

# Uncertainty is a Friend to No One: *A Rosy Forecast is Becoming Stormy*

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# Outline

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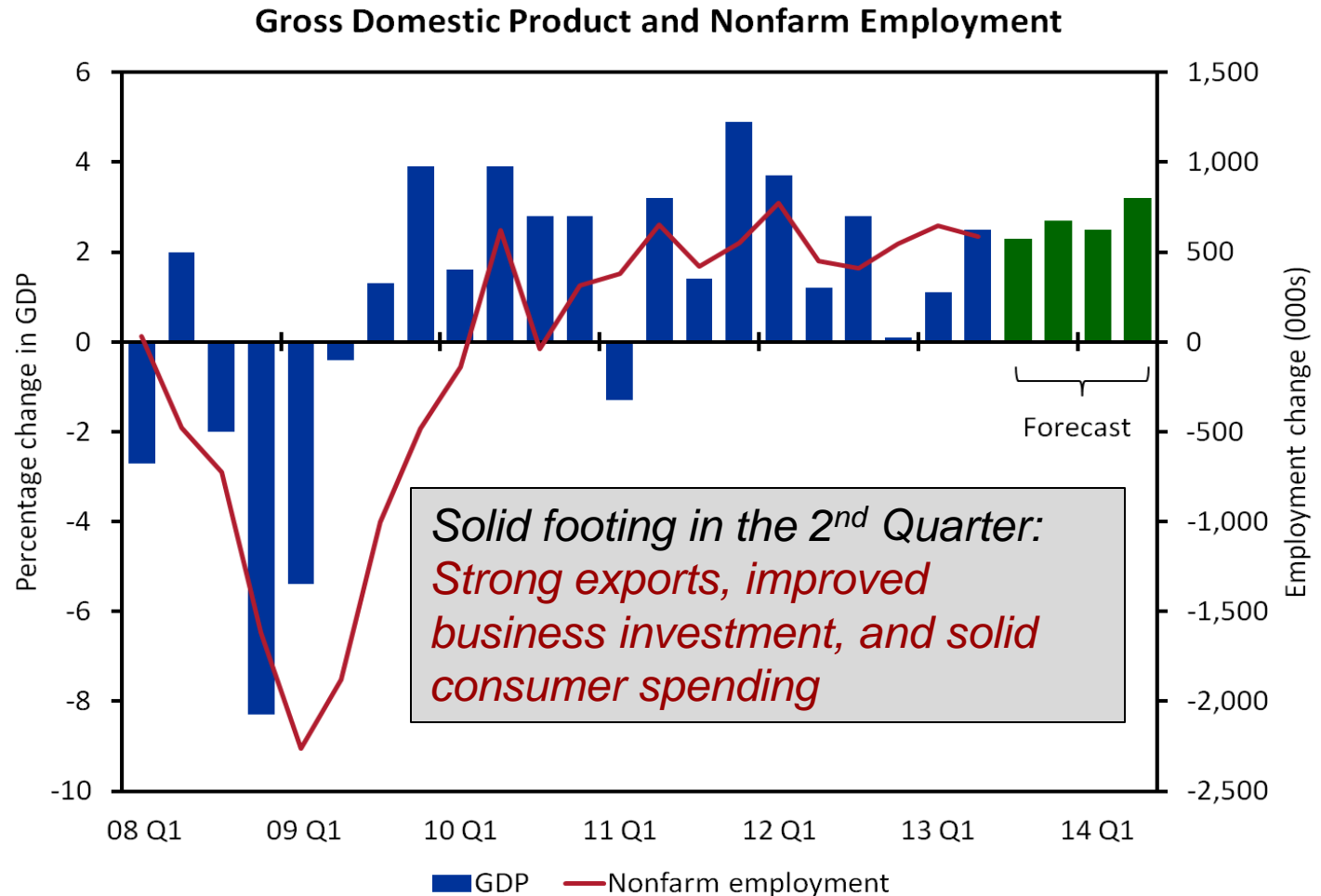
- Washington is doing exactly what it should not be doing.
- Michigan's performance and outlook are still promising.
- Local Situation – *Flat employment conditions*
- Reconsider the role of government
- Thoughts on Ogemaw County

# National setting

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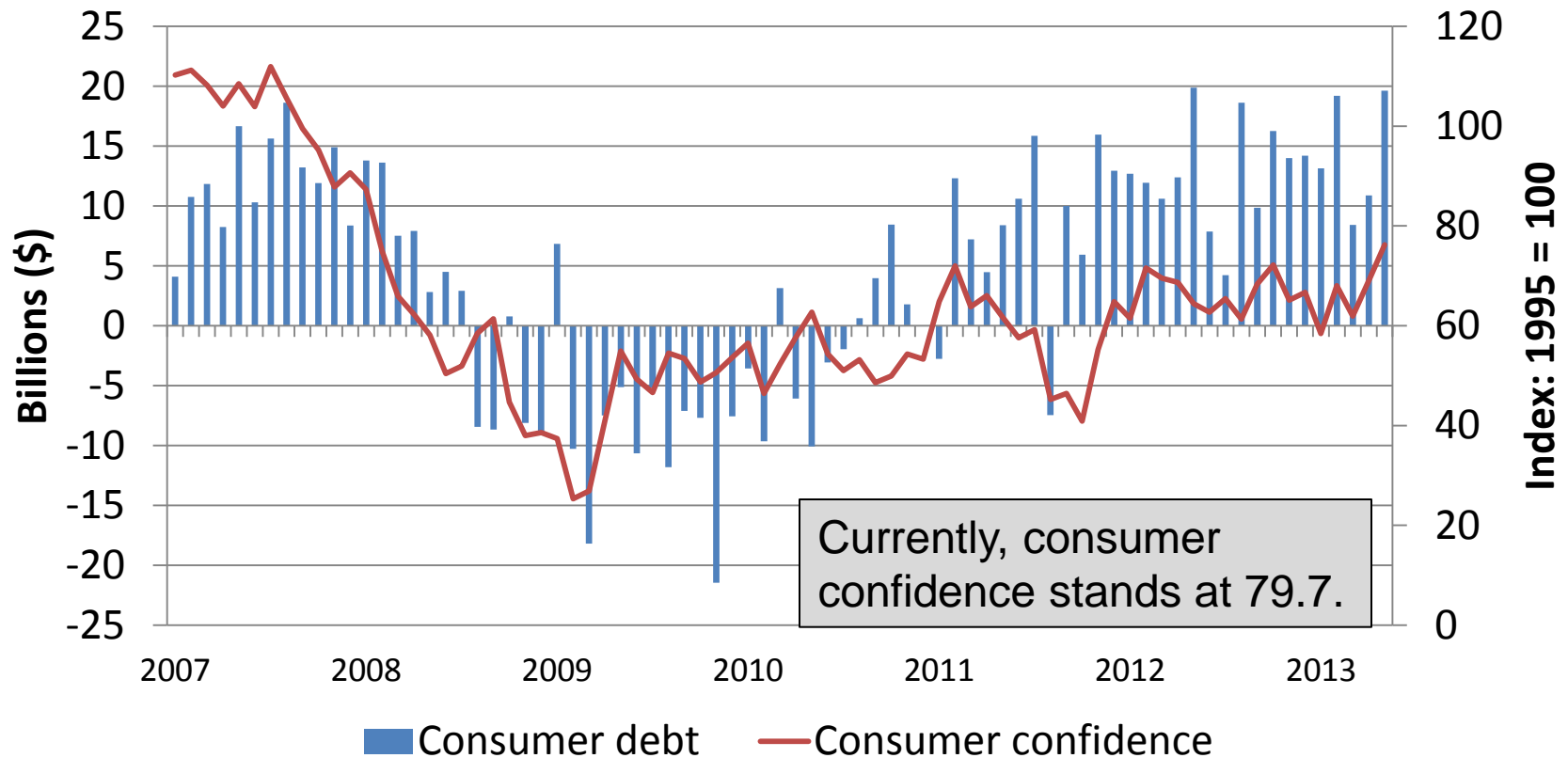
- The economy may not have enough strength to get around the mess created in Washington.
  - Consumer confidence is improving.
  - Three scary charts:
    - *Too many unemployed workers have been out of work for a long time.*
    - *Monetary policies have reached their limits.*
    - *Corporations could invest but are holding back.*

