

Manufacturing and the Midwest: Cause for Concern?

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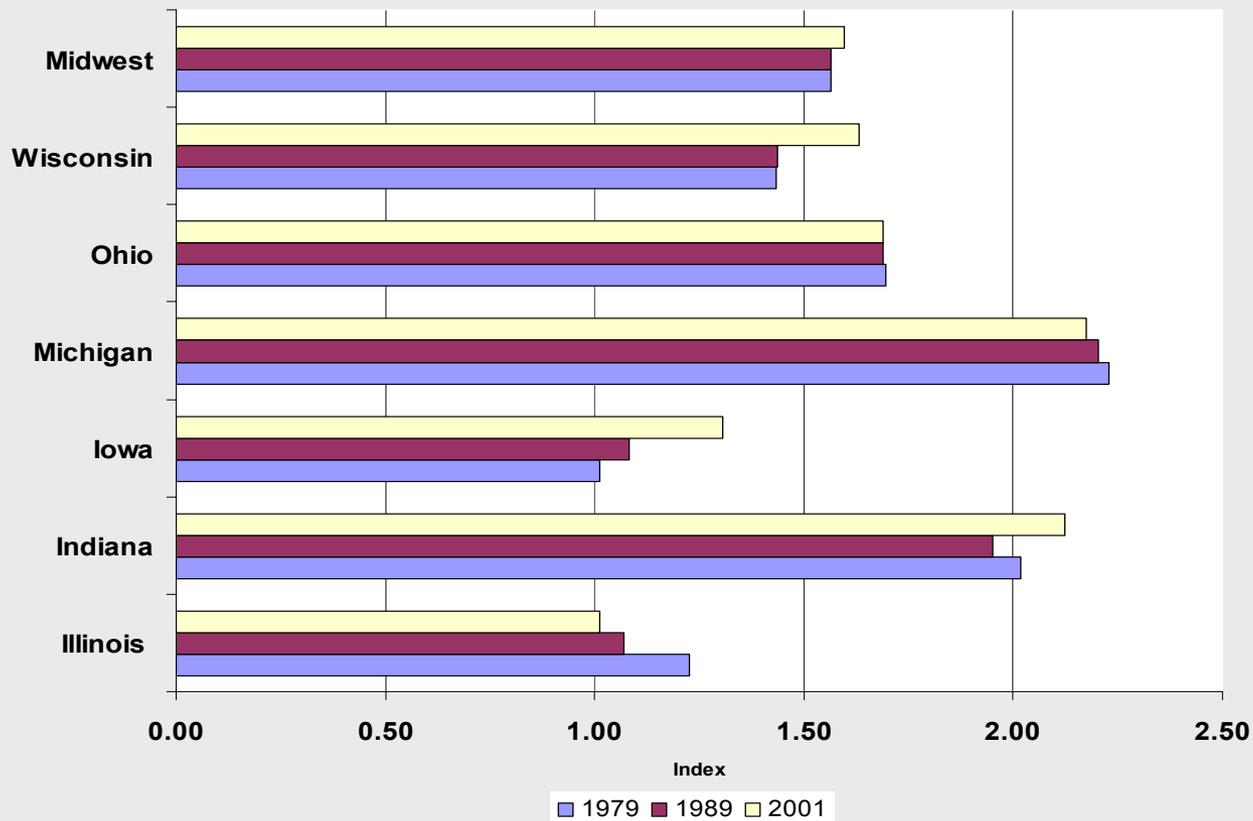
September 30, 2003

Where are we? Where are we
going?

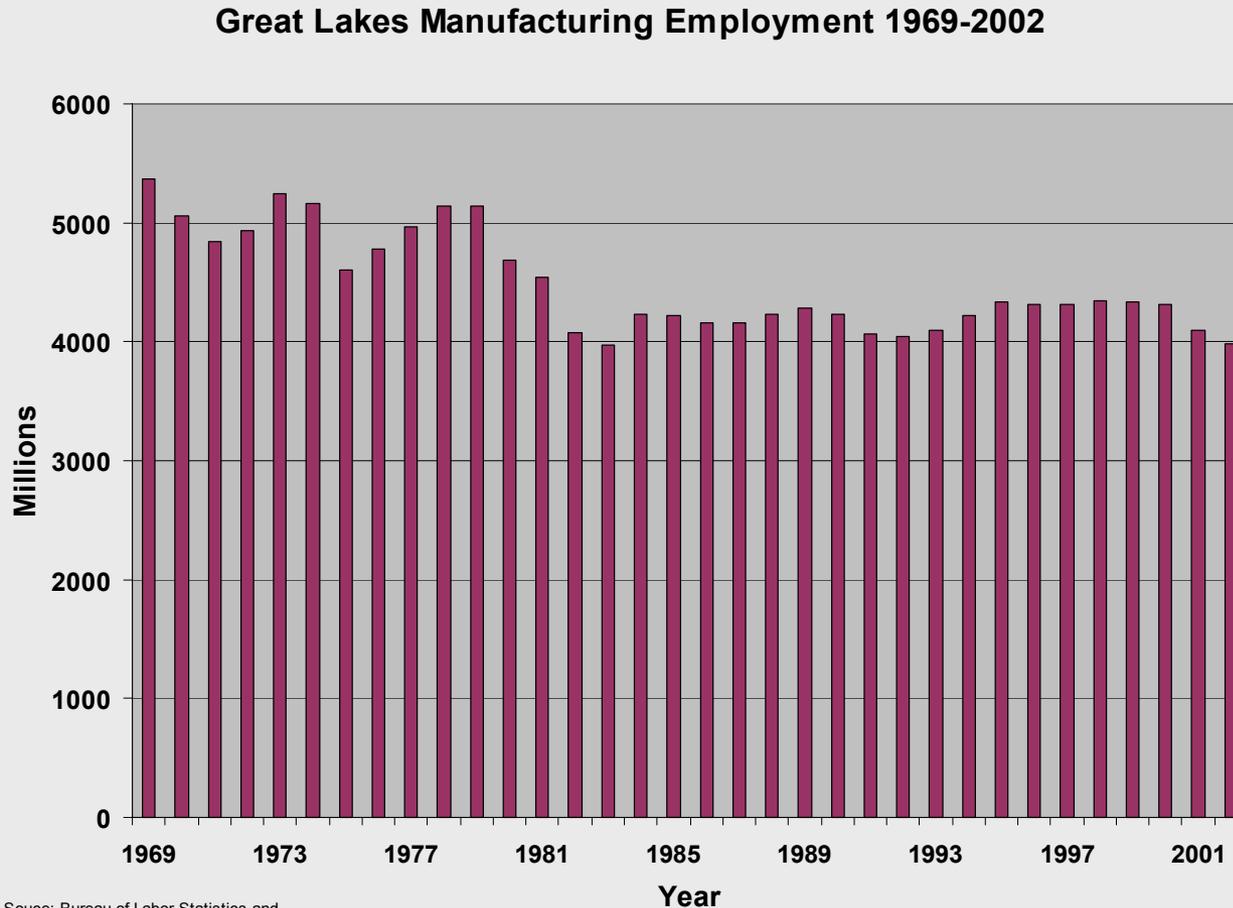
Basics--The Midwest is a
manufacturing region

Manufacturing concentration vs. U.S.

