

# Ogemaw County Economic Outlook

---

**George Erickcek**

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

**March 26, 2009**

# Agenda

---

- 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—*Flat.*
  - Thoughts from an outsider
    - Rural areas face new challenges in an increasing “flat” world.
-

National outlook: All but one of the nation's economic indicators are pointing in the same direction.

---

- Employment RED
  - Residential construction RED
  - Consumer confidence RED
  - Consumer financial conditions RED
  - Credit markets RED
  - ISM Purchasing Mgrs. Index RED
  - Stock market RED
  - Inflation GREEN
-

# Consumers

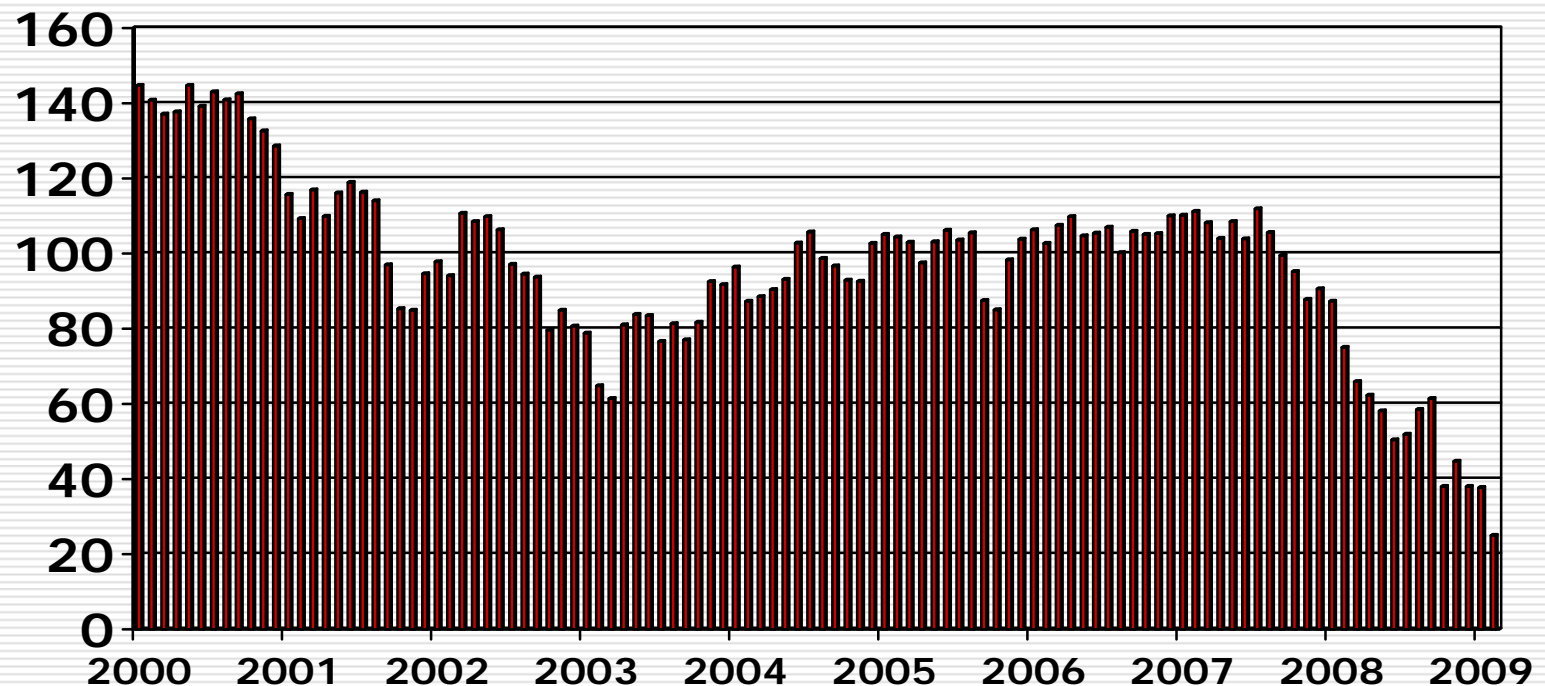
---

- Confidence is low.
  - Real estate markets are inactive, and values are dropping.
  - Retirement savings are in jeopardy.
  - Job outlook is dim.
-

# Consumers are not confident about current economic conditions.

---

Consumer Confidence (1995=100)

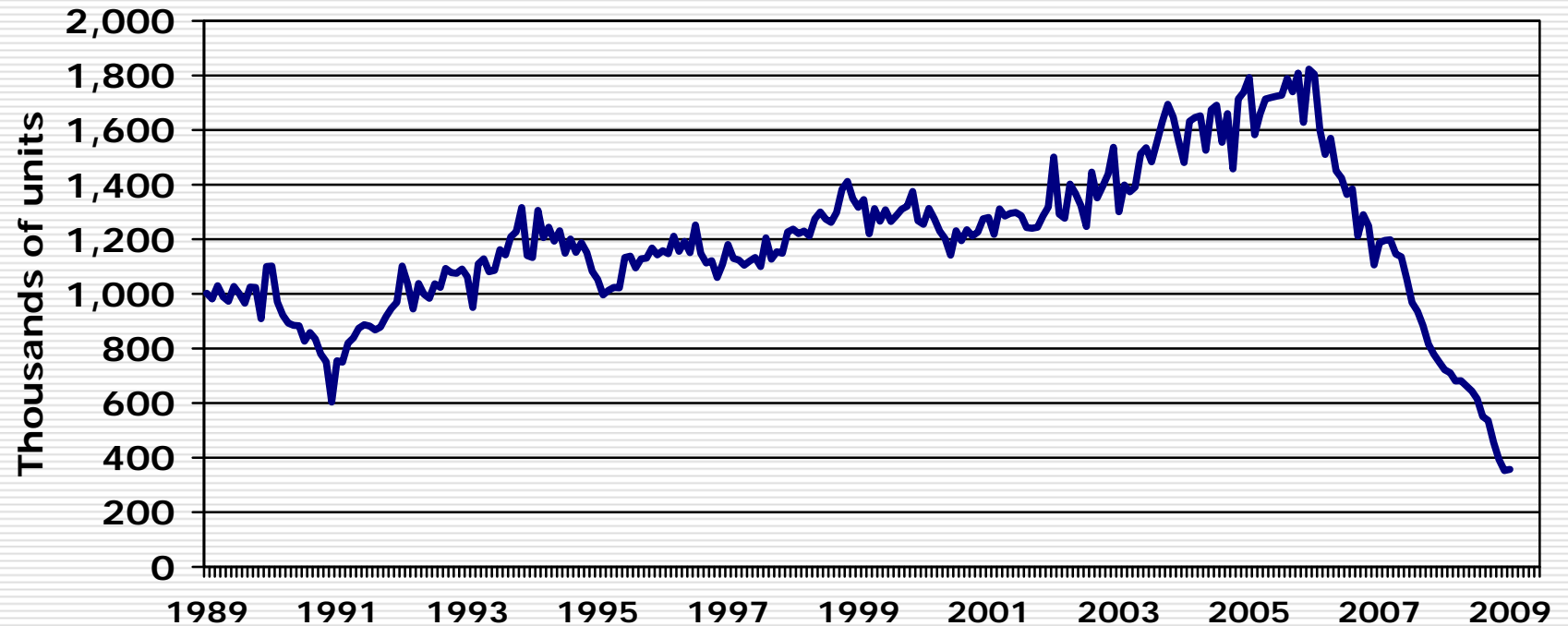


Source: Conference Board

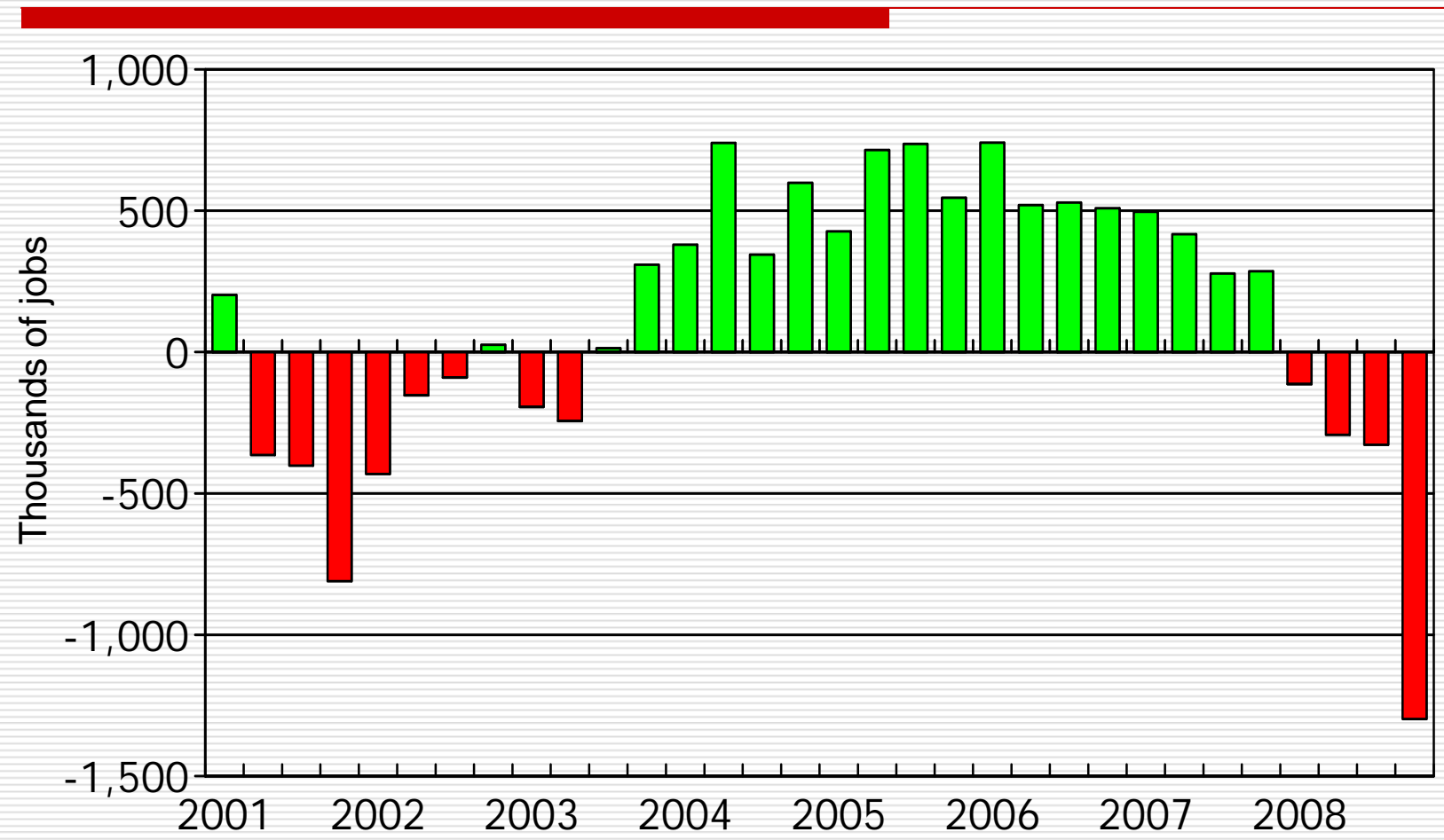
# Single-Family Housing Starts – *Has not yet found bottom.*

---

## Seasonally Adjusted Annual Rates



# Nationwide, employers are cutting back.



Source: BLS.

