

BUSINESS OUTLOOK

for West Michigan

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WEST MICHIGAN VIEWPOINT

Future Labor Shortage of Production Workers?

From 2000 to 2005, the state's manufacturers cut more than 210,000 workers from their payrolls as manufacturing employment declined by 24.3 percent. Moreover, the University of Michigan is estimating that manufacturers will trim another 29,000 workers from their workforce this year and an additional 58,000 workers in the two years after that. Still, many analysts fear that the state's manufacturers will face a labor shortage within the next ten years. But employment estimates released by the U.S. Census Bureau suggest that these concerns, if driven solely by demographic trends, may be overblown.

Of course, demographics is only one of two factors that will have an impact on the availability of qualified production workers in the future. With the state's more competitive manufacturers demanding more than the ability to do simple repetitive tasks in a fast-paced environment, many workers may not qualify for the openings that they would have ten years ago.

Demographic trends could matter. Even if the skill requirements of production jobs were to remain the same in the coming decade, manufacturers would still face a challenge if a high percentage of the state's production workers were of retirement age. This, however, is not the case.

According to U.S. Census figures for 2005, the number of Michigan's production workers declined by nearly 19 percent from 2000 to 2005, while employment in nonproduction occupations rose by 1.5 percent. As shown in the table below, the percentage of workers 44 years of age and under declined in both production and nonproduction occupations, although clearly the reductions in manufacturing were much larger.

Change in employed workers in Michigan by age from 2000 to 2005 (%)		
Age groups	Production	Nonproduction
Below 25	-27.6	-5.1
25-29	-23.6	-3.8
30-34	-20.4	-8.6
35-39	-32.1	-11.0
40-44	-22.9	-4.7
45-49	-7.9	7.0
50-54	-10.8	14.6
55-59	-0.4	29.5
60-64	-1.9	34.2
65 and older	-12.7	8.7
Total	-18.9	1.5

SOURCE: U.S. Census PUMS, from the 2005 American Community Survey and from the 2000 Census.

At the same time, the percentage of production workers between the ages of 55 and 64 barely changed in the five-year period. But for the nonproduction workers in these age groups, the percentage mushroomed during those five years.

With the percentage of production workers 44 years of age or less shrinking dramatically, it is not surprising that fears of a pending labor shortage could arise. However, the age distribution of production workers in the state in 2005 should abate these concerns.

The percentage of the state's production workers between the ages of 25 and 39 is barely different from that of nonproduction occupations—34.1 and 32.8, respectively. In addition, the percentage of the state's production workers between the ages of 55 and 64 is very similar to that of nonproduction workers—12.0 to 12.9 percent.

The major differences in the age profile of the two groups are that 1) a lower percentage of the state's production workers are under 25 years of age, and 2) a higher percentage are in their 40s. The lack of entrants into production occupations is not surprising given that sector's nearly 19 percent decline in employment: young adults are turning to faster-growing occupations for their careers. The large share of production workers who are in their 40s will still be in the workforce for an additional 15 to 20 years. These numbers do not foretell an impending labor shortage if only headcounts matter.

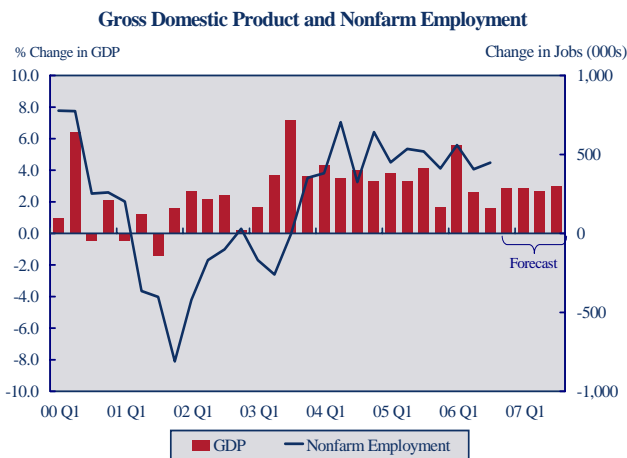
Of course, it is not the number of workers that matters, but how well they are trained. A labor shortage can still occur, but if it does, it will be due to a lack of training, not a lack of job applicants.

Distribution of employed workers in Michigan by age in 2005 (%)		
Age groups	Production	Nonproduction
Below 25	10.1	13.1
25-29	10.7	10.2
30-34	11.4	10.7
35-39	12.0	11.9
40-44	15.3	13.0
45-49	15.6	13.4
50-54	11.1	11.6
55-59	8.3	8.5
60-64	3.7	4.4
65 and older	1.8	3.2
Total	100.0	100.0

SOURCE: U.S. Census PUMS, from the 2005 American Community Survey and from the 2000 Census.

NATIONAL ECONOMY

The economy slowed during the third quarter of the year. Total output of goods and services, the nation's Gross Domestic Product (GDP), grew at a moderate 2.2 percent annualized rate during the quarter, as residential construction projects across the country were suspended or canceled. Despite the slowdown in business activity and the presence of worrisome economic indicators that have been historically reliable, forecasters call for continued moderate growth in 2007.



Take My House . . . Please

Residential construction plunged at an 18 percent annualized rate during the third quarter, on top of an 11.1 percent annualized drop recorded for the second quarter. The sector, which accounts for only 5.0 percent of all business activity in the economy, subtracted 1.2 percentage points from the nation's growth during the quarter.

The number of housing units authorized by permits fell at a 6.3 percent annualized rate in October. Moreover, housing starts in October were 14.6 percent lower than the month before and were 27.4 percent lower than the previous October. Single-family housing starts grew at a 1.18-million-unit annualized pace in October, compared to a 1.81-million-unit pace at the beginning of the year and a strong 1.73-million-unit pace in October of 2005. Housing starts have plunged by a whopping 31.8 percent during the past 12 months.

The lack of housing demand plus good news on the rate of inflation has pushed mortgage rates lower. The 30-year fixed-rate mortgage fell to 6.24 percent in mid-November, after being as high as 6.80 percent in July. The lower rate should entice more home buyers into the market.

Nationwide, sales of new homes fell in October, but the median price of a new home rose to \$248,500, a jump of 13.9 percent from the previous month and of 1.9 percent from a year ago.

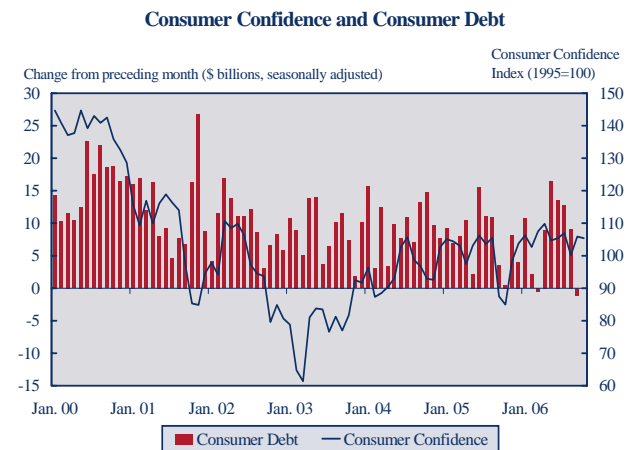
Still, according to the National Association of Home Builders, home builders are becoming more optimistic: their sentiment index of members has increased modestly since dropping to a 15-year low in September.

Consumers Seem to Be Unstoppable

Consumer spending was unimpeded by the sagging housing market during the third quarter, increasing at a 2.9 percent annualized rate. Spending was supported by a 3.7 percent annualized increase in real disposable personal income during the quarter. For the sixth straight quarter, consumers spent more than they made. The nation's personal savings as a percentage of disposable income dipped to a negative 1.3 percent during the quarter. Personal savings is calculated by subtracting personal consumption outlays from disposable personal income.

A year ago, the ability of the nation's households to spend more than they earned was believed to be supported by expanding equity lines of credit, made possible by the continued appreciation of home values. However, with the housing market in the tank, it is uncertain where the ongoing financial support will come from now. Part of the answer, of course, is the percolating stock market.

As for the rest of the answer, the latest statistics suggest that households may be cutting back modestly. Sales in retail and food service were off by 0.2 percent in October from the previous month, and retail sales alone were down 0.3 percent over that same span. In addition, consumer confidence is off slightly: the University of Michigan's preliminary reading of consumer confidence in November was 92.3, down from its October reading of 93.6. Likewise, the Conference Board reported that its measure of consumer confidence fell from 105.1 to 102.9 in November (see chart).



Labor Conditions: What Is Going On?

Despite the slowdown in GDP during the quarter, the national unemployment rate fell to a low 4.4 percent in September. The number of employed persons climbed by 437,000, according to the monthly BLS household survey. However, during the same month, employers reported that they hired only 92,000 workers. Such a vast discrepancy between the two national data series is not unheard of. Still, it does make it difficult to gauge the health of the nation's labor market. Most analysts follow the employers' survey because it is derived from a much larger sampling—160,000 businesses covering about 400,000 separate work sites—than the household survey, which is based on a sample of 60,000 households. If the employers' survey is giving the correct reading, then the nation's employment situation is not as tight as the low unemployment rate would suggest. What is especially worrisome to Michigan and other Great Lakes states is that manufacturers released 39,000 workers during the month.

The Yield Curve Flat-Lines

In August, the interest rate on 90-day Treasury notes rose above the rate on 10-year Treasury bonds. For the past 50 years, such an event has foretold an impending recession. Yet, except for bankers who are being squeezed by lending money at nearly the same rate that they paid for some deposits, no one seems to be taking notice.

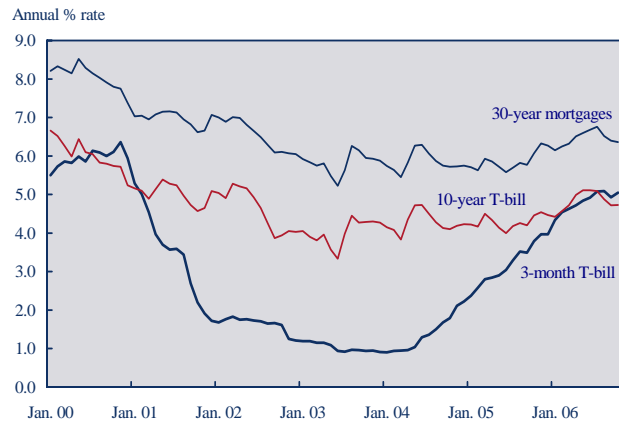
An inverted or flat yield curve can suggest that the Federal Reserve Board (the Fed) is taking a too-restrictive monetary stance, pushing too hard on short-term rates. If this is the case, the Fed's actions could push the economy into a recession. In today's market, many analysts support a counterargument, however. They argue that the yield curve is flat not because of overly restrictive Fed policies but because long-term rates are being held down by the high demand for long-term Treasuries from foreign investors. If this is the case, then the flatness of the yields can rightly be ignored.

Still, the Fed is in a jam. While there are signs that the overall economy is slowing, there is also strong evidence that pressure on prices is growing. Lately, the Fed has indicated that it may keep its federal fund target at 5.25 percent for a while.

What the Fed must find worrisome is that the latest productivity and unit labor cost estimates are not promising. In the third quarter, productivity grew by only 1.4 percent from last year's levels, the slowest growth in more than two years. At the same time, real compensation increased by a modest 1.0 percent. As a result, unit labor costs (total labor compensation divided by real output) rose by 2.9 percent during the quarter, on top of a second-quarter increase of 3.1 percent.

Higher unit labor costs can push up prices. Fortunately, subsidizing gas prices have cooled overall consumer prices. In October, consumer prices for urban dwellers (CPI-U) grew by only 1.3 percent on a year-over-year basis. However, the core inflation rate, calculated by removing food and energy prices from the mix, grew at 2.7 percent in October and has been higher than 2.5 percent since June.

Interest Rates



In short, if the Fed lowers short-term rates, it would give a sagging economy a welcome boost but could also be inflationary. If it attacks inflation by increasing short-term rates, it could push the economy into a downturn. Right now, it is simply staying put.

