

# BUSINESS OUTLOOK

## for West Michigan

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George A. Erickcek  
*Senior Regional Analyst*

Benjamin C. Jones  
*Editor*

Brad R. Watts  
*Assistant Regional Analyst*

Elizabeth T. Wertz  
*Administrative Assistant*

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# WEST MICHIGAN VIEWPOINT

## The Worst Is Over—I Think

Total employment increased by 0.9 percent from the first quarter of 2004 to the first quarter of 2005 in west Michigan's six newly defined metropolitan areas. This is a pickup of 7,400 jobs, and it is welcome news. In addition, the average unemployment rate for the areas fell from 6.9 to 6.5 percent during the four-quarter period.

Unfortunately, not all of the business sectors in the six areas can join in the celebration. Manufacturers are still struggling. In particular, auto suppliers continue to face uncertain markets and relentless demands for price reductions. Manufacturing employment fell by 0.8 percent during the four-quarter period as the areas' manufacturers eliminated a total of 1,500 jobs.

The U.S. Census Bureau has adopted new geographic definitions for the nation's Metropolitan Statistical Areas (MSAs). These definitions have dramatically changed the number and size of MSAs in west Michigan. The new definitions are based solely on the commuting patterns of area residents: if more than 25 percent of a smaller county's working residents commute to jobs in a more populated, neighboring county, then that county is included in the more populated county's metropolitan area. The old MSAs were determined by population density as well as commuting patterns.

The former Grand Rapids–Muskegon–Holland MSA is now divided into three separate metropolitan statistical areas: Grand Rapids–Wyoming (which now includes Barry, Kent, Ionia, and Newaygo counties), Muskegon–Norton Shores (Muskegon County), and Holland–Grand Haven (Ottawa County). Kalamazoo (Kalamazoo and Van Buren counties) and Battle Creek (Calhoun County) have been separated. Finally, the name but not the boundary of the Benton Harbor MSA (Berrien County) has been changed to reflect the fact that Niles has nosed out Benton Harbor as the county's largest city.

These new metropolitan definitions allow us, for the first time, to identify which urbanized areas in west Michigan's two larger metropolitan regions, the Grand Rapids–Muskegon–Holland region and the Kalamazoo–Battle Creek region, contributed most to the area's growth for the period being measured.

We examine three separate time periods:

- 1) Previous business-cycle peak to current quarter (First Quarter 2001 to First Quarter 2005),
- 2) Last recessionary trough to current quarter (Third Quarter 2001 to First Quarter 2005),

**West Michigan Region (in thousands of jobs)**

	2001 Q1	2001 Q3	2004 Q4	2005 Q4	Percent change		
					Peak to current	Trough to current	Q1 to Q1
Total	870.4	862.1	839.5	847.0	-2.7	-1.8	0.9
Manufacturing	208.3	200.4	179.7	178.1	-14.5	-11.1	-0.8
Nonmanufacturing	549.5	550.1	550.6	558.7	1.7	1.6	1.5
Government	112.6	111.6	109.3	110.2	-2.1	-1.3	0.8

SOURCE: Michigan Department of Labor and Economic Growth (seasonally adjusted by the W.E. Upjohn Institute).

**Definitions of the Region's Metropolitan Statistical Areas (MSAs)**

Old MSA	New MSA
<b>Grand Rapids–Muskegon–Holland MSA:</b> Allegan, Kent, Muskegon, and Ottawa counties	<b>Grand Rapids–Wyoming MSA:</b> Barry, Ionia, Kent, and Newaygo counties
	<b>Muskegon–Norton Shores MSA:</b> Muskegon County
	<b>Holland–Grand Haven MSA:</b> Ottawa County
<b>Kalamazoo–Battle Creek MSA:</b> Calhoun, Kalamazoo, and Van Buren counties	<b>Kalamazoo–Portage MSA:</b> Kalamazoo and Van Buren counties
	<b>Battle Creek MSA:</b> Calhoun County
<b>Benton Harbor MSA:</b> Berrien County	<b>Niles–Benton Harbor MSA:</b> Berrien County

3) Year-over-year (First Quarter 2004 to First Quarter 2005).

I used the nationally determined dates for the business cycle's peak and trough. All of the employment statistics have been seasonally adjusted.

In the larger Grand Rapids–Muskegon–Holland region, the Muskegon–Norton Shores MSA (Muskegon County) has enjoyed the strongest employment growth of the three MSAs during the past several years. In large part this is because it was spared the significant downsizing of the office furniture industry, which hit the region's other two urbanized areas. Total employment in Muskegon County has increased by 4.1 percent since the previous peak and by 2.3 percent during the past four quarters. Moreover, its manufacturing sector added 300 jobs during the past year.

Employment in the larger Grand Rapids–Wyoming MSA—which now includes Barry, Ionia, and Newaygo counties in addition to Kent County—took a tumble since the last business-cycle peak but is finally stabilizing. Total employment has grown by 1.1 percent during the past year.

The Holland–Grand Haven MSA (Ottawa County) is also finally pulling out of its downturn, having eked out a 0.2 percent increase in employment during the past year.

In the greater Kalamazoo–Battle Creek region, it is the Battle Creek MSA (Calhoun County) that has experienced the better performance. Its total employment has increased by 3.1 percent since the previous business-cycle peak and by 1.6 percent during the past year. The county's gain was supported by its strong manufacturing sector. In sharp contrast, employment in the Kalamazoo–Portage MSA (Kalamazoo and Van Buren counties) was battered by significant manufacturing employment losses and is just now turning the corner, eking out a 0.3 percent gain in total employment during the past year.

Among the MSAs, only the name of the Benton Harbor MSA changed with the new definitions—it is now called the Niles–Benton Harbor MSA, but it is still composed of only Berrien County. Unfortunately, employment conditions have yet to fully turn around in Berrien County, as shown by the 0.1 percent employment decline it recorded during the past year.

<b>Greater Grand Rapids Region (thousands of jobs)</b>							
<b>Grand Rapids–Wyoming MSA</b>							
	2001 Q1	2001 Q3	2004 Q4	2005 Q4	Percent change		
					Peak to current	Trough to current	Q1 to Q1
Total	403.5	400.2	384.6	388.9	-3.6	-2.8	1.1
Manufacturing	88.6	85.5	74.3	74.5	-16.0	-12.9	0.3
Nonmanufacturing	276.9	277.3	272.2	276.3	-0.2	-0.4	1.5
Government	38.0	37.4	38.2	38.1	0.4	1.9	-0.1
<b>Holland–Grand Haven MSA</b>							
	2001 Q1	2001 Q3	2004 Q4	2005 Q4	Percent change		
					Peak to current	Trough to current	Q1 to Q1
Total	118.5	116.2	113.7	114.0	-3.8	-1.9	0.2
Manufacturing	43.5	41.4	38.1	36.3	-16.7	-12.4	-4.7
Nonmanufacturing	61.0	59.9	60.4	61.9	1.5	3.3	2.5
Government	14.0	14.9	15.3	15.8	13.4	6.3	3.7
<b>Muskegon–Norton Shores MSA</b>							
	2001 Q1	2001 Q3	2004 Q4	2005 Q4	Percent change		
					Peak to current	Trough to current	Q1 to Q1
Total	64.1	63.8	65.2	66.8	4.1	4.7	2.3
Manufacturing	14.5	14.2	13.4	13.7	-5.4	-3.7	2.1
Nonmanufacturing	40.4	40.2	42.2	43.6	8.1	8.6	3.4
Government	9.3	9.4	9.7	9.5	1.8	0.9	-2.0

SOURCE: Michigan Department of Labor and Economic Growth (seasonally adjusted by the W.E. Upjohn Institute).

**Greater Kalamazoo–Battle Creek Region (in thousands of jobs)**

<b>Kalamazoo-Portage MSA</b>							
	2001 Q1	2001 Q3	2004 Q4	2005 Q4	Percent change		
					Peak to current	Trough to current	Q1 to Q1
Total	148.2	145.8	144.6	145.0	-2.2	-0.5	0.3
Manufacturing	29.3	27.9	24.7	24.6	-16.2	-11.9	-0.3
Nonmanufacturing	91.8	92.3	96.4	96.7	5.4	4.7	0.3
Government	27.1	25.5	23.6	23.7	-12.6	-7.2	0.5

<b>Battle Creek MSA</b>							
	2001 Q1	2001 Q3	2004 Q4	2005 Q4	Percent change		
					Peak to current	Trough to current	Q1 to Q1
Total	66.3	67.0	67.3	68.4	3.1	2.0	1.6
Manufacturing	14.5	14.3	14.0	14.4	-0.1	0.9	3.0
Nonmanufacturing	36.7	37.2	38.6	38.9	6.0	4.6	0.7
Government	15.2	15.5	14.6	15.0	-0.9	-3.2	2.7

**Niles–Benton Harbor MSA (in thousands of jobs)**

	2001 Q1	2001 Q3	2004 Q4	2005 Q4	Percent change		
					Peak to current	Trough to current	Q1 to Q1
Total	69.8	69.1	64.0	64.0	-8.3	-7.4	-0.1
Manufacturing	17.9	17.1	15.2	14.7	-18.3	-14.2	-3.8
Nonmanufacturing	42.8	43.2	40.8	41.3	-3.4	-4.4	1.3
Government	9.1	8.9	8.0	8.0	-11.6	-9.3	0.0

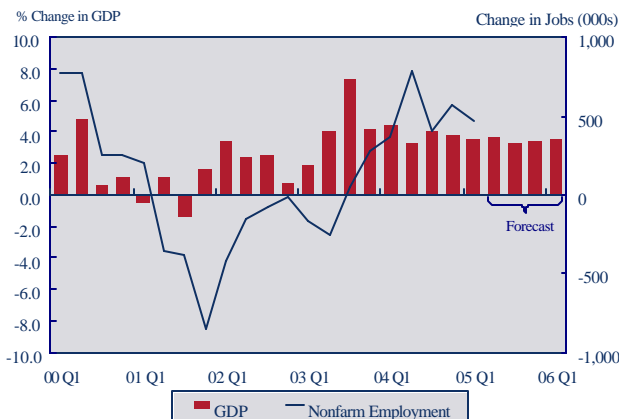
SOURCE: Michigan Department of Labor and Economic Growth (seasonally adjusted by the W.E. Upjohn Institute).

# NATIONAL ECONOMY

## Reaching Cruising Altitude

The national economy leveled off at a moderate 3.5 percent annualized rate of growth during the first quarter of the year. Economic indicators have been mixed during the past month, suggesting that the economy may remain at this moderate rate of growth during the coming quarter. Industrial production fell 0.2 percent in April, after inching up 0.1 percent in March. Inventories mushroomed during the quarter; still, corporate earnings were up during the period, and retail sales rose sharply in April.

**Gross Domestic Product and Nonfarm Employment**



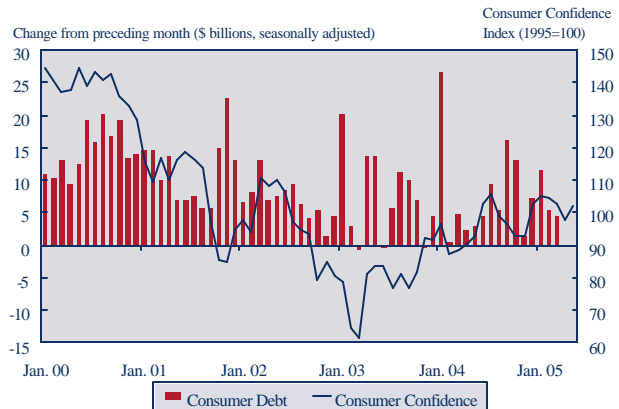
Most importantly, the moderating growth rate has not yet slowed the nation's labor markets. Employers hired an additional 274,000 workers in April, after adding an average of 173,000 workers per month during the first quarter. Workweeks lengthened during April, and the nation's unemployment rate stayed at 5.2 percent during the month.

## Gasoline Crowds Out Other Consumer Purchases

The pattern of consumer spending shifted during the first quarter, as high gasoline prices caused some consumers to postpone their purchases of durable goods. Consumer spending on motor vehicles fell at an 8.4 percent annualized rate during the quarter, with car and light truck sales running at a 16.4 million unit annualized pace. In comparison, sales during the last quarter of 2004 reached a 17.2 million unit annualized rate. Buyers returned to the auto showrooms in April, and car and light truck sales climbed back to a 17.4 million unit annualized rate. Overall, consumer expenditures for all durable goods rose at a modest 1.7 percent annualized rate. Still, total consumer spending increased at a 3.6 percent annualized rate.

While retail sales rebounded by 1.4 percent in April, the latest reading on consumer attitudes found a growing level of dissatisfaction and uncertainty. Consumer confidence as

**Consumer Confidence and Consumer Debt**



measured by the Conference Board fell in April. In addition, both of the indices—the University of Michigan American Customer Satisfaction Index and the Index of Consumer Sentiment—headed south in April. Of these two, the former, which attempts to measure the level of satisfaction consumers gain from their purchases, fell by 0.8 percent. The latter, which measures consumer confidence, dropped by 2.7 percent, as surveyed consumers expressed uneasiness about both current and future economic conditions. However, evidence suggests that consumers' confidence improved in May.

