

12-2016

Business Outlook, Vol. 32, No. 4, December 2016

W.E. Upjohn Institute

Additional Data

[MSA_Tables_Dec_16.pdf](#)

December 2016 MSA Tables

Citation

W.E. Upjohn Institute. 2016. Business Outlook for West Michigan. 32(4).

http://research.upjohn.org/bus_outlook/vol32/iss4/1

This title is brought to you by the Upjohn Institute. For more information, please contact ir@upjohn.org.

The image features a background of a factory floor with robotic arms and a central welding point emitting bright orange sparks. A large, diagonal graphic consisting of a red outer border and a light red inner border cuts across the scene from the top-left to the bottom-right. The text is positioned in the upper right quadrant, overlaid on the white background.

BUSINESS OUTLOOK

for
West Michigan

**W.E. UPJOHN INSTITUTE FOR
EMPLOYMENT RESEARCH**

Vol. XXXII, No. 4 December 2016

W.E. UPJOHN INSTITUTE FOR EMPLOYMENT RESEARCH

Board of Trustees of the W.E. Upjohn Unemployment Trustee Corporation

Donald R. Parfet, *Chairman*
Marilyn J. Schlack, *Vice Chairman*
B. Joseph White, *Secretary/Treasurer*
John M. Dunn
Frank J. Sardone
Amanda Van Dusen
Sydney E. Parfet
Eileen Wilson-Oyelaran
Preston S. Parish, *Trustee Emeritus*

Randall W. Eberts, *President*
W.E. Upjohn Institute for Employment Research

Business Outlook for West Michigan is published four times a year by the W.E. Upjohn Institute for Employment Research. The Institute, a nonprofit research organization, is an activity of the W.E. Upjohn Unemployment Trustee Corporation, which was formed in 1932 for the purpose of conducting research into the causes and effects of unemployment and measures for the alleviation of unemployment.

ISSN 0748-4216

BUSINESS OUTLOOK

for **West Michigan**

James E. Robey
Director, Regional Economic Planning Services

Brian M. Pittelko
Regional Analyst

Benjamin C. Jones
Editor

Erika D. Jones
Production Coordinator

Vol. XXXII, No. 4

December 2016

W.E. Upjohn Institute for Employment Research

We gratefully acknowledge the following organizations as sponsors of *Business Outlook*:



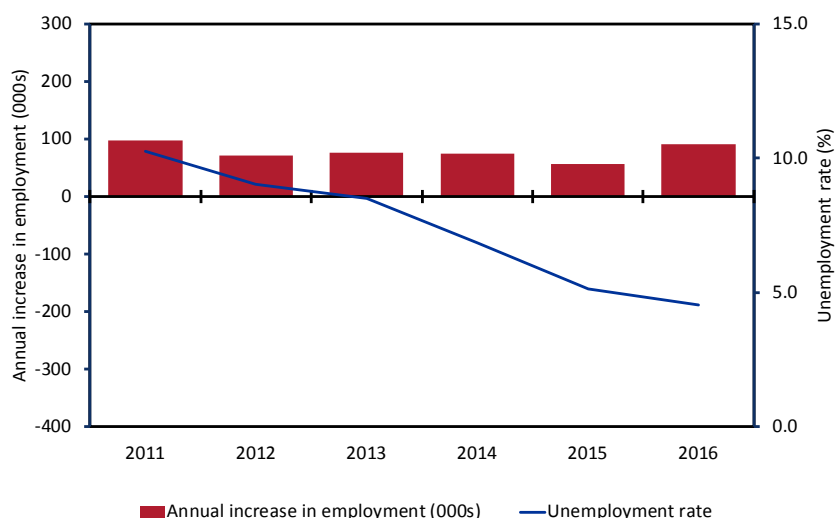
Contents

| | |
|-----------------------------|----|
| West Michigan Viewpoint | 1 |
| National Economy | 2 |
| Great Lakes Economy | 4 |
| Auto Industry Update | 5 |
| State of Michigan Economy | 6 |
| Battle Creek MSA | 8 |
| Grand Rapids–Wyoming MSA | 10 |
| Holland–Ottawa County | 12 |
| Kalamazoo-Portage MSA | 14 |
| Muskegon–Norton Shores MSA | 16 |
| Niles–Benton Harbor MSA | 18 |
| Purchasing Managers Index | 20 |
| Major Economic Developments | 20 |

WEST MICHIGAN VIEWPOINT

The outlook for 2017 is mixed, and predicting outcomes is particularly difficult this time around. There were two major events to discuss from this year. The first was the vote in the United Kingdom to leave the Eurozone. While the process isn't complete, the markets, at least for now, seem to have accommodated the event. The second was, of course, the election of a new U.S. president. While the market currently seems positive about the outcome, or at least about what it is seeing from the incoming administration, there are many unknowns, particularly those surrounding the regulatory environment, trade relations, and the future look of health care, as well as how successful working with Congress will be.

Michigan Employment Change and Unemployment Rate (3rd quarter to 3rd quarter, seasonally adjusted)



The real factor limiting growth in the region is the low unemployment rate, which has continued to decline since the recession. The current unemployment rate for west Michigan is about 3.3 percent, and the rate for the state is around 5.0 percent.

On the national scene, some indicators are mixed. The revised estimate of gross domestic product (GDP) came in at 3.2 percent growth for the third quarter. Most forecasters see this as an anomaly stemming from a spike in agricultural exports. Even so, it is more than 2.0 percent higher than the average for the previous two quarters. The price of oil has been trending up from lows earlier in the year. This is a good sign for a couple of reasons: While driven by an agreement among OPEC members to limit production, price is also driven by increasing demand on a global basis. The second sign comes from reporting by Baker Hughes, an oil-field service company that counts oil rigs. It says U.S. production rig counts are up to nearly 600 from a low in July of this year at 318. For lower-cost producers, who can make a profit as long as oil is above \$50 per barrel, as well as for their suppliers, this is good news.

But some headwinds do exist. Across the country, labor markets are relatively tight, and employers are having difficulty finding workers. Also affecting exports is a strong dollar that drives up the cost of U.S. goods compared to those of foreign competitors. Finally, forecasts for car and light truck sales are lower for 2017 and 2018 than the 18 million-plus mark they hit in 2016.

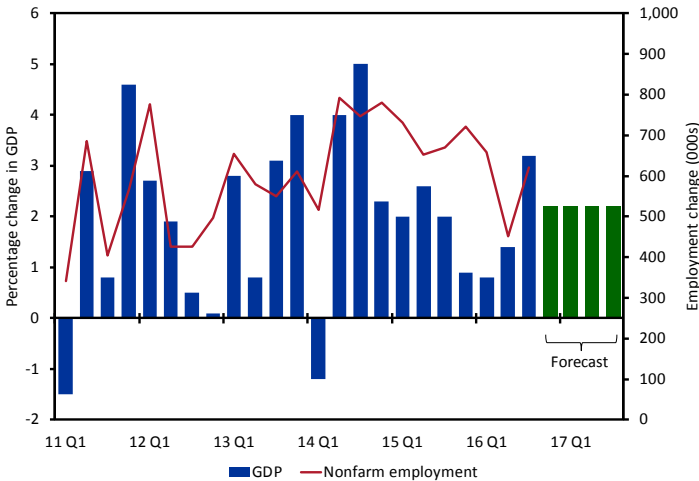
Closer to home, the state and many of its regions are doing as well as or better than the nation economically. The rising oil prices should have a positive effect on industries in the state that are in the auto supply chain. However, fewer cars being made will likely negatively affect employment for automakers and their supply chains. The University of Michigan forecasters at the Research Seminar in Quantitative Economics (RSQE) are predicting a reduction in manufacturing employment in the state over the next two years.

With such tight labor markets, employers will likely face higher costs in attracting new workers as well as retaining existing workers. One upside to this, however, is that higher wages will help to attract workers currently sitting on the sidelines. The current labor-force participation rate for west Michigan is about 65 percent, which compares very favorably with the national rate of 62.7 percent.

NATIONAL ECONOMY

The Survey of Professional Forecasters, issued quarterly by the Federal Reserve Bank of Philadelphia, has been forecasting gross domestic product growth at rates above 2.0 percent for several survey periods. While the first half of 2016 didn't appear to support such optimism, the revised estimate for the third quarter topped 3.0 percent.

