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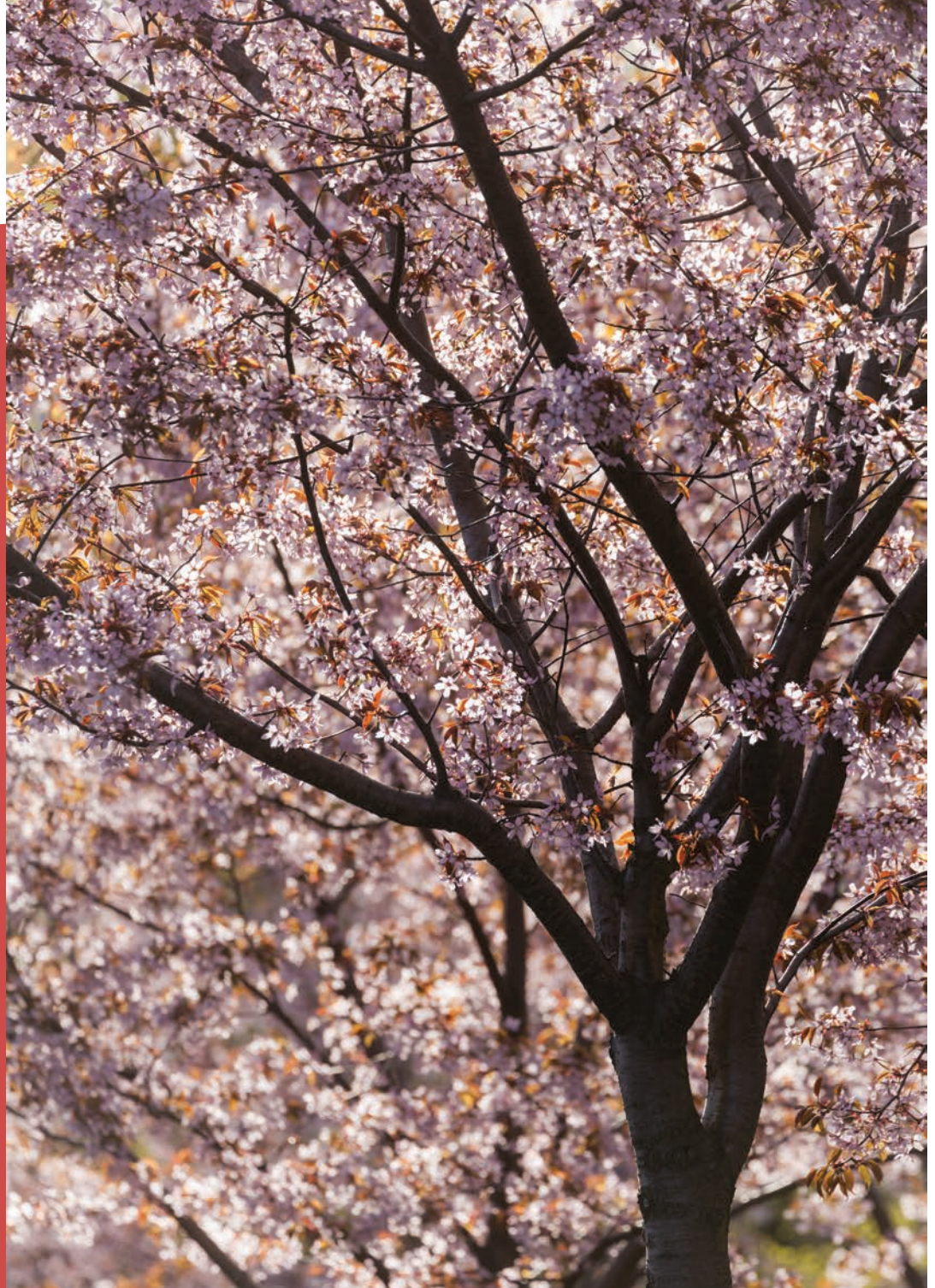
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# BUSINESS OUTLOOK

*for West Michigan*



W.E. Upjohn Institute for Employment Research  
Vol. XXXII, No. 1 March 2016

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# BUSINESS OUTLOOK

## for West Michigan

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## Employment Outlook for 2016 and 2017 in West Michigan

by George A. Erickcek

In 2015, employers in west Michigan's five metropolitan areas added 25,600 workers to their payrolls, an increase of 3.1 percent, after having added 20,000 workers in 2014. The region's unemployment rate dropped to 3.8 percent in the fourth quarter of 2015 from 4.0 percent a year earlier. Clearly, employers are facing tighter labor markets, and there is growing evidence that wages are starting to rise. Growing uncertainty on the national and international fronts, plus possible local labor shortages, could slow employment gains in the region during the next two years. Still, we join most national forecasters in predicting further employment gains in 2016 and 2017.

The possibility of a significant economic slowdown in China, combined with a glut in world oil markets, has spooked equity markets. Moreover, the nation's recent expansion of oil and natural gas production, while enhancing our energy independence, has increased our vulnerability to oil price shocks. Previously, falling gas prices were seen as the equivalent of a tax cut for consumers, but now they are creating a negative shock to the energy sector's large domestic manufacturing supply chain. On the monetary front, the unthinkable is happening: in Europe and Japan, monetary authorities are pushing interest rates into uncharted negative territory—i.e., charging interest or fees on savings accounts.

Clearly, a gloomy picture of the world economy could be painted. However, most economic forecasters still are anticipating continued growth in 2016 and 2017. Car sales and consumer confidence remain strong. Nevertheless, forecasters have trimmed the estimated pace: the consensus forecast for growth in the gross domestic product (GDP) for 2016 among forecasters surveyed by the Philadelphia Federal Reserve Bank during the fourth quarter of last year dropped from 2.6 percent to 2.1 percent.

We would like to think that we learn from our mistakes; however, once again we underestimated the strength of the west Michigan economy. Our employment forecast for 2015 was short by 0.6 (see below). In 2014 we underpredicted growth by 1.7 percentage points. Last year, we underpredicted employment growth in the Grand Rapids–Wyoming (including Ottawa County), Kalamazoo–Portage, and Muskegon–Norton Shores MSAs.

**Last Year's Forecast vs. Actual Performance**  
(% change)

	Actual 2015	Forecast 2015	Forecast Error
West Michigan	3.1	2.5	-0.6
Battle Creek	2.2	2.1	-0.1
Grand Rapids–Wyoming MSA	3.7	3.0	-0.7
Kalamazoo–Portage MSA	2.1	1.3	-0.8
Muskegon–Norton Shores MSA	2.1	1.6	-0.5
Niles–Benton Harbor MSA	1.9	1.8	-0.1

We now forecast employment to grow by 2.0 percent in both 2016 and 2017 in the five west Michigan MSAs. If this forecast

holds, 17,200 jobs will be created in 2016 and an additional 17,500 in 2017. As shown in the table in the next column, employment is expected to expand in all five of the region's metro areas.

Employment increases in the Grand Rapids area are expected to outpace the national and state employment gains. In the region's other MSAs, employment is forecast to grow at about the same rate the University of Michigan predicts for the entire state and slightly less than the predicted national rate.

In many respects, the performances of the national, state, and west Michigan economies rest on the backs of the nation's consumers. While consumer confidence is currently high and employment conditions are solid, these conditions are facing threats from all sides, including the ongoing threat of isolated terrorism, volatility in the stock market, the collapsing energy sector, growing concerns about the economy stability of China and Europe, and low-interest earnings on consumer savings. What is certain is that if consumers get spooked, we can't expect any aggressive fiscal or monetary policy action to save the day. Because of the U.S. presidential election, fiscal policy is on hold until at least next year. The Fed could retreat from its promised slow push of interest rates on top of its recent timid action of a 0.25 percent bump in interest rates last quarter, but that would only be a symbolic measure. Therefore, we all depend on the average consumer to wake up tomorrow and say, "I feel good today."

**Employment Forecast for 2016 and 2017**  
(% change)

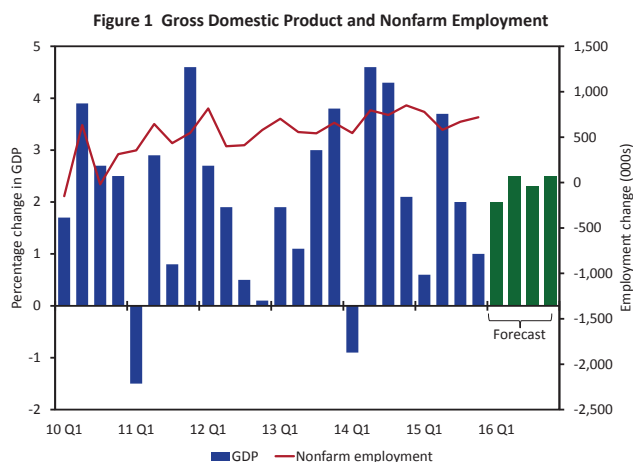
	Actual 2015	Forecast 2016	Forecast 2017
<b>Battle Creek</b>			
Total	2.2	1.6	1.3
Goods-producing	2.6	2.2	0.8
Services-providing	2.4	1.6	1.6
Government	1.2	0.4	0.8
<b>Grand Rapids–Wyoming MSA</b>			
Total	3.7	2.4	2.5
Goods-producing	5.8	2.2	2.4
Services-providing	3.5	2.7	2.7
Government	-0.4	0.1	0.8
<b>Kalamazoo–Portage MSA</b>			
Total	2.1	1.4	1.4
Goods-producing	4.4	2.0	1.3
Services-providing	1.8	1.4	1.5
Government	0.7	0.6	0.9
<b>Muskegon–Norton Shores MSA</b>			
Total	2.1	0.9	1.0
Goods-producing	2.2	1.0	1.0
Services-providing	3.0	1.0	1.2
Government	-3.2	0.2	0.3
<b>Niles–Benton Harbor MSA</b>			
Total	1.9	1.4	1.3
Goods-producing	3.5	2.1	1.2
Services-providing	1.4	1.4	1.5
Government	0.9	0.4	0.1
<b>West Michigan</b>			
Total	3.1	2.0	2.0
Goods-producing	4.9	2.1	1.9
Services-providing	3.0	2.2	2.2
Government	-0.1	0.2	0.7



# NATIONAL ECONOMY

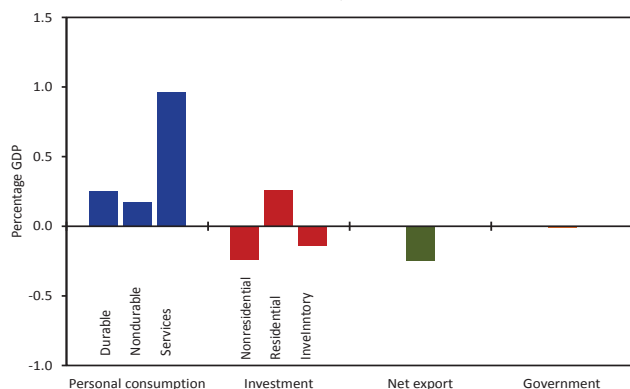
## National Picture Still Appears Positive, although Moderated

The national picture has changed in the past three months. While the forecast for 2016 appears rosy, the actual data for the last two quarters of 2015 show a marked decline. The most recent revisions to the gross domestic product (GDP) data show an annualized growth rate of about 1.0 percent for the last quarter of 2015 (Figure 1) and a projected annual growth rate of about 2.5 percent.



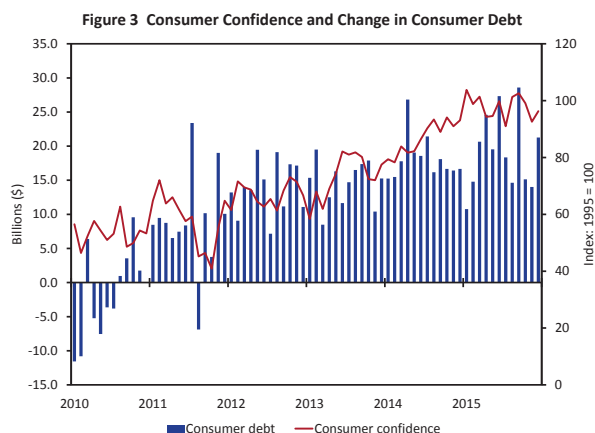
Among the tailwinds helping a positive forecast is the forecast for automobile and light truck sales: about 18 million units for 2016. Some of this may be due to the need for replacement vehicles, as the average age of a car on the road is 11.5 years. However, there has been a steady buildup in inventories, which may slow production. There are a few headwinds affecting economic growth. Oil has been hovering around \$30 per barrel. While this is good for consumers, the price has dropped below the cost of production, and so the rig count (the number of oil rigs in active production, not idled) is down by 64 percent since the beginning of the last quarter, as reported in the *Wall Street Journal*, affecting rig workers as well as suppliers. Low commodity prices have also slowed companies supplying the agriculture, mining, and construction equipment manufacturers.

