

Kalamazoo County Demographics and Economic Trends

Presentation to Leadership Kalamazoo

W.E. Upjohn Institute

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October 21, 2009

Presentation Overview

What should everyone know about Kalamazoo?

- *Who are we?* The demographics of Kalamazoo County paint a mixed picture.
 - *Economic conditions:* Just how bad is it out there?
 - *What does the future hold:* The outlook for recovery and change over the next few years.
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Demographics

□ Problems

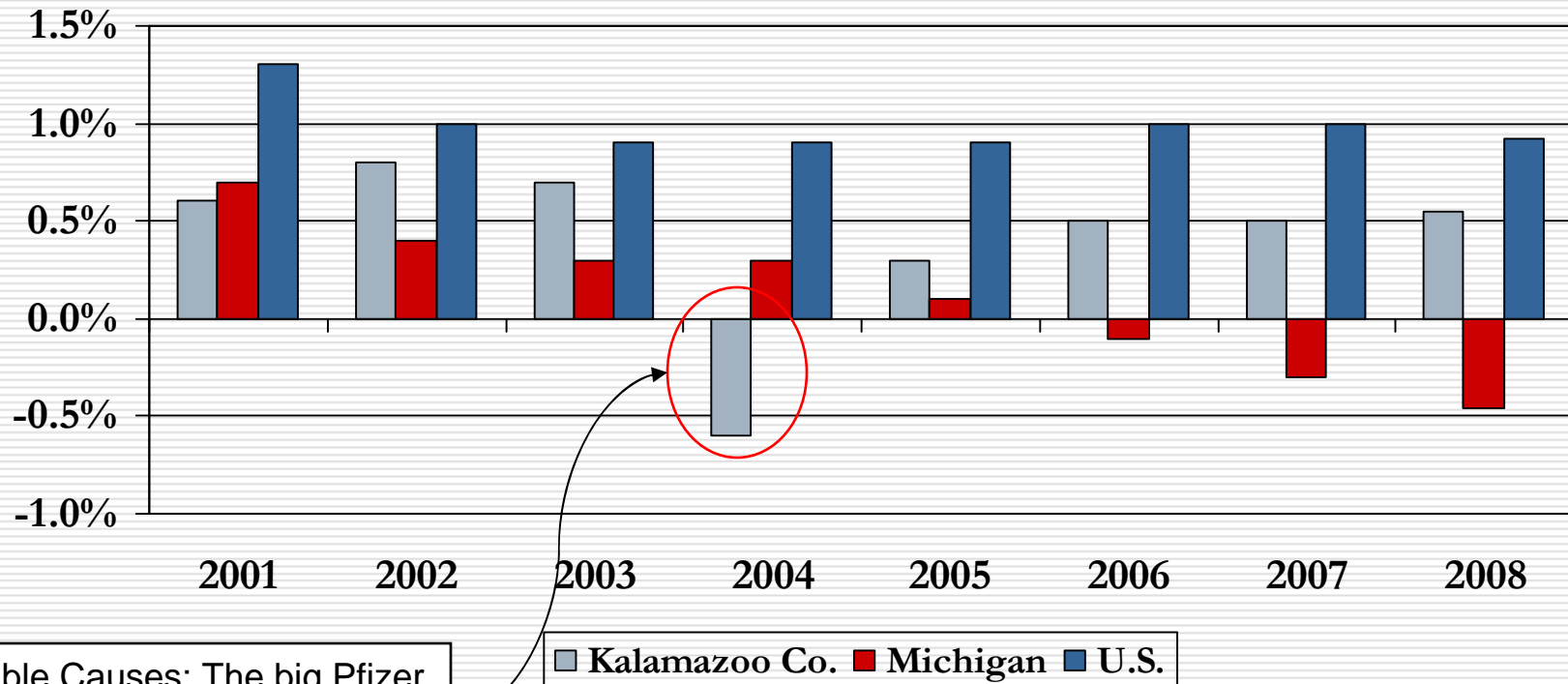
- Stagnant population
- Income and poverty headed in the wrong direction.

□ Strengths

- Educated populace is an asset.
 - Outperforms Michigan overall
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Kalamazoo County population has grown from 238,603 to 245,912 since the beginning of the decade.

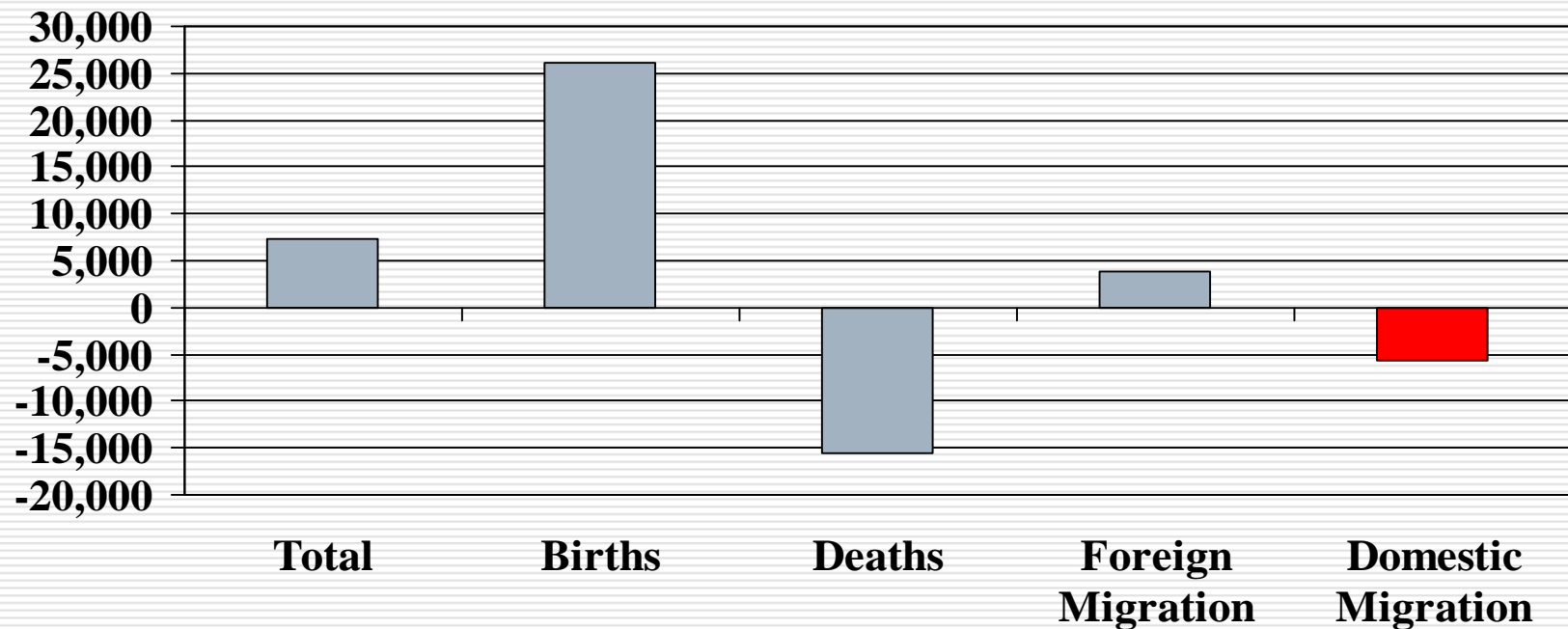
Rate of Net Population Change



Possible Causes: The big Pfizer layoffs and the tail end of the enrollment boom at WMU.

The simple reason Kalamazoo County isn't growing faster is out-migration.

**Components of Population Change in Kalamazoo County
2000 to 2008**



The ratio of births-deaths is nearly identical to the nation, 1.7.

Where do the migrants go? The trends have changed, and net losses have increased.

Net Migration Flows with Kalamazoo Co.

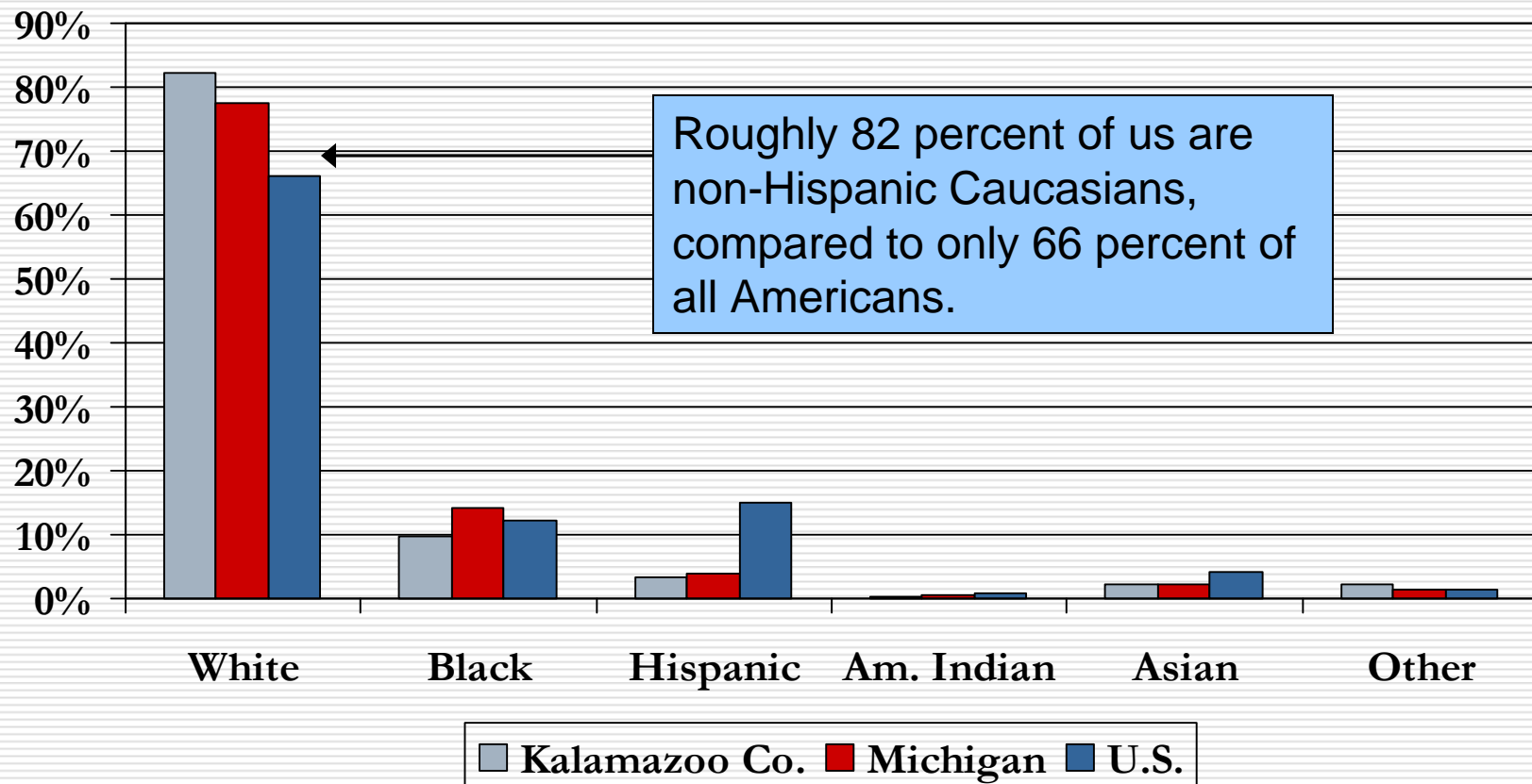
Source or Destination	2001-2002	2007-2008
Total	-49	-998
Neighboring Counties:		
Allegan	146	66
Barry	1	79
Calhoun	43	90
St. Joseph	69	61
Van Buren	-170	146
Rest of Michigan	406	502
Other States	-586	-1,943
International	131	1

Suburban migration slowed in 2008; was it gas prices or the housing market?

