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News Release **(For Immediate Release)**

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Current Business Trends

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Still Slowing

Slow growth is still the best description of the West Michigan economy, according to the data and comments collected in the last two weeks of November 2015. NEW ORDERS, our index of business improvement, remained positive but edged slightly lower to +7 from +9. The PRODUCTION index remained unchanged at a modest +3. Activity in the purchasing offices, our index of PURCHASES, eased to +5 from +6. Some of the best news comes from the EMPLOYMENT index, which rose nicely to +15 from +5. Although growth in the West Michigan industrial economy has slowed to a crawl, we are still doing better than the overall Michigan economy. The cyclical components of our West Michigan report, namely auto parts, office furniture, and aerospace, remain stable. Last month one respondent noted that we are now at the top of our game, and because of that, we should have momentum to carry us well into 2016. But just like trying to predict the weather, trying to predict the economy in the later part of 2016 becomes iffy.

Fortunately, the index we post for the SHORT TERM BUSINESS OUTLOOK edged up to +10 from +4. In contrast, our LONG TERM BUSINESS OUTLOOK index moved modestly lower to +39 from +44. Although geopolitical events and the mass shooting in California are still having a psychological impact on the outlook for some respondents, there is still a feeling that most of the turmoil is many miles away from West Michigan.

Turning to individual industries, many of our auto parts suppliers remain at or near full capacity, although a couple of our parts fabricators have been disappointed with the pace of new orders coming in. The office furniture business has turned mixed, with some firm showing obvious signs of topping out. Others posted modest declines for November. With many aerospace firms reporting record sales, it is not surprising to see the local companies supplying these firms doing well. Because of deer hunting season, some of our local industrial distributors felt a late November lull, while others reported stronger business conditions. Most firms associated with capital equipment are positive, which is normal for this stage in the business cycle.

At the national level, the December 1 press release from the Institute for Supply Management, our parent organization, reported the first economic contraction in 36 months. ISM's index of NEW ORDERS turned modestly negative to -1, down from +1. In a similar move, the ISM PRODUCTION index dropped to -3 from +2. The EMPLOYMENT index improved to -1 from -8, but remained negative for the third successive month. Inventory liquidation picked up pace with ISM's INVENTORIES index falling to -14 from -7.

Just as last month, a slightly different view of the U.S. economy came from Markit.com, the London-based international economics consulting firm. Although still above the 50.0 neutral level, Markit's Purchasing Manager's Index dropped from 54.1 to 52.8, its lowest level in 25 months, signaling a "relatively subdued manufacturing performance for the month." However, the chief economist at Markit remains fairly optimistic:

> "While the pace of U.S. manufacturing growth appears to have slowed in November, it remains encouragingly resilient, which is all the more impressive once headwinds such as the strength of the dollar and malaise in overseas markets are taken into account. The PMI results are indicative of the manufacturing sector growing at an annualised rate of around 2% in the fourth quarter so far. Growth is being driven by domestic demand, with exports falling back into decline. The uncertain global picture and strong currency are key areas of worry to manufacturers."

The paths of international economies continue to be confusing. The December 1 press release for the J.P. Morgan Global Composite Manufacturing Index came in at 51.2 for November, and was generally unchanged from the five month high of 51.3 reached in October. The PRODUCTION index posted a slight uptick to 52.3 from 51.9, but NEW ORDERS eased to 51.5 from 52.0. Brazil is now facing one of the worst economic downturns in history. Countries like Greece, Russia, China, Turkey, Indonesia, and South Africa continue to pull the numbers down for the international average, but upticks from many of the European countries are able to offset much of the weakness. In fact, all countries in the Eurozone except for Greece report growth in PRODUCTION and NEW ORCERS for November.

> "The euro area's manufacturing recovery continued to build momentum in November, with factory output and new orders both showing the largest monthly gains for one-and-a-half years. However, it's by no means a spectacular pace of expansion."