**Figure 2 Major Activity Contribution to GDP Change in Current Quarter**



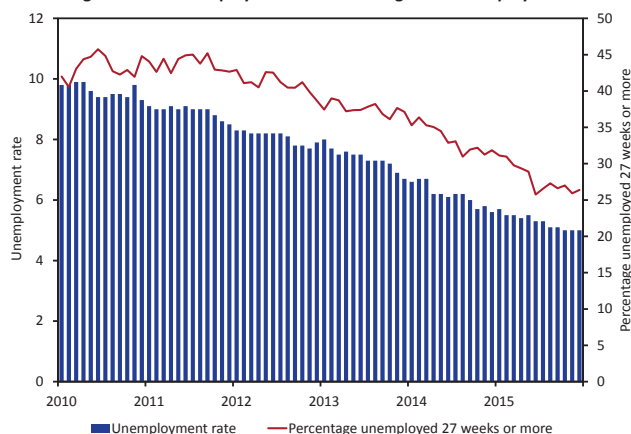
However, as seen in Figure 1, the economy continues to add jobs. On average, the United States added 221,000 jobs

a month in 2015 and is forecast to add just under 200,000 a month in 2016. The labor market remains tight: the January unemployment rate was 4.9 percent—the lowest in eight years. The service sector, reflecting consumer purchases, had significant growth last quarter, boosting GDP (Figure 2). Both the durable and nondurable goods-producing sectors also had gains. But these areas of growth were mitigated by declines in corporate investment, including nonresidential investment and inventories. Only residential investment showed growth. Not surprisingly, net exports are down because of the strong dollar.



In 2015, the consumer confidence index bounced up and down, but by December it reached one of its highest monthly levels since 2010 (Figure 3). Consumers have demonstrated their confidence by adding \$20 billion in debt in December. According to the Federal Reserve Bank of New York, total U.S. consumer debt was \$12.12 trillion at the end of 2015. Housing debt of \$8.74 trillion made up 72 percent of the total, and nonhousing debt the rest (\$3.38 trillion). Nonhousing debt includes debt from auto loans, bank card accounts, student loans, and other debt, including consumer finance and retail debt. The most recent level of consumer debt was still below the peak that occurred in the third quarter of 2008, when total debt was \$12.68 trillion, of which housing debt was nearly \$10 trillion.

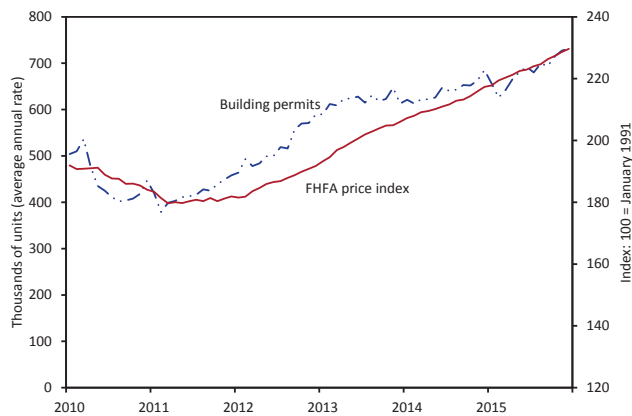
**Figure 4 U.S. Unemployment Rate and Long-Term Unemployment**



The unemployment rate has been declining since 2010 and is now under 5.0 percent (Figure 4). Most economists consider a rate of between 5.0 and 5.5 percent as indicating full employment. Now that the rate has dropped below “full” employment, we may see an uptick in wages, since employers are competing for a declining pool of available workers. But slowdowns in the oil industry and some manufacturing sectors will produce available workers in some locations.

Along with a decline in the unemployment rate, there has been a decline in the share of the long-term unemployed, from 45 percent in mid-2010 to just above 25 percent now. The share of workers who say jobs are hard to get and the share of workers forced to work part-time have also fallen.

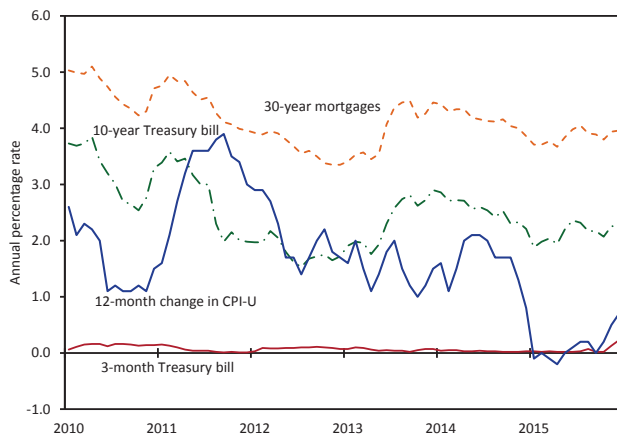
**Figure 5 Single-Family Building Permits and Index of Existing Home Prices**



The market for single-family homes is seeing some upward pressure (Figure 5). The S&P/Case-Shiller Home Price Index reported that the price of existing homes increased by 5.4 percent between December 2014 and 2015, and the Federal Housing Finance Agency (FHFA) House Price Index has steadily increased. Building permits also rose in 2015, to nearly 700,000 units.

In December 2015 the Federal Reserve raised rates for the first time in a decade, by 0.25 percent—a sign of confidence (Figure 6). But with the new year, the stock markets have been in decline, and any additional rate hikes are thought to be off the table for now.

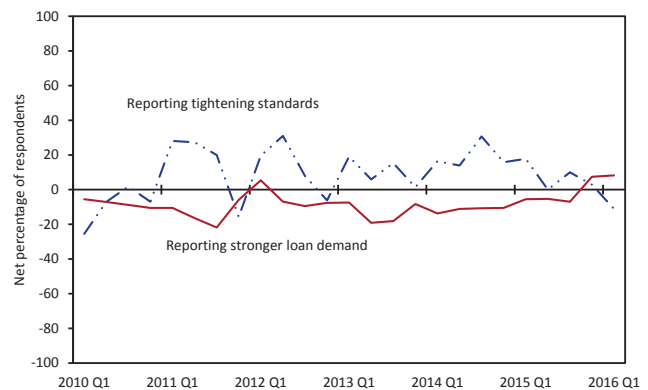
**Figure 6 Interest Rates and Inflation**



Since 2010, the three-month Treasury bill rate has been essentially flat, and 30-year mortgages have hovered just above 4.0 percent (Figure 6). The 10-year Treasury bill declined to 1.5 percent in 2012 but rebounded to 2.0 percent in 2014 and 2015. The Consumer Price Index for all urban consumers (CPI-U) peaked at about 4.0 percent in late 2011 but has been in a long decline since then and reached a value of zero in 2015. There is some concern when the rate of inflation is so low that consumers feel no pressure to purchase in the current period.

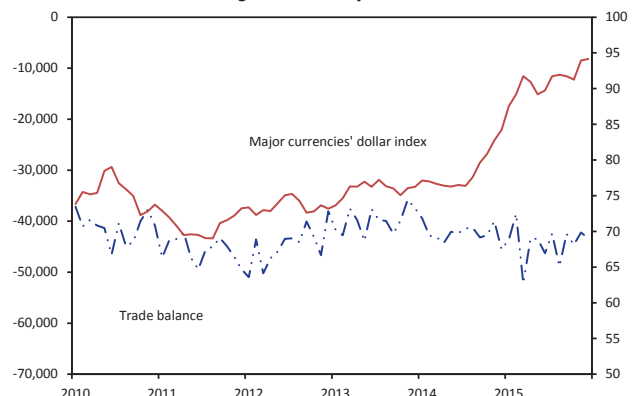
Loan demand has increased for the first time since 2012 (Figure 7). While the cost of capital has remained low for some time, market reports indicate limited access to capital. However, in the past several quarters, fewer survey respondents are reporting tightening lending standards.

**Figure 7 Federal Reserve Senior Loan Officers Survey: Demand and Lending Standards for Commercial and Industrial Loans by Medium-to-Large Firms**



The dollar’s strong value hampers the U.S. export market. Against major currencies, the dollar has risen from a value of 75 in mid-2014 to almost 95 at the end of 2015, a 25 percent increase. This reduces demand for American products in Asia and the Eurozone, while making imports from those regions much cheaper. In late February, the euro was worth about \$1.10. The Canadian dollar has declined from \$0.83 in May 2015 to \$0.71 at the end of February 2016. The Chinese yuan has averaged \$0.152 since January (Figure 8).

**Figure 8 U.S. Trade Balance and Nominal Index of the Value of the Dollar against Seven Major Currencies**



# REGIONAL INDUSTRY OUTLOOK

## Michigan Leads the Region in Job Growth

Manufacturing employment growth across the Great Lakes region of Illinois, Indiana, Michigan, Ohio, and Wisconsin was strong for the most part from the fourth quarter of 2014 to the fourth quarter of 2015. Michigan posted the largest gains at 3.6 percent, nearly double the rate of Ohio, which had the next largest growth at 1.9 percent. The only state where manufacturing lost ground was Illinois, which gave up 2.1 percent of its manufacturing employment. Indiana saw the largest total employment growth over the year, 2.0 percent, and Michigan's total employment was close behind at 1.9 percent.

Hourly earnings for all private-sector employees improved by 3.0 percent in Ohio, whereas Michigan saw a 2.7 percent increase. Hourly earnings for the manufacturing industry were less robust: Wisconsin had the largest gains at 1.3 percent. Illinois was in second place with wage gains of 1.2 percent, even though manufacturing employment fell in that state. Michigan and Ohio were tied for third at 0.9 percent growth, and Ohio, which led the region in total wage growth, finished dead last in manufacturing wage growth at 0.7 percent.

The December *Beige Book*, published by the Federal Reserve Board, includes data from responses to a survey conducted by the Federal Reserve Bank of Chicago. Fourth-quarter data from industry representatives were published in two editions: November (covering October and early November) and January (covering late November and December). Respondents indicated that the pace of growth was modest in the latter half of the fourth quarter, but they "were optimistic that growth would pick up some in the next six to twelve months," the *Beige Book* reported. Several of the survey results pointed to

good news in auto production. More generally, responses included the following:

- Consumer spending maintained a modest pace throughout the quarter, driven by home improvement, hobbies, and entertainment, although spending on food and beverage was weaker.
- Business spending was modest, and businesses were able to maintain their inventories at a comfortable margin.
- Growth was strongest in the auto and aerospace industries, while other manufacturing sectors exhibited more modest growth.
- Low fuel prices nudged auto sales more toward the purchase of trucks than of cars. Light-truck inventories were tight as demand threatened to outstrip supply.
- Residential real estate construction activity grew across different types of units—single and multifamily, urban and suburban.
- Commercial real estate construction slowed in some sectors, although not in retail, office, or industrial.
- Credit conditions tightened somewhat during November and December. Consumer loan demand was flat, save for the auto loan sector. Business credit was more active, spurred by competition for commercial and industrial loans.
- There was little cost pressure, as commodity and fuel prices remained low. Retail prices were also little changed.
- Wage pressure stayed low in general, although it strengthened for management, professional, and technical occupations.
- Across the region, large harvest yields caused agriculture prices to fall. Farmers are expected to hold onto some of their soybean and corn yields in case prices rebound.

## OFFICE FURNITURE INDUSTRY UPDATE

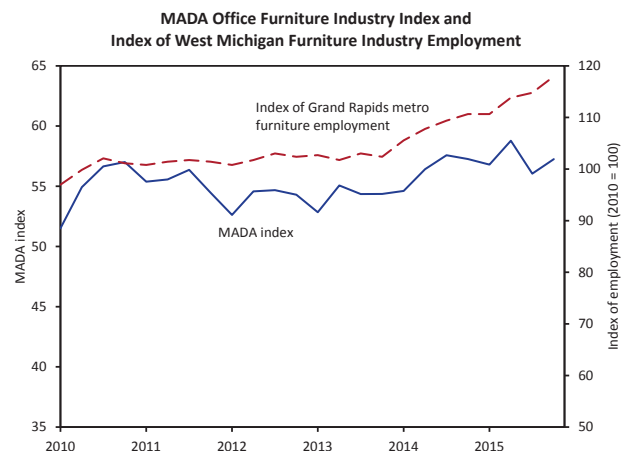
### The Best Year in a Decade

Michael A. Dunlap and Associates (MADA) reported in January that the furniture industry remains strong. The MADA composite index reached 57.25, up from 56.05 in October of 2015 but below last July's reading of 58.78. The highest individual reading was 59.72, set in July 2005. Michael Dunlap called 2015 "the best year we've seen in well over a decade." In the fourth quarter, three index elements hit record highs: "gross shipments" reached 64.33, "raw material costs" rose to 52.33 (meaning costs are getting lower), and "employment" hit 57.00, up from 55.33 in October.

