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News Release (For Immediate Release)

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Current Business Trends

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HINTS OF SLOWER GROWTH, BUT OPTIMISM REBOUNDS (SOME)

Key April Participant Comments:

"Business is strong, but starting to soften by a small percentage."

"Suppliers are having issues with parts coming from China."

"We are still very busy, and pricing has stabilized over the last several months. Acquiring people in our industry is still a severe problem."

"This month does seem slower than last month."

Although the West Michigan economy is still chugging along like it has been for the past ten years, anecdotal evidence is mounting that the pace may be slowing. According to the data we collected in mid-April, NEW ORDERS, our index of business improvement, remained modestly positive but backtracked to +13 from +17. However, the PRODUCTION index upticked to +11 from +5. Activity in the purchasing offices, which we measure with the index of PURCHASES, also rose to +16 from +4.

The U.S. Economy. The national industrial economy retreated slightly in April, according to the May 1 press release from the Institute for Supply Management, our parent organization. NEW ORDERS, ISM's index of business improvement, remained positive but eased to +12 from +24. The PRODUCTION index flattened to +12 from +16. ISM's index of NEW EXPORT ORDERS fell below the break-even point to -1 from March's +3, and the index of IMPORTS slid to -1 from +2. Although still above the 50.0 break-even point, the ISM's overall index eased significantly to 52.8 from 55.3.

The view of the U.S. economy from IHS Markit, the British international consulting firm, is slightly more optimistic. Market.com's seasonally adjusted PMI for March edged higher to 52.6 from 52.4. The statistics were modestly aided by improvements in the survey's New Business and Factory Output indexes. However, the index of business confidence as well as most of the survey's other measures remain below the series trend as well as the average statistics for 2018. Chris Williamson, Chief Business Economist at IHS Markit, further noted:

"Although the PMI ticked higher in April, the survey remains consistent with manufacturing acting as a drag on the economy at the start of the second quarter, albeit with the rate of contraction easing. Historical comparisons indicate that the survey's output gauge needs to rise above 53.5 to signal growth of factory production. As such, the data add to signs that the economy looks set to slow after the stronger than expected start to the year. Employment growth also disappointed as hiring slipped to the lowest for nearly two years, albeit in part due to firms reporting difficulties finding staff amid the current tight labour market. There was better news on the order book front, however, with inflows of new business rising and firms signalling an improved export performance. Unfortunately, on balance, manufacturers seem sceptical that the rise in demand will persist, with future expectations of output growth slumping lower in April. Both input cost and factory gate price inflation

rates meanwhile eased further, down to the lowest for over one and a half years, hinting that consumer price inflation rates will have continued to cool in April."

GDP. Most estimates for first quarter U.S. GDP were coming in at a little less than 2.0 percent. Hence, the 3.2 percent growth reported by the Commerce Department on April 26 was a pleasant surprise. However, analysts were quick to point out several statistical quirks which implied that the trend will not continue for the rest of 2019. The second quarter Blue Chip consensus is now pegged at 2.6 percent, and the closely-watched Atlanta Fed best guess has now been raised to 1.6 percent. According to the numbers we are reporting in our local survey, 2.5 percent appears to be a good guess for second quarter GDP.

The World Economy. J.P. Morgan's Global Manufacturing index, a compilation of the purchasing manager's report from 43 nations, remains "lackluster." China, the world's second largest industrial economy, remains flat. The April Caixin PMI for China backtracked to 50.2 after declaring that the 50.8 posted a month earlier constituted a new wave of optimism for the tariff-beleaguered economy. JPM's overall index eased to 50.3 from 50.5, although both New Orders and Output drifted marginally higher. The Employment index eased to 50.4, only four ticks away from the 50.0 break-even point. Because all of the indexes are weighted by GDP per country, the positive performances from larger economies like the U.S., China, Brazil, and the U.K. help raise the average. However, the sub-50.0 scores from Germany, France, Italy, Japan and South Korea continue to pull the averages lower. David Hensley, Director of Global Economic Coordination at J.P. Morgan, further noted:

"The global manufacturing sector remained subdued at the start of the second quarter, with the PMI barely above the 50.0 mark and rates of expansion in output and new orders still lackluster and well below long-run trend levels. In particular, the capital goods sector PMI underscores that business capex remains stalled. International trade flows remain a significant drag on the manufacturing sector. New export business has now decreased for eight successive months."

