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C H A M B E R

Economic Forecast Breakfast
February 9, 2023

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Jonathan Roffe

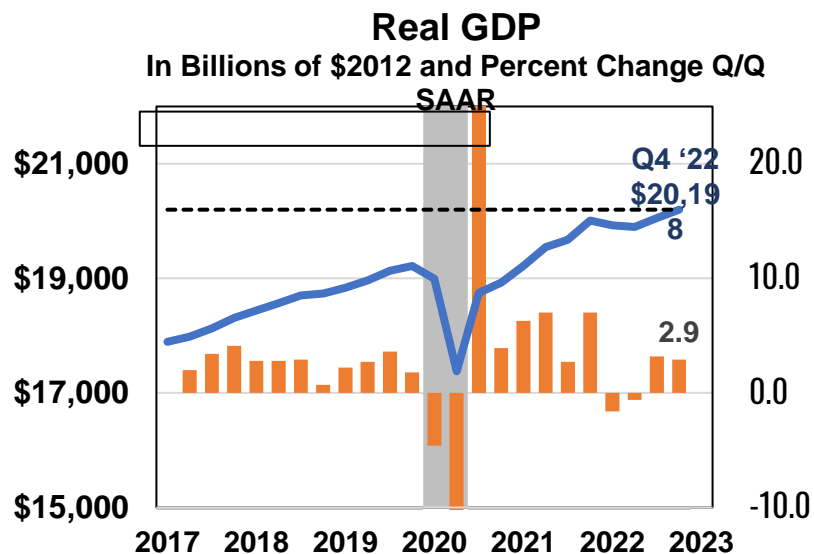


Paul Traub

Birmingham Bloomfield Chamber

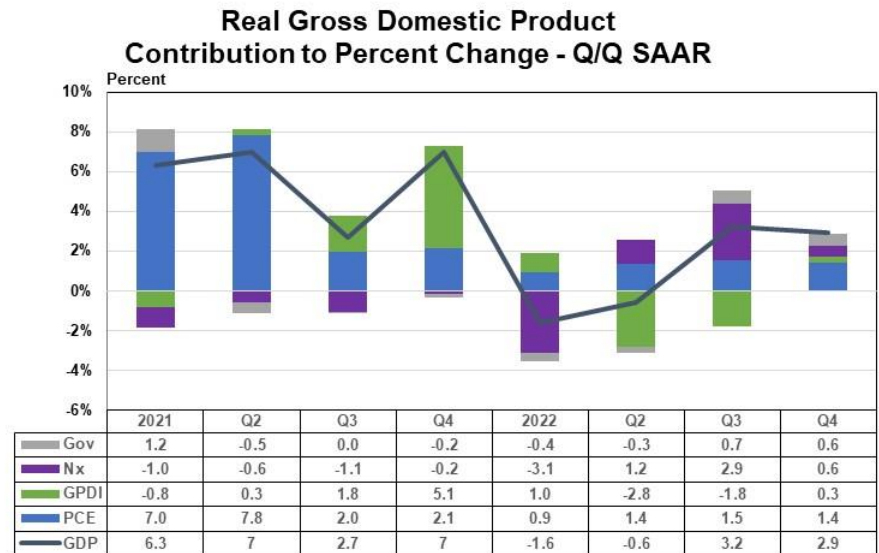
Economic Forecast Breakfast

Real GDP and Contribution by Sector



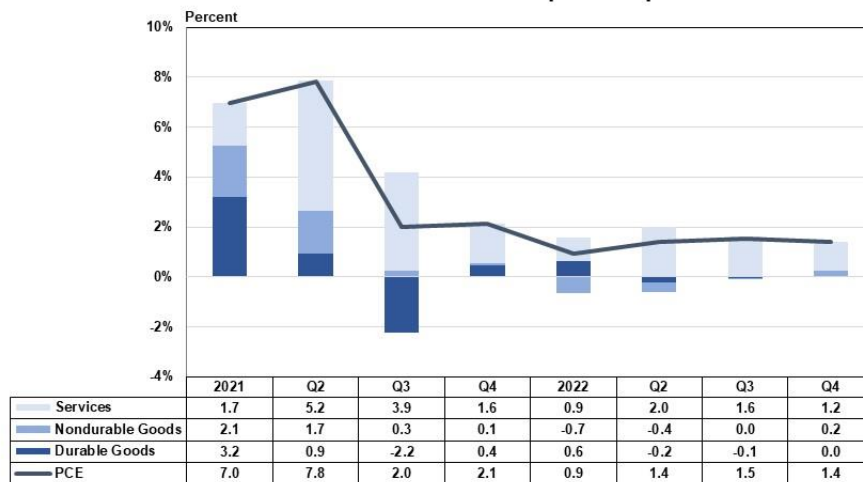
Note: Totals may not sum due to rounding.

Source: BEA, ACT Research Co: Copyright 2023

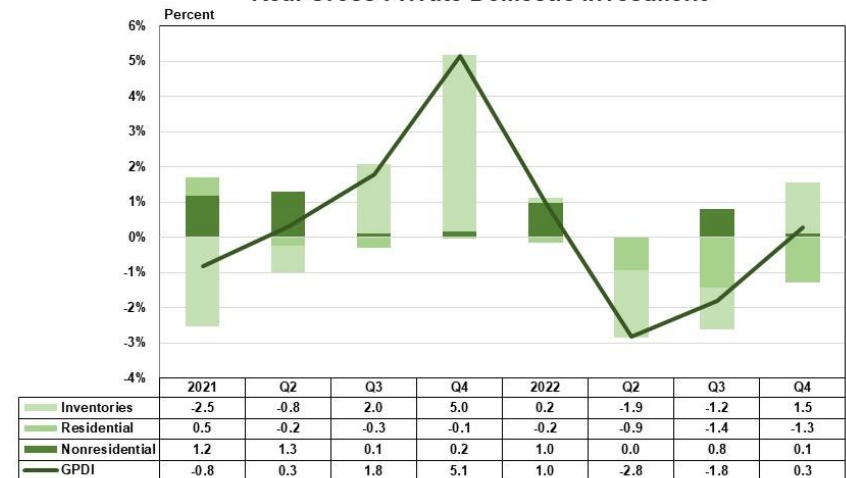


Real GDP and Contribution – PCE and GPD

Real Personal Consumption Expenditures



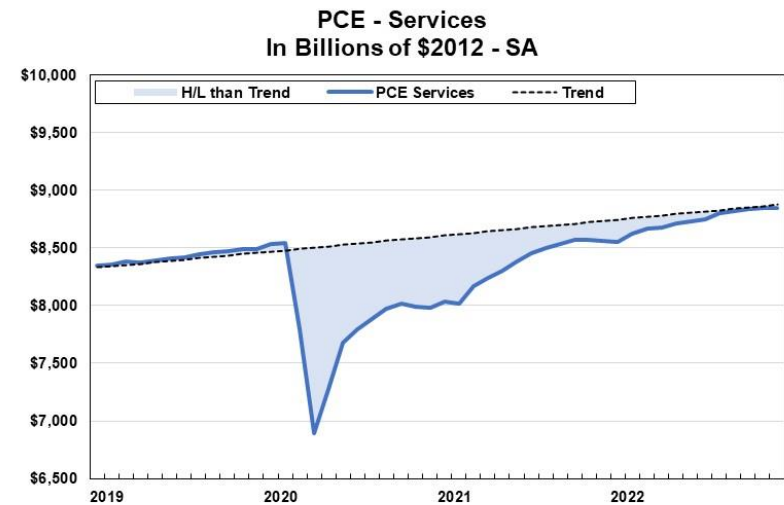
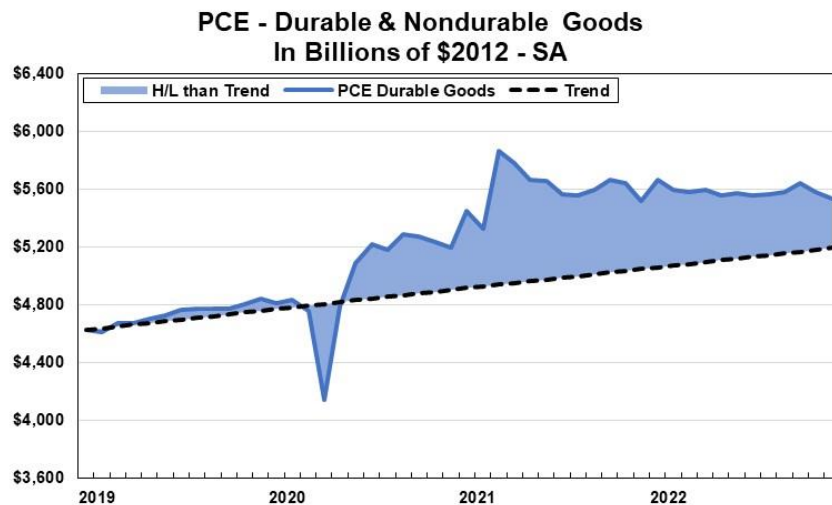
Real Gross Private Domestic Investment



Note: Totals may not sum due to rounding.

