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West Michigan Current Business Trends

March 6, 2026

Economy Returns to Modest Growth

Key Take-Aways from February 2026 Statistics:

- **NEW ORDERS Index significantly upticked to positive.**
- **Most national and international surveys also report modestly positive.**
- **Business confidence indices remain positive, but anecdotal comments are cautious.**

	Feb.	Jan.
⬆ NEW ORDERS Index (business improvement)	+10	- 11
⬆ PRODUCTION Index (aka "output")	+ 8	- 5
⬆ EMPLOYMENT Index	+ 2	- 2
⬇ LEAD TIMES Index	+ 9	+ 4

Key Participant Comments for February

"We saw most of our input prices increase going into 2026. Domestic prices increased, even though they didn't have tariff impact. When asked why, the response was 'because we could.'"

"The market is still looking like 2025. We hope for increased business as the year progresses. A rate reduction or two early in the year would definitely help."

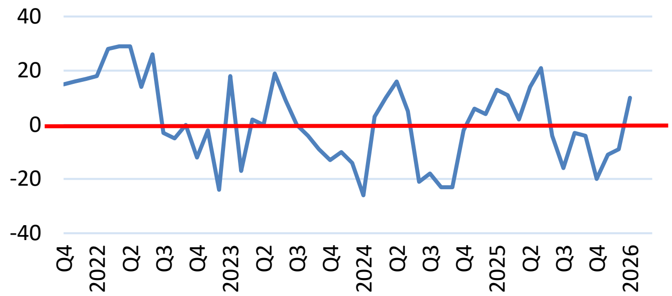
"Our sales tracking expectations, but pricing concessions were made to do so."

"Sales are up ahead of a price increase. We're still seeing very little new project activity."

"Our orders remain soft, but some forecasts are improving."

The Local Economy. After three months of weak performance, the West Michigan industrial economy has returned to modest growth. However, at least for now, part of the uptick can be attributed to the recent tariff ruling which has resulted in SOME of the tariff confusion and cost restraints being lifted. According to the data collected in the last two weeks of February, NEW ORDERS, our closely-watched index of business improvement, bounced from -11 to +10. The February PRODUCTION index, called "OUTPUT" by some economists, also returned to positive territory at +8, up from -5. However, the February index of index of PURCHASES remains stuck in the doldrums at -6, little changed from January's -5. Although the statistical improvement in this month's report may be partially tied to the recent supreme court tariff ruling, the mood remains cautious, given that the underpinning of the entire world economy seems to be changing almost daily. In short, the comments from our survey participants are more cautious than might be expected by the uptick in our current statistics.

West Michigan Index of New Orders: 2021-2026



The U.S. Economy. After a year of marginally negative reports, the *"Report on Business"* survey conducted by the Institute for Supply Management (ISM) returned to positive in January and remained strong in February. ISM's index of NEW ORDERS again posted as double-digit positive and edged up to +17 from +14. The PRODUCTION index came in at +9, little changed from January's +10. In partial response to the relaxation of tariffs, ISM's index of IMPORTS rose to +10 from the break-even point of +0 reported in January and up significantly from the -11 reported in December. However, the EXPORT index remained unchanged at +0. It was gratifying to see the ORDER BACKLOG index come in at a 30-month high of +13, up from +3. Merging all of these individual indices together and adjusting for seasonality, ISM's February composite index reported the second positive reading in 27 months, but modestly eased 0.2 points to 52.4.

