

# Economic Club Luncheon



**Economic Forecast for Macomb County**

**January 20, 2011**

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**President**

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# Presentation Overview

- ★ National Picture
- ★ State and County Trends
- ★ Macomb County Economic Issues
- ★ Forecast
- ★ Wildcards

# National Picture: The Saw-Tooth Recovery

- ★ 2010 began with high expectations, stalled in the summer and spurted in the last quarter
- ★ Stock market 11%; dollar value gains; inflation less than 1.5%
- ★ Banking and financial gains and real growth in manufacturing
- ★ Best Christmas season since 2006 as customers adjust to purchasing in uncertain economic times
- ★ International recovery stalls in Europe, but German and Chinese economic systems are moving quickly
- ★ The recovery fuels business optimism; real growth in auto sales

# Major Issues Remain

- ✦ Unemployment far too high—job growth will not replace 7 million jobs lost during the great recession
- ✦ Lack of jobs continues to fuel the national housing crisis
- ✦ Political climate will not produce any significant stimulus government package or debt reduction
- ✦ Military interventions in Iraq, Afghanistan and Pakistan continue without dedicated economic support

# Economy Not Out of the Woods But Reasons for Optimism

- ★ The growth of domestic auto sales the most important trend for Michigan and Macomb County
- ★ Manufacturing expansion and increase of commodity prices also important for Michigan
- ★ Michigan emerges out of 2010 in better shape than many other states



# State and Local Trends

Coming Back Slowly

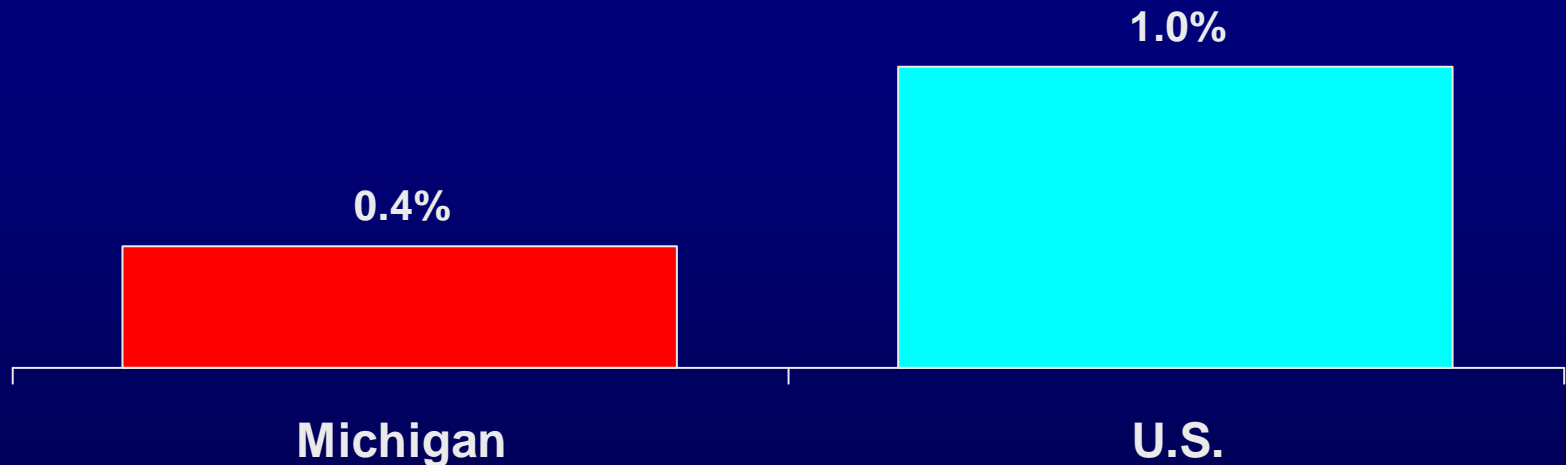
# Michigan

## Private Sector Employment Trends 2000-2010 (1<sup>st</sup> Quarter – Selected Sectors)

Industry	2000	2010	%Change 2000-2010
Construction	183,864	99,910	-45.7%
Manufacturing	885,814	459,549	-48.1%
Wholesale Trades	183,354	146,268	-20.2%
Retail Trade	539,823	431,480	-20.1%
Information	75,204	53,454	-28.9%
Administrative Support	274,063	220,080	-19.7%
Education Services	41,399	62,594	+51.2%
Health Care & Social Service	444,536	526,073	+18.3%

# Michigan Long-Term Growth Substantially Slower than U.S.

Average Annual Wage and Salary Employment Growth  
2009-2039



Source: Global Insight long-term economic forecast (April 2009, Michigan and June 2009, U.S.) and Michigan Department of Treasury calculations.

