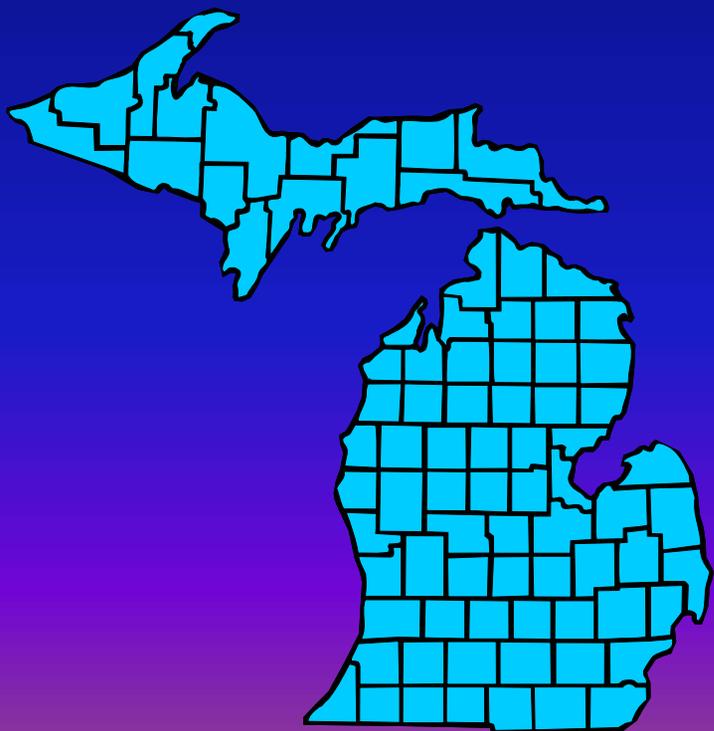


The Economic Outlook for Michigan

Michigan Department of Environmental Quality

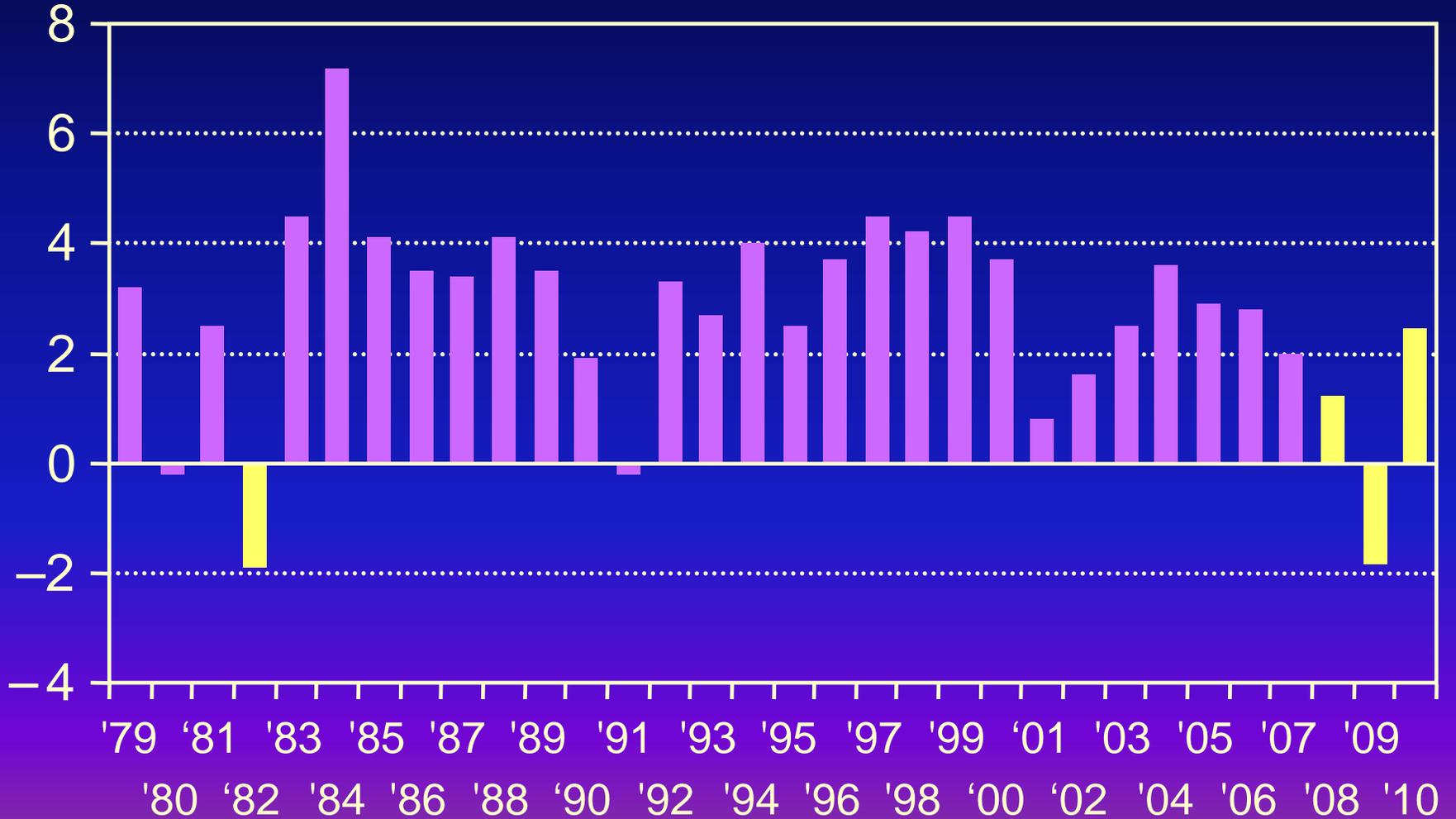


February 19, 2009

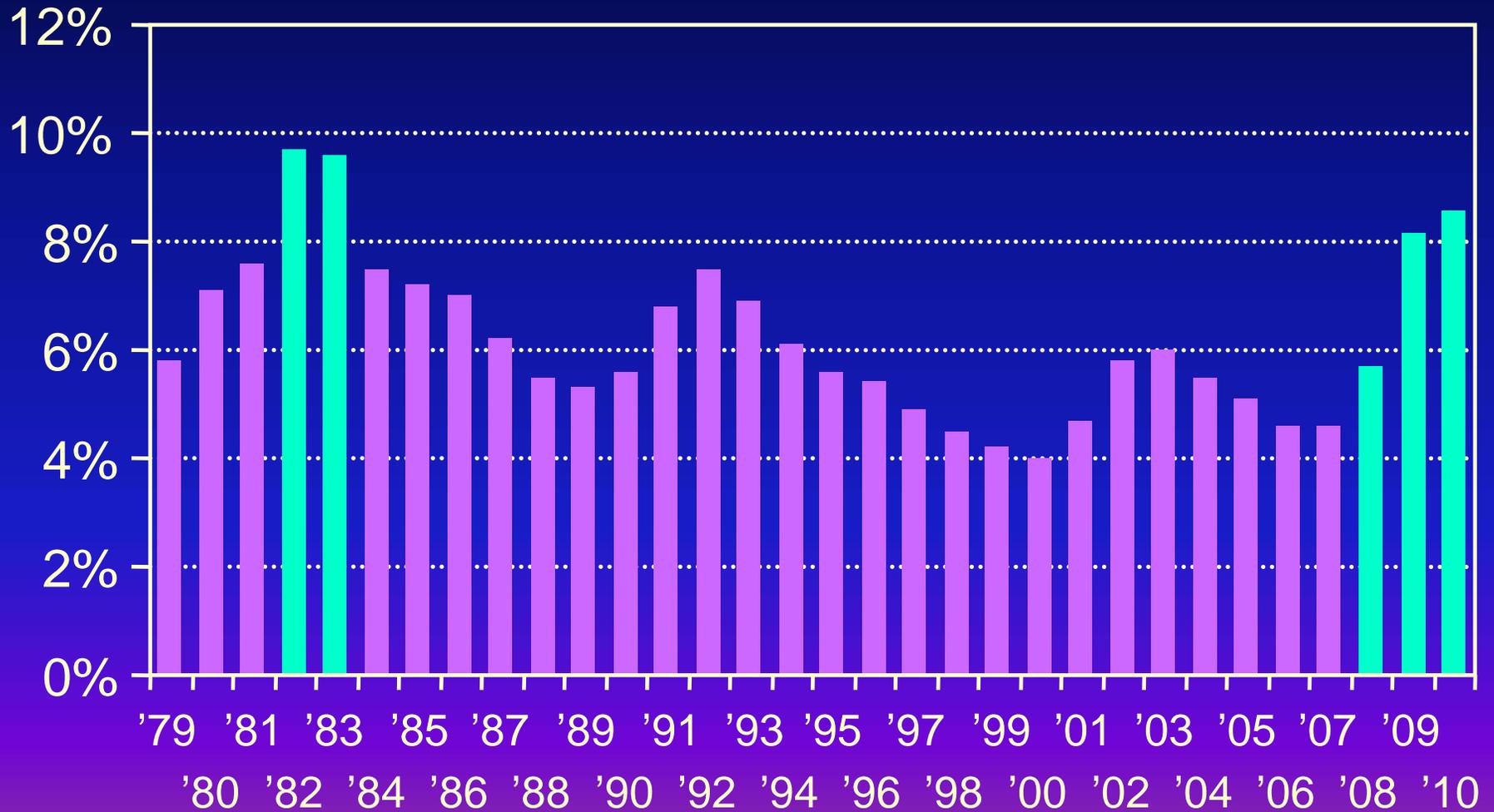