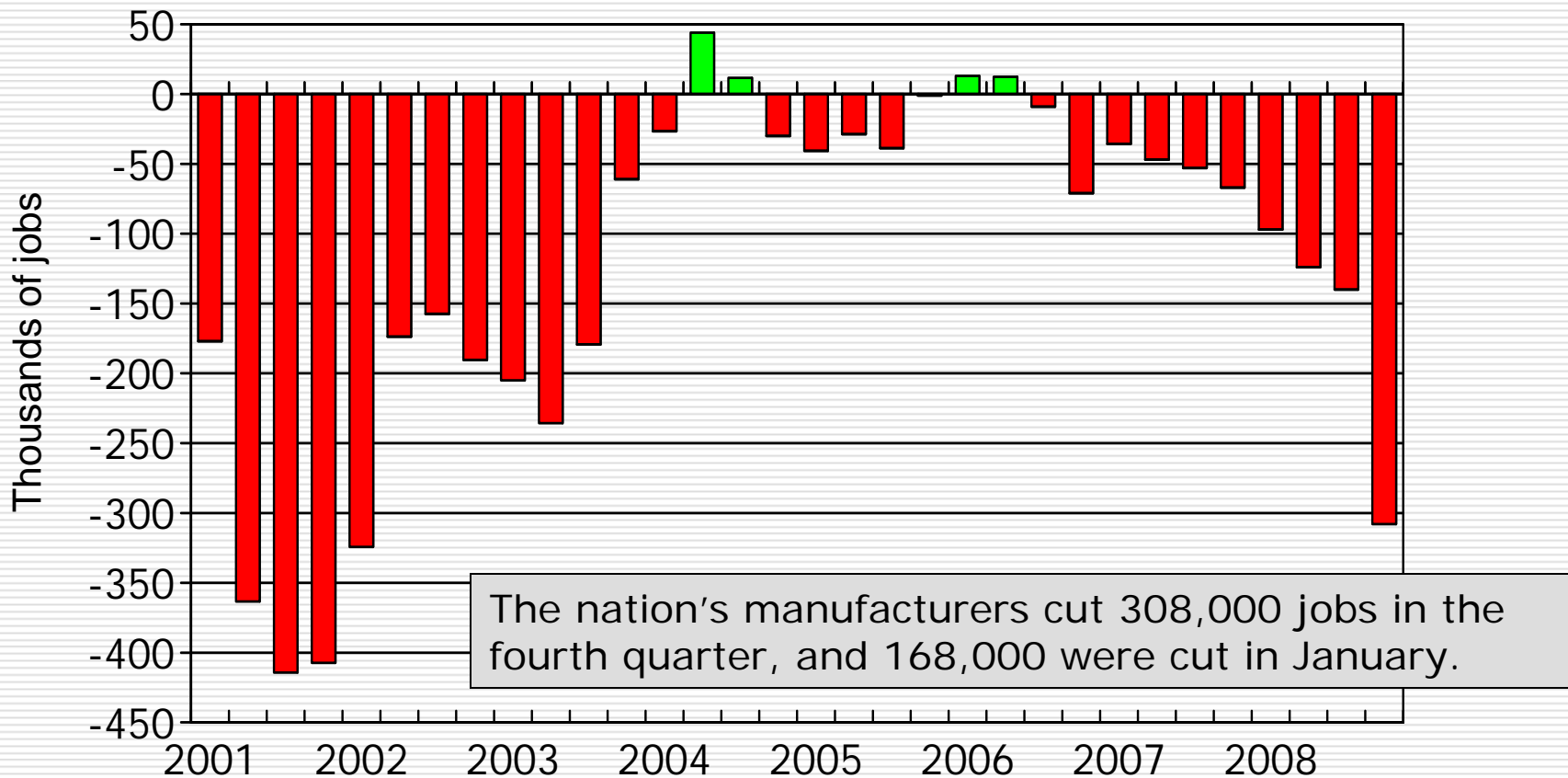
During the fourth quarter, total employment fell by 1,298,000! In February, employment fell by 651,000.

# Business Investment

---

- Decline in demand for goods and services.
  - Financial system is still nearly frozen.
-

# Manufacturing employment has never recovered from the 2001 downturn.



Source: BLS.

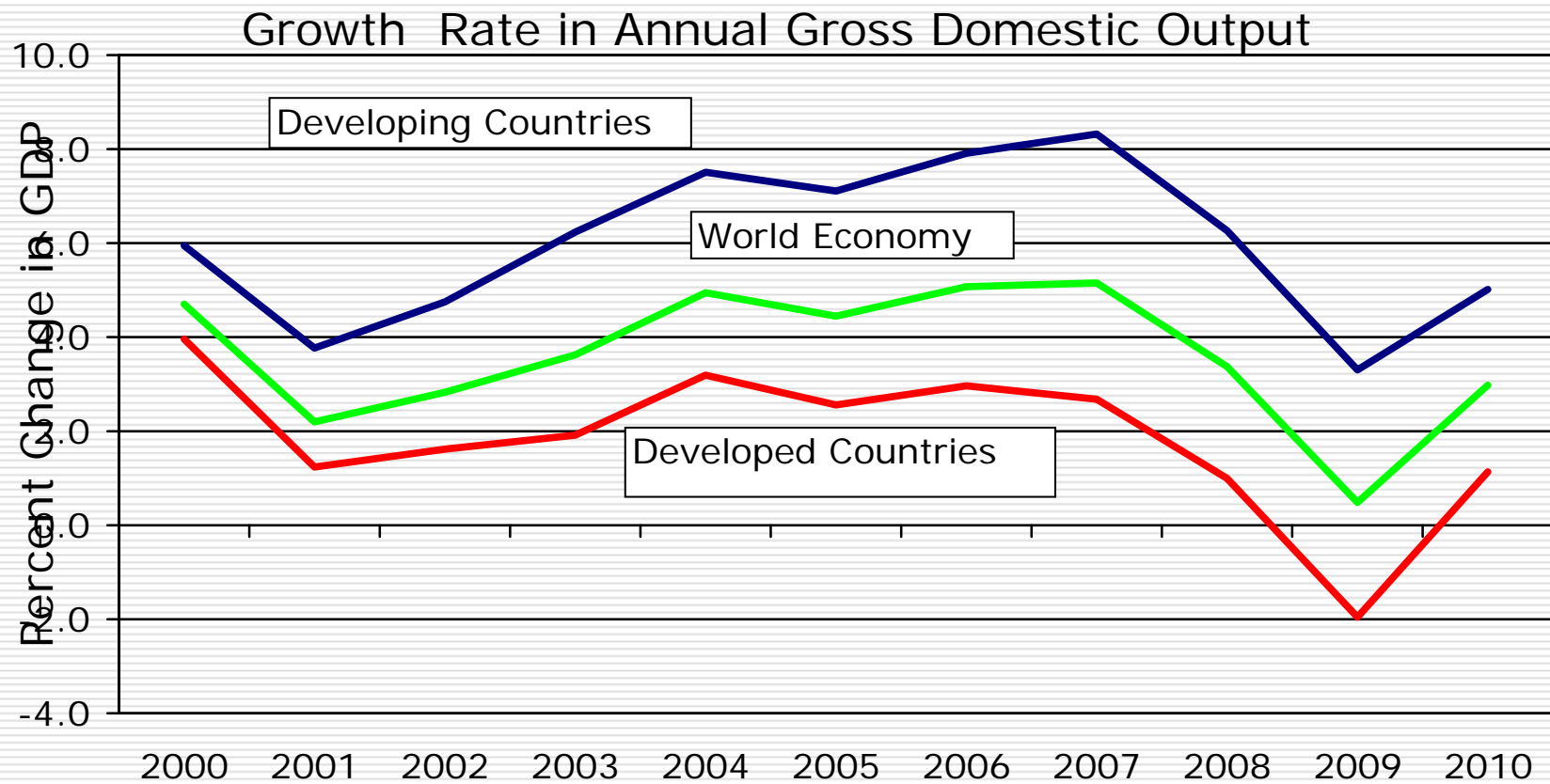
# Export markets are flat.

---

- The world economy is in decline.

