It Is Hard to Find the Clouds: 2015 Economic Outlook for the Kalamazoo Area

George Erickcek
W.E. Upjohn Institute for Employment Research
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Well, I think I found a couple, unfortunately.
A Special Thanks to

Mercantile
Bank of Michigan
Outline

• The national economy is speeding forward on $2.00 per gallon gasoline and low interest rates
• Robust car and truck sales are fueling Michigan’s economy
• Kalamazoo County had a good year in 2014
• Forecast: continued employment growth
GDP Grew by a Robust 5.0 Percent in the Third Quarter, and Forecasters Are Promising Continued Growth

Employment gains have been outstanding, more than 800,000 jobs in the fourth quarter.

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

U.S. Job Openings and New Hires

Source: BLS.
Prices and Interest Rates Remain Low:

*Prices may be too low but who is complaining about $2.00 per gallon gas?*

**Interest Rates and Inflation**

- 10-year Treasury bill
- 30-year mortgages
- 3-month Treasury bill
- 12-month change in CPI-U

Source: Federal Reserve, BLS.
Consumer Confidence Is Rising Despite Stagnant Wages; However, Other Polls Have Not Been as Positive

Real Hourly Earnings and Consumer Confidence

Source: Conference Board and 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.
• The only cloud: the nation is standing alone in the global economy.
Michigan Forecast

• Strong auto sales are pushing the state forward and most are forecasting that auto sales will remain high until at least 2017
• 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 30,000 Workers

Employment Change, 2013 to 2014 (in thousands)

If you are willing to accept a 2.8 manufacturing employment multiplier, manufacturers are driving the entire state economy.

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

Strong sales years are expected in 2015 and 2016; and what about $2.00 per gal gas?

Source: BEA.
The State’s Unemployment Rate Is Back to Pre-recession Levels and Now Stands at 7.1 Percent

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

Employment forecast:

<table>
<thead>
<tr>
<th>Year</th>
<th>Jobs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>50,250 jobs</td>
</tr>
<tr>
<td>2016</td>
<td>52,140 jobs</td>
</tr>
</tbody>
</table>

Current Conditions for the Kalamazoo MSA

• Unemployment is falling and for the right reasons
• Employment gains are well balanced between the different industries
• Residential construction is still flat, but housing prices seem to be on the rise
• Compared to similar counties, Kalamazoo overall performance is average but something is wrong in services
• Compared to the nation, we see the same lackluster performance in the area’s service sector
• The economic outlook for the MSA calls for further employment growth
The Area’s Unemployment Rate is down to 5 Percent – *Pre-recession Levels*

Unemployment Rate for Kalamazoo MSA

Source: BLS LAUS and Upjohn Institute.
Moreover, the Area’s Unemployment Rate Is Falling for the Right Reason: *Unemployed Workers Are Finding Jobs*

### November-to-November Change

<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>-1,589</td>
<td>1,716</td>
<td>-3,752</td>
</tr>
<tr>
<td>2012</td>
<td>-3,421</td>
<td>-1,939</td>
<td>-1,672</td>
</tr>
<tr>
<td>2013</td>
<td>-249</td>
<td>-258</td>
<td>22</td>
</tr>
<tr>
<td>2014</td>
<td>5,096</td>
<td>8,039</td>
<td>-3,430</td>
</tr>
</tbody>
</table>

*These numbers are truly outstanding; maybe too much so.*

Source: MI Labor Market Indicators, Local Area Unemployment Statistics.
Overall, 1,600 Jobs Were Created in the MSA, a 1.2 Percent Increase: *So Where Are the Other 6,400 Newly Employed Residents Working?*

Employment Change, Jan–Nov 2013 to Jan–Nov 2014

Retail is a surprise because Battle Creek is suffering the same.

Source: BLS CES.
Manufacturing Employment Is Well Balanced and Driven by “Misc.”

Employment Change, Q1 2013 to Q1 2014

Source: BLS QCEW.
Employment Opportunities: 
Moving Stuff Is the Ticket

Job Posting Change, 2013 to 2014, All Occupations

Transportation and material moving
Office and administrative support
Sales and related
Food prep. and serving
Personal care and service
Production
Installation, maint., and repair
Cleaning and maintenance
Construction and extraction
Life, physical, and social science
Business and financial
Education, training, and library
Protective service
Community and social services
Farming, fishing, and forestry
Healthcare support
Arts, design, ent., etc.
Legal
Computer and mathematical
Management
Healthcare
Architecture and eng.

Source: BurningGlass Labor Insight.
The Area’s Housing Market Is Still Lackluster

Construction Permits Issued, Kalamazoo MSA

Source: U.S. Census.

*Year to date, November 2013
Housing Prices Have Been Slowly Rising

FHFA Housing Price Index (1995=100)

Source: FHFA Housing Index.
Long-Term Employment Trends Are Still Flat and... 

The area lost 11,100 jobs during the recession and regained only about 5,000 during the recovery.

