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News Release **(For Immediate Release)**

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Current Business Trends

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An Uptick for the West Michigan Manufacturing Economy

Nicely up. That's the latest word on the West Michigan economy, according to the data collected in the last two weeks of February, 2013. Both December and January were flat, but as we rolled into February, things started to pick up. Our closely-watched index of business improvement, which we call NEW ORDERS, came in at +16, up considerably from the +4 we reported in December and the dead flat +0 in last month's report. Following the same trend, the PRODUCTION index shot up to +21 from January's bearish -6. Activity in the purchasing offices, our index of PURCHASES, also turned back to positive at +12, up from -1. The EMPLOYMENT index, which was already positive at +10, rose nicely to +22. Following the trend we reported last month, the comments at the end of this report continued to grow more optimistic, although there were a couple of exceptions. Just like last month, several large employers are very optimistic about 2013. As far as this month's survey goes, all of this is good news.

Looking at individual industrial groups, the auto parts suppliers remain positive, and some are busier due to production schedules being revised upward. Similar to last month, the capital equipment firms are still widely mixed, but some firms are reporting business to be picking up considerably. For industrial distributors, this month's bias was to the up side, with no firms reporting downticks. Finally, the office furniture firms are still holding their own, but the market shows signs of topping out or stabilizing at the current level.

Turning as we always do to the national statistics, the March 1, 2013 press release from our parent organization, the Institute for Supply Management, continued to pick up steam. ISM's index of NEW ORDERS bounced to +21, up from +7 last month and up considerably from -7 in the December report. In a parallel move, the PRODUCTION index also shot up to +21 from +6 in January and -4 in December. The EMPLOYMENT index is always a laggard, but it was still good to see a modest advance to +7 from +5. When all of the statistics are added together, ISM's overall index rose to 54.2, up from 53.1. The report further notes that at least some of the gain can be attributed to new export orders. In contrast, the British economic firm of Market.com posted a U.S. industrial survey index of 54.3, down from last month's lofty 55.8. Statistically, both reports are very close to each other.

The March 1, 2013 J. P Morgan international manufacturing report is not quite as optimistic, partially because of the continued economic problems in several key European countries. JPM's Global Manufacturing PMI edged lower to 50.8 from January's 51.4. NEW ORDERS eased to 51.5 from 51.8. In addition to the US, improved business conditions were noted in Mexico, Ireland, Russia, the Netherlands, and Brazil. Output fell modestly in the UK, but France, Italy, and Greece continue to drag the averages lower. The index for the 17 country Eurozone came in at 47.9, unchanged from last month. China, the third best customer for the US, remained positive, but the PMI dropped to 50.4 from 52.3. The survey author continues to believe that the strong countries will continue to MORE than offset the weak countries for most of 2013, assuming that current efforts to refinance the European sovereign debt remain on track.

As we have noted for many months, rising auto sales continue to boost the Michigan economy, and West Michigan is in a particularly good position to take advantage of the improved production schedules being posted for April, May, and June. However, we expected auto sales to top out, and it appears that they are now stabilizing at a SAAR rate of about 15 million cars per year. The industry analysts forecast a sales growth of about 3% for the year, so February's industry gain of 4% is right on track. For the Detroit Three, Ford led the way with a 9% gain, followed by GM at 9%, and Chrysler adding 4%. Among the foreign nameplates, Toyota gained 4% and the now-revitalized Volkswagen ramped up 10%. Most of the other nameplates lost a little ground, with Honda down 2%, Hyundai shedding 3%, and Nissan lower by 7%.

Last December 21, some of the schools in our area closed early or suspended classes because of student reactions to the predicted end of the world. Needless to say, these same students shrugged and carried on as normal when the sun rose on December 22. In the United States, the entire economy was supposed to be ravaged by the "sequester" of $40 billion dollars, resulting in airports closing, firemen not responding to fires, teachers being laid off, and as one politician pontificated, the loss of 170 million jobs. Never mind that the TOTAL labor force is only about 155 million. We are now looking at the sequester as another round of so-called "political theater." Another $40 billion dollar sequester will kick in later this year, but even the total of $80 billion is only about 3% of the federal budget. In short, except where it can be deliberately politicized, the cuts appear as vapor. Granted, states that have a big military presence may see more sequester consequences, but for West Michigan, it will probably be unnoticed.

When assessing the world economy, as the late Gilda Radner used to say, "It's always something." Aside from a couple of physical threats to earth from meteors, one of this month's more viral spats was over a potential currency war among the "reserve" currency nations. In general about 95% of the currency reserves for the entire world are amassed in only four currencies, namely the US dollar, the Eurodollar, the yen, and the pound sterling. They often compete to see which among them can be regarded as best, or as some put it, which one can be the worst. At a meeting of the G20 about two weeks ago, ire was being aimed at Japan, because the yen had been rising in value faster than the other three reserve currencies. Japan agreed to "quit trying to manipulate its currency," and the yen has subsequently stabilized in the world markets. The bottom line is that this seemingly small tiff clearly demonstrates how just one more rivalry that can upset the world financial order.

Otherwise, the currency situation in Europe continues to show more signs of stabilization. Interest rates have generally fallen significantly in recent months in all of the troubled countries, especially Ireland. Even interest rates on the 10 year bond in Greece have come down to 8%, falling from a high of 50% a few months ago when it looked like a total default was imminent. All of this apparent good fortune is the result of the austerity measures implemented by these countries, even though they have been vastly unpopular with some of the workers and continue to generate strikes and protests. Needless to say, the indecisive Italian elections of a few days ago and the recent militant protests in Portugal still stand as a reminder that the crisis is not over yet.

