

Economic Club Luncheon



Economic Forecast for Macomb County
January 20, 2011

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James Jacobs, January 2011



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

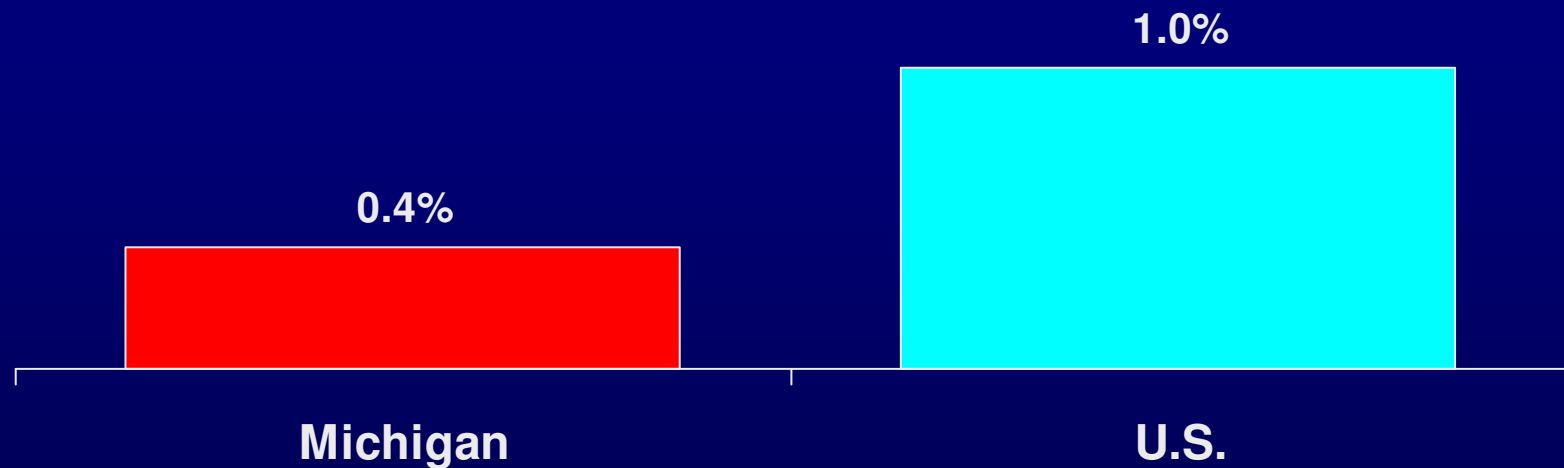
Private Sector Employment Trends

2000-2010 (1st 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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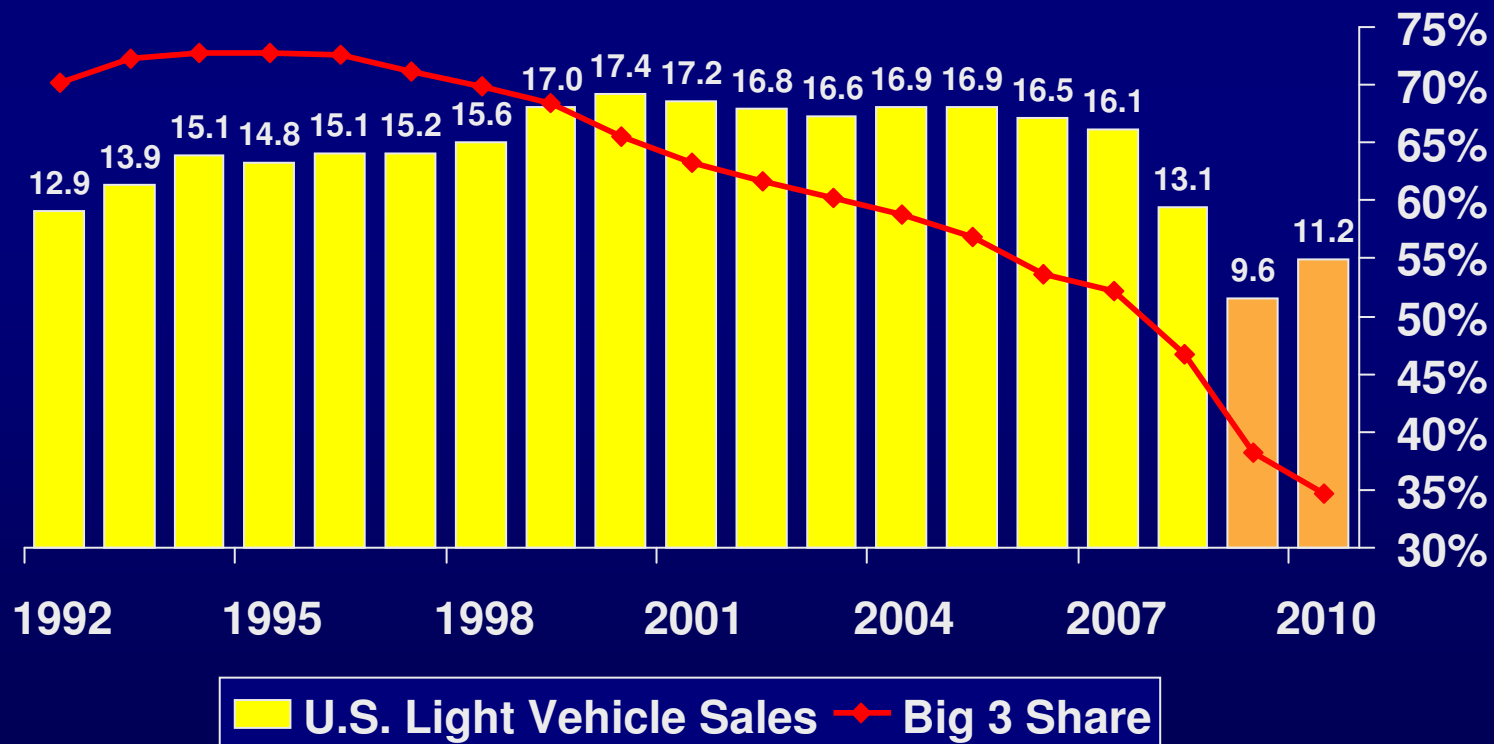


