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# BUSINESS OUTLOOK

*for West Michigan*



W.E. Upjohn Institute for Employment Research  
Vol. XXXII, No. 3 September 2016

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# BUSINESS OUTLOOK

## for West Michigan

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W.E. UPJOHN INSTITUTE for Employment Research

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## Michigan Economy Purring Along, but Are There Storm Clouds on the Horizon?

by James E. Robey

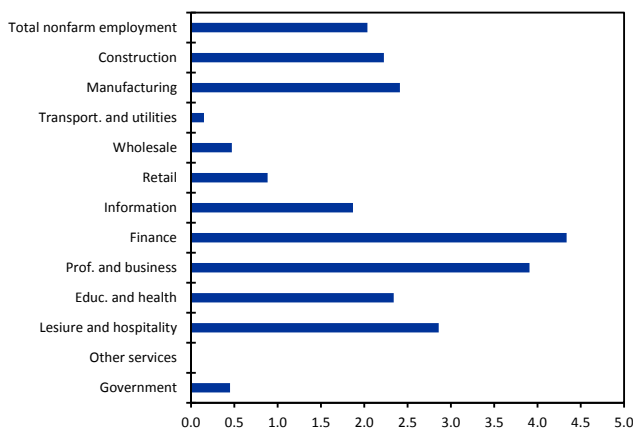
The economy in the state of Michigan has done fairly well over the past 12 months compared to the national average. Nonfarm employment grew by 2.0 percent year-over-year (compared to 1.8 percent nationally) but by only 0.1 percent between the first quarter and the second quarter of this year (compared to 0.3 percent nationally). This added 86,000 jobs from last year at this time and 4,900 jobs from the first to the second quarter.

While the goods-producing sector lost some jobs from the first quarter, these were mostly in construction. Manufacturing added jobs, both year-over-year and since the first quarter. The private goods-producing sector added more than 67,000 jobs since Quarter 2 of 2015 and more than 10,000 jobs since Quarter 1 of this year. Standouts in this sector include professional and business services (which added 25,000 and 11,000 jobs, respectively), retail (4,100 and 1,970), financial services (8,940 and 1,840), and education and health services (15,200 and 5,460), as shown in the figures at right and below.

All of this occurred while the unemployment rate dropped from 5.5 percent in Quarter 2 of 2015 to 4.7 percent a year later. Initial unemployment claims have been fairly stable at about 9,300 per quarter. While housing starts declined from Quarter 1 to Quarter 2, they were up 56 percent between Quarter 2 of 2015 and Quarter 2 of 2016.

So things are trending in the right direction for Michigan. On a macroeconomic basis, the Survey of Professional Forecasters, collected and reported by the Federal Reserve Bank of Philadelphia, suggests the national economy will grow at 1.7 percent this year and 2.4 percent in 2017 and 2018. A note of caution: the survey was released in May, well before the 1.1 percent growth rate reported for the second quarter and the -1.6 growth reported for Canada, our largest export market.

Michigan Employment, Q2 2015 to Q2 2016

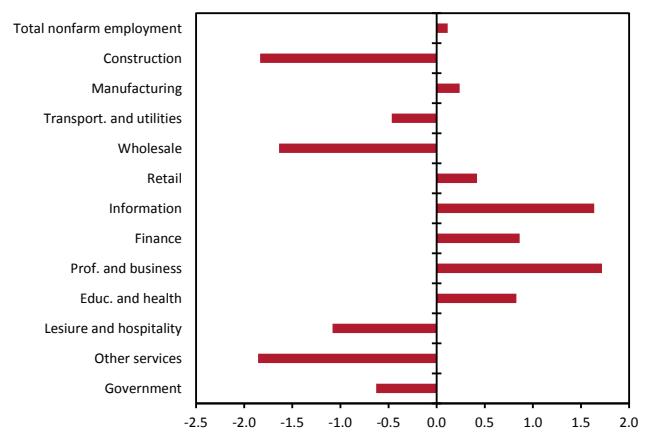


But are there clouds on the horizon that could affect growth in Michigan? Possibly. Throughout the recovery, a number of workforce measures have remained relatively flat. Michigan's labor force was just over 5 million workers at the start

of the recession. At 4.8 million now, it has still not fully recovered. The number of employed workers was about the same in 2007, at 4.6 million, as it is today. Our working-age population has grown, but only slightly, by 165,000. One measure that *has* improved is the number of unemployed persons, which has dropped from 352,000 to 230,000.

But it would seem that the Michigan economy is doing more with less. While the labor force has not climbed back to pre-recession levels, real-dollar gross state product (GSP), after dipping during the recession, has rebounded. (Moody's forecasts GSP at \$477 billion for 2016.)

Michigan Employment, Q1 2016 to Q2 2016



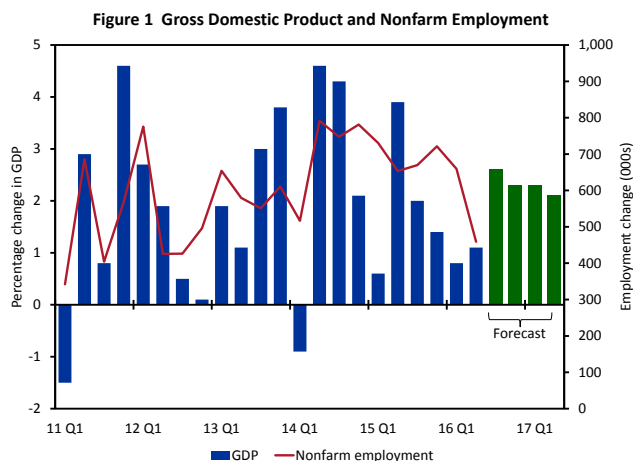
Other storm clouds off in the distance may include auto sales. Although many forecasts have light vehicle sales pegged at more than 18 million units for both this year and 2017, the annualized average for the first half of the year is 17.3 million units. The Center for Automotive Research in Ann Arbor forecasts that production of light vehicles in Mexico will double between 2010 and 2020, which will put pressure on parts suppliers in the state to make decisions on picking up and relocating. On a similar note, orders for Class 8 trucks, the heavy trucks used for hauling goods, fell by 57 percent over the past year. There is some thought that orders for these trucks are a leading indicator, which would suggest there may be a slowing in the macro economy. Finally, the forecast is for high crop yields in corn, soybeans, and other agricultural commodities. This will likely keep commodity prices low. Low prices for other commodities, such as metals and energy, suggest that global demand is down for these products.

The dollar remains strong. Although this is a good thing for consumers, it makes exporting products more difficult, as it raises the cost to foreign buyers—both to firms and individuals. In addition, the impacts of the decision by UK voters to leave the European Union will play out over the next year or two as the exit strategy is developed. It is unknown how that will affect the \$778 million in goods Michigan exports to the UK or the \$5.5 billion in goods it sends to the Eurozone.

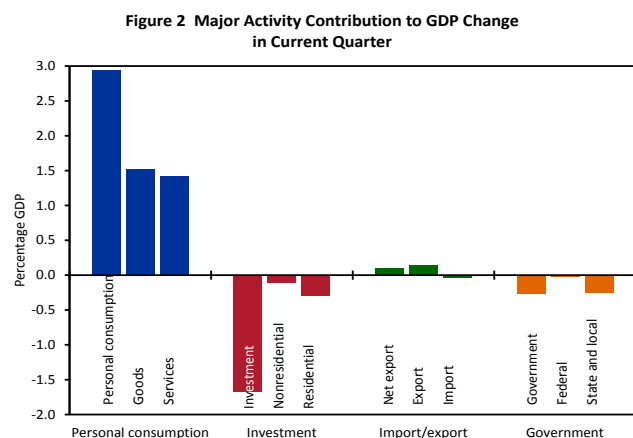


## Most Indicators Are Positive but a Bit Soft

”Soft” would be the best way to describe conditions at mid-year. Recent revisions to major indicators, detailed below, show stability but weak (if any) growth. The recent estimate of gross domestic product (GDP) was revised upward from the first quarter, personal consumption was robust, the dollar remains strong, and energy costs are still low. Furthermore, consumer confidence is stable, interest rates remain at rock-bottom, labor markets are tight, auto sales are doing OK, and the sky hasn’t fallen—at least yet—after the passage of Brexit, the British referendum on leaving the European Union.

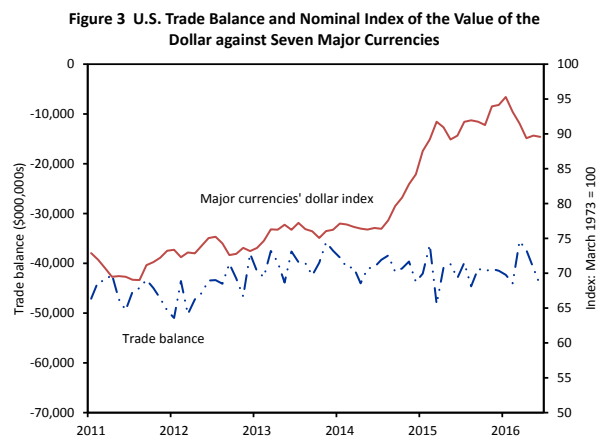


Estimates of second quarter GDP came in at 1.1 percent. While that figure surpasses the first-quarter mark of 0.9 percent, the growth in the economy is still less than robust. And that 1.1 percent estimate was significantly under the early consensus forecast of 2.1 percent, which came from a survey conducted by the Federal Reserve Bank of Philadelphia. However, this same aggregation of survey respondents is collectively forecasting GDP growth in the third quarter at 2.6 percent (Figure 1). Their optimism has some members of the banking sector thinking the economy will be strong enough to sustain a 25-basis-point increase in interest rates.

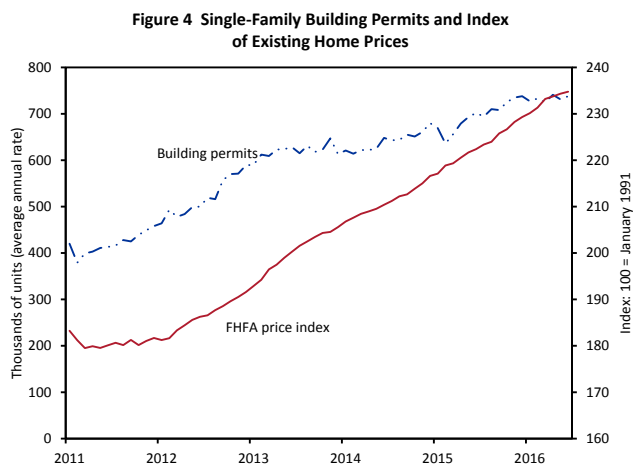


Nearly all the growth in the national economy was from the personal consumption sector (Figure 2). Personal consumption really buoyed any rise in GDP and was supported by strong consumer purchasing in both goods and services. In the

investment sector, all measures—residential, nonresidential, and investment—were negative and so weighed down national growth. Most notable were the negative impacts on the business sector, which saw significant declines in both residential and nonresidential investment. This contraction in business investment continues the first-quarter trend. However, the reduced investment in residential capital counters the first quarter, in which homeowners contributed positively to GDP. Given the strong dollar, it is surprising that net exports are positive in the second quarter. While government contributed positively to GDP at the state and local levels in the first quarter, all three levels—local, state, and national—hurt GDP this quarter.

