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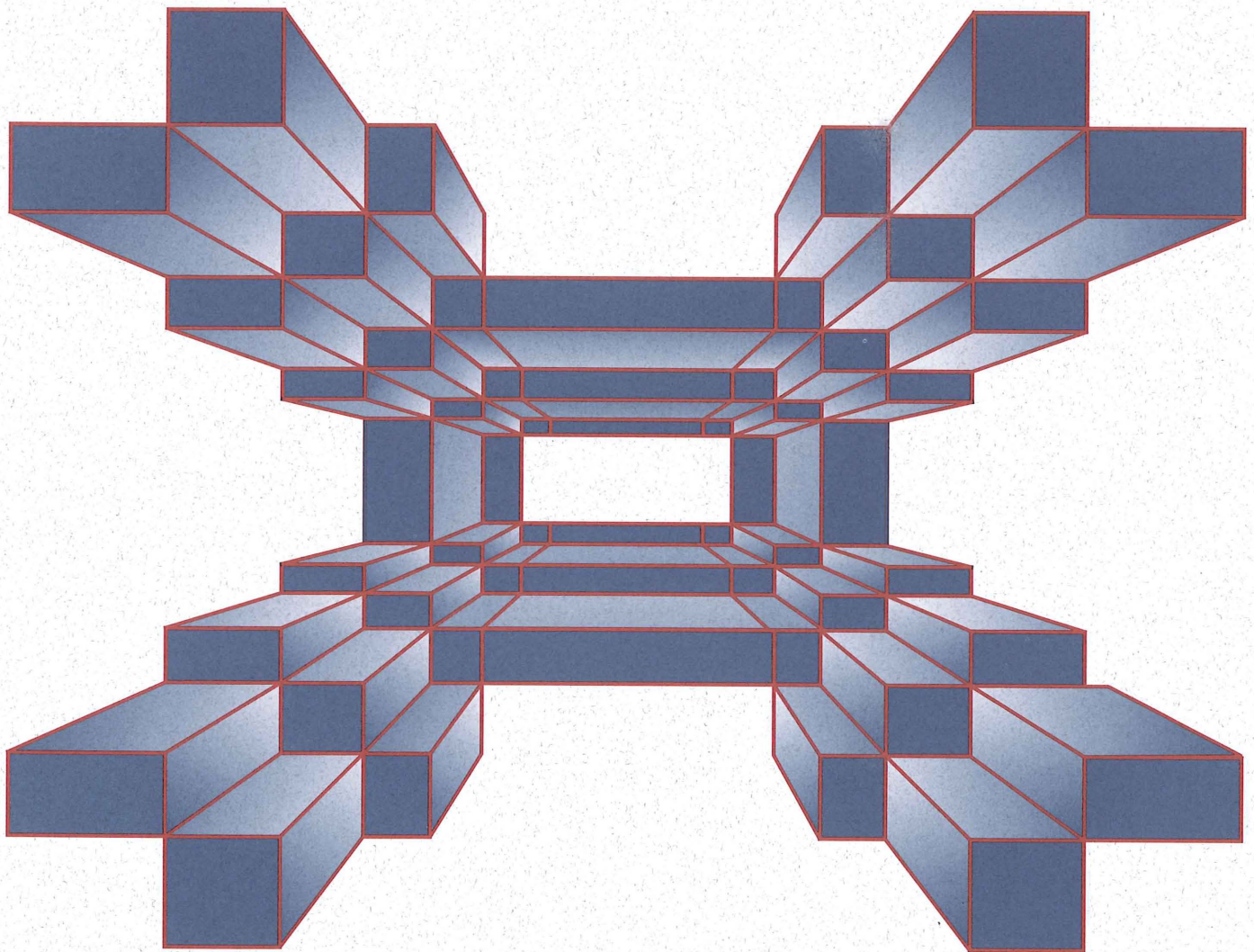
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BUSINESS OUTLOOK

for West Michigan



BUSINESS OUTLOOK

for West Michigan

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W.E. UPJOHN INSTITUTE for Employment Research

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Contents

West Michigan Viewpoint	1
National Economy	2
Regional Economy	4
State of Michigan Economy	6
West Michigan Economy	8
Battle Creek MSA	10
Grand Rapids–Wyoming MSA	12
Holland–Grand Haven MSA	14
Kalamazoo-Portage MSA	16
Muskegon–Norton Shores MSA	18
Niles–Benton Harbor MSA	20
Purchasing Managers Index and Major Economic Developments	22
Appendix Tables	
• Selected Labor Market Indicators	23
• Michigan Statistics and Michigan Industry Employment Change	24
• Personal Income and Earnings by Industry	25
• Consumer Price Index—U.S. City Average	26
• Population Update for Selected Areas of West Michigan	27

WEST MICHIGAN VIEWPOINT

Bubble, Bubble, Toil and Trouble

The warnings are becoming almost daily fare: the nation's housing bubble may be about to burst. In fact, some argue that the sector has already lost much of its buoyancy. Here in west Michigan, as well as in most Midwestern states, there is little evidence that the area's housing market has increased at an unsustainable rate during the past several years. However, this does not mean that west Michigan would not be seriously affected by a downturn in the nation's housing market.

As shown in the table below, the median sales price of existing homes rose at only a 2.1 percent annualized rate from 1999 to 2004 in the Kalamazoo area and by a higher 4.5 percent in the Grand Rapids–Holland area. Both are below the national average of 6.8 percent and way below the rate of increase in the “bubble markets” on the two coasts. In fact, the average annualized increase in the median sales price for metro areas on the two coasts was 12.1 percent, compared to just 4.7 percent for metro areas in the interior.

Not only are prices in west Michigan increasing at a slower pace, but the median sales prices in the region are much lower than the national average. The 2004 median prices of existing houses in the Grand Rapids–Holland and Kalamazoo areas were just 72 percent and 66 percent of the U.S. median price. Of course, these data do not control for the type of houses on the market, but still it is safe to say that housing is a bargain in west Michigan. Both demand and supply factors are holding down the region's housing prices. On the demand side, population growth in the Great Lakes region has lagged behind growth in the nation as a whole. On the supply side, with the abundance of flat and developable land that is available, construction costs are relatively low.

So, is this good news? Well, it depends. If prices drop significantly in the nation's housing market, homeowners in west Michigan will not be affected as much as those in the “bubble” areas. At the same time, west Michigan homeowners may feel as if they missed out on the party and would have enjoyed a more robust housing market.

Still, west Michigan would not be immune to the serious consequences of a major correction in the nation's housing. Consumer spending, which accounts for two-thirds of the nation's GDP, would be significantly affected. Car sales would likely drop, as would the demand for many products made in west Michigan, and this, of course, would have a ripple effect throughout the regional economy.

Not only would many households suffer a loss in wealth, but some would be thrown into a financial crisis. Freddie Mac, one the nation's major purchasers of mortgage loans on the secondary market, reports that during the quarter ending in June of this year nearly three-fourths of its loans that were refinanced resulted in a 5-percent-larger loan amount. In other words, if the average loan was for \$100,000, nearly three-fourths of the households that refinanced their homes ended up with a loan that was larger than \$105,000. Couple this with the infamous national household savings rate—0.0 percent in June according to the Commerce Department—and it is clear that a drop in housing values could drive many households into severe financial crisis. Some could find themselves owing more than their house is worth. In short, if there is a bubble, I hope we hear a hissing sound and not a pop.

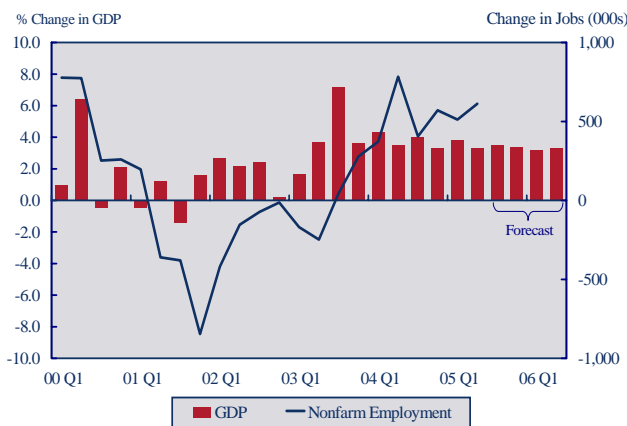
Rank	Metropolitan area	Median home price (\$ 000s)		AAR (%)
		2004	1999	99–04
1	Sacramento, Calif.	317.6	131.5	19.3
2	San Diego, Calif.	551.6	231.6	19.0
3	Worcester, Mass.	275.9	117.0	18.7
4	West Palm Beach, Fla.	300.9	131.0	18.1
5	Los Angeles, Calif.	446.4	199.0	17.5
87	Grand Rapids–Muskegon–Holland	132.9	106.7	4.5
130	Kalamazoo–Battle Creek	123.1	110.9	2.1
134	Canton, Ohio	115.2	105.0	1.9
135	Boise City, Idaho	135.9	123.9	1.9
136	Cleveland, Ohio	136.4	125.1	1.7
137	South Bend / Mishawaka, Ind.	93.6	86.7	1.5
138	Ft. Wayne, Ind.	96.6	92.2	0.9
	U.S. median price	\$185.2	\$133.3	6.8

SOURCE: National Association of Realtors. Total sample: 138 metro areas.

NATIONAL ECONOMY

The nation's Gross Domestic Product (GDP) rose at a 3.3 percent annualized rate during the second quarter of the year, down from the 3.8 percent pace it recorded in the first quarter. However, a strong run on inventory during the quarter, in combination with recent business reports on consumer spending and business activities, suggests that the economy is likely to pick up steam during the latter half of the year. Real final sales of domestic products, a figure that represents GDP minus the change in inventories, increased at a robust 5.4 percent during the quarter, well above its 3.5 percent increase during the previous quarter.

Gross Domestic Product and Nonfarm Employment



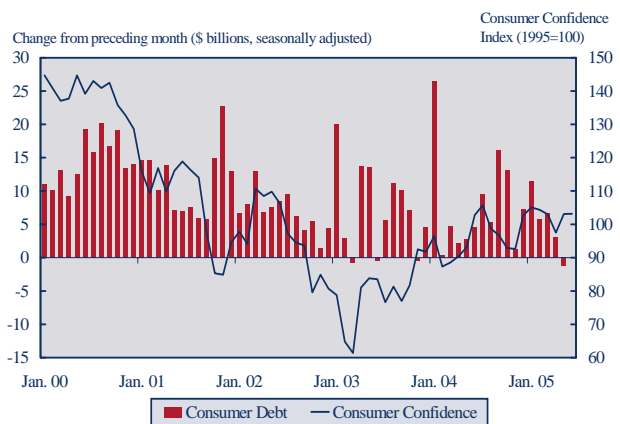
Output gains generated 612,000 jobs during the second quarter, and employers hired an additional 207,000 workers in July. The U.S. unemployment rate stood at 5 percent that month. Still, the nation's manufacturers eliminated 20,000 jobs during the first quarter, as ongoing productivity improvements continue to enable the nation's factories to produce more with fewer workers. Manufacturers trimmed another 4,000 jobs from their payrolls in July.

Rising oil prices and growing uncertainty about the stability of housing prices in many parts of the nation are clouding most analysts' crystal balls. Still, few forecasters, if any, are predicting a substantial slowdown in the nation's economy in the coming year.

Consumers Postpone Saving for Yet Another Quarter

Consumer spending increased at a healthy 3.0 percent annualized rate in the second quarter, falling short of its first-quarter increase of 3.5 percent. Auto sales accelerated during the quarter, fueled by yet another round of incentives. General Motors introduced its aggressive "Employee Discount for Everyone" program in June, and it was quickly matched by Ford and Chrysler. The incentive program generated record sales in July; when sales raced at a 21.2

Consumer Confidence and Consumer Debt



million unit pace, after cruising at a high 18.3 million unit pace in June. During the second quarter, car and light truck sales sped along at a 17.2 million unit annualized pace, after "touring" at a 16.4 million unit pace during the first quarter.

Consumers did not hold anything back during the second quarter, and this worries many analysts. The national savings rate hit zero in June, and for all of 2004 it was an extremely low 1.8 percent, a rate not seen since the Depression years of the 1930s. The U.S. Commerce Department calculates the savings rate by taking the difference between after-tax income and all household expenditures. High gas prices, low mortgage rates, and very attractive auto incentive packages contributed to the consumers' "grasshopper" ways. Still, many economists question the correctness of this definition since housing, education and the purchase of other investment assets are included in expenditures. During the past five years, buying a home was one of the best investments a household could make in many parts of the country, especially with the low mortgage rates. On average, housing prices have increased by more than 66 percent since 1999.

Clearly, the price run-up in the nation's housing market has increased the wealth of existing homeowners, enabling them to spend more. The strong demand for housing is being met by an increase in supply. New residential construction rose at a 9.8 percent annualized rate during the quarter, topping last quarter's 9.5 percent increase. Although it accounts for only 5.4 percent of the nation's GDP, residential construction contributed 0.56 percent of the 3.3 percent annualized rise in GDP during the second quarter, or about one-sixth.