Gross Domestic Product & Nonfarm Employment



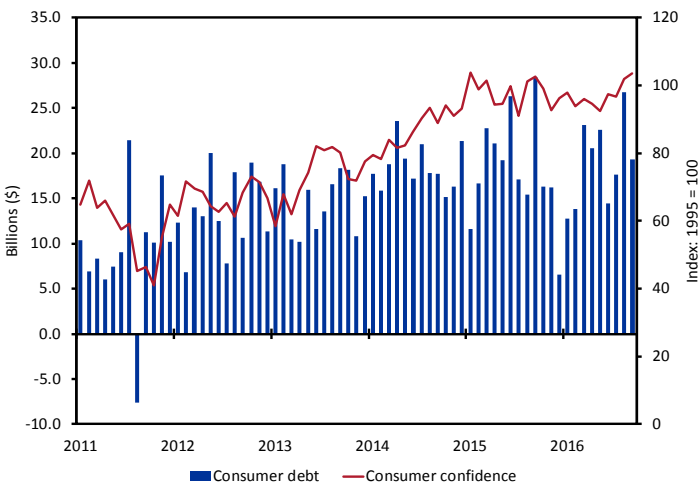
The Survey of Professional Forecasters' fourth-quarter estimate continues to support growth, although at a more muted level of 2.2 percent growth in 2017 and 2.1 percent in 2018. These estimates were reported on November 14 and so may not fully reflect the outcome of the presidential election.

While these professional forecasters expect unemployment rates to remain in the 4.6 percent range, they have set their 2017 forecast for employment increases at 173,600 jobs per month. Even though this is revised upward from earlier forecasts, the estimate is still below the average of 206,000 per month in 2016.

Consumers continued to support economic growth in the third quarter. Consumer confidence remains at consistently high levels, particularly when compared to its low point in 2011. Personal consumption expenditures—the purchase of goods and services by consumers—accounted for 1.89 percent of GDP growth in the third quarter.

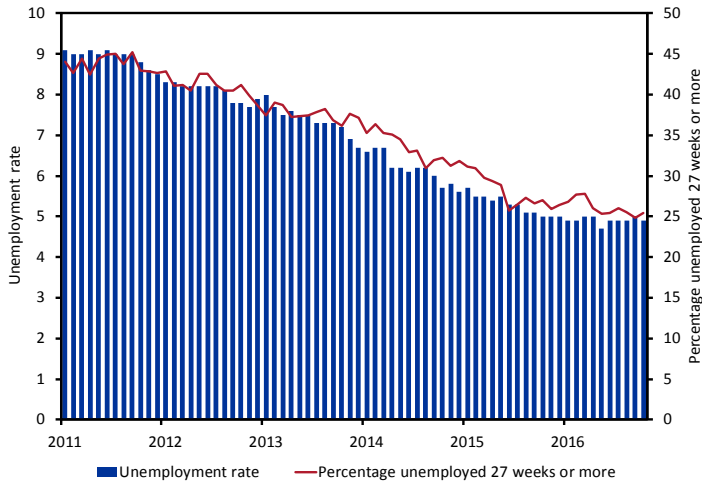
There is often concern about the composition of household debt, and in particular debt around student loans. But according to the Federal Reserve Bank of New York, although the percentage has increased every year,

Consumer Confidence & Change in Consumer Debt



Consumer confidence has continued to trend upward since 2011. While monthly increases in household debt have fluctuated from highs in 2015 and 2016, the year-to-date average for monthly increases is \$19 billion, well below the third-quarter monthly average of \$21 billion.

U.S. Unemployment Rate & Long-Term Unemployment



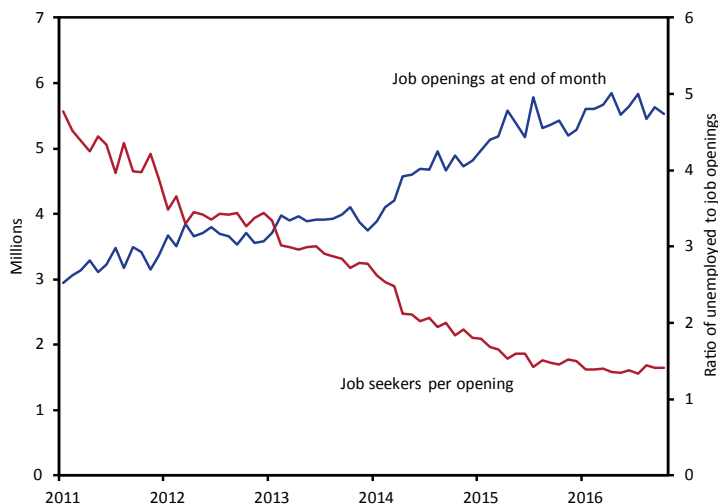
Unemployment continues to trend downward, but it appears to have reached a plateau. The rate has hovered around 5.0 percent for the year, and the Federal Reserve Board considers the national economy to be at “full employment.” More importantly, the share of those who have been unemployed for longer durations has declined to 25 percent.

student debt still accounts for just slightly more than 10 percent (\$1.28 trillion) of the total household debt of \$12.35 trillion.

The previous measure of unemployment was the official rate, commonly referred to as the U-3 rate. The Bureau of Labor Statistics (BLS) offers an alternative set of unemployment rates, including the U-6 rate. This rate includes not only those traditionally defined as unemployed but also discouraged workers, marginally attached workers, and those working part time for economic reasons. In the recent election campaign, the U-6 rate received significant attention, as some alleged there were many more workers not fully participating in the labor market than the traditional rate suggested. According to the BLS, the U-6 rate for the nation in the last four quarters was 9.8 percent.

Job Openings and Labor Turnover Survey (JOLTS) data indicate continuing strength in the labor market. In 2011, there were almost five job seekers per opening. That number has dropped to about 1.5. Even though that ratio is relatively close to 1-to-1, we should be careful not to assume there is a job for everyone. Skills, training, and interest of job seekers don't always match openings—particularly when looking at displaced manufacturing workers endeavoring to retrain for different positions.

U.S. Job Openings and New Hires



Although the number of job openings has doubled since 2011, the composition of those jobs has changed in both skills and activities.

GREAT LAKES ECONOMY

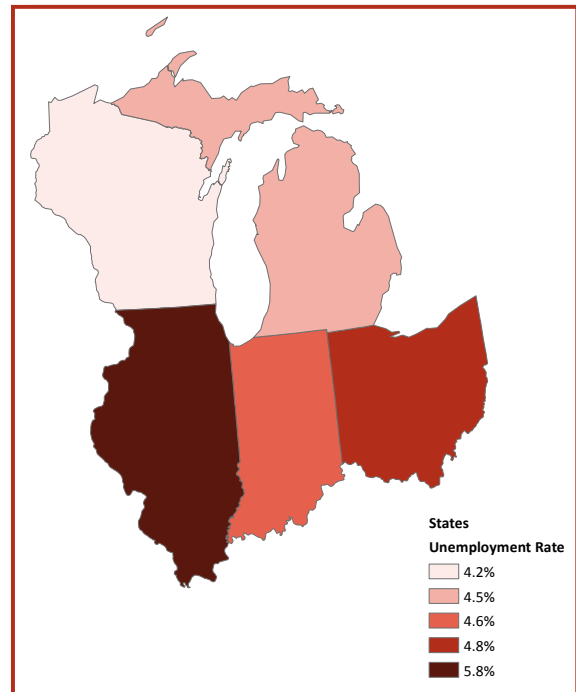
The map shows the unemployment rates of the states in the Great Lakes region of Illinois, Indiana, Michigan, Ohio, and Wisconsin during the third quarter of 2016. Four of the five states posted unemployment rates in the third quarter lower than the national rate of 4.9 percent. Illinois, however, was nearly a full point above the national rate, at 5.8 percent.

The total employment gains across the region were modest, with all five states increasing by between 0.1 and 0.3 percent over the third quarter. Over the past 12 months, Michigan increased by 2.1 percent from the third quarter of 2015, leading the region. Manufacturing employment gains were more varied: Michigan and Ohio added manufacturing jobs from the second to the third quarter of 2016, increasing by 0.2 percent and 0.3 percent, respectively. Illinois, Indiana, and Wisconsin shed manufacturing jobs in that time period.

Wage change was also mixed across the Great Lakes region. Private-sector wages fell during the third quarter by 0.3 percent in Michigan and Wisconsin, were flat in Illinois, and increased in Indiana and Ohio. Manufacturing wages were generally more robust, increasing by between 0.1 and 1.7 percent in four of the five states: Wisconsin, Indiana, Michigan, and Ohio. The State of Michigan section of *Business Outlook* this quarter contains a more thorough discussion of the wage situation across the state.