State Economic Context

- ✱ 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%

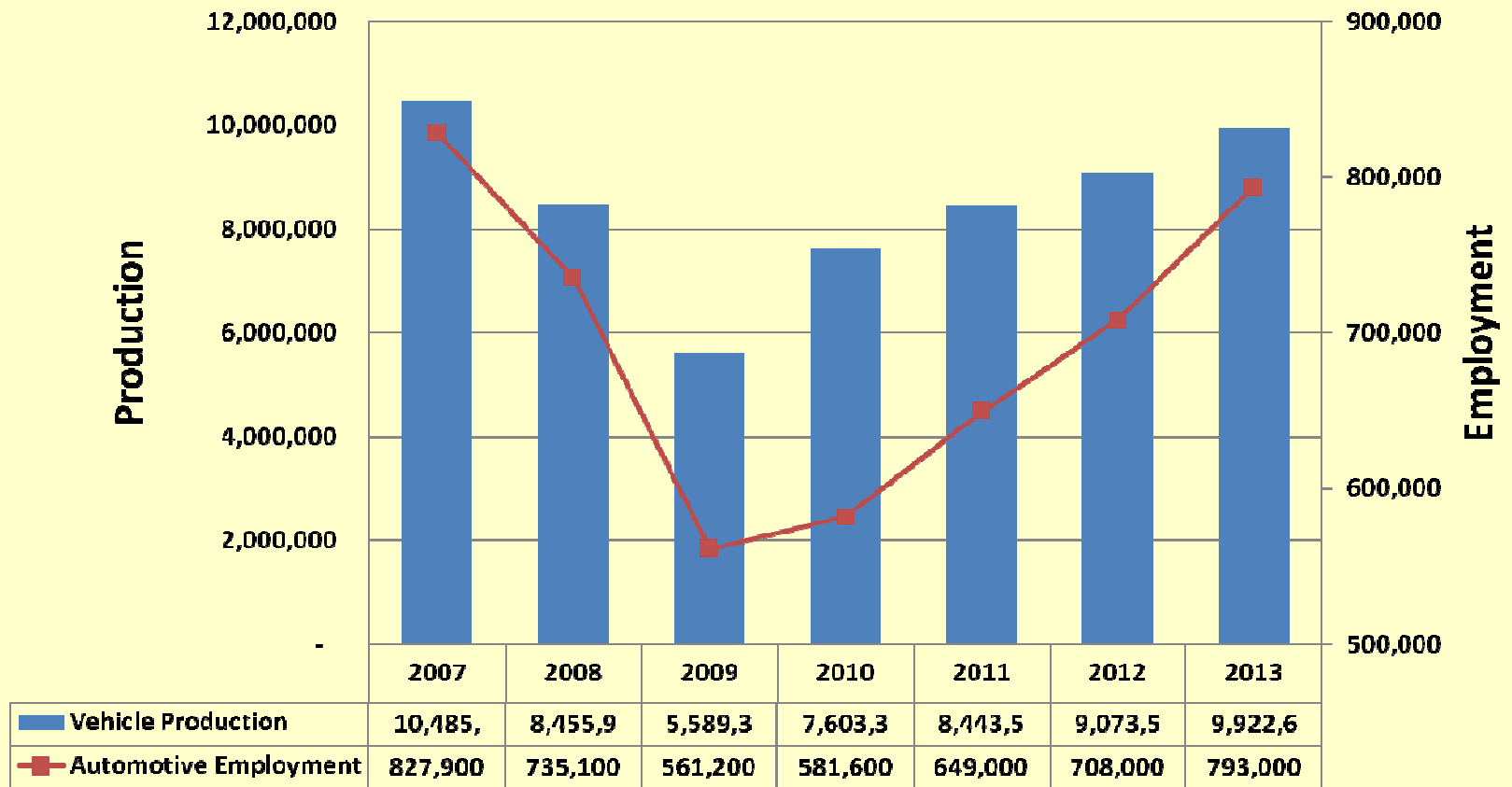




More Good News: Auto Sales in 2011 Should Increase

- ★ 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

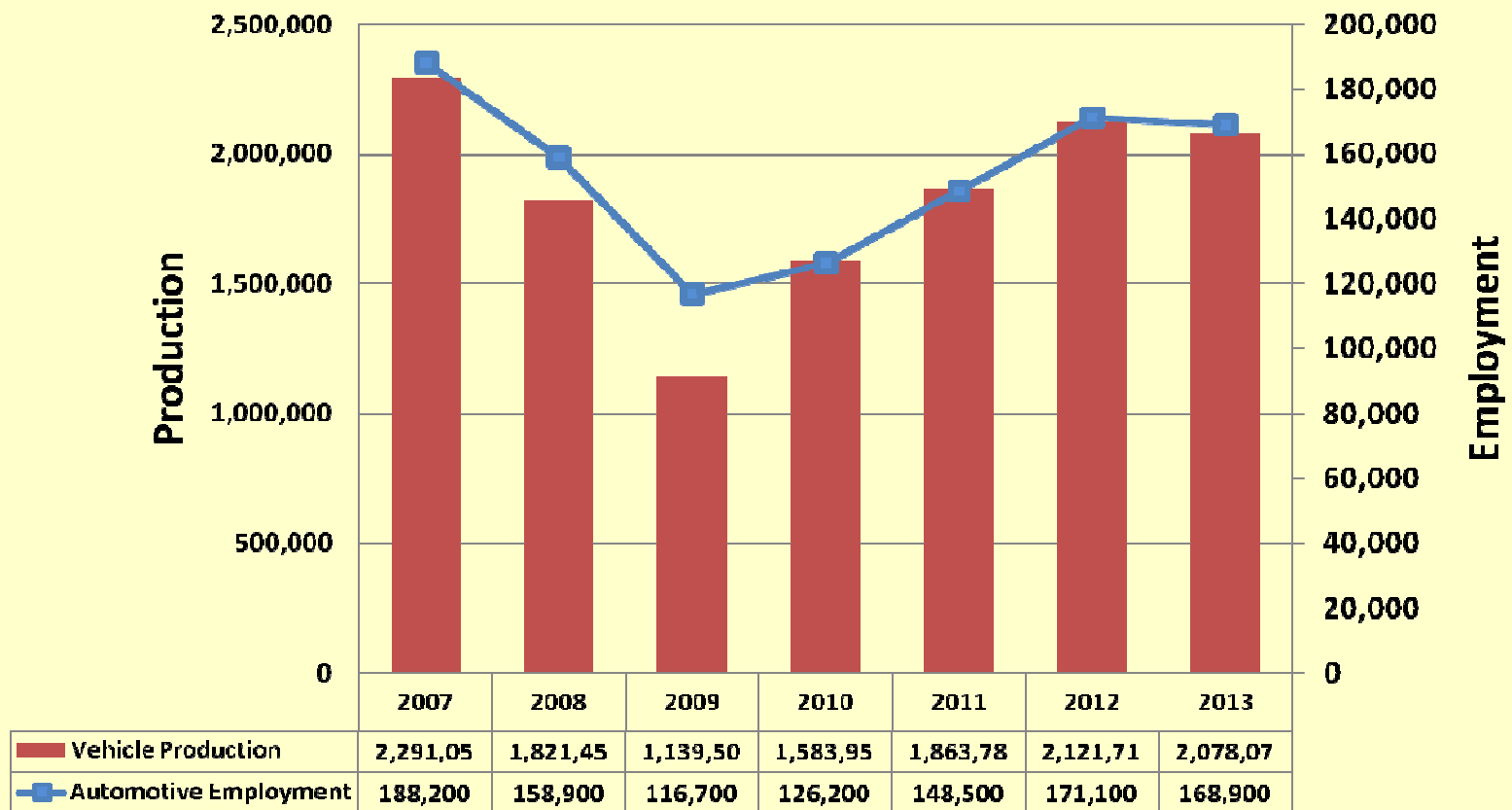


+67,400 +59,000 +85,000

Employment Levels

Source: IHS Global Insight; CAR Research

Michigan Vehicle Production & Automotive Employment Forecasts



Source: IHS Global Insight; CAR Research

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Prosperity Index: Michigan vs. U.S.

