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CURRENT BUSINESS TRENDS

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Growth rate improves. That's the latest word on the Greater Grand Rapids economy, according to the data collected in the last two weeks of March, 2010. NEW ORDERS, our index of business improvement, advanced to +20, up from +6. In a similar move, the PRODUCTION surged to +30, up nicely from +8. The purchasing offices remained modestly busy, and our index of PURCHASES edged up to +17 from +14. Just as last month, our best news came from the EMPLOYMENT index, which jumped to +17 from +9. Indeed, 25% of the respondents reported adding staff over this past month, either in form of callbacks, temps, or new hires. All in all, our Greater Grand Rapids statistics have now been positive for a full year. There is no evidence at this time to suggest any fundamental new problems, but the recovery will probably be restrained as we roll toward the summer months.

A look at our individual industries provides some additional insight. First, the Toyota fiasco is now pretty much behind us, and local auto parts producers are now back on track. Two of our local office furniture firms reported modestly better business conditions, although the industry has a long, long way to go to get back to the levels of 2005. For our industrial distributors, with one exception, all were positive for the month. For our capital equipment firms, conditions remain modestly negative. In summary, a review of the respondent comments at the end of this report tells us that some firms are still cautiously optimistic about the future. Most firms are holding there own, although a couple are rather enthusiastic.

At the national level, the April 1, 2010 press release from the Institute for Supply Management, our parent organization, shows a similar pattern. Just as with our local survey, ISM's index of NEW ORDERS is our best look forward. For March, the index rose to +30 from +21. Similarly, ISM's index of PRODUCTION rose to +25 from +18. It was good to see that the index of EMPLOYMENT held its own at +11, down from +12. ISM's composite index rose to 59.6, up from 56.5. The author noted that this is the best overall report since July 2004-- nearly six years ago, and long before the 2007-2009 recession.

Not to be outdone, the international report from J.P. Morgan's Global Manufacturing report released on April 1, 2010 is equally bullish. The March index of NEW ORDERS rose to 58.7, up from 57.2. The reports from Germany, France, Italy, China, India, Austria, the Netherlands, the UK, and the Eurozone were especially strong. However, the EMPLOYMENT indexes in Japan, the UK and the Eurozone were all weaker. JPM's Global Manufacturing Index rose to a 70 month high of 56.7, up from 55.4.

Looking at auto sales, it was a very strong month, although some of the stellar performance can be attributed to liberal price and financing incentives. Sales were up 40% at Ford, 21% at General Motors, 41% at Toyota, 22% at Honda, 43% at Nissan, and 46% at Subaru. Although Chrysler sales fell by 8%, the overall positive automotive report is some of the best news an automotive state like Michigan can hope for.

This month's big economic news of course is the passage of the health care bill. Short run, there will be very little economic impact as a result of the passage. Most of the impact of the bill, good or bad, does not take effect for quite some time. Western Europe, where government run health care has been the norm for over 50 years, applauded the move because it will level the playing field. However, our major creditors, such as China, are less enthusiastic because of the addition to the huge debt load that we are already carrying.

While the industrial market looks positive, the consumer market remains far less robust. One factor inhibiting the recovery of the consumer market is the low levels of consumer confidence that have been reported from both the Conference Board and from the University of Michigan. Indeed, despite the improvement in some key indexes like unemployment, the stock market, and growth in the industrial sector, the mood among consumers remains negative.

Several factors are to blame for the low consumer confidence numbers. First, despite the improvement in the stock market over the past year, almost everyone's 401k is well below the peak level of just a few years ago. Second, the number of people in the so-called "long term unemployed" category is at a 70 year high, which is particularly troubling for manufacturing states like Michigan. Third, for many people, their biggest asset is their home, and home values in almost every area of the county have fallen considerably since 2006. The drop in home values has resulted in 25% of all homes in the country now being "inverted in equity," meaning that more is owed on them than their current market value. At 2.7%, the percentage of homes vacant or for sale is over one percentage point above the 50 year average. We are awash with unsold housing, and many people feel trapped in their present houses and unable to move-- even if they find another job opportunity or want to retire to Florida. Last but not least, the partisan mood of Washington has polarized many people.