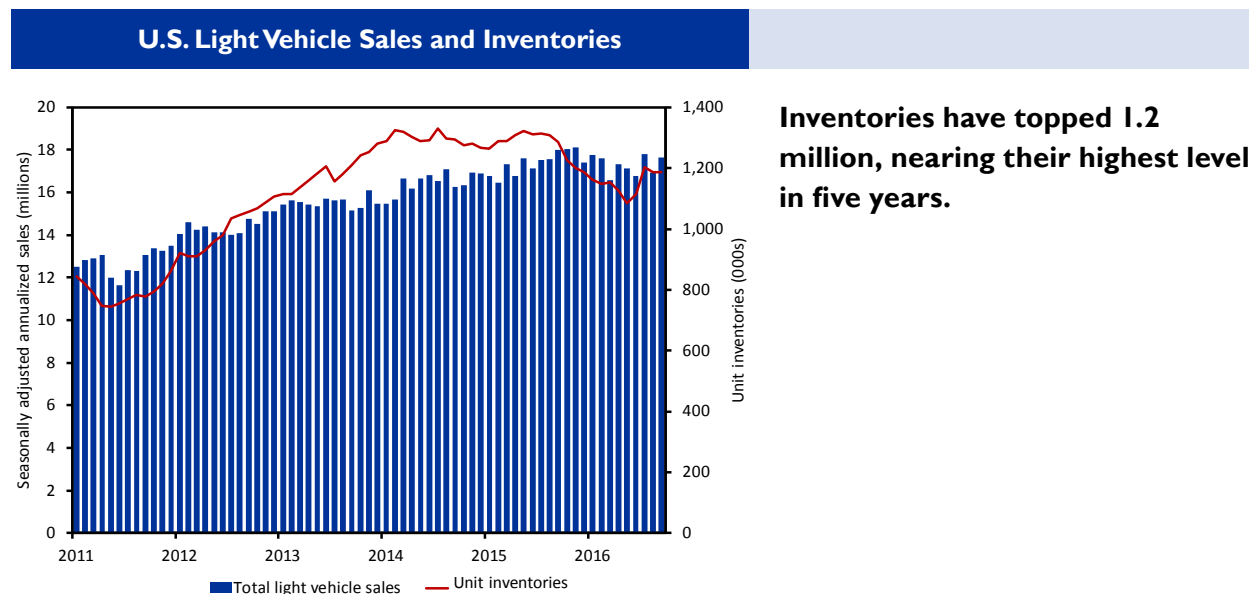
The November *Beige Book*, published by the Federal Reserve Bank of Chicago, contains responses on business conditions from industry representatives across the region during October and into November. Respondents report that economic activity slowed over the past few months. Although business spending and the manufacturing sector increased, consumer spending was relatively flat. The survey also included the following insights:

- Consumer spending was driven by increases in middle-market retail. Also, both new and used vehicle sales were strong.
- Business spending grew at a moderate pace, led by industrial and information technology (IT) equipment. Employment growth was also moderate, hampered by a regional labor shortage.
- Construction activity increased because of growth in the residential sector. Nonresidential construction was nearly flat, although commercial real estate activity grew, as did commercial rents.
- Auto and aerospace posted “strong increases” in the most recent survey. Heavy machinery and heavy truck sales slipped after a strong 2015.
- Demand for steel declined, along with orders for specialty metals.
- Construction equipment manufacturers reported “slow, steady increases in shipments, in line with the pace of improvement in construction.” The financial sector was little changed, according to respondents. Loan demand to middle-market businesses and household credit were unchanged. Mortgage origination increased slightly, and auto loan demand remained strong.
- Prices across the region increased but remained relatively low. Energy prices were low, while metals increased. Wages increased for high-skilled occupations.
- Strong harvests for corn and soybeans, paired with stable or rising prices, indicate a high-yield season, following a poor 2015 which required government supplements in certain areas. Prices were low in dairy, eggs, beef, and hogs.



AUTO INDUSTRY UPDATE

In 2015, auto sales reached a postrecession peak. The end of the year saw vehicle sales, including cars and light trucks, top an annualized rate of 18 million units. In 2016, sales have softened somewhat, and current estimates from the University of Michigan peg 2016 sales at 17.4 million units. The University of Michigan forecasts small reductions in 2017 to 17.3 million units and in 2018 to 17.2 million units. This will affect employment across the nation for both the auto producers and their supply chains. As an example, *Automotive News* reports that General Motors' final assembly plants in Lansing, Michigan, and Lordstown, Ohio, will lose their third shifts, idling 2,000 workers between the two plants.



Inventories have topped 1.2 million, nearing their highest level in five years.

An added reason for some production scalebacks comes from rising inventory since midyear. *Automotive News* reports that for some GM models, the number of days of inventory per car has increased from 88 to 121, and the number of days of inventory per SUV from 49 to 114. According to the source, 60 days of inventory is ideal, and 73 days is the average. Automakers may respond to these high inventories, aside from reducing production, by increasing incentives on both cars and trucks.

The recent election has placed the migration of domestic automakers to Mexico in question. It had been reported that Ford would invest \$1.6 billion to build a small-car production facility in Mexico, but Ford announced on January 3 that it would scrap those plans. Previously, Ford had decided, as reported in *Automotive News*, to keep production of small crossover vehicles in the United States, and the company's January 3 announcement included a statement that Ford would add 700 jobs to build electric and hybrid cars at its plant in Flat Rock, Michigan.

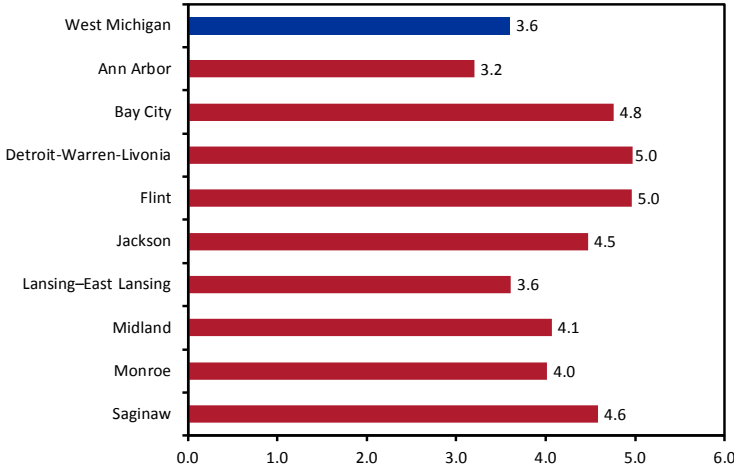
Even so, the Center for Automotive Research (CAR) in Ann Arbor believes that production in Mexico will continue to grow, benefiting from investments not only from domestic automakers but also from German, Japanese, and South Korean carmakers. For instance, even though Ford canceled plans for the new factory in Mexico, which would have built Ford Focus sedans, those cars will now be built instead at an existing plant in Mexico. Up until now they have been built at a plant near Detroit. CAR forecasts that total production capacity in Mexico will hit six million units by 2021.

According to Ford officials, the decision to switch production of the Focus from a newly built plant in Mexico to an existing plant in Mexico had to do with market conditions that have depressed small-car sales.

STATE OF MICHIGAN ECONOMY

On a year-over-year basis, from an employment perspective, Michigan’s economy has done well. The state’s 2.0 percent growth rate exceeds the nation’s, which grew at 1.7 percent. Notable was the goods-producing sector, which grew at 2.0 percent compared to the national economy’s 0.3 percent. In the services-providing sector, both the national and the state economy grew at 2.2 percent.

Unemployment Rate in Other Michigan Metropolitan Areas (Q3 2016, seasonally adjusted)

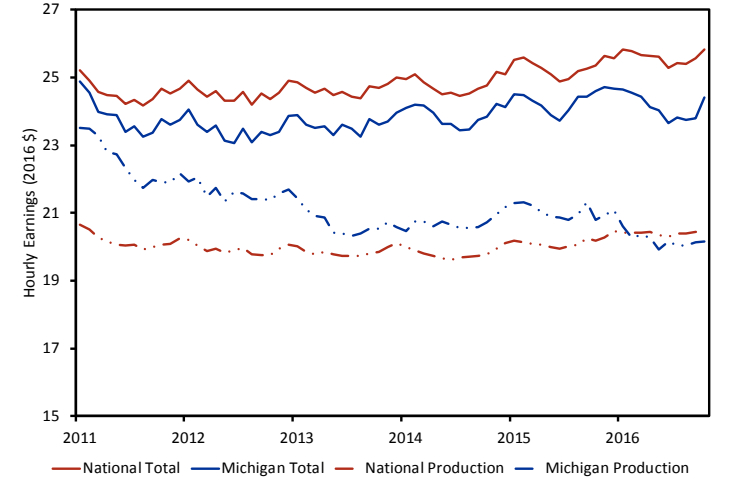


Labor markets across Michigan are tight. The Federal Reserve Board considers an unemployment rate of between 5.0 and 5.5 percent to be at or near full employment. While the state rate was 4.5 percent for Q3, a number of metro areas were far below that, including Ann Arbor, Lansing, and west Michigan. Detroit, Flint, Saginaw, and others were at or above the state rate.

Michigan manufacturing grew at 2.1 percent, while manufacturing nationwide declined by 0.3 percent from Q3 2015 to Q3 2016. The professional and business services sector grew at 4.0 percent in Michigan, far outpacing the national rate of 2.3 percent and adding 26,000 jobs in the sector. Michigan also surpassed the national economy in financial activities, education and health services, and leisure and hospitality.

