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News Release **(For Immediate Release)**

October 6, 2020

Current Business Trends

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THE RECESSION RECOVERY CONTINUES

Key Participant Comments for September:

"Business is starting to pick up, and the forecast for the Q1 of 2022 is looking like a pre-Covid forecast."

"We are still at a 20-30% reduced sales volume."

"Automotive is back, but demand is still very volatile. We are back to 85% of pre-Covid sales numbers."

"Hiring production labor is still a challenge."

"We are less than two months away from an election. It is very common to see large capital purchases hold up until after an election."

The economic recovery that began in July is still on track, but at a slower pace than hoped. According to the data collected in the third and fourth weeks of September, NEW ORDERS, our best indication of the pace of business improvement, came in at +18, virtually unchanged from last month's rate of +19. The September PRODUCTION index upticked to +20, a modest improvement over August's +13. Activity in the purchasing offices, the index of PURCHASES, also edged up to +14 from +10. The overall tenor of our survey participants remains widely mixed, with the "essential" firms not losing a beat and others reopening to service pent-up demand. However, some less fortunate firms are growing increasing pessimistic about returning to normal over the next few months—or even years.

The U.S. Economy. After four months of steady improvement, the national economic expansion appeared to top out in September. The October 1 press release from the Institute for Supply Management (ISM), our parent organization, reported that the index NEW ORDER remained positive but backtracked to +16, down from August's +27. In a similar move, ISM's September PRODUCTION index eased to +19 from +25. After adjusting for seasonal variation, ISM's overall index remained well above the ever-important 50.0 break-even point but eased by 0.6 points to 55.4.

IHS Markit.com, the British international consulting firm that also surveys U.S. purchasing managers, continues to report the economic recovery is back on track, albeit at a slightly more modest pace. Markit.com's seasonally adjusted September PMI posted at 53.2, broadly in line with August's reading of 53.1. The recent positive numbers can be attributed to higher rates of PRODUCTION as well as a modest increase in NEW ORDERS. Of course, the continued reopening of various economic segments has contributed to the recovery as well. Some firms are still stuck in the recession, but those that were deemed to be "essential" continued to set new production records and were never forced to participate in the recession. Chris Williamson, Chief Business Economist at IHS Markit, further commented:

> "U.S. manufacturers rounded off a solid quarter which should see the sector rebound strongly from the steep second quarter downturn. Encouragingly, companies reported a marked upturn in demand for plant and machinery, which suggests firms are increasing their investment spending again after expansion plans were put on hold during the spring. Similarly, fuller order books helped drive further job creation as firms continued to expand capacity. But it was not all good news. Supply shortages worsened as companies increasingly struggled to source enough inputs to meet production requirements. With demand often exceeding supply, prices rose sharply again across many types of inputs, especially metals. Growth of new orders for consumer goods also waned during the month, hinting at some cooling of demand from households, commonly blamed on Covid-19. Overall order book inflows consequently slowed compared to August. The outlook also darkened, as companies grew more concerned about the sustained economic disruption from the pandemic alongside uncertainty caused by the upcoming presidential election. The sector therefore looks to be entering the fourth quarter on a slower growth trajectory, adding to signs that fourth quarter GDP growth will wane considerably from the third quarter rebound."

The World Economy. The September J.P. Morgan Global Manufacturing Index, which is composed of the purchasing manager's reports from 44 countries around the world, came in at 52.3, up modestly from August's 51.8. However, long before the pandemic, the September 2019 index posted at 49.7, slightly below the 50.0 breakeven threshold. Therefore, despite the current pandemic, the overall world economy appears to be gaining ground. However, the ongoing Brexit mess and the multi-dimensional trade wars around the globe are still keeping the world economy from surging ahead. Olya Borichevska, from Global Economic Research at J.P. Morgan, further noted:

> "The global industrial sector continued its recovery in September. While overall the September manufacturing PMIs disappointed, there were a number of positive aspects in the report. Against a decline in the output index, the new orders PMI and its ratio to finished goods inventory both increased suggesting a near-term gain in the output index. Overall, we think the recovery should be sustained as the re-opening of economies continues. The labour market remains subdued, with the level in the employment PMI depressed. That said, pockets of jobs growth raise the possibility that the retrenchment on this front is softening."

