BUSINESS OUTLOOK
for West Michigan

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

Importance of Small Businesses: It Matters How You Measure It

It has become common knowledge that small businesses create almost all new jobs. Indeed, a recently released study by the U.S. Department of Labor shows that from 1993 to 2003, tiny firms—those employing from one to four workers—accounted for 127 percent of all net employment growth. Tiny firms were able to create more jobs than the nation as a whole because larger firms lost jobs during the same period. Such a finding, of course, has important policy implications, as it suggests that small business development should be a top priority.

Unfortunately, common knowledge is often off the mark, and the job-creation prowess of small businesses may be overrated. In the same study, the authors use an alternative methodology called "dynamic sizing," which leads them to conclude that tiny firms accounted for only 10 percent of all net employment growth during the quarter, not 127 percent.

Turns out it all depends on how the job growth is tabulated. Below, I hope to convince you that the traditional methodology is flawed and that the new approach, dynamic sizing, provides a better assessment of the limited job creation ability of small firms.

To illustrate the difference between the two approaches, I offer a theoretical example using five firms, labeled A through E. Firm A is the classic gazelle: it starts with only two employees and expands to 25 by the end of the fifth quarterly period. The other tiny firm, Firm B, starts small and stays small. The next two firms, C and D, grow, and the fifth firm, Firm E, a larger firm, declines. On net, 33 new jobs were created among the five firms, a 30 percent increase.

The traditional approach allocates this job growth by grouping firms by size in Period 1 and then tracking the resulting employment change. Not surprisingly, because of the outstanding employment growth in Firm A, the sample's tiny firms (A and B) accounted for 73 percent of all net job gains. Small businesses create almost all new jobs.

Not so fast. The alternative approach reaches a different result. The dynamic-sizing approach regroups firms each quarter according to their previous quarter's performance and records the job changes that occurred in each size category. To show how it works, let's look at the gazelle, Firm A. In the second period, it doubles in size but remains in the 1-to-4 size category. In the third period, its employment climbs to 15 and it skips past the 5-to-9 size group and lands in the 10-to-19 category. The dynamic-sizing methodology records its job gains as zero for the 1-to-4 group, five jobs in the 5-to-9 group and six jobs in the 10-to-19 group. In the fourth period, it adds five more jobs; four in the 10-to-19 group and one in the 20-to-49 group. The firm adds yet another five jobs in the fifth period, all recorded in the 20-to-49 group. Clearly, the resulting tally for Firm A using the two methodologies is dramatically different. All of the firm's growth is recorded for the tiny 1-to-4 group in the traditional approach, while when the alternative method is used, job gains are reported in the size groups that the growing firm passes through during its growth spurt.

Looking at the 50-or-more size category, the results are different as well. In the traditional approach, the top category loses 10 jobs during the period because of the decline in Firm E. In the dynamic-sizing approach, employment in the category grows because all of Firm E's job losses are recorded in the smaller 20-to-49 group, while some of Firm D's gains are captured in the 50-or-more category. A greater share of the resulting job gains are allocated to the largest category, 50-or-more, than to the smallest category.

The Department of Labor has decided to use the dynamic-sizing method in calculating the "official" quarterly employment change. I think the economists there are right. This measuring approach confirms the importance of a balanced approach by economic developers of nurturing the business environment for all of a region's strong, growing firms, not just its smallest.

Comparison of Measuring Methodologies

Firms	Period 1	Period 2	Period 3	Period 4	Period 5	New jobs	Percent
A	2	4	15	20	25	23	1150.0
B	3	6	6	3	4	1	33.3
C	9	12	20	15	17	8	88.9
D	45	45	52	53	56	11	24.4
E	50	48	47	45	40	-10	-20.0
Total	109	115	140	136	142	33	30.3

Traditional method

Employment by size	Change from previous period: 1 to 2	2 to 3	3 to 4	4 to 5	New jobs	Percent
1 to 4	2 (A) + 3 (B)		5 (A) - 3 (B)	5(A) + 1 (B)	24	72.7
5 to 9	3 (C)	8 (C)	-5 (C)	2 (C)	8	24.2
10 to 19						0.0
20 to 49	0 (D)	7 (D)	1 (D)	3 (D)	11	33.3
50 or more	-2 (E)	-1 (E)	-2 (E)	-5 (E)	-10	-30.3
Total	6	25	-4	6	33	100.0

Dynamic-sizing method

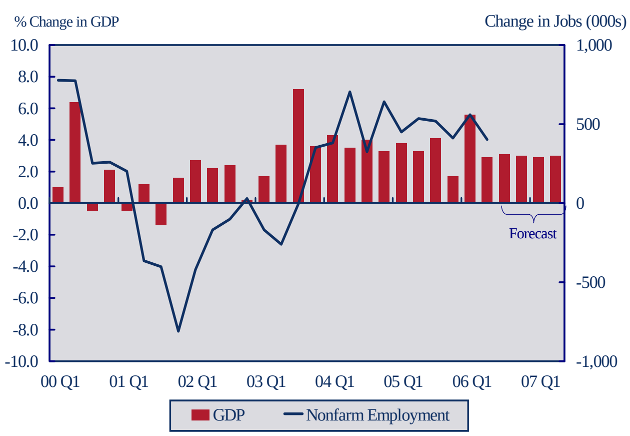
Employment by size	Change from previous period: 1 to 2	2 to 3	3 to 4	4 to 5	New jobs	Percent
1 to 4	2 (A) + 1 (B)	0	-1(B)	1 (B)	3	9.1
5 to 9	2 (B)	5 (A) + 0 (B)	-2 (B)	0	5	15.2
10 to 19	3 (C)	6 (A)+ 7 (C)	4 (A) - 4 (C)	2 (C)	18	54.5
20 to 49	-2 (E)	1 (A) + 5 (D) - 1 (E)	1 (A) - 1 (C) - 2 (E)	5 (A) - 5 (E)	1	3.0
50 or more	0	2 (D)	1 (D)	3 (D)	6	18.2
Total	6	25	-4	6	33	100.0

NATIONAL ECONOMY

Slowing Down

The national economy slowed during the second quarter, and there are enough warning signs to suggest that the economy could remain sluggish during the latter half of the year. The nation's Gross Domestic Product (GDP) grew at an annualized rate of 2.9 percent during the quarter, which was a sharp deceleration from the 5.6 percent pace recorded during the year's first quarter.

Gross Domestic Product and Nonfarm Employment



Nearly all of the economy's major sectors slowed during the quarter. Government spending increased at only an annualized 0.9 rate during the quarter, down from its 4.9 percent rate in the previous quarter. The flow of the nation's exports slowed from a 14.0 percent annualized rate to 5.1 percent. Businesses put on the brakes in their investment spending on structures, equipment, and software, slowing to 4.7 percent from 13.7 percent the previous quarter.

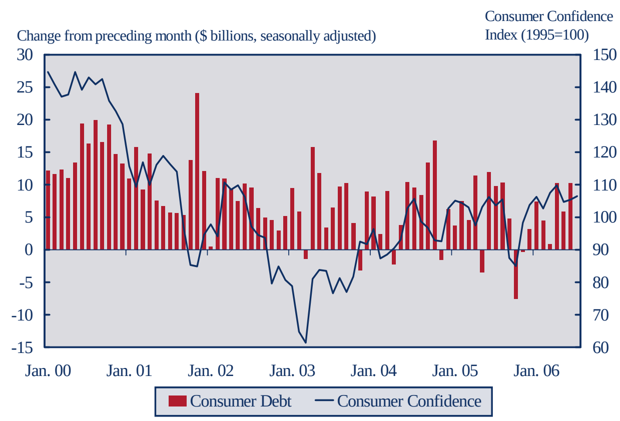
However, most economists are focusing on the retreating consumer as the quarter's most worrisome development. Consumer spending grew at only 2.6 percent, down from its 4.8 percent pace of the previous quarter. Unfortunately, there are signs that suggest consumers may not come back to the marketplace soon.

Are Consumers Tapped Out?

Consumers fled from the nation's car lots and appliance stores during the quarter and spending on durable consumer goods rose at only a 0.5 percent annualized rate. This is in sharp contrast to the robust 19.8 percent gallop recorded during the first quarter.

A weakening labor market contributed to the slowdown in consumer spending. Employers added only 403,000 workers to their payrolls during the second quarter, down from 560,000 during the first quarter. Job gains were the lowest in six quarters. Only 113,000 jobs were added in July, an increase that was insufficient to keep the nation's unemployment rate from inching up to 4.8 percent.

Consumer Confidence and Consumer Debt



Although personal income rose at a 6.9 percent annualized rate and average hourly earnings increased at a 4.4 percent annualized rate during the quarter (neither adjusted for inflation), the financial health of the consumer is the top concern of many analysts.

The nation's private household savings rate, which is calculated by taking the difference between after-tax, disposable household income and consumer outlays, was negative during the second quarter—the fifth consecutive quarter it has been in the red. Although consumers curtailed their spending, savings as a percentage of disposable income was a negative 0.7 percent for the quarter. While many have criticized this definition of savings for including such things as tuition payments, which they say should be counted as investment dollars, it clearly indicates a troubling trend.

Overall, consumers' monthly addition to their debt burden nearly doubled in June, from $3.4 billion in May to $6.5 billion, and consumer credit card debt surpassed $10 billion in June, up from $5.9 billion in May. Outstanding consumer credit rose at a 5.7 percent rate in June, reaching $2.19 trillion.

When Is a Housing Correction a Bust?

During the past several years, rising home prices and low interest rates have allowed many households to draw equity from their homes to help support their level of consumption. It appears the ride is over, however. All indicators suggest that the nation's housing market is finally going through a "correction" if not a bust.

Residential investment spending fell at an annualized rate of 9.8 percent during the quarter; it was the third straight quarter that the sector has been in decline. Home builders are not happy. The National Association of Home Builders polled its members in July and found that their outlook has fallen to a

15-year low. Inventories of unsold existing homes soared by 39 percent during the 12-month period ending in June. According to the trade association, there is now a 6.8-month supply of unsold houses, compared to a 4.4-month supply a year ago. The Census Bureau also reported a sharp drop in new home sales.

Not surprisingly, housing prices are cooling. In its latest survey of 151 metro areas, the National Association of Realtors found that the median existing home price rose by only 3.7 percent during the past year. In the 57 metro markets where data are available on condominiums and cooperatives, prices actually declined by a modest 0.3 percent during the past four quarters.

With stagnant prices and a weakening market, homeowners who have depended upon taking equity out of their homes to augment their income may be in trouble. Foreclosures nationwide are up 39 percent for the year to date as of July, according to the RealtyTrac Web site.

Not surprisingly, consumer sentiment, as measured by the University of Michigan, dropped in early August, as polled consumers lowered both their assessment of current conditions and their future expectations. In addition, the Conference Board's consumer confidence index sunk to a nine-month low in August.

Businesses Have Curtailed Equipment Purchases and Face Rising Inventories

Business spending on equipment, machinery, and software came to a stop during the quarter. For the first time since the first quarter of 2003, business spending on equipment and software turned negative, falling at a 1.6 percent annualized rate. Instead, businesses built structures. Spending on nonresidential structures rose at a robust 22.2 percent rate.

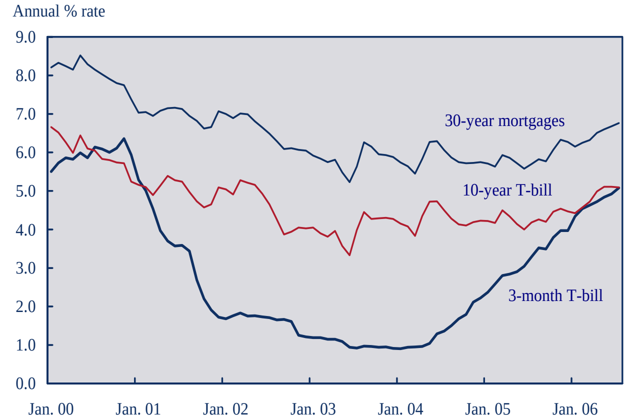
The nation's manufacturers are still reporting healthy conditions. The latest ISM polling of the nation's purchasing managers was very positive; its overall index rose from, 53.8 in June to 54.7 in July. Productivity gained 3.8 percent from the same quarter last year and remained healthy. Current trends in unit labor costs, while up slightly, are still similar to last year's.