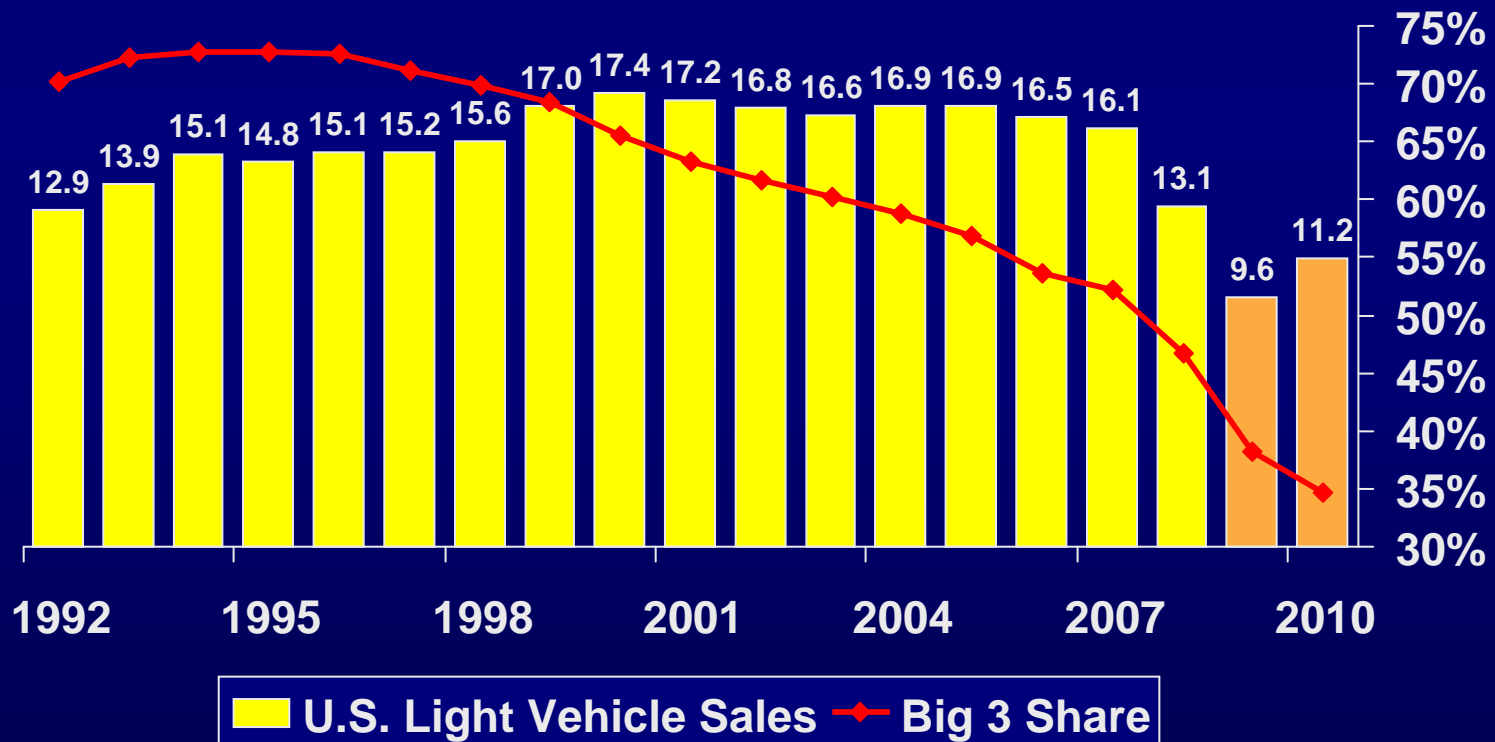
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# State Economic Context

- ✱ Budget shortfall \$1.8 billion for this year
- ✱ Governor's budget reduction will impede recovery, but important to accomplish
- ✱ Two important principles to maintain:
  - ✱ Link cuts to productivity gains-don't just cut
  - ✱ Link cuts to revenue gains, i.e., increasing taxes an important long-term reality for the new Michigan

