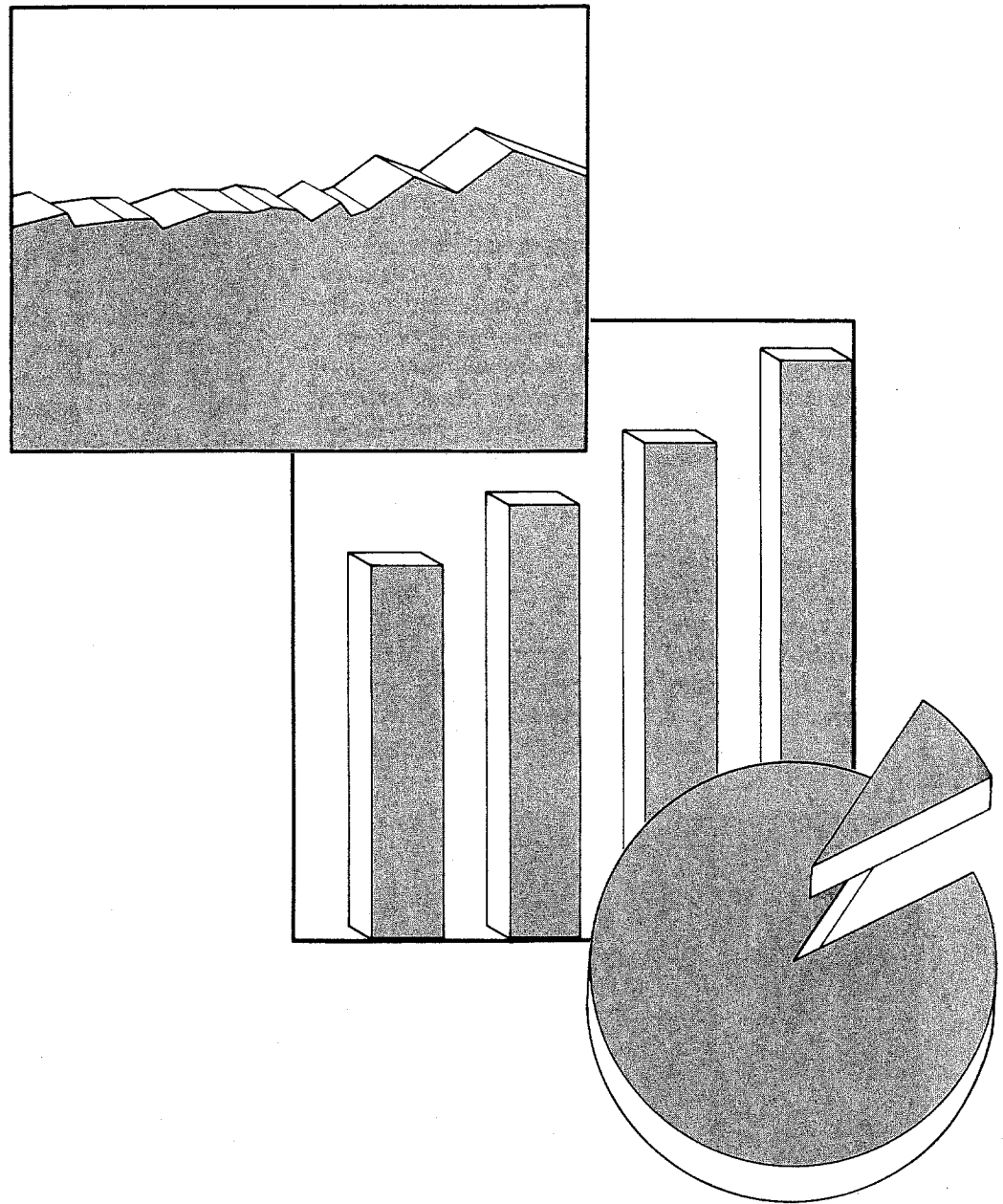


Fall Quarter

Economic Forecast



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Economic Forecast—Fall 1986

OVERVIEW

While the United States economy is expected to grow faster in 1987 than in 1986, the Michigan economy likely will fall a little short of the 1986 performance. One area in which the Michigan economy is expected to perform better than that of the nation as a whole is in reducing unemployment. Because the state labor force is growing more slowly than the national labor force—meaning that fewer people are competing for available jobs—fewer people will be unemployed. Michigan's unemployment rate is forecast to decline by one-half percentage point, to 8.5 percent, whereas the jobless rate for the United States will decline only by 0.2 percent, down to 7.0 percent from the 1986 average of 7.2 percent.