Inventories are building, however, especially in the auto industry, and that suggests that if the current slowdown continues, the nation's factories may cut back production. In fact, in July, manufacturing cut 15,000 jobs from its payrolls.

Inflation and a Slowing Economy: What Is the Federal Reserve Supposed to Do?

In many respects the Federal Reserve is a one-trick pony—it can raise and lower short-term interest rates. If the economy slows, it can lower rates to spur spending, and if inflation starts to climb too quickly, it can increase rates to slow spending and decrease demand pressures on prices. However, when the economy is slowing and prices continue to rise, the Fed does not have another trick to pull from its bag: it is stuck with a tough decision.

Interest Rates



As of July, consumer prices had increased by 4.1 percent from last year's level at the same time. However, stripping food and energy prices from the index shows that the so-called core inflation rate rose at a more acceptable 2.7 percent during the quarter.

In early August, the Federal Open Market Committee (FOMC) decided to cross its fingers on inflation and keep its target for short-term rates steady at 5.25 percent, after having increased the rate for 17 straight times. The move reflects the fact that the nation is likely operating below its capacity, which should stabilize prices. In addition, monetary policy takes time; it is very possible that the impact of previous interest rate bumps has not yet been felt in the overall economy.

Forecasters Have Lowered Their Expectations

The current slowdown does add credence to warnings that have been posted by those who watch the relationship between long- and short-term interest rates. The spread on the interest rates of the 10-year Treasury bond and the 90-day Treasury bill has virtually disappeared, which historically has been associated with an economic downturn. This time around, special factors, such as the long period of stable prices and foreign investors buying up government securities, have persuaded many to discount the relevancy of the disappearing spread between long- and short-term interest rates. However, the spread's disappearance may be indicating that the FOMC pushed too hard on short-term rates during the past two years.

What is clear is that forecasters have been revising their previous predictions downward. In August, the University of Michigan lowered its forecast for all of 2006 to 3.3 percent from its May prediction of 3.7 percent In addition, it has dropped its 2007 forecast from an already low 2.7 percent to an even lower 2.3 percent rate. The consensus forecast of 51 professional forecasters compiled by the Federal Reserve Bank of Philadelphia for 2007 also inched downward, from 3.0 percent to 2.8 percent

REGIONAL ECONOMY

The Great Lakes Region Continues to Grow, but Not as Fast as the Rest of the Nation

Economists at Federal Reserve Bank of Chicago found in their latest survey of businesses in the Great Lakes states that economic activity continued to expand "at a moderate pace" in June and early July. Reports from the region's manufacturing sector indicated that orders remained strong: heavy equipment producers faced strong markets, toolmakers still enjoyed high backlogs of orders and were running full-out, and the region's steel producers were in full swing. Inventories at the region's steel service center are building but are still not out of line with the current level of sales.

Retailers reported that sales were OK, although Michigan retailers complained about tourism being slightly off, a sentiment that is supported by west Michigan employment statistics. However, the Fed's economists did find some hints of a possible slowdown: residential construction continued to decline, following national trends, and existing home sales have slowed. Commercial construction has slowed somewhat as well. In manufacturing, demand for smaller equipment was softening.

Employment in the Great Lakes states rose by 0.7 percent during the 12-month period ending in June. While positive, the region's performance was less than half that of the rest of the nation, where employment increased by 1.5 percent. The major culprit responsible for the region's lackluster performance remains its lagging manufacturing sector. Although the region's manufacturers are reporting greater activity, much of the increased demand is being met by productivity improvements and not new hiring. Employment in this sector, which accounts for 15 percent of the region's total employment, fell by 0.9 percent during the period. In sharp contrast, manufacturing employment in the rest of the nation grew by 0.5 percent. Manufacturing accounts for less than 10 percent of total employment for the states outside of the Great Lakes region.

Moreover, Michigan continues to lag behind the other four Great Lake states. It was the only state to lose employment during the period, experiencing a 0.2 percent reduction, and it suffered the largest loss of the five states in manufacturing employment. Michigan production workers logged longer hours than in the region's other states, which may explain some of the slowdown in hiring, as Michigan employers chose to pay overtime wages rather than hire new workers.

One impact of the region's below-average employment growth and business activity is seen in its modest rise in consumer prices relative to the nation as a whole. In the twelve-state Midwest region, which includes the Great Lakes states, consumer prices rose by only 3.4 percent during the 12-month period ending in June, compared to a 4.3 percent jump nationwide.

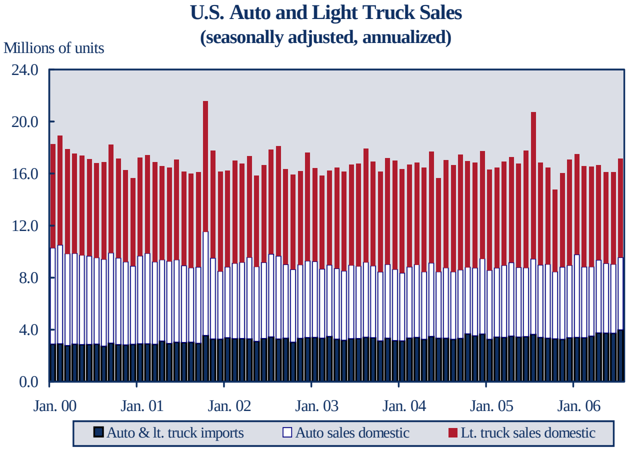
Employment and Earnings[a]

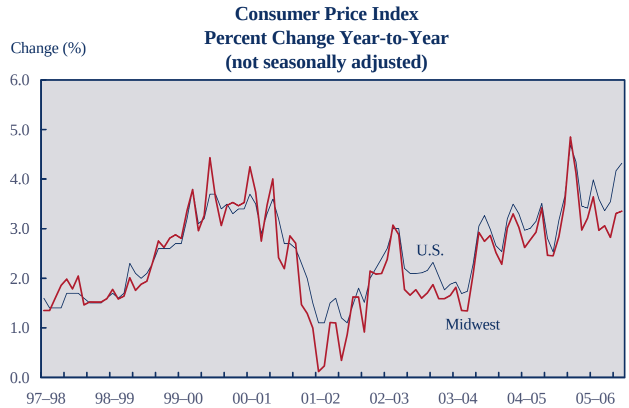
Great Lakes region	June 2006	June 2005	Percent change	Great Lakes region	June 2006	June 2005	Percent change
Illinois				**Ohio**			
Total employment	5,913,200	5,846,000	1.1	Total employment	5,459,200	5,425,900	0.6
Mfg. employment	677,900	688,500	-1.5	Mfg. employment	808,400	812,300	-0.5
Avg. weekly hours	41.2	40.8	1.0	Avg. weekly hours	41.3	41.5	-0.5
Avg. hourly earnings	$15.96	$15.91	0.3	Avg. hourly earnings	$19.07	$18.93	0.7
Indiana				**Wisconsin**			
Total employment	2,975,300	2,950,100	0.9	Total employment	2,865,000	2,838,800	0.9
Mfg. employment	572,700	570,400	0.4	Mfg. employment	508,200	506,700	0.3
Avg. weekly hours	41.8	41.5	0.7	Avg. weekly hours	40.8	40.0	2.0
Avg. hourly earnings	$18.76	$18.24	2.9	Avg. hourly earnings	$16.41	$16.27	0.9
Michigan				**United States**			
Total employment	4,372,000	4,380,100	-0.2	Total employment (000)	135,241	133,376	1.4
Mfg. employment	660,700	678,900	-2.7	Mfg. employment (000)	14,256	14,233	0.2
Avg. weekly hours	43.5	41.6	4.6	Avg. weekly hours	41.3	40.4	2.2
Avg. hourly earnings	$22.07	$21.51	2.6	Avg. hourly earnings	$16.82	$16.56	1.6

NOTE: June 2006 lists preliminary numbers.

[a]Employment numbers are seasonally adjusted for both the U.S. and the states. Average weekly hours and earnings are seasonally adjusted for the U.S. only.

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





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

Auto Suppliers' Relations with Producers Are Improving

According to the results of Ward's *AutoWorld's* twenty-eighth annual supplier survey, Toyota remains the top preferred customer among surveyed suppliers. When asked to select the top three assemblers, nearly 52 percent of suppliers listed the Japanese-based auto company as one of their choices. Toyota had nosed out Ford in July to become the nation's second-largest carmaker.

One of the more surprising and welcome findings of the survey, however, was that the traditional Big Three, especially DaimlerChrysler, seem to have improved their relationships with their suppliers. Of the suppliers surveyed, 46.8 percent put DaimlerChrysler among their top three choices. Moreover, Ford and General Motors beat out Honda and Nissan as preferred customers.

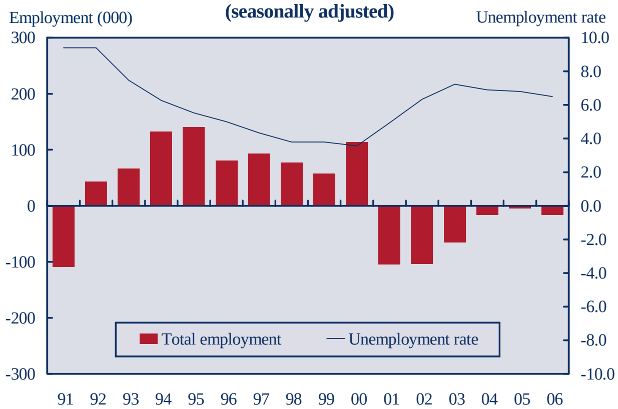
When asked about current business conditions, only 38.2 percent of the surveyed firms said they were doing better than last year, and 13.4 percent feared bankruptcy. Unfortunately, bankruptcy has become commonplace in the industry: 50.3 percent of the surveyed suppliers and 68.5 percent of assemblers report that they conduct business with bankrupt companies.

The most worrisome result of this year's survey is the finding that only 62.4 percent of the assemblers surveyed believed that they could remain competitive and still keep their manufacturing operations in the United States. Health care costs, once again, were cited as a major problem: more than 60 percent of the suppliers surveyed pointed to health care costs as a factor making it hard to compete globally. Not surprisingly, more than 70 percent of the suppliers and assemblers have reduced their health care packages from five years ago.

STATE OF MICHIGAN ECONOMY

Employment rose by 0.2 percent in the state during the second quarter, which was enough to hold the state's unemployment rate to 6.5 percent. Unfortunately, all of the state's economic indicators turned sour during the quarter, suggesting that employment conditions may soften during the coming months. In fact, the state's unemployment rate rose to 7.0 percent in July.

Michigan Employment Change and Unemployment Rate
(2nd quarter to 2nd quarter)
(seasonally adjusted)



Employment in the state's goods-producing industries was off by just 0.1 percent during the second quarter. Despite a 30.1 percent drop in the number of new dwelling units being put under contract for construction, employment in the state's construction sector increased by 1.1 percent in the quarter, a gain of 2,000 jobs. The value of nonresidential construction projects in the state during the second quarter was up 7.6 percent from last year's levels.

Employment in the state's manufacturing sector fell by 0.5 percent during the quarter and has fallen by 3.1 percent in the past four quarters. The state's auto-dominated transportation industry continues to shed workers. During the past four quarters, overall employment levels in the industry fell by nearly 5.0 percent, and the state's auto suppliers reduced their employment level by 3.5 percent. Except for small employment gains in food and paper production, all of the state's major manufacturing sectors lost jobs during the past year.

Ford announced that it will cut its production levels by 20 percent during the fourth quarter, which is expected to result in significant temporary layoffs at three of the company's Michigan plants. High gas prices have dramatically reduced the demand for pickup trucks (the company's F-Series) and sport utility vehicles (SUVs). As of July, F-Series truck sales were down by 12.3 percent from last year, and Ford dealers are storing 277,000 trucks on their lots nationwide. Ford, which is currently battling Toyota for the number two spot in U.S. auto sales, has already lost an estimated $1.5 billion so far this year. To boost sales, Ford announced a new loan program that offers zero percent 72-month loans for most 2006 models. Moreover, it is lowering its credit standards to accept subprime applicants.