# Big 3 Auto Companies Gained Market Share In 2010

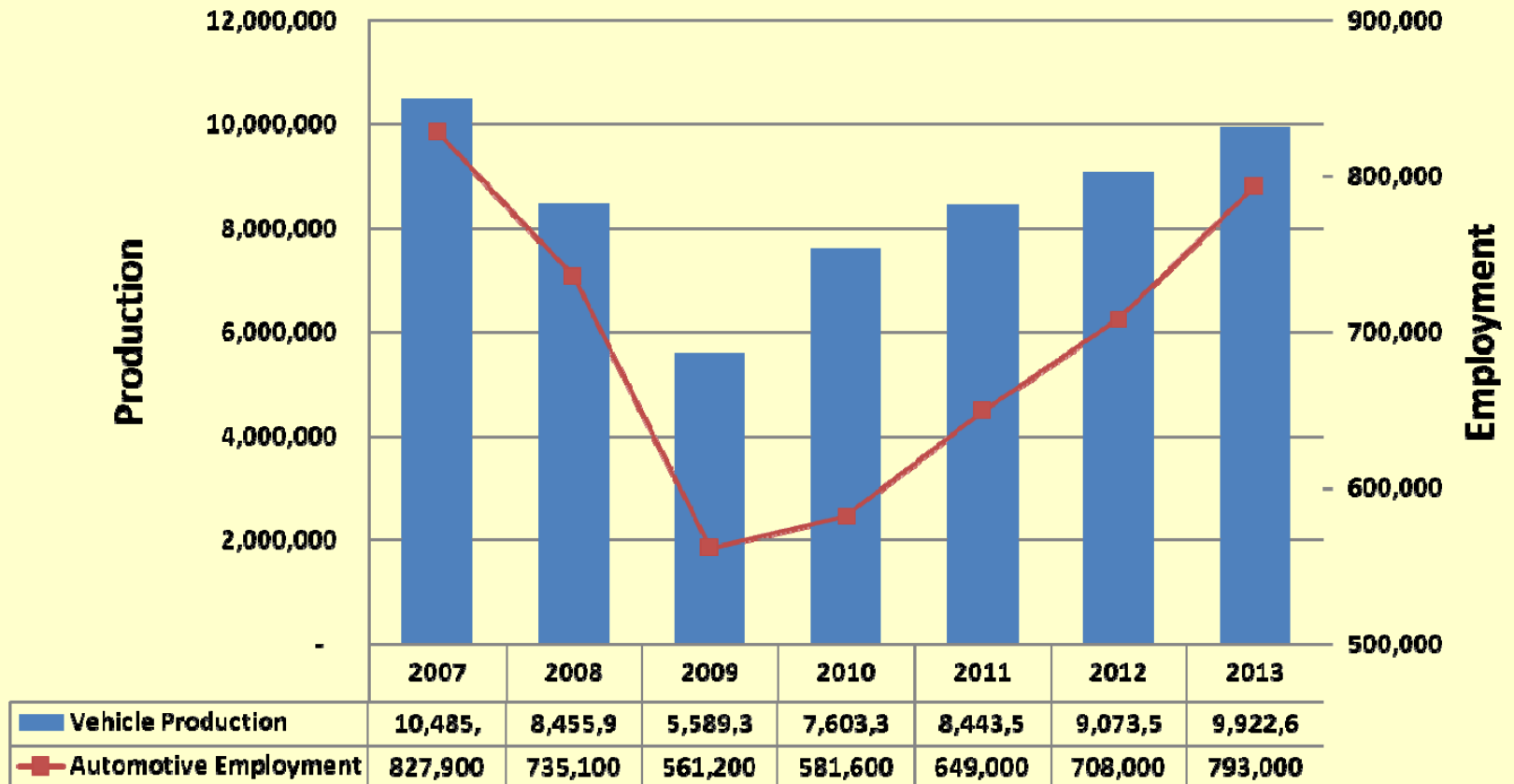
Projected 2010 Big 3 Share Below 40%



# More Good News: Auto Sales in 2011 Should Increase

- ★ Most projections call for increase in auto sales 12.5-13 million units
- ★ Productivity gains make all domestic OEM's profitable in 2011
- ★ Impact on Michigan and Macomb County will depend on domestic market share, especially for Chrysler and GM