In other economic news, a major policy shift was recently announced by the International Monetary Fund to recognize the Chinese currency, the yuan, as a reserve currency. In general, "reserve currencies" or "hard currencies" are among the only places in the financial world where individuals, governments, and businesses feel comfortable parking large amounts of money for a long period of time. For instance, a Mexican firm may be paid in pesos, but these pesos are usually converted to dollars as soon as possible to preserve the value of the capital. Also, most international transactions are only made in these few currencies. The U.S. dollar, the British pound, and Japanese yen, and the Eurodollar have held this monopoly for many years, but the yuan will be added by the IMF on October 1.

The auto sales number for November moderated considerably, but are still on track to set a record for

2015 if the December numbers come in strong. For the Detroit Three, GM gained 1.5%, Ford 0.3%, and Chrysler 2.9%. For other major brands, Toyota added 3.4%, Nissan 3.8%, and Hyundai-Kia 7.1%. On the down side, Volkswagen lost 15.4% largely because negative publicity, and Honda sales fell 5.2%, primarily because of management's refusal to participate in the rebate price war that most of the other firms are fueling. In fact, some incentives have gotten as high as $13,500 per vehicle, which could result in a drag on long-term profitability for some of the firms. In addition to generous incentives, lower gasoline prices and record-low finance rates are also cited as reasons for the continued sale growth.

Industrial deflation continues to be a two-edged sword. For our survey, the index of PRICES eased to -13 in November, down slightly from -12 in October. At the national level, ISM's PRICES index dropped to -29, down from -22. The lower prices are of course warmly welcomed by the commodity buyers, but for the producers, there are now mines closing, steel mills shutting down, and oil rigs going into storage. In addition, the strong dollar has resulted in worldwide farm commodity prices falling rapidly. Business conditions for a couple of our local firms that supply the mining industries have turned negative. However, West Michigan is not feeling the pinch like Houston, Calgary, Pittsburg, or Gary where business conditions have been diminished. Will lower commodity prices help keep retail prices low as well? Yes, but the impact is almost always long term because of the length and layers of the supply chain.

Interest rates. After threatening to raise rates for many months, is the FED finally going to do it? In all probability, yes. But the increase will be modest, and the economic impact will be more psychological than actual. Even an increase by a half percent would have little impact on the decision making by businesses. With the Eurozone now driving interest rates to negative returns, the U.S. banking system is continuing to attract overseas capital, even though our rates are still quite low. A small return is still better than no return.

In summary, the U.S. economy continues to be hampered by a strong dollar, falling exports, and weak business conditions in the extractive industries, including agriculture. Short term business confidence is not as positive as it was a few months ago. Strong auto sales and robust commercial and residential construction sectors are among the elements keeping the industrial economy modestly positive. December is often a month that sees slow growth for the industrial sector, so it would not be a surprise to see a little backtracking in our next report. So far, the international terrorists have not had a major impact on the U.S. economy, but that scenario could change overnight. January is normally a back-to-work month, so as January goes, so 2016 may go as well.

NOVEMBER 2015 COMMENTS FROM SURVEY PARTICIPANTS

"We still think durable goods orders are slowing."

"Not much change month to month; normal slowdown for us this time of year."

"Several new PO's have been received with more to come, according to the salespeople. 2016 is looking pretty good at this point."

"We started out the new budget year by purchasing 2.5 million dollars of replacement equipment. The next 3-5 years are looking up!"

"The generic drug market continues to be a buyers' market with lots of competition."

"Business is very strong, and 2016 is looking really good."

"Our business has slowed, but it was expected with the year end. It looks like things will pick up again after the holidays."

"Lower fuel prices are contributing to better profits,"

"The lower cost of fuel is helping increase profits."

"We're looking forward to putting this year in our rear view mirror!"

"Companies are still buying capital equipment."

"Overall, we are experiencing major increases in demand in the fourth quarter of 2015."

