

# Economic Outlook for Southwest Michigan: *What lies ahead for this region in terms of job growth*

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George A. Erickcek

W.E. Upjohn Institute for Employment Research

July 13, 2009

# Agenda

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- National Outlook – *Still stuck*
- State Outlook – *Are we looking into a mine or a tunnel?*
- Southwest Michigan- *Stuck in the middle*
- So what?
  - Why it is worse than the numbers reflect?
  - There are jobs being created even in these harsh times.
  - Thoughts about the future.

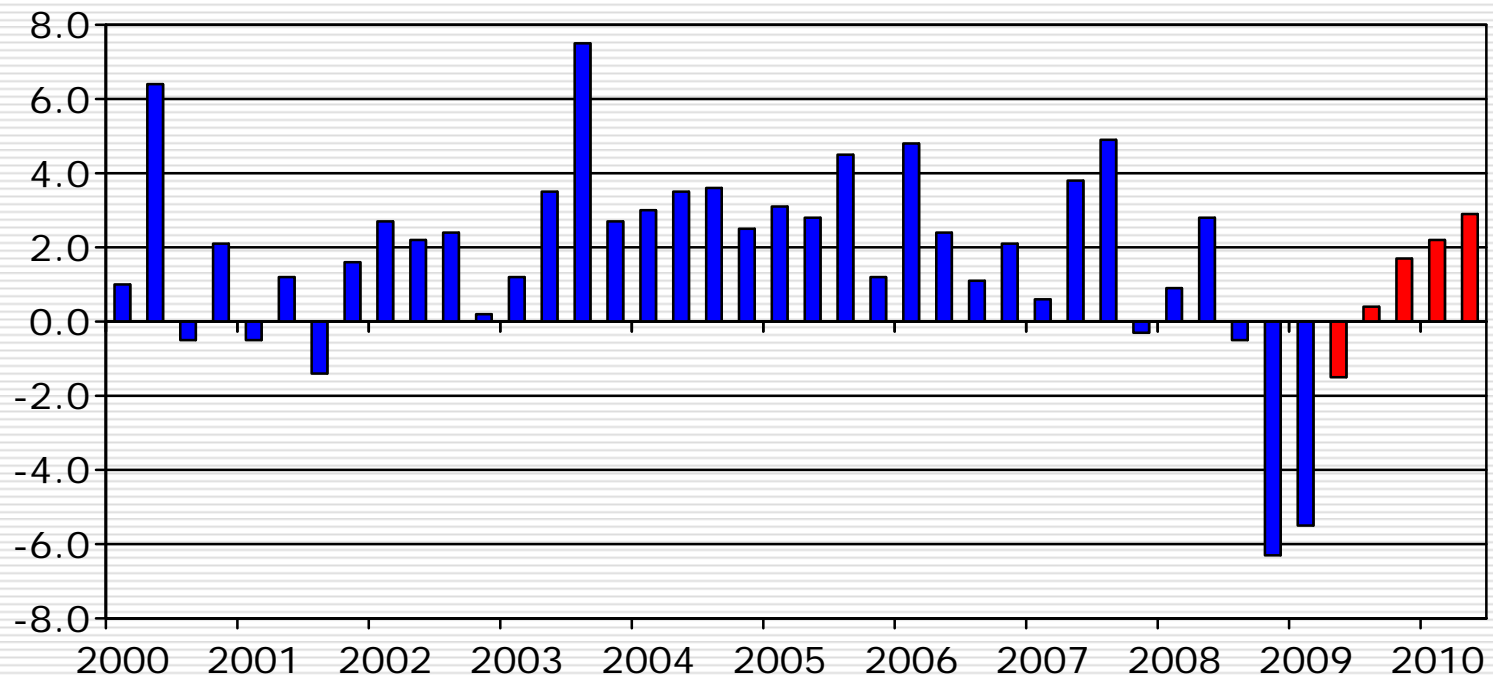
# National outlook: Most of the nation's economic indicators are pointing south.

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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	YELLOW
<input type="checkbox"/> Inflation	GREEN

Percent change in the nation's GDP—*Fell 5.5 percent during the first quarter.*

### Annualized Percent Change in GDP



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

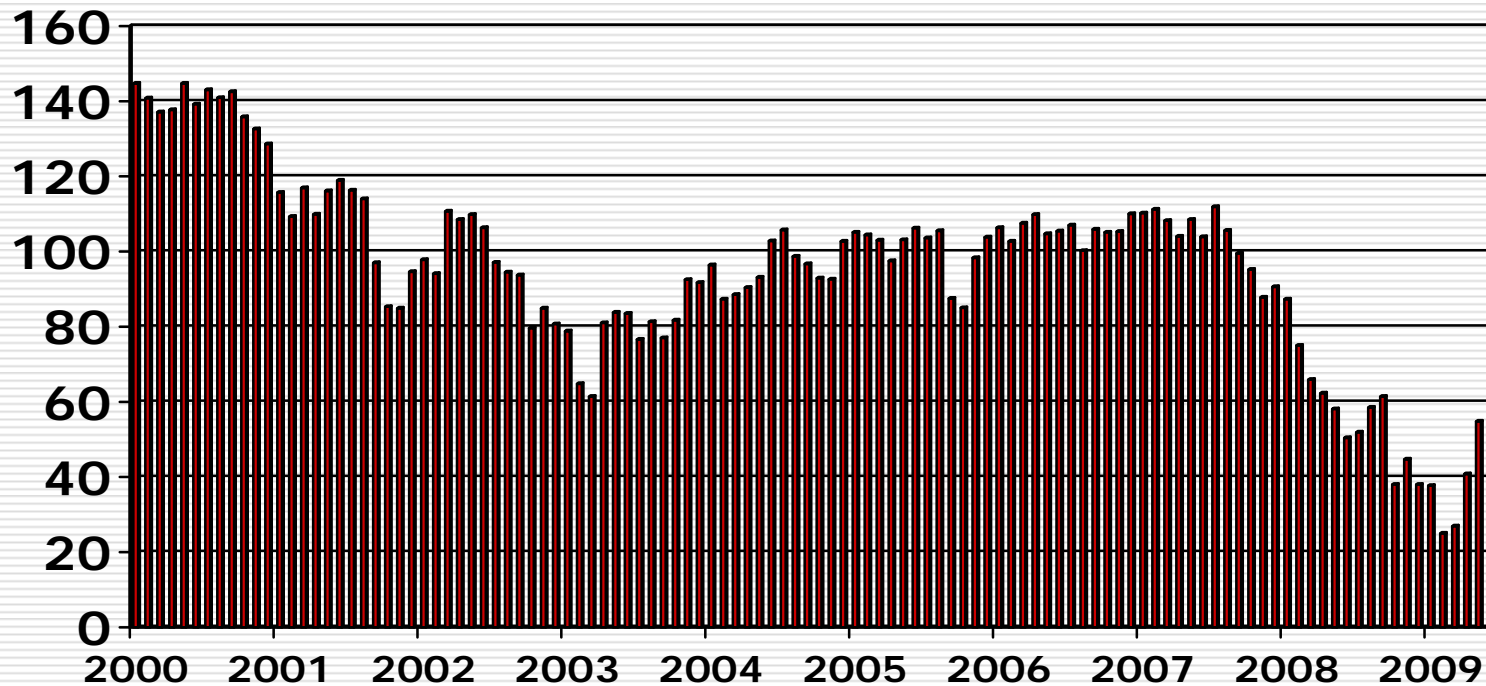
# Consumers

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- ❑ Confidence is low but improving.
- ❑ Real estate markets are inactive, and values continue to drop.
- ❑ Retirement savings remain in jeopardy.
- ❑ Job outlook is dim.

Consumers' confidence is still low but has improved in two of the past three months.

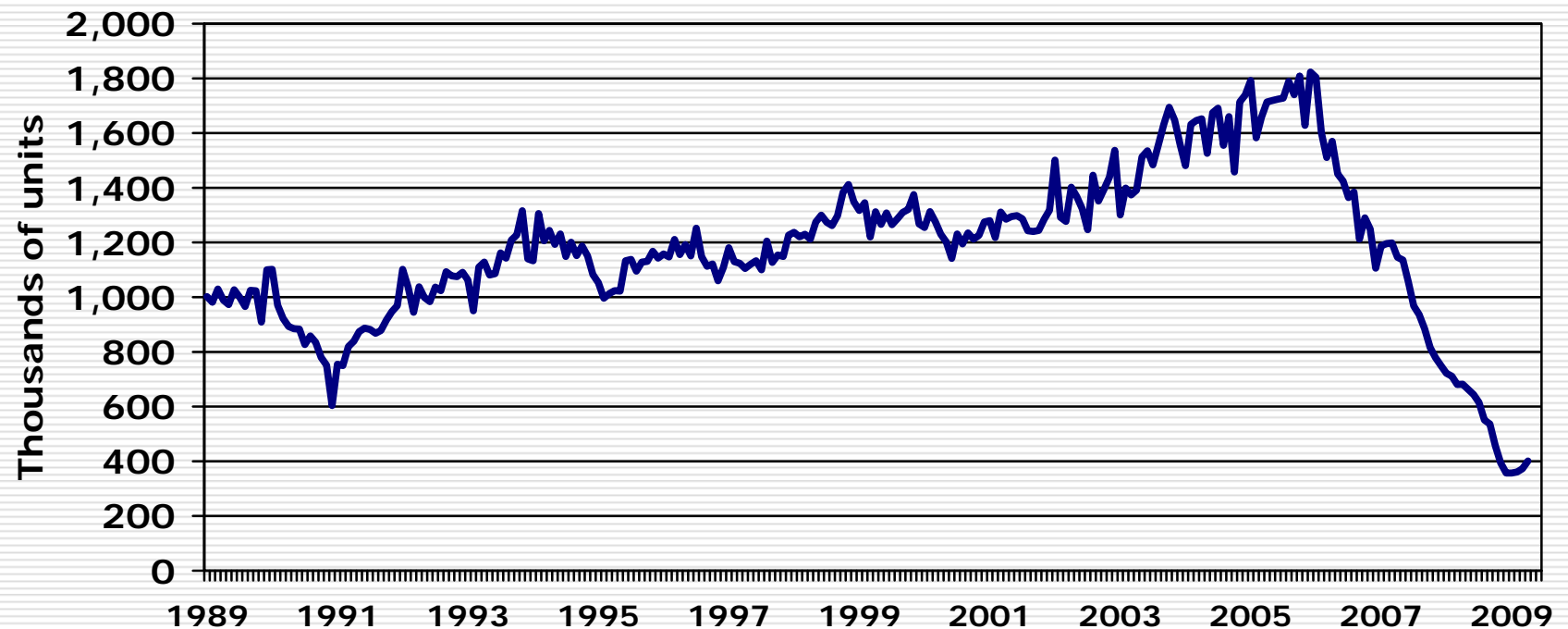
Consumer Confidence (1995=100)