The uncertainty of the Brexit battle continues to weigh on all of the European countries. The April IHS Markit PMI manufacturing index for the eurozone came in at 47.9, slightly better than the 47.5 reported for March. The 44.4 PMI of Germany, the largest country in the eurozone, remains the biggest loser, although Austria and Italy are also posting negative PMIs. The "fire sale" rally continues in Greece, resulting in a PMI jump from 54.7 to 56.6, a 19-year high. The Netherlands, Spain, and Ireland are still positive, but not nearly as strong as they were a few months ago. IHS Markit commented:

"The European manufacturing sector remained deep in decline at the start of the second quarter. Although the PMI rose for the first time in nine months, the April reading was the second-lowest seen over the past six years, signalling a deterioration of overall business conditions for a third successive month. The survey's output index is indicative of factory production falling at a quarterly rate of approximately 1 percent, setting the scene for the goods-producing sector to act as a major drag on the economy in the second quarter. Some encouragement can be gained from the PMIs having risen in all four of the largest euro member states in April, and forward-looking indicators such as

future expectations, new order inflows and the orders-to-inventory ratio having all come off their lows. But it remains too early to call a turning point, especially as future sentiment remains around its lowest level since the end of 2012, hinting that the manufacturing downturn will persist in the coming months. The surveys continue to see widespread concerns over weak global demand as well as reports of businesses struggling amid rising trade protectionism, Brexit and the subdued auto sector."

Michigan Unemployment. According to the latest report from Michigan's Department of Technology, Management, and Budget, Michigan's "headline" unemployment rate for March (latest month available) remained unchanged at 4.0 percent, but well below the 4.4% reported for March 2018. Comparing March 2019 to March 2018, total state-wide seasonally-adjusted employment grew by 41,000 workers. The unemployment ranks declined by 16,000.

West Michigan Unemployment. Although one month can never be construed as a trend, it was disappointing to see our local index of EMPLOYMENT slide from +15 to a 27-month low of +4. However, unemployment is always an economic laggard, resulting in most of our West Michigan counties continuing to post very good unemployment numbers. According to the most recent data released by Michigan's DTMB, the unemployment situation in most of our West Michigan counties is still very good. Of the 83 counties in Michigan, Ottawa County continues to report the lowest unemployment rate of 3.0 percent. Kent County comes in second at 3.1 percent. Among the other large West Michigan counties, unemployment rates in both Kalamazoo and Calhoun Counties are above the state average at 4.4 percent. Regrettably, the current numbers are about the best we can expect in the current business cycle. The only good news is that the labor shortage that has plagued many firms may soon start to subside.

Automotive. As expected, U.S. auto sales are continuing to fall, but the decline so far remains fairly orderly. According to the May 1 report from Automotive News, sales for the industry dropped a rather modest 2.3 percent in April, pushing the industry's Seasonally Adjusted Annualized Rate (SAAR) down to 16.41 million units. Analysts continue to cite rising interest rates, tighter credit, and rising vehicle prices as the apparent reasons for the drop in sales. The biggest growing concern among the industry forecasters is the bulging inventories on the lots of many dealers. Although we are entering the prime spring selling season, it will require some significant financial incentives to clear the dealer lots in the few short weeks before the 2020 models begin arriving.

