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News Release **(For Immediate Release)**

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Current Business Trends

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West Michigan: Growth Accelerating More

Much stronger growth returns. That's the latest word on the West Michigan economy, according to the data collected during the last two weeks of April, 2014. NEW ORDERS, our index of business improvement, bounced to +40, up from +27. The PRODUCTION index posted a more modest gain, and rose to +28 from +23. The EMPLOYMENT index remained in double digit growth but backtracked to +13 from +19. Activity in the purchasing offices, our index of PURCHASES, remained unchanged at +19. With the coming for spring, the index of FINISHED GOODS INVENTORY flipped to -7 from +8, reflecting pent-up demand for goods sitting on the shelf. The RAW MATERIALS inventory index tapered to +8 from +13, primarily because of stronger productions schedules as well as less fear over weather related deliveries.

For the individual industry group, it almost goes without saying that our stronger statistics mean that there are no segments that are doing poorly, although there are exceptions within each group. Automotive parts suppliers remain strong, although a couple firms backtracked because of the particular components they were making. The "integrated" office furniture companies turned in a stronger performance, and smaller firms are also doing well. A couple of industrial distributors reported a "blah" month, but most reported business conditions to be the same or stronger than March. Much as we suspected, some capital equipment firms saw business conditions improve, partially because we are now back in "decision" season. From people who work in manufacturing as well as those who read Dilbert, we know that big decisions are often not made in the summer when many people are on vacation nor in the month of December. The winter months are not stimulating. Hence, the time period between Easter and June is often a time when decisions are made.

Unlike our local survey, the national economy posted a more modest increase for April. According to the May 1, 2014 press release from the Institute for Supply Management, our parent organization, ISM's Manufacturing index of NEW ORDERS rose modestly to +25, up from +22. The PRODUCTION index edged up to +27 from +22. However, ISM's EMPLOYMENT index posted one of the best gains in months, rising to +18 from +6. Added together, ISM's overall manufacturing index rose to 54.9, up from 53.7. In the service sector, the ISM non-manufacturing index fared much better and escalated to 55.2 from 53.1. In confirmation, Markit's non-manufacturing remained high at 55.0, although April's report came in slightly below last month's 55.3. Again, spring has arrived for the service sector.

The economic forecasting firm of Markit also reported a modest increase in the manufacturing sector. The NEW ORDERS index rose to 58.9 from 58.1. NEW EXPORT ORDERS rose to 51.7 from 51.1. ORDER BACKLOGS edged up to 55.2 from 54.5. Markit's PRODUCTION index rose to a three year high of 58.2, up from 57.2.With statistical modifications, Markit's "PMI" or Purchasing Manager's Index eased modestly to 55.4, down from 55.5**. The author's overall view of the U.S. economy is that** the April data "… indicated a strong start to the second quarter of 2014." Another interesting observation in the narrative confirms that large manufacturers (over 500 employees) continue to record the steepest output growth as well as job creation. The survey further notes that a slower pace in the service sector may moderate the second quarter GDP growth rate.

The results for the world economy are not as positive. According to J.P. Morgan's May 2, 2014 press release, world manufacturing activity decelerated in April. JPM's global PMI backtracked to 50.5 from 51.1 in March. The unrest in Ukraine has taken a toll on business confidence. The U.S. and other countries are growing marginally, but many are decelerated. Europe continues to be in sharp contradiction. Markit's Eurozone Manufacturing PMI rose to 53.4, up from 53.0. For individual countries, Ireland posted a 38 month high PMI of 56.1, indicating that the worst of the monetary crisis is over. The PMI for Italy came in at 54.0, a 36 month high. Break even for all of these diffusion indexes is 50.0, so a PMI of 51.1 for beleaguered Greece tells us that the long recovery from the devastating six year slide might finally be starting.

