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News Release **(For Immediate Release)**

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Current Business Trends

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GR Manufacturing economy still modestly positive in November

"Modestly positive, and still improving." That's the latest word on the Greater Grand Rapids industrial economy, according to the data collected in the last two weeks of November, 2011. NEW ORDERS, our index of business improvement, advanced to +13, up from +9. The PRODUCTION index remained virtually unchanged, but retreated to +7 from +8. The EMPLOYMENT index posted a gain, rising to +24 from +15. It was good to see that the percentage of respondents reporting staff reductions edged lower to +7% from +13%. Hence, the slower movement we reported last month appears to be just a short-term interruption. Our local economy continues to be stronger than the rest of the country, and even the rest of the world. At least for the next few months, the momentum is positive, and we expect this trend to continue.

Turning to local industry groups, our survey as well as the State of Michigan still has the automotive parts producers to thank for the positive numbers we are reporting. In fact, most of the strong positive comments at the end of this report are from our local auto parts suppliers. Our second strongest group for November was the industrial distributors, many of whom appear to be having a good year. For capital equipment industry, the results remain stable. The office furniture firms appear to be plateauing at the current level, although one firm turned in a stronger performance than the group as a whole. Overall, the mood of the respondents remains one of cautious optimism.

At the national level, the results continue to be very flat. The December 1, 2011 press release from the Institute for Supply Management, our parent organization, reported that NEW ORDERS flipped back to minimal growth of +1, up from -3. The PRODUCTION index rose very modestly to +3 from +1. However, the EMPLOYMENT index retreated to +1 from +7. Despite the flat performance, statistical aberrations resulted in ISM's overall manufacturing index of manufacturing rising to 52.7 from 50.8. Again, any index over 50.0 is considered positive.

At the international level, the J.P. Morgan Global Manufacturing report released on December 1, 2011 continued its report of a downward slide. Their survey of purchasing managers from 30 industrial nations indicates a retreat to 48.6 from 49.5, according to JPM's worldwide index of NEW ORDERS. The PRODUCTION index fell to 49.7 from 49.8. JPM's overall international index eased modestly to 49.6 from 49.9. China, Japan, and South Korea posted losses. The European Union recorded the biggest decline since June of 2009. Since these countries are some of our best customers, it is disappointing news for US domestic firms that depend on high foreign demand. Further confirmation of the downturn comes from the OECD, which flat-out predicts that the European Union will experience a mild recession for at least the first half of 2012.

In view of the above reports, it is no surprise that most of the economic news for the past month has been dominated by Europe. In fact, during certain periods of time, volatile news reports changed direction almost every day. It is clear that one aspect remains unchanged. Europe is still sliding into a recession. Although much of the blame has been leveled at the unrest in the Greek and Italian credit markets, the fact remains that the root cause of the problem still rests with unsustainable entitlement and retirement promises made by politicians in order to gain favor. With the possible exception of Germany, all of the European governments have awarded their citizens with overly generous pensions, early retirement dates, and free healthcare, all of which are funded out of *current* revenue. Like most Ponzi schemes, they work fine until there is a downturn, and then the lower income does not match the outflow. For years after joining the Eurozone, the Greeks used the leverage of the Eurodollar to issue more and more debt. There is evidence that they anticipated that the Germans would come in to support their debt, but they were wrong. The survival of the Eurodollar is still in question at this time.

Unfortunately, a permanent solution for Europe has not been created. The current model means weathering recurring crises as threats of various defaults occur. As of this moment, we are simply between crises. Until all of the PIIGS countries (Portugal, Ireland, Italy, Greece, Spain) come up with a permanent solution to their fiscal problems, there will be periodic flare-ups of instability that will cause Europe- and indirectly the US- to look for another temporary solution. With the recent announcement of a restructuring plan by Italy, the future looks a little more hopeful. But even these efforts do not signal an end to the current European debt crisis.

The other big economic news for this month is the drop in the national unemployment rate to 8.6% from 9.0%. Unfortunately, a large number (315,000 calculated in the decrease) were discouraged workers dropping out of the workforce altogether. As a result, the labor participation dropped to 64.0% in November, down significantly from three years ago when the U.S. participation rate was 66.3%. Although 120,000 new jobs were created in November 2011, roughly half of these jobs were seasonal Christmas hires. The number of long term (more than six months) unemployed workers remained stubbornly stuck at 5.7 million. At the state level, Michigan unemployment fell to 9.2% from 9.9% partially driven again by workers dropping out of the workforce and more significantly by the continued recovery of the auto industry. In Kent County, the jobless rate fell to 6.9% and in Kalamazoo County to 7.0%. Compared to the nation as a whole, the above statistics are not a bad showing, although there is still plenty of room for improvement.

