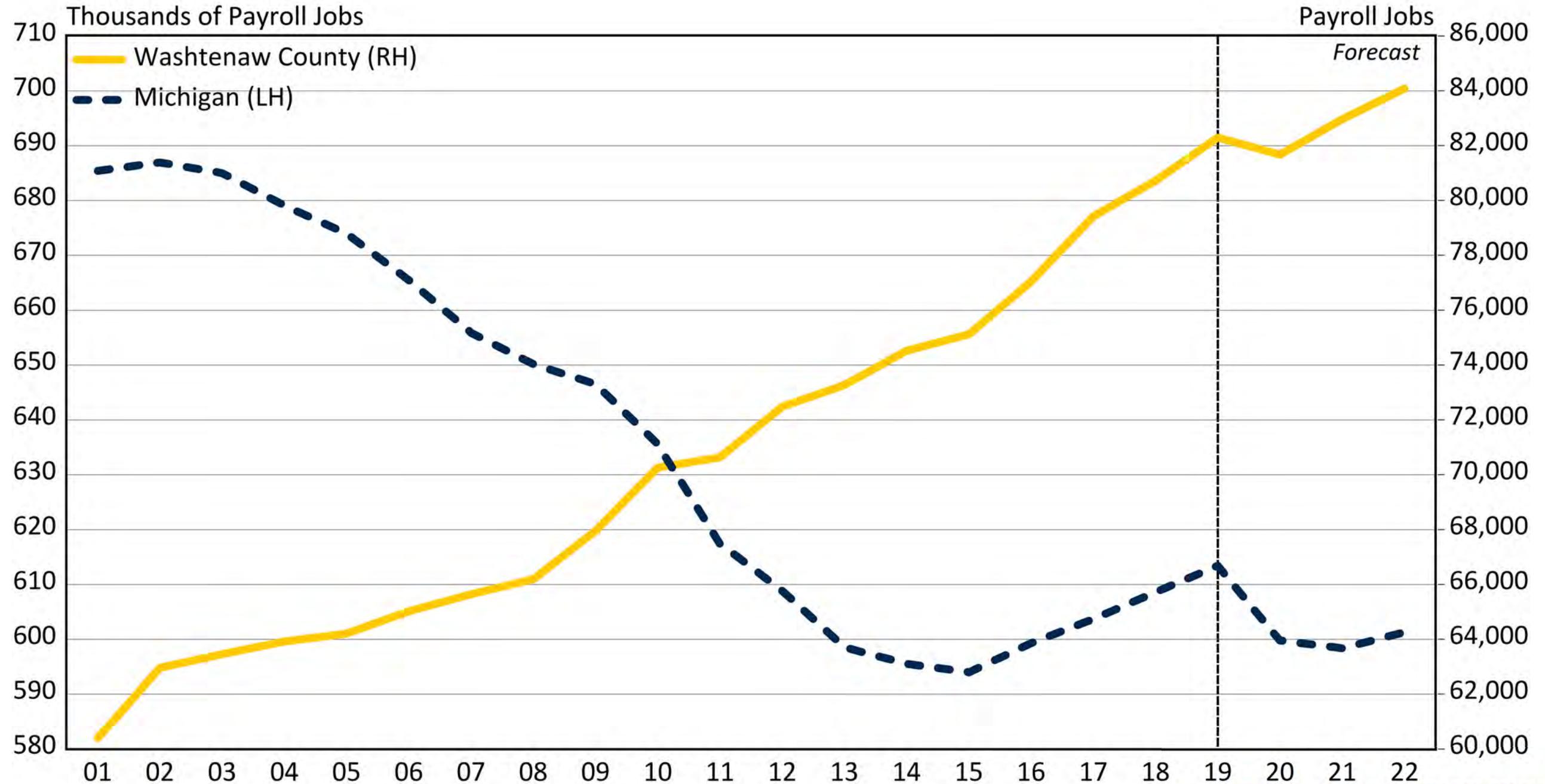
Unemployment Rates for Washtenaw County and Michigan, 2001–2022



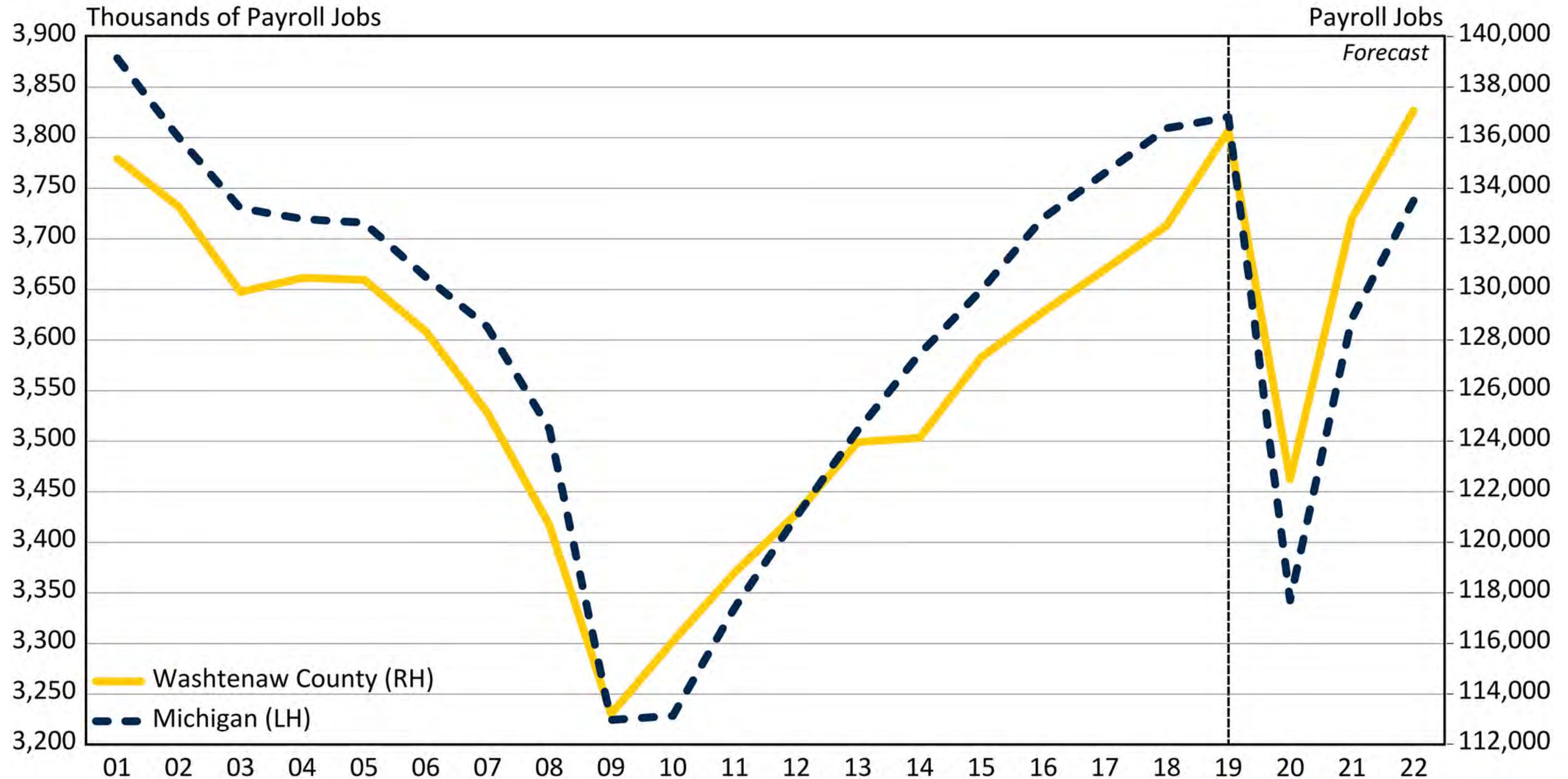
Payroll Employment for Washtenaw County and Michigan, 2001–2022



