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# West Michigan Current Business Trends

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## Economy Back to “Flat.” Tariffs Still A Major Challenge.

### Key Take-Aways from September 2025 Statistics:

- **NEW ORDERS Index recovers to -3 from -16.**
- **Tariff environment STILL making business planning difficult.**
- **“Flatness” may continue into 2026.**

	Sept.	Aug.
↑ NEW ORDERS Index (business improvement)	- 3	- 16
↑ PRODUCTION Index (aka “output”)	+ 4	- 4
↓ EMPLOYMENT Index	- 8	- 4
↓ LEAD TIMES Index	+13	+ 0

### Key Participant Comments for September

*“We’re getting a lot of requests for tariff related price increases. We are pushing back.”*

*“Many domestic items have seen price increases with little explanation.”*

*“Outlook is not nearly as bright as it was this time last year. Despite best efforts to educate customers, there seems to be a lack of understanding about how tariffs work: all prices, including domestically-sourced products, go up.”*

*“We are still forecasting a very flat 4th quarter as well as for 2026.”*

*“Employment continues to be a challenge within the manufacturing environment as well as technical staff.”*

**The Local Economy.** By compiling all survey statistics for September, we can generally rate the performance of the West Michigan Industrial economy as “flat” or marginally soft, depending on which indices are deemed more important. The September index of NEW ORDERS, which we also call the index of business improvement, remained slightly negative but recovered to -3 from -16. The PRODUCTION Index, a.k.a. “Output,” returned to positive at +4, up from -4. However, the PURCHASES Index backtracked to -15 from -4, which is a clue to the uncertainty generated by the ongoing tariff wars. Although there is still no sign that a recession is pending, plans for new hires, new equipment, and other new programs have generally been put on hold pending clarification of future business costs and supply chain issues. It appears that negotiating dozens of tariff agreements at once has turned out to be far more difficult than the president may have imagined.

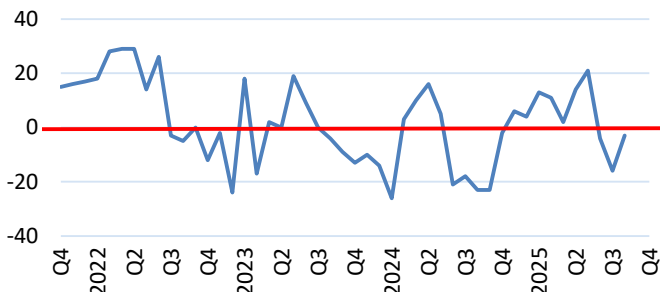
**The U.S. Economy.** The September survey of purchasing managers conducted by the Institute for Supply Management (ISM) reported that NEW ORDERS edged lower to -6 from +2. The

ISM PRODUCTION Index remained negative but recovered to -2 from -5. ISM’s INVENTORIES Index fell to -4 from +1. It was good to see September’s ORDER BACKLOG Index modestly recover to -8 from -11. However, it was not good to see ISM’s index of NEW EXPORT ORDERS drop to -14 from -5. ISM’s Composite Index, a compilation of all the aforementioned statistics, modestly upticked to 49.1 from 48.7. Historically, no recession in the past 50 years has started until ISM’s Composite Index fell to about 46.0.

As always, a different view of the national economy comes from the monthly survey of U.S. purchasing agents conducted by S&P Global, the British-based economic consulting firm. The results were reported as “solid, but nonetheless slower.” The S&P’s September “headline” index eased to 52.0 from 53.0, which is still stronger than the 49.8 index reported two months ago. Both the New Orders and Output (Production) indices remained positive but retreated from last month’s strong performance. According to the S&P survey, tariffs were seen by SOME respondents as driving an expansion of DOMESTIC focused manufacturing. Chris Williamson, Chief Business Economist at S&P, further noted:

*“US manufacturing production rose for a fourth successive month in September, but the upturn lost momentum as companies reported a drop in order book growth alongside a buildup of unsold finished goods inventories. Despite a slowing in demand growth, many factories produced more goods, using up raw materials that had been stockpiled ahead of tariff implementation. This poses a downside risk to future production in the absence of a pickup in demand, though also hints at some alleviation of price pressures: there is already evidence of companies offering excess stock to customers at reduced rates. A growing uncertainty, however, relates to supply chains, with September seeing an increase in tariff-related vendor delays, which threaten to curb production and push up prices if these difficulties persist or intensify.”*

West Michigan Index of New Orders: 2021-2025



**The World Economy.** At 50.8, the September Global Manufacturing PMI compiled monthly by J.P. Morgan was little changed from August's 50.9. In addition to the U.S., positive PMIs that helped lift the September PMI came from India, Thailand, Greece, Spain, Austria, China, and the Netherlands. Negative PMIs were posted by Poland, Taiwan, Brazil, Canada, and the U.K. For our major U.S. trading partners, the PMI for Mexico posted a minor loss, while the PMI for Canada sank to 47.7. The PMI for China, our third largest (but lopsided) trading partner, rose to 51.2 in September, the strongest report in six months. Maia Crook, Global Economist at JPM, further commented:

"The J.P. Morgan global manufacturing output PMI fell back 0.5-pt in September to 51.3. Even with the decline, the PMI remains at a level that suggests trend-like manufacturing growth, despite growing headwinds from tariffs, slowing labor markets, and still-depressed business confidence. Forward-looking indicators were constructive, with future output and export orders both moving up on the month, though an ongoing surge in the finished goods inventory PMI suggests that much of production's growth is driven by stockbuilding rather than final sales."

The eurozone is defined as the 20 countries within the 27 members of the European Union that use the euro as their currency. Because of this commonality, the Hamburg Commercial Bank generates a compilation report for all the MAJOR industrial countries in the eurozone. Coming off the 38-month high of 50.7 posted in August, the September composite PMI for the eurozone retreated to 49.8, marginally below the break-even point of 50.0. September's Production Index eased from August's 41-month high but remained positive. New Orders fell to a six-month low. Of the major economies, positive PMIs were reported by Greece, Ireland, Spain, and the Netherlands, but the PMIs for Germany, Italy, France, and Austria remained slightly negative. Dr. Cyrus de la Rubia, Chief Economist at HCB, further noted:

"For the seventh month in a row, production in the Eurozone has ticked upwards compared to the previous month, but progress has been sluggish. There is no clear sign that things are about to pick up speed anytime soon. Incoming orders dipped slightly and mostly flatlined through spring and summer. As a result, companies continued trimming staff and cutting down inventory levels in September. The drop in the PMI is showing up across the board, with respective figures for consumer goods, capital goods and intermediate goods all down on the month. Especially in the latter two, we're seeing a break in the upward trend that started late last year and had pushed both sectors into growth territory by August. The consumer goods sector, which had been relatively stable compared to the others, might take a hit from the new 100% U.S. tariffs on pharmaceuticals. The stagnation observed in the manufacturing sector can also be viewed positively. Considering the headwinds like U.S. tariffs, political uncertainty in France and Spain (where both governments are under fire), Germany's rocky start with its new administration, and broader geopolitical tensions, Europe's industrial sector is holding up surprisingly well. Meanwhile, in the big three, Germany, France, and Italy, the recession that started back in 2022-2023 is easing but has not fully ended. Germany's manufacturing sector outlook for next year is looking up, backed by a recent report from leading economic institutes projecting 1.6% growth in this sector. French manufacturers, on the other hand, face a more subdued outlook, largely due to its fragile government, which could soon stumble over the 2026 budget."

