

3-2009

Business Outlook, Vol. 25, No. 1, March 2009

Citation

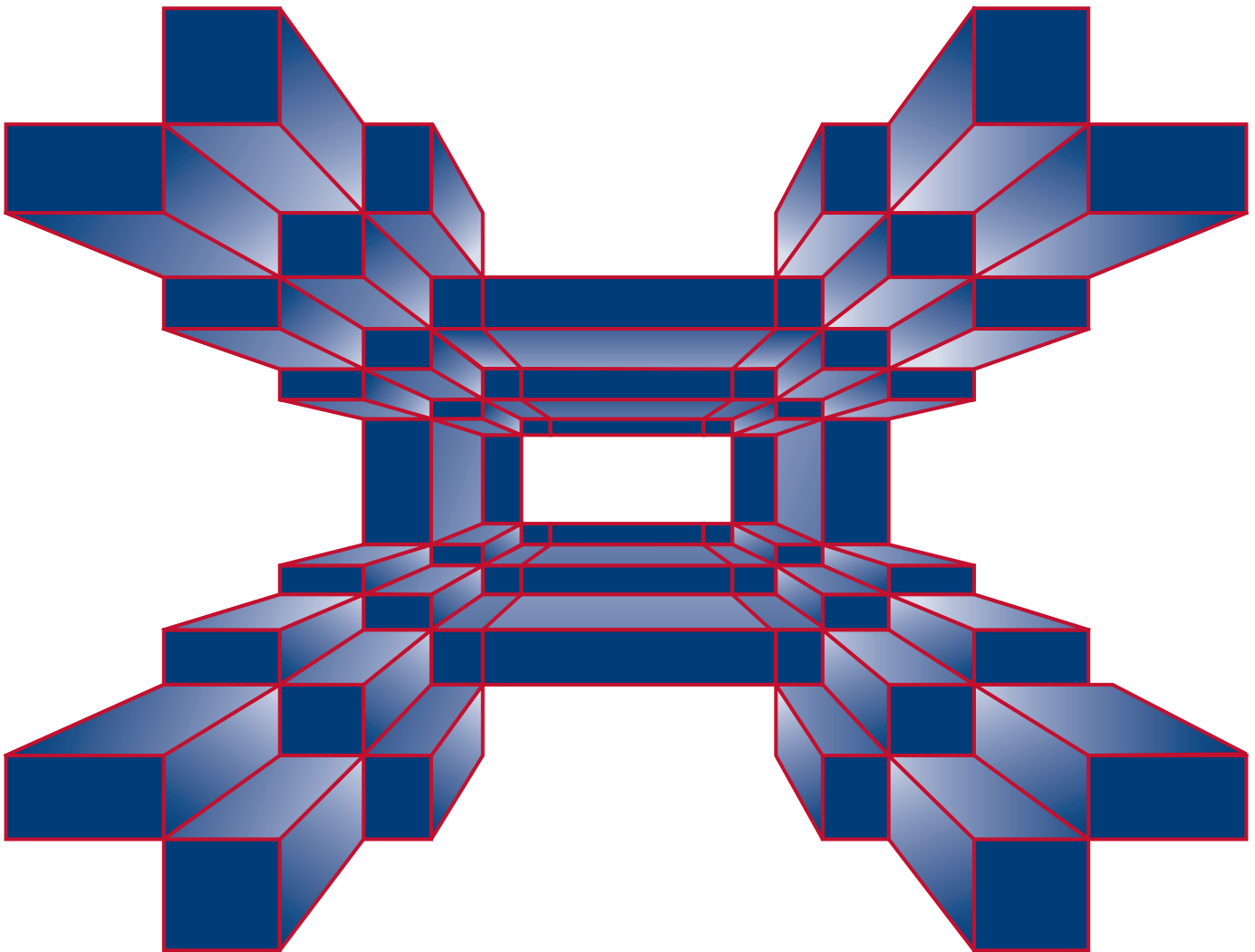
W.E. Upjohn Institute. 2009. Business Outlook for West Michigan 25(1).

https://research.upjohn.org/bus_outlook/vol25/iss1/2

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

BUSINESS OUTLOOK

for West Michigan



**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*

Thomas W. Lambert, *Secretary-Treasurer*

Preston S. Parish, *Chairman Emeritus*

William C. Richardson

Frank J. Sardone

Amanda Van Dusen

B. Joseph White

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

George A. Erickcek
Senior Regional Analyst

Benjamin C. Jones
Editor

Brad R. Watts
Regional Analyst

Elizabeth T. Wertz
Production Coordinator

Vol. XXV, No. 1
March 2009

W.E. UPJOHN INSTITUTE for Employment Research

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



Keystone
Community Bank



SEMCOENERGY

Contents

West Michigan Viewpoint	1
National Economy	2
Regional Economy	4
State of Michigan Economy	6
West Michigan Economy	8
Battle Creek MSA	10
Grand Rapids–Wyoming MSA	12
Holland–Grand Haven MSA	14
Kalamazoo-Portage MSA	16
Muskegon–Norton Shores MSA	18
Niles–Benton Harbor MSA	20
Purchasing Managers’ Index and Major Economic Developments	22
Appendix Tables	
• Michigan Statistics and Michigan Industry Employment Change	23
• Personal Income and Earnings by Industry	24
• Consumer Price Index—U.S. City Average	25
• Population Update for Selected Areas of West Michigan	26

WEST MICHIGAN VIEWPOINT

2009 and 2010 Employment Forecast for West Michigan

Last year we warned that if residential construction did not rebound during the year, and if housing values continued to fall, a bad regional forecast would be the least of our worries. Now it is clear that what was originally thought to be a correction in the housing market because of risky subprime mortgage activity turned into a stampede for the doors. The prices of nearly all assets from homes to stocks plunged over the past year, and great uncertainty blocks our vision of the future. Despite aggressive moves by the Federal Reserve and other central banks worldwide, global financial markets remain nearly frozen. Worse yet, the financial crisis has dragged down the country's real economy, as employers cut 1.3 million jobs during the fourth quarter and domestic output dropped by 3.8 percent.

In short, 2009 is off to a very bad start.

Small Comfort—Last Year's Forecast Was Close to the Mark

Last year's forecast for the six metropolitan areas called for a 0.3 percent employment decline in 2008. Employment is now estimated to have declined by 0.6 percent for the year. In particular, we were too optimistic regarding goods-producing employment and too pessimistic regarding government employment; however, we nailed the change in employment for the area's private service-providing sector.

Employment Forecasts for West Michigan and Its Metro Areas

We are forecasting employment in 2009 to fall by 2.6 percent in the six metropolitan areas of west Michigan (Table 1). Employment in the region's goods-producing sector is expected to take a major hit, falling by 7.6 percent during the year. Horrible car sales and a depressed office-furniture market are taking their toll on the region's manufacturing sector. In addition, excessive inventory of unsold homes and a frozen financial market will likely keep residential construction in the basement for at least the first nine months of the year.

The negative multiplier effect of losing so many goods-producing jobs will cause employment in the region's private service-providing sector to turn negative as well; it is forecast to fall by 1.3 percent for the year. Government employment is expected to stay stable but only because of the opening of the Firekeepers Casino in the Battle Creek MSA, since the casino's workers are classified as government workers. The individual forecast for each of the metro areas is shown in Table 2.

**Table 1 Last Year's Forecast vs. Actual Performance
(% change)**

	Forecast 2008	Actual 2008
Total	-0.3	-0.6
Goods-producing	-2.1	-3.6
Service-providing	0.4	0.4
Government	-0.3	0.2

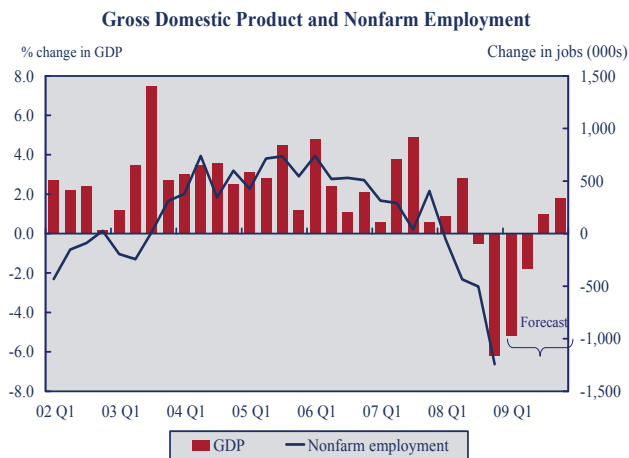
**Table 2 Employment Forecast for 2009 and 2010
(% change from 2008)**

	Actual 2008	Forecast 2009	Forecast 2010
Battle Creek MSA			
Total	-2.5	-1.7	1.6
Goods-producing	-4.7	-4.2	-1.3
Service-providing	-1.4	-2.1	1.7
Government	-3.2	3.7	5.4
Grand Rapids-Wyoming MSA			
Total	-0.2	-2.5	0.3
Goods-producing	-2.9	-8.0	-1.2
Service-providing	0.6	-1.0	0.9
Government	0.2	-0.4	-0.4
Holland-Grand Haven MSA			
Total	-1.8	-4.0	0.0
Goods-producing	-4.3	-9.0	-1.2
Service-providing	0.2	-1.7	0.9
Government	-2.2	-0.2	-0.3
Kalamazoo-Portage MSA			
Total	-0.7	-2.0	-0.1
Goods-producing	-4.1	-5.4	-2.1
Service-providing	0.3	-1.5	0.5
Government	-1.0	-0.2	-0.3
Muskegon-Norton Shores MSA			
Total	-0.5	-3.3	-0.5
Goods-producing	-4.4	-9.4	-1.6
Service-providing	0.3	-1.8	-0.1
Government	2.1	-0.7	-0.7
Niles-Benton Harbor MSA			
Total	1.2	-2.6	1.0
Goods-producing	-2.7	-7.4	0.4
Service-providing	0.9	-1.1	1.6
Government	9.7	-0.5	-0.5
West Michigan			
Total	-0.6	-2.6	0.3
Goods-producing	-3.6	-7.6	-1.2
Service-providing	0.4	-1.3	0.9
Government	0.2	0.0	0.1

NATIONAL ECONOMY

It's Getting Real

During the final quarter of last year, it got real. The fallout from the ongoing financial crisis spread to the real economy as the nation's Gross Domestic Product (GDP) fell at an annualized rate of 6.2 percent. It was the worst quarter since the first quarter of 1982. Final sales to domestic purchasing fell at a 5.7 percent annualized rate.



Employers cut nearly 1.3 million jobs during the quarter and another 600,000 jobs in January alone. The nation's unemployment rate rose to 7.6 percent in January.

While the initial cause of the economic slowdown can be attributed to the financial crisis triggered by unsound mortgage lending, it is now being driven by a decline in consumer spending and a global slowdown in production.

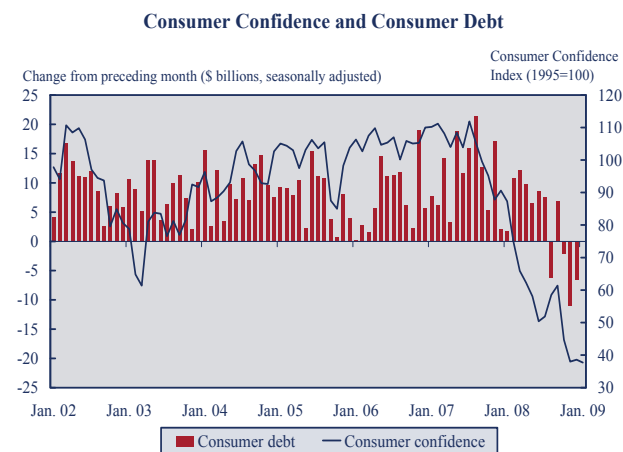
The only good news coming out of the final quarter of last year was that prices held stable. The consumer price index for all urban dwellers (CPI-U) remained unchanged during the 12-month period ending in January. Removing food and energy, the consumer price index rose by a mild 1.7 percent. However, even this ray of good news has its detractors, who are warning that this could be a forerunner of deflation. If this fear comes true, the economy would be severely harmed by consumers postponing expenditures—why buy today when prices will be lower tomorrow?—and businesses suffering falling asset values.

Shoppers Aren't Shopping

The deteriorating employment situation, falling housing prices, and the bear market all weigh heavily on consumers. According to the Reuters/University of Michigan survey of consumers, consumer confidence, which had improved slightly at the end of last year, has fallen back to historic lows, as consumer expectations have sunk to their lowest level in

29 years. Nearly two-thirds of surveyed consumers fear that the recession could last five or more years.

Not surprisingly, consumers have battened down the hatches. Consumer spending fell by 4.3 percent in the fourth quarter after dropping by 3.8 percent in the previous quarter. In the fourth quarter, auto sales plunged, dragging durable goods expenditures down at a 22.1 percent rate of decline. In January, car sales sunk to a 9.5-million-unit annualized rate, a dismal pace not seen since 1982.



According to the Federal Reserve, the combined loss of housing and stock values stripped away more than 20 percent of household net worth in 2007. To offset their loss of wealth, households are increasing their savings. Personal savings increased to 2.9 percent of disposable income in the fourth quarter, up dramatically from 1.2 percent in the previous quarter.

Real Estate Continues to Sink

Residential construction continues its decline, falling at a 22.2 percent annual rate in the fourth quarter. It is the twelfth straight quarterly decline for the sector.