# GDP grew by 2.5 percent in the second quarter, and the forecast is positive.



# Consumers appear to be holding more debt and not feeling that good about it.

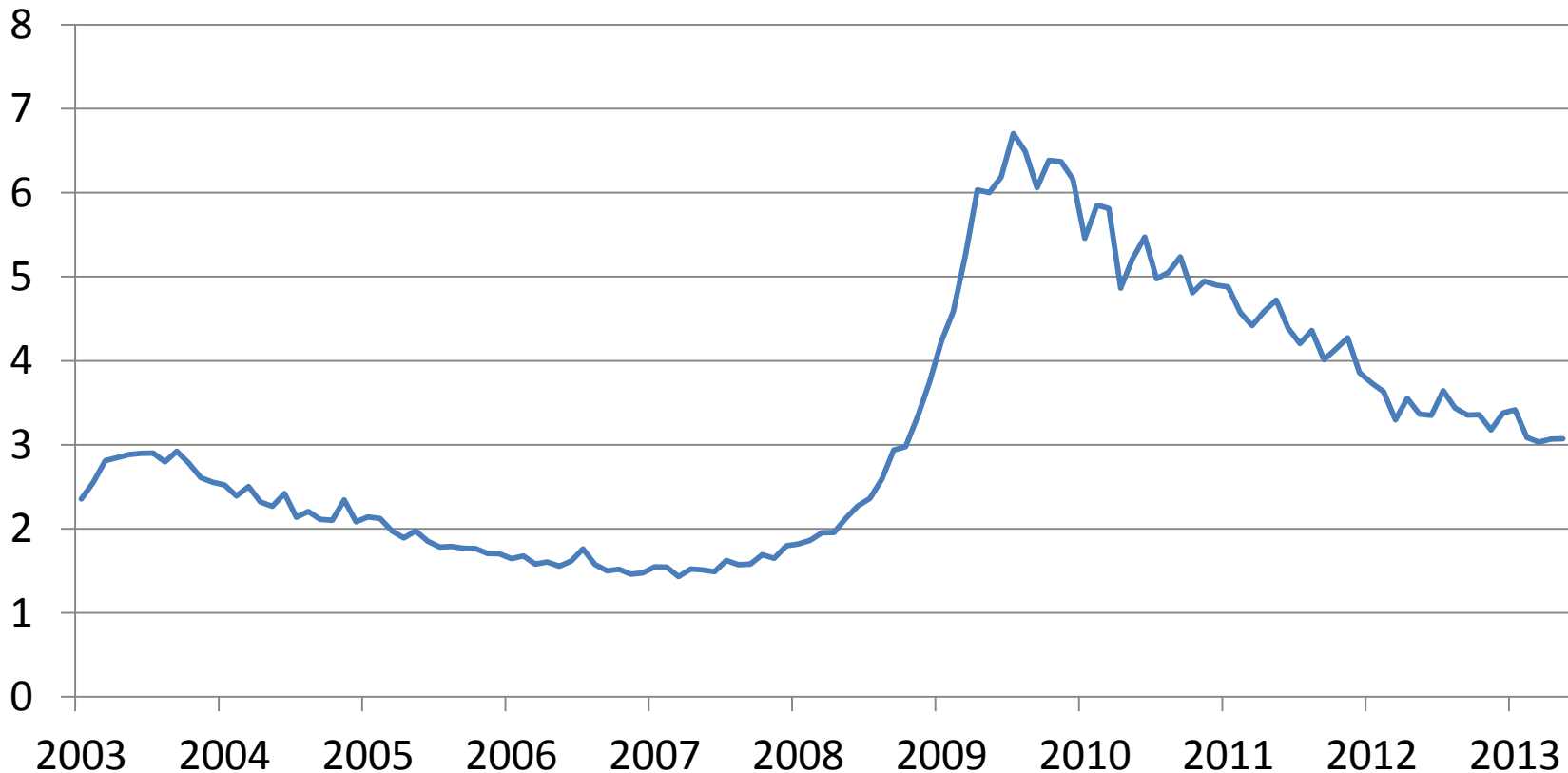
## Consumer Confidence and Change in Consumer Debt



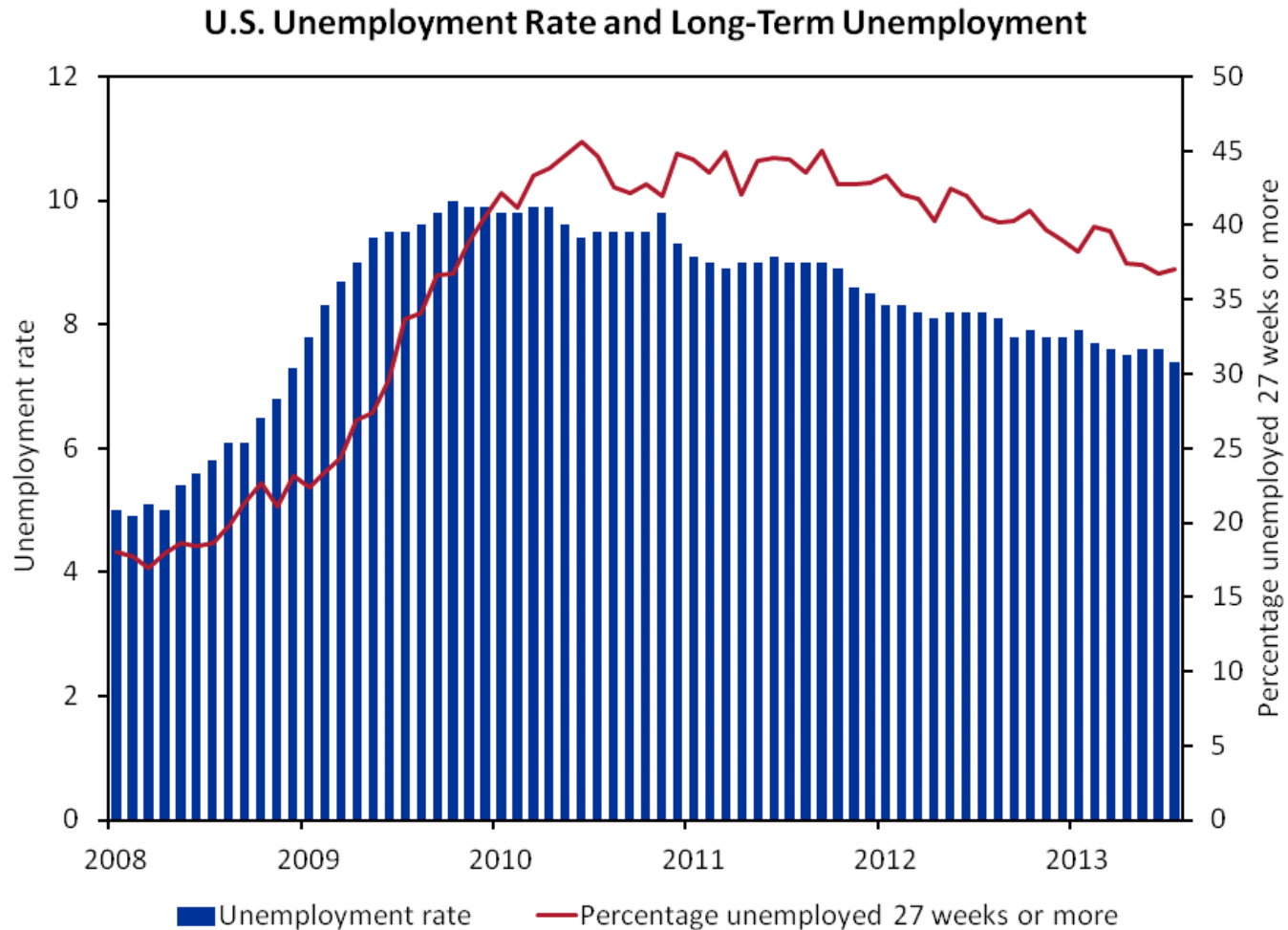
Source: Conference Board and the Federal Reserve.

Employment conditions have improved; however, the number of job seekers per opening is still double what it was in 2008.

