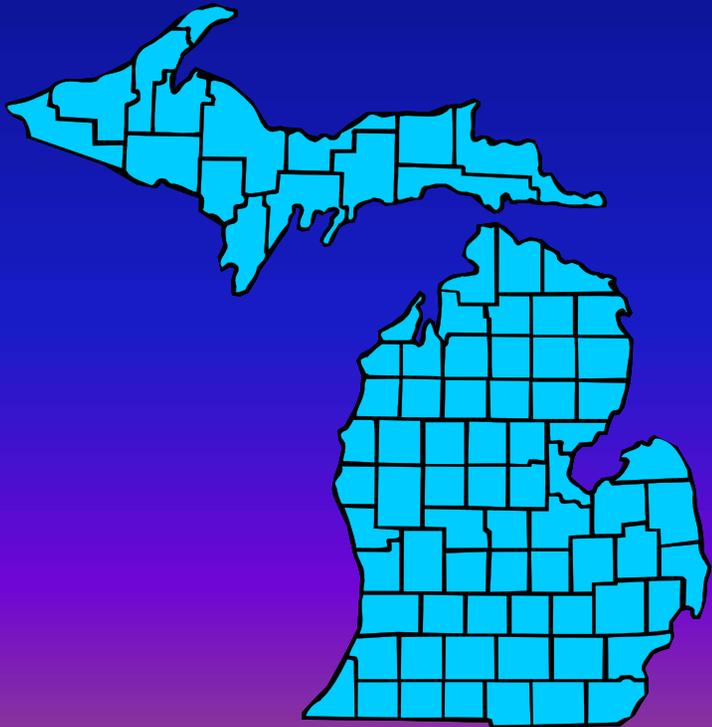


# Economic and Demographic Outlook for Michigan and Its Counties to 2040

## Final Results



March 6, 2012

Donald R. Grimes  
George A. Fulton

Institute for Research on Labor,  
Employment, and the Economy  
University of Michigan

# Background on the Forecasts



- Today we are presenting to the MPOs and the state regional planning organizations our final economic and demographic outlook for Michigan and its counties.
- This outlook updates our forecast from the previous cycle in 2007–08.
- The forecast is in partnership with MDOT and is the product of:



- The REMI economic and demographic forecasting and simulation model
- The forecasting expertise of the U-M economists
- Comments and insights of a number of local MPOs and regional planning organizations

## General Observations on the State and County Forecasts for 2010–2040

- Long-term forecasts are intended to identify economic trends
  - NOT to predict business cycle movements
- Forecasts are unable to capture major one-time events
  - unless there is prior knowledge of the event and external information is directly introduced into the forecast
  - e.g., the move of BCBS of Michigan from Oakland County to downtown Detroit

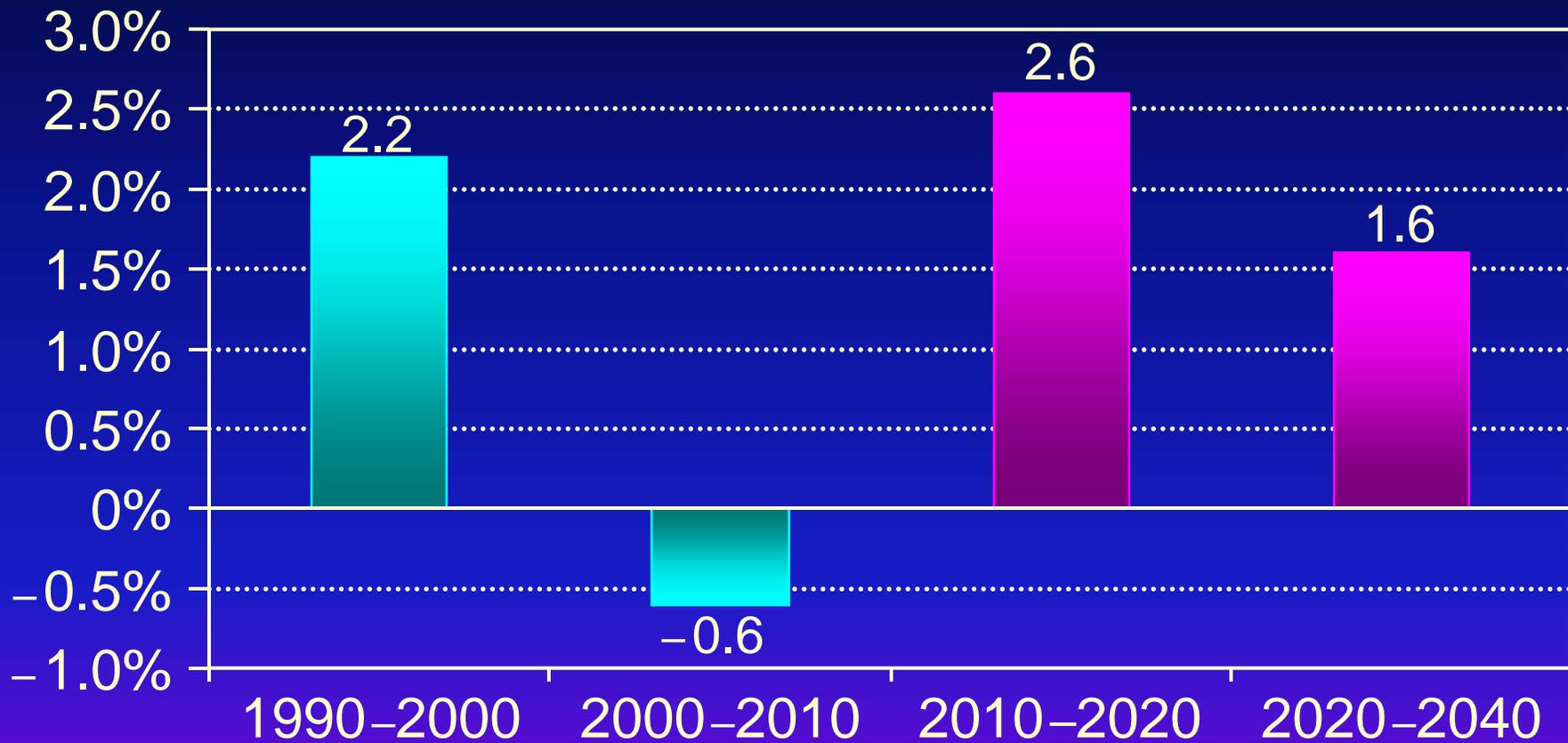
## General Observations on the State and County Forecasts for 2010–2040

- Some counties have special circumstances that cause them to deviate from the general trends—for example, a county with a large college-age population.
- The long-term outlook for regions is governed by:
  1. Prospects at the national level
  2. Trends in productivity growth
  3. The mix of industries within regions
  4. Demographic trends

