

# Welcome To The Lansing Economic Outlook

THE JAMES B. HENRY CENTER FOR EXECUTIVE DEVELOPMENT  
3535 FOREST ROAD, LANSING



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# Lansing Economic Outlook: 2024

October 5, 2023  
East Lansing, MI

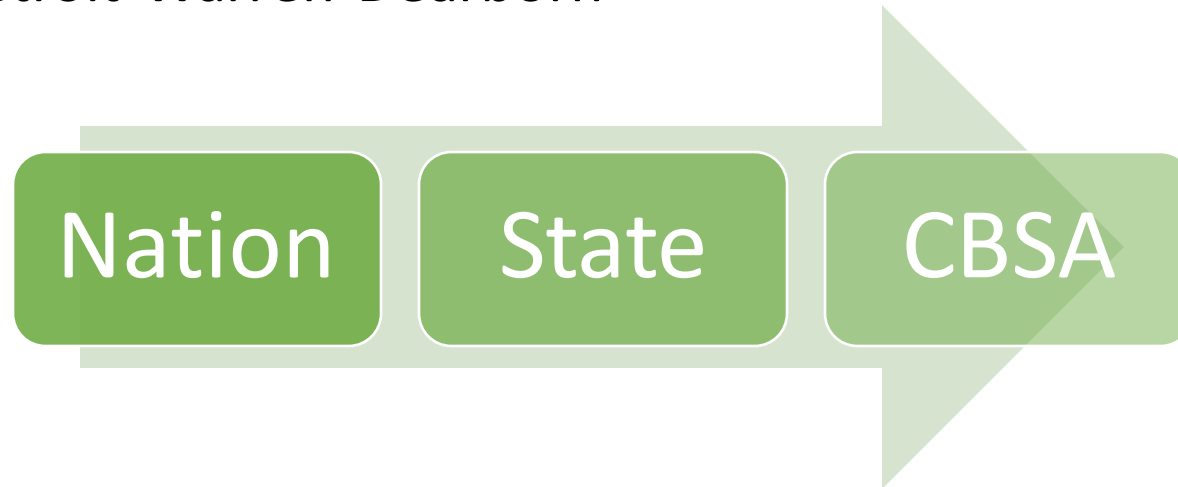
Steven R. Miller

Director: Center for Economic Analysis



# MSU Economic Forecast Model

- National
- State
- Core Based Statistical Areas (CBSA)
  - Lansing-East Lansing
  - Detroit-Warren-Dearborn



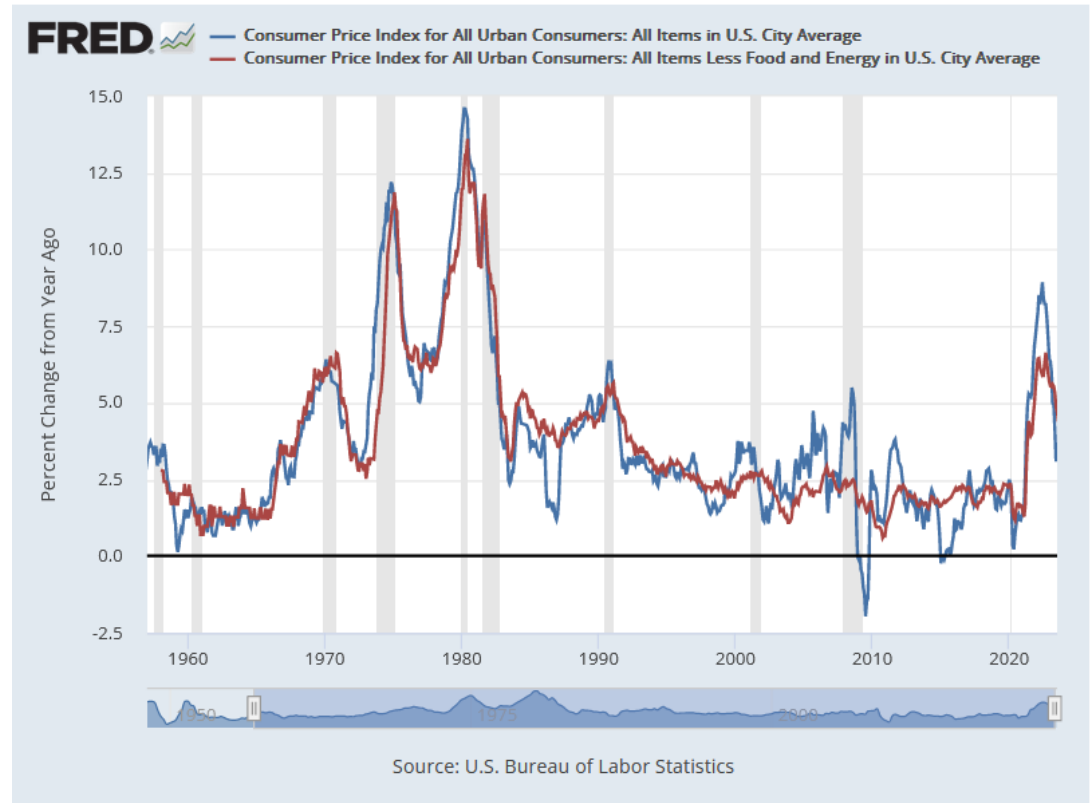
# Key Factors Impacting National Economy

- Inflation
  - The Federal Reserve Banks Response
  - Elevated interest rates
- Persistently tight labor market and labor union actions
- Changing consumer behaviors
  - Ending COVID19 related safety net programs
- Shifts in supply chain management
- Round two of the looming federal government shutdown
- Ongoing threat of a looming recession



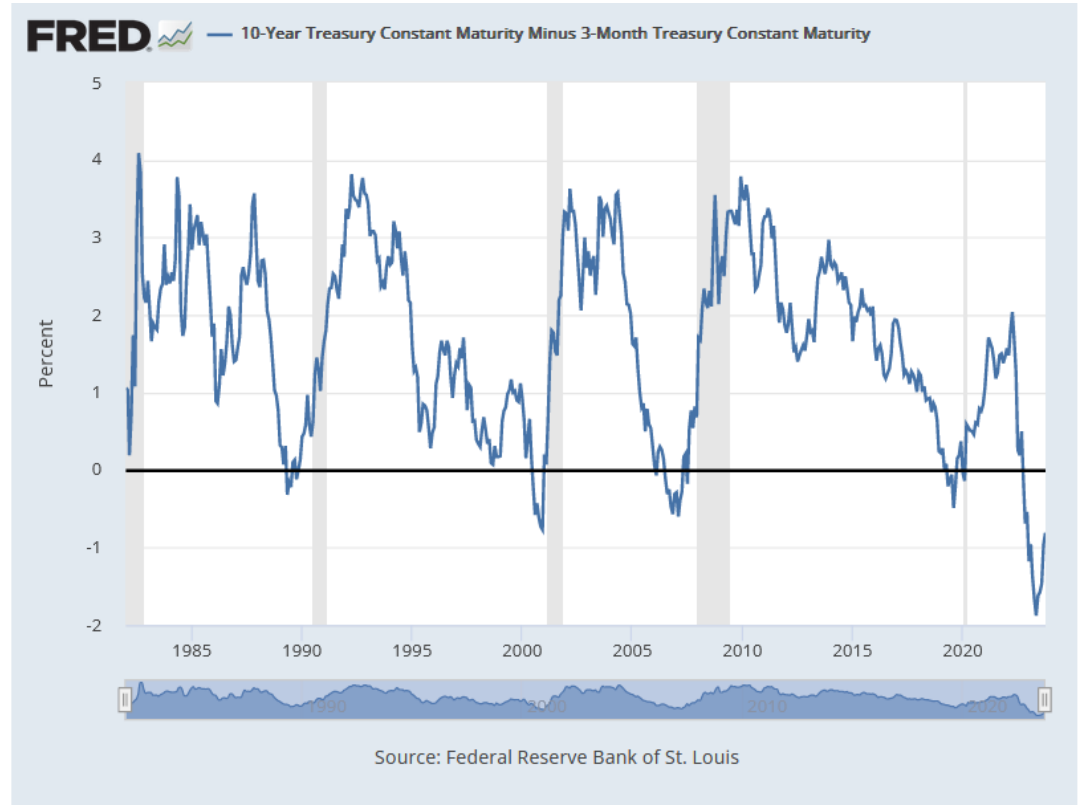
# Why so much attention on inflation?