US PROSPERITY vs. MICHIGAN PROSPERITY¹ 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 ²
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%
Prosperity spread: Michigan less US (%)	-3.07%	-2.19%	-2.01%	-2.29%	-1.01%	-4.34%	-3.96%	-3.30%	-1.54%	+0.19%	+0.97%	+1.20%	+1.48%

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

² 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

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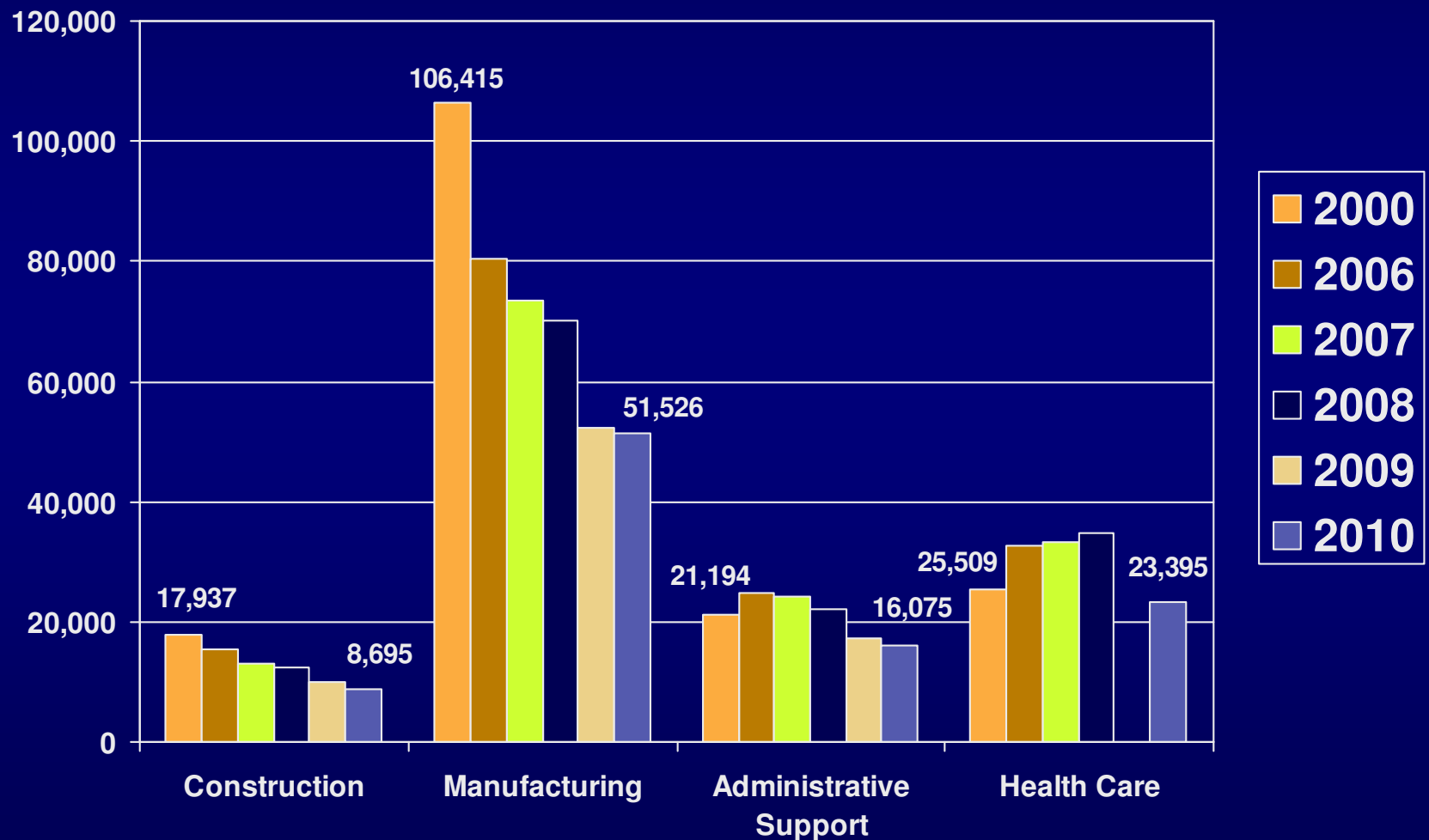
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Private Sector Trends