On the whole, consumers started the year in pretty good financial shape. They added only \$10 billion to their accumulated debt during the quarter, which was a smaller increase than in previous quarters. Real disposable income declined during the quarter, even though personal income grew by 3.2 percent on an annualized basis while the prices for gross domestic purchases increased by 2.9 percent.

## Businesses Are Making Money and Investing

Corporate profits rose by more than 12 percent during the first quarter, and many businesses are using their new earnings to buy more equipment. Overall, business investment spending slowed during the quarter. Spending on equipment and machinery increased at a 5.6 percent annualized rate, the smallest increase in more than a year and a half. However, the quarter's slowdown was concentrated in transportation equipment, where investment spending dropped at a 17.0 percent annualized rate. Spending on computers and other information-processing equipment soared at a 21.1 percent annualized rate.

Investment spending on buildings and other structures retreated into negative territory during the first quarter, falling at a 3.3 percent annualized rate after posting a 2.1 percent annualized increase in the previous quarter.

Still, senior loan officers in the nation's banks are reporting that, so far, the demand for commercial and industrial loans this year is higher than last year. According to the Federal Reserve Board's quarterly survey of senior loan officers, not only is demand up from last year, but 40 percent of the surveyed domestic banks have eased their lending standards for business loans, in part because of increased competition.

### Housing Markets Remain Robust Because of Stable Interest Rates

Housing starts jumped by 11 percent in April after falling by 17.6 percent in March. The nation's 30-year mortgage rate has been holding steady for the past several months at around 6 percent, despite the Federal Reserve Board's tightening of short-term interest rates. Many analysts are predicting a strong housing market in the coming months. Moreover, the industry was reassured by Fed Chairman Alan Greenspan's recent statement that he did not see a national "housing bubble" but instead a bunch of little regional bubbles that do not threaten the stability of the overall industry. Residential investment spending has increased for 12 consecutive quarters and rose at an 8.8 percent annualized rate during the first quarter.

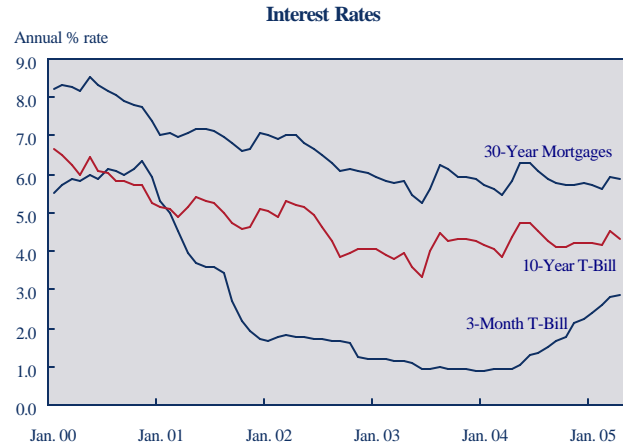
### Fears of Stagflation Subside

Fears that the leveling off of the economy during the quarter could be accompanied by increasing prices were somewhat relieved by the lack of movement in the so-called core inflation rate. Consumer prices rose by 0.5 percent in April after increasing 0.6 percent in March. However, the core rate, which excludes energy and food, remained unchanged in April after increasing by 0.4 percent in the previous month.

Producer prices increased by 0.6 percent in April after climbing at a 0.7 percent rate in March; however, energy prices were largely to blame for the increase. Wholesale prices, excluding energy and food, rose by 0.3 percent during April.

Still, unit labor costs rose sharply in the first quarter, increasing at the same year-over-year rate as overall productivity growth for nonfarm businesses, 2.5 percent. For all of 2004, productivity rose at a 4.1 percent rate and unit labor costs rose by only 0.4 percent. Both the rising unit labor costs and the slowdown in productivity occurred primarily in the nation's service-providing sector. Manufacturers continued to make substantial productivity gains. On a year-over-year basis, manufacturing productivity rose by 5.5 percent during the quarter, while unit labor costs increased by only 1.4 percent. In fact, manufacturing output rose by 4.5 percent in the first quarter, while labor fell by 1.0 percent. Manufacturers trimmed 24,000 jobs from their payrolls during the first quarter.

In general, inflation expectations remain low; there is little evidence that the nation's bargain-hunting consumers are changing their habits. Still, the recent increases in consumer and wholesale prices are making the Federal Reserve Board's ongoing mission of "finding neutral" more challenging. In May, as expected, the Federal Reserve Open Market Committee (Fed) bumped its target for the Federal Funds Rate up a quarter of a percent to 3.0 percent. Most analysts believe that the Fed will continue to push the rate, which banks charge each other for overnight loans, toward its target of between 3.5 and 4 percent by the end of the year.



### Outlook Is Still Positive

In May, the Research Seminar in Quantitative Economics at the University of Michigan revised its forecast of 2005 GDP growth downward from 3.5 percent to 3.3 percent. In addition, the university's forecast calls for consumer prices to increase by 2.9 percent, which will force the Fed to bump short-term interest rates to 3.75 percent by the end of the year. Meanwhile, government fiscal policy is expected to remain quiet in the coming months. Government spending has not topped a 1 percent annualized pace for the past three quarters, and further tax cuts on the federal or state level are highly unlikely. The consensus forecast conducted by the Philadelphia Federal Reserve Bank calls for the national economy to grow by 3.4 percent during the year, which is down from the bank's previous forecast of 3.6 percent.

One point of increasing concern for some analysts is the shrinking gap between long- and short-term interest rates. Long-term rates have not responded to the steady rise in short-term rates. The interest-rate spread between 10-year treasury bonds and 90-day treasury bills has shrunk from 2 percent in December to 1.5 percent in April. The lack of movement in long-term rates can be attributed to 1) investors' confidence that the Fed will be successful at controlling inflation without excessive tightening of short-term rates, and 2) foreign investors' buying of treasury securities.

# REGIONAL ECONOMY

## Midwest Economy Is Expanding (Except for Autos)

Economists at the Federal Reserve Bank of Chicago, in their latest Beige Book, report that the Great Lakes' economy continued to "expand at a moderate pace in late February and March though activity was lagging in Michigan." Business spending on equipment remained healthy, freight haulers were busy, and contacted banks said they were seeing greater commercial and industrial loan activity. Moreover, some of the surveyed manufacturers were hiring.

One of the report's few negative findings, however, was that the region's auto industry was beginning to slow. The bank's economists found that production schedules are being or are planned to be reduced. Moreover, they found that some suppliers are financially strained. Indeed, the harsh environment facing auto parts suppliers was highlighted by Tower Automotive's declaration of bankruptcy earlier this year. The company employs 12,000 workers worldwide. Meridian Automotive also filed for Chapter 11 bankruptcy. Meridian operates 22 plants in North America and employs 5,400 workers. The company has six plants in west Michigan employing approximately 2,000 workers. Increases in steel and resin costs and a switch in the payment schedule by a major customer were cited as the reasons for the bankruptcy.

Michigan was the only Great Lakes state to suffer a loss in total employment during the 12-month period ending in

March. Total employment for the state fell by 0.6 percent, a loss of 25,700 jobs. Employment in Indiana increased by 1.3 percent, while in Wisconsin it grew by 1.0 percent.

Manufacturing employment in the five Great Lakes states fell by 0.6 percent during the 12-month period, and Michigan suffered the steepest decline. In Michigan, manufacturers cut 3.6 percent of their workforce during the period, a loss of 25,600 jobs—which was nearly all of the job loss for the five Great Lakes states combined. Meanwhile, manufacturers in Indiana, Ohio, and Wisconsin added workers. Not surprisingly, Michigan's remaining manufacturing workers suffered a greater decline, both in the length of their workweek and in their average hourly earnings, than workers in any of the other four states.

## Traditional Big Three Are Facing Big Challenges

Ward's Automotive is forecasting that car and light truck sales will reach a 16.7 million unit annualized pace in the second quarter, up from its 16.4 million unit pace in the first quarter. However, General Motors, Ford, and DaimlerChrysler will still face serious difficulties. First, this forecast is based, in part, on Ford and General Motors launching new incentive programs in the coming months. As of March, the average marketing promotion cost for GM vehicles was \$3,004 per unit; for Ford it was \$3,146. In sharp contrast, the Asian North American car producers spent only \$1,541 on marketing promotion, according to Autodata Corporation. In

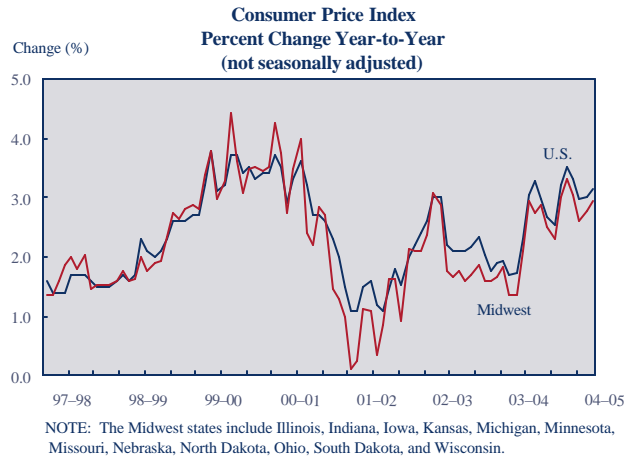
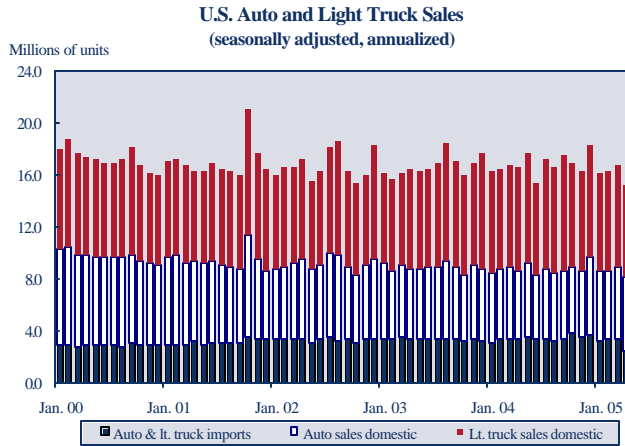
## Employment and Earnings<sup>a</sup>

Great Lakes Region	March 2005	March 2004	% change	Great Lakes Region	March 2005	March 2004	% change
<b>Illinois</b>				<b>Ohio</b>			
Total employment	5,831,100	5,797,600	0.6	Total employment	5,416,100	5,401,100	0.3
Mfg. employment	693,000	695,800	-0.4	Mfg. employment	823,700	823,500	0.0
Avg. weekly hours	40.7	40.9	-0.5	Avg. weekly hours	41.4	41.3	0.2
Avg. hourly earnings	\$15.73	\$15.54	1.2	Avg. hourly earnings	\$18.97	\$18.06	5.0
<b>Indiana</b>				<b>Wisconsin</b>			
Total employment	2,966,600	2,916,800	1.7	Total employment	2,818,500	2,791,500	1.0
Mfg. employment	576,300	570,100	1.1	Mfg. employment	506,400	500,500	1.2
Avg. weekly hours	41.9	42.3	-0.9	Avg. weekly hours	40.1	40.5	-1.0
Avg. hourly earnings	\$17.88	\$17.82	0.3	Avg. hourly earnings	\$16.26	\$16.18	0.5
<b>Michigan</b>				<b>United States</b>			
Total employment	4,368,100	4,393,800	-0.6	Total employment (000)	133,019	130,786	1.7
Mfg. employment	676,900	702,500	-3.6	Mfg. employment (000)	14,314	14,291	0.2
Avg. weekly hours	41.0	42.9	-4.4	Avg. weekly hours	40.4	40.9	-1.2
Avg. hourly earnings	\$21.32	\$21.57	-1.2	Avg. hourly earnings	\$16.42	\$16.01	2.6

NOTE: March 2005 lists preliminary numbers.

<sup>a</sup>Employment 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).



March, General Motors, Ford, and DaimlerChrysler dealers were all holding inventories that were, on average, nine days above normal, while inventories at the other North American producers were only three days above normal, according to JP Morgan Chase. Moreover, Ford and General Motors continue to lose market share and have the lowest capacity utilization rates in the industry—72 and 78 percent, respectively, according to Harbour and Associates. In comparison, foreign transplants have been running full-out, at 98 percent capacity.

The clear long-term problem facing General Motors, Ford, and DaimlerChrysler is health care costs for their current workforce and their longer-living retirees. In fact, according to Deutsche Bank Securities, General Motors paid \$19.14 per worker per hour in health care and retirement medical costs, compared to only \$3.76 for Toyota North America. A key reason for this is that General Motors currently has 339,000 retirees compared to only 65—not 65,000, but 65—for Toyota North America, according to Deutsche Bank Se-

curities. The extremely low number of Toyota NA retirees simply reflects the age of the company's workforce. Toyota started production in North America in 1984 in a joint venture with GM—New United Motor Manufacturing Inc. It purposely hired young workers, who are now mainly in their forties.