- Inflation is self-perpetuating
- Last week's PCE Price Index was higher than expected fueling more concern about Fed action



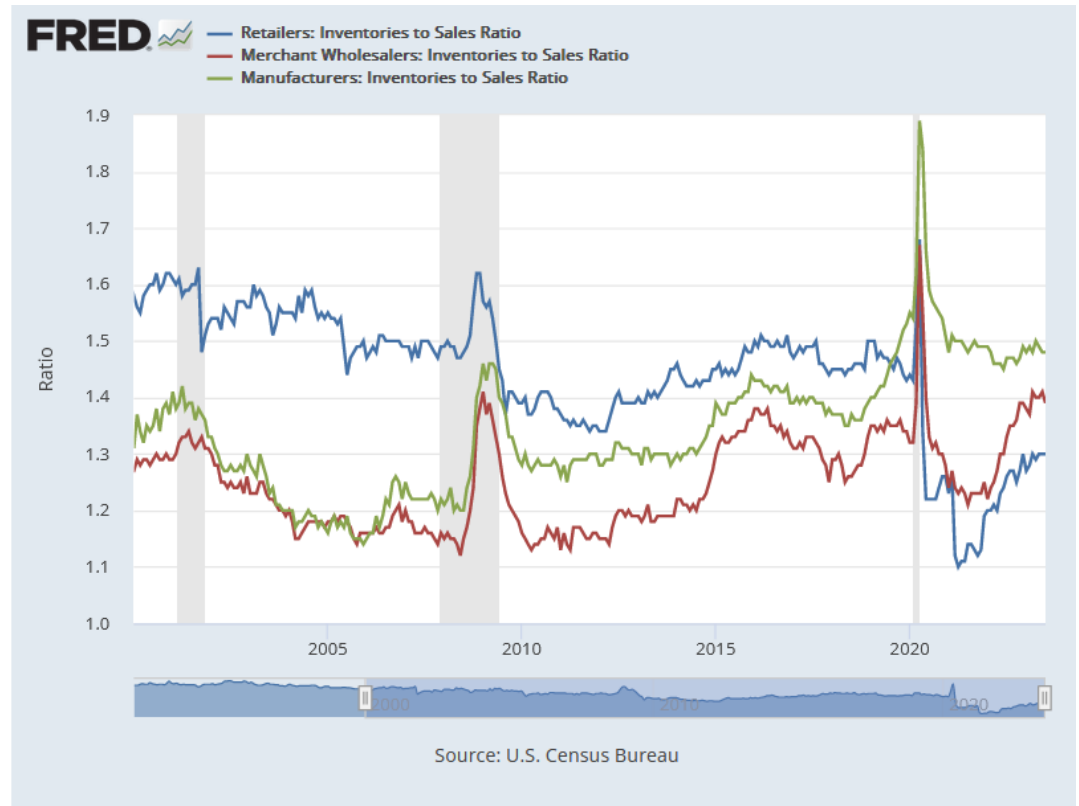
# Is a Recession on the Horizon?

- A key measure used by economists suggest yes
- Before most recessions, the yield curve turns negative



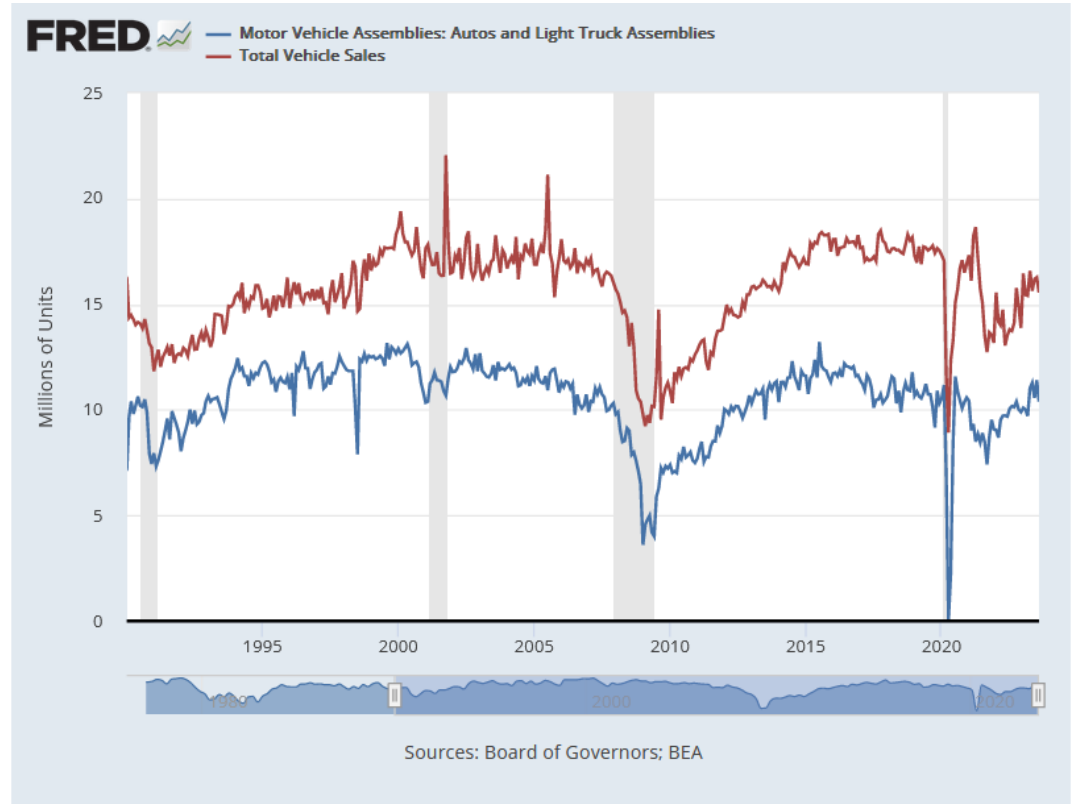
# Inventories are often a sign of an impending slowdown

- Excess inventories in the face of slowing orders will give producers pause
- When compared with sales, inventories are a bit high