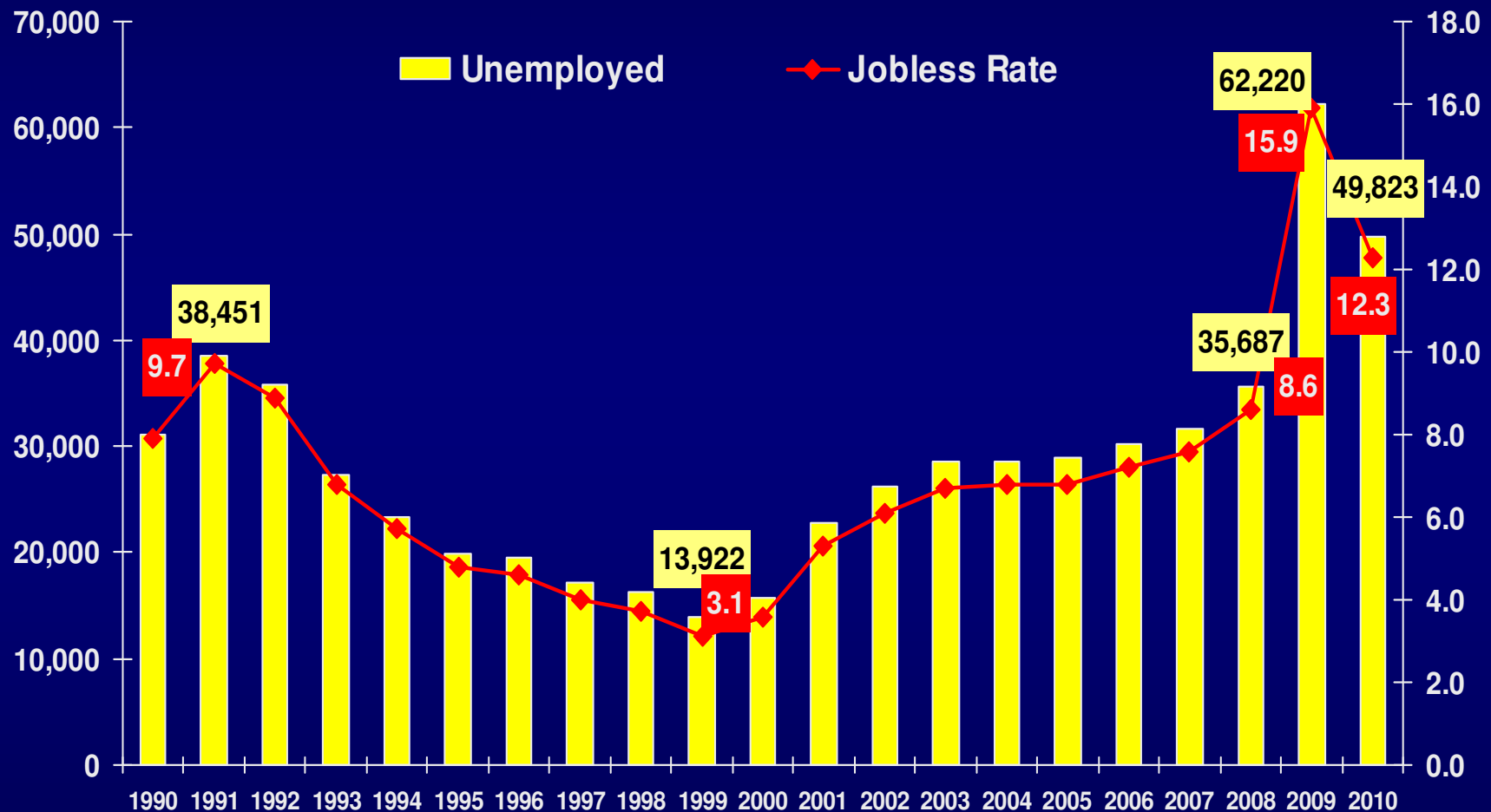
2000-2010 (1st Quarter – Selected Sectors)