Source: IRS migration data.

Kalamazoo County has historically gained residents from other parts of Michigan, only to lose even more population to other states.

Kalamazoo County and Michigan are not as diverse as the rest of the nation.



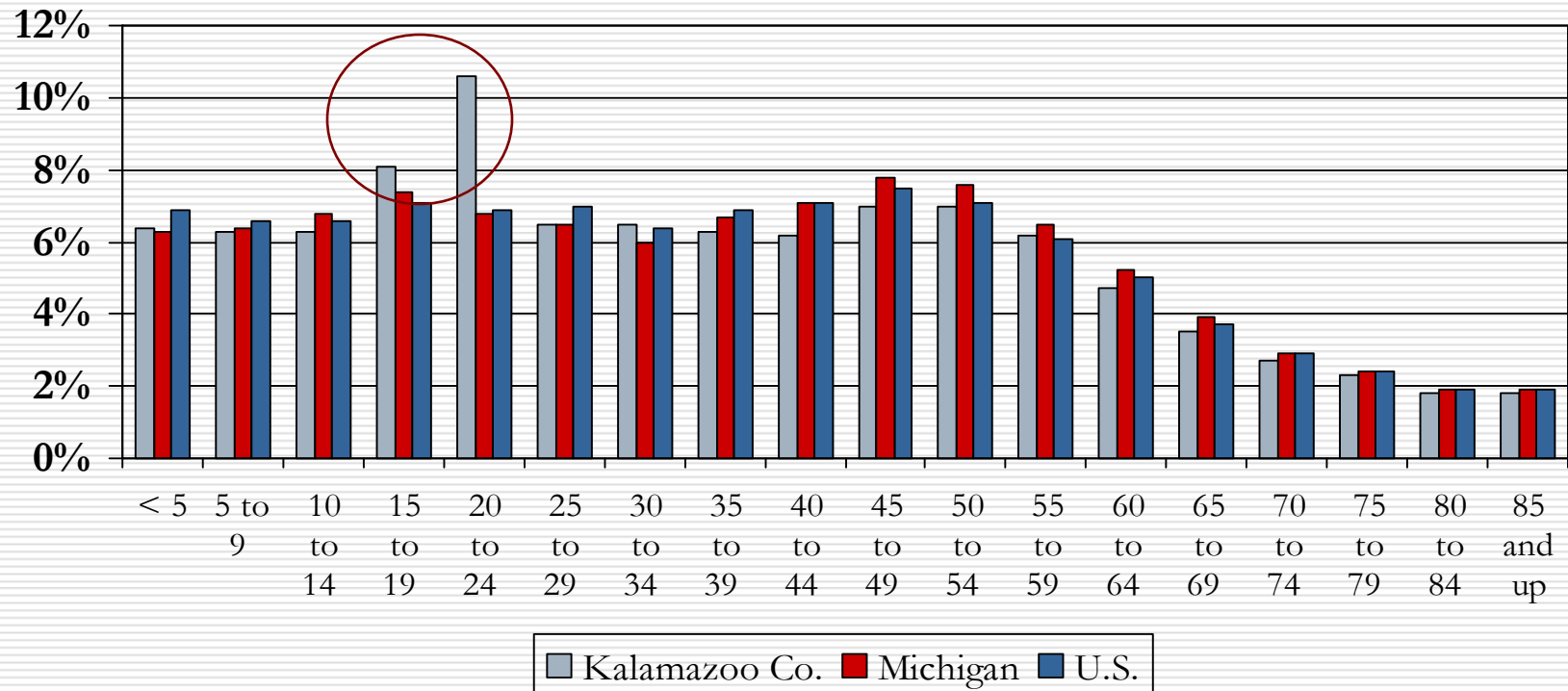
Kalamazoo County residents may not be racially diverse, but they do represent different lifestyles.

Household Living Arrangements in 2008

Type of Household (excludes group quarters)	Kalamazoo County	Michigan	U.S.
Married-couple family	44.9%	49.6%	49.2%
Male householder, no wife	4.5%	4.1%	4.6%
Female householder, no husband	11.9%	12.6%	12.5%
Living alone	29.7%	28.4%	27.8%
Non-family, not living alone	8.9%	5.3%	5.9%
Unmarried Male-Female Partner Households	6.3%	4.9%	5.0%
Unmarried Same-Sex Partner Households	0.55%	0.36%	0.50%

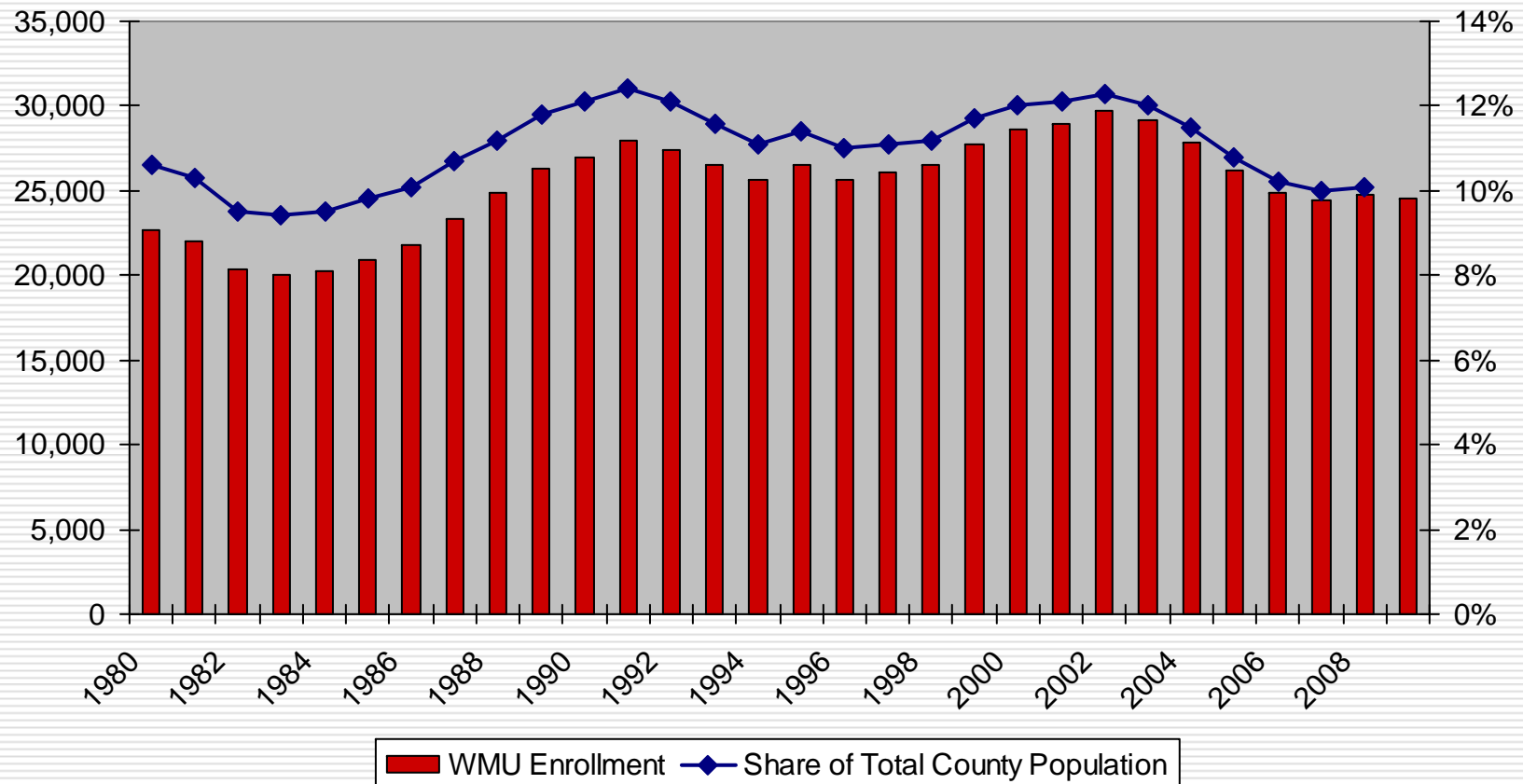
The county's college-aged population stands out.

Age Cohort Share of 2008 Population



Source: U.S. Census Bureau, 2008 population estimates.