# US Vehicle Production and Sales

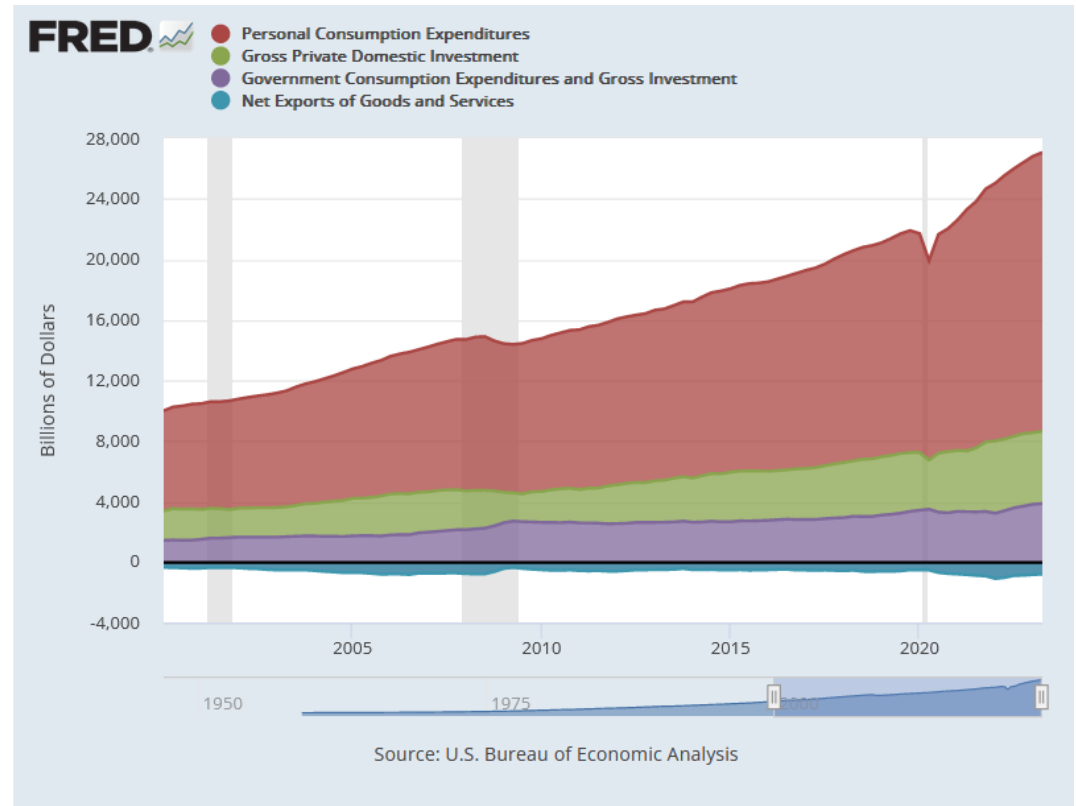
- Consumers will put off a new vehicle purchase if uncertain about economic future
- With existing inventories manufacturers can weather a temporary strike
- Should the strike carry on into the fourth to sixth week, spillovers are expected into first- and second-tier suppliers





# The Consumer has largely kept the economy afloat

- Personal consumption makes up about 2/3 of Gross Domestic Product
- Consumers have spent heavily from savings and from stimulus payments
- There's talk that the consumer has run out of steam



# What does this mean for the Michigan?



- We're cautiously optimistic that the US and Michigan economies will avert a major downturn through 2024
- The Fed looks poised to pull off a soft landing – curtailing inflation without causing a major economic disruption
- What may derail this projection is the American consumer
  - Spending spree hangover
  - Spent through savings and maintaining lifestyle through credit card debt
  - Both inflation and higher interest rates are working against them



# Michigan Employment Projections



- We anticipate that goods producing sectors will outperform service providing sectors – driven partially by pandemic-related residual consumer spending trends
  - We still vie for those big-ticket items like cars and homes
  - Strong growth in durable goods manufacturing employment
  - Tepid growth in non-durable goods manufacturing employment
  - Leisure and Hospitality sectors will lead service-providing employment growth

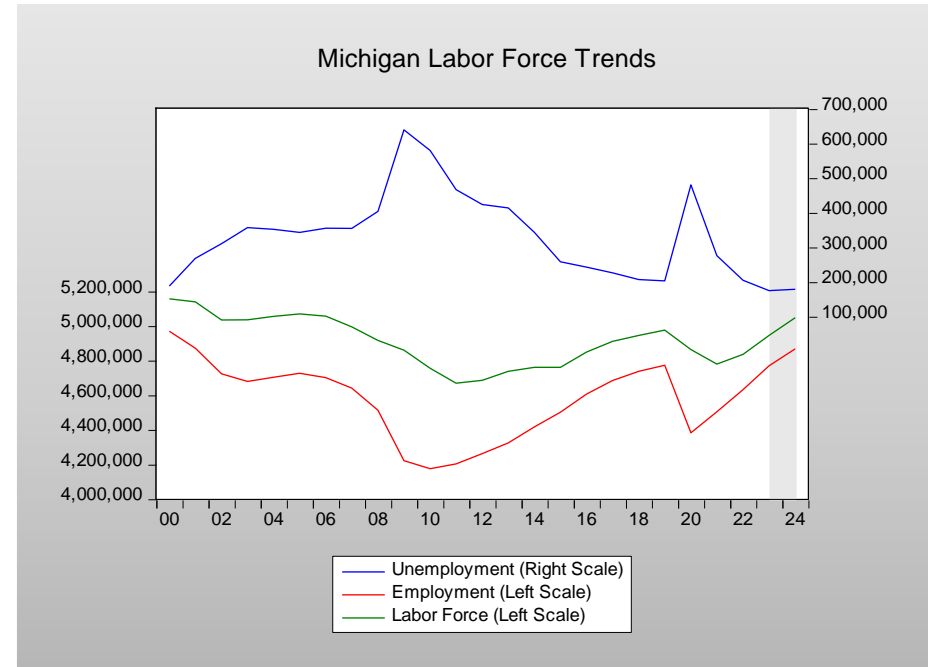
Michigan Employment (000s)	2019	2020	2021	2022	2023	2024
Total Nonfarm	4,442.36	4,039.86	4,198.63	4,362.33	4,469.79	4,555.10
	0.4%	-9.1%	3.9%	3.9%	2.5%	1.9%
Total Private	3,827.31	3,459.18	3,626.25	3,773.47	3,857.24	3,941.84
	0.3%	-9.6%	4.8%	4.1%	2.2%	2.2%
Goods Producing	806.89	727.88	767.33	794.55	821.46	856.16
	0.3%	-9.8%	5.4%	3.5%	3.4%	4.2%
Service-Providing	3,635.26	3,311.86	3,431.52	3,568.00	3,647.98	3,698.94
	0.4%	-8.9%	3.6%	4.0%	2.2%	1.4%



# Michigan Labor Force Projections



- From 2021-2023, employment growth is expected to exceed labor force growth by 7%
  - Starting in 2024, expect the labor force and job growth to be on par for the state
  - Filling positions will continue to be a challenge
  - Increasing the challenge is that worker skills and skill needs are often not spatially aligned
    - Improved labor mobility and worker accommodations may improve access to qualified workers



# Lansing Employment Projections



- The Lansing area employment projections show more robust growth
  - Strong growth in goods producing sectors, especially transportation equipment manufacturing
  - Construction employment and non-durable goods manufacturing employment growth retain momentum through 2024
  - In the service sectors, government, education & health services and leisure & hospitality services all show healthy projections
  - Aside from federal government employment, all sectors reflect ongoing growth to various degrees