The situation for industrial inflation continues to worsen. For the Southwestern Michigan survey, our index of PRICES came in at +45. For Greater Grand Rapids, we logged an index of +42. At ISM, the national index rose to +35. What's even worse is that the list of commodities reported "UP" in price at the end of this report continues to grow, and now includes many big ticket items like steel, plastic resins, aluminum, nickel, zinc, and corrugated. Copper recently rose to a 20 month high. Despite the housing slump, plywood and other building materials are rising in price, primarily because of worldwide demand.

Part of this inflation surge can be attributed to the worldwide recovery from the recession. As we have noted previously, the severity of this recession resulted in some resource-producing firms going broke or dropping out of the market altogether, leaving fewer suppliers to meet the current resurgence of demand.

Another more ominous cause of this new wave of industrial inflation may be the return of commodity speculation. With fixed interest rates of all kinds now yielding record low returns, money managers and hedge fund directors may again begin gravitating toward commodity speculation as a means of raising the performance of their portfolios.

Double dip. Almost from the time that the recovery began, there has been talk about the possibility of a double dip recession. Whereas a double dip is possible, it is not probable. However, growth throughout the summer will be inhibited by a weak construction sector, higher interest rates, the end of the $8,000 home incentive, and low consumer confidence. Furthermore, we are still dependent on China as well as other creditor nations to continue to buy our ever-growing treasury debt. If we get into any kind of a currency war or trade war with China, this could start generate a second down leg to the recession.

COMMENTS FROM SURVEY PARTICIPANTS

"Materials from overseas are showing price increases due to tactics employed by China steel. We have the same issue with lead times from overseas."

"We are seeing request for price increases in plastic, steel, and corrugated. Request for increases in foam prices apparently have died. "

"I get, 'until the pipeline is full, we will not be adding additional equipment', when I talk with our customers. They have idle machinery now, so why add any more? I guess we wait!!"

"We are seeing margin compression due to raw material price surges."

"Our sales backlog continues to show modest growth. We see no significant sales increases in the second quarter of 2010."

"We have seen six consecutive months of positive sales numbers."

"Our forecast looks like steady improvement all year."

"Our sales are down slightly, but the potential for new projects is growing. We are about to get very busy."

"We are typically a little slow in the first quarter, so it's hard to tell sales strength for the year based on the first quarter. Quoting is strong, though."

"There's nothing left to say. I am beginning to think we will never see a recovery."

"Quoting activity is up, but orders are still soft. There's lots of concern by customers about what's going on in Washington."

"Is this a temporary lull or a re-calibration?"

"We are still busy, however, the pace has slowed down considerably. January and February were both busier than March. April looks to be down from March. We will see after that."

"Retirements are helping, but they have slowed down dramatically from a couple years ago."

"We are keeping our purchases to a minimum, and looking at avenues to cut costs. On those items that are being bid, responses have been great. Everybody is looking for work, and we have very little this year. "

"Commodity prices continue to rise causing many raw material costs to increase. This appears to be driven more by the financial world that by manufacturing demand."

"I have been a participant in this survey for almost 10 years. This is the first month I have ever marked all categories as "up." This is the strangest set of circumstances I have ever seen in the plastics industry. We are seeing slightly increased demand for products, but a significant reduction of available raw material. This has resulted in price increases galore and lead times growing from 2 to 6+ weeks."

"We are experiencing aches and pains while re-establishing continuous manufacturing again. Not complaining...."

"We see good, solid increases for steel fabrication in the energy sector. It looks like this level of increase business may be sustainable."

"Business is picking up, not to the 2008 level, but much better than last year. Steel pricing continues to be a big concern going into the second quarter.