So, where is the cloud on the horizon? Based on the forecast from the University of Michigan’s Research Seminar in Quantitative Economics (RSQE), manufacturing will shed some jobs in both 2017 and 2018. According to the RSQE, this is due to a couple of factors, including manufacturing becoming more mature in this recovery

Real Hourly Earnings for Total Private & Production Workers



While average real wages declined through most of 2016, the third quarter has seen production-worker wages as well as all private-sector worker wages start to trend up. Although it is still too early in the trend to know, this may be the bump expected because of the tightness of labor markets in Michigan and across the country.

Michigan Statistics (seasonally adjusted)

| Measure | 2016 Q3 | 2016 Q2 | % change, Q2 to Q3 | 2015 Q3 | % change, Q3 to Q3 |
|--|------------|------------|-----------------------|------------|-----------------------|
| Employment (by place of work) | | | | | |
| Total nonfarm employment | 4,329,500 | 4,324,000 | 0.1 | 4,245,450 | 2.0 |
| Goods-producing | 757,190 | 757,670 | -0.1 | 742,470 | 2.0 |
| Natural resources and mining | 7,130 | 7,070 | 0.8 | 7,400 | -3.6 |
| Construction | 149,830 | 151,500 | -1.1 | 146,900 | 2.0 |
| Manufacturing | 600,230 | 599,100 | 0.2 | 588,170 | 2.1 |
| Durable goods | 454,030 | 450,770 | 0.7 | 445,400 | 1.9 |
| Nondurable goods | 146,200 | 148,330 | -1.4 | 142,770 | 2.4 |
| Private service-providing | 2,972,740 | 2,970,300 | 0.1 | 2,909,780 | 2.2 |
| Trade, transportation, and utilities | 773,000 | 776,030 | -0.4 | 772,270 | 0.1 |
| Transportation and utilities | 133,230 | 134,370 | -0.8 | 134,770 | -1.1 |
| Wholesale trade | 168,900 | 170,530 | -1.0 | 170,070 | -0.7 |
| Retail trade | 470,870 | 471,130 | -0.1 | 467,430 | 0.7 |
| Information | 58,970 | 57,730 | 2.1 | 56,770 | 3.9 |
| Financial activities | 216,600 | 214,930 | 0.8 | 207,170 | 4.6 |
| Professional and business services | 665,070 | 663,200 | 0.3 | 639,270 | 4.0 |
| Educational and health services | 668,700 | 664,170 | 0.7 | 651,870 | 2.6 |
| Leisure and hospitality | 422,770 | 423,370 | -0.1 | 414,800 | 1.9 |
| Other services | 167,630 | 170,870 | -1.9 | 167,630 | 0.0 |
| Government | 599,570 | 596,030 | 0.6 | 593,200 | 1.1 |
| Unemployment | | | | | |
| Number unemployed | 216,670 | 227,330 | -4.7 | 244,330 | -11.3 |
| Unemployment rate (%) | 4.5 | 4.7 | | 5.1 | |
| State indexes (1996 = 100) | | | | | |
| Local components | | | | | |
| UI initial claims | 9,569 | 9,376 | 2.1 | 8,577 | 11.6 |
| New dwelling units ^a | 16,883 | 20,235 | -16.6 | 15,031 | 12.3 |

NOTE: Employment numbers for durable goods, 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.

^aSeasonally 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.

as well as somewhat softer sales for cars and light trucks. Sales of these products peaked in 2015 at more than 18 million units and have settled slightly at 17.5 million annualized units for the third quarter.

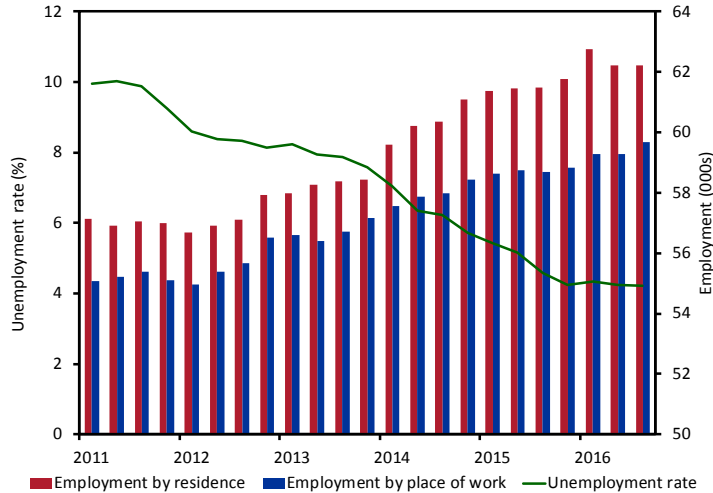
While full employment is good for the state and the region, it makes it difficult for employers to hire qualified workers at current wage rates. If the recovery continues both nationally and statewide, thus sustaining these low levels of unemployment, employers will likely face upward wage pressure to attract and retain workers going into 2017.

But while real-dollar wages for production workers have seen some upward pressure in 2015 and 2016, over the longer run, production-worker real wages have actually been declining. Although traditionally production workers in Michigan were paid higher than their counterparts in the rest of the nation, average real wages for Michigan workers have now dropped below the rest of the United States. The trend for real wages of all Michigan workers in the private sector tends to mirror that of the nation, but with a widening gap since 2011.

BATTLE CREEK MSA

Nonfarm employment increased by 0.7 percent in the Battle Creek MSA over the third quarter of 2016, led by growth in the service sector. The unemployment rate held steady from the previous quarter at 4.2 percent. The area’s economic indicators were negative, suggesting employment conditions may soften in the fourth quarter.

Unemployment Rate and Total Employment by Residence and by Place of Work for Battle Creek

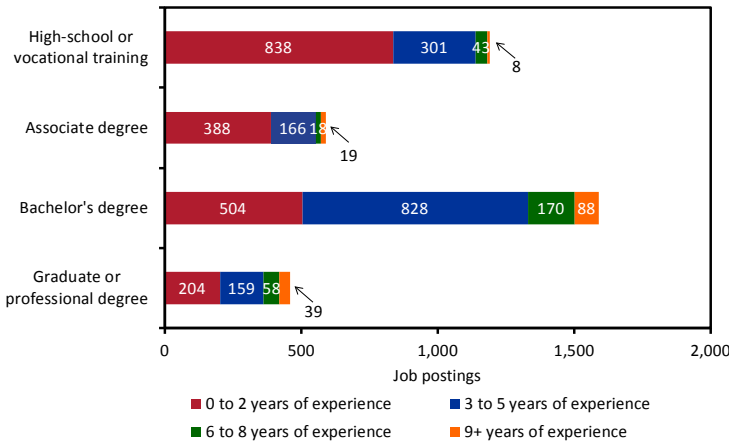


Employment by place of work increased over the quarter, while employment by place of residence and the unemployment rate held steady. Employment by place of residence in the Battle Creek MSA appears to have peaked in the first quarter of 2016.

As with other areas of west Michigan, the unemployment rate was unchanged from the second to the third quarter. Statewide, labor markets are similarly tight. As is discussed in the State of Michigan section of this issue, real wages may be increasing to address the labor shortage.

Nonfarm employment in the Battle Creek MSA increased by 0.7 percent in the third quarter of 2016. Durable goods manufacturing employment grew by 0.9 percent, or 90 jobs. Nondurable goods employment fell slightly

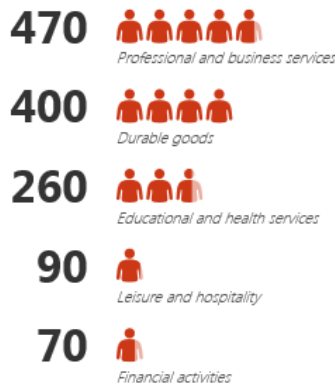
Education and Experience Requirements as Specified in Job Postings, Q4 2015 through Q3 2016, Battle Creek MSA



The largest number of job postings collected over the past year for Battle Creek required high-school or vocational training and less than two years of experience. Almost as many required a bachelor’s degree and three to five years’ experience.

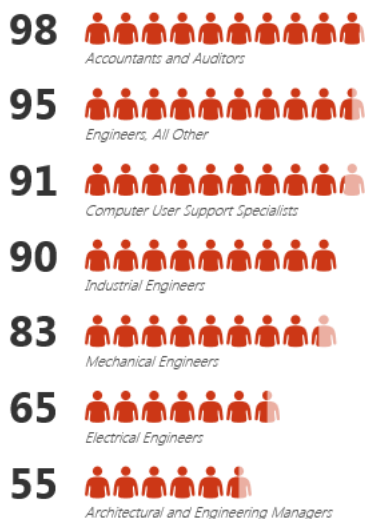
SOURCE: Burning Glass Technologies (2016).

