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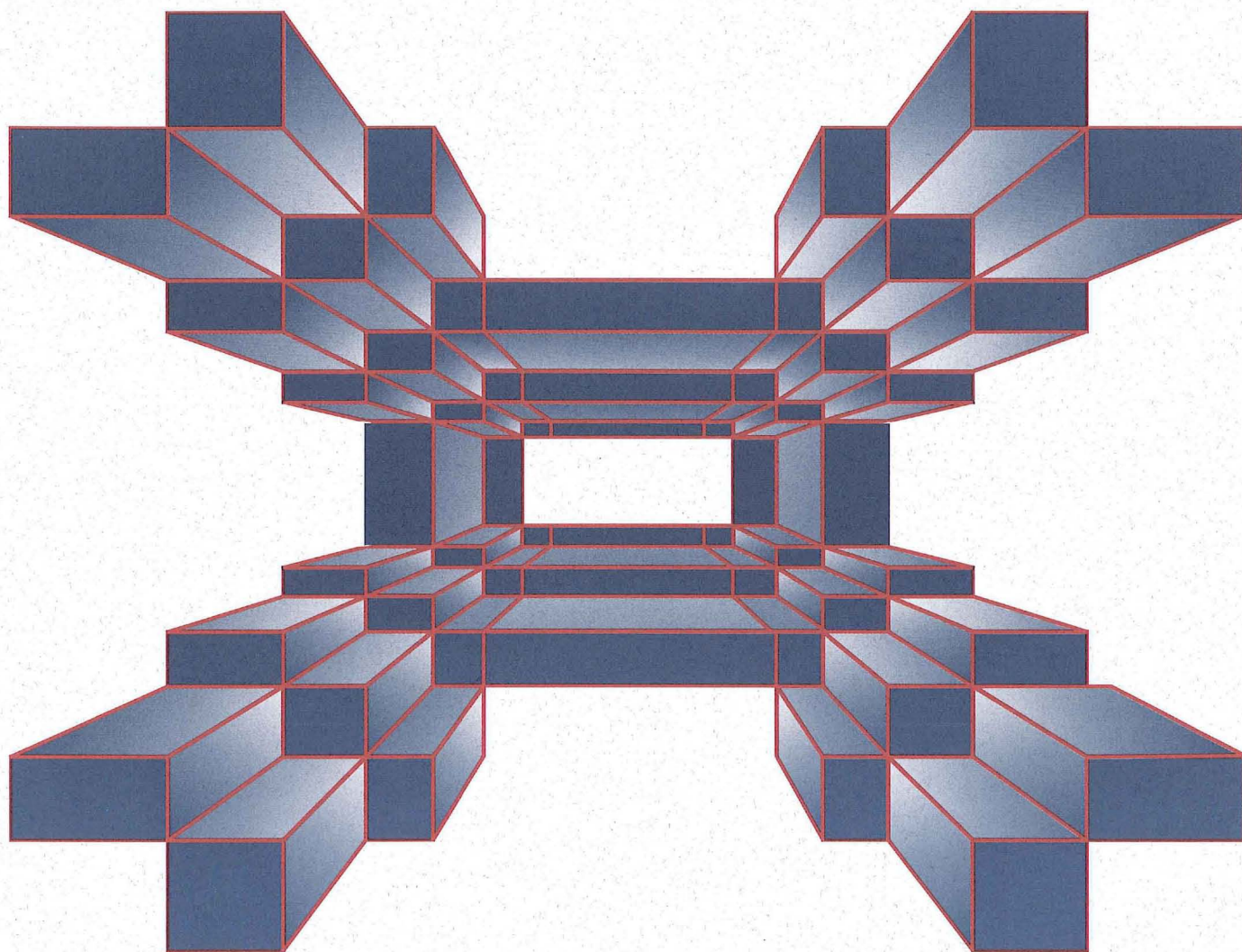
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# BUSINESS OUTLOOK

## for West Michigan



**W.E. UPJOHN INSTITUTE  
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# BUSINESS OUTLOOK

## for West Michigan

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In addition, our website provides up-to-date economic statistics on west Michigan.

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# WEST MICHIGAN VIEWPOINT

## Funny, It Doesn't Feel Like It's Over . . . .

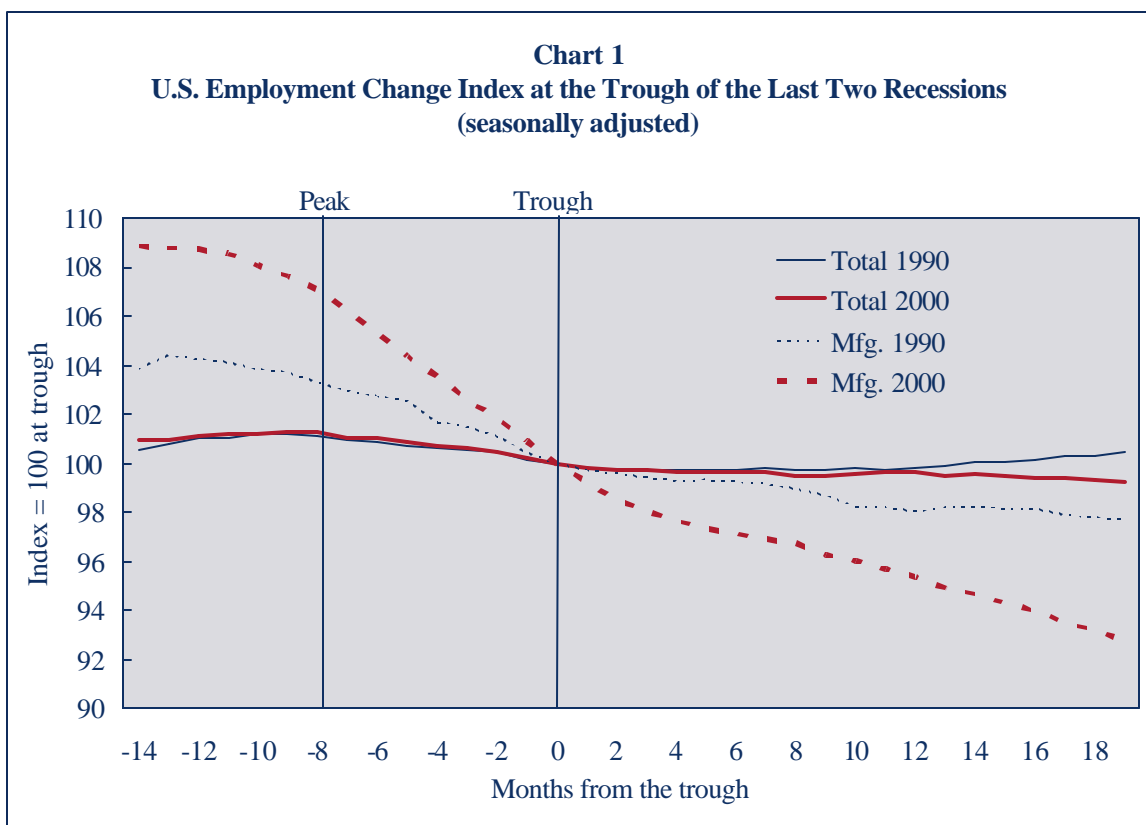
It is official: the recession ended 20 months ago in November 2001, according to the Business Cycle Dating Committee at the National Bureau of Economic Research (NBER). Indeed, the nation's Gross Domestic Product has been on the rise for the past six quarters. However, for the nine million individuals who are currently unemployed and the 44,000 individuals who lost their jobs this past July, this expansion leaves much to be desired. For the nation's manufacturers the recession has never stopped. Manufacturers have suffered 35 straight months of employment declines and have cut 930,000 workers (7.2 percent of their workforce) from their payrolls since the official end of the 2001 recession. With recoveries like this . . . .

Economists insist that employment is a lagging economic indicator. This is a view not shared by most, who believe it is *the* indicator. Employers hesitate to hire new workers until they are confident that the recovery is fully underway and that their current workforce is totally overworked. Still, if you feel that this recovery is particularly slow, you are correct. Chart 1 compares the

employment performance during the current recovery with that which followed the 1990 recession. Employment is indexed at 100 at the trough of each recession. It so happens that both the 1990 and 2000 recessions lasted eight months, so I was able to match up the troughs and peaks on the same lines for both.

By historical standards, employment growth during the 1990 "jobless recovery" was extremely slow. It took 14 months after the end of the recession for total employment to return to the trough level of GDP, and it was not until 43 months after the recession ended that manufacturing employment climbed back to the recessionary trough level. Manufacturing employment has not reached its March 1990 peak level since that time.

Unfortunately, the current recovery is even slower in terms of employment growth. It has been 20 months since the official end of the 2000 recession, and total employment is still below its recessionary trough levels, while manufacturing employment continues to fall.

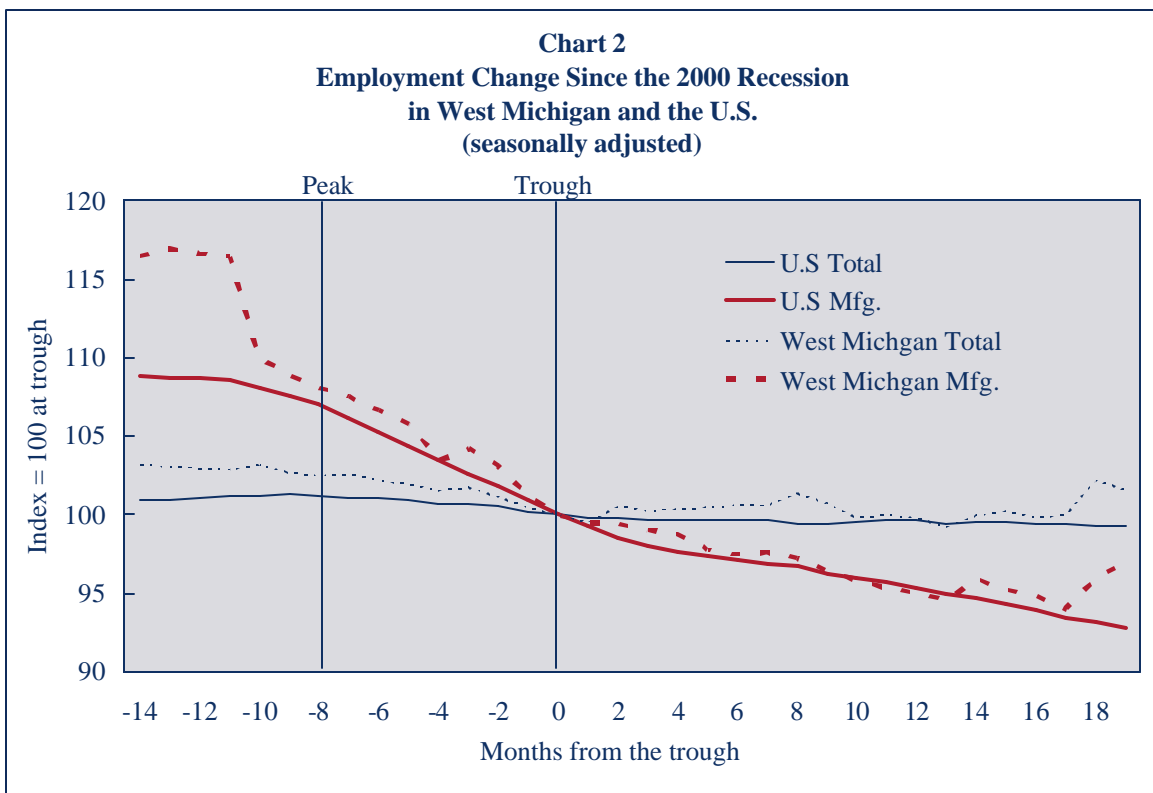


What’s wrong? In short, the nation’s manufacturers are struggling in an environment where there is too much capacity and, as a result, harsh, competitive pricing. In this highly competitive environment, businesses are limiting investment expenditures to those that cut costs but do not necessarily expand production. Of course, cost reductions often mean the elimination of jobs. So, while in the long-term, productivity is associated with employment growth; in the short-term it can indeed stall job creation.

