

2015 and 2016 Economic Outlook for Calhoun County

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Consumers Energy



SEMCO ENERGY



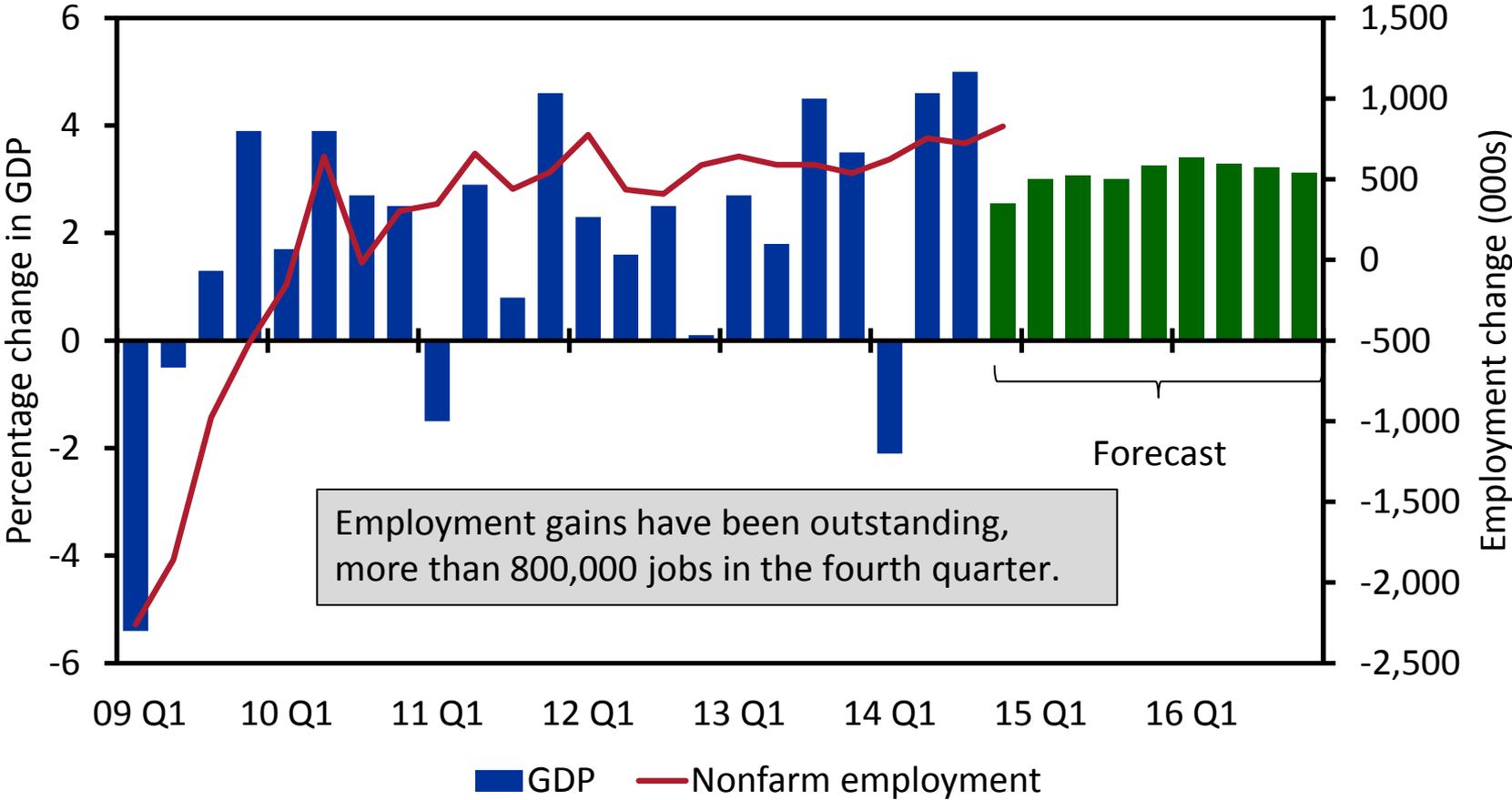
For good. For ever. For all.

Outline

- The national economy is speeding forward on \$2.00 per gallon gasoline and low interest rates
- Robust car and truck sales are fueling Michigan's economy
- Calhoun County had a good year in 2014
- Forecast: continued employment growth

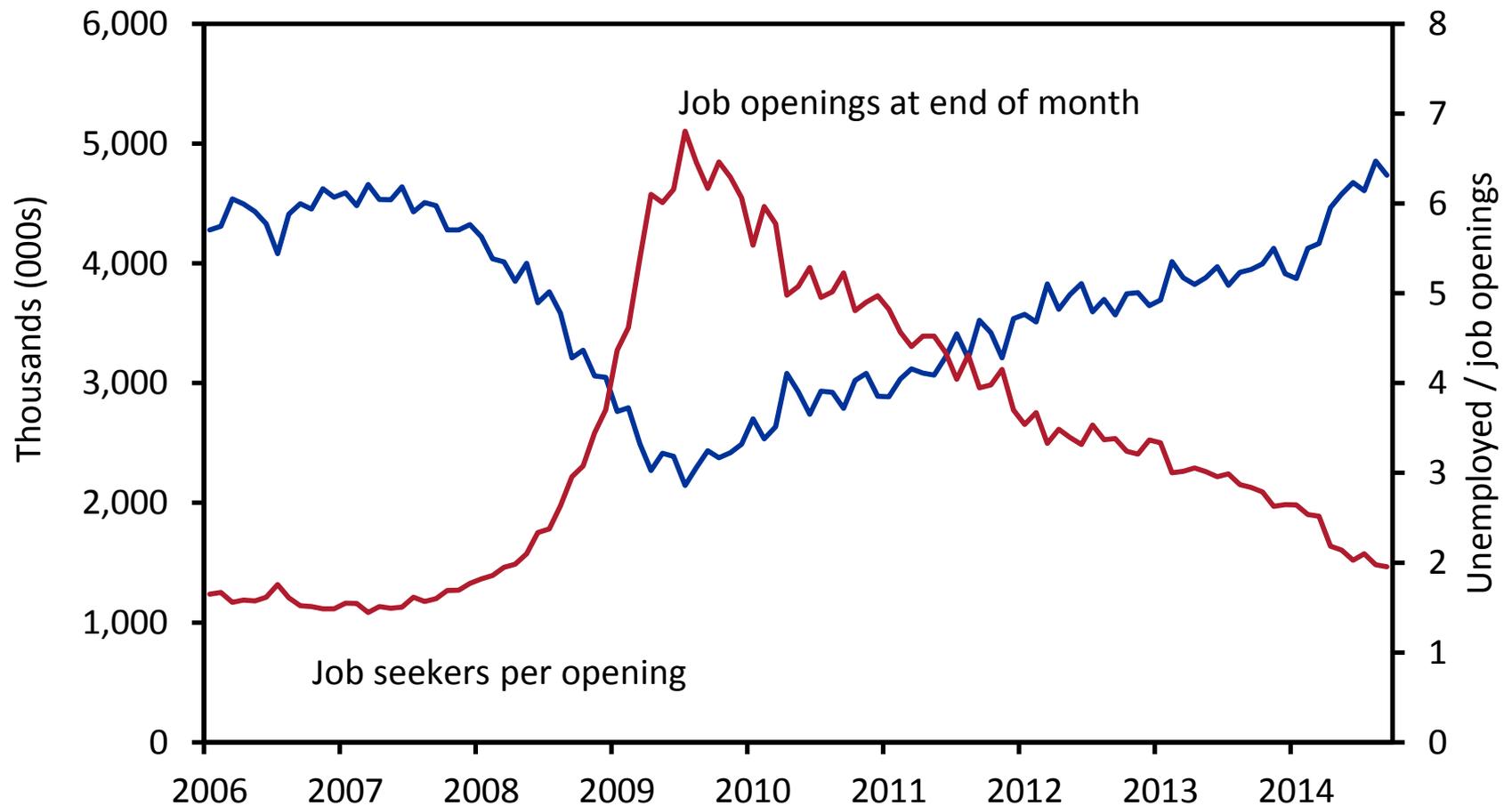
GDP Grew by a Robust 5.0 Percent in the Third Quarter, and Forecasters Are Promising Continued Growth

Gross Domestic Product and Nonfarm Employment



Employment Conditions Have Improved; the Number of Job Seekers Per Opening Has Dropped Below 2

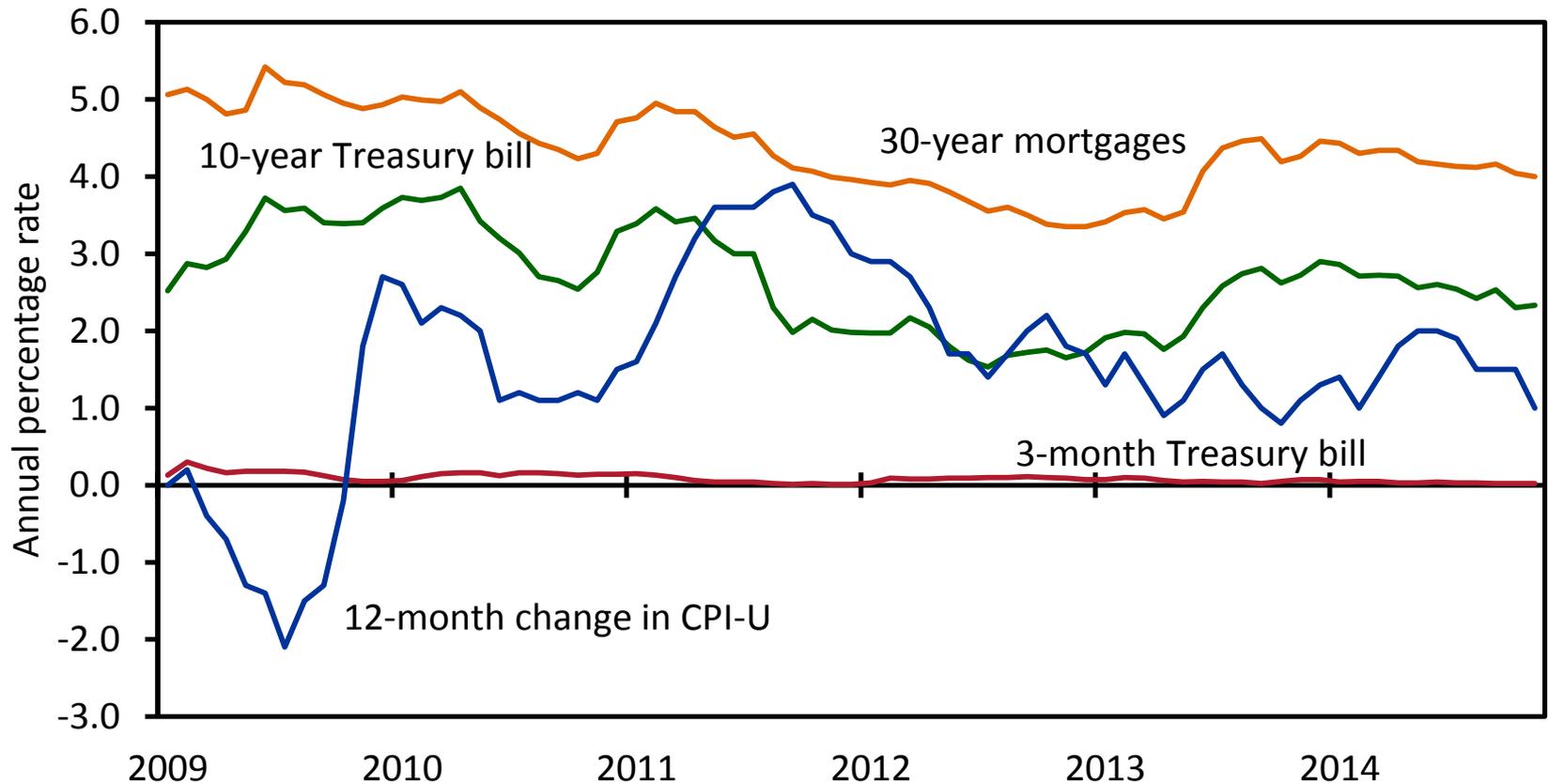
U.S. Job Openings and New Hires



Prices and Interest Rates Remain Low:

Prices may be too low but who is complaining about \$2.00 per gallon gas?

