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BUSINESS OUTLOOK

for West Michigan

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WEST MICHIGAN VIEWPOINT

2006 Was Worse Than We Thought

No one in west Michigan whom we polled said that 2006 was a great year. Except for the office furniture industry coming back to life and some welcome business reports of local firms expanding and hiring, 2006 was pretty mediocre. Employment in the region inched up by an estimated 0.2 percent for the year—or so we thought.

Every March, analysts at the U.S. Department of Labor and the Michigan Department of Labor and Economic Growth (MDLEG) “rebenchmark” the previous two years’ employment estimates. The original estimates are generated by a monthly survey of employers. Of course, resources do not allow for the surveying of all employers, so there is considerable room for error. Therefore, every March, analysts take the more complete unemployment insurance employment records (ES-202) and reestimate all of the previous employment statistics for the state’s metropolitan areas.

What the reestimate shows is that 2006 was a rough year: instead of growing by 0.2 percent, employment in the six metropolitan areas of west Michigan declined by 0.3 percent. So instead of the region having just over 1,700 jobs created during the year, it lost more than 2,800 jobs. As shown below, the impact of the reestimation varies among the region’s MSAs.

The first thing that caught my eye is that the analysts nailed Muskegon–Norton Shores on the first try. However, for all of the other MSAs the original estimates were simply too robust. For the areas of Grand Rapids–Wyoming and Holland–Grand Haven, the revisions were large enough to turn a record growth year, as previously estimated, into a year of employment decline.

Turning back to the regional level, it is interesting to note in what sectors the more significant adjustments were made. The region lost many more construction, retail, and government jobs than previously estimated. Because many retailers and construction contractors are small, it is not surprising that the original survey could be so far off the mark. The reason for the wide discrepancy between the two estimates for government employment, however, remains a puzzle. The region’s private educational and health services sector and its manufacturing sector also proved not to be as robust as originally estimated.

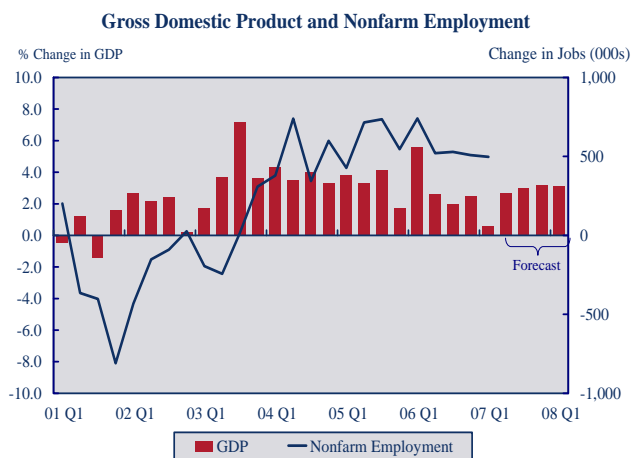
Of course, one could compare these new estimates for last year’s employment levels to the forecast we made back in 2005—but let’s not.

West Michigan						
Estimated 2006 Employment Change by Major Sector						
	Previous estimates			New rebenchmarked estimates		
	2006 estimate	% change from 2005	Employment change	% change from 2005	Employment change	Difference
Total nonfarm	851,438	0.2	1760	-0.3	-2830	-4590
Manufacturing	176,406	-1.0	-1800	-1.3	-2240	-440
Construction	38,656	0.0	10	-2.5	-940	-950
Retail	95,778	-0.4	-400	-2.2	-2130	-1730
Financial activities	38,587	0.4	150	2.1	820	670
Professional and business svcs	95,434	0.7	680	1.0	950	270
Education and health svcs.	117,868	1.8	2080	1.1	1290	-790
Leisure and hospitality	76,181	0.7	560	0.9	650	90
Other services	36,627	-0.2	-60	-0.3	-100	-40
Government	105,727	-0.1	-50	-1.0	-1060	-1010
Total Employment						
Estimated 2006 Employment Change by Area						
	Previous estimates			New rebenchmarked estimates		
	2006 estimate	% change from 2005	Employment change	% change from 2005	Employment change	Difference
Metropolitan Area	851,438	0.2	1750	-0.3	-2830	-4580
Battle Creek	62,153	-0.4	-280	-1.0	-630	-350
Grand Rapids–Wyoming	395,404	0.4	1730	-0.2	-690	-2420
Holland–Grand Haven	117,018	0.6	740	-0.1	-110	-850
Kalamazoo–Portage	145,253	0.1	70	-0.2	-310	-380
Muskegon–Norton Shores	66,787	-0.2	-150	-0.2	-150	0
Niles–Benton Harbor	64,823	-0.6	-360	-1.5	-940	-580
West Michigan	851,438	0.2	1750	-0.3	-2830	-4580

NATIONAL ECONOMY

A Lukewarm Quarter

The national Gross Domestic Product (GDP) increased at a sluggish 0.6 percent annual rate during the first quarter, starting the year with the slowest pace of growth in over four years. Except for the seemingly unstoppable consumer, economic activity was flat or declining in all sectors of the economy. Business investment for equipment and software was up only 1.9 percent after being negative in the previous quarter. Government spending rose at only a 0.9 percent annual rate, and international trade activity was stuck in the doldrums. Moreover, the residential housing market is still sinking. On top of all that, there are signs that consumer purchasing may be losing steam. The question on everyone's mind is whether the first quarter was just a forgettable quarter or the start of something bad.



Will the High Price of Gas Stall the Consumer?

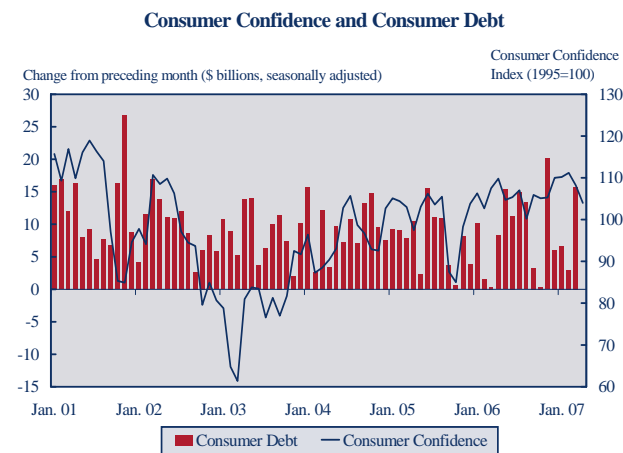
Gas prices are now well above \$3 a gallon, and most analysts do not see the price coming back down any time soon. Growing global demand, limited refinery capacity, and continued uncertainty in the Middle East all suggest that prices may only go up in the coming months. In addition, the move to alternative fuels, in particular ethanol, has indirectly affected food prices because of the increased demand for corn. During the first three months of the year, energy prices increased by 22.9 percent on a seasonally adjusted annualized rate, and food prices rose at a 7.3 percent rate. Prices for all other consumer goods and services increased at a more stable 2.3 percent annualized rate for the quarter.

But higher prices at the pump and the grocery store are not the only challenge facing consumers. The nation's employment situation is also slowing, and home prices are expected to decline in 2007. April's job report was disappointing. In fact, it was the worst report, in terms of net job gains, since November 2004. Employers only added a net of 88,000 jobs

during the month, and the unemployment rate inched up to 4.5 percent. It is not surprising that the Conference Board's April reading of consumer confidence slipped for the second month in a row.

April retail sales statistics were weak, but they were also hard to interpret. According to the U.S. Commerce Department, retail sales fell by 0.2 percent in April. Take away auto sales, and they were flat and well below analysts' expectations. However, April's sales numbers were highly affected by the Easter holiday coming early this year; it occurred at the start of the month. This means that some of the holiday's sales were captured in March, which helps to explain the large 1.0 percent increase in that month's retail sales. Therefore, the two months should be examined as one period. If that is done, retail sales do not look that bad.

On the upside, some consumers must be feeling the wealth benefits of the bullish stock market. As measured by the Dow Jones Indexes, since mid-May the market has had the longest bull market in 80 years.



Housing Market—a Lot of Motivated Sellers

The nation's housing market has yet to find bottom. Residential investment spending declined at a 15.4 percent rate in the first quarter, which was the third straight quarter of double-digit declines for the sector. April's new home sales were down 10.6 percent from a year ago, a marked improvement from the last two months. February's annual sales pace, 836,000 units, and March's pace, 844,000 units, were the first and second lowest since 2001. Still, April's numbers were pushed upward by a 10.9 percent drop in median prices—the largest plunge in 14 years. There is now reportedly an eight-month inventory of new homes at current sales volumes. Existing-home sales statistics are even worse: in March, sales of existing homes fell by 8.4 percent to an average annual rate of 6.12 million. It was the biggest one-month drop since 1989.

The National Association of Realtors (NAR) expects the median home price to fall 1.0 percent during the year. Even with lower home prices, NAR sees a decline in home sales for the year. The crisis in the subprime lending market is increasing the supply of homes because of foreclosures, but in addition it is cutting into demand, as lenders are tightening their standards, which depresses the number of potential buyers. Home foreclosures rose 7.0 percent in March and are up 47.0 percent from a year ago. According to NAR, the market has also been hurt by last year's departure of investors. Investment home purchases fell by 28.9 percent in 2006, according to NAR, and they have not returned to their former level.

Mortgage rates, which are hovering at just above 6.0 percent, are still very affordable, which is a plus. However, as long as buyers see an advantage in waiting for prices to fall even further, the low rates may not be enough to induce them to buy.

Turning to the International Trade Sector

The dollar, relative to other major currencies, has fallen by 6.1 percent from May of 2005 to this May, and by 15.1 percent since May of 2004, according to the Federal Reserve Bank. This should be adding wind to the economy's sails: a lowered value of the dollar relative to other currencies makes our exports more competitive in a world economy that is expected to grow faster than our domestic economy. According to the International Monetary Fund (IMF), the world economy is expected to grow by 4.9 percent in 2007, compared to 2.2 percent for the U.S. economy.

At the same time, the lower-valued dollar should be making our imports more expensive, giving a break to domestic producers who compete against foreign rivals.

In 2006, in part because of the falling dollar, exports rose by 8.9 percent while imports rose by only 5.8 percent. Still, because import volumes are 52 percent larger than export volumes, the nation's trade deficit continued to grow.

Is the Fed Responding Too Slowly?

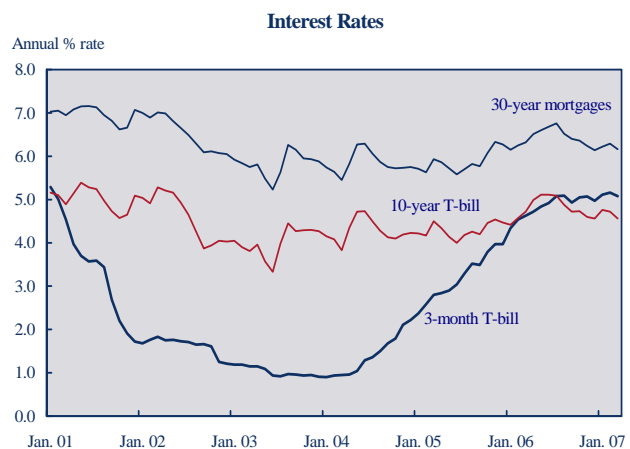
In early May, the Federal Reserve Open Market Committee (the Fed) let its target for the federal funds rate stand at 5.25 percent for the seventh straight time. Increases in energy and food prices continue to pose a threat to inflation, which has stopped the Fed from lowering its target to encourage stronger business activity. However, with more and more forecasters adjusting their estimates for economic growth downward, there is a growing concern that the Fed should perhaps redirect its focus to output stability.