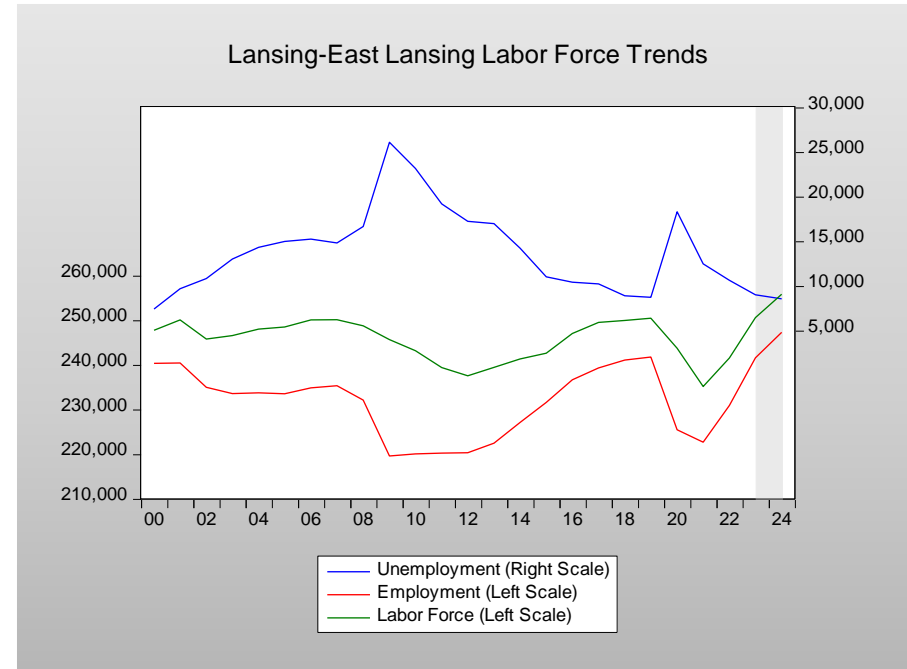
Lansing Employment (000s)	2019	2020	2021	2022	2023	2024
Total Nonfarm	237.68	217.12	220.47	229.71	237.79	243.21
	0.2%	-8.7%	1.5%	4.2%	3.5%	2.3%
Total Private	170.52	155.51	162.48	170.64	175.74	180.37
	-0.2%	-8.8%	4.5%	5.0%	3.0%	2.6%
Goods Producing	27.47	25.87	27.67	29.77	31.99	34.39
	-2.2%	-5.8%	7.0%	7.6%	7.4%	7.5%
Service-Providing	210.21	191.24	192.81	199.94	205.81	208.81
	0.5%	-9.0%	0.8%	3.7%	2.9%	1.5%



# Lansing Labor Force Projections



- Employment has grown 4.5% more than the labor force since 2021
  - Employment growth will be higher in the Lansing area
  - Expect further tightening of the labor market – at least through 2024





**MICHIGAN STATE**  
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Department of Agricultural,  
Food, and Resource Economics

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Extension  
Center for Economic Analysis

Detailed projections and discussions can be retrieved at:

**[cea.msu.edu](http://cea.msu.edu)**

# Michigan Output and Income Projections



- Gross State Product is the broadest measure of economic activity tracked at the state level
  - We project Michigan output growth to moderate in 2023 and 2024 in current dollar values
  - Due to high rates of inflation, output growth in inflation-adjusted values are expected to etch down in 2023 and remain flat in 2024
- Current dollar personal income will contract in 2023 with the end of pandemic-relief programs
- Earnings will catch a wave of wage and salary increases for narrow gains

State Output & Income	2019	2020	2021	2022	2023	2024
Gross State Product (\$ Millions: Current)	532,217	520,105	572,206	620,696	653,042	679,423
	2.3%	-2.3%	10.0%	8.5%	5.2%	4.0%
Real GSP (Chained 2012 \$ Mill)	467,107	448,455	481,778	490,318	484,790	487,280
	0.1%	-4.0%	7.4%	1.8%	-1.1%	0.5%
Personal income (\$ Millions: Current)	495,269	537,494	567,807	590,176	548,365	591,350
	3.6%	8.5%	5.6%	3.9%	-7.1%	7.8%
Earnings by place of work (\$ Millions: Current)	336,906	336,297	361,320	390,478	391,484	421,708
	2.7%	-0.2%	7.4%	8.1%	0.3%	3.8%





# Lansing Output and Income Projections



- Gross State Product can also be measured at the municipal level
  - Relative to the state, the Lansing-East Lansing statistical area is poised for more robust growth through 2024
  - We expect a decline in inflation-adjusted GSP for 2023 and no real change for 2024.
  - For the same reason as for the state, a sharp reduction in pandemic-related stimulus will result in a decline in personal income in 2023, but a rebound in 2024
- Like the state, we anticipate wage growth to positively affect earnings moving forward

Lansing Area Output	2019	2020	2021	2022	2023	2024
Gross State Product (\$ Millions: Current)	26,942.6	27,043.4	29,363.6	31,481.9	32,924.9	34,157.1
	2.9%	0.4%	8.6%	7.2%	4.6%	3.7%
Real GSP (Chained 2012 \$ Mill)	23,535.4	23,041.5	24,604.1	24,826.6	24,476.5	24,544.4
	0.7%	-2.1%	6.8%	0.9%	-1.4%	0.3%
Personal income (\$ Millions: Current)	20,655	22,617	23,965	24,833	23,480	24,577
	3.6%	9.5%	6.0%	3.6%	-5.4%	4.7%
Earnings by place of work (\$ Millions: Current)	15,346	15,623	16,674	17,702	18,401	19,063
	2.7%	1.8%	6.7%	6.2%	3.9%	3.6%



# Mid-Michigan Commercial Real Estate Update

## Market Insights Greater Lansing Area

Samantha Le: Associate, Retail Advisor

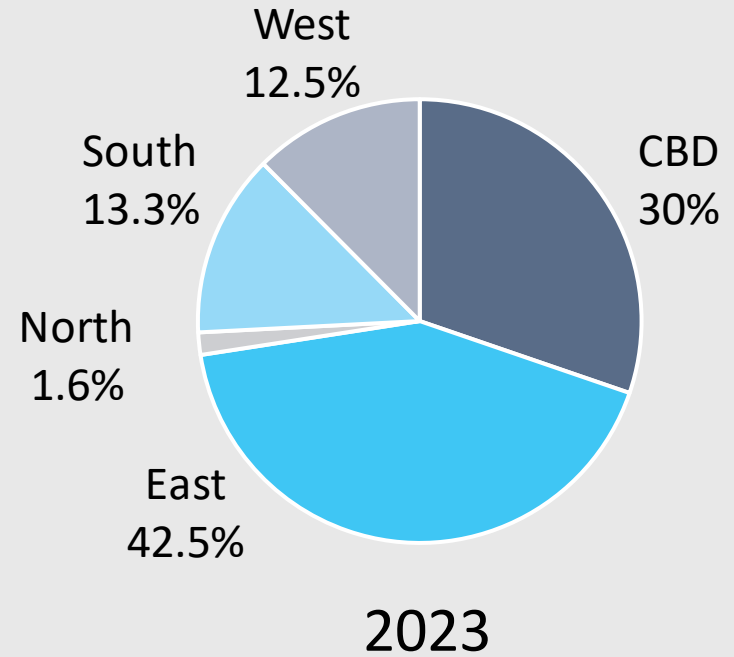
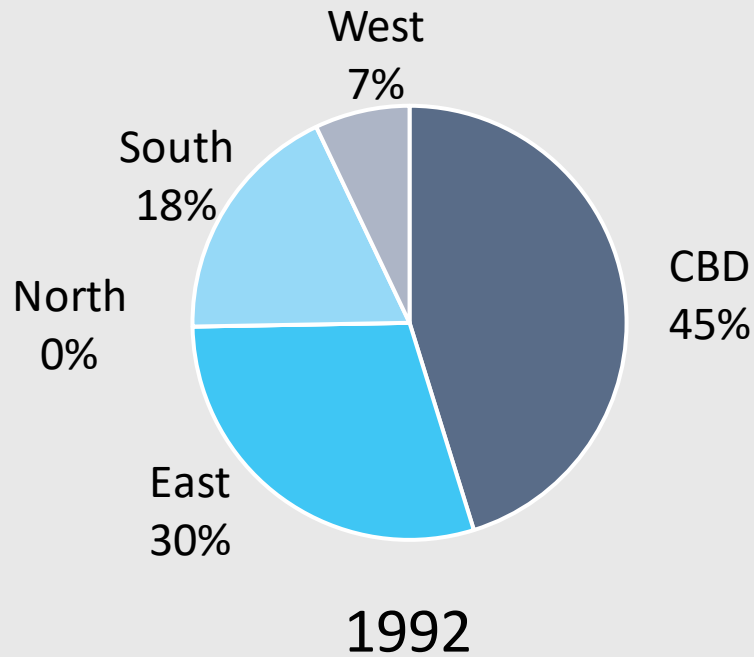


Reliability you can trust. Results you can depend on.