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

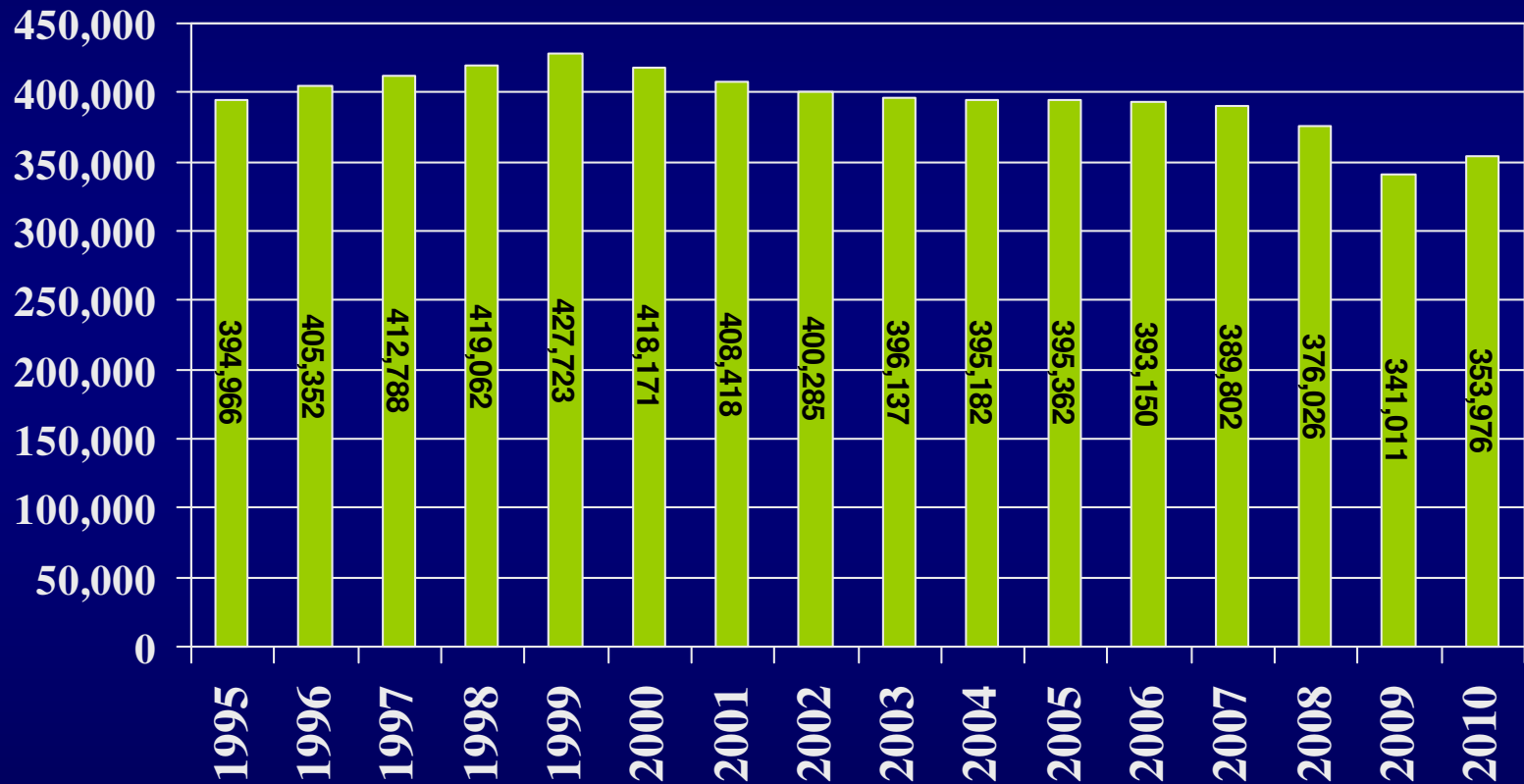


Source: MI Labor Market Information

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

Source: Census Bureau – 2000 Census and ACS

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Impact of Economic Downturn Macomb County