Bureau of Labor Statistics employment data matched the growth in the employment index, as employment continued upward in the fourth quarter. In the composite index, a measurement of over 50 means the furniture industry is growing, but employment does not always grow to match this index. Notice in the figure below that the employment index tends to rise when the MADA index reaches 55. This may be because modest growth in the industry can be absorbed by productivity increases but more robust growth requires new hiring. In the third quarter, the employment index nudged upward as the industry picked up about 100 jobs in the Grand Rapids area. The employment index has

increased since last year, generally matching the upward trend of the survey index.

According to Michael Dunlap, 2016 is poised to be even better than 2015. However, in December we reported that IHS Global Insight had forecast that office furniture production was projected to grow by 4.2 percent in 2016, down slightly from 4.9 percent in 2015. But whether the furniture industry does slightly better than 2015 or not, it is projected to remain strong through 2016.



## AUTO INDUSTRY UPDATE

### Car and Light Truck Sales Reach Record Levels

As reported by *Automotive News* in early January, sales of cars and light trucks in 2015 attained record levels of 17.47 million units, up 5.7 percent from their mark of 16.52 million units in 2014. The last time sales approached this level was in 2000, when they reached 17.35 million units. As shown in the figure below, sales have steadily grown since 2009, when the economy began to make its way out of recession with sales of just over 10 million units.

Most forecasts, including the one from the folks at the Research Seminar in Quantitative Economics (RSQE) at the University of Michigan, suggest that sales of cars and light trucks will exceed 18 million units in both 2016 and 2017. Strong consumer confidence numbers support the theory that buyers have a willingness to take on additional personal debt, which should keep them in the market. Demand for cars as replacement vehicles may spring from the fact that the average age of vehicles on the road in the United States is 11.5 years, based on a survey from IHS Automotive in Southfield, an advisory and consulting service. IHS forecasts that the average automobile age will rise in 2016 to 11.6 years and in 2017 to 11.7 years.

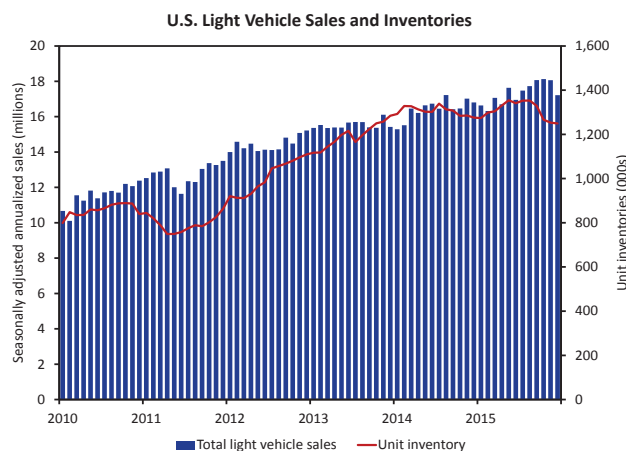
### Vehicle Inventories Are Creeping Up

Along with vehicle sales, inventories crept up through the end of 2013, but then they generally remained flat, at just under 1.4 million units on lots, until mid-2015. That number has since dwindled to about 1.25 million units, as shown in the figure. According to WardsAuto.com, which provides news and analysis on the industry, dealers had 78 days' worth of inventory on their lots at the end of January. While this compares favorably with the same point last year, when there were 81 days' worth of product on lots, it compares unfavorably with December 2015, when dealers held 61 days' worth of inventory.

Sales of cars and light trucks among the Detroit Three showed growth in 2015. FCA (Fiat Chrysler Automobiles) had the highest percentage growth, 7.3 percent, an increase from 2.09 million units in 2014 to 2.24 million units in 2015. Ford was next with 5.3 percent growth, from 2.47 million cars in 2014 to 2.60 million in 2015. General Motors followed Ford, at 5.0 percent growth, from 2.54 million to 3.08 million. Among individual brands, while FCA grew as a whole, its brands Dodge and Fiat declined by 9.9 and 8.0 percent. Volkswagen saw sales slip by 4.8 percent—hardly a huge surprise, given its corporate scandal over tampering with fuel mileage on its vehicles. Sales were up significantly in 2015 for Jeep (24.9 percent), Lincoln (7.1 percent), GMC (11.3 percent), Kia (7.9 percent) and Subaru (13.4 percent). Among the more upscale brands that experienced sales jumps were Audi (11.1 percent), Land Rover (37.1 percent), Porsche (10.1

percent), Infiniti (13.8 percent), and Lexus (10.7 percent), according to *Automotive News*.

Despite forecasts for continued strong sales of autos and light trucks, there are concerns on the horizon for Michigan businesses. Statewide unemployment rates are at or near “full” employment (defined as an unemployment rate between 5.0 and 5.5 percent), so suppliers face possible worker shortages. At the very least, finding workers is becoming more difficult, and the costs of doing so are going up. Additionally, according to the Original Equipment Suppliers Association (OESA), as reported on MBIZ.com, many firms in the supply chain are operating at or near capacity for their plants. The median utilization of suppliers is at 85 percent of capacity. The lowest quarter of suppliers, in terms of capacity, are operating at 75 percent of capacity, and the uppermost quarter of suppliers are at 90 percent.



### Suppliers May Follow Final Assembly Plants South of the Rio Grande

Finally, the Center for Automotive Research (CAR) in Ann Arbor has voiced concerns about where North American auto production is headed. The answer may be, “south of the border.” In an interview that appeared in *Business Alabama* magazine, Bernard Swiecki from CAR indicates that most of the new final assembly plants will be located in Mexico, for a couple of reasons. First, the savings to automakers from producing a car there are substantial. Second, Mexico has better free trade agreements than the United States. In the export market—that is, for vehicles sold outside the NAFTA market—Audi saves \$4,500 per vehicle in tariffs by producing the Q5 in Mexico, Swiecki says. In 2014, automakers invested \$10 billion in the United States and \$7 billion in Mexico. With increasing levels of investment in Mexico, Swiecki notes, we are not only losing final assembly plants, we are losing suppliers that need to be near the assembly plants.

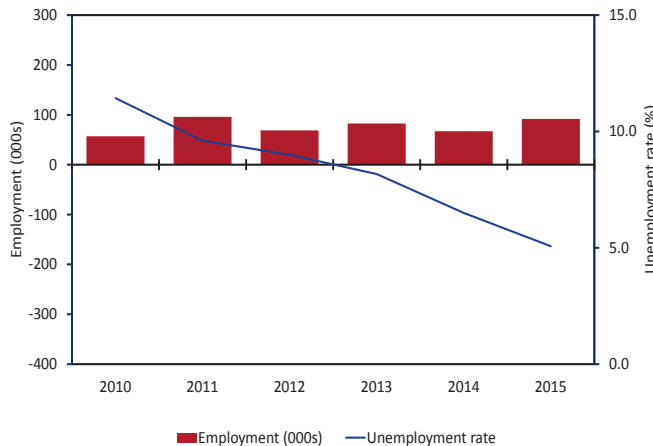


# STATE OF MICHIGAN ECONOMY

## Michigan Firing on All Cylinders in Adding Jobs

*It appears 2015 was a good year for employment growth in the state of Michigan. Total nonfarm employment by place of work grew at about 1.8 percent—76,000 jobs—between the fourth quarter of 2014 and the same quarter of 2015. The rate of growth is roughly on par with the national economy, as the number of jobs across the nation grew at about 2.0 percent for 2015.*

**Michigan Employment Change and Unemployment Rate**  
(4th quarter to 4th quarter, seasonally adjusted)



The goods-producing sector, comprised of natural resources and mining, construction, and manufacturing (including both durable and nondurable goods manufacturing) was a strong performer. Collectively, this sector added just a shade under 31,000 new jobs. While the goods-producing sector as a whole makes up nearly 18 percent of the state's employment, it accounted for 40 percent of the added jobs.

The construction industry added 9,900 jobs for a growth rate of 6.9 percent. Growth in the construction industry accounted for slightly more than 13 percent of the state's year-over-year employment gains. Manufacturing grew by 3.6 percent and added 21,000 jobs last year. Within manufacturing, it broke down this way: durable goods industries added more than 16,600 jobs (3.7 percent growth), and nondurable goods added 4,400 (3.2 percent growth). Of the total job gains for Michigan between 2014 and 2015, manufacturing was the largest contributor to job growth of any sector, accounting for almost 28 percent of jobs added.

The trade sector, which includes both wholesale and retail, also showed significant growth in 2015. While retail was relatively flat, wholesale trade added more than 3,600 jobs and grew by 2.1 percent. Another private service-providing sector, the information sector, which includes publishing, broadcasting, data services, telecom, and other media-related activities, declined in 2015 by more than 3.5 percent, or 1,900 jobs. This trend in information may at first appear counterintuitive. But while data processing, hosting and related services, and software publishing (which are all gaining jobs) are in this industry, they make up only a portion of all information technology

(IT) jobs. And although demand for IT occupations continues to grow, these jobs are housed across all sectors, including manufacturing, health care, education, financial services, and professional and technical services. As a result, some IT jobs are not counted in the information sector.

**Retail Activity in Michigan**  
(12-month moving average)

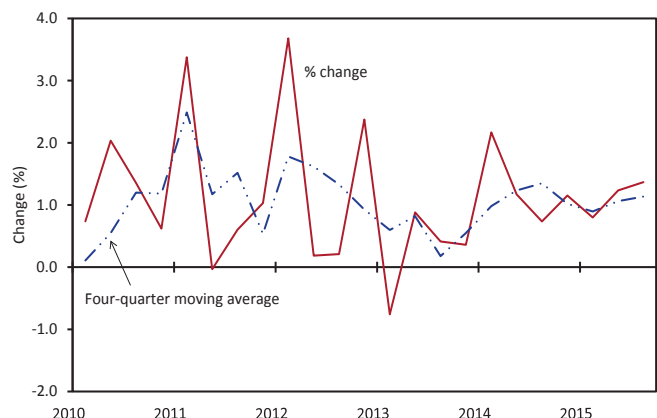


NOTE: Index = % reporting an increase in sales + [0.5 x (% reporting no change)].

Also within the private service-providing sector, the professional and business services subsector added more than 16,000 jobs last year and grew at 2.6 percent. Similarly, education and health services grew at 2.8 percent and added more than 18,000 jobs to the Michigan economy. Leisure and hospitality, responding to consumer demand, added almost 8,000 jobs and grew at 1.9 percent. These three private service-providing sectors accounted for more than 50 percent of job growth in Michigan in 2015.

Aside from the extraction and information sectors, the only other sector to lose jobs in 2015 was government. This sector lost slightly more than 7,600 jobs, which amounted to 1.3 percent of the state's total employment. Employment in this sector declined from 595,700 to 587,930.