---

# The world economy is slowing down.

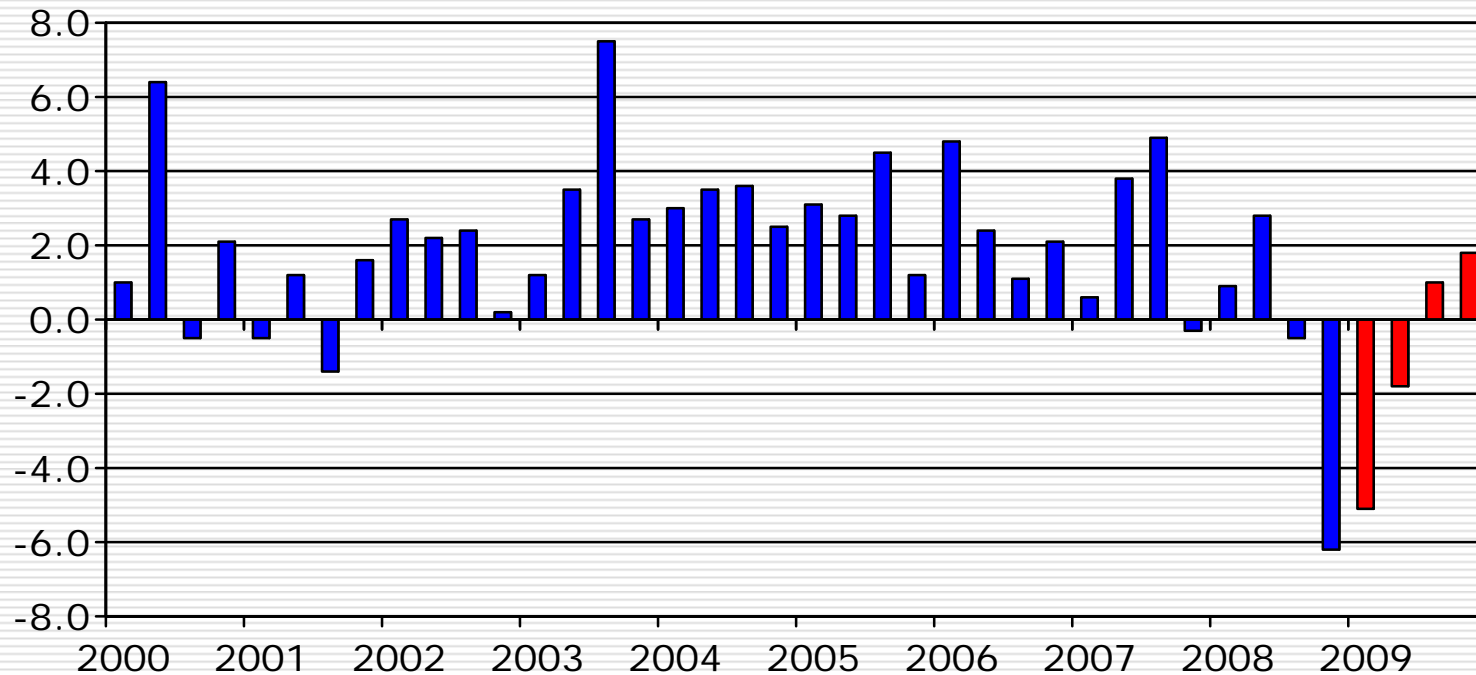


Source: IMF.

Percent change in the nation's GDP—*Fell 6.2 percent in the fourth quarter.*

---

### Annualized Percent Change in GDP



---

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

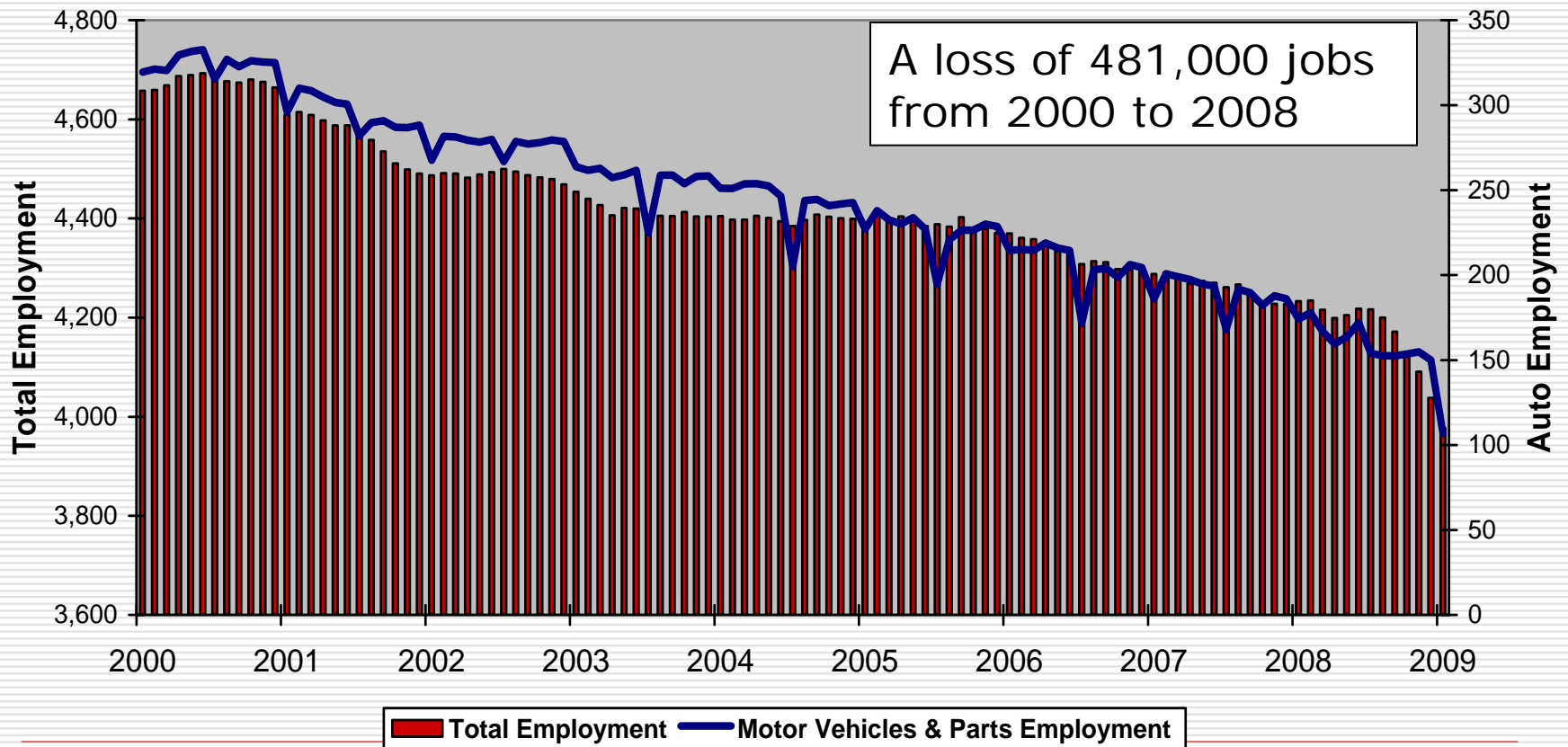
# Worse yet,

---

- 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.
-

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

### Statewide Employment

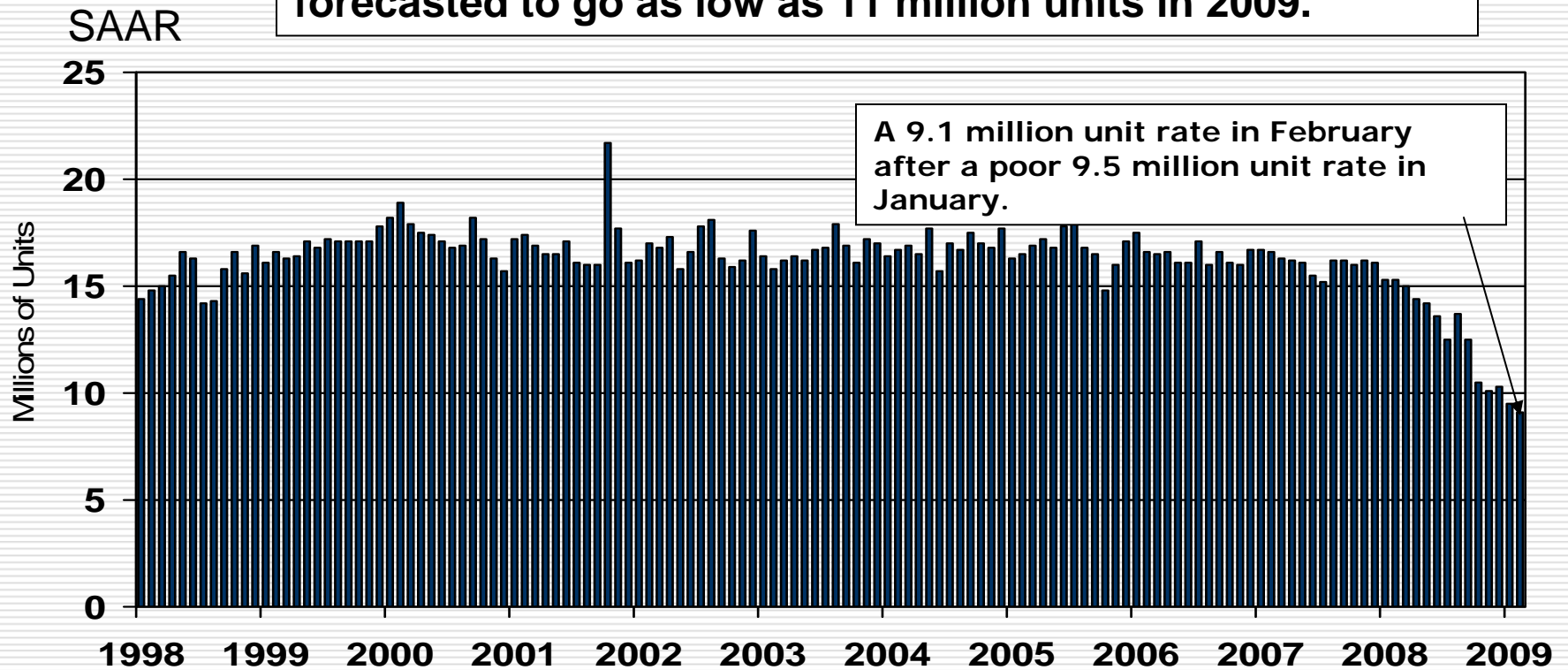


Source: BLS.

The state's unemployment rate is now 11.6%

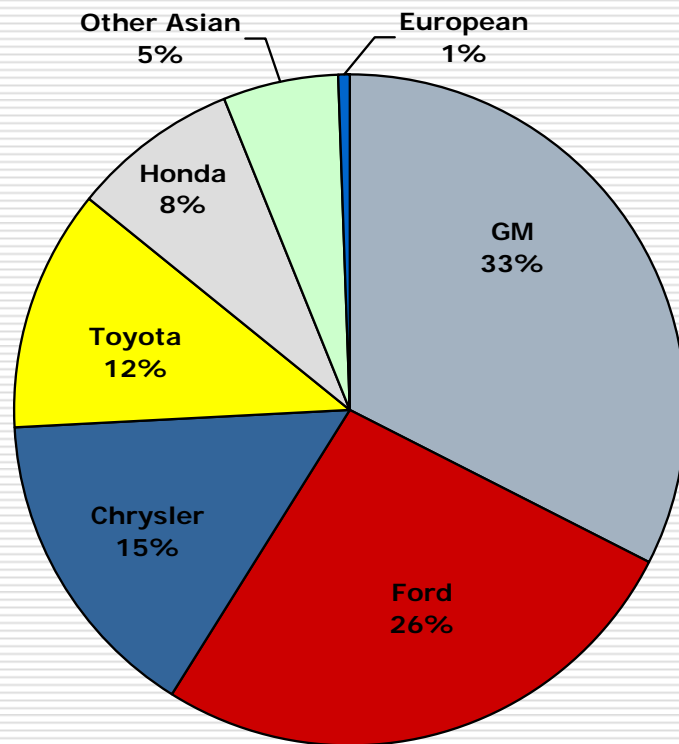
# Consumers are simply postponing purchases that can be postponed.