**Number of Job Seekers to Job Openings**

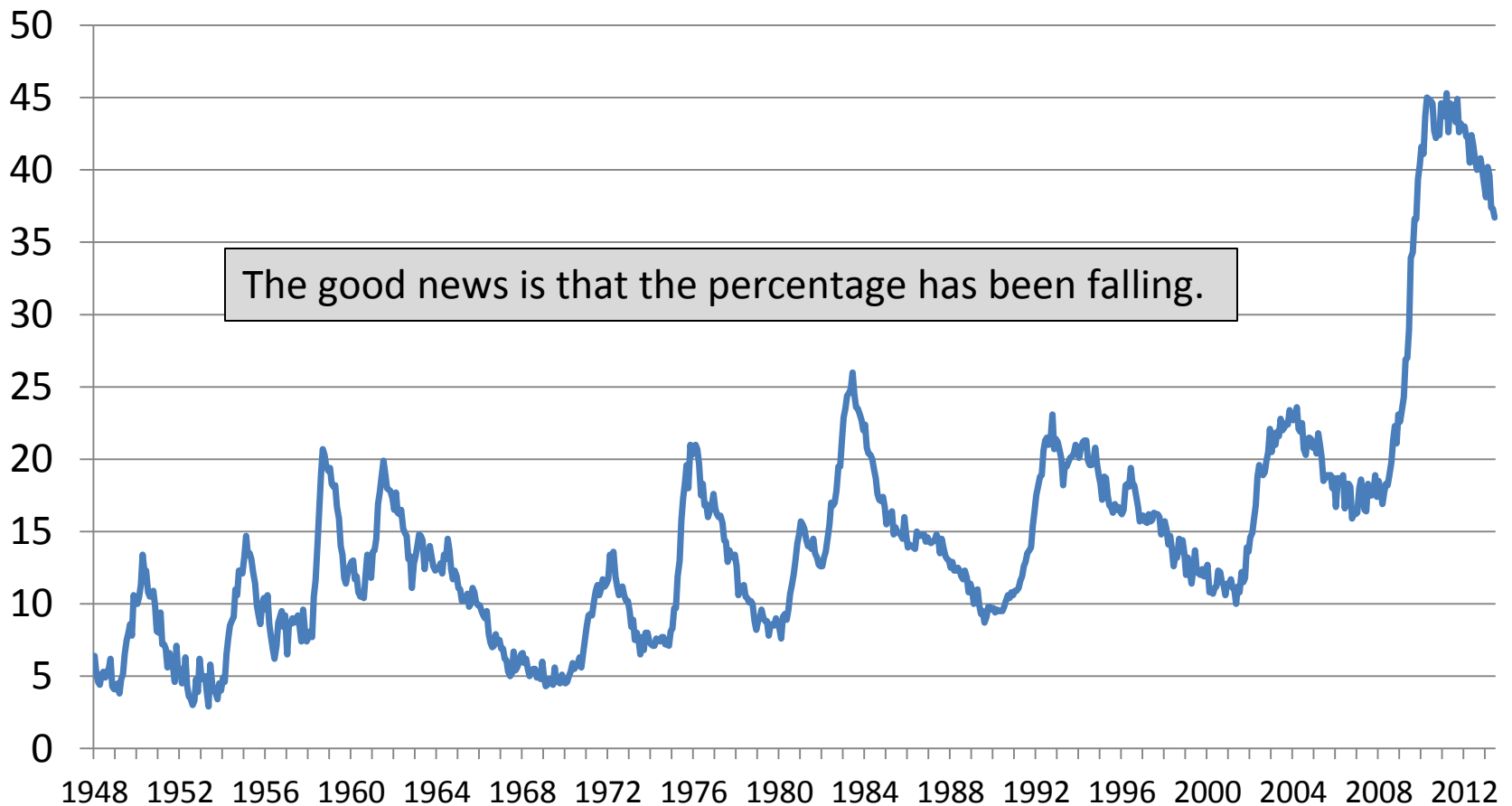


# Unemployment is falling, but there are still too many long-term unemployed workers.



# 1<sup>st</sup> Scary Chart: Being unemployed for more than six months is bad for your health.

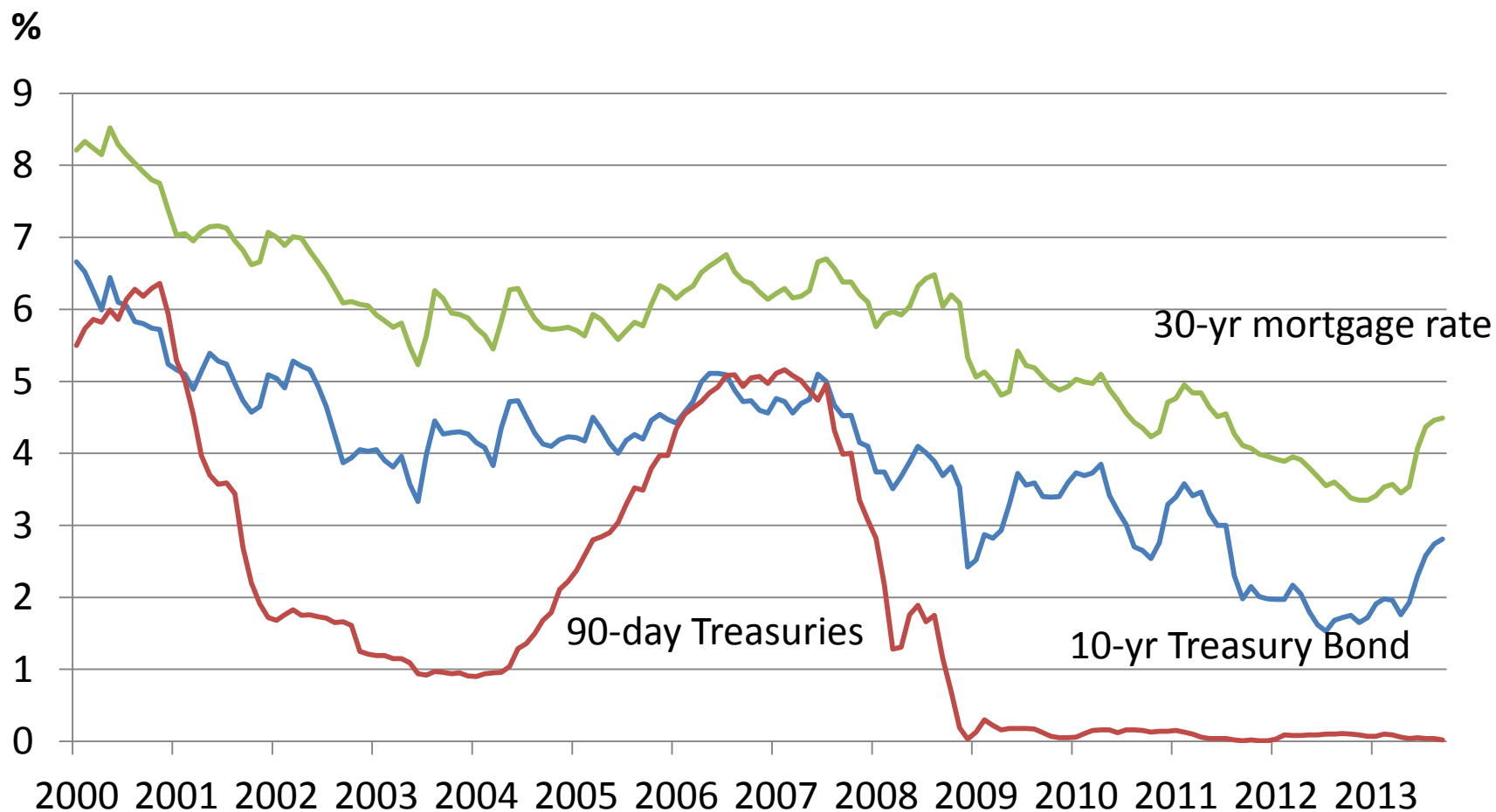
Percent Unemployed More than 27 Weeks



The good news is that the percentage has been falling.