The auto industry *continues* to strengthen. Since much of Michigan's recession recovery can be attributed to the auto parts suppliers and assemblers, it is especially gratifying to see industry sales for November rise by 14%, up from October's increase of 8%. For the Detroit 3, Chrysler led the way, up 45%, followed by gains of 13% at Ford and 7% at GM. Among the foreign nameplates, sales gainers included Mercedes-Benz (44%), Volkswagen (29%), Hyundai-Kia (29%), Nissan (22%), and Toyota (7%). The only major loser was American Honda, down 6%.

Inflation. Although industrial inflation remains relatively tame, the month of November saw a few prices start to edge higher. The rapidly escalating prices for rare

earth elements continue to cause trouble for three of our local firms. For several firms, titanium dioxide continues create a cost squeeze. However, steel and copper are still falling in price, and ISM's index of PRICES remained negative at -10. In our local area, the Greater Grand Rapids index of PRICES came up significantly to +15 from -5. For Southwestern Michigan, the index moderated to +9 from +19. Both of our local indexes are well below their twenty year averages.

In assessing where we go from here, it is worth repeating that our positive numbers are still the result of positive automotive sales. These positive sales have resulted in many of our local auto parts suppliers to be operating at full capacity. As a result, these same firms have called many workers back to work and hired hundreds of new people over the past year. We see no reason why positive auto sales should not continue well into 2012. However, for the rest of the year, the national and international economies hold influence. If it were not for sagging economies of Europe, China, and much of the world slowing or sliding into recession, our slow but steady recovery would probably continue unabated. Unfortunately, the US and North America is not an island. It is difficult to assess the drain on our economy from exposure to an impending European recession. Regrettably, the best the US can hope for is continued slow growth.

COMMENTS FROM SURVEY PARTICIPANTS

"Business is slowing but that is usually the case at this time if the year. We expect to pick up in January."

"Business and new orders seem to be maintaining a healthy level."

"It was another great month, and we're looking solid into the last months on this year. We're still hearing positive comments from customers for the upcoming year."

"Business has increased over the last few weeks. We should finish the year strong."

"We are seeing record sales and profit. No double dip here!"

"Rare Earth Elements: Holy smokes! If you buy anything with REE content, you know what I mean. Holy smokes!"

"We are hitting our forecast."

"We've come to the end of a large project, and hoping to fill the schedule back up."

"Sales are solid, raw material pricing is stable, labor pool is full. Is this utopia?"

"Automotive orders continue to run at a very good rate. The flooding in Thailand pushed out start ups on some new models, but overall had very little impact on our orders."

"Fixed is fixed. We're trying to get into and through 2012."

"We're in our historical slow time of year."

"Everything is going up in price, but order orders are on the upswing too!"

"We are still doing fine."

"More new orders are coming in, so next year is looking like a good year."

"We're in our fourth quarter slowdown, but still showing continual growth."

"Business continues to remain strong, and should remain strong through the end of the year."

"A slight slowdown in new orders is causing some concerns. We are exploring new avenues to sales diversify."

"Ocean carriers are cutting capacity in an effort to drive up pricing."

"This a tough time of year. Mistakes can be very costly. "

"Inquiries are "slowly" starting to come in. Now, if the news media or the economics of Europe don't slow the progress, we may be on track!"

"We experienced a slight decrease in production in October but it appears that things are back on track for November and December!"

"Many of the companies who have held pricing for 2-3 years are finally posting price increases of 4-5% effective in January."

"Nothing positive to comment on at this time!"

"We have suppliers coming for increases that are not really commodity related. We think the increases are driven more by labor, health insurance, and general costs. Others are talking about the ever increasing cost of Chinese labor."

"We received a December 1 notice of a $.03/lbs decrease on RPET, basically eliminating the November 1 increase we took."