**Michigan Personal Income Growth**



Michigan's unemployment rate for the fourth quarter of 2015 was right around 5.0 percent. This represents a substantial

## Michigan Statistics (seasonally adjusted)

Measure	2015 Q4	2015 Q3	% change, Q3 to Q4	2014 Q4	% change, Q4 to Q4
<b>Employment (by place of work)</b>					
Total nonfarm employment	4,283,030	4,274,080	0.2	4,207,400	1.8
Goods-producing	765,010	760,500	0.6	734,440	4.2
Natural resources and mining	8,100	8,170	-0.9	8,470	-4.4
Construction	152,770	151,500	0.8	142,870	6.9
Manufacturing	604,140	600,830	0.6	583,100	3.6
Durable goods	461,770	461,400	0.1	445,130	3.7
Nondurable goods	142,370	139,430	2.1	137,970	3.2
Private service-providing	2,930,090	2,926,580	0.1	2,877,390	1.8
Trade, transportation, and utilities	766,960	765,440	0.2	761,700	0.7
Transportation and utilities	130,730	130,670	0.0	129,000	1.3
Wholesale trade	173,130	169,970	1.9	169,500	2.1
Retail trade	463,100	464,800	-0.4	463,200	0.0
Information	54,770	54,770	0.0	56,730	-3.5
Financial activities	212,370	211,930	0.2	205,230	3.5
Professional and business services	644,630	644,770	0.0	628,400	2.6
Educational and health services	666,130	661,370	0.7	647,900	2.8
Leisure and hospitality	414,300	415,630	-0.3	406,500	1.9
Other services	170,930	172,670	-1.0	170,930	0.0
Government	587,930	587,000	0.2	595,570	-1.3
<b>Unemployment</b>					
Number unemployed	242,610	241,900	0.3	309,460	-21.6
Unemployment rate (%)	5.1	5.1		6.5	
<b>State indexes (1996 = 100)</b>					
<b>Local components</b>					
UI initial claims	8,806	8,574	2.7	10,053	-12.4
New dwelling units <sup>a</sup>	12,613	15,108	-16.5	15,374	-18.0

NOTE: Employment numbers for durable and nondurable goods, transportation and utilities, wholesale trade, and retail trade are seasonally adjusted by the W.E. Upjohn Institute. Other numbers are seasonally adjusted by the Bureau of Labor Statistics. Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from Dodge Data and Analytics and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

decline from the same period for 2014, when the rate was at 6.5 percent. A rate of 5.0 percent suggests that the Michigan economy is at or near full employment. (The Federal Reserve Board uses a range of 5.0–5.5 percent as an indicator of full employment.) While some areas of Michigan do not have labor markets quite this tight, it is likely that many regions in Michigan will start to see upward pressure on wages as firms compete for increasingly scarce available workers. Recent reports from the Conference Board bear out that two of its survey measures, “Percentage of respondents who say jobs are hard to get” and “Ratio of involuntary part-time workers to all workers,” have been in decline at the national level since 2011. This suggests that labor markets across the nation are tightening, similar to what is being seen in Michigan. While real wages for production workers in Michigan have declined since the Great Recession, there has been some upward movement in real wages starting in mid-2014 and continuing

through 2015. This indicates that tightening markets and labor availability may be positively affecting incomes.

While retail hiring has been relatively flat since 2012 (see top figure in right-hand column, p. 6), the retail index has recovered somewhat since a downturn in 2014. In 2015 the index did fall back slightly, but this may be due to more shopping occurring online and less at brick-and-mortar stores.

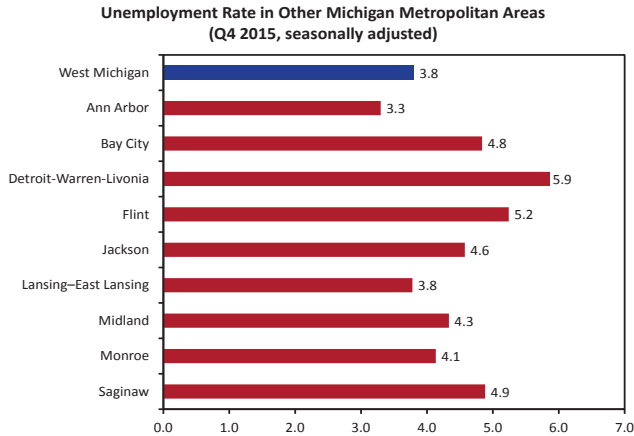
Finally, personal income growth has been positive since early 2013 (see bottom figure in right-hand column, p. 6). Although there is a two-quarter lag in these data—the latest figures are from the third quarter of 2015—they show the moving average for growth in personal income to be at or above 1.0 percent.



# WEST MICHIGAN ECONOMY

## Region Experienced Modest Employment Growth in Fourth Quarter

*Nonfarm employment in west Michigan improved by 0.6 percent, as growth occurred in nearly every industry. The region's unemployment rate fell to 3.8 percent from 4.0 in the previous quarter. The economic indicators were negative, suggesting employment growth may tail off in the next quarter.*



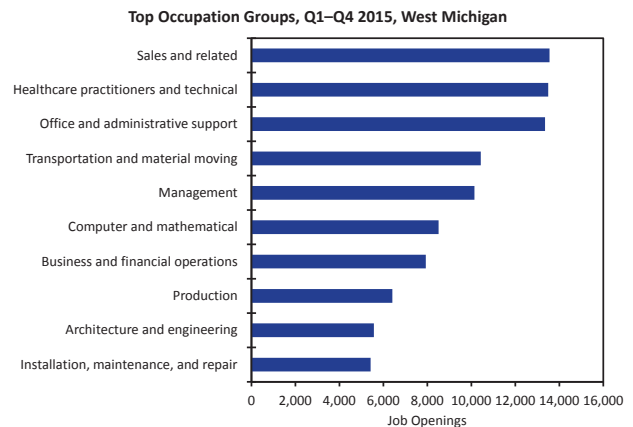
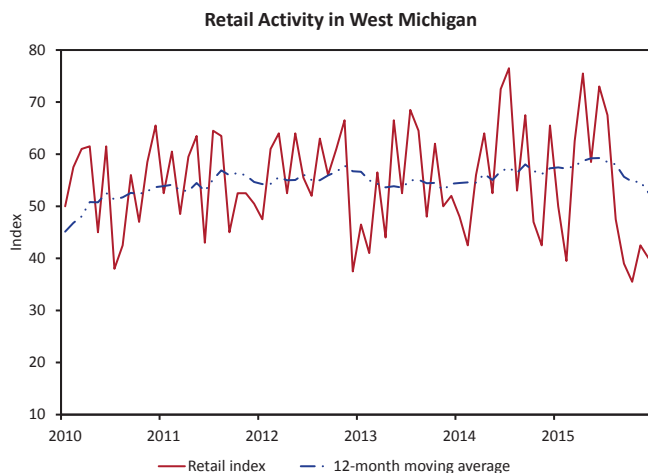
As the figure above shows, west Michigan's unemployment rate was 3.8 percent, one of the lowest in the state. (Ann Arbor continues to have the lowest unemployment rate, at 3.3 percent.) The west Michigan region as a whole is tied with the Lansing-East Lansing metropolitan statistical area (MSA) at 3.8 percent. Overall, metro unemployment rates are impressively low. The greater Detroit area's unemployment rate is the highest, at 5.9 percent, but even so, at least it is below 6.0 and within a point of the statewide rate of 5.1 percent.

Goods-producing employment improved by 1.1 percent, or nearly 2,300 jobs, in the fourth quarter. Gains were driven primarily by a matching 1.1 percent increase in manufacturing employment. Over the year, manufacturing also grew by an impressive 4.8 percent. The construction industry contributed 520 new jobs to the goods-producing sector in the quarter, or 1.6 percent growth. The growth from the fourth quarter of 2014 was even more robust for construction, at 9.6 percent. In spite of the employment growth, the rate of construction of

new dwelling units fell from the fourth quarter of 2014 to the fourth quarter of 2015 by 14.2 percent. It is likely, however, that the new construction jobs were in commercial construction or in renovation of existing buildings, which would not be reflected in the dwelling unit data.

Private service-providing employment improved by a modest 0.5 percent. Nearly every industry in the sector posted employment gains in the fourth quarter. Education and health services improved by 1.1 percent, or more than 1,600 jobs. Leisure and hospitality employment grew by 1.6 percent, or 1,330 jobs. The biggest fourth-quarter-to-fourth-quarter jump was in the hospitality industry, an 8.6 percent gain, or 6,740 jobs. The professional and business services sector remains 2.3 percent above its level for the fourth quarter of 2014, even though it did drop during the fourth quarter of 2015, contracting by 1.6 percent. This was the only sector to experience a fourth-quarter drop. As we have noted before, this industry contains temporary help workers, which means that the industry contracts if temporary workers are let go. It also contracts if temporary workers are hired by the firms in which they were placed and are thus reclassified as new hires in that industry.

The Retail Activity Index, prepared by the Chicago Federal Reserve Bank in cooperation with the Michigan Retailers Association, shows a drop in retail activity in west Michigan in the fourth quarter. While the data are not seasonally adjusted and can appear quite noisy, the last few months are among the lowest in the figure. The 12-month moving average shows a marked decline for the first time since late 2012. The employment data appear to confirm the lackluster sales index. Employment growth was virtually unchanged during the fourth quarter, increasing by 0.1 percent. Employment is similarly flat from the fourth quarter of 2014. Statewide, retail employment actually declined in the fourth quarter, as did the employment index.



SOURCE: Burning Glass International Inc. (2016).

This quarter, using data from Labor/Insight, an interactive application from Burning Glass Technologies that generates re-

## West Michigan (5 MSAs) Statistics (seasonally adjusted)

Measure	2015 Q4	2015 Q3	% change, Q3 to Q4	2014 Q4	% change, Q4 to Q4
<b>Employment (by place of work)</b>					
Total nonfarm employment	868,620	863,460	0.6	840,880	3.3
Goods-producing	202,700	200,410	1.1	192,100	5.5
Construction and mining	33,080	32,560	1.6	30,180	9.6
Manufacturing	169,620	167,850	1.1	161,920	4.8
Private service-providing	571,850	569,190	0.5	555,350	3.0
Trade, transportation, and utilities	149,920	148,880	0.7	148,670	0.8
Retail trade	85,570	85,500	0.1	85,470	0.1
Information (5 MSAs) <sup>a</sup>	7,490	7,450	0.5	7,550	-0.8
Financial activities	39,060	38,750	0.8	37,850	3.2
Professional and business services	113,440	115,300	-1.6	110,940	2.3
Educational and health services	142,300	140,690	1.1	137,810	3.3
Leisure and hospitality	85,270	83,940	1.6	78,530	8.6
Other services	34,370	34,180	0.6	34,000	1.1
Government	94,070	93,860	0.2	93,430	0.7
<b>Unemployment</b>					
Number unemployed	40,970	43,350	-5.5	52,350	-21.7
Unemployment rate (%)	3.8	4.0		5.0	
<b>Local indexes</b>					
UI initial claims	1,080	1,056	2.3	1,247	-13.4
New dwelling units <sup>b</sup>	3,531	3,820	-7.6	4,116	-14.2

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Information employment data are not available for Battle Creek MSA.

<sup>b</sup> Seasonally adjusted annual rates.

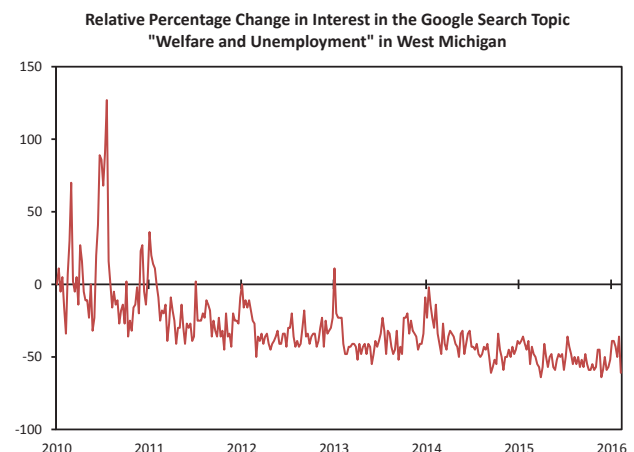
SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from Dodge Data and Analytics; and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

ports on job-posting data, we examine the top occupations for job postings in each metro area. The data cover job postings for the full year of 2015. There was a virtual tie for the top three positions in 2015: sales, health care, and office occupations all had just about the same amount of postings. Transportation and material moving occupations came in fourth, and management occupations placed fifth in terms of number of postings. Production occupations were in eighth place, in spite of the relative importance of the manufacturing industry in the west Michigan region. Over the course of the year, manufacturing grew by 9.6 percent, which suggests that hiring was either done without online postings or through temporary staffing agencies, which do not show up consistently in the data.

Government employment improved by a modest 0.2 percent over the fourth quarter and by 0.7 percent from the fourth quarter of the previous year.

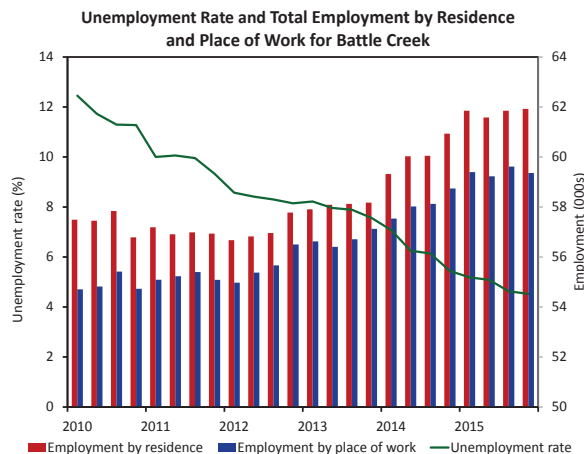
The region's economic indicators were negative, suggesting that employment may slow in the next quarter. Initial claims for unemployment insurance increased by 2.3 percent but are down by 13.4 percent from the previous year. The rate of new home construction fell by 7.6 percent in spite of the quarterly growth in construction employment.