# Forecasts of Real GDP for Michigan



# Average Annual Growth in Michigan Real GDP Per Capita (2005 \$)



Total Growth over the Interval			
24.4%	-5.8%	29.7%	36.5%

# Forecasts of Population for Michigan

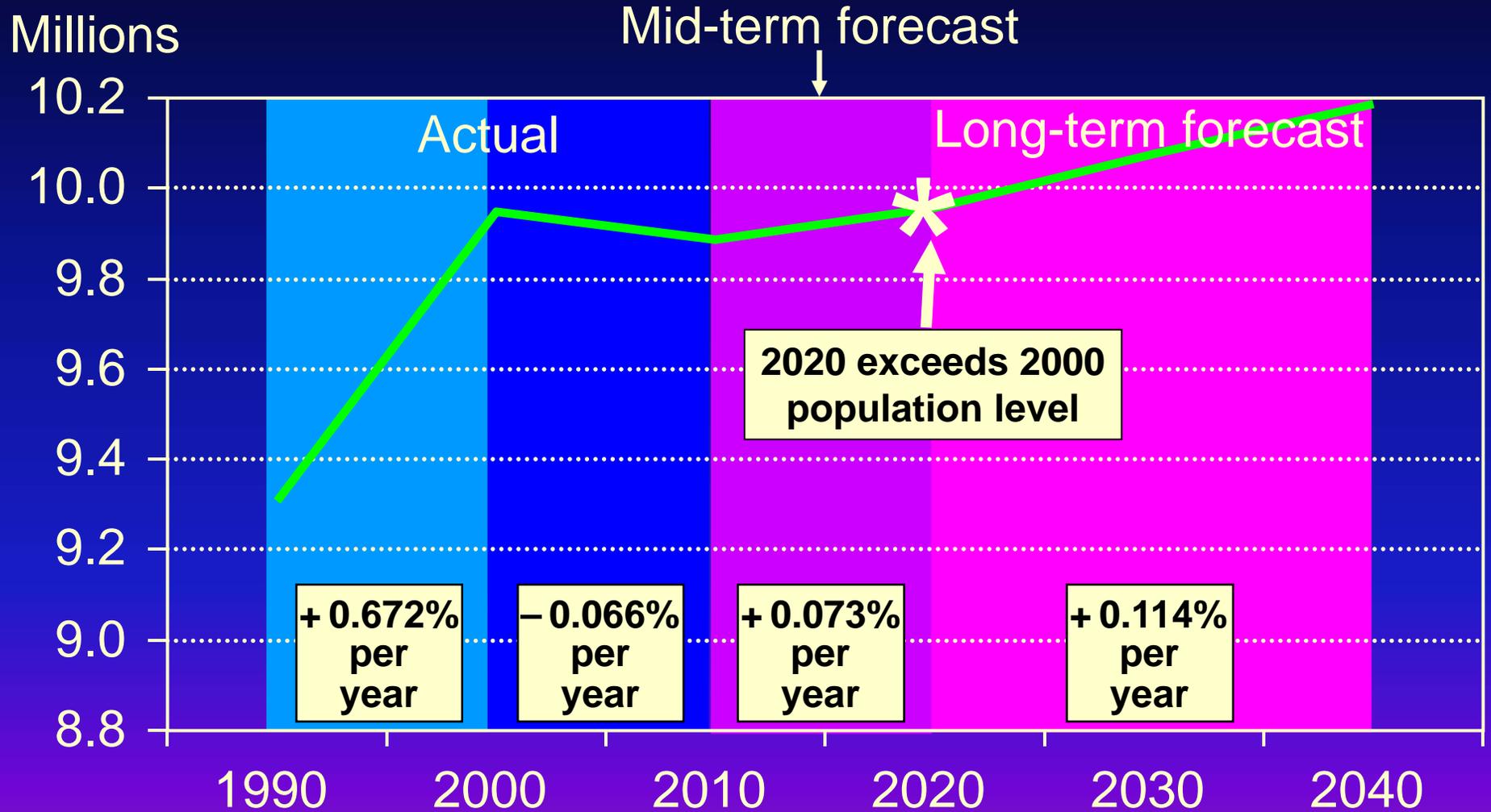