Many of our local parts producers are still primarily "Tier 1" suppliers to the Detroit Three, so we tend to watch these firms more closely. April sales for GM declined 2.6 percent, Fiat-Chrysler eased by 6.1 percent, and Ford lost 4.7 percent. Among the other major nameplates on the down side, Toyota shed 4.4 percent, VW lost 3.7 percent, and Mazda plunged 14.5 percent. On the up side, Subaru added 7.7 percent, Hyundai-Kia gained 1.7

percent, and Honda eeked out a 0.2 percent win. The editor for Automotive News further commented:

"While U.S. unemployment remains at historic lows, rising interest rates and record-high new-vehicle prices continue to undermine retail demand, analysts say, driving more shoppers to used-car lots. April can be a pivotal month, as tax refunds come in and warmer weather entices consumers to get out and drive. With U.S. new-vehicle sales down 3.2 percent in the first quarter and inventories piling up, some automakers and dealers have ratcheted up promotions to jump into the spring selling season."

Industrial Inflation. For April, our local index of PRICES retreated significantly to +10 from +21. The slowing world economy has brought the prices for many major commodities down over the past year, resulting in the April J.P. Morgan international pricing index easing to 53.2 from 53.4. ISM's national index of PRICES backtracked appreciably to +0 from +9. Timothy Fiore, ISM's survey committee chair, further noted:

"For April price increases were reported in copper, oil, and electronic components. Steel prices remain at stable levels. Shortages continue for passive electronic components,"

Business Confidence. Given that the data were collected in mid-April, business confidence rebounded in response to optimism in the April news cycle taunting a potential new agreement with China. The West Michigan index for the SHORT-TERM BUSINESS OUTLOOK for April, which asks local firms about the perception for the next three to six months, bounced to +19 from +8. However, the respondents remain cautious about the softening world economy and unresolved Brexit problem. The index for the LONG-TERM BUSINESS OUTLOOK, which queries the perception for the next three to five years, came in marginally higher at +29, up from +28. Just as last month, many firms appear to be settling in for a period of slower growth.

Summary. Although there are some significant signs that growth is slowing, there is still no sign that we are about to slide into a recession. We know the world economy is slowing, and that this slowdown will ultimately have at least some impact on our domestic economy. However, various industries are starting to grow "bubbles," which we hope will not all break at once. Unlike the dot-com bust or the housing crisis, there is no apparent major catalyst for a recession at this time. However, the ongoing trade dispute with China could generate a significant slowdown or even a recession if the war drags on. By contrast, the "sugar high" from the tax cuts may have run its course, but some residual benefit is still in the mix. Most major capital projects are planned and executed over a long-term cycle, such as five years. These same major projects tend to have long and productive supply chains which stimulate growth in perpetuity. Assuming the tax cuts are not repealed by the next administration, at least some of the benefit of the 2017 tax legislation could be felt for years to come, making the U.S. the cheapest place in the world to do business.

APRIL COMMENTS FROM SURVEY PARTICIPANTS

"Things are humming right along."

"Steel prices are inching upward, with lots of price increases after the first of the year. It seems there is upward price pressure across the board."

"We're still busy. It will be interesting to see if we have any summer slowdown this year."

"Business is steady, with new business coming in. Automotive regular runners are softening. We need to start tightening the belt loops a bit."

"Some Honeywell parts are unavailable due to Honeywell splitting off a portion of their business into a new entity and struggling to meet demands. Some Vogt valves are also impossible to obtain."

"We're wrapping up winter operations and moving right into construction season with many projects already beginning."

"The dismal electronics market finally looks to be on the mend. Speculating is that by the end of 2020 the market will be stable again."

"Business is strong, but starting to soften by a small percentage."

"Business is good. Suppliers are busy as their lead times are extending. Suppliers are having issues with parts coming from China."

"Things remain steady."

"We are still very busy, and pricing has stabilized over the last several months. Acquiring people in our industry is still a severe problem."

"It looks to be a good start for 2019."

"Things seem to be stagnating a bit."

"We are seeing the 2019 forecast starting to increase."

"Hope the year keeps going good."

"Finding enough production workers is still a challenge. We had to let some workers go because of attendance issues."

"It is a slow time for mold making, but some great opportunity for work are coming up for the second half of the year."