Forecast: Adjusting Downward—Were the Window Watchers Right?

There are two types of forecasters: number crunchers and window watchers. The number crunchers spend their days

running and rerunning the latest economic data through increasingly complex models based on strong theoretical underpinnings. The window watchers simply look for indicators that historically have been associated with past downturns, regardless of their theoretical underpinnings. The well-respected number crunchers have been forecasting smooth sailing for 2007, while the window watchers have been sounding the warning bells.

One of the key indicators that the window watchers track is the interest rate spread that exists between short-term and long-term rates. When the spread becomes negative—that is, when the interest rate on short-term 90-day Treasury bills is higher than on 10-year Treasury bonds—it is known as an inverted yield curve, which typically precedes an economic downturn. The economy has had an inverted yield curve since last August.



The number crunchers give reassuring explanations that the inverted yield curve is due to the flood of foreign capital that is buying long-term government debt and keeping long-term rates atypically low. Thus, they say, the inverted curve is not reflecting an overly strict monetary policy or runaway inflation, either of which can lead to an economic slowdown.

Nevertheless, recently most of the number crunchers have been retracting their forecasts. For example, the University of Michigan lowered its growth projection for 2007 from 2.9 percent to 2.4 percent. And, as mentioned above, IMF has the national growth rate for the year pegged at 2.2 percent. Last, in May professional forecasters polled by the Philadelphia Federal Reserve lowered their growth rate for the year by 0.7 percentage points, to 2.1 percent.

REGIONAL ECONOMY

Great Lakes Economy Has Slowed

In their April *Beige Book* summary of business activity in the Great Lakes region, analysts at the Federal Reserve Bank of Chicago summarized the region's economy as expanding at a modest pace. On the plus side, the bank analysts found that capital spending was increasing at a solid rate, in contrast to sluggish capital spending nationwide. Steelmakers and machine toolmakers reported strong conditions, while the region's auto suppliers continued to downsize.

The region's residential market mirrors the nation's: large inventories of unsold houses are depressing market prices and stalling new construction.

During the 12-month period ending in March, employment in the five-state Great Lakes region fell by 0.1 percent, while employment rose by 1.7 percent in the rest of the nation. In the Great Lakes region, only Illinois was able to report positive overall employment numbers—a 0.9 percent gain—which was still only about half the national rate. Not surprisingly, Michigan suffered the greatest losses: employment fell by 1.0 percent as state employers cut 43,700 jobs from their payrolls.

Manufacturing employment was down as well, falling by 2.2 percent in the Great Lakes region. Outside of the five Great Lakes states, manufacturing employment was off by

only 0.4 percent. Again, Michigan posted the largest losses in the five-state region, while Illinois reported the smallest decline.

Industry Activity Remains Strong in the Region

Despite reductions in employment, Midwest manufacturing activity remains positive. The Chicago Federal Reserve's monthly index of manufacturing activity, the Chicago Fed Midwest Manufacturing Index (CFMMI), was up in March, when it increased by 0.8 percent, and in February, when it rose by 0.7 percent. The Index measures the activity levels of four regional industry sectors—resources, steel, auto, and machinery—and all four advanced during the quarter. These advancements, in light of the continued shedding of production workers, clearly show the productivity gains being made in these industries as they compete in the global marketplace.

The Big Three Continue to Lose Share

During the first quarter, auto sales moved at a 16.5 million unit pace, matching last year's sales volume. In fact, a quick look at the industry's sales trend for the past five years shows a stagnant market. Moreover, industry forecasters see the same total sales volumes holding firm for the rest of the year. In this environment, one company's growth can only come at the expense of a weaker rival.

Employment and Earnings^a

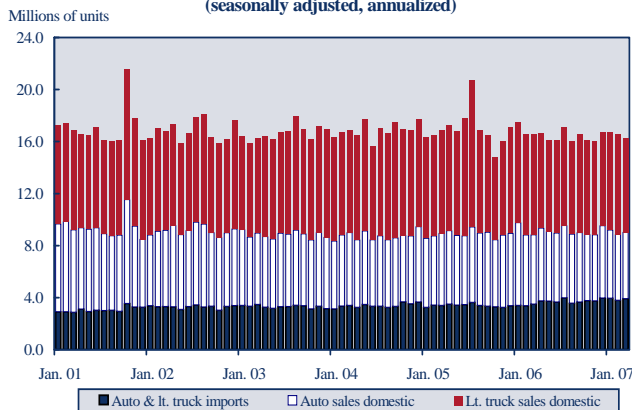
Great Lakes region	March 2007	March 2006	Percent change	Great Lakes region	March 2007	March 2006	Percent change
Illinois				Ohio			
Total employment	5,975,800	5,924,600	0.9	Total employment	5,433,200	5,448,000	-0.3
Mfg. employment	678,300	682,600	-0.6	Mfg. employment	782,700	801,100	-2.3
Avg. weekly hours	41.0	41.0	0.0	Avg. weekly hours	41.5	41.6	-0.2
Avg. hourly earnings	\$16.24	\$15.91	2.1	Avg. hourly earnings	\$19.34	\$18.92	2.2
Indiana				Wisconsin			
Total employment	2,975,400	2,980,400	-0.2	Total employment	2,860,300	2,860,900	0.0
Mfg. employment	557,100	570,600	-2.4	Mfg. employment	494,900	506,000	-2.2
Avg. weekly hours	41.8	42.2	-0.9	Avg. weekly hours	40.0	40.8	-2.0
Avg. hourly earnings	\$18.73	\$18.49	1.3	Avg. hourly earnings	\$17.16	\$16.39	4.7
Michigan				United States			
Total employment	4,316,200	4,359,900	-1.0	Total employment (000)	137,596	135,659	1.4
Mfg. employment	635,700	658,200	-3.4	Mfg. employment (000)	14,095	14,212	-0.8
Avg. weekly hours	42.4	41.7	1.7	Avg. weekly hours	41.2	41.1	0.2
Avg. hourly earnings	\$21.93	\$21.88	0.2	Avg. hourly earnings	\$17.09	\$16.71	2.3

NOTE: March 2007 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)



According to *Ward's AutoWorld*, total sales of cars and light trucks for the first four months of this year were down by 3.0 percent from the same period last year. Unfortunately, sales for the Big Three fell by 7.9 percent during the period. Ford's sales have been hit the hardest; they are down by 13.6 percent. Sales at General Motors were down by 6.5 percent, and sales at the Chrysler Group were off by 2.9 percent. To no one's surprise, the Asian producers were the gainers: Toyota's sales were up 6.7 percent, and Mazda's sales were up 11.7 percent. Honda's sales were up just 1.6 percent, and Nissan's sales volumes remained unchanged.

The Big Three's market share dropped from 56.4 percent to 53.5 during the four-month period. Ford's share dropped from 18.3 to 16.3 percent, and General Motors' fell from 24.1 to 23.2 percent. At the same time, market share for the Asian producers rose from 38.3 to 40.9 percent, and Toyota's share in particular climbed from 14.3 to 15.7 percent.

Finally, a large dose of uncertainty has been introduced into the nation's auto industry with the announcement in May that Cerberus Capital Management, a private equity firm, is buying the Chrysler Group from DaimlerChrysler for \$7.4 billion. On the face of it, the structure of the agreement is promising for Chrysler. At the same time, it illustrates the inability of the 1998 merger between Daimler-Benz AG and Chrysler Corporation to bear fruit.

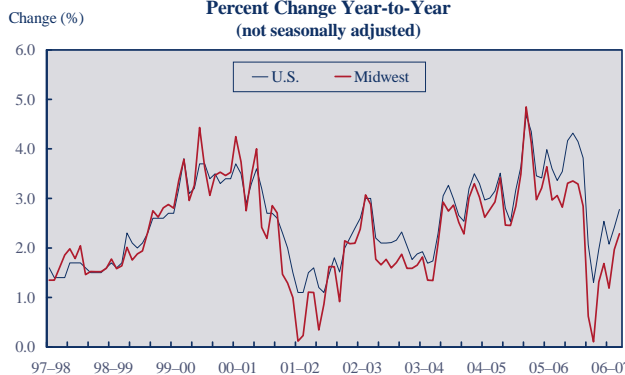
Cerberus will invest \$5 billion in the automaker's operations, and previously announced investments at the company's Sterling Heights and Warren plants are still slated to go forward. The Chrysler Group has more than 19,500 hourly workers and more than 15,000 salaried workers in Michigan. Reports on the deal show that DaimlerChrysler is, in fact, paying Cerberus approximately \$650 million to take the ailing automaker off its hands. DaimlerChrysler will change its name to Daimler AG this fall, when—pending shareholder approval—the deal becomes final. Daimler will retain a 19.9 percent stake in the renamed Chrysler Holdings LLC.

Auto analysts are generally positive about the deal because it calls for Cerberus to invest the lion's share of the purchase amount back into the company. Ron Gettelfinger, President of the United Auto Workers, also has expressed his endorsement of the deal. Still, private-equity firms like Cerberus have a track record of breaking up purchased companies and selling off their more profitable components.

Midwest Prices Still Running Below the Nation's

Given that the region's economy is expanding at a below-average rate, it is not surprising that consumer price increases in the 12-state Midwestern region continue to lag behind those of the nation as a whole. During the 12-month period ending in March, consumer prices in the Midwest grew by 2.3 percent, while nationwide prices increased by 2.8 percent.

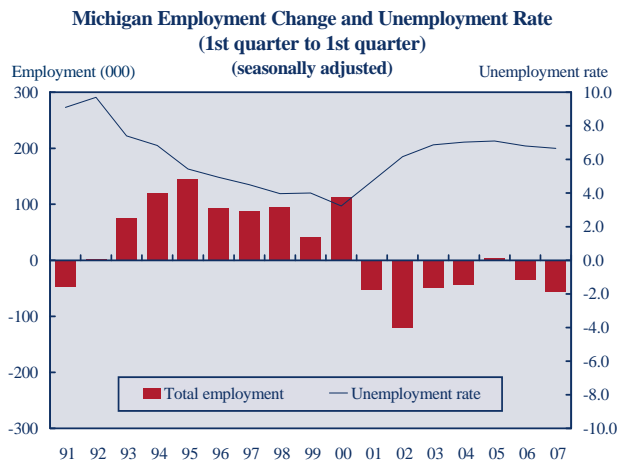
Consumer Price Index
Percent Change Year-to-Year
(not seasonally adjusted)



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

STATE OF MICHIGAN ECONOMY

Statewide, total employment fell by 0.3 percent during the first quarter. Employment declines were reported across all of the state's major sectors. Despite a net loss of more than 15,000 jobs during the quarter, the state's unemployment rate dropped from 7.1 percent during the fourth quarter of 2006 to 6.7 percent. Unfortunately, statewide economic indicators were mixed during the quarter, suggesting little improvement in the coming months.



Employment in the state's goods-producing sector fell by 0.5 percent during the first quarter. Construction employment was down by 1.1 percent during the quarter and by 5.9 percent for the past four quarters. Not surprisingly, the sector's employment slide is associated with a 51.3 percent plunge in the number of new dwelling units put under contract for construction during the past four quarters.