Interest Rates and Inflation



Consumer Confidence Is Rising Despite Stagnant Wages; However, Other Polls Have Not Been as Positive

Real Hourly Earnings and Consumer Confidence



So Let's Sum Up

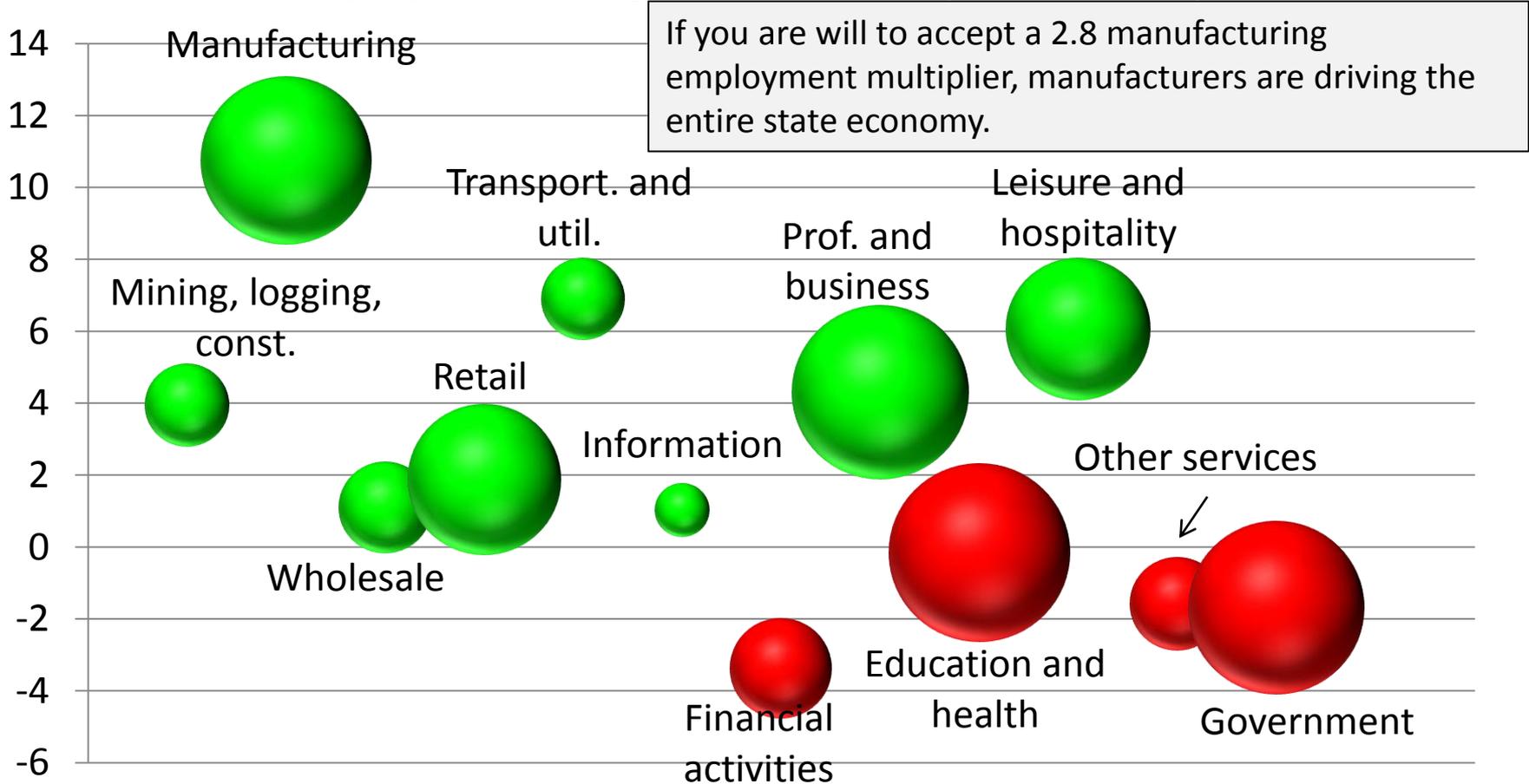
- The national economy was surprisingly strong in the third quarter and continued growth is forecasted
- Inflation and interest rates are low and expected to stay low. Gas prices may stay low for the year.
- National employment is on the rise but wages remain flat
- The Fed has stopped its purchasing of bonds but will likely keep interest rates low
- On the negative side, the nation is standing alone in the global economy

Michigan Forecast

- Strong auto sales are pushing the state forward and most are forecasting that auto sales will remain high until at least 2017
- The state's unemployment is down to pre-recession levels but still higher than the nation's
- Employment growth is expected in 2015 and 2016

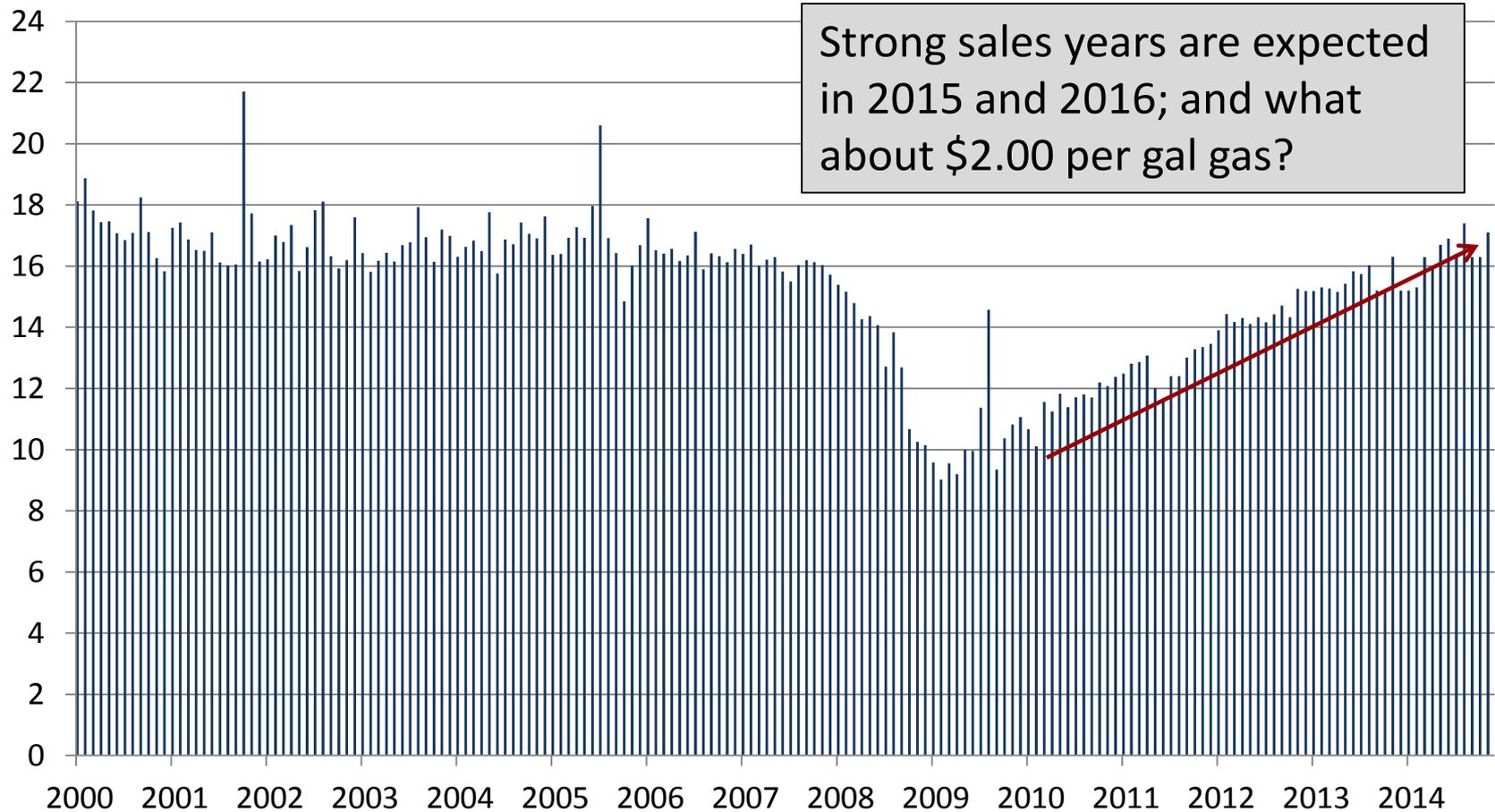
In 2014, State Employers Added Nearly 30,000 Workers

Employment Change, 2013 to 2014 (in thousands)



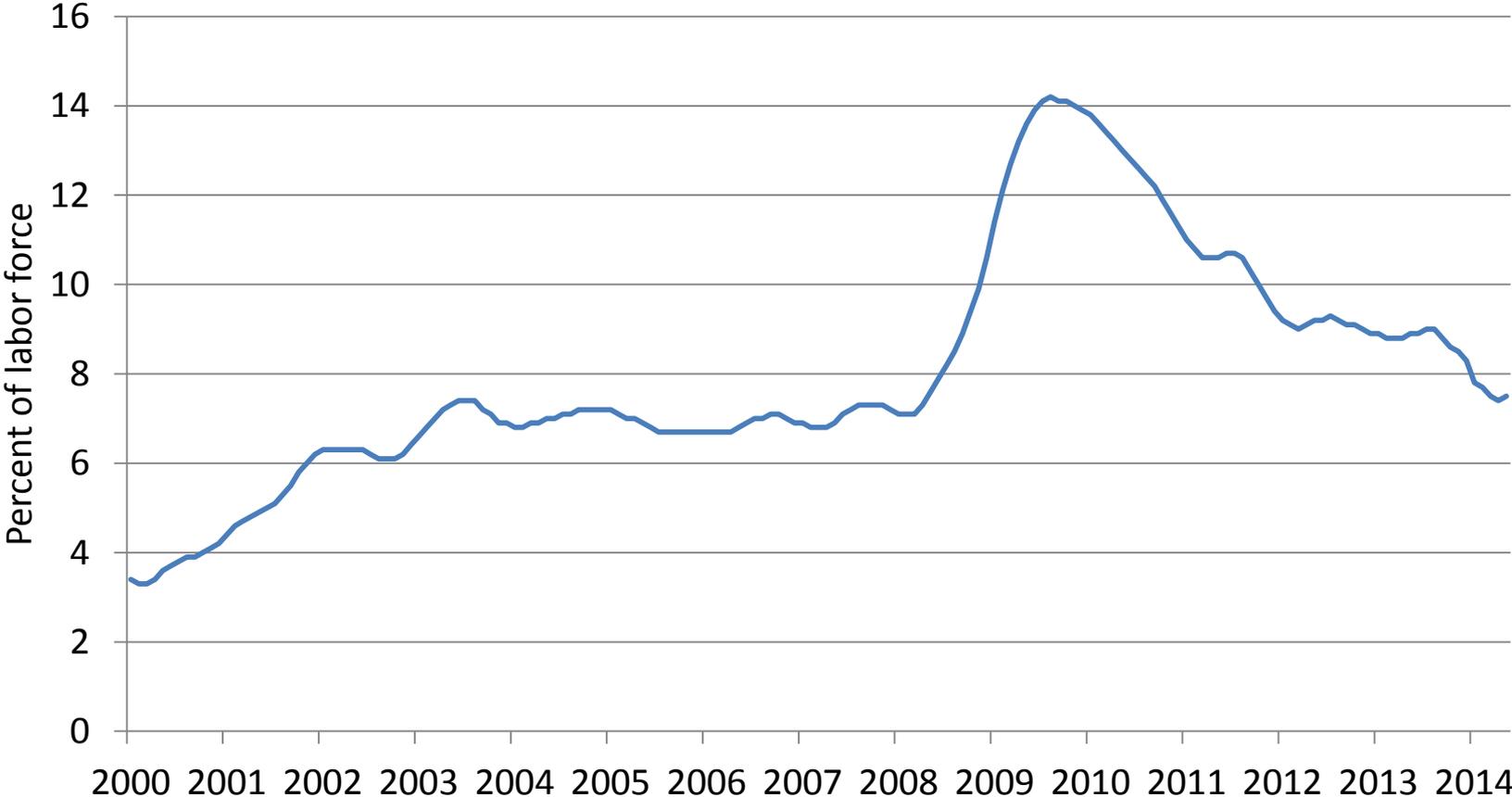
If you are will to accept a 2.8 manufacturing employment multiplier, manufacturers are driving the entire state economy.

Auto Sales Continue to Pick Up and Are Forecast to Drive Past 16 Million Units in 2015 and 2016



The State's Unemployment Rate Is Back to Pre-recession Levels and Now Stands at 7.1 Percent

Unemployment Rate



Latest University of Michigan Employment Forecast for the State Is Very Bullish

Employment forecast:

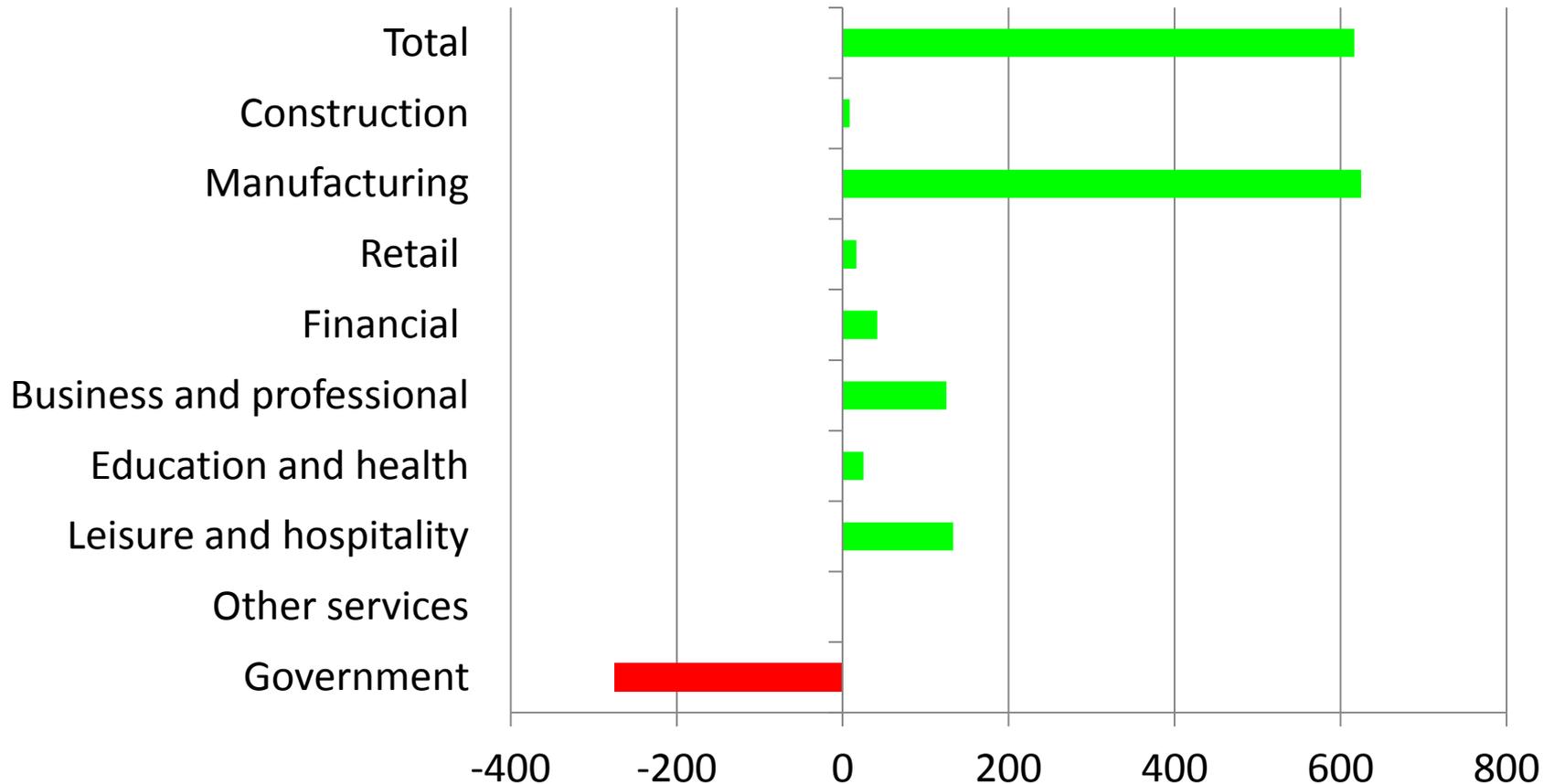
2015	50,250 jobs
2016	52,140 jobs

Calhoun County

- 2014 was a strong year for manufacturing employment growth
- The county's unemployment rate is down to 5.3 percent (seasonally unadjusted)
- The county's overall economic performance was similar to its peers
- Why isn't the county's service sector doing better?
- Forecast for 2015 and 2016 -- *Good news*

