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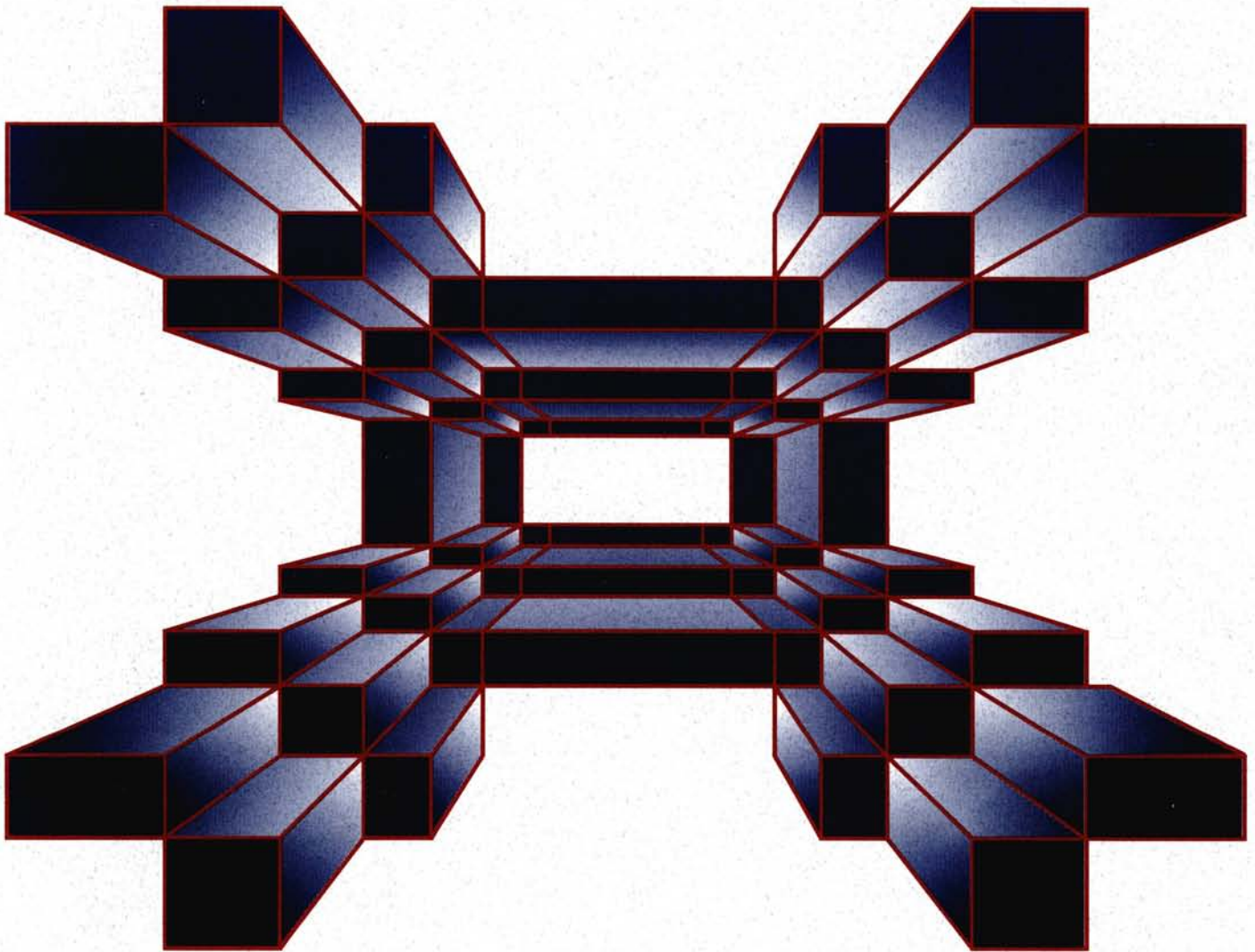
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BUSINESS OUTLOOK

for West Michigan



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BUSINESS OUTLOOK

for West Michigan

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WEST MICHIGAN VIEWPOINT

Tax-Base Sharing: An Introduction

Many core cities face a growing problem of meeting demands for rising public expenditures with a stagnant or declining revenue-raising capacity. Tax-base or tax-revenue sharing is often raised as a possible remedy to this problem. This article offers a brief introduction to these approaches, points out several of the limitations that can seriously affect their effectiveness and political plausibility, and suggests alternative approaches that may help relieve the fiscal imbalance found in many of the nation's metropolitan areas.

The reasons for the growing disparity between public funds and obligations among cities are well known: high-way access, the attractiveness of open space, and quality of life issues pull businesses and residents out of the core city, while the existence of environmentally damaged land, obsolete structures, traffic congestion, perceived safety issues, and the lack of large parcels of vacant land push them out. The movement is often accelerated when the core city finds that it must raise property taxes to meet its growing expenditures.

In addition, core cities house a growing population that is economically and socially isolated from the rest of the metropolitan area. Due in large part to the lack of alternative housing options, low-income individuals locate in the city and face many barriers in finding employment, including lack of skills, lack of transportation, lack of economic and social networks, and lack of self-esteem. While it is the core city that must face the difficult task of dealing with these problems, studies suggest that the entire metropolitan area suffers when the core city is deteriorating.

The concept of tax-base or revenue sharing is straightforward: a portion of the new growth in industrial and/or commercial property that occurs in the metropolitan area is allocated by an agreed-upon formula among all of the area's local governments. In Minneapolis, for example, 40 percent of all growth in industrial and commercial property value since 1971 is contributed to an area-wide pool. It is important to note that this growth in property assessment includes the impact of inflation as well as new growth. The allocation formula used to distribute the shared tax base is typically based on size and fiscal capacity. Size is measured by population, state equalized valuation (SEV), or land area, while fiscal capacity is measured by per capita income or SEV per capita.

To provide a simplified example of tax-base sharing, take a hypothetical metropolitan area comprising three governmental jurisdictions: a core city that houses 35 percent of

the area's population and contains 33.3 percent of the area's total SEV, a major suburb containing 20 percent of the area's population and 25 percent of the area's SEV, and area townships that house 45 percent of the area's population and 41.7 percent of its SEV (Table 1).

In this example, the metropolitan area has experienced growth in the SEV of industrial and commercial properties of \$1.5 million (including inflation). Each of the governmental units keeps 60 percent of its increase and contributes 40 percent into a shared pool totaling \$600,000. The major suburb contributes the most, \$280,000, to the pool.

The allocation method in this example is the same as that used in Minneapolis: a distribution index is calculated for each jurisdiction by multiplying its population by the ratio of the total metropolitan SEV per capita to its own SEV per capita. The final column shows the allocation of the pooled SEV and the total SEV that each jurisdiction receives using the plan. According to the allocation formula, the core city contributes 13.3 percent of the pool and receives 36.3 percent back; the townships are also net winners: they have the lowest SEV per capita, because much of their land is undeveloped. The major suburb loses. The core city receives a 68.9 percent increase in taxable SEV (\$337,800/\$200,000), the townships, 7.9 percent; the major suburb also receives an increase in SEV, but the increase is 26.5 percent less than it would receive without sharing. The political difficulty of gaining suburban support for such a plan is obvious.

Another issue with tax-base sharing is generating the necessary tax revenue to be allocated according to the formula. Townships have millage rates that are typically well below those of the core or suburban cities. In the example being used, the millage rate in the core city stands at 25.0 mills, 12.5 mills in the major suburb, and 1 mill in the townships. As shown in Table 2, the tax revenue generated by the new growth in commercial and industrial properties is \$1,177 more under tax-base sharing than without sharing. Under this arrangement, only the suburbs generate fewer dollars under tax-base sharing than without it. To generate the additional tax revenue required under the sharing plan, it is necessary for each of the government units to incorporate an average millage rate on that portion of the property that is included in the pool. In other words, each government must adjust their overall millage rate so that sufficient revenues are raised to meet the required revenue amount to be shared; the townships would be required to increase their millage rates while the core city could lower its rates.

Table 1
Tax-Base-Sharing Scenario

Jurisdiction; population; current SEV	New SEV growth (\$)	40% SEV contribution to pool (\$)	Current SEV ÷ population	Distribution index^a	Distribution percentage	Pool SEV received; total new SEV^b
Core city; Pop. 70,000 SEV \$1 billion	200,000	80,000	\$14,285	73,504	36.3%	\$217,800; 337,800
Major suburb; Pop. 40,000 SEV \$750 million	700,000	280,000	18,750	32,000	15.8%	94,800; 514,800
Townships; Pop. 90,000 SEV \$1.25 billion	600,000	240,000	13,889	97,199	47.9%	287,400; 647,400
Metro total; Pop. 200,000 SEV \$3 billion	1,500,000	600,000	15,000	202,703	100%	600,000; 1,500,000

^aDistribution index = jurisdiction population x (metro SEV per cap./jurisdiction SEV per cap.).

^bNet dollars received = 60% of new SEV + share of pooled SEV.

Table 2
Tax-Rate Effect on Tax-Base Sharing

Jurisdiction; Millage rate	Before sharing		After sharing		
	Increase in SEV	Tax revenue generated	Increase in SEV	Tax revenue generated	Difference in tax revenue generated
Core city; 25.0	\$200,000	\$ 5,000	\$ 337,800	\$ 8,445	\$3,445
Major suburb; 12.5	700,000	8,750	514,800	6,435	-2,315
Townships; 1.0	600,000	600	647,400	647	47
Metro total	1,500,000	\$14,350	1,500,000	15,527	\$1,177

Since the distribution index is based on the metropolitan average, the millage rate of one government affects that of other governments. However, this influence of one government upon another will be reduced as the number of governmental units within a metropolitan area increases and as the millage rates for each government converge to the metropolitan average.

Tax-base sharing will have three results: the core city receives needed tax revenues; the approach will tend to equalize the metropolitan millage rates; and—this may be unexpected—it is very likely that rural townships will be net winners.

An alternative approach to tax-base sharing is to share tax revenues instead. The results of this approach are illus-

trated in Table 3, using the same hypothetical metropolitan area. It is easy to see that the sharing of property tax revenues yields only modest results. The core city would receive only 1.7 percent more in tax revenues, \$84, due to metropolitan area growth. The townships, on the other hand, would receive a revenue windfall, \$2,149, because they contribute so little to the fund, \$240, due to their low millage rates. The major suburb again would lose.

Various tax-sharing arrangements are possible that redistribute the benefits and costs of growth throughout the metropolitan area. Distribution mechanisms can be devised that bring the costs of providing government services in line with the benefits of receiving services. When metropolitan areas are served by many government units, only by sharing the tax revenues generated from new development can the entire

Table 3
A Tax-Revenue-Sharing Model

Jurisdiction; Population; Current SEV	New SEV growth	Tax rates (mills)	Total revenue (\$)	40%		Distri- bution index ^a	Distri- bution percentage	Final allocation; net receipts ^b
				Contribution to pool (\$)	Current SEV ÷ population			
Core city; Pop. 70,000 SEV \$1 billion	\$200,000	25.0	5,000	2,000	\$14,285	73,504	36.3	\$2,084; \$5,084
Major suburb; Pop. 40,000 SEV \$750 million	700,000	12.5	8,750	3,500	18,750	32,000	15.8	\$ 907; \$6,157
Townships; Pop. 90,000 SEV \$1.25 billion	600,000	1.0	600	240	13,889	97,199	47.9	\$2,749; \$3,109
Metro total; Pop. 200,000 SEV \$3 billion	1,500,000		14,350	5,740	15,000	202,703	100	\$5,740; \$14,350

^a Distribution index = jurisdiction population x (metro SEV per cap./jurisdiction SEV per cap.).

^b Net receipts = 60% of new tax revenue + share of pooled tax revenue.

metropolitan area be better off and the individual jurisdictions emerge as winners.

There are several alternatives:

1. Introduce a county-wide millage supporting an equity fund that would help balance out the unevenness of the current system. The revenues generated from this new property tax could be allocated to local governments using the formula discussed above or could be placed under the authority of a county-wide development board that would represent the county's interest. The benefit of a county-wide fund would be that it could be used to help finance needed public infrastructural improvements that would not be funded otherwise. For example, the fund could finance a business park or technical training center.
2. The allocation formula could be altered to better reflect the public service needs of at-risk populations. For example, the number of children receiving free or reduced-price lunch could be factored into the formula. Or, the residential SEV per capita could be used in place of total SEV per capita to better reflect the

economic well-being of the jurisdiction's residential population. However, these changes would not address the windfall that would come to the townships due to their low millage rates under a tax-revenue-sharing approach.

3. Development impact fees could be instituted that would be applied to development projects that fall outside of an established urban area to finance a county-wide economic development fund. This fee would be added to any existing fees that would pay for necessary infrastructural improvements.

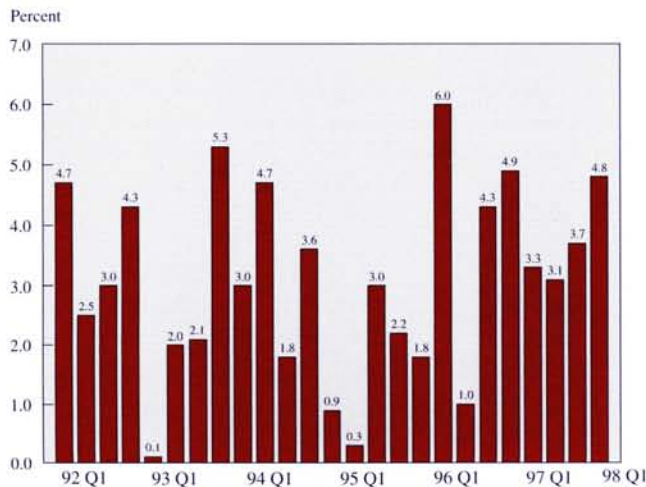
Metropolitan core cities are facing fiscal difficulties because a large share of their area's growth is occurring outside their boundaries, while the demands for public services from its residents and nonresidents (commuters, for example) continue to rise. Tax-base or revenue sharing can play a role in alleviating the fiscal disparities facing metropolitan areas. The experience in Minneapolis shows that tax-sharing arrangements can succeed and that they can help to increase the economic vitality of the entire area by improving the fiscal health of the core cities.

NATIONAL ECONOMY

OUTPUT

Gross Domestic Product (GDP) rose at a sharp 4.8 percent annual rate in the first quarter, being pushed by robust consumer spending, business expenditures on computers, and housing construction. The first-quarter pace was higher than the previous fourth-quarter rate of 3.7 percent. Only negative export sales and a quiet government sector put the brakes on what could have been an exceedingly strong first quarter. Yet, despite the quarter's strong growth, prices increased at very modest rate. The GDP implicit price deflator rose only 1.0 percent (which was lower than the previous fourth-quarter rate of 1.4 percent); indeed, the implicit price deflator for final sales of domestic products was flat in the quarter.

