

The 2011 and 2012 Employment Forecast for Calhoun County

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W.E. Upjohn Institute for Employment Research

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Consumers Energy

The Consumers Energy logo consists of the words "Consumers Energy" in a blue, italicized serif font, enclosed within a green, swooping oval shape that tapers at both ends.

SEMCO ENERGY

The Semco Energy logo also includes the text "SEMCO ENERGY" in a blue, sans-serif font, positioned below the leaf icon.

For good. For ever. For all.

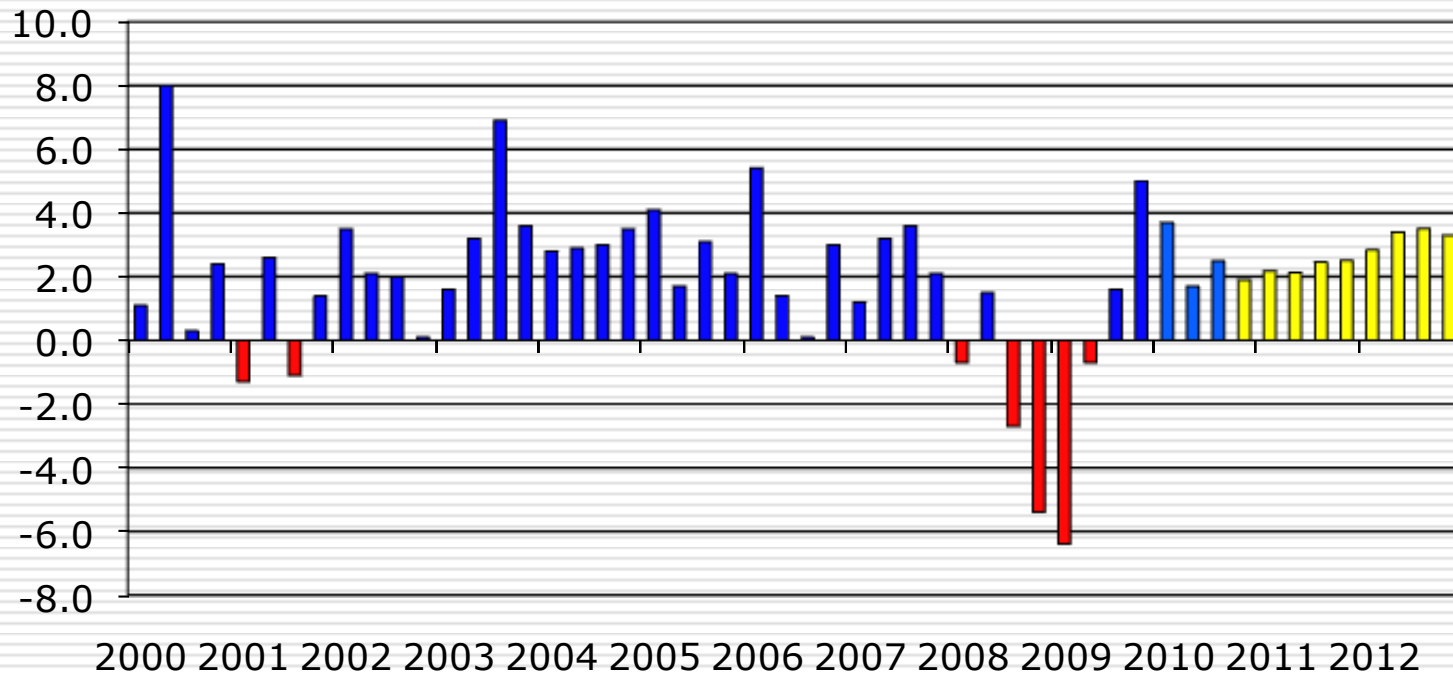
The tagline "For good. For ever. For all." is written in a black, cursive script font at the bottom of the logo.

Agenda

- ❑ 2011 will be better, but it is still not what we are looking for.
- ❑ With auto production improving, the state's economy is expected to improve *modestly* in 2011 and 2012.
- ❑ Battle Creek's economy is still pretty flat, however, *but the future looks brighter.*
- ❑ Good and bad news when compared with similar MSAs
- ❑ 2010 forecast and some additional thoughts

Nationwide, GDP increased by 2.5% in the third quarter, *disappointing to say the least. And the forecast is not great.*

Annualized Quarterly Percent Change in GDP



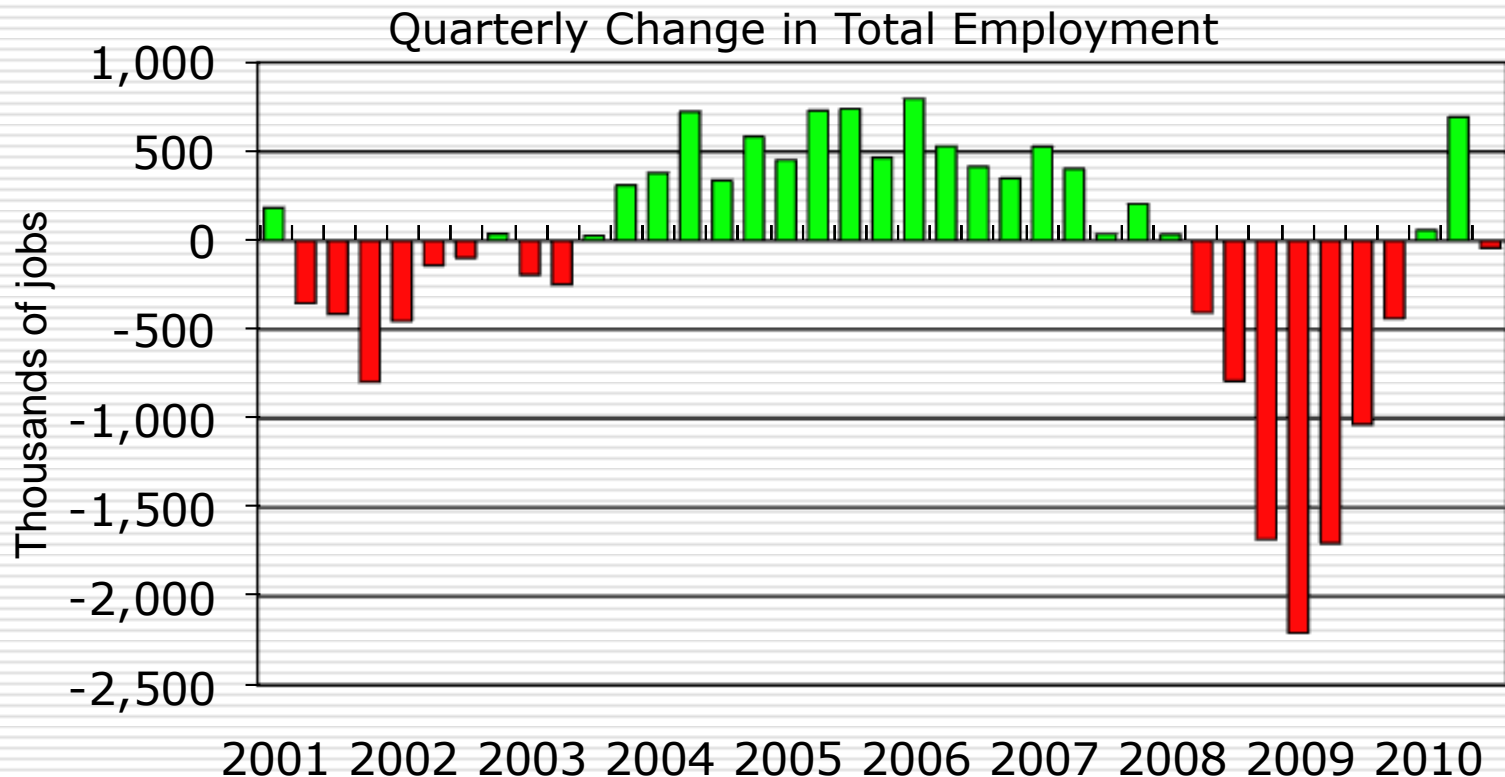
Source: BEA, University of Michigan November 10, 2010 .

Employment growth occurs when GDP growth surpasses productivity growth

GDP annual percent growth – Percent change in Productivity



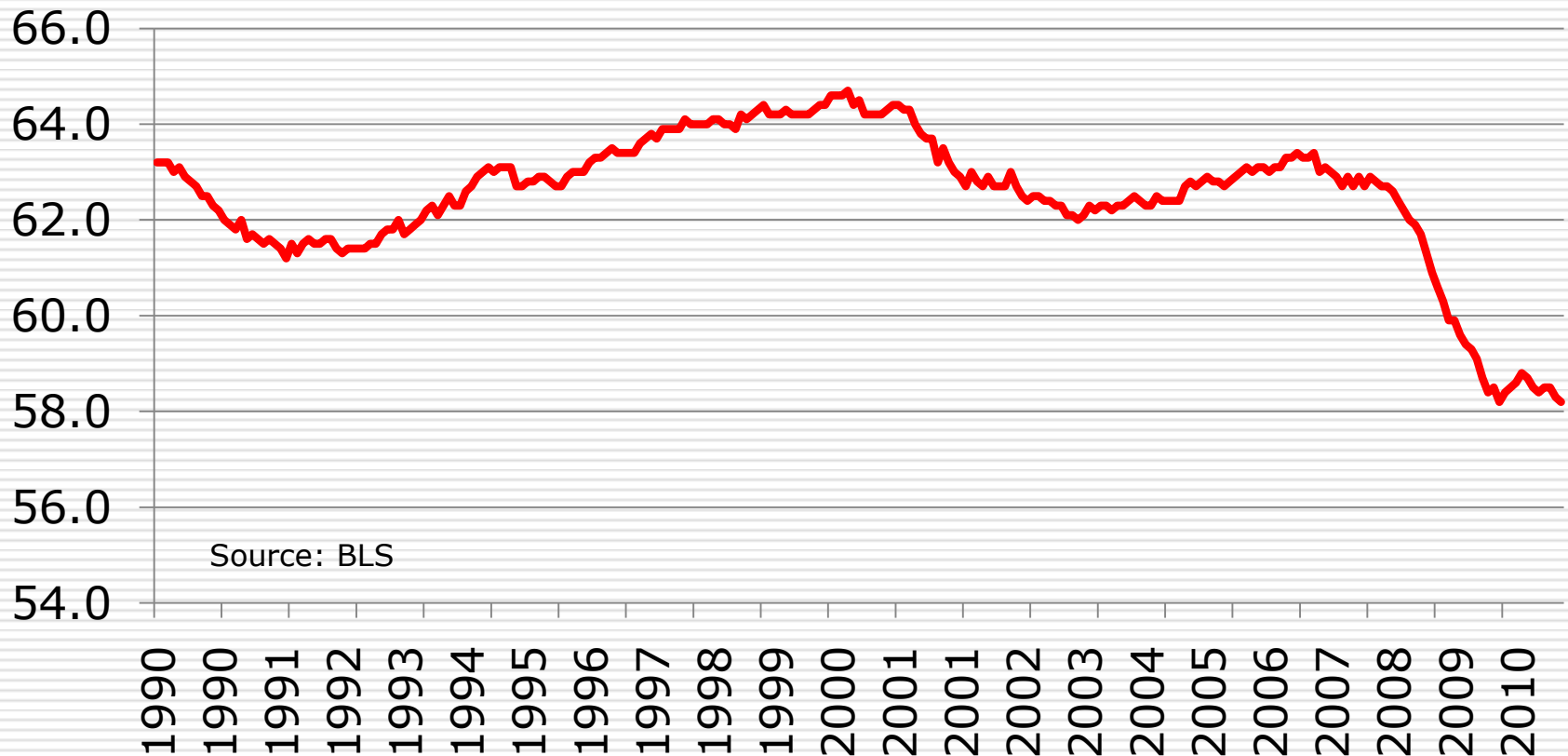
Employment inched up 39,000 in November, after jumping up by 172,000 in October. It fell by 43,000 during the third quarter.



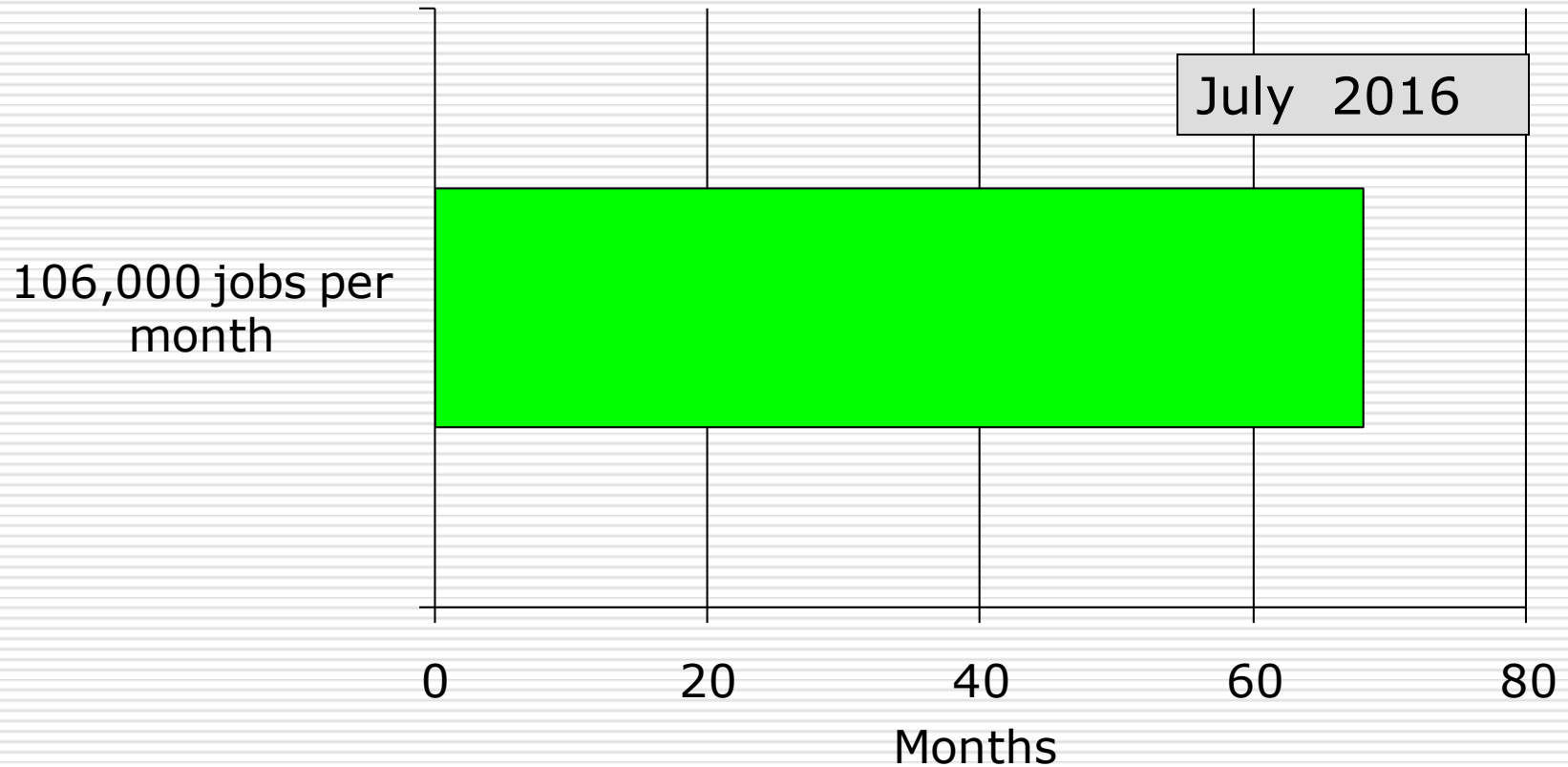
Source: BLS.

A lower percentage of adults are employment than since 1982.