Donald R. Grimes
University of Michigan

Percentage Change in Real GDP, 1979–2010

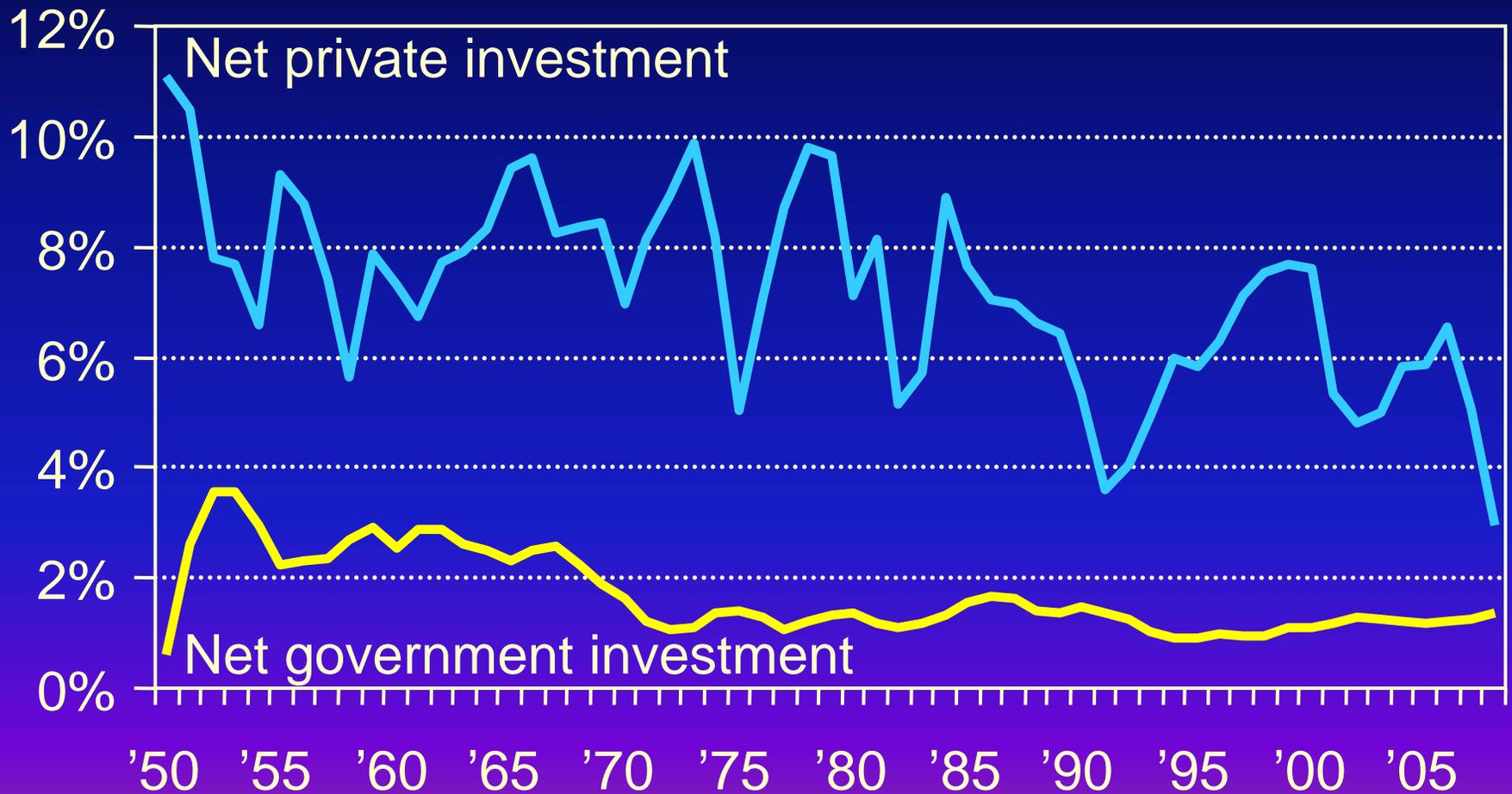
% Change



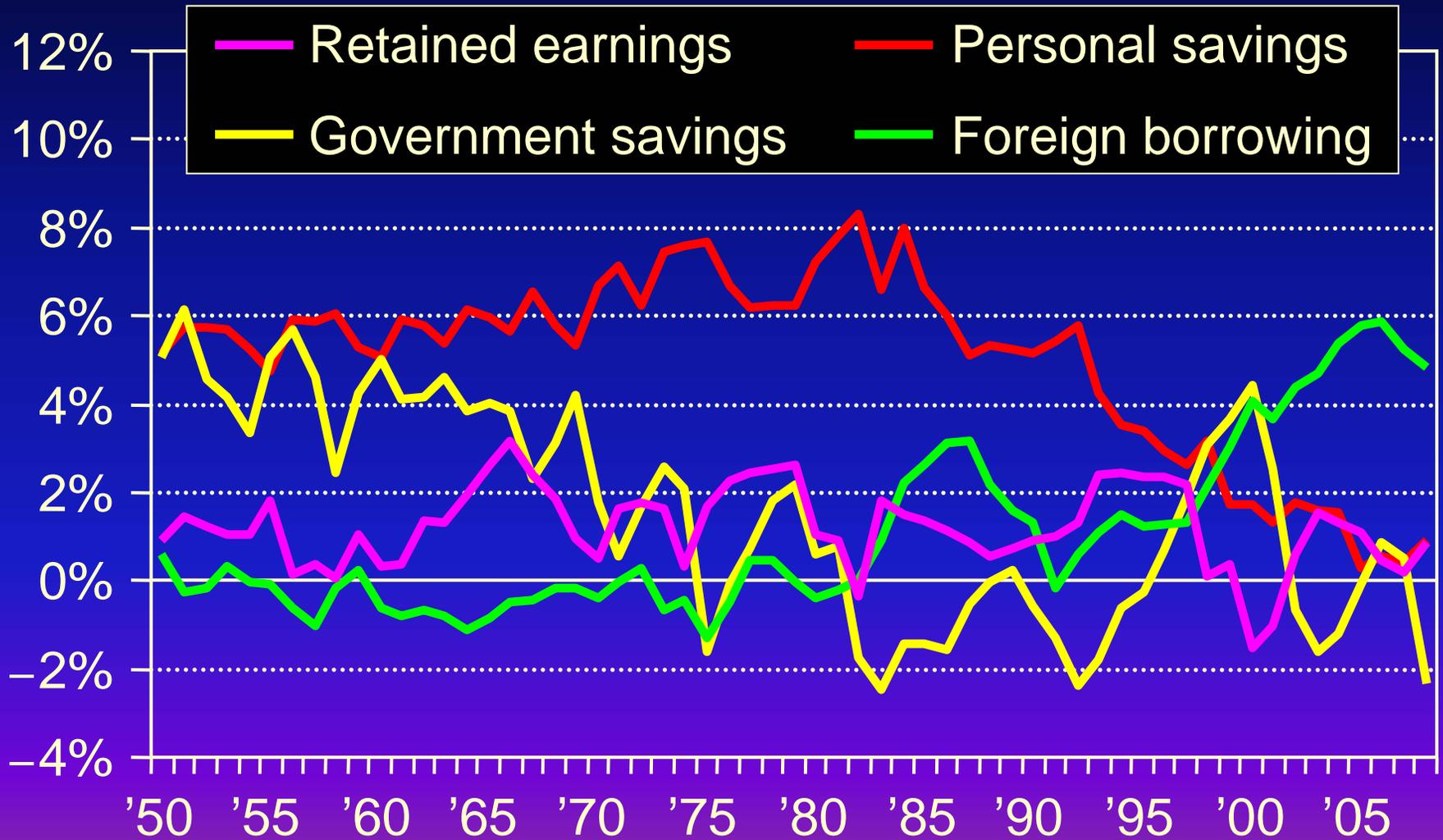
U.S. Unemployment Rate, 1979–2010