Total population: levels and growth

Population change by component

Population distribution by age group

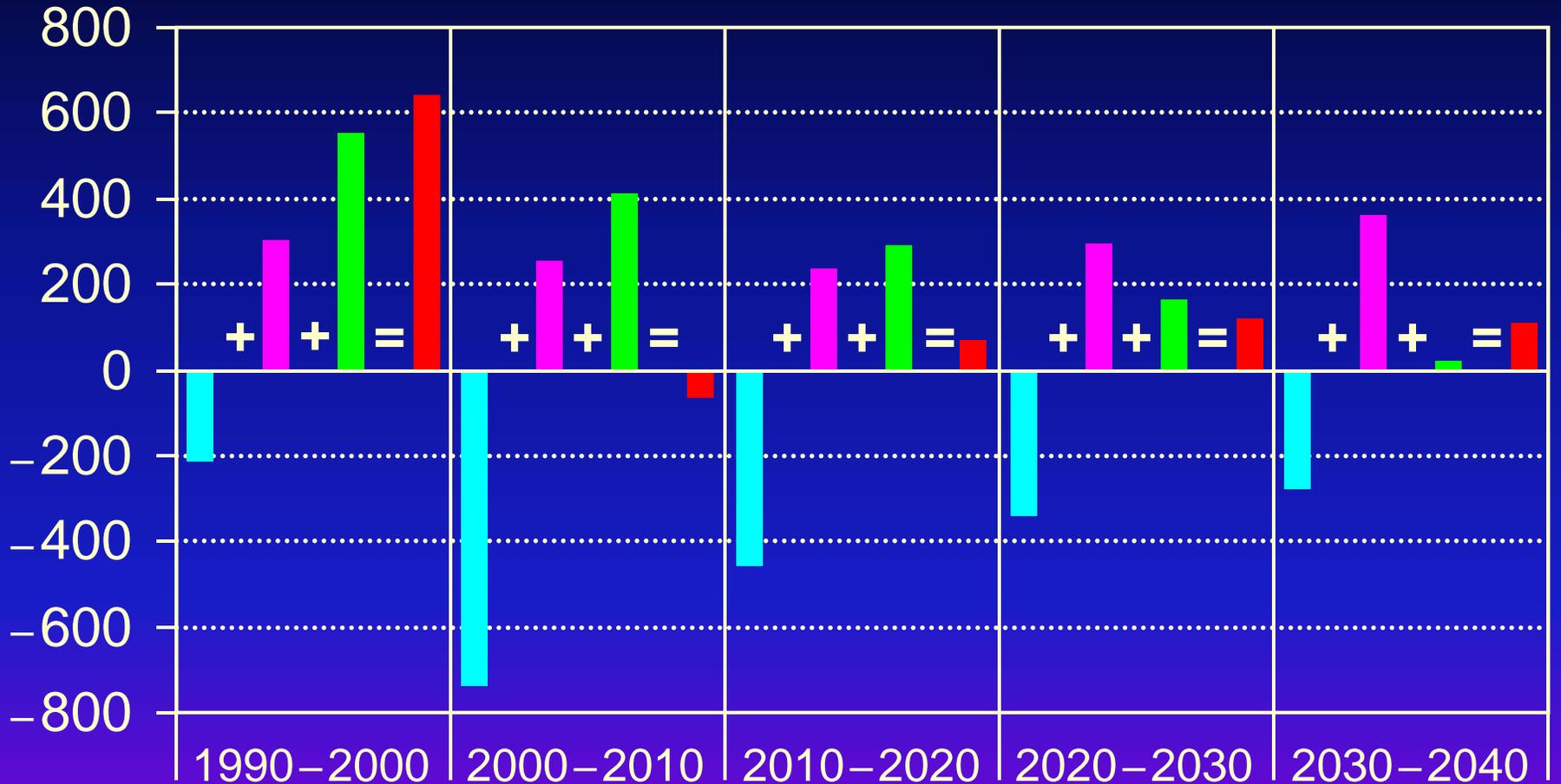


# Michigan Population, 1990–2040



# Components of Population Change in Michigan

Thousands



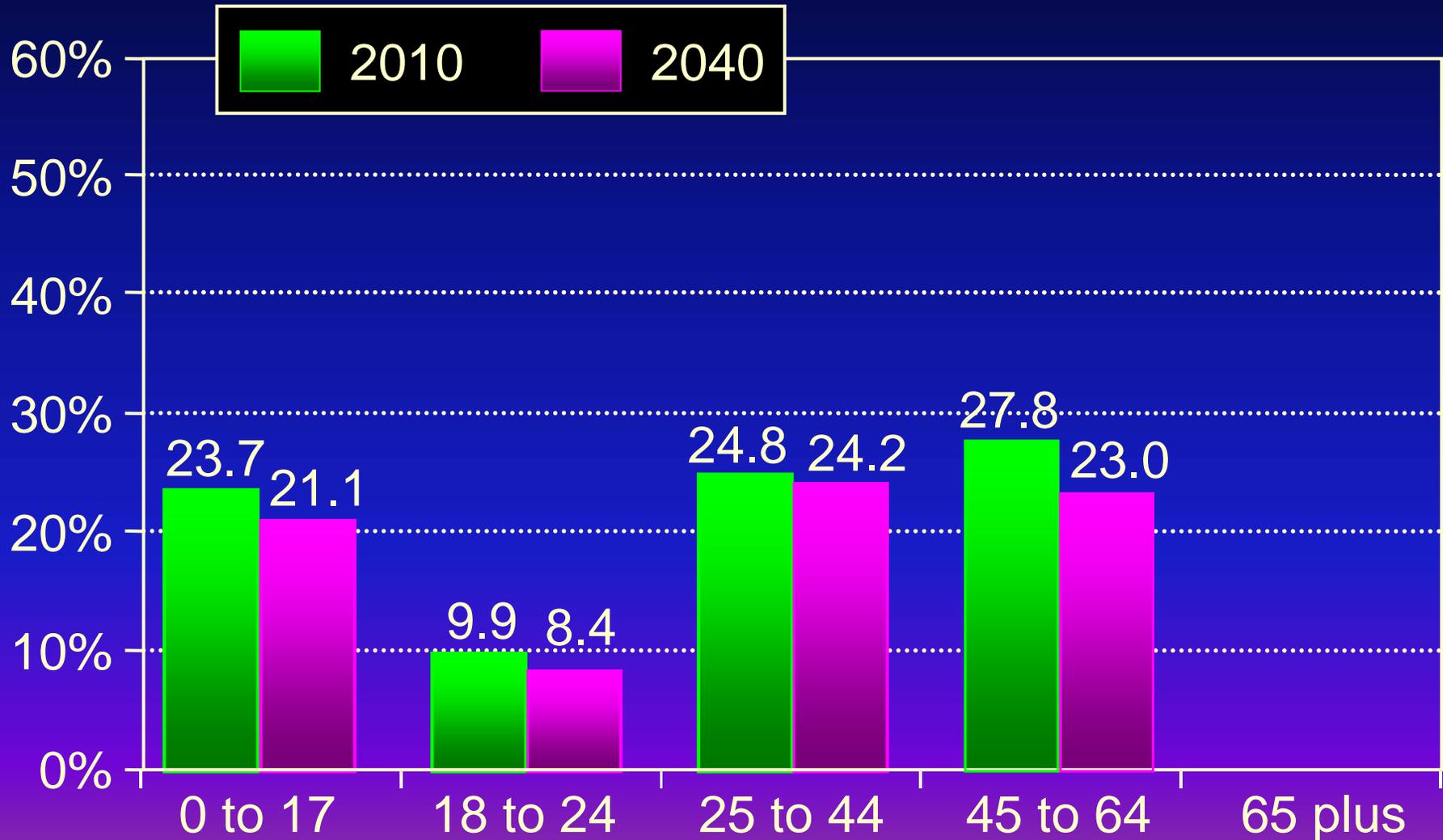