# U.S. Vehicle Production & Automotive Employment Forecast

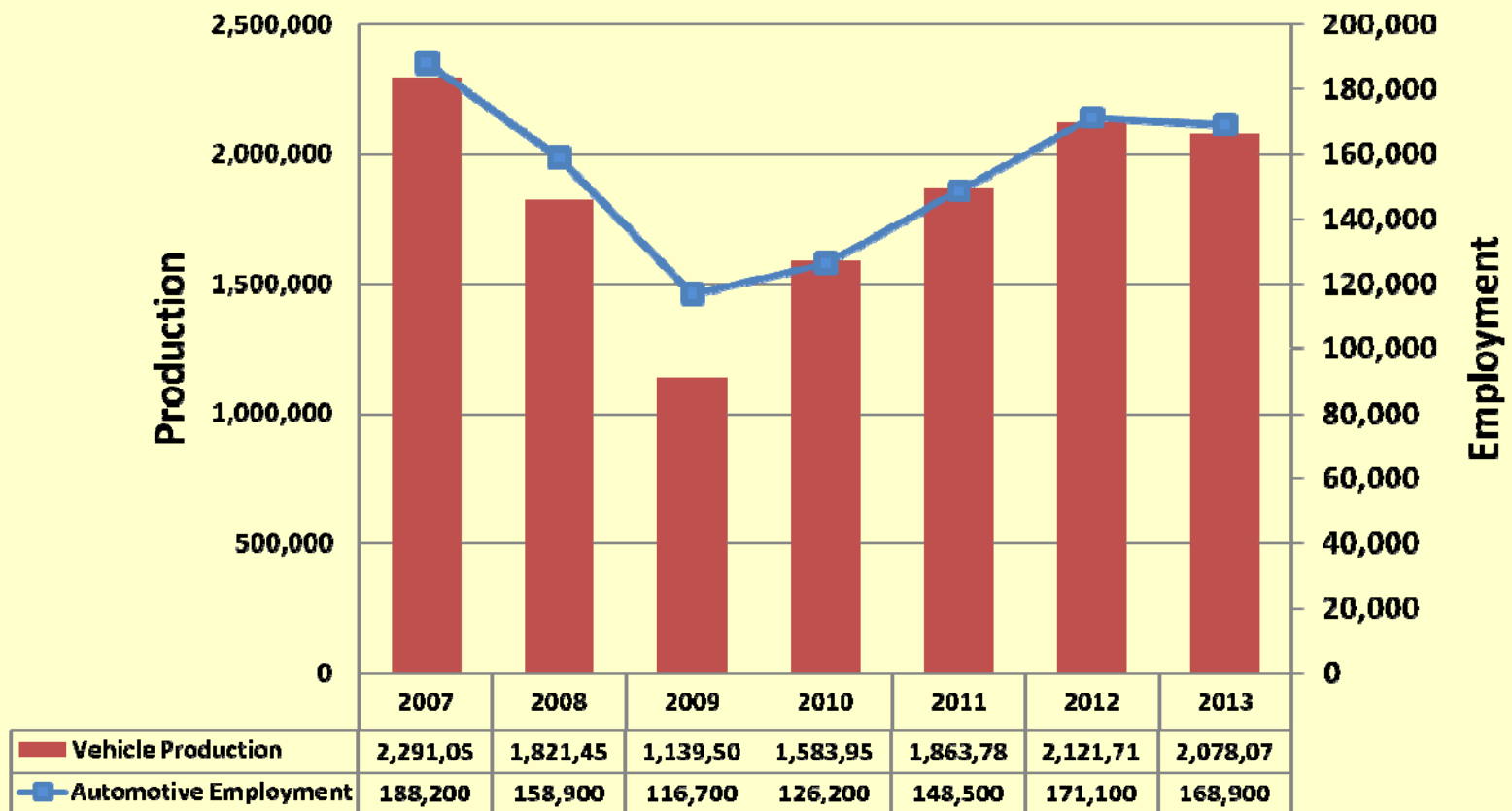


+67,400 +59,000 +85,000

Employment Levels

Source: IHS Global Insight; CAR Research

# Michigan Vehicle Production & Automotive Employment Forecasts



# Prosperity Index: Michigan vs. U.S.

## US PROSPERITY vs. MICHIGAN PROSPERITY<sup>1</sup> US vs. MICHIGAN JOB + INCOME GROWTH

	4Q 2007	1Q 2008	2Q 2008	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010 <sup>2</sup>
U.S. Personal Income Growth (%)	4.51%	4.00%	4.27%	3.17%	0.86%	-2.55%	-2.91%	-3.11%	1.79%	1.26%	1.70%	2.65%	2.90%
U.S. Jobs Growth (%)	0.43%	0.07%	0.09%	0.48%	1.54%	-3.19%	-3.82%	-4.06%	4.02%	-2.09%	-0.80%	-0.10%	0.62%
U.S. Prosperity (%)	4.93%	4.07%	4.36%	2.70%	0.68%	-5.74%	-6.73%	-7.17%	5.81%	-0.83%	0.90%	2.55%	3.52%
MI Personal Income Growth (%)	3.01%	3.22%	4.45%	3.01%	2.14%	-3.28%	-3.20%	-3.01%	1.71%	2.01%	2.47%	3.59%	4.00%
MI Jobs Growth (%)	1.15%	1.33%	2.10%	2.61%	3.84%	-6.80%	-7.49%	-7.47%	5.64%	-2.66%	-0.60%	0.16%	1.00%
MI Prosperity (%)	1.86%	1.89%	2.35%	0.41%	1.69%	10.08%	10.69%	10.48%	7.35%	-0.64%	1.87%	3.75%	5.00%
<b>Prosperity spread: Michigan less US (%)</b>	<b>3.07%</b>	<b>2.19%</b>	<b>2.01%</b>	<b>2.29%</b>	<b>1.01%</b>	<b>-4.34%</b>	<b>-3.96%</b>	<b>-3.30%</b>	<b>1.54%</b>	<b>+0.19%</b>	<b>+0.97%</b>	<b>+1.20%</b>	<b>+1.48%</b>

<sup>1</sup> Prosperity is job growth plus personal income growth (year/year growth rates)

<sup>2</sup> Estimate

Source: Bureau of Labor Statistics; history through Q4-2010, seasonally adjusted, quarterly data

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# Future Growth in Michigan Employment

- ✦ Investments in battery production and electrical vehicles make Michigan international leader in both production and R&D
- ✦ Strong potential for wind production leadership
- ✦ Universities could serve as research hubs for future expansion of health care
- ✦ Commodity prices fuel support for agricultural and extractive industries



