Mid-year economic check-up finds region healthier

THE BANK OF holland

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Over the past few weeks, West Michigan's business owners - The Bank of Holland included - reviewed the latest quarterly W.E. Upjohn Institute for Employment Research Report. While this report provides solid insight into our local and state economies, my experience in business and banking has taught me that no single or group of economists can write a report that is dead-center on target.

While some of our clients are concerned that we could be facing a decade of anemic economic growth, many emerging, positive factors can lead West Michigan to a faster economic recovery. We have a solid base of companies that keep a low profile. Unprecedented low interest rates are creating opportunities to secure competitive long-term financing. And, current government loan and incentive programs are creating wonderful low-cost funding for growth and expansion.

In addition to looking at this regional report, business owners need to understand that the current global economic picture makes it prudent to plan in multiple smaller steps rather than a few, giant leaps. With this in mind, I have highlighted the 31-page report's more interesting findings on how we are faring mid-way through 2011.

Gains throughout the region

The Upjohn report notes that the Chicago Federal Reserve's mid-April Beige Book report was guardedly optimistic. Manufacturing activity was resurgent throughout the region. From March 2010 to March 2011, Michigan led the region with a robust 6.3 percent increase in manufacturing employment, pushing overall employment up by 2.0 percent. The Purchasing Managers Index also indicates an expanding manufacturing sector.

I was happy to see that the Detroit Three are having a great year. Sales are up 21 percent during the first four months compared to the same period last year.

From my own analysis, I believe we'll see continued growth in the manufacturing sector, in large part because it is rebounding over such lows.

Changing U.S. demographics also will position health care as a segment supporting investment and expansion.

West Michigan's mixed trends

As I read the report, I was happy to see that West Michigan labor market conditions have improved, decreasing the region's unemployment rate to 9.2 percent. Total West Michigan employment rose by 0.2 percent last quarter with five of the six metropolitan areas reporting job gains.

I was a little disappointed to read that a West Michigan mainstay, the office furniture industry, grew at a slower pace during the first quarter of 2011 than it had previously. The Michael A. Dunlap and Associates index placed it at 55.38, down slightly from the previous quarter's 57.01. This reduction suggests industry growth has slowed slightly.

On the bright side, The Businesses and Institutional Furniture Manufacturer's Association projects a 14 percent increase in U.S. office furniture production through the end of 2011 and another 8.4 percent in 2012. This national resurgence should soon benefit our West Michigan firms even as they currently struggle to recover. Another foundational West Michigan business, agriculture, though cyclical, will also see growth.

Good growth throughout GR

As I continued through the report, I was happy to see that snack food processor Hearthside Foods plans on adding 302 new jobs at its plants in Grand Rapids and Wyoming. The new $19 million Spartan Stores YMCA is creating 200 jobs in Wyoming. And, Gordon Food Services is developing a new Wyoming headquarters campus bringing an additional 127 jobs to the area.

Opportunities knock along lakeshore

In Holland, Multi Packaging Solutions Inc., a printing and packaging manufacturer, announced plans to add 180 workers at its plans in Allegan and Holland. In greater Muskegon, Hilite International's Whitehall plant is hiring 60 new workers to produce engine parts.

While we remain inthe midst of a very fragile recovery, Michigan has plenty of capital and industry experience across a wide variety of sectors. The U.S. and world exonomies require close monitoring and thoughtful decision-making in order for businesses in West Michigan to capitalize on these potential opportunities.

West Michigan will continue to do better than the country at large due to our resilience in rethinking business models that create opportunity for growth.

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