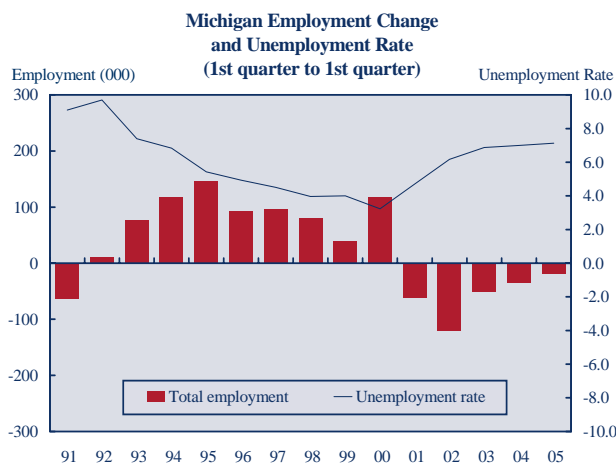
### Prices and Costs in the Midwest Still Lag Behind Those in the Nation

Consumer prices in the 12-state Midwest region continue to trail those in the rest of the nation, reflecting the region's slower than average growth rate. The region's employers faced a lower increase in total compensation costs, 3.0 percent, for the year ending in March than employers in the nation's other three major regions. Unfortunately, workers in the Midwest lost ground in terms of real income, as consumer prices rose by 2.9 percent in the region during the 12-month period while wages and salaries increased by only 2.2 percent.

# STATE OF MICHIGAN ECONOMY

Total employment fell by 0.3 percent in the state during the first quarter of 2005. Employment declined across all of the state's major employment sectors. Still, the state's unemployment rate fell to 7.1 percent during the quarter. Statewide, economic indicators were mixed during the quarter, suggesting that employment conditions may remain relatively unchanged in the coming months.

Employment in the state's goods-producing sector fell by 0.4 percent, or by 3,800 jobs, during the first quarter. Construction employment was up, in part due to an early spring; however, manufacturing employment fell by 0.8 percent, with declines reported in both the durable and nondurable goods sectors.



During the four-quarter period ending with the first quarter of 2005, the state's manufacturers trimmed 2.7 percent off their workforce, or more than 18,900 jobs. While the state's struggling auto industry bore most of the losses, nearly all of the state's manufacturing sectors reported employment declines. Together, firms in the state's transportation equipment and motor vehicle sectors lost nearly 25,000 jobs in the four-quarter period. In a nutshell, production slowdowns by General Motors and Ford, high steel and plastics costs, and never-ending demands for low prices from automakers have combined to make life miserable for the state's auto suppliers.

The state's food processors cut another 1,000 jobs in the four-quarter period, and an additional 770 jobs were eliminated by the state's furniture manufacturers. Modest job gains were reported among the state's fabricated metal producers, printers, and machine makers.

The state's auto industry took yet another hit when General Motors announced that it is closing one of its Lans-

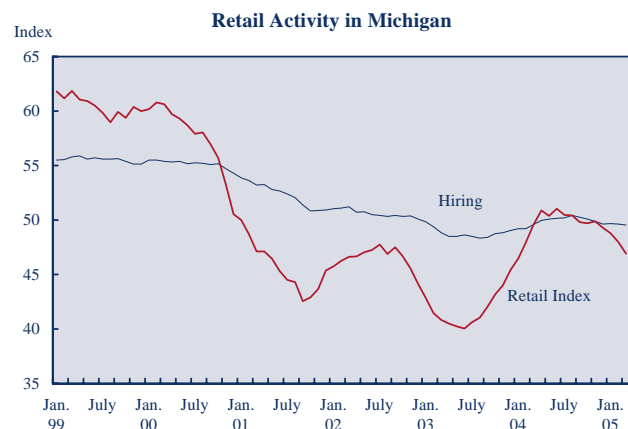
ing-area assembly plants. It is estimated that the shutdown of the assembly plant will cost Michigan's auto suppliers 2,000 jobs in the short term. In the long term, the resulting number of jobs lost could grow to 4,000 as the job cuts filter down to second- and third-tier parts suppliers.

In an attempt to bolster its auto industry, the state announced that it will renew tax incentives for Delphi and Visteon corporations that were set to expire at the end of this year. The tax incentives have been worth an average of \$7 million a year to both companies since their separation from General Motors and Ford, respectively. Visteon employs 20,000 workers in the state, while Delphi employs about 15,000 workers. Two Delphi plants are in west Michigan—a valve-lifter plant in Wyoming and a fuel-injector plant in Coopersville—and employ 1,400 workers. In order to retain the incentives, the two companies must keep 80 percent of their current Michigan workforce or make \$800 million in new capital investment through 2011.

Employment in the state's private service-providing sector fell as well, by 0.3 percent in the first quarter. Employment declines were reported across a wide variety of sectors, including transportation and utilities, information, financial activities, and professional and business services.

Retail trade was one of the few service-providing sectors that gained employment during the quarter, picking up 4,740 workers for a 0.9 percent increase. This gain in employment was supported by a 2.1 percent increase in personal income in the state during the fourth quarter.

In the latest survey of Michigan retailers, conducted by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association, researchers found that while 67 percent of surveyed Michigan retailers expect better sales in the short term, just 38 percent of surveyed retailers

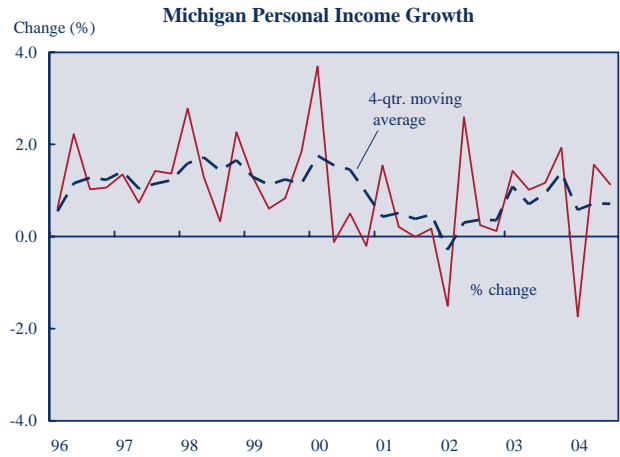


NOTE: Index = percent reporting an increase in sales + [0.5 x (% reporting no change)].

reported increased sales over the same period last year. Although the March index reading was an improvement over February's results, the state's retail index remains below the 50.0 mark, which is the reading associated with overall positive sales activity. The survey's employment index has also been slipping downward. On the plus side, Meijer announced plans to hire 2,700 workers in Michigan this year after eliminating nearly 1,900 management positions in 2004.

Government employment fell 0.3 percent in the first quarter. With ongoing budget constraints at the state and local levels, government employment is expected to hold steady, at best, in the coming months. The latest state revenue estimate indicates that the state will receive \$16.5 million in unanticipated revenues this budget year; the money is earmarked for the state's universities and community colleges. However, analysts are forecasting that the General Fund will be short by approximately \$32.5 million and that the School Aid Fund will be short by about \$56.6 million for the next fiscal year.

The state's economic indicators were mixed during the first quarter, suggesting little change in its employment situation. The Detroit-area Index of Help-Wanted Advertising rose 3.2 percent, but it was offset by a large 11.6 percent decline in the west Michigan composite index.



**Employment by Place of Work  
March  
(not seasonally adjusted)**

Labor market area	Total nonfarm	% change, 2004-05	Goods-producing	% change, 2004-05	Private service-providing	% change, 2004-05
United States	132,195,000	1.7	21,656,000	1.5	88,400,000	2.0
Michigan	4,320,100	-0.4	848,100	-3.1	2,760,400	0.2
West Michigan MSAs:						
Battle Creek	63,200	0.6	16,500	3.8	36,000	-0.6
Grand Rapids-Wyoming	385,100	1.4	91,700	0.5	253,600	2.0
Holland-Grand Haven	113,600	0.5	42,000	-3.2	54,400	2.6
Kalamazoo-Portage	144,400	0.1	30,300	-0.7	89,200	0.3
Muskegon-Norton Shores	65,400	1.2	15,800	2.6	39,700	1.8
Niles-Benton Harbor	63,200	-0.9	16,700	-4.6	38,200	0.8
Other labor market areas:						
Ann Arbor	203,900	0.8	28,000	-2.1	106,800	1.3
Bay City	38,900	-1.5	5,700	-6.6	27,000	-0.4
Detroit-Warren-Livonia	2,008,200	-1.2	364,300	-3.4	1,399,800	-0.9
Flint	158,900	-0.6	27,700	-6.1	105,500	1.1
Jackson	61,400	0.5	12,500	0.8	37,400	-0.3
Lansing-East Lansing	230,600	0.1	31,100	-1.0	131,600	-0.4
Monroe	43,100	-1.8	10,900	-2.7	25,500	-2.3
Saginaw	92,400	-0.2	17,700	-3.8	61,400	0.8

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

# WEST MICHIGAN ECONOMY

Total employment rose 0.5 percent during the first quarter of 2005 in the six newly defined metropolitan areas of west Michigan. Almost all of the job gains occurred in the region's private service-providing sector, as the region's goods-producing and government sectors continue to struggle. The quarter's gain in employment was enough to push the region's unemployment rate down to 6.5 percent. The region's limited set of economic indicators suggests that employment conditions in the region will change little in the coming months.

Employment in the region's goods-producing sector fell by 0.3 percent in the first quarter because of a 0.4 percent decline in manufacturing employment. Unfortunately, the reconfiguration of the region's metropolitan areas means that detailed industry statistics for the region's manufacturing sector are no longer available.

Current business reports, however, identify offsetting trends that may keep the region's manufacturing employment flat, at best. First, most analysts agree that the predicted lack of significant growth in auto sales in the coming quarters will likely force auto companies to demand more price cuts from their suppliers. In turn, suppliers are expected to continue to cut costs and jobs. General Motors is expected to cut production by more than 10 percent in the second quarter, according to Erich Merkle of IRN Inc. Already, Tower Automotive, which has a plant in Greenville, filed for Chapter 11 bankruptcy last month. Delphi Corporation, which has plants in Wyoming and Coopersville, ordered 8,500 layoffs company-wide. Lear Corporation, with three plants in the region, has already cut half of the jobs at its Grand Rapids-area seating plant. Bosch Corporation announced it will eliminate all but 125 of 1,200 employees when its Grand Rapids-area plant shuts down. In addition, the auto supplier is eliminating 530 jobs from its Benton Harbor plant.

In short, this is not a good time to be an auto supplier. The automakers continue to squeeze suppliers to reduce parts costs, while raw materials such as steel and plastic resins stay stubbornly high. On many fronts, suppliers have had to eat those higher material costs because they could not pass them on to their customers, the automakers. And yet, in this hostile environment, not all of the news is bad. Tower Automotive announced it will cut only 49 jobs at its Greenville facility instead of 135, as originally planned. In addition, Sequoia Industries Incorporated and Metaldyne Corporation, which are both suppliers for Ford and General Motors, announced that they are hiring, in total, nearly 100 workers.

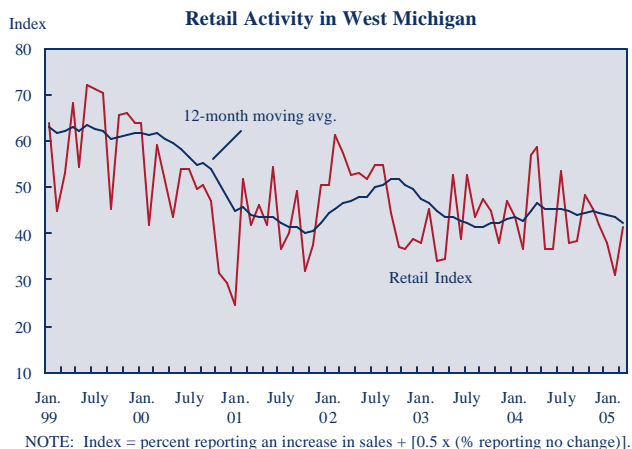
More promising news is being reported in the region's office furniture industry. The office furniture industry had a good quarter. According to the Business and Institutional Furniture Manufacturer's Association (BIFMA), office furniture shipments rose 17 percent during the quarter. Shipments from U.S. manufacturers rose from \$1.96 to \$2.29 billion, pushed by an increasing number of white-collar jobs. For the balance of 2005, BIFMA is expecting quarterly growth of between 8 and 10 percent.

Employment in the region's private service-providing sector increased by 1.0 percent, or by more than 5,100 workers. Employment gains were reported in all sectors except for a 2.3 percent decline in information and a 1.5 percent employment drop in other services.