The median price of a home sold in the fourth quarter fell by 12.4 percent from the fourth quarter of 2007, the largest year-over-year plunge on record. Much of the decline is due to foreclosed houses flooding the lower end of the market. Foreclosures and short sales, where the sellers accept a price below what they owe on the house, accounted for 45 percent of the sales. Overall, 87 percent of the nation's metro areas recorded a decline in the value of the median house sold in 2008. As long as foreclosures climb, banks will continue to offer bargain basement prices in an effort to avoid getting stuck with carrying costs, such as money for maintenance, heating, property taxes, and insurance. In addition, the market for top-end houses is stalled because jumbo mortgage loans are hard to obtain.

Global Markets—No Help from Our Friends

Exports fell at a 23.6 percent annualized rate because of slowing global markets, while our imports fell at a 16.0 percent annualized rate, reflecting our sluggish domestic market.

The European Union experienced its deepest contraction on record in the fourth quarter, as output in the region fell at an annualized rate of 6.1 percent. In the mean time, Japan suffered a 12.7 percent annualized drop during the quarter. This is the steepest drop for Japan since the oil shock of 1974.

Banks Are Quiet but the Fed Is Not Giving Up

More than 65 percent of the surveyed senior loan officers at the nation's major banks tightened their credit standards even more in the final quarter of 2008 for commercial and industrial loans to large and small firms. Not one loan officer surveyed eased his standards during the quarter. At the same time, surveyed banks reported a decrease in the demand for loans.

Regarding residential mortgages, 53 percent of the loan officers surveyed did not tighten their standards; the rest did. However, more than 60 percent of the surveyed loan officers tightened their standards on lines of home equity loans, and 59 percent tightened the standards for issuing new credit cards.

The Federal Reserve has pushed short-term rates down as far as they can go, setting its target for the federal funds rate between 0 and 0.25 percent. Historically, adjusting short-term rates has been the Fed's most recognized and effective tool in stabilizing economy activity. However, for the past year the Fed has been aggressively trying new policies to unfreeze the nation's financial system.

mortgage rates. Current interest rates for 30-year fixed-rate mortgages are approximately 5.2 percent

Fortunately, inflationary pressures are almost nonexistent, allowing the Fed to continue its easy money policies. Nevertheless, if banks do not increase their lending activity, the impact of the Fed's moves could be very limited.

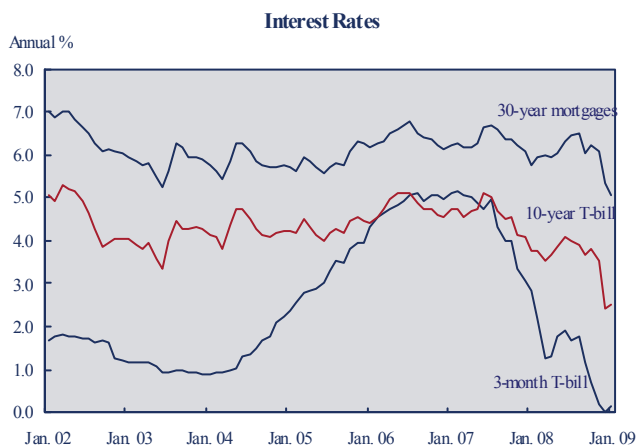
Government to the Rescue

With consumers on the sidelines and our trading partners on the ropes, it is not surprising the nation's businesses are also cooling their jets. For the quarter, business investment spending on equipment and software has declined at a 28.8 percent annual rate, and the construction of nonresidential structures was off by a 5.9 percent annual rate.

The last player standing appears to be government. Congress approved a \$787 billion economic recovery package which contains approximately \$290 billion in tax cuts, including \$115 billion in tax credits for households, \$40 billion for extended unemployment insurance, and \$14 billion to social security recipients.

Outlook

The consensus forecast of the 43 economic forecasters polled by the Federal Reserve Bank of Philadelphia calls for GDP to decline at an annual rate of 5.2 percent in the first quarter and to fall at a rate of 1.8 percent in the second quarter of 2009. In the third quarter, the economy is forecast to increase at a modest 1.0 percent rate and then pick up steam in the final quarter, increasing to a 1.8 percent annual rate. On a year-over-year basis, the consensus forecast calls for the economy to decline by 2.0 percent in 2009.



The Fed continues to push liquidity into the market, through innovative programs aimed at alleviating pressure at potential trouble spots such as consumer and student loans and troubled mortgages. Since September, analysts estimate the Fed has created more than \$1 trillion in new money. In February, the Fed announced that it will be buying up to \$500 million in mortgage-backed securities, an action that could further lower

REGIONAL ECONOMY

Conditions Not So Great for the Great Lakes States

Employment in the five-state Great Lakes region fell by 2.5 percent, a loss of 537,000 jobs, during 12-month period ending in December. In the remaining 45 states, employment fell by 1.8 percent. The region's manufacturers eliminated 181,600 jobs during the period, a 5.9 percent decline. Once again, Michigan suffered the most job loss, as its employers eliminated 173,000 jobs, a decline of 4.1 percent during 2008, and its manufacturers cut 8.1 percent of their workforces. Ohio was the best performing state in the region, but its employment still declined by 1.6 percent during the year.

According to researchers at the Chicago Federal Reserve, economic activity in the Great Lakes region slowed during the closing months of last year. The researchers reported that major layoffs occurred in key manufacturing industries, including automotive suppliers and heavy equipment manufacturers, as well as in financial services. Retailers have cut prices; nevertheless, consumer spending remains down because of the region's weak labor markets. The price chopping includes substantial discounts at the region's car lots. The researchers also found that businesses are canceling or scaling back capital spending plans as well. Finally, the bank's researchers found that the region's real estate markets remain flat, although the declining mortgage rates have increased refinancing activity.

Manufacturing Activity Tumbles

The Chicago Fed Midwest Manufacturing Index (CFMMI), which is the Federal Reserve Bank of Chicago's regional indicator designed to monitor regional manufacturing activity, fell 3.6 percent in December on top of a revised 2.3 percent decline in November. In addition, the bank's other manufacturing index, the Industrial Production Index for Manufacturing (IPMFG), is down nearly 15 percent from a year ago. All four of the monitored manufacturing sectors lost jobs in December: autos were down by 2.7 percent, steel plunged by 7.3 percent, machinery was off by 3.3 percent, and all components of the resource sector—food, chemicals, paper, wood and nonmetallic mineral production—fell in December for the Midwest by 3.6 percent.

The Detroit Three Continue to Fight for Survival

According to the Chicago Fed, the Midwest's automotive output plummeted 26.4 percent in December from a year ago. Production in January was down by a whopping 70 percent from a year ago for the Detroit Three automakers. Production was down by 50 percent for Honda, Nissan, and Toyota for the period. The Detroit Three's share stood at only 42.9 percent in January 2009, compared to 51.9 percent a year ago. The eleven Asian car producers grabbed a 50.1 percent share of the market in the first month of the year.

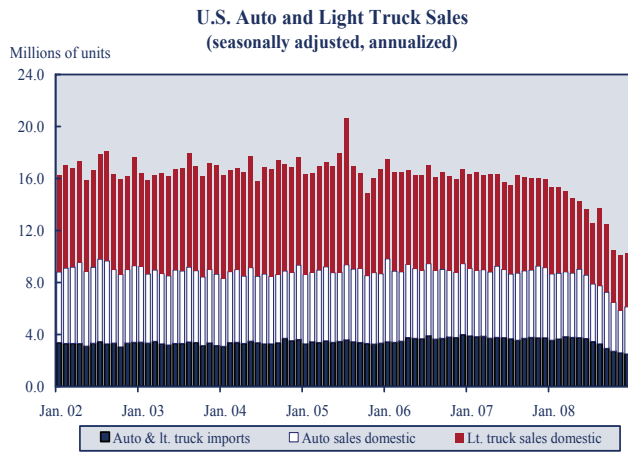
Employment and Earnings^a

Great Lakes region	December 2008	December 2007	Percent change	Great Lakes region	December 2008	December 2007	Percent change
Illinois				Ohio			
Total employment	5,885,800	5,986,500	-1.7	Total employment	5,329,700	5,418,700	-1.6
Mfg. employment	654,800	673,000	-2.7	Mfg. employment	725,200	767,500	-5.5
Avg. weekly hours	41.2	41.2	0.0	Avg. weekly hours	39.5	41.8	-5.5
Avg. hourly earnings	\$16.61	\$16.49	0.7	Avg. hourly earnings	\$19.09	\$18.89	1.1
Indiana				Wisconsin			
Total employment	2,883,000	2,994,900	-3.7	Total employment	2,819,500	2,882,100	-2.2
Mfg. employment	500,600	546,500	-8.4	Mfg. employment	470,900	497,300	-5.3
Avg. weekly hours	40.6	42.4	-4.2	Avg. weekly hours	40.5	40.1	1.0
Avg. hourly earnings	\$18.55	\$18.56	-0.1	Avg. hourly earnings	\$18.14	\$18.15	-0.1
Michigan				United States			
Total employment	4,054,600	4,227,600	-4.1	Total employment (000)	135,489	138,078	-1.9
Mfg. employment	552,400	601,200	-8.1	Mfg. employment (000)	12,981	13,772	-5.7
Avg. weekly hours	40.2	43.6	-7.8	Avg. weekly hours	39.9	41.1	-2.9
Avg. hourly earnings	\$21.69	\$22.83	-5.0	Avg. hourly earnings	\$17.92	\$17.41	2.9

NOTE: December 2008 numbers are preliminary.

^aEmployment numbers are seasonally adjusted for both the nation and the states. Average weekly hours and earnings are seasonally adjusted for the nation only.

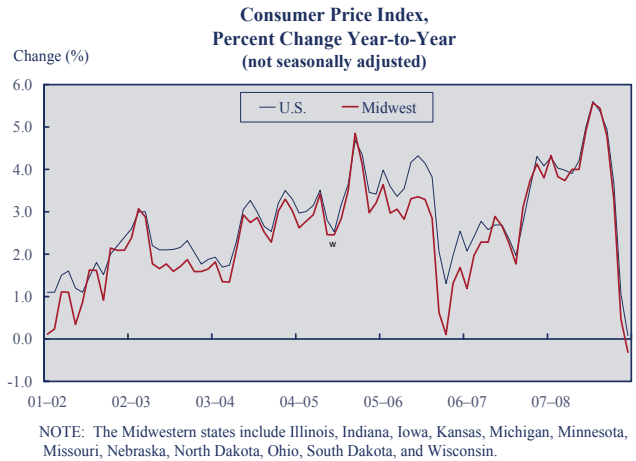
SOURCE: U.S. Bureau of Labor Statistics (BLS).



General Motors (GM) lost \$9.6 billion in the fourth quarter, which pushed its losses for the year to nearly \$31 billion. The quarterly report also revealed that the struggling auto company went through \$68 million a day during the quarter. Not surprisingly, General Motors has announced several rounds of layoffs in the past three months. First, the company announced that it would reduce its salaried workforce by 10,000, to about 63,000 people worldwide. The auto company estimates that 3,400 of these cuts will occur among its approximately 30,000 American salaried workers. Moreover, GM announced that it would be cutting the wages of its salaried workers by as much as 7.0 percent.

Second, the automaker announced that it was eliminating 47,000 production jobs as part of the restructuring plan it presented to the federal government in mid-February. General Motors and Chrysler are asking for \$21.6 billion more in loans from Uncle Sam. Chrysler plans to cut 3,000 jobs from its payrolls.

The plight of the nation's auto companies is forcing auto suppliers to explore alternative markets. Aerospace, defense, medical devices, and wind turbines are all being tested by the



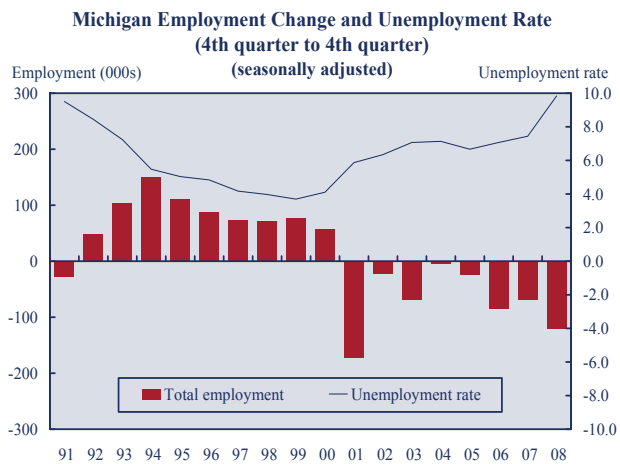
Midwest's auto suppliers. Most will never turn their backs on autos because it is simply too large of a market; instead, diversification is seen as a means of survival.

Is Everything on Sale?

Prices have dropped dramatically in the past six months in the Midwest as well as in the nation as a whole. During the 12-month period ending in July, consumer prices rose by 5.6 percent in the 12-state Midwest region, which matched the nation's increase. Rising energy prices were the culprit back then. But by December, prices in the Midwest had fallen by an equally worrisome 0.3 percent during the last 12 months, while nationwide they had inched up by only 0.1 percent. This time, lack of demand is the killjoy, and some fear that if activity does not pick up soon, prices could continue to fall, leading to a period of deflation.

STATE OF MICHIGAN ECONOMY

Employment fell by 2.1 percent during the final quarter of 2008, as employers eliminated nearly 90,000 jobs from their payrolls. All major sectors reported job reductions during the quarter; with the sole exception of a small employment increase in the state's private education and health services sector. Not surprisingly, the state's unemployment rate jumped from 8.7 to 9.8 percent during the quarter. All of the state's economic indicators deteriorated in the quarter, which suggests that employment conditions will remain very soft in the coming months.



