

WEST MICHIGAN VIEWPOINT

2010 Employment Forecast for West Michigan: It Has To Be Better Than Last Year

The year 2009 was an awful year. Employment fell by 5.2 percent in the six metropolitan areas of west Michigan as employers eliminated 43,200 jobs. The region's unemployment rate climbed to 13.5 percent in the fourth quarter, up from 9.1 percent in the same quarter in 2008.

Fortunately, in the fourth quarter of 2009 the national economy logged its second consecutive quarter of positive growth, suggesting that the worst may indeed be over. Now the worry is about the strength of the current expansion. Credit markets are still tight, consumer confidence is still low, and labor markets are still sluggish. While growth in the fourth quarter was particularly strong, it was powered, in large part, by the restocking of inventories and the government's stimulus program. Neither is sustainable.

Economic forecasters are predicting that the nation's Gross Domestic Product (GDP) will grow somewhere between 2 and 4 percent during 2010. The forecast that we at *Business Outlook* used in our regional model calls for GDP to grow by 2.4 percent in 2010 and then by 3.1 in 2011. It is a forecast that, like most, generates only modest employment growth during 2010. Prices are expected to remain stable, allowing the Federal Reserve to keep interest rates low. Car sales are expected to remain at low levels of 11 and 12 million units per year in 2010 and 2011, respectively.

Before turning to our 2010 employment forecast for the region, let's check back, as we do every year, to see how we did last year. In looking at Table 1, it is clear that we underestimated the severity of the recession, forecasting only a 2.6 percent employment decline, which was half of the actual decline. We erred in understating the loss of employment in both the goods-producing and service-providing sectors.

Unfortunately, the modest national growth that is expected for 2010 will be insufficient to push employment growth into positive territory in west Michigan (Table 2). Employment in the six metropolitan areas is expected to be down by 1.5 percent for 2010 and then slightly up in 2011.

In the region's struggling goods-producing sector, employment is expected to decline by 3.4 percent. The region's auto suppliers continue to trim back their workforce because of the lower expected production volumes, and the region's office furniture industry is expected to have a slow year. Most new orders placed among the region's manufacturers will likely be filled by increases in productivity and overtime hours. It is also likely that manufacturers will increase their use of temporary employment services; however, these workers are accounted for in the private service-providing sector, so they will not show up on the rolls for manufacturing. Finally, there is little evidence that the region's housing industry will recover in 2010.

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

	Forecast 2009	Actual 2009	Difference
Total	-2.6	-5.2	2.6
Goods-producing	-7.6	-11.0	3.4
Service-providing	-1.3	-4.2	2.9
Government	-1.4	0.4	-0.4

Employment in the region's service-providing sector is forecast to decline by 1.2 during 2010. Growth is expected in health care fields and professional and business services (temporary employment services), which will help buffer expected losses in both the trade and the leisure and hospitality sectors.

Looking forward to 2010, there are promising economic trends. The nation's businesses made serious investments in equipment and software during the fourth quarter, resulting in the largest quarterly increase in nearly four years. Internationally, the global economy appears to be rebounding, according to economists at the International Monetary Fund (IMF). If this trend holds, it would provide support to the nation's exporters and help sustain the national expansion.

**Table 2 Employment Forecast for 2010 and 2011
(% change from 2009)**

	Actual 2009	Forecast 2010	Forecast 2011
Battle Creek MSA			
Total	-5.1	-1.0	-0.2
Goods-producing	-10.0	-3.2	-0.8
Service-providing	-5.7	-1.7	0.0
Government	4.5	4.6	-0.1
Grand Rapids-Wyoming MSA			
Total	-4.7	-1.4	0.3
Goods-producing	-10.6	-3.2	-0.7
Service-providing	-3.4	-1.1	0.6
Government	-0.5	-0.2	0.2
Holland-Grand Haven MSA			
Total	-7.7	-1.2	0.9
Goods-producing	-11.3	-1.8	0.4
Service-providing	-5.8	-1.0	1.5
Government	-5.5	-0.5	-0.4
Kalamazoo-Portage MSA			
Total	-4.4	-1.2	0.2
Goods-producing	-11.2	-3.0	-1.3
Service-providing	-4.2	-1.0	0.5
Government	3.1	0.2	0.2
Muskegon-Norton Shores MSA			
Total	-5.6	-2.5	0.4
Goods-producing	-11.8	-6.5	-1.4
Service-providing	-5.0	-1.6	1.0
Government	2.8	-0.7	-0.5
Niles-Benton Harbor MSA			
Total	-5.9	-2.8	-0.4
Goods-producing	-12.5	-6.3	-2.7
Service-providing	-4.9	-2.1	0.2
Government	0.9	-0.2	0.3
West Michigan			
Total	-5.2	-1.5	0.2
Goods-producing	-11.0	-3.4	-0.8
Service-providing	-4.2	-1.2	0.6
Government	0.4	0.3	0.0