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Institute for Supply Management,
Greater Grand Rapids, Inc.
P. O. Box 230621
Grand Rapids, MI 49523-0321

News Release **(For Immediate Release)**

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Current Business Trends

By Brian G. Long, Ph.D., C.P.M.
Director, Supply Chain Management Research
Grand Valley State University **(269) 323-2359**

West Michigan Manufacturing Economy Continues to Advance

Inching up a little more. That's the latest word on the West Michigan economy, according to the data collected in the last two weeks of March, 2013. After a lackluster ending to 2012, business conditions for the West side of Michigan posted a nice upturn in February. It is good to see that this trend has now extended into March. NEW ORDERS, our index of business improvement, came in at +23, up nicely from February's +16, up considerably from the +0 we reported in January. The gain in the PRODUCTION index from +21 to 22 was very modest, but still an indication that the industrial economy is sound. The closely-watched EMPLOYMENT index rose to +26 from +22, which should help reduce unemployment rates in West Michigan. The comments at the end of this report continued to be modestly optimistic, and only a few firms are expressing concerns

Looking as we always do at individual industrial groups, the auto parts suppliers are still underwriting the strength of the Michigan economy. The production schedules continue to be revised upward for some particular lines of cars and trucks, which generates optimism among our local firms. The capital equipment firms are still widely mixed, but this month's bias is clearly to the up side. Partially because of the season, the industrial distributors reported a good month as well. Just as last month, the office furniture firms are still positive, but the market shows signs of topping out or stabilizing at the current level. An improvement in the office rental market would help to boost sales.

At the national level, the April 1, 2013 press release from our parent organization, the Institute for Supply Management, was not quite as positive. The upward momentum in ISM's index of NEW ORDERS eased to +14, down from +21. But even and index of +16 is considerably better than the -7 we reported in December. In a similar move, the PRODUCTION index eased to +17 from +21. The EMPLOYMENT index advanced very modestly to +8 from +7. However, when all of the statistics are added together, ISM's overall index eased to 51.3, down from 54.2. The report further notes that new export orders are still expanding, but that slower domestic orders dampened the overall index. In contrast, the British economic firm of Markit.com posted a U.S. industrial survey index of 54.6, up modestly from 54.3. Markit's US index of NEW ORDERS remained unchanged at 55.4, which the survey author called a "solid rate of expansion."

At the international level, the April 2, 2013 J. P Morgan international manufacturing report is mixed, primarily because of mixed performance of many of the key European countries. JPM's Global Manufacturing PMI edged slightly higher to 51.2 from 50.9. NEW ORDERS rose modestly to 52.1 from 51.5. In the East, the rate of expansion accelerated in China. Japan returned to growth for the first time in 10 months. Unfortunately, the Eurozone, the UK, and Brazil are among the countries pulling the statistics lower than we would like to see. However, on the average, the survey author finds the current report "consistent with moderate, stable growth in global production." In short, as the US growth remains modestly positive, worldwide economic growth is also modestly positive.

An April 2 editorial in "Automotive News" refers to an "odd, pleasant feeling" in the current automotive market. The author is obviously referring to the apparent stability of the industry for the suppliers, manufacturers, and dealers. For the March sales statistics, the industry as a whole posted an increase of 3%, which is right in line with the expectations for 2013. In terms of absolute numbers of units sold, March was the best month since August of 2009 when the Cash for Clunkers program peaked. Almost all of the major brands were up single digits, with Ford and GM both posting a 6% gain. The Chrysler group rose 5%, Honda added 7%, and Toyota and Nissan both eked out a 1% gain. Of the major firms, only Hyundai-Kia posted a loss of 8%. For our auto parts suppliers, all of this is good news. After five months of sales at the SAAR rate above 15 million units per year, the dealers are now profitable, the manufacturers are profitable, and although there are exceptions, the auto parts suppliers are profitable, too. In West Michigan, some of our auto parts firms are quietly expanding, which bodes well for the Michigan economy. Furthermore, many auto suppliers have been successful spreading their business among many more nameplates, which helps insulate them from a downturn in any one segment.

