

# U.S., Michigan, and regional economic update

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Presentation to the Michigan Works! Southwest  
Workforce Development Board

Mike Horrigan, President  
September 15, 2022

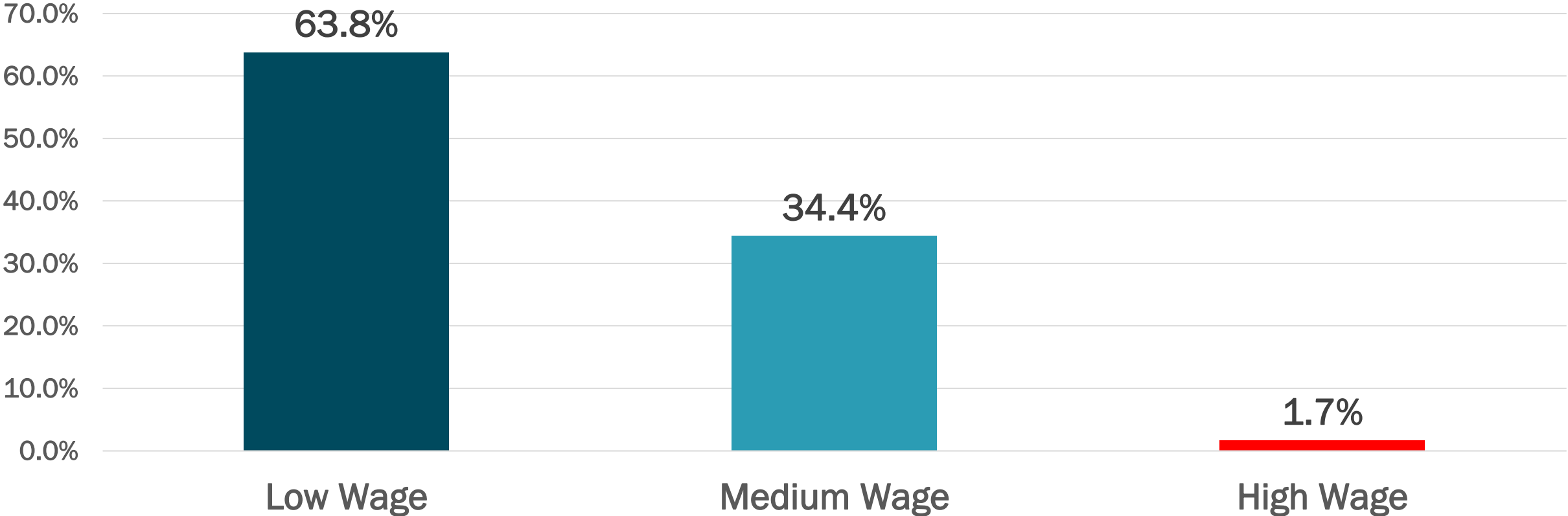
# Topics

- The nature of employment losses during the 2020 recession
- Recent payroll employment trends
- Which labor market groups have suffered the most since the start of the pandemic?
- Unemployment trends
- Near unemployment
- Labor shortages and the “Great Resignation”
- New headwinds: Inflation and inflationary expectations
- The national forecast – RSQE / University of Michigan

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# The nature of employment losses during the 2020 recession

# 64 percent of job losses from Feb – Apr 2020 were in low wage\* establishments



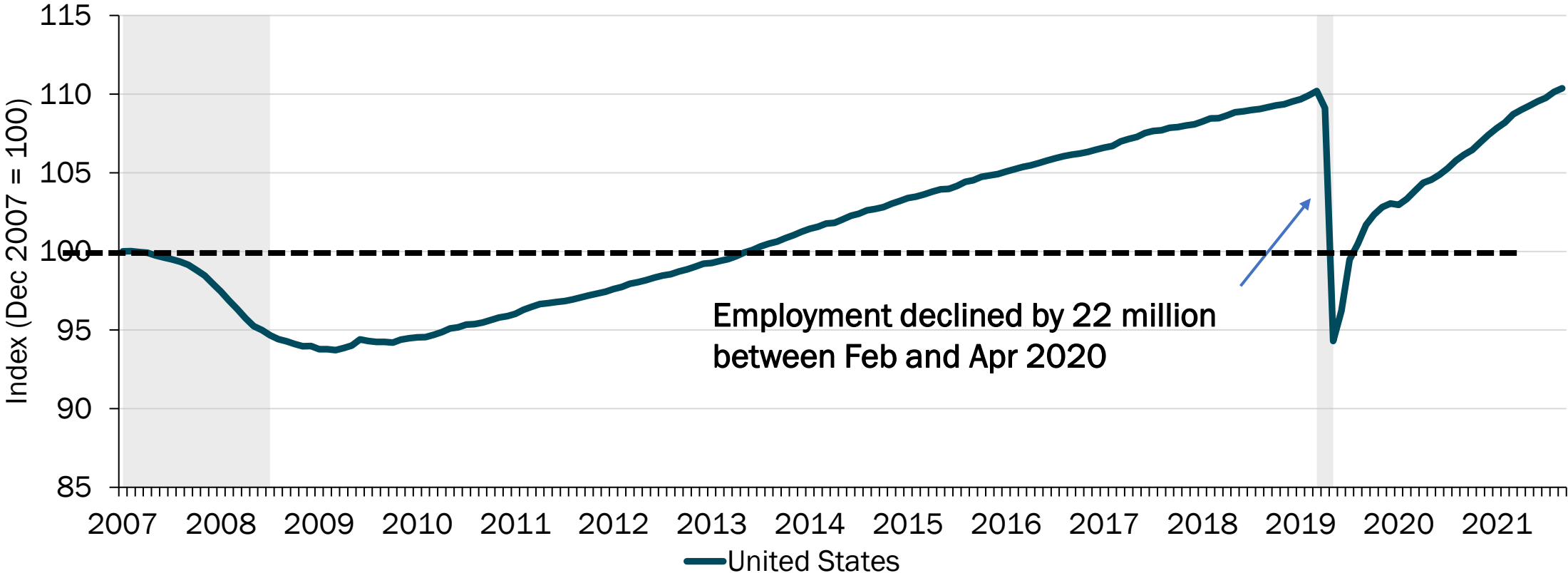
\* Derived from net employment changes among CES 4-digit NAICS industries (or higher level aggregates as relevant) from Feb – Apr 2020. Low, medium, and high wage industries are based on QCEW average weekly wages. Thresholds are based on percentages of the overall average weekly wage (Low  $\leq .67$ ,  $.67 < \text{Medium} \leq 1.8$ , High  $> 1.8$ )

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## Recent U.S. payroll employment trends

# With August's gain of 315,000 jobs, employment exceeds the Feb 2020 peak by more than 240,000

### Nonfarm Employment Index



## Leisure and Hospitality

Between Feb and Apr 2020, employment fell from 17 million to 8.8 million, a loss of 48.3%, and a decline of 8.2 million jobs!



7 million jobs have been regained by Aug 2022

The industry has 1.2 million jobs left to reach pre-pandemic levels

# Several industries have more than recovered the jobs losses experienced in 2020

Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Aug 22
Prof & Bus Services (10.8%)*	(2,302)	3,350
Retail Trade (14.4%)	(2,245)	2,505
Construction (14.5%)	(1,108)	1,192
Educational services (13.8%)	(524)	549

\*Job Losses from Feb 20 – Apr 20 as a percent of employment in Feb 20



# Several industries have more than recovered the jobs losses experienced in 2020

Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Aug 22
Transportation/Warehouse (8.7%)*	(506)	1,254
Nondurables (8.9%)	(423)	512
Financial (3.2%)	(280)	391
Information (9.0%)	(261)	390

\*Job Losses from Feb 20 - Apr 20 as a percent of employment in Feb 20

# Several industries are close to recovering the jobs losses experienced in 2020

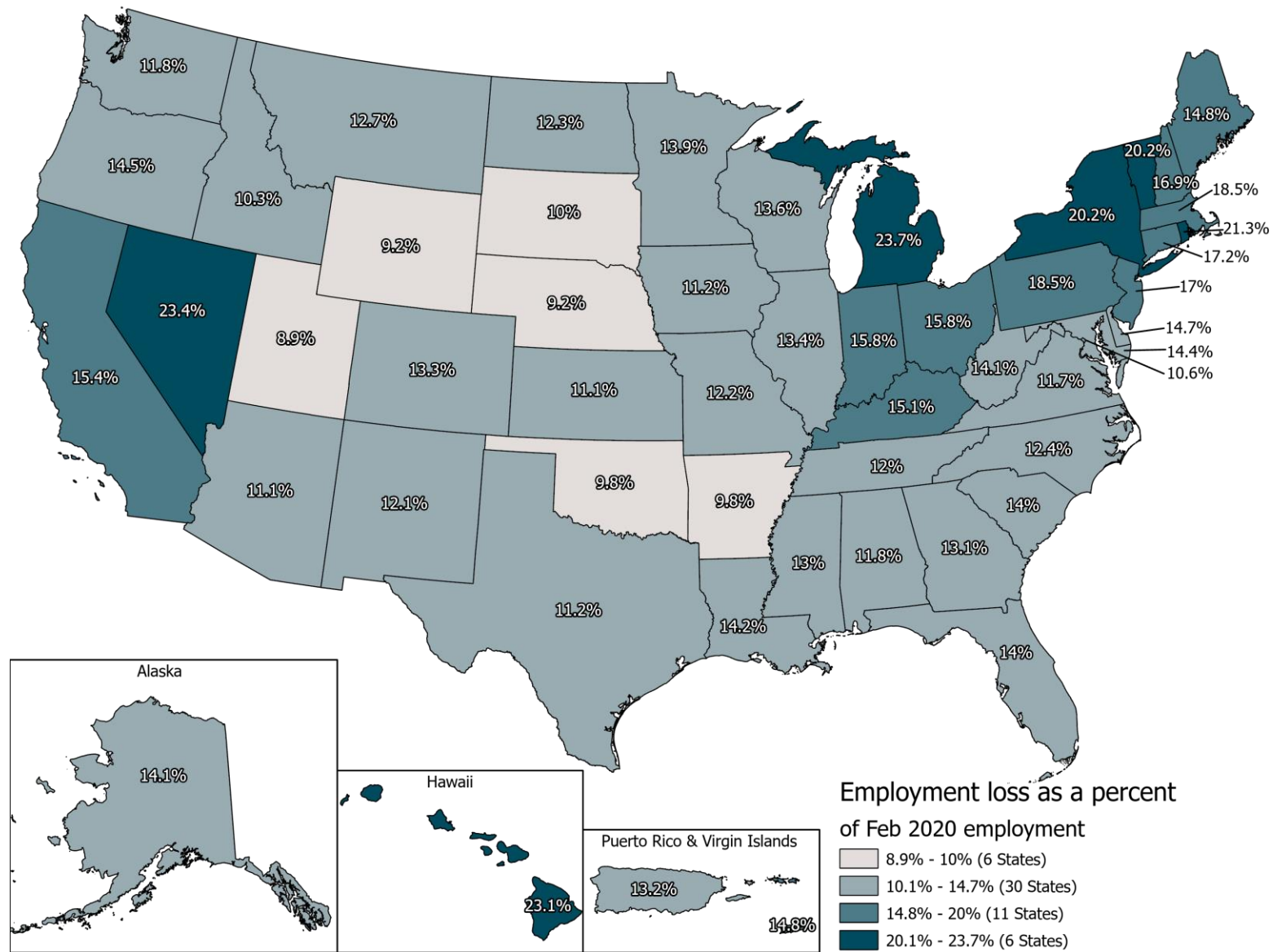
Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Aug 22
Health Care (9.8%)*	(1,610)	1,573
Durable Goods (11.7%)	(939)	917
Social Assistance (16.4%)	(705)	662
Wholesale Trade (9.9%)	(405)	408

\*Job Losses from Feb 20 – Apr 20 as a percent of employment in Feb 20

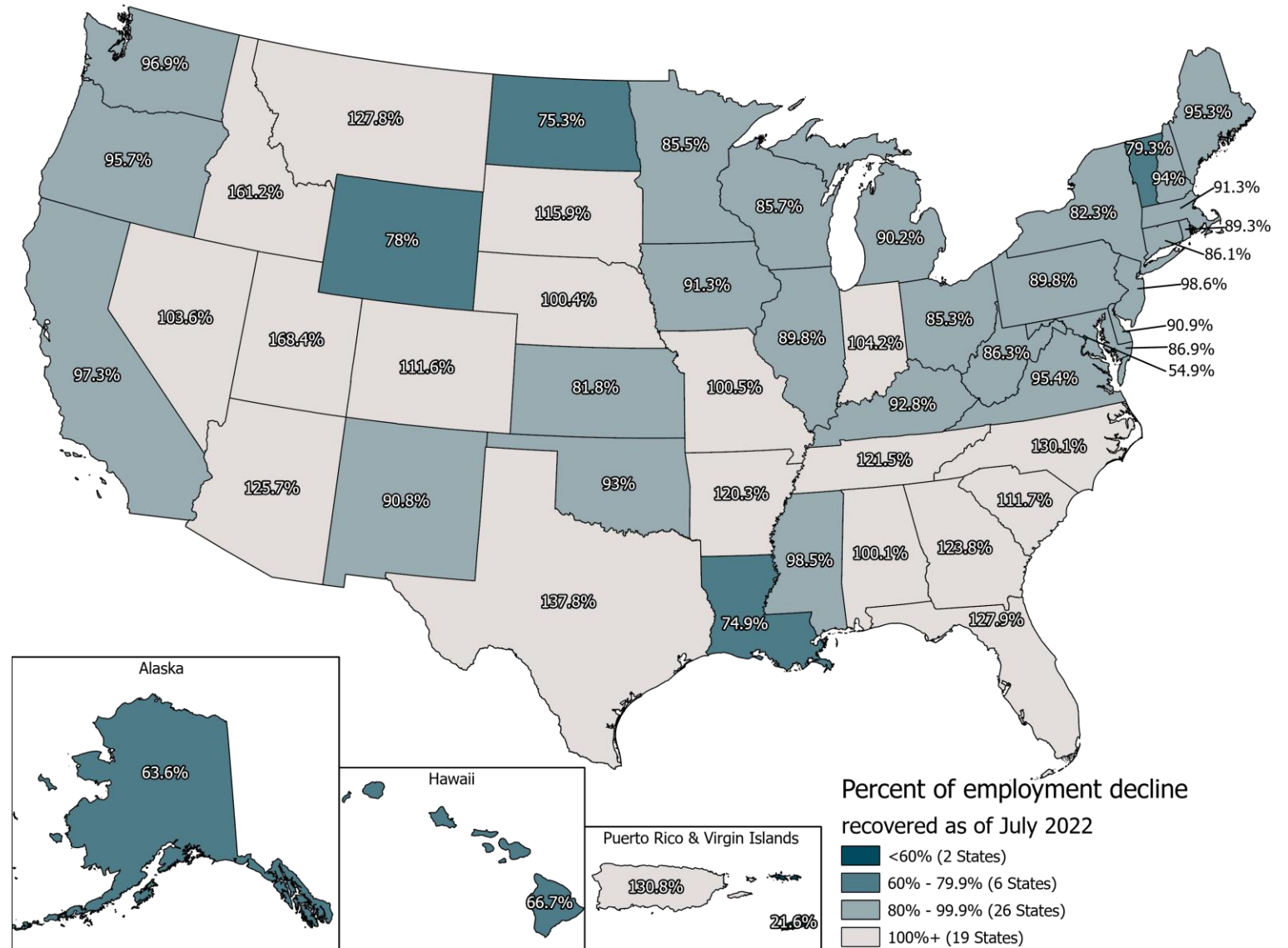
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## Recent Michigan and local payroll employment trends

Michigan's employment declines in 2020 represented 24% of its peak Feb 2020 employment – the largest decline in the U.S.



As of Jul 22,  
Michigan had  
regained 90% of  
the job declines  
experienced early  
in the pandemic.



