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SE Michigan Economic Outlook reports show confidence still high, but declining

Although Southeast Michigan's economic outlook remains above average, local businesses and consumers are becoming slightly less optimistic, possibly due to the fluctuation of international financial markets and interest rate policy uncertainty. The quarterly Southeast Michigan Economic Outlook reports, compiled by Oakland University's School of Business professor Ronald Tracy and colleagues, also show slight growth and a lower unemployment rate this year.

The three reports – from business executives, consumers and economics experts – provided input on Southeast Michigan's economic state. Six economics experts, 38 business executives and 431 consumers from Macomb, Oakland and Wayne counties provided input through surveys given by the professors.

For the third quarter of 2015, the business panel outlook for the state continues to remain well above the neutral range for the end of 2015 and 2016. However, while still high, confidence in the local economy has been decreasing since its peak of 65.3 during the second quarter of 2014, and now sits at its lowest point since then, 59.8. Hiring experienced a modest decline of 1.5 and sales confidence declined significantly, by 4.3, while profits saw an insignificant decline, business executives said.

Consumers, like business professionals, are still very positive – thanks to an unemployment rate that dropped to 6.1 percent in June 2015 from 6.8 percent four months earlier – but confidence has dropped by 1.7 from last quarter. Consumer confidence has decreased 1.2, but consumers' confidence in their current conditions has grown – by 0.2 in the category "Getting along financially" and by 1.1 in the "Buying major household items" category.

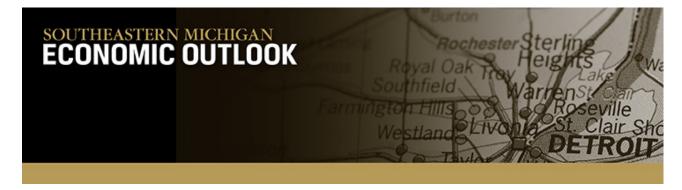
Economics experts – from Oakland University, University of Michigan Flint, The Center for Automotive Research and others – expect Michigan's economic growth to plateau in 2016, even with the decline of unemployment and light vehicle sales forecasts climbing to 17.35 million vehicles. "Not an unlikely forecast seven years after the bottom of a recession (2009)," the professors wrote in the report. On a positive note, economists saw a decrease in the region's inflation rate – down to 0.25 percent from 1 percent last quarter – which would equate to a 2.5 percent growth in real wages. "This would be a welcome change," the professors said.



Professor Ron Tracy

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