"Finding employees that come to work every day are hard to find."

"The events in France were very sad."

"New orders up, and lead times are out. Way out."

"When will steel pricing bottom out?"

"We have a strong log of orders entering the holiday season."

"Sales orders and business outlook decline due to Bombardier cash issues and push out of some of their programs."

"The one item that I wish I had more of is TIME! The demand for new capital equipment is "HUGE."

"We are approaching the end of the year when a lot of machine tools are purchased. However, Section 179 has not been expanded, and orders are not coming in as they have in years past. Last year, our wonderful President didn't sign the Section 179 extension until the middle of December, and that really hurt us. I don't think he will do anything this year to change things. We are not very happy with this President. We don't believe he understands manufacturing needs."

"Business continues to be strong. We continue work through our past due hours on our schedules. We continue to meet customer demands, but we are at capacity on some equipment."

"We are busy. Everyone is trying to get orders in before the holidays hit."

"We have new programs coming up, but things now seem to be flat to slightly soft."

"We have an optimistic outlook over the next 12-18 months. We have entered our anticipated seasonal slowdown and are reducing our components and finished goods inventories to align with the season."

"Incoming orders are still soft, and we may have to adjust the forecast down again if things don't pick up. We are concentrating on getting inventory levels down to match the lower rate of sales."

"Business is great, and we have word of a new huge program."

"October finished well, and was a pretty good month. Now we are mid-November in the annual Deer Hunting lull. I expect things to be slow for the rest of the year."

"We received a bump in production for November and December, but it appears that will taper off heading into 2016."

"October was down, and November look the same. It is looking like a weak yearend."

"We are expediting orders into November/December to make our year successful."

November 2015 Survey Statistics

	UP	SAME	DOWN	N/A	Nov. Index	Oct. Index	Sept. Index	25 Year Average
Sales (New Orders)	31%	44%	24%	1%	+ 7	+ 9	+13	+14
Production	25%	47%	22%	6%	+ 3	+ 3	+12	+14
Employment	22%	71%	7%		+15	+ 5	- 3	+ 8
Purchases	27%	51%	22%		+ 5	+ 6	+ 0	+ 7
Prices Paid (major commod.)	9%	69%	22%		-13	-12	-17	+15
Lead Times (from suppliers)	13%	80%	7%		+ 4	+ 0	+ 6	+11
Purchased Materials Inv. (Raw materials & supplies)	21%	55%	18%	6%	+ 3	-10	+ 0	- 4
Finished Goods Inventory	15%	57%	21%	7%	- 6	- 6	+ 6	- 8
Short Term Business Outlook (Next 3-6 months)	28%	54%	18%		+10	+ 4	+11	-
Long Term Business Outlook (Next 3-5 years)	43%	55%	4%	3%	+39	+44	+38	-

Items in short supply: Trucking, road equipment, workers, gears, plasticizer, fabricated components, labor.

Prices on the UP side: Plastics, road equipment, health insurance, raw materials, end of year surprises, polypropylene, LTL freight, seasonal scale items, labor rates.

Prices on the DOWN side: Steel (all grades and sizes), scrap, (all grades), stainless steel, aluminum, plastic resin, oil related products, nickel, PVC, ESO, acrylic impact modifiers and process aids, fuel, some chemicals, natural gas, copper, lead, tin.

