

The 2010 and 2011 Employment Forecast for Ottawa County

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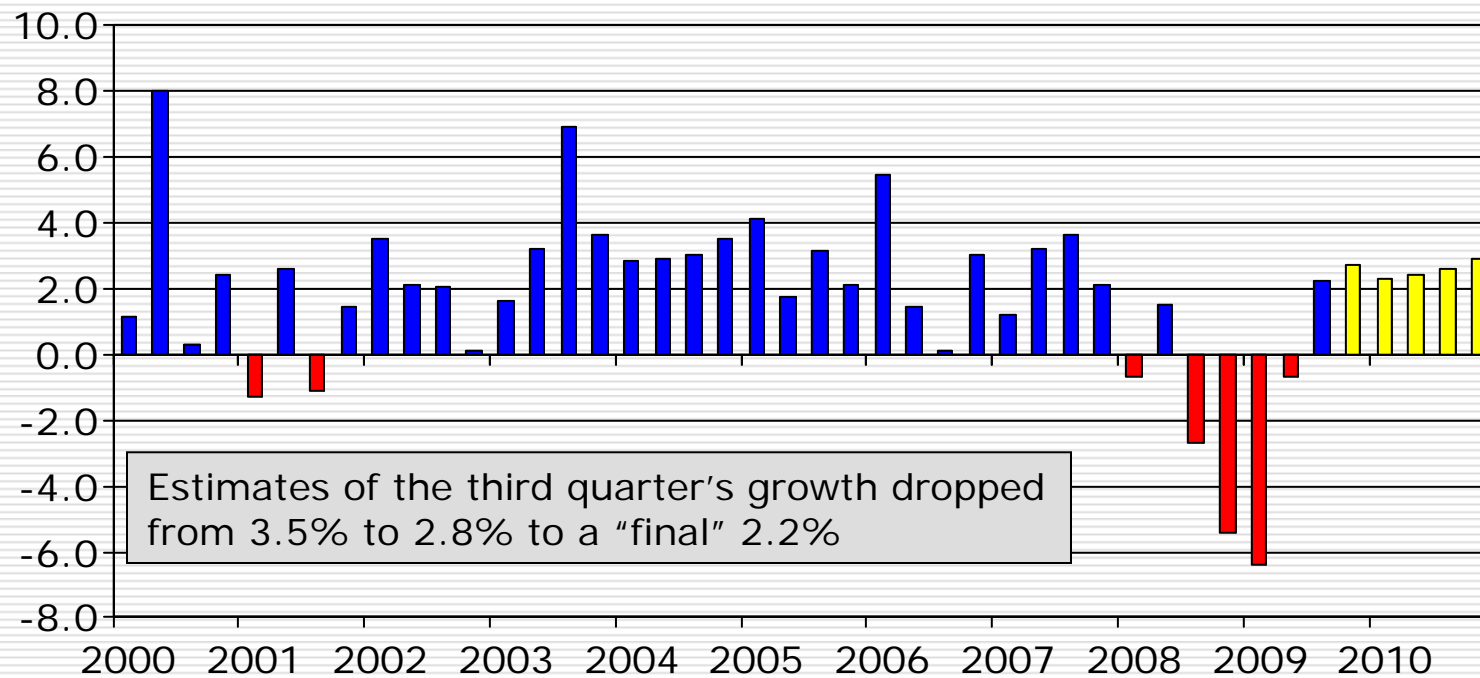
January 12, 2010

Agenda

- ❑ Why 2010 is looking better and better—*Yet the double-dip scenario is in the shadows.*
- ❑ The state will likely not get an invitation to the nation's party—*in fact, it is still waiting for the 2002 invitation.*
- ❑ Holland 2010-2011 forecast—*We will get it right this time.*
- ❑ Thoughts about the Country of Holland

Nationwide, GDP increased by 2.2 percent in the third quarter.

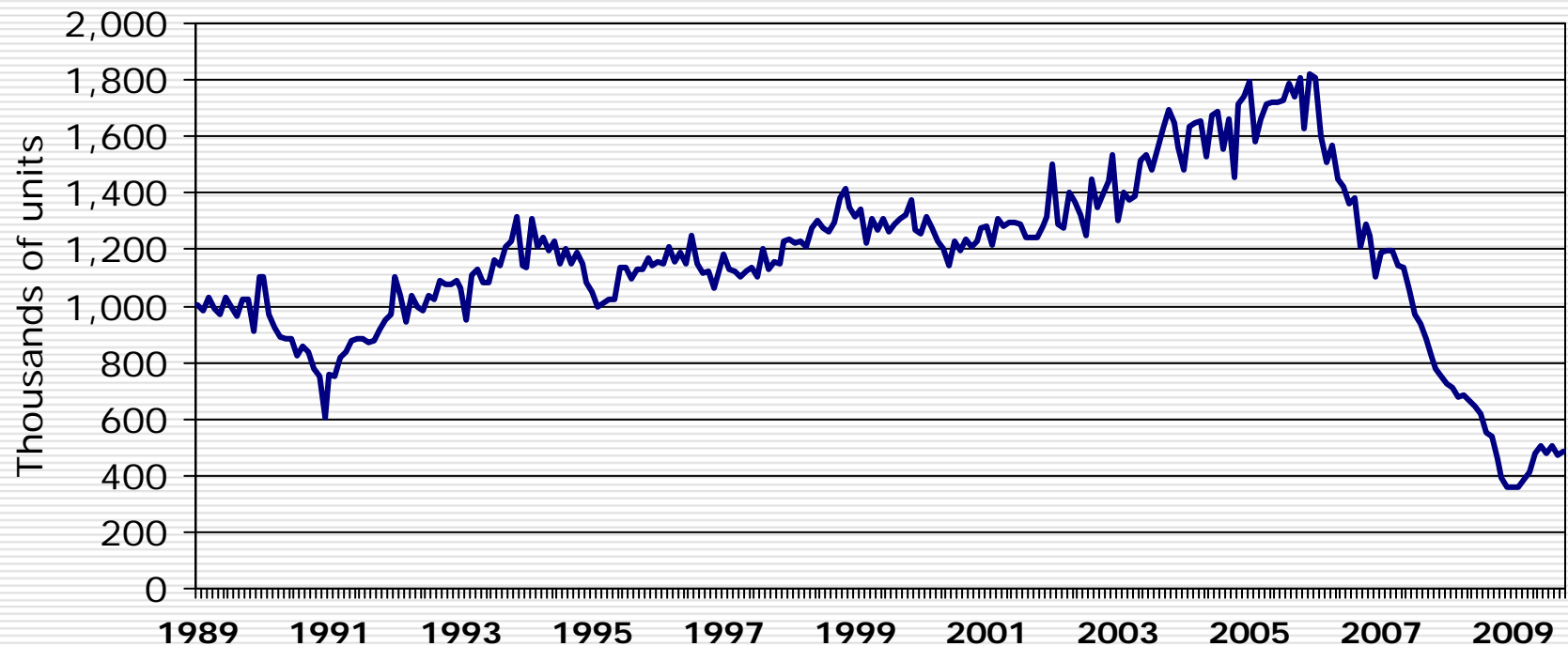
Annualized Percent Change in GDP



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

Single-Family Housing Starts—*We appear to be turning around.*

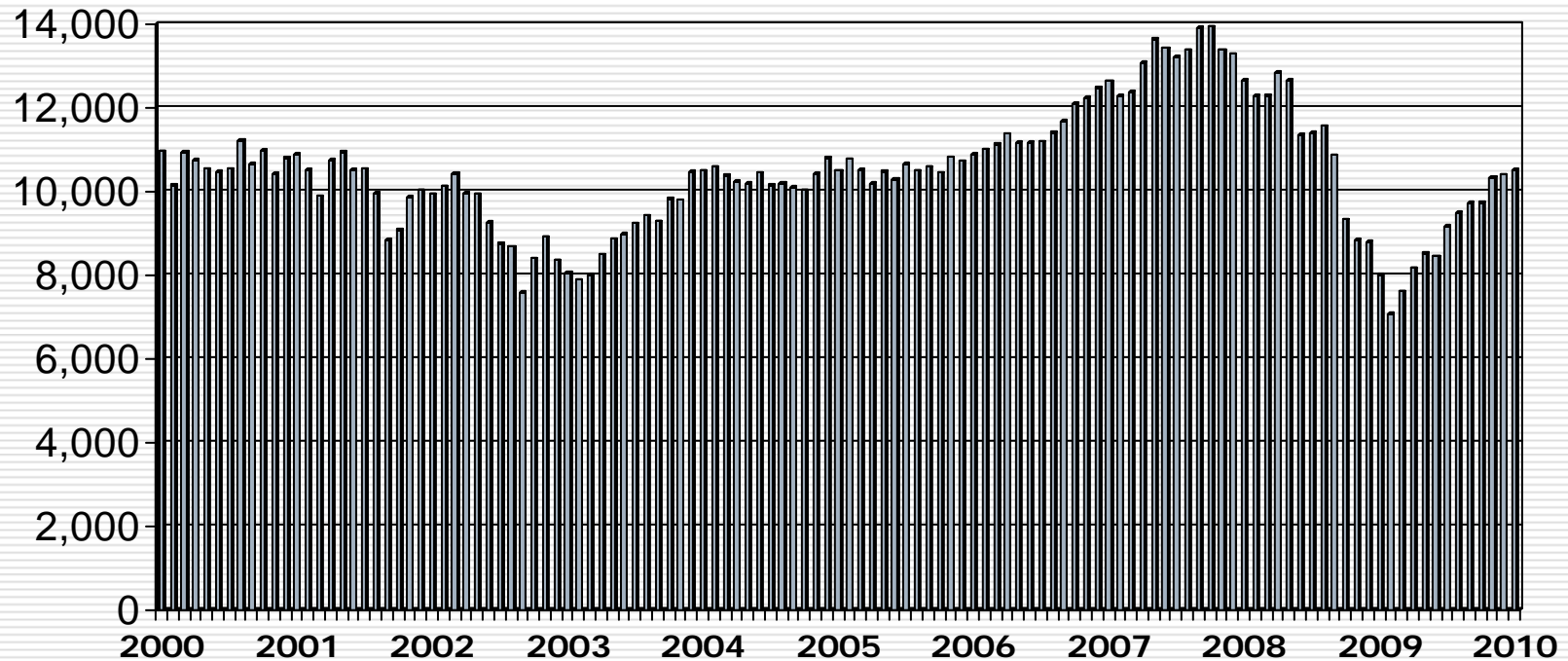
Seasonally Adjusted Annual Rates



U.S. Census

The stock market has enjoyed a nine-month run.

Dow Jones Index



Ok, where is the bad news?

- ❑ Banking system—*The banks have a lot of money to lend but are not.*
- ❑ Employment outlook—*The rate of decline is slowing, but we may not return to pre-recession levels until 2011 or later.*
- ❑ Consumer confidence—*Will slowly improve but is dependent upon employment.*
- ❑ The auto industry—*2010 is expected to be better than the latter half of 2009.*

Nationwide, the rate of employment decline is slowing.



Total employment fell by 297,000 workers in the fourth quarter. In November 4,000 jobs were created, but 85,000 were lost in December. The nation's unemployment rate remains at 10.0%.

Source: BLS.

How long will it take for employment to reach its pre-recession level?



Manufacturing employment decline is slowing as well.

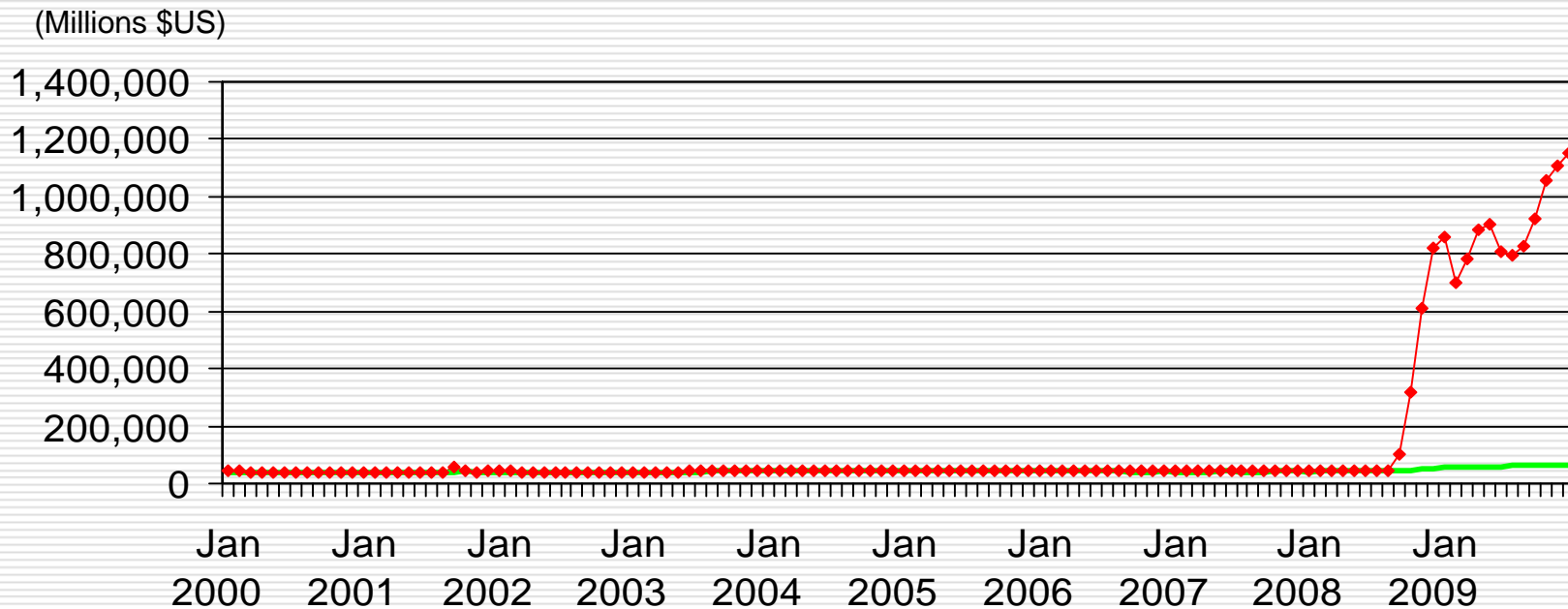


From 2001 to 2009, that nation's manufacturers have cut 1/3 of their labor force. Since 2006, 2.6 million manufacturing jobs have been lost.

