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West Michigan Current Business Trends

April 6, 2026

Modest Growth Continues for West Michigan

Key Take-Aways from March 2026 Statistics:

- **NEW ORDERS index significantly upticked to a 4-year high of +26.**
- **All national and international March surveys posted modestly positive.**
- **Uncertainty caused by the Iranian war and other ongoing problems makes many firms very cautious.**

	Mar.	Feb.
↑ NEW ORDERS Index (business improvement)	+26	+10
↑ PRODUCTION Index (aka "output")	+16	+8
↓ EMPLOYMENT Index	+0	+2
↑ LEAD TIMES Index	+7	+9

Key Participant Comments for March

"Will high fuel prices damage the economy past a tipping point? Signs are evident that this year wants to be a good year. Good signs seem to continue, but will they?"

"We're still waiting on new business to develop. It's looking very slow until the 3rd or 4th quarter."

"With layoffs in the area, there is less wage pressure on hiring roles. Entry level roles have more applicants than in the past."

"Sales are 'okay' but a little soft. Down slightly. Longer term forecast appears more positive, but we shall have to wait and see the fallout of current conditions in the world."

"Business has never been this bad. Even 2020 was better. 15 months of negative sales."

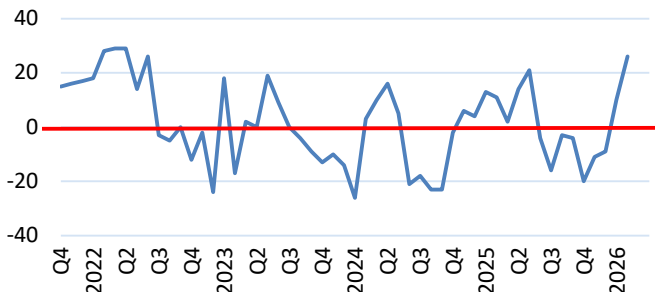
The Local Economy. Despite the current chaotic business environment, the West Michigan industrial economy has posted a second month of positive growth. According to the data collected in the last two weeks of March, NEW ORDERS, our index of business improvement, rose significantly to +26, up from +10. Last month's uptick was reflected in our March PRODUCTION Index, or "OUTPUT," rising to +16 from +8. After eight months of negative reports, the March index of PURCHASES came in positive at +9, up from -6. Despite all of our current statistics again posting positive, the mood among respondents remains cautious and chaotic. Because of the Supreme Court ruling, \$166 billion in tariffs are now supposed to be refunded, but the process is characteristically slow. However, upon receiving the refund, if the tariff was paid by the seller, getting the seller to pass the refund on to the buyer remains

a problem for some firms. If the Iranian war drags on, many survey respondents worry about the impact on fuel prices and other supply disruptions.

The U.S. Economy. Fortunately, the national monthly survey compiled by the Institute for Supply Management (ISM) also remained positive for March. ISM's index of NEW ORDERS remained double-digit positive at +14 and little changed from February's +15. The PRODUCTION Index upticked to +12 from +9. ISM's index of IMPORTS backtracked to +5 from +10, and the EXPORT index remained unchanged at +0. Regrettably, ISM's ORDER BACKLOG Index remained positive at +5 but again backtracked from February's 30-month high of +13. After seasonal adjustments and the compilation of all of these individual indices, ISM's March Composite Index rose 0.3 points to 52.7. However, the survey author cautioned that 20 percent of the survey respondents cited tariffs as a negative factor going forward, and 40 percent worried that war in the Middle East could damage the economy if the war goes poorly.