Latest Unemployment Reports

(Except as noted, data are **NOT** seasonally adjusted)

	Oct. 2015	Oct. 2014	Aug. 2009	20 Year Low
State of Michigan (Adj.)	5.0%	6.6%	14.6%	3.2%
State of Michigan (Unadj.)	5.0%	6.3%	14.1%	2.9%
Kent County	3.1%	3.9%	11.9%	2.1%
Kalamazoo County	3.7%	4.6%	11.1%	2.1%
Calhoun County	4.3%	5.6%	12.8%	2.7%
Ottawa County	3.0%	3.8%	13.3%	1.8%
Barry County	3.6%	4.2%	10.9%	2.2%
Kalamazoo City	4.6%	5.7%	15.2%	3.2%
Portage City	3.4%	4.2%	8.7%	1.3%
Grand Rapids City	3.1%	4.0%	16.1%	3.0%
Kentwood City	2.9%	3.7%	10.7%	1.4%
Plainfield Twp.	2.3%	3.0%	8.0%	1.4%
U.S. Official Rate (Sept.)	5.0%	5.8%	9.6%	3.8%
U.S. Rate Unadjusted	4.8%	5.5%	9.6%	3.6%
U.S. U-6 Rate**	9.8%	11.7%	16.7%	8.0%

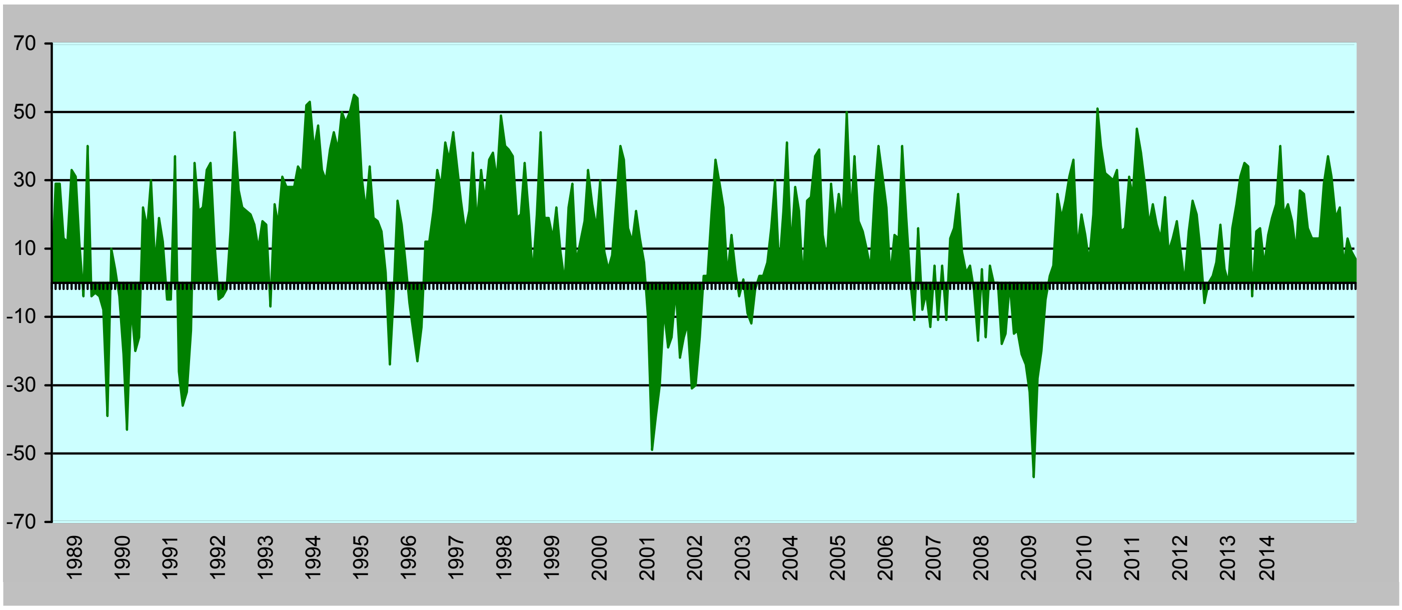
**U-6 for Michigan = 12.6% for July 2014 to June 2015