The bad news for the United States is, of course, that the next two stumbling blocks on the calendar are more substantial than the sequester. On March 27, the "continuing resolution," which has kept the government going since the last real budget was passed in 2009 comes due. Just like it did in late 1995, failure to act could shut down non-essential functions of the federal government. The odds are still about 70% that this will happen, but HOW LONG the shutdown will last is very difficult to guess. Even if we get past this crisis, the next fight will be the May 18 deadline over the debt ceiling. Yes, Guild Radner, "it's always something."

FEBRUARY, 2013 COMMENTS FROM SURVEY PARTICIPANTS

"We're preparing for our annual green season kick-off. Inventory and production levels are up as a result."

"We have stayed pretty consistent so far..."

"I am sure I speak for many when I say, 'sequester.' What does it mean to the masses?"

"Busy, very busy. Increases in costs is concerning. We have worried about inflation."

"We are ahead of last year's pace even though the first quarter is usually the slowest for us. It looks like we will have a very good year."

"Business remains strong. We're expecting 7% growth in 2013."

"January sales were over budget; hope the trend continues."

"Capital equipment buying is strong and continues to gain momentum."

"The new normal has been established."

"We are watching steel pricing closely based on some of the latest news that steel might start increasing in price."

"While the supply of Holstein (milk cows) is very tight, beef producers in other parts of the country have closed plants due to lack of animal supply. "

"Machine tools were ok for January. February is slower than normal."

"Not much change from January; expecting similar results for March."

"We are holding steady to down just a little bit. Work did not come in for the end of February as anticipated. We will see what March brings."

"The rising cost of fuel is leading to an increase in transportation expenses."

"Demand is up overall. It's starting to be a busy year."

"We are now looking good for most of the year, but still have capacity to handle more."

"We have no significant changes compared to last month."

"The year is starting off nicely. Can we keep it going?"

"We're still seeing general annual increases trickling in at about @ 3% or so on average."

"Same-o, same-o"

"We expect meat prices to be pressured upward; not just beef, but all grain fed animals. General trend of price increases of about 3%. Cattle herds not expected to recover fully until almost 2018."

"Looks like a very busy spring & early summer."

"January started slow but finished with a bang. We're off to a great 2013. I like this pace."

"We're seeing strong schedules from our customers. We continue with a solid book of business."

"Some large projects are pending which would make our year if they become orders."

"We're seeing typical February business conditions for us."

"It's better to busy than not."

"Our plant is currently down for annual shutdown."

"Propylene is having a dramatic effect as a feedstock, and derivatives are spiking in price."

"The business environment seems to be getting more and more competitive for suppliers causing financial instability for some of them. This will probably will lead to further business closings and consolidations."

"Business is steady, and we're making money."

"There's nothing new to report. We're just waiting on the other shoe to hit the floor in the political arena!"

"It seems like some petrochemical projects are starting to shake loose."

"February began slow, but picking up steam over prior years, but not up to expectations."

"So far, 2013 is better than last year."

February, 2013 Survey Statistics

	UP	SAME	DOWN	N/A	Feb. Index	Jan. Index	Dec. Index	20 Year Average
Sales (New Orders)	30%	52%	14%	4%	+16	+ 0	+ 4	+29
Production	29%	50%	8%	13%	+21	- 6	+11	+13
Employment	29%	64%	7%		+22	+10	+14	+ 8
Purchases	26%	60%	14%		+12	- 1	+11	+ 7
Prices Paid (major commod.)	23%	69%		8%	+23	+23	+ 4	+35
Lead Times (from suppliers)	11%	88%	1%		+10	+ 9	+ 2	+11
Purchased Materials Inv. (Raw materials & supplies)	26%	53%	10%	11%	+16	+ 4	+ 2	- 5
Finished Goods Inventory	21%	52%	11%	16%	+10	+ 3	+ 4	-10

Items in short supply: Acetone, stainless steel, stainless steel motors, xylene.

Prices on the UP side: Steel, plastic resin, aluminum extrusions, chlorides, sand, paper products, petroleum based products (bituminous, emulsions), corrugated metal, acetone, freight, aluminum, plastic components, corrugated, polyethylene, polypropylene, ABS, PVC, PC/ABS, LDPE, TPO, HDPE, polycarbonate, copper, stainless steel, plasticizer, acrylics, process aids, stabilizer, gasoline, commodities related to oil, laminate, particle board, paper, fiberglass, diesel, xylene, alcohols, solvents, backer for 3 ply panels, adhesives.

Prices on the DOWN side: Powder paint, TiO_2 based pigments, some steel*, paraffinic oil, ferrosilicon, scrap steel.

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

Latest Unemployment Reports

(Note: Data are NOT seasonally adjusted)

	Dec. 2012	Nov. 2012	Aug. 2009	20 Year Low
State of Michigan	8.9%	7.9%	14.8%	3.1%
Kent County	6.2%	5.3%	11.8%	2.1%
Kalamazoo County	6.6%	5.6%	11.1%	2.1%
Ottawa County	6.3%	5.3%	13.3%	1.8%
Barry County	6.3%	5.0%	10.9%	2.2%
Kalamazoo City	9.1%	7.7%	15.2%	3.2%
Portage City	5.1%	4.3%	8.7%	1.3%
Grand Rapids City	8.7%	7.4%	16.1%	3.0%
Kentwood City	5.6%	4.7%	10.7%	1.4%
Plainfield Twp.	4.1%	3.4%	8.0%	1.4%
Holland City/Allegan	2.8%	2.2%	3.7%	0.9%
U.S. National Rate	7.6%	7.4%	9.7%	3.6%

Index of New Orders: Greater Grand Rapids

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	+16 for the month of February, 2013
Previous Month	+0 for the month of January, 2013
One Year Ago	+16 for the month of February, 2012
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

Index of New Orders 1988 - 2013