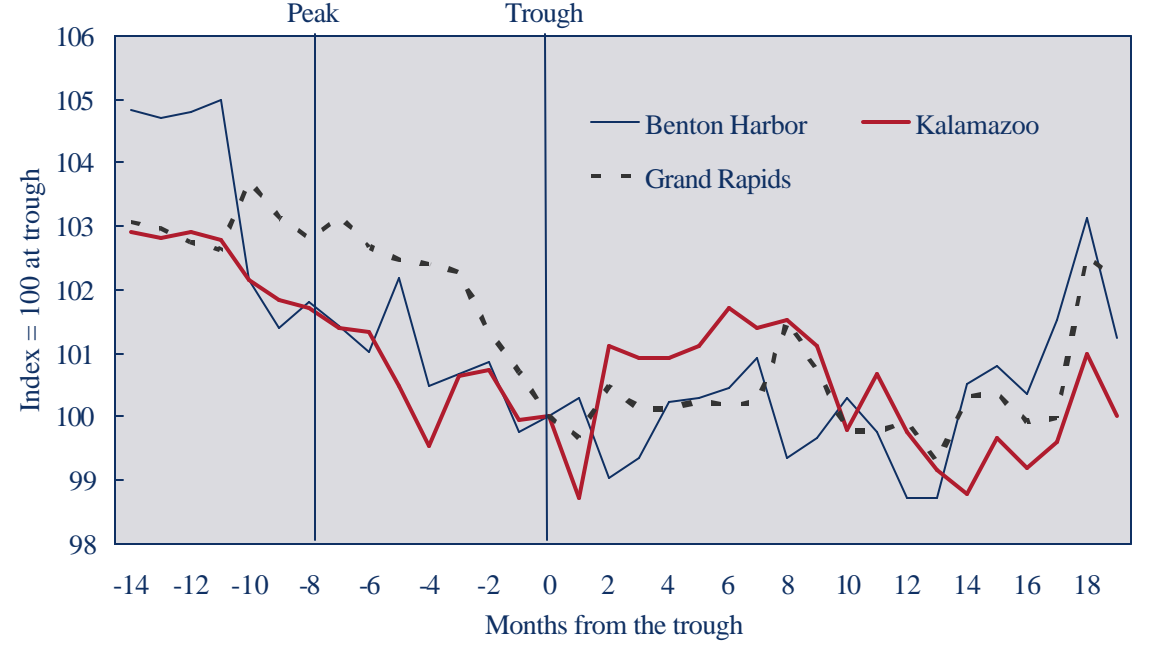
During this so-called recovery, employment trends in west Michigan’s three metropolitan areas tracked the nation’s downward trend very closely during the first 15 months of the current recovery, as shown in Chart 2. Nevertheless, starting in April of this year, there has been a marked turnaround in west Michigan which has not been shared by the nation, especially in manufacturing. Since April, manufacturing employment has increased by 3.3 percent, and total employment has risen by 1.6 percent in the three metropolitan areas of west Michigan. This is great news, given that manufacturing accounts for 22.5 percent of our total nonfarm employment, compared to only 11.3 percent, nationwide. Moreover, as shown in Chart 3, the three west Michigan MSAs shared similar employment growth patterns.

Some argue that the fact that “jobless recoveries” have followed the last two recessions simply adds further evidence that the nation’s economic structure has changed since the 1980s. Manufacturing employment never reached its pre-recession 1990 level, and some contend that manufacturing will continue to play a smaller role in the nation’s economy and follow the path of agriculture. The new role for U.S. businesses is to be the command and service centers for world operations. Call me a dinosaur, but I still think that manufacturing has an important place in the nation’s economy and has growth potential in the nation’s more competitive regions such as west Michigan. The pie may shrink, but that does not stop us from winning a larger slice.

If recent trends continue, the employment situation in west Michigan may improve more rapidly than that of the nation as a whole. This is good news and reflects positively on the competitiveness of the region’s employers, especially its manufacturers. However, the current long-term slide of manufacturing employment, nationwide, does not create a very encouraging environment for the region’s economic development efforts in attracting new employers. Instead, a slow but steady increase in employment due to the expansion of existing firms may be our best bet.



**Chart 3**  
**Employment Change Since the 2000 Recession**  
**in the Three Metropolitan Areas of West Michigan**  
**(seasonally adjusted)**



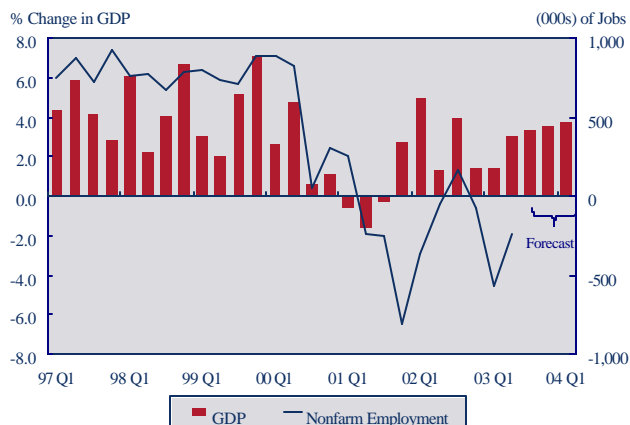


# NATIONAL ECONOMY

## A Promising Second Quarter Report

National output (GDP) rose at a 3.1 percent annual rate during the second quarter, which was noticeably faster than the 1.4 percent pace recorded during the first quarter. Once again, consumers can be credited for much of the quarter's growth, along with a major jump in military spending. Moreover, business investment expenditures on structures and equipment during the quarter were the strongest in three years.

Gross Domestic Product and Nonfarm Employment



Final sales rose at an even faster 4.0 percent annualized rate during the quarter, as businesses raided their inventories for the second consecutive quarter to meet demand. While selling from the warehouse dampens current output statistics, it may stimulate future production as businesses both restock their shelves and attempt to meet current demand.

In short, the report for the quarter was promising and suggests that the recovery is finally gathering steam. However, naysayers still have plenty of statistics at their disposal to argue that we are not yet "out of the woods." First, the quarter's output was insufficient to halt the loss of jobs. In the second quarter, nonfarm productivity rose by 3.8 percent from the same quarter a year ago, with productivity in manufacturing rising by 4.2 percent. With such strong productivity gains, output will most likely need to remain above a 3.0 percent annualized pace for an extended period before employers will start hiring again. In addition, consumer confidence is still fairly weak, and rising long-term interest rates are threatening the nation's robust housing market. Finally, the nation's factories are still running at only 74.5 percent of full capacity, limiting the demand for new plants and equipment.

## Confidence and Employment Are Still Down

Employers cut 238,000 workers from their payrolls in the second quarter, and the nation's unemployment rate rose to 6.2 percent. In July, employers eliminated an additional 44,000 jobs. Still, the unemployment rate dropped slightly, and the nation's civilian labor force fell by 556,000 workers. Finally, the employment trend at the nation's temporary employment agencies, which some analysts believe is a leading indicator (as employers are more likely to use temporary workers before hiring permanent workers), is still negative.

The drop in the nation's civilian labor force in July raises a long-argued concern about the nation's official unemployment rate. The nation's unemployment rate calculation does not include persons who want to work but are not actively looking for employment nor persons who are working part-time only because they are unsuccessful in obtaining full-time employment. If the number of discouraged workers is added back into the statistics, the nation's unemployment rate reaches 7.3 percent. If both groups were added into the calculation, the nation's unemployment rate for July would reach 10.5 percent (seasonally unadjusted).

The nation's employment situation also reflects the harsh conditions facing the nation's manufacturing sector. Manufacturing employment has declined for 35 straight months. In the second quarter alone, manufacturers released 185,000 workers, and in July, they cut an additional 71,000.

Not surprisingly, given the lackluster employment conditions nationwide, consumer confidence is flat, if not falling. The Conference Board's Index of Consumer Confidence fell in July, and its expectation index regarding future conditions was off as well. The July reading of the University of Michigan's Index of Consumer Sentiment also showed that consumers look fairly favorably upon current conditions but are uneasy about the economy in the coming months.

## What Are We Doing With All Our Cars?

Consumer spending on durable goods increased at a tremendous 24.1 percent annualized rate in the second quarter due to a clearly unsustainable 33.5 annualized percent increase in motor vehicle sales. Auto sales accelerated to a 16.2 million unit pace during the second quarter, from a 15.8 million pace in the first quarter. Given that there is currently at least one vehicle for every

person of driving age in the United States and that the quality and durability of today's vehicles are better than ever before, it is hard to imagine how this sales pace can continue, but it does. In fact, in July, car and light truck sales went into overdrive and reached a 17.2 million unit pace for the month. Of course, incentives play a major role, but equally important, it is clear that consumers are happy with the types of models being offered.

In addition to purchasing new cars, consumers also bought new garages and, of course, the houses attached to them. Home sales of single-family units rose at a 1.2 million annualized rate in June, which was 4.7 percent above the May rate and 21.0 percent higher than the rate a year ago. New residential construction was also up in June, 0.8 percent from May and 4.1 percent from last year. Not surprisingly, given this strong activity in the nation's housing market, consumer expenditures on household appliances and furniture rose by 17.5 percent during the second quarter.

Many analysts fear that rising interest rates will dampen mortgage activity. In July, conventional 30-year fixed mortgage rates climbed to 5.6 percent from 5.2 percent in June. Indeed, according to the Mortgage Bankers Association of America, mortgage requests are starting to fall. Since May, mortgage loans are down by 10 percent while refinancing activity has fallen by 67.5 percent. The increase in mortgage rates pushed some home buyers into the market as existing home sales reached new highs in July, climbing to an annualized rate of 6.12 million.

### Business Investment Finally Returns

Increased orders, improved earnings, and perhaps the threat that current low interest rates may disappear soon have finally pushed business back into the marketplace. Business spending for equipment and software rose at an 8.2 percent annualized rate in the second quarter. Moreover, business expenditures for structures increased at a 7.2 percent annualized rate. Businesses focused their

expenditures on upgrading their computer and data processing capability, as spending on information processing equipment rose at a robust 19.4 percent annualized rate. Still, worldwide excess capacity exists in many industries, which may dampen investment spending on structures and equipment.

### Deflation Worries Will Keep Interest Rates Low

Inflation has almost become a non-issue. The Consumer Price Index rose only 0.1 percent in July and by a low 2.1 percent during the past 12 months. The prices of some durable goods, such as autos, have been declining for several years. Recent announcements by the Federal Reserve Board indicate that while the threat of the nation entering a deflationary flat spot is still small, it is possible that the Board is willing to keep short-term rates low until the threat disappears. At its last opportunity in August, the Fed decided to keep its federal fund rate target at 1.0 percent.

As cited before, some analysts fear that the recent uptick in long-term rates could dampen consumer housing-related expenditures. Still, others who watch the interest rate spread between long- and short-term rates argue that the current wide spread suggests that the economic recovery is in full swing.

### Outlook: More of the Same

While current economic statistics are still mixed, the positives are starting to surpass the negatives. The Institute of Supply Management found in its July polling of purchasing managers that the manufacturing sector has expanded in July for the first time in four months, while the service sector continues to expand. Moreover, production at factories, mines, and utilities rose by 0.5 percent in July, according to the Federal Reserve Board—its biggest increase since January. Finally, the recent round of tax cuts should provide added stimulus to consumer spending.

Still, it is important to note that more than half of the second quarter increase in the national Gross Domestic Product can be attributed to a substantial jump in military spending, which rose at a robust 45.9 percent annualized rate and contributed 1.75 percent to the quarter's overall performance.

According to the most recent polling of professional forecasters by the Philadelphia Federal Reserve, the economy is expected to grow by only 2.3 percent for all of 2003. Similarly, in its August update, the University of Michigan calls for the nation's Gross Domestic Product to increase by 2.4 percent for all of 2003, and then to soar by 4.3 percent in 2004. Unfortunately, if these forecasters are correct, employment growth could remain flat during the coming months, and the nation's unemployment rate could hover above 6.0 percent for the rest of the year.



# THE REGIONAL ECONOMY

## The Great Lakes Economy Remains at a Standstill

Economic activity in the Great Lakes states is stuck in low gear, with small increases in production easily being handled by productivity gains. Total employment in the five-state Great Lakes region fell by 0.6 percent—nearly 125,000 workers—during the 12-month period ending in June. The region's manufacturers eliminated nearly 100,000 jobs during the period, or 2.8 percent of their workforce. On average, for every 10 jobs lost in the region during this period, eight were eliminated in manufacturing.

Not only have the region's manufacturers cut their employment levels, they have also cut the hours of their remaining production workers. In all five states, manufacturers reduced the average weekly hours from between 0.2 percent (Wisconsin) to 2.6 percent (Illinois and Michigan) during the past year.

Researchers at the Federal Reserve Bank of Chicago also reported lackluster economic conditions in their contribution to the Federal Reserve Board *Beige Book* released in July. Weak labor market conditions, soft nonresidential real estate markets, and lackluster retail sales reign throughout the Chicago district (Illinois, Indiana, Iowa, Michigan, and Wisconsin). The only positive news in the report was that contacted manufacturers were somewhat positive about current trends. Not surprisingly, automakers and their suppliers reported "pretty good" sales

conditions, but representatives from other manufacturing sectors also reported hints of improving markets.

The sluggishness of the region's economy is reflected in its below-average increase in consumer prices as well. Consumer prices in the larger 12-state Midwest region rose 1.8 percent in the 12-month period ending in June, compared to a 2.1 percent rise, nationwide.

## Car Sales Remain Firm

After cruising at a respectable 16.2 million unit annualized pace during the second quarter, car sales, fueled by a new round of incentives, raced at a 17.2 million unit pace in July. According to Ward's Auto, the Big Three auto companies shelled out \$3,389 per unit in incentives, on average. Japanese producers are offering \$1,062 per vehicle in incentives, while Korean and European manufacturers are offering \$1,371 and \$1,945, respectively.

