Outline

• The national economy is speeding forward on $2.30 per gallon gasoline and low interest rates
• Robust car and truck sales are fueling Michigan’s economy
• Calhoun County had a good year in 2014
• Forecast: continued employment growth
GDP Slowed to a More Sustained 2.2 Percent in the Fourth Quarter, and Forecasters Are Promising Continued Growth in the Coming Year

Gross Domestic Product and Nonfarm Employment

Source: BLS, BEA, University of Michigan RSQE.
Employment Conditions Have Improved; the Number of Job Seekers Per Opening Has Dropped Below 2

Source: BLS.

U.S. Job Openings and New Hires

Job openings at end of month

Job seekers per

Unemployed / job openings

Thousands (000s)

W.E. UPJOHN INSTITUTE for Employment Research

Source: BLS.
Too Many People Are Not in the Game

Participation Rate and Employment Ratio, U.S.

Labor participation rate

Employment-to-population ratio

Source: BLS.
Consumers Are Doing Their Part—

*Exports Have Slowed*

**Major Activity Contribution to GDP Change in Current Quarter**

- Personal consumption
- Investment
- Net export
- Government

Source: BLS, BEA, University of Michigan RSQE.
Weakness Among Our Trading Partners Is Both Driving up the Value of the Dollar and Slowing Our Exports

U.S. Trade Balance and Nominal Index of the Value of the Dollar against Seven Major Currencies
Consumer Confidence Index Passes 100 Despite Stagnant Wages

Real Hourly Earnings and Consumer Confidence

Source: Conference Board and BLS.
Prices and Interest Rates Remain Low:

*Prices may be too low but who is complaining about $2.30 per gallon gas?*

Source: Federal Reserve, BLS.
So Let’s Sum Up

- The national economy was surprisingly strong in the third quarter and continued growth is forecasted.
- Inflation and interest rates are low and expected to stay low. Gas prices may stay low for the year.
- National employment is on the rise but wages remain flat.
- The Fed has stopped its purchasing of bonds but will likely keep interest rates low.
- On the negative side, the nation is standing alone in the global economy and the dollar is rising in value.
Michigan Forecast

• Strong auto sales are pushing the state forward and most are forecasting that auto sales will remain high until at least 2017
• In 2014, state employers added 31,000 jobs with manufacturers adding 11,600 jobs during the year
• The state’s unemployment is down to pre-recession levels but still higher than the nation’s
• Employment growth is expected in 2015 and 2016
In 2014, State Employers Added Nearly 31,000 Workers

Employment Change, 2013 to 2014 (in thousands)

- Manufacturing
- Transport. and util.
- Prof. and business
- Leisure and hospitality
- Mining, logging, const.
- Retail
- Information
- Wholesale
- Other services
- Education and health
- Government
- Financial activities

Source: BLS CES.
Auto Sales Continue to Pick Up and Are Forecast to Drive Past 16 Million Units in 2015 and 2016

U.S. Light Vehicle Sales and Inventories

Seasonally adjusted annualized sales (millions)

Unit inventories (000s)

Source: BEA.

Strong sales years are expected in 2015 and 2016; and what about $2.30 per gallon gas?
The State’s Unemployment Rate Is Back to Pre-Recession Levels and Now Stands at 6.3 Percent

Source: BLS LAUS.
Latest University of Michigan Employment Forecast for the State Is Very Bullish

Employment forecast:

- 2015: 50,250 jobs
- 2016: 52,140 jobs

Source: University of Michigan RSQE, Nov. 2014.
Calhoun County

• 2014 was a strong year for manufacturing employment growth
• The county’s unemployment rate is down to 5.3 percent (seasonally unadjusted)
• The county’s overall economic performance was similar to its peers
• Why isn’t the county’s service sector doing better?
• Forecast for 2015 and 2016 — Good news
Manufacturers Are Clearly Driving the County Economy by Itself

There appears to be no multiplier effect for manufacturing.

Source: BLS CES.
Again, the Employment Gains in Manufacturing More than Offset Losses in Government

Source: BLS CES.
Auto Suppliers Are Supplying the Growth

Manufacturing Employment Change, Q1 2013 to Q1 2014

Source: BLS QCEW.
The County’s Unemployment Rate Is Down to the 2002 Level and....