Industrial inflation pressures remain on the down side. Our local index of PRICES fell to +7 from +15, reflecting declines in many key commodities around the world. ISM's index eased to +13 from +18. JPM's world index of PRICES fell sharply to 50.3 from 53.2. At least part of the downward pressure on prices can be attributed to slower business conditions in SOME countries around the world, including China. Some steel has been higher because of supply chain problems in the harsh winter, but these price pressures should now subside.

Other recent economic news has focused on the apparent slow GDP growth rate for the first quarter of 2014. At 0.1, it is obvious that the disruptive winter weather across much of the country had an impact. Since this is just the first estimate of growth, it is possible that the next revision will show a better number. Furthermore, with spring now upon us, the pent-up demand may result in a very solid second quarter.

Business optimism still remains positive, although some of our numbers are not quite as strong as a few months ago. In our survey's two categories relating to the short and long term business outlook, the SHORT TERM OUTLOOK index rose to +35 from +34, but the LONG TERM OUTLOOK index backtracked to +44 from +58. In addition, the comments from our survey participants tell us that many of our companies are at full capacity, and several are setting all-time records. Others are anticipating better business conditions heading into the summer.

As we review the employment numbers, just as last month, West Michigan continues to fare better than the rest of the state. Among the unemployment rates in the 83 Michigan counties, Kent County once again reported the second lowest in unemployment in the state, followed by Ottawa County at number three. Kalamazoo County eased to fifth place, but number five out of 83 is still very good. Between February and March, almost all of the counties in our area posted minor improvements in unemployment. For the state of Michigan, the unadjusted rate fell to 8.0% from 8.5%. This brought the seasonally adjusted rate down to 7.5% from 7.7%, which is the lowest Michigan's unemployment has been since March of 2008.

Auto sales for April continue to be positive, which remains the driving force behind the Michigan recovery. According to the April report from Autonews, car and light truck sales were up 8% for the month. Because of he harsh winter, the stronger sales make up for the marginal reports in the first three months of the year. Year to date, the industry sales are only up 3%. For the major firms, Nissan led the way with an 18% sales increase, followed by Chrysler's gain of 14%, shadowed by Toyota at 13%. Despite plenty of negative publicity, GM sales rose 7%. Ford sales fell 1%, partially because of a downturn in fleet sales. American Honda posted a modest 1% gain. Volkswagen continues to slide, losing 1%, despite a 19% gain from the Audi brand. The Volkswagen brand is now down 10% for the year, primarily because of troubles at the dealership level.

In summary, despite plenty of bad news from the Ukraine and recalls from GM, the economy is still climbing the wall of worry. Last year's European financial crisis appears to be healing, and the PMI reports are mostly positive. The HSBC April report from China remains modestly negative at 48.1, but the March report was slightly lower. There is now hope that the Chinese economists are fixing at least some of the problems. Worldwide, growth may be slowing, but West Michigan is doing very well.

April, 2014 COMMENTS FROM SURVEY PARTICIPANTS

"Funding still an issue. Hopefully, there will be a transportation package soon."

"I have to report a blah month. Nothing is appreciably different for March or February. Overall I see business off to a much slower start than 2013. I am still hoping some of these customers resume the order rates of last year."

"New orders are meeting plan. Quoting levels are up for the last month."

"Our business is in typical spring upturn. Orders are strong."

"Business is picking up. We are starting to get very busy."

"We are flat again this month, but the sales staff still believes it will be heading up."

"Business backlog is as strong as anyone can remember. Oil and gas is the right sector to be in right now."

"March was fairly steady with a busy April ahead. May and June are also looking hopeful!"

"Threats of steel shortages are due to non-historic nature of frozen great lakes. Steel is probably not short other than specific applications. Regardless, fear or reality is pushing up steel prices in the USA over and above global steel prices. Other than what is mentioned above, no real justification for these increases other than to perpetuate individual company profits or stocks."

"We are preparing for an upturn in the fixture part of our business."

"Trucking is scary. Not enough truck drivers because of government restrictions. Such scrutiny and rules possibly making roads safer, but at the expense of slowing the U.S. economy in mass."