# Office Market Index Brief - Greater Lansing

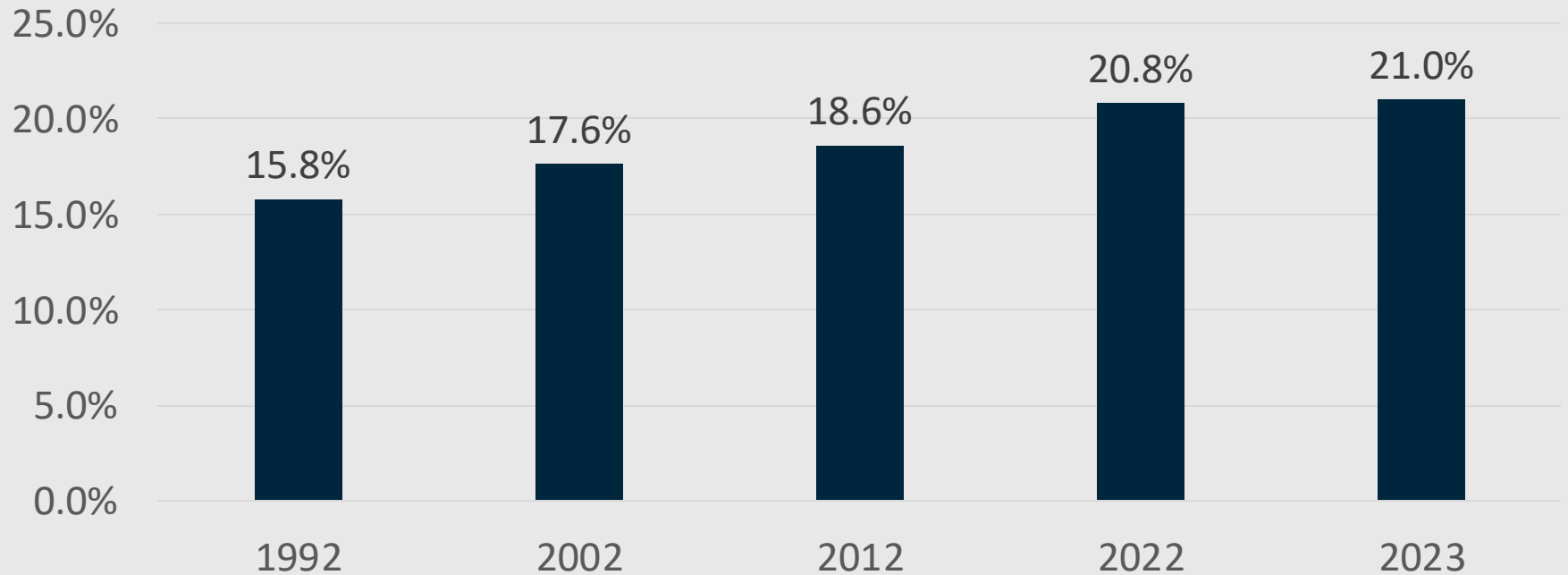
## Office Market 1992 vs. 2023



# Office Market Index Brief – Greater Lansing

## Office Vacancy

1992-2023



# Office Market Index Brief – Greater Lansing

## Downtown Lansing

- Current Market Conditions
- Population density
- Direction of State of Michigan



# Office Market Index Brief – Greater Lansing

## Future Outlook

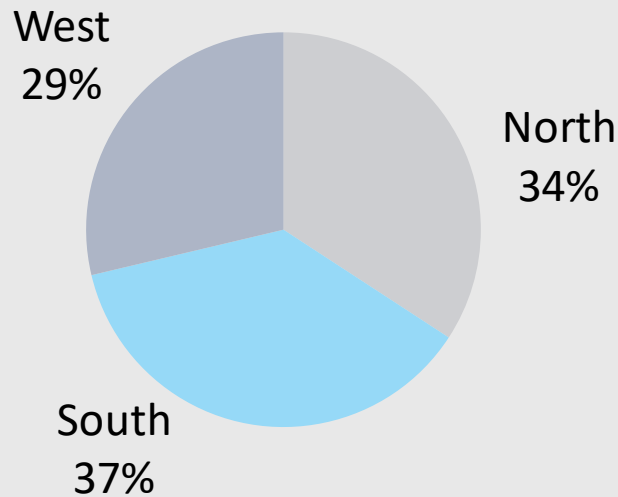
- Period of adaptability
- Workplace strategies



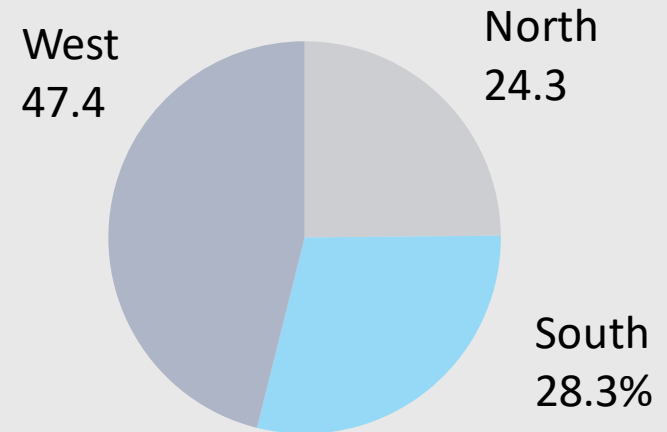
# Industrial Market Index Brief – Greater Lansing