Gross Domestic Product
(seasonally adjusted annualized rate)

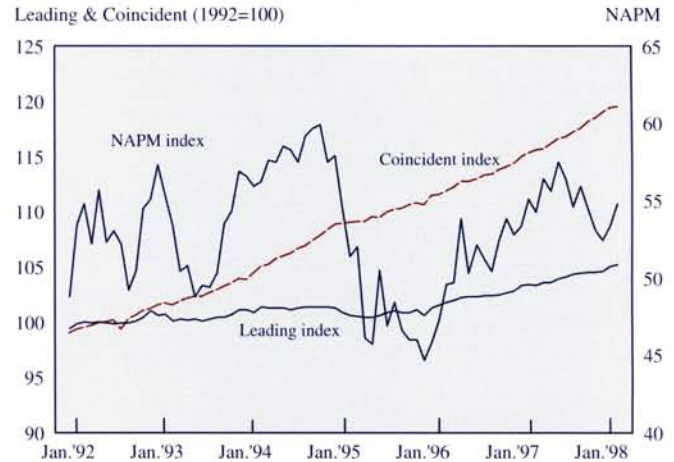


The quarter's output growth was driven primarily by consumers: their spending contributed 4.1 percentage points to the quarter's rate of growth. Business spending on computers and machinery added another 1.9 percentage points, and additions to inventories contributed another 1.4 percentage points. Residential construction accounted for 0.6 percentage points. Net exports and a decline in government spending subtracted 3.1 percentage points from the quarter's performance.

The first-quarter report was highly influenced by El Nino. The mild winter allowed residential construction crews to get an early jump on the year's construction season, moving much of the industry's seasonal second-quarter spurt into the first quarter. As a result, it is very likely that residential construction will be a drag on the economy during the second quarter.

Businesses increased their inventories in the first quarter by \$100.7 billion, which could also slow production in the

Cyclical Economic Indicators



Ratio of Nonfarm Inventories to Final Sales



second quarter. Final sales of domestic products, which excludes changes in inventories, increased at a 3.4 percent annual rate in the quarter. The ratio of nonfarm inventories to final sales held steady in the quarter at 2.16.

Preliminary statistics for April suggest that the economy may cool. The National Association of Purchasing Managers (NAPM) reported that its overall managers' index stood at 52.9 in April, down from the March reading of 54.8 (although any reading above 50 indicates a growing manufacturing sector). While the nation's Leading Indicator Index inched up 0.2 percent in April, the increase was attributed to only two of the index's ten components: stock market prices and the money supply. The index's other components were flat or negative. Finally, the Federal Reserve reported a slowdown in factory output during March. Manufacturing orders dropped for the second straight month, falling 0.2 percent in March.

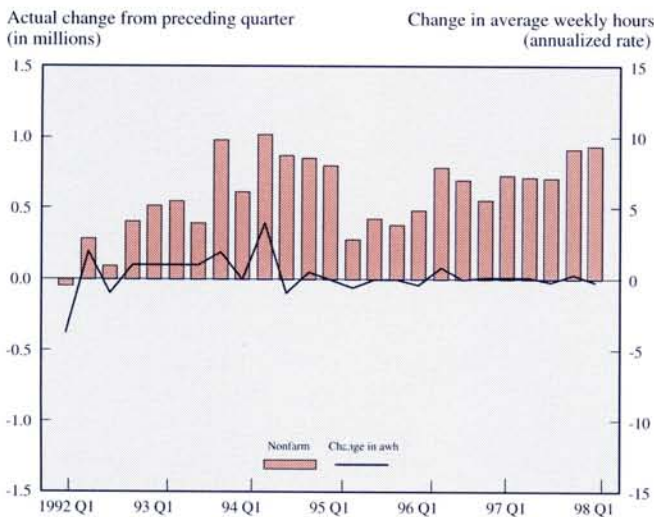
LABOR MARKETS

It is not that surprising, given the 4.8 percent jump in GDP, that nation's employers added 943,000 workers in the first three months of the year. What is surprising is that employers were able to find workers to hire: in the first quarter, the nation's civilian labor force grew by only 711,000 workers.

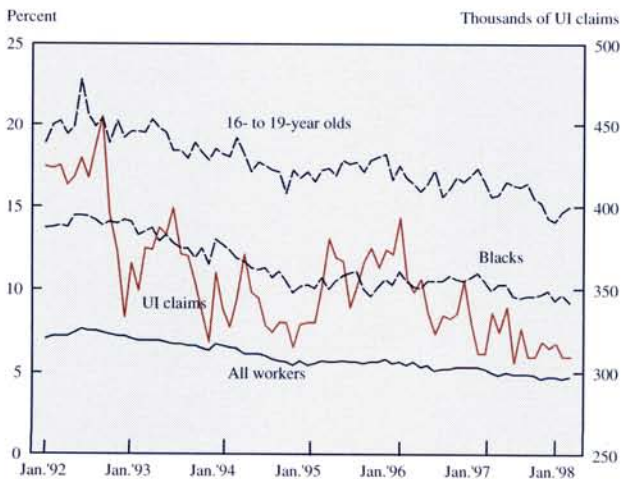
In April, employers created an additional 262,000 new jobs, despite the fact that the nation's civilian labor force shrank by 281,000. More jobs with fewer job seekers pushed the nation's unemployment rate down to 4.3 percent, a level unseen for the past 25 years.

The gap between the growth in the labor force and wage and salary employment was not filled by a decrease in the ranks of the unemployed, but by individuals previously self-

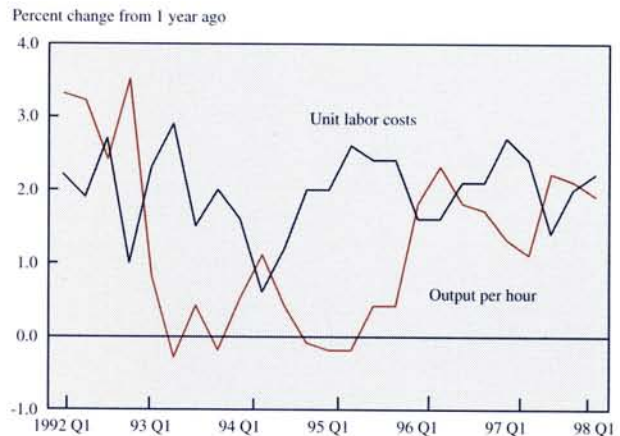
Nonfarm Employment and Change in Average Weekly Hours



Unemployment Rates and Initial Claims



Productivity and Unit Labor Costs (Fixed-Price Index)



employed accepting salaried positions. In the first quarter, the nation's unemployment rate held steady at the fourth-quarter rate of 4.7 percent and the number of unemployed individuals rose by 52,000.

Retailers added 95,000 workers and business services added 174,000, while manufacturers hired 87,000 new workers. Employment in temporary help agencies grew by 79,000 in the quarter.

Employment conditions improved across all racial and age groups, although major differences remain. During the first quarter, African Americans faced a 9.4 percent unemployment rate, which fell to 8.9 percent in April. The unemployment rate among teenagers stood at a high 14.6 percent in the first quarter but slipped to 13.1 percent in April.

The nation's low unemployment rate is causing upward movement in wages. During the first quarter, average hourly earnings rose 1.0 percent over the previous quarter. In April, average hourly earnings were 4.4 percent greater than in the same month last year, the largest gain since 1983. Still, the employment cost index rose only 0.7 percent in the quarter, down from its fourth quarter increase of 1 percent. Wage and salaries rose 0.9 percent in the quarter, while benefit costs increased only 0.4 percent.

Fortunately, as employers dip deeper and deeper into the nation's labor pool, productivity has remained strong. One might expect that many of the quarter's new hires would lack the skills of employed workers and that therefore they would be a drag on productivity. Yet, productivity in nonfarm businesses recorded a strong 1.9 percent year-over-year gain in the first quarter. Although the quarter's year-over-year performance was below the productivity gains of the previous two quarters, it bettered that 1.7 percent gain recorded in 1997 and equalled 1996 productivity gains. The quarter's productivity gains held year-over-year unit labor costs to a 2.2 percent increase, but the nation's unit labor costs have been on the rise during the past three quarters.

INFLATION AND INTEREST RATES

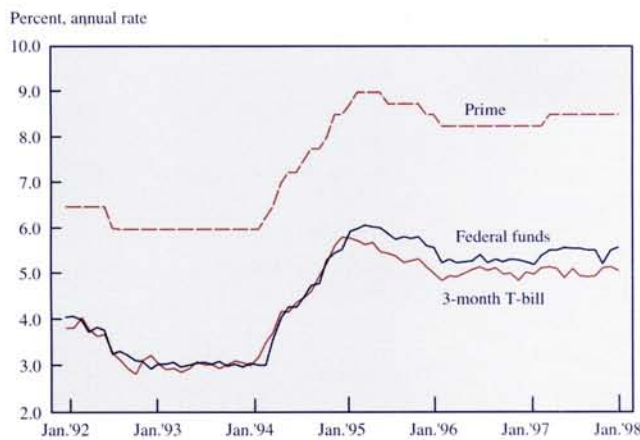
The Federal Reserve Board (Fed) decided to keep short-term interest rates at their current rate of 5.5 percent at its May 19th meeting. In doing so, the Fed ignored the recent surge in the money supply, the plunging unemployment rate, and rising average hourly wages, in light of there being little evidence of building inflationary pressures.

The GDP implicit price deflator, the government's broadest price index, rose only 1.0 percent in the first quarter after increasing 1.4 percent during each of the previous two quarters. Moreover, the price deflator for all domestic purchases did not budge in the first quarter.

Price Indexes



Short-Term Capital Rates



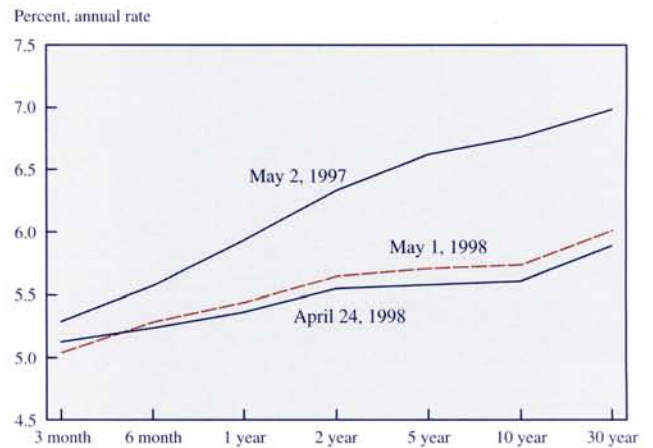
The government's other price measures showed similar passivity. Inflation on the consumer level rose only 1.4 percent in the 12-month period ending in April as measured by the CPI-U. Producer prices inched up 0.2 percent in April, the first rise in the index in seven months. Still, the index is 1.2 percent lower than it stood a year ago. Moreover, purchasing managers surveyed by NAPM reported little to no price pressure building in the manufacturing sector.

Domestic prices are also being held in check by declining import prices. The strong U.S. dollar, global excess capacity

Long-Term Capital Rates



Yield Curves



in many manufacturing industries, and the urge by Southeast Asian countries to export their way out of their domestic economic crises are all pushing import prices lower. Import prices fell 0.1 percent in April, the sixth straight monthly decrease, and posted a 4.9 percent decline compared with last year. If oil imports are taken out of the index, the 12-month drop was still 3.0 percent.

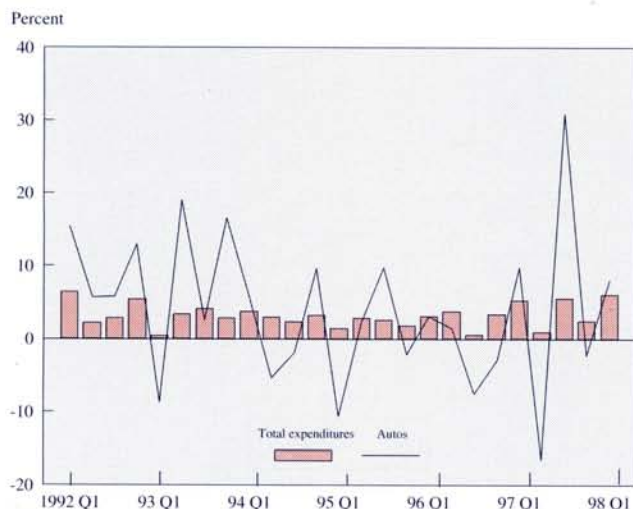
The significance of global pressures on prices can be seen in the price *increases* of some industries which do not compete in the international marketplace. Airline fares, admission prices to sporting events and cultural activities, and cable television service charges have all increased by greater than 9 percent in the past three months.

Short-term interest rates have held steady over the past three years, but long-term rates continue to fall, in part due to modest inflation expectations. The spread between 90-day Treasuries and 10-year bonds at the first half of May stood at 0.7 percentage points. According to a New York Federal Reserve Bank model, the current gap between the two rates suggests that the probability of a recession in the next four quarters is about 10 percent.

CONSUMER SPENDING

Consumer spending powered the economy during the first quarter of 1998. Strong in confidence and flush with cash, consumers went shopping. Consumer expenditures rose at a robust 6.1 percent annual rate in the first quarter, with spending on durable goods such as autos and household appliances reaching a tremendous annualized pace of 15.9 percent. Expenditures on nondurables rose at a strong 6.5 percent annual pace for the quarter, while spending on services increased at a more moderate 4.0 percent.

Growth in Consumer Spending
(seasonally adjusted annualized rate)



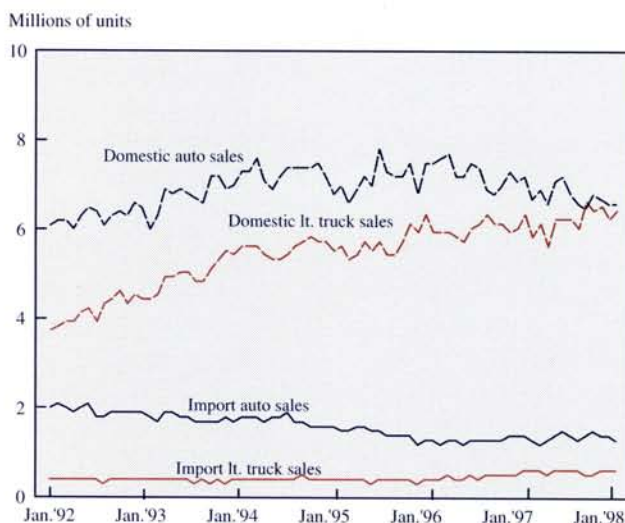
With the nation's employers hiring 943,000 additional workers in the first quarter, it is not surprising that personal income rose at a 6.6 percent annual rate. Not only are the ranks of the unemployed dwindling; many workers who are already employed have been successful in obtaining wage increases due to the shortage of workers in many occupations. In addition, with prices increasing by only 1.4 percent for the year ending in April, consumers are enjoying real gains in income. In fact, during the first quarter, real disposable (after-tax) income rose at a 6.8 percent annual rate.

According to both the University of Michigan and the Conference Board, consumer confidence remains high. The Conference Board's index of consumer confidence rose to 136.7 in April, up from 133.8 in March and very close the 29-year record set in February.