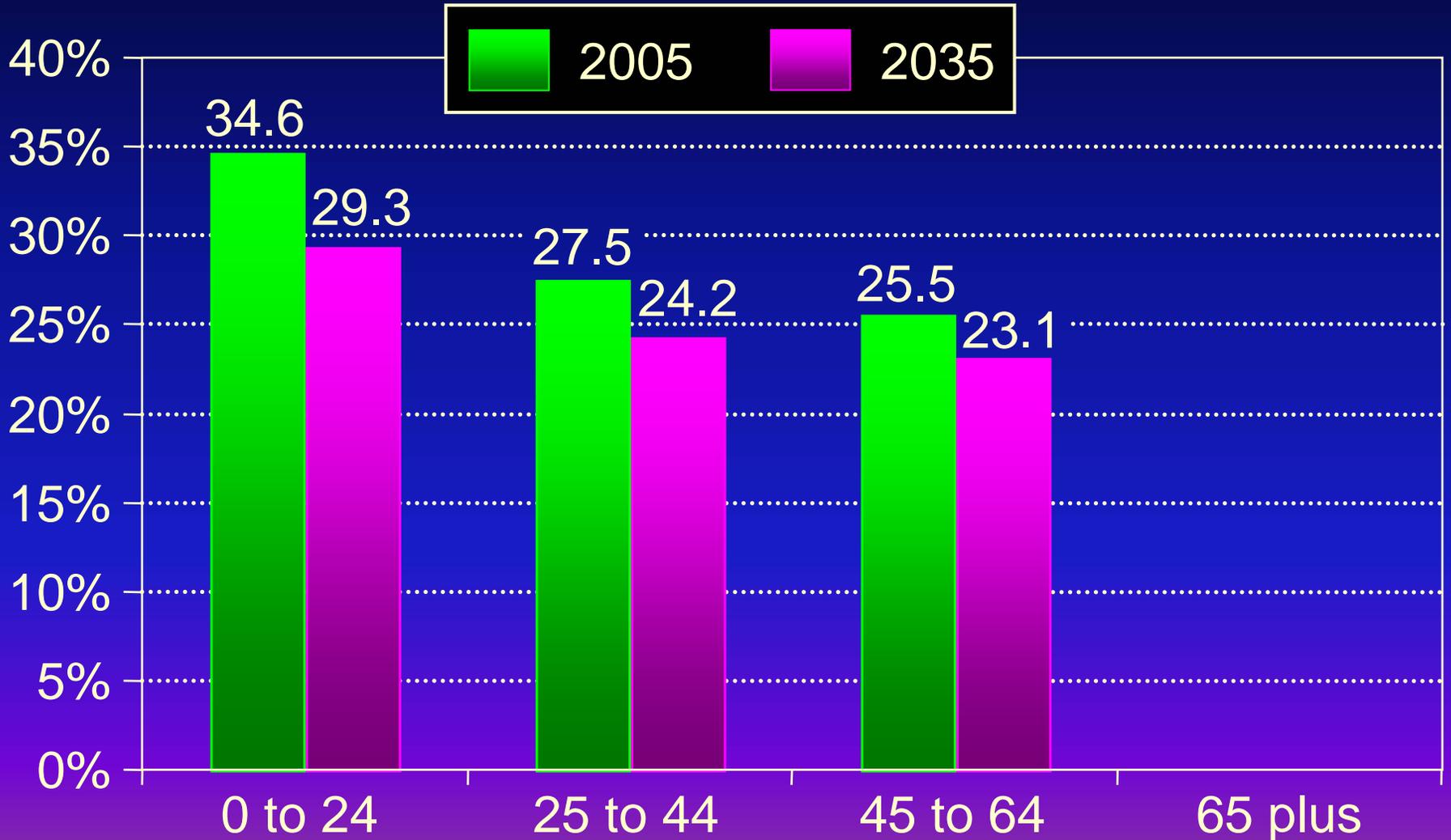
Net Investment in the United States As a Share of GDP, 1950 to 2008



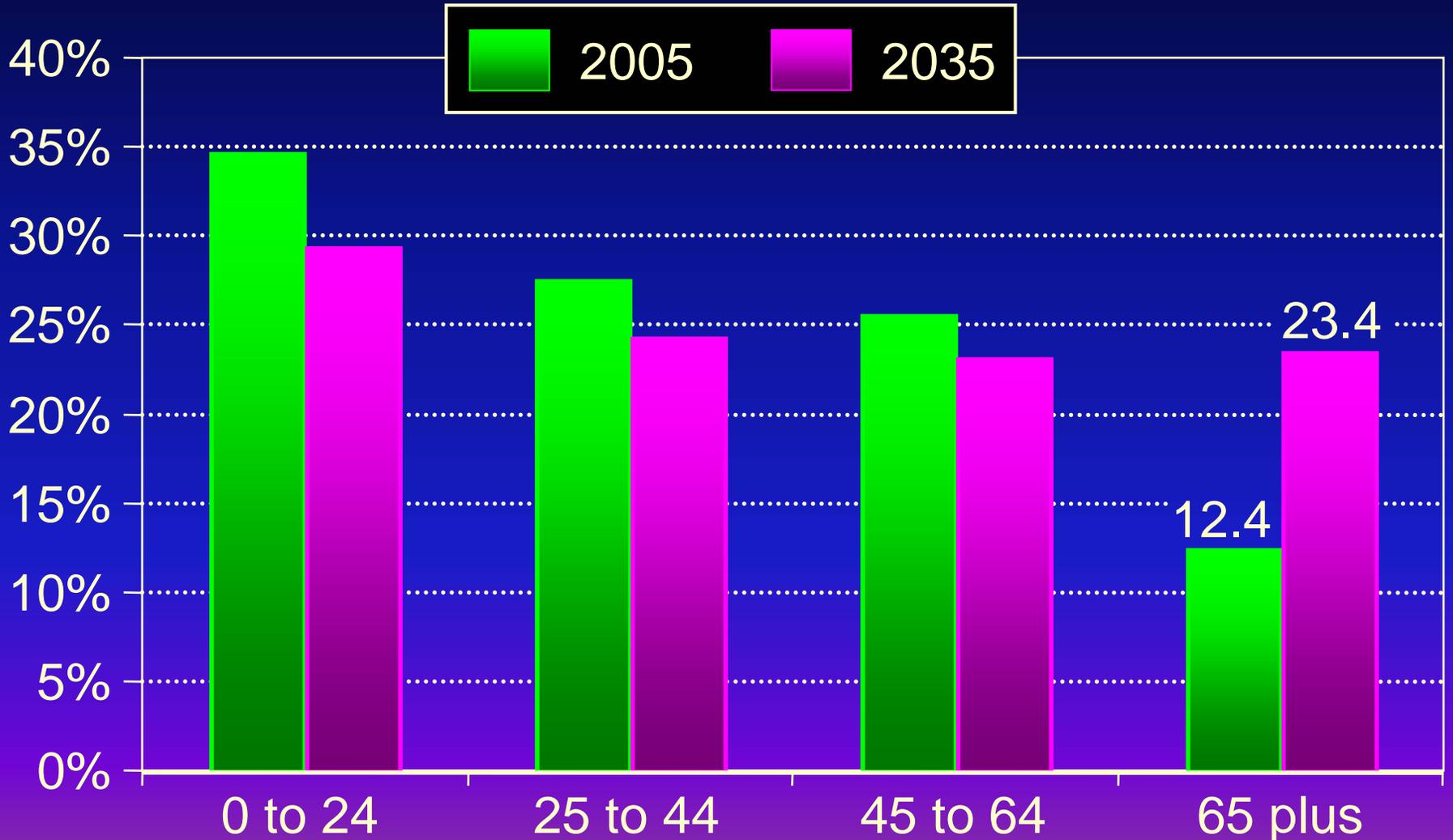
Sources of Savings for the United States As a Share of GDP, 1950 to 2008