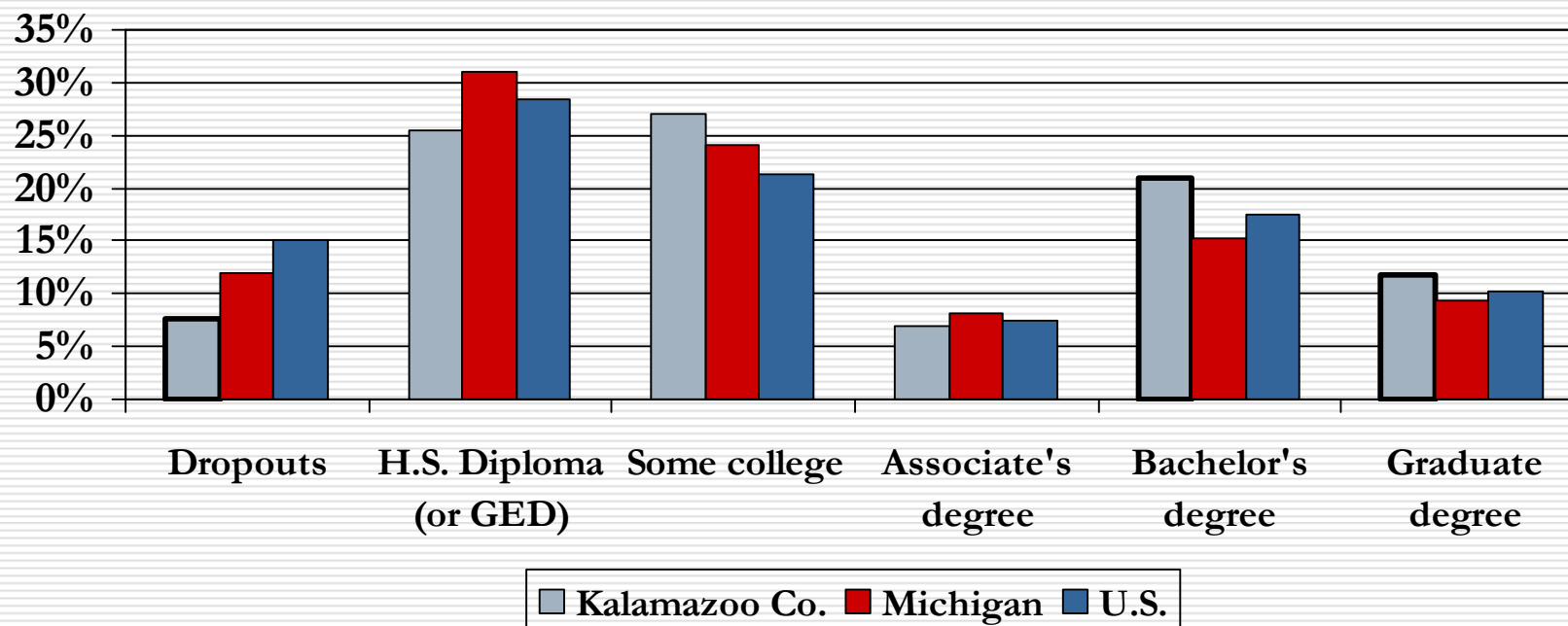
College enrollments have gone up and down, but students have always been a large part of our population.



Source: Western Michigan University and Census Bureau population estimates as reported by BEA-REIS.

Kalamazoo County is home to fewer dropouts and more 4-year college grads than the state or nation.

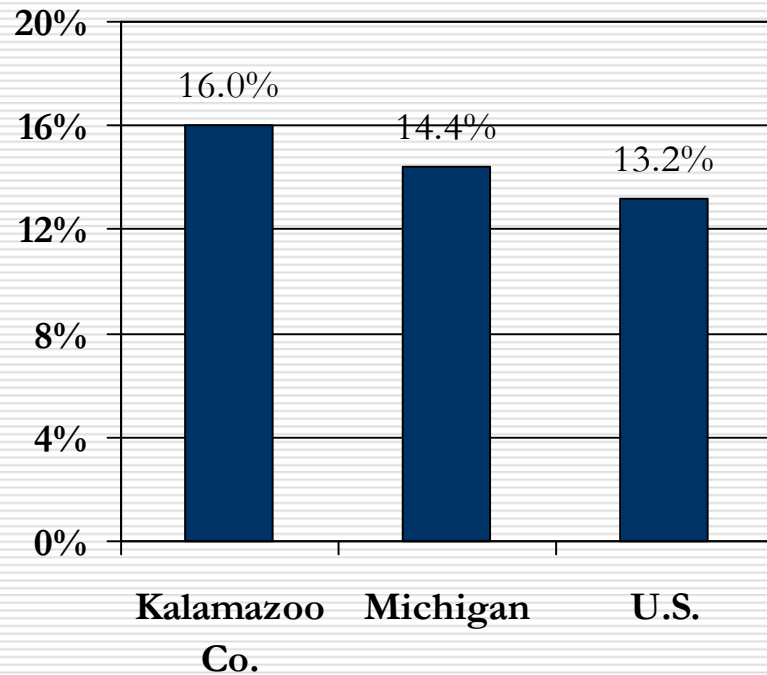
Highest Level of Educational Attainment in 2008 of Adult Residents Age 25 and Older



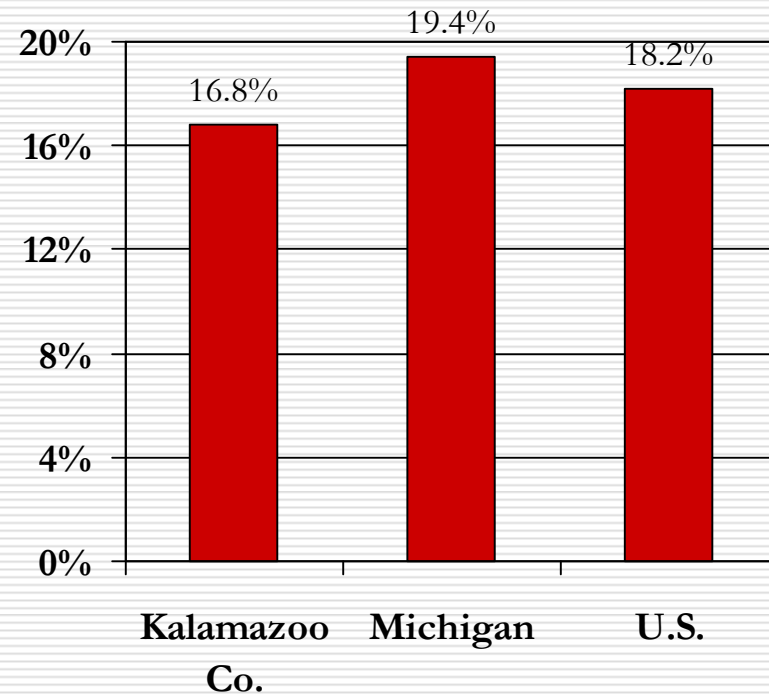
32.7% of county adults have at least a bachelor's degree vs. 24.7% in Michigan and 27.7% nationally.

The overall poverty rate in Kalamazoo County is high; however, on the plus side children do slightly better.

2008 Poverty Rate, All Ages

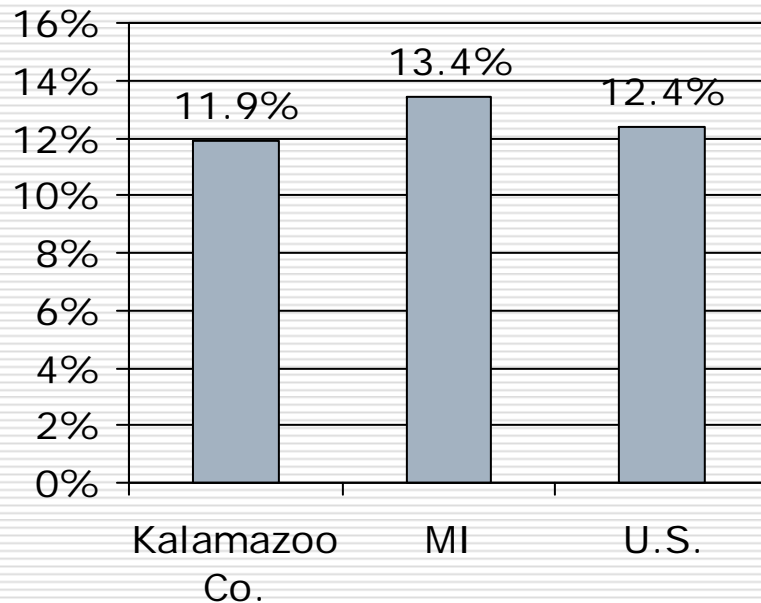


2008 Poverty Rate, Children



The college population has an impact on the county's overall poverty rate.

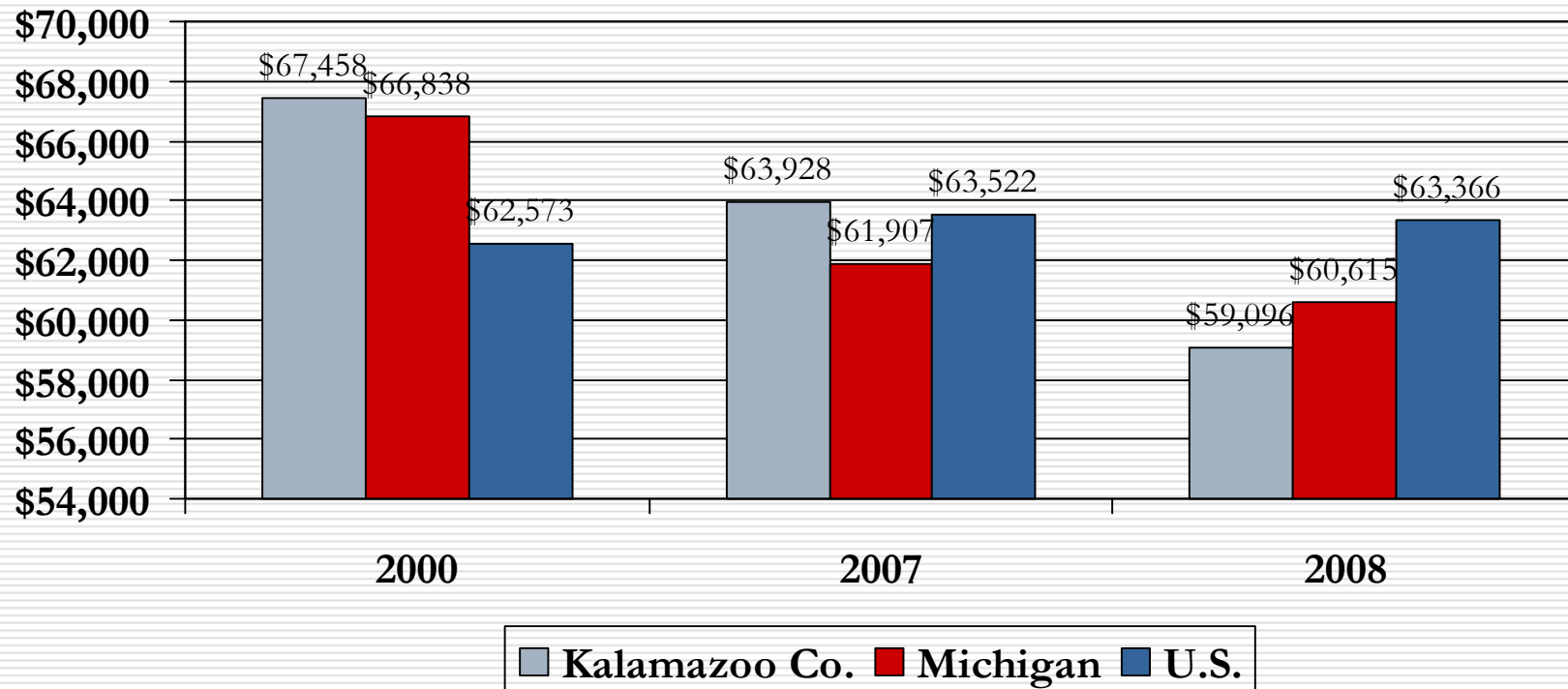
**2008 Poverty Rate for
Population Excluding Age
18-24 Cohort**



- If the college-age bracket is excluded, poverty looks average in Kalamazoo Co.
- College students appear poor, but live under different circumstances.
- However, there is very real family poverty in this age group as well.