Source: Conference Board

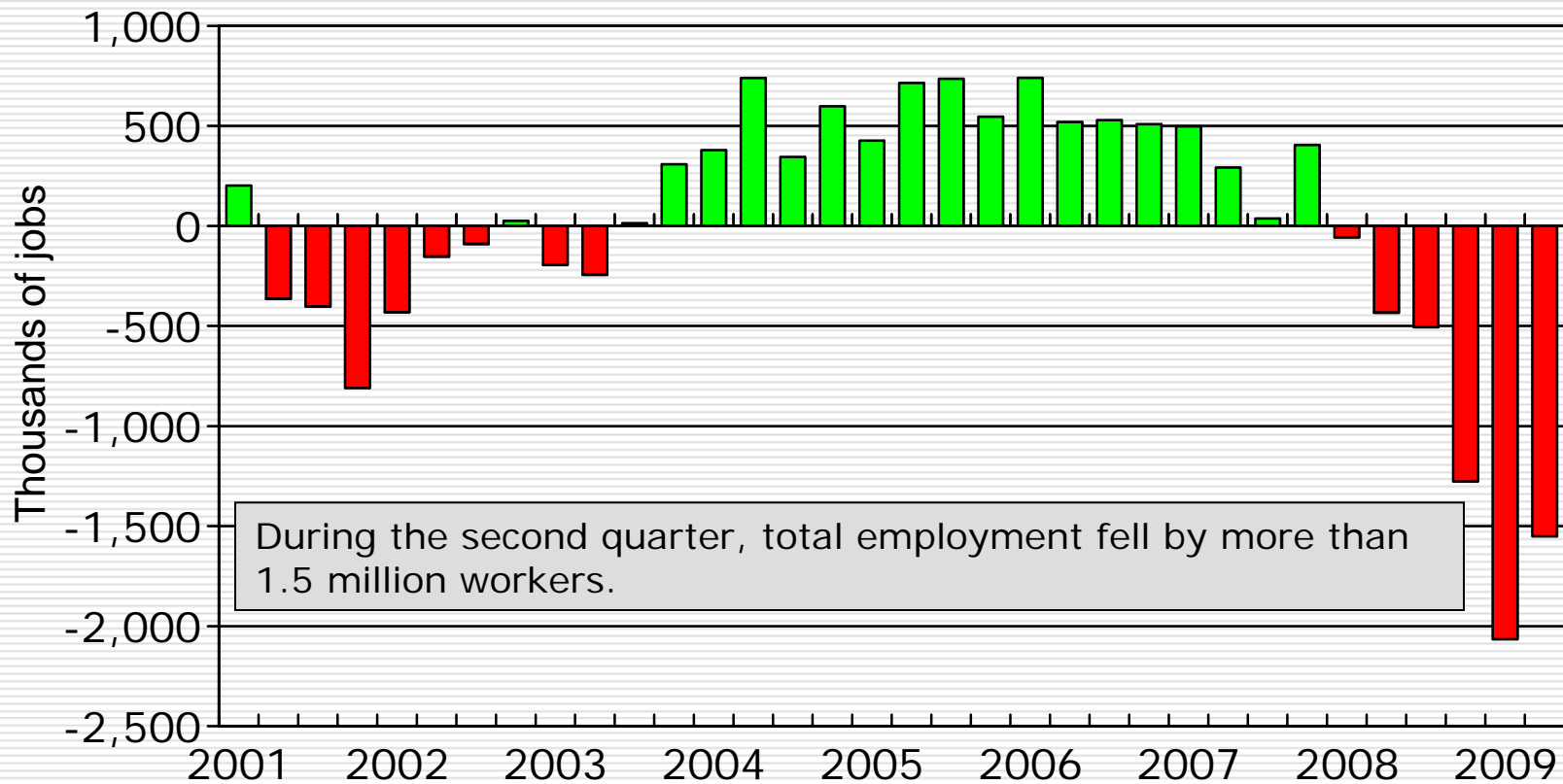
# Single-Family Housing Starts—*Have we found bottom?*

## Seasonally Adjusted Annual Rates



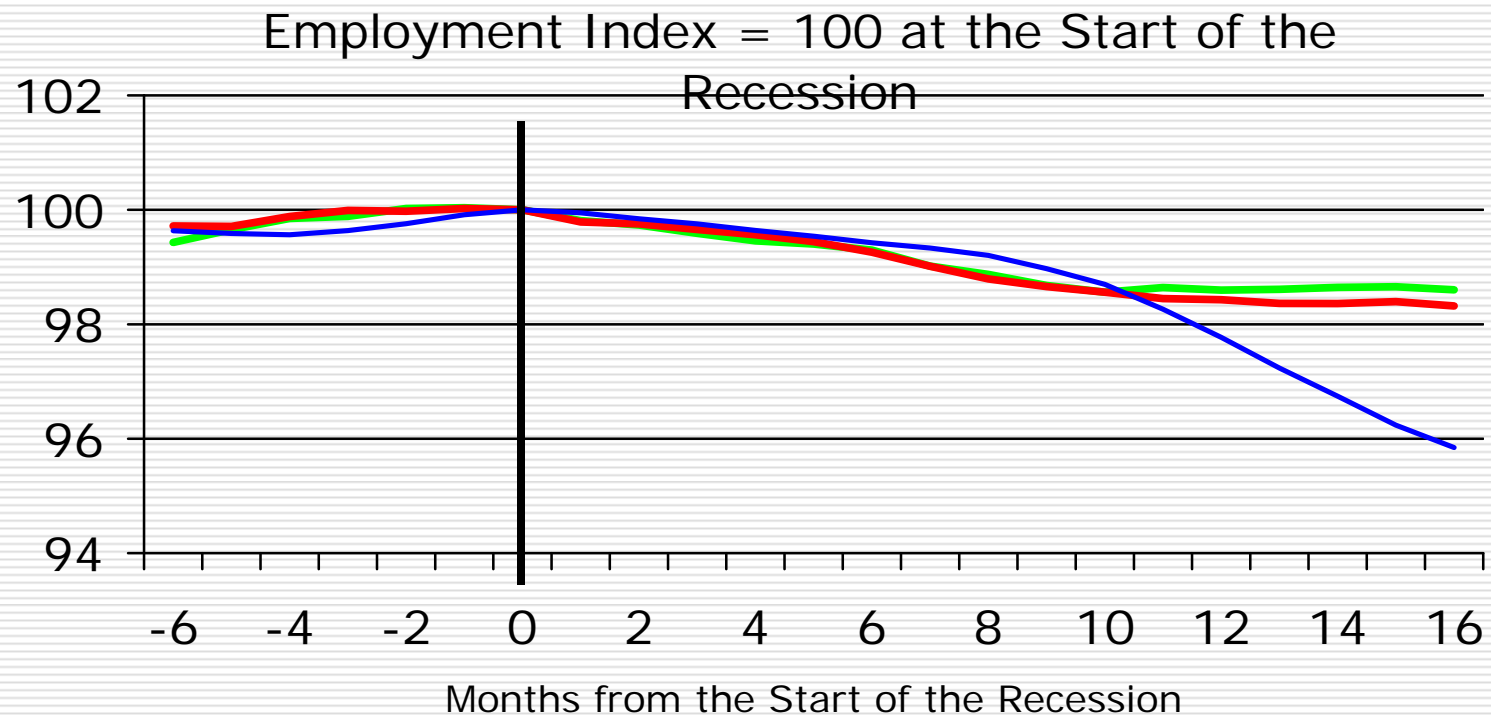
U.S. Census

# Nationwide, employers are cutting way back.

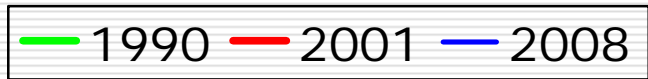


Source: BLS.

Nationwide, the current period has suffered a greater decline in employment than previous ones.



Source: CES, seasonally adjusted.