**Automotive.** As expected, September auto sales were boosted by the rush to buy EVs before the \$7,500 tax credits and other incentives expired on September 30. The September SAAR (Seasonally Adjusted Annualized Rate) report compiled by GobaData came in at 16.4 million units, identical to the 16.4-million-unit index estimate compiled in August by Motor Intelligence. Industry-wide sales for light vehicles for the third quarter were up by 6.1 percent, raising the 2025 annual sales gain to 4.4 percent and virtually ensuring that the 2025 sales year will close out in the black. Third quarter sale varied significantly among the major brands. Year-over-year sales at Ford rose 8.5 percent, Nissan, 5.3 percent, Hyundai-Kia, 12.0 percent, GM, 7.9 percent, and Toyota, 15.9 percent. In an apparent attempt to beat recently announced tariffs, third quarter sales for BMW rose 24.7 percent. Sales declines were seen by Honda, down 2.0 percent, Mazda,

losing 1.4 percent, and Subaru, dropping 5.8 percent. Chris Hopson, principal analyst at S&P Global Mobility, further noted:

"US auto sales in September sustained the growth realized over the previous two months, setting up Q3 2025 as the best growth quarter of 2025. The pace of demand for the quarter has been supported primarily by a run up in BEV sales in advance of the September 30th expiration of federal EV incentives. In addition, automakers have so far managed the potential impact of US tariffs better than expected, helping to avoid a rise in vehicle prices for consumers."

**Consumer Confidence.** Needless to say, the news cycle drives economic confidence for both businesses and consumers. Hence, it is no surprise that the Conference Board's Consumer Confidence Index released on September 30 edged lower to 94.2 (1985=100), down from 97.8 in August. According to Stephanie Guichard, a senior economist at the Conference Board, "The present situation component registered its largest drop in a year. Consumers' assessment of business conditions was much less positive than in recent months, while their appraisal of current job availability fell for the ninth straight month to reach a new multiyear low. This is consistent with the decline in job openings." In confirmation, the University of Michigan Consumer Sentiment Index for September also edged lower to 55.1 from 58.2. For both indices, consumers have been frustrated by the ongoing trade wars, although it should be noted that both indices may yield different results because of different data collection techniques and significantly different questions.

**Business Confidence.** For most of 2025, the tariff wars have kept many West Michigan industrial market participants confused and frustrated. Our survey tanked in April with the beginning of the tariff negotiations, but when we were told that the situation would be resolved fairly quickly, confidence returned. Because of the president's overly optimistic trade agreement timetable, business confidence has continued to tick lower almost every month. For September, our SHORT-TERM BUSINESS OUTLOOK Index which asks West Michigan firms about their business perceptions for the next three to six months, eased to -7 from -4, and down from +24 since June. The LONG-TERM BUSINESS OUTLOOK Index for September, which queries the perceptions for the next three to five years, edged lower to +29 from +36. For small businesses, the September 19 press release from the National Federation of Independent Businesses reported that the Small Business Optimism Index for August rose 0.5 points to 100.8, about 3 points above the 52-year average of 98.0. However, the Uncertainty Index declined by another 4 points to 93.0, but still remained above the 52-year survey average. Just as last month, the survey respondents cited "labor quality" as their single most important problem, up five points from June. The second most important issue reported in the survey was "high taxes." Needless to say, almost all businesses have been impacted by the tariff wars, and 54 percent of small business owners reported at least some degree of supply chain disruption. Many have been finding work-arounds, given that 54 percent is a definite improvement over the 64 percent we reported last month.

**West Michigan Unemployment.** Although the national unemployment rate has so far only risen to 4.3 percent, Michigan has the dubious distinction of being 48<sup>th</sup> among the fifty states with unemployment at 5.2 percent. Only California and Nevada have higher unemployment rates, and South Dakota is the lowest at 1.8 percent. Since the peak before the dot-com bust in mid-2000, the national workforce has grown about 20 percent, but Michigan's workforce has dropped about 1 percent over the same period. Even Ottawa County, which added a whopping 19 percent more jobs from 2000 to 2025, has lost about 2 percent of its workforce over the last year or so. Significant expansion in the office furniture and auto parts manufacturing industries helped fuel a decade of growth for West Michigan unemployment, but that uptick has apparently run its course. At 4.6 percent, Ottawa County still has the lowest unemployment rate among the West Michigan counties, but the rate has risen 0.5 percent in the last year. Of West Michigan's largest counties, August 2025 unemployment (latest month available) for Kent County posted at 4.8 percent, and 5.2 percent for Kalamazoo County. For our West Michigan monthly survey, the index of EMPLOYMENT edged lower to -8 from -4. Compared with numerous survey respondents over the past year or two, only one of our 2025 September survey participants complained about not finding enough qualified people

to fill current openings. At the national level, the September ISM EMPLOYMENT Index remained unchanged at -13 percent, marking the eleventh straight month below the +0 break-even point. As noted in previous reports, to quell inflation, the Federal Reserve expected unemployment to rise modestly as a result of higher interest rates. However, if the rates are too high, a recession can ensue.