Population Distribution by Age Group Michigan, 2005 and 2035



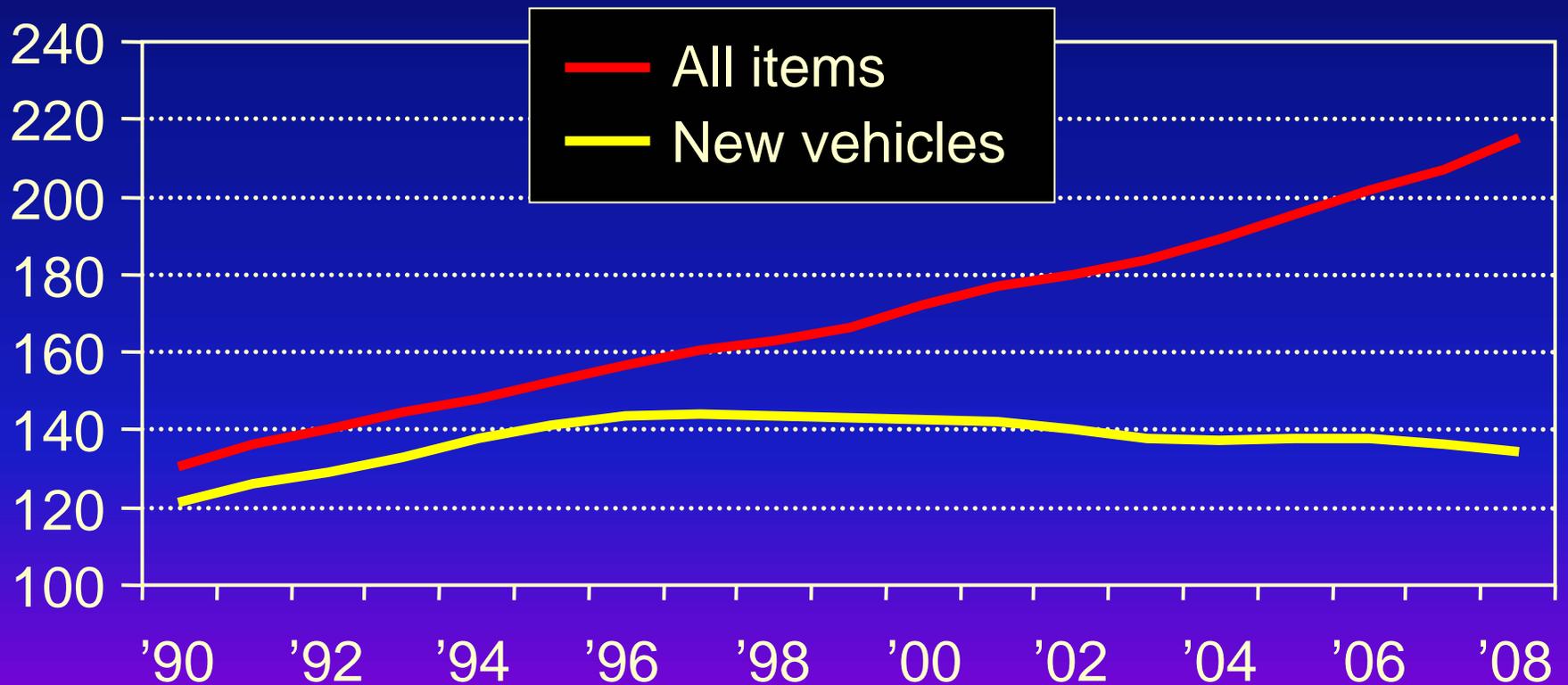
Population Distribution by Age Group Michigan, 2005 and 2035



- We are getting much older. By 2035, more than 23 percent of Michigan's residents will be 65 or older.
- Compare this with the situation in Florida today. In the state known as "God's waiting room," 17 percent of the residents are 65 or older.