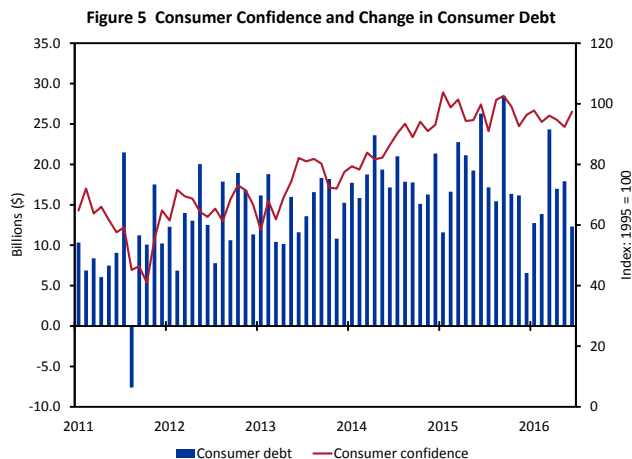


The U.S. dollar continues to be strong, affecting the price of both imports and exports. Our negative trade balance has oscillated within a consistent band since early 2013, moving between a (negative) low of -35 billion and a (negative) high of about -50 billion (Figure 3). There was an uptick from \$35.5 billion after the first quarter to \$44.5 billion after the second. This relatively flat band of movement is surprising given the rapid strengthening of the dollar since mid-2014.

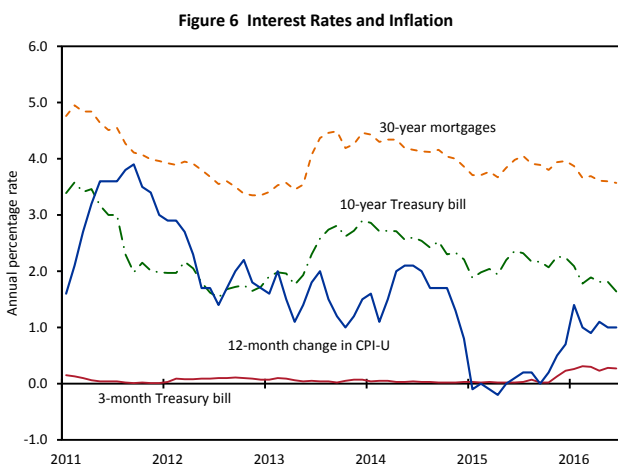


While building permits have leveled off in 2016, they remain at their highest rates since 2011 (Figure 4). Prices for single-family homes have continued to rise in 2016, extending a pattern of increasing home values that began in early 2012.

Once again, consumers are propping up the economy. Consumer debt additions have been uneven from one month to the next but have risen an average of \$15 billion a month this year. This may reflect a level of consumer confidence that's been flat since early 2015 (Figure 5). While most consumer debt comes from residential mortgages, the total could rise in the third quarter as students return to campus this fall.

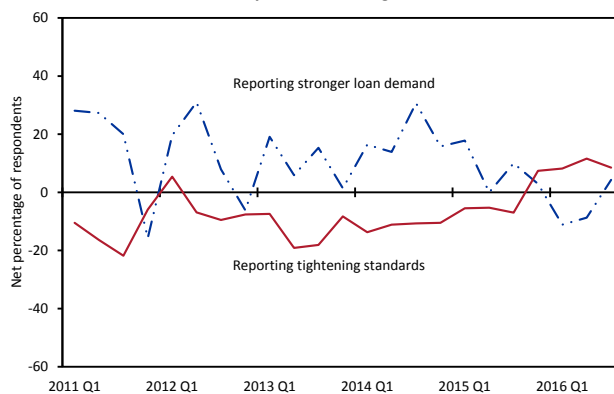


While there is an expectation of a 25-basis-point increase in the Fed funds rate sometime this fall, home mortgage rates continue to be at all-time lows, with 15-year mortgages available in west Michigan at sub-3 percent to those with good credit. One reason for some support of an increase in the Fed rates is a strengthening of inflation and the CPI-U rate (Figure 6). The Fed has targeted 2.0 percent as a healthy rate of inflation in the economy. The inflation rate for all goods has recently been tracking upward toward that target rate. While there has been a bit of an uptick in the three-month Treasury bill rate, it has been modest, and the 10-year Treasury bill rate has been tracking downward since 2014.



Within the markets, there are conflicting sentiments with regard to providing easy access to capital. According to a survey of senior loan officers (Figure 7), lending standards have been tightening since the end of 2015. And it appears that while loan demand was lower in early 2016, it rebounded somewhat in the second quarter. Both the personal and commercial markets have enjoyed a consistent level of access to capital: it is available to those with credit worthiness.

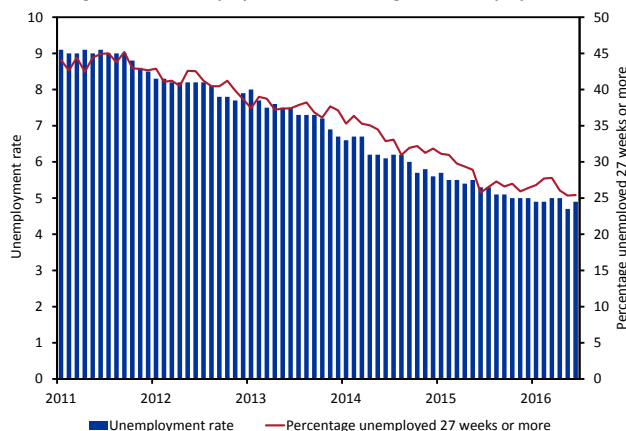
**Figure 7 Federal Reserve Senior Loan Officers Survey: Demand and Lending Standards for Commercial and Industrial Loans by Medium-to-Large Firms**



The national unemployment rate continues to dwell below 5.0 percent. This reflects a drop of about 0.5 percent over the same time last year. Similarly, the rate for the long-term unemployed continues to decline, a general trend since 2011. While there was a slight bump up in early 2016 (Figure 8), the rate has resumed its gradual descent.

Light vehicles, a major driver of the economy nationally as well as in Michigan, are selling at a lower clip than last year at this time. Recent forecasts have reined in earlier predicted sales for 2016 and 2017, and the new estimates now place the year-end figure well below 18 million units. Inventories have been declining since late 2015, and with the introduction of the 2017 models, automakers are increasing incentives in order to move units and support sales.

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



Finally, in June, the sky was falling—seemingly—as the British voted to leave the European Union. While some observers predicted serious repercussions, such effects have not fully materialized. But the actual exit is still two years off, and exit plans are not in place. Whatever the outcome, the UK will remain a major U.S. trading partner: we currently export \$56 billion to the UK. It is unclear at this point how moving from Eurozone trade relations to negotiated bilateral trade agreements may affect the UK. However, according to the Center for Automotive Research in Ann Arbor, Mexico gained a competitive advantage in trade from such global bilateral trade agreements, at least for the auto sector.

# GREAT LAKES INDUSTRY OUTLOOK

## Region Expanding but Needs Skilled Workers

The Great Lakes Region continues to experience the same conditions that in recent years have prevailed both within the region and across the nation. Across the region, employers and legislators have indicated that not only hiring but retaining skilled workers continues to be a persistent problem. With the exception of Illinois, all of the states are at full employment, with unemployment rates for the second quarter of 2016 ranging between 4.3 percent in Wisconsin and 5.1 percent in Ohio. (“Full” employment is defined by the Federal Reserve Bank as having an unemployment rate of between 5.0 and 5.5 percent or less.) The one exception to this is Illinois, which for the second quarter had an unemployment rate of 6.4 percent.

All of the states in the region grew their labor force between the second quarter of 2015 and the second quarter of 2016. Indiana led the way with a growth rate of 2.4 percent. Wisconsin trailed the pack, having the lowest gain in workforce at 1.7 percent. In actual numbers of workers added, Illinois topped the region, as that state’s labor force grew by more than 152,000 jobs, and Wisconsin again lagged behind the pack, as its labor force expanded by only 52,000. But it must be recognized that Wisconsin also started with the smallest base of any Great Lakes state—just over 3.0 million. In contrast, Indiana started from a base of 3.2 million and added almost 110,000 workers to its labor force. “Labor force” is measured as the sum of those employed plus those looking for work.

In June of this year, voters in the United Kingdom, in what was known as the Brexit referendum, voted to leave the

European Union. Opponents of the measure advanced a series of foreboding predictions—most notably a significant contraction in the UK economy—as reasons to vote against leaving. At this point, these predictions have not come to pass, but it must be noted that the exit has not yet occurred, nor will it for another 18 to 24 months. At that time, the United Kingdom will enter into bilateral agreements with its trading partners. While the direction of those agreements is not currently known, there likely will be some impact on the Great Lakes region.

Trade with not only the United Kingdom but the rest of the European Union is very important to the regional economy. In 2015, the Great Lakes region exported almost \$6.4 billion in manufactured products to the UK and slightly more than \$32 billion to the rest of the EU. For exports to the UK, transportation equipment (including not only auto parts but also aerospace) accounted for \$1.40 billion, chemicals for \$1.18 billion, machinery for \$868,000, computer and electronic products for \$534,000, fabricated metals for \$383,000, and primary metals for \$360,000. These industries make up 75 percent of the region’s exports to the UK.

Among the region’s exports to the EU, the chemicals category is valued at \$9.6 billion, transportation equipment at \$5.7 billion, machinery at \$4.0 billion, and computer and electronic products at \$3.4 billion. These four industries collectively account for nearly three out of every four dollars of exports to the European Union.

## OFFICE FURNITURE INDUSTRY UPDATE

### Index Slips Slightly, but Furniture Industry Still Strong

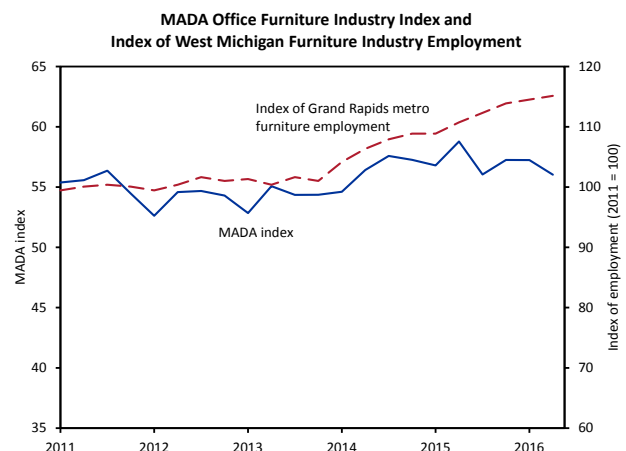
The index of the furniture industry by Michael A. Dunlap and Associates (MADA) dropped slightly to 56.03 in the second quarter from 57.24 in the previous quarter. The index appears to be trending downward slightly since the middle of 2014. However, an index value of 50 or above means the furniture industry is growing.

Index components “gross shipments” and “personal outlook” rose during the quarter. “Employment,” “capital expenditures,” and “new product development” all slipped from the first quarter. The “raw material costs” index fell during the quarter, though Michael Dunlap believes the decline to be a correction from overly high index values in the last five quarters.

Employment appears to lag behind the index. The employment index has trended steadily upward even as the MADA index has plateaued. Previously, the index rose without much activity in employment. The employment index stands at 115, meaning that area employment is 15 percent above the annual average in 2011. According to this MADA survey component, employment fell from the previous quarter. This

slip may suggest that the employment index will flatten in the coming quarter—or it may be just a temporary blip.

The IHS Global Insight forecast has not been revised since last February and still projects \$10.3 billion in production in 2016 and \$10.8 billion in 2017.



## AUTO INDUSTRY UPDATE

### 2016 Sales Will Likely Be Good but Not Great

Light vehicle sales back in late 2015 were strong enough to support a bold forecast that topped 18 million units. However, the trend in midyear sales paints a slightly different picture. The average annualized sales for the three months at the end of 2015 were 17.8 million units—18.0 million units for both October and November and 17.4 million units in December. Things continued to tail off in the first six months of 2016, when average annualized sales were 17.2 million units. Inventories started the year at 1.16 million units and declined through most of the first half, reaching 1.08 million units in June before rebounding to 1.11 million units in July. Inventory levels are down significantly from last year at this time, when they were holding steady at around 1.3 million units. Dealers are using incentives to fuel sales, a move prompted by a decline in the forecast for total sales and the introduction of new models.