More good news comes from the PMI for the Eurozone, wherein Markit.com's composite index came in at 53.7, up significantly from August's 51.7. For the first time in over four years, not a single PMI among the major economies in the index posted a reading below the break-even point of 50.0. Germany, the largest economy in the group and the fourth largest economy in the world, reported a PMI of 56.4, a rather spectacular 26-month high. Chris Williamson from Markit.com further commented:

> "The Eurozone's manufacturing recovery gained further momentum in September, rounding off the largest quarterly rise in production since the opening months of 2018. Order book growth and exports also accelerated, indicating a welcome strengthening of demand. Job losses consequently eased as firms grew more upbeat about prospects for the year ahead, with optimism returning to the highs seen before the trade war escalation in early 2018. Divergent export performance explains much of the difference between

national production trends, with Germany the stand-out leader in terms of growth in September, led by a strengthening of demand for investment goods such as plant and machinery. Encouragingly, optimism about the future rose not only in Germany but also in France, Italy, Spain and Austria, hinting that the upturn could broaden out in coming months. Without a more broad-based recovery, the sustainability of the upturn looks at risk, with additional worries fuelled by rising Covid-19 infection rates."

Automotive. It is worth repeating that a major component of the job growth in West Michigan for the past ten years has been the expansion of our automotive parts suppliers. Hence, over time, the automotive sales statistics constitute a very significant component of the West Michigan economic health going forward. Fortunately, the industry is faring much better than expected. Many of the auto firms have abandoned monthly sales reporting in favor of quarterly reports, so Automotive News on October 2 posted statistics for the third quarter of 2020. Looking at the Detroit Three, General Motors quarterly sales were down by 9.9 percent, Ford 4.8 percent, and Fiat Chrysler 10.4 percent. Among the other major brands, Toyota sale were down by 11.0 percent, Honda lost 9.5 percent, Subaru fell 8.8 percent, but sales at Hyundai-Kia only dropped a scant 0.9 percent. The ongoing headwinds for the industry include a combination of factory shutdowns, depleted dealer inventories, relatively high unemployment, weak consumer confidence, and lower incentives. In addition, almost all of the major brands continue to report a significant drop in fleet sales to Hertz, Avis, National, and the other rental car firms that service a depleted market for business and vacation travelers. Jessica Caldwell, Edmunds' Executive Director of Insights, further commented:

"Third-quarter sales make at least two things apparent: Most of the doomsday scenarios forecasted at the beginning of the pandemic fortunately did not hold true, and the American consumer stepped up to become one of the many heroes in this chapter of resilience for the automotive industry. Consistently lower interest rates encouraged new-car buyers — who were less likely to be financially hindered by the economic fallout of the pandemic — to pull the trigger on a purchase."

West Michigan Unemployment. Although we are now seeing signs of improvement, the West Michigan unemployment rate continues to be significantly high. Paradoxically, several firms are again reporting difficulty in finding replacement workers. Our September survey's index of EMPLOYMENT remained positive but eased slightly to +9 from August's +13. At the state level, the Department of Technology, Management, and Budget (DTMB) September 24 unemployment report for August noted that the seasonally adjusted state-wide unemployment rate remained unchanged at 8.7 percent. Of the 83 counties in Michigan, the estimated unemployment rates ranged from 4.6 to 12.9 percent. Looking at some of our major West Michigan counties, unemployment for Ottawa County came in at 6.3 percent, Kent County 7.6 percent, Kalamazoo County 7.7 percent, and Calhoun County 9.8 percent. The national unemployment rate declined to 8.4 percent in August, and fell further to 7.9 percent in September.

Industrial Inflation. For West Michigan, the September index of PRICES came in at +18, up significantly from August's +9. In confirmation, the ISM national index of PRICES rose to +25 from +19. At the international level, the JPM index of PRICES edged marginally higher to 54.7 from 54.5. The recent uptick in industrial inflation is regarded by some analysts as a sign that the industrial economy is on its way to recovering from the recession. However, with our index of LEAD TIMES continuing to stick in double-digit increases, it is also a sign that the world's supply chains are still disrupted. Since spot shortages often yield higher prices, industrial inflation may begin to moderate once the world's supply chains are rebalanced.

