By Brian G. Long, Ph.D., C.P.M.
Director, Supply Chain Management Research
Grand Valley State University
(269) 870-0428

West Michigan Current Business Trends

November 7, 2025

Economy Remains "Flat." Tariffs Still Creating Havoc.

Key Take-Aways from October 2025 Statistics:

- **NEW ORDERS Index marginally negative at -4.**
- **Tariffs continue to raise SOME prices.**
- **National economy considered "flat."**

	Oct.	Sept.
NEW ORDERS Index (business improvement)	- 4	- 3
PRODUCTION Index (aka "output")	+ 4	+ 4
EMPLOYMENT Index	+ 2	- 8
LEAD TIMES Index	- 4	+13

Key Participant Comments for October

"Business levels continue to be flat."

"We are getting squeezed. Customers are demanding price concessions to keep the business. The vendors are increasing our costs and we are not able to pass along those increases for fear of losing business."

"Sales have softened a bit the past month. Still 'okay' but not as good as the past summer."

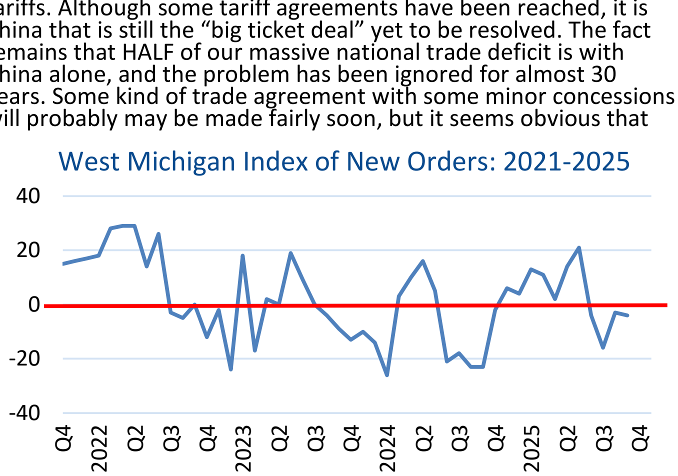
"Steel tariffs continue to drive costs up, but there are no U.S. options/alternatives for the products in question that we need."

"Items impacted by tariffs coming from Canada have now become a concern."

"Business is really in the dumper right now."

The Local Economy. Just like last month, the October performance of the West Michigan Industrial economy can best be described as "flat." Our index of business improvement, which we measure as NEW ORDERS, remained slightly negative at -4, little changed from September's -3. The PRODUCTION Index, a.k.a. "Output," remained unchanged at +4. Unfortunately, activity in the purchasing offices, our index of PURCHASES, remained soft at -16, down marginally from -15. It seems obvious that the uncertainty of future costs generated by the ongoing tariff wars have reduce future planning to guesswork. After eight months, the optimism that many of the key tariff wars would be over by now has begun to fade. For many firms, business expansions and numerous new programs have been put on hold pending clarification of the future, especially for commodities impacted by tariffs. Although some tariff agreements have been reached, it is China that is still the "big ticket deal" yet to be resolved. The fact remains that HALF of our massive national trade deficit is with China alone, and the problem has been ignored for almost 30 years. Some kind of trade agreement with some minor concessions will probably may be made fairly soon, but it seems obvious that

West Michigan Index of New Orders: 2021-2025



the Chinese trade imbalance cannot be fixed overnight. However, to paraphrase president Kennedy from 64 years ago, "All this will not be finished in the first one hundred days. Nor will it be finished in the first one thousand days… but let us begin."

The U.S. Economy. The monthly survey conducted by the Institute for Supply Management (ISM) reported generally flat results similar to our local survey. NEW ORDERS, ISM's index of business improvement, remained unchanged at -6. The ISM PRODUCTION Index edged lower to -5 from -2. INVENTORIES, ISM's index of production materials, eased to -8 from -4. October's ORDER BACKLOG Index modestly recovered to -4 from -8. The NEW EXPORT ORDERS Index remained negative but improved to -11 from -14. The ISM Composite Index, a compilation of all the aforementioned statistics, modestly downticked to 48.7 from 49.1. As we have noted for many months, the national economy has remined fairly flat and slightly below the 50.0 break-even point, and it still shows no signs of an impending recession.