# Bottom Line

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- ❑ There is a large gap in demand for goods and services from the private sector—domestic and abroad.
- ❑ The nation's nearly frozen financial system is still a major part of the problem.
- ❑ Currently, the only short-run source of demand appears to be government spending.

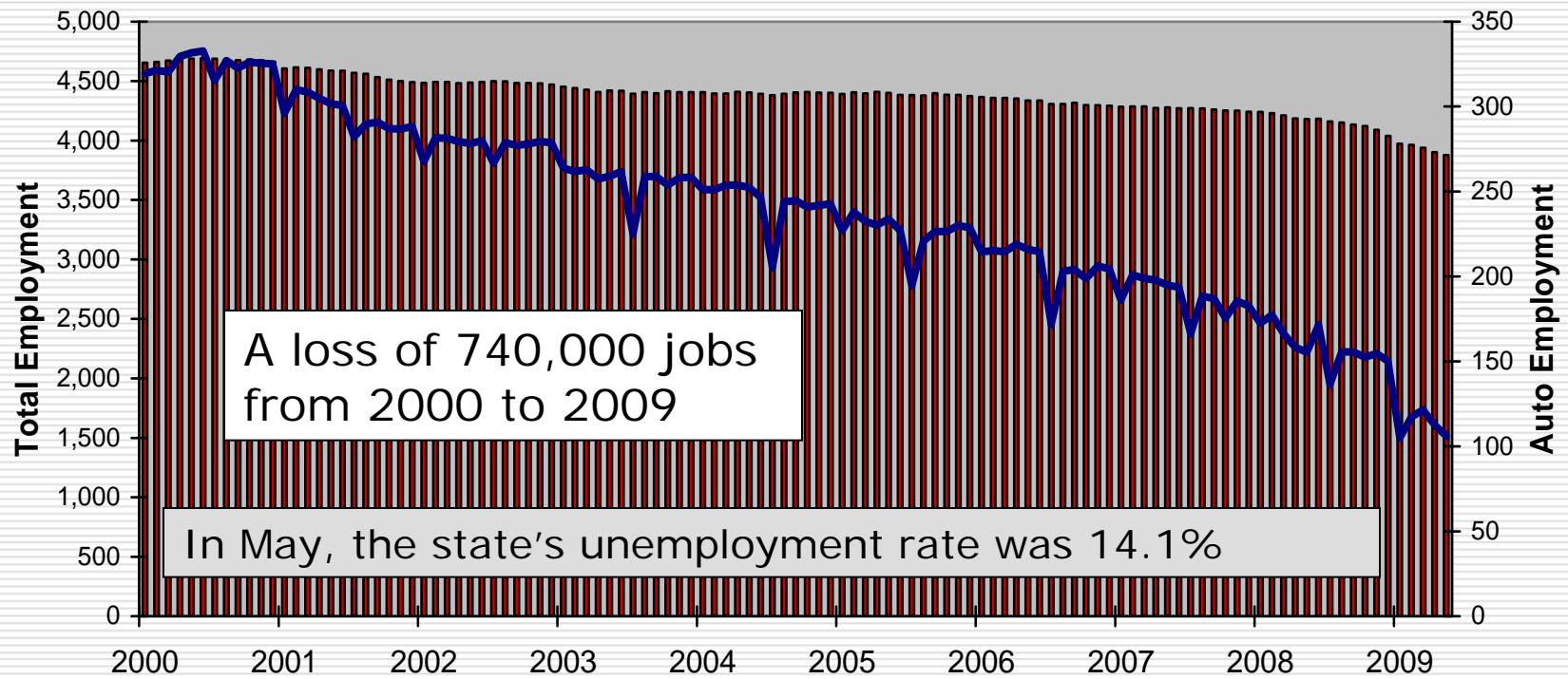
# Michigan is in crisis.

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- ❑ A one-horse town with one sick horse.
- ❑ State government is facing a structural deficit that will not go away without a substantial change in its tax structure.
- ❑ Perceptions are important and hard to change.

With the national slowdown, the state's turnaround is further postponed.

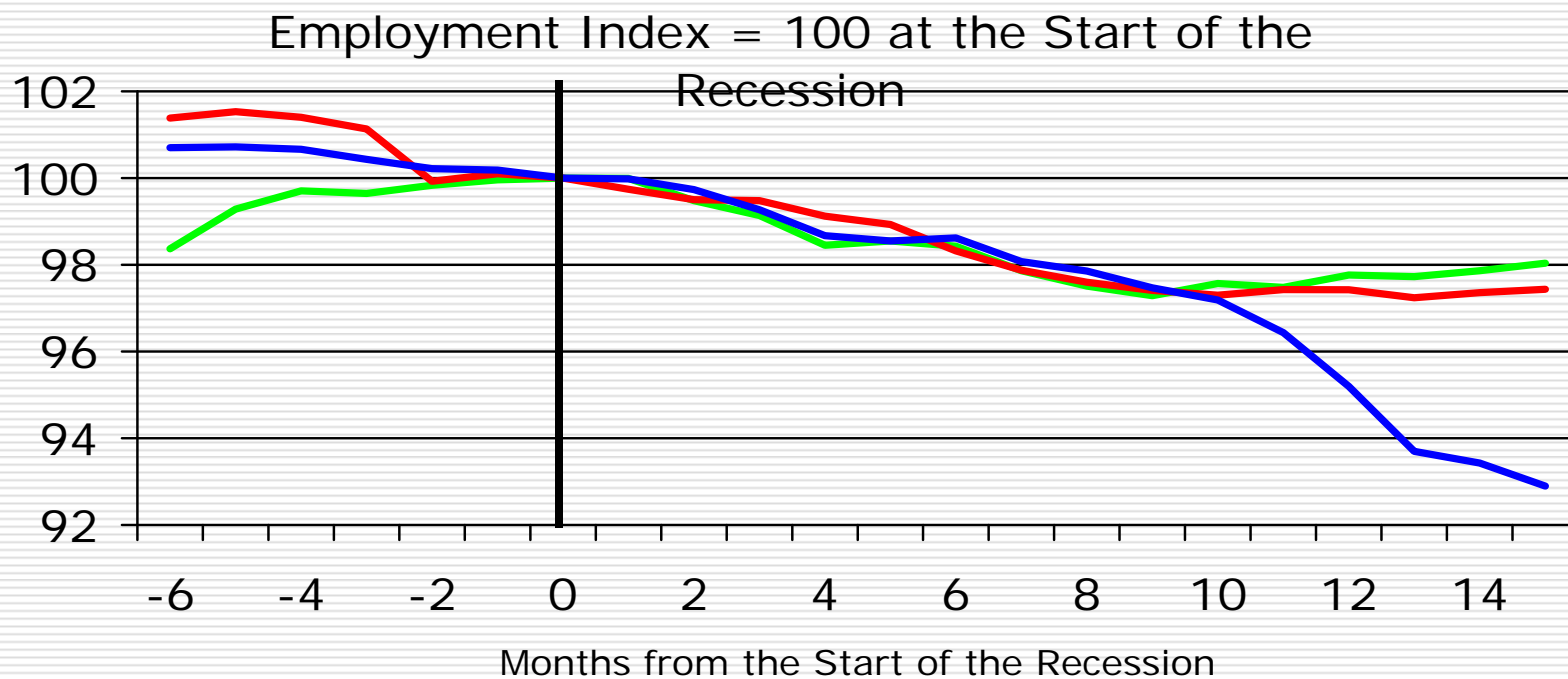
### Statewide Employment



Source: BLS.