Source: BEA, ACT Research Co: Copyright 2023

PCE Goods and Services H/L than Trend

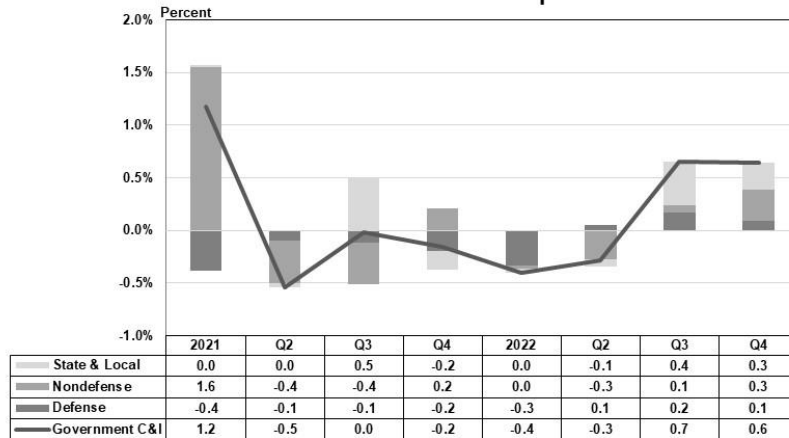


Note: Total spending above trend for goods equals \$1.1 trillion while total spending below trend on service equals \$1.2 trillion through the end of 2022.

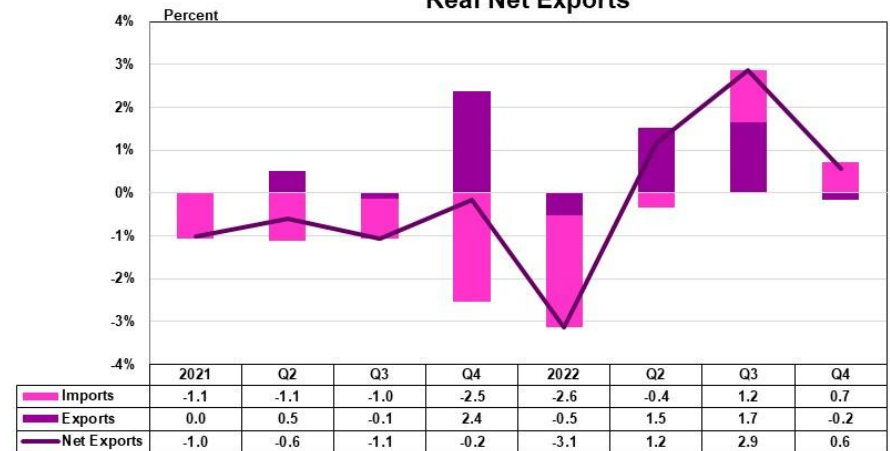
Source: BEA, ACT Research Co: Copyright 2023

Real GDP and Contribution – Gov. & NetX

Real Government Consumption & Investment



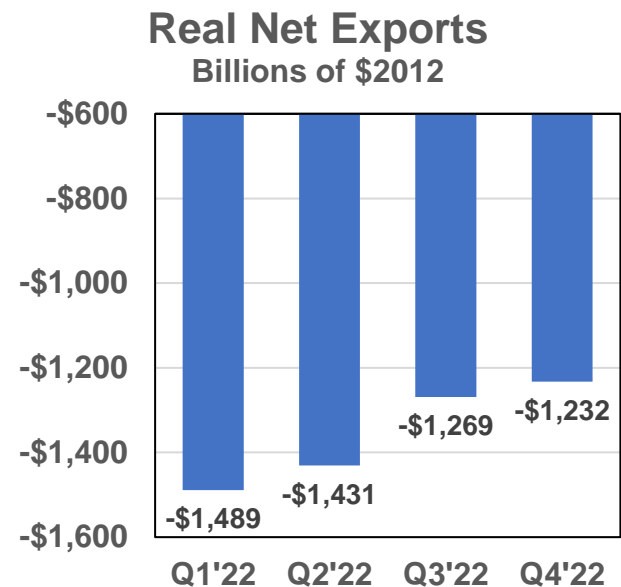
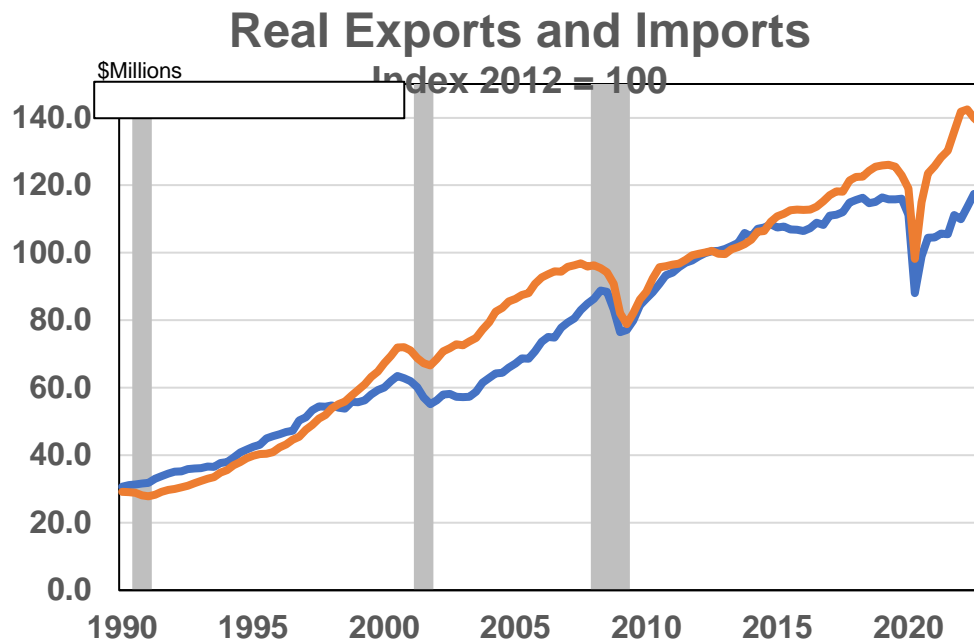
Real Net Exports



Note: Totals may not sum due to rounding.