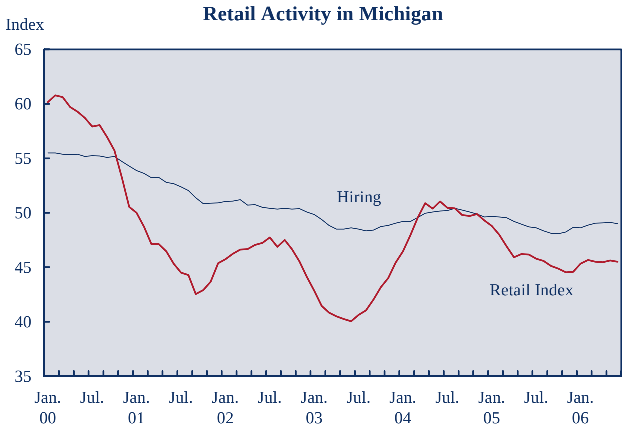
General Motors announced that about 47,600 hourly production workers at its assembly plants—35,000 of its own workers and 12,600 workers of its major supplier, Delphi Corporation—accepted either the company's buyout offer or its early retirement offer. The response was stronger than expected, according to company officials, and means that the struggling automaker will reach its target reduction of 30,000 manufacturing jobs two years ahead of schedule. The company offered buyouts of $140,000 to workers with at least 10 years of service, while those with less than 10 years were offered $70,000.

Employment in the state's service-providing sector rose by 0.4 percent during the second quarter. The state's professional and business services, education and health, and leisure and hospitality sectors reported strong employment gains during the quarter. The gain in the state's tourism-related leisure and hospitality sector as a whole was not shared by the industry's representatives on the west side of the state, however.

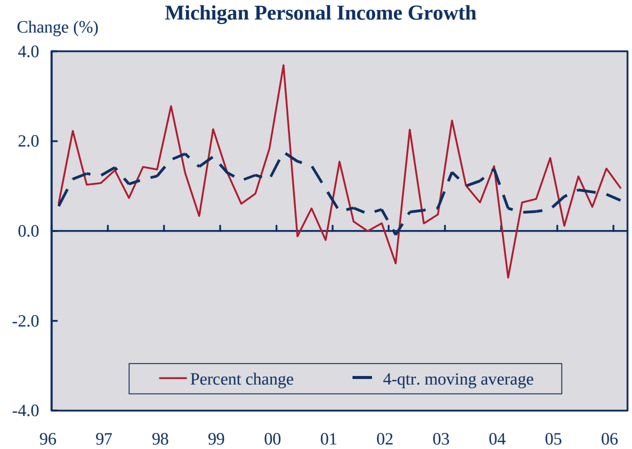
Retailers trimmed their payrolls by 0.2 percent during the quarter and have cut their staffing levels by 2.4 percent over the past year, according to the latest statewide survey of retailers conducted by the Chicago Federal Reserve Bank in association with the Michigan Retailer's Association. The Retail Index, which is based on the survey, says that retail activity remains lackluster in the state.

Finally, government employment fell during the quarter.

All three of the state's economic indicators deteriorated during the quarter. The Help-Wanted Advertising Indexes for Detroit and west Michigan declined during the quarter, suggesting that employment conditions among the state's service-providing sectors may remain soft in the coming months. The number of new claims for unemployment insurance also rose and, as mentioned previously, the number of housing starts fell.



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



Employment by Place of Work
June
(seasonally adjusted)

Labor market area	Total nonfarm	% change, 2005–06	Goods-producing	% change, 2005–06	Private service–providing	% change, 2005–06
United States	135,241,000	1.4	22,430,000	1.3	90,872,000	1.6
Michigan	4,372,000	-0.2	860,400	-2.0	2,840,600	0.3
West Michigan MSAs:						
Battle Creek	62,220	0.2	16,090	-0.6	35,740	0.3
Grand Rapids–Wyoming	395,480	0.2	92,150	-0.2	265,110	0.6
Holland–Grand Haven	117,720	1.6	44,580	1.4	56,480	0.5
Kalamazoo-Portage	144,550	-0.3	29,680	-3.2	90,970	0.2
Muskegon–Norton Shores	66,560	-0.6	15,990	-1.2	41,310	0.3
Niles–Benton Harbor	64,660	-0.7	16,830	-3.5	39,650	0.3
Other labor market areas:						
Ann Arbor	203,350	0.0	27,470	-4.5	109,750	1.2
Bay City	39,200	-0.3	5,790	-1.6	27,070	0.3
Detroit-Warren-Livonia	2,032,150	-0.7	357,770	-3.6	1,444,440	0.2
Flint	154,450	-0.2	27,530	-2.4	102,520	0.4
Jackson	59,810	-2.2	12,060	-6.1	38,100	-1.3
Lansing–East Lansing	227,370	1.5	30,260	8.7	132,900	0.3
Monroe	43,790	0.4	10,350	-2.9	26,630	0.3
Saginaw	92,240	0.2	17,280	-0.5	62,570	0.5

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

WEST MICHIGAN ECONOMY

Total employment fell by 0.2 percent in west Michigan's six metropolitan areas, a loss of more than 1,800 jobs. The employment declines were reported across a wide range of sectors. Still, the region's unemployment rate remained at 5.6 percent during the quarter. All three of the region's economic indicators soured during the quarter, suggesting that employment conditions may remain soft during the coming months.

Employment in the region's goods-producing sector also fell by 0.2 percent during the quarter. A slowdown in the region's residential construction sector contributed to a 1.0 percent decline in construction employment. For the past four quarters, housing starts have fallen by 10.3 percent, and the decline accelerated in the second quarter with a 32.9 percent plunge.

Employment in the region's manufacturing sector was flat during the quarter, as gains in its durable goods sector offset losses in its nondurable goods sector.

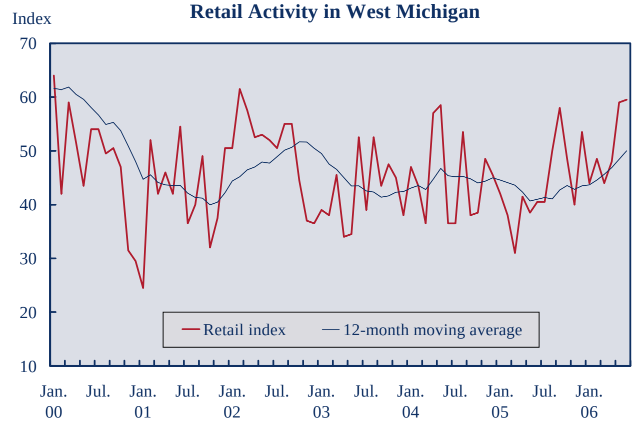
The regional impact of both the General Motors/Delphi early retirement offers and Delphi's announcement that it is closing its Coopersville plant in Ottawa County has become somewhat clearer. Of the 560 workers at the Coopersville plant, approximately 270 took the retirement offer and 120 will be bumped back into General Motors plants. The fate of the remaining workers is unknown. At Delphi's Wyoming plant, which employed approximately 550 workers, more than 290 took the retirement package and 50 are being bumped back into General Motors. Finally, for General Motors' Grand Rapids plant, which employed 2,166 workers in May, more than 550 workers are picking up the retirement package and 80 workers from the Wyoming and Coopersville plants are moving in.

The region's furniture industry continues to rebound. According to Michael A. Dunlap and Associates' July survey of the office furniture industry, the industry is "on a positive trend of growth and profitability." The survey's overall index climbed to 58, its second highest and well above the 50 mark which suggests a positive environment. All 10 of the index components, including employment outlook, were up during the quarter. The office furniture industry continues to grow, but more slowly than last year, when production increased by 12.7 percent. The latest industry outlook from the Business and Institutional Furniture Manufacturer's Association (BIFMA), issued in August, sees industry-wide shipments growing 8.6 percent in 2006 to hit $10.9 billion. BIFMA is forecasting that shipments will grow another 8.2 percent in 2007 to reach $11.8 billion.

Area companies continue to report gains. Herman Miller reported a 9.0 percent increase in sales for the fourth quarter of Fiscal Year 2006, which ended in June, and is expecting a repeat performance in the current quarter. Steelcase reported a 7.6 percent sales increase for its quarter, which also ended in June. Steelcase, the industry leader, foresees a strong backlog of orders driving a 10 to 14 percent gain in sales during the current quarter.

Employment in the region's service-providing sector fell by 0.4 percent during the quarter. Employment in the region's leisure and hospitality sector fell by 2.1 percent; however, this is due solely to seasonal factors. The tourist season got a slower-than-average start this year in terms of hiring. In unadjusted terms, the sector added jobs, but the industry's hiring was lower than average and thus is reflected as an actual decline in jobs. Employment in professional and business services fell by 0.8 percent as well in the quarter.

Retail Activity in West Michigan



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

Retail employment fell by 0.4 percent during the quarter, in part because of the slow start to the tourism season. However, general retail activity appears to be on the rise, according to the monthly survey of the region's retailers performed by the Chicago Federal Reserve Bank in cooperation with the Michigan Retailers Association. The 12-month moving average of the survey-based regional index has been on the rise since last summer, which is in sharp contrast to the state's overall index.

Unfortunately, all three of the region's economic indicators deteriorated during the quarter, suggesting that employment conditions may remain sluggish during the coming months. The region's composite Index of Help-Wanted Advertising fell by 5.6 percent, indicating that employment conditions in the region's service-providing sector will continue to be soft during the coming months. The number of new claims for unemployment insurance was up 3.6 percent. Finally, as mentioned previously, the number of new dwelling units put under contract for construction fell by nearly a third.

West Michigan (6 MSAs) Statistics

(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	851,060	852,930	-0.2	848,840	0.3
Goods-producing	215,810	216,210	-0.2	217,090	-0.6
Construction and mining	38,890	39,280	-1.0	38,650	0.6
Manufacturing	176,910	176,940	0.0	178,410	-0.8
Durable goods (5 MSAs)[a]	114,020	113,560	0.4	114,130	-0.1
Nondurable goods (5 MSAs)[a]	48,170	48,580	-0.8	49,140	-2.0
Private service–providing	529,190	531,490	-0.4	526,010	0.6
Transportation and utilities	22,640	22,660	-0.1	22,390	1.1
Wholesale trade	37,110	36,660	1.2	35,930	3.3
Retail trade	96,020	96,430	-0.4	96,120	-0.1
Information (5 MSAs)[b]	9,770	9,910	-1.4	10,040	-2.7
Financial activities	38,670	38,820	-0.4	38,440	0.6
Professional and business services	95,560	96,290	-0.8	94,900	0.7
Educational and health services	117,240	116,920	0.3	115,560	1.5
Leisure and hospitality	75,480	77,100	-2.1	75,680	-0.3
Other services	36,730	36,720	0.0	36,950	-0.6
Government	106,050	105,200	0.8	105,760	0.3
Unemployment					
Number unemployed	55,080	54,960	0.2	56,930	-3.2
Unemployment rate (%)	5.6	5.6		5.9	
Local indexes					
Help-wanted ads (4 MSAs) (1996=100)[c]	34	36	-5.6	41	-17.1
UI initial claims	2,152	2,078	3.6	2,279	-5.6
New dwelling units[d]	7,253	10,812	-32.9	8,086	-10.3

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

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

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

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

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

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

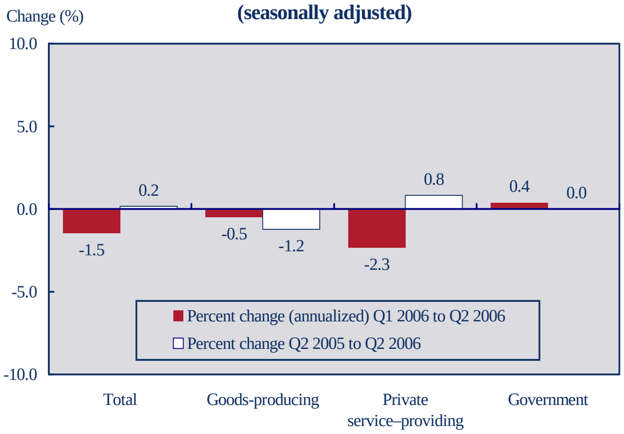
BATTLE CREEK MSA

Total employment fell by 0.4 percent during the second quarter in Calhoun County, pushing the area's unemployment rate up slightly to 6.4 percent. Unfortunately, all of the county's economic indicators turned sour during the quarter, suggesting that the current lackluster conditions may hold into the fall.