## Industrial Market

2003 vs. 2023



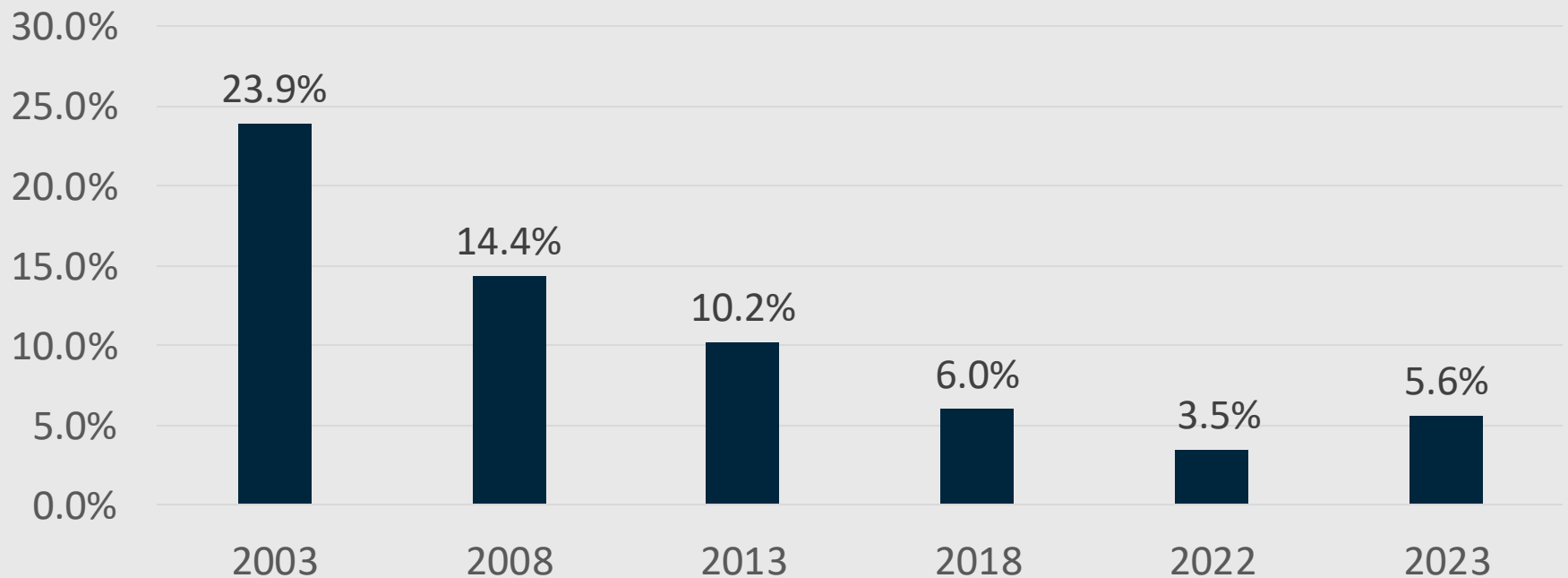
2003



2023

# Industrial Market Index Brief – Greater Lansing

## Industrial Vacancy 2003-2023



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# Industrial Market Index Brief – Greater Lansing

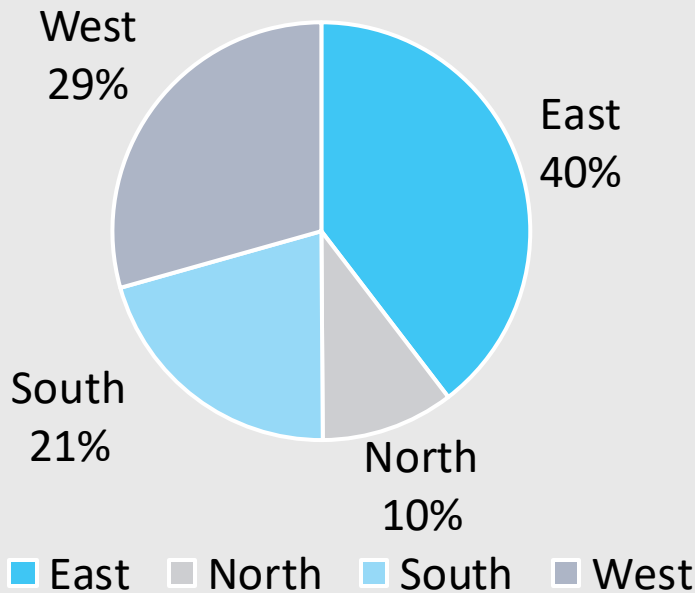
## Industrial Trends

- No speculative construction
- Cannabis effect
- Ecommerce and distribution
- Lack of supply
- Minimal landlord concessions

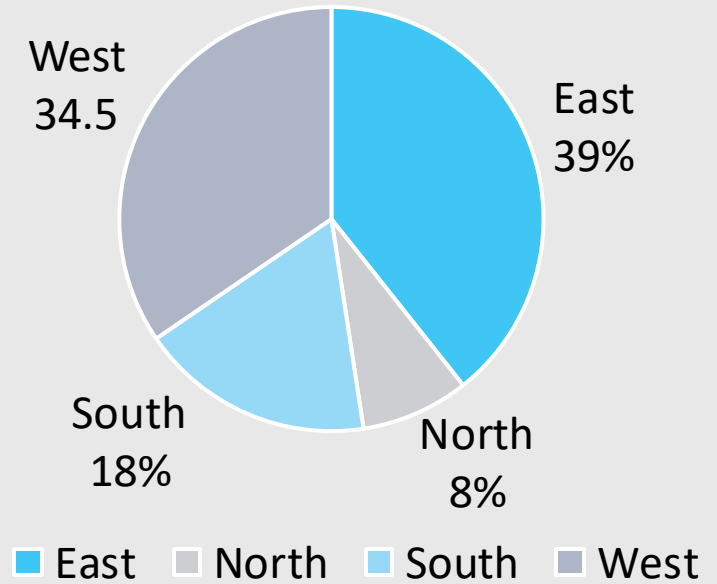


# Retail Market Index Brief – Greater Lansing

## Retail Market 2003 vs. 2023



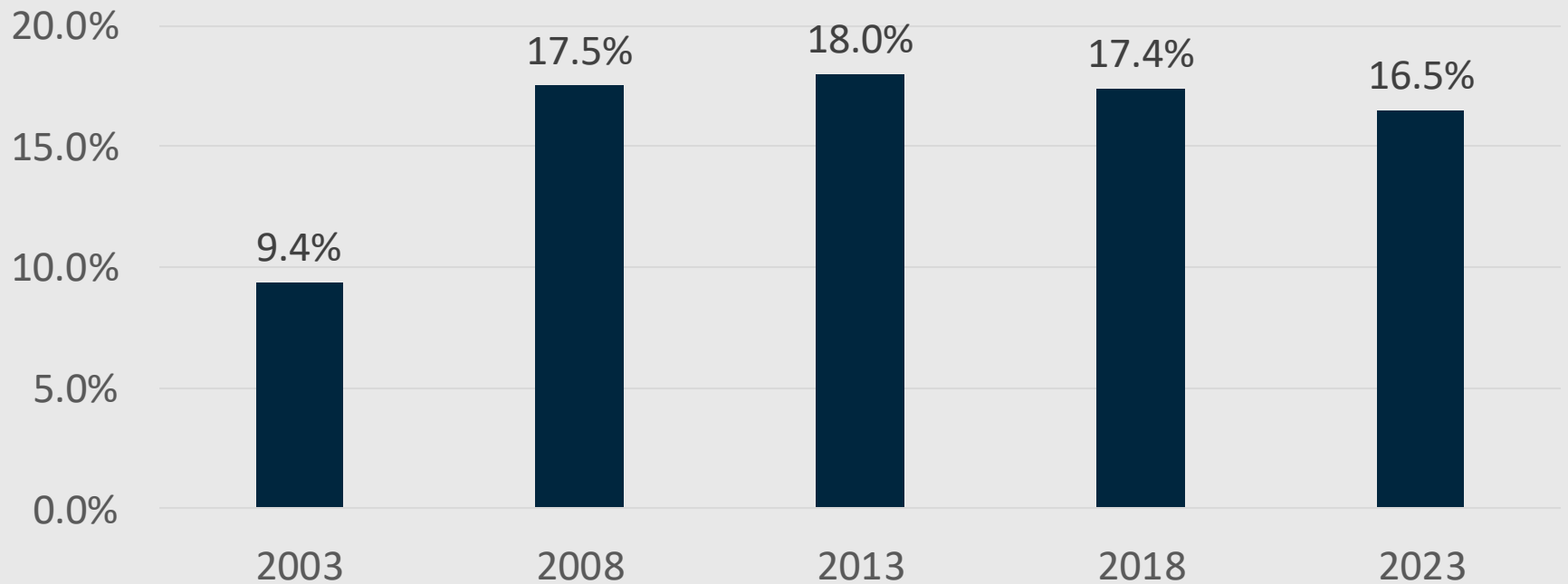
2003



2023

# Retail Market Index Brief – Greater Lansing

## Retail Vacancy 2003-2023



Reliability you can trust. Results you can depend on.