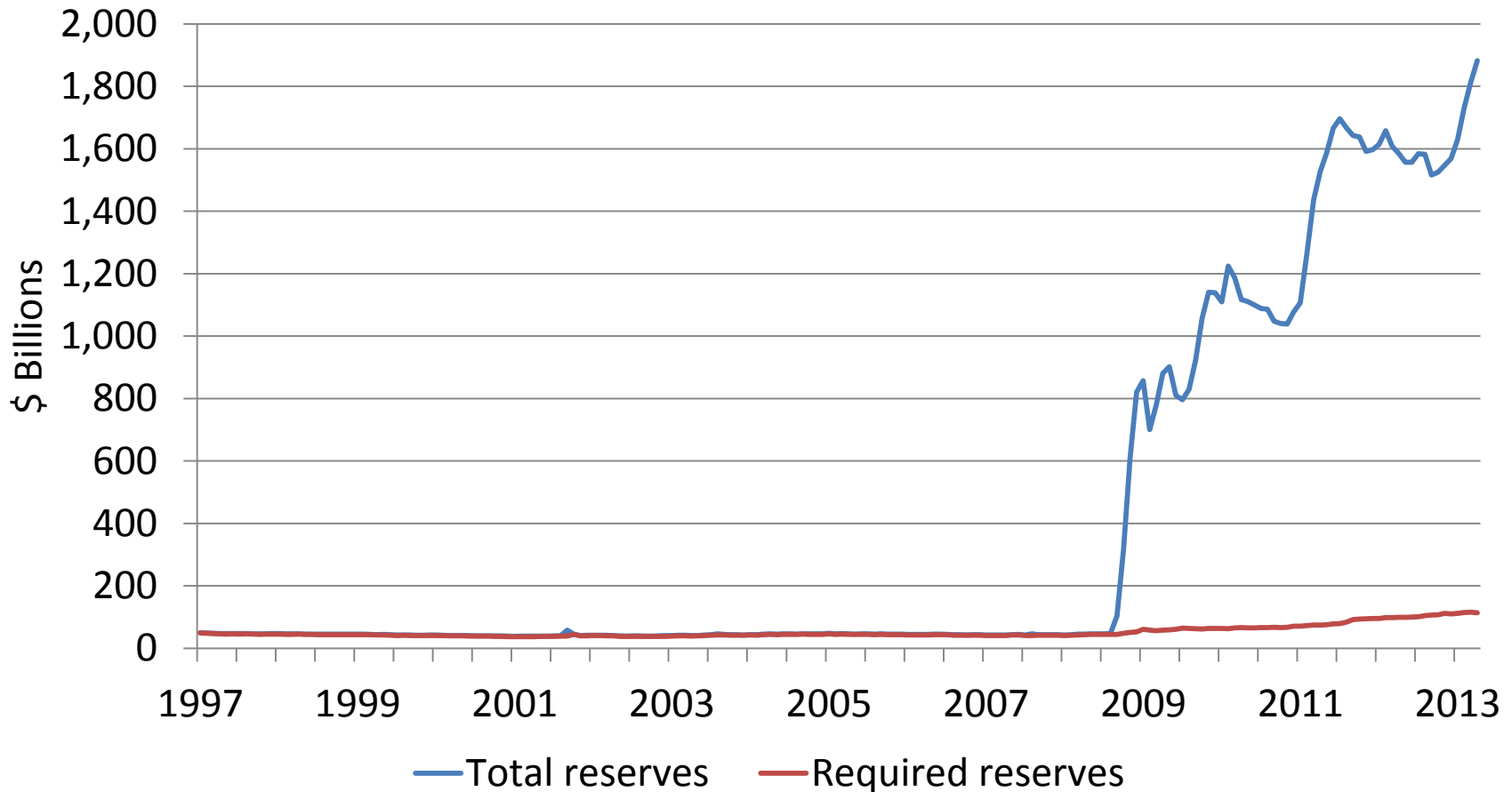


# Interest rates are moving upward but are still at historically low levels.



## 2<sup>nd</sup> Scary Chart: Banks are still holding more than a trillion dollars in excess reserves...and it is going up.

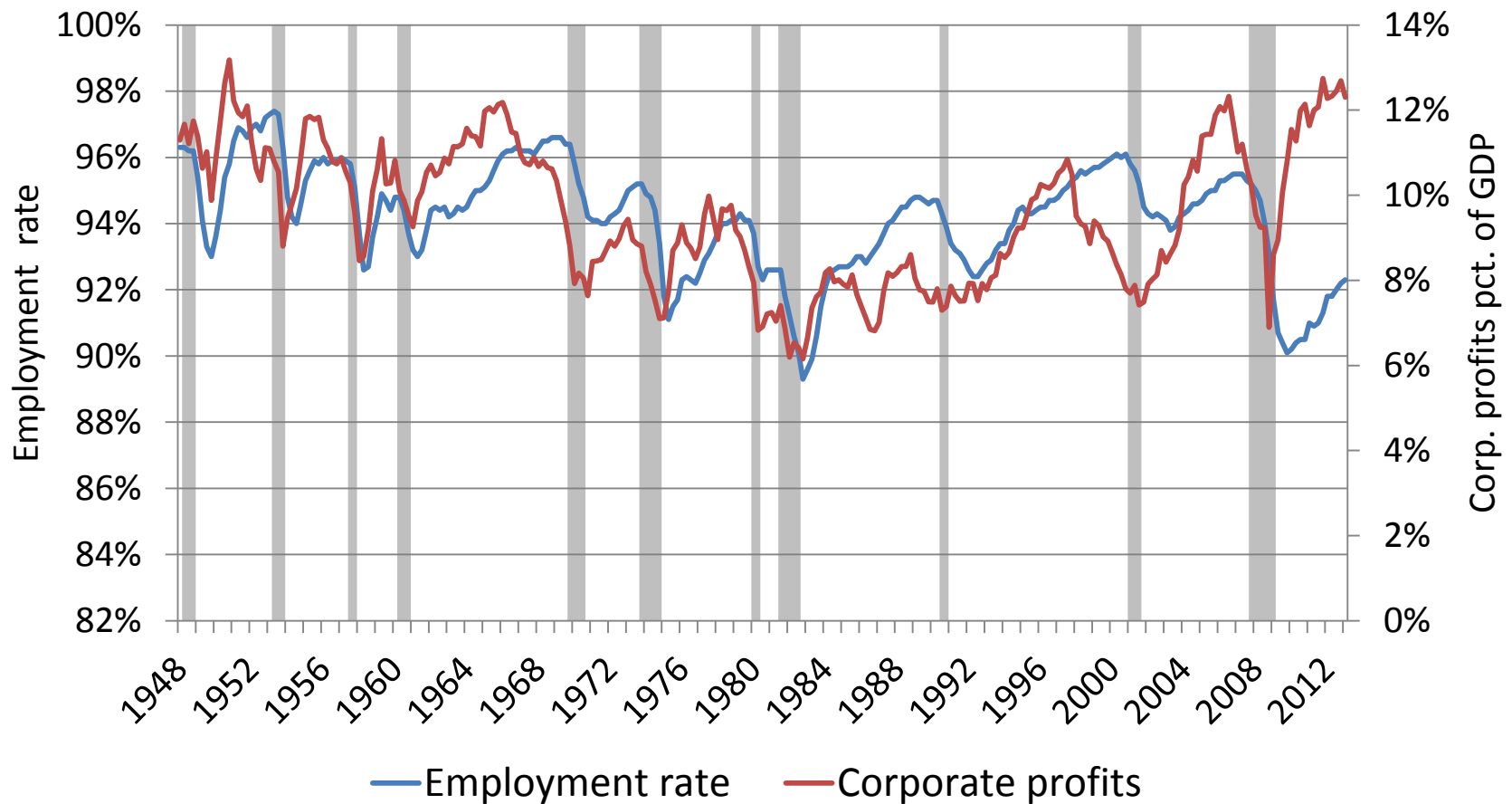
Total and Required Reserves at the Federal Reserve



Source: Federal Reserve.

# 3<sup>rd</sup> Scary Chart: Corporations are making money without hiring workers—a clear break from past years.

## Employment Rate and Corporate Profits



# Last words on the national economy

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It is hard to clearly identify a strong growth engine.

- International markets look stable at best.
- Consumer demand is expected to remain constant.
- Business investment remains pretty quiet.
- Government has become the unwelcomed player.