Employment conditions in the state's manufacturing and construction industries continued to worsen as both car sales and building starts kept plummeting. Employment in the state's goods-producing sector declined by 3.5 percent during the quarter. The manufacturing sector cut 3.2 percent from its workforce, a loss of nearly 19,000 jobs. The state's construction sector eliminated 4.6 percent of its workers during the quarter. During the past year, the state's manufacturers have cut nearly 40,000 jobs from their payrolls, a 6.5 percent decline, while construction employment shrank by 12.2 percent, a loss of nearly 20,000 jobs.

Michigan's struggling auto industry remains at the center of the state's economic woes. In 2008, the Detroit Three and the state's auto suppliers cut 28,500 jobs from their payrolls.

Employment in the state's private service-providing sector fell by 1.7 percent during the quarter. The largest job losses were reported in professional and business services and retail trade, where 17,200 and 10,160 jobs were eliminated, respectively.

Retail trends in the state continue to deteriorate, according to the latest polling of the state's retailers by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association. The state's retail index fell by 20 percent in the

12-month period ending in December, while its hiring index fell by 7 percent.

The lack of retail activity in the state is due in large part to the state's lackluster personal income growth. Dampened by the loss of employment opportunities, personal income grew by only 0.1 percent in the third quarter.

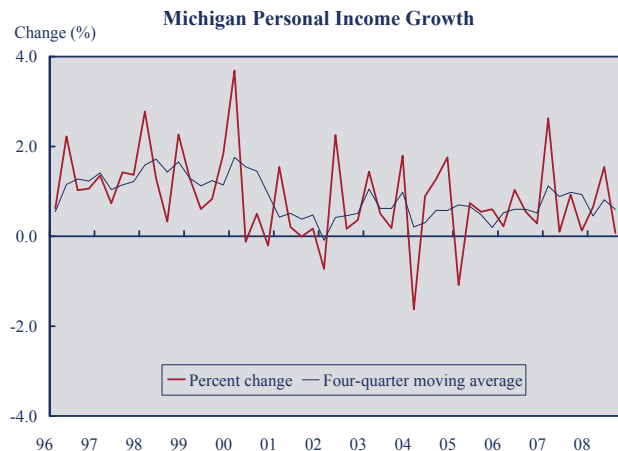
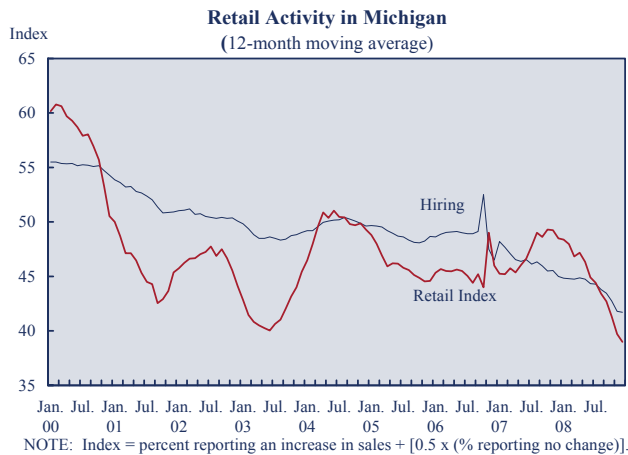
Employment declines were reported in the state's other service-providing sectors except for educational and health services, which picked up by 1,900 jobs, an increase of 0.3 percent. Employment in leisure and hospitality fell by 1.3 percent in the quarter, and financial activities fell by 1.6 percent. Finally, government employment dropped by 2.7 percent.

State and local officials are eagerly waiting to see what will be the impact of the stimulus package recently passed by Congress. The extension of unemployment insurance benefits will provide a welcome boost to the state's retail sector. It is being reported that Michigan could be getting as much as \$853 million in additional money for road and bridge construction in the next several months. If this amount is spread evenly over the next two years, we estimate that it will create approximately 5,700 jobs each year. While this is welcome news, it will fall far short of meeting the needs of the state's 480,000 unemployed workers.

The unemployment rate in half the state's 14 metropolitan areas has reached double-digits, with Flint having the dubious honor of suffering from the state's highest unemployment rate, 13.2 percent in December. Ann Arbor continues to maintain the state's lowest jobless rate, 7.3 percent.

Employment fell in all of the state's 14 metropolitan areas in the past year. Flint not only had the state's highest unemployment rate, it also suffered the largest decline in total employment over the year, 7.6 percent. Its goods-producing employers eliminated 25.4 percent of their workforce last year.

All of the state's economic indicators remained negative during the quarter. Both the state's east side (Detroit) and its west side (west Michigan) help-wanted-ad indices fell, suggesting that employment conditions would remain weak in the coming months. Initial claims for unemployment insurance rose by 15.3 percent, while the number of new dwelling units put under contract for construction fell by 29.3 percent.



Change in Average Weekly Wage for Manufacturing Workers
Second Quarter 2007-2008
(not seasonally adjusted)

Labor market area	Weekly wage	% change 2007-08	Labor market area	Weekly wage	% change 2007-08
Ann Arbor	\$1,316	-4.7	Jackson	\$950	1.4
Battle Creek	1,043	4.6	Kalamazoo-Portage	1,107	-0.7
Bay City	974	-5.3	Lansing-East Lansing	1,094	3.5
Detroit-Warren-Livonia	1,270	1.4	Monroe	1,273	5.1
Flint	1,181	-8.4	Muskegon-Norton Shores	940	4.7
Grand Rapids-Wyoming	984	0.8	Niles-Benton Harbor	1,046	-0.8
Holland-Grand Haven	955	8.2	Saginaw-Saginaw Township North	1,116	1.0

SOURCE: Michigan Department of Labor and Economic Development, ES202 data.

Employment by Place of Work and Civilian Labor Force Unemployment Rates
December
(seasonally adjusted)

Labor market area	Total nonfarm	% change,		% change,		Private service-providing	% change,		Unemployment rate	
		2007-2008	Goods-producing	2007-2008	Goods-producing		2007-2008	Dec. 2007	Dec. 2008	
United States	135,178,000	-2.2	20,564,000	-6.7	92,081,000	-1.8	4.9	7.2		
Michigan	4,054,600	-4.1	695,900	-9.6	2,722,800	-3.0	7.4	10.6		
West Michigan MSAs:										
Battle Creek	56,190	-3.9	14,140	-6.6	33,020	-2.0	7.0	10.0		
Grand Rapids-Wyoming	389,710	-1.0	83,850	-4.0	269,680	-0.1	6.1	9.1		
Holland-Grand Haven	110,070	-2.8	38,080	-5.0	57,000	-1.0	5.8	9.2		
Kalamazoo-Portage	144,410	-1.7	26,630	-5.0	94,790	-0.6	5.7	8.7		
Muskegon-Norton Shores	63,650	-2.7	13,620	-6.1	40,580	-2.2	7.2	11.8		
Niles-Benton Harbor	64,870	-1.2	16,000	-4.2	39,170	-0.5	7.2	10.0		
Other labor market areas:										
Ann Arbor	194,570	-1.7	18,090	-16.9	106,560	-1.1	5.0	7.3		
Bay City	—	—	—	—	—	—	7.0	9.9		
Detroit-Warren-Livonia	1,851,730	-4.5	278,310	-12.5	1,355,450	-3.1	8.3	11.0		
Flint	135,430	-7.6	15,040	-25.4	96,550	-4.8	8.8	13.2		
Jackson	56,590	-1.9	10,440	-5.4	36,670	-1.1	7.7	11.2		
Lansing-East Lansing	217,560	-3.5	25,230	-11.9	129,590	-1.7	5.9	8.9		
Monroe	—	—	—	—	—	—	—	—		
Saginaw-Saginaw Township North	84,660	-4.2	13,280	-11.9	59,030	-2.9	7.6	10.8		

NOTE: — = data not available.

SOURCE: U.S. Department of Labor and the Michigan Department of Labor and Economic Growth (most recent benchmark).

WEST MICHIGAN ECONOMY

Total employment across the six metropolitan areas that constitute west Michigan fell by 0.5 percent during the final quarter of 2008. It seems that no sector was safe from the economic downturn during the period; every major industrial group shed jobs, although goods-producing firms continued to be the hardest hit. The resulting layoffs and reduced business activity for the self-employed helped to raise the unemployment rate by more than a point, to 9.0 percent. To make matters worse, the region's economic indicators remain deep in negative territory, which paints a grim warning for employment conditions in the upcoming spring and summer months.

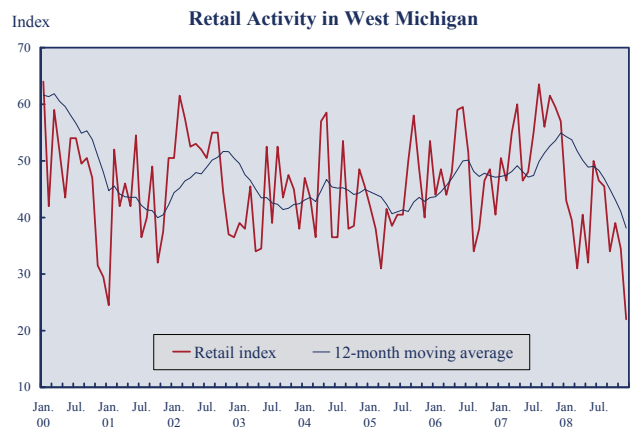
The goods-producing sector shrank by 1.4 percent during the fourth quarter, for a loss of 2,760 jobs. In total, the sector is down by 4.2 percent from a year ago. In sheer numbers, the dominant manufacturing sector is responsible for the largest workforce reduction, although in percentage terms the construction industry has actually been hit harder. During the last three months of 2008, manufacturing employment fell by 1.4 percent, while construction and mining dropped by 1.5 percent. Over the past year, manufacturing is down by 4.1 percent and construction and mining is down by 5.0 percent.

Recent business news has been dismal in west Michigan. Over the past few months, some of the region's largest firms have announced sweeping layoffs. Nationally, the automotive industry continues to be stuck in a downward spiral, and the fall-out is being felt across the region. Suppliers such as Eaton in Marshall, Gentex in Zeeland, Shape Corp. in Grand Haven, and Musashi Auto in Battle Creek have all laid off workers during the past few months. Even Denso, the Japanese auto supplier that has been the success story of the Fort Custer Industrial Park in Battle Creek, began implementing pay and schedule reductions in January to compensate for slowing demand.

The office furniture industry also appears to be struggling. Over the past few months, three of the region's largest firms—Steelcase, Haworth, and Herman Miller—all were engaged in layoffs that will affect thousands of workers in the region. To make matters worse, if industry forecasts are accurate, these reductions may only be the beginning of the reductions required for the survival of the local furniture industry. According to the Business and Institutional Furniture Manufacturers Association, a trade group, U.S. sales are forecast to decline by 10.8 percent in 2009, while domestic production demand is expected to decline by an even larger amount, 11.6 percent.

Unfortunately, the region's private service-providing firms are not faring as well as they once were, either; sector employment slipped by 0.1 percent last quarter and was down

by 0.2 percent over the past year. Although educational and health services provided a solid 2.1 percent boost in employment over the past year, that sector's growth is slowing, and most other service sectors are now down. Retail has been especially hard hit as the economy declines; employment at area merchants fell by 1.0 percent, a 900-job loss, during the fourth quarter alone. Information and financial activities have also shed a significant number of jobs over the past few months—losses of 160 and 200, respectively.



The troubles facing private service-providing firms in west Michigan are twofold. For one thing, the industries that have formed the backbone of the regional economy—automotive, office furniture—are being especially hard hit by the national economic slowdown. Second, it is important to remember that west Michigan is not immune to the issues of credit tightening and plummeting consumer confidence that are reducing the flow of dollars to retailers and service providers nationwide.

This is reflected in the most recent report from the Michigan Retailers Association, whose index of retail activity plunged to a reading of 22 in December—lower than was seen during the last recession. Sadly, national reports suggest that the consumer is unlikely to bounce back and start buying again at the same pace that occurred following the 2001 downturn, when discounts and incentives, combined with tax rebate checks, were enough to entice shoppers. If this trend holds, west Michigan may see an ongoing and permanent shrinking of its retail sector as the recession progresses.

Government employment declined by 0.9 percent last quarter, a 900-job loss. Over the past year, the number of government jobs fell by 1.1 percent, a loss of 1,130 positions. This reflects a long-term trend of reductions in municipal government and public K-12 education that is associated with the region's weak economy and stagnant population. By Fall 2009,

West Michigan (6 MSAs) Statistics

(seasonally adjusted)

Measure	2008 Q4	2008 Q3	% change, Q3 to Q4	2007 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	831,640	835,650	-0.5	842,200	-1.3
Goods-producing	193,750	196,510	-1.4	202,310	-4.2
Construction and mining	32,430	32,930	-1.5	34,140	-5.0
Manufacturing	161,330	163,600	-1.4	168,180	-4.1
Private service-providing	535,000	535,350	-0.1	535,890	-0.2
Trade, transportation, and utilities	150,580	151,660	-0.7	152,880	-1.5
Retail trade	90,720	91,650	-1.0	92,630	-2.1
Information (5 MSAs) ^a	9,300	9,460	-1.7	9,500	-2.1
Financial activities	38,450	38,650	-0.5	38,600	-0.4
Professional and business services	100,730	99,940	0.8	101,300	-0.6
Educational and health services	124,540	124,250	0.2	121,940	2.1
Leisure and hospitality	75,840	75,760	0.1	75,990	-0.2
Other services	35,550	35,630	-0.2	35,660	-0.3
Government	102,880	103,780	-0.9	104,010	-1.1
Unemployment					
Number unemployed	86,030	74,190	16.0	60,420	42.4
Unemployment rate (%)	9.0	7.8		6.2	
Local indexes					
Help-wanted ads (4 MSAs) (1996=100) ^b	13	18	-27.8	27	-51.9
UI initial claims	3,554	2,928	21.4	2,218	60.2
New dwelling units ^c	1,769	2,214	-20.1	4,746	-62.7

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

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

^b Niles-Benton Harbor MSA and Holland-Grand Haven MSA help-wanted data are not available.