But Through It All, the Forecasts Remain Positive

On November 16, the University of Michigan released its 2007 and 2008 forecasts for the nation. The university's economists see a general slowing in the economy and expect overall GDP growth to decelerate from this year's predicted 3.2 percent rate of growth to 2.4 percent in 2007 and to a similar 2.5 percent in 2008. If correct, such modest gains could be largely met by productivity advancements. Still, the university expects employment to grow by 1.2 percent in 2006 and expects the nation's unemployment rate to remain at 4.6 percent.

The university's economists forecast that car sales will remain on cruise control, with the sales volume stuck at 16.5 million units. If this turns out to be correct, it means that automakers will have to battle for market share in a stable market, a struggle the Big Three is not eager to embrace. Finally, housing starts are forecast to continue to fall in 2007 and 2008.

The most recent polling of 51 economic forecasters by the Philadelphia Federal Reserve reached a similar conclusion. Its consensus forecast calls for GDP to grow by 2.6 percent in 2006.

REGIONAL ECONOMY

Midwest Economy Is Holding Its Own, Except for Michigan

According to the polling of employers in the Great Lakes states by economic researchers at the Federal Reserve Bank of Chicago, business activity remained moderate in the region in August and September. Manufacturers report that their activity expanded during the period; however, the pace was a bit off from the previous two-month period. Heavy equipment manufacturers continue to experience solid markets, although demand for equipment used in home construction has fallen off, to no one's surprise. Toolmakers and steel producers report good sales. Heavy-duty truck assemblers are enjoying strong sales as buyers are placing their orders now in an attempt to avoid having to comply with new emission standards that go into effect in 2007.

The region's housing market continues to decline; there remains a low demand for homes in all income segments. The Fed's researchers report that builders in southeast Michigan have canceled several residential projects amid falling prices.

Unsurprisingly, the region's banks are seeing sluggish demand for mortgages and home equity loans. Bankers report stable delinquency rates for mortgages throughout the region except in Michigan, where delinquency rates are increasing. Commercial lending is still growing but at a slower rate as well, and margins are thin.

Employment in the five-state Great Lakes region increased by 0.4 percent during the 12-month period ending in September. Only Michigan suffered a loss of jobs during the period. Illinois earned top honors as the fastest-growing state in the region, increasing by 1.2 percent, or 71,000 jobs, during the period. However, even its growth pales in comparison to that of the rest of the nation, where employment grew by 1.6 percent during the same period.

The region's slower-than-average employment growth is due in part to its lagging manufacturing sector. Manufacturing employment fell by 1.6 percent during the 12-month period. Only in Indiana and Wisconsin did manufacturers increase their employment base, and then only by a tiny percentage. The other states suffered employment losses in manufacturing, led by Michigan, where manufacturers cut more than 38,000 jobs. In the nation's other 45 states, employment in manufacturing rose by 0.8 percent.

Autos—A Fight for Share

Auto sales have cooled, like much of the economy, with sales running at a 16.1-million-unit pace in October. The industry's inventory-to-sales ratio was 2.5 as of October, the highest in more than a year. Still, most forecasters are calling for car and light-truck sales to maintain a 16.3-to-16.5-million-unit pace in 2006. If this proves to be correct, it means that the country's auto market has become a model of stability.

Employment and Earnings^a

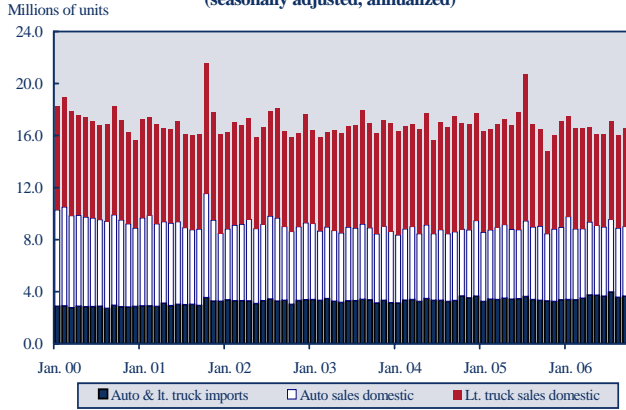
Great Lakes region	September 2006	September 2005	Percent change	Great Lakes region	September 2006	September 2005	Percent change
Illinois				Ohio			
Total employment	5,952,500	5,881,500	1.2	Total employment	5,454,500	5,436,800	0.3
Mfg. employment	677,500	685,500	-1.2	Mfg. employment	804,300	810,400	-0.8
Avg. weekly hours	41.1	41.1	0.0	Avg. weekly hours	42.0	42.1	-0.2
Avg. hourly earnings	\$16.06	\$15.90	1.0	Avg. hourly earnings	\$19.31	\$19.28	0.2
Indiana				Wisconsin			
Total employment	2,980,200	2,966,800	0.5	Total employment	2,868,900	2,846,200	0.8
Mfg. employment	570,100	569,400	0.1	Mfg. employment	508,000	507,800	0.0
Avg. weekly hours	41.4	42.3	-2.1	Avg. weekly hours	41.2	41.4	-0.5
Avg. hourly earnings	\$18.66	\$18.21	2.5	Avg. hourly earnings	\$16.62	\$16.03	3.7
Michigan				United States			
Total employment	4,363,400	4,396,300	-0.7	Total employment (000)	135,752	133,840	1.4
Mfg. employment	643,600	681,900	-5.6	Mfg. employment (000)	14,220	14,187	0.2
Avg. weekly hours	43.4	42.6	1.9	Avg. weekly hours	41.1	40.7	1.0
Avg. hourly earnings	\$22.15	\$21.68	2.2	Avg. hourly earnings	\$16.86	\$16.60	1.6

NOTE: September 2006 lists preliminary numbers.

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

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

U.S. Auto and Light Truck Sales
(seasonally adjusted, annualized)

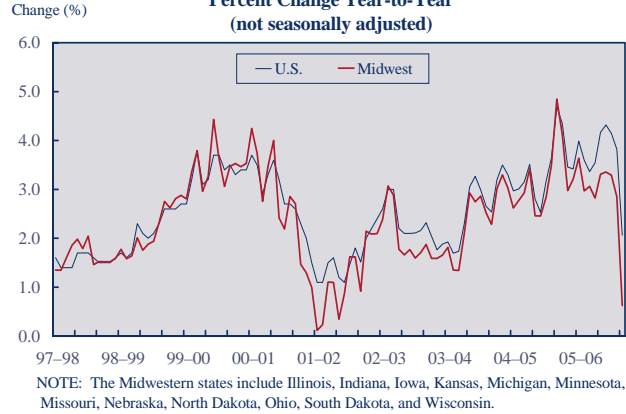


But the problem with stability is that without growth, the only way for a firm to expand is at the expense of its rivals. It is a fight that the Big Three would like to avoid. As of October, their share of the North American market had been whittled down to 55 percent. From October 2005 to October 2006, production at the Big Three fell by 18.3 percent, and at Ford production plunged by 29 percent. In contrast, during the same period, production was up 2.2 percent at Toyota, 13.5 percent at Nissan, and 53.2 percent at newcomer Hyundai.

One of the challenges facing the Big Three is that the light-truck market has tanked. During the 12-month period ending in October, production of light trucks in North America plunged by 22.5 percent, while production of cars rose by 5.8 percent. One analyst attributed the drop in demand for light trucks to the decline in residential construction, not to higher gas prices (construction contractors are a main source of demand for pickup trucks). Whatever the case, the problem for the Big Three is that trucks were their moneymakers.

To boost demand, Ford and DaimlerChrysler have recently introduced new sales incentives. Ford, which suffered a huge

Consumer Price Index
Percent Change Year-to-Year
(not seasonally adjusted)



NOTE: The Midwestern states include Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Missouri, Nebraska, North Dakota, Ohio, South Dakota, and Wisconsin.

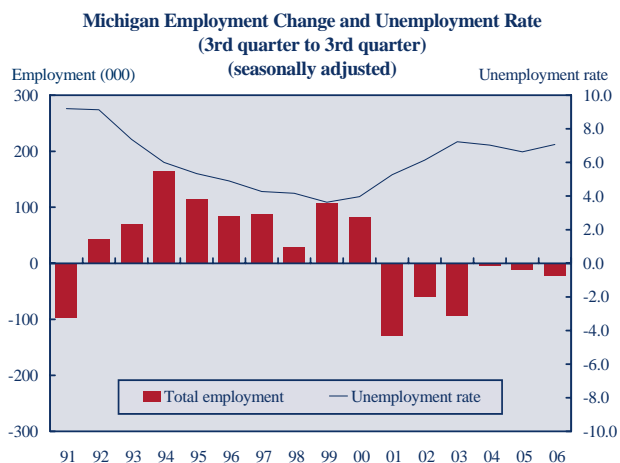
\$5.2 billion net loss in the third quarter, unveiled its “Let’s Get It Started” promotion, which includes a \$1,000 cash-back incentive for most 2007 autos and a \$3,000 cash-back offer on its F-Series pickup trucks. DaimlerChrysler is giving away \$1,000 if a buyer trades in a Toyota Camry, a Honda Accord, or a Nissan Altima.

Ford’s generous incentive on its F-Series trucks may be in response to Toyota’s decision to invest \$1.3 billion in its new truck plant in San Antonio to expand its production capacity. The new plant will be able to turn out 200,000 Tundras a year.

Finally, approximately 70 percent of Delphi’s workforce, or more than 20,000 workers, have agreed to leave the company. Nearly 14,900 are taking early retirement, and 5,200 are taking the company’s buyout offer. Another 5,000 are returning to General Motors facilities. The troubled auto supplier is still planning to sell or close 21 of its 29 existing plants.

STATE OF MICHIGAN ECONOMY

Total employment in Michigan fell by 0.4 percent, or by 18,900 jobs, during the third quarter. Employment declines were reported both in goods-producing industries and in the private service-providing sector. The loss of jobs helped push the state's unemployment rate up to 7.1 percent. Unfortunately, all of the state's economic indicators turned sour during the quarter, suggesting that the state's employment situation will remain sluggish during the first months of 2007.



Employment in the state's goods-producing sector fell by 2.2 percent during the third quarter because of a large 3.0 percent drop in manufacturing employment. Surprisingly, employment in construction increased by a modest 0.3 percent during the quarter, despite a 12.2 percent drop in the number of dwelling units put under contract for construction.

During the four-quarter period ending with the third quarter, only the state's paper, food, and printing industries reported employment gains, and these were modest. The state's auto suppliers cut more than 14,000 jobs, and the transportation equipment sector as a whole shed more than 27,000 workers. Employment losses were also reported across all of the state's other manufacturing sectors, except the west-Michigan-based office furniture sector, which gained 160 jobs.

The impact of the loss of these manufacturing jobs spilled over into the state's service-providing sector through lost consumer expenditures and a reduction in the demand for business and professional services. In total, employment in the state's service-providing sector fell by a modest 0.1 percent during the quarter.

Personal income in the state grew by 1.7 percent during the second quarter, but the increase was not enough to stem the loss of retail jobs or the decline in retail activity. According to the survey-based Index of Retail Activity, prepared by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association, retail activity has remained

level for the past two years, and hiring has been flat as well. During the third quarter, retail employment fell by 1.0 percent, and it has fallen by 2.9 percent during the past four quarters.

The tourism season was somewhat disappointing this year, according to researchers at the Tourism Recreation Center at Michigan State University, because of high gas prices and the weak economy. Indeed, employment in leisure and hospitality fell by 0.6 percent in the third quarter. This is somewhat surprising, as this was the first year that the state had postponed the opening of public schools until after Labor Day in an attempt to extend the state's summer tourism season.