A similar report on the U.S. industrial economy for March was posted on April 1 by the British-based S&P Global. S&P's March index modestly upticked to 52.3 from 51.6. Improvements in both the NEW ORDERS and OUTPUT Indices were credited for the improvement. However, despite the geopolitical turmoil, the decline in overall business confidence was marginal. To no surprise, S&P survey respondents cited higher energy prices and uncertainty over the impact of the Iranian war as major

West Michigan Index of New Orders: 2021-2026



concerns. Chris Williamson, the Chief Business Economist at S&P Global, further commented:

“Faster growth of output in March points to encouraging resilience for US manufacturing in the face of the outbreak of war in the Middle East. Business confidence regarding output in the year ahead has also held up well so far. This sustained resilience in part reflects reduced concerns over government policies such as tariffs but also indicates that producers anticipate only a short-term and modest impact from the war, which is clearly uncertain. It remains early days in terms of the impact of the conflict, and a sharp rise in prices and delivery delays has cast a cloud over the outlook, threatening to drive inflation higher, dampen demand and throttle supply chains. Factory input costs have already jumped higher on the back of surging oil prices and supplier delays have become more widespread than at any time since October 2022, linked to the war exacerbating existing shipping, haulage and port delays. Some manufacturers are hence reporting stock building as a precaution against future price rises or supply shortages, and hiring has almost stalled in order to reduce staffing costs, underscoring the growing concern about how the war might cause problems for factories in the coming weeks. If price pressures and supply delays persist, demand, employment and production capabilities will inevitably start to be more seriously affected.”

The World Economy. For March, J.P. Morgan’s Global Manufacturing PMI for the world economy posted at 51.3, down slightly from the 44-month high of 51.8 reported for February. Because of the new leadership that came to power five years ago, the once-maligned economy of Greece reported the highest PMI of all of the world’s major industrial economies. Other significantly positive PMIs were posted by Taiwan, India, Thailand, and Pakistan. Some of the weakest March PMIs came from Romania, Turkey, Russia, and Poland. For our major trading partners, the March PMI for Canada posted at the break-even point of 50.0, down from 51.0. The March PMI for Mexico remained modestly negative at 48.9, largely because of what the report termed “cost pressures.” The PMI for our third largest trading partner, China, retreated to 50.8 from the five-year high of 52.1 posted for February. Maia Crook, Global Economist at JPM, further commented:

“The J.P. Morgan Global manufacturing PMIs weakened broadly in March, reflecting the drag from geopolitical uncertainty and higher commodity prices. The output PMI dropped 1.7-point to 51.4, remaining in positive territory but fully unwinding an early-year gain. Business sentiment (as measured by the future output PMI) took a similarly large step down, falling to a five-month low. Mirroring the declines in activity were jumps in the price indexes (both input and output) and supplier delivery times, a clear sign of both surging cost pressures and substantial supply chain disruptions.”

The eurozone PMI, a compilation of the PMIs for the 20 countries in the European Economic Community that base their currency on the euro, is now reported every month by S&P Global. After over three years of negative reports, the eurozone finally rose to a positive PMI of 50.8 in February. For March, positive reports from the sub-indexes of NEW ORDERS and OUTPUT helped raise the composite index to a 45-month high of 51.6. The PMI for Germany, the eurozone’s largest economy, rose to 52.2 in March, up from 50.9 in February, the highest reading almost four years. A strong index of 53.7 from Ireland also helped add to the eurozone PMI uptick, although the index of 48.7 from Spain held the index down. All countries in the eurozone are dealing with rising prices for oil and gas, as well as most major commodities. On the downside, the war in the Middle East resulted in the BUSINESS CONFIDENCE Index deteriorating in March, although the index still remains

marginally positive. Joe Hayes, Principal Economist at S&P Global Market Intelligence, further noted:

“The war in the Middle East has already left its mark on euro area manufacturing. Suppliers’ delivery times have risen sharply as logistics markets re-adjust to maritime disruption, while surging oil and energy prices have pushed factory input cost inflation up to its highest level since late-2022. The frustrating part is that the manufacturing sector had been slowly gaining momentum since the start of 2026, aided by generally muted cost pressures in recent years which have helped goods producers keep a lid on their charges. However, we saw some of the war-driven inflation impulse being passed straight through to final prices in March, reducing the eurozone’s competitiveness and this will likely put demand under renewed pressure. While factory production and order growth rates held steady in March, expansions were tepid. It therefore might not take too much to bring output and sales volumes lower, and such a risk clearly rises the longer the war carries on.”

