

# Branch County Economic Outlook

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**W.E. Upjohn Institute for Employment Research**

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# Agenda

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- The national economy—*Very troubled.*
    - The consumer has left the building.
    - The financial system is still in crisis.
    - The world's economy is struggling.
  - State economy—*Don't even go there.*
  - Local trends—*Not much better.*
  - Thoughts from an outsider—*Rural areas face new challenges in an increasing "flat" world.*
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National outlook: All but one of the nation's economic indicators are pointing in the same direction.

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|--|-------|
| <input type="checkbox"/> Employment                    | RED   |
| <input type="checkbox"/> Residential construction      | RED   |
| <input type="checkbox"/> Consumer confidence           | RED   |
| <input type="checkbox"/> Consumer financial conditions | RED   |
| <input type="checkbox"/> Credit markets                | RED   |
| <input type="checkbox"/> ISM Purchasing Mgrs. Index    | RED   |
| <input type="checkbox"/> Stock market                  | RED   |
| <input type="checkbox"/> Inflation                     | GREEN |
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# Consumers

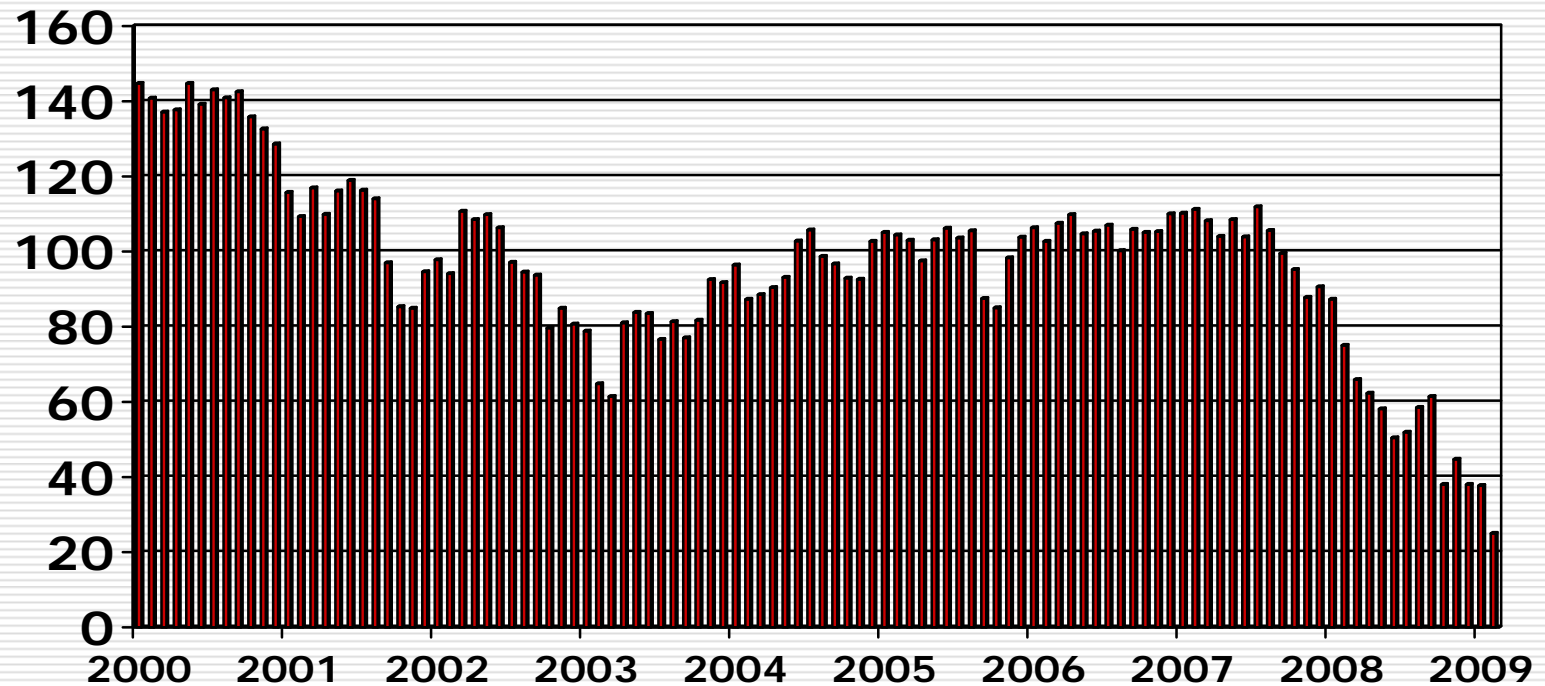
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- Confidence is low.
  - Real estate markets are inactive, and values are dropping.
  - Retirement savings are in jeopardy.
  - Job outlook is dim.
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# Consumers are not confident about current economic conditions.

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Consumer Confidence (1995=100)

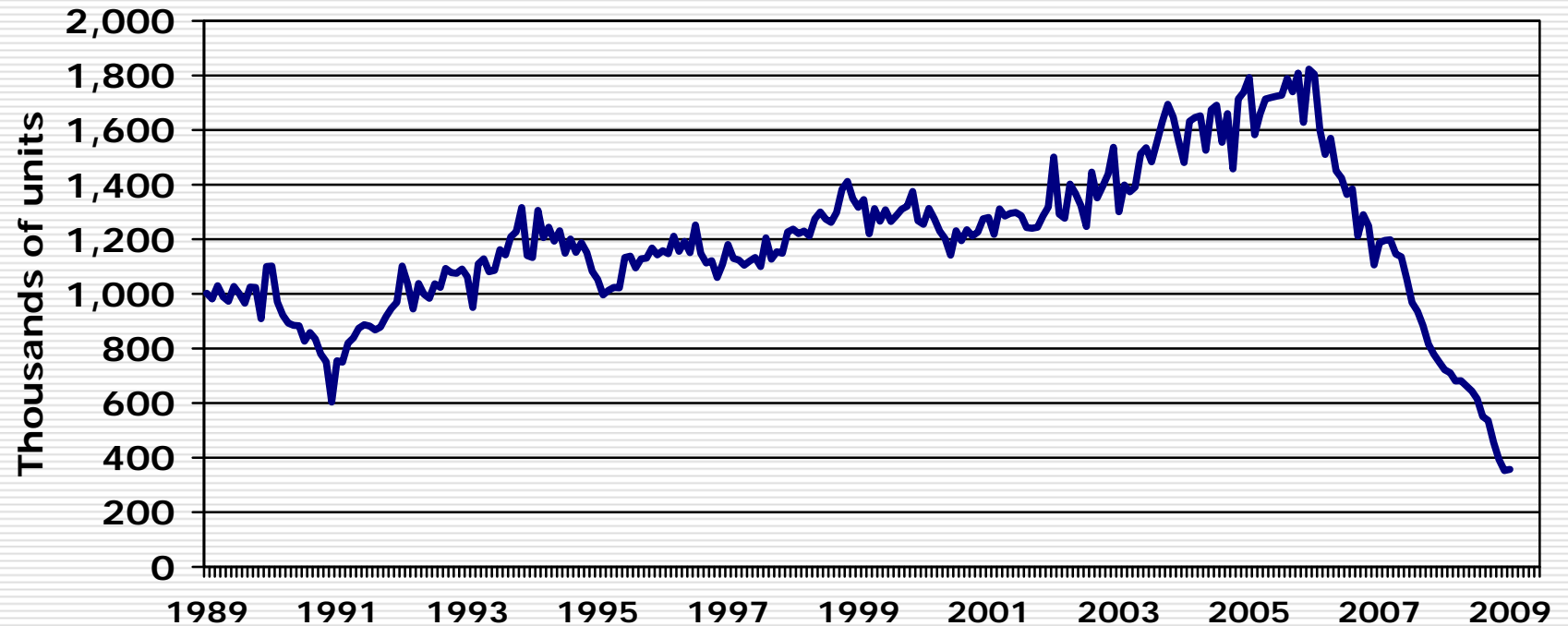


Source: Conference Board

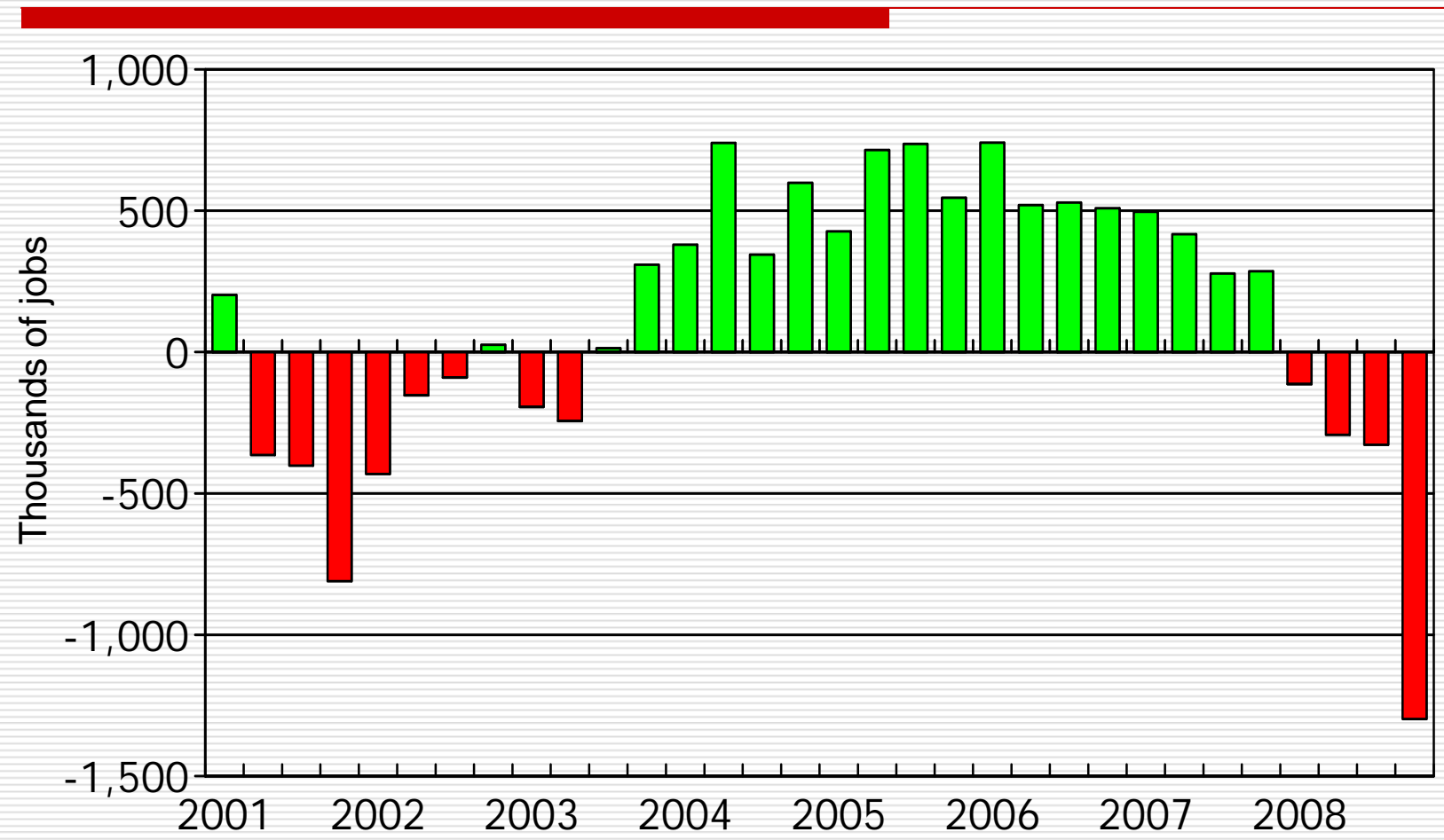
# Single-Family Housing Starts – *Has not yet found bottom.*

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## Seasonally Adjusted Annual Rates



# Nationwide, employers are cutting back.



Source: BLS.