Net domestic migration

Natural change in population

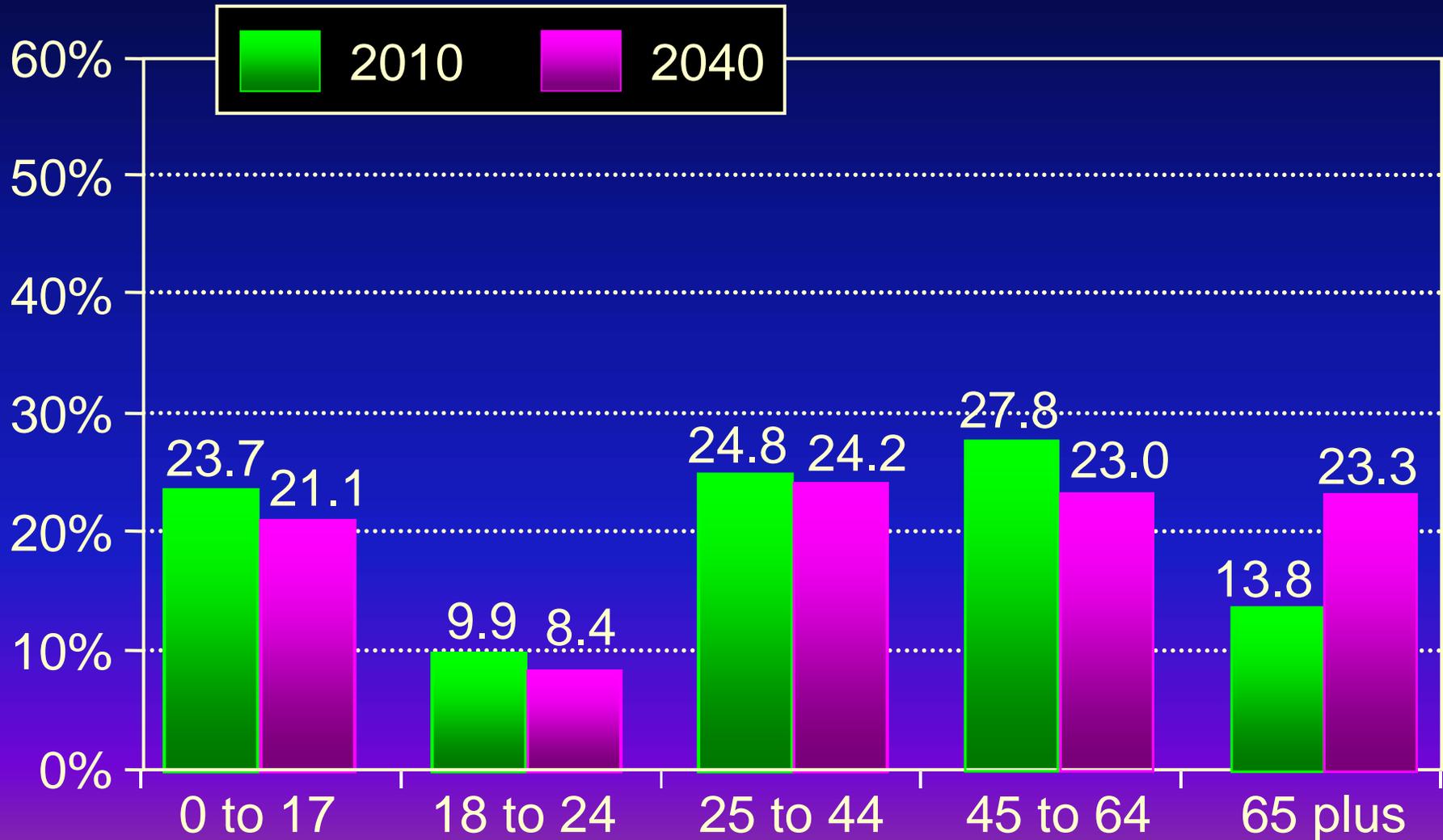
Net international migration

Total change in population

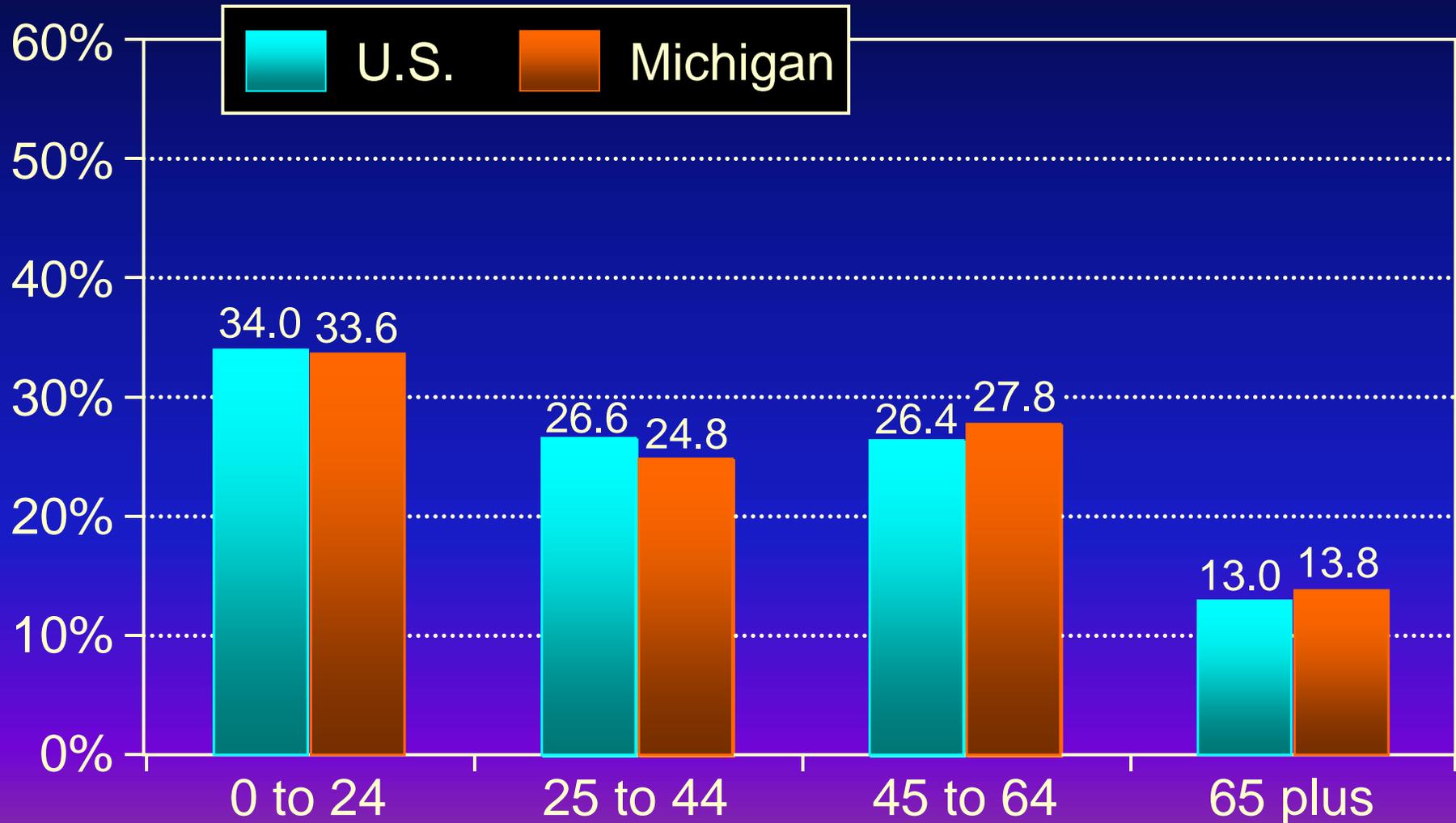
# Population Distribution by Age Group Michigan, 2010 and 2040