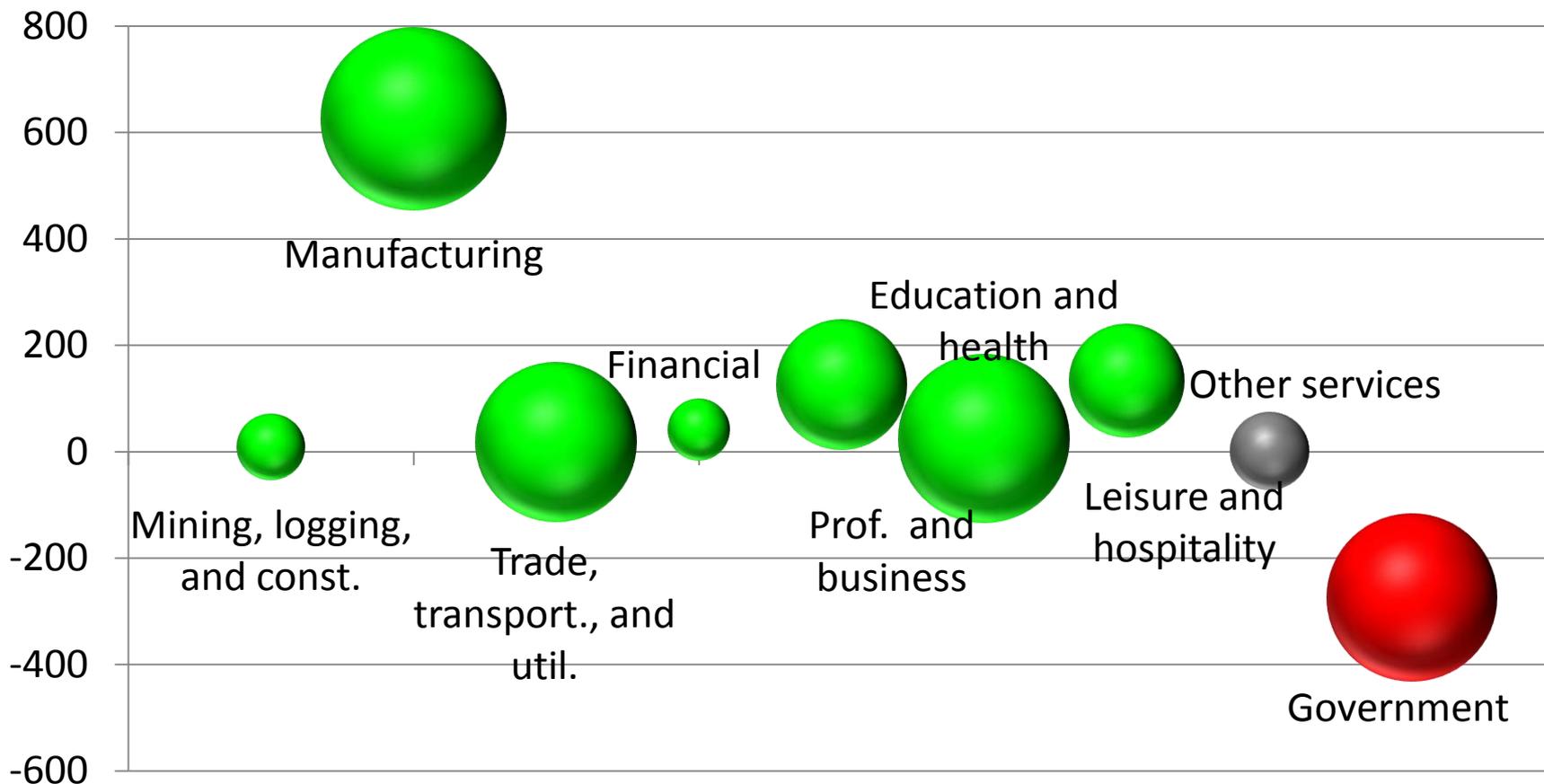
Manufacturers Are Clearly Driving the County Economy by Itself

Employment Change, 2013 to Estimated 2014



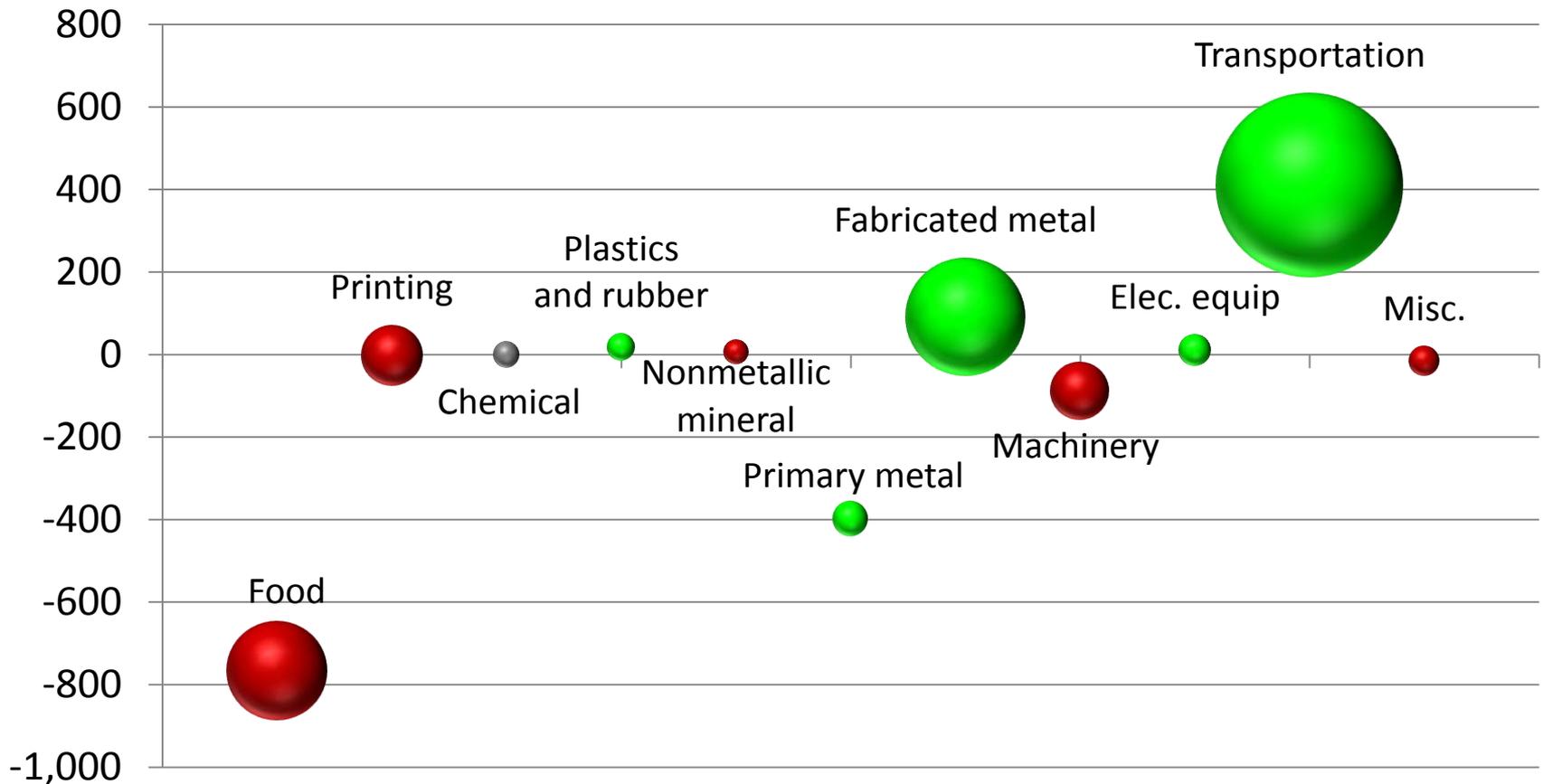
Again, the Employment Gains in Manufacturing More than Offset Losses in Government

Employment Change, 2013 to Estimated 2014



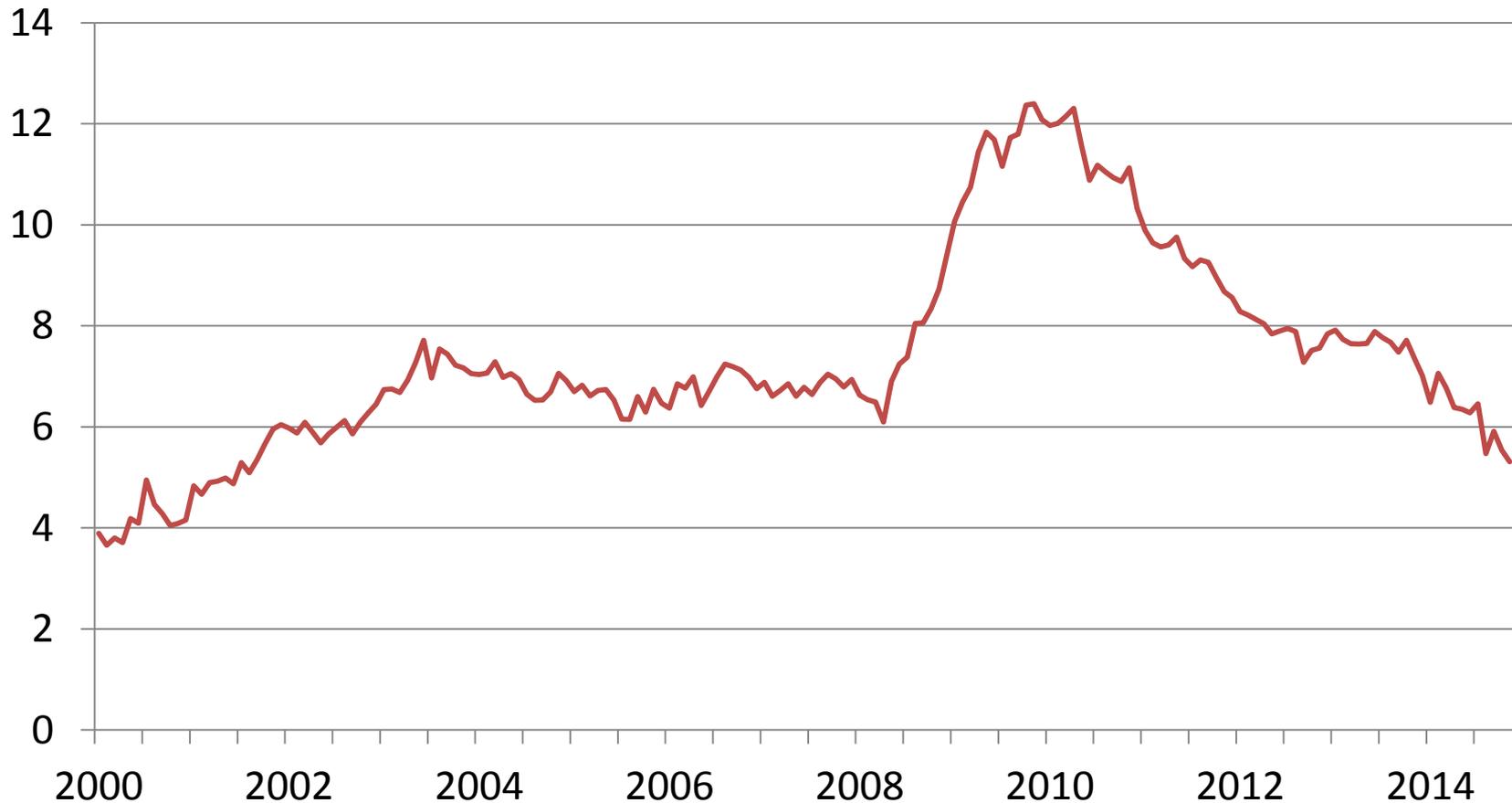
Auto Suppliers Are Supplying the Growth

Manufacturing Employment Change, Q1 2013 to Q1 2014



The County's Unemployment Rate is Down to the 2002 level and....