Car sales were sluggish in the first two months of the year but then resumed a 15.2-million-unit pace in March. Final sales of autos fell at a 13.1 percent annual rate in the quarter. However, sales rose 6.3 percent in April and achieved a 15.5-million-unit rate for the month, due in large part to yet

Motor Vehicle Sales

(average annual rates)

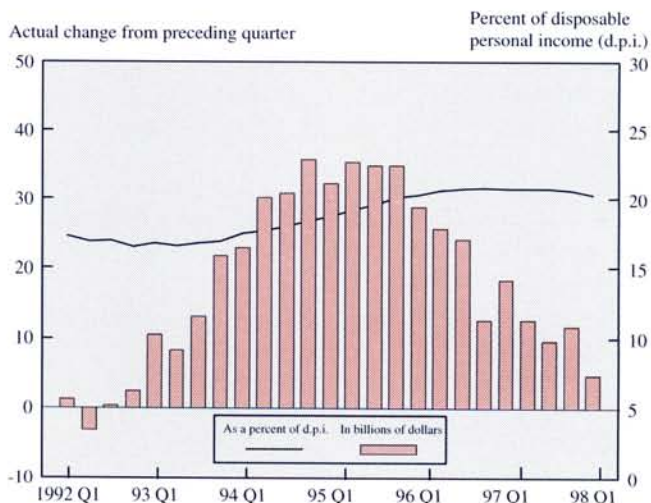


another round of price incentives. Part of the problem facing car producers today is that low-end buyers of new cars are being lured away from the new car lots by the supply of medium-sized, used cars coming off of 1- or 2-year leases.

Household financial conditions continue to improve, with quarterly installments on consumer debt on the decline. Personal savings as a percentage of disposable personal income stood at 3.7 percent in the first quarter, down from 3.9 percent in the fourth quarter but above the 3.5 percent in the second quarter of 1997.

Finally, recent retail sales statistics are mixed. In March, retail sales slowed; the Commerce Department reported a fall of 0.1 percent. However, in April, retail sales shot back up by 0.5 percent and held a 5.2 percent increase for the year.

Consumer Installment Debt

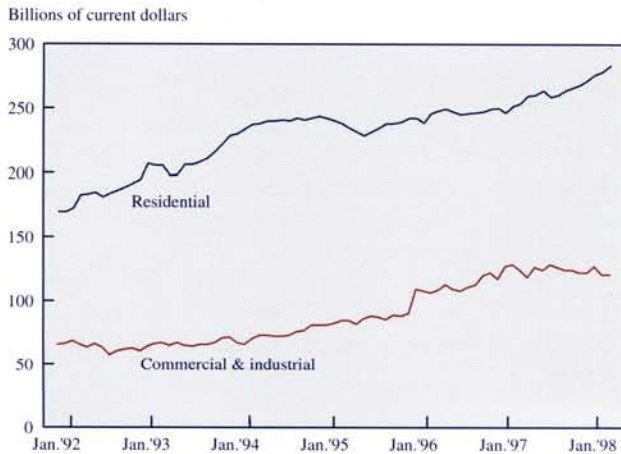


INVESTMENT

After being at a near standstill in the last quarter of 1997, business launched another round of investment spending, which was concentrated on the purchase of computers and other industrial machinery. Expenditures for producer durables rose at a 27.5 percent annual rate in the quarter, after falling at a 0.3 percent annual rate in the previous fourth quarter.

Business spending on computers and peripheral equipment soared at an unsustainable annual rate of 108.4 percent in the first quarter. Information processing equipment (which includes computers) now accounts for nearly 50 percent of all durable equipment purchased by business. Expenditures on transportation equipment increased at a high 24.3 percent annual rate, while spending on industrial machinery rose at a more reasonable 9.1 percent annual rate.

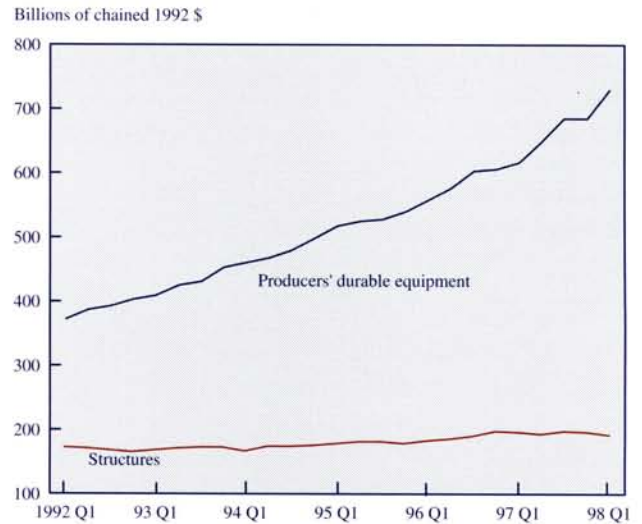
New Residential, Commercial, and Industrial Construction (seasonally adjusted annualized rate)



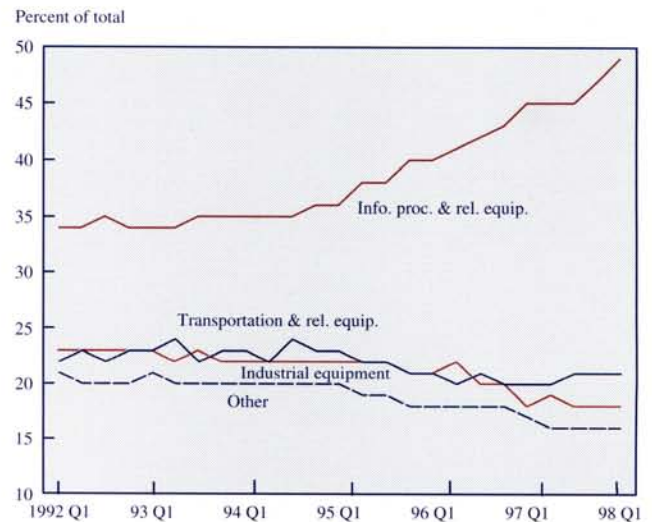
As has been the case during the length of this expansion, businesses have been avoiding building new structures to house their new equipment. Investment spending on non-residential structures fell at a 7.4 percent rate in the first quarter after being off 2.3 percent in the fourth quarter.

Businesses continued the drive to upgrade their machinery and computers at their existing workplaces, which is consistent with the current environment of excess global capacity and the nation's strong productivity gains. Many major industries, including steel and autos, face a serious glut of excess capacity worldwide, which is keeping prices low. Improving the productivity of their existing plants to maintain profits and market share may be the only option available to many firms. Moreover, the need for even greater productivity gains in response to rising real wages of

Plant and Equipment Expenditures (seasonally adjusted annualized rate)



Nonresidential Investment Composition in Producer Variables



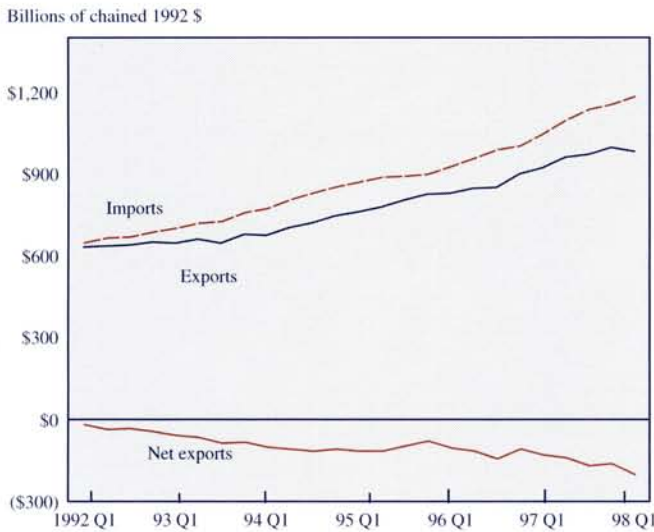
production workers may only push the demand for equipment and machinery to a higher level in the coming months.

El Nino gave residential construction a strong boost in the first quarter: the unusually mild winter allowed contractors to get a head start. Residential construction rose at a strong 16.1 percent annual rate in the first quarter. However, much of this construction may come at the expense of the second quarter. Still, mortgage rates remain low and, with consumer confidence high, the demand for new housing may hold strong in the coming months. Although new home sales fell 5 percent in March, the first-quarter sales were at an incredibly high 849,000 annual rate, making it the strongest quarter for new home sales since 1978.

INTERNATIONAL TRADE

The nation's trade gap subtracted 2.6 percentage points from the first quarter's growth rate. Exports, in fact, declined at a 3.0 percent annual rate in the quarter, with the export of goods falling at a 5.4 percent annual rate. Exporters continue to face sluggish markets due to the poor performance of the economies of many of their trading partners, a rising U.S. dollar (making our goods more expensive in foreign markets), and, of course, the financial turmoil in Southeast Asia. Analysts are reporting that goods shipments to the entire Pacific Rim were down 6 percent at the start of the year compared with a year earlier.

U.S. Trade in Goods and Services (seasonally adjusted annualized rate)



International Industrial Production (seasonally adjusted annualized rate)



Performance of the U.S. Dollar Relative to Foreign Currencies



The dollar has increased 5.4 percent during the year ending in March relative to other foreign currencies on a trade-weighted basis. Relative to the yen, the dollar climbed 5.2 percent, and against the German mark it rose 7.3 percent.

Imports increased at an annual rate of 17.7 percent in the first quarter, but, surprisingly, the importation of services such as travel, direct defense expenditures, and private services grew at a faster pace than the unloading of foreign-made goods. In short, the expected flood of Southeast Asian imports much feared in the Midwest has not yet occurred. In January (the latest month for which official data are available), imports declined from most Asian countries. Imports may be held back because Southeast Asian countries are unable to finance the purchase of needed supplies. Asian exporters are clearly motivated to cut prices in order to earn foreign currencies for repaying dollar-denominated debt, but analysts report that many companies are not able to raise production levels because they are unable to buy the imports needed to build their exports.

The International Monetary Fund (IMF) is forecasting the GDP in the Southeast Asian countries of Thailand, Indonesia, Malaysia, and the Philippines to decline 2.7 percent this year, while South Korea is expected slip 0.8 percent. The IMF is even calling for Japan to experience zero growth. However, it is possible that if the IMF's remedy for the ailing Asian economies is followed, it could pry open many major markets that have been closed to foreign producers. For example, in Indonesia, the IMF is demanding that the country end monopolies in wheat, sugar, and plywood. Similar demands are being made of the Thai and South Korean auto industries.

MICHIGAN ECONOMY

Total employment in the state rose 0.7 percent in the first quarter of 1998, matching its increase of the previous fourth quarter. Employment gains were posted across all the major sectors of the state's economy; nevertheless, the state's unemployment rate rose to 4.0 percent in the quarter. State-wide economic indicators suggest that employment growth in the state may slow in the coming months.

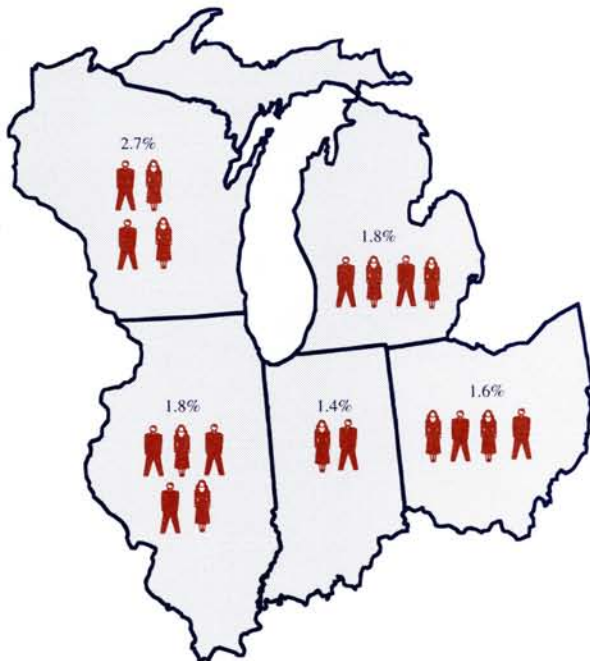
According to the researchers at the Federal Reserve Bank of Chicago, the business environment in the Great Lakes area remains very positive. During the first quarter, consumer spending remained strong, manufacturers operated at near-capacity levels, and building contractors took advantage of the region's mild winter. Business lending activity was strong, according to banks interviewed by the researchers. With labor in short supply across the region, a growing number of employers reported paying higher wages, but the increases were modest. Finally, only the region's high-tech electronics industry mentioned being negatively affected by the Southeast Asian crisis.

Total employment in the five Great Lakes states (see map below) increased 1.8 percent during the 12-month period

**Percent Change in Total Employment
March 1997 to March 1998**



Each figure represents an employment addition of 20,000 workers.



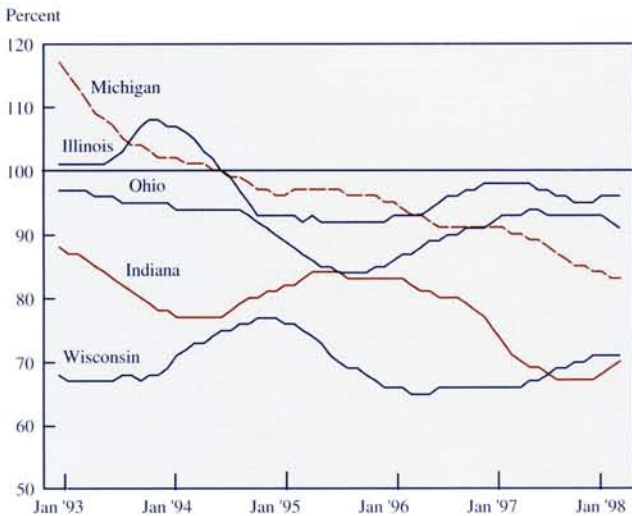
ending in March. The largest percentage gain was reported in Wisconsin, followed by Michigan and Illinois. Manufacturing employment increased during the 12-month period ending in March in each of the five Great Lakes states, as well. However, the average work week for production workers declined during the 12-month period in all the states except Wisconsin (where it remained unchanged), suggesting that the demand for new production may slow. The largest percentage increase in manufacturing employment occurred in Wisconsin, where it grew 2.9 percent. Surprisingly, it was in the slower growing states of Michigan and Ohio where the strongest gains in average hourly earnings occurred; Michigan posted the highest hourly earnings for production workers of all the states, \$17.66.

In Michigan, employment in the state's goods-producing sector increased a healthy 0.8 percent in the first quarter.

Manufacturing Employment and Earnings (not seasonally adjusted)

Great Lakes Region	March 1998	March 1997	Percent change
ILLINOIS			
Manufacturing employment	978,300	968,900	1.0
Average weekly hours	41.8	42.4	-1.4
Average hourly earnings	\$13.60	\$13.32	2.1
INDIANA			
Manufacturing employment	680,100	673,300	1.0
Average weekly hours	42.6	43.2	-1.4
Average hourly earnings	\$14.91	\$14.69	1.5
MICHIGAN			
Manufacturing employment	974,300	969,400	0.5
Average weekly hours	43.1	44.6	-3.4
Average hourly earnings	\$17.66	\$17.10	3.3
OHIO			
Manufacturing employment	1,094,100	1,086,500	0.7
Average weekly hours	43.1	43.9	-1.8
Average hourly earnings	\$15.66	\$15.11	3.6
WISCONSIN			
Manufacturing employment	613,800	596,300	2.9
Average weekly hours	41.7	41.7	0.0
Average hourly earnings	\$13.98	\$13.59	2.9
UNITED STATES			
Manufacturing employment (000)	18,626	18,397	1.2
Average weekly hours	41.7	42.0	-0.7
Average hourly earnings	\$13.48	\$13.08	3.1

Unemployment Rates Relative to the Nation (moving 12-month average)



Strong employment gains were recorded in the furniture, industrial machinery, and electrical equipment industries. Declines were restricted to the transportation equipment (predominantly autos and light trucks), paper, plastics, and apparel industries during the past year.

