

The Current Economic Conditions

Dr. Paul Isely

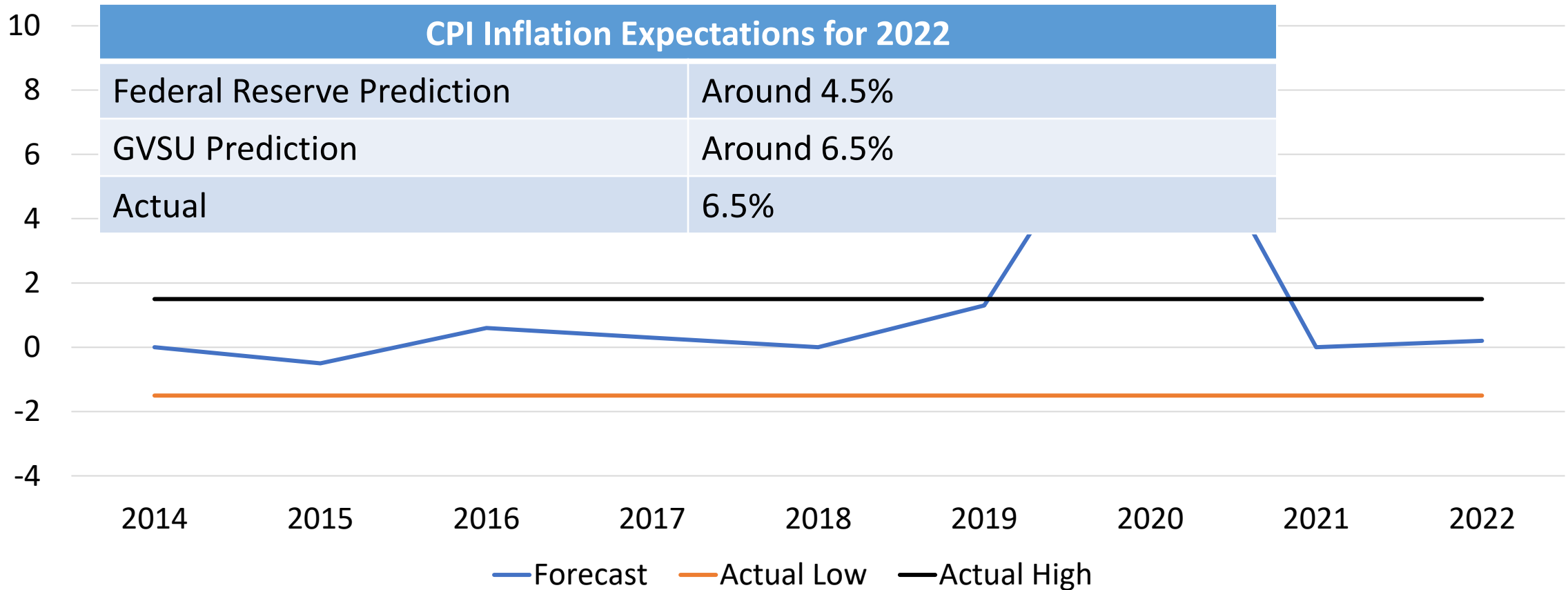
Dr. Kuhelika De

Seidman College of Business

Grand Valley State University

How We Did Last Year - Employment

Difference Between Forecast and Actual Employment Growth
In West Michigan



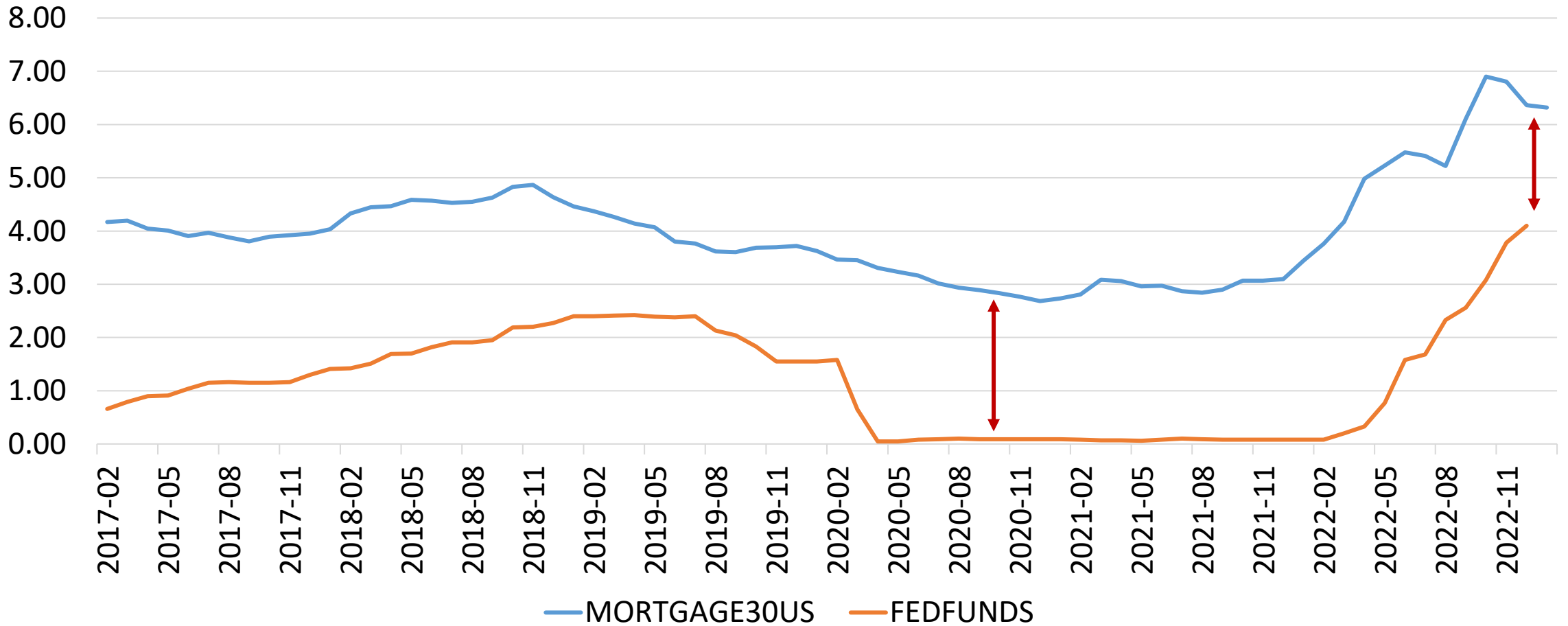
Source: BLS and Isely calculations

Pandemic Stimulus Fading Combined with Higher Interest Rates Will Place a Drag on the Economy

