

WEST MICHIGAN VIEWPOINT

2009 and 2010 Employment Forecast for West Michigan

Last year we warned that if residential construction did not rebound during the year, and if housing values continued to fall, a bad regional forecast would be the least of our worries. Now it is clear that what was originally thought to be a correction in the housing market because of risky subprime mortgage activity turned into a stampede for the doors. The prices of nearly all assets from homes to stocks plunged over the past year, and great uncertainty blocks our vision of the future. Despite aggressive moves by the Federal Reserve and other central banks worldwide, global financial markets remain nearly frozen. Worse yet, the financial crisis has dragged down the country's real economy, as employers cut 1.3 million jobs during the fourth quarter and domestic output dropped by 3.8 percent.

In short, 2009 is off to a very bad start.

Small Comfort—Last Year's Forecast Was Close to the Mark

Last year's forecast for the six metropolitan areas called for a 0.3 percent employment decline in 2008. Employment is now estimated to have declined by 0.6 percent for the year. In particular, we were too optimistic regarding goods-producing employment and too pessimistic regarding government employment; however, we nailed the change in employment for the area's private service-providing sector.

Employment Forecasts for West Michigan and Its Metro Areas

We are forecasting employment in 2009 to fall by 2.6 percent in the six metropolitan areas of west Michigan (Table 1). Employment in the region's goods-producing sector is expected to take a major hit, falling by 7.6 percent during the year. Horrible car sales and a depressed office-furniture market are taking their toll on the region's manufacturing sector. In addition, excessive inventory of unsold homes and a frozen financial market will likely keep residential construction in the basement for at least the first nine months of the year.

The negative multiplier effect of losing so many goods-producing jobs will cause employment in the region's private service-providing sector to turn negative as well; it is forecast to fall by 1.3 percent for the year. Government employment is expected to stay stable but only because of the opening of the Firekeepers Casino in the Battle Creek MSA, since the casino's workers are classified as government workers. The individual forecast for each of the metro areas is shown in Table 2.

**Table 1 Last Year's Forecast vs. Actual Performance
(% change)**

	Forecast 2008	Actual 2008
Total	-0.3	-0.6
Goods-producing	-2.1	-3.6
Service-providing	0.4	0.4
Government	-0.3	0.2

**Table 2 Employment Forecast for 2009 and 2010
(% change from 2008)**

	Actual 2008	Forecast 2009	Forecast 2010
Battle Creek MSA			
Total	-2.5	-1.7	1.6
Goods-producing	-4.7	-4.2	-1.3
Service-providing	-1.4	-2.1	1.7
Government	-3.2	3.7	5.4
Grand Rapids-Wyoming MSA			
Total	-0.2	-2.5	0.3
Goods-producing	-2.9	-8.0	-1.2
Service-providing	0.6	-1.0	0.9
Government	0.2	-0.4	-0.4
Holland-Grand Haven MSA			
Total	-1.8	-4.0	0.0
Goods-producing	-4.3	-9.0	-1.2
Service-providing	0.2	-1.7	0.9
Government	-2.2	-0.2	-0.3
Kalamazoo-Portage MSA			
Total	-0.7	-2.0	-0.1
Goods-producing	-4.1	-5.4	-2.1
Service-providing	0.3	-1.5	0.5
Government	-1.0	-0.2	-0.3
Muskegon-Norton Shores MSA			
Total	-0.5	-3.3	-0.5
Goods-producing	-4.4	-9.4	-1.6
Service-providing	0.3	-1.8	-0.1
Government	2.1	-0.7	-0.7
Niles-Benton Harbor MSA			
Total	1.2	-2.6	1.0
Goods-producing	-2.7	-7.4	0.4
Service-providing	0.9	-1.1	1.6
Government	9.7	-0.5	-0.5
West Michigan			
Total	-0.6	-2.6	0.3
Goods-producing	-3.6	-7.6	-1.2
Service-providing	0.4	-1.3	0.9
Government	0.2	0.0	0.1