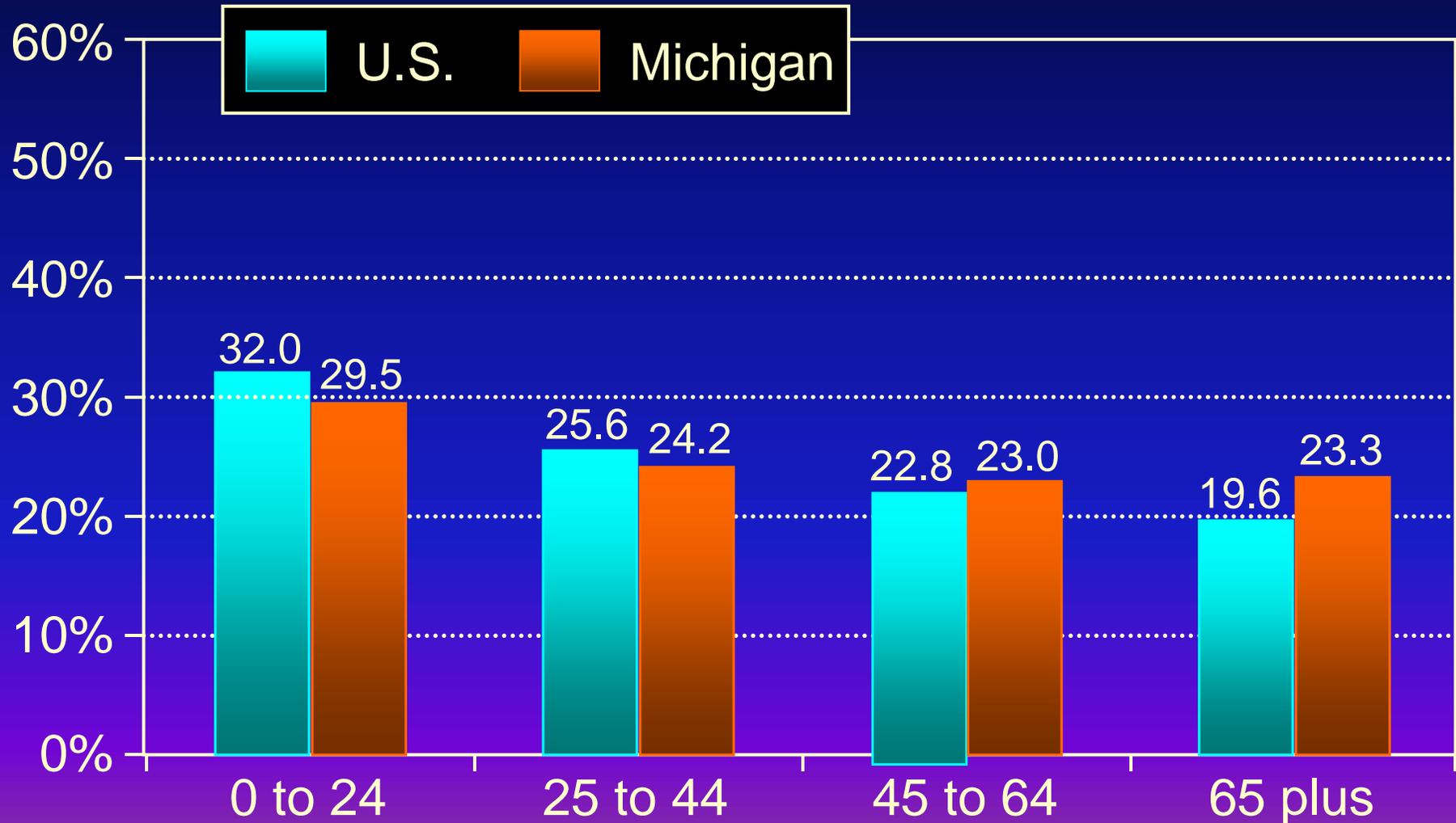
# Population Distribution by Age Group Michigan, 2010 and 2040



# Population Distribution by Age Group U.S. vs. Michigan, 2010



# Population Distribution by Age Group U.S. vs. Michigan, 2040



# Forecasts of Employment for Michigan

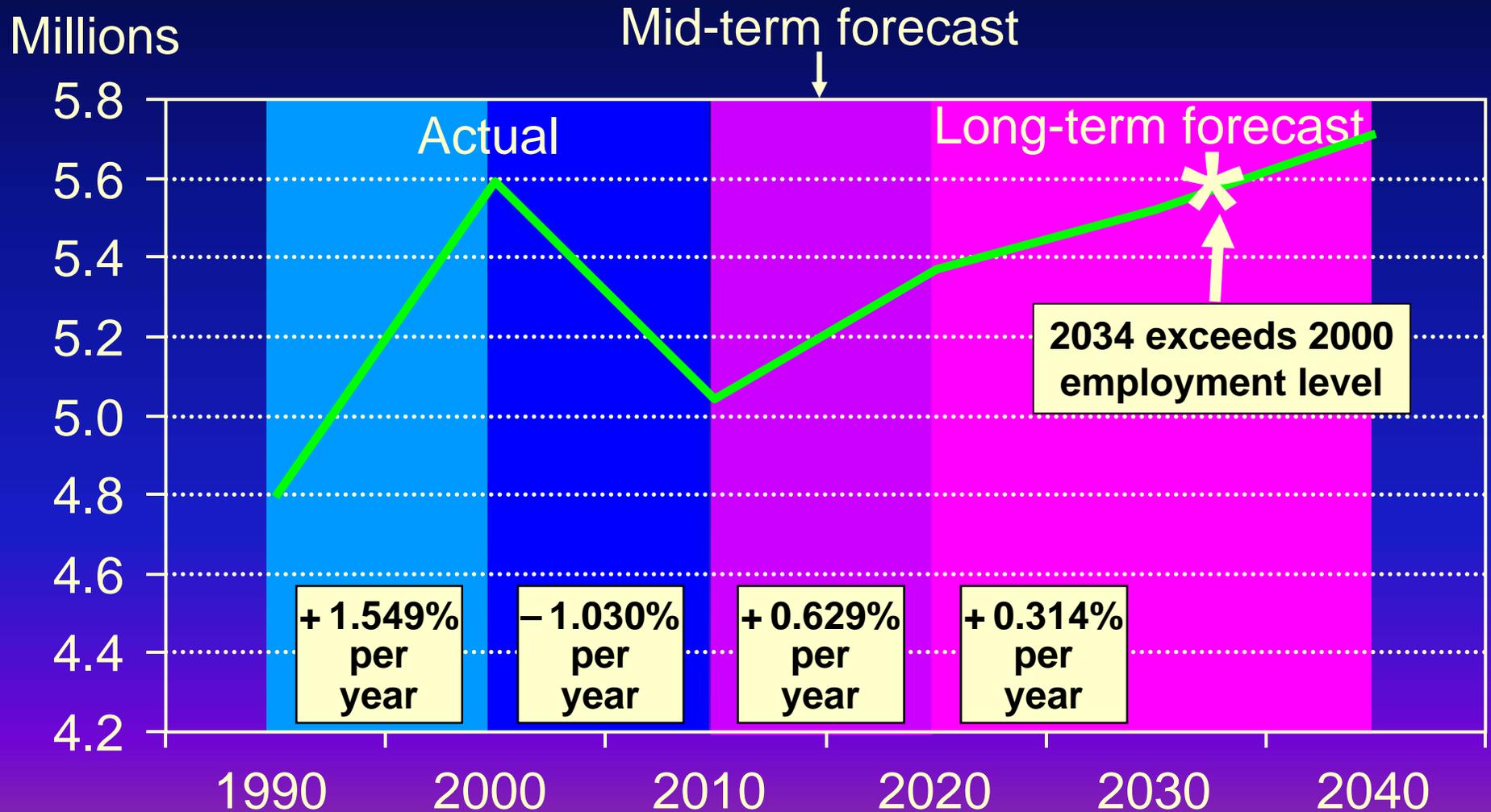
Total employment: levels and growth

Employment by industry division



# Total Employment in Michigan, 1990–2040

(BEA definition—includes self-employed, farm, military)