Employment in the region's retail trade sector increased by a healthy 1.2 percent during the quarter, even though the latest polling of the region's retailers by the Federal Reserve Bank of Chicago in association with the Michigan Retailers Association suggests that retail conditions in the region remain lackluster.

Government employment fell by 0.2 percent in the quarter.

First-quarter readings of the limited number of economic indicators currently available for the region suggest that employment conditions will not change dramatically in the coming months. The composite Index of Help-Wanted Advertising fell by 11.6 percent during the quarter, indicating that employment conditions in the region's service-providing sector may soften. On the positive side, the number of new claims for unemployment insurance declined, while the number of new housing starts rose.



**West Michigan (6 MSAs) Statistics**  
(seasonally adjusted)

Measure	2005 Q1	2004 Q4	% change, Q4 to Q1	2004 Q1	% change, Q1 to Q1
<b>Employment (by place of work)</b>					
Total nonfarm employment	846,950	842,620	0.5	839,530	0.9
Goods-producing	217,410	218,050	-0.3	218,280	-0.4
Construction and mining	39,280	39,270	0.0	38,630	1.7
Manufacturing	178,130	178,780	-0.4	179,650	-0.8
Durable goods (5 MSAs) <sup>a</sup>	115,190	115,040	0.1	115,140	0.0
Nondurable goods (5 MSAs) <sup>a</sup>	48,280	48,650	-0.8	49,280	-2.0
Private service-providing	519,390	514,210	1.0	511,940	1.5
Transportation and utilities	21,440	21,390	0.2	20,800	3.1
Wholesale trade	35,030	33,420	4.8	32,970	6.2
Retail trade	98,790	97,630	1.2	97,720	1.1
Information (5 MSAs) <sup>a</sup>	9,640	9,870	-2.3	9,900	-2.6
Financial activities	37,910	37,570	0.9	37,190	1.9
Professional and business services	94,690	93,900	0.8	91,490	3.5
Education and health services	110,880	109,900	0.9	110,670	0.2
Leisure and hospitality	75,130	73,900	1.7	73,100	2.8
Other services	35,490	36,020	-1.5	37,280	-4.8
Government	110,160	110,360	-0.2	109,310	0.8
Federal government	9,520	9,800	-2.9	9,250	2.9
State government	23,780	23,750	0.1	23,730	0.2
Local government	76,870	76,800	0.1	76,330	0.7
<b>Unemployment</b>					
Number unemployed	62,690	66,690	-6.0	67,220	-6.7
Unemployment rate (%)	6.5	6.8		6.9	
<b>Local indexes</b>					
Help-wanted ads (4 MSAs) (1996=100) <sup>b</sup>	38	43	-11.6	44	-13.6
UI initial claims	3,013	3,057	-1.4	3,733	-19.3
New dwelling units <sup>c</sup>	8,460	8,376	1.0	8,313	1.8

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

<sup>a</sup> Niles-Benton Harbor MSA data not available.

<sup>b</sup> Niles-Benton Harbor MSA and Holland-Grand Haven MSA data not available.

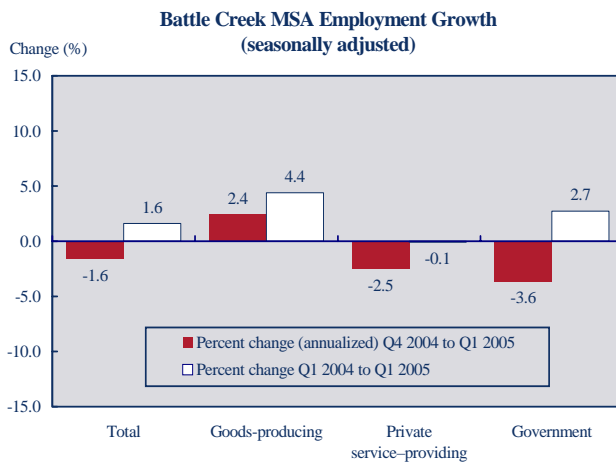
<sup>c</sup> Seasonally adjusted annual rates. Van Buren County is not included.

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

# BATTLE CREEK MSA

Total employment fell by 0.4 percent in the Battle Creek MSA (Calhoun County) during the first quarter of 2005. Employment gains in the county's goods-producing sector were more than offset by employment reductions in its service-providing and government sectors. The county's unemployment rate fell to 6.7 percent for the quarter. Unfortunately, the first-quarter reading of the county's economic indicators suggests that employment conditions may soften during the summer.

Employment in the goods-producing sector in the county increased by 0.6 percent during the first quarter because of a large 3.8 percent jump in construction employment. The increase in construction employment is not due to residential construction, as the number of new dwelling units put under contract for construction fell by nearly 20 percent during the quarter. Manufacturing employment rose by only 0.1 percent, as gains in its durable goods sector more than erased



reported employment declines among its nondurable good producers. Unfortunately, a more detailed breakdown of the county's manufacturing sector is no longer available because of the new definitions for the MSAs.

Recent reports on the region's manufacturing sector were mixed. On the upside, Johnson Controls announced that it will reopen its Battle Creek plant and employ up to 225 workers. The company's decision was made easier by the City of Battle Creek offering a tax abatement of \$5.4 million

and by further incentives from the Michigan Economic Development Corporation. The Fort Custer auto-parts maker had closed the plant in December and laid off all of its 180 workers. Now the plant is slated to produce automotive seat frames. On the other hand, in Union City, in neighboring Branch County, Griswold Machine and Engineering announced that it is laying off 126 employees. The company manufactures transport racks for the automotive industry.

Employment in the county's private service-providing sector fell by 0.6 percent because of employment declines in its wholesale trade, information, education and health services, and other services. Employers in the county's retail sector, financial activities, professional and business services, and leisure and hospitality sector added jobs. The area's transportation and utilities sector got a boost when Duncan Aviation announced that it plans to invest \$19.5 million in its Battle Creek facility. The expansion will add 125,000 square feet and create 380 new jobs. The company maintains and repairs planes and currently employs 467 workers at the Battle Creek plant.

Government employment fell by 0.9 percent because of substantial employment declines in state and local government. Federal government employment increased by 0.9 percent. However, the Battle Creek Air National Guard Base has been identified for closing in the latest round of military base closings and realignments. The good news is that the Hart-Dole-Inouye Federal Center and the Fort Custer Army National Guard Base are staying put. Still, if the area's Air National Guard base is relocated, it would mean the loss of 68 military personnel and 206 civilian jobs.

Unfortunately, all of the area's economic indicators turned negative during the quarter, suggesting that the area's employment situation will not improve in coming months. The county's Index of Help-Wanted Advertising fell by 7.2 percent, the number of new claims for unemployment insurance shot up by 15.6 percent, and, as mentioned earlier, the number of housing starts fell by 19.5 percent. Finally, the latest polling of area employers by Manpower found that the same percentage of surveyed employers—13 percent—expected to add workers as the percentage that expected to reduce their payrolls.

**Battle Creek MSA**  
(seasonally adjusted)

Measure	2005 Q1	2004 Q4	% change, Q4 to Q1	2004 Q1	% change, Q1 to Q1
<b>Employment (by place of work)</b>					
Total nonfarm employment	68,360	68,640	-0.4	67,280	1.6
Goods-producing	16,870	16,770	0.6	16,160	4.4
Construction and mining	2,440	2,350	3.8	2,140	14.0
Manufacturing	14,440	14,420	0.1	14,020	3.0
Durable goods	9,240	9,190	0.5	9,210	0.3
Nondurable goods	5,200	5,230	-0.6	4,810	8.1
Private service-providing <sup>a</sup>	36,480	36,710	-0.6	36,510	-0.1
Transportation and utilities	1,100	1,100	0.0	1,100	0.0
Wholesale trade	1,380	1,440	-4.2	1,380	0.0
Retail trade	7,970	7,920	0.6	8,020	-0.6
Information	390	610	-36.1	830	-53.0
Financial activities	1,600	1,590	0.6	1,670	-4.2
Professional and business services	6,530	6,510	0.3	6,230	4.8
Education and health services	9,130	9,190	-0.7	9,340	-2.2
Leisure and hospitality	5,890	5,850	0.7	5,380	9.5
Other services	2,480	2,510	-1.2	2,550	-2.7
Government	15,020	15,160	-0.9	14,620	2.7
Federal government	3,390	3,360	0.9	3,320	2.1
State government	6,930	7,020	-1.3	6,800	1.9
Local government	4,700	4,780	-1.7	4,500	4.4
<b>Unemployment</b>					
Number unemployed	5,110	5,140	-0.6	4,850	5.4
Unemployment rate (%)	6.7	7.4		7.2	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	33.0	35.6	-7.2	38.6	-14.4
UI initial claims	245	212	15.6	241	1.7
New dwelling units <sup>a</sup>	359	447	-19.5	325	10.6

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

<sup>a</sup> 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, First Quarter to First Quarter**  
(not seasonally adjusted)

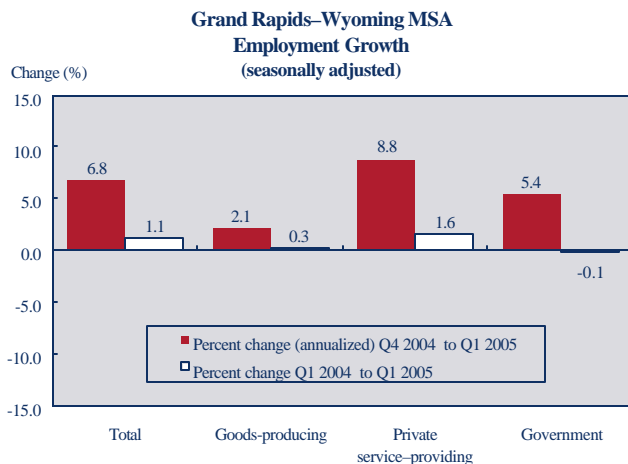
Industry	2005 Q1	2004 Q1	Percent change	Industry	2005 Q1	2004 Q1	Percent change
<b>Goods-producing</b>	16,530	15,830	4.4	<b>Government</b>	10,630	10,630	0.0
Transportation equipment	6,070	5,900	2.9	Local govt. education svcs.	4,970	4,770	4.2
<b>Private service-providing</b>	35,700	35,700	0.0				
Accommodations & food svcs.	4,430	3,930	12.7				
Admin. support & waste mgmt.	4,770	4,570	4.4				

SOURCE: Michigan Department of Labor and Economic Development.

# GRAND RAPIDS–WYOMING MSA

Total employment increased by a healthy 1.7 percent in the newly formed Grand Rapids–Wyoming MSA. Employment gains were reported across all three of the area's major employment sectors. Still, the area's unemployment rate only inched downward from 6.8 to 6.7 percent during the quarter. The area's economic indicators were mixed, suggesting that employment growth will likely return to more sustainable levels in coming months.

The area's goods-producing employment increased by 0.5 percent during the first quarter as a 0.7 percent increase in manufacturing employment more than erased a 0.2 percent decline in construction. During the past year, the area's struggling auto industry eliminated more than 2,500 jobs. However, recent business reports hint at a pending rebound. Metaldyne announced it will invest \$8.1 million in its auto transmission plant in Middleville and will add 64 jobs. Lear announced that with the assistance of a tax abatement on a \$6.1 million investment of equipment it will retain 232 jobs in Walker. Still, General Motors announced it is shutting down its third shift, 730 workers, for a week because of stagnant sales and rising inventories.



The area's furniture industry trimmed another 100 jobs during the past year. The region's office furniture industry is still restructuring, even though its business outlook has improved. Steelcase announced that it will eliminate around 600 jobs as it closes its last remaining Grand Rapids manufacturing plants during the next two years. The work will be consolidated at plants in the region, although about 30 jobs will be moved to Mexico. In addition, more than 100 white-collar jobs are being eliminated. After this round of cutbacks, the company will have cut its manufacturing space in West Michigan by more than half. At the same time, however, Steelcase was able to provide a bonus—4.4 percent—to its workers for the first time in four years. The company earned \$12.7 billion in Fiscal 2005.

According to the activity index prepared by Dunlap and Associates, output of the region's office furniture industry dipped slightly during the past quarter. Still, the future continues to look bright according to an index that tracks 10 key business activities. The industry's March index fell to 56.04, compared to 57.55 for January. The Personal Outlook Index was 62.43 in March, down slightly from 63.97 in January and up from 61.88 in October.

Finally, the area's plastic industry, which picked up more than 350 jobs during the past year, will generate some more, as Emerald Graphics announced that it plans to hire 347 people in the coming years. In addition, X-Rite announced that it is moving its operation from its current Grandville facility to the former Bosch plant in Kentwood. Not only will it move, but the color technology company plans to add approximately 300 workers to its current workforce of 440.