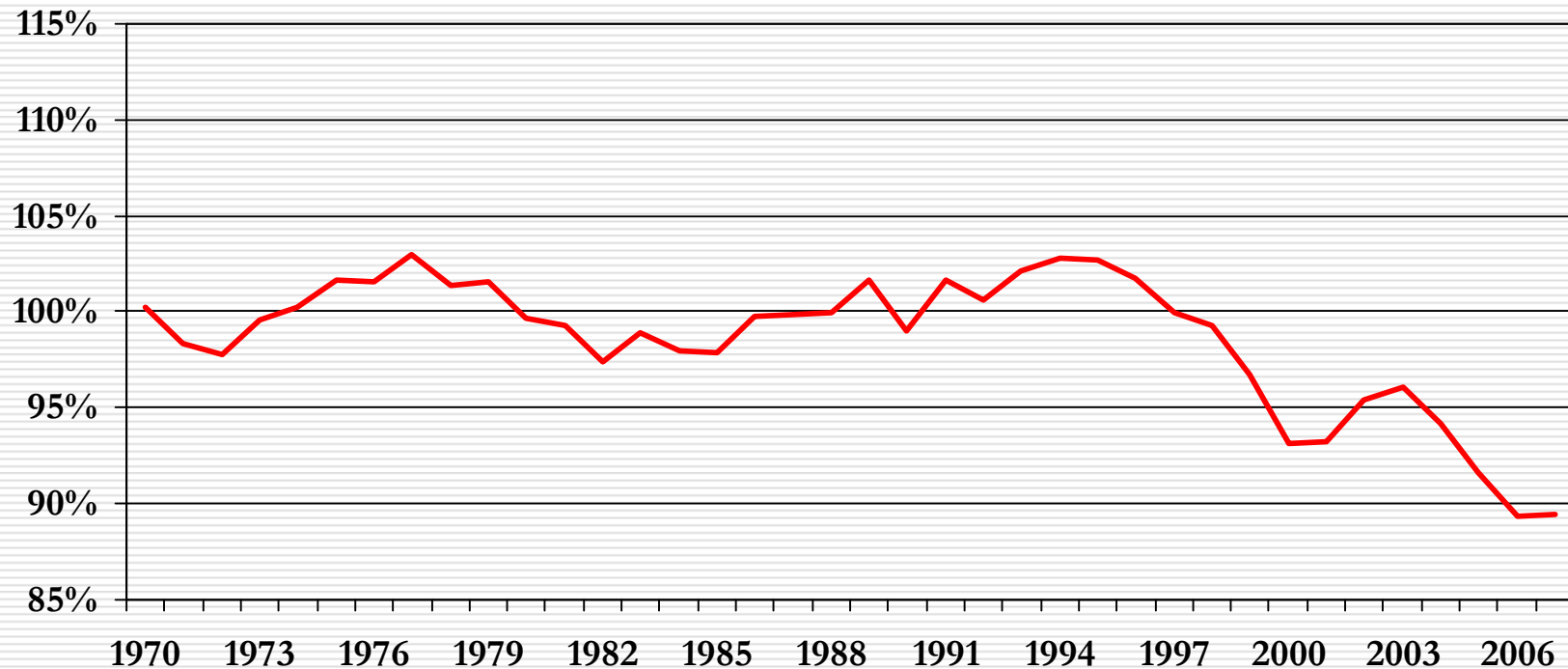
Low income is not just an effect of student population—median family incomes are down locally too.

Inflation Adjusted Median Family Income (2008 \$)



Overall income here is now more than 10% below the U.S. Once upon a time, the area was wealthier than the nation.

Kalamazoo County PCI As a Percent of the U.S., 1970-2007



Kalamazoo Co. 2007 PCI = \$34,526 vs. \$38,615 U.S. PCI

Kalamazoo County's relative ranking in terms of per capita income has declined rapidly over the past decade.

<u>Year</u>	<u>Rank Out of</u> <u>3,069</u>
1970	331
1980	375
1990	305
2000	420
2007	633

- It's not just the recession—other counties face the same macro trends.
- This is a real long-term decline in wealth.

The mixed message of demographic data...

- ❑ Kalamazoo County is relatively young and educated. It appears attractive relative to other Michigan communities.
- ❑ But population losses to other states are mounting.
- ❑ A major issue is wealth: the population is poorer than it once was, which means more problems and fewer resources.

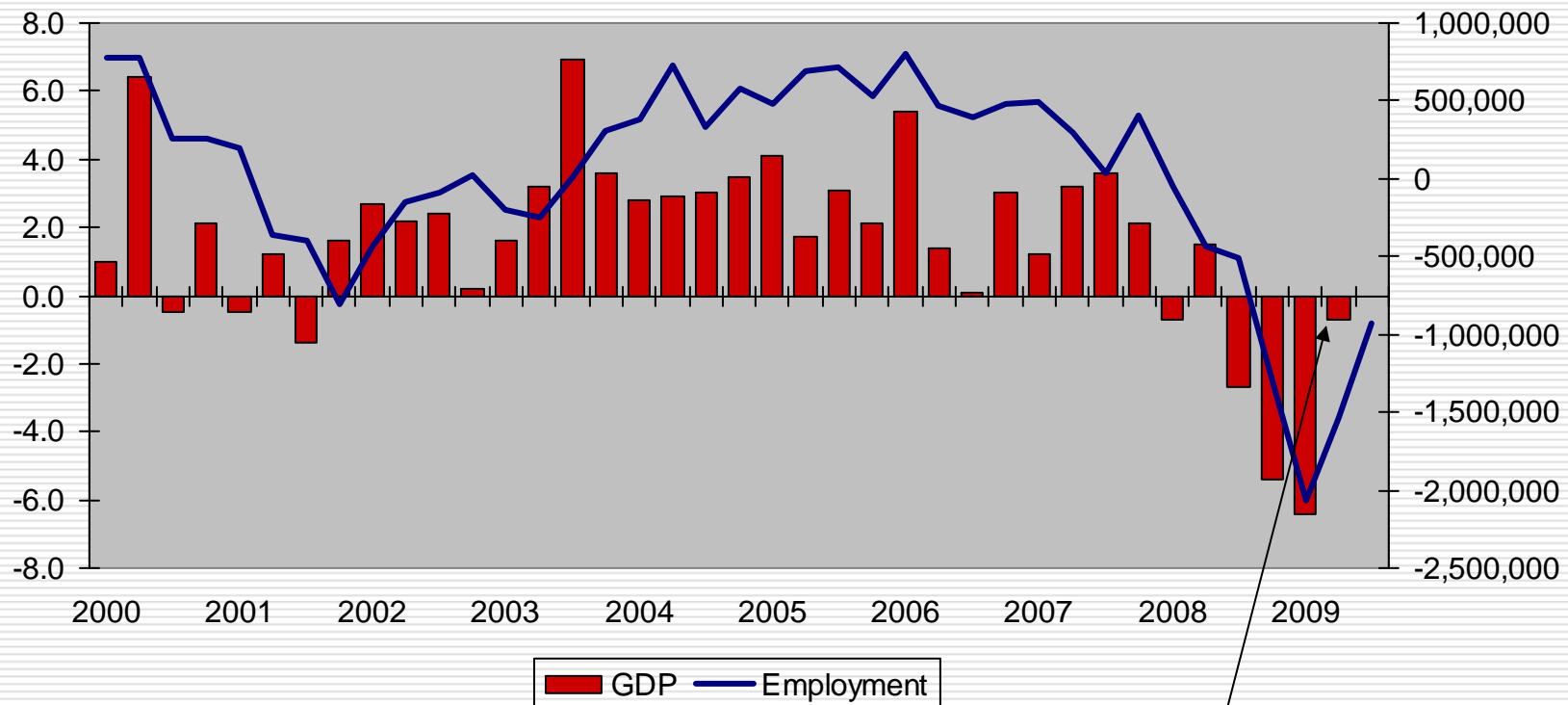
This leads us to the next topic of discussion...the economy.

The Economy—A Macro and a Micro Story

- ❑ The national economy has been through some ups and downs.
 - ❑ Michigan's economy—the inescapable auto dilemma.
 - ❑ The Kalamazoo area economy has now struggled through both the ups and downs.
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Over 6 million jobs have disappeared since the start of the recession and total GDP is down 3.7 percent.

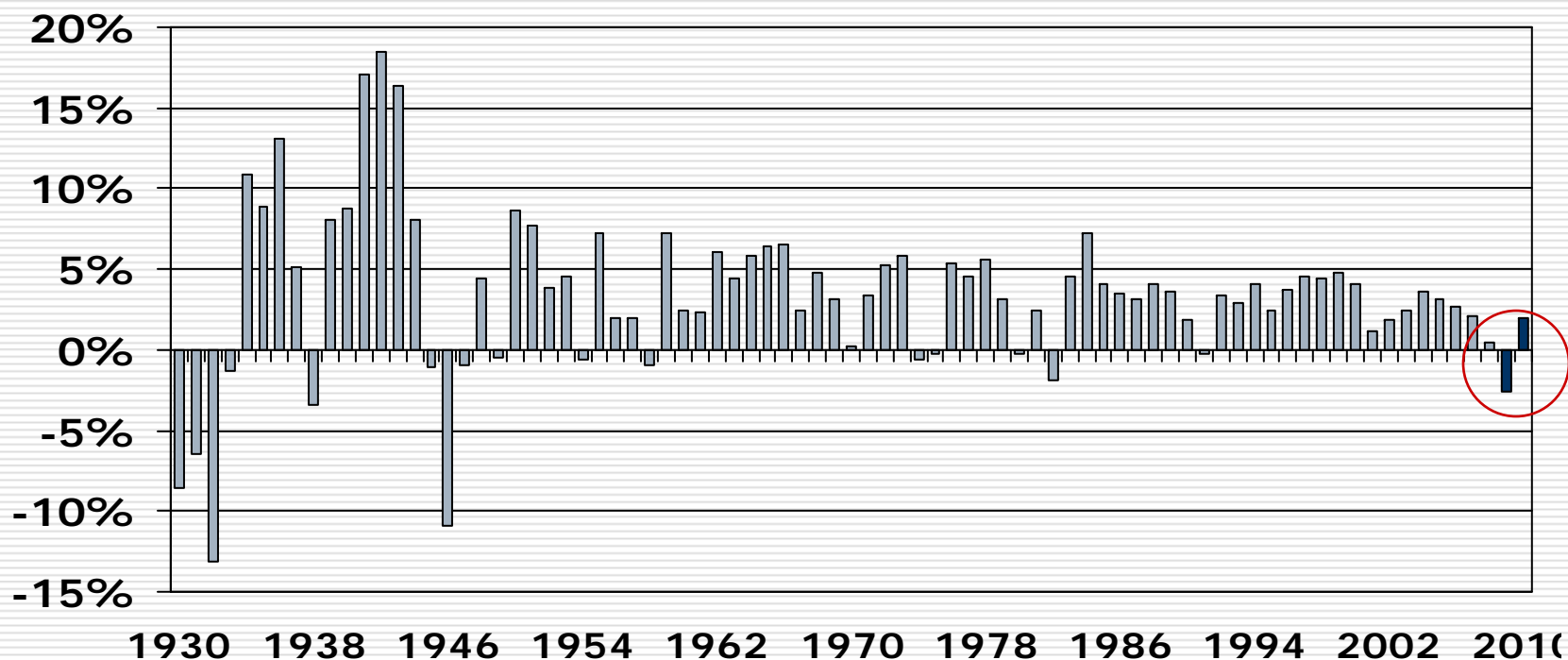
Quarterly U.S. GDP and Employment Change



Over the summer forecasters were predicting a return to positive in Q3, but it didn't happen.