# Turning to Michigan

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- 2012 Employment Growth:
  - 71,410 total jobs created, up 1.8%
  - 27,260 manufacturing jobs, up 5.3%
- As of July of this year:
  - 40,800 jobs have been created
  - 10,300 manufacturing jobs
- U of M's Forecast is **positive**.
  - 69,300 additional jobs in 2013
  - 54,900 additional jobs in 2014

# During the past four quarters, the state's employment has increased by 42,000.

Employment Change, 2<sup>nd</sup> Quarter 2012 to 2<sup>nd</sup> Quarter 2013

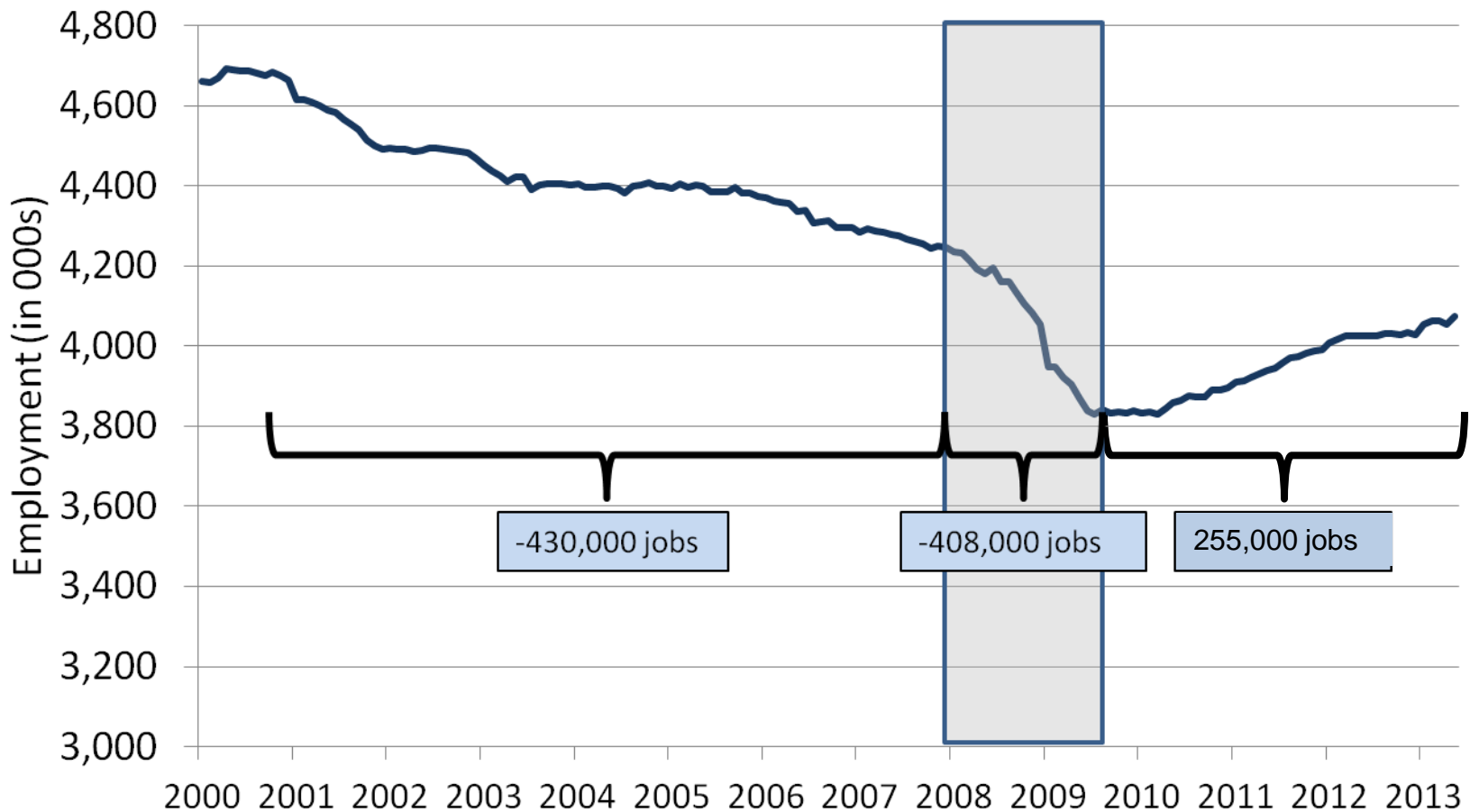


Source: Michigan Labor Market Information, CES.

Employment has expanded since the end of the recession.

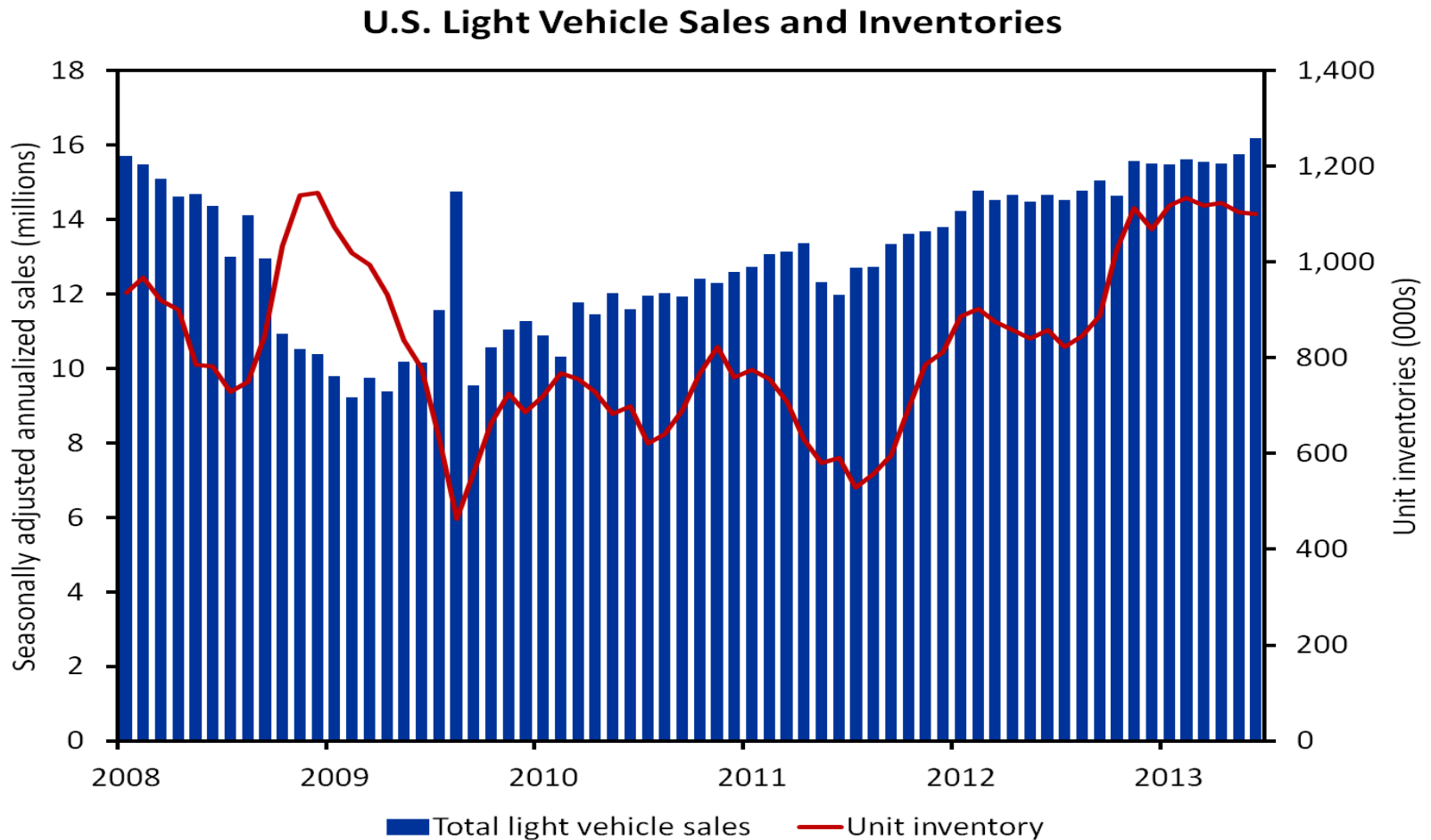
*Since July 2009, employers have added 255,000 jobs.*

However, 408,000 jobs were lost during the recession.



Source: BLS and Upjohn Institute.

# Auto sales continue to pick up.



Source: BEA.