Location Quotients: Index of Concentration relative to US



Great Lakes Region (MW)-- Manufacturing jobs 1969-2002

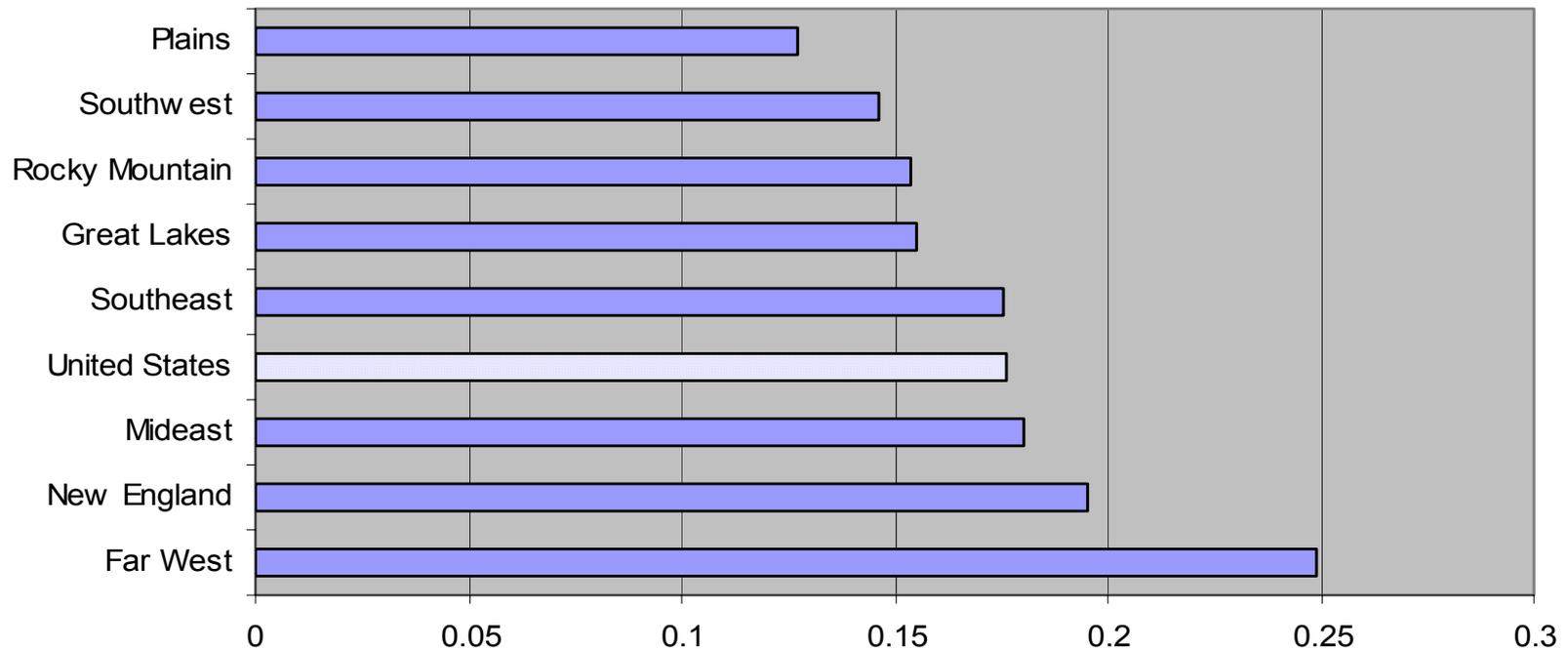


Source: Bureau of Labor Statistics and

The recent spell of job declines

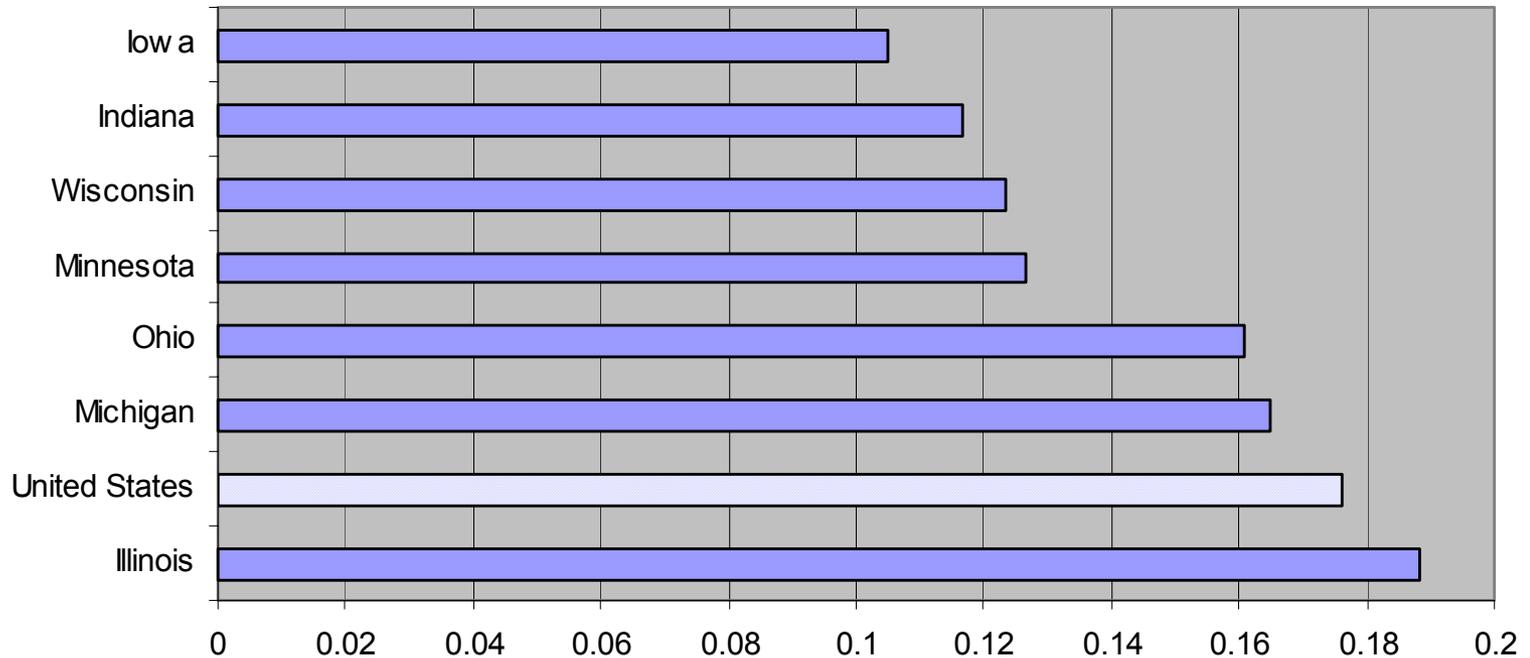
- Manufacturing jobs on the skids over the past 4-5 years--here and across the nation