Index of New Orders: West Michigan

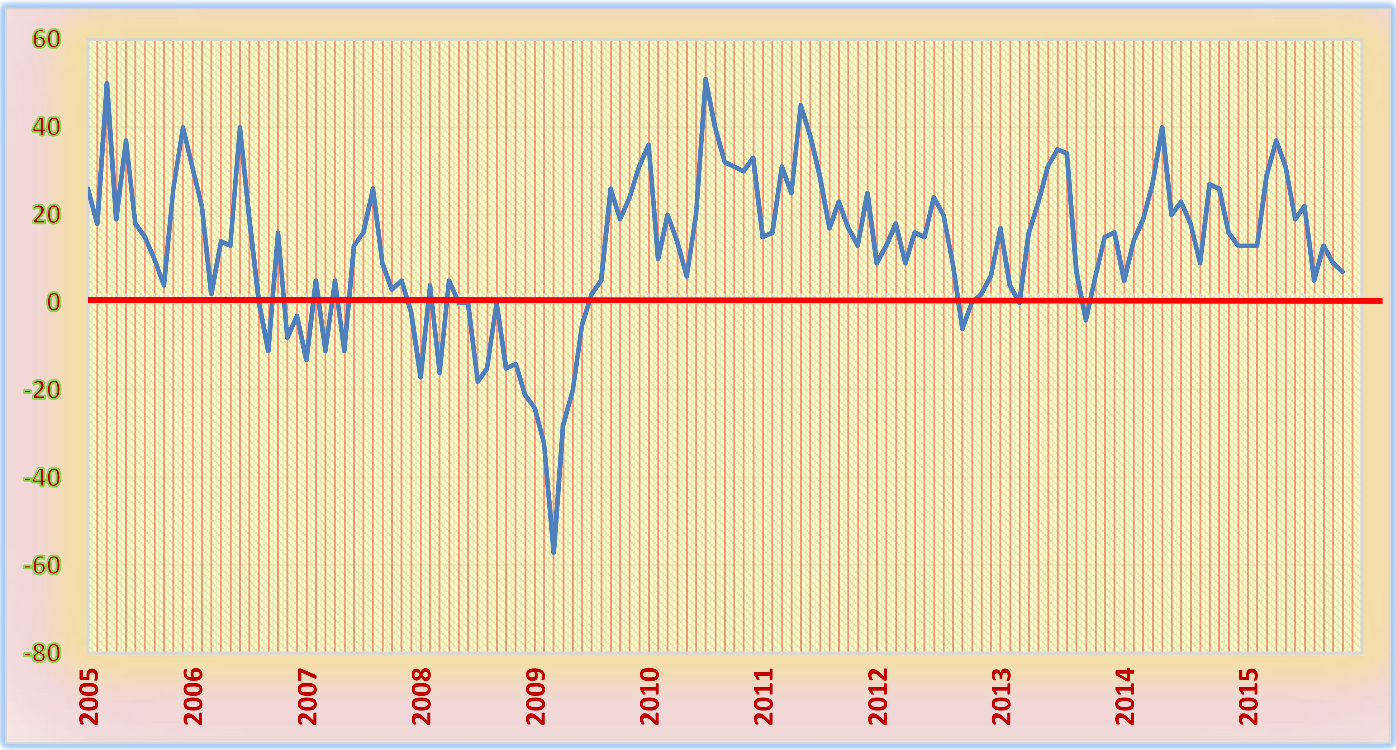
As the name implies, this index measures new business coming into the firm, and signifies business improvement or business decline. When this index is positive for an extended period of time, it implies that the firm or organization will soon need to purchase more raw materials and services, hire more 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	+7 for the month of November, 2015
Previous Month	+ 9 for the month of October, 2015
One Year Ago	+26 for the month of November, 2014
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