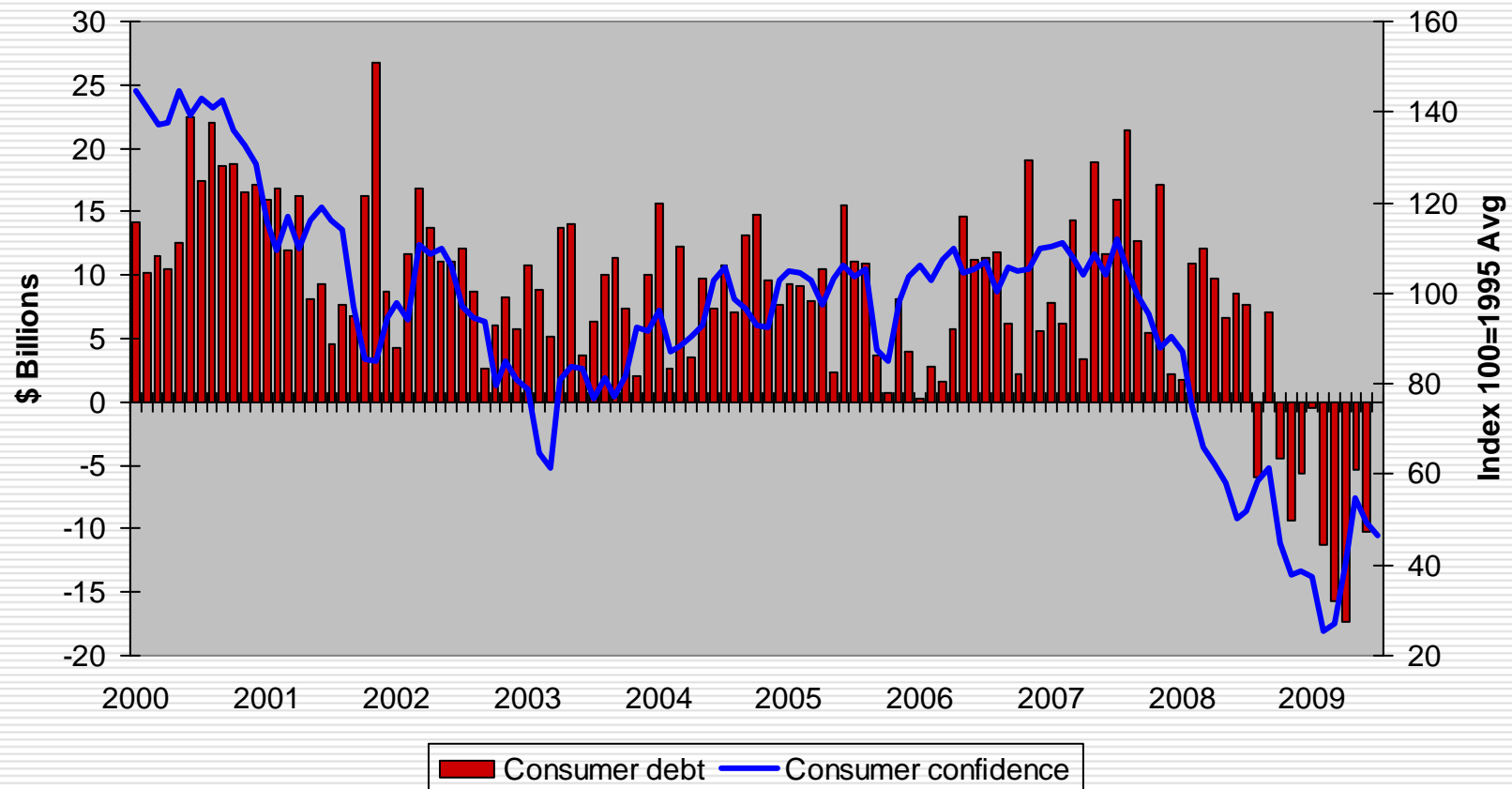
In the grand scheme of things, we are in a major recession that was preceded by a period of historically weak growth.

Annual Change in Real GDP



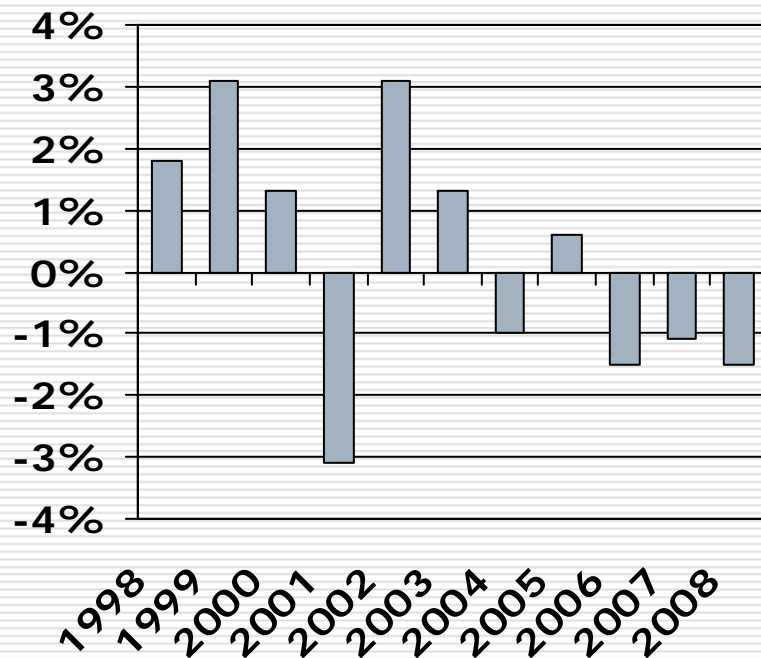
The last Philadelphia Fed forecast was for -2.6% GDP in 2009 followed by +2.0% in 2010. Worse than 1982 (-1.9%) but better than 1946 (-10.9%)!

Confidence has hit a new low, and consumers are shunning debt.

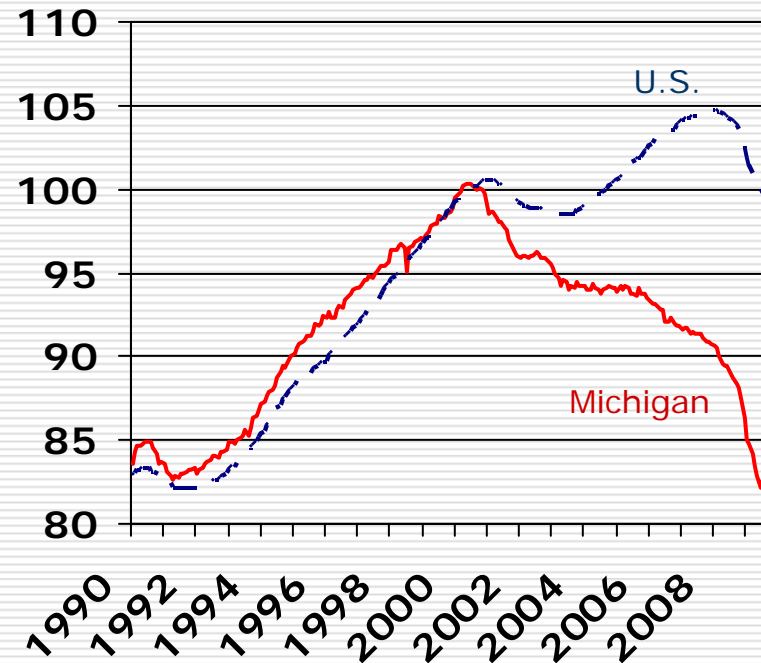


In Michigan there was no real recovery between the 2001 downturn and the current recession.

