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News Release (For Immediate Release)

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Current Business Trends

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Normal Growth Returns

November, despite the Thanksgiving break and deer season, is usually a productive month, and this year was no exception. According to the data we collected in the last two weeks of the month, NEW ORDERS, our closely-watched index of business improvement, rose to +20 from October's +11. In contrast, the PRODUCTION index backtracked slightly to +17 from +20. In a similar move, activity in the purchasing offices, our index of PURCHASES, eased to +18 from +22. Perhaps because of tax considerations, the index of FINISHED GOODS INVENTORY displayed more liquidation and fell further to -9 from -2. In contrast, the RAW MATERIALS INVENTORIES index jumped to +12 from -8. Because of a growing list of shortages, our index of LEAD TIMES for November remained stuck at +28, well ahead of the 25-year average of +4.

Looking as we always do at individual industries, the November performance for most groups was mixed. Despite the modest softening in auto sales, the local auto parts producers remain surprisingly strong, even though they continue to voice concern about possible slower auto sales as we head into 2018. It is currently the slow season for the office furniture sales, and the industry still appears to be topping out at the present level. Some of the smaller office furniture firms are still expanding. For most industrial distributors, November was one of their better months. A plateau also seems to be forming for the capital equipment industry, but recent changes in the tax law could result in improved conditions in 2018.

Locally, business optimism remained positive but little changed. Our November index for the SHORT-TERM BUSINESS OUTLOOK, which asks local firms about the perception for the next three to six months, eased modestly to +28 from +30. However, the LONG-TERM BUSINESS OUTLOOK edged slightly higher to +49, up from +45. Just as last month, the anecdotal comments from the survey participants continue to be cautiously optimistic.

Additional optimism about the U.S. economy came from the Conference Board's Index of Consumer Confidence. U.S. consumer confidence rose more than expected in October to 125.9, the highest this Index has been since December 2000. Americans appear to be growing more confident about the economy and the job market. Business confidence, also reported by the Conference Board, remains near a ten-year high.

At the national level, the industrial economy remains very strong. The December 1 press release from the Institute for Supply Management, our parent organization, remained near record levels but backtracked modestly. ISM's index of NEW ORDERS held steady at +22, just slightly below the +26 reported two months ago. The PRODUCTION index responded to the recent surge in orders and rose to +25 from +19. ISM's EMPLOYMENT index remained virtually unchanged at +16. Following a summer of disastrous hurricanes, ISM's index of SUPPLIER DELIVERIES has finally returned to more normal level of +10. However, strong business conditions have resulted in ISM's INVENTORIES index remaining at -6. ISM's overall index for October eased modestly to 58.2, down from 58.7. It is worth repeating that the entire ISM report is very strong by historical standards.

IHS Markit.com, the British economics consulting firm, also conducts a monthly survey of the U.S. industrial economy which sometimes differs with the ISM report. Just as last month, Markit's November report came in strong, but not quite as robust as the report from ISM. The Markit.com indexes of NEW ORDERS and PRODUCTION both rose at a significant rate. Markit's overall PMI edged modestly lower to 53.9 from 54.6. Chris Williamson, the chief business economist for Markit, remains optmistic:

> "U.S. manufacturers reported further solid growth in November. The rate of expansion settled slightly after October's rebound from the hurricanes, but still leaves the sector on course for its best quarter since the opening months of 2015. What's especially encouraging is that growth is being led by producers of business equipment and machinery, indicating investment spending is on the rise. Business optimism is now at its highest since the start of 2016, underscoring how firms believe the upturn has further to run as we move into 2018."

The world economy continues to be on track as well as the J. P. Morgan Global Manufacturing PMI released on December 1 came in at 54.0, the survey's highest level since March 2011. NEW ORDERS, JPM's index of business improvement, posted a significant jump to 54.9, up from 53.7. Flat performances in countries like China, South Korea, and Russia were more than offset by the other 31 countries in the survey. The survey author further commented:

> "The November survey points to a strong increase in the rate of expansion of the global manufacturing sector, with growth of output, new orders, new export business, and employment all gaining strength. Inflationary pressures continued to build across the production pipeline."