Employment in the area's service-providing sector rose by 2.1 percent during the quarter, an employment gain of more than 5,300 workers. Wholesalers, education and health services, and leisure and hospitality services all added more than 1,000 workers. The area's retailers hired 900 workers. However, Rogers Department Store, one of the last independent department stores in the state, announced that it is closing. Changing shopping patterns, serious competition from newer chain stores such as Kohl's, and a tired retail location brought on the decision. About 180 employees will lose their jobs, while others will be given opportunities at the company's new venture, called Daniel's, an upscale store that has done well since opening. Finally, two major health care construction projects will be starting soon. Metropolitan Health is building a \$150 million hospital that is scheduled for completion in mid-2007. At the same time, Spectrum Health will be spending \$61 million on its Butterworth campus and \$11 million on its Blodgett campus for new buildings.

Government employment rose by 1.3 percent during the quarter because of a large 11.3 percent increase in state government employment.

First-quarter readings of the area's economic indicators were mixed. The area's Purchasing Managers Index fell slightly in May, after rising for three straight months. The number of new claims for unemployment insurance was down by 4.1 percent. However, the area's Index of Help-Wanted Advertising fell by 15.9 percent, and the number of new dwelling units put under contract for construction was off by 2.4 percent.

**Grand Rapids–Wyoming MSA**

(seasonally adjusted)

Measure	2005	2004	% change,	2004	% change,
	Q1	Q4	Q4 to Q1	Q1	Q1 to Q1
<b>Employment (by place of work)</b>					
Total nonfarm employment	388,880	382,520	1.7	384,630	1.1
Goods-producing	93,620	93,120	0.5	93,350	0.3
Construction and mining	19,130	19,170	-0.2	19,090	0.2
Manufacturing	74,480	73,950	0.7	74,260	0.3
Durable goods	52,220	51,720	1.0	52,140	0.2
Nondurable goods	22,270	22,240	0.1	22,110	0.7
Private service–providing	257,150	251,780	2.1	253,130	1.6
Transportation and utilities	10,240	10,130	1.1	9,840	4.1
Wholesale trade	21,430	19,760	8.5	19,870	7.9
Retail trade	43,710	42,800	2.1	43,420	0.7
Information	5,540	5,670	-2.3	5,580	-0.7
Financial activities	20,960	20,830	0.6	20,810	0.7
Professional and business services	53,120	52,640	0.9	53,060	0.1
Educational and health services	52,510	51,170	2.6	51,720	1.5
Leisure and hospitality	32,890	31,810	3.4	31,490	4.4
Other services	16,760	16,960	-1.2	17,340	-3.3
Government	38,120	37,620	1.3	38,160	-0.1
Federal government	3,410	3,370	1.2	3,410	0.0
State government	4,050	3,640	11.3	3,850	5.2
Local government	30,670	30,610	0.2	30,900	-0.7
<b>Unemployment</b>					
Number unemployed	26,770	28,850	-7.2	30,090	-11.0
Unemployment rate (%)	6.7	6.8		7.2	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	35	41	-15.9	44	-20.4
UI initial claims	954	995	-4.1	1,221	-21.9
New dwelling units <sup>a</sup>	3,035	3,109	-2.4	2,711	11.9

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

<sup>a</sup> 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, First Quarter to First Quarter**  
(not seasonally adjusted)

Industry	2005	2004	Percent change	Industry	2005	2004	Percent change
	Q1	Q1			Q1	Q1	
<b>Goods-producing</b>	91,800	91,470	0.4	Professional, scientific, tech. svcs.	14,330	14,770	-3.0
Transportation equipment	15,730	16,830	-6.5	Mgmt. of co's & enterprises	6,600	6,570	0.5
Motor vehicle parts	12,470	13,930	-10.5	Admin. support & waste mgmt.	29,630	29,170	1.6
Furniture & related products	7,330	7,430	-1.3	Employment services	19,900	19,370	2.7
Office furniture	6,430	6,530	-1.5	Educational services	10,370	10,470	-1.0
Food	5,370	5,430	-1.1	Elem. & secondary schools	4,070	3,770	8.0
Chemical	4,000	4,330	-7.6	Health care & social assistance	42,330	41,430	2.2
Plastics and rubber	7,370	7,000	5.3	Ambulatory health services	13,230	13,230	0.0
<b>Private service–providing</b>	252,100	248,100	1.6	Hospitals	17,570	16,730	5.0
General merchandise stores	14,700	16,100	-8.7	Food & drinking places	23,630	24,600	-3.9
Department stores	4,800	4,930	-2.6	<b>Government</b>	39,430	39,500	-0.2
Credit intermediation	7,930	7,930	0.0	Local govt. educational svcs.	22,230	22,370	-0.6

SOURCE: Michigan Department of Labor and Economic Growth.

# HOLLAND-GRAND HAVEN MSA

Total employment fell by 1.5 percent in the newly designed metropolitan area (Ottawa County) during the first quarter of 2005. Employment declines were reported across all of the area's major employer classifications. Still, the number of unemployed county residents fell by nearly 8 percent, keeping its unemployment rate to a low 5.7 percent. Economic indicators were mixed in the quarter; however, recent business reports hint at improving conditions in the coming months.

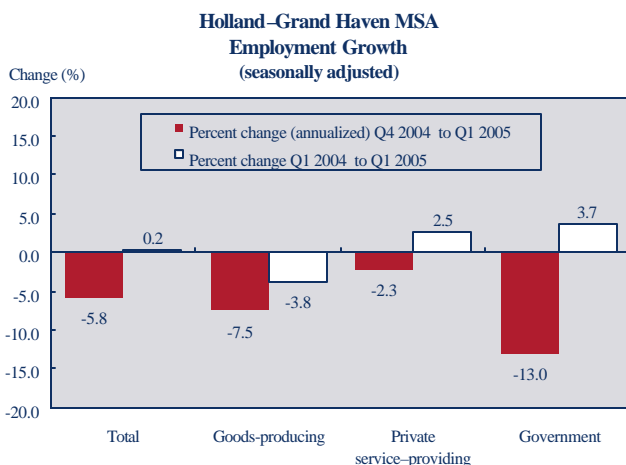
Goods-producing employment in Ottawa County fell by 1.9 percent during the first quarter. Manufacturing employment was down by 2.2 percent, a loss of more than 800 jobs. During the past year, employment in the area's office furniture industry declined by 100 jobs. However, there are signs of improving conditions in the county's office furniture industry. Herman Miller announced that its net earnings for the third quarter of the 2005 fiscal year were \$16.8 million, an increase of 115.4

The area's transportation equipment sector lost approximately 60 jobs during the past year. However, recent reports are positive here as well. First, construction continues on Gentex's new automotive-mirror plant that is expected to create 250 jobs within two years and up to 600 jobs within five years. Johnson Controls announced that it is adding 525 jobs at its Holland facilities to produce metal seat adjusters and tracks. This is welcome news as the firm is proceeding with its previously announced plans to move up to 885 jobs from Holland to a plant in Ramos Arizpe, Mexico, by the fall of this year.

Other business reports are more mixed. On the plus side, Boar's Head, a manufacturer of deli meats, plans to add 115 jobs as it expands its plant in the next three years. On the downside, Pfizer announced it will sell or close its pharmaceutical plant, which currently employs 328 employees. This is on top of the 2003 closure of Pfizer's research center, which eliminated 108 positions. Most of the work is reportedly to be moved to the company's large production plant in Kalamazoo. Finally, Sligh Furniture, maker of grandfather clocks and other clocks, is closing its Holland plant and eliminating 75 jobs.

Employment in the county's service-providing sector was down as well in the quarter, falling by 0.6 percent. The largest declines occurred among the area's retailers and education and health services providers.

Finally, government fell by 3.4 percent because of reported employment declines across all levels of government, including a 35 percent drop in federal government employment.



percent from the same quarter last year. Moreover, the company is heading into the next quarter with a large backlog of both governmental and commercial orders. Still, the Zeeland-based company continues to trim its white-collar workforce. Haworth announced that it has added 100 employees between January 2004 and February 2005 and that it still has 100 professional positions open. Haworth also announced that the construction of its new plant in India to service that growing market will bring more jobs to west Michigan as employees here design and engineer furniture and supply key components to Asian plants.

The county's economic indicators were mixed during the quarter. On the plus side, the number of new claims for unemployment insurance was down 4.1 percent. However, the number of new dwelling units put under contract for construction was also down by 4.6 percent. Finally, according to the most recent Manpower survey, 31 percent of the companies interviewed plan to hire more employees while only 3.0 percent expected to reduce their workforce. This is only a minor change from the same quarter last year, when 28 percent of the surveyed firms expected to hire more workers. However, it is much better than the first quarter survey results, in which only 4 percent of the companies interviewed intended to add staff.

## Holland–Grand Haven MSA

(seasonally adjusted)

Measure	2005 Q1	2004 Q4	% change, Q4 to Q1	2004 Q1	% change, Q1 to Q1
<b>Employment (by place of work)</b>					
Total nonfarm employment	113,990	115,710	-1.5	113,740	0.2
Goods-producing	42,710	43,550	-1.9	44,390	-3.8
Construction and mining	6,420	6,430	-0.2	6,320	1.6
Manufacturing	36,290	37,110	-2.2	38,080	-4.7
Durable goods	28,960	29,600	-2.2	30,030	-3.6
Nondurable goods	7,330	7,520	-2.5	8,040	-8.8
Private service-providing	55,440	55,760	-0.6	54,070	2.5
Transportation and utilities	2,750	2,770	-0.7	2,540	8.3
Wholesale trade	3,950	4,000	-1.3	3,780	4.5
Retail trade	10,470	10,600	-1.2	10,910	-4.0
Information	1,010	1,000	1.0	1,010	0.0
Financial activities	3,300	3,300	0.0	3,100	6.5
Professional and business services	11,860	11,490	3.2	9,750	21.6
Educational and health services	9,740	10,260	-5.1	10,290	-5.3
Leisure and hospitality	7,970	7,930	0.5	7,620	4.6
Other services	4,400	4,410	-0.2	5,070	-13.2
Government	15,840	16,400	-3.4	15,280	3.7
Federal government	630	970	-35.1	430	46.5
State government	4,310	4,480	-3.8	3,840	12.2
Local government	10,900	10,950	-0.5	11,010	-1.0
<b>Unemployment</b>					
Number unemployed	7,600	8,250	-7.9	8,030	-5.4
Unemployment rate (%)	5.7	5.7		5.6	
<b>Local indexes</b>					
UI initial claims	954	995	-4.1	1,221	-21.9
New dwelling units <sup>a</sup>	1,597	1,674	-4.6	2,754	-42.0

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

<sup>a</sup> 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, First Quarter to First Quarter

(not seasonally adjusted)

Industry	2005 Q1	2004 Q1	Percent change	Industry	2005 Q1	2004 Q1	Percent change
<b>Goods-producing</b>	41,830	43,500	-3.8	<b>Government</b>	16,500	15,930	3.6
Transportation equipment	8,070	8,130	-0.7	Local govt. education svcs.	6,070	6,700	-9.4
Furniture & related products	6,000	6,100	-1.6				
Office furniture and fixtures	5,400	5,500	-1.8				
<b>Private service-providing</b>	54,100	52,770	2.5				
Accommodations & food svcs.	6,370	6,130	3.9				
Food svcs. & drinking places	6,000	5,770	4.0				

SOURCE: Michigan Department of Labor and Economic Development.

# KALAMAZOO-PORTAGE MSA

Total employment remained unchanged during the first quarter of 2005 in Kalamazoo and Van Buren counties. Slight employment gains in the area's goods-producing and governmental sectors totally offset a small employment reduction in the area's private service-providing sector. Despite the lack of employment growth during the quarter, the area's unemployment rate fell to 5.9 percent. The area's economic indicators were mixed, suggesting that the area's quiet employment conditions may hold steady in the coming months.

Employment in the area's goods-producing sector rose a modest 0.2 percent during the first quarter. The area's manufacturers added 130 workers to their payrolls during the quarter. Recent business reports were mixed. The Abex Division of Cleveland-based Parker Hannifin in Kalamazoo has already added 14 engineers and will hire up to 25 assembly and test technicians by early 2008 as it starts production of the hydraulic subsystem for the Boeing Dreamliner 787. In Van Buren County, Coca-Cola of North America announced

allowed the plant to call back 50 laid-off workers. The plant currently employs 950 workers.

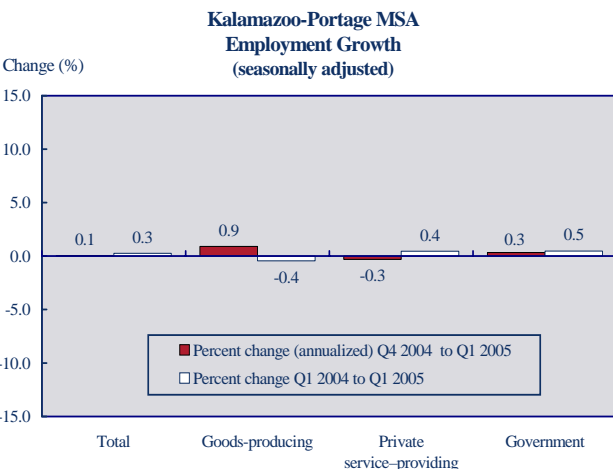
Employment in the area's private service-providing sector fell by a modest 0.1 percent during the first quarter. Financial services picked up 190 jobs, while area firms in the leisure and hospitality sector released more than 200 workers. In April, State Farm Insurance transferred another 45 workers into the area's claims center for Michigan and Indiana, bringing the total of transferred workers to approximately 200. Although the jobs are brought in from Indiana, many of the affected workers are not making the move, opening the positions to the company's displaced workers from Marshall.

