A view of the Economic Road Ahead - 2018

Dr. Paul Isely
My Accuracy in Past Journeys

Annual Employment Growth West Michigan vs Forecast Range at Beginning of Year

Forecasted Range

2013 2014 2015 2016 2017 2018

2017 YOY November
The smooth roads we’ll enjoy in 2018 will become bumpy, leading to new opportunities.
What are the indicators that show a smooth road in 2018?
CONFIDENCE

West Michigan Confidence Index Forecast 2018

Source: Seidman
EMPLOYMENT GROWTH

Smoothed Employment Growth Rates

Source: BLS and Isely
EMPLOYMENT CHANGE

Respondents' Anticipated Change in Employment

Source: Seidman
SALES GROWTH

PMI INDEX
New Orders

Source: Seidman and ISM
SALES CHANGE

Respondents' Anticipated Change in Sales

Source: Seidman
What are the signs that the smooth road is ending?
Source:
BEA, CBO, and Isely
WAGE GROWTH

Average Wage Growth

Average Inflation + Productivity

Source:
BLS and Isely
AVAILABLE LABOR

Pool of Potential Workers Not Working In Michigan

Source:
BEA, BLS, and Isely
RISING COMMODITY PRICES

Commodity Prices vs GDP

Source: BEA, BLS, and Isely
FLATTENING YIELD CURVE

TEN Year vs ONE Year Treasury Rates
(Yield Curve)

Source:
Federal Reserve
How is the Muskegon Journey Unique?
EMPLOYMENT - KOMA

KOMA COUNTIES ANNUAL EMPLOYMENT CHANGE

Change in 3 month moving average

Source: BLS and Isely
Muskegon County Annual Employment Growth - CES

- change 3 month moving average  
- change 12 month moving average

Source: BLS and Isely
New Firms - Kent

Percent of Employees in firms under 3 years old

<table>
<thead>
<tr>
<th>Year</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>0.0%</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

[Graph showing the percent of employees in firms under 3 years old from 2011 to 2015.]

[Seidman | Grand Valley State University]
New Firms - Muskegon

Percent of employees in firms under 3 years old

2011 2012 2013 2014 2015
Young Workers

Change in Population by Age 2010 to 2016

- Allegan County, Michigan
- Kent County, Michigan
- Muskegon County, Michigan
- Ottawa County, Michigan
- Michigan

25 to 35  Over 65
Wages

Average Weekly Wages

- Professional...
- Manufacturing
- Management
- Construction
- Health Care
- Retail Trade

Muskegon County, MI

Average KOMA

$0

$500

$1,000

$1,500

$2,000

$2,500

$3,000
What are the important mile markers to watch?
THE NEW TAX LAW - STIMULUS

Deficit from Tax Law Change

Source: Joint Commission on Taxation
THE NEW TAX LAW - DISTRIBUTION

Average Change in After-tax Income Resulting from Tax Law Change

Source: Joint Commission on Taxation and Isely
HOUSING PRICES

Source:
Seidman and Case
Schiller
Respondents' Anticipated Change in Exports

<table>
<thead>
<tr>
<th>Change</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
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<tbody>
<tr>
<td>Less than 0%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>0% to 4.99%</td>
<td>5%</td>
<td>50%</td>
<td>60%</td>
</tr>
<tr>
<td>5-9.99%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>10-14.99%</td>
<td>5%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>15% or more</td>
<td>0%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

Source: Seidman
Source:
BEA and EIA
RESPONSES TO COMMODITY PRICES

Response to Oil Prices
(Why we have a cap on Oil Prices)

Year over Year % Change of Smoothed Index (2012 =100)

Source:
Hughes Baker and EIA
Preparing for the Rough Road Ahead

Prepare for:

• Tougher borrowing conditions

• Accelerating compensation

• Smaller, less qualified worker pools

Plan for

• Taking advantage of a short, shallow recession