Comparison of Price Inflation for CPI All Items and New Vehicles, 1990–2008

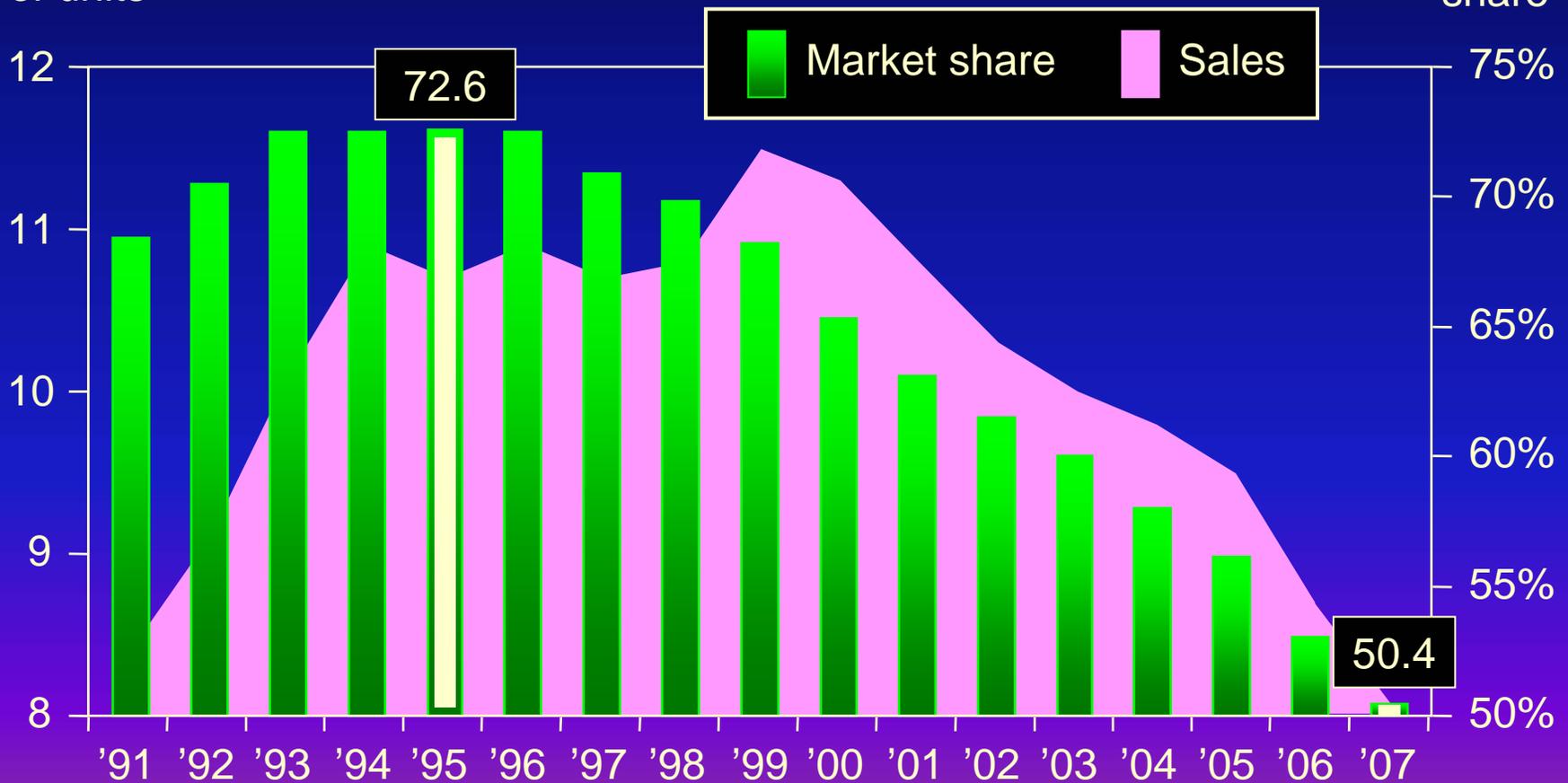
Average 1982–84 = 100



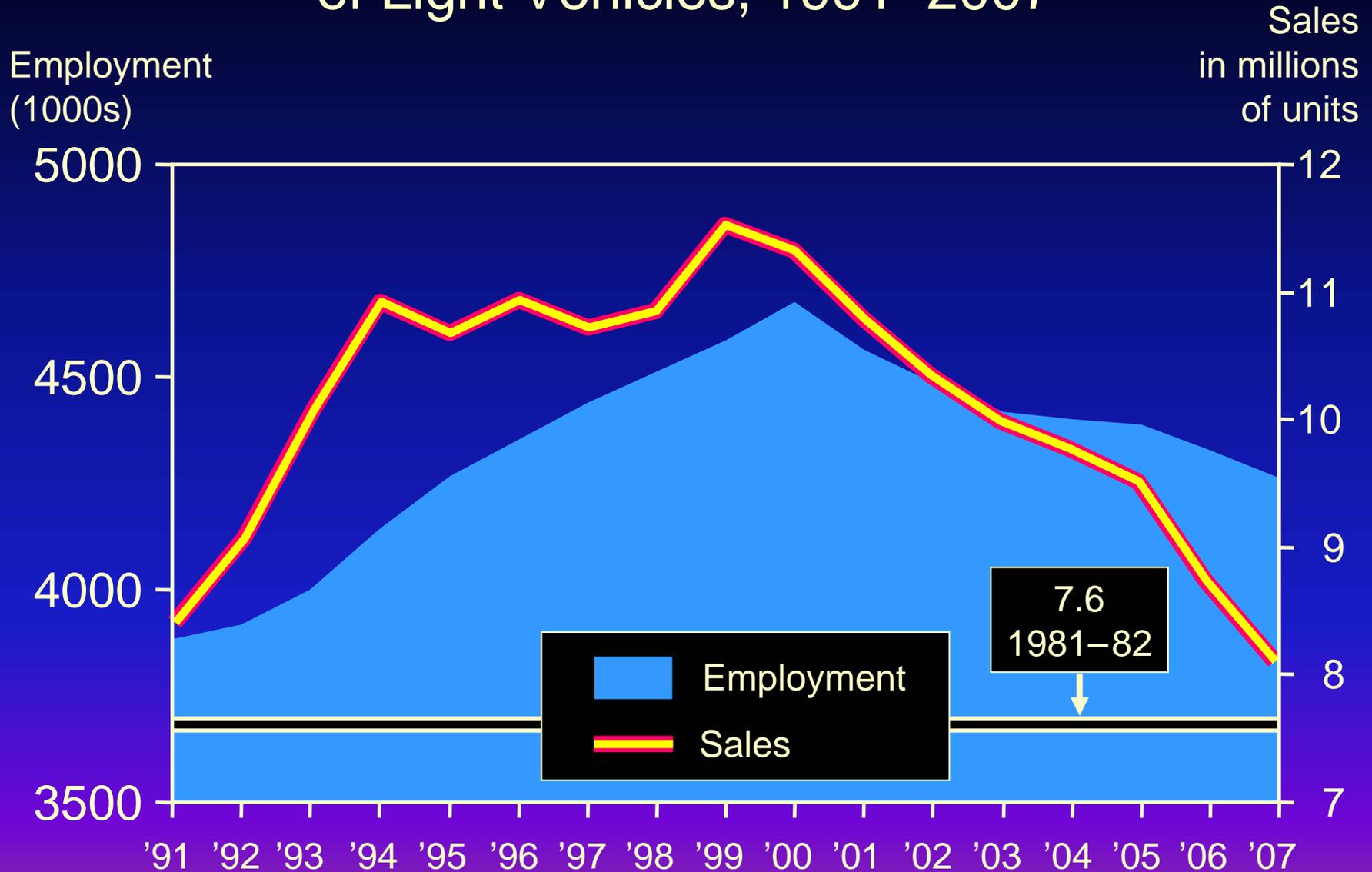
Detroit Three: Sales of Light Vehicles and Market Share of Total Sales United States, 1991–2007

Sales
in millions
of units

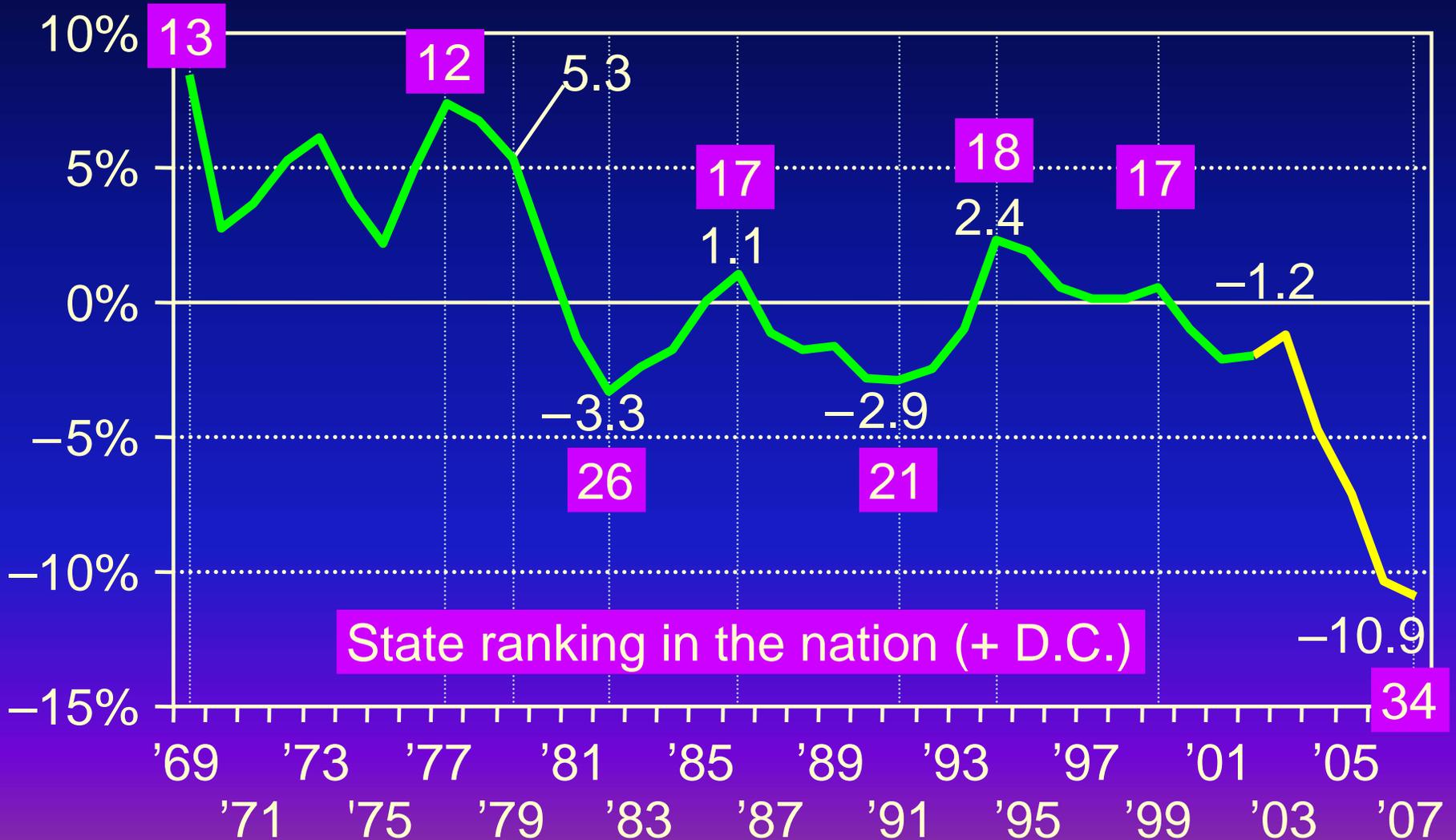
Market
share



Michigan Employment and Detroit Three Sales of Light Vehicles, 1991–2007



Michigan Per Capita Income Deviation from National Average, 1969–2007



What will determine the future prosperity of a region?

Rich Karlgaard, publisher of Forbes magazine, says:

“Best place to make a future Forbes 400 fortune?
Start with this proposition: The most valuable resource in the 21st century is brains. Smart people tend to be mobile. Watch where they go! Because where they go, robust economic activity will follow.”