# A number of Michigan industries have recovered or nearly recovered their pre-pandemic levels

Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Jul 22
Construction (40.8%)*	(72,600)	72,600
Durable Goods Manufacturing (40.3%)	(188,300)	175,100
Nondurable Goods Manufacturing (18.8%)	(28,700)	28,100
*Job Losses from Feb 20 – Apr 20 as a percent of employment in Feb 20		

# A number of Michigan industries have recovered or nearly recovered their pre-pandemic levels

Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Jul 22
Wholesale Trade (15.4%)*	(26,700)	27,100
Retail Trade (23.9%)	(110,900)	101,500
Transportation, Warehousing, and Utilities (15.4%)	(24,700)	39,600
Prof & Bus Services (20.1%)	(131,500)	141,000

\*Job Losses from Feb 20 – Apr 20 as a percent of employment in Feb 20

# Several industries have more than recovered the job losses experienced in 2020

Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Jul 22
Information (12.3%)*	(6,800)	7,100
Finance and Insurance (2.5%)	(4,400)	12,100
Real Estate and Rental and Leasing (17.4%)	(9,800)	9,900
Educational Services (16.6%)	(12,200)	15,400

\*Job Losses from Feb 20 – Apr 20 as a percent of employment in Feb 20



# Employment in Health Care and Social Assistance in Michigan continues to struggle

Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Jul 22
Ambulatory Healthcare NSA (27.7%)*	(57,700)	52,500
Hospitals NSA (5.6%)	(11,800)	4,600
Nursing and Residential Care Facilities NSA (7%)	(7,500)	(7,900)
Social Assistance NSA (22.3%)	(19,900)	13,100

\*Job Losses from Feb 20 – Apr 20 as a percent of employment in Feb 20

# Some Leisure and Hospitality industries have recovered the job losses experienced in 2020, while others have not

Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Jul 22
Arts, Entertainment & Recreation (58.6%)*	(31,300)	22,000
Accommodations NSA (65%)	(26,900)	26,900
Food Services & Drinking Places NSA (54.5%)	(178,300)	179,000
Other Services NSA (32%)	(53,600)	47,800

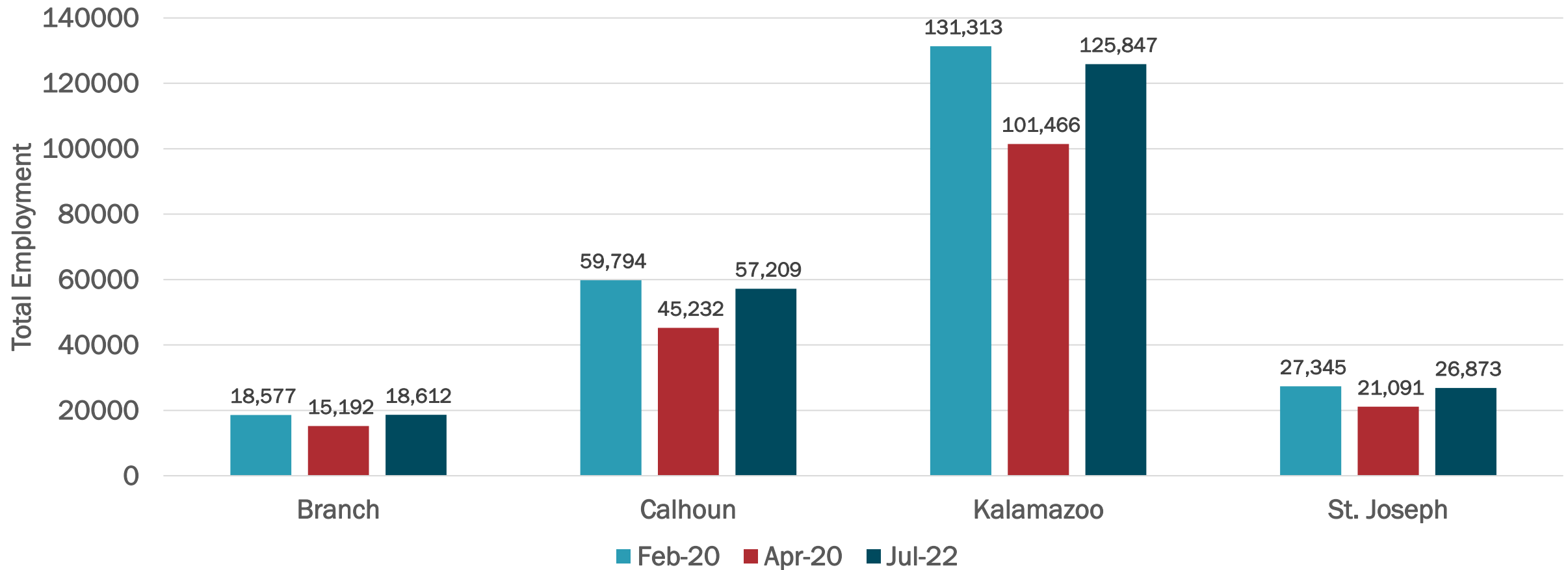
\*Job Losses from Feb 20 – Apr 20 as a percent of employment in Feb 20

# Michigan employment within several State and Local Government industries has continued to decline

Industry	Jobs lost Feb 20 - Apr 20	Jobs gained Apr 20 - Jul 22
State Gov Education NSA (12.3%)*	(16,200)	(25,500)
State Gov Excluding Education NSA (1.1%)	(800)	(1,000)
Local Gov Education NSA (3.6%)	(7,100)	(39,000)
Local Gov Excluding Education NSA (10.6%)	(18,400)	22,700

\*Job Losses from Feb 20 – Apr 20 as a percent of employment in Feb 20

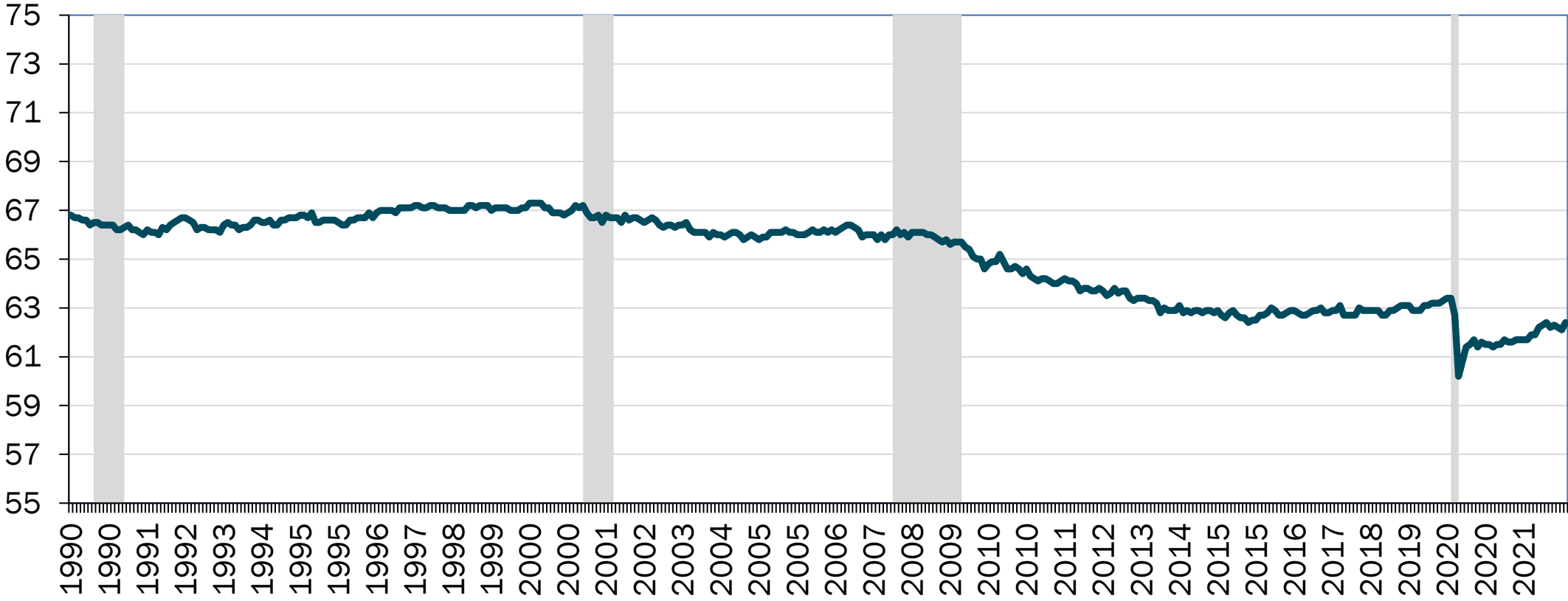
# Employment is nearly recovered in all four area counties



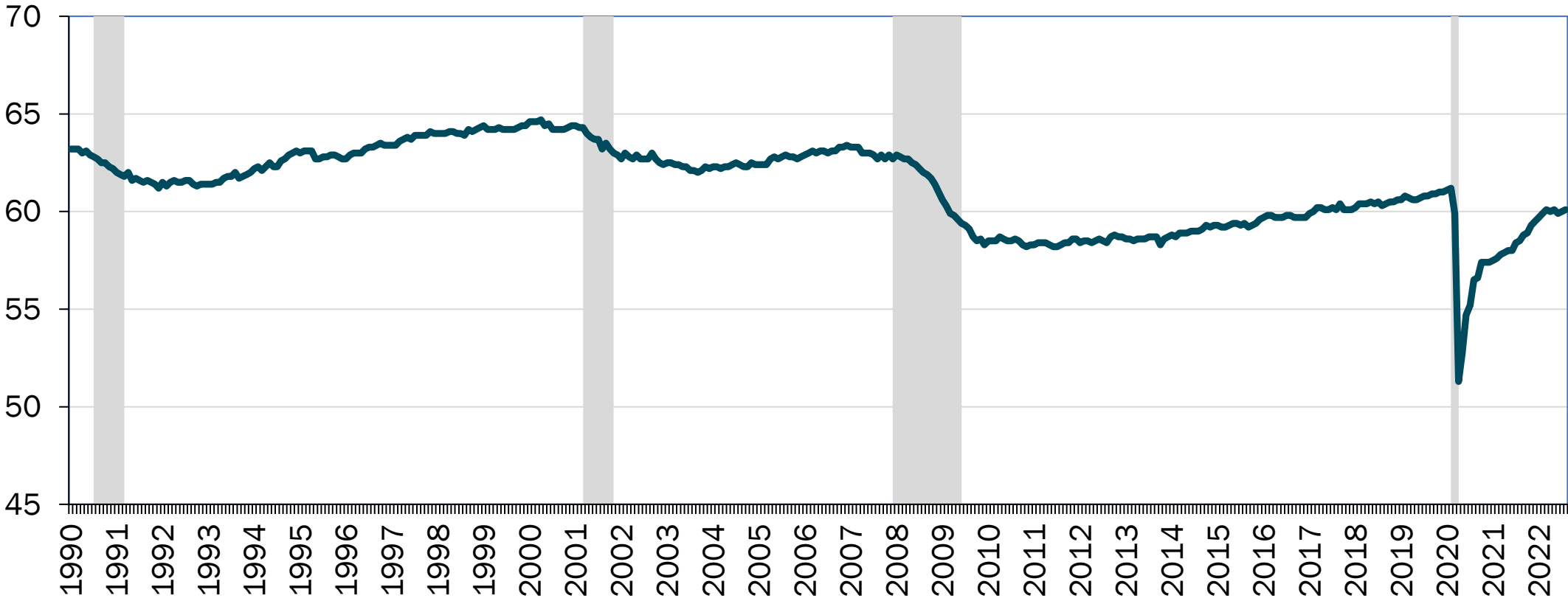
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# **Trends in Employment/Population Ratios and Labor Force Participation Rates**

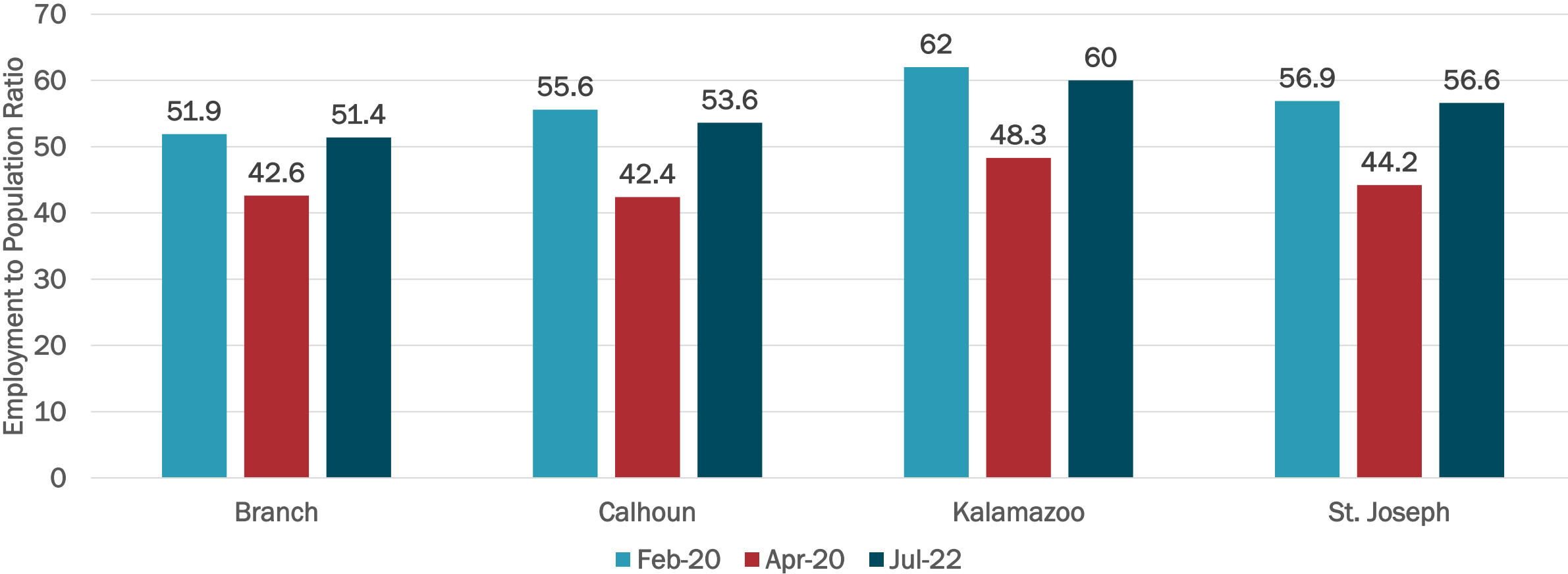
# At 62.4 percent in Aug 2022, the U.S. Labor Force Participation Rate is still below the pre-pandemic rate of 63.4 percent in Feb 2020



At 60.1 percent in Aug 2022, the U.S. employment-population ratio is still below the pre-pandemic rate of 61.2 in Feb 2020