"We continues to do well. We are growing and hiring. Our business professors would be happy."

"We are establishing sourcing strategies for 1, 3 and 5 year view, and really evaluating risk, environmental compliance, and technology clock speed."

"It seems like there is more competition for workers. Generally, it's a sign more jobs are open to choose from."

"Orders have been slow in the last few months, but it seems like people are freeing up. Note: we have heard from many customers that they are frustrated with the new healthcare law. They see that they have to spend a lot more money for the same (or worse) plan than they had before. Many are holding off capital purchases because they now have to spend money on this."

"Our business is looking solid through summer and into fall. The supply base starting to be a bit more selective due to higher capacity rates and stronger sales."

"We're concerned about West Coast port strike."

"Business in the first quarter was steady. Business is currently lagging behind a predicted upswing as we enter the second quarter."

"We have continued cautious optimism. Sales are up, and controlling growth and quality will be important in the coming months."

"Orders are steady; quotes are slowing down some. Suppliers are getting hungry."

"We are receiving good raw material price reductions through effective negotiations and competitive bids."

"The bad winter slowed me down a bit, but the quoting has currently increased."

"Business is very steady."

"The fun never ends."

April, 2014 Survey Statistics

	UP	SAME	DOWN	N/A	Apr. Index	Mar. Index	Feb. Index	20 Year Average
Sales (New Orders)	47%	43%	7%	3%	+40	+27	+19	+29
Production	39%	43%	10%	8%	+29	+20	+18	+13
Employment	19%	75%	6%		+13	+19	+10	+ 8
Purchases	27%	54%	17%	2%	+19	+19	+16	+ 7
Prices Paid (major commod.)	13%	77%	6%	4%	+ 7	+15	+18	+35
Lead Times (from suppliers)	23%	74%	3%		+20	+18	+ 9	+11
Purchased Materials Inv. (Raw materials & supplies)	22%	57%	14%	7%	+ 8	+13	+ 8	- 5
Finished Goods Inventory	13%	54%	20%	13%	- 7	+ 8	+ 9	-10
Short Term Business Outlook (Next 3-6 months)	42%	51%	7%		+35	+34	+28	-
Long Term Business Outlook (Next 3-5 years)	47%	47%	3%	3%	+44	+58	+43	-

Items in short supply: PVC resin, UV stabilizer, gears, limestone aggregate, slag aggregate, salt, some steel, some wood items, stainless steel, some electronic components, lumber, stainless steel coil stock, complex castings, machining capacity, partial flatbeds, heavy 1020/1025 hot rolled steel plate.

Prices on the UP side: Polypropylene, aluminum, aluminum extrusions, aluminum sheets, MBS impact modifiers, copper, stainless steel, ash and poplar lumber, grader blades, salt, limestone, slag aggregate, bituminous asphalt, petroleum products, foam, hardwood, fuel, packaging items, some steel, steel sheets, some resins, scrap steel, pig iron, ferrosilicon, natural gas, pallets, stretch wrap.

Prices on the DOWN side: Electronics (PCs, Monitors), cold rolled steel, propane, some carbon steel, some steel,* copper wire.*

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

Latest Unemployment Reports

(Note: Data are **NOT** seasonally adjusted)