Employment in the area's goods-producing sector fell by a slight 0.1 percent during the quarter because of a large 1.7 percent drop in the area's construction sector. During the past year, the number of new dwelling units put under contract for construction fell by more than 25 percent in the county.

Manufacturing employment, on the other hand, remained stable, inching up 0.1 percent during the quarter. There were no major business announcements made during the quarter, although in Jonesville, in neighboring Hillsdale County, more than 500 new manufacturing jobs could be created, according to expansion announcements from two firms. SKD, a metal stamping manufacturer, announced it could create 400 new jobs as a result of its planned $8.2 million multiphase expansion of its Jonesville plant. In addition, Alphi Manufacturing, a maker of metal tubular products, announced its plans to invest $4.2 million to upgrade its current facility, in the process creating 120 jobs.

Battle Creek MSA Employment Growth
(seasonally adjusted)



During the past four quarters, however, the county's manufacturing sector lost 230 jobs, a decline of 1.6 percent. The lion's share of those losses, 170 jobs, occurred in the county's transportation equipment sector.

Employment in the county's private service–providing sector fell by 0.6 percent despite the area's stable manufacturing base. The employment declines occurred in the county's retail sector as well as its education and health services sector; both lost 170 jobs during the quarter.

The county's decline in retail employment suggests that the area's consumers may be feeling the same financial pressure that is being felt nationwide. In addition, the county may be losing population: according to the U.S. Census Bureau's 2005 estimate, the county lost slightly more than 300 people during the year.

Government employment increased slightly by 0.1 percent during the quarter. The Battle Creek Air National Guard Base has a new mission, which calls for joint cargo aircraft to be stationed there. The new cargo planes will take the place of the base's fifteen A-10 fighter jets, which could be moved out as soon as 2009. The cargo planes will then be moved to the base, preserving its 300 jobs, which were to leave with the base's A-10 aircraft.

The number of unemployed persons grew by 1.5 percent as the county's unemployment rate inched up to 6.4 percent.

Unfortunately, the county's economic indicators deteriorated during the quarter, suggesting that employment conditions may remain sluggish in the coming months. The area's Index of Help-Wanted Advertising fell by 8.5 percent, pointing to flat employment opportunities, at best, in its service-providing industries. The number of new claims for unemployment insurance rose by 2.5 percent, and the number of new dwelling units put under contract for construction was off by 5.0 percent.

Battle Creek MSA
(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	61,760	61,990	-0.4	61,660	0.2
Goods-producing	16,100	16,120	-0.1	16,300	-1.2
Construction and mining	2,280	2,320	-1.7	2,240	1.8
Manufacturing	13,820	13,810	0.1	14,050	-1.6
Durable goods	8,810	8,810	0.0	8,980	-1.9
Nondurable goods	5,010	4,990	0.4	5,080	-1.4
Private service–providing[a]	35,230	35,440	-0.6	34,940	0.8
Transportation and utilities	1,700	1,620	4.9	1,630	4.3
Wholesale trade	1,430	1,400	2.1	1,370	4.4
Retail trade	6,720	6,890	-2.5	6,880	-2.3
Financial activities	1,610	1,600	0.6	1,540	4.5
Professional and business services	5,490	5,490	0.0	5,590	-1.8
Educational and health services	10,110	10,280	-1.7	9,940	1.7
Leisure and hospitality	5,890	5,860	0.5	5,710	3.2
Other services	2,280	2,290	-0.4	2,280	0.0
Government[b]	10,430	10,420	0.1	10,430	0.0
Federal government	3,250	3,260	-0.3	3,310	-1.8
Local government	6,660	6,590	1.1	6,700	-0.6
Unemployment					
Number unemployed	4,770	4,700	1.5	4,810	-0.8
Unemployment rate (%)	6.4	6.3		6.6	
Local indexes					
Help-wanted ads (1996=100)	28	30	-8.5	33	-14.6
UI initial claims	261	255	2.5	268	-2.3
New dwelling units[c]	228	240	-5.0	308	-26.1

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

[a] Data for Information services is not available and is not included in private service–providing.

[b] Data for state government is not available.

[c] Seasonally adjusted annual rates.

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

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

Industry	2006 Q2	2005 Q2	Percent change	Industry	2006 Q2	2005 Q2	Percent change
Goods-producing	16,270	16,470	-1.2	**Government**	10,570	10,570	0.0
Transportation equipment	5,400	5,570	-3.0	Local govt. educational svcs.	4,730	4,530	4.4
Private service–providing	36,330	36,130	0.6				
Accommodations & food svcs.	3,770	3,670	2.7				
Admin. support & waste mgmt.	5,400	5,100	5.9				

SOURCE: Michigan Department of Labor and Economic Development.

Battle Creek MSA
(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	61,760	61,990	-0.4	61,660	0.2
Goods-producing	16,100	16,120	-0.1	16,300	-1.2
Construction and mining	2,280	2,320	-1.7	2,240	1.8
Manufacturing	13,820	13,810	0.1	14,050	-1.6
Durable goods	8,810	8,810	0.0	8,980	-1.9
Nondurable goods	5,010	4,990	0.4	5,080	-1.4
Private service–providing[a]	35,230	35,440	-0.6	34,940	0.8
Transportation and utilities	1,700	1,620	4.9	1,630	4.3
Wholesale trade	1,430	1,400	2.1	1,370	4.4
Retail trade	6,720	6,890	-2.5	6,880	-2.3
Financial activities	1,610	1,600	0.6	1,540	4.5
Professional and business services	5,490	5,490	0.0	5,590	-1.8
Educational and health services	10,110	10,280	-1.7	9,940	1.7
Leisure and hospitality	5,890	5,860	0.5	5,710	3.2
Other services	2,280	2,290	-0.4	2,280	0.0
Government[b]	10,430	10,420	0.1	10,430	0.0
Federal government	3,250	3,260	-0.3	3,310	-1.8
Local government	6,660	6,590	1.1	6,700	-0.6
Unemployment					
Number unemployed	4,770	4,700	1.5	4,810	-0.8
Unemployment rate (%)	6.4	6.3		6.6	
Local indexes					
Help-wanted ads (1996=100)	28	30	-8.5	33	-14.6
UI initial claims	261	255	2.5	268	-2.3
New dwelling units[c]	228	240	-5.0	308	-26.1

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

[a] Data for Information services is not available and is not included in private service–providing.

[b] Data for state government is not available.

[c] Seasonally adjusted annual rates.

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

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

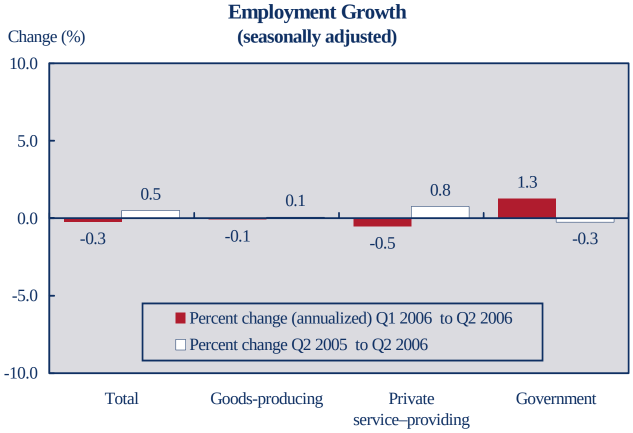
Industry	2006 Q2	2005 Q2	Percent change	Industry	2006 Q2	2005 Q2	Percent change
Goods-producing	16,270	16,470	-1.2	**Government**	10,570	10,570	0.0
Transportation equipment	5,400	5,570	-3.0	Local govt. educational svcs.	4,730	4,530	4.4
Private service–providing	36,330	36,130	0.6				
Accommodations & food svcs.	3,770	3,670	2.7				
Admin. support & waste mgmt.	5,400	5,100	5.9				

SOURCE: Michigan Department of Labor and Economic Development.

GRAND RAPIDS–WYOMING MSA

Total employment inched down by 0.1 percent during the second quarter in the four-county MSA. The slightly negative change in employment did not budge the area's unemployment rate, which remained at 5.5 percent. Unfortunately, all three of the area's leading economic indicators deteriorated during the quarter, suggesting that current sluggish conditions could hold into the fall.

Grand Rapids–Wyoming MSA
Employment Growth
(seasonally adjusted)



Employment in the area's goods-producing sector remained unchanged during the quarter, as employment declines in its construction sector were offset by a small gain in manufacturing employment.

Manufacturing employment rose a slight 0.1 percent during the quarter; all of the gains were reported in its smaller nondurable goods sector. Over the past four quarters, manufacturing employment in the four-county area has fallen by 0.4 percent because of employment reductions in the area's auto-dominated transportation equipment sector. The area's plastics, chemical, and food producers all reported employment gains during four-quarter period. Finally, employment in the area's rebounding office furniture industry rose by 100 jobs during the period.

Recent business reports suggest that further employment reductions can be expected among the area's auto suppliers. Trident Lighting, which employs 100 workers, is remaining open only because of special agreements with its lender and one of its major customers. Nearly 300 employees of two MacDonald's Industrial Products plants face the loss of their jobs in coming weeks because the auto supplier's biggest customers pulled their business. The supplier makes chrome-plated plastic injection–molded parts.

At the same time, several manufacturers have announced expansion plans, including Grand Rapids Spring and Stamping, Obie Manufacturing (which makes metal products and assemblies), Advance Plating and Finishing, International Tooling Solutions (which makes metal stamping dies), and Paragon Firstronic of N.A. (an electronic contract manufacturer for the auto, security, medical, communications, and manufacturing industries). Advance Packaging announced that it is consolidating its existing operations in Kentwood and Wyoming into one location and, in the process, adding 120 workers to its current workforce of 180 employees. The company designs, manufactures, prints, stores, and ships corrugated packages for auto suppliers and for the office-furniture, electronics, and food-and-beverage industries.

Dematic, which closed its postal automation plant in July, eliminating approximately 240 jobs, is being purchased by a German-based firm, Triton. At this time, the company is planning to keep Dematic's workforce of about 1,350 here. Dematic designs and builds conveyor systems for plants, warehouses, and distribution centers.

Steelcase offered a buyout agreement to its production workers in an effort to trim its existing workforce. According to its reorganization plan, the furniture producer is seeking to eliminate 200 to 300 jobs on top of the 600 to 700 jobs it has already cut. This will leave between 1,000 and 1,200 factory jobs.

Finally, two of the area's last three premium residential furniture companies are closing their Grand Rapids facilities. Baker Furniture is moving its headquarters and warehousing activities to North Carolina, eliminating 80 jobs in the area. On top of that, Hekman Furniture just announced that it is closing its Grand Rapids manufacturing facility, a loss of 60 production jobs. This leaves Kindel Furniture as the only residential furniture maker in the area.

Employment in the area's service-providing sector fell by 0.1 percent during the quarter despite a large 2.3 percent employment increase in its wholesale trade sector. The sector could see another boost in the greater region as Wal-Mart is reportedly eyeing a site in neighboring Allegan County for a new distribution center that could employ between 400 and 1,000 workers.

The area's leisure and hospitality sector suffered a 2.9 percent decline during the quarter. Similar declines were reported in the Holland–Grand Haven and Muskegon–Norton Shores MSAs and point to a slow start to the summer tourist season, compared to a strong 2005.

All of the area's three economic indicators turned negative during the second quarter, suggesting that employment conditions would remain sluggish in the coming months. The area's Index of Help-Wanted Advertising fell by 6.1 percent during the quarter. New claims for unemployment insurance rose by 2.0 percent, and the number of new dwelling units put under contract for construction fell by 2.2 percent.