Source: BEA, ACT Research Co: Copyright 2023

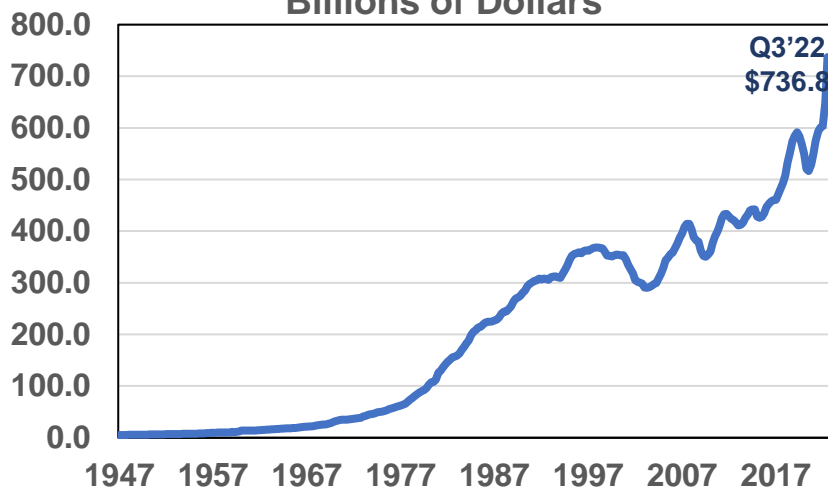
Balance of Trade



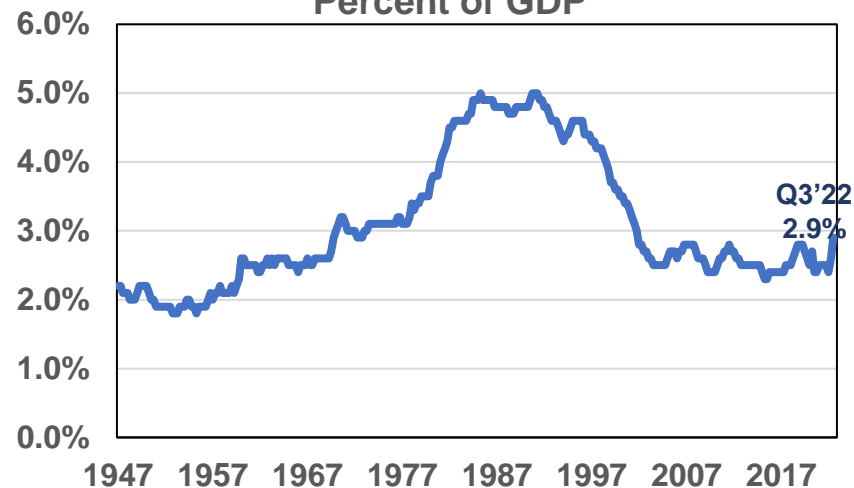
Source: Bureau of Economic Analysis, ACT Research Company, Copyright 2023

Federal Debt and Interest Payments

Federal Interest Payments
Billions of Dollars



Federal Interest Payments
Percent of GDP



The average household has interest payments equal to 9.4% of their household income.

Source: Bureau of Economic Analysis, ACT Research Company, Copyright 2023

Leading Indicators Consumer

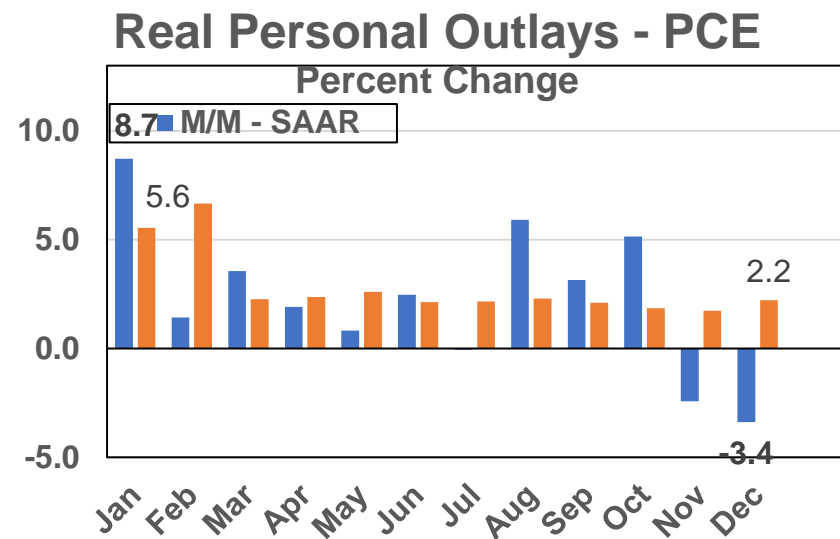
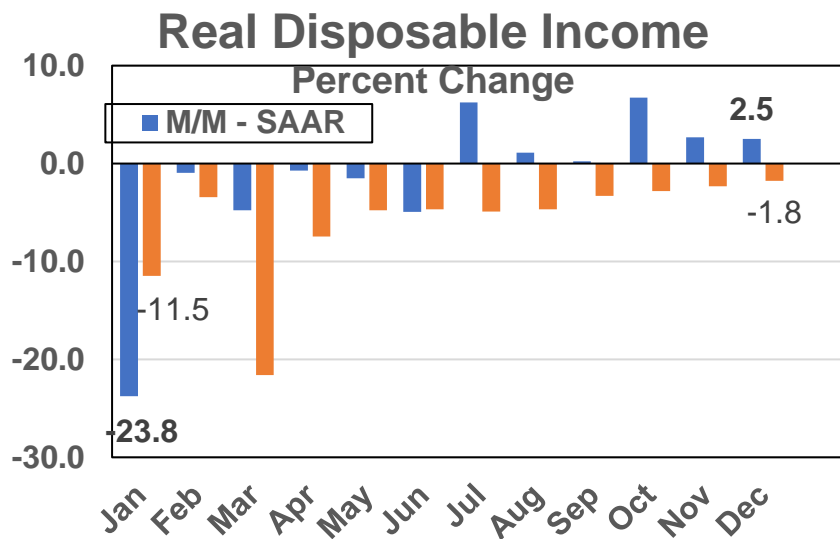
Consumer Leading Indicators

	Ability to Consume					Willingness to Consume				
	Real Disposable Income	Personal Interest Payments	CPI - All Items Inflation	Yield Curve	Composite	Consumer Attitudes	Initial Unemp. Claims	Average Manufacturing Hours / Week	Stock Market	Composite
2022	-11.5	1.6	7.5	161.0	Yellow	67.2	227,600	41.2	35,456	Yellow
Feb	-3.4	1.6	7.9	162.0	Yellow	62.8	195,000	41.6	34,648	Yellow
Mar	-21.6	1.6	8.6	168.0	Yellow	59.4	178,000	41.5	34,030	Yellow
Apr	-7.4	1.7	8.2	199.0	Yellow	65.2	184,400	41.2	34,315	Yellow
May	-4.8	1.7	8.5	191.0	Yellow	58.4	207,000	41.2	32,379	Yellow
Jun	-4.7	1.7	9.0	160.0	Yellow	50.0	231,750	41.0	31,447	Yellow
Jul	-4.9	1.8	8.5	60.0	Yellow	51.5	245,200	41.1	31,535	Yellow
Aug	-4.7	1.9	8.3	18.0	Yellow	58.2	240,500	41.0	33,010	Yellow
Sep	-3.3	2.0	8.2	30.0	Yellow	58.6	206,250	41.1	30,650	Yellow
Oct	-2.8	2.0	7.8	11.0	Red	59.9	219,000	41.0	30,571	Yellow
Nov	-2.3	2.0	7.1	-43.0	Red	56.8	229,000	40.9	33,418	Yellow
Dec	-1.8	2.0	6.4	-74.0	Red	59.7	217,600	40.6	33,482	Yellow
2023				-116.0	Red	64.9	194,667		33,633	Yellow

Note: Disposable Income percent change year-over-year, Non-mortgage Interest Payments as Percent of Disposable income, CPI inflation year-over-year percent change, Yield Curve calculation 10-year minus 3-month Treasury Bills monthly average, University of Michigan Consumer Sentiment, Weekly initial claims monthly average, average weekly Manufacturing Hours worked, and DJIA monthly average.