Change in Real Michigan GSP

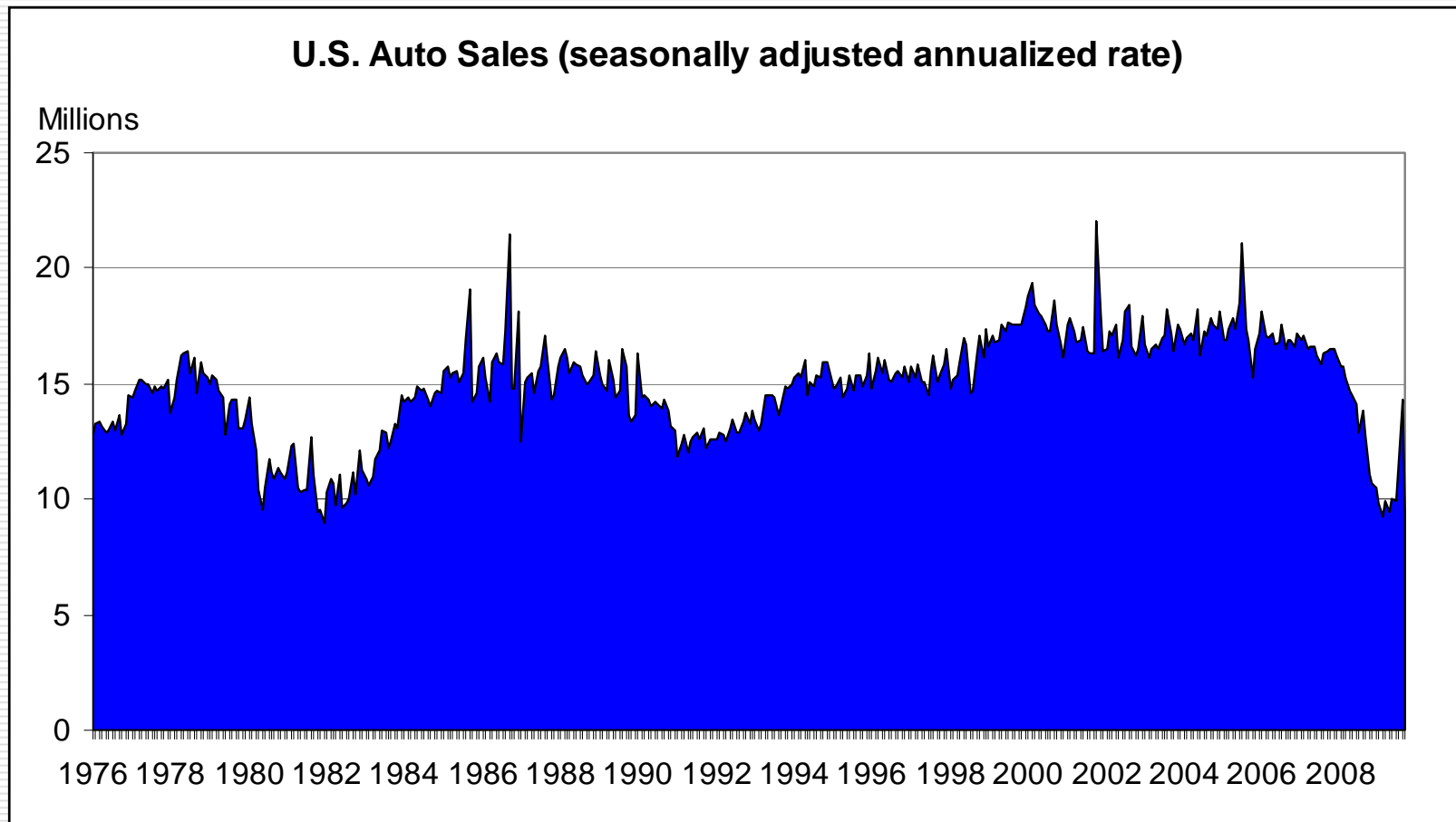


Index of Employment (100 = 2000)



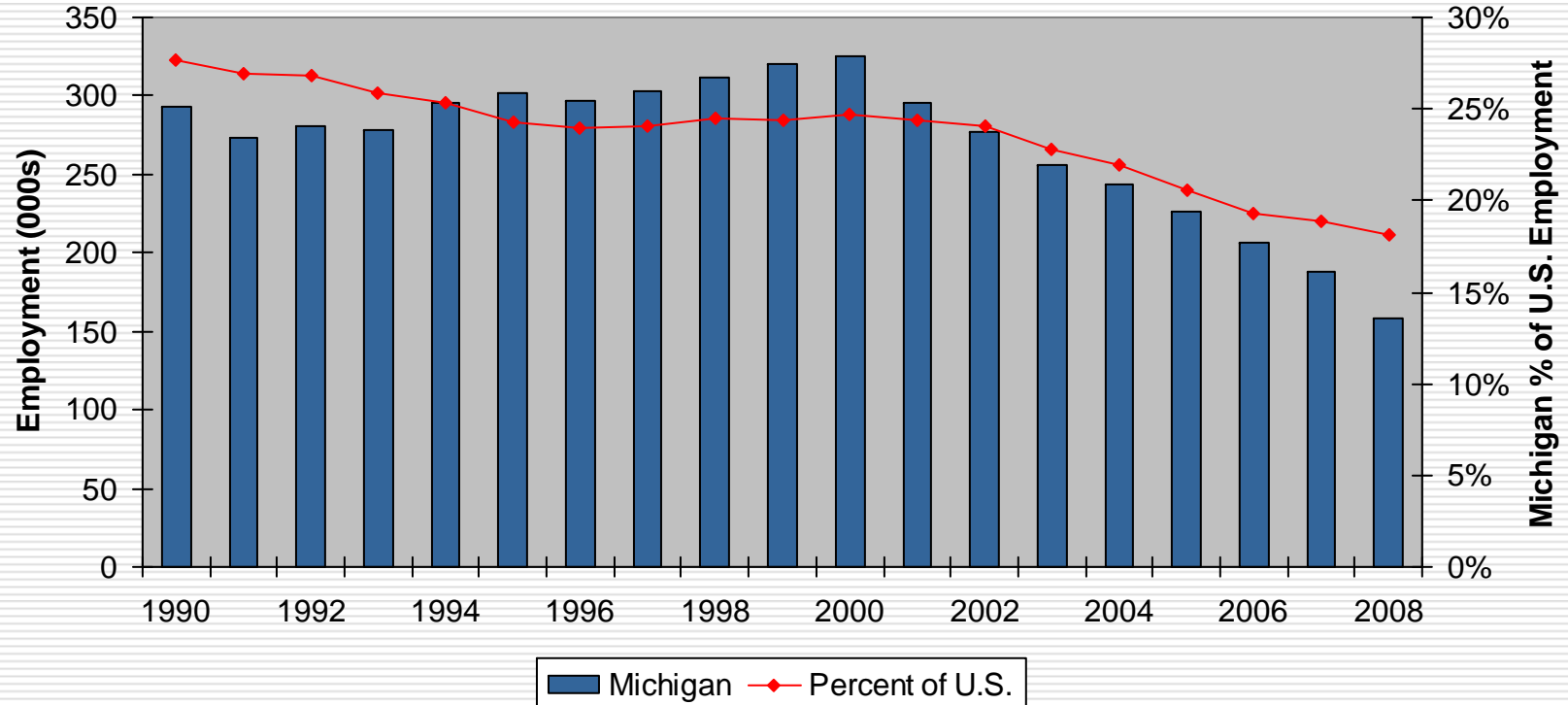
Michigan job losses: -833,000 8/00 to 8/09; -395,000 12/07 to 8/09.

Auto sales are on pace to reach 10.4m in 2009, less than the current worst sales year on record, 1982 (10.6m).



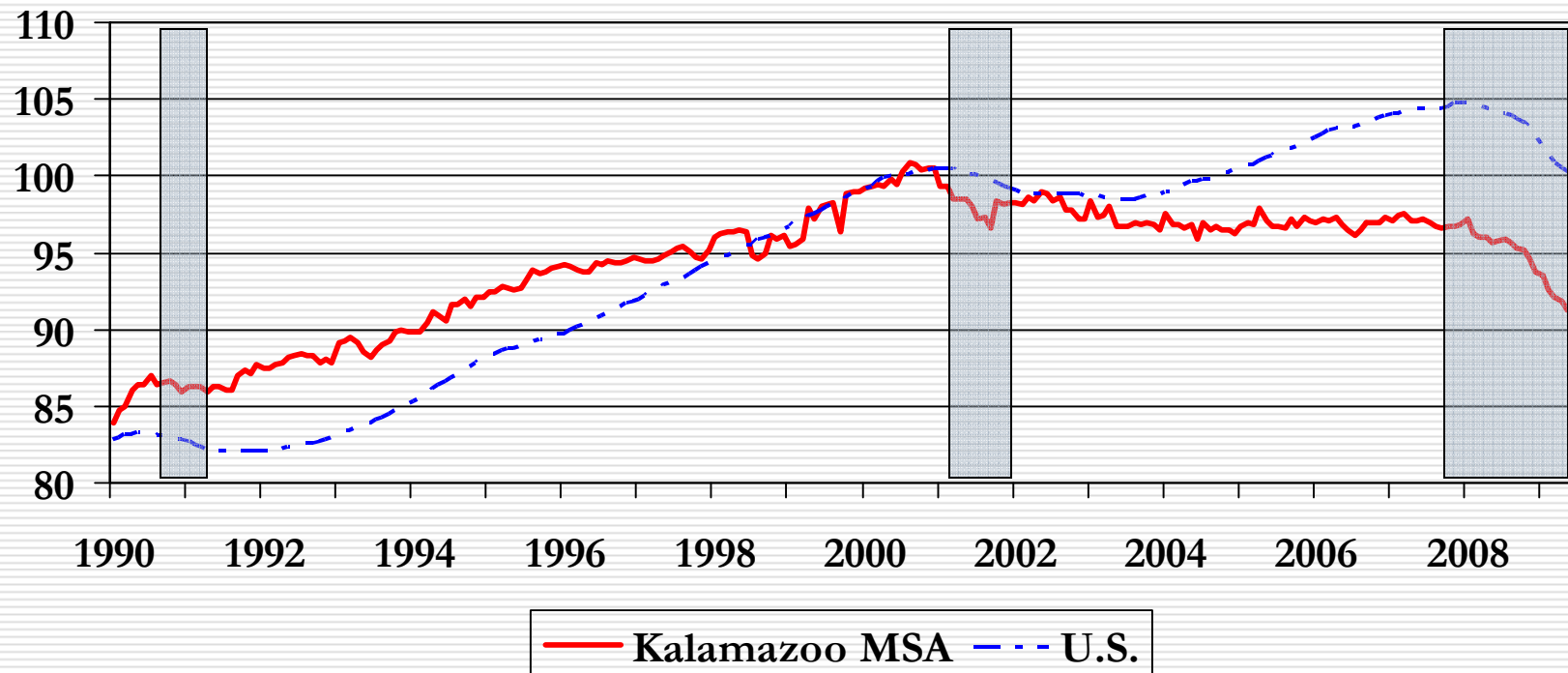
Michigan lost 165,900 motor vehicle and parts manufacturing jobs between 2000 and 2008—a 51.1% decline.

Michigan Automobile and Parts Manufacturing Employment

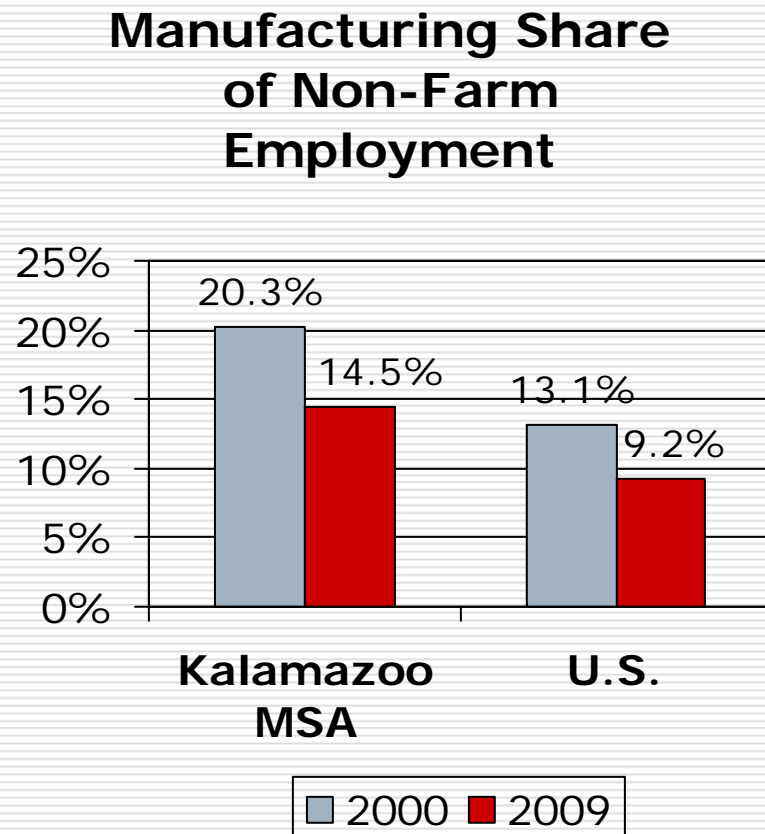


Kalamazoo County had steady job growth during the '90s, but never recovered from the 2001 recession.