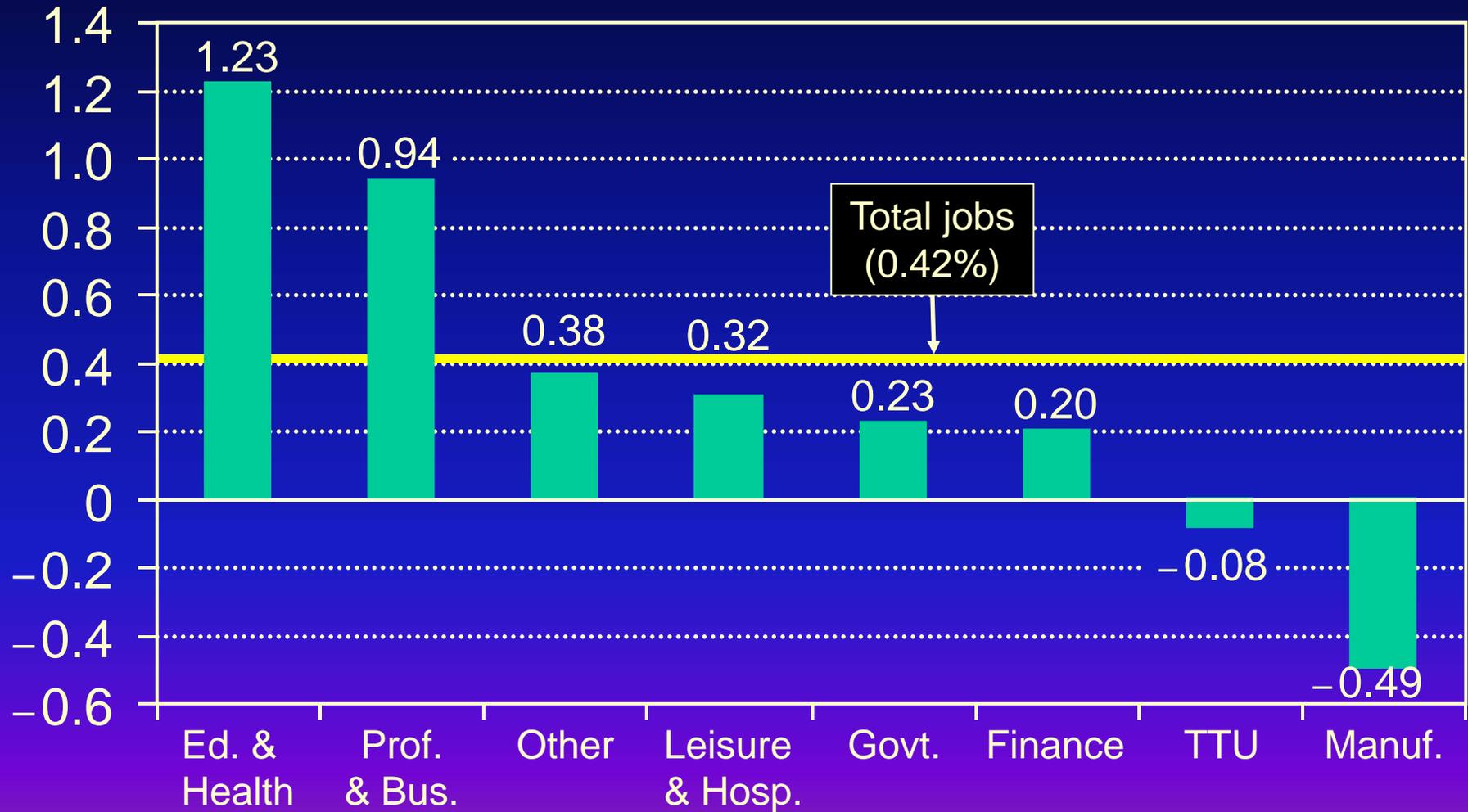


# Total Employment in Michigan

	<u>2000</u>	<u>2010</u>	<u>2020</u>	<u>2040</u>
	5,586,893	5,037,608	5,363,424	5,710,278
		Change		
		<u>2000-2010</u>	<u>2010-2020</u>	<u>2020-2040</u>
Total change		- 549,285	+ 325,816	+ 346,854
Avg. per year		- 54,929	+ 32,582	+ 17,343