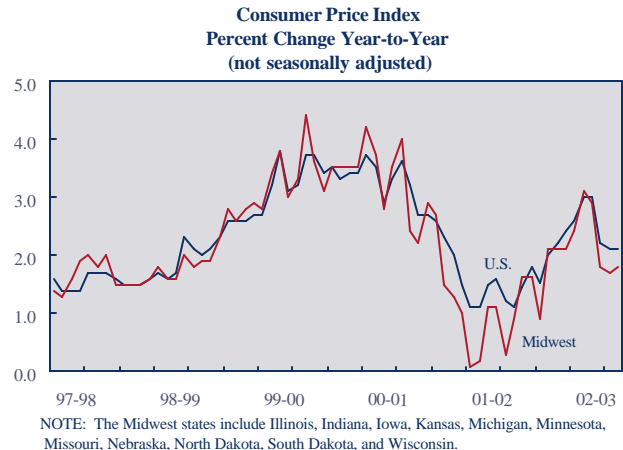
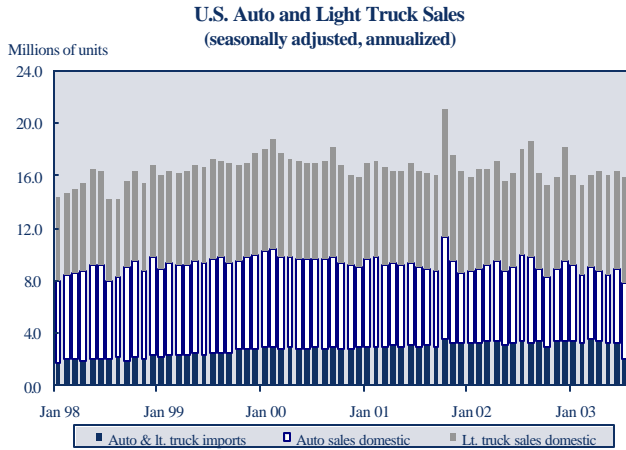
Incentives may stay for quite some time as the industry has too much capacity. Ward's estimates that by 2005 when a new Hyundai Motors plant is operating, North America will have the ability to produce 19.1 million vehicles in a market that will likely sell 16.5 million.

Given the harsh pricing environment, productivity is becoming more and more important. According to the 14th annual Harbour Report on productivity, General

### Employment and Earnings (seasonally adjusted)

Great Lakes Region	June 2003	June 2002	Change (%)	Great Lakes Region	June 2003	June 2002	Change (%)
<b>Illinois</b>				<b>Ohio</b>			
Total employment	5,832,300	5,871,600	-0.7	Total employment	5,401,200	5,441,800	-0.7
Mfg. employment	730,900	754,500	-3.1	Mfg. employment	860,000	887,500	-3.1
Avg. weekly hours	40.6	41.7	-2.6	Avg. weekly hours	40.7	41.7	-2.4
Avg. hourly earnings	\$15.24	\$14.98	1.7	Avg. hourly earnings	\$17.79	\$17.45	1.9
<b>Indiana</b>				<b>Wisconsin</b>			
Total employment	2,856,200	2,883,700	-1.0	Total employment	2,796,900	2,778,600	0.7
Mfg. employment	578,300	590,800	-2.1	Mfg. employment	514,700	527,700	-2.5
Avg. weekly hours	41.7	42.5	-1.9	Avg. weekly hours	40.7	40.8	-0.2
Avg. hourly earnings	\$17.79	\$17.07	4.2	Avg. hourly earnings	\$16.08	\$15.80	1.8
<b>Michigan</b>				<b>United States</b>			
Total employment	4,444,600	4,479,900	-0.8	Total employment (000)	129,914	130,383	-0.4
Mfg. employment	738,000	760,800	-3.0	Mfg. employment (000)	14,683	15,334	-4.2
Avg. weekly hours	41.8	42.9	-2.6	Avg. weekly hours	40.3	40.7	-1.0
Avg. hourly earnings	\$21.19	\$20.43	3.7	Avg. hourly earnings	\$15.73	\$15.27	3.0

Note: June 2003 lists preliminary numbers.



Motors and Chrysler have made great improvements in this regard. In 2002, General Motors posted a 7.4 percent rise in productivity, while Chrysler achieved an 8.3 percent increase. However, Ford is still struggling, while Toyota and Honda had an off year due to the dock worker strikes on the west coast which slowed down the parts flow.

The productivity gains achieved by General Motors and Chrysler were even more impressive given that, on average, their workforce is older and more unionized relative to the foreign transplants. Due to their older workforce, health care costs run an average of \$1,200 per unit produced.

Turning to this year's negotiations between the auto companies and the United Auto Workers, it is no surprise that the cost and level of health care insurance are major concerns for management. Moreover, the auto companies are also struggling with high future pension costs. For GM, for example, analysts estimate that the average worker is 50 years old and has 24 years on the job. This means that within 10 years, the ratio of retirees to active employees could climb from 3:1 to 5:1.

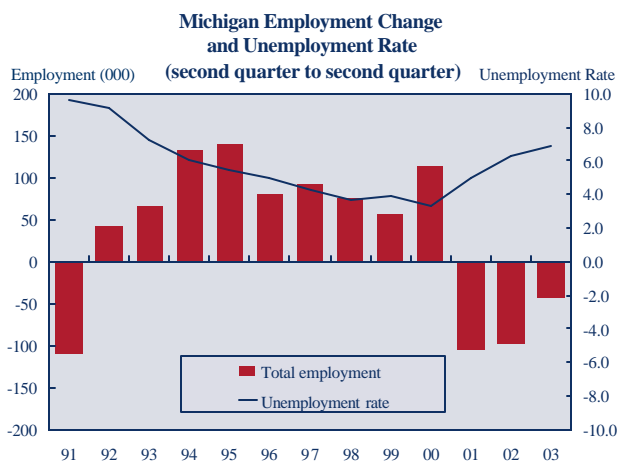
One bargaining chip that the companies may offer to the UAW is that they could put more pressure on suppliers to unionize. However, such actions run counter to ongoing efforts to lower suppliers' prices and would only make the current troubled supplier relationships worse. In fact, according to Ward's 25th annual survey, 43 percent of the suppliers say that Detroit automakers' relations with suppliers have never been worse. A third of the suppliers said that their companies no longer offer the Big Three their best innovations because pricing pressure has become so intense.

Auto companies are currently putting pressure on their suppliers to build plants in low-cost global locations, such as China and Mexico. Nearly 20 percent of respondents say that their companies are sourcing high-level engineering work to lower-cost regions, such as India. Moreover, 30.6 percent of the suppliers say they are under pressure to build manufacturing operations in China.

# THE STATE OF MICHIGAN

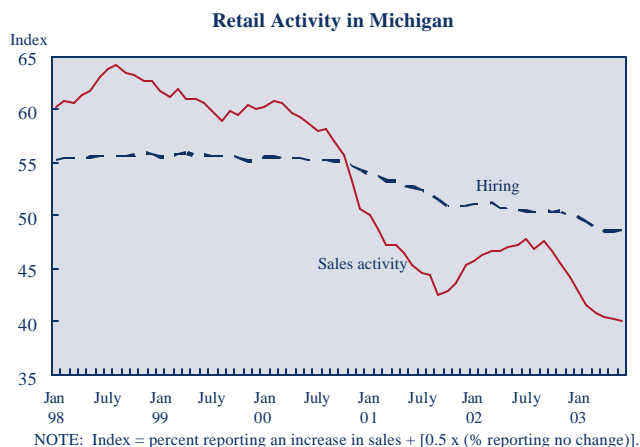
Employment remained unchanged during the second quarter of the year in the state. Employment losses in the goods-producing and government sectors offset gains in the state's service-providing sector. The lack of employment growth during the quarter contributed to a jump in the state's unemployment rate to 6.9 percent. Unfortunately, employment conditions are unlikely to change dramatically in the coming months.

Employment in the state's goods-producing sector was down 1.0 percent during the second quarter. More than 3,200 jobs were lost in the state's construction industry, while 6,630 jobs were eliminated in its manufacturing sector.



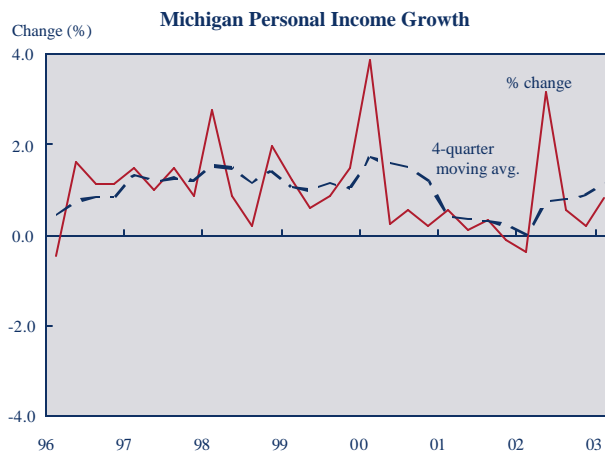
Despite strong auto sales, auto suppliers eliminated nearly 10,000 jobs, and automakers cut 8,700 more during the past four quarters. The state's furniture industry, which is concentrated in the production of office furniture/systems and located in the west Michigan area, cut 16.1 percent of the workforce (or just over 5,000 workers). In fact, employment declines were reported across all of the state's major manufacturing activities except for primary metals.

Employment in the state's private service-providing sector rose by 0.6 percent, an increase of 15,670 jobs. Employment gains occurred in all of the state's major service-providing activities except for retail trade, where employment fell by 1.4 percent. The loss of retail jobs is consistent with the findings of the Federal Reserve Bank of Chicago and the Michigan Retailers Association's statewide survey of retailers. According to the survey, retail activity in the state has been off since July of last year. The decline in retail sales is surprising since personal income in the state rose modestly during the first



quarter of the year, an increase of 1.2 percent. Further, employment in the state's wholesale trade sector was up by 3.1 percent despite sluggish retail sales.

Employment in the government sector was down 0.7 percent during the quarter. The ongoing budget crunch at both the state and local levels will likely result in more layoffs in the coming months. In particular, the state's higher education institutions will likely trim employment as well as raise tuition and student fees for the coming academic year.



The second quarter readings of the state's economic indicators were mixed. Its Index of Leading Indicators was down 1.0 percent, suggesting that employment conditions in the state's goods-producing sector may remain lackluster. All three of the state's components in the index deteriorated during the quarter. Production workers logged in fewer hours, new claims for unemployment insurance rose by 20.3 percent, and the number of new dwelling units put under contract for construction was

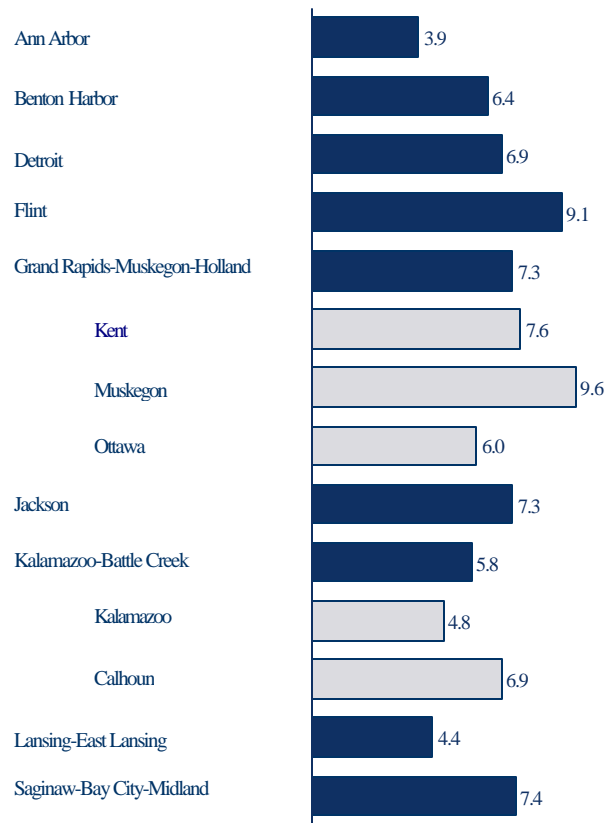
off a slight 0.8 percent. On the positive side, the Detroit area Help-Wanted Index of Advertising rose a robust 7.4 percent during quarter, indicating that employment in the state's service-providing sector could continue to expand. Lastly, employment at the state's private employment service agencies has been on the rise during the year, climbing by 2.0 percent from January to July (seasonally unadjusted). Since employers occasionally hire temporary workers before adding on permanent workers, many believe it is a positive indicator as well.

### Employment Conditions Remain Lackluster Across All Metro Areas

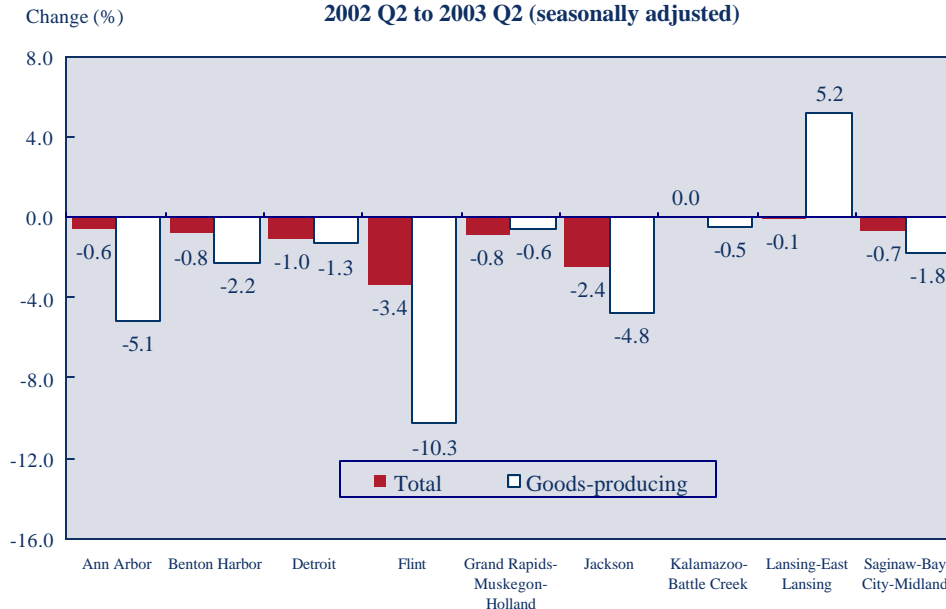
Total employment fell or remained at a standstill in all nine of the state's metropolitan areas during the second quarter. Employment levels in the Kalamazoo-Battle Creek and Lansing-East Lansing MSAs remained stable; however, employment declines in the state's other metropolitan areas ranged from a drop of 3.4 percent in Flint to a less severe 0.6 percent decline in Ann Arbor. Goods-producing employment was also down in all of the state's metropolitan areas, except for the Lansing-East Lansing MSA, where it shot up by 5.2 percent.