Source: ACT Research Company, Copyright 2023

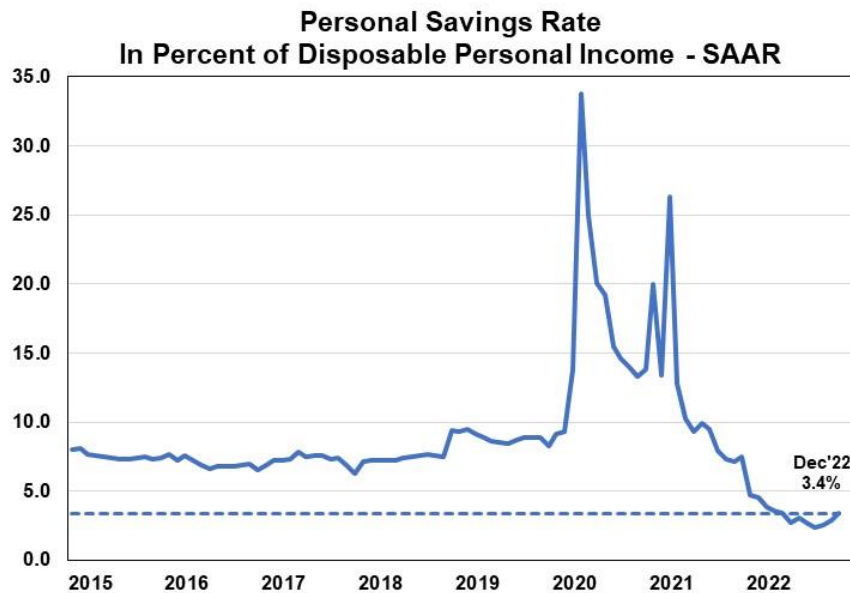
Personal Income and Outlays



Source: U.S. Bureau of Economic Analysis and ACT Research Company Copyright 2023

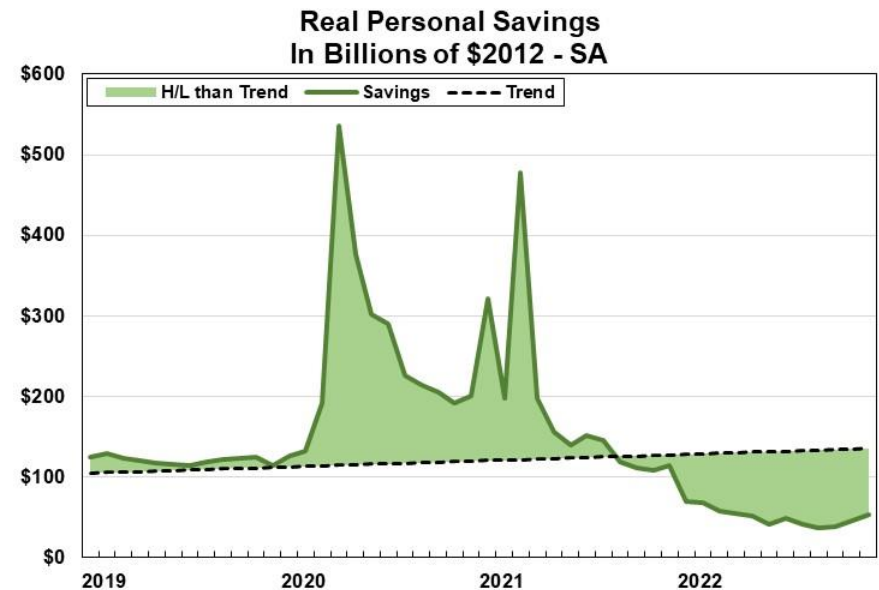


Personal Savings



Note: The personal savings rate bottomed in September 2022 at 2.4%, rebounding slightly over the last three months.

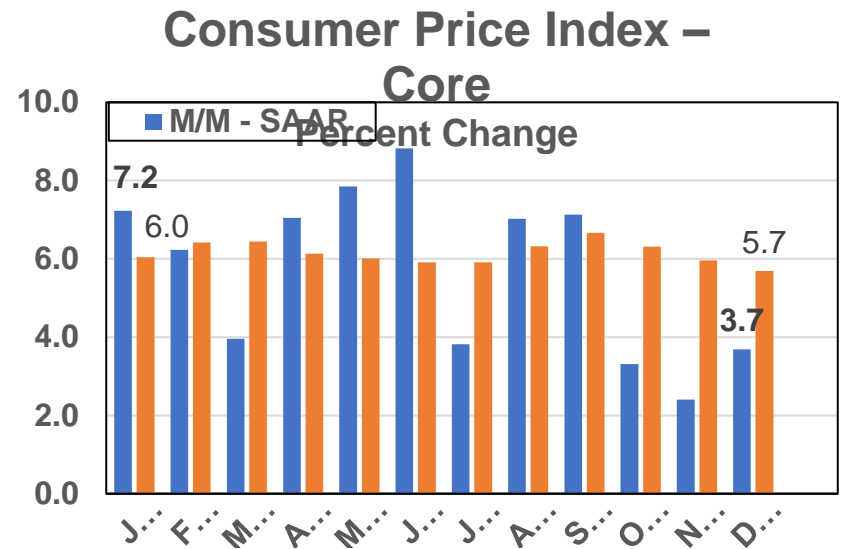
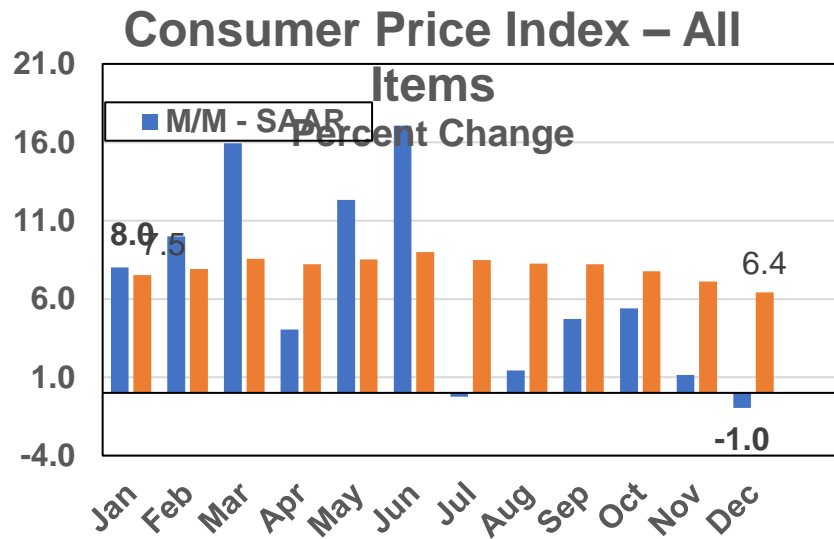
Source: Bureau of Economic Analysis, ACT Research Company, Copyright 2023



Note: Total savings has declined by \$1.027 trillion since September 2021 but remains \$1.376 trillion above its long-run trend.