GDP. On September 30, the U.S. Bureau of Economic Analysis pegged the official "final estimate" of the second quarter GDP for 2020 at -31.4 percent, virtually unchanged from the previous estimate of -31.7 percent. The FED's first official number for the third quarter growth will be posted just five days before the election. Good or bad, the news release will obviously have political implications. As of September 25, the Atlanta Fed's "GDPNow" third quarter rolling estimate projects an increase of 32.0 percent, virtually erasing the entire drop for the second quarter. However, the September 25 New York Fed's "Nowcast" estimate of third quarter growth currently stands at only14.1percent, followed by a fourth quarter growth estimate of 5.0 percent. Coming in between both of these "guesstimates" is the St. Louis Fed's projection of a 19.7 percent third quarter growth. It is worth repeating that some of the brightest economic minds in the country cannot come close to agreeing on a valid GDP estimate for the third or fourth quarters. Even the Fed's first official number to be released on October 26 is apt to be subjected to several substantial revisions.

Business Confidence. Again, the news is good. At the local, national, and international levels, business confidence is definitely improving. For September, our SHORT-TERM BUSINESS OUTLOOK index, which askes local firms about the business perception for the next three to six months, upticked sharply to 1a 5-month high of +20 from +0. The LONG-TERM BUSINESS OUTLOOK index, which queries the perception for the next three to five years, remained near August's two-year high of +41, but eased modestly to +36 in our current report. In confirmation, JPM's September survey of business optimism posted at a 28-month high. Confidence on the consumer side has also edged up to a six-month high, according to the University of Michigan's September index of Consumer Sentiment.

Summary. To no one's surprise, the Covid-19 cases have begun to rise as schools, restaurants, and other institutions continue reopening. Also, to no one's surprise, a major component of the rise additional cases has come from more people in close proximity. However, it seems likely that enough people ARE following these simple rules that another March-style shut-down is unlikely. For our cyclical industries, automotive is so far edging back to normal a little more quickly than originally anticipated. However, from the layoffs announced by the office furniture industry, it is obvious many future office furniture customers are rethinking the concept of the traditional office. Modern technology is now allowing SOME employees to productively work from home, and a significant number of these employees have indicated that they wish to continue doing so. In addition, office designers and engineers are feverishly working on new office designs that incorporate more separation and social distancing for office workers who must work in a traditional office and cannot work from home. It's a little late, but the designers and engineers for some local firms are working on lower cost configurations for the home office market to compete with out-of-state firms like Hon. These new market segments could be significant. All of this reconfiguration will take time, but HOW MUCH time is still uncertain.

SEPTEMBER COMMENTS FROM SURVEY PARTICIPANTS

"Business is starting to pick up, and the forecast for the Q1 of 2022 is looking like a pre-Covid forecast."

"Automotive is back, but demand is still very volatile. We are back to 85% of pre-Covid sales numbers."

"Normalcy will not be back for a long time, I fear."

"Our sales have softened some. But all things considered, we are doing fine. I imagine it could be much worse, so we should consider ourselves as fortunate."

"Hiring production labor is still a challenge."

"We need new PO's, and capital budgets are not allowing money to be spent."

"Long term, pricing is expected to stabilize."

"The Covid shutdown is impacting freight costs and product availability."

"August was a great improvement, and closer to what I would call a normal business level. But September looks like it will be down."

"We are still having delivery issues with components coming from Europe."

"We are having trouble with items supplied by vendors with preexisting issues. These same issues are amplified by lower warehouse workforce and their vendors no being able to supply them. It varies, so the problem is not for a specific type of product or material."

"The spot market pricing for trucks has spiked in the last several weeks."

"Steel pricing has turned from multi year lows to going up the last 5-6 weeks."