Source: BLS.

Banks have a trillion dollars to lend out but they are not.

Aggregate U.S. Depository Institution Reserves
(Adjusted for seasonality and changes in reserve requirements)

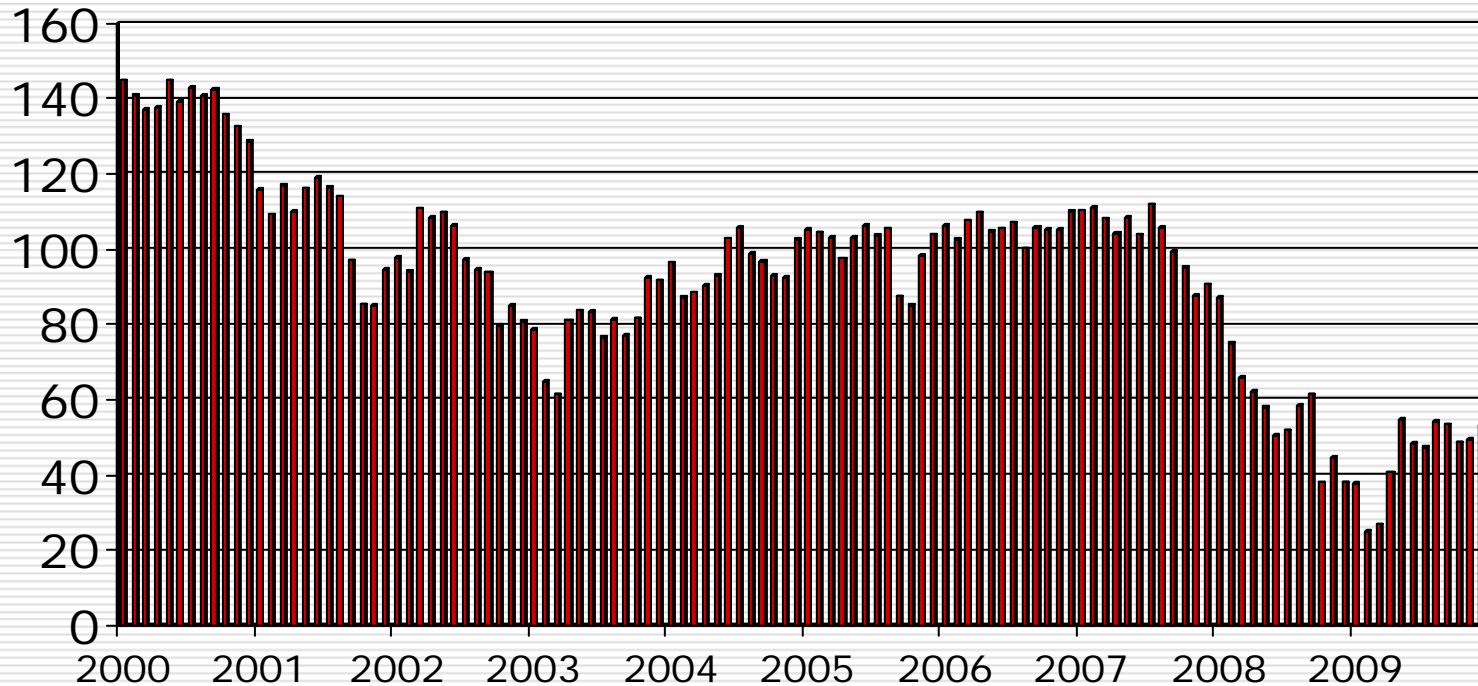


Source: Federal Reserve, Statistical Release H3.

◆ Total reserves — Required

Consumers' confidence is still low.

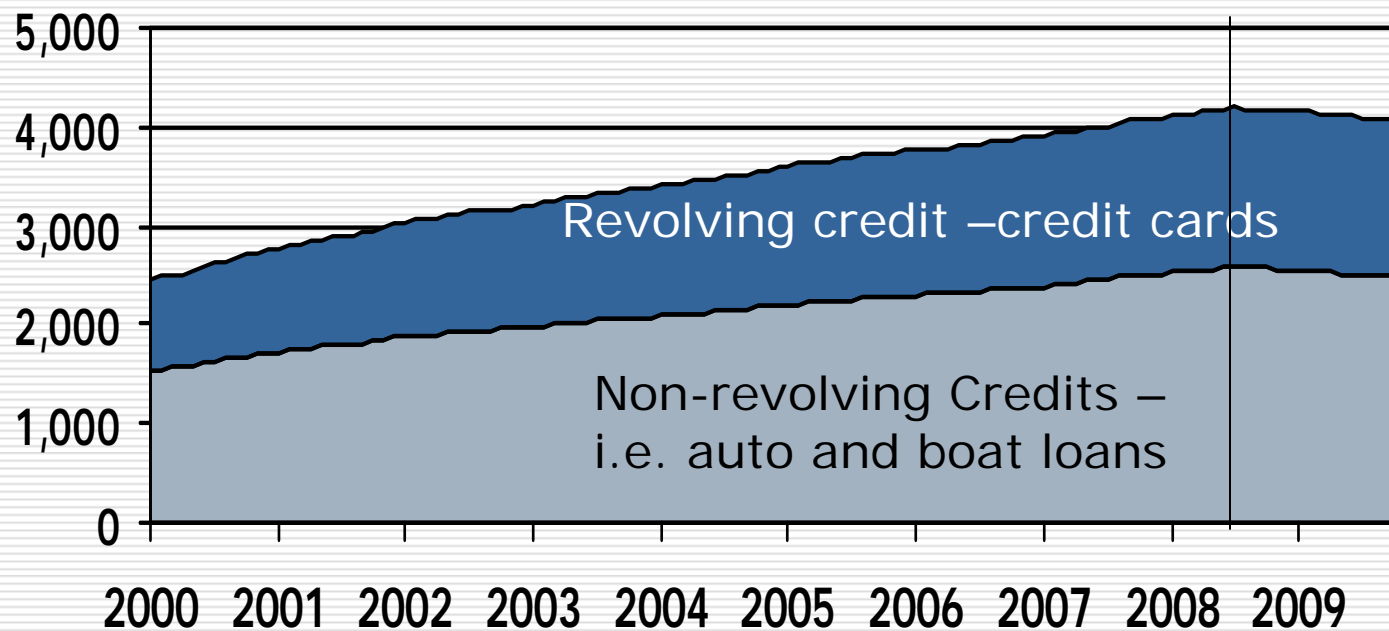
Consumer Confidence (1995=100)



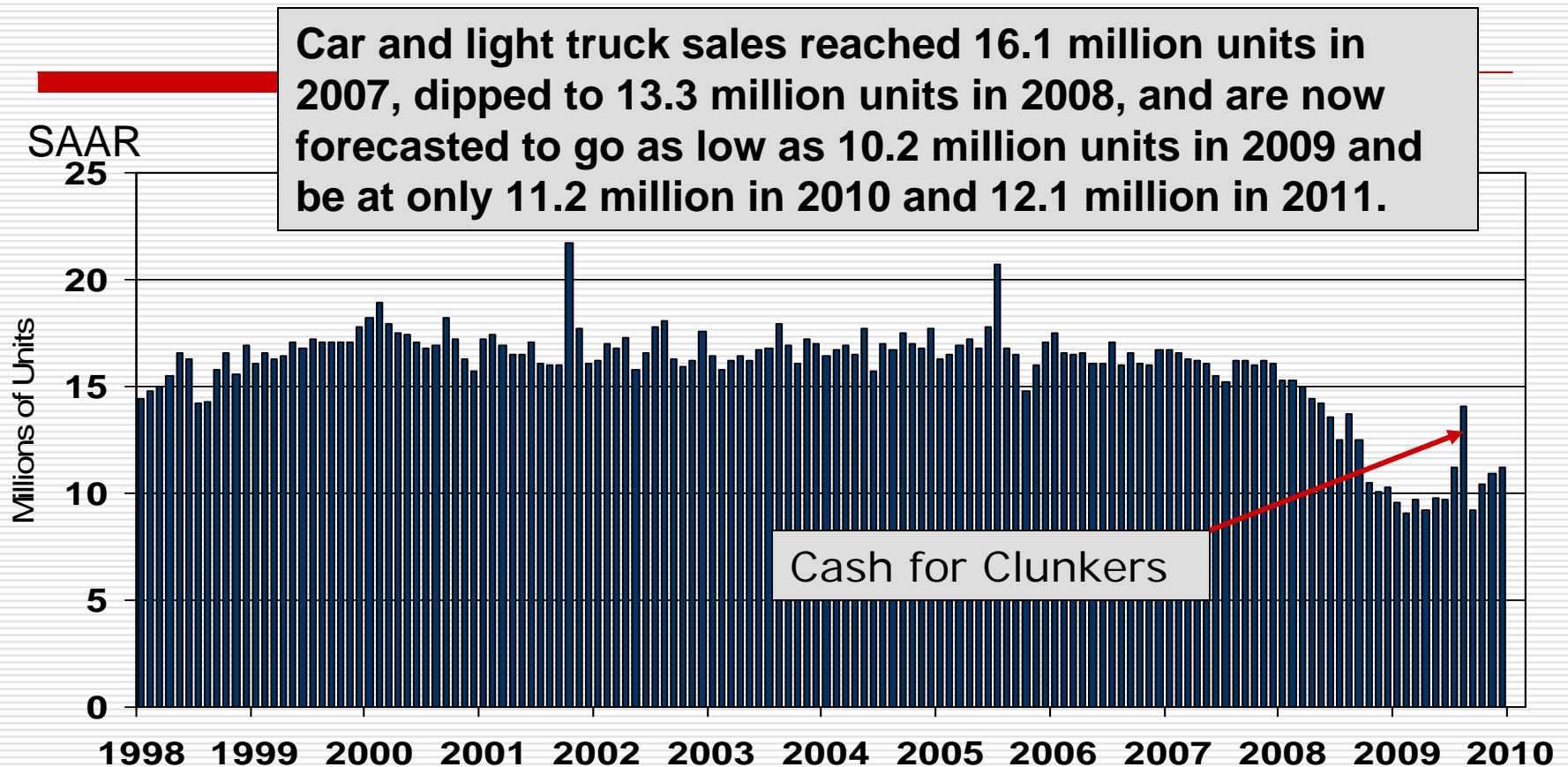
Source: Conference Board.

Consumers are cutting back on their use of credit

Consumer credit in Billion of Dollars



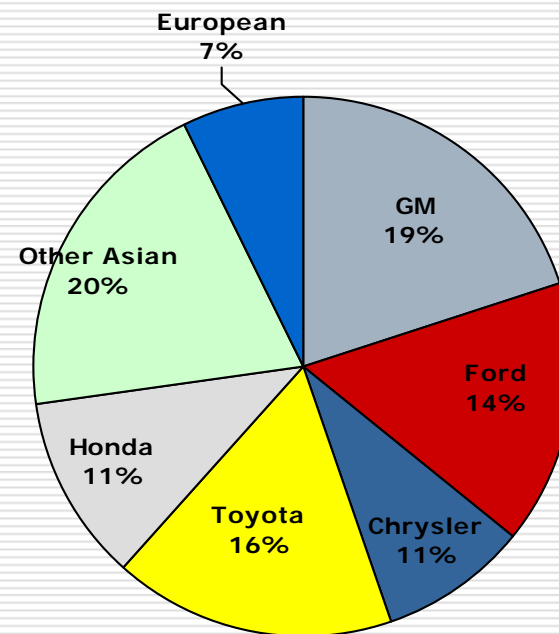
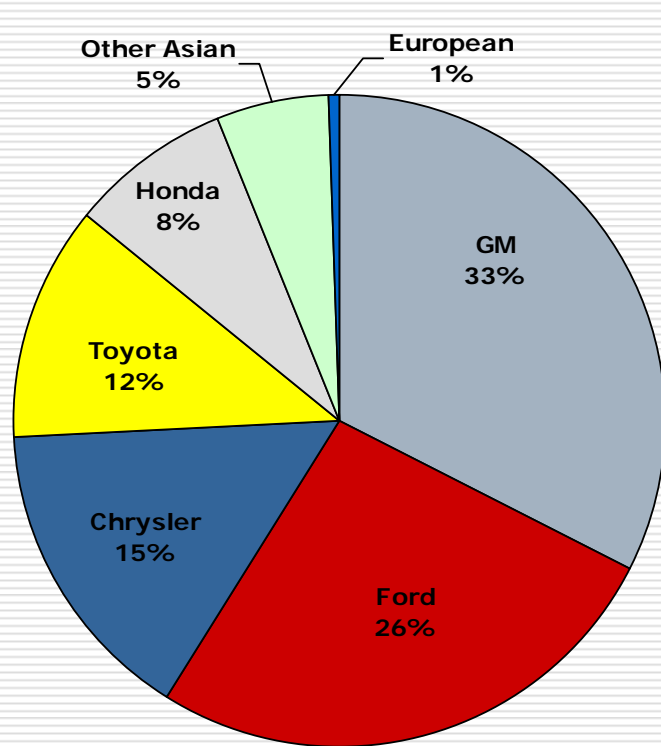
The showrooms are still pretty quiet.



Source: BEA.

Fueled by cash-for-clunkers, sales hit a 14.1 million unit rate in August but have fallen back since. Sales were up to a 11.2 million unit pace in December.

Loss of market share: In 2001, the Detroit Three controlled 74%; in 2009 it fell to 44.7%.



Source: *Wards AutoWorld*.