Unemployment Rate for Calhoun County



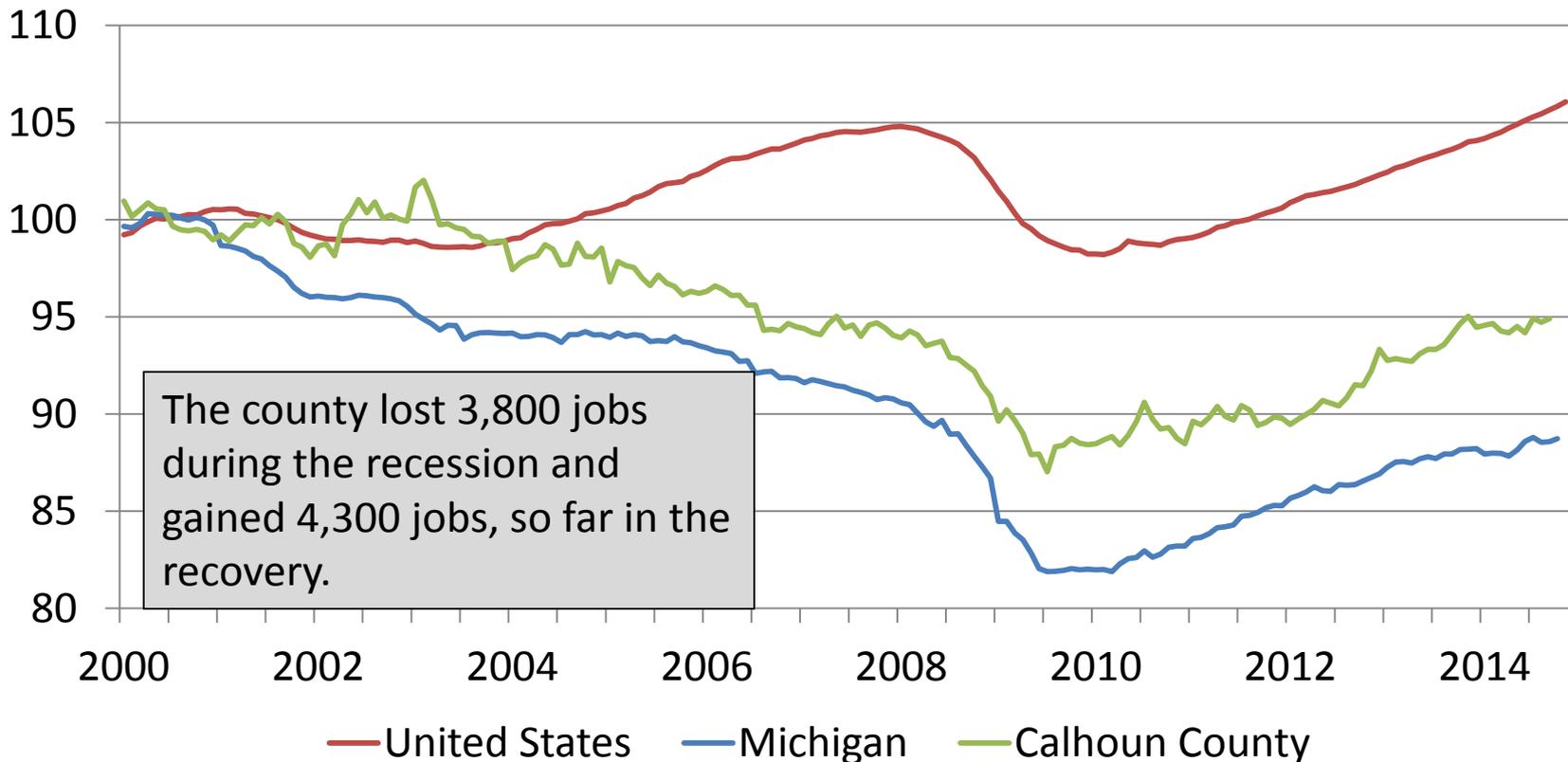
It Is for the Right Reasons – *The Unemployed and Those Who Had Previously Given up Are Finding Jobs*

November-to-November Change, Calhoun County

Year	Labor Force Change	Employment Change	Unemployment Change
2011	-1,281	243	-1,735
2012	139	728	-680
2013	674	759	91
2014	1,018	2,082	-1,243

Calhoun County Has Bounced Back from the Recession in Terms of Job Growth

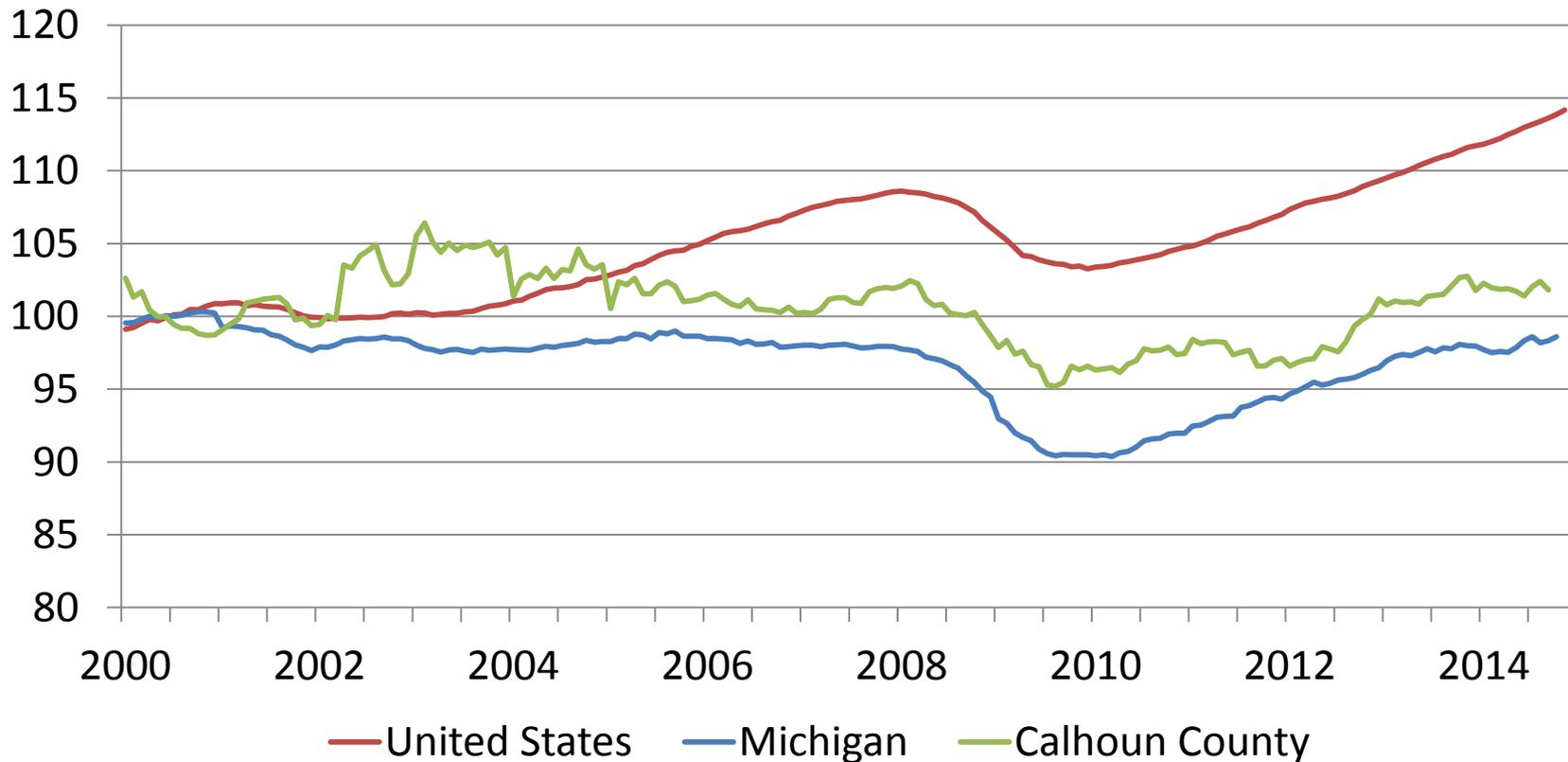
Total Employment Index (2000=100)



The county lost 3,800 jobs during the recession and gained 4,300 jobs, so far in the recovery.

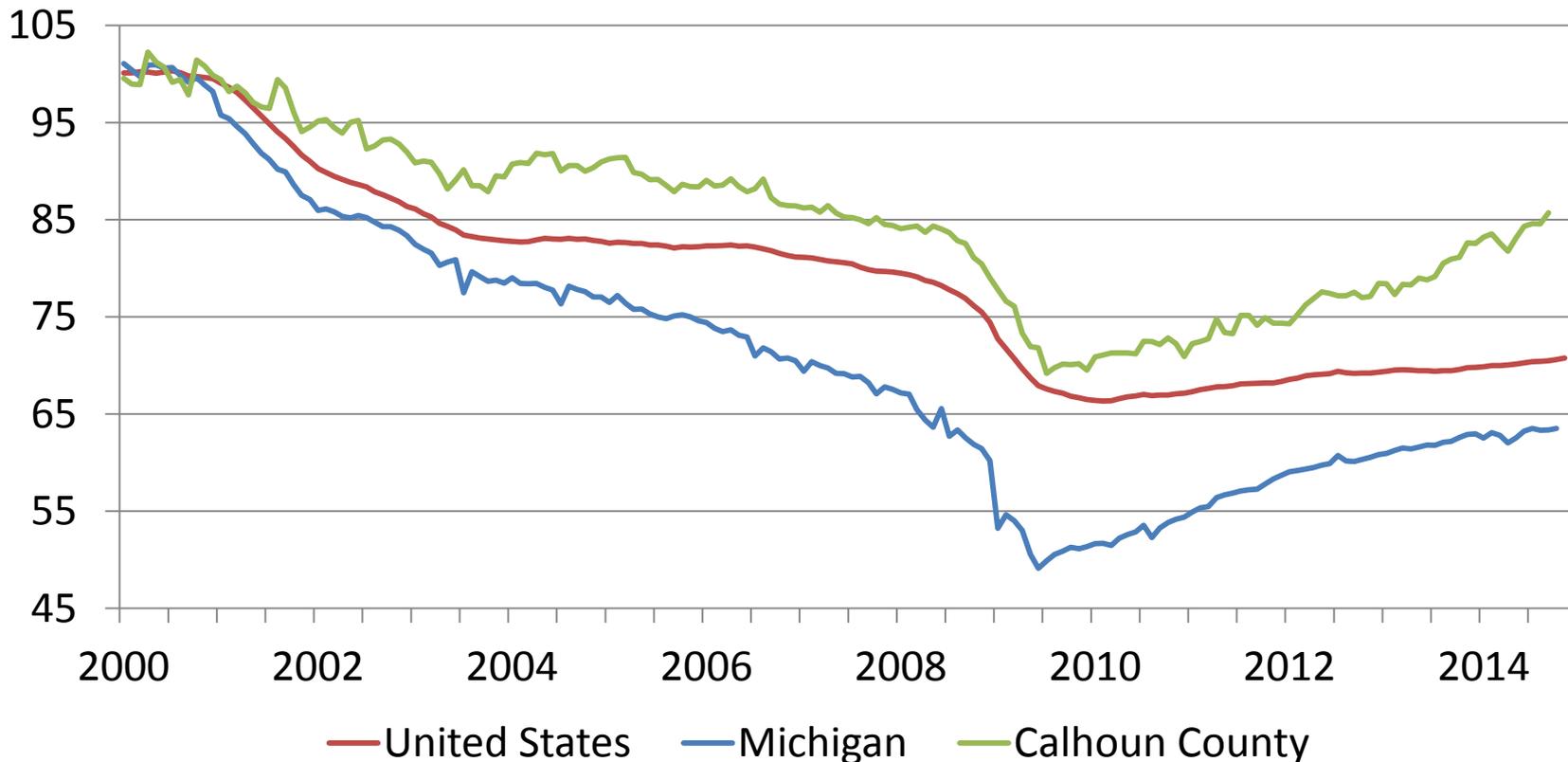
The County's Service Sector Has Also Regained Its Losses; However at a Much Slower Pace than the Nation

Private Services Employment Index (2000=100)



