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BUSINESS OUTLOOK

for West Michigan



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BUSINESS OUTLOOK

for West Michigan

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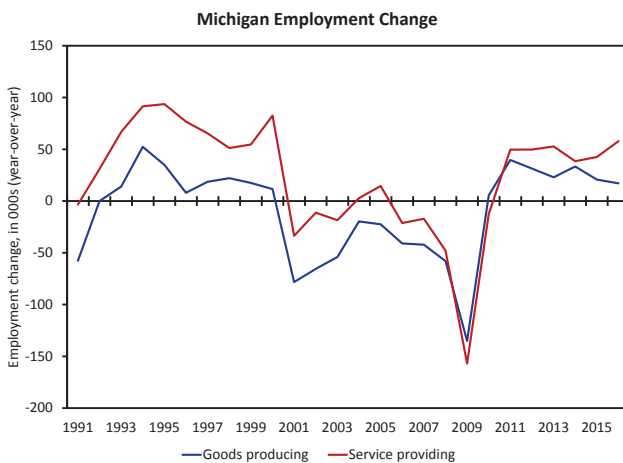
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Can Michigan's Economy Continue to Grow?

Michigan's economy, as measured by employment growth, has been chugging along at a pretty good clip for most of the expansion. Since the beginning of the expansion, Michigan's total nonfarm employment has grown at a year-over-year rate of 1.8 percent. While not quite reaching the growth rates during the heyday of the 1990s, in which employment growth averaged 2.1 percent, it is a far cry from the lost years between 2001 and 2007, in which Michigan lost jobs at an annual clip of 1.3 percent. But can it continue to grow, or are there impediments in the way?

What has fueled growth during the expansion?

As in most states, Michigan's service-providing sectors employ many more workers than the goods-producing sectors. Currently, there are four-and-a-half workers in the service-providing sectors for every one worker in the goods-producing sectors. From the time the employment expansion began in Michigan in June 2010, the goods-producing sectors have added 172,000 jobs to Michigan's payrolls and the service-providing sectors have contributed another 296,000 jobs. Even though their total contribution to employment growth is smaller, the goods-producing sectors have pulled more of their weight during this expansion than the service-providing sectors. They have added 3 jobs for every 10 goods-producing jobs in 2010, whereas the service-providing sectors have added only 1 job for every 10 service-providing jobs.



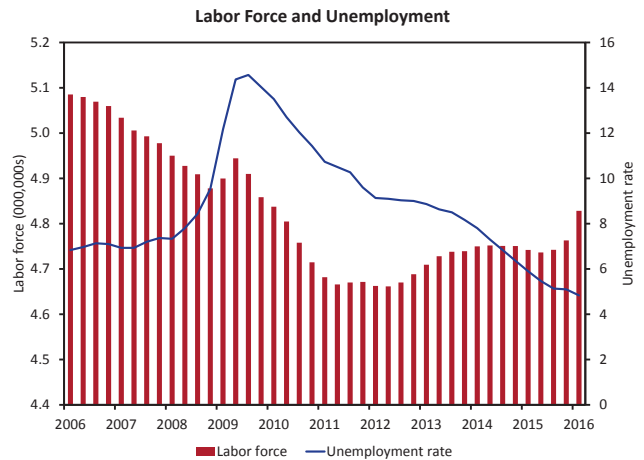
The increase in goods-producing jobs has been split between rebuilding Michigan's industries that experienced significant downsizing and restructuring before and during the recession and continuing to expand industries whose share of overall employment grew before the recession. For example, motor vehicle parts manufacturing (NAICS 3363) experienced the largest decline in employment share of Michigan's industries from 2001 to 2010, falling from 4.6 percent of total employment in 2001 to 2.3 percent in 2010. But from 2010 through 2014, it gained the largest share of employment of any Michigan industry. In fact, of the top 10 industries that

experienced the greatest loss of employment share from 2001 to 2010, four of those industries were in the top 10 in gaining share from 2010 through 2014, and these were in some of Michigan's traditional manufacturing sectors. The other six industries in the top 10 continued to gain employment share, adding to the gains that they had made before the recession. Included in this group are employment services, nursing care facilities, and computer system design and engineering services.

What could impede future growth?

One factor that may limit growth could be the smaller impact of the auto industry on the Michigan economy. As pointed out in the September 2013 issue of *Business Outlook*, the state-wide multiplier for the auto industry has fallen from 4.2 in 2007 to 2.8 in 2013. That means that even if the auto industry could grow at the pace it did in the 1990s, it would have a third less impact on the rest of Michigan's economy. Furthermore, auto production could be leveling off after a strong run during the past few years. Forecasts call for a slightly slower pace of auto production in 2016 than in 2015, but there is also the news that Ford will be moving some production from Michigan to Mexico.

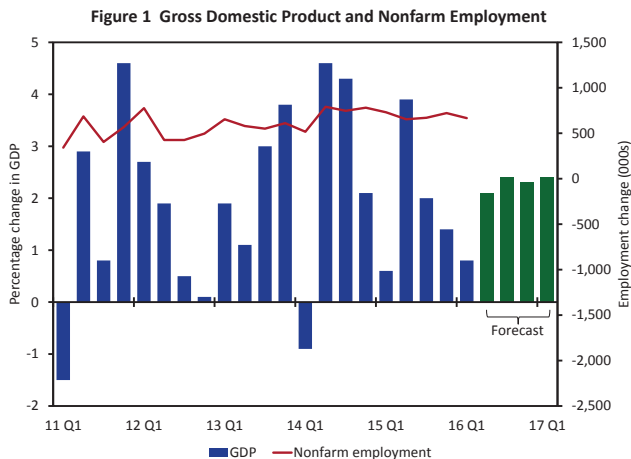
Another factor that could impede growth is a shortage of talented workers. Michigan's unemployment rate is at 5 percent, which many consider to be full employment. Indeed, employers complain about the difficulty of finding qualified workers. As manufacturing jobs approach prerecession levels in some sectors, demand is increasing for workers with requisite skills. Furthermore, the last time Michigan saw unemployment rates this low was in 2001, when 300,000 more people were in the labor force. Making up for the exodus of qualified workers, even since 2006, requires training and experience that many employers are not finding in the current workforce.



Therefore, while most signs point to continued employment growth in Michigan, there are a few headwinds that could limit future growth until these capacity constraints are eased.

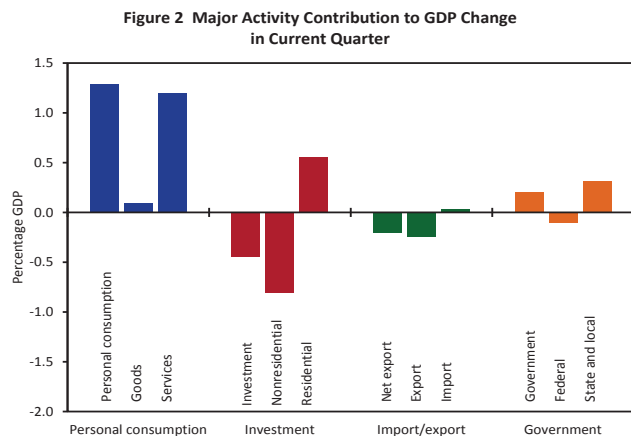
GDP Growth Tails Off in Past Three Quarters

For the third time in four years, GDP growth tailed off in the first quarter, after posting growth spurts greater than 4.0 percent in at least one of the quarters the previous year (Fig. 1).



Each time this has happened, the question is whether the economy will rebound the following quarter, as it has done in the past few years. The obvious response then is to look for signs that would indicate either a temporary pause in continued growth or a persistent weakness. Forecasters surveyed by the Federal Reserve Bank of Philadelphia concede that the economy looks slightly weaker now than it did last quarter. They still see growth of 2.1 percent for the second quarter but have revised their earlier forecast down from 2.5 percent. Still, they predict the economy will pick up in the third quarter and 2016 will end with a 1.7 percent annual growth rate.

However, their forecasts came out before the May employment numbers were released. They were expecting 190,000 additional jobs per month in the second quarter, but with May registering only 38,000 they may be disappointed. It would take a rebound of 409,000 jobs in June to reach their expected monthly average. Even so, employment growth is not correlated with GDP growth. Even if employment rebounded in June, it doesn't appear to have much bearing on GDP growth.

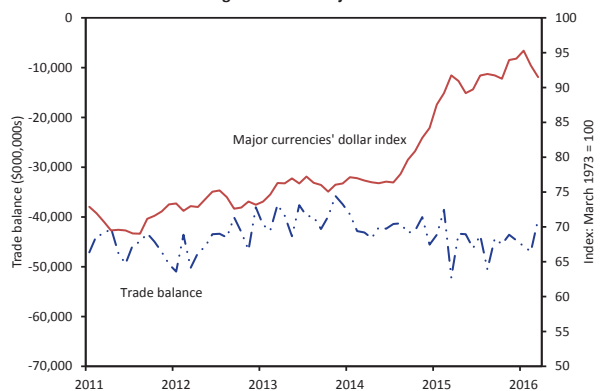


The GDP accounts themselves offer a little more insight into the annual fluctuations in GDP growth rates over the past several years.

Breaking out the four major components of GDP, we find that GDP growth is highly correlated with personal consumption expenditures (PCE), which is not surprising since it accounts for nearly 70 percent of GDP (Fig. 2). What is a little more interesting is that export growth is also highly correlated with GDP growth, to about the same extent as PCE.

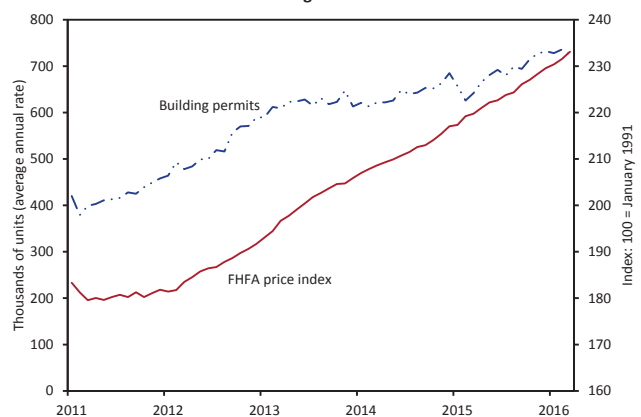
The continued decline in exports and the increase in the trade deficit has weighed on GDP growth. Aircraft sales abroad appear to be one of the brighter spots, with a 5.0 percent annual increase in 2015. Yet that's the smallest percent increase for that industry in five years, perhaps because of the meteoric rise in the exchange value of the dollar during 2015 (Fig. 3). Other major export sectors have slowed or even declined.

Figure 3 U.S. Trade Balance and Nominal Index of the Value of the Dollar against Seven Major Currencies



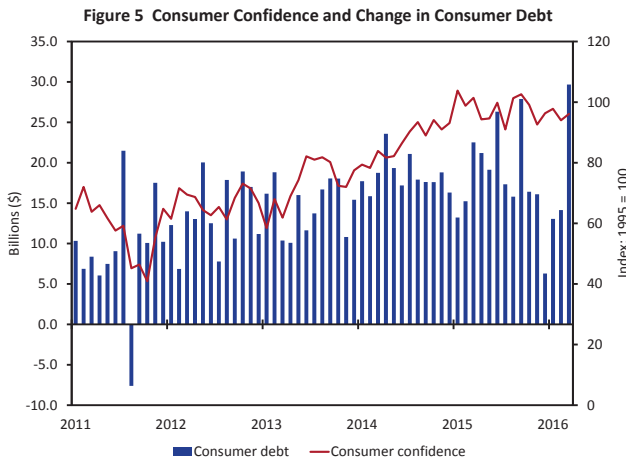
Car and truck exports declined by 10 percent in 2015, the first year of decline since 2010. Auto and truck exports have picked up somewhat in the first four months of 2016, perhaps as a result of a slight weakening of the dollar since late January. Yet sales of autos leveled off in 2015 and have trended downward in recent months. Light trucks, on the other hand, continue to trend higher, having experienced a nice little bump in sales in April.

