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BUSINESS OUTLOOK
for West Michigan

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WEST MICHIGAN VIEWPOINT

2007 and 2008 Forecast for West Michigan

2006 Was a Disappointing Year for West Michigan

Nationwide, 2006 was a good year, but not for west Michigan and certainly not for the rest of the state. The nation's Gross Domestic Product (GDP) grew by 3.3 percent last year.

Of course, even nationally the year was not perfect. The nation's housing market went into a tailspin, and it remains unclear when it will recover. One of the truly surprising developments so far is that the plunging housing market has not affected consumer spending for appliances and furniture.

While employment grew by 1.8 percent nationwide in 2006, employment in west Michigan inched up by only 0.2 percent, an increase of just 2,100 jobs. Still, this was far better than the rest of the state, where employers eliminated nearly 20,000 jobs, 0.6 percent of their workforce.

Reduced Growth Expected for 2007 and 2008

Almost all national forecasters are predicting the economy will expand in 2007 and 2008, but at a slower pace. GDP is expected to grow between 2.5 and 2.8 percent in 2007. More disturbing to the state's economy is the continuing loss of market share by the Big Three. During the 12-month period ending in January, sales at Ford plunged by 20 percent and sales at General Motors by 16.5 percent, according to *Ward's AutoWorld*. The University of Michigan is forecasting that employment in Michigan will decline by 27,200 in 2007 and by another 13,200 in 2008.

A Quick Review of Last Year's Forecast

It is our tradition to check how our last year's forecast performed. Unfortunately, it did not do that well, as we see below. We predicted that total employment would increase by 0.8 percent during 2006 in the six metro areas of west Michigan. Instead, it rose by only 0.2 percent. The source of our error is very clear; we forecast employment in the area's goods-producing sector to be flat in 2006, when in fact it fell by 0.8 percent. The unexpected loss in goods-producing jobs in turn hampered the region's growth in services.

Revisiting Last Year's Forecast (% change)

	Actual 2006	Forecast 2006
Total	0.2	0.8
Goods-producing	−0.8	0.1
Service-providing	0.8	1.3
Government	−0.1	0.0

Employment Forecast for 2007 and 2008

We predict that total employment in the six metropolitan areas of west Michigan will increase by 0.5 percent in 2007 and by 0.6 percent in 2008. For three of the region's metro areas—Grand Rapids–Wyoming, Holland–Grand Haven, and Kalamazoo-Portage—we are predicting a repeat of last year's performance. In the other areas we are predicting economic turnarounds.

If our forecasts are on the mark, 2007 will be a year of sluggish employment growth for the region. Part of the reason is that the region's manufacturing sector continues to make necessary productivity improvements, which limit hiring. Of course, this is happening nationwide, and it enables our manufacturers to compete in a harsh global marketplace. Still, because of the region's high concentration in manufacturing activity, the emphasis on productivity improvements will by itself guarantee that employment in the region will grow more slowly than the national rate.

Employment Forecast for 2007 and 2008 (% change)

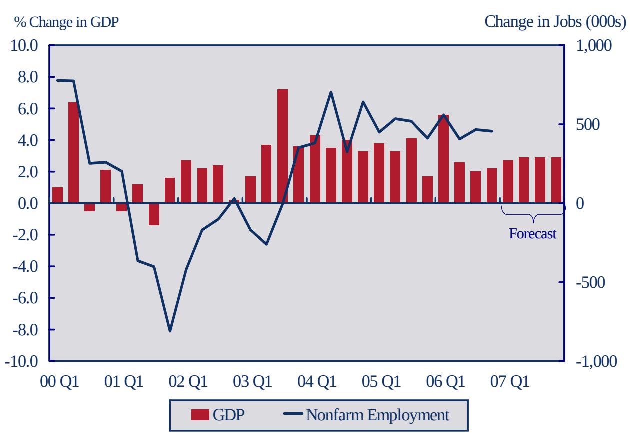
	Actual 2006	Forecast 2007	Forecast 2008
Battle Creek MSA			
Total	−0.4	0.4	0.6
Goods-producing	−1.5	−0.7	0.1
Service-providing	0.3	1.0	1.1
Government	−1.4	0.0	−0.6
Grand Rapids−Wyoming MSA			
Total	0.5	0.7	0.5
Goods-producing	−0.4	−0.9	−1.1
Service-providing	0.9	1.3	1.1
Government	0.2	0.2	0.2
Holland−Grand Haven MSA			
Total	0.6	0.5	1.0
Goods-producing	0.2	−0.5	0.3
Service-providing	1.3	1.3	1.5
Government	−0.5	-0.1	0.5
Kalamazoo-Portage MSA			
Total	0.1	0.3	0.2
Goods-producing	−1.8	−1.5	−1.1
Service-providing	0.6	0.8	0.5
Government	0.5	0.3	0.5
Muskegon−Norton Shores MSA			
Total	−0.3	0.6	1.2
Goods-producing	−0.6	−1.0	−0.4
Service-providing	0.1	1.2	1.8
Government	−1.6	0.1	0.4
Niles−Benton Harbor MSA			
Total	−0.6	0.7	0.7
Goods-producing	−3.4	−1.0	−0.9
Service-providing	0.4	1.6	1.4
Government	0.6	−0.2	−0.1
West Michigan			
Total	0.2	0.5	0.6
Goods-producing	−0.8	−0.9	−0.7
Service-providing	0.8	1.2	1.1
Government	−0.1	0.1	0.2

National Economy

The Fourth-Quarter Surprise

The nation's output of goods and services—Gross Domestic Product (GDP)—rose at a modest 2.2 percent annual rate during the fourth quarter of 2006. The gain was powered by robust consumer spending and solid export sales. Moreover, businesses unloaded some of their inventories to meet the quarter's jump in demand. Final sales of goods and services, which include the value of goods pulled from inventories, rose at a very healthy 5.3 percent annualized rate.

Gross Domestic Product and Nonfarm Employment



Nice gains in employment were recorded as well. Just over 500,000 jobs were created in the fourth quarter, which pushed the nation's unemployment rate down to 4.5 percent. Moreover, average weekly earnings rose by 1.0 percent.

Still, the pessimist in all of us can point to several troubling developments in the national statistics: a negative personal savings rate, an inverted yield curve, the growing trade deficit, and, of course, the struggling housing market. Indeed, the economy appears to have slowed somewhat during January. Employers created only 111,000 jobs, and the nation's unemployment rate crept back up to 4.6 percent. However, this fits with the view of almost all economists and forecasters, who believe that the national economy will continue to grow in 2007, but at a slower pace.

Consumers Continue to Spend More than They Earn

The quarter's jump in consumer spending was felt across the board. Spending on durable goods rose at a strong 4.4 percent annualized rate, and consumers had enough left over to buy nondurable goods at an even stronger 6.0 percent annual rate.

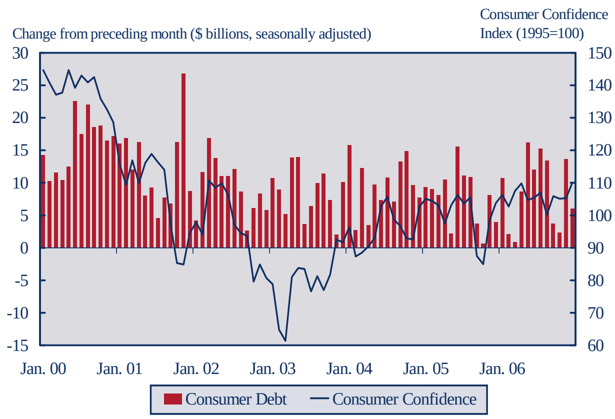
Consumers avoided the nation's car lots, as spending on autos and parts was down during the quarter. Instead, they replaced their appliances and bought new furniture. Traditionally, purchases on household furniture and appliances are associated with buying a new home; however, this is clearly not the case now.

Consumer confidence has been at record highs. However, the February reading of consumer sentiment fell unexpectedly according to the consumer surveys conducted by Reuters and the University of Michigan. Analysts attributed the decline to growing concerns over unemployment and inflation.

In addition, some households may be worried about their financial situation, as the nation's savings rate has remained negative for the past seven quarters. During the fourth quarter, after-tax income rose by a healthy 5.3 percent annualized rate; however, for every $100 of after-tax income households made, they spent slightly more than $101. Of course, asset growth could support this additional spending, and the stock market reached new highs in February. Still, for many households, their home is their largest asset, and for many it has lost value during the past year.

Although there are media reports on the increasing number of home foreclosures and on the growing number of households facing severe financial problems, current levels of consumer debt seem to be supportable. Recent monthly additions to consumers' debt burden are well within historical norms.

Consumer Confidence and Consumer Debt



Little Sign of a Turnaround in Housing

Recent indicators suggest that the nation's housing market has not yet reached bottom. Residential construction declined at a 19.1 percent annualized rate during the quarter, after falling at an 18.7 percent annualized rate in the third quarter. In January, housing starts fell 14.3 percent, reaching their slowest annualized pace—14.1 million units—in nine years. Moreover, the number of building permits issued fell to a 1.57-million-unit annualized rate in January, compared to a 2.20-million-unit pace twelve months earlier. The 1.57-million-unit rate represented a 28.6 percent decline from the previous quarter.

Finally, according to the National Association of Realtors, housing prices fell by 2.7 percent in the fourth quarter from the previous fourth quarter, the largest drop on record. Moreover, the decline spread throughout the year, as 73 metro areas witnessed year-over-year declines in the fourth quarter, compared to only 45 in the third and 26 in the second quarter.

One of the biggest surprises so far is that declining housing prices and stalled residential construction have not caused collateral damage to the rest of the economy. This is surprising because buying a home often means buying new furniture and appliances as well. However, as was discussed above, households are buying new appliances and furniture anyway. It's also surprising because economists believed that the nation's buying spree was supported in part by homeowners taking equity out of their homes. While this may have been true, consumers apparently have found other means to support their spending ways.

$7,300 per Person in Imported Goods

The trade deficit reached a record $763.2 billion in 2006, despite the fact that exports increased by 8.9 percent and imports rose by 5.8 percent. In 2006, the nation imported $2.2 trillion worth of goods and services, which translates to $7,300 per person. The good news is that cheap imports have helped to keep inflationary pressures in check.

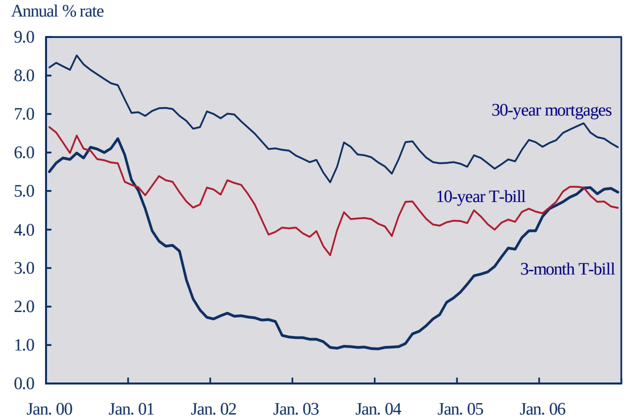
At the same time, the nation's trade imbalance has pushed the value of the dollar lower relative to other major currencies. The value of the greenback against a composite of major currencies fell by 2.3 percent during the 12-month period ending in January. This has made our exports more competitive, but it has increased the prices of imported goods. This is good news for domestic producers who compete against imports; however, it also will mean higher prices for consumers.

In addition, as is discussed below, our trade deficit has kept long-term interest rates low, which helps to explain why so many economists are ignoring the inverted yield curve this time around.

Is the Yield Curve Losing Its Significance?

An inverted yield curve occurs when long-term interest rates are below short-term rates. As of January, the interest rate on 90-day Treasury bills averaged 5.11 percent, while the interest rate on 10-year Treasury notes averaged 4.76 percent. Historically, when this happens it has been associated with an economic downturn. In fact, the inverted yield curve has been one of the more consistent economic warning buoys known. An inverted or flat yield curve is typically the outcome of a restrictive monetary policy that pushes hard on short-term rates to stem inflationary pressures. Inflation can be curbed using this tactic; however, it may come at the cost of a recession.