# Change in Employment by Industry Michigan, 2010–2040

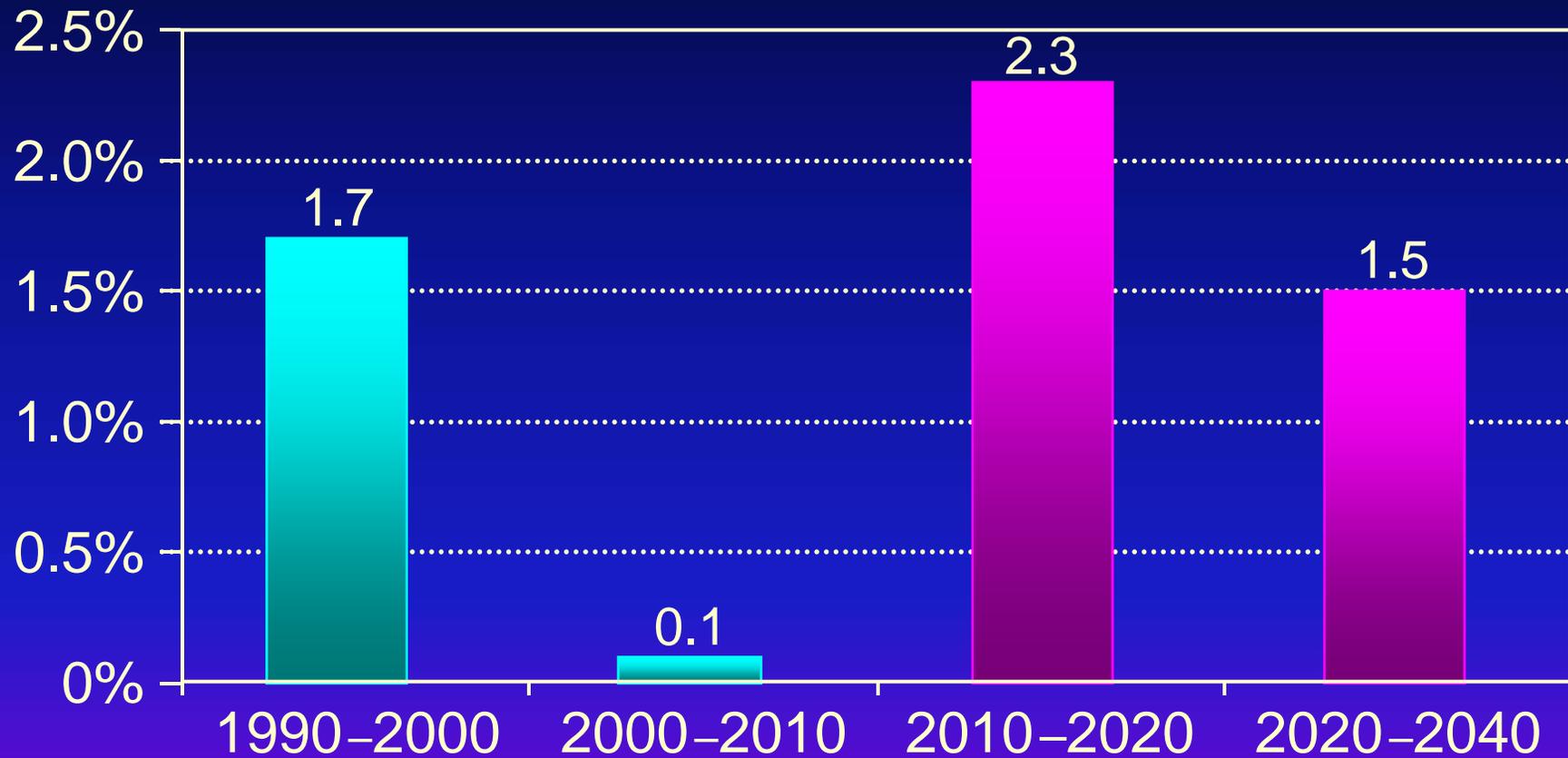
% Change  
Per Year



# Forecasts of Income and Households for Michigan



# Average Annual Growth in Michigan Per Capita Income (2005 \$)



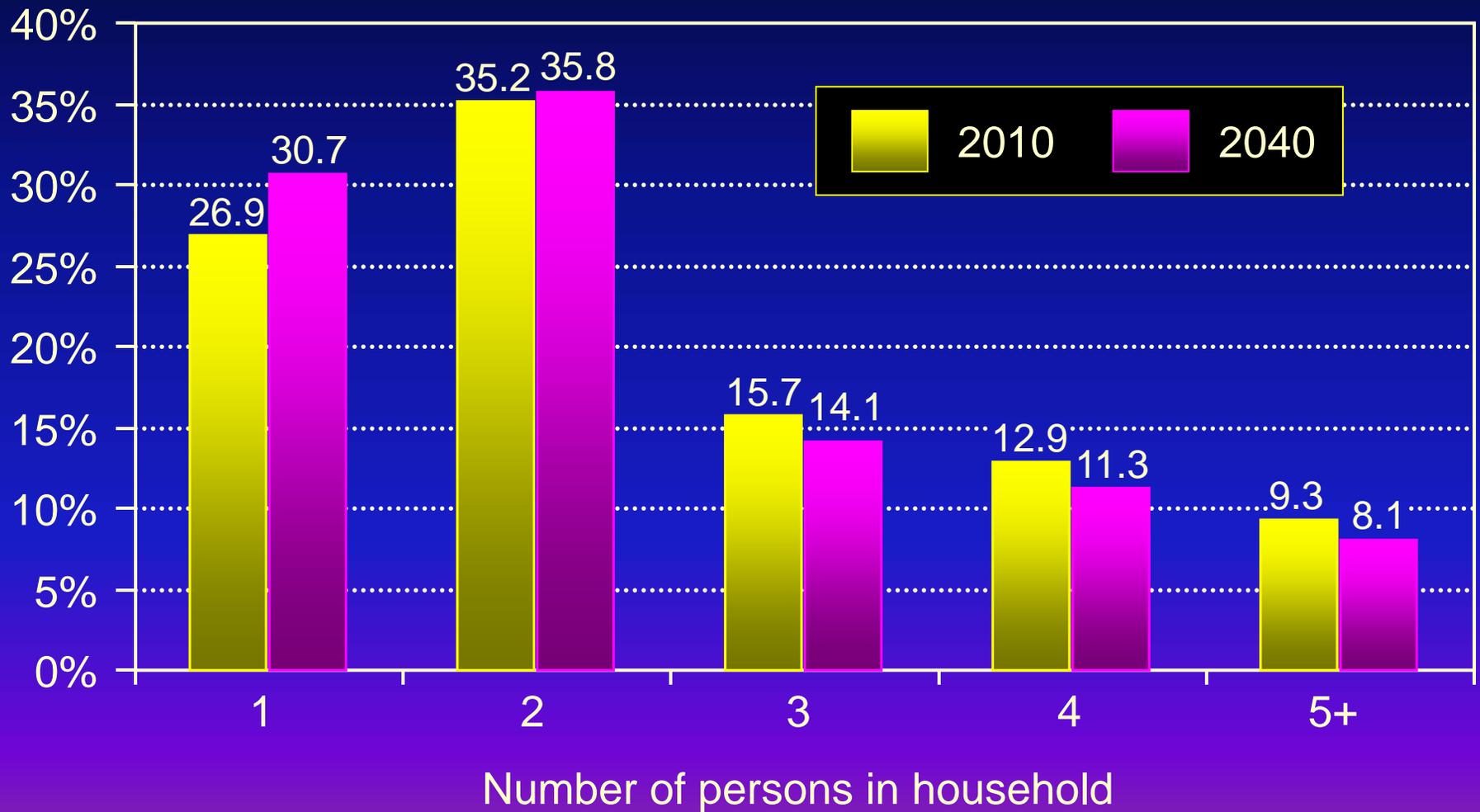
Total Growth over the Interval			
18.9%	0.7%	25.4%	34.9%

# Number of Households in Michigan 2000–2040

	2000	2010	2040	% Change 2000–2010	% Change 2010–2040
Total population	9,949,955	9,884,549	10,187,138	–0.7%	3.1%
Group quarters population	220,412	228,626	292,186	3.7%	27.8%
Population in households	9,729,543	9,655,923	9,894,952	–0.8%	2.5%
Households	3,733,351	3,875,445	4,294,386	3.8%	10.8%
Average house- hold size	2.61	2.49	2.30	NA	NA