Employment-to-Population Ratio



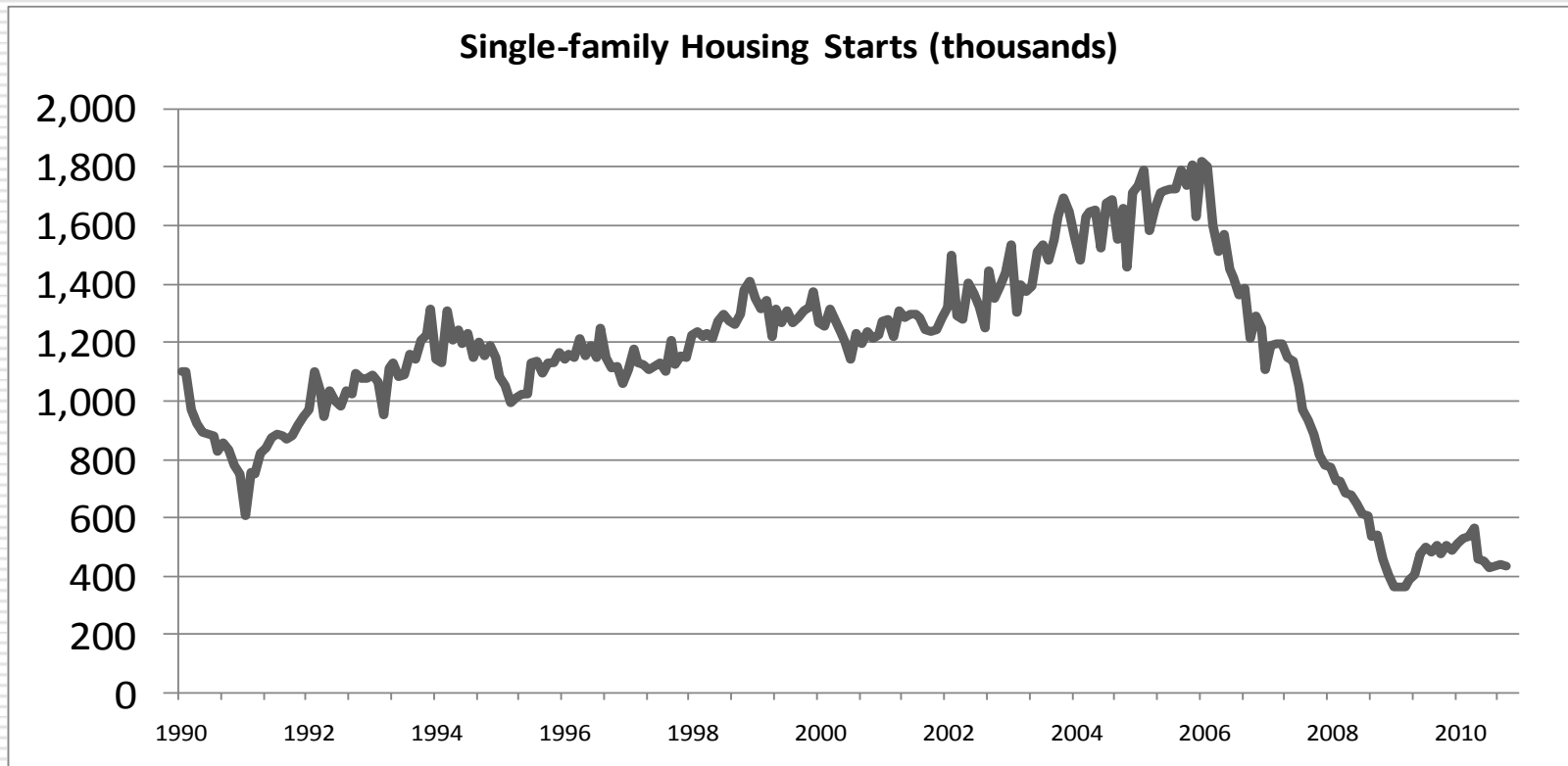
How long will it take for employment to reach its pre-recession level if current trends continue in the private sector?



What are the headwinds?

- ❑ Consumer confidence is still lackluster and spending has slowed: bargain hunting and paying off debts are cool.
- ❑ Housing is still flat.
- ❑ Financial markets are STILL in crisis.
- ❑ Although the dollar has lost value, exports are still flat.
- ❑ Election results have likely limited future fiscal policy.

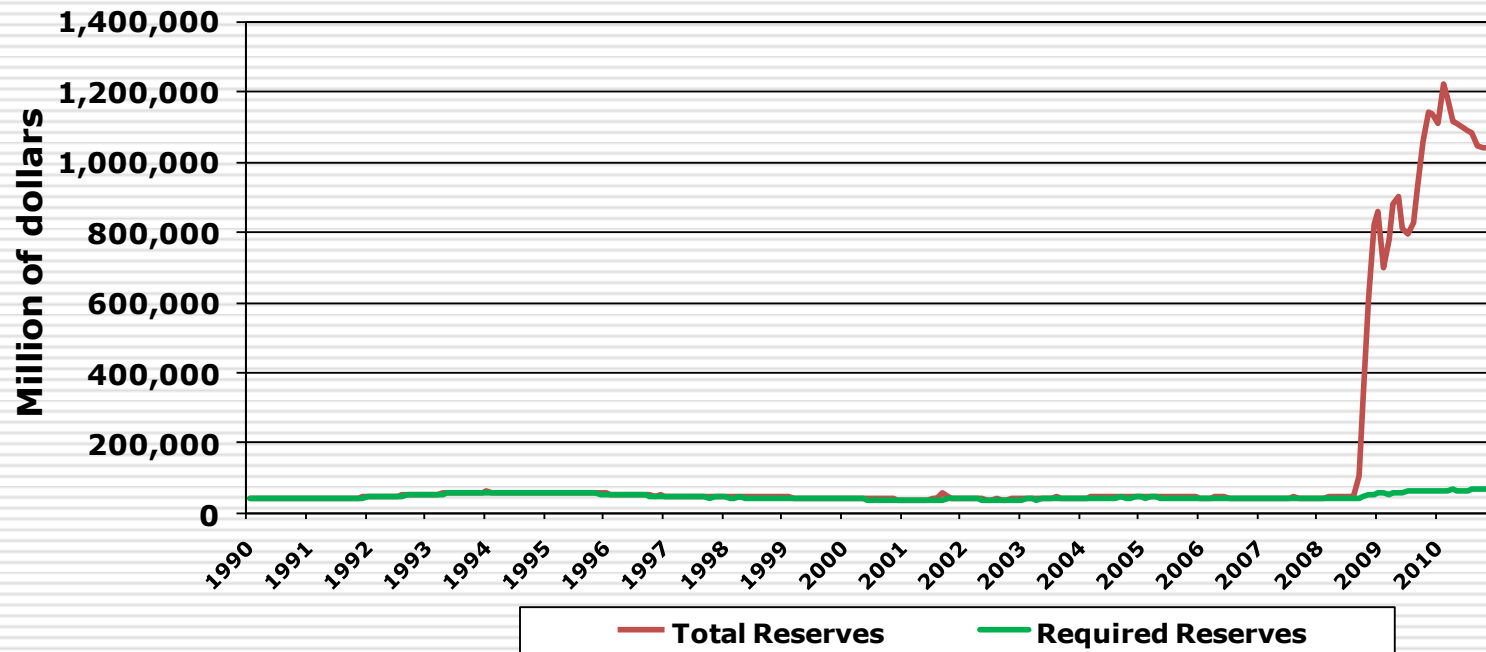
Single-Family Housing Starts— *Reached bottom hopefully.*



U.S. Census

Financial Roadblock: *Banks are still holding a trillion dollars in excess reserves.*

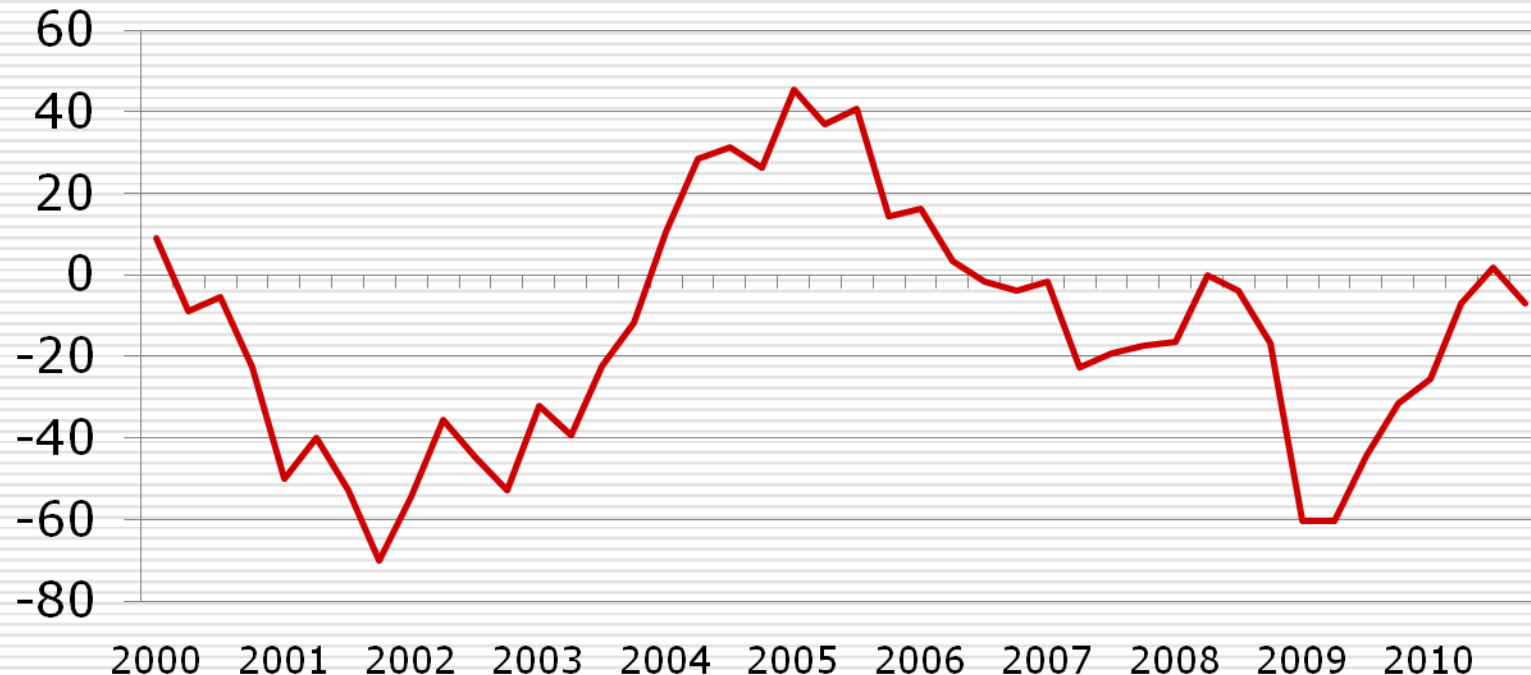
Total And Required Reserves at the Federal Reserve



Source: Federal Reserve

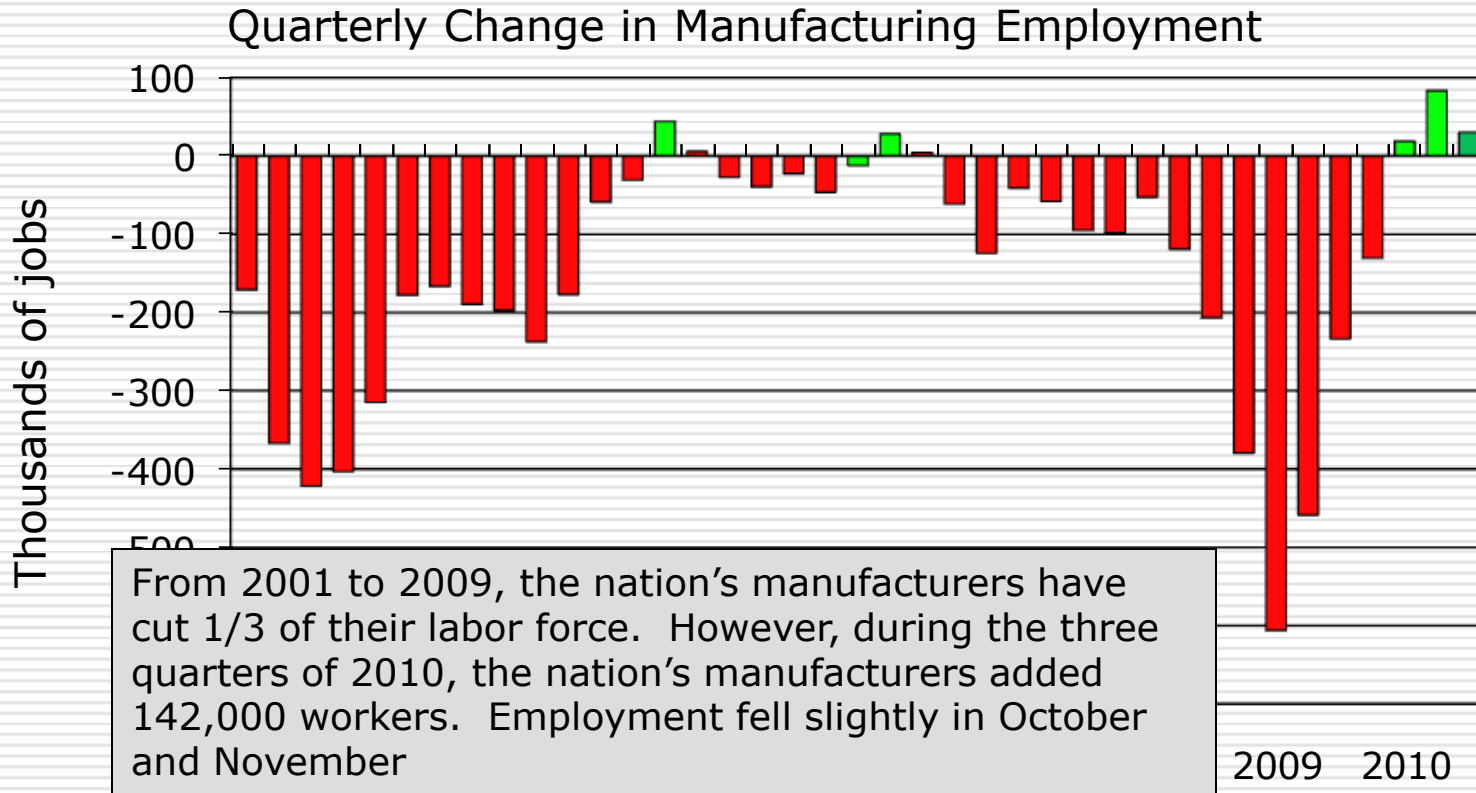
Demand for C & I loans has improved.

Net Percentage of Domestic Respondents Reporting Stronger Demand for C&I Loans



Source: Federal Reserve

Manufacturing employment is expanding.



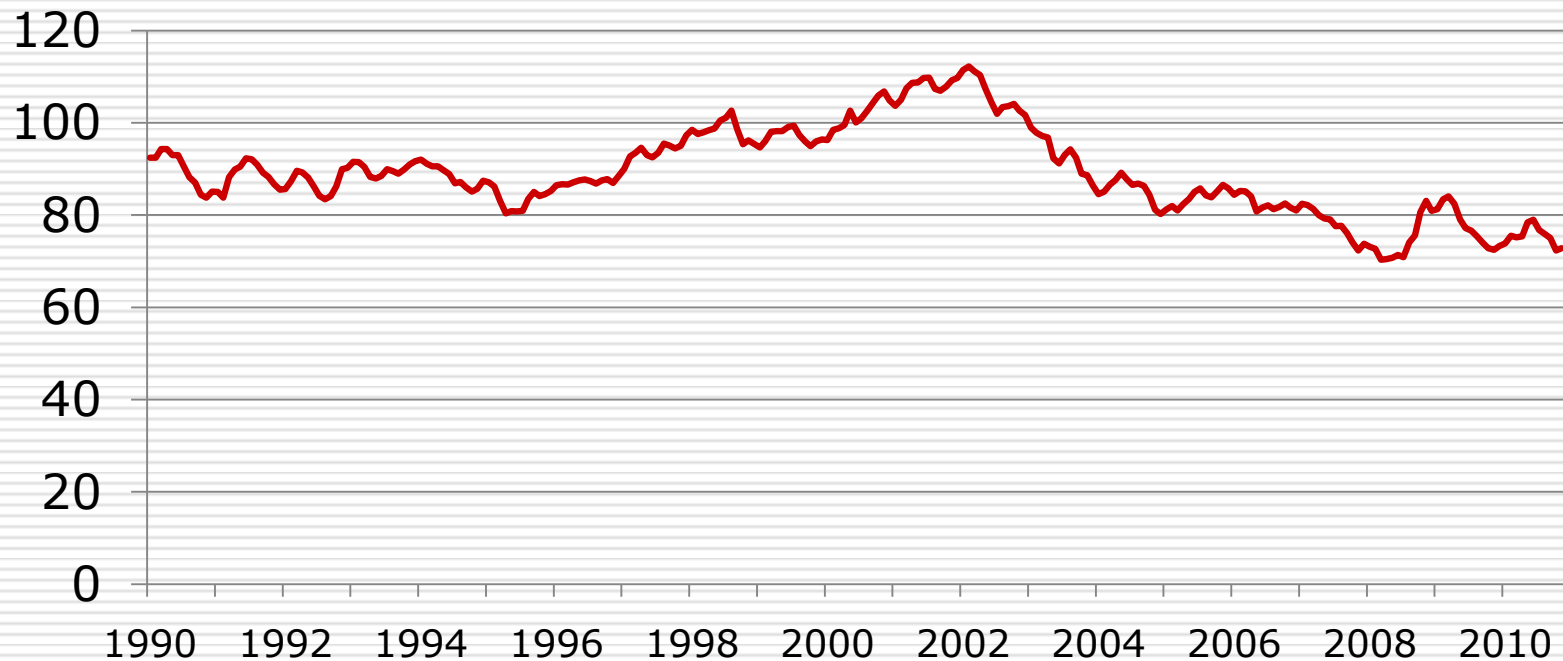
Source: BLS.

