Economic Club Luncheon

Economic Club of Macomb County

Economic Forecast for Macomb County

January 19, 2012

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Presentation Overview

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

National Trends

Recovery Takes Hold

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National Economic Context

- 2011 began with high expectations, stalled in the summer, and revived in the last quarter
- National numbers point toward recovery: consistent job growth, inflation less than 1.5%, and a stronger dollar
- Banking and financial sectors lose steam but real growth in manufacturing
- Best Christmas season since 2002 as customers respond to the new normal

Major Issues Remain

- Entering third year of recovery but restrained by a continued housing crisis, and significant consumer uncertainty
- " No Jobs Recovery" — Long-term unemployment remains high — job growth will not replace 7 million jobs lost during the great recession
- Significant signs of recession in Europe could impact recovery
- Political climate will not produce any significant stimulus government package or debt reduction

Reasons for Optimism

- The growth of auto sales, especially among the Detroit three, is the most important positive trend for Michigan and Macomb County
- Manufacturing as a sector continues to expand, and demand is creating new jobs and potential expansion
- Michigan emerges from 2011 in better shape than many other states

State and Local Trends

Michigan: We Are Not The Caboose

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State Economic Context

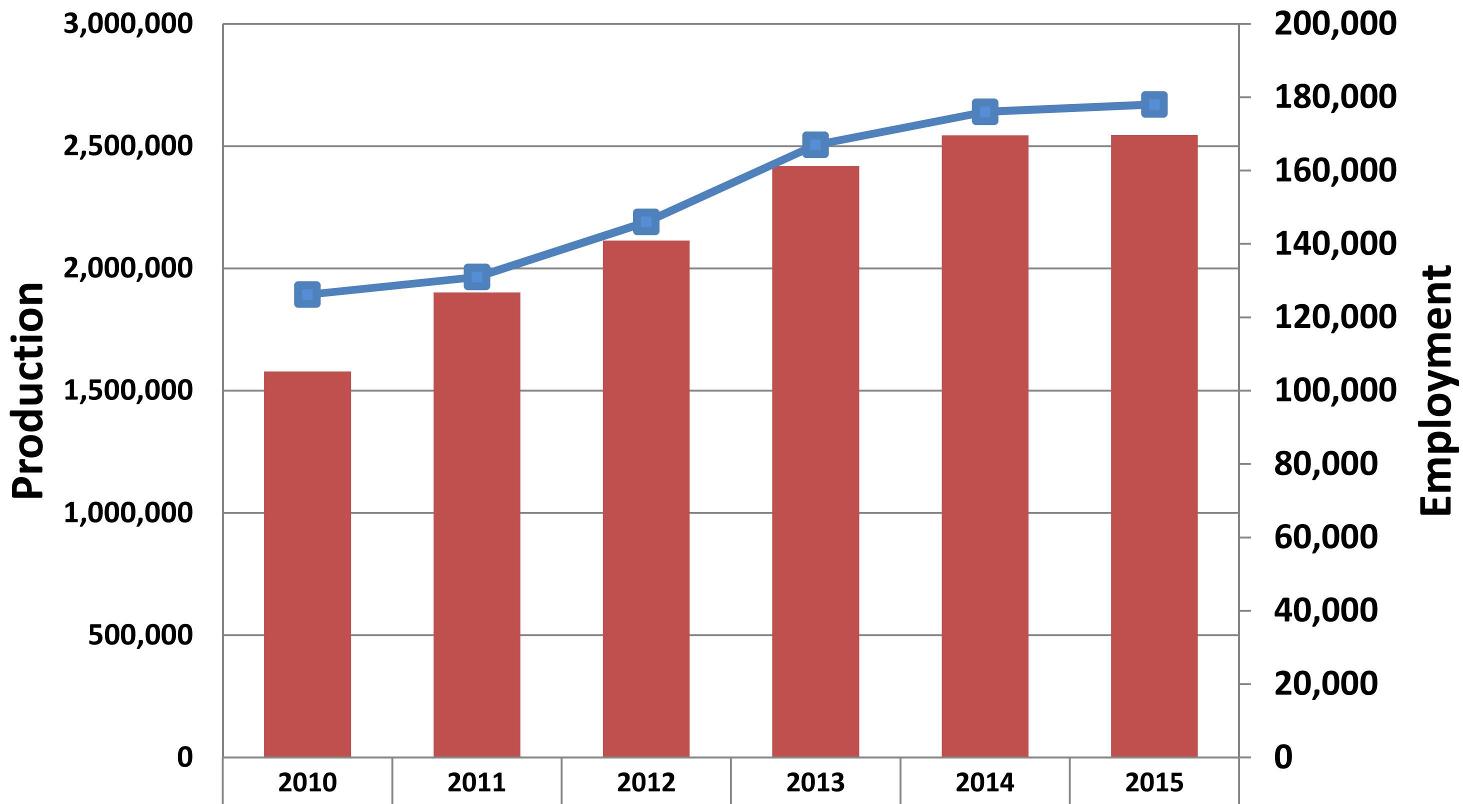
- New revenue forecast: A budget surplus projected for $633 million
- Significant job growth: Over 110,000 jobs added in the past two years, and most are not low-wage jobs
- Significant decline in government employment and spending will have an impact
- Jury is still out on whether major tax changes will impact new state growth, particularly urban centers