However, a new report by Freddie Mac shows that many householders are taking more equity out of their home than has been accumulated. Freddie Mac, one of the nation's largest buyers of home mortgages on the secondary market,

reported that in the second quarter, for 74 percent of the refinancing loans the company purchased, the size of the loans was at least 5 percent greater than the amount of the original mortgage. In other words, nearly 75 percent of the refiners were taking money out of their houses during the quarter, compared to only 33 percent in 2003.

While much of the extra money is being reinvested in the house or in education, many householders are in an increasingly vulnerable position if a major adjustment does occur in the nation's housing market.

Business Conditions Look Strong

The large run on inventories during the quarter suggests that current business conditions surprised many business managers. According to the Institute for Supply Management's (ISM) Purchasing Managers Index (PMI), activity in manufacturing rose in July for the twenty-sixth consecutive month, and the overall economy has been growing for the past 45 months. The July reading of the PMI was 56.6 percent, an increase from the June reading of 53.8, and was the strongest for the year.

Manufacturing activity, as measured by the Federal Reserve's Industrial Production Index, is now higher than in 2000, when it hit its previous peak, even though the sector employs 3 million fewer workers than in 2004, a decline of 17.6 percent.

In light of the current strong business environment, it is not surprising to witness business investment also on the rise. Business expenditures on information processing equipment and software rose at a 13.7 percent annualized rate during the quarter. Business expenditures on transportation equipment increased by an even more robust 27.4 percent rate. Finally, spending on nonresidential brick and mortar rose by 2.7 percent after being negative during the first quarter.

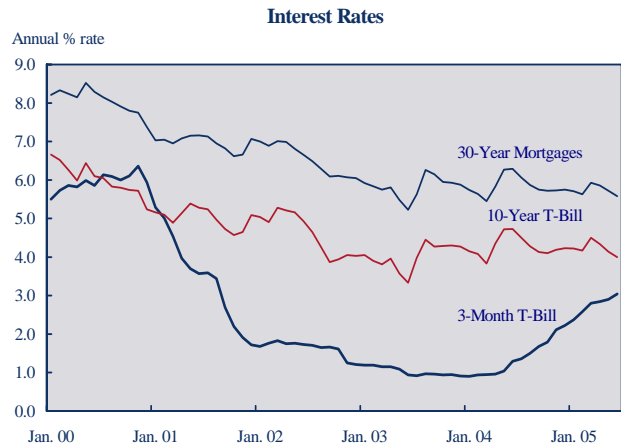
The only negative report regarding the nation's business sector is that unit labor costs are on the rise, in part because of a slowdown in productivity growth. From the second quarter of last year to the second quarter of this year, productivity grew by just 2.3 percent, compared to a 2.9 percent increase from first quarter to first quarter. During the same time period, unit labor costs rose by 4.3 percent, up from 3.7 percent.

A slowdown in productivity can only be expected as an expansion matures, because businesses exhaust existing capacity and must hire additional workers. Still, it is just one more worry for the Federal Reserve.

Observers Expect the Federal Reserve to Maintain Its Course

To the surprise of no one, the Federal Reserve Board (the Fed) pushed up its target for the short-term federal funds rate

by a quarter of a percent, to 3.5 percent. The Fed is fully expected to bump the federal funds rate at its September meeting as well. In fact, most analysts expect the Fed to continue to nudge short-term rates up slowly for the rest of the year as it attempts to maintain the current noninflationary environment for continued growth. Although consumers are dreading visits to the gas station, consumer prices excluding energy were still increasing at a modest 2.3 percent rate as of June.



International Trade Position Improved Slightly

The nation's trade gap improved during the second quarter as imports rose at a slight 0.5 percent annualized rate and exports rose by 13.2 percent. Still, the nation imports 50 percent more than it exports. The dollar has stabilized relative to most major currencies in the past three months, and the modest upward revaluation of the Chinese yuan may offer some relief to the nation's manufacturers.

Economic Forecast Remains Promising

Economic forecasters see smooth sailing for the remainder of the year. The consensus forecast generated by the quarterly Survey of Professional Forecasters, prepared by the Federal Reserve Bank of Philadelphia, calls for GDP to increase at a 4.2 percent annualized rate in the current quarter and at a 3.6 percent rate during the final quarter of the year. The University of Michigan's Research Seminar in Quantitative Economics (RSQE) U.S. forecast is predicting that GDP will increase at a 4.0 percent annualized rate during the latter half of the year, resulting in GDP growth of 3.8 percent for the entire year. The university forecasters see GDP increasing at a more moderate rate of 3.1 percent in 2006, whereas the consensus forecast compiled by the Federal Reserve Bank of Philadelphia calls for the economy to grow by 3.4 percent.

REGIONAL ECONOMY

There Will Be Moderate Growth, but Michigan Will Lag Behind

As reported in the July *Beige Book*, economists at the Federal Reserve Bank of Chicago see economic activity in the Great Lakes region as expanding at a “moderate pace” with the exception of Michigan, which continues to lag behind. The analysts found activity in the region’s construction and real estate sectors to be “quite brisk” in the second quarter, although a soft patch in residential sales was seen in the Detroit area. Manufacturing was found to be holding its own, as automakers reported a pickup in sales, toolmakers saw improving conditions, office furniture continued to show signs of life, and construction equipment activity remained strong.

One of the more promising findings of the Bank’s July *Beige Book* comes from an industry analyst who was interviewed. He “reported that venture capital in the Chicago area increased for the first time since 2000, adding that there was ‘renewed excitement and enthusiasm’ for investing in local technology start-ups.” One can hope that this air of excitement is spreading over to west Michigan as well.

Michigan was the only state in the Great Lakes region not to report employment gains during the 12-month period ending in June. Total employment in Indiana increased by 1.5 percent during the period, followed by total employment gains in Wisconsin, Illinois, and Ohio. Although manu-

facturing employment turned positive in Wisconsin, manufacturers in the five-state region trimmed more than 31,000 jobs from their payrolls, a 1.0 percent decline, during the 12 months. Unfortunately, Michigan bore the lion’s share of this employment decline, losing 24,200 manufacturing positions during the period. The region’s manufacturing sector overall lagged behind the nation’s, as employment among the country’s manufacturers located outside of the five-state region fell by only 32,700 jobs, a 0.3 percent decline.

Car Sales Are Pushed Forward by a New Round of Incentives

Car sales raced at an unsustainable 20.7 million unit clip during July, on top of a robust 17.8 million unit rate recorded in June. The stampede was ignited by General Motors, Ford, and Chrysler’s opening their employee discounts to everyone. Before the incentive program, car affordability had been declining: the first-quarter reading of the Comerica Auto Affordability Index, which monitors the number of weeks of median family income required to purchase a new vehicle, stood at 24.4 weeks, which was higher than the annual average for the past two years.

The plight of the nation’s auto suppliers has received a substantial amount of press coverage, especially with the bankruptcy of several well-known companies—notably Tower Automotive and Federal-Mogul Corporation—and the troubled financial situation of the two spin-off supplier

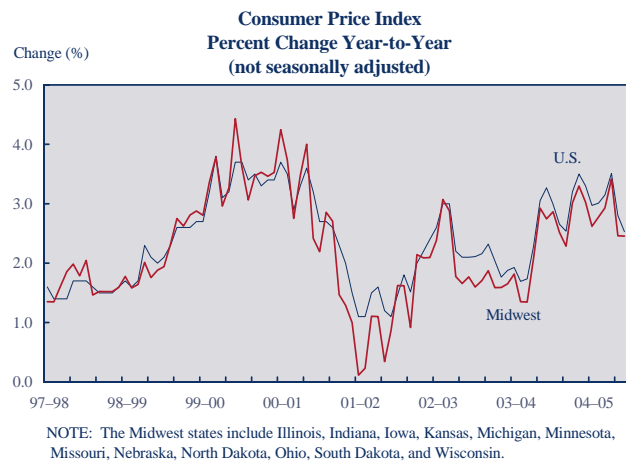
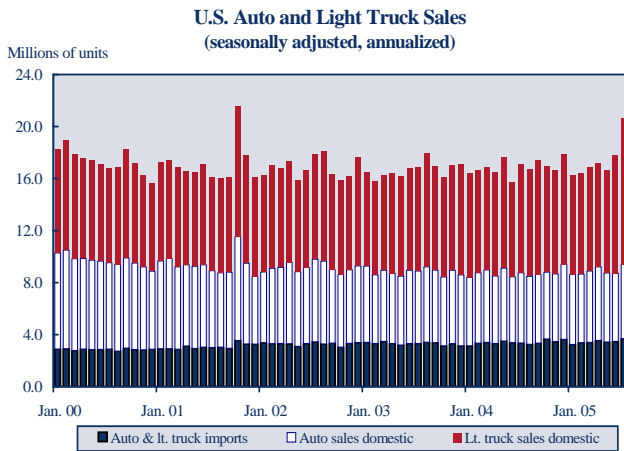
Employment and Earnings^a

Great Lakes region	June 2005	June 2004	Percent change	Great Lakes region	June 2005	June 2004	Percent change
Illinois				Ohio			
Total employment	5,859,500	5,808,600	0.9	Total employment	5,429,400	5,407,900	0.4
Mfg. employment	691,700	697,000	-0.8	Mfg. employment	819,800	823,000	-0.4
Avg. weekly hours	40.8	41.2	-1.0	Avg. weekly hours	41.2	42.0	-1.9
Avg. hourly earnings	\$15.88	\$15.65	1.5	Avg. hourly earnings	\$18.97	\$18.48	2.7
Indiana				Wisconsin			
Total employment	2,971,500	2,928,200	1.5	Total employment	2,828,800	2,802,100	1.0
Mfg. employment	571,800	572,500	-0.1	Mfg. employment	503,500	501,400	0.4
Avg. weekly hours	41.4	42.1	-1.7	Avg. weekly hours	40.0	39.7	0.8
Avg. hourly earnings	\$18.32	\$18.06	1.4	Avg. hourly earnings	\$16.28	\$16.18	0.6
Michigan				United States			
Total employment	4,373,900	4,387,600	-0.3	Total employment (000)	133,579	131,479	1.6
Mfg. employment	671,400	695,600	-3.5	Mfg. employment (000)	14,280	14,344	-0.4
Avg. weekly hours	41.9	42.5	-1.4	Avg. weekly hours	40.4	40.7	-0.7
Avg. hourly earnings	\$21.37	\$21.40	-0.1	Avg. hourly earnings	\$16.54	\$16.12	2.6

NOTE: June 2005 lists preliminary numbers.

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

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



companies, Delphi (General Motors) and Visteon (Ford). Still, a recent report by A.T. Kearney of Southfield suggests that auto suppliers, on average, are doing better than their auto-making customers. According to the study's survey of 69 suppliers, representing 70 percent of the automakers' global purchase of parts, suppliers' average revenue growth in 2004 was 10.7 percent, compared to 4.4 percent for automakers.

However, for the Midwest, a bigger issue is where these auto suppliers are manufacturing their parts. According to Thomas Klier, an economist at the Chicago Federal Reserve Bank, imports of auto parts and components have grown at a 10 percent annual rate during the past five years. An analysis prepared by *Ward's AutoWorld* (May 2005) using data from the U.S. International Trade Commission found that imports accounted for 30.6 percent of U.S. consumption of auto parts in 2002, an increase of 22.8 percent since 1997, and every indication suggests that the trend has only grown in the past three years.

Of course, not all parts are the same. Parts that require labor-intensive assembly are the most likely to be imported. For example, nearly three-fourths of all wiring harness assemblies for cars, planes, and ships are imported, and

almost all of them come from Mexico. Bulky parts that are difficult to ship, such as seats and engines, are still domestically produced. Even so, in 2002, 18.6 percent of all seats and 28.4 percent of all engines used in the United States were imported.

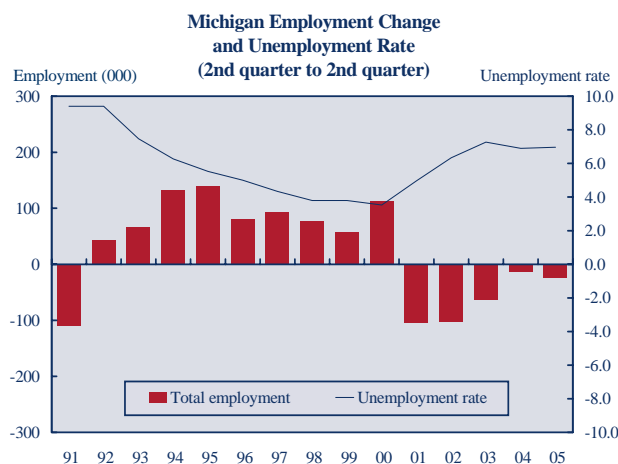
Midwestern Consumer Prices Are Increasing at the National Rate

Consumer prices in the 12-state Midwest region are increasing at about the national rate, after lagging behind the nation's for the past year. Midwestern residents, like everyone else in the nation, are trying to adjust to the large jump in gas prices. As of August 29, the price for regular-grade gas hit \$2.60 in the Midwest, a 38 percent increase from a year ago. The region's increase in gas prices was similar to the national average. One possible impact of the jump in gas prices could be a reduction in tourist activity, especially in the northern regions of Michigan.