Source: BLS LAUS and Upjohn Institute.
It Is Due, in Part, to the Area’s Service Sector Which Is Still Down 2,000 Jobs from 2007

Private Services Employment Index (2000=100)

Source: BLS LAUS and Upjohn Institute.
Employment in the Area’s Manufacturing Sector Is Flat as Well

Is this true for other similar areas?

Manufacturing Employment Index
(2000=100)

Source: BLS LAUS and Upjohn Institute.
Comparison Areas:

- Alton, IL
- Belleville, IL
- Cedar Rapids, IA
- Champaign, IL
- Duluth, MN
- Fort Collins, CO
- Greeley, CO
- Green Bay, WI
- Murfreesboro, TN
- South Bend, IN
- Springfield, MO
- Youngstown, OH
Comparison Criteria

• Non-coastal states
• College presence (minimum 15,000 students)
• All within 25% population of Kalamazoo County
• Not picturesque, nor possessing awe-inspiring natural magnificence
All Have a College Presence

<table>
<thead>
<tr>
<th>Area</th>
<th>Largest college</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alton, IL</td>
<td>Southern Illinois University Edwardsville</td>
</tr>
<tr>
<td>Belleville, IL</td>
<td>Southwestern Illinois College</td>
</tr>
<tr>
<td>Cedar Rapids, IA</td>
<td>Kirkwood Community College</td>
</tr>
<tr>
<td>Champaign, IL</td>
<td>University of Illinois at Urbana-Champaign</td>
</tr>
<tr>
<td>Duluth, MN</td>
<td>University of Minnesota-Duluth</td>
</tr>
<tr>
<td>Fort Collins, CO</td>
<td>Colorado State University</td>
</tr>
<tr>
<td>Greeley, CO</td>
<td>University of Northern Colorado</td>
</tr>
<tr>
<td>Green Bay, WI</td>
<td>U of Wisconsin Green Bay and NE Wisconsin Technical College</td>
</tr>
<tr>
<td>Murfreesboro, TN</td>
<td>Middle Tennessee State University</td>
</tr>
<tr>
<td>South Bend, IN</td>
<td>University of Notre Dame</td>
</tr>
<tr>
<td>Springfield, MO</td>
<td>Missouri State University</td>
</tr>
<tr>
<td>Youngstown, OH</td>
<td>Youngstown State University</td>
</tr>
</tbody>
</table>
Economic Conditions Are Very Similar

Average Unemployment Rate, Jan–Nov 2014

Source: BLS.
Again in the Middle of the Pack

Job Creation as a Percentage of Total Employment in 2013

- Kalamazoo: 5.1%
- Average: 5.0%
- Greeley, CO: 4.6%
- Fort Collins, CO: 4.6%
- Duluth, MN: 5.5%
- Belleville, IL: 5.1%
- Alton, IL: 4.6%
- Youngstown, OH: 4.6%
- Murfreesboro, TN: 4.6%
- South Bend, IN: 4.3%
- Champaign, IL: 4.3%
- Green Bay, WI: 4.3%
- Cedar Rapids, IA: 4.0%
- Springfield, MO: 3.9%

Source: Census QWI.
Slightly Below Average:

However, This Is Because of Greeley, CO

Percent Change in Total Employment,

-2% 0% 2% 4% 6% 8% 10% 12%

Kalamazoo
Average
Greeley, CO
Murfreesboro, TN
Fort Collins, CO
Springfield, MO
South Bend, IN
Alton, IL
Cedar Rapids, IA
Duluth, MN
Green Bay, WI
Champaign, IL
Youngstown, OH
Belleville, IL

1.7% 2.0% 3.9%
3.3% 2.3% 1.8%
1.5% 1.4% 1.0%
1.0%
0.7% -0.9% -1.2%

Source: BLS QCEW.
The County’s Manufacturing Sector Clearly Outperforms the Other Areas Even Without an Automotive Presence

Percent Change in Manufacturing Employment, Jan–Jul 2013 to Jan–Jul 2014

-3.1% -0.8% -0.7% 0.3% 0.3% 0.7% 1.2% 1.7% 1.9% 2.0% 3.6% 4.2%

Kalamazoo Average Murfreesboro, TN Alton, IL Greeley, CO Fort Collins, CO Green Bay, WI South Bend, IN Springfield, MO Belleville, IL Youngstown, OH Champaign, IL Cedar Rapids, IA Duluth, MN

Source: BLS.
It Is Clearly the Area’s Services that Are Lagging


-2% 0% 2% 4% 6%

Source: BLS.
The County Is Not Growing as Fast as the Comparison Areas

Population Change, 2010 to 2013

- Kalamazoo: 2.6%
- Average: 5.0%
- Murfreesboro, TN: 7.0%
- Greeley, CO: 6.7%
- Fort Collins, CO: 5.5%
- Springfield, MO: 3.2%
- Green Bay, WI: 2.7%
- Cedar Rapids, IA: 2.3%
- Champaign, IL: 1.9%
- Duluth, MN: 0.2%
- South Bend, IN: -0.1%
- Alton, IL: -0.8%
- Belleville, IL: -1.1%
- Youngstown, OH: -2.1%

Source: Census QWI.
This Is as Welcoming as It Is Surprising:

Why are services doing so poorly with such an educated workforce?