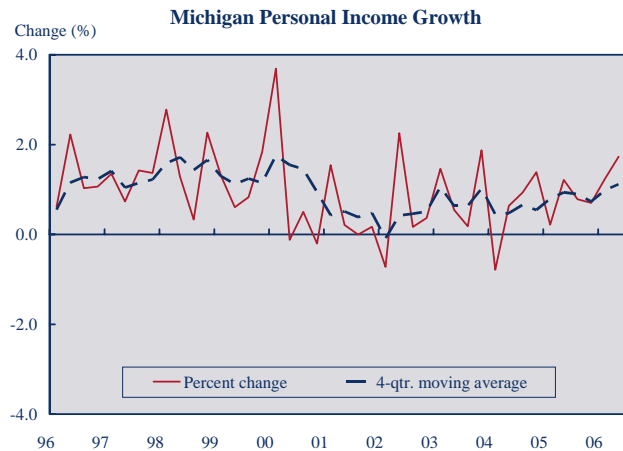
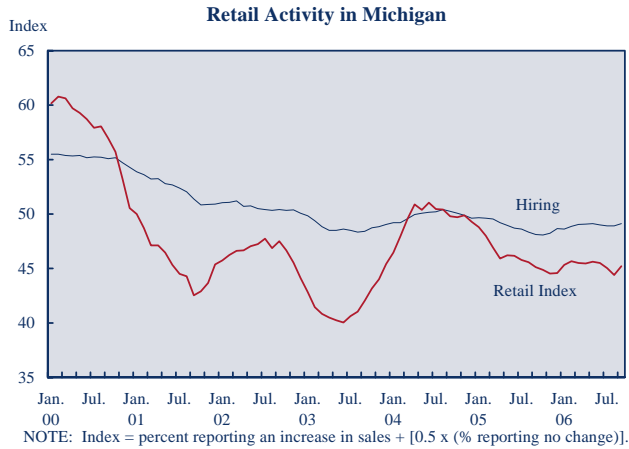
Employment gains were reported during the quarter in the state's education and health services sector and its professional and business services sector. Finally, government employment moved up by 0.4 percent.

All of the state's economic indicators headed south during the third quarter, suggesting that economic conditions will remain sluggish in the coming months. The Detroit and the west Michigan help-wanted advertising indexes fell 9.1 percent and 11.8 percent, respectively, which indicates that employment conditions in the state's service-providing sector may remain soft. The number of new claims for unemployment insurance rose by 10.4 percent, and housing starts fell.

The University of Michigan is forecasting that employment in the state will decline by 24,000 in 2007 and by another 9,000 in 2008. Because of the job losses that are forecast, the state's unemployment rate is expected to climb to 7.5 percent in 2007 and to an even higher 7.7 percent in 2008. Not surprisingly, a large share of the state's job losses likely will be in its auto-dependent manufacturing sector, where the university's forecasters expect 54,000 jobs to be erased. These jobs will be only partially offset by gains in education, health care, and tourism.

Grand Rapids and Holland Bright Spots in the State

The Grand Rapids-Wyoming and Holland-Grand Haven MSAs were the only metropolitan areas in the state to report employment gains during the 12-month period ending in September. Both are also unique in having expanding manufacturing sectors. Perhaps because of the negative spillover effects of employment declines among goods-producing base employers in several of the state's metro areas, those areas are suffering employment losses in their service-providing sector as well.



**Employment by Place of Work
September
(seasonally adjusted)**

Labor market area	Total nonfarm	% change, 2005-06	Goods-producing	% change, 2005-06	Private service-providing	% change, 2005-06
United States	135,752,000	1.4	22,421,000	1.3	91,283,000	1.6
Michigan	4,363,400	-0.7	845,500	-4.3	2,844,350	0.5
West Michigan MSAs:						
Battle Creek	61,740	-1.3	15,930	-1.8	35,430	-0.9
Grand Rapids-Wyoming	395,650	0.6	92,200	0.3	265,150	0.8
Holland-Grand Haven	116,930	0.6	44,200	0.5	57,020	0.9
Kalamazoo-Portage	144,880	-0.7	29,660	-1.9	91,380	-0.1
Muskegon-Norton Shores	65,840	-1.3	15,840	-1.8	40,740	-1.7
Niles-Benton Harbor	64,290	-1.8	16,660	-3.4	39,610	-1.3
Other labor market areas:						
Ann Arbor	204,610	-0.5	26,780	-7.2	109,510	0.8
Bay City	39,140	-0.5	5,840	-0.1	27,070	-0.8
Detroit-Warren-Livonia	2,020,080	-1.5	344,540	-6.9	1,444,070	0.1
Flint	152,470	-1.5	26,000	-7.6	102,140	0.0
Jackson	59,960	-2.7	11,920	-7.6	38,170	-1.3
Lansing-East Lansing	227,030	-0.2	29,800	-0.3	132,630	0.1
Monroe	43,330	-0.9	9,970	-7.5	26,700	1.2
Saginaw	92,400	-0.9	17,260	-1.2	62,350	-1.0

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

WEST MICHIGAN ECONOMY

Total employment in the six metro areas of west Michigan remained unchanged during the third quarter. Employment gains in the Grand Rapids–Wyoming and Holland–Grand Haven MSAs offset declines in the remaining four metro areas. The region's unemployment rate rose to 6.3 percent during the quarter, due in part to the lack of employment growth. All three of the region's economic indicators deteriorated during the quarter, suggesting that employment conditions likely will not improve for the next several months.

Employment in the region's goods-producing sector fell by 0.4 percent during the third quarter, a loss of 950 jobs. Job losses were reported in both the region's construction and its manufacturing sector. Although there are several major non-residential construction projects underway throughout the region, a 21.2 percent drop in the number of new dwelling units put under construction likely was what pushed the sector's employment numbers into negative territory.

Manufacturing employment fell by 0.4 percent during the quarter, with all of the job losses being reported in the region's auto-dominated durable goods sector.

The region's office furniture industry continues to expand, however, primarily through gains in productivity. Mike Dunlap, of Michael A. Dunlap & Associates, reports that the October reading of his Office Furniture Index, 57.99, was the second highest on record. The highest was 59.72, set in July 2005. According to Dunlap, "The industry is still improving. The continued strong sales and increasing backlog combined with a solid employment index are even better news."

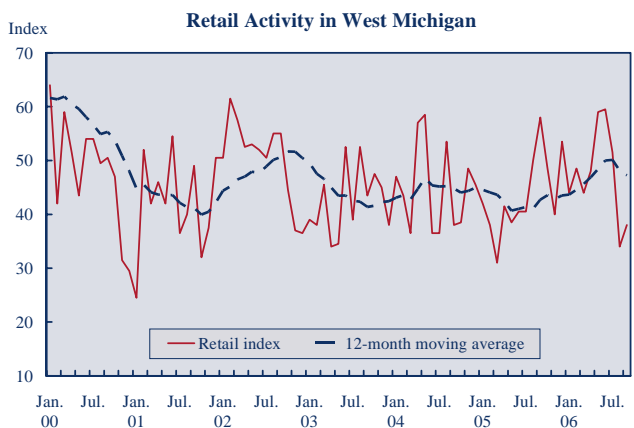
Steelcase announced that its quarterly sales increased to \$789.7 million, up more than 12 percent from the \$702.9 million recorded during the second quarter last year. The company reported it had made \$26.6 million in the quarter, nearly double the \$13.8 million it made for the quarter last year. Likewise, Herman Miller posted its most profitable quarter in more than five years. The office furniture maker announced that its profits grew to \$28.5 million for the quarter ending on September 2. In addition, the company reported sales of \$449.7 million for the quarter, a 4.0 percent increase from the same period last year.

The industry is looking at new markets, as both Herman Miller and Steelcase are expanding into the health care market. In addition, both companies are working to increase their market shares in the higher-education furniture market.

Employment in the region's service-providing sector did not budge during the quarter. Retail activity slowed during the summer months, according to the survey of retailers carried out by the Federal Reserve Bank of Chicago in partnership with the Michigan Retailers Association. The slowdown in retail activity is also seen in a 0.6 percent drop in employment in the sector during the third quarter.

Employment losses were also reported in the region's professional and business services sector, financial activities, transportation, and in the category of other services. Employment in the region's leisure and hospitality sector inched up 0.1 percent, which in light of the 0.6 percent loss in that sector's employment statewide suggests that it was one of the more visited locations in the state.

Recent business reports from rural west Michigan are mixed. In Greenville, Montcalm County, which suffered a major economic blow with the closing of Electrolux's refrigerator plant, United Solar Ovonic is constructing the first of possibly six plants for manufacturing high-tech solar energy film and roofing materials. The first plant is expected to open in 2007. In addition, the Auburn Hills company announced that it is ready to start construction on its second plant, which will manufacture solar film. Each plant will employ approximately 200 workers.



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

In St. Joseph County, Eaton Corporation eliminated 53 jobs at its Three Rivers plant, which manufactures controls for automatic transmissions and windows. On the upside, Lear Corporation announced plans to add 124 jobs at its automotive components plant in Mendon. The company makes injection-molded interior trim for General Motors pickup trucks and DaimlerChrysler minivans.

All three of the region's economic indicators went south during the quarter, suggesting that employment conditions will remain soft in the coming months. The composite Help-Wanted Advertising Index fell by 11.8 percent, the number of new claims for unemployment insurance rose by 4.1 percent, and, as mentioned earlier, housing starts fell by more than 20 percent.

West Michigan (6 MSAs) Statistics
(seasonally adjusted)

Measure	2006 Q3	2006 Q2	% change, Q2 to Q3	2005 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	850,460	850,860	0.0	849,550	0.1
Goods-producing	214,890	215,840	-0.4	216,520	-0.8
Construction and mining	38,520	38,870	-0.9	38,730	-0.5
Manufacturing	176,350	176,970	-0.4	177,790	-0.8
Durable goods (5 MSAs) ^a	113,670	114,060	-0.3	113,600	0.1
Nondurable goods (5 MSAs) ^a	48,170	48,170	0.0	49,150	-2.0
Private service-providing	529,470	529,240	0.0	527,330	0.4
Transportation and utilities	22,560	22,630	-0.3	22,630	-0.3
Wholesale trade	37,540	37,100	1.2	36,320	3.4
Retail trade	95,570	96,160	-0.6	96,250	-0.7
Information (5 MSAs) ^b	9,800	9,770	0.3	9,930	-1.3
Financial activities	38,570	38,670	-0.3	38,570	0.0
Professional and business services	94,820	95,260	-0.5	94,760	0.1
Educational and health services	118,360	117,330	0.9	116,290	1.8
Leisure and hospitality	75,660	75,570	0.1	75,820	-0.2
Other services	36,570	36,750	-0.5	36,730	-0.4
Government	106,110	105,780	0.3	105,690	0.4
Unemployment					
Number unemployed	62,090	55,090	12.7	55,110	12.7
Unemployment rate (%)	6.3	5.6		5.7	
Local indexes					
Help-wanted ads (4 MSAs) (1996=100) ^c	30	34	-11.8	36	-16.7
UI initial claims	2,238	2,151	4.1	2,094	6.9
New dwelling units ^d	5,710	7,243	-21.2	8,042	-29.0

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

^a Niles-Benton Harbor MSA employment data is not available.

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

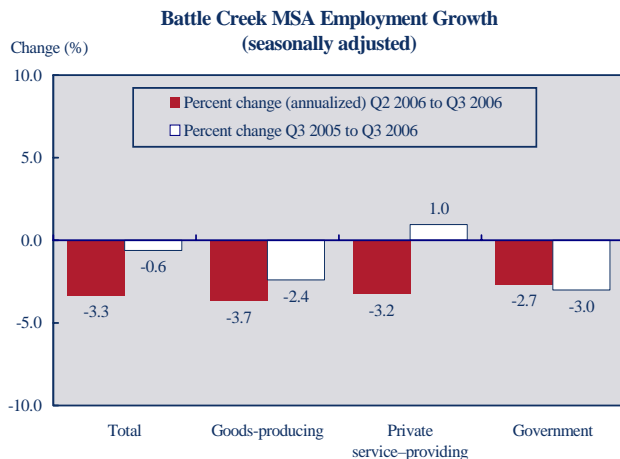
^c Niles-Benton Harbor MSA and Holland-Grand Haven MSA help-wanted data is not available.

^d 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.

BATTLE CREEK MSA

Total employment fell by 0.8 percent, or by more than 500 workers, during the third quarter in Calhoun County. Employment losses were reported across all of the area's major sectors. To no one's surprise, the area's unemployment rate climbed to 7.1 percent because of the loss of jobs. The area's economic indicators were mixed for the quarter, suggesting that little change can be expected during the first months of next year.