Regarding current employment conditions, labor markets remain soft in many of the state's metro areas; however, Ann Arbor's unemployment rate is still less than 4.0 percent, and Lansing-East Lansing's jobless rate is a low 4.4 percent as well. Except for the Kalamazoo-Battle Creek MSA, the unemployment rates in the remaining metro areas are higher than the national rate of 6.2 percent.

Michigan Metropolitan Areas  
Second Quarter Unemployment Rates  
(%, seasonally adjusted)



Metropolitan Comparison: Percent Change in Employment,  
2002 Q2 to 2003 Q2 (seasonally adjusted)



# WEST MICHIGAN ECONOMY

Total employment fell by 0.6 percent—a loss of 5,400 jobs—in the three metropolitan areas of west Michigan during the second quarter. Employment losses were reported in the west Michigan's good-producing and private service-providing sectors. The decline in employment pushed the region's unemployment rate up to 6.9 percent, which matches the overall rate for the state. Unfortunately, the region's economic indicators were mostly negative during the quarter, suggesting that the current lackluster conditions may hold on for the next several months.

Employment in the region's goods-producing sector fell by 0.7 percent during the second quarter, due to declines in both construction and manufacturing activities. Still, the declines were not as severe as those reported for the state as a whole. Employment in the region's manufacturing sector fell by only 0.4 percent during the quarter, while it dropped by 0.9 percent statewide.

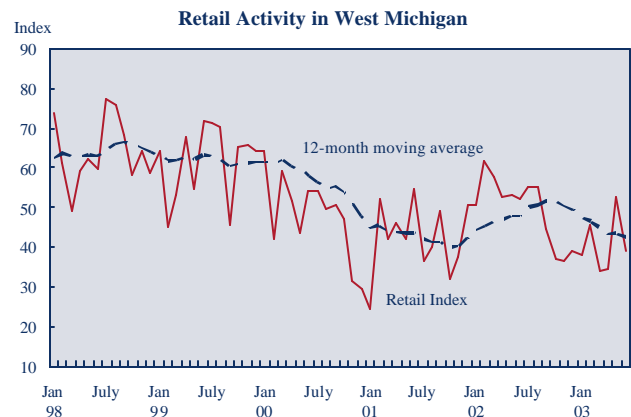
Unfortunately, the current employment statistics do not include the impact of at least two major layoffs. In Grand Rapids, 1,200 workers will be laid off in the next several months with the closing of a Bosch Corp. plant, and in Kalamazoo, an unknown but likely large number of employees at Pfizer will be or have been laid off or have accepted transfers to other facilities.

In the past four quarters, manufacturing employment in the three metro areas fell by 2.6 percent, or by more than 5,000 workers. A good deal of the decline in manufacturing employment is due to the struggling office furniture industry centered in Grand Rapids and Holland. This single industry accounts for nearly 70 percent of the employment declines in the region's manufacturing sector during the past four quarters. On the other hand, employment in the region's auto-dominated transportation equipment sector increased by 4.4 percent or 1,600 jobs, which was in sharp contrast to the 2.9 percent decline statewide.

Employers in the service-providing sector eliminated more than 4,600 jobs during the quarter, a loss of 0.9 percent with substantial employment reductions occurring in the area's professional and business services, education and health, and leisure and hospitality sectors.

In sharp contrast, the region's retailers added 1,700 workers during the quarter. This jump in employment is surprising on two fronts. First, retail trade depends upon the health of the local economy which, as shown above, is struggling. Second, this increase in employment counters the findings of the survey of regional retailers (conducted

by the Federal Reserve Bank of Chicago in association with the Michigan Retailers' Association), which shows a long-term decline in retail activity.



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

The other surprise in the quarterly employment numbers is a reported 0.8 percent jump in government employment in the three metropolitan areas. The increase is largely due to seasonal factors, as the quarter's unadjusted decline in employment of 0.4 percent was lower than seasonally expected. The increase was widespread and countered state trends. Given the ongoing budget crisis on both the state and local levels, it is unlikely that the region will receive another boost in employment from this sector for some time.

Employment conditions will likely remain soft in the coming months, according to the region's economic indicators. The region's Index of Help-Wanted Advertising fell by 12.0 percent during the quarter, while its Index of Leading Indicators was also off by 1.0 percent. The local components of the index were mixed during the quarter. Production workers logged in fewer hours, and new claims for unemployment insurance rose sharply; however, the number of new dwelling units put under contract for construction rose slightly.

Outside of the metropolitan areas of west Michigan, business reports are more positive. In St. Joseph County, Grumman-Olson Industries, Inc., a major employer in the county, was purchased by JB Poindexter, a Texas-based company which plans to move production activity from Pennsylvania into the county. In addition, Universal Forest Products opened a new facility in White Pigeon which could employ up to 110 workers.

**West Michigan (3 MSAs) Statistics**  
(seasonally adjusted)

Measure	2003	2003	Percent change	2002	Percent change
	Q2	Q1	Q1 to Q2	Q2	Q2 to Q2
<b>Employment (by place of work)</b>					
Total non-farm employment	847,540	852,950	-0.6	856,560	-1.1
Goods-producing	229,320	230,890	-0.7	236,520	-3.0
Construction & mining	38,770	39,590	-2.1	40,910	-5.2
Manufacturing	190,550	191,290	-0.4	195,610	-2.6
Durable goods	119,000	119,350	-0.3	123,390	-3.6
Nondurable goods	55,030	55,090	-0.1	55,970	-1.7
Private service-providing	515,630	520,300	-0.9	519,010	-0.7
Transportation and utilities	22,020	22,510	-2.2	21,920	0.5
Wholesale trade	37,830	37,730	0.3	37,860	-0.1
Retail trade	103,220	101,500	1.7	102,120	1.1
Information	11,550	11,890	-2.9	11,950	-3.3
Financial activities	35,540	35,560	-0.1	36,080	-1.5
Professional and business services	90,710	92,670	-2.1	93,730	-3.2
Education and health services	108,020	108,860	-0.8	105,930	2.0
Leisure and hospitality	69,010	71,540	-3.5	73,950	-6.7
Other services	37,740	38,040	-0.8	35,470	6.4
Government	102,590	101,760	0.8	101,040	1.5
<b>Unemployment</b>					
Number unemployed	64,360	61,510	4.6	55,050	16.9
Unemployment rate	6.9	6.5		6.0	
<b>Local indexes</b>					
Help-wanted ads (2 MSAs)(1996=100) <sup>a</sup>	44	50	-12.0	59	-25.4
Leading indicators (1996=100)	103	104	-1.0	103	0.0
Average weekly hours	39.9	40.4	-1.2	40.7	-2.0
UI initial claims	3,924	3,500	12.1	3,110	26.2
New dwelling units <sup>b</sup>	8,873	8,650	2.6	8,028	10.5

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 Career Development. NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Grand Rapids-Muskegon-Holland MSA and Kalamazoo-Battle Creek MSA.

<sup>b</sup> Seasonally-adjusted annual rates; Allegan County or Van Buren County are not included.

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

Industry	2003	2002	Percent	Industry	2003	2002	Percent				
	Q2	Q2	change		Q2	Q2	change				
<b>Goods-producing</b>	229,400	236,670	-3.1	Admin. and support svcs.*	46,830	49,100	-4.6				
Transportation equipment*	38,970	37,330	4.4	Health and social assistance*	75,870	76,570	-0.9				
Motor vehicle parts*	31,530	30,730	2.6	Food svcs. and drinking places*	53,870	53,970	-0.2				
Food*	14,600	14,130	3.3	<b>Government</b>	103,200	101,570	1.6				
Paper*	6,230	6,730	-7.4					Federal	9,570	9,370	2.1
<b>Private service-providing</b>	518,270	521,670	-0.7					State	12,130	14,800	-18.0
General merchandise stores*	24,330	24,330	0.0	Local	81,500	77,400	5.3				
Finance and insurance*	25,800	25,470	1.3								

SOURCE: Michigan Department of Career Development.

\*Combined data for Grand Rapids-Muskegon-Holland MSA and Kalamazoo-Battle Creek MSA; Benton Harbor MSA data not available.



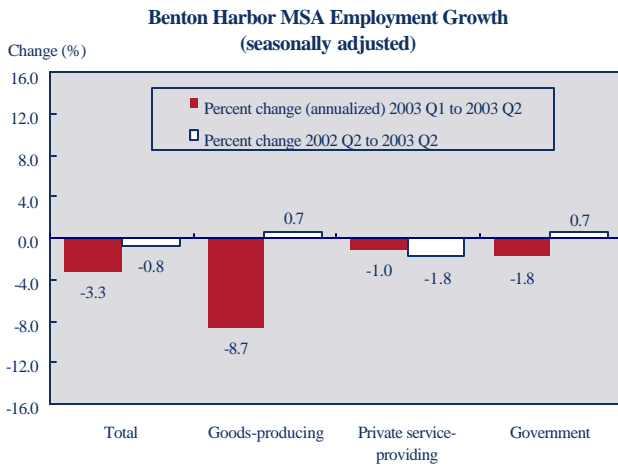
# BENTON HARBOR MSA

Total employment fell by 0.8 percent in Berrien County during the second quarter, with employment reductions reported across all of the county's major sectors. The decline in employment opportunities pushed the county's unemployment rate up to 6.4 percent. A sharp drop in the county's Index of Leading Indicators suggests that employment conditions may not improve in the coming months.

Employment in Berrien County's goods-producing sector fell by 2.2 percent during the quarter. The recent downturn comes after several quarters of hiring in the sector. During the past four quarters, in fact, employment in the area's goods-producing sector rose by 0.7 percent, despite the decline in the current quarter. Employment gains during the four-quarter period occurred in the area's durable goods sector. Unfortunately, due to the loss of data as a consequence of the changeover to NAICS, we are unable to specify as to where these jobs have been created.

percent. Employment declines in retail and wholesale trade as well as education and health services more than offset modest gains in the other sectors. Government employment was off by 0.4 percent during the quarter as well.

The county's unemployment rate rose to 6.4 percent in the quarter; however, this relatively low unemployment rate does not reflect the economic environment faced by the county's more economically disadvantaged residents. Indeed, the recent disturbances in the city of Benton Harbor reflect the harsh economic conditions faced by many of its residents. The unemployment rate in the city during the second quarter was 26.4 percent (not seasonally adjusted), according to the estimates from the Michigan Department of Career Development. To help alleviate this situation, the State of Michigan created 250 summer jobs for area youths. More importantly, Governor Granholm has established a task force of state and local officials to explore new ways to bring more economic opportunities to the city's residents.



Fortunately, the disturbance did not alter Whirlpool Corporation's decision to move 100 professional workers to a renovated building on Main Street in downtown Benton Harbor. This move could occur as early as the first quarter of 2004.

The area's manufacturing sector received another blow when Pemco Die Casting Corp. announced that it is closing its Bridgman plant, eliminating 234 jobs. The closure was reportedly triggered by the company's loss of a major contract to Cummins Inc., a worldwide maker of diesel engines. The closure (scheduled in September) could cause the loss of up to 275 additional jobs in the county, according to estimates generated by our economic model of Berrien County. Most of this impact, 210 jobs, will occur in the county's private service-providing sector.

Economic conditions are not expected to improve in the coming months, according to the quarter's reading of the county's Index of Leading Indicators. All three of the local components of the Index contributed to its 4.1 percent decline. Production workers logged in fewer hours, the number of new claims for unemployment insurance rose by 6.4 percent, and the number of new dwelling units put under contract fell by nearly 15 percent.