In further evidence of a continued labor shortage, the number of Google searches for "welfare and unemployment" in west Michigan remains low. The index has been flat since the start of 2014. While we would normally expect an increase in welfare and unemployment activity at the start of the new year, the figure shows little activity beyond the standard variance. West Michigan residents do not appear concerned about unemployment.



## Service-Sector Losses Cause Employment to Slip

*Employment in the Battle Creek MSA slipped in the fourth quarter: driven by service-sector losses, it fell 0.5 percent from the third quarter. The unemployment rate was down slightly, falling to 4.5 percent from 4.6 in the previous quarter. The area's economic indicators were mixed, suggesting employment conditions will be little changed in the first quarter of 2016.*



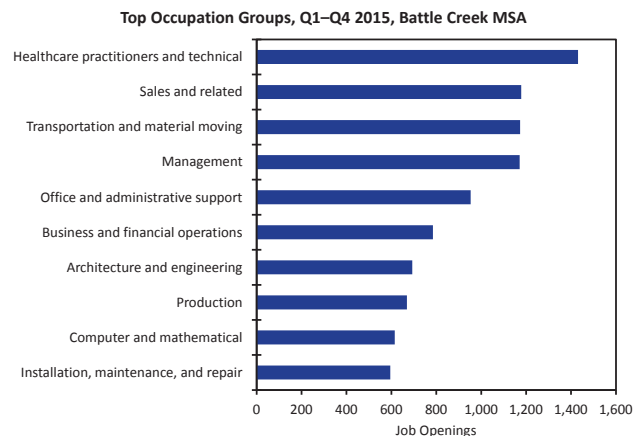
Nonfarm employment fell, but residential employment held steady in the fourth quarter. The unemployment rate fell slightly, as shown in the figure above. The figure also shows that both employment by place of work and employment by place of residence were stable through 2015 after growing steadily in 2014.

Goods-producing employment was essentially unchanged in the fourth quarter, and different industry sectors showed mixed performance. Construction employment fell by just 10 jobs, or 0.6 percent, in the quarter. Construction employment also fell over the 12 months ending with the fourth quarter of 2015, by 1.8 percent. Durable goods employment grew by 40 jobs. However nondurable goods employment fell by 40 jobs, so the durable and nondurable sectors canceled each other out, equaling no change in manufacturing employment over the quarter.

Private service-providing employment fell by 280 jobs, or 0.8 percent, over the fourth quarter. Sector employment losses were spread throughout several industries. Trade, transportation, and utilities shed 140 jobs. As with other areas in west Michigan, the retail industry lost jobs in the fourth quarter. We seasonally adjust the data, and the unadjusted data show that the holiday hiring season was not as robust as expected. As discussed in the west Michigan section, retail sales were down in the fourth quarter across the region. The professional and business services sector and the hospitality industry each lost 100 jobs. In spite of these losses, the services sector was up 1.3 percent from the fourth quarter of 2014. Summit Pointe Behavioral Health has added 16 more workers over the last year in a variety of positions.

Government employment fell by 20 jobs in the fourth quarter. However, the National Guard is bringing in 70 new jobs for its cyber security operation at the W.K. Kellogg Airport. The Cyber Operations Squadron, assigned to the 110th Attack Wing, will consist of 50 National Guard members and 21 full-time military members. The Battle Creek area has been expanding its military presence and continues to lobby for a missile defense mission.

Labor/Insight is an interactive application from Burning Glass Technologies that generates reports on job-posting data. This quarter, the Burning Glass Labor/Insight data examine the top occupations for job postings in each metro area. The data are for job postings from the full year of 2015. As shown in the figure, the largest group of occupations is that of health care practitioners. Health care occupations were in fifth place in 2014, but the amount of posting nearly doubled in 2015, putting health care in the top spot. The next three occupation groups are sales, transportation, and management occupations. Production occupations were just behind architectural and engineering occupations in seventh place.



SOURCE: Burning Glass International Inc. (2016).

In the fourth quarter, the area's economic indicators were mixed, suggesting that employment conditions will hold steady into the next quarter. New unemployment claims (unemployment insurance, or UI) grew in the fourth quarter for the first time since the fourth quarter of the previous year. In spite of the bump, the rate of new claims for UI remains as low as we have recorded. From 1990 through the latest quarter, the lowest rate of new unemployment claims was in the third quarter of 2015, so an increase in the fourth quarter is not alarming. The rate of new dwelling units increased very slightly, rising in the fourth quarter from an annualized rate of 36 units per year to 37.

**Battle Creek MSA**  
(seasonally adjusted)

Measure	2015 Q4	2015 Q3	% change, Q3 to Q4	2014 Q4	% change, Q4 to Q4
<b>Employment (by place of work)</b>					
Total nonfarm employment	58,930	59,240	-0.5	58,210	1.2
Goods-producing	13,250	13,260	-0.1	13,050	1.5
Construction and mining	1,610	1,620	-0.6	1,640	-1.8
Manufacturing	11,640	11,640	0.0	11,410	2.0
Durable goods	9,420	9,380	0.4	8,990	4.8
Nondurable goods	2,220	2,260	-1.8	2,420	-8.3
Private service-providing <sup>a</sup>	35,130	35,410	-0.8	34,670	1.3
Trade, transportation, and utilities	9,090	9,230	-1.5	9,450	-3.8
Retail trade	5,720	5,770	-0.9	5,660	1.1
Financial activities	1,200	1,190	0.8	1,200	0.0
Professional and business services	6,680	6,780	-1.5	6,450	3.6
Educational and health services	11,130	11,120	0.1	10,770	3.3
Leisure and hospitality	4,820	4,920	-2.0	4,690	2.8
Other services	2,210	2,170	1.8	2,110	4.7
Government	10,550	10,570	-0.2	10,490	0.6
<b>Unemployment</b>					
Number unemployed	2,920	2,980	-2.0	3,520	-17.0
Unemployment rate (%)	4.5	4.6		5.4	
<b>Local indexes</b>					
UI initial claims	113	108	4.6	135	-16.3
New dwelling units <sup>b</sup>	37	36	2.8	19	94.7

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Data for information services are included in the "other services" sector.

<sup>b</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from Dodge Data and Analytics; and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

**Battle Creek MSA**  
**Industry Employment Change by Place of Work, Second Quarter to Second Quarter**  
(not seasonally adjusted)

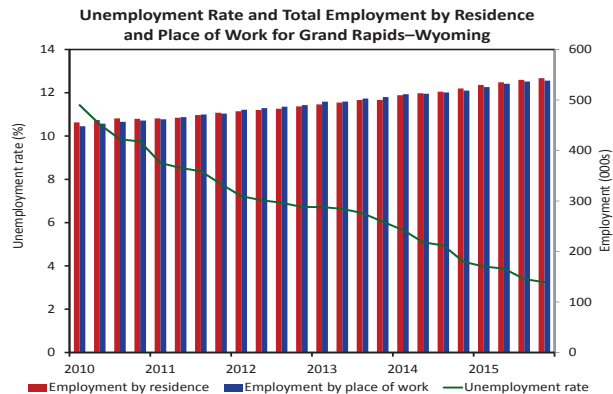
Industry	2015 Q2	2014 Q2	Percent change	Industry	2015 Q2	2014 Q2	Percent change
<b>Goods-producing</b>				Arts, entertainment, and recreation	570	590	-3.4
Food manufacturing	1,410	1,420	-0.7	Accommodation and food services	4,190	4,050	3.5
Fabricated metal products mfg.	2,530	1,970	28.4	Food services and drinking places	3,610	3,700	-2.4
Transportation equipment mfg.	5,410	5,200	4.0				
<b>Private service-providing</b>				<b>Government</b>			
Professional and technical services	2,500	2,520	-0.8	Federal government	2,880	2,870	0.3
Administrative and support services	2,440	2,450	-0.4	State government	450	430	4.7
Educational services	1,140	1,140	0.0	Local government	7,060	7,060	0.0
Health care and social assistance	9,130	9,060	0.8				
Ambulatory health care services	2,730	2,970	-8.1				

SOURCE: Michigan Department of Technology, Management and Budget, QCEW/ES-202 data.

# GRAND RAPIDS–WYOMING MSA

## Goods-Producing Employment Drives Growth

*Nonfarm employment in the Grand Rapids MSA improved by a modest 0.4 percent over the fourth quarter, driven by gains in the goods-producing sector. The unemployment rate fell to 3.2 percent from 3.4 percent in the previous quarter. However, the area's economic indicators were negative, suggesting employment conditions may slide in the next quarter.*



The unemployment rate in the Grand Rapids MSA fell to 3.2 percent in the fourth quarter, a slight dip from the previous quarter (see figure above). As the unemployment rate approaches 3.0, it is unlikely it will fall further. The figure also shows that unemployment by residence has increased for the past eight quarters.

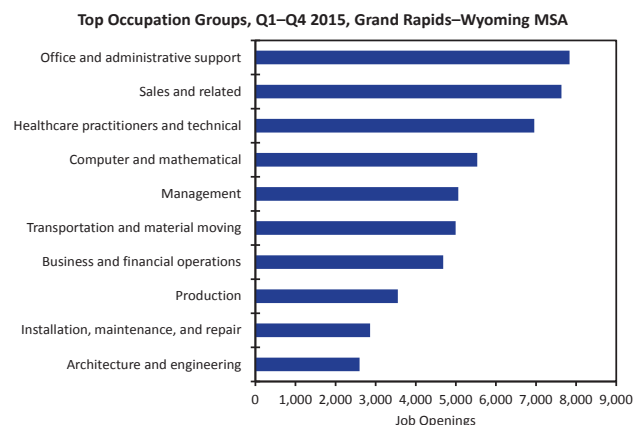
Goods-producing employment grew by 1.5 percent over the fourth quarter, led by manufacturing employment growth. Growth was led by durable goods manufacturing, which posted a gain of 1,430 jobs. Nondurable goods manufacturing added 180 jobs. From the fourth quarter of 2014, manufacturing was also up by an impressive 6.1 percent. Construction employment growth from the third to the fourth quarter of 2015 was more modest—employment rose by 1.2 percent, or 270 jobs. However, over the year, construction employment grew by 11.6 percent. Dematic North America announced it would close its manufacturing facility and lay off 300 workers as it relocates manufacturing operations to Mexico. More than 900 of the company's jobs in engineering, research and development, sales, and other positions will remain in Grand Rapids. Not all manufacturing news was bad, as General Motors announced an expansion in its production of power-train components, which will create 55 new jobs in Grand Rapids.

The services sector was more muted in the fourth quarter. Employment was virtually flat, growing by 0.1 percent. While most industry sectors posted gains over the quarter, this growth was offset by a large decline in professional and business services employment, which shed 2,030 jobs. However, declines in the business services industry are not always unwelcome, as they could indicate that temporary help employees are being hired permanently. If an employee of a staffing agency is hired by the firm in which he or she was placed, it counts as a loss in the business services sector and a new hire

in another industry. Retail trade employment also declined, falling by 0.6 percent, a rate similar to the change in statewide retail employment. The pyramid-shaped former headquarters of Steelcase has a new owner: Switch, a data storage firm, which will employ 1,000 workers at the Gaines Township landmark building. Total Quality Logistics, a firm headquartered in Chicago that deals in freight brokerage services, announced 75 new jobs in Cascade Township.

Government employment improved by 0.4 percent during the fourth quarter. The public sector also increased by a slightly-more-robust 0.7 percent for the 12-month period ending with the fourth quarter of 2014.

Labor/Insight is an interactive application from Burning Glass Technologies that generates reports on job-posting data. This quarter, we use the Burning Glass Labor/Insight data to examine the top occupations for job postings in each metro area. The data represent job postings from the full year of 2015. Office and administration occupations had the most listings, with sales occupations close behind. Health care occupations had the third-largest number of postings. In spite of their importance to the regional economy, production occupations were in eighth place. As stated earlier, manufacturing employment grew by 6.1 percent over the course of the year in the Grand Rapids MSA, but it is likely that most of this hiring occurred without online postings.



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were negative, suggesting soft employment conditions going into the next quarter. New claims for unemployment insurance were up slightly, increasing by 4.8 percent. The rate of new home construction declined by 7.6 percent. Housing starts declined, even as construction employment grew by 1.2 percent.