**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.**

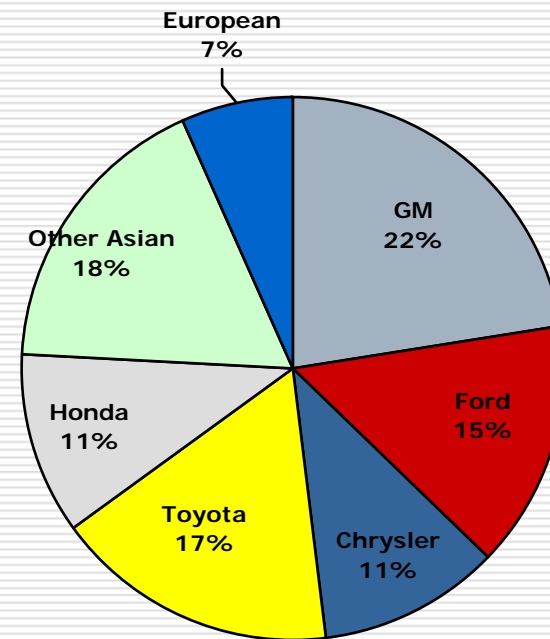


Source: BEA.

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



2001

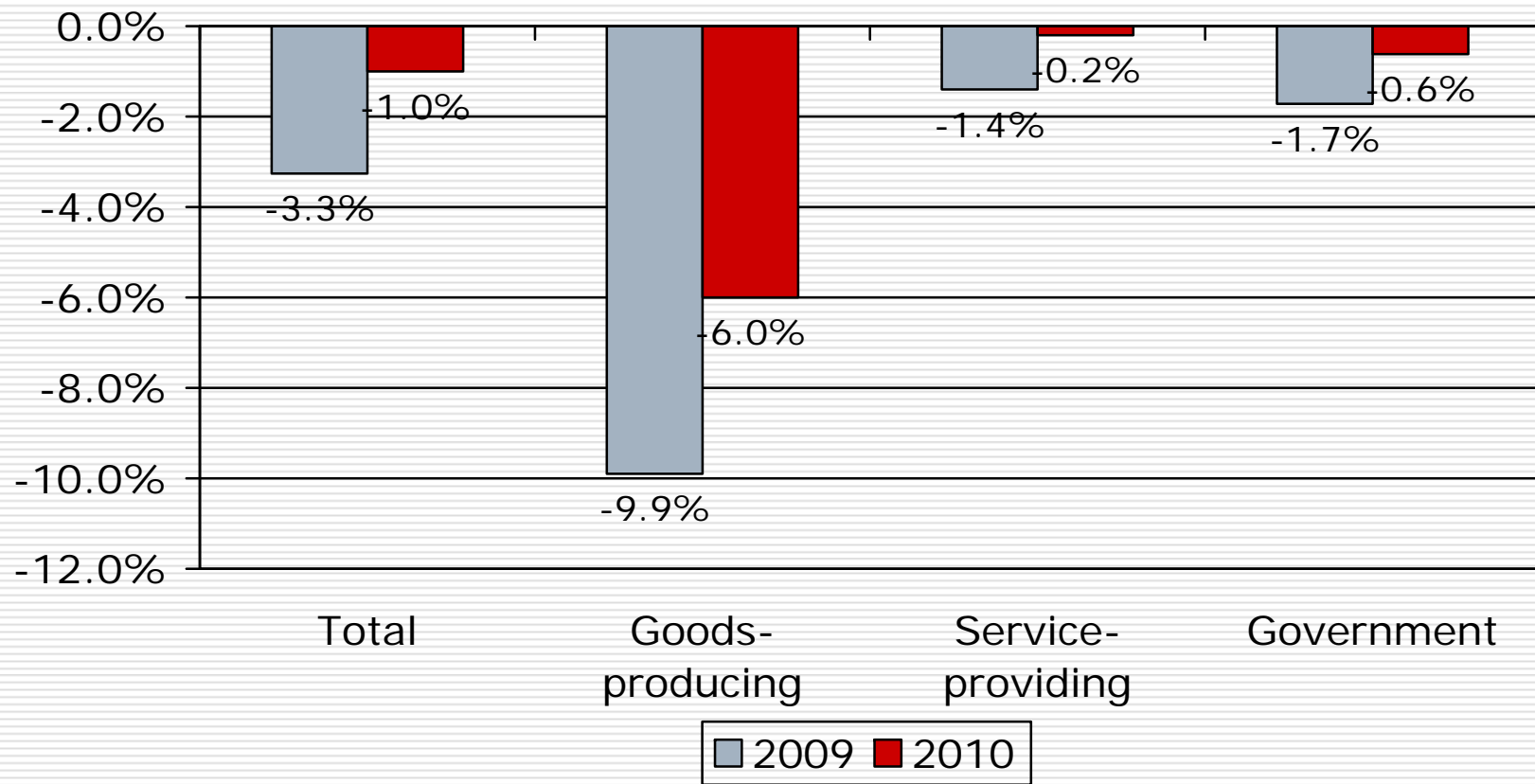


2008

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



# Ogemaw County

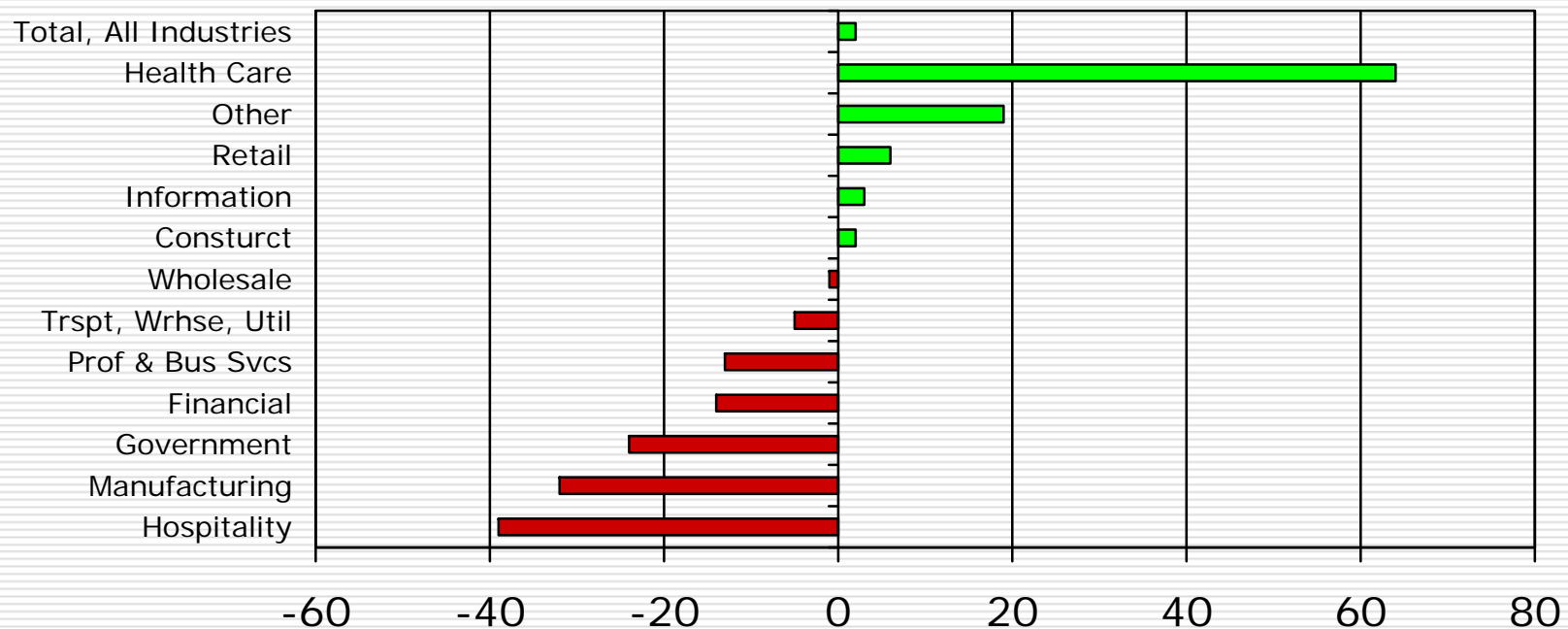
---

- ❑ Employment and population have been stable.
    - Aging in place.
  - ❑ Healthcare and Lakes
  - ❑ However, education achievement is low.
-

Employment has been stable in the county with health care being the major job creator.