The July polling of the area's purchasing managers suggests that area manufacturers are "back to flat."

Grand Rapids–Wyoming MSA
(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	395,620	395,880	-0.1	393,650	0.5
Goods-producing	92,510	92,530	0.0	92,450	0.1
Construction and mining	18,890	18,990	-0.5	18,520	2.0
Manufacturing	73,620	73,540	0.1	73,920	-0.4
Durable goods	51,510	51,530	0.0	51,580	-0.1
Nondurable goods	22,110	22,010	0.5	22,340	-1.0
Private service–providing	265,010	265,370	-0.1	263,000	0.8
Transportation and utilities	10,550	10,610	-0.6	10,460	0.9
Wholesale trade	22,700	22,180	2.3	22,010	3.1
Retail trade	43,240	43,340	-0.2	43,210	0.1
Information	5,540	5,590	-0.9	5,640	-1.8
Financial activities	22,080	22,130	-0.2	21,930	0.7
Professional and business services	54,500	54,770	-0.5	54,060	0.8
Educational and health services	56,360	55,890	0.8	55,200	2.1
Leisure and hospitality	32,180	33,130	-2.9	32,570	-1.2
Other services	17,860	17,730	0.7	17,930	-0.4
Government	38,100	37,980	0.3	38,200	-0.3
Federal government	3,290	3,320	-0.9	3,280	0.3
State government	3,800	3,680	3.3	3,860	-1.6
Local government	31,010	30,980	0.1	31,050	-0.1
Unemployment					
Number unemployed	23,080	23,090	0.0	24,020	-3.9
Unemployment rate (%)	5.5	5.5		5.9	
Local indexes					
Help-wanted ads (1996=100)	31	33	-6.1	38	-18.4
UI initial claims	768	753	2.0	855	-10.2
New dwelling units[a]	3,721	3,803	-2.2	3,435	8.3

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

[a] Seasonally adjusted annual rates.

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

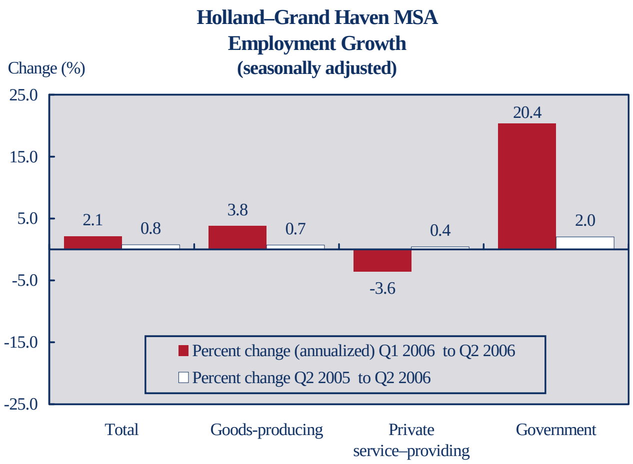
Grand Rapids–Wyoming MSA
Industry Employment Change by Place of Work, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2006 Q2	2005 Q2	Percent change	Industry	2006 Q2	2005 Q2	Percent change
Goods-producing	92,670	92,600	0.1	Professional, scientific, tech. svcs.	15,870	15,070	5.3
Transportation equipment	15,270	15,700	-2.8	Mgmt. of co's & enterprises	6,070	6,300	-3.7
Motor vehicle parts	12,700	12,870	-1.3	Admin. support & waste mgmt.	32,770	32,870	-0.3
Furniture & related products	7,300	7,430	-1.8	Employment services	22,530	22,170	1.7
Office furniture	6,600	6,500	1.5	Educational services	11,830	11,900	-0.6
Food	5,570	5,500	1.2	Elem. & secondary schools	3,970	3,970	0.0
Chemical	4,370	4,270	2.3	Health care & social assistance	44,970	43,730	2.8
Plastics & rubber	7,100	6,900	2.9	Ambulatory health services	14,230	13,370	6.5
Private service–providing	266,370	264,300	0.8	Hospitals	18,470	18,270	1.1
General merchandise stores	9,630	10,100	-4.6	Accommodations & food svcs.	28,800	28,470	1.2
Department stores	3,300	3,330	-1.0	**Government**	39,130	39,230	-0.3
Finance & insurance	17,500	17,600	-0.6	Local govt. educational svcs.	21,500	21,500	0.0

SOURCE: Michigan Department of Labor and Economic Growth.

HOLLAND–GRAND HAVEN MSA

Total employment in Ottawa County rose by 0.5 percent during the second quarter, an increase of more than 600 jobs. However, much of the employment gain was due to seasonal adjustment factors in the area's government sector. Private sector employment in the county fell by 0.1 percent during the quarter. The county's unemployment rate inched up to 4.9 percent. Both of the area's economic indicators soured during the quarter, suggesting that future job gains may be more modest.



Employment in the county's goods-producing industries increased by a healthy 0.9 percent during the quarter. All of the job gains occurred among the area's manufacturers. Construction employment fell by 1.1 percent, reflecting the 43.6 percent decline in the number of new dwelling units put under contract for construction during the quarter. For the year, housing starts have declined by 26.2 percent, which suggests that, like the market in much of the nation, the area's residential housing market may be overbuilt.

Both durable and nondurable goods producers reported job gains, as 470 jobs were created overall during the quarter. During the past four quarters, manufacturing employment has increased by 0.6 percent in the county. This increase comes even though the area's improving office furniture industry still reduced its workforce by 1.8 percent, and even though the area's auto suppliers eliminated 0.4 percent of their workforce.

Recent business reports were mostly positive. Bil-Mar Foods is starting new production lines of sausage patties and other products and will create an additional 18 to 20 jobs on top of the 24 jobs it has already created this year. In addition, in Grand Haven, Anderson Technologies is expanding and expects to add 15 jobs in the next two years to its full-time workforce of 74. The company makes moldings for the automotive and office furniture industries.

Gentex, which is a world leader in auto-dimming rearview mirrors and employs approximately 2,200 workers in the Holland area, reported an 8.0 percent increase in sales during the past year and an accompanying 5.0 percent increase in net income. The company just finished a $35 million expansion.

Not all of the news was positive, however. Perrigo announced that it is closing its Holland manufacturing facility, moving the 70 affected workers to the company's larger Allegan facility. Perrigo has about 2,300 employees in Allegan County.

Employment in the county's service-providing industries declined by 0.9 percent during the quarter. The county's leisure and hospitality sector suffered the largest declines, which suggests that the county's tourism season had a slow start. The county's financial services reported a loss of 100 jobs during the quarter as well.

Government employment jumped by 4.7 percent during the quarter; however, the gain is most likely due to seasonal adjustment factors. A careful examination of the employment series shows that the quarterly jump in employment stems from the fact that the area's public education institutions, which include Grand Valley State University and K-12 school districts, apparently postponed their annual summer layoffs, so they will likely be recorded in the third quarter.

Both of the county's economic indicators turned sour during the quarter. The number of new claims for unemployment insurance rose by 10.7 percent, and, as was mentioned above, housing starts plunged.

Holland–Grand Haven MSA
(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	116,940	116,330	0.5	116,060	0.8
Goods-producing	44,450	44,040	0.9	44,140	0.7
Construction and mining	6,580	6,650	-1.1	6,520	0.9
Manufacturing	37,860	37,390	1.3	37,620	0.6
Durable goods	29,520	29,210	1.1	29,550	-0.1
Nondurable goods	8,340	8,180	2.0	8,070	3.3
Private service–providing	56,390	56,910	-0.9	56,150	0.4
Transportation and utilities	2,710	2,750	-1.5	2,680	1.1
Wholesale trade	4,780	4,850	-1.4	4,650	2.8
Retail trade	10,870	10,850	0.2	10,680	1.8
Information	910	890	2.2	910	0.0
Financial activities	3,120	3,220	-3.1	3,220	-3.1
Professional and business services	11,370	11,380	-0.1	11,320	0.4
Educational and health services	10,170	10,240	-0.7	10,170	0.0
Leisure and hospitality	8,020	8,330	-3.7	8,110	-1.1
Other services	4,450	4,410	0.9	4,410	0.9
Government[a]	16,100	15,370	4.7	15,780	2.0
State government	4,060	4,020	1.0	3,950	2.8
Local government	11,700	11,380	2.8	11,640	0.5
Unemployment					
Number unemployed	6,800	6,740	0.9	6,930	-1.9
Unemployment rate (%)	4.9	4.8		5.1	
Local indexes					
UI initial claims	345	311	10.7	346	-0.5
New dwelling units[b]	1,236	2,193	-43.6	1,675	-26.2

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

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

[b] Seasonally adjusted annual rates.

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

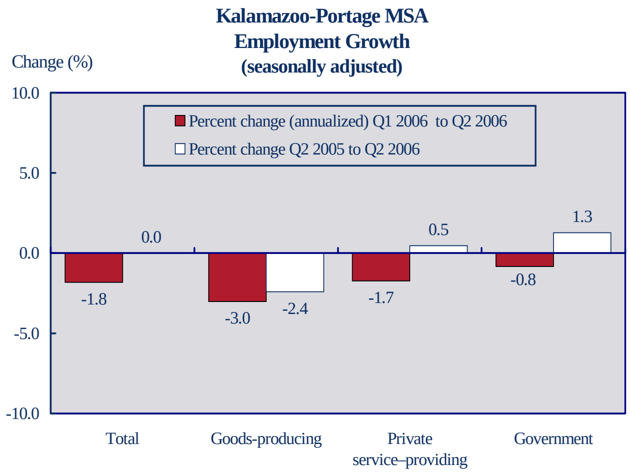
Holland–Grand Haven MSA
Industry Employment Change by Place of Work, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2006 Q2	2005 Q2	Percent change	Industry	2006 Q2	2005 Q2	Percent change
Goods-producing	44,670	44,370	0.7	**Government**	16,030	15,730	1.9
Transportation equipment	7,400	7,430	-0.4	Local govt. education svcs.	6,700	6,700	0.0
Furniture & related products	6,030	6,100	-1.1				
Office furniture & fixtures	5,400	5,500	-1.8				
Private service–providing	57,370	57,100	0.5				
Accommodations & food svcs.	7,230	7,200	0.5				
Food svcs. & drinking places	6,930	6,870	1.0				

SOURCE: Michigan Department of Labor and Economic Development.

KALAMAZOO-PORTAGE MSA

Total employment fell by 0.5 percent during the second quarter, a drop of 670 jobs in Kalamazoo and Van Buren counties. Despite the loss of jobs, the area's unemployment rate inched down to 5.2 percent during the quarter. The area's economic indicators were mixed, suggesting that little improvement can be expected in the area's employment picture in the coming months.



Employment in the area's goods-producing sector fell by 0.8 percent as both its construction and manufacturing sectors reported employment declines. Employment in the area's construction and mining sector fell by 0.5 percent, partially reflecting the 27.6 percent drop in the number of new dwelling units put under contract for construction during the quarter.

Employment in the area's manufacturing sector fell by 200 workers or by 0.8 percent during the quarter. During the past four quarters, manufacturing employment has fallen by 2.9 percent or 700 jobs. Two hundred of those job losses have occurred among the area's auto suppliers.

Recent business reports are positive. Wright Coating, a metal coating firm, announced that it plans to expand and add 15 new employees to its current full-time staff of 85 workers. Alliant Healthcare Products announced that it could add 200 new jobs by 2011 because of three new contracts. The company, which produces, packages, distributes, and markets latex-free medical products, was founded in Richland in 2002 and now employs 15 people.

Employment in the area's service-providing sector was down 0.4 percent during the quarter, owing to a large decline in professional and business services, which lost more than 400 jobs. Employment declines were also reported in the area's information and leisure and hospitality sectors. Still, the area's retailers and wholesalers added jobs, as did its financial activities sector.

Government employment was down as well during the quarter, by 0.2 percent. Employment declines in state government erased employment gains in the area's K-12 public schools. Much of these employment fluctuations in public education may be the result of seasonal adjustment factors, which are sensitive to the timing of expected summer employment reductions.