**Industrial Inflation.** Unlike copious predictions from earlier in the year, the tariff wars have not fueled runaway inflation. Our September index of PRICES edged lower to +23 from +36, still well below May's two-year high of +42. In a similar pattern, ISM's national index of PRICES for September posted at +24, down from +27, and well below the June high of +40. The September survey of commodities conducted by S&P in August came in at +27, marginally down from +30. Commodity-wise the September report noted considerable price increases for semiconductors and electronic components, but pricing for most of the other 26 components monitored by the survey were either stable or falling. The S&P Price Pressure Index for September remained unchanged at 0.5. Usamah Bhatti, Economist at S&P Global Market Intelligence, further commented:

"Price and supply pressures were subdued at the end of the third quarter of 2025, with both running below their respective long-run averages of 1.0. In fact, reported price pressures were around half their normal level with only three commodities recording above-average increases in prices. This was led by the fastest rise in Semiconductor prices since April, while Electrical Items saw the most reports of higher prices in six months. By contrast, Polyethylene, Polypropylene, PVC and Stainless Steel all recorded falling prices during September, with Polyethylene decreasing for the sixth successive month. On the supply front, only one of the 20 monitored commodities, Transport, signalled above-average reports of supply shortfalls in September. In fact, overall reported shortages were unchanged from August at around half the long-run average. Transport shortages were nearly four times the normal level."

**Consumer Inflation.** According to the September inflation index from the Bureau of Labor Statistics (BLS), the "headline" CPI-U inflation rate rose to 2.9 percent up from 2.7 percent, and up from 2.3 percent as recently as May. This is obviously not the direction the Federal Reserve expected inflation to be going. Fortunately, the CPI "core" sub-index, which excludes food and energy, remained unchanged at 3.1 percent. Because of the government shut-down, the "Fed preferred" inflation index called the Personal Consumption Expenditures Index or PCE was not reported. Since our last report, the Federal Open Market Committee (FOMC) voted to lower interest rates by a quarter point, and hinted that further cuts may come later in the year. Clearly, the Fed is still a long way from the target inflation rate of 2.0 percent, but the political pressure for more rate cuts is intense. In the 1970s, the Fed mistakenly lowered rates too soon in response to political pressure, and inflation came roaring back. Hopefully, the Fed will not repeat this mistake because of political pressure.

The good news in the latest CPI report is that the "Shelter" sub-component is still steadily falling. From May's report of 4.0, the index eased to 3.9 percent in June, 3.8 in July, 3.7 in August, and now 3.6 in September. It's worth repeating that the cost of housing is about 40 percent of the aggregate CPI-U, making it difficult for the composite CPI to fall. However, based on other published reports, we can expect the downward trend to continue.

According to the September 29 press release, the "Apartment List" website reported that rent prices are down 0.8% nationally compared to one year ago. The national median rent dipped by 0.4% in September to \$1,394. However, most rental contracts are for at least a year, so it will take a few more months before the falling and stabilizing prices will be reflected in the CPI. Also noted in the latest "Apartment List" regional report, rental rates are up by 0.8 percent in Kent County and 0.1 percent in Kalamazoo County. For the homeowner segment of the report, the latest Case-Shiller U.S. National Home Price NSA Index, released September 28, showed a 1.7 percent year-over-year increase in July, down from 1.9 percent in June. According to Nicholas Godec from Dow Jones Indices:

"National home prices rose just 1.7% year-over-year, down from June's 1.9% pace and a far cry from the double-digit gains of two years ago. In fact, this is one of the weakest annual price increases in the past decade – and notably, it's below the 2.7% rise in consumer prices over the same period. In other words, U.S. home values have essentially stagnated after inflation, marking the third straight month of real housing wealth decline for homeowners. This reversal is striking: during the pandemic boom, home prices were climbing far faster than inflation, rapidly boosting homeowners' real equity. Now, the situation has flipped over the last year. Owning a home yielded a modest nominal gain, but an inflation-adjusted loss."