STATE OF MICHIGAN ECONOMY

Total employment inched down by 0.1 percent statewide during the second quarter and was 0.6 percent below its level for the same quarter last year. Employment declines in the state's goods-producing and government sectors erased a small pickup in its private service-providing employment. Despite the lack of employment growth, the state's unemployment rate remained stable in the quarter. Unfortunately, statewide economic indicators suggest that employment conditions may remain sluggish.

The state's goods-producing sector continues to struggle. Employment in the sector fell by 0.7 percent during the second quarter, representing a loss of 5,800 jobs. Employment losses were reported in both the state's construction and its manufacturing sectors. Employment in the state's manufacturing sector was down by 23,200 workers, or 3.3 percent, from where it was for the same quarter last year.



Despite strong national auto sales, the state auto industry continues to struggle to maintain market share. Before the full impact of its Employee Discount for Everyone incentive program was felt, General Motors' market share for the first six months of the year had fallen to 27.1 percent, from 27.3 percent for the same period last year. In June, General Motors announced that it would eliminate models, and possibly entire lines, of vehicles and cut another 25,000 workers from its workforce. Of course the announcement, while not unexpected, sent shock waves through the state's auto supply chain. Ford and Chrysler did gain market share during the first six months of the year compared to the same period last year, but it was not enough to stop the industry's employment from declining in the state. Employment in the state's auto-dominated transportation equipment manufacturing industry fell by 7.5 percent, a loss of nearly 20,000 jobs during the past four quarters, which included a loss of more than 9,000 auto suppliers' jobs.

The ongoing troubles at General Motors only add greater stress to the firm's already tense relationships with its suppliers. According to a new survey by Planning Perspectives Incorporated, suppliers ranked General Motors as the worst automaker to work with, followed closely by Ford and Chrysler. Not surprisingly, Toyota was ranked the best, followed by Honda and then Nissan. GM has been at the bottom of the rankings for the past five years.

Yet, even though it is losing production jobs, the state continues to attract the headquarters, administrative, and research functions of the industry, for both domestic and foreign-owned companies. Not only is Toyota locating its research and development activities in the state, but Denso announced that it will spend \$36 million to expand its North American headquarters in Southfield. The Japanese auto supplier employs 4,500 workers in Michigan at four locations, including its Denso and ASMO facilities in Battle Creek and its Michigan Automotive Compressor plant just east of Albion in Jackson County. In addition, BorgWarner, which has a plant in Marshall (Calhoun County), moved its headquarters from Chicago to Auburn Hills. The company produces vehicle power-train components.

Unfortunately, other manufacturing sectors reduced their workforce during the past four quarters, including office furniture (which had a 4.4 percent decline), food, paper, and plastics.

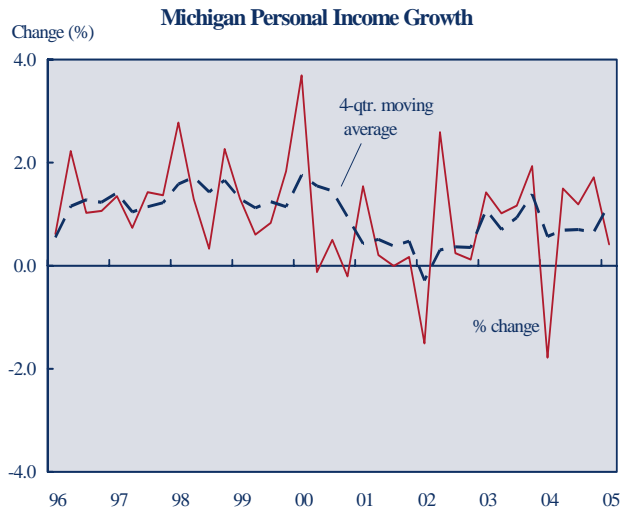
Nevertheless, current trade reports suggest conditions are turning around in manufacturing. The American Mold Builders Association (AMBA) and the National Tooling and Machining Association (NTMA) announced in separate reports that, according to their latest surveys, business conditions for the nation's mold makers and tool and die shops have improved sharply. Of those businesses surveyed by AMBA, 21 percent reported that business conditions were "excellent" and 71 percent said that they were "good." These were the best survey findings since 1998. The NTMA, as well, found that 75 percent of its survey respondents reported "good" or "better" conditions and that 55 percent predicted "improving" conditions.

Employment in the state's private service-providing sector increased by 0.2 percent during the quarter. The state's tourism industry enjoyed a good start to its summer season as its seasonally adjusted employment rose by 1.1 percent during the second quarter. In addition, services strongly associated with manufacturing—transportation and wholesale trade—reported job gains during the quarter.

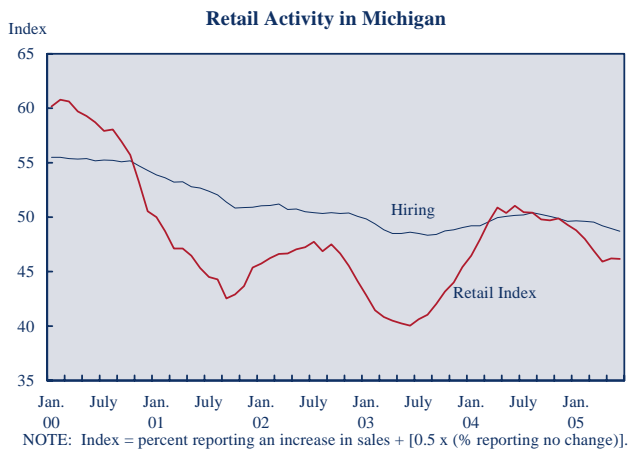
Employment in the state's retail sector fell by 0.4 percent during the quarter, which is not surprising given the state's lagging employment situation and sluggish personal income

growth—income increased by only 0.4 percent during the first quarter of the year. According to the monthly survey of retailers conducted by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association, retail activity in the state has seen little sign of improvement since the beginning of the year, after falling during the latter half of 2004. Hiring in the industry is also down.

Finally, government employment fell by 0.4 percent in the quarter. Still, as of July, state government revenues were stronger than previously predicted, allowing the state to take another look at its revenue projections for next year's budget.



The economic indicators for the state are not promising. The Detroit-area Help-Wanted Advertising Index fell by 12.5 percent, although the composite index for west Michigan was up by 2.5 percent. New claims for unemployment insurance jumped by 20.4 percent, while the number of new dwelling units put under contract for construction fell by 12.6 percent. In short, the state's economy may remain in the doldrums for the remainder of the year.



Employment by Place of Work
June
(seasonally adjusted)

Labor market area	Total nonfarm	% change, 2004–05	Goods-producing	% change, 2004–05	Private service-providing	% change, 2004–05
United States	133,579,000	1.6	22,136,000	1.1	89,687,000	1.9
Michigan	4,373,900	-0.3	869,300	-2.8	2,815,854	0.1
West Michigan MSAs:						
Battle Creek	62,817	-1.1	16,623	0.6	36,019	-1.1
Grand Rapids–Wyoming	386,186	0.4	93,334	-0.1	254,731	0.3
Holland–Grand Haven	115,810	2.4	42,247	-4.4	55,740	2.9
Kalamazoo–Portage	144,811	1.0	30,848	-0.3	90,607	0.5
Muskegon–Norton Shores	65,349	-0.9	16,005	-0.6	39,757	-1.6
Niles–Benton Harbor	63,241	-1.3	16,844	-5.1	38,432	0.5
Other labor market areas:						
Ann Arbor	202,059	-0.1	28,346	-3.0	107,574	0.2
Bay City	39,176	-3.2	5,950	-4.6	27,356	-1.8
Detroit–Warren–Livonia	2,041,684	-0.3	379,858	-0.8	1,427,096	-0.3
Flint	158,087	-1.5	28,882	-3.9	105,545	-0.5
Jackson	61,892	-0.2	12,561	-1.5	38,053	0.0
Lansing–East Lansing	228,565	-0.9	29,225	-9.1	133,647	0.1
Monroe	44,044	-1.2	11,071	-6.0	26,427	0.0
Saginaw	91,984	-1.4	17,445	-5.8	62,331	0.2

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

WEST MICHIGAN ECONOMY

Total employment fell by 0.6 percent during the second quarter in the six metropolitan areas of west Michigan. All of the job losses occurred in the region's private employment sectors. Still, employment is up 0.3 percent from the same quarter last year, and the region's composite unemployment rate fell to 6.0 percent during the quarter. However, the second quarter readings of the region's economic indicators were mixed, suggesting that any employment gains during the next six months will be modest.

Employment in the region's goods-producing sector fell by 0.6 percent during the second quarter and by 1.0 percent for the last four quarters. Employment declines were reported in both the region's construction and its manufacturing sectors. Among the region's auto suppliers, the employment picture truly depends on who your customers are. For the region's major auto suppliers that sell to the traditional Big Three, in particular Lear Corporation and Robert Bosch Corporation, employment levels are down. However, for those selling to Toyota, Honda, or Nissan, such as Denso and TRMI, the story is reversed.

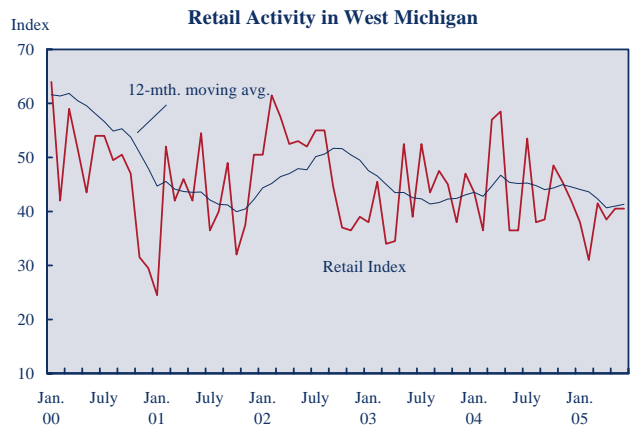
Although the region's office furniture industry continues to trim its employment levels, there are increasing signs of a turnaround. The July reading of Michael A. Dunlap & Associates' survey of the office furniture industry reached 59.7, which is a good jump above the April index reading of 56.0. In addition, according to BIFMA, the industry's trade association, shipments increased by 17 percent during the first quarter. Herman Miller reported that profits increased by 65.9 percent from last year and that sales were up by better than 13 percent for the year. Likewise, Steelcase reported that its North American sales were up 15.8 percent from a year ago.

Employment in the region's service-providing sector fell by 0.9 percent during the quarter. Surprisingly, countering state trends, the region's tourism industry—its leisure and hospitality sector—had a rocky start to the summer season, recording a 2.9 percent decline in employment (seasonally

adjusted). Retailers cut their workers by 0.9 percent, reflecting current trends captured by the monthly survey of retailers, which is conducted by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association. Finally, again countering statewide trends, the region's transportation and wholesalers also reduced their workforce during the quarter.

Government employment increased by 1.1 percent, due solely to seasonal adjustment factors. The normal summertime reduction of staff at the area's state educational institutions occurred in June, one month later than usual, pushing the region's seasonally adjusted employment estimates up for the quarter.

The second-quarter readings of the region's economic indicators suggest that employment conditions will remain sluggish in the coming months. On the positive side, the region's composite Help-Wanted Advertising Index was up 2.5 percent during the quarter. However, at the same time, the number of new claims for unemployment insurance rose, and the number of new dwelling units put under contract for construction fell.



Business Reports from Rural West Michigan

Business reports from the rural counties of west Michigan were mixed during the second quarter.

In St. Joseph County, American Axle & Manufacturing in Three Rivers received a \$7 million state grant that it will use to equip the facility to manufacture parts for General Motors' full-sized pickup trucks and sport utility vehicles. The future work is expected to help secure nearly 200 jobs at the plant.

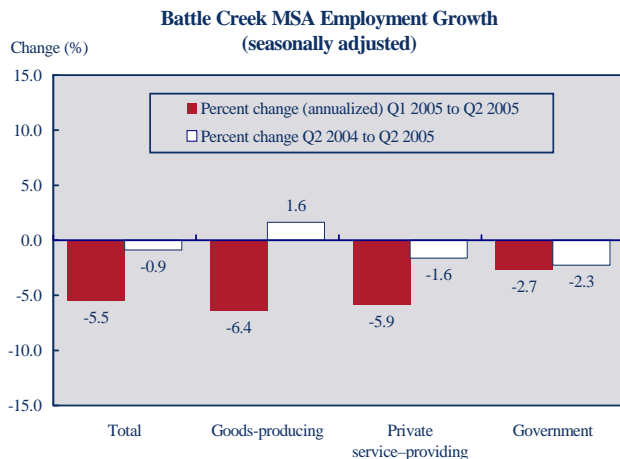
Unfortunately, in Montcalm County, the long-dreaded closing of the Greenville Electrolux plant will start in September, when the refrigerator manufacturer releases the first 800 of its 2,700 workers. The plant is expected to close early next year.

Menasha Packaging Paperboard in Allegan County closed its more-than-100-year-old Otsego plant, which employed 200 workers.