Employment in the area's goods-producing sector fell by 0.9 percent during the quarter. Construction employment dropped by 1.8 percent, due in part to a slowdown in the area's residential construction sector. The number of new dwelling units put under contract for construction fell by 24.5 percent during the quarter.

Manufacturers eliminated 120 jobs during the third quarter. All of the job losses occurred in the area's auto-dominated durable goods production. During the past four quarters, the area's transportation equipment producers have cut 400 jobs from their payrolls.

As most forecasters agree that car sales will remain steady at between 16.3 and 16.5 million units in 2007, success for the region's auto suppliers will hinge on whom they are supplying. With Toyota poised to continue to grab share, employment in three of the area's larger auto suppliers, Denso Manufacturing Michigan, I.I. Stanley, and TRMI, should hold steady next year. In fact, TRMI announced that it is expanding its Michigan facilities and will add up to 100 new jobs at its Battle Creek facility. If sales do remain strong or grow at these facilities, it could spill over into the area's second-tier manufacturers as well, including Pyper Products, Systex Products, and Asmo Manufacturing.

At the same time, Eaton Corporation, which is a supplier to the Big Three, announced that it must make further employment cuts at its Marshall plants. The auto supplier eliminated

40 of the approximately 300 jobs total at its Eaton Torque Controls Division and its Engine Air Management Group because of declining demand. This is on top of the company's earlier decision to close its Hanover Street plant, which had made parts for General Motors. That closure cost the town of Marshall approximately 100 jobs.

Employment in the area's service-providing sector was off by 0.8 percent for the quarter. The county's retailers trimmed their workforce by 2.5 percent, a loss of 170 employees, in part because of the loss of earnings and jobs in the area's goods-producing sector.

Employment losses were reported in sectors that had enjoyed strong employment gains for the past four quarters. For instance, employment in education and health fell by 0.9 percent during the third quarter even though that sector had gained 280 jobs, a 2.9 percent increase, over the past four quarters. A similar pattern was seen in the county's leisure and hospitality sector, which has picked up 180 jobs during the past four quarters despite a loss of 50 jobs in the third quarter. We will have to wait until next quarter to see if this is the start of a trend or whether it is a one-time event.

Given that the county's manufacturing base is not expected to grow significantly in the coming year, two efforts are underway in the county to encourage small business growth instead. In Marshall, the Marshall Area Development Alliance is looking for ways to turn a vacant manufacturing plant and a former State Farm Insurance office into business incubators. At the same time, Battle Creek Unlimited has been awarded a \$380,000 grant to start a Technology Business Accelerator program, which will provide a nurturing environment for high-tech start-ups.

The area's economic indicators were mixed during the quarter, suggesting that employment conditions will remain sluggish in the coming months. The area's Index of Help-Wanted Advertising fell by 3.6 percent, which indicates that employment conditions in the county's service-providing sector could remain soft. As mentioned previously, housing starts fell by nearly 25 percent. On the plus side, the number of new claims for unemployment insurance inched down by 1.5 percent. Manpower's September polling of area employers found that the percentage of employers planning to hire more workers was 14 percentage points greater than those planning to eliminate jobs.

Battle Creek MSA
(seasonally adjusted)

Measure	2006 Q3	2006 Q2	% change, Q2 to Q3	2005 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	61,290	61,810	-0.8	61,670	-0.6
Goods-producing	15,910	16,060	-0.9	16,300	-2.4
Construction and mining	2,240	2,280	-1.8	2,330	-3.9
Manufacturing	13,670	13,790	-0.9	13,970	-2.1
Durable goods	8,620	8,800	-2.0	8,920	-3.4
Nondurable goods	5,060	4,990	1.4	5,050	0.2
Private service-providing ^a	35,060	35,350	-0.8	34,730	1.0
Transportation and utilities	1,680	1,700	-1.2	1,680	0.0
Wholesale trade	1,430	1,400	2.1	1,370	4.4
Retail trade	6,720	6,890	-2.5	6,880	-2.3
Financial activities	1,600	1,610	-0.6	1,600	0.0
Professional and business services	5,470	5,490	-0.4	5,500	-0.5
Educational and health services	10,010	10,100	-0.9	9,730	2.9
Leisure and hospitality	5,840	5,890	-0.8	5,660	3.2
Other services	2,310	2,280	1.3	2,310	0.0
Government ^b	10,320	10,390	-0.7	10,640	-3.0
Federal government	3,270	3,250	0.6	3,270	0.0
Local government	6,610	6,610	0.0	6,760	-2.2
Unemployment					
Number unemployed	5,260	4,770	10.3	4,550	15.6
Unemployment rate (%)	7.1	6.4		6.2	
Local indexes					
Help-wanted ads (1996=100)	27	28	-3.6	32	-15.6
UI initial claims	255	259	-1.5	223	14.4
New dwelling units ^c	170	225	-24.5	287	-41.0

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

^a Data for Information services is not available and is not included in private service-providing.

^b Data for state government is not available.

^c 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.

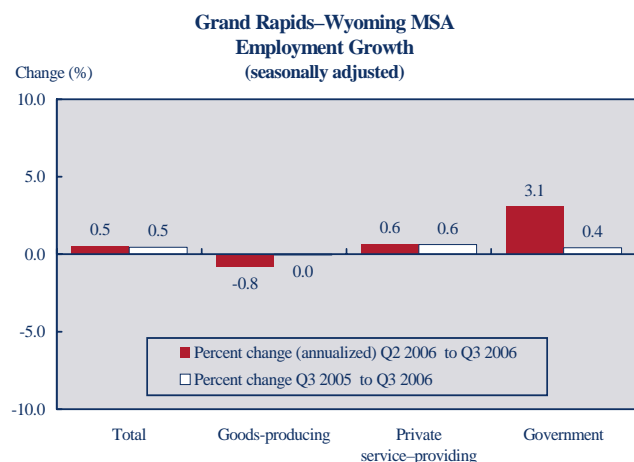
Battle Creek MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing	16,100	16,500	-2.4	Government	9,700	10,000	-3.0
Transportation equipment	5,070	5,470	-7.3	Local govt. educational svcs.	3,870	3,730	3.6
Private service-providing	35,830	35,500	0.9				
Accommodations & food svcs.	3,700	3,700	0.0				
Admin. support & waste mgmt.	5,430	5,230	3.8				

SOURCE: Michigan Department of Labor and Economic Development.

GRAND RAPIDS–WYOMING MSA

Total employment inched up 0.1 percent, or 500 jobs, in the third quarter. However, the modest job growth was insufficient to keep the area's unemployment rate from climbing from 5.5 percent to 6.3 percent. All of the area's economic indicators deteriorated during the quarter, suggesting that current sluggish employment conditions could hold for the coming months.



Employment in the area's goods-producing sector fell by 0.2 percent, due solely to a 1.8 percent drop in construction employment. Much of this decline likely stems from a 20 percent drop in the number of dwelling units put under contract for construction during the third quarter. Manufacturing employment inched up by 0.2 percent during the quarter, as gains in the area's nondurable goods sector more than offset losses in its durable goods production.

The area's furniture industry continues to report improving conditions, although such improvement has not yet been seen in the job numbers. Furniture employment fell by 100 workers during the past four quarters, in large part because of the closing of two of the area's three remaining residential furniture companies. On the plus side, Irwin Seating Company announced that it had won its largest contract ever, an \$11.3 million deal to make the 63,000 seats for Lucas Oil Stadium, the new home of the Indianapolis Colts.

Employment among the area's auto suppliers fell by more than 600 jobs during the past four quarters. Nearly all of the workers at Delphi's Coopersville fuel injector plant, 513 out of 560, are accepting either the company's buyout or its early retirement offer. Some of the plant's work is being moved to the company's other local plant in Wyoming, which is also losing most of its workforce—428 of its 565 workers. The plant still employs 530 people as temporary workers and is hiring new permanent workers to take the place of those who leave.

One bright note is that Meridian Automotive Systems, which like many auto suppliers is in Chapter 11 bankruptcy, announced that it had won new contracts with Mazda and

DaimlerChrysler to produce rear taillight assemblies. The auto supplier, which employs approximately 1,500 workers in the area, will create another 40 jobs in order to fulfill the contracts. In addition, Lear Corporation announced that it would add 36 jobs to its current workforce of 460 to produce seat tracking for General Motors and Ford. Finally, the 220 employees at Autodie International can breathe easier as MBtech Group, a subsidiary of DaimlerChrysler, has agreed to buy the troubled tool-and-die maker. The giant tool-and-die facility once employed more than 800 workers.

Outside of the area's troubled auto industry, recent news is more positive. Tech Group Grand Rapids Incorporated announced that it is investing \$12.4 million to upgrade its injection-molding plant and will hire up to 100 workers. The company supplies sterile disposable components for medical devices. Other expansion announcements include one by American Litho, an aluminum printing-plate manufacturer, which plans to hire an additional 163 workers. In addition, PureFlex announced that it will create 225 jobs as it expands into a new facility. The company makes Teflon products, hoses and fittings, and other components for the pharmaceutical, chemical, and steel industries. Pearson Food Corporation, a packager of fresh-cut vegetables, plans to add 30 more workers to its workforce of 200.

Employment in the area's service-providing sector inched up 0.2 percent during the quarter, as gains in education and health services offset losses in financial activities, professional and business services, and retail. And Michigan State University is going ahead with its plans for a \$70 million medical-school building in Grand Rapids. Van Andel Institute and Spectrum Hospital have agreed to help support the funding of the school's construction.

All of the area's economic indicators turned sour in the third quarter. The area's Index of Help-Wanted Advertising fell by 16.1 percent, suggesting that current sluggish employment conditions in the area's service-providing sector will continue in the coming months. The number of new claims for unemployment insurance jumped up by 17 percent, and, as mentioned above, housing starts fell by 20 percent.

According to Manpower's survey of employers, hiring is slower than a year ago: 20 percent of employers planned to hire in the quarter lasting from October to December, and 7.0 percent forecast layoffs, whereas, a year ago, only 3.0 percent feared that they would have to lay off workers. The Grand Rapids Employment Index (percent hiring minus percent laying off) is 13 percent, compared to 17 percent last year.

Grand Rapids–Wyoming MSA
(seasonally adjusted)

Measure	2006 Q3	2006 Q2	% change, Q2 to Q3	2005 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	396,190	395,680	0.1	394,410	0.5
Goods-producing	92,350	92,540	-0.2	92,390	0.0
Construction and mining	18,530	18,870	-1.8	18,470	0.3
Manufacturing	73,810	73,670	0.2	73,930	-0.2
Durable goods	51,270	51,530	-0.5	51,610	-0.7
Nondurable goods	22,550	22,140	1.9	22,320	1.0
Private service–providing	265,310	264,890	0.2	263,650	0.6
Transportation and utilities	10,450	10,540	-0.9	10,590	-1.3
Wholesale trade	22,840	22,710	0.6	22,110	3.3
Retail trade	43,140	43,270	-0.3	43,440	-0.7
Information	5,600	5,540	1.1	5,560	0.7
Financial activities	21,930	22,080	-0.7	21,900	0.1
Professional and business services	53,990	54,290	-0.6	54,110	-0.2
Educational and health services	57,370	56,400	1.7	55,660	3.1
Leisure and hospitality	32,200	32,190	0.0	32,590	-1.2
Other services	17,780	17,880	-0.6	17,680	0.6
Government	38,530	38,240	0.8	38,370	0.4
Federal government	3,290	3,290	0.0	3,290	0.0
State government	4,020	3,790	6.1	4,010	0.2
Local government	31,220	31,160	0.2	31,070	0.5
Unemployment					
Number unemployed	26,260	23,060	13.9	23,320	12.6
Unemployment rate (%)	6.3	5.5		5.7	
Local indexes					
Help-wanted ads (1996=100)	26	31	-16.1	38	-31.6
UI initial claims	896	766	17.0	793	13.0
New dwelling units ^a	3,039	3,800	-20.0	3,471	-12.4

NOTE: 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; and employment data from the Michigan Department of Labor and Economic Growth.