The area's wholesale trade industry lost 20 workers in the first quarter; however, that will change in the near future. The Midlink Business Park, which is the former General Motors plant, is now home to two businesses. Kenco Logistics Services of Chattanooga, Tennessee, will use 750,000 square feet for warehousing, transportation, and packaging services. It will employ 35 workers. In addition, International Component Strategies, a new company that handles and refurbishes surplus and obsolete auto parts for the Big Three automakers and for top-level auto industry suppliers, will use 160,000 square feet of space. It currently employs 12 workers.

Employment in the area's government sector stayed relatively unchanged, as only 20 workers were added.

The lack of job growth did not stop the area's unemployment rate from dropping to 5.9 percent during the quarter.

Economic indicators were mixed during the first quarter, suggesting that there may be little change in the area's employment situation in the coming months. The area's Index of Help-Wanted Advertising fell by 2.1 percent, promising little change in its private service-providing sector. At the same time, the area's Index of Purchasing Managers fell slightly in May, suggesting that manufacturing employment may continue to see modest growth at best. The number of new claims for unemployment insurance was up 2.0 percent; however, the number of new dwelling units put under contract for construction rose by 1.3 percent. Finally, 30 percent of the employers surveyed by Manpower expect to hire additional workers in the second quarter, compared to 26 percent for the same quarter last year.



that it will undertake a \$33.15 million expansion of its Minute Maid plant in Paw Paw. The company currently has 550 full-time employees.

Finally, although Pfizer announced that it is cutting as much as 10 percent of its worldwide workforce, it is possible that Kalamazoo may be left relatively unharmed. First, many of the job cuts are in sales and in research and development, two functions that have already been moved out of the county for the most part. In addition, it is reported that the company could be transferring work from the Holland, Michigan, plant during the year.

In neighboring St. Joseph County, Crocker Limited will close its blow-molding facility and eliminate approximately 45 jobs. On the other hand, American Axle is investing in new equipment to manufacture General Motors' full-size pickup trucks and sport utility vehicles. The new work has

**Kalamazoo-Portage MSA**  
(seasonally adjusted)

Measure	2005 Q1	2004 Q4	% change, Q4 to Q1	2004 Q1	% change, Q1 to Q1
<b>Employment (by place of work)</b>					
Total nonfarm employment	144,980	144,960	0.0	144,610	0.3
Goods-producing	31,060	30,990	0.2	31,200	-0.4
Construction and mining	6,460	6,520	-0.9	6,530	-1.1
Manufacturing	24,600	24,470	0.5	24,670	-0.3
Durable goods	12,590	12,490	0.8	12,660	-0.6
Nondurable goods	12,010	11,980	0.3	12,010	0.0
Private service-providing	90,230	90,300	-0.1	89,830	0.4
Transportation and utilities	3,850	3,880	-0.8	3,810	1.0
Wholesale trade	4,220	4,240	-0.5	4,150	1.7
Retail trade	17,730	17,540	1.1	17,370	2.1
Information	1,400	1,420	-1.4	1,500	-6.7
Financial activities	7,840	7,650	2.5	7,470	5.0
Professional and business services	14,300	14,310	-0.1	13,700	4.4
Educational and health services	19,790	19,870	-0.4	19,740	0.3
Leisure and hospitality	14,540	14,750	-1.4	15,240	-4.6
Other services	6,580	6,650	-1.1	6,850	-3.9
Government	23,690	23,670	0.1	23,580	0.5
Federal	1,290	1,300	-0.8	1,290	0.0
State	7,100	7,210	-1.5	7,560	-6.1
Local	15,300	15,160	0.9	14,720	3.9
Number unemployed	10,470	10,800	-3.1	10,260	2.0
Unemployment rate (%)	5.9	6.2		6.0	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	46	47	-2.1	49	-6.1
UI initial claims	258	253	2.0	354	-27.1
New dwelling units <sup>a</sup>	1,229	1,213	1.3	1,190	3.3

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

<sup>a</sup> 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, First Quarter to First Quarter**  
(not seasonally adjusted)

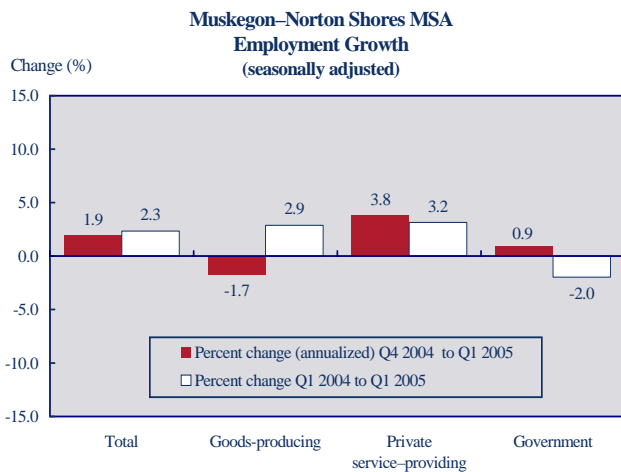
Industry	2005 Q1	2004 Q1	Percent change	Industry	2005 Q1	2004 Q1	Percent change
<b>Goods-producing</b>	30,300	30,430	-0.4	Health care & social assistance	17,770	16,830	5.6
Transportation equipment	4,200	4,230	-0.7	Accommodations & food svcs.	17,770	16,830	5.6
<b>Private service-providing</b>	88,870	88,370	0.6	Food svcs. and drinking places	12,230	12,970	-5.7
General merchandise stores	4,830	5,100	-5.3				
Finance and insurance	5,500	5,330	3.2	<b>Government</b>	24,830	24,730	0.4
Admin. and support svcs.	7,870	7,600	3.6	State govt. education svcs.	6,830	7,200	-5.1
Employment services	4,670	4,570	2.2	Local govt. education svcs.	10,330	10,170	1.6

SOURCE: Michigan Department of Labor and Economic Growth.

# MUSKEGON–NORTON SHORES MSA

Total employment in Muskegon County rose by 0.5 percent during the first quarter of 2005. The moderate employment gain, concentrated in the area's private service-providing sector, was sufficient to push the area's unemployment rate down to 7.5 percent, as many of these jobs appear to have gone to area residents. The area's economic indicators were mostly positive during the quarter, suggesting that further employment gains could be expected in the summer months.

Employment in the area's goods-producing sector fell by 0.4 percent during the first quarter. Construction employment was flat; however, a large 33.9 percent increase in the number of new dwelling units put under contract for construction will likely lead to a boost in construction employment in the coming months.



Manufacturing employment fell by 0.4 percent because of a large 13 percent drop in employment in nondurable goods production, a loss of 220 jobs. The loss was partially offset by a 1.3 percent increase—160 jobs—in the area's larger durable goods sector. During the past year, employment in the county's transportation equipment industry, which is dominated by Howmet Castings (the county's largest employer and a maker of aircraft components), rose by 26 percent, resulting in a gain of 360 jobs. In addition, military contracts are providing new monies to the area. The U.S. Army recently awarded Kaydon Corporation two contracts totaling \$1.54 million. This is on top of several military contracts that have been awarded to General Dynamics.

Although recent business reports are positive, the future of two of the county's largest manufacturers, Howmet Castings and Sappi Fine Paper, could be shaped by current union-management negotiations. These talks follow two successful contract approvals at CWC Castings and Sun Chemical Company. Health care and benefits seem to be the critical issues.

More troubling is a leak from labor negotiations in progress at Brunswick Bowling and Billiards that suggests that the Lake Forest, Illinois, company could vacate its Muskegon plant in 12 to 24 months if the talks go poorly. There are 140 union and 260 nonunion workers currently at the facility.

Employment in the county's service-providing sector rose by a healthy 0.9 percent during the first quarter. Employers providing leisure and hospitality services added 300 workers, while those offering education and health services added 120 employees. Countering these trends, however, was the news that Hackley Hospital was eliminating 44 jobs in May as a cost-cutting move that officials said was spurred by sluggish business conditions. This layoff will reduce Hackley's workforce to 1,580.

Government employment grew by a slight 0.2 percent during the quarter.

The area's unemployment rate dropped from 8.7 percent to 7.5 percent during the quarter as the number of unemployed residents declined by 7.8 percent.

The county's economic indicators were mostly positive during the quarter. The county's Index of Help-Wanted Advertising was flat, suggesting little change in the county's service-providing sector. However, the number of new claims for unemployment insurance also remained unchanged, while, as previously mentioned, the number of new dwelling units put under contract for construction increased by 33.9 percent. Finally, first-quarter polling of employers by Manpower found that the share of surveyed firms expecting to hire in the coming months fell from 37 percent last year to 30 percent this year. Still, none of the firms surveyed in the first quarter of this year revealed plans to shrink their workforce.

**Muskegon–Norton Shores MSA**  
(seasonally adjusted)

Measure	2005 Q1	2004 Q4	% change, Q4 to Q1	2004 Q1	% change, Q1 to Q1
<b>Employment (by place of work)</b>					
Total nonfarm employment	66,750	66,430	0.5	65,230	2.3
Goods-producing	16,100	16,170	-0.4	15,650	2.9
Construction and mining	2,440	2,440	0.0	2,250	8.4
Manufacturing	13,670	13,730	-0.4	13,390	2.1
Durable goods	12,200	12,040	1.3	11,090	10.0
Nondurable goods	1,470	1,690	-13.0	2,300	-36.1
Private service–providing	41,200	40,820	0.9	39,940	3.2
Transportation and utilities	1,300	1,310	-0.8	1,300	0.0
Wholesale trade	1,420	1,390	2.2	1,430	-0.7
Retail trade	11,110	11,000	1.0	10,600	4.8
Information	900	910	-1.1	930	-3.2
Financial activities	1,910	1,890	1.1	1,950	-2.1
Professional and business services	4,100	4,160	-1.4	3,790	8.2
Educational and health services	10,190	10,070	1.2	10,100	0.9
Leisure and hospitality	7,720	7,420	4.0	7,270	6.2
Other services	2,540	2,690	-5.6	2,580	-1.6
Government	9,460	9,440	0.2	9,650	-2.0
Federal	400	400	0.0	400	0.0
State	1,080	1,100	-1.8	1,380	-21.7
Local	7,970	7,930	0.5	7,870	1.3
Number unemployed	6,830	7,410	-7.8	7,810	-12.5
Unemployment rate (%)	7.5	8.7		9.4	
<b>Local indexes</b>					
Help-wanted ads (1996=100)	43	43	0.0	41	4.9
UI initial claims	356	357	-0.3	420	-15.2
New dwelling units <sup>a</sup>	1,411	1,054	33.9	684	106.3

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

<sup>a</sup> 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, First Quarter to First Quarter**  
(not seasonally adjusted)

Industry	2005 Q1	2004 Q1	Percent change	Industry	2005 Q1	2004 Q1	Percent change
<b>Goods-producing</b>	15,800	15,330	3.1	<b>Government</b>	9,800	10,000	-2.0
Transportation equipment	1,730	1,370	26.3	Local govt. education svcs.	5,900	5,800	1.7
<b>Private service–providing</b>	39,770	38,700	2.8				
Accommodations & food svcs.	6,030	5,900	2.2				
Food svcs. & drinking places	5,570	5,570	0.0				

SOURCE: Michigan Department of Labor and Economic Development.

# NILES–BENTON HARBOR MSA

Total employment fell by 0.6 percent during the first quarter in Berrien County. The decline was due primarily to employment reductions in the county’s manufacturing sector. Despite the loss of employment, the area’s unemployment rate slipped to 7.3 percent as the number of unemployed residents fell by 5.1 percent. The area’s economic indicators softened during the quarter, suggesting that the county’s employment situation may remain lackluster during the summer months.

Employment in the area’s goods-producing sector fell by 2.2 percent, or 390 workers, because of a 2.8 percent decline in the county’s manufacturing workforce. During the past year, manufacturing employment declined by 3.7 percent as employment gains among the area’s smaller nondurable-goods producers—200 jobs—were no match for the employment reductions suffered among the area’s larger durable-goods makers—760 jobs.