The monthly survey of U.S. purchasing managers conducted by S&P Global, the British-based economic consulting firm, is more optimistic. The survey reported that growth in NEW ORDERS was the best recorded in 20 months. There were also modest improvements in both the PRODUCTION and EMPLOYMENT indicies. S&P's October "headline" index edged up to 52.5 from 52.0, the third month above the critical 50.0 breakeven mark. To no one's surprise, tariffs remained a "key source" of higher prices for some production commodities. Although the tariff wars are obviously creating uncertainty, some manufacturers expect to benefit in time from the reshoring of production back to the United States. Again, it will take months or even years before we see the results of reshoring. Chris Williamson, Chief Business Economist at S&P, further noted:

> "US manufacturers reported a solid start to the fourth quarter with production rising at an increased rate in response to an encouragingly robust jump in new orders. However, lift the

hood and the picture is not so healthy. Most worrying is the unprecedented rise in unsold stock reported in October, widely linked to weaker than anticipated sales to customers, especially in export markets, which could trigger a downshifting of production in the coming months unless demand revives. Companies have also become less optimistic about the year ahead, with sentiment back down close to the gloomy levels seen around the April tariff announcements. US trade policy uncertainties are again a big factor in dampening business spirits, with tariff policies being increasingly blamed both on rising export losses and import supply chain disruptions. These export and import worries are being exacerbated by more domestically focused political concerns, including the federal shutdown, which are manifesting themselves most prominently in consumer-focused industries. Business confidence among producers of consumer goods is now down to its lowest for two years as firms are growing increasingly worried about household spending in the US and falling sales to consumers in export markets."

The World Economy. The October Global Manufacturing PMI compiled monthly by J.P. Morgan posted at 50.8, up from September's 50.7 but shy of the 14-month high of 50.9 in August. The survey is a composite of the PMIs accounting for 98% of total global manufacturing across 13,500 companies in 40 countries. Of the major industrial countries, India posted the strongest PMI, followed by Thailand, Vietnam, Greece, and of course, the U.S. Some of the weakest PMIs came from Turkey, Taiwan, Russia, Japan, Brazil, and Austria. For our major U.S. trading partners, the PMI for Mexico posted at 49.5, marginally lower than September's 49.6. The PMI for Canada also remained slightly negative but recovered to 49.6 from 47.7. At least for now, China remains our third largest trading partner. According to some news reports, the Chinese economy is sinking. Although some segments such as housing are reportedly in trouble, the industrial sector represented by the October PMI for China posted marginally positive at 50.6. Maia Crook, Global Economist at JPM, further commented:

"The J.P. Morgan global manufacturing output PMI rose 0.2-point to 51.5 in October, partially unwinding September's decline. The index continues to suggest resilience in global industry despite trade war headwinds and a widespread slowing in labor demand. Forward-looking indicators, however, were more downbeat: while the new orders index ticked up 0.1-point, the future output PMI fell back 1.3-point, suggesting a still-cautious outlook from producers even as current output holds up. On a national level, a large step up in the US output PMI contrasted with an equally large fall in China, as well as still-lackluster PMI levels in the Euro area and Japan."

There are 20 countries within the 27 members of the European Union that use the euro as their currency. Because of the common currency, they are collectively called the "eurozone," and various economic organizations compile reports depicting these countries as a proxy for the European Union's industrial economy. Each month, it is the Hamburg Commercial Bank that generates a compilation PMI report for all the major industrial countries in the eurozone. For October, the composite PMI returned to the break-even point of 50.0, up from September's 49.8, but below August's 41-month high of 50.4. NEW ORDERS remained positive but fell to a six-month low. Just as last month, positive PMIs were reported by Greece, Ireland, Spain, and the Netherlands, but the October PMIs for Germany, Italy, France, and Austria remained marginally negative. Dr. Cyrus de la Rubia, Chief Economist at HCB, further noted:

"In the eurozone's manufacturing sector, we can at best speak of a very delicate sprout of economic recovery. Output has risen for eight consecutive months, but there is no real momentum as it is increasing at pretty much the same modest pace as in the previous months. Meanwhile, demand across the eurozone economy remained subdued, with new orders stagnating at the same level as the month before. The state of the eurozone's manufacturing sector can be summed up as fragile in Germany, in recession in France, persistently weak in Italy, and showing only subdued growth in Spain. The politically tense situation in France is clearly not only contributing to the renewed slump in production there, but is also reflected in a sharp drop in the index for future output. France is significantly dampening demand for industrial goods across other eurozone countries, where it ranks among the top trading partners. The inventory cycle still shows no signs of a turnaround. But the more important reason for the inventory drawdown is likely the simple fact that demand in the industrial sector remains weak."