Because of the apparent impact of both extreme weather in some parts of the country and the tariff war disruption, the February composite index of U.S. purchasing managers compiled by British-based S&P Global modestly eased to 51.6 from 52.4. Most of the 0.8 downtick can be attributed to the marginally softer NEW ORDERS and OUTPUT indices. Although S&P's ORDER BACKLOG index declined, overall business optimism rose to an eight-month high. Just as last month, there was more anecdotal evidence of more offshore business being brought back home to domestic sources. A fairly comprehensive summary of February business conditions was offered by Chris Williamson, the Chief Business Economist at S&P:

> "February saw US manufacturers report the weakest expansion since last July, in a further sign that the overall pace of economic growth has moderated in recent months. Production growth slowed in response to a near-stalling of orders from customers, with exports falling especially sharply. Factory payroll growth was also barely changed, as concern over order book health caused a growing reticence to add to workforce

numbers. Businesses were often disrupted by extreme weather, which has clouded insights into the underlying strength of economic growth and suggests we may see some rebound once the weather clears, and it is encouraging to see manufacturers reporting improved optimism about the outlook. However, uncertainty over the political environment, and the tariff picture in particular, remains a drag on confidence, hiring and investment, which looks likely to persist in the coming months. Meanwhile, although cost inflation remained elevated, often linked to tariffs, it is running lower than the peaks seen last year, and stiff competition has limited the pass through to selling prices, which rose in February at the slowest rate for over a year. While this is good news for inflation, it hints at downward pressure on profits."

The World Economy. The Global Manufacturing PMI compiled monthly by J.P. Morgan rose to a 44-month high of 51.9, up from 50.9. For nearly a year, the PMI for India reported the strongest global PMI for the industrial markets of all major nations in the world. Other significantly positive PMIs were posted by Taiwan, Greece, Vietnam, and the Philippines. The weakest February PMIs came from Romania, Brazil, Mexico, and Poland. For (what was, at least) our major trading partners, the February PMI for Canada posted at 51.0, up from 50.4, largely because of a notable uptick in NEW ORDERS and PRODUCTION. The February PMI of 47.1 for Mexico remained below the 50.0 break-even level, but was improved over January's 46.3 reading. For China, our third largest trading partner, the PMI bounced to a five-year high of 52.1, up from 50.3. The Chinese government has subsidized world-wide price cuts to replace business lost to the U.S. in the tariff war. Maia Crook, Global Economist at JPM, further commented:

> "The J.P. Morgan Global manufacturing output PMI moved up another 1.2-pt in February, suggesting building momentum in global industry. At 53.1, the index is now at its highest level since 2021. The gain was broadly based outside of the US – where cold weather effects were a likely temporary drag – with a particularly large China jump. Forward-looking indicators were similarly upbeat, with the new orders index rebounding to a 48-month high and business sentiment (as measured by the future output PMI) now back above its pre-Liberation Day level. A tick down in the employment PMI was the only notable disappointment in an otherwise encouraging report."

Every month, the Hamburg Commercial Bank complies a composite "eurozone" index for the PMIs for 20 of the 27 countries in European Economic Community who base their currency on the euro. After nearly four years of negative indices, the composite February PMI for the eurozone finally posted a positive reading of 50.8, albeit only 0.8 points above the critical 50.0 break-even point. The report also noted that the NEW ORDERS index rose to the second highest level in nearly four years, and the OUTPUT index posted a 6-month high. The PMI for Germany, the eurozone's largest economy, came in at a 44-month high of 50.9, up for January's 49.1, and significantly higher than the 10-month low of 47.0 posted only two months earlier. Of the other major eurozone economies, only Austria posted a negative PMI of 49.4 for February. One analyst noted that at least part of the current uptick in the European economy is drive by countries like Germany that have approximately doubled their military spending. Dr. Cyrus de la Rubia, Chief Economist at HCB, further noted:

> "This seems to be a broad-based recovery of the eurozone manufacturing sector, with six out of the eight surveyed countries now in growth territory. Germany's industry, which experienced a big jump in the headline PMI, has returned to growth for the first time in three-and-half years. Among the four economic powerhouses of Europe, Germany is showing the fastest growth rate in manufacturing. To be sure, we are not talking about a boom, but a moderate recovery coming from a low activity level amid persisting structural challenges like high energy prices, intense competition from China and US tariffs, among other things. Input price increases have now accelerated for four straight months and even picked up sharply in February. Companies of the manufacturing sector are quite optimistic about their ability to sell more goods in the future and their expectations for production are even higher than they were one month before. This good mood comes especially from Italy and Germany. In Germany, this is most probably to do with higher public spending in infrastructure and defence, from which Italy, as one of the main trading partners of Germany, may also take some advantage."