More Good News:
Auto Sales Should Increase in 2012

- Most projections call for an increase in auto sales: 13-14 million units
- Average age of automobile now over 11 years—highest on record
- Productivity gains make all domestic OEM's profitable in 2011
- New auto investments focused on the Midwest states

Michigan Vehicle Production & Automotive Manufacturing Employment Forecast

2010-2015



	2010	2011	2012	2013	2014	2015
Vehicle Production	1,578,532	1,902,179	2,113,936	2,418,113	2,544,184	2,545,425
Automotive Employment	126,200	131,000	146,000	167,000	176,000	178,000

Source: IHS Global Insight; BLS; CAR Research

Prosperity Index: Michigan vs U.S.

US PROSPERITY vs. MICHIGAN PROSPERITY[1]
US vs. MICHIGAN JOB + INCOME GROWTH

	3Q 2008	4Q 2008	1Q 2009	2Q 2009	3Q 2009	4Q 2009	1Q 2010	2Q 2010	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011
U.S Personal Income Growth (%)	3.17%	0.86%	-2.55%	-2.91%	-3.11%	-1.79%	1.26%	1.70%	2.65%	2.90%	4.17%	5.10%	4.10%
U.S. Jobs Growth (%)	-0.48%	-1.54%	-3.19%	-3.82%	-4.06%	-4.02%	-2.09%	-0.80%	-0.10%	0.62%	1.02%	0.80%	1.30%
U.S. Prosperity (%)	2.70%	-0.68%	-5.74%	-6.73%	-7.17%	-5.81%	-0.83%	0.90%	2.55%	3.52%	5.72%	5.90%	5.40%
MI Personal Income Growth (%)	3.01%	2.14%	-3.28%	-3.20%	-3.01%	-1.71%	2.01%	2.47%	3.59%	4.00%	5.40%	5.20%	3.70%
MI Jobs Growth (%)	-2.61%	-3.84%	-6.80%	-7.49%	-7.47%	-5.64%	-2.66%	-0.60%	0.16%	1.00%	2.13%	1.30%	1.70%
MI Prosperity (%)	0.41%	-1.69%	-10.08%	-10.69%	-10.48%	-7.35%	-0.64%	1.87%	3.75%	5.00%	7.53%	6.50%	5.40%
Prosperity spread: Michigan less US (%)	-2.29%	-1.01%	-4.34%	-3.96%	-3.30%	-1.54%	+0.19 %	+0.97%	+1.20 %	+1.48 %	+1.81 %	+0.60 %	0.00%

[1] Prosperity is job growth plus personal income growth (year/year growth rates)
Source: Bureau of Labor Statistics; history through Q4-2010, seasonally adjusted, quarterly data

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2011

Adjusting To The New Normal

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Private Sector Trends 2000-2011

