

U-M Head Economist: Good Economic News

by Irena Granaas

Validating the trend toward positive gains in the number of jobs created over the past three years, Michigan's economy will continue to grow at a moderate pace over the next two years, say economists from the University of Michigan-Ann Arbor.

In their annual forecast of Michigan's economy, George Fulton, director of U-M's Research Seminar in Quantitative Economics, and his colleagues, Joan Crary and Donald Grimes, state in their November report that Michigan will add approximately 111,000 jobs in 2013 and 2014.

The state's economy has gained about 185,000 jobs since the end of 2009.

Crary, an assistant research scientist at RSQE, and Grimes, a senior research specialist at the Institute for Research on Labor, Employment and the Economy, collaborated with Fulton on the forecast, released in November.

Although the growth will continue to be slow over the next couple of years, Fulton said overall, it's good news for Michigan.

The U-M economists report that Michigan is slated to add about 50,000 jobs next year and more than 61,000 jobs during 2014.

"For many reasons, it's not hard to feel upbeat about the Michigan economy," he was quoted as saying in a U-M news release by Bernie DeGroat.

"Our signature auto sector has been strong, housing is showing signs of turning around, the highest wage sectors have recorded the most rapid growth, and the unemployment rate has dropped five percentage points since the end of 2009. Most important, the fundamentals seem to be in place for the economy to keep expanding."

But, Fulton added, the forecast is somewhat disappointing as well. He noted this recovery "is not nearly as robust" as other past episodes of recovery from a recession, and that unemployment is still historically high.

The state has suffered staggering job losses beginning in mid-

2000 and when the job shrinkage finally ended in December 2009, about 870,000 jobs were gone, said Grimes in a recent interview.

"We've regained about 200,000 jobs, or a little less," Grimes said. "If we do get them all back - if we ever do - it will be well beyond 2020, maybe 2025."

That said, the state's manufacturing industry is leading the charge toward recovery, particularly Michigan's traditional automotive industry.

According to Fulton, close to half of the manufacturing jobs added over the next two years will be directly attributable to the auto industry, and a significant portion of the remaining jobs will be from auto-related industries.

Other bright spots in Michigan's economic portfolio are the professional and business services sector, the other top job creator over the past three years, expected to add another 27,000 jobs during the next two years; and the trade, transportation and utilities (which includes retail) sectors - about 23,000 jobs; construction, about 19,000 jobs; and private education and health services, 15,000 jobs.

Grimes said the near-future forecast for Michigan is actually better than it appears.

"Part of the reason the recovery is going to be so weak is be-

cause there's going to be fewer people to fill those jobs," he explained. "You see that in the declining labor force over the last decade, and it's really accelerated over the last three or four years. That's going to be an ongoing problem just because of the aging of the Baby Boomer generation."

As the labor force shrinks due to more people retiring, the unemployment rate is going to get lower fairly quickly, said Grimes.

He affirmed that Michigan's current unemployment rate is about 9.1 percent, down from about 14 percent during the worst stage of the state's recession in 2009.

Asked whether the state is better off under Governor Rick Snyder than under the previous administration, Grimes said yes, even though most of the policy changes Snyder implemented have not yet gone into effect.

"The proof is in the pudding, and the fact is Michigan is doing much better (on) job creation under Governor Snyder than it did prior to his taking office," Grimes said.

"And only some of the rebound is due to the recovery of the national economy. We're running well ahead of other states in terms of job creation, so I think he has had a positive effect as governor."

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