An article last month in *Automotive News* suggests that automakers will use incentives to move units in what Mark LaNeve, Ford Motor Company's vice president for U.S. marketing, sales, and service, characterized as a "plateauing market." "The Detroit 3 spent \$655 more per vehicle on incentives last month than in July 2015, an 18 percent increase, according to Autodata," *Automotive News* reported in the article. "The industry average rose \$337 year-over-year, or 11 percent."

### A Flattening of the Market

The plateauing market should mean that conditions will hit "pause" on the west Michigan economy, at least briefly. A relatively flat demand curve for light vehicles suggests that demand for parts from suppliers will be relatively constant. While this may be a bit of good news to the parts suppliers, it is of course a bit of bad news for the car manufacturers and the dealerships.

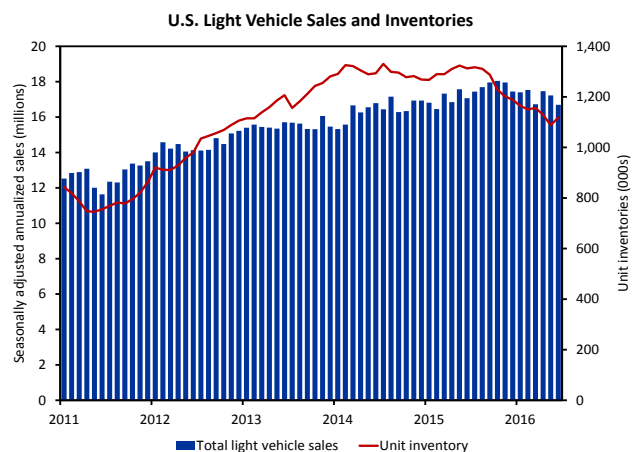
The regional economy continues to experience a tight labor market for employers across all sectors, but notably in manufacturing—including, of course, auto manufacturing. Automobile manufacturers are having great difficulty in finding and retaining qualified workers. Flat growth—the current prevailing condition—will not, of course, diminish the pain point that currently exists around staffing, but at least it will not exacerbate the need for more workers that would be required by increases in output. The downside is, of course, that flat demand in the auto industry will slow growth in the west Michigan economy.

### Moves to Mexico Could Broaden

Of course, as my predecessor, George Erickcek, would say, "It is the job of economists to find a cloud in the silver

lining." There are clouds on the horizon that will likely affect domestic auto production and thus impact the well-being of Michigan as a whole as well as our part of the state. In a report published last month by the Center for Automotive Research (CAR) in Ann Arbor, CAR forecasts a significant increase in production in Mexico. CAR reports that production in Mexico was just over 2.0 million units in 2010. For 2016, CAR is forecasting 3.5 million units produced in Mexico, an increase of 75 percent. And CAR anticipates an increase of another nearly 60 percent, to 5.5 million units, by 2021. While the 5.5 million units represents production, CAR forecasts that actual capacity in Mexico will be at least 6.0 million units by the end of the decade. According to CAR, it is not only labor costs but also better bilateral trade agreements that lower costs and make Mexico an attractive place to produce cars, both for North American production and for global consumption.

The implication for Michigan and, more specifically, for west Michigan companies in the auto supply chain is that they need to take note of this trend and prepare for it. Indeed, it is likely that firms in the supply chain are already looking at this shift in the market and that new investment in plants and equipment will take place in Mexico, as industrial parks housing suppliers begin to develop around investment from the original equipment manufacturers (OEMs). To retain jobs here, it would stand to reason that local firms will have to be strategic in their investments—in automation and technology, but also in their workforce. As to whether we should increase public support in this country for workforce development, it is worth taking note of something in the CAR report: "Mexico offers workforce development and training programs and other aggressive incentives. At the federal level, Mexico is pursuing multiple coordinated strategies to support and grow a strong manufacturing base."

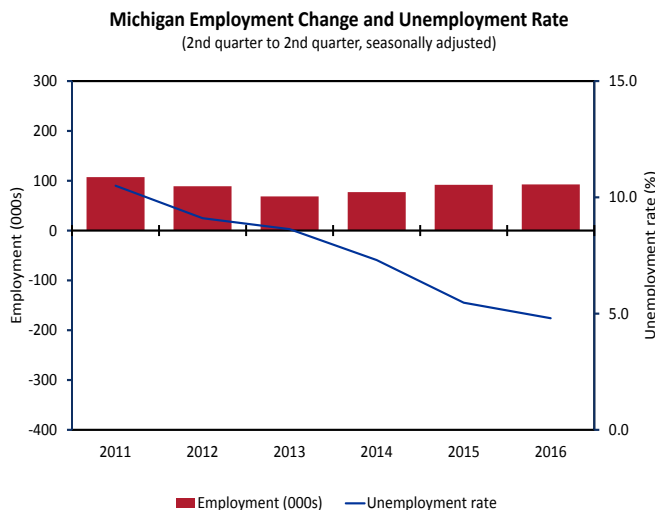




# STATE OF MICHIGAN ECONOMY

## The Numbers Look Good: Jobs Increasing, Unemployment Shrinking

*The economic condition of Michigan, at least as gleaned from a number of measures including employment and unemployment, looks very good. The state added jobs across a number of sectors between the second quarters of 2015 and 2016 as well as between the first and second quarters of this year. Unemployment continues to decline across the state as labor markets get tighter.*



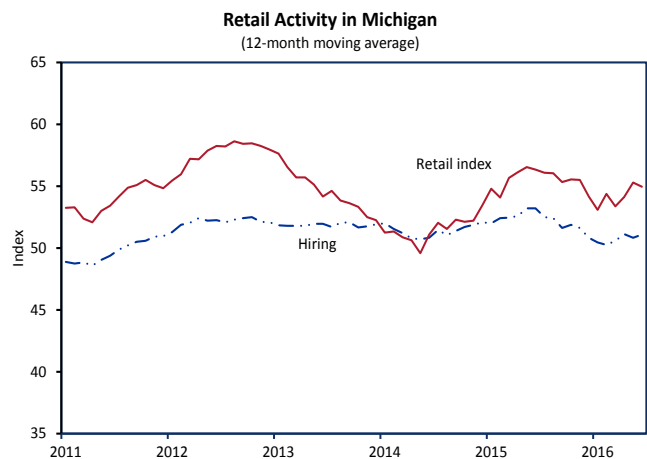
By most measures, the state of Michigan easily surpassed U.S. performance on jobs over the past four quarters. Overall, employment in Michigan grew by 2.0 percent between the second quarter of 2015 and the second quarter of 2016. This is a bit better than the national rate, as the United States grew at 1.8 percent. The goods-producing sector, which includes both construction and manufacturing, grew at a rate of 2.2 percent and added more than 16,500 jobs. That rate was nearly two full percentage points better than for the United States—nationwide, the sector grew by only 0.3 percent. Manufacturing grew at a rate of 2.4 percent and added more than 14,000 jobs. Some 8,100 of these came in durable goods, which last for a longer period of time, such as autos. Almost 6,000 were in nondurable goods like printing, chemicals, and food products. For the same time period, employment nationwide in manufacturing declined by 0.3 percent.

In June, the United Kingdom voted to leave the European Union in a referendum commonly referred to as Brexit. There continues to be concern over how this will affect UK trade relations, should Britain sever ties with the EU in the next two years. Michigan exports about \$5.5 billion to the Eurozone. Of that amount, about \$778 billion flows to the UK. The largest shares of exports by industry include chemicals at 25 percent (\$191 million), transportation equipment at 23 percent (\$175 million), machinery at 14 percent (\$105 million), and computers at 8.0 percent (\$61 million). The other third of exports are rounded out by plastic and rubber products, nonmetallic mineral products, fabricated and primary metals, electrical equipment, and furniture. While their positions

change a bit from the UK percentages, shares of the \$5.5 billion in exports to the Eurozone include chemicals at 19 percent (\$1 billion), transportation equipment at 37 percent (\$2 billion), machinery at 8.0 percent (\$478 million), and computers at 8.0 percent (\$438 million). The remaining 28 percent consists of the same group of industries that are exported to the UK, although their shares vary. Transportation equipment includes auto-related products but also parts supplying the aerospace and truck-building industries.

The private service-providing sector added jobs at a rate of 2.3 percent on a year-over-year basis, the same as the United States as a whole, and this translates to more than 67,000 jobs added in the state. Almost 9,000 jobs were added in financial activities, nearly 25,000 jobs in professional and business services, and nearly 12,000 jobs in leisure and hospitality.

One industry standout was retail trade, which added more than 4,000 jobs between the second quarter of 2015 and the second quarter of 2016. Given the comparable time frame, which controls for seasonality, this is one to watch going forward. It is surprising because jobs in this sector, located in “bricks and mortar” stores, have come under pressure from consumers’ having access to online retail vendors like Amazon. It is also one to watch going forward because many larger retailers, including Walmart and Macy’s, have recently announced significant numbers of store closings, but there are not yet details on how Michigan will be affected by these and other retailers retrenching their real estate portfolios. As shown in the index below, retail activity, while showing some volatility within a narrow range, has held fairly constant the past two years since its most recent low in mid-2014. Similarly, hiring in the sector has been relatively constant since the uptick that began in 2011, apart from a bit of a decline in 2015.



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

Unemployment for the state continues to fall, although at a slower rate in the most recent quarter. On a year-over-year basis, the state unemployment rate declined from 5.5 percent

## Michigan Statistics (seasonally adjusted)

Measure	2016 Q2	2016 Q1	% change, Q1 to Q2	2015 Q2	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	4,320,790	4,315,860	0.1	4,234,530	2.0
Goods-producing	757,000	758,430	-0.2	740,440	2.2
Natural resources and mining	7,070	7,100	-0.4	7,900	-10.5
Construction	151,470	154,300	-1.8	148,170	2.2
Manufacturing	598,460	597,030	0.2	584,370	2.4
Durable goods	450,130	449,530	0.1	442,000	1.8
Nondurable goods	148,330	147,500	0.6	142,370	4.2
Private service-providing	2,967,590	2,957,460	0.3	2,900,560	2.3
Trade, transportation, and utilities	776,230	777,730	-0.2	771,100	0.7
Transportation and utilities	134,400	135,030	-0.5	134,200	0.1
Wholesale trade	170,530	173,370	-1.6	169,730	0.5
Retail trade	471,300	469,330	0.4	467,170	0.9
Information	57,730	56,800	1.6	56,670	1.9
Financial activities	215,070	213,230	0.9	206,130	4.3
Professional and business services	662,900	651,700	1.7	637,970	3.9
Educational and health services	664,630	659,170	0.8	649,430	2.3
Leisure and hospitality	423,400	428,030	-1.1	411,630	2.9
Other services	167,630	170,800	-1.9	167,630	0.0
Government	596,200	599,970	-0.6	593,530	0.4
<b>Unemployment</b>					
Number unemployed	227,130	234,130	-3.0	259,160	-12.4
Unemployment rate (%)	4.7	4.8		5.5	
<b>State indexes (1996 = 100)</b>					
Local components					
UI initial claims	9,301	9,274	0.3	9,274	0.3
New dwelling units <sup>a</sup>	20,362	21,049	-3.3	12,998	56.7

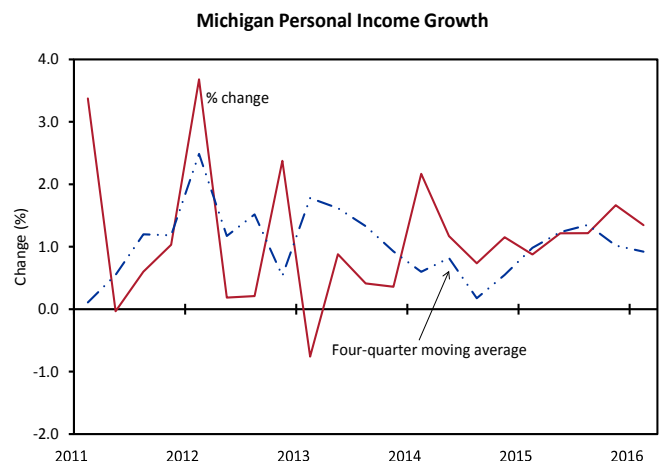
NOTE: Employment numbers for durable and nondurable goods, transportation and utilities, wholesale trade, and retail trade are seasonally adjusted by the W.E. Upjohn Institute. Other numbers are seasonally adjusted by the Bureau of Labor Statistics. Categories may not sum to total because of rounding.