During the second quarter, nonfarm earnings of persons employed in Michigan experienced a decline of 0.5 percent, the first quarterly drop since 1982. Nationally, nonfarm second-quarter earnings were up by 1.1 percent. In contrast, during the first

quarter of 1986, nonfarm earnings here grew by 2.4 percent compared with 1.7 percent nationally (see Table 1).

Second-quarter earnings of durable goods workers declined by 5.0 percent in Michigan compared with a 0.7 percent dip nationally. The Michigan figure is heavily influenced by motor vehicles and equipment, which account for over half of earnings in durable goods manufacturing. By comparison, nationally only about 10.0 percent of durable goods manufacturing earnings are derived from motor vehicles and equipment.

Although until recently, vehicle assembly in Michigan has been running ahead of the 1985 level since the beginning of the year, our automotive sector has been hurt by declining production nationally because Michigan producers manufacture a great many of the components that are used by assembly plants in other states and Canada.

TABLE 1
Nonfarm Labor and Proprietors' Earnings in Michigan and the United States by
Broad Economic Sector: First and Second Quarter of 1986
(dollars in millions)

Sector	Michigan			United States		
	First Quarter	Second Quarter	Change Percentage	First Quarter	Second Quarter	Change Percentage
Agricultural services, forestry, and fisheries	\$ 270	\$ 287	6.3	\$ 12,658	\$ 13,402	5.9
Mining	459	453	-1.3	36,991	33,479	-9.5
Construction	3,879	4,311	11.1	160,726	166,789	3.8
Nondurable goods manufacturing	6,234	6,208	-0.4	196,060	196,868	0.4
Durable goods manufacturing	31,420	29,841	-5.0	346,580	344,371	-0.6
Transportation and public utilities	5,065	5,013	-1.0	179,218	177,973	-0.7
Wholesale trade	4,918	4,965	1.0	161,404	161,700	0.2
Retail trade	8,084	8,104	0.2	246,521	247,670	0.5
Finance, insurance, and real estate	3,816	3,983	4.4	175,694	183,308	4.3
Services	17,432	17,722	1.7	561,921	572,626	1.9
Federal civilian payrolls	1,572	1,607	2.2	86,105	86,627	0.6
Federal military payrolls	346	348	0.6	40,722	40,777	0.1
State and local government	10,183	10,403	2.2	273,914	279,242	1.9
TOTAL EARNINGS	\$93,677	\$93,244	-0.5	\$2,478,514	\$2,504,829	1.1

SOURCE: Bureau of Economic Analysis, Regional Economic Information System.

Third-quarter earnings, when reported, are expected to show a gain in the neighborhood of 1.0 percent compared with about 0.8 percent for the nation. This is because third-quarter employment data for the state indicate some pickup from the depressed second quarter. During the final quarter of 1986, Michigan earnings are expected to grow by 1.5 percent, the same as the national growth rate.

Overall economic growth, as measured by earnings growth adjusted for inflation, shows Michigan's 1986 performance marginally better than in 1985, but worse than the 1986 results for the nation as a whole.

Real Earnings Growth (percentage)

Year	Michigan	United States
1984	7.2%	6.3%
1985	2.0	3.8
1986 (est.)	2.5	3.2

On a per capita basis, Michigan's personal income is expected to increase by about 4.9 percent in 1986 compared with 5.1 percent for the nation. For 1985, the comparable figures were 4.8 percent and 5.7 percent.

Civilian employment growth and the unemployment rate record of the last three years are shown below.

Employment Growth and the Unemployment Rate

Year	Employment Growth		Unemployment Rate	
	Michigan	United States	Michigan	United States
1984	4.9%	4.1%	14.2%	7.4%
1985	1.6	2.0	9.9	7.2
1986 (est.)	1.5	1.8	8.9	7.2

The gap between Michigan's unemployment rate and that for the nation has narrowed considerably during the past three years, largely as a result of slower growth in the state labor force.