---

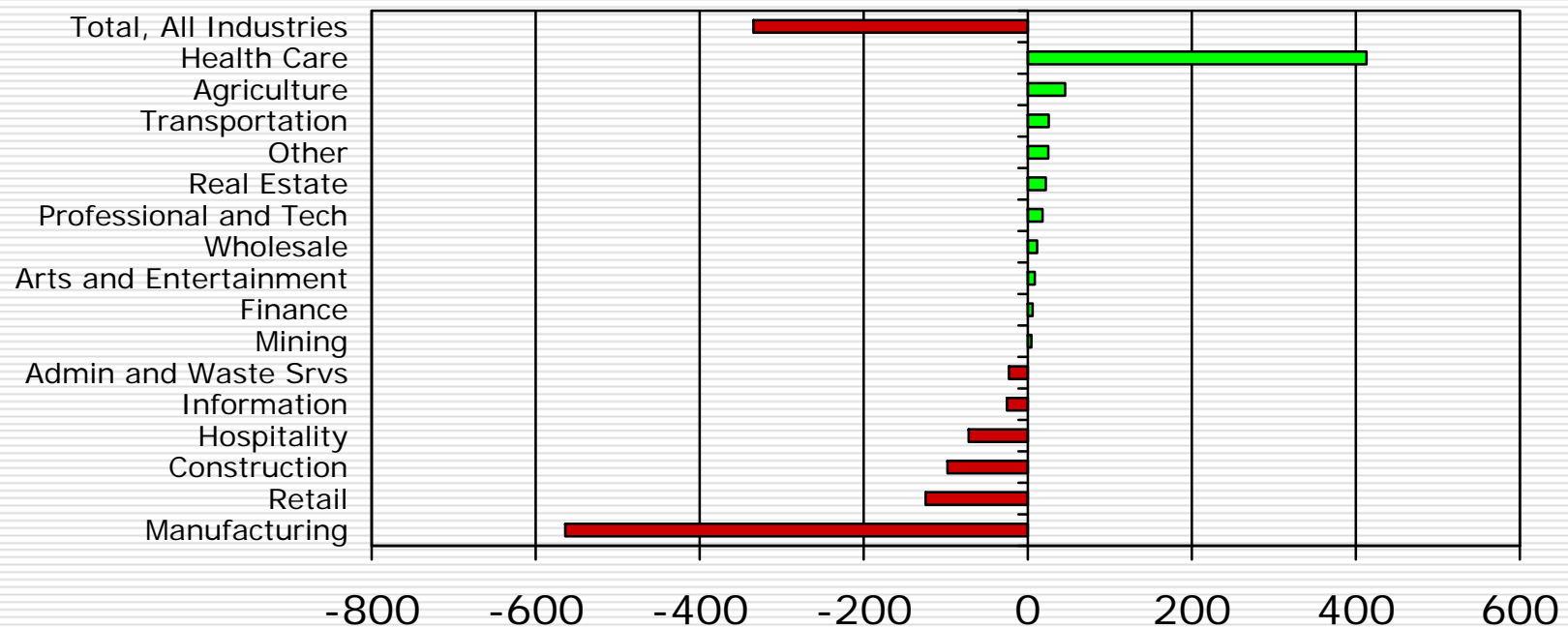
### Detailed Employment Change Q2 2007 to Q2 2008



# Long-term view: healthcare's gains have helped offset manufacturer's decline.

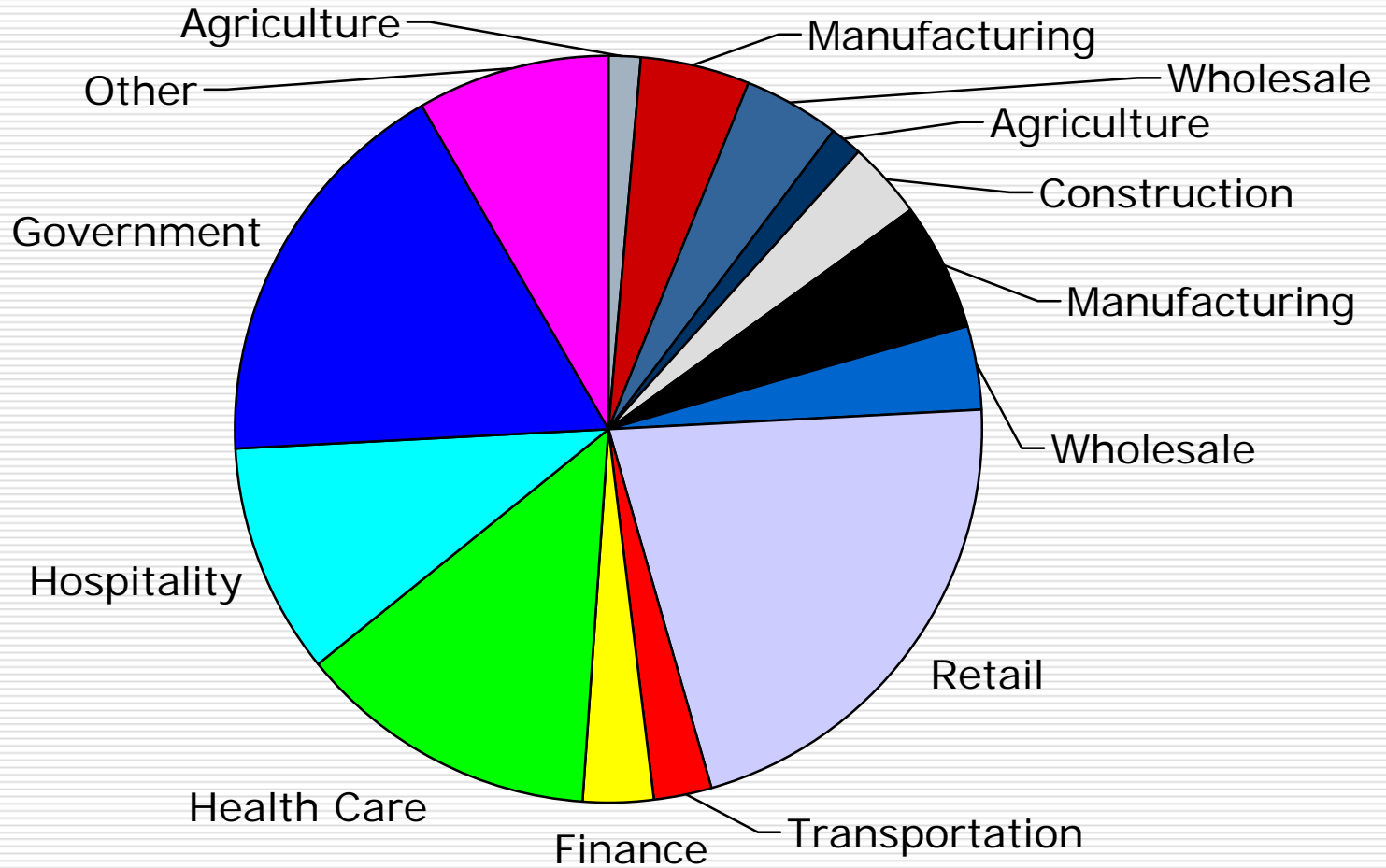
---

## Detailed Employment Change 2000 to 2008 (1st and 2nd Quarter only)



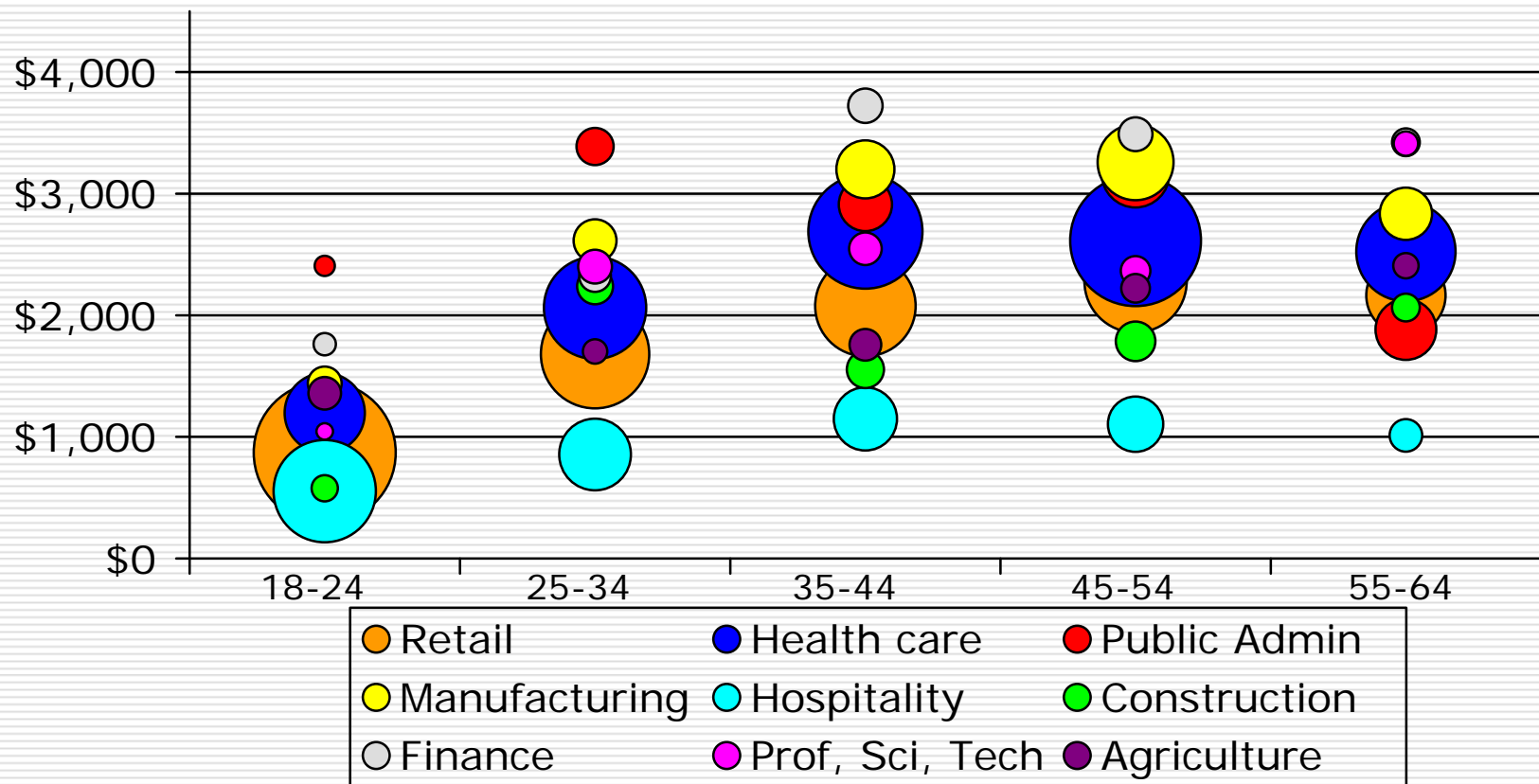
# Employment 2<sup>nd</sup> Quarter 2008 and 3 Previous Quarter Average