<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.

in the second quarter of 2015 to 4.7 percent in the same quarter of 2016. The second quarter saw a slight drop of 0.1 percent from the first quarter. Initial unemployment claims have held steady at about 9,300 since the second quarter of 2015.

While change in personal income has been highly volatile in the short run, the four-quarter moving average has been steadier, as would be expected. In mid-2014 the moving average started an upward trend. At that time, observers thought that tight labor markets were beginning to drive up wages, a natural and expected result. But for the past year, the market has reversed and trended downward. While this may be merely a short-run trend, it is somewhat troubling that even though labor markets are getting tighter, it is not having the expected effect of pushing incomes higher.

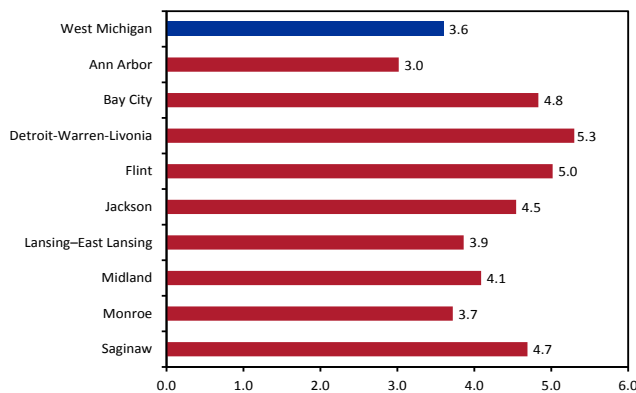


# WEST MICHIGAN ECONOMY

## Economic Indicators Continue to Point toward Job Growth

*Total nonfarm employment in west Michigan increased by 0.5 percent, led by professional and business services. The region's unemployment rate fell slightly in the second quarter of 2016, from 3.7 percent to 3.6 percent. The region's economic indicators were positive, suggesting continued job gains into the third quarter.*

**Unemployment Rate in Other Michigan Metropolitan Areas  
(Q2 2016, seasonally adjusted)**



West Michigan posted an unemployment rate of 3.6 in the second quarter, the second lowest in the state; Ann Arbor's unemployment rate was 3.0. Monroe and Lansing posted rates of 3.7 and 3.9, respectively. Detroit's unemployment rate was 5.3, close to the national and statewide rates.

The goods-producing sector increased by 0.5 percent. Growth was divided between construction and manufacturing. The construction and mining industry posted a 1.6 percent gain, 530 jobs. The construction industry gained 3.8 percent from the second quarter of 2015. Manufacturing employment increased by a modest 0.3 percent, or 450 jobs.

Service-providing employment increased by 0.5 percent. Gains were driven by professional and business services, which posted an increase of 3.3 percent, or 3,450 jobs. The professional and business services industry contains temporary staffing agencies, and increases in the industry could

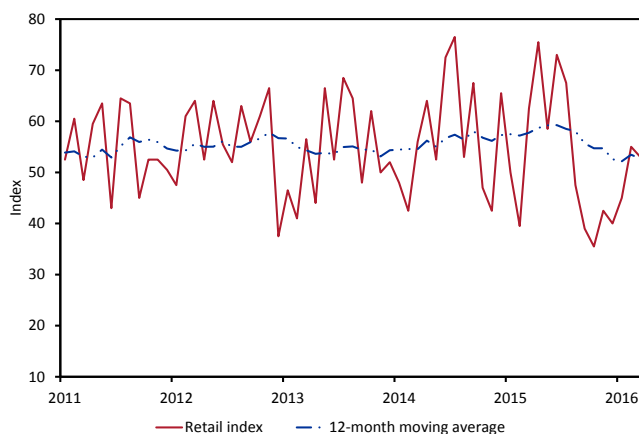
actually suggest employment elsewhere. Other service-sector gains were more modest. Education and health services increased by 0.6 percent. Information, which includes media and Internet employment, increased by 0.3 percent. Leisure and hospitality employment fell by 1.6 percent over the quarter. In spite of these losses, the industry is up by 3.2 percent from the second quarter of 2015. Trade, transportation, and utilities employment also contracted during the quarter, shedding 0.3 percent over the quarter, and likewise remains above the same quarter of 2015.

The west Michigan retail activity index, prepared by the Chicago Federal Reserve along with the Michigan Retailers Association, posted big numbers in the second quarter before returning to even with the 12-month moving average. The index is not seasonally adjusted and tends to fluctuate from month to month. The 12-month average remains above 50, which means sales are increasing. However, retail trade employment was little changed over the quarter in the region.

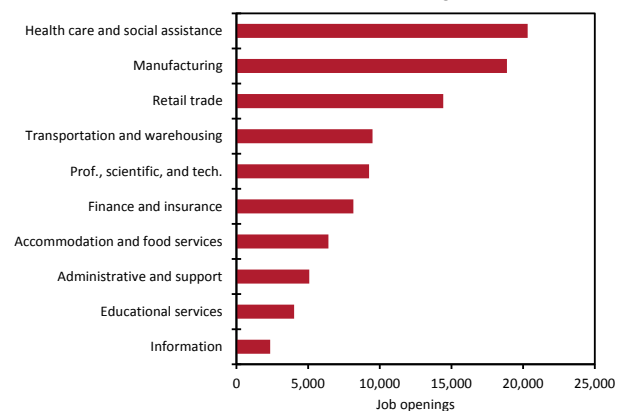
Government employment increased by 0.4 percent over the quarter and 1.2 percent over the year.

Each quarter, we examine a different aspect of labor demand, as supplied by Burning Glass Technologies through its reporting tool Labor Insight, a database of online job postings. This quarter we examine the top industries for posted jobs in the last year, from the third quarter of 2015 through the second quarter of 2016. Health care had the largest number of postings in the last 12 months, with manufacturing close behind. Region-wide, health and educational services had the second-largest amount of job growth since the second quarter of 2015, increasing by nearly 3,400 jobs. Manufacturing posted the biggest gain, growing by 5,580 jobs. Retail employment increased by 2,350 over the year and had the third-largest number of job postings. Information is one of the smallest industries in the region, and annual growth was modest. However, the information industry cracked the top ten of industry postings.

**Retail Activity in West Michigan**



**Industries, Q3 2015–Q2 2016, West Michigan**



SOURCE: Burning Glass International Inc. (2016).



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

Measure	2016 Q2	2016 Q1	% change, Q1 to Q2	2015 Q2	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	872,520	868,430	0.5	851,740	2.4
Goods-producing	205,240	204,260	0.5	198,440	3.4
Construction and mining	33,030	32,500	1.6	31,810	3.8
Manufacturing	172,210	171,760	0.3	166,630	3.3
Private service-providing	573,020	570,330	0.5	560,150	2.3
Trade, transportation, and utilities	157,140	157,580	-0.3	153,330	2.5
Retail trade	90,090	90,030	0.1	87,740	2.7
Information (5 MSAs) <sup>a</sup>	7,450	7,430	0.3	7,440	0.1
Financial activities	39,240	39,180	0.2	37,930	3.5
Professional and business services	109,190	105,740	3.3	107,540	1.5
Educational and health services	142,600	141,680	0.6	139,210	2.4
Leisure and hospitality	83,130	84,440	-1.6	80,570	3.2
Other services	34,270	34,280	0.0	34,130	0.4
Government	94,260	93,840	0.4	93,150	1.2
<b>Unemployment</b>					
Number unemployed	34,150	35,000	-2.4	41,550	-17.8
Unemployment rate (%)	3.6	3.7		4.4	
<b>Local indexes</b>					
UI initial claims	1,102	1,127	-2.2	1,134	-2.8
New dwelling units <sup>b</sup>	6,950	4,966	40.0	4,373	58.9

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

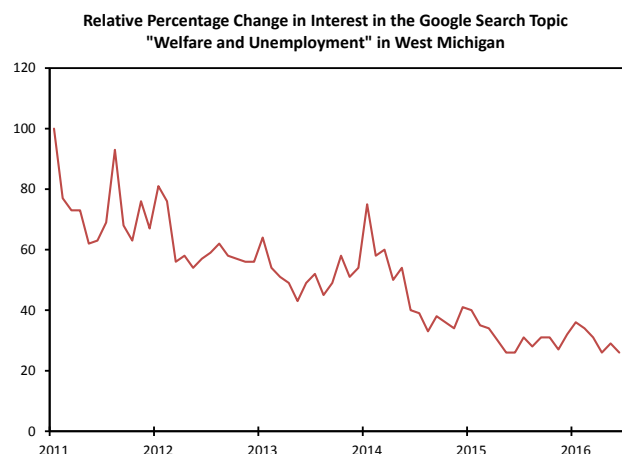
<sup>a</sup> Information employment data are not available for Battle Creek MSA.

<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.

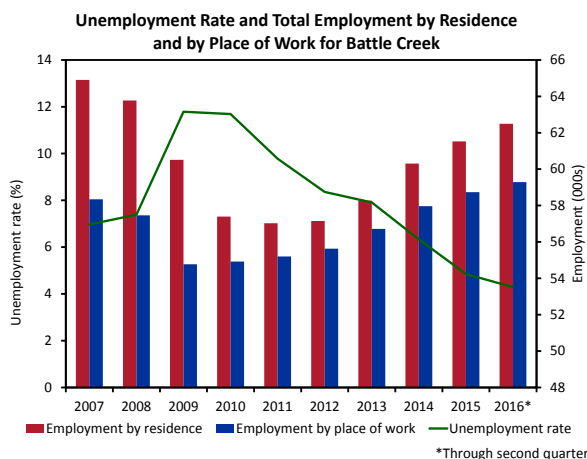
The figure below shows the Google search index for the terms “welfare” and “unemployment” across west Michigan. The index is not seasonally adjusted and tends to rise around the start of the new year; it hits its lowest point in midsummer. The industry trend has remained steady over the past year. The search index suggests that people in west Michigan are not particularly concerned about losing their jobs, compared to how they felt about such concerns in 2011.

The region’s economic indicators are positive, suggesting that employment conditions will be solid into the next quarter. The rate of new claims for unemployment insurance fell by 2.2 percent along with the modest dip in the unemployment rate. The rate of new home construction picked up by a robust 40 percent during the second quarter and by 58.9 percent from the second quarter of 2015.



## Losses in Goods-Producing Employment Cancel Out Gains in Government

Employment in the Battle Creek MSA was essentially unchanged, increasing by 20 jobs or 0.03 percent. Services employment was unchanged over the quarter and goods-producing employment dropped, while government employment grew. The unemployed rate ticked down slightly, from 4.3 in the first quarter to 4.2 in the second quarter of 2016. The area's economic indicators were mixed, suggesting little change into the next quarter.



The figure above depicts how unemployment (green line) has continued to drop and how employment by residence and by place of work (red and blue bars) have continued to rise ever since the end of the Great Recession. The unemployment rate, which was 7.0 percent in 2007, shot up to nearly 12 percent in 2009 and 2010 but has now fallen to 4.3 percent. However, employment by place of residence is still down about 2,400 jobs from where it was at the beginning of the recession, suggesting that the drop in unemployment is partly from labor force declines and partly from job gains. Conversely, employment by place of work has risen by nearly 1,000 jobs over its level in 2007, meaning that Calhoun County employers have replaced—at least in terms of numbers—all of the jobs lost during the Great Recession and then some.