The Drag on the Economy has Already Begun

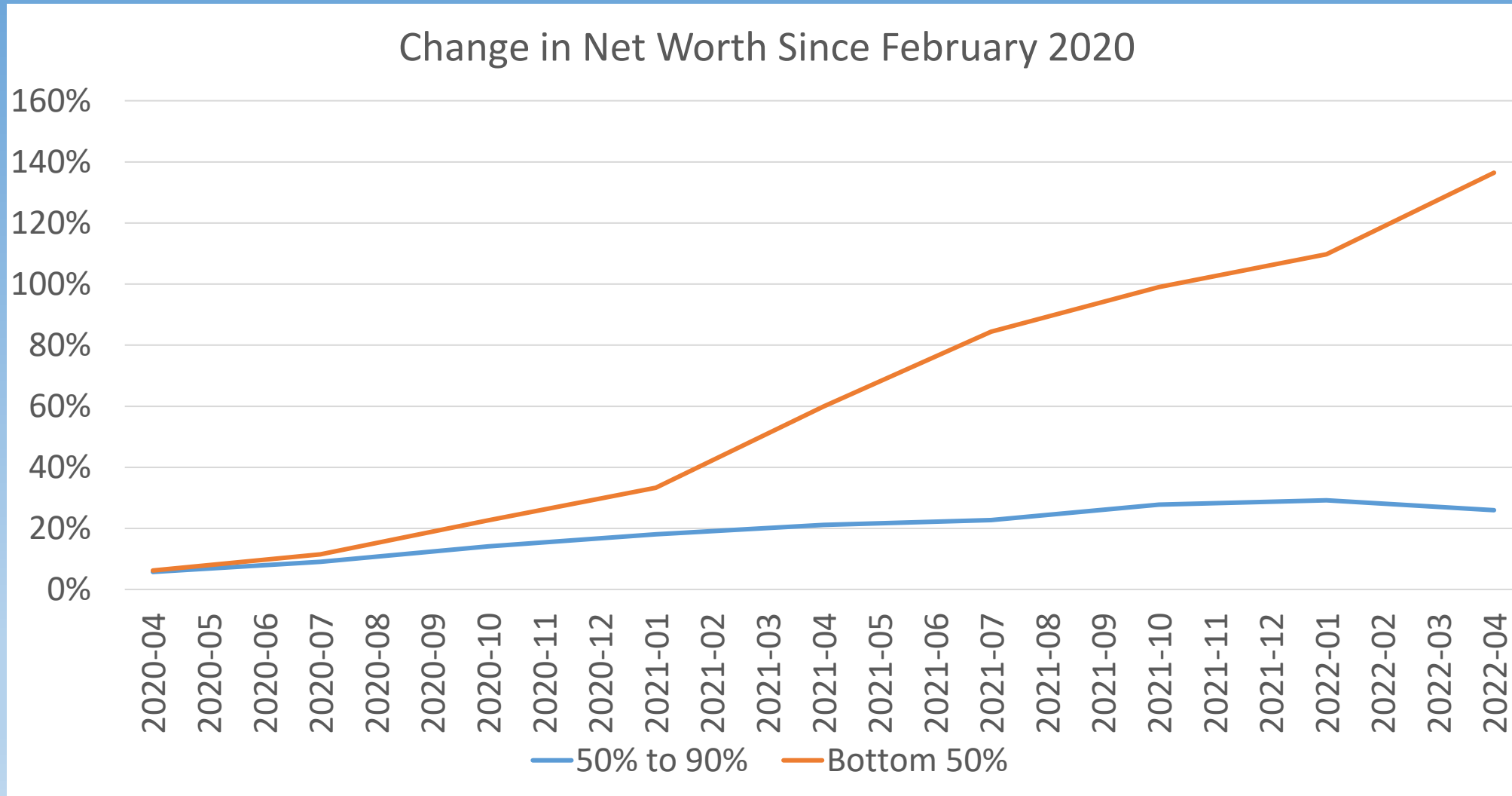
Monetary Policy

Interest Rates



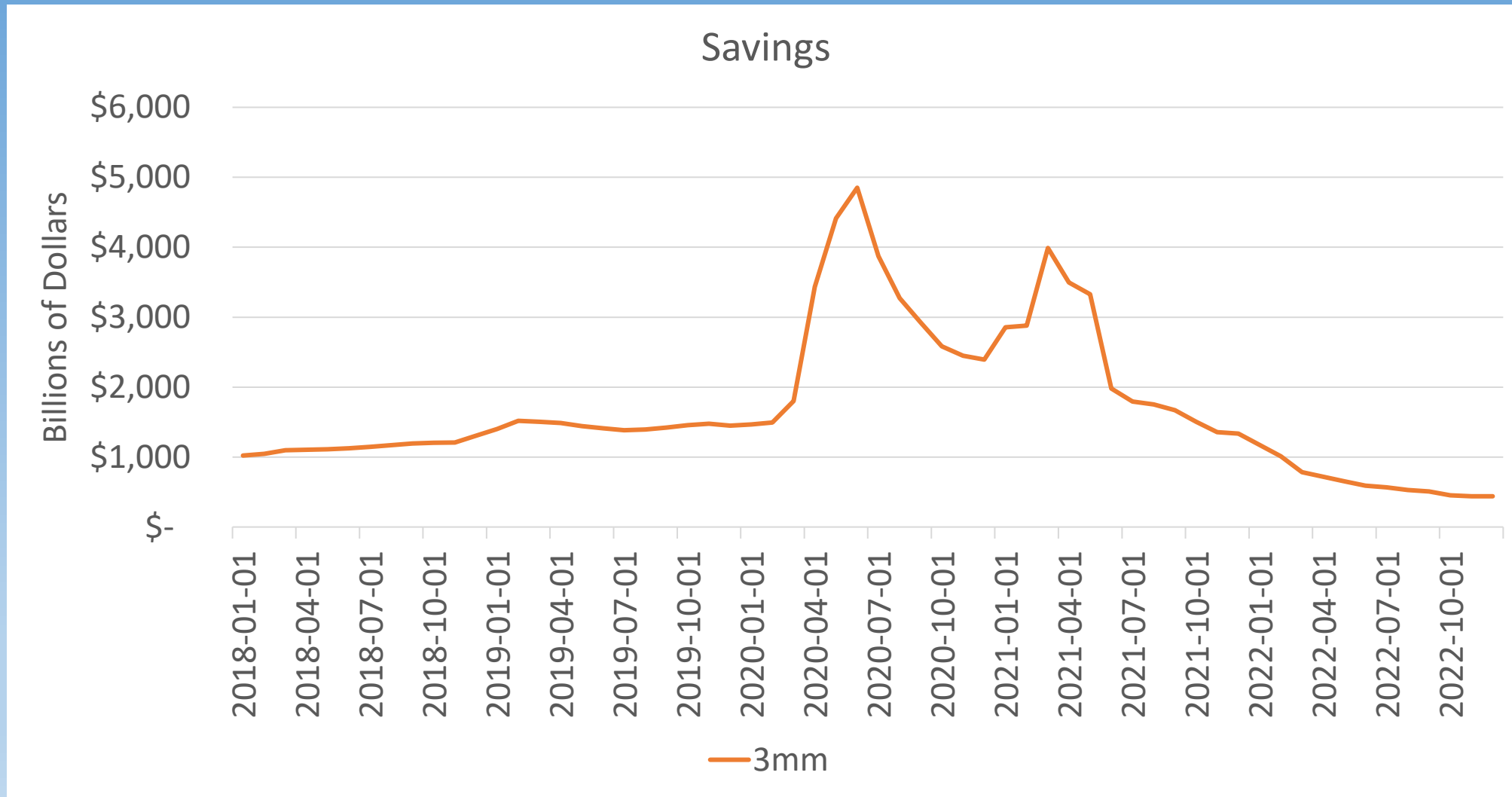
Source: Federal Reserve

Massive Increase In Wealth



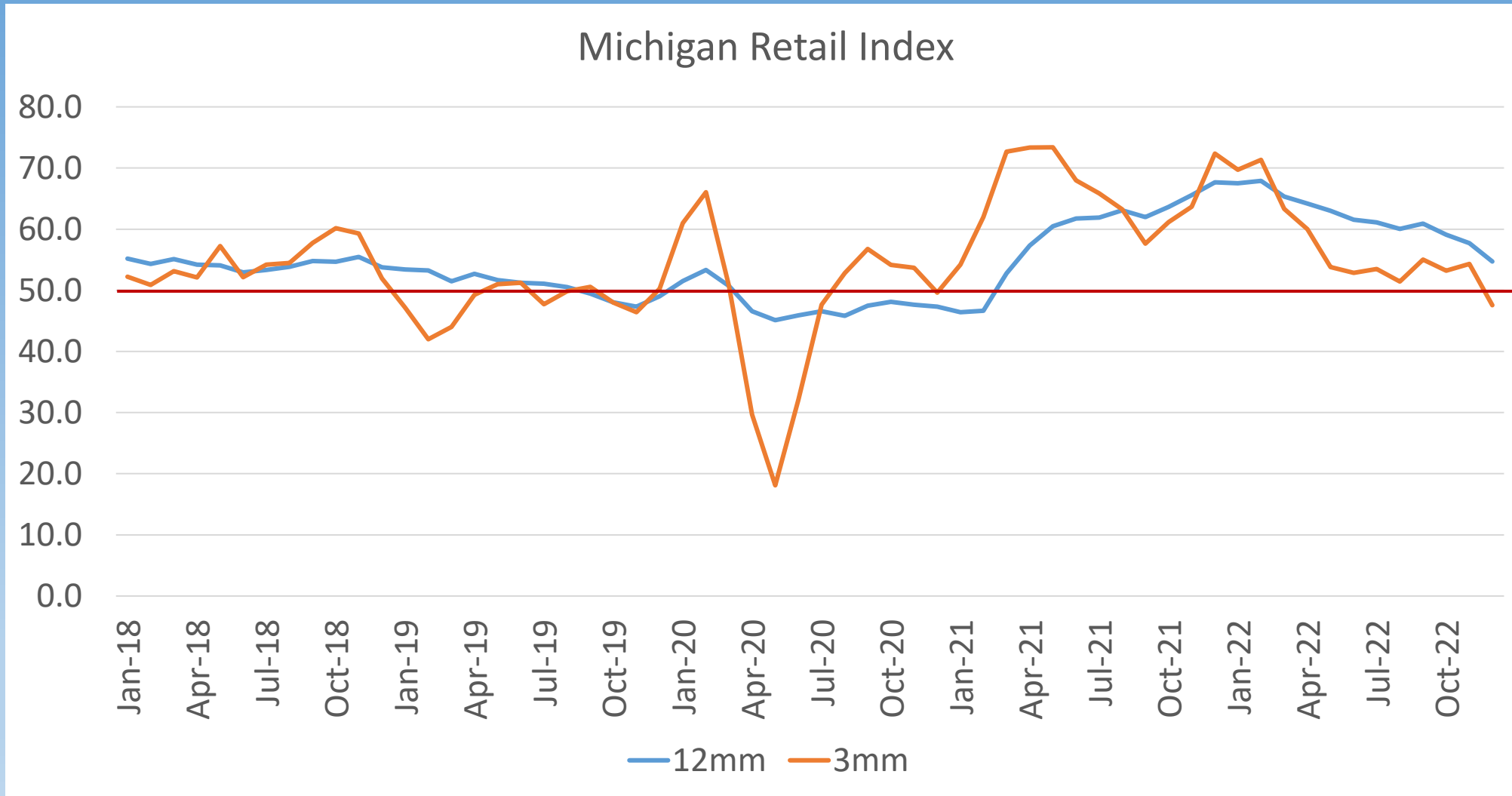
