THE NEW WORK ENVIRONMENT
Concerns for Businesses and Workers Post COVID-19
THE 2022 FORECAST: CLOSER TO NORMAL

Michael J. Hicks, Ph.D.
Director and George & Frances Ball Distinguished Professor of Economics
How to think about today’s economy...

• Compressed structural changes to labor market

• Unusual forecast uncertainty, COVID still here...

• Significant labor force supply issues

• Large policy response with uncertain tail

• Inflation and return to trend GDP growth
The Labor Force Shock of COVID-19

Percent Change in Labor Force

Months Since the start of Recession

Source: Bureau of Labor Statistics and National Bureau of Economic Research, via Federal Reserve Economic Database (with author’s calculations)
Employment Growth and Vaccination Rates
(June to July 2021 Employment Growth, July vaccination rates)

\[ y = 0.0116x - 0.0034 \]

\[ R^2 = 0.2164 \]

Source: Bureau of Labor Statistics, via Federal Reserve Economic Database, Johns Hopkin’s University COVID dashboard (with author’s calculations)
Cumulative Employment Growth in States by Policy Characteristics

Source: Bureau of Labor Statistics, via Federal Reserve Economic Database (with author’s calculations)
Weekly Help Wanted Ads and Remote Share

Source: Jobs EQ, Chmura Economics
Source: Bureau of Labor Statistics, via Federal Reserve Economic Database (with author’s calculations)
Other Forecasts

Trading Economics 1.7%
Goldman Sachs 2.0%
**Ball State** 2.1%
BLS 2.2%
CBO 2.4%
Fed Low 2.8%
IHS-Global Insight 2.9%
Federal Reserve 3.3%
Fed Hi 3.8%
Conference Board 4.0%
Philly Fed survey 4.4%
Blue Chip 4.4%
IMF 4.7%
<table>
<thead>
<tr>
<th>State</th>
<th>2021 Forecast</th>
<th>2022 Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>ILLINOIS</td>
<td>3.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>INDIANA</td>
<td>3.4%</td>
<td>1.4%</td>
</tr>
<tr>
<td>KENTUCKY</td>
<td>3.5%</td>
<td>2.6%</td>
</tr>
<tr>
<td>MICHIGAN</td>
<td>3.9%</td>
<td>3.3%</td>
</tr>
<tr>
<td>OHIO</td>
<td>3.9%</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

Source: Bureau of Labor Statistics, Forecast from the model proposed by Hicks, Michael J. “Forecasting State Level Economic Activity: An Error Correction Model with Exogenous National Structural Forecast Components” Proceeding of the 101st Annual Conference of the National Tax Association”
Source: Office of Management and Budget, Federal Reserve, via Federal Reserve Economic Database (with author’s calculations)
What could be fueling the Home Sales Frenzy?

Source: Case-Shiller Home Price Index, and Federal Reserve mortgage survey, via Federal Reserve Economic Database (with author’s calculations)
Inflation is Here... but maybe not to stay


- Target
- Core
- Core (2-year)
- Sticky Price
- CPI
- CPI (2-year)
## East Central Indiana Population Change

<table>
<thead>
<tr>
<th>County</th>
<th>2010</th>
<th>2020</th>
<th>Average Annual Losses</th>
<th>Average annual percent loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware</td>
<td>117,665</td>
<td>113,649</td>
<td>-421</td>
<td>-0.36%</td>
</tr>
<tr>
<td>Fayette</td>
<td>24,325</td>
<td>23,180</td>
<td>-143</td>
<td>-0.59%</td>
</tr>
<tr>
<td>Henry</td>
<td>49,530</td>
<td>47,495</td>
<td>-150</td>
<td>-0.30%</td>
</tr>
<tr>
<td>Jay</td>
<td>21,179</td>
<td>19,563</td>
<td>-76</td>
<td>-0.36%</td>
</tr>
<tr>
<td>Madison</td>
<td>131,619</td>
<td>129,557</td>
<td>-194</td>
<td>-0.15%</td>
</tr>
<tr>
<td>Randolph</td>
<td>26,178</td>
<td>24,242</td>
<td>-199</td>
<td>-0.76%</td>
</tr>
<tr>
<td>Wayne</td>
<td>68,889</td>
<td>65,398</td>
<td>-311</td>
<td>-0.45%</td>
</tr>
<tr>
<td>COVID Affected Sectors</td>
<td>2021</td>
<td>2022</td>
<td></td>
<td></td>
</tr>
<tr>
<td>----------------------------------------</td>
<td>-------</td>
<td>-------</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>1.8%</td>
<td>1.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accommodations and Food Services</td>
<td>4.3%</td>
<td>3.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Arts, Entertainment and Recreation</td>
<td>4.3%</td>
<td>3.5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance</td>
<td>4.5%</td>
<td>4.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>3.5%</td>
<td>3.0%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Sectors</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing</td>
<td>1.9%</td>
<td>1.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Utilities</td>
<td>1.9%</td>
<td>1.8%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction</td>
<td>-0.5%</td>
<td>-0.6%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Information</td>
<td>2.1%</td>
<td>1.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Healthcare</td>
<td>3.8%</td>
<td>3.4%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Professional Services</td>
<td>2.9%</td>
<td>2.7%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wholesale</td>
<td>2.1%</td>
<td>1.9%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Weighted Average</strong></td>
<td>2.6%</td>
<td>2.1%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
A Summary:

• Probably settling down to trend growth (2 - 2.5% range)

• Labor supply won’t recover for years

• Increasing share of jobs to remote workers

• Inflation, probably transitory, still within policy realm

• COVID is still affecting the economy...
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Q & A

Please raise your hand and wait for a microphone, or use the question card and someone will collect card from you.
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