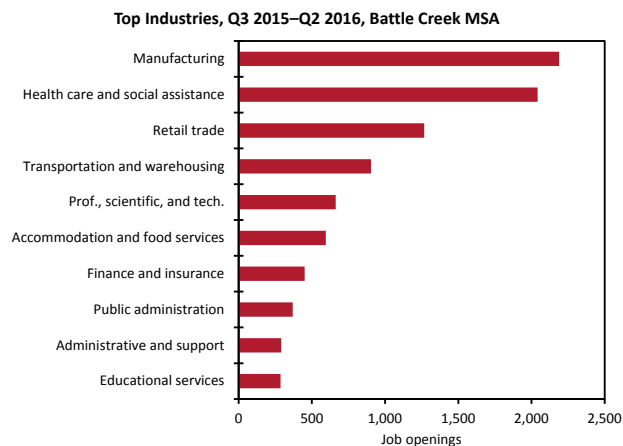
Goods-producing employment fell by 0.2 percent, pushed down by employment declines in construction and nondurable goods during the second quarter of 2016. Durable goods employment increased by 0.7 percent, or 70 jobs. However, nondurable goods offset that growth, falling by 80 jobs.

Last quarter, we reported that Denso shipped some jobs to Mexico. This quarter, Denso has announced a \$37 million investment in new machinery and 125 new jobs at its Battle Creek plant. Asmo, a windshield washer systems manufacturer, is expanding in Battle Creek and will create 30 jobs on top of its existing 280. In Coldwater, there were two major announcements over the quarter: Sport Truck USA is adding 129 jobs to the area, and Schmitz Foam Products is creating a North American headquarters, adding 39 jobs to the area.

Private service-providing employment was unchanged during the quarter because of offsetting employment changes in sector industries. Professional and business services and education and health services increased by 120 and 110 jobs, respectively. However, leisure and hospitality employment fell by 120 jobs. Other industries fell by lesser amounts but, overall, employment in services was flat through the second quarter. Over the past 12 months, services employment increased by 1.0 percent. Similarly to quarterly growth, annual growth was led by education and health services, which was followed closely behind by professional and business services. While retail employment fell during the second quarter, the industry remains 1.9 percent above the second quarter of 2015.

Government employment increased by 40 jobs, or 0.4 percent. Battle Creek Public Schools laid off nine staff members, including four teachers, because of declining enrollment.

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 we examine the top industries for posted jobs in the last year, from third quarter 2015 through second quarter 2016. Manufacturing had the largest number of postings, with health care a close second. Over the past 12 months these sectors posted some of the largest gains. Durable goods manufacturing employment grew by 3.8 percent, and education and health care grew by 2.4 percent. Professional and business services employment grew by 3.8 percent over the year but was in the middle of the pack for total job openings. Retail trade had the third-highest number of job postings over the year, along with a 1.9 percent growth in industry employment.



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were mixed in the second quarter of 2016, suggesting flat employment conditions persisting into the next quarter. Initial claims for unemployment insurance fell by 7.5 percent, along with a slight dip in the unemployment rate. However, the rate of new-dwelling-unit construction also fell, by 15.2 percent. Construction employment contracted by 1.2 percent during the second quarter.

**Battle Creek MSA**  
(seasonally adjusted)

Measure	2016 Q2	2016 Q1	% change, Q1 to Q2	2015 Q2	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	58,750	58,730	0.0	58,290	0.8
Goods-producing	13,790	13,820	-0.2	13,660	1.0
Construction and mining	1,630	1,650	-1.2	1,690	-3.6
Manufacturing	12,160	12,170	-0.1	11,970	1.6
Durable goods	9,870	9,800	0.7	9,510	3.8
Nondurable goods	2,290	2,370	-3.4	2,460	-6.9
Private service-providing <sup>a</sup>	34,540	34,530	0.0	34,200	1.0
Trade, transportation, and utilities	9,430	9,480	-0.5	9,430	0.0
Retail trade	5,800	5,820	-0.3	5,690	1.9
Financial activities	1,290	1,320	-2.3	1,290	0.0
Professional and business services	6,320	6,200	1.9	6,090	3.8
Educational and health services	10,930	10,820	1.0	10,670	2.4
Leisure and hospitality	4,570	4,690	-2.6	4,660	-1.9
Other services	2,000	2,020	-1.0	2,060	-2.9
Government	10,420	10,380	0.4	10,430	-0.1
<b>Unemployment</b>					
Number unemployed	2,750	2,870	-4.2	3,320	-17.2
Unemployment rate (%)	4.2	4.3		5.2	
<b>Local indexes</b>					
UI initial claims	111	120	-7.5	118	-5.9
New dwelling units <sup>b</sup>	39	46	-15.2	43	-9.3

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, Fourth Quarter to Fourth Quarter**  
(not seasonally adjusted)

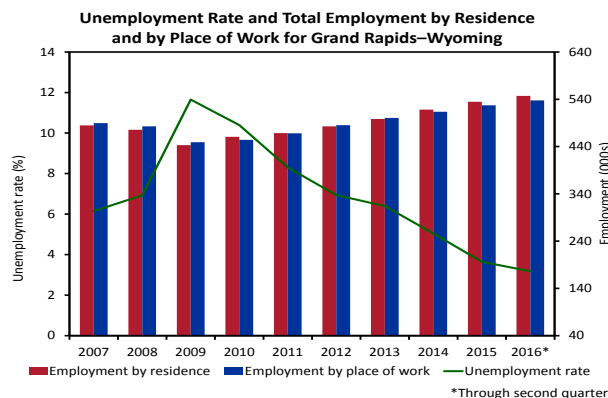
Industry	2015 Q4	2014 Q4	Percent change	Industry	2015 Q4	2014 Q4	Percent change
<b>Goods-producing</b>				Arts, entertainment, and recreation	500	470	6.4
Food manufacturing	1,360	1,420	-4.2	Accommodation and food services	4,050	3,970	2.0
Fabricated metal products mfg.	2,570	2,010	27.9	Food services and drinking places	3,530	3,640	-3.0
Transportation equipment mfg.	5,540	5,400	2.6				
<b>Private service-providing</b>				<b>Government</b>			
Professional and technical services	2,510	2,490	0.8	Federal government	2,960	2,850	3.9
Administrative and support services	2,450	2,760	-11.2	State government	460	450	2.2
Educational services	1,160	1,190	-2.5	Local government	6,960	7,030	-1.0
Health care and social assistance	9,270	9,110	1.8				
Ambulatory health care services	2,730	2,730	0.0				

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

# GRAND RAPIDS–WYOMING MSA

## Sizable Growth of Services Sector Leads to Solid Employment Bump

*Nonfarm employment in the Grand Rapids–Wyoming MSA grew by a solid 0.7 percent in the second quarter of 2016, led by the professional and business services industry. The unemployment rate ticked down slightly, from 3.2 in the first quarter to 3.1 in the second. The area's economic indicators were positive, suggesting employment growth into the next quarter.*



The figure above shows how the unemployment rate (green line) continues to tumble from its peak in 2009, when the Great Recession ended. The red and blue bars illustrate that by 2013 employment—both by place of work and by place of residence—had fully recovered from the job losses of the recession. In fact, currently, there are some 62,000 more employed residents of the Grand Rapids MSA than there were in 2007. Moreover, the unemployment rate is three full points lower, having fallen from 6.2 percent in 2007 to 3.2 percent through the first half of 2016.

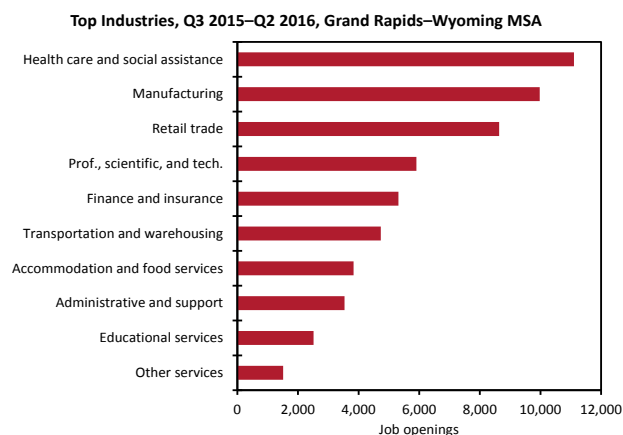
Goods-producing employment was essentially unchanged, falling by 0.1 percent, or 160 jobs. Gains in construction and mining employment were nearly offset by declines in durable goods manufacturing. Construction posted a 3.2 percent gain, or 660 jobs. Durable goods manufacturers shed 0.6 percent, or 490 jobs. Nondurable goods employment was flat over the quarter. In spite of the quarterly losses, durable goods manufacturing remains 3.9 percent above where it was in the second quarter of 2015. Across Grand Rapids, plans for new housing continue unabated. Announcements include 80 units on the west side, a 12-story affordable housing building in downtown, and 100 new units as part of the B.O.B. (“Big Old Building,” a dining and entertainment complex on Monroe Street) expansion. Stikwood, a producer of wood planking for interior design, has announced plans to add a production facility in Kentwood employing 73 workers over the next three years. Auto supplier Shipson Aluminum Technologies is expanding in Spring Lake Township and creating 114 new jobs. Kent Quality Foods will hire 140 new workers as part of a \$35 million expansion at a new facility in Hudsonville. Not all the news was good, however, as Bosch Emissions Systems announced 150 layoffs.

Private service-providing employment increased by 1.0 percent over the second quarter of 2016. Employment gains

were led by a sizable growth of 4.8 percent, or 3,540 jobs, in professional and business services. The professional and business services industry encompasses temporary staffing agencies; therefore, growth in that industry may actually suggest growth in the industries in which temporary workers are placed. Employment growth in education and health services placed a distant second, increasing by 1.0 percent or 860 jobs. The leisure and hospitality sector fell by 2.1 percent, or more than 1,000 jobs, over the quarter. However, the industry remains 3.4 percent above its employment level for the same quarter in 2015. The brewpub boom continues, as New Holland Brewing hired 150 workers for its Knickerbocker brewpub.

Government employment rose by 70 jobs, which represents a 0.2 percent increase.

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 we examine the top industries for posted jobs in the last year, from the third quarter of 2015 through the second quarter of 2016. Educational and health services had the most postings over the last year and also posted the second-largest job gain of any sector over the year. The manufacturing industry had the second highest number of job postings and the largest total job gain over the last year. Retail employment had the third-largest number of job postings. While it might be assumed that the job postings in retail were for replacements, as retail is a high-turnover industry, retail employment overall grew by 3.0 percent, or 1,460 jobs, from the third quarter of 2015 through the second quarter of 2016.



SOURCE: Burning Glass International Inc. (2016).

The region's economic indicators were positive during the second quarter, suggesting continued job growth into the next quarter. New claims for unemployment insurance fell by 0.7 percent over the quarter. The rate of new home construction picked up by 57.1 percent, along with a 3.2 percent gain in construction employment.