Percent Decline in Mfg. Employment 2003-1998 by BEA Region



Mfg. Job Decline in MW states

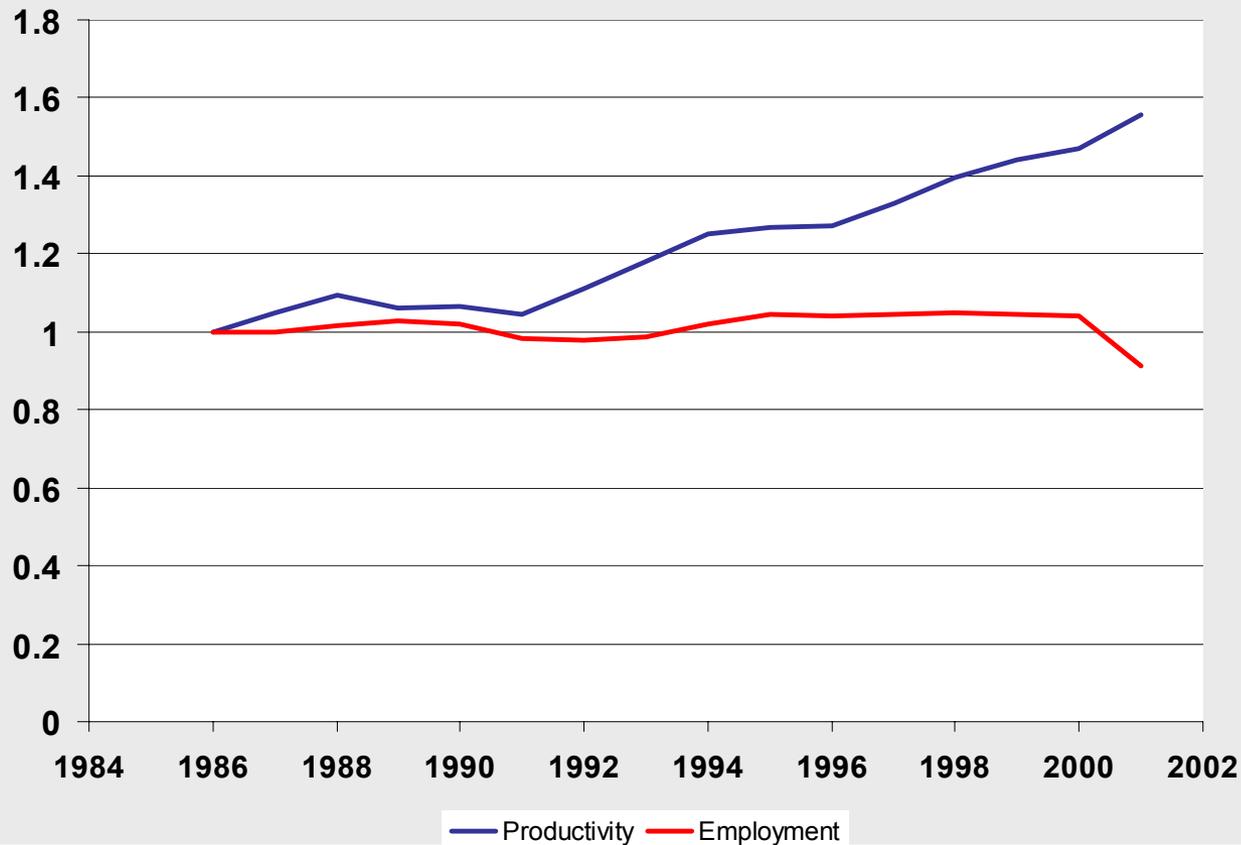
Percent Decline in Mfg. Employment in Midwest States 2003-1998



Long term perspectives.....

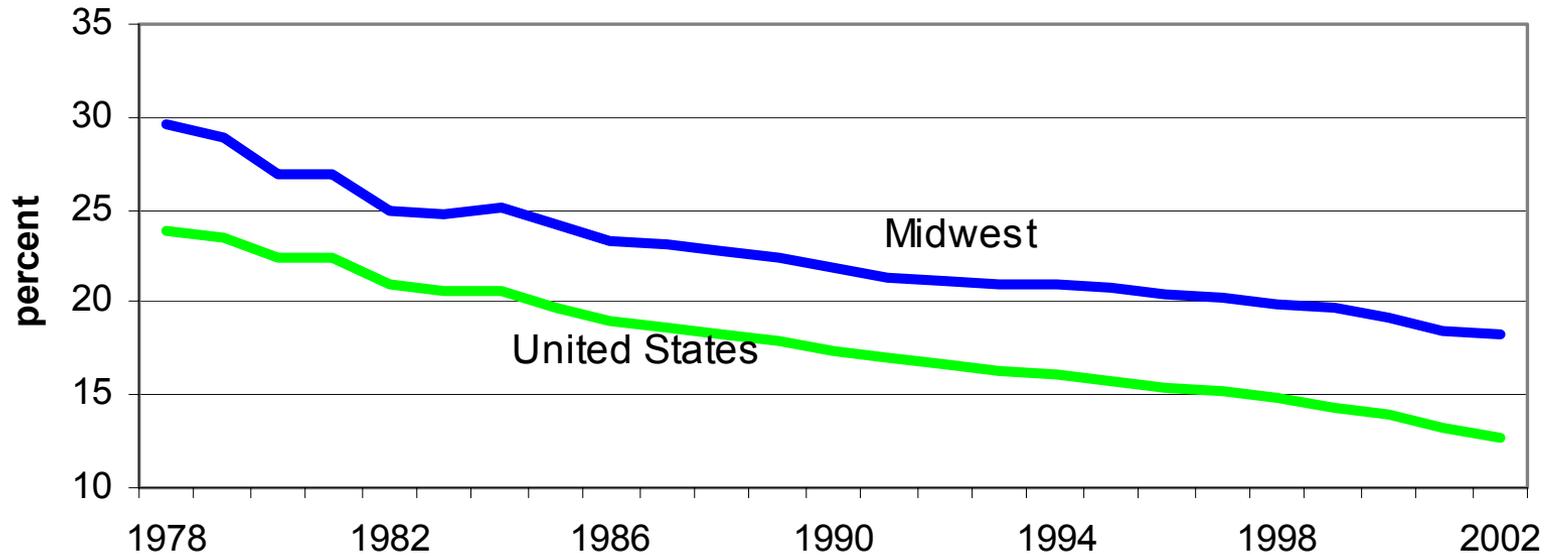
Much like the nation, Midwest mfg. output climbs with little or no growth in labor