INTERNATIONAL TRADE AND THE WORLD ECONOMY

In September, for the second month running, the U.S. trade deficit narrowed. For the manufac-

turing sector, the September trade deficit was \$10.5 billion compared with \$12.5 billion in August and \$16.1 billion in July. The improvement resulted mostly from reduced imports, although there have been slight increases in exports during the past two months. For 1986 as a whole, the overall trade deficit (manufactured goods plus agriculture and mineral trade) is expected to total more than \$170 billion compared with less than \$150 billion in 1985. For 1987, the trade gap will be in the \$130 billion to \$140 billion range. This turnaround will translate into an increase of about 1.2 percent in gross national product.

In its latest review of the economic performance in capitalist countries, the International Monetary Fund projects economic growth during 1987 to be 3.5 percent for the United States, 3.6 percent for Canada, 3 percent for West Germany, and 2.9 percent for Japan. Average 1987 growth for all industrial countries is forecast to be 3.1 percent compared with 2.7 percent for 1986 and 3.0 percent for 1985. The developing countries in Asia and Latin America are expected to grow by 4.6 percent and 3.5 percent, respectively, during 1987 compared with virtually no growth in the Middle East and 1.3 percent in Africa. As 1987 wears on, Americans will find fewer imported goods in this country. Eventually, more of our goods will be exported, especially to our major trading partners among the developed countries.

The dollar has fallen most rapidly against the Japanese yen, the West German mark, and certain other currencies. It has not fallen against the currencies of a number of less-developed countries or the Canadian dollar. This means that American goods are still relatively expensive in those countries, and imports from these countries are still relatively cheap; thus, the trade balance is likely to remain negative. Japan has initiated expansionist fiscal and monetary programs to spur its own domestic demand, actions which will reduce the pressure to export and encourage imports to Japan.

While improving slightly, the U.S. trade balance promises to be a source of difficulty for our economy in the foreseeable future.

U.S. MONETARY POLICY

The Federal Reserve Board has been a strong contributor to the length of the current expansion

with its "easy money" policy; the money supply (M1) has increased about 14.0 percent during the past year.

The Fed has considerable flexibility to continue this generous policy because of easier money in Japan, an improving balance of trade, and low inflation. The overall rate of inflation, as measured by the GNP price deflator, has been less than 3.0 percent in the first nine months of 1986 and should remain low due, in large part, to an expectation of stable energy prices for at least the next year.

The economy has been sluggish in recent months and the Federal Reserve Board can be expected to continue its stimulative policies as long as inflation remains under control. The weak demand for business loans to finance nonresidential investment also gives the Fed room to maneuver without fear of overstimulating the economy and rekindling inflation.

BUSINESS INVESTMENT

The long-term outlook for business investment in nonresidential endeavors is not clear because the effects of federal tax reform are not yet known. Although tax reform will reduce investment incentives for business, it is expected to provide a short-term, moderate economic stimulus. This is because some businesses that were hesitant to make decisions until the package became law may now decide to go ahead with replacement or expansionary capital plans.

Because of tax reform, business now can plan more on the basis of real demand and less on the basis of loopholes in the revenue code. For small business, which is generally less able to cope with the paperwork and procedures entailed in government incentive programs, the new tax code is good news. The effect of the generally reduced level of taxation on small business is a stimulus to investment since this sector will have more after-tax dollars to spend on buildings and equipment. For big business, the tax changes are an inducement to pay higher dividends now that capital gains will be taxed at the same rate as ordinary income. Previously, it made sense for a company to reinvest a large proportion of earnings in order to produce long-term capital gains for its stock holders because capital gains were taxed at a far lower rate than dividends.

Currently, the greatest drag on business investment in this country is the general level of overcapacity in most industries. If business becomes convinced that economic growth prospects are favorable for 1987 and 1988, investment will be triggered by the need to increase capacity to meet the higher demand for goods and services.

LEADING INDICATORS

In September, the index of leading indicators limped ahead by 0.4 percent, following a 0.1 percent decline in August and 1.0 percent gain in July.

The size of the September increase is modest, suggesting modest growth in the months ahead as well. The composition of the increase is broad-based: seven of the eleven indicators showed improvement. Only the number of building permits, common stock prices, and prices of sensitive raw materials went down during September. (The September figure for inventories was not available at the time the index was prepared.) The composite index of leading indicators also does not have a component that reflects changes in the balance of trade with other countries. If it did, the overall index would be signalling stronger growth.