Automotive. Given that September auto sales were boosted by EV sales in advance of the expiration of the $7,500 tax credit, it was logical to expect overall October auto sales to post lower. According to J.D. Power, the month-over-month dip in October EV sales was estimated at 43 percent. However, according to the November 4 Automotive News press release, the six firms that still report monthly saw October sales INCREASE by 1.2 percent. However, industry-wide, the October SAAR (Seasonally Adjusted Annualized Rate) report compiled by GobalData posted at 15.1 to 15.7 million units, down slightly for September's 16.2 rate. For the firms reporting monthly, year-over-year sales at Ford rose 1.5 percent, Honda, 0.5 percent, and Toyota, 11.8 percent. Sales declines were posted by Hyundai-Kia, down 1.0 percent, Volvo, down 18.1 percent, and Subaru, losing 6.1 percent. Because of the expiration of EV incentives and a shift away from fleet sales, Mazda sales for October plunged 32.0 percent, although total sales year-to-date are only down 1.7 percent. Looking forward, incentives in retail auto sales are always an issue, and Thomas King, president of the data and analytics division at J.D. Power, commented:

"Throughout 2025, manufacturer incentive spending has been restrained, particularly in the now even more important non-EV segments. As manufacturers balance profitability with volume, the trajectory of sales will depend on how aggressively they choose to stimulate demand — especially during the holiday sales period. For now, most indicators point to relatively conservative strategies for the balance of the year."

Consumer Confidence. For October, both closely-watched measures of consumer confidence edged lower, perhaps reflecting the turbulence in the current news cycle. The Conference Board's Consumer Confidence Index released on October 28 edged marginally lower to 94.6 (1985=100), down from 95.6, although the survey headline reads, "Unchanged in October." To support the "unchanged" assessment, Stephanie Guichard, a senior economist at the Conference Board, comments: "Changes to the individual subcomponents were also limited and largely cancelled each other out. The Present Situation Index regained some strength after September's drop. Consumers' view of current business conditions inched upward, while their appraisal of current job availability improved for the first time since December 2024." In a similar move, the University of Michigan Consumer Sentiment Index for October eased to 53.56, down from 55.1. Although numerous economic statistics remain positive, many consumers are frustrated by the impact of the government shutdown, the slow pace of resolving the current trade war, and the negative rhetoric from the news media.

Business Confidence. Needless to say, short term business confidence is impacted by the uncertainty brought on by the ongoing tariff wars, although our local statistics have modestly improved. For October, the SHORT-TERM BUSINESS OUTLOOK Index which asks West Michigan firms about their business perceptions for the next three to six months flipped back to positive territory at +7, up from -7. The LONG-TERM BUSINESS OUTLOOK Index for October, which queries the perceptions for the next three to five years, edged higher to +31 from +29. For small businesses, the October 14 press release from the National Federation of Independent Businesses reported that the Small Business Optimism Index for September fell 2.0 percent to 98.8. Nearly 64% of small business owners reported that supply chain disruptions were affecting their business to some degree, and 14 percent of owners reported that inflation was their single most important problem in operating their business. Of the 58% of owners hiring or trying to hire in September, 88% reported few or no qualified applicants for the positions they were trying to fill. According to the survey author, "Uncertainty" remains a major problem. The latest "Uncertainty" index jumped 7 points to 100, the fourth-highest reading in the 51 years of the survey.

West Michigan Unemployment. For statewide unemployment statistics, we generally rely on the Michigan Department of Technology, Management, and Budget (DTMB) office in Lansing for monthly reports. However, the data for these reports come from the monthly Current Population Survey (CPS) of 66,000 households conducted by the U.S. Census Bureau. Needless to say, because of the shutdown, we received no updated data for this month. However, we can assume that the Michigan unemployment rate currently remains at or near 5.2 percent, the 48th highest among the fifty states. For another view of rising or falling employment in the industrial marketplace, ISM's October EMPLOYMENT Index remained negative but upticked to -9 from -13. This index has now been below the +0 break-even point for a full year. For our West Michigan survey, the index of EMPLOYMENT actually turned positive at +2, up from -8. Although all employment/unemployment statistics are generally considered to be forecast laggards, the current reports for the industrial market in West Michigan remain relatively flat.