Unemployment Rate for Calhoun County

Source: BLS LAUS and Upjohn Institute.
It Is for the Right Reasons – *The Unemployed and Those Who Had Previously Given up Are Finding Jobs*

### December-to-December Change, Calhoun County

<table>
<thead>
<tr>
<th>Year</th>
<th>Labor Force Change</th>
<th>Employment Change</th>
<th>Unemployment Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>-1079</td>
<td>159</td>
<td>-1238</td>
</tr>
<tr>
<td>2012</td>
<td>846</td>
<td>1218</td>
<td>-372</td>
</tr>
<tr>
<td>2013</td>
<td>-531</td>
<td>43</td>
<td>-574</td>
</tr>
<tr>
<td>2014</td>
<td>1350</td>
<td>2695</td>
<td>-1345</td>
</tr>
</tbody>
</table>

Source: MI Labor Market Indicators, Local Area Unemployment Statistics.
Calhoun County Has Bounced Back from the Recession in Terms of Job Growth

The county lost 3,800 jobs during the recession and gained 4,300 jobs, so far in the recovery.

Source: BLS LAUS and Upjohn Institute.
The County’s Service Sector Has Also Regained Its Losses; However at a Much Slower Pace than the Nation

Private Services Employment Index
(2000=100)

Source: BLS LAUS and Upjohn Institute.
Outstanding Manufacturing Growth

Manufacturing Employment Index
(2000=100)

Source: BLS LAUS and Upjohn Institute.
Not Surprising, Manufacturers Had the Largest Increase in Job Postings for the Year

Source: BurningGlass Labor Insight.
However for Individual Occupations, the Increase in Job Postings Is More Diversified

![Job Posting Change, 2013 to 2014, All Occupations](chart)

Source: BurningGlass Labor Insight.
Exploring Reasons Why Employment Trends in Services Are So Lackluster

• Services depend upon the population growth and current building permit data suggests little to no growth

• Housing prices show no new demand for home purchases
A Serious Factor in Explaining the Lack of Service Employment Growth

Construction Permits Issued, Calhoun County

- Blue bars: Total, all structure types
- Red bars: Single-family houses

Source: U.S. Census.

• Year to date, November 2014
Price Trends Strongly Suggest There Is Simply a Lack of Demand For New Housing

FHFA Housing Price Index (1995=100)

Source: FHFA Housing Index.
Review of Last Year’s Forecast: *Not Bad Because of Offsetting Errors*

### 2014 Employment Growth

<table>
<thead>
<tr>
<th></th>
<th>Current estimate</th>
<th>Forecasted</th>
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<tbody>
<tr>
<td>Total</td>
<td>1.1%</td>
<td>1.5%</td>
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<tr>
<td>Goods producing</td>
<td>5.4%</td>
<td>2.4%</td>
</tr>
<tr>
<td>Service providing</td>
<td>0.4%</td>
<td>1.6%</td>
</tr>
<tr>
<td>Government</td>
<td>-3.3%</td>
<td>-0.3%</td>
</tr>
</tbody>
</table>

**Percent change in employment**

- **Goods producing**: 5.4% (Current estimate), 2.4% (Forecasted)
- **Service providing**: 0.4% (Current estimate), 1.6% (Forecasted)
- **Government**: -3.3% (Current estimate), -0.3% (Forecasted)
Calhoun County Employment Forecast for 2015 and 2016

Annual Percent Change in Employment

<table>
<thead>
<tr>
<th>Category</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
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<tbody>
<tr>
<td>Total</td>
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<tr>
<td>Goods producing</td>
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<tr>
<td>Government</td>
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</tbody>
</table>
So What Keeps Me up at Night?

• The global economy – *The U.S. is the only game on the planet. Can we do it alone?*

• Lack of improvement in income equality
  – *Polls suggest that households are more pessimistic not only about their economic future, but for their kids as well*

• The continued mystery of why employment gains in manufacturing have a very small impact on service employment in Calhoun County
2015 and 2016 Economic Outlook for Calhoun County

George A. Erickcek
Brian Pittelko
W.E. Upjohn Institute for Employment Research

March 5, 2015