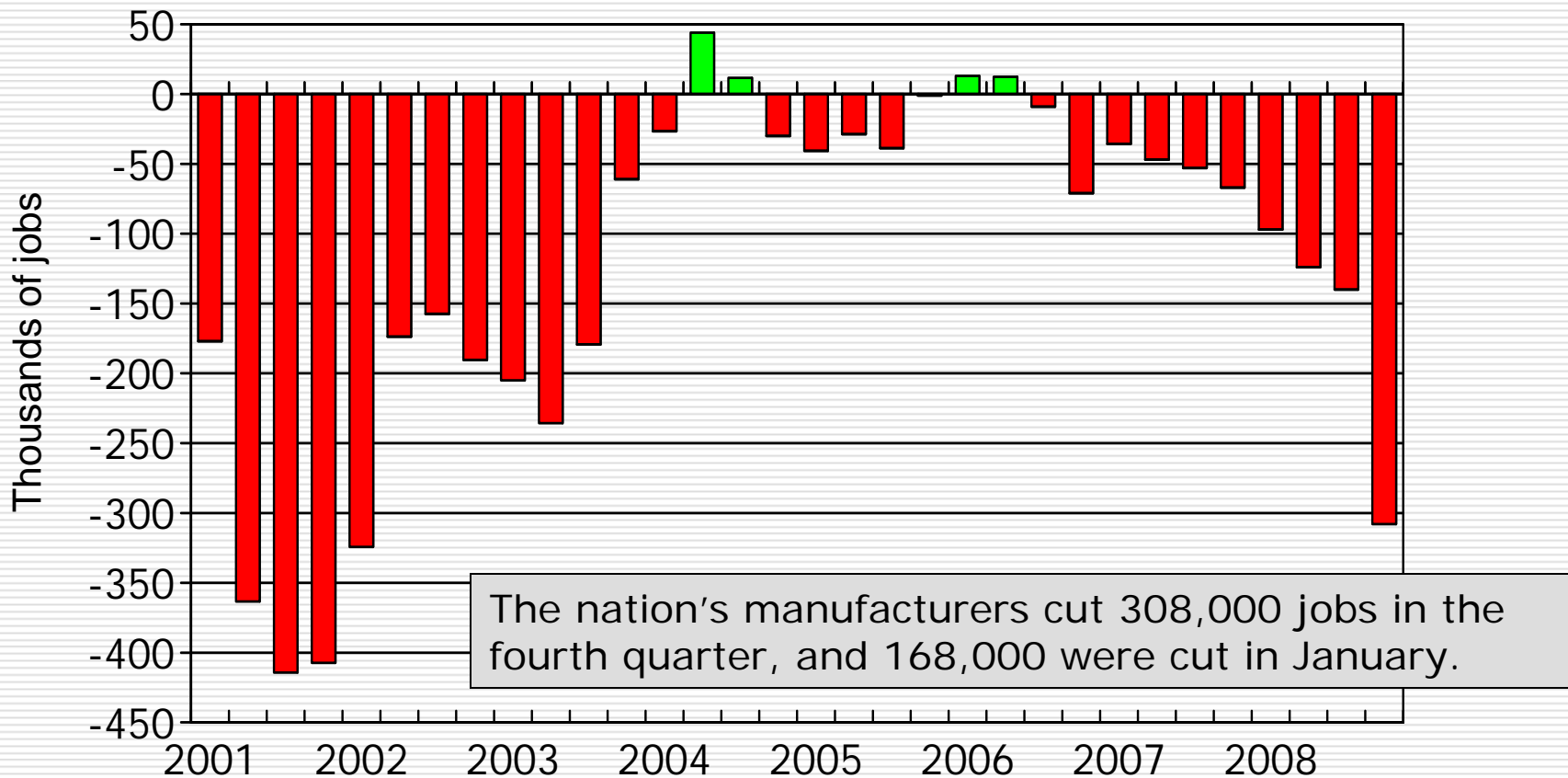
During the fourth quarter, total employment fell by 1,298,000! In February, employment fell by 651,000.

# Business Investment

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- Decline in demand for goods and services.
  - Financial system is still nearly frozen.
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# Manufacturing employment has never recovered from the 2001 downturn.



Source: BLS.

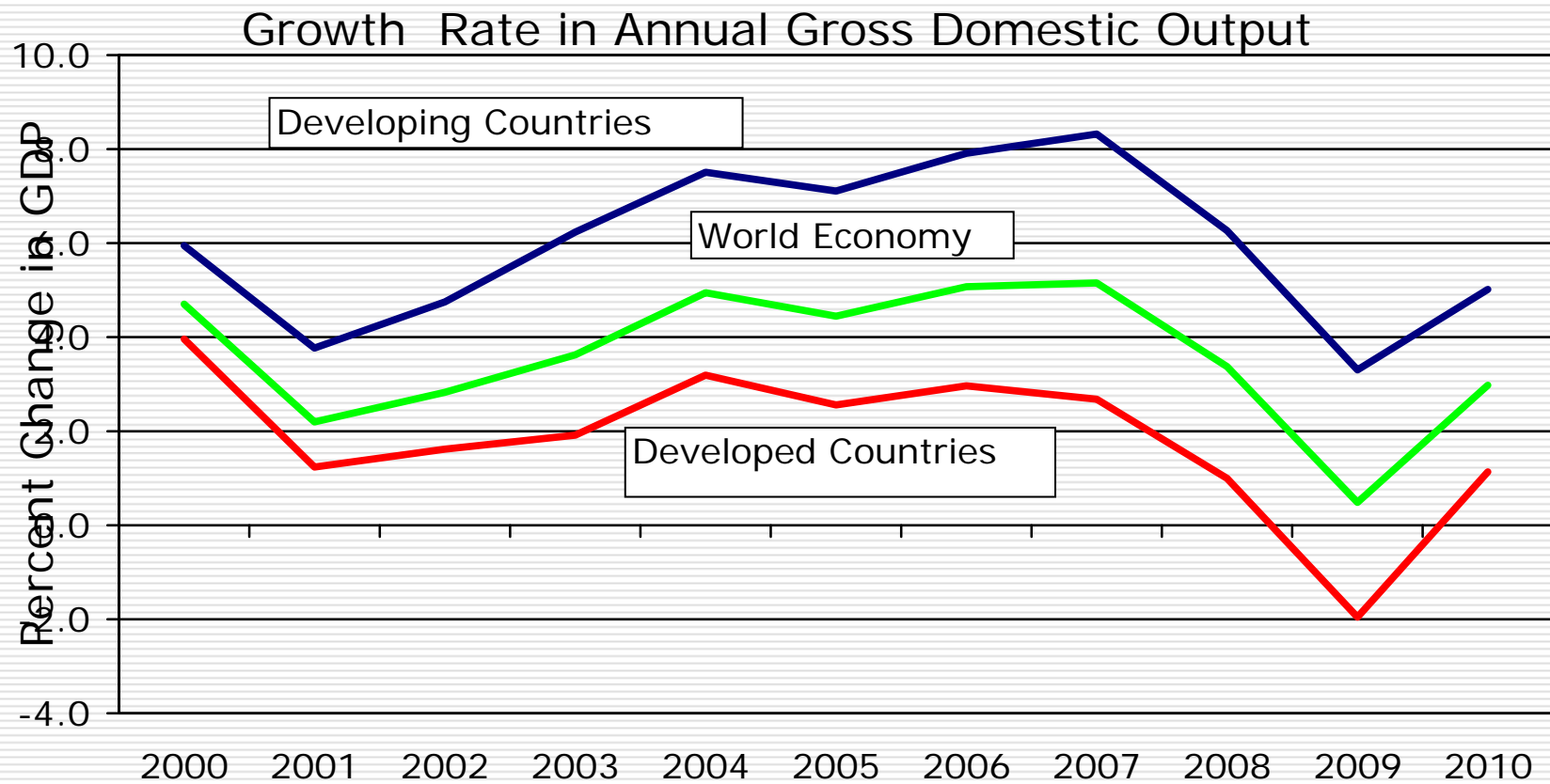
# Export markets are flat.

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- The world economy is in decline.

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# The world economy is slowing down.