For the Eurozone, the good news keeps on coming. November saw another record-setting upswing to the highest level in the 20-year history of the survey. Germany, Netherlands, Austria, Italy, Ireland, and France all reported near-record expansion. Even beleaguered Greece managed a modest growth index of 52.2. IHS Markit's chief economist commented:

> "There's only been one month (April 2000) in the entire 20-year history of the survey with a higher PMI reading. The buoyant November data looks likely to add to the global dominance of euro area manufacturing seen so far this year. Eurozone manufacturers have dominated the global PMI rankings in 2017, gaining an increased share of global trade as exports boom, buoyed in part by the weak currency. Companies are clearly

expanding rapidly. Employment growth has hit an all-time high, and business investment on machinery is trending sharply upwards, suggesting manufacturers are looking forward to the upturn persisting well into 2018."

For auto sales, November posted a modest surprise. Industry-wide auto sales rose by 1.1 percent, the second month of the year that year-over-year sales were positive. One analyst noted higher fleet sales for some brands, as well as more positive consumer confidence as reasons for the small uptick. For the Detroit Three, Ford gained 7.6 percent, but Fiat-Chrysler lost 3.8 percent, and GM backtracked 2.9 percent. Of the major brands, Nissan lead the way upward with a hefty 18.1 percent increase, and Honda improved by 8.3 percent. Toyota backtracked 3.1 percent. According to Brad Korner, the general manager of rates and incentives for Cox Automotive:

> "In November, many [automakers] added additional lease-pull-ahead-type incentives, as used-vehicle values continue to be very strong. For consumers with lease terms close to maturing, this has been a good incentive to get back into the market. The pull-ahead incentives, however, are likely short lived. As used-vehicle values normalize, we expect [automakers] to dial back on these programs. 2017 has been the year of the SUV. Consumers have proven time and time again this year that they're not afraid of the bigger price tags, higher APRs, and longer loan terms."

Another major economic event is coming in the form of the massive overhaul of business taxes recently passed by Congress. The main impact will be felt by many of the smaller corporations employing, say, about 300 people. These firms have been taxed at an effective rate painfully close to the statutory 35 percent because they cannot afford the huge staff of tax lawyers and accountants to maneuver the same loophole afforded to the major corporations. Because West Michigan will now be the cheapest place in the world to do certain types of business, we should look for an influx of investment, especially from foreign firms already located in our state. But as several of our survey respondents have already noted, we do not currently have enough TRAINED workers to fill the opening we already have. At long last, the worker shortage will ultimately force many firms to raise wages in order to attract people from around the world to come to West Michigan to work. Some firms will be forced to pay what the market demands, rather than the "going rate" posted on some obscure computer website.

Unfortunately, more workers coming to West Michigan will result in aggravating the shortage of housing in various parts of West Michigan. The real driving force behind the housing shortage is clearly the increase in employment. According to the employment statistics provided by the State of Michigan website, Ottawa County has had a 20 percent increase in employment over the past ten years. Kent County is not far behind with a 15.0 percent gain. This compares with a gain of 5.4 percent for the nation as a whole, and a 0.5 percent gain for all of Michigan. In the case of Ottawa County, the natural growth in the population for the past ten years was obviously far below 20 percent. Hence, 20 percent more people drawing paychecks means that the area has had a worker and population influx. It is not much of a surprise to find that home builders have had a hard time keeping up with the demand.

In recent news, GDP for the U.S. third quarter was revised upward to 3.3 percent from 3.0 percent. Although it received little press, the same report from the Bureau of Labor Statistics noted that GDP for Michigan grew at a 5.5 percent rate. There is no resolute census among economists, but 3.0 percent growth has generally become regarded as a minimal rate required for long-term growth in the U.S. In the recovery from the Great Recession, there have been several quarters wherein GDP came in well above 3.0 percent. However, good quarters have always been offset by weaker quarters, and we have not had a single year that equaled or exceeded 3.0 percent growth since the recovery began eight years ago.