"We are still doing well in the OEM capital equipment manufacturing sector, although it does feel like the economy is softening some."

"I have to report a down month, but that is because last month we had a huge windfall order."

"This month does seem slower than last month."

"Bookings have significantly increased in April, indicating that the second and third quarters will be busy."

APRIL Survey Statistics

	UP	SAME	DOWN	N/A	Apr. Index	Mar. Index	Feb. Index	25 Year Average
Sales (New Orders)	25%	61%	12%	2%	+13	+17	+16	+14
Production	21%	59%	10%	10%	+11	+ 5	+16	+14
Employment	10%	82%	6%	2%	+ 4	+15	+17	+ 8
Purchases	16%	72%	2%	0%	+14	+ 4	+16	+ 7
Prices Paid (major commod.)	16%	78%	6%	0%	+10	+21	+22	+15
Lead Times (from suppliers)	12%	80%	8%	0%	+ 4	+25	+23	+11
Purchased Materials Inv. (Raw materials & supplies)	22%	64%	6%	8%	+16	+ 6	+20	- 4
Finished Goods Inventory	18%	60%	10%	12%	+ 8	+ 7	- 7	- 8
Short Term Business Outlook (Next 3-6 months)	29%	61%	10%	0%	+19	+ 8	+22	-
Long Term Business Outlook (Next 3-5 years)	39%	49%	10%	2%	+29	+28	+27	-

Items in short supply: Various tubing sizes, aluminum sheet, electronics, castings, labor and/or manpower, mold components, passive components, anything requiring parts from China, salt, trucking.

Prices on the UP side: Nylon, paraffinic oil, SEBS resin, furl, fuel surcharges on freight, steel, stainless steel, carbon steel, bituminous materials, sand, electronic components, electronics, freight, oil related commodities, copper, brass, packaging supplies, wages.

Prices on the DOWN side: PVC resin, polypropylene, computers, LCD displays, steel (HR and CR), aluminum, chemicals, copper*, brass*.

*Item reported as both up AND down in price.

Latest Unemployment Reports

(Except as noted, data are **NOT** seasonally adjusted)

	Mar. 2019	Mar. 2018	Aug. 2009	20 Year Low
State of Michigan (Adj.)	4.0%	4.4%	14.6%	3.2%
State of Michigan (Unadj.)	4.4%	4.5%	14.1%	2.9%
Kent County	3.1%	3.2%	11.9%	2.1%
Kalamazoo County	3.5%	3.7%	11.1%	2.1%
Calhoun County	4.4%	4.7%	12.8%	2.7%
Ottawa County	3.0%	3.0%	13.3%	1.8%
Barry County	3.8%	4.0%	10.9%	2.2%
Kalamazoo City	4.4%	4.6%	15.2%	3.2%
Portage City	3.2%	3.4%	8.7%	1.3%
Grand Rapids City	4.1%	4.2%	16.1%	3.0%
Kentwood City	2.9%	3.0%	10.7%	1.4%
Plainfield Twp.	2.3%	2.4%	8.0%	1.4%
U.S. Official Rate (Mar.)	3.8%	4.0%	9.6%	3.8%
U.S. Rate (Unadjusted)	3.9%	4.1%	9.6%	3.6%
U.S. U-6 Rate (Mar.)**	7.3%	7.8%	16.7%	8.0%

**U-6 for Michigan = 7.6% for April 2018 to March 2019

Index of New Orders: West Michigan

As the name implies, this index measures new business coming into the firm, and signifies business improvement or business decline. When this index is positive for an extended period of time, it implies that the firm or organization will soon need to purchase more raw materials and services, hire more people, or possibly expand facilities. Since new orders are often received weeks or even months before any money is actually paid, this index is our best view of the future.