^c Seasonally adjusted annual rates. Van Buren County is not included.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Information Systems Company; ad count from four major daily newspapers; and employment data from the Michigan Department of Labor and Economic Growth.

government employment numbers will most likely increase; that is when the new casino—classified as a public entity because of its tribal ownership—opens in Calhoun County. However, entities that make up what is typically thought of as government activity—public education, municipal government, and so forth.—are expected to remain flat or slightly down in the near future, regardless of what is happening in the rest of the economy.

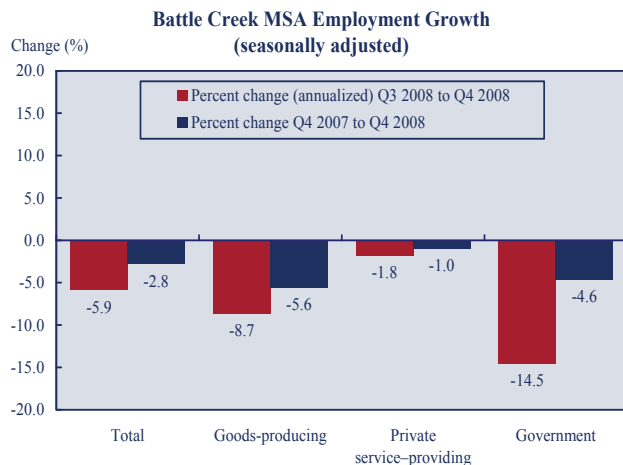
Throughout the region, recent economic statistics have been consistently negative. Unlike slow quarters in the past, this time no metropolitan area manages to stand out within west Michigan as a beacon of hope for recovery. Even the typically resilient private service-providing sector has begun to shed jobs as consumers pull back. Over the next few months, these conditions appear likely to persist. Initial unemployment insurance claims rose by 21.4 percent during the quarter, which illustrates the wave of freshly laid-off workers whose numbers are just beginning to be felt in the local economy. Additionally, the housing market remains at record low levels,

as indicated by the 20.1 percent decline in the number of new dwelling units placed under contract during the fourth quarter.

Indicators of hiring intent for the region's employers also remain extremely low. The index of help-wanted advertising, a measurement of the strength of local job opportunities in entry-level and service occupations, fell by 27.8 percent during the fourth quarter. Additionally, in the metropolitan areas where the Manpower employment outlook survey is still conducted, respondents have turned pessimistic, which suggests that few firms intend to increase workforce levels anytime in the near future.

BATTLE CREEK MSA

Employment in Calhoun County fell by 1.5 percent during the last quarter; more than any other community in west Michigan. Job losses were widespread, and substantial employment losses were reported in every major industry sector. As a result, the region's unemployment rate increased by 1.3 percentage points, to 9.5 percent. Not surprisingly, local economic indicators are all pointing in a negative direction.



The region's goods producers posted substantial job losses during the final months of 2008. Firms in the large durable-goods industry shed the greatest number of workers; however, the smaller construction and mining sector had the largest drop in percentage, 3.1 percent. Nondurable goods producers, whose ranks include food processors, printers, and plastics companies, also saw their employment levels shrink slightly during the fourth quarter.

Local business news reports have been filled with stories of the casualties of the economic downturn. During the last quarter, layoffs were announced by the Battle Creek Enquirer and the Eaton facility in Marshall. Other firms are looking at ways to reduce costs without cutting jobs. Denso and Duncan Aviation cut both pay and scheduled hours for their workers, while automotive supplier Hi-Lex America announced that hourly employees would be furloughed for one week without pay in both February and March. Musashi Auto Parts also announced a temporary layoff of 55 workers February 17 for two weeks.

However, nearly 200 jobs are expected to return when the Marshall Brass plant is reopened by its new owner. The facility, which closed last year, has been sold to Tribal Manufacturing, and the Marshall city council has already approved the transfer of tax abatements necessary for the deal to proceed.

Private service-providing employment fell by 0.5 percent during the last quarter of the year. Although the rate of decline facing service workers was comparatively modest, the number of jobs lost, 150, was still notable because of the overall size of the sector. Following in the footsteps of the rest of the economy, job losses were widespread across the various service-producing subindustries. However, both the leisure and hospitality industry and the private educational and health services industry managed to post very modest gains of 0.4 percent and 0.2 percent, respectively.

The only major hiring occurring in the Battle Creek region is at the Firekeepers Casino, where executives announced in January that they would begin hiring the 1,500 workers they expect to employ when the facility opens this summer.

The largest private service-providing sector job losses occurred in professional and business services, which fell by 2.7 percent during the quarter, a 130-job loss. This may reflect the elimination of workers employed through temporary employment agencies, which are classified under the business services category.

Government employment fell by a substantial 3.9 percent during the quarter, a loss of 370 jobs. Although the number of workers employed in the sector was not expected to increase during the last part of 2008, the magnitude of the loss was unexpected. During the third quarter of 2008, government employment took a surprising jump upward, however, so it is possible that the most recent numbers reflect a statistical correction and not a significant downsizing at one of the region's federal or state employers.

Regional economic indicators do not paint an optimistic picture for the next few months. The index of help-wanted advertising fell by 27.3 percent to a reading of only 8 during the fourth quarter, which clearly indicates that jobs are not easy to find. Also, not surprisingly, initial claims for unemployment insurance rose by 8.4 percent—the third consecutive quarter-over-quarter increase. Unfortunately, the Manpower survey, which provided information on the short-term employment outlook, is no longer being conducted for the Battle Creek area.

Finally, the Battle Creek region's housing market shows no signs of recovery. Only 22 new dwelling units were put under contract during the fourth quarter, a 21.8 percent decline from the previous quarter. This represents a new low in Battle Creek, even for the typically slow fall and winter seasons.

Battle Creek MSA
(seasonally adjusted)

Measure	2008 Q4	2008 Q3	% change, Q3 to Q4	2007 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	56,210	57,070	-1.5	57,850	-2.8
Goods-producing	14,330	14,660	-2.3	15,180	-5.6
Construction and mining	1,880	1,940	-3.1	2,080	-9.6
Manufacturing	12,450	12,720	-2.1	13,110	-5.0
Durable goods	7,560	7,780	-2.8	8,090	-6.6
Nondurable goods	4,890	4,940	-1.0	5,020	-2.6
Private service-providing ^a	32,650	32,800	-0.5	32,990	-1.0
Trade, transportation, and utilities	9,700	9,760	-0.6	9,840	-1.4
Retail trade	6,400	6,500	-1.5	6,660	-3.9
Financial activities	1,490	1,500	-0.7	1,490	0.0
Professional and business services	4,730	4,860	-2.7	4,930	-4.1
Educational and health services	9,230	9,210	0.2	9,230	0.0
Leisure and hospitality	5,280	5,260	0.4	5,290	-0.2
Other services	2,210	2,220	-0.5	2,210	0.0
Government	9,230	9,600	-3.9	9,680	-4.6
Unemployment					
Number unemployed	6,410	5,610	14.3	4,830	32.7
Unemployment rate (%)	9.5	8.2		7.0	
Local indexes					
Help-wanted ads (1996=100)	8	11	-27.3	19	-57.9
UI initial claims	336	310	8.4	231	45.5
New dwelling units ^b	22	28	-21.8	58	-62.6

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

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

^b Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

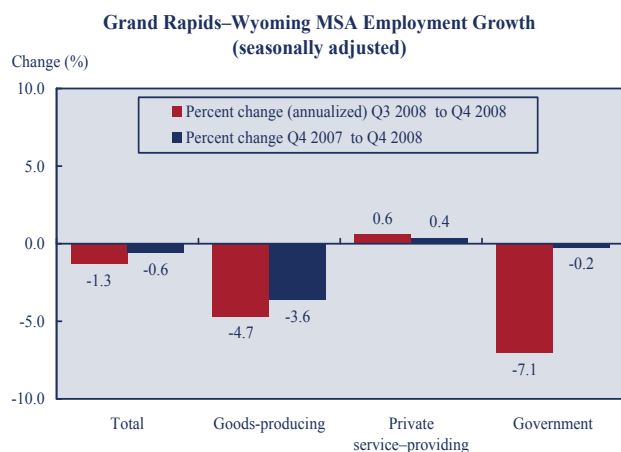
Battle Creek MSA
Industry Employment Change by Place of Work, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2008 Q2	2007 Q2	Percent change	Industry	2008 Q2	2007 Q2	Percent change
Goods-producing				Ambulatory health care services	2,780	2,660	4.5
Food manufacturing	3,550	3,500	1.4	Hospitals	2,460	2,470	-0.4
Fabricated metal products mfg.	1,750	1,720	1.7	Arts, entertainment, and recreation	900	880	2.3
Transportation equipment mfg.	4,750	4,850	-2.1	Accommodation and food services	4,260	4,680	-9.0
Private service-providing				Food services and drinking places	4,060	4,440	-8.6
Professional and technical services	960	1,020	-5.9	Government			
Administrative and support services	2,950	2,990	-1.3	Federal Government	3,140	3,220	-2.5
Educational services	1,290	860	50.0	State Government	400	400	0.0
Health care and social assistance	8,030	7,860	2.2	Local Government	5,990	6,190	-3.2

SOURCE: Michigan Department of Labor and Economic Development, ES202 data.

GRAND RAPIDS–WYOMING MSA

Total employment in the Grand Rapids metropolitan area fell by 0.3 percent during the fourth quarter. Although both goods-producing and government employment fell, the region's private service-providing firms actually managed to eke out a slight 0.1 percent increase. Still, the number of people reported as unemployed swelled during the last three months of 2008 and pushed the unemployment rate up to 8.7 percent. To no one's surprise, all of the region's economic indicators are pointing in a negative direction.



Goods-producing employment shrank by 1.2 percent during the fourth quarter—double the rate of decline reported during the previous period. Workforce reductions were widely spread across industries. Durable goods manufacturers and the construction and mining industry have been shedding workers for quite some time; they reported losses of 1.4 percent and 0.9 percent, respectively. However, the nondurable goods sector has now joined in as well, with a 1.0 percent employment decline.

Recent business reports in the region have focused on the cost-cutting measures and workforce reductions as firms try to survive the current economic downturn. Companies including Steelcase, Kindle Furniture, and X-Rite announced plans to reduce expenses by cutting salaries, eliminating benefits, or moving to a reduced schedule of operations. Many more companies were unable to avoid workforce reductions and announced layoffs during the quarter, including Steelcase, Dematic Corporation, GE Aviation, Wolverine World Wide, and Royal Technologies (a plastics processing company). The only positive growth report, surprisingly, came from an automotive parts supplier—Benteler Automotive—which announced plans to hire more than 100 additional workers in 2009 to produce a new exhaust manifold system for Ford.

The private service-providing sector added 400 jobs during the last quarter, a very slight 0.1 percent increase. Although

employment conditions in the sector are best described as flat, it is worth noting that Grand Rapids is the only west Michigan region that did not shed service workers during the period. In fact, growth in professional and business services was downright robust; the sector grew by a very healthy 2.2 percent, an addition of over 1,200 jobs. It also helped that the large educational and health services sector, as well as the leisure and hospitality sector, both held employment levels steady instead of declining. Taken together, the performance of these three sectors was more than enough to offset substantial job losses in information, in financial activities, and in trade, transportation, and utilities.

Government sector employment declined by 1.8 percent during the quarter, a loss of 670 jobs. This may partially reflect a correction from the third quarter, when the number of public sector jobs in the region unexpectedly surged. Over the long term, the trend in government employment has been one of slow and steady decline. Between the fourth quarters of 2007 and 2008, the sector's workforce shrank by 0.2 percent, which would seem to reasonably reflect a general trend toward reduced fiscal budgets and public service offerings in Michigan communities.

All of the economic indicators for the Grand Rapids region suggest that poor economic conditions are likely to continue for a while. For one thing, the housing market shows no signs of recovery: new dwelling units under contract dropped by 23 percent during the quarter and fell by a massive 67.9 percent over just the past four quarters. Additionally, the ranks of the newly unemployed continue to swell at an increasing pace. Initial claims for unemployment insurance rose by 16.6 percent during the quarter and occurred at a pace 54 percent higher than was seen during the fourth quarter of 2007.

Unfortunately, the outlook for new job opportunities also remains weak. The regional index of help-wanted advertising fell by 35.7 percent to a reading of 9, which is a historical low. Finally, the Manpower employment outlook survey indicates that a roughly equal share of firms are considering reducing employment as are planning on hiring, 13 percent versus 15 percent. Most employers—65 percent of those surveyed—reported that they intend to hold employment steady, while 6 percent expressed uncertainty regarding their firms' short-term workforce plans.