Automotive. According to the March 3 report from *Automotive News*, sales for cars and light trucks continue to be holding up better than expected in 2026. The SAAR rate (seasonally adjusted annual rate of sales) for February is estimated to be 15.6 million, only 0.5 below February 2025's sale rate of 16.1 million. The current optimism for March and April auto sales comes from the larger-than-expected tax refund checks that future customers could use for down payments on new vehicles. Of the six major auto producers still reporting monthly, year-over-year February sales for the group fell only 0.6 percent. Hyundai-Kia sales led the group, rising 5.0 percent, followed by Toyota posting a February uptick of 3.2 percent, and Honda posted a modest increase of 1.1 percent. On the down side, beleaguered Suburu sales fell by 8.2 percent, Ford sales downticked by 5.5 percent, but Mazda sales were down by only 0.1 percent compared to January's drop of 14.0 percent. Commenting on the outlook for the rest of 2026, Thomas King, president of OEM solutions at J.D. Power, opined:

> "Multiple automakers have publicly stated their intent to increase U.S. sales volume in 2026. However, given total new vehicle sales this year are expected to be similar to a year ago, and few, if any automakers are planning for a sales contraction, competitive intensity can be expected to rise in the coming months."

Consumer Confidence. On February 24, *The Conference Board* reported that their preliminary Consumer Confidence Index rose by 2.2 points in February to 91.2 (1985=100), up modestly from an upwardly revised 89.0 in January. According to the survey, 46% of respondents cited high prices as a strain on personal finances, with that issue now remaining above 40% for seven consecutive months. Commenting on the latest survey report, Dana Peterson, Chief Economist at The Conference Board noted, "Confidence ticked up in February after falling in January, as consumers' pessimistic expectations for the future eased somewhat. Nonetheless, the measure remained well below the four-year peak achieved in November 2024 of 112.8." In confirmation, the University of Michigan Consumer Sentiment Index posted on February 20 edged up to a six-month high of 56.6, up from 56.4. The U of M survey queries about 500 households and focuses on personal finances, inflation, and buying sentiment. Given the rise in stock and pension portfolios, the euphoria for higher income people continued to pull the average for the index higher.

Business Confidence. Just as last month, the February West Michigan business confidence in the industrial marketplace modestly improved. Our SHORT-TERM BUSINESS OUTLOOK Index which asks West Michigan firms about their business perceptions for the next three to six months upticked to +12 from January's +4 reading and noticeably higher than -13 reported four months ago. The LONG-TERM BUSINESS OUTLOOK index, which queries the perceptions for the next three to five years, modestly eased to +40 from +44, but remains high by historical standards. Looking at the nation's small businesses, the February 10 press release from the National Federation of Independent Business (NFIB) reported that the Small Business *Optimism* Index modestly eased 0.2 points to 99.3. In today's "slow to hire, slow to fire" jobs environment, the current NFIB Small Business *Employment* Index of 101.6 vs. the long-term average of 100.0 still depicts a fairly stable labor market. However, 31 percent of all small business owners reported job openings they could not fill, which remains above the historical average of 24 percent. Commenting on the overall small business economy, Bill Dunkelberg, NFIB's Chief Economist, noted, "While GDP is rising, small businesses are still waiting for noticeable economic growth. Despite this, more owners are reporting better business health and are anticipating higher sales."