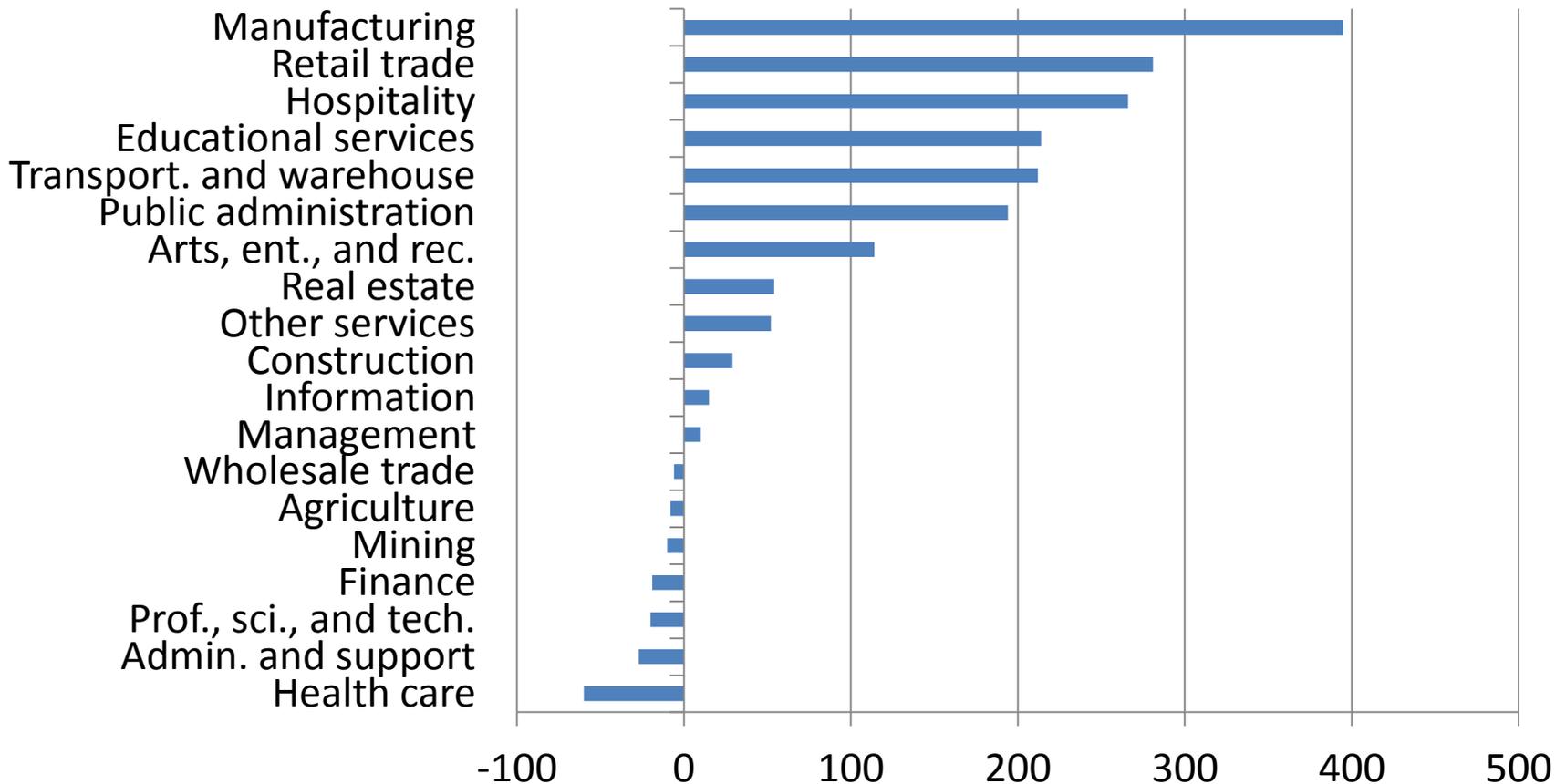
Outstanding Manufacturing Growth

**Manufacturing Employment Index
(2000=100)**



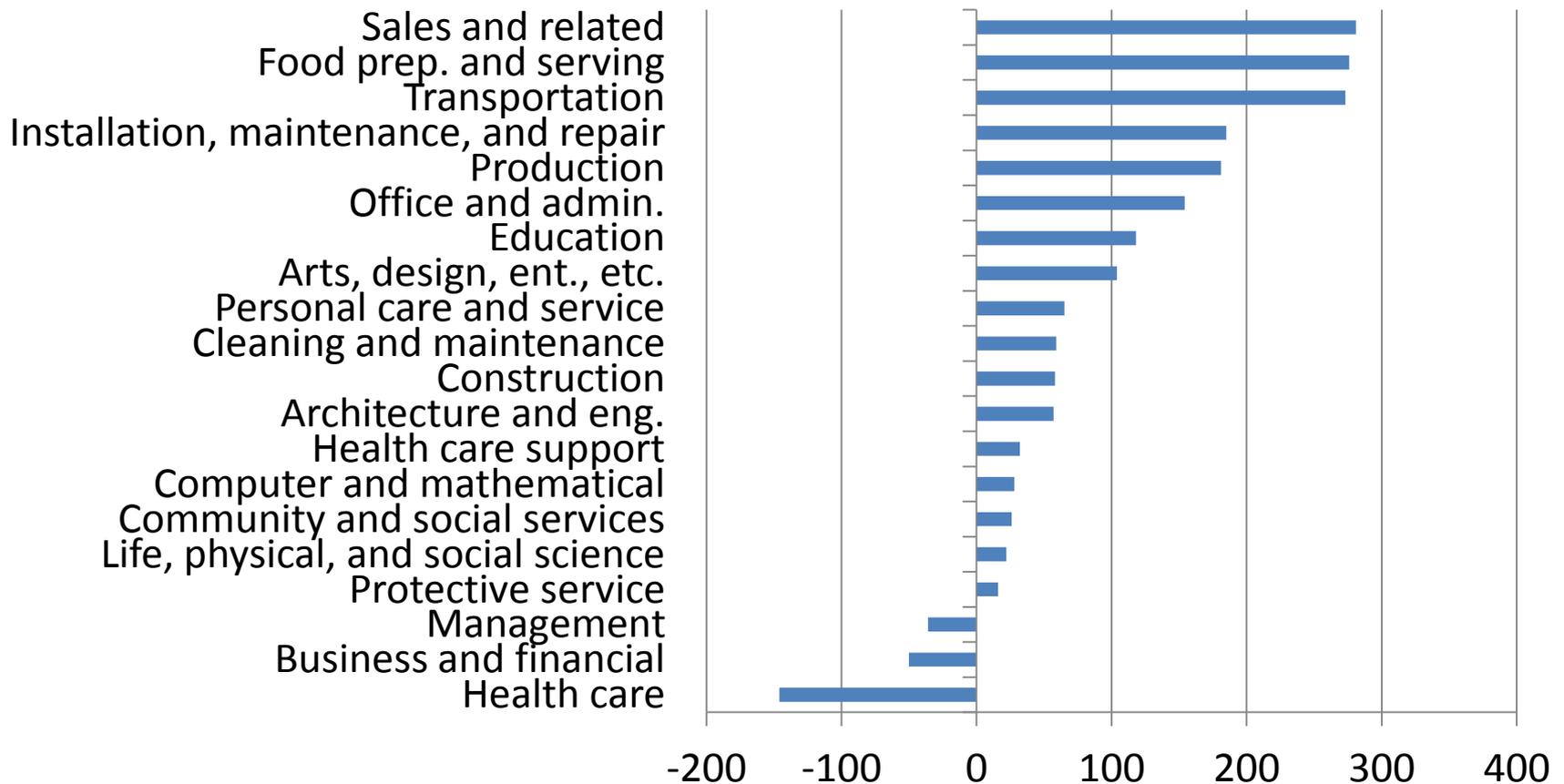
Not Surprising, Manufacturers Had the Largest Increase in Job Postings for the Year

Job Posting Change, 2013 to 2014, All Industries



However for Individual Occupations, the Increase in Job Postings Is More Diversified

Job Posting Change, 2013 to 2014, All Occupations



Comparison Analysis

Comparison Areas:

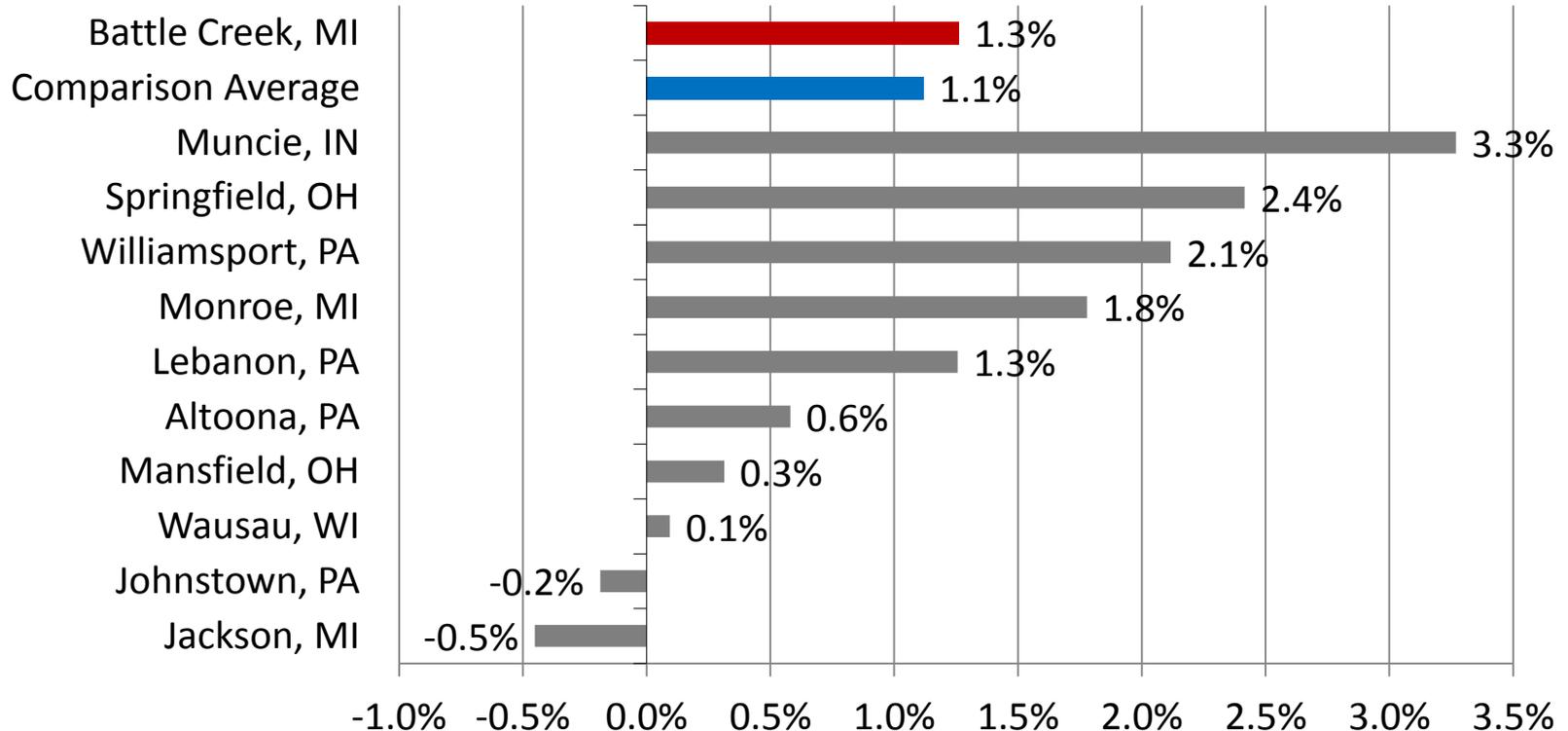
- Altoona, PA
- Jackson, MI
- Johnstown, PA
- Lebanon, PA
- Mansfield, OH
- Monroe, MI
- Muncie, IN
- Springfield, OH
- Wausau, WI
- Williamsport, PA

Comparison Criteria

- All one-county metropolitan areas
- Within Midwest region
- Not college town or state capitol
- All within 15% population of Calhoun County (plus Jackson)