This month's international crisis emerged in Cypress. This small country is often forgotten as being one of the 17 members in the Eurozone, all of whom compose the Eurodollar as their national currency. All are members of the larger 27 nation European Community, which is a trade federation that used to be called the Common Market. Cypress has never had much of an industrial base, so it set itself up like Grand Camen to be a safe-haven banking center in order to attract large depositors from all over the world, especially from Russia. Unfortunately, like many of the other countries in the Olive Belt, the government has vastly over-committed generous pensions to their retirees and large salary increases to their workforce. The European Central Bank offered a partial bail-out, but required that the Cypress government cough up about 40% of the package from within the country. Again, although this country is comparatively small, the uproar focused on the government's plan to seize a percentage of the bank deposits. The new fear is that this could become a pattern for rectifying other countries that are in fiscal trouble. In the United States, legislation has already been introduced to seize 401(k) assets upon the death of account holder as a means of reducing the deficit. This legislation hasn't gone anywhere-- yet.

As we look at the mess in Washington, we continue to see the games of political theater being played out as we try to address our national fiscal crisis. The Congressional Budget Office has made it very clear that our current path of borrowing 30% of every dollar spent is not sustainable. In fact, on a percentage basis, we are as bad off as Greece. We just are fortunate (or unfortunate) that the dollar is still the major reserve currency of the world, and that we can proverbially print more money and get away with it— so far. The so-called sequester has come to pass, and the impact has been minimal, except for political maneuvering to try to make it worse than it is. The timeline on a continuing resolution expired in late March, and congress kicked the can down the road again. In early May, the debt ceiling will be reached, and again there will be the possibility of a government shutdown. Unfortunately, we now have both parties looking ahead to the 2014 elections in hopes to swing a majority toward a path for more spending cuts or tax increases. The economy and the general population (and the stock market) now seem to be ignoring the wrangling, and modest growth continues on the same slow pace we have seen since 2009. Let's hope that nothing else pops up to slow the pace. It will take many more years at the current unemployment rate to return to 5%, given that some economists are now suggesting that 5% is now the new norm. Not that many years ago, it should be remembered that 5% unemployment was considered to be characteristic of a recession.

March, 2013 COMMENTS FROM SURVEY PARTICIPANTS

"Steel is trying to go down in price, but the mills keep fighting it."

"We have a long term tight market for cattle. This is for both Holsteins (which are basically milk cows) and steers which are raised for beef. This is a supply that cannot be quickly replenished. It takes 30 months to bring an animal to maturity for market."

"Overall, we've had a mediocre month. Sales started slow, and then picked up by the end of the month to at least beat plan and the FY numbers."

"Steel mills continue to announce increases, and the consumer is not paying the increase. The steel market prices continues to be flat or lower."

"Our plant has been down due to annual maintenance shutdown. We will start up and resume operations this week."

"We've had a good two months so far this year. Hopefully, it will continue for the balance of the year."

"February was down 33% from January. We had a great start to the year in January, but February seemed slow right from day one and never improved. March, however, is looking much better."

"There seems to be a slight downward trend. Customers are not pulling inventory as quickly."

"Things seem to be picking up after a sluggish start to the year."

"Layoffs are forthcoming."

"We continue to see continued upward price pressure as reflected in general supplier merchants."

"Demand is good, but not overwhelming."

"We are driving costs down through negotiations, so competition is out there."

"We're starting to see some inflationary pressure."

"February turned out to be a little slower than what had forecast, and we have reduced our forecast by approximately 10% for March."

"Customer demand is meeting seasonal expectations."

"We are doing well, thank you very much!"

"Business is good, and the second quarter looks even better."

"So far, so good in 2013."

