

Grand Rapids Economic Forecast 2024

Paul Isely, Ph.D., Associate Dean, Seidman College of Business
 Albert Nii Noi Okwei, Graduate Assistant

SEIDMAN
COLLEGE OF BUSINESS



- The Current Business Confidence Index for the end of 2023 is 72%, higher than expected last year.
- The Forecast Business Confidence Index for 2024 is 68%, showing reduced expectations for 2024.
- Employment is expected to grow by 1.4% to 1.7% in 2024, indicating slower growth than 2023.
- Overall nominal sales are expected to increase by 2.3% to 2.8% for 2024, consistent with growth in 2023.
- Wages are expected to increase by 3.5% to 3.7% for 2024 which is much slower than the increases seen in 2023.
- All indicators signal the West Michigan economy will be mixed with slowing employment growth but sales remaining steady.

Introduction

The survey for the greater Grand Rapids economy (Kent, Ottawa, Muskegon, and Allegan counties or KOMA) was conducted in November and December 2023. A survey was mailed to the CEOs and business leaders of nearly 1,000 organizations based on a representative sample. Efforts were made to ensure that the sample reflected different sectors of the regional economy and the geographical diversity of the area. In total, 113 organizations completed the survey resulting in a strong response rate of 12.0%. A convenience sample survey was also administered through the Grand Rapids Chamber of Commerce membership which yielded 460 responses. However, due to the possibility of a non-random response sample, the survey should be interpreted with caution.

The survey was timed for the week after the elections to allow respondents time to digest some of the possible implications of the results.

A few methodological considerations are in order. Although we discuss the survey results in terms of averages, the data are represented in a histogram format to show the entire distribution of responses. The employment, sales, and export numbers are more volatile as raw averages (when calculated without adjusting for outliers—responses beyond one standard deviation). Since the average of a small sample is significantly influenced by extreme numbers, we use the averages without the outliers to provide more reliable results. The histograms, however, depict all the available observations to show the broad picture.

Confidence Index

The Confidence Index has been tracked by researchers at the Seidman College of Business since 1995. A continuing goal of the survey is to historically track the overall business confidence of the Grand Rapids area. The survey respondents use a scale from zero percent (no confidence at all) to one hundred percent (complete confidence) in response to the question: **How confident are you in the regional economy?** The average responses for the private sector and the government/non-profit sector over the past 28 years are shown in **Figure 1**.

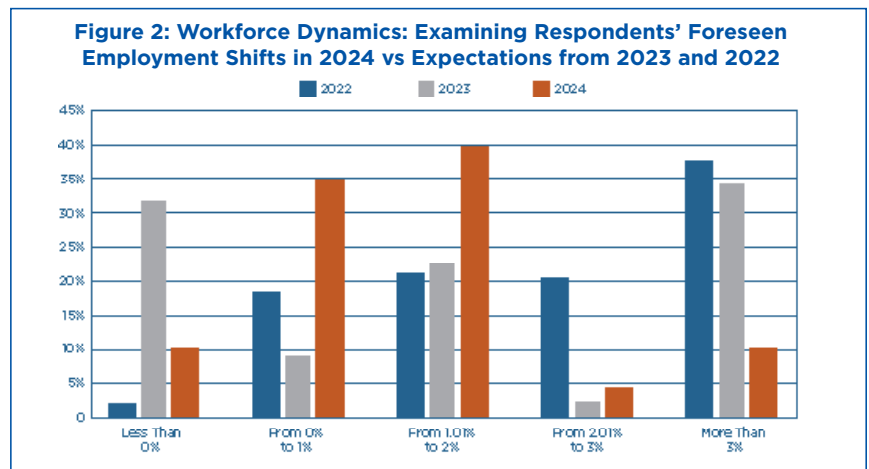
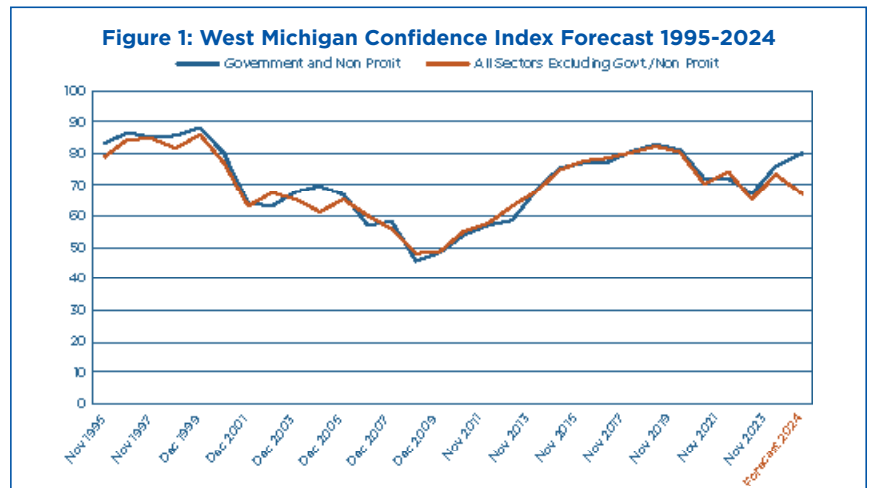
The Confidence Index overall did not change much. However, the confidence for the coming year for the private sector is expected to fall, but the government and nonprofit sectors are exhibiting a big increase in confidence for 2024. This is consistent with the improved sales tax revenue, strong property values, and continued

spending from federal stimulus funds elevating the outlook for the government sector. However, the private sector is indicating heightened uncertainty over the coming year, including more than 70% of respondents saying the political environment is negatively impacting their business.