Indexed Mfg Employment and Productivity



Midwest incomes derive from the mfg. sector to a greater extent than the nation

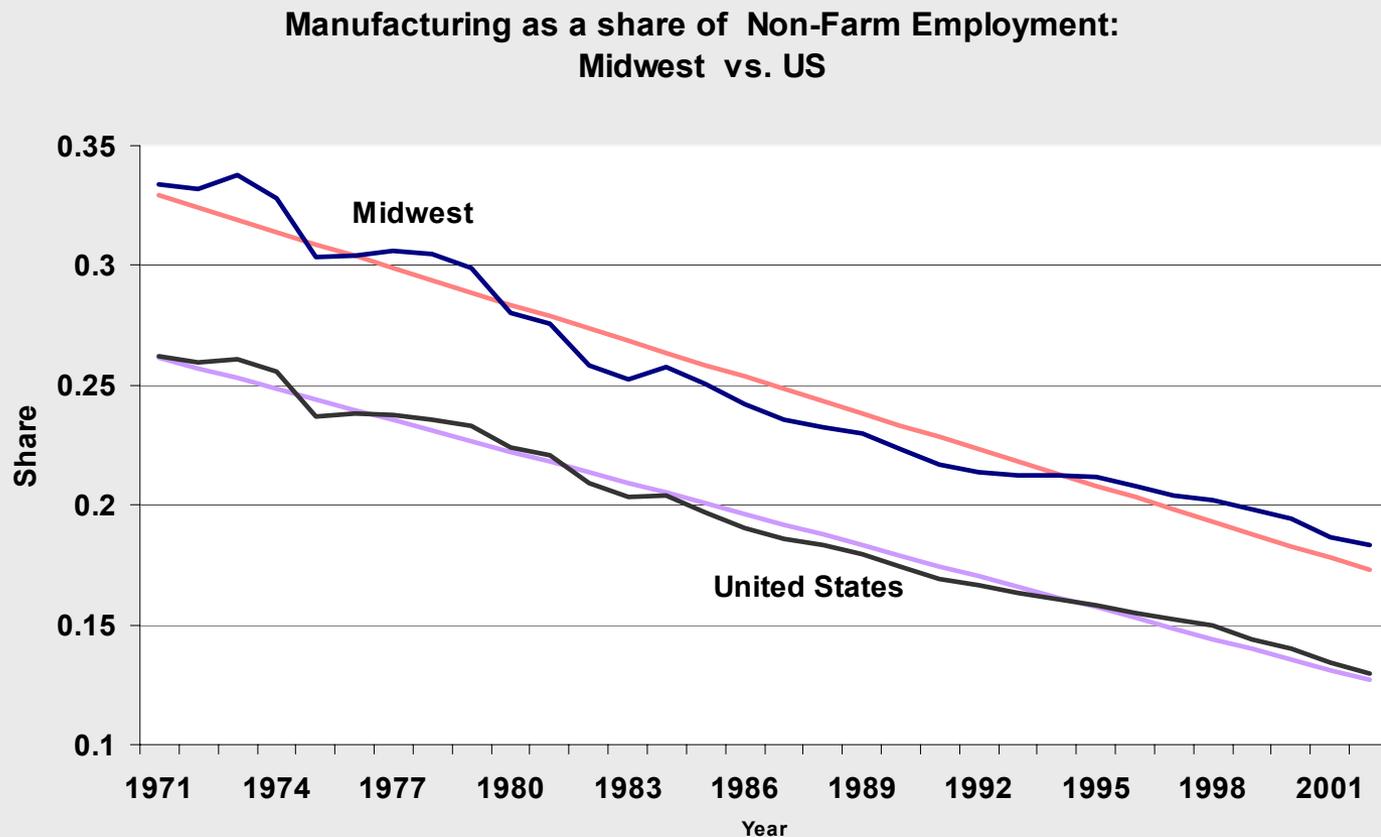
Manufacturing share of total employment



Manufacturing is concentrated in the Midwest

Manufacturing job share shrinks over time;