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

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

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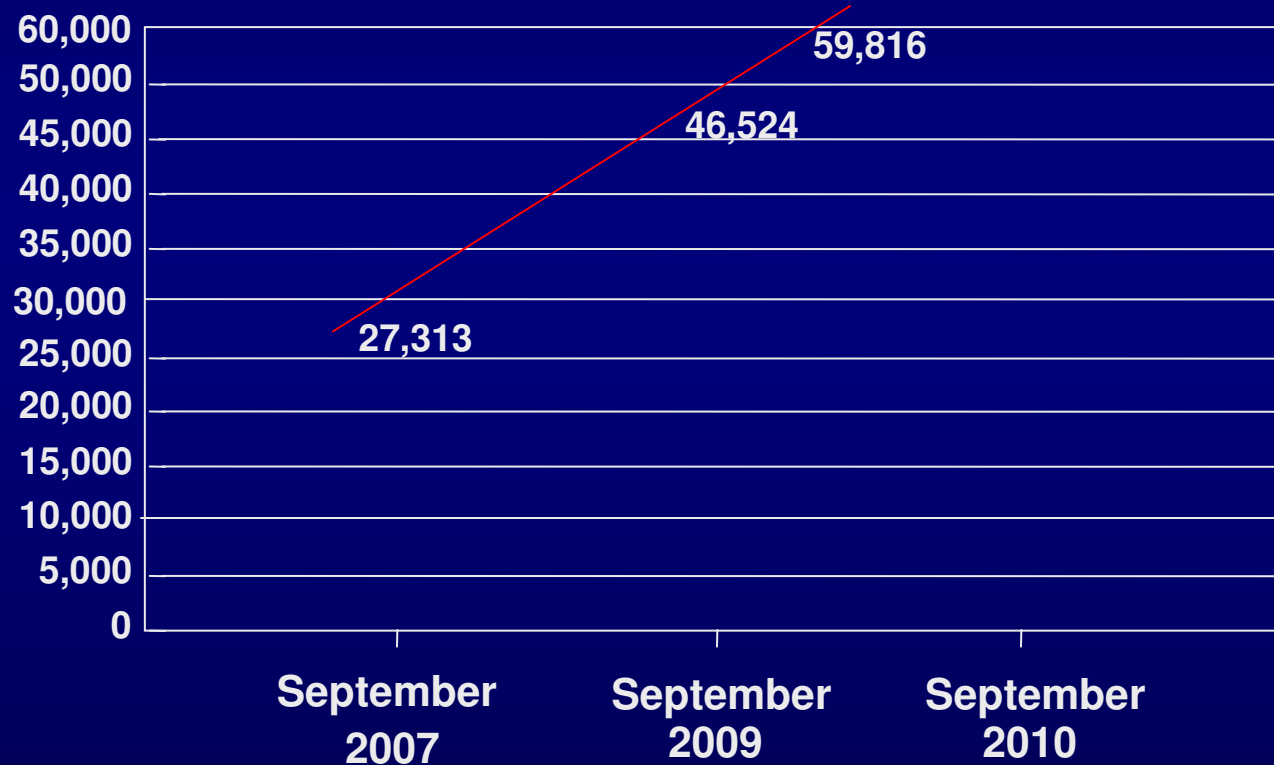
Macomb Food Program Emergency Food Distribution

	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

Source: Macomb Department of Community Services

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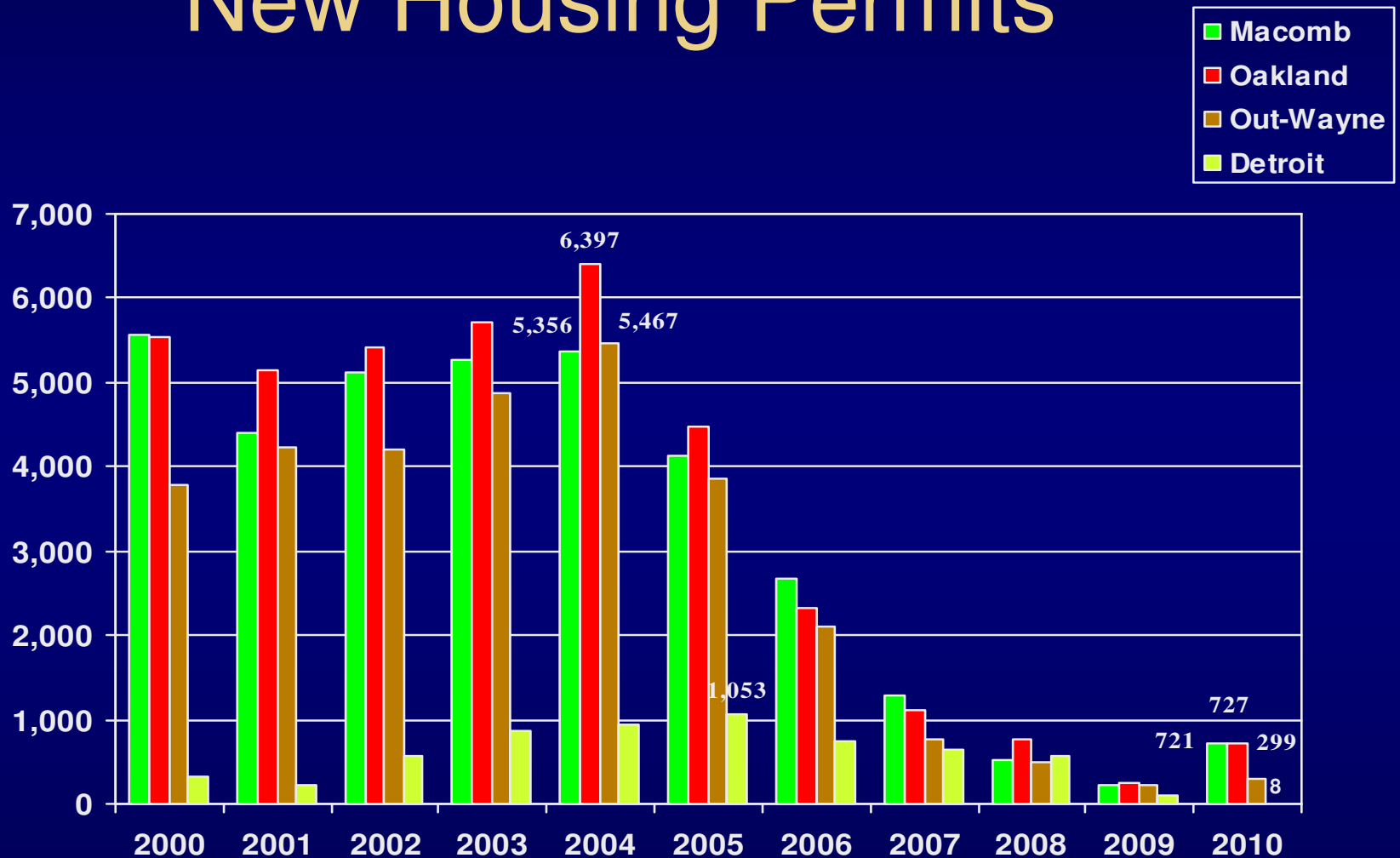
Food Stamps Caseload Macomb County (2007-2010)