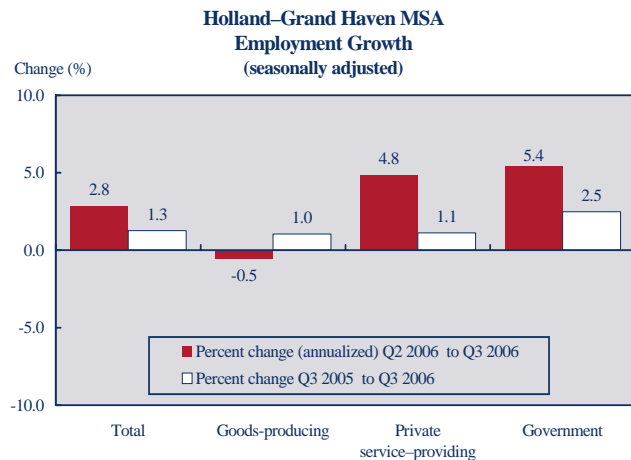
Grand Rapids–Wyoming MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing	93,270	93,300	0.0	Professional, scientific, tech. svcs.	15,770	15,000	5.1
Transportation equipment	14,930	15,430	-3.2	Mgmt. of co's & enterprises	6,170	6,230	-1.1
Motor vehicle parts	12,270	12,900	-4.9	Admin. support & waste mgmt.	33,470	34,270	-2.3
Furniture & related products	7,300	7,400	-1.4	Employment services	23,500	23,900	-1.7
Office furniture	6,370	6,400	-0.5	Educational services	10,830	10,600	2.2
Food	5,600	5,400	3.7	Elem. & Thirdary schools	3,500	3,630	-3.7
Chemical	4,400	4,230	3.9	Health care & social assistance	45,330	43,900	3.3
Plastics & rubber	6,970	6,970	0.0	Ambulatory health services	14,100	13,530	4.2
Private service–providing	265,930	264,270	0.6	Hospitals	18,600	18,530	0.4
General merchandise stores	9,400	10,100	-6.9	Accommodations & food svcs.	28,630	28,430	0.7
Department stores	3,270	3,300	-1.0	Government	34,730	34,630	0.3
Finance & insurance	17,230	17,400	-1.0	Local govt. educational svcs.	17,030	16,630	2.4

SOURCE: Michigan Department of Labor and Economic Growth.

HOLLAND-GRAND HAVEN MSA

Total employment increased by 0.7 percent during the third quarter in Ottawa County. Despite employers adding more than 800 workers to their payrolls, the area's unemployment rate rose to 5.5 percent during the quarter. The area's limited number of economic indicators was mixed, suggesting that employment conditions may soften in the coming months.



Employment in the area's goods-producing sector fell a slight 0.1 percent during the quarter. Surprisingly, employment in the area's construction sector rose 0.3 percent, in spite of the fact that the number of new dwelling units put under contract for construction plunged by 38.1 percent.

Manufacturers, on the other hand, trimmed their workforce by 0.2 percent during the quarter. All of the employment reductions were reported in the area's durable goods sector; the area's nondurable goods producers, including its large food-products sector, added 110 workers.

Somewhat surprisingly, during the past four quarters employment in the area's improving office-furniture industry declined by 100 workers, while employment in the area's transportation equipment sector, which includes its auto suppliers, increased by 140 jobs.

Recent business announcements reflect the mixed environment of the area's manufacturing sector, as announced expansions are being offset by announced closings and contractions. On the plus side, Gentex, which employs 2,100 workers, announced that it is investing another \$35.6 million in the area. In addition, several companies are planning to add workers: Challenge Manufacturing, a metal stamping plant located in an empty Herman Miller facility, expects to add 50 workers to its workforce of 600. Trans-Matic Manufacturing plans to invest \$6.9 million in equipment and add slightly more than 10 workers. Michigan Wood Pellet Fuels is planning to hire 25 workers. Siemens, which manufactures filter presses, belt presses, and centrifuges—components for ex-

tracting water from industrial and municipal waste—plans to hire 80 workers on top of its current workforce of 130. Finally, Metal Flow Corporation, an automotive parts stamping manufacturer, is building a \$1.8 million plant expansion and is expected to add 25 to 30 jobs to its current workforce of 165 employees.

According to Randy Thelen, president of Lakeshore Advantage, the area's economic development corporation, Holland-area firms this year have invested \$83 million in new plants and equipment and have added 480 new jobs.

Unfortunately, not all of the latest business news is positive. Johnson Controls, which had already eliminated approximately 300 jobs from its technical center, announced that it would eliminate more jobs this fall, although the exact number was unknown. The company, which makes interior components, blamed declining vehicle production volumes and increasing material costs in the North American market for the job cuts. Eagle Ottawa Leather closed in October, releasing its remaining 80 workers. In the late 1990s, the tannery, which made leather products for the auto industry, employed as many as 800 workers. Flint Group Pigments also announced it was closing, eliminating 70 jobs.

Employment in the county's service-providing sector was up by 1.2 percent during the quarter because of large employment gains recorded in the area's wholesale trade, financial activities, professional and business services, and education and health services sectors. Supporting reports that this summer's tourism season was disappointing, employment in the area's leisure and hospitality sector increased by only 0.2 percent during the third quarter. Employment in the sector is down 2.7 percent from last year's level.

Finally, government employment was reported to have increased by 1.3 percent during the quarter. However, both state and local governments, which include area public schools, eliminated jobs during the quarter, indicating that all of the employment gains were from federal employees.

The third-quarter reading of the area's economic indicators was mixed. The number of new claims for unemployment insurance fell by 16.2 percent; however, as mentioned above, the number of housing starts plunged by 38.1 percent during the quarter. According to Manpower's survey of employers, net hiring in the county is expected to be close to zero in the final months of the year, since 14 percent of surveyed employers say they will be hiring, and 14 percent say they will be laying off employees.

Holland–Grand Haven MSA
(seasonally adjusted)

Measure	2006 Q3	2006 Q2	% change, Q2 to Q3	2005 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	117,580	116,760	0.7	116,110	1.3
Goods-producing	44,390	44,450	-0.1	43,930	1.0
Construction and mining	6,600	6,580	0.3	6,570	0.5
Manufacturing	37,790	37,860	-0.2	37,360	1.2
Durable goods	29,330	29,510	-0.6	29,120	0.7
Nondurable goods	8,460	8,350	1.3	8,240	2.7
Private service-providing	57,120	56,450	1.2	56,490	1.1
Transportation and utilities	2,770	2,710	2.2	2,700	2.6
Wholesale trade	5,010	4,800	4.4	4,780	4.8
Retail trade	10,910	10,870	0.4	10,600	2.9
Information	900	910	-1.1	900	0.0
Financial activities	3,210	3,130	2.6	3,240	-0.9
Professional and business services	11,440	11,370	0.6	11,270	1.5
Educational and health services	10,360	10,190	1.7	10,290	0.7
Leisure and hospitality	8,050	8,030	0.2	8,270	-2.7
Other services	4,470	4,450	0.4	4,430	0.9
Government ^a	16,070	15,860	1.3	15,680	2.5
Unemployment					
Number unemployed	7,620	6,820	11.7	6,640	14.8
Unemployment rate (%)	5.5	4.9		4.9	
Local indexes					
UI initial claims	292	348	-16.2	283	2.9
New dwelling units ^b	725	1,171	-38.1	1,529	-52.6

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

^aFederal, state and local government employment numbers are not available.

^bSeasonally 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.

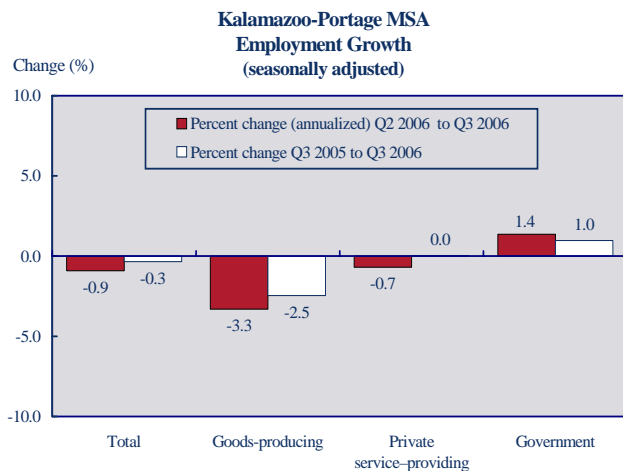
Holland–Grand Haven MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing	45,070	44,600	1.0	Government	14,530	14,230	2.1
Transportation equipment	7,370	7,230	1.8	Local govt. education svcs.	5,370	4,970	8.1
Furniture & related products	6,030	6,130	-1.6				
Office furniture & fixtures	5,400	5,500	-1.8				
Private service-providing	57,900	57,300	1.0				
Accommodations & food svcs.	7,500	7,600	-1.3				
Food svcs. & drinking places	7,030	7,230	-2.8				

SOURCE: Michigan Department of Labor and Economic Development.

KALAMAZOO-PORTAGE MSA

Total employment was off by 0.2 percent during the third quarter in the two-county Kalamazoo-Portage metro area. Because of area employers trimming their workforce by more than 300 jobs, the area's unemployment rate climbed to 5.9 percent. The area's economic indicators were mixed during the quarter, suggesting that current sluggish employment conditions may hold for the next several months.



Employment in the area's goods-producing sector fell by 0.8 percent because of employment cutbacks in both construction and manufacturing. Construction contractors eliminated 0.5 percent of their workforce, due in part to a 15.8 percent decline in the number of new dwellings put under contract for construction in the quarter. Manufacturers eliminated more than 200 jobs during the quarter, and reductions were reported by both durable and nondurable goods makers.

The latest business reports are positive. Albemarle Corporation, based in Virginia, is purchasing DSM Pharmaceutical Products' South Haven plant. The plant's workforce of approximately 100 workers will be retained at the facility. Albemarle plans to manufacture a variety of pharmaceuticals, including anti-inflammatory and antihistamine drugs as well as experimental drugs. Stryker, a medical products manufacturer, announced that it is investing \$5.4 million at its Instruments Division research and development facility and expects to add 30 jobs to the already-770-strong workforce at the site. The investment is the finishing touch on Stryker's \$62 million, multibuilding expansion in the city of Portage.

Employment in the area's service-providing sector was off by 0.2 percent in the third quarter. Employment losses were reported across several sectors, including the area's professional and business services, education and health, and in the category of other services. Employment gains were reported in the tourism-related leisure and hospitality sector and in wholesale trade.

The area's tourism industry, which is highly seasonal, is getting a boost as a developer has announced plans for a \$100

million project to be called the Great Lakes Resort, which will include two 18-story condominium towers and an indoor recreation area, the centerpiece of which is a 60,000-square-foot water park. The 470,000-square-foot facility will also include an arcade, convention space, restaurants and shops, and will employ up to 700 workers.

However, as *Business Outlook* went to press, the South Haven City Council voted 4-3 to advise the city's Planning Commission to deny the developer's request to rezone the property from industrial to commercial. The site sits in an industrial park that currently contains 14 companies, including Albemarle's new pharmaceutical plant. The park is the last piece of land the city has in which to expand industry. Mayor Dorothy Appleyard pledged to work with the developer, Steve Goforth of Goforth Group, to come up with an alternative site.

The area's economic indicators were mixed during the quarter. Its Index of Help-Wanted Advertising inched up by 1.3 percent. However, the number of new claims for unemployment insurance rose by 9.7 percent, and, as mentioned previously, the number of housing starts fell. The November polling of the area's purchasing managers found that business conditions in the Kalamazoo area moved back to flat after six months of improving conditions. Manpower found in its September polling of employers that 10 percent of the companies contacted expected to hire during the final months of the year, while none planned to reduce their payrolls.

