

# WEST MICHIGAN VIEWPOINT

## 2008 and 2009 Employment Forecast for West Michigan: Fighting Strong Headwinds

The national economy has taken a nasty turn during the past three months. Dragged down by the plunging housing market and its negative impact on the national and international financial community, the economy is weaker now than it has been for the past seven years. Many of the nation's most respected forecasters, including the University of Michigan, are saying that the economy will dip into negative territory during the current quarter. Fortunately, almost all forecasters expect the slowdown to be mild and the national economy to grow between 1.5 and 2.0 percent in 2008.

A national downturn is the last thing the Michigan economy needs. Car and light truck sales are forecast to drop to 15.5 million in 2008, down from 16.1 million in 2007. Back in November, when the national economy was expected to grow at a moderate 2.5 percent rate in 2008, the University of Michigan was already predicting 81,000 jobs would be lost in the state this year. This is on top of the elimination of 62,000 jobs in 2007. Most of these job losses are expected to occur on the east side of the state, but west Michigan will not be immune.

### So, How Did We Do Last Year?

Employment grew by only 0.1 percent in the six metropolitan areas of west Michigan. In a state that has lost 62,000 jobs, even that slight gain is most welcome; however, we predicted a 0.5 percent increase in employment for the year. The major source of our error was that construction and manufacturing employment losses proved to be much more severe than we had predicted. Our forecast for the region's service-providing sector was close to the mark, however.

Last Year's Forecast vs. Actual Performance (% change)		
	Forecast 2007	Actual 2007
Total	0.5	0.1
Goods-producing	-0.9	-1.7
Service-providing	1.2	1.0
Government	0.1	-0.4

### Soft Conditions in 2008

We are forecasting that employment in west Michigan's six metropolitan areas will drop by 0.3 percent in 2008, then will rebound by 0.6 percent in 2009. Employment declines are expected in all of the region's metro areas with the sole exception of the Grand Rapids-Wyoming MSA, where employment is forecast to remain flat. Goods-producing employment is forecast to decline by 2.1 percent during 2008, as the year will likely see disappointing auto sales and residential construction. Although health care (as in years past) is expected to again add hundreds of jobs during the year, employment growth in the region's other service-providing sectors will be

hindered by the loss of employment in its goods-producing sectors.

### What Keeps Us Up at Night?

There are two reasons why our forecast could be too optimistic again. First, our regional forecasts are based on the assumption that the national economy will grow at a moderate 2.5 percent annualized rate in 2008. At the moment, forecasters are calling for Gross Domestic Product (GDP) to grow at a more modest 1.5 to 1.8 percent rate in 2008. Second, our 2008 forecast calls for the nation's housing markets to turn around during the final quarter of the year. If residential construction does not rebound during the year and if housing values continue to fall, an inaccurate regional forecast will be the least of our worries.

Employment Forecast for 2008 and 2009 (% change from 2007)			
	Actual 2007	Forecast 2008	Forecast 2009
<b>Battle Creek MSA</b>			
Total	-1.1	-0.6	1.5
Goods-producing	-2.0	-1.8	-0.7
Service-providing	-0.5	0.1	0.8
Government	-2.0	-1.0	8.5
<b>Grand Rapids-Wyoming MSA</b>			
Total	0.5	0.0	0.6
Goods-producing	-1.3	-1.6	-0.5
Service-providing	1.3	0.6	1.2
Government	-1.6	-1.0	-0.9
<b>Holland-Grand Haven MSA</b>			
Total	-0.5	-0.8	1.0
Goods-producing	-1.2	-2.1	0.4
Service-providing	-0.2	0.0	1.5
Government	0.6	-0.1	0.4
<b>Kalamazoo-Portage MSA</b>			
Total	0.5	-0.5	0.7
Goods-producing	-3.0	-3.3	-0.6
Service-providing	1.9	0.6	1.3
Government	-0.9	-0.7	-0.7
<b>Muskegon-Norton Shores MSA</b>			
Total	-0.7	-0.8	-0.1
Goods-producing	-1.7	-1.9	-0.9
Service-providing	0.4	-0.4	0.3
Government	-3.5	-0.9	-1.0
<b>Niles-Benton Harbor MSA</b>			
Total	0.6	-0.3	0.1
Goods-producing	-2.3	-2.9	-0.5
Service-providing	0.0	0.1	0.6
Government	10.0	5.2	-0.9
<b>West Michigan</b>			
Total	0.1	-0.3	0.6
Goods-producing	-1.7	-2.1	-0.4
Service-providing	1.0	0.4	1.1
Government	-0.4	-0.3	0.4