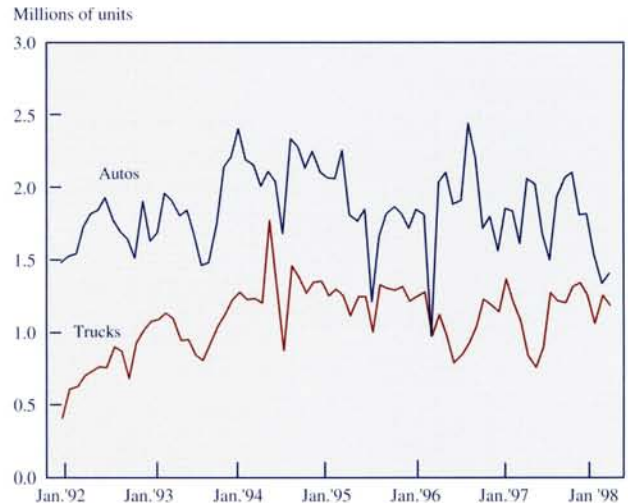
Car and light truck sales hit 15.5 million units in April; however, the pace was supported by large incentive packages. For example, General Motors temporarily expanded its employees' purchase plan to include brothers- and sisters-in-law, sons- and daughters-in-law, and stepbrothers and step-sisters of employees and retirees. The auto producer also extended an attractive offer to the employees of its dealerships. As of April, General Motors' average incentive per vehicle stood at \$1,170, while at Chrysler, the average incentive package was \$1,200.

There are several reasons why analysts believe incentive package are here to stay. First, those with lower and middle incomes who are prime candidates to buy small, new cars are turning more and more to used, medium-sized used cars coming off two-year leases. Second, after several years of

strong vehicle sales, there are fewer individuals in the market. This is especially true because vehicles are better built today and last longer.

Employment in the state's service-producing sector rose 0.7 percent in the quarter, as employment gains were reported across all of the major industries. However, retail sales in the state fell in March, breaking an eight-month string of positive sales, according to the Michigan Retail Index survey. Finally, government employment was up 0.5 percent in the quarter.

Michigan Motor Vehicle Production (monthly)



The statewide leading indicators dropped 2.7 percent in the first quarter, suggesting that employment conditions may worsen in the coming months. All three of the statewide indicators deteriorated in the quarter. The average weekly hours of production workers fell by 1.4 percent, while the number of new claims for unemployment insurance increased 6.8 percent. Finally, even though the mild winter weather allowed construction contractors to get an early start on the season, the number of new dwelling units put under contract fell 2.5 percent.

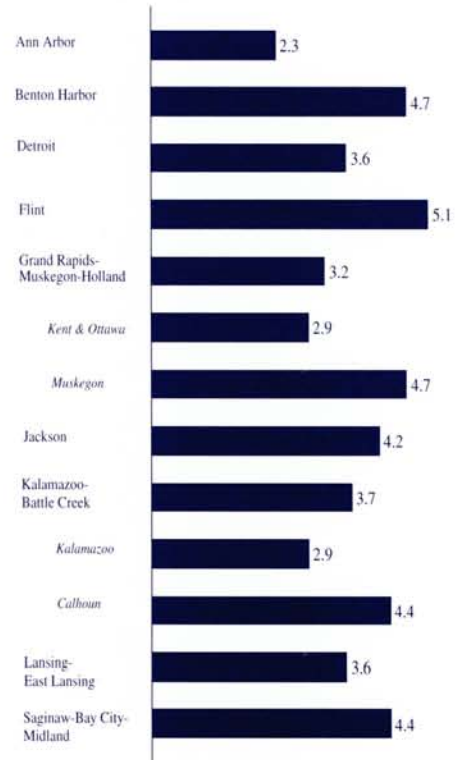
WEST MICHIGAN ECONOMY

Total employment rose 0.6 percent in the first quarter of 1998, with employment gains reported in all of the region's major industries. The region's healthy employment increase did not stop the unemployment rate from climbing to 3.8 percent in the quarter; however. Still, the region's jobless rate remained well below the national rate of 4.7 percent. In contrast to the statewide outlook, we are forecasting employment in the three MSAs to increase 0.6 percent in the current second quarter and by an additional 0.4 percent in the third quarter.

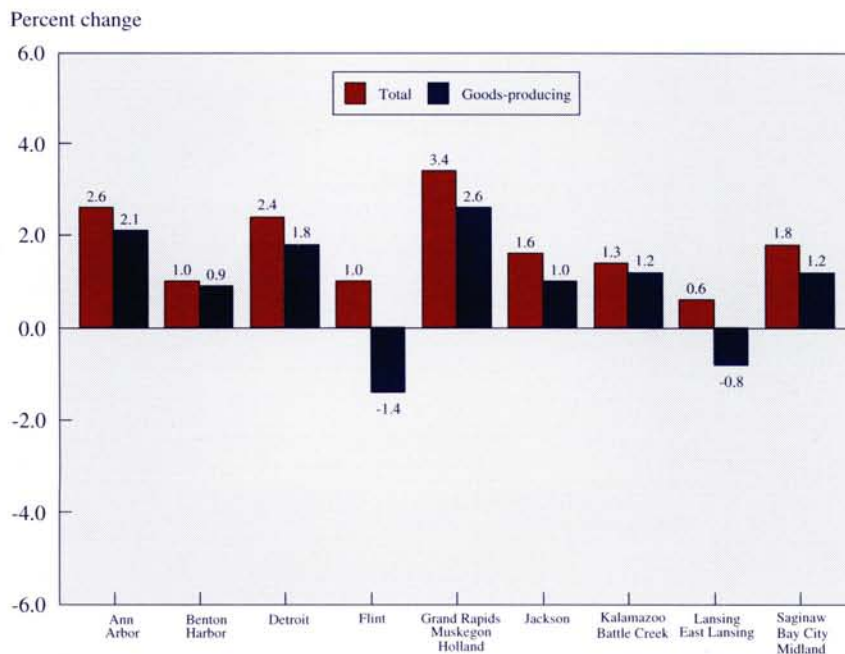
Employment rose in all nine metropolitan areas in the state during the four quarters ending in the first quarter of this year. The Grand Rapids-Muskegon-Holland MSA led the state in both total and goods-producing employment growth; Ann Arbor came in second in both categories. Of the nine metropolitan areas, only the Flint and Lansing-East Lansing MSAs, which are both heavily dependent on the auto industry, suffered losses in goods-producing employment during the year. Finally, Ann Arbor continued to have the lowest unemployment rate in the state.

Neither the Southeast Asian crisis nor the lack of workers slowed down the west Michigan economy in the first quarter of 1998. Moreover, even with a regional unemployment rate of 3.8 percent, west Michigan employers were able to add another 5,310 workers to their payrolls. Goods-producing

**Michigan Metropolitan Areas
1st Quarter Unemployment Rates
(seasonally adjusted)**



**Metropolitan Comparison
Percent Change in Employment 1997 Q1 to 1998 Q1
(seasonally adjusted)**



employment in west Michigan rose 0.5 percent in the first quarter, with the percentage increase identical for the region's manufacturing and construction industries.

Many of the region's manufacturers are maintaining world-class quality standards. General Motors announced its "suppliers of the year" and west Michigan was well represented: Autocam Corp., Grand Rapids (building in Marshall); Denso International America Inc., Battle Creek; Donnelly Corporation and Gentex, both in Holland; and SPX Corporation, Muskegon. Only 182 companies out of a supplier base of 30,000 companies earned the honor.

Employment in the region's private service-producing sector rose 0.7 percent in the first quarter, with job gains in all of the region's major sectors. Employment in the region's government sector increased 0.5 percent.

Despite the posted employment growth, the region's unemployment rate rose 3.8 percent in the quarter and the ranks of the unemployed increased by 4.5 percent. A combined increase in employment and unemployment can only be explained by an expansion in the region's civilian labor

force. Individuals are being attracted into the region's labor pool by the large number of employment opportunities.

Our last quarter's forecast was far too pessimistic. We had forecast that total employment would inch up only 0.1 percent in the first quarter, which was well below the actual 0.6 percent rise. Our forecasts for the individual areas were off as well.

The region's economic indicators were mixed in the quarter. The composite Help-Wanted Index, which does not include the Benton Harbor MSA, rose by 2.0 percent, indicating continued growth in the region's service-producing sector. However, the region's Index of Leading Indicators was off 1.8 percent, suggesting slower growth in the region's goods-producing sector. Our short-term forecast is in agreement with both indicators.

We forecast employment to increase 0.6 percent in the current second quarter and by an additional 0.4 percent in the third quarter. Employment gains are expected to be concentrated in the region's service-producing sector, both private and public. Only modest employment growth is forecast in the region's goods-producing sector.

Major Economic Developments

Battle Creek Area

Ralston hired 50 workers as it began to rebuild its cereal operation.
Denso Manufacturing increased its permanent workforce by 100.
The Battle Creek Federal Center is hiring 50 to 60 workers and will hire another 80 to 90 in 1999.

Benton Harbor Area

The Robert Bosch Corporation's Weldun Flexible Assembler System plant, which employs 270 workers, is for sale.
AACOA is building a new metal extrusion facility near Niles and will hire 65 employees.

Grand Rapids Area

Rockford Construction announced that it is planning to spend \$30 million to buy and redevelop properties near the Van Andel Arena for mixed uses, including townhouses and retail.
Smiths Industries Aerospace and Defense Systems will start construction in 1999 on a new expansion and will hire another 105 workers.
Lear Corporation announced that it will purchase the GM Delphi plant in Walker. The plant currently employs 1,000 workers.
Nicholas Plastics's 250 production workers ratified a new union agreement with the company, ending a five-week strike.
L.G. Cook, a hardware and tool distributor, was sold to a partnership of two other distributors, saving 440 jobs.

Bissell, the maker of vacuum cleaners, let 72 workers go due to the loss of a key customer.

Kysor, a maker of plastics parts for heavy trucks, will lay off nearly 60 workers at its Ottawa County plant.

Swoboda-Berger, a German auto supplier, announced plans to open its new facility this summer. The company could employ up to 100 workers.

Kalamazoo Area

Dana Corporation has selected Kalamazoo as the site of the international headquarters for its axle and brake division. The move will prevent the possible loss of 125 jobs that had been part of the Eaton Corporation, which was acquired by Dana, and will provide 180 new jobs over the next three years.

Geiger Technic announced that it will expand its area plant and will hire 79 additional workers. The company makes plastic fluid reservoirs for cars.

Fort James Corporation is hiring 60 workers at its Epic Food Wrap Plant.

Muskegon Area

Johnson Technology is hiring up to 100 additional workers at its new facility that will produce nozzles for commercial and military jet engines.

West Michigan Employment Forecasts

West Michigan (3 MSAs)	Q1 forecast results			Short-term forecasts			
	Actual	Forecast	Percent error	1998 Q2	Percent change	1998 Q3	Percent change
Benton Harbor	71,690	72,620	1.3	72,130	0.6	72,470	0.5
Grand Rapids-Muskegon-Holland	563,110	558,190	-0.9	567,890	0.8	570,770	0.5
Kalamazoo-Battle Creek	210,960	208,570	-1.1	211,390	0.2	212,010	0.3
West Michigan							
Goods-producing	262,790	262,840	0.0	263,030	0.1	263,560	0.2
Service-producing	486,280	480,760	-1.1	490,780	0.9	493,560	0.6
Government	96,900	95,780	-1.2	97,610	0.7	98,120	0.5
Total	845,970	839,380	-0.8	851,420	0.6	855,240	0.4

NOTE: Individual areas may not sum to total due to rounding in the seasonal adjustment procedure.

Michigan Statistics
(adjusted for seasonal variations)

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1
Employment					
Total employment	4,502,330	4,470,900	0.7	4,406,940	2.2
Goods-producing	1,163,980	1,154,480	0.8	1,143,310	1.8
Construction & mining	188,420	183,530	2.7	175,610	7.3
Manufacturing	975,560	970,960	0.5	967,700	0.8
Durable goods	731,300	727,710	0.5	725,030	0.9
Nondurable goods	244,260	243,250	0.4	242,670	0.7
Private service-producing	2,686,760	2,667,930	0.7	2,616,140	2.7
Transportation & pub. utilities	175,240	174,080	0.7	172,340	1.7
Wholesale trade	230,920	228,730	1.0	224,160	3.0
Retail trade	825,970	821,880	0.5	813,080	1.6
Finance, insurance & real estate	207,650	206,960	0.3	205,640	1.0
Services	1,246,990	1,236,290	0.9	1,200,920	3.8
Government	651,590	648,490	0.5	647,490	0.6
Unemployment					
Number unemployed	201,650	189,970	6.1	219,820	-8.3
Unemployment rate	4.0	3.8	4.7	4.5	-11.3
State indexes					
Help-wanted ads:					
Detroit	171	N/A	N/A	160	6.9
West Michigan (2 MSAs)	140	137	1.8	130	7.7
Leading indicators ^a	110	113	-2.7	109	0.9
Local components:					
Average weekly hours	43.8	44.4	-1.4	44.7	-2.0
UI initial claims	13,163	12,320	6.8	14,991	-12.2
New dwelling units ^b	41,434	42,497	-2.5	38,142	8.6

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 MESA.

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

^aNational components of the leading indicators are in Table A-3.

^bSeasonally adjusted annual rates.