**GDP.** After the BEA posted a GDP rate of -0.6 in 2025's first quarter, many reputable economists predicted that a recession may have already begun. Others forecasted a modest growth rate near 1.5 percent for the second and third quarters. However, the BEA's first official second quarter estimate came in at 3.0 percent, followed by an upward revision to 3.3 percent in August, and a final tabulation of 3.8 percent posted on September 25. With the third quarter now complete, the forecasters are now awaiting BEA's initial Q3 estimate due for release on October 30, assuming the government has reopened by then. As of October 1, the Atlanta Fed's GDPNow model is forecasting a Q3 growth rate of 3.8 percent, the same rate as the now-complete second quarter. The current New York Fed Staff "Nowcast" for the third quarter has modestly edged up to 2.3 percent from 2.2 percent. The Blue Chip forecast, which used to be one of the most accurate, now predicts growth of only 1.2 percent for Q3. An even more pessimistic third quarter forecast published on September 12 by the Conference Board predicts a growth rate of only 0.6 percent.

**Looking Forward.** For September 2025, a compilation of the local, national, and international PMI surveys can best be described as flat. No major country is booming, nor is any country significantly tanking. With two significant wars still unresolved and with numerous tariff agreements still not fully resolved, it seems remarkable that the world economy remains as stable as it is. Contrary to many predictions, inflation has not skyrocketed. Contrary to other predictions earlier in the year, we are not in a recession nor are there any signs that a recession is pending.

Needless to say, the economy for the rest of 2025 will be held captive by tariff talks and to a lesser degree, the potential outcome of both the Gaza and Ukrainian wars. Unfortunately, it is possible that none of these issues will be fully and permanently resolved as we ring in 2026. What we do know is that the days of lopsided tariff agreements are probably over, and that the American public and American industrial firms will now start paying much more attention to the county where things are made.

## September 2025 Survey Statistics

	UP	SAME	DOWN	N/A	Sept. Index	Aug. Index	July Index	25 Year Average
Sales (New Orders)	25%	47%	28%	0%	- 3	-16	-4	+14
Production (Gross Output)	23%	51%	19%	7%	+ 4	- 4	+ 0	+14
Employment	15%	60%	23%	2%	- 8	- 4	+13	+ 8
Purchases	17%	49%	32%	2%	-15	- 4	- 2	+ 7
Prices Paid (major commodities)	23%	68%	3%	0%	+23	+36	+27	+15
Lead Times (from suppliers)	17%	75%	4%	4%	+13	+15	+ 0	+11
Purchased Materials Inv. (Raw materials & supplies)	23%	45%	19%	13%	+ 4	+23	-14	- 4
Finished Goods Inventory	23%	53%	15%	9%	+ 8	- 4	+10	- 2
Short Term Business Outlook (Next 3-6 months)	19%	55%	26%	0%	- 7	- 4	- 6	-
Long Term Business Outlook ( <u>Next 3-5 years</u> )	38%	49%	9%	4%	+29	+36	+48	-

### Items in short supply:

Steel shelving, copper, some aluminum grades, electrical Components (whether from Europe or China), hemp, engineers, labor, customers.

### Prices on the UP side:

Aluminum, steel, lithium, cobalt, caustic soda, nitric acid, energy, everything imported, all non-ferrous metals.

### Prices on the DOWN side:

Caustic soda\*, steel, diesel fuel, chlorine, polypropylene, ABS and PA6 plastic, some dairy products.

\*Item reported as both up AND down in price.

### Latest Unemployment Reports:

July data from Michigan DTMB, except as noted.  
Except as noted, data are NOT seasonally adjusted.