■ Total Employment — Motor Vehicles & Parts Employment

# This is a tough recession for the state.

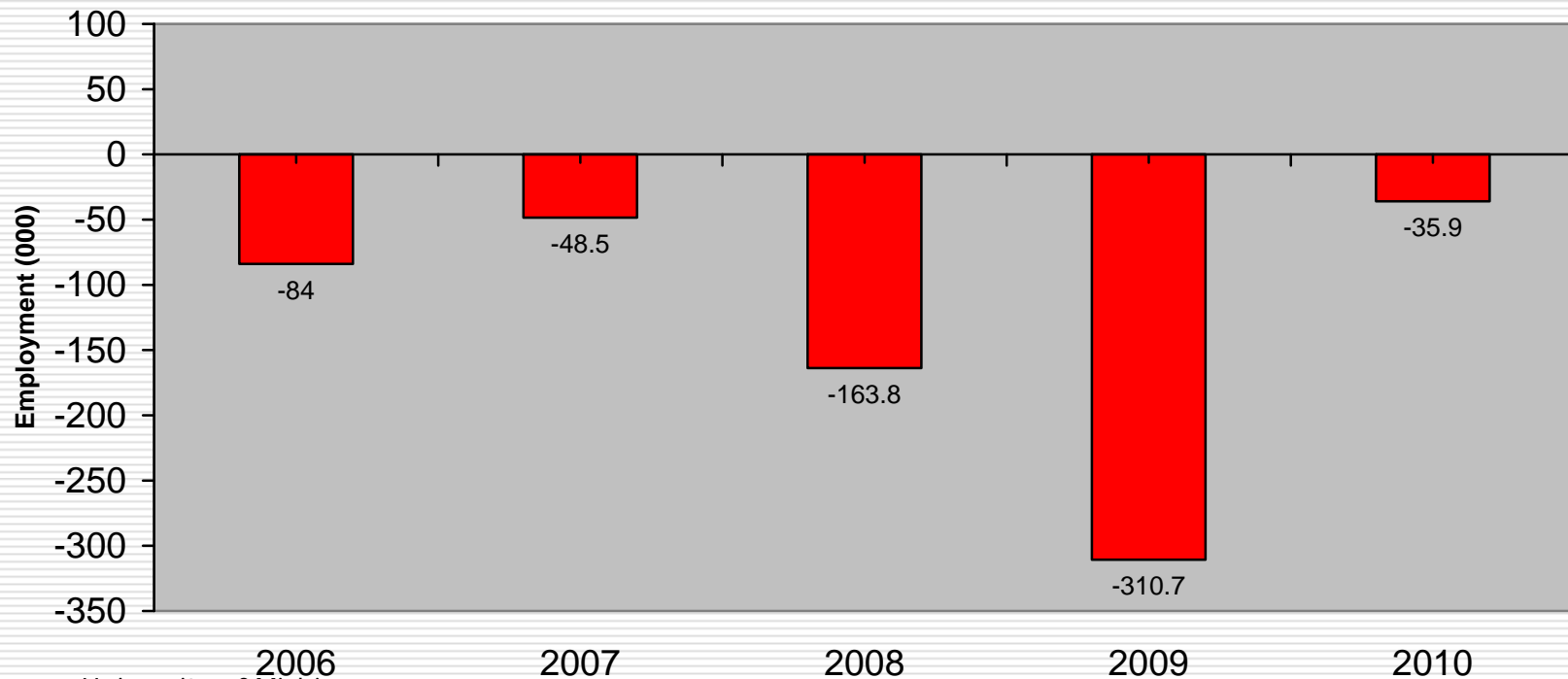


Source: CES, seasonally adjusted.



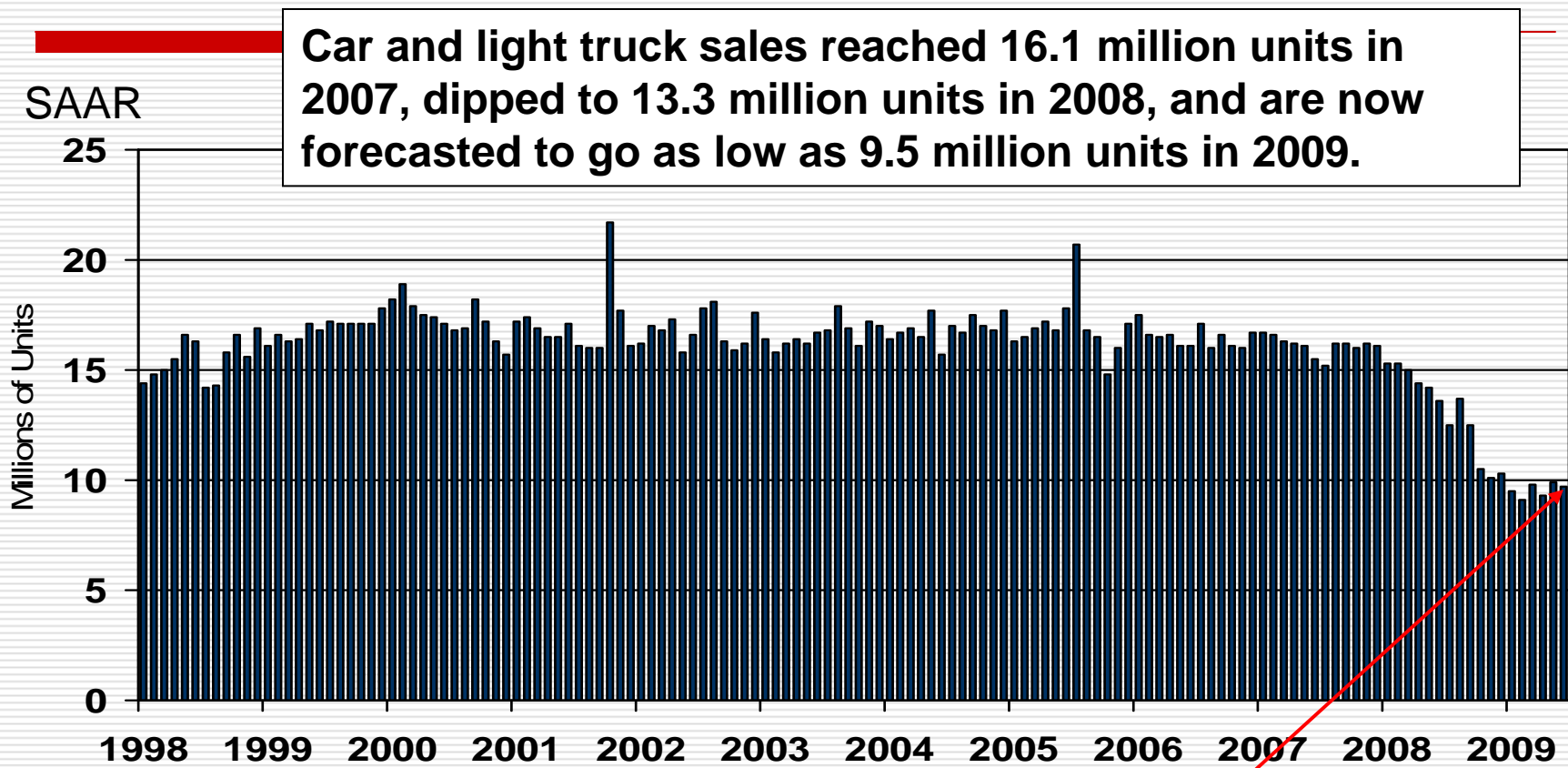
# Employment declined for 10 straight years.

## Employment Change 4th Quarter to 4th Quarter



Source: University of Michigan

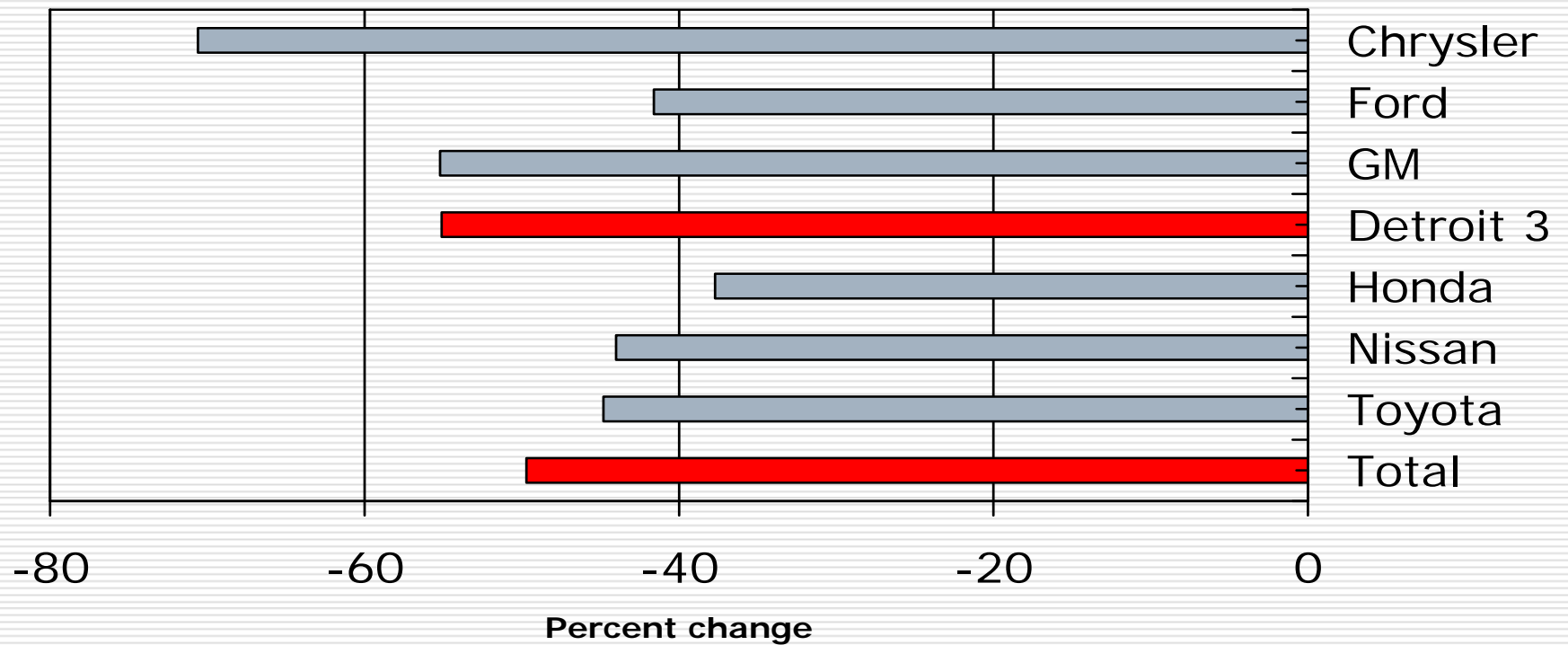
# Consumers are simply staying away from auto dealers.



Source: BEA.