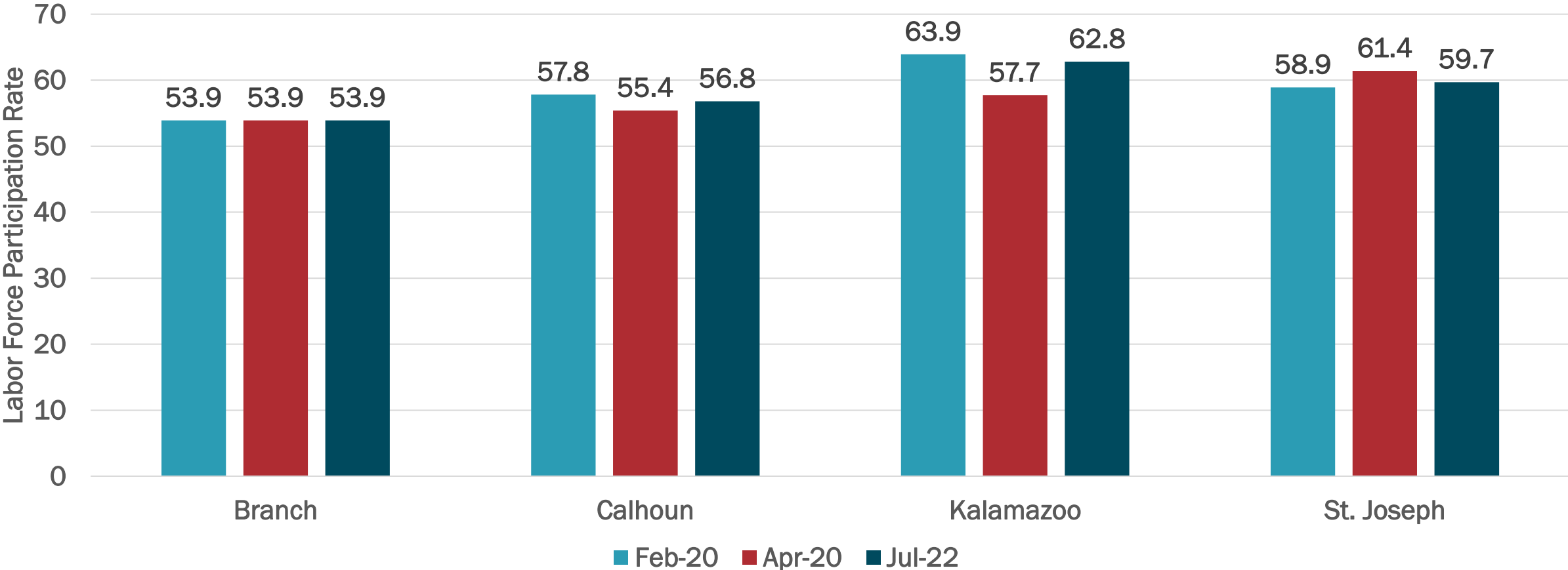


# Regional employment-to-population ratios fell below 50% across the region during the depths of the pandemic





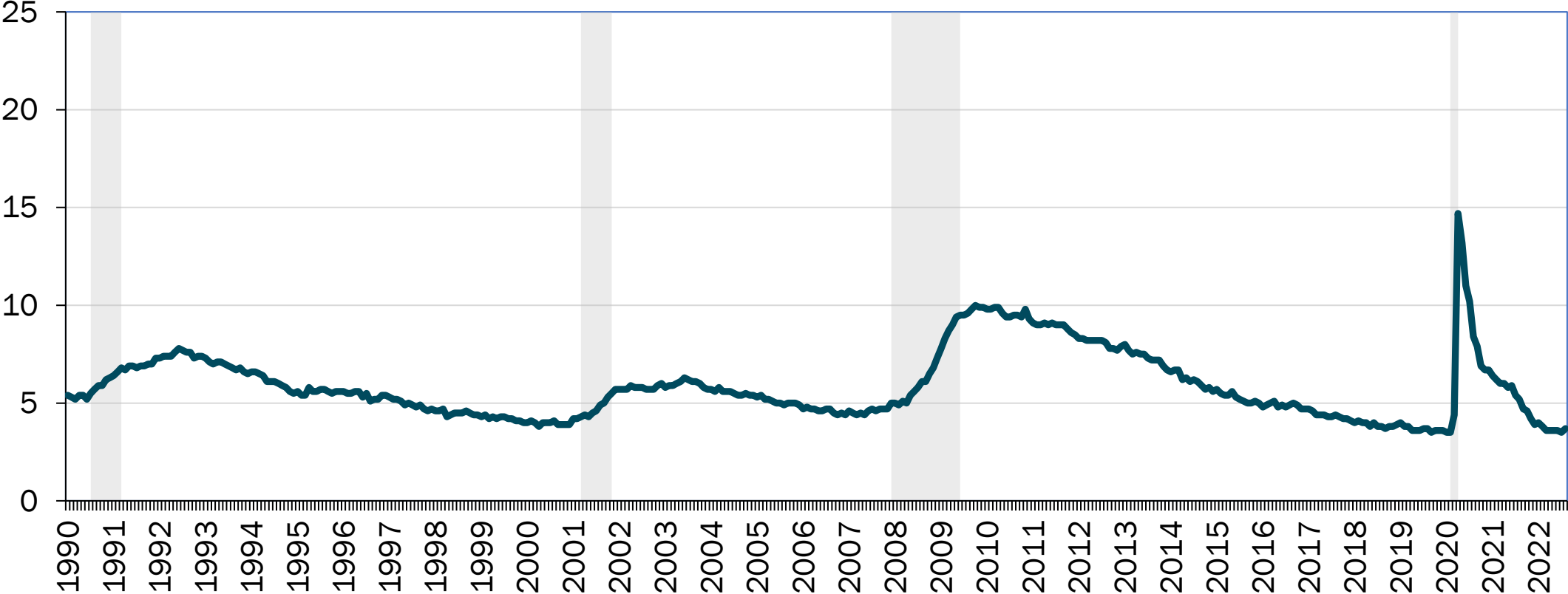
# Labor force participation rates have recovered in all four area counties



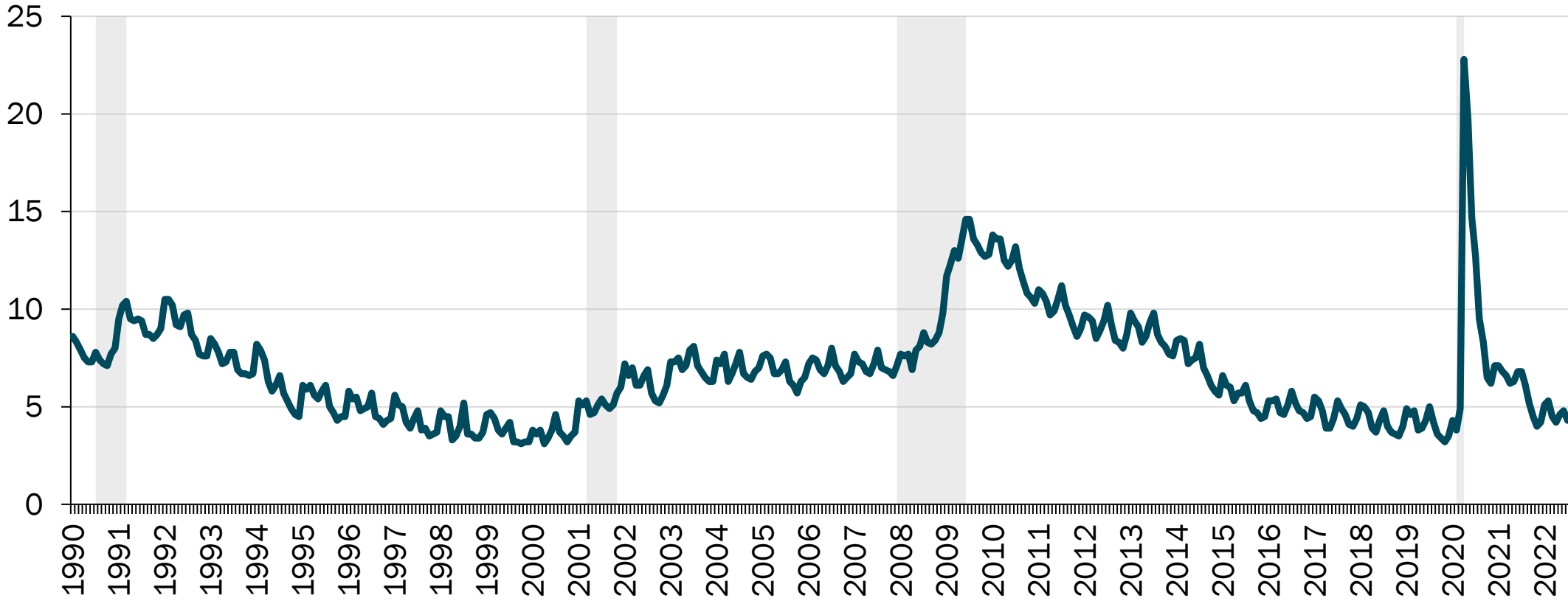
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# Unemployment trends

After rising to 14.8 percent in April 2020, the civilian unemployment rate fell to 5.9 percent in June 2021 and now stands at 3.7 percent in August 2022

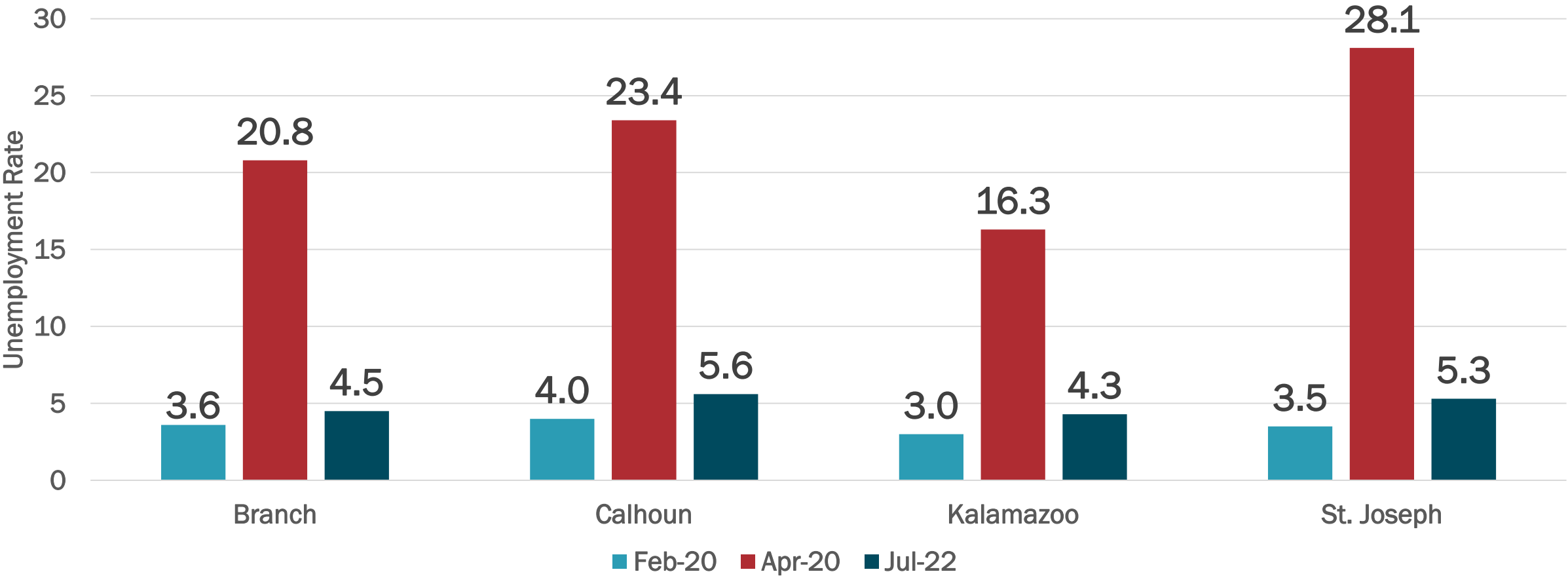


# After rising to 23.6 percent in April 2020, the unemployment rate in Michigan fell to 4.3 percent as of July 2022



Source: Local Area Unemployment Statistics, Bureau of Labor Statistics, seasonally adjusted data

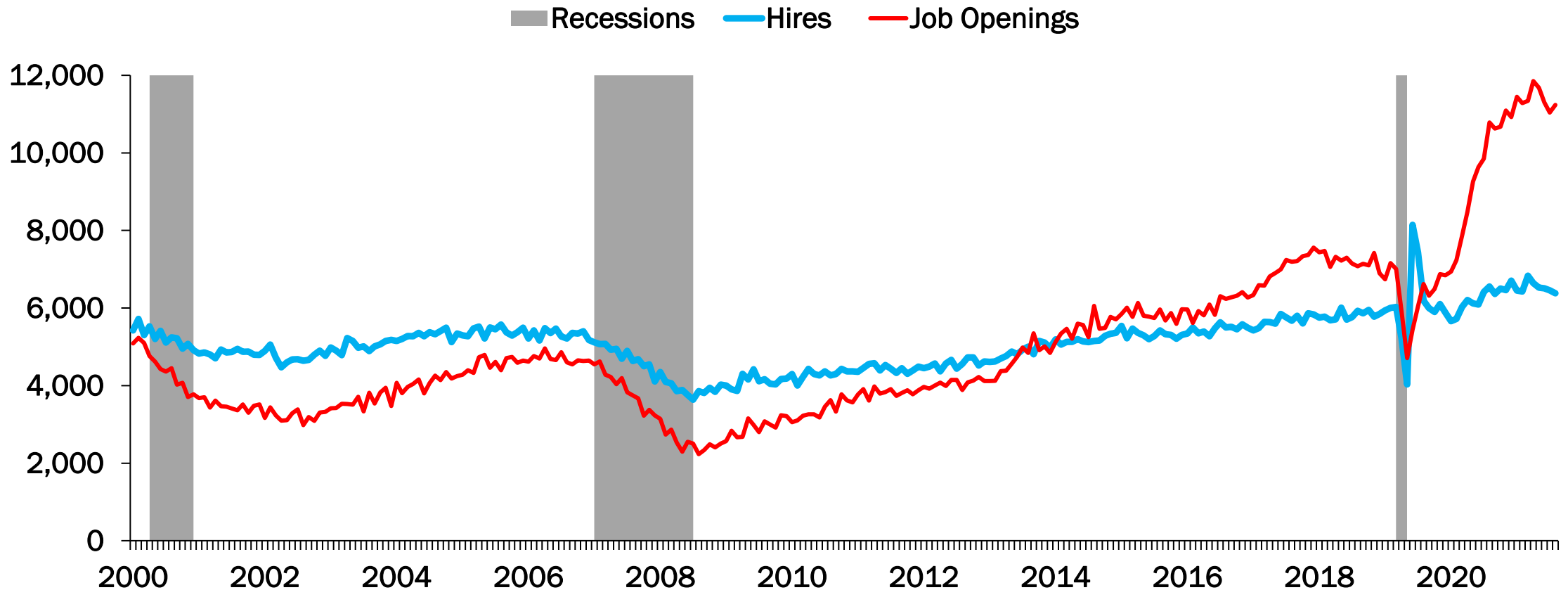
# In our area, unemployment rates have fallen from pandemic peaks, but remain above February 2020



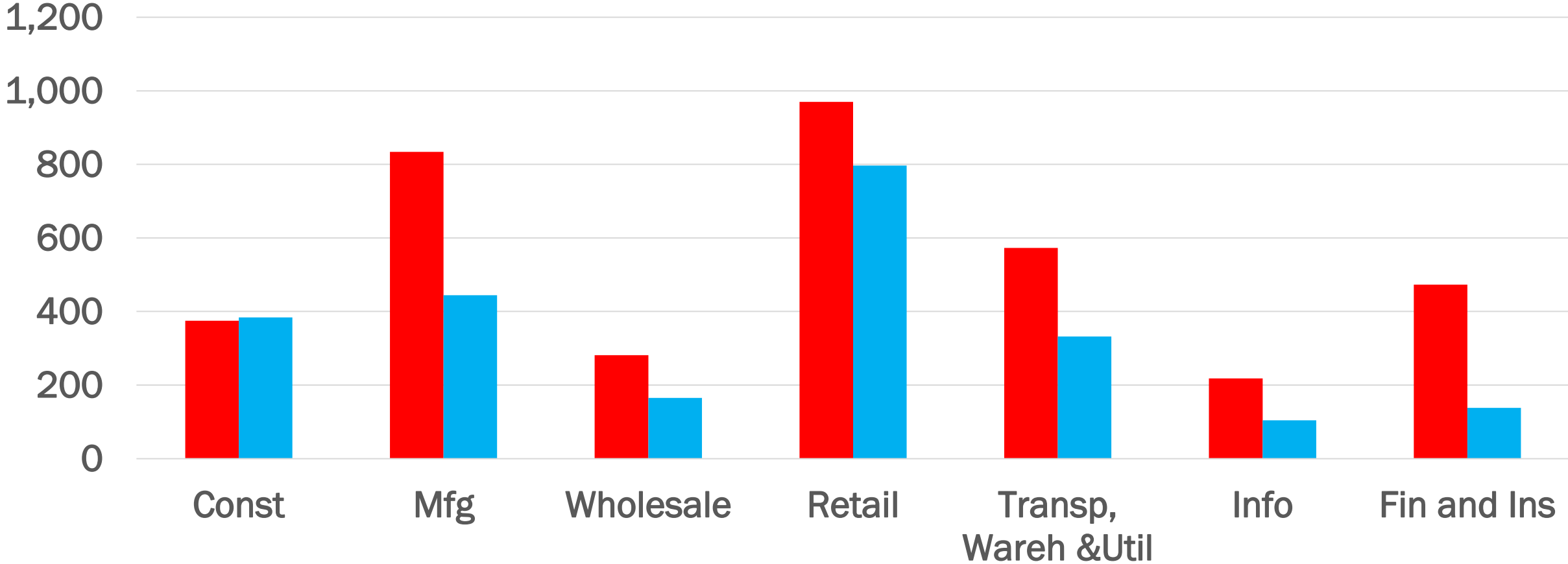
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# Labor Shortages and the Great Resignation