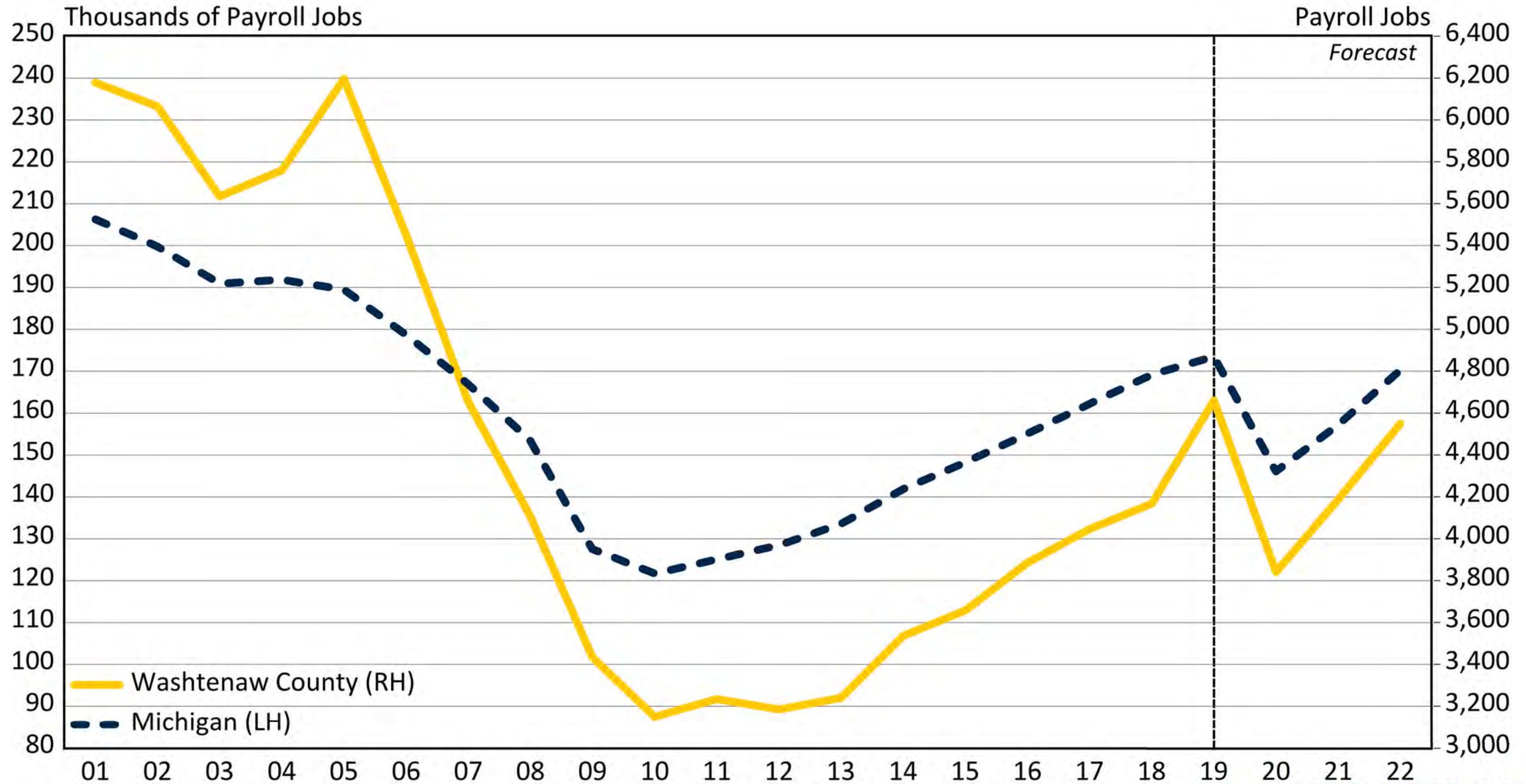
Government Employment for Washtenaw County and Michigan, 2001–2022