Index of Total Employment (100 = 2000 avg)



One reason the Kalamazoo area has struggled is our heavy reliance on the manufacturing sector.

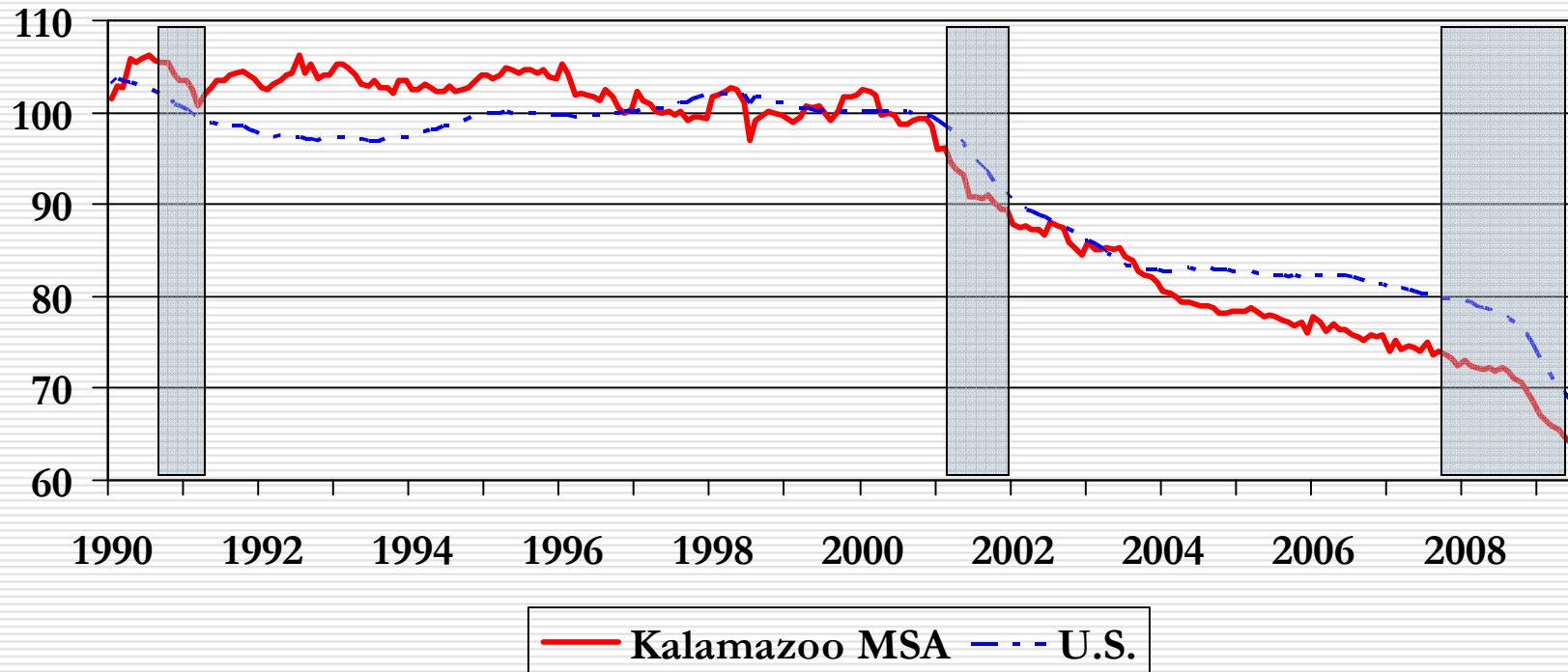


Reasons for the Shift

- Services have become more important.
- Manufacturing productivity and movement overseas.
- A shift to employing production workers through temp agencies.

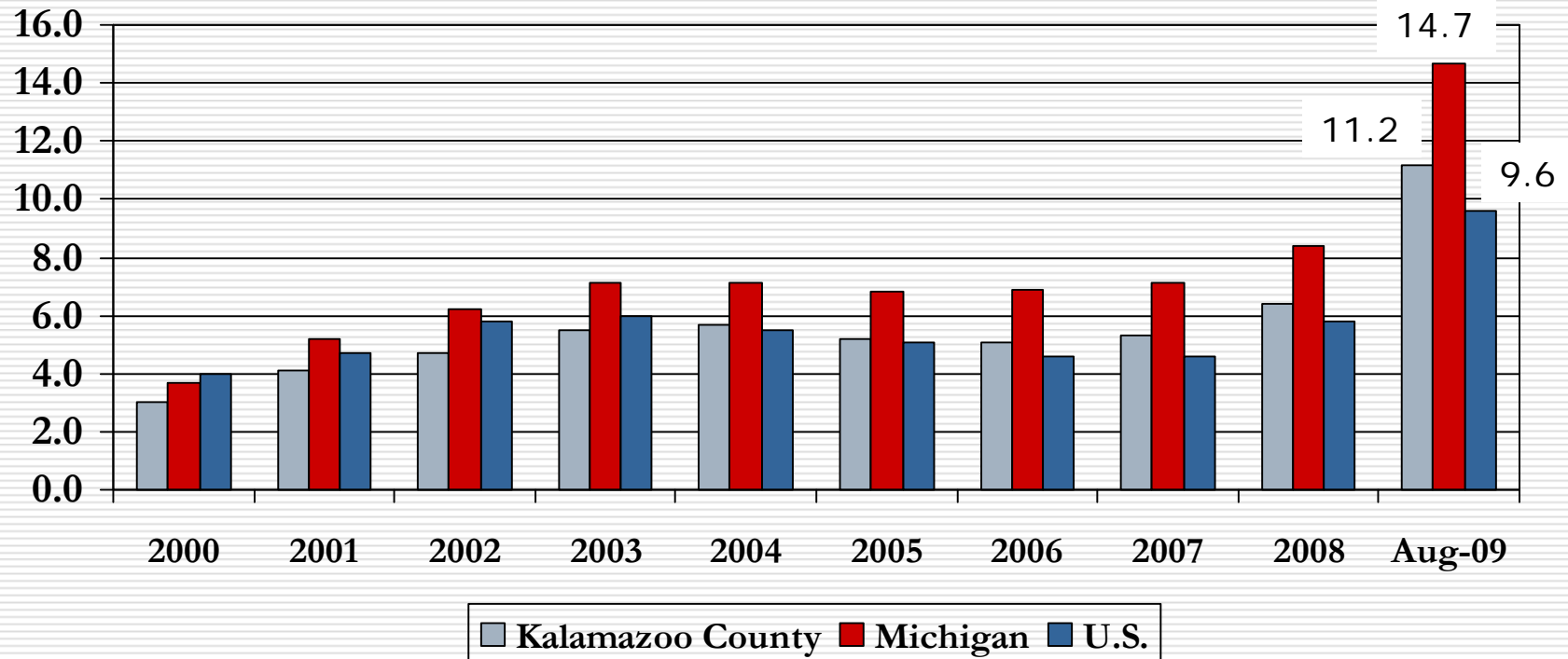
Manufacturing employment has been steadily declining for years.

Index of Manufacturing Employment (100 = 2000 avg)

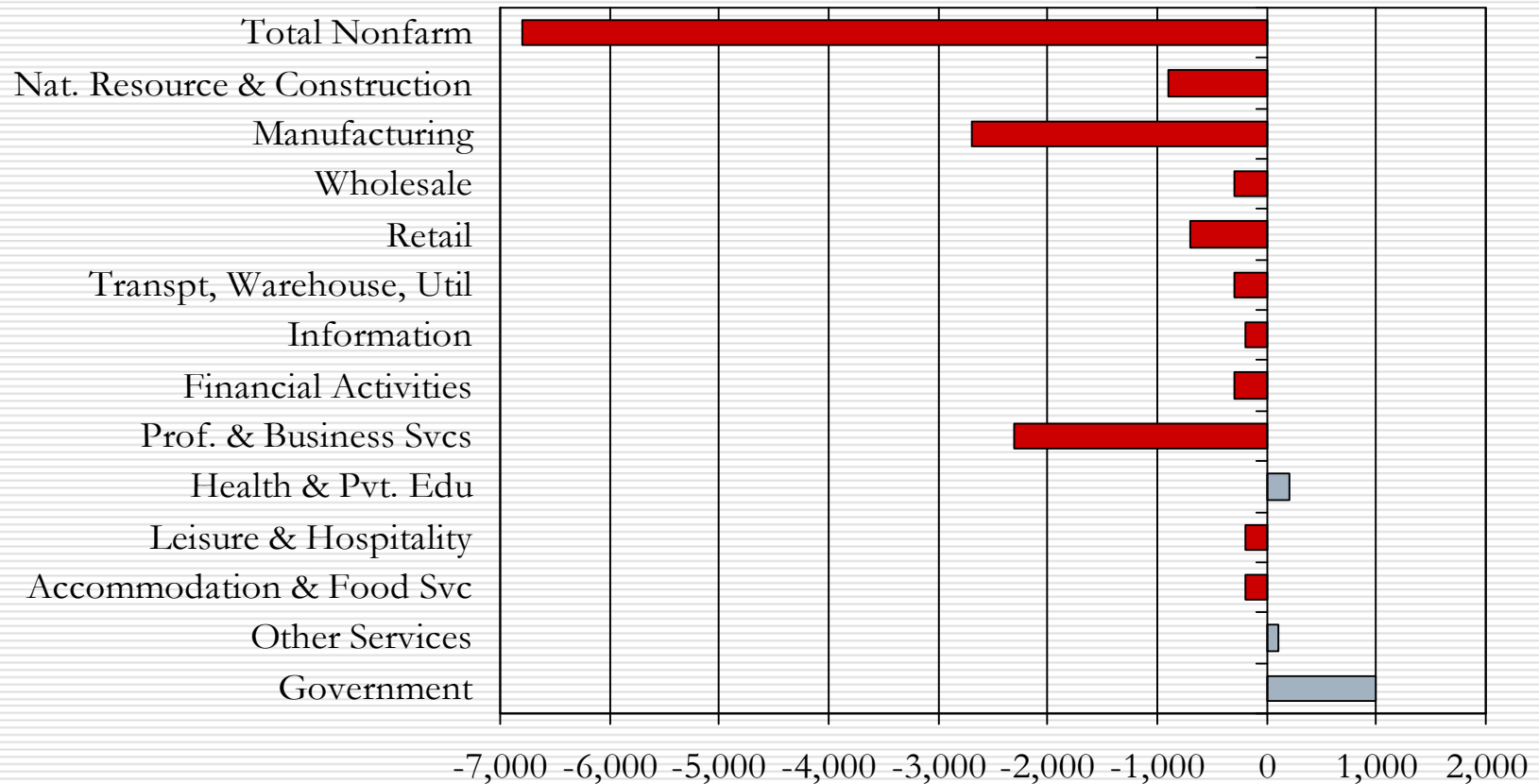


Kalamazoo County's unemployment rate is higher than the nation's, but still lower than the rest of the state.