	Aug. 2025	Aug. 2024	Aug. 2009*	25-Year Low
State of Michigan (Aug.)	5.2%	5.0%	14.6%	3.2%
State of Michigan (Unadj.)	5.0%	4.9%	14.1%	2.9%
Kent County	4.8%	4.5%	11.9%	2.1%
Kalamazoo County	5.2%	4.7%	11.1%	2.1%
Calhoun County	6.3%	5.8%	12.8%	2.7%
Ottawa County	4.6%	4.3%	13.3%	1.8%
Barry County	5.1%	5.0%	10.9%	2.2%
Kalamazoo City	6.3%	5.8%	15.2%	3.2%
Portage City	4.2%	4.6%	8.7%	1.3%
Grand Rapids City	5.8%	5.4%	16.1%	3.0%
Kentwood City	5.6%	5.2%	10.7%	1.4%
Plainfield Twp.	4.7%	4.3%	8.0%	1.4%
U.S. Official Rate (Aug.)	4.3%	4.2%	9.6%	3.4%
U.S. Rate (Unadjusted)	4.6%	4.6%	9.6%	3.1%
U.S. U-6 Rate (Aug.)**	8.1%	7.8%	22.9%	6.7%

\* August 2009 = low point of the Great Recession

\*\*U-6 for Michigan = 9.5% for the previous four quarters



## SEPTEMBER COMMENTS FROM SURVEY PARTICIPANTS

"Outlook is not nearly as bright as it was this time last year. Despite best efforts to educate customers, there seems to be a lack of understanding about how tariffs work: all prices, including domestically-sourced products, go up. Aluminum pricing is so high that customers are considering substitute materials, or exiting product categories altogether. Distribution customers are very hesitant to invest in inventory, and are only ordering near-term requirements. Industry chatter about layoffs is becoming more commonplace."

"Tariffs have created a global business nightmare."

"We are seeing a drop in orders from construction and OEM customers as compared to last year. We have won a lot of new business but it is only offsetting slow orders from existing customers. We now hope to finish the year flat to last year's revenue."

"We are still forecasting a very flat 4th quarter as well as for 2026."

"The startup of new production line is in progress."

"I sure wish capital equipment sales would rebound."

"Business as a whole is declining and we expect the decline to last through the first quarter of next year."

"This month is looking very similar to last month, which is down significantly from both the summer months and our projections. Sales appear to be stabilizing at this level."

"Employment continues to be a challenge within the manufacturing environment as well as technical staff."

"All eyes are now on the Supreme Court which has agreed to hear the tariff case on an expedited timeline."

"Last month in my small town, 3 businesses closed their doors. I know three others that might last another month. Small businesses are struggling. I should not have to take out a loan to stay open, but that seems to be the best option currently. Retail is suffering. Please shop local business. For those in the back, PLEASE SHOP LOCAL BUSINESS."

"Prices up, demand down. We have weak business activity."

"Our sales are steady thus far. Prices are creeping up as suppliers start passing on tariff increases."

"Tariffs are heavily impacting our business and causing delays in purchases and planning."

"We expect future headwinds to continue on top line volume"

"Business is good. Not great, but good. Steady."

"Exchange rates are helping our business. Global steel pricing is going down."

"Tariffs are still a huge impact on the cost of raw materials."