Michigan Industry Employment Change
First Quarter to First Quarter
(unadjusted for seasonal variations)

Industry	1998 Q1	1997 Q1	Percent change	Industry	1998 Q1	1997 Q1	Percent change
Goods-producing	1,146,533	1,126,667	1.8	Auto dealers & serv. stations	88,333	85,367	3.5
Lumber & wood products	17,233	17,000	1.4	Apparel & accessory stores	32,033	33,733	-5.0
Furniture & fixtures	39,900	38,233	4.4	Home furn. & equip. stores	34,000	34,567	-1.6
Primary metals	37,167	36,600	1.5	Eating & drinking places	280,567	277,667	1.0
Fabricated metals	128,400	127,300	0.9	Business services	287,833	275,967	4.3
Industrial machinery	136,800	133,700	2.3	Health services	369,267	362,767	1.8
Electronic equipment	36,200	33,667	7.5	Private educational services	45,767	45,933	-0.4
Transportation equipment	290,367	294,400	-1.4	Social services	93,600	87,900	6.5
Food & kindred products	39,567	39,467	0.3	Government	668,100	663,600	0.7
Apparel	18,067	18,600	-2.9	Federal government	56,333	55,700	1.1
Paper & allied products	19,967	21,333	-6.4	State government	170,867	171,900	-0.6
Printing & publishing	44,400	43,533	2.0	Local government	440,900	435,967	1.1
Plastics & rubber	68,433	68,900	-0.7	Local gov't health services	13,100	12,867	1.8
Private service-producing	2,641,267	2,570,367	2.8	Local gov't education	269,933	266,300	1.4
General merchandise stores	130,667	127,900	2.2				
Food stores	105,400	104,733	0.6				

West Michigan (3 MSAs) Statistics
(adjusted for seasonal variations)

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1	Forecast 1998 ^a		Forecast 1998 ^a	
						Q2	Percent change	Q3	Percent change
Employment									
Total employment	845,970	840,660	0.6	824,010	2.7	851,420	0.6	855,240	0.4
Goods-producing	262,790	261,430	0.5	257,190	2.2	263,030	0.1	263,560	0.2
Construction & mining	36,130	35,940	0.5	34,900	3.5				
Manufacturing	226,660	225,490	0.5	222,290	2.0				
Durable goods	142,470	141,350	0.8	137,880	3.3				
Nondurable goods	84,190	84,140	0.1	84,410	-0.3				
Private service-producing	486,280	482,840	0.7	471,580	3.1	490,780	0.9	493,560	0.6
Transportation & pub. utilities	29,190	28,850	1.2	28,530	2.3				
Wholesale trade	45,640	45,350	0.6	44,110	3.5				
Retail trade	156,810	155,500	0.8	152,090	3.1				
Finance, ins. & real estate	36,160	36,030	0.4	35,330	2.3				
Services	218,490	217,110	0.6	211,520	3.3				
Government	96,900	96,400	0.5	95,240	1.7	97,610	0.7	98,120	0.5
Unemployment									
Number unemployed	27,770	26,570	4.5	30,730	-9.6				
Unemployment rate	3.8	3.6	3.0	4.6	-17.8				
Local indexes									
Help-wanted ads (2 MSAs)	140	137	2.0	130	7.9				
Leading indicators ^b	113	115	-1.8	107	5.5				
Local components:									
Average weekly hours	42.2	43.0	-2.1	42.5	-0.9				
UI initial claims	1,552	1,571	-1.2	2,114	-26.6				
New dwelling units ^c	8,184	8,178	0.1	6,972	17.4				

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from the five major daily newspapers, and employment data from MESA.

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

^aPercent change from the preceding quarter.

^bNational components of the leading indicators are in Table A-3.

^cSeasonally adjusted annual rates; does not include Allegan County or Van Buren County.

West Michigan Industry Employment Change
First Quarter to First Quarter
(unadjusted for seasonal variations)

Industry	1998 Q1	1997 Q1	Percent change	Industry	1998 Q1	1997 Q1	Percent change
Goods-producing	256,400	252,867	1.4	Private service-producing	473,300	462,567	2.3
Primary metals	9,367	9,000	4.1	Health services	60,500	59,700	1.3
Fabricated metals	29,467	29,333	0.5				
Industrial machinery	31,600	30,700	2.9	Government	99,700	98,500	1.2
Food & kindred products	18,200	18,333	-0.7	Federal government	9,667	9,433	2.5
Printing & publishing	10,500	10,433	0.6	State government	16,467	16,300	1.0
Plastics & rubber	17,667	17,800	-0.7	Local government	73,633	72,767	1.2

BENTON HARBOR MSA

Total employment fell 0.5 percent during the first quarter of 1998 in the Benton Harbor MSA. Employment declines were reported across a wide range of industries. The decline in wage and salary employment did not affect the area's unemployment rate, however, which remained unchanged at 4.7 percent. We forecast employment to bound back: total employment is expected to increase 0.6 percent in the current second quarter and by another 0.5 percent in the third quarter.

Employment in the area's goods-producing sector was off by 0.2 percent due to a large 4.7 percent decline in employment in the construction industry. Manufacturing employment increased 0.4 percent during the quarter, as employment gains in the durable-goods-producing sector more than erased the losses in the nondurable-goods-producing sector. The area's metal industries hired 200 more workers, while over 60 workers were added by the industrial machinery sector during the four-quarter period ending in March. Tru Die Cast, a maker of zinc and aluminum die castings for the auto and appliance industries, added new workers in the past year. In August, AACOA will open its new facility, which will employ 65 workers. Employment declines during the four-quarter period in the area's manu-

Benton Harbor Labor Market Conditions

Industry	Average weekly wages		Percent change
	1997 Q1	1996 Q1	
Total	\$532.98	\$496.46	7.4
Manufacturing	799.06	716.55	11.5
Retail	232.12	221.39	4.8
Services	396.88	379.57	4.6
Finance	623.67	582.70	7.0

facturing sector were limited to modest losses in its plastics industry. However, the region's employment outlook became more uncertain as the Robert Bosch Corporation announced that its Weldun Flexible Assembler System plant, which employs 270 workers, is for sale; the company's other 1,500 workers in the county are not affected.

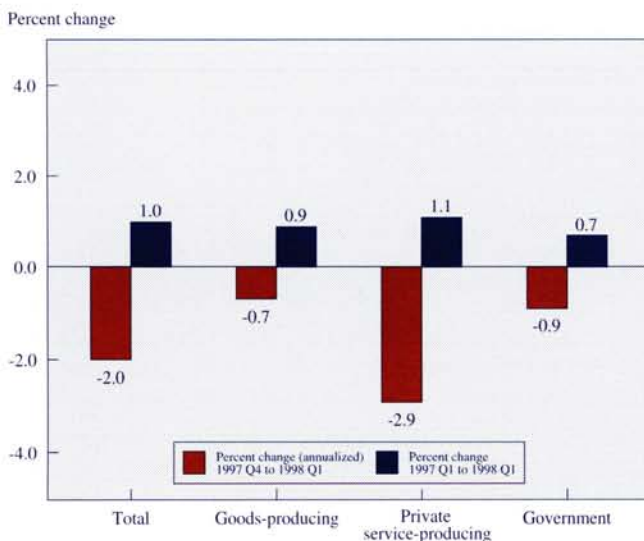
Employment in the area's service-producing sector fell 0.7 percent due to a large 5.4 percent decline in employment in the finance, insurance, and real estate industry. A large portion of this 140-job loss is due to Transamerica, the new owner of Whirlpool Financial Corporation, downsizing its work force. However, employment declines were not limited to the financial sector. Employers in the area's transportation and public utilities sectors, wholesale and retail trades, and services also reduced their work forces. Finally, government employment was off 0.2 percent in the quarter.

The area's negative job growth did not affect its unemployment rate, which remained at 4.7 percent in the first quarter. This is not too surprising, since in the first quarter approximately 7,400 more workers lived in the county than worked in the county (excluding self-employed individuals).

The area's Index of Leading Indicators, which monitors conditions in the area's goods-producing sector, remained unchanged in the quarter, suggesting little change in the sector's employment level. However, Manpower's quarterly survey of employers revealed that 23 percent were expecting to add workers in the first half of 1998.

Our employment forecast calls for total employment to increase by 0.6 percent in the current second quarter and by an additional 0.5 percent in the following third quarter.

Benton Harbor MSA Employment Growth (seasonally adjusted)



Benton Harbor MSA
(adjusted for seasonal variations)

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1	Forecast 1998 ^a		Forecast 1998 ^a	
						Q2	Percent change	Q3	Percent change
Employment									
Total employment	71,690	72,050	-0.5	70,980	1.0	72,130	0.6	72,470	0.5
Goods-producing	22,520	22,560	-0.2	22,330	0.9	22,520	0.2	22,530	0.2
Construction & mining	2,460	2,580	-4.7	2,400	2.5				
Manufacturing	20,060	19,980	0.4	19,930	0.7				
Durable goods	15,020	14,920	0.7	14,850	1.1				
Nondurable goods	5,040	5,060	-0.4	5,080	-0.8				
Private service-producing	40,580	40,880	-0.7	40,120	1.1	40,990	1.0	41,310	0.8
Transportation & pub. utilities	2,930	2,980	-1.7	2,940	-0.3				
Wholesale trade	2,490	2,510	-0.8	2,460	1.2				
Retail trade	13,540	13,560	-0.1	13,320	1.7				
Finance, ins. & real estate	2,440	2,580	-5.4	2,610	-6.5				
Services	19,190	19,250	-0.3	18,800	2.1				
Government	8,590	8,610	-0.2	8,530	0.7	8,610	0.3	8,630	0.2
Personal income^b	3,822	3,820	0.1	3,665	4.3	3,949	3.3	3,991	1.1
Unemployment									
Number unemployed	3,930	3,870	1.6	4,580	-14.2				
Unemployment rate	4.7	4.7	0.0	5.6	-14.9				
Local indexes									
Leading indicators ^c	113	113	0.0	105	7.4				
Local components:									
Average weekly hours	42.1	42.5	-0.9	42.0	0.3				
UI initial claims	164	165	-0.4	208	-21.1				
New dwelling units ^d	762	620	22.9	438	74.0				

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 MESA.

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

^aPercent change from the preceding quarter.

^bMillions of dollars.

^cNational components of the leading indicators are in Table A-3.

^dSeasonally adjusted annual rates.

Industry Employment Change
First Quarter to First Quarter
(unadjusted for seasonal variations)

Industry	1998 Q1	1997 Q1	Percent change	Industry	1998 Q1	1997 Q1	Percent change
Goods-producing	22,133	22,033	0.5	Private service-producing	39,467	38,967	1.3
Primary metals	2,300	2,200	4.5	Business services	4,333	4,200	3.2
Fabricated metals	1,400	1,300	7.7	Health services	6,100	6,000	1.7
Industrial machinery	4,600	4,533	1.5	Government	8,700	8,633	0.8
Food & kindred products	900	900	0.0	Federal government	400	400	0.0
Printing & publishing	1,600	1,600	0.0	State government	500	500	0.0
Plastics & rubber	2,000	2,033	-1.6	Local government	7,800	7,700	1.3
				Local gov't education	5,300	5,167	2.6

GRAND RAPIDS-MUSKEGON-HOLLAND MSA

Total employment in the four-county Grand Rapids-Muskegon-Holland MSA grew a healthy 0.9 percent in the first quarter. Employment gains were reported across all of the region's major industries. Surprisingly, the area's unemployment rate inched up to 3.2 percent in spite of the strong employment gains. Our forecast calls for continued employment growth in the area in the second and third quarters.

Employment in the region's goods-producing sector rose 0.7 percent in the first quarter. The mild winter contributed to a 1.1 percent employment increase in construction and mining. Manufacturing employment rose by 0.6 percent in the quarter, as well. During the last four quarters, the area's furniture, primary and fabricated metals, industrial machinery, and transportation equipment industries together hired more than 2,000 workers. Not surprisingly, the Grand Rapids-Muskegon-Holland area was ranked in the top 20 world-class manufacturing communities of the nation by *Industry Week Magazine*.

The region's office furniture industry is still booming, according to the May survey of purchasing managers. Indeed, Steelcase posted record net sales of \$2.76 billion and recorded net income of \$217 million during fiscal year 1998 (which ended in February), its second consecutive year of double-digit growth. Haworth Inc. is adding 41 new employees in a \$16.1 million expansion of its office furniture factory, and Knoll Inc. in Muskegon, which employs 500 workers, plans to invest another \$6 million this year.

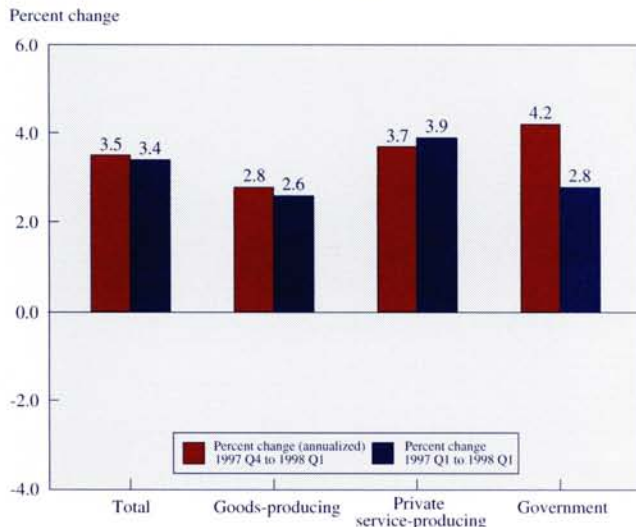
Employment in region's private service-producing sector rose 0.9 percent, with gains recorded in all of the area's major service-producing industries. Nearly 3,000 additional workers were hired in the sector. Finally, government employment rose 1.0 percent during the quarter.

Although the region's employers added 4,800 workers to their payrolls, the ranks of the area's unemployed rose by 830 persons. The area's civilian labor force increased by 6,500 workers in the first quarter, suggesting that strong employment performance is still drawing more residents into the labor force. In addition, the area is one of the fastest growing metropolitan areas in the state. From 1996 to 1997, population in the four-county area grew by 1.1 percent.

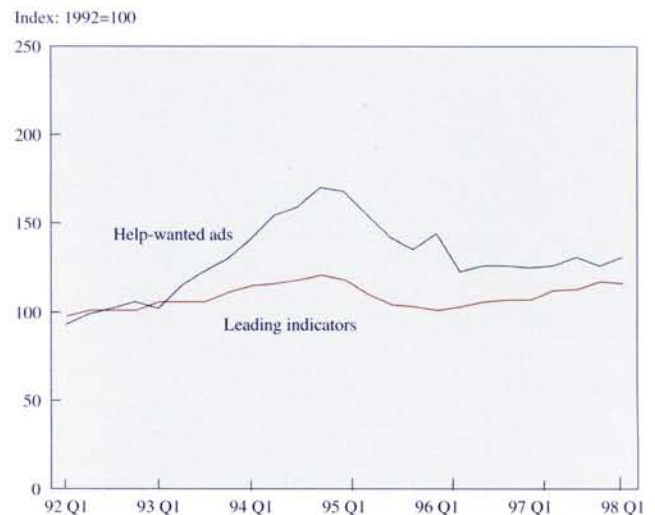
The region's economic indexes were mixed in the first quarter. The Index of Leading Indicators slipped 0.9 percent, suggesting that employment conditions in the goods-producing sector will slow in the coming months. On the other hand, the Index of Help-Wanted Advertising increased 2.4 percent, indicating that employment opportunities in the service-producing sector should continue to expand.

We are forecasting employment in the four-county area to increase 0.8 percent in the current second quarter and by an additional 0.5 percent in the third quarter. The lion's share of the region's future employment growth is expected to be in the area's private service-producing sector. Employment in the area's goods-producing sector is forecast to increase by only 0.2 percent in the second and third quarters.

