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News Release (For Immediate Release)

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Current Business Trends

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REMNANTS OF THE G.M. STRIKE HOLD THE ECONOMY DOWN

Key Participant Comments for November:

"We're slowing down. It's a combination of seasonality and what feels like a slight overall slowdown in our industry."

"Business is still very slow, but quoting activity is good. The first quarter of 2020 has some possible promise."

"We still have strong project demand. Capacity will be an issue as we roll into holidays and year-end vacation time."

As we wind down 2019, the West Michigan industrial economy remains soft. For November, NEW ORDERS, our closely-watched index of business improvement, came in at -10, up significantly from October's reading of -21, but still below break-even. The November PRODUCTION index is also negative, but recovered to -9 from -34. Activity in the purchasing offices, our index of PURCHASES, recuperated to -18 from -21. The November comments from our survey participants continue to depict an economy that is slowing, although the slowdown appears to be uneven among various industries.

The U.S. Economy. The December 2 press release from the Institute for Supply Management, our parent organization, continued to depict the U.S. economy as slower. NEW ORDERS, ISM's index of business improvement, came in at -11, modestly lower than October's reading of -8. However, November's PRODUCTION index remained negative but edged up to -3 from -9. Because of statistical adjustments, ISM's overall index came in at 48.1, down slightly from 48.3.

Just as last month, a more optimistic view of the U.S. economy comes from IHS Markit.com, the British international consulting firm. Markit.com's seasonally adjusted November PMI posted at 52.5, up from October's reading of 51.3. New Orders increased to the fastest pace since January and signaled the strongest improvement in the health of the manufacturing sector since April. Chris Williamson, Chief Business Economist at IHS Markit, continues to be cautiously optimistic:

> "A third consecutive monthly rise in the PMI indicates that US manufacturing continues to pull out of its soft patch. New orders and production are rising at the fastest rates since January, encouraging increasing numbers of firms to take on more workers. Exports are also back on a rising trend, firms are buying more inputs and re-building inventories, adding to the signs of improvement. Some caution is needed, as these improved survey numbers merely translate into very subdued growth in comparable official gauges of manufacturing production and factory payrolls. Business sentiment also remains worryingly subdued, with expectations about future output growth well down earlier in the year and running at one of the lowest levels seen since comparable data were first available in 2012. Firms remain very concerned about the disruptive effects of tariffs and trade wars in particular, both in terms of rising prices and weakened demand, though the survey also saw further worries among manufacturers that the economy could slow in the upcoming presidential election year as customers delay spending and investment decisions."

The World Economy. According to J.P. Morgan's December 2 press release, the Global Manufacturing Index for November, a compilation of purchasing manager's reports from around the world flipped back to a positive reading of 50.3, up from November's. 49.8 and a seven-month high. Eleven of the nations registered expansions, with the strongest growth coming from Greece, Colombia, Brazil, China, France, and of course, the U.S. Among the more prominent losers were Germany and the Czech Republic. Although Brexit and the ongoing China trade war continue to hurt the manufacturing sector around the globe, JPM's index of New Export Orders held steady at 48.9. Olya Borichevska, from Global Economic Research at J.P. Morgan, further noted:

> "November saw further signs of recovery in the global manufacturing sector. The headline PMI moved back into expansion territory for the first time since April, as output growth picked up and new orders posted an additional increase. The Employment PMI bounced back, suggesting possible stabilization in employment growth. The sector should hopefully build on this platform heading into the new year."

The PMI overall index of 46.9 from the eurozone remained negative in November, but the worst may be over. Many components of the index continue to improve, rising considerably from September's 123-month low of 41.7. Most of the improvement came from better readings from both Germany and Austria, which have dogged the index for the past year. The PMIs for Greece and France remain positive, but Ireland and the Netherlands slipped below the 50.0 break-even point for the first time in many months. Chris Williamson from Markit.com further commented:

> "A further steep drop in manufacturing output in November means the goods-producing sector is likely to have acted as a major drag on the eurozone economy again in the closing quarter of 2019. The survey data for the fourth quarter so far are indicating a quarterly rate of contraction in excess of 1% for manufacturing. Although still signalling a steep rate of decline, the manufacturing PMI nonetheless brings some encouraging signals which will fuel speculation that the worst is over for euro area producers, barring any new set-backs (notably in relation to Brexit and trade wars). In particular, November saw the rate of loss of export sales easing further from July's recent record, helping pull other indicators such as output, employment, order books, and purchasing off their recent lows. Perhaps most promising is a marked upturn in business sentiment, particularly in Germany, with optimism about production in the year ahead, hitting a five-month high in November. Producers' renewed optimism in part reflects reduced concerns over trade wars. We nevertheless still need to see a further notable easing in the rate of loss of orders before getting too excited about the prospect of an imminent return to growth for manufacturing."

Automotive. Although the Detroit Three are now reporting only quarterly sales, Cox Automotive projected declines of 5.5 percent at GM, 2.7 percent at Ford, and 3.5 percent at Chrysler. For the other major nameplates, November sales at Honda gained 11.1 percent, Hyundai-Kia jumped 10.4 percent, and Toyota added 9.2 percent. But the Nissan Group tumbled 14.4 percent, largely because of decreased incentives and declining fleet sales. Without the Detroit three, the Automotive News Data Center estimates that sales for the industry rose by 2.2 percent. According to Jeff Schuster, head of global vehicle forecasts at LMC Automotive:

The monthly selling rates for light vehicles have given mixed signals during the second half of 2019 but the overall level remains robust. Volatility has replaced the typically strong selling rate pattern of the last five years. Other factors, such as increasing incentive levels and the ongoing trend of higher transaction prices, are adding to the existing uncertainty around trade."

Industrial Inflation. The October turmoil spilled over into November, and the West Michigan index of PRICES fell to -18 from -2. Even though the world economy continues to slow, the November J.P. Morgan international Pricing index held steady at 50.4. For the ISM survey, the U.S. index of PRICES recovered modestly to -7 from -9. Timothy Fiore, ISM's survey committee chair, further noted:

"Prices contracted in November at a slower rate compared to October. Generally, prices continued to decline. Price stability remains elusive. The ISM Prices Index registered 47 percent in November, an increase of 1 percent from the October reading of 46 percent, indicating raw materials prices decreased for the sixth consecutive month."

GDP. On November 27, the U.S. Bureau of Economic Analysis posted a second reading of 2.0 percent growth for the third quarter of 2019, well in line with the 2.0 percent growth rate for 2019's second quarter. The Atlanta Fed's "GDP Now" estimate for fourth quarter calls for the U.S. GDP growth rate to continue at 2.0 percent. Aspen Publisher's "Blue Chip Economic Indicators" surveys approximately 600 business leaders every month, and now estimates the fourth quarter GDP to come in at 1.5 percent.

Business Confidence. After hitting a record low, West Michigan's SHORT-TERM BUSINESS OUTLOOK for November, which asks local firms about the perception for the next three to six months, recovered to +11 from October's -2. We recorded some additional improvement in the LONG-TERM BUSINESS OUTLOOK, which queries the perception for the next three to five years. From September's low of +19, the index rose to +25 in October, and then to +35 in November. Most indices of business confidence are driven by the news cycle, and the apparent progress in the trade talks with China, as well as the end of the GM strike, have helped improve the business climate. However, the anecdotal comments continue to reflect an impending slowdown in business conditions in 2020. Even though employment statistics have always been economic laggards, the December 6 press release from the Bureau of Labor Statistics reporting 3.5 percent unemployment and 266,000 new jobs brought on a new wave of optimism for the upcoming months.

West Michigan Unemployment. Regrettably, the lingering impact of the GM strike apparently carried over into November. Our West Michigan index of EMPLOYMENT remained negative but recovered modestly to -9 from -14. The November 21 unemployment report released from Lansing's DTMB remains optimistic. However, if history repeats itself, the negative growth rate exhibited by our index of NEW ORDERS will translate to marginally higher unemployment rates in a few months.