Educational Attainment, Population 25 and Older, Post-secondary Degree

<table>
<thead>
<tr>
<th>Location</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kalamazoo County</td>
<td>44.3%</td>
</tr>
<tr>
<td>Average</td>
<td>39.0%</td>
</tr>
<tr>
<td>Fort Collins, CO</td>
<td>43.0%</td>
</tr>
<tr>
<td>Champaign, IL</td>
<td>50.2%</td>
</tr>
<tr>
<td>Cedar Rapids, IA</td>
<td>51.7%</td>
</tr>
<tr>
<td>Green Bay, WI</td>
<td>40.9%</td>
</tr>
<tr>
<td>Duluth, MN</td>
<td>37.6%</td>
</tr>
<tr>
<td>Murfreesboro, TN</td>
<td>36.8%</td>
</tr>
<tr>
<td>Greeley, CO</td>
<td>36.6%</td>
</tr>
<tr>
<td>Alton, IL</td>
<td>35.9%</td>
</tr>
<tr>
<td>Belleville, IL</td>
<td>35.9%</td>
</tr>
<tr>
<td>Springfield, MO</td>
<td>35.4%</td>
</tr>
<tr>
<td>South Bend, IN</td>
<td>34.8%</td>
</tr>
<tr>
<td>Youngstown, OH</td>
<td>29.3%</td>
</tr>
</tbody>
</table>

Source: Census ACS.
Outstanding! *If we can keep them*

Bachelor’s or Higher

Source: Census ACS 2013.
So What Do You Do with a History Degree?

*Go Back to Get an Associate Degree in a Technical Field?*

**Associate’s Degree**

![Bar chart showing the number of individuals with an associate’s degree by age group in Kalamazoo MSA, Michigan, and the United States.](image)

- **Kalamazoo MSA**: Blue (25 to 34), Red (35 to 44), Green (44 to 64), Purple (65 and Over)
- **Michigan**: Blue (25 to 34), Red (35 to 44), Green (44 to 64), Purple (65 and Over)
- **United States**: Blue (25 to 34), Red (35 to 44), Green (44 to 64), Purple (65 and Over)

Source: Census ACS 2013.
The region’s employment growth was well below national trends from ‘07 to ‘12, the question is why?

Change in Employment, 2007 to 2012

- A difference of 8,700 jobs
- A difference of 700 jobs
- A difference of 8,000 jobs
Just a Reminder that
Education Matters

Annual Income by Educational Attainment,
Kalamazoo County

Source: IPUMS USA 2013.
Note that “Some College” Is Not the Ticket

Unemployment by Educational Attainment, Kalamazoo County

Unemployment rate

Less than HS  High school  Some college  Associate's  Bachelor's  Graduate

Source: IPUMS USA 2013.
So, how did we do last year?

You’ve got to love those offsetting errors!

Kalamazoo MSA Estimated and Forecasted Employment Growth for 2013

<table>
<thead>
<tr>
<th>Percent Change</th>
<th>Total</th>
<th>Goods-producing</th>
<th>Service-providing</th>
<th>Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Forecast</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimate</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.3%</td>
<td>1.0%</td>
<td>0.7%</td>
<td>1.7%</td>
<td>1.4%</td>
</tr>
<tr>
<td>-0.6%</td>
<td></td>
<td>-0.5%</td>
<td>0.6%</td>
<td>-0.6%</td>
</tr>
</tbody>
</table>

Source: Upjohn Institute.
What We Considered in Preparing the Forecast

• U.S. Postal Services Closing its Service Center
• Summit Polymers Expansion
• Stryker
• Pulver Dryer USA
• Mann+Hummel
• Marrone BioInnovations
• Hampton Inn
2015 and 2016 Employment Forecast for Kalamazoo MSA

Employment Forecast 2015 and 2016

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employment</td>
<td>1.0%</td>
<td>1.3%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Goods-Producing</td>
<td>2.8%</td>
<td>1.5%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Service Providing</td>
<td>1.6%</td>
<td>1.8%</td>
<td>1.4%</td>
</tr>
<tr>
<td>Government</td>
<td>0.5%</td>
<td>0.6%</td>
<td>-0.6%</td>
</tr>
</tbody>
</table>

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Final Thought: *The Clouds*

- **Wait:** 2015 and 2016 should be growth years for the nation, state, and Kalamazoo County

- **Now the Clouds:**
  - National: *We need trading partners that are healthy*
  - Locally: *The mystery of our lack of service employment growth is troubling. It is partially due to the lack of population growth; however, there is something more and I can’t identify it.*
It Is Hard to Find the Clouds: 2015 Economic Outlook for the Kalamazoo Area

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