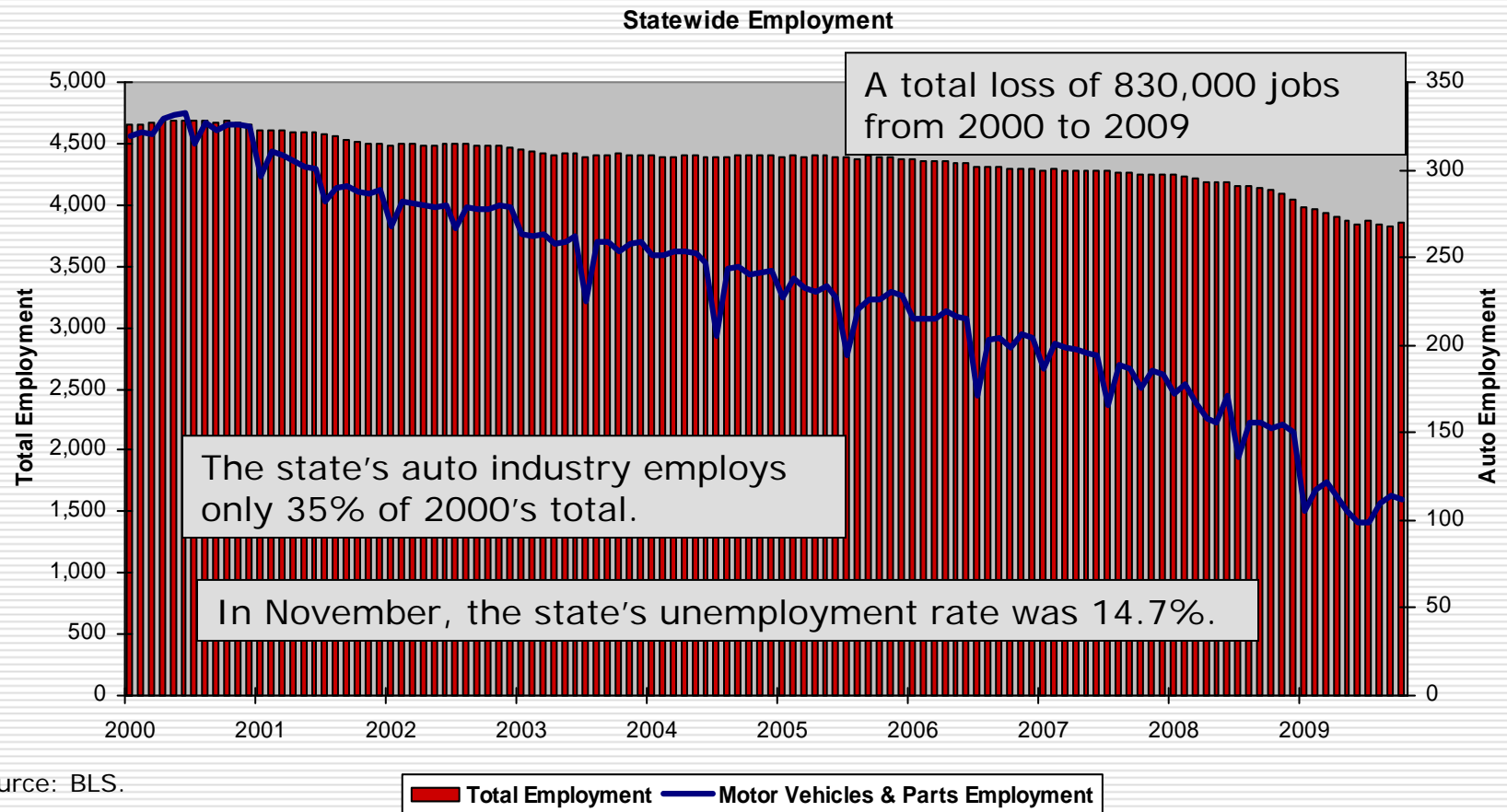
2001

2009

Only 3 of the top 10 selling vehicles are made by Detroit.

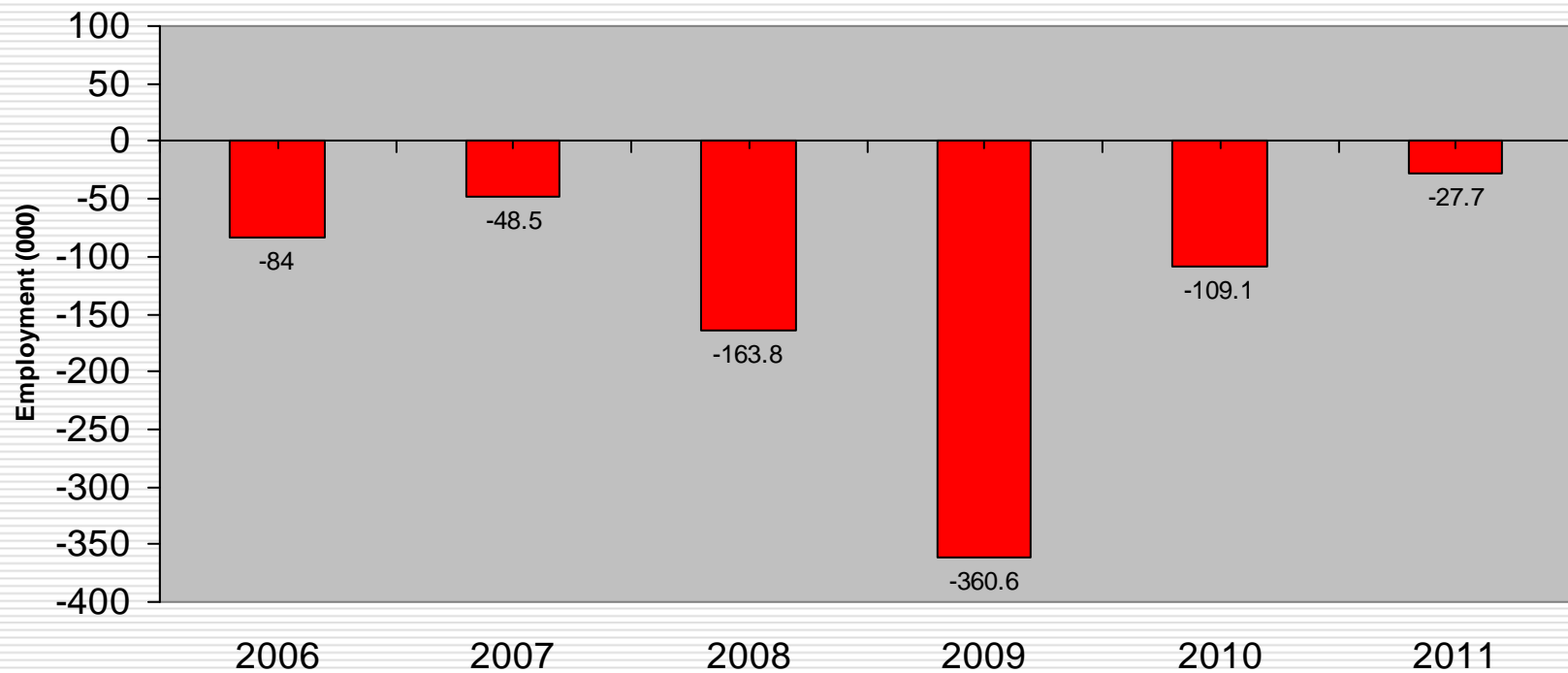
2009 Best Selling Vehicles		
Ford	F Series	413,625
Toyota	Camry	356,824
GM	Silverado	316,544
Toyota	Corolla/Matrix	296,874
Honda	Accord	287,492
Honda	Civic	259,722
Nissan	Altima	203,568
Honda	CR-V	191,214
Ford	Fusion	180,671

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



Total employment has declined for 10 straight years and is expected to decline in 2010 and 2011.

Change in Total Employment



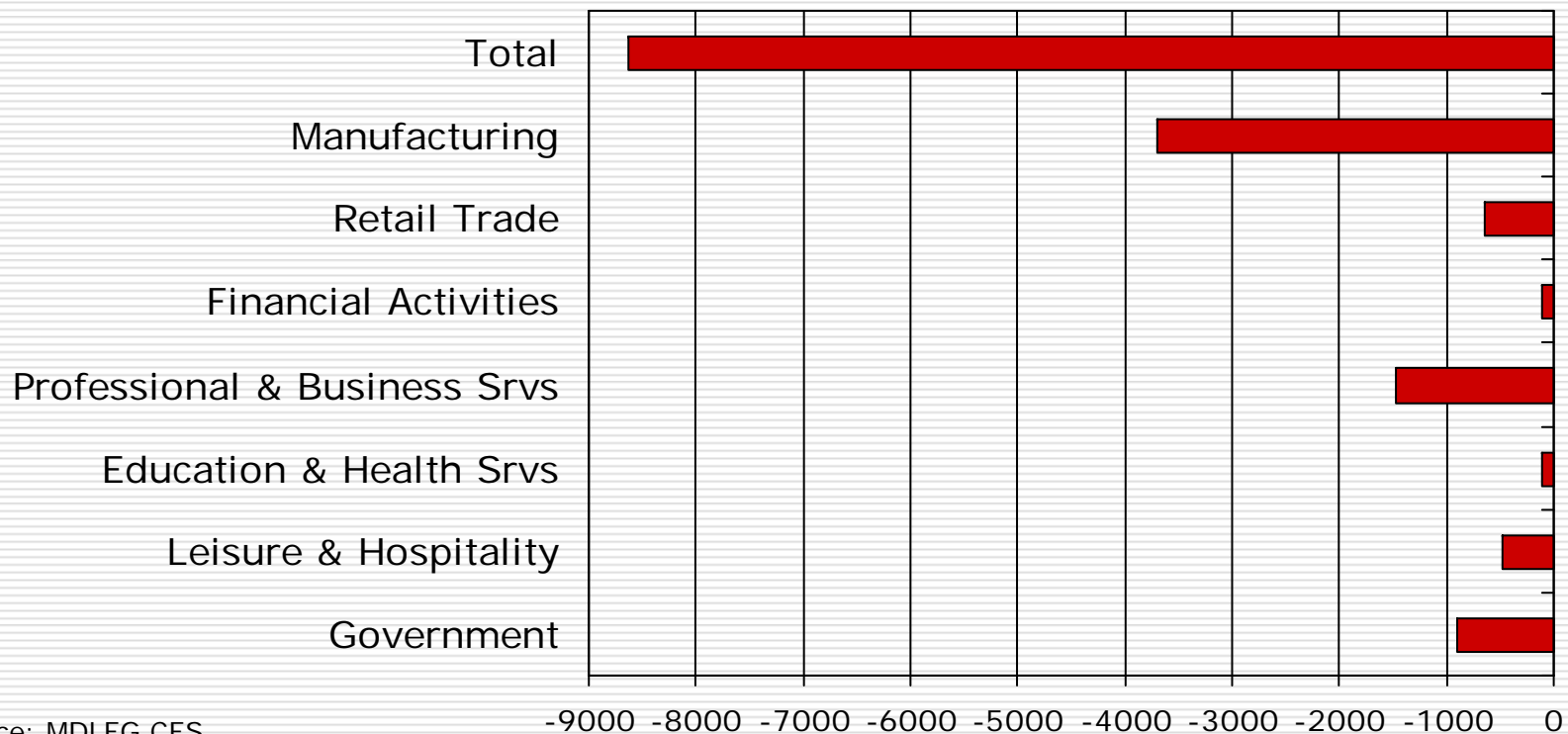
Source: University of Michigan, Nov 2009.

Ottawa County—*2009 was not a good year.*

- ❑ Serious employment declines.
- ❑ Too many people are moving out.
- ❑ Housing prices are still retreating.
- ❑ Residential construction is at a standstill.

2009 was simply an awful year for Ottawa County.

**Employment Change
Jan to Nov 2008 - Jan to Nov 2009**



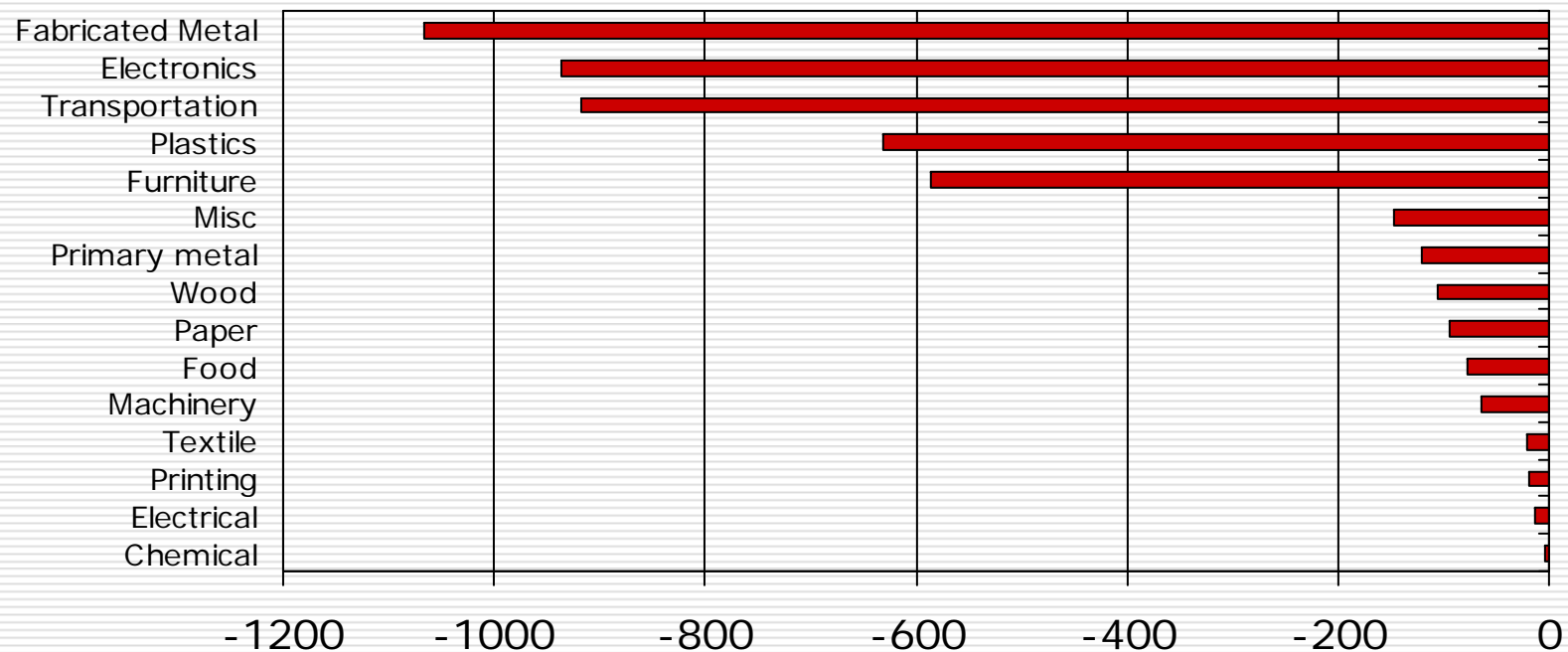
Source: MDLEG CES

For a more detailed look at local employment trends, we must look at an older data set:

Employment change from Q1 2008 to Q1 2009

All segments of the county's manufacturing sector lost jobs.