**Grand Rapids-Muskegon-Holland MSA
Employment Growth
(seasonally adjusted)**



**Grand Rapids-Muskegon-Holland MSA
Employment Indexes**



Grand Rapids-Muskegon-Holland MSA
(adjusted for seasonal variations)

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1	Forecast 1998 ^a		Forecast 1998 ^a	
						Q2	Percent change	Q3	Percent change
Employment									
Total employment	563,110	558,310	0.9	544,720	3.4	567,890	0.8	570,770	0.5
Goods-producing	182,130	180,860	0.7	177,450	2.6	182,500	0.2	182,900	0.2
Construction & mining	25,160	24,880	1.1	24,390	3.2				
Manufacturing	156,970	155,980	0.6	153,060	2.6				
Durable goods	103,870	103,060	0.8	100,260	3.6				
Nondurable goods	53,100	52,920	0.3	52,810	0.5				
Private service-producing	326,630	323,650	0.9	314,400	3.9	330,640	1.2	332,760	0.6
Transportation & pub. utilities	19,160	18,880	1.5	18,600	3.0				
Wholesale trade	36,570	36,190	1.1	35,070	4.3				
Retail trade	103,150	101,820	1.3	99,310	3.9				
Finance, ins. & real estate	22,720	22,580	0.6	21,830	4.1				
Services	145,020	144,180	0.6	139,590	3.9				
Government	54,350	53,800	1.0	52,870	2.8	54,760	0.7	55,100	0.6
Personal Income^b	28,472	28,060	1.5	26,588	7.1	28,902	1.5	29,288	1.3
Unemployment									
Number unemployed	18,840	18,010	4.6	20,830	-9.6				
Unemployment rate	3.2	3.1	3.2	3.7	-13.5				
Local indexes									
Help-wanted ads	131	128	2.4	125	4.7				
Leading indicators ^c	116	117	-0.9	107	8.4				
Local components:									
Average weekly hours	41.4	42.3	-2.1	42.0	-1.4				
UI initial claims	841	890	-5.5	1,342	-37.3				
New dwelling units ^d	5,805	5,645	2.8	4,951	17.3				

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from the *Grand Rapids Press* and the *Muskegon Chronicle*, and employment data from MESA.

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

^aPercent change from the preceding quarter.

^bMillions of dollars.

^cNational components of the leading indicators are in Table A-3.

^dSeasonally adjusted annual rates; does not include Allegan County.

Industry Employment Change
First Quarter to First Quarter
(unadjusted for seasonal variations)

Industry	1998 Q1	1997 Q1	Percent change	Industry	1998 Q1	1997 Q1	Percent change
Goods-producing	177,367	174,633	1.6	Auto dealers & service	9,933	9,700	2.4
Furniture & fixtures	23,867	23,233	2.7	Eating & drinking places	34,000	33,200	2.4
Primary metals	5,567	5,367	3.7	Depository institutions	7,700	7,467	3.1
Fabricated metals	22,200	22,000	0.9	Business services	36,067	34,100	5.8
Industrial machinery	22,800	22,167	2.9	Health services	37,933	37,200	2.0
Transportation equipment	9,767	9,533	2.4	Educational services	8,867	9,300	-4.7
Food & kindred products	11,300	11,367	-0.6	Social services	10,833	10,233	5.9
Apparel & other textiles	7,033	6,933	1.4	Government	55,667	54,667	1.8
Printing & publishing	6,167	6,100	1.1	Federal government	4,267	4,000	6.7
Plastics & rubber	10,400	10,500	-1.0	State government	6,733	6,700	0.5
Private service-producing	317,267	309,000	2.7	Local government	44,667	43,967	1.6
Gen'l merchandise stores	17,533	16,933	3.5	Local gov't education	29,767	28,967	2.8
Food stores	12,133	12,000	1.1				

Grand Rapids-Holland Area (Kent and Ottawa Counties)

Total employment increased an estimated 0.9 percent during the first quarter in Kent and Ottawa Counties. The area's employment gains were enough to keep its unemployment rate at 2.9 percent. We are forecasting additional employment gains in the coming two quarters.

Employment in the area's goods-producing sector rose an estimated 0.9 percent in the first quarter. The May survey of area purchasing managers indicated that the area's manufacturers are working overtime. The purchasing manager's index rose to 67.5 percent in May from a reading of 60.0 in April. Moreover, numerous manufacturers announced expansion plans, including Smiths Industries Aerospace and Defense Systems, which will start construction in 1999 on a new addition that will provide 105 more jobs. Swoboda-Berger, a German auto supplier, plans to open this summer and will employ 100 workers at full production. Finally, Unitog Company is building a new \$6 million industrial/commercial laundry facility and plans to hire 300 employees upon completion.

However, several firms announced layoffs in the first quarter. Bissell, the maker of vacuum cleaners, let go of 72 workers. APV Baker, a manufacturer of food equipment, announced that it laid off 56 workers. Finally, Kysor, a

maker of plastics parts for heavy trucks, will lay off nearly 60 workers.

Employment in the area's service-producing sector rose as estimated 1.0 percent in the quarter. The area's strong employment growth has pushed average weekly wages upward. Average weekly wages in the first quarter of 1997 were 3.8 percent greater than a year earlier, with the strongest wage increase, 7.5 percent, occurring in the area's manufacturing sector.

The area's economic indicators were positive. The area's Help-Wanted Index rose 1.7 percent and the number of new unemployment insurance claims fell 7.6 percent. We are forecasting employment to increase 0.8 percent in the current second quarter and by another 0.5 percent in the following third quarter.

Grand Rapids Labor Market Conditions

	Average weekly wages		Percent change
	1997 Q1	1996 Q1	
Total	\$552.61	\$532.51	3.8
Manufacturing	751.33	698.75	7.5
Retail	285.01	276.24	3.2
Services	435.80	434.75	0.2
Finance	714.93	690.98	3.5

Grand Rapids-Holland Area

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1	Forecast 1998 ^a		Forecast 1998 ^a	
						Q2	Percent change	Q3	Percent change
Employment									
Total employment	460,600	456,540	0.9	445,020	3.5	464,490	0.8	466,860	0.5
Goods-producing	145,080	144,080	0.7	141,330	2.7	145,390	0.2	145,720	0.2
Service-producing	275,960	273,300	1.0	265,320	4.2	279,220	1.2	280,970	0.6
Government	39,560	39,160	1.0	38,370	1.0	39,890	0.8	40,170	0.7
Personal Income^b	22,795	22,460	1.5	21,249	7.3	22,311	1.5	23,456	1.4
Unemployment									
Number	13,310	12,705	4.8	14,730	-9.6				
Rate	2.9	2.9	2.6	3.4	-13.8				
Indicators									
Help-wanted ads	129	126	1.7	124	3.8				
UI claims	564	610	-7.6	1,010	-44.2				
New dwelling units ^c	4,820	4,885	-1.3	4,098	17.6				
			Latest month (May)	Previous month (Apr)					
Local Purchasing Management Index*			67.5	60.0					

NOTE: Figures are seasonally adjusted. *Index = (percent survey reporting improvement) + 0.5 (percent survey reporting no change).

^aPercent change from preceding quarter. ^bMillions of dollars. ^cSeasonally adjusted annual rates.

Muskegon Area

(Muskegon County)

Total employment rose an estimated 0.8 percent in the first quarter of 1998, but these estimated employment gains did not stop the area's unemployment rate from rising to 4.7 percent. The area's economic indicators are positive, and we are forecasting area employment to increase by 1.0 percent in the current second quarter and by an additional 0.5 percent in the following third quarter.

Employment in the area's goods-producing sector was up an estimated 0.9 percent in the first quarter. Johnson Technology is hiring up to 100 additional workers at its facility that will produce nozzles for commercial and military jet engines. S.D. Warren Company is investing \$300 million in an expansion of its Muskegon paper mill. On the downside, Steel Coating, a supplier to the office furniture industry, closed, eliminating at least 30 positions.

Employment in the area's service-producing sector rose an estimated 0.8 percent, while employment in the area's government sector increased 0.4 percent.

Although the unemployment rate increased to 4.7 percent, the area's economic indicators suggest that employment conditions will remain strong in the coming months

and that the unemployment rate may be pushed downward. The area's Index of Help-Wanted Advertising increased 3.5 percent during the quarter, and construction starts were up 24.0 percent. However, the number of new claims for unemployment insurance slipped a modest 0.7 percent in the quarter.

We are forecasting total employment growth in the area to continue in the coming months, with employment increasing 1.0 percent in the second quarter and another 0.5 percent in the third quarter. We expect employment in the area's goods-producing sector to increase by only 0.2 percent in both the second and third quarters.

**Muskegon
Labor Market Conditions**

	Average weekly wages		Percent change
	1997 Q1	1996 Q1	
Total	\$531.26	\$511.01	4.0
Manufacturing	838.68	812.88	3.2
Retail	241.71	238.54	1.3
Services	422.74	396.65	6.6
Finance	529.35	499.18	6.0

Muskegon Area

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1	Forecast 1998 ^a		Forecast 1998 ^a	
						Q2	Percent change	Q3	Percent change
Employment									
Total employment	65,640	65,140	0.8	63,630	3.2	66,320	1.0	66,680	0.5
Goods-producing	18,560	18,400	0.9	18,020	3.0	18,610	0.2	18,640	0.2
Service-producing	37,750	37,450	0.8	36,420	3.5	38,340	1.5	38,630	0.8
Government	9,330	9,290	0.4	9,190	1.5	9,380	0.5	9,420	0.4
Personal Income^b	3,546	3,497	1.4	3,328	6.5	3,597	1.5	3,643	1.3
Unemployment									
Number	3,920	3,661	7.1	4,330	-9.5				
Rate	4.7	4.4	6.8	5.4	-12.1				
Indicators									
Help-wanted ads	139	134	3.5	132	5.1				
UI claims	281	279	0.7	332	-15.4				
New dwelling units ^c	973	784	24.0	844	15.3				

NOTE: Figures are seasonally adjusted. ^aPercent change from preceding quarter. ^bMillions of dollars. ^cSeasonally adjusted annual rates.

KALAMAZOO-BATTLE CREEK MSA

Total employment grew a moderate 0.3 percent in the three-county Kalamazoo-Battle Creek MSA during the first quarter of 1998, but the quarter's employment gains were not enough to keep the region's unemployment rate from inching up to 3.7 percent for the quarter. We are forecasting that employment conditions will remain sluggish in the coming months, with employment growing only 0.2 percent in the current second quarter and by another 0.3 in the third quarter.

Goods-producing employment rose 0.2 percent in the first quarter. Employment in the area's construction industry rose by 0.7 percent, as mild winter weather allowed contractors to get an early jump on the building season. Manufacturing employment inched up a slight 0.1 percent, as a 0.5 percent employment decline in nondurable-goods production nearly erased a 0.9 percent gain in durable-goods production. The employment decline in the region's nondurable-goods sector was centered on the paper industry and reflects, in part, the closing of Michigan Carton in Battle Creek and a layoff at Fort James in Kalamazoo.

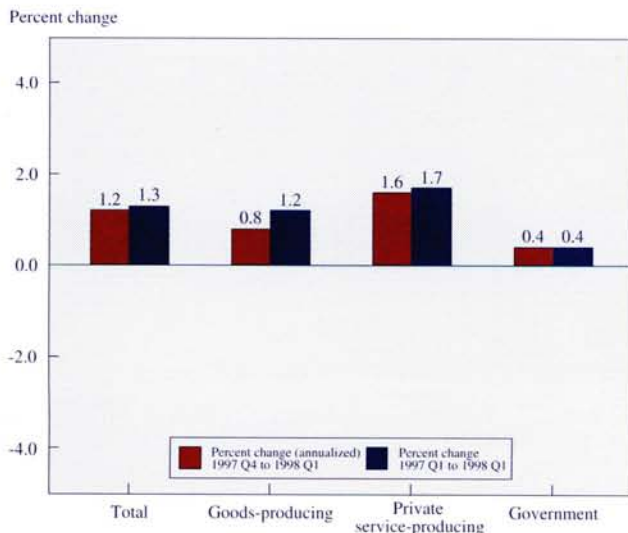
Employment in the region's service-producing sector rose 0.4 percent. All sectors except for wholesale trade gained employment during the quarter. Finally, government employment rose 0.1 percent during the quarter.

The modest employment gains did not stop the area's unemployment rate from inching up to 3.7 percent. Still, the area's unemployment rate remains well below the national rate, and labor shortages in certain key, high-skilled occupations are still plaguing employers.

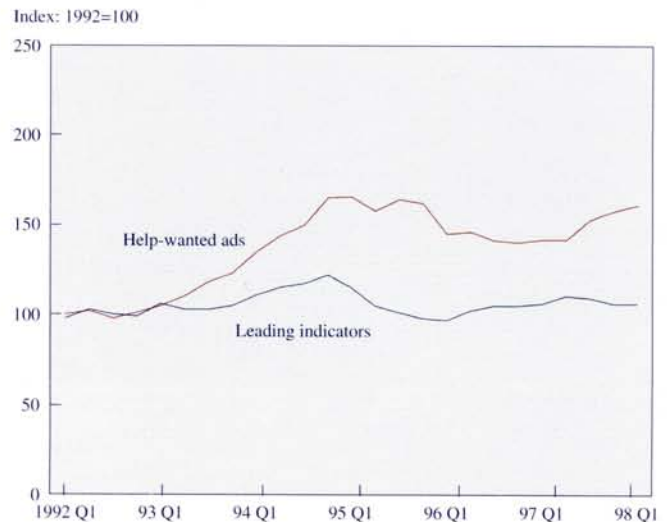
The region's economic indicators were mixed in the first quarter. The Index of Help-Wanted Advertising rose 1.9 percent, indicating that employment opportunities will continue in the region's service-producing sector. However, the region's Index of Leading Indicators, which monitors employment conditions in the area's goods-producing sector, did not budge, suggesting continued sluggish employment conditions. All three of the local components of the Index deteriorated in the first quarter: average weekly hours fell 2.8 percent, the number of new claims for unemployment insurance rose 4.7 percent, and even with the mild winter, the number of new dwelling units put under contract fell 22.2 percent.

We are forecasting employment to grow by only 0.2 percent in the current second quarter and by 0.3 percent in the third quarter. In fact, we expect employment in the area's goods-producing sector to fall by a minor 0.2 percent in the current second quarter and then to rebound in the following third quarter.

**Kalamazoo-Battle Creek MSA
Employment Growth
(seasonally adjusted)**



**Kalamazoo-Battle Creek MSA
Economic Indexes**



Kalamazoo–Battle Creek MSA
(adjusted for seasonal variations)

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1	Forecast 1998 ^a		Forecast 1998 ^a	
						Q2	Percent change	Q3	Percent change
Employment									
Total employment	210,960	210,340	0.3	208,150	1.3	211,390	0.2	212,010	0.3
Goods-producing	58,130	58,010	0.2	57,420	1.2	58,010	-0.2	58,130	0.2
Construction & mining	8,540	8,480	0.7	8,140	4.9				
Manufacturing	49,590	49,530	0.1	49,280	0.6				
Durable goods	23,580	23,380	0.9	22,770	3.6				
Nondurable goods	26,010	26,150	-0.5	26,500	-1.8				
Private service-producing	118,780	118,310	0.4	116,820	1.7	119,150	0.3	119,490	0.3
Transportation & pub. utilities	7,090	6,990	1.4	6,990	1.4				
Wholesale trade	6,550	6,630	-1.2	6,550	0.0				
Retail trade	40,110	40,090	0.0	39,460	1.6				
Finance, ins. & real estate	10,940	10,870	0.6	10,850	0.8				
Services	54,100	53,730	0.7	52,960	2.2				
Government	34,050	34,020	0.1	33,910	0.4	34,240	0.5	34,390	0.4
Personal Income^b	11,359	11,251	1.0	10,814	5.0	11,455	0.8	11,566	1.0
Unemployment									
Number unemployed	8,400	8,110	3.6	9,340	-10.1				
Unemployment rate	3.7	3.6	1.7	4.2	-11.7				
Local indexes									
Help-wanted ads	161	158	1.9	141	14.2				
Leading indicators ^c	106	106	0.0	111	-4.5				
Local components:									
Average weekly hours	44.5	45.8	-2.8	44.3	0.5				
UI initial claims	539	515	4.7	561	-3.9				
New dwelling units ^d	1,557	2,001	-22.2	1,511	3.0				

SOURCE: W.E. Upjohn Institute for Employment Research. Based on dwelling data from F.W. Dodge Division, McGraw Hill Information Systems Company, ad count from the *Kalamazoo Gazette* and the *Battle Creek Enquirer*, and employment data from MESA.