Interest Rates



Currently, the Federal Reserve (the Fed) likes 5.25 percent. After pushing its target for the Federal Funds Rate—the rate banks charge for overnight loans—from a low of 1.0 percent in June of 2003 to 5.25 percent in June of last year, the Fed has held tight. Moreover, most economists predict that the Fed will keep it there for several more months. Historically, this is an unusually low rate to be associated with an inverted or flat yield curve, suggesting that something else is going on.

The something else is that foreign investors apparently are choosing to invest dollars, acquired from their nations' ongoing trade surplus with the U.S., back into the U.S. Moreover, a large portion of these funds are being used to purchase government bonds. This has pushed up bond prices, which in turn lowers their rate of return, i.e., their market rate of interest. Fortunately, low long-term rates support investment spending and help keep mortgages affordable, which will only help the struggling housing industry.

In short, the causes of today's inverted yield curve are markedly different from those of yesteryear's, and hence it may not be as worrisome as in the past.

Outlook Is Positive

Certainly, a sobering tale could be told that could tie the nation's negative savings rate, plunging housing prices, and inverted yields curve into one ugly package. However, most economists do not buy it. The consensus forecast prepared by the Federal Reserve Bank of Philadelphia calls for the nation's GDP to grow by 2.8 percent this year.

Moreover, the surveyed forecasters have upgraded their forecast since the previous quarter, when they called for only 2.6 percent growth in 2007. They also predict that nonfarm payroll employment will increase at a rate of 135,000 jobs per month in 2007, and that the nation's unemployment rate will average 4.7 percent for the year. For 2008, the forecasters venture a forecast of 3.0 percent growth; however, they also say the nation's unemployment rate will rise to 4.8 percent.

REGIONAL ECONOMY

All of the Great Lakes States See Positive Employment Growth, Except for One

In the latest *Beige Book* report, researchers at the Federal Reserve Bank of Chicago reported that economic conditions in the Great Lakes region "continued to expand, though at a more modest pace" during the final two months of the year. Manufacturing expansion in the multistate region slowed during the period, although there were pockets of strength, such as the energy and aerospace industries. In addition, toolmakers and heavy equipment manufacturers hired more workers. Some of the export manufacturers mentioned that their markets were improving, in part because of the falling dollar. Finally, the region's diesel engine producers were extremely busy trying to beat the enactment of new, stricter EPA emissions requirements, which took effect on January 1.

To no one's surprise, the region's homebuilders reported slow conditions, and real estate prices were stable at best throughout the region. The slowdown in the housing market has cut back on the demand for mortgages; however, it has not significantly affected the quality of household credit, according to bank lending officers interviewed.

Last year, employment in the five-state Great Lakes region rose by a modest 0.4 percent, a gain of nearly 78,000 jobs. However, the region's performance pales in comparison to that of the rest of the nation, where employment rose by 1.9 percent. The region's manufacturers eliminated 2.3 percent of their workforce during the period, whereas the nation's manufacturers trimmed only 0.1 percent of theirs.

If the region's manufacturers had kept abreast of their national counterparts, the region's overall employment gains would have likely surpassed the rest of the nation's, because of the large employment multiplier associated with manufacturing. Every manufacturing worker in the region likely supports up to two additional workers. That ratio is much higher for auto assembly workers in Michigan.

Once again, only Michigan was unable to post employment gains among the region's five states. And while all of the states reported employment losses in manufacturing, Michigan's loss of 5.8 percent of its manufacturing workforce during the 12-month period was far deeper than any of the others.

Now It Is Ford and Chrysler Taking Hits

Ford's January bombshell that it lost $12.7 billion in 2006 comes one year after General Motors announced that it had lost $10.6 billion in 2005. Ford had previously announced that it would close 16 plants and eliminate as many as 44,000 jobs, and the cost of doing this accounted for a large part of the company's huge loss; however, at the same time, the automaker has been losing market share.

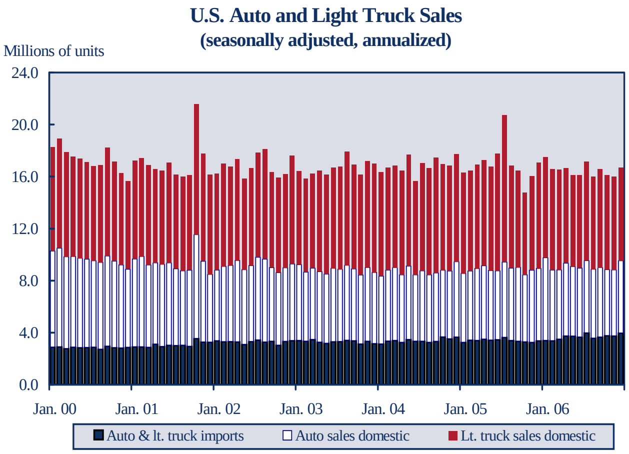
Employment and Earnings[a]

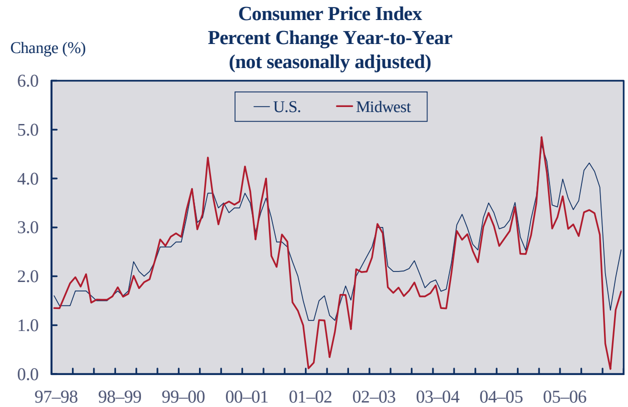
Great Lakes region	December 2006	December 2005	Percent change	Great Lakes region	December 2006	December 2005	Percent change
Illinois				**Ohio**			
Total employment	5,958,900	5,894,000	1.1	Total employment	5,449,400	5,445,700	0.1
Mfg. employment	678,900	687,500	-1.3	Mfg. employment	797,200	814,200	-2.1
Avg. weekly hours	41.5	41.1	1.0	Avg. weekly hours	41.3	41.4	-0.2
Avg. hourly earnings	$16.26	$15.92	2.1	Avg. hourly earnings	$19.87	$19.27	3.1
Indiana				**Wisconsin**			
Total employment	2,986,300	2,975,900	0.3	Total employment	2,879,600	2,861,000	0.7
Mfg. employment	566,600	571,200	-0.8	Mfg. employment	505,200	509,000	-0.7
Avg. weekly hours	41.3	42.3	-2.4	Avg. weekly hours	40.6	41.3	-1.7
Avg. hourly earnings	$18.63	$18.70	-0.4	Avg. hourly earnings	$17.05	$16.67	2.3
Michigan				**United States**			
Total employment	4,376,700	4,396,500	-0.5	Total employment (000)	137,147	134,904	1.7
Mfg. employment	637,500	676,900	-5.8	Mfg. employment (000)	14,125	14,209	-0.6
Avg. weekly hours	43.6	42.9	1.6	Avg. weekly hours	41.0	40.8	0.5
Avg. hourly earnings	$22.31	$21.88	2.0	Avg. hourly earnings	$16.96	$16.68	1.7

NOTE: December 2006 lists preliminary numbers.

[a]Employment 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).





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

In February, the Chrysler Group announced that it would eliminate approximately 16 percent of its North American workforce, or 13,000 workers, and 10 percent of its production capacity in the next three years. The announced cut was deeper than analysts had expected and will affect 9,000 U.S production workers, 2,000 Canadian production workers, and 2,000 white-collar workers primarily located in Detroit. Moreover, the Chrysler Group's German parent, DaimlerChrysler, made overtures that it would be willing to sell the company.

The problems facing the Big Three are well known: Ford, GM, and Chrysler continue to lose market share and are the high-cost producers in North America. Their year-over-year sales for January fell by 13.5 percent, while Toyota enjoyed a 9.5 percent increase in sales, followed by Nissan with an 8.9 percent gain and Honda with a 2.4 percent gain. In terms of market share, the Big Three witnessed their share plunging from 57 percent in January 2006 to 51.8 percent in January 2007. This January, Toyota's share of the North American market stood at 16.2 percent, compared to 14.8 percent for Ford and 14.4 for Chrysler, according *Ward's AutoWorld*.

The second problem facing the Detroit trio is their cost structure. According to estimates released by Fortune in association with the Harbour-Felax Group—a well regarded auto consulting organization—the Japanese carmakers make $2,900 more per vehicle than the Big Three. Harbour-Felax estimates that General Motors spends $1,635 per vehicle on health care for active and retired workers, while Toyota which has only a handful of retirees (and hence a very small health-care burden), pays only $215 per vehicle on health care.

During the first half of 2006, Harbour-Felax estimates Nissan was clearing $1,800 per car and Toyota and Honda netted $1,400 per vehicle, while Ford lost $1,400 per vehicle, DaimlerChrysler $1,100, and General Motors $333.

In short, the economic situation facing the Big Three looks grim. Adding to the companies' troubles, forecasters are predicting that car sales may be a bit off in 2007 and 2008.

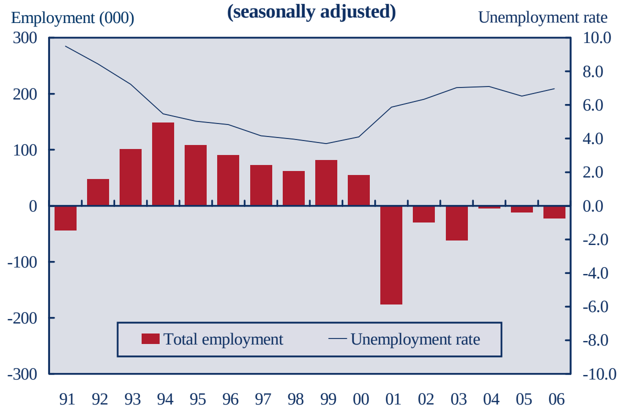
Midwest Price Increases Remain Below Average

Given that the Midwest's economy is growing at a slower pace than the nation's, it is not surprising that prices in the Midwest are more stable than those for the nation as a whole. During the 12-month period ending in December, consumer prices rose by just 1.7 percent in the Midwest compared to 2.5 percent nationwide.

State Of Michigan Economy

Statewide, total employment rose 0.2 percent during the final quarter of 2006. Employment gains in the state's service-providing sector more than offset losses in the state's troubled goods-producing sector. The small employment gain, a pickup of nearly 7,000 jobs, helped nudge the state's unemployment rate down to 7.0 percent. Statewide, economic indicators were mixed during the quarter, suggesting that the current lackluster employment conditions may hold in the coming months.

Michigan Employment Change and Unemployment Rate
(4th quarter to 4th quarter)
(seasonally adjusted)



Employment in the state's goods-producing sector fell by 0.4 percent during the fourth quarter. Given that the number of dwelling units put under contract for construction declined by slightly more than 10 percent during the quarter, and by nearly 50 percent during the past four quarters, it is not surprising that construction employment fell by 0.9 percent in the quarter and by 1.0 percent for the most recent four-quarter period.