Possible Government Action

- Fiscal Policy: *Further tax cuts are likely, as well as larger deficits.*
- Monetary Policy: *Carefully monitored aggressiveness. "We could raise interest rates in 15 minutes."*
- Dangers:
 - *A growing national debt*
 - *Inflationary spiral*
 - *A weakening dollar*

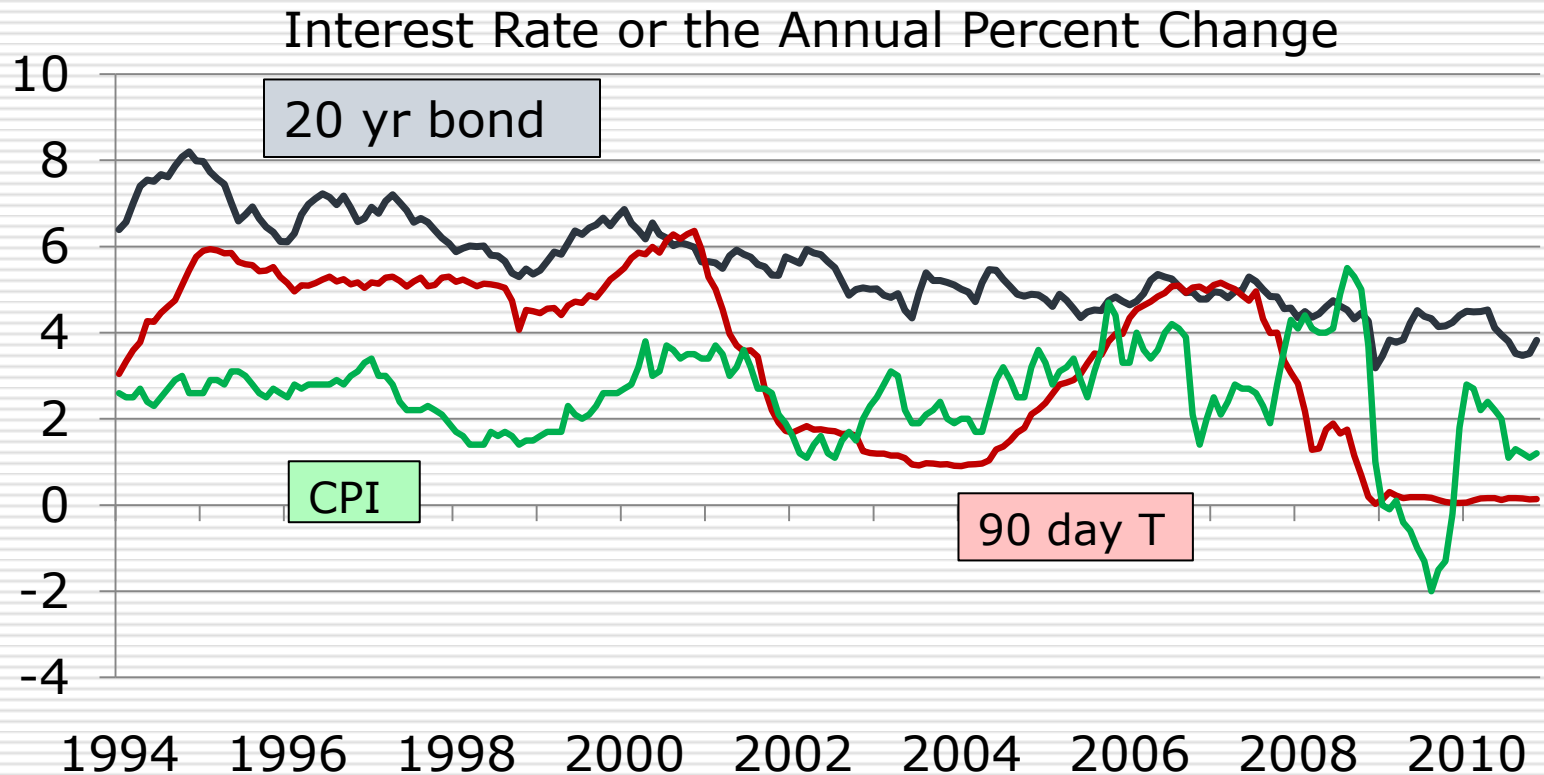
The dollar has been slipping against major currencies.

Dollar relative to major currencies



Source: Federal Reserve

Still, interest rates and inflation are both low.

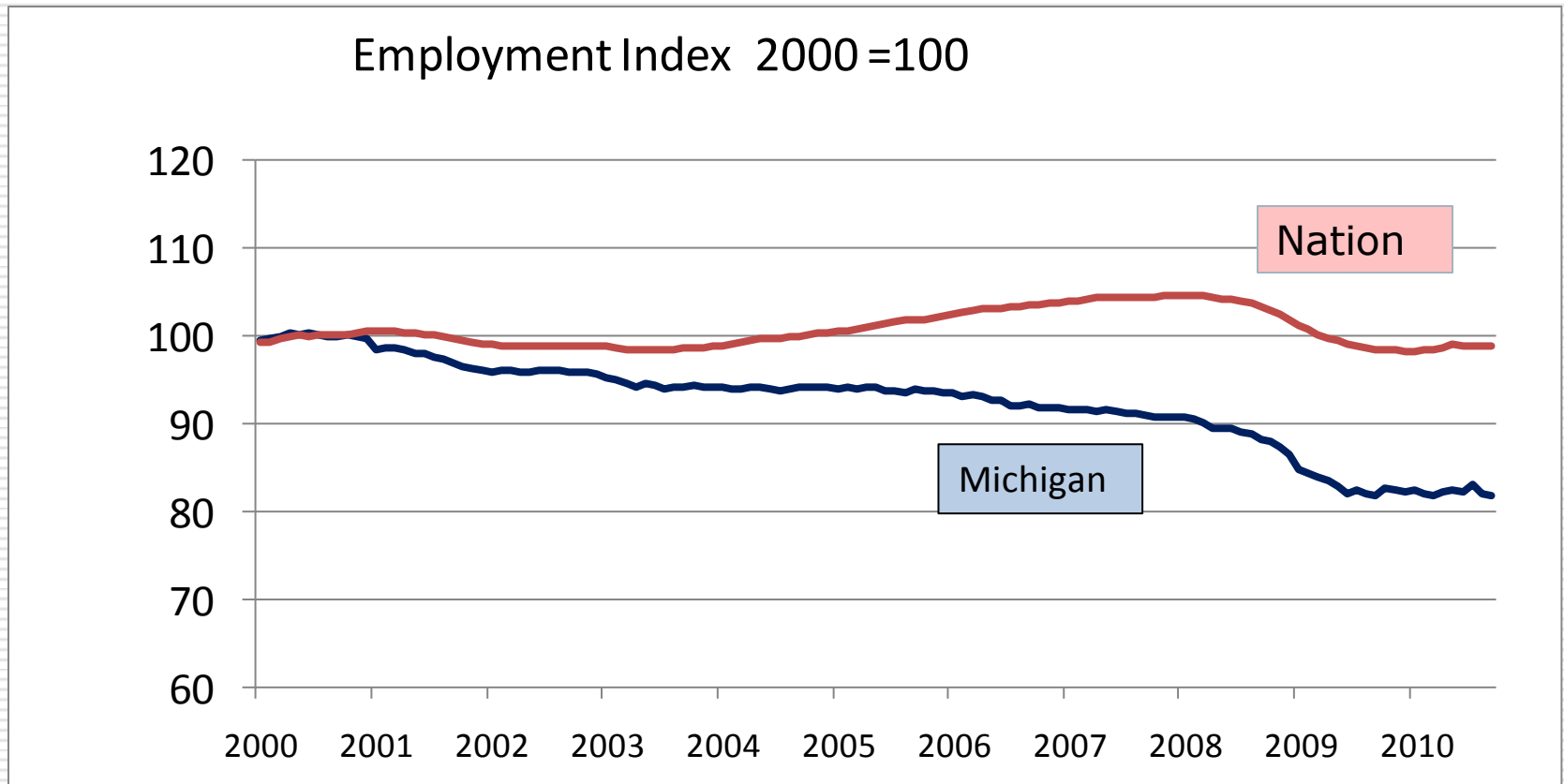


Source: Federal Reserve and BLS

Michigan

- Employment has stabilized. *From the third quarter 2009 to the third quarter 2010, employment increased by 6,000.*
- Retail indicators are up.
- The University of Michigan forecast is ***positive***.
 - *30,500 additional jobs in 2011*
 - *71,200 additional jobs in 2012*

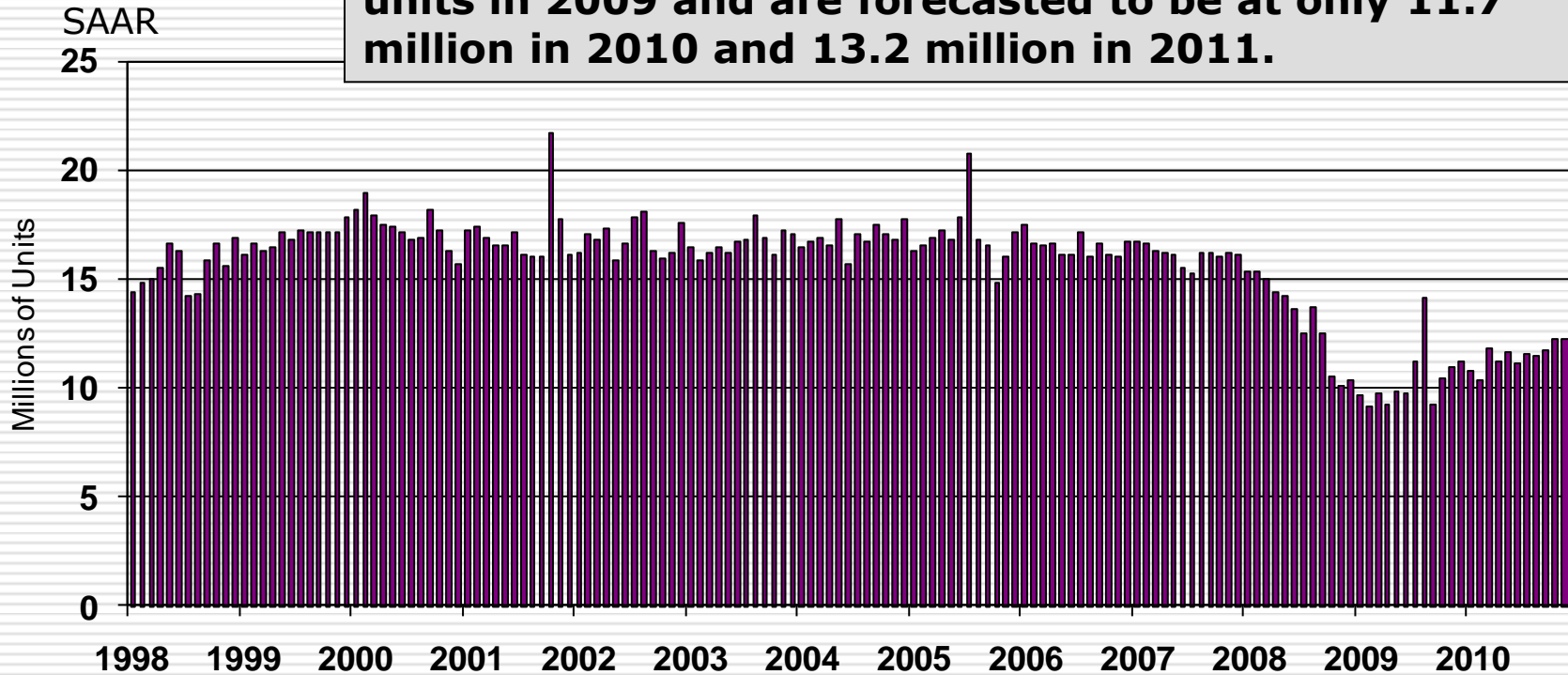
Michigan employment has finally stabilized.



Source: Upjohn Institute calculation using BLS data.

Auto dealers have been making some deals.

Car and light truck sales reached 16.1 million units in 2007, dipped to 13.3 million units in 2008, 10.5 million units in 2009 and are forecasted to be at only 11.7 million in 2010 and 13.2 million in 2011.

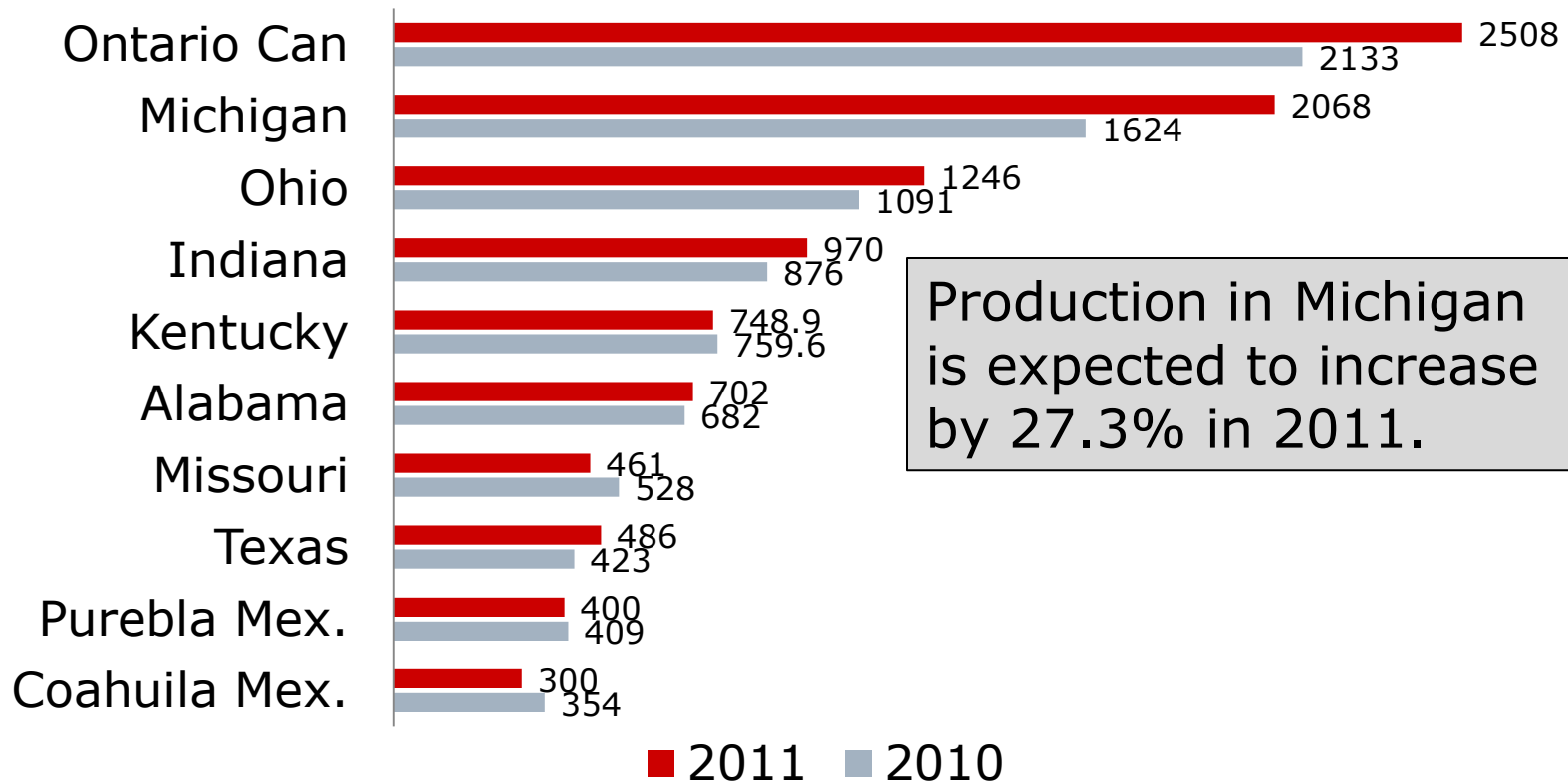


Source: BEA.

Sales have averaged an 11.7 million unit pace during the first 11 months of the year.

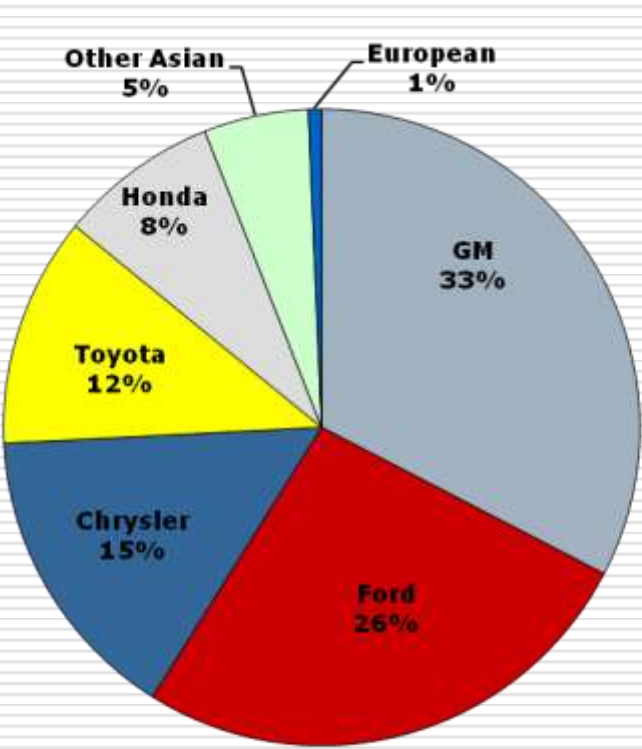
Overall, auto production is forecast to be up by 11.7% in 2011.