Finally, several of the area's research-intensive firms were awarded funding from the state's 21st Century Jobs Fund. This includes Kalamazoo's ProNAi Therapeutics Inc., a biopharmaceutical firm, which is expected to receive nearly \$3.3 million. In addition, Southwest Michigan Wet Lab Consortium, which includes Western Michigan University, will likely receive \$2 million to redevelop a downtown Kalamazoo property to house researchers and start-up technology companies.

Kalamazoo-Portage MSA

(seasonally adjusted)

Measure	2006 Q3	2006 Q2	% change, Q2 to Q3	2005 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	144,760	145,090	-0.2	145,260	-0.3
Goods-producing	29,680	29,930	-0.8	30,430	-2.5
Construction and mining	6,450	6,480	-0.5	6,510	-0.9
Manufacturing	23,230	23,450	-0.9	23,920	-2.9
Durable goods	12,850	12,910	-0.5	12,850	0.0
Nondurable goods	10,370	10,540	-1.6	11,060	-6.2
Private service-providing	91,250	91,410	-0.2	91,230	0.0
Transportation and utilities	4,050	4,100	-1.2	4,050	0.0
Wholesale trade	4,490	4,400	2.0	4,380	2.5
Retail trade	16,510	16,540	-0.2	16,510	0.0
Information	1,490	1,490	0.0	1,560	-4.5
Financial activities	7,610	7,600	0.1	7,580	0.4
Professional and business services	14,890	14,980	-0.6	14,760	0.9
Educational and health services	20,250	20,320	-0.3	20,450	-1.0
Leisure and hospitality	15,450	15,380	0.5	15,260	1.2
Other services	6,510	6,580	-1.1	6,680	-2.5
Government	23,830	23,750	0.3	23,600	1.0
Federal	1,200	1,200	0.0	1,200	0.0
State	7,160	7,250	-1.2	7,580	-5.5
Local	15,460	15,300	1.0	14,820	4.3
Unemployment					
Number unemployed	10,300	9,210	11.8	9,360	10.0
Unemployment rate (%)	5.9	5.2		5.4	
Local indexes					
Help-wanted ads (1996=100)	37	37	1.3	43	-12.9
UI initial claims	279	254	9.7	260	7.1
New dwelling units ^a	897	1,065	-15.8	1,480	-39.4

NOTE: Categories may not sum to total due to 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

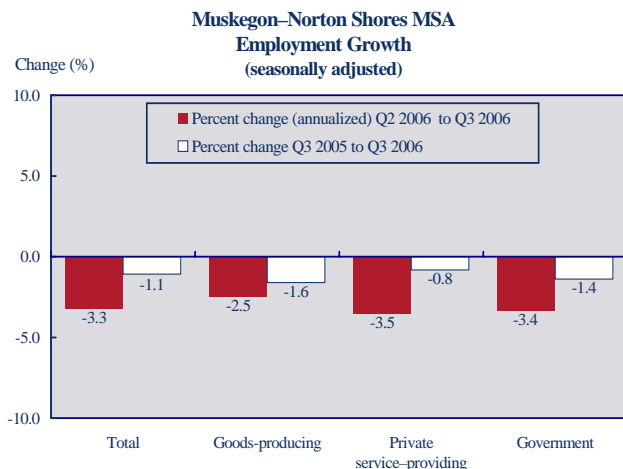
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing	30,100	30,870	-2.5	Health care & social assistance	17,500	17,630	-0.8
Transportation equipment	3,500	3,900	-10.3	Accommodations & food svcs.	13,730	13,430	2.2
Private service-providing	91,930	91,900	0.0	Food svcs. & drinking places	11,900	11,900	0.0
General merchandise stores	4,030	4,200	-4.0	Government	21,670	21,500	0.8
Finance & insurance	5,700	5,670	0.6	State govt. educational svcs.	5,170	5,370	-3.7
Admin. support & waste mgmt.	9,000	8,830	1.9	Local govt. educational svcs.	7,970	7,900	0.8
Employment services	5,430	5,470	-0.6				

SOURCE: Michigan Department of Labor and Economic Growth.

MUSKEGON–NORTON SHORES MSA

Total employment fell by 0.8 percent in the third quarter in Muskegon County. Employment declines were reported across all of the area's major sectors. With employers eliminating more than 500 jobs, it is not surprising that the county's unemployment rate climbed to 7.3 percent during the quarter. All of the area's economic indicators deteriorated in the quarter, suggesting that the current sluggish conditions will persist for the first months of 2007.



Employment in the area's goods-producing sector fell by 0.6 percent during the third quarter, and all of the job losses occurred in manufacturing. All employment declines were reported by firms in the area's nondurable goods production sector, which eliminated 420 jobs in the third quarter and 750 jobs during the past four quarters. Surprisingly, employment increased by 1.2 percent in the area's construction industry, even though the number of new dwelling units put under contract for construction fell by 5.4 percent during the quarter.

Overall, the Muskegon manufacturing base is in transition, as it is giving up well-established medium-skill jobs and picking up high-skill operations. At the Sappi paper mill, which has already eliminated its pulp operations, management and labor remain far apart in their latest labor negotiations. Workers turned down the company's "final" offer by a vote of 111 to 6. The mill currently employs 225, down from nearly 1,000 ten years ago.

Brunswick will stop bowling-ball production by the end of the year, eliminating 110 jobs. The company has already moved its bowling pin, pinsetter, and electronic scoring machine production out of Muskegon. Now, bowling balls will be made in Mexico, where the labor cost per bowling ball is 27 cents, compared to \$2.70 in Muskegon. Muskegon will retain the Brunswick bowling division's marketing, finance, development, and warehousing operations, employing about 275 workers.

At the same time, Johnson Technology is expanding, adding approximately 30 high-skilled workers at its Norton Shores facility, including engineers, machinists, and computer programmers. Tower Laboratories has purchased the former Perrigo Company's Montague plant and expects to continue operations and retain more than 40 jobs. The plant makes products such as store-brand equivalents of Alka-Seltzer.

Employment in the county's service-providing sector was down by 0.9 percent for the quarter. Major employment declines were reported in the county's retail trade and its professional and business services sectors. Not only the presence but the ongoing expansion of Michigan's Adventure Amusement Park kept the county's leisure and hospitality sector stable during a poor tourism season. Employment in the sector, in fact, increased by 0.3 percent during the quarter.

All of the area's economic indicators were negative in the quarter, suggesting that current sluggish employment conditions will hold firm in the coming months. The county's Index of Help-Wanted Advertising fell by 5.3 percent, while the number of new unemployment insurance claims increased by 3.7 percent. Finally, as reported earlier, housing starts fell.

Still, Muskegon turned in the strongest Manpower employment index during the quarter of any of the 29 surveyed areas in the state. Overall, 40 percent of the companies surveyed in the Muskegon–Grand Haven area expect to hire more employees from October to December, while 16 percent expect to release workers, resulting in an index reading of 24.

Muskegon–Norton Shores MSA
(seasonally adjusted)

Measure	2006 Q3	2006 Q2	% change, Q2 to Q3	2005 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	66,110	66,660	-0.8	66,830	-1.1
Goods-producing	15,880	15,980	-0.6	16,140	-1.6
Construction and mining	2,550	2,520	1.2	2,550	0.0
Manufacturing	13,320	13,470	-1.1	13,580	-1.9
Durable goods	11,600	11,310	2.6	11,100	4.5
Nondurable goods	1,730	2,150	-19.5	2,480	-30.2
Private service-providing	40,960	41,330	-0.9	41,300	-0.8
Transportation and utilities	1,310	1,280	2.3	1,310	0.0
Wholesale trade	1,480	1,500	-1.3	1,450	2.1
Retail trade	10,960	11,150	-1.7	11,330	-3.3
Information	910	930	-2.2	1,010	-9.9
Financial activities	1,940	1,960	-1.0	1,970	-1.5
Professional and business services	4,090	4,190	-2.4	3,990	2.5
Educational and health services	10,210	10,220	-0.1	10,180	0.3
Leisure and hospitality	7,420	7,400	0.3	7,400	0.3
Other services	2,630	2,690	-2.2	2,660	-1.1
Government	9,270	9,350	-0.9	9,400	-1.4
Federal	400	400	0.0	400	0.0
State	1,190	1,190	0.0	1,230	-3.3
Local	7,680	7,760	-1.0	7,770	-1.2
Unemployment					
Number unemployed	6,700	5,910	13.4	5,990	11.9
Unemployment rate (%)	7.3	6.4		6.5	
Local indexes					
Help-wanted ads (1996=100)	36	38	-5.3	40	-10.0
UI initial claims	317	306	3.7	334	-5.1
New dwelling units ^a	447	472	-5.4	648	-31.0

NOTE: 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; and employment data from the Michigan Department of Labor and Economic Growth.

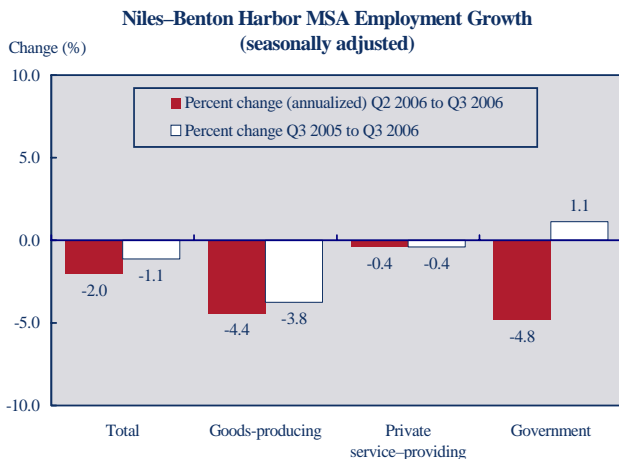
Muskegon–Norton Shores MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing	16,030	16,300	-1.6	Government	8,470	8,570	-1.2
				Local govt. educational svcs.	4,230	4,300	-1.6
Private service-providing	42,100	42,430	-0.8				
Accommodations & food svcs.	6,100	6,400	-4.7				
Food svcs. & drinking places	5,500	5,670	-2.9				

SOURCE: Michigan Department of Labor and Economic Development.

NILES–BENTON HARBOR MSA

Total employment fell by 0.5 percent in the third quarter in Berrien County. The employment declines were reported across all of the county's major industrial sectors. With employers cutting more than 300 jobs from their payrolls, it is not surprising that the county's unemployment rate rose from 6.6 percent to 7.4 percent in the quarter. The area's limited number of economic indicators suggest that current lackluster employment conditions may linger in the coming months.



Employment in the area's goods-producing sector fell by 1.1 percent during the quarter. Although the number of dwelling units put under contract for construction fell by 15.1 percent, construction employment rose by 0.5 percent. In August, ground was broken on the Four Winds Casino Resort, just off I-94 outside of New Buffalo. In addition, the area's construction industry will get a boost next year as construction begins on a \$78 million condominium-and-townhouse project in the city of St. Joseph. The new gated community will be called Windward Isle at Ender's Landing and will include a marina.

Manufacturing employment fell by 200 jobs (1.4 percent) during the quarter, and it has dropped by 500 jobs (3.3 percent) during the past four quarters.

Recent business reports are mixed. Bosch is still preparing to close the foundry at its Chassis Division before the end of the year, eliminating its remaining 50 workers. Once the foundry is closed, the plant's employment level will be approximately 435 workers. The plant makes automotive brakes and components, including some for pickup trucks and sport utility vehicles. In addition, Bosch Packaging will close next year, eliminating 75 jobs. That plant makes packaging machines for the food industry. After it closes, parent company Robert Bosch GmbH of Germany will still have two facilities in Berrien County, including its aforementioned Chassis Division plant.

On the plus side, Edgewater Automation LLC, a supplier of equipment for assembly and testing in the medical, electronic, automotive, stored power, pharmaceutical, and alternative energy industries, announced it will expand its business, creating 45 jobs.

Employment in the area's service-producing sector was flat, declining by a slight 0.1 percent during the third quarter. Retailers found it necessary to cut their workforce by 1.5 percent, which in part reflects the drop in household income that occurred because of the loss of 200 manufacturing jobs during the quarter. The area's private education and health services providers increased their employment levels by 0.6 percent during the quarter. Finally, employment in the area's leisure and hospitality sector rose by 0.3 percent, which was better than that of the state as a whole.