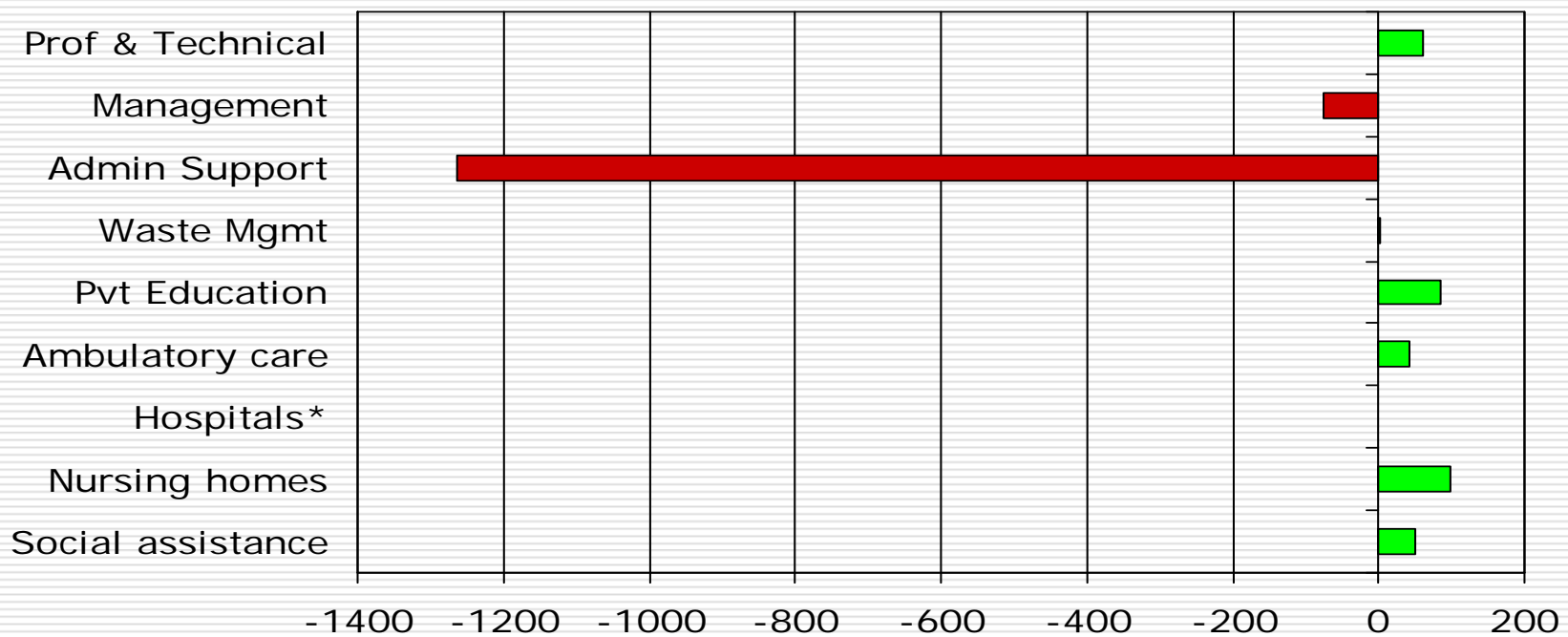
Detailed Manufacturing Employment Change Q1 2008 to Q1 2009



Source: MDLEG, ES-202 data.

In services, the job losses have been concentrated in administrative support activities.

Detailed Professional and Business Services and Health and Education Services Employment Change, Q1 08-Q1 09

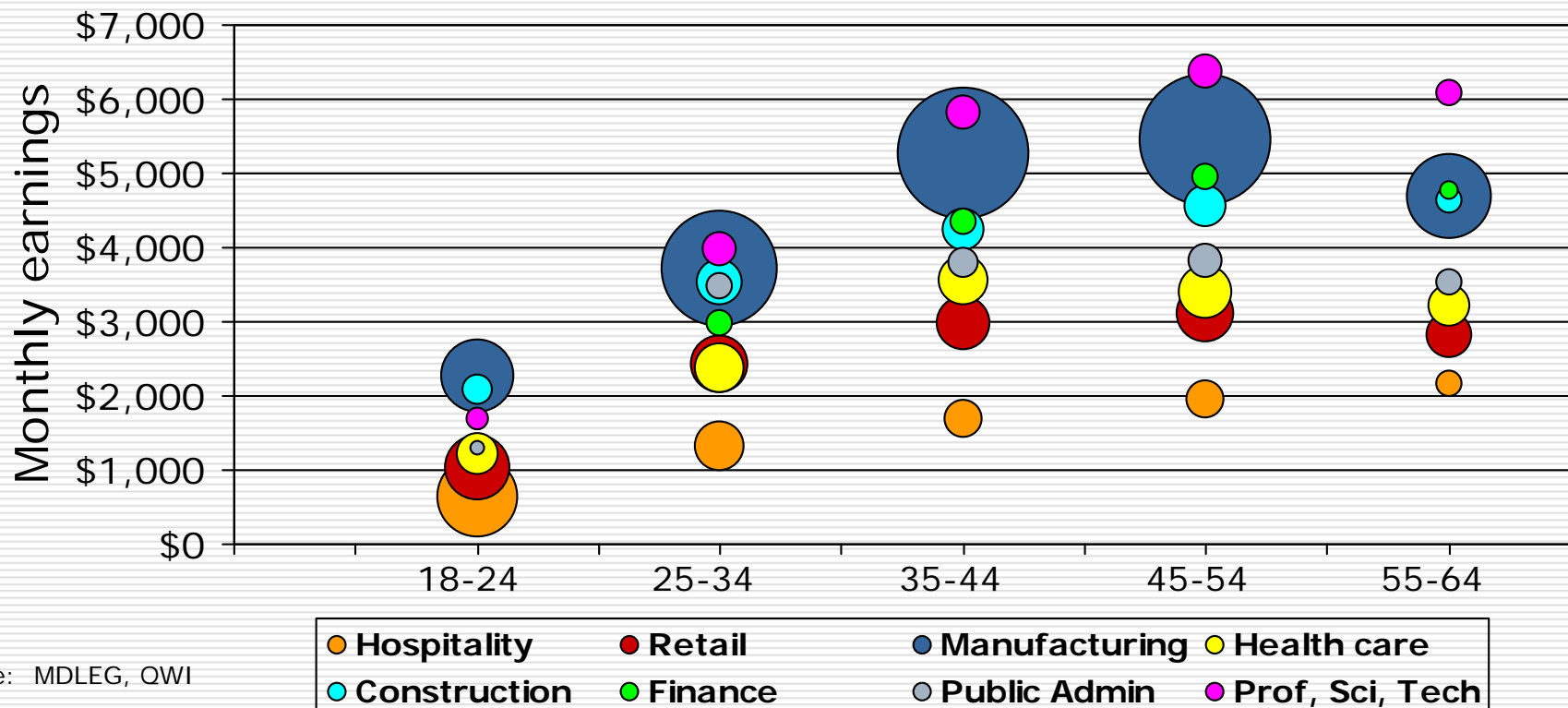


Source: MDLEG, ES-202 data.

* Hospital data not available.

Manufacturing pays well and still employs a high percent of the county's workforce.

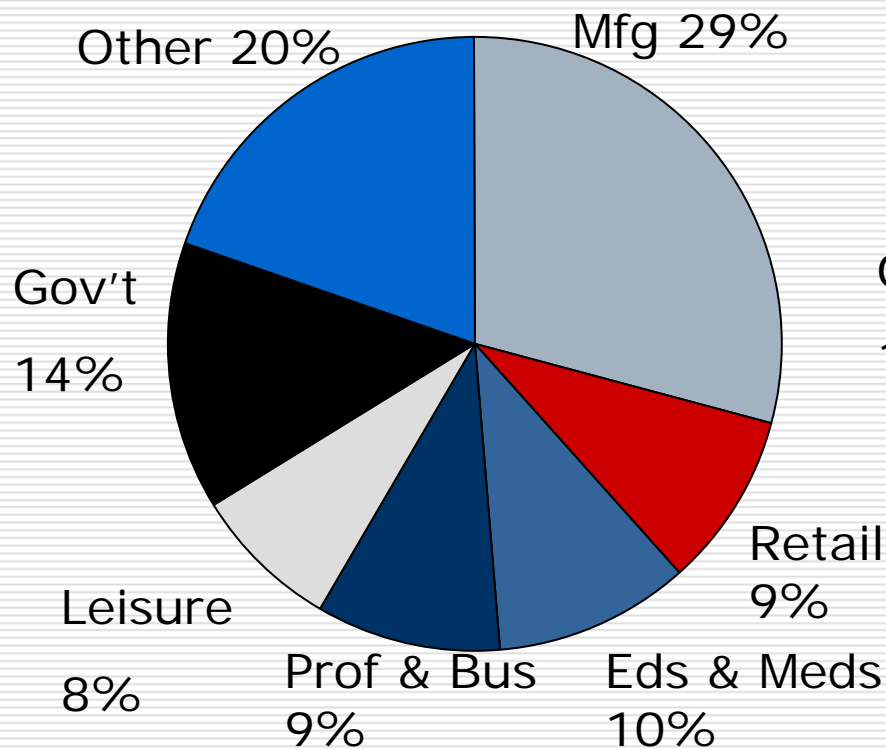
Earnings and Employment, Q4 2008



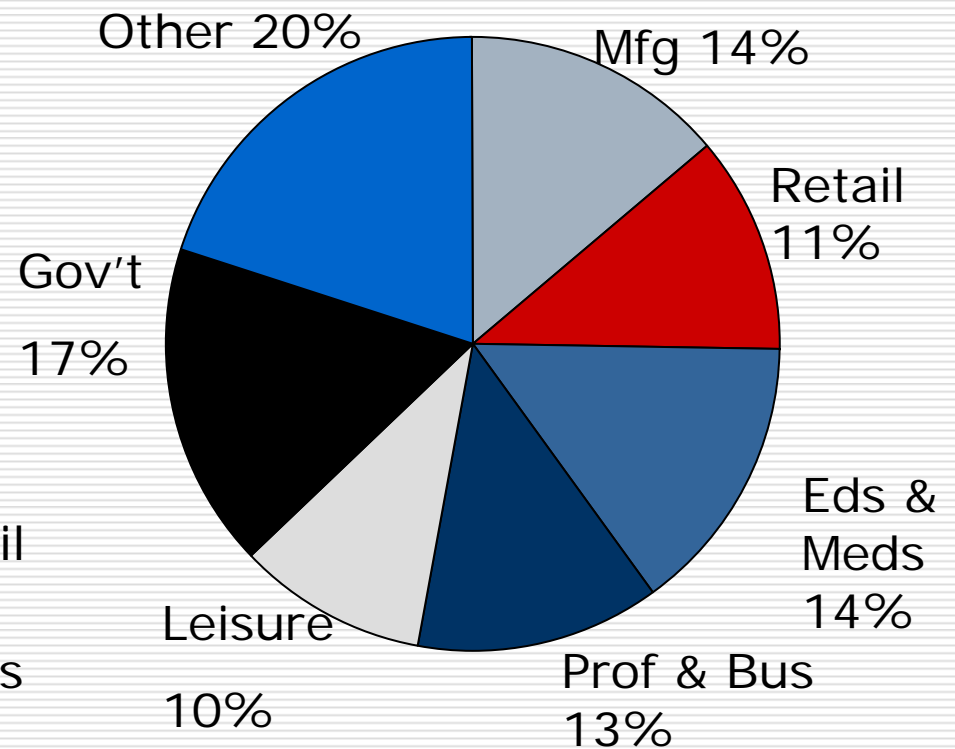
Source: MDLEG, QWI

Manufacturers employ 29% of the county's workforce compared to 14% nationwide.