BATTLE CREEK MSA

Total employment fell by 1.4 percent in Calhoun County during the second quarter, leaving the county's employment level 0.9 percent below last year's level. Still, the county's unemployment rate inched down to 6.7 percent, from 6.8 percent in the previous quarter. Unfortunately, the county's economic indicators all deteriorated during the quarter, suggesting that employment conditions may remain sluggish during the latter half of the year.

Employment in the county's goods-producing sector fell by 1.6 percent during the quarter as both construction firms and manufacturers reduced their workforces. Still, manufacturing employment in the county remained 1.6 percent higher than what it was during the same quarter last year, and construction employment was 1.8 percent higher than the previous year.



The strength of the county's manufacturing depends, in large part, on the success of the Japanese auto suppliers that the county houses. Denso, the county's largest employer, continues to expand. In addition, Tokai Rika announced that it will expand its TRMI operations and add 100 jobs in the next four years. Finally, I I Stanley Co. will expand, adding up to 50 new jobs to its current workforce. In sharp contrast to the state overall, which lost 7.5 percent of its employment in transportation equipment during the past four quarters, Calhoun County's transportation equipment employers have increased their employment levels by 2.3 percent during the same period.

The city of Marshall was hit with two layoff announcements. Lear Corporation is going to close its plant in the city by the end of the year, eliminating 130 jobs. In addition, Eaton Corporation announced that it is laying off 30 more workers at its Marshall facility.

Kellogg announced strong earnings during the second quarter and has raised its sales projections for the remainder of the year. The company reported that second-quarter net

earnings rose 9 percent, to \$259 million, from the year-ago quarter. Sales grew 8 percent over their level a year ago, reaching \$2.6 billion.

Finally, although the sale of Cello-Foil Products to the Florida-based investment firm Sun Capital Partners is not expected to affect the firm's 205 jobs, the county does lose local ownership of the company.

Employment fell by 1.5 percent in the county's private service-providing sector. The county's retailers, professional and business services, and establishments in the county's tourist-related sector—leisure and hospitality—were forced to make the largest cuts in personnel during the quarter. The loss of 100 jobs in the area's tourism sector is somewhat surprising considering the statewide gains and a warm spring; however, it was a trend seen throughout west Michigan.

In addition, employment in the county's educational and health sector fell a slight 0.1 percent during the quarter. Indeed, in June the Battle Creek Health System announced that a projected \$4 million decline in revenues required it to release about 40 workers in nonpatient departments.

The county's transportation sector, which saw no change in employment during the quarter, will receive a boost in the coming years, as Duncan Aviation broke ground in June on a \$19.5 million multiple expansion project. The project will add 125,000 square feet to its existing 200,000-square-foot facility. Once it is completed, the aircraft refurbishing company will bring 380 more jobs to the county.

Government employment fell by 0.7 percent in the quarter. The Base Realignment and Closure Commission (BRAC) decided to preserve Battle Creek's Air National Guard base and the jobs of its almost 300 employees but will send its 15 A-10 aircraft across the state to Selfridge Air National Guard Base near Mount Clemens. However, Battle Creek may get to keep a dozen A-10s if the state gets to decide where to place 24 A-10s that will be assigned to Michigan.

Unfortunately, all of the county's economic indicators deteriorated during the quarter, suggesting that employment conditions will not improve during the final half of the year. The county's Index of Help-Wanted Advertising dropped a point, the number of new claims for unemployment insurance rose by nearly 19 percent, and the number of new dwelling units put under contract for construction fell by nearly 22 percent.

Battle Creek MSA
(seasonally adjusted)

Measure	2005 Q2	2005 Q1	% change, Q1 to Q2	2004 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	63,130	64,030	-1.4	63,690	-0.9
Goods-producing	16,760	17,040	-1.7	16,490	1.6
Construction and mining	2,300	2,500	-8.0	2,260	1.7
Manufacturing	14,460	14,540	-0.6	14,230	1.6
Durable goods	9,260	9,290	-0.3	9,190	0.8
Nondurable goods	5,200	5,250	-1.0	5,040	3.2
Private service-providing ^a	36,010	36,560	-1.5	36,600	-1.6
Transportation and utilities	1,100	1,100	-0.4	1,130	-3.0
Wholesale trade	1,360	1,400	-2.9	1,360	0.0
Retail trade	7,790	8,020	-2.8	7,890	-1.2
Financial activities	1,600	1,610	-0.2	1,600	0.0
Professional and business services	6,370	6,540	-2.6	6,430	-1.0
Educational and health services	9,160	9,170	-0.1	9,470	-3.2
Leisure and hospitality	5,840	5,940	-1.6	5,500	6.2
Other services	2,480	2,490	-0.3	2,480	0.0
Government ^b	10,360	10,430	-0.7	10,600	-2.2
Federal government	3,410	3,390	0.6	3,380	1.0
Local government	6,910	6,930	-0.3	6,950	-0.6
Unemployment					
Number unemployed	5,030	5,010	0.4	5,240	-4.0
Unemployment rate (%)	6.7	6.8		7.2	
Local indexes					
Help-wanted ads (1996=100)	32	33	-3.0	42	-22.8
UI initial claims	272	229	18.8	258	5.3
New dwelling units ^c	305	389	-21.6	352	-13.3

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, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2005 Q2	2004 Q2	Percent change	Industry	2005 Q2	2004 Q2	Percent change
Goods-producing	16,870	16,600	1.6	Government	10,500	10,730	-2.2
Transportation equipment	6,030	5,900	2.3	Local govt. education svcs.	4,830	4,700	2.8
Private service-providing	36,430	37,030	-1.6				
Accommodations & food svcs.	4,430	4,230	4.7				
Admin. support & waste mgmt.	4,900	4,900	0.0				

SOURCE: Michigan Department of Labor and Economic Development.

West Michigan (6 MSAs) Statistics
(seasonally adjusted)

Measure	2005 Q2	2005 Q1	% change, Q1 to Q2	2004 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	839,170	844,060	-0.6	837,030	0.3
Goods-producing	216,880	218,110	-0.6	219,050	-1.0
Construction and mining	39,160	39,570	-1.0	39,220	-0.2
Manufacturing	177,710	178,530	-0.5	179,830	-1.2
Durable goods (5 MSAs) ^a	114,200	115,370	-1.0	115,430	-1.1
Nondurable goods (5 MSAs) ^a	48,960	48,500	0.9	48,970	0.0
Private service-providing	515,770	520,410	-0.9	513,720	0.4
Transportation and utilities	21,110	21,480	-1.7	21,350	-1.1
Wholesale trade	34,430	35,100	-1.9	33,310	3.4
Retail trade	97,810	98,680	-0.9	97,760	0.1
Information (5 MSAs) ^a	9,750	9,650	1.0	9,970	-2.2
Financial activities	42,940	42,860	0.2	42,340	1.4
Professional and business services	95,990	97,490	-1.5	95,740	0.3
Educational and health services	108,300	107,810	0.5	106,740	1.5
Leisure and hospitality	70,230	72,340	-2.9	70,430	-0.3
Other services	43,690	43,540	0.3	44,340	-1.5
Government	99,570	98,500	1.1	97,040	2.6
Federal government	17,210	16,680	3.2	16,600	3.7
State government	23,440	23,420	0.1	23,080	1.6
Local government	66,420	66,290	0.2	65,780	1.0
Unemployment					
Number unemployed	58,140	61,710	-5.8	63,550	-8.5
Unemployment rate (%)	6.0	6.4		6.6	
Local indexes					
Help-wanted ads (4 MSAs) (1996=100) ^b	41	40	2.5	44	-6.8
UI initial claims	2,309	2,114	9.2	2,434	-5.1
New dwelling units ^c	7,987	9,217	-13.3	8,475	-5.8

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

^a Niles-Benton Harbor MSA data not available.

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

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

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

Emerging Technologies, Innovations, and New Directions

Researchers at WMU's College of Aviation in Battle Creek were awarded a \$2.8 million grant. They will try to adapt the protocols developed for pilots faced with flight emergencies so that they can be used by doctors in hospital emergency rooms. They also will try to adapt flight simulation training so that it can be used to train health-care workers for emergency room situations.

In Kalamazoo, three tenants of the Southwest Michigan Innovation Center (SMIC) were awarded state grants: NephRx Corporation, ProNAi Therapeutics Incorporated, and zuSyn Incorporated.

Muskegon County will be the first county in the nation to have border-to-border, high-speed, wireless Internet service, business and government officials said. Aerialink Broadband received a \$2.2 million federal grant to provide wireless Internet connections in five low-to-moderate-income rural communities.

GRAND RAPIDS–WYOMING MSA

Total employment fell by 0.6 percent during the second quarter in the four-county Grand Rapids MSA. Still, total employment in the area is 0.5 percent above last year's level for the same quarter. Despite the decline in employment, the area's unemployment rate dropped from 6.5 to 6.0 percent during the quarter. The area's economic indicators were mixed, suggesting a lack of direction for the area's employment in the coming months.

Goods-producing employment in the area was unchanged during the quarter, as a 0.6 percent increase in construction employment completely offset a 0.2 percent decline in manufacturing. Still, the sector employed 470 more workers than it had a year before.

The area's manufacturing continues to be held back because of employment reductions by its auto suppliers and office furniture manufacturers. During the past four quarters, employment among the area's motor-vehicle parts manufacturers fell by 7.6 percent, or by more than 1,000 workers. Lear Corporation announced that, as part of its companywide \$250 million restructuring plan, it is laying off more than 100 workers from one of its two area facilities,

percent of its manufacturing space; the consolidation includes a plan to close its last plants in the city of Grand Rapids and lay off 600 workers by 2007. Currently the company has a sizable backlog of orders and expects sales to be 10 to 15 percent higher than last year. However, at the same time it announced that it will not be giving its workers an annual raise next year.

Other recent business reports were mixed. In Ionia County, Danly IEM, a tool and die shop, announced that it is relocating its facility to northern Michigan, taking 50 jobs out of the area. On the upside, Smiths Aerospace announced plans to build a \$2.4 million U.S. Business Service Center in the area to serve its plants around the nation, adding 65 jobs. In the past two years, Smiths Aerospace has worked on five major contracts having a combined value of \$1.8 billion.

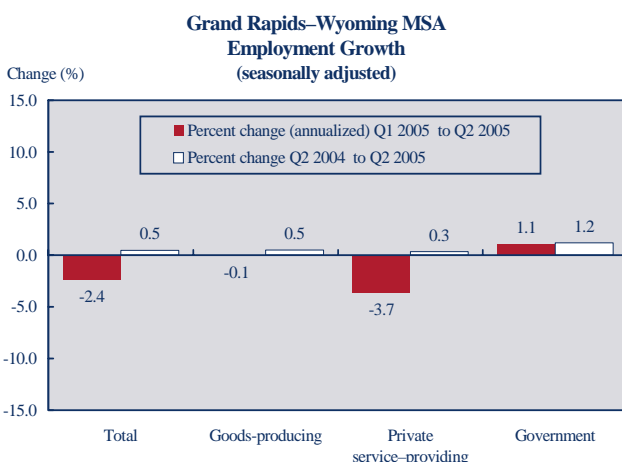
Finally, workers and management at Bradford White, a manufacturer of water heaters and the largest employer in Barry County with 1,300 workers, have failed to reach agreement on a new contract after two votes. The company is asking its workers to eliminate overtime, change work-week rules, and pay higher deductibles.

Employment in the area's private service-providing sector fell 0.9 percent during the quarter. More than 1,000 jobs were lost in the area's professional and business services sector. Still, Grubb & Ellis / Paramount reports that the office-space market in Grand Rapids is gradually turning upward after years of sluggishness, though vacancy rates remain higher than usual. In addition, another 1,260 jobs were eliminated in the area's leisure and hospitality sector. Despite a warm spring, tourist-related activities throughout west Michigan brought fewer jobs than hoped for.

Employment in the area's educational and health services increased by 1.1 percent during the quarter. Indeed, Grand Rapids' "medical hill" just east of its downtown may be getting bigger, because of a proposed \$120 million Michigan Street medical and research complex. The development would occupy 700,000 square feet on five acres. The plan calls for three office towers and could provide up to 2,300 new jobs. Developers hope to start construction this summer and complete the project in about four years.

Finally, government employment in the area grew by a modest 0.2 percent during the quarter.

Second-quarter readings for the area's economic indicators were mixed, suggesting no clear direction for employment during the latter half of the year. The area's Index of Help-Wanted Advertising rose a point during the quarter, and the number of new dwelling units put under contract for construction increased by 6.4 percent. However, the number of new claims for unemployment insurance also increased, by 10.8 percent.



leaving about 60 workers at the plant. Fears are that the entire plant will be closed shortly. The plant had 659 hourly workers in 2004. At the same time, Lear has hired more than 125 workers since last November at its other area plant, bringing that plant's workforce up to about 400.