In summary, the local economy remains positive, and currently shows no signs of retreating as we head into the last month of 2017. Although many of our local industries are showing signs of topping out, the current plateau is still very profitable and stable. As a result of the recently enacted tax reform package, further economic expansion may be in the offing for 2018. The shortage of skilled workers in some professions may result in wages beginning to rise more rapidly.

NOVEMBER COMMENTS FROM SURVEY PARTICIPANTS

"Their is no sense in trying to contact anyone the first three days of "Deer Season!" This week is one of Michigan's holidays."

"Nickel platers should prepare for nickel anode prices to continue to rise as the effect of the Vale Thompson plant shut-down removes volume from the market. With less supply and stable, robust demand (strong automotive production) nickel anode prices must rise. This will happen independently of what the nickel LME price does."

"We're very busy going into the end of the year. January volumes are also very strong."

"Getting aggressive on RFQ responses to our customers."

"Sales have been pretty slow/flat this year, but we finally had some sales growth for the month of October."

"Steel suppliers are still talking about the potential for increases based on government actions on section 232. Some mills have announced increases, and service centers are trying to increase pricing as well."

"We are filling up our own capacity and relying more on our supply base to keep us on time with our customer orders."

"Electronics manufacturers are, have been, in turmoil."

"Short term sales are pushing out a few months on some business/regional jet customers."

"Business is strong and steady."

"It's still a challenge to find qualified candidates for job openings!"

"Business is seasonal. We're getting ready for year-end."

"Controlled growth is the key right now. We need to grow sales but control expense."

"We've had the strongest November in company history!"

"Incoming orders are up. We're hoping it lasts this time."

"October showed a nice rise from a slow September. November has done ok despite the lull for deer season. A strong finish next week would be nice."

"Business seems to be very Robust."

"The typical year-end push underway. The year is shaping up to be another banner year."

"We're hopeful for 2018 to be the same or better than 2017."

"Our future business looks promising. We will see some nice growth over the next several years."

"We are still having a hard time finding enough workers."

"Business is steady at this point. Medical is doing well, and is expected to increase next year."

"We are being hit with about 3% price increases on items."

November 2017 Survey Statistics

	UP	SAME	DOWN	N/A	Nov. Index	Oct. Index	Sept. Index	25 Year Average
Sales (New Orders)	41%	36%	21%	2%	+20	+11	+21	+14
Production	33%	46%	16%	5%	+17	+20	+17	+14
Employment	22%	9%	9%		+13	+14	+17	+ 8
Purchases	34%	50%	16%		+18	+22	+14	+ 7
Prices Paid (major commod.)	31%	69%	0%		+31	+28	+29	+15
Lead Times (from suppliers)	28%	72%	0%		+28	+28	+30	+11
Purchased Materials Inv. (Raw materials & supplies)	31%	45%	19%	5%	+12	- 8	+ 3	- 4
Finished Goods Inventory	12%	62%	21%	5%	- 9	- 2	+ 0	- 8
Short Term Business Outlook (Next 3-6 months)	36%	57%	7%		+29	+28	+30	-
Long Term Business Outlook (Next 3-5 years)	45%	52%	0%	3%	+45	+49	+45	-

Items in short supply: Plastic resins, titanium dioxide, refined nickel, cobalt products, cobalt, lithium, castings, passive electronic components, labor.

Prices on the UP side: Polypropylene, steel, stainless steel, stainless steel scrap, aluminum sheets, aluminum extrusions, powder paint, hardware, electronic components, carbon steel, paraffinic oil, polypropylene, electric motors, all metals and alloys, copper, plastic resin, refrigerant, nickel anode premiums, cobalt, lithium, soft wood, construction equipment, passive electronic, zinc die castings, brass, wages.

Prices on the DOWN side: SEBS resin, carbon steel*, scrap steel.

*These items are reported as both up AND down in price.