# Job openings have greatly exceeded hires since late 2020

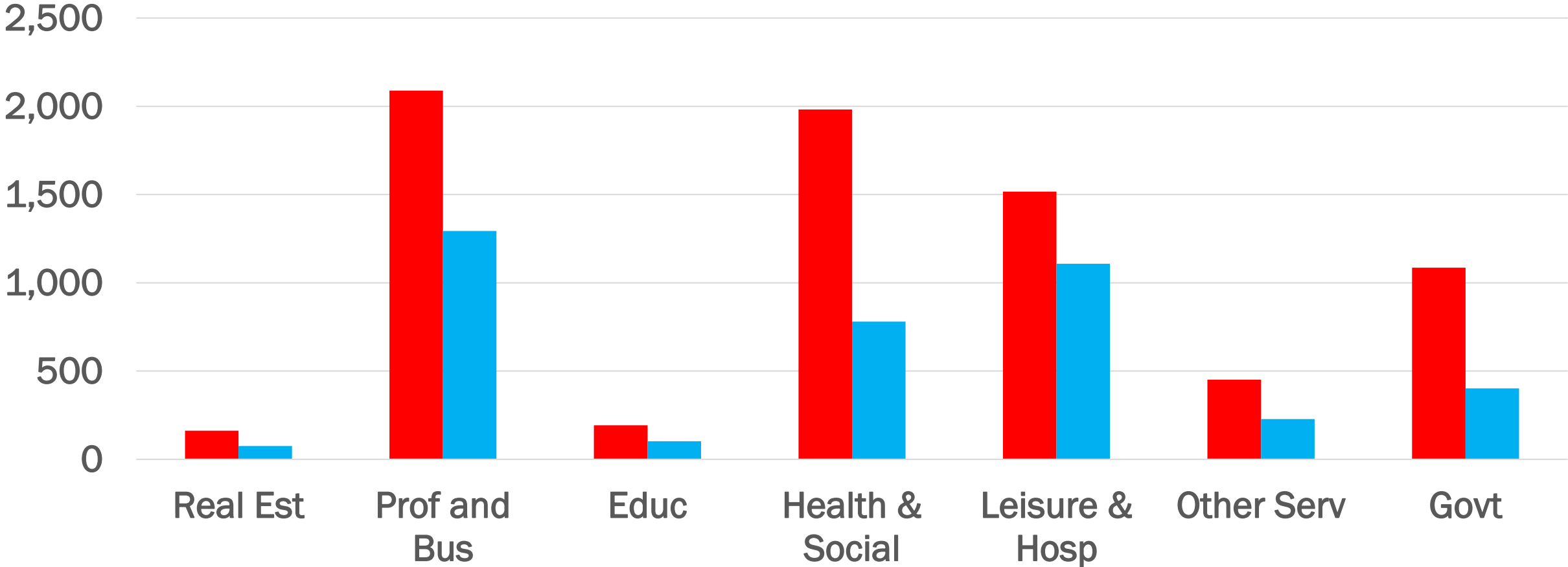


# Job openings and hires by industry in July 2022



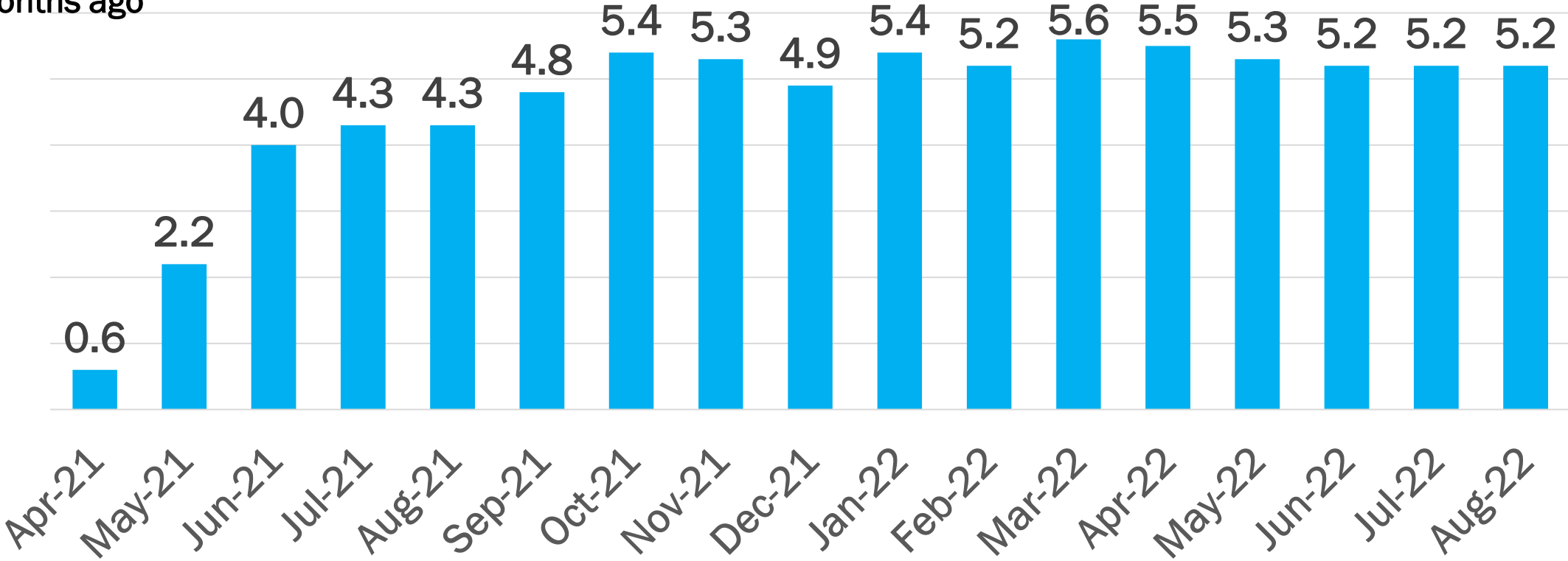


# Job openings and hires by industry in July 2022



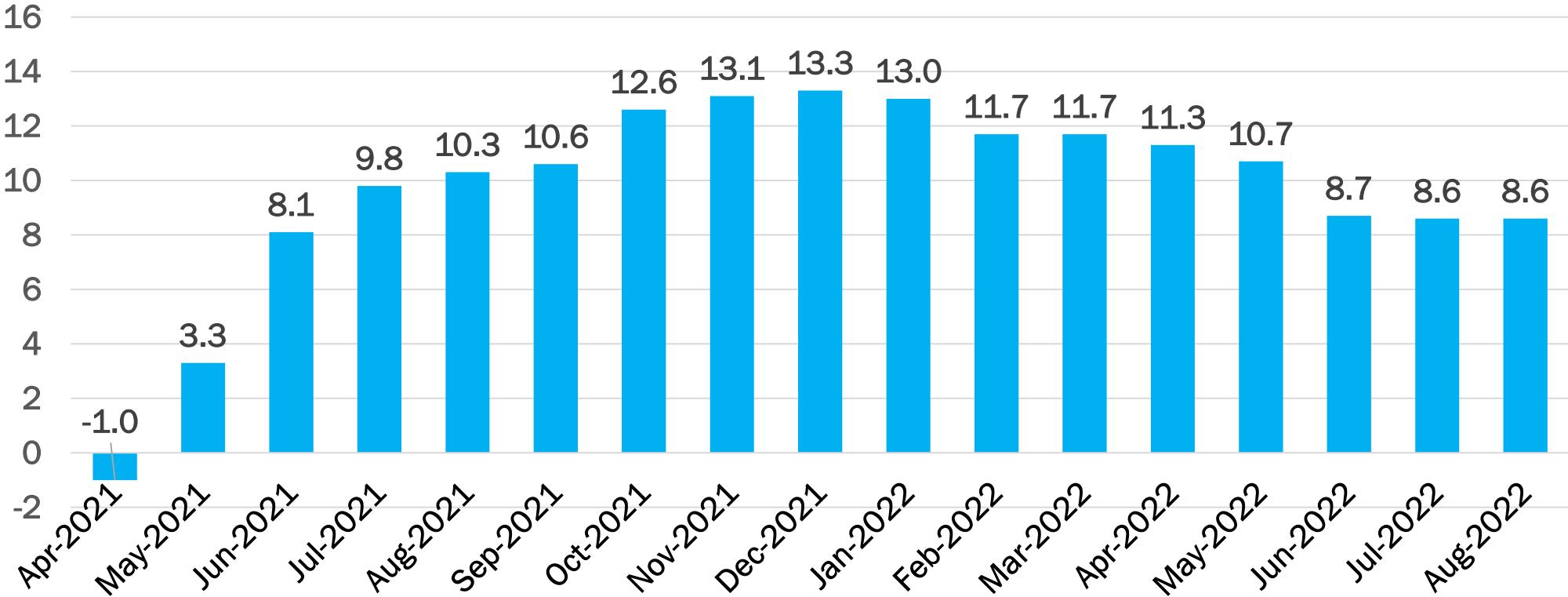
# Average hourly earnings started rising in May 2021

Percent change from 12 months ago

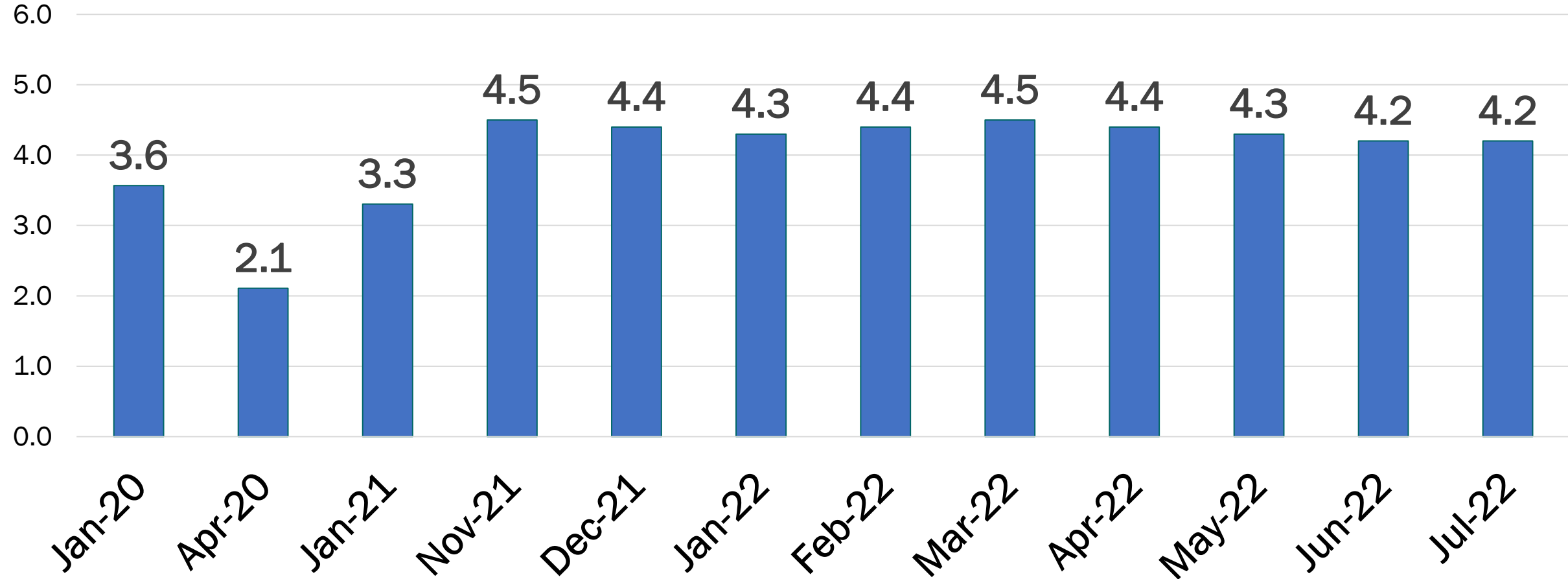


# Changes in Average Hourly Earnings in the Leisure and Hospitality industry

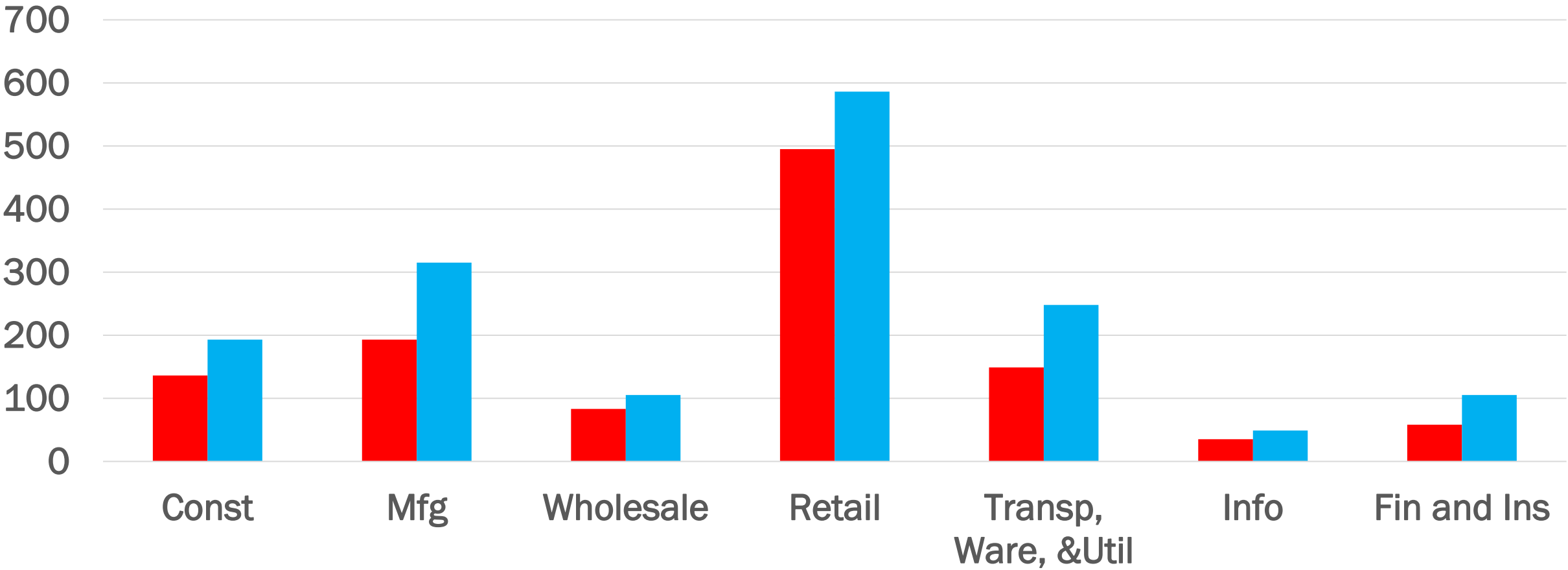
Percent change from 12 months ago



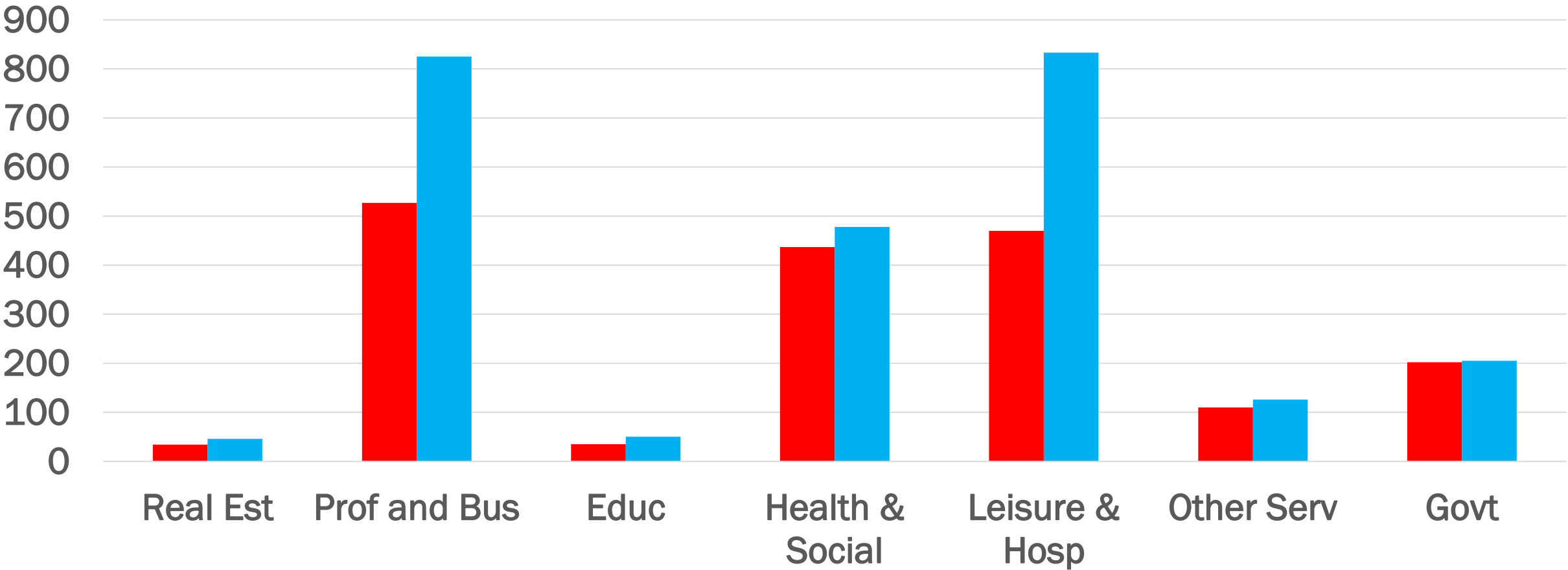
# The number of workers quitting their jobs each month was at 4.2 million in July 2022, slightly lower than the 4.5 million in November 2022, the highest level ever recorded