Industrial Inflation. Of course, the tariff wars are having SOME impact on pricing for SOME commodities. However, the overall measures of pricing continue to moderate. Our October index of PRICES edged lower to +12, down from September's +23, and well below May's two-year high of +42. In a similar pattern, ISM's national index of PRICES for October edged lower to +16, down from +24, 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. Looking at the 26 major commodity groups monitored by the S&P survey in October, only four reported considerable price increases, including semiconductors and electronic components. Six categories reported notable falling prices, including oil, polyethylene, and polypropylene. The remaining 16 commodity groups were considered by the report to be relatively stable. The S&P Price Pressure Index for October remained unchanged at 0.5. Needless to say, many purchasing professionals will NOT agree with this assessment. However, the S&P survey is worldwide, and the negative results of the tariff wars are not being felt everywhere. 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. Supply shortages remained subdued in October. Reported shortfalls have now been below the long-run average in each of the past 26 months. Only Semiconductors saw above-average reports of shortages, though even here shortfalls were well below the peaks seen in the middle of 2021."

Consumer Inflation. Because the October Consumer Price Index is used to set the annual Social Security adjustment, the Burean of Labor Statistics (BLS) compiled the monthly report before shutting down. The "headline" CPI-U inflation rate rose to 3.0 percent, up from 2.9 percent, and up from 2.3 percent as recently as May. Fortunately, the CPI-U "core" sub-index, which excludes food and energy, edged lower to 3.0 percent from 3.1 percent. After seasonal adjustments, the CPI-W, which is used to annually adjust Social Security payments, rose 2.8 percent. Hence, Social Security recipients will receive a 2.8 percent increase for all of FY 2026. Just as last month, because of the government shut-down, the "Fed preferred" inflation index called the Personal Consumption Expenditures Index or PCE was not reported as scheduled on October 30. 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. Jerome Powell's term as chair of the Federal Reserve ends on May 15, 2026, and the president (who first appointed Powell in January 2018) has made it very clear that he will not be reappointed, even though his membership on the Federal Reserve's Board of Governors extends until January 31, 2028. Because of the president's rhetoric, many economists are concerned that the independence of the Federal Reserve may be in jeopardy. The value of the dollar has already fallen about 10 percent since the beginning of the year, and the wrong person running the Fed after May 15 could drive it down further.

According to the latest CPI report, the "Shelter" sub-component remained unchanged at 3.6 percent. With the cost of housing about 40 percent of the aggregate CPI-U and CPI-W, simple math tells us that the Fed's target of 2.0 percent is still being held captive by the high cost of shelter. However, according to an October 29 press release, the "Apartment List" website reported that rent prices are down 0.9% nationally compared to a year ago. The national median rent dipped by 0.8% in October to $1,381. Although this is good news for the CPI computations going forward, according to the BLS website, it will take 12-18 months to be reflected in the monthly report. Locally, the latest "Apartment List" regional report also noted that rental rates were up by 2.2 percent in Kent County and down by 0.3 percent in Kalamazoo County. The sale prices for the purchase of housing also continues to moderate. The latest Case-Shiller U.S. National Home Price NSA Index, released October 28, showed a 1.5 percent year-over-year increase in August, down from 1.7 percent in July. Obviously, the survey author complained that 1.5 percent is well below the current inflation rate of 3.0 percent, even though the price moderation helps bring the CPI down. According to Nicholas Godec from Dow Jones Indices:

> "August's data shows U.S. home prices continuing to slow, with the National Index up just 1.5% year-over-year. This marks the weakest annual gain in over two years and falls well below the 3% inflation rate. For the fourth straight month, home values have lost ground to inflation, meaning homeowners are seeing their real wealth decline even as nominal prices inch higher."

GDP. Because of the government shutdown, the Bureau of Economic Analysis (BEA) did not post the scheduled release of third quarter GDP. However, as of November 6, the Atlanta Fed's GDPNow model is forecasting a Q3 growth rate of 4.0, up slightly from the now-complete second quarter BEA official posting of 3.8 percent. By contrast, the New York Fed's model predicts a more modest Q3 growth rate of 2.4 percent, and the St. Louis Fed's model calls for growth of only 0.6 percent. The latest Blue Chip forecast expects Q3 growth of 2.4, up considerably from last month's posting of only 1.2 percent. Needless to say, the usual projections have been limited by the government data stream shutdown, although it is safe to assume that growth for the fourth quarter will be similar to the third quarter.