With data

# Distribution of Michigan Households by Size, 2010 and 2040



# County Population and Employment Forecasts

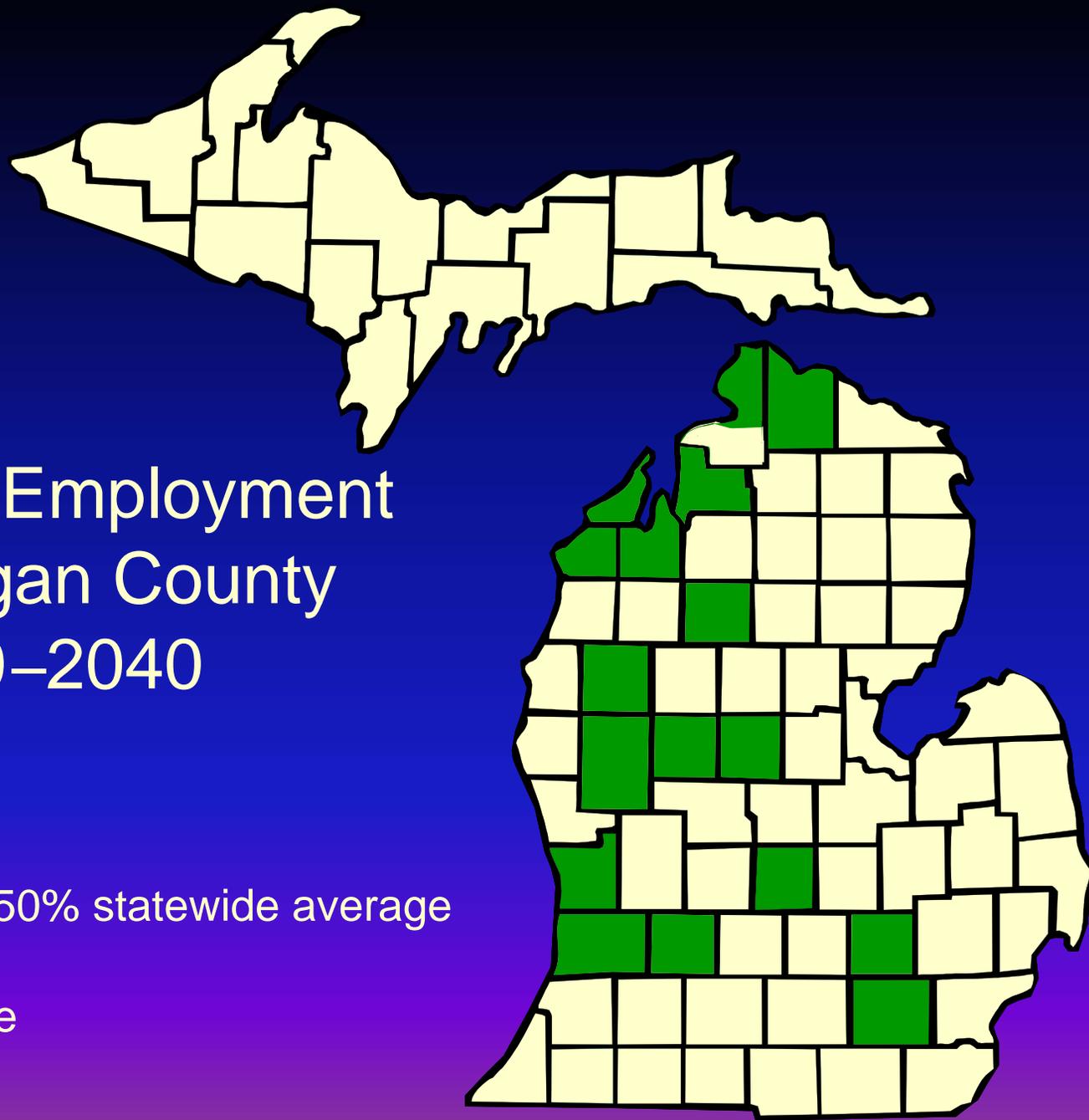






# Change in Employment by Michigan County 2010–2040

-  Growth > 150% statewide average
-  Rest of state



# Summary and Conclusions



# Michigan Real GDP Per Capita

- Michigan real GDP per capita is forecast to show healthy growth between 2010 and 2020, exceeding its performance during the 1990–2000 period.
- The relative strength in the current decade reflects the bounce-back from the weak performance of the prior decade, which was capped by the severe recession in 2008 and 2009.
- After 2020, real GDP per capita in Michigan slows to a more sustainable growth rate, averaging about 1½ percent per year.

# Population

- Population for the state as a whole reverses its decline of the past decade to grow between 2010 and 2020.
- Growth is very slow, though, increasing at less than 1/10 of a percent per year, considerably below what we saw during the 1990s when population grew at 2/3 of a percent per year.
- Population growth for the state shows some pickup from 2020 to 2040 but remains modest, averaging just over 1/10 of a percent per year.
- Michigan returns to 2000 population levels by 2020.

- The natural increase in population (births minus deaths) slows dramatically and consistently over the next three decades as the population ages, shrinking from 414,000 in the 2000–10 period to a mere 21,000 over the decade of the 2030s.
- Net domestic migration remains negative from 2010 to 2040, but at a slowing rate over the decades, particularly for the under-65 age cohort.
- Net international migration continues to show moderate growth over the forecast period, with some pickup in the post-2020 period.
- Without international migration, Michigan's population would be shrinking at an accelerating pace over the next 30 years.

- The aging of the baby boomer generation and the relatively low rate of in-migration of young adults will result in a dramatic aging of the state's population.
- By 2040, about one in four of Michigan's residents will be 65 or older, compared with one in seven today. This will put an increasing strain on the supply of available labor.
- Michigan currently has a disproportionately large share of baby boomers, and this contributes to the state's aging much more dramatically than does the nation as a whole over the next 30 years.

# Employment

- We measure employment using the BEA employment statistic, which includes self-employed, farm, and military employees who are excluded from the BLS wage and salary measure.
- Employment is forecast to turn around in 2011 and increase by about 6/10 of a percent per year between 2010 and 2020. After 2020, growth slows to about 3/10 of a percent per year as the growth of the labor force becomes a binding constraint on total employment gains.
- The state returns to 2000 employment levels by 2034 and reaches 5.71 million by 2040—in total, an addition of 673,000 jobs post-2010.

- Private education and health services and professional and business services are the major industry categories that we expect will grow at above-average rates over the next 30 years.
- Manufacturing and transportation, trade, and utilities (TTU) lose jobs over the next 30 years, although the local transportation component of TTU does add jobs.
- Although manufacturing and TTU may recover some jobs coming out of the recent recession, changes in technology, productivity, and consumer preferences will cause them to lose jobs over the long run.

# Income and Households

- Inflation-adjusted personal income per capita will increase over time, settling in to a pace of 1.5 percent per year in the 2020–40 period.

- Total population in Michigan increases by 3.1 percent between 2010 and 2040.
- Group home population increases by 27.8 percent over this period as the aging population enters assisted living facilities, including nursing homes.
- The population living in households grows by 2.5 percent, but the number of households increases by a more vigorous 10.8 percent.
- Average household size is declining over the period because of a proclivity for smaller-sized households among older residents. Except as related to age, we have not made any other assumptions about household size preferences.

# County Population

- The fastest-growing counties in Michigan are forecast to be clustered in:
  - The western Upper Peninsula
  - The tourist-oriented and retiree-friendly northwestern Lower Peninsula, including the Traverse City area
  - The area along the shores of Lake Michigan
  - The Grand Rapids, Lansing, Ann Arbor, suburban Detroit corridor

- Several counties in the state will see declines in population from 2010 to 2040. Although they are scattered through the state, there are a few areas of greater concentration:
  - The rural eastern Upper Peninsula
  - The area along the shores of Lake Huron
  - The strip of counties along the state's southern border

# County Employment

- Almost all Michigan counties are forecast to gain jobs over the next 30 years: the one exception is Iosco.
- The most rapid job growth will occur in the northwest corner of the Lower Peninsula, suburban Grand Rapids, and the Ann Arbor area.



[www.irlee.umich.edu/clmr](http://www.irlee.umich.edu/clmr)