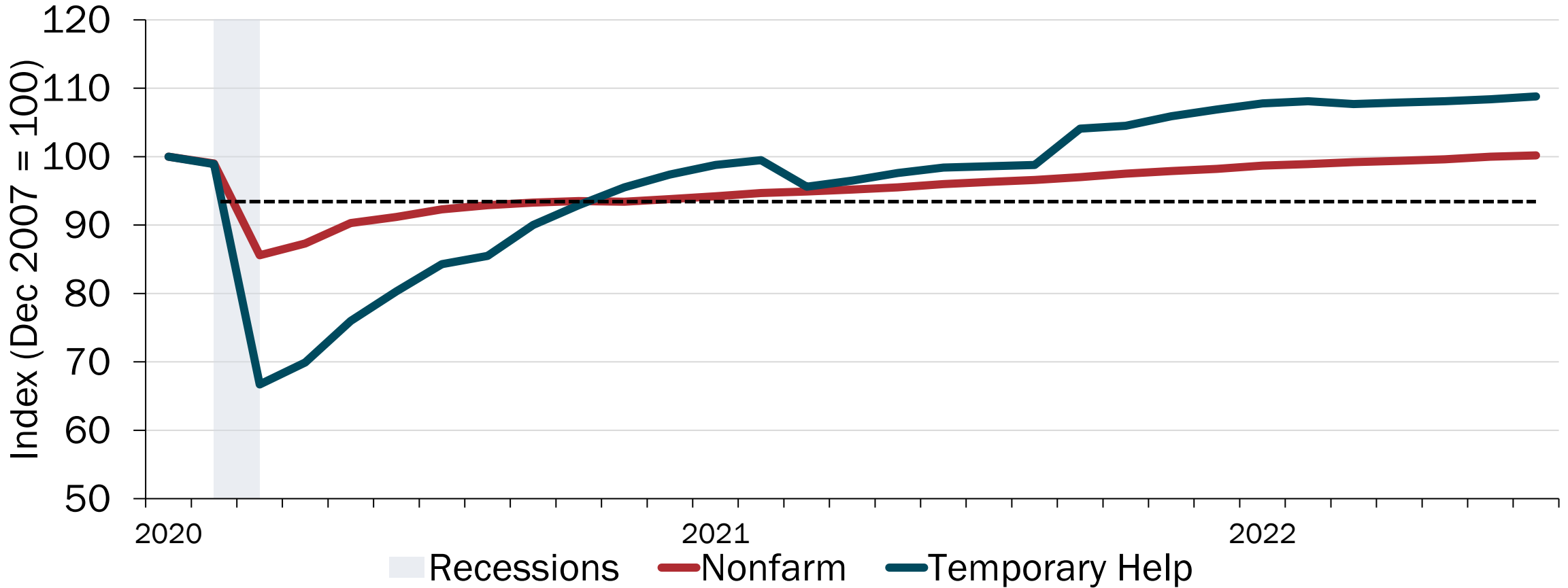
# Changes in quit levels from July-21 to July-22 by industry



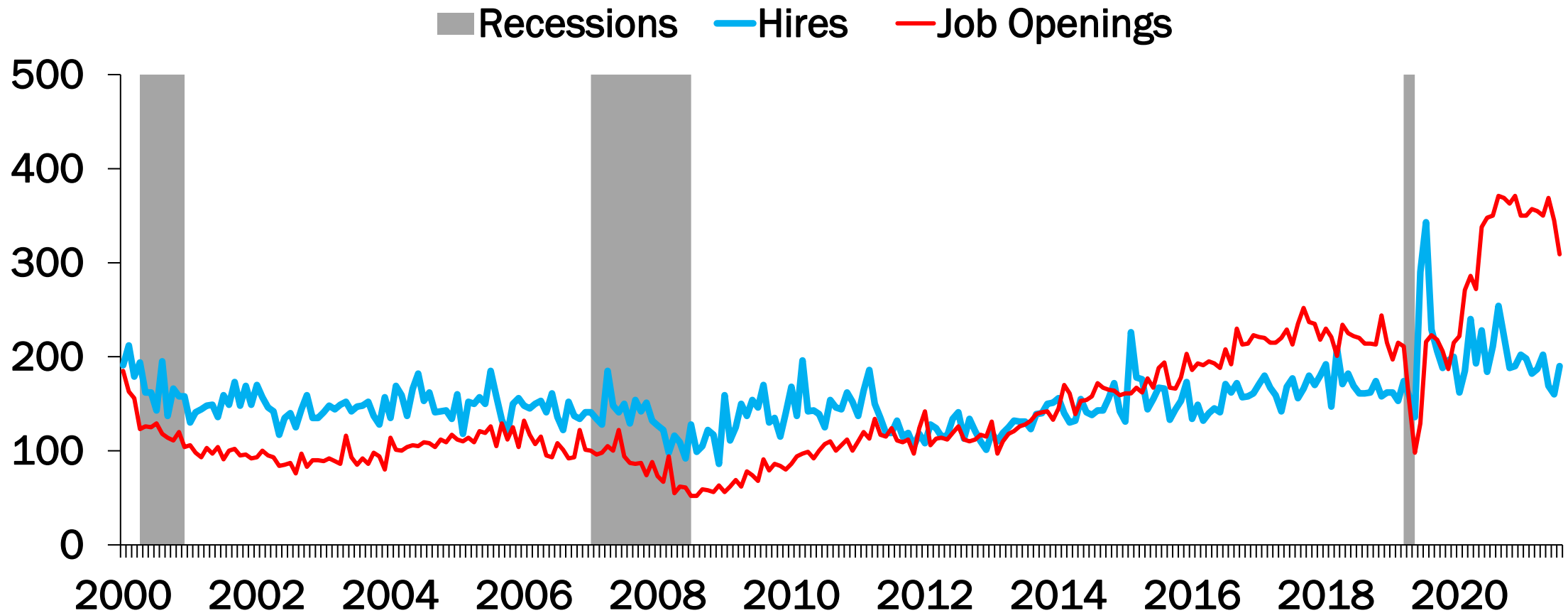
# Changes in quit levels from July-21 to July-22 by industry



# Employment in the temporary help industry has risen sharply since the end of the 2020 recession

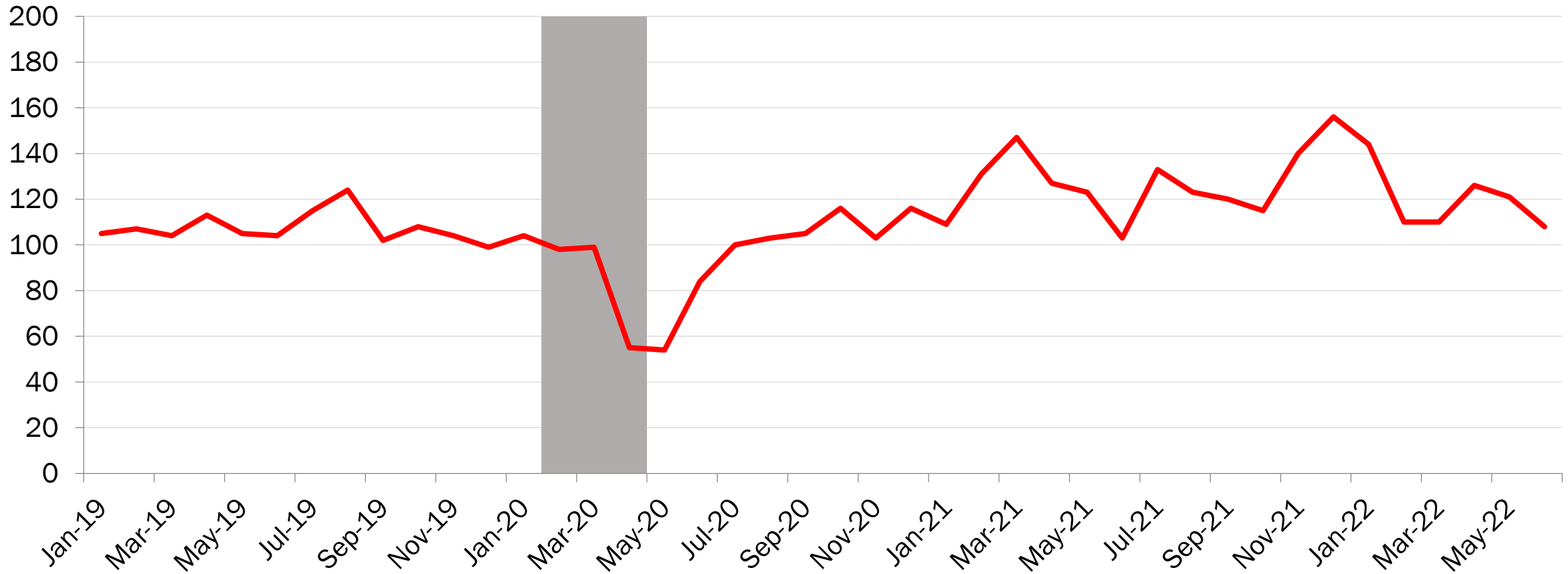


# In Michigan, like the nation, job openings greatly exceed hires





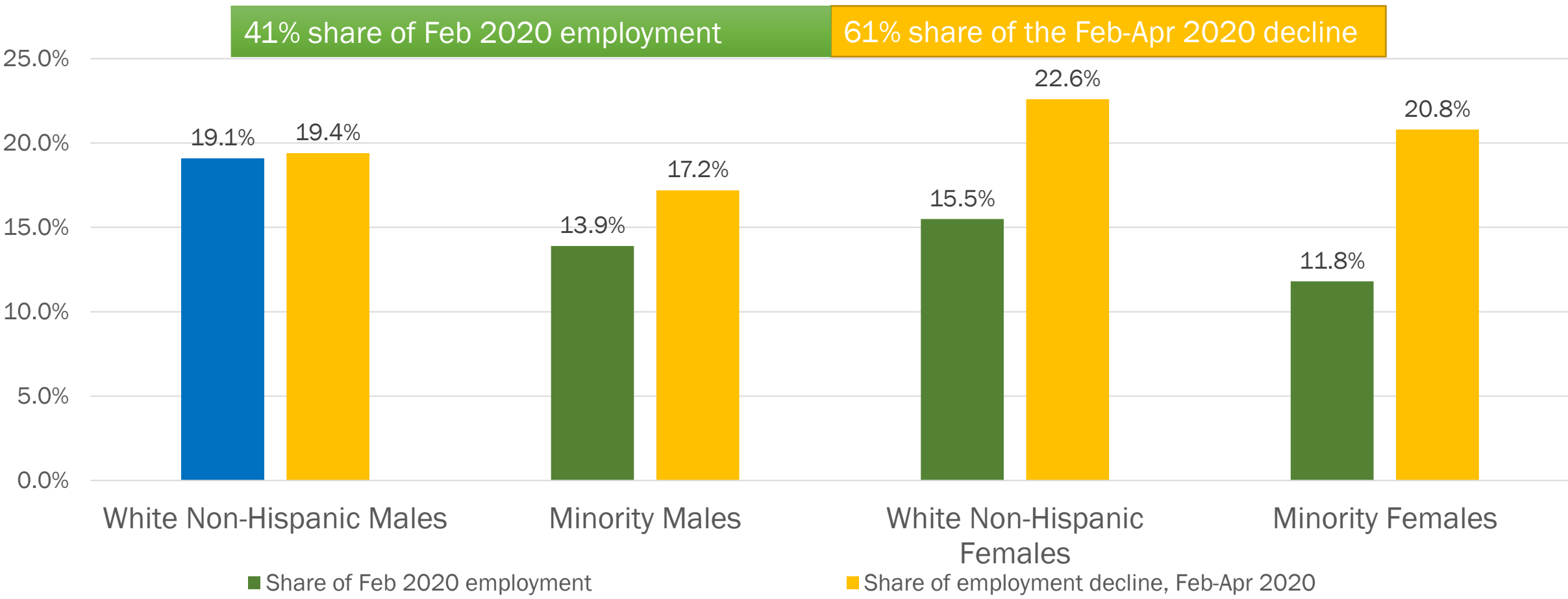
# Quits have stabilized in Michigan



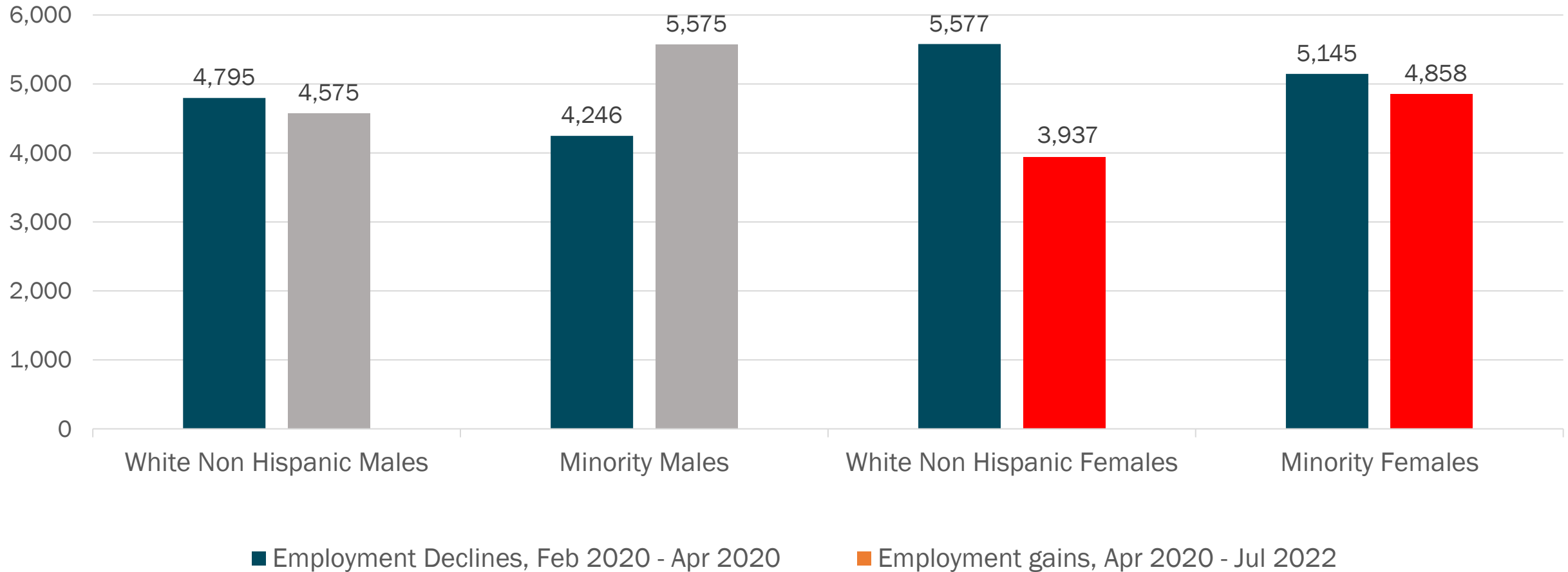
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**Which labor market groups  
have suffered the most since  
the start of the pandemic?**