CONSUMER AND BUSINESS EXPECTATIONS

The Conference Board, an independent research organization in New York City, conducts surveys of consumer attitudes and buying plans. The September survey reports a modest rise in consumer optimism after a summer in the doldrums, with "plans to buy cars and homes...up [whereas] interest in major appliances has weakened." The survey reflects a greater consumer confidence in the ability of the American economy to provide jobs. Modest improvements in job availability and business conditions are expected during the next six months.

Manpower Incorporated, a temporary employment agency, periodically surveys the employment outlook among some 12,000 U.S. companies. The most recent survey, conducted during the last two weeks of August, suggests "steady, modest growth in hiring plans." On the basis of this survey, slow job growth is projected for the western United States in the months ahead. The outlook is best in the Northeast and South, with modest gains expected in the Midwest.

PERSONAL INCOME AND OUTLAYS

September was an especially depressed month for U.S. manufacturers, with the result that their payrolls decreased by \$0.4 billion, after a \$3.1 billion increase in August.

Overall, total U.S. personal income grew by 0.3 percent in September and 0.2 percent in August. If the effects of the August subsidy increases to farmers and July retroactive payments of Social Security benefits are removed, personal income increased by 0.2 percent in September and 0.3 percent in August.

Buying was mixed. Reflecting a burst of automotive buying, personal consumption expenditures increased by 1.6 percent in September. The August increase was 0.6 percent.

September retail sales for Michigan retailers are not available at this writing. The August results were a disappointing 2.2 percent above August 1985 (see Table 2). Nationally, the August gain was a bit better, 2.6 percent over the 1985 figure. For the first 8 months of 1986, Michigan retailers experienced a 7.5 percent improvement over the 1985 figure in the face of a national gain of only 4.3 percent.

Figures on Michigan sales tax collections for the first eight months of the year indicate that building and hardware dealers are having a banner year as

are furniture dealers. New car dealers have also done exceptionally well. The best increases are being recorded for beer and liquor stores, with taverns and clubs also showing good gains. Family restaurants are having a so-so year. Gasoline service stations also report lagging sales tax collections, no doubt a result of cheaper fuel prices this year compared with last.

According to surveys by the public accounting firm Laventhol & Horwath, the August occupancy rate for Michigan lodgings was 75.5 percent, or a 1.2 percent decrease from August 1985. These figures are not adjusted to reflect the fact that Michigan has added to its lodgings industry capacity since August 1985. Overall, the hospitality industry in Michigan is experiencing a very good year.

EMPLOYMENT

The latest readings on Michigan's economy are provided by employment data released by the Michigan Employment Security Commission and its Washington counterpart, the Bureau of Labor Statistics (Table 3). These figures show the continued depressing effect of the automotive slump on the Michigan economy. They also reveal surprising strength in mining, nondurable goods manufacturing, wholesale trade, and in transportation and public utilities industries. Services and finance, insurance, and real estate also posted good gains here, but at less than the national average.

TABLE 2
Percentage Change in Retail Sales in Michigan and the United States, August: 1985-86

	Detroit ^a		Michigan		United States	
	August 1985- August 1986	First Eight Months 1985-86	August 1985- August 1986	First Eight Months 1985-86	August 1985- August 1986	First Eight Months 1985-86
Durable goods, total	N.A.	N.A.	-1.3	7.6	5.1	6.5
Department stores	7.9	8.7	8.2	7.7	5.0	5.5
GAF ^b , total	7.5	10.9	4.3	9.6	6.1	6.8
Nondurable goods	9.2	10.0	4.5	7.5	1.1	2.9
TOTAL	6.5	8.7	2.2	7.5	2.6	4.3

SOURCE: Bureau of the Census. *Monthly Retail Trade*, August 1986.

^a The Detroit Metropolitan Statistical Area is comprised of Lapeer, Livingston, Macomb, Oakland, St. Clair, and Wayne counties.

^b GAF represents retail outlets that specialize in department-store types of merchandise, including furniture and apparel.