Figure 4 Single-Family Building Permits and Index of Existing Home Prices



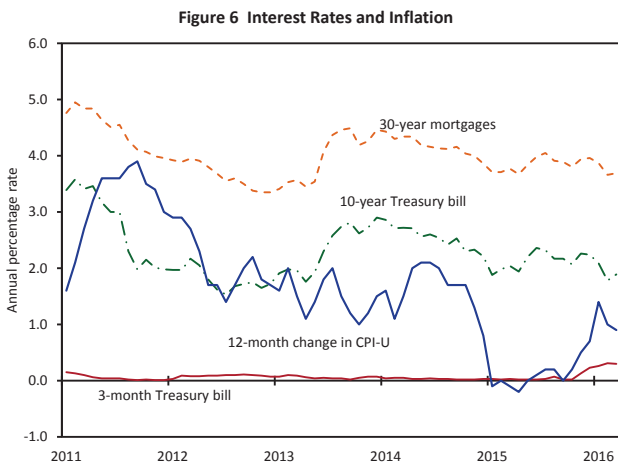
The largest percentage decline during the first quarter of 2016 of the major components of GDP was in private domestic investment, most notably a 9.0 percent decline in nonresidential

structures and equipment. Construction trade associations are raising the alarm that this poor performance in fixed investment may lead eventually to a downturn in the economy. They point to what they believe to be the desire of CEOs to



purchase competitors rather than invest in capital and equipment. Yet the industrial utilization rate appears to be holding steady at about 75.3, even as the inventory-to-sales ratio continues to climb. The manufacturing index has blipped upward in recent months, but higher inventories may convince manufacturers to pull back a little on production, which could lead them to join the slowdown that is currently taking place in nonmanufacturing activities.

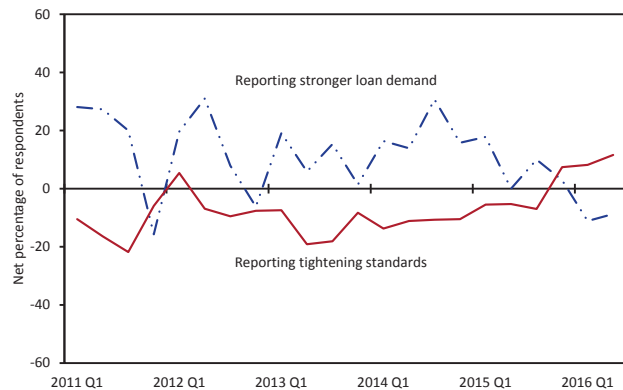
Residential construction shot up 17 percent in the first quarter of 2016. Private single-family housing starts and permits increased throughout most of 2015 and into 2016 (Fig. 4). After falling in March, they have ticked up slightly in April. However, despite the fairly steady increase in starts since 2011, they are still well below the average for the 1990–1999 period. The number of existing home sales, on the other hand, has far exceeded the 1990–1999 average, helping to push up prices by 5.4 percent year-over-year. Private multifamily housing starts also surpassed the 1990–1999 average a few years ago, but throughout 2015 and into 2016 they appear to be losing steam. This is despite continued low interest rates, high consumer confidence, and a softening of the pace at which consumers are taking on debt (Figs. 5, 6).



The Federal Reserve continues to send mixed signals on its intentions about raising interest rates. While the Fed increased the fed funds rate by 0.25 percent at the end of 2015, it has yet to raise rates this year. And with inflation in check at less than the Fed’s target of 2.0 percent and the poor job numbers in May, it seems unlikely that the Fed will raise rates at its next Federal Open Market Committee (FOMC) meeting in June. The April FOMC minutes noted that despite a weak start to 2016, the Fed expected moderate growth in the medium term and strengthening labor market conditions. Neither seems to have happened yet.

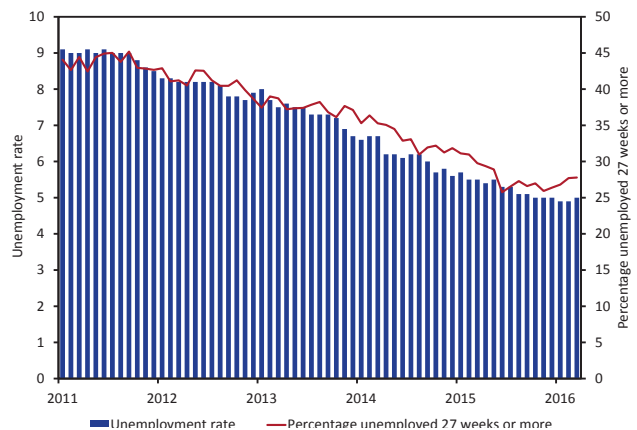
So what could get in the way of another boost in economic growth next quarter, as we’ve seen in previous quarters? One concern has been that an increase in the fed funds rate could begin to dampen growth, but that doesn’t seem to be in the works, at least not in June. Yet even without rate increases, tougher lending standards may limit borrowing, and recent reports show a slowing in demand for loans in the medium-to-large commercial and industrial sector (Fig. 7).

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



Another concern is the strong dollar, but that appears to be abating some. Even so, falling commodity prices, including low oil prices, have put a damper on production in these sectors. A third concern is capacity constraint in industrial production. Here signals could be mixed. The capacity utilization rate has been holding steady, but the unemployment rate is around the level that is considered full employment (Fig. 8).

Figure 8 U.S. Unemployment Rate and Long-Term Unemployment



GREAT LAKES INDUSTRY OUTLOOK

Michigan Leads the Great Lakes Pack in Most Employment Categories

Michigan again led the group in total (nonfarm) employment with a year-over-year increase of 2.1 percent, and Illinois again finished last, with 1.2 percent growth across all sectors. Both Ohio and Wisconsin grew at 1.6 percent, followed by Indiana at 1.5 percent. When only private-sector employment is considered, Michigan led the way yet again with 2.4 percent growth, followed by Ohio at 1.8, Wisconsin and Indiana at 1.6 percent, and Illinois, last again, at 1.3 percent.

Michigan led the way in the creation of manufacturing jobs among the Great Lakes states from the second quarter of 2015 to the first quarter of 2016. Besides Michigan, the region includes Ohio, Indiana, Illinois, and Wisconsin. Michigan experienced an increase of 3.0 percent in manufacturing jobs. Among the other states, Wisconsin gained 1.2 percent, Ohio picked up 0.7 percent, Indiana was relatively flat at -0.1 percent, and Illinois lost 1.1 percent over the past four quarters.

In terms of wage growth in private-sector industries, Michigan was in the middle of the pack, at 1.6 percent. Ohio led at 2.2 percent, closely followed by Illinois at 2.1 percent. Just under Michigan were Indiana and Wisconsin.

However, when it came to percentage increase in hourly earnings in manufacturing, the positions of Michigan and Illinois were reversed—Illinois led the group with a 2.6 percent increase in hourly earnings in the manufacturing sector, and Michigan finished dead last, as manufacturing workers' earnings fell by 1.9 percent on a year-over-year basis. Ohio and

Indiana reported wage growth of 1.6 and 1.4 percent, respectively, while Wisconsin's earnings were flat.

In the March edition of the Federal Reserve's *Beige Book*, survey respondents expressed "greater uncertainty and more pessimism about the pace of growth over the next 6 to 12 months." This was primarily due to the conditions of financial markets in the first quarter of 2016.

The *Beige Book* also noted the following developments:

- Consumer spending again grew at a modest pace. While auto sales have slowed somewhat, they still surpassed the expectations of dealers.
- Business spending also increased at a modest pace. Planned capital expenditures were put on hold, as businesses fretted about uncertainties, both in the financial markets and in geopolitics. More respondents said they planned to increase workforces in the next 6 to 12 months. But staffing agencies continued to report that they were having a hard time supplying temporary workers to firms at the wages employers were offering.
- Construction saw some increase in activity, but it was primarily in the residential sector, while nonresidential construction was relatively flat. "Home sales, home prices, and residential rents inched up over the reporting period," the *Beige Book* said.
- Manufacturing had moderate employment gains.
- The banking and finance industry tightened credit conditions.
- Even though their input costs were lower this year, another year of low incomes prompted farmers to plant less.

OFFICE FURNITURE INDUSTRY UPDATE

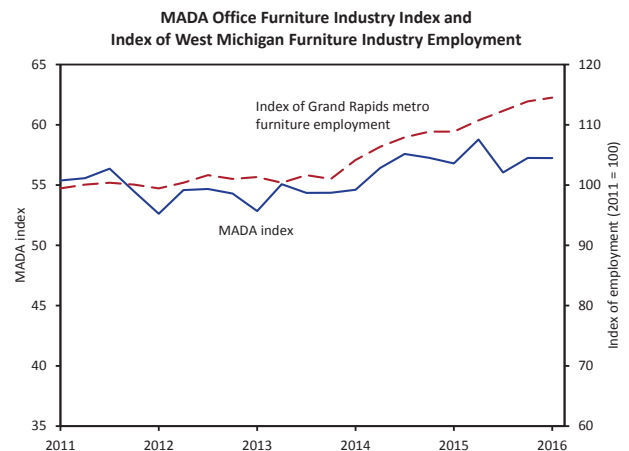
"2016 Will Be Even Better," Industry Watcher Says

The April office furniture industry index, prepared by Michael A. Dunlap and Associates (MADA), was virtually unchanged from where it was in the previous quarter. But though the survey composite held constant, the components of the survey went in different directions. Gross shipments fell from an all-time high of 64.33 in the last quarter of 2015 to 57.35 in the first quarter of 2016. Employment slipped as well.

The other elements of the index rose, but in a more incremental way: capital expenditures, new product development, raw materials, employee cost, and personal outlook all increased during the quarter. In spite of the static first quarter, the overall outlook remains good. According to Michael A. Dunlap, "2015 was the best year we have seen in well over a decade, and we remain confident that 2016 will be even better." The personal outlook index in the survey reached 61.82 in April, up from 61.03 in January.

The employment index, shown in red in the figure, continued to rise though the first quarter, even as the MADA index, in blue, hit a plateau. Employment has been rising in the Grand Rapids MSA since the end of 2013.

In February, IHS Global Insight revised its forecast for U.S. furniture production in 2016 down slightly, from \$10.6 billion to \$10.3 billion. The \$10.3 billion growth projection represents an increase of 1.0 percent from 2015. IHS Global Insight's forecast for 2017 is more robust—it predicts U.S. production will rise \$10.8 billion, an increase of 4.8 percent from 2015.



AUTO INDUSTRY UPDATE

Car and Light Truck Sales Could Approach 18 Million

The forecast for autos has dipped slightly in the past couple of months, but forecasters are still predicting that sales will continue to gain ground in 2016, as auto sales have done in recent years. In 2014 there were 16.4 million units sold, and in 2015 there were 17.3 million units sold. The latest forecast for 2016, which came out in May from the Research Seminar in Quantitative Economics (RSQE) at the University of Michigan, is for 17.6 million units sold, and for 2017 the RSQE now predicts 17.8 million cars and light trucks will be sold.