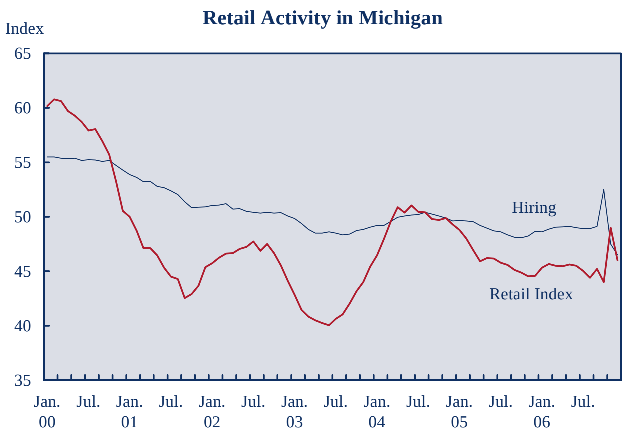
Manufacturing employment fell by only 0.2 percent during the quarter, and the state's nondurable goods producers even increased their payrolls by 0.9 percent. Nevertheless, during the past four quarters, every major manufacturing sector lost employees in the state with the exception of office furniture. The state's auto suppliers eliminated 14,000 jobs during the year, and the entire transportation equipment industry lost more than 27,000 jobs. Outside of the auto industry, substantial manufacturing job losses were also reported in paper, chemicals, and plastics.

The state's auto industry has already eliminated thousands of jobs through early buyout agreements. At Delphi, for example, an estimated 20,000 of 32,000 long-tenured hourly United Auto Workers (UAW) employees have left. Temporary workers were hired to replace many of them, and some are now permanent employees but on a lower wage scale. American Axle announced that nearly 1,500 workers took its early-retirement incentives. The company offered the incentives in October to about 6,000 employees represented by the UAW at five plants, including its plant in Three Rivers. On top of these losses comes Chrysler's announcement that it will eliminate 5,300 workers in the state by 2009, including 1,600 white-collar jobs.

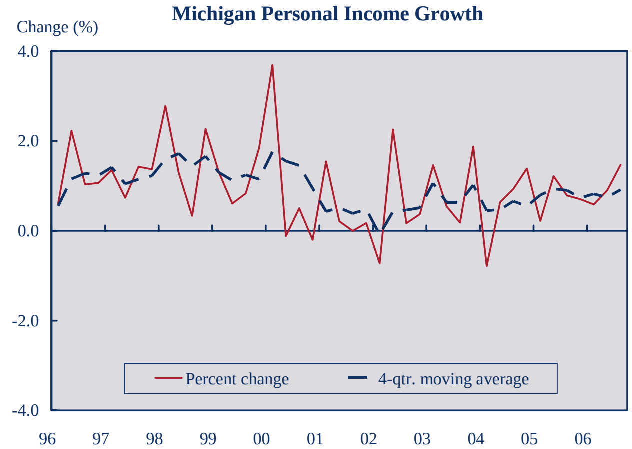
Unfortunately, bad news is not restricted to the state's auto industry. As part of its worldwide restructuring, the pharmaceutical giant Pfizer announced that it is closing two research facilities in Ann Arbor, which will eliminate up to 2,160 jobs, and that it is taking another 250 jobs out of its diminishing research activities in Kalamazoo County. Economists at the University of Michigan estimate that the total impact of this move will be a loss of nearly 6,000 jobs in Michigan over the next three years. For every job lost in Ann Arbor, another 1.7 jobs will be lost statewide.

Employment in the state's service-providing sector rose by 0.3 percent during the quarter. Only the state's information and retail sectors lost employment during the quarter. State retailers have been hit hard because of Michigan's job losses and the accompanying loss in population from outmigration. In addition, the state's personal income growth has been modest relative to the nation's. The monthly survey of the state's retailers conducted by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association shows that, after a strong spike in activity in August of last year, the industry has renewed its downward trend, which started in January 2004.

The fourth-quarter readings of the state's economic indicators were mixed. The Detroit Index of Help-Wanted Advertising was up sharply in the quarter, rising by nearly 12 percent, which suggests that employment conditions in the state's service-providing sector may improve in the coming months. Moreover, new claims for unemployment insurance fell by 1.8 percent during the quarter.



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



Employment by Place of Work
December
(seasonally adjusted)

Labor market area	Total nonfarm	% change, 2005–06	Goods-producing	% change, 2005–06	Private service–providing	% change, 2005–06
United States	137,147,000	1.7	22,522,000	0.5	92,518,000	2.1
Michigan	4,376,700	-0.5	837,100	-4.7	2,850,000	0.7
West Michigan MSAs:						
Battle Creek	61,780	-0.9	15,690	-2.5	35,700	-0.3
Grand Rapids–Wyoming	394,210	-0.2	91,140	-1.1	265,110	0.2
Holland–Grand Haven	117,480	0.3	44,020	-0.7	57,730	1.6
Kalamazoo-Portage	145,540	0.0	29,640	-1.3	91,790	0.1
Muskegon–Norton Shores	66,880	-0.9	15,880	-1.9	41,620	-0.7
Niles–Benton Harbor	64,610	-1.0	16,610	-3.4	39,830	-0.5
Other labor market areas:						
Ann Arbor	202,790	-0.2	26,380	-6.9	109,550	0.9
Bay City	39,130	-0.7	5,770	0.0	27,230	-0.7
Detroit-Warren-Livonia	2,008,000	-1.1	341,730	-6.2	1,437,050	0.2
Flint	152,300	-1.5	25,490	-8.5	102,150	0.1
Jackson	59,940	-2.3	11,840	-7.1	38,020	-1.5
Lansing–East Lansing	228,340	0.4	29,960	-0.6	132,790	-0.1
Monroe	43,060	-1.6	9,890	-6.7	26,590	0.0
Saginaw	91,330	-1.8	16,560	-3.5	62,180	-0.8

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

WEST MICHIGAN ECONOMY

Employment in the six metropolitan areas of West Michigan inched downward by 0.1 percent during the last quarter of 2006. Employment reductions in the region's goods-producing sector more than offset modest gains in its service-providing sector. The region's unemployment rate remained unchanged. Unfortunately, all of the region's economic indicators deteriorated during the quarter, suggesting that sluggish employment conditions will continue during the next several months.

Employment in the region's goods-producing sector fell by 0.6 percent during the quarter. Weak housing conditions forced layoffs in construction, while the state's struggling auto industry was largely the blame for a 0.6 percent decline in manufacturing employment. Unfortunately, conditions in both sectors are expected to remain sluggish, restricting the region's growth potential in the coming months.

On the upside, industry analysts believe that the region's office furniture industry should have another good year in 2007. The primary growth factors of the industry look solid: white-collar hiring remains strong, corporate profits are good, and nonresidential construction is holding its own.

Not surprisingly, therefore, the region's office furniture industry continues to report robust earnings. In December, Herman Miller posted a $36.6 million profit, representing an increase of 31 percent over the $27.9 million the company made in the same period last year. It is the highest per share profit the company has recorded. Meanwhile, Steelcase recorded its highest quarterly sales and earnings report in more than five years. The office furniture leader reported that profits were up 72 percent from the $19.1 million accumulated during the same period last year, for a quarterly profit of $32.8 million. Finally, Haworth, which is privately held, reported that 2006 was its highest sales year since 2001. The Holland-based company said sales reached $1.48 billion last year, up 7.0 percent from the year before. All three companies said that international sales accounted for the lion's share of the increase in business activity.

The industry's trade association, Business and Institutional Furniture Manufacturer's Association (BIFMA), reports that industry shipments grew 7.4 percent in 2006, reaching $10.82 billion. BIFMA projects that industry shipments will grow by 7.3 percent in 2007 hitting $11.6 billion.

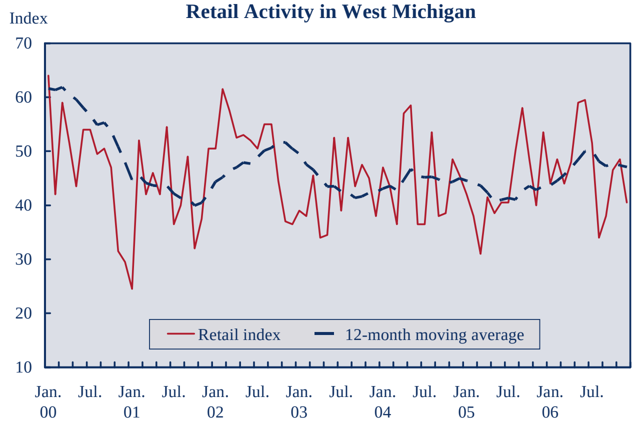
Michael Dunlap's most recent polling of industry executives, which occurred in January, also found furniture makers' mood to be upbeat. His survey-based quarterly index rose to 57.91, which is very similar to its October reading of 57.99 and is above its 56.56 reading of a year ago.

Still, the industry is doing more with less, in terms of employment. During the four-quarter period ending in December, office furniture employment fell by 170 jobs in the Grand Rapids–Wyoming Metropolitan Statistical Area (MSA) and by 100 jobs in the Holland–Grand Haven MSA.

Employment in the region's service-providing sector rose by 0.2 percent during the quarter. Substantial job gains were reported in the region's leisure and hospitality sector and its professional and business services sector. Employment was down slightly in education and health services during the quarter; however, during the past four quarters, this sector has added more than 2,000 jobs.

Retail trends remain weak in the region. They are being held down, in part, by the region's stagnant employment situation. Since last spring, retail activity in west Michigan has been sluggish, according to the survey of regional retailers prepared by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association. Retailers trimmed another 0.4 percent from their workforce during the fourth quarter and have eliminated more than 1,000 jobs during the past four quarters.

Retail Activity in West Michigan



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

Government employment declined by 0.6 percent during the quarter and was down by 0.8 percent during the past year, a loss of more than 800 positions.

Despite the lack of job growth, the region's composite unemployment rate remained at 6.3 percent during the fourth quarter, and the actual number of job seekers declined by 2.0 percent during the period.

Unfortunately, all three economic indicators turned negative during the fourth quarter, suggesting that employment conditions will not improve during the coming months. The region's composite Index of Help-Wanted Advertising, which monitors employment conditions in the region's service sectors, fell by 6.7 percent. The number of new claims for unemployment insurance rose by 3.9 percent. Finally, not surprisingly, the number of new dwelling units put under contract for construction fell by 9.3 percent.

West Michigan (6 MSAs) Statistics
(seasonally adjusted)

Measure	2006 Q4	2006 Q3	% change, Q3 to Q4	2005 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	849,790	850,620	-0.1	851,920	-0.3
Goods-producing	213,460	214,810	-0.6	215,820	-1.1
Construction and mining	38,130	38,400	-0.7	38,710	-1.5
Manufacturing	175,340	176,410	-0.6	177,110	-1.0
Durable goods (5 MSAs)[a]	112,390	113,610	-1.1	113,620	-1.1
Nondurable goods (5 MSAs)[a]	48,460	48,260	0.4	48,570	-0.2
Private service–providing	530,700	529,570	0.2	529,650	0.2
Transportation and utilities	22,600	22,560	0.2	22,570	0.1
Wholesale trade	37,700	37,610	0.2	36,530	3.2
Retail trade	95,140	95,570	-0.4	96,170	-1.1
Information (5 MSAs)[b]	9,890	9,770	1.2	9,980	-0.9
Financial activities	38,330	38,550	-0.6	38,680	-0.9
Professional and business services	95,480	94,670	0.9	95,840	-0.4
Educational and health services	118,580	118,640	-0.1	116,560	1.7
Leisure and hospitality	76,410	75,670	1.0	76,520	-0.1
Other services	36,520	36,540	-0.1	36,820	-0.8
Government	105,640	106,230	-0.6	106,450	-0.8
Unemployment					
Number unemployed	60,760	62,020	-2.0	54,690	11.1
Unemployment rate (%)	6.3	6.3		5.6	
Local indexes					
Help-wanted ads (4 MSAs) (1996=100)[c]	28	30	-6.7	36	-22.2
UI initial claims	2,322	2,235	3.9	2,015	15.2
New dwelling units[d]	5,136	5,664	-9.3	10,739	-52.2

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

[a] Niles–Benton Harbor MSA employment data is not available.