ISM-West Michigan Index of New Orders 1988 - 2015

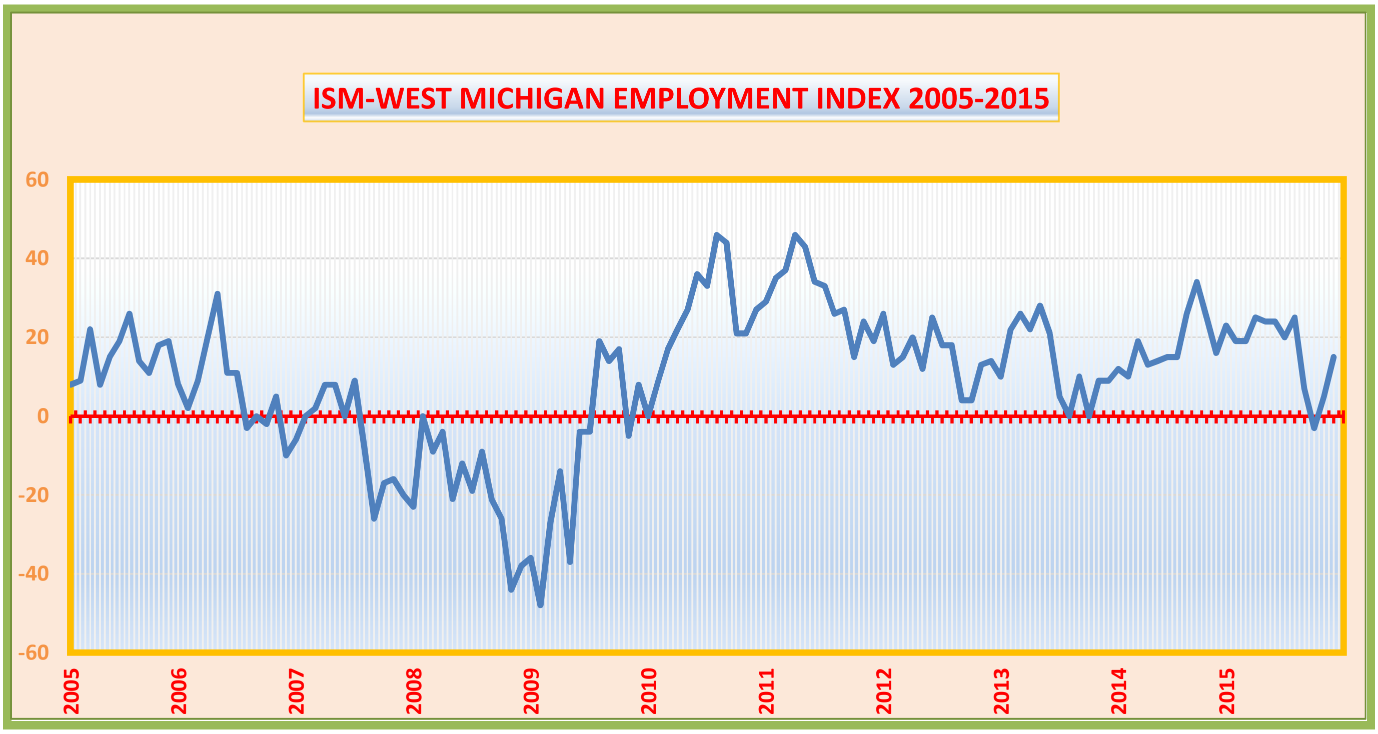


ISM-West Michigan Index of New Orders: 2005-2015 Only



ISM-West Michigan Index of Employment

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 reduction in industrial unemployment for West Michigan. Normally, there is about a month or two in lag time between this report and the payroll numbers being reflected 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 laying off staff only after a downturn in orders appears to be certain for the foreseeable future.



ISM-West Michigan Future Business Outlook

The indexes of LONG TERM BUSINESS OUTLOOK and SHORT TERM BUSIESS OUTLOOK provide a glimpse at current and future attitudes of the business community. Traditionally, most businesses are more optimistic about the long term, although current event can result in perceptions changing very rapidly. Both short and long term attitudes reflect current business conditions, and are usually higher when sales, production, and employment are positive.