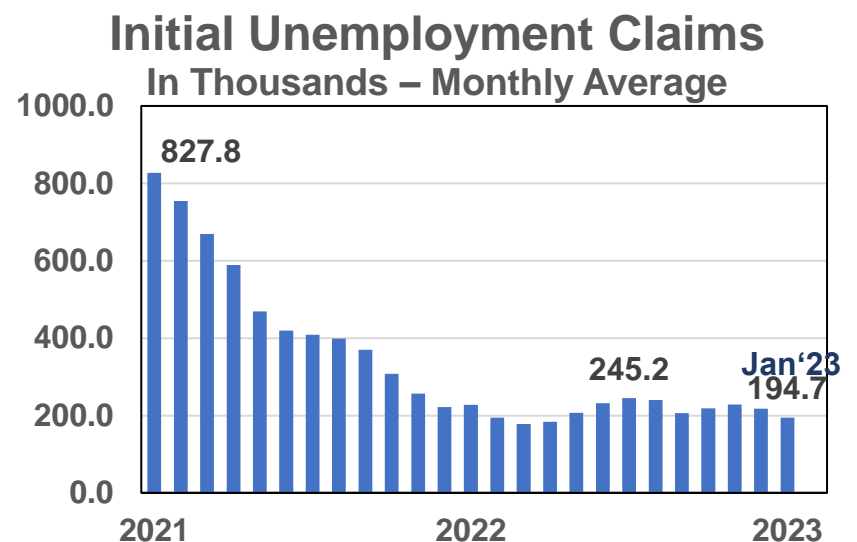
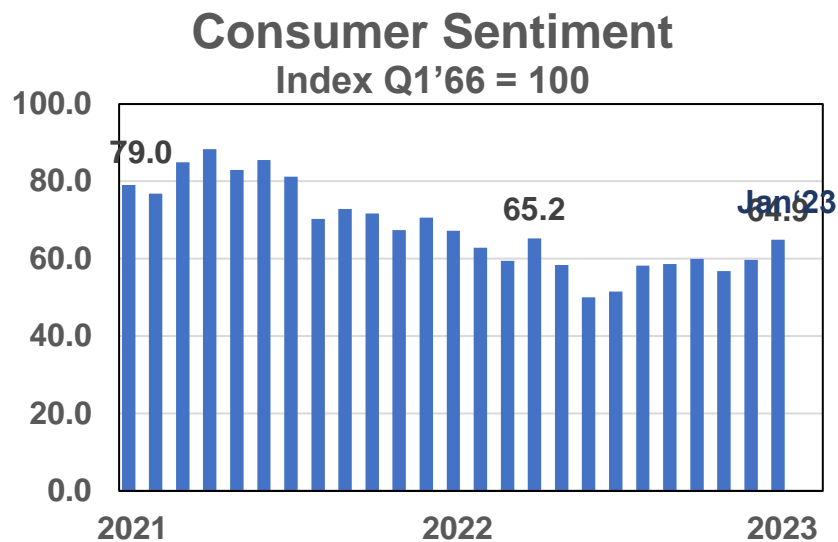
Consumer Price Index



Note: Part of the increase in core inflation was driven by higher cost for shelter which increased 10.0% M/M – SAAR basis.

Source: U.S. Census Bureau and ACT Research Company, Copyright 2023

Consumer Sentiment & Unemployment Claims



Source: University of Michigan and U.S. Training and Employment Administration, ACT Research Co. © 2023



Leading Indicators Business

Leading Indicators Business

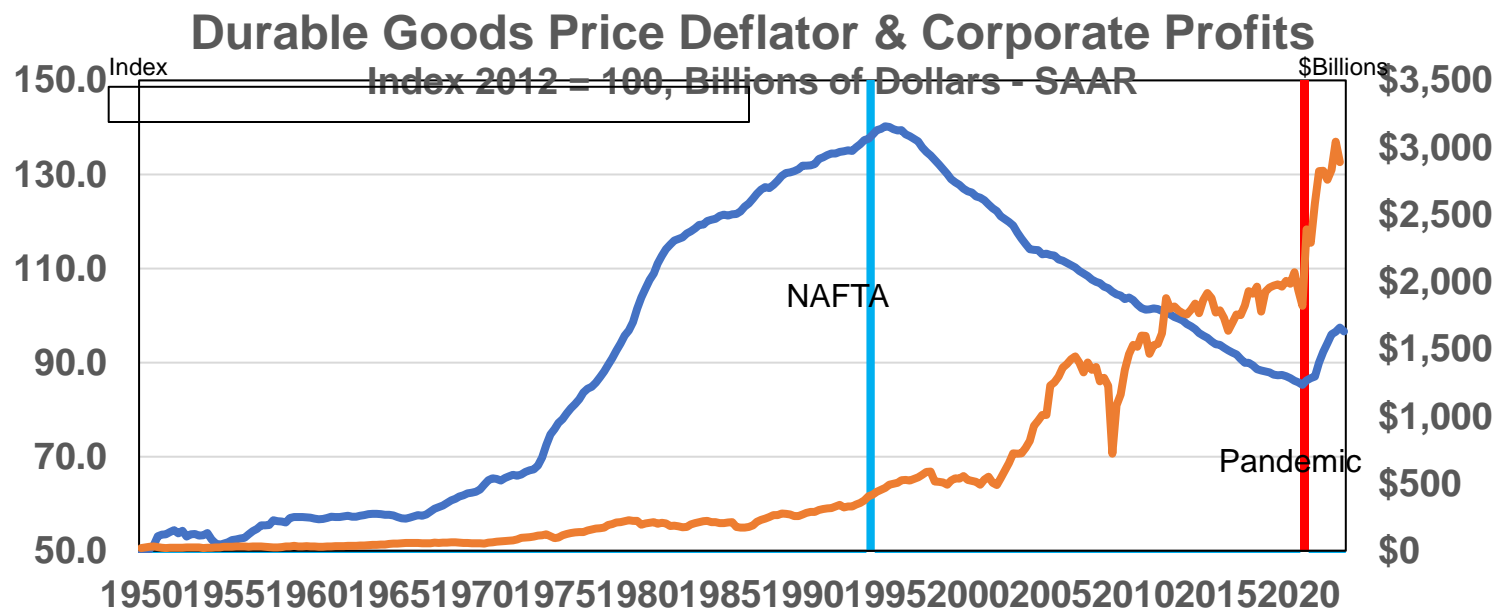
	Business Conditions					Business Activity				
	Corporate Profits	Debt to Net Worth	Risk Premium	Producer Prices	Composite	Purchasing Managers Index	Capacity Utilization	Industrial Production	New Orders	Composite
2022			66	12.9	Yellow	57.6	78.4	102.1	\$72,217	Green
Feb			72	14.1	Yellow	58.6	79.3	102.9	\$72,038	Green
Mar	\$2,833	40.9	86	15.3	Yellow	57.1	79.8	103.6	\$72,857	Green
Apr			90	15.5	Yellow	55.4	80.1	104.3	\$73,115	Green
May			99	16.6	Yellow	56.1	79.7	104.2	\$73,477	Yellow
Jun	\$3,043	42.1	103	18.1	Yellow	53.0	79.0	103.9	\$74,190	Yellow
Jul			115	15.2	Yellow	52.8	79.2	104.5	\$74,709	Yellow
Aug			108	12.8	Yellow	52.8	79.3	104.5	\$75,379	Yellow
Sep	\$2,891	42.1	110	11.6	Yellow	50.9	79.4	104.8	\$74,819	Yellow
Oct			116	11.2	Yellow	50.2	79.6	104.8	\$75,055	Yellow
Nov			117	10.6	Yellow	49.0	78.6	104.2	\$74,921	Yellow
Dec			116	8.9	Yellow	48.4	77.5	103.4	\$74,852	Yellow
2023			111		Yellow					

Note: Corporate Profits in Billions of dollars, Debt to Net Worth in percent, Risk Premium Baa - Aaa Corporate Bond Spread, Producer Price Index percent change year-over-year.

ISM Purchasing Managers Index - Manufacturing, Capacity Utilization Manufacturing, Industrial Production Index 2017 =100, and Manufacturing New Orders nondefense capital goods excluding aircraft.

Source: BEA, BLS, US Census Bureau, Federal Reserve BOG, Moody's, ISM, and ACT Research Company, Copyright 2023