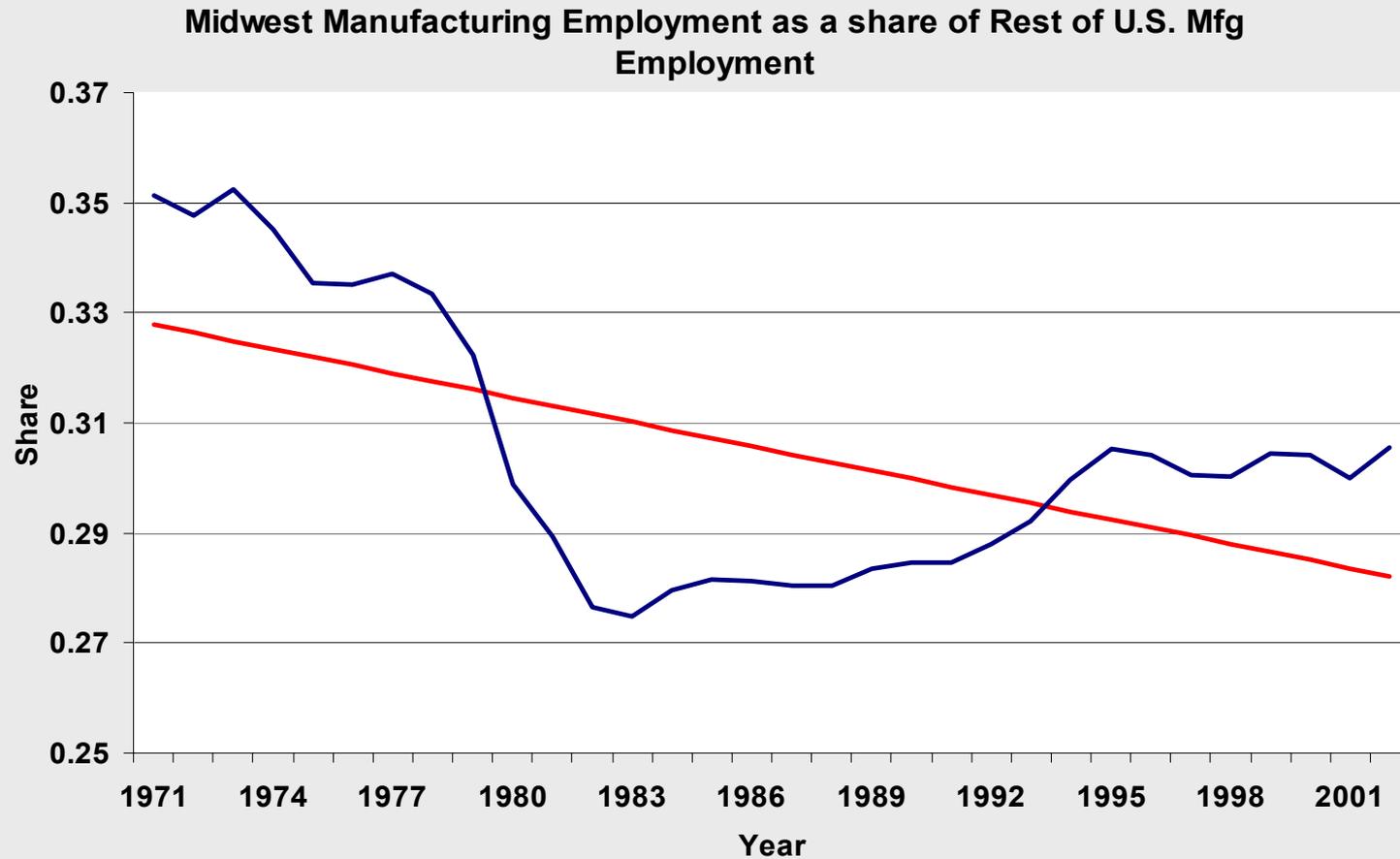
?Is the Midwest “above trend”?



Source: Bureau of Labor Statistics

— Midwest Trend — Midwest Deviation — US Trend — US Deviation

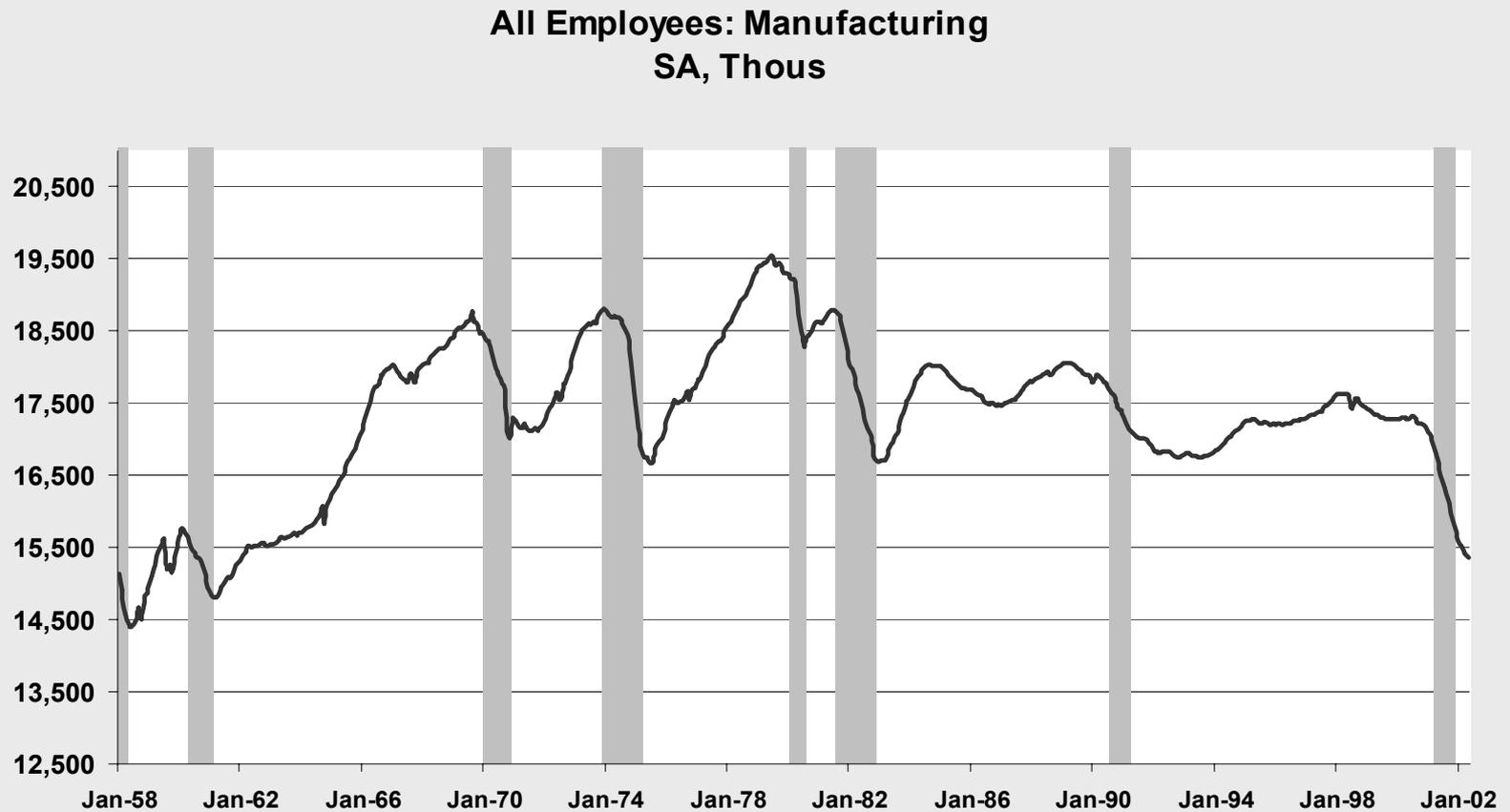
Midwest share of U.S. manufacturing shrinks; Has the region's structural change passed by?