Production Levels in 000s

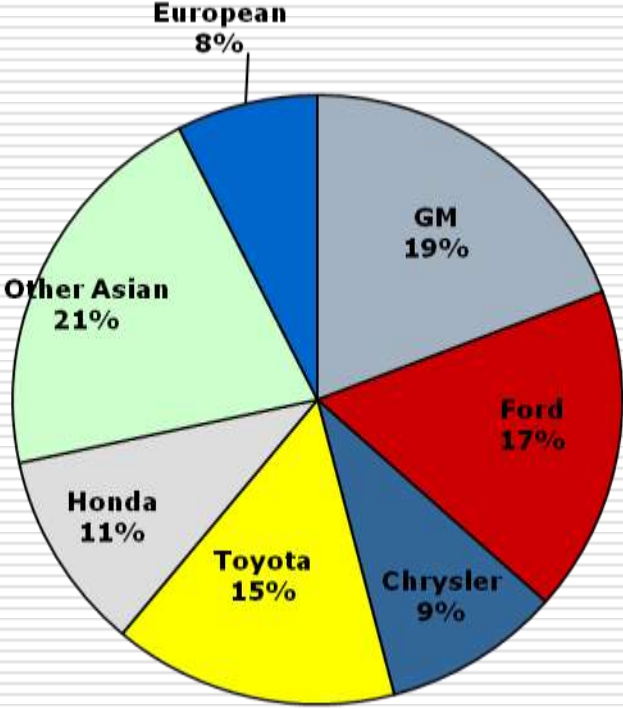


Source: Ward's AutoInfoBank

Loss of market share: *In 2001, the Detroit Three controlled 74%; In 2010, it is now at 45%.*



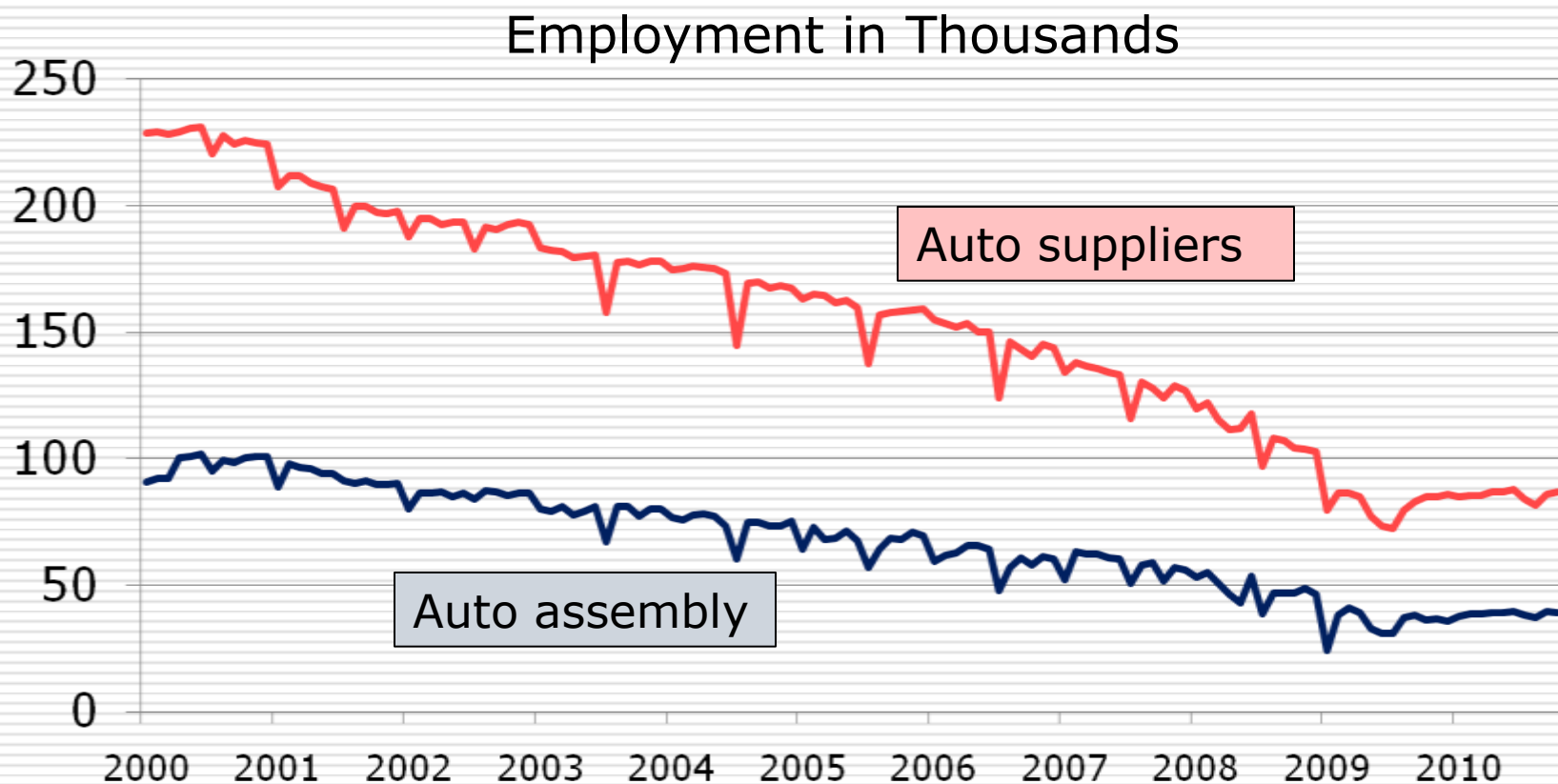
2001



2010

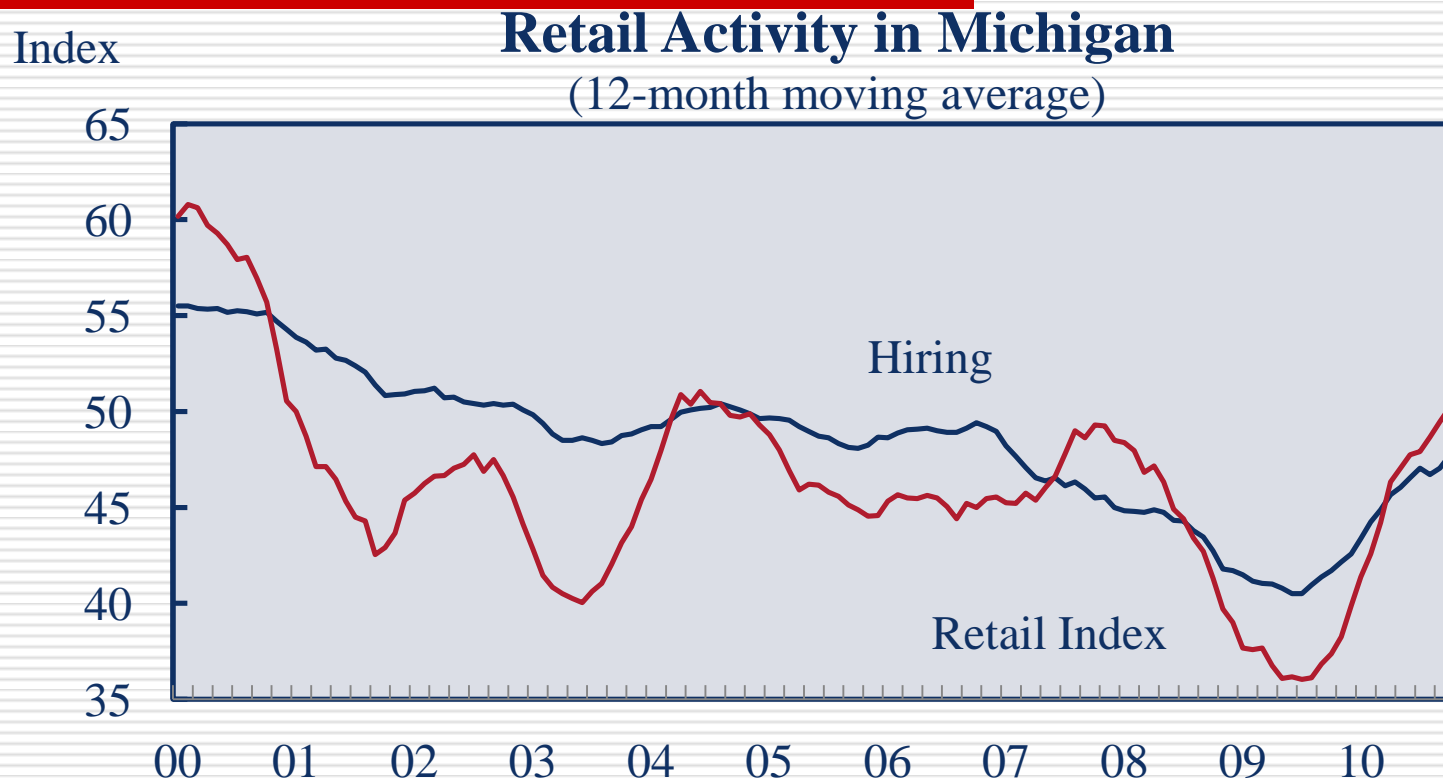
Source: Wards AutoWorld.

Employment in the state's auto industry has *finally* stabilized.



Source: BLS.

Michigan's retail activity has picked up.



NOTE: Index = percent reporting an increase in sales + [0.5 x (% reporting no change)].

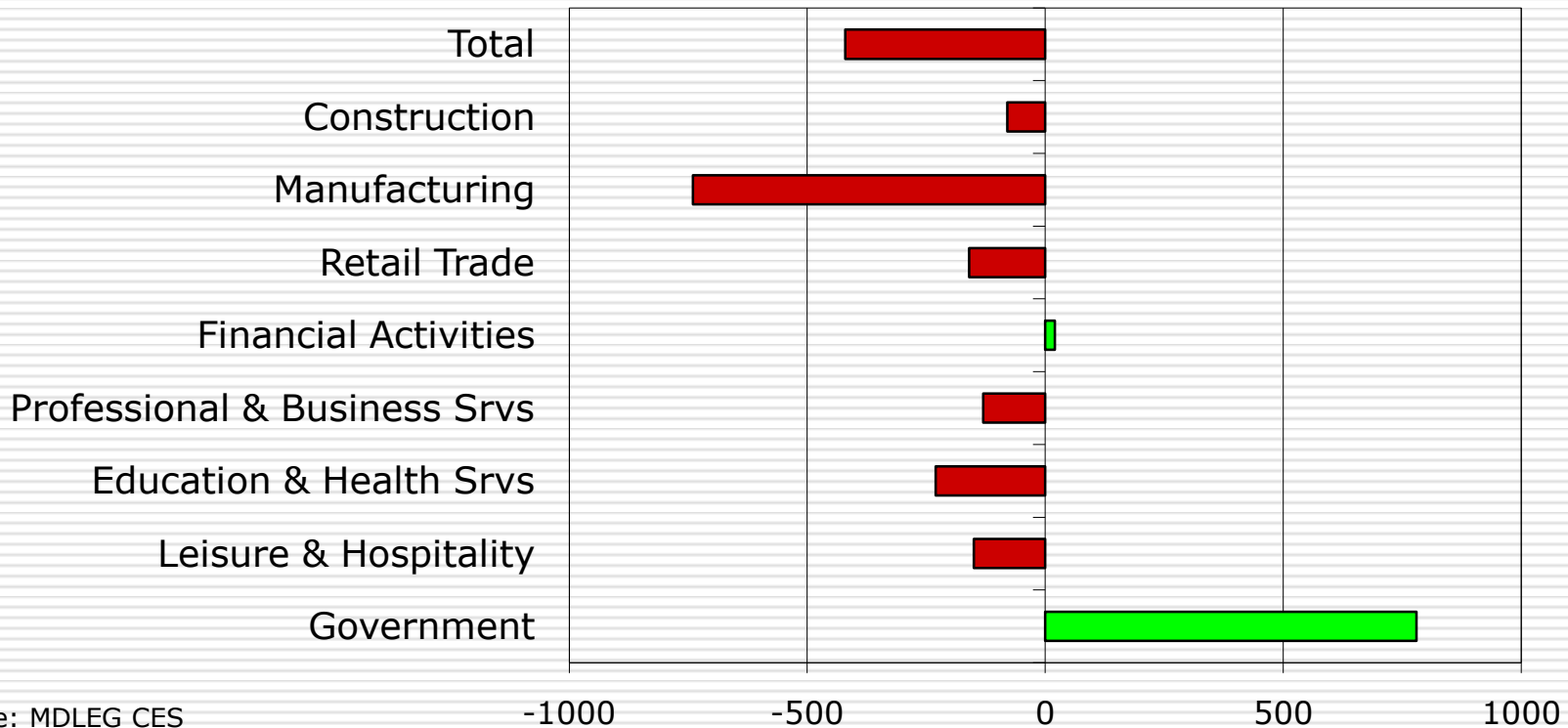
Source: Federal Reserve

In Calhoun County:

- 2010 was a lackluster year:
 - Employment was down.
 - The county continued to lose population due to out-migration.
 - Residential construction was flat.
- The good news is that we are now in 2011.

In 2010, employment fell by 400 jobs in Calhoun County.

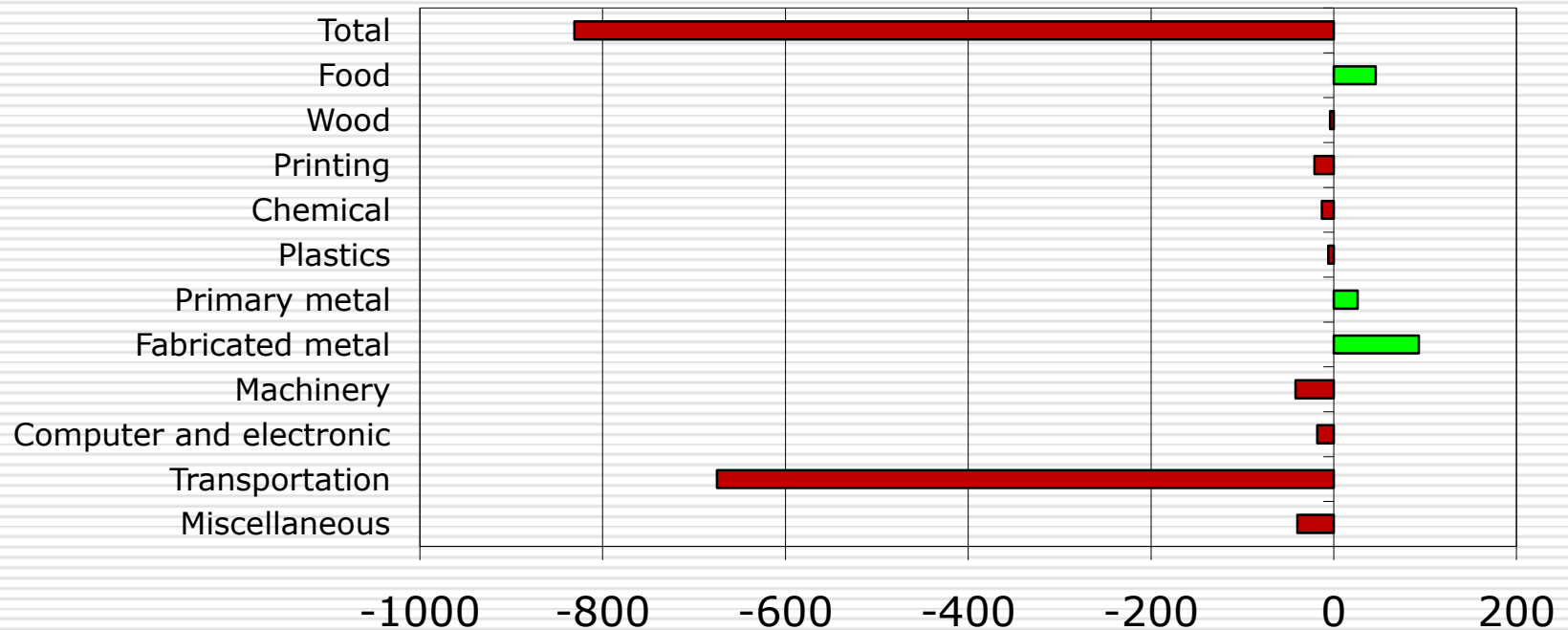
Employment Change
Jan to Nov 2009 - Jan to Nov
2010



Source: MDLEG CES

Older data suggest that the job losses in manufacturing were due to layoffs among its auto suppliers.