Manufacturing employment was off by 0.4 percent during the period, a loss of just over 2,400 jobs. During the past four quarters, however, manufacturing employment has fallen by 4.7 percent, a loss of more than 31,000 jobs. During the four-quarter period ending in the third quarter of 2006, a full two-thirds of these job losses occurred in the state's struggling transportation equipment sector. Moreover, the state's chemical, primary metals, and machinery industries lost more than 1,000 jobs each. The only manufacturing sectors that posted modest job gains were office furniture and food products.

Employment in the state's service-providing sector was off by 0.3 percent in the quarter. Employment declines were reported across the board, with the sole exception being a tiny 0.1 percent increase in private educational and health services. Government employment was down by 0.5 percent.

The only service-providing sector that enjoyed sizeable employment gains was private educational and health services,

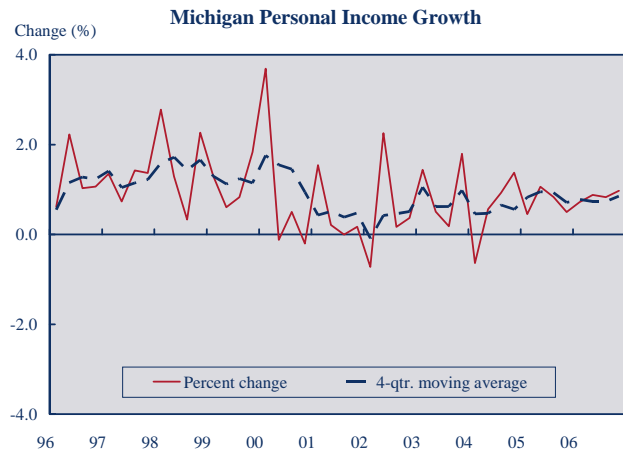
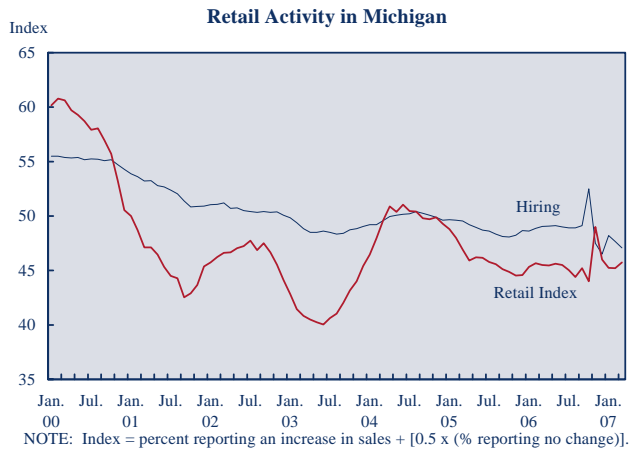
which picked up nearly 8,000 workers during the four-quarter period ending in the first quarter of 2007.

Michigan retailers cut more than 9,000 workers from their payrolls during the latest four-quarter period. This is in line with the findings of the most recent survey of state retailers, conducted by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association. Except for a small blip in July and August of last year, the state's retailers have seen very little movement in retail sales or hiring.

The lackluster performance of the state's retail sector is due to the state's modest growth in personal income. Personal income increased by only 1.0 percent during the four-quarter period ending with the third quarter of 2006. Moreover, it was the first time in a year and a half that state personal income grew by even as much as 1.0 percent.

The state's unemployment and employment numbers don't add up. Although state employers eliminated 15,100 jobs during the first quarter, the number of unemployed workers also fell by 24,300 individuals. These estimates come from two separate surveys, and it is not uncommon for them to point in different directions on occasion. Part of the explanation could be that some unemployed workers and recently laid-off workers have left the labor force by taking early retirement or are simply not looking for work.

The quarter's reading of statewide indicators suggests little change in state economic conditions. The Detroit Index of Help-Wanted Advertising was down 12.3 percent, and the composite west Michigan index was flat, indicating that employment conditions in the state's service-providing sector will remain soft. The number of new claims for unemployment insurance fell by 10.5 percent; however, the number of new dwelling units put under contract for construction fell by 12.1 percent.



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

Labor market area	Total nonfarm	% change, 2006-07	Goods-producing	% change, 2006-07	Private service-providing	% change, 2006-07
United States	137,596,000	1.4	22,501,000	-0.3	92,901,000	1.9
Michigan	4,316,200	-1.0	818,900	-3.8	2,837,040	0.0
West Michigan MSAs:						
Battle Creek	60,720	-1.5	15,730	-1.3	34,810	-1.4
Grand Rapids-Wyoming	394,880	0.4	91,110	-0.9	267,450	1.2
Holland-Grand Haven	116,850	0.2	43,240	-0.5	57,580	0.9
Kalamazoo-Portage	146,430	0.1	29,180	-2.4	94,130	1.3
Muskegon-Norton Shores	65,870	-1.3	15,120	-2.6	41,770	0.2
Niles-Benton Harbor	63,600	-0.3	16,830	-2.4	38,960	0.8
Other labor market areas:						
Ann Arbor	203,010	0.1	24,810	-6.1	109,890	1.2
Bay City	38,420	-1.1	5,630	-3.6	27,010	0.0
Detroit-Warren-Livonia	1,992,420	-1.5	339,230	-4.3	1,426,480	-0.8
Flint	150,940	-1.5	23,680	-9.8	102,010	0.0
Jackson	59,110	-2.0	11,520	-7.4	37,580	-0.6
Lansing-East Lansing	227,610	-0.3	29,540	-2.4	134,460	0.5
Monroe	43,200	-3.6	9,770	-10.8	27,210	-0.1
Saginaw-Saginaw Township North	91,550	-0.3	16,630	-2.5	62,670	0.8

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

WEST MICHIGAN ECONOMY

Total employment rose by 0.4 percent in west Michigan's six metropolitan areas during the first quarter of the year because of a large 0.9 percent jump in employment in the Grand Rapids–Wyoming MSA. The employment increase helped push the region's unemployment rate down under 6.0 percent. Moreover, the region's economic indicators were mostly positive, suggesting that further modest employment gains could be seen in the coming months.

Employment in the region's goods-producing sector fell by just 0.2 percent during the quarter. Employment in construction and mining rose by 0.4 percent during the quarter and is in line with a welcome 11.5 percent increase in the number of new dwelling units put under contract for construction. Still, during the past four quarters, residential building activity has fallen by 46.4 percent and construction employment has fallen by 1.4 percent.

The region's manufacturers eliminated 0.3 percent of their workforce during the quarter. During the past four quarters, employment in manufacturing has declined by 1.4 percent, or by 2,550 jobs. While that figure for the western part of the state is uncomfortably large, it should be noted that manufacturing employment statewide fell by a much larger 4.7 percent during the same period.

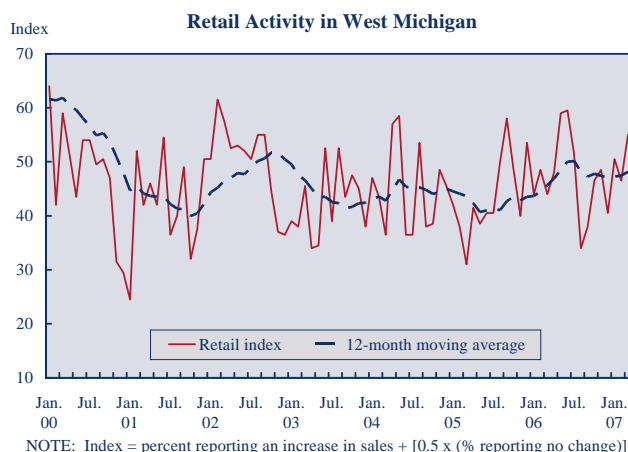
The region's office furniture industry is still going strong; however, there are signs of a possible slowdown. Steelcase posted yearly sales topping \$3 billion for the first time in five years. For the most recent quarter, sales at the company were up 5.0 percent from the same period last year, and the quarter's profits increased to \$29.3 million, or 20 cents a share, beating analysts' forecasts. Herman Miller posted sales of \$484.8 million for the quarter ending March 3, a 14 percent increase from the same time last year. Profits reached \$32.3 million in the first quarter, up 44 percent from the \$22.4 million the company made in last year's first quarter.

Still, the latest reading of Michael A. Dunlap & Associates' survey of the office furniture market suggests the industry's growth is slowing. The survey index for April was 56.3, down from a reading of 57.9 when the survey was last taken, back in January. It is up from the 55.9 recorded during the same period last year.

Employment in the region's service-providing sector rose by 0.8 percent during the quarter, a pickup of more than 4,300 jobs. All of the region's service sectors reported job gains except for the miscellaneous "other services," which had a minor 0.1 percent drop.

Employment in the region's retail sector rose by a full 1.0 percent during the quarter and has risen by 0.3 percent during

the past four quarters. These gains are in line with the findings of the retail survey conducted by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association. The retail index, while highly variable, still shows a positive trend for the region since reaching a low in July of last year.



The largest employment gains in the region were reported in its professional and business services sector and its private educational and health services sector; both added more than 1,000 jobs during the first quarter. In fact, private educational and health services has added nearly 4,000 jobs in the past four quarters.

Overall, the region's employers created more than 3,400 jobs during the quarter, so it is not surprising that such job growth resulted in a reduction in the number of persons unemployed. The number of unemployed workers in the region fell by 2,500 workers.

The region's economic indicators were mostly positive for the quarter. However, the composite Index of Help-Wanted Advertising did not budge, suggesting that growth in the region's service-providing employment may slow in the coming months. On the other hand, the number of new claims for unemployment insurance was down by 6.9 percent and, as mentioned above, new housing starts were up.

West Michigan (6 MSAs) Statistics

(seasonally adjusted)

Measure	2007 Q1	2006 Q4	% change, Q4 to Q1	2006 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	847,890	844,440	0.4	847,280	0.1
Goods-producing	210,940	211,320	-0.2	214,000	-1.4
Construction and mining	37,330	37,180	0.4	37,830	-1.3
Manufacturing	173,610	174,140	-0.3	176,160	-1.4
Private service-providing	534,380	530,010	0.8	528,710	1.1
Trade, transportation, and utilities	153,200	152,090	0.7	153,200	0.0
Retail trade	82,720	81,930	1.0	82,480	0.3
Information (5 MSAs) ^a	9,740	9,710	0.3	9,940	-2.0
Financial activities	41,490	41,410	0.2	40,890	1.5
Professional and business services	98,120	97,100	1.1	97,070	1.1
Educational and health services	120,690	119,270	1.2	116,750	3.4
Leisure and hospitality	76,460	76,000	0.6	76,210	0.3
Other services	35,690	35,710	-0.1	35,710	-0.1
Government	102,570	103,120	-0.5	104,560	-1.9
Unemployment					
Number unemployed	57,200	59,720	-4.2	55,770	2.6
Unemployment rate (%)	5.9	6.2		5.8	
Local indexes					
Help-wanted ads (4 MSAs) (1996=100) ^b	28	28	0.0	35	-20.0
UI initial claims	2,147	2,305	-6.9	2,078	3.3
New dwelling units ^c	5,767	5,172	11.5	10,761	-46.4

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

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

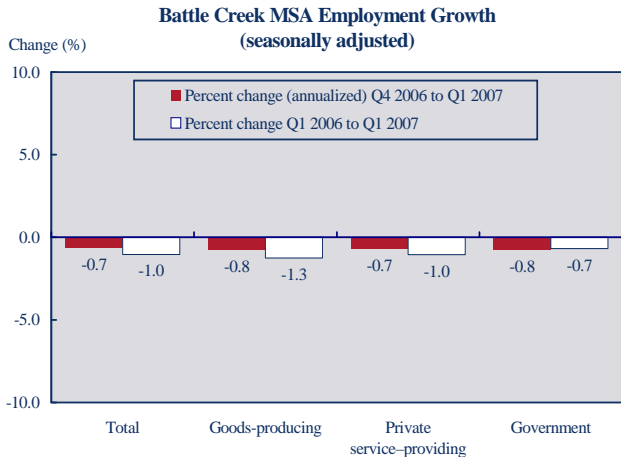
^b Niles-Benton Harbor MSA and Holland-Grand Haven MSA help-wanted data is not available.