Grand Rapids–Wyoming MSA
(seasonally adjusted)

Measure	2008 Q4	2008 Q3	% change, Q3 to Q4	2007 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	390,990	392,270	-0.3	393,300	-0.6
Goods-producing	84,370	85,390	-1.2	87,560	-3.6
Construction and mining	16,070	16,220	-0.9	16,650	-3.5
Manufacturing	68,310	69,180	-1.3	70,910	-3.7
Durable goods	46,720	47,370	-1.4	48,830	-4.3
Nondurable goods	21,590	21,800	-1.0	22,080	-2.2
Private service–providing	270,320	269,920	0.1	269,370	0.4
Trade, transportation, and utilities	73,090	73,730	-0.9	74,310	-1.6
Transportation and utilities	10,490	10,620	-1.2	10,750	-2.4
Wholesale trade	22,340	22,490	-0.7	22,660	-1.4
Retail trade	40,250	40,640	-1.0	40,890	-1.6
Information	5,300	5,400	-1.9	5,400	-1.9
Financial activities	22,000	22,080	-0.4	21,960	0.2
Professional and business services	59,720	58,460	2.2	59,080	1.1
Educational and health services	61,600	61,590	0.0	60,130	2.4
Leisure and hospitality	32,520	32,520	0.0	32,310	0.6
Other services	16,080	16,120	-0.2	16,170	-0.6
Government	36,290	36,960	-1.8	36,380	-0.2
Unemployment					
Number unemployed	35,440	30,510	16.2	25,080	41.3
Unemployment rate (%)	8.7	7.5		6.1	
Local indexes					
Help-wanted ads (1996=100)	9	14	-35.7	26	-65.4
UI initial claims	1,332	1,142	16.6	865	54.0
New dwelling units ^a	729	946	-23.0	2,271	-67.9

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

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

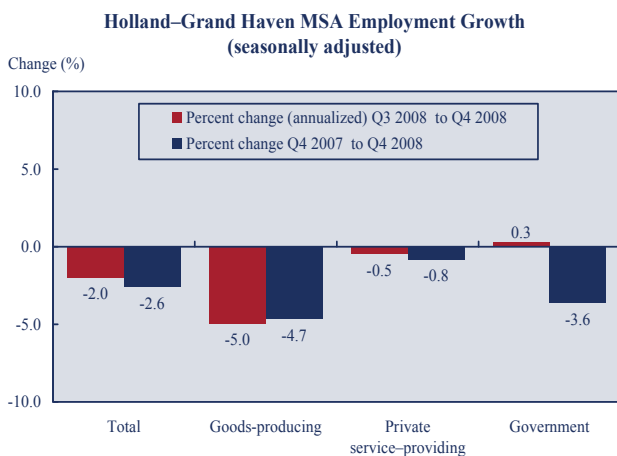
Grand Rapids–Wyoming MSA
Industry Employment Change by Place of Work, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2008 Q2	2007 Q2	Percent change	Industry	2008 Q2	2007 Q2	Percent change
Goods-producing				Health care and social assistance	48,100	46,350	3.8
Food manufacturing	6,170	5,800	6.4	Ambulatory health care services	14,190	13,730	3.4
Chemical manufacturing	4,170	4,240	-1.7	Hospitals	19,850	18,810	5.5
Plastics and rubber products mfg.	6,660	6,520	2.1	Arts, entertainment, and recreation	4,520	4,480	0.9
Fabricated metal products mfg.	6,930	7,080	-2.1	Accommodation and food services	27,720	27,700	0.1
Machinery manufacturing	7,960	8,150	-2.3	Food services and drinking places	25,340	25,450	-0.4
Transportation equipment mfg.	12,650	14,690	-13.9	Government			
Furniture and related products mfg.	6,730	6,700	0.4	Federal Government	3,370	3,330	1.2
Private service–providing				State Government	3,430	3,530	-2.8
Professional and technical services	15,130	14,410	5.0	Local Government	28,330	28,810	-1.7
Administrative and support services	34,750	36,590	-5.0				
Educational services	10,680	10,380	2.9				

SOURCE: Michigan Department of Labor and Economic Growth ES202 data.

HOLLAND-GRAND HAVEN MSA

Total Holland-area employment fell by 0.5 percent during the fourth quarter of 2008. The losses were primarily the result of job cuts in the goods-producing sector. Employment levels at private service-providing firms and in government managed to stay relatively steady during the period; however, both sectors have seen their workforces shrink over the past year. Still, ongoing layoffs and schedule reductions managed to push the area's unemployment rate up to 8.8 percent—higher than it has been in more than 20 years. Unfortunately, the few economic indicators available for the region suggest that conditions will not improve during the coming months.



The region's goods-producing sector continues to be battered by both the weak housing market and the downturn in demand for manufactured goods. Area manufacturers shed 400 jobs during the last three months of 2008, a 1.2 percent decline from the previous quarter and a 4.5 percent drop from the same time last year. Construction and mining employment declined by 1.8 percent during the quarter and was down by 5.7 percent since this time last year—more than any other industry in the Holland area.

Unfortunately, recent business reports for the Holland area have been dismal. In December, Haworth announced the closure of one plant in Holland and the elimination of all 350 positions, while at the same time Herman Miller increased the number of job cuts it was undertaking to a total of 1,100 workers instead of a previous estimate of only 400 to 650 workers. In February, the Shape Corporation announced the elimination of 230 hourly and white-collar positions in Grand Haven, and Nicholas Plastics announced it will close its Allendale Township plant within 60 days, with layoffs of its 103 employees beginning immediately. However, the biggest shock may have occurred when Zeeland-based Gentex eliminated

between 350 and 400 jobs—the first layoffs in the company's history.

Employment in Holland's private service-providing sector was partially kept afloat by the strength of its private educational and health services sector and its leisure and hospitality sector, both of which were able to post modest job gains during the quarter. The hardest-hit sectors were those tied to local consumption: retail, which declined by 1.2 percent, and financial activities, which declined by 1.4 percent. Great Lakes Home Furnishings announced it would close its stores in Holland Township and St. Joseph, affecting 70 employees.

Employment also declined by 0.8 percent in professional and business services, most likely as a result of a decline in the number of temporary workers, who are classified in the data under business services.

Government employment held steady during the last quarter of 2008; however, over the past year, the number of public-sector workers in Ottawa County has declined by 3.6 percent.

Sadly, local economic indicators do not offer much hope for improvement in economic conditions over the next few months. There was a sizable 36.1 percent spike in initial claims for unemployment insurance (UI) during the fourth quarter, and the number was up by a whopping 90.6 percent since the same time last year. Unfortunately, UI claims are only likely to increase when the victims of the latest round of cuts in late December and January begin filing claims during the first quarter of 2009.

Additionally, the market for new houses, as measured by new-dwelling-unit construction contracts, remains down, and even the frequently optimistic Manpower employment outlook has turned negative. In the most recent survey, 15 percent of respondents indicated they would be cutting employment during the next three months, while only 10 percent expressed plans to increase employment. At this time last year, employers were far more optimistic: 13 percent planned to cut jobs, and 33 percent were hoping to add workers.

Holland–Grand Haven MSA
(seasonally adjusted)

Measure	2008 Q4	2008 Q3	% change, Q3 to Q4	2007 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	110,520	111,080	-0.5	113,450	-2.6
Goods-producing	38,280	38,770	-1.3	40,150	-4.7
Construction and mining	4,990	5,080	-1.8	5,290	-5.7
Manufacturing	33,290	33,690	-1.2	34,860	-4.5
Private service-providing	57,160	57,230	-0.1	57,640	-0.8
Trade, transportation, and utilities	17,900	17,930	-0.2	18,140	-1.3
Retail trade	10,250	10,370	-1.2	10,540	-2.8
Information	800	800	0.0	800	0.0
Financial activities	2,910	2,950	-1.4	3,010	-3.3
Professional and business services	11,680	11,780	-0.8	11,980	-2.5
Educational and health services	10,410	10,310	1.0	10,280	1.3
Leisure and hospitality	8,470	8,420	0.6	8,540	-0.8
Other services	4,990	5,030	-0.8	4,890	2.0
Government	15,090	15,080	0.1	15,660	-3.6
Unemployment					
Number unemployed	11,720	9,960	17.7	8,000	46.5
Unemployment rate (%)	8.8	7.5		5.9	
Local indexes					
UI initial claims	659	484	36.1	346	90.6
New dwelling units ^a	386	419	-8.0	1,354	-71.5

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

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

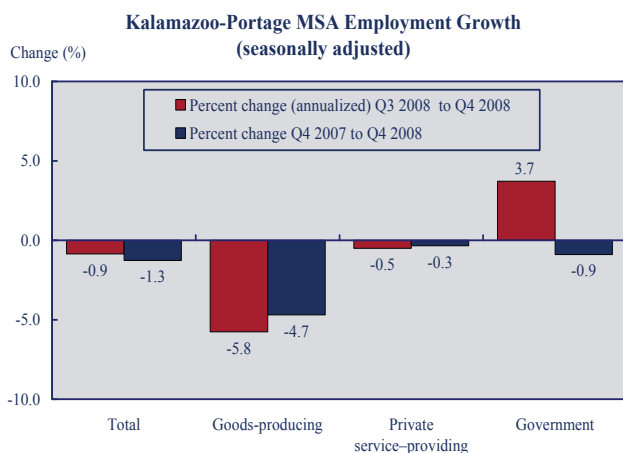
Holland–Grand Haven MSA
Industry Employment Change by Place of Work, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2008 Q2	2007 Q2	Percent change	Industry	2008 Q2	2007 Q2	Percent change
Goods-producing				Health care and social assistance	7,970	7,380	8.0
Food manufacturing	3,040	3,040	0.0	Ambulatory health care services	3,620	3,480	4.0
Fabricated metal products mfg.	4,820	5,100	-5.5	Arts, entertainment, and recreation	1,210	1,240	-2.4
Machinery manufacturing	2,150	2,320	-7.3	Accommodation and food services	7,570	7,450	1.6
Transportation equipment mfg.	4,870	5,490	-11.3	Food services and drinking places	7,070	6,980	1.3
Furniture and related products mfg.	6,110	6,220	-1.8	Government			
Private service-providing				Federal Government	460	470	-2.1
Professional and technical services	3,150	3,180	-0.9	State Government	2,200	2,110	4.3
Administrative and support services	6,760	6,990	-3.3	Local Government	10,390	10,370	0.2
Educational services	1,960	1,890	3.7				

SOURCE: Michigan Department of Labor and Economic Development ES202 data.

KALAMAZOO-PORTAGE MSA

Kalamazoo-area employment dropped by only 0.2 percent during the fourth quarter—the smallest reduction among metro areas in west Michigan. Most of the employment decline occurred in the goods-producing sector; the number of private service-providing workers dipped only slightly, and government employment actually increased. Not surprisingly, the unemployment rate increased to 8.3 percent during the period; however, it remains low compared to most other metropolitan areas in Michigan. Although Kalamazoo-area employment conditions remained stable in the fourth quarter, local indicators suggest economic conditions will not improve in Kalamazoo anytime soon.



Employment losses were widespread within the goods-producing sector, which declined by 1.5 percent overall during the last quarter. Manufacturing continues to be the biggest job loser in the region, as 320 jobs were lost during the period. Employment in the sector of construction and mining has also been shrinking for some time now: it fell by 1.4 percent during the quarter and is down by 5.1 percent over the past year. Unfortunately, yet another drop in new dwelling unit construction contracts suggests that the housing market will not rebound during the upcoming spring and summer months.

Nondurable goods employment fell by 1.6 percent during the quarter and was down by 6.8 percent since last year—more than any other industry in Kalamazoo. This may be related to layoffs at Pfizer, as well as to weakness at plastics companies that supply the automotive industry. Of course, the durable goods sector—which includes automotive suppliers—also fell by a substantial 1.5 percent during the quarter.

Recent business news in Kalamazoo has been dominated by reports of layoffs and closures. Perhaps the most shocking report occurred in December, when Mattawan-based MPI announced that it would lay off approximately 200 workers. In the past year, the company had announced plans to grow by

more than 3,000 workers over a five-year period. Additionally, Summit Polymers closed its facility on Kilgore Road in Kalamazoo, which resulted in 215 workers losing their jobs. Other major recent layoffs include the following: 45 workers cut from Parker Hannifin’s Otsego brass plant, 40 jobs lost at Borroughs Manufacturing, 90 workers at Checker Motors, 15 workers at Design Ware, and 25 workers from Eaton’s facility in Galesburg.

The private service-providing sector remained relatively stable in Kalamazoo—its employment declined by a scant 0.1 percent during the fourth quarter. This is primarily due to continued job growth in private educational and health services, which added 160 jobs over the three-month period. Overall stability was also assisted by steady workforce levels in the information and wholesale trade sectors. On the downside, the retail sector shed a significant number of jobs—140—while both financial activities and professional and business services posted notable losses as well.

Government employment unexpectedly grew by 0.9 percent last quarter, a gain of 210 jobs. However, over the past year, public sector employment is still down by 0.9 percent, which reflects the longer-term negative trend in government activities seen in most parts of west Michigan.

Most economic indicators for the Kalamazoo metropolitan area have moved in a negative direction over the past three months. The number of new dwelling units placed under contract for construction plunged by 30 percent after moving up slightly during the third quarter of 2008. Indicators of the near-term employment market also continued to worsen: initial unemployment insurance claims jumped by 19.7 percent, and the index of help-wanted advertising declined by 30.4 percent. This reflects a dismal pattern of increasing layoffs and reduced hiring by local firms.

The most recent Manpower employment outlook survey for the region was not quite as negative. A slightly larger share of surveyed firms responded that they intend to add workers than responded that they intend to eliminate jobs: 19 percent versus 15 percent. However, this does not represent a significant improvement in the ratio of expanding versus contracting firms over the past year. At best, this suggests that the Kalamazoo area is likely to maintain a pattern of flat-to-modestly-negative employment levels over the next few months.