<http://www.forbes.com/forbes/2003/1006/039.html>

States with Highest Per Capita Income in 2007

Rankings for Educational Attainment and Income 1970 and 2007

	Per Capita Income 2007	% Bachelor's or Higher 2007	Per Capita Income 1970	% Bachelor's or Higher 1970
DC	1	1	4	1
DE	2	5	3	9
NJ	3	6	7	16
MA	4	2	12	12
WY	5	41	23	18
NY	6	10	6	15
MD	7	3	11	6
CA	8	14	8	8
VA	9	7	30	14
NH	10	9	24	23
MI	34	35	13	32

States with Lowest Per Capita Income in 2007

Rankings for Educational Attainment and Income 1970 and 2007

	Per Capita Income 2007	% Bachelor's or Higher 2007	Per Capita Income 1970	% Bachelor's or Higher 1970
AZ	42	31	27	13
AL	43	46	49	48
ID	44	37	35	28
SC	45	40	48	39
KY	46	48	45	49
NM	47	34	43	11
AR	48	49	50	51
UT	49	18	38	5
WV	50	51	46	50
MS	51	50	51	46

Pearson Rank Correlation Coefficient:
Per Capita Income and
Percentage of Population 25 and Older
With At Least a Bachelor's Degree

1970

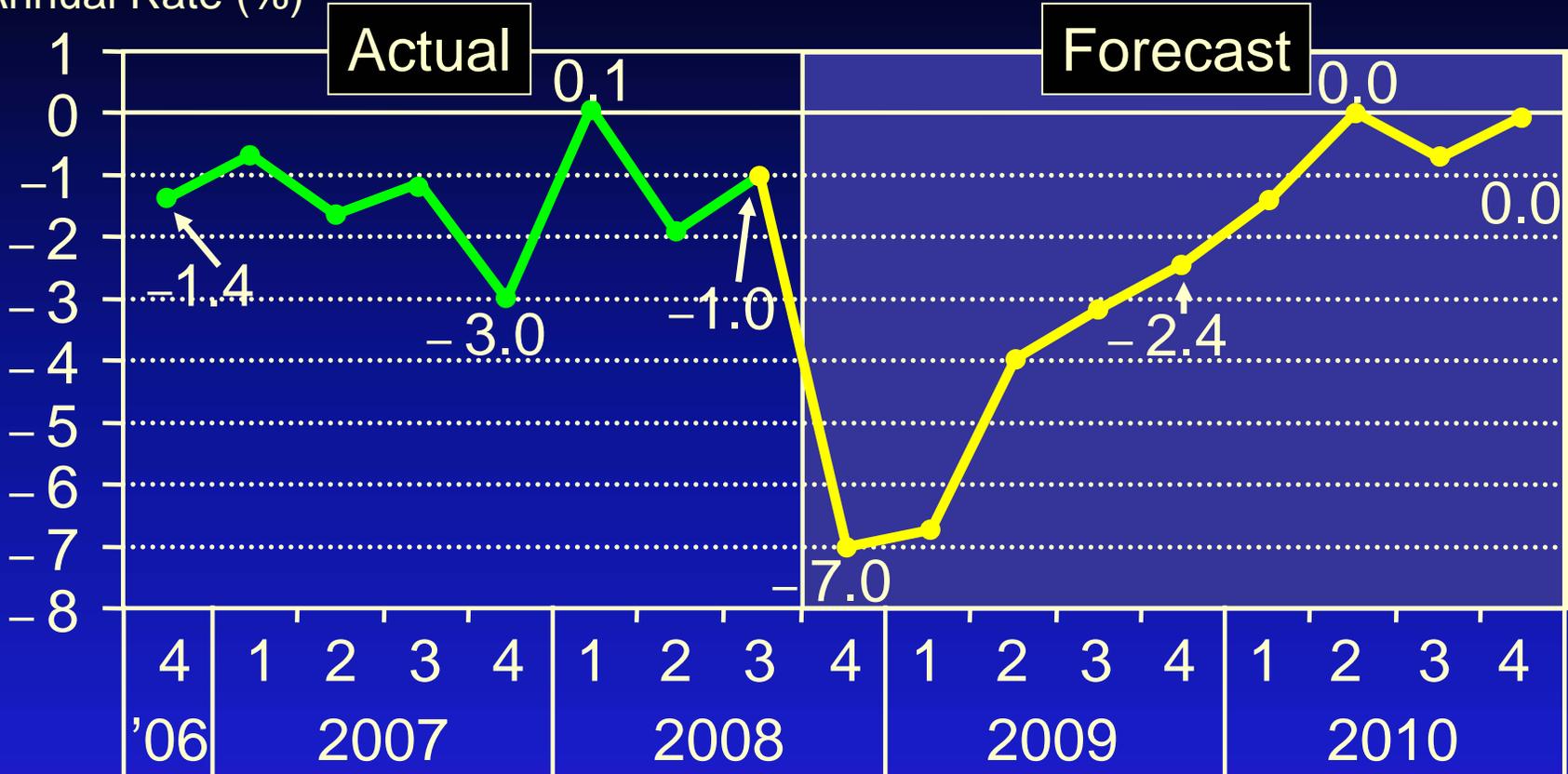
0.693

2007

0.813

Michigan Wage and Salary Employment Growth

Annual Rate (%)



4th Quarter to 4th Quarter Growth Rate (%)

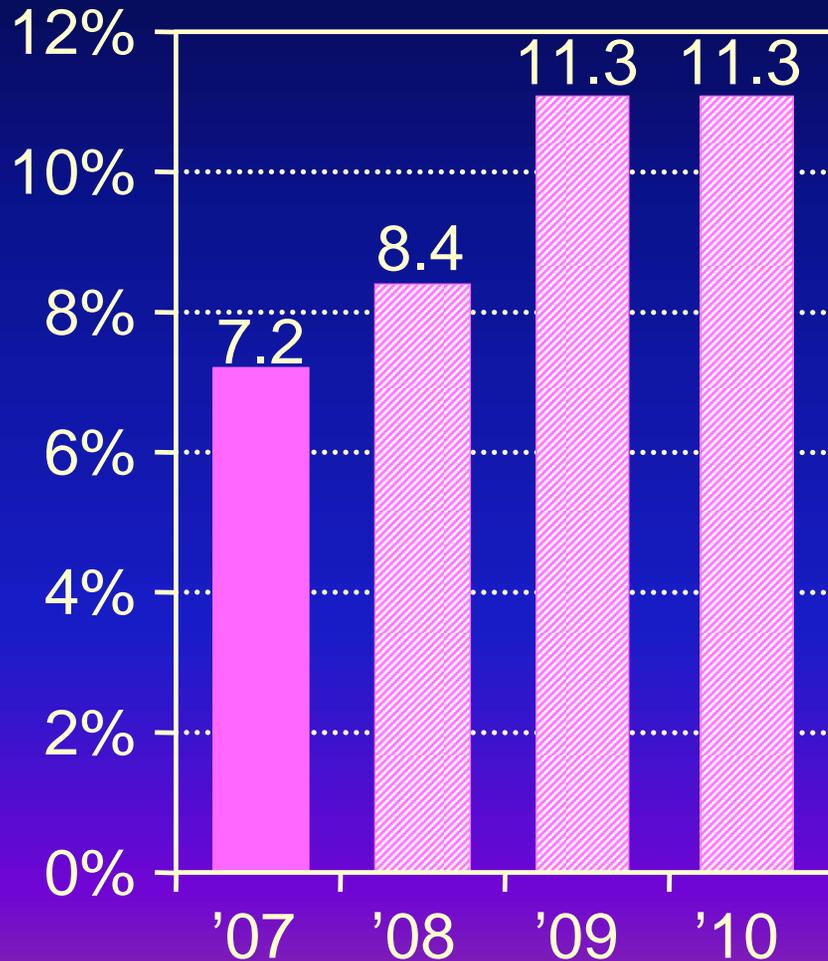
-1.9 -1.6 -2.5 -4.1 -0.5

4th Quarter to 4th Quarter Change (Thousands)