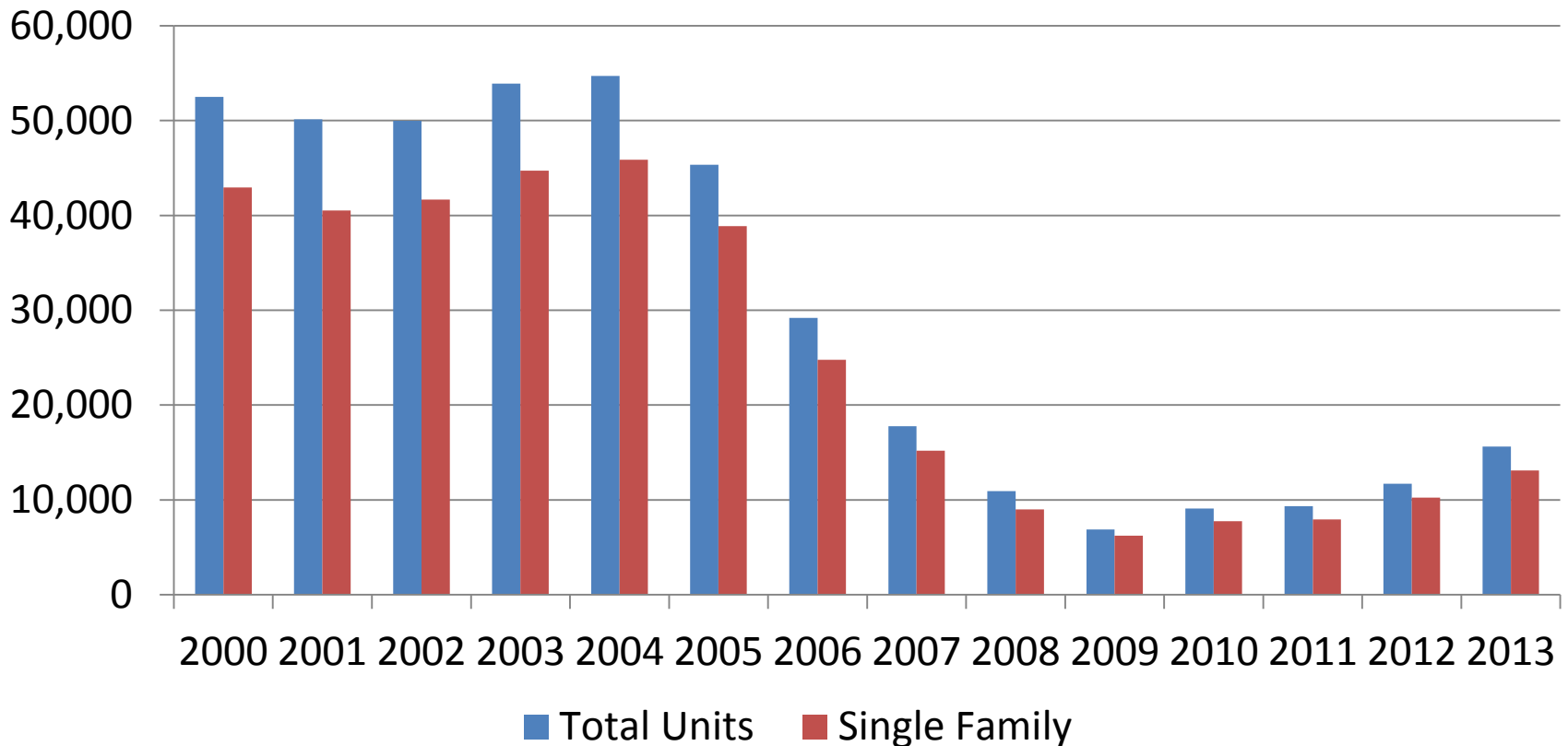
# The auto outlook is promising.

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- The current fleet on the road is old, very old—*11.4 years.*
- Incentives are back.
- Trade-in values remain strong.
- New selections – *There will be 40 new launches in 2014.*
- Financing is available.

# Construction activity has a long way to go.

## Number of Building Permits Issued\*



\* 2013 estimate based on activity during the first 5 months.

Source: U.S. Census.

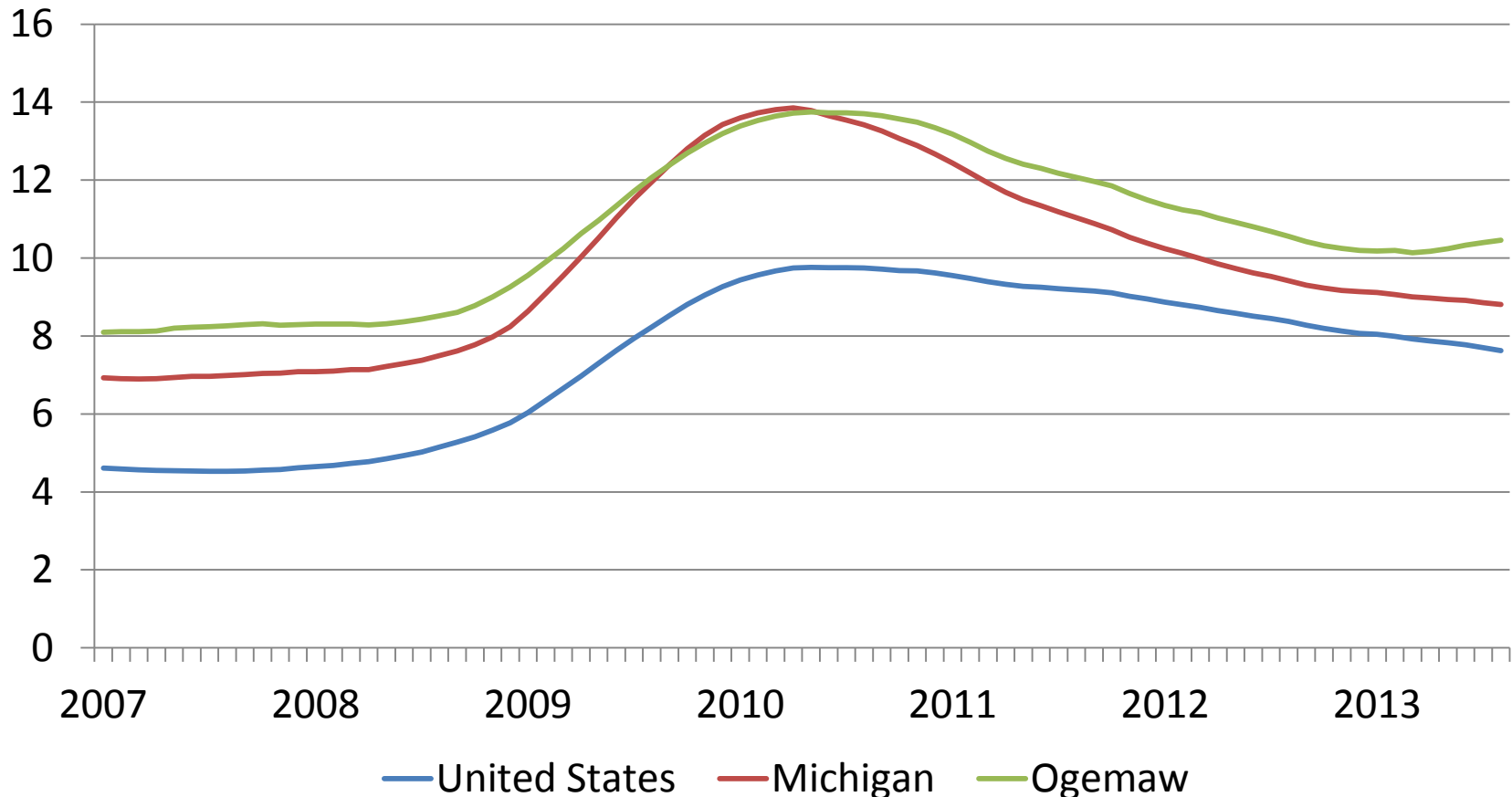
# Turning to Ogemaw County

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- Unfortunately, employment conditions are flat.
- The county is a service-based economy, with manufacturing playing a small role.

# The recent uptick in the unemployment rate is worrisome.

Unemployment Rate, 2007-Present (12-month moving average)



Source: MI Labor Market Indicators, Local Area Unemployment Statistics.