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

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

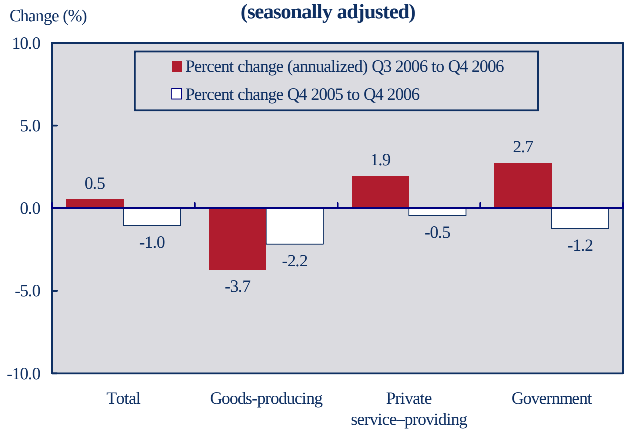
[d] Seasonally adjusted annual rates. Van Buren County is not included.

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

BATTLE CREEK MSA

Employment in Calhoun County inched up by 0.1 percent during the final quarter of 2006. Employment gains in the county's service-providing and government sectors just offset the decline in its goods-producing sector. The slight gain in employment nudged the county's unemployment rate down to 7.0 percent during the quarter. The fourth-quarter readings of the area's economic indicators were all positive, suggesting that employment conditions could improve in the coming months.

Battle Creek MSA Employment Growth (seasonally adjusted)



Employment in the county's goods-producing sector fell by 0.9 percent during the quarter, a loss of 150 jobs. One-third of the job loss occurred in construction, despite a 55.9 percent jump in the number of new housing units put under contract for construction. This fourth-quarter jump in housing starts, however, was not enough to offset previous declines: during the past four quarters, housing activity fell by 10.4 percent in the county.

Manufacturing employment fell by 0.7 percent during the quarter. The job losses were almost equally shared by the county's durable and nondurable goods producers. During the past year, the lion's share of employment losses in the county's manufacturing sector have come from its auto suppliers laying off workers: county auto suppliers eliminated 300 jobs during the past year. Overall, the annualized pace of the fourth quarter's employment decline in the county's goods-producing sector, 3.7 percent, was steeper than the sector's decline during the past four quarters, 2.2 percent.

In an interesting development in Albion, a small cluster of activity may be building around the area's new ethanol plant. Continental Carbonic Products will take byproduct gas made by The Andersons Albion Ethanol LLC plant and convert it into liquid carbon dioxide and dry ice. The $1.7 million, 45,000-square-foot plant hired about 50 employees initially and may add another 20 workers in the future.

The county's service-providing sector grew during the quarter, despite a loss of jobs in its goods-producing sector. The county's private service providers added 170 jobs, a 0.5 percent increase, during the quarter. Job gains were reported in the area's leisure and hospitality, education and health, and trade sectors. The area's 0.4 percent increase in retail employment is somewhat surprising given statewide trends and the overall lack of job growth. However, over the four-quarter period, county retailers have trimmed their workforce by 2.9 percent.

Government employment rose by 0.7 percent during the fourth quarter because of a large 2.1 percent employment gain reported by the area's local governments, which include its public schools.

The area's unemployment rate inched down to 7.0 percent during the quarter, and the number of unemployed persons fell by 2.1 percent.

All of the area's economic indicators were up in the quarter, suggesting that the area's employment conditions could improve in the coming months. Its Index of Help-Wanted Advertising, which monitors conditions in the area's service-providing sector, was up 3.1 percent. New claims for unemployment insurance were down 4.6 percent, and, as mentioned before, the number of dwelling units put under contract for construction increased sharply during the quarter. Finally, the latest Manpower survey showed that 30 percent of surveyed companies planned to add workers during the first quarter of this year, and only 3.0 percent said they would reduce their workforce. Last year, only 10 percent of the firms surveyed had hiring plans, while 23 percent said that they were thinking of cutting back.

Battle Creek MSA
(seasonally adjusted)

Measure	2006 Q4	2006 Q3	% change, Q3 to Q4	2005 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	61,440	61,360	0.1	62,090	-1.0
Goods-producing	15,750	15,900	-0.9	16,100	-2.2
Construction and mining	2,190	2,240	-2.2	2,280	-3.9
Manufacturing	13,560	13,660	-0.7	13,820	-1.9
Durable goods	8,550	8,610	-0.7	8,810	-3.0
Nondurable goods	5,010	5,050	-0.8	5,010	0.0
Private service–providing[a]	35,310	35,140	0.5	35,470	-0.5
Transportation and utilities	1,690	1,680	0.6	1,690	0.0
Wholesale trade	1,520	1,510	0.7	1,420	7.0
Retail trade	6,730	6,700	0.4	6,930	-2.9
Financial activities	1,590	1,600	-0.6	1,590	0.0
Professional and business services	5,320	5,460	-2.6	5,460	-2.6
Educational and health services	10,190	10,030	1.6	10,240	-0.5
Leisure and hospitality	5,930	5,850	1.4	5,830	1.7
Other services	2,310	2,310	0.0	2,310	0.0
Government[b]	10,390	10,320	0.7	10,520	-1.2
Federal government	3,280	3,270	0.3	3,250	0.9
Local government	6,750	6,610	2.1	6,690	0.9
Unemployment					
Number unemployed	5,150	5,260	-2.1	4,570	12.7
Unemployment rate (%)	7.0	7.1		6.2	
Local indexes					
Help-wanted ads (1996=100)	28	27	3.1	30	-6.7
UI initial claims	240	252	-4.6	221	8.4
New dwelling units[c]	271	174	55.9	302	-10.4

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

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

[b] Data for state government is not available.

[c] Seasonally adjusted annual rates.

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

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

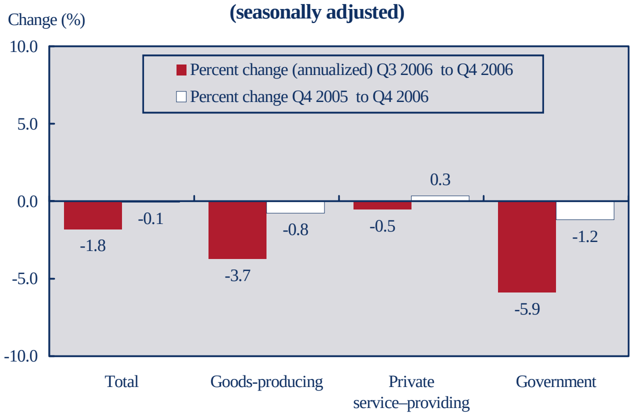
Industry	2006 Q4	2005 Q4	Percent change	Industry	2006 Q4	2005 Q4	Percent change
Goods-producing	15,830	16,200	-2.3	**Government**	10,670	10,800	-1.2
Transportation equipment	5,100	5,400	-5.6	Local govt. educational svcs.	4,870	4,870	0.0
Private service–providing	35,870	35,930	-0.2				
Accommodations & food svcs.	3,630	3,670	-0.9				
Admin. support & waste mgmt.	5,130	4,970	3.4				

SOURCE: Michigan Department of Labor and Economic Development.

GRAND RAPIDS–WYOMING MSA

Employment fell by 0.5 percent in the Grand Rapids–Wyoming MSA during the fourth quarter. Employment reductions were reported across all of the area's major sectors. Despite the loss of more than 1,800 jobs, the area's unemployment rate inched down to 6.2 percent during the quarter. The fourth-quarter readings of the area's economic indicators were mostly negative, suggesting that employment conditions may not improve in the coming months.

Grand Rapids–Wyoming MSA Employment Growth (seasonally adjusted)



The area's goods-producing employers trimmed 0.9 percent off their workforce during the final quarter of last year, a loss of 870 jobs. Although the number of new dwelling units put under contract for construction fell by 23 percent, the area's construction and mining firms only reduced their workforce by 0.2 percent. On the other hand, manufacturers reduced their payrolls by 1.1 percent, eliminating 830 jobs. Employment losses were reported by both the area's durable and its nondurable goods producers.

The area's auto suppliers have eliminated 770 jobs during the past four quarters, reflecting the fact that most of the area's auto companies supply the Big Three, which continue to lose market share. However, the sector received some good news in that Meridian Automotive Systems not only has emerged from Chapter 11 bankruptcy but announced that it is investing up to $4 million in its three area plants. The struggling auto supplier employs approximately 750 workers in the area, a figure that is down 15 percent from the company's previous levels.

Unfortunately, employment losses in the area are not restricted to automotive. Yamaha Musical Products announced that it is closing its musical instrument plant in April. The plant employs approximately 200 workers. The firm is closing a similar-sized plant in Georgia as well and moving the work from both plants to existing plants in Asia.

Not all the news is bad, however. Alpinist Endeavors has invested $19 million in the Lear Corporation's former 775,000-square-foot facility in Walker. Currently, two firms, Grand Rapids Spring and Stamping and Amstore, which makes retail shelving and display racks, have moved into the building. Together, they employ approximately 175 workers. Another area shelving maker, Creative Merchandising Systems (CMS), is also expanding in the area, hiring 11 new workers.

In addition, Clipper Belt Lacer Company, a maker of products for cleaning conveyors, is investing $4 million in existing operations and could add 14 new jobs to its existing workforce of 83 employees. Finally, Precision Aerospace announced that it would add up to 20 jobs because of a new $2 million project for production of hydraulic systems used in the Boeing 787 and other aircraft.

In Barry County, the face of the town of Hastings is changing: Hastings Manufacturing announced that it plans to sell its 26-acre piston-ring facility to a Grand Rapids real-estate development firm, which will redevelop the property for residential and commercial use. Hastings Manufacturing plans to relocate its operations to an 18-acre site. The firm employs approximately 225 employees and designs and manufactures piston rings.

Employment in the area's service-providing sector was off by a scant 0.1 percent during the quarter. Employment declines in retail and wholesale trade, financial activities, and education and health services erased gains in information, professional and business services, and leisure and hospitality. The area's government sector suffered employment reductions as well: local government, which includes public schools, eliminated nearly 600 jobs, a loss of 1.9 percent during the quarter.

Despite the employment losses, the area's unemployment rate inched down to 6.2 percent and the number of job seekers fell by 2.6 percent.

The fourth-quarter readings of the area's economic indicators were mixed. The area's Index of Help-Wanted Advertising, which tracks employment conditions in the area's service-providing sector, fell by nearly 10 percent, and the number of new dwelling units put under contract for construction fell by 23 percent. In addition, Brian Long, the author of a survey of area purchasing managers, summarized his February survey as "back to flat" (see page 22). However, the number of new claims for unemployment insurance was down 1.4 percent during the quarter.

The Manpower survey of area companies found that employers held the same modest hiring expectations in the fourth quarter as they had in the same quarter last year. Twenty percent of the surveyed employers expect to add staff this year, and 10 percent expect to trim their workforce. Last year 20 percent expected to hire more workers, while an identical 20 percent intended to cut the payrolls.

Grand Rapids–Wyoming MSA
(seasonally adjusted)

Measure	2006 Q4	2006 Q3	% change, Q3 to Q4	2005 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	394,220	396,030	-0.5	394,480	-0.1
Goods-producing	91,390	92,260	-0.9	92,100	-0.8
Construction and mining	18,370	18,410	-0.2	18,600	-1.2
Manufacturing	73,020	73,850	-1.1	73,500	-0.7
Durable goods	50,580	51,310	-1.4	51,590	-2.0
Nondurable goods	22,440	22,530	-0.4	21,910	2.4
Private service–providing	264,850	265,200	-0.1	263,930	0.3
Transportation and utilities	10,440	10,450	-0.1	10,500	-0.6
Wholesale trade	22,730	22,830	-0.4	22,030	3.2
Retail trade	42,860	43,140	-0.6	43,300	-1.0
Information	5,620	5,570	0.9	5,580	0.7
Financial activities	21,860	21,950	-0.4	21,980	-0.5
Professional and business services	54,110	53,770	0.6	54,550	-0.8
Educational and health services	57,250	57,530	-0.5	55,490	3.2
Leisure and hospitality	32,320	32,190	0.4	32,750	-1.3
Other services	17,650	17,770	-0.7	17,750	-0.6
Government	37,990	38,570	-1.5	38,450	-1.2
Federal government	3,330	3,300	0.9	3,370	-1.2
State government	3,980	4,010	-0.7	3,950	0.8
Local government	30,670	31,260	-1.9	31,130	-1.5
Unemployment					
Number unemployed	25,550	26,230	-2.6	23,050	10.8
Unemployment rate (%)	6.2	6.3		5.6	
Local indexes					
Help-wanted ads (1996=100)	23	26	-9.9	33	-30.3
UI initial claims	883	896	-1.4	776	13.8
New dwelling units[a]	2,284	2,966	-23.0	5,093	-55.2

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

[a] Seasonally adjusted annual rates.