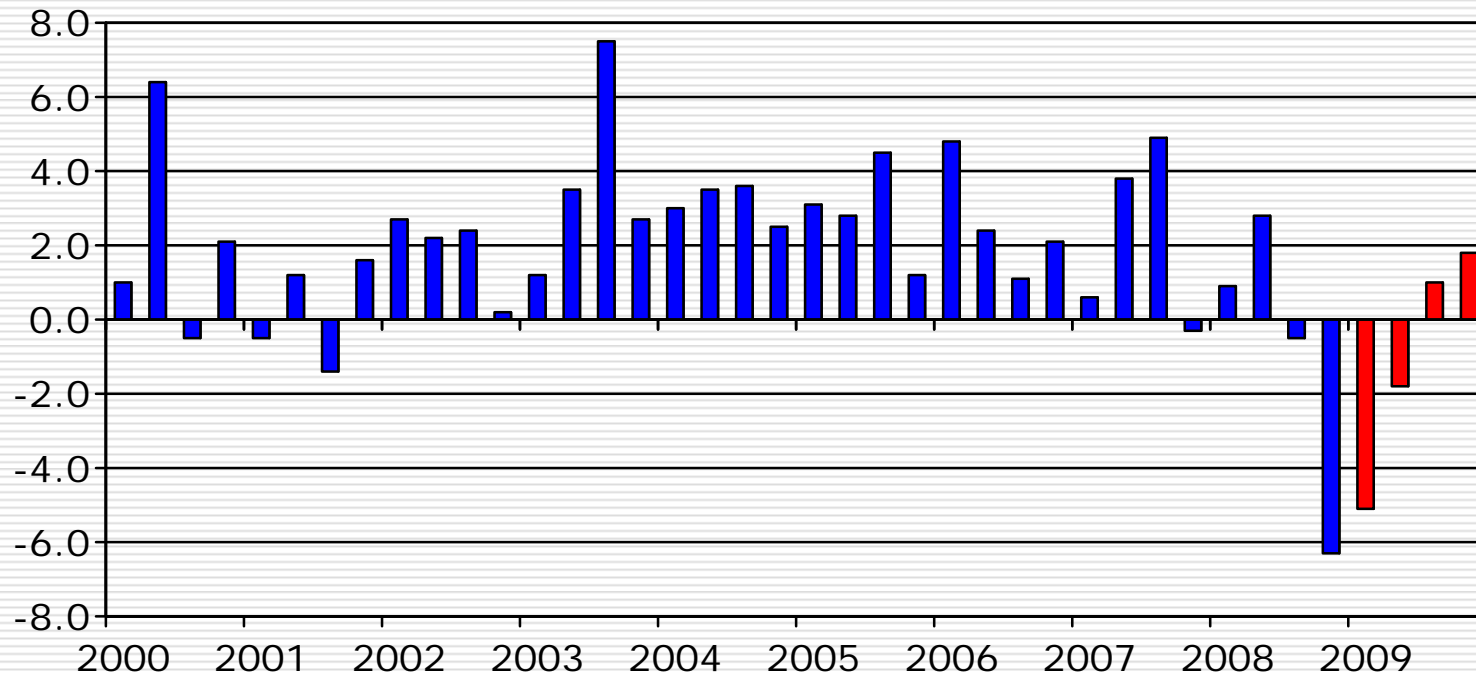


Source: IMF.

Percent change in the nation's GDP—*Fell 6.3 percent in the fourth quarter.*

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### Annualized Percent Change in GDP



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Source: BEA, Philadelphia Federal Reserve Survey of Professional Forecasters.

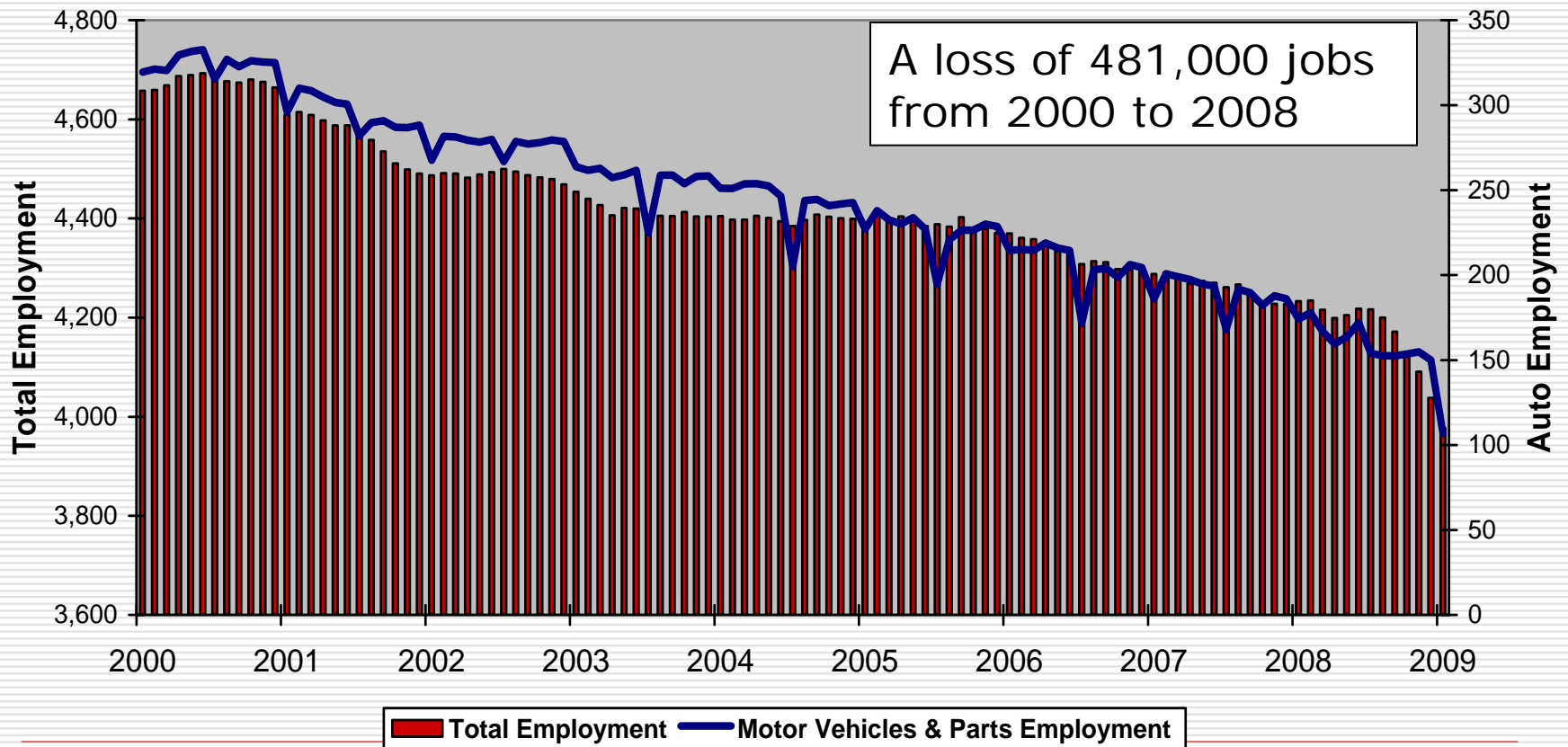
## Worse yet,

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- If the recovery of this recession is similar to the 1991 and 2001 recoveries, it may take 2 to 3 years before employment regains its 2007 levels.
  - And then there is Michigan.
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With the national slowdown, the state's turnaround is further postponed.

### Statewide Employment

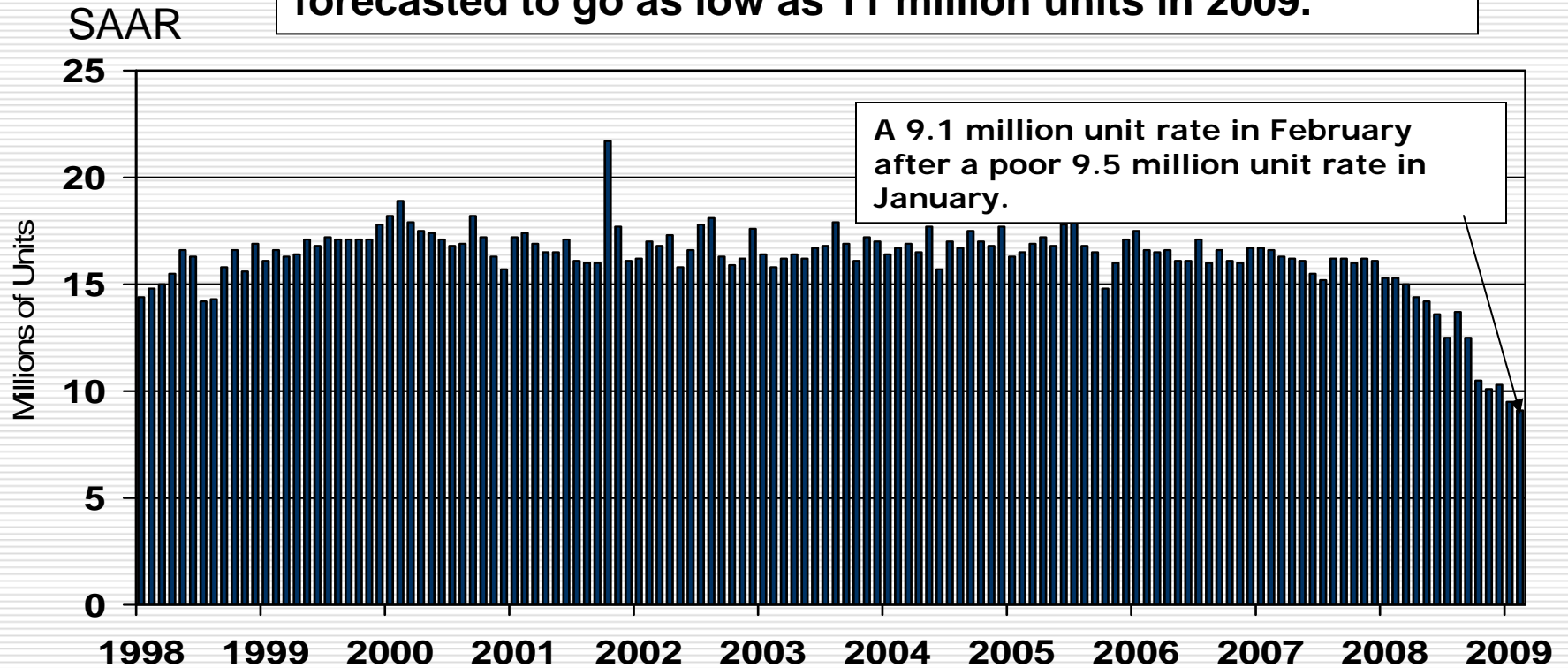


Source: BLS.

The state's unemployment rate is now 11.6%

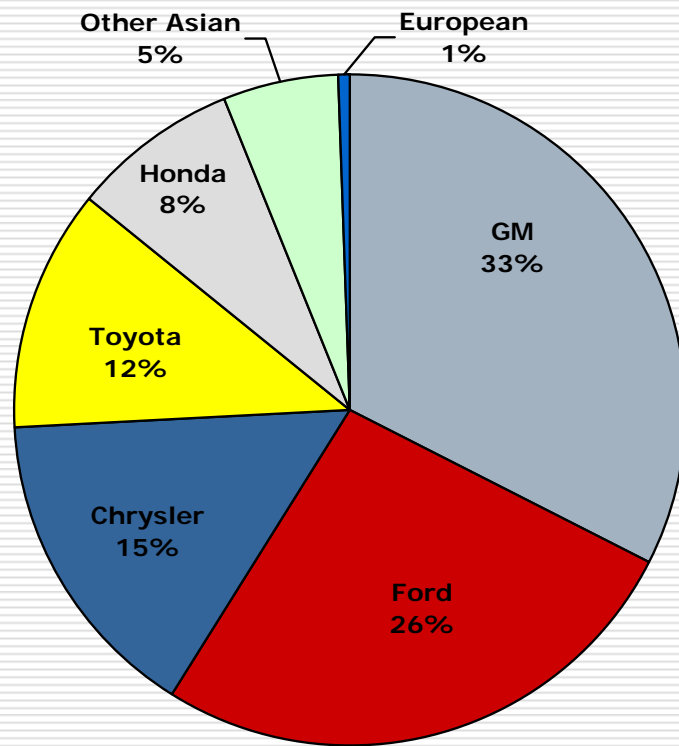
# Consumers are simply postponing purchases that can be postponed.