This is approaching a ceiling of sorts: The monthly pre-recession peaks from 2000 to 2007 stood at around 18.6 million light vehicles on an annualized basis, aside from a couple of anomalies (October 2001 at 21.7 million units annualized and August 2007 at 20.6 million units). Sales have been increasing ever since the end of the last recession, when sales dipped under 10 million annualized units in 2009.

Early 2016 Sales Holding Steady

The end of 2015 showed signs of meeting this forecast: the third and early fourth quarter were on target to hit 18.1 million annualized units, before end-of-year sales pulled back to about 17.4 million units. Early 2016 sales have been near that final 2015 pace, with annualized figures of 17.4 million units in January, 16.5 million units in February, and 17.3 million units in March.

After cresting the 1.3 million mark in 2015, their highest levels in years, inventories dropped below 1.2 million in the first quarter of 2016.

Before the recession, from 2000 to 2007, annualized light vehicles averaged about 16.8 million units. And while there was some movement above and below that average, it was a fairly consistent mark. Outside of the two months mentioned above, in which the annualized rate soared to over 20 million units, the peaks were around 18 million units. On the other end of the range, there were a few months in which sales dipped under 16 million units.

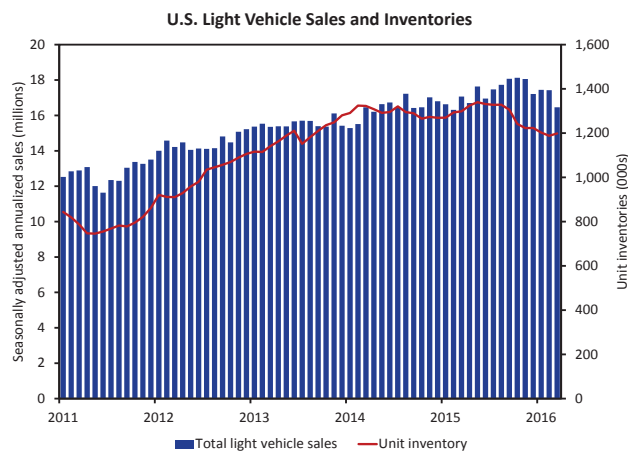
Given these longer-run trends, there appears to be a natural peak in auto sales of about 18 million units. If this is the case, it will limit growth in the sector, and that will in turn affect growth in the larger economy. With a soft ceiling having been reached on light vehicle sales, new investment will come not in the form of new capacity but rather updates to existing plants and equipment.

During the first quarter, it was rumored that Ford would invest \$1.6 billion in a new small-car assembly plant in Mexico. The rumor was confirmed in the April 5 edition

of *Automotive News*. The *Automotive News* article said this would double output for Ford in Mexico. Earlier in the spring, the magazine had reported that Toyota is looking at producing Corollas in Mexico beginning in 2019. Part of the argument for the move to Mexico is based on the product lines to be produced there, which are primarily smaller cars that offer less of a profit margin—hence the desirability of a cheaper workforce. *Automotive News* reports that the shift will allow production in the United States to switch to larger vehicles with higher profit margins, such as pickup trucks and SUVs.

Move to Concentrate U.S. Production on Pickups and SUVs Carries Risks

Two major concerns about this development have surfaced. The first is that American consumers are buying both pickups and SUVs in great numbers since gasoline has become cheaper, but, should oil prices rise to the previous record levels, their interest in these vehicles would decline, affecting the manufacturers and their supply chains. The other concern is that their suppliers may follow the original equipment manufacturers (OEMs) to Mexico, costing the state jobs in the supply chain industries.

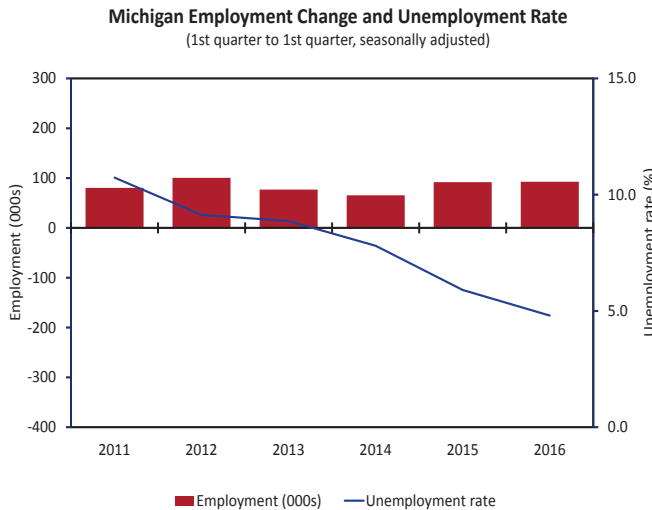


Finally, as reported in *Automotive News*, light vehicle sales grew slightly in the first four months of 2016. For the same period in 2015, sales from all makes and models were just under 5.9 million units, whereas for 2016, sales were just under 6.0 million units—a year-over-year increase of 1.5 percent. Although auto sales dropped for the period from about 2.4 million to about 2.3 million units, or 3.2 percent, trucks made up that difference, increasing from 3.48 million units in 2015 to 3.65 million units in the first four months of this year, a 4.8 percent increase.

STATE OF MICHIGAN ECONOMY

Unemployment Continues to Decline, Dips below 5 Percent

Michigan continues to add jobs. On a year-over-year basis, between the first quarter of 2015 and the first quarter of 2016, the state gained almost 89,000 jobs. This level of job creation is consistent with the rate of growth over the prior year. Unemployment has continued to decline, and by the first quarter of this year it had trended below 5.0 percent.



What sectors and industries have been the drivers for Michigan job growth? On a sectoral basis, the private services-producing sector—a group of industries including financial services, wholesale and retail trade, education, professional and business services, and hospitality—added almost 63,000 jobs. Goods-producing services, which include construction and manufacturing, added almost 20,500 jobs. Even government grew; it added nearly 5,500 jobs.

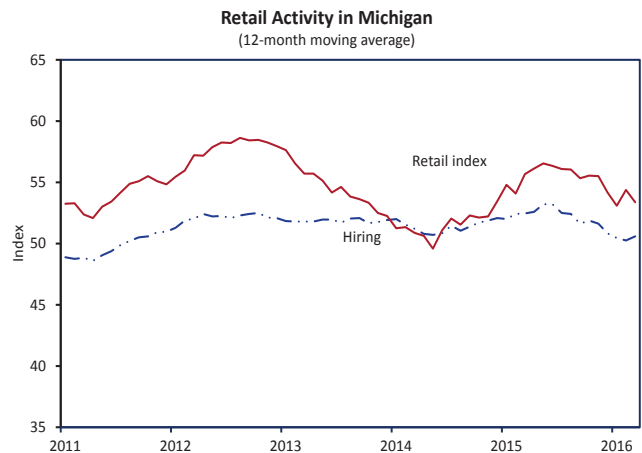
Within the goods-producing sector, the durable goods industry added more than 8,900 jobs across the state. Michigan compares quite favorably to other states in this industry, as it grew at about 2.0 percent while employment in durable goods for the United States as a whole fell by 0.6 percent for the same period. The next largest job generator in durable goods was construction, which added more than 6,800 jobs to the state’s payroll. Again, the pace of growth in this industry for Michigan, 4.6 percent, exceeded that of the United States as a whole, 4.3 percent. Finally, nondurable manufacturing, which produces goods that don’t last long, such as paper, chemicals, and printing, added 5,700 jobs. Michigan’s nondurable sector grew at 4.0 percent; whereas the nation’s grew at 1.0 percent.

The largest job creator in the service-providing sector was the category of professional and business services, which includes among its industries legal, accounting, architecture, and scientific-related services. It added more than 17,000 jobs. Many of these jobs are those deemed to be within the “creative class” and are important to growing and retaining talent in the state. But while professional and business services was a large job creator in terms of sheer numbers, the

state’s employment growth rate of 2.7 percent in this sector actually lagged behind the nation’s rate of growth, which was 3.1 percent.

The leisure and hospitality sector added nearly as many jobs as professional and business services; it boosted employment by 16,340 jobs on a year-over-year basis. Once again, the state’s rate of growth in this industry, at 4.0 percent, exceeded the national rate of growth, 3.0 percent. Conversely, while education and health services was a top job creator, bringing in just under 12,000 new jobs, the state’s performance lagged behind the nation’s in terms of percentage. Growth in this industry for the nation was at 3.2 percent, compared to just 1.8 percent for the state. Financial activities added 8,370 jobs and grew at a rate of 4.1 percent, compared to 1.8 percent for the nation.

While there is some concern for where retail trade is heading, it did add jobs in Michigan, although at a slower rate than the nation. While the United States expanded retail jobs at a rate of 2.2 percent, the state increased jobs in that industry at only 0.6 percent, which nonetheless yielded 2,730 jobs. The opposite was true for the wholesale trade industry: while the nation grew at about 1.0 percent, the state added wholesale positions at a rate of 2.6 percent, or almost 4,500 jobs. Finally, Michigan employment in the government sector outpaced that of the nation: the state’s 5,440 new jobs represented a rate of 0.9 percent, versus a rate of 0.5 percent nationally.



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

As mentioned above, the retail industry has not been a top performer in job creation. As seen in the figure above, hiring in the sector has been a little weak when compared with prior periods. As such, the hiring index has returned to levels comparable to mid-2014 and to early 2012. There is considerable churn within the industry as firms rationalize (that is, apply modern, efficient methods to) space utilization and employment. Much of this churn is based in trying to find a model

Michigan Statistics (seasonally adjusted)

Measure	2016 Q1	2015 Q4	% change, Q4 to Q1	2015 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	4,310,720	4,276,790	0.8	4,221,910	2.1
Goods-producing	758,500	749,230	1.2	738,010	2.8
Natural resources and mining	7,070	7,400	-4.5	8,070	-12.4
Construction	154,430	149,700	3.2	147,570	4.6
Manufacturing	597,000	592,130	0.8	582,370	2.5
Durable goods	449,530	446,900	0.6	440,600	2.0
Nondurable goods	147,470	145,230	1.5	141,770	4.0
Private service-providing	2,952,850	2,929,830	0.8	2,889,970	2.2
Trade, transportation, and utilities	777,440	772,030	0.7	768,370	1.2
Transportation and utilities	135,070	134,670	0.3	133,200	1.4
Wholesale trade	173,270	172,030	0.7	168,800	2.6
Retail trade	469,100	465,330	0.8	466,370	0.6
Information	56,770	56,870	-0.2	56,800	-0.1
Financial activities	213,000	210,030	1.4	204,630	4.1
Professional and business services	651,170	645,100	0.9	633,970	2.7
Educational and health services	659,330	656,830	0.4	647,400	1.8
Leisure and hospitality	427,970	419,170	2.1	411,630	4.0
Other services	167,170	169,800	-1.5	167,170	0.0
Government	599,370	597,730	0.3	593,930	0.9
Unemployment					
Number unemployed	234,140	242,460	-3.4	279,390	-16.2
Unemployment rate (%)	4.8	5.1		5.9	
State indexes (1996 = 100)					
Local components					
UI initial claims	9,395	8,853	6.1	9,937	-5.5
New dwelling units ^a	20,672	12,741	62.2	10,837	90.8

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.