West Michigan Unemployment. According to the Michigan Department of Technology, Management, and Budget (DTMB), the Michigan unemployment rate has fallen to 5.0 percent, down from 5.2 in February 2025. According to DTMB's January 29 report for December (latest month available), most West Michigan counties are reporting modest improvements in unemployment. For Kent County, the December year-over-year unemployment rate fell to 3.9 percent from 4.3 percent. The unemployment rate for Barry County downticked to 4.6 from 5.0. Calhoun County unemployment eased to 5.1 from 5.7 percent, Kalamazoo County unemployment fell to 5.1 from 5.5, and the Ottawa County rate fell to 3.9 from 4.6 percent. By historical standards, these unemployment rates are still not spectacular. However, the rising unemployment rate we had been seeing for the past 18 months has now apparently stopped and modestly recovered.

Industrial Inflation. Much as we have reported for over a year, any commodity impacted by the tariff wars is still a problem. Although we might call it price gouging, even the domestic suppliers have raised their prices to a few cents below the price of any foreign competitor impacted by the tariffs. Locally, our West Michigan index of PRICES for February remained virtually unchanged at +25. However, at the national level, the ISM index of PRICES shot up to +41 from +18. For the first time in ten months, the Worldwide S&P *Price Pressure* Index, a compilation of 26 major industrial commodities, rose above the long run average of 1.0 to 1.4. We reported last month that the index jumped by six basis points to 1.0 from 0.4. Eleven of the 26 commodities in the index posted significant price increases, including Semiconductors, Copper, Aluminum, and Electrical Items. In this same report, S&P's monthly Global *Supply Shortage* Index sharply upticked to 0.9 from 0.5. Of the 20 items that S&P monitors, significant shortages were note in Copper, Electronic Items, and Transportation Service. Usamah Bhatti, Economist at S&P Global Market Intelligence, commented:

> "February data signalled that price and supply pressures were building in commodity markets. Price pressures rose above the long-run trend level for the first time in ten months and were at their most marked since July 2022, largely owing to a sharp increase in reported price rises for Semiconductors. Elsewhere, Aluminium and Copper saw above-average reports of price increases, with both indices reaching multi-year highs. Supply shortages also appeared to be intensifying. Reported shortfalls were only fractionally below the long-run average in February, with the respective index at its highest since June 2024. Four of the 20 monitored commodities saw reports of shortages above the long-run trend, led by Transport and Electrical Items."

Consumer Inflation. According to the February 20 report from the Bureau of Labor Statistics (BLS), the "headline" CPI-U inflation rate for January fell to 2.4 percent from 2.7 percent. The CPI "core" sub-index, which excludes food and energy, remained unchanged at 2.5. The sub-index of "shelter," a major CPI component, posted lower at 3.0, down from 3.2. Again, the lower shelter index constituted a significant portion of the improvement in the headline inflation rate. According to the "Apartment List" website, the national median rent for February posted only 1.5% higher than one year ago. However, the national median rent has fallen by 5.9% since its peak in 2022. For the Grand Rapids area, year-over-year February rents were up by 2.4 percent and in Kalamazoo by 0.9 percent. For the homeowner side of the cost of housing, the latest December Case-Shiller National Home Price NSA Index released on February 24 saw U.S. home prices increase by a 1.27 percent rate, well below the current rate of inflation. Average mortgage rates are still high and the prices for homes are still out of the reach of many first-time home buyers. As a result, most analysts note that the we have now shifted to a buyer's market in many (but not all) parts of the country. According to Nicholas Godec from Dow Jones Indices:

> "Two structural forces have reshaped the market over recent years: mortgage rates and inflation. The 30-year mortgage rate closed 2025 at 6.2%, well above the 4.8% 10-year average and a sharp contrast to the 3.9% average that prevailed from 2016 through 2020. Meanwhile, annual inflation for 2025 came in at 2.7% — modestly below the 3.1% 10-year average — but still outpaced home price appreciation by 1.4 percentage points, effectively eroding real home values for most owners. This marks a notable reversal: Over the prior decade, national home prices outpaced inflation by 3.7 percentage points annually, a dynamic that has quietly reversed, with real home price returns turning negative in June 2025."