Employment in the area's office furniture industry fell by 4.1 percent during the past four quarters, a loss of 300 jobs. However, unlike prospects in the auto industry, the economic outlook for office furniture holds promise. Both Michael A. Duncan & Associates and the Business and Institutional Furniture Manufacturers Association (BIFMA), the industry trade association, are anticipating improving conditions for the hard-hit industry. In addition, Steelcase reported that its North American sales were up 15.8 percent from a year ago. Still, the company is consolidating 47

Grand Rapids–Wyoming MSA
(seasonally adjusted)

Measure	2005 Q2	2005 Q1	% change, Q1 to Q2	2004 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	386,850	389,200	-0.6	385,080	0.5
Goods-producing	93,940	93,960	0.0	93,470	0.5
Construction and mining	19,310	19,200	0.6	19,300	0.1
Manufacturing	74,630	74,760	-0.2	74,170	0.6
Durable goods	52,050	52,350	-0.6	52,020	0.1
Nondurable goods	22,580	22,400	0.8	22,150	1.9
Private service-providing	254,720	257,120	-0.9	253,860	0.3
Transportation and utilities	9,810	10,250	-4.3	10,180	-3.6
Wholesale trade	20,970	21,420	-2.1	19,980	5.0
Retail trade	43,320	43,550	-0.5	43,420	-0.2
Information	5,670	5,570	1.8	5,600	1.3
Financial activities	21,240	20,920	1.5	21,050	0.9
Professional and business services	51,870	52,960	-2.1	52,940	-2.0
Educational and health services	53,150	52,580	1.1	52,000	2.2
Leisure and hospitality	31,830	33,090	-3.8	31,630	0.6
Other services	16,860	16,780	0.5	17,060	-1.2
Government	38,190	38,120	0.2	37,750	1.2
Federal government	3,320	3,400	-2.4	3,350	-0.9
State government	4,230	4,000	5.8	3,930	7.6
Local government	30,670	30,710	-0.1	30,490	0.6
Unemployment					
Number unemployed	24,460	26,380	-7.3	27,280	-10.3
Unemployment rate (%)	6.0	6.5		6.8	
Local indexes					
Help-wanted ads (1996=100)	38	37	2.9	42	-9.3
UI initial claims	862	778	10.8	996	-13.4
New dwelling units ^a	3,388	3,183	6.4	2,732	24.0

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

^a Seasonally adjusted annual rates.

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

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

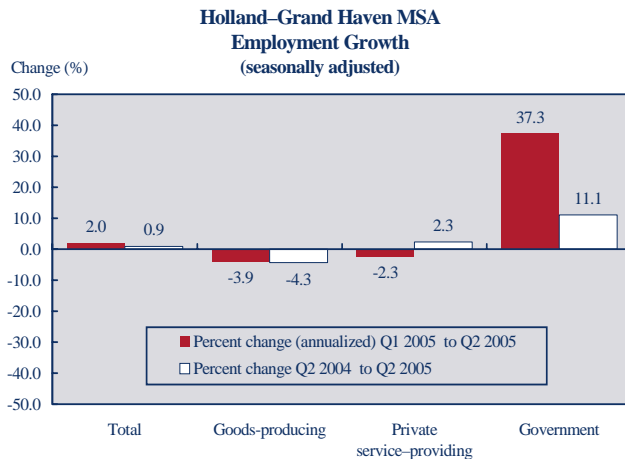
Industry	2005 Q2	2004 Q2	Percent change	Industry	2005 Q2	2004 Q2	Percent change
Goods-producing	94,100	93,630	0.5	Professional, scientific, tech. svcs.	14,470	14,900	-2.9
Transportation equipment	15,800	16,500	-4.2	Mgmt. of co's & enterprises	6,770	6,570	3.0
Motor vehicle parts	12,530	13,570	-7.6	Admin. support & waste mgmt.	30,570	31,400	-2.7
Furniture & related products	7,100	7,400	-4.1	Employment services	20,630	20,970	-1.6
Office furniture	6,170	6,430	-4.1	Educational services	10,770	10,530	2.2
Food	5,870	5,300	10.7	Elem. & secondary schools	3,900	3,700	5.4
Chemical	3,930	4,200	-6.3	Health care & social assistance	42,900	41,970	2.2
Plastics & rubber	7,530	7,100	6.1	Ambulatory health services	13,500	13,500	0.0
Private service-providing	255,570	254,670	0.4	Hospitals	17,830	16,930	5.3
General merchandise stores	9,070	9,930	-8.7	Accommodations & food svcs.	27,030	27,400	-1.3
Department stores	4,670	4,870	-4.1	Government	39,000	38,570	1.1
Finance & Insurance	16,630	16,800	-1.0	Local govt. educational svcs.	21,230	21,130	0.5

SOURCE: Michigan Department of Labor and Economic Growth.

HOLLAND-GRAND HAVEN MSA

Total employment rose by 0.5 percent during the second quarter in Ottawa County, but the increase was caused by the seasonal adjustment in the county's state-government employment sector. Total employment excluding government employment fell by 0.8 percent, or 750 jobs, during the quarter and stood 0.7 percent below the level for the same quarter last year. Still, the county's unemployment rate fell to 5.2 percent, down from 5.5 percent in the previous quarter. The few local indicators were mixed, suggesting that employment conditions may remain stagnant during the coming months.

Goods-producing employment in the area declined by 1.0 percent during the second quarter, as the number of jobs in both construction and manufacturing fell. During the past four quarters, construction employment rose by 0.6 percent, even though the number of new dwelling units put under contract for construction during the period fell by 11.1 percent.



On the other hand, manufacturing employment in the county has fallen by more than 5 percent during the past four quarters, a loss of nearly 2,000 jobs. Surprisingly, the majority of the job losses were among neither the county's auto suppliers nor its office furniture manufacturers; employment declines in these two industries totaled to 130 jobs, or 6.7 percent of the total jobs lost in manufacturing during the period.

Recent business announcements were mixed during the second quarter. On the downside, Sligh Furniture announced that in September it will close its factory, which had employed more than 400 workers a few years ago. The company will continue to employ 23 workers locally in management, engineering, marketing, and customer relations after the closure. In addition, Pfizer Inc. announced in March that it would be selling or closing the Holland Township facility by the end of 2006, as part of its worldwide effort to cut costs by \$4 billion. In July, reductions began with 65

to 90 positions being eliminated by the end of this year. The plant employs about 330 workers, many of whom are highly skilled professionals. The facility has 110 manufacturing workers, 50 maintenance mechanics, and about 170 professional employees.

On the plus side, S2 Yachts announced that it will invest \$14 million to expand its Holland facility and will add 400 new workers—a 63 percent increase in its workforce. S2 Yachts designs and manufactures premium-quality pleasure boats. The boat maker is moving work from a plant in North Carolina and announced that it plans to make Holland its sole boat manufacturing location. Big Dutchman, maker of automated poultry and egg production systems, announced it will be consolidating its U.S. operations and bringing 40 new jobs to the area. Finally, Hazekamp Meats/Premier Foods, a producer of processed fresh meats for Midwestern grocers' private brands, is embarking on a \$2.1 million expansion that will bring in a minimum of 40 new jobs.

Employment in the county's service-providing sector fell by 0.6 percent during the second quarter. Despite the warm early-summer weather conditions, leisure and hospitality employment fell by 1.6 percent during the second quarter. Still, employment in the tourist-related sector is 1.2 percent higher than it was a year ago. Not surprisingly since it is also partially dependent upon tourism, retail employment was also down for the quarter, falling by 1.5 percent. However, unlike the level for the county's leisure and hospitality sector, the current employment level in the area's retail trade sector is down 4.0 percent from last year's total, suggesting that the sector could have been slightly overbuilt.

Government employment rose by a surprising 8.3 percent during the quarter because of a 15.7 percent increase in state government employment in the county. However, a major share of the quarter's jump in state employment was due entirely to technical reasons having to do with our seasonally adjusted model. The annual end-of-school-year employment reductions at Grand Valley State University and the county's K-12 public schools were apparently reported a month later than usual, occurring in June instead of May. The unexpected one-month delay was enough to cause our model to generate a large employment "increase" for the quarter, although the actual employment level remained constant.

Second-quarter readings for the area's limited number of economic indicators were mixed, suggesting little change in the area's employment conditions during the latter half of the year. The number of new claims for unemployment rose by 4.0 percent; however, the number of new dwelling units put under contract for construction increased by a modest 2.5 percent.

Holland–Grand Haven MSA
(seasonally adjusted)

Measure	2005 Q2	2005 Q1	% change, Q1 to Q2	2004 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	114,920	114,370	0.5	113,870	0.9
Goods-producing	42,390	42,810	-1.0	44,300	-4.3
Construction and mining	6,390	6,490	-1.5	6,350	0.6
Manufacturing	36,000	36,320	-0.9	37,950	-5.1
Durable goods	28,130	28,960	-2.9	30,080	-6.5
Nondurable goods	7,870	7,360	6.9	7,870	0.0
Private service-providing	55,390	55,710	-0.6	54,130	2.3
Transportation and utilities	2,770	2,750	0.7	2,710	2.2
Wholesale trade	3,870	3,960	-2.3	3,910	-1.0
Retail trade	10,320	10,480	-1.5	10,750	-4.0
Information	1,000	1,000	0.0	1,000	0.0
Financial activities	3,330	3,310	0.6	3,100	7.4
Professional and business services	12,060	12,090	-0.2	10,190	18.4
Educational and health services	9,670	9,690	-0.2	10,070	-4.0
Leisure and hospitality	7,900	8,030	-1.6	7,810	1.2
Other services	4,460	4,400	1.4	4,590	-2.8
Government ^a	17,150	15,840	8.3	15,440	11.1
State government	4,950	4,280	15.7	4,210	17.6
Local government	11,130	10,900	2.1	10,810	3.0
Unemployment					
Number unemployed	7,140	7,420	-3.8	7,830	-8.8
Unemployment rate (%)	5.2	5.5		5.4	
Local indexes					
UI initial claims	358	344	4.0	324	10.3
New dwelling units ^b	1,692	1,650	2.5	1,904	-11.1

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

^a Data for Federal government is 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, Second Quarter to Second Quarter
(not seasonally adjusted)

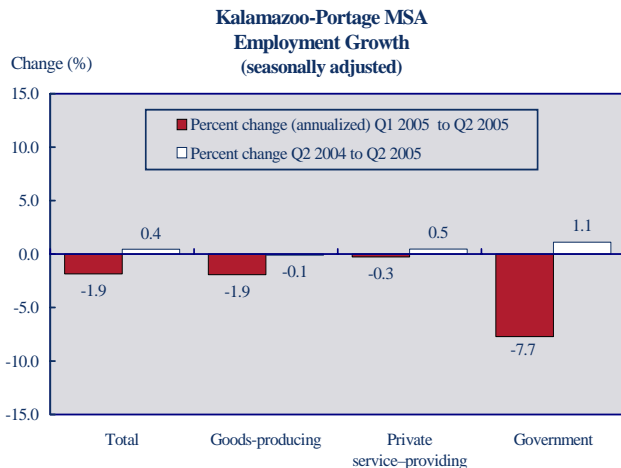
Industry	2005 Q2	2004 Q2	Percent change	Industry	2005 Q2	2004 Q2	Percent change
Goods-producing	42,630	44,570	-4.4	Government	17,030	15,400	10.6
Transportation equipment	8,000	7,930	0.9	Local govt. education svcs.	6,000	6,200	-3.2
Furniture & related products	6,000	6,230	-3.7				
Office furniture & fixtures	5,400	5,600	-3.6				
Private service-providing	56,100	54,830	2.3				
Accommodations & food svcs.	7,000	6,870	1.9				
Food svcs. & drinking places	6,600	6,400	3.1				

SOURCE: Michigan Department of Labor and Economic Development.

KALAMAZOO-PORTAGE MSA

Total employment fell by 0.5 percent during the second quarter, but employment in the two-county area is still 0.4 percent above what it was a year ago. Employment reductions were reported across all of the major sectors in the area. The area's unemployment rate dropped to 5.6 percent during the quarter, despite the loss of jobs. The area's economic indicators were mixed, suggesting that employment conditions may remain soft in the coming months.

Employment in the area's goods-producing sector fell by 0.5 percent during the second quarter, as both construction firms and manufacturers trimmed their workforces. Manufacturing employment fell by 0.3 percent during the quarter; however, the county's manufacturers still employ 0.3 percent more workers this year than they did a year ago.



Unfortunately, Pfizer announced that it will cut, on net, approximately 500 pharmaceutical-sciences jobs in Kalamazoo County. The drug manufacturer will either eliminate these positions or transfer workers to Ann Arbor or elsewhere as part of the company's plan to cut \$4 billion in costs. No major operational changes are being made in the manufacturing operation in Portage, which will remain the company's largest, or at the Pfizer Veterinary Medicine Research and Development facility in Richland. In addition, no major changes were announced regarding the area's safety-sciences operations, which test the company's newly discovered chemical compounds.

Other business reports were more positive. Benteler Automotive Corporation, located in Comstock Township, announced that it is hiring 40 new workers, bringing the German-based automotive supplier's workforce to 140. Benteler manufacturers chassis, safety components, and exhaust systems for major automakers. In addition, Eaton

Corporation announced that its Galesburg facility was awarded a \$1.8 million military contract to research and develop better vehicle mobility systems.

Employment in the area's service-providing sector inched downward 0.1 percent during the quarter but was still up 0.5 percent from the same quarter last year. Some of the cutbacks were due to the loss of jobs and personal earnings in the area's goods-producing sector. This probably explains, in part, the 0.4 percent drop in retail activities. However, in addition to area retailers, information technology firms, financial activities, and professional and business services also trimmed personnel during the quarter.

