

WEST MICHIGAN VIEWPOINT

2007 and 2008 Forecast for West Michigan

2006 Was a Disappointing Year for West Michigan

Nationwide, 2006 was a good year, but not for west Michigan and certainly not for the rest of the state. The nation's Gross Domestic Product (GDP) grew by 3.3 percent last year.

Of course, even nationally the year was not perfect. The nation's housing market went into a tailspin, and it remains unclear when it will recover. One of the truly surprising developments so far is that the plunging housing market has not affected consumer spending for appliances and furniture.

While employment grew by 1.8 percent nationwide in 2006, employment in west Michigan inched up by only 0.2 percent, an increase of just 2,100 jobs. Still, this was far better than the rest of the state, where employers eliminated nearly 20,000 jobs, 0.6 percent of their workforce.

Reduced Growth Expected for 2007 and 2008

Almost all national forecasters are predicting the economy will expand in 2007 and 2008, but at a slower pace. GDP is expected to grow between 2.5 and 2.8 percent in 2007. More disturbing to the state's economy is the continuing loss of market share by the Big Three. During the 12-month period ending in January, sales at Ford plunged by 20 percent and sales at General Motors by 16.5 percent, according to *Ward's AutoWorld*. The University of Michigan is forecasting that employment in Michigan will decline by 27,200 in 2007 and by another 13,200 in 2008.

A Quick Review of Last Year's Forecast

It is our tradition to check how our last year's forecast performed. Unfortunately, it did not do that well, as we see below. We predicted that total employment would increase by 0.8 percent during 2006 in the six metro areas of west Michigan. Instead, it rose by only 0.2 percent. The source of our error is very clear; we forecast employment in the area's goods-producing sector to be flat in 2006, when in fact it fell by 0.8 percent. The unexpected loss in goods-producing jobs in turn hampered the region's growth in services.

Revisiting Last Year's Forecast (% change)		
	Actual 2006	Forecast 2006
Total	0.2	0.8
Goods-producing	-0.8	0.1
Service-providing	0.8	1.3
Government	-0.1	0.0

Employment Forecast for 2007 and 2008

We predict that total employment in the six metropolitan areas of west Michigan will increase by 0.5 percent in 2007 and by 0.6 percent in 2008. For three of the region's metro

areas—Grand Rapids–Wyoming, Holland–Grand Haven, and Kalamazoo–Portage—we are predicting a repeat of last year's performance. In the other areas we are predicting economic turnarounds.

If our forecasts are on the mark, 2007 will be a year of sluggish employment growth for the region. Part of the reason is that the region's manufacturing sector continues to make necessary productivity improvements, which limit hiring. Of course, this is happening nationwide, and it enables our manufacturers to compete in a harsh global marketplace. Still, because of the region's high concentration in manufacturing activity, the emphasis on productivity improvements will by itself guarantee that employment in the region will grow more slowly than the national rate.

Employment Forecast for 2007 and 2008 (% change)			
	Actual 2006	Forecast 2007	Forecast 2008
Battle Creek MSA			
Total	-0.4	0.4	0.6
Goods-producing	-1.5	-0.7	0.1
Service-providing	0.3	1.0	1.1
Government	-1.4	0.0	-0.6
Grand Rapids–Wyoming MSA			
Total	0.5	0.7	0.5
Goods-producing	-0.4	-0.9	-1.1
Service-providing	0.9	1.3	1.1
Government	0.2	0.2	0.2
Holland–Grand Haven MSA			
Total	0.6	0.5	1.0
Goods-producing	0.2	-0.5	0.3
Service-providing	1.3	1.3	1.5
Government	-0.5	-0.1	0.5
Kalamazoo–Portage MSA			
Total	0.1	0.3	0.2
Goods-producing	-1.8	-1.5	-1.1
Service-providing	0.6	0.8	0.5
Government	0.5	0.3	0.5
Muskegon–Norton Shores MSA			
Total	-0.3	0.6	1.2
Goods-producing	-0.6	-1.0	-0.4
Service-providing	0.1	1.2	1.8
Government	-1.6	0.1	0.4
Niles–Benton Harbor MSA			
Total	-0.6	0.7	0.7
Goods-producing	-3.4	-1.0	-0.9
Service-providing	0.4	1.6	1.4
Government	0.6	-0.2	-0.1
West Michigan			
Total	0.2	0.5	0.6
Goods-producing	-0.8	-0.9	-0.7
Service-providing	0.8	1.2	1.1
Government	-0.1	0.1	0.2