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

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

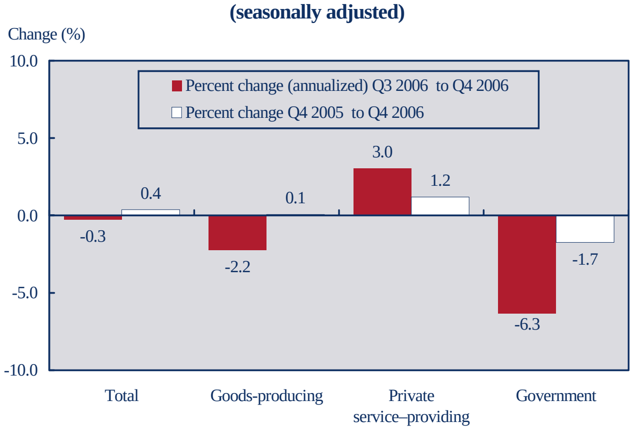
Industry	2006 Q4	2005 Q4	Percent change	Industry	2006 Q4	2005 Q4	Percent change
Goods-producing	92,230	92,970	-0.8	Professional, scientific, tech. svcs.	15,900	15,200	4.6
Transportation equipment	14,900	15,430	-3.5	Mgmt. of co's & enterprises	6,170	6,270	-1.6
Motor vehicle parts	12,230	13,000	-5.9	Admin. support & waste mgmt.	33,170	34,200	-3.0
Furniture & related products	7,130	7,530	-5.3	Employment services	23,870	24,500	-2.6
Office furniture	6,400	6,570	-2.5	Educational services	12,300	12,100	1.7
Food	5,530	5,430	1.8	Elem. & Thirdary schools	4,130	4,170	-0.8
Chemical	4,370	4,330	0.8	Health care & social assistance	45,700	44,100	3.6
Plastics & rubber	7,100	7,070	0.5	Ambulatory health services	14,400	13,800	4.3
Private service–providing	268,370	267,470	0.3	Hospitals	18,530	18,370	0.9
General merchandise stores	10,000	10,300	-2.9	Accommodations & food svcs.	28,630	28,500	0.5
Department stores	3,570	3,530	0.9	**Government**	39,330	39,800	-1.2
Finance & insurance	17,270	17,530	-1.5	Local govt. educational svcs.	21,570	21,930	-1.7

SOURCE: Michigan Department of Labor and Economic Growth.

HOLLAND–GRAND HAVEN MSA

Total employment in Ottawa County was off by just 0.1 percent during the fourth quarter. Employment reductions by the area's goods-producing and government sectors barely offset gains reported in its service-providing sector. The area's unemployment rate remained unchanged at 5.5 percent, despite the lack of employment growth during the quarter. The area's limited number of indicators was mixed, suggesting little change in the area's lackluster employment conditions in the coming months.

Holland–Grand Haven MSA Employment Growth (seasonally adjusted)



Employment in the area's goods-producing sector fell by 0.6 percent during the quarter, a loss of 250 jobs. Employment in the area's construction and mining fell by 1.5 percent, despite a welcome 3.6 percent increase in the number of new dwelling units put under contract for construction. Manufacturing employment declined by 0.4 percent, and all of the quarter's losses were concentrated among the area's durable goods producers—auto suppliers and office furniture makers. Employment in the area's nondurable goods producers, a sector dominated by food producers, rose by 2.7 percent, representing a gain of more than 200 jobs.

The area's auto-dominated transportation equipment sector cut 70 workers during the past four quarters. Moreover, although the area's office furniture companies are reporting strong sales and profits, they continue to trim their workforce through productivity improvements. During the past year they have eliminated 100 jobs.

The Holland Group, which produces coupling, lift, and suspension systems for trucks, tractors, and trailers, announced that it is merging with German-based Otto Sauer Achsenfabrik GmbH, better known as SAF. The Holland Group's headquarters will stay in Holland, as the merger will create a new private holding company known as SAF-Holland Group GmbH, which will be based in Bessenbach, Germany. The Holland Group employs 1,770 in its Holland and Muskegon plants.

Johnson Controls told 700 workers at its Southview plant in Holland they would become Plastech employees within a year, according to a JCI spokeswoman. Plastech Engineered Products, a Dearborn-based plastic injection molding company that has worked as a supplier for Johnson Controls—Holland's largest employer—since 2001, will take over operations of the plant on April 1. The contract manufacturing relationship with Plastech, a privately held and minority-owned business, will give the supplier full responsibility for the plant. The length of the contract has not been disclosed. Johnson Controls also has made similar arrangements for Plastech to run the plant in Ramos Arizpe (in the state of Coahuila, Mexico) as well as plants in Ontario, Canada, and Puebla, Mexico. Plastech has three facilities in the Grand Rapids area, all of which manufacture auto interiors. The company has another three plants in the Lansing area and a dozen in southeastern Michigan.

Gentex Corp. is looking at a new expansion in Zeeland, which will add 60,000 square feet of manufacturing space and 130 new jobs over the next five years. Gentex makes rearview and outboard auto-dimming mirrors for suppliers, who insert them into plastic housings. Those units are then installed on cars and trucks. Gentex employs about 2,200 people in Zeeland. Construction is to be completed by the end of this year. The latest construction follows a major expansion started in 2003.

Employment in the area's private service–providing sector increased by a healthy 0.8 percent. Substantial job gains were reported in the area's leisure and hospitality sector and in its professional and business services sector. Not surprisingly, employment in the area's retail sector was flat during the quarter because of the lack of employment growth. Finally, government employment fell by 1.6 percent.

The limited number of economic indicators were mixed during the quarter, suggesting that employment conditions in the area may not change in the coming months. The number of new claims for unemployment insurance jumped by nearly 30 percent, while housing starts increased modestly. Still, the latest Manpower survey found that 27 percent of surveyed employers in the Holland-Zeeland area planned to hire during the first quarter of 2007, and only 13 percent of employers expected to reduce their payrolls. This is an improvement over last year when 10 percent planned to hire, and 20 percent expected to reduce their workforce.

Holland–Grand Haven MSA
(seasonally adjusted)

Measure	2006 Q4	2006 Q3	% change, Q3 to Q4	2005 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	117,510	117,590	-0.1	117,070	0.4
Goods-producing	44,160	44,410	-0.6	44,130	0.1
Construction and mining	6,500	6,600	-1.5	6,570	-1.1
Manufacturing	37,660	37,810	-0.4	37,560	0.3
Durable goods	28,900	29,280	-1.3	29,500	-2.0
Nondurable goods	8,760	8,530	2.7	8,050	8.8
Private service–providing	57,620	57,190	0.8	56,940	1.2
Transportation and utilities	2,830	2,770	2.2	2,730	3.7
Wholesale trade	5,090	5,010	1.6	4,880	4.3
Retail trade	10,910	10,910	0.0	10,710	1.9
Information	900	900	0.0	900	0.0
Financial activities	3,150	3,200	-1.6	3,280	-4.0
Professional and business services	11,640	11,480	1.4	11,430	1.8
Educational and health services	10,350	10,390	-0.4	10,290	0.6
Leisure and hospitality	8,270	8,050	2.7	8,340	-0.8
Other services	4,480	4,470	0.2	4,380	2.3
Government[a]	15,730	15,990	-1.6	16,010	-1.7
Unemployment					
Number unemployed	7,580	7,620	-0.5	6,580	15.2
Unemployment rate (%)	5.5	5.5		4.8	
Local indexes					
UI initial claims	385	297	29.9	304	27.0
New dwelling units[b]	764	738	3.6	2,408	-68.3

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

[a]Federal, state and local government employment numbers are not available.

[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.

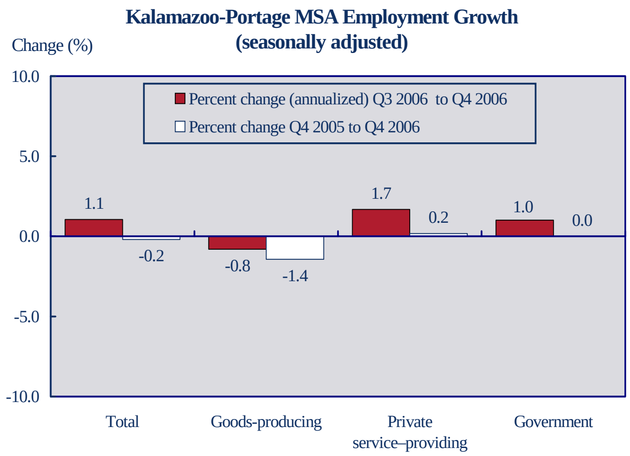
Holland–Grand Haven MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

Industry	2006 Q4	2005 Q4	Percent change	Industry	2006 Q4	2005 Q4	Percent change
Goods-producing	44,170	44,130	0.1	**Government**	16,670	16,930	-1.6
Transportation equipment	7,100	7,170	-0.9	Local govt. education svcs.	6,730	6,770	-0.5
Furniture & related products	5,970	6,070	-1.6				
Office furniture & fixtures	5,400	5,500	-1.8				
Private service–providing	57,670	56,970	1.2				
Accommodations & food svcs.	7,100	7,000	1.4				
Food svcs. & drinking places	6,600	6,730	-2.0				

SOURCE: Michigan Department of Labor and Economic Development.

KALAMAZOO-PORTAGE MSA

Total employment rose by a modest 0.3 percent in the two-county MSA during the final quarter of 2006. Employment gains in the area's government and private service–providing sectors erased modest losses in the area's goods-producing sector. Still, the modest job gains helped push the area's unemployment rate down to 5.8 percent during the quarter. The fourth-quarter readings of the area's economic indicators were mostly negative, suggesting that economic conditions will likely remain unchanged in the coming months.



Employment in the area's goods-producing sector fell by a small 0.2 percent during the quarter. Employment in construction and mining fell by 0.6 percent, despite a large 28.8 percent increase in the number of dwelling units put under contract for construction. Still, for the year, housing starts fell by 12.7 percent in the area.

Area manufacturers trimmed just 20 workers from their payrolls during the fourth quarter, a scant 0.1 percent decline. The area's nondurable goods producers added 40 jobs, but durable goods manufacturers eliminated 60 jobs. As is true for most parts of the state, manufacturing losses in the area were highly concentrated among auto suppliers. In fact, the transportation equipment industry cut 400 jobs in the area during the past four quarters, which equals the total number of jobs lost in manufacturing during that span.

The area's transportation equipment industry will be taking another hit as Eaton Corporation announced that it is laying off 30 workers from its Galesburg truck component plant because of an expected downturn in heavy truck sales. The drop in sales stems from enactment of long-anticipated EPA engine emission rules. The more restrictive emission requirements will add about $10,000 to the cost of a new truck. Eaton continues to employ 840 workers on its Galesburg campus.

Unfortunately, as part of a worldwide restructuring plan that will trim 10,000 workers from its global operations, Pfizer announced that it will significantly reduce its research and development activities in the state. The cuts include laying off approximately 250 researchers in Kalamazoo by the end of 2008. The move comes after the pharmaceutical giant had already trimmed its state-based sales force. Pfizer still employs about 4,300 people locally. Fortunately, the company's 250 employees at its Animal Health Division in Richland Township were given some assurance that their group would not be affected by the global reorganization. In addition, Pfizer's large manufacturing complex in Portage does not seem to be threatened at this time.

In response to Pfizer's announcement, Kalamazoo's economic development organization, Southwest Michigan First, announced that it was working on putting together a venture capital fund that would be available to former Pfizer researchers who want to start their own research operations.