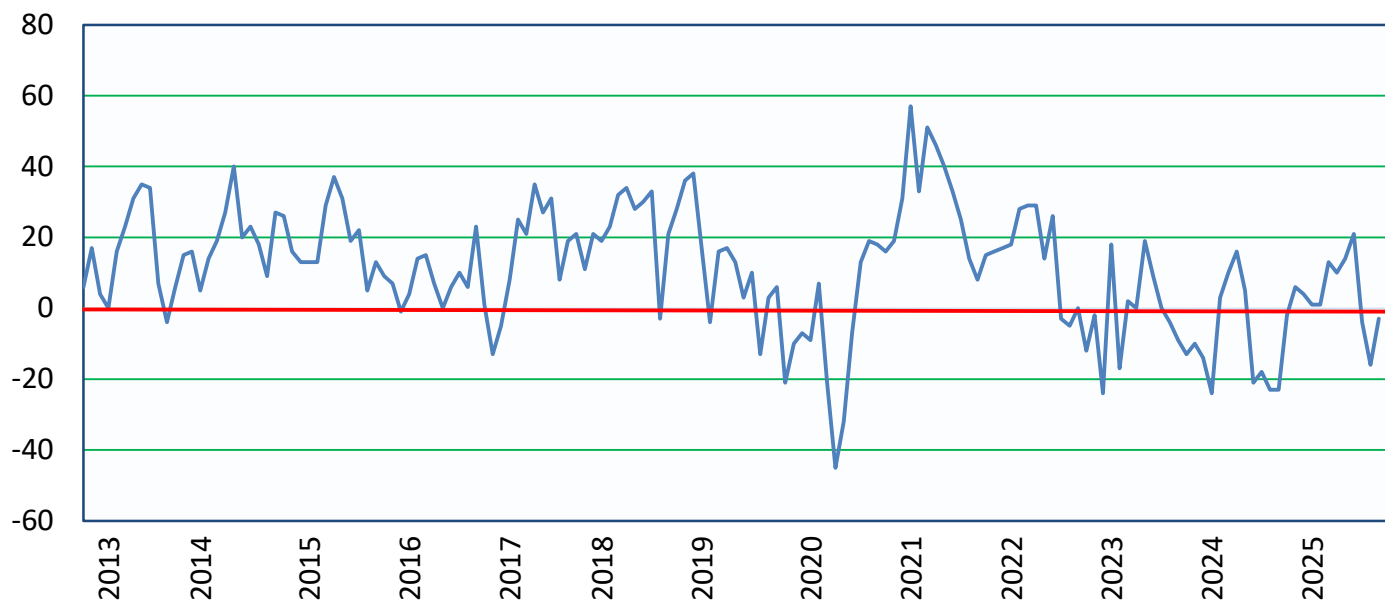
"We are getting a lot of requests for tariff related price increases. We are pushing back."

"Many domestic items have seen price increases with little explanation."

"It is getting more and more difficult to find quality hemp for textiles, building materials, fuels and supplements. Hemp is the most diverse and sustainable plant grown in the world and it continues to be dismissed."

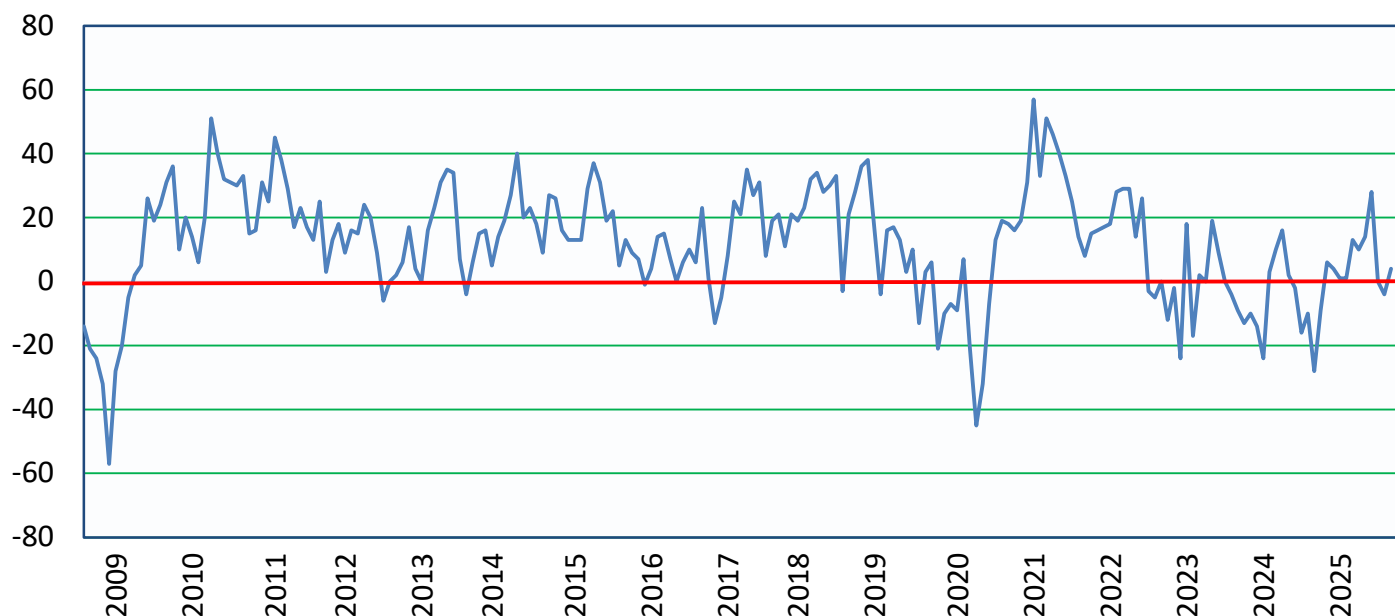
## West Michigan Index of New Orders: 2013-2025