"We are not seeing lower prices on the finished products we are purchasing. Some commodity pricing is down on products we sell to recyclers. "

"There have been lots of promotions to get more products sold and to replace promotions that were disrupted by Covid-

19. Some specific products would be heavy-duty air and oil filters for farming and construction equipment, cabin air filters, and wiper blades."

"Our big customers remain busy, but the smaller ones are not picking up like we had hoped."

"Sales are trending up, but still 30% below last year at this time. We are putting our work force back on 5 days a week (from 4 days a week) in anticipation of the sales continuing to trend up."

"Business is generally down. The newest sector of our business is doing pretty well considering the economic climate. The other sector is down quite a bit."

"This country needs to open up and quite playing politics. It's been very damaging to the furniture industry which has suffered a great deal."

"Since June we have overachieved on our sales plan. We're still down for the year, but recovering better than expected."

"September is going very strong in the automotive sector."

"Although sales are down from last year, the company remains healthy and has been successfully right-sizing."

"I think some companies are having communication issues with employees working from home. There are issues with vendor's customer service and sales reps not doing things that we have discussed. This has caused minor issues with orders and parts on backorder to become massive problems."

"We are less than two months away from an election. It is very common to see large capital purchases hold up until after an election."

"We are still at a 20-30% reduced sales volume."

Statistical Note:

Because of the current economic emergency, many of our survey participants are working from home or other remote locations and do not have regular access to their company computers. Hence, with the response rate is below normal, statistics herein presented may not represent the West Michigan economy as accurately as we would like. As firms gradually reopen over the next few weeks, hopefully our response rate will return to normal.

September Survey Statistics

	UP	SAME	DOWN	N/A	Sept. Index	Aug. Index	July Index	25 Year Average
Sales (New Orders)	41%	36%	23%	0%	+18	+19	+12	+14
Production	34%	41%	14%	11%	+20	+13	+14	+14
Employment	18%	73%	9%	0%	+ 9	+13	- 4	+ 8
Purchases	32%	50%	18%	0%	+14	+10	+10	+ 7
Prices Paid (major commod.)	18%	82%	0%	0%	+18	+ 9	- 4	+15
Lead Times (from suppliers)	32%	61%	7%	0%	+25	+30	+34	+11
Purchased Materials Inv. (Raw materials & supplies)	21%	52%	16%	11%	+ 5	-13	-14	- 4
Finished Goods Inventory	14%	59%	21%	7%	- 7	-13	- 2	- 8
Short Term Business Outlook (Next 3-6 months)	43%	34%	23%	0%	+20	+ 0	+ 6	-
Long Term Business Outlook (Next 3-5 years)	45%	41%	9%	5%	+36	+14	+32	-

Items in short supply: China components, Brass mold components, Mexico supplier-related Covid facilities, PPE (masks, gloves), some Penberthy valves, some aluminum grades, some Allen Bradley, things with connections to China manufacturing or shipping issues, new purchase orders, isopropyl alcohol, disinfecting wipes/sprays, trigger sprayers/bottles, labor.

Prices on the UP side: Overseas steel, plastic resin, steel fasteners, ocean freight, aluminum extrusions, HR steel, polypropylene, some aluminum, copper, plastic resin, transportation spot rates.

Prices on the DOWN side: Rubber, plastics and plastic resins*, chemicals, steel*, scrap steel, gasoline.

*Item reported as both up AND down in price.

Latest Unemployment Reports

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

	Aug. 2020	Aug. 2019	Aug. 2009	20 Year Low
State of Michigan (Aug.)	8.7%	4.0%	14.6%	3.2%
State of Michigan (Unadj.)	8.9%	4.2%	14.1%	2.9%
Kent County	7.6%	3.0%	11.9%	2.1%
Kalamazoo County	8.7%	4.4%	11.1%	2.1%
Calhoun County	9.8%	4.3%	12.8%	2.7%
Ottawa County	6.3%	2.8%	13.3%	1.8%
Barry County	6.8%	3.2%	10.9%	2.2%
Kalamazoo City	9.5%	4.4%	15.2%	3.2%
Portage City	7.1%	3.2%	8.7%	1.3%
Grand Rapids City	10.0%	4.0%	16.1%	3.0%
Kentwood City	7.2%	2.9%	10.7%	1.4%
Plainfield Twp.	5.8%	2.3%	8.0%	1.4%
U.S. Official Rate (Sept.)	7.9%	3.7%	9.6%	3.5%
U.S. Rate (Unadjusted)	8.5%	3.8%	9.6%	3.4%
U.S. U-6 Rate (Aug.)**	14.2%	7.2%	16.7%	8.0%