Employment

Last year employment for KOMA was projected to grow at an average of 1.8%, and so far between November 2022 and November 2023 the region grew by 1.5%. Businesses have been unable to hire at desired rates as there are not enough applicants in the labor pool.

The responses to the question: **What percent change do you expect in employment for the four counties in 2024?** are shown in **Figure 2**.



Grand Rapids Economic Forecast 2024
 (Continued)

Average employment in the KOMA region during 2024 is expected to grow a little faster than last year at a 1.6% pace, provided there are enough people willing to work. The big change is in the firms that are looking to shrink headcount (from 30% in 2023 to 10% in 2024) and in firms thinking about growing headcount quickly (from 34% in 2023 to 10% in 2024). Over 2024, 75% of firms are specifying employment growth between 0% and 2%. This is consistent with firms reaching a consensus on how fast employment growth will happen over the next year.

The survey also asked about wages. The average increase in wages is expected to continue to grow this year though at a much slower rate than the last two years. The increase will fall to 3.6% from surveyed increases of 4.1% in 2023 and 4.8% in 2022. The wage growth has stabilized to increases that are more consistent with pre-COVID numbers with 64% of respondents looking at increases between 2% and 4%. The expected slower wage growth combined with slower hiring growth would reflect a clear slowdown in the labor market for 2024.

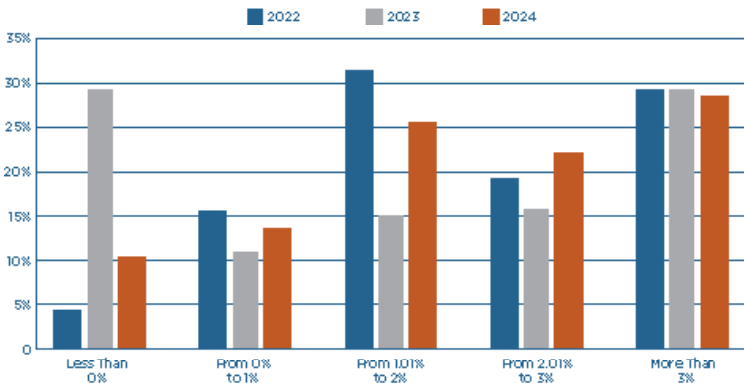
Sales

For sales, the respondents answer the following question: **What percent change in sales do you project for the four counties in 2024?** Results are shown in **Figure 3**. During the late 1990s, sales grew at an annual rate of 5%.

During 2024, our respondents are expecting growth around 2.6% for the year. This is an increase in sales expectations while at the same time the firms are reporting a slowdown in employment growth. This means that firms are expecting a speedup in productivity for their workers over the year.

The major change in expectations compared to 2023 is that the percentage of firms expecting a drop in sales has decreased to 11% from 29%. Firms are projecting growth with 75% of firms expecting to grow more than 1%.

Figure 3: Sales Forecast: Analyzing Respondents' Anticipated Changes in 2024 Against Previous Expectations (2023 and 2022)



Inflation

Consumer price inflation remained elevated primarily due to strong wage growth. Consumer price inflation averaged 3.4% over the 12 months ending in December 2023. The survey respondents expect the inflation level to remain at this level for the coming year. Historically, respondents have overestimated inflation for the coming year. If we adjust for this bias, the survey expectation is an inflation rate in the 2.5% - 3.0% range at the end of 2024. This is consistent with the Philadelphia Federal Reserve survey of professional forecasters. This will still be above the stated Federal Reserve inflation goal, so it will limit their ability to lower interest rates quickly.

General Outlook

The data for West Michigan shows a slowdown in employment growth compared to 2023. However, sales are expected to grow a little faster than last year. The primary concern going into 2024 is that, adjusted for inflation, the excess savings for consumers was used up by the end of 2023 and now consumption is increasingly debt driven. This could lead to a slowdown if consumers start to pull back on spending to a more sustainable level.

Acknowledgments

We are very grateful to all the organizations that participated in the 2024 Confidence Index Survey.



SEIDMAN GRADUATE PROGRAMS

- Access hybrid and remote learning options
- Engage in personalized leadership development
- Tap into valuable community and business connections

- Executive MBA
- Professional MBA
- Master of Science in Accounting (MSA)
- Master of Science in Taxation (MST)

www.gvsu.edu/seidmangrad

SEIDMAN
COLLEGE OF BUSINESS



GRAND VALLEY
STATE UNIVERSITY

ADVANCE YOUR CAREER



View
 The Seidman
 Business Review
 online!

Learn more about the Grand Rapids Chamber
 at grandrapids.org