Kalamazoo-Portage MSA
(seasonally adjusted)

Measure	2008 Q4	2008 Q3	% change, Q3 to Q4	2007 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	144,840	145,150	-0.2	146,700	-1.3
Goods-producing	26,790	27,190	-1.5	28,110	-4.7
Construction and mining	5,590	5,670	-1.4	5,890	-5.1
Manufacturing	21,200	21,520	-1.5	22,220	-4.6
Durable goods	12,390	12,580	-1.5	12,780	-3.1
Nondurable goods	8,800	8,940	-1.6	9,440	-6.8
Private service-providing	94,900	95,020	-0.1	95,230	-0.3
Trade, transportation, and utilities	24,690	24,880	-0.8	24,970	-1.1
Transportation and utilities	3,960	3,980	-0.5	3,960	0.0
Wholesale trade	5,150	5,150	0.0	5,150	0.0
Retail trade	15,600	15,740	-0.9	15,890	-1.8
Information	1,500	1,500	0.0	1,500	0.0
Financial activities	7,910	7,970	-0.8	8,000	-1.1
Professional and business services	15,420	15,450	-0.2	15,820	-2.5
Educational and health services	22,270	22,110	0.7	21,800	2.2
Leisure and hospitality	16,120	16,140	-0.1	16,130	-0.1
Other services	7,000	6,980	0.3	7,000	0.0
Government	23,150	22,940	0.9	23,360	-0.9
Unemployment					
Number unemployed	14,560	12,800	13.8	10,110	44.0
Unemployment rate (%)	8.3	7.3		5.7	
Local indexes					
Help-wanted ads (1996=100)	16	23	-30.4	31	-48.4
UI initial claims	395	330	19.7	268	47.2
New dwelling units ^a	310	442	-30.0	598	-48.3

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

^a Seasonally adjusted annual rates; does not include Van Buren County dwelling permit data.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

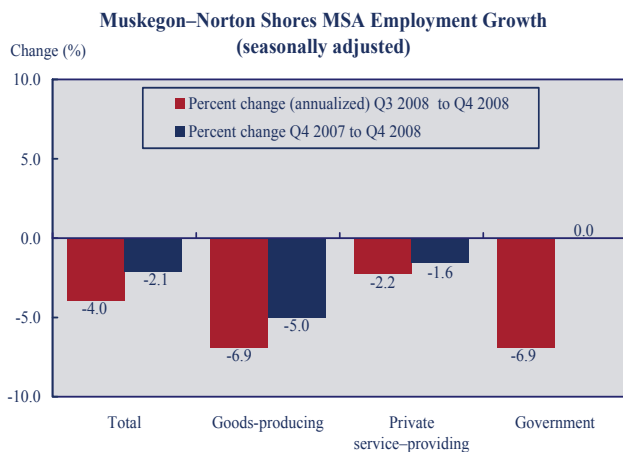
Kalamazoo-Portage MSA
Industry Employment Change by Place of Work, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2008 Q2	2007 Q2	Percent change	Industry	2008 Q2	2007 Q2	Percent change
Goods-producing				Health care and social assistance	18,550	18,480	0.4
Food manufacturing	1,650	1,700	-2.9	Ambulatory health care services	6,460	6,690	-3.4
Paper manufacturing	1,870	1,920	-2.6	Hospitals	6,600	6,340	4.1
Fabricated metal products mfg.	2,180	2,280	-4.4	Arts, entertainment, and recreation	1,890	2,000	-5.5
Machinery manufacturing	2,070	2,060	0.5	Accommodation and food services	13,820	13,910	-0.6
Transportation equipment mfg.	3,430	4,090	-16.1	Food services and drinking places	12,100	12,200	-0.8
Private service-providing				Government			
Professional and technical services	5,600	5,390	3.9	Federal Government	1,180	1,220	-3.3
Administrative and support services	7,570	8,350	-9.3	State Government	4,000	4,160	-3.8
Educational services	2,300	2,240	2.7	Local Government	14,010	14,520	-3.5

SOURCE: Michigan Department of Labor and Economic Growth ES202 data.

MUSKEGON–NORTON SHORES MSA

Muskegon County experienced a sizable 1.0 percent drop in total employment during the fourth quarter. No sector was safe from job cuts, and as a result the unemployment rate soared nearly two full points to 11.2 percent, the highest rate in all of west Michigan. To top off the bad news, local economic indicators remain pointed in a negative direction, which suggests that conditions may actually get worse over the next few months.



Goods-producing employment in the Muskegon area shrank by 1.8 percent last quarter, which is similar to the rate of losses experienced by other west Michigan communities. Construction and mining employment has been especially troubled, however; it contracted by 3.9 percent during the fourth quarter and was down by 11.7 percent from this time last year. Clearly, part of the problem is that the local housing market, which was once boosted by lakeshore development, has dried up. In the fourth quarter, only 114 residential housing units were put under contract, a decline of 17.5 percent from the previous quarter. For comparison, during the good times back in 2005, fourth quarter housing contracts totaled nearly 700 units.

Employment in manufacturing also continues to decline in Muskegon. Sector employers cut their payrolls by 1.5 percent last quarter, which has contributed to an overall drop of 4.0 percent over the past year.

Considering the dismal economic statistics, it was surprising to hear a few positive reports regarding Muskegon-area businesses. In Rothbury, foundry operator Carlton Creek Ironwoods is planning to hire 70 new workers to cast and assemble parts for wind turbines. Also, L-3 Communications Combat Propulsion Systems announced receipt of a \$52

million contract with the U.S. Department of Defense, which the 600-worker company said should help secure jobs at the plant for the next five years. However, not all news was positive: the Ravenna Ductile Iron foundry announced plans to cut 125 workers, and SAF-Holland laid off 29 white-collar workers from its Muskegon facility.

Private service-providing employment in Muskegon dropped by 0.6 percent during the quarter. The greatest number of job losses occurred in the trade, transportation, and utilities sector, which has been hard hit both locally and nationwide. However, significant losses also occurred in professional and business services, which posted a 3.1 percent decline during the same period. Although the exact source of the job cuts is unknown, it may reflect a rapid reduction in the use of workers employed through temporary agencies, who are typically classified under business services. On the plus side, financial activities managed to increase employment slightly, as did private educational and health services.

Government employment in Muskegon remained flat compared to last year, despite a 1.8 percent decline during the last quarter.

Unfortunately, economic conditions in the Muskegon area are unlikely to improve over the next few months, based on the reading provided by the area's few economic indicators. Initial unemployment insurance claims rose by 26.9 percent during the quarter, which reflects the pace at which layoffs are occurring in the community. The decline in local help-wanted advertising also suggests that new job openings are only becoming more scarce: the index fell by 15.2 percent during the quarter, although the level is no worse than at this time last year. Also, as mentioned earlier, the market for new homes remains very small, as measured by recent new-dwelling-unit construction contracts, which declined by 17.5 percent.

Finally, it should be noted that the Manpower survey has been discontinued for the Muskegon area, which, sadly, leaves the region with one less clue as to when there might be a rebound in employment trends.

Muskegon–Norton Shores MSA

(seasonally adjusted)

Measure	2008 Q4	2008 Q3	% change, Q3 to Q4	2007 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	64,030	64,680	-1.0	65,410	-2.1
Goods-producing	13,840	14,090	-1.8	14,570	-5.0
Construction and mining	1,740	1,810	-3.9	1,970	-11.7
Manufacturing	12,100	12,290	-1.5	12,600	-4.0
Private service-providing	40,770	41,000	-0.6	41,420	-1.6
Trade, transportation, and utilities	13,740	13,890	-1.1	14,100	-2.6
Retail trade	11,220	11,320	-0.9	11,380	-1.4
Information	1,000	1,000	0.0	1,000	0.0
Financial activities	1,930	1,900	1.6	1,930	0.0
Professional and business services	3,470	3,580	-3.1	3,680	-5.7
Educational and health services	11,120	11,060	0.5	10,850	2.5
Leisure and hospitality	7,160	7,190	-0.4	7,400	-3.2
Other services	2,350	2,390	-1.7	2,460	-4.5
Government	9,420	9,590	-1.8	9,420	0.0
Unemployment					
Number unemployed	10,020	8,330	20.3	6,600	51.8
Unemployment rate (%)	11.2	9.3		7.3	
Local indexes					
Help-wanted ads (1996=100)	28	33	-15.2	28	0.0
UI initial claims	542	427	26.9	289	87.5
New dwelling units ^a	114	138	-17.5	211	-46.1

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

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

Muskegon–Norton Shores MSA

Industry Employment Change by Place of Work, Second Quarter to Second Quarter

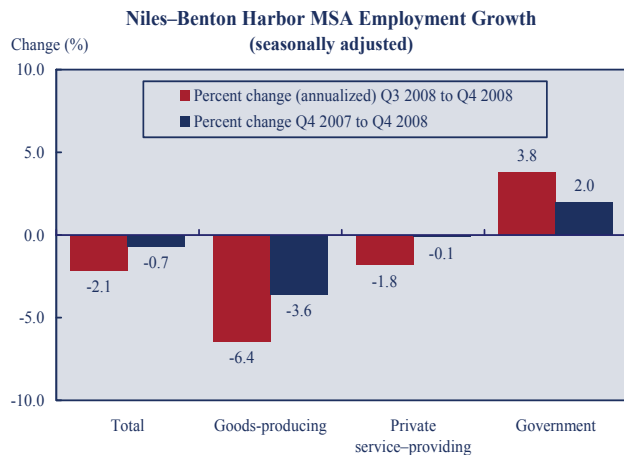
(not seasonally adjusted)

Industry	2008 Q2	2007 Q2	Percent change	Industry	2008 Q2	2007 Q2	Percent change
Goods-producing				Health care and social assistance	10,000	9,700	3.1
Primary metal manufacturing	4,130	4,250	-2.8	Ambulatory health care services	3,340	3,220	3.7
Fabricated metal products mfg.	2,700	2,660	1.5	Hospitals	3,700	3,660	1.1
Machinery manufacturing	1,810	1,790	1.1	Arts, entertainment, and recreation	1,260	1,300	-3.1
Transportation equipment mfg.	800	750	6.7	Accommodation and food services	6,030	6,030	0.0
Private service-producing				Food services and drinking places	5,600	5,570	0.5
Professional and technical services	1,020	1,020	0.0	Government			
Administrative and support services	1,940	2,240	-13.4	Federal Government	360	360	0.0
Educational services	880	790	11.4	State Government	1,150	1,150	0.0
				Local Government	7,180	7,510	-4.4

SOURCE: Michigan Department of Labor and Economic Development ES202 data.

NILES–BENTON HARBOR MSA

Total employment in Berrien County was down by 0.5 percent during the last quarter of the year. Both the goods-producing and private service-providing sectors trimmed their workforces, while government employment posted a decent gain. As a result, the unemployment rate rose to 9.8 percent. Unfortunately, there are now only two economic indicators available for the metro area, both of which are pointing in a negative direction.



Goods-producing employment was driven down 1.6 percent during the quarter by losses in both manufacturing and the construction and mining sector. Over the past year, local goods-producing firms have reduced their payrolls by 600 workers—a 3.6 percent reduction since the last quarter of 2007. Not surprisingly, the dominant manufacturing sector is responsible for most of the losses—220 jobs were lost in the last quarter alone. Many of the positions lost are likely to have come out of area automotive-parts suppliers, who have been especially hard hit throughout west Michigan.

Construction has been mired in a pattern of long-term decline as well; sector employment was down by 4.4 percent over just the past year, which is a larger drop in percentage than any other industry except for information.

Compared to other areas of west Michigan, the business news in Berrien County was relatively quiet during the last few months of 2008. Two companies located in St. Joseph announced small job cuts: IPC Print Services cut 11 workers, and LECO Corporation eliminated 45 positions. In nearby Watervliet, performance parts supplier Lane Automotive announced that it would reduce its workforce of 210 by roughly 5.0 percent in January.

Employment reductions were widespread in the private service-providing sector, which declined by 0.5 percent overall. Leisure and hospitality, as well as those firms

classified under “other services,” managed to post a modest increase of 1.0 percent each. This was nowhere near enough, however, to offset substantial losses from retail, information, professional and business services, and financial activities. Even the private educational and health services sector, which traditionally has been a source of employment growth, posted a 0.6 percent decline, as 60 jobs were lost during the quarter.

Government employment rose by 0.9 percent last quarter, a gain of 90 jobs. Surprisingly, the number of jobs in the government sector is up over the past year as well, by 2.0 percent, or 190 jobs.

The Manpower employment survey has been discontinued for the Niles–Benton Harbor metropolitan area, which means there are now only two indicators of short-term economic change available for the region. Not surprisingly, recent data from both variables suggest that local economic conditions will remain on the downswing for at least a few more months. Initial claims for unemployment insurance jumped by 23.5 percent last quarter, which indicates more local layoffs occurred than were reported by the business press. The second indicator, new dwelling unit contracts, measures the strength of the market for new home construction in the region. Its 12.7 percent decline during the last three months of the year suggests that the spring and summer months will not bring a rebound in home construction for area builders.