# Retail Market Index Brief – Greater Lansing

## Retail Trends

- Omni - Channel
- Entertainment
- De-Malling
- Staffing Issues
- Retail Development in Mid-Michigan



# Factors Affecting All Three Specializations

- Rising Interest rates
- High Cost of Construction

# About Martin Commercial Properties

## Core Business Lines

- Brokerage
- Property Management
- Project Management
- Investment
- Corporate Services

## Market Insight Reports

Subscribe to our Market Insight Reports and get the reports e-mailed bi-annually



# Fiscal Outlook for the Lansing Metropolitan Area

Dr. Eric Scorsone  
Director and Associate Professor

Center for Local Government Finance and Policy  
Department of Agricultural, Food and Resource Economics and MSU Extension  
Michigan State University



## **Lansing Metro Area General Purpose local governments**

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18 cities

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20 villages

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64 townships

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102 general purpose local governments

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55 special purpose governments

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157 total local governments in this region

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Approx. \$700 million in total revenue





## The Fiscal Equation: Revenue trends



## Local Revenue Sources



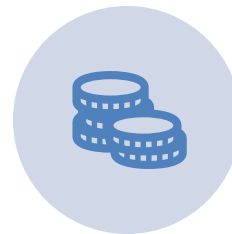
Property Taxes –  
General and Special



State Revenue  
sharing



City income taxes



Fees and charges



## **State Revenue Sharing**

**Constitutional** – based on the state constitution, 15% of the 4% proportion of the state sales tax is dedicated to local governments

- \$1.1 billion in FY 2023-24 for CVT

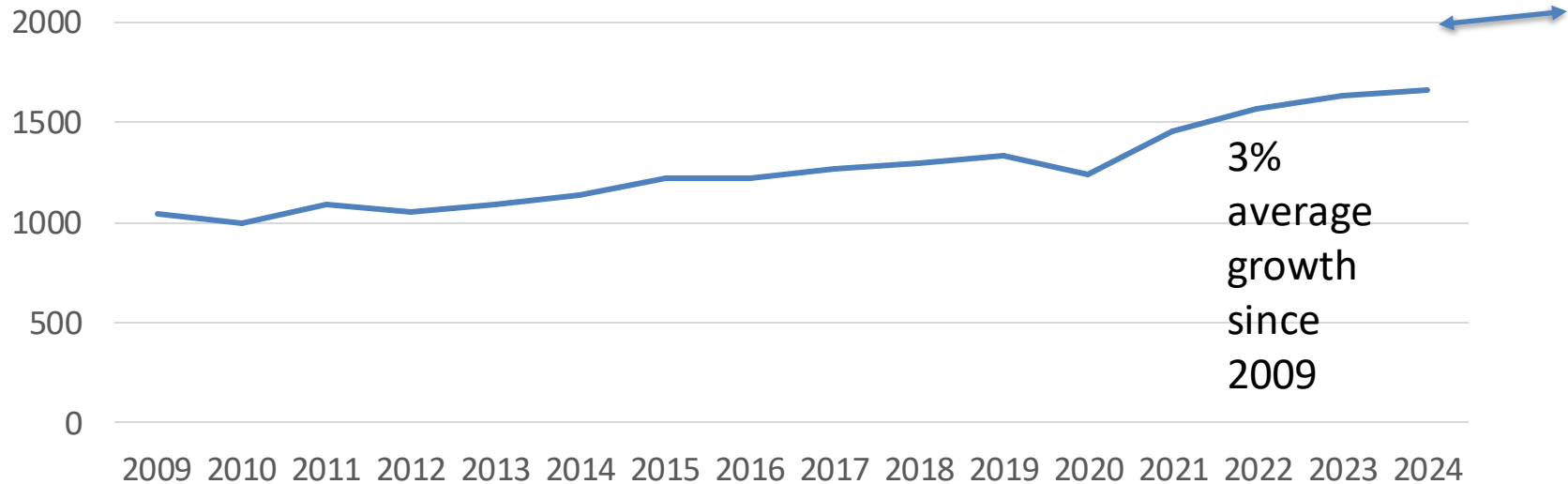
**Statutory** – based on legislative discretion

- \$293 million for CVT
- \$243 million in county revenue sharing



# State Revenue Sharing

State Revenue Sharing Trends 2009-2024



\* Excludes federal funds



## City Income Tax

- Conditions set by state law and must be passed by local voter referendum
- Lansing, East Lansing
- Driven by number of jobs, income per job, commuting patterns (in vs. out of jurisdiction)
- Source of higher growth in revenues but also source of instability



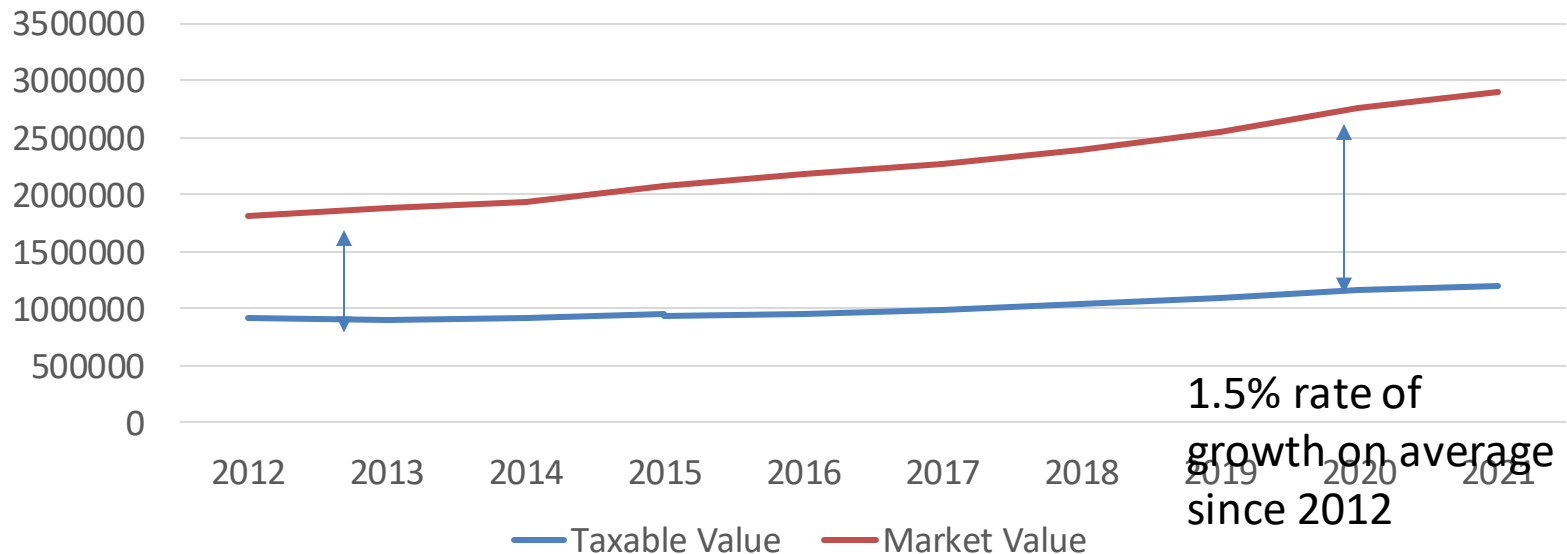
## Local Property Taxes

- Nearly every local jurisdiction collects a property for operations
- General operating tax
- Special property tax (earmarked)
- Generally best-case scenario is for 2-3% average annual growth



# Market and Tax Value, East Lansing

Market value vs Taxable value, 2012-2022



## **Federal Investment in Local Govt (ARPA)**

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County governments approx. \$100 mil.