Summary. It is redundant to note that any kind of reasonable argument between China and the U.S. would result in a modest bounce in business optimism. However, all three of our cyclical industries, namely office furniture, aerospace, and automotive, have more than topped out. Some segments of the West Michigan agricultural industry, namely corn, soybeans, and cherries, have had a marginal year. Looking at the world economy, the purchasing manager's indices for most countries have exhibited some modest improvement over the past few weeks, although their respective PMIs continue to stagnate near the break-even point of 50.0. Trade wars and Brexit continue to signify uncertainty, which will dampen business expansion. However, after all is said and done, there is still no evidence of an impending recession.

NOVEMBER COMMENTS FROM SURVEY PARTICIPANTS

"Business level is good. It's been stronger, but this level we can manage."

"We have a big push through the end of the year, and a strong first quarter of next year. But the automotive sector is still looking skeptical for the upcoming year due to the declines in sedan sales."

"We're slowing down. It's a combination of seasonality and what feels like a slight overall slowdown in our industry."

"We had a record construction season, and are already planning an aggressive 2020 season."

"October was tough with GM strike, but November will be a good month. December may slow. However, 2020 and 2021 projected to be 15 to 20% sales growth."

"We are entering our slow season and adjusting inventory levels to align with anticipated demand."

"We are seeing heavy discounting from competition in the machine tool world. We just finished the Fabtech trade show and saw a lot of discounting. We also saw a large influx of new competition from China and Turkey at the trade show. There seems to be more companies from China as well as Turkey displaying product in the main hall. They are also aggressively working to set up distributor networks."

"Round bar steel seems to have peaked out and should begin to reduce pricing with mill lead times getting shorter."

"We are happy that the GM strike is over!"

"We are down about 10% across the board with most of our customers."

"We had a little bump for the month of October, and November finished strong."

"Now we are in mid-November, and it looks like everyone is deer hunting. I expect the rest of the month to be very slow. "

"A couple of weeks of winter-like weather has caused me to start allowing for more travel time when it comes to incoming raw material and packaging."

"Business is good for this time of the year."

"We still have strong project demand. Capacity will be an issue as we roll into holidays and year-end vacation time."

"Business is still very slow, but quoting activity is good. The first quarter of 2020 has some possible promise."

"The electronic components market appears to have right sized."

"Companies are still buying capital equipment. We are doing well."

"We continue to monitor tariff impact as well as sales for 2020."

"We are coming into our slower season, so everything is down a bit right now."

"Business is nice and steady."

"Our business has slowed dramatically in the fourth quarter"

November Survey Statistics

	UP	SAME	DOWN	N/A	Nov. Index	Oct. Index	Sept. Index	25 Year Average
Sales (New Orders)	20%	48%	10%	2%	-10	-21	+ 6	+14
Production	18%	46%	27%	9%	- 9	-34	+ 6	+14
Employment	11%	68%	20%	0%	- 9	-14	+ 8	+ 8
Purchases	14%	52%	32%	2%	-18	-21	- 6	+ 7
Prices Paid (major commod.)	2%	78%	20%	0%	-18	- 2	+ 5	+15
Lead Times (from suppliers)	14%	73%	14%	0%	+ 0	+ 0	+ 3	+11
Purchased Materials Inv. (Raw materials & supplies)	14%	52%	30%	9%	-16	-19	+ 6	- 4
Finished Goods Inventory	16%	45%	30%	9%	-14	-11	+ 2	- 8
Short Term Business Outlook (Next 3-6 months)	27%	57%	16%	0%	+11	- 2	+ 0	-
Long Term Business Outlook (Next 3-5 years)	39%	57%	4%	4%	+35	+25	+19	-

Items in short supply: Brass components, skilled labor, contractors, construction equipment, road materials.

Prices on the UP side: Steel, brass components, raw material, road materials, contracted services, bituminous asphalt and emulsions, imported goods.