**Grand Rapids–Wyoming MSA**  
(seasonally adjusted)

Measure	2015 Q4	2015 Q3	% change, Q3 to Q4	2014 Q4	% change, Q4 to Q4
<b>Employment (by place of work)</b>					
Total nonfarm employment	538,510	536,150	0.4	518,890	3.8
Goods-producing	132,380	130,500	1.4	123,710	7.0
Construction and mining	22,140	21,870	1.2	19,830	11.6
Manufacturing	110,240	108,630	1.5	103,880	6.1
Durable goods	78,540	77,110	1.9	72,980	7.6
Nondurable goods	31,700	31,520	0.6	30,900	2.6
Private service–providing	360,340	360,030	0.1	349,720	3.0
Trade, transportation, and utilities	91,470	91,420	0.1	90,470	1.1
Transportation and utilities	13,980	14,100	–0.9	13,710	2.0
Wholesale trade	29,730	29,280	1.5	29,030	2.4
Retail trade	47,760	48,040	–0.6	47,730	0.1
Information	5,290	5,270	0.4	5,350	–1.1
Financial activities	25,710	25,440	1.1	24,710	4.0
Professional and business services	80,770	82,800	–2.5	78,860	2.4
Educational and health services	86,690	85,400	1.5	83,930	3.3
Leisure and hospitality	48,680	48,050	1.3	44,940	8.3
Other services	21,730	21,650	0.4	21,460	1.3
Government	45,790	45,620	0.4	45,460	0.7
<b>Unemployment</b>					
Number unemployed	18,350	19,000	–3.4	23,030	–20.3
Unemployment rate (%)	3.2	3.4		4.2	
<b>Local indexes</b>					
UI initial claims	543	518	4.8	635	–14.5
New dwelling units <sup>a</sup>	2,659	2,877	–7.6	2,714	–2.0

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from Dodge Data & Analytics; and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

**Grand Rapids–Wyoming MSA**  
**Industry Employment Change by Place of Work, Second Quarter to Second Quarter**  
(not seasonally adjusted)

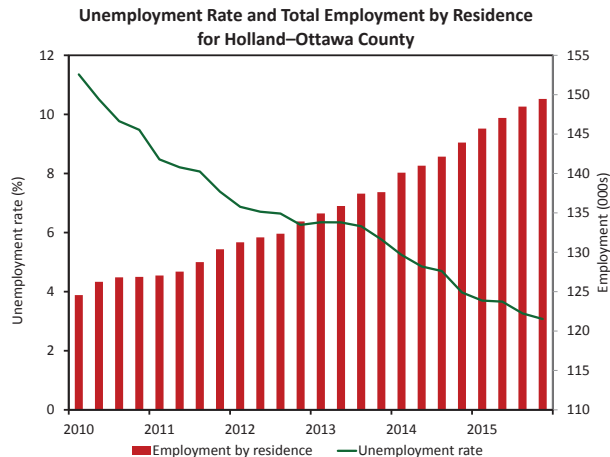
Industry	2015 Q2	2014 Q2	Percent change	Industry	2015 Q2	2014 Q2	Percent change
<b>Goods-producing</b>				Health care and social assistance	68,190	57,150	19.3
Food manufacturing	10,110	6,470	56.3	Ambulatory health care services	20,970	16,970	23.6
Chemical manufacturing	4,410	3,580	23.2	Hospitals	25,900	23,950	8.1
Plastics and rubber products mfg.	10,310	7,420	38.9	Arts, entertainment, and recreation	5,950	4,550	30.8
Fabricated metal products mfg.	13,830	7,370	87.7	Accommodation and food services	39,410	29,960	31.5
Machinery manufacturing	12,740	9,730	30.9	Food services and drinking places	35,630	26,870	32.6
Transportation equipment mfg.	17,070	14,800	15.3	<b>Government</b>			
Furniture and related products mfg.	11,710	5,920	97.8	Federal government	3,230	3,020	7.0
<b>Private service–providing</b>				State government	5,460	2,840	92.3
Professional and technical services	19,720	15,700	25.6	Local government	34,800	26,050	33.6
Administrative and support services	50,170	49,850	0.6				
Educational services	12,590	9,720	29.5				

SOURCE: Michigan Department of Technology, Management and Budget, QCEW/ES-202 data.



## Manufacturing Gains Compensate for Losses in Services and Government

*Employment by place of work was flat, falling by just 0.1 percent in the second quarter. It held nearly steady because manufacturing gains made up for losses in services and government employment. In the fourth quarter, the unemployment rate fell to 3.1 percent from 3.3 percent in the third quarter. The region's economic indicators were negative, suggesting soft employment conditions going into the next quarter.*



Note that because of data constraints, Ottawa County data is presented for the most recent quarter, the fourth quarter of 2015, whenever available. However, the most recent industry employment data is for the second quarter of 2015.

The figure above shows nearly unabated growth in employment by place of residence since mid-2011 and the unemployment rate falling accordingly. As was discussed in the last issue, an unemployment rate of close to 3.0 suggests full employment and an extremely tight labor market.

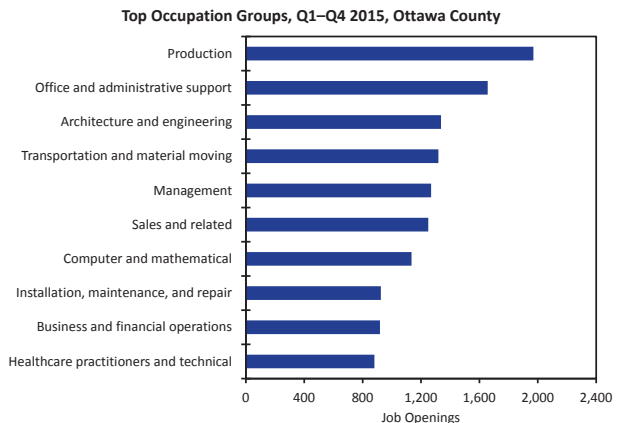
In the second quarter, employment in manufacturing grew by 510 jobs, or 1.4 percent. Those gains were undercut by losses in the construction sector of 270 jobs. However, in spite of a lackluster quarter overall in goods-production employment, the sector is up by 5.5 percent from the second quarter of 2014. Evoqua Water Technologies, formerly Siemens Water Technologies, a water and wastewater treatment company, announced plans to expand its workforce by a yet-unknown number. The facility produces filter presses and currently employs 190 workers.

The services sector took a hit in the second quarter; the most severe reductions were in leisure and hospitality employment. That industry lost 340 jobs, or 3.3 percent, over the quarter. The professional and business services sector, the education and health services sector, and the leisure and hospitality sector had very modest employment growth during the second quarter. However, similar to goods production, the service sector had a better year than quarter. Over the 12

months beginning in the second quarter of 2014, the sector improved by 2.6 percent. Financial activities was the only industry to lose jobs from the second quarter of 2014 to the second quarter of 2015.

Government employment fell by 1.0 percent in the second quarter of 2015, and, unlike services, government employment was down even further on the year, falling by 3.8 percent.

Labor/Insight, an interactive application from Burning Glass Technologies, generates reports on job-posting data. This quarter, the Burning Glass Labor/Insight data examine the top occupations for job postings in each metro area. The data are for job postings from the full year of 2015. Unlike other areas of west Michigan, production occupations led the online job postings in 2015. Manufacturing is a major part of the economy of Ottawa County, but it is also possible that area employers there are more prone to posting jobs online than in other areas of west Michigan for some reason. In most other west Michigan MSAs, very few manufacturing want ads are posted online. In a further reflection of the county's manufacturing base, architecture and engineering occupations formed the third highest occupation group in Ottawa County, whereas those occupations tend to be further down the rankings in other MSAs. Transportation and material moving occupations were close behind in fourth place. Also, in a marked contrast to other west Michigan MSAs, health-care occupations occupied the tenth spot in the figure.



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were negative, suggesting employment growth will continue to taper off in the next quarter. Initial claims for unemployment insurance grew by 7.9 percent. The rate of new home construction fell precipitously, by 41.1 percent.

**Holland–Ottawa County**  
(seasonally adjusted)

Measure	2015 Q2	2014 Q1	% change, Q1 to Q2	2014 Q2	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	118,760	118,830	−0.1	115,380	2.9
Goods-producing	46,910	46,670	0.5	44,450	5.5
Construction and mining	8,880	9,150	−3.0	8,690	2.2
Manufacturing	38,030	37,520	1.4	35,760	6.3
Private service–providing	58,010	58,180	−0.3	56,550	2.6
Trade, transportation, and utilities	17,310	17,270	0.2	16,810	3.0
Information	740	730	1.4	720	2.8
Financial activities	3,110	3,170	−1.9	3,130	−0.6
Professional and business services	12,590	12,510	0.6	12,140	3.7
Educational and health services	10,780	10,750	0.3	10,580	1.9
Leisure and hospitality	9,940	10,280	−3.3	9,840	1.0
Other services	3,540	3,470	2.0	3,330	6.3
Government	13,840	13,980	−1.0	14,380	−3.8
Measure	2015 Q4	2015 Q3	% change, Q3 to Q4	2014 Q4	% change, Q4 to Q4
<b>Unemployment</b>					
Number unemployed	4,770	4,970	−4.0	6,010	−20.6
Unemployment rate (%)	3.1	3.3		4.0	
<b>Local indexes</b>					
UI initial claims	151	140	7.9	176	−14.2
New dwelling units <sup>a</sup>	815	1,383	−41.1	1,097	−25.7

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from Dodge Data and Analytics; and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

**Holland–Ottawa County**  
**Industry Employment Change by Place of Work, Second Quarter to Second Quarter**  
(not seasonally adjusted)

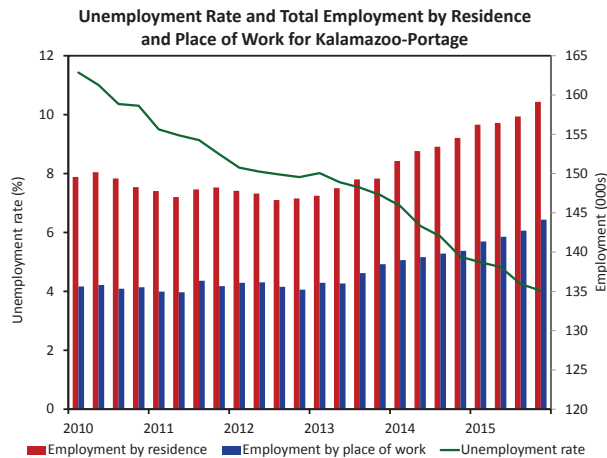
Industry	2015 Q2	2014 Q2	Percent change	Industry	2015 Q2	2014 Q2	Percent change
<b>Goods-producing</b>				Health care and social assistance	8,550	8,390	1.9
Food manufacturing	4,500	3,730	20.6	Ambulatory health care services	3,460	3,320	4.2
Fabricated metal products mfg.	6,050	5,720	5.8	Arts, entertainment, and recreation	960	920	4.3
Machinery manufacturing	2,860	2,570	11.3	Accommodation and food services	9,400	9,280	1.3
Transportation equipment mfg.	4,570	4,860	−6.0	Food services and drinking places	8,700	8,650	0.6
Furniture and related products mfg.	5,640	5,350	5.4	<b>Government</b>			
<b>Private service–providing</b>				Federal government	390	390	0.0
Professional and technical services	3,740	3,590	4.2	State government	—	3,660	—
Administrative and support services	8,120	8,010	1.4	Local government	10,400	10,500	−1.0
Educational services	2,200	2,140	2.8				

SOURCE: Michigan Department of Technology, Management and Budget, QCEW/ES-202 data.

— = data not available.

## Growth across All Service-Sector Industries

Employment in the Kalamazoo MSA increased by 1.0 percent, 1,450 jobs, in the fourth quarter. Gains were led by solid growth in the services sector. The unemployment rate fell to 4.0, from 4.2 percent in the third quarter. The economic indicators were mixed, suggesting a steady state for job growth in the next quarter.



The figure above shows that unemployment by place of residence increased, along with a 1.0 percent increase in employment by place of work. Correspondingly, the unemployment rate fell to 4.0 percent. The unemployment rate has been dropping steadily since 2013, but now that it is approaching 3.0 percent, it may not have much further to fall.