# Females with less than a BA and minority males had a disproportionate share of the employment declines in 2020



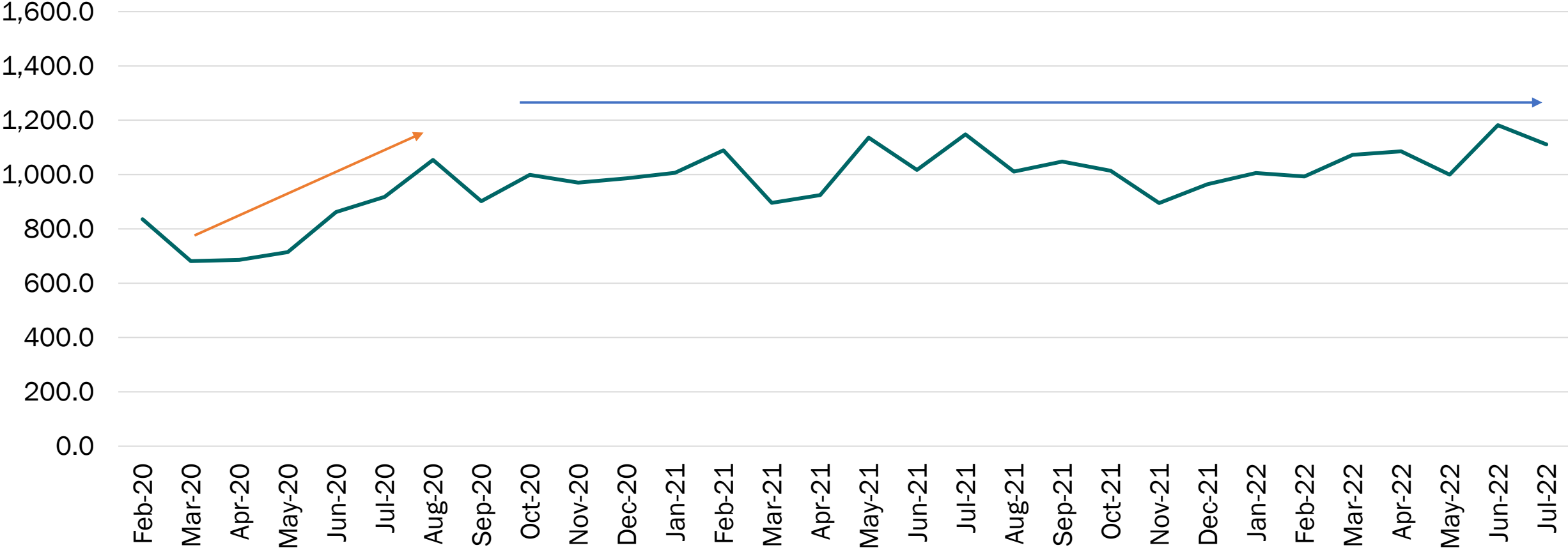
# Females with less than a BA have had an especially difficult time regaining employment since April 2020



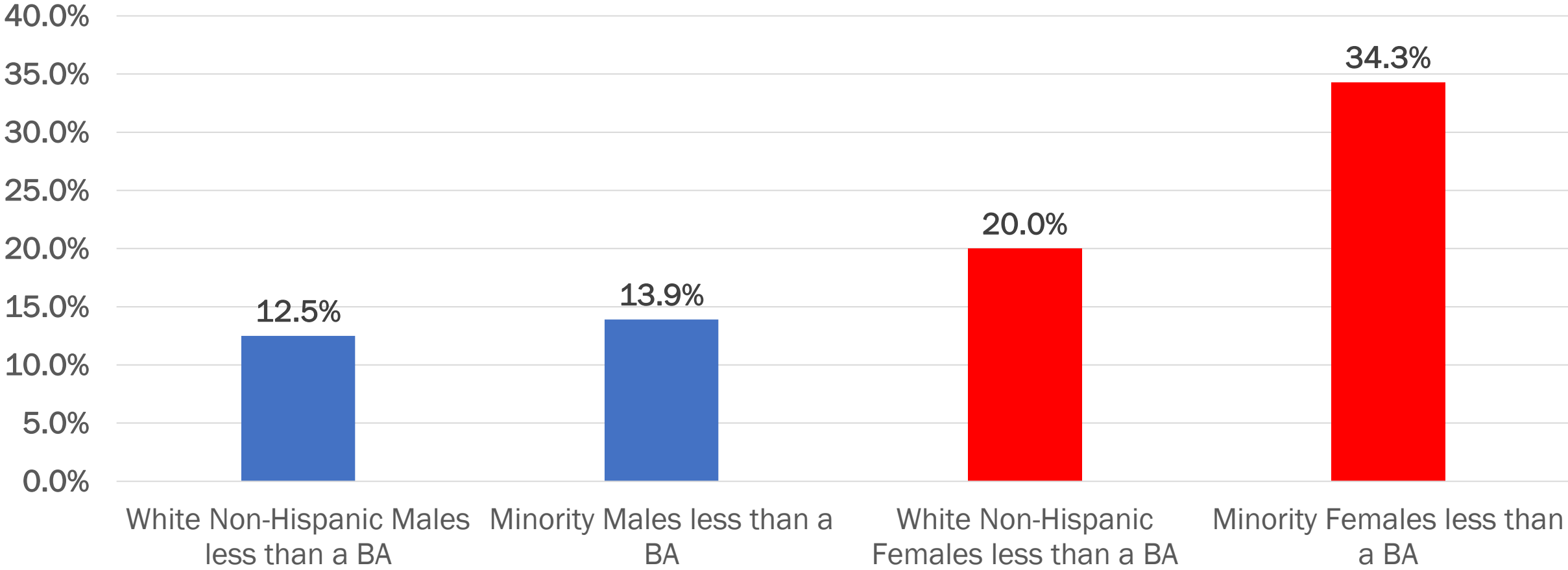
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**Near unemployment**

# Number of individuals who are out of the labor force and currently want a job now, but cite child-care, family responsibilities or transportation issues as barriers to looking for work



# As of Jul 2022, 54 percent of that group are females with less than a BA





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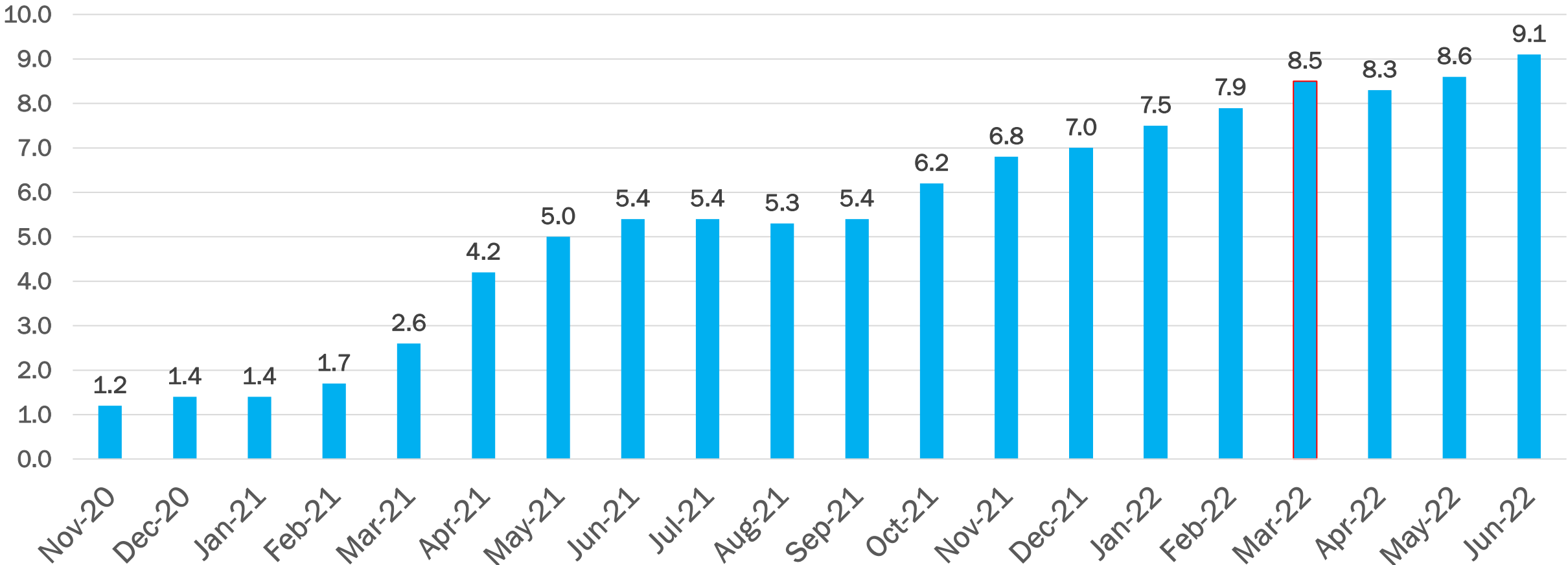
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# The percentage changes in overall prices from 12-months earlier hit a 40-year high in Jun of this year

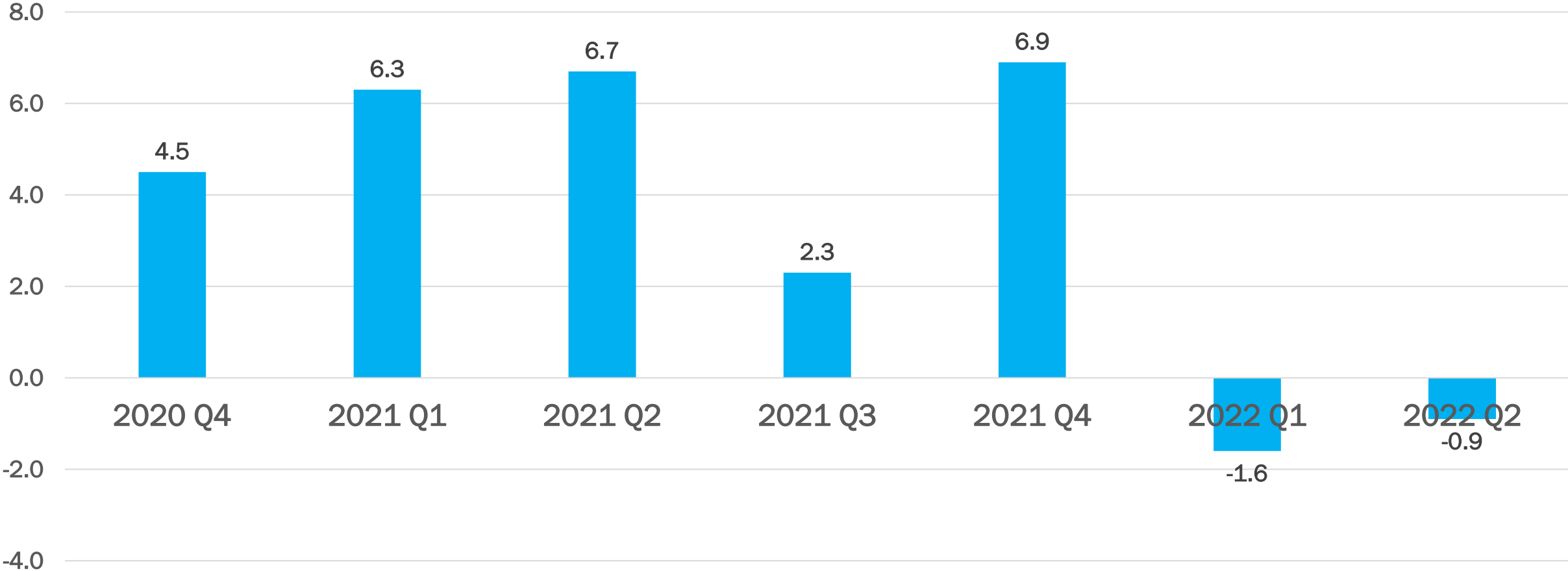


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**The new headwinds:**

**Stagflation? Are we in a recession?**

# Real GDP fell at an annual rate of 0.9 percent in the first quarter of this year



# Are we in a recession?

- Indeed, we have seen two declining quarters of real GDP
- However, this ‘rule of thumb’ for recessions is not actually a true rule of thumb.
- The NBER Business Cycle Dating Committee looks at a variety of factors when deciding if the economy has entered a recession, including especially leading and coincident economic indicators

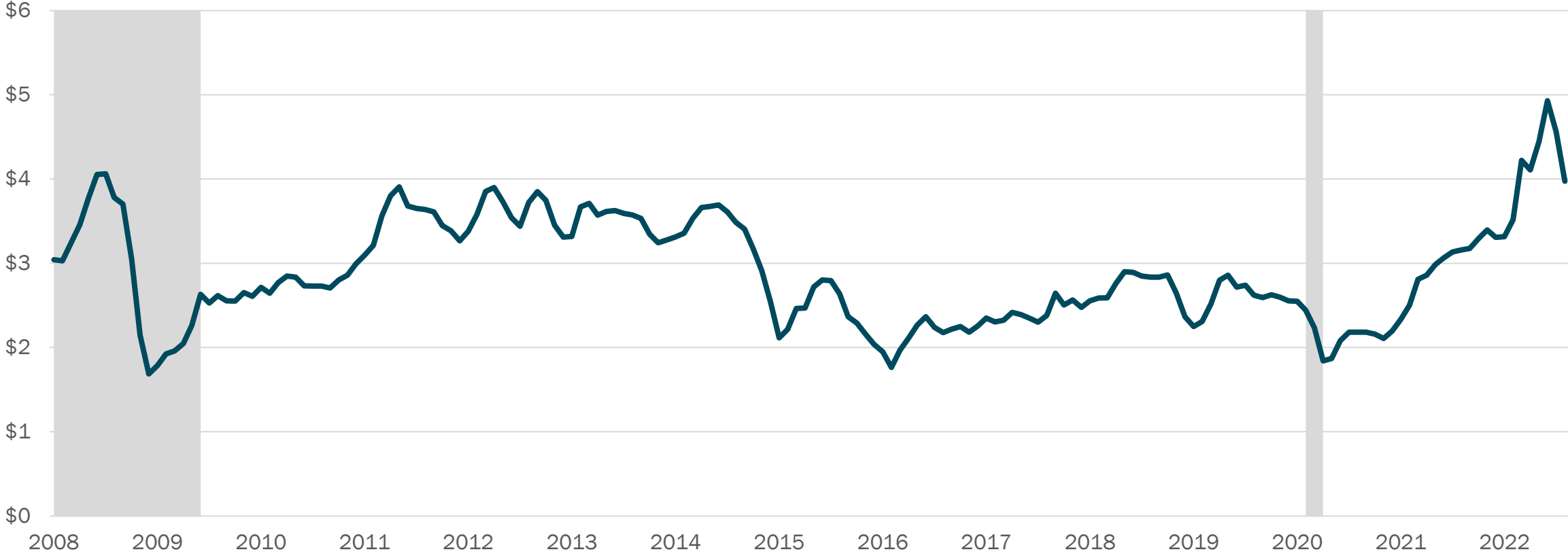
# Are we in a recession? No

- The index of coincident indicators generally rises and falls with U.S business cycles
- It is composed of four separate measures:
  - Employees on nonagricultural payrolls
  - Personal income less transfer payments
  - Industrial production
  - Manufacturing and trade sales
- The index of coincident indicators has been rising consistently since April 2020

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**Energy prices have risen  
significantly**

# US Regular All Formulations Retail Gasoline Prices, Dollars per Gallon

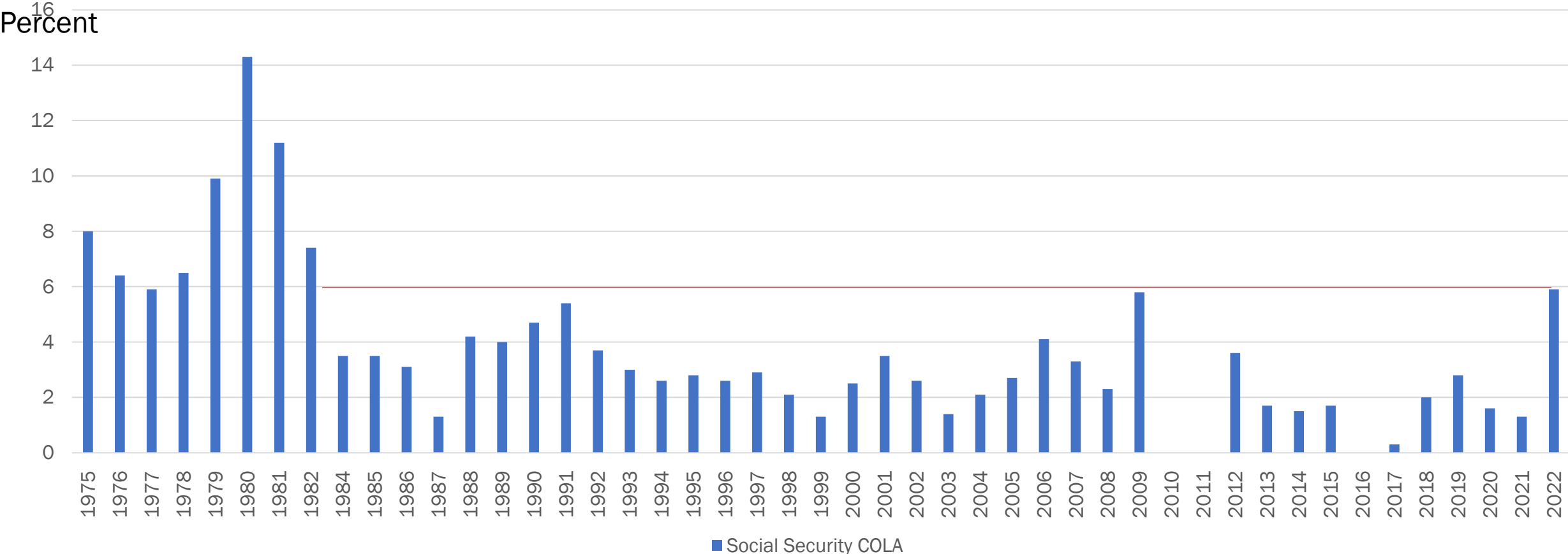


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**Contract inflation will continue  
through 2022**