Two of the three area economic indicators were mixed during the quarter. The area's Help-Wanted Advertising Index fell by 8.2 percent, suggesting that employment opportunities in the area's service-providing industries will remain soft in the coming months. And, as mentioned previously, housing starts are down. However, the number of new claims for unemployment insurance remained unchanged.

On the upside, the July polling of the area's purchasing managers resulted in the index hitting a nine-month high.

Kalamazoo-Portage MSA
(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	145,160	145,830	-0.5	145,170	0.0
Goods-producing	29,900	30,130	-0.8	30,640	-2.4
Construction and mining	6,480	6,510	-0.5	6,520	-0.6
Manufacturing	23,420	23,620	-0.8	24,120	-2.9
Durable goods	12,880	12,890	-0.1	12,850	0.2
Nondurable goods	10,540	10,730	-1.8	11,280	-6.6
Private service–providing	91,390	91,790	-0.4	90,970	0.5
Transportation and utilities	4,100	4,070	0.7	4,040	1.5
Wholesale trade	4,400	4,380	0.5	4,270	3.0
Retail trade	16,580	16,550	0.2	16,610	-0.2
Information	1,490	1,550	-3.9	1,590	-6.3
Financial activities	7,610	7,560	0.7	7,540	0.9
Professional and business services	15,000	15,410	-2.7	14,770	1.6
Educational and health services	20,290	20,290	0.0	20,220	0.3
Leisure and hospitality	15,350	15,380	-0.2	15,320	0.2
Other services	6,580	6,610	-0.5	6,610	-0.5
Government	23,860	23,910	-0.2	23,560	1.3
Federal	1,200	1,200	0.0	1,200	0.0
State	7,350	7,670	-4.2	7,540	-2.5
Local	15,310	15,030	1.9	14,820	3.3
Unemployment					
Number unemployed	9,200	9,300	-1.1	9,630	-4.5
Unemployment rate (%)	5.2	5.3		5.5	
Local indexes					
Help-wanted ads (1996=100)	37	41	-8.2	47	-19.5
UI initial claims	253	253	0.0	249	1.7
New dwelling units[a]	1,076	1,485	-27.6	1,455	-26.1

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

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

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

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

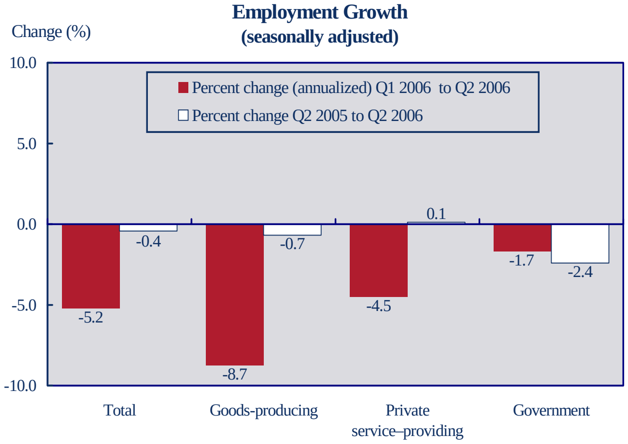
Industry	2006 Q2	2005 Q2	Percent change	Industry	2006 Q2	2005 Q2	Percent change
Goods-producing	30,100	30,830	-2.4	Health care & social assistance	17,370	17,430	-0.4
Transportation equipment	3,900	4,100	-4.9	Accommodations & food svcs.	13,600	13,367	1.7
Private service–providing	92,100	91,670	0.5	Food svcs. & drinking places	11,967	11,733	2.0
General merchandise stores	4,070	4,230	-3.9				
Finance & insurance	5,800	5,700	1.8	**Government**	23,533	23,233	1.3
Admin. support & waste mgmt.	9,130	9,200	-0.7	State govt. educational svcs.	5,467	5,600	-2.4
Employment services	5,570	5,670	-1.8	Local govt. educational svcs.	9,433	9,333	1.1

SOURCE: Michigan Department of Labor and Economic Growth.

MUSKEGON–NORTON SHORES MSA

Total employment fell by 1.3 percent during the second quarter in Muskegon County. Employment declines were reported across all of the county's major sectors. Still, the loss of 900 jobs did not budge the county's unemployment rate, which remained at 6.4 percent. The second-quarter reading of the area's economic indicators was mixed, suggesting that the county's employment conditions may remain sluggish in the coming months.

Muskegon–Norton Shores MSA
Employment Growth
(seasonally adjusted)



Employment in the area's goods-producing industries fell by 2.3 percent during the quarter, as losses were reported in the county's construction and manufacturing sectors. Employment in the county's construction sector dropped by 1.6 percent, reflecting, in part, the 75.9 percent decline in the number of new dwelling units put under contract for construction during the quarter.

Manufacturing employment fell by 2.4 percent during the quarter because of a large 18.7 percent plunge—a loss of 500 jobs—in the county's nondurable goods sector. Discussions with county economic developers could not identify the source for these job losses. Employment in the county's larger durable goods sector increased by 1.6 percent, or by 180 jobs.

Published business reports released during the quarter were mostly positive. Bold Furniture, a niche office furniture maker, merged with Competitive Edge Wood Specialties of Muskegon to form The Bold Companies and is continuing to add workers. Alcoa announced that it is adding a vacuum furnace at its Howmet facility in Whitehall to boost production of the blades that spin inside jet engines and other gas turbines. Howmet, a division of Alcoa, is the county's largest employer and has added 500 workers in the past three years. It now employs 2,427 workers. Finally, Muskegon-based Cole's Quality Foods, a frozen bread company, is opening a new plant in Iowa to meet the growing demand for its product. The move is not expected to affect its 170 workers in the county.

On the negative side, Perrigo announced that it is closing its Montague plant just north of Muskegon, moving the 70 affected workers to the company's larger Allegan facility. And the relationship between labor and management at the Sappi paper mill became tenser as union workers authorized a strike. The strike authorization does not mean that a strike will occur, only that a necessary condition for a strike has been established. Workers have been without a contract since June of last year.

Employment in the county's private service–providing sector declined by 1.1 percent during the quarter, resulting in a loss of 480 jobs. A large portion of these job losses occurred in the retail trade and leisure and hospitality sectors. Both sectors are heavily tied to the county's tourism sector and suggest that the area's summer tourist season suffered a slow start. The only sectors that reported an employment gain were professional and business services and wholesale trade.

The county's unemployment rate remained at 6.4 percent, and the number of unemployed county residents actually fell slightly during the quarter. This indicates that a large number of the 900 individuals who lost their jobs during the quarter either live outside the county, have not yet started to search for a new job (and therefore are not yet "officially" unemployed), or have retired.

Two of the county's three economic indicators were negative during the quarter, hinting that employment conditions may stay sluggish in the coming months. The county's Index of Help-Wanted Advertising declined by nearly 12 percent, indicating that employment conditions in the county's private service–providing sector may remain flat at best. As mentioned previously, the number of new dwelling units put under contract for construction fell by a dramatic 75.9 percent during the quarter. On the plus side, the number of new claims for unemployment insurance fell by nearly 2 percent.

Finally, Muskegon's evolving downtown received another boost with the announcement of a $15 million, 40-unit, upscale waterfront condo project called VidaNova. Construction of the condominiums is to start immediately, and the first units could be ready for occupancy as early as the start of next year. In addition, Muskegon's Main Street will receive a $100,000 Michigan Cool Cities catalyst grant to assist in creating public space.

Muskegon–Norton Shores MSA
(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	66,690	67,590	-1.3	66,980	-0.4
Goods-producing	15,980	16,350	-2.3	16,090	-0.7
Construction and mining	2,520	2,560	-1.6	2,550	-1.2
Manufacturing	13,460	13,790	-2.4	13,530	-0.5
Durable goods	11,300	11,120	1.6	11,170	1.2
Nondurable goods	2,170	2,670	-18.7	2,370	-8.4
Private service–providing	41,370	41,850	-1.1	41,320	0.1
Transportation and utilities	1,280	1,300	-1.5	1,280	0.0
Wholesale trade	1,510	1,460	3.4	1,410	7.1
Retail trade	11,160	11,330	-1.5	11,290	-1.2
Information	930	990	-6.1	1,000	-7.0
Financial activities	1,960	1,980	-1.0	1,990	-1.5
Professional and business services	4,230	4,190	1.0	3,990	6.0
Educational and health services	10,210	10,280	-0.7	10,210	0.0
Leisure and hospitality	7,400	7,560	-2.1	7,360	0.5
Other services	2,700	2,760	-2.2	2,790	-3.2
Government	9,340	9,380	-0.4	9,570	-2.4
Federal	400	400	0.0	400	0.0
State	1,190	1,210	-1.7	1,230	-3.3
Local	7,750	7,780	-0.4	7,950	-2.5
Unemployment					
Number unemployed	5,900	5,920	-0.3	6,150	-4.1
Unemployment rate (%)	6.4	6.4		6.7	
Local indexes					
Help-wanted ads (1996=100)	38	43	-11.6	42	-9.5
UI initial claims	305	311	-1.9	346	-12.0
New dwelling units[a]	484	2,004	-75.9	662	-26.9

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

[a] Seasonally adjusted annual rates.

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

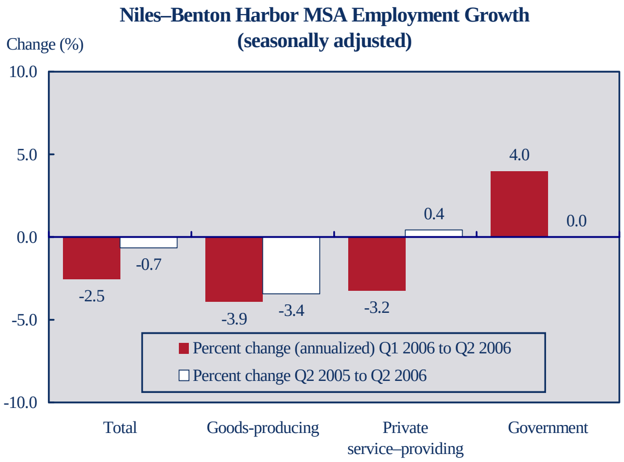
Muskegon–Norton Shores MSA
Industry Employment Change by Place of Work, Second Quarter to Second Quarter
(not seasonally adjusted)

Industry	2006 Q2	2005 Q2	Percent change	Industry	2006 Q2	2005 Q2	Percent change
Goods-producing	16,030	16,130	-0.6	**Government**	9,500	9,730	-2.4
Transportation equipment	1,100	1,500	-26.7	Local govt. educational svcs.	5,270	5,500	-4.2
Private service–providing	41,770	41,730	0.1				
Accommodations & food svcs.	6,000	6,130	-2.2				
Food svcs. & drinking places	5,470	5,630	-3.0				

SOURCE: Michigan Department of Labor and Economic Development.

NILES–BENTON HARBOR MSA

Total employment fell by 0.6 percent during the second quarter in Berrien County. The loss of more than 400 jobs pushed the area's unemployment rate up to 6.6 percent. The area's two economic indicators deteriorated during the quarter, suggesting that employment conditions may remain soft in the coming months.



Employment in the area's goods-producing sector fell by 1.0 percent during the quarter because of declines in both construction and manufacturing activity. Construction employment fell by nearly 5.0 percent for the quarter. The employment decline is in line with the 53.2 percent plunge in the number of dwelling units put under contract for construction. Given the number of large construction projects currently underway in the county—including the Four Winds Casino, several developments in the New Buffalo area, and the Harbor Shores development in the St. Joseph–Benton Harbor area—the drop in construction employment is surprising and, most likely, short-lived.

During the past four quarters, manufacturing employment declined by 2.9 percent, and the entire decline was recorded in the area's auto-dominated durable goods sector. Employment in the area's smaller nondurable goods sector remained flat. Modern Plastics, an auto plastic parts maker, announced expansion plans that will allow it to add 100 jobs to its current workforce of approximately 270. Some of these new jobs will be filled by workers at its New Buffalo plant, which the company plans to merge with its Benton Harbor–area plant within the next two years.

Bowater Inc. closed its plant in Benton Harbor and laid off 50 employees because of rising costs and declining demand for its product. The plant put glossy coatings on paper used in magazines and catalogs.