Prices on the DOWN side: Copper, copper products, machine tooling, scrap steel, polypropylene, international fasteners, electronic components, steel, sodium hydroxide, aluminum, steel, currency (RMB), aluminum, plastic,

Latest Unemployment Reports

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

	Oct. 2019	Oct. 2018	Aug. 2009	20 Year Low
State of Michigan (Oct.)	4.1%	4.0%	14.6%	3.2%
State of Michigan (Unadj.)	3.5%	3.7%	14.1%	2.9%
Kent County	2.5%	2.5%	11.9%	2.1%
Kalamazoo County	3.0%	2.9%	11.1%	2.1%
Calhoun County	3.5%	3.5%	12.8%	2.7%
Ottawa County	2.3%	2.4%	13.3%	1.8%
Barry County	2.6%	2.7%	10.9%	2.2%
Kalamazoo City	3.7%	3.6%	15.2%	3.2%
Portage City	2.7%	2.6%	8.7%	1.3%
Grand Rapids City	3.3%	3.4%	16.1%	3.0%
Kentwood City	2.3%	2.4%	10.7%	1.4%
Plainfield Twp.	1.9%	1.9%	8.0%	1.4%
U.S. Official Rate (Nov.)	3.5%	3.7%	9.6%	3.5%
U.S. Rate (Unadjusted)	3.5%	3.5%	9.6%	3.4%
U.S. U-6 Rate (Nov.)**	6.9%	7.6%	16.7%	8.0%

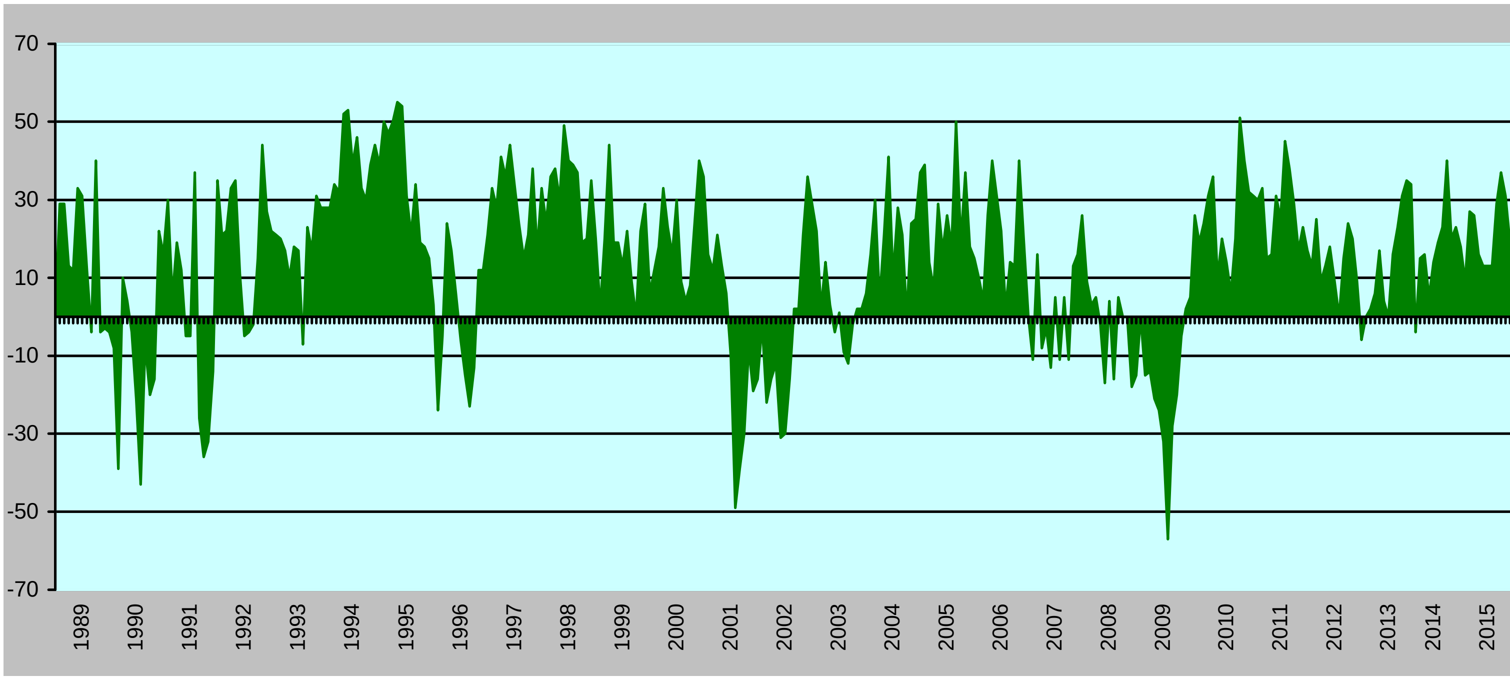
**U-6 for Michigan = 7.6% for Oct. 2018 to Sept. 2019

