

Dairy Keeper News & Information Notice

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The national economy has taken a nasty turn during the past three months. Dragged down by the plunging housing market and its negative impact on the national and international financial community, the economy is weaker now than it has been for the past seven years.

Many of the nation's most respected forecasters, including the University of Michigan, are calling for the economy to dip into negative territory during the current quarter. Fortunately most forecasters expect the slowdown to be mild and that the national economy will grow between 1.5 to two percent in 2008.

A national downturn is the last thing the Michigan economy needs. Car and light-truck sales are forecasted to drop to 15.5 million in 2008, down from 16.1 million in 2007.

Back in November, when the national economy was expected to grow at a moderate 2.5 percent rate in 2008, the U of M was already calling for 81,000 jobs to be lost in the state in 2008. This is on top of the elimination of 62,000 jobs in 2007.

While most of these job losses are expected to occur on the east side of the state, west Michigan will not be immune.

So how did we do last year?

Employment grew by only 0.1 percent in the six metropolitan areas of western Michigan. In a state that has lost 62,000 jobs, even that slight gain is most welcome.

However, we'd predicted a 0.5 percent increase in employment for the year. The major source of our error was that construction and manufacturing employment losses proved to be much more severe than we predicted. Our forecast for the region's service-providing sector was close to the mark, however.

Soft conditions in 2008

We are forecasting that employment in western Michigan's six metro areas will drop 0.3 percent in 2008, and then will rebound by 0.6 percent in 2009. Employment declines are expected in all the region's metro areas, with the sole exception of the Grand Rapids-Wyoming MSA, where employment is forecast to remain flat.

Goods-producing employment is projected to decline by 2.1 percent during 2008, as the year will likely see disappointing autos sales and residential construction.

Although health care -- as it has in years past -- is expected to again add hundreds of jobs during the year, employment growth in the regions other service-providing sectors will be hindered by the loss of employment in its goods-producing sectors.

What keeps us up at night?

There are several reasons why our forecast could be too optimistic again. First, our regional forecasts are based on the assumption the national economy will grow at a moderate 2.5 percent annualized rate in 2008.

Now, forecasters are calling for GDP to grow at a more modest 1.5 to 1.8 percent rate in 2008.

Second, our 2008 forecast calls for the nation's housing markets to turn around during the final quarter of the year.

If the residential construction does not rebound during the year and if housing values continue to fall, a bad regional forecast would be the least of our worries.

Business Review, Western Michigan by Mr. George Erickcek.