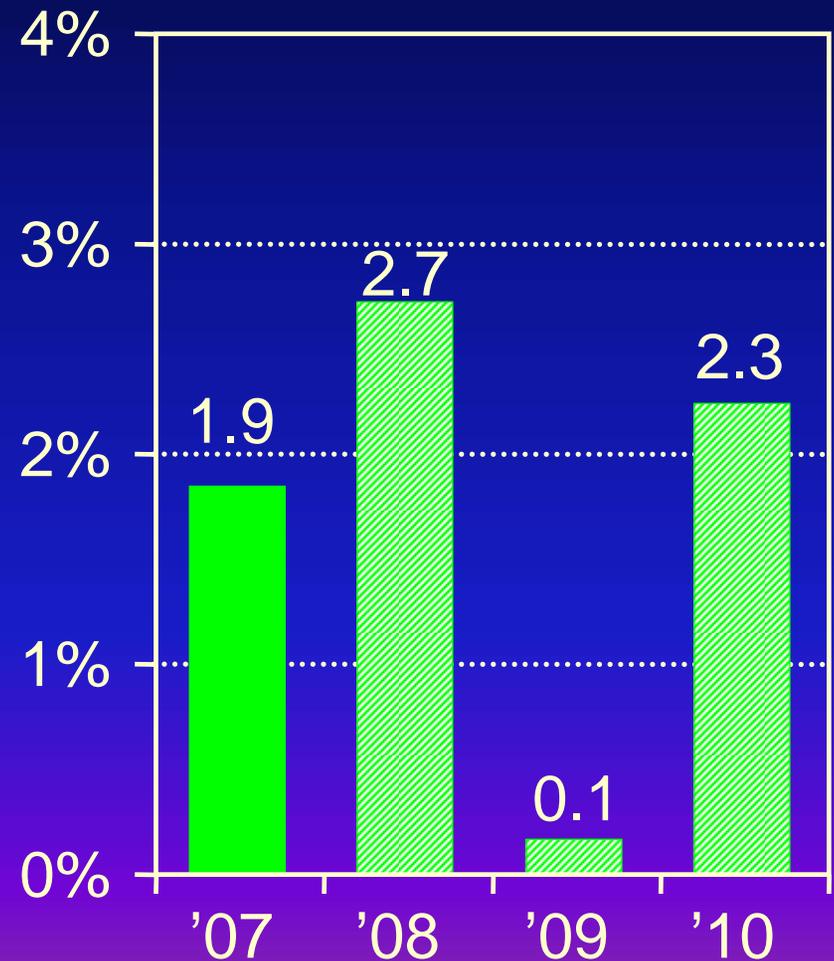
-84.4 -69.3 -105.8 -168.1 -21.2

Michigan Unemployment and Inflation Rates, 2007–10

Unemployment Rate



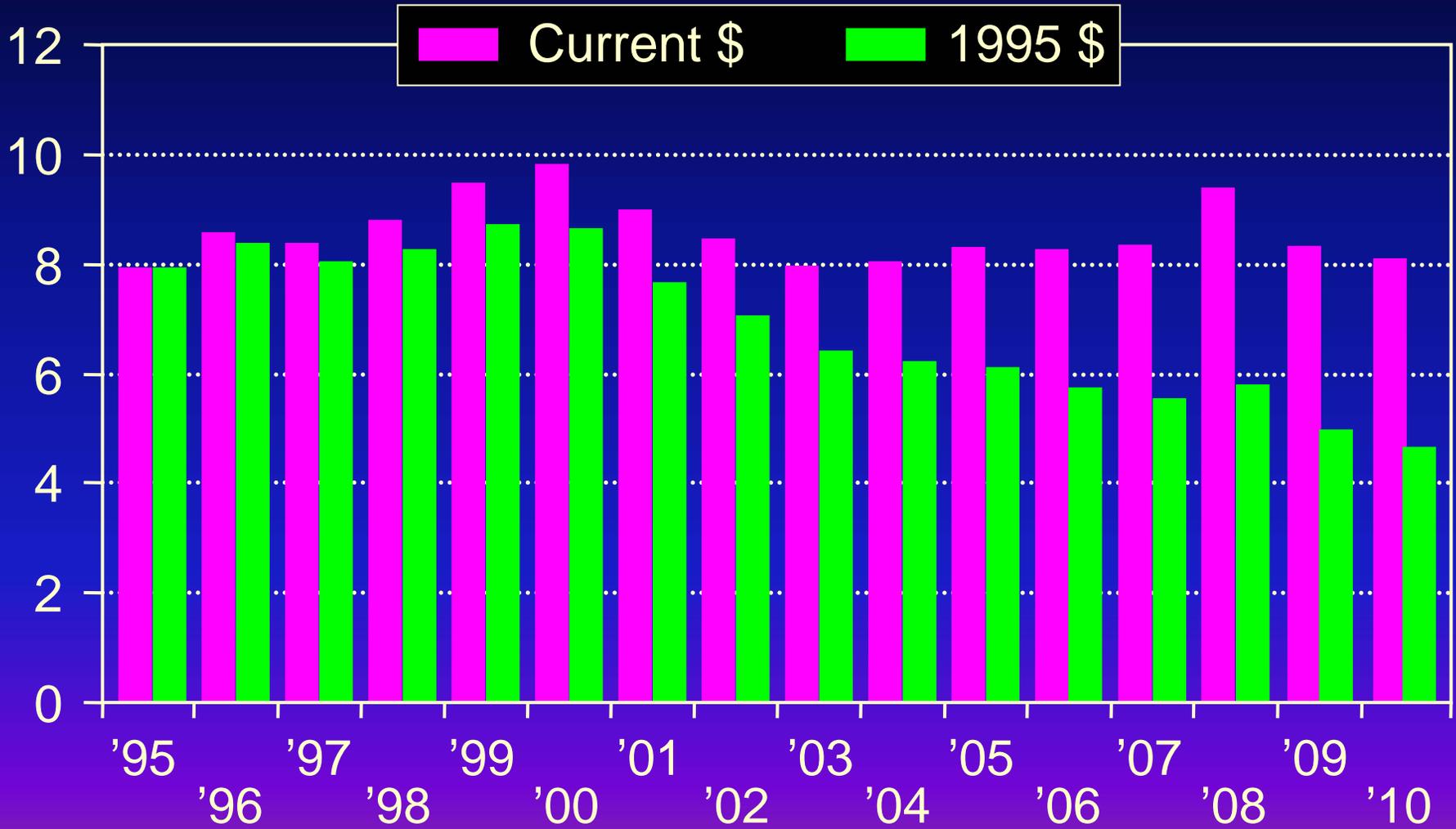
Rate of Inflation, Detroit CPI



GFGP Revenue

Fiscal 1995–2010

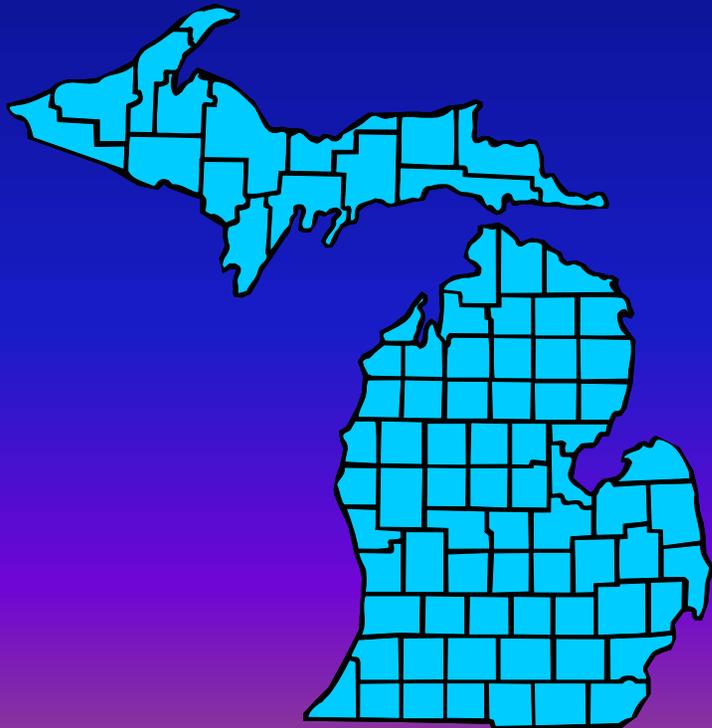
Billions \$



Employment Change in High- and Low-Education-Attainment Industries, 2001–07 Michigan and United States