Ottawa County

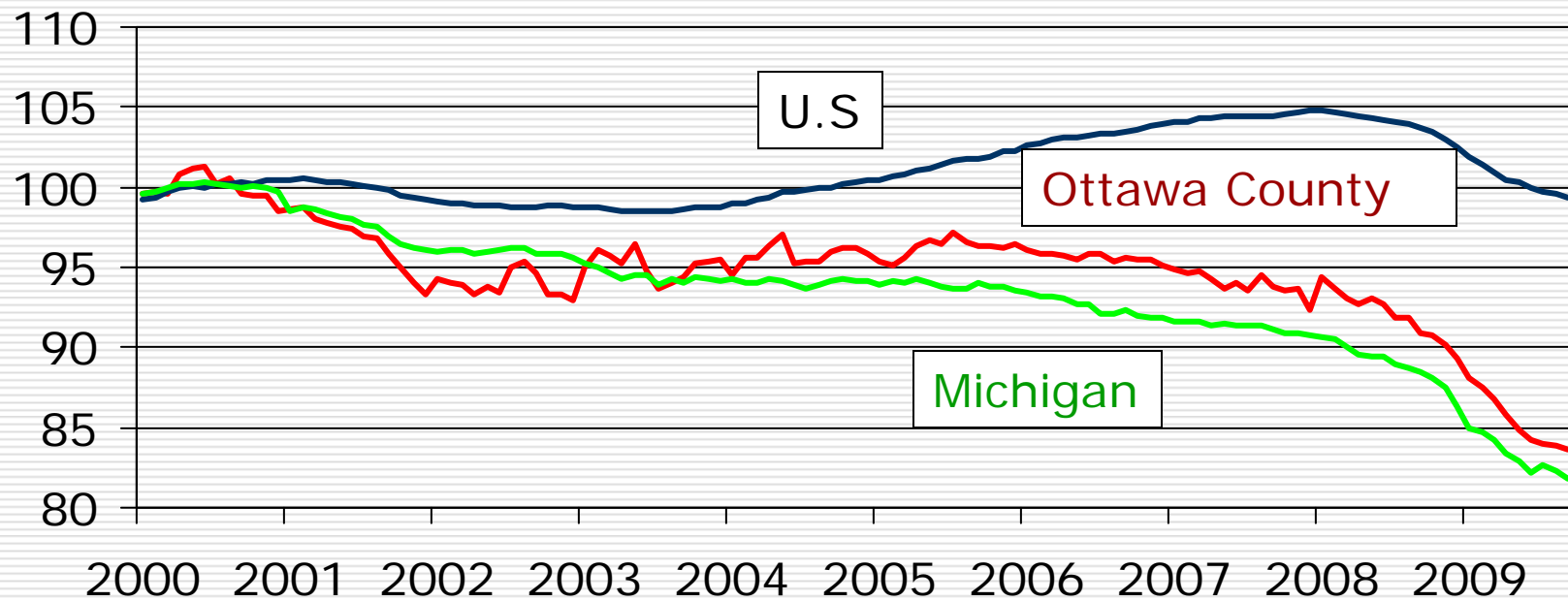


United States



Ottawa County is tracking too closely to the state.

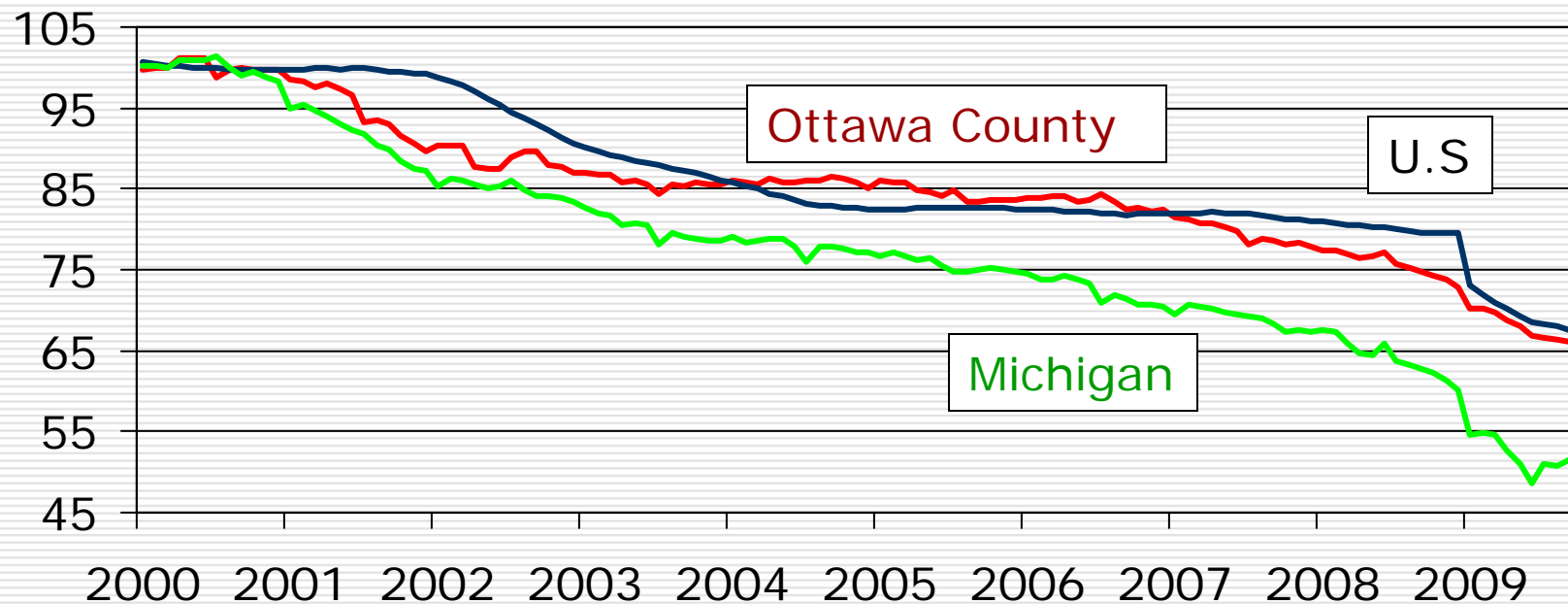
Index of Total Employment
(100 = 2000 average)



Source: W.E. Upjohn Institute and BLS.

It's not the county's manufacturing sector's fault.

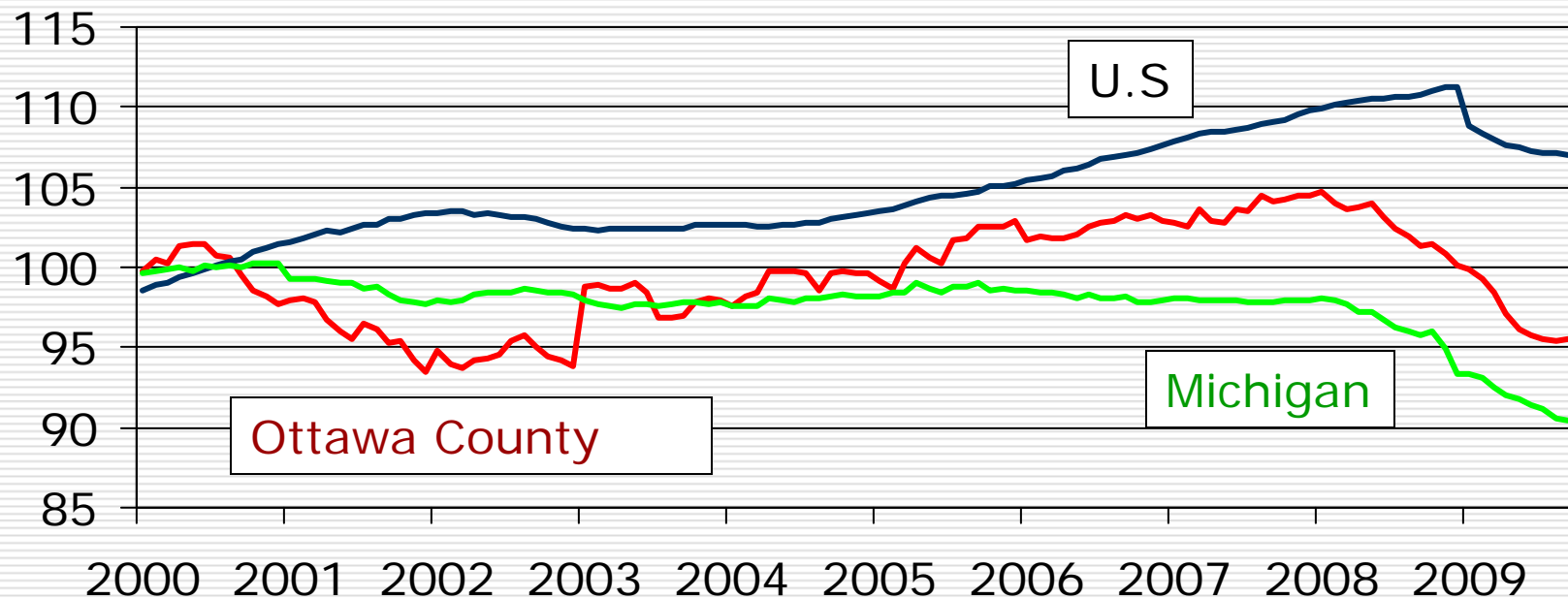
Manufacturing Employment Index
(100 = 2000 average)



Source: W.E. Upjohn Institute and BLS.

It is the county's services sectors that are falling behind the nation's

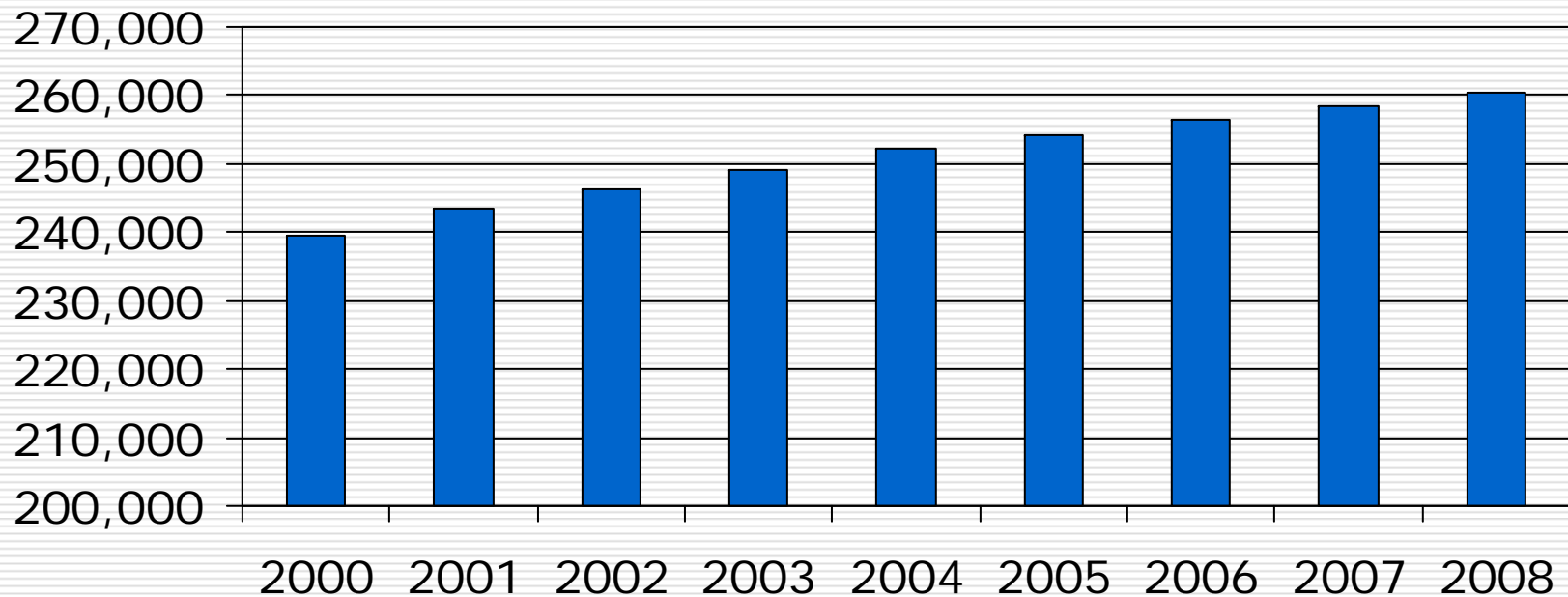
Private Service-providing Employment Index
(100 = 2000 average)



Source: W.E. Upjohn Institute and BLS.

Despite its employment woes, the county continues to grow in population.

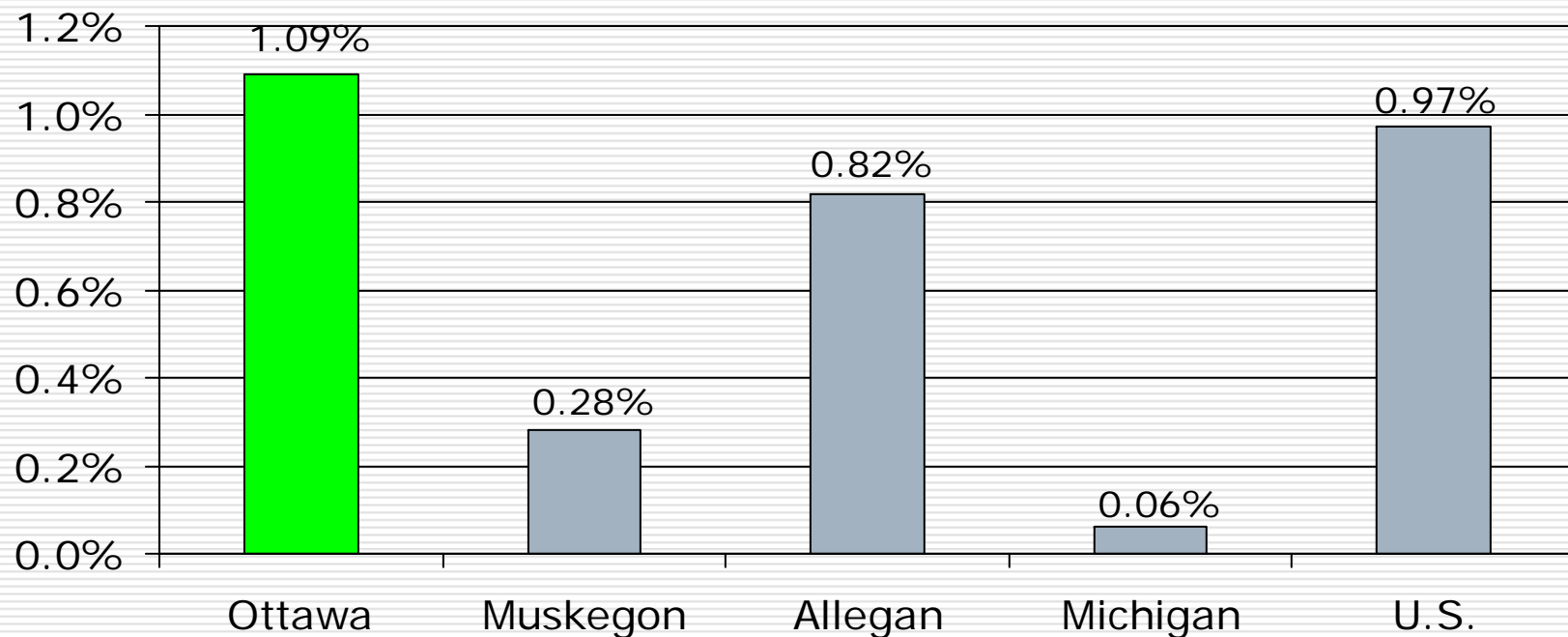
Ottawa County
Population Estimates



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

In fact, it is growing at a faster rate than the nation!