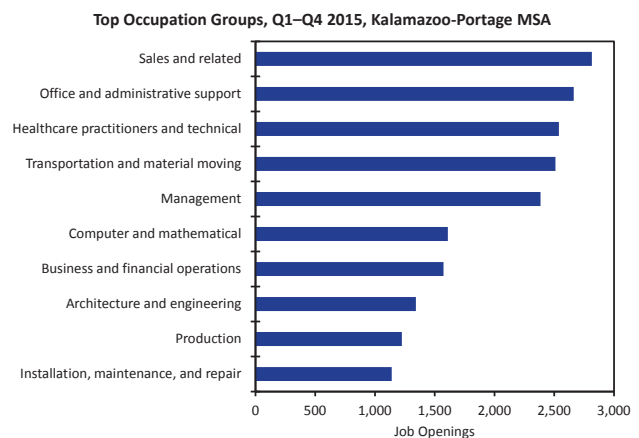
Private goods-producing employment grew by 0.5 percent, led by construction employment gains. Construction employment improved by 2.4 percent, or 130 jobs, over the quarter. Manufacturing employment was unchanged, owing to small, offsetting employment changes in durable and nondurable goods. Durable goods employment shed 40 jobs, while nondurable goods employment picked up 40 jobs—the exact opposite of the changes in the neighboring Battle Creek MSA, where durable goods gained 40 and nondurable goods lost 40. Durable goods employment in the MSA was unchanged from the fourth quarter of 2014, in contrast to statewide growth, which was 3.7 percent. The Kalamazoo-Portage MSA has a relatively lower concentration in auto-related manufacturing, which may be contributing to the slower growth.

Unlike the private-goods sector, which performed modestly, the private service-providing sector improved by 1.4 percent, as growth occurred in every industry during the fourth quarter. Rather than one particular industry leading growth, several industries improved by between 350 and 530 jobs over the fourth quarter. (Similarly to the Muskegon MSA, the Kalamazoo MSA had uniform growth in its services sector.) Growth from the fourth quarter of 2014 to the fourth quarter of 2015 was also robust. It was led by the leisure and hospitality industry, which posted a double-digit percentage growth

rate of 10.1, or 1,530 jobs. Education and health services improved by 2.3 percent over the year. The news in services is also positive. MPI Research, which does preclinical and early clinical contract research in health care, recently announced an expansion of 130 jobs, along with a \$5 million upgrade to its laboratory facilities. Life EMS Ambulance is adding four new EMT positions as the company expands its ambulance services in Kalamazoo County. Pro Services in Portage will create 175 jobs upon the completion of a new corporate headquarters and training facility for maintenance technicians.

Government employment increased by 0.2 percent in the public sector for the past quarter, and it also showed a 1.4 percent increase from the fourth quarter of 2014.

Labor/Insight, an interactive application from Burning Glass Technologies, generates reports on job-posting data. This quarter, the Burning Glass Labor/Insight data examine the top occupations for job postings in each metro area. The data are for job postings from the full year of 2015. Sales and related occupations formed the occupation group with the largest number of postings. In spite of a solid year for manufacturing, production occupations were near the bottom of the top ten occupations in terms of number of job postings. Production occupations are traditionally not well represented in the online job posting data, since many manufacturing organizations do not post positions online.



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were mixed, suggesting the employment situation will be little changed in the next quarter. Initial claims for unemployment insurance fell by 4.0 percent. However, the rate of new dwelling units fell by 9.1 percent. In spite of quarterly losses, the rate of new dwelling units improved by 23.3 percent from the previous year.

**Kalamazoo-Portage MSA**  
(seasonally adjusted)

Measure	2015 Q4	2015 Q3	% change, Q3 to Q4	2014 Q4	% change, Q4 to Q4
<b>Employment (by place of work)</b>					
Total nonfarm employment	144,130	142,680	1.0	140,130	2.9
Goods-producing	26,430	26,300	0.5	25,430	3.9
Construction and mining	5,530	5,400	2.4	4,970	11.3
Manufacturing	20,900	20,900	0.0	20,460	2.2
Durable goods	11,770	11,810	-0.3	11,770	0.0
Nondurable goods	9,130	9,090	0.4	8,690	5.1
Private service-providing	95,870	94,590	1.4	93,180	2.9
Trade, transportation, and utilities	24,960	24,430	2.2	24,570	1.6
Transportation and utilities	3,290	3,280	0.3	3,250	1.2
Wholesale trade	7,030	6,860	2.5	6,830	2.9
Retail trade	14,640	14,290	2.4	14,490	1.0
Information	900	890	1.1	900	0.0
Financial activities	8,130	8,080	0.6	7,920	2.7
Professional and business services	16,490	16,480	0.1	16,480	0.1
Educational and health services	23,060	22,910	0.7	22,540	2.3
Leisure and hospitality	16,620	16,120	3.1	15,090	10.1
Other services	5,710	5,680	0.5	5,680	0.5
Government	21,830	21,790	0.2	21,520	1.4
<b>Unemployment</b>					
Number unemployed	6,740	6,970	-3.3	8,420	-20.0
Unemployment rate (%)	4.0	4.2		5.2	
<b>Local indexes</b>					
UI initial claims	144	150	-4.0	157	-8.3
New dwelling units <sup>a</sup>	498	548	-9.1	404	23.3

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup>Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from Dodge Data and Analytics; and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

**Kalamazoo-Portage MSA**  
**Industry Employment Change by Place of Work, Second Quarter to Second Quarter**  
(not seasonally adjusted)

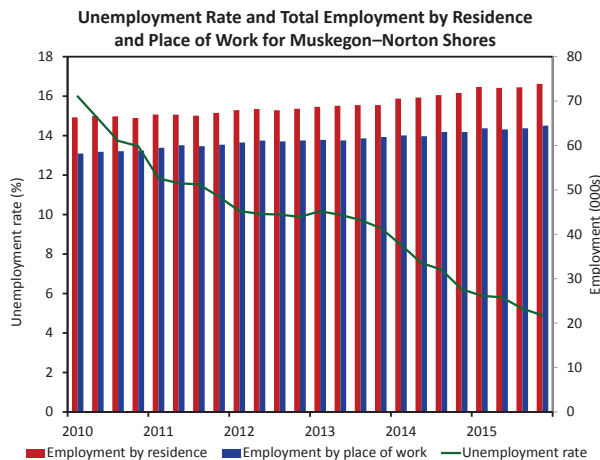
Industry	2015 Q2	2014 Q2	Percent change	Industry	2015 Q2	2014 Q2	Percent change
<b>Goods-producing</b>				Health care and social assistance	19,450	19,100	1.8
Food manufacturing	1,410	1,450	-2.8	Ambulatory health care services	6,350	6,170	2.9
Paper manufacturing	1,850	1,750	5.7	Hospitals	6,640	6,660	-0.3
Fabricated metal products mfg.	1,810	1,720	5.2	Arts, entertainment, and recreation	1,870	1,710	9.4
Machinery manufacturing	2,210	2,270	-2.6	Accommodation and food services	13,430	13,530	-0.7
Transportation equipment mfg.	2,130	1,960	8.7	Food services and drinking places	12,040	12,030	0.1
<b>Private service-providing</b>				<b>Government</b>			
Professional and technical services	5,250	5,260	-0.2	Federal government	820	850	-3.5
Administrative and support services	8,690	8,770	-0.9	State government	4,340	4,270	1.6
Educational services	2,235	2,300	-2.8	Local government	12,340	12,790	-3.5

SOURCE: Michigan Department of Technology, Management and Budget, QCEW/ES-202 data.

# MUSKEGON-NORTON SHORES MSA

## Private-Sector Gains Lead to Steady Job Growth for Muskegon

Total employment in Muskegon improved by 1.0 percent in the fourth quarter on private-sector gains. The unemployment rate fell to 4.9 percent from 5.2 percent in the previous quarter. The economic indicators were mixed, suggesting steady employment conditions heading into the next quarter.



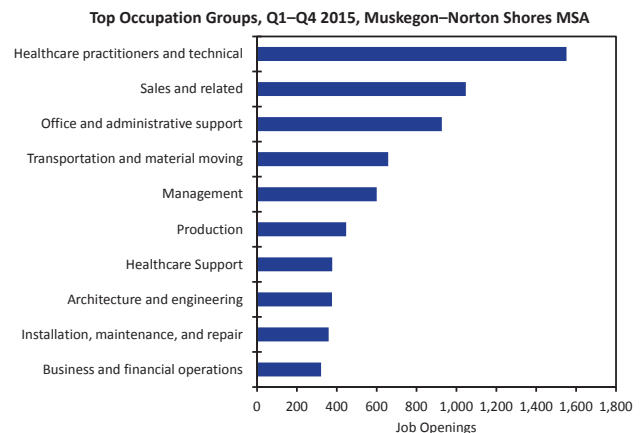
The figure above shows a bump in both employment by place of residence and employment by place of work after a relatively flat few quarters earlier in 2015.

Goods-producing employment grew by 1.4 percent, with gains primarily occurring in manufacturing. The construction sector improved slightly, growing by 30 jobs. Manufacturing grew by 1.4 percent in the fourth quarter, or 180 jobs. The manufacturing industry also improved by 1.8 percent over the year. Construction employment increased by 1.6 percent, or just 30 jobs, over the quarter. The construction industry is also up by the same amount from the fourth quarter of 2014, along with a solid increase in the construction of new dwelling units over the year, 21.1 percent.

As with Kalamazoo, all of the industries in the service-providing sector grew over the fourth quarter. Trade, transportation, and utilities improved by 2.1 percent, or 290 jobs. Also in the service sector, retail trade improved by 0.1 percent. The largest quarterly gains were in the leisure and hospitality industry, which posted a increase of 120 jobs. Professional and business services and educational and health services were right behind; those two sectors improved by 100 and 90 jobs, respectively. Over the entire year, growth was just as robust. Education and health services improved by 5.9 percent, leisure and hospitality employment improved by 4.7 percent, and professional and business services improved by 3.4 percent. Strangely, retail trade was down by 0.4 percent from the fourth quarter of 2014 to the fourth quarter of 2015. While the data are seasonally adjusted, a decline from the previous year suggests that the Christmas retail season was not as hale as expected.

Government employment fell by 200 jobs in the fourth quarter, a loss of 2.8 percent. From the end of the fourth quarter of 2014, government employment is down even further, by 5.4 percent. Muskegon Public Schools held a job fair in early February for various jobs, including substitute teaching and custodial positions. This is one sign that, following the public-sector job losses of the fourth quarter, the government sector may be turning around.

Labor/Insight is an interactive application from Burning Glass Technologies that generates reports on job-posting data. This quarter, the Burning Glass Labor/Insight data examine the top occupations for job postings in each metropolitan statistical area (MSA). The data are for job postings from the full year of 2015. For the Muskegon MSA, health-care occupations made up the largest group of posted jobs in 2015. Sales and related occupations came in second, with office and administrative support occupations just behind. More so than in other MSAs, the Muskegon job postings were skewed toward the top occupations. Production occupations landed in sixth place.



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were mixed, suggesting slower growth in the next quarter. Initial claims for unemployment insurance increased by 2.9 percent, although the increase amounted to just five claims. The rate of construction of new dwelling units picked up by 11.3 percent. Thus, the construction industry, which benefited from a 1.6 percent increase in construction employment, had a reasonably good fourth quarter.