Latest Report +13 for the month of April 2019

Previous Month +17 for the month of March 2019

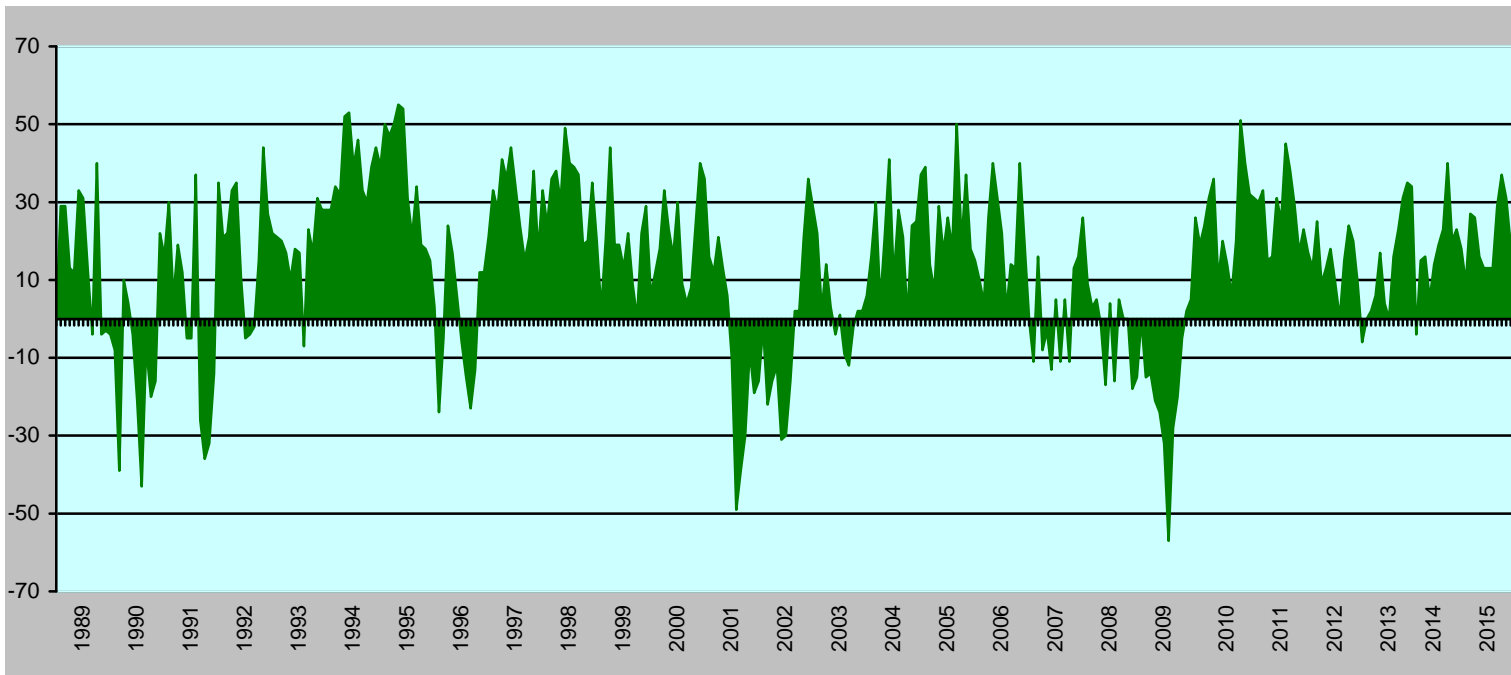
One Year Ago + 28 for the month of April 2018

