Michigan's Strong Economy Predicted To Continue In 2020, Michigan Chamber Of Commerce Reports

LANSING, Mich., Jan. 9, 2020 /PRNewswire/ -- At the 4th Annual Economic Forecast Forum held today in East Lansing, economic experts from the State of Michigan Department of Treasury and U.S. Federal Reserve Bank predicted that Michigan's strong 2019 economy is likely to continue into 2020 as the new year gets underway.

The forum, the first statewide economic forecast event of the year, is a joint production of the Michigan Chamber of Commerce and the Michigan Bankers Association. Over 250 attendees were addressed by Michigan Chamber President and CEO Rich Studley, Michigan Bankers Association President and CEO Rann Paynter, and state and federal economic experts.

Business economist Martin Lavelle, from the Detroit Branch of the Federal Reserve Bank, told attendees that, barring a major negative event, there likely will not be a recession in Michigan during 2020. Michigan's consumers and businesses can expect the first six months of 2020 to look a lot like the last six months of 2019, with growth continuing at a slightly slower pace.

Lavelle pointed out that, with Michigan essentially at full-employment and consumer confidence at high levels, Michigan's economy will continue forward. Growth is expected to be at or just below 2019's trend lines, despite a small but significant hit caused by the 40-day autoworker strike at General Motors.

Many factors serve to boost consumer confidence, including:

- A strong housing market—a "seller's" market, building wealth for homeowners.
- No significant job losses occurring because Michigan is essentially at full employment (4.0% unemployment).
- Essentially steady, if slightly lower, auto sales for five years in a row.
- Low interest rates.
- Higher wage growth for production-level employees.

Things that could help boost Michigan's economy include increasing certainty for businesses on trade through the passage of the USMCA and continued progress toward trade agreements with China. Potential negatives include more uncertainty in the United States' trade relationship with China or increased incidents of conflict with Iran or similar situations.

While demand for housing in Michigan is keeping prices high, the state has seen a 3-year reduction in new housing construction. This has contributed to a shortage of affordable housing for first-time buyers, but the demand exists, especially among millennials.

State of Michigan Treasurer Rachel Eubanks and Chief Deputy Treasurer Jeff Guilfoyle agreed that Michigan is on track for continued expansion, albeit at a slightly slower pace, in part due to the issue of effective full employment and a need for more skilled workers. Guilfoyle predicted that the State of Michigan would see 0.5% employment growth in 2020.

While Eubanks and Guilfoyle said that official state tax revenue estimates will be released tomorrow, they forecasted increased sales tax revenue growth in 2020, partly due to the Wayfair court decision. They also expect growth in state sales tax revenue and modest business tax growth this year.

The state officials added that marijuana sales will bring a significant amount of tax revenue into state coffers with a predicted $143 million in 2021 based on a predicted $1.4 billion in sales.

Guilfoyle said that while Michigan has grown significantly since 2010, the state overall remains behind 2000 levels on many economic indicators, so more work needs to be done. For example, employment across nearly every sector is higher today than in 2010, but lags behind 2000 levels.

Additionally, if Michigan had the same taxation levels as today and had grown at the same rate as the national average, state and local revenues would be $5 billion higher. Guilfoyle went on to say that state and local tax as a share of personal income is at its lowest rate in 50 years at 9.1% of income. This comes as a result of things such as Proposal A's limitation on property taxes and the economy's growth in the service sector, which is not taxed.

Eubanks and Guilfoyle said that the roads remain a significant issue for the state. Statistics showed that Michigan ranks dead-last in per capita capital outlay for highways. Governor Whitmer is expected to again address the road funding issue in her upcoming State of the State address on January 29th.

The Michigan Chamber of Commerce is a statewide business organization representing nearly 5,800 employers, trade associations and local chambers of commerce who employ over one million Michigan residents. It was established in 1959 to be an advocate for Michigan's job providers in the legislative, political and legal process.

SOURCE Michigan Chamber of Commerce

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