GDP. As a surprise to many people, the Bureau of Economic Analysis (BEA) released what they call an "advanced estimate" of the GDP for the fourth quarter of 2025 which was far below expectations. The reading of 1.4 percent was significantly less than the Atlanta Fed's GDPNow Q4 forecast of 4.2 percent and the New York Fed's Nowcast model predicting 2.7 percent. Of course, the BEA's first estimate is still subject to two more revisions, and may be modestly revised upward. For this round of forecasts, the Congressional Budget Office Q4 forecast of 1.9 percent took the prize for being the closest. With the forecasters now turning to projecting the growth for the first quarter of 2026, Atlanta Fed's GDPNow stands at 3.0 percent as of March 2. As of February 27, the New York Fed Nowcast model for "2026:Q1" comes in at 2.4 percent, with a 50 percent probability of the final result falling between 1.1 percent and 3.5 percent. The Blue Chip forecast model, which is reported monthly by the Atlanta Fed, currently estimates a Q1 growth rate of 2.45 percent.

Looking Forward. We were told that talks for ending the trade war between the U.S. and Canada quietly resumed in mid-January. However, the first "senor level" face-to-face talks are taking place today, March 6. For the Michigan auto industry, these talks are critical, largely because of the huge volume of Michigan's cross-border business with Ontario. In terms of dollar volume, total Canadian imports have been cut in half over the past year primarily because of the large dollars involved in big-ticket items like steel, aluminum, lumber, automobiles, and automotive components.

As we head toward the November elections, we can expect to hear more about the so-called "K-shaped" economy. The concept implies that the upper income levels of the economy with their stock portfolios, pensions, and 401Ks are prospering, especially as the stock market continues to set new highs. Lower income people without significant savings or investments that may be living paycheck-to-paycheck are not sharing the benefits, even though the statistics show that low-income wages have been rising faster than inflation. We note that about 40 percent of the CPI is made up of the cost of renting or owning a home, but the lower "K's" see that day-to-day expenses like groceries are now considerably higher in price than only a few years ago. Lower income people also tend to be renters rather than homeowners, and rents in almost every market in the country have skyrocketed, even though the rates may have finally moderated. Most of the "headline" statistics reported from Wahington are averages for the entire country, but these averages are pulled higher by the upper part of the "K" economy. Hence, the lower "K's" rate the economy as weak.

The economic and political outlook is nearly impossible to predict. The world seems to shift daily, and no one knows what tomorrow's headline may bring. But when the history of 2026 is written, one thing seems certain: the global order will not look the same again.

February 2026 Survey Statistics

	UP	SAME	DOWN	N/A	Feb. Index	Jan. Index	Dec. Index	25 Year Average
Sales (New Orders)	37%	36%	27%	0%	+10	-11	-11	+14
Production (Gross Output)	25%	48%	17%	10%	+ 8	- 5	-17	+14
Employment	19%	64%	17%	0%	+ 2	- 2	- 9	+ 8
Purchases	17%	56%	23%	4%	- 6	- 5	-22	+ 7
Prices Paid (major commodities)	29%	67%	4%	0%	+25	+26	+15	+15
Lead Times (from suppliers)	17%	71%	8%	4%	+ 9	+ 4	+ 6	+11
Purchased Materials Inv. (Raw materials & supplies)	17%	52%	17%	14%	+ 0	- 7	- 7	- 4
Finished Goods Inventory	17%	53%	17%	13%	+ 0	+ 7	- 7	- 2
Short Term Business Outlook (Next 3-6 months)	29%	54%	17%	0%	+12	+ 4	-13	-
Long Term Business Outlook (Next 3-5 years)	50%	38%	10%	2%	+40	+44	+33	-

Items in short supply:

Metals (all sources), micro fuses, some aluminum items, mechanical engineers, specialty raw steel (hot-rolled coils).