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

Measure	2016 Q2	2016 Q1	% change, Q1 to Q2	2015 Q2	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	539,710	535,800	0.7	525,050	2.8
Goods-producing	132,410	132,250	0.1	127,790	3.6
Construction and mining	21,570	20,910	3.2	20,730	4.1
Manufacturing	110,840	111,340	-0.4	107,060	3.5
Durable goods	78,380	78,870	-0.6	75,430	3.9
Nondurable goods	32,460	32,470	0.0	31,630	2.6
Private service-providing	361,160	357,480	1.0	351,610	2.7
Trade, transportation, and utilities	96,080	95,900	0.2	93,690	2.6
Transportation and utilities	14,950	14,970	-0.1	14,750	1.4
Wholesale trade	30,650	31,000	-1.1	29,920	2.4
Retail trade	50,480	49,930	1.1	49,020	3.0
Information	5,160	5,140	0.4	5,190	-0.6
Financial activities	25,290	25,220	0.3	24,450	3.4
Professional and business services	76,670	73,130	4.8	75,410	1.7
Educational and health services	88,310	87,450	1.0	85,200	3.7
Leisure and hospitality	47,780	48,820	-2.1	46,200	3.4
Other services	21,870	21,820	0.2	21,470	1.9
Government	46,140	46,070	0.2	45,650	1.1
<b>Unemployment</b>					
Number unemployed	17,820	18,180	-2.0	21,740	-18.0
Unemployment rate (%)	3.1	3.2		3.9	
<b>Local indexes</b>					
UI initial claims	562	566	-0.7	569	-1.2
New dwelling units <sup>a</sup>	5,689	3,621	57.1	3,446	65.1

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 & 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, Fourth Quarter to Fourth Quarter**  
(not seasonally adjusted)

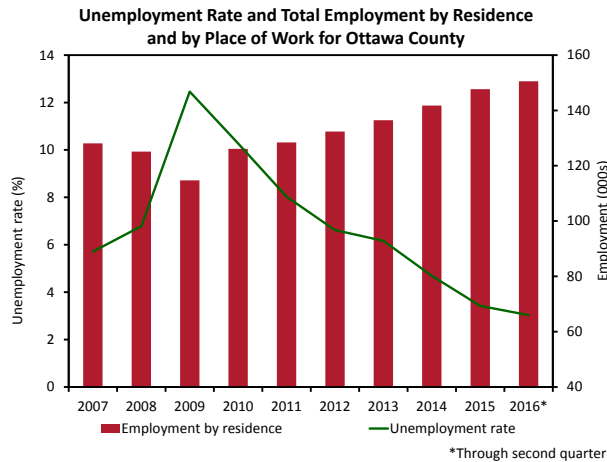
Industry	2015 Q4	2014 Q4	Percent change	Industry	2015 Q4	2014 Q4	Percent change
<b>Goods-producing</b>				Health care and social assistance	70,200	57,940	21.2
Food manufacturing	10,640	6,730	58.1	Ambulatory health care services	21,270	17,180	23.8
Chemical manufacturing	4,350	3,540	22.9	Hospitals	27,080	24,110	12.3
Plastics and rubber products mfg.	10,420	7,470	39.5	Arts, entertainment, and recreation	5,070	4,080	24.3
Fabricated metal products mfg.	13,890	7,650	81.6	Accommodation and food services	40,770	30,140	35.3
Machinery manufacturing	12,960	9,600	35.0	Food services and drinking places	36,950	27,050	36.6
Transportation equipment mfg.	17,750	14,850	19.5	<b>Government</b>			
Furniture and related products mfg.	12,010	6,050	98.5	Federal government	3,240	3,110	4.2
<b>Private service-providing</b>				State government	5,810	2,990	94.3
Professional and technical services	19,930	15,830	25.9	Local government	35,190	26,370	33.4
Administrative and support services	54,410	49,350	10.3				
Educational services	13,250	10,610	24.9				

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



## Widespread Job Gains Help Holland Lower Unemployment Rate to 3.0 Percent

*Nonfarm employment increased by 1.0 percent during the fourth quarter of 2015, with gains in nearly every industry. In the second quarter of 2016, the county's unemployment rate fell to 3.0 percent from 3.1 percent in the first quarter. The county's economic indicators were positive, suggesting continued job growth into the next quarter.*



Employment by place of residence in Ottawa County recovered quickly from the Great Recession, which lasted from December 2007 through May 2009. The figure above shows employment (red bars) bouncing back by 2011 and rising steadily through the present. As the figure also depicts, the unemployment rate (green line) reached 12.5 at the height of the recession but stands at 3.0 for the first half of this year.

The unemployment rate fell slightly over the second quarter from 3.1 to 3.0. The dip was part of an overall labor force decline. The number of unemployed fell by 1.7 percent. The figure above shows employment by place of residence declining by 0.3 percent, the first time that employment has fallen since 2009.

Goods-producing employment increased by a robust 2.6 percent over its level in the fourth quarter of 2015. Manufacturing increased by 2.5 percent, or 960 jobs, over the quarter. Manufacturing is also up by a staggering 8.2 percent from the fourth quarter of 2014. Construction and mining grew by 3.2 percent, or 280 jobs, in the fourth quarter of 2015. JR Automation Technologies, which produces equipment for a wide variety of industries, is adding a new plant in Holland, which will create 250 jobs over the next year. Coastal Automotive, from Rochester Hills, is expanding into Holland; it has plans to create 150 new jobs over the next three years. Kraft Heinz is expanding its operations in Holland, creating 50 new jobs to produce Grey Poupon mustard.

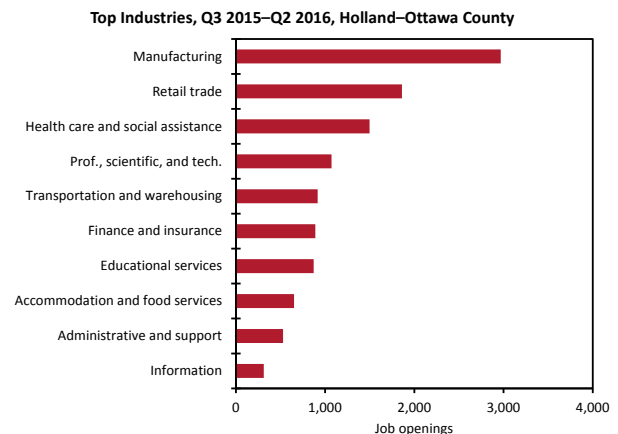
Private service-employment increased by a modest 0.2 percent. Growth in services was driven by a 1.6 percent increase in leisure and hospitality employment, a rise of 160 jobs. Professional and business services fell by 1.5 percent, or

180 jobs, over what it had been in the fourth quarter. Hilton has announced plans for construction of a new extended-stay hotel just north of Holland.

The employment table shows nonfarm employment, so changes in agricultural employment are not reflected in the data. However, news stories announced that Zelenka Farms may close, which would mean the loss of employment for 300 workers.

Government employment fell by 110 jobs, 0.8 percent, during the fourth quarter, and by 2.8 percent over the previous year. Budget constraints from falling enrollment in the Holland School District have forced the layoff of nine teachers.

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 we look at the top industries for posted jobs in the last year, from the third quarter of 2015 through the second quarter of 2016. Manufacturing was far and away the largest industry for job postings over the year. While the industry data is lagged and the time periods do not match, employment growth suggests that the manufacturing sector remains strong in Ottawa County.



SOURCE: Burning Glass International Inc. (2016).

The county's economic indicators were positive in the second quarter, indicating strong employment conditions into the next quarter. The rate of new unemployment insurance claims fell by 2.7 percent. The pace of new-dwelling-unit construction increased by 60.3 percent over the quarter. Construction is also up by 110.5 percent from the second quarter of 2015.

**Holland–Ottawa County**  
(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	120,560	119,340	1.0	117,010	3.0
Goods-producing	48,550	47,310	2.6	45,440	6.8
Construction and mining	9,110	8,830	3.2	8,980	1.4
Manufacturing	39,440	38,480	2.5	36,460	8.2
Private service–providing	58,040	57,950	0.2	57,200	1.5
Trade, transportation, and utilities	17,300	17,330	–0.2	17,100	1.2
Information	750	730	2.7	740	1.4
Financial activities	3,220	3,170	1.6	3,130	2.9
Professional and business services	11,950	12,130	–1.5	11,900	0.4
Educational and health services	11,000	10,930	0.6	10,670	3.1
Leisure and hospitality	10,280	10,120	1.6	10,240	0.4
Other services	3,540	3,540	0.0	3,420	3.5
Government	13,970	14,080	–0.8	14,370	–2.8
Measure	2016 Q2	2016 Q1	% change, Q1 to Q2	2015 Q2	% change, Q2 to Q2
<b>Unemployment</b>					
Number unemployed	4,630	4,710	–1.7	5,600	–17.3
Unemployment rate (%)	3.0	3.1		3.7	
<b>Local indexes</b>					
UI initial claims	143	147	–2.7	148	–3.4
New dwelling units <sup>a</sup>	2,063	1,287	60.3	980	110.5

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, Fourth Quarter to Fourth Quarter**  
(not seasonally adjusted)

Industry	2015 Q4	2014 Q4	Percent change	Industry	2015 Q4	2014 Q4	Percent change
<b>Goods-producing</b>				Health care and social assistance	8,810	8,550	3.0
Food manufacturing	4,640	4,290	8.2	Ambulatory health care services	3,500	3,430	2.0
Fabricated metal products mfg.	6,130	6,010	2.0	Arts, entertainment, and recreation	770	780	–1.3
Machinery manufacturing	3,000	2,580	16.3	Accommodation and food services	9,220	9,200	0.2
Transportation equipment mfg.	4,710	4,610	2.2	Food services and drinking places	8,560	8,570	–0.1
Furniture and related products mfg.	5,800	5,510	5.3	<b>Government</b>			
<b>Private service–providing</b>				Federal government	390	390	0.0
Professional and technical services	3,780	3,720	1.6	State government	—	3,860	—
Administrative and support services	8,110	8,040	0.9	Local government	10,510	10,610	–0.9
Educational services	2,350	2,270	3.5				

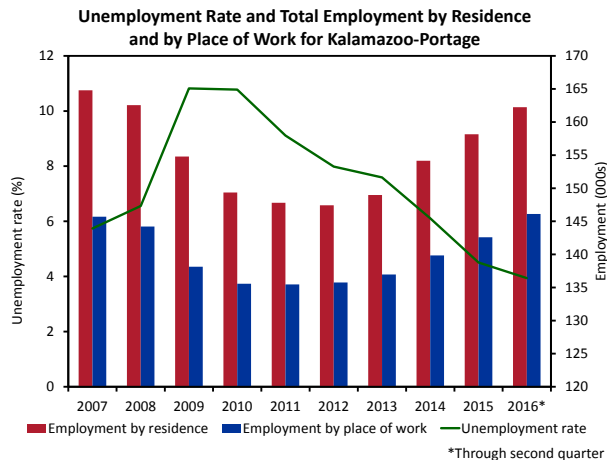
SOURCE: Michigan Department of Technology, Management and Budget, QCEW/ES-202 data.

— = data not available.



## Mixed Industry Growth Leaves Employment Essentially Unchanged

*Nonfarm employment in the Kalamazoo-Portage MSA was essentially unchanged in the second quarter, falling by 40 jobs, or  $-0.03$  percent, because of mixed industry growth. The unemployment rate fell slightly over the quarter, from 4.0 percent to 3.9 percent. The area's economic indicators were mixed, suggesting flat employment conditions into the third quarter.*



The figure above shows that employment by place of residence (red bars) still has not fully recovered from the Great Recession, which lasted from December 2007 through May 2009; it currently sits at 162,000, some 2,500 fewer than nine years ago. Employment by place of work (blue bars) recovered only during the first half of this year, and now has reached 146,000, about 400 above its level in 2007. The unemployment rate (green line) has fallen considerably below the 2007 level—from 5.7 percent then to 3.9 percent now—even though there are fewer employed residents than in 2007. This suggests a smaller labor force overall.