**U-6 for Michigan = 12.0% for Q3 2019 thru Q2 2020

Index of New Orders: West Michigan

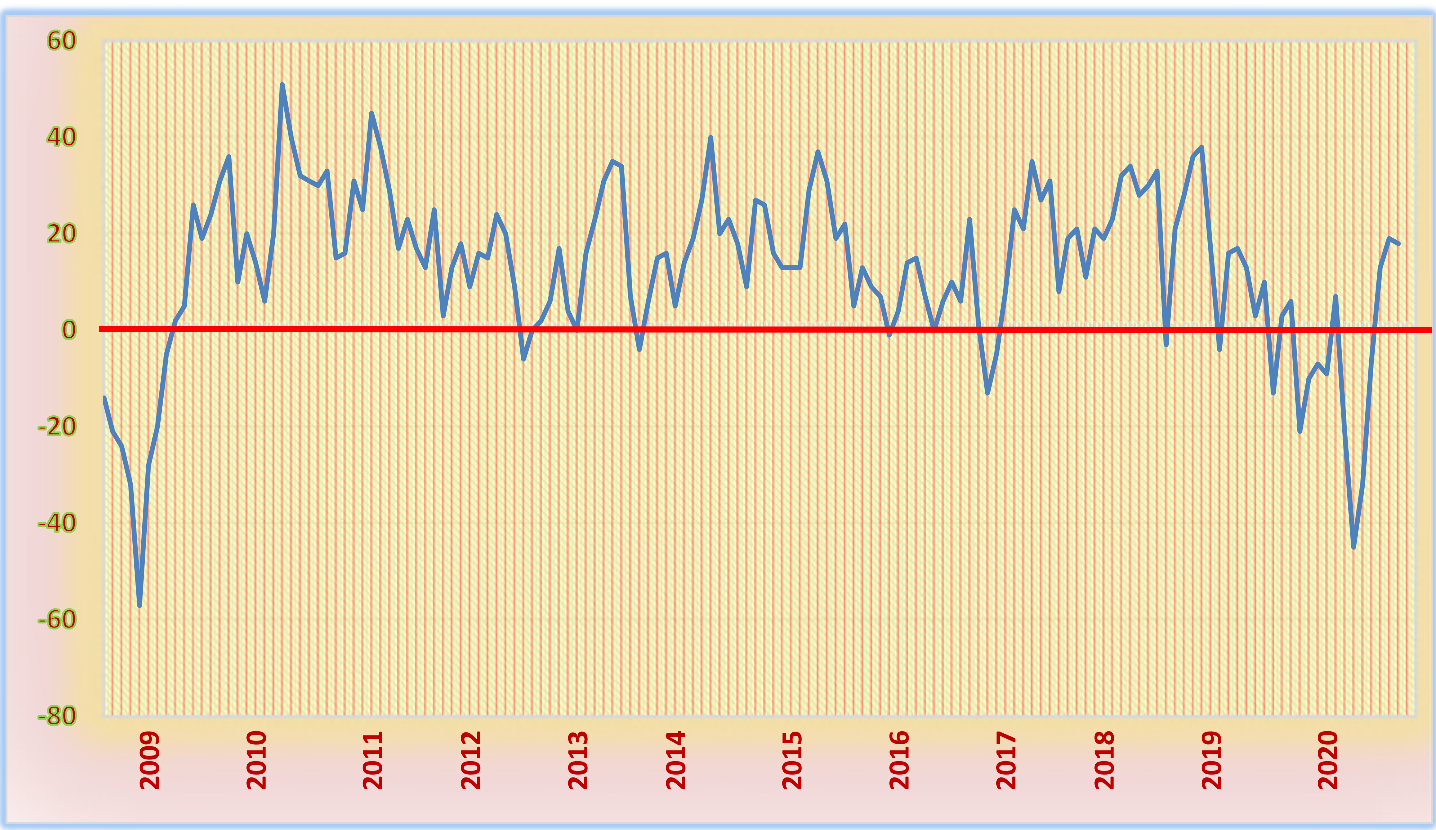
As the name implies, this index measures new business coming into the firm, and signifies business improvement or business decline. When this index is positive for an extended period of time, it implies that the firm or organization will soon need to purchase more raw materials and services, hire more 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	+ 18 for the month of September 2020
Previous Month	+19 for the month of August 2020
One Year Ago	+ 3 for the month of September 2019
Record Low	- 57 for the month of December 2008
Record High	+ 55 for the month of September 1994