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

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

BATTLE CREEK MSA

Employment in Calhoun County fell by 0.2 percent during the first quarter of the year and is down 1.0 percent from a year ago. Employment reductions were recorded in all of the area's major employment sectors. Still, the county's unemployment rate fell to 6.7 percent during the quarter. The area's economic indicators, unfortunately, suggest that employment conditions may remain flat during the coming months.



Employment in the county's goods-producing sector was down 0.2 percent during the quarter. Construction employment was flat, while manufacturing employment fell by 0.2 percent.

Employment gains in its auto-dominated durable goods sector, which grew by 0.6 percent, were more than offset by a 1.4 percent drop in employment in its food-dominated nondurable sector. Over the course of the past year, however, the pattern is the inverse: the food-dominated nondurable sector has grown, and auto-dominated durables have declined. Specifically, the most recent detailed manufacturing employment statistics that are available show that during the four-quarter period ending in the third quarter of 2006, the area's food producers added 50 jobs, while the area's transportation equipment manufacturers eliminated 280 jobs.

The quarter's business news was more positive. On the plus side, Marshall Brass announced a major expansion that will add 32 jobs to its 150-person workforce. The company makes brass gas fittings and household brass plumbing fittings. Also in Marshall, Tenneco Automotive Operating Company is adding a new production line for Ford pickup truck exhaust systems and will be hiring 22 additional workers. On the downside, Post announced that it is moving two cereal lines to its Canadian plants. Fortunately, the impact on employment will be slight, as approximately 30 positions will be eliminated.

At the same time, Kellogg announced that it intends to buy Cereal City USA, a closed tourist and educational attraction about the cereal industry, for additional corporate office space. Earnings are good at the food products giant: revenue rose 9.0 percent to nearly \$3 billion in first quarter, which is up from \$2.73 billion during the first quarter of 2006. North American sales 7.0 percent, and international sales rose 11.0 percent.

Employment in the area's service-providing sector fell by 0.2 percent because of employment reductions in retail trade, wholesale, and transportation, as well as in professional and business services. Offsetting gains were reported in financial activities, private educational and health services, and other (miscellaneous) services. Government employment was down by 0.2 percent as well during the quarter.

During the past four quarters, the county has lost 370 jobs in its service-providing sector, and employment reductions have been reported across almost all sectors. Professional and business services lost 260 jobs, and retail trade was down by nearly 300 jobs.

Despite the slight decline in total employment during the quarter—an overall loss of 100 jobs—the number of unemployed persons also fell, by 300. In the absence of job growth, the decline in the area's unemployment rate can only be explained by persons either leaving the area's workforce (by moving or simply giving up their job search) or finding employment outside the county.

The first-quarter reading of the area's economic indicators was mixed. The area's Index of Help-Wanted Advertising, which monitors employment activities in the area's service-providing sector, fell by 7.1 percent, and the number of new unemployment insurance claims rose by 7.2 percent. The most recent Manpower survey also showed a weak hiring outlook for the second quarter, compared to a year ago. Of the surveyed area firms, 13.0 percent planned to add workers during this year, down from 27.0 percent one year ago. On the plus side, the county's number of new dwelling units put under contract for construction rose by more than 200 percent, driven by a large, multifamily construction project.

Battle Creek MSA
(seasonally adjusted)

Measure	2007 Q1	2006 Q4	% change, Q4 to Q1	2006 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	60,930	61,030	-0.2	61,570	-1.0
Goods-producing	15,730	15,760	-0.2	15,930	-1.3
Construction and mining	2,180	2,180	0.0	2,130	2.3
Manufacturing	13,550	13,580	-0.2	13,790	-1.7
Durable goods	8,690	8,640	0.6	8,760	-0.8
Nondurable goods	4,860	4,930	-1.4	5,030	-3.4
Private service-providing ^a	35,010	35,070	-0.2	35,380	-1.0
Trade, transportation, and utilities	9,890	9,980	-0.9	10,130	-2.4
Retail trade	6,770	6,820	-0.7	7,060	-4.1
Financial activities	1,600	1,590	0.6	1,600	0.0
Professional and business services	4,940	4,980	-0.8	5,200	-5.0
Educational and health services	9,640	9,610	0.3	9,540	1.0
Leisure and hospitality	5,740	5,740	0.0	5,770	-0.5
Other services	2,420	2,380	1.7	2,320	4.3
Government	10,190	10,210	-0.2	10,260	-0.7
Unemployment					
Number unemployed	4,740	5,050	-6.1	4,740	0.0
Unemployment rate (%)	6.7	7.0		6.6	
Local indexes					
Help-wanted ads (1996=100)	26	28	-7.1	30	-13.3
UI initial claims	258	240	7.2	250	2.9
New dwelling units ^b	844	278	203.5	235	258.5

NOTE: Categories may not sum to because of rounding.

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

^b Seasonally adjusted annual rates.

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

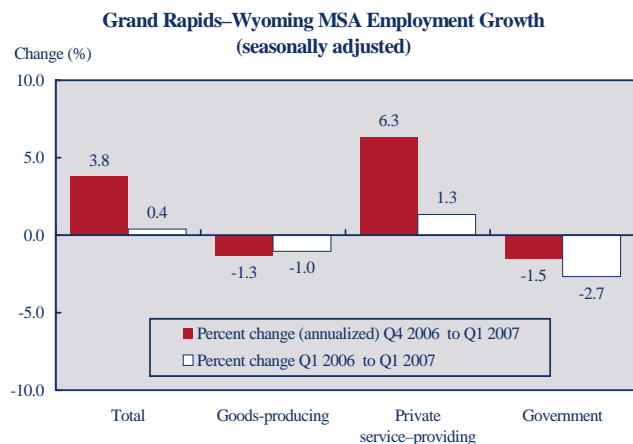
Battle Creek MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing				Ambulatory health care services	2,650	3,210	-17.4
Food mfg.	3,540	3,490	1.4	Hospitals	2,370	2,280	3.9
Fabricated metal product mfg.	1,770	1,680	5.4	Arts, entertainment, and recreation	940	910	3.3
Transportation equipment mfg.	5,140	5,420	-5.2	Accommodation and food services	4,860	4,980	-2.4
Private service-providing				Food services and drinking places	4,490	4,630	-3.0
Professional and technical services	870	1,060	-17.9	Government			
Administrative and support services	3,080	3,340	-7.8	Federal Government	3,260	3,310	-1.5
Educational services	880	920	-4.3	State Government	390	380	2.6
Health care and social assistance	7,610	8,020	-5.1	Local Government	5,370	5,690	-5.6

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

GRAND RAPIDS–WYOMING MSA

Total employment increased by a healthy 0.9 percent during the first quarter, an increase of more than 3,600 jobs. Almost all of the quarter's employment gains occurred in the area's service-providing sector. The sharp employment jump pushed the four-county metropolitan area's unemployment rate down to 5.8 percent during the quarter. Moreover, the first-quarter economic indicators were mostly up, suggesting further job gains in the coming months.



Employment in the area's goods-producing sector declined by 0.3 percent during the quarter. Employment was up slightly in construction, supported by a 12.2 percent increase in the number of new dwelling units put under contract for construction. However, the area's manufacturers reduced their workforce by 0.5 percent during the quarter.

During the past four quarters, manufacturing employment declined by 1.0 percent, resulting in a loss of nearly 800 jobs. The losses occurred in the area's durable goods sector. More detailed industry employment statistics covering the four-quarter period ending in the third quarter of 2006 suggest that most of these job losses occurred in machinery manufacturing and transportation equipment. Also, although office furniture companies in the area are reporting strong earnings, productivity gains appear to have enabled the firms to handle the increases without hiring more workers, as industry employment has remained flat at best.

Recent business reports have been mostly positive. Macatawa Holdings–Praxis, a packaging company specializing in low-cost, multiple-unit packaging, announced that it is hiring more than 80 workers, boosting its number of employees to nearly 300. Also, the former Autodie tool-and-die shop was purchased by DaimlerChrysler Auto Group's Mercedes Benz division and renamed MBTech Autodie. DaimlerChrysler (which agreed to sell 80 percent of Chrysler to Cerberus Capital Management last month) is currently converting the facility into a test shop for automakers' dies and expects to employ 200 people. In addition, Surefil, a maker of pharmaceuticals and personal care products, and

PureFlex, a maker of high-purity hoses, fittings, and advanced composites, announced expansions.

Steelcase announced that it is investing \$145 million in its campus in Grand Rapids, converting it to mixed use and ultimately adding up to 4,000 jobs. Ashley Capital is planning the commercial-residential-industrial project, a large portion of which will be used for industrial purposes.

Unfortunately, Delphi's management and workers (represented by the United Auto Workers, or UAW) are still unable to reach an agreement. After major restructuring at the struggling auto parts manufacturer, its Wyoming plant is one of only eight remaining operations in the company. Delphi employs 600 workers. The company has closed its Coopersville plant.

In Newaygo County, Nestle is buying Gerber Products from pharmaceutical maker Novartis. The global giant Nestle is the world's largest manufacturer of infant nutritional products because of its strong presence in developing countries, but the purchase of Gerber marks Nestle's first entry into the U.S. market. Employment at the Fremont complex, which employs 1,300 workers, is not expected to be affected by the change.

Employment in the area's service-providing sector was up a robust 1.5 percent during the quarter, as employment gains were reported across all sectors. The strongest gains were reported in the area's retail sector and its private educational and health services sector; both gained more than 1,000 jobs. It should be noted that the gain in retail employment could be partially the result of seasonally adjusted factors.

During the past four quarters, the area's private educational and health services sector has added more than 2,100 jobs, a 3.9 percent increase. In other words, employment gains in this sector account for more than 100 percent of the area's net total employment gains during the past four quarters.

The gain of more than 3,600 jobs during the quarter helped to remove nearly 1,000 workers from the area's unemployment rolls, causing the area's unemployment rate to drop to 5.8 percent. The additional job openings must have been filled by workers either moving to or commuting into the area from surrounding communities, including Ottawa and Muskegon counties, or by individuals not previously in the workforce.

The first-quarter reading of the area's economic indicators was mostly positive. The Index of Help-Wanted Advertising was up 4.2 percent, suggesting that further hiring can be expected in the area's service-providing sector. The number of new claims for unemployment insurance fell by 11.3 percent, and the number of new dwelling units put under contract for construction was up 12.2 percent. However, the Manpower survey of area firms found that hiring plans for the second quarter of this year remain unchanged from the same quarter last year. Of the surveyed employers, 33 percent expect to add staff, while 7.0 percent intend to trim their payroll.