Prices on the UP side:

Aluminum, aluminum products, copper, brass, steel, steel sheet, electronics, auto parts, health care, anything that has a tariff cost associated with it.

Prices on the DOWN side:

Polypropylene, injection molded plastics, copper products*, fuel.

*Item reported as both up AND down in price.

Latest Unemployment Reports:

The data from the government shut-down from Michigan's DTMB have now been updated. The data are NOT seasonally adjusted, except as noted.

	Dec. 2025	Dec. 2024	Aug. 2009*	25-Year Low
State of Michigan (Dec.)	5.0%	5.2%	14.6%	3.2%
State of Michigan (Unadj.)	4.8%	5.0%	14.1%	2.9%
Kent County	3.9%	4.3%	11.9%	2.1%
Kalamazoo County	4.2%	4.5%	11.1%	2.1%
Calhoun County	5.1%	5.7%	12.8%	2.7%
Ottawa County	3.9%	4.6%	13.3%	1.8%
Barry County	4.6%	5.0%	10.9%	2.2%
Kalamazoo City	5.1%	5.5%	15.2%	3.2%
Portage City	3.7%	4.0%	8.7%	1.3%
Grand Rapids City	4.7%	5.1%	16.1%	3.0%
Kentwood City	4.5%	4.9%	10.7%	1.4%
Plainfield Twp.	3.8%	4.1%	8.0%	1.4%
U.S. Official Rate (Jan.)	4.3%	4.0%	9.6%	3.4%
U.S. Rate (Unadjusted)	4.6%	4.4%	9.6%	3.1%
U.S. U-6 Rate (Jan.)**	8.0%	7.5%	22.9%	6.7%

** August 2009 = low point before the Great Recession*

***U-6 for Michigan = 9.2% for the previous four quarters*

FEBRUARY COMMENTS FROM SURVEY PARTICIPANTS

"Our steel service center customers are enthusiastic about the future. Others are not, at least yet."

"We had a slightly slower month than January, but it was expected."

"Lousy environment. Tariffs need to go."

"Scary unknown with tariffs, even though the court ruled against Trump. It is not impacting our firm, especially for the automotive and Section 232 (national security related) products."

"Tariff changes still continue to change daily. Mexico is turning into a very risky area to ship to and do business in. "

"The market is still looking like 2025. We hope for increase business as the year progresses. A rate reduction or two early in the year would definitely help."

"Our sales are tracking expectations, but pricing concessions were made to do so."

"Steel continues to rise in cost.This is impacting raw material as well as maintenance supplies for steel sheet."

"Our orders remain soft, but some forecasts are improving."

"Some of the companies that we represent have added tariff charges into the base price of their machines resulting in increased prices."

"We saw most of our incoming prices increase going into 2026. Domestic items increased, even though they didn't have tariff impact. When asked why, the response was 'because we could.'"

"Business conditions remain quite slow."

"We are still hoping for a favorable ruling from SCOTUS on Reciprocal Tariffs. Business remains steady."

"We've had a slow start for Q1, and Q2 looks to be steady."

"We're continuing to see soft orders from late Q4 to present."

"Last month has softened. We're hoping it's a blip and not a trend."

"The hemp industry continues to fight with improper regulations that keep the prices high."

"We've had a slow start to 2026."

"We have recently received a significant price decrease in our wire raw material coming from overseas. They have agreed to absorb 100% of the tariffs, making their delivered costs still lower than domestic sources."

"It's shaping up to be rough year."