# Macomb County

2010

Moving Up From The Bottom

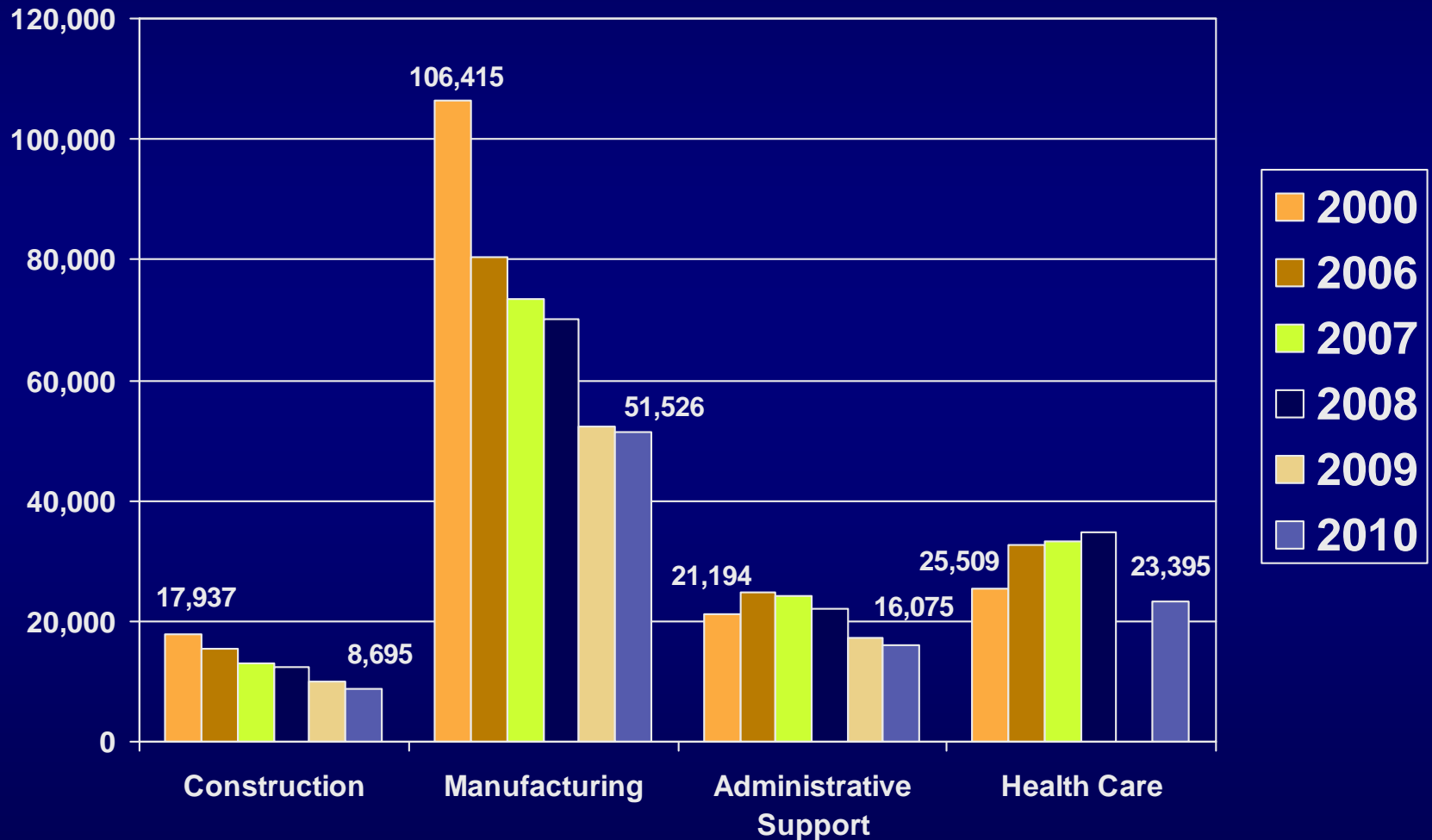
# Macomb County

## Private Sector Trends

### 2000-2010 (1<sup>st</sup> Quarter – Selected Sectors)

Industry	2000	2010	% Change 2000-2010
Construction	17,937	8,695	-51.5%
Manufacturing	106,415	51,526	-51.6%
Wholesale Trade	11,212	9,292	-17.1%
Retail Trade	42,933	36,295	-15.5%
Information	1,698	2,129	+25.4%
Administrative Support	21,194	16,075	-24.2%
Education Services	1,349	2,521	+86.9%
Health Care & Social Services	25,509	23,345	-8.5%

# Employment in Macomb County Selected Sectors



# Macomb County's Labor Force Has Decreased by 9.6 Percent Since 1999 High – Employment Dropped by 22 Percent While the Number of Unemployed Grew by 361 Percent



Source: MI Labor Market Information

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# The Employed Population of Macomb County Has Decreased by 73,700 Between 1999 and 2010

Manufacturing Jobs have dropped by 38,000 this decade (-37%)  
Construction down 6,500 (-32%)



# Change is Beginning

	November 2009	November 2010	Percent Change
Labor Force	408,108	403,799	-1.0
Employed	345,888	353,976	2.3
Unemployed	62,220	49,823	-19.9
Percent Unemployed	16%	12.3%	-3.7

# Income Trends from 1999 to 2008

	1999	2006	2008	\$ Chg.	%Chg.
<b>Med Household Income</b>					
<b>Macomb</b>	\$67,326	\$57,107	\$55,399	-\$11,927	-17.7
<b>Oakland</b>	\$79,996	\$70,996	\$67,518	-\$12,478	-15.6
<b>Wayne</b>	\$52,691	\$44,620	\$42,376	-\$10,315	-19.6
<b>Med Family Income</b>					
<b>Macomb</b>	\$81,170	\$72,457	\$68,699	-\$12,471	-15.4
<b>Oakland</b>	\$97,612	\$90,606	\$87,502	-\$10,110	-10.4
<b>Wayne</b>	\$63,066	\$55,138	\$53,361	-\$9,705	-15.4

# Impact of Economic Downturn Macomb County

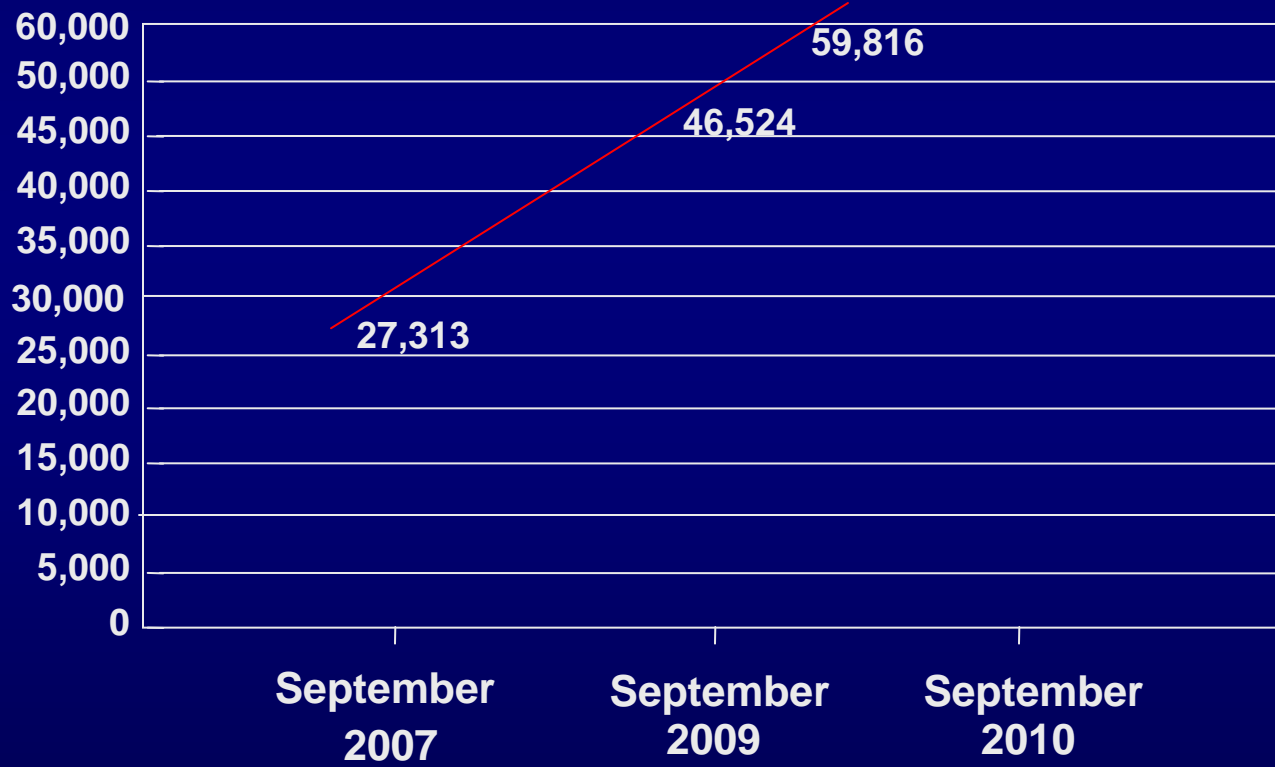
	2005	2006	2007	2008	2009	2010
<b>Case Load Family Independence Agency</b>	2,381	3,296	3,059	2,929	3,612	4,026
<b>Work First Program: Numbers and Placement Wage</b>	5,484 \$7.54	4,916 \$7.47	4,819 \$8.18	5,587 \$8.64	5,833 \$8.61	5,686 \$8.53
<b>Michigan Works: Clients Served</b>	39,826	48,347	49,185	77,158	117,047	98,006