TABLE 3
Michigan and United States Wage and Salary Employment,
Third-Quarter Averages: 1985 and 1986
(thousands of people)

Industry Group	Michigan			United States		
	1985	1986	Percentage Change	1985	1986	Percentage Change
Mining	10.6	10.9	2.8	932	762	-18.2
Construction	110.0	125.1	13.7	5,007	5,326	6.4
Nondurable goods	216.1	220.6	2.1	7,850	7,895	0.6
Durable goods manufacturing	765.7	742.9	-3.0	11,474	11,296	-1.6
Motor vehicles and equipment	332.1	317.7	-4.3	863	819	-5.1
Other nondurable goods	433.6	425.2	-1.9	10,611	10,477	-1.3
Transportation, communication, and public utilities	142.2	147.8	3.9	5,267	5,300	0.6
Wholesale trade	176.3	180.7	2.5	5,786	5,893	1.8
Retail trade	617.6	637.9	3.3	17,553	18,131	3.3
Finance, insurance, and real estate	163.8	172.2	5.1	6,041	6,417	6.2
Services	757.2	783.9	3.5	22,245	23,377	5.1
Government	558.7	557.4	-0.2	15,830	15,957	0.8
TOTAL	3,518.2	3,579.4	1.7	97,985	100,354	2.4

SOURCE: Michigan Employment Security Commission, special release; Bureau of Labor Statistics, special release.

Michigan's stellar performer continues to be its construction industry. Third-quarter construction permits suggested continued growth in construction activity, but at a less frenetic pace than earlier this year (see Table 4).

Table 5 shows the condition of the various economies within Michigan. Ontonagon County in the northwest Upper Peninsula is the growth leader this year only because an infusion of new capital has revived the fortunes of its major industry, the White Pine Copper Mine.

Generally, the resource-rich Upper Peninsula is depressed relative to Michigan as a whole. The northern lower peninsula, particularly on the western side, contains a disproportionate share of the state's troubled economies. Manistee and Mason counties in particular have been hit hard; their manufacturing jobs have dwindled as their older factories closed. Petroleum or natural gas extraction is an important industry in a few mid-Michigan counties and in Kalkaska, where the slump in drilling activity is having a pronounced effect.

Ann Arbor and Lansing-East Lansing, which, because of their universities, are two of the state's better-known "high tech" areas, have the healthiest of the state's economies. Job growth in the Detroit area has been spurred by high technology growth in Oakland County and by manufacturing growth in Macomb County and western Wayne County.

Employment data for the City of Detroit are not regularly available during the year because of the size of the household survey necessary to compile these figures. The most recent annual averages, for 1985, show that the city has experienced little if any recovery from the 1982 recession. Whereas the rest of the six-county Detroit region has shown an employment gain of nearly 200,000 jobs among its residents, Detroit households report employment levels that fluctuated in the 325,000 to 340,000 range for the 1982-85 period. The rate of unemployment in the city has remained at about 25.0 percent, while in the rest of the area, it has declined from about 13.0 percent to 6.0 percent. Detroit's poverty rate seems stuck at a rate about three times that for the rest of the region and more than double that for the nation as a whole.

TABLE 4
Number and Valuation of Residential and Nonresidential Units
Authorized in Michigan Building Permit Issuing Place, by
Category, September: 1985 and 1986

Category	September			First Nine Months		
	1985	1986	Percentage Change	1985	1986	Percentage Change
	Number					
Residential homes	3,526	4,288	21.6	27,144	33,347	22.8
Transient hotels, motels, tourist courts and cabins	537	289	-46.2	4,123	3,277	-20.5
Industrial buildings	109	131	20.2	716	834	16.5
Office, bank, and professional buildings	66	62	-6.1	449	420	-6.5
Stores and other mercantile buildings	114	131	14.9	780	829	6.3
Additions, alterations, and conversions						
Housekeeping residential buildings	4,289	4,517	5.3	34,479	33,439	-3.0
All other building structures	1,259	1,315	4.4	10,524	10,884	3.4
	Valuation (millions of dollars)					
Residential homes	\$173.9	\$217.4	25.0	\$1,330.5	\$1,753.5	31.8
Transient hotels, motels, tourist courts and cabins	15.8	10.5	-33.5	99.0	64.0	-35.4
Industrial buildings	28.5	65.8	131.9	404.5	374.0	-7.5
Office, bank, and professional buildings	28.5	46.6	63.5	319.2	356.9	11.8
Stores and other mercantile buildings	21.1	49.7	135.5	174.6	233.5	33.7
Additions, alterations, and conversions						
Housekeeping residential buildings	26.2	33.2	26.7	210.2	205.3	-2.3
All other building structures	57.8	52.6	-9.0	495.2	546.6	10.4

SOURCE: Bureau of Census, special release.

The Detroit experience is likely mirrored in Flint, Pontiac, and Jackson as well as in a number of small, declining industrial cities, such as the steel centers downriver of Detroit.