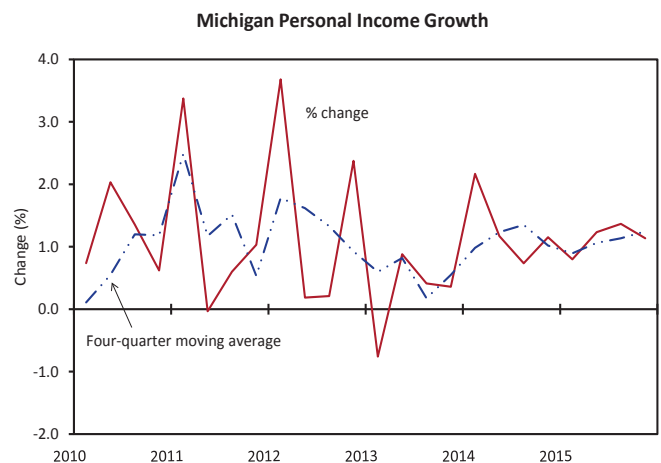
^a Seasonally adjusted annual rates.

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.

that can compete with online retailers that have different delivery models.

The state's retail index over the past five years peaked in mid-2012 and then bottomed out in 2014. While the index recovered in mid-2015, it then started a downward trend that, save for a brief and minor recovery, has declined since late in the first quarter.

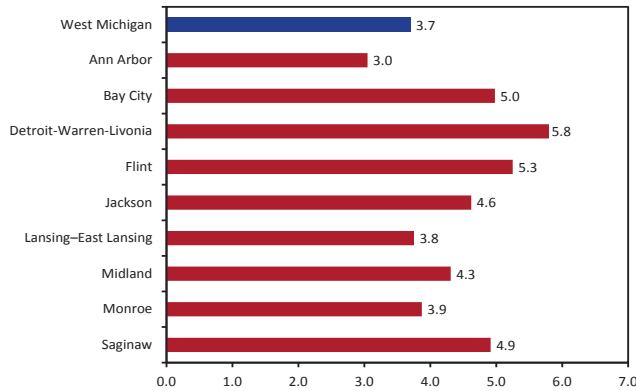
Finally, the short-run trends in personal income growth are a bit negative. But the moving average (the broken blue line in the figure) shows a steady increase throughout 2015 and into the first quarter of 2016. This may provide the answer to a question that many are asking: "If labor markets are tight, as evidenced by a 'full' employment rate, why haven't wages been increasing?" It may be that we are starting to see evidence of wages doing so as the longer-run trend in personal income increases.



Employment Inches Up in Most Industries

Total employment in the west Michigan region improved by 0.8 percent, with growth coming from nearly every industry. The unemployment rate was unchanged, holding steady at 3.7 percent, even as the number of unemployed persons increased by 1.6 percent. The region's economic indicators were mixed, suggesting employment conditions will remain steady into the next quarter.

Unemployment Rate in Other Michigan Metropolitan Areas (Q1 2016, seasonally adjusted)

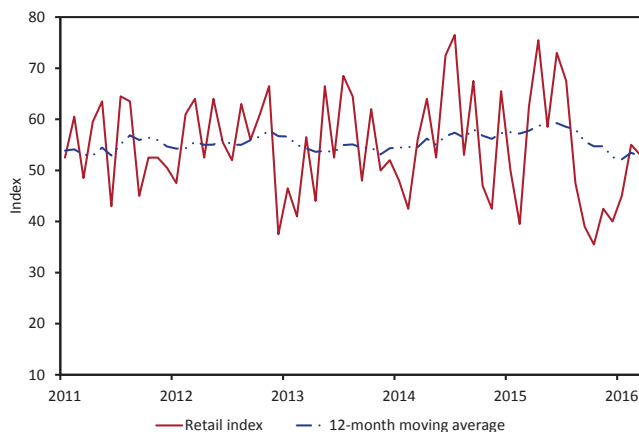


The west Michigan region's unemployment rate was 3.7 in the first quarter of 2016, nearly the lowest in the state. According to the figure, only Ann Arbor, at 3.0 percent, posted a lower unemployment rate. Lansing's and Monroe's unemployment rates were 3.8 and 3.9, respectively.

Goods-producing employment improved by 1.2 percent, with gains in both construction and manufacturing employment. Over the previous 12 months, the sector grew by 3.6 percent. Manufacturing has improved by 3.8 percent since the first quarter of 2015.

Private service-providing employment increased by 0.7 percent, with growth coming from nearly every industry. Gains were driven by the retail sector, which improved by more than 2,000 jobs. Both the education and health sector and the leisure and hospitality sector improved by more than 1,000 jobs over the quarter. Professional and business services was the

Retail Activity in West Michigan



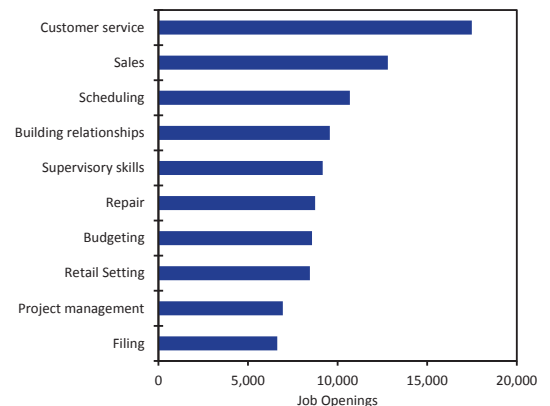
only industry to decline during the quarter, falling by 1.9 percent. The business services industry includes temporary staffing organizations, meaning the drop in employment could merely be from temporary workers having been hired directly and therefore reclassified into a different industry.

Government employment improved by 0.6 percent over the quarter. The public sector is up by 0.3 percent from the first quarter of 2015.

The retail activity index, prepared by the Chicago Federal Reserve with the help of the Michigan Retailers Association, shows the percentage of retailers in the region who report an increase in sales. An index value of greater than 50 indicates that sales are growing. The data are subject to wide variation, but the drop at the end of fourth quarter 2015 is noticeable both in the index, shown in red, and in the 12-month moving average, shown in the broken blue line. That dip was followed by a jump to start the first quarter of 2016. Along with the rise in sales, retail employment improved by 2.5 percent over the first quarter.

Each quarter, we examine a different aspect of labor demand, as supplied by Burning Glass Technologies through its reporting tool Labor Insight, a database of online job postings. This quarter, the figure shows the top skills requested by the region's employers. The data are from job postings during the 12 months ending in March 2016. The biggest skill requested by the region's employers was "customer service." "Sales," a category related to customer service, came in a distant second. Several administrative skills appear in the top 10, including "scheduling," "supervisory," and "budgeting." In spite of the region's manufacturing base, production-related skills are not well represented.

Top Skills, Q2 2015-Q1 2016, West Michigan



SOURCE: Burning Glass International Inc. (2016).

The region's economic indicators were mixed, suggesting employment conditions will hold steady in the coming quarter. Initial claims for unemployment insurance increased by 4.5 percent, while the rate of new home construction increased by 38.2 percent.

West Michigan (5 MSAs) Statistics
(seasonally adjusted)

Measure	2016 Q1	2015 Q4	% change, Q4 to Q1	2015 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	868,540	861,610	0.8	848,690	2.3
Goods-producing	204,370	202,000	1.2	197,260	3.6
Construction and mining	32,560	31,990	1.8	31,680	2.8
Manufacturing	171,810	170,010	1.1	165,580	3.8
Private service-providing	570,380	566,400	0.7	557,930	2.2
Trade, transportation, and utilities	157,610	154,630	1.9	152,610	3.3
Retail trade	90,040	87,810	2.5	87,380	3.0
Information (5 MSAs) ^a	7,430	7,420	0.1	7,500	-0.9
Financial activities	39,260	38,740	1.3	37,920	3.5
Professional and business services	105,460	107,550	-1.9	107,870	-2.2
Educational and health services	141,740	140,630	0.8	138,040	2.7
Leisure and hospitality	84,590	83,240	1.6	80,300	5.3
Other services	34,290	34,190	0.3	33,690	1.8
Government	93,790	93,210	0.6	93,500	0.3
Unemployment					
Number unemployed	40,850	40,210	1.6	52,540	-22.2
Unemployment rate (%)	3.7	3.7		4.9	
Local indexes					
UI initial claims	1,134	1,085	4.5	1,194	-5.0
New dwelling units ^b	4,989	3,611	38.2	3,654	36.5

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

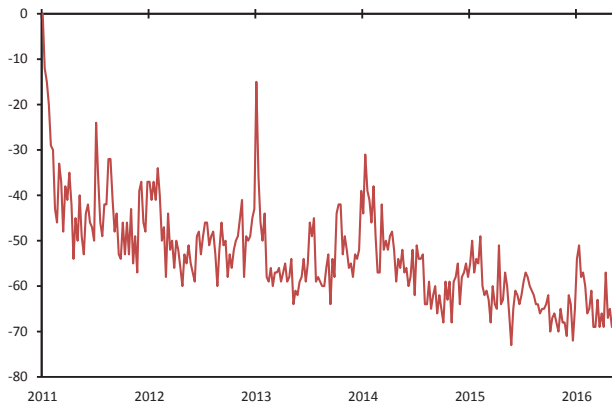
^a Information employment data are not available for Battle Creek MSA.

^b 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.

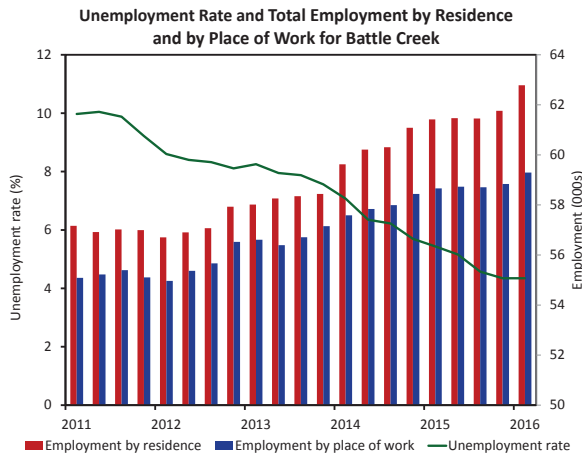
West Michigan residents remain unconcerned about their employment situation, at least compared to past levels. The figure shows an index of Google searches for “welfare and unemployment,” indexed to 2011. Google searches for this topic have been on a downward trend since 2011 but seem to have stabilized since mid-2015. The Google search data are comparable to the regional unemployment rate, which has been holding relatively steady, dropping only a few tenths of a percent in the past six months.

Relative Percentage Change in Interest in the Google Search Topic
“Welfare and Unemployment” in West Michigan



Minimal Gains Keep Battle Creek on Track

Total nonfarm employment in the Battle Creek MSA increased by 0.7 percent, with growth coming from nearly every industry. The unemployment rate inched up, owing to a mild increase in the number of unemployed persons. The area's economic indicators were mixed, suggesting little change next quarter.