---



# Health care and retail are the county's major sectors.

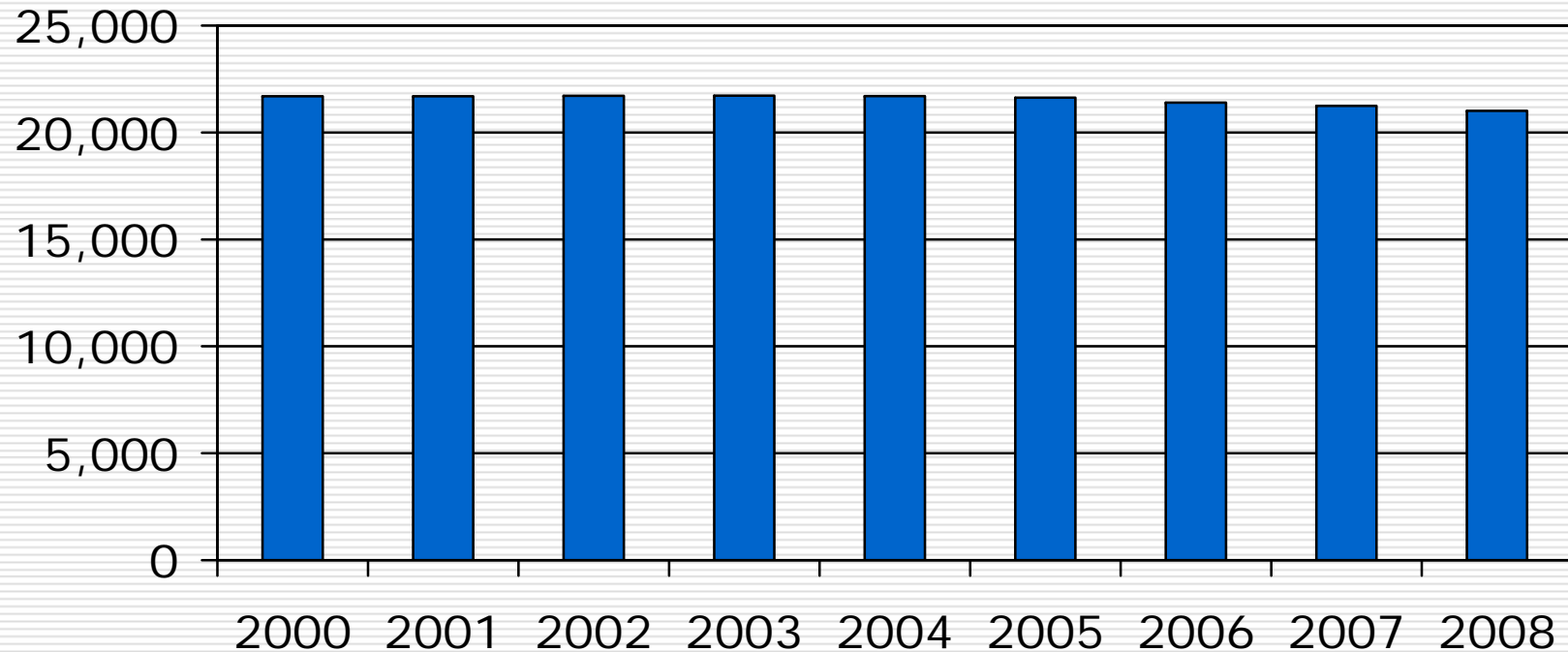
---



# Population in the county has been stable.

---

## Ogemaw County Population Estimates



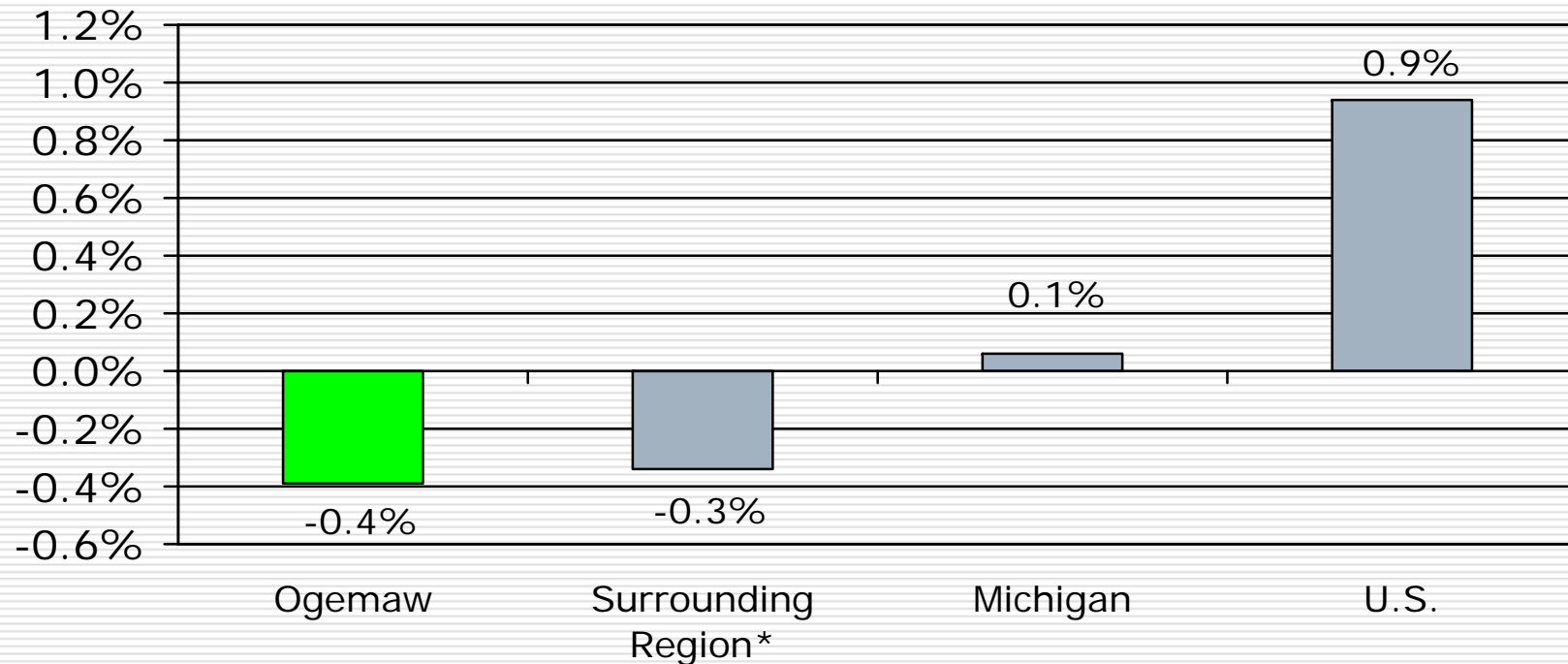
---

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

# From 2000 to 2008, the county lost only 630 in population.

---

Annual Average Population Growth Rate,  
2000 to 2008

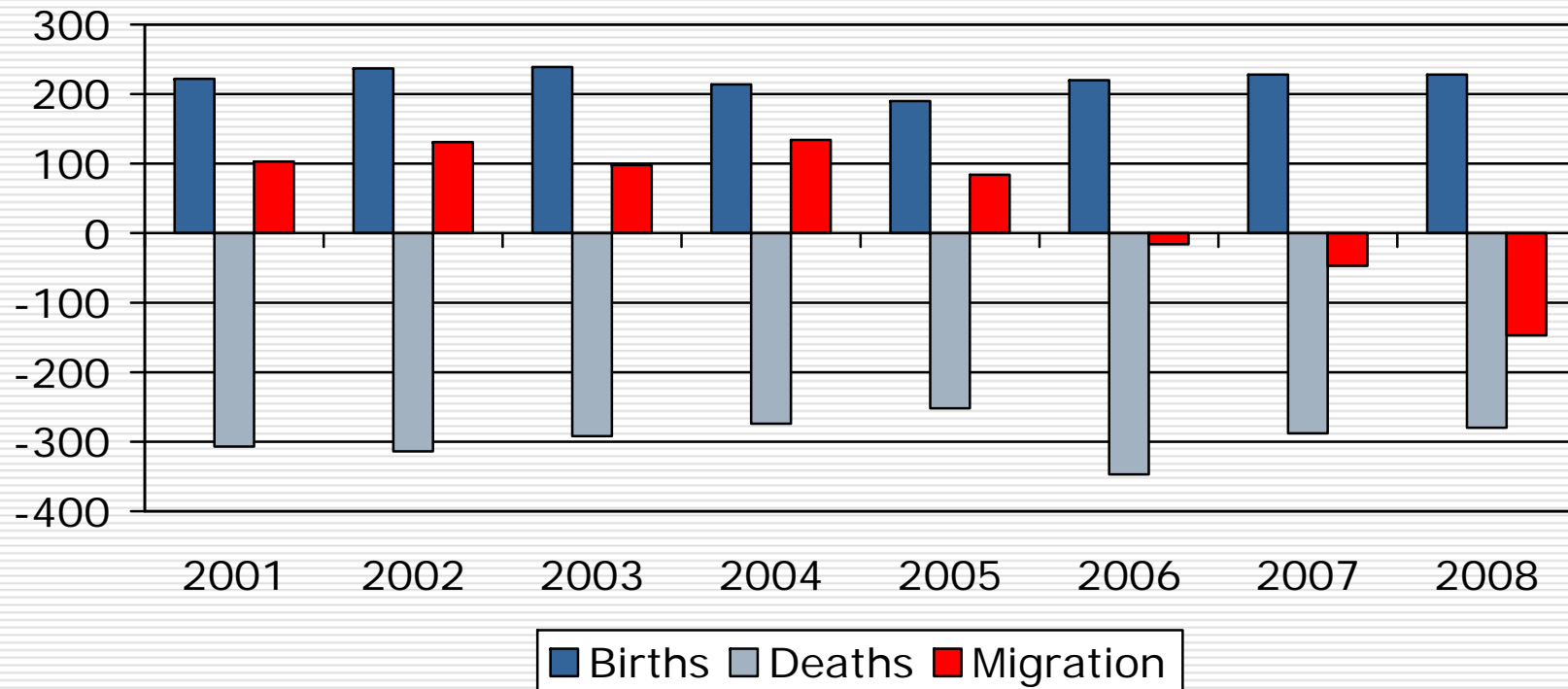


\* Alcona, Arenac, Crawford, Gladwin, Iosco, Oscoda, and Roscommon Counties

Since 2006, the county has lost population due to both natural decline and out-migration.