Source: Board of Governors

sdfs



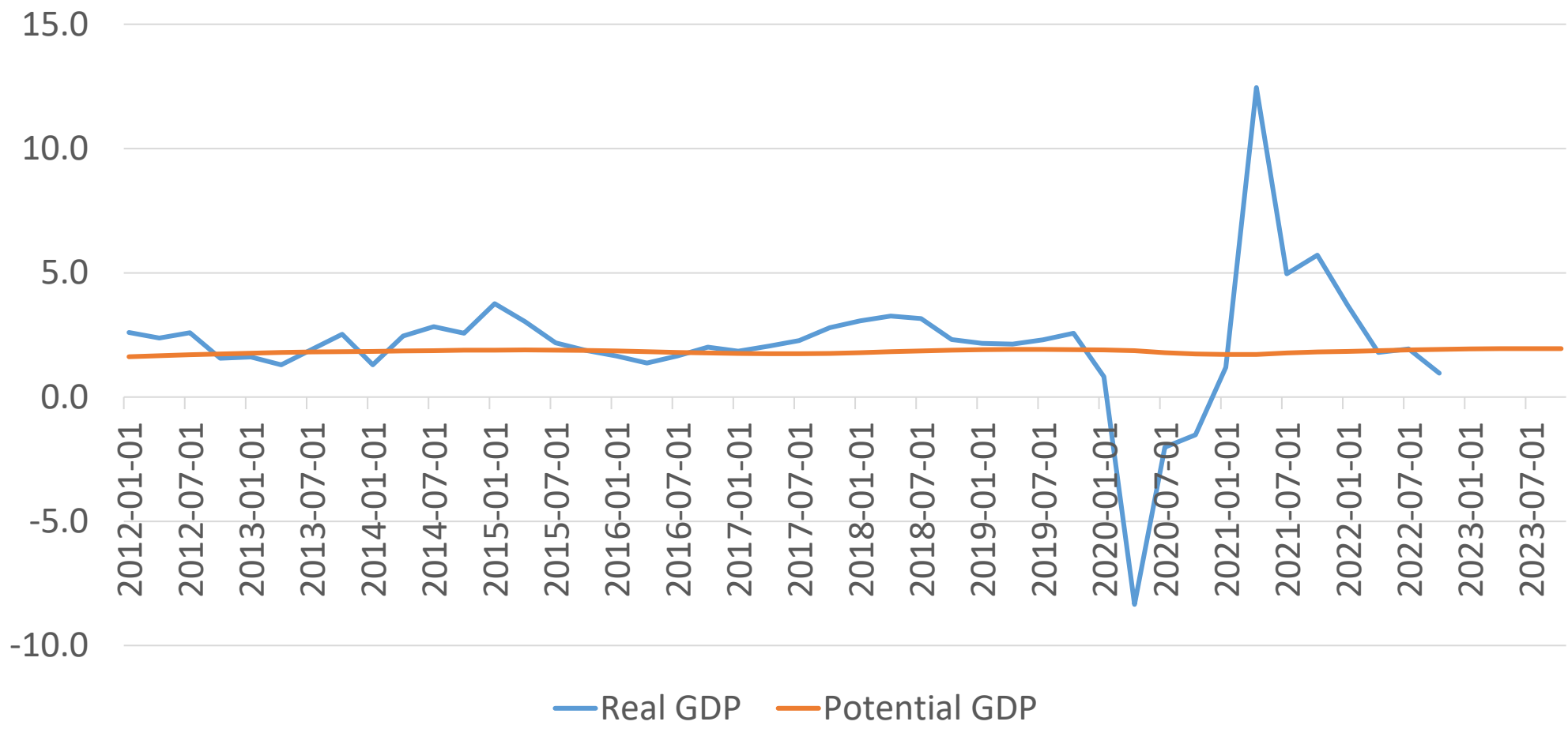
Source: BEA

Started to Affect Retail in December



Source: Chicago Federal Reserve

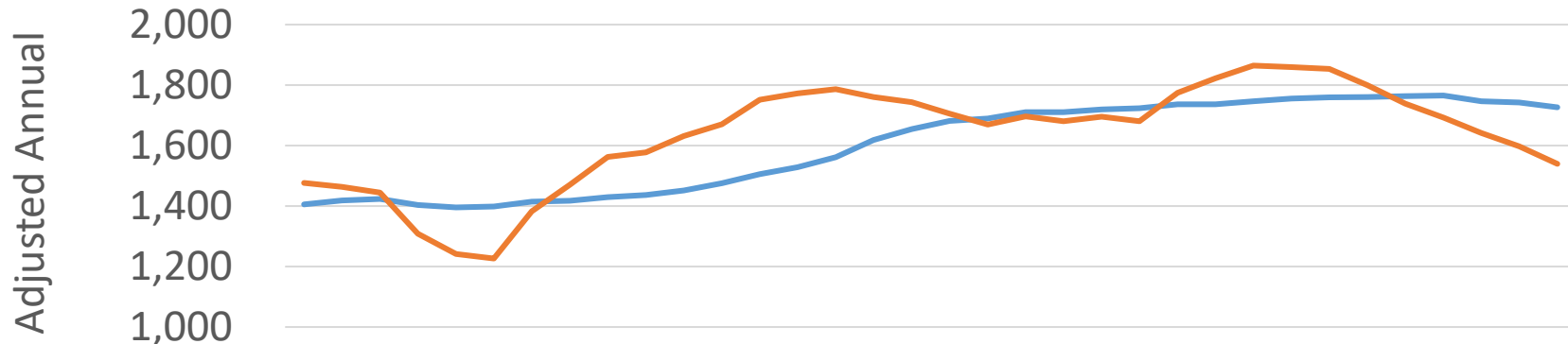
Real vs Potential GDP