**Muskegon–Norton Shores MSA**  
(seasonally adjusted)

Measure	2015 Q4	2015 Q3	% change, Q3 to Q4	2014 Q4	% change, Q4 to Q4
<b>Employment (by place of work)</b>					
Total nonfarm employment	64,480	63,810	1.0	63,060	2.3
Goods-producing	15,310	15,100	1.4	15,050	1.7
Construction and mining	1,940	1,910	1.6	1,910	1.6
Manufacturing	13,370	13,190	1.4	13,140	1.8
Private service-providing	42,300	41,640	1.6	40,750	3.8
Trade, transportation, and utilities	14,040	13,750	2.1	13,620	3.1
Retail trade	10,870	10,860	0.1	10,910	−0.4
Information	800	790	1.3	800	0.0
Financial activities	1,810	1,780	1.7	1,810	0.0
Professional and business services	3,660	3,560	2.8	3,540	3.4
Educational and health services	12,430	12,340	0.7	11,740	5.9
Leisure and hospitality	7,200	7,080	1.7	6,880	4.7
Other services	2,360	2,340	0.9	2,360	0.0
Government	6,870	7,070	−2.8	7,260	−5.4
<b>Unemployment</b>					
Number unemployed	3,840	4,010	−4.2	4,760	−19.3
Unemployment rate (%)	4.9	5.2		6.2	
<b>Local indexes</b>					
UI initial claims	175	170	2.9	191	−8.4
New dwelling units <sup>a</sup>	178	160	11.3	147	21.1

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from Dodge Data and Analytics; and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

**Muskegon–Norton Shores MSA**  
**Industry Employment Change by Place of Work, Second Quarter to Second Quarter**  
(not seasonally adjusted)

Industry	2015 Q2	2014 Q2	Percent change	Industry	2015 Q2	2014 Q2	Percent change
<b>Goods-producing</b>				Health care and social assistance	10,270	10,410	−1.3
Primary metal manufacturing	4,000	3,810	5.0	Ambulatory health care services	3,210	3,130	2.6
Fabricated metal products mfg.	2,430	2,820	−13.8	Arts, entertainment, and recreation	1,160	1,130	2.7
Machinery manufacturing	1,350	1,400	−3.6	Accommodation and food services	6,040	5,850	3.2
Transportation equipment mfg.	1,630	970	68.0	Food services and drinking places	5,630	5,520	2.0
<b>Private service-producing</b>				Government			
Professional and technical services	1,010	990	2.0	Federal government	330	330	0.0
Administrative and support services	2,810	2,590	8.5	State government	920	880	4.5
Educational services	760	770	−1.3	Local government	5,980	5,890	1.5

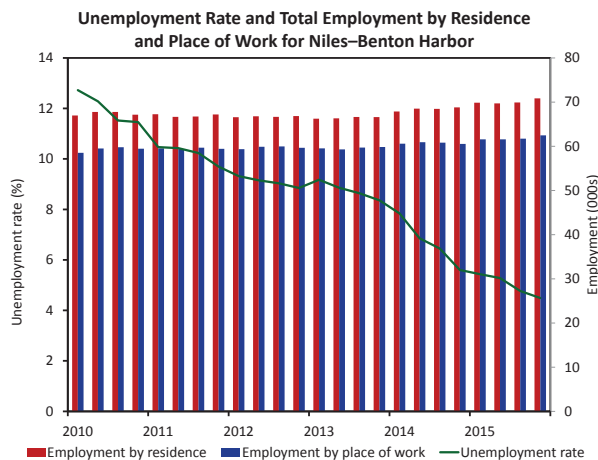
SOURCE: Michigan Department of Technology, Management and Budget, QCEW/ES-202 data.



# NILES-BENTON HARBOR MSA

## Employment Growth across All Sectors

*Employment in the Niles–Benton Harbor MSA improved by a very healthy 1.6 percent on the strength of employment growth in the private-services sector. The unemployment rate fell to 4.5 percent from 4.8 percent in the previous quarter. The area’s economic indicators were mixed, suggesting employment growth may slow going into the next quarter.*



The figure above shows that employment by place of work experienced a jump in the fourth quarter, following relatively modest growth in the previous quarters of 2015. Employment growth in the Niles–Benton Harbor MSA has been uneven since the end of the Great Recession. In 2014, employment fell in the second half of the year, while in 2015 growth was more robust in the year’s second half.

Goods-producing employment grew on the strength of gains in construction employment. Construction picked up 100 jobs, increasing by 5.7 percent. In spite of this growth, the rate of new-dwelling-unit construction slowed by 20.1 percent. Manufacturing employment was essentially unchanged, dropping by 0.1 percent, or 20 jobs. In spite of the losses, manufacturing employment is up by 3.4 percent from the fourth quarter of 2014.

Manufacturing news is more positive than the jobs report would indicate. Eagle Technologies in Bridgman is expanding its automation systems production and intends to create 100 jobs. Oronoko Iron Works in Baroda has announced plans to double the size of its production facility, pending infrastructure improvements at the business park.

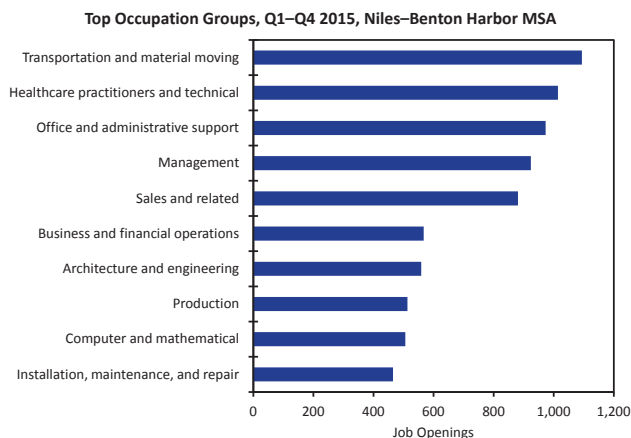
Private services employment growth drove the economy in the fourth quarter. Similar to other areas of west Michigan, services employment growth occurred in nearly all sectors of the area. Only financial services contracted, shedding 2.2 percent of jobs, or 50 positions. Also as in other metro areas, job growth in the services sector was not led by one specific industry. Trade, transportation, and utilities grew by 310 jobs, but that is less than half of the net job growth of the sector.

The leisure and hospitality sector grew by 180 jobs, while professional and business services improved by 160 jobs.

In spite of the solid fourth quarter, gains were not enough to erase service employment losses over the year. The trade, transportation, and utilities sector remains 1.9 percent below the same quarter of 2014. However, the latest news in services is positive: Great Lakes Eye Care is building a new surgery center in St. Joseph. Construction is expected to be completed in the summer of 2016, and the new facility will employ between 10 and 15 workers. Keeler Township is trying not to miss out on the brewpub boom, as Sister Lakes Brewing Company in the town of Sister Lakes has submitted a request for a microbrewery license (now pending before the Michigan Liquor Control Commission). If the license is approved, the Sister Lakes Brewing Company intends to open in May of 2016, and a microbrewery called the Strand, featuring outdoor dining and a view of Round Lake, could open by July 4.

Government employment was up 2.5 percent during the fourth quarter and is 3.8 percent above the same quarter of 2014.

Labor/Insight, an interactive application from Burning Glass Technologies, generates reports on job-posting data. This quarter, the Burning Glass Labor/Insight data examine the top occupations for online job postings in each metro area. The data are for job postings from the full year of 2015. Transportation and material moving were the occupations with the largest number of positions posted online in the area in 2015. The remainder of the top five occupation groups were close: each had between 900 and 1,000 jobs posted online. However, there was a drop-off to the next five occupations, all of which posted fewer than 600 jobs online. Production occupations finished in eighth place.



SOURCE: Burning Glass International Inc. (2016).

The area’s economic indicators were mixed in the fourth quarter: unemployment claims fell by 4.5 percent and continue to be at historic lows. However, the rate of new-dwelling-unit construction fell by 20.1 percent.

**Niles–Benton Harbor MSA**  
(seasonally adjusted)

Measure	2015 Q4	2015 Q3	% change, Q3 to Q4	2014 Q4	% change, Q4 to Q4
<b>Employment (by place of work)</b>					
Total nonfarm employment	62,570	61,580	1.6	60,590	3.3
Goods-producing	15,330	15,250	0.5	14,860	3.2
Construction and mining	1,860	1,760	5.7	1,830	1.6
Manufacturing	13,470	13,490	–0.1	13,030	3.4
Private service–providing	38,210	37,520	1.8	37,030	3.2
Trade, transportation, and utilities	10,360	10,050	3.1	10,560	–1.9
Retail trade	6,580	6,540	0.6	6,680	–1.5
Information	500	500	0.0	500	0.0
Financial activities	2,210	2,260	–2.2	2,210	0.0
Professional and business services	5,840	5,680	2.8	5,610	4.1
Educational and health services	8,990	8,920	0.8	8,830	1.8
Leisure and hospitality	7,950	7,770	2.3	6,930	14.7
Other services	2,360	2,340	0.9	2,390	–1.3
Government	9,030	8,810	2.5	8,700	3.8
<b>Unemployment</b>					
Number unemployed	3,330	3,500	–4.9	4,090	–18.6
Unemployment rate (%)	4.5	4.8		5.6	
<b>Local indexes</b>					
UI initial claims	105	110	–4.5	129	–18.6
New dwelling units <sup>a</sup>	159	199	–20.1	832	–80.9

NOTE: Categories may not sum to total because of rounding.

<sup>a</sup> Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from Dodge Data and Analytics; and on employment data from the Michigan Department of Technology, Management and Budget; Bureau of Labor Market Information and Strategic Initiatives.

**Niles–Benton Harbor MSA**  
**Industry Employment Change by Place of Work, Second Quarter to Second Quarter**  
(not seasonally adjusted)

Industry	2015 Q2	2014 Q2	Percent change	Industry	2015 Q2	2014 Q2	Percent change
<b>Goods-producing</b>				Health care and social assistance	7,450	7,280	2.3
Primary metal manufacturing	1,310	1,210	8.3	Ambulatory health care services	2,450	2,310	6.1
Fabricated metal products mfg.	1,890	1,800	5.0	Arts, entertainment, and recreation	880	840	4.8
Machinery manufacturing	1,550	1,550	0.0	Accommodation and food services	6,530	6,420	1.7
Transportation equipment mfg.	1,210	1,270	–4.7	Food services and drinking places	5,720	5,650	1.2
<b>Private service–providing</b>				<b>Government</b>			
Professional and technical services	1,410	1,360	3.7	Federal government	310	300	3.3
Administrative and support services	4,370	4,350	0.5	State government	370	340	8.8
Educational services	1,310	1,290	1.6	Local government	7,950	8,100	–1.9

SOURCE: Michigan Department of Technology, Management and Budget, QCEW/ES-202 data.

## PURCHASING MANAGERS INDEX

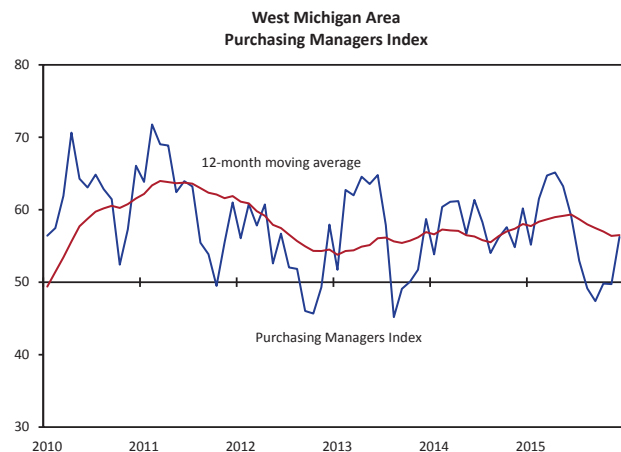
In the monthly reports from the last quarter, the trends in the manufacturing sector have variously been characterized as “flat, but meekly positive” and “flat or slightly negative” by Brian Long, director of supply chain management research at Grand Valley State University. But whether slightly above or below “flat,” the responses from the purchasing managers who were surveyed point to a sluggish fourth quarter.

In the data collected in December, the categories for new orders, purchases, and production were all down slightly. On the positive side, employment grew, helping push the index upward.

The index fell below 50 for a few months toward the end of 2015, indicating industry contraction. However, the index bounced back at the end of the year. The jump could be an anomaly, but, according to Dr. Long, many firms are optimistic about 2016.

In industry news, autos, furniture, and aerospace were all stable. However, their performance was uneven, and some firms experienced disappointing fourth quarters. Also, Dr. Long suggests that auto sales are being supported by two factors—1) relaxed credit requirements that make it easier to

get a car loan even if an individual has poor credit and 2) low-interest incentives—that “cannot go on indefinitely.”



## MAJOR ECONOMIC DEVELOPMENTS

### Battle Creek MSA

The National Guard is bringing 70 new jobs to Battle Creek, as the Battle Creek Air National Guard base has been chosen as one of four bases to house a Cyber Operations Squadron. The squadron will be assigned to the 110th Attack Wing in Battle Creek.

Summit Pointe, a mental health provider in the area, added 16 more workers over the course of the year.

### Grand Rapids–Wyoming MSA

Dematic is closing its manufacturing plant in Grand Rapids and moving production to Mexico, meaning 300 workers will lose their jobs. General Motors announced plans to expand its production of power-train components, which will create 55 new jobs.

Total Quality Logistics is expanding its operation in Cascade Township, adding 75 jobs.

The former headquarters of Steelcase has been acquired by Switch, a data storage firm, as a new data center. The facility will employ 1,000 workers.

### Holland–Ottawa County

Evoqua Water Technologies in Holland Township has announced plans to expand its 190-person workforce over the next two to three years. The size of the expansion is currently unknown.

### Kalamazoo–Portage MSA

MPI Research in Mattawan is adding 130 jobs through the end of 2016. Pfizer is adding 78 new jobs.

Pro Services is adding 175 jobs to help staff a new corporate headquarters and training center.

### Muskegon–Norton Shores MSA

Muskegon Public Schools are hiring an undetermined number of new staff. Those hired will fill a varied group of positions, including substitute teachers, teacher’s aides, custodians, and others.

### Niles–Benton Harbor MSA

Eagle Technologies, an automation systems producer in Bridgman, announced an expansion of 100 jobs.







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