Source: Department of Human Services, Macomb/St. Clair Workforce Development Board

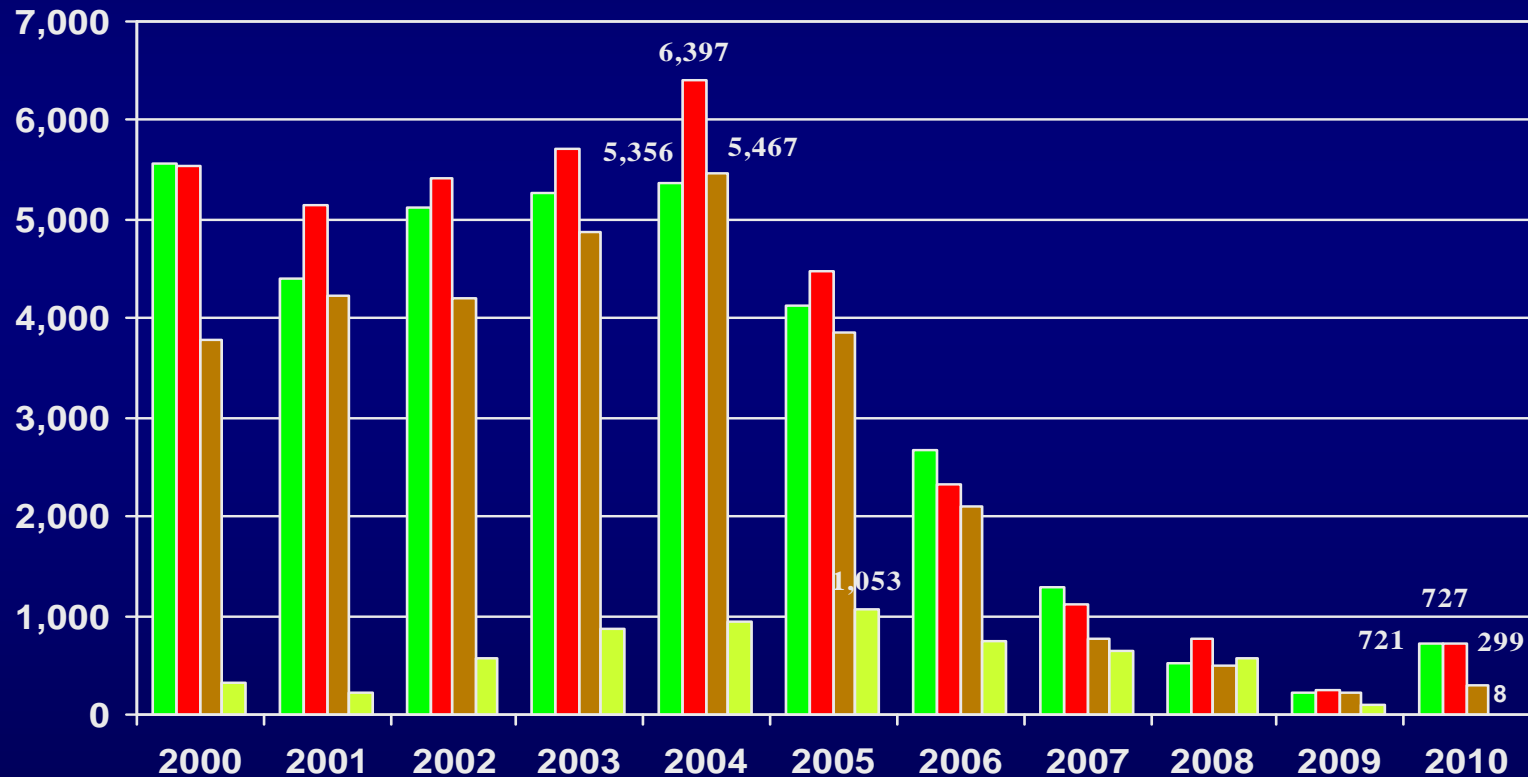
# Macomb Food Program Emergency Food Distribution

	2008	2009	2010
Households Served	37,540	37,746	44,432
Individuals Served	90,783	131,462	151,150
Pounds of Food Distributed	1,047,629	1,333,110	1,755,756

# Food Stamps Caseload Macomb County (2007-2010)



# New Housing Permits



# Trend Analysis for Macomb County Residential Homes

Year	# of Homes Sold Private	% of Homes Sold Private	Average Sale Price Private	# Homes Sold By Bank	% of Homes Sold By Bank	Average Sale Price By Bank
2005	7,384	91	\$192,352	502	6	\$135,643
2006	5,437	82	\$186,245	855	13	\$121,995
2007	3,950	63	\$183,931	1,716	27	\$113,982
2008	3,061	44	\$166,531	3,553	45	\$90,193
2009	3,378	38	\$157,901	4,614	52	\$66,759
2010*	3,670	53	\$115,359	2,506	37	\$66,950