"2013 continues to be a challenge with right to work vs. union contracts, health care mandates, stagnant salaries, hiring freezes, and the expectations that organizations continue to do with less."

"Growth will come in the summer."

"There are very few pieces of "good" used presses and press feed systems on the used market any more. As a result, anything that 'does' become available is extremely high in cost. Because of this, metal stampers are starting to look at 'new' equipment, forcing lead time out. Also, users are still dragging their feet on making final decisions, and this sometimes results in missing out on a piece of equipment they really want."

"Everyone feel like things are on an upturn, but are on a 'wait and see' on the budget. Money for capital equipment is very hard to get the banks to loan."

"We're getting steel price increase announcements. How real are they?"

"Things are on the rise."

"Business continues to be improving."

"Orders are mostly of the 'expedite'variety. Everyone seems to be broken down."

"Business is good. We have purchased a new larger facility and are investing a significant amount of capital to upgrade."

"Business is good, and the outlook very strong. Capacity will be an issue. Raises, bonuses, and profit sharing is paid in March, a very good sign. Let's hope we can continue to stay strong."

"Business is going strong. We are expanding a few of our West Michigan plants."

"2013 is filling up very nicely."

"Things appear to be slowing a bit."

March, 2013 Survey Statistics

	UP	SAME	DOWN	N/A	Mar. Index	Feb. Index	Jan. Index	20 Year Average
Sales (New Orders)	40%	40%	17%	3%	+23	+16	+ 0	+29
Production	32%	45%	10%	13%	+22	+21	- 6	+13
Employment	32%	62%	6%		+26	+22	+10	+ 8
Purchases	32%	51%	14%	3%	+18	+12	- 1	+ 7
Prices Paid (major commod.)	31%	64%	1%	4%	+30	+23	+23	+35
Lead Times (from suppliers)	22%	74%	4%		+18	+10	+ 9	+11
Purchased Materials Inv. (Raw materials & supplies)	26%	48%	13%	13%	+13	+16	+ 4	- 5
Finished Goods Inventory	15%	59%	15%	11%	+ 0	+10	+ 3	-10

Items in short supply: Gears, wood veneer, slag, aggregates, good used machinery.

Prices on the UP side: Plastic resins, plywood, truck leasing, fiberglass, polypropylene, gear reducers, motors, laminate/plastics, steel, stainless steel, carbon steel, cold rolled steel, hot rolled P&O steel, corrugated, truck parts, safety clothing, ready mix concrete, aluminum sheeting, good used machinery, PVC resin, plasticizer, paraffinic oil, process aids, paper, copper wire, OSB plywood, edge band, fiberglass, acrylic, poplar lumber, ABS.

Prices on the DOWN side: Steel,* brass, copper, some pigments, emulsions, chlorides, nylon.

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

Latest Unemployment Reports

(Note: Data are NOT seasonally adjusted)

	Feb. 2013	Jan. 2013	Aug. 2009	20 Year Low
State of Michigan	9.3%	9.7%	14.8%	3.1%
Kent County	6.3%	6.3%	11.8%	2.1%
Kalamazoo County	6.7%	6.8%	11.1%	2.1%
Calhoun County	7.3%	7.4%	12.8%	7.2%
Ottawa County	6.7%	6.7%	13.3%	1.8%
Barry County	6.3%	6.5%	10.9%	2.2%
Kalamazoo City	9.1%	9.4%	15.2%	3.2%
Portage City	5.1%	5.3%	8.7%	1.3%
Grand Rapids City	8.7%	8.8%	16.1%	3.0%
Kentwood City	5.7%	5.7%	10.7%	1.4%
Plainfield Twp.	4.2%	4.1%	8.0%	1.4%
Holland City/Allegan	3.1%	3.1%	3.7%	0.9%
U.S. National Rate	8.1%	8.5%	9.7%	3.6%

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	+23 for the month of March, 2013
Previous Month	+16 for the month of February, 2013
One Year Ago	+15 for the month of March, 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