Private Employment for Washtenaw County and Michigan, 2001–2022

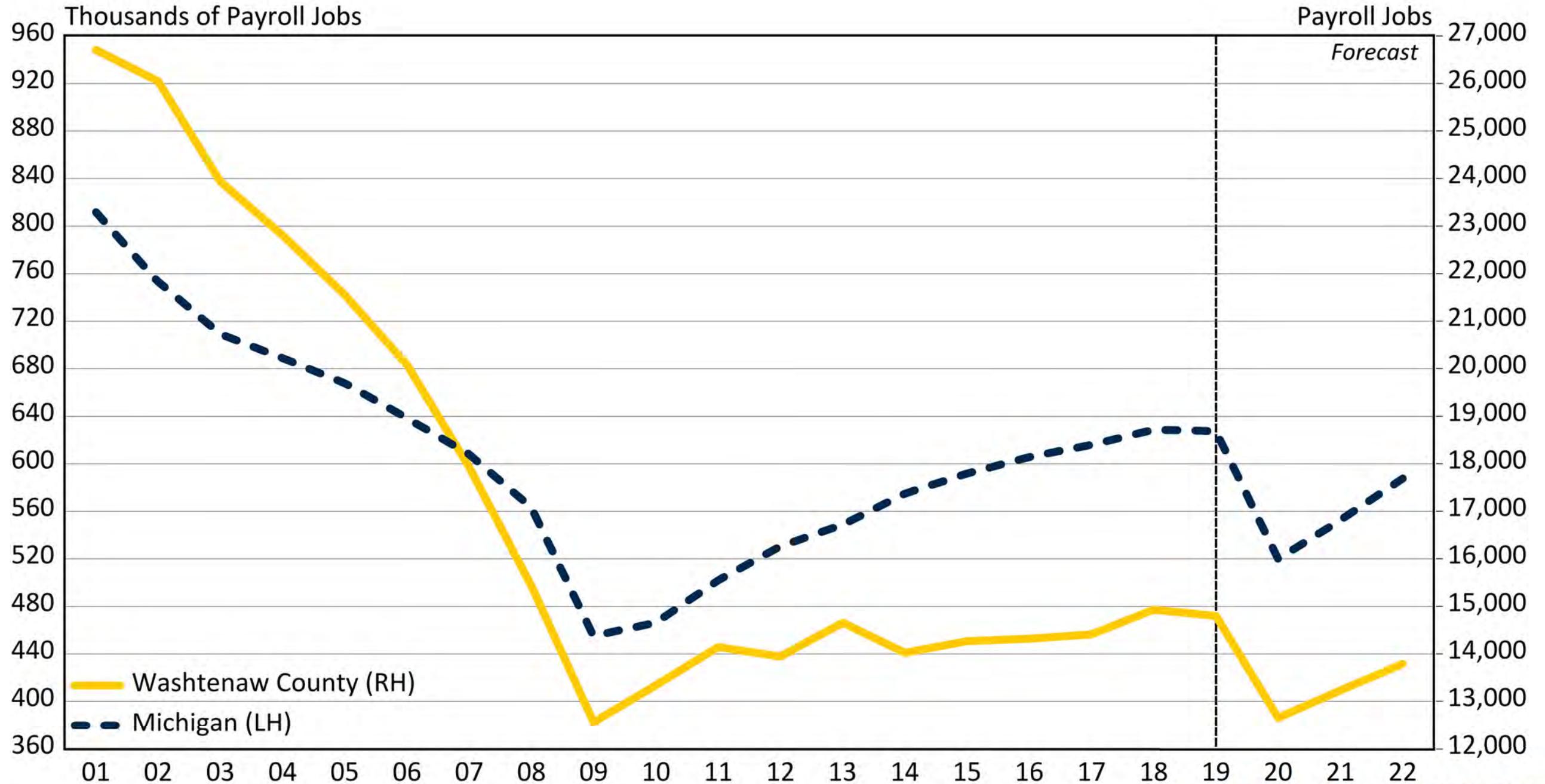


Construction Employment for Washtenaw County and Michigan, 2001–2022

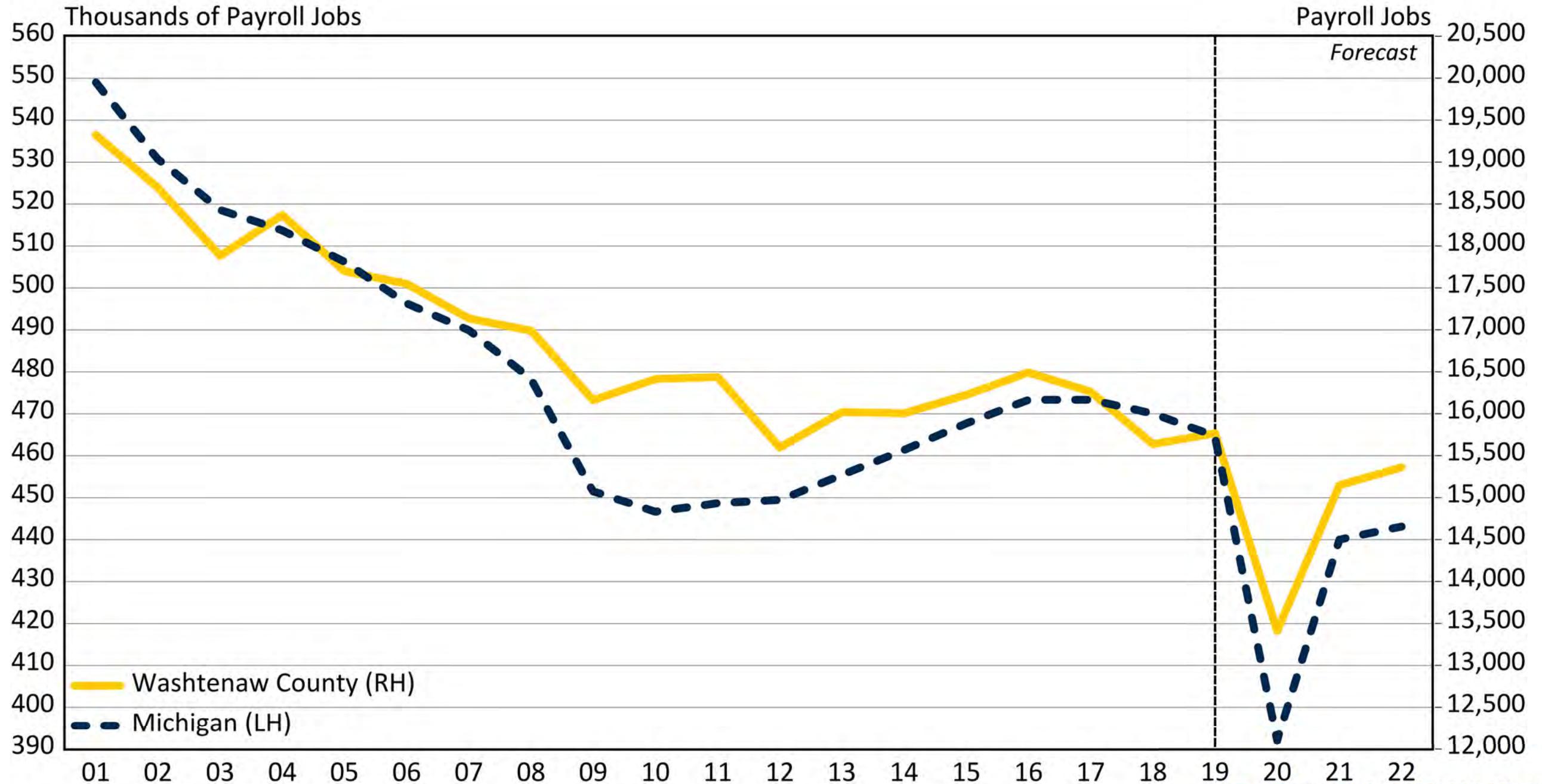