Looking Forward. With copious sources of business and economic news disseminated in real time, it is often difficult to separate economic facts from political rhetoric. Yes, elections have consequences, but many of the proposed changes never come to floriation, and others that do may not bear economic fruit (or consequences) for months or even years. Yes, we are currently seeing many changes coming in the near future, but assessing both the short-term and long-term economic impact of the totality of these changes is very difficult.

What we do know is that the industrial economies of the world, on the average, are fairly flat but still not showing signs of slipping backwards. The same is true of our West Michigan purchasing report. If West Michigan does begin to slip, it may be in automotive that currently poses the biggest threat. Aside from the geopolitical uncertainties, we need to be on the lookout for economic "bubbles" that are forming and may be in danger of breaking. The widely-publicized AI bubble is obviously one that needs to be scrutinized closely, as well as the lofty valuation of the stock market. In some regions of the country, housing prices have risen faster than many potential buyers can afford, although we do not have the glut of unsold houses that we had prior to the housing crisis. However, as of now, we look poised to enter 2026 with the economy still positive, albeit marching to a slightly slower beat.

October 2025 Survey Statistics

	UP	SAME	DOWN	N/A	Oct. Index	Sept. Index	Aug. Index	25 Year Average
Sales (New Orders)	29%	35%	35%	0%	- 4	- 3	-16	+14
Production (Gross Output)	24%	40%	20%	8%	+ 4	+ 4	- 4	+14
Employment	12%	73%	14%	0%	+ 2	- 8	- 4	+ 8
Purchases	12%	59%	28%	0%	-16	- 15	- 4	+ 7
Prices Paid (major commodities)	20%	71%	8%	0%	+12	+23	+36	+15
Lead Times (from suppliers)	6%	83%	10%	0%	- 4	+13	+15	+11
Purchased Materials Inv. (Raw materials & supplies)	24%	49%	14%	12%	+10	+ 4	+23	- 4
Finished Goods Inventory	22%	47%	22%	8%	+ 0	+ 8	- 4	- 2
Short Term Business Outlook (Next 3-6 months)	27%	52%	20%	0%	+ 7	- 7	- 4	-
Long Term Business Outlook (Next 3-5 years)	41%	46%	10%	2%	+31	+29	+36	-

Items in short supply:

Steel shelving, Items impacted by tariffs, various textiles, semiconductors, lighting components, electrical components, gravel, some aluminum items, mechanical and electrical engineering, customers.

Prices on the UP side:

Aluminum, aluminum components, aluminum coil, copper, tariffs pass throughs, carbide tooling, international air freight (especially from China), electric motors, high-end electronics, aggregates, cement, raw material paper products

Prices on the DOWN side:

Steel, scrap steel, ocean containers from China, polypropylene, wood, fuel.

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*

OCTOBER COMMENTS FROM SURVEY PARTICIPANTS

“The continued slow housing market is slowing market volume for housing materials.”

“The automotive business is about to take a hit with slowdowns and downtime for the OEM's resulting from fire at the aluminum fabricator. This is going to negatively impact the entire automotive supply chain.”

“Are tariffs on China set to increase on November 1st? Is Truth Social a formal arm of the Department of Commerce and Customs and Border Patrol?”

“Demand continues to significantly trail the same period of last year. We are seeing this effect nearly all of our industrial and construction segments, but most notably in the construction (roofing) market.”

“Lots on the launch pad looking like it is ready to go, but still no ignition like we need. Slow work making business less fun than it was in 2021 to 2023.”

“Business levels continue to be flat.”

“Business is really in the dumper right now.”

“Retail sales are down 55%.”

“Sales are softening. We are trying to build some inventory to get through the next few months when holiday/vacation/sick time increase.”

“Despite the current slowdown, our sales staff believes we will be busy for the rest of the calendar year."

“We supply products to the heavy-duty trucking market. Forecasts say that sales will not pick back up until Q3 of 2026.”

“The market looks soft for Q4 2025 and Q1 next year.”

“We continue to live in the world of the unknowns: Tariffs, Sales, Supply, Economy.”

“We are holding steady and expected to remain so through 4th quarter.”

“Items impacted by tariffs coming from Canada have now become a concern.”