Government employment fell by 1.2 percent during the quarter owing to large declines in local government, which includes the area's public schools.

The area's two economic indicators pointed in opposite directions during the quarter, suggesting that current employment conditions may hold in the coming months. The number of new claims for unemployment insurance fell by 8.7 percent; however, housing starts fell as well.

Manpower's survey of area employers found that 30 percent anticipated adding workers in the fourth quarter, while 27 percent expected to make reductions. Last year, 40 percent of companies surveyed planned to hire workers during the closing months of the year, and 20 percent intended to reduce their employment levels.

Niles–Benton Harbor MSA
(seasonally adjusted)

Measure	2006 Q3	2006 Q2	% change, Q2 to Q3	2005 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	64,530	64,860	-0.5	65,270	-1.1
Goods-producing	16,680	16,870	-1.1	17,330	-3.8
Construction and mining	2,150	2,140	0.5	2,300	-6.5
Manufacturing	14,530	14,730	-1.4	15,030	-3.3
Durable goods (see table below)					
Nondurable goods (see table below)					
Private service–providing	39,770	39,810	-0.1	39,930	-0.4
Transportation and utilities	2,300	2,300	0.0	2,300	0.0
Wholesale trade	2,290	2,290	0.0	2,230	2.7
Retail trade	7,330	7,440	-1.5	7,490	-2.1
Information	900	900	0.0	900	0.0
Financial activities	2,280	2,290	-0.4	2,280	0.0
Professional and business services	4,940	4,940	0.0	5,130	-3.7
Educational and health services	10,160	10,100	0.6	9,980	1.8
Leisure and hospitality	6,700	6,680	0.3	6,640	0.9
Other services	2,870	2,870	0.0	2,970	-3.4
Government	8,090	8,190	-1.2	8,000	1.1
Federal government	400	400	0.0	400	0.0
State government	490	490	0.0	490	0.0
Local government	7,200	7,300	-1.4	7,110	1.3
Unemployment					
Number unemployed	5,960	5,310	12.2	5,260	13.3
Unemployment rate (%)	7.4	6.6		6.5	
Local indexes					
UI initial claims	199	218	-8.7	200	-0.2
New dwelling units ^a	433	510	-15.1	627	-31.0

NOTE: 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; and employment data from Michigan Department of Labor and Economic Growth.

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

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing	16,800	17,470	-3.8	Accommodations & food svcs.	6,270	6,270	0.0
Durable goods	11,770	12,200	-3.6				
Nondurable goods	2,730	2,800	-2.4	Government	7,500	7,430	0.9
				Local govt. educational svcs.	3,870	4,000	-3.3
Private service–providing	40,500	40,670	-0.4				
Health care & social assistance	8,030	7,730	3.9				

SOURCE: Michigan Department of Labor and Economic Development.

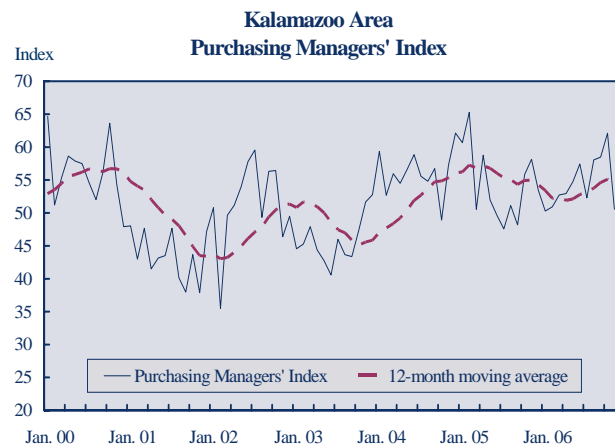
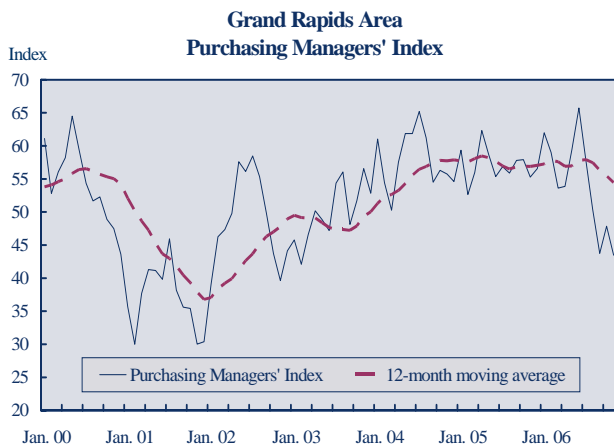
Purchasing Managers' Index and Major Economic Developments

Economic conditions across west Michigan slowed in November, as the Grand Rapids area went back to negative and conditions in the Kalamazoo area moved back to flat. That is according to Brian Long, author of *Current Business Trends*, which conducts a monthly survey assessing the economic outlook of local area purchasing managers.

In the Grand Rapids area, the latest reports are merely a continuation of a trend that started four months ago. The August 2006 purchasing managers' index dropped below 50 for the first time in over three years; however, at the time, it looked doubtful that this was anything more than a fluke. Unfortunately, as shown in the chart below, the purchasing managers' composite and 12-month moving average indexes have moved down farther over the past several months. This sug-

gests that something more than economic volatility is at play; instead, a slump or correction of some sort is either emerging or already underway for many Grand Rapids-area businesses.

For the Kalamazoo area, the flat economic report in November comes on the heels of nine months of good news. The local purchasing managers' composite index last reported a value of approximately 50—the balance point between an indication of positive or negative growth—during the first two months of 2006. It is hoped that the latest report of flat growth represents nothing more than a seasonal slowdown or random fluctuation in the economic outlook. Nevertheless, the negative conditions settling into the Grand Rapids area could also be a warning sign of things to come for the Kalamazoo area.



Major Economic Developments

Battle Creek MSA

TRMI announced that it will add up to 100 new jobs at its Battle Creek facility.

Eaton Corporation cut 40 of the approximately 300 jobs total at its Marshall plants.

Grand Rapids–Wyoming MSA

Meridian Automotive Systems will create another 40 jobs because of new contracts with Mazda and DaimlerChrysler.

Tech Group Grand Rapids announced that it will hire up to 100 workers because of an upgrade to its plant.

American Litho plans to hire an additional 163 workers because of an expansion.

PureFlex announced that it will create 225 jobs as it expands into a new facility.

Holland–Grand Haven MSA

Challenge Manufacturing expects to add 50 workers to its workforce of 600.

Siemens plans to hire 80 workers on top of its current workforce of 130.

Eagle Ottawa Leather closed, releasing its remaining 80 workers.

Kalamazoo–Portage MSA

Albemarle Corporation is purchasing DSM Pharmaceutical Products plant in South Haven and retaining 100 workers at that facility.

Stryker is investing in its Instruments Division facility and expects to add 30 new jobs.

Developers have announced plans for a \$100 million project, Great Lakes Resort, and expect to employ up to 700 workers.

Muskegon–Norton Shores MSA

Brunswick will stop bowling-ball production by the end of the year, eliminating 110 jobs.

Johnson Technology is expanding, adding approximately 30 high-skilled workers at its Norton Shores facility.

Tower Laboratories has purchased the former Perrigo plant in Montague and expects to retain more than 40 jobs.

Niles–Benton Harbor MSA

Bosch is still preparing to close the foundry at its Chassis Division, eliminating its remaining 50 workers.

Edgewater Automation LLC announced that it will expand its business, creating 45 jobs.

Bosch Packaging will close next year, eliminating 75 jobs.

Appendix Tables

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

Labor market area	Average for manufacturing production workers ^a						Civilian labor force unemployment rate ^b	
	September 2006						July 2006	Sept. 2006
	Weekly hours	% change, 2005–06	Hourly earnings	% change, 2005–06	Weekly earnings	% change, 2005–06		
United States	40.8	0.5	\$18.18	2.2	\$741.74	2.8	5.0	4.4
Michigan	43.4	1.9	22.15	2.2	961.31	4.1	7.7	6.7
West Michigan MSAs:								
Battle Creek	—	—	—	—	—	—	7.9	6.8
Grand Rapids–Wyoming	42.1	2.4	18.71	2.5	787.69	5.0	6.8	6.0
Holland–Grand Haven	—	—	—	—	—	—	5.7	5.2
Kalamazoo–Portage	40.3	3.6	14.85	1.6	598.46	5.3	6.4	5.4
Muskegon–Norton Shores	—	—	—	—	—	—	7.8	6.9
Niles–Benton Harbor	—	—	—	—	—	—	7.9	6.8
Other labor market areas:								
Ann Arbor	—	—	—	—	—	—	5.0	4.6
Bay City	—	—	—	—	—	—	7.6	6.4
Detroit–Warren–Livonia	43.0	-1.4	25.66	2.6	1,103.38	1.2	8.1	7.0
Flint	44.0	-0.7	30.13	-2.2	1,325.72	-2.9	10.0	8.1
Jackson	—	—	—	—	—	—	8.0	7.3
Lansing–East Lansing	41.3	-1.4	24.19	-0.7	999.05	-2.1	6.9	5.7
Monroe	—	—	—	—	—	—	8.5	6.8
Saginaw	—	—	—	—	—	—	8.7	7.1

NOTE: — = data not available.

^a Earnings include overtime and part-time wages.

^b Seasonally adjusted rate for U.S. was 4.8 percent in July 2006 and 4.6 percent in September 2006. Seasonally adjusted rate for Michigan was 7.0 percent in July 2006 and 7.1 percent in September 2006.

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

Table A-2
Michigan Statistics
(seasonally adjusted)

Measure	2006 Q3	2006 Q2	% change, Q2 to Q3	2005 Q3	% change, Q3 to Q3
Employment (by place of work)					
Total nonfarm employment	4,356,170	4,375,070	-0.4	4,374,770	-0.4
Goods-producing	841,130	860,270	-2.2	871,400	-3.5
Natural resources and mining	8,470	8,470	0.0	8,530	-0.7
Construction	192,670	192,130	0.3	191,970	0.4
Manufacturing	640,000	659,670	-3.0	670,900	-4.6
Durable goods	491,380	511,540	-3.9	522,260	-5.9
Nondurable goods	148,620	148,130	0.3	148,640	0.0
Private service-providing	2,842,800	2,845,170	-0.1	2,827,830	0.5
Transportation and utilities	129,460	128,870	0.5	128,490	0.8
Wholesale trade	170,720	170,660	0.0	170,210	0.3
Retail trade	491,060	496,090	-1.0	505,640	-2.9
Information	66,870	66,800	0.1	67,500	-0.9
Financial activities	219,930	220,130	-0.1	218,170	0.8
Professional and business services	601,570	598,830	0.5	585,500	2.7
Educational and health services	576,330	574,630	0.3	569,130	1.3
Leisure and hospitality	408,400	410,730	-0.6	404,830	0.9
Other services	178,470	178,400	0.0	178,370	0.1
Government	672,230	669,630	0.4	675,530	-0.5
Unemployment					
Number unemployed	359,940	332,540	8.2	337,540	6.6
Unemployment rate (%)	7.1	6.5		6.6	
State indexes (1996=100)					
Help-wanted ads					
Detroit	20	22	-9.1	27	-25.9
West Michigan (4 MSAs)	30	34	-11.8	36	-16.7
Local components					
UI initial claims	19,948	18,073	10.4	17,207	15.9
New dwelling units ^a	23,690	26,996	-12.2	40,396	-41.4

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
Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing	855,100	885,470	-3.4	Furniture & home furnishings	17,500	17,900	-2.2
Primary metals	26,200	26,530	-1.2	Food and beverage	83,770	84,870	-1.3
Fabricated metal products	84,470	84,900	-0.5	Gasoline stations	25,400	25,630	-0.9
Machinery	73,800	74,470	-0.9	Clothing & accessories	42,000	41,100	2.2
Transportation equipment	208,830	230,130	-9.3	General merchandise	107,200	111,470	-3.8
Motor vehicle parts	145,470	153,030	-4.9	Prof., scientific, & tech. svcs.	250,130	244,370	2.4
Furniture & related products	24,930	25,070	-0.6	Educational services	68,770	66,530	3.4
Office furniture, incl. fixtures	18,430	18,270	0.9	Ambulatory health care	167,330	165,570	1.1
Food	35,530	34,970	1.6	Social assistance	57,730	56,670	1.9
Paper	15,070	15,030	0.3	Food svcs. & drinking places	317,700	315,000	0.9
Printing and related support	17,300	17,670	-2.1	Government	618,100	621,470	-0.5
Chemical manufacturing	29,770	30,230	-1.5	Federal government	55,170	54,830	0.6
Plastics & rubber products	41,230	41,700	-1.1	State government	159,030	161,330	-1.4
Private service-providing	2,870,700	2,855,600	0.5	Local government	403,900	405,300	-0.3
Automobile dealers	41,000	41,170	-0.4	Local govt. educational svcs.	214,470	219,030	-2.1

SOURCE: Michigan Department of Labor and Economic Growth.