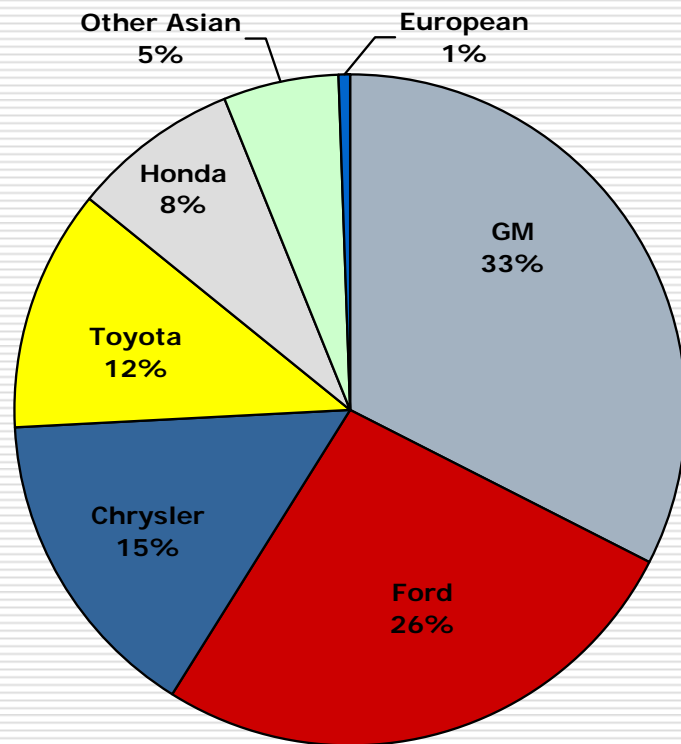
# Production levels have plunged. Jan-June 2008 to Jan-June 2009

North American Car Production



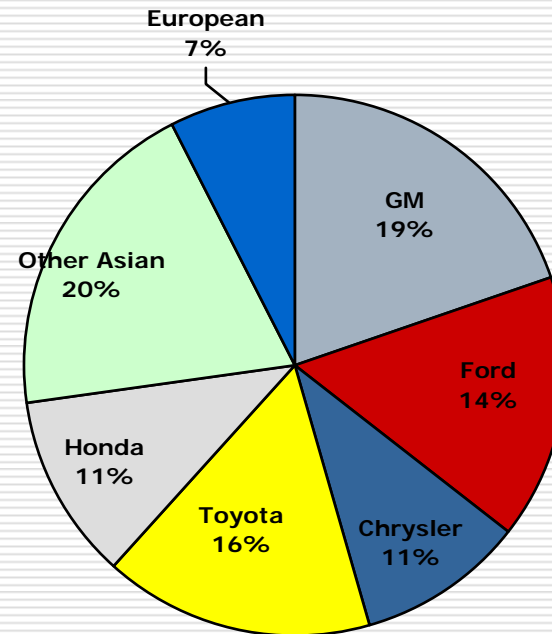
Source: Ward's AutoInfoBank <http://wardsauto.com/keydata/NAProductionSummary0902/>

Loss of market share: In 2001, the Detroit Three controlled 74%; in 2009 it fell to 44%



Source: *Wards AutoWorld*.

**2001**



**2<sup>nd</sup> Q 2009**

# So, will GM make it?

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- The company will reportedly go from 47 factories to 34 by the end of 2010. U.S. employment will go from 91,000 at the end of last year to just 64,000 at the end of this year.
  - Their cars are not known for quality.
  - Their cars are not known for design.
  - Their management structure is a mess.
  - The car market is lousy.
  - The competition is not standing still.
  - Building trucks is different than building fuel-efficient cars.

# Southwest Michigan

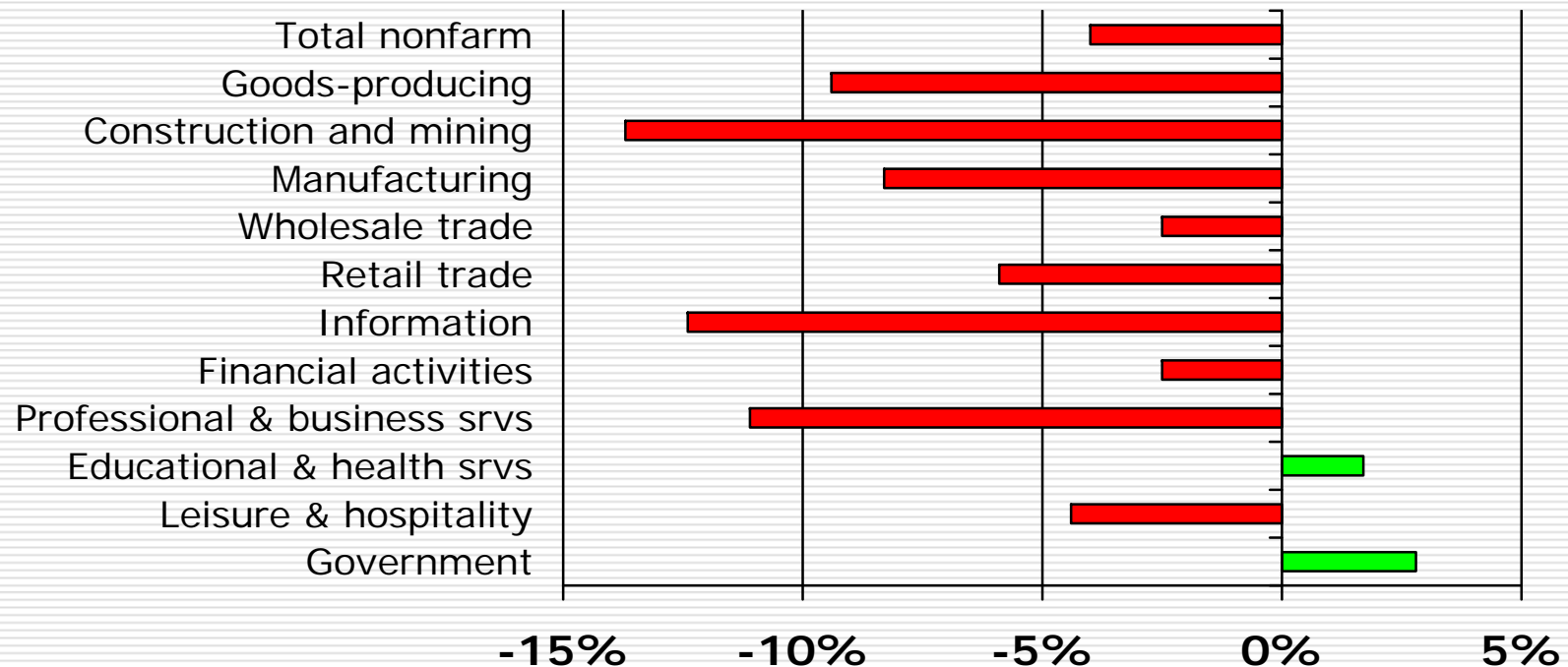
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- The Battle Creek and Kalamazoo-Portage MSAs have lost jobs during the past four quarters.

During the past four quarters, the Kalamazoo-Portage MSA lost 5,800 jobs (4.0% loss).

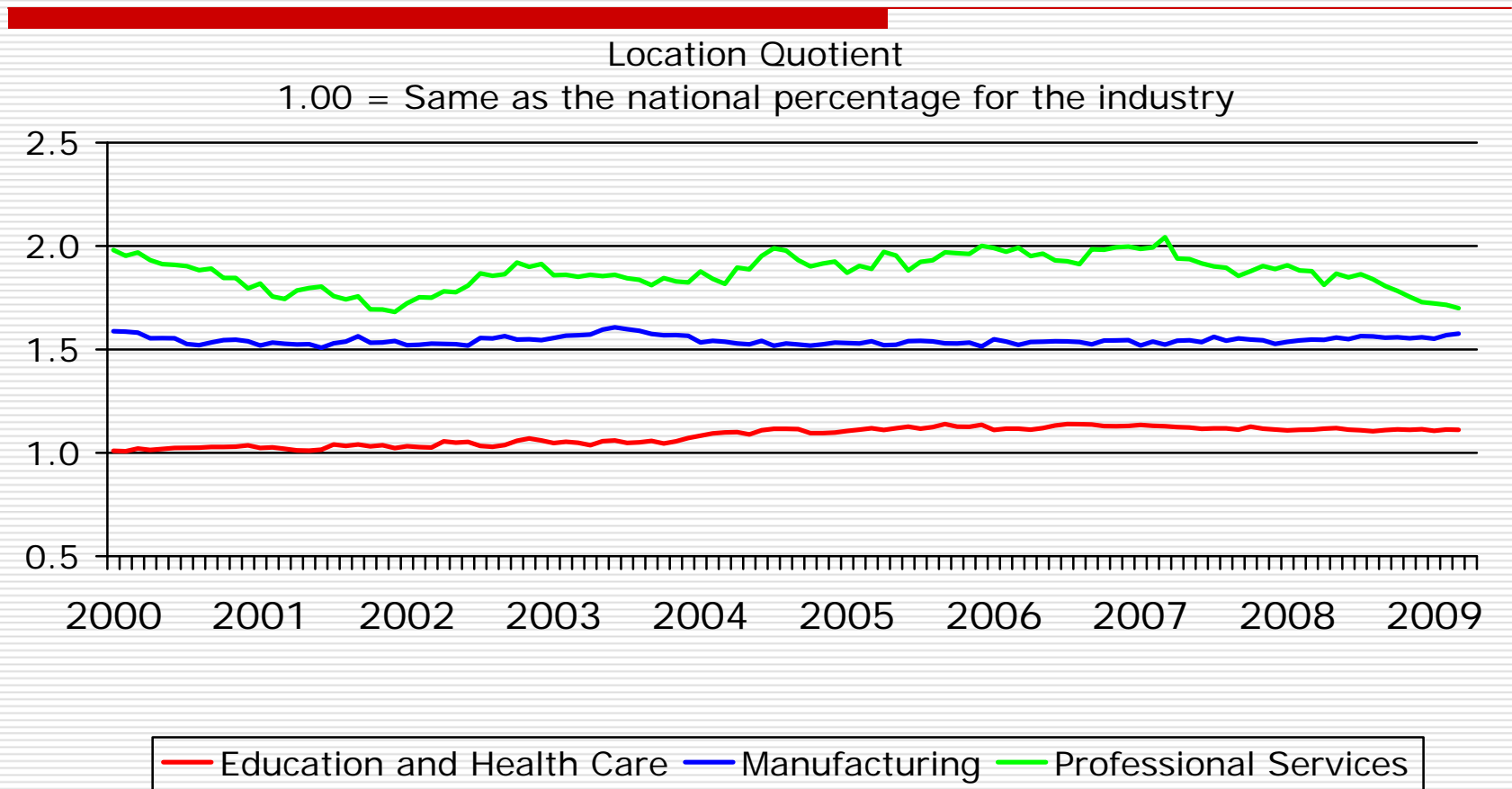
1<sup>st</sup> Qtr unemployment rate was 9.3%