Employment growth in the county's private service-providing sector is already in negative territory. During the second quarter, employment in the sector fell by 0.3

**Benton Harbor MSA**

(seasonally adjusted)

Measure	2003 Q2	2003 Q1	Percent change Q1 to Q2	2002 Q2	Percent change Q2 to Q2
<b>Employment (by place of work)</b>					
Total non-farm employment	69,570	70,150	-0.8	70,120	-0.8
Goods-producing	18,750	19,180	-2.2	18,620	0.7
Construction & mining	2,230	2,320	-3.9	2,360	-5.5
Manufacturing	16,520	16,860	-2.0	16,260	1.6
Durable goods (data not available)					
Non-durable goods (data not available)					
Private service-providing	41,840	41,950	-0.3	42,590	-1.8
Transportation and utilities	2,470	2,410	2.5	2,500	-1.2
Wholesale trade	2,200	2,340	-6.0	2,300	-4.3
Retail trade	8,220	8,320	-1.2	8,260	-0.5
Information	1,000	970	3.1	970	3.1
Financial activities	2,320	2,280	1.8	2,290	1.3
Professional and business services	6,280	6,210	1.1	6,310	-0.5
Education and health services	10,290	10,560	-2.6	10,460	-1.6
Leisure and hospitality	5,940	5,740	3.5	6,390	-7.0
Other services	3,110	3,120	-0.3	3,110	0.0
Government	8,980	9,020	-0.4	8,920	0.7
<b>Unemployment</b>					
Number unemployed	5,220	5,050	3.4	4,810	8.5
Unemployment rate (%)	6.4	6.1		6.0	
<b>Local indexes</b>					
Leading indicators (1996=100)	100	104	-4.1	105	-5.0
Average weekly hours	42.1	44.1	-4.5	42.1	0.0
UI initial claims	284	267	6.4	313	-9.3
New dwelling units <sup>a</sup>	435	511	-14.9	421	3.3

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 Michigan Department of Career Development.

NOTE: Categories may not sum to total due to rounding.

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

**Benton Harbor MSA**

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

(not seasonally adjusted)

Industry	2003 Q2	2002 Q2	Percent change	Industry	2003 Q2	2002 Q2	Percent change
<b>Goods-producing</b>	18,700	18,570	0.7	<b>Government</b>	9,100	9,030	0.8
Durable goods	13,300	13,100	1.5	Federal	400	400	0.0
Nondurable goods	5,400	5,470	-1.3	State	470	500	-6.0
				Local	8,230	8,130	1.2
<b>Private service-providing</b>	42,270	43,000	-1.7	Local (education)	5,500	5,270	4.4
Accommodations & food svcs.	5,300	5,630	-5.9				

SOURCE: Michigan Department of Career Development.

# GRAND RAPIDS-MUSKEGON-HOLLAND MSA

Total employment fell by 0.8 percent in the four-county MSA during the second quarter of the year. The employment declines occurred in the area's goods-producing and private service-providing sectors. Moreover, the loss of nearly 5,000 jobs pushed the area's unemployment rate up to 7.3 percent. Unfortunately, the second quarter reading of the area's economic indicators suggests that its employment situation will remain lackluster during the coming months.

Employment in the area's goods-producing sector fell by 0.6 percent because of a large 2.4 percent decline in construction jobs. Employment in the area's struggling manufacturing sector was down only 0.2 percent during the quarter, a loss of only 220 jobs. In the past four quarters, employment in the area's manufacturing sector has declined by 3.1 percent—a loss of more than 4,300 jobs. During this period, losses in employment were recorded in the area's fabricated metals, machinery, motor vehicle parts, paper, plastics, and of course, its furniture industry, where more than 3,500 jobs were lost during the period.

Fortunately, there is a glimmer of hope that the worst may be over for the office furniture industry. While BIFMA, the industry's trade association, is still predicting that industry sales will decline 8.5 percent to \$8.14 billion this year, the increase in business investment activity nationwide will hopefully spill over into the industry. In fact, BIFMA expects sales to improve next year, with shipments increasing by 8.2 percent to \$9.2 billion. In addition, Herman Miller announced that it is bringing 360 to 380 manufacturing jobs to Ottawa County with the closure of a Georgia facility.

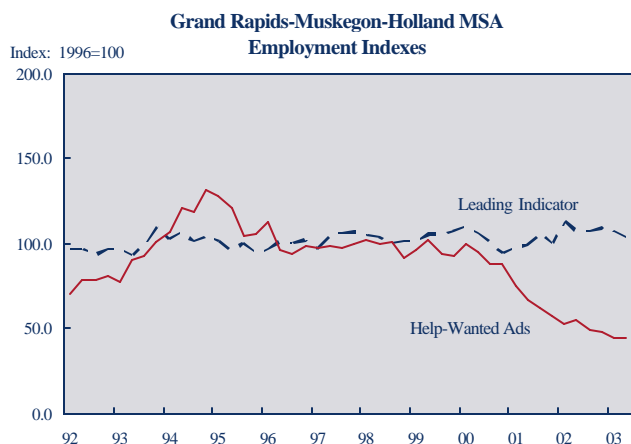
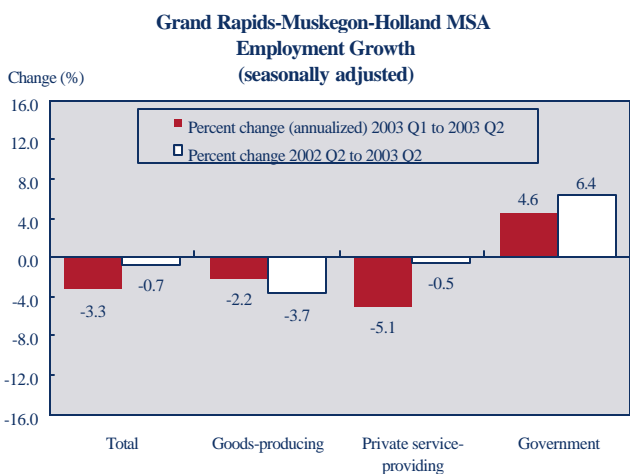
Although the state as a whole has suffered declines in its transportation equipment employment, transportation equipment manufacturers in the four-county area increased their workforce by 5.2 percent during the last four quarters,

an addition of 1,300 jobs. However, despite solid auto sales, several of the area's auto suppliers are closing or cutting back on employment. In the first quarter, Bosch Corp. announced that it will close its Kentwood factory before the end of the year, eliminating more than 1,200 jobs. In addition, Grand Rapids Plastics, an auto supplier, is closing, eliminating 115 jobs.

Private service-providing employment in the area fell by 1.3 percent, a loss of nearly 4,600 jobs. The decline was centered in the professional and business services industry, where employers cut more than 2,600 positions, and in its leisure and hospitality sector, where pink slips were handed out to 1,840 workers. The job losses in these sectors, in addition to more minor losses in education and health services and information services, more than erased surprising gains in its retail sector. Despite a sluggish local economy, retailers added 1,360 workers during the quarter.

Finally, the area received a surprising boost from its government sector, where layoffs were well below seasonal expectations. Given the budget constraints faced at all levels of government, such a welcomed boost in employment cannot be expected again any time soon.

The number of unemployed workers grew by 5.7 percent, with nearly 46,000 individuals out of work in the area and actively seeking employment. Unfortunately, the reading of the area's economic indicators in the second quarter suggests that their job search will not be easy. The composite Index of Help-Wanted Advertising fell by 1.6 percent, and its Index of Leading Indicators declined by 2.8 percent, with all three of the local components to the index contributing to the decline. Production workers logged in fewer hours, new claims for unemployment insurance rose, and the number of new dwelling units put under contract for construction declined slightly.



**Grand Rapids-Muskegon-Holland MSA**

(seasonally adjusted)

Measure	2003 Q2	2003 Q1	Percent change Q1 to Q2	2002 Q2	Percent change Q2 to Q2
<b>Employment (by place of work)</b>					
Total non-farm employment	570,390	575,210	-0.8	574,680	-0.7
Goods-producing	160,320	161,220	-0.6	166,550	-3.7
Construction and mining	27,030	27,700	-2.4	28,930	-6.6
Manufacturing	133,300	133,520	-0.2	137,620	-3.1
Durable goods	96,180	96,520	-0.4	100,060	-3.9
Nondurable goods	37,120	37,010	0.3	37,560	-1.2
Private service-providing	349,290	353,880	-1.3	351,000	-0.5
Transportation and utilities	14,420	14,900	-3.2	14,250	1.2
Wholesale trade	30,050	29,820	0.8	29,820	0.8
Retail trade	67,360	66,000	2.1	67,300	0.1
Information	8,150	8,560	-4.8	8,590	-5.1
Financial activities	23,450	23,340	0.5	24,620	-4.8
Professional and business services	65,010	67,650	-3.9	67,200	-3.3
Educational and health services	72,320	72,900	-0.8	69,160	4.6
Leisure and hospitality	43,030	44,870	-4.1	46,670	-7.8
Other services	25,510	25,870	-1.4	23,400	9.0
Government	60,780	60,100	1.1	57,130	6.4
<b>Unemployment</b>					
Number unemployed	45,840	43,380	5.7	38,730	18.4
Unemployment rate (%)	7.3	6.9		6.4	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	44	45	-1.6	55	-20.2
Leading indicators (1996=100)	104	107	-2.8	107	-3.1
Average weekly hours	39.6	40.2	-1.5	40.0	-1.0
UI initial claims	2,883	2,640	9.2	2,023	42.5
New dwelling units <sup>a</sup>	6,617	6,793	-2.6	6,477	2.2

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 Career Development.

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup> Seasonally adjusted annual rates; does not include Allegan County.

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

Industry	2003 Q2	2002 Q2	Percent change	Industry	2003 Q2	2002 Q2	Percent change
<b>Goods-producing</b>	160,330	166,600	-3.8	Finance and insurance	17,370	18,270	-4.9
Fabricated metals	14,970	15,470	-3.2	Admin. and support svcs.	36,370	37,970	-4.2
Machinery	14,130	14,670	-3.7	Temporary help services	12,030	13,900	-13.5
Transportation equipment	27,970	26,600	5.2	Educational services	19,530	16,600	17.7
Motor vehicle parts	21,730	21,970	-1.1	Health and social assistance	53,800	53,530	0.5
Furniture and related products	17,570	21,100	-16.7	Food svcs. and drinking places	37,270	37,200	0.2
Food	10,300	9,970	3.3				
Paper	3,733	3,933	-5.1	<b>Government</b>	61,600	57,900	6.4
Plastics & rubber	8,200	8,700	-5.7	Federal government	4,400	4,133	6.5
<b>Private service-providing</b>	350,900	352,630	-0.5	State government	6,930	7,070	-2.0
Food and beverage stores	9,100	9,900	-8.1	Local government	50,270	46,700	7.6
General merchandise stores	16,430	16,600	-1.0	Local govt. educ. svcs.	32,800	29,870	9.8

Source: Michigan Department of Career Development

# Grand Rapids Area (Kent County)

Total employment in Kent County declined by an estimated 0.6 percent during the second quarter, pushing the county's unemployment rate up to 7.6 percent. Unfortunately, the second quarter reading of the area's economic indicators suggests that employment conditions will remain sluggish, at best, during the coming months.

Employment in the county's goods-producing sector fell an estimated 0.5 percent during the second quarter. Manufacturing employment will take a major hit this year with Bosch Corp.'s announcement that it is closing its Kentwood plant, eliminating over 1,200 jobs. However, not all of the news regarding the county's manufacturing sector is negative, as Delphi announced that it is putting \$11.7 million in new equipment in its Wyoming plant.

The county's private service-providing employment was down an estimated 0.9 percent during the quarter as well, while government employment—which includes public schools—rose a surprising 1.2 percent. Due to seasonally adjusting factors, it is likely that this is just a one-time boost.

Employment by place of residence was down 0.8 percent during the quarter and contributed to the jump in area's unemployment rate to 7.6 percent.

The area's economic indicators were mixed during the quarter, indicating that its employment conditions will change little in the coming months. Its Index of Help-Wanted Advertising fell by 15.3 percent, and the number of new claims for unemployment insurance rose by 10.7 percent. On the positive side, housing starts rose by 8.4 percent. The results of July's polling of the area's purchasing managers were positive. Finally, the local Manpower survey of businesses found that 27 percent expect to hire in the Grand Rapids area. Statewide, 20 percent of state companies anticipated openings.

The county's seasonally unadjusted unemployment rate rose to 8.5 percent in July from 8.1 in June, as the number of employed residents fell by 0.6 percent, and the number of unemployed persons rose by 3.7 percent.

**Grand Rapids Area (Kent County)**  
(seasonally adjusted)

Measure	2003 Q2	2003 Q1	Percent change Q1 to Q2	2002 Q2	Percent change Q2 to Q2
<b>Total employment (by place of work)</b>	353,550	355,750	-0.6	358,470	-1.4
Goods-producing	85,410	85,870	-0.5	88,750	-3.8
Service-providing	238,320	240,410	-0.9	241,620	-1.4
Government	29,820	29,470	1.2	28,100	6.1
<b>Employment (by place of residence)</b>	311,720	314,310	-0.8	306,910	1.6
Unemployment	25,610	23,300	9.9	20,560	24.6
Unemployment rate (%)	7.6	6.9		6.3	
<b>Indicators</b>					
Help-wanted ads (1996=100)	45	53	-15.3	56	-20.3
UI claims	1,838	1,660	10.7	1,032	78.1
New dwelling units <sup>a</sup>	3,044	2,807	8.4	4,152	-26.7

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

# Muskegon Area (Muskegon County)

Total employment in Muskegon County fell by an estimated 0.6 percent during the second quarter. The number of employed county residents declined slightly at a rate of 0.8 percent; however, the county's unemployment rate dropped to 9.6 percent as the number of unemployed workers also declined. The area's economic indicators fell during the quarter, suggesting that county employment conditions may remain sluggish during the next several months.