**Car and light truck sales reached 16.1 million units in 2007, dipped to 13.3 million units in 2008, and are now forecasted to go as low as 11 million units in 2009.**

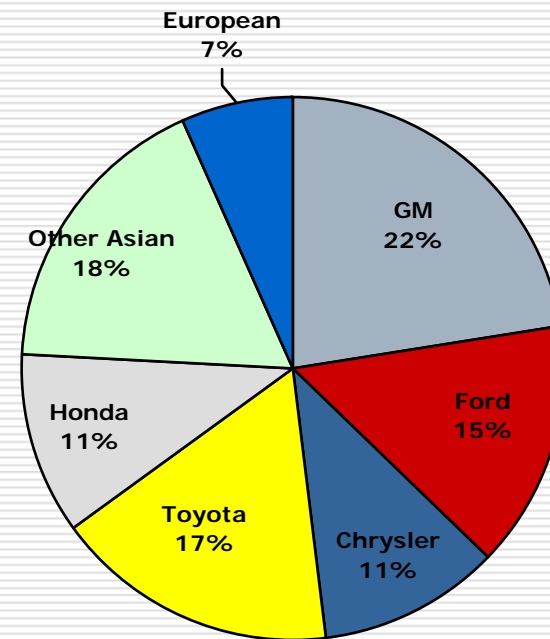


Source: BEA.

Loss of market share: In 2001, the Detroit Three controlled 74%; it fell to 48% in 2008.



2001



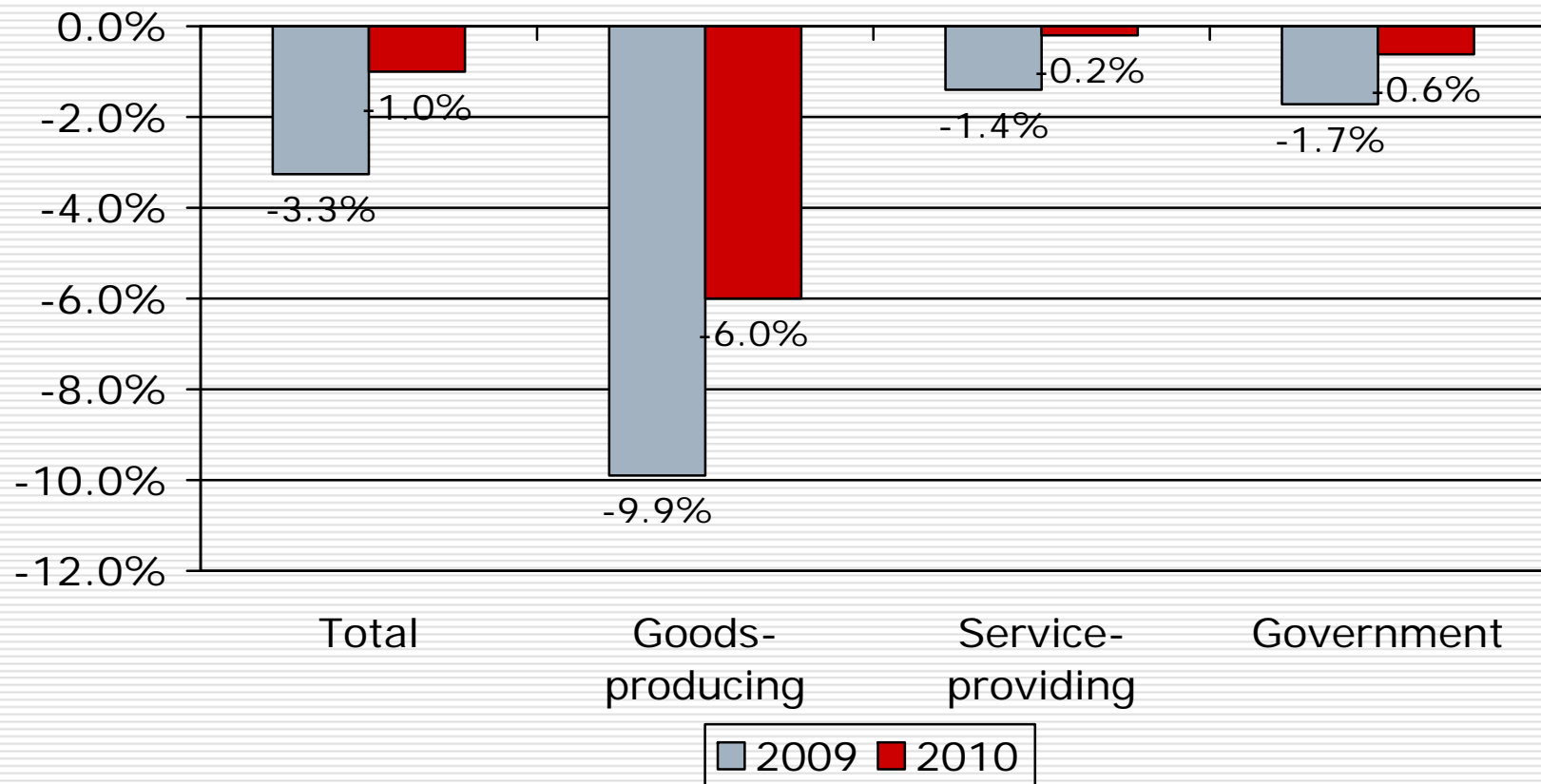
2008

Source: *Wards AutoWorld*.

In the past 12 months, sales of cars fell by 33%; light trucks by 38%.

# University of Michigan's Statewide Employment Forecast

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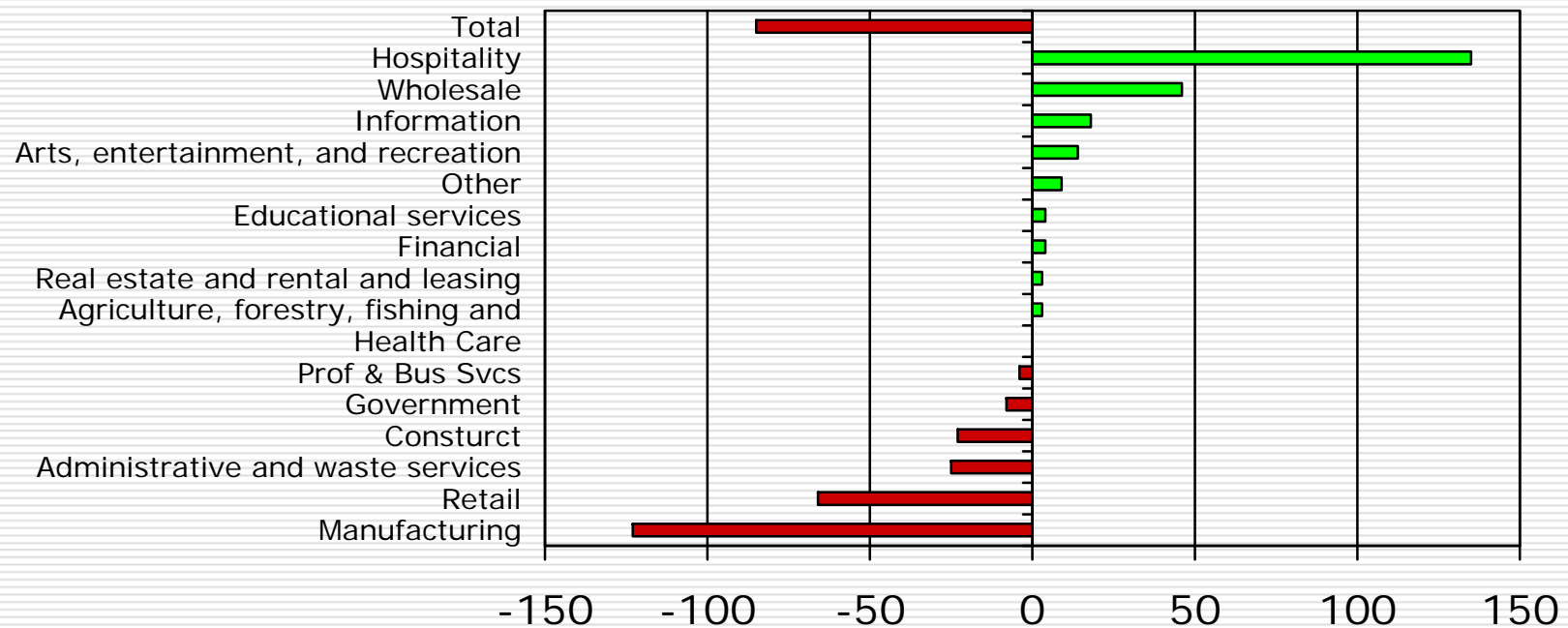
# Branch County

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- Employment trends are not good.
  - Population is flat.
  - Education achievement levels are low.
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Manufacturing and its multiplier effect on retail activity pushed the county's employment into negative territory.