(1st Quarter – Selected Sectors)

Industry	2000	2011	% Change 2000-2011
Construction	17,937	9,737	-45.7%
Manufacturing	106,415	57,271	-46.2%
Wholesale Trade	11,212	9,890	-11.8%
Retail Trade	42,933	37,152	-13.5%
Information	1,698	1,962	+15.5%
Administrative Support	21,194	17,009	-19.7%
Education Services	1,349	2,666	+97.6%
Health Care & Social Services	25,509	35,544	+39.3%

Sources: MDCD/Employment Service Agency

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Private Sector Trends 2010-2011

(1st Quarter-Selected Sectors)

Industry	2010	2011	% Change 2010-2011
Construction	8,695	9,737	+12.0%
Manufacturing	51,526	57,271	+11.1%
Wholesale Trades	9,292	9,890	+6.4%
Retail Trade	36,295	37,152	+2.4%
Information	2,129	1,962	-7.8%
Administrative Support	16,075	17,009	+5.8%
Education Services	2,521	2,666	+5.8%
Health Care & Social Service	23,345	35,544	+52.3%

Sources: MDCD/Employment Service Agency

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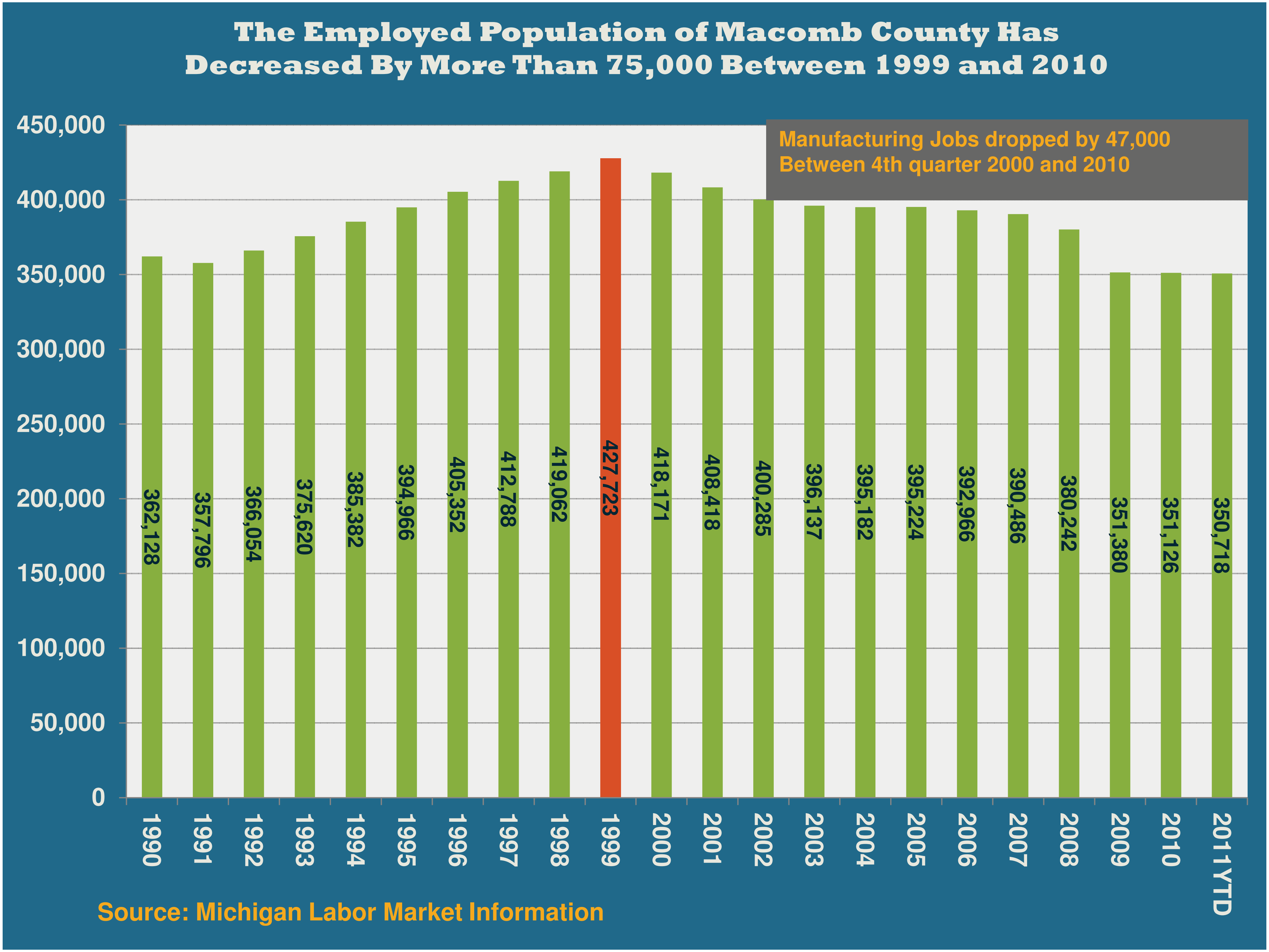
Change is Beginning