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

^aPercent change from preceding quarter.

^bMillions of dollars.

^cNational components of the leading indicators are in Table A-3.

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

Industry Employment Change
First Quarter to First Quarter
(unadjusted for seasonal variations)

Industry	1998 Q1	1997 Q1	Percent change	Industry	1998 Q1	1997 Q1	Percent change
Goods-producing	56,900	56,200	1.2	Private service-producing	116,567	114,600	1.7
Primary metals	1,500	1,433	4.7	Gen'l merchandise stores	6,667	6,700	-0.5
Fabricated metals	5,867	6,033	-2.8	Auto dealers & service	4,333	4,167	4.0
Industrial machinery	4,200	4,000	5.0	Eating & drinking places	14,767	14,500	1.8
Food & kindred products	6,000	6,067	-1.1	Health services	16,467	16,500	-0.2
Paper & allied products	4,400	4,800	-8.3	Government	35,333	35,200	0.4
Printing & publishing	2,733	2,733	0.0	Federal government	5,000	5,033	-0.7
Chem. & allied products	7,000	7,100	-1.4	State government	9,233	9,100	1.5
Plastics & rubber	5,267	5,267	0.0	Local government	21,167	21,100	0.3

Kalamazoo Area

(Kalamazoo County)

Total employment in Kalamazoo County rose an estimated 0.4 percent during the first quarter. The modest gain in employment kept the area's unemployment below 3.0 percent. We are forecasting that employment in the area will decline by 0.2 percent in the current second quarter and then inch back up by 0.1 percent in the third quarter.

Goods-producing employment was estimated to be flat in the first quarter. However, several major announcements promise future employment gains. Dana Corporation announced that it selected Kalamazoo as the site of the international headquarters for its axle and brake division. The move will prevent the possible loss of 125 jobs and will provide for the creation of 180 jobs over the next three years. Geiger Technic, a maker of plastic fluid reservoirs for cars, announced that will expand its area plant and hire 79 additional workers. Finally, Fort James is hiring 60 workers at its Epic Food Wrap Plant, which will partially counter expected layoffs at the company's other plant operations. Finally, 800 jobs were retained in the Plainwell area, as Packerland Packing purchased Murco Incorporated, a meat-packing operation.

Employment in the area's service-producing sector was up an estimated 0.6 percent, while government employment moved up by 0.2 percent. First of America is continuing to reduce its workforce as a result of its merger with National

City Corporation, but no official counts have been released. The U.S. Postal Service's Kalamazoo Remote Encoding Center cut 50 to 70 workers due to new technology being introduced and the end of the holiday season.

The area's economic indicators were mixed. The area's purchasing management index barely moved in the second quarter, rising to 61.0 in May from 60.0 in April. The area's Index of Help-Wanted Advertising was up 2.1 percent; however, the number of new claims filed for unemployment insurance increased by 3.8 percent. Finally, the number of new dwelling units put under contract fell 27.2 percent.

We are forecasting employment in Kalamazoo County to decline 0.2 percent in the current second quarter. Goods-producing employment is expected to slide downward by 0.7 percent.

Kalamazoo Labor Market Conditions

	Average weekly wages		Percent change
	1997 Q1	1996 Q1	
Total	\$588.27	\$567.98	3.6
Manufacturing	1,024.47	979.56	4.6
Retail	239.90	234.71	2.2
Services	452.75	434.01	4.3
Finance	622.23	572.40	8.7

Kalamazoo Area

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1	Forecast 1998 ^a		Forecast 1998 ^a	
						Q2	Percent change	Q3	Percent change
Employment									
Total employment	124,890	124,420	0.4	122,730	1.8	124,610	-0.2	124,680	0.1
Goods-producing	32,420	32,430	0.0	31,960	1.4	32,210	-0.7	32,230	0.1
Service-producing	74,810	74,370	0.6	73,220	2.2	74,730	-0.1	74,780	0.1
Government	17,650	17,620	0.2	17,550	0.6	17,670	0.1	17,670	0.0
Personal Income^b	6,479	6,375	1.6	6,110	6.0	6,525	0.7	6,583	0.9
Unemployment									
Number	3,670	3,516	4.4	4,120	-10.9				
Rate	2.9	2.8	2.6	3.4	-13.6				
Indicators									
Help-wanted ads	167	164	2.1	148	13.3				
UI claims	281	271	3.8	287	-2.0				
New dwelling units ^c	1,071	1,472	-27.2	1,145	-6.5				
			Latest month (May)		Previous month (Apr)				
Local Purchasing Management Index*			61.0		60.0				

NOTE: Figures are seasonally adjusted. *Index = (percent survey reporting improvement) + 0.5 (percent survey reporting no change).

^aPercent change from preceding quarter. ^bMillions of dollars. ^cSeasonally adjusted annual rates.

Battle Creek Area

(Calhoun County)

Total employment in Calhoun County rose by an estimated 0.1 percent in the first quarter. The modest employment gains were enough to keep the area's unemployment rate at 4.4 percent. Although the county's economic indicators were mixed in the quarter, we are forecasting a strong employment comeback in the current second quarter.

Employment in the area's goods-producing sector rose an estimated 0.3 percent in the first quarter. Ralston hired 50 workers as it begin to rebuild its cereal operations in the area. Denso Manufacturing invested \$78 million to expand its automotive parts supply facility in Battle Creek and plans to add 100 new employees to its permanent workforce. Autocam, Inc. is investing \$9.4 million in a new automotive trim factory in Marshall and plans to hire approximately 200 employees over the next five years.

Employment in the area's service-producing sector was flat in the quarter and government employment was up an estimated 0.4 percent. Currently, the Battle Creek Federal Center is hiring 50 to 60 workers and will hire another 80 to 90 in 1999.

The area's economic indicators were mixed in the first quarter. The area's Help-Wanted Index increased 2.9 percent, suggesting the employment conditions in the area's service-producing sectors will improve in the coming months. However, the number of new claims for unemployment insurance rose 7.4 percent, and the number of new dwelling units put under contract fell by nearly 6.0 percent.

We are forecasting employment in the area to increase by 0.9 percent in the current second quarter and by an additional 0.7 percent in the third quarter. Nearly all of the growth is expected to occur in the area's service-producing and government sectors; employment gains in the area's goods-producing sector are expected to be modest.

Battle Creek Labor Market Conditions

	Average weekly wages		Percent change
	1996 Q4	1995 Q4	
Total	\$552.34	\$533.28	3.6
Manufacturing	808.21	793.34	1.9
Retail	252.80	235.11	7.5
Services	458.93	447.47	2.6
Finance	690.88	651.51	6.0

Battle Creek Area

Measure	1998 Q1	1997 Q4	Percent change Q4 to Q1	1997 Q1	Percent change Q1 to Q1	Forecast 1998 ^a		Forecast 1998 ^a	
						Q2	Percent change	Q3	Percent change
Employment									
Total employment	68,840	65,750	0.1	65,550	0.4	66,430	0.9	66,910	0.7
Goods-producing	19,510	19,450	0.3	19,380	0.7	19,610	0.3	19,710	0.5
Service-producing	35,420	35,420	0.0	35,220	0.6	35,760	1.0	36,010	0.7
Government	10,920	10,880	0.4	10,950	-0.3	11,060	1.3	11,190	1.2
Personal Income^b	3,327	3,283	1.4	3,174	4.8	3,367	1.2	3,403	1.1
Unemployment									
Number	2,950	2,895	1.9	2,950	0.0				
Rate	4.4	4.3	1.7	4.5	-2.2				
Indicators									
Help-wanted ads	140	136	2.9	117	19.8				
UI claims	260	242	7.4	275	-5.5				
New dwelling units ^c	498	529	-5.9	364	36.6				

NOTE: Figures are seasonally adjusted.

^aPercent change from preceding quarter. ^bMillions of dollars. ^cSeasonally adjusted annual rates.

Appendix Tables

Table A-1
Index of Help-Wanted Advertising (1992=100)

Area	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Battle Creek	181	102	125	140	128	126	117	113	138	136	140
Benton Harbor	101	167	180	218	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Grand Rapids	120	119	158	149	129	126	124	125	130	126	129
Kalamazoo	141	118	156	170	147	155	148	151	159	164	167
Muskegon	118	109	145	154	133	135	132	135	138	134	139
West Michigan, 3 MSAs	130	116	153	154	134	134	130	133	137	137	140
Detroit, Michigan LMA ^a	159	124	178	168	131	135	160	143	N/A	N/A	171
United States ^a	161	111	134	137	133	137	138	139	143	143	147

SOURCE: West Michigan indexes based on ad counts from the *Battle Creek Enquirer*, *Grand Rapids Press*, *Kalamazoo Gazette*, and *Muskegon Chronicle*; United States and Detroit indexes derived from The Conference Board.

^aDetroit LMA and United States Help-Wanted Indexes have not been adjusted for 1992=100.

Table A-2
Selected Labor Market Indicators
(not adjusted for seasonal variations)

Labor market area	Average for manufacturing production workers ^a March 1998			Civilian labor force unemployment rate ^b	
	Weekly hours	Hourly earnings	Weekly earnings	January 1998	March 1998
United States	41.7	\$13.48	\$ 562.12	5.2	5.0
Michigan	43.1	17.66	761.15	4.7	4.4
West Michigan MSAs:					
Benton Harbor	39.8	13.16	523.77	5.4	5.2
Grand Rapids-Muskegon-Holland	40.1	14.72	590.27	3.5	3.4
Kalamazoo-Battle Creek	44.5	15.43	686.63	4.1	4.0
Other labor market areas:					
Ann Arbor	45.4	18.92	858.97	2.6	2.5
Detroit	44.4	19.19	852.04	4.1	3.7
Flint	43.5	24.71	1,074.45	5.4	5.3
Jackson	43.3	12.77	552.94	4.7	4.3
Lansing-E. Lansing	39.9	19.43	775.26	4.6	3.7
Saginaw-Bay City-Midland	44.8	21.51	963.65	5.1	5.2

SOURCE: U.S. Department of Labor and the Michigan Employment Security Agency (most recent benchmark).

^aPreliminary. Earnings include overtime and part-time wages.

^bSeasonally adjusted rate for U.S. was 4.7 percent in January 1998 and 4.7 percent in March 1998. Seasonally adjusted rate for Michigan was 4.0 percent in January 1998 and 4.0 percent in March 1998.

Table A-3
Components of the Index of Leading Indicators

1. Index of Leading Indicators (1992=100)											
MSA	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Benton Harbor	105	106	119	109	101	110	105	110	110	113	113
Grand Rapids-Muskegon-Holland	110	107	118	109	104	112	107	112	114	117	116
Kalamazoo-Battle Creek	106	104	116	104	102	109	111	110	109	106	106
West Michigan, 3 MSAs	108	106	117	107	104	111	107	112	112	115	113
Michigan	111	106	119	109	106	111	109	112	112	113	110
2. Average Weekly Hours of Production Workers											
MSA	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Benton Harbor	40.8	43.2	43.4	42.6	42.3	42.5	42.0	42.9	42.5	42.5	42.1
Grand Rapids-Muskegon-Holland	40.5	42.3	42.8	41.9	41.7	42.2	42.0	42.0	42.2	42.3	41.4
Kalamazoo-Battle Creek	43.1	43.7	44.3	43.3	43.4	44.9	44.3	44.8	44.9	45.8	44.5
West Michigan, 3 MSAs	41.2	42.7	43.2	42.3	42.2	42.8	42.5	42.8	42.8	43.0	42.2
Michigan	42.2	43.0	44.9	44.3	43.8	44.4	44.7	44.3	44.2	44.4	43.8
United States	41.0	41.4	42.0	41.6	41.6	42.0	42.0	42.0	42.0	42.0	42.0
3. Initial Claims for Unemployment Insurance (Average per week)											
MSA	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Benton Harbor	236	210	183	192	228	183	208	175	184	165	164
Grand Rapids-Muskegon-Holland	1,380	1,290	1,145	1,237	1,425	1,097	1,342	1,096	1,053	890	841
Kalamazoo-Battle Creek	656	605	581	640	620	523	561	483	541	515	539
West Michigan, 3 MSAs	2,274	2,105	1,909	2,069	2,269	1,803	2,114	1,763	1,768	1,571	1,552
Michigan	17,212	16,731	12,958	14,919	15,969	13,696	14,991	13,497	13,935	12,320	13,163
United States	324,350	341,000	341,900	358,200	351,700	319,300	320,000	333,000	313,200	313,700	311,400
4. New Dwelling Units Put under Contract											
MSA	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Benton Harbor	359	514	541	544	563	493	438	430	448	620	762
Grand Rapids-Muskegon-Holland	6,005	4,521	4,879	4,827	5,398	5,410	4,951	5,730	5,459	5,645	5,805
Kalamazoo-Battle Creek	1,372	1,255	2,564	1,536	1,806	1,684	1,511	1,628	1,618	2,001	1,557
West Michigan, 3 MSAs	7,752	6,289	7,985	6,908	7,768	7,586	6,972	7,845	7,531	8,178	8,184
Michigan	51,400	37,394	39,643	39,125	44,880	40,886	38,142	42,454	40,750	42,497	41,434
5. National Association of Purchasing Management Survey (Selected components indexed)^a											
Component	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
New orders	123	114	125	100	106	117	117	121	119	112	113
Change in inventories	97	90	92	89	85	89	85	89	90	91	93
Vendor performance	91	104	120	105	101	108	103	108	110	110	105
Changes in material prices	143	104	145	124	91	104	107	99	106	104	92

SOURCE: National index from U.S. Department of Commerce, all others from the W. E. Upjohn Institute. Average weekly hours and initial claims based on information from the Michigan Employment Security Agency; number of housing units put under contract, F.W. Dodge Division, McGraw Hill Information Systems Company; survey data from the National Association of Purchasing Management. Seasonal adjustments by the Institute.

^aSurvey results shown here are based on percent reporting conditions favorable to economic growth minus percent reporting conditions unfavorable to economic growth plus 100.