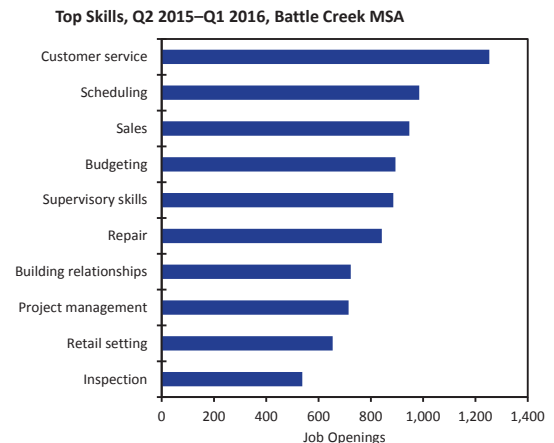
The figure above shows a jump in employment by residence in the first quarter of 2016, following lackluster growth in 2015. While employment by residence grew by over 1,000 people, the number of unemployed grew by 140, pushing the unemployment rate up a tenth of a point to 4.3 in the first quarter. In spite of the quarterly increase, the unemployment rate remains below 5.0 percent, the threshold for “full employment.”

Employment in the county's goods-producing industry improved by 1.1 percent, or 150 jobs, over the quarter. Construction employment improved by 1.2 percent, although it remained 5.2 percent below its level for the same quarter in 2015. Manufacturing employment gained 1.1 percent on the strength of a robust increase in durable goods employment. The gains in durable goods employment, however, were offset by losses in nondurable goods employment, which fell by 1.7 percent over the quarter. Nondurables are also down from the first quarter of 2015, by 5.6 percent. Brembo North America completed its new foundry in Homer Township and expects the new facility to be fully operational in 2017. But on the negative side of the ledger for durable goods employment, Denso has announced that it will move 70 jobs to Mexico. However, Denso plans to offer options to the plant's workers, including the choice to take a job at another Denso facility. Kellogg announced that it would cut from 100 to 200 positions through 2017. Also, WKW Roof Rail Systems is closing its Battle Creek plant, which will result in the layoff or transfer of 130 workers. Some jobs may be transferred to Alabama and Germany, but a significant number will shift to Bowers Manufacturing, an affiliated facility, in Portage.

Service-providing employment improved by 0.6 percent over the quarter, and growth came from every industry in the sec-

tor. Retail trade led the other industries, increasing by 1.4 percent, or 80 jobs. While every industry improved over the quarter, several were below the growth rate they had recorded in the first quarter of 2015. The leisure and hospitality sector and the “other services” sector both contracted from the first quarter of 2015. Government employment increased modestly, growing by 0.3 percent, or 30 jobs, in the first quarter of 2016. In February, the Nottawaseppi Huron Band of the Potawatomi announced a record \$5.3 million infusion to local government and schools from the FireKeepers Casino as part of the revenue-sharing agreement that the Nottawaseppi Hurons signed. The casino is not assessed local or state taxes, but it has distributed over \$30 million locally and \$90 million to the state since opening.

Each quarter, we examine a different aspect of labor demand, as supplied by Burning Glass Technologies through its reporting tool Labor Insight, a database of online job postings. This quarter, the figure we chose to examine shows the top skills requested by the area's employers. The data are from job postings in the 12 months ending in March 2016. The most requested skill was “customer service,” with “scheduling” and “sales” coming in second and third. Management-related skills are well represented in the top 10, including “budgeting,” “supervisory,” and “product management.”



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were mixed, suggesting little change into the next quarter. Initial claims for unemployment insurance increased by 7.0 percent over the quarter but remain slightly below the same quarter of the previous year. The rate of new dwelling units picked up by 31.6 percent, which was consistent with a 1.2 percent increase in construction employment.

Battle Creek MSA
(seasonally adjusted)

Measure	2016 Q1	2015 Q4	% change, Q4 to Q1	2015 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	58,740	58,340	0.7	58,200	0.9
Goods-producing	13,820	13,670	1.1	13,590	1.7
Construction and mining	1,650	1,630	1.2	1,740	-5.2
Manufacturing	12,170	12,040	1.1	11,850	2.7
Durable goods	9,800	9,630	1.8	9,340	4.9
Nondurable goods	2,370	2,410	-1.7	2,510	-5.6
Private service-providing ^a	34,550	34,330	0.6	34,240	0.9
Trade, transportation, and utilities	9,480	9,380	1.1	9,450	0.3
Retail trade	5,820	5,740	1.4	5,650	3.0
Financial activities	1,320	1,300	1.5	1,220	8.2
Professional and business services	6,190	6,180	0.2	6,120	1.1
Educational and health services	10,840	10,800	0.4	10,510	3.1
Leisure and hospitality	4,700	4,660	0.9	4,810	-2.3
Other services	2,020	2,010	0.5	2,130	-5.2
Government	10,370	10,340	0.3	10,370	0.0
Unemployment					
Number unemployed	2,880	2,740	5.1	3,550	-18.9
Unemployment rate (%)	4.3	4.2		5.4	
Local indexes					
UI initial claims	122	114	7.0	124	-1.6
New dwelling units ^b	50	38	31.6	23	117.4

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

^a Data for information services are included in the "other services" sector.

^b 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, Third Quarter to Third Quarter
(not seasonally adjusted)

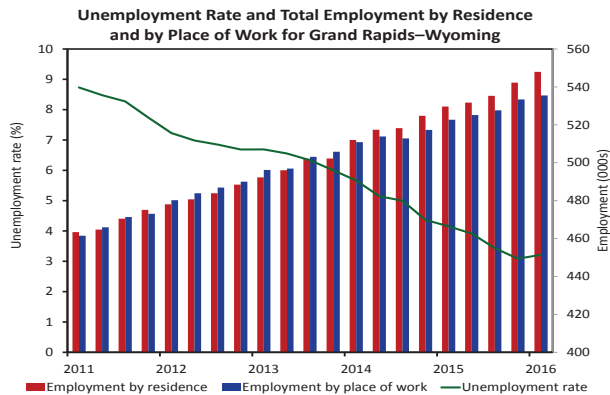
Industry	2015 Q3	2014 Q3	Percent change	Industry	2015 Q3	2014 Q3	Percent change
Goods-producing				Arts, entertainment, and recreation	580	620	-6.5
Food manufacturing	1,410	1,420	-0.7	Accommodation and food services	4,130	4,060	1.7
Fabricated metal products mfg.	2,530	2,020	25.2	Food services and drinking places	3,560	3,700	-3.8
Transportation equipment mfg.	5,440	5,180	5.0				
Private service-providing				Government			
Professional and technical services	2,540	2,490	2.0	Federal government	2,920	2,860	2.1
Administrative and support services	2,320	2,470	-6.1	State government	460	460	0.0
Educational services	980	990	-1.0	Local government	6,460	6,480	-0.3
Health care and social assistance	9,310	9,060	2.8				
Ambulatory health care services	2,810	2,750	2.2				

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

GRAND RAPIDS–WYOMING MSA

Manufacturing Employment Drives Employment Gains

Total employment in the Grand Rapids–Wyoming MSA improved by 0.5 percent during the first quarter of 2016. The unemployment rate increased slightly to 3.2 from 3.1 in the previous quarter. The area’s economic indicators were mixed, suggesting little employment change in the next quarter.



The unemployment rate grew to 3.2 percent, the first increase since 2009. The increase comes in spite of growth in the number of residential employed persons by more than 5,700, shown in the figure above. As mentioned in the Viewpoint, an unemployment rate below 5.0 percent is considered full employment, so an increase to 3.2 percent is no cause for alarm.

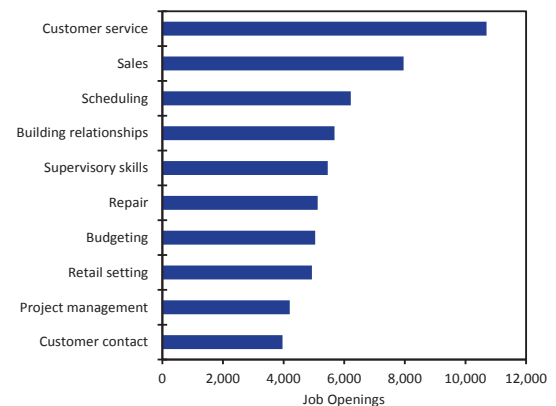
Construction employment picked up by 1.8 percent, along with a 32.6 percent increase in the rate of new home construction. Manufacturing goods were led by durable-goods production, which increased by 1.3 percent over the first quarter. Nondurable goods increased by a more modest 0.6 percent. Durable and nondurable goods production employment rose over the year by 5.5 percent and 3.1 percent, respectively. In spite of the positive news, activity among Grand Rapids–area manufacturers was more mixed. Express Employment Professionals held a job fair to hire workers in skilled manufacturing positions for 30 companies. Firsttronic, a circuit-board producer, will create 50 new jobs as it expands its site in Grand Rapids. However, Grand Rapids Plastics closed after losing its contract with Fiat Chrysler Automobiles, or FCA. The closing will affect 125 workers.

Private services increased by a modest 0.2 percent over the quarter. Growth in sector industries was mixed—growth occurred in most industries but was offset by declines in both transportation and professional and business services. Employment gains were led by growth in the retail sector and the leisure and hospitality sector. While the overall quarterly gains were modest, services grew by 2.1 percent, and the education and health sector grew by 3.8 percent from the first quarter of 2015. Although quarterly employment declined slightly in the transportation and utilities subsector, Knight Transportation, an Arizona-based trucking firm, announced the opening of its first Michigan branch, which will create 87 jobs.

The public sector was essentially unchanged, contracting by a scant 0.1 percent, or 40 jobs; however, employment growth in that sector remains above 0.3 percent from the first quarter of 2015.

Each quarter, we examine a different aspect of labor demand, as supplied by Burning Glass Technologies through its reporting tool Labor Insight, a database of online job postings. This quarter, the figure shows the top skills requested by the area’s employers. The data are from job postings for the 12 months ending in March 2016. “Customer service” was the most requested skill for area employers. The other two top skills suggested employers were looking most often for sales and supervisory skills. “Building relationships” came in fourth, a soft skill compared to the other skills on the list.

Top Skills, Q2 2015–Q1 2016, Grand Rapids–Wyoming MSA



SOURCE: Burning Glass International Inc. (2016).

The region’s economic indicators are mixed, indicating employment conditions will hold steady into the next quarter. Initial claims for unemployment insurance picked up slightly, growing by 4.0 percent. In spite of this increase, unemployment insurance claims remain below their level for the same quarter in 2015. The rate of new home construction increased by 32.6 percent over the quarter, along with a 1.8 percent jump in construction employment.

Grand Rapids–Wyoming MSA
(seasonally adjusted)

Measure	2016 Q1	2015 Q4	% change, Q4 to Q1	2015 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	535,950	533,520	0.5	523,100	2.5
Goods-producing	132,330	130,730	1.2	126,910	4.3
Construction and mining	21,000	20,620	1.8	20,690	1.5
Manufacturing	111,330	110,110	1.1	106,220	4.8
Durable goods	78,850	77,820	1.3	74,710	5.5
Nondurable goods	32,480	32,290	0.6	31,510	3.1
Private service–providing	357,460	356,590	0.2	350,190	2.1
Trade, transportation, and utilities	96,000	94,350	1.7	93,020	3.2
Transportation and utilities	14,970	14,990	–0.1	14,670	2.0
Wholesale trade	31,000	30,680	1.0	29,540	4.9
Retail trade	50,030	48,680	2.8	48,810	2.5
Information	5,140	5,140	0.0	5,240	–1.9
Financial activities	25,290	25,020	1.1	24,660	2.6
Professional and business services	72,810	75,510	–3.6	75,740	–3.9
Educational and health services	87,490	86,950	0.6	84,280	3.8
Leisure and hospitality	48,900	47,900	2.1	45,920	6.5
Other services	21,830	21,720	0.5	21,330	2.3
Government	46,160	46,200	–0.1	46,000	0.3
Unemployment					
Number unemployed	18,200	17,380	4.7	22,920	–20.6
Unemployment rate (%)	3.2	3.1		4.2	
Local indexes					
UI initial claims	568	546	4.0	621	–8.5
New dwelling units ^a	3,606	2,719	32.6	2,885	25.0

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

^a 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.