Percent Unemployment Rate



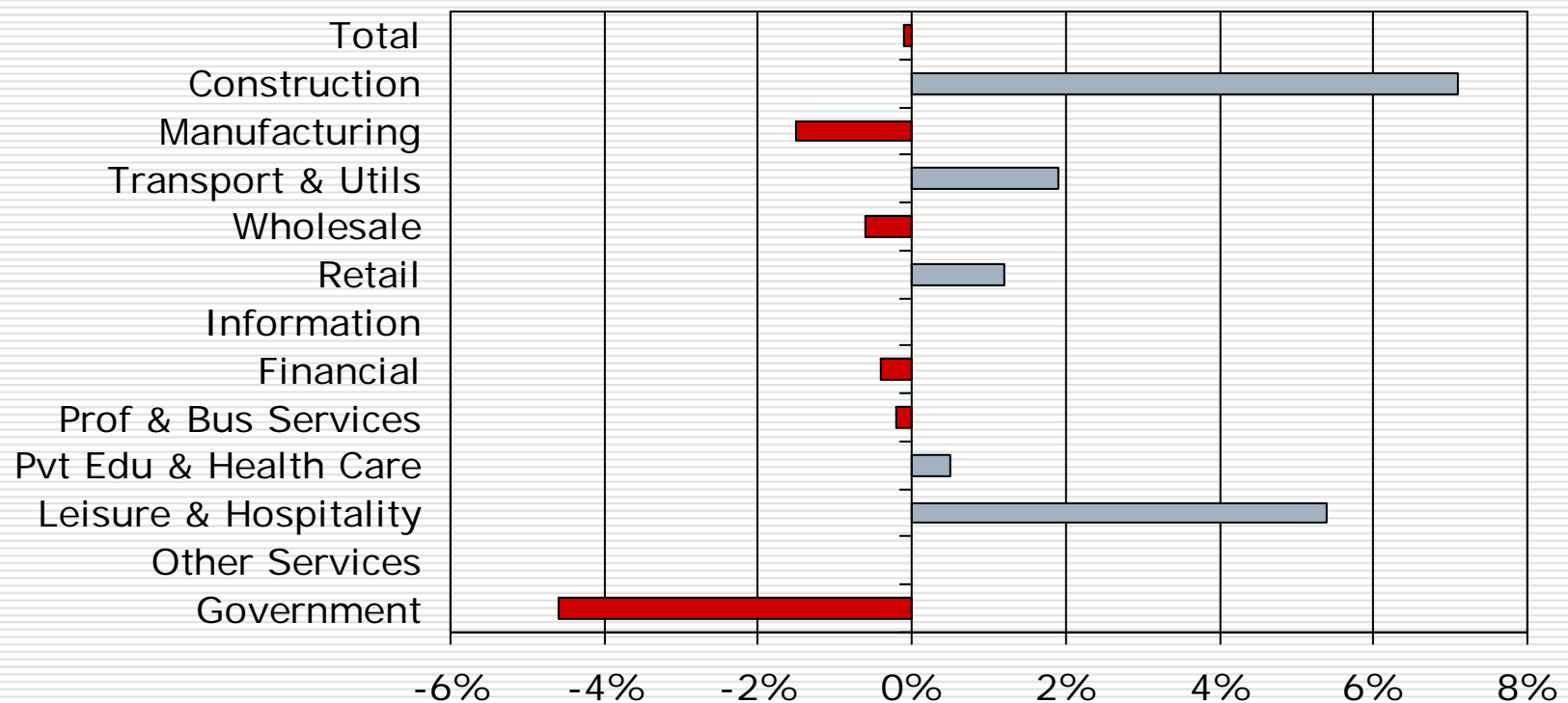
Kalamazoo MSA Employment Change Year-to-Date (August 2008-August 2009)



The metro area lost 6,800 jobs over the past year.

Local employment conditions improved in the second quarter of '09.

Kalamazoo MSA Employment 2009: Q1-Q2



Turning to the recovery: what does the future hold?

- ❑ Nationally, there are signs that the recession is ending.
 - ❑ Michigan communities never really recovered from the 2001 recession.
 - ❑ Locally, there are signs of recovery.
 - ❑ The big question is will it be enough for anyone to notice?
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The latest RSQE forecast for the nation is still not that encouraging.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Real GDP Growth	-2.5%	1.9%	2.8%
Employment (millions)	131.9	130.8	133.0
Unemployment Rate	9.2%	10.0%	9.5%
Auto Sales (millions)	10.2	11.1	12.5

Statewide, no significant improvement is expected in the near future.

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Employment Change (%) (Q4 to Q4)	-7.1	-1.5	0.3
Real Disposable Income Change (%)	1.6	-0.7	-1.5

- ❑ A recovery in employment is not expected to begin until sometime after 2011.
- ❑ Incomes are likely to fall as job losses mount and high-paying jobs disappear. The increase in 2009 is due to a decline in living costs, not a true jump in income.

Some of you may have heard about the MSNBC/Moodys.com study...

- ❑ Created their own “Adversity Index” looking at employment, housing, production.
- ❑ Claim Kalamazoo-Portage MSA is in recovery—only metro in Michigan and one of only 79 (out of 384) in the country.

<u>Adversity Index</u>	<u>Aug. 2008</u>	<u>Feb. 2009</u>	<u>Aug. 2009</u>
Employment	-1.23%	-3.61%	-4.58%
Single Family Housing Starts	-37.17%	-55.93%	-10.37%
Housing Prices	-4%	-2.64%	n.a.
Industrial Production	-3.26%	-10.68%	-11.74%

So are we in a recovery yet? A firm maybe.

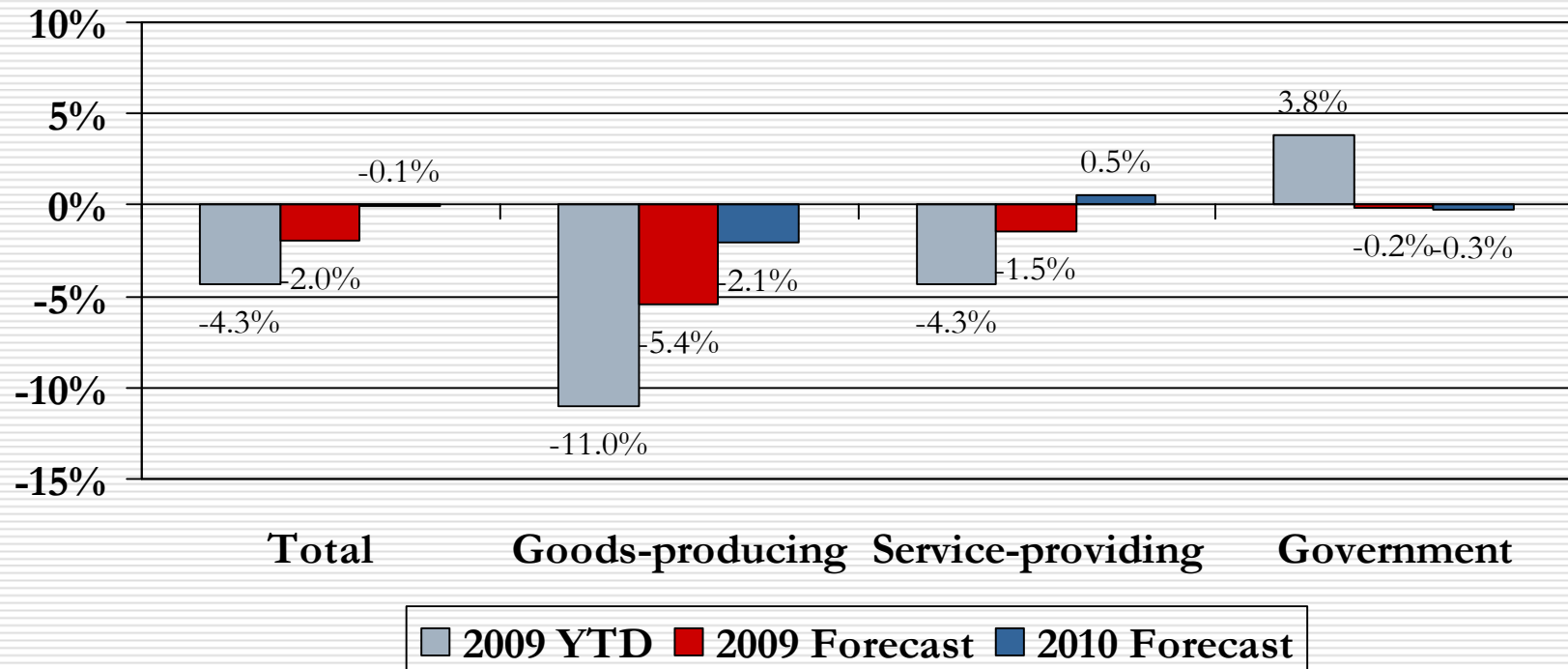
- Hard to tell on Adversity Index—they don't provide underlying data, base reading on underlying 6-month moving averages. Their recent monthly indicators are still negative.
- On the plus side, our indicators turned up last quarter.

Kalamazoo MSA Indicators Q3 2009

- Index of help-wanted ads: **-23.1%**
 - Initial UI claims: **-14.2%**
 - New dwelling units: **+15.3%**
-

Like other forecasters, it looks like we *way* underestimated the severity of the current downturn.

Kalamazoo MSA Employment Change Forecast



Source: Upjohn Institute, *Business Outlook for West Michigan*. Note that 2009 year-to-date is based on January-August data from MDLEG.

In Closing

- ❑ Kalamazoo County faces the challenges of slow growth and declining wealth.
 - ❑ The “great recession” is significant, and the recovery may underwhelm.
 - ❑ Despite these problems Kalamazoo does have some advantages:
 - Strong education focus
 - We’re not Michigan
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Questions?

Thank you and good luck to the 2009-2010 class of Leadership Kalamazoo!