\*Figures do not include fourth quarter of 2010

# 2010 Property Tax Assessments

Community	Decrease
Armada Twp	-9.1%
Bruce Twp	-1.0%
Center Line	-12.2%
Chesterfield Twp	-6.4%
Clinton Twp	-8.0%
Eastpointe	-8.3%
Fraser	-13.5%
Harrison Twp	-10.2%
Lake Twp	-14.2%
Lenox Twp	-3.6%
Macomb Twp	-4.5%
Memphis	-12.5%

Community	Decrease
Mt. Clemens	-11.8%
New Baltimore	-1.4%
Ray Twp	-2.5%
Richmond	-1.9%
Richmond Twp	-4.5%
Roseville	-11.7%
Shelby Twp	-5.9%
St. Clair Shores	-10.2%
Sterling Heights	-7.3%
Utica	-1.2%
Warren	-11.7%
Washington Twp	-2.6%

# Foreclosures

- ★ Michigan reports 136,000 foreclosures ranks 7<sup>th</sup> in the U.S. (2.6% foreclosure rate)
- ★ Macomb Foreclosures
  - ★ 2006 – 3,577
  - ★ 2007 – 5,825
  - ★ 2008 – 6,769
  - ★ 2009 – 6,247
  - ★ 2010 – 8,307 (first 8 months)
- ★ 6.8% of county value is in contention at the Michigan Tax Tribunal (over \$2 billion dollars countywide)

# Important Bright Spots in 2010

- ✦ Major New Auto Investments Drive Growth in Employment
- ✦ Continued Growth and Maturation of the Defense Sector
- ✦ Health Care Continues to Expand
- ✦ Significant Emphasis on Vehicles Makes Macomb County an Important Technical Center

# Manufacturing Investment in Macomb County

- ★ Over \$100 million of new business or expansion creates 1,200 new jobs
- ★ Chrysler and Ford announce over \$1 billion in new investments in Macomb County—50% of all OEM new investments in Michigan
  - ★ Additional shift for Sterling Heights Assembly adds 800 jobs
  - ★ Growth in Ford and General Motors facilities

# Growth In Defense Spending

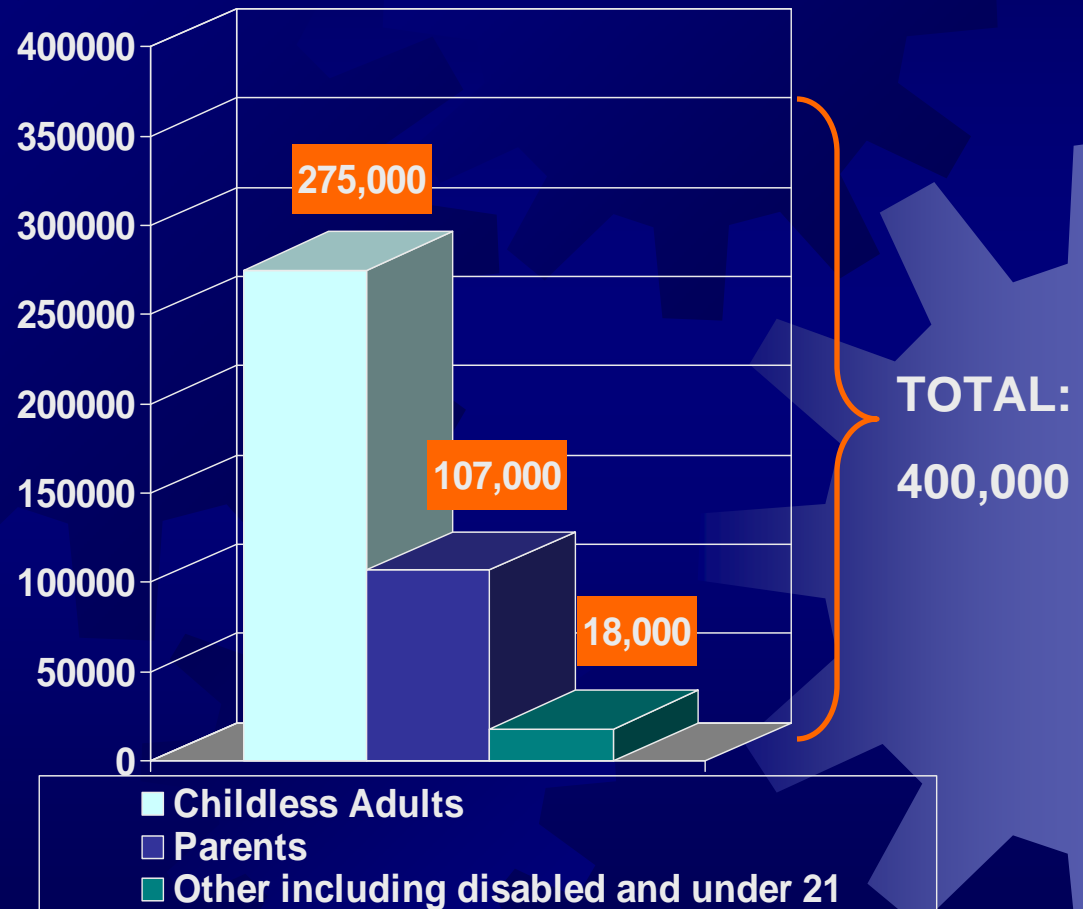
- ★ Over 60% of all defense contracts awarded in Michigan go to Macomb County firms
- ★ New Defense investment continues
  - ★ New R&D defense centers of Oshkosh
  - ★ Development of supply chain to the larger firms
  - ★ Continued expansion of local manufacturing firms into defense
- ★ Expansion at TACOM and TARDEC creates over 600 new jobs; Selfridge adds a Homeland Security Center

# Health Care: A Growth Sector

- ✦ In Southeast Michigan, over 300,000 individuals employed in health care, estimated to increase to over 500,000 in next two decades
- ✦ As a result of new Health Care Law, significant growth in numbers of individuals to be served

# Estimated Enrollment of Newly Eligible Beneficiaries, Michigan

Health Reform Bill expands mandatory Medicaid coverage to all individuals under age 65 up to 133% of the FPL (\$29,327 for a family of four).