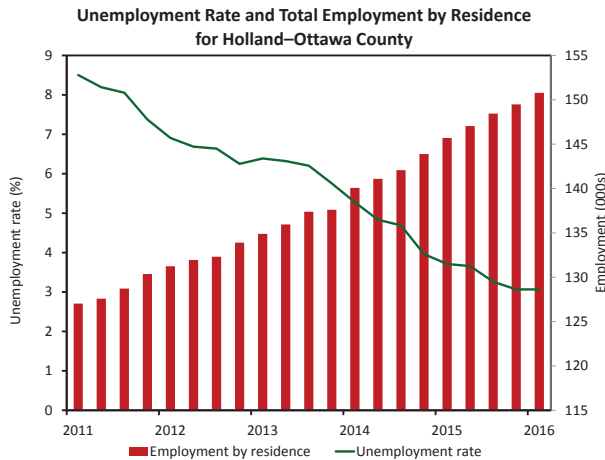
Grand Rapids–Wyoming MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2015 Q3	2014 Q3	Percent change	Industry	2015 Q3	2014 Q3	Percent change
Goods-producing				Health care and social assistance	69,130	57,770	19.7
Food manufacturing	10,550	6,720	57.0	Ambulatory health care services	21,080	17,060	23.6
Chemical manufacturing	4,390	3,560	23.3	Hospitals	26,610	24,350	9.3
Plastics and rubber products mfg.	10,360	7,510	37.9	Arts, entertainment, and recreation	6,320	4,840	30.6
Fabricated metal products mfg.	13,850	7,560	83.2	Accommodation and food services	41,310	30,390	35.9
Machinery manufacturing	12,930	9,700	33.3	Food services and drinking places	37,300	27,130	37.5
Transportation equipment mfg.	17,340	14,610	18.7	Government			
Furniture and related products mfg.	11,890	6,010	97.8	Federal government	3,190	3,020	5.6
Private service–providing				State government	5,320	2,880	84.7
Professional and technical services	19,890	15,710	26.6	Local government	31,340	23,160	35.3
Administrative and support services	45,990	44,530	3.3				
Educational services	11,290	9,110	23.9				

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

Across-the-Board Growth Fuels Ottawa County

Nonfarm employment grew in Ottawa County by 0.6 percent during the third quarter of 2015, with growth occurring in all major sectors. In the first quarter of 2016, the number of unemployed fell slightly, but not enough to budge the unemployment rate, which held at 3.1 percent. The county's economic indicators were positive, suggesting that employment growth will continue into the next quarter.



Note that because of data constraints, Ottawa County data are presented for the most recent quarter, the first quarter of 2016, whenever available. However, the most recent industry employment data are for the third quarter of 2015.

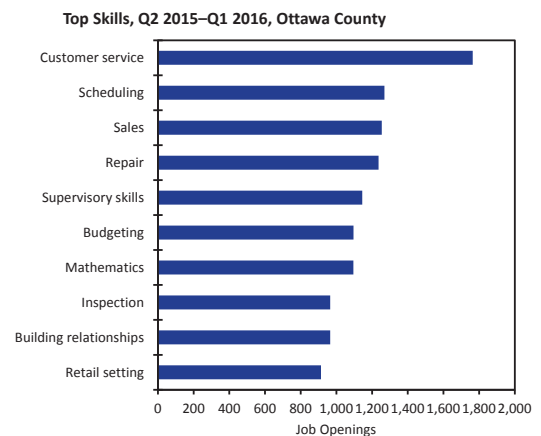
The unemployment rate held steady in the first quarter at 3.1 percent. The number of employed residents grew by more than 1,300, and the number of unemployed shrank very slightly, but not enough to budge the unemployment rate. It is unlikely that the unemployment rate will fall much further. As mentioned in the Viewpoint, 5.0 percent unemployment is considered full employment, and falling below 3.0 percent unemployed is very difficult.

Goods-producing employment improved by 0.8 percent in the third quarter of 2015, propelled by manufacturing employment gains of 1.1 percent. The construction industry fell by 0.7 percent during the third quarter and by 3.1 percent from the third quarter of 2014. LG Chem is hiring 50 new workers at its Holland battery plant. The company initially announced it would add between 70 and 90 new positions, but it has had difficulty finding the workers needed to fill the openings. Kent Quality Foods, a meat processor, is expanding into James-town Charter Township by adding 129 jobs.

Private service-providing employment posted a modest increase of 0.3 percent, or 170 jobs, over the quarter. Gains were driven by 140 new jobs in educational and health services and 90 jobs in leisure and hospitality services. The professional and business services industry fell by 0.8 percent, 100 jobs, over the third quarter. Monelli's Italian Grill and Sports Bar is planning a new location in Holland Township, which is expected to employ 125 workers.

Government employment improved by 1.7 percent during the quarter, increasing by 230 jobs. Government employment was up by the same amount over the year, suggesting that the third-quarter growth erased losses from the past 12 months.

Each quarter, we examine a different aspect of labor demand, as supplied by Burning Glass Technologies through its reporting tool called Labor Insight, a database of online job postings. This quarter, the figure shows the top skills requested by the area's employers. The data are from job postings for the 12 months ending in March 2016. The most requested skill in the last year was "customer service." The next tier of skills was made up of three that were virtually tied for second place: "scheduling," "sales," and "repair." Uniquely among the areas of west Michigan, Ottawa County received responses that placed "mathematics" as the seventh-most requested skill. In spite of Ottawa County's high concentration in manufacturing, relatively few skills requested in that county appear relevant to a production occupation. Rather, retail and administrative skills are heavily in demand.



SOURCE: Burning Glass International Inc. (2016).

The county's economic indicators were positive, suggesting continued job growth into the next quarter. The rate of new unemployment insurance claims fell by 3.3 percent, and the rate of new-dwelling-unit construction increased by 52.7 percent.

Holland–Ottawa County
(seasonally adjusted)

Measure	2015 Q3	2014 Q2	% change, Q2 to Q3	2014 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	119,340	118,570	0.6	115,260	3.5
Goods-producing	47,290	46,920	0.8	44,900	5.3
Construction and mining	8,820	8,880	-0.7	9,100	-3.1
Manufacturing	38,470	38,040	1.1	35,800	7.5
Private service-providing	57,960	57,790	0.3	56,500	2.6
Trade, transportation, and utilities	17,320	17,310	0.1	16,960	2.1
Information	730	740	-1.4	730	0.0
Financial activities	3,160	3,110	1.6	3,190	-0.9
Professional and business services	12,200	12,300	-0.8	11,800	3.4
Educational and health services	10,920	10,780	1.3	10,540	3.6
Leisure and hospitality	10,100	10,010	0.9	9,940	1.6
Other services	3,530	3,540	-0.3	3,340	5.7
Government	14,090	13,860	1.7	13,860	1.7
Measure	2016 Q1	2015 Q4	% change, Q4 to Q1	2015 Q1	% change, Q1 to Q1
Unemployment					
Number unemployed	4,700	4,750	-1.1	5,600	-16.1
Unemployment rate (%)	3.1	3.1		3.7	
Local indexes					
UI initial claims	148	153	-3.3	171	-13.5
New dwelling units ^a	1,263	827	52.7	1,504	-16.0

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

^a 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, Third Quarter to Third Quarter
(not seasonally adjusted)

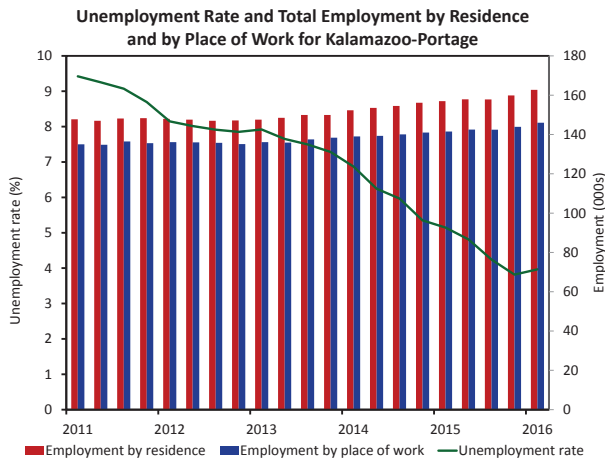
Industry	2015 Q3	2014 Q3	Percent change	Industry	2015 Q3	2014 Q3	Percent change
Goods-producing				Health care and social assistance	8,780	8,450	3.9
Food manufacturing	4,640	4,350	6.7	Ambulatory health care services	3,470	3,360	3.3
Fabricated metal products mfg.	6,050	5,880	2.9	Arts, entertainment, and recreation	1,070	1,040	2.9
Machinery manufacturing	2,930	2,560	14.5	Accommodation and food services	9,720	9,580	1.5
Transportation equipment mfg.	4,590	4,620	-0.6	Food services and drinking places	8,960	8,880	0.9
Furniture and related products mfg.	5,750	5,460	5.3	Government			
Private service-providing				Federal government	380	390	-2.6
Professional and technical services	3,750	3,730	0.5	State government	—	3,080	—
Administrative and support services	7,980	7,550	5.7	Local government	9,730	9,520	2.2
Educational services	2,090	2,040	2.5				

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

— = data not available.

Unemployment Creeps Up, but Area Still Picks Up Jobs

Employment in the Kalamazoo MSA increased by 1.4 percent during the first quarter of 2016. Employment gains occurred across all major sectors. Even so, the unemployment rate also increased during the first quarter, from 3.8 to 4.0. The area's economic indicators were mixed, suggesting employment will hold steady into the next quarter.



As shown in the figure above, the unemployment rate in Kalamazoo increased to 4.0 percent, up from 3.8 in the previous quarter. The unemployment rate grew because of an additional 357 unemployed persons and in spite of 2,882 newly employed persons. While the unemployment rate increased over the first quarter, the rate remains below 5.0 percent, suggesting the area is at “full employment.”

Goods-producing employment grew by 1.3 percent, or 340 jobs, over the quarter. Gains were distributed relatively evenly across industry sectors. Construction employment grew by 120 jobs over the quarter. In manufacturing, durable goods employment picked up by 80 jobs, and employment in non-durables increased by 140 jobs. Announcements were numerous but muted: eight different manufacturing organizations announced hirings, but many were for 20 or fewer new jobs. The biggest announcement came from Pfizer, which said it would be adding 78 new jobs. In another major hiring announcement, Spiech Farms in Paw Paw said it would expand its food processing operations by adding 55 workers to pack frozen produce.