However, the county's manufacturing employment numbers should receive a boost when the approximately 400 research and development workers of the recently purchased Maytag Company join their new Whirlpool colleagues.

Finally, North American Forest Products announced that it is investing $3.35 million to build a plant in neighboring Cass County to manufacture wood moldings for the RV and manufactured housing industries. The plant will employ 45 people.

Employment in the county's private service–providing industries fell by 0.8 percent during the quarter. The only sector reporting significant employment gains was education and health services, which picked up 160 workers. Large employment declines were reported among the area's wholesalers, leisure and hospitality businesses, and professional and business services.

Government employment rose by 1.0 percent during the quarter because of significant gains in local government employment, which includes area public schools. The gains resulted not because of additional hires but, instead, because the annual summer employment reduction at the public schools either was not as severe as in previous years or was slightly postponed.

The loss of more than 400 jobs in the county during the second quarter helped push its unemployment rate up to 6.6 percent.

Both of the area's economic indicators deteriorated during the quarter. The number of new claims for unemployment insurance rose by 13.5 percent and, as previously mentioned, the number of new dwelling units put under contract for construction plunged by 53.2 percent.

Niles–Benton Harbor MSA
(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	64,890	65,310	-0.6	65,320	-0.7
Goods-producing	16,870	17,040	-1.0	17,470	-3.4
Construction and mining	2,140	2,250	-4.9	2,300	-7.0
Manufacturing	14,730	14,790	-0.4	15,170	-2.9
Durable goods (see table below)					
Nondurable goods (see table below)					
Private service–providing	39,800	40,130	-0.8	39,630	0.4
Transportation and utilities	2,300	2,310	-0.4	2,300	0.0
Wholesale trade	2,290	2,390	-4.2	2,220	3.2
Retail trade	7,450	7,470	-0.3	7,450	0.0
Information	900	890	1.1	900	0.0
Financial activities	2,290	2,330	-1.7	2,220	3.2
Professional and business services	4,970	5,050	-1.6	5,170	-3.9
Educational and health services	10,100	9,940	1.6	9,820	2.9
Leisure and hospitality	6,640	6,840	-2.9	6,610	0.5
Other services	2,860	2,920	-2.1	2,930	-2.4
Government	8,220	8,140	1.0	8,220	0.0
Federal government	400	400	0.0	400	0.0
State government	490	500	-2.0	560	-12.5
Local government	7,330	7,240	1.2	7,260	1.0
Unemployment					
Number unemployed	5,320	5,200	2.3	5,390	-1.3
Unemployment rate (%)	6.6	6.4		6.7	
Local indexes					
UI initial claims	221	195	13.5	215	2.6
New dwelling units[a]	509	1087	-53.2	551	-7.7

NOTE: Categories may not sum to total due to rounding.
[a] Seasonally adjusted annual rates.

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

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

Industry	2006 Q2	2005 Q2	Percent change	Industry	2006 Q2	2005 Q2	Percent change
Goods-producing	16,930	17,530	-3.4	Accommodations & food svcs.	6,030	6,000	0.6
Durable goods	12,000	12,430	-3.5				
Nondurable goods	2,730	2,730	0.0	**Government**	8,400	8,400	0.0
				Local govt. educational svcs.	4,900	4,800	2.1
Private service–providing	40,130	39,970	0.4				
Health care & social assistance	7,870	7,700	2.2				

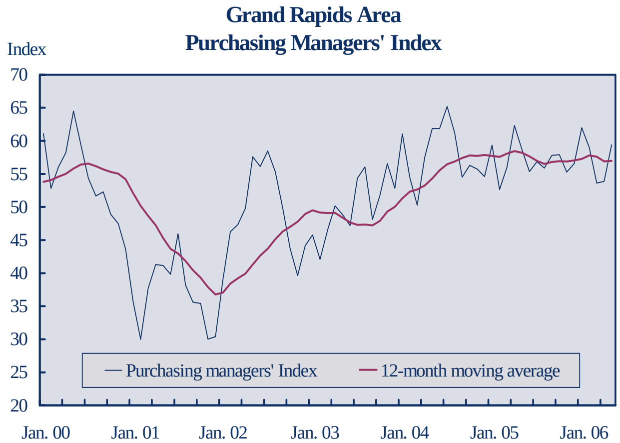
SOURCE: Michigan Department of Labor and Economic Development.

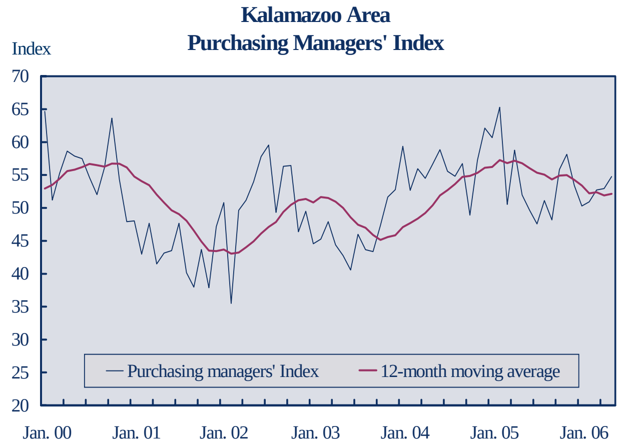
Purchasing Managers' Index and Major Economic Developments

Economic conditions in West Michigan appear to have varied in August, as conditions in the Grand Rapids area were "back to flat," while in Kalamazoo "stable and steady growth continues." That is according to the latest issue of *Current Business Trends*, a monthly publication reporting on the outlook of local purchasing managers.

The August report marks the first time since March 2003 that the Grand Rapids area purchasing managers' index has dropped to a reading of just over 50—the tipping point below which the outlook indicates worsening economic conditions. In all likelihood this flat outlook represents nothing more than a one-time blip. Examining the individual components of the Grand Rapids purchasing managers' index shows that while production and purchases are down, so are inventories of raw materials and finished goods. This may indicate that firms are attempting to ride out price fluctuations related to energy and other production inputs; however, with sales holding steady, area companies will most likely need to up production levels sooner rather than later.

In the Kalamazoo area, conditions are somewhat stronger, as the August purchasing managers' index hit a nine-month high. In the individual components of the index, a large share of companies reported increases in sales, employment, and purchases. Still, no long-term trend has developed, and current readings are far from past growth peaks, indicating that much room for improvement still exists.





Major Economic Developments

Battle Creek MSA

In Jonesville, in neighboring Hillsdale County, SKD announced it could create 400 new jobs as a result of its planned $8.2 million multiphase expansion of its plant. In addition, Alphi Manufacturing announced its plans to invest $4.2 million to upgrade its current facility and create 120 jobs.

Grand Rapids–Wyoming MSA

Advance Packaging announced that it is consolidating its existing operations in Kentwood and Wyoming into one location and adding 120 workers to its current workforce of 180 employees.

Trident Lighting, which employs 100 workers, is remaining open only because of special agreements with its lender and one of its major customers.

Dematic is being purchased by a German-based firm, Triton. At this time, the company is planning to keep Dematic's workforce of about 1,350 here.

Holland–Grand Haven MSA

Bil-Mar Foods is starting new production lines and will create an additional 18 to 20 jobs on top of the 24 jobs it has already created this year.

Perrigo announced that it is closing its Holland manufacturing facility and moving the 70 affected workers to the company's larger Allegan facility.

Kalamazoo–Portage MSA

Wright Coating announced that it plans to expand and add 15 new employees to its current staff of 85 workers.

Alliant Healthcare Products announced that it could add 200 new jobs by 2011 because of three new contracts.

Muskegon–Norton Shores MSA

Bold Furniture merged with Competitive Edge Wood Specialties of Muskegon to form The Bold Companies and is continuing to add workers.

Perrigo announced that it is also closing its Montague plant just north of Muskegon, moving the 70 affected workers to the company's larger Allegan facility.

Niles–Benton Harbor MSA

Modern Plastics announced expansion plans that will allow it to add 100 jobs to its current workforce of 270.

Bowater Inc. closed its plant in Benton Harbor and laid off 50 employees.

Appendix Tables

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

Labor market area	Average for manufacturing production workers[a] June 2006: Weekly hours	% change, 2005–06	Hourly earnings	% change, 2005–06	Weekly earnings	% change, 2005–06	Civilian labor force unemployment rate[b]: April 2006	June 2006
United States	40.9	1.7	$18.00	2.4	$736.20	4.2	4.5	4.8
Michigan	43.5	4.6	22.07	2.6	960.05	7.3	6.8	6.5
West Michigan MSAs:								
Battle Creek	—	—	—	—	—	—	6.7	6.4
Grand Rapids–Wyoming	43.3	12.8	17.90	-0.2	775.07	12.5	5.8	5.7
Holland–Grand Haven	—	—	—	—	—	—	5.0	5.0
Kalamazoo-Portage	39.8	2.3	14.86	-0.6	591.43	1.7	5.3	5.5
Muskegon–Norton Shores	—	—	—	—	—	—	6.7	6.5
Niles–Benton Harbor	—	—	—	—	—	—	6.8	6.8
Other labor market areas:								
Ann Arbor	—	—	—	—	—	—	4.2	4.4
Bay City	—	—	—	—	—	—	7.4	6.5
Detroit-Warren-Livonia	43.2	1.9	25.07	1.3	1,083.02	3.2	6.9	6.9
Flint	43.4	-6.7	29.91	-3.7	1,298.09	-10.1	8.2	7.7
Jackson	—	—	—	—	—	—	6.8	6.7
Lansing–East Lansing	40.6	-1.0	24.15	3.6	980.49	2.6	5.9	5.7
Monroe	—	—	—	—	—	—	5.9	5.9
Saginaw	—	—	—	—	—	—	7.7	7.2

NOTE: — = data not available.

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

[b] Seasonally adjusted rate for U.S. was 4.7 percent in April 2006 and 4.6 percent in June 2006. Seasonally adjusted rate for Michigan was 7.2 percent in April 2006 and 6.3 percent in June 2006.

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

Table A-2
Michigan Statistics
(seasonally adjusted)

Measure	2006 Q2	2006 Q1	% change, Q1 to Q2	2005 Q2	% change, Q2 to Q2
Employment (by place of work)					
Total nonfarm employment	4,374,700	4,367,570	0.2	4,390,770	-0.4
Goods-producing	860,600	861,700	-0.1	881,000	-2.3
Natural resources and mining	8,470	8,430	0.5	8,530	-0.7
Construction	191,930	189,900	1.1	191,030	0.5
Manufacturing	660,200	663,370	-0.5	681,430	-3.1
Durable goods	512,550	515,650	-0.6	531,860	-3.6
Nondurable goods	147,650	147,720	0.0	149,570	-1.3
Private service–providing	2,844,370	2,832,300	0.4	2,834,830	0.3
Transportation and utilities	128,910	128,230	0.5	127,510	1.1
Wholesale trade	170,530	169,760	0.5	170,500	0.0
Retail trade	496,190	496,980	-0.2	508,520	-2.4
Information	66,800	67,430	-0.9	67,900	-1.6
Financial activities	219,970	218,830	0.5	218,000	0.9
Professional and business services	598,100	597,400	0.1	589,300	1.5
Educational and health services	574,700	569,770	0.9	568,500	1.1
Leisure and hospitality	410,830	405,130	1.4	406,070	1.2
Other services	178,330	178,770	-0.2	178,530	-0.1
Government	669,730	673,570	-0.6	674,930	-0.8
Unemployment					
Number unemployed	332,540	334,820	-0.7	347,150	-4.2
Unemployment rate (%)	6.5	6.5		6.8	
State indexes (1996=100)					
Help-wanted ads					
Detroit	22	27	-18.5	28	-21.4
West Michigan (4 MSAs)	34	36	-5.6	41	-17.1
Local components					
UI initial claims	18,047	17,023	6.0	19,182	-5.9
New dwelling units[a]	27,428	39,256	-30.1	41,973	-34.7

NOTE: Employment numbers for durable, nondurable goods, transportation and utilities, wholesale trade, and retail trade are seasonally adjusted by the W.E. Upjohn Institute. Other numbers are seasonally adjusted by the Bureau of Labor Statistics. Categories may not sum to total due to rounding.