# Anticipated future built in-contract inflation: Recent example of the Jan 2022 COLA increases announced by Social Security – highest since 1982



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**Inflation has become more  
widespread**

243  
expenditure  
categories in  
the CPI-U



Food  
Energy goods  
Household goods  
Apparel  
Transportation goods  
Medical care goods  
Recreation goods  
Education  
Other goods

Energy services  
Shelter  
Medical care services  
Transportation services  
Recreational services  
Education services  
Other personal services

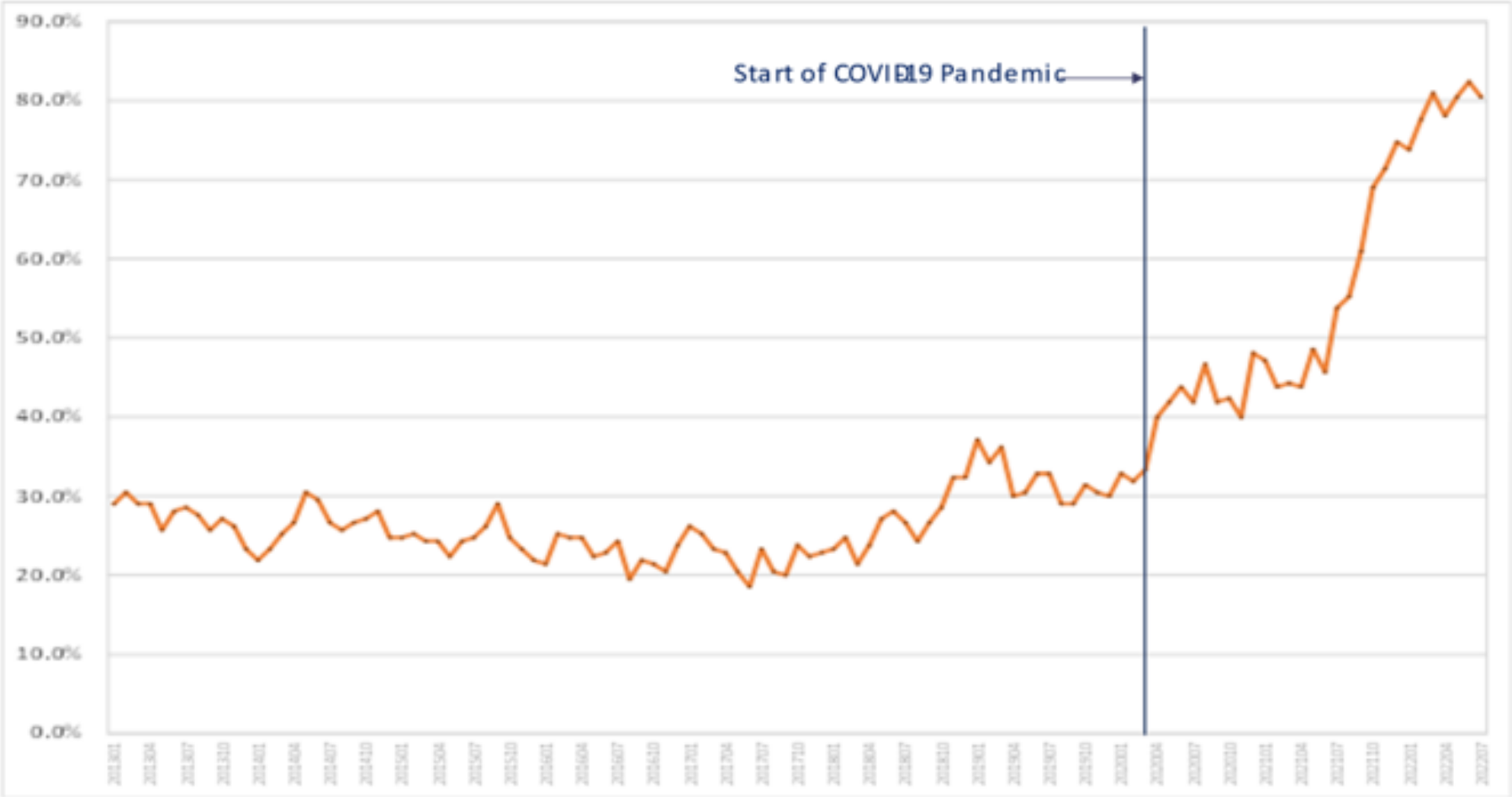
Federal Reserve  
Target Inflation rate  
2%



Percentage of 243  
expenditure categories with  
inflation rates > 2.5%

Jul 2021 – 53.8%  
Jul 2022 – 80.5%

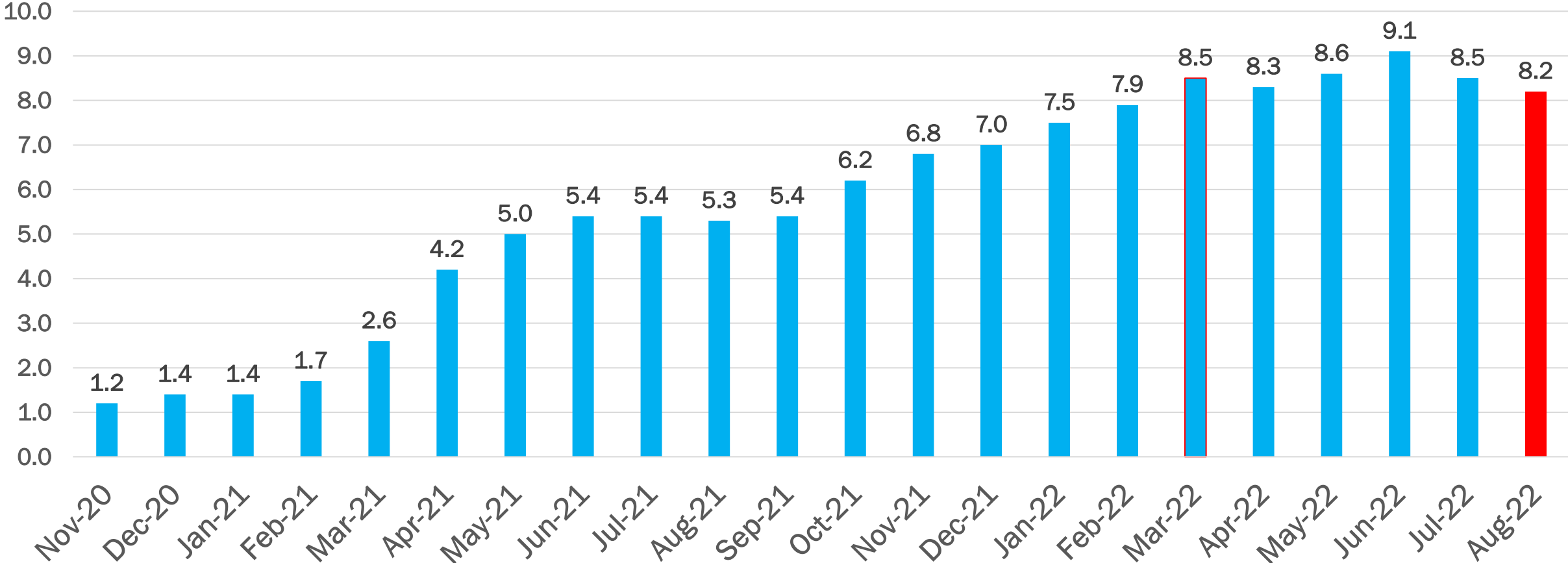
# Percentage of CPI components above target



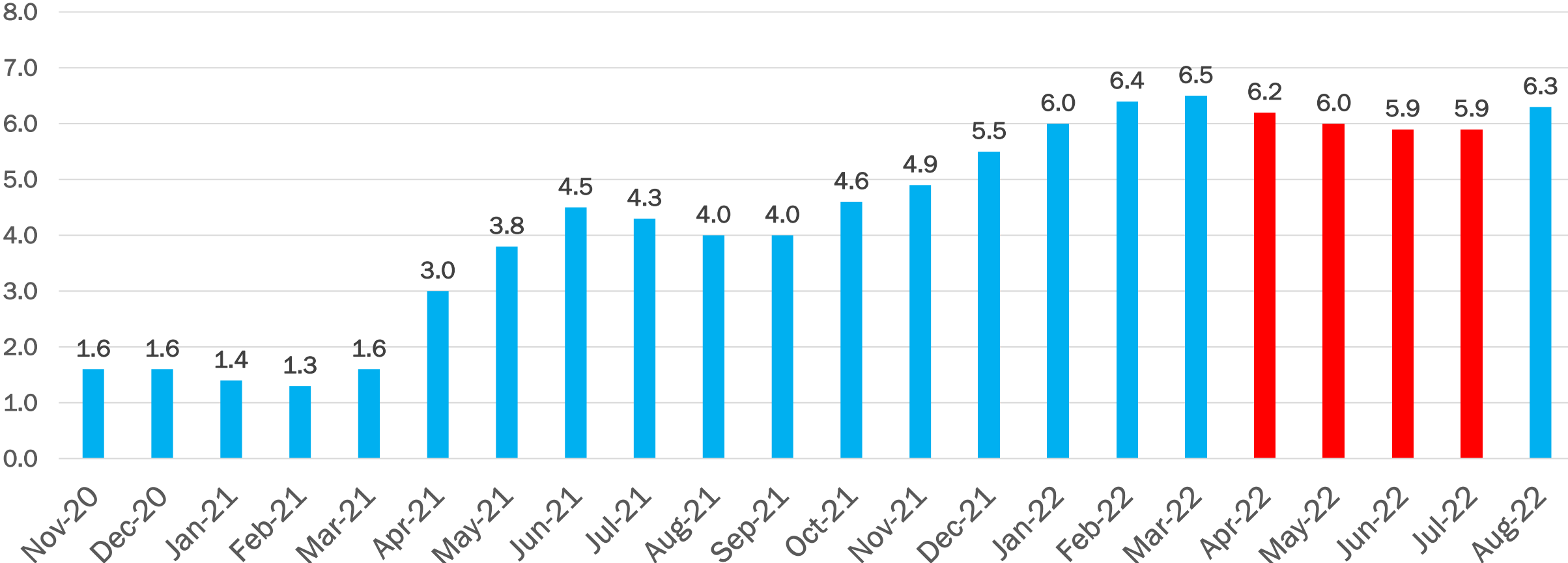
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**Some rays of hope**

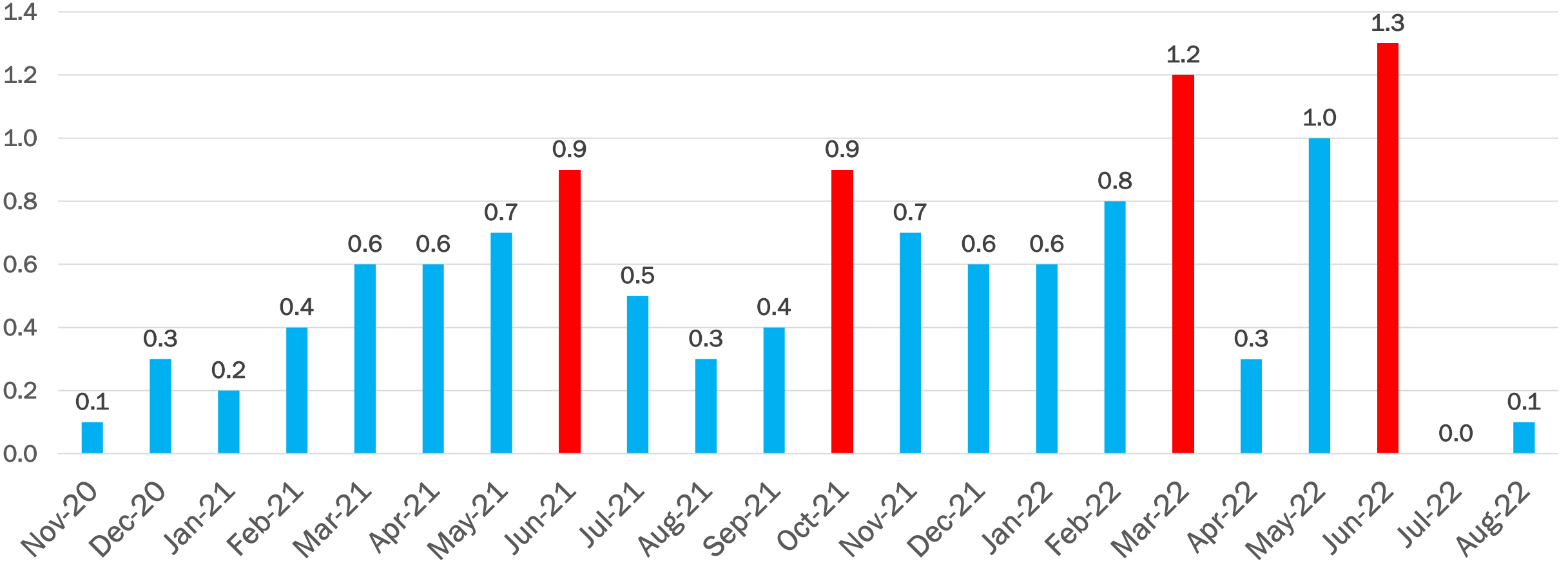
# The percentage changes in overall prices from 12-months earlier eased somewhat in July and August



# After reaching a nearly 40-year high in March, the 12-month percent change in core inflation eased a bit since April

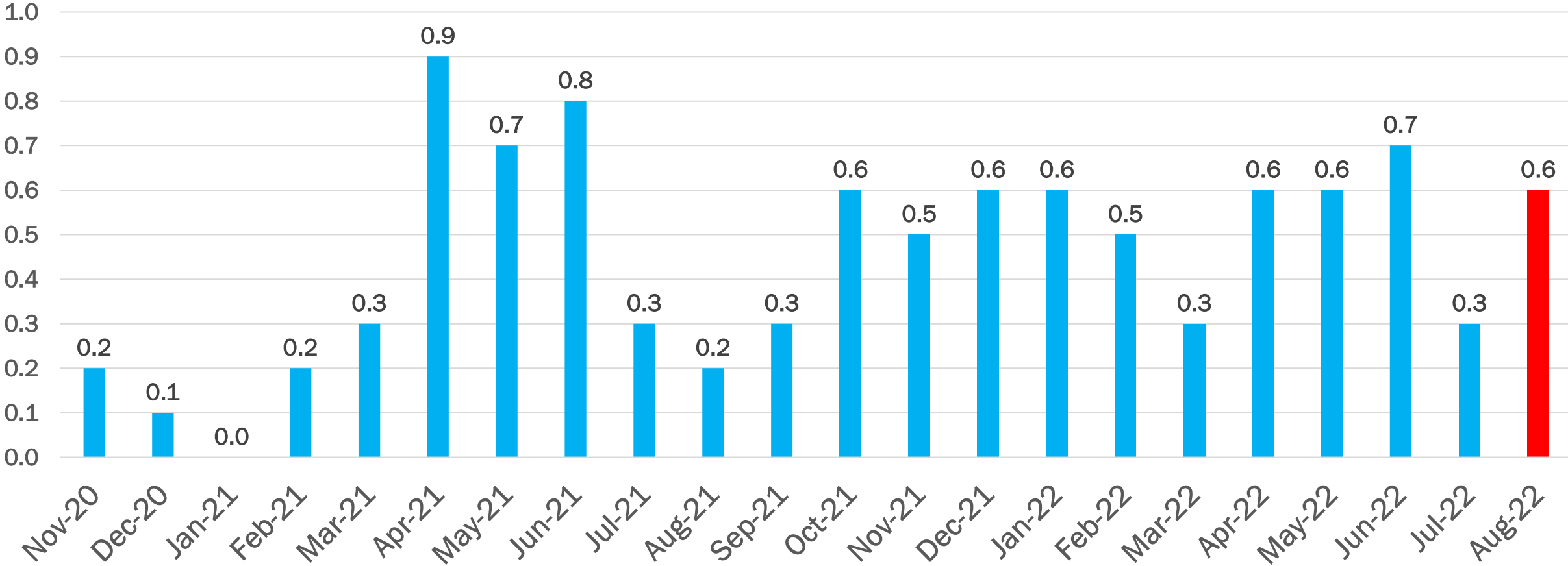


# The Consumer Price Index for All Urban Consumers increased by only 0.1 percent in August, down significantly from the 1.3 percent increase in March