Source: Department of Human Services

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New Housing Permits



Source: SEMCOG

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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

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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%

Source: Macomb County Equalization Department

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Foreclosures

- ★ Michigan reports 136,000 foreclosures ranks 7th 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

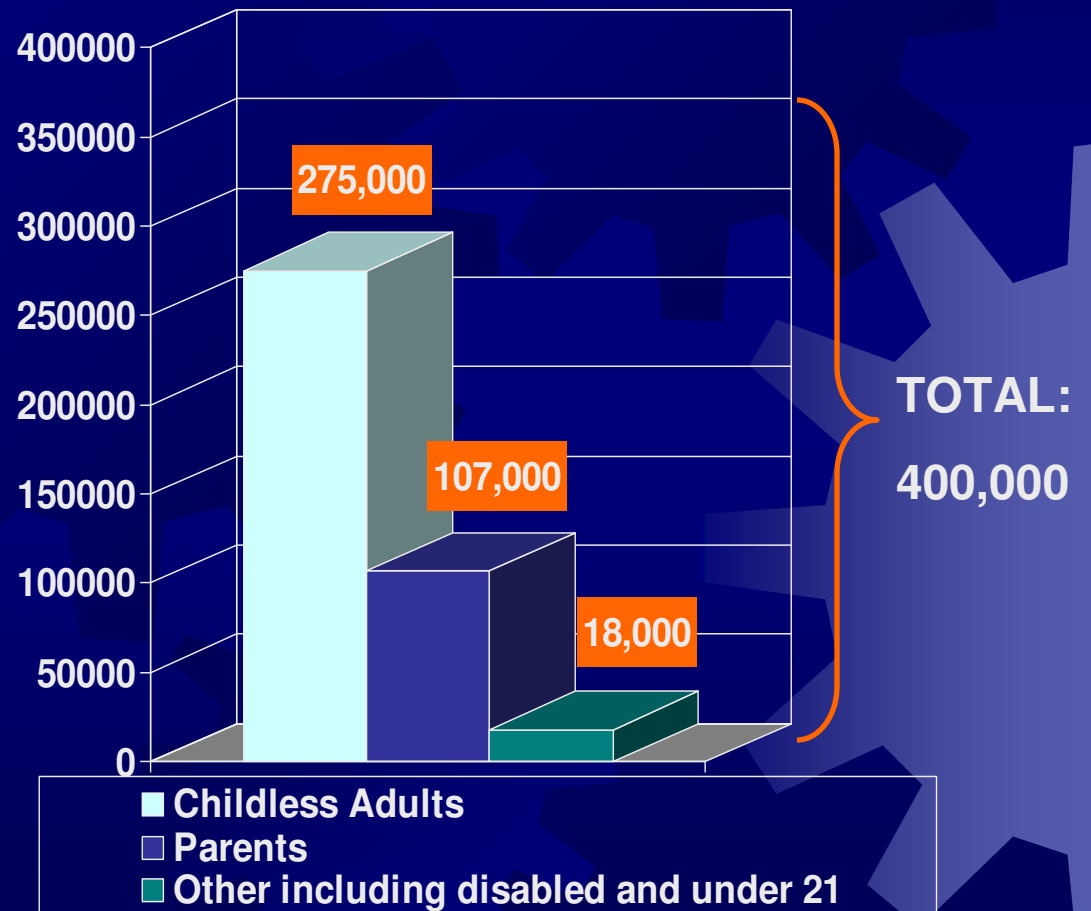


Health Care: A Growth Sector

- ✦ 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).



Source: Michigan Department of Community Health.

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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
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- ✱ 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
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- ✱ Oakland University
- ✱ Partridge Creek
- ✱ Selfridge Air National Guard
- ✱ Southeast Council of Governments
- ✱ United States Census



Thank You

For a copy of the presentation please
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