Latest Unemployment Reports

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

	Oct. 2017	Oct. 2016	Aug. 2009	20 Year Low
State of Michigan (Adj.)	4.5%	5.0%	14.6%	3.2%
State of Michigan (Unadj.)	4.2%	4.8%	14.1%	2.9%
Kent County	3.9%	3.8%	11.9%	2.1%
Kalamazoo County	3.9%	3.8%	11.1%	2.1%
Calhoun County	4.5%	4.5%	12.8%	2.7%
Ottawa County	3.2%	3.1%	13.3%	1.8%
Barry County	3.4%	3.5%	10.9%	2.2%
Kalamazoo City	4.9%	4.8%	15.2%	3.2%
Portage City	3.6%	3.5%	8.7%	1.3%
Grand Rapids City	4.4%	4.3%	16.1%	3.0%
Kentwood City	3.1%	3.1%	10.7%	1.4%
Plainfield Twp.	2.5%	2.5%	8.0%	1.4%
U.S. Official Rate (Oct.)	4.1%	4.8%	9.6%	3.8%
U.S. Rate (Unadjusted)	3.9%	4.7%	9.6%	3.6%
U.S. U-6 Rate**	7.9%	9.5%	16.7%	8.0%

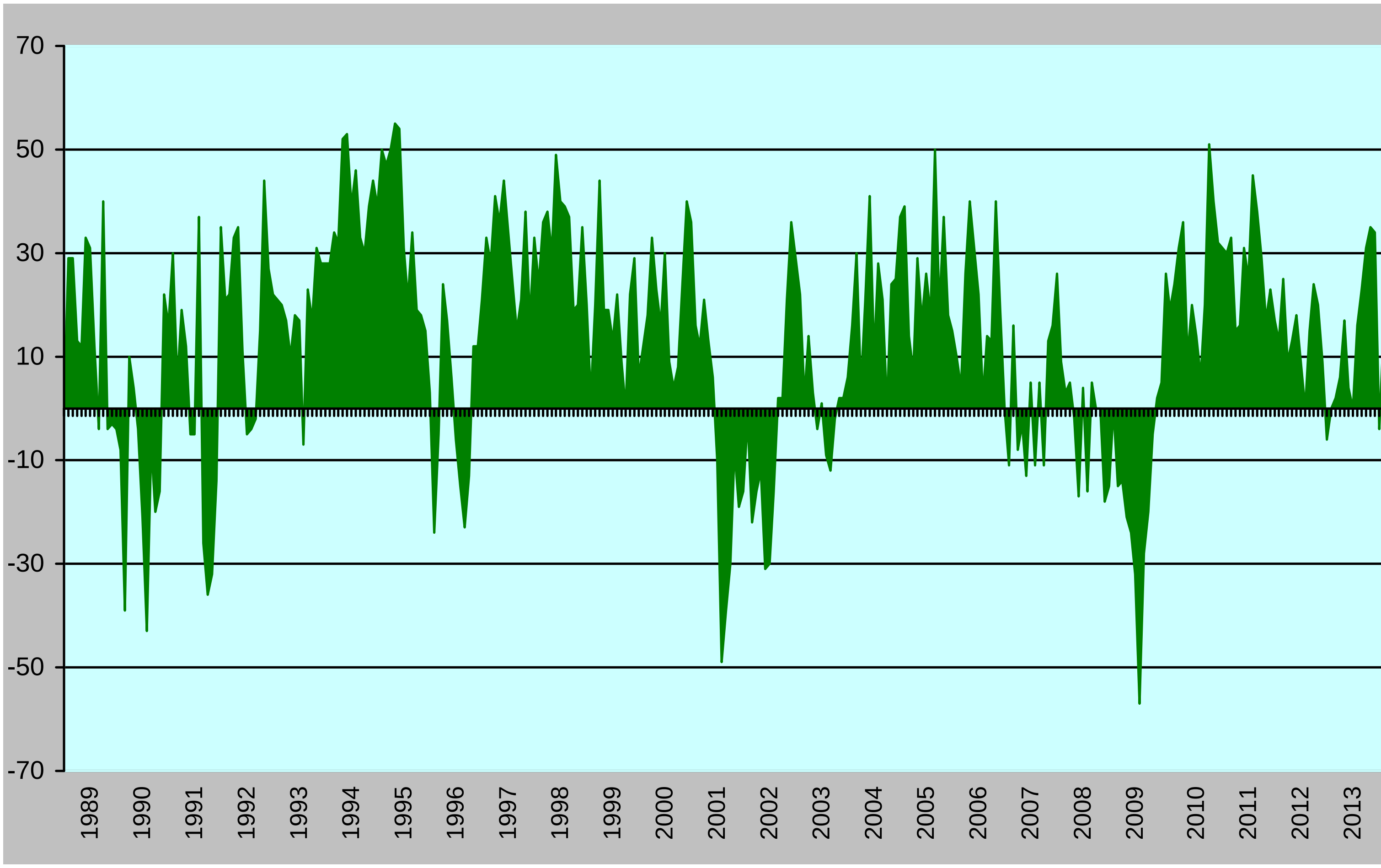
**U-6 for Michigan = 9.5% for 2016 - 2017