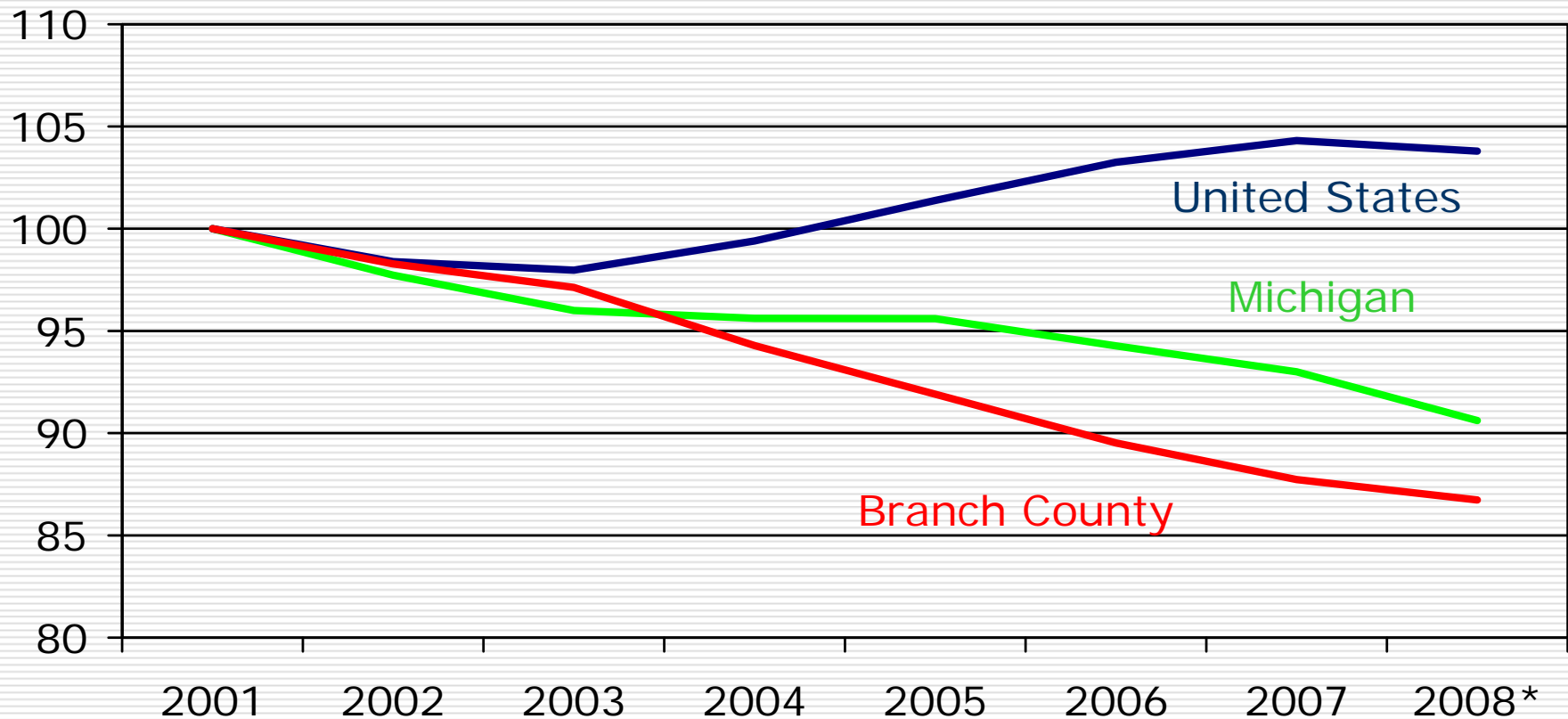
### Employment Change 2007 to 2008\*



\*2008 & 2007 = 2<sup>nd</sup> Quarter and 3 previous quarter average employment

# The county's long-term employment trends are worse than the state's.

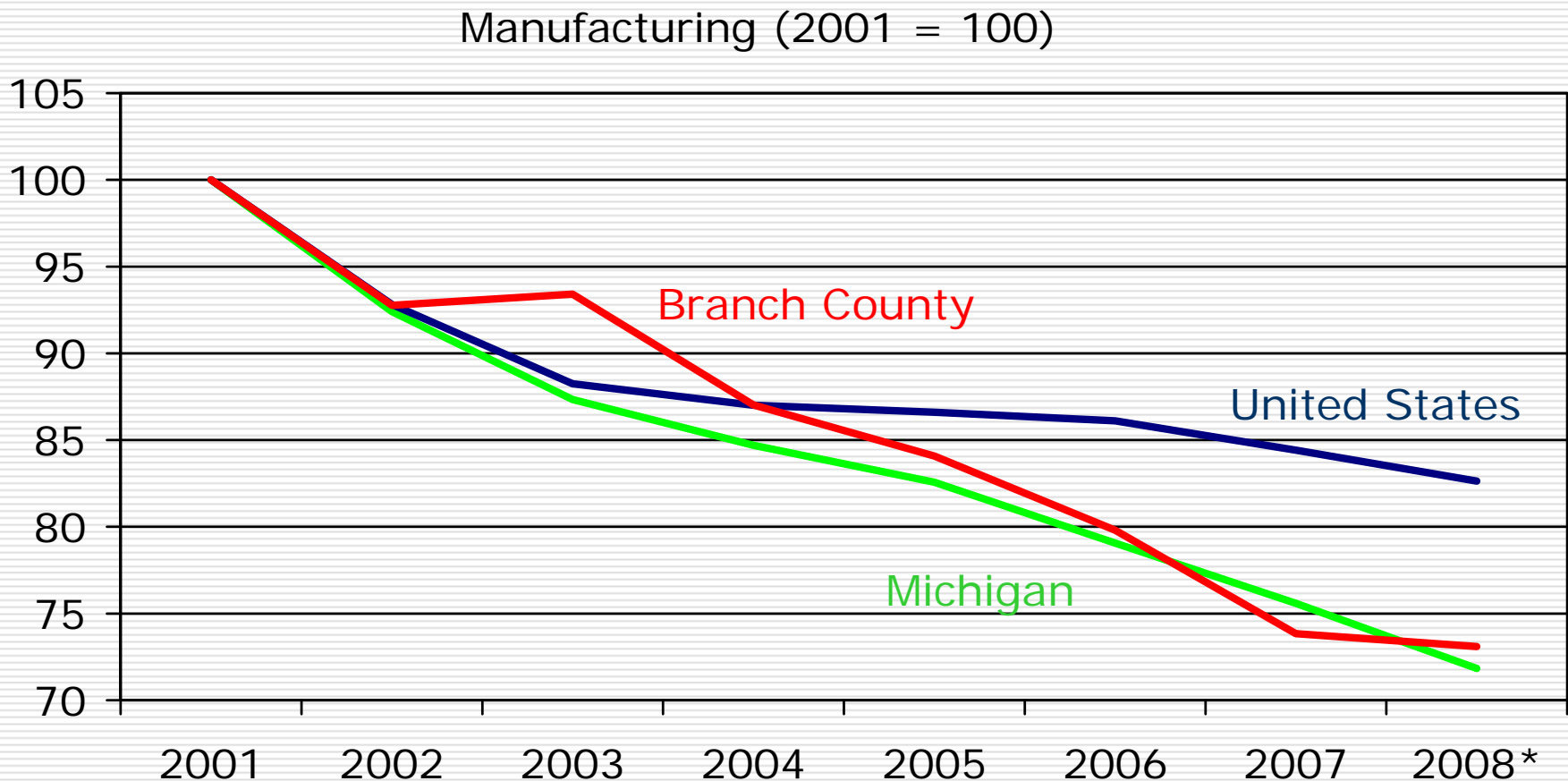
Total Private Employment (2001 = 100)



Source: W. E. Upjohn Institute.

\*2008 Data Jan-Jun only

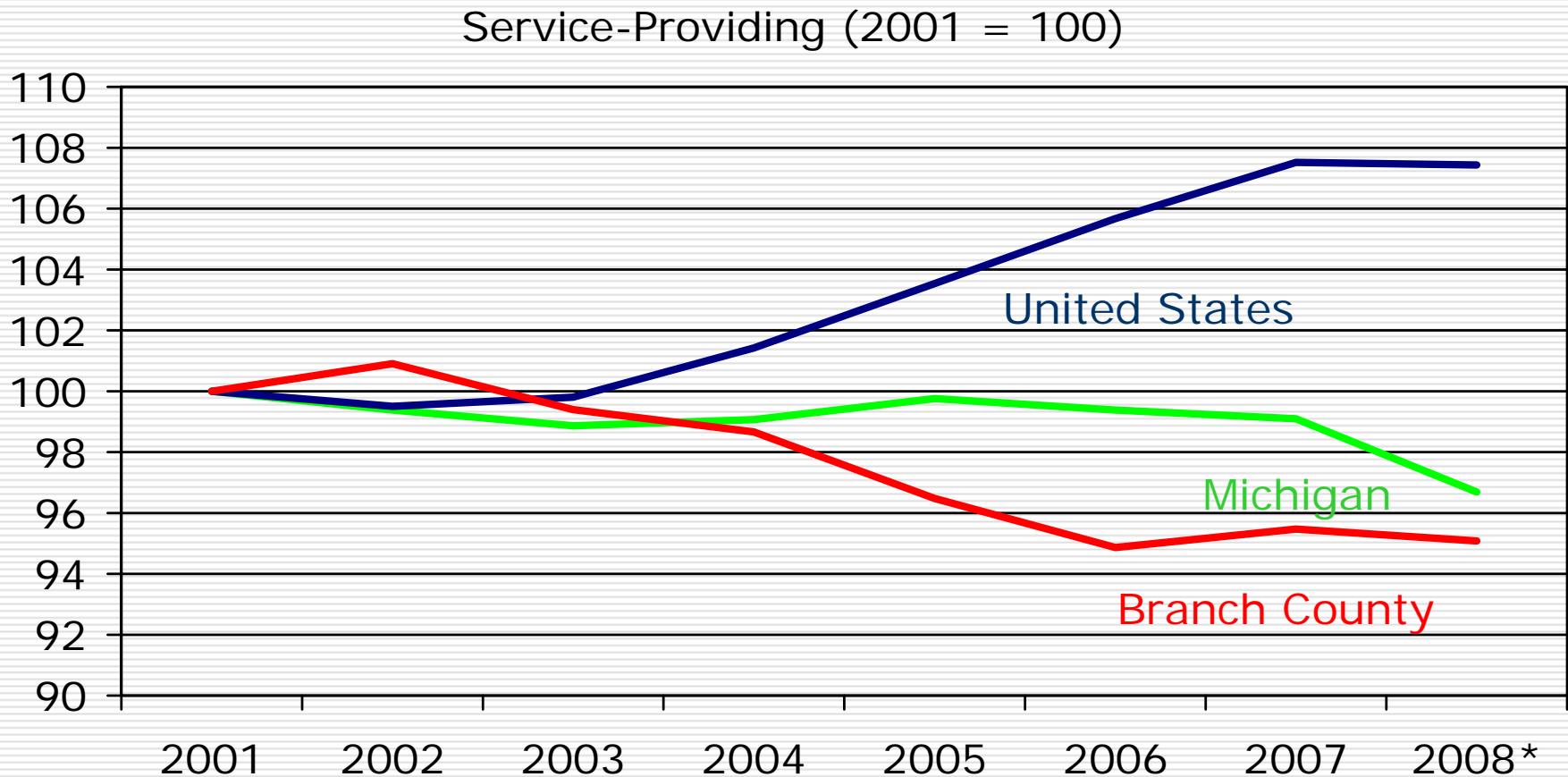
# Its manufacturing sector has followed the state.



Source: W. E. Upjohn Institute.