# Macomb County Health Care Growth

- ✦ Health care employment grew by over 25% in the last decade with 44,000 direct and indirect jobs
- ✦ Under the new Health Care law there will be efforts to create new health systems—Accountable Care Organizations which should provide for balanced integrated health care
- ✦ Many choices still remain; lots of uncertainty ahead—but growth of units, jobs in Macomb County



# County Economic Development Efforts Paying Off

- ★ New County-wide marketing efforts paying off for communities
- ★ Macomb Business Incubator developing an economic development “gardening” strategy
- ★ Role of the County Executive becomes central in the branding of the County

# Commercial Success of Partridge Creek

- ★ Store sales during Christmas exceeded expectations
- ★ Expansion of markets in Grosse Pointes, Oakland County and Canada
- ★ Integration of activities within a shopping experience leads to growth

# Macomb Business Climate Survey

## January 2011

Six months from now, do you think that conditions for your particular business will be:

Response	Jan. 2010	Jan. 2011
	Percent	Percent
Better than they are today	39.6%	37.9%
The same as today	38.8%	46.4%
Worse than they are today	21.6%	15.7%

# Macomb Business Climate Survey

## January 2011

Six months from now, do you think your business's "bottom line" will:

Response	Jan. 2010	Jan. 2011
	Percent	Percent
Increase	39.6%	30.3%
Remain the same	36.9%	41.9%
Decrease	23.5%	27.7%

# Macomb Business Climate Survey January 2011

Six months from now, do you believe the use of credit will be:

Response	Percent
Easier to get	17.3%
Remained the same	60.7%
Harder to get	22%

# Michigan Bank Net Loans

## (Commercial Banks)

Quarter Reporting	Total Loans (Billions)	% Loans (By Institutions over 1 Billion)
Sept. 2010	34.1	51%
Sept. 2009	\$37.1	52%
Sept. 2008	\$96.6	77%
Sept. 2007	\$146.8	86%

- ☀ Decline in overall loans 2007-2010 **74%**
- ☀ Percent decline in large bank participation **34%**



# Business Climate Adjusting to the New Macomb County

- ★ How to operate in a period of increased volatility and uncertainty—the significance of risk
- ★ Recognition that value and integration of services will drive business
- ★ How to survive in a market which has a disappearing middle class

# The Emerging Macomb County

- ✦ Loss of income challenges the “middle class” life style
- ✦ All enterprise heavily dependent upon federal activity and less upon local decisions
- ✦ Meeting the needs of younger families and new immigrants
- ✦ Playing a role in the region as a center for advanced manufacturing

# Some Concerns

- ✱ Significant growth of low income people and access to education and government services will be a challenge
- ✱ Heavy dependence upon real estate as the driver of local public wealth needs to halt
- ✱ Insufficient access to local capital to finance growth

# Recovery in 2011 Should Keep Us Sharp

- ✦ Greater focus on present businesses—as an attraction strategy
- ✦ Deal with decentralization and regional activities—emphasize the “fits”
- ✦ Develop a local infrastructure to deal with the needs of low income people:
  - ✦ Transportation
  - ✦ Child care
  - ✦ Health care
- ✦ Do not let short-term growth alter the long-term vision

# Forecast - 2011

- ☀ Real national recovery picks up with first six months of growth at a 3% GDP—inflation will remain low, and banks will begin to grow their loan portfolio
- ☀ Inflation remains low, and unemployment will continue to fall slowly on the national level, and by second quarter 2011 as expanded sales increase jobs expansion
- ☀ Macomb County will do better than the national economy in terms of growth and recovery; unemployment will fall faster and there will be positive incoming growth for the first time in five years

# Wildcards

- ✦ How strong is the economic recovery—especially in terms of employment growth?
- ✦ What happens as Chrysler integrates into Fiat?
- ✦ What will be the impact of state budget cuts upon local school districts and cities?
- ✦ What impact will the County Executive have on Macomb County?

# Acknowledgements

- ✦ Center for Automotive Research
- ✦ City of St. Clair Shores
- ✦ City of Sterling Heights
- ✦ City of Warren
- ✦ Data Driven Detroit
- ✦ David Sowerby
- ✦ Federal Deposit Insurance Corporation
- ✦ Henry Ford Hospital-Macomb
- ✦ Macomb Community College
- ✦ Macomb County Board of Commissioners
- ✦ Macomb County Chamber of Commerce
- ✦ Macomb County Community Services
- ✦ Macomb County Department of Human Services
- ✦ Macomb County Equalization Department
- ✦ Macomb County Intermediate School District
- ✦ Macomb County MSU Extension
- ✦ Macomb County Planning Commission
- ✦ Macomb/St. Clair Works
- ✦ Michigan Department of Community Health
- ✦ Michigan Department of Labor and Economic Growth
- ✦ Michigan Department of the Treasury
- ✦ MiRealSource
- ✦ Oakland University
- ✦ Partridge Creek
- ✦ Selfridge Air National Guard
- ✦ Southeast Council of Governments
- ✦ United States Census



# Thank You

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