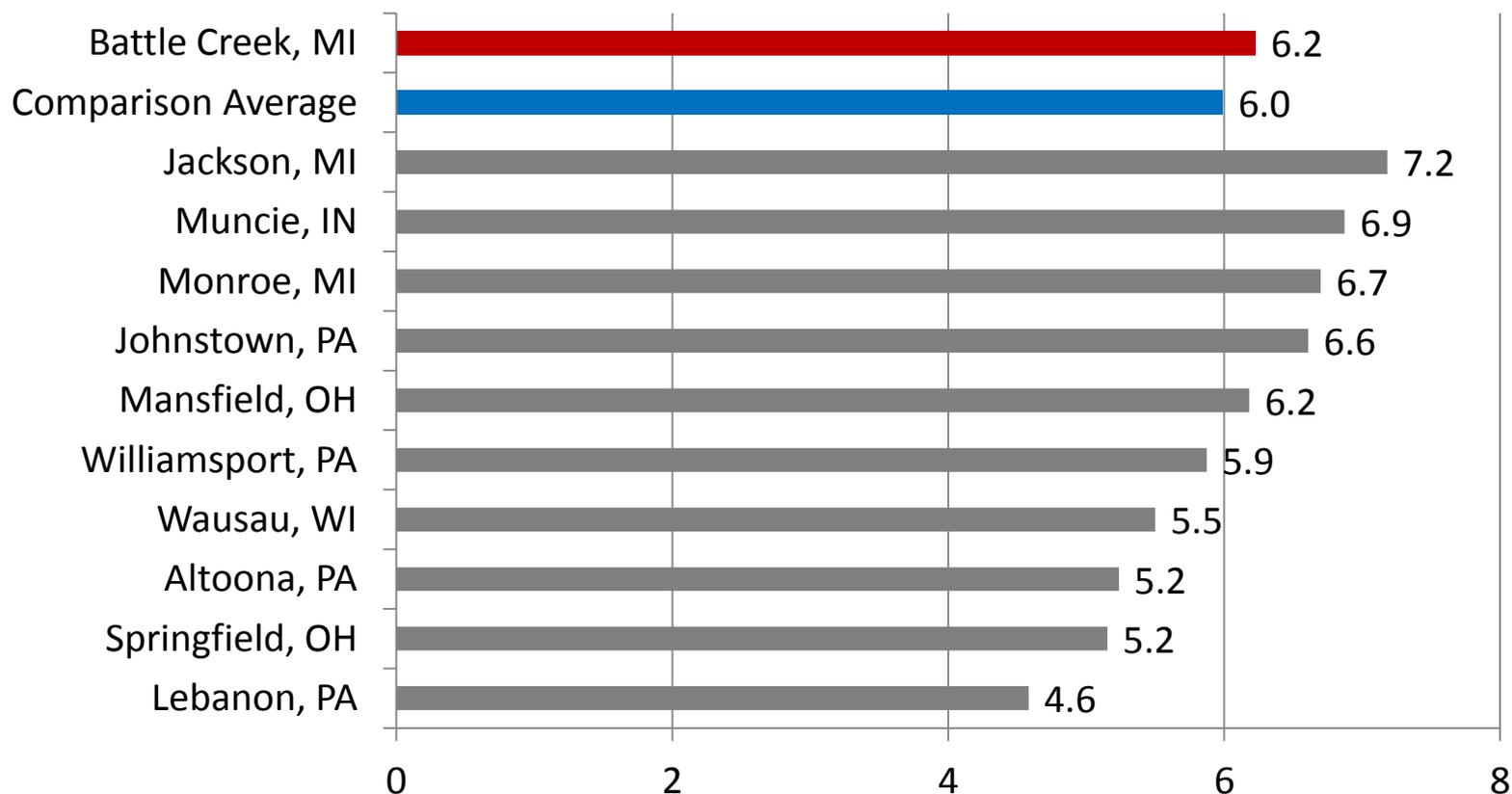
Par for the Course

**Percent Change in Total Employment,
Jan–Nov 2013 through Jan–Nov 2014**



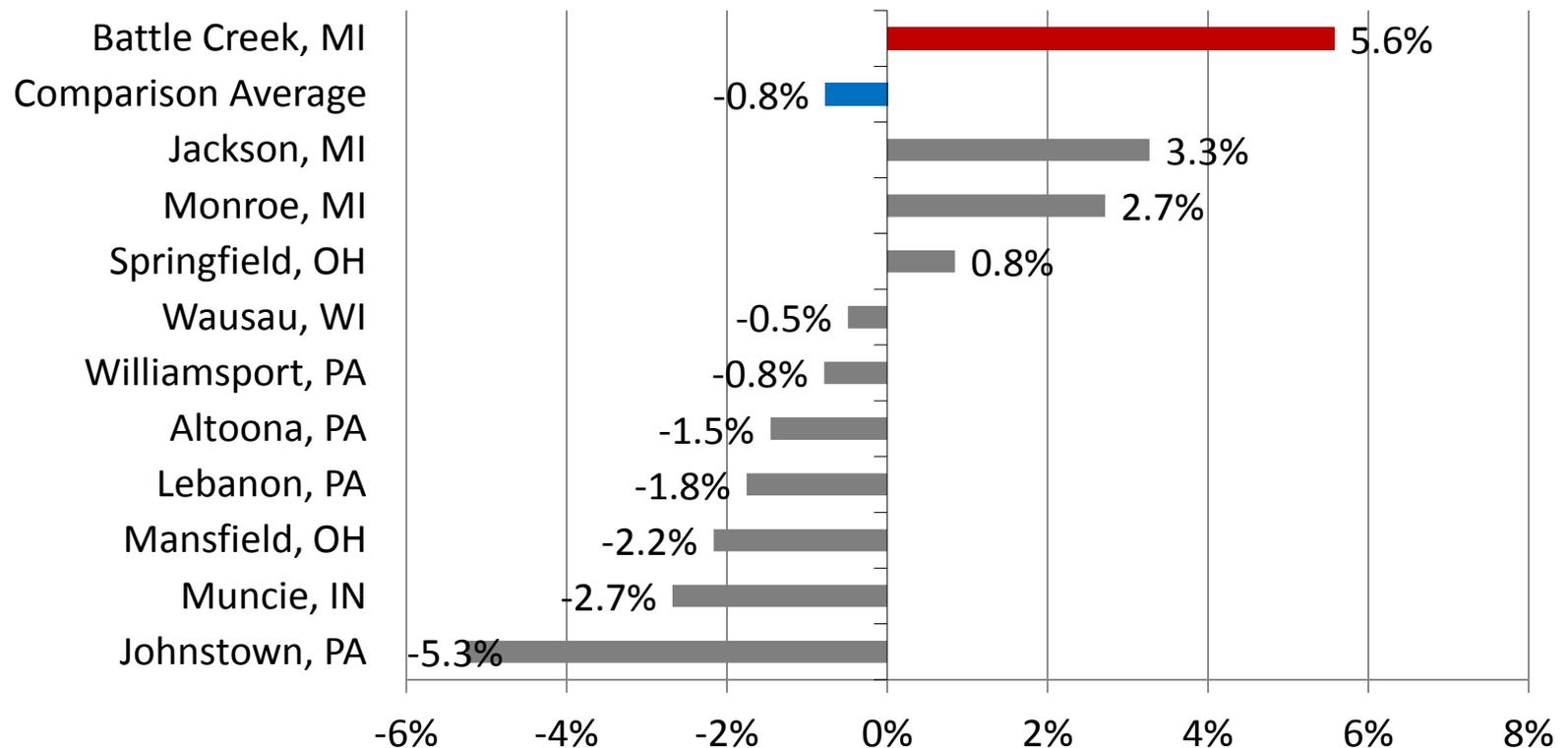
Again, Right in the Pack

Average Unemployment Rate, Jan–Nov 2014



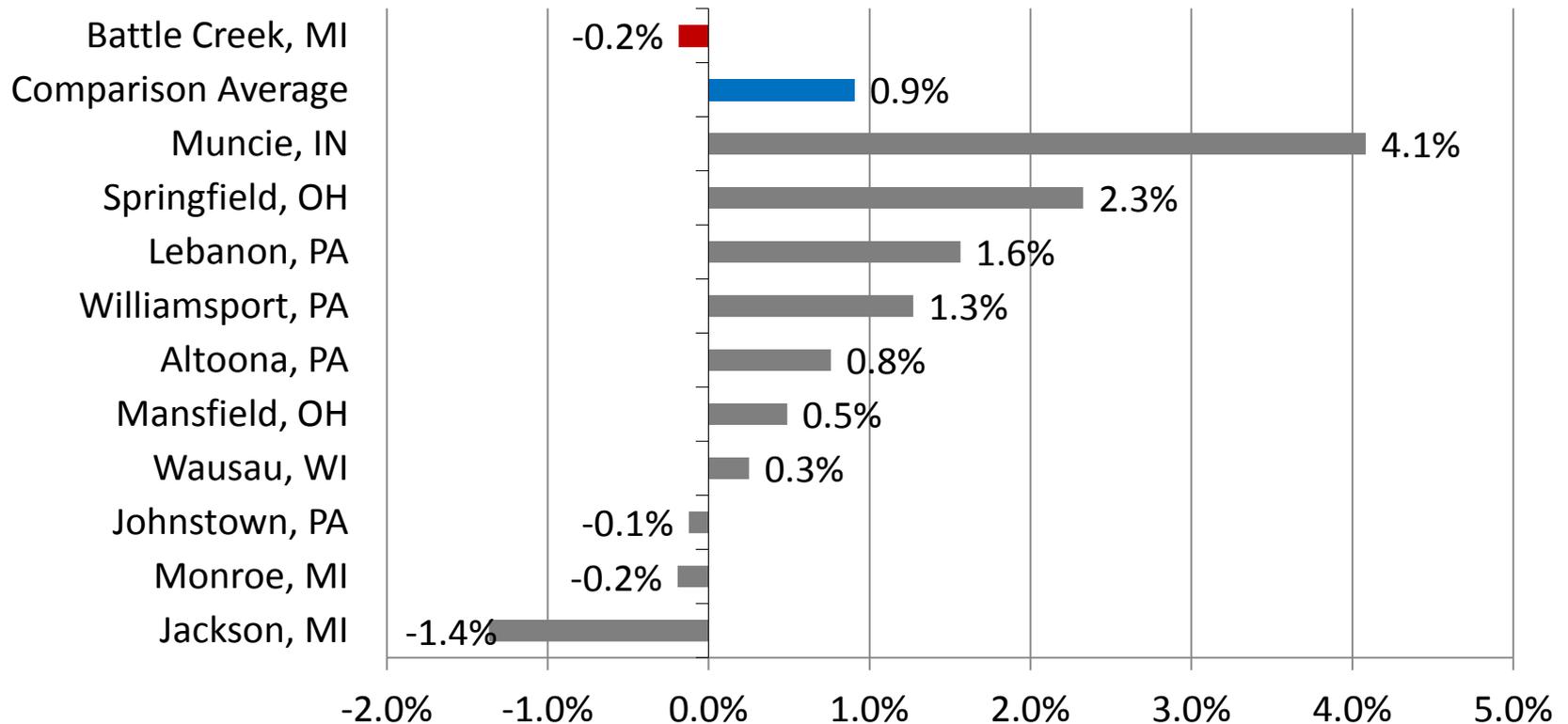
Clearly, the County's Manufacturing Growth Is Uniquely Strong

**Percent Change in Manufacturing Employment,
Jan–Nov 2013 through Jan–Nov 2014**



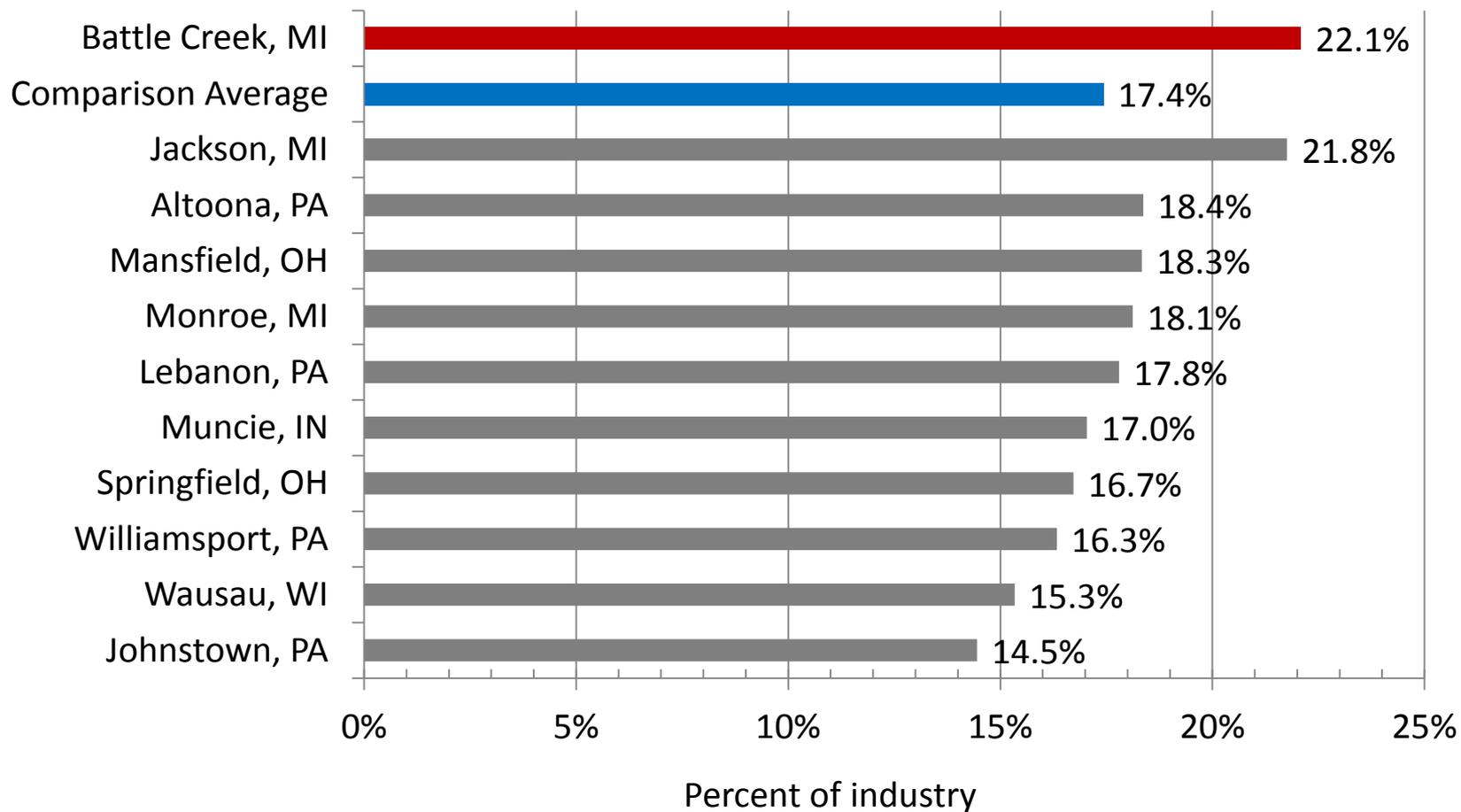
This Is the Challenge and Clearly Jackson Is Not the Problem

Percent Change in Service-Providing Employment,
Jan–Nov 2013 through Jan–Nov 2014



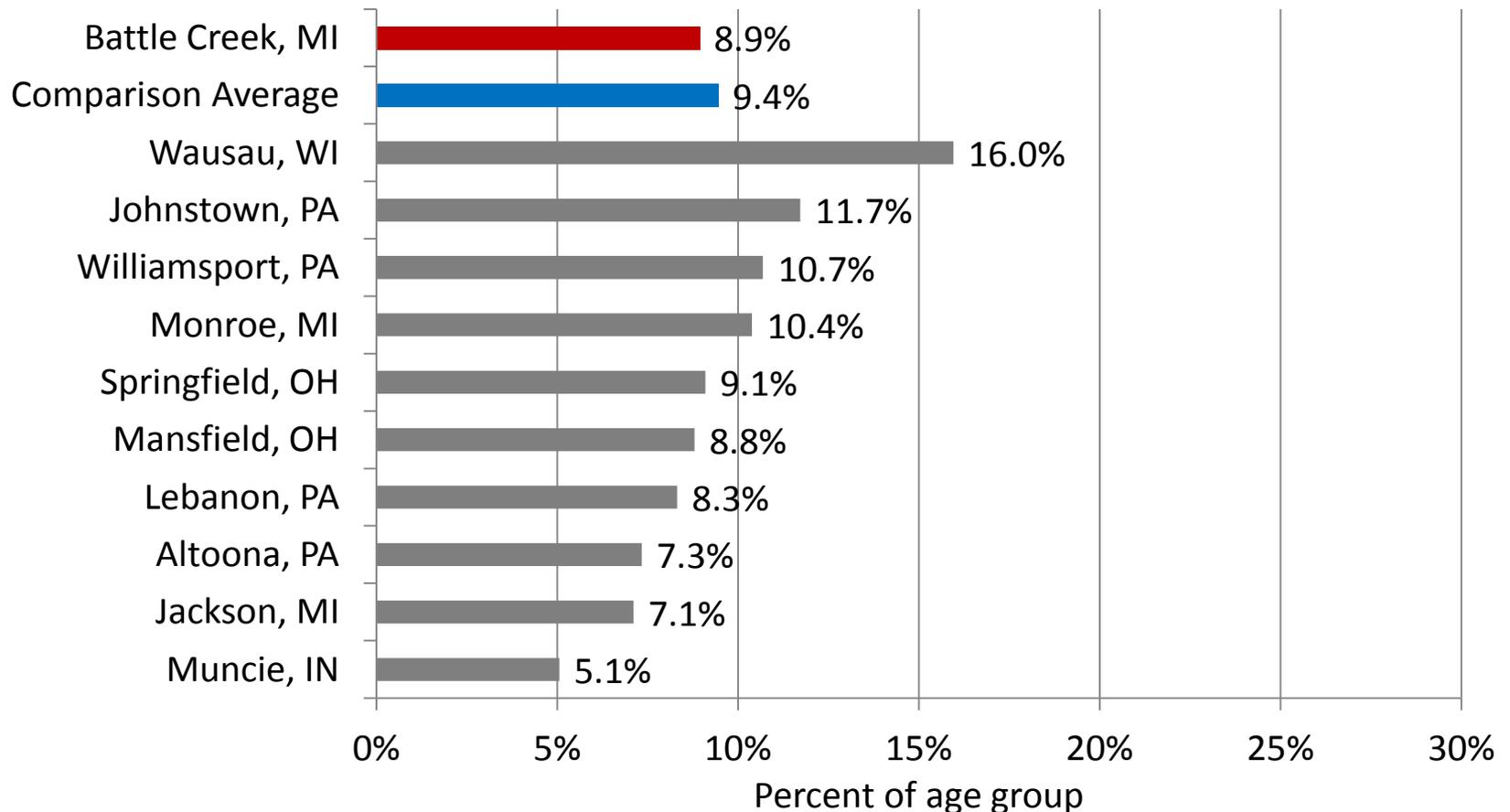
To Me, This Is a Welcome Surprise and Warrants Further Research