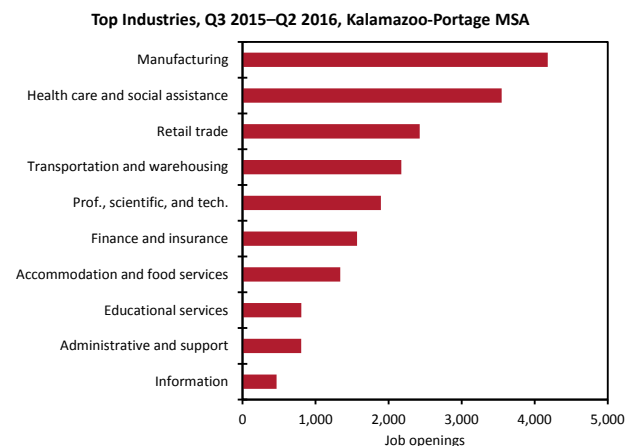
Goods-producing employment increased by 0.6 percent during the second quarter. Growth in the sector came from a 2.7 percent increase in durable goods manufacturing, 330 jobs. Nondurable goods production fell by 0.7 percent. Construction and mining employment fell by 100 jobs, or 1.7 percent, over the quarter. While the quarter was lackluster, the goods-producing sector remains 2.8 percent above the second quarter of 2015. Pfizer announced plans for a \$145 million expansion that will create 15 new jobs and help ensure the retention of another 26 jobs. TecNiq is expanding its LED production operations in Comstock Township, creating 120 new jobs. Although Albemarle Corporation had previously announced that it would close its plant in South Haven, it now has rescinded that order, and the 160 jobs in chemical manufacturing will remain.

Private service-providing employment posted a rough quarter, falling by 0.6 percent, with losses coming from the retail and hospitality industries. Retail employment shed 1.8 percent, 290 jobs, over the quarter. Retail remains 3.5 percent

above its level for the second quarter of 2015. Leisure and hospitality employment fell by 1.6 percent. Hanson Logistics has announced 200 new jobs in fruit processing and cold storage. Ziegler Motorsports has increased its employment from 25 to 45 workers. OptiMed Specialty Pharmacy in Kalamazoo will construct a new headquarters in Oshtemo Township, which will add 80 new jobs. Plans are underway to develop the former PNC building in downtown Kalamazoo into apartments, a fitness center, and commercial space, all of which is expected to create 50 jobs.

Balancing out the mixed quarter, government employment increased by 1.6 percent, or 340 jobs.

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 we examine the top industries for posted jobs in the last year, from the third quarter of 2015 through the second quarter of 2016. Manufacturing jobs had the largest number of job postings over the year, with health care close behind. However, both manufacturing and health care experienced only modest employment gains over the year, suggesting that the job postings had been for replacements rather than new positions. Retail employment had the third-largest number of job postings, but there were actually more new retail jobs added than health care or manufacturing jobs during the year.



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators were mixed, projecting continued flat employment conditions into the next quarter. The rate of initial unemployment claims increased by 7.9 percent over the quarter and by 12.3 percent over the year. The rate of new-dwelling-unit construction increased by 5.2 percent over the quarter.

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

Measure	2016 Q2	2016 Q1	% change, Q1 to Q2	2015 Q2	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	146,190	146,230	0.0	142,860	2.3
Goods-producing	27,270	27,100	0.6	26,520	2.8
Construction and mining	5,860	5,960	-1.7	5,460	7.3
Manufacturing	21,410	21,140	1.3	21,060	1.7
Durable goods	12,630	12,300	2.7	12,320	2.5
Nondurable goods	8,780	8,840	-0.7	8,740	0.5
Private service-providing	97,280	97,830	-0.6	95,260	2.1
Trade, transportation, and utilities	26,270	26,640	-1.4	25,980	1.1
Transportation and utilities	3,420	3,420	0.0	3,380	1.2
Wholesale trade	6,750	6,830	-1.2	7,040	-4.1
Retail trade	16,100	16,390	-1.8	15,560	3.5
Information	990	970	2.1	950	4.2
Financial activities	8,450	8,420	0.4	8,180	3.3
Professional and business services	17,080	17,050	0.2	16,260	5.0
Educational and health services	23,000	23,010	0.0	22,600	1.8
Leisure and hospitality	15,720	15,980	-1.6	15,450	1.7
Other services	5,770	5,760	0.2	5,840	-1.2
Government	21,640	21,300	1.6	21,080	2.7
<b>Unemployment</b>					
Number unemployed	6,530	6,710	-2.7	7,980	-18.2
Unemployment rate (%)	3.9	4.0		4.8	
<b>Local indexes</b>					
UI initial claims	164	152	7.9	146	12.3
New dwelling units <sup>a</sup>	813	773	5.2	563	44.4

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, Fourth Quarter to Fourth Quarter**  
(not seasonally adjusted)

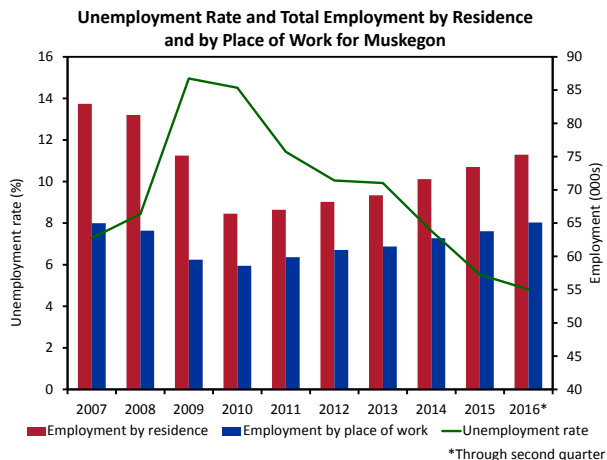
Industry	2015 Q4	2014 Q4	Percent change	Industry	2015 Q4	2014 Q4	Percent change
<b>Goods-producing</b>				Health care and social assistance	19,630	19,270	1.9
Food manufacturing	1,430	1,470	-2.7	Ambulatory health care services	6,630	6,230	6.4
Paper manufacturing	1,880	1,760	6.8	Hospitals	6,650	6,640	0.2
Fabricated metal products mfg.	1,860	1,780	4.5	Arts, entertainment, and recreation	1,620	1,630	-0.6
Machinery manufacturing	2,220	2,240	-0.9	Accommodation and food services	13,370	13,280	0.7
Transportation equipment mfg.	2,200	2,040	7.8	Food services and drinking places	11,950	11,940	0.1
<b>Private service-providing</b>				<b>Government</b>			
Professional and technical services	5,150	5,220	-1.3	Federal government	800	870	-8.0
Administrative and support services	8,550	9,160	-6.7	State government	4,440	4,420	0.5
Educational services	2,235	2,310	-3.2	Local government	12,440	12,750	-2.4

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

# MUSKEGON-NORTON SHORES MSA

## Manufacturing Employment Makes Strong Showing

*Nonfarm employment in Muskegon increased by a modest 0.5 percent in the second quarter, driven by goods-producing employment. The unemployment rate held steady at 4.8 percent. The area's economic indicators were mixed, suggesting flat employment conditions into the next quarter.*



The figure above shows that employment by place of residence (red bars) still has not recovered from the Great Recession (December 2007 through May 2009); it now stands at 75,000, some 7,600 below where it was nine years ago. Employment by place of work (blue bars) finally did recover during the first half of this year; at 65,000, it is very close to its level in 2007. The unemployment rate (green line) has fallen well below the level of 2007, from 7.3 percent then to 4.8 percent now, suggesting that labor force participation has declined.

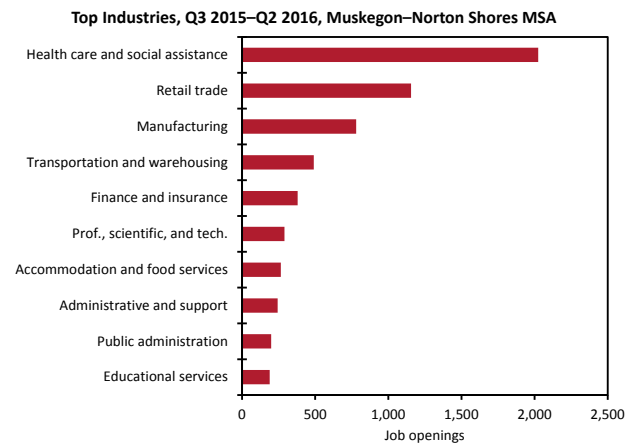
Goods-producing employment increased by 2.8 percent on a strong showing from manufacturing employment. The manufacturing industry increased by 3.0 percent, or 420 jobs, over the second quarter. Construction employment increased by 1.4 percent, both over its level for the first quarter of 2016 and since the second quarter of 2015. Hiring news this month was modest. Rather than major announcements, the news was in job fairs hiring workers in industries ranging from stamping to government. Construction news includes plans for a 300-unit housing development connected to the announced casino planned in Fruitport Township.

Private service-providing employment fell by 120 jobs, or 0.3 percent, over the quarter. Retail trade posted the largest losses, shedding 90 jobs, 0.8 percent, over the quarter. Other industry employment changes were more modest. No industry gained or lost more than 40 jobs over the quarter. Education and health services gained 40 jobs, 0.4 percent, during the second quarter, but despite this remains 3.3 percent below the second quarter of 2016. While brewpubs had been the trend in new restaurants, the latest announcement is for a rum distillery with a tasting room and restaurant. Also, a multi-use indoor entertainment facility is planned for the vacated Shaw-

Walker Co. building in Muskegon. The facility will include dining, bowling, and other entertainment options and is expected to employ 125 people.

The public sector shed 30 jobs, 0.4 percent, over the second quarter. However, government employment remains 1.0 percent above the second 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 we examine the top industries for posted jobs in the past year, from the third quarter of 2015 through the second quarter of 2016. The health care industry posted the largest number of jobs over the year, in spite of industry employment falling by 3.3 percent. The discrepancy suggests that health care job postings are for replacement jobs, rather than new positions. Retail employment likewise fell over the year, but it had the second-largest number of online postings. However, retail is considered a high-turnover industry. Manufacturing employment, which gained 5.9 percent over the year, had fewer than half the number of job postings of health care, suggesting that manufacturers in Muskegon do not use online sources as readily for hiring.



SOURCE: Burning Glass International Inc. (2016).

The area's economic indicators are mixed this quarter, suggesting flat employment conditions into the next quarter. Along with a 1.8 percent decline in the unemployed population, the rate of initial unemployment claims fell by 11.2 percent. The rate of new home construction fell by 31.1 percent over the quarter, to an annualized rate of 188 units per year.

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

Measure	2016 Q2	2016 Q1	% change, Q1 to Q2	2015 Q2	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	65,260	64,960	0.5	63,980	2.0
Goods-producing	16,460	16,010	2.8	15,630	5.3
Construction and mining	2,110	2,080	1.4	2,080	1.4
Manufacturing	14,350	13,930	3.0	13,550	5.9
Private service–providing	41,440	41,560	–0.3	41,060	0.9
Trade, transportation, and utilities	14,090	14,210	–0.8	13,560	3.9
Retail trade	10,950	11,040	–0.8	10,920	0.3
Information	800	810	–1.2	800	0.0
Financial activities	1,880	1,920	–2.1	1,780	5.6
Professional and business services	3,800	3,780	0.5	3,830	–0.8
Educational and health services	11,280	11,240	0.4	11,660	–3.3
Leisure and hospitality	7,160	7,160	0.0	7,030	1.8
Other services	2,430	2,440	–0.4	2,400	1.3
Government	7,360	7,390	–0.4	7,290	1.0
<b>Unemployment</b>					
Number unemployed	3,770	3,840	–1.8	4,610	–18.2
Unemployment rate (%)	4.8	4.8		5.9	
<b>Local indexes</b>					
UI initial claims	158	178	–11.2	199	–20.6
New dwelling units <sup>a</sup>	188	273	–31.1	171	9.9

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.