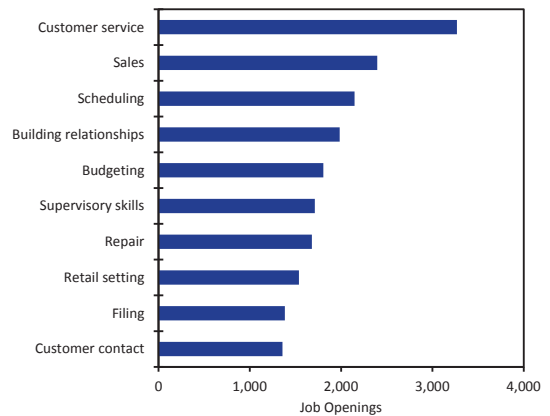
The service sector improved by a robust 1.7 percent in the first quarter of 2016. From the same quarter in 2015, services are up by 3.8 percent. Employment gains were driven by growth in professional and business services and retail employment. The retail employment jump may be an anomaly, as the data are seasonally adjusted. Besides helping to spur the first-quarter gains, the professional and business services sector, which includes temporary staffing agencies, also drove the large growth over the past four quarters, from the first quarter of 2015 to the first quarter of 2016—an increase of 6.5 percent, or 1,050 jobs. The east side of downtown Kalamazoo

is going through a modest revitalization. At the old depot between East Michigan and Water streets, site construction is underway for a HopCat bar and restaurant and a new sushi restaurant. Further east on Michigan Avenue, Treystar, a Kalamazoo-based development company, is embarking on a \$10 million project to convert an abandoned foundry to office space and on-site dining. When completed, it will employ 100 people.

Government employment increased by 0.5 percent in the first quarter and is up by 0.2 percent over the year.

Each quarter, we examine a different aspect of labor demand, as supplied by Burning Glass Technologies through its reporting tool called Labor Insight, a database of online job postings. This quarter the figure shows the top skills requested by area employers. The data are from job postings for the 12 months ending in March 2016. The most requested skill in the past year was “customer service.” The rest of the top 10 skills pointed toward sales and administrative skills, including “scheduling,” “budgeting,” and “supervisory.” In spite of the growth in manufacturing, there were relatively few manufacturing-related skills requested in the top 10. Only “repair” appears related to manufacturing or production occupations.

Top Skills, Q2 2015–Q1 2016, Kalamazoo-Portage MSA



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were mixed, suggesting little change into the next quarter. Initial unemployment insurance claims ticked up slightly, increasing by 4.8 percent over the quarter. Even so, new claims remain 2.6 percent below the previous year. The rate of new home construction picked up by an impressive 56.0 percent over the quarter.

Kalamazoo-Portage MSA
(seasonally adjusted)

Measure	2016 Q1	2015 Q4	% change, Q4 to Q1	2015 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	146,080	144,000	1.4	141,740	3.1
Goods-producing	27,020	26,680	1.3	26,300	2.7
Construction and mining	5,930	5,810	2.1	5,420	9.4
Manufacturing	21,090	20,870	1.1	20,880	1.0
Durable goods	12,250	12,170	0.7	12,100	1.2
Nondurable goods	8,840	8,700	1.6	8,780	0.7
Private service-providing	97,890	96,250	1.7	94,310	3.8
Trade, transportation, and utilities	26,590	26,100	1.9	25,840	2.9
Transportation and utilities	3,420	3,410	0.3	3,390	0.9
Wholesale trade	6,840	6,900	-0.9	7,010	-2.4
Retail trade	16,330	15,790	3.4	15,440	5.8
Information	970	980	-1.0	940	3.2
Financial activities	8,420	8,330	1.1	8,110	3.8
Professional and business services	17,090	16,380	4.3	16,040	6.5
Educational and health services	23,020	22,820	0.9	22,410	2.7
Leisure and hospitality	16,040	15,890	0.9	15,450	3.8
Other services	5,760	5,750	0.2	5,520	4.3
Government	21,170	21,070	0.5	21,130	0.2
Unemployment					
Number unemployed	6,730	6,370	5.7	8,510	-20.9
Unemployment rate (%)	4.0	3.8		5.1	
Local indexes					
UI initial claims	152	145	4.8	156	-2.6
New dwelling units ^a	783	502	56.0	480	63.1

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

^aSeasonally 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, Third Quarter to Third Quarter
(not seasonally adjusted)

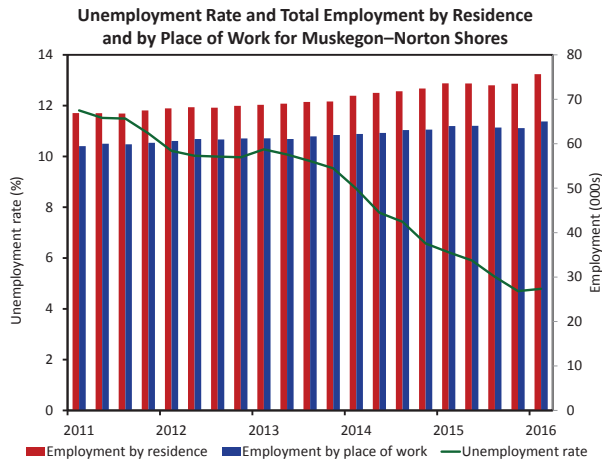
Industry	2015 Q3	2014 Q3	Percent change	Industry	2015 Q3	2014 Q3	Percent change
Goods-producing				Government			
Food manufacturing	1,480	1,510	-2.0	Health care and social assistance	19,600	19,090	2.7
Paper manufacturing	1,860	1,750	6.3	Ambulatory health care services	6,620	6,240	6.1
Fabricated metal products mfg.	1,830	1,740	5.2	Hospitals	6,540	6,600	-0.9
Machinery manufacturing	2,210	2,260	-2.2	Arts, entertainment, and recreation	1,960	1,800	8.9
Transportation equipment mfg.	2,130	2,000	6.5	Accommodation and food services	13,690	13,670	0.1
Private service-providing				Food services and drinking places	11,980	12,150	-1.4
Professional and technical services	5,160	5,240	-1.5	Government			
Administrative and support services	8,390	8,700	-3.6	Federal government	800	860	-7.0
Educational services	2,235	2,140	4.4	State government	4,190	4,300	-2.6
				Local government	11,320	11,750	-3.7

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

MUSKEGON-NORTON SHORES MSA

Employment Jumps by 2.4 Percent for Quarter

Total nonfarm employment in Muskegon improved by a very healthy 2.4 percent, with gains coming across all industries. In spite of the increase in employment, the unemployment rate increased slightly to 4.8, from 4.7 in the previous quarter. The area's economic indicators were mixed, suggesting that employment conditions will be flat in the next quarter.



The figure above shows the unemployment rate growing in Muskegon to 4.8 percent, even as the number of employed persons increased by more than 2,100 workers. As discussed in this quarter's Viewpoint, an unemployment rate below 5.0 is considered full employment, and the mild bump in the unemployment rate still reflects a strong labor force overall.

Goods-producing employment improved by 1.3 percent over the quarter. Employment grew by 3.9 percent from the first quarter of 2015 to the first quarter of 2016. Construction employment grew by 1.5 percent, or 30 jobs. The increase in the rate of new home construction was more robust, at 52.7 percent. And manufacturing grew by 1.3 percent, or more than 800 jobs.

The news this quarter, while lacking the traditional major announcements, is loaded with job fairs. Job fairs were held by a variety of organizations, from general job fairs organized by Michigan Works! to a job fair held for seasonal positions at the Double JJ Ranch and Golf Resort. There was a fair specifically for veterans, as well as events held by staffing agencies and by Mona Shores Public Schools. A variety of occupations were the subject of job fairs, including CNC programmers, lifeguards, and substitute teachers. Across the various fairs, there were at least 500 jobs for which workers are in demand by area employers.

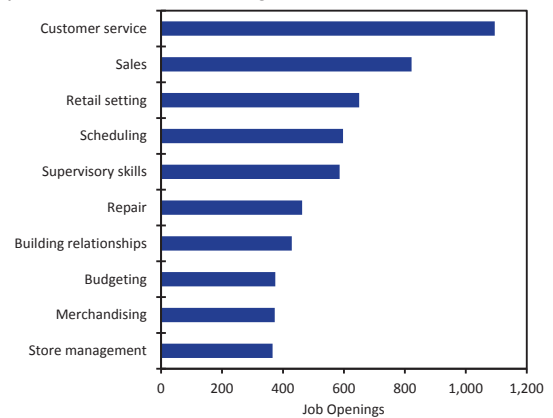
Private service-providing employment grew by 2.4 percent, led by employment in the trade, transportation, and utilities sector. This catch-all industry grew by 3.1 percent, or 420 jobs, during the first quarter. Financial activities posted an 8.4 percent growth rate over the quarter, though the industry is relatively small, so that growth represents only 150 jobs.

The leisure and hospitality sector grew by 140 jobs during the quarter, or 2.0 percent. In spite of the healthy quarterly growth, several industries remain below their level from the same quarter in 2015. Professional and business services fell by 3.6 percent over the year, and educational and health services fell by 4.6 percent. Combined, these industries are down by 680 jobs from the previous year.

Government employment increased by 330 jobs, or 4.7 percent. The quarterly growth, in terms of both number of jobs and percentage, was the largest in the public sector that appears in our data for this MSA going back to 1990.

Each quarter, we examine a different aspect of labor demand, as supplied by Burning Glass Technologies through its reporting tool called Labor Insight, a database of online job postings. This quarter, the figure we chose to examine shows the top skills requested by area employers. The data are from job postings for the 12 months ending in March 2016. Half of the top 10 for Muskegon-Norton Shores are sales-related, including "customer service," "sales," "retail," "merchandising," and "store management." In spite of the solid manufacturing growth over the year, production-related skills are underrepresented in the top skills.

Top Skills, Q2 2015-Q1 2016, Muskegon-Norton Shores MSA



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were mixed, suggesting flat employment going into the next quarter. New unemployment insurance claims increased slightly, growing by 3.4 percent during the quarter, which coincided with a 4.9 percent increase in the number of unemployed persons. The rate of new home construction increased by 52.7 percent over the quarter and has risen by 88.8 percent from the first quarter of 2015.

Muskegon–Norton Shores MSA
(seasonally adjusted)

Measure	2016 Q1	2015 Q4	% change, Q4 to Q1	2015 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	65,060	63,550	2.4	64,000	1.7
Goods-producing	16,130	15,920	1.3	15,520	3.9
Construction and mining	2,080	2,050	1.5	2,000	4.0
Manufacturing	14,050	13,870	1.3	13,520	3.9
Private service–providing	41,540	40,570	2.4	41,150	0.9
Trade, transportation, and utilities	14,190	13,770	3.1	13,570	4.6
Retail trade	11,040	10,860	1.7	10,870	1.6
Information	810	800	1.3	810	0.0
Financial activities	1,930	1,780	8.4	1,730	11.6
Professional and business services	3,780	3,650	3.6	3,920	-3.6
Educational and health services	11,230	11,120	1.0	11,770	-4.6
Leisure and hospitality	7,160	7,020	2.0	6,980	2.6
Other services	2,440	2,430	0.4	2,370	3.0
Government	7,390	7,060	4.7	7,330	0.8
Unemployment					
Number unemployed	3,840	3,660	4.9	4,870	-21.1
Unemployment rate (%)	4.8	4.7		6.2	
Local indexes					
UI initial claims	181	175	3.4	178	1.7
New dwelling units ^a	287	188	52.7	152	88.8

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

^a 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.