Employment in the area's service-providing sector increased by 0.4 percent during the quarter. Professional and business services added 380 workers to their payrolls, an increase of 2.5 percent. Private education and health services also added 100 workers, for an increase of 0.4 percent. As is true for other areas, Kalamazoo-Portage area retailers eliminated workers during the quarter, cutting their employment force by 0.6 percent. Government employment rose by 0.3 percent because of a large jump in state employment, which includes Western Michigan University.

The area's unemployment rate modestly declined to 5.8 percent during the quarter, which was due in part to the modest jump in employment.

Economic indicators were mixed during the quarter, suggesting little change in the area's employment situation. The Index of Help-Wanted Advertising Index fell by 5.4 percent, suggesting that employment conditions in the area's service-providing sector may soften even more in the coming months. In addition, the number of new claims for unemployment insurance increased modestly by 3.0 percent. On the plus side, housing starts are up.

Unfortunately, the February polling of the area's purchasing managers found that conditions are "still down" (see page 22). Moreover, according to its latest polling of employers in Kalamazoo County, Manpower found that none of the surveyed firms said that they were planning to hire, while 10 percent revealed that they might trim their workforce during the first quarter. Last year, 18 percent planned to hire, and an identical 18 percent expected to reduce their payroll.

Kalamazoo-Portage MSA
(seasonally adjusted)

Measure	2006 Q4	2006 Q3	% change, Q3 to Q4	2005 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	145,230	144,850	0.3	145,510	-0.2
Goods-producing	29,650	29,710	-0.2	30,080	-1.4
Construction and mining	6,410	6,450	-0.6	6,440	-0.5
Manufacturing	23,240	23,260	-0.1	23,640	-1.7
Durable goods	12,790	12,850	-0.5	12,790	0.0
Nondurable goods	10,450	10,410	0.4	10,860	-3.8
Private service–providing	91,580	91,200	0.4	91,420	0.2
Transportation and utilities	4,050	4,050	0.0	4,050	0.0
Wholesale trade	4,530	4,490	0.9	4,430	2.3
Retail trade	16,410	16,510	-0.6	16,470	-0.4
Information	1,530	1,490	2.7	1,590	-3.8
Financial activities	7,530	7,580	-0.7	7,530	0.0
Professional and business services	15,300	14,920	2.5	15,250	0.3
Educational and health services	20,330	20,250	0.4	20,210	0.6
Leisure and hospitality	15,390	15,410	-0.1	15,280	0.7
Other services	6,510	6,510	0.0	6,600	-1.4
Government	24,000	23,940	0.3	24,000	0.0
Federal	1,200	1,200	0.0	1,190	0.8
State	7,470	7,200	3.8	7,800	-4.2
Local	15,330	15,530	-1.3	15,010	2.1
Unemployment					
Number unemployed	10,080	10,270	-1.9	9,280	8.6
Unemployment rate (%)	5.8	5.9		5.3	
Local indexes					
Help-wanted ads (1996=100)	35	37	-5.4	42	-16.7
UI initial claims	288	280	3.0	248	16.2
New dwelling units[a]	1,169	908	28.8	1,340	-12.7

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

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

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

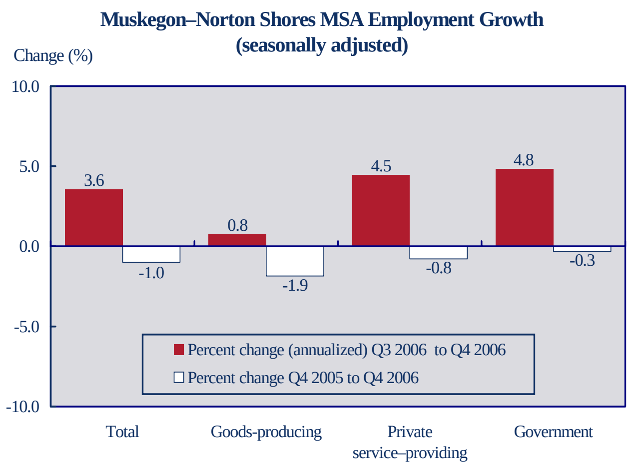
Kalamazoo-Portage MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

Industry	2006 Q4	2005 Q4	Percent change	Industry	2006 Q4	2005 Q4	Percent change
Goods-producing	29,800	30,230	-1.4	Health care & social assistance	17,370	17,270	0.6
Transportation equipment	3,700	4,100	-9.8	Accommodations & food svcs.	13,470	13,130	2.5
Private service–providing	92,030	91,900	0.1	Food svcs. & drinking places	11,700	11,700	0.0
General merchandise stores	4,230	4,400	-3.8				
Finance & insurance	5,730	5,730	0.0	**Government**	25,270	25,270	0.0
Admin. support & waste mgmt.	9,330	9,170	1.8	State govt. educational svcs.	6,730	7,000	-3.8
Employment services	5,870	5,700	2.9	Local govt. educational svcs.	9,830	9,800	0.3

SOURCE: Michigan Department of Labor and Economic Growth.

MUSKEGON–NORTON SHORES MSA

Total employment increased by a healthy 0.9 percent during the final quarter of 2006 in Muskegon County. Employment gains were reported across almost all industries during the quarter. The job gains pushed the area's unemployment rate down to 7.1 percent. However, the area's economic indicators were mixed during the quarter, suggesting that employment conditions may cool during the next several months.



Employment in the area's goods-producing industries increased by 0.2 percent, despite a 1.6 percent decline in construction employment. The area's residential construction industry has definitely slowed. The number of new dwelling units put under contract for construction fell by 53.3 percent during the past year. In the fourth quarter alone that number fell by 27.4 percent.

Manufacturers increased their payrolls by 0.5 percent during the quarter, and in the area's nondurable goods sector employment increased by 3.4 percent, or by 60 jobs. The business press was quiet during the past several months. Ameriform, which specializes in custom thermoform plastic molding, is investing more than $4.8 million in its facilities. The company employs more than 200 workers in Muskegon. In addition, although the potential employment impact is unknown, Hayes Lemmerz International sold its Montague auto parts operations to Diversified Machine. The plant employs approximately 350 workers.

The quarter's gain in manufacturing employment is certainly welcome, since employment in the area's manufacturing sector has declined by 2.2 percent during the past four quarters, a loss of 300 jobs.

Employment in the area's service-providing sector jumped by 1.1 percent during the quarter. In the leisure and hospitality sector, payrolls increased by 3.6 percent, as firms added 270 workers. Educational and health services increased their workforce by 0.7 percent, and professional and business service providers added 90 workers, an increase of 2.2 percent.

Together, the area's financial activities and retailers eliminated 100 jobs during the quarter. The decline in retail trade is somewhat surprising given the strength of the area's other sectors. It may be reflective of the fact that employment conditions in neighboring counties have weakened, restricting the flow of dollars in the county's regional malls. In addition, it may be due to more long-term trends: employment in the county fell by 1.0 percent during the past four quarters.

Government employment increased by 1.2 percent during the quarter because of employment gains in both state and local government sectors.

The fourth-quarter readings of the area's economic indicators were mixed. The Index of Help-Wanted Advertising increased by 2.8 percent during the quarter, suggesting that employment conditions in the area's service-providing sector will remain positive. However, the number of new claims for unemployment insurance inched up by 0.9 percent and, as mentioned above, housing starts fell.

The latest Manpower polling of area employers found that 33 percent were planning to hire during the first quarter of 2007, while 17 percent thought they would be forced to reduce their workforce. At the same time last year, a similar 33 percent expected to hire, however only 7.0 percent expected to have to trim their workforce.

Muskegon–Norton Shores MSA
(seasonally adjusted)

Measure	2006 Q4	2006 Q3	% change, Q3 to Q4	2005 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	66,780	66,200	0.9	67,450	-1.0
Goods-producing	15,880	15,850	0.2	16,180	-1.9
Construction and mining	2,510	2,550	-1.6	2,510	0.0
Manufacturing	13,370	13,300	0.5	13,670	-2.2
Durable goods	11,570	11,560	0.1	10,930	5.9
Nondurable goods	1,800	1,740	3.4	2,740	-34.3
Private service–providing	41,520	41,070	1.1	41,850	-0.8
Transportation and utilities	1,300	1,310	-0.8	1,310	-0.8
Wholesale trade	1,490	1,480	0.7	1,430	4.2
Retail trade	10,930	10,980	-0.5	11,330	-3.5
Information	930	910	2.2	1,000	-7.0
Financial activities	1,890	1,940	-2.6	1,990	-5.0
Professional and business services	4,190	4,100	2.2	4,100	2.2
Educational and health services	10,350	10,280	0.7	10,350	0.0
Leisure and hospitality	7,740	7,470	3.6	7,560	2.4
Other services	2,690	2,610	3.1	2,800	-3.9
Government	9,390	9,280	1.2	9,420	-0.3
Federal	400	400	0.0	400	0.0
State	1,210	1,190	1.7	1,240	-2.4
Local	7,770	7,690	1.0	7,770	0.0
Unemployment					
Number unemployed	6,560	6,700	-2.1	6,040	8.6
Unemployment rate (%)	7.1	7.3		6.5	
Local indexes					
Help-wanted ads (1996=100)	37	36	2.8	42	-11.9
UI initial claims	318	315	0.9	286	11.3
New dwelling units[a]	318	438	-27.4	681	-53.3

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

[a] Seasonally adjusted annual rates.

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

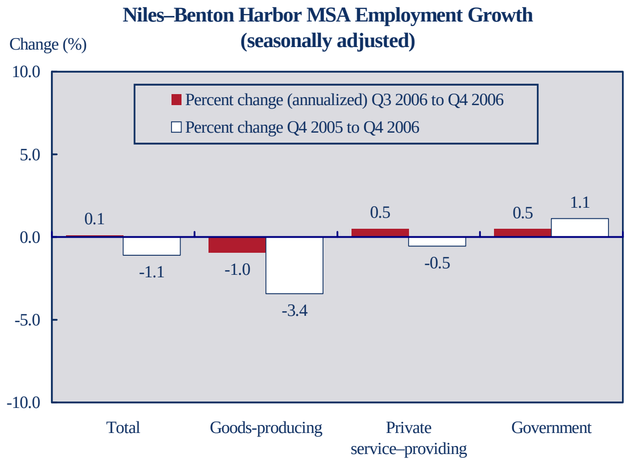
Muskegon–Norton Shores MSA
Industry Employment Change by Place of Work, Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

Industry	2006 Q4	2005 Q4	Percent change	Industry	2006 Q4	2005 Q4	Percent change
Goods-producing	15,970	16,300	-2.0	**Government**	9,730	9,770	-0.3
				Local govt. educational svcs.	5,630	5,530	1.8
Private service–providing	41,300	41,630	-0.8				
Accommodations & food svcs.	5,630	5,930	-5.1				
Food svcs. & drinking places	5,300	5,570	-4.8				

SOURCE: Michigan Department of Labor and Economic Development.

NILES–BENTON HARBOR MSA

Total employment did not budge during the final quarter of last year in Berrien County. The lack of employment growth did not stop the county's unemployment rate from inching down to 7.3 percent during the quarter. Unfortunately, both of the area's economic indicators turned south during the quarter, which suggests that employment conditions will remain lackluster during the next several months.



Employment in the area's goods-producing sector fell by a slight 0.2 percent during the quarter. Although the number of new dwelling units put under contract for construction fell by 25 percent in the quarter and that number has fallen by 63.9 percent for the past four quarters, construction employment remained unchanged. It is possible that the ongoing nonresidential construction projects, which include the building of the Four Winds Casino near New Buffalo, offset layoffs on the residential side. Manufacturing employment fell by 0.3 percent, a loss of only 40 jobs. Still, during the past four quarters, manufacturing employment fell by 2.9 percent in the county.

Vickers Engineering has moved to a 120,000-square-foot building in New Troy and expects to add 10 more jobs in the next two years. The 35-year-old precision machining company employs about 100 people and serves the auto, aerospace, agriculture, compressor and military industries.