RSQE: May 2020

Manufacturing Employment for Washtenaw County and Michigan, 2001–2022

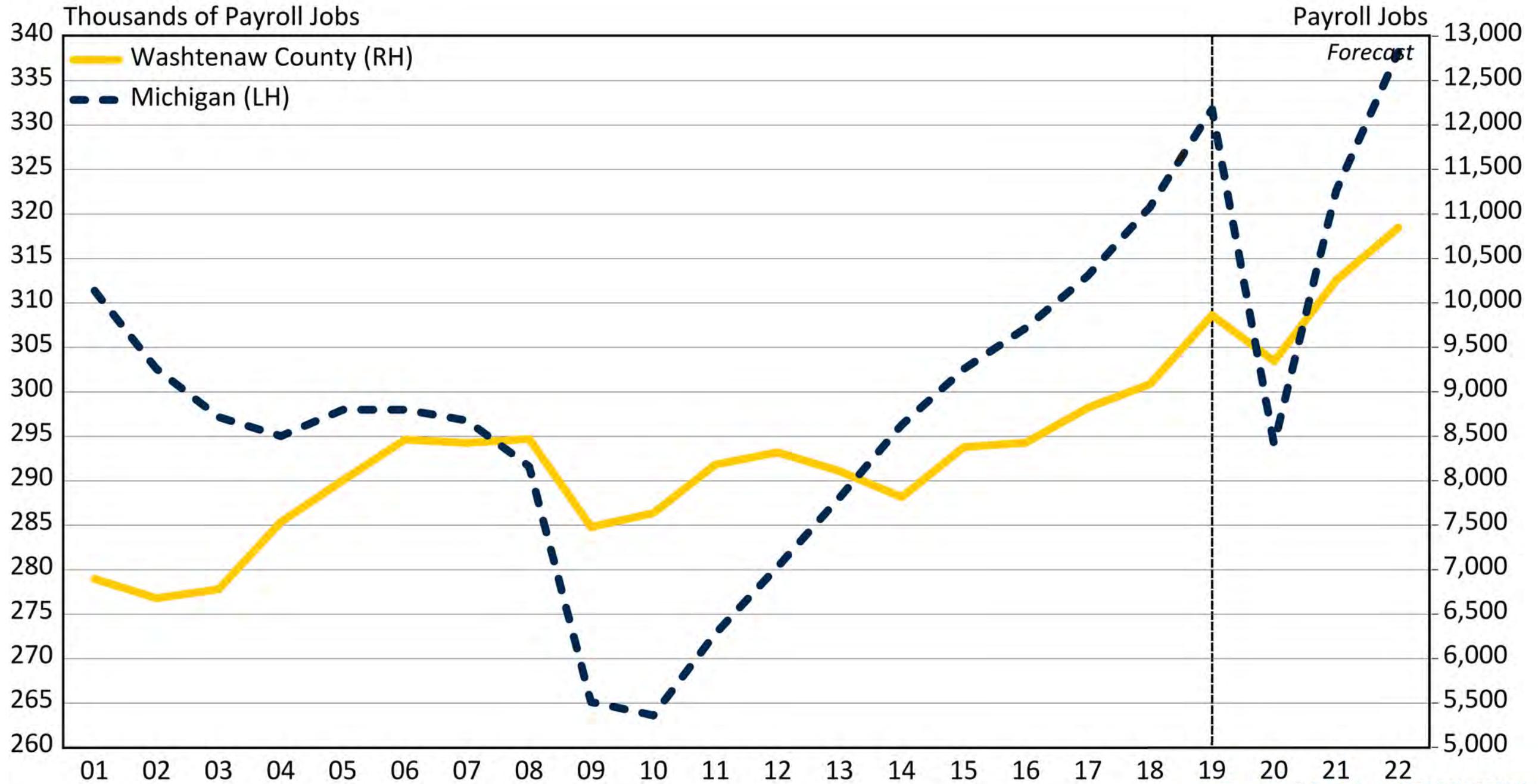


Retail Trade Employment for Washtenaw County and Michigan, 2001–2022