Record Low - 57 for the month of December, 2008

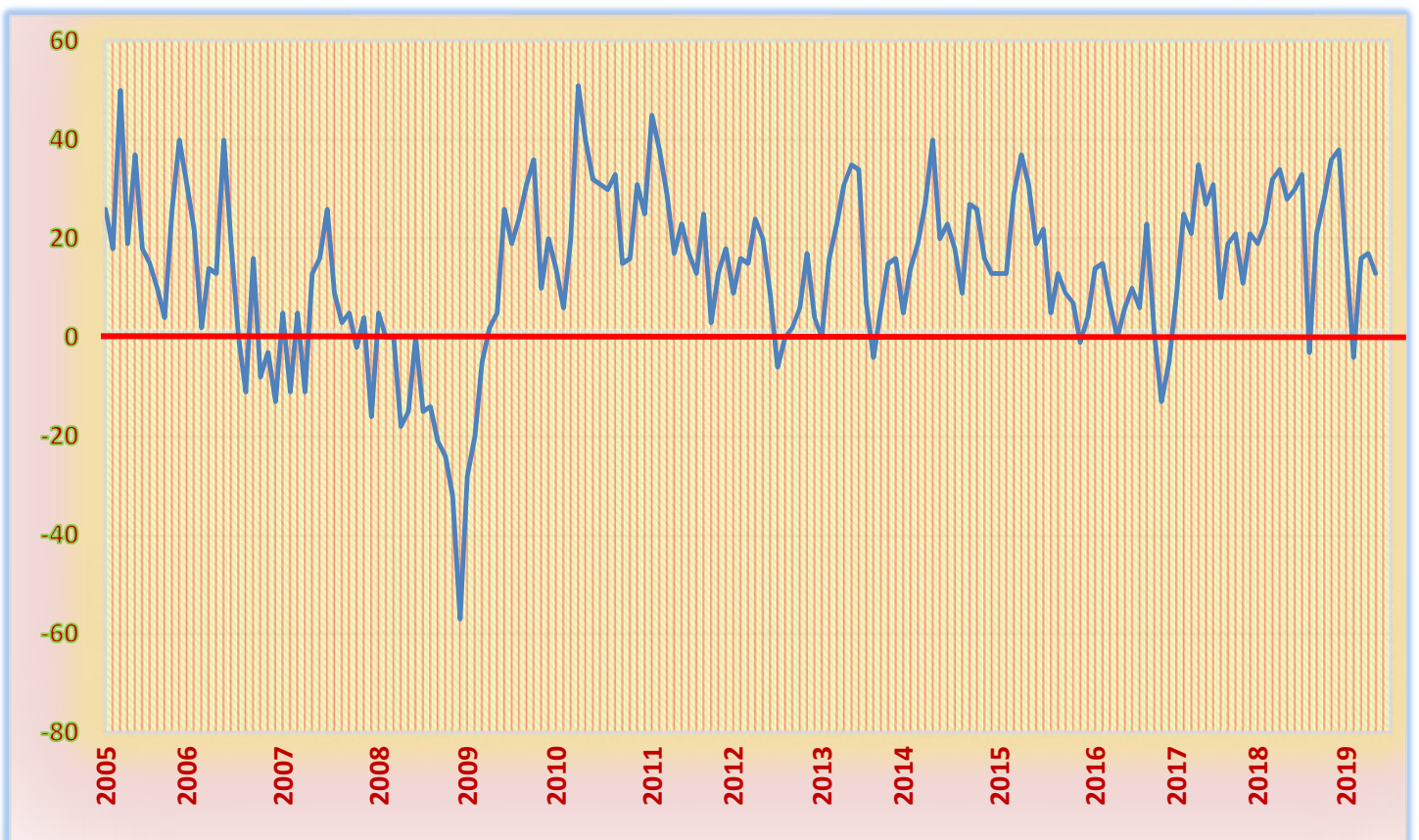
Record High + 55 for the month of September 1994