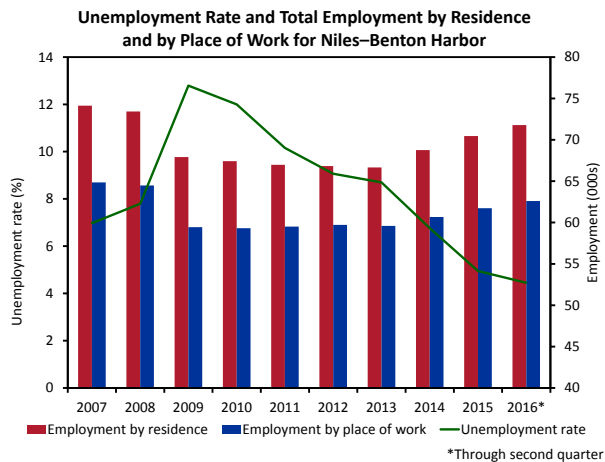
**Muskegon–Norton Shores MSA**  
**Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter**  
(not seasonally adjusted)

Industry	2015 Q4	2014 Q4	Percent change	Industry	2015 Q4	2014 Q4	Percent change
<b>Goods-producing</b>				Health care and social assistance	10,270	10,280	–0.1
Primary metal manufacturing	3,870	3,980	–2.8	Ambulatory health care services	3,120	3,180	–1.9
Fabricated metal products mfg.	2,610	2,960	–11.8	Arts, entertainment, and recreation	590	680	–13.2
Machinery manufacturing	1,320	1,430	–7.7	Accommodation and food services	5,770	5,740	0.5
Transportation equipment mfg.	1,700	960	77.1	Food services and drinking places	5,440	5,450	–0.2
<b>Private service–producing</b>				Government			
Professional and technical services	990	970	2.1	Federal government	340	330	3.0
Administrative and support services	2,600	2,800	–7.1	State government	950	890	6.7
Educational services	770	810	–4.9	Local government	5,880	6,170	–4.7

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

## Decline in Services Employment Produces Slight Drop Overall

Total employment in the Niles-Benton Harbor MSA fell by 0.2 percent, or 100 jobs, in the second quarter of 2016. Employment was pushed downward by a decline in professional and business services. The area's unemployment rate fell slightly, from 4.5 percent in the first quarter to 4.4 in the second quarter of 2016. The area's economic indicators are mixed, suggesting continued flat employment conditions for the next quarter.



The figure shows that while the unemployment rate (green line) is falling, the number of employed residents (red bars) in the first half of 2016 is lower than in 2007. The Great Recession began in December 2007 and lasted through May 2009. The largest losses were from 2008 to 2009, but employment by place of residence fell slightly every year through 2013 in the Niles-Benton Harbor MSA, eventually shedding over 7,400 jobs. Currently employment by residence remains more than 2,300 people lower in 2016 than it was in 2007. Employment by place of work (blue bars) is also lower by about 2,200 people.

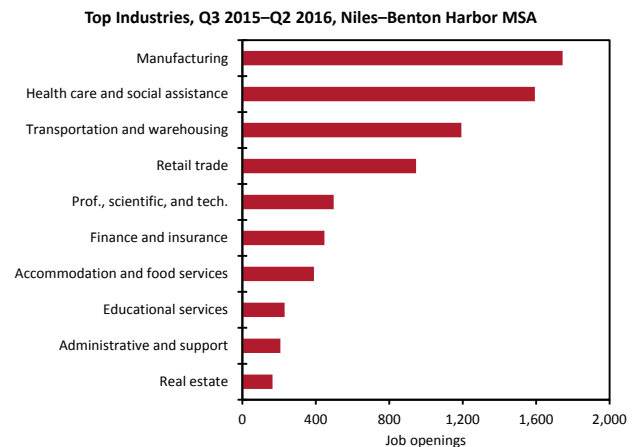
Manufacturing accounted for the gains in the goods-producing sector. Area manufacturers added 270 workers, 2.0 percent over the second quarter. Construction and mining employment fell by 2.1 percent over the quarter but remained 0.5 percent above where it was in the second quarter of 2015. There was little news regarding new hires or layoffs in the area. However, the unmet need for skilled workers may still be holding manufacturers back from hiring. Kinexus, the local Michigan Works! organization, recently completed a survey of area manufacturing. The survey found that a third of area manufacturers cited a lack of suitable applicants as a problem.

The services sector shed 330 jobs over the quarter, largely because of a 260-job decline in professional and business services. This industry contains temporary staffing agencies, and a decline may indicate that employers are laying off temps, or it may indicate that temporary workers are being

hired into the firms in which they had been placed and, once hired, are then reclassified into that industry. Retail trade fell by 1.3 percent, or 90 jobs, over the quarter. Education and health services fell by 0.9 percent over the quarter. The job loss returned the industry employment total to 9,080, the same as in the second quarter of 2015.

Government employment was unchanged both over the quarter and over the past year. The public sector stands firm at 8,700 employed. However, this situation may change in the next quarter, as Benton Harbor schools laid off 43 staff, including 13 teachers, in June.

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 we examine the top industries for posted jobs in the last year, from the third quarter of 2015 through the second quarter of 2016. Manufacturing had the largest amount of job growth, followed by health care and transportation. Manufacturing also had sizable employment growth over the same period—3.5 percent, or 460 jobs. However, in spite of the large amount of job postings, the education and health care employment level remains the same as for the second quarter of 2015. This discrepancy suggests that health care job postings were for replacement workers rather than new positions. Retail employment grew by 3.2 percent, and the industry posted the fourth-largest number of ads online over the past 12 months.



SOURCE: Burning Glass International Inc. (2016).

The economic indicators were mixed in the second quarter, suggesting that employment conditions will be flat next quarter. The rate of new home construction fell over the quarter by 12.6 percent, along with a 2.1 percent drop in construction employment. The rate of initial unemployment insurance claims fell by 3.6 percent.



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

Measure	2016 Q2	2016 Q1	% change, Q1 to Q2	2015 Q2	% change, Q2 to Q2
<b>Employment (by place of work)</b>					
Total nonfarm employment	62,610	62,710	–0.2	61,560	1.7
Goods-producing	15,310	15,080	1.5	14,840	3.2
Construction and mining	1,860	1,900	–2.1	1,850	0.5
Manufacturing	13,450	13,180	2.0	12,990	3.5
Private service–providing	38,600	38,930	–0.8	38,020	1.5
Trade, transportation, and utilities	11,270	11,350	–0.7	10,670	5.6
Retail trade	6,760	6,850	–1.3	6,550	3.2
Information	500	510	–2.0	500	0.0
Financial activities	2,330	2,300	1.3	2,230	4.5
Professional and business services	5,320	5,580	–4.7	5,950	–10.6
Educational and health services	9,080	9,160	–0.9	9,080	0.0
Leisure and hospitality	7,900	7,790	1.4	7,230	9.3
Other services	2,200	2,240	–1.8	2,360	–6.8
Government	8,700	8,700	0.0	8,700	0.0
<b>Unemployment</b>					
Number unemployed	3,280	3,410	–3.8	3,910	–16.1
Unemployment rate (%)	4.4	4.5		5.3	
<b>Local indexes</b>					
UI initial claims	107	111	–3.6	102	4.9
New dwelling units <sup>a</sup>	221	253	–12.6	150	47.3

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.

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

Industry	2015 Q4	2014 Q4	Percent change	Industry	2015 Q4	2014 Q4	Percent change
<b>Goods-producing</b>				Health care and social assistance	7,630	7,380	3.4
Primary metal manufacturing	1,350	1,280	5.5	Ambulatory health care services	2,430	2,350	3.4
Fabricated metal products mfg.	1,960	1,870	4.8	Arts, entertainment, and recreation	700	720	–2.8
Machinery manufacturing	1,530	1,560	–1.9	Accommodation and food services	6,190	5,900	4.9
Transportation equipment mfg.	1,280	1,290	–0.8	Food services and drinking places	5,430	5,200	4.4
<b>Private service–providing</b>				<b>Government</b>			
Professional and technical services	1,390	1,390	0.0	Federal government	310	310	0.0
Administrative and support services	4,700	4,380	7.3	State government	380	360	5.6
Educational services	1,350	1,380	–2.2	Local government	7,660	7,830	–2.2

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

## PURCHASING MANAGERS INDEX

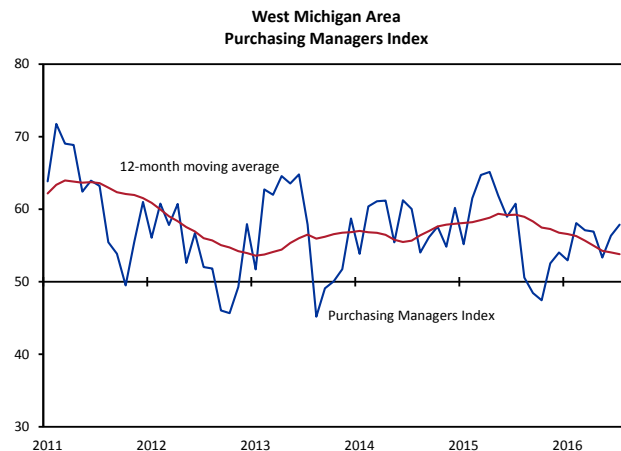
“Back on track” and “a little stronger” are two comments from the latest batch of surveys that company officials returned to Brian Long, director of the Institute of Supply Management at Grand Valley State University. Through July, the index has been above 50, meaning the manufacturing industry is growing. For many months, the surveys have shown the manufacturing sector to be flat or slow-growing at best. However, in the July survey, index items “new orders,” “production,” and “purchases” rose.

According to Long, “the anecdotal comments from the survey participants are generally optimistic.” Besides the two comments quoted above, other comments from survey respondents included “Business is BOOMING here . . . every month is a sales record” and “Things are picking up.”

More specifically, industry news included the following: the furniture industry was stable in the second quarter, and, in spite of slowing national auto sales, regional auto suppliers are still going strong. Capital equipment producers posted mixed sales.

The figure shows the 12-month moving average trending downward because the higher peaks reached in early 2015

are now dropping out of the moving average. However, the index and survey responses are not pointing toward industry decline, but rather toward a plateau just above 50. While the data are seasonally adjusted, there does tend to be a decline in the index in the latter half of the year. Nevertheless, so far in 2016 the index appears to be more like that of 2014, with a smaller high and no dip, rather than like 2015, with a high peak followed by a stark decline.



## MAJOR ECONOMIC DEVELOPMENTS

### Battle Creek MSA

Denso is adding 125 jobs, along with new machinery. Asmo is creating 30 jobs.

Two companies in Coldwater are expanding: Sport Truck USA is adding 129 jobs, and Schmitz Foam is adding 39.

### Grand Rapids–Wyoming MSA

Stikwood, a producer of wood planking for interior design, has announced plans to add a production facility in Kentwood, for which it will gradually hire 73 workers over the next three years. Shipson Aluminum Technologies is expanding, creating 114 new jobs. Kent Quality Foods will hire 140 workers for a new facility in Hudsonville. However, in the minus column, Bosch Emissions Systems announced 150 layoffs.

Knickerbocker, a brewpub and restaurant owned by New Holland Brewing Co., plans on hiring 150 workers when it opens this fall downtown.

### Holland–Ottawa County

JR Automation Technologies is expanding over the next year, adding 250 jobs. Coastal Automotive announced plans to create 150 new jobs over the next three years. Kraft Heinz is creating 50 new jobs to produce Grey Poupon mustard.

### Kalamazoo–Portage MSA

Pfizer announced an expansion that will create 15 new jobs and ensure the retention of another 26. TecNiq is expanding its LED productions, creating 120 new jobs.

OptiMed Specialty Pharmacy is constructing a new headquarters in Oshtemo Township, which will add 80 new jobs.

### Muskegon–Norton Shores MSA

A multiuse indoor entertainment facility, employing 125 workers, is planned for the Shaw-Walker Co. building in Muskegon.

### Niles–Benton Harbor MSA

Benton Harbor Public Schools announced the layoff of 43 positions, including 13 teachers.







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