Employment in the area's service-providing sector inched up by 0.1 percent in the quarter. Employment increases in leisure and hospitality and in the area's smaller financial activities, wholesale, and information sectors offset declines in professional and business services, educational and health services, retail, and transportation and utilities.

During the past four quarters, employment in the county's service-providing sector fell by 0.5 percent owing to substantial declines in professional and business services and retail trade. While the loss of 130 jobs in retail trade is not surprising given the county's lackluster employment situation, the loss of 130 professional and business positions is more worrisome. If these jobs were part of the area's service-providing base of the economy, the negative spillover effects of these job losses could filter through the rest of the economy.

Government employment increased by just 0.1 percent, as sizable gains in the number of state workers (such as those at Lake Michigan College) were largely offset by reduction in local government, which includes K-12 schools.

The two economic indicators for the area deteriorated during the quarter: housing starts declined by 25 percent, and the number of new claims for unemployment insurance rose by 6.0 percent. The downward movement of both indicators suggests that employment conditions in the county could remain lackluster in the coming months.

According to the latest Manpower survey of local employers, 23 percent of surveyed employers said they expected to add more workers during the first quarter, while 7.0 percent expected to trim their workforces. Last year, 43 percent of those interviewed expected to add staff in the first three months of 2006, while 13 percent intended to make cutbacks.

Niles–Benton Harbor MSA
(seasonally adjusted)

Measure	2006 Q4	2006 Q3	% change, Q3 to Q4	2005 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	64,600	64,580	0.0	65,320	-1.1
Goods-producing	16,640	16,680	-0.2	17,230	-3.4
Construction and mining	2,150	2,150	0.0	2,310	-6.9
Manufacturing	14,490	14,530	-0.3	14,920	-2.9
Durable goods (see table below)					
Nondurable goods (see table below)					
Private service–providing	39,820	39,770	0.1	40,040	-0.5
Transportation and utilities	2,290	2,300	-0.4	2,290	0.0
Wholesale trade	2,340	2,290	2.2	2,340	0.0
Retail trade	7,300	7,330	-0.4	7,430	-1.7
Information	910	900	1.1	910	0.0
Financial activities	2,310	2,280	1.3	2,310	0.0
Professional and business services	4,920	4,940	-0.4	5,050	-2.6
Educational and health services	10,110	10,160	-0.5	9,980	1.3
Leisure and hospitality	6,760	6,700	0.9	6,760	0.0
Other services	2,880	2,870	0.3	2,980	-3.4
Government	8,140	8,130	0.1	8,050	1.1
Federal government	400	400	0.0	400	0.0
State government	520	490	6.1	520	0.0
Local government	7,220	7,240	-0.3	7,120	1.4
Unemployment					
Number unemployed	5,830	5,830	0.0	5,830	0.0
Unemployment rate (%)	7.3	7.4		6.4	
Local indexes					
UI initial claims	207	196	6.0	180	15.1
New dwelling units[a]	330	440	-25.0	916	-63.9

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

[a] Seasonally adjusted annual rates.

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

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

Industry	2006 Q4	2005 Q4	Percent change	Industry	2006 Q4	2005 Q4	Percent change
Goods-producing	16,770	17,370	-3.5	Accommodations & food svcs.	5,800	5,800	0.0
Durable goods	11,700	12,230	-4.4				
Nondurable goods	2,870	2,770	3.6	**Government**	8,400	8,300	1.2
				Local govt. educational svcs.	5,000	5,070	-1.3
Private service–providing	40,000	40,230	-0.6				
Health care & social assistance	8,100	7,770	4.3				

SOURCE: Michigan Department of Labor and Economic Development.

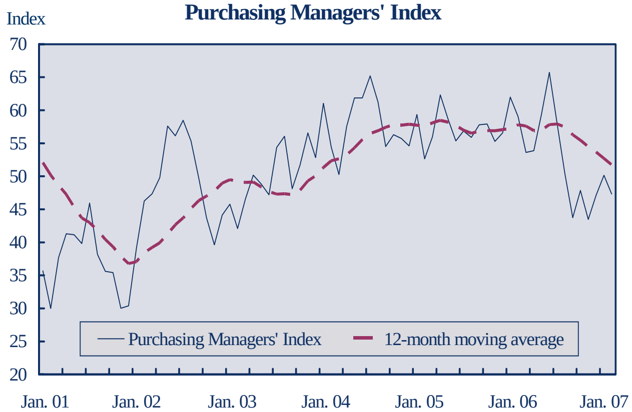
Purchasing Managers' Index and Major Economic Developments

Economic conditions are back to flat in Grand Rapids and still down in Kalamazoo, according to the February issue of *Current Business Trends*, a monthly publication that surveys local purchasing managers.

In Grand Rapids the purchasing managers' index suggests that the situation is lackluster at best. Although the February report indicates stability as opposed to decline, local composite index readings actually first plunged seven months ago. Since then, the reports from local purchasing managers have consistently suggested stagnant or declining business conditions. The Grand Rapids area's 12-month moving average index, which better measures long-term trends, has once again declined to levels last seen in the first few months of 2004, when area conditions were still on an upward trajectory.

Unfortunately, the purchasing managers' index has declined dramatically in the Kalamazoo area over the past few months. Despite reports of growth throughout much of 2006, the composite index declined significantly in November and December, finally dropping below 50 (the number dividing expansion and contraction index values) during the first two months of 2007. The report cites the continued struggles of local auto parts suppliers as being responsible for the dismal outlook—a situation that is unlikely to improve given the upcoming Chrysler layoffs and ongoing negative sales reports from Ford and GM. Whatever the cause, the composite index is now at its lowest point since the spring of 2003.

Grand Rapids Area
Purchasing Managers' Index



Kalamazoo Area
Purchasing Managers' Index

Major Economic Developments

Battle Creek MSA

In Albion, Continental Carbonic Products will take byproduct gas made by The Andersons Albion Ethanol LLC plant and convert it into liquid carbon dioxide and dry ice. The $1.7 million, 45,000-square-foot plant hired about 50 employees and may add 20 more workers in the future.

Grand Rapids–Wyoming MSA

Meridian Automotive Systems has emerged from Chapter 11 bankruptcy and announced that it is investing up to $4 million in its three area plants. The auto supplier employs about 750 workers in the area

Yamaha Musical Products announced that it is closing its musical instrument plant in April. The plant employs approximately 200 workers.

Alpinist Endeavors LLC has invested $19 million into the former Lear Corporation facility in Walker. Two companies have moved into the building and employ about 175 workers.

Holland–Grand Haven MSA

The Holland Group, which produces parts for trucks, tractors, and trailers, announced that it is merging with German-based Otto Sauer Achsenfabrik GmbH (SAF). The Holland Group employs 1,770 in its Holland and Muskegon plants.

Johnson Controls told 700 workers at its Southview plant they will become employees of Plastech Engineered Products, a plastic injection molding company. Plastech will take over operations on April 1.

Gentex Corporation is looking at a new expansion in Zeeland, which would add 60,000 square feet of manufacturing space and 130 new jobs over the next five years. Gentex employs about 2,200 people in Zeeland.

Kalamazoo–Portage MSA

Pfizer Incorporated announced that it will significantly reduce its research and development activities in the state, including laying off approximately 250 researchers in Kalamazoo by the end of 2008.

Eaton Corporation announced that it is laying off 30 workers from its Galesburg truck component plant due to an expected downturn in heavy truck sales because of the passage of EPA engine emission rules.

Muskegon–Norton Shores MSA

Ameriform, which specializes in custom thermoform plastic molding, is investing more than $4.8 million in its facilities. The company employs more than 200 workers.

Hayes Lemmerz International sold its Montague auto parts operation to Diversified Machine. The plant employs approximately 350 workers.

Niles–Benton Harbor MSA

Vickers Engineering has moved to a 120,000-square-foot building in New Troy and expects to add 10 new jobs in the next two years. The precision machining company employs about 100 people and serves the auto, aerospace, agriculture, compressor, and military industries.

Appendix Tables

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

Labor market area	Average for manufacturing production workers[a] December 2006: Weekly hours	% change, 2005–06	Hourly earnings	% change, 2005–06	Weekly earnings	% change, 2005–06	Civilian labor force unemployment rate[b]: July 2006	Sept. 2006
United States	41.0	1.5	$18.38	3.1	$753.58	4.7	4.1	4.3
Michigan	43.6	1.6	22.31	2.0	972.72	3.6	6.1	6.9
West Michigan MSAs:								
Battle Creek	—	—	—	—	—	—	6.2	6.5
Grand Rapids–Wyoming	44.3	4.0	18.98	4.6	840.81	8.8	5.3	5.8
Holland–Grand Haven	—	—	—	—	—	—	4.6	5.3
Kalamazoo-Portage	40.1	3.4	14.50	-2.4	581.45	0.8	4.8	5.6
Muskegon–Norton Shores	—	—	—	—	—	—	6.3	6.6
Niles–Benton Harbor	—	—	—	—	—	—	6.1	7.0
Other labor market areas:								
Ann Arbor	—	—	—	—	—	—	4.1	4.4
Bay City	—	—	—	—	—	—	5.7	6.8
Detroit-Warren-Livonia	42.3	-3.6	26.26	2.4	1,110.80	-1.3	6.7	7.2
Flint	45.5	1.8	29.96	-3.7	1,363.18	-2.0	7.3	7.8
Jackson	—	—	—	—	—	—	6.5	7.3
Lansing–East Lansing	41.7	2.7	24.42	1.1	1,018.31	3.9	5.0	5.6
Monroe	—	—	—	—	—	—	6.3	6.0
Saginaw	—	—	—	—	—	—	6.3	7.0

NOTE: — = data not available.

[a] Earnings include overtime and part-time wages.

[b] Seasonally adjusted rate for U.S. was 4.4 percent in October 2006 and 4.5 percent in December 2006. Seasonally adjusted rate for Michigan was 6.9 percent in October 2006 and 7.1 percent in December 2006.

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

Table A-2
Michigan Statistics
(seasonally adjusted)

Measure	2006 Q4	2006 Q3	% change, Q3 to Q4	2005 Q4	% change, Q4 to Q4
Employment (by place of work)					
Total nonfarm employment	4,364,770	4,357,830	0.2	4,387,430	-0.5
Goods-producing	838,900	841,900	-0.4	879,230	-4.6
Natural resources and mining	8,430	8,430	0.0	8,370	0.7
Construction	191,100	192,800	-0.9	193,100	-1.0
Manufacturing	639,370	640,670	-0.2	677,770	-5.7
Durable goods	489,420	492,050	-0.5	527,630	-7.2
Nondurable goods	149,950	148,610	0.9	150,130	-0.1
Private service–providing	2,852,600	2,842,900	0.3	2,834,800	0.6
Transportation and utilities	129,380	129,400	0.0	128,750	0.5
Wholesale trade	170,810	170,730	0.0	170,640	0.1
Retail trade	489,910	490,830	-0.2	503,140	-2.6
Information	66,730	66,930	-0.3	66,830	-0.1
Financial activities	220,100	219,930	0.1	219,130	0.4
Professional and business services	608,470	601,470	1.2	592,030	2.8
Educational and health services	577,770	576,370	0.2	568,700	1.6
Leisure and hospitality	410,630	408,830	0.4	406,470	1.0
Other services	178,800	178,400	0.2	179,100	-0.2
Government	673,270	673,030	0.0	673,400	0.0
Unemployment					
Number unemployed	355,440	359,940	-1.3	333,950	6.4
Unemployment rate (%)	7.0	7.1		6.5	
State indexes (1996=100)					
Help-wanted ads					
Detroit	23	20	15.0	28	-17.9
West Michigan (4 MSAs)	28	30	-6.7	36	-22.2
Local components					
UI initial claims	19,375	19,722	-1.8	17,060	13.6
New dwelling units[a]	21,350	23,874	-10.6	42,434	-49.7

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
Fourth Quarter to Fourth Quarter
(not seasonally adjusted)

Industry	2006 Q4	2005 Q4	Percent change	Industry	2006 Q4	2005 Q4	Percent change
Goods-producing	847,170	887,600	-4.6	Furniture & home furnishings	17,970	18,700	-3.9
Primary metals	26,100	27,030	-3.4	Food and beverage	83,970	85,330	-1.6
Fabricated metal products	84,800	85,330	-0.6	Gasoline stations	24,970	24,930	0.2
Machinery	74,330	75,200	-1.2	Clothing & accessories	45,400	45,230	0.4
Transportation equipment	213,400	241,130	-11.5	General merchandise	113,330	117,330	-3.4
Motor vehicle parts	147,100	161,100	-8.7	Prof., scientific, & tech. svcs.	252,600	247,430	2.1
Furniture & related products	25,070	25,070	0.0	Educational services	81,100	78,570	3.2
Office furniture, incl. fixtures	18,630	18,470	0.9	Ambulatory health care	168,600	165,870	1.6
Food	34,430	34,830	-1.1	Social assistance	59,270	57,430	3.2
Paper	14,800	14,930	-0.9	Food svcs. & drinking places	309,370	306,630	0.9
Printing and related support	17,100	17,570	-2.7	**Government**	698,530	698,630	0.0
Chemical manufacturing	29,470	29,970	-1.7	Federal government	54,430	54,770	-0.6
Plastics & rubber products	41,930	42,570	-1.5	State government	175,230	176,730	-0.8
Private service–providing	2,869,630	2,851,800	0.6	Local government	468,870	467,130	0.4
Automobile dealers	40,230	40,570	-0.8	Local govt. educational svcs.	278,130	280,670	-0.9

SOURCE: Michigan Department of Labor and Economic Growth.