\*2008 Data Jan-Jun only

# It is in services where the larger problem lies.



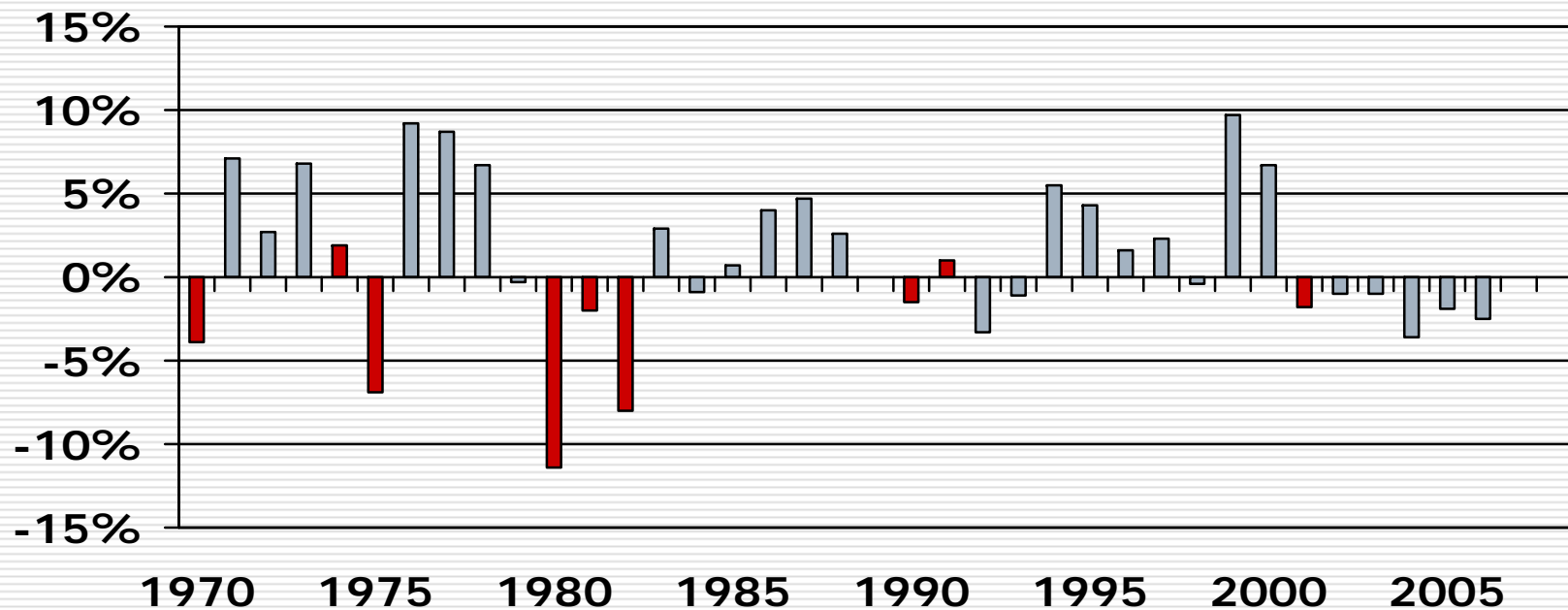
Source: W. E. Upjohn Institute.

\*2008 Data Jan-Jun only

In the past, the county has experienced large business cycle swings, but no longer.

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**Annual Branch County Wage & Salary  
Employment Change**

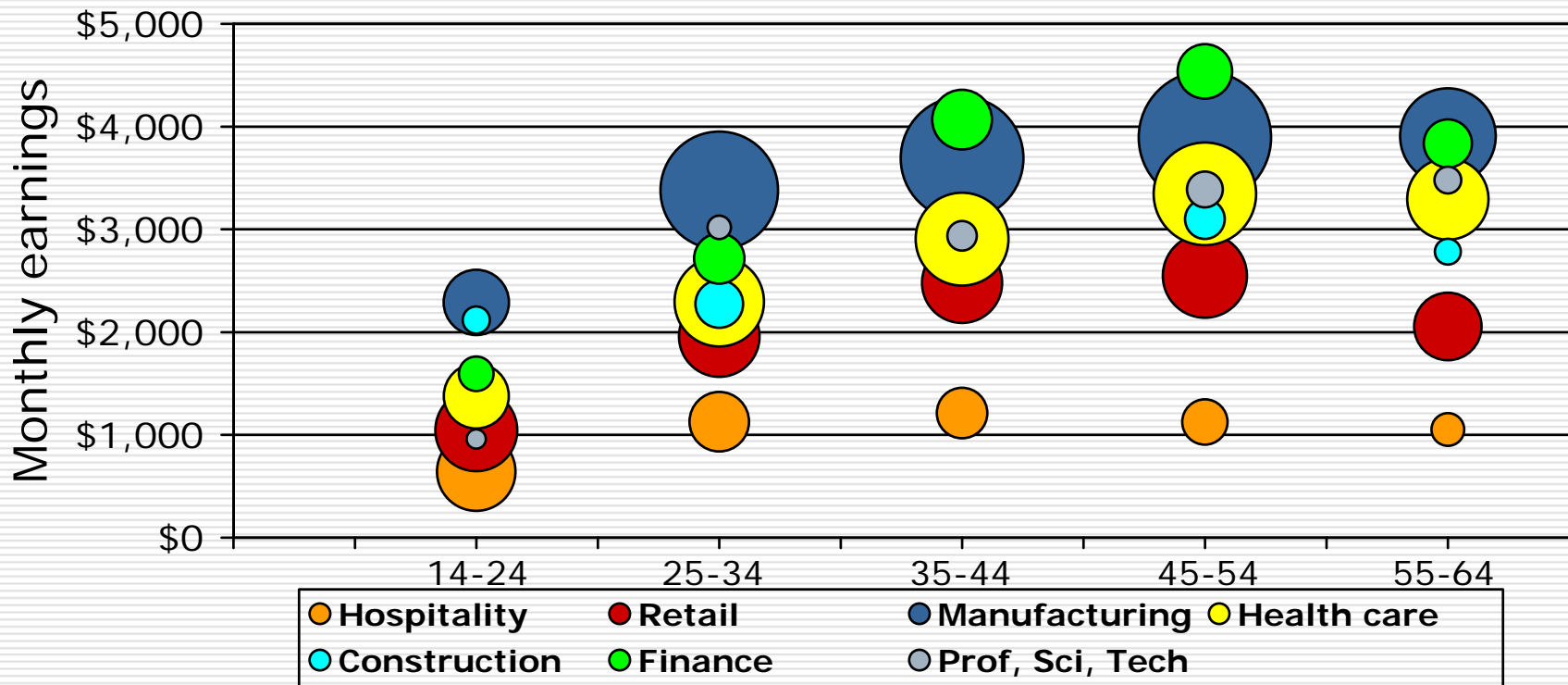


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Source: BEA-REIS and CES (2007 & 2008 est.) Note: Years with recessionary periods are in red.

Manufacturing and healthcare provide more better-paying jobs than other activities.

### Earnings and Employment, Q1 2008

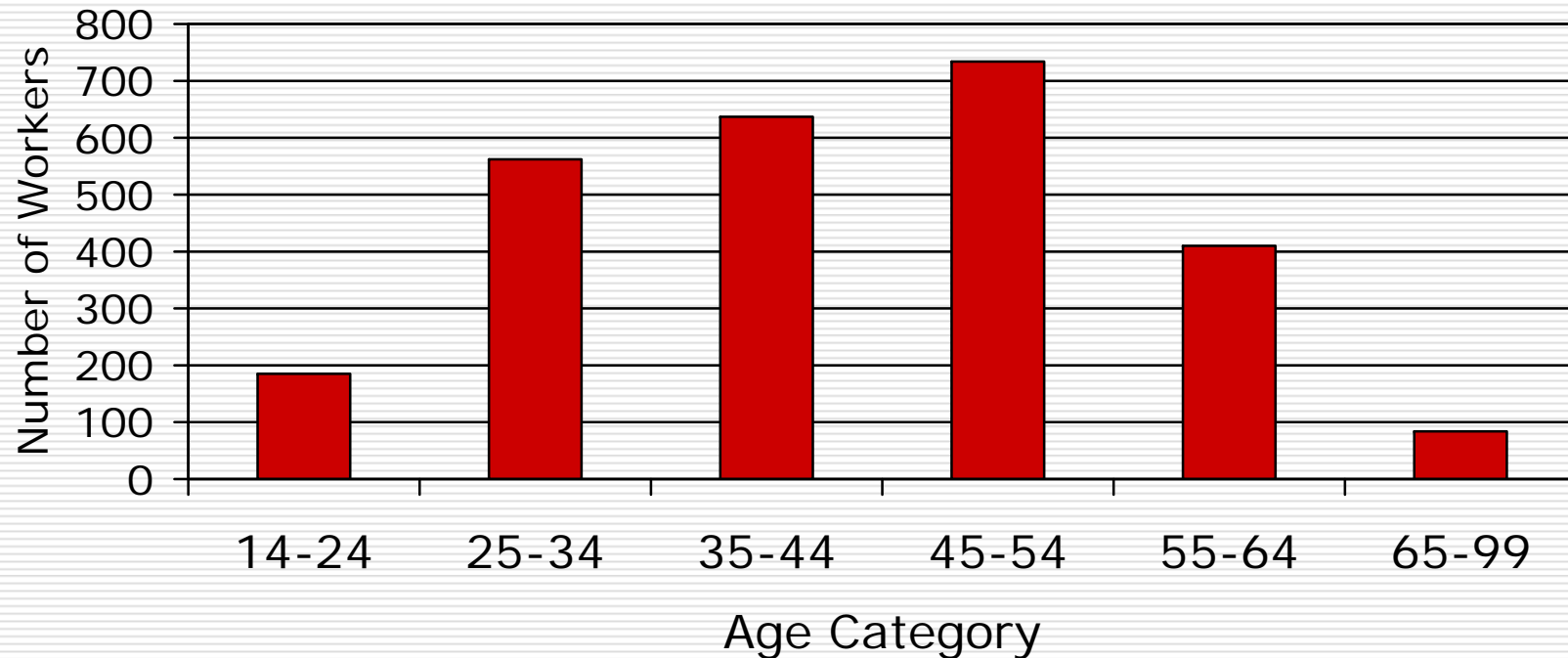


Source: MDLEG, Quarterly Workforce Indicators.

53% of the county's manufacturing workers are younger than 45 years of age.