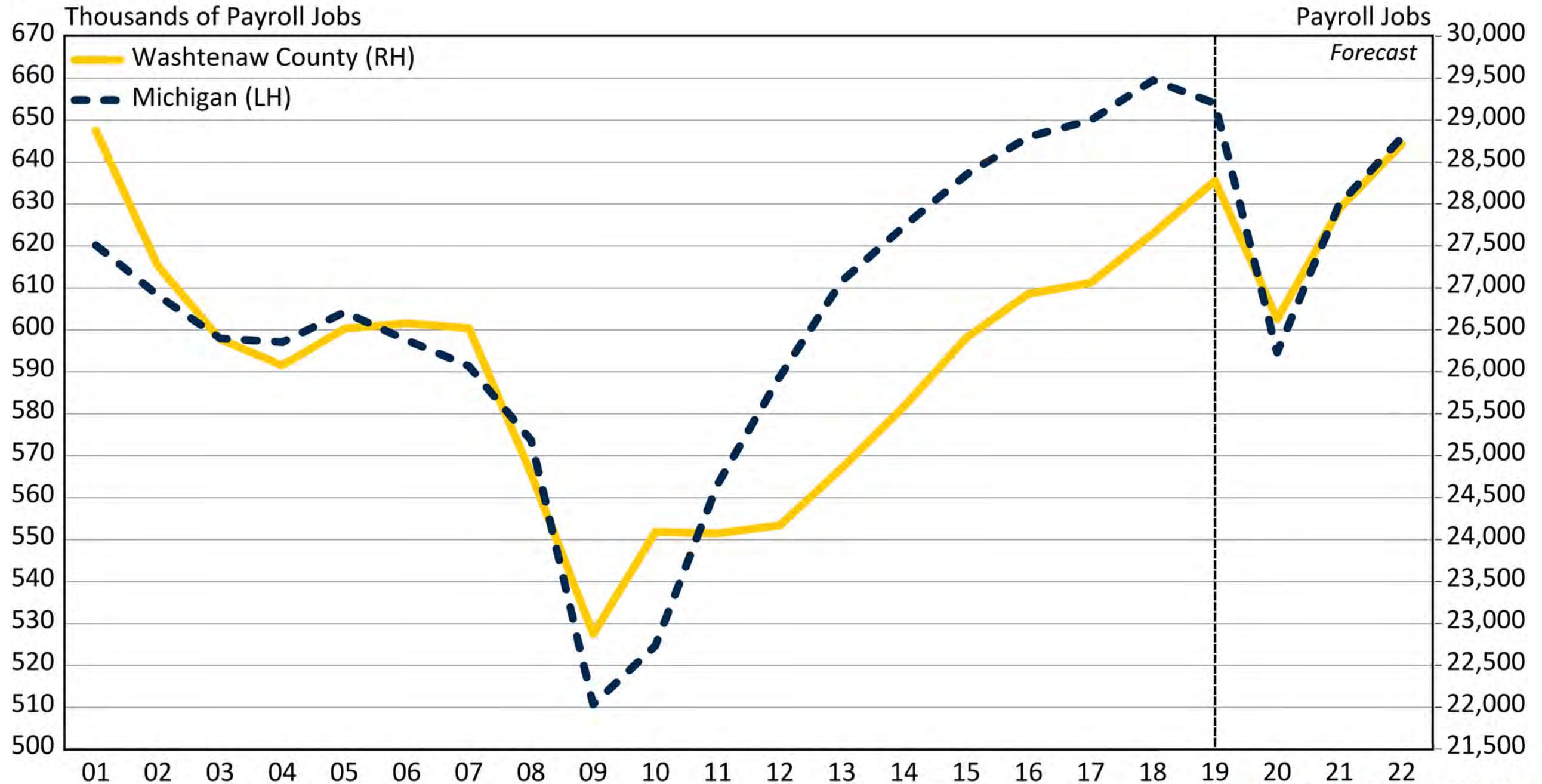


RSQE: May 2020

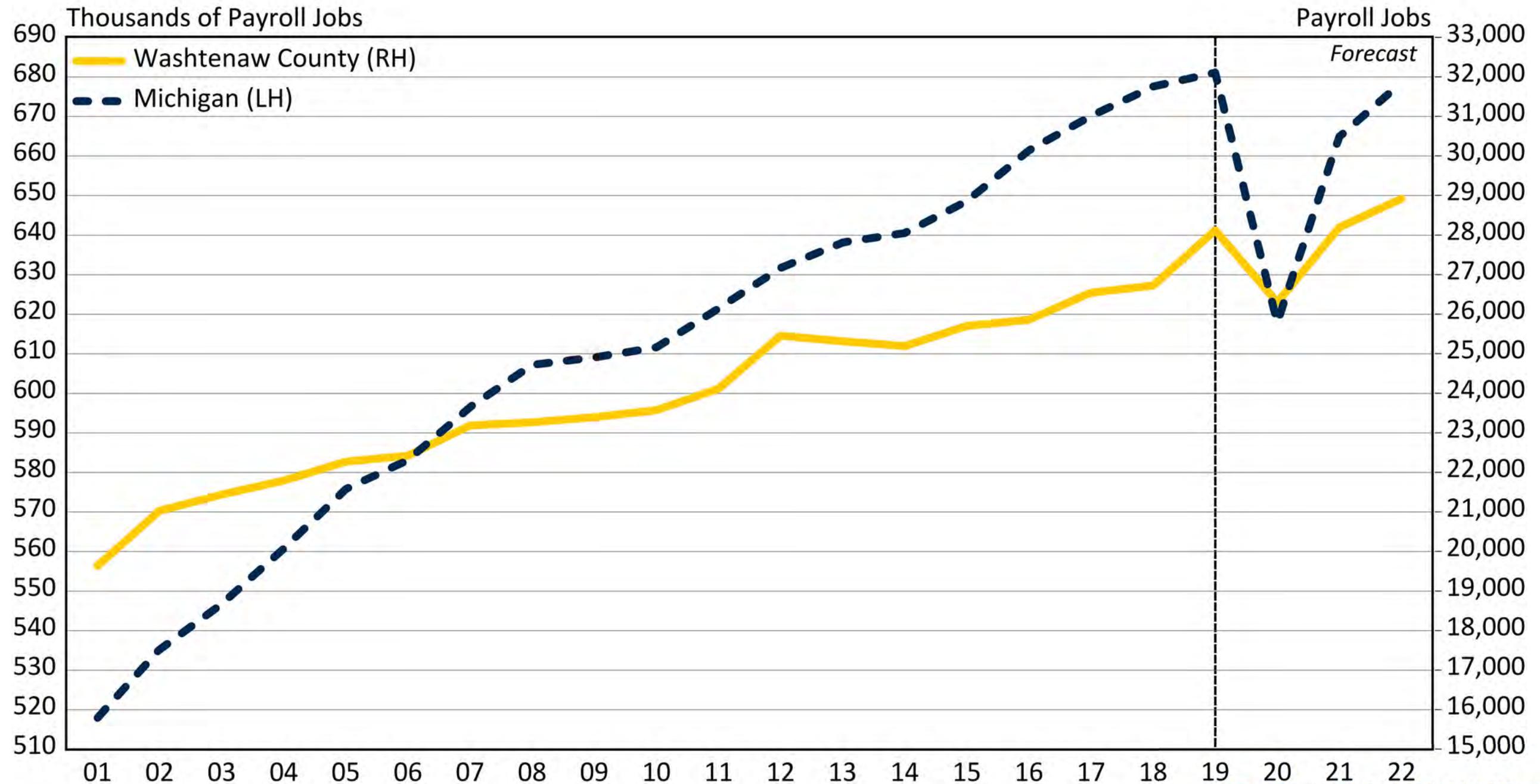
Wholesale, Transportation, and Utility Employment for Washtenaw County and Michigan, 2001–2022