Source: Bureau of Labor Statistics

— Trend — Deviation

Manufacturing job levels are volatile; downturns often stretch longer than recessions

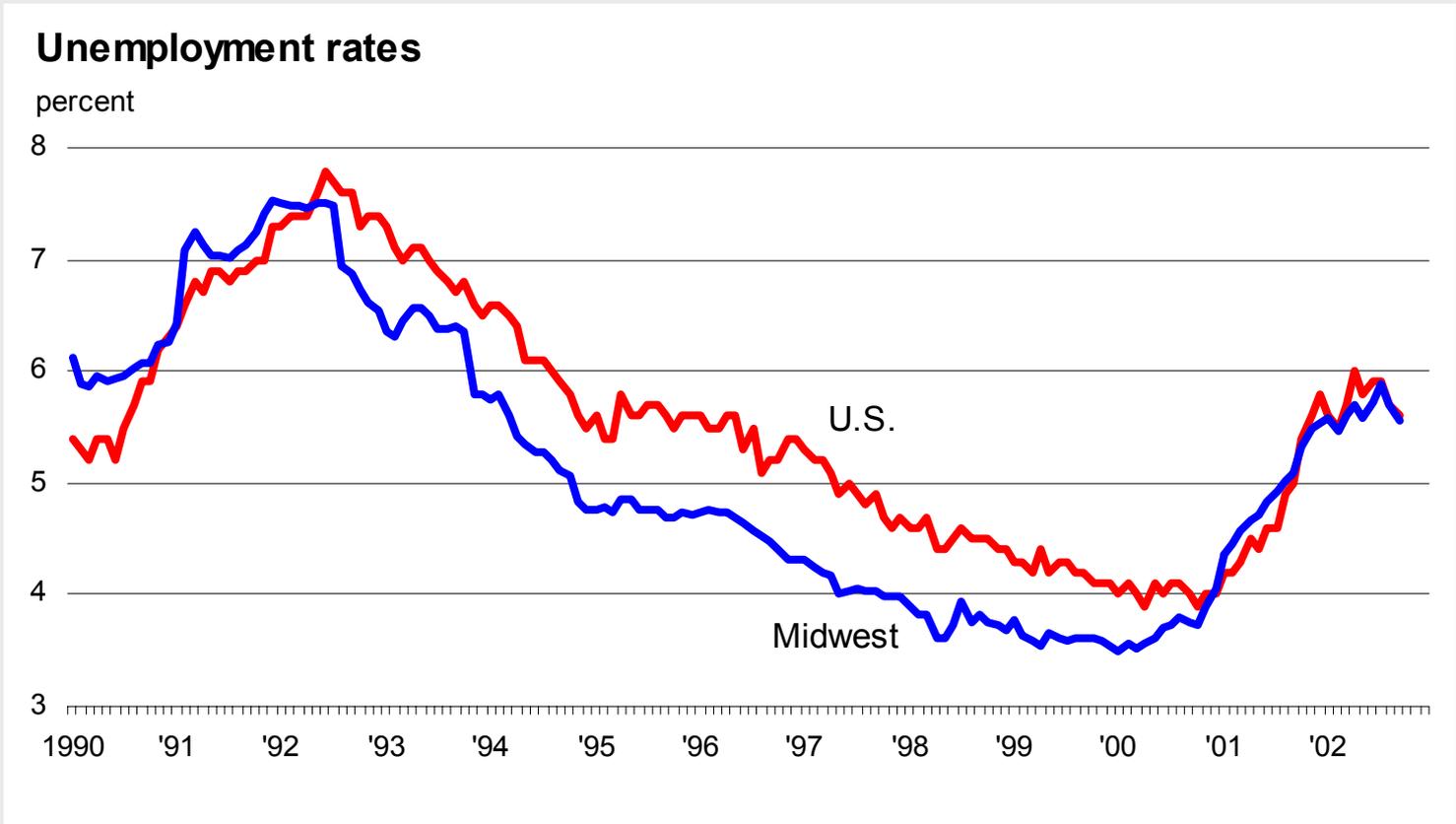


Source: Bureau of Labor Statistics

— All Employment, Manufacturing, SA (thousands)

Perspectives on the recent experience with job decline

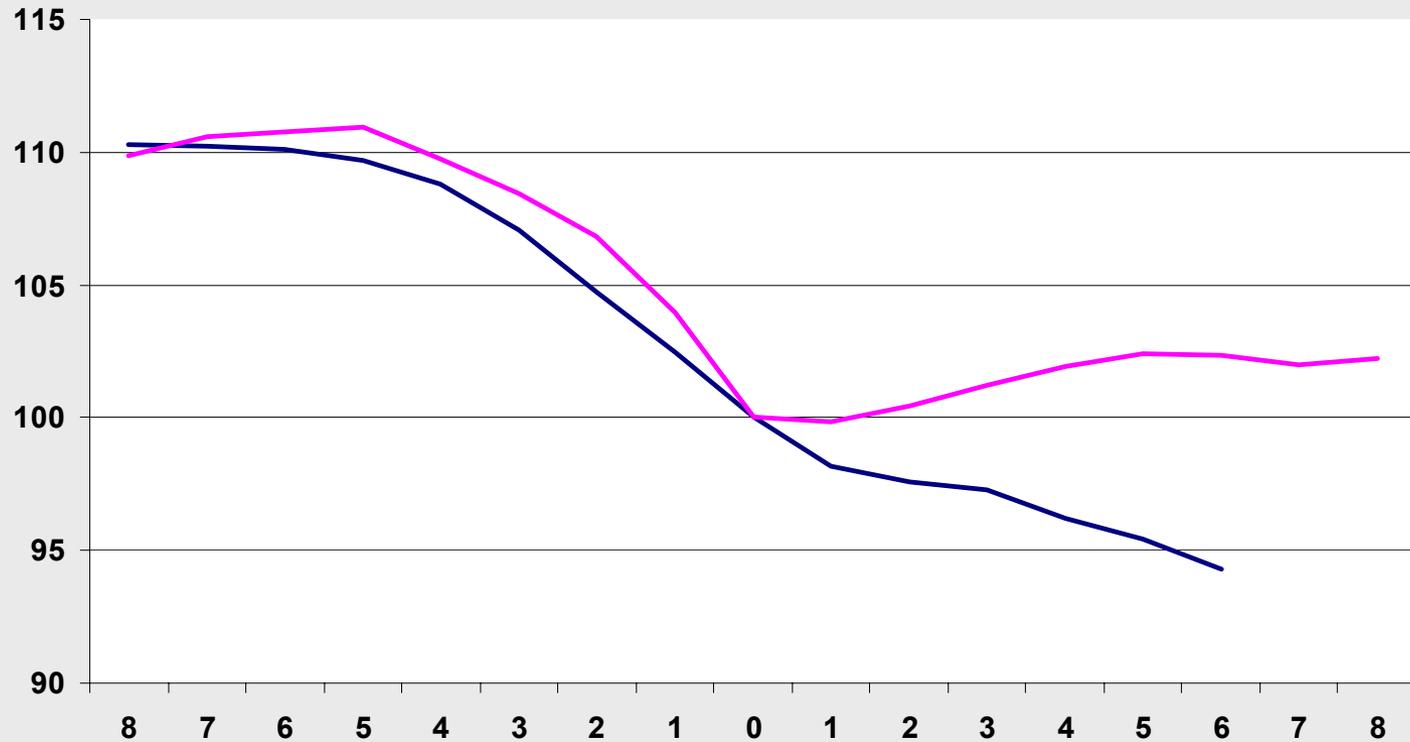
The recessionary period saw MW revival evaporate: Unemployment rose sooner & faster