Q3 to Q3 Employment Growth by Sector



Three industries—professional and business services, durable goods manufacturing, and education and health services—accounted for most of the job growth in Battle Creek: 1,130 jobs. These gains were partially offset by losses of 400 jobs in services; nondurable goods; and trade, transportation and utilities.

Top Openings, STEM Occupations



While professional and business services accounted for more overall job postings, the durable goods sector created more demand for STEM (science, technology, engineering, and math) jobs—durable-goods STEM postings accounted for nearly half the demand for accountants and auditors and about 60 percent of the demand for industrial engineers.

SOURCE: Burning Glass Technologies (2016).

NOTE: For the industry employment change tables that formerly ran on the second page of the MSA sections, see the link provided at http://research.upjohn.org/bus_outlook/vol32/iss4/1/.

over the quarter by 10 jobs, and it fell by 100 jobs from the third quarter of 2015. Growth in private service-providing employment was mixed across industries. Professional and business services employment grew by 260 jobs over the quarter, but that number was entirely wiped out when trade, transportation, and utilities employment fell by 230 jobs and government employment fell by 30 jobs.

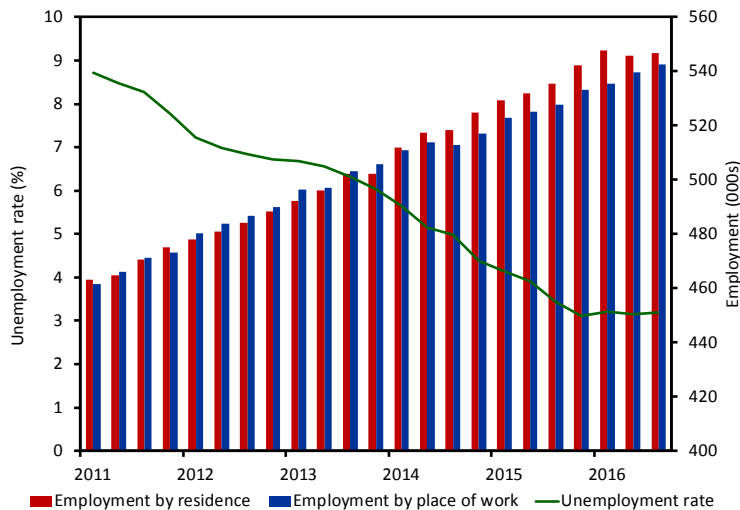
The area's economic indicators were negative, suggesting employment may slip in the fourth quarter. The rate of new dwelling units fell by 17.9 percent, while new unemployment insurance claims increased by 3.6 percent.

The bottom figure at left shows education and experience requirements from online job postings collected over the past year by Burning Glass Technologies, which generates reports on job-posting data through an interactive application called Labor Insight. Over 1,500 postings require a bachelor's degree, but the largest number of jobs available for a combination of age and experience are for high-school or vocational training along with less than two years of experience.

GRAND RAPIDS–WYOMING MSA

Total nonfarm employment in the Grand Rapids–Wyoming MSA increased by 0.5 percent in the third quarter of 2016, driven by gains in the professional and business services industry. The unemployment rate held steady at 3.2 percent, unchanged from the previous quarter. The area’s economic indicators are mixed, suggesting steady conditions in the fourth quarter.

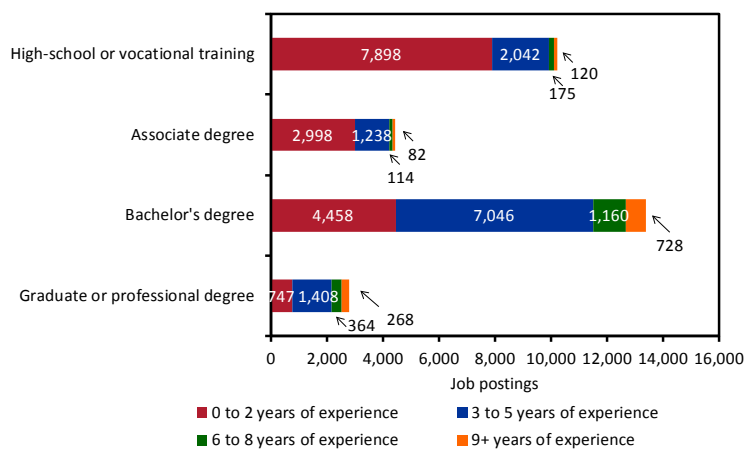
Unemployment Rate and Total Employment by Residence and by Place of Work for Grand Rapids–Wyoming



Gains in employment by residence and by place of work have matched each other closely.

The figure shows both employment by place of work and employment by place of residence increasing slightly over the third quarter. The unemployment rate held steady as the number of unemployed residents increased, but not by enough to budge the rate. Across the state, labor markets are tight. The State of Michigan section of this issue shows that real wages ticked up in the recent months, possibly as a response to the labor shortage.

Education and Experience Requirements as Specified in Job Postings, Q4 2015 through Q3 2016, Grand Rapids–Wyoming MSA



The figure shows education and experience requirements from online job postings collected over the past year by Burning Glass Technologies, which generates reports on job-posting data through an interactive application called Labor Insight. Over 52 percent of postings require at least a bachelor’s degree. Across all educational categories, a similar 52 percent of postings are for two years or less of experience.

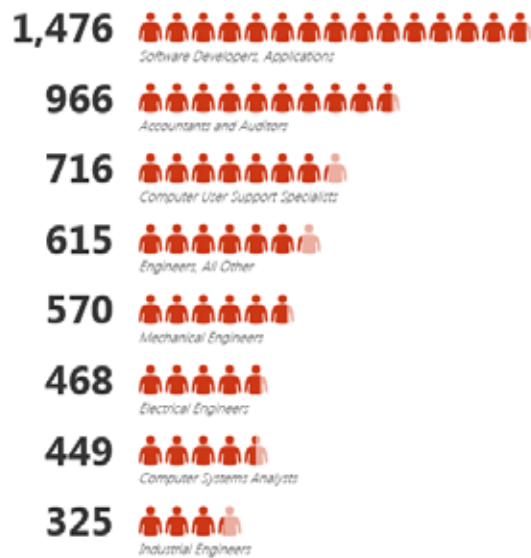
SOURCE: Burning Glass Technologies (2016).

Q3 to Q3 Employment Growth by Sector



Two of the top three growth industries shown at left (education and health services and professional and business services) rely heavily on STEM occupations, and the third, durable goods, also depends on STEM jobs for innovations in product and process.

Top Postings, STEM Occupations



The top STEM postings were for software developers and applications, followed by accounts and auditors. Both cut across a broad swath of industries. The top nine categories for STEM workers total 5,585 postings. Just under 18,000 workers were unemployed in the third quarter in Grand Rapids. The STEM segment is critical to the health of the regional economy, as these jobs support those industry sectors that Moody's Analytics sees as growing over the next five years.

SOURCE: Burning Glass Technologies (2016).

NOTE: For the industry employment change tables that formerly ran on the second page of the MSA sections, see the link provided at http://research.upjohn.org/bus_outlook/vol32/iss4/1/.

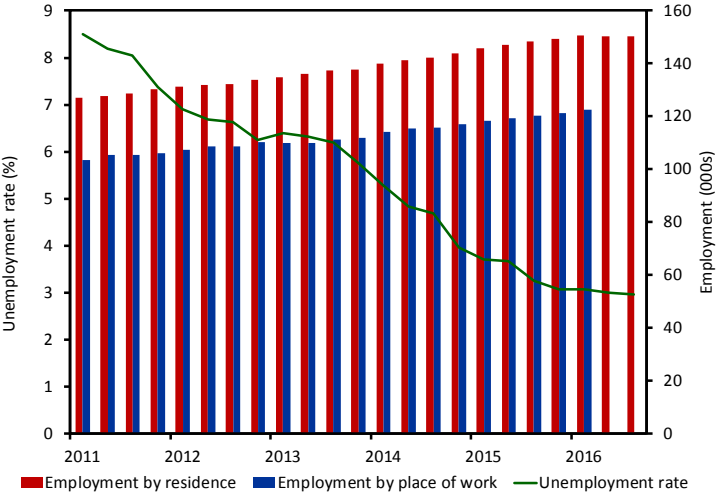
Total employment grew by 0.5 percent over the quarter and by 2.8 percent year-over-year. Quarterly gains were driven by increases in professional and business services, which rose by 1.9 percent, or nearly 1,500 jobs. The business services industry includes temporary-help workers, who are often placed in manufacturing firms. Both durable goods and nondurable goods manufacturing increased by 0.7 percent during the third quarter. Along with a decline in the rate of new home building, construction employment fell by 0.4 percent. Government employment fell by 0.3 percent.