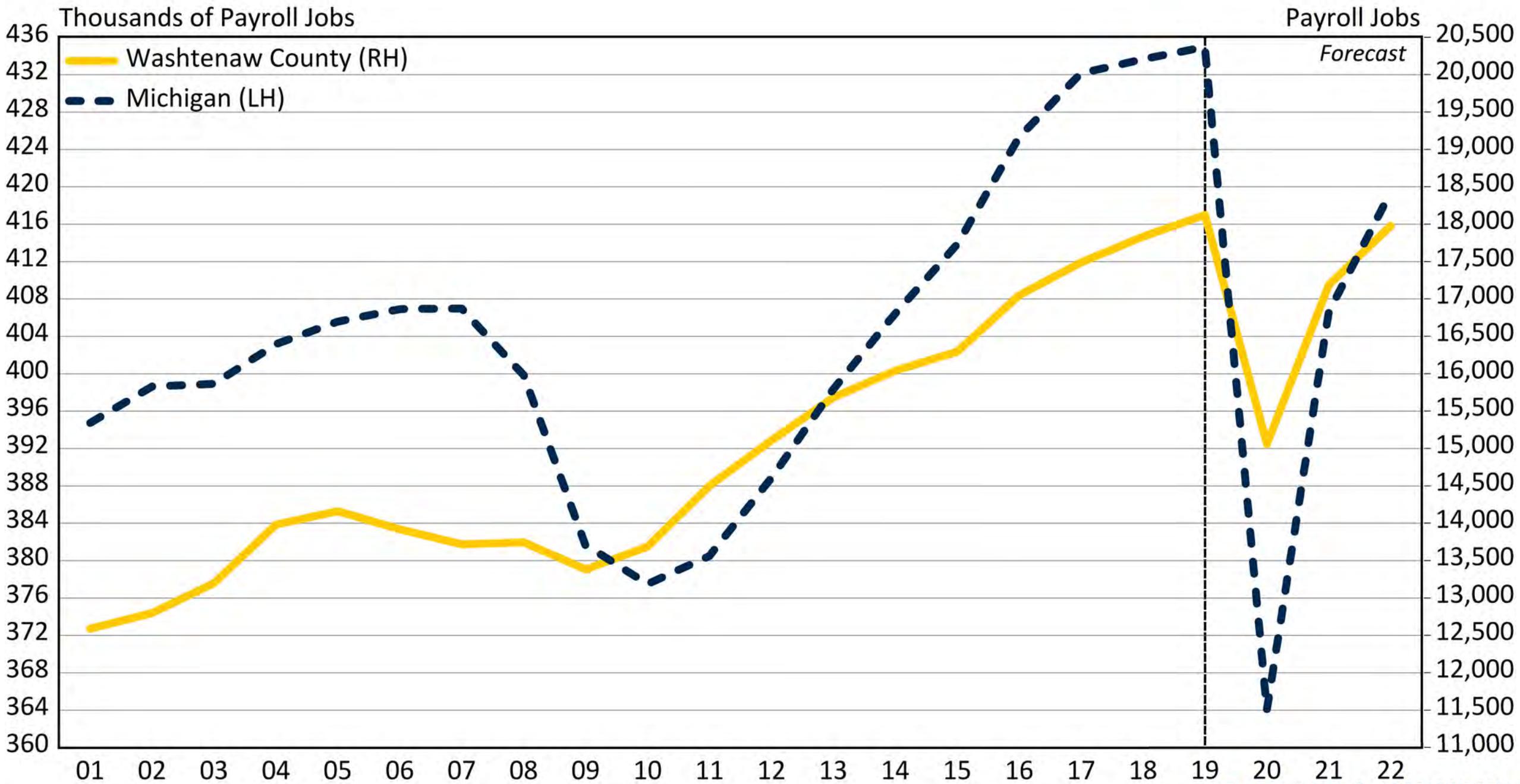
Professional Business Service Employment for Washtenaw County and Michigan, 2001–2022