[a] Seasonally adjusted annual rates.

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

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

Industry	2006 Q2	2005 Q2	Percent change	Industry	2006 Q2	2005 Q2	Percent change
Goods-producing	866,130	885,530	-2.2	Furniture & home furnishings	17,800	18,070	-1.5
Primary metals	26,270	26,900	-2.3	Food and beverage	84,100	85,570	-1.7
Fabricated metal products	84,430	84,700	-0.3	Gasoline stations	24,900	25,570	-2.6
Machinery	73,970	74,870	-1.2	Clothing & accessories	40,870	40,270	1.5
Transportation equipment	230,130	241,870	-4.9	General merchandise	107,900	111,600	-3.3
Motor vehicle parts	155,470	161,130	-3.5	Prof., scientific, & tech. svcs.	248,830	245,900	1.2
Furniture & related products	24,830	25,530	-2.7	Educational services	78,570	78,070	0.6
Office furniture, incl. fixtures	18,330	18,500	-0.9	Ambulatory health care	166,570	165,430	0.7
Food	32,770	32,600	0.5	Social assistance	58,270	57,670	1.0
Paper	14,970	14,900	0.5	Food svcs. & drinking places	315,570	313,500	0.7
Printing and related support	17,500	17,970	-2.6	**Government**	682,030	682,970	-0.1
Chemical manufacturing	29,700	30,200	-1.7	Federal government	54,670	54,700	-0.1
Plastics & rubber products	41,830	42,430	-1.4	State government	163,800	164,530	-0.4
Private service–providing	2,858,830	2,855,570	0.1	Local government	463,570	463,730	0.0
Automobile dealers	41,470	41,430	0.1	Local govt. educational svcs.	273,000	275,130	-0.8

SOURCE: Michigan Department of Labor and Economic Growth.

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

Area	Income distribution	2004[a]	2003[a]	2002[a]	2001[a]	2000	1999	1994
Battle Creek MSA	Total personal income ($000)	3,850,546	3,748,741	3,635,112	3,500,169	3,471,425	3,375,735	2,785,470
	Per capita personal income ($)	27,601	26,968	26,210	25,296	25,138	24,458	20,198
	Earnings per worker ($)	44,618	44,176	41,901	39,345	39,571	38,554	32,162
	Manufacturing	72,686	75,630	69,061	56,636	66,528	63,699	51,769
	Private nonmanufacturing	32,882	32,157	31,259	31,058	26,708	26,787	21,754
Grand Rapids–Wyoming MSA	Total personal income ($000)	23,552,554	22,810,416	21,821,228	21,581,116	20,818,408	19,547,808	14,877,334
	Per capita personal income ($)	30,739	29,926	28,839	28,767	28,023	26,638	21,550
	Earnings per worker ($)	43,939	43,320	41,332	39,759	37,976	36,622	31,108
	Manufacturing	70,262	71,943	64,043	57,196	54,938	54,092	47,201
	Private nonmanufacturing	37,596	36,484	35,450	34,692	32,536	30,963	25,097
Barry County	Total personal income ($000)	1,731,811	1,686,712	1,628,108	1,644,316	1,574,634	1,502,771	1,044,008
	Per capita personal income ($)	29,234	28,669	27,989	28,589	27,664	26,754	19,785
	Earnings per worker ($)	28,058	27,589	25,674	25,386	23,788	22,963	23,045
	Manufacturing	56,917	55,512	49,141	45,622	46,509	44,053	38,304
	Private nonmanufacturing	21,595	21,085	19,547	19,569	16,838	16,408	16,868
Ionia County	Total personal income ($000)	1,470,514	1,440,940	1,357,552	1,322,854	1,291,427	1,243,980	955,849
	Per capita personal income ($)	22,878	22,639	21,490	21,314	20,940	20,218	15,585
	Earnings per worker ($)	36,018	36,871	33,765	31,854	30,289	29,688	25,587
	Manufacturing	58,305	67,683	55,837	51,205	48,481	45,374	36,279
	Private nonmanufacturing	24,946	24,917	23,764	22,167	20,722	20,840	16,559
Kent County	Total personal income ($000)	19,222,478	18,590,311	17,787,705	17,573,848	16,938,017	15,831,665	12,148,188
	Per capita personal income ($)	32,416	31,492	30,333	30,202	29,392	27,837	22,782
	Earnings per worker ($)	45,725	45,016	43,039	41,383	39,525	38,026	31,819
	Manufacturing	71,772	73,118	65,251	58,116	55,740	54,887	47,579
	Private nonmanufacturing	39,518	38,326	37,316	36,544	34,330	32,571	26,008
Newaygo County	Total personal income ($000)	1,127,751	1,092,453	1,047,863	1,040,098	1,014,330	969,392	729,289
	Per capita personal income ($)	22,697	22,105	21,425	21,337	21,123	20,454	16,958
	Earnings per worker ($)	31,714	30,994	29,385	28,868	28,217	28,730	29,277
	Manufacturing	62,079	63,777	57,942	51,977	49,855	55,920	65,828
	Private nonmanufacturing	23,999	22,940	21,614	21,731	21,114	21,055	18,513
Holland–Grand Haven MSA	Total personal income ($000)	7,517,572	7,252,948	6,868,133	6,763,271	6,677,656	6,408,233	4,680,242
	Per capita personal income ($)	29,720	29,047	27,878	27,775	27,881	27,279	22,632
	Earnings per worker ($)	42,294	41,827	39,186	37,357	35,928	35,196	28,827
	Manufacturing	61,313	62,360	56,232	50,491	51,319	49,619	41,381
	Private nonmanufacturing	32,628	31,525	29,860	29,628	26,852	26,498	21,138
Kalamazoo-Portage MSA	Total personal income ($000)	9,570,584	9,342,977	8,884,029	8,551,586	8,325,202	8,036,278	6,559,943
	Per capita personal income ($)	30,070	29,228	27,955	27,075	26,412	25,624	21,554
	Earnings per worker ($)	42,051	41,844	38,967	36,897	35,139	34,791	29,865
	Manufacturing	78,663	81,197	68,410	61,182	61,119	58,788	51,956
	Private nonmanufacturing	33,432	32,415	31,419	30,296	27,573	27,480	22,412
Kalamazoo County	Total personal income ($000)	7,604,516	7,456,322	7,111,167	6,843,529	6,642,895	6,420,365	5,253,972
	Per capita personal income ($)	31,719	30,860	29,587	28,630	27,812	27,024	22,788
	Earnings per worker ($)	42,873	42,864	39,815	37,678	35,757	35,283	30,767
	Manufacturing	83,055	85,667	71,906	64,425	64,566	62,105	54,860
	Private nonmanufacturing	33,715	32,736	31,799	30,715	27,882	27,614	22,872
Van Buren County	Total personal income ($000)	1,966,068	1,886,655	1,772,862	1,708,057	1,682,307	1,615,913	1,305,971
	Per capita personal income ($)	25,038	24,175	22,891	22,236	22,032	21,249	17,696
	Earnings per worker ($)	37,473	36,099	34,255	32,528	31,752	31,994	24,695
	Manufacturing	54,988	54,137	48,779	43,805	45,343	42,777	34,991
	Private nonmanufacturing	31,600	30,350	29,016	27,618	25,588	26,582	19,444
Muskegon–Norton Shores MSA	Total personal income ($000)	4,424,349	4,290,529	4,119,399	4,073,987	3,943,373	3,742,920	2,865,282
	Per capita personal income ($)	25,406	24,775	23,927	23,765	23,122	22,104	17,506
	Earnings per worker ($)	36,497	36,128	34,878	34,399	33,128	32,426	28,833
	Manufacturing	61,265	60,737	56,848	51,648	54,315	52,453	46,243
	Private nonmanufacturing	28,755	28,839	27,898	28,313	25,517	24,823	21,442
Niles–Benton Harbor MSA	Total personal income ($000)	4,670,418	4,488,562	4,346,942	4,320,029	4,239,424	4,076,482	3,224,191
(Berrien County)	Per capita personal income ($)	28,684	27,572	26,759	26,655	26,072	25,159	19,859
	Earnings per worker ($)	39,301	38,041	36,739	35,519	34,324	33,543	28,162
	Manufacturing	68,915	66,157	61,818	55,109	57,169	55,250	43,932
	Private nonmanufacturing	30,470	29,620	29,058	29,098	26,497	25,928	21,031

[a] 2001 through 2004 statistics are based on North American Industry Classification System (NAICS); other years are based on Standard Industrial Classification (SIC).

SOURCE: U.S. Bureau of Economic Analysis.

Table A-4
Consumer Price Index[a]
U.S. City Average (1982–84=100)

Year	Annual average	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CPI for All Urban Consumers (CPI-U)													
1987	113.6	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4
1988	118.3	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5
1989	124.0	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1
1990	130.7	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8
1991	136.2	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9
1992	140.3	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9
1993	144.5	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8
1994	148.2	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7
1995	152.4	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5
1996	156.9	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6
1997	160.5	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3
1998	163.0	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9
1999	166.6	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3
2000	172.2	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0
2001	177.1	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7
2002	179.9	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9
2003	184.0	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3
2004	188.9	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3
2005	195.3	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8
2006	201.0	198.3	198.7	199.8	201.5	202.5	202.9	203.5					
CPI for Urban Wage Earners and Clerical Workers (CPI-W)													
1987	112.5	110.0	110.5	111.0	111.6	111.9	112.4	112.7	113.3	113.8	114.1	114.3	114.2
1988	117.0	114.5	114.7	115.2	115.7	116.2	116.7	117.2	117.7	118.5	118.9	119.0	119.2
1989	122.6	119.7	120.2	120.8	121.8	122.5	122.8	123.2	123.2	123.6	124.2	124.4	124.6
1990	129.0	125.9	126.4	127.1	127.3	127.5	128.3	128.7	129.9	131.1	131.9	132.2	132.2
1991	134.3	132.8	132.8	133.0	133.3	133.8	134.1	134.3	134.6	135.2	135.4	135.8	135.9
1992	138.2	136.0	136.4	137.0	137.3	137.6	138.1	138.4	138.8	139.1	139.6	139.8	139.8
1993	142.1	140.3	140.7	141.1	141.6	141.9	142.0	142.1	142.4	142.6	143.3	143.4	143.3
1994	145.6	143.6	144.0	144.4	144.7	144.9	145.4	145.8	146.5	146.9	147.0	147.3	147.2
1995	149.8	147.8	148.3	148.7	149.3	149.6	149.9	149.9	150.2	150.6	151.0	150.9	150.9
1996	154.1	151.7	152.2	152.9	153.6	154.0	154.1	154.3	154.5	155.1	155.5	155.9	155.9
1997	157.6	156.3	156.8	157.0	157.2	157.2	157.4	157.5	157.8	158.3	158.5	158.5	158.2
1998	159.7	158.4	158.5	158.7	159.1	159.5	159.7	159.8	160.0	160.2	160.6	160.7	160.7
1999	163.2	161.0	161.1	161.4	162.7	162.8	162.8	163.3	163.8	164.7	165.0	165.1	165.1
2000	168.9	165.6	166.5	167.9	168.0	168.2	169.2	169.4	169.3	170.4	170.6	170.9	170.7
2001	173.5	171.7	172.4	172.6	173.5	174.4	174.6	173.8	173.8	174.8	174.0	173.7	172.9
2002	175.9	173.2	173.7	174.7	175.8	175.8	175.9	176.1	176.6	177.0	177.3	177.4	177.0
2003	179.8	177.7	179.2	180.3	179.8	179.4	179.6	179.6	180.3	181.0	180.7	180.2	179.9
2004	184.5	180.9	181.9	182.9	183.5	184.7	185.3	184.9	185.0	185.4	186.5	186.8	186.0
2005	191.0	186.3	187.3	188.6	190.2	190.0	190.1	191.0	192.1	195.0	195.2	193.4	192.5
2006	196.7	194.0	194.2	195.3	197.2	198.2	198.6	199.2					

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

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

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

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

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

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

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

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

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

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

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

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

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