Niles–Benton Harbor MSA
(seasonally adjusted)

Measure	2008 Q4	2008 Q3	% change, Q3 to Q4	2007 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	65,050	65,400	-0.5	65,490	-0.7
Goods-producing	16,140	16,410	-1.6	16,740	-3.6
Construction and mining	2,160	2,210	-2.3	2,260	-4.4
Manufacturing	13,980	14,200	-1.5	14,480	-3.5
Private service-providing	39,200	39,380	-0.5	39,240	-0.1
Trade, transportation, and utilities	11,460	11,470	-0.1	11,520	-0.5
Retail trade	7,000	7,080	-1.1	7,270	-3.7
Information	700	760	-7.9	800	-12.5
Financial activities	2,210	2,250	-1.8	2,210	0.0
Professional and business services	5,710	5,810	-1.7	5,810	-1.7
Educational and health services	9,910	9,970	-0.6	9,650	2.7
Leisure and hospitality	6,290	6,230	1.0	6,320	-0.5
Other services	2,920	2,890	1.0	2,930	-0.3
Government	9,700	9,610	0.9	9,510	2.0
Unemployment					
Number unemployed	7,880	6,980	12.9	5,790	36.1
Unemployment rate (%)	9.8	8.7		7.1	
Local indexes					
UI initial claims	290	235	23.5	219	32.6
New dwelling units ^a	210	241	-12.7	255	-17.5

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

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from the Michigan Department of Labor and Economic Growth.

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

Industry	2008 Q2	2007 Q2	Percent change	Industry	2008 Q2	2007 Q2	Percent change
Goods-producing				Health care and social assistance	7,670	7,560	1.5
Primary metal manufacturing	1,170	1,260	-7.1	Ambulatory health care services	2,270	2,200	3.2
Fabricated metal products mfg.	1,860	1,820	2.2	Arts, entertainment, and recreation	810	790	2.5
Machinery manufacturing	2,320	2,420	-4.1	Accommodation and food services	5,540	5,660	-2.1
Transportation equipment mfg.	1,040	1,210	-14.0	Food services and drinking places	4,960	5,060	-2.0
Private service-providing				Government			
Professional and technical services	1,460	1,440	1.4	Federal Government	370	370	0.0
Administrative and support services	3,810	3,500	8.9	State Government	430	440	-2.3
Educational services	1,250	1,250	0.0	Local Government	8,340	7,020	18.8

SOURCE: Michigan Department of Labor and Economic Development ES202 data.

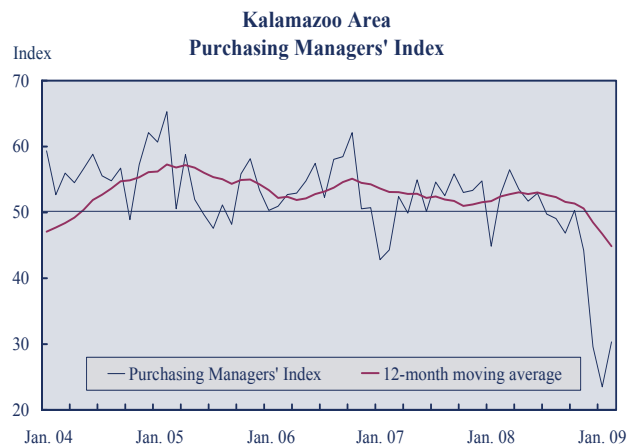
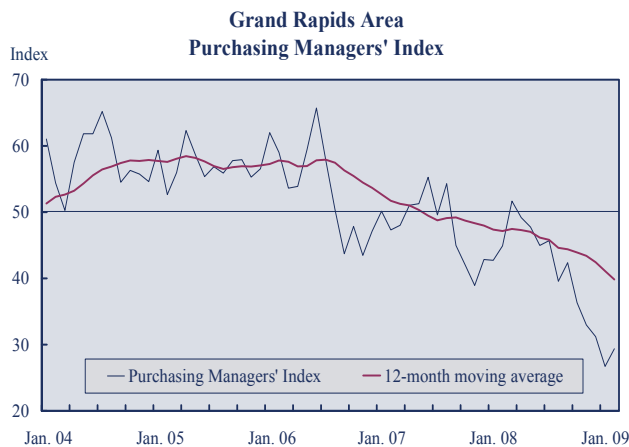
Purchasing Managers' Index and Major Economic Developments

Economic conditions reported by local purchasing managers plunged during the last quarter of 2008. However, the rate of decline actually moderated during the first month of 2009. According to Brian Long, who publishes *Current Business Trends*, conditions are “still down, but not as sharply” in the Grand Rapids region and “still down, but not by as much” in Kalamazoo.

Conditions reported by Grand Rapids-area purchasing managers for the month of December drove the region's composite index down to 26.7. This represents the lowest index reading since the Upjohn Institute began tracking purchasing managers' reports back in 1991. Not surprisingly, most respondents described nearly every aspect of business activity measured by the purchasing managers' index as being down. The one ex-

ception was employment, which a sizable share of survey respondents said appears to be trying to hold steady.

Kalamazoo's composite purchasing managers' index was also driven to a new low by the conditions reported in December. The resulting index value of 23.5 represents a sharp departure from the relative stability that local firms were reporting earlier in 2008. Indeed, the last positive index report—a value above 50, indicating expansionary conditions—was issued just a few months earlier in the October 2008 issue of *Current Business Trends*. This illustrates the speed with which the current recession has come to impact even regions and industries that had been holding their own through the first part of the downturn.



Major Economic Developments

Battle Creek MSA

Nearly 200 jobs are expected when the Marshall Brass plant is reopened by its new owner, Tribal Manufacturing.

Eaton Corp. announced that it was laying off 32 white-collar employees at its Marshall proving grounds as part of a companywide 10 percent reduction in workforce.

Grand Rapids–Wyoming MSA

Benteler Automotive is seeking a tax break to expand and bring 122 new jobs to its Wyoming plant.

Steelcase laid off 300 workers in the steel and wood operations in Kentwood and Gaines townships.

Holland–Grand Haven MSA

Zeeland-based Gentex eliminated between 350 and 400 jobs—the first layoffs in the company's history.

Haworth announced the closure of one plant in Holland and the elimination of all 350 positions.

Herman Miller increased job cuts to a total of 1,100 instead of the previous estimate of 400 to 650 jobs.

Shape Corp. cut 230 positions in its Grand Haven plant.

Kalamazoo–Portage MSA

MPI in Mattawan announced that it would lay off approximately 200 workers.

Summit Polymers closed its facility, which resulted in 250 workers losing their jobs.

Layoffs were also announced by Checker Motors (90), Borroughs Manufacturing (40), Eaton's Galesburg facility (25), and Design Ware (25).

Muskegon–Norton Shores MSA

Carlton Creek Ironwoods in Rothbury is planning to hire 70 new workers.

Ravenna Ductile Iron announced plans to cut 125 workers at its foundry.

SAF-Holland laid off 29 white-collar workers at its Muskegon plant.

Niles–Benton Harbor MSA

Two companies in St. Joseph, IPC Print Services and LECO, eliminated 11 and 45 positions, respectively.

Appendix Tables

Table A-1
Michigan Statistics
(seasonally adjusted)

Measure	2008 Q4	2008 Q3	% change, Q3 to Q4	2007 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	4,106,800	4,196,530	-2.1	4,226,800	-2.8
Goods-producing	710,470	736,200	-3.5	769,430	-7.7
Natural resources and mining	7,200	7,330	-1.8	7,470	-3.6
Construction	142,300	149,130	-4.6	162,070	-12.2
Manufacturing	560,970	579,730	-3.2	599,900	-6.5
Durable goods	427,290	442,580	-3.5	460,120	-7.1
Nondurable goods	133,680	137,150	-2.5	139,780	-4.4
Private service-providing	2,758,030	2,804,370	-1.7	2,805,800	-1.7
Trade, transportation, and utilities	762,630	779,000	-2.1	784,930	-2.8
Transportation and utilities	126,390	129,740	-2.6	129,790	-2.6
Wholesale trade	164,120	166,970	-1.7	168,430	-2.6
Retail trade	472,130	482,290	-2.1	486,720	-3.0
Information	61,970	63,570	-2.5	65,270	-5.1
Financial activities	202,930	206,330	-1.6	209,470	-3.1
Professional and business services	551,100	568,300	-3.0	568,500	-3.1
Educational and health services	609,200	607,300	0.3	598,530	1.8
Leisure and hospitality	398,670	404,100	-1.3	402,670	-1.0
Other services	171,530	175,770	-2.4	176,430	-2.8
Government	638,300	655,970	-2.7	651,570	-2.0
Unemployment					
Number unemployed	482,750	429,550	12.4	371,500	29.9
Unemployment rate (%)	9.8	8.7		7.4	
State indexes (1996=100)					
Help-wanted ads					
Detroit	9	11	-18.2	17	-47.1
West Michigan (4 MSAs)	13	18	-27.8	27	-51.9
Local components					
UI initial claims	24,472	21,218	15.3	18,193	34.5
New dwelling units ^a	7,007	9,915	-29.3	15,559	-55.0

NOTE: Employment numbers for durable, 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 due to rounding.

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; Detroit help-wanted index from the Conference Board; and employment data from Michigan Department of Labor and Economic Growth.

Michigan Industry Employment Change by Place of Work
Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2008 Q2	2007 Q2	Percent change	Industry	2008 Q2	2007 Q2	Percent change
Goods-producing				Furniture and related products mfg.	24,160	25,350	-4.7
Food manufacturing	33,820	32,810	3.1	Office furniture and fixtures mfg.	17,840	18,200	-2.0
Paper manufacturing	13,320	13,900	-4.2	Private service-providing			
Printing and related support activities	16,790	17,500	-4.1	Professional and technical services	241,830	243,240	-0.6
Chemical manufacturing	27,900	28,210	-1.1	Administrative and support services	259,080	263,720	-1.8
Plastics and rubber products mfg.	37,620	39,470	-4.7	Educational services	63,470	61,580	3.1
Primary metal manufacturing	23,590	24,890	-5.2	Health care and social assistance	523,430	513,650	1.9
Fabricated metal products mfg.	78,490	80,320	-2.3	Ambulatory health care services	178,700	175,300	1.9
Machinery manufacturing	68,650	69,810	-1.7	Hospitals	190,900	186,770	2.2
Transportation equipment mfg.	177,110	210,460	-15.8	Arts, entertainment, and recreation	66,500	65,840	1.0
Motor vehicle parts mfg.	7,710	8,850	-12.9	Accommodation and food services	340,290	346,940	-1.9
				Food services and drinking places	307,010	313,170	-2.0

Table A-2
Personal Income and Earnings by Industry (current dollars)