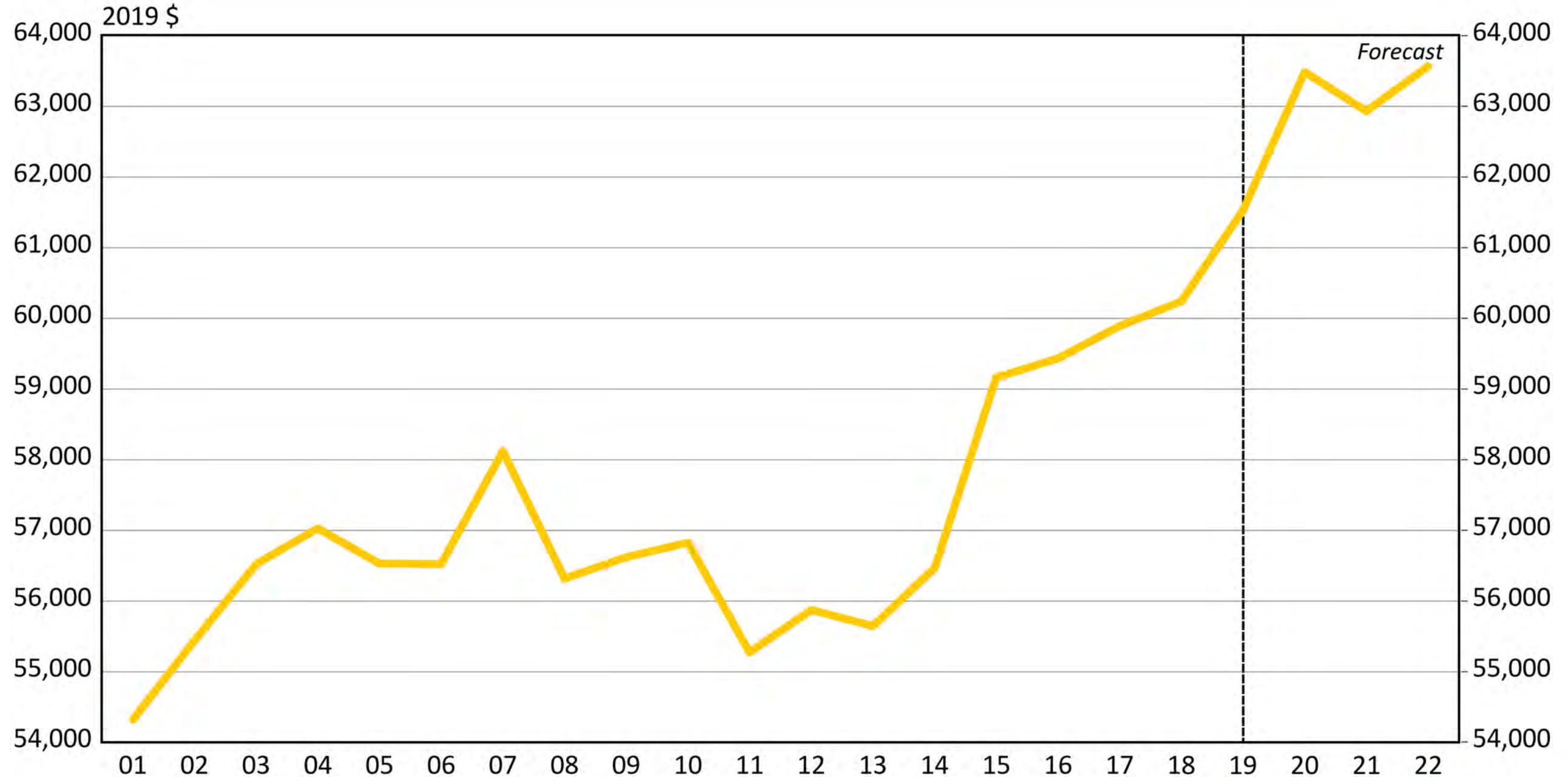
Private Education and Health Employment for Washtenaw County and Michigan, 2001–2022



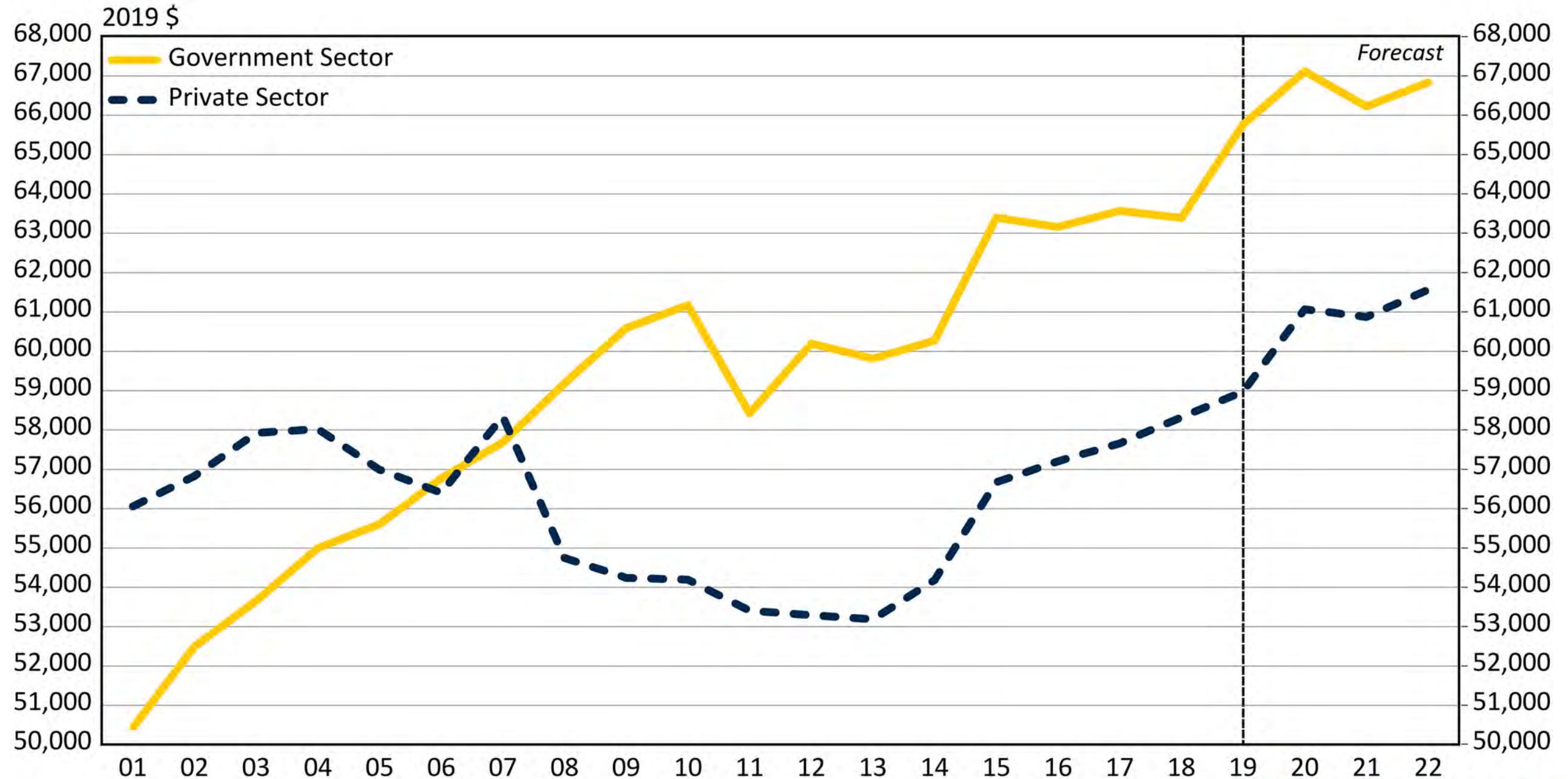
Leisure and Hospitality Employment for Washtenaw County and Michigan, 2001–2022