Employment in the county's goods-producing sector fell an estimated 1.7 percent during the second quarter, although there were no reports of major layoffs or closures. General Dynamics Land Systems won a new contract to build tank parts which will require the hiring of 10 additional workers by year end. Employment in the private service-providing sector was also down, but by a lesser 0.6 percent. Finally, government employment rose an estimated 1.1 percent due to what is likely a one-time jump in employment due to seasonal factors. State and local budget constraints will likely bar any further gains in government employment.

The number of employed residents fell by nearly 650 workers, which was greater than the estimated 400 jobs lost by area employers. Somewhat surprisingly, despite the decline in county employment, the number of unemployed individuals also fell by 5.5 percent or 470

persons, pushing the county's unemployment rate down to 9.6 percent. The lack of employment growth in surrounding counties suggests that a large portion of the decline in the number of unemployed persons reflects an increase in the number of discouraged workers (persons who want to work but are no longer looking as they believe there are no jobs).

The county's economic indicators are not promising. Its Index of Help-Wanted Advertising plunged by nearly 20 percent, indicating that the employment opportunities in the county's private service-providing sector may remain limited. In addition, the number of new claims for unemployment insurance rose by 8.3 percent, and the number of new dwelling units fell by 3.0 percent.

Indeed, in July, the county's seasonally unadjusted unemployment rate rose to 12.0 percent from 11.2 percent in June. The number of unemployed workers rose by 7.7 percent in the month, while the number of employed residents fell by 0.6 percent.

**Muskegon Area (Muskegon County)**  
(seasonally adjusted)

Measure	2003 Q2	2003 Q1	Percent change Q1 to Q2	2002 Q2	Percent change Q2 to Q2
<b>Total employment (by place of work)</b>	67,570	67,970	-0.6	67,980	-0.6
Goods-producing	17,180	17,470	-1.7	17,630	-2.6
Service-providing	39,720	39,950	-0.6	40,350	-1.6
Government	10,670	10,550	1.1	10,000	6.7
<b>Employment (by place of residence)</b>	76,690	77,330	-0.8	75,500	1.6
Unemployment	8,160	8,630	-5.4	7,400	10.3
Unemployment rate (%)	9.6	10.0		8.9	
<b>Indicators</b>					
Help-wanted ads (1996=100)	32	40	-19.8	50	-34.7
UI claims	534	493	8.3	546	-2.2
New dwelling units <sup>a</sup>	1,954	2,014	-3.0	755	158.8

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

# Holland Area (Allegan and Ottawa Counties)

*Total employment in the Holland area (Allegan and Ottawa Counties) fell by only an estimated 0.3 percent during the second quarter. Nevertheless, the area's unemployment rate climbed to 6.0 percent. The second quarter reading of the limited number of economic indicators for the area was mixed, indicating a continuation of lackluster employment conditions.*

Employment in the area's goods-producing sector was off by only an estimated 0.3 percent during the second quarter. As stated previously, Herman Miller announced that it is bringing 360 to 380 manufacturing jobs to Ottawa County. Since December 2000, Herman Miller's workforce has been slashed in half as 4,000 workers left due to layoffs, early retirement, and attrition.

Employment in the area's private service-providing sector fell an estimated 0.6 percent; however, the decline was partly offset by a surprising 1.0 percent increase in government employment. As previously mentioned, this increase in government employment was most likely just a one-time jump.

While the area employers trimmed an estimated 370 workers from their payrolls, the number of employed residents fell by more than 1,500, or 0.8 percent. Since the area's unemployment rate is based on the number of employed residents, it is not surprising that its unemployment rate climbed to 6.0 percent.

The area's economic indicators were mixed during the quarter. New claims for unemployment insurance rose by nearly 7.0 percent, and the number of new dwelling units put under contract for construction fell by 21.4 percent. On a positive note, according to the most recent Manpower survey, just 10 percent of the Holland area companies surveyed said they planned on cutting staff this summer, and 43 percent said they expected to add workers.

The area's seasonally unadjusted unemployment rate increased to 7.1 percent in July from 6.7 percent in June.

**Holland Area (Allegan and Ottawa Counties)**  
(seasonally adjusted)

Measure	2003 Q2	2003 Q1	Percent change Q1 to Q2	2002 Q2	Percent change Q2 to Q2
<b>Total employment (by place of work)</b>	149,270	149,650	-0.3	151,370	-1.4
Goods-producing	57,730	57,890	-0.3	60,160	-4.0
Service-providing	71,250	71,680	-0.6	72,180	-1.3
Government	20,290	20,080	1.0	19,030	6.6
<b>Employment (by place of residence)</b>	189,560	191,120	-0.8	186,630	1.6
Unemployment	12,070	11,450	5.4	10,770	12.1
Unemployment rate (%)	6.0	5.7		5.5	
<b>Indicators</b>					
Help-wanted ads (1996=100)	na	na	na	na	na
UI claims	513	480	6.9	461	11.3
New dwelling units <sup>a</sup>	1,494	1,901	-21.4	1,545	-3.3

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

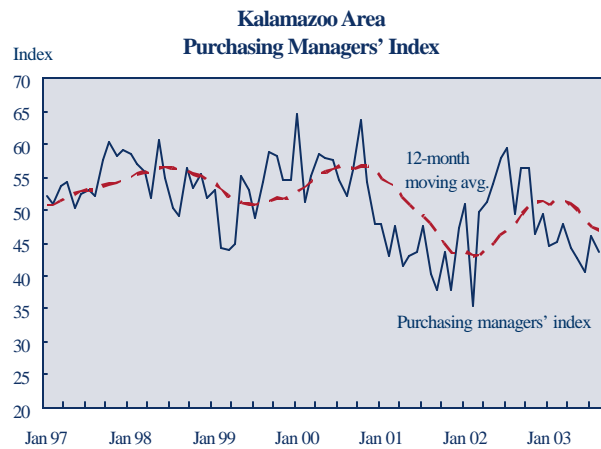
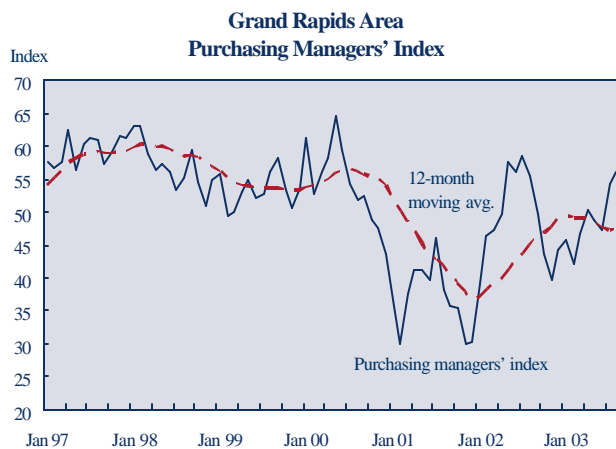
# Purchasing Managers' Index and Major Economic Developments

According to the most recent survey of purchasing managers, conditions in the Grand Rapids region are steadily improving, while the Kalamazoo regional economy is still experiencing a modest decline. In the local August editions of Current Business Trends, author Brian Long states that conditions are “nicely up again” in Grand Rapids and “modestly lower” in Kalamazoo. As can be seen in the charts below, the past quarter has seen a divergence in conditions between the two communities.

Since the beginning of the year, Grand Rapids has suffered several declines in the Purchasing Managers' In-

dex. However, with eight months now safely in the past, an upward trend is clearly evident. If the Grand Rapids area businesses can maintain the good news through the end of the year, the 12-month moving average should finally smooth out, suggesting a return to the stability of prior years.

The Kalamazoo region's economy still appears weak. Although the area seemed to have mounted a substantial recovery during the third quarter of 2002, since the Purchasing Managers' Index has since suggested that the local economy has fallen back into a negative trend in 2003.



## Major Economic Developments

### **Battle Creek**

Lear Corporation is laying off 120 workers at its Marshall parts plant. The facility recently lost a contract to manufacture parts for the Ford Windstar minivan.

Stelmi America, Inc. of Marshall received financing in the form of a \$3.5 million tax-exempt bond from the MEDC. The funds will allow the plating company to improve its facility and create 30 new jobs.

### **Benton Harbor**

Pemco Die Casting announced the closure of their facility in Bridgman. When operations cease in September, 234 workers will lose their jobs.

Whirlpool announced that it will move approximately 100 professional workers to new offices in downtown Benton Harbor. The announcement followed the riots which occurred in June and is part of a commitment toward revitalizing the community.

### **Grand Rapids**

Wolverine World Wide and the union representing 150 hourly workers have yet to reach a contract agreement to end the strike which began in July.

Grand Rapids Plastics Co. laid off 115 Wyoming facility employees following a loss in business with GM and Ford.

### **Holland**

Herman-Miller will add 360 to 380 new manufacturing jobs at its Spring Lake facility by February 2004. The move comes following the closure of a plant in Canton, Georgia.

### **Kalamazoo**

Kalamazoo area officials and Western Michigan University secured \$10 million in State funds to create a biotech research center.

City of Kalamazoo officials announced the development of a new industrial park facility. The industrial park will utilize a 25-acre site, the former home to Lakeside Refinery Company.

Pfizer signed a three-year, \$20 million contract with Jasper Clinical Research and Development. The operation is the first of 56 proposed companies to receive spin-off approval from Pfizer. The company plans to employ 46 workers and will be run by four former Pfizer researchers.

### **Muskegon**

Lake Express LLC is expected to begin high-speed ferry service between Muskegon and Milwaukee in June, 2004.

General Dynamics Land Systems won a new contract to build tank parts which will require the hiring of just 10 workers by year end.



# KALAMAZOO-BATTLE CREEK MSA

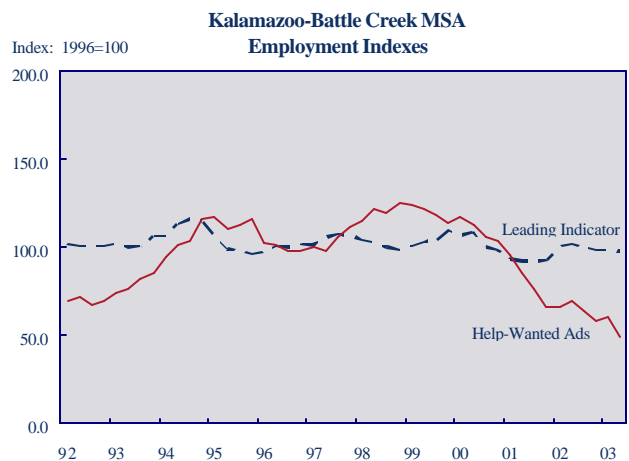
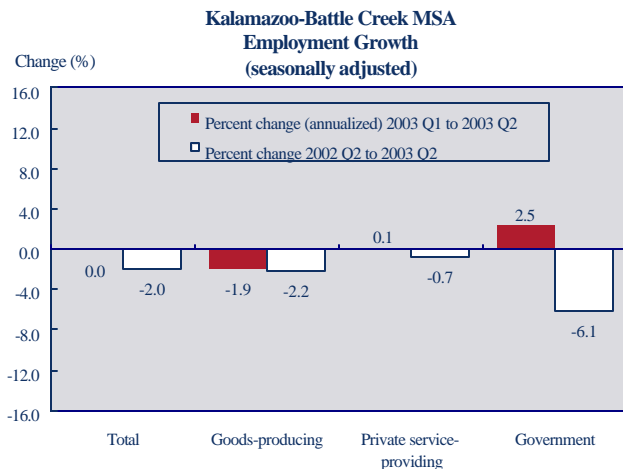
Total employment remained unchanged during the second quarter in the three-county metropolitan area. Employment declines in the area's goods-producing sector were offset by employment gains in government. Due to lack of employment growth, the area's unemployment rate inched up to 5.8 percent. Both the area's economic indices turned negative during the quarter, suggesting that employment conditions could remain soft in the coming months.

Employment in the area's goods-producing sector fell by 0.5 percent during the second quarter. Most of the employment losses in the area's manufacturing sector occurred in its nondurable goods sector. The full employment impact of Pfizer's takeover of Pharmacia is still unknown, although the expected loss of research positions remains large. The pharmaceutical giant has announced that it is closing its local distribution center, a loss of 60 jobs. Moreover, it is reported that Pfizer is exploring the option of selling Pharmacia Diagnostics, which employs up to 60 workers. In Van Buren County, Duo-Tang, a maker of folders and report covers, closed. The plant employed approximately 120 workers with levels increasing to 200 during its busy season.

During the past four quarters, employment in the area's goods-producing sector declined by 2.2 percent. Nevertheless, substantial employment gains have been reported in several of its key industries. In particular, employment among the area's auto suppliers rose by 11.7 percent, and employment in food production rose by 3.1 percent. However, employment in the area's struggling paper industry fell by 10.7 percent during the four-quarter period.

Employment in the area's private service-providing sector remained unchanged during the quarter. Employment declines in leisure and hospitality, as well as financial activities, were offset by increases in professional and business services and retail trade. Government employment rose by 0.6 percent in the quarter; however, budget constraints on the state and local levels make future employment growth in this sector unlikely in the coming months. Moreover, employment levels in the sector are down 6.1 percent from last year.