Area	Income distribution	2006 ^a	2005 ^a	2004 ^a	2003 ^a	2002 ^a	2001 ^a	1996
Battle Creek MSA	Total personal income (\$000)	4,107,089	3,950,965	3,800,925	3,720,361	3,635,112	3,500,169	3,004,022
	Per capita personal income (\$)	29,862	28,588	27,370	26,860	26,278	25,357	21,987
	Earnings per worker (\$)	46,879	45,639	43,898	43,468	41,901	39,345	34,010
	Manufacturing	74,407	72,765	69,921	73,536	69,061	56,636	56,610
	Private nonmanufacturing	34,484	33,545	32,593	31,816	31,259	31,058	23,087
Grand Rapids–Wyoming MSA	Total personal income (\$000)	25,635,414	24,593,127	23,510,709	22,522,129	21,821,228	21,581,116	16,524,671
	Per capita personal income (\$)	33,172	31,966	30,730	29,589	28,841	28,763	23,283
	Earnings per worker (\$)	44,940	44,163	43,333	42,662	41,332	39,759	32,383
	Manufacturing	73,997	72,082	70,076	71,811	64,043	57,196	47,946
	Private nonmanufacturing	37,790	37,293	36,783	35,643	35,450	34,692	26,845
Barry County	Total personal income (\$000)	1,823,587	1,759,176	1,711,980	1,675,645	1,628,108	1,644,316	1,257,144
	Per capita personal income (\$)	30,954	29,804	29,257	28,735	28,135	28,625	22,920
	Earnings per worker (\$)	27,142	26,905	26,827	26,297	25,674	25,386	24,019
	Manufacturing	63,340	57,422	55,372	55,184	49,141	45,622	39,876
	Private nonmanufacturing	19,515	19,969	20,269	19,581	19,547	19,569	17,408
Ionia County	Total personal income (\$000)	1,547,942	1,489,888	1,448,490	1,425,677	1,357,552	1,322,854	1,041,228
	Per capita personal income (\$)	24,141	23,319	22,680	22,549	21,583	21,380	16,956
	Earnings per worker (\$)	35,128	34,993	34,703	35,942	33,765	31,854	26,308
	Manufacturing	55,312	55,871	55,284	65,366	55,837	51,205	36,948
	Private nonmanufacturing	23,453	23,643	23,909	24,167	23,764	22,167	17,371
Kent County	Total personal income (\$000)	21,050,998	20,174,527	19,225,208	18,337,658	17,787,705	17,573,848	13,420,721
	Per capita personal income (\$)	35,049	33,791	32,396	31,051	30,297	30,175	24,466
	Earnings per worker (\$)	47,025	46,126	45,216	44,438	43,039	41,383	33,323
	Manufacturing	75,770	73,754	71,846	73,177	65,251	58,116	48,945
	Private nonmanufacturing	40,050	39,424	38,778	37,543	37,316	36,544	27,910
Newaygo County	Total personal income (\$000)	1,212,887	1,169,536	1,125,031	1,083,149	1,047,863	1,040,098	805,578
	Per capita personal income (\$)	24,679	23,672	22,842	22,078	21,507	21,404	17,928
	Earnings per worker (\$)	31,662	31,740	30,936	30,077	29,385	28,868	25,423
	Manufacturing	64,090	67,418	60,652	61,407	57,942	51,977	46,830
	Private nonmanufacturing	23,015	22,747	22,992	22,136	21,614	21,731	18,387
Holland–Grand Haven MSA	Total personal income (\$000)	8,260,913	7,889,807	7,425,237	7,134,942	6,868,133	6,763,271	5,344,844
	Per capita personal income (\$)	32,122	30,995	29,408	28,618	27,876	27,776	24,499
	Earnings per worker (\$)	42,275	42,062	40,961	41,152	39,186	37,357	30,634
	Manufacturing	62,061	61,781	59,328	62,670	56,232	50,491	44,898
	Private nonmanufacturing	32,055	31,911	31,376	30,300	29,860	29,628	21,967
Kalamazoo–Portage MSA	Total personal income (\$000)	10,280,743	9,813,937	9,472,476	9,223,390	8,884,029	8,551,586	7,182,318
	Per capita personal income (\$)	31,896	30,581	29,569	28,706	27,834	26,992	23,240
	Earnings per worker (\$)	41,579	40,959	41,108	41,132	38,967	36,897	31,552
	Manufacturing	77,280	77,718	78,544	80,827	68,410	61,182	56,291
	Private nonmanufacturing	32,796	32,099	32,230	31,537	31,419	30,296	23,633
Kalamazoo County	Total personal income (\$000)	8,197,651	7,836,061	7,558,267	7,370,638	7,111,167	6,843,529	5,756,609
	Per capita personal income (\$)	33,568	32,259	31,197	30,253	29,398	28,505	24,609
	Earnings per worker (\$)	42,304	41,735	41,818	42,092	39,815	37,678	32,545
	Manufacturing	81,864	82,212	83,175	85,376	71,906	64,425	59,882
	Private nonmanufacturing	33,035	32,425	32,391	31,777	31,799	30,715	24,117
Van Buren County	Total personal income (\$000)	2,083,092	1,977,876	1,914,209	1,852,752	1,772,862	1,708,057	1,425,709
	Per capita personal income (\$)	26,670	25,357	24,516	23,854	22,940	22,258	18,976
	Earnings per worker (\$)	37,616	36,644	37,142	35,724	34,255	32,528	26,027
	Manufacturing	52,736	53,115	53,474	53,241	48,779	43,805	36,603
	Private nonmanufacturing	31,286	29,980	31,183	29,994	29,016	27,618	20,596
Muskegon–Norton Shores MSA	Total personal income (\$000)	4,627,836	4,461,105	4,346,164	4,259,628	4,119,399	4,073,987	3,144,683
	Per capita personal income (\$)	26,560	25,626	25,095	24,684	23,968	23,788	18,971
	Earnings per worker (\$)	36,814	36,318	35,858	35,242	34,878	34,399	29,590
	Manufacturing	63,863	61,974	60,152	59,884	56,848	51,648	47,240
	Private nonmanufacturing	28,234	27,968	28,011	27,871	27,898	28,313	22,190
Niles–Benton Harbor MSA (Berrien County)	Total personal income (\$000)	4,948,621	4,706,039	4,594,662	4,451,397	4,346,942	4,320,029	3,507,694
	Per capita personal income (\$)	31,017	29,361	28,489	27,560	26,906	26,719	21,536
	Earnings per worker (\$)	40,025	38,712	38,334	37,543	36,739	35,519	29,140
	Manufacturing	71,941	68,545	67,042	66,188	61,818	55,109	46,394
	Private nonmanufacturing	30,572	29,723	29,663	28,950	29,058	29,098	21,902

^a 2001 through 2006 statistics are based on North American Industry Classification System (NAICS); 1996 is based on Standard Industrial Classification (SIC).

SOURCE: U.S. Bureau of Economic Analysis.

Table A-3
Consumer Price Index^a
U.S. City Average (1982-84=100)

Year	Annual average	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CPI for All Urban Consumers (CPI-U)													
1987	113.6	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4
1988	118.3	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5
1989	124.0	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1
1990	130.7	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8
1991	136.2	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9
1992	140.3	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9
1993	144.5	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8
1994	148.2	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7
1995	152.4	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5
1996	156.9	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6
1997	160.5	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3
1998	163.0	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9
1999	166.6	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3
2000	172.2	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0
2001	177.1	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7
2002	179.9	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9
2003	184.0	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3
2004	188.9	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3
2005	195.3	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8
2006	201.6	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8
2007	207.3	202.4	203.5	205.4	206.7	207.9	208.4	208.3	207.9	208.5	208.9	210.2	210.0
2008	216.0	211.1	211.7	213.5	214.8	216.6	218.8	220.0	219.1	218.8	216.6	212.4	210.2
CPI for Urban Wage Earners and Clerical Workers (CPI-W)													
1987	112.5	110.0	110.5	111.0	111.6	111.9	112.4	112.7	113.3	113.8	114.1	114.3	114.2
1988	117.0	114.5	114.7	115.2	115.7	116.2	116.7	117.2	117.7	118.5	118.9	119.0	119.2
1989	122.6	119.7	120.2	120.8	121.8	122.5	122.8	123.2	123.2	123.6	124.2	124.4	124.6
1990	129.0	125.9	126.4	127.1	127.3	127.5	128.3	128.7	129.9	131.1	131.9	132.2	132.2
1991	134.3	132.8	132.8	133.0	133.3	133.8	134.1	134.3	134.6	135.2	135.4	135.8	135.9
1992	138.2	136.0	136.4	137.0	137.3	137.6	138.1	138.4	138.8	139.1	139.6	139.8	139.8
1993	142.1	140.3	140.7	141.1	141.6	141.9	142.0	142.1	142.4	142.6	143.3	143.4	143.3
1994	145.6	143.6	144.0	144.4	144.7	144.9	145.4	145.8	146.5	146.9	147.0	147.3	147.2
1995	149.8	147.8	148.3	148.7	149.3	149.6	149.9	149.9	150.2	150.6	151.0	150.9	150.9
1996	154.1	151.7	152.2	152.9	153.6	154.0	154.1	154.3	154.5	155.1	155.5	155.9	155.9
1997	157.6	156.3	156.8	157.0	157.2	157.2	157.4	157.5	157.8	158.3	158.5	158.5	158.2
1998	159.7	158.4	158.5	158.7	159.1	159.5	159.7	159.8	160.0	160.2	160.6	160.7	160.7
1999	163.2	161.0	161.1	161.4	162.7	162.8	162.8	163.3	163.8	164.7	165.0	165.1	165.1
2000	168.9	165.6	166.5	167.9	168.0	168.2	169.2	169.4	169.3	170.4	170.6	170.9	170.7
2001	173.5	171.7	172.4	172.6	173.5	174.4	174.6	173.8	173.8	174.8	174.0	173.7	172.9
2002	175.9	173.2	173.7	174.7	175.8	175.8	175.9	176.1	176.6	177.0	177.3	177.4	177.0
2003	179.8	177.7	179.2	180.3	179.8	179.4	179.6	179.6	180.3	181.0	180.7	180.2	179.9
2004	184.5	180.9	181.9	182.9	183.5	184.7	185.3	184.9	185.0	185.4	186.5	186.8	186.0
2005	191.0	186.3	187.3	188.6	190.2	190.0	190.1	191.0	192.1	195.0	195.2	193.4	192.5
2006	197.1	194.0	194.2	195.3	197.2	198.2	198.6	199.2	199.6	198.4	197.0	196.8	197.2
2007	202.8	197.6	198.5	200.6	202.1	203.7	203.9	203.7	203.2	203.9	204.3	205.9	205.8
2008	212.0	206.7	207.3	209.1	210.7	212.8	215.2	216.3	215.2	214.9	212.2	207.3	204.8

^a Monthly data shown above are not adjusted for seasonal variations. CPI data that are not seasonally adjusted are used extensively for escalation purposes. Although CPI is often called the "Cost of Living Index," it measures only price change, which is just one of several important factors affecting living costs. All CPI series are linked historically to the original CPI Index for Urban Wage Earners and Clerical Workers. These series contain no revision but are reprinted for the convenience of the user. PERCENT CHANGE: Movements of these indexes from one time period to another are usually expressed as percent changes rather than changes in index points. Index point changes are affected by the level of the index in relation to its base period, while percent changes are not. For example:

$$100 \times \frac{[(160.5 \text{ (1997 annual avg.)} - 156.9 \text{ (1996 annual avg.)})]}{156.9 \text{ (1996 annual avg.)}} = 2.3\% \text{ change 1996 to 1997, CPI-U.}$$

$$100 \times \frac{[(164.0 \text{ (November 1998)} - 161.5 \text{ (November 1997)})]}{161.5 \text{ (November 1997)}} = 1.5\% \text{ change November 1997 to November 1998, CPI-U.}$$

$$100 \times \frac{[(164.0 \text{ (November 1998)} - 164.0 \text{ (October 1998)})]}{164.0 \text{ (October 1998)}} = \text{No change, CPI-U.}$$

SOURCE: Bureau of Labor Statistics, U.S. Department of Labor.

Table A-4
Population Update for Selected Areas of West Michigan

Area	Estimate				Annual change (%)		
	July	U.S. Census April			2000–	1990–	1980–
	2007	2000	1990	1980	2007 ^a	2000	1990
Michigan	10,071,822	9,938,444	9,295,297	9,262,044	0.2	0.7	0.0
West Michigan Metropolitan Areas							
Battle Creek MSA (Calhoun County)	136,615	137,985	135,982	141,557	0.0	0.1	-0.4
Battle Creek city ^b	52,233	53,364	53,540	56,339	-0.2	0.0	-0.5
Albion city	9,167	9,144	10,066	11,059	0.2	-1.0	-0.9
Marshall city	7,182	7,459	6,891	7,201	-0.4	0.8	-0.4
Grand Rapids–Wyoming MSA	776,742	740,482	645,914	577,019	0.7	1.4	1.1
Barry County	59,188	56,755	50,057	45,781	0.9	1.3	0.9
Ionia County	64,053	61,518	57,024	51,815	0.8	0.8	1.0
Kent County	604,330	574,335	500,631	444,506	0.7	1.4	1.2
Grand Rapids city	193,627	197,800	189,126	181,843	-0.4	0.4	0.4
East Grand Rapids city	10,445	10,764	10,807	10,914	-0.6	0.0	-0.1
Grandville city	16,770	16,263	15,624	12,412	0.5	0.4	2.3
Kentwood city	47,329	45,255	37,826	30,438	0.4	1.8	2.2
Walker city	23,709	21,842	17,279	15,088	1.1	2.4	1.4
Wyoming city	70,440	69,368	63,891	59,616	0.2	0.8	0.7
Newaygo County	49,171	47,874	38,202	34,917	0.6	2.3	0.9
Holland–Grand Haven MSA (Ottawa County)	259,206	238,314	187,768	157,174	1.2	2.4	1.8
Grand Haven city	10,559	11,168	11,951	11,763	-0.9	-0.7	0.2
Holland city ^c	34,002	35,048	30,745	26,281	-0.4	1.3	1.6
Kalamazoo–Portage MSA	323,264	314,866	293,471	279,192	0.2	0.7	0.5
Kalamazoo County	245,333	238,603	223,411	212,378	0.1	0.7	0.5
Kalamazoo city	72,637	77,145	80,277	79,722	-1.1	-0.4	0.1
Portage city	46,066	44,897	41,042	38,157	0.1	0.9	0.7
Van Buren County	77,931	76,263	70,060	66,814	0.6	0.9	0.5
Muskegon–Norton Shores MSA (Muskegon County)	174,386	170,200	158,983	157,589	0.5	0.7	0.1
Muskegon city	39,402	40,105	40,283	40,823	-0.2	0.0	-0.1
Muskegon Heights city	11,644	12,049	13,176	14,611	-0.4	-0.9	-1.0
Norton Shores city	23,314	22,527	21,755	22,025	0.6	0.3	-0.1
Niles–Benton Harbor MSA (Berrien County)	159,589	162,453	161,378	171,276	-0.1	0.1	-0.6
Benton Harbor city	10,746	11,182	12,818	14,707	-0.8	-1.4	-1.4
Niles city	11,332	12,204	12,456	13,115	-0.9	-0.2	-0.5
St. Joseph city	8,489	8,789	9,214	9,622	-0.3	-0.5	-0.4
Total West Michigan MSAs	1,829,802	1,764,300	1,583,496	1,483,807	0.5	1.1	0.7
Rural Southwest Michigan							
Allegan County	112,761	105,665	90,509	81,555	1.1	1.6	1.0
Branch County	46,194	45,787	41,502	40,188	0.0	1.0	0.3
Cass County	50,551	51,104	49,477	49,499	0.1	0.3	0.0
Oceana County	27,800	21,645	22,454	22,002	1.0	-0.4	0.2
St. Joseph County	62,449	62,422	58,913	56,083	0.1	0.6	0.5
Total Rural Southwest Michigan	302,121	286,623	262,855	249,327	0.5	0.9	0.5

^a 2000 to 2007 growth rate is based on July to July estimates.

^b For comparison purposes, 1980 population for Battle Creek city is the combination of Battle Creek city (35,724) and Battle Creek township (20,615), which was annexed in 1983.

^c Population for Holland city is total population of city located in Ottawa and Allegan counties.

SOURCE: State of Michigan Department of Management and Budget and U.S. Census Bureau.

Subscriptions to
BUSINESS OUTLOOK

Call (269) 343-5541
Fax (269) 342-0672

or write

Business Outlook for West Michigan
W.E. Upjohn Institute
300 S. Westnedge Avenue
Kalamazoo, MI 49007-4686

Visit our Web site
www.upjohninstitute.org

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