Index of New Orders: West Michigan

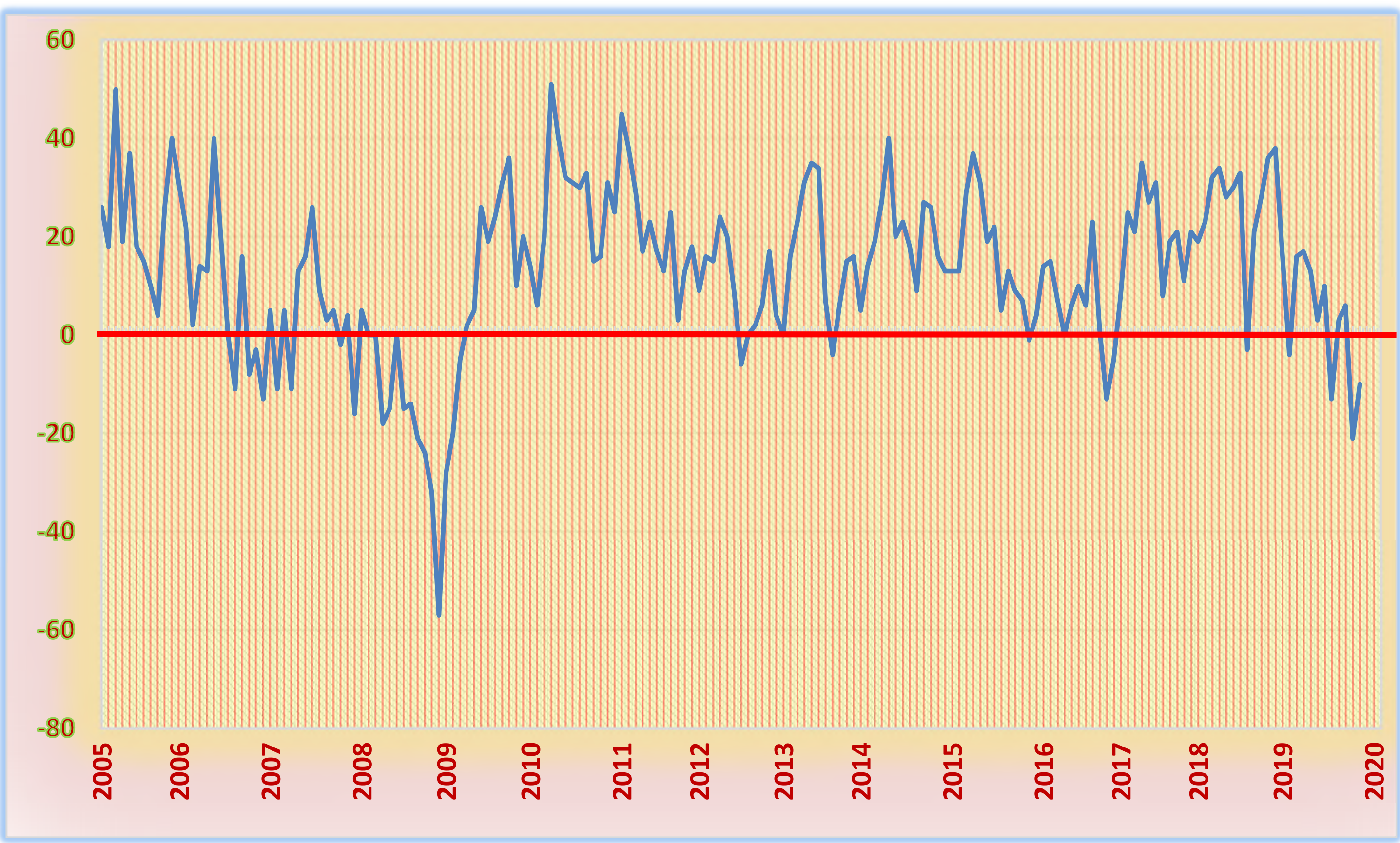
As the name implies, this index measures new business coming into the firm, and signifies business improvement or business decline. When this index is positive for an extended period of time, it implies that the firm or organization will soon need to purchase more raw materials and services, hire more 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	-10 for the month of Nov. 2019
Previous Month	-21 for the month of Oct. 2019
One Year Ago	+ 38 for the month of Nov. 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