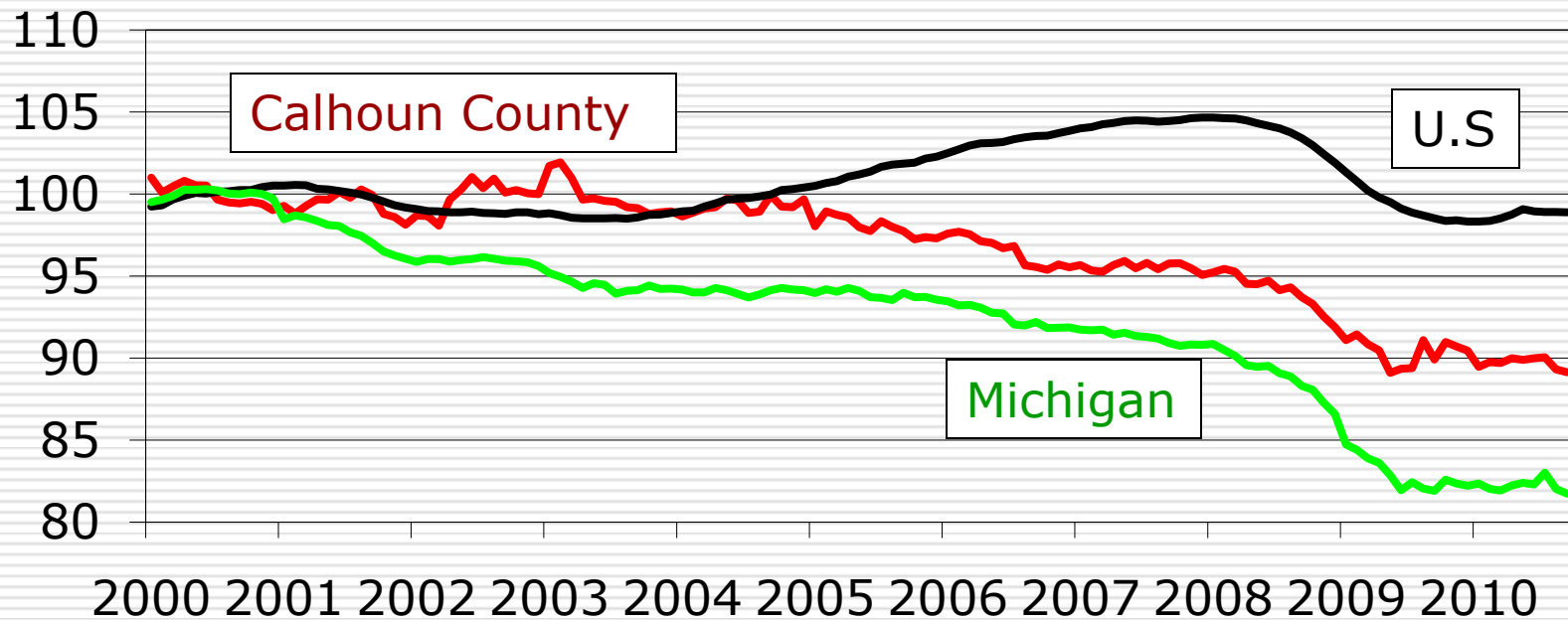
Detailed Manufacturing Employment Change Q1 2009 to Q1 2010



Source: MDLEG, ES-202 data.

Employment is down 10 percent from 2000, but has stabilized.

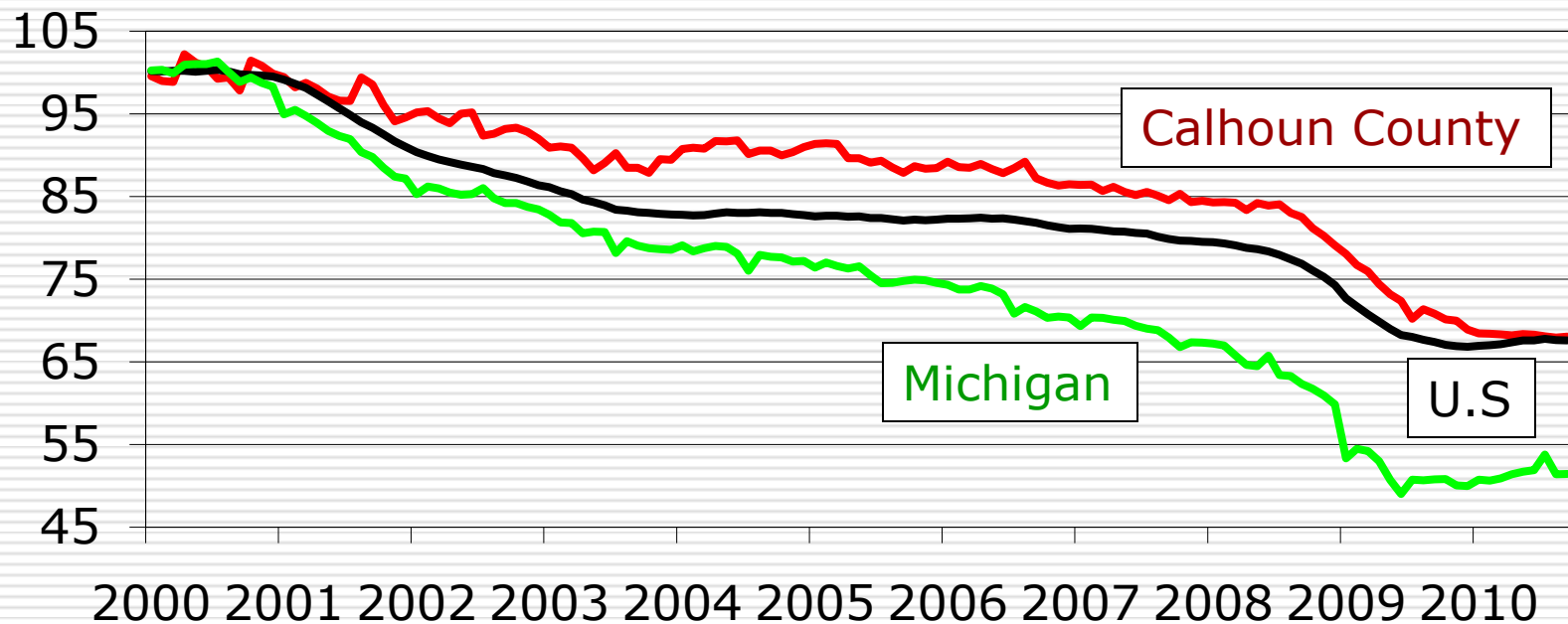
Index of Total Employment
(100 = 2000 average)



Source: W.E. Upjohn Institute and BLS.

Employment in the county's manufacturing sector has tracked national trends.

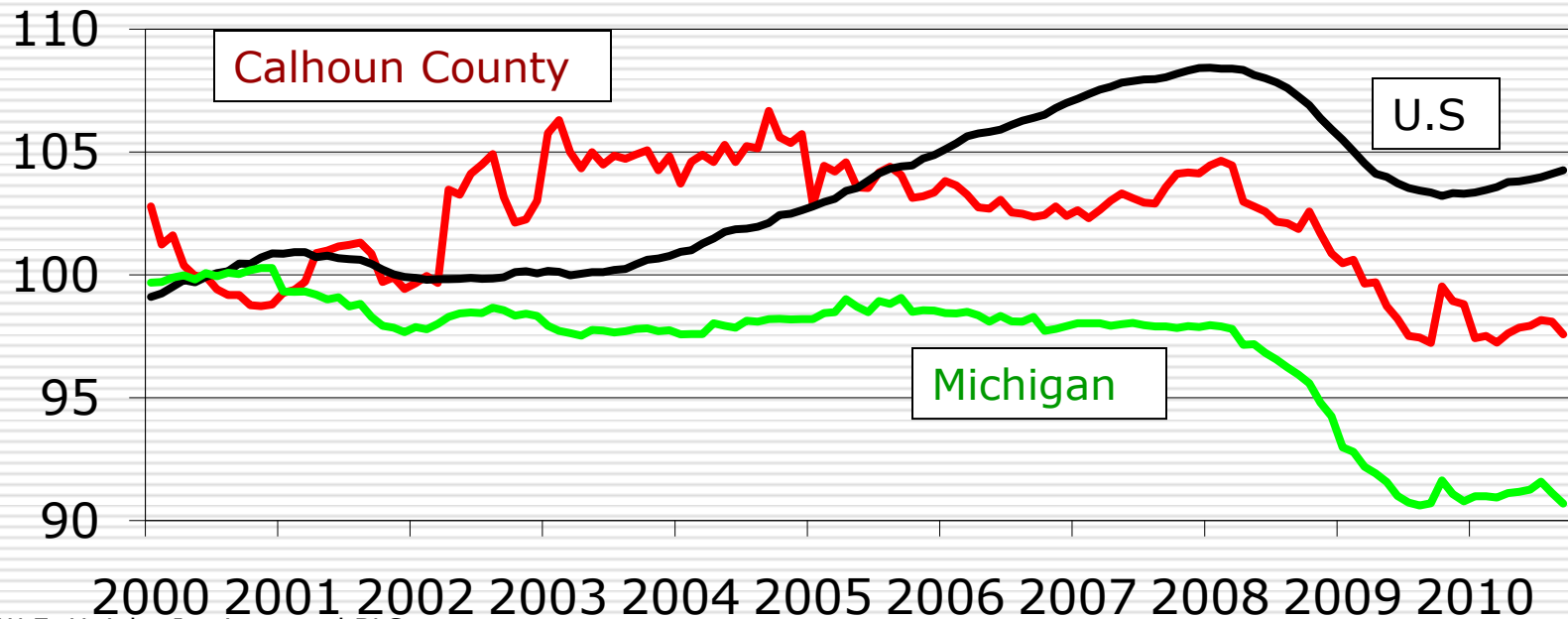
Manufacturing Employment Index
(100 = 2000 average)



Source: W.E. Upjohn Institute and BLS.

The county's service sector is stuck in the middle.

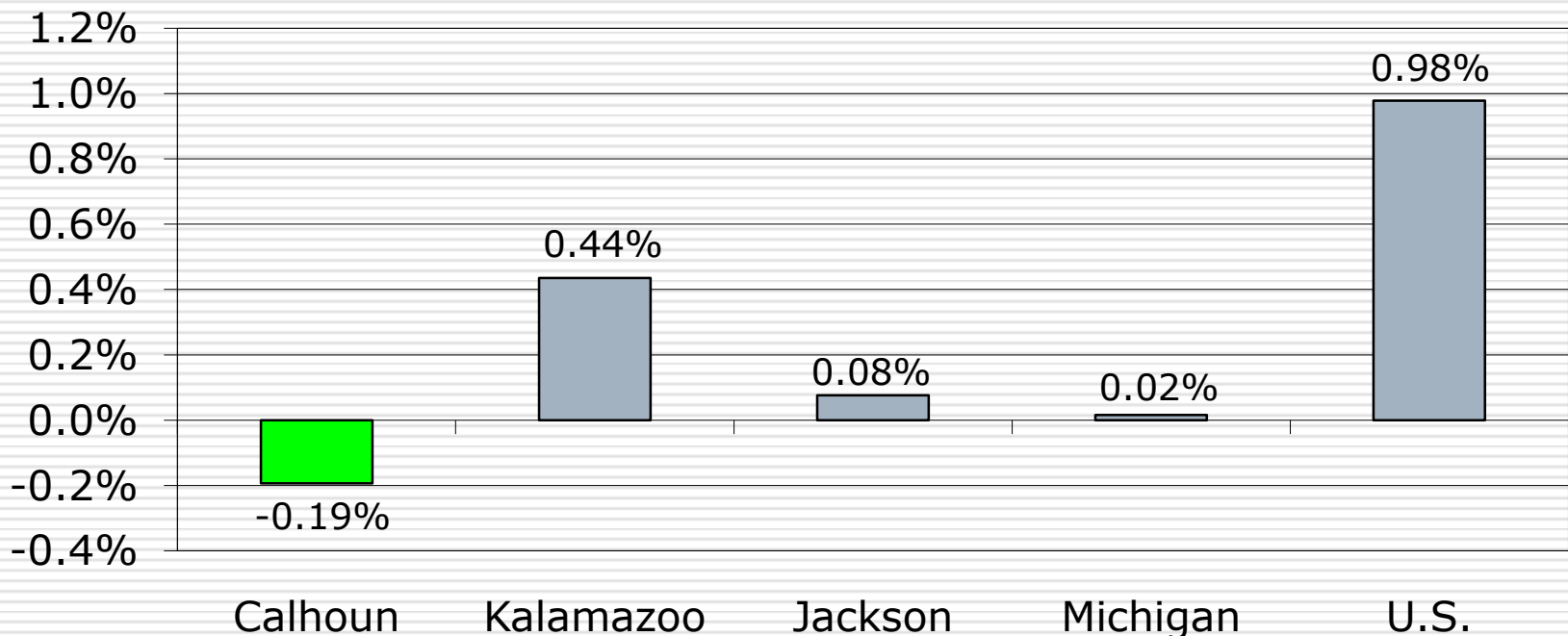
Private Service-providing Employment Index
(100 = 2000 average)



Source: W.E. Upjohn Institute and BLS.

Population: *The decade was a wash.*

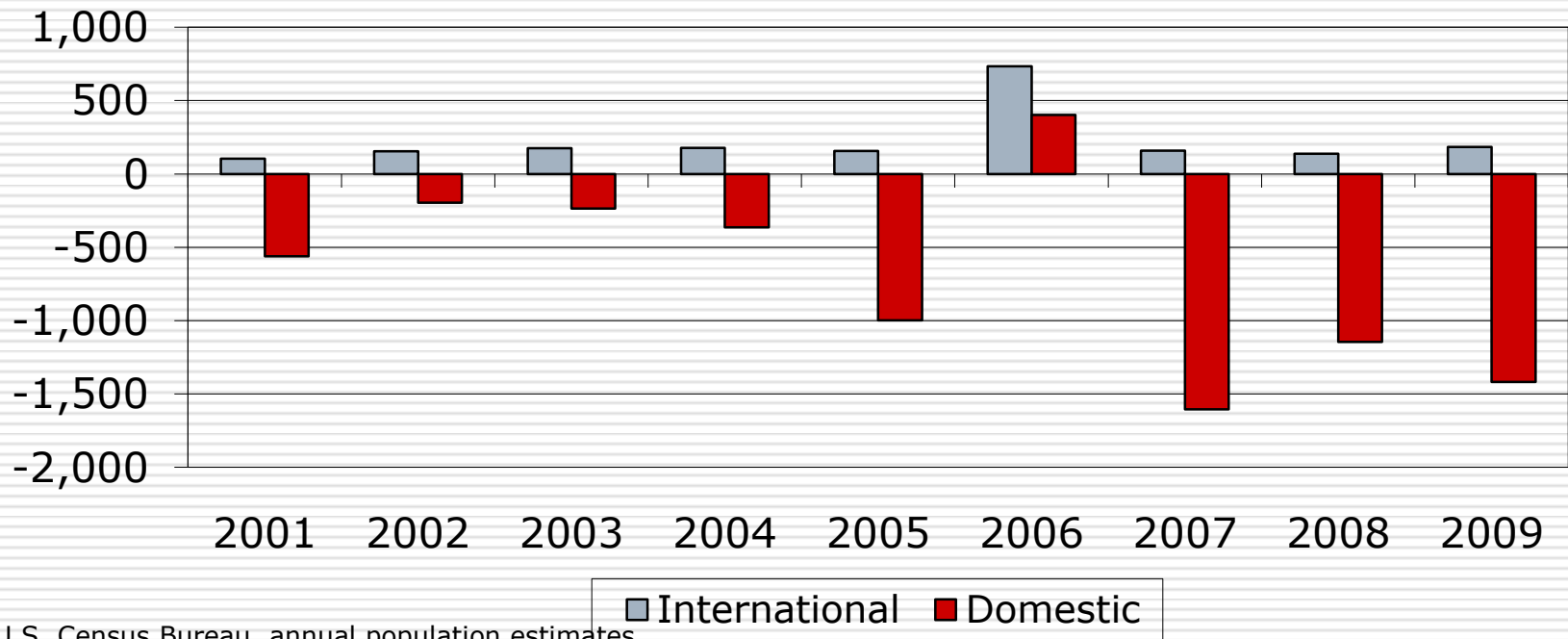
Annual Average Population Growth Rate,
2000 to 2009



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

In the past three years, more than 1,000 individuals , on net, have left the county annually.