Self-Employed Professional, Scientific Technical Employed



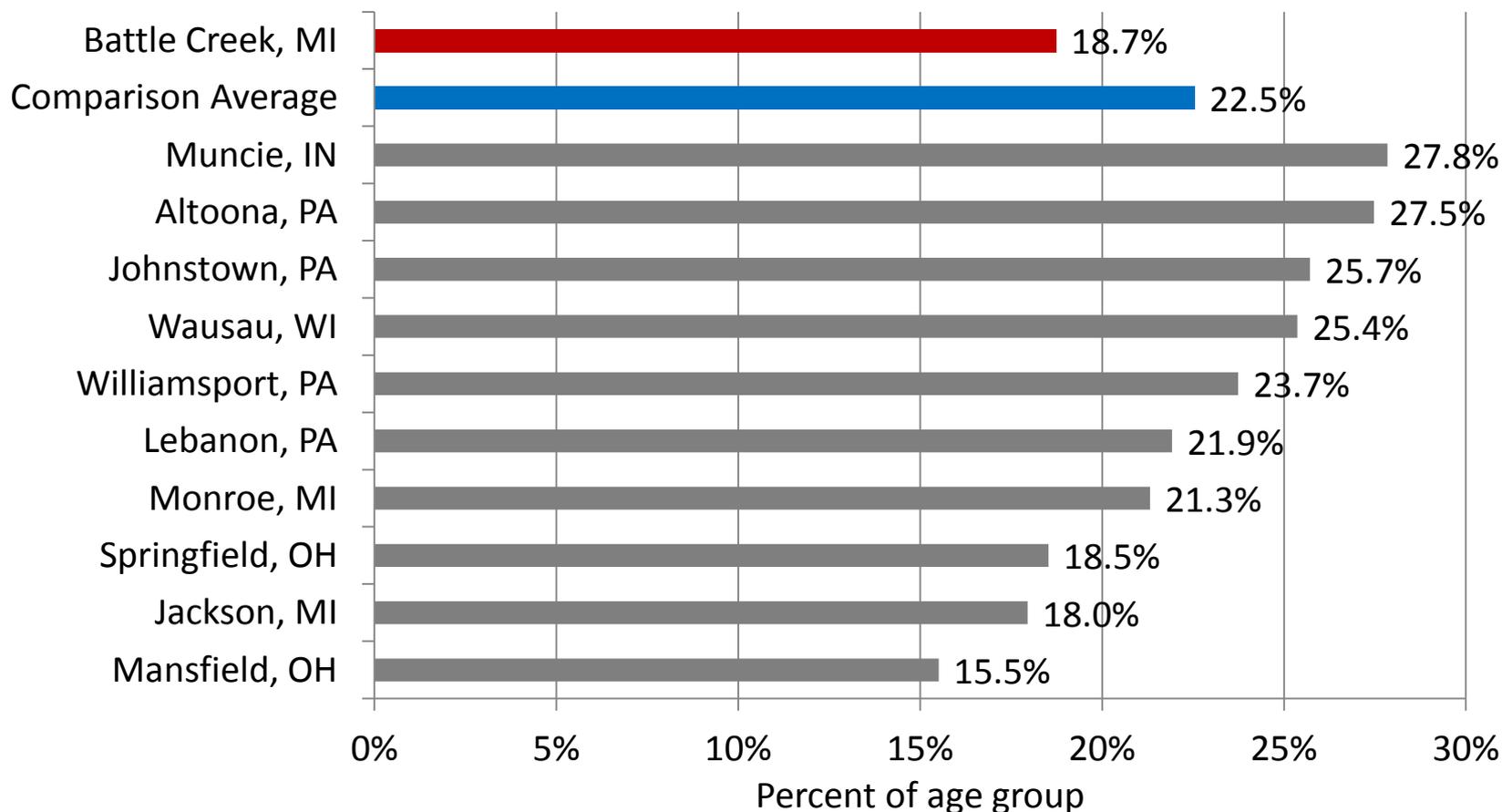
Given KCC, It Is Not Surprising that Battle Creek Is Similar to the Comparison MSAs

Associate's Degree or Higher, Age 25–34



However, for Bachelor Degrees the County Still Lags Behind—*Nationwide, It Is 33 Percent*

Bachelor's Degree or Higher, Age 25–34

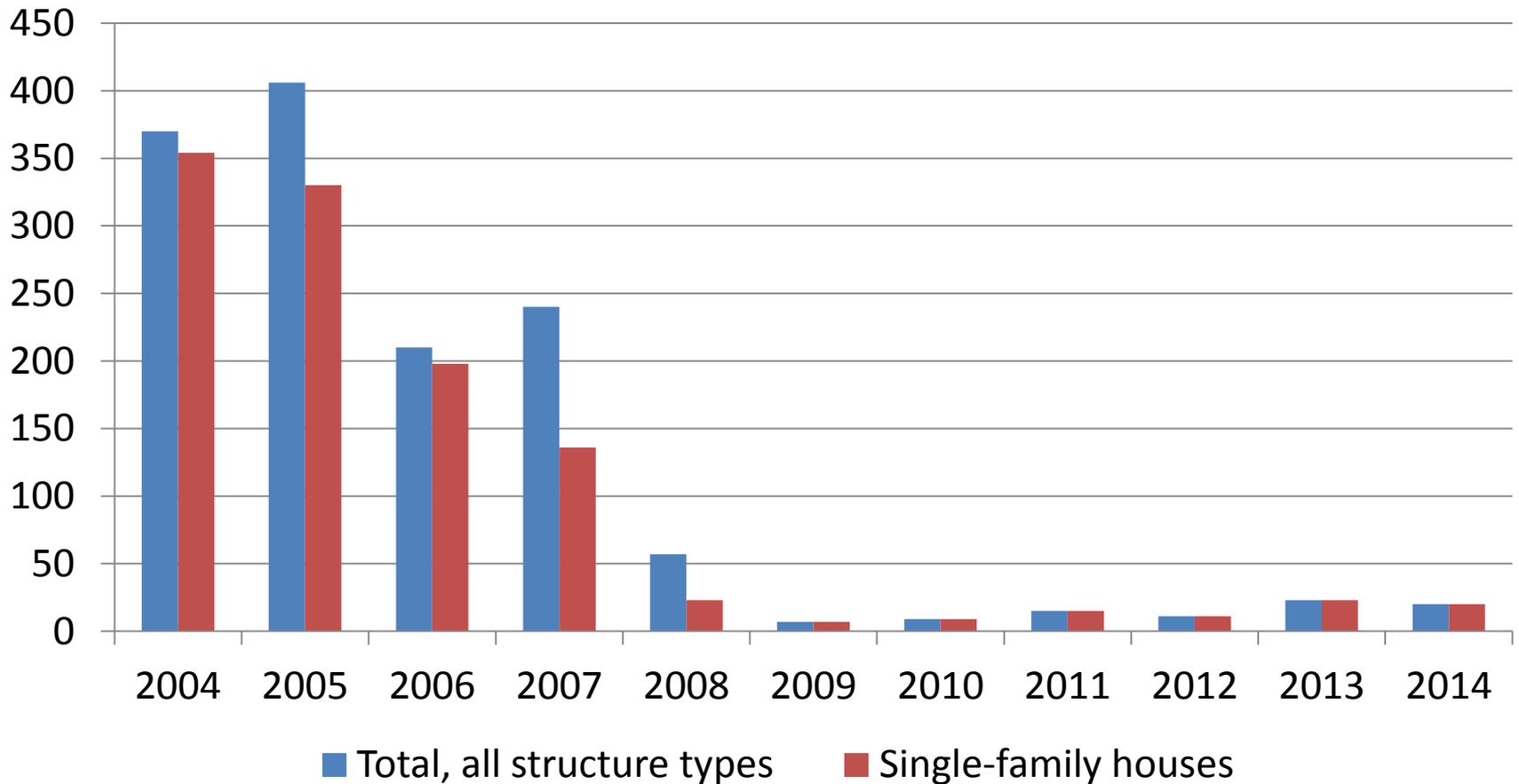


Exploring Reasons Why Employment Trends in Services Are So Lackluster

- Services depend upon the population growth and current building permit data suggests little to no growth
- Housing prices show no new demand for home purchases
- More than 50 percent of people working in the Battle Creek area commute from outside the region

A Serious Factor in Explaining the Lack of Service Employment Growth

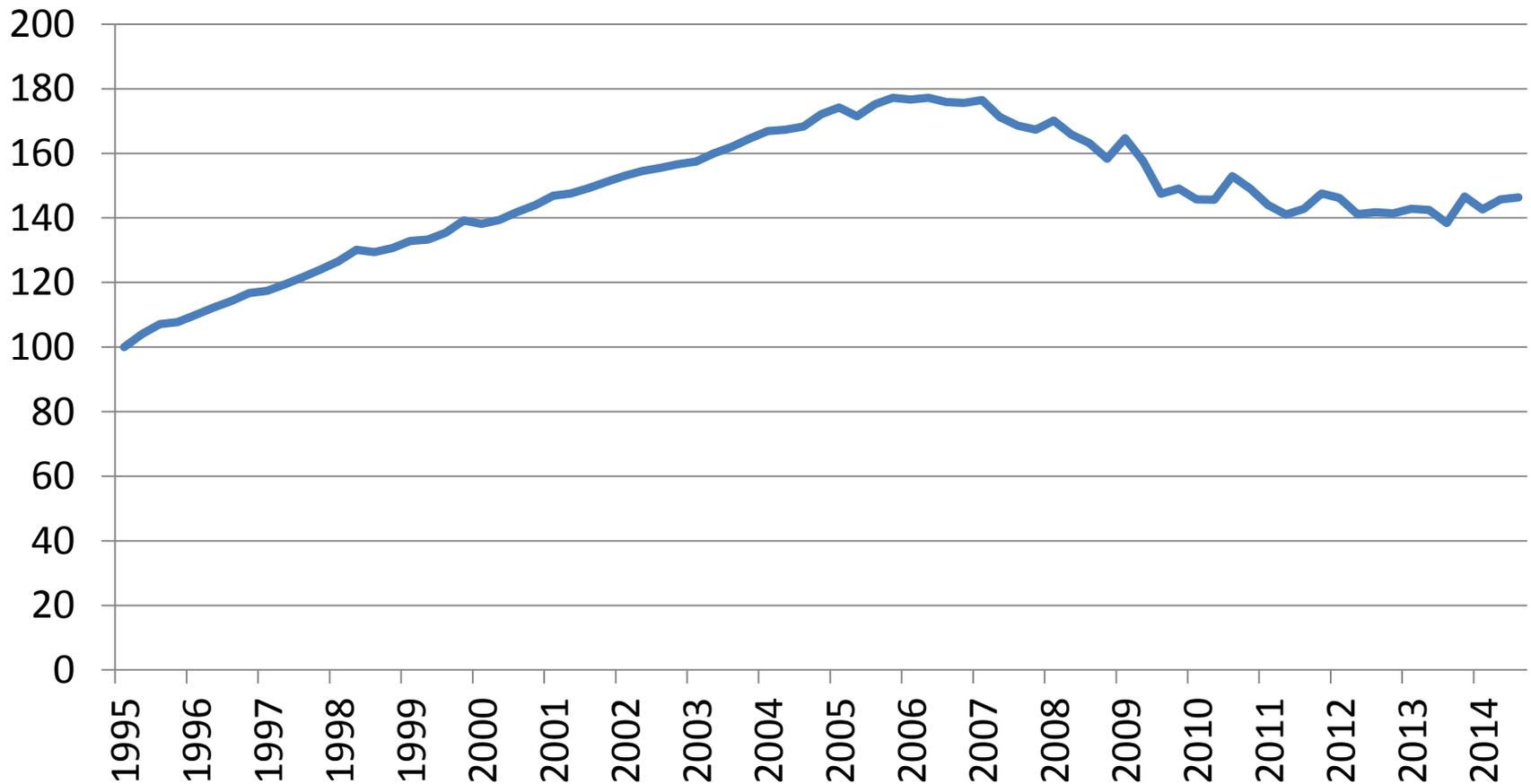
Construction Permits Issued, Calhoun County



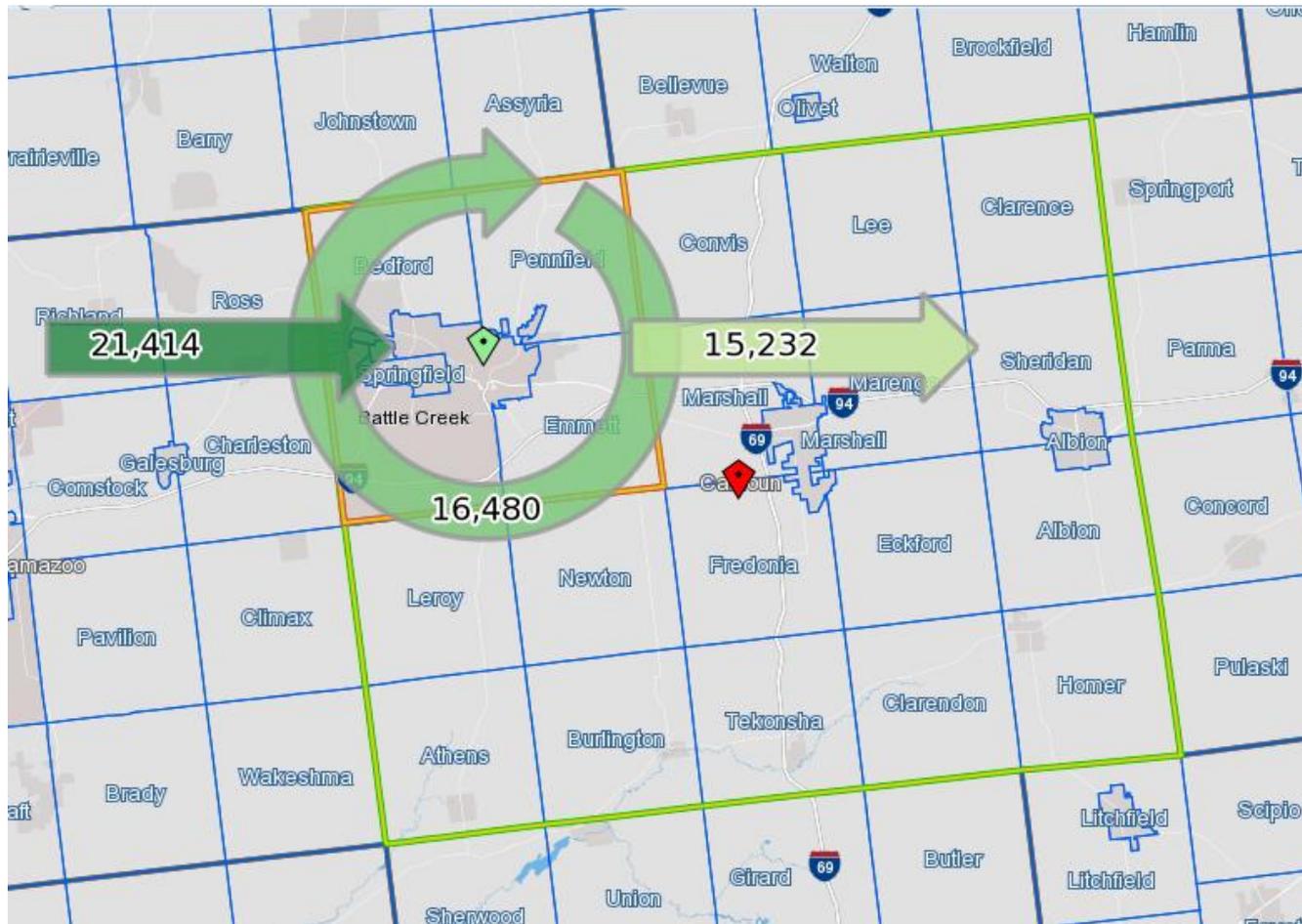
•Year to date, November 2014

Price Trends Strongly Suggest There Is Simply a Lack of Demand For New Housing

FHFA Housing Price Index (1995=100)