Grand Rapids–Wyoming MSA
(seasonally adjusted)

Measure	2007 Q1	2006 Q4	% change, Q4 to Q1	2006 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	394,260	390,620	0.9	392,680	0.4
Goods-producing	90,890	91,190	-0.3	91,840	-1.0
Construction and mining	18,090	18,060	0.2	18,270	-1.0
Manufacturing	72,800	73,130	-0.5	73,570	-1.0
Durable goods	50,280	50,870	-1.2	51,550	-2.5
Nondurable goods	22,520	22,260	1.2	22,010	2.3
Private service–providing	266,900	262,830	1.5	263,370	1.3
Trade, transportation, and utilities	74,980	73,680	1.8	74,510	0.6
Transportation and utilities	10,420	10,300	1.2	10,410	0.1
Wholesale trade	22,170	22,140	0.1	22,230	-0.3
Retail trade	42,380	41,210	2.8	41,850	1.3
Information	5,660	5,590	1.3	5,660	0.0
Financial activities	22,800	22,480	1.4	22,400	1.8
Professional and business services	55,750	55,190	1.0	55,780	-0.1
Educational and health services	57,690	56,560	2.0	55,540	3.9
Leisure and hospitality	33,530	33,050	1.5	33,190	1.0
Other services	16,420	16,340	0.5	16,300	0.7
Government	36,470	36,610	-0.4	37,470	-2.7
Unemployment					
Number unemployed	24,020	25,010	-4.0	23,360	2.8
Unemployment rate (%)	5.8	6.1		5.7	
Local indexes					
Help-wanted ads (1996=100)	25	24	4.2	33	-24.2
UI initial claims	779	879	-11.3	754	3.3
New dwelling units ^a	2,523	2,249	12.2	3,890	-35.1

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

^a Seasonally adjusted annual rates.

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

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

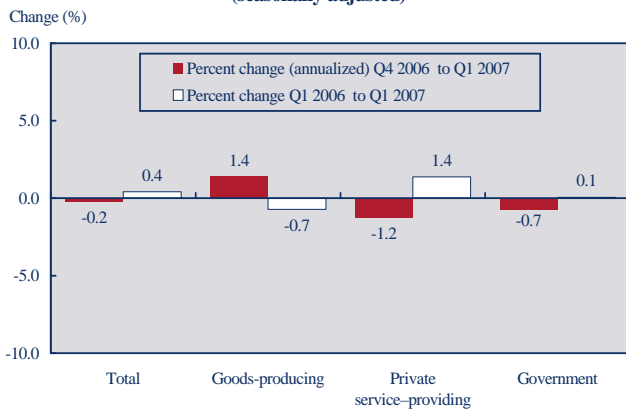
Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing				Health care and social assistance	45,060	44,830	0.5
Food mfg.	5,850	5,500	6.4	Ambulatory health care services	13,800	13,760	0.3
Chemical mfg.	4,280	4,140	3.4	Hospitals	18,290	18,780	-2.6
Plastics and rubber products mfg.	6,760	6,930	-2.5	Arts, entertainment, and recreation	4,810	4,820	-0.2
Fabricated metal product mfg.	7,110	6,950	2.3	Accommodation and food services	28,090	28,110	-0.1
Machinery mfg.	8,600	9,600	-10.4	Food services and drinking places	25,890	26,040	-0.6
Transportation equipment mfg.	14,810	15,450	-4.1	Government			
Furniture and related product mfg.	7,070	7,220	-2.1	Federal Government	3,350	3,330	0.6
Private service–providing				State Government	3,570	3,570	0.0
Professional and technical services	13,820	16,320	-15.3	Local Government	24,890	25,720	-3.2
Administrative and support services	33,850	32,180	5.2				
Educational services	8,200	8,510	-3.6				

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

HOLLAND-GRAND HAVEN MSA

Total employment in Ottawa County inched down by 0.1 percent during the first quarter. Surprisingly, the quarter's employment declines were recorded in the area's service-providing sector, while the area's goods-producing sector picked up workers. Despite the modest drop in employment, the area's unemployment rate declined to 5.3 percent during the quarter. The three economic indicators suggest that employment conditions could improve in the coming months.

Holland-Grand Haven MSA Employment Growth
(seasonally adjusted)



Employment in construction was up 1.8 percent during the first quarter, as a mild winter allowed contractors to continue to work through the season. The number of housing units put under contract for construction rose at a 16.5 percent annualized rate during the quarter. Still, during the past four quarters, residential construction activity was down by 55.8 percent.

Manufacturing employment inched up by 0.1 percent during the quarter. During the past year, manufacturing employment fell by 0.7 percent; most of the job losses occurred in the area's transportation equipment sector. During the four-quarter period ending in the third quarter of 2006, the county's transportation equipment sector eliminated 800 jobs, while its fabricated metal sector added almost 600 jobs.

Haworth is proceeding with the \$47 million, 300,000-square-foot expansion and renovation of its world headquarters. Haworth has added 200 jobs, and an additional 50 jobs are expected. Also signaling the office furniture industry's growth, Jireh Metal, an office furniture supplier, announced that it is opening a new metal stamping facility in Holland and will be hiring 30 workers within three years. In addition, Tiara Yachts has finished a \$14 million expansion project that should produce about 325 more jobs by 2009.

On the downside, Hart and Cooley, which makes registers, grills, gas vents, and flexible duct systems, is closing in September, about three months earlier than expected. The plant employs about 250 workers. In addition, ConAgra Foods an-

nounced that it is closing its Reddi-wip facility and laying off its 50 workers there.

Finally, Plastech, which has been a supplier for JCI, has, under JCI management, taken over plant production at one of JCI's Holland facilities. The plant will continue to produce door panels, ceiling liners, and interior consoles. The move is meant to lower production costs at the plant, and, in line with that, Plastech is offering reduced wage and benefit packages to the workers.

Employment in the area's service-providing sector was off by 0.3 percent during the quarter. The area's private educational and health services providers cut 2.5 percent of their workforce during the quarter; the cut means a loss of 270 jobs. Smaller employment cuts were reported in the sector's other categories except for financial services, where employment grew by a modest 0.3 percent. Government employment was down 0.2 percent as well.

Pfizer announced that it is donating its closed \$50 million research and development facility in Holland to Michigan State University for biotech research. MSU is planning to turn it into a national center for the development of commercial products made from crops. The next step in opening the doors to this planned research and development center is to secure its estimated \$3 million annual operation costs for the first five years of operation. MSU said that the initial team of scientists at the institute likely will number 25, but that the team could grow to 100 or more in coming years.

Despite employers trimming their workforce by 0.1 percent, the number of unemployed workers in the county dropped by 300 individuals. This suggests that many of these persons found work elsewhere, most likely in the Grand Rapids area, where employment grew by a strong 0.9 percent during the quarter.

Two of the area's economic indicators were positive for the quarter: the number of new claims for unemployment insurance was down by 15.7 percent, and the number of new dwelling units put under contract for construction, as mentioned above, was up by 16.5 percent. However, the most recent Manpower survey found that the hiring plans of surveyed area firms for the second quarter of this year have changed very little from last year. Of the surveyed area employers, 23.0 percent expect to hire in the second quarter of this year, compared to 18.0 percent one year ago. Ten percent plan to reduce their workforce in the second quarter, compared to 11.0 percent for the same period last year.

Holland–Grand Haven MSA
(seasonally adjusted)

Measure	2007 Q1	2006 Q4	% change, Q4 to Q1	2006 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	117,000	117,060	-0.1	116,510	0.4
Goods-producing	43,100	42,950	0.3	43,410	-0.7
Construction and mining	6,170	6,060	1.8	6,210	-0.6
Manufacturing	36,930	36,890	0.1	37,200	-0.7
Private service-providing	57,830	58,010	-0.3	57,040	1.4
Trade, transportation, and utilities	18,400	18,250	0.8	18,050	1.9
Retail trade	10,450	10,420	0.3	10,510	-0.6
Information	690	700	-1.4	890	-22.5
Financial activities	3,230	3,220	0.3	3,160	2.2
Professional and business services	11,840	11,890	-0.4	11,430	3.6
Educational and health services	10,490	10,760	-2.5	10,550	-0.6
Leisure and hospitality	8,350	8,360	-0.1	8,200	1.8
Other services	4,860	4,870	-0.2	4,760	2.1
Government	16,070	16,100	-0.2	16,060	0.1
Unemployment					
Number unemployed	7,290	7,600	-4.1	6,920	5.3
Unemployment rate (%)	5.3	5.5		5.0	
Local indexes					
UI initial claims	320	379	-15.7	316	1.1
New dwelling units ^a	938	805	16.5	2,121	-55.8

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

^a Seasonally adjusted annual rates.

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

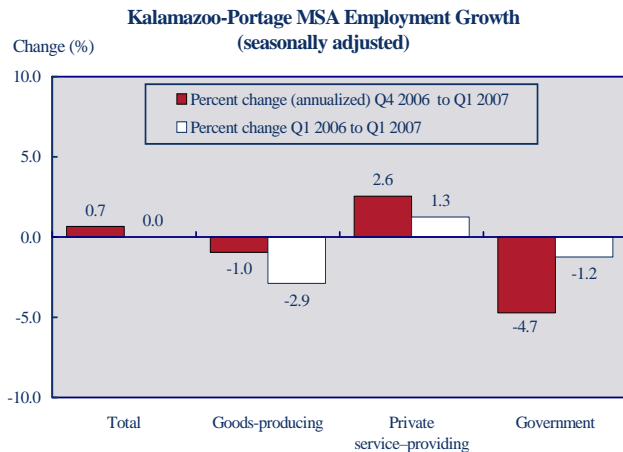
Holland–Grand Haven MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing				Health care and social assistance	7,230	6,770	6.8
Food mfg.	3,160	3,040	3.9	Ambulatory health care services	3,400	3,270	4.0
Fabricated metal product mfg.	5,640	5,060	11.5	Arts, entertainment, and recreation	1,370	1,310	4.6
Machinery mfg.	2,630	2,680	-1.9	Accommodation and food services	7,400	7,060	4.8
Transportation equipment mfg.	6,440	7,240	-11.0	Food services and drinking places	6,730	6,670	0.9
Furniture and related product mfg.	6,150	6,130	0.3	Government			
Private service-providing				Federal Government	480	470	2.1
Professional and technical services	2,990	3,080	-2.9	State Government	1,760	1,740	1.1
Administrative and support services	7,440	7,440	0.0	Local Government	9,050	10,080	-10.2
Educational services	1,830	2,050	-10.7				

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

KALAMAZOO-PORTAGE MSA

Total employment increased by a modest 0.2 percent during the first quarter, due solely to employment gains in the area's service-providing sector. The slight gain in employment helped push the area's unemployment rate down to 5.5 percent. The area's economic indicators were mixed during the quarter, suggesting that economic conditions may remain soft during the coming months.



Employment in the area's goods-producing sector was off by 0.2 percent during the quarter. Construction was slow as shown by the 33.8 percent drop in the number of dwelling units put under contract for construction, and the sector's employment fell by 0.8 percent. Manufacturing employment was down by a modest 0.1 percent during the quarter, as losses in its nondurable goods sector more than erased gains posted by its durable goods makers.