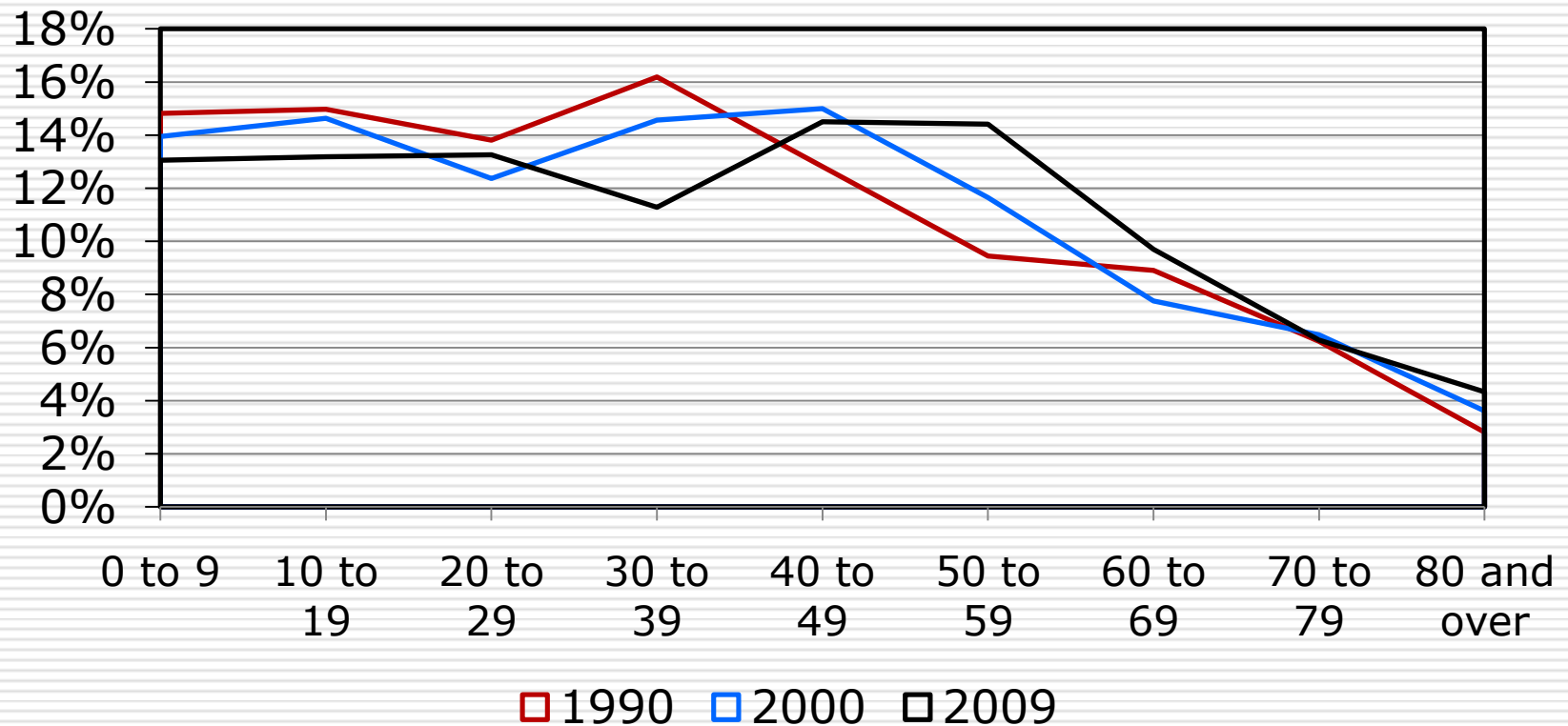
Net Migration Component of Population Change in Calhoun County



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

The county's population is gaining in years, not in number.

Age Composition since 1990

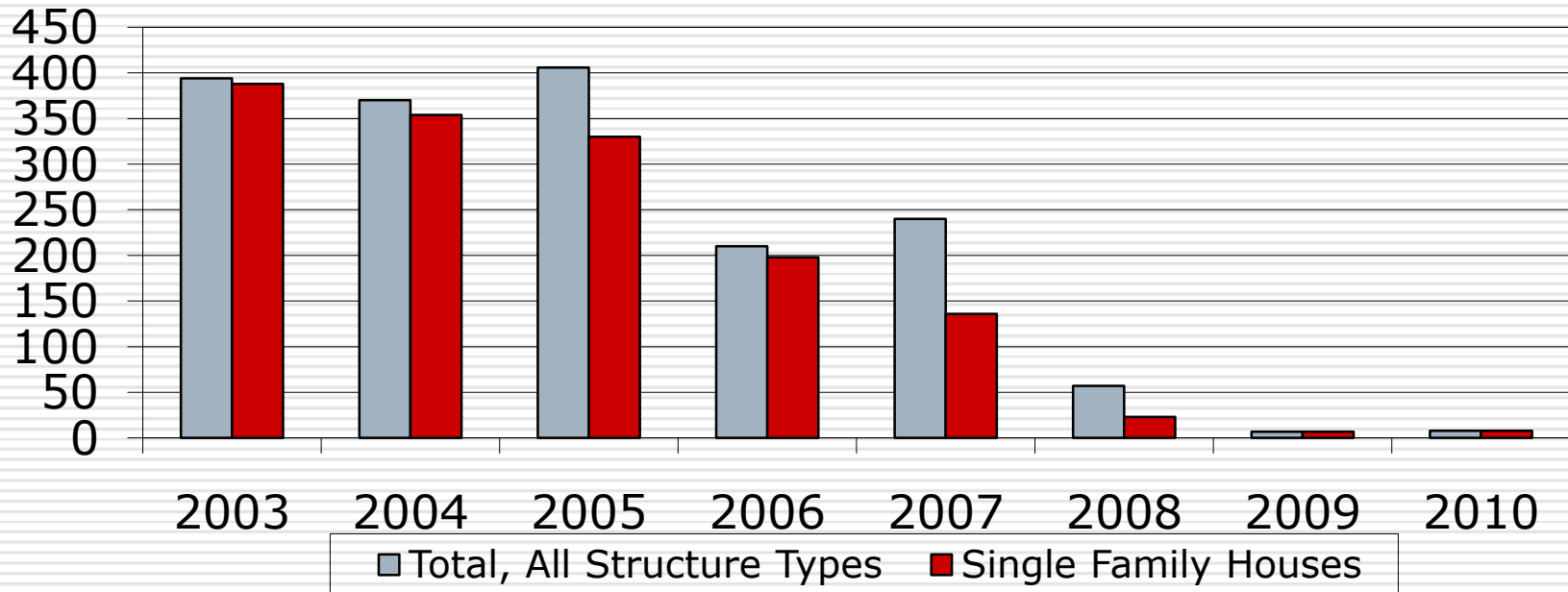


1990 2000 2009

Source: US Census and American Community Survey

The county's residential construction sector is still flat

Housing Units Authorized by Building Permit in Calhoun County

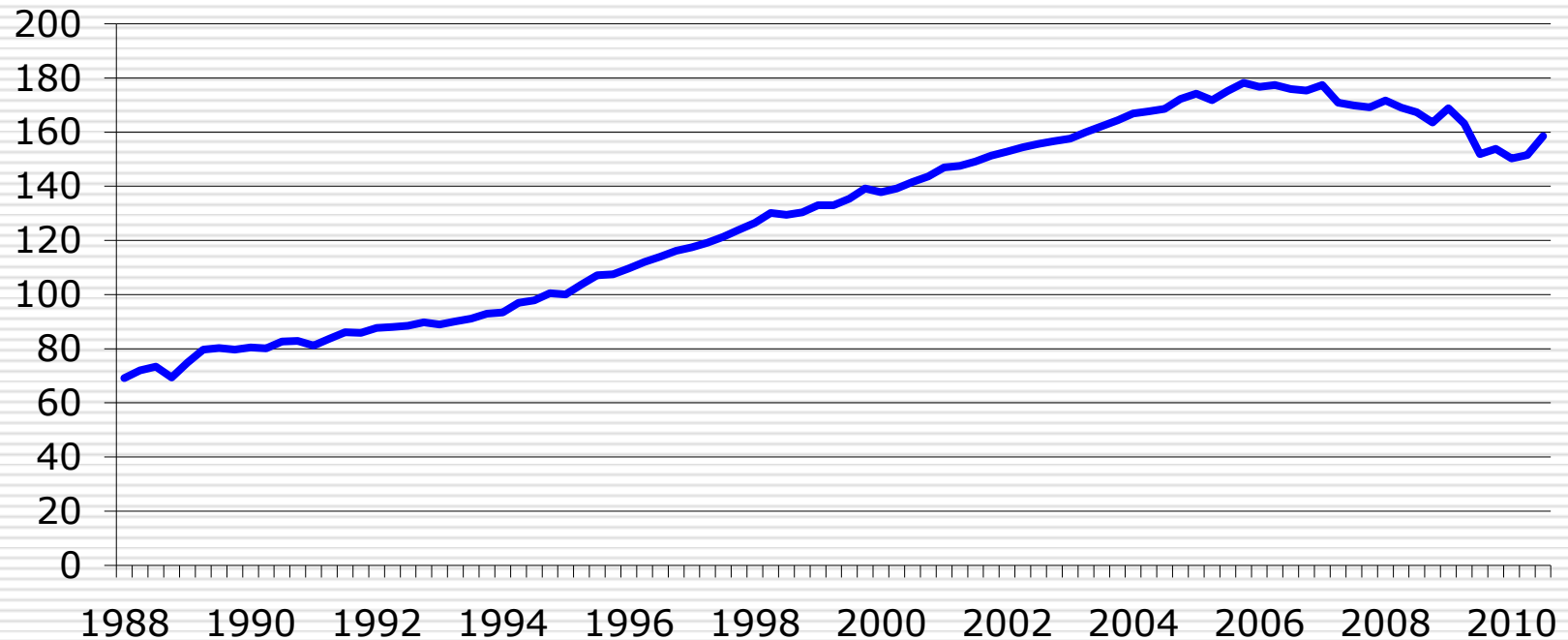


Source: U.S. Census Bureau: Manufacturing, mining, & construction statistics.

Note: 2010 is estimated year-to-date through November 2010 only.

Still, housing prices have stabilized in the county.

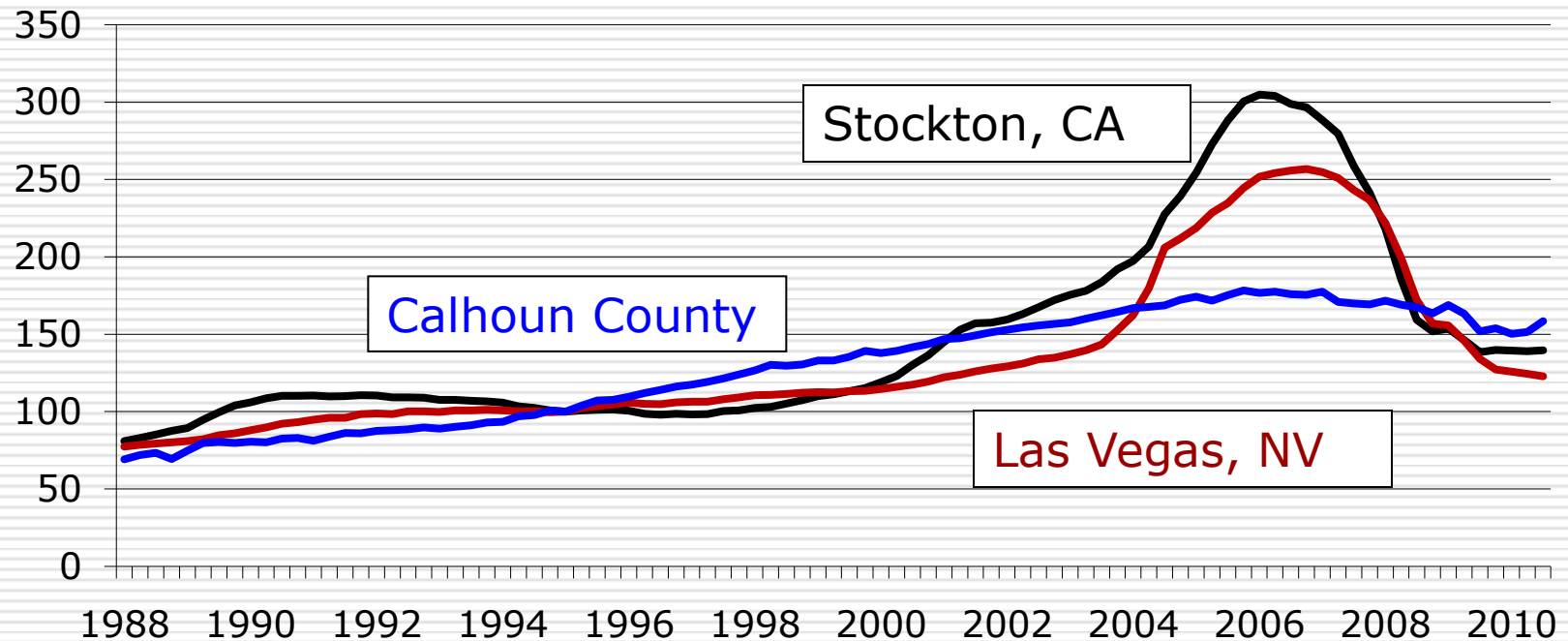
Calhoun County Metro Housing Price Index
1995 = 100



Source: FHFA

And, things could have been much worse.

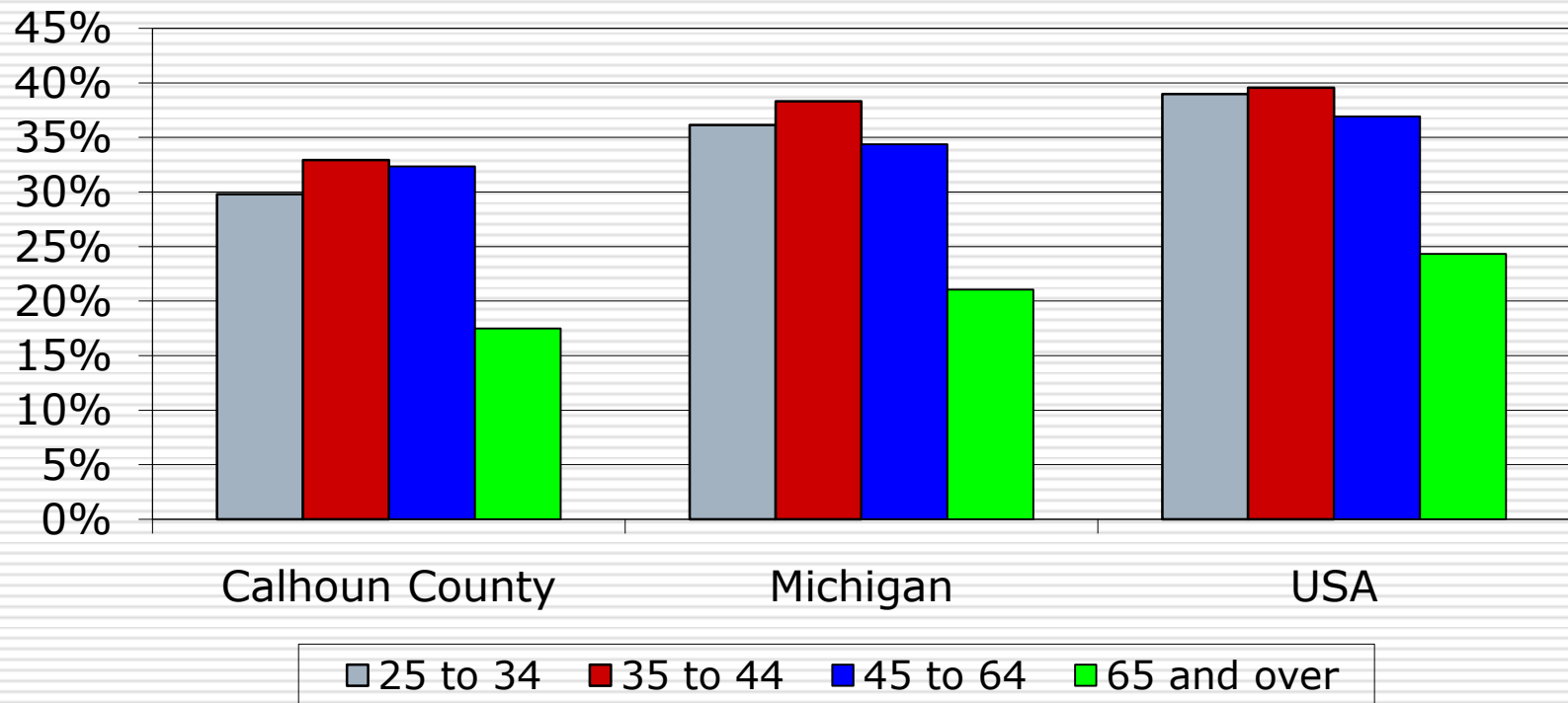
Metro Housing Index
1995 = 100



Source: FHFA

A smaller percentage of our young adults are completing college. *A troubling trend across the nation.*

Post-Secondary Education by Age in 2009



Source: U.S. Census Bureau ACS

Comparison Analysis

Comparison Areas:

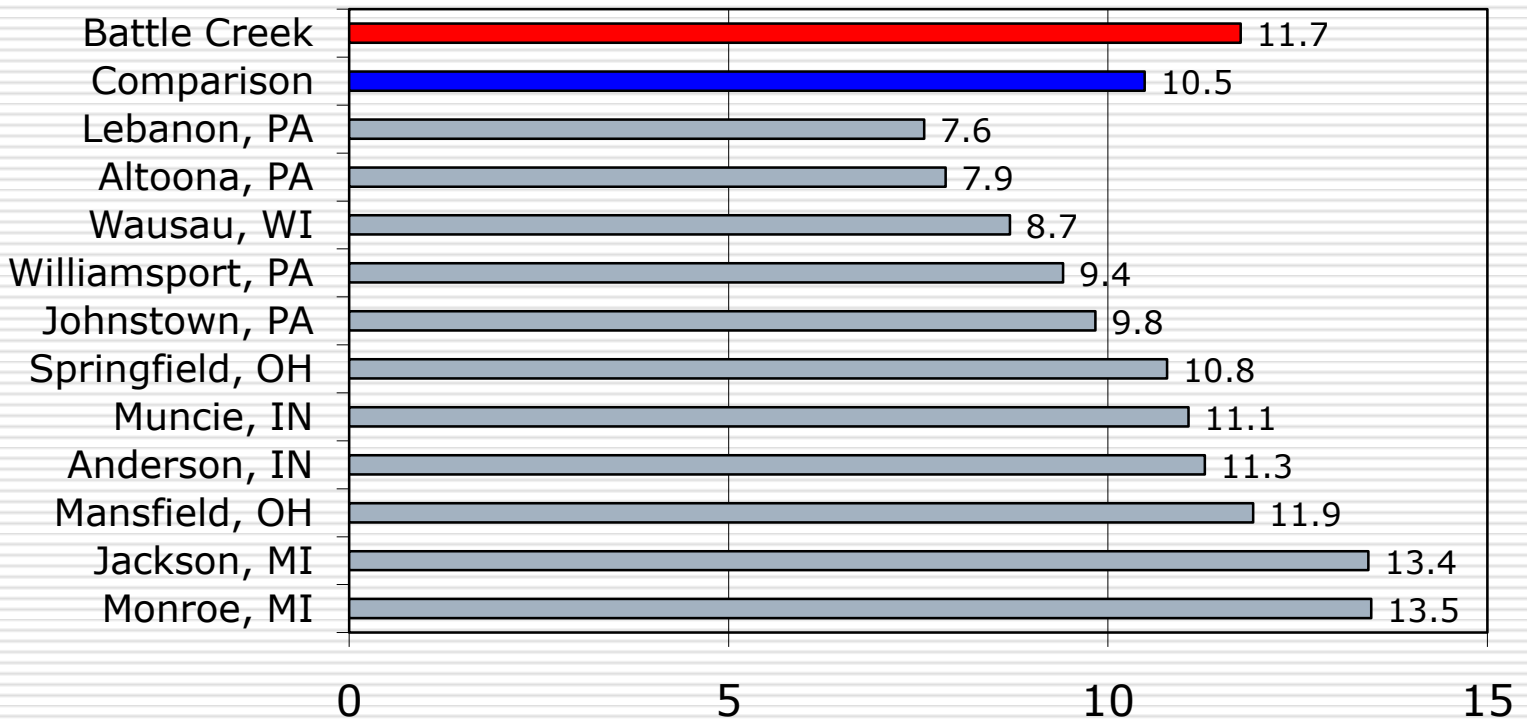
- Altoona, PA
- Anderson, IN
- Jackson, MI
- Johnstown, PA
- Lebanon, PA
- Mansfield, OH
- Monroe, MI
- Muncie, IN
- Springfield, OH
- Wausau, WI
- Williamsport, PA

Comparison Criteria

- ❑ All one-county metropolitan areas
- ❑ Within Midwest region
- ❑ Not college town or state capitol
- ❑ All within 15% population of Calhoun county (plus Jackson)

The county has one of the highest unemployment rates in the comparison group.

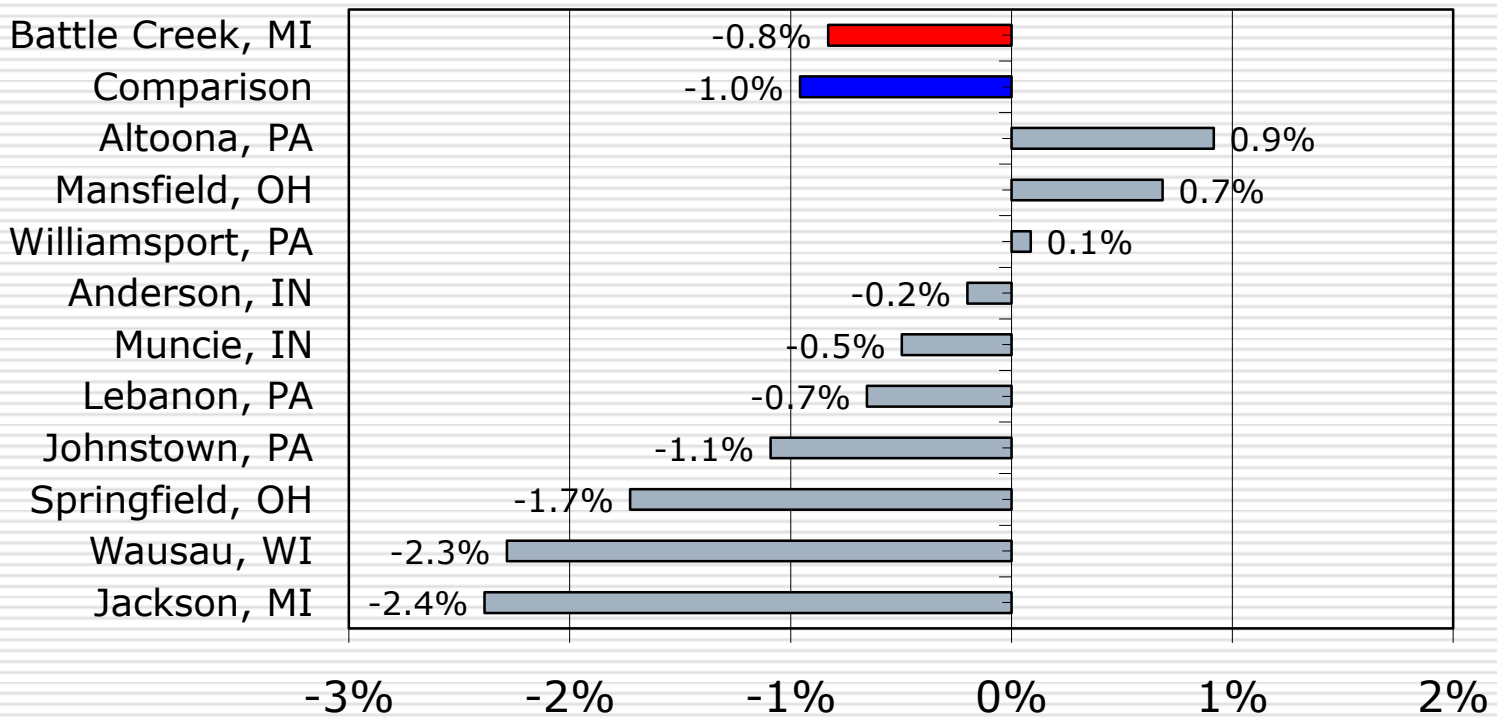
Average Unemployment Rate, Jan-Nov 2010



Source: BLS

Employment trends in the county are just slightly above the comparison group's average.

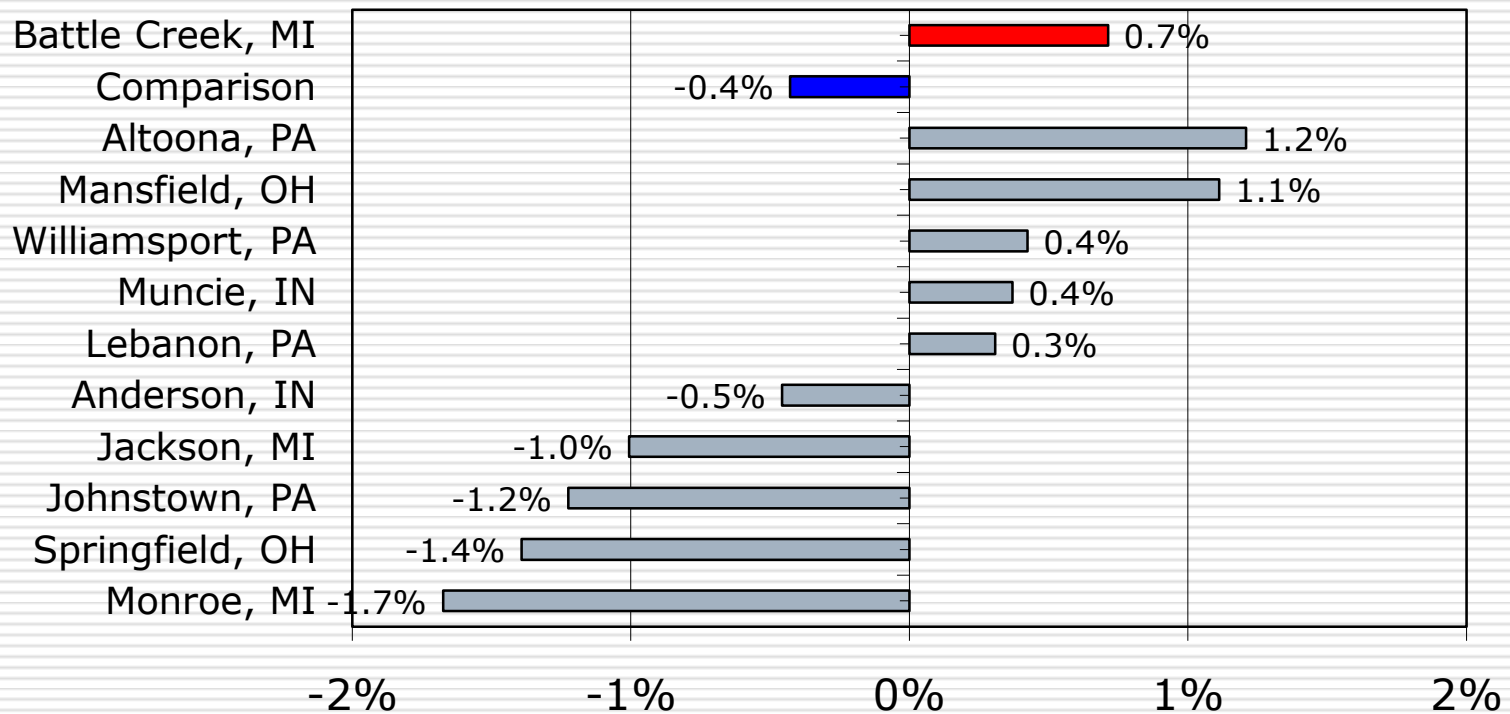
Percent Change in Total Employment
Jan-Nov 2009 to Jan-Nov 2010



Source: BLS

Calhoun County ranked third in service employment gains (private and public).

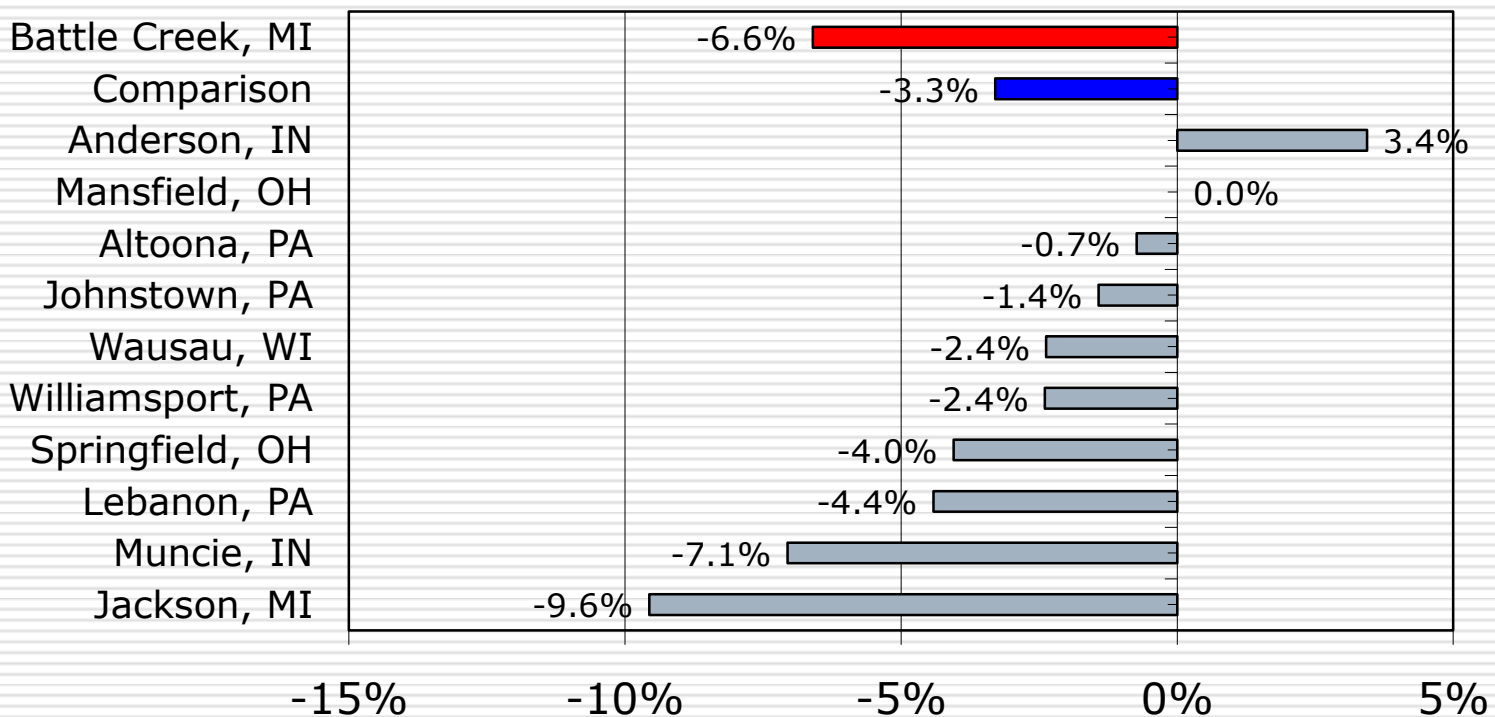
Percent Change in Service Employment
Jan-Nov 2009 to Jan-Nov 2010



Source: BLS

However, its manufacturing sector is near the bottom.

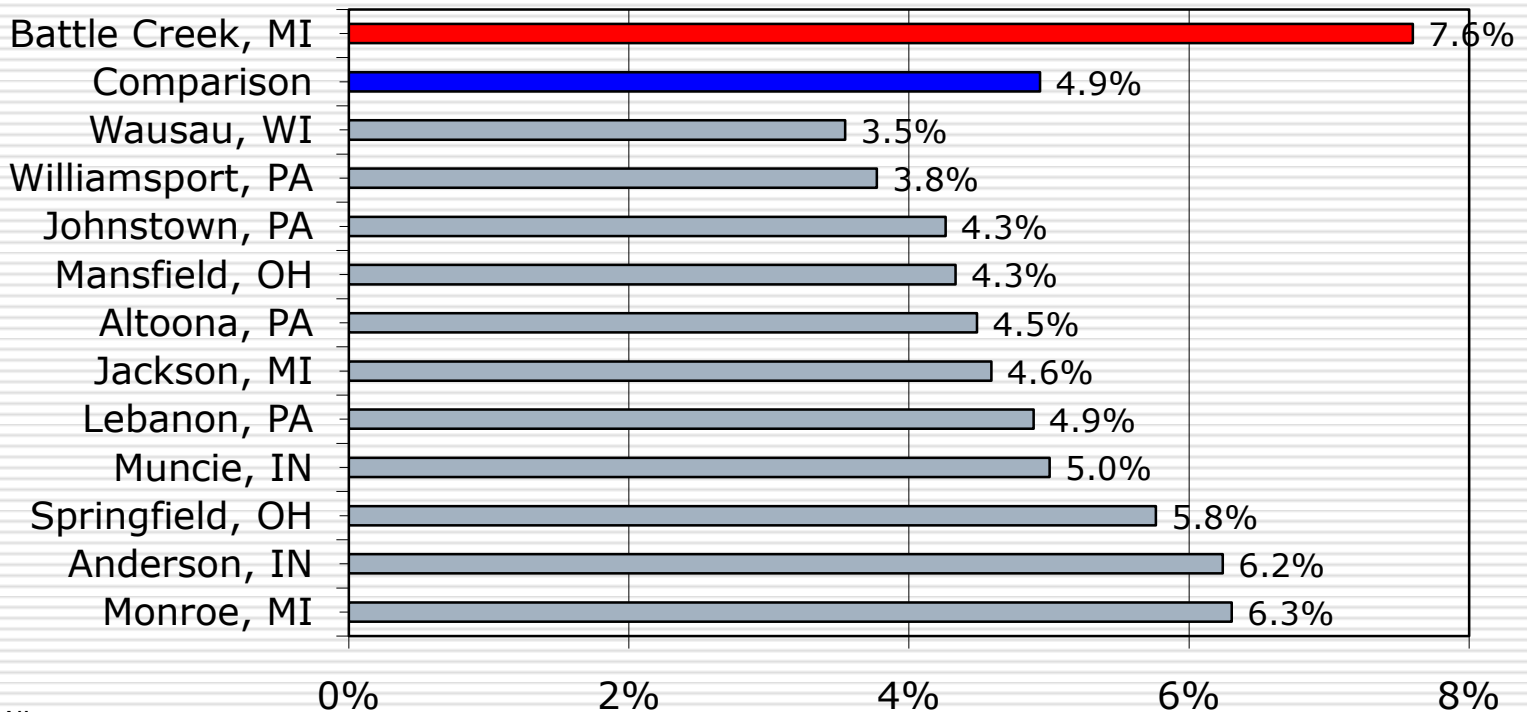
Percent Change in Manufacturing Employment
Jan-Nov 2009 to Jan-Nov 2010