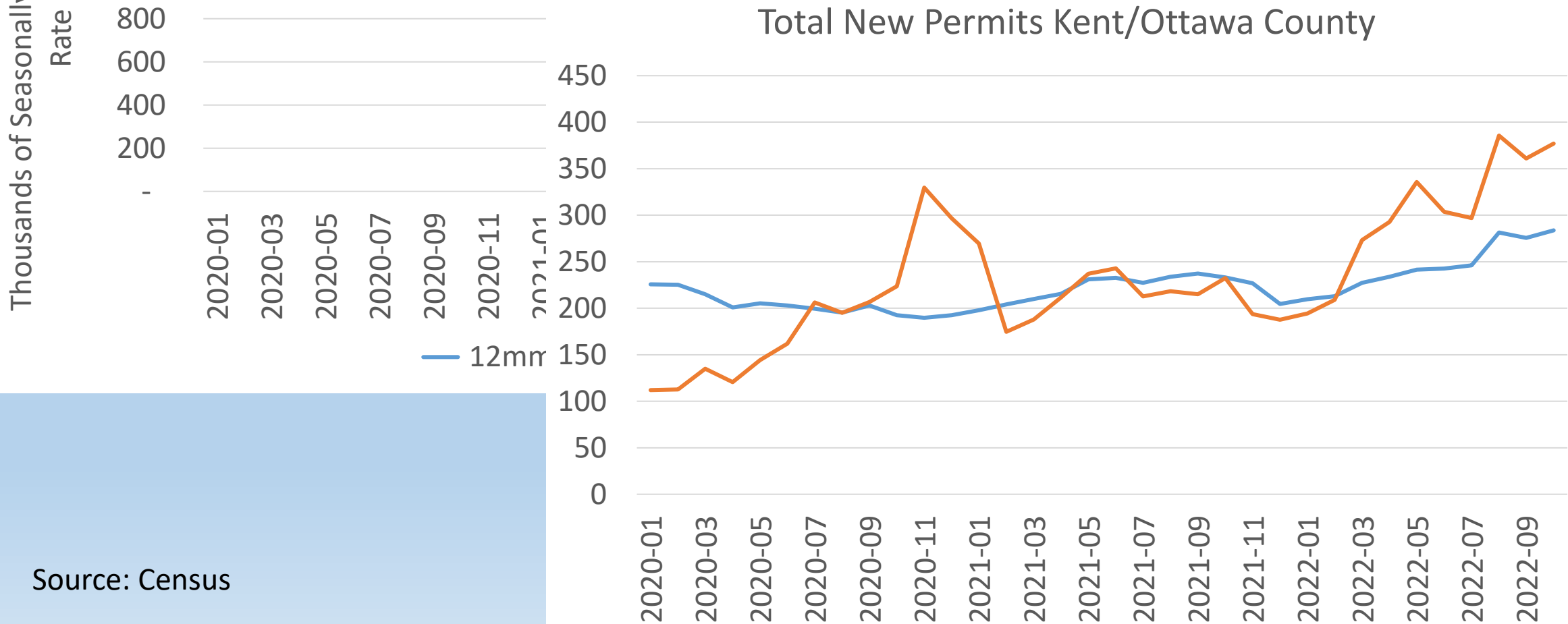
Source: BEA and Federal Reserve Board

Interest Rates Already Affecting Real Estate

USA New Building Permits

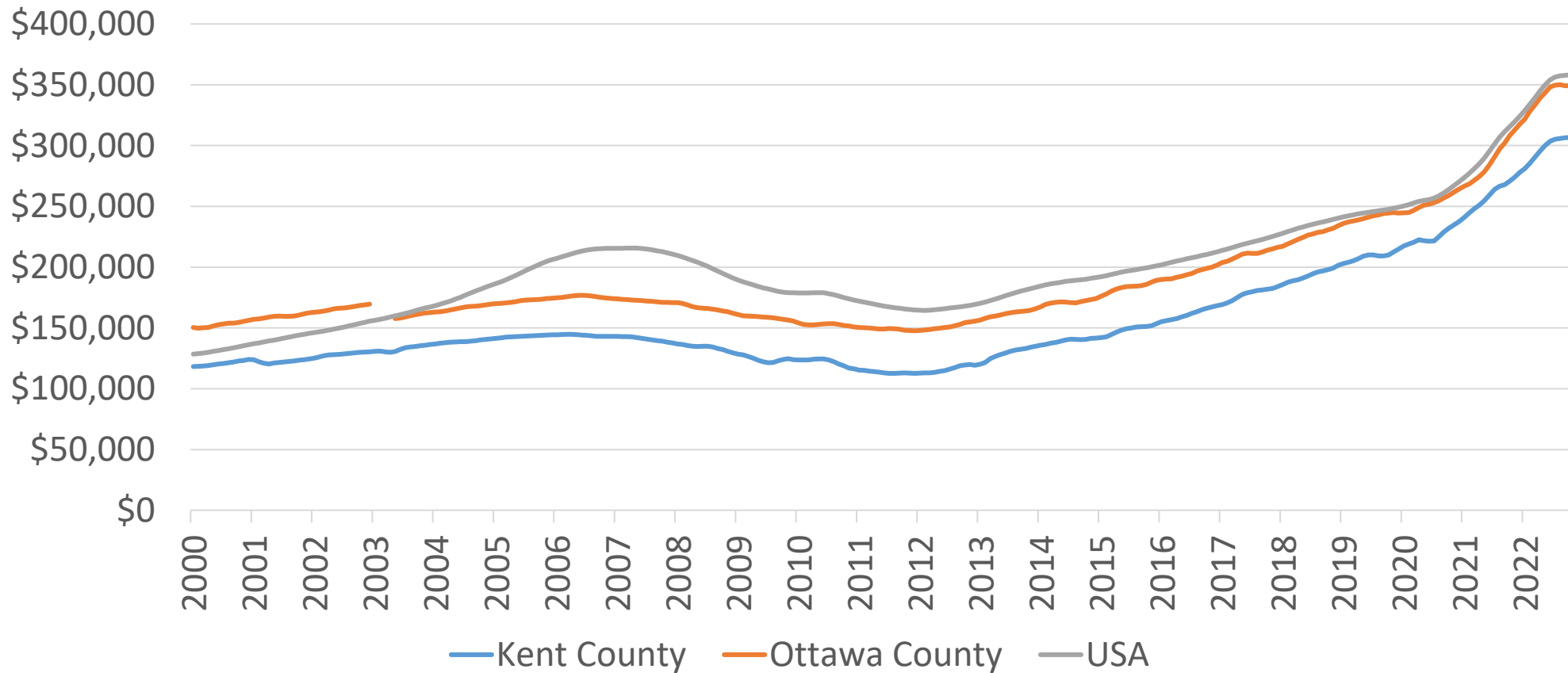


Total New Permits Kent/Ottawa County