“Tariffs are causing bigger price increases than the actual purchase price or commodity price.”

“As we are quoting work for 2026, all supplier prices are coming in higher with no detailed support being provided for the reason. ‘Because we can” was one bold response we received.”

“We are getting squeezed. Customers are demanding price concessions to keep the business. The vendors are increasing our costs and we are not able to pass along those increases for fear of losing business.”

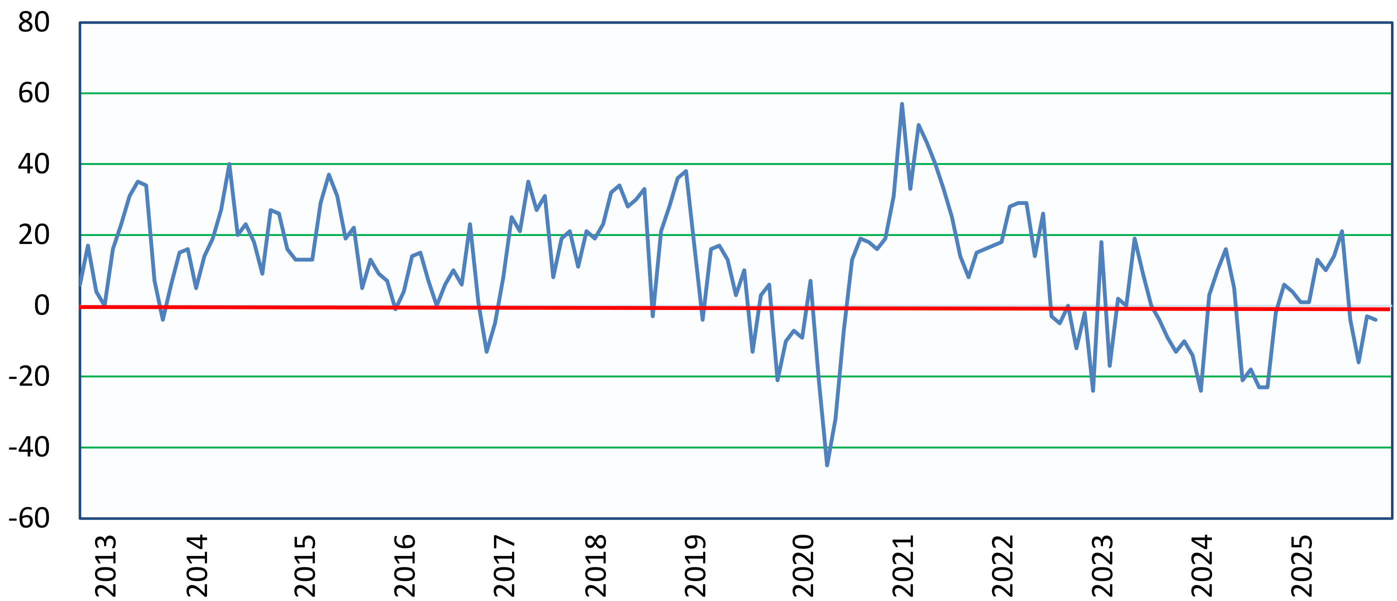
“Steel tariffs continue to drive costs up, but there are no U.S. options/alternatives for the products in question that we need.”

“It’s a very slow 2025.”

“Sales have softened a bit the past month. Still ‘okay’ but not as good as the past summer.”