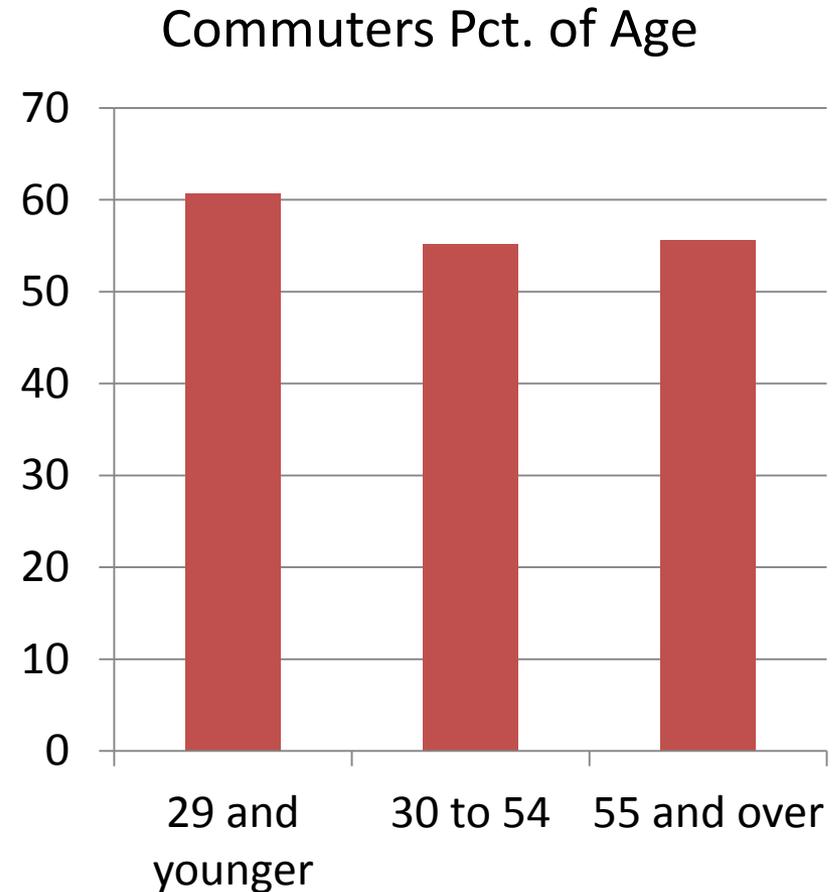
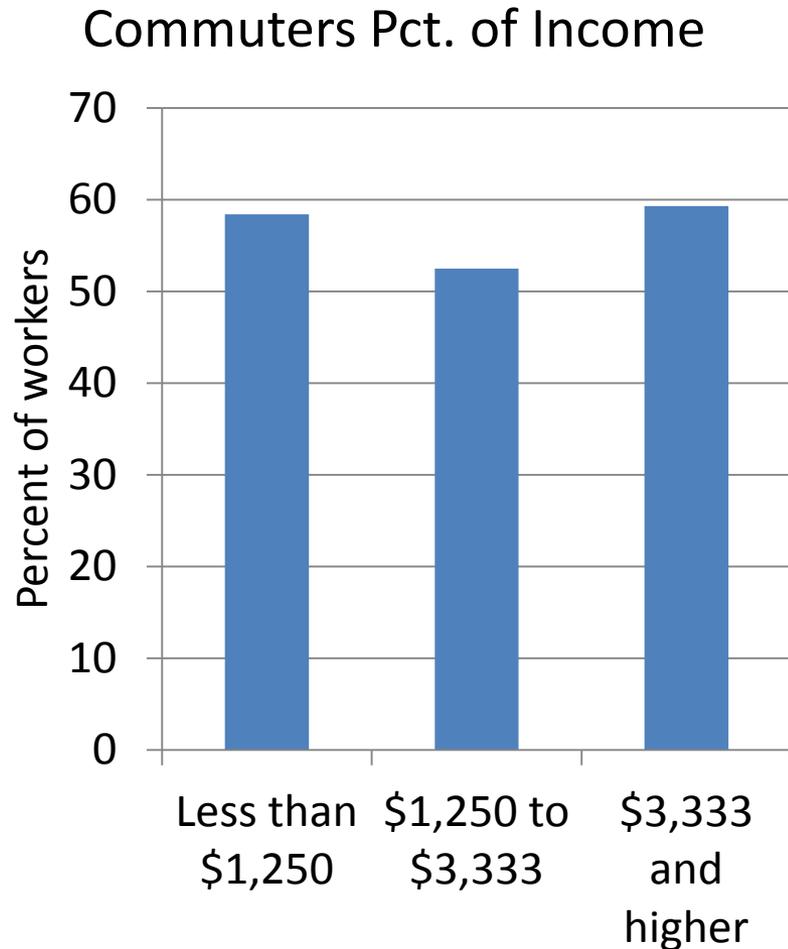


About 57 Percent of Workers in the Battle Creek Area Commute from Outside



Area includes Battle Creek, Springfield, Bedford, Pennfield, and Emmett Townships

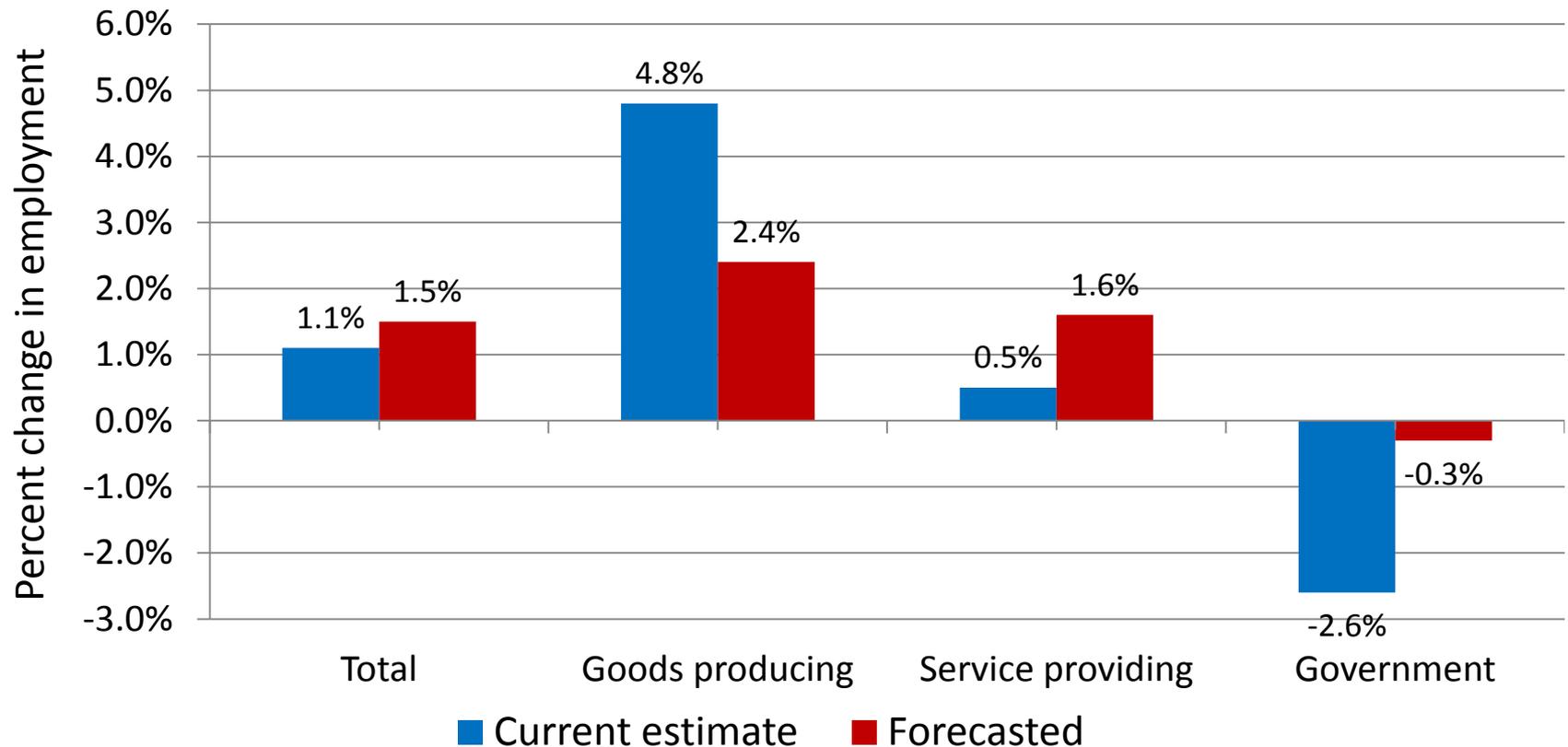
The Percent of Workers Commuting into the Area Is Approximately the Same Regardless of Age or Income



Before Turning to the Forecast I Want
to Give Special Thanks to the
Participants of the Annual Forecasting
Advisory Group for Accepting the
Errors of Last Year's Forecast

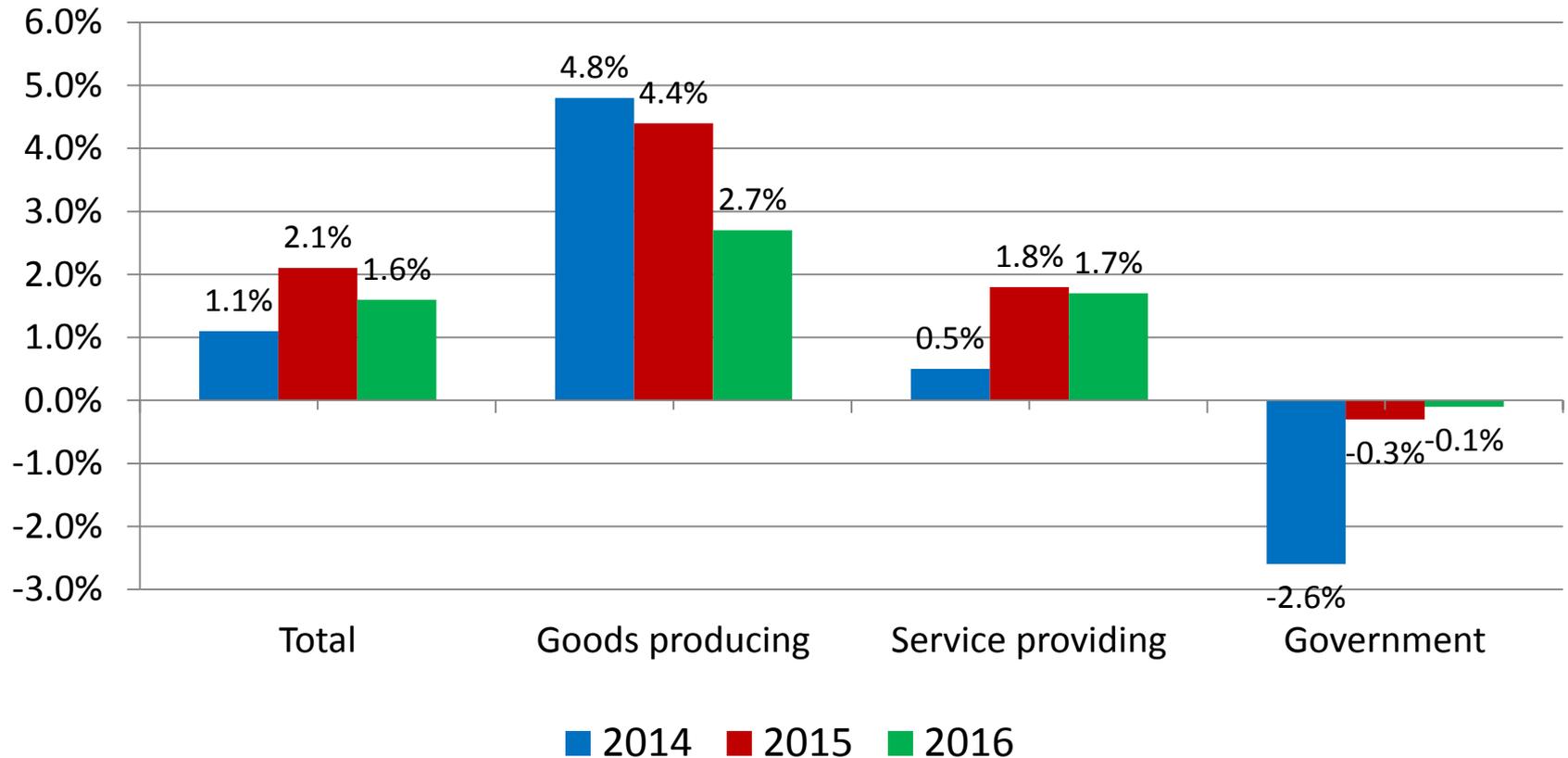
Review of Last Year's Forecast: *Not Bad* *Because of Offsetting Errors*

2014 Employment Growth



Battle Creek MSA Employment Forecast for 2015 and 2016

Annual Percent Change in Employment



So What Keeps Me up at Night?

- The global economy – *The U.S. is the only game on the planet. Can we do it alone?*
- Lack of improvement in income equality
 - *Polls suggest that households are more pessimistic not only about their economic future, but for their kids as well*
- The continued mystery of why employment gains in manufacturing have a very small impact on service employment in Battle Creek

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