The area's unemployment rate inched up slightly to 5.8 percent, because of the lack of employment growth. Both the area's Index of Help-Wanted Advertising and Index of Leading Indicators fell during the quarter, suggesting that the area's existing sluggish employment conditions may linger in the coming months. The area's composite Help-Wanted Advertising Index plunged by 18.8 percent, indicating that employment conditions in its service-providing sector may remain flat at best. At the same time, its Index of Leading Indicators, which monitors employment conditions in the area's goods-producing sector, fell by 1.1 percent. The local components of the Index were mixed: production workers logged in longer work weeks; and the number of housing starts rose by 35.3 percent. Still, the number of new claims for unemployment insurance rose by 27.7 percent.



**Kalamazoo-Battle Creek MSA**

(seasonally adjusted)

Measure	2003	2003	Percent change	2002	Percent change
	Q2	Q1	Q1 to Q2	Q2	Q2 to Q2
<b>Employment (by place of work)</b>					
Total non-farm employment	207,580	207,590	0.0	211,760	-2.0
Goods-producing	50,250	50,490	-0.5	51,360	-2.2
Construction & mining	9,520	9,570	-0.5	9,620	-1.0
Manufacturing	40,730	40,910	-0.4	41,730	-2.4
Durable goods	22,820	22,830	0.0	23,320	-2.1
Nondurable goods	17,910	18,080	-0.9	18,410	-2.7
Private service-providing	124,500	124,470	0.0	125,420	-0.7
Transportation and utilities	5,140	5,200	-1.2	5,170	-0.6
Wholesale trade	5,580	5,570	0.2	5,740	-2.8
Retail trade	27,630	27,180	1.7	26,560	4.0
Information	2,400	2,370	1.3	2,400	0.0
Financial activities	9,770	9,940	-1.7	9,170	6.5
Professional and business services	19,420	18,810	3.2	20,220	-4.0
Educational and health services	25,420	25,410	0.0	26,310	-3.4
Leisure and hospitality	20,040	20,940	-4.3	20,900	-4.1
Other services	9,110	9,040	0.8	8,950	1.8
Government	32,840	32,640	0.6	34,990	-6.1
<b>Unemployment</b>					
Number unemployed	13,300	13,080	1.7	11,510	15.6
Unemployment rate (%)	5.8	5.7		5.0	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	49	60	-18.8	69	-29.4
Leading indicators (1996=100)	98	99	-1.1	102	-4.4
Average weekly hours	39.4	39.3	0.3	42.1	-6.4
UI initial claims	757	593	27.7	774	-2.2
New dwelling units <sup>a</sup>	1,821	1,346	35.3	1,130	61.2

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 Career Development.

NOTE: Categories may not sum to total due to rounding.

<sup>a</sup>Seasonally adjusted annual rates; does not include Van Buren County.

**Kalamazoo-Battle Creek MSA**

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

(not seasonally adjusted)

Industry	2003	2002	Percent	Industry	2003	2002	Percent
	Q2	Q2	change		Q2	Q2	change
<b>Goods-producing</b>	50,370	51,500	-2.2	Admin. and support svcs.	10,470	11,130	-5.9
Transportation equipment	11,000	10,730	2.5	Health care and social asst.	22,070	23,030	-4.2
Motor vehicle parts	9,800	8,770	11.7	Food svcs. and drinking places	16,600	16,770	-1.0
Food	4,300	4,170	3.1				
Paper	2,500	2,800	-10.7	<b>Government</b>	32,500	34,630	-6.2
<b>Private service-providing</b>	125,100	126,030	-0.7	Federal	4,770	4,830	-1.2
General merchandise stores	7,900	7,730	2.2	State	4,730	7,230	-34.6
Finance and insurance	8,430	7,200	17.1	Local	23,000	22,570	1.9

SOURCE: Michigan Department of Career Development.

# Kalamazoo Area (Kalamazoo County)

Total employment in Kalamazoo County fell by an estimated 0.4 percent during the second quarter. The number of employed residents also fell by 0.6 percent, pushing the county's unemployment rate up to 4.8 percent. Still, the county's unemployment rate is well below that of the nation or the state. The area's economic indicators are mostly negative, suggesting that the employment situation will not improve during the next several months.

Employment in the county's goods-producing sector fell by an estimated 1.0 percent during the quarter. Current business reports are slightly positive. Landscape Forms, a manufacturer of outdoor commercial furniture, announced a \$2 million expansion to be completed by spring of 2004. The resulting number of jobs is not known. In addition, the recent merger of Graphic Packaging International and Riverwood International Corp. is not expected to negatively impact the 420 workers at the company's Kalamazoo plant.

State and local efforts to encourage Pfizer scientists to start their own research companies are picking up steam; however, some barriers may still be in the path. First, it remains unclear how much research activity scientists can take from Pfizer to continue in their own firms. So far, Pfizer has expressed interest in spinning off some activity. Pfizer announced a contract with Jasper Clinical Research & Development, for example, the first to get approval from among 56 proposals for spin-off projects that Pfizer has received worldwide. The company plans to employ 43 workers, including 11 former Pfizer employees.

Community leaders have been successful in getting state support for assisting 11 life-science start-ups that may hire displaced Pfizer workers to start their own life-science businesses (10 are expected to be in Kalamazoo). After being cut out of the budget once, Governor Granholm signed a new state budget that included \$10 million for a Western Michigan University life-sciences research center. Local economic developers hope that up to 100 displaced scientists will take advantage of the center. Moreover, WMU announced that it will add \$2.5 million to the state's \$10 million to support the effort.

Employment in the county's private service-providing sector remained unchanged, while government employment fell by an estimated 1.5 percent. Western Michigan University announced that it is eliminating 32 jobs. The layoffs are a result of a \$12.5 million reduction in state funding and increased costs of \$22.3 million. Moreover, up to 40 mental health workers may lose their jobs as the Kalamazoo County Mental Health Department faces a budget shortfall of nearly \$1 million next year.

The county's economic indicators were generally down for the quarter. The Index of Help-Wanted Advertising fell by 16.7 percent in the quarter, and the number of new claims for unemployment insurance jumped by 39.7 percent. The July polling of area purchasing managers reflected that manufacturing conditions were "modestly lower." On the plus side, housing starts rose by 42.6 percent during the quarter.

**Kalamazoo Area (Kalamazoo County)**  
(seasonally adjusted)

Measure	2003	2003	Percent	2002	Percent
	Q2	Q1	change	Q2	change
			Q1 to Q2		Q2 to Q2
<b>Total employment (by place of work)</b>	123,250	123,780	-0.4	126,860	-2.8
Goods-producing	30,130	30,420	-1.0	31,100	-3.1
Service-providing	76,690	76,680	0.0	77,230	-0.7
Government	16,430	16,680	-1.5	18,530	-11.3
<b>Employment (by place of residence)</b>	122,020	122,770	-0.6	121,890	0.1
Unemployment	6,210	5,830	6.5	5,450	13.9
Unemployment rate	4.8	4.5		4.3	
<b>Indicators</b>					
Help-wanted ads (1996=100)	50	60	-16.7	69	-27.5
UI claims	507	363	39.7	433	17.1
New dwelling units <sup>a</sup>	1,617	1,134	42.6	870	85.9

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

Note: Help-wanted ads for the 2nd quarter 2003 were estimated April and May statistics alone.

# Battle Creek Area (Calhoun County)

Total employment by place of work rose an estimated 0.5 percent in Calhoun County during the second quarter. However, the number of employed residents fell by the same 0.5 percent. The county's unemployment rate remained unchanged at 6.9 percent. Unfortunately, the latest reading of the area's economic indicators is suggesting a continuation of lackluster employment conditions during the next several months.

Employment in the area's goods-producing sector was down by only an estimated 0.1 percent during the quarter, and current business reports were mixed. On the downside, Lear Corporation, an auto supplier, cut about 120 workers from its facility in Marshall which had employed 650 workers. Denso Manufacturing in Battle Creek is proceeding on its planned 92,000 square-foot expansion of its current facility; however, reflecting the continued movement of the auto industry to the southern states, the auto supplier also announced that it is also going to build a new plant in Arkansas as well.

Employment in Calhoun County's private service-providing sector rose only an estimated 0.1 percent during the second quarter, while government employment rose by a sharp 2.9 percent due to major increases

in federal employment. Further employment gains in the county's government sector may be limited because of budget constraints on the state and local levels.

The number of unemployed individuals rose by just 0.2 percent during the quarter. However, the quarter's readings of the area's economic indicators suggest that more sluggish conditions may develop in the coming months. Its Index of Help-Wanted Advertising plunged 23.7 percent during the quarter, suggesting that employment conditions in the county's private service-providing sector will remain flat. The number of new dwelling units put under contract for construction was off by a minor 0.9 percent. On the plus side, the number of new claims for unemployment insurance inched downward by the same 0.9 percent.

The July seasonally unadjusted unemployment rate for the county rose from 7.4 percent in June to 8.4 percent in July. The number of unemployed workers rose by 8.3 percent.

**Battle Creek Area (Calhoun County)**  
(seasonally adjusted)

Measure	2003 Q2	2003 Q1	Percent change Q1 to Q2	2002 Q2	Percent change Q2 to Q2
<b>Total employment (by place of work)</b>	79,570	79,190	0.5	78,920	0.8
Goods-producing	12,730	12,740	-0.1	12,790	-0.5
Service-providing	55,790	55,710	0.1	55,020	1.4
Government	11,050	10,740	2.9	11,110	-0.5
<b>Employment (by place of residence)</b>	61,390	61,670	-0.5	61,330	0.1
Unemployment	4,570	4,560	0.2	3,760	21.5
Unemployment rate	6.9	6.9		5.8	
<b>Indicators</b>					
Help-wanted ads (1996=100)	45	59	-23.7	72	-37.5
UI claims	228	230	-0.9	334	-31.7
New dwelling units <sup>a</sup>	222	224	-0.9	261	-14.9

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

# Appendix Tables

**Table A-1**  
**Selected Labor Market Indicators**  
(not seasonally adjusted)

Labor market area	Average for manufacturing production workers <sup>a</sup>						Civilian labor force unemployment rate <sup>b</sup>	
	June 2003						April 2003	June 2003
	Weekly hours	Percent change 2002-2003	Hourly earnings	Percent change 2002-2003	Weekly earnings	Percent change 2002-2003		
United States	40.5	-1.0	\$15.69	3.0	\$635.45	1.9	5.8	6.5
Michigan	41.8	-2.6	21.19	3.7	885.74	1.1	6.5	7.4
West Michigan MSAs								
Benton Harbor	41.0	-3.5	14.24	3.3	583.84	-0.3	5.8	7.4
Grand Rapids-Muskegon-Holland	39.7	0.3	16.29	1.5	646.71	1.8	7.3	8.0
Kalamazoo-Battle Creek	39.2	-6.2	15.58	-2.4	610.74	-8.0	5.3	6.5
Other labor market areas								
Ann Arbor	43.3	-3.1	23.23	-0.3	1,005.86	-3.4	3.7	4.1
Detroit	42.2	-5.4	24.09	1.4	1,016.60	-4.0	6.4	7.6
Flint	44.5	-0.2	29.84	6.1	1,327.88	5.9	8.4	9.7
Jackson	na	0.0	na	0.0	na	0.0	7.1	8.1
Lansing-E.Lansing	42.1	-0.2	24.77	10.9	1,042.82	10.6	4.0	4.7
Saginaw-Bay City-Midland	44.1	-0.7	25.29	3.1	1,115.29	2.4	7.2	8.2

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

<sup>a</sup>Preliminary. Earnings include overtime and part-time wages.

<sup>b</sup>Seasonally adjusted rate for U.S. was 6.0 percent in April 2003 and 6.4 percent in June 2003. Seasonally adjusted rate for Michigan was 6.6 percent in April 2003 and 7.2 in June 2003.

**Table A-2**  
**Michigan Statistics**  
**(seasonally adjusted)**

<b>Measure</b>	<b>2003 Q2</b>	<b>2003 Q1</b>	<b>Percent change Q1 to Q2</b>	<b>2002 Q2</b>	<b>Percent change Q2 to Q2</b>
<b>Employment (by place of work)</b>					
Total non-farm employment	4,435,800	4,434,630	0.0	4,478,770	-1.0
Goods-producing	942,500	952,330	-1.0	970,530	-2.9
Natural resources and mining	7,400	7,370	0.4	8,730	-15.2
Construction	198,200	201,430	-1.6	200,630	-1.2
Manufacturing	736,900	743,530	-0.9	761,170	-3.2
Durable goods	580,350	585,980	-1.0	601,540	-3.5
Nondurable goods	156,550	157,560	-0.6	159,630	-1.9
Private service-providing	2,811,400	2,795,730	0.6	2,827,000	-0.6
Transportation and utilities	129,900	125,610	3.4	129,280	0.5
Wholesale trade	172,610	167,390	3.1	176,220	-2.0
Retail trade	530,590	538,000	-1.4	532,800	-0.4
Information	75,200	74,930	0.4	75,230	0.0
Financial activities	220,800	214,930	2.7	214,670	2.9
Professional and business services	577,730	576,100	0.3	595,800	-3.0
Educational and health services	542,530	540,370	0.4	531,470	2.1
Leisure and hospitality	385,400	383,830	0.4	396,700	-2.8
Other services	176,630	174,570	1.2	174,830	1.0
Government	681,900	686,570	-0.7	681,230	0.1
<b>Unemployment</b>					
Number unemployed	349,550	332,790	5.0	313,880	11.4
Unemployment rate (%)	6.9	6.5		6.3	
<b>State indexes</b>					
<b>Help-wanted ads</b>					
Detroit	58	54	7.4	68	-14.7
West Michigan (2 MSAs) (1996=100)	44	50	-12.0	59	-25.4
Leading Indicators (1996=100)	98	99	-1.0	108	-9.3
<b>Local components</b>					
Average weekly hours	42.0	42.5	-1.2	42.9	-2.2
UI initial claims	20,946	17,417	20.3	18,717	11.9
New dwelling units <sup>a</sup>	43,835	44,205	-0.8	44,834	-2.2

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 Career Development. NOTE: Categories may not sum to total due to rounding.