Average Real Wage for Washtenaw County, 2001–2022



Average Real Wages for Washtenaw County by Sector, 2001–2022



Risks to the Forecast

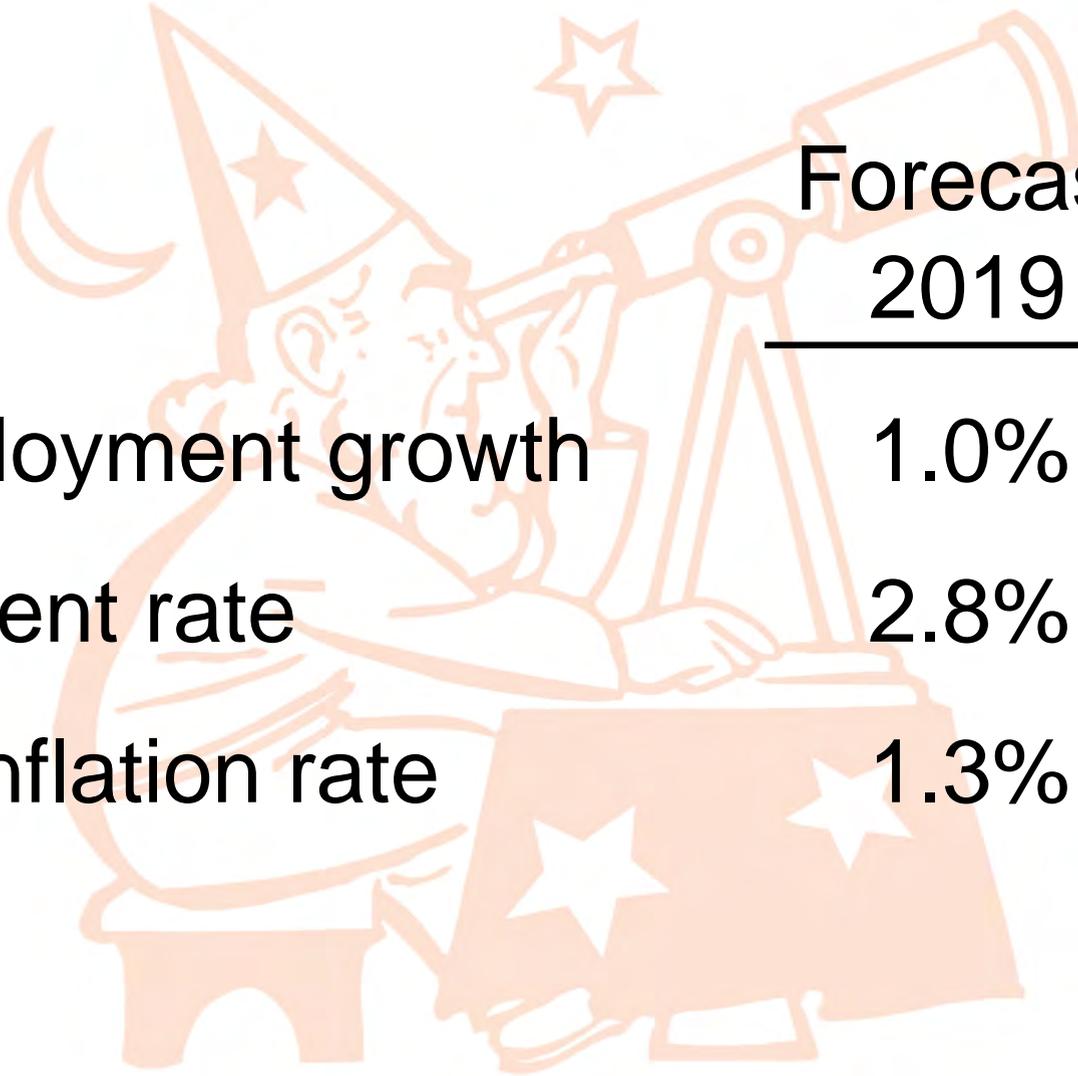
- Future course of the pandemic
- Federal assistance for state and local governments
- Will universities and colleges be able to open for in-person instruction and events this fall?
- Will Michigan Medicine and other health systems return to growth quickly?

Concluding Thoughts

- Washtenaw's payroll employment count will decline by almost 34,000 jobs in the second quarter of 2020, but it will rebound and exceed 2019's count by 1.2 percent in 2022
- Washtenaw's unemployment rate will increase to 14.1 percent in the second quarter of 2020, but it will decline to 5.4 percent in 2022
- Real wage growth will average 1.1 percent over the next three years

Forecast Review

Review of Last Year's Forecast



	Forecast 2019	Actual 2019
Payroll employment growth	1.0%	2.4%
Unemployment rate	2.8%	2.9%
Consumer inflation rate	1.3%	1.4%

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Q&A

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