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Lansing and East Lansing \$60 million

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Other local govts. \$20 million

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\$180 million flowed into our region

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# The Fiscal Equation: Spending Pressures and Trends



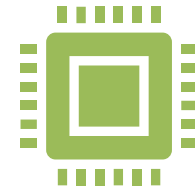
## Cost Issues



Labor Force (60-70 percent of the budget)



Pension and Health Care (large portion of overall "labor" costs)

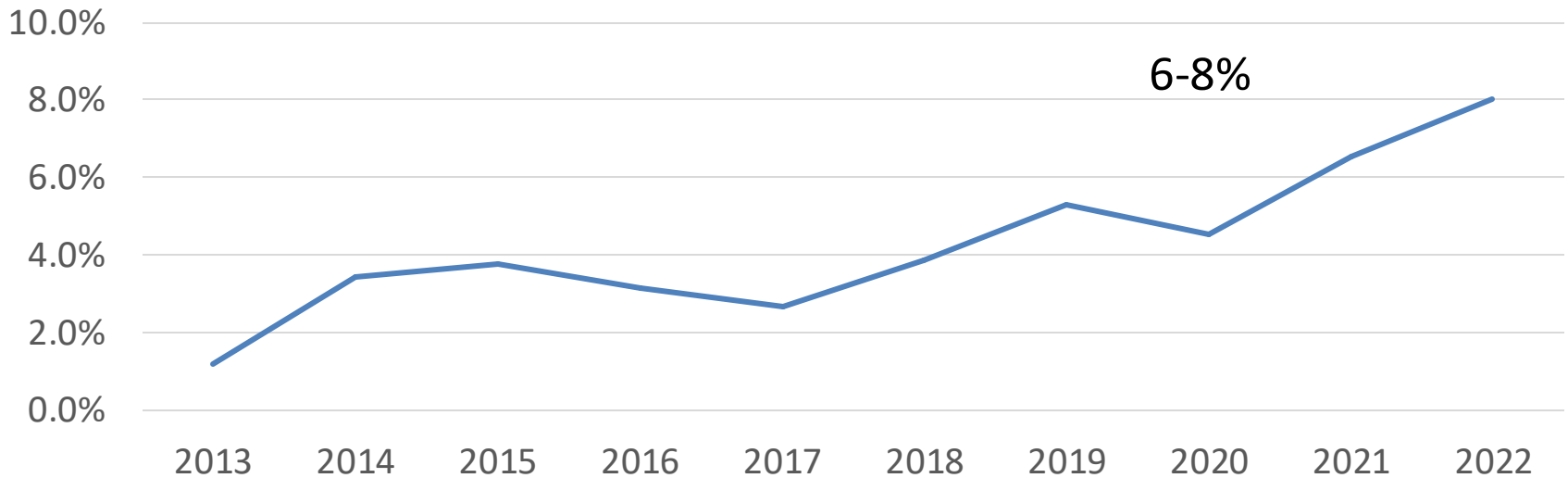


Infrastructure (the big unknown)



# Local govt Inflation Rate – Spending Pressure

inflation rate



## Labor and Workforce



Described as a “labor drought” by President of Richmond federal Reserve



Local governments have lost a lot of workforce over the last decade, many open positions exist today in core functions



This labor issue represents potentially hidden cost pressures and potentially lack of services raising costs to businesses and citizens



## Pension and Retiree Health Care Costs



Many local Governments offered and still offer in some form pension and retiree health care



For some governments, these cost burdens became very large relative to the size of revenues

Detroit bankruptcy centered on this issue in 2013

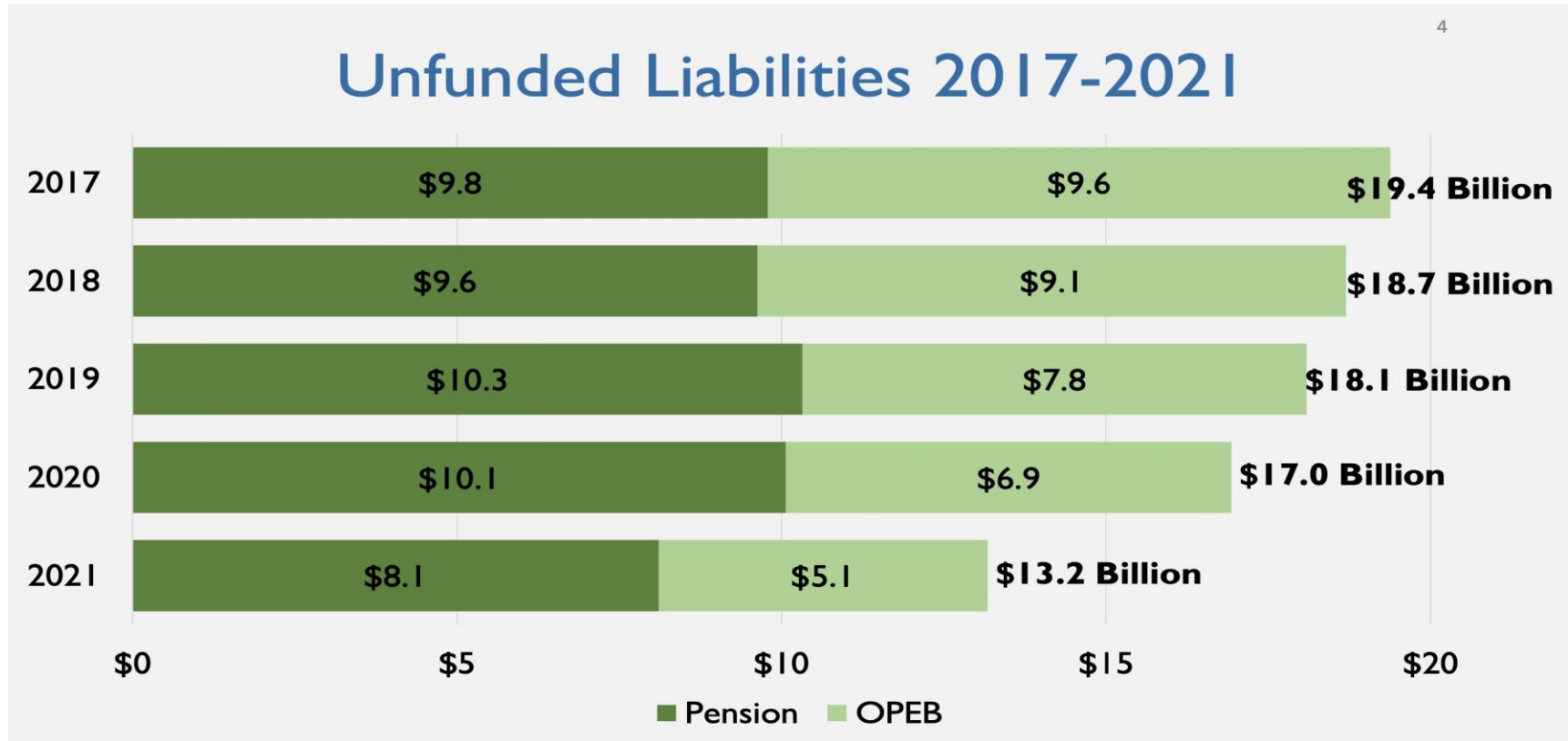


In our region

55 local governments had a pension or retiree health care system so about 1/3 of the total 19 required a corrective action plan, only 6 have current plans



# Statewide Pension & Retiree Health Care Cost



## Fiscal Outlook 2024-2025



Revenue growth will slow for most local governments but cost pressures will continue to grow to maintain services and infrastructure



Expect tighter budgets in the next two years



High degree of economic uncertainty and higher-level government uncertainty means budgeting with a safety cushion



- Thank you!
- **MSU Extension Center for Local Government Finance and Policy**
  - We provide assistance to local governments across the state on a number of issues
  - You can reach me at [Scorsone@msu.edu](mailto:Scorsone@msu.edu)
  - Our website is [https://www.canr.msu.edu/center\\_for\\_local\\_government\\_finance\\_and\\_policy/](https://www.canr.msu.edu/center_for_local_government_finance_and_policy/)
  - Or Google “MSU Center for local government”