Unemployment is dropping, but not in a good way.  
*Workers are leaving the workforce and not finding jobs.*

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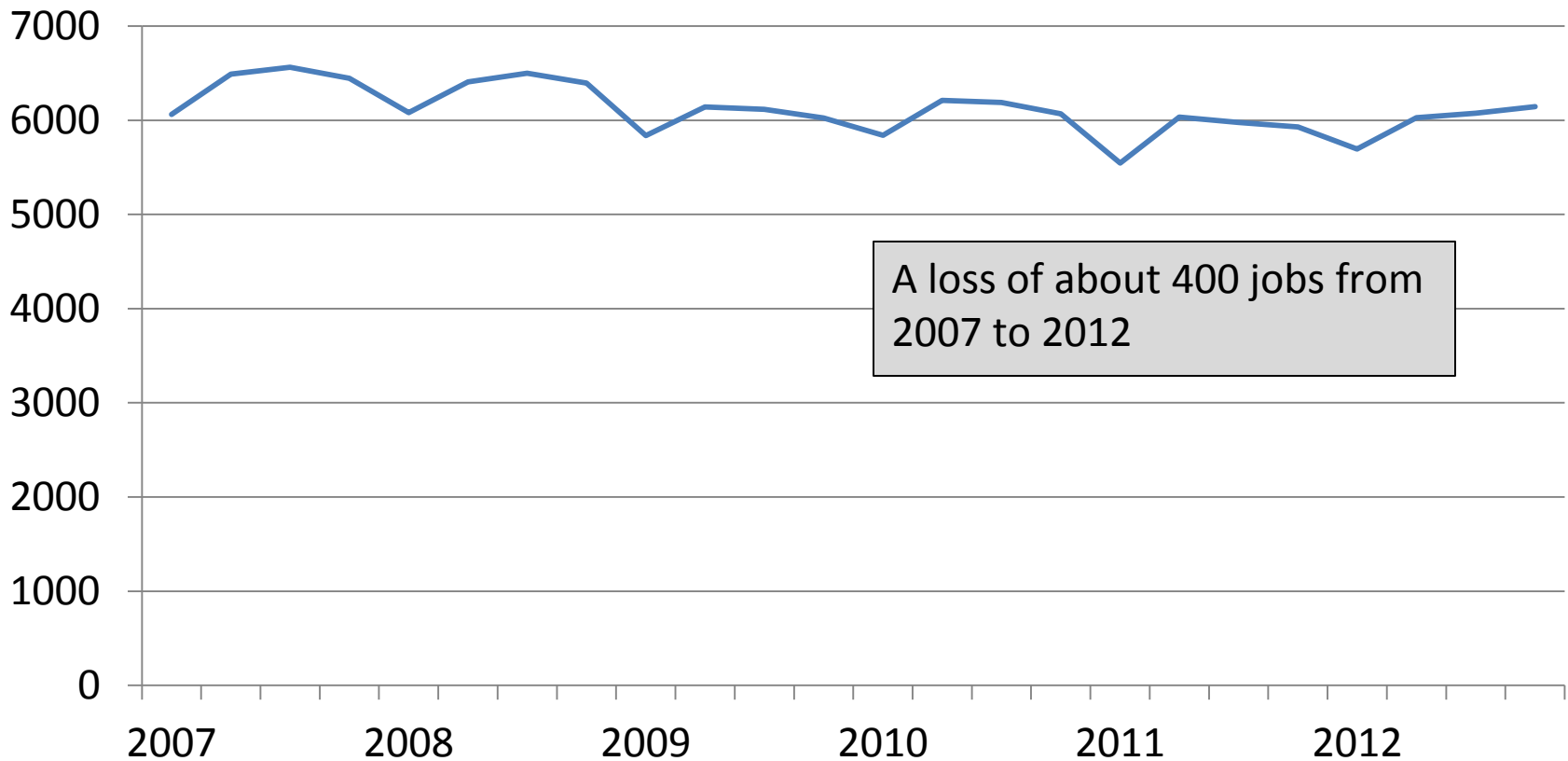
Ending in August	12-month Change in:		
	Labor Force	Employment	Unemployed
2013	-34	-90	56
2012	-216	-55	-161
2011	-154	-23	-131
2010	-121	-69	-52

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Note: These are data on working-age residents. Employed residents could work outside the county.

# Total employment in the county, by place of work, has been flat.

## Total Employment, 2007-2012

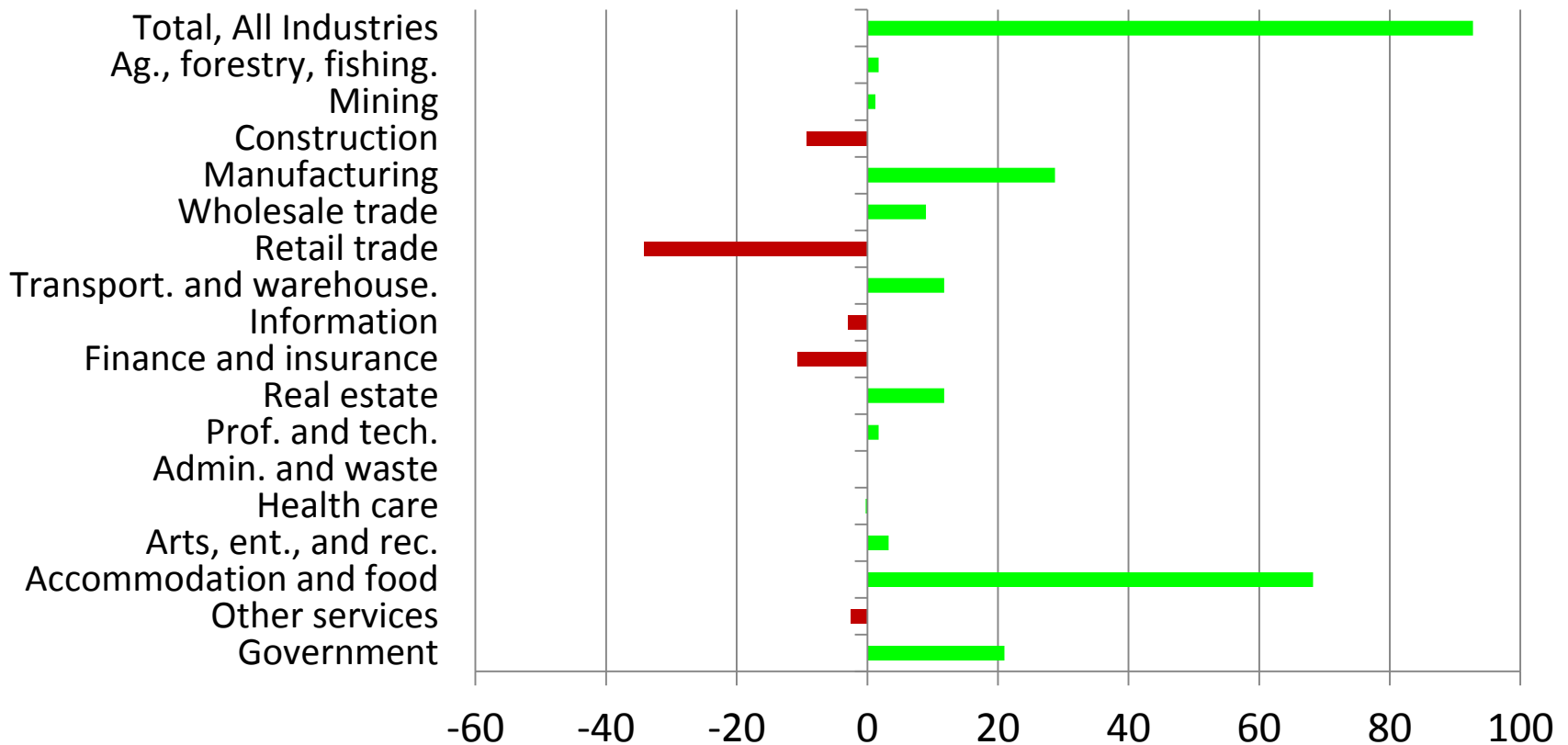


A loss of about 400 jobs from 2007 to 2012

Source: MI Labor Market Indicators, Quarterly Census of Employment and Wages.