The area's economic conditions were flat, suggesting little employment change in the fourth quarter. The rate of new home construction fell by 46.9 percent. However, the rate of new claims for unemployment insurance also fell, by 3.6 percent.

HOLLAND-OTTAWA COUNTY

Nonfarm employment increased in Ottawa County by 1.2 percent in the first quarter of 2016, led by the manufacturing industry. The unemployment rate in the county held steady at 3.0 percent during the third quarter of 2016, with no change in the number of unemployed persons. The area’s economic indicators were mixed, suggesting that employment conditions in the fourth quarter will be flat.

Unemployment Rate and Total Employment by Residence and by Place of Work for Holland-Ottawa County

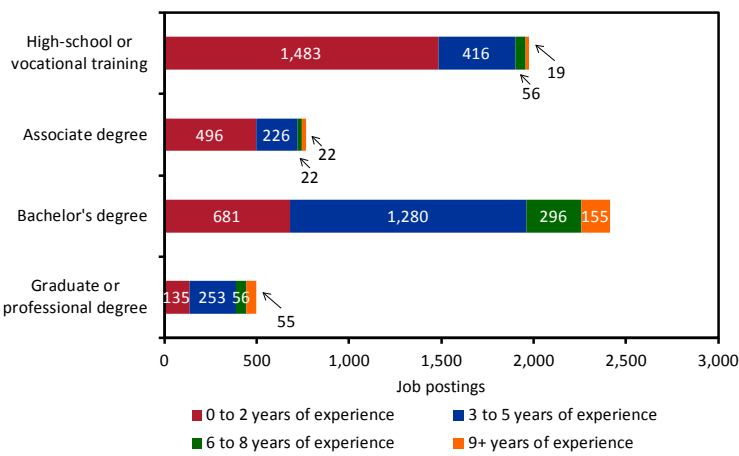


Ottawa County’s unemployment rate held at 3.0 percent during the third quarter, suggesting an exceedingly tight labor market. Employment by residence leveled off.

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

The figure above shows employment by residence increasing slightly during the third quarter after falling in the first quarter of 2016. There is a statewide labor shortage, as is discussed in the State of Michigan section,

Education and Experience Requirements as Specified in Job Postings, Q4 2015 through Q3 2016, Ottawa County



Nearly half of the postings were for jobs requiring less than two years of experience.

SOURCE: Burning Glass Technologies (2016).

Q1 2015 to Q1 2016 Employment Growth by Sector



Not surprisingly, manufacturing added the most jobs in the 12-month period from Q1 2015 to Q1 2016 (the most recent data): in Ottawa County, this sector accounts for one-third of all nonfarm employment. The second-largest growth sector was trade, transportation, and utilities at 15 percent of the total.

Top Postings, STEM Occupations



In job postings for STEM occupations, software developers ranked first, general engineering second, and mechanical engineers third. Many postings are for manufacturing positions: of the 214 postings for general engineers, 161 were from the manufacturing sector, and of the 195 mechanical engineering positions posted, 104 were in manufacturing.

SOURCE: Burning Glass Technologies (2016).

NOTE: For the industry employment change tables that formerly ran on the second page of the MSA sections, see the link provided at http://research.upjohn.org/bus_outlook/vol32/iss4/1/.

and the state unemployment rate was 4.9 percent in the third quarter. Data on employment by place of work are lagged by two quarters but show steady quarterly increases through the first quarter of 2016.

During that first quarter, nonfarm employment increased by 1.2 percent, with gains coming across most industry sectors. Goods-producing employment increased by 1.9 percent, boosted by increases in both construction and manufacturing employment. Services increased by 0.5 percent, and there was mixed performance on quarterly industry growth. Trade, transportation, and utility employment increased by 1.7 percent, while professional and business services fell by 1.8 percent. Government employment increased by 2.0 percent.

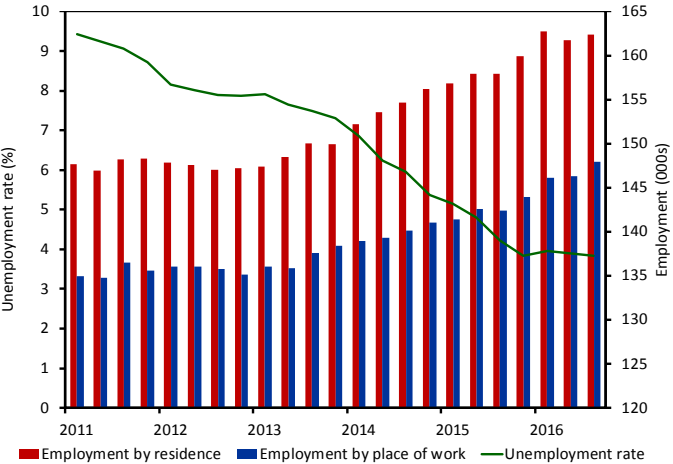
The economic indicators in Ottawa County were mixed, suggesting flat employment conditions into the fourth quarter. New claims for unemployment insurance fell by 9.9 percent. However, the rate of new home construction fell by 58.3 percent.

The figure at left shows education and experience requirements from online job postings collected over the past year by Burning Glass Technologies, which generates reports on job-posting data through an interactive application called Labor Insight. Postings requiring a bachelor's degree formed the largest category, and high school or vocational training made up the second largest.

KALAMAZOO-PORTAGE MSA

Total employment increased in the Kalamazoo-Portage MSA by 0.9 percent over the third quarter of 2016. In line with this, the area’s unemployment rate—already below 4.0 percent—dipped even lower. The economic indicators are mixed, suggesting flat employment conditions in the fourth quarter.

Unemployment Rate and Total Employment by Residence and by Place of Work for Kalamazoo-Portage

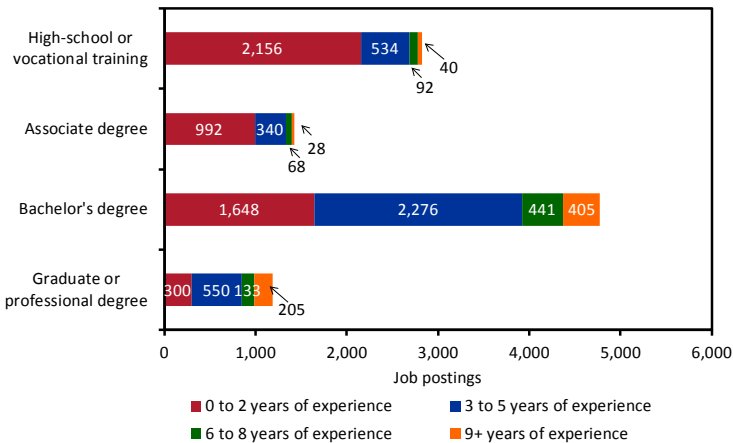


Employment by place of work has been on a steady rise since 2013, while unemployment has fallen by half.

After a modest second quarter, the figure shows employment both by place of work and by place of residence increasing in the third quarter. The unemployment rate fell slightly to 3.8 percent from 3.9 percent in the previous quarter. The unemployment rate, after rising at the start of the year, now stands at the same level it was in the fourth quarter of 2015. The Kalamazoo area’s unemployment rate is a full point lower than that of the state, which posted an unemployment rate of 4.9 in the third quarter.

Total employment increased by a robust 0.9 percent over the third quarter. Goods-producing employment increased by 1.8 percent, or 490 jobs, on the strength of durable goods manufacturing, which contributed 330 jobs over the third quarter. Private service-providing employment grew by 0.5 percent in spite of

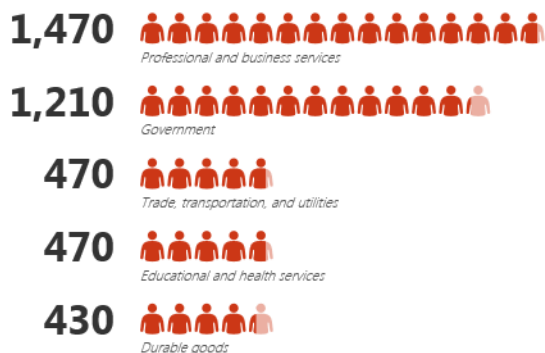
Education and Experience Requirements as Specified in Job Postings, Q4 2015 through Q3 2016, Kalamazoo-Portage MSA



Employers in the Kalamazoo-Portage MSA posted nearly as many jobs for bachelor’s degree holders as for all other educational levels combined.

SOURCE: Burning Glass Technologies (2016).

Q3 to Q3 Employment Growth by Sector



Professional and business services added the most jobs for the 12-month period and grew by 9.1 percent. Government, the second-leading sector, rose by 5.8 percent. Of the 5,000 jobs added during the period, more than half came from these two sectors.