	UP	SAME	DOWN	N/A	Nov. Index	Oct. Index	Sept. Index	20 Year Average
Sales (New Orders)	33%	45%	20%	2%	+13	+ 9	+25	+29
Production	26%	49%	19%	6%	+ 7	+ 8	+25	+13
Employment	31%	62%	7%		+24	+15	+27	+ 8
Purchases	30%	51%	19%		+11	+ 6	+14	+ 7
Prices Paid (major commod.)	28%	55%	15%	2%	+13	- 5	+27	+35
Lead Times (from suppliers)	20%	69%	11%		+ 9	+11	+23	+11
Purchased Materials Inv. (Raw materials & supplies)	24%	51%	17%	4%	+ 7	- 1	+ 6	- 5
Finished Goods Inventory	17%	65%	9%	9%	+ 8	+ 2	+ 0	-10

Items in short supply: Electronic components, heavy alloy bars, heavy wall steel tube, PTFE, bullet nose bushings, heavy construction machines, some fasteners, some metal products.

Prices on the UP side: Fuel, electronic components, metals, rare earth elements, Teflon, silicon fluids, magnesium alloys, pigment, powder paint with titanium, China produced items, plastics, RPET (rigid film for thermoforming), coatings, most items for resale involving steel or stainless (up 3-5% annual price increase), sand, salt, paper products, equipment, titanium dioxide, plastics.

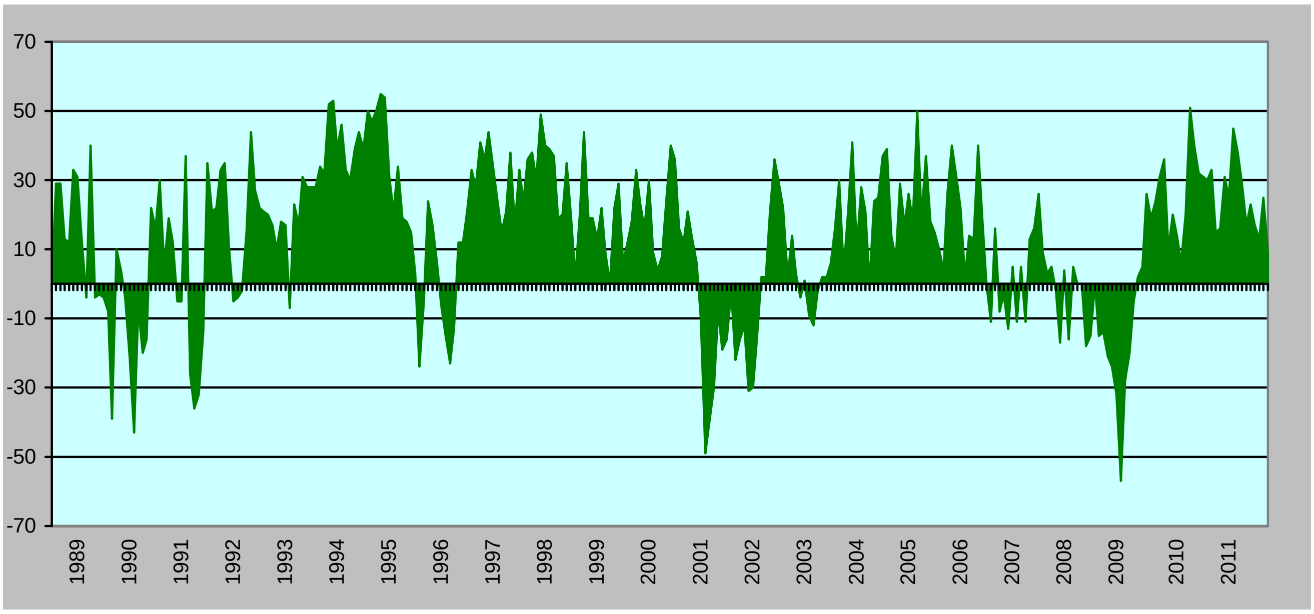
Prices on the DOWN side: Steel, copper wire & tube, chemicals, fuel surcharges, some paper items, stainless steel, carbon steel, aluminum, tube products, most paper grades, steel plate, cold rolled steel, resin, aluminum, high density polypropylene, regular polypropylene, PVC resin, plasticizer, nickel, scrap steel (by $25/$30 for November), computer equipment, electronics.

Index of New Orders - Greater Grand Rapids

1988 - 2011

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 November, 2011
Previous Month +9 for the month of October, 2011
One Year Ago +15 for the month of November, 2010
Record Low -57 for the month of December, 2008
Record High +55 for the month of September, 1994



Index of New Orders: 2005-2011 Only