During the past four quarters, a sluggish housing market, coupled with employment losses in both the area's nondurable and its durable goods sectors, caused employment in the area's goods-producing sector to decline by 2.9 percent, representing a loss of nearly 900 jobs. The area's nondurable goods manufacturers—paper, pharmaceuticals, and plastics—eliminated 400 jobs during the period. More detailed employment statistics covering the four-quarter period that ended with the third quarter of 2006 suggest that employment reductions in the area's transportation equipment sector are to blame for at least some of the job losses.

Unfortunately, Eaton Corporation announced that it is moving production from its Portage plant to Reynosa, Mexico. The move will displace 47 workers, but the facility will still employ approximately 40 sales, marketing, and engineering workers. On the upside, Coca-Cola of North America announced that it is expanding its Paw Paw Township facility.

Employment in the area's service-providing sector rose 0.6 percent during the quarter because of a large 2.9 percent in-

crease in the area's professional and business services, which resulted in a pickup of 460 jobs. During the past four quarters, the sector has added more than 1,000 jobs. Private educational and health care providers added 270 workers during the quarter, a 1.3 percent gain. Smaller gains were also reported in the area's leisure and hospitality sector and the miscellaneous "other services" sector. Government employment fell by 1.2 percent.

The area received promising news from its growing life-sciences sector during the quarter. PharmOptima, which was started four years ago by former Pharmacia researchers, has entered into an agreement with Pfizer to do research work on antibiotics. The firm has 25 employees. In addition, Kalexsyn, a three-year-old startup that provides chemical-research services to pharmaceutical and biotechnology companies, has broken ground on its new facility. The business, which was formed by research scientists affected by Pfizer's decision to reduce research activity in Kalamazoo, has 24 employees.

During the quarter, employers hired 240 additional workers, and the number of people unemployed dropped by 220, which lowered the area's unemployment rate to 5.5 percent. While it would be easy to conclude that almost all of the new job openings were filled by unemployed workers, this is highly unlikely. The story is probably much more complicated than that: employers likely hired some workers from outside the area, while some of the area's unemployed found jobs in surrounding areas.

The first-quarter reading of the area's economic indicators was mixed, suggesting that employment conditions may remain lackluster during the coming months. The area's Index of Help-Wanted Advertising was flat during the quarter, suggesting little improvement in employment conditions in the area's service-providing sector. As mentioned above, housing starts were down. On the plus side, the number of new claims for unemployment insurance fell by 6.2 percent. The latest polling of the area's purchasing managers reflects a consensus that there will be little change in economic activity in the coming months.

Finally, in their most recent survey of area employers, Manpower found that second-quarter hiring plans have changed little since last year. Only 7.0 percent of the surveyed employers plan to hire in the second quarter of this year, while none of the firms expect to trim their workforce. Last year, 10.0 percent of the surveyed employers planned to hire in the second quarter, while 3.0 percent expected to reduce their payroll.

Kalamazoo-Portage MSA

(seasonally adjusted)

Measure	2007 Q1	2006 Q4	% change, Q4 to Q1	2006 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	146,180	145,940	0.2	146,180	0.0
Goods-producing	29,210	29,280	-0.2	30,080	-2.9
Construction and mining	6,160	6,210	-0.8	6,460	-4.6
Manufacturing	23,050	23,070	-0.1	23,620	-2.4
Durable goods	12,660	12,600	0.5	12,820	-1.2
Nondurable goods	10,390	10,470	-0.8	10,790	-3.7
Private service-providing	93,950	93,360	0.6	92,790	1.3
Trade, transportation, and utilities	24,280	24,370	-0.4	24,550	-1.1
Transportation and utilities	3,880	3,930	-1.3	3,880	0.0
Wholesale trade	4,560	4,560	-0.3	4,430	-2.5
Retail trade	15,830	15,880	0.0	16,240	2.9
Information	1,510	1,510	0.0	1,510	0.0
Financial activities	7,830	7,830	0.0	7,700	1.7
Professional and business services	16,580	16,120	2.9	15,510	6.9
Educational and health services	21,820	21,550	1.3	21,170	3.1
Leisure and hospitality	15,480	15,370	0.7	15,700	-1.4
Other services	6,520	6,510	0.2	6,730	-3.1
Government	23,020	23,300	-1.2	23,310	-1.2
Unemployment					
Number unemployed	9,690	9,910	-2.2	9,440	2.6
Unemployment rate (%)	5.5	5.6		5.4	
Local indexes					
Help-wanted ads (1996=100)	35	35	0.0	41	-14.6
UI initial claims	268	286	-6.2	256	4.6
New dwelling units ^a	786	1,187	-33.8	1,502	-47.7

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

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

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

Kalamazoo-Portage MSA

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

(not seasonally adjusted)

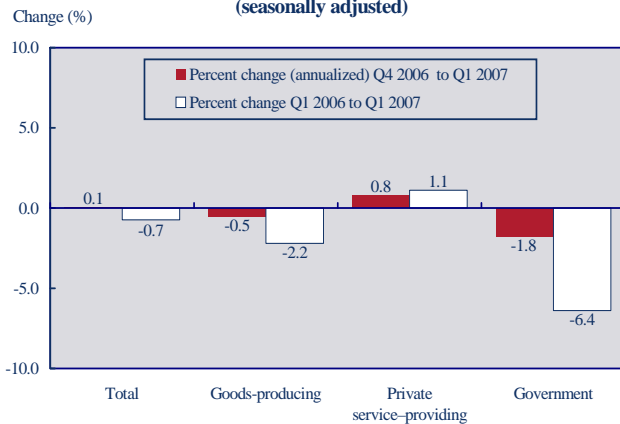
Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing				Government			
Food mfg.	1,760	1,660	6.0	Health care and social assistance	18,490	18,450	0.2
Paper mfg.	1,900	1,930	-1.6	Ambulatory health care services	6,830	6,540	4.4
Fabricated metal product mfg.	2,370	2,280	3.9	Hospitals	6,140	6,330	-3.0
Machinery mfg.	2,050	2,180	-6.0	Arts, entertainment, and recreation	2,020	2,080	-2.9
Transportation equipment mfg.	3,620	3,890	-6.9	Accommodation and food services	13,610	13,170	3.3
Food services and drinking places	11,770	11,410	3.2	Government			
Private service-providing				Federal Government	1,240	1,230	0.8
Professional and technical services	5,150	4,820	6.8	State Government	3,680	3,950	-6.8
Administrative and support services	8,270	8,060	2.6	Local Government	12,790	12,870	-0.6
Educational services	2,120	2,280	-7.0				

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

MUSKEGON–NORTON SHORES MSA

Total employment remained unchanged during the first quarter in Muskegon County. Modest employment gains in the county's service-providing sector offset smaller employment reductions in the county's goods-producing and government sectors. Although employment levels remained flat during the quarter, the area's unemployment rate fell to 6.8 percent. The quarter's reading of the area's economic indicators was mixed, pointing to little change in the area's employment situation in the coming months.

Muskegon–Norton Shores MSA Employment Growth
(seasonally adjusted)



Employment in the county's goods-producing sector was off by just 0.1 percent during the quarter. Employment in the county's construction sector rose by a sharp 3.1 percent, due, in part, to the mild winter. However, the area's manufacturers eliminated nearly 100 jobs during the quarter, a 0.7 percent reduction.

During the past four quarters, employment in the county's goods-producing sector fell by 2.2 percent. Part of the decline can be explained by the large 82.7 percent drop in the number of new dwelling units put under contract for construction during the period. In addition, the available detailed employment statistics covering the 12-month period ending with the third quarter of 2006, limited though they are, suggest that much of the manufacturing job loss occurred in the area's auto-dominated transportation equipment industry.

Howmet, the county's largest employer, announced that it is going ahead with a \$23 million expansion, which, when completed, will add 50 jobs to its industrial complex. The company casts precision parts for turbine engines, mainly for the aerospace industry, and currently employs nearly 2,500 workers. In addition, Johnson Technology, another aerospace parts manufacturer, is also expanding and will create 25 jobs. It currently has 487 employees working at its two county plants. Finally, ACEMCO Automotive announced that it is investing \$5.5 million to expand its Norton Shores facility and

will add 50 jobs to its workforce of 190. ACEMCO stamps, welds, and assembles metal products for the auto industry.

The only negative business report that came to light during the quarter was that Cole's Quality Foods announced it would be eliminating 20 part-time positions, as its new plant in the Iowa City-Cedar Rapids corridor in east-central Iowa is handling the production of its popular new cheese-filled garlic bread sticks. With the opening of the Iowa facility earlier this year, the firm's employment in Muskegon has dropped to 120 full-time employees.

Employment in the area's service-providing sector was up a modest 0.2 percent during the quarter. The area's private educational and health care providers added 250 workers, a 2.3 percent increase. During the past four quarters, this sector has added nearly 800 jobs. The area's professional and business services hired another 110 workers—a 2.8 percent increase—during the quarter as well. At the same time, however, the area's leisure and hospitality sector cut 170 workers, perhaps because warmer weather in the first quarter limited winter recreational activities. In addition, the area's financial activities sector eliminated 140 jobs. Finally, government employment was down by 0.4 percent.

Despite the absence of local job growth, more than 300 unemployed workers left the county's unemployment rolls. Some may have simply given up and dropped out of the labor force; however, others may have found employment in the neighboring Grand Rapids MSA, which experienced a strong 0.9 percent increase in employment during the quarter.

The first-quarter reading of the area's economic indicators was mixed. The area's Index of Help-Wanted Advertising dropped by 13.5 percent, suggesting that employment conditions in its service-providing sector may soften in the coming months. Yet, the most recent Manpower polling of area employers found that hiring plans remain strong for the second quarter. Of the surveyed employers, 43.0 percent plan to hire in the second quarter of this year. This is identical to their expectations last year. However, 20.0 percent of the surveyed firms expect to trim their workforce in the second quarter of this year, an increase from 13.0 percent who planned to reduce their payroll in the second quarter of 2006.

Still, the number of new claims for unemployment insurance was down by 2.4 percent, and the number of new dwelling units put under contract for construction was up by 4.4 percent.

Muskegon–Norton Shores MSA
(seasonally adjusted)

Measure	2007 Q1	2006 Q4	% change, Q4 to Q1	2006 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	65,810	65,800	0.0	66,300	-0.7
Goods-producing	15,120	15,140	-0.1	15,460	-2.2
Construction and mining	2,310	2,240	3.1	2,340	-1.3
Manufacturing	12,810	12,900	-0.7	13,110	-2.3
Private service-providing	41,750	41,670	0.2	41,290	1.1
Trade, transportation, and utilities	14,130	14,170	-0.3	14,230	-0.7
Retail trade	11,520	11,570	-0.4	11,550	-0.3
Information	990	1,000	-1.0	990	0.0
Financial activities	1,900	2,040	-6.9	1,900	0.0
Professional and business services	4,040	3,930	2.8	3,970	1.8
Educational and health services	11,170	10,920	2.3	10,400	7.4
Leisure and hospitality	6,930	7,100	-2.4	7,260	-4.5
Other services	2,450	2,520	-2.8	2,450	0.0
Government	8,940	8,980	-0.4	9,550	-6.4
Unemployment					
Number unemployed	6,100	6,430	-5.1	6,010	1.5
Unemployment rate (%)	6.8	7.1		6.6	
Local indexes					
Help-wanted ads (1996=100)	32	37	-13.5	43	-25.6
UI initial claims	308	316	-2.4	308	-0.1
New dwelling units ^a	338	324	4.4	1,957	-82.7

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

^a Seasonally adjusted annual rates.