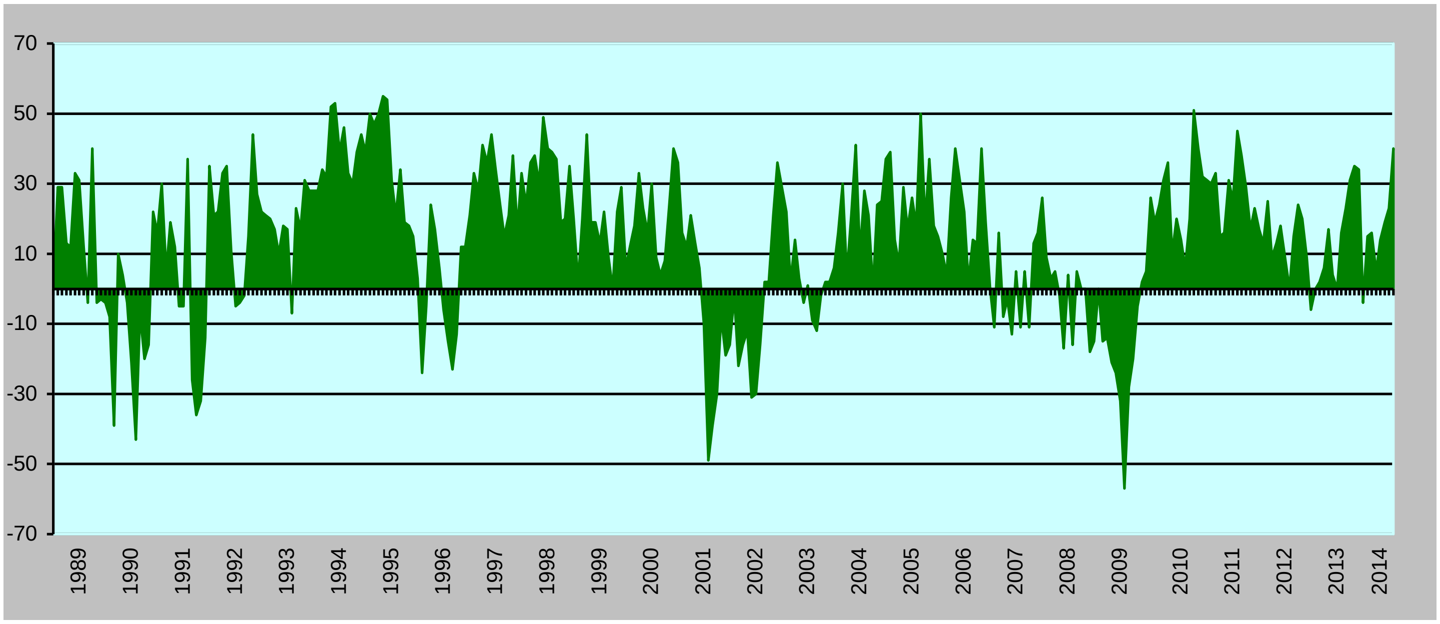
	Mar. 2014	Feb. 2014	Aug. 2009	20 Year Low
State of Michigan	8.0%	8.5%	14.8%	3.1%
Kent County	5.6%	5.8%	11.9%	2.1%
Kalamazoo County	6.3%	6.5%	11.1%	2.1%
Calhoun County	7.0%	7.3%	12.8%	2.7%
Ottawa County	6.0%	6.2%	13.3%	1.8%
Barry County	7.0%	7.1%	10.9%	2.2%
Kalamazoo City	8.8%	9.0%	15.2%	3.2%
Portage City	4.9%	5.0%	8.7%	1.3%
Grand Rapids City	7.8%	8.1%	16.1%	3.0%
Kentwood City	5.1%	5.2%	10.7%	1.4%
Plainfield Twp.	3.7%	3.8%	8.0%	1.4%
Holland City/Allegan	2.8%	2.9%	3.7%	0.9%
U.S. National Official Rate	6.7%	6.8%	9.7%	3.6%
U.S. U-6 Rate	12.3%	12.8%	16.7%	8.0%