---

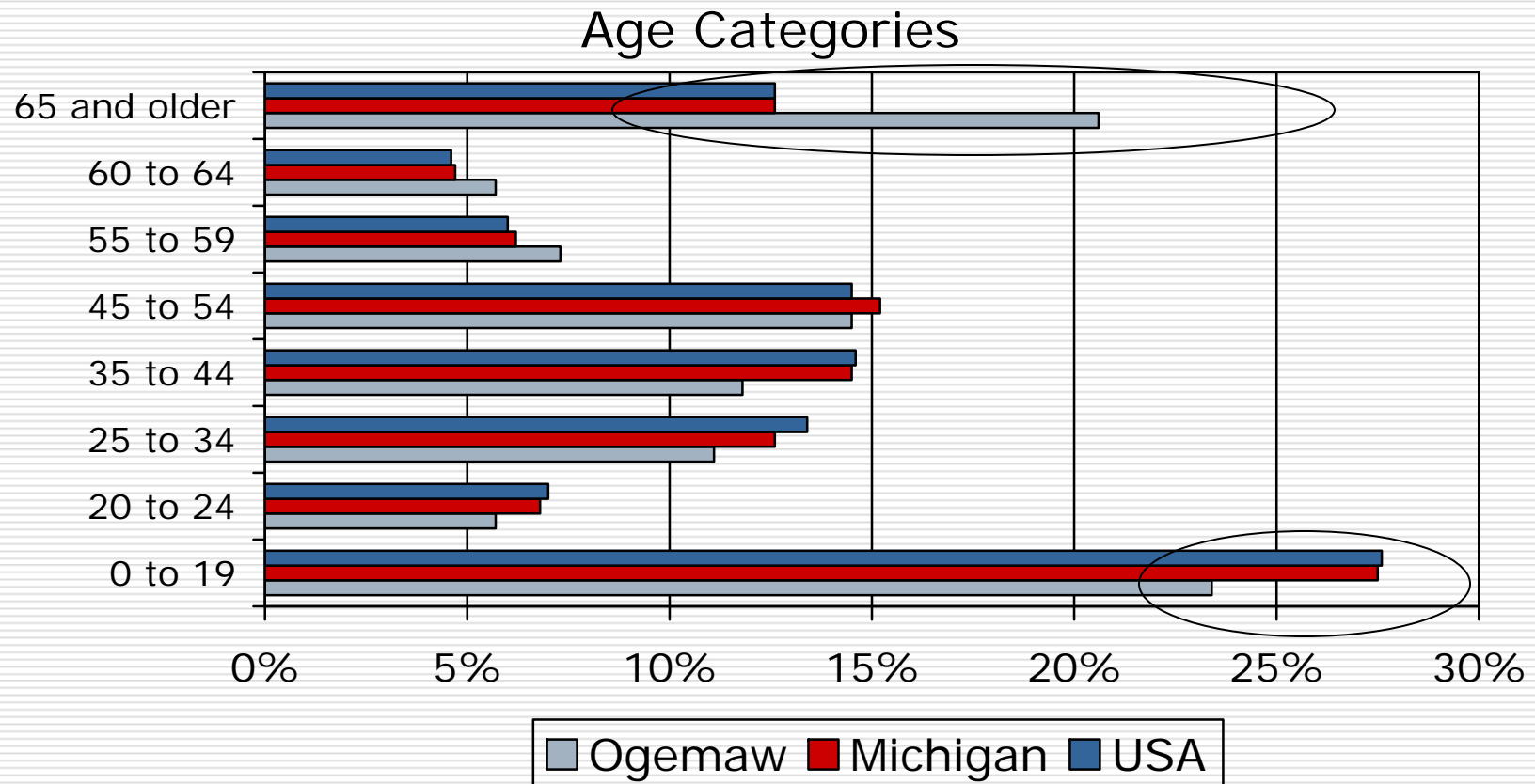
Components of Population Change in Ogemaw County



---

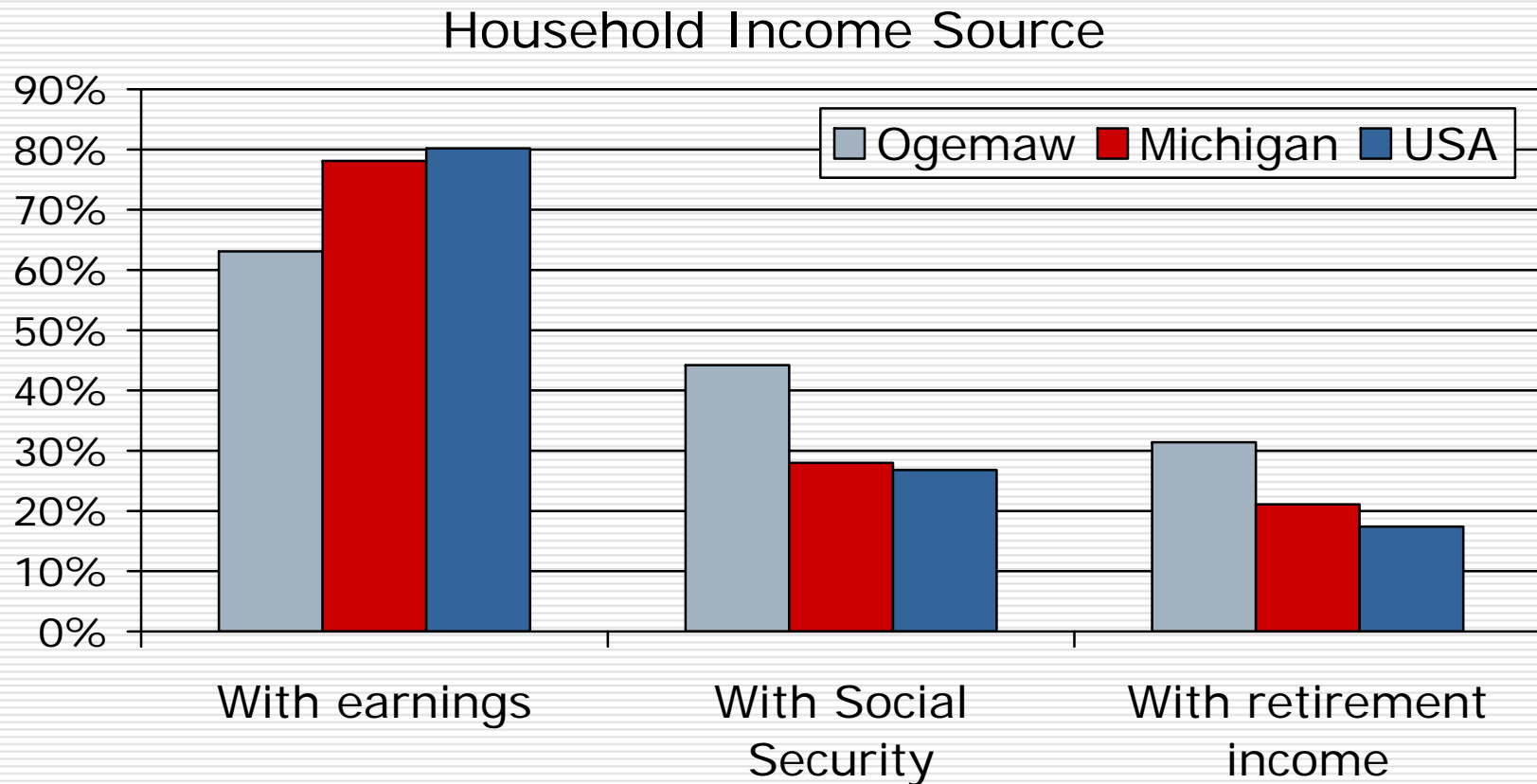
Source: U.S. Census Bureau, annual population estimates.