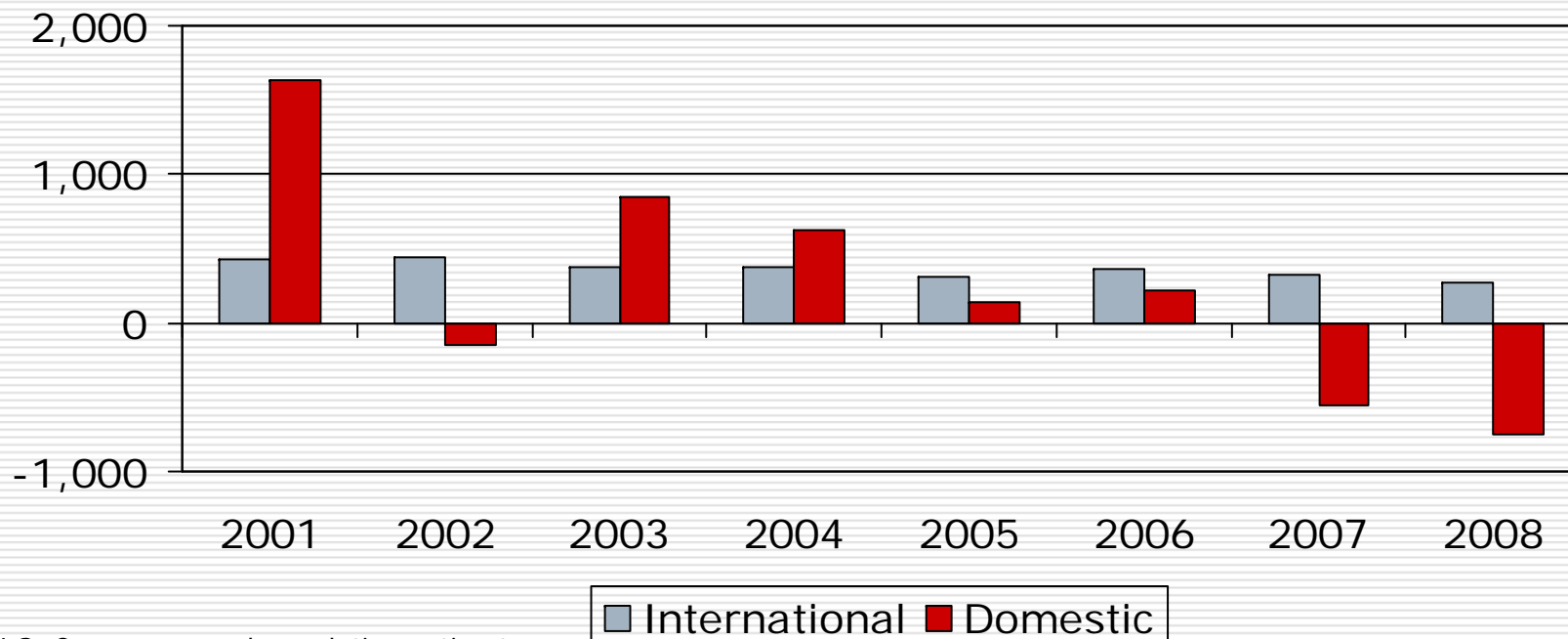
Annual Average Population Growth Rate,
2000 to 2008



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

Still, net migration continues to be negative.

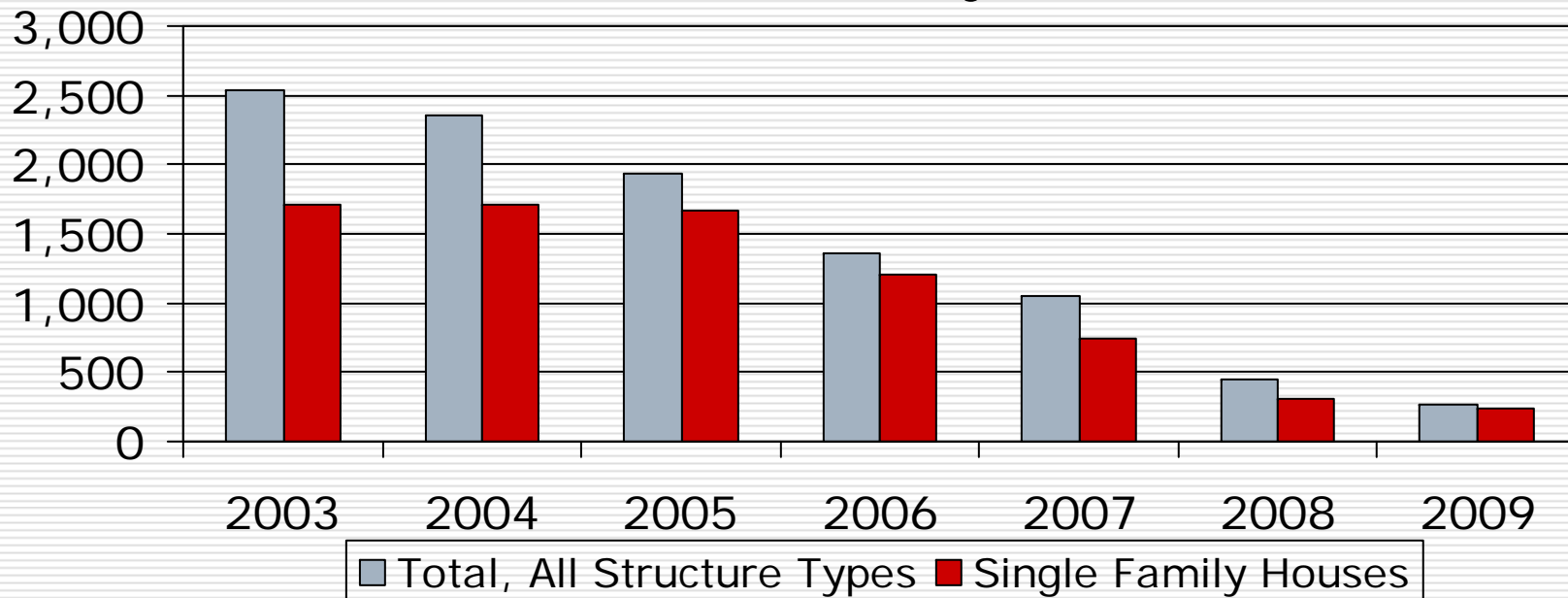
Net Migration Component of Population Change in Ottawa County



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

The county's housing industry is still flat.

Housing Units Authorized by Building Permit in Ottawa County

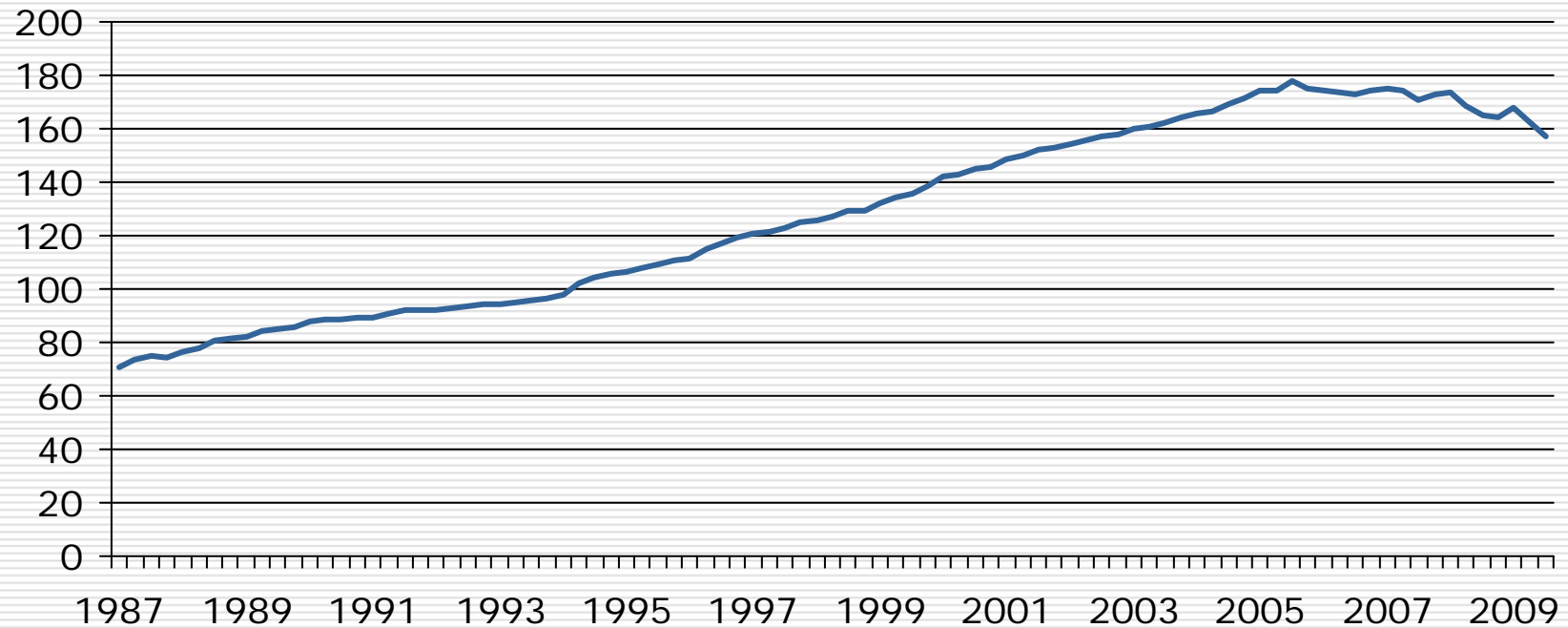


Source: U.S. Census Bureau: Manufacturing, mining, & construction statistics.

Note: 2009 is estimated year-to-date through November 2009 only.

Prices are still soft.

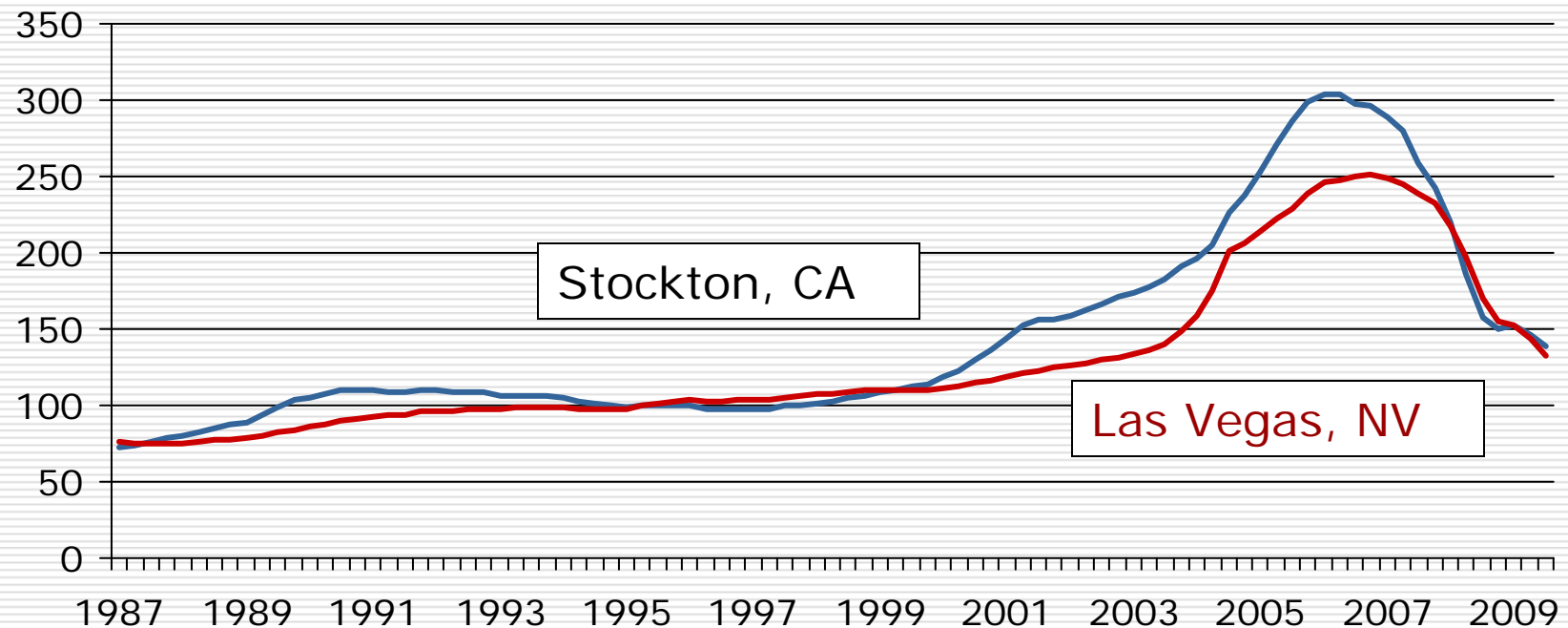
Ottawa County Housing Index
1995 = 100



Source: FHFA

Still, there are places that are much worse.