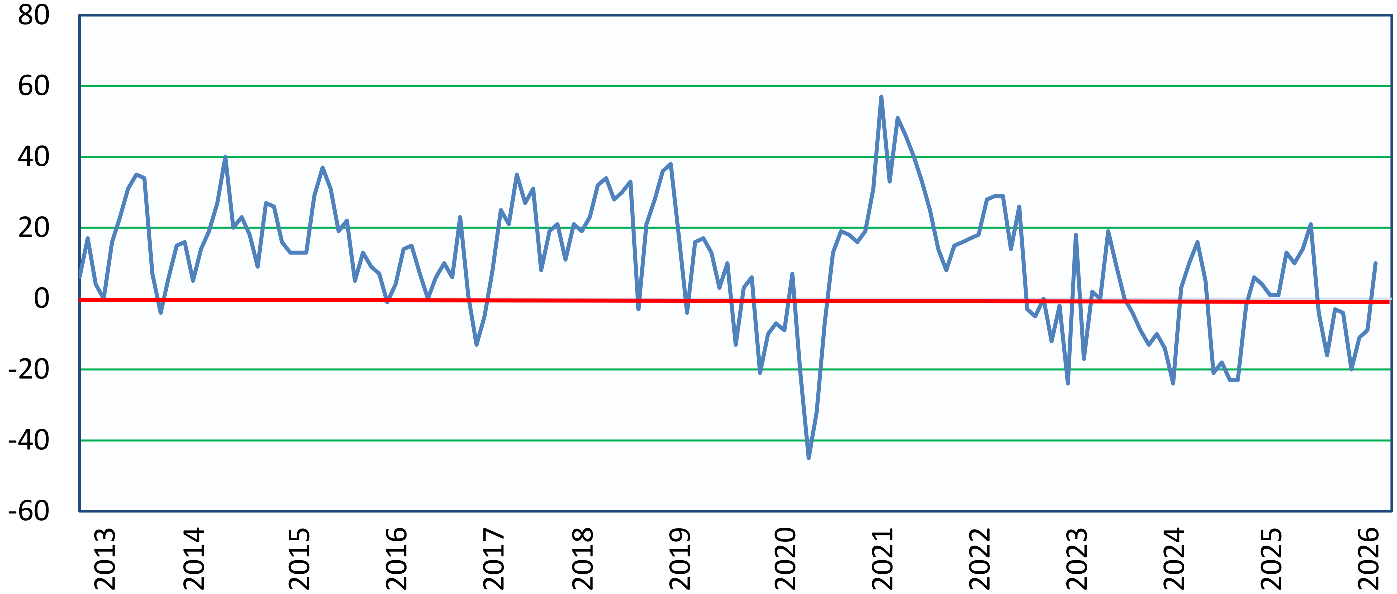
"Sales are up ahead of a price increase. We're still seeing very little new project activity."

"Some of our steel orders are in arrears due to the closure of a Cleveland Cliffs facility in 2025. Nucor is struggling to keep up with demand. It's better than it was in Q4, but there's still some lingering issues."

"It's a slow period for our main division."