	November 2009	November 2010	November 2011	Percent Change
Labor Force	408,108	403,799	393,237	-2.4
Employed	345,888	353,976	355,989	+1.4
Unemployed	62,220	49,823	37,248	-22.9
Percent Unemployed	16%	12.3%	9.5%	



The Employed Population of Macomb County Has
Decreased By More Than 75,000 Between 1999 and 2010
Manufacturing Jobs dropped by 47,000
Between 4th quarter 2000 and 2010
450,000
400,000
350,000
300,000
250,000
200,000
150,000
100,000
50,000
0
362,128
357,796
366,054
375,620
385,382
394,966
405,352
412,788
419,062
427,723
418,171
408,418
400,285
396,137
395,182
395,224
392,966
390,486
380,242
351,380
351,126
350,718
1990
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2009
2010
2011YTD
Source: Michigan Labor Market Information

Income Trends from 1999 to 2010

	1999	2010	$ Chg.	%Chg.
Median Household Income				
Macomb	$68,178	$49,160	-$19,018	-27.9%
Oakland	$81,008	$60,226	-$20,782	-25.7%
Wayne	$53,357	$39,408	-$13,949	-26.1%

Source: Census Bureau – 2000 Census and ACS

Impact of Economic Downturn Macomb County

	2006	2007	2008	2009	2010	2011
Case Load Family Independence Agency	3,296	3,059	2,929	3,612	4,026	3,583
Work First Program: Numbers and Placement Wage	4,916 $7.47	4,819 $8.18	5,587 $8.64	5,833 $8.61	5,686 $8.53	6,442 $8.54
Michigan Works: Clients Served	48,347	49,185	77,158	117,047	98,006	63,335