Table A-3
Personal Income and Earnings by Industry (current dollars)

Area	Income distribution	2004 ^a	2003 ^a	2002 ^a	2001 ^a	2000	1999	1994
Battle Creek MSA	Total personal income (\$000)	3,850,546	3,748,741	3,635,112	3,500,169	3,471,425	3,375,735	2,785,470
	Per capita personal income (\$)	27,601	26,968	26,210	25,296	25,138	24,458	20,198
	Earnings per worker (\$)	44,618	44,176	41,901	39,345	39,571	38,554	32,162
	Manufacturing	72,686	75,630	69,061	56,636	66,528	63,699	51,769
	Private nonmanufacturing	32,882	32,157	31,259	31,058	26,708	26,787	21,754
Grand Rapids–Wyoming MSA	Total personal income (\$000)	23,552,554	22,810,416	21,821,228	21,581,116	20,818,408	19,547,808	14,877,334
	Per capita personal income (\$)	30,739	29,926	28,839	28,767	28,023	26,638	21,550
	Earnings per worker (\$)	43,939	43,320	41,332	39,759	37,976	36,622	31,108
	Manufacturing	70,262	71,943	64,043	57,196	54,938	54,092	47,201
	Private nonmanufacturing	37,596	36,484	35,450	34,692	32,536	30,963	25,097
Barry County	Total personal income (\$000)	1,731,811	1,686,712	1,628,108	1,644,316	1,574,634	1,502,771	1,044,008
	Per capita personal income (\$)	29,234	28,669	27,989	28,589	27,664	26,754	19,785
	Earnings per worker (\$)	28,058	27,589	25,674	25,386	23,788	22,963	23,045
	Manufacturing	56,917	55,512	49,141	45,622	46,509	44,053	38,304
	Private nonmanufacturing	21,595	21,085	19,547	19,569	16,838	16,408	16,868
Ionia County	Total personal income (\$000)	1,470,514	1,440,940	1,357,552	1,322,854	1,291,427	1,243,980	955,849
	Per capita personal income (\$)	22,878	22,639	21,490	21,314	20,940	20,218	15,585
	Earnings per worker (\$)	36,018	36,871	33,765	31,854	30,289	29,688	25,587
	Manufacturing	58,305	67,683	55,837	51,205	48,481	45,374	36,279
	Private nonmanufacturing	24,946	24,917	23,764	22,167	20,722	20,840	16,559
Kent County	Total personal income (\$000)	19,222,478	18,590,311	17,787,705	17,573,848	16,938,017	15,831,665	12,148,188
	Per capita personal income (\$)	32,416	31,492	30,333	30,202	29,392	27,837	22,782
	Earnings per worker (\$)	45,725	45,016	43,039	41,383	39,525	38,026	31,819
	Manufacturing	71,772	73,118	65,251	58,116	55,740	54,887	47,579
	Private nonmanufacturing	39,518	38,326	37,316	36,544	34,330	32,571	26,008
Newaygo County	Total personal income (\$000)	1,127,751	1,092,453	1,047,863	1,040,098	1,014,330	969,392	729,289
	Per capita personal income (\$)	22,697	22,105	21,425	21,337	21,123	20,454	16,958
	Earnings per worker (\$)	31,714	30,994	29,385	28,868	28,217	28,730	29,277
	Manufacturing	62,079	63,777	57,942	51,977	49,855	55,920	65,828
	Private nonmanufacturing	23,999	22,940	21,614	21,731	21,114	21,055	18,513
Holland–Grand Haven MSA	Total personal income (\$000)	7,517,572	7,252,948	6,868,133	6,763,271	6,677,656	6,408,233	4,680,242
	Per capita personal income (\$)	29,720	29,047	27,878	27,775	27,881	27,279	22,632
	Earnings per worker (\$)	42,294	41,827	39,186	37,357	35,928	35,196	28,827
	Manufacturing	61,313	62,360	56,232	50,491	51,319	49,619	41,381
	Private nonmanufacturing	32,628	31,525	29,860	29,628	26,852	26,498	21,138
Kalamazoo–Portage MSA	Total personal income (\$000)	9,570,584	9,342,977	8,884,029	8,551,586	8,325,202	8,036,278	6,559,943
	Per capita personal income (\$)	30,070	29,228	27,955	27,075	26,412	25,624	21,554
	Earnings per worker (\$)	42,051	41,844	38,967	36,897	35,139	34,791	29,865
	Manufacturing	78,663	81,197	68,410	61,182	61,119	58,788	51,956
	Private nonmanufacturing	33,432	32,415	31,419	30,296	27,573	27,480	22,412
Kalamazoo County	Total personal income (\$000)	7,604,516	7,456,322	7,111,167	6,843,529	6,642,895	6,420,365	5,253,972
	Per capita personal income (\$)	31,719	30,860	29,587	28,630	27,812	27,024	22,788
	Earnings per worker (\$)	42,873	42,864	39,815	37,678	35,757	35,283	30,767
	Manufacturing	83,055	85,667	71,906	64,425	64,566	62,105	54,860
	Private nonmanufacturing	33,715	32,736	31,799	30,715	27,882	27,614	22,872
Van Buren County	Total personal income (\$000)	1,966,068	1,886,655	1,772,862	1,708,057	1,682,307	1,615,913	1,305,971
	Per capita personal income (\$)	25,038	24,175	22,891	22,236	22,032	21,249	17,696
	Earnings per worker (\$)	37,473	36,099	34,255	32,528	31,752	31,994	24,695
	Manufacturing	54,988	54,137	48,779	43,805	45,343	42,777	34,991
	Private nonmanufacturing	31,600	30,350	29,016	27,618	25,588	26,582	19,444
Muskegon–Norton Shores MSA	Total personal income (\$000)	4,424,349	4,290,529	4,119,399	4,073,987	3,943,373	3,742,920	2,865,282
	Per capita personal income (\$)	25,406	24,775	23,927	23,765	23,122	22,104	17,506
	Earnings per worker (\$)	36,497	36,128	34,878	34,399	33,128	32,426	28,833
	Manufacturing	61,265	60,737	56,848	51,648	54,315	52,453	46,243
	Private nonmanufacturing	28,755	28,839	27,898	28,313	25,517	24,823	21,442
Niles–Benton Harbor MSA (Berrien County)	Total personal income (\$000)	4,670,418	4,488,562	4,346,942	4,320,029	4,239,424	4,076,482	3,224,191
	Per capita personal income (\$)	28,684	27,572	26,759	26,655	26,072	25,159	19,859
	Earnings per worker (\$)	39,301	38,041	36,739	35,519	34,324	33,543	28,162
	Manufacturing	68,915	66,157	61,818	55,109	57,169	55,250	43,932
	Private nonmanufacturing	30,470	29,620	29,058	29,098	26,497	25,928	21,031

^a 2001 through 2004 statistics are based on North American Industry Classification System (NAICS); other years are based on Standard Industrial Classification (SIC).

SOURCE: U.S. Bureau of Economic Analysis.

Table A-4
Consumer Price Index^a
U.S. City Average (1982=100)

Year	Annual	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	average												
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		
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	197.2	194.0	194.2	195.3	197.2	198.2	198.6	199.2	199.6	198.4	197.0		

^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-5
Population Update for Selected Areas of West Michigan**

Area	Estimate July 2005	U.S. Census April			Annual change (%)		
		2000	1990	1980	2000– 2005 ^a	1990– 2000	1980– 1990
Michigan	10,120,860	9,938,444	9,295,297	9,262,044	0.3	0.7	0.0
West Michigan Metropolitan Areas							
Battle Creek MSA (Calhoun County)	139,191	137,985	135,982	141,557	0.2	0.1	-0.4
Battle Creek city ^b	53,202	53,364	53,540	56,339	-0.1	0.0	-0.5
Albion city	9,348	9,144	10,066	11,059	0.5	-1.0	-0.9
Marshall city	7,363	7,459	6,891	7,201	-0.3	0.8	-0.4
Grand Rapids–Wyoming MSA	771,185	740,482	645,914	577,019	0.8	1.4	1.1
Barry County	59,892	56,755	50,057	45,781	1.0	1.3	0.9
Ionia County	64,608	61,518	57,024	51,815	0.9	0.8	1.0
Kent County	596,666	574,335	500,631	444,506	0.7	1.4	1.2
Grand Rapids city	193,780	197,800	189,126	181,843	-0.4	0.4	0.4
East Grand Rapids city	10,384	10,764	10,807	10,914	-0.7	0.0	-0.1
Grandville city	16,711	16,263	15,624	12,412	0.5	0.4	2.3
Kentwood city	46,491	45,255	37,826	30,438	0.5	1.8	2.2
Walker city	23,420	21,842	17,279	15,088	1.2	2.4	1.4
Wyoming city	70,122	69,368	63,891	59,616	0.2	0.8	0.7
Newaygo County	50,019	47,874	38,202	34,917	0.8	2.3	0.9
Holland–Grand Haven MSA (Ottawa County)	255,406	238,314	187,768	157,174	1.3	2.4	1.8
Grand Haven city	10,586	11,168	11,951	11,763	-1.1	-0.7	0.2
Holland city ^c	34,429	35,048	30,745	26,281	-0.4	1.3	1.6
Kalamazoo–Portage MSA	319,348	314,866	293,471	279,192	0.3	0.7	0.5
Kalamazoo County	240,536	238,603	223,411	212,378	0.1	0.7	0.5
Kalamazoo city	72,700	77,145	80,277	79,722	-1.1	-0.4	0.1
Portage city	45,277	44,897	41,042	38,157	0.2	0.9	0.7
Van Buren County	78,812	76,263	70,060	66,814	0.6	0.9	0.5
Muskegon–Norton Shores MSA (Muskegon County)	175,554	170,200	158,983	157,589	0.6	0.7	0.1
Muskegon city	39,919	40,105	40,283	40,823	-0.1	0.0	-0.1
Muskegon Heights city	11,821	12,049	13,176	14,611	-0.4	-0.9	-1.0
Norton Shores city	23,479	22,527	21,755	22,025	0.8	0.3	-0.1
Niles–Benton Harbor MSA (Berrien County)	162,611	162,453	161,378	171,276	0.0	0.1	-0.6
Benton Harbor city	10,749	11,182	12,818	14,707	-0.8	-1.4	-1.4
Niles city	11,738	12,204	12,456	13,115	-0.8	-0.2	-0.5
St. Joseph city	8,675	8,789	9,214	9,622	-0.3	-0.5	-0.4
Total	1,823,295	1,764,300	1,583,496	1,483,807	0.6	1.1	0.7
Rural Southwest Michigan							
Allegan County	113,174	105,665	90,509	81,555	1.3	1.6	1.0
Branch County	46,460	45,787	41,502	40,188	0.3	1.0	0.3
Cass County	51,996	51,104	49,477	49,499	0.3	0.3	0.0
Oceana County	28,473	21,645	22,454	22,002	1.1	-0.4	0.2
St. Joseph County	62,984	62,422	58,913	56,083	0.1	0.6	0.5
Total	303,087	286,623	262,855	249,327	0.7	0.9	0.5

^a 2000 to 2005 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.

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