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Q2 - 2008



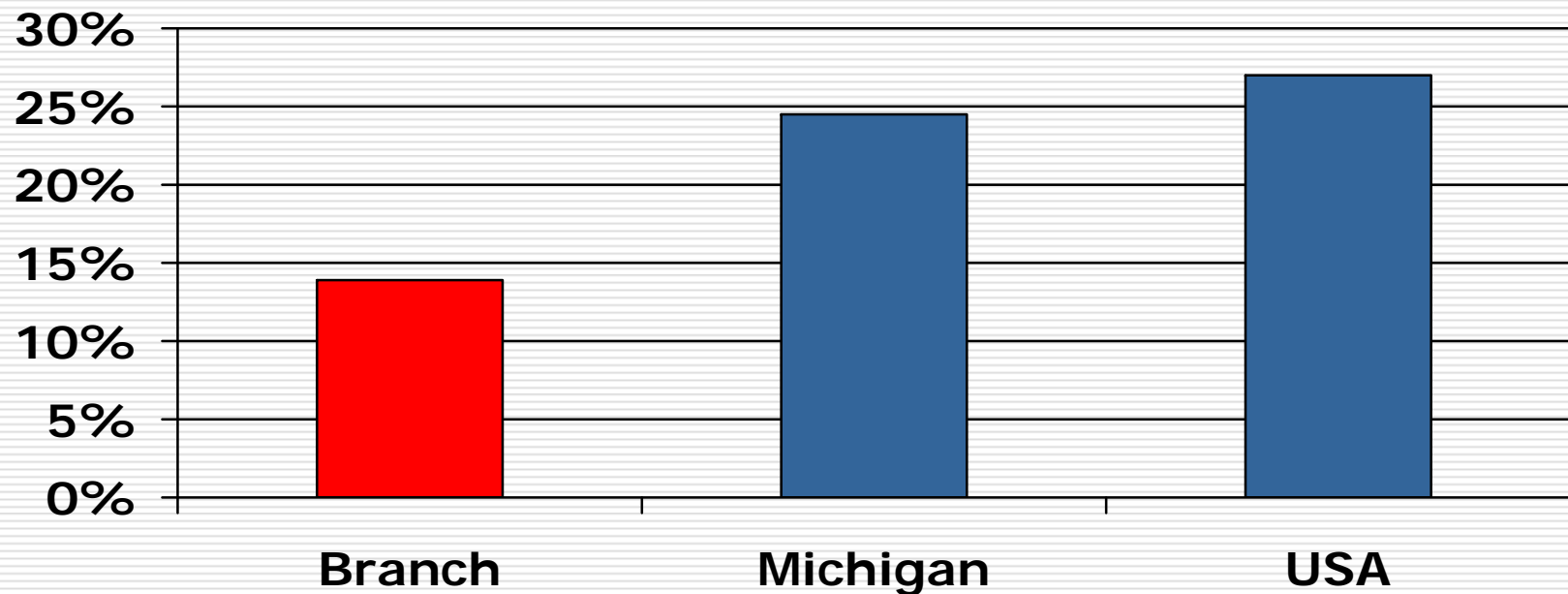
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Source: MDLEG, Quarterly Workforce Indicators.

# Can the county compete in a knowledge-based economy?

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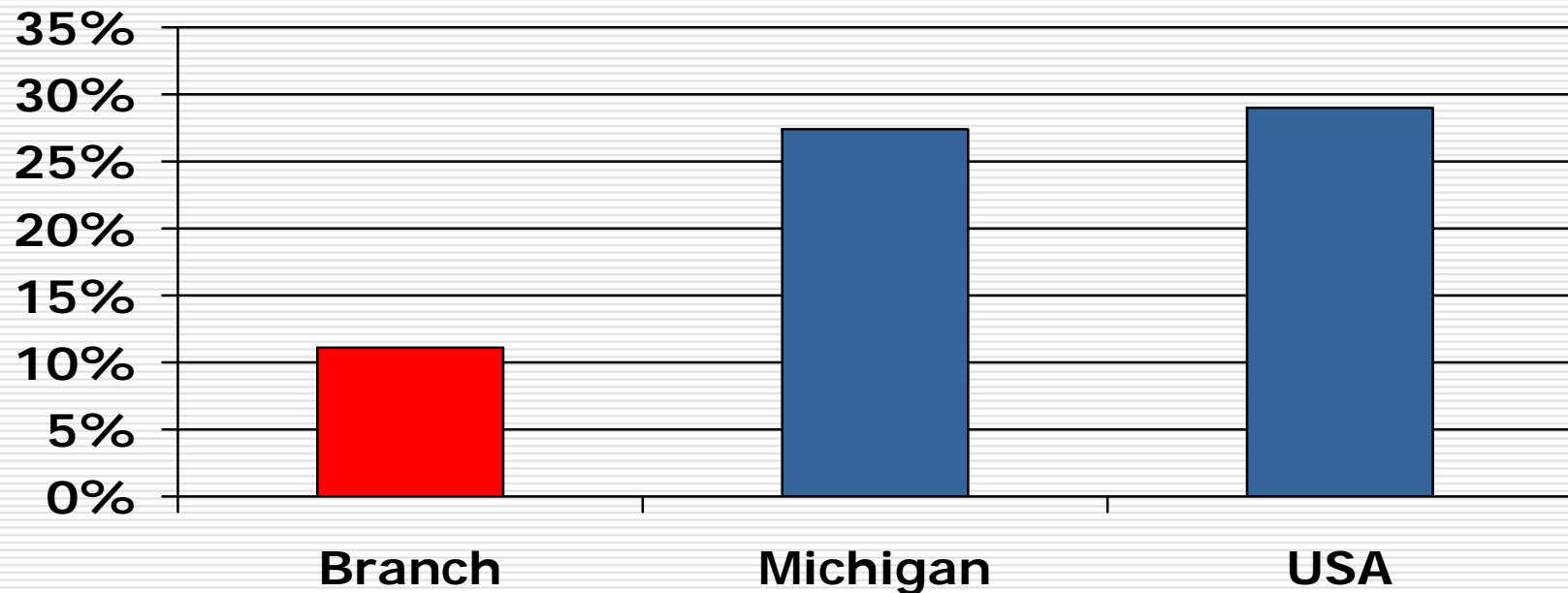
Percent of persons 25 years or older with a Bachelor's degree or higher



The low education achievement level of the county's young adults puts the county at a disadvantage.

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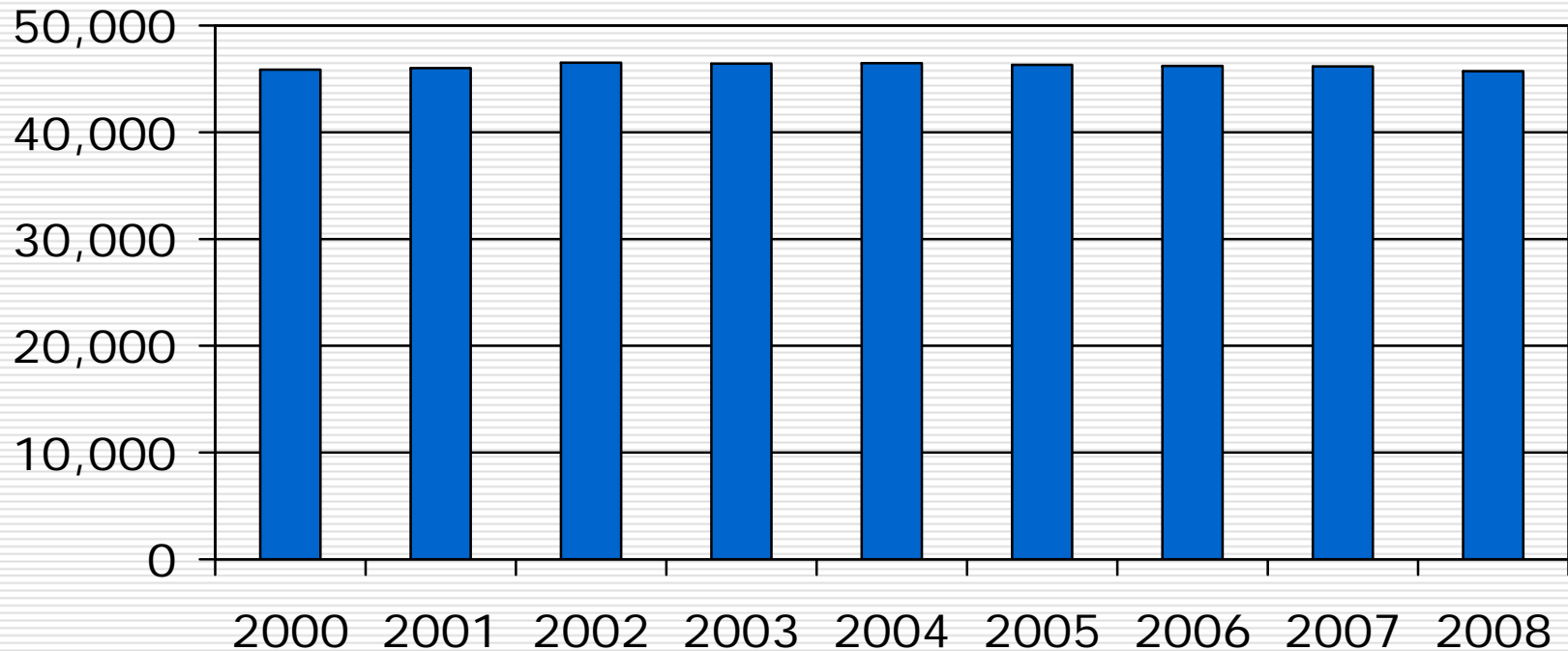
Percent 25-34 with a Bachelor's Degree or Higher



The county's population has remained flat for the past eight years.

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Branch County Population Estimates



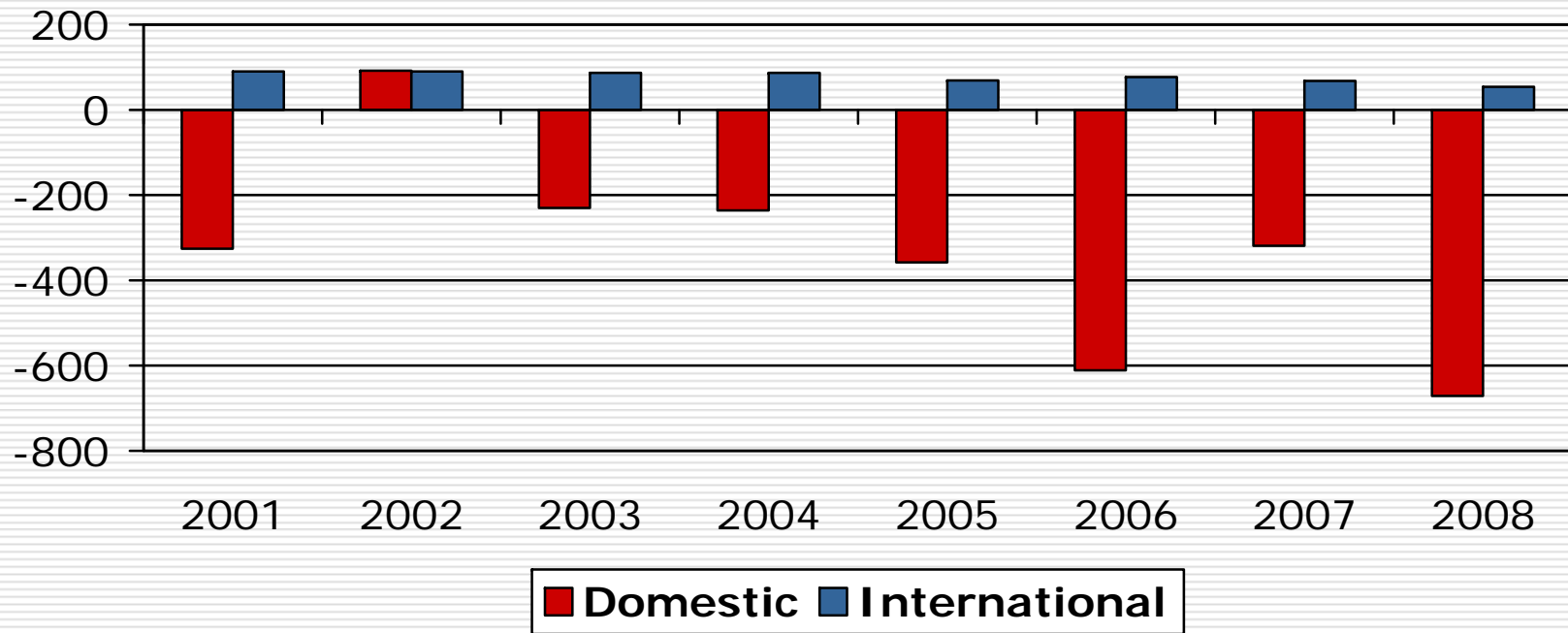
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Source: U.S. Census Bureau, annual population estimates.