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

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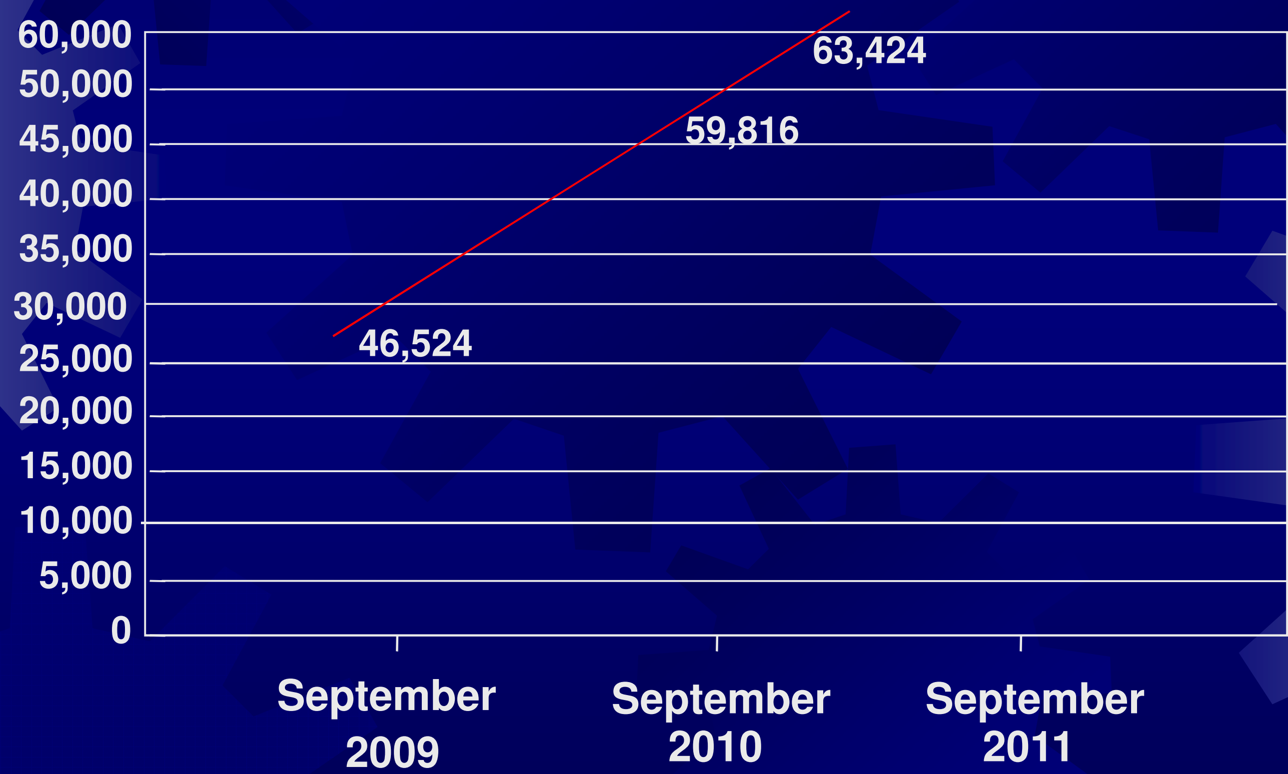
Food Stamp Caseload Macomb County (2009-2011)



Source: Department of Human Services

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Macomb Food Program
Emergency Food Distribution

	2009	2010	2011
Households Served	37,746	44,432	54,023
Individuals Served	131,462	151,150	152,522
Pounds of Food Distributed	1,333,110	1,755,756	1,892,608