OUTLOOK

Michigan's economy continues to be encumbered by changes taking place in the automotive industry. Earlier in the decade, downsizing, imports of finished vehicles, improved productivity in vehicle production, and the weak condition of the U.S. economy exacted

a heavy toll on employment in Michigan. As a consequence, employment devoted to the assembly of vehicles and to the manufacture of auto materials and components dropped from about 750,000 in early 1979 to about 525,000 during late 1982. Between 1982 and early 1985 there was a gain of about 100,000. Currently, employment in this sector is about 600,000.

U.S. producers continue to try to improve productivity and to reduce costs by buying components from outside suppliers, here and abroad. Reducing costs these days also means eliminating capacity no

TABLE 5
Michigan Labor Markets Ranked According to Percentage Change in
Wage and Salary Employment, Third Quarter: 1985-86

County or Major Market	Percentage Change		County or Major Market	Percentage Change		County or Major Market	Percentage Change	
	1984-85 ^a	1985-86 ^b		1984-85 ^a	1985-86 ^b		1984-85 ^a	1985-86 ^b
Ontonagon	0.0	32.6	Van Buren	1.2	2.4	St. Joseph	1.9	-0.5
Gladwin	6.1	9.0	Benton Harbor ^c	2.3	2.2	Marquette	0.1	-0.6
Ogemaw	-1.3	6.2	Jackson ^c	1.9	2.2	Alger	-1.1	-0.7
Hillsdale	5.0	5.5	Lake	2.2	2.1	Manistee	-2.4	-0.7
Sanilac	3.9	5.4	Schoolcraft	1.1	2.0	Mason	0.7	-1.1
Roscommon	-0.7	4.8	Alcona-Iosco	2.5	1.8	Presque Isle	0.0	-1.1
Chippewa	2.1	4.7	Antrim	5.3	1.4	Gratiot	2.1	-1.5
Barry	2.1	4.5	Gogebic	-0.5	1.3	Missaukee-Wexford	4.4	-1.5
Luce	1.3	4.5	Alpena	2.0	1.2	Allegan	-1.3	-1.7
Ann Arbor ^c	4.0	4.2	Delta	-0.5	1.2	Montcalm	2.6	-1.9
Lansing ^c	4.1	4.0	Saginaw ^c	1.5	1.2	Isabella	3.2	-2.0
Baraga	2.4	3.8	Grand Traverse	3.6	1.1	Kalkaska	7.3	-2.5
Cass	-0.8	3.8	Kalamazoo ^c	2.5	1.0	Osceola	-0.5	-2.5
Huron	2.9	3.6	Clare	6.1	0.9	Ionia	2.4	-3.2
Emmet	1.4	3.5	Flint ^c	0.5	0.7	Lenawee	3.6	-3.3
Arenac	-0.8	3.4	Tuscola	-0.7	0.7	Benzie	-0.9	-3.6
Shiawassee	2.2	3.3	Montmorency	5.4	0.5	Mecosta	0.3	-4.9
Battle Creek ^c	2.3	3.2	Grand Rapids ^c	3.6	0.2	Otsego	3.5	-5.4
Detroit ^c	4.2	3.1	Menominee	0.0	0.2	Dickinson	1.1	-8.1
Oscoda	2.3	3.0	Muskegon ^c	2.8	0.1	Iron	-1.4	-12.0
Cheboygan	-2.6	2.8	Newaygo	2.1	0.0	Upper Peninsula	0.5	-0.2
Crawford	4.5	2.8	Oceana	0.7	-0.2			
Branch	4.3	2.4	Houghton-Keweenaw	1.1	-0.4	Michigan	3.7	1.7
Charlevoix	4.8	2.4	Mackinac	1.5	-0.5	United States	3.3	2.4

SOURCE: Developed from Michigan Employment Security Commission, special release.

^a Twelve months.

^b Third quarter, three months.

^c Major labor market.

longer needed. Michigan has several new assembly plants, which were built with the intention of closing more antiquated capacity. As a result, several Michigan factories have been living on borrowed time. At the white-collar level, increasing productivity affects Michigan more than other places because we are the headquarters state.

Outsourcing is having a disproportionately negative effect on Michigan because our vehicle industry is most heavily integrated; that is, many of the parts used in the vehicles are manufactured in Michigan. We also have an unusually large share of General Motors, Ford, and Chrysler plants that manufacture parts for assembly into vehicles in out-of-state plants. More and more, such parts are being manufactured overseas and in Mexico rather than in Michigan.