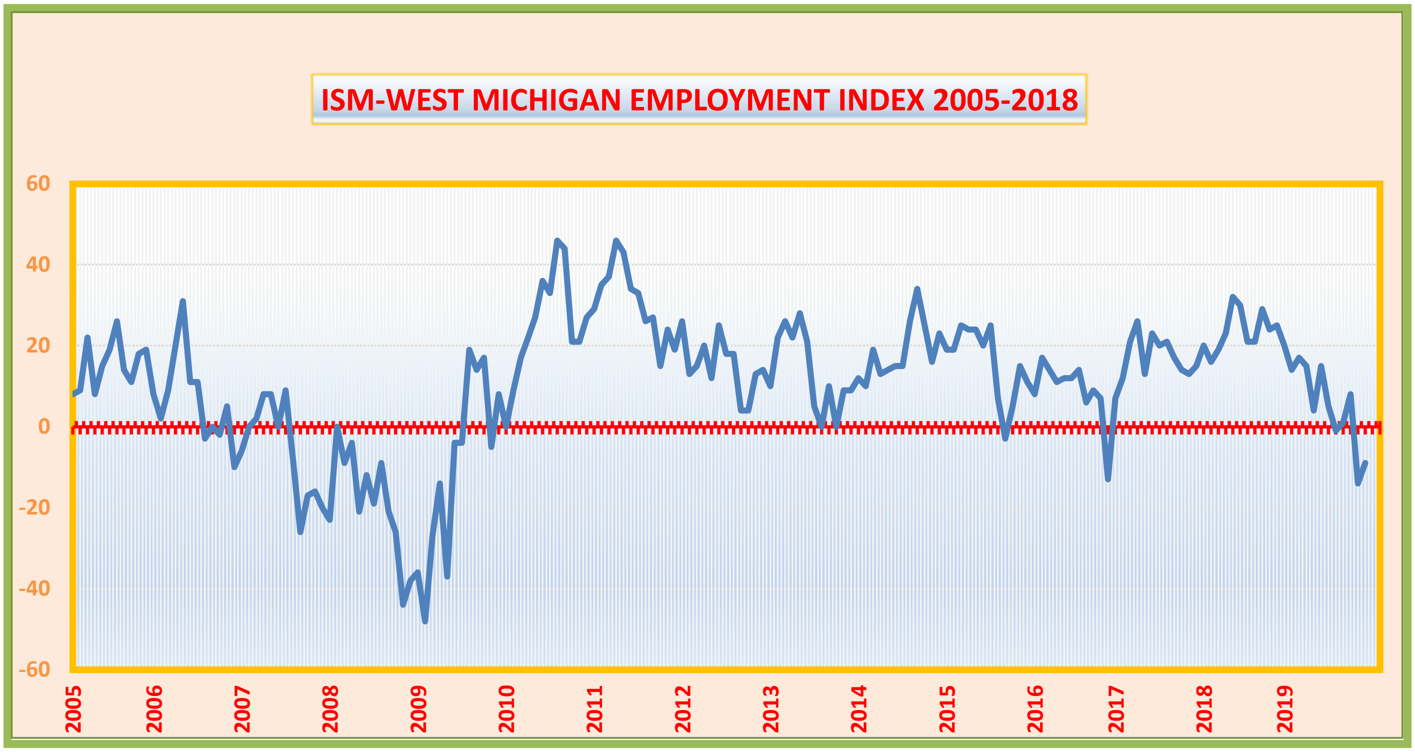


ISM-West Michigan Index of New Orders: 2005-2019 Only



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 BUSIESS 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.