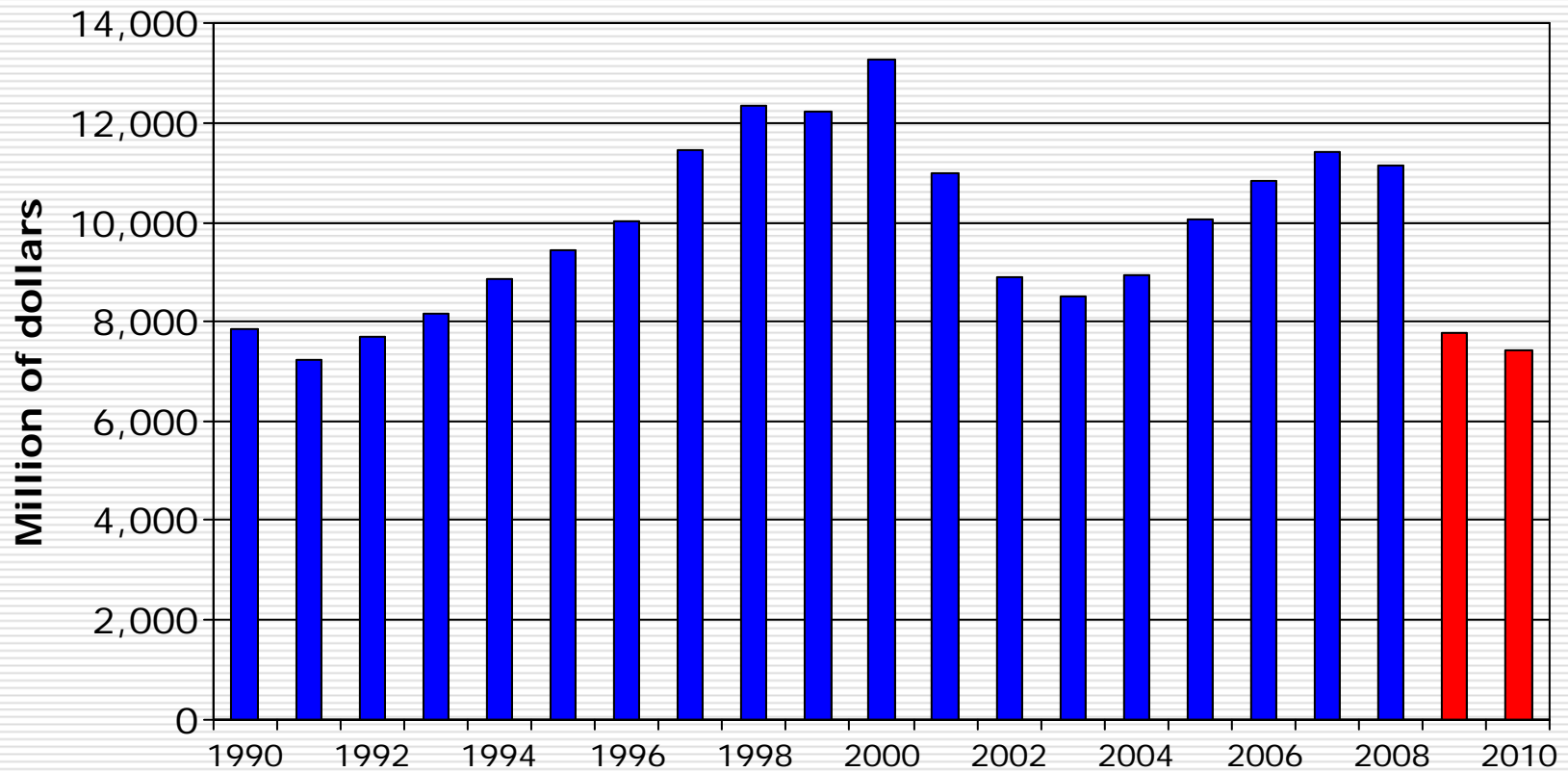
Crisis Metro Housing Index
1995 = 100



Source: FHFA

Office furniture production forecast is not promising.

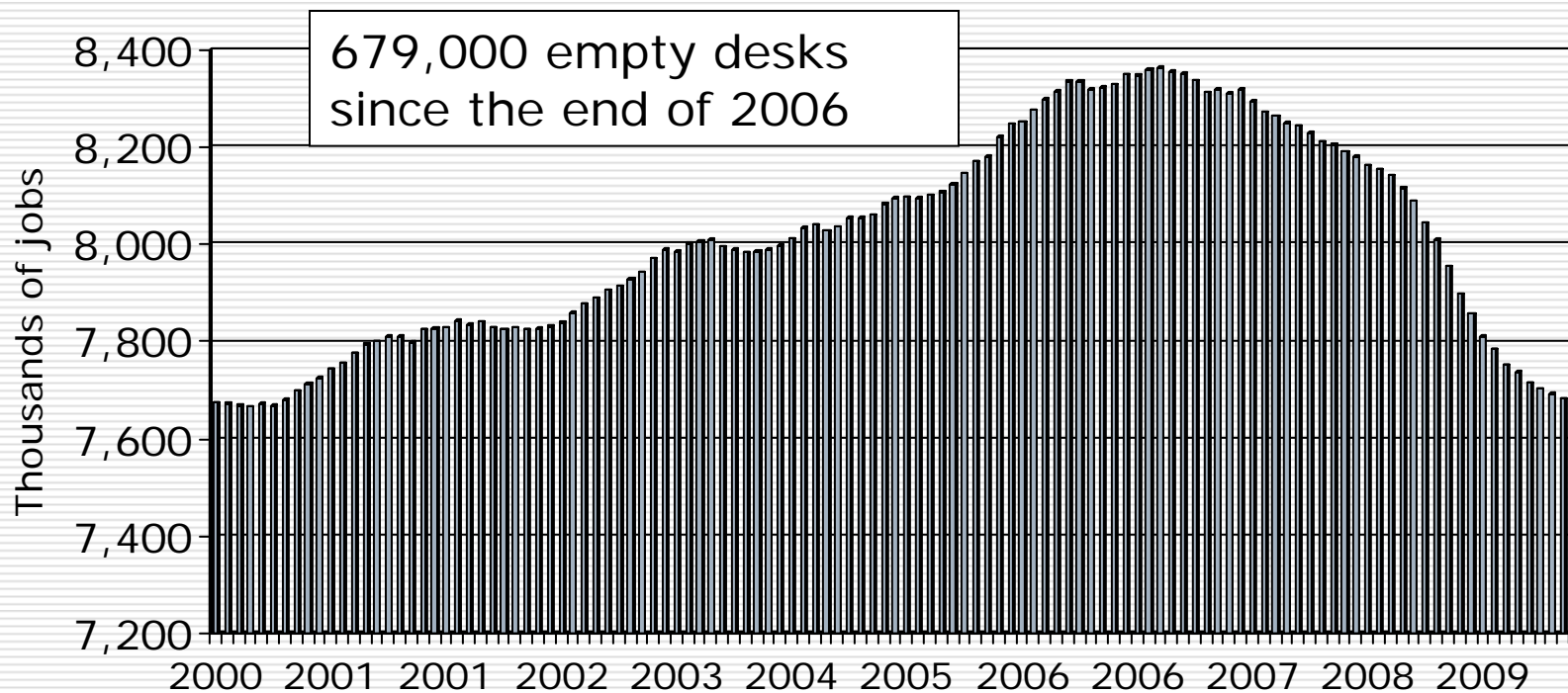
The October reading of the Overall MADA/OFI index stood at 51.45, which is the highest reading since July 2008



Source: BIFMA

A lot of empty desks and chairs in the financial sector.

Employment in Financial Activities



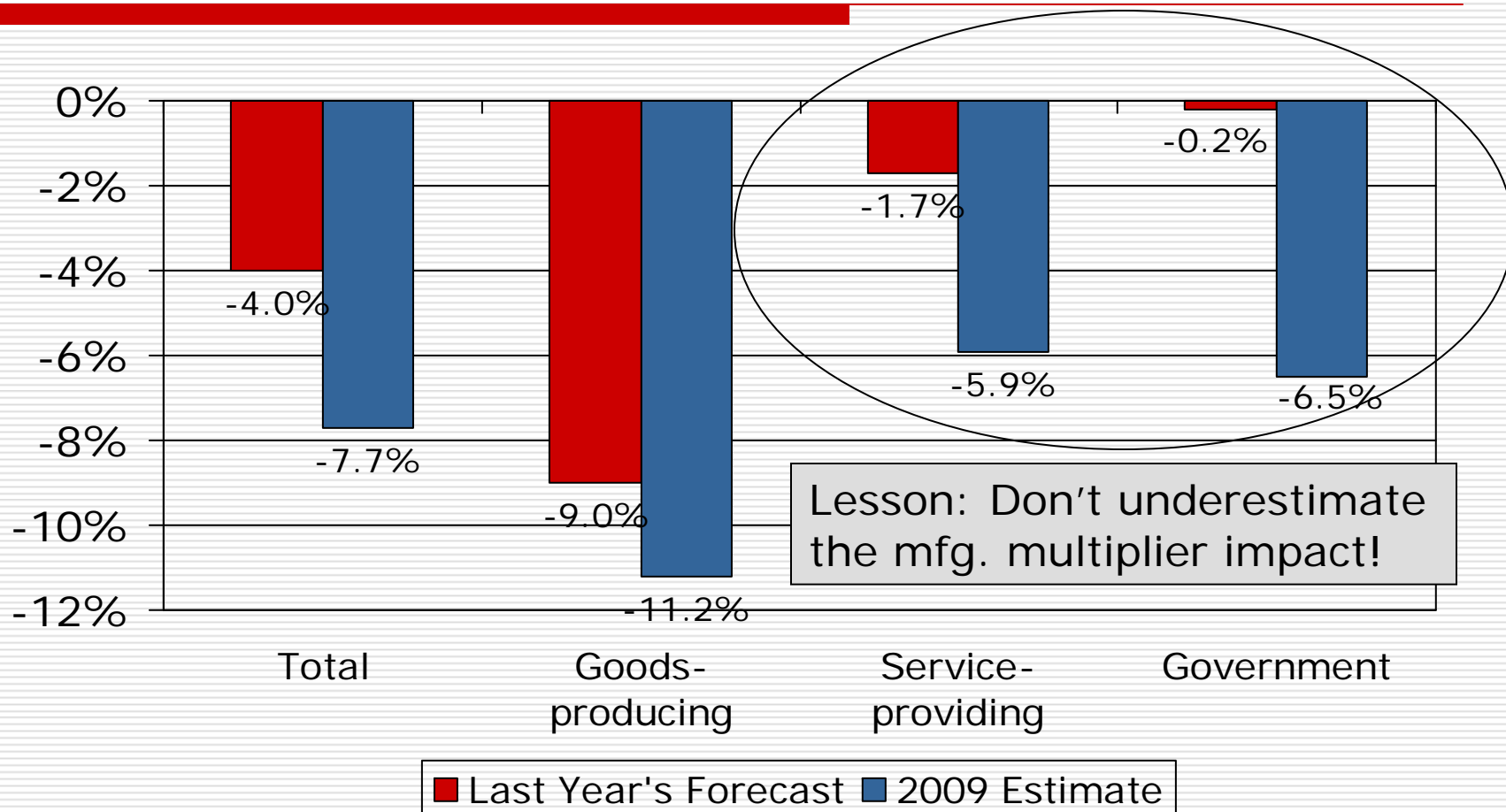
Source: BLS

Employment Forecast for 2010 and 2011

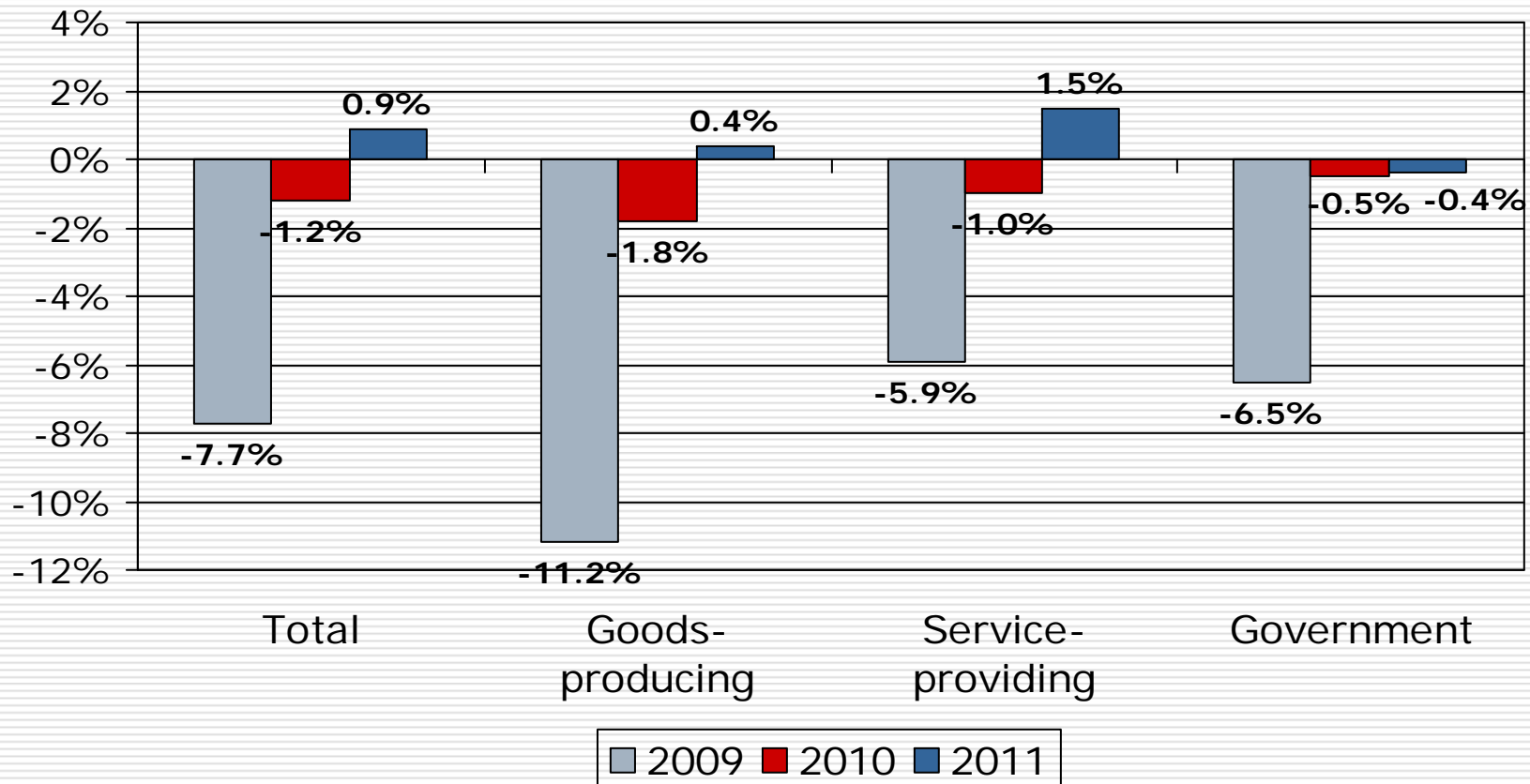
- But first a painful review of last year's forecast

So, how did we do last year?