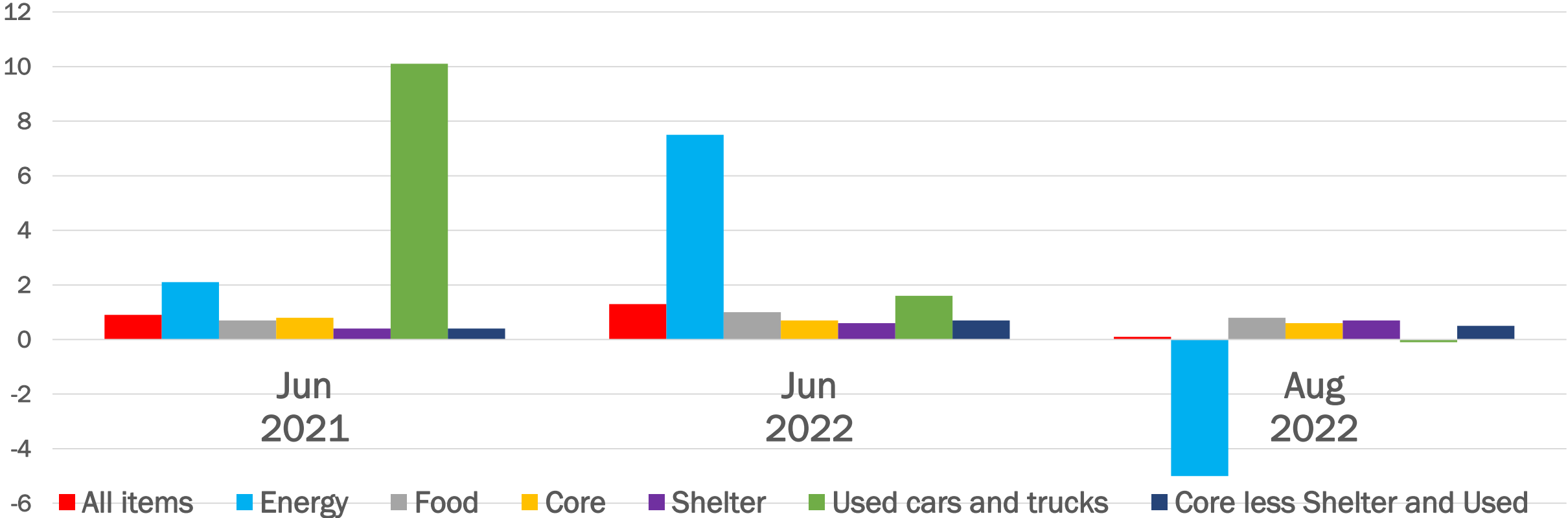




# The 1-month percent change in core CPI (CPI-U less food and energy) increased in August



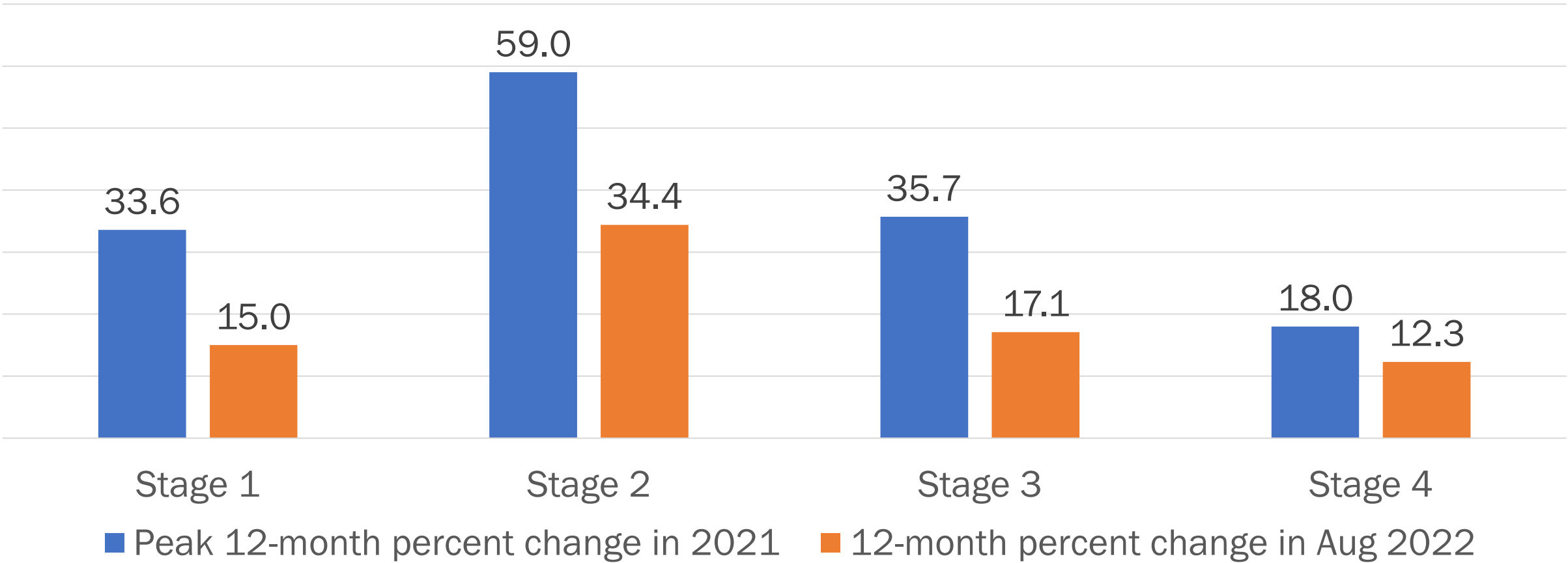
# The two largest contributors to inflation in the last year – energy and used cars and trucks, eased in August



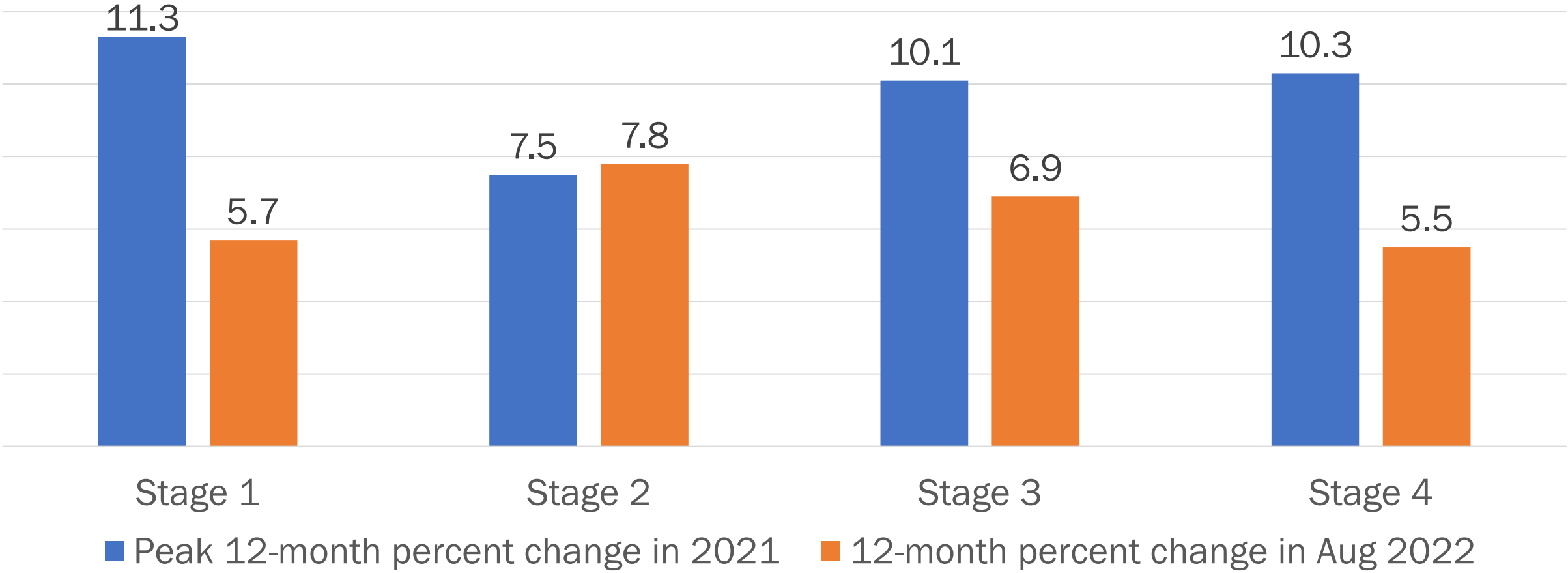
# Stages of production and producer price indexes

- Assigns industries to one of four stages of production
- Stages 1-4 represent increasing fabrication of goods going toward final demand (aka to consumer markets)
- Each stage uses inputs: goods, services, food, energy, and construction
  - A stage 1 oil and gas extraction company uses electricity and accounting services in the production and delivery of natural gas to stage 2 industries
  - The reimbursements/revenues received by producers for the inputs they provide form the basis of the producer price indexes measured at each stage

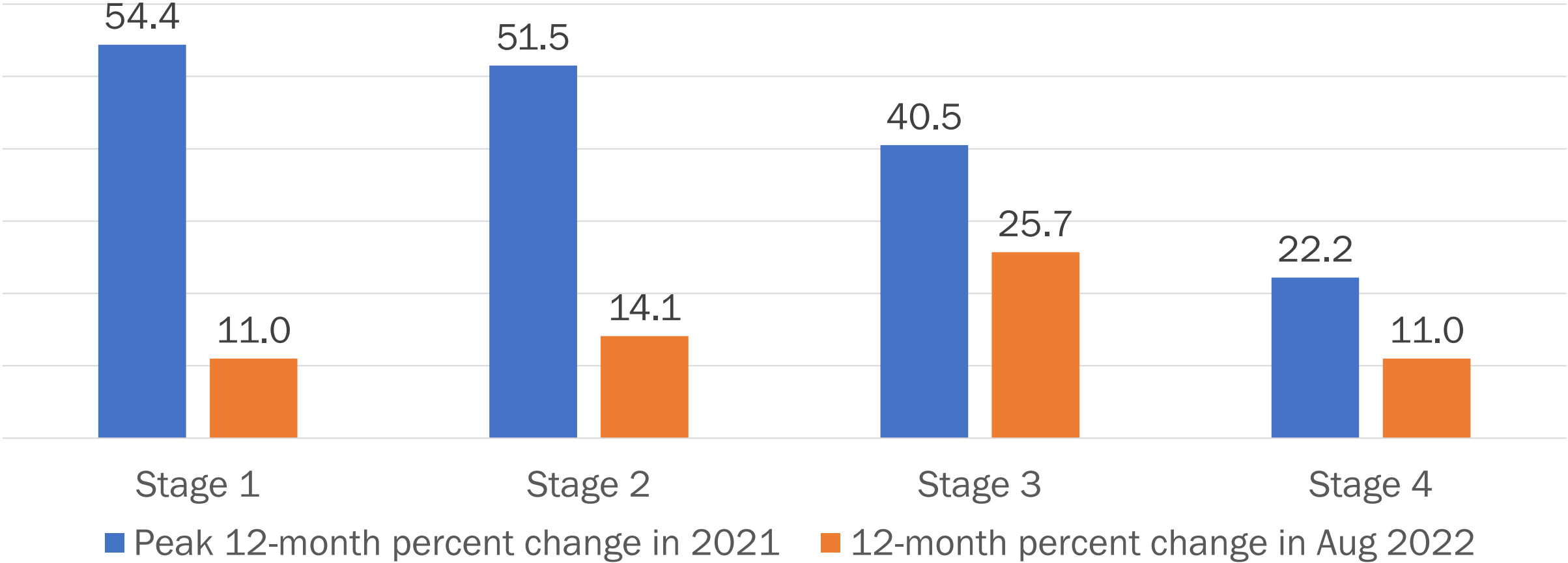
# The annual rates of producer price inflation for the costs of **goods inputs** slowed significantly in 2022 for the first two forward flow stages of production



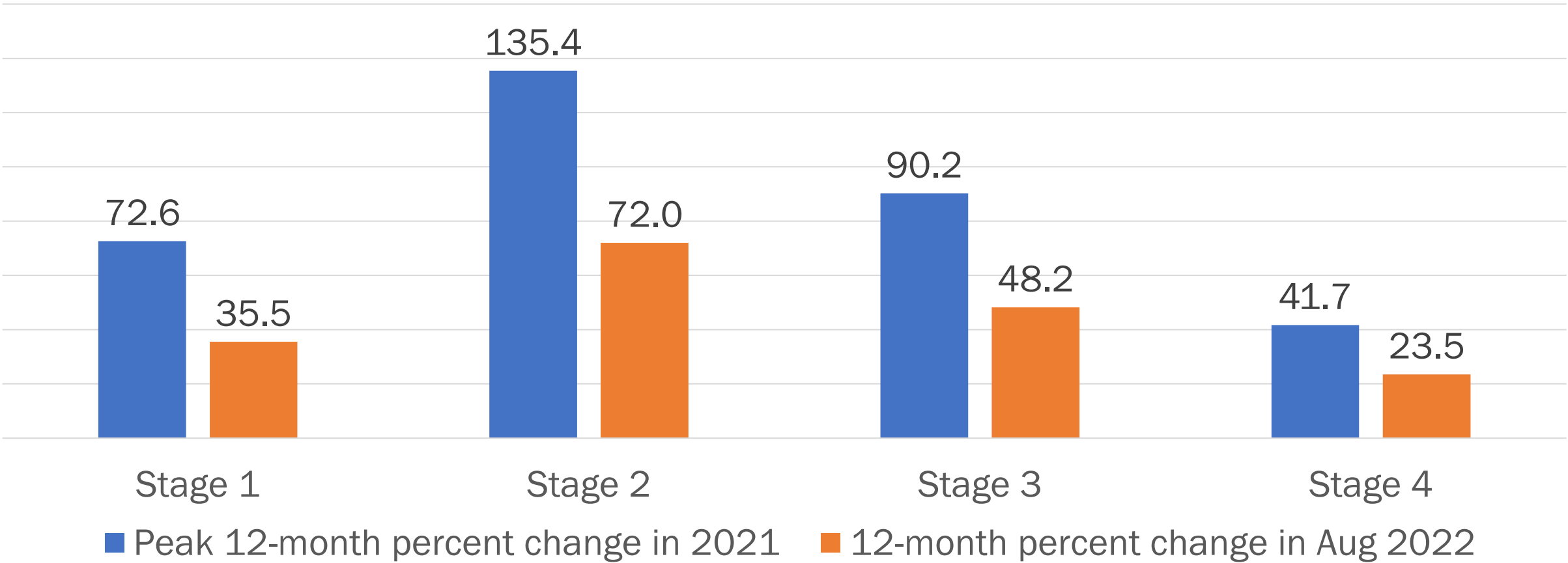
# The annual rate of producer price inflation for the costs of **services inputs** slowed in 2022 for three of four forward flow stages of production



# The annual rates of producer price inflation for the costs of **food inputs** slowed significantly in 2022 for the first three forward flow stages of production



# Despite slowing in 2022, the annual rates of producer price inflation for the costs of **energy inputs** remain high over the four forward flow stages of production



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## National and Michigan Forecast

Research Seminar in Quantitative  
Economics (RSQE) at the University  
of Michigan



# University of Michigan/RSQE August 2022 national forecast

Measure	2020	2021	2022 (Forecast)	2023 (Forecast)	2024 (Forecast)
Real GDP (2012\$) % change yr over yr	-3.4%	5.7%	1.5%	0.1%	1.9%
Employment (millions)	142.2	146.1	152.0	153.5	153.7
Light Vehicle Sales (Millions)	14.4	15.0	13.9	14.7	15.7
Unemployment Rate	8.1%	5.4%	3.6%	3.9%	4.3%
Housing Starts (Millions)	1.40				
CPI-U/Inflation	1.2%	4.7%	8.0%	4.2%	2.4%