Source: BLS

This is great news. *Job creation is a key factor in determining future economic health.*

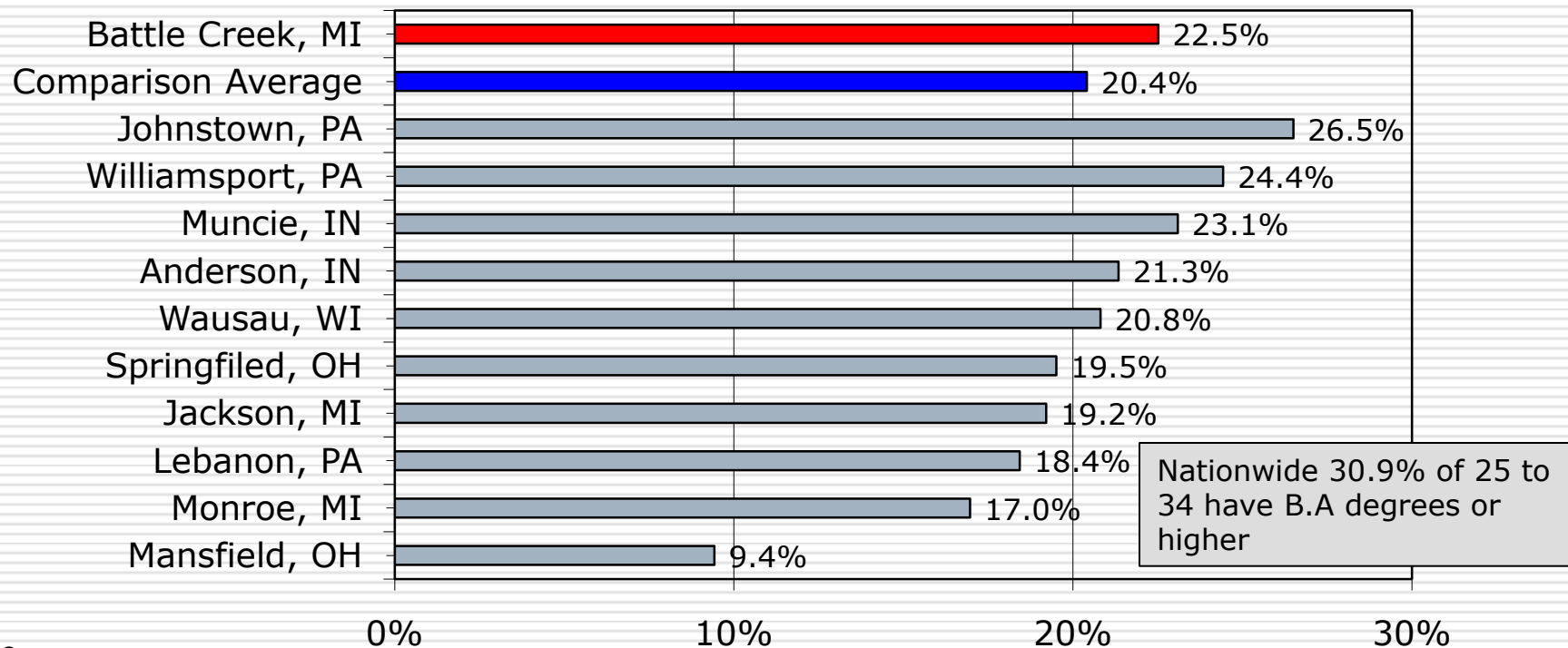
Job Creation as a Percent of Total Employment in Q1-Q3 2009



Source: Census QWI

The challenge of attracting young, educated adults is one faced by most all small MSAs

Percent of 25-34 Year-Olds with Bachelor's Degree or Higher



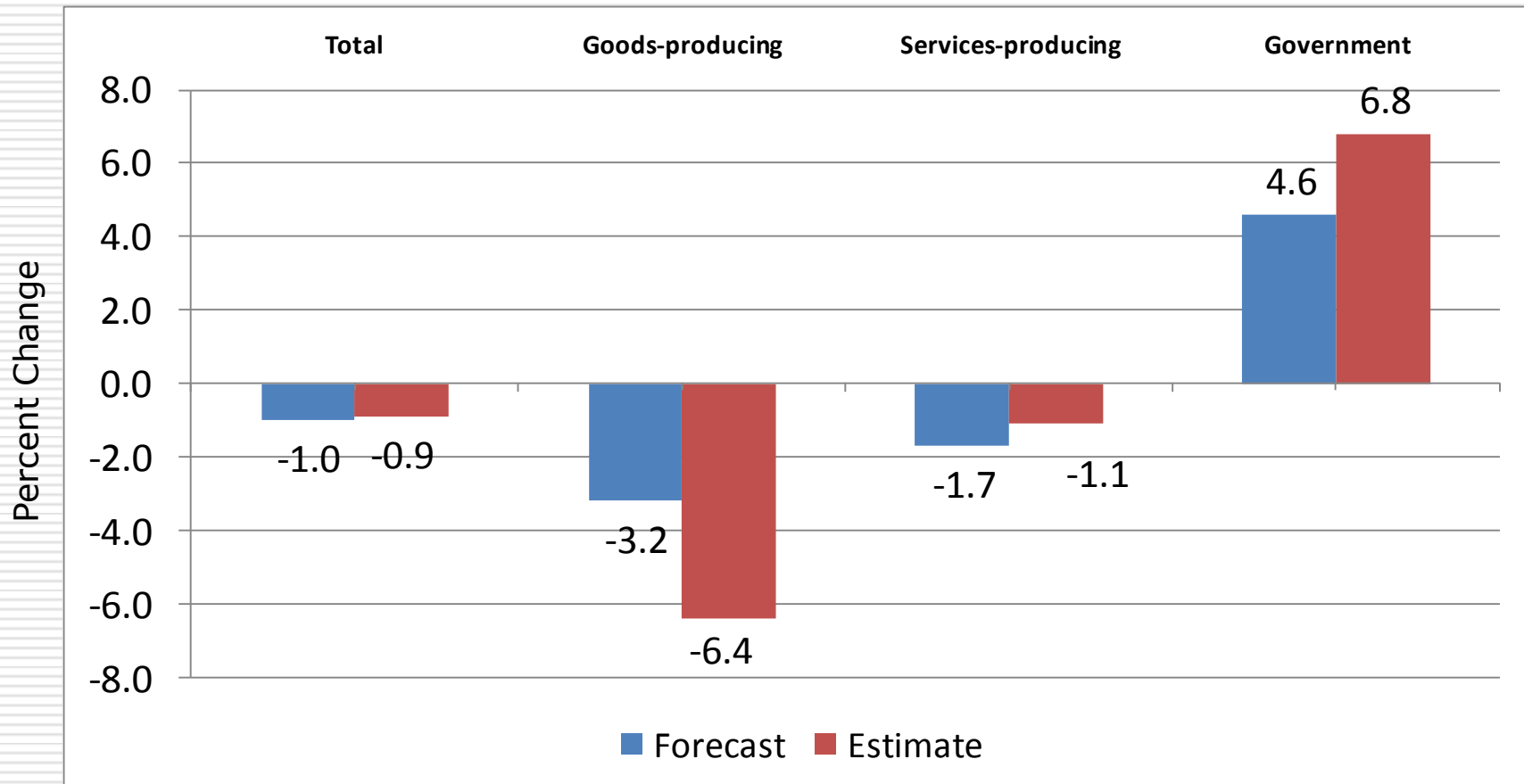
Source: ACS

2011 and 2012 Forecast for Calhoun County

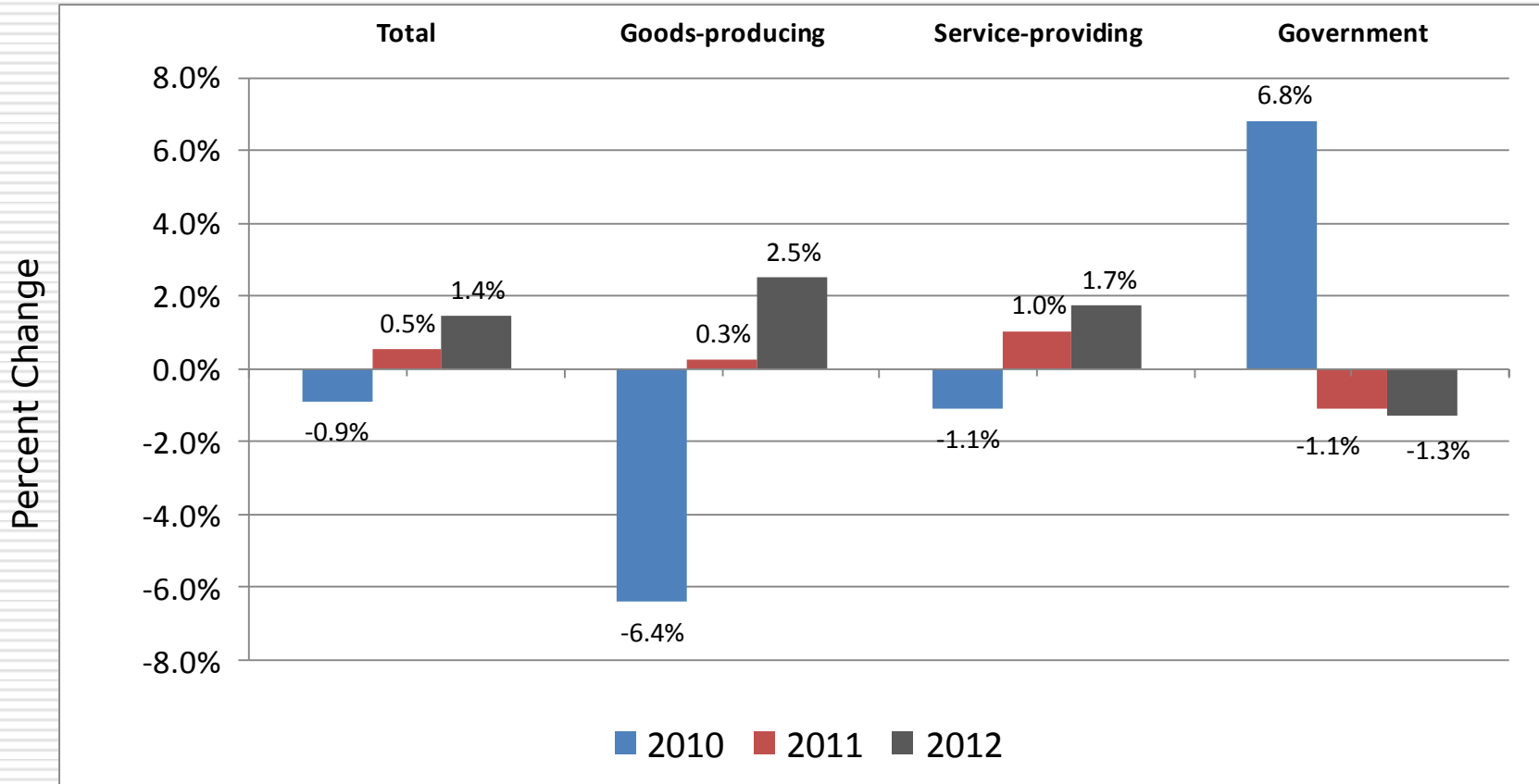
BUT WAIT! How did you do
last year?

Happy you asked!

So how did we do last year? *We nailed it, thanks to offsetting errors*



2011 and 2012 Employment Forecast for the Battle Creek MSA



Final thoughts and observations

- ❑ The county's job creation numbers are outstanding.
- ❑ Still, the county facing several serious challenges:
 - Out-migration.
 - Low academic achievement levels of its residents, especially its younger adult.
- ❑ Thinking about poker and design.

Final thoughts and observations

- There are two ways to win at poker:
 - Get constantly dealt good hands or
 - Playing the hands you are dealt well.
- The same can be said about economic growth.
 - Regions with strong population growth or high-demand industries will do well no matter what.
 - Other regions simply must play their cards well.

Result of a shift-share analysis for Calhoun County

- The good news: in the following industries the county's firms did much better than their national counterparts:
 - Professional and technical services
 - Transportation & warehousing
 - Educational services
 - Primary metal manufacturing
 - Nursing and residential care facilities

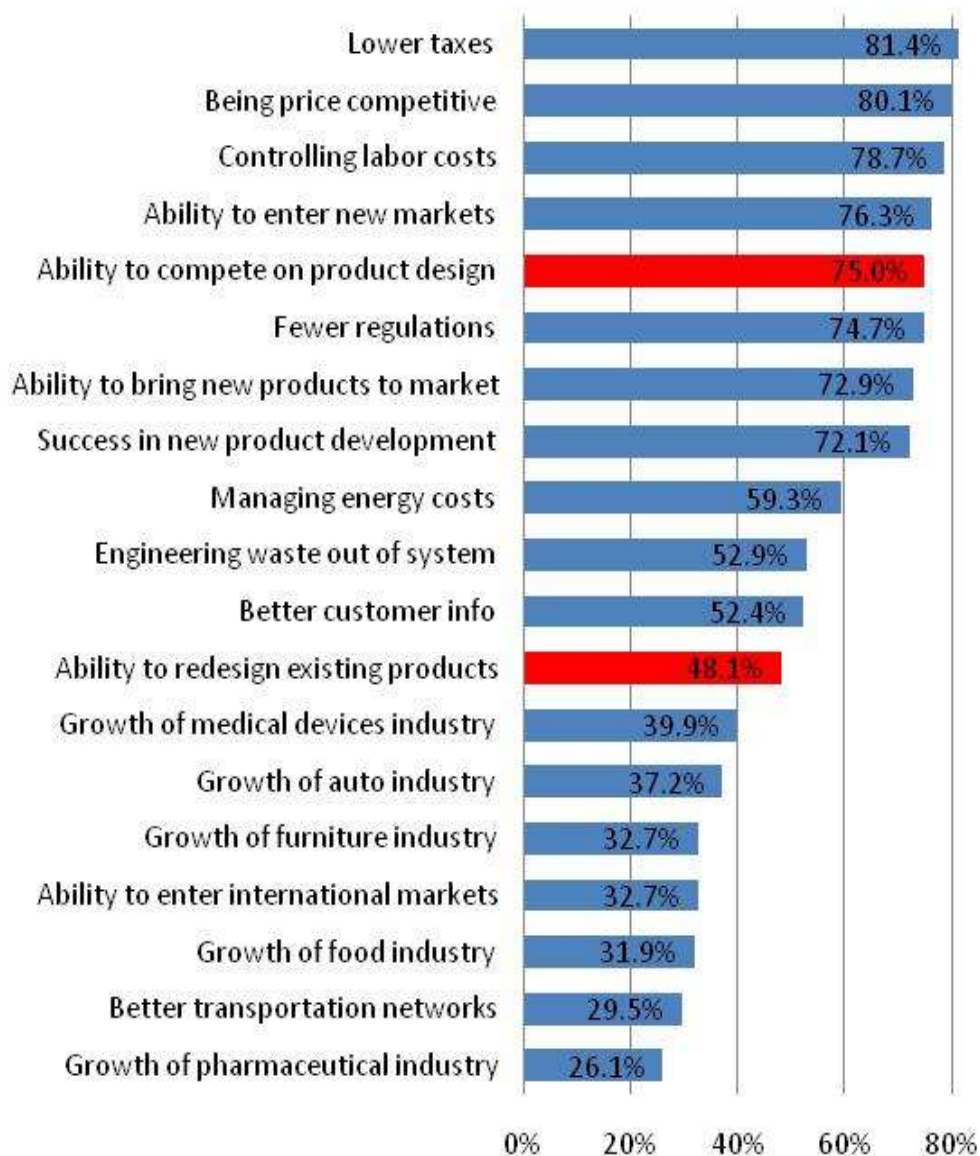
Result of a shift-share analysis for Calhoun County

- ❑ The bad news – The county's firms in the following industries lost ground.
 - Hospitals
 - Management of companies and enterprises
 - Transportation equipment manufacturing
 - Food production
 - General merchandise stores
 - Food services and drinking places
 - Ambulatory health care service
 - Administrative and support services

Summary findings of our recent survey of West Michigan manufacturers

The average rate of sales growth for the past five years reported by firms interested in design was 9.9 percent, which is higher than the 5.6 percent average reported by the other firms.

Key Factors for Success Over the Next Five Years, Percent of Responses Stating Agree or Strongly Agree



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