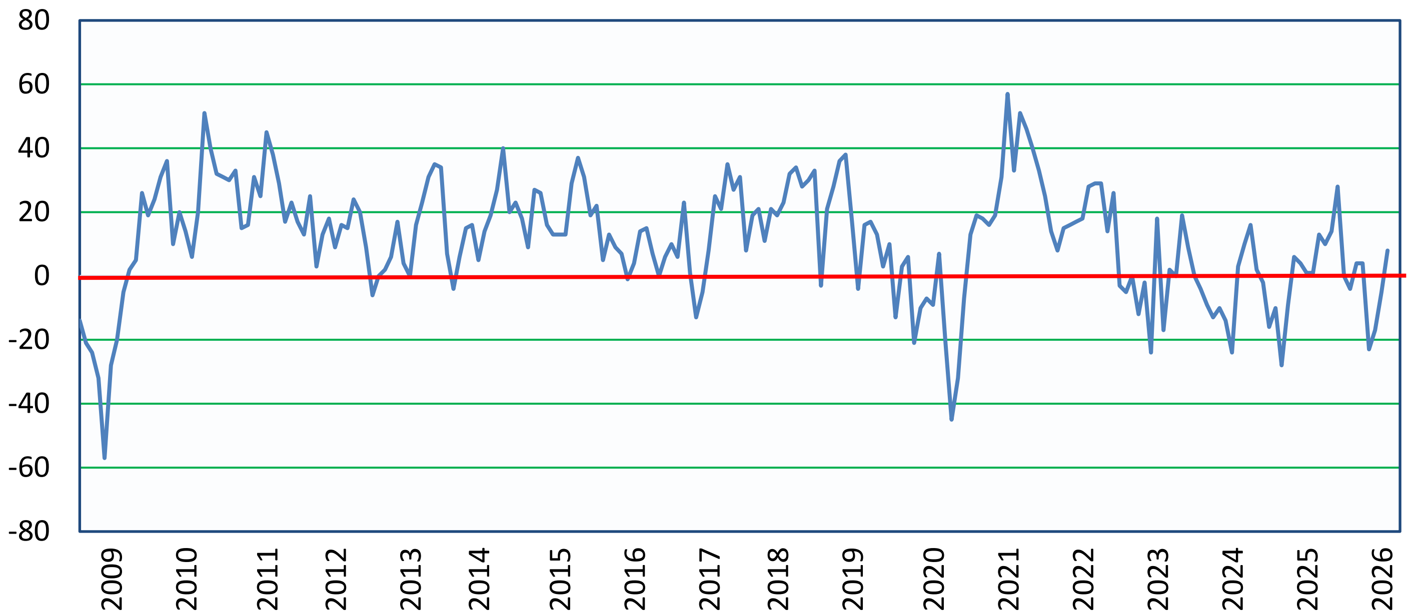
West Michigan Index of New Orders: 2013-2026

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.



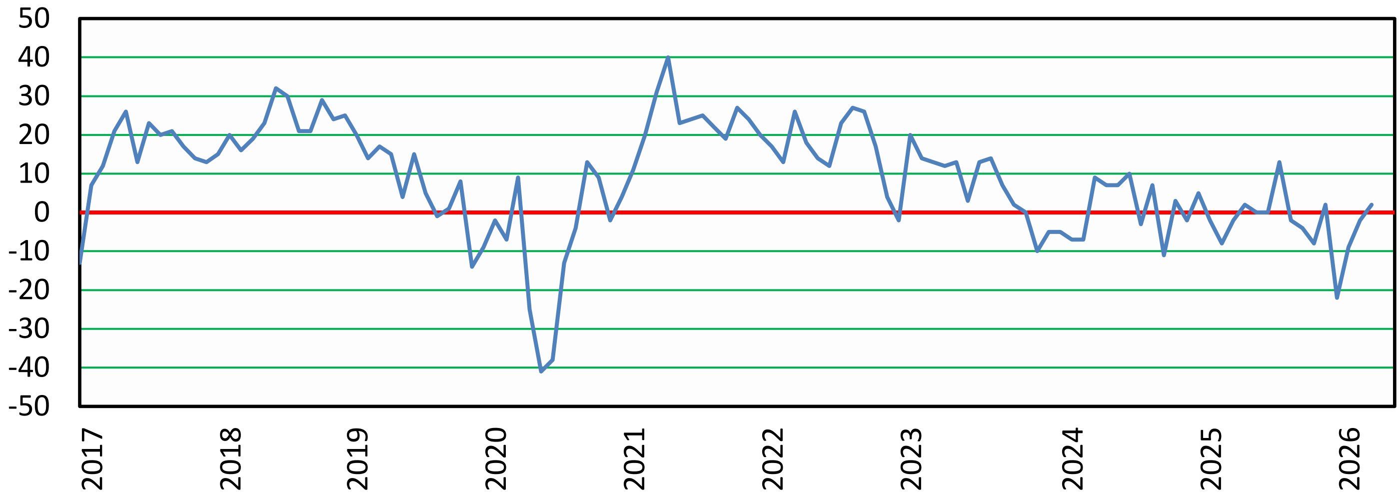
West Michigan Index of Production (Output): 2008-2026

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: 2017-2026

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.