As the name implies, the NEW ORDERS 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.



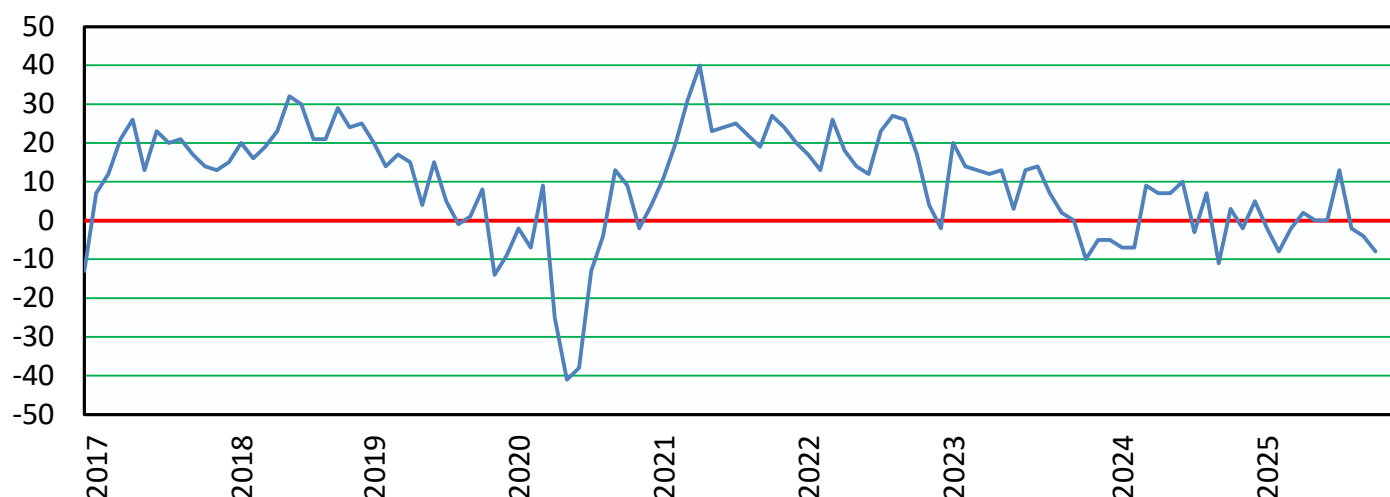
## West Michigan Index of Production (Output): 2008-2025

As new orders come in and materials arrive at the loading dock, production schedules are posted to meet the customer's needs. Although production schedules respond to demand, they also respond to seasonal factors such as holidays as well as bad weather, materials shortages, or other external influences.



## West Michigan Index of Employment: 2017-2025

The index of EMPLOYMENT measures the firm's increases and decreases in staffing, including permanent workers and temps. After economic downturns, it measures 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.



## West Michigan Future Business Outlook: 2013-2025

The indexes of LONG-TERM BUSINESS OUTLOOK and SHORT-TERM BUSINESS 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.

**LONG TERM BUSINESS OUTLOOK (3-5 YEARS)**  
**SHORT TERM BUSINESS OUTLOOK (3-6 MONTHS)**