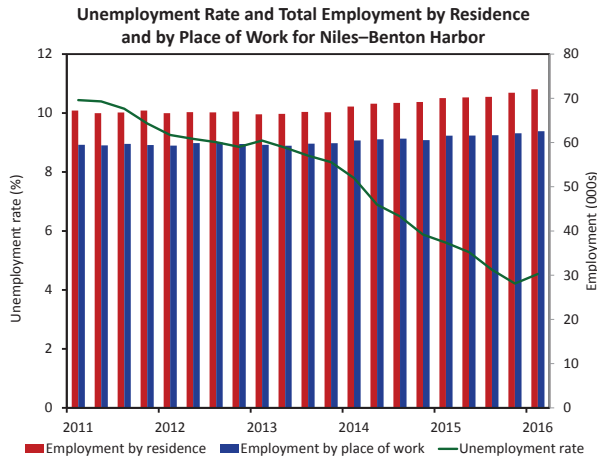
Muskegon–Norton Shores MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2015 Q3	2014 Q3	Percent change	Industry	2015 Q3	2014 Q3	Percent change
Goods-producing				Health care and social assistance	10,200	10,540	-3.2
Primary metal manufacturing	3,970	3,910	1.5	Ambulatory health care services	3,130	3,190	-1.9
Fabricated metal products mfg.	2,580	2,870	-10.1	Arts, entertainment, and recreation	1,470	1,420	3.5
Machinery manufacturing	1,480	1,500	-1.3	Accommodation and food services	6,080	5,990	1.5
Transportation equipment mfg.	1,650	970	70.1	Food services and drinking places	5,560	5,540	0.4
Private service–producing				Government			
Professional and technical services	1,010	940	7.4	Federal government	330	330	0.0
Administrative and support services	2,510	2,590	-3.1	State government	950	910	4.4
Educational services	610	640	-4.7	Local government	5,350	5,510	-2.9

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

Flat Employment Conditions Prevail in Area

Employment in the Niles-Benton Harbor MSA improved by 0.8 percent, led by the service sector. The unemployment rate increased to 4.5 percent from 4.2 percent in the previous quarter. The area's economic indicators were mixed, suggesting flat employment conditions into the next quarter.



The figure above shows employment by residence growing by more than 770 persons during the first quarter of 2016. However, the unemployment rate increased to 4.5 percent in the first quarter of 2016 as the ranks of the unemployed grew by 262 persons. In spite of the bump in employment, the unemployment rate remains below 5.0 percent, the threshold for “full employment.”

Goods-producing employment grew by a modest 0.5 percent, or 70 jobs. Construction improved slightly, growing by 20 jobs. The rate of new home construction picked up by a robust 60.4 percent. Construction news included new condominiums in Lincoln Township and a senior center in Three Oaks planned for 2017, and construction is beginning this summer on a new terminal at the Dowagiac airport. Manufacturing employment gained 0.4 percent, or 50 jobs. Pero Family Farms’ location in Benton Township is expanding its food processing operations. The facility will convert 50 seasonal workers to full-time and create an additional 74 jobs.

Not all the news was positive, however: Whirlpool announced it would lay off 2 percent of its local workforce. And Modern Light Metals in Coloma is closing, laying off 22 workers.

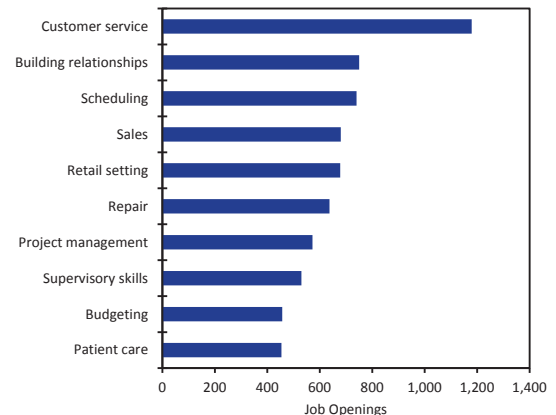
The service sector grew by 0.7 percent on mixed performance in the industry’s various subsectors. Education and health services grew by 220 jobs, but those gains were essentially offset by a 240-job decline in professional and business services. Financial activities and other services also fell during the quarter. The leisure and hospitality sector rose by 9.1 percent over the past year, but by only 0.3 percent from the fourth quarter of 2015 to the first quarter of 2016. Hotel employment increased over the past year, and another increase

is in the offing, as a new hotel with an 88-room capacity has been announced for Benton Charter Township.

Government employment grew by 1.9 percent during the first quarter of 2016—an improvement over the 0.3 percent gain that public-sector employment posted from the first quarter of 2015.

Each quarter, we examine a different aspect of labor demand, as gathered by Burning Glass Technologies through its reporting tool called Labor Insight, a database of online job postings. This quarter, the figure we chose to examine shows the top skills requested by area employers. The data are from job postings for the 12 months ending in March 2016. Over the past year, the most frequent skills requested point toward sales- and supervisory-related occupations. “Customer service” was the most frequently requested skill, along with “sales” and “retail setting.” Supervisory skills including “scheduling,” “project management,” “supervisory,” and “budgeting” were spread through the top 10. “Patient care” appeared in the last spot, possibly related to the solid over-the-year growth of the health services industry.

Top Skills, Q2 2015–Q1 2016, Niles-Benton Harbor MSA



SOURCE: Burning Glass International Inc. (2016).

The area’s economic indicators were mixed, suggesting little change in employment into the next quarter. Initial claims for unemployment insurance increased by 5.7 percent, and the number of unemployed persons rose by 8.2 percent. The rate of new-dwelling-unit construction increased by 60.4 percent over the quarter and more than doubled over the past year, rising by 130.7 percent.

Niles–Benton Harbor MSA
(seasonally adjusted)

Measure	2016 Q1	2015 Q4	% change, Q4 to Q1	2015 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	62,710	62,200	0.8	61,650	1.7
Goods-producing	15,070	15,000	0.5	14,940	0.9
Construction and mining	1,900	1,880	1.1	1,830	3.8
Manufacturing	13,170	13,120	0.4	13,110	0.5
Private service–providing	38,940	38,660	0.7	38,040	2.4
Trade, transportation, and utilities	11,350	11,030	2.9	10,730	5.8
Retail trade	6,820	6,740	1.2	6,610	3.2
Information	510	500	2.0	510	0.0
Financial activities	2,300	2,310	–0.4	2,200	4.5
Professional and business services	5,590	5,830	–4.1	6,050	–7.6
Educational and health services	9,160	8,940	2.5	9,070	1.0
Leisure and hospitality	7,790	7,770	0.3	7,140	9.1
Other services	2,240	2,280	–1.8	2,340	–4.3
Government	8,700	8,540	1.9	8,670	0.3
Unemployment					
Number unemployed	3,420	3,160	8.2	4,150	–17.6
Unemployment rate (%)	4.5	4.2		5.6	
Local indexes					
UI initial claims	111	105	5.7	115	–3.5
New dwelling units ^a	263	164	60.4	114	130.7

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

^a 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, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2015 Q3	2014 Q3	Percent change	Industry	2015 Q3	2014 Q3	Percent change
Goods-producing				Health care and social assistance	7,510	7,400	1.5
Primary metal manufacturing	1,330	1,240	7.3	Ambulatory health care services	2,420	2,290	5.7
Fabricated metal products mfg.	1,890	1,860	1.6	Arts, entertainment, and recreation	950	970	–2.1
Machinery manufacturing	1,550	1,540	0.6	Accommodation and food services	7,110	6,700	6.1
Transportation equipment mfg.	1,270	1,260	0.8	Food services and drinking places	6,180	5,820	6.2
Private service–providing				Government			
Professional and technical services	1,350	1,370	–1.5	Federal government	310	310	0.0
Administrative and support services	4,560	4,630	–1.5	State government	380	370	2.7
Educational services	1,230	1,230	0.0	Local government	7,310	7,640	–4.3

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

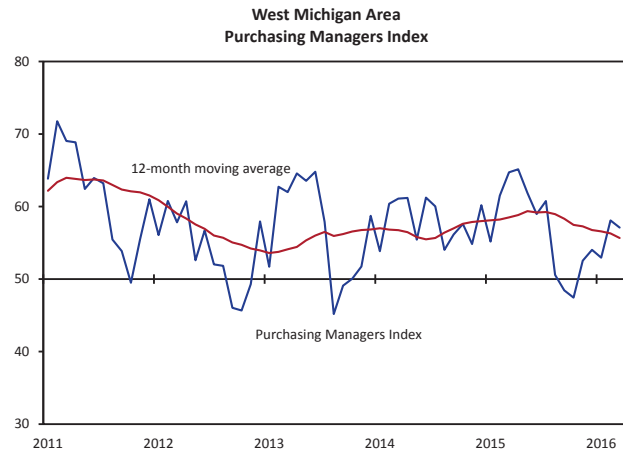
PURCHASING MANAGERS INDEX

The Purchasing Managers Index rose through the first quarter, with values above 50 each month. Index values over 50 indicate that the industry is growing. After a lackluster fourth quarter, the first quarter of 2016 has purchasing managers looking up. According to Brian Long at the Institute for Supply Management, the overall sentiment reflected in the index is one of optimism. In one report, Dr. Long referred to the pace as “subdued” though “gratifying.” The moving index, shown in the red line, is still trending downward because of the lackluster conditions in the second half of 2015. However, if 2016 continues as it has been going, the pace suggests it will be a year of modest growth.

The index was driven by growth in the categories of “new orders,” “production,” and “purchases.” While not shown in the figure, the “employment” portion of the index has been essentially flat for the past nine months: between 65 and 78 percent of respondents said that employment at their firm had remained the same, and only 15 to 22 percent said that employment at their firm had risen.

According to the reports gathered over the latest quarter, auto parts have been the leading industry. Several respondents reported that the furniture industry was stable, while the amount

of growth experienced by capital equipment firms was reported as being “widely mixed.”



MAJOR ECONOMIC DEVELOPMENTS

Battle Creek MSA

Brembo North America has completed construction of its foundry in Homer and plans to be fully operational by 2017.

Denso is shifting 70 jobs to Mexico, but the company plans to offer positions at other Denso facilities to the displaced Battle Creek workers. Kellogg is cutting 100 to 200 positions through 2017. WKW Roof Rail is closing, which will throw 130 workers out of their jobs.

Grand Rapids–Wyoming MSA

Express Employment Professionals is hiring an unknown number of skilled workers for placement at 30 companies.

Firstronic is creating 50 jobs in circuit board production. Grand Rapids Plastics, an auto parts supplier, is closing; it will lay off 125 workers.

Holland–Ottawa County

LG Chem is adding 50 employees at its battery plant.

Monelli’s Italian Grill and Sports Bar is opening a new location in Holland, at which it plans to employ 125 workers.

Kent Quality Foods, a meat processor, is expanding its Jamestown Charter Township facility by adding 129 jobs.

Kalamazoo–Portage MSA

Pfizer is adding 78 jobs at its Portage facility. Construction has begun on the redevelopment of a former factory building in downtown Kalamazoo to house 100 office jobs.

Spiech Farms in Paw Paw said it would expand its food processing operations by adding 55 workers to pack frozen produce.

Muskegon–Norton Shores MSA

This quarter, Muskegon had very few large job-change announcements. Instead, there were at least 500 jobs available, from a diverse collection of companies, at a series of job fairs.

Niles–Benton Harbor MSA

Pero Family Farms is expanding its food processing operations, adding 50 workers and converting 74 seasonal positions to full-time.

Whirlpool has announced it will lay off 2 percent of its area workforce, about 80 workers. Modern Light Metals in Coloma will cease operation and as a result is laying off 22 workers.

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