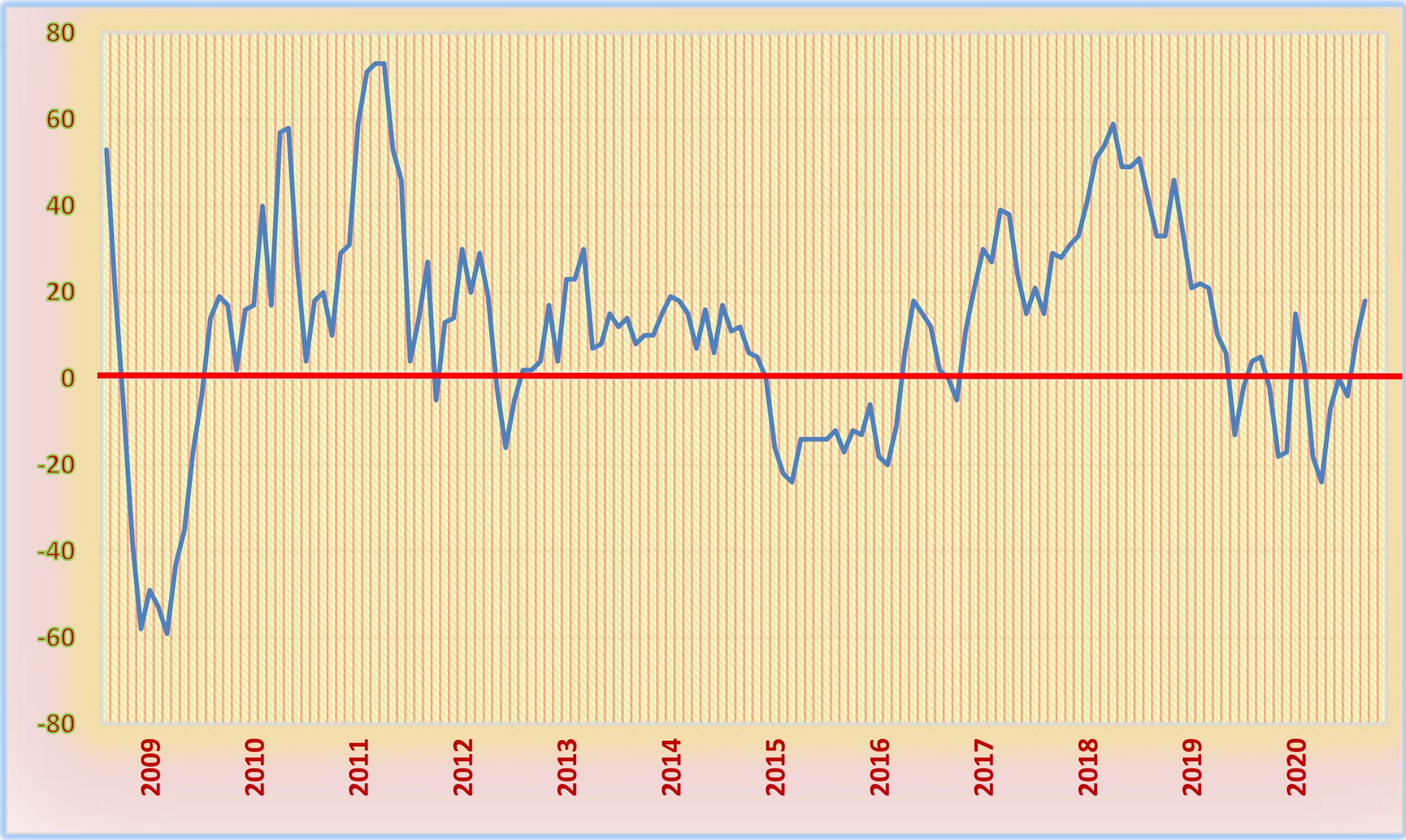
Great Recession
First Recovery + 3 in April of 2009