Percent Change in Employment  
Q1-08 to Q1-09



Source: W.E. Upjohn Institute

# Kalamazoo County remains dependent on manufacturing and professional services.

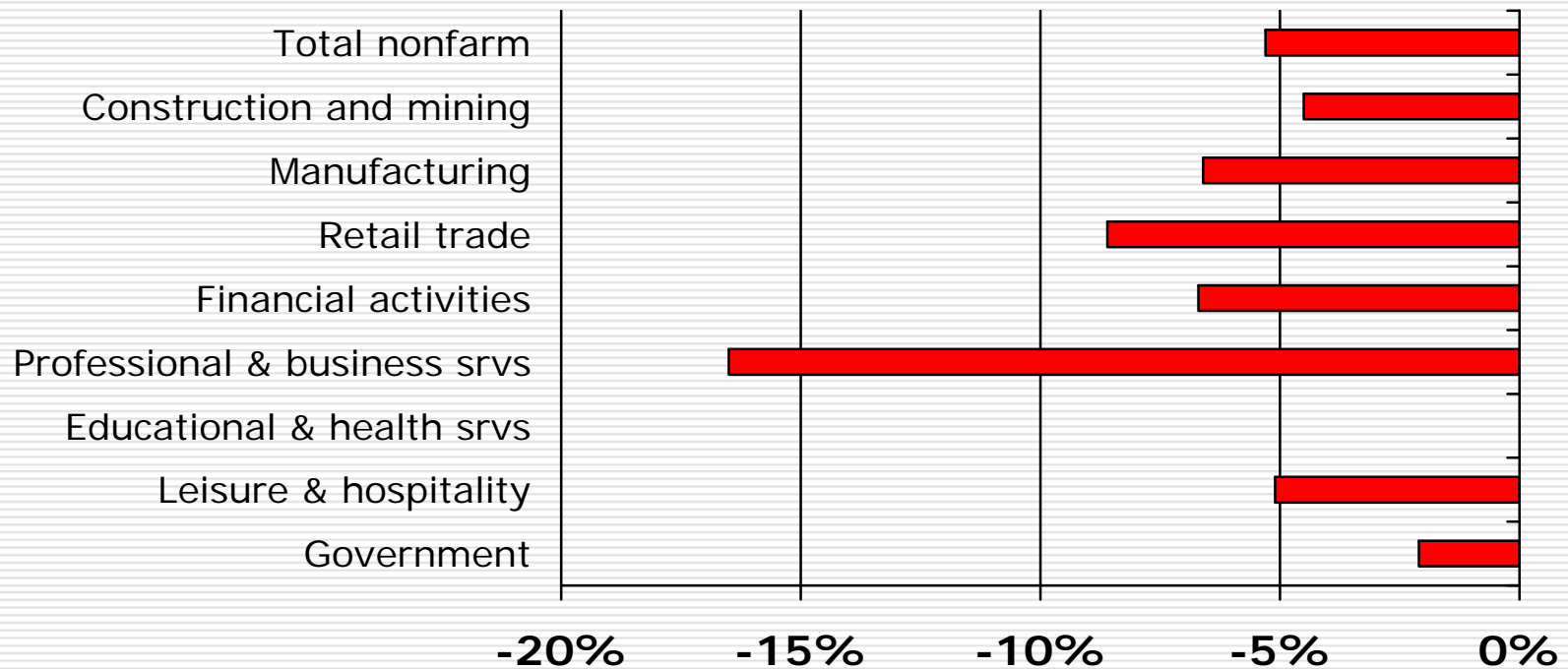


Source: W.E. Upjohn Institute

# In the Battle Creek MSA, the job loss reached 3,000 (5.3% loss).

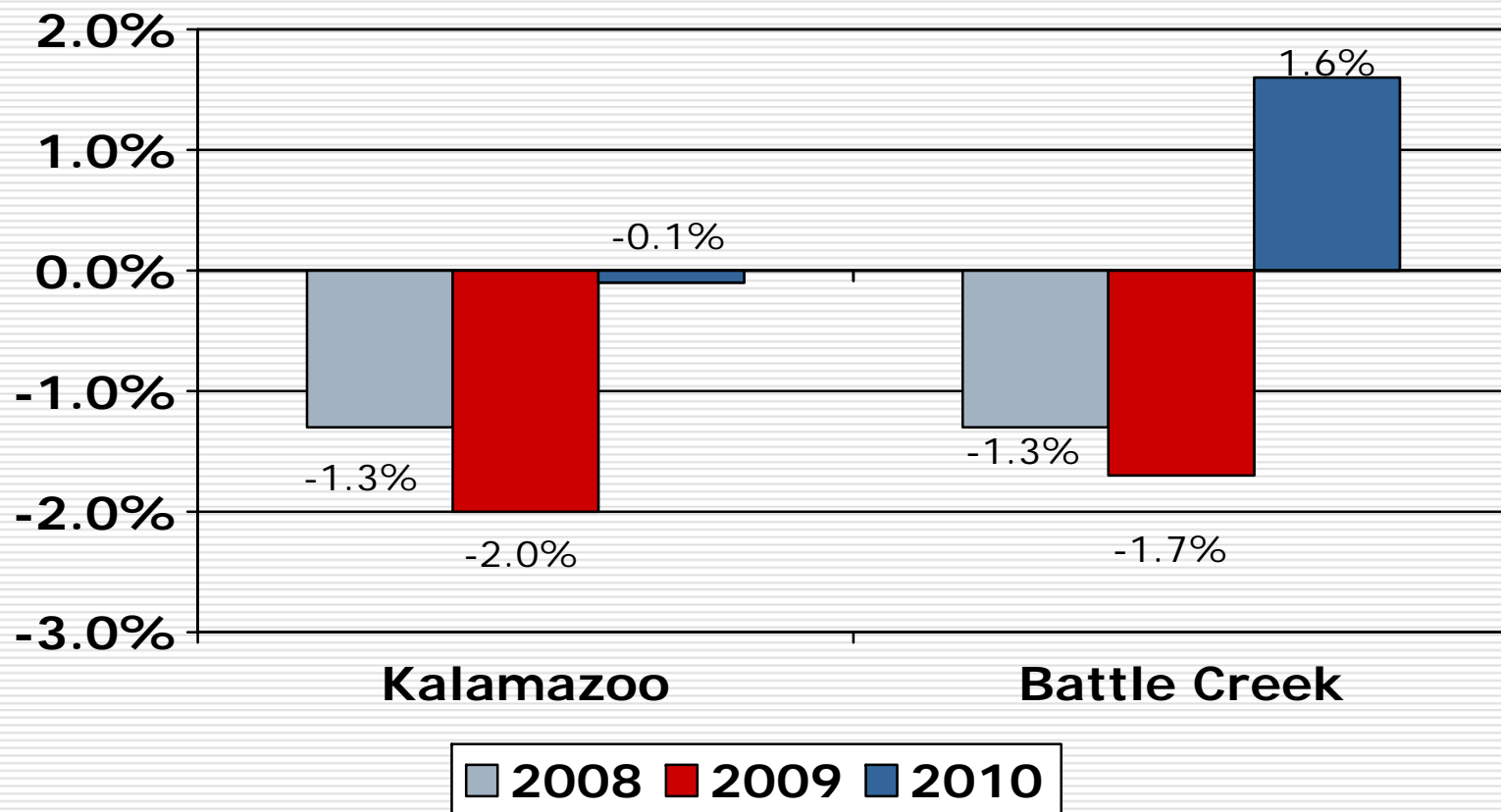
1<sup>st</sup> Qtr unemployment rate was 10.6%

Percent Change in Employment  
Q1-08 to Q1-09



Source: W.E. Upjohn Institute

# So, what's the employment forecast for 2009 and 2010?



# Lies, damn lies, and unemployment statistics

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- To be counted as unemployed you must:
  - Not worked *AT ALL* during the past year. *If you cut your neighbor's lawn for 10 bucks you are not unemployed.*
  - Must be actively looking for work. *So, if you want to work but have given up looking because there are no jobs, sorry you are not unemployed.*
  - So instead of 9.5%, the nation's unemployment rate could be measured as 16.5% (25.6 million people).