One of few bright points in the area's quarterly update was a 1.1 percent increase, representing a gain of 220 jobs, in employment in educational and health services. Indeed, Bronson Healthcare announced that because of increasing demand for health services it will invest an additional \$50 million in its two downtown Kalamazoo campuses and add 450 new jobs.

Government employment fell by 2.0 percent during the quarter, a loss of 470 jobs. Still, the sector employed 1.1 percent more workers than it did during the same quarter last year. Moreover, part of the decline could be simply a timing issue, as state-funded educational institutions may have reduced their employment levels for the summer months a bit earlier than normal.

To return to the announced employment reductions at Pfizer, let us note that the area's economic development community has already reenergized itself for another round of its "Stick Around Campaign." In 2003, the program helped to persuade more than 20 laid-off Pfizer scientists to stay in the area and start new science-based businesses. Currently, nine of these start-ups are housed at the Innovation Center in the WMU Business and Research Park. The campaign offers counseling and help with putting together a business plan and raising start-up capital to those who are seriously interested in launching a new company.

Second-quarter readings of the area's economic indicators were slightly positive, suggesting that the county's employment situation may improve slightly in the latter half of the year. The county's Index of Help-Wanted Advertising remained unchanged during the quarter. The number of new dwelling units put under contract for construction increased by 4.2 percent, and the number of new unemployment insurance claims fell by 2.5 percent. Finally, the July polling of the area's purchasing managers was "modestly positive."

Kalamazoo-Portage MSA

(seasonally adjusted)

Measure	2005 Q2	2005 Q1	% change, Q1 to Q2	2004 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	144,650	145,330	-0.5	144,010	0.4
Goods-producing	30,910	31,060	-0.5	30,940	-0.1
Construction and mining	6,410	6,480	-1.1	6,510	-1.5
Manufacturing	24,500	24,580	-0.3	24,430	0.3
Durable goods	12,510	12,570	-0.5	12,750	-1.9
Nondurable goods	11,990	12,010	-0.2	11,680	2.7
Private service-providing	90,550	90,610	-0.1	90,130	0.5
Transportation and utilities	3,860	3,860	0.0	3,860	0.0
Wholesale trade	4,230	4,230	0.0	4,200	0.7
Retail trade	17,700	17,770	-0.4	17,400	1.7
Information	1,380	1,410	-2.1	1,480	-6.8
Financial activities	7,810	7,830	-0.3	7,610	2.6
Professional and business services	14,130	14,350	-1.5	14,070	0.4
Educational and health services	20,060	19,840	1.1	19,840	1.1
Leisure and hospitality	14,720	14,740	-0.1	14,920	-1.3
Other services	6,640	6,580	0.9	6,740	-1.5
Government	23,190	23,660	-2.0	22,930	1.1
Federal	1,230	1,260	-2.4	1,300	-5.4
State	6,610	7,130	-7.3	6,870	-3.8
Local	15,340	15,270	0.5	14,770	3.9
Unemployment					
Number unemployed	9,810	10,360	-5.3	10,430	-5.9
Unemployment rate (%)	5.6	5.9		6.1	
Local indexes					
Help-wanted ads (1996=100)	47	47	0.0	46	1.9
UI initial claims	247	253	-2.5	270	-8.7
New dwelling units ^a	1,415	1,358	4.2	1,062	33.3

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

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

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

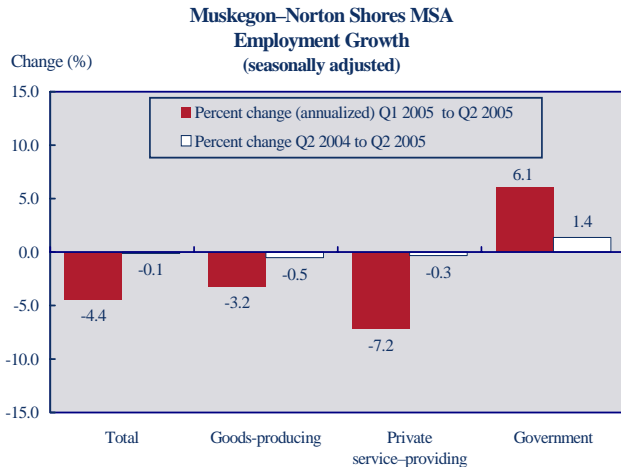
Industry Employment Change by Place of Work, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2005 Q2	2004 Q2	Percent change	Industry	2005 Q2	2004 Q2	Percent change
Goods-producing	31,030	31,070	-0.1	Health care & social assistance	17,800	17,200	3.5
Transportation equipment	4,200	4,300	-2.3	Accommodations & food svcs.	12,700	13,067	-2.8
Private service-providing	91,270	90,830	0.5	Food svcs. & drinking places	11,200	11,467	-2.3
General merchandise stores	4,730	4,900	-3.4				
Finance & insurance	5,530	5,400	2.5	Government	22,967	22,733	1.0
Admin. support & waste mgmt.	8,170	8,730	-6.5	State govt. education svcs.	5,433	5,600	-3.0
Employment services	4,730	5,100	-7.2	Local govt. education svcs.	9,900	9,700	2.1

SOURCE: Michigan Department of Labor and Economic Growth.

MUSKEGON–NORTON SHORES MSA

Total employment fell by 1.1 percent during the second quarter in Muskegon County. The quarter's decline pushed the county's total employment back to the level it had been four quarters earlier. Still, the county's unemployment rate dropped to 6.9 percent during the quarter. All of the area's economic indicators deteriorated during the quarter, suggesting that employment conditions may remain soft in the coming months.



Employment in the county's goods-producing sector fell by 0.8 percent during the quarter because of employment declines in both its construction and its manufacturing sectors. During the previous four quarters, manufacturing employment fell by 0.4 percent, or 100 jobs, despite a 23.8 percent increase in employment in transportation equipment, which resulted in more than 330 jobs. Much of this increase in the county's transportation equipment sector comes from the ongoing hiring at Howmet, the county's largest employer, which manufactures aircraft components.

Unfortunately, the county was hit by two major layoff announcements in June and July. Brunswick announced that it is discontinuing the manufacture of bowling balls in Muskegon, eliminating 115 jobs. Production is being moved to Reynosa, Mexico. Reportedly, Muskegon's labor costs per bowling ball were \$2.70—10 times the cost at the new plant in Mexico, an expected 27 cents. Brunswick will retain approximately 275 jobs in Muskegon County, as the local facility continues to be the company's center for bowling sales, marketing, research, and development.

Second, Sappi Fine Paper North America announced that it is cutting 365 jobs from its paper plant in Muskegon, 60 percent of the plant's workforce. It is shutting down the pulp mill operations and one of its paper lines in September. The company is a leading North American producer of the coated fine paper used in premium magazines, catalogues, books, and high-end print advertising. The announcement

came only a couple of months after city and county officials agreed to reduce the plant's wastewater bill.

On the plus side, L-3 Communications Holdings, based in New York, announced that it is hiring at its Muskegon County plant. In fact, since L-3's purchase of the General Dynamics Propulsion Systems plant, employment has climbed 13 percent to 440 workers, including 300 production employees. The facility makes military parts and subsystem components.

Employment in the county's service-providing sector fell by 1.8 percent during the second quarter, a loss of 760 jobs. Not surprisingly, the loss of 130 manufacturing and construction jobs cut into county retail sales. Retailers cut 1.5 percent off their workforce during the quarter, or 170 jobs. Not all of the lost retail jobs can be blamed on the county's goods-producing sector, however; the county's tourism-related sector, leisure and hospitality, also lost jobs. Despite a warm spring and an early summer, employment in the leisure and hospitality sector fell by 4.9 percent, or by 380 workers. In addition, the county's educational and health services sector, professional and business services, financial activities, and wholesalers also reduced their workforces during the quarter.

Employment in the county's government sector was up by 1.5 percent; however, much of that growth was an artifact of our seasonal adjustment model. As it did in the Holland–Grand Haven MSA, the state postponed the annual summer reduction in education employment for one month. This unexpected retention of jobs for only one additional month was sufficient to push the seasonally adjusted employment level up by 7.3 percent. It is almost certain that an offsetting decline in state employment will occur in the third quarter.

All three of the county's economic indicators deteriorated during the second quarter, suggesting that sluggish employment conditions will continue in the coming months. The area's Index of Help-Wanted Advertising fell a point, the number of new claims for unemployment insurance rose by 10.6 percent, and the number of new dwelling units put under contract for construction plunged by 64.1 percent.

Muskegon–Norton Shores MSA

(seasonally adjusted)

Measure	2005 Q2	2005 Q1	% change, Q1 to Q2	2004 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	66,000	66,750	-1.1	66,090	-0.1
Goods-producing	15,990	16,120	-0.8	16,070	-0.5
Construction and mining	2,420	2,450	-1.2	2,450	-1.2
Manufacturing	13,570	13,670	-0.7	13,620	-0.4
Durable goods	12,250	12,200	0.4	11,390	7.6
Nondurable goods	1,320	1,460	-9.6	2,230	-40.8
Private service-providing	40,450	41,210	-1.8	40,580	-0.3
Transportation and utilities	1,340	1,300	3.1	1,280	4.7
Wholesale trade	1,400	1,430	-2.1	1,400	0.0
Retail trade	10,800	10,970	-1.5	10,800	0.0
Information	890	890	0.0	990	-10.1
Financial activities	1,900	1,920	-1.0	1,900	0.0
Professional and business services	4,070	4,110	-1.0	4,160	-2.2
Educational and health services	10,030	10,180	-1.5	10,060	-0.3
Leisure and hospitality	7,430	7,810	-4.9	7,440	-0.1
Other services	2,590	2,600	-0.4	2,550	1.6
Government	9,570	9,430	1.5	9,440	1.4
Federal	390	400	-2.5	390	0.0
State	1,170	1,090	7.3	1,170	0.0
Local	8,010	7,940	0.9	7,880	1.6
Unemployment					
Number unemployed	6,210	6,720	-7.6	6,840	-9.2
Unemployment rate (%)	6.9	7.4		7.7	
Local indexes					
Help-wanted ads (1996=100)	43	44	-3.0	43	-0.5
UI initial claims	350	316	10.6	341	2.7
New dwelling units ^a	652	1,815	-64.1	1,797	-63.7

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, Second Quarter to Second Quarter

(not seasonally adjusted)

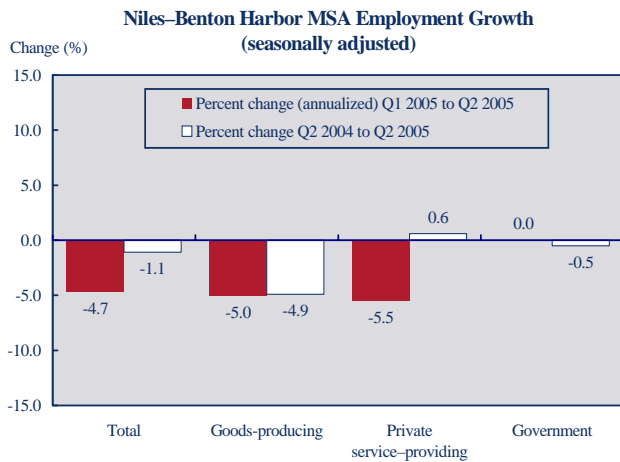
Industry	2005 Q2	2004 Q2	Percent change	Industry	2005 Q2	2004 Q2	Percent change
Goods-producing	16,070	16,130	-0.4	Government	9,700	9,570	1.4
Transportation equipment	1,730	1,400	23.8	Local govt. education svcs.	5,670	5,570	1.8
Private service-providing	40,830	41,000	-0.4				
Accommodations & food svcs.	6,270	6,400	-2.1				
Food svcs. & drinking places	5,830	5,870	-0.6				

SOURCE: Michigan Department of Labor and Economic Development.

NILES–BENTON HARBOR MSA

Total employment fell by 1.2 percent in Berrien County in the second quarter. During the past four quarters, the county has lost more than 700 jobs. Still, its unemployment rate fell slightly, from 7.2 percent to 7.0 percent during the quarter. Unfortunately, the county's economic indicators suggest that employment conditions may remain lackluster in the final months of the year.

Goods-producing employment in the county declined by 1.3 percent in the second quarter, resulting in a loss of 220 jobs. A sharp 35 percent reduction in the number of new dwelling units put under contract for construction contributed to a 4.1 percent drop in construction employment. At the same time, the county's manufacturers trimmed 0.7 percent from their payrolls during the quarter.



During the past four quarters, employment declines in manufacturing were concentrated in the county's durable goods-producing sector, which includes auto parts suppliers. Independent Steel Castings closed in May, eliminating just under 50 jobs. Further employment declines in the county's durable goods sector will likely occur as Robert Bosch Corporation continues to curtail operations at its county plant. The company plans to cut about 530 jobs as it closes its foundry and disc brake machining facilities and struggles to achieve productivity improvement in the face of declining demand. The company cut 42 positions in March and another 50 workers at the end of June. The next round of layoffs is expected in September, and the final round is expected during the first quarter of 2006.