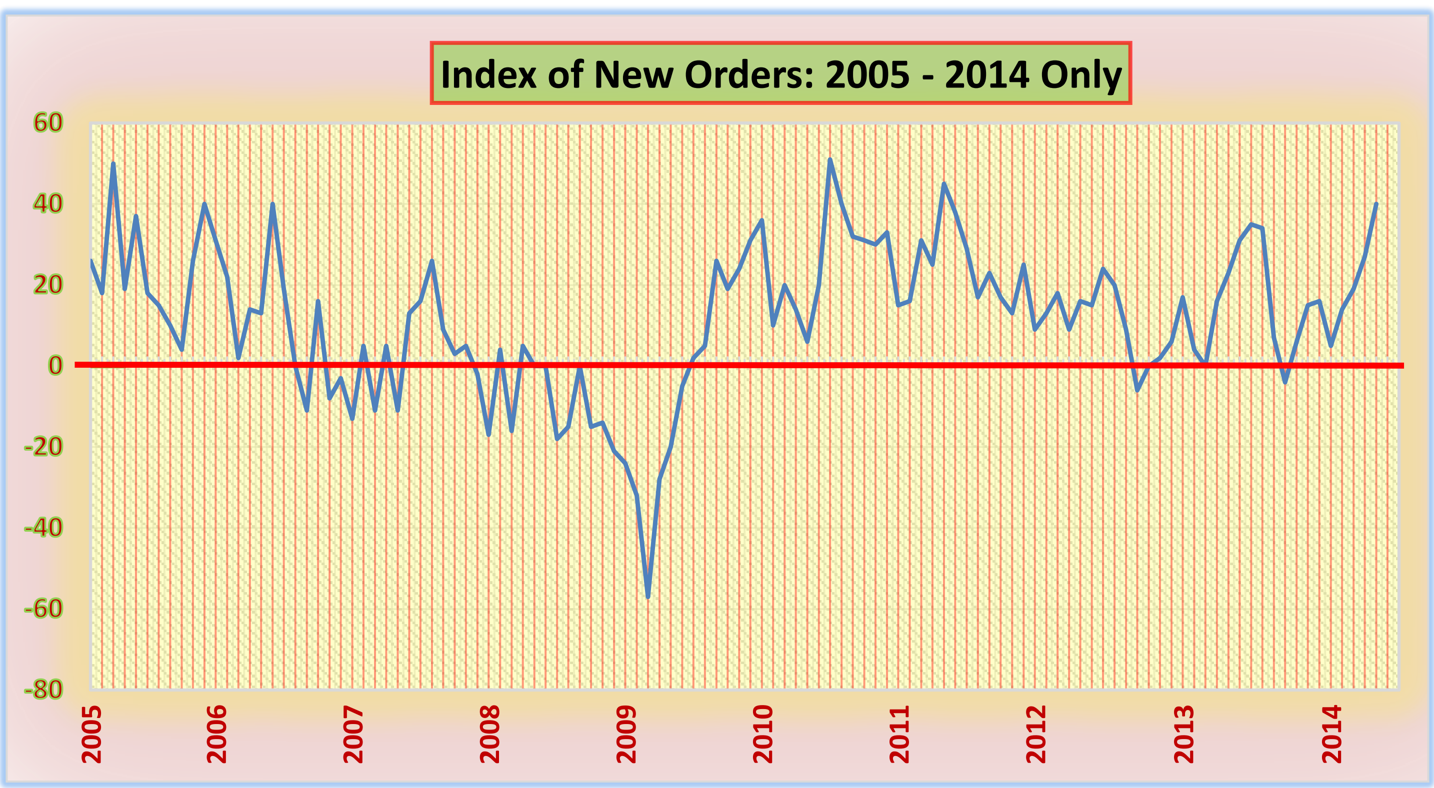
Index of New Orders: West Michigan

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	+40 for the month of April, 2014
Previous Month	+23 for the month of March, 2014
One Year Ago	+31 for the month of April, 2013
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 - 2014





Index of Employment: West Michigan

The index of EMPLOYMENT measures the firm's increases and decreases in staffing, including permanent workers and temps. After economic downturns, it measure 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 downturn in industrial unemployment for West Michigan. Normally, there is about a month in lag time between this report and the payroll numbers being picked up 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 lay off staff only after a downturn in orders appears to be certain for the foreseeable future.