# Where are the jobs?

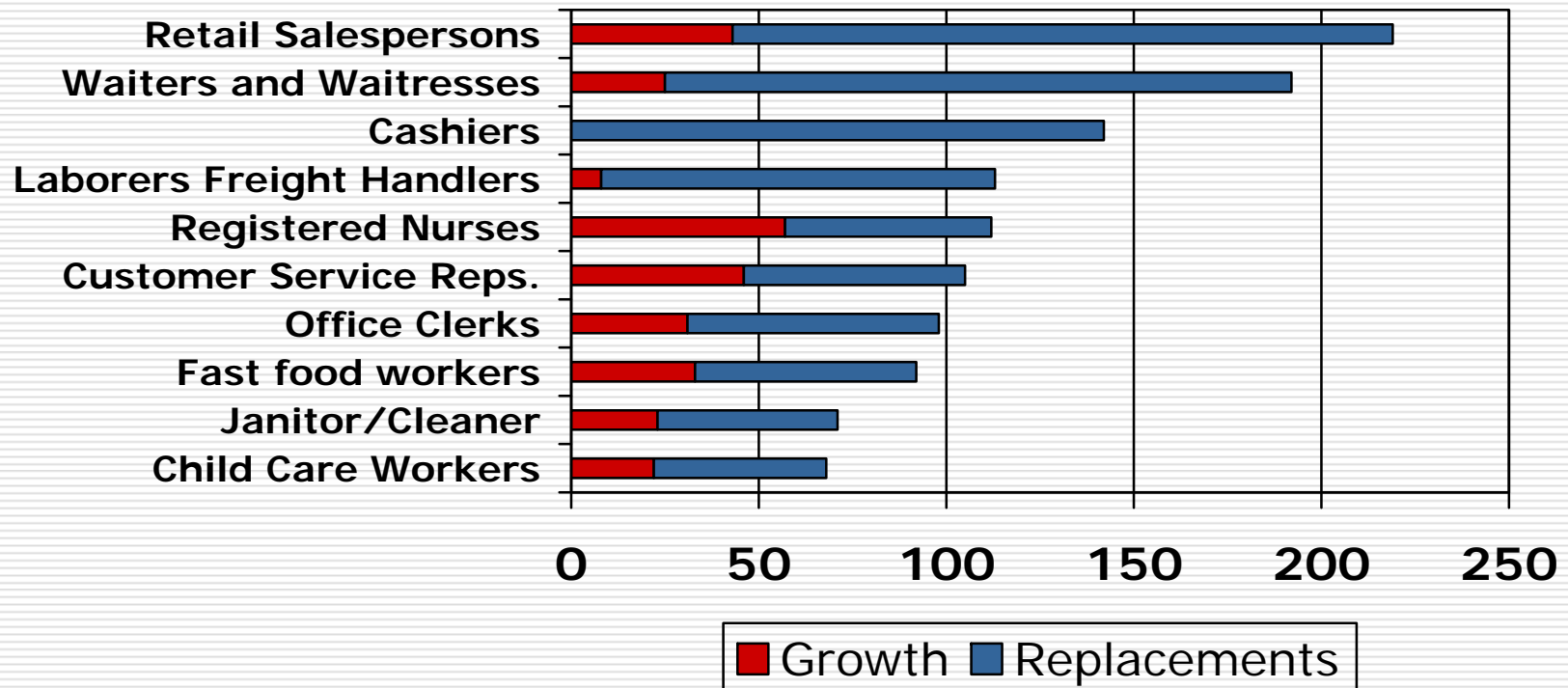
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- Macro trends:
  - Demographics—the nation is getting older—*health care will only grow.*
  - Many jobs will be replacing retiring workers.

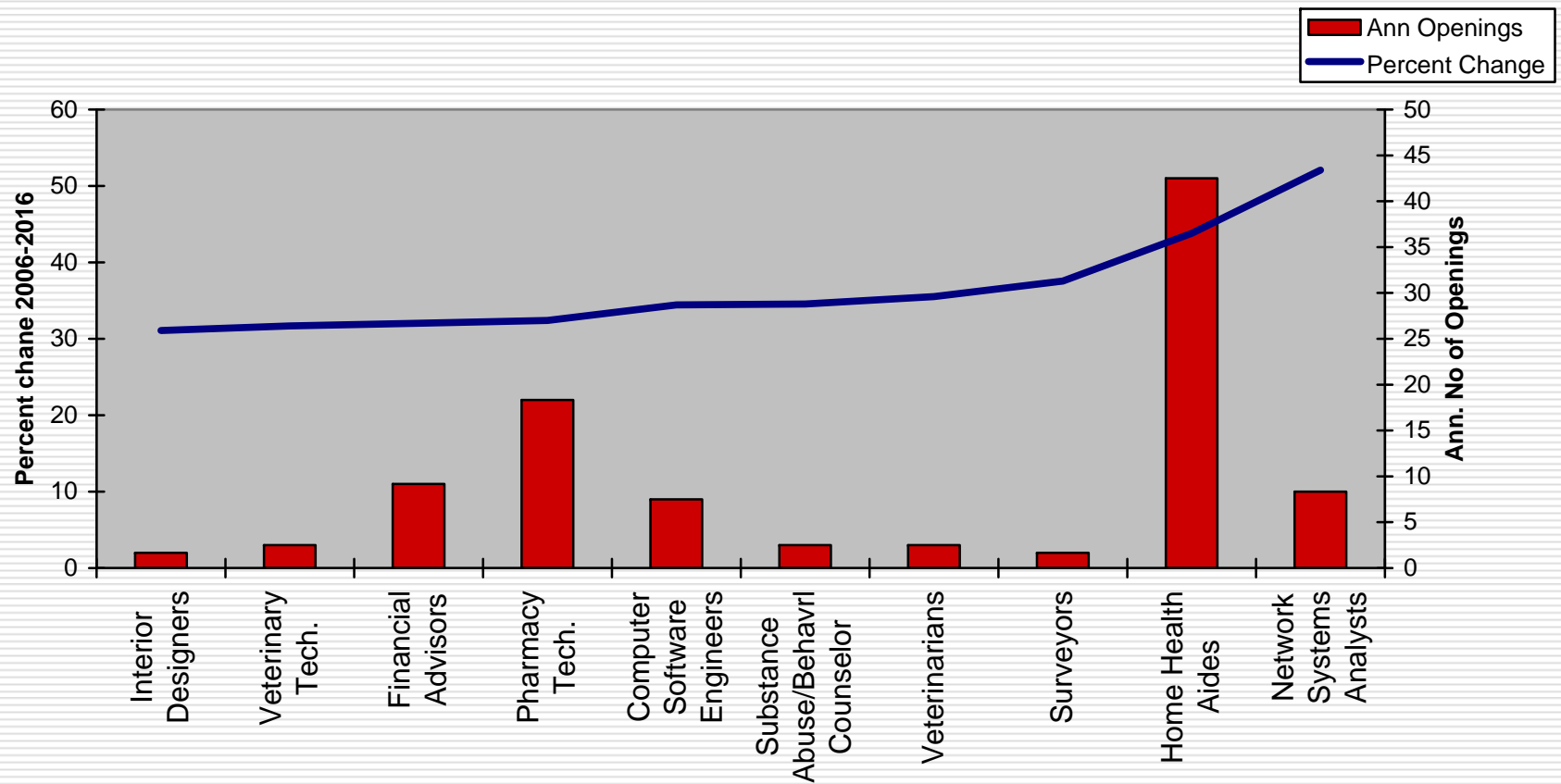
# A lot of openings for a lot of low-paying jobs.

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## Annual Job Openings 2006 to 2016

