

WEST MICHIGAN VIEWPOINT

A Midyear Review

The west Michigan economy was slow coming out of the starting blocks in January, and there is little evidence to suggest that its pace will pick up during the year's second half. During the first six months of 2007, employment in the six metropolitan areas in west Michigan fell by a slight 0.1 percent from the same period last year. Battle Creek, Muskegon–Norton Shores, and Niles–Benton Harbor experienced notable employment losses during the period. The larger Grand Rapids–Wyoming MSA was the sole area to record a gain in employment for the period, a modest 0.3 percent increase.

As the table below shows, employment declines in the region are restricted primarily to its goods-producing sectors—manufacturing and construction activity. The decline in the construction industry is clearly associated with the nationwide plummet in the residential housing market. The number of new dwelling units put under contract for construction in west Michigan fell by more than 40 percent during the period. The region's decline in manufacturing is strongly tied to the state's struggling auto industry.

In January, we forecasted that the west Michigan economy would have a mediocre year in 2007, with employment up only 0.5 percent. We foresaw employment declines in manufacturing; however, we thought that sector would not fall as steeply as it has. The largest error in our forecast so far is that we predicted employment would remain flat in the region's governmental sector, whereas it has fallen by 2.0 percent. Finally, the combination of job losses in the goods-producing and government sectors negatively affected the region's private service-providing sector, slowing its growth to below expectations as well.

Unfortunately, most economic forecasters are predicting that the national economy will slow in the latter half of the 2007. Many forecasters fear that the nation's housing industry has not yet reached bottom, and economists worry about the potential negative impact it may have on the nation's credit markets.

Looking to the short term, clearly the recent opening of the Four Winds Casino and its addition of 2,000 jobs in the Niles–Benton Harbor area will give a welcome boost to that area. In addition, the region's health-care sector continues to add new capacity and abilities; this has the potential for keeping more and more of the region's health-care dollars inside the region. Fewer west Michiganders are finding it necessary to travel outside the region to obtain first-rate medical care for a growing number of treatments. A dollar that is retained in the region has the same impact as one attracted into the region.

Nevertheless, general regional economic indicators suggest that employment conditions will remain unchanged or even soften in the coming months in west Michigan. First, as the region's manufacturers retain their competitiveness by adopting lean manufacturing practices that boost productivity, they lower their demand for additional workers. Second, similar to the nation's, the region's residential construction industry is still struggling and may continue to do so for the rest of the year. Finally, while there are an increasing number of service firms that are expanding their national customer base, most of the region's private service providers serve the local customer base, which is growing at about half the national rate. From 2000 to 2006, the region's population grew at a 0.5 percent average annual rate, compared to a 1.0 percent annual rate for the nation.

2007 Midyear Growth Compared to 2007 Forecast

	January–June % growth	
	2006–2007	Forecast 2007
Battle Creek MSA		
Total	-1.0	0.4
Goods-producing	-1.7	-0.7
Service-providing	-0.6	1.0
Government	-1.1	0.0
Grand Rapids–Wyoming MSA		
Total	0.3	0.7
Goods-producing	-1.1	-0.9
Service-providing	1.3	1.3
Government	-2.3	0.2
Holland–Grand Haven MSA		
Total	-0.1	0.5
Goods-producing	-0.8	-0.5
Service-providing	0.3	1.3
Government	0.5	-0.1
Kalamazoo–Portage MSA		
Total	0.0	0.3
Goods-producing	-3.1	-1.5
Service-providing	1.6	0.8
Government	-2.1	0.3
Muskegon–Norton Shores MSA		
Total	-1.3	0.6
Goods-producing	-2.3	-1.0
Service-providing	0.3	1.2
Government	-6.3	0.1
Niles–Benton Harbor MSA		
Total	-0.7	0.7
Goods-producing	-2.4	-1.0
Service-providing	0.1	1.6
Government	-0.8	-0.2
West Michigan		
Total	-0.1	0.5
Goods-producing	-1.6	-0.9
Service-providing	0.9	1.2
Government	-2.0	0.1