	UP	SAME	DOWN	N/A	Mar. Index	Feb. Index	Jan. Index	20 Year Average
Sales (New Orders)	35%	48%	15%	2%	+20	+ 6	+14	+29
Production	38%	46%	8%	8%	+30	+ 8	+22	+13
Employment	25%	67%	8%		+17	+ 9	+ 0	+ 8
Purchases	32%	53%	15%		+17	+14	+17	+ 7
Prices Paid (major commod.)	42%	53%	0%	5%	+42	+40	+17	+35
Lead Times (from suppliers)	35%	60%	5%		+30	+31	+16	+11
Purchased Materials Inv. (Raw materials & supplies)	28%	59%	8%	5%	+20	+ 3	+14	- 5
Finished Goods Inventory	18%	27%	5%	10%	+13	+ 0	- 6	-10

Items in short supply: RTV grease, some LCD sizes, stainless steel, specialty stainless steel, cold rolled steel, butadiene, some black pigments, HDPE, semiconductors, aluminum plate, polyolefins, some coated products, HSLA steel, funding.

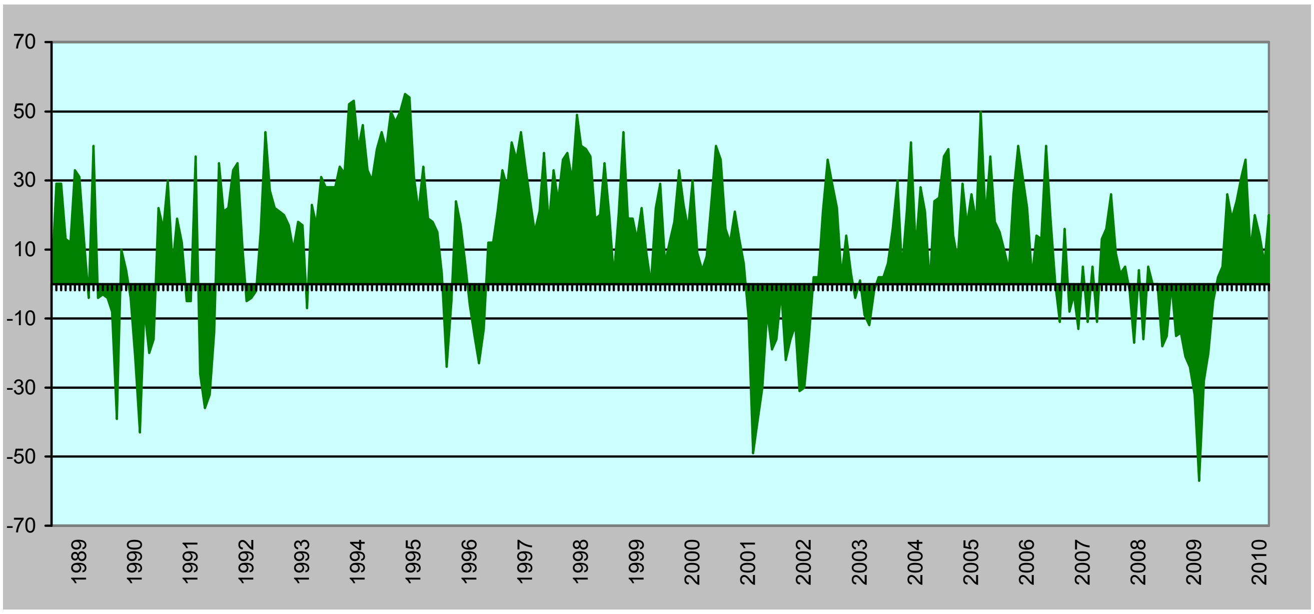
Prices on the UP side: Resins, copper, steel and steel surcharges, cold rolled steel, corrugated assembled materials, greases for production, brass fittings, brass fittings, brass and brass fittings, copper wire, zinc die castings, steel, poly resins, aluminum, corrugated, 3M graphic supplies, gasoline, carbon steel, nickel surcharges, PP, PET resins, kiln dried lumber, MDF, plywood, gravel, sand, emulsions, insurance rates, oil, acrylics, plasticizer, PVC resin, paraffin oil, PP, SEBS resin, HDPE, nylon, ABS, polypropylene, corrugated packaging, active electronics, transportation.

Prices on the DOWN side: Computer items, assembly, value added houses, packaging, motors.

Index of New Orders - Greater Grand Rapids
1988 - 2010

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 March 2010
One Year Ago	- 5 for March 2009
Record Low	-57 for December 2008
Record High	+55 for September 1994



Index of New Orders: 2004 - 2010 only