Source: Macomb Department of Community Services

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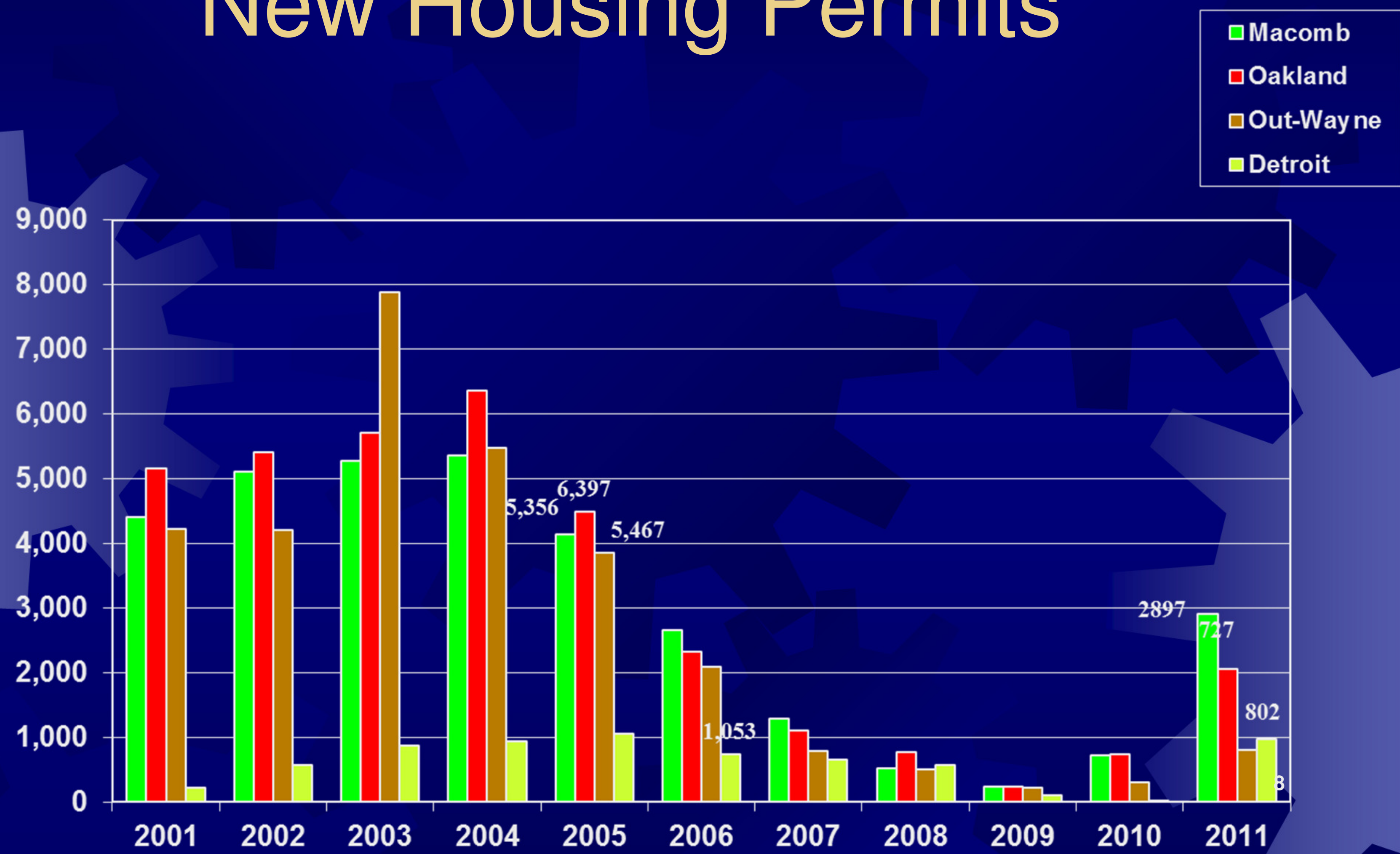
New Housing Permits



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
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
***2011**	3,759	53%	$112,991	851	36	63,824

*Figures do not include fourth quarter of 2011

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2011 Property Tax Assessments

Community	Decrease
Armada Twp.	-10.7%
Bruce Twp.	-8.7%
Center Line	-11.6%
Chesterfield Twp.	-8.0%
Clinton Twp.	-8.1%
Eastpointe	-9.9%
Fraser	-14.1%
Harrison Twp.	-7.3%
Lake Twp.	-9.5%
Lenox Twp.	-17.3%
Macomb Twp.	-5.7%
Memphis[1]	+0.6

Community	Decrease
Mt. Clemens	-10.5%
New Baltimore	-0.4%
Ray Twp.	-15.6%
Richmond	-5.6%
Richmond Twp.	-9.7%
Roseville	-12.5%
Shelby Twp.	-8.1%
St. Clair Shores	-10.9%
Sterling Heights	-7.9%
Utica	-10.3%
Warren	-12.0%
Washington Twp.	-5.8%

1 Memphis increased

Source: Macomb County Equalization Department

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Percentage of Housing Units with Foreclosure
Filings in 2011

National Rankings		
Rank	**State**	**Foreclosure Rate**
1.	Nevada	6.4%
2.	Arizona	4.14%
3.	California	3.19%
4.	Georgia	2.17%
5.	Utah	2.32%
6.	Michigan	2.21%
Metro Areas		
Rank	**Area**	**Foreclosure Rate**
1.	Las Vegas	7.38%
2.	Stockton, California	5.43%
3.	Modesto, California	5.29%
4.	Vallejo-Fairfield, Calif.	5.2%
18.	Detroit	2.94%

Source: Realty Trac

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Region Remains Foreclosure Leader
(Year-end 2011)