In contrast, the county's nondurable goods producers, such as printers and plastics manufacturers, added 100 jobs during the four-quarter period ending in June of this year.

Fortunately, not all current business reports are negative. In Niles, four separate manufacturers announced expansion plans that in total could create 42 new jobs. In addition, Ace Companies, an aluminum recycler in Benton Harbor, announced that it will create 26 jobs.

Not surprisingly given the loss of personal earnings in the county stemming from the elimination of more than 200 manufacturing and construction jobs, employment in the county's service-providing sector also declined during the quarter. But even though employment fell by 1.4 percent during the quarter, the sector still employed 230 more workers than it had during the same quarter last year.

Not all of the jobs lost in the county's service-providing sector can be blamed on its sagging manufacturing sector, however. The county's tourism-related sector (leisure and hospitality) lost 310 jobs, or 5 percent of its workforce, during the quarter. In addition, employment in the county's professional and business services sector fell by 2.5 percent, while employment in its financial activities declined by 2.1 percent. Finally, the area's educational and health services sector reported a decline in employment of 0.4 percent during the quarter.

Government employment was flat during the quarter, which was no surprise given the financial constraints facing nearly all local and state governmental units.

Despite the quarter's employment cutbacks, the estimated number of unemployed residents fell by 5.7 percent, pushing the county's unemployment rate down to 7.0 percent. It is possible that some unemployed workers simply gave up looking for work and dropped out of the labor market, while others may have found jobs outside the county—for example, in the South Bend metro area.

The county's two economic indicators worsened during the quarter, suggesting that sluggish employment conditions may continue during the final months of the year. The number of new claims for unemployment insurance rose by 14.2 percent during the quarter, while the number of new dwelling units put under contract for construction fell, as previously mentioned.

Last, the local employment impact, if any, of Maytag's acceptance of Whirlpool's purchase agreement is unclear; however, it may result in the relocation of some of Maytag's administrative and research activities from Newton, Iowa, into the county.

Niles–Benton Harbor MSA
(seasonally adjusted)

Measure	2005 Q2	2005 Q1	% change, Q1 to Q2	2004 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	63,610	64,380	-1.2	64,300	-1.1
Goods-producing	16,890	17,110	-1.3	17,760	-4.9
Construction and mining	2,340	2,440	-4.1	2,340	0.0
Manufacturing	14,560	14,670	-0.7	15,430	-5.6
Durable goods (see table below)					
Nondurable goods (see table below)					
Private service–providing	38,660	39,210	-1.4	38,430	0.6
Transportation and utilities	2,230	2,210	0.9	2,200	1.4
Wholesale trade	2,590	2,660	-2.6	2,460	5.3
Retail trade	7,860	7,890	-0.4	7,490	4.9
Information	810	790	2.5	900	-10.0
Financial activities	2,290	2,340	-2.1	2,250	1.8
Professional and business services	4,700	4,820	-2.5	4,900	-4.1
Educational and health services	9,540	9,580	-0.4	9,270	2.9
Leisure and hospitality	5,870	6,180	-5.0	6,150	-4.6
Other services	2,770	2,760	0.4	2,810	-1.4
Government	8,060	8,060	0.0	8,100	-0.5
Unemployment					
Number unemployed	5,490	5,820	-5.7	5,940	-7.6
Unemployment rate (%)	7.0	7.2		7.6	
Local indexes					
UI initial claims	221	193	14.2	244	-9.5
New dwelling units ^a	534	821	-35.0	628	-15.1

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, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2005 Q2	2004 Q2	Percent change	Industry	2005 Q2	2004 Q2	Percent change
Goods-producing	16,970	17,830	-4.9	Accommodations & food svcs.	5,400	5,500	-1.8
Durable goods	11,570	12,530	-7.7				
Nondurable goods	3,000	2,900	3.4	Government	8,200	8,230	-0.4
				Local govt. education svcs.	4,970	4,900	1.4
Private service–providing	38,970	38,730	0.6				
Health care & social assistance	7,200	7,230	-0.5				

SOURCE: Michigan Department of Labor and Economic Development.

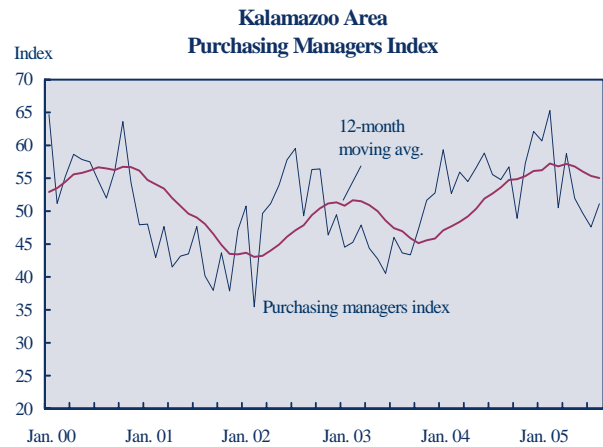
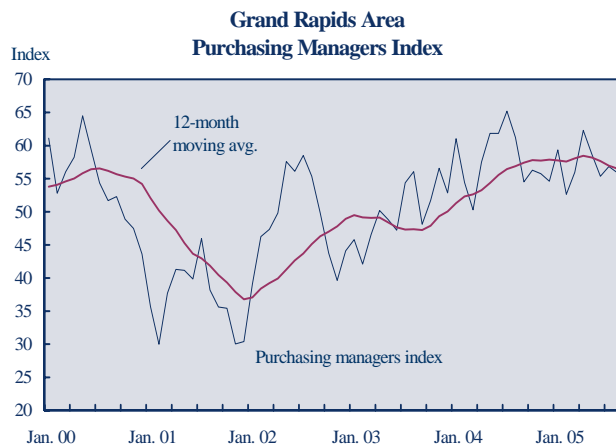
Purchasing Managers Index and Major Economic Developments

Economic conditions are “modestly positive” in both Grand Rapids and Kalamazoo according to Brian Long, author of *Current Business Trends*, a monthly report on the outlook of area purchasing managers.

In Kalamazoo the Purchasing Managers Index recovered to 51.1, a level just strong enough to indicate growth. Although still not impressively strong, it is an improvement following index declines during the previous two months. Indeed, with reports indicating mixed conditions across all area industries, we are still waiting for one sector to grab

hold and lead the area into the kind of sustained growth experienced in other parts of the nation.

The Grand Rapids Area Purchasing Managers Index has remained consistently in the growth range in recent months, despite slipping from 56.9 in July to 55.9 in August. This is positive economic growth. However, as in Kalamazoo, conditions seem to be generally mixed across industries, and the only noticeable standout comes in the form of strong business for a few local defense contractors.



Major Economic Developments

Battle Creek MSA

Tokai Rika announced that it will expand its TRMI operations and add 100 jobs during the next four years.

I I Stanley Co. announced a \$31.6 million expansion that will add up to 50 new jobs.

Eaton Corporation announced that it is laying off 30 more workers at its Marshall facility.

Battle Creek Health System announced that a decline in revenues required it to release around 40 workers in nonpatient departments.

Grand Rapids–Wyoming MSA

Lear Corporation announced that, as part of its company-wide restructuring plan, it is laying off more than 100 workers from one of its area facilities.

Danly IEM, a tool and die shop, announced that it's relocating its facility to northern Michigan, taking 50 jobs out of the area.

Smiths Aerospace announced plans to build a \$2.4 million U.S. Business Service Center, adding 65 jobs.

Holland–Grand Haven MSA

Sligh Furniture announced that it will close its factory but will continue to employ 23 workers locally in nonproduction jobs.

Pfizer announced that, as part of its worldwide effort to cut costs, it is eliminating 65 to 90 positions at its Holland Township plant.

S2 Yachts announced that it will invest \$14 million to expand its Holland plant and will add 400 new workers.

Kalamazoo–Portage MSA

Pfizer announced that it will cut around 500 pharmaceutical-sciences jobs in Kalamazoo.

Benteler Automotive announced that it is hiring 40 new workers, bringing the Comstock Township plant's employment to 140.

Bronson Healthcare announced that it will invest an additional \$50 million in its two downtown Kalamazoo campuses and add 450 jobs.

Muskegon–Norton Shores MSA

Brunswick announced that it is discontinuing the manufacture of bowling balls in Muskegon, eliminating 115 jobs.

Sappi Fine Paper North America announced that it is cutting 365 jobs from its paper plant in Muskegon, 60 percent of the plant's workforce.

L-3 Communications Holdings announced that it is hiring at its Muskegon County plant, adding to its 440 workers there.

Niles–Benton Harbor MSA

Independent Steel Castings closed in May, eliminating nearly 50 jobs.

Robert Bosch Corporation plans to cut about 530 jobs as it closes its foundry and disc brake machining facilities.

In Niles, four separate manufacturers announced expansion plans that in total could create 42 new jobs.

In Benton Harbor, Ace Companies, an aluminum recycler, announced that it will create 26 jobs.

Appendix Tables

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

Labor market area	Average for manufacturing production workers ^a						Civilian labor force unemployment rate ^b	
	June 2005						April 2005	June 2005
	Weekly hours	% change, 2004-05	Hourly earnings	% change, 2004-05	Weekly earnings	% change, 2004-05		
United States	40.2	0.0	\$17.56	2.5	\$705.91	2.4	4.9	5.2
Michigan	41.9	-1.4	21.37	-0.1	895.40	-1.6	6.7	6.9
West Michigan MSAs:								
Battle Creek	—	—	—	—	—	—	6.2	6.6
Grand Rapids–Wyoming	38.9	-3.0	17.97	2.1	699.03	-1.0	5.7	6.1
Holland–Grand Haven	—	—	—	—	—	—	4.8	5.2
Kalamazoo–Portage	39.1	-1.3	14.62	-7.2	571.64	-8.4	5.2	5.7
Muskegon–Norton Shores	—	—	—	—	—	—	6.7	6.9
Niles–Benton Harbor	—	—	—	—	—	—	6.5	7.0
Other labor market areas:								
Ann Arbor	—	—	—	—	—	—	4.1	4.4
Bay City	—	—	—	—	—	—	7.1	6.9
Detroit–Warren–Livonia	42.1	-3.2	25.12	2.4	1,057.55	-0.9	7.1	7.7
Flint	46.3	0.4	31.49	2.3	1,457.99	2.8	7.6	7.8
Jackson	—	—	—	—	—	—	6.2	6.6
Lansing–East Lansing	40.8	-0.2	23.30	-6.6	950.64	-6.8	5.2	6.3
Monroe	—	—	—	—	—	—	5.8	6.0
Saginaw	—	—	—	—	—	—	7.7	7.9

^a Earnings include overtime and part-time wages.

^b Seasonally adjusted rate for U.S. was 5.2 percent in April 2005 and 5.0 percent in June 2005. Seasonally adjusted rate for Michigan was 7.0 percent in April 2005 and 6.8 percent in June 2005.

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

Table A-2
Michigan Statistics
(seasonally adjusted)

Measure	2005 Q2	2005 Q1	% change, Q1 to Q2	2004 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	4,374,370	4,377,130	-0.1	4,398,670	-0.6
Goods-producing	875,600	881,400	-0.7	900,000	-2.7
Natural resources and mining	8,530	8,170	4.4	8,100	5.3
Construction	189,600	190,900	-0.7	191,230	-0.9
Manufacturing	677,470	682,330	-0.7	700,670	-3.3
Durable goods	530,240	535,210	-0.9	553,220	-4.2
Nondurable goods	147,230	147,120	0.1	147,440	-0.1
Private service-providing	2,814,600	2,809,030	0.2	2,817,170	-0.1
Transportation and utilities	126,620	126,270	0.3	124,660	1.6
Wholesale trade	172,680	172,020	0.4	170,920	1.0
Retail trade	514,460	516,470	-0.4	516,710	-0.4
Information	65,100	66,200	-1.7	68,430	-4.9
Financial activities	217,900	218,170	-0.1	217,400	0.2
Professional and business services	572,000	572,470	-0.1	583,600	-2.0
Educational and health services	557,070	554,100	0.5	554,230	0.5
Leisure and hospitality	409,430	404,870	1.1	403,070	1.6
Other services	179,330	178,470	0.5	178,130	0.7
Government	684,170	686,700	-0.4	681,500	0.4
Unemployment					
Number unemployed	356,700	364,430	-2.1	348,860	2.2
Unemployment rate (%)	7.0	7.1		6.9	
State indexes (1996=100)					
Help-wanted ads					
Detroit	28	32	-12.5	32	-12.5
West Michigan (4 MSAs)	41	40	2.5	44	-6.8
Local components					
UI initial claims	19,459	16,161	20.4	17,103	13.8
New dwelling units ^a	41,409	47,380	-12.6	46,248	-10.5

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
Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2005 Q2	2004 Q2	Percent change	Industry	2005 Q2	2004 Q2	Percent change
Goods-producing	880,200	905,130	-2.8	Furniture & home furnishings	19,170	18,730	2.3
Primary metals	26,970	27,630	-2.4	Food and beverage	88,170	89,030	-1.0
Fabricated metal products	83,070	83,100	0.0	Gasoline stations	25,970	26,270	-1.1
Machinery	76,370	75,730	0.8	Clothing & accessories	40,170	39,100	2.7
Transportation equipment	242,870	262,570	-7.5	General merchandise	107,700	114,030	-5.6
Motor vehicle parts	164,970	174,000	-5.2	Prof., scientific, & tech. svcs.	245,800	245,900	0.0
Furniture & related products	24,570	26,130	-6.0	Education services	67,900	72,630	-6.5
Office furniture, incl. fixtures	17,570	18,370	-4.4	Ambulatory health care	162,270	161,630	0.4
Food	31,370	31,970	-1.9	Social assistance	57,070	56,900	0.3
Paper	14,570	14,800	-1.6	Food svcs. & drinking places	313,200	310,230	1.0
Printing and related support	18,400	18,430	-0.2	Government	695,130	688,500	1.0
Chemical manufacturing	27,970	27,700	1.0	Federal government	54,830	55,600	-1.4
Plastics & rubber products	42,600	43,170	-1.3	State government	166,200	165,070	0.7
Private service-providing	2,828,730	2,835,400	-0.2	Local government	474,100	467,830	1.3
Automobile dealers	42,600	42,570	0.1	Local govt. education svcs.	282,930	280,870	0.7

SOURCE: Michigan Department of Labor and Economic Growth.