Not great.



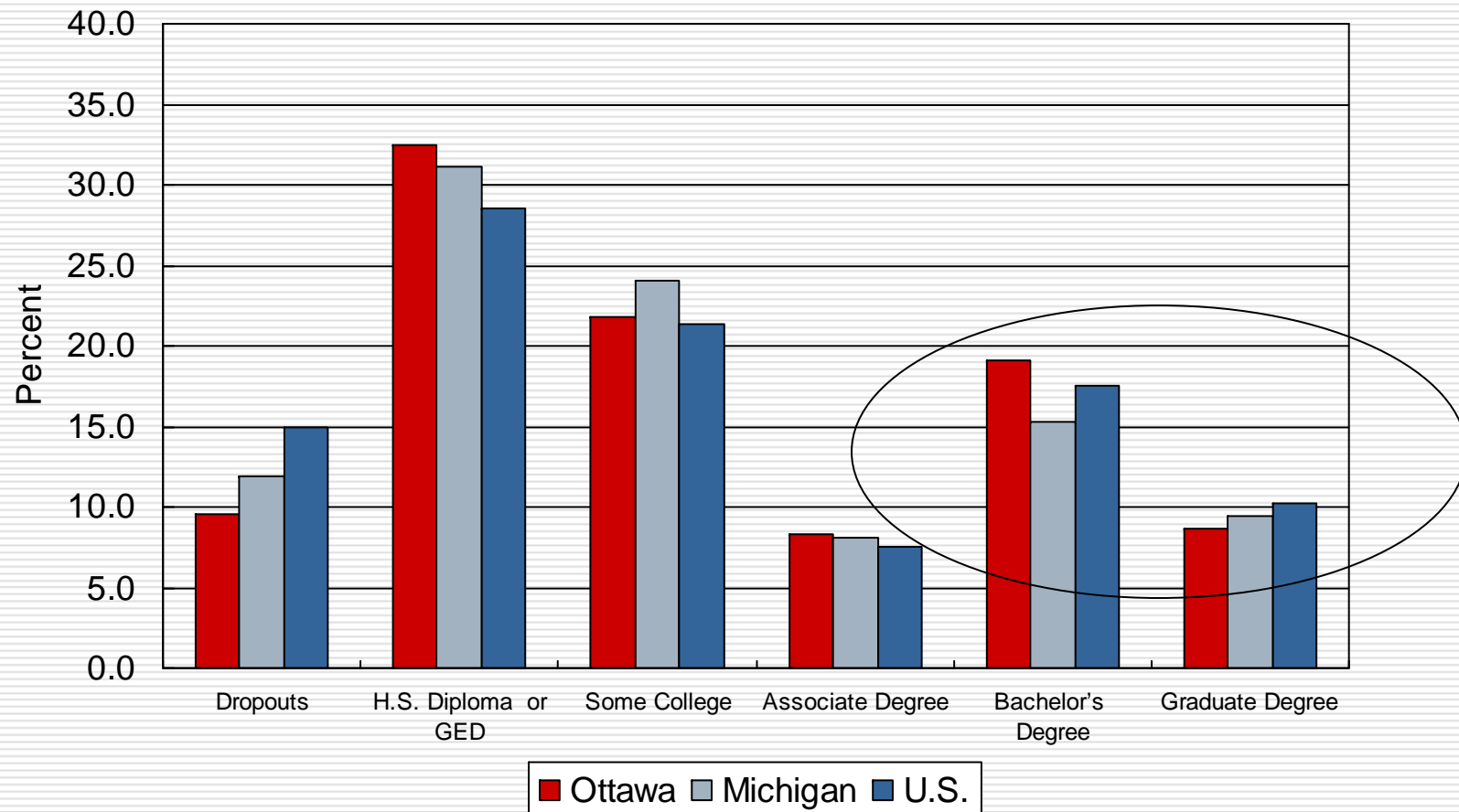
2010 and 2011 Forecast for Ottawa County—*Not out of the woods yet.*



So, what keeps me up at night?

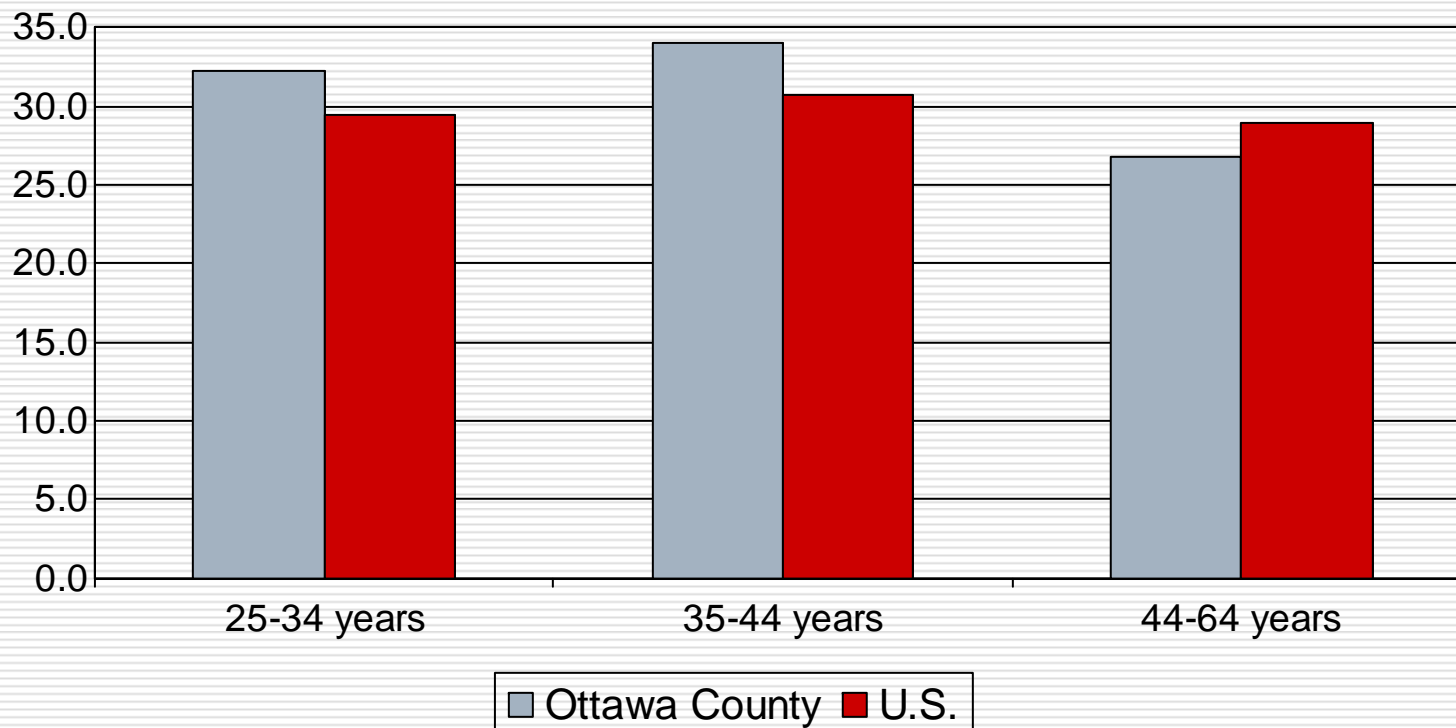
- Fear of the double-dip
 - What if current economic growth is simply inventory restocking?
 - Consumers are not in a good mood.
- Stagnation in education achievement.

Educational Attainment of Persons 25 Years and Older in 2008



We have hit a ceiling in education achievement.

Percent with a Bachelor's Degree or Higher in 2008



Challenges

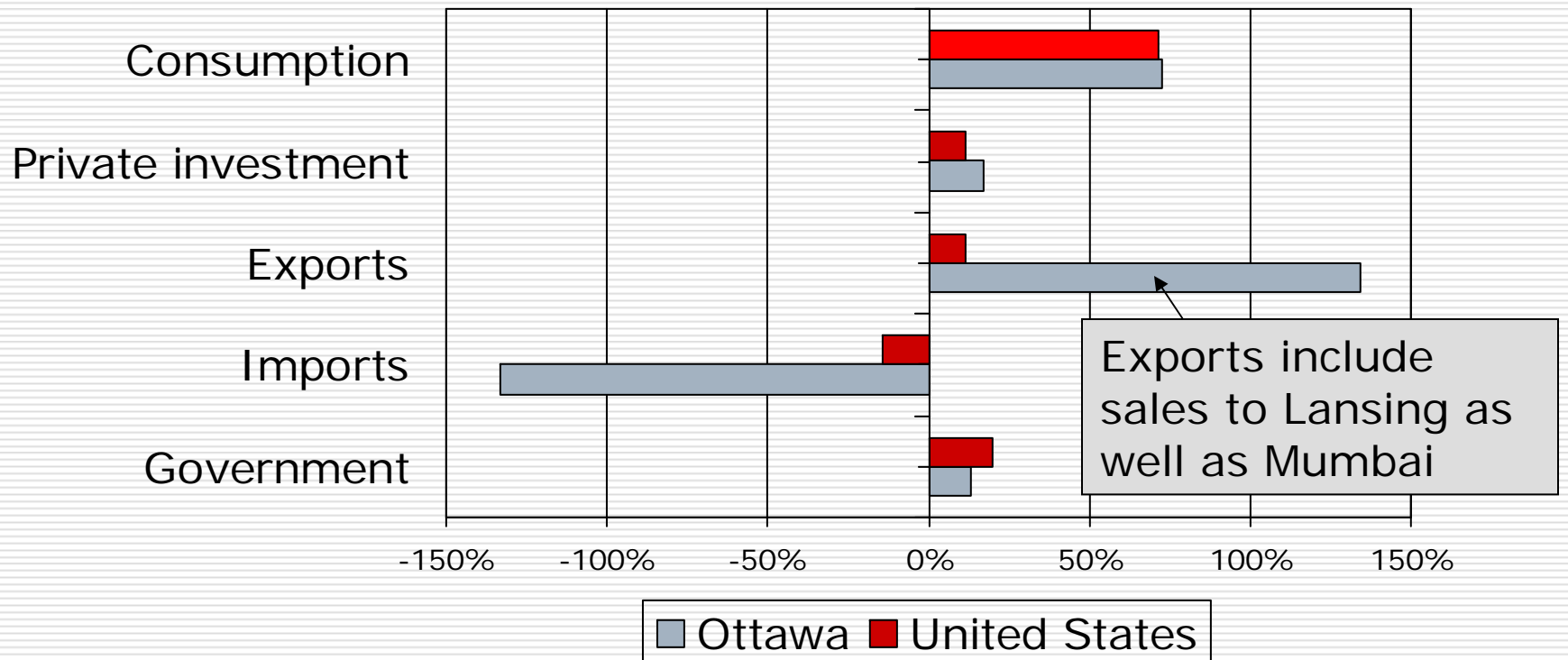
- Nationwide,
 - Approximately only 20% of all full-time community college students complete their coursework in three years.
 - Only 50% of full-time, four-year college students get their Bachelor degree in six years.
- Why:
 - Financial stress
 - Lack of career counseling

Thoughts about the Nation of Ottawa County

- ❑ A one-county country.
- ❑ No monetary policy: Statesdollars
- ❑ Fiscal policy:
 - Limited, due to balanced budget requirements.
 - Gets social assistance from United States government.

The country of Ottawa County is much more dependent on exports than the greater U.S.

Components of Gross Domestic Product



Like most small countries, Ottawa County depends upon trade.

□ Growth options:

- Export more
- Import less: become more self-sufficient
- Attract more consumers

□ Questions to answer:

- What do we export?
- Who depends on exports?

What does the region export? *No surprise: autos, furniture, and food.*

- Top five industries account for 60% of the regions exports
 - Auto suppliers
 - Furniture
 - Food products
 - Electronics
 - Fabricated metals

- Top 10 account for 80%
 - Machinery
 - Nonmetallic metals
 - Plastics
 - Trucking
 - Wholesale

Who depends upon the region's exports?

- Everyone, but 41 percent of the county's private sector's workers depend directly on exports including
 - 3,600 administrative support
 - 1,100 professional and business services
 - 2,000 educational services
 - 450 retail trade
 - 450 accommodations

Policy Options for the Country of Ottawa County

- Import substitution
 - Can't put up tariffs.
 - Can build better networks.
- Attract more consumers
 - Can't lower taxes and maintain services.
 - Hard to provide better public services without raising taxes.
 - Quality of life factors are hard to move.

Leaves only one major option: *Increase exports.*

- Nearly all of the region's sectors export.
- Different markets
 - 21.7% of export employment depends on regional sales (*selection and expertise*)
 - 65.3% on national markets
 - 13.0% on international markets
 - Cost, quality, and design/innovation with, I believe, a growing importance on the latter.

Importance of Design

In our ongoing research on Design we have found so far:

- Design is risky, but inaction can be fatal.
- Design can beat out engineering.
- Design is expensive; being an industry leader invaluable.
- Design is customer-focused, while it is too easy to become provider-focused.
- It is easier to lose Design than to regain it.

Ottawa County Economic Outlook 2010-2011

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This presentation is available in the West Michigan section at

www.upjohninstitute.org

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