Top Postings, STEM Occupations



Among STEM occupations, professional and business services accounted for about 5 percent of postings for electrical engineers, 20 percent for software developers, 7 percent for mechanical engineers, and 16 percent for accountants and auditors. Professional and business services occupations in demand in Kalamazoo-Portage include database administrators (44 postings), medical scientists (37), chemists (32), and computer support specialists (30).

SOURCE: Burning Glass Technologies (2016).

NOTE: For the industry employment change tables that formerly ran on the second page of the MSA sections, see the link provided at http://research.upjohn.org/bus_outlook/vol32/iss4/1/.

mixed performance by sector industries over the quarter. The leisure and hospitality sector and the trade, transportation, and utilities sector both contracted over the quarter. Professional and business services increased by 440 jobs. Public-sector employment grew by 2.1 percent over the quarter and by 5.8 percent from the third quarter of 2015.

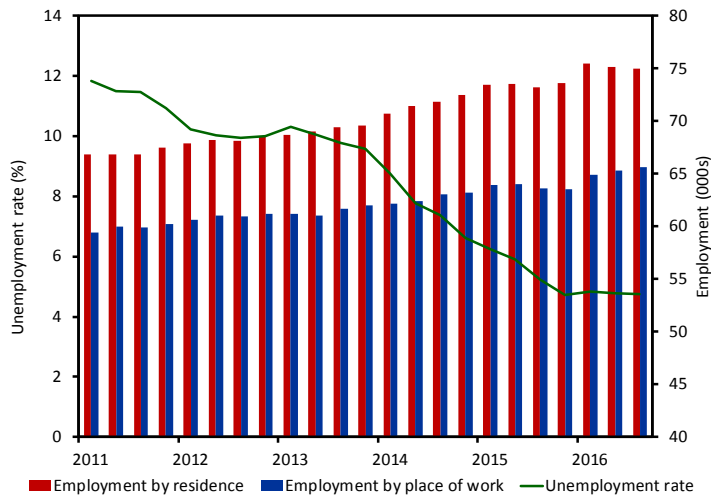
The area's economic indicators are mixed, suggesting flattening employment conditions into the fourth quarter. Initial claims for unemployment insurance fell slightly, down 1.8 percent from the previous quarter. However, the rate of new home construction also fell during the third quarter—it's down by 39.5 percent.

The figure at left shows education and experience requirements from online job postings collected over the past year by Burning Glass Technologies, which generates reports on job-posting data through an interactive application called Labor Insight. Over 58 percent of postings require at least a bachelor's degree. The largest single requirement for any combination of education and experience was for a bachelor's degree with three to five years of experience.

MUSKEGON–NORTON SHORES MSA

Nonfarm employment increased in the Muskegon MSA by a modest 0.4 percent over the third quarter of 2016. The unemployment rate was unchanged from the previous quarter and stands at 4.8 percent. The area’s economic indicators were mixed, suggesting that flat conditions will continue into the fourth quarter.

Unemployment Rate and Total Employment by Residence and by Place of Work for Muskegon

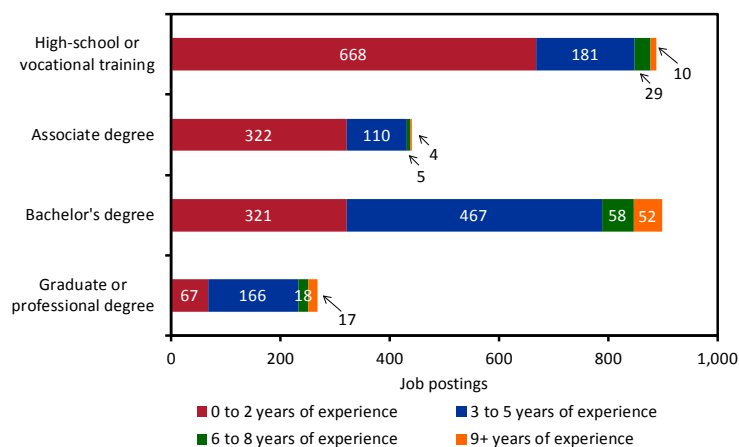


The figure shows little change over the first three quarters of the year.

The unemployment rate has held steady at 4.8 percent since the first quarter. The statewide unemployment rate for the fourth quarter was similar, at 4.9 percent. The State of Michigan section of this issue discusses the statewide labor shortage and the potential impact on wages. Employment by place of residence fell slightly during the second quarter and was essentially unchanged in the third quarter. Employment by place of work has been essentially flat since the first quarter of the year.

Total employment increased by 0.4 percent, with very modest changes both up and down across industries. Manufacturing increased by 90 jobs, while construction fell by 20 jobs. In the services sector, professional and

Education and Experience Requirements as Specified in Job Postings, Q4 2015 through Q3 2016, Muskegon–Norton Shores MSA



Three quarters of high-school or vocational-training job postings for the Muskegon–Norton Shores MSA required less than two years of experience.

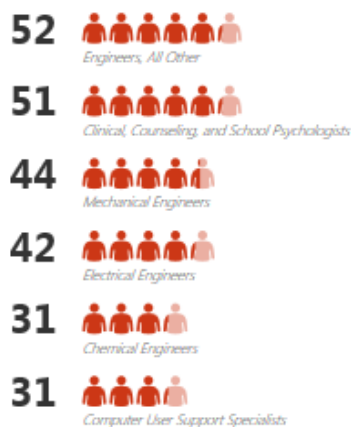
SOURCE: Burning Glass Technologies (2016).

Q3 to Q3 Employment Growth by Sector



Manufacturing accounted for one-third of all employment growth in the region for the 12-month period. Professional and business services made up an additional 20 percent and government an additional 15 percent. Those three sectors accounted for more than two-thirds of all growth between Q3 2015 and Q3 2016.

Top Postings, STEM Occupations



The top 10 job postings add up to more than 2,600. Among STEM occupations, manufacturing holds a significant share of postings: it accounts for 55 percent for mechanical engineers (24 postings), 29 percent for electrical engineers (12), and almost 50 percent for chemical engineers (15).

SOURCE: Burning Glass Technologies (2016).

NOTE: For the industry employment change tables that formerly ran on the second page of the MSA sections, see the link provided at http://research.upjohn.org/bus_outlook/vol32/iss4/1/.

businesses services increased by 110 jobs, and leisure and hospitality increased by 100 jobs. Education and health services shed 20 jobs over the quarter and 200 jobs over the year. Government employment increased by 1.2 percent, or 90 jobs, over the quarter.

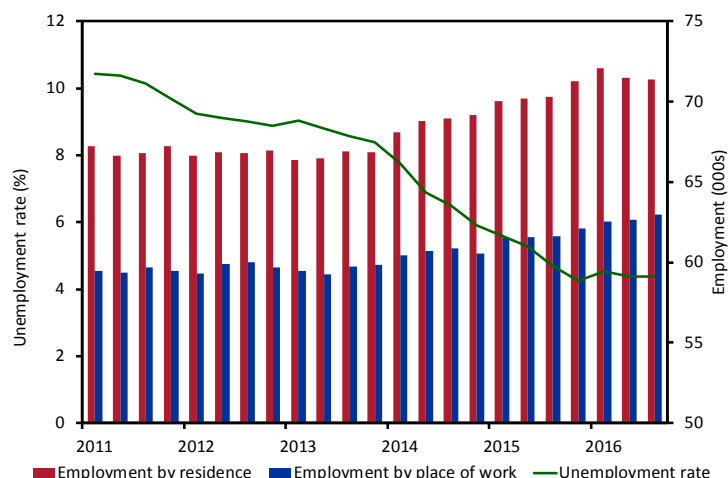
The economic indicators were mixed, suggesting that flat employment conditions will continue into the fourth quarter. Initial claims for unemployment insurance increased over the quarter by 16.2 percent. The rate of new home construction increased by 12.8 percent.

The figure at left shows education and experience requirements from online job postings collected over the past year by Burning Glass Technologies, which generates reports on job-posting data through an interactive application called Labor Insight. Positions requiring high-school or vocational training were almost as frequent as positions requiring a bachelor's degree. While many of the postings require advanced training, the postings suggest a lot of opportunities for entry-level workers: over 55 percent of postings are for positions requiring less than two years of experience.

NILES–BENTON HARBOR MSA

Total employment increased in the Niles–Benton Harbor MSA by 0.4 percent, with growth led by the leisure and hospitality sector. The unemployment rate held steady at 4.4 percent, unchanged from the previous quarter. The area’s economic indicators are positive, suggesting employment growth into the fourth quarter.