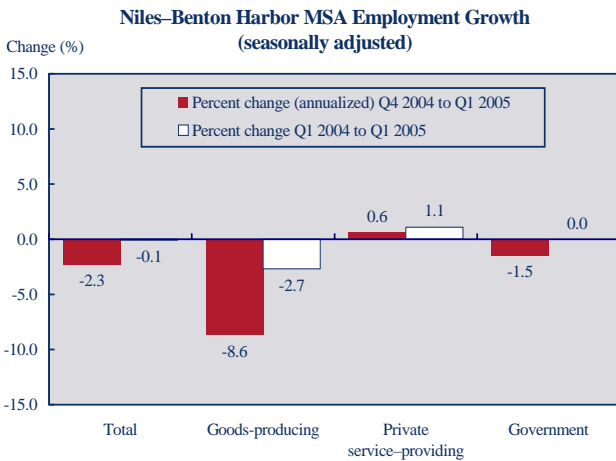
the upside, Tyler Refrigeration Company is hiring 150 new workers as a result of moving work from a Texas plant. Atlantic Automotive Components, which employs 370 workers, announced plans for a \$17 million expansion and will eventually hire up to 68 new workers. In addition, ICG Berrien Incorporated announced that it will invest \$20 million to expand its aluminum die-casting operation, which will result in 341 jobs. The company currently employs approximately 250 workers in Dowagiac.

Construction employment rose by 1.7 percent during the quarter; however, the number of new dwelling units put under contract for construction fell by 5.7 percent, suggesting that employment may slow in the sector during the coming months.

Employment in the area’s private service-providing sector rose by a modest 0.2 percent during the quarter. Employers providing education and health services increased their payrolls by 2.0 percent, and the area’s wholesalers expanded their workforce by 1.9 percent. However, sizable employment reductions were reported in the area’s information and in its leisure and hospitality sectors.

Finally, government employment was off by 0.4 percent, as budgetary pressures on all government levels have kept employment at a standstill at best.

The county’s two economic indicators were both negative during the quarter, suggesting that employment conditions may remain lackluster during the coming months. The number of new claims for unemployment insurance rose modestly by 0.4 percent, and the number of new housing starts fell slightly. Finally, 37 percent of area firms surveyed by Manpower Incorporated plan to hire during the second quarter, compared to 31 percent in the same quarter last year.



Current business reports have been mixed. Robert Bosch Corporation’s Chassis Division is starting to lay off a total of 530 workers in a move that was announced last year. The layoffs will be completed during the first quarter of 2006. On

**Niles–Benton Harbor MSA**  
(seasonally adjusted)

Measure	2005 Q1	2004 Q4	% change, Q4 to Q1	2004 Q1	% change, Q1 to Q1
<b>Employment (by place of work)</b>					
Total nonfarm employment	63,990	64,360	-0.6	64,040	-0.1
Goods-producing	17,060	17,450	-2.2	17,530	-2.7
Construction and mining	2,400	2,360	1.7	2,300	4.3
Manufacturing	14,660	15,090	-2.8	15,230	-3.7
Durable goods (see table below)					
Nondurable goods (see table below)					
Private service–providing	38,900	38,840	0.2	38,480	1.1
Transportation and utilities	2,210	2,200	0.5	2,210	0.0
Wholesale trade	2,640	2,590	1.9	2,360	11.9
Retail trade	7,790	7,780	0.1	7,390	5.4
Information	800	870	-8.0	900	-11.1
Financial activities	2,310	2,310	0.0	2,190	5.5
Professional and business services	4,770	4,790	-0.4	4,960	-3.8
Education and health services	9,530	9,340	2.0	9,480	0.5
Leisure and hospitality	6,120	6,150	-0.5	6,100	0.3
Other services	2,730	2,810	-2.8	2,900	-5.9
Government	8,040	8,070	-0.4	8,040	0.0
<b>Unemployment</b>					
Number unemployed	5,920	6,240	-5.1	6,180	-4.2
Unemployment rate (%)	7.3	7.5		7.2	
<b>Local indexes</b>					
UI initial claims	246	245	0.4	276	-10.9
New dwelling units <sup>a</sup>	830	879	-5.7	649	27.8

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

<sup>a</sup> 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, First Quarter to First Quarter**  
(not seasonally adjusted)

Industry	2005 Q1	2004 Q1	Percent change	Industry	2005 Q1	2004 Q1	Percent change
<b>Goods-producing</b>	16,730	17,200	-2.7	Accommodations & food svcs.	4,930	4,970	-0.8
Durable goods	11,570	12,330	-6.2				
Nondurable goods	3,030	2,830	7.1	<b>Government</b>	8,200	8,200	0.0
				Local govt. education svcs.	5,070	4,970	2.0
<b>Private service–providing</b>	37,970	37,500	1.3				
Health care & social assistance	7,130	7,300	-2.3				

SOURCE: Michigan Department of Labor and Economic Development.

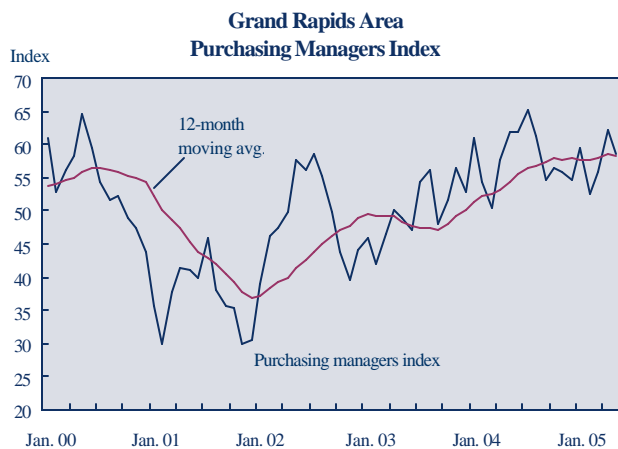
# Purchasing Managers Index and Major Economic Developments

The Kalamazoo-area economy is “up, but not as much,” while economic conditions in the Grand Rapids area are “up, but not as sharply,” according to the May issue of Current Business Trends, a monthly publication of the National Association of Purchasing Managers, which conducts a survey of local members each month.

As shown in the chart below, the Grand Rapids area Purchasing Managers Index rose slightly. During the past few months, the 12-month moving average index appears to have reached a plateau, suggesting that the economy is now

stuck in a relatively modest growth pattern. During the six months before May 2004, the 12-month moving average index increased by 8.6 percent, compared to only 0.6 percent during the six months before May 2005.

In the Kalamazoo area, the economic expansion has also stalled. Indeed, the pattern is strikingly similar to that found in the Grand Rapids area. During the six months before May 2004, the Kalamazoo area’s 12-month moving average index increased by 9.9 percent, compared to only 1.2 percent during the six months before May 2005.



## Major Economic Developments

### Battle Creek MSA

Johnson Controls announced that it will reopen its Battle Creek plant and employ up to 225 workers to produce automotive seat frames.

Duncan Aviation announced that it plans to invest \$19.5 million in its Battle Creek facility, which will create 380 new jobs.

### Grand Rapids–Wyoming MSA

Emerald Graphics announced plans to hire 347 people in future years for its plastic parts production and paint line.

X-Rite announced that it is moving its Grandville operation to the former Bosch plant in Kentwood and plans to add approximately 300 workers to its current workforce of 440.

Lear announced that because of a tax abatement on equipment, it will retain 232 jobs in Walker.

Steelcase announced that it will eliminate around 600 jobs as it closes its last remaining Grand Rapids manufacturing plants during the next two years.

### Holland–Grand Haven MSA

Haworth announced that it has added 100 employees during the last year and still has 100 professional positions open.

Johnson Controls announced that it is adding 525 jobs at its Holland facilities to produce metal seat adjusters and tracks.

Pfizer announced that it will sell or close its pharmaceutical plant, which employs 328 employees.

### Kalamazoo–Portage MSA

Parker Hannifin has already added 14 engineers and will hire up to 25 assembly and test technicians by early 2008 for the production of the hydraulic subsystem for the Boeing Dreamliner 787.

In Van Buren County, Coca-Cola of North America announced that it will undertake a \$33.15 million expansion at its Minute Maid plant in Paw Paw.

In St. Joseph County, American Axle has called back 50 laid-off workers; however, Crocker Limited will close its facility, eliminating around 45 jobs.

### Muskegon–Norton Shores MSA

Kaydon Corporation was awarded two contracts totaling \$1.54 million by the U.S. Army.

Hackley Hospital eliminated 44 jobs as a cost-cutting move because of sluggish business conditions.

### Niles–Benton Harbor MSA

ICG Berrien Inc. announced it will invest \$20 million to expand its aluminum die-casting operation, which will result in 341 jobs.

Tyler Refrigeration Company is hiring 150 new workers as a result of moving work from a Texas plant.

Atlantic Automotive Components announced plans for a \$17 million expansion, for which it will eventually hire up to 68 new workers.

# Appendix Tables

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

Labor market area	Average for manufacturing production workers <sup>a</sup>						Civilian labor force unemployment rate <sup>b</sup>	
	March 2005						January 2005	March 2005
	Weekly hours	% change, 2004–05	Hourly earnings	% change, 2004–05	Weekly earnings	% change, 2004–05		
United States	39.6	-1.2	\$17.36	2.1	\$687.46	0.8	5.7	5.4
Michigan	41.0	-4.4	21.32	-1.2	874.12	-5.5	7.9	7.6
West Michigan MSAs:								
Battle Creek	—	—	—	—	—	—	7.2	6.6
Grand Rapids–Wyoming	39.0	-2.5	17.32	-0.3	675.48	-2.8	7.3	6.6
Holland–Grand Haven	—	—	—	—	—	—	6.3	5.8
Kalamazoo–Portage	39.2	-1.5	15.41	-1.8	604.07	-3.3	6.7	6.1
Muskegon–Norton Shores	—	—	—	—	—	—	8.1	7.4
Niles–Benton Harbor	—	—	—	—	—	—	8.5	7.5
Other labor market areas:								
Ann Arbor	—	—	—	—	—	—	5.0	4.6
Bay City	—	—	—	—	—	—	8.8	8.0
Detroit–Warren–Livonia	42.3	-3.9	24.73	-2.1	1,046.08	-5.9	7.9	7.9
Flint	44.2	0.0	30.44	-0.1	1,345.45	-0.1	9.1	8.7
Jackson	—	—	—	—	—	—	7.7	6.9
Lansing–East Lansing	41.0	-6.6	24.83	-3.0	1,018.03	-9.4	6.7	6.0
Monroe	—	—	—	—	—	—	7.1	6.3
Saginaw	—	—	—	—	—	—	9.5	8.7

<sup>a</sup> Earnings include overtime and part-time wages.

<sup>b</sup> Seasonally adjusted rate for U.S. was 5.2 percent in both January and March 2005. Seasonally adjusted rate for Michigan was 7.1 percent in January 2005 and 6.9 percent in March 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 Q1	2004 Q4	% change, Q4 to Q1	2004 Q1	% change, Q1 to Q1
<b>Employment (by place of work)</b>					
Total nonfarm employment	4,377,800	4,391,700	-0.3	4,394,930	-0.4
Goods-producing	883,670	887,470	-0.4	902,100	-2.0
Natural resources and mining	8,200	8,000	2.5	8,170	0.4
Construction	191,100	189,770	0.7	190,600	0.3
Manufacturing	684,370	689,700	-0.8	703,330	-2.7
Durable goods	540,260	543,060	-0.5	557,950	-3.2
Nondurable goods	144,110	146,640	-1.7	145,380	-0.9
Private service-providing	2,807,630	2,815,800	-0.3	2,810,700	-0.1
Transportation and utilities	125,060	125,190	-0.1	124,890	0.1
Wholesale trade	177,610	175,960	0.9	174,510	1.8
Retail trade	511,720	506,980	0.9	511,870	0.0
Information	66,200	66,730	-0.8	68,600	-3.5
Financial activities	218,370	218,530	-0.1	216,830	0.7
Professional and business services	572,000	586,900	-2.5	579,800	-1.3
Educational and health services	553,870	553,030	0.2	552,100	0.3
Leisure and hospitality	404,430	403,700	0.2	403,300	0.3
Other services	178,370	178,770	-0.2	178,800	-0.2
Government	686,500	688,430	-0.3	682,130	0.6
<b>Unemployment</b>					
Number unemployed	364,330	375,130	-2.9	353,820	3.0
Unemployment rate (%)	7.1	7.4		7.0	
<b>State indexes (1996=100)</b>					
<b>Help-wanted ads</b>					
Detroit	32	31	3.2	37	-13.5
West Michigan (4 MSAs)	62,691	66,688	-6.0	67,219	-6.7
<b>Local components</b>					
UI initial claims	17,012	15,982	6.4	17,509	-2.8
New dwelling units <sup>a</sup>	46,832	47,102	-0.6	43,930	6.6

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 employment numbers are seasonally adjusted by the Bureau of Labor Statistics. Categories may not sum to total due to rounding.  
<sup>a</sup>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**  
**First Quarter to First Quarter**  
**(not seasonally adjusted)**

Industry	2005 Q1	2004 Q1	Percent change	Industry	2005 Q1	2004 Q1	Percent change
<b>Goods-producing</b>	855,230	871,970	-1.9	Furniture & home furnishings	18,430	18,500	-0.4
Primary metals	27,100	27,430	-1.2	Food and beverage	86,570	86,000	0.7
Fabricated metal products	82,670	82,570	0.1	Gasoline stations	25,900	25,730	0.7
Machinery	75,870	75,730	0.2	Clothing & accessories	40,730	39,270	3.7
Transportation equipment	247,100	263,370	-6.2	General merchandise	109,230	115,300	-5.3
Motor vehicle parts	165,900	174,570	-5.0	Prof., scientific, & tech. svcs.	245,330	246,470	-0.5
Furniture & related products	24,830	25,600	-3.0	Education services	68,130	72,100	-5.5
Office furniture, incl. fixtures	18,070	18,300	-1.3	Ambulatory health care	162,030	158,670	2.1
Food	30,430	31,470	-3.3	Social assistance	55,970	55,600	0.7
Paper	14,370	14,770	-2.7	Food svcs. & drinking places	298,270	293,330	1.7
Printing and related support	18,470	18,300	0.9	<b>Government</b>	701,700	697,170	0.6
Chemical manufacturing	27,730	28,030	-1.1	Federal government	54,770	55,230	-0.8
Plastics & rubber products	42,430	42,930	-1.2	State government	172,630	174,200	-0.9
<b>Private service-providing</b>	2,753,470	2,745,430	0.3	Local government	474,300	467,730	1.4
Automobile dealers	42,000	41,830	0.4	Local govt. education svcs.	289,770	287,270	0.9

SOURCE: Michigan Department of Labor and Economic Growth.