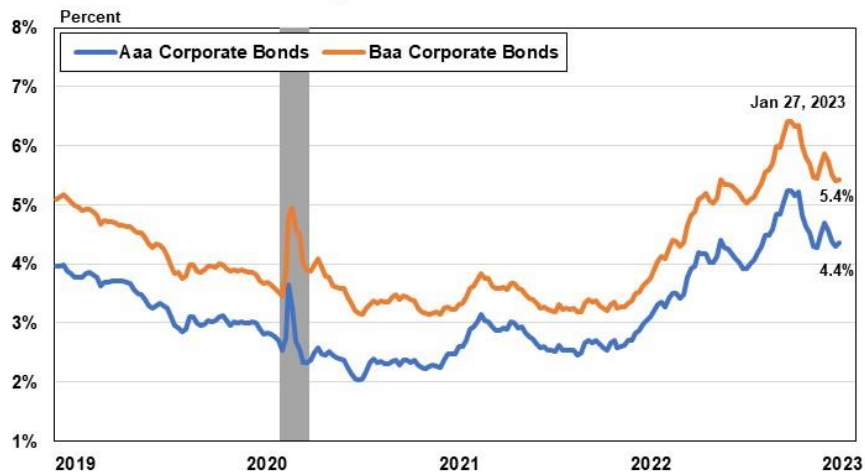
Producer Prices and Corporate Profits



Source: Bureau of Economic Analysis and ACT Research Company, Copyright 2023

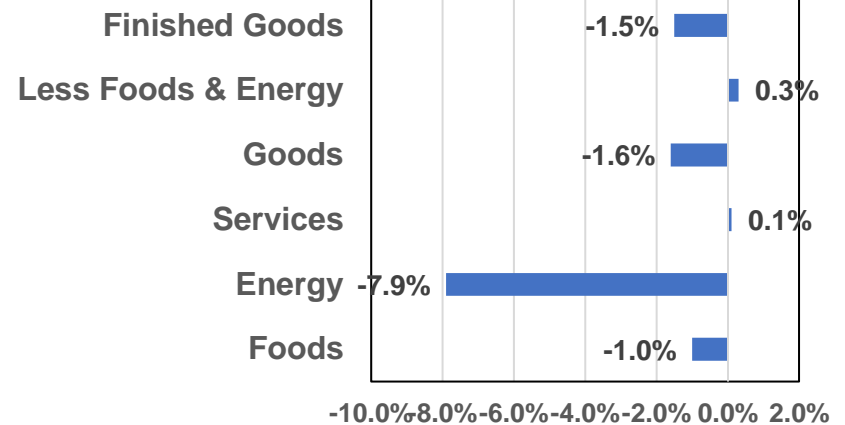
Interest Rates and Inflation

Corporate Bond Yields



Source: BoG Federal Reserve System, Moody's, ACT Research Co. © 2022

PPI – Finished Goods
Percent Change M/M – December 2023



Source: Federal Reserve BOG, Moody's, and ACT Research Company, Copyright 2023



ISM Purchasing Managers Index



MANUFACTURING AT A GLANCE January 2023

Index	Series Index Jan	Series Index Dec	Percentage Point Change	Direction	Rate of Change	Trend* (Months)
Manufacturing PMI®	47.4	48.4	-1.0	Contracting	Faster	3
New Orders	42.5	45.1	-2.6	Contracting	Faster	5
Production	48.0	48.6	-0.6	Contracting	Faster	2
Employment	50.6	50.8	-0.2	Growing	Slower	2
Supplier Deliveries	45.6	45.1	+0.5	Faster	Slower	4
Inventories	50.2	52.3	-2.1	Growing	Slower	18
Customers' Inventories	47.4	48.2	-0.8	Too Low	Faster	76
Prices	44.5	39.4	+5.1	Decreasing	Slower	4
Backlog of Orders	43.4	41.4	+2.0	Contracting	Slower	4
New Export Orders	49.4	46.2	+3.2	Contracting	Slower	6
Imports	47.8	45.1	+2.7	Contracting	Slower	3
OVERALL ECONOMY				Contracting	Faster	2
Manufacturing Sector				Contracting	Faster	3

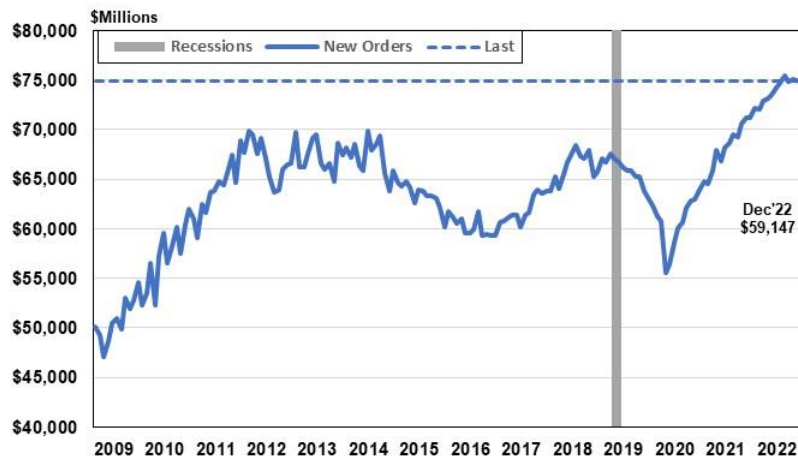
Manufacturing ISM® Report On Business® data is seasonally adjusted for the New Orders, Production, Employment and Inventories indexes.

*Number of months moving in current direction.
Indexes reflect newly released seasonal adjustment factors.

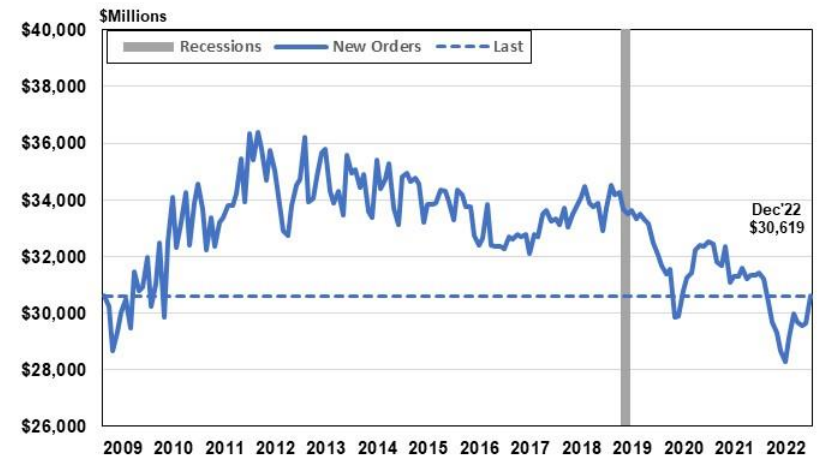
Source: Institute for Supply Management, ACT Research Co. © 2023

Manufacture's New Orders

New Orders Nondefense Capital Goods Excl. Aircraft
Millions of Dollars



Real New Orders Nondef. Cap. Goods Excl. Aircraft
Millions of \$2012



Note: Inflation adjusted using Producer Price Index – Total Manufacturing Industries.

Source: U.S. Census Bureau, ACT Research Co. © 2023

Housing Data

Housing Market Indicators In Thousands and Percents

	Building Activity			Mortgage Rates		New Home Data		Existing Home Data	
	<u>Starts</u>	<u>Permits</u>	<u>Construction</u>	<u>30-Yr Fix</u>	<u>15-Yr Fixed</u>	<u>Sales</u>	<u>Prices</u>	<u>Sales</u>	<u>Prices</u>
2022	1,666	1,841	1,553	3.45	2.66	831	\$430.5	6,490	\$354.3
Feb	1,777	1,857	1,582	3.76	3.00	790	\$427.4	5,930	\$363.7
Mar	1,716	1,879	1,629	4.17	3.39	707	\$435.9	5,750	\$379.3
Apr	1,805	1,823	1,668	4.98	4.22	619	\$458.2	5,600	\$395.5
May	1,562	1,695	1,677	5.23	4.44	636	\$450.7	5,410	\$408.4
Jun	1,575	1,696	1,687	5.52	4.65	571	\$432.7	5,110	\$413.8
Jul	1,377	1,685	1,682	5.41	4.61	543	\$478.2	4,820	\$399.2
Aug	1,508	1,542	1,702	5.22	4.56	646	\$440.3	4,780	\$391.7
Sep	1,465	1,564	1,700	6.11	5.35	550	\$477.7	4,710	\$383.5
Oct	1,426	1,512	1,711	6.90	6.15	598	\$491.3	4,430	\$378.8
Nov	1,401	1,351	1,701	6.81	6.14	602	\$459.0	4,080	\$372.6
Dec	1,382	1,337	1,712	6.36	5.67	616	\$442.1	4,020	\$366.9
2022				6.27	5.43				

Note: Unit data in seasonally adjusted annual rates.