First Recovery + 3 in April of 2009 and forward

ISM-West Michigan Index of New Orders 1988 - 2019

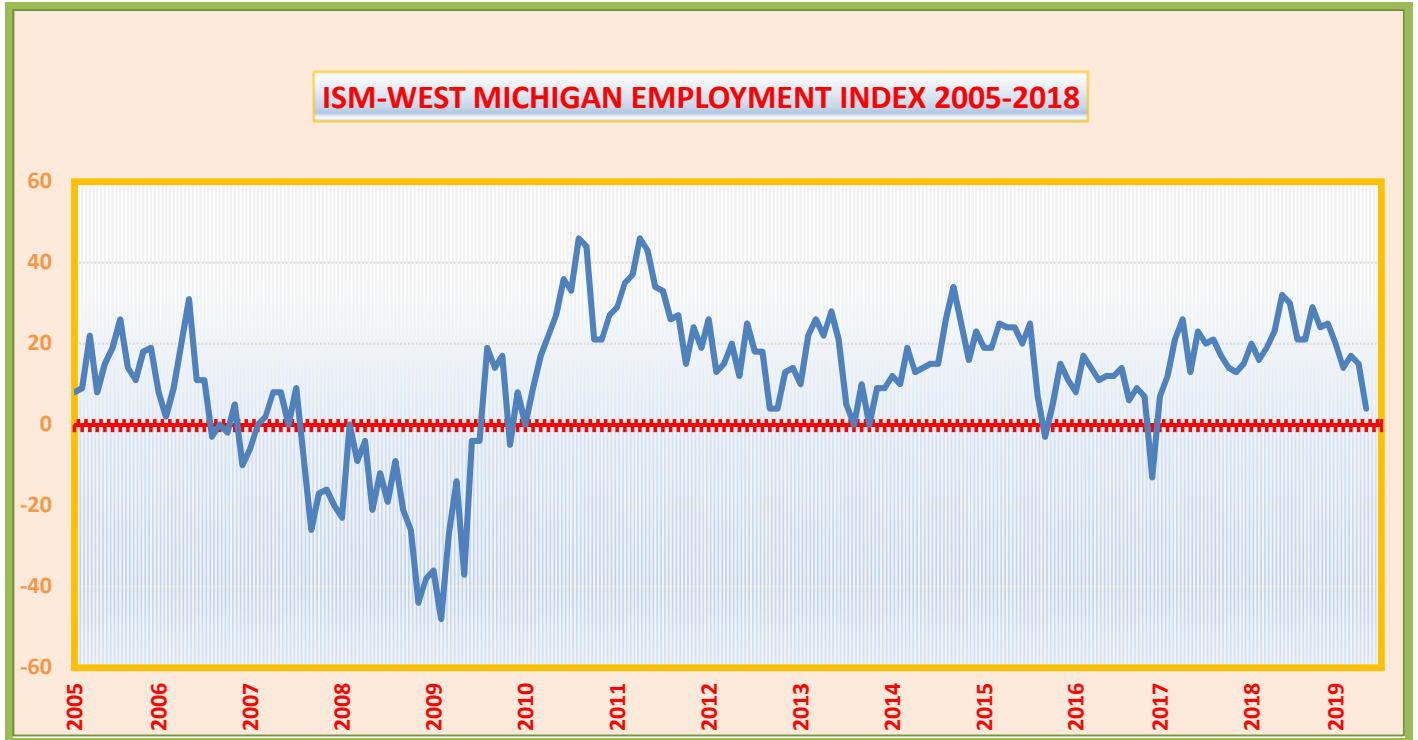


ISM-West Michigan Index of New Orders: 2005-2019 Only



ISM-West Michigan Index of Employment

The index of EMPLOYMENT measures the firm's increases and decreases in staffing, including permanent workers and temps. After economic downturns, it measures new hires as well as previous workers called back to work. When this index is positive for an extended period of time, it almost always signals a reduction in industrial unemployment for West Michigan. Normally, there is about a month or two in lag time between this report and the payroll numbers being reflected by the government statistics. However, almost all employment indexes are laggards, meaning that firms often wait until upticks in orders are confirmed before adding staff, and conversely laying off staff only after a downturn in orders appears to be certain for the foreseeable future.



ISM-West Michigan Future Business Outlook

The indexes of LONG TERM BUSINESS OUTLOOK and SHORT TERM BUSINESS OUTLOOK provide a glimpse at current and future attitudes of the business community. Traditionally, most businesses are more optimistic about the long term, although current event can result in perceptions changing very rapidly. Both short and long-term attitudes reflect current business conditions, and are usually higher when sales, production, and employment are positive.