Source: Census

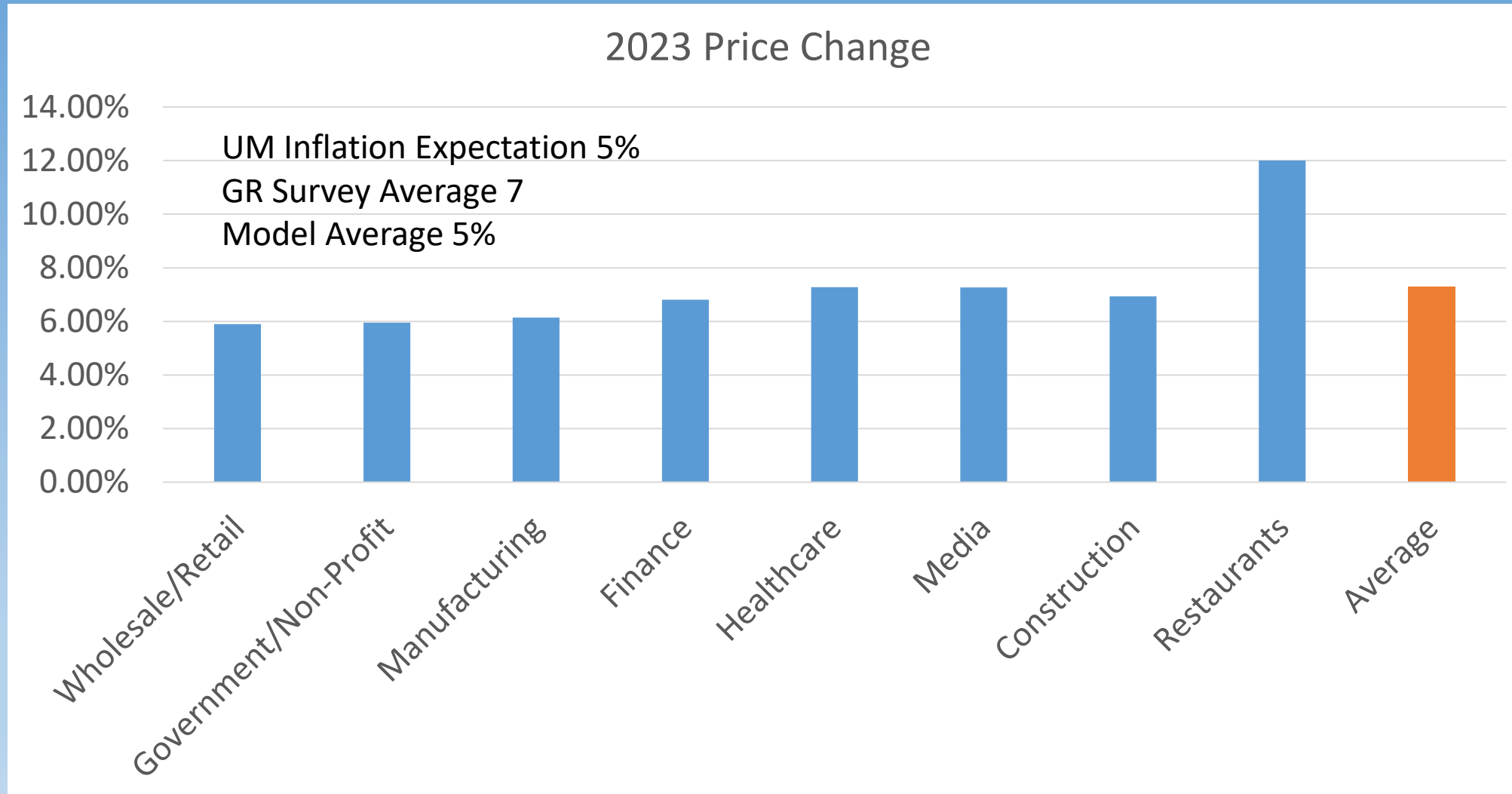
Single Family Typical Housing Price Zillow



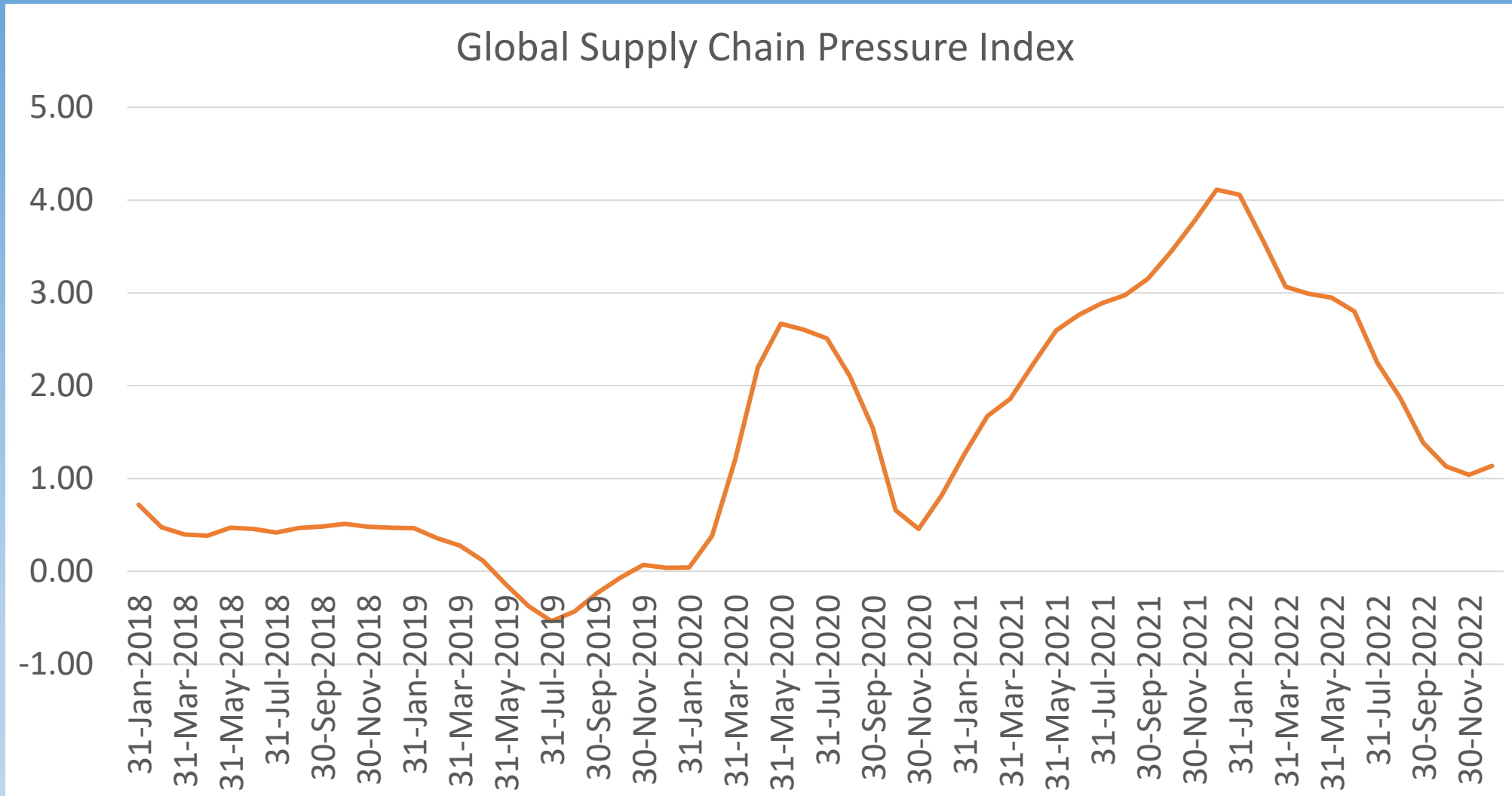
Source: Zillow

As these drags on the economy take
hold
prices increases will decelerate –
not go away