Table A-4
Employment Data for West Michigan MSAs and Michigan
(thousands of jobs - by place of work)

Total Employment ^a											
MSA	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Benton Harbor	63.6	67.6	70.0	71.0	71.3	72.0	71.0	71.8	71.9	72.1	71.7
Grand Rapids-Muskegon-Holland	396.1	471.5	497.7	519.2	534.2	551.5	544.7	549.6	552.7	558.3	563.1
Grand Rapids-Holland	314.9	377.5	401.8	423.4	434.7	451.0	445.0	449.8	452.7	456.5	460.6
Muskegon	56.5	56.0	59.2	60.6	62.1	64.4	63.6	64.2	64.6	65.1	65.6
Kalamazoo-Battle Creek	177.6	196.2	201.7	205.5	206.3	208.0	208.2	207.7	208.4	210.3	211.0
Kalamazoo	104.4	115.5	119.1	120.8	122.2	123.6	122.7	123.6	124.0	124.4	124.9
Battle Creek	57.6	60.4	63.4	65.8	65.7	65.7	65.5	65.7	65.9	65.8	65.8
West Michigan, 3 MSAs	637.4	735.3	769.4	795.7	811.8	831.5	824.0	829.0	833.1	840.7	846.0
Michigan	3,717.9	3,997.1	4,139.2	4,265.5	4,337.6	4,402.1	4,406.9	4,397.1	4,395.1	4,470.9	4,502.3
Goods-Producing Employment ^b											
MSA	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Benton Harbor	23.4	21.8	22.8	23.4	23.1	23.3	22.3	23.3	23.3	22.6	22.5
Grand Rapids-Muskegon-Holland	144.2	154.9	165.2	172.9	175.9	181.1	177.5	181.1	181.6	180.9	182.1
Grand Rapids-Holland	111.1	123.5	131.8	137.8	139.4	143.1	141.3	143.1	143.9	144.1	145.1
Muskegon	19.8	16.7	16.9	17.3	17.7	18.3	18.0	18.3	18.4	18.4	18.6
Kalamazoo-Battle Creek	54.3	55.8	56.7	58.1	57.6	57.5	57.4	57.5	57.6	58.0	58.1
Kalamazoo	33.0	31.9	32.1	32.1	32.2	32.2	32.0	32.2	32.3	32.4	32.4
Battle Creek	17.1	18.2	19.0	20.0	19.7	19.4	19.4	19.4	19.5	19.5	19.5
West Michigan, 3 MSAs	221.9	232.5	244.7	254.4	256.6	261.9	257.2	261.7	262.5	261.4	262.8
Michigan	1,093.4	1,041.2	1,094.4	1,132.6	1,134.6	1,142.7	1,143.3	1,140.5	1,139.0	1,154.5	1,164.0
Private Service-Producing Employment ^c											
MSA	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Benton Harbor	31.7	36.8	38.2	38.9	39.7	40.2	40.1	40.0	40.2	40.9	40.6
Grand Rapids-Muskegon-Holland	208.2	266.1	281.4	294.8	306.2	317.4	314.4	315.8	318.1	323.7	326.6
Grand Rapids-Holland	203.8	216.8	234.3	248.4	257.6	269.2	265.3	267.9	270.0	273.3	275.9
Muskegon	36.8	30.3	33.2	34.2	35.4	36.9	36.4	36.8	37.0	37.5	37.8
Kalamazoo-Battle Creek	91.2	106.7	111.3	113.7	115.1	116.6	116.8	116.5	116.7	118.3	118.8
Kalamazoo	71.3	66.2	69.7	70.9	72.6	73.8	73.2	73.9	73.9	74.4	74.8
Battle Creek	40.5	30.9	33.4	34.8	35.0	35.4	35.2	35.4	35.4	35.4	35.4
West Michigan, 3 MSAs	331.1	409.6	430.9	447.4	461.0	474.2	471.6	472.4	474.9	482.8	486.3
Michigan	2,018.1	2,316.8	2,405.3	2,492.1	2,560.0	2,618.3	2,616.1	2,612.9	2,617.6	2,667.9	2,686.8
Government Employment											
MSA	Annual averages (Selected years)						Quarters adjusted for seasonal variations				
	1987	1993	1994	1995	1996	1997	1997				1998
							Q1	Q2	Q3	Q4	Q1
Benton Harbor	8.5	9.1	8.9	8.7	8.4	8.5	8.5	8.5	8.4	8.6	8.6
Grand Rapids-Muskegon-Holland	80.3	50.5	51.1	51.4	52.2	53.0	52.9	52.7	53.0	53.8	54.4
Grand Rapids-Holland	31.1	37.2	35.7	37.1	37.7	38.8	38.4	38.7	38.8	39.2	39.6
Muskegon	8.9	9.0	9.1	9.1	9.1	9.2	9.2	9.2	9.2	9.3	9.3
Kalamazoo-Battle Creek	32.1	33.7	33.6	33.7	33.5	33.9	33.9	33.7	34.2	34.0	34.1
Kalamazoo	16.7	17.4	17.3	17.4	17.5	17.6	17.6	17.5	17.8	17.6	17.7
Battle Creek	11.3	11.3	11.0	11.1	10.9	11.0	11.0	10.9	11.1	10.9	10.9
West Michigan, 3 MSAs	84.4	93.3	93.6	93.8	94.2	95.3	95.2	94.9	95.7	96.4	96.9
Michigan	606.3	639.1	639.5	640.7	643.1	641.1	647.5	643.8	638.5	648.5	651.6

SOURCE: MSA employment levels are from the Michigan Employment Security Agency. Employment levels for 1993 to present for the subareas of the MSAs are estimated by the W.E. Upjohn Institute.

NOTE: Annual employment statistics are adjusted to reflect MESA's final average annual employment figures. Quarterly estimates are subject to change due to the addition of current quarter employment estimates.

^aComponents may not add to totals because of rounding.

^bManufacturing and construction and mining.

^cTransportation and public utilities, wholesale trade, retail trade, finance, insurance and real estate, and services.

Table A-5
Personal Income and Earnings by Industry
(\$000 current dollars)

Area	Income distribution	1990	1991	1992	1993	1994	1995
Benton Harbor MSA (Berrien County)	Total personal income	2,628,971	2,716,333	2,899,151	3,073,099	3,256,967	3,442,206
	Per capita income ^a	16,293	16,837	17,952	19,018	20,193	21,284
	Earnings by industry						
	Total nonfarm	1,750,874	1,773,521	1,917,030	2,068,668	2,200,617	2,308,158
	Private sector	1,537,759	1,549,163	1,678,417	1,824,556	1,950,136	2,047,603
	Manufacturing	684,014	689,393	747,701	830,898	860,908	890,850
Government	213,115	224,358	238,613	244,112	250,481	260,555	
Grand Rapids-Muskegon- Holland MSA	Total personal income	16,790,389	17,667,873	19,032,475	20,058,967	21,590,726	23,231,868
	Per capita income ^a	17,828	18,516	19,730	20,579	21,811	23,174
	Earnings by industry						
	Total nonfarm	12,794,862	13,077,009	14,091,423	15,044,490	16,567,627	17,913,912
	Private sector	11,535,934	11,724,415	12,654,541	13,513,621	14,941,119	16,253,165
	Manufacturing	4,638,116	4,732,749	5,062,887	5,409,456	5,992,467	6,452,751
Government	1,258,928	1,352,594	1,436,882	1,530,869	1,626,508	1,660,747	
Grand Rapids-Holland (Kent and Ottawa Counties)	Total personal income	13,008,818	13,685,485	14,823,146	15,618,182	16,823,344	18,138,072
	Per capita income ^a	18,813	19,510	20,891	21,773	23,018	24,466
	Earnings by industry						
	Total nonfarm	10,457,496	10,675,117	11,517,644	12,329,947	13,630,537	14,780,151
	Private sector	9,539,457	9,683,894	10,464,856	11,197,443	12,415,775	13,540,173
	Manufacturing	3,626,279	3,684,711	3,942,946	4,260,452	4,749,808	5,128,791
Government	918,039	991,223	1,052,788	1,132,504	1,214,762	1,239,978	
Muskegon County	Total personal income	2,341,616	2,448,547	2,571,236	2,686,270	2,852,049	3,040,996
	Per capita income ^a	14,696	15,233	15,880	16,502	17,489	18,581
	Earnings by industry						
	Total nonfarm	1,580,631	1,581,495	1,688,126	1,741,490	1,849,096	1,975,181
	Private sector	1,335,026	1,322,840	1,414,223	1,459,293	1,556,874	1,677,855
	Manufacturing	583,860	586,191	624,677	613,749	640,197	684,968
Government	245,605	258,655	273,903	282,197	292,222	297,326	
Kalamazoo-Battle Creek MSA	Total personal income	7,505,493	7,908,199	8,315,884	8,736,863	9,229,095	9,821,115
	Per capita income ^a	17,440	18,306	19,092	19,895	20,964	22,203
	Earnings by industry						
	Total nonfarm	5,526,896	5,783,619	6,159,178	6,433,568	6,783,410	7,218,284
	Private sector	4,659,686	4,867,510	5,198,122	5,440,851	5,758,887	6,163,142
	Manufacturing	2,041,546	2,114,815	2,259,595	2,297,586	2,397,217	2,538,727
Government	867,210	916,109	961,056	992,717	1,024,523	1,055,142	
Kalamazoo County	Total personal income	4,269,560	4,497,398	4,695,720	4,944,305	5,210,145	5,546,985
	Per capita income ^a	19,080	20,121	20,860	21,807	22,967	24,331
	Earnings by industry						
	Total nonfarm	3,336,349	3,491,199	3,673,741	3,846,224	4,020,736	4,280,713
	Private sector	2,893,506	3,016,143	3,178,603	3,340,170	3,506,210	3,740,827
	Manufacturing	1,269,230	1,315,576	1,348,849	1,353,642	1,386,774	1,448,890
Government	442,843	475,056	495,138	506,054	514,526	539,886	
Battle Creek area (Calhoun County)	Total personal income	2,243,647	2,367,348	2,515,323	2,616,331	2,773,551	2,938,819
	Per capita income ^a	16,460	17,240	18,195	18,800	19,873	20,995
	Earnings by industry						
	Total nonfarm	1,746,421	1,830,971	1,987,342	2,045,259	2,192,850	2,318,386
	Private sector	1,420,311	1,495,164	1,633,183	1,677,753	1,809,093	1,935,101
	Manufacturing	654,303	675,205	767,719	787,222	854,388	913,331
Government	326,110	335,807	354,159	367,506	383,757	383,285	

SOURCE: Bureau of Economic Analysis, 1990 to 1995.

^aPer capita income is in actual dollars.

**Table A-6
Consumer Price Index**

Consumer Price Index (CPI), U.S. City Average (1982-84=100)													
Year	Annual												
	Avg.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
CPI for All Urban Consumers (CPI-U)													
1984	103.9	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3
1985	107.6	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3
1986	109.6	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5
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		161.6	161.9	162.2	162.5								
CPI for Urban Wage Earners and Clerical Workers (CPI-W)													
1984	103.3	101.6	101.8	101.8	102.1	102.5	102.8	103.2	104.2	104.8	104.8	104.7	104.8
1985	106.9	104.9	105.4	105.9	106.3	106.7	107.0	107.1	107.3	107.6	107.9	108.3	108.6
1986	108.6	108.9	108.5	107.9	107.6	107.9	108.4	108.4	108.6	109.1	109.1	109.2	109.3
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		158.4	158.5	158.7	159.1								

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

NOTE: Monthly data are shown above unadjusted for seasonal variations. Unadjusted CPI data are used extensively for escalation purposes. Although the 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. Examples of computation follow:

$$\frac{100 \times [108.6 \text{ (1986 annual avg.)} - 106.9 \text{ (1985 annual avg.)}]}{106.9 \text{ (1985 annual avg.)}} = 1.6\% \text{ change 1985 to 1986, CPI-W.}$$

$$\frac{100 \times [109.3 \text{ (1986 December)} - 108.6 \text{ (1985 December)}]}{108.6 \text{ (1985 December)}} = 0.6\% \text{ change December 1985 to December 1986, CPI-W.}$$

$$\frac{100 \times [110.0 \text{ (1987 January)} - 109.3 \text{ (1986 December)}]}{109.3 \text{ (1986 December)}} = 0.6\% \text{ change December 1986 CPI-W to January 1987, CPI-W.}$$

**Table A-7
Population Update for Selected Areas**

Area	1997	1996	1995	1990	1980	Annual percent change	
						1990-1996	1980-1990
Michigan	9,773,892	9,730,925	9,655,305	9,310,450	9,262,078	0.8	0.1
West Michigan Metropolitan Areas:							
Benton Harbor MSA	160,713	161,175	161,637	161,378	171,276	-0.1	-0.6
Benton Harbor		11,824	11,942	12,818	14,707	-1.4	-1.4
Niles (part)		11,811	11,948	12,456	13,115	-0.9	-0.5
St. Joseph		8,766	8,865	9,214	9,622	-0.8	-0.4
Grand Rapids-Muskegon-Holland MSA	1,026,295	1,015,273	1,002,358	937,891	840,824	1.4	1.1
Kent County	539,425	535,827	530,898	500,631	444,506	1.2	1.2
Grand Rapids		188,242	188,819	189,126	181,843	-0.1	0.4
Kentwood		41,816	41,431	37,826	30,438	1.7	2.2
Walker		18,971	18,713	17,279	15,088	1.6	1.4
Wyoming		66,571	66,272	63,891	59,616	0.7	0.7
Ottawa County	220,403	215,612	210,289	187,768	157,174	2.3	1.8
Grand Haven		12,142	12,175	11,951	11,763	0.3	0.2
Holland (part)		26,737	26,673	25,086	26,281	1.1	-0.5
Muskegon County	165,882	164,810	163,657	158,983	157,589	0.6	0.1
Muskegon		39,518	39,758	39,809	40,823	-0.1	-0.3
Muskegon Heights		12,564	12,669	13,176	14,611	-0.8	-1.0
Norton Shores		22,710	22,503	21,755	22,025	0.7	-0.1
Allegan County	100,585	99,024	97,514	90,509	81,555	1.5	1.0
Kalamazoo-Battle Creek MSA	446,699	444,389	442,584	429,453	420,771	0.7	0.2
Kalamazoo County	229,192	229,034	228,077	223,411	212,378	0.4	0.5
Kalamazoo		77,460	77,815	80,277	79,722	-0.6	0.1
Portage		43,317	43,008	41,042	38,157	0.9	0.7
Calhoun County	141,821	140,152	140,163	135,982	141,579	0.5	-0.4
Battle Creek		53,430	53,583	53,516	35,724	0.0	4.1
Marshall		7,251	7,185	6,941	7,201	0.7	-0.4
Van Buren County	75,686	75,203	74,344	70,060	66,814	1.2	0.5
Total	1,663,707	1,620,837	1,606,579	1,528,722	1,432,871	1.1	0.6
Rural Southwest Michigan:							
Barry County	53,533	53,227	52,619	50,057	45,781	1.1	0.9
Branch County	43,628	42,933	42,657	41,502	40,188	0.9	0.3
Cass County	49,967	49,901	49,633	49,477	49,499	0.2	0.0
Newaygo County	45,059	44,269	43,445	38,206	34,917	2.8	0.9
Oceana County	24,599	24,319	23,980	22,454	22,002	1.6	0.2
St. Joseph County	61,234	60,989	60,516	58,913	56,083	0.7	0.5
Total	278,020	275,638	272,850	260,609	248,470	1.1	0.5

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

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