The U.S. in mfg. decline; for production workers, it is severe and extended

Manufacturing Production Workers

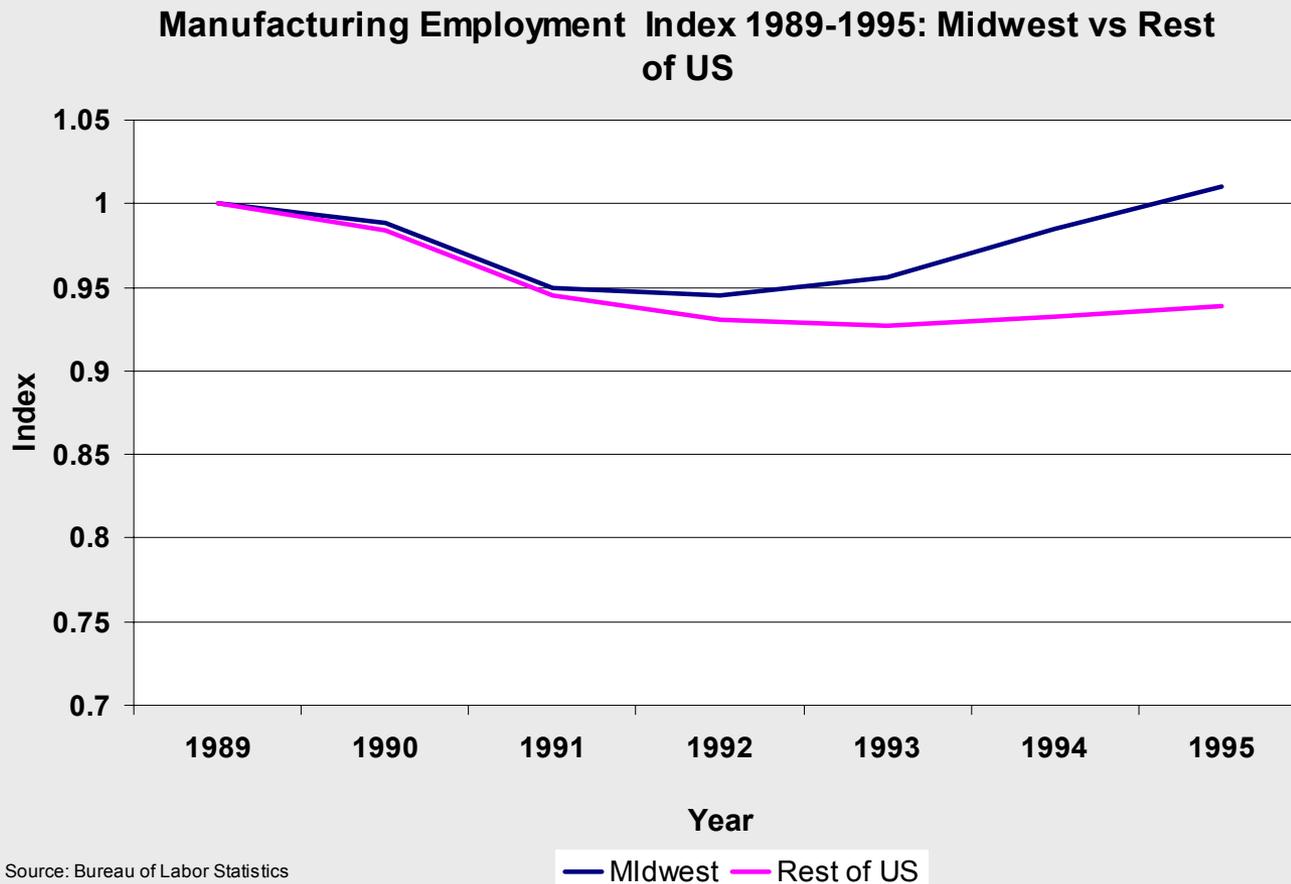
Trough=100



Quarters away from Trough of Real GDP

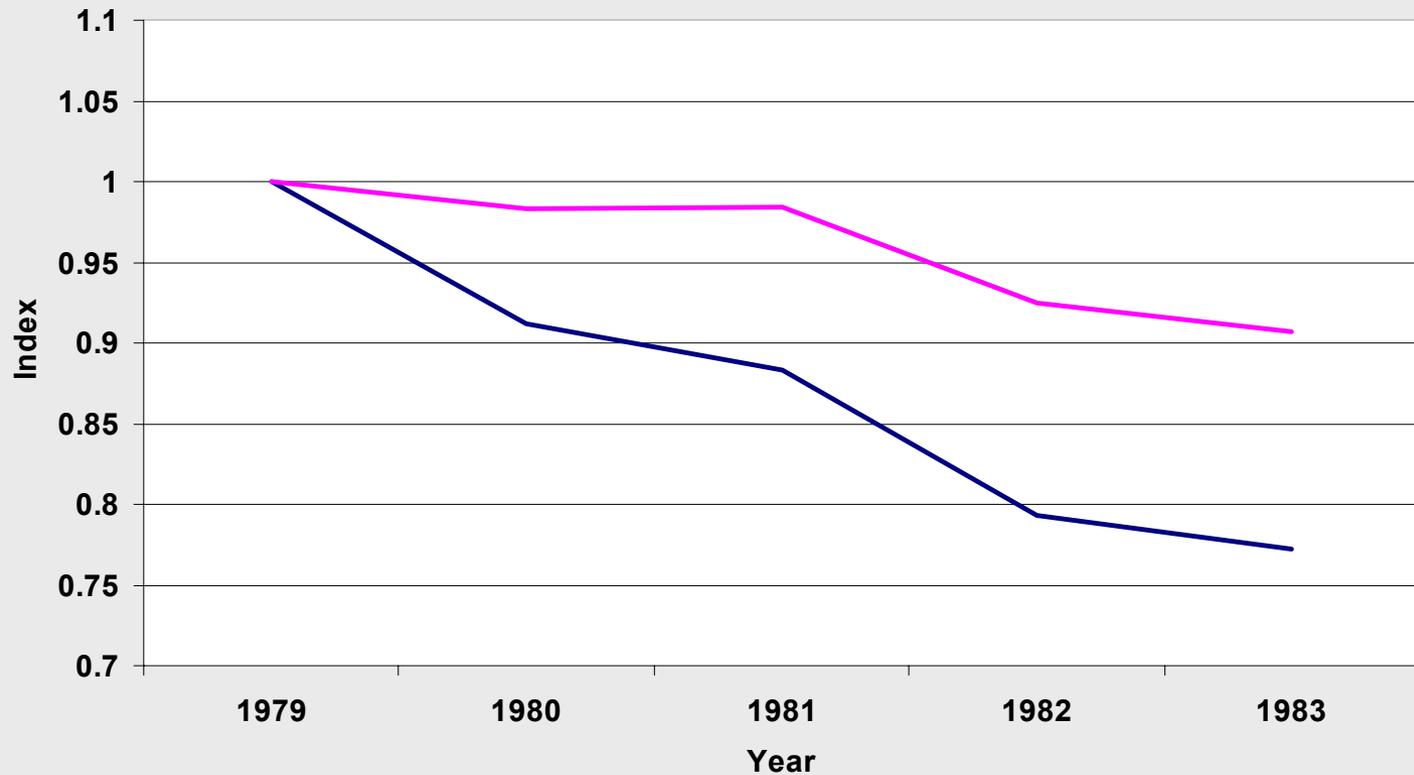
— 2001 Recession — Past 5 Recessions

10-15 years ago, mfg. did not feel a sharp
“recession” (!especially in the Midwest!)



...unlike the early 1980s!!!

Manufacturing Employment Index 1979-83: Midwest vs Rest of US

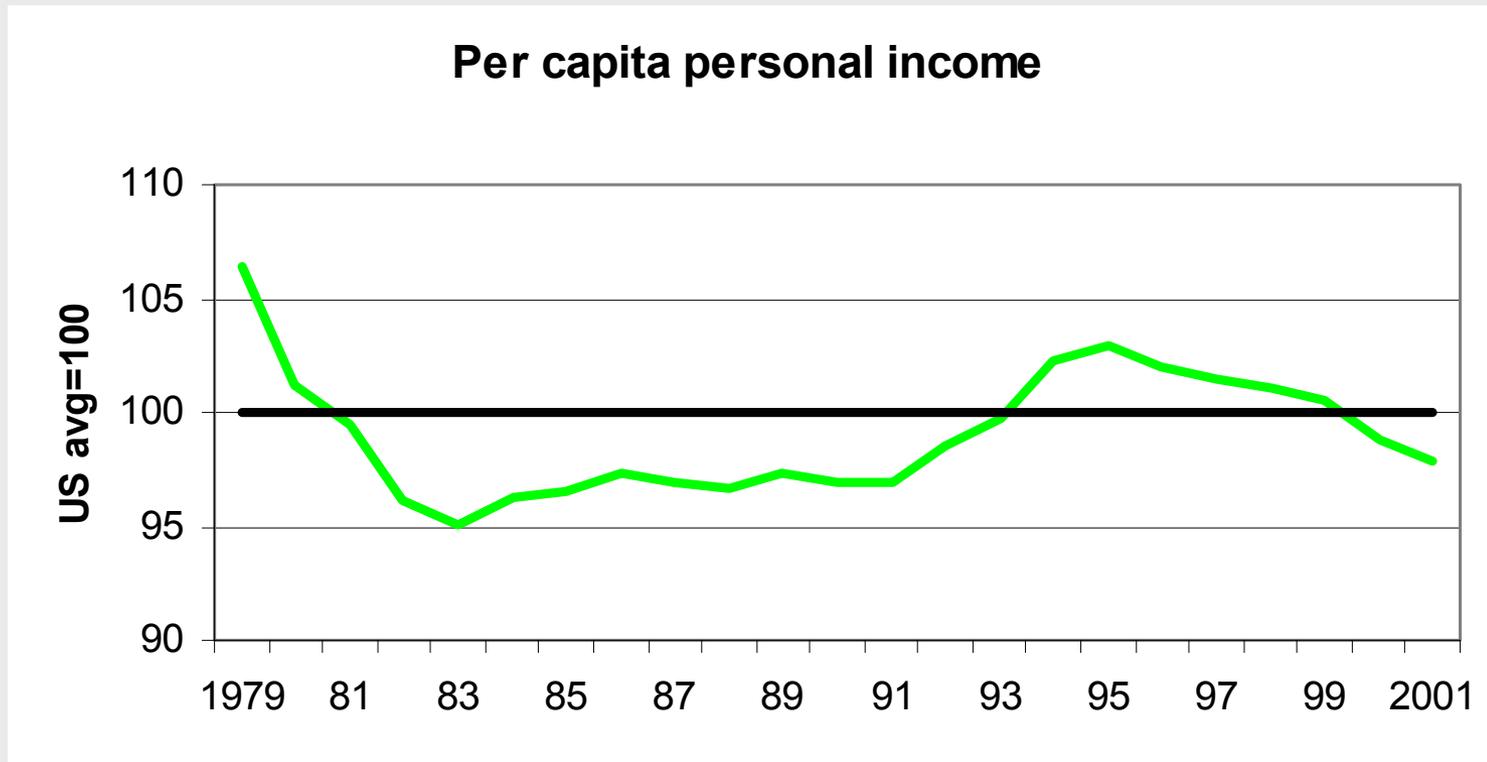


Source: Bureau of Labor Statistics

— Midwest — Rest of US

Sudden and extended loss of manufacturing jobs has historically been hard on the region

Midwest incomes revived, but are now falling back



Baseline issues

- Nothing out of the ordinary (long term structural shifts in the economy/regions)
- Investment overhang, business confidence (transitory)
- International (transitory/structural)
- Regional shifts in automotive (structural)
- Regional shifts (structural)

Project Workshops

Baseline issues	Chicago	September 30
Automotive	Detroit	November 3
International	Chicago	t.b.a.
Technology	Chicago	t.b.a.
Others	t.b.d.	