Expectations



Supply Chain Pressure



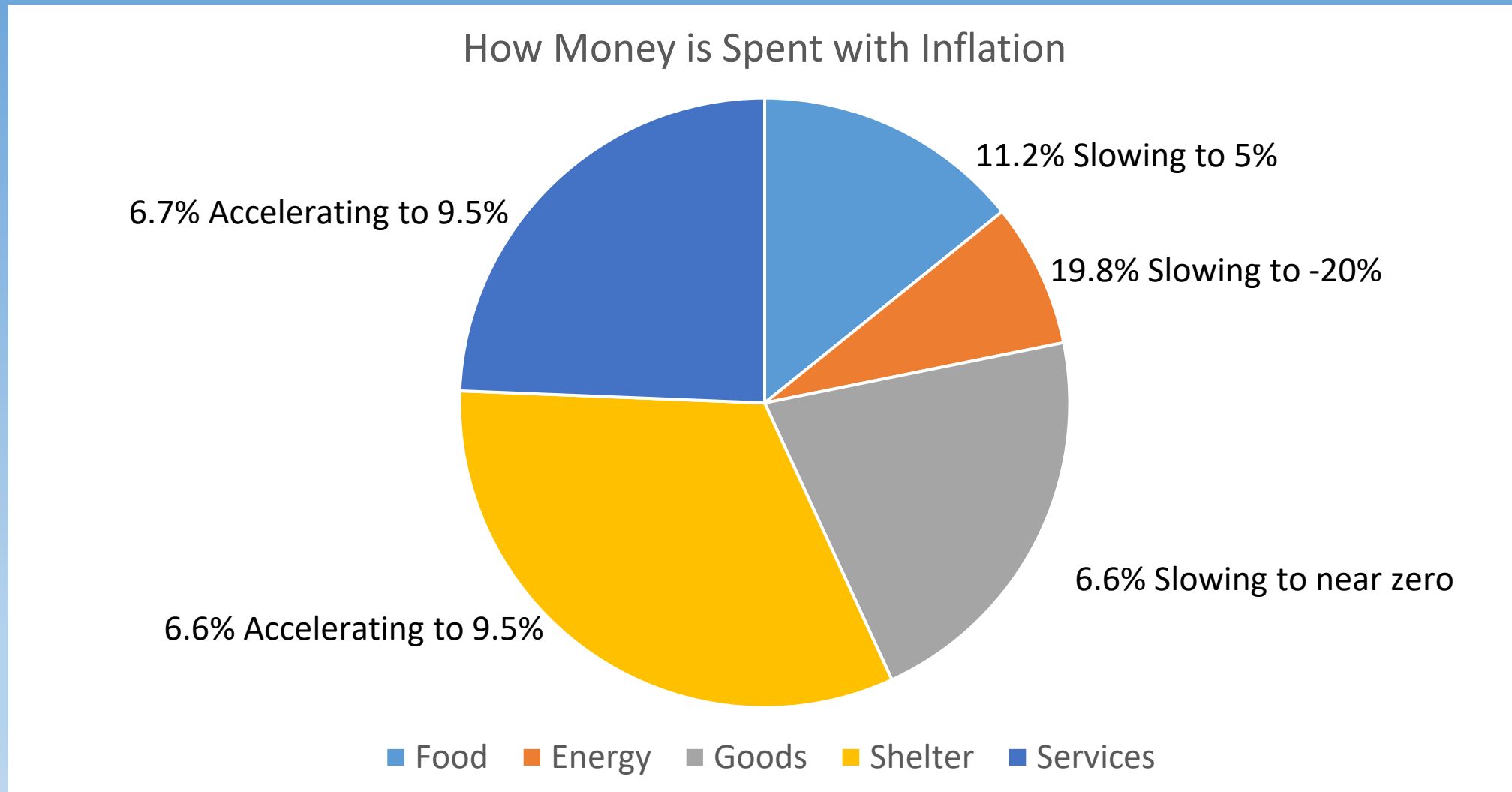
Source: New York Fed

Wages



Source: GVSU Survey

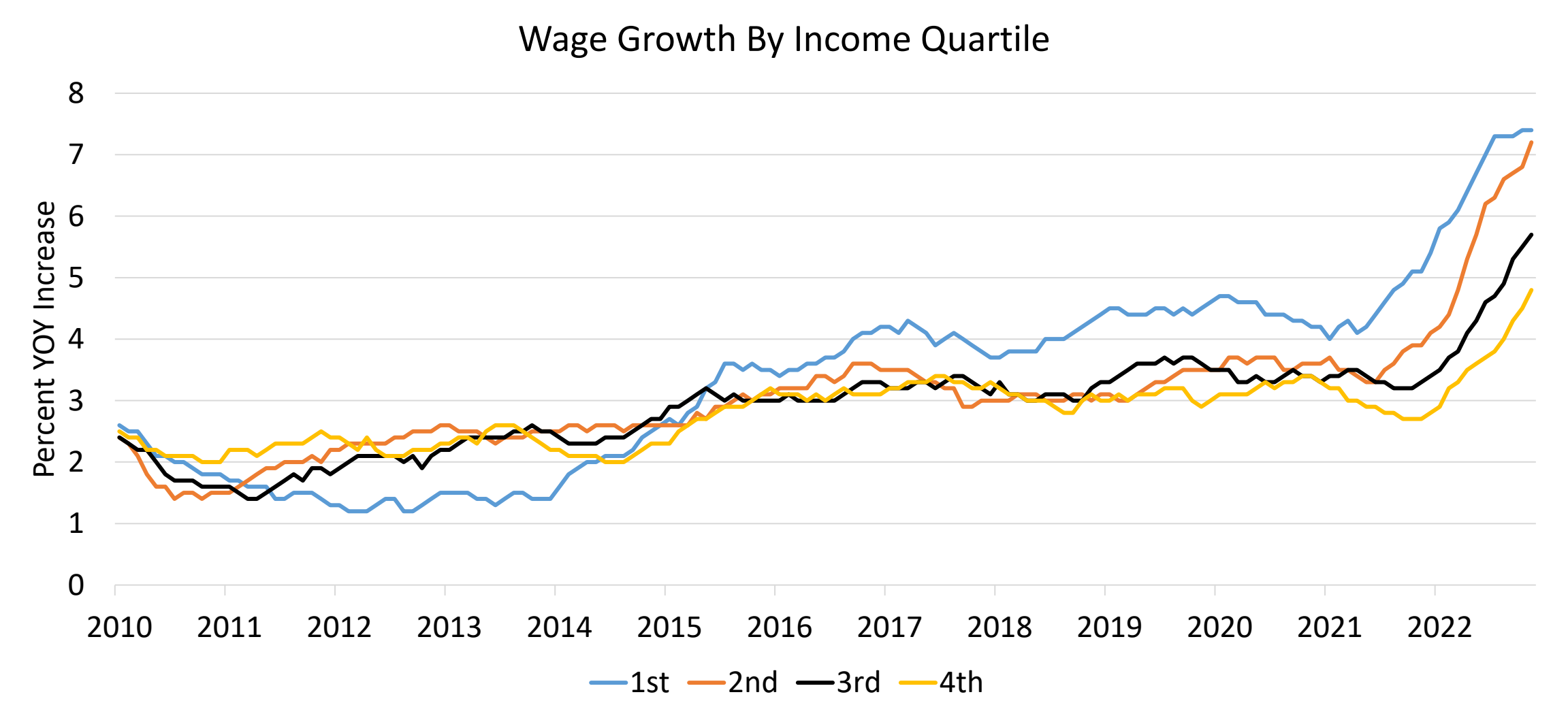
Inflation is Baked in for Next Year



Source: BLS and Isely Calculations

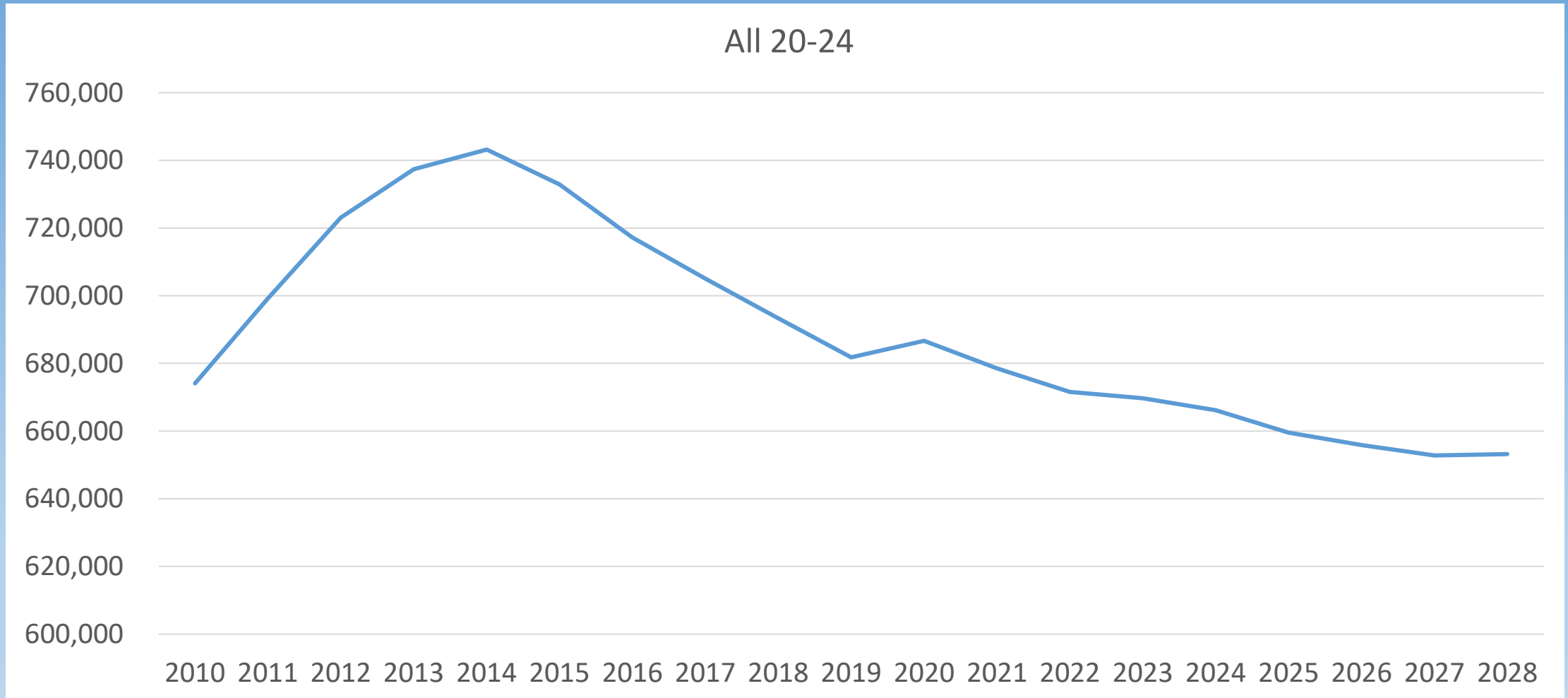
Even With The Drag On The Economy
Accelerating There Will Not Be
Enough Workers