Source: U.S. Census Bureau, National Association of Realtors, Mortgage Bankers Association, ACT Research Co. Copyright 2023

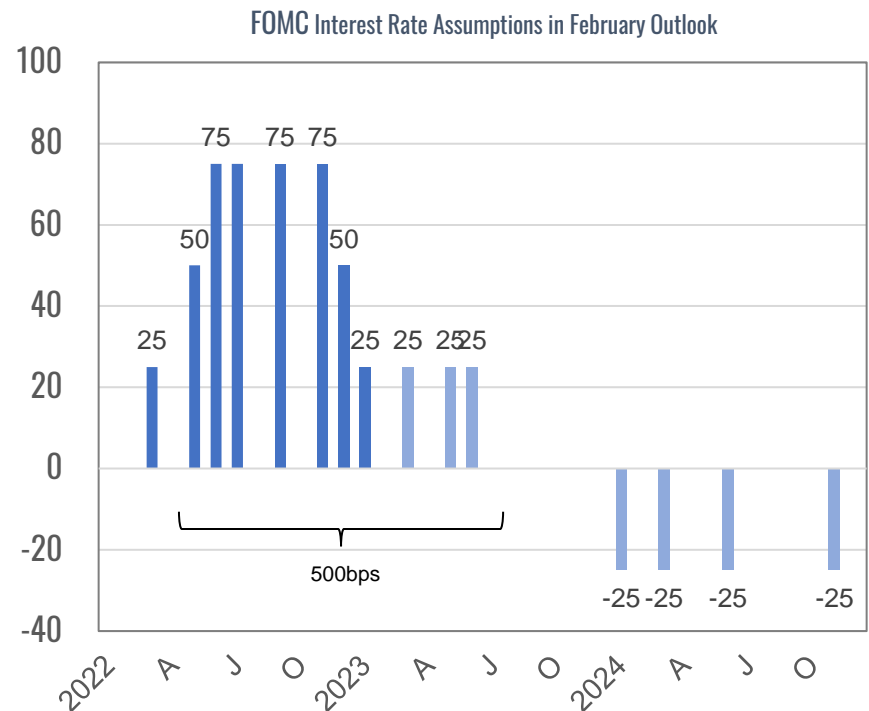


Monetary Policy Projections

Federal Reserve Statement – February 1, 2023

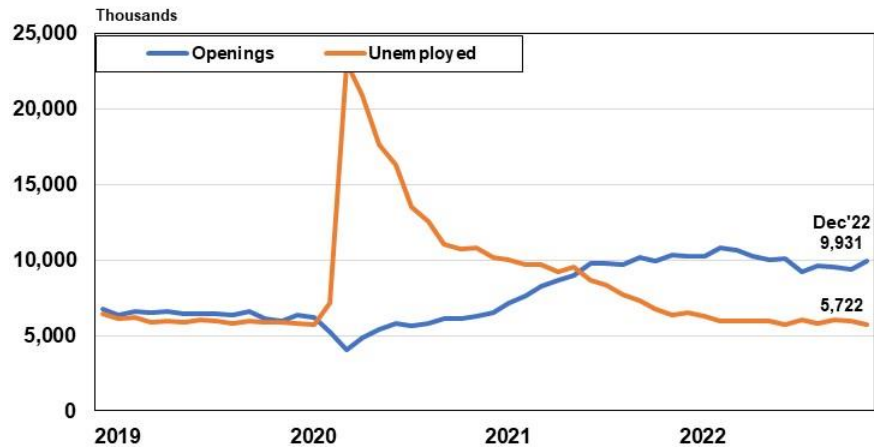
- Modest growth in spending and production continues.
- Employment gains have remained robust in recent months.
- The war in Ukraine continues to raise global uncertainty.
- While inflation remains elevated it has eased in recent months and the Committee is highly attentive to inflation risks.
- The Committee remains dedicated to maintaining maximum employment while achieving a rate of 2 percent inflation over the longer run.
- In support of these goals the Committee decided to raise the target Federal Funds Rate 25 basis points to 4.5 – 4.75 percent.
- The Committee anticipates that ongoing increases in the target FFR will be appropriate.

Source: Federal Reserve Board of Governors, Wall Street Journal, and ACT Research Company Copyright 2022



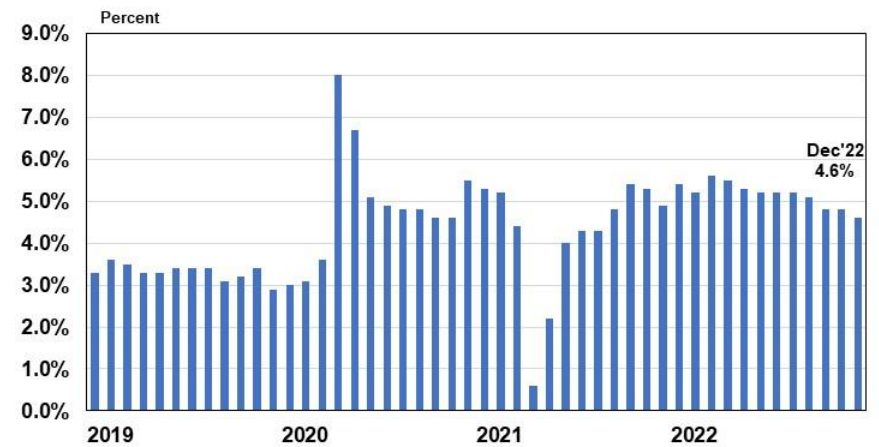
Labor Gap and Wages

Job Opening and Unemployed Persons
In Thousands - Total Private



Source: Bureau of Labor Statistics, ACT Research Co. © 2022

Average Hourly Wages - Private
Percent Change Y/Y



Source: Bureau of Labor Statistics, ACT Research Co. © 2022



Thank You!



Kim Trent

Overview of the Department of Labor & Economic Opportunity FY24 Executive Recommendation





Mission

Expand economic opportunity and prosperity for all.