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

Area	Income distribution	2004[a]	2003[a]	2002[a]	2001[a]	2000	1999	1994
Battle Creek MSA	Total personal income ($000)	3,850,546	3,748,741	3,635,112	3,500,169	3,471,425	3,375,735	2,785,470
	Per capita personal income ($)	27,601	26,968	26,210	25,296	25,138	24,458	20,198
	Earnings per worker ($)	44,618	44,176	41,901	39,345	39,571	38,554	32,162
	Manufacturing	72,686	75,630	69,061	56,636	66,528	63,699	51,769
	Private nonmanufacturing	32,882	32,157	31,259	31,058	26,708	26,787	21,754
Grand Rapids–Wyoming MSA	Total personal income ($000)	23,552,554	22,810,416	21,821,228	21,581,116	20,818,408	19,547,808	14,877,334
	Per capita personal income ($)	30,739	29,926	28,839	28,767	28,023	26,638	21,550
	Earnings per worker ($)	43,939	43,320	41,332	39,759	37,976	36,622	31,108
	Manufacturing	70,262	71,943	64,043	57,196	54,938	54,092	47,201
	Private nonmanufacturing	37,596	36,484	35,450	34,692	32,536	30,963	25,097
Barry County	Total personal income ($000)	1,731,811	1,686,712	1,628,108	1,644,316	1,574,634	1,502,771	1,044,008
	Per capita personal income ($)	29,234	28,669	27,989	28,589	27,664	26,754	19,785
	Earnings per worker ($)	28,058	27,589	25,674	25,386	23,788	22,963	23,045
	Manufacturing	56,917	55,512	49,141	45,622	46,509	44,053	38,304
	Private nonmanufacturing	21,595	21,085	19,547	19,569	16,838	16,408	16,868
Ionia County	Total personal income ($000)	1,470,514	1,440,940	1,357,552	1,322,854	1,291,427	1,243,980	955,849
	Per capita personal income ($)	22,878	22,639	21,490	21,314	20,940	20,218	15,585
	Earnings per worker ($)	36,018	36,871	33,765	31,854	30,289	29,688	25,587
	Manufacturing	58,305	67,683	55,837	51,205	48,481	45,374	36,279
	Private nonmanufacturing	24,946	24,917	23,764	22,167	20,722	20,840	16,559
Kent County	Total personal income ($000)	19,222,478	18,590,311	17,787,705	17,573,848	16,938,017	15,831,665	12,148,188
	Per capita personal income ($)	32,416	31,492	30,333	30,202	29,392	27,837	22,782
	Earnings per worker ($)	45,725	45,016	43,039	41,383	39,525	38,026	31,819
	Manufacturing	71,772	73,118	65,251	58,116	55,740	54,887	47,579
	Private nonmanufacturing	39,518	38,326	37,316	36,544	34,330	32,571	26,008
Newaygo County	Total personal income ($000)	1,127,751	1,092,453	1,047,863	1,040,098	1,014,330	969,392	729,289
	Per capita personal income ($)	22,697	22,105	21,425	21,337	21,123	20,454	16,958
	Earnings per worker ($)	31,714	30,994	29,385	28,868	28,217	28,730	29,277
	Manufacturing	62,079	63,777	57,942	51,977	49,855	55,920	65,828
	Private nonmanufacturing	23,999	22,940	21,614	21,731	21,114	21,055	18,513
Holland–Grand Haven MSA	Total personal income ($000)	7,517,572	7,252,948	6,868,133	6,763,271	6,677,656	6,408,233	4,680,242
	Per capita personal income ($)	29,720	29,047	27,878	27,775	27,881	27,279	22,632
	Earnings per worker ($)	42,294	41,827	39,186	37,357	35,928	35,196	28,827
	Manufacturing	61,313	62,360	56,232	50,491	51,319	49,619	41,381
	Private nonmanufacturing	32,628	31,525	29,860	29,628	26,852	26,498	21,138
Kalamazoo-Portage MSA	Total personal income ($000)	9,570,584	9,342,977	8,884,029	8,551,586	8,325,202	8,036,278	6,559,943
	Per capita personal income ($)	30,070	29,228	27,955	27,075	26,412	25,624	21,554
	Earnings per worker ($)	42,051	41,844	38,967	36,897	35,139	34,791	29,865
	Manufacturing	78,663	81,197	68,410	61,182	61,119	58,788	51,956
	Private nonmanufacturing	33,432	32,415	31,419	30,296	27,573	27,480	22,412
Kalamazoo County	Total personal income ($000)	7,604,516	7,456,322	7,111,167	6,843,529	6,642,895	6,420,365	5,253,972
	Per capita personal income ($)	31,719	30,860	29,587	28,630	27,812	27,024	22,788
	Earnings per worker ($)	42,873	42,864	39,815	37,678	35,757	35,283	30,767
	Manufacturing	83,055	85,667	71,906	64,425	64,566	62,105	54,860
	Private nonmanufacturing	33,715	32,736	31,799	30,715	27,882	27,614	22,872
Van Buren County	Total personal income ($000)	1,966,068	1,886,655	1,772,862	1,708,057	1,682,307	1,615,913	1,305,971
	Per capita personal income ($)	25,038	24,175	22,891	22,236	22,032	21,249	17,696
	Earnings per worker ($)	37,473	36,099	34,255	32,528	31,752	31,994	24,695
	Manufacturing	54,988	54,137	48,779	43,805	45,343	42,777	34,991
	Private nonmanufacturing	31,600	30,350	29,016	27,618	25,588	26,582	19,444
Muskegon–Norton Shores MSA	Total personal income ($000)	4,424,349	4,290,529	4,119,399	4,073,987	3,943,373	3,742,920	2,865,282
	Per capita personal income ($)	25,406	24,775	23,927	23,765	23,122	22,104	17,506
	Earnings per worker ($)	36,497	36,128	34,878	34,399	33,128	32,426	28,833
	Manufacturing	61,265	60,737	56,848	51,648	54,315	52,453	46,243
	Private nonmanufacturing	28,755	28,839	27,898	28,313	25,517	24,823	21,442
Niles–Benton Harbor MSA	Total personal income ($000)	4,670,418	4,488,562	4,346,942	4,320,029	4,239,424	4,076,482	3,224,191
(Berrien County)	Per capita personal income ($)	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	113.6	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4
1988	118.3	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5
1989	124.0	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1
1990	130.7	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8
1991	136.2	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9
1992	140.3	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9
1993	144.5	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8
1994	148.2	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7
1995	152.4	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5
1996	156.9	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6
1997	160.5	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3
1998	163.0	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9
1999	166.6	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3
2000	172.2	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0
2001	177.1	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7
2002	179.9	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9
2003	184.0	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3
2004	188.9	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3
2005	195.3	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8
2006	201.6	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8
CPI for Urban Wage Earners and Clerical Workers (CPI-W)													
1987	112.5	110.0	110.5	111.0	111.6	111.9	112.4	112.7	113.3	113.8	114.1	114.3	114.2
1988	117.0	114.5	114.7	115.2	115.7	116.2	116.7	117.2	117.7	118.5	118.9	119.0	119.2
1989	122.6	119.7	120.2	120.8	121.8	122.5	122.8	123.2	123.2	123.6	124.2	124.4	124.6
1990	129.0	125.9	126.4	127.1	127.3	127.5	128.3	128.7	129.9	131.1	131.9	132.2	132.2
1991	134.3	132.8	132.8	133.0	133.3	133.8	134.1	134.3	134.6	135.2	135.4	135.8	135.9
1992	138.2	136.0	136.4	137.0	137.3	137.6	138.1	138.4	138.8	139.1	139.6	139.8	139.8
1993	142.1	140.3	140.7	141.1	141.6	141.9	142.0	142.1	142.4	142.6	143.3	143.4	143.3
1994	145.6	143.6	144.0	144.4	144.7	144.9	145.4	145.8	146.5	146.9	147.0	147.3	147.2
1995	149.8	147.8	148.3	148.7	149.3	149.6	149.9	149.9	150.2	150.6	151.0	150.9	150.9
1996	154.1	151.7	152.2	152.9	153.6	154.0	154.1	154.3	154.5	155.1	155.5	155.9	155.9
1997	157.6	156.3	156.8	157.0	157.2	157.2	157.4	157.5	157.8	158.3	158.5	158.5	158.2
1998	159.7	158.4	158.5	158.7	159.1	159.5	159.7	159.8	160.0	160.2	160.6	160.7	160.7
1999	163.2	161.0	161.1	161.4	162.7	162.8	162.8	163.3	163.8	164.7	165.0	165.1	165.1
2000	168.9	165.6	166.5	167.9	168.0	168.2	169.2	169.4	169.3	170.4	170.6	170.9	170.7
2001	173.5	171.7	172.4	172.6	173.5	174.4	174.6	173.8	173.8	174.8	174.0	173.7	172.9
2002	175.9	173.2	173.7	174.7	175.8	175.8	175.9	176.1	176.6	177.0	177.3	177.4	177.0
2003	179.8	177.7	179.2	180.3	179.8	179.4	179.6	179.6	180.3	181.0	180.7	180.2	179.9
2004	184.5	180.9	181.9	182.9	183.5	184.7	185.3	184.9	185.0	185.4	186.5	186.8	186.0
2005	191.0	186.3	187.3	188.6	190.2	190.0	190.1	191.0	192.1	195.0	195.2	193.4	192.5
2006	197.1	194.0	194.2	195.3	197.2	198.2	198.6	199.2	199.6	198.4	197.0	196.8	197.2

[a] Monthly data shown above are not adjusted for seasonal variations. CPI data that are not seasonally adjusted are used extensively for escalation purposes. Although CPI is often called the "Cost of Living Index," it measures only price change, which is just one of several important factors affecting living costs. All CPI series are linked historically to the original CPI Index for Urban Wage Earners and Clerical Workers. These series contain no revision but are reprinted for the convenience of the user.

PERCENT CHANGE: Movements of these indexes from one time period to another are usually expressed as percent changes rather than changes in index points. Index point changes are affected by the level of the index in relation to its base period, while percent changes are not. For example:

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

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

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

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

Table A-5
Population Update for Selected Areas of West Michigan

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

[a] 2000 to 2005 growth rate is based on July to July estimates.

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

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

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

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