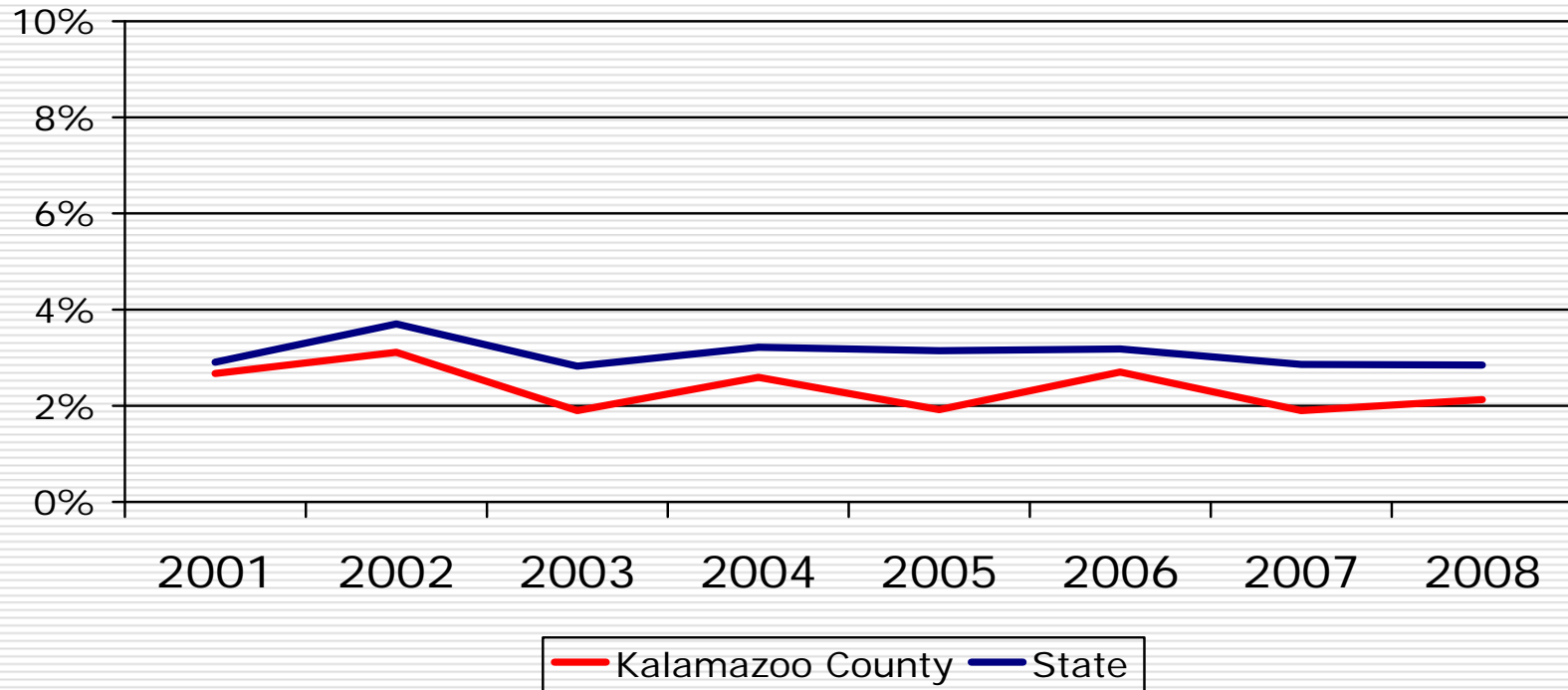


The fastest growing jobs have few annual openings except low-wage, home health aides.



# Job creation in manufacturing—*surprisingly below the state*

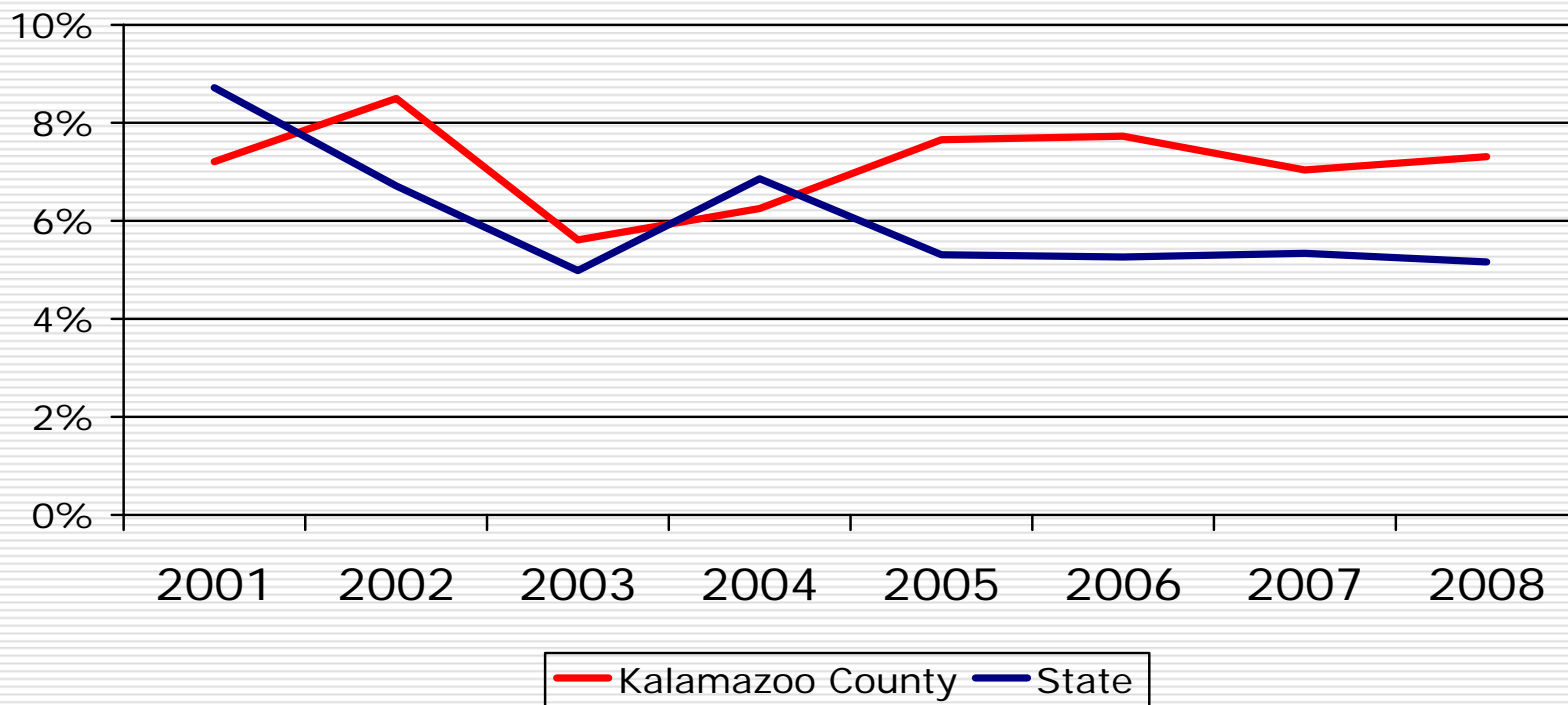
Job Creation as a Percentage of Total Manufacturing Employment



Source: Michigan LMI, Quarterly Workforce Indicators

# Job Creation in Professional, Scientific, & Technology—*better than the state.*

Job Creation as a Percentage of Prof., Sci. & Tech. Employment



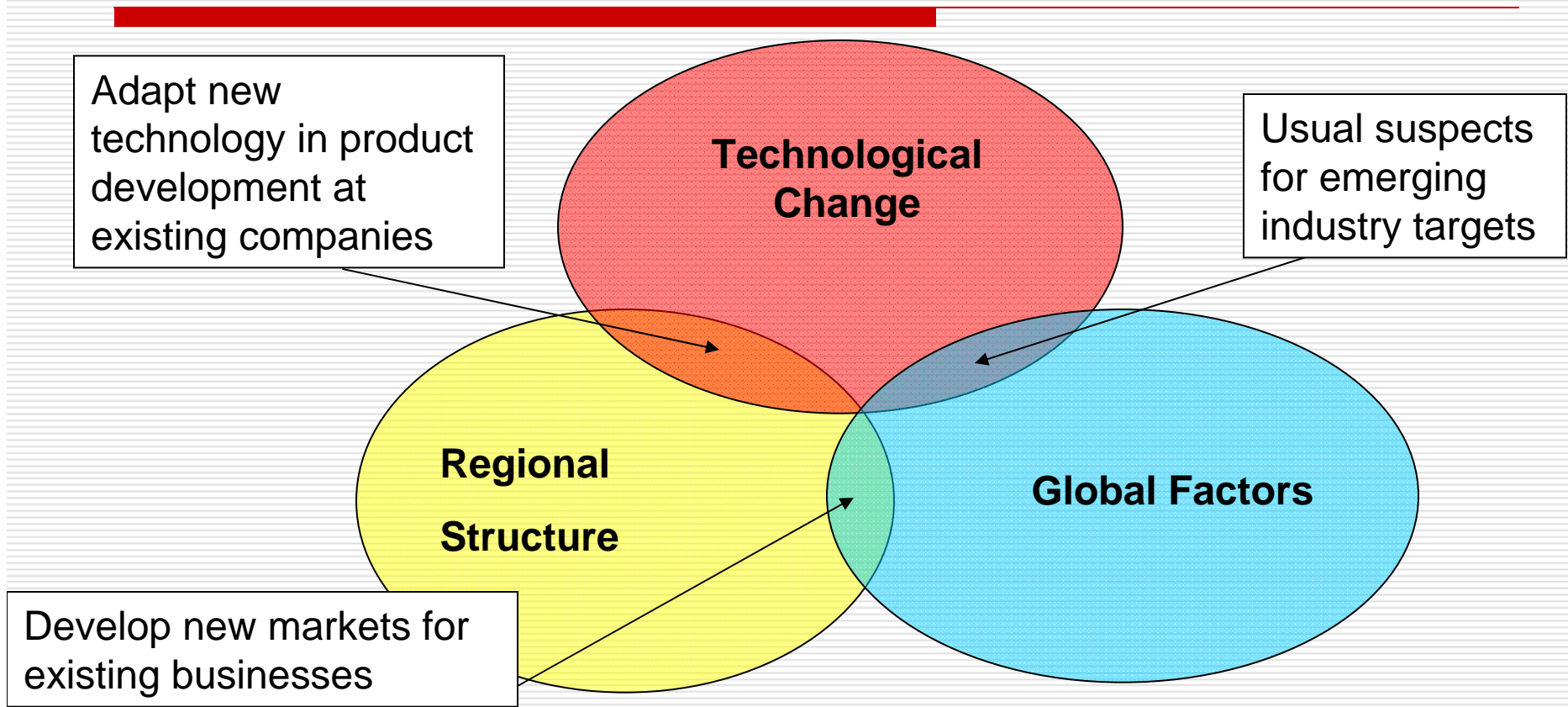
Source: Michigan LMI, Quarterly Workforce Indicators.

# Thoughts about the Future

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- Demographic change is becoming a stronger driver for the economy.
  - **Amenity cities top production cities.**
    - Variety is more important than economics of scale.
    - Living environment matters: diversity, income equality, quality housing, and lower crime.
    - The level of the area's overall education achievement is the best predictor of growth.

# Emerging Industry Opportunities



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