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

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

<b>Industry</b>	<b>2003 Q2</b>	<b>2002 Q2</b>	<b>Percent change</b>	<b>Industry</b>	<b>2003 Q2</b>	<b>2002 Q2</b>	<b>Percent change</b>
<b>Goods-Producing</b>	949,470	977,670	-2.9	Automobile dealers	41,800	43,500	-3.9
Primary metals	29,000	28,530	1.6	Gasoline stations	26,430	28,670	-7.8
Fabricated metal products	80,070	84,300	-5.0	Clothing & accessories stores	39,470	37,830	4.3
Machinery	77,700	79,670	-2.5	Furniture & home furnishing stores	19,430	19,000	2.3
Transportation equipment	286,430	295,130	-2.9	Food services & drinking places	296,400	305,330	-2.9
Motor vehicle parts	182,500	192,470	-5.2	Professional, scientific, tech. svcs.	255,530	259,170	-1.4
Furniture and related products	26,300	31,330	-16.1	Ambulatory health care svcs.	155,100	152,630	1.6
Food	32,730	33,000	-0.8	Education services	75,330	66,470	13.3
Paper	15,900	16,670	-4.6	Social assistance	45,570	49,370	-7.7
Printing and related support activities	19,770	20,200	-2.1	<b>Government</b>	690,130	689,570	0.1
Chemical manufacturing	31,000	31,300	-1.0	Federal	57,800	55,530	4.1
Plastics and rubber products	43,770	43,900	-0.3	State	162,200	169,770	-4.5
<b>Private service-providing</b>	2,817,930	2,845,230	-1.0	Local	470,130	464,270	1.3
General merchandise stores	121,070	123,730	-2.1	Local govt. education	283,770	277,300	2.3
Food & beverage stores	88,670	92,270	-3.9	Local govt. hospitals	13,470	13,600	-1.0

SOURCE: Michigan Department of Career Development.

Table A-3

## Personal Income and Earnings by Industry (current dollars)

Area	Income distribution	2001*	2000	1999	1998	1997	1996	1991
<b>Benton Harbor MSA</b> (Berrien County)	Total personal income (\$000)	4,184,534	4,218,884	4,041,188	3,852,776	3,755,061	3,521,496	2,738,289
	Per capita personal income (\$)	25,826	25,942	24,941	23,776	23,121	20,986	21,621
	Earnings per worker (\$)	31,559	32,002	31,158	28,724	28,745	27,317	22,911
	Manufacturing	50,231	51,103	49,659	46,713	45,975	42,683	32,539
	Private nonmanufacturing	25,311	25,379	24,556	22,022	21,996	20,838	17,878
<b>Grand Rapids- Holland-Muskegon MSA</b>	Total personal income (\$000)	31,461,903	30,746,776	28,992,947	27,695,041	26,027,622	24,492,629	17,987,116
	Per capita personal income (\$)	28,471	28,145	26,909	26,095	24,845	23,732	18,769
	Earnings per worker (\$)	35,438	34,613	33,640	32,541	30,754	30,012	24,972
	Manufacturing	49,487	48,533	47,094	45,789	44,650	43,310	35,787
	Private nonmanufacturing	30,156	29,045	28,083	26,891	24,797	24,255	20,069
Kent County	Total personal income (\$000)	17,613,522	17,157,141	16,174,144	15,544,862	14,546,586	13,757,510	10,245,445
	Per capita personal income (\$)	30,238	29,770	28,439	27,699	26,192	25,079	20,026
	Earnings per worker (\$)	37,512	36,277	35,368	34,175	31,923	31,273	25,897
	Manufacturing	52,957	50,710	49,803	48,327	47,138	45,381	37,317
	Private nonmanufacturing	32,877	31,551	30,604	29,326	26,661	26,361	21,587
Muskegon County	Total personal income (\$000)	3,964,442	3,917,268	3,703,123	3,521,282	3,363,339	3,148,681	2,486,620
	Per capita personal income (\$)	23,161	22,972	21,869	20,942	20,130	18,995	15,456
	Earnings per worker (\$)	31,300	31,051	30,128	29,642	28,704	27,692	23,888
	Manufacturing	47,904	48,982	47,414	46,308	44,859	43,435	36,479
	Private nonmanufacturing	25,440	24,506	23,409	22,810	21,896	21,027	17,651
Ottawa County	Total personal income (\$000)	6,846,445	6,771,218	6,420,652	6,119,590	5,752,256	5,389,121	3,710,819
	Per capita personal income (\$)	28,114	28,273	27,332	26,676	25,689	24,702	19,144
	Earnings per worker (\$)	33,822	33,526	32,506	30,992	29,596	28,633	23,277
	Manufacturing	45,918	46,409	44,824	43,484	42,221	41,417	33,025
	Private nonmanufacturing	26,514	25,845	24,927	23,469	22,193	20,836	17,464
Allegan County	Total personal income (\$000)	3,037,494	2,901,149	2,695,028	2,509,307	2,365,441	2,197,317	1,544,232
	Per capita personal income (\$)	28,157	27,340	25,796	24,471	23,365	22,070	16,781
	Earnings per worker (\$)	29,785	29,915	28,640	28,229	27,596	27,117	23,309
	Manufacturing	43,299	43,079	40,147	39,586	38,855	38,161	32,964
	Private nonmanufacturing	21,671	20,971	19,833	18,440	17,614	17,503	14,799
<b>Kalamazoo-Battle Creek MSA</b>	Total personal income (\$000)	11,911,911	11,814,602	11,314,018	11,108,334	10,684,995	10,223,408	8,075,247
	Per capita personal income (\$)	26,207	26,063	25,051	24,700	23,890	22,939	18,650
	Earnings per worker (\$)	34,260	34,096	33,233	32,331	30,768	30,248	25,992
	Manufacturing	53,934	56,799	54,391	54,918	53,148	52,134	43,393
	Private nonmanufacturing	27,618	26,190	25,585	24,683	22,915	22,169	18,870
Kalamazoo County	Total personal income (\$000)	6,808,183	6,721,365	6,420,054	6,343,637	6,045,460	5,872,621	4,578,596
	Per capita personal income (\$)	28,412	28,137	27,023	26,844	25,716	25,105	20,348
	Earnings per worker (\$)	33,937	33,525	32,797	32,334	30,868	30,636	26,297
	Manufacturing	59,216	59,067	56,592	58,926	56,033	56,162	46,444
	Private nonmanufacturing	27,164	26,462	25,849	25,098	23,488	22,765	19,072
Calhoun County	Total personal income (\$000)	3,505,110	3,504,955	3,363,813	3,310,604	3,222,119	3,016,817	2,433,064
	Per capita personal income (\$)	25,367	25,383	24,372	24,028	23,548	22,080	17,784
	Earnings per worker (\$)	36,314	36,706	35,262	34,130	32,339	31,438	27,238
	Manufacturing	50,365	58,662	56,084	54,226	53,773	51,037	42,135
	Private nonmanufacturing	29,153	25,921	25,079	24,776	22,554	21,727	19,295
Van Buren County	Total personal income (\$000)	1,598,618	1,588,282	1,530,151	1,454,093	1,417,416	1,333,970	1,063,587
	Per capita personal income (\$)	20,834	20,801	20,121	19,225	18,815	17,755	14,949
	Earnings per worker (\$)	30,415	30,196	29,964	27,114	25,614	24,627	20,471
	Manufacturing	38,556	40,720	38,424	37,527	35,923	33,919	28,164
	Private nonmanufacturing	26,247	25,175	25,285	21,765	20,444	19,729	16,348

SOURCE: Bureau of Economic Analysis.

\* 2001 statistics are based on NAICS.

**Table A-4**  
**Consumer Price Index<sup>a</sup>**  
**U.S. city average (1982-84=100)**

Annual													
Year	Avg.	Jan.	Feb.	March	April	May	June	July	Aug.	Sep.	Oct.	Nov.	Dec.
<b>CPI for All Urban Consumers (CPI-U)</b>													
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	183.2	181.7	183.1	184.2	183.8	183.5	183.7	183.9					
<b>CPI for Urban Wage Earners and Clerical Workers (CPI-W)</b>													
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	179.3	177.7	179.2	180.3	179.8	179.4	179.6	179.6					

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

<sup>a</sup>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:

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

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

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



**Table A-5**  
**Population Update for Selected Areas**

Revision: 9-09-03

Area	Estimate				Annual change (%)		
	2002	2000	1990	1980	2000-2002	1990-2000	1980-1990
<b>Michigan</b>	10,050,446	9,956,115	9,295,297	9,262,044	0.5	0.7	0.0
<b>West Michigan Metropolitan Areas:</b>							
Benton Harbor MSA (Berrien County)	162,285	162,629	161,378	171,276	-0.1	0.1	-0.6
Benton Harbor City	11,052	11,179	12,818	14,707	-0.6	-1.4	-1.4
Niles city	11,974	12,193	12,456	13,115	-0.9	-0.2	-0.5
St. Joseph city	8,660	8,785	9,214	9,622	-0.7	-0.5	-0.4
Grand Rapids-Muskegon-Holland MSA	1,114,965	1,092,458	937,891	840,824	1.0	1.5	1.1
Kent County	587,951	576,330	500,631	444,506	1.0	1.4	1.2
Grand Rapids city	196,595	197,826	189,126	181,843	-0.3	0.5	0.4
East Grand Rapids city	10,677	10,764	10,807	10,914	-0.4	0.0	-0.1
Grandville city	16,598	16,314	15,624	12,412	0.9	0.4	2.3
Kentwood city	46,317	45,420	37,826	30,438	1.0	1.8	2.2
Walker city	23,040	22,032	17,279	15,088	2.3	2.5	1.4
Wyoming city	70,328	69,526	63,891	59,616	0.6	0.8	0.7
Ottawa County	245,913	239,494	187,768	157,174	1.3	2.5	1.8
Grand Haven city	10,930	11,162	11,951	11,763	-1.0	-0.7	0.2
Holland city <sup>a</sup>	34,688	35,050	30,745	26,281	-0.5	1.3	1.6
Muskegon County	171,765	170,521	158,983	157,589	0.4	0.7	0.1
Muskegon city	39,431	40,065	40,283	40,823	-0.8	-0.1	-0.1
Muskegon Heights city	11,857	12,038	13,176	14,611	-0.8	-0.9	-1.0
Norton Shores city	23,084	22,591	21,755	22,025	1.1	0.4	-0.1
Allegan County	109,336	106,113	90,509	81,555	1.5	1.6	1.0
Kalamazoo-Battle Creek MSA	457,081	453,317	429,453	420,749	0.4	0.5	0.2
Kalamazoo County	241,471	238,877	223,411	212,378	0.5	0.7	0.5
Kalamazoo city	75,858	76,962	80,277	79,722	-0.7	-0.4	0.1
Portage city	45,197	44,906	41,042	38,157	0.3	0.9	0.7
Calhoun County	138,375	138,085	135,982	141,557	0.1	0.2	-0.4
Battle Creek city <sup>b</sup>	53,650	53,421	53,540	56,339	0.2	0.0	-0.5
Albion city	9,086	9,130	10,066	11,059	-0.2	-1.0	-0.9
Marshall city	7,315	7,446	6,891	7,201	-0.9	0.8	-0.4
Van Buren County	77,235	76,355	70,060	66,814	0.6	0.9	0.5
<b>Total</b>	<b>1,734,331</b>	<b>1,708,404</b>	<b>1,528,722</b>	<b>1,432,849</b>	<b>0.8</b>	<b>1.1</b>	<b>0.6</b>
<b>Rural Southwest Michigan</b>							
Barr County	57,943	56,909	50,057	45,781	0.9	1.3	0.9
Branch County	46,189	45,871	41,502	40,188	0.3	1.0	0.3
Cass County	51,284	51,161	49,477	49,499	0.1	0.3	0.0
Newaygo County	49,013	48,024	38,202	34,917	1.0	2.3	0.9
Oceana County	27,650	26,975	22,454	22,002	1.2	1.9	0.2
St. Joseph County	62,366	62,541	58,913	56,083	-0.1	0.6	0.5
<b>Total</b>	<b>294,445</b>	<b>291,481</b>	<b>260,605</b>	<b>248,470</b>	<b>0.5</b>	<b>1.1</b>	<b>0.5</b>

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

<sup>a</sup>Population for Holland city is total population of city located in Ottawa and Allegan counties .

<sup>b</sup>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.

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