During 1987, these automotive adjustments will continue to nip at Michigan's economy, meaning that our performance will not be as good as that for the nation as a whole in terms of job and income growth.

Because of the slow growth of our population and work force, the unemployment rate here will decline more than for the nation. For 1987 as a whole, the spread between Michigan and U.S. unemployment rates will stand at about 1.5 percent, compared with 1.7 percent in 1986 and 2.7 percent in 1985. Overall civilian employment in Michigan is expected to average 4,050,000 for 1987, an increase of 1.8 percent from the 1986 level. The rate of unemployment will decline to 8.5 percent. Earnings will post a gain of 2.0 percent in terms of dollars adjusted for inflation (see Table 6).

U.S. total vehicle production will be 11.2 million for 1986, a 4.3 percent decline from the 1985 level. Currently, the industry is expected to assemble about 11,450,000 units in this country during 1987, the same number it did during 1986. The U.S. will gain some production at the expense of Canada, whose high-flying automotive sector has prospered at the expense of U.S. workers during the last two years. For 1987, Michigan production will be about 100,000 units higher.

Total manufacturing employment here likely will be unchanged from the 1986 figure of 975,000. Construction will add 5,000 jobs. The other broad sectors of the state economy are also expected to grow, adding over 45,000 wage and salary jobs.

As matters now stand, prospects for the Michigan economy beyond the summer of 1987 are grim because of General Motors' planned plant closings, which will do away with some 17,000 automotive

assembly, blue-collar jobs in Michigan. As a result of the direct and spin-off effects of the plant closings, the state stands ultimately to lose around 50,000 jobs. It is possible, of course, that not all 17,000 GM jobs will be lost permanently. Perhaps other production will replace that being cancelled or transferred to other plants in the United States and Canada. But assuming the worst, after the full effects have worked through the Michigan economy, we will have about \$1.5 billion less in spending power here than would otherwise have been the case. The drive for more productivity and outsourcing will persist. Michigan still will have excess capacity and, therefore, plant closings in this state beyond 1987 are possible.

The GM cutbacks will affect Flint more than any other area, although Pontiac, Detroit, and Saginaw also will experience severe dislocation. The effects will be felt beyond the manufacturing sector; for example, in Michigan's vacationland as well as by public schools and colleges as the state budget tightens due to slower revenue growth.

TABLE 6
Projections of Michigan and the United States
Broad Economic Indicators, 1985, 1986, and 1987

Indicator	1985	1986	1987	Percentage Change	
				1985-86	1986-87
Earnings (current \$ in millions)					
Michigan	\$90,263	\$95,100	\$99,950	5.4	5.1
United States	\$2,412,650	\$2,560,000	\$2,735,000	6.1	6.8
Earnings (1985 \$ in millions)					
Michigan	\$90,263	\$92,500	\$94,350	2.5	2.0
United States	\$2,412,650	\$2,490,000	\$2,580,000	3.2	3.7
Civilian Employment (thousands)					
Michigan	3,920	3,980	4,050	1.5	1.8
United States	107,150	109,100	111,950	1.8	2.6
Vehicle Production (thousands)					
Michigan	3,400	3,400	3,500	—	2.9
United States	11,700	11,200	11,200	4.3	—
Unemployment rate (percent of civilian work force)					
Michigan	9.9%	8.9%	8.5%	—	—
United States	7.2%	7.2%	7.0%	—	—

SOURCE: The 1985 data on earnings are from *Regional Economic Analysis*, U.S. Department of Commerce, Washington, D.C.; on civilian employment rate from special release, Bureau of Labor Statistics, Department of Labor, Washington, D.C.; on vehicle production from special release, Motor Vehicle Association, Detroit.

The GM cutback and the loss of spin-off jobs does not mean that economic growth will cease. It means that growth will be sluggish compared with the nation as a whole. Growth prospects are excellent for areas of the state where there has been a high level of nonresidential construction. The new office buildings, factories, and stores being built in the suburbs north and west of Detroit and in outstate areas such as Grand Rapids, Lansing, and Ann Arbor represent new jobs when they become occupied. Downtown Detroit also is being revitalized, mostly by way of rehabilitating existing buildings.

Michigan's biggest problem during the remainder of the 1980s will be not so much a lack of economic growth as the selective regional effect of that growth, not just in the southern industrial cities, but also in the resource-rich north.

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