Index of New Orders: West Michigan

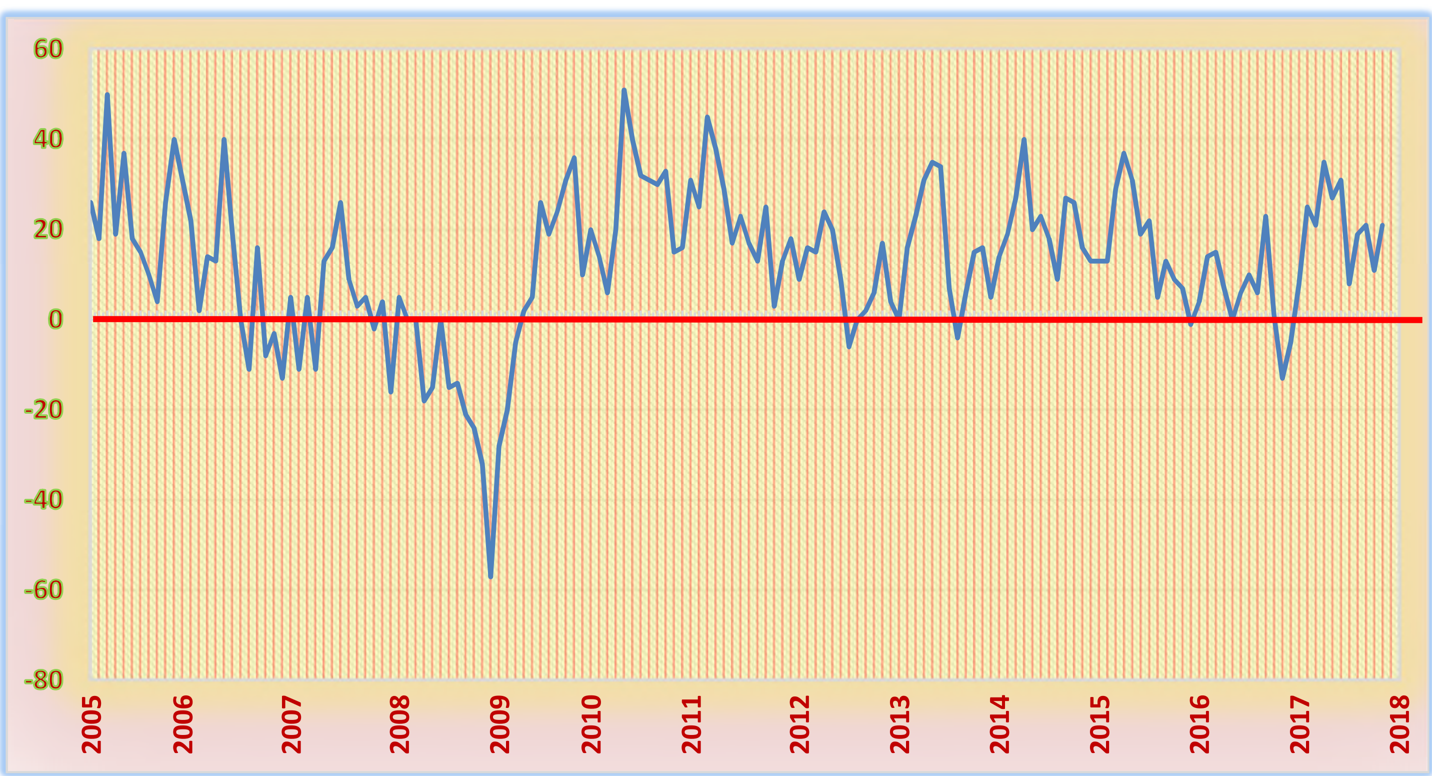
As the name implies, this index measures new business coming into the firm, and signifies business improvement or business decline. When this index is positive for an extended period of time, it implies that the firm or organization will soon need to purchase more raw materials and services, hire more 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	+20 for the month of November 2017
Previous Month	+11 for the month of October 2017
One Year Ago	- 5 for the month of November 2016
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 - 2017