However, it is because the county's positive natural population growth (birth-deaths) has offset its out migration.

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Migration Components of Population Change in Branch County



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Source: U.S. Census Bureau, annual population estimates.

# Thoughts from an Outsider

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- What should be the focus of economic development policy?
    - Regional economic development policy should be focused on providing employment opportunities for the region's residents.
    - Changing from doing what you know to doing what the world needs.
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# Thoughts from an Outsider (cont'd)

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- This slowdown will end, hopefully, by the end of this year.
  - However, harsh global forces and realities will remain.
    - The fastest growing markets are elsewhere.
    - Rural areas have their competitive advantage in traded goods production.
    - In all sectors human capital is becoming more important than physical capital.
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# Thoughts from an Outsider (cont'd)

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- Must address the issue of workforce quality in Branch County.
    - Heighten the presence of the KCC Grahl Center.
    - Think about applying for a Promise Zone
    - Strengthen the area's K-12 school districts.
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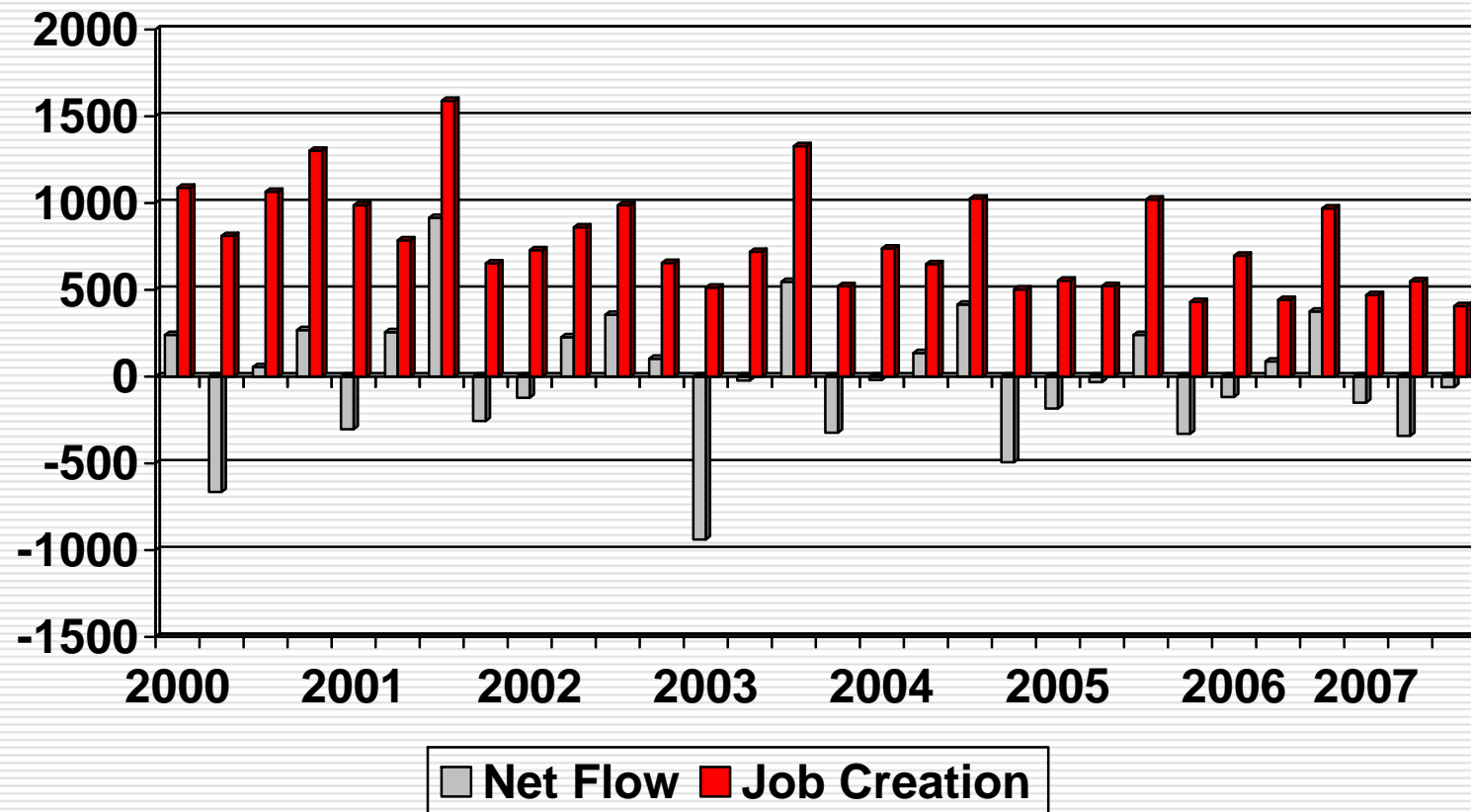
## Thought from an Outsider (cont'd)

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- Job creation (start-ups, expansions and attractions) separate growing areas from declining area.
    - The data show that jobs are being created in Branch County. The question is why?
      - Hopefully, it is meeting new markets with new products/services.
      - At worst, it is only a constant churn of employers competing for local markets.
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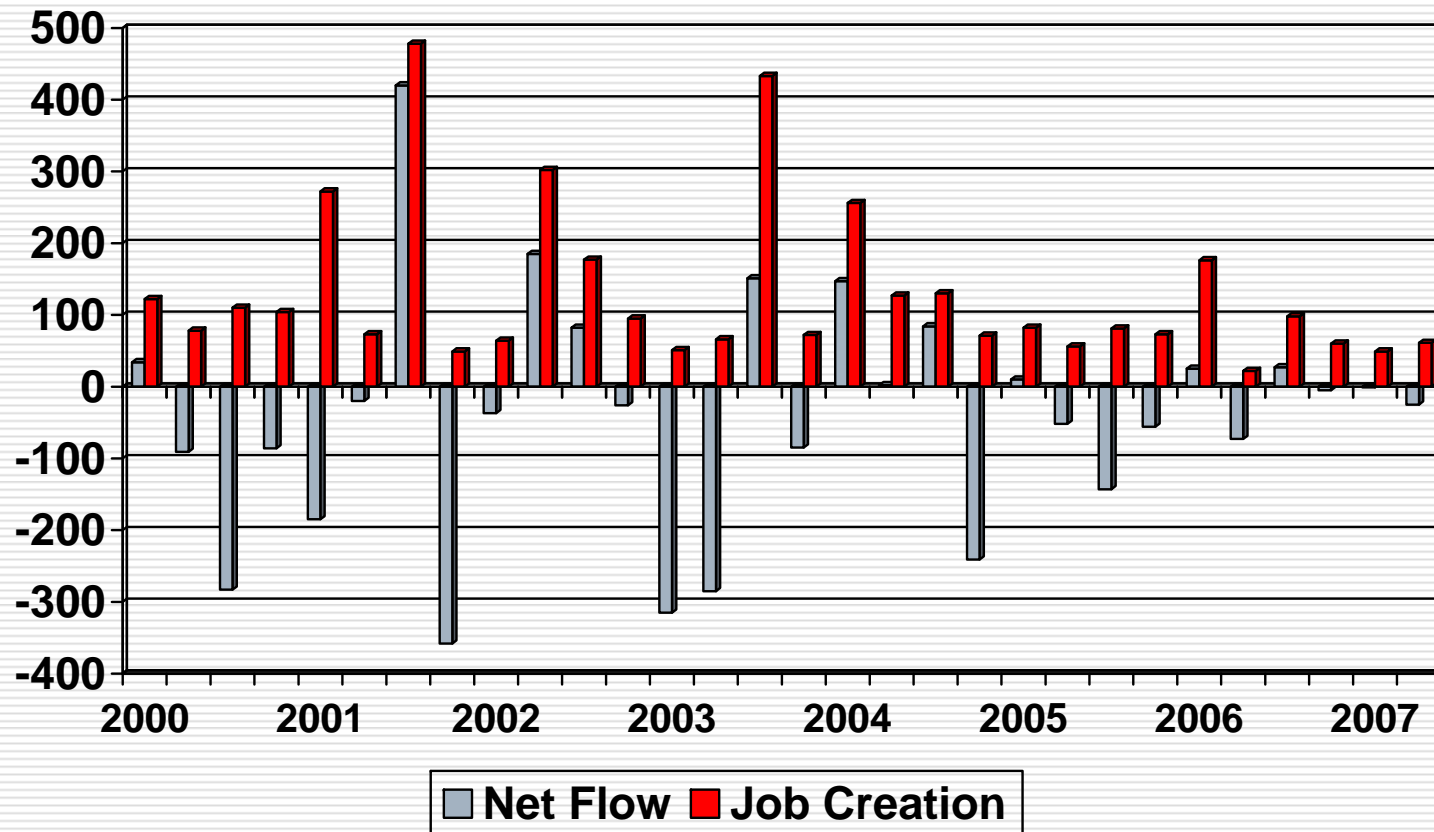
# Total Job Creation in Branch County, 2000-2008

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Source: MDLEG, Quarterly Workforce Indicators.

# Job Creation in Manufacturing in Branch County, 2000-2008



Source: MDLEG, Quarterly Workforce Indicators.

# Final Thoughts

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- What economic development strategies could Branch County explore?
    - Very risky options: picking winners.
    - Not so risky:
      - Build on what is great about living in Branch County.
      - Support efforts to increase the presence of Kellogg Community College.
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