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

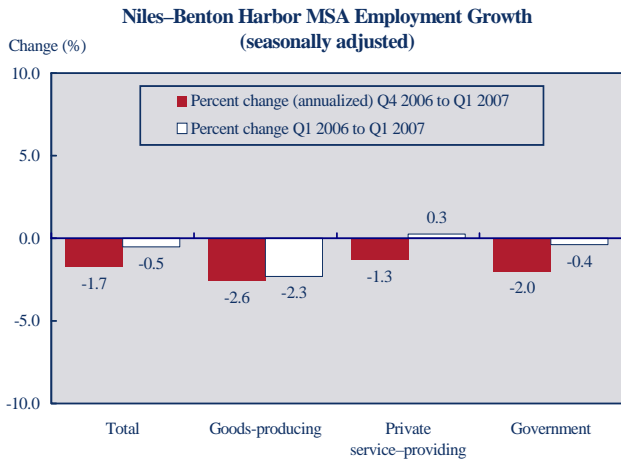
Muskegon–Norton Shores MSA
Industry Employment Change by Place of Work, Third Quarter to Third Quarter
(not seasonally adjusted)

Industry	2006 Q3	2005 Q3	Percent change	Industry	2006 Q3	2005 Q3	Percent change
Goods-producing				Health care and social assistance	9,890	9,220	7.3
Primary metal mfg.	4,140	4,050	2.2	Ambulatory health care services	3,180	2,910	9.3
Fabricated metal product mfg.	2,650	2,710	-2.2	Hospitals	3,700	3,440	7.6
Machinery mfg.	1,840	1,750	5.1	Arts, entertainment, and recreation	2,100	1,960	7.1
Transportation equipment mfg.	1,130	1,290	-12.4	Accommodation and food services	6,310	6,150	2.6
Private service-producing				Food services and drinking places	5,750	5,570	3.2
Professional and technical services	1,020	1,050	-2.9	Government			
Administrative and support services	2,520	2,810	-10.3	Federal Government	370	380	-2.6
Educational services	650	440	47.7	State Government	1,160	1,150	0.9
				Local Government	6,710	6,970	-3.7

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

NILES–BENTON HARBOR MSA

Total employment fell by 0.4 percent during the first quarter in Berrien County. Employment declines were reported across all three of the area's major employment sectors. Still, the area's unemployment rate fell from 7.2 to 6.8 percent during the quarter. The area's two economic indicators were mixed, suggesting little change in the coming months.



Employment in the county's goods-producing sector fell by 0.6 percent during the quarter. Employment in construction and mining dropped by 0.4 percent, which is somewhat surprising given the ongoing construction of the large Four Winds Casino and Resort, scheduled to be completed in August. Employment in the county's manufacturing sector was down by 0.7 percent, representing a loss of 100 jobs.

In fact, during the past four quarters, the area lost 100 jobs per quarter, on average, in manufacturing. More detailed statistics for the sector, which show the change in employment during the four-quarter period ending in the third quarter of 2006, reveal that job losses were not evenly spread among the area's industries. The area's transportation equipment and primary metal industries eliminated approximately 200 jobs each, while the area's fabricated metal and machinery industries, combined, hired 330 workers.

Recent business reports were mostly positive. Dawson Manufacturing, a supplier of antivibration components to the auto industry, announced that it would be closing its Dawson, Georgia, facility and moving the work to its Benton Harbor facility. The move will add 15 jobs. Menasha Packaging said that it is planning to expand its facility in Coloma, creating 10 new jobs. The 210,000-square-foot corrugated paper products plant currently employs 39 people.

However, Simplicity Pattern Company, which in the late 1960s employed up to 2,000 workers in Niles and remains the world's largest producer of sewing patterns, may close its local

plant, which is its main production facility. The company revealed in an April press release that it is currently evaluating the feasibility of continuing to operate the plant, which now employs less than 200 workers. Some of its customer retail stores, which sell fabric and patterns, have closed, and more are expected to close in the future. That will mean lower production volumes for Simplicity, making it difficult to sustain the overhead costs associated with the 740,000-square-foot facility in Niles.

Employment in the area's service-providing sector fell by 0.3 percent during the quarter. The largest reported decline occurred in the county's retail sector, which eliminated 310 jobs during the quarter. Only modest losses or gains were reported in the county's other service-providing industries. Government employment was off by 0.5 percent.

Although the first-quarter employment gains were modest, over the past four quarters the area's private educational and health services providers have created more than 300 jobs. The same is true for its leisure and hospitality sector. Moreover, the county is still expecting a boost in August, when the Four Winds Casino and Resort is scheduled to open with more than 2,000 employees.

County employers eliminated 280 jobs during the quarter, and yet the number of unemployed workers in the county fell by an even larger 350 individuals. This seemingly contradictory pattern may be at least partially explained by the county's unemployed workers finding positions in neighboring areas such as the greater South Bend MSA, which is just across the state line in Indiana.

The two economic indicators for the county pointed in opposite directions during the quarter, suggesting little change in the area's employment picture. On the downside, the number of new claims for unemployment insurance rose by 4.4 percent. However, the number of new dwelling units put under contract for construction was up by 2.5 percent.

Niles–Benton Harbor MSA

(seasonally adjusted)

Measure	2007 Q1	2006 Q4	% change, Q4 to Q1	2006 Q1	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	63,710	63,990	-0.4	64,040	-0.5
Goods-producing	16,890	17,000	-0.6	17,290	-2.3
Construction and mining	2,420	2,430	-0.4	2,420	0.0
Manufacturing	14,470	14,570	-0.7	14,870	-2.7
Private service-providing	38,940	39,070	-0.3	38,840	0.3
Trade, transportation, and utilities	11,520	11,640	-1.0	11,730	-1.8
Retail trade	7,040	7,350	-4.2	7,080	-0.6
Information	890	910	-2.2	890	0.0
Financial activities	2,230	2,210	0.9	2,230	0.0
Professional and business services	4,970	4,990	-0.4	5,180	-4.1
Educational and health services	9,880	9,870	0.1	9,550	3.5
Leisure and hospitality	6,430	6,380	0.8	6,090	5.6
Other services	3,020	3,090	-2.3	3,150	-4.1
Government	7,880	7,920	-0.5	7,910	-0.4
Unemployment					
Number unemployed	5,360	5,710	-6.1	5,300	1.1
Unemployment rate (%)	6.8	7.2		6.7	
Local indexes					
UI initial claims	215	206	4.4	193	11.4
New dwelling units ^a	338	330	2.5	1056	-68.0

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

^a Seasonally adjusted annual rates.

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw-Hill Information Systems Company; and employment data from 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				Health care and social assistance	7,610	7,840	-2.9
Primary metal mfg.	1,290	1,490	-13.4	Ambulatory health care services	2,300	2,310	-0.4
Fabricated metal product mfg.	1,780	1,520	17.1	Arts, entertainment, and recreation	900	970	-7.2
Machinery mfg.	2,500	2,430	2.9	Accommodation and food services	5,800	5,770	0.5
Transportation equipment mfg.	1,430	1,650	-13.3	Food services and drinking places	5,120	5,140	-0.4
Private service-providing				Government			
Professional and technical services	1,400	1,400	0.0	Federal Government	400	390	2.6
Administrative and support services	3,460	3,600	-3.9	State Government	440	440	0.0
Educational services	1,170	1,210	-3.3	Local Government	5,880	5,950	-1.2

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

Purchasing Managers' Index and Major Economic Developments

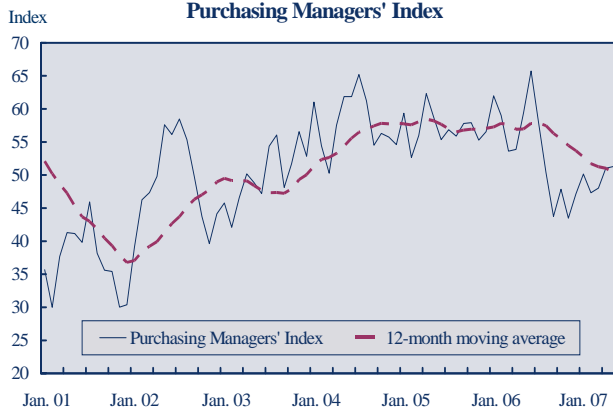
Economic conditions in West Michigan have improved with the weather. According to the May issue of *Current Business Trends*, the Grand Rapids area economy is “modestly higher” and the Kalamazoo area economy is “positive.”

Although Grand Rapids-area purchasing managers are currently offering a slightly positive economic outlook, overall conditions have been on a prolonged downward trend after peaking last summer. Since June 2006, the composite purchasing managers' index has dropped below 50—the index value separating positive and negative growth conditions—six times. Additionally, the 12-month moving average index now rests at 50, reflecting the lowest long-term trend value since the last recovery was underway in 2003. The only silver lining for the region may be the signs of confidence from those firms that are still doing well. In both April and May, a quarter of survey respondents indicated

that their firms were increasing hiring and purchases of capital goods, which may suggest greater long-term confidence than might be expected given weak conditions overall.

In Kalamazoo, economic conditions have improved considerably since the winter months, when the purchasing managers' index had dipped significantly, suggesting a contraction in local business activity. The May report indicates that over 50 percent of local purchasing managers report increasing sales orders, and 43 percent say that production is already at higher levels. Unfortunately, there has yet to be any significant increase in the share that would indicate growth in hiring or purchases. It is likely the area will need to experience another few months of consecutive sales and production growth before purchasing managers feel confident enough to invest in additional staff or capital expenditures.

**Grand Rapids Area
Purchasing Managers' Index**



**Kalamazoo Area
Purchasing Managers' Index**



Major Economic Developments

Battle Creek MSA

Marshall Brass announced a major expansion that will add 32 jobs to its workforce.

In Marshall, Tenneco Automotive Operating Co. is adding a new production line and will be hiring 22 additional workers.

Post announced that it is moving two cereal lines to its Canadian plants, resulting in approximately 30 positions being eliminated.

Grand Rapids–Wyoming MSA

DaimlerChrysler is currently converting the former Autodie tool-and-die shop into a test shop for automakers' dies, renaming it MBTech Autodie. It expects to employ 200 people.

Steelcase announced that it is investing \$145 million in its Grand Rapids campus, converting it to mixed use and ultimately adding up to 4,000 jobs.

Macatawa Holdings–Praxis announced that it is hiring more than 80 workers.

Holland–Grand Haven MSA

Pfizer is donating its closed \$50 million research and development facility in Holland to Michigan State University for biotech research. The facility will eventually employ 100 or more in coming years.

Haworth is proceeding with its expansion of its world headquarters. An additional 50 jobs are expected.

Tiara Yachts has finished its expansion project, which should produce about 325 more jobs by 2009.

Kalamazoo–Portage MSA

PharmOptima has entered into an agreement with Pfizer to do research work on antibiotics. The firm has 25 employees.

Kalexsyn, a firm that provides chemical research services to pharmaceutical and biotechnology companies, has broken ground on its new facility. The firm has 24 employees.

Eaton Corporation announced that it is moving production from its Portage plant to Reynosa, Mexico, eliminating 47 jobs.

Muskegon–Norton Shores MSA

Howmet is going ahead with its expansion, which will add 50 jobs.