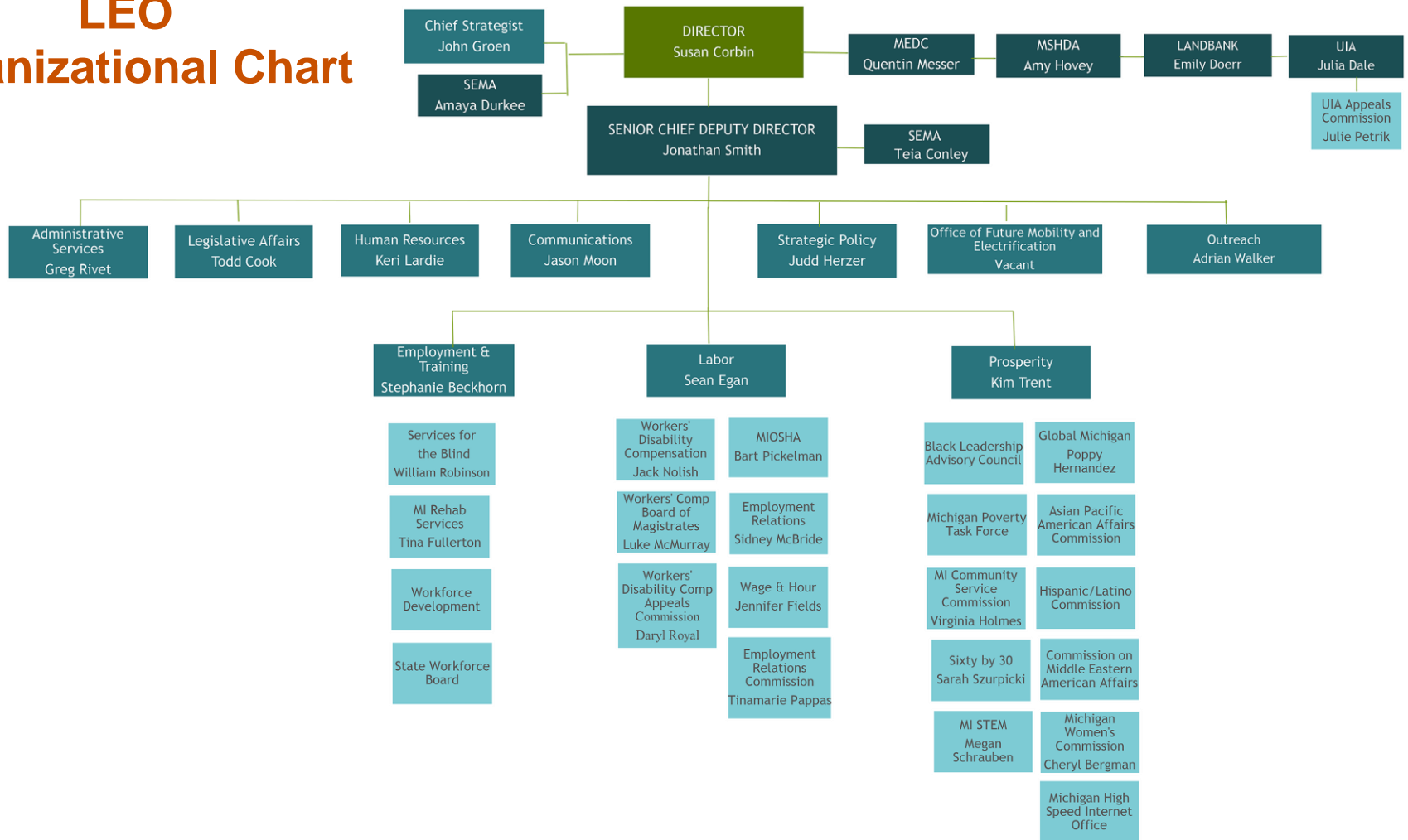


Vision

Make Michigan a place where all **PEOPLE, PLACES** and **COMMUNITIES** have the means to reach their full potential.



LEO Organizational Chart



Budget FY24

Building a Brighter Future for Michigan

Attracting Strategic Economic Development Projects

LEO

\$200M for the Michigan Regional Empowerment Program (general fund) to support the growth, development, diversification and resiliency of regional economies through a competitive grant program.

OFME

\$65M for Electric Vehicle Charging Infrastructure (federal funds) in a FY23 supplemental to invest in EV charging infrastructure, including the deployment of fast chargers, addressing medium and heavy-duty vehicle charging needs, and residential chargers.



MEDC

\$50M for the Revitalization and Placemaking (restricted funds) in both FY 23 and 24, for grants that will be used to rehabilitate vacant, underutilized blighted, and historic structures and develop place-based infrastructure associated with traditional downtowns, social-zones, outdoor dining, and other public spaces.

MEDC

\$10M for Outdoor Recreation Business Development (general fund) to support outdoor recreation businesses, including outdoor retailers, supply base companies, and outdoor recreation service providers.

OFME

\$2M for the Arsenal of Innovation Fund (general fund) to expand research and development around mobility in the defense industry and support innovation of new mobility-defense technologies.

Investing in Talent

LEO

\$35M for the Retraining and Retooling Fund (federal funds) in a FY23 supplemental to support small manufacturers address their workforce needs by providing matching grants, targeted technical assistance, and support for the credentialing of workers.

LEO

\$35M for Going PRO (federal funds) in a FY23 supplemental to further expand employer-based training grants that result in industry recognized credentials and certificates. This investment is in addition to the \$54.8M ongoing provided in FY24.

PROGRAM HIGHLIGHT: Going PRO investments have led to training more than **170,000 Michigan workers** at more than **6,000 businesses**.

LEO

\$20M million for Talent Retention and Expansion in Key Industries (general fund) to convene employer-led collaboratives and develop customized solutions to fill identified talent gaps in key industries and business sectors.





LEO

\$5.7M for Pure Michigan Talent Connect (funded by DTMB) to improve the exchange system for employers and job seekers by securing a vendor-serviced solution to provide an improved interface, mobile application, and functionality.

PROGRAM HIGHLIGHT: Annually, the site has 190,000+ employer and 150,000 job seeker accounts, with 100,000+ job postings daily and 1.4 million unique visitors every year.

LEO

\$4.9M for Digital Workforce Development (general fund) to provide a single digital platform for career exploration and skill development to connect employees with employers.

LEO

\$1.25M for Jobs for Michigan Graduates (general fund) to further support a highly effective workforce program that helps students make career connections and develop soft skills.

PROGRAM HIGHLIGHT: Since 2008, JMG has equipped more than 22,500 young adults with the skills to overcome barriers and succeed in their education and employment.

LEO

\$448K to support the MiSTEM Advisory Council (general fund) to create a strong STEM workforce in Michigan.

Increasing Educational Attainment



To date, **114,000+** Michigan Reconnectors have been accepted, of those **24,000+** have enrolled; and **2,000+** earned a credential.

LEO

\$140M to Expand Reconnect (federal funds) in a FY23 supplemental for individuals whose education was disrupted by the pandemic. This limited time program will expand access to free community college to individuals over age 21.

LEO

\$65.2M for Reconnect (general fund) to continue support for ongoing program that provides free community college to residents over 25. A \$10.2M increase over FY23 funding, to recognize current annual cost estimates for the program.

LEO

\$75M for the Reconnect Bachelor's Degree Pathway Program (federal funds) in a FY23 supplemental to provide grants to students to provide a path back to college to earn a bachelor's degree for individuals whose education was disrupted by the pandemic.

LEO

\$30M for Student Wraparound Services and Basic Needs Supports (general fund) at public colleges and universities and tribal colleges for services to meet the basic needs of students to improve graduation and completion rates.

LEO

\$25M for College Success Fund (general fund) to provide competitive grants to institutions of higher education to adopt national best practices to improve retention and completion rates.



Supporting Michigan Workers

LEO

\$4.8M for MIOSHA (\$1.5M general fund) to provide additional staffing support for the agency charged with keeping Michigan workers and workplaces safe.

LEO

\$4M million for the Labor Legacy System Modernization (funded by DTMB) to replace two legacy systems for the Wage and Hour Division and the MIOSHA asbestos system to address security vulnerabilities, increase efficiency, and better support workers statewide.

LEO

\$1.5M for Wage and Hour Education and Outreach (general fund) in a FY23 supplemental to provide education around minimum wage and other employment related laws regulated by LEO.



Increasing Economic Opportunities for all Michiganders

LEO

\$10M for Child Savings Accounts (general fund) to improve financial literacy and build savings in low-income families.

LEO

\$1M for Focus: HOPE (general fund) to support workforce development, youth development, and community empowerment and advocacy programs.

LEO

\$900K for Tri-Share Child Care Program (general fund) to continue support for an innovative program that increases access to high quality and affordable childcare through a unique collaboration that leverages both state and business support. Brings total program funding to \$3.4M.

PROGRAM HIGHLIGHT: Roughly 115 employers, 213 families and 291 children currently benefiting from this new program.

Thank you.
Michigan.gov/LEO



MiDeptLEO



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Q & A

Upcoming Forecast Events

March 9, 2023

Real Estate Forecast

April 5, 2023

Healthcare Forecast

CONTACT US

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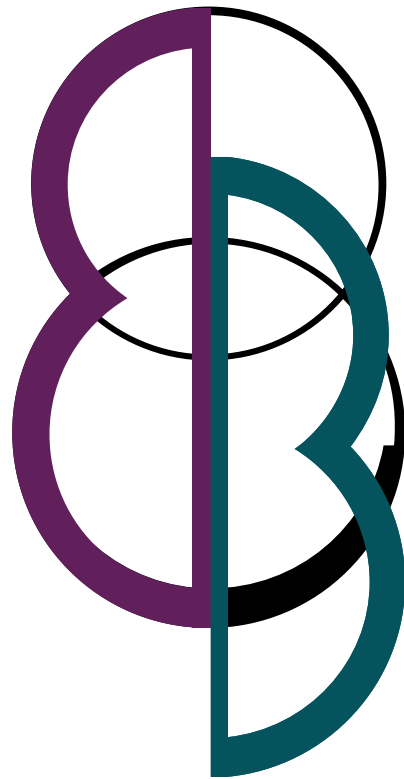
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