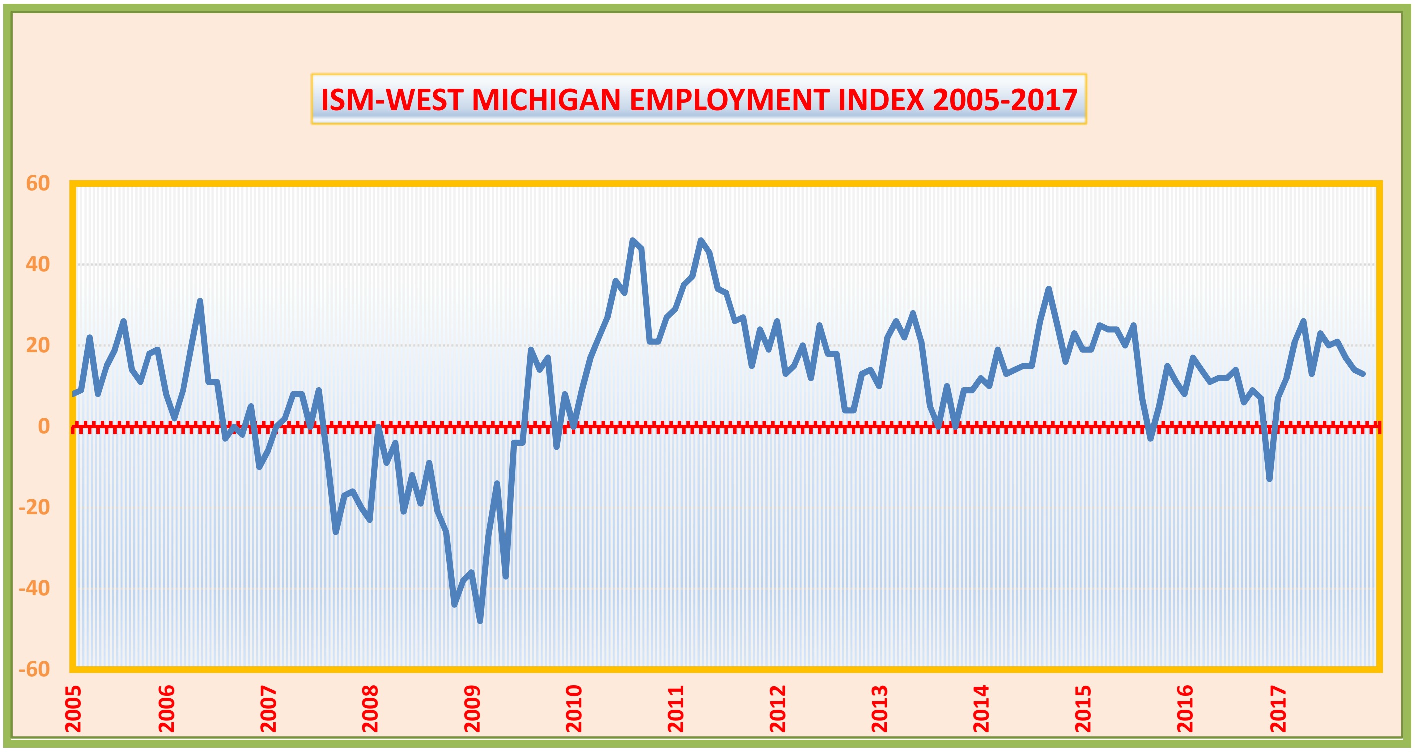


ISM-West Michigan Index of New Orders: 2005-2017 Only



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.