Johnson Technology announced that it is expanding, creating 25 jobs.

ACEMCO Automotive announced that it is expanding its facility and will add 50 jobs.

Niles–Benton Harbor MSA

Dawson Manufacturing announced that it would be closing its Georgia facility and moving the work to its Benton Harbor facility, adding 15 jobs.

Menasha Packaging announced that it is planning to expand its facility in Coloma, creating 10 new 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	
	March 2007						January 2007	March 2007
	Weekly hours	% change, 2006-07	Hourly earnings	% change, 2006-07	Weekly earnings	% change, 2006-07		
United States	41.1	2.8	\$17.07	2.3	\$695.23	-0.9	5.0	4.5
Michigan	42.4	1.7	21.93	0.2	929.83	1.9	7.7	7.2
West Michigan MSAs:								
Battle Creek	—	—	—	—	—	—	7.3	7.2
Grand Rapids–Wyoming	41.4	4.3	17.85	0.5	738.99	4.8	6.4	6.3
Holland–Grand Haven	—	—	—	—	—	—	5.9	5.8
Kalamazoo–Portage	39.5	-0.5	14.77	-0.3	583.42	-0.8	6.1	5.9
Muskegon–Norton Shores	—	—	—	—	—	—	7.3	7.3
Niles–Benton Harbor	—	—	—	—	—	—	7.8	7.2
Other labor market areas:								
Ann Arbor	—	—	—	—	—	—	4.8	4.7
Bay City	—	—	—	—	—	—	7.7	7.5
Detroit–Warren–Livonia	43.2	-0.2	24.77	-1.8	1,070.06	-2.1	8.0	6.9
Flint	43.3	0.2	29.61	-1.0	1,282.11	-0.7	8.9	8.8
Jackson	—	—	—	—	—	—	7.8	8.0
Lansing–East Lansing	40.8	0.2	24.21	-0.7	987.77	-0.5	6.5	5.9
Monroe	—	—	—	—	—	—	7.5	6.7
Saginaw–Saginaw Township North	—	—	—	—	—	—	7.7	7.7

NOTE: — = data not available.

^a Earnings include overtime and part-time wages.

^b Seasonally adjusted rate for U.S. was 4.6 percent in January 2007 and 4.4 percent in March 2007. Seasonally adjusted rate for Michigan was 6.9 percent in January 2007 and 6.5 percent in March 2007.

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	2007 Q1	2006 Q4	% change, Q4 to Q1	2006 Q1	% change, Q1 to Q1
Employment (by place of work)					
Total nonfarm employment	4,307,100	4,322,200	-0.3	4,363,730	-1.3
Goods-producing	812,830	817,170	-0.5	855,170	-5.0
Natural resources and mining	8,000	8,000	0.0	8,170	-2.1
Construction	174,430	176,330	-1.1	185,370	-5.9
Manufacturing	630,400	632,830	-0.4	661,630	-4.7
Durable goods	485,600	487,400	-0.4	514,450	-5.6
Nondurable goods	144,800	145,440	-0.4	147,180	-1.6
Private service-providing	2,831,670	2,839,200	-0.3	2,838,700	-0.2
Trade, transportation, and utilities	786,330	792,630	-0.8	799,100	-1.6
Transportation and utilities	126,570	128,060	-1.2	129,220	-2.1
Wholesale trade	169,810	170,760	-0.6	170,850	-0.6
Retail trade	489,950	493,810	-0.8	499,030	-1.8
Information	66,670	66,870	-0.3	66,870	-0.3
Financial activities	215,330	215,230	0.0	217,130	-0.8
Professional and business services	589,500	590,430	-0.2	589,200	0.1
Educational and health services	588,970	588,270	0.1	581,070	1.4
Leisure and hospitality	407,030	407,400	-0.1	407,270	-0.1
Other services	177,830	178,370	-0.3	178,070	-0.1
Government	662,600	665,830	-0.5	669,870	-1.1
Unemployment					
Number unemployed	338,010	362,270	-6.7	345,410	-2.1
Unemployment rate (%)	6.7	7.1		6.8	
State indexes (1996=100)					
Help-wanted ads					
Detroit	22	23	-4.3	27	-18.5
West Michigan (4 MSAs)	28	28	0.0	35	-20.0
Local components					
UI initial claims	17,211	19,237	-10.5	16,926	1.7
New dwelling units ^a	19,046	21,678	-12.1	39,096	-51.3

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				Furniture and related product mfg.	25,280	25,460	-0.7
Food mfg.	34,470	34,220	0.7	Office furniture and fixtures mfg.	18,440	18,360	0.4
Paper mfg.	14,050	14,630	-4.0	Private service-providing			
Printing and related support activities	17,500	17,930	-2.4	Professional and technical services	239,600	244,630	-2.1
Chemical mfg.	28,610	29,760	-3.9	Administrative and support services	270,980	276,840	-2.1
Plastics and rubber products mfg.	41,390	41,830	-1.1	Health care and social assistance	505,460	498,150	1.5
Primary metal mfg.	25,790	26,870	-4.0	Ambulatory health care services	172,950	168,570	2.6
Fabricated metal product mfg.	83,370	83,670	-0.4	Hospitals	184,880	184,400	0.3
Machinery mfg.	73,660	75,260	-2.1	Arts, entertainment, and recreation	70,150	71,260	-1.6
Transportation equipment mfg.	206,790	227,270	-9.0	Accommodation and food services	353,540	352,260	0.4
Motor vehicle parts mfg.	137,370	150,040	-8.4	Food services and drinking places	315,720	314,460	0.4

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

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 (1982-84=100)

Year	Annual average	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CPI for All Urban Consumers (CPI-U)													
1987	113.568	111.198	111.632	112.133	112.734	113.068	113.535	113.769	114.403	114.970	115.271	115.438	115.404
1988	118.267	115.738	115.972	116.506	117.107	117.507	118.008	118.476	119.043	119.811	120.211	120.345	120.478
1989	123.967	121.100	121.600	122.300	123.100	123.800	124.100	124.400	124.600	125.000	125.600	125.900	126.100
1990	130.700	127.400	128.000	128.700	128.900	129.200	129.900	130.400	131.600	132.700	133.500	133.800	133.800
1991	136.200	134.600	134.800	135.000	135.200	135.600	136.000	136.200	136.600	137.200	137.400	137.800	137.900
1992	140.300	138.100	138.600	139.300	139.500	139.700	140.200	140.500	140.900	141.300	141.800	142.000	141.900
1993	144.500	142.600	143.100	143.600	144.000	144.200	144.400	144.400	144.800	145.100	145.700	145.800	145.800
1994	148.200	146.200	146.700	147.200	147.400	147.500	148.000	148.400	149.000	149.400	149.500	149.700	149.700
1995	152.400	150.300	150.900	151.400	151.900	152.200	152.500	152.500	152.900	153.200	153.700	153.600	153.500
1996	156.900	154.400	154.900	155.700	156.300	156.600	156.700	157.000	157.300	157.800	158.300	158.600	158.600
1997	160.500	159.100	159.600	160.000	160.200	160.100	160.300	160.500	160.800	161.200	161.600	161.500	161.300
1998	163.000	161.600	161.900	162.200	162.500	162.800	163.000	163.200	163.400	163.600	164.000	164.000	163.900
1999	166.575	164.300	164.500	165.000	166.200	166.200	166.200	166.700	167.100	167.900	168.200	168.300	168.300
2000	172.200	168.800	169.800	171.200	171.300	171.500	172.400	172.800	172.800	173.700	174.000	174.100	174.000
2001	177.067	175.100	175.800	176.200	176.900	177.700	178.000	177.500	177.500	178.300	177.700	177.400	176.700
2002	179.875	177.100	177.800	178.800	179.800	179.800	179.900	180.100	180.700	181.000	181.300	181.300	180.900
2003	183.958	181.700	183.100	184.200	183.800	183.500	183.700	183.900	184.600	185.200	185.000	184.500	184.300
2004	188.883	185.200	186.200	187.400	188.000	189.100	189.700	189.400	189.500	189.900	190.900	191.000	190.300
2005	195.292	190.700	191.800	193.300	194.600	194.400	194.500	195.400	196.400	198.800	199.200	197.600	196.800
2006	201.592	198.300	198.700	199.800	201.500	202.500	202.900	203.500	203.900	202.900	201.800	201.500	201.800
2007	203.756	202.416	203.499	205.352									
CPI for Urban Wage Earners and Clerical Workers (CPI-W)													
1987	112.465	110.015	110.451	110.955	111.559	111.928	112.432	112.667	113.271	113.842	114.144	114.278	114.211
1988	116.958	114.480	114.681	115.151	115.722	116.192	116.695	117.199	117.736	118.508	118.911	119.045	119.180
1989	122.600	119.700	120.200	120.800	121.800	122.500	122.800	123.200	123.200	123.600	124.200	124.400	124.600
1990	129.000	125.900	126.400	127.100	127.300	127.500	128.300	128.700	129.900	131.100	131.900	132.200	132.200
1991	134.300	132.800	132.800	133.000	133.300	133.800	134.100	134.300	134.600	135.200	135.400	135.800	135.900
1992	138.200	136.000	136.400	137.000	137.300	137.600	138.100	138.400	138.800	139.100	139.600	139.800	139.800
1993	142.100	140.300	140.700	141.100	141.600	141.900	142.000	142.100	142.400	142.600	143.300	143.400	143.300
1994	145.600	143.600	144.000	144.400	144.700	144.900	145.400	145.800	146.500	146.900	147.000	147.300	147.200
1995	149.800	147.800	148.300	148.700	149.300	149.600	149.900	149.900	150.200	150.600	151.000	150.900	150.900
1996	154.100	151.700	152.200	152.900	153.600	154.000	154.100	154.300	154.500	155.100	155.500	155.900	155.900
1997	157.600	156.300	156.800	157.000	157.200	157.200	157.400	157.500	157.800	158.300	158.500	158.500	158.200
1998	159.658	158.400	158.500	158.700	159.100	159.500	159.700	159.800	160.000	160.200	160.600	160.700	160.700
1999	163.233	161.000	161.100	161.400	162.700	162.800	162.800	163.300	163.800	164.700	165.000	165.100	165.100
2000	168.892	165.600	166.500	167.900	168.000	168.200	169.200	169.400	169.300	170.400	170.600	170.900	170.700
2001	173.517	171.700	172.400	172.600	173.500	174.400	174.600	173.800	173.800	174.800	174.000	173.700	172.900
2002	175.875	173.200	173.700	174.700	175.800	175.800	175.900	176.100	176.600	177.000	177.300	177.400	177.000
2003	179.808	177.700	179.200	180.300	179.800	179.400	179.600	179.600	180.300	181.000	180.700	180.200	179.900
2004	184.483	180.900	181.900	182.900	183.500	184.700	185.300	184.900	185.000	185.400	186.500	186.800	186.000
2005	190.975	186.300	187.300	188.600	190.200	190.000	190.100	191.000	192.100	195.000	195.200	193.400	192.500
2006	197.142	194.000	194.200	195.300	197.200	198.200	198.600	199.200	199.600	198.400	197.000	196.800	197.200
2007	198.905	197.559	198.544	200.612									

^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				Annual change (%)		
	July	U.S. Census April			2000–	1990–	1980–
	2005	2000	1990	1980	2005a	2000	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

^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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