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

Area	Income distribution	2002 <sup>a</sup>	2001 <sup>a</sup>	2000	1999	1998	1997	1992
<b>Battle Creek MSA</b>	Total personal income (\$000)	3,621,423	3,477,002	3,471,425	3,375,735	3,309,346	3,201,216	2,563,734
	Per capita personal income (\$)	26,097	25,127	25,138	24,458	24,019	23,395	18,673
	Earnings per worker (\$)	39,760	37,558	38,139	37,271	35,968	33,430	29,012
	Manufacturing	65,723	56,563	66,528	63,699	61,702	60,260	50,127
	Private nonmanufacturing	31,640	30,987	26,708	26,787	26,429	23,979	20,948
<b>Grand Rapids–Wyoming MSA</b>	Total personal income (\$000)	21,688,452	21,256,937	20,818,408	19,547,808	18,656,627	17,513,065	13,263,717
	Per capita personal income (\$)	25,326	25,136	24,782	23,816	22,724	21,616	16,687
	Earnings per worker (\$)	30,094	29,447	28,758	28,154	26,821	26,139	23,237
	Manufacturing	53,262	50,964	50,146	50,058	47,229	44,928	38,859
	Private nonmanufacturing	24,959	24,166	23,251	22,718	21,646	21,069	18,338
Barry County	Total personal income (\$000)	1,658,201	1,627,603	1,574,634	1,502,771	1,418,974	1,336,985	893,945
	Per capita personal income (\$)	28,530	28,311	27,670	26,754	25,412	24,093	17,371
	Earnings per worker (\$)	22,701	22,546	22,164	21,468	20,321	22,944	21,170
	Manufacturing	47,425	45,521	46,509	44,053	41,588	41,275	38,788
	Private nonmanufacturing	18,428	18,175	16,838	16,408	15,323	17,817	16,291
Ionia County	Total personal income (\$000)	1,346,666	1,322,643	1,291,427	1,243,980	1,162,533	1,115,622	828,021
	Per capita personal income (\$)	21,329	21,310	20,942	20,218	18,830	18,075	13,493
	Earnings per worker (\$)	29,752	28,278	27,003	26,494	25,434	23,593	20,287
	Manufacturing	51,877	50,147	48,481	45,374	43,071	38,050	32,164
	Private nonmanufacturing	23,610	21,824	20,722	20,840	19,759	18,431	15,447
Kent County	Total personal income (\$000)	17,637,858	17,271,257	16,938,017	15,831,665	15,158,310	14,202,912	10,936,304
	Per capita personal income (\$)	30,068	29,678	29,395	27,837	27,010	25,573	21,083
	Earnings per worker (\$)	41,136	40,271	39,086	37,558	36,144	33,585	28,617
	Manufacturing	61,983	58,609	55,740	54,887	52,996	51,472	42,567
	Private nonmanufacturing	36,190	35,432	34,330	32,571	31,175	28,377	24,298
Newaygo County	Total personal income (\$000)	1,045,727	1,035,434	1,014,330	969,392	916,810	857,546	605,447
	Per capita personal income (\$)	21,375	21,244	21,122	20,454	19,642	18,722	14,802
	Earnings per worker (\$)	26,787	26,692	26,781	27,095	25,385	24,436	22,873
	Manufacturing	51,763	49,578	49,855	55,920	51,259	48,916	41,918
	Private nonmanufacturing	21,609	21,232	21,114	21,055	20,329	19,651	17,315
<b>Holland–Grand Haven MSA</b>	Total personal income (\$000)	6,769,302	6,672,503	6,677,656	6,408,233	6,108,511	5,700,349	4,070,585
	Per capita personal income (\$)	27,485	27,401	27,885	27,279	26,628	25,458	20,562
	Earnings per worker (\$)	37,757	36,207	35,510	34,719	32,970	31,083	26,214
	Manufacturing	54,801	50,774	51,319	49,619	47,962	46,224	38,325
	Private nonmanufacturing	29,209	28,482	26,852	26,498	24,918	23,420	20,009
<b>Kalamazoo–Portage MSA</b>	Total personal income (\$000)	8,672,654	8,446,347	8,325,202	8,036,278	7,823,376	7,450,160	5,902,395
	Per capita personal income (\$)	25,708	25,221	24,922	24,137	23,366	22,587	18,346
	Earnings per worker (\$)	34,898	33,773	33,104	32,905	30,951	28,904	25,148
	Manufacturing	57,452	54,358	54,955	52,441	52,629	49,891	42,427
	Private nonmanufacturing	29,816	28,673	26,735	27,098	24,846	23,169	19,651
Kalamazoo County	Total personal income (\$000)	6,917,695	6,732,454	6,642,895	6,420,365	6,307,681	5,955,392	4,768,861
	Per capita personal income (\$)	28,742	28,131	27,809	27,024	26,692	25,332	20,986
	Earnings per worker (\$)	37,279	36,514	35,388	34,855	34,408	32,263	28,605
	Manufacturing	68,970	65,498	64,566	62,105	63,900	60,455	51,149
	Private nonmanufacturing	30,454	29,774	27,882	27,614	26,811	24,996	21,429
Van Buren County	Total personal income (\$000)	1,754,959	1,713,893	1,682,307	1,615,913	1,515,695	1,494,768	1,133,534
	Per capita personal income (\$)	22,673	22,311	22,034	21,249	20,040	19,842	15,705
	Earnings per worker (\$)	32,516	31,031	30,821	30,956	27,494	25,544	21,691
	Manufacturing	45,934	43,217	45,343	42,777	41,359	39,326	33,705
	Private nonmanufacturing	29,178	27,572	25,588	26,582	22,880	21,341	17,872
<b>Muskegon–Norton Shores MSA</b>	Total personal income (\$000)	4,081,768	4,013,043	3,943,373	3,742,920	3,537,067	3,359,028	2,592,781
	Per capita personal income (\$)	23,707	23,418	23,126	22,104	21,036	20,105	15,991
	Earnings per worker (\$)	32,842	32,630	31,961	31,264	30,698	29,450	25,975
	Manufacturing	55,335	52,313	54,315	52,453	51,094	49,303	42,437
	Private nonmanufacturing	27,458	27,518	25,517	24,823	24,162	23,117	19,851
<b>Niles–Benton Harbor MSA (Berrien County)</b>	Total personal income (\$000)	4,305,239	4,225,830	4,239,424	4,076,482	3,865,273	3,748,082	2,909,902
	Per capita personal income (\$)	26,482	26,063	26,071	25,159	23,853	23,078	17,964
	Earnings per worker (\$)	35,423	34,203	34,081	33,288	30,505	30,338	25,770
	Manufacturing	61,768	56,371	57,169	55,250	51,978	50,740	39,138
	Private nonmanufacturing	28,150	27,518	26,497	25,928	23,276	23,137	20,164

<sup>a</sup>2001 and 2002 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<sup>a</sup>**  
**U.S. City Average (1982-84=100)**

Year	Annual	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	average												
<b>CPI for All Urban Consumers (CPI-U)</b>													
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	166.2	166.7	167.1	167.9	168.2	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	192.6	190.7	191.8	193.3	194.6								
<b>CPI for Urban Wage Earners and Clerical Workers (CPI-W)</b>													
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	188.1	186.3	187.3	188.6	190.2								

<sup>a</sup> 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 2003	2000	1990	1980	Annual change (%)		
					2000– 2003	1990– 2000	1980– 1990
<b>Michigan</b>	10,079,985	9,955,795	9,295,297	9,262,044	0.4	0.7	0.0
<b>West Michigan Metropolitan Areas</b>							
<b>Battle Creek MSA (Calhoun County)</b>	138,854	138,093	135,982	141,557	0.2	0.2	-0.4
Battle Creek city <sup>a</sup>	53,827	53,418	53,540	56,339	0.3	0.0	-0.5
Albion city	9,130	9,147	10,066	11,059	-0.1	-1.0	-0.9
Marshall city	7,295	7,445	6,891	7,201	-0.7	0.8	-0.4
<b>Grand Rapids–Wyoming MSA</b>	762,035	742,668	645,914	577,019	0.9	1.4	1.1
Barry County	58,774	56,908	50,057	45,781	1.1	1.3	0.9
Ionia County	63,573	61,518	57,024	51,815	1.1	0.8	1.0
Kent County	590,417	576,220	500,631	444,506	0.8	1.4	1.2
Grand Rapids city	195,601	197,798	189,126	181,843	-0.4	0.4	0.4
East Grand Rapids city	10,563	10,762	10,807	10,914	-0.6	0.0	-0.1
Grandville city	16,622	16,311	15,624	12,412	0.6	0.4	2.3
Kentwood city	46,487	45,410	37,826	30,438	0.8	1.8	2.2
Walker city	23,208	22,027	17,279	15,088	1.8	2.5	1.4
Wyoming city	70,205	69,511	63,891	59,616	0.3	0.8	0.7
Newaygo County	49,271	48,022	38,202	34,917	0.9	2.3	0.9
<b>Holland–Grand Haven MSA (Ottawa County)</b>	249,391	239,473	187,768	157,174	1.4	2.5	1.8
Grand Haven city	10,842	11,158	11,951	11,763	-1.0	-0.7	0.2
Holland city <sup>b</sup>	34,666	35,052	30,745	26,281	-0.4	1.3	1.6
<b>Kalamazoo–Portage MSA</b>	320,320	315,226	293,471	279,192	0.5	0.7	0.5
Kalamazoo County	242,110	238,877	223,411	212,378	0.4	0.7	0.5
Kalamazoo city	75,312	76,967	80,277	79,722	-0.7	-0.4	0.1
Portage city	45,679	44,904	41,042	38,157	0.6	0.9	0.7
Van Buren County	78,210	76,349	70,060	66,814	0.8	0.9	0.5
<b>Muskegon–Norton Shores MSA (Muskegon County)</b>	173,090	170,520	158,983	157,589	0.5	0.7	0.1
Muskegon city	39,825	40,063	40,283	40,823	-0.2	-0.1	-0.1
Muskegon Heights city	11,817	12,038	13,176	14,611	-0.6	-0.9	-1.0
Norton Shores city	23,193	22,591	21,755	22,025	0.9	0.4	-0.1
<b>Niles–Benton Harbor MSA (Berrien County)</b>	162,766	162,611	161,378	171,276	0.0	0.1	-0.6
Benton Harbor city	11,010	11,178	12,818	14,707	-0.5	-1.4	-1.4
Niles city	11,906	12,192	12,456	13,115	-0.8	-0.2	-0.5
St. Joseph city	8,656	8,785	9,214	9,622	-0.5	-0.5	-0.4
<b>Total</b>	1,806,456	1,768,591	1,583,496	1,483,807	0.7	1.1	0.7
<b>Rural Southwest Michigan</b>							
Allegan County	110,331	106,109	90,509	81,555	1.3	1.6	1.0
Branch County	46,414	45,870	41,502	40,188	0.4	1.0	0.3
Cass County	51,385	51,160	49,477	49,499	0.1	0.3	0.0
Oceana County	28,074	26,970	22,454	22,002	1.3	1.8	0.2
St. Joseph County	62,864	62,534	58,913	56,083	0.2	0.6	0.5
<b>Total</b>	299,068	292,643	262,855	249,327	0.7	1.1	0.5

<sup>a</sup> For comparison purposes, 1980 population for Battle Creek city is the combination of Battle Creek city (35,724) and Battle Creek township (20,615), which was annexed in 1983.

<sup>b</sup> Population for Holland city is total population of city located in Ottawa and Allegan counties.

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

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