Unemployment Rate and Total Employment by Residence and by Place of Work for Niles–Benton Harbor

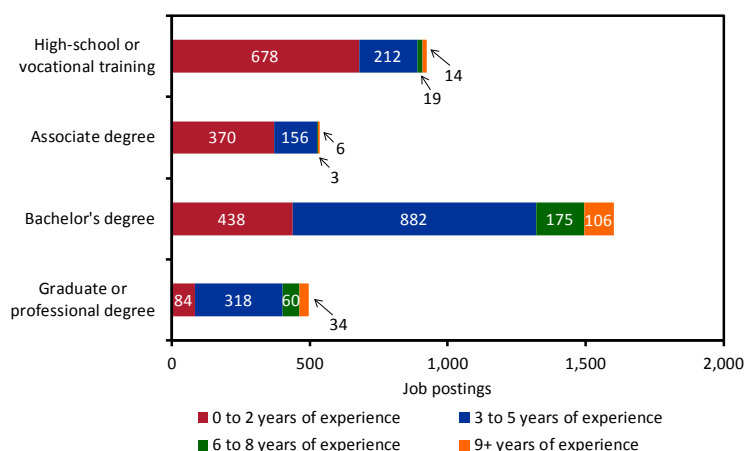


The figure shows employment by place of work and employment by place of residence going in opposite directions since the start of the year. The unemployment rate has leveled off.

Employment by place of residence has fallen slightly from a peak in the first quarter of 2016. However, employment by place of work has been increasing since 2015. Following a small spike in the first quarter, the unemployment rate has settled at 4.4 percent for the last two quarters. The State of Michigan section of this issue discusses the tight labor market across the state and how wages are responding to the labor shortage.

The goods-producing sector was essentially unchanged over the quarter, increasing by 0.2 percent. Construction was literally unchanged, and manufacturers added just 30 jobs. Growth was similarly modest in

Education and Experience Requirements as Specified in Job Postings, Q4 2015 through Q3 2016, Niles–Benton Harbor MSA



Job postings over the past year emphasized three to five years of experience for bachelor’s degree holders.

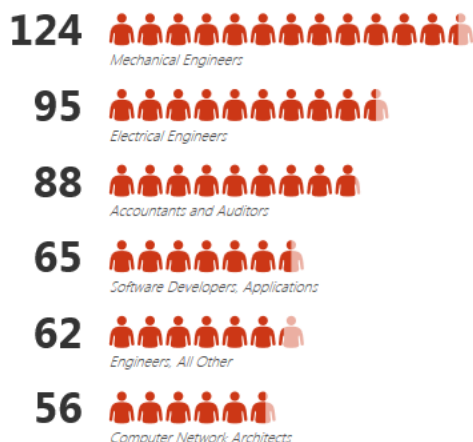
SOURCE: Burning Glass Technologies (2016).

Q3 to Q3 Employment Growth by Sector



Most sectors in Benton Harbor added jobs during this period. Total nonfarm payroll increased by 1,290 workers because of increases in leisure and hospitality, government, manufacturing, retail, financial activities, and education and health services. These industries added almost 1,700 jobs, overcoming losses in professional and business services (620) and other services (170).

Top Postings, STEM Occupations



Notably, the manufacturing sector accounts for most of the openings for STEM workers: 73 percent of postings for mechanical engineers, 64 percent for electrical engineers, 68 percent for general engineers, 80 percent for computer systems analysts, and 67 percent for architectural and engineering managers.

SOURCE: Burning Glass Technologies (2016).

NOTE: For the industry employment change tables that formerly ran on the second page of the MSA sections, see the link provided at http://research.upjohn.org/bus_outlook/vol32/iss4/1/.

the private service-providing sector, increasing by 0.3 percent. The leisure and hospitality sector increased by 3.4 percent over the quarter and stands at 8.2 percent above its level in the third quarter of 2015. However, the professional and business services sector shed 3.6 percent over the quarter and is down 10.8 percent over the year. Government employment increased by 1.1 percent in the third quarter.

The area's economic indicators were positive in the third quarter, suggesting continued employment growth into the fourth quarter of 2016. While job growth was modest, the rate of new claims for unemployment fell by 1.9 percent over the quarter and by 7.1 percent over the year. The rate of new home construction picked up by 2.3 percent.

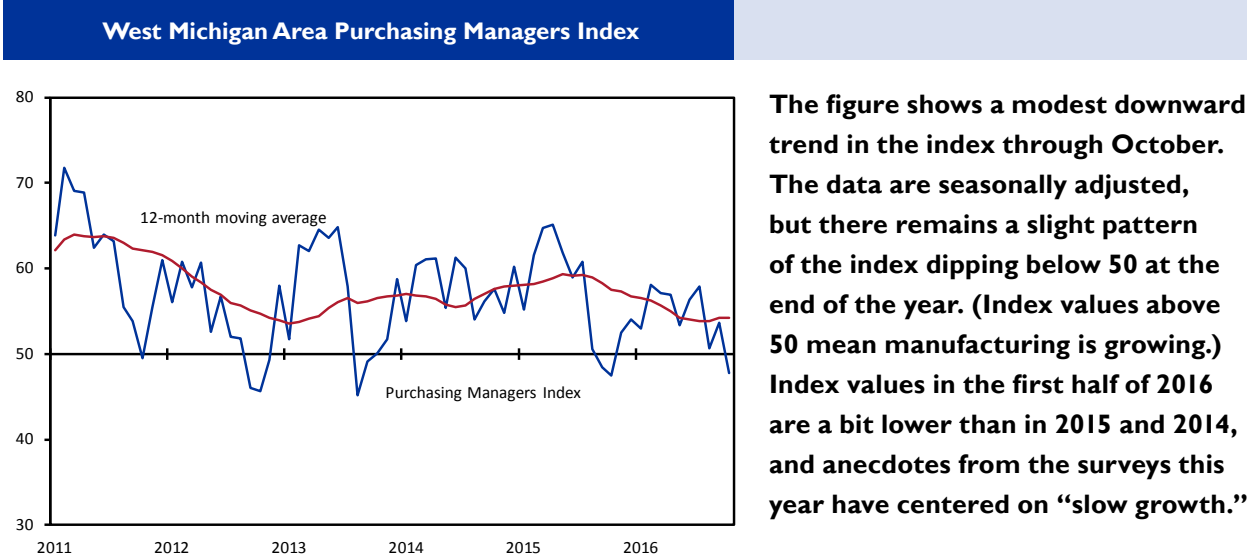
The figure at left shows education and experience requirements from online job postings collected over the past year by Burning Glass Technologies, which generates reports on job-posting data through an interactive application called Labor Insight. Nearly 60 percent of job postings require at least a bachelor's degree, and 15 percent require an associate degree. However, 44 percent of postings require less than two years of experience.

PURCHASING MANAGERS INDEX

The recent survey of purchasing managers, conducted by the Institute of Supply Chain Management at Grand Valley State University, has modest responses with the exception of September 2016, when respondents posted some of the strongest results in months.

In September, after a slow August, new orders reached a 16-month high on the survey’s index, but then returned to normal in October. In the October survey (which is the most recent), both production and purchases, as measured on the index, retreated from the September results.

For several months, both auto suppliers and the furniture industry have shown signs of topping out. Auto suppliers are likely responding to slower auto sales, as discussed on page 5. And Brian Long, who runs the Institute of Supply Management, notes that office furniture growth has slowed in spite of positive business conditions.



MAJOR ECONOMIC DEVELOPMENTS

Battle Creek—Post Cereals recently announced plans to cut some positions at its Battle Creek production facility. Specific numbers have not been announced, but it is expected that between 70 and 80 positions will be eliminated.

Grand Rapids—IP Consulting is expanding in the city of Grand Rapids, creating 25 jobs in information technology. NxGen MDx, a Grand Rapids-based life-sciences firm, is creating 37 jobs as a result of a \$2.8 million expansion.

Kalamazoo—Consumer electronics firm Mophie is adding 65 jobs in Texas Township. One Way Products is building a new headquarters in Oshtemo Township. The \$3.4 million expansion will create 10 jobs.

Muskegon—Johnson Technology is expanding in Norton Shores, adding 100 jobs at its engine-production facility.

Ottawa County—Royal Technologies is expanding its operations in Jamestown Township, adding 66 new jobs in injection-molded plastic components.

Niles-Benton Harbor—A \$5.1 million investment will create 56 new jobs at Vickers Engineering in New Troy. Vickers Engineering is a precision machining firm serving the automotive, energy, and consumer sectors.

Subscribe to *BUSINESS OUTLOOK*

Call the W.E. Upjohn Institute at (269) 343-5541

or

Visit our website at

www.upjohn.org

Business Outlook is available on our website in PDF format. In addition, our website provides up-to-date economic statistics for west Michigan.

Business Outlook for West Michigan

W.E. Upjohn Institute
300 S. Westnedge Avenue
Kalamazoo, MI 49007-4686

W.E. UPJOHN
INSTITUTE
FOR EMPLOYMENT RESEARCH

300 South Westnedge Avenue
Kalamazoo, Michigan 49007
(269) 343-5541 • www.upjohn.org