# The county has a large retirement population.



# Only 63 percent of the county's household income is earned.

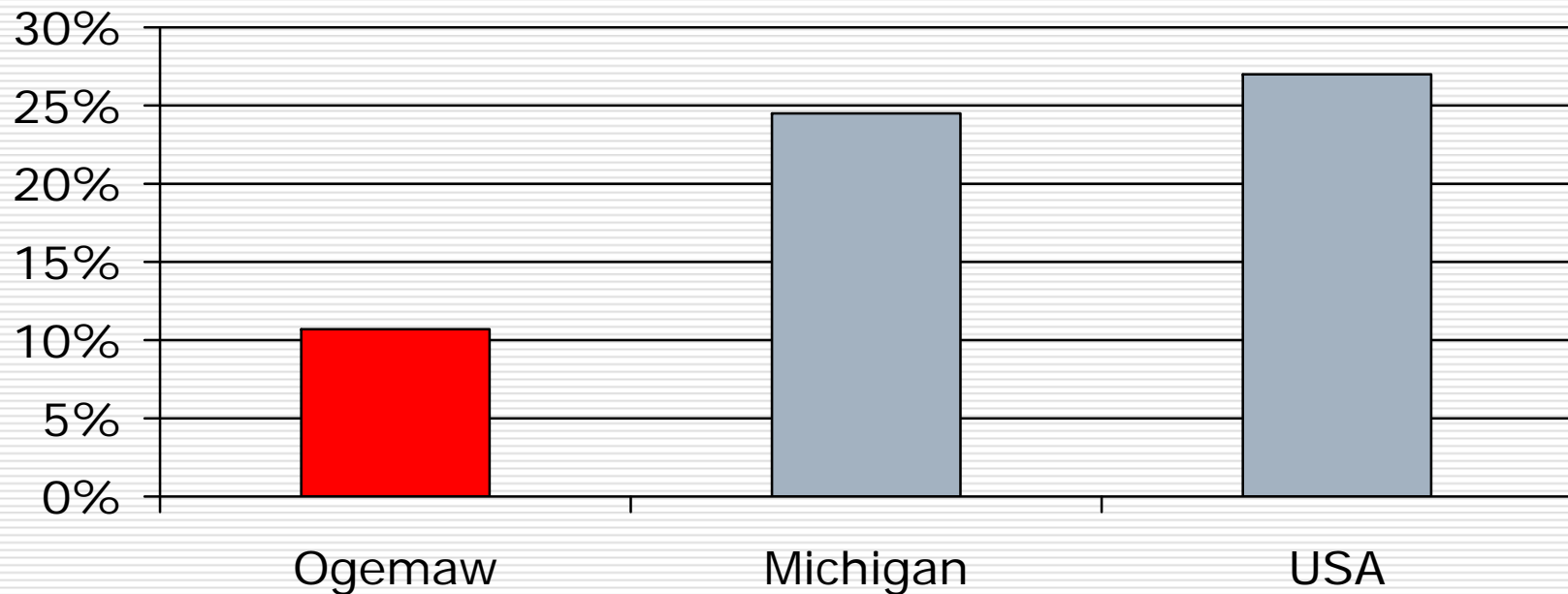
---



# Education achievement is low.

---

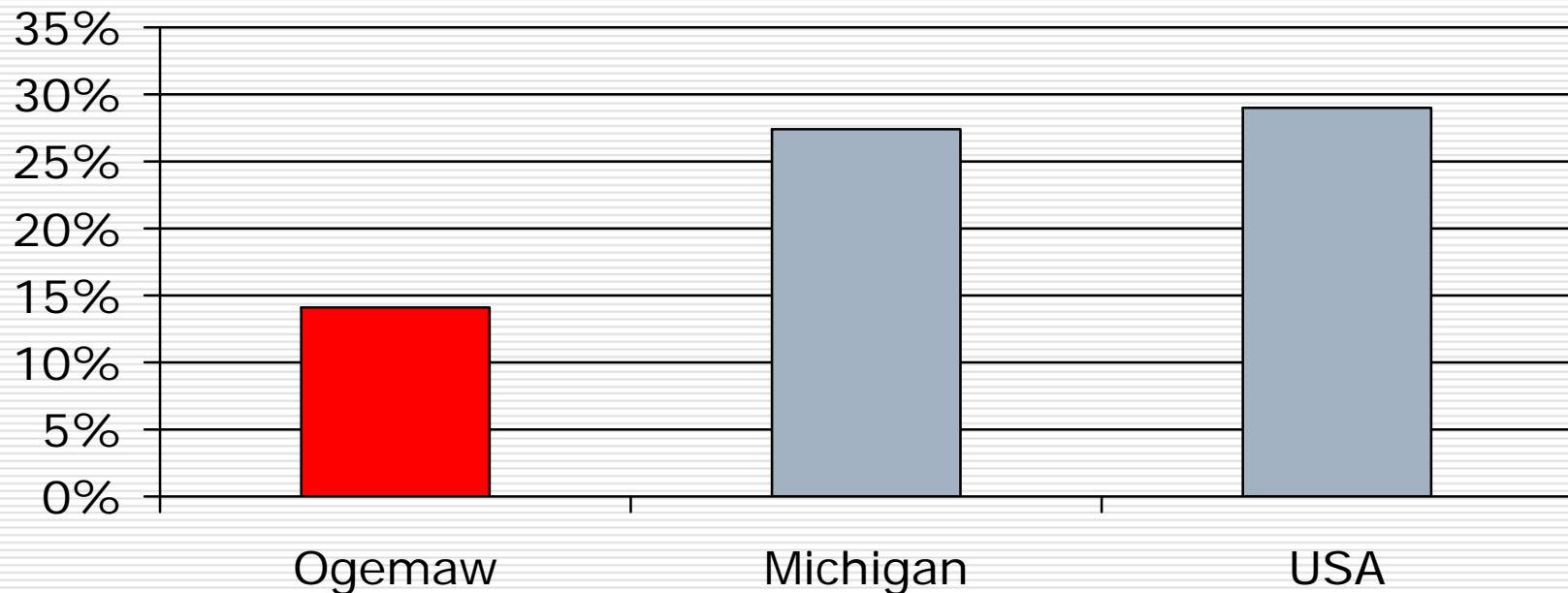
Percent of persons 25 years or older with Bachelor's Degree or higher



# Education achievement is low for the county's young adults as well.

---

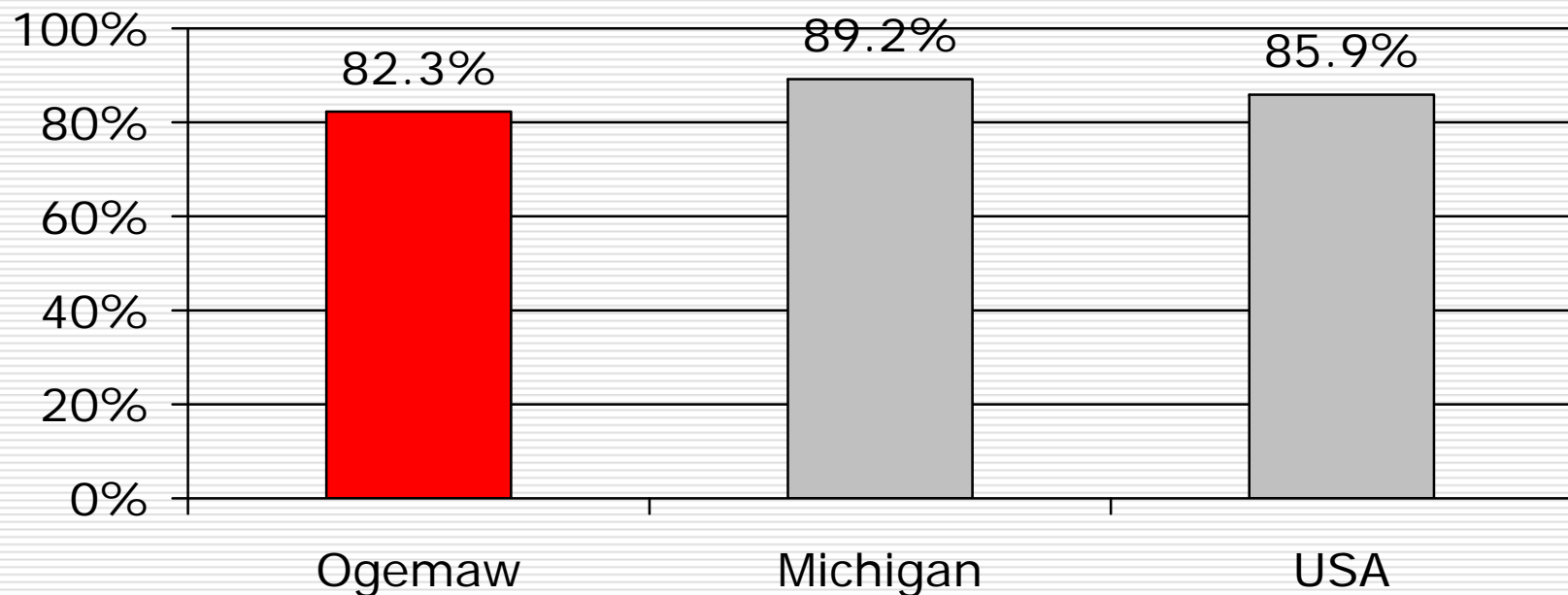
Percent of persons 25-34 years or older with Bachelor's Degree or Higher



Also, the percent of young adults who have completed high school is lower than the state.

---

Percent of persons 25-34 years or older with a Bachelor's Degree or Higher



# Final Thoughts

---

- 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.
-

# Food for Thought

---

- Ogemaw County faces several options:
    - Focus on becoming a retirement community:
      - Provide quality healthcare services
      - Recreational activities for older persons
      - Address transportation barriers
-

# Food for Thought (cont'd)

---

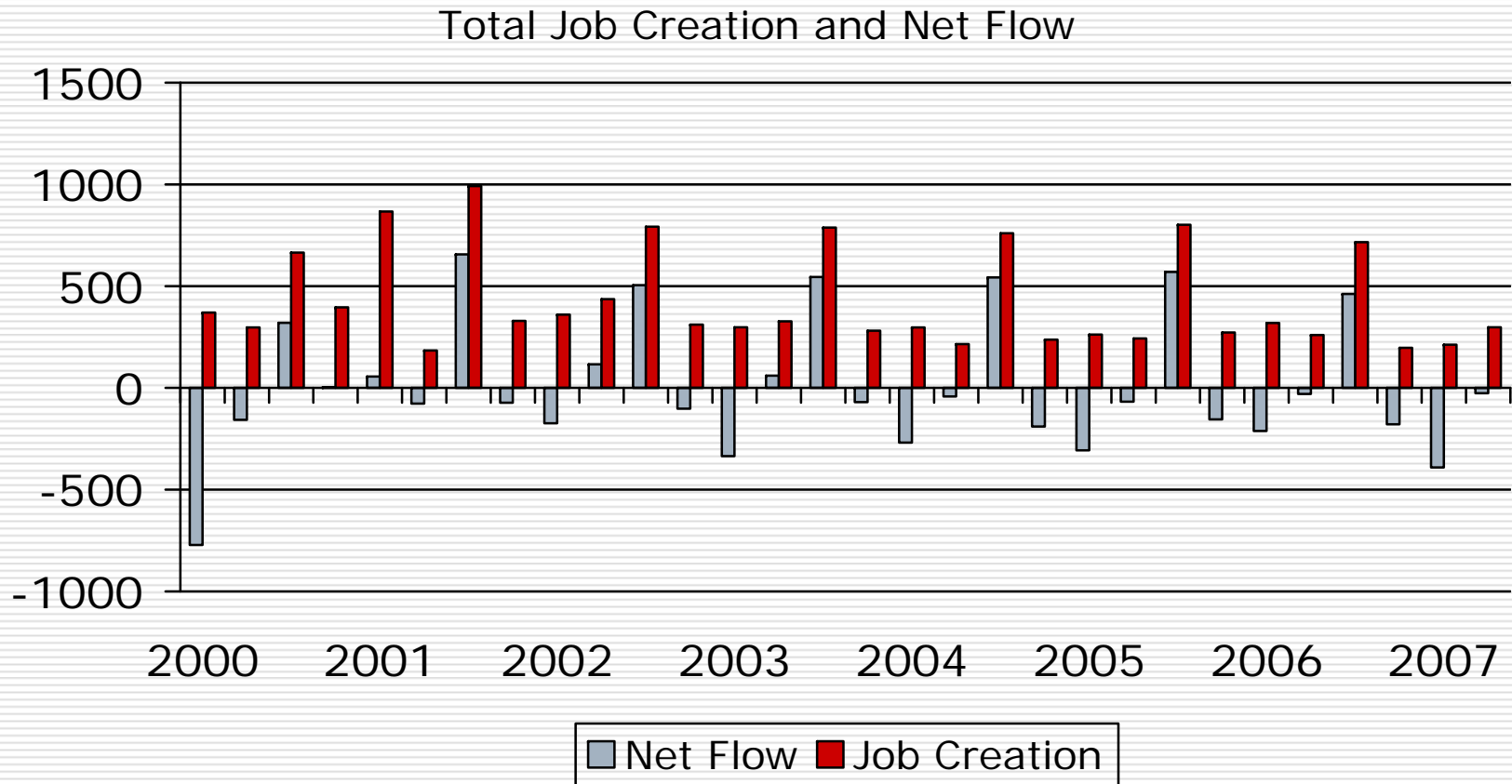
- The Ogemaw County faces several options:
    - Focus on workforce development:
      - Improve high school graduation rates
      - Kirtland Community College
    - Focus on Entrepreneurship
-

# Food for Thought (cont'd)

---

- Indeed job creation (start-ups, expansions and attractions) separate growing areas from declining area.
    - Unfortunately, most entrepreneurs sell only to local customer.
    - However, if the county's growing retail and service offerings are attractive to retirees, they could attract more retirees to the area.
-

# Job creation in Ogemaw County—A good track record



Source: MDLEG Quarterly Workforce Indicators.

# Ogemaw County Economic Outlook

---

**George Erickcek**

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

**March 26, 2009**