	2001	2007	% Change 2001–07	Wage 2007
<u>Michigan</u>				
Total emp.	4,476,659	4,179,122	–6.65	\$43,357
High-ed. ind.	1,759,817	1,741,162	–1.06	53,377
Low-ed. ind.	2,702,403	2,413,739	–10.68	36,159
<u>United States</u>				
Total emp.	129,635,800	135,366,106	4.42	44,458
High-ed. ind.	55,786,611	59,241,247	6.19	58,915
Low-ed. ind.	73,595,593	75,909,165	3.14	33,173

The Economic and Demographic Outlook for Michigan and Its Counties to 2035



Supported by the
Michigan Department of Transportation

High-Education Industries

	<u>% of U.S. Employment with Bachelor's or More, 2000</u>	<u>Michigan Average Wage 2006</u>
Average for all industries	27.2%	\$42,157
Average, all high-education industries		48,216
Private education services	61.2%	30,111
Professional & technical services	58.0%	68,828
Management of companies	49.1%	91,798
Information	39.1%	54,625
Financial activities	36.0%	49,693
Government	33.4%	43,403
Health care, social assistance	32.7%	39,530

High-Education Industries in Michigan

	<u>2001</u>	<u>Employment Change</u>	
		<u>2001–05</u>	<u>2005–35</u>
High-education industries	2,222,355	99,093	353,829
Private education svcs.	73,183	19,105	19,170
Prof. & tech. svcs.	366,306	–2,267	123,108
Management of companies	68,848	–1,558	770
Information	87,123	–6,409	–6,101
Financial activities	375,624	48,933	26,649
Government	699,496	–12,367	–41,821
Health care, social assistance	551,775	53,656	232,054

Low-Education Industries

	<u>% of U.S. Employment with Bachelor's or More, 2000</u>	<u>Michigan Average Wage 2006</u>
Average for all industries	27.2%	\$42,157
Average, all low-education industries		37,807
Arts, entertainment, recreation	26.4%	26,135
Other services (repair, personal, civic)	19.5%	25,700
Manufacturing	19.2%	58,070
Trade, transportation, & utilities	16.4%	35,638
Administrative services	15.5%	31,241
Farm, natural resources, mining	13.7%	29,436
Construction	9.7%	46,561
Accommodation, food services	8.7%	12,664

Low-Education Industries in Michigan

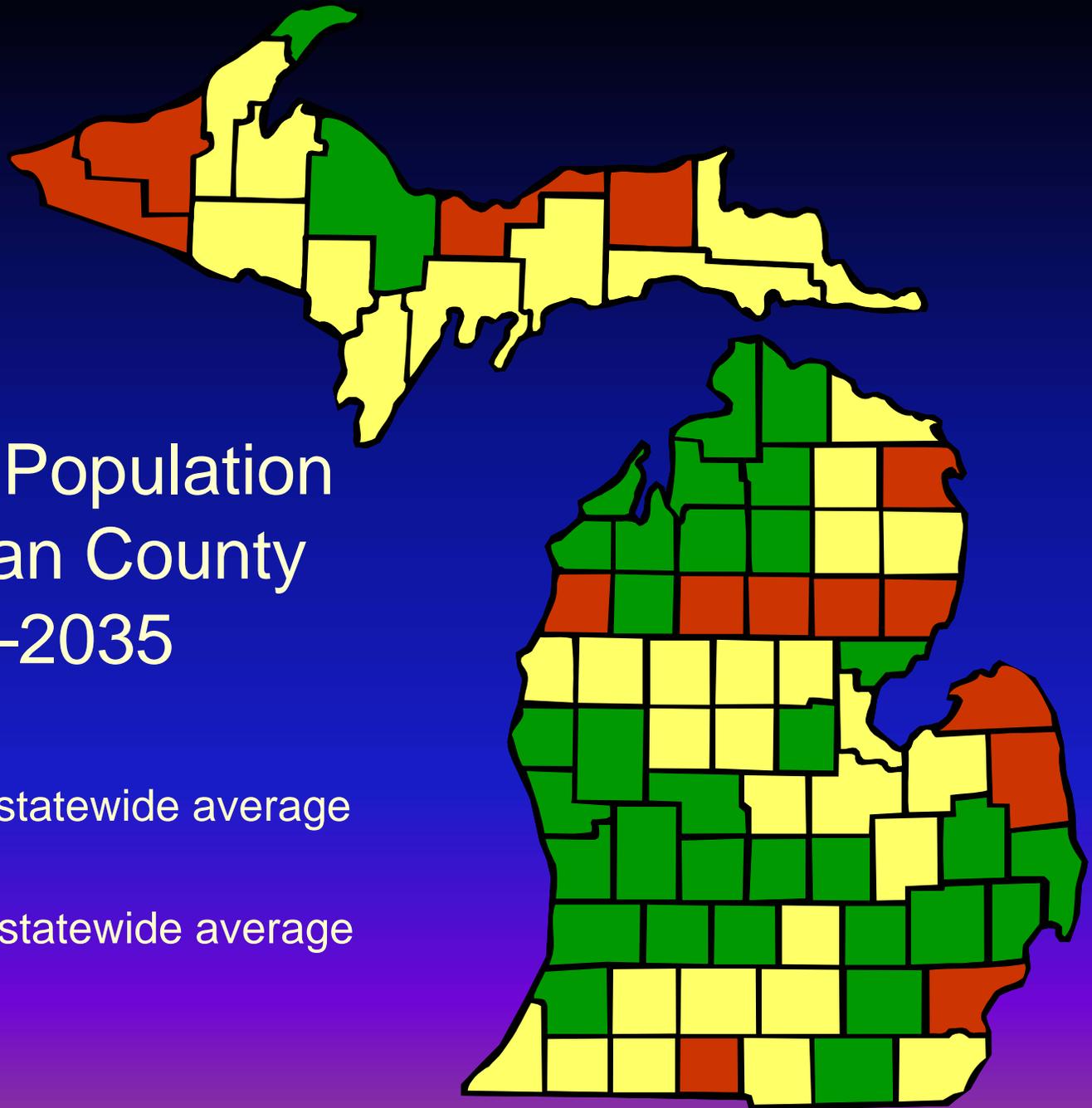
	<u>2001</u>	<u>Employment Change</u>	
		<u>2001–05</u>	<u>2005–35</u>
Low-education industries	3,317,532	–120,033	–60,537
Arts, entertainment, recreation	100,369	6,406	34,018
Other services	285,445	13,638	12,879
Manufacturing	843,743	–142,839	–228,794
Trade, trans., utilities	1,007,145	–37,912	–62,690
Admin. services	322,152	33,941	124,911
Farm, natural resources, mining	104,019	–3,658	–27,869
Construction	304,276	–2,923	–8,886
Accommodation, food	350,383	13,314	95,894

County Population and Employment Forecasts



Change in Population by Michigan County 2005–2035

-  Growth > statewide average
-  Growth < statewide average
-  Decline



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 - The tourist-oriented and retiree-friendly northwestern lower peninsula, particularly the Traverse City area

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 - The tourist-oriented and retiree-friendly northwestern lower peninsula, particularly the Traverse City area
 - The urban and suburban Grand Rapids area: more concentrated in the growing industries, including tourism
 - The suburban Lansing area: more concentrated in the growing industries
 - The area most concentrated in high-education industries, comprising the counties of Oakland, Livingston, and Washtenaw counties

- Although the slowest-growing counties in Michigan are scattered throughout the state, there are three general areas of greater concentration:
 - The rural areas of the Upper Peninsula

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 - The rural areas of the Upper Peninsula
 - The area along the shores of Lake Huron
 - The strip of counties along the state's southern border
- These areas tend to have an older population and an unfavorable industry mix.

Opportunities for Economic Development in Michigan

- The knowledge-based economy, and the educated workers who fuel it, are the fulcrum of future prosperity in Michigan.
- Bill Gates observed that for knowledge-based enterprises, educational attainment trumps everything when they're deciding where to invest.
- Michigan and its communities need to invest in programs to provide the education and training essential for the economy of the future.

Opportunities for Economic Development in Michigan

- Among activities with fewer educational requirements, the hospitality industry shows promise for the future, providing services to visitors as well as to a growing number of older people.
- Support personnel for industries with the most favorable growth prospects—health care and professional/technical services—require skills but often not professional degrees.
- Other actions may show promise for the economic well-being of the state, but none is more compelling than investing in workforce development.



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