Demographics



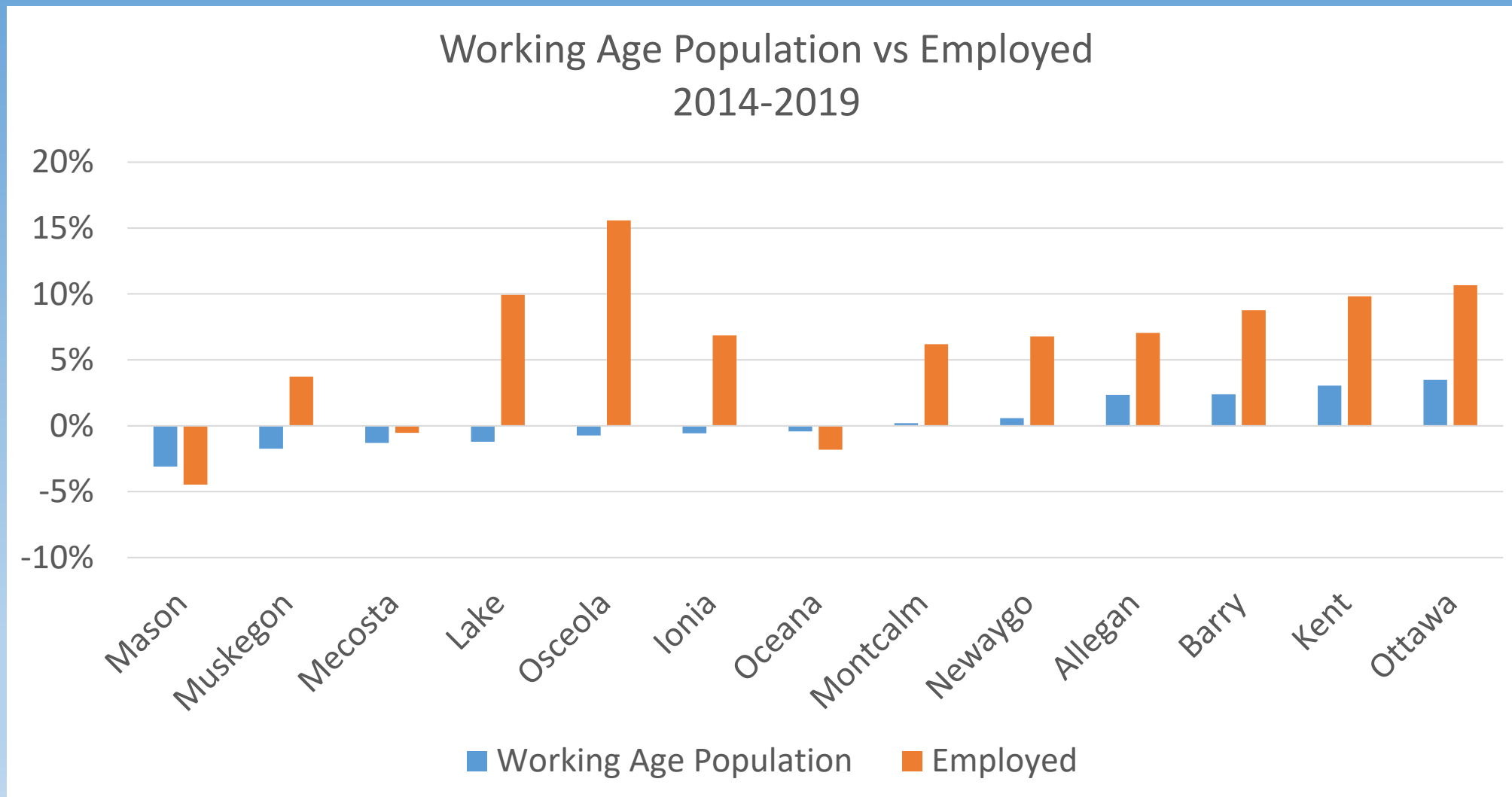
Source: Atlanta Fed

Michigan



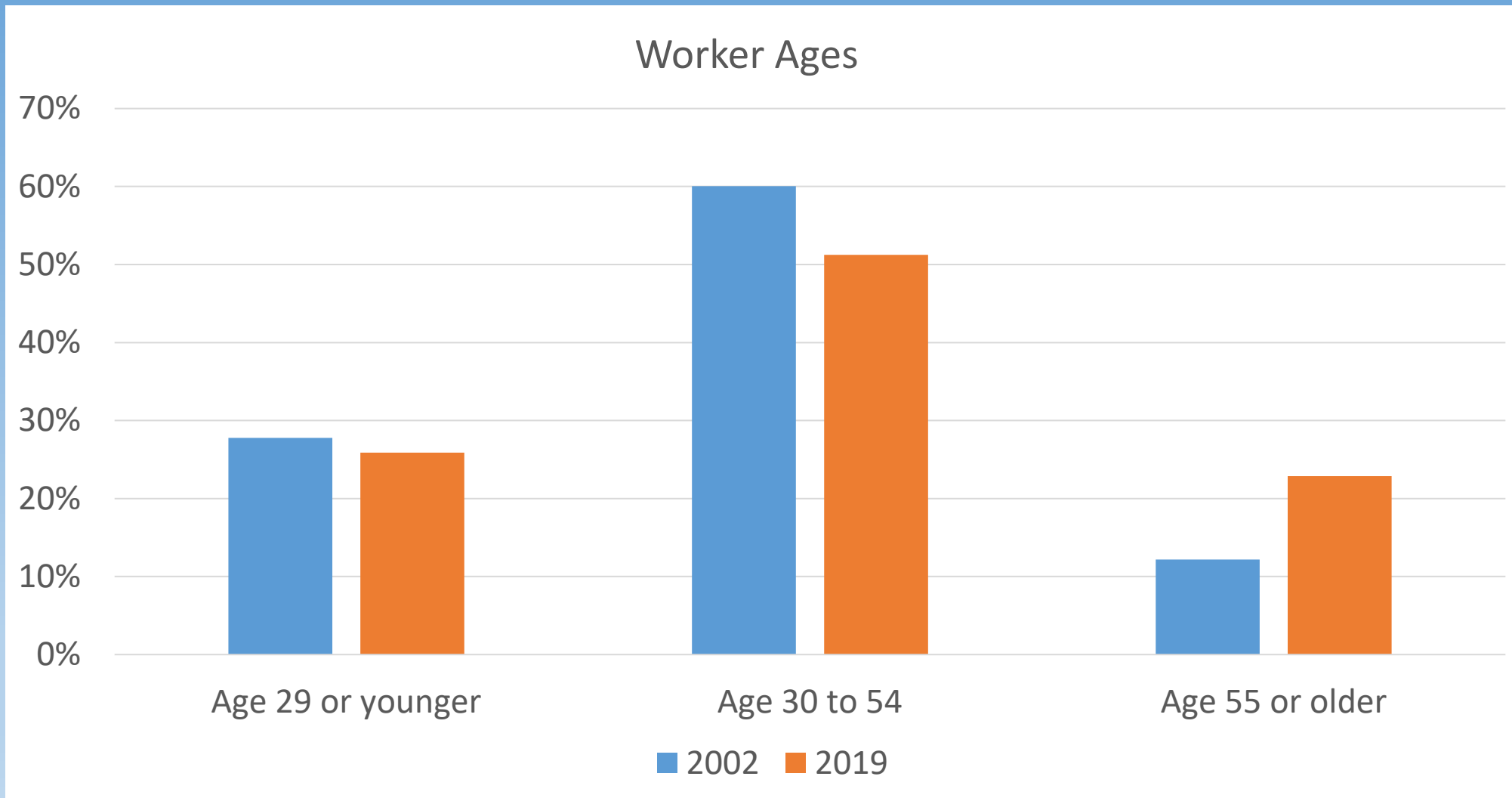
Source: Census and Isely Calculations

Population Growth Not Fast Enough



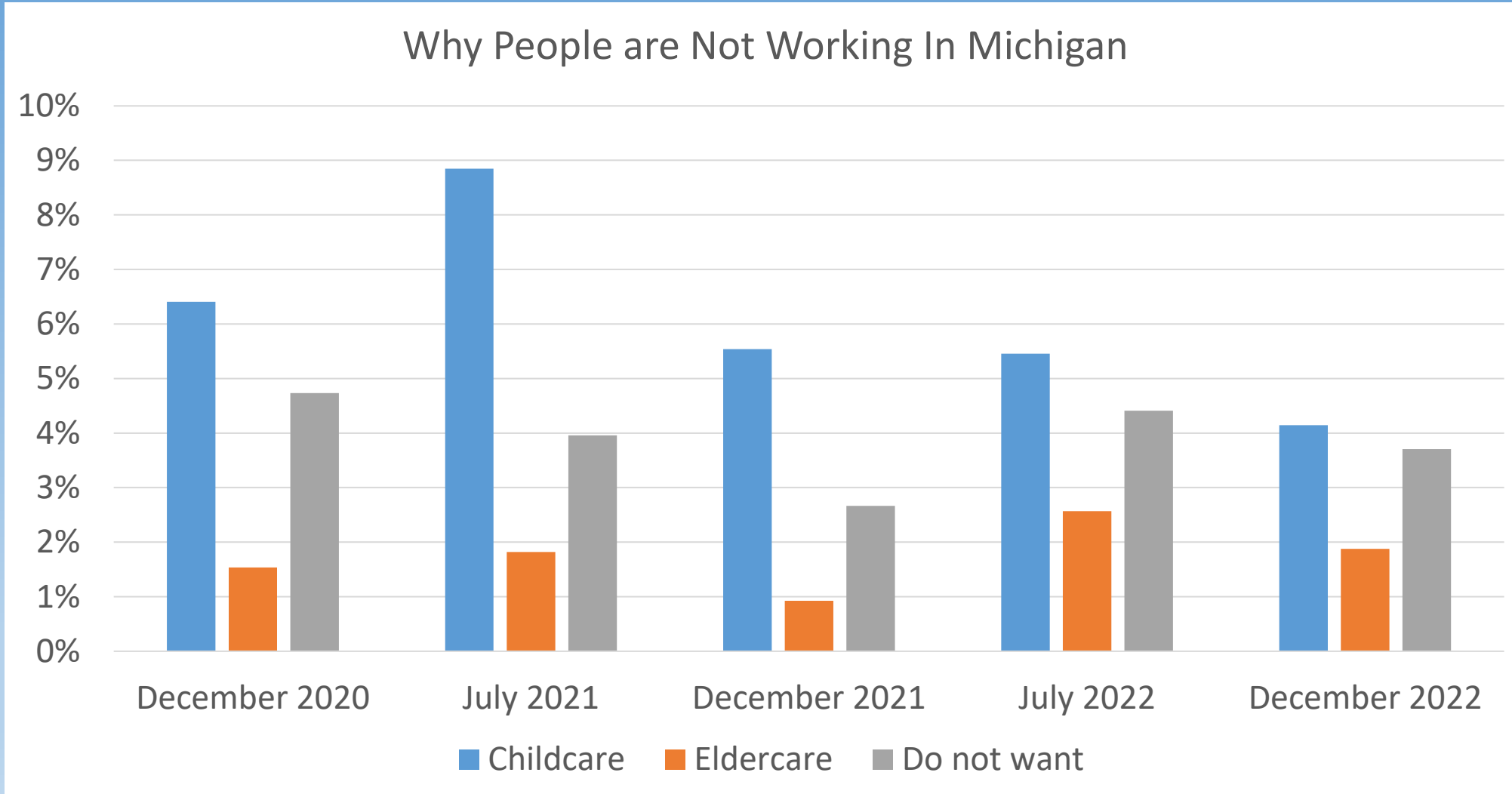
Source: Census and BLS

Ageing Workforce



Source: On The Map

Not A lot of Workers to Come Back



Roughly

50% Retired
13% Disabled

1% Concerned
about COVID

Summary

	Kent County Survey	West Michigan Survey	United States
Current Confidence	72	70	
2023 Confidence	71	67	
Sales Growth	2.6%	2.3%	1.3%
Employment Growth	2.5%	1.8%	0.65%
Wage Growth	4.4%	4.1%	4.3%
Inflation Expectation	7.0%	5.6%	5.4%

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