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

Area	Income distribution	2003 ^a	2002 ^a	2001 ^a	2000	1999	1998	1993
Battle Creek MSA	Total personal income (\$000)	3,719,430	3,636,736	3,500,169	3,471,425	3,375,735	3,309,346	2,630,383
	Per capita personal income (\$)	26,778	26,213	25,292	25,138	24,458	24,019	19,092
	Earnings per worker (\$)	43,839	41,642	39,345	39,571	38,554	37,284	31,154
	Manufacturing	74,738	67,745	56,636	66,528	63,699	61,702	50,267
	Private nonmanufacturing	32,142	31,393	31,058	26,708	26,787	26,429	21,354
Grand Rapids–Wyoming MSA	Total personal income (\$000)	22,261,844	21,517,522	21,581,116	20,818,408	19,547,808	18,656,627	13,706,735
	Per capita personal income (\$)	29,188	28,429	28,761	28,023	26,638	25,717	20,114
	Earnings per worker (\$)	42,490	40,689	39,759	37,976	36,622	35,309	29,815
	Manufacturing	68,808	61,560	57,196	54,938	54,092	52,091	44,100
	Private nonmanufacturing	36,119	35,183	34,692	32,536	30,963	29,650	24,410
Barry County	Total personal income (\$000)	1,658,324	1,614,576	1,644,316	1,574,634	1,502,771	1,418,974	950,996
	Per capita personal income (\$)	28,153	27,746	28,583	27,664	26,754	25,412	18,235
	Earnings per worker (\$)	26,663	25,397	25,386	23,788	22,963	21,932	22,776
	Manufacturing	54,721	48,476	45,622	46,509	44,053	41,588	37,861
	Private nonmanufacturing	20,188	19,451	19,569	16,838	16,408	15,323	17,085
Ionia County	Total personal income (\$000)	1,422,107	1,351,896	1,322,854	1,291,427	1,243,980	1,162,533	882,421
	Per capita personal income (\$)	22,319	21,393	21,310	20,941	20,218	18,830	14,334
	Earnings per worker (\$)	36,070	33,391	31,854	30,289	29,688	28,481	25,151
	Manufacturing	66,473	54,863	51,205	48,481	45,374	43,071	34,952
	Private nonmanufacturing	24,146	23,526	22,167	20,722	20,840	19,759	16,370
Kent County	Total personal income (\$000)	18,087,205	17,497,701	17,573,848	16,938,017	15,831,665	15,158,310	11,224,071
	Per capita personal income (\$)	30,624	29,830	30,195	29,392	27,837	27,010	21,354
	Earnings per worker (\$)	44,183	42,363	41,383	39,525	38,026	36,664	30,551
	Manufacturing	69,729	62,595	58,116	55,740	54,887	52,996	44,862
	Private nonmanufacturing	38,016	37,054	36,544	34,330	32,571	31,175	25,244
Newaygo County	Total personal income (\$000)	1,094,208	1,053,349	1,040,098	1,014,330	969,392	916,810	649,247
	Per capita personal income (\$)	22,123	21,529	21,333	21,123	20,454	19,642	15,417
	Earnings per worker (\$)	30,887	29,305	28,868	28,217	28,730	27,351	24,576
	Manufacturing	62,549	56,390	51,977	49,855	55,920	51,259	41,202
	Private nonmanufacturing	23,077	21,771	21,731	21,114	21,055	20,329	18,023
Holland–Grand Haven MSA	Total personal income (\$000)	7,129,647	6,858,601	6,763,271	6,677,656	6,408,233	6,108,511	4,271,527
	Per capita personal income (\$)	28,570	27,830	27,769	27,881	27,279	26,628	21,129
	Earnings per worker (\$)	41,279	38,936	37,357	35,928	35,196	33,479	27,628
	Manufacturing	62,021	55,752	50,491	51,319	49,619	47,962	39,880
	Private nonmanufacturing	30,853	29,726	29,628	26,852	26,498	24,918	20,356
Kalamazoo–Portage MSA	Total personal income (\$000)	9,257,337	8,818,635	8,551,586	8,325,202	8,036,278	7,823,376	6,214,091
	Per capita personal income (\$)	28,947	27,741	27,070	26,412	25,624	25,079	20,532
	Earnings per worker (\$)	41,275	38,493	36,897	35,139	34,791	33,773	29,137
	Manufacturing	80,938	67,859	61,182	61,119	58,788	60,086	49,882
	Private nonmanufacturing	31,813	30,948	30,296	27,573	27,480	26,276	21,969
Kalamazoo County	Total personal income (\$000)	7,354,125	7,036,782	6,843,529	6,642,895	6,420,365	6,307,681	5,002,083
	Per capita personal income (\$)	30,429	29,269	28,625	27,813	27,024	26,692	21,797
	Earnings per worker (\$)	42,259	39,301	37,678	35,757	35,283	34,663	30,006
	Manufacturing	85,372	71,329	64,425	64,566	62,105	63,900	52,636
	Private nonmanufacturing	32,096	31,291	30,715	27,882	27,614	26,811	22,391
Van Buren County	Total personal income (\$000)	1,903,212	1,781,853	1,708,057	1,682,307	1,615,913	1,515,695	1,212,008
	Per capita personal income (\$)	24,362	23,001	22,232	22,032	21,249	20,040	16,565
	Earnings per worker (\$)	35,713	33,989	32,528	31,752	31,994	28,858	24,073
	Manufacturing	53,996	48,315	43,805	45,343	42,777	41,359	33,299
	Private nonmanufacturing	29,999	28,772	27,618	25,588	26,582	22,880	19,241
Muskegon–Norton Shores MSA	Total personal income (\$000)	4,239,954	4,103,581	4,073,987	3,943,373	3,742,920	3,537,067	2,692,897
	Per capita personal income (\$)	24,468	23,826	23,760	23,122	22,104	21,036	16,513
	Earnings per worker (\$)	36,144	34,926	34,399	33,128	32,426	31,861	28,051
	Manufacturing	59,860	55,922	51,648	54,315	52,453	51,094	44,295
	Private nonmanufacturing	29,042	28,123	28,313	25,517	24,823	24,162	20,891
Niles–Benton Harbor MSA (Berrien County)	Total personal income (\$000)	4,490,169	4,369,739	4,320,029	4,239,424	4,076,482	3,865,273	3,068,843
	Per capita personal income (\$)	27,572	26,891	26,649	26,072	25,159	23,853	18,912
	Earnings per worker (\$)	38,565	36,997	35,519	34,324	33,543	30,952	28,118
	Manufacturing	65,450	61,291	55,109	57,169	55,250	51,978	44,025
	Private nonmanufacturing	30,653	29,644	29,098	26,497	25,928	23,276	21,086

^a 2001 through 2003 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	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	average												
CPI for All Urban Consumers (CPI-U)													
1987	113.6	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4
1988	118.3	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5
1989	124.0	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1
1990	130.7	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8
1991	136.2	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9
1992	140.3	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9
1993	144.5	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8
1994	148.2	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7
1995	152.4	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5
1996	156.9	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6
1997	160.5	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3
1998	163.0	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9
1999	166.6	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3
2000	172.2	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0
2001	177.1	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7
2002	179.9	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9
2003	184.0	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3
2004	188.9	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3
2005	193.5	190.7	191.8	193.3	194.6	194.4	194.5	195.4					
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	189.1	186.3	187.3	188.6	190.2	190.0	190.1	191.0					

^a Monthly data shown above are not adjusted for seasonal variations. CPI data that are not seasonally adjusted are used extensively for escalation purposes. Although CPI is often called the "Cost of Living Index," it measures only price change, which is just one of several important factors affecting living costs. All CPI series are linked historically to the original CPI Index for Urban Wage Earners and Clerical Workers. These series contain no revision but are reprinted for the convenience of the user. PERCENT CHANGE: Movements of these indexes from one time period to another are usually expressed as percent changes rather than changes in index points. Index point changes are affected by the level of the index in relation to its base period, while percent changes are not. For example:

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

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

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

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

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

Area	Estimate	U.S. Census April			Annual change (%)		
	July 2004	2000	1990	1980	2000–2004 ^a	1990–2000	1980–1990
Michigan	10,112,620	9,938,444	9,295,297	9,262,044	0.4	0.7	0.0
West Michigan Metropolitan Areas							
Battle Creek MSA (Calhoun County)	139,067	137,985	135,982	141,557	0.2	0.1	-0.4
Battle Creek city ^b	53,399	53,364	53,540	56,339	0.0	0.0	-0.5
Albion city	9,184	9,144	10,066	11,059	0.1	-1.0	-0.9
Marshall city	7,359	7,459	6,891	7,201	-0.3	0.8	-0.4
Grand Rapids–Wyoming MSA	767,539	740,482	645,914	577,019	0.8	1.4	1.1
Barry County	59,371	56,755	50,057	45,781	1.1	1.3	0.9
Ionia County	64,378	61,518	57,024	51,815	1.1	0.8	1.0
Kent County	593,898	574,335	500,631	444,506	0.8	1.4	1.2
Grand Rapids city	195,115	197,800	189,126	181,843	-0.3	0.4	0.4
East Grand Rapids city	10,482	10,764	10,807	10,914	-0.7	0.0	-0.1
Grandville city	16,680	16,263	15,624	12,412	0.6	0.4	2.3
Kentwood city	46,538	45,255	37,826	30,438	0.6	1.8	2.2
Walker city	23,315	21,842	17,279	15,088	1.4	2.4	1.4
Wyoming city	70,300	69,368	63,891	59,616	0.3	0.8	0.7
Newaygo County	49,892	47,874	38,202	34,917	1.0	2.3	0.9
Holland–Grand Haven MSA (Ottawa County)	252,351	238,314	187,768	157,174	1.3	2.4	1.8
Grand Haven city	10,733	11,168	11,951	11,763	-1.0	-0.7	0.2
Holland city ^c	34,606	35,048	30,745	26,281	5.6	1.3	1.6
Kalamazoo–Portage MSA	319,265	314,866	293,471	279,192	0.3	0.7	0.5
Kalamazoo County	240,724	238,603	223,411	212,378	0.2	0.7	0.5
Kalamazoo city	73,960	77,145	80,277	79,722	-1.0	-0.4	0.1
Portage city	45,210	44,897	41,042	38,157	0.2	0.9	0.7
Van Buren County	78,541	76,263	70,060	66,814	0.7	0.9	0.5
Muskegon–Norton Shores MSA (Muskegon County)	174,401	170,200	158,983	157,589	0.6	0.7	0.1
Muskegon city	39,954	40,105	40,283	40,823	-0.1	0.0	-0.1
Muskegon Heights city	11,807	12,049	13,176	14,611	-0.5	-0.9	-1.0
Norton Shores city	23,287	22,527	21,755	22,025	0.8	0.3	-0.1
Niles–Benton Harbor MSA (Berrien County)	163,125	162,453	161,378	171,276	0.1	0.1	-0.6
Benton Harbor city	10,851	11,182	12,818	14,707	-0.7	-1.4	-1.4
Niles city	11,876	12,204	12,456	13,115	-0.6	-0.2	-0.5
St. Joseph city	8,701	8,789	9,214	9,622	-0.2	-0.5	-0.4
Total	1,815,748	1,764,300	1,583,496	1,483,807	0.7	1.1	0.7
Rural Southwest Michigan							
Allegan County	112,477	105,665	90,509	81,555	1.5	1.6	1.0
Branch County	46,444	45,787	41,502	40,188	0.3	1.0	0.3
Cass County	51,761	51,104	49,477	49,499	0.3	0.3	0.0
Oceana County	28,415	21,645	22,454	22,002	1.3	-0.4	0.2
St. Joseph County	62,964	62,422	58,913	56,083	0.2	0.6	0.5
Total	302,061	286,623	262,855	249,327	0.8	0.9	0.5

^a2000 to 2004 growth rate is based on July to July estimates.

^bFor 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.

^cPopulation 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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