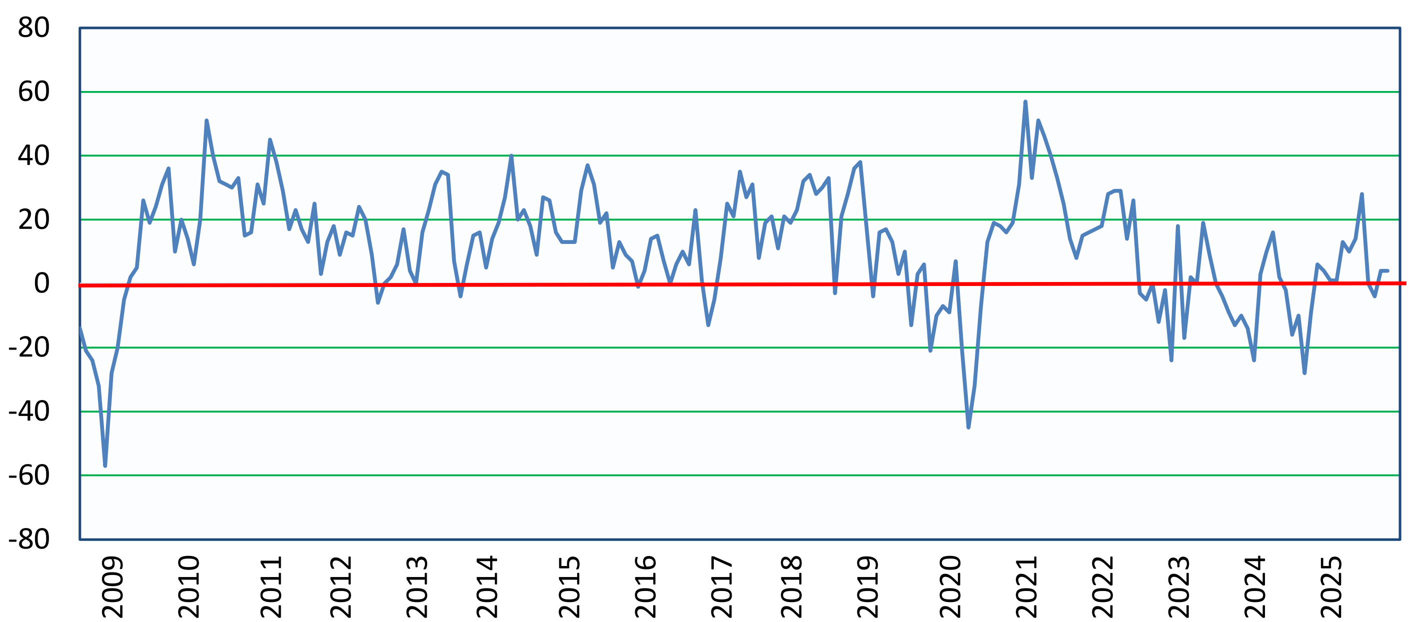
West Michigan Index of New Orders: 2013-2025

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.



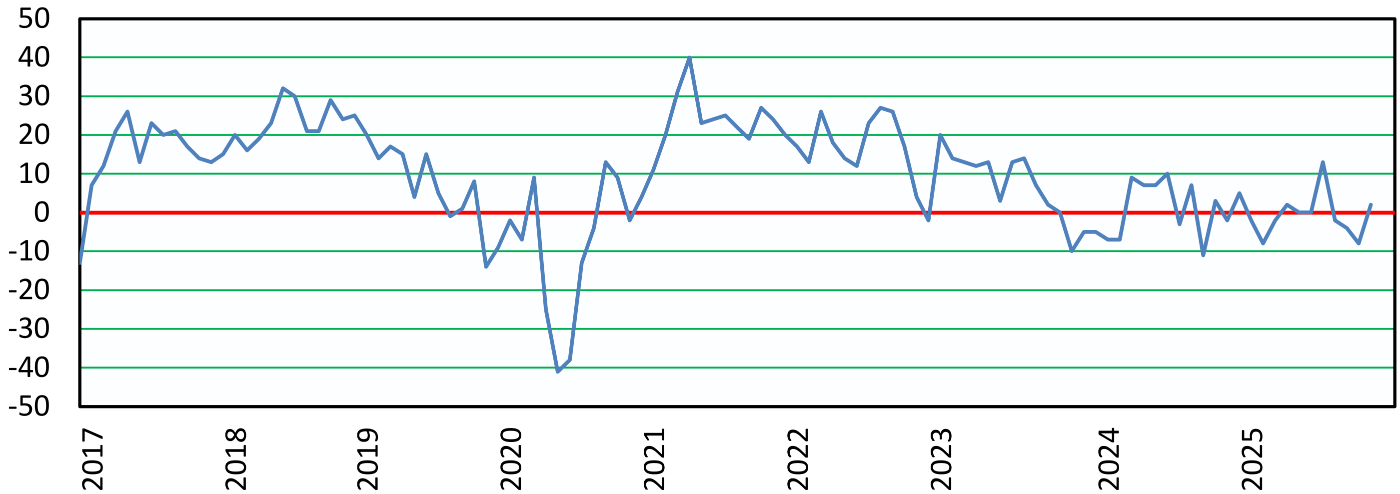
West Michigan Index of Production (Output): 2008-2025

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.