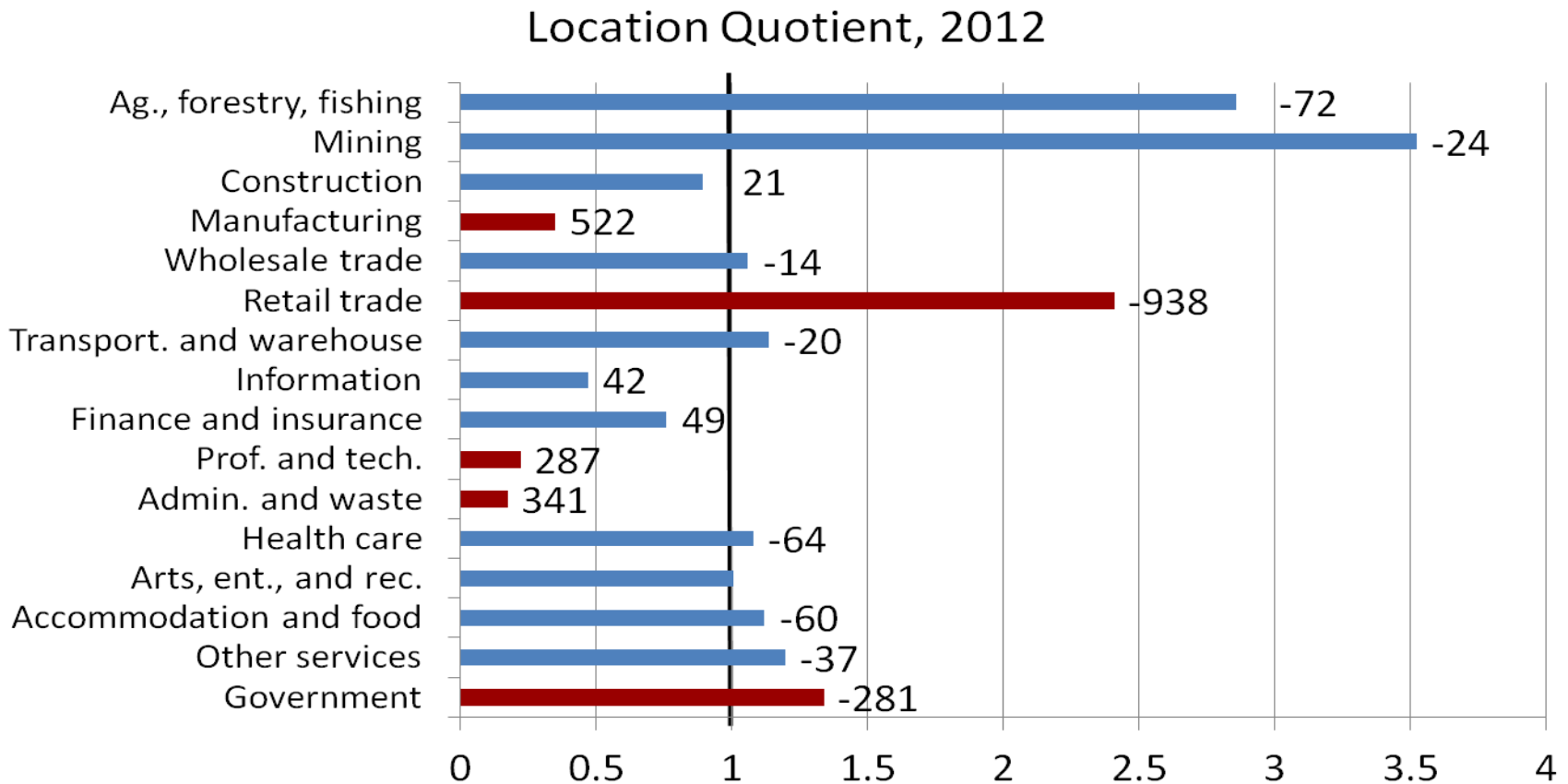
# Still, in the past year, 90 jobs have been created.

Industry Employment Change, 2011-2012



Source: MI Labor Market Indicators, Quarterly Census of Employment and Wages

# The county relies more on retail and government for employment opportunities than the state as a whole.

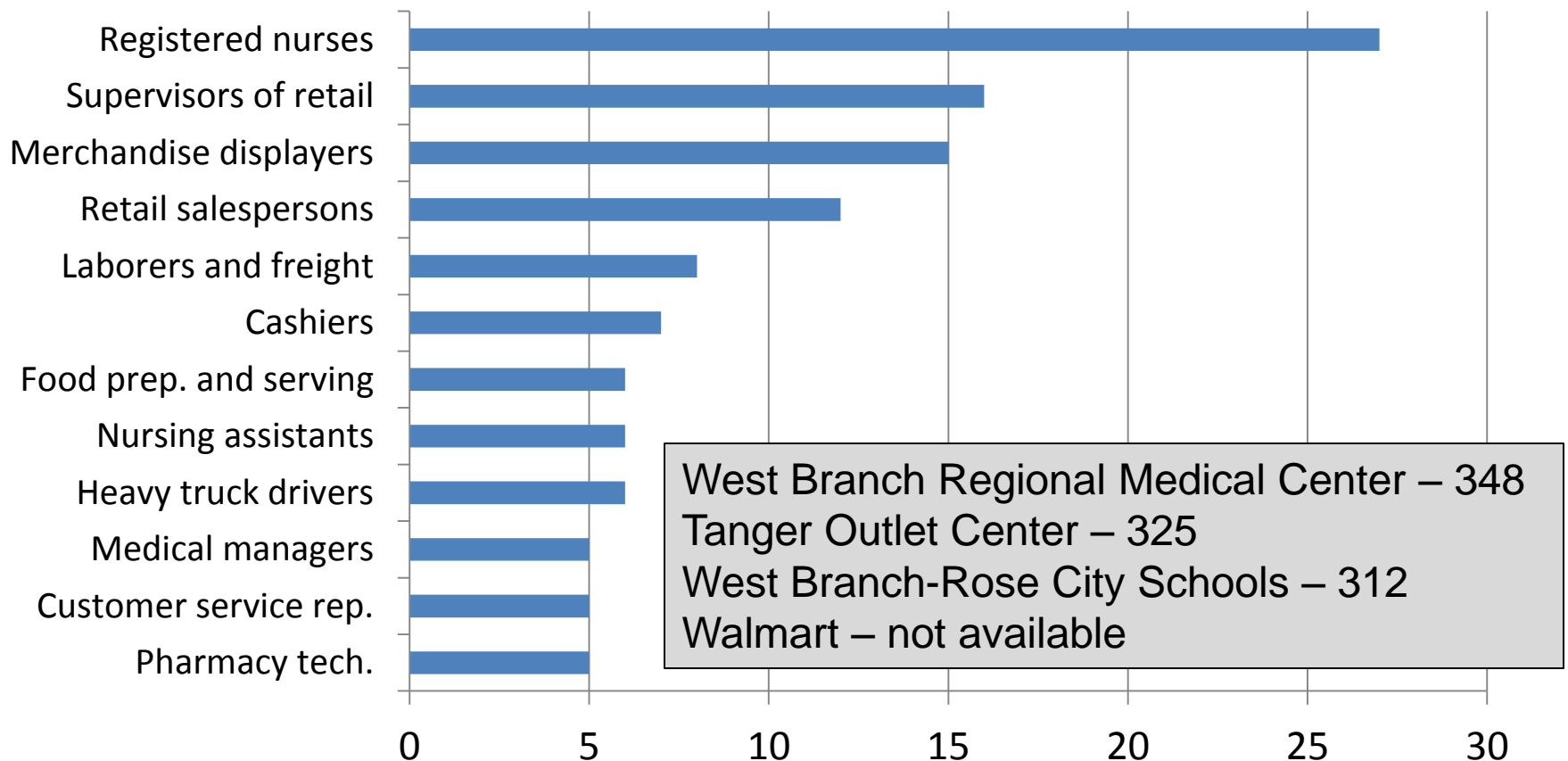


Source: MI Labor Market Indicators, Quarterly Census of Employment and Wages.



# Job openings are in medical and retail, including food services.

Top job postings, previous 3 months



Source: Burning Glass Labor Insight.

# Role of Government

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- I think there is general agreement that Government should provide:
  - Defense – Protection of freedoms (however, the level is debatable)
  - A fair legal structure
  - A monetary system
  - Public goods – Goods that would be ill provided by individuals/companies on their own.
    - Transportation
    - Education
    - Safety Inspections
    - Parks

# Role of Government

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- Not so much agreement:
  - Social welfare programs such as social security, Medicare, Medicaid, food stamps, general public assistance, unemployment insurance
    - Worries about incentives
    - Worries about equity
    - Worries about spillover effects – *Who pays for overutilization of emergency rooms and overcrowded prisons?*

# Role of Government

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- Not so much agreement:
  - Economic Policy: Countercyclical activity
    - Tax cuts vs. government spending - *Tax cuts are seldom temporary.*
    - Targeting or subsidizing industries – *Agricultural price supports*
    - Cyclical deficits vs. structural deficits

# Role of Government

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- However, everyone will agree that government should NOT add uncertainty to the economic system.

There can be honest disagreement about tax policy and its potential impact on business activity.

*It is in the interest of no one for government to raise the level of uncertainty to such heights that it negatively impacts businesses and consumers.*

# Closing Thoughts

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- West Branch and Ogemaw County should work to remain a place to visit “up north.”
- With easy access to I-75 and rail, West Branch remains attractive to manufacturers, especially automotive suppliers.
- What about retirees?

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