Covid-19 Recession
First Recovery +12 in July 2020

ISM-West Michigan Index of New Orders: 2008-2020

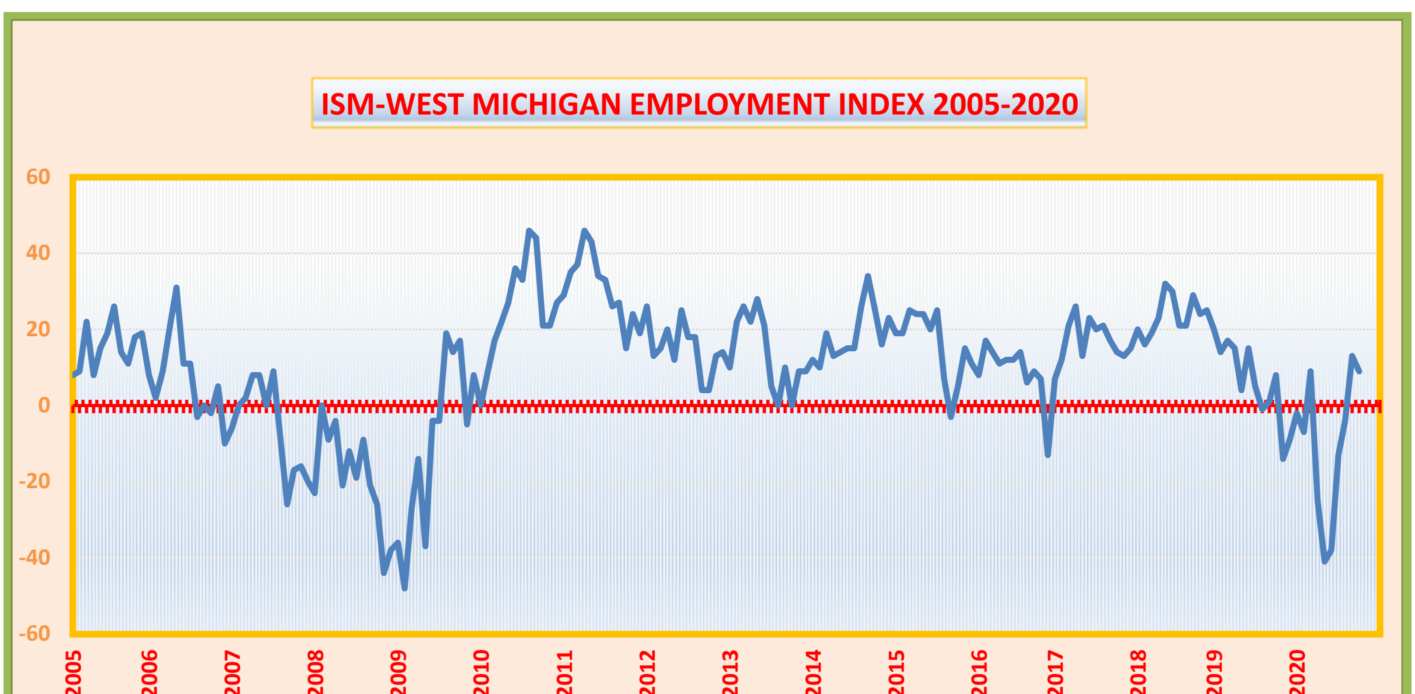


ISM-West Michigan Index of PRICES: 2008-2020



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.