Area	2010	2011	Change
Macomb County	16,102	10,694	-33.6%
Oakland County	20,445	13,903	-32%
Wayne County	36,704	25,996	-29.2%
Metro Detroit	73,251	50,593	-30.9%
Michigan	135,874	100,248	-26.2%
United States	2,871,891	1,887,777	-34.3%

Source: Realty Trac

Macomb Business Climate Survey January 2012

A year from now, do you think that conditions for your particular business will be:			
	January 2010	January 2011	January 2012
	Percentage	Percentage	Percentage
Better than they are today	32.6%	49.4%	49.2%
The same as today	44.0%	43.5%	41.0%
Worse than they are today	23.4%	7.1%	9.8%

Macomb Business Climate Survey January 2012

A year from now, do you think your business's "bottom line" will:			
	January 2010	January 2011	January 2012
	Percentage	Percentage	Percentage
Increase	39.6%	48.4%	47.1%
Remain the same	36.9%	37.9%	41.9%
Decrease	23.5%	13.7%	11.0%

Macomb Business Climate Survey January 2012

A year from now, do you believe the use of credit will be:			
	January 2010	January 2011	January 2012
	Percentage	Percentage	Percentage
Easier to Get	11.4%	17.3%	11.2%
Remain the Same	50.6%	60.7%	62.1%
Harder to Get	38.0%	22.0%	26.7%

Bright Spots in 2011

- Major New Auto Investments Drive Growth in Employment—recovery of Chrysler and GM leads the way
- Defense sector continues to mature and fuel local economic growth
- Fiscal issues are great but have lead to substantial innovations such as shared services and technology gains
- Continued population growth fuels local demand

The Image of Macomb County

- Transition to County Executive Government has a positive impact on the image of the County
- Specific geographical areas are developing an “identity.”
  - Defense corridor
  - Lake St. Clair/Nautical Mile
  - Garfield/M-59: Health, and educational collaboration
  - Gratiot corridor
- Developing of a County perspective attracts Metropolitan interest in Macomb County.

Important Concerns

- How can economic success and growth be achieved as incomes fall and diversity increases within Macomb County?
- Where does the local innovation and change emerge within this strategy?
- Where is the financial infrastructure to support these local activities?
- How do we establish growth and development in the entire County?

The New Normal Needs A New Vision

- Recognition that services must be delivered efficiently and effectively to continue attracting population and growth
  - Transportation and childcare matter
  - Public education essential
  - Health care and wellness critical
- Adaptation of private sector to the demands and needs of new diverse Macomb population
- Political and Private leadership committed to a vision of growth and development for the entire County

Putting the Pieces Together: County Wide Efforts Pay Off

- New County-wide marketing efforts paying off for all communities
- Leveraged resources through cooperation of complimentary activities
- Maintain a broad vision which encourages risk taking for growth and development

Business Climate Adjusting to the New Macomb County

- Learn how to operate in a period of increased volatility and uncertainty—understanding the new climate of risk
- Recognition that value and integration of services will drive business
- Determine 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 enterprises heavily dependent upon federal activity and less upon local decisions
- Meet the needs of younger families and new immigrants
- Play a role in the region as a center for advanced manufacturing

Recovery in 2012 Should Continue

- Auto sales will continue to show growth---and impact will depend on domestic market share
- Housing sales will show growth, but prices will remain much lower
- Increasing business opportunities for organizations that serve the needs of the working poor
- Government crisis will force a variety of revenue enhancements and challenge local consensus

Forecast - 2012

- Macomb County will do better than the national economy in terms of growth and recovery; unemployment will fall faster, and there will be continued positive income growth
- National picture less optimistic: GDP growth 2.5-2.7 % through most of the year with Inflation remaining low and job growth continuing
- National housing crisis will bottom out throughout 2012 but will continue to drag economic growth throughout the year
- Decline of public sector activities at the state and local level will significantly impact growth in varies economic sectors and states

Wildcards

- Presidential election—the campaign and the results
- European economic downturn
- Impact of the two Big “H’s”: Healthcare and Housing
- General Motors and Chrysler’s futures
- What happens to Detroit?

Thank You

For a copy of the presentation please email: jacobsj@macomb.edu

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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 Executive Office
- 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