Automotive. After months of positive reports, the April 2 report from *Automotive News* characterized the March automotive market as “downshifted.” For the firms still reporting monthly, 11.3 percent fewer vehicles were sold than in March 2025. However, according to GlobalData, the SAAR rate (seasonally adjusted annual rate of sales) for March posted at a respectable 16.2 million units. All firms report quarterly sales, and the *Automotive News* year-over-year tabulation for the first quarter fell by 5.3 percent. Only two firms reported positive results for Q1, namely Stellantis (Chrysler), up 4.1 percent, and Hyundai-Kia, rising 2.6 percent. All other major nameplates were down. Sales at GM fell 9.6 percent, Ford 8.7 percent, Honda 4.2 percent, Nissan, 8.3 percent, Subaru, 15.0 percent, and Toyota sales fell a scant 0.1 percent. Some analysts expect a stronger April report because of the larger-than-expected tax refund checks that could conceivably be used for down payments on new vehicles. Commenting on the first quarter results, Cox Automotive Chief Economist Jeremy Robb opined:

“In Q1, the environment has been complex — uncertainty is everywhere, and it feels like we’re standing at a fork in the road with many potential outcomes ahead. We saw stronger consumer spending and improving demand early in the quarter, but the war in the Middle East has altered the direction. Consumers haven’t left the market, but they’re getting more selective. Every new headline and cost increase makes them more cautious about pulling the trigger on a big-ticket item.”

Consumer Confidence. As of March 31, *The Conference Board* reports that their preliminary Consumer Confidence Index has edged up by 0.8 points to 91.8 (1985=100) from a revised 91.0 in February. Because of the Iran war oil shock, consumer 12-month inflation expectations surged in March to the highest levels in six months. 42.4% of this month’s respondents now expect higher interest rates for the next year, but expectations for higher stock prices are obviously falling. Commenting on the survey report, Dana Peterson, Chief Economist at The Conference Board noted, “Consumer confidence ticked up again in March, as a modest improvement in consumers’ views of current conditions outweighed a slight downshift in expectations for the future. Three of five components of the Index firmed in March, and overall confidence improved modestly for a second month. Nonetheless, the Index has been on a general downward trend since 2021.” It would seem, she does not expect the next report to be very positive. For a different viewpoint, the University of Michigan Consumer Sentiment Index posted on April 10 is based on slightly more recent data. Regrettably, the index fell to 53.3 from last month’s 56.6, and is down 6.5%, year over year. Furthermore, the U of M “Year-ahead Inflation Expectations” index climbed to a rate

of 3.8%, posting the largest one-month increase since April 2025 which does not bode well.

Business Confidence. Despite the apparent uncertainty about the future, business confident in our West Michigan survey continues to hold fairly steady. Our SHORT-TERM BUSINESS OUTLOOK Index which asks West Michigan firms about their business perceptions for the next three to six months upticked to +17 from February's +12. The LONG-TERM BUSINESS OUTLOOK Index, which queries the perceptions for the next three to five years, modestly eased to +35 from +40 but remains high by historical standards. Looking as we always do at the nation's small businesses, the March 10 press release from the National Federation of Independent Business (NFIB) reported that the Small Business *Optimism* Index again modestly eased 0.5 points to 98.8. In confirmation, the NFIB's Small Business *Employment* Index released on April 2 fell 1.9 points to 101.6. However, the reading remains above the 2025 annual average of 101.2 and the historical average of 100.

Industrial Inflation. In the short term, industrial inflation does not automatically roll over into consumer inflation, but in the long term it often does. Short term, we have had industrial price increases brought on by tariffs, and now we have to deal with the energy price increases resulting from the Iranian war. Locally, our West Michigan index of PRICES for March rose to +35 from +25. In a similar move, the national ISM index of PRICES rose significantly to +57 from +41. From S&P Global, the March Worldwide S&P *Price Pressure* Index, a compilation of 26 major industrial commodities, rose to 2.5, up from February's 1.4 and considerably higher than 0.4 posted in January. Of the 26 monitored commodities, 22 registered above-average price increases. 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, 11 commodities reported supply shortages above the long-run trend, and significant shortages were noted for basic commodities such as Polyethylene, Rubber and Aluminium. Usamah Bhatti, Economist at S&P Global Market Intelligence, commented:

"The outbreak of war in the Middle East played a key role in the intensification of price and supply pressures faced by global manufacturing firms during March. In fact, reports of higher prices were around two-and-a-half times the normal level, led by Semiconductors, but there were also steep increases signalled in Electrical Items, Transport, Energy and Oil. All monitored commodities registered price increases at the end of the first quarter, with 22 of the 26 seeing reported price pressures above the long-run trend. Concurrently, pressure on supply chains was apparent in March, with reported supplier shortfalls exceeding the long-run average for the first time since June 2023. Just over half of the monitored commodities recorded above-average shortages, with the most severe reports seen for Oil. At four-and-a-half times the usual level, reported shortfalls of Oil were the highest recorded since the start of 2023. The wider impact of the conflict will be seen in the coming months, but it is clear the resilience of the global manufacturing sector will likely be tested."

Consumer Inflation. On March 11, the Bureau of Labor Statistics (BLS) reported that the "headline" CPI-U annual inflation for February remained unchanged at 2.4 percent. The CPI "core" sub-index, which excludes food and energy, also remained unchanged at 2.5. In a similar move, the sub-index of "shelter," a major CPI component, also stayed unchanged at 3.0. Although higher fuel costs will undoubtedly impact future CPI readings, they may be offset by lower shelter index reports, given that the shelter index constitutes a significantly larger portion of the Consumer Price Index (CPI) calculation. Looking at the Personal Consumption Expenditure (PCE) Index computed by the Bureau of Economic Analysis (BEA), the March 13 report

showed an inflation rate of 2.8 percent. Excluding food and energy, the PCE Price Index increased 3.1 percent from March 2025. Lower rents and lower home selling prices will help both the PCE and CPI. According to the "Apartment List" website, national median rents for March are down 1.7% compared to a year ago. Year-over-year rent growth is now at the lowest level since 2017. For the Grand Rapids area, year-over-year March rents were up by 2.4 percent and in Kalamazoo by 1.7 percent. For the homeowner side of the cost of housing, the latest January Case-Shiller National Home Price NSA Index released on March 31 reported that U.S. home prices from February increase by a scant 0.9 percent annual rate, or at a rate of -2.3 percent when adjusted for inflation. It is now somewhat obvious that home sales have shifted to a buyer's market in many (but not all) parts of the country. According to Nicholas Godec from Dow Jones Indices:

"January's results show home price gains continuing to cool, with the U.S. National Index up 0.9% year over year — down from 1.1% in the prior month. The 10-City and 20-City Composites followed the same path, easing to 1.7% and 1.2%, respectively, from 2.0% and 1.4% the prior month. Price levels remain elevated, but the rate of appreciation has slowed materially. Splitting the year into two halves sharpens the picture. The National Index rose 2.2% over the first six months of the period, then fell 1.3% over the most recent six — a swing that explains why annual gains have compressed to under 1% despite prices remaining historically elevated."

GDP. On April 9, the BEA posted a second estimate for 2025 fourth quarter growth at 0.7 percent, down considerably from last month's first estimate of 1.4 percent. Needless to say, the actual GDP computed by the BEA is coming in at a rate far below the Atlanta Fed's GDPNow Q4 forecast of 4.2 percent and the New York Fed's Nowcast model prediction of 2.7 percent. With the forecasters now turning to growth projections for the first quarter of 2026, Atlanta Fed's GDPNow stands at 1.6 percent as of April 2. The Conference Board's March 11 estimate has been revised to 2.0 percent. As of April 3, the New York Fed Nowcast model for "2026:Q1" reads 2.4 percent, with a 50 percent probability of the final result falling between 1.2 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. Just as last month, the world outlook seems to shift daily at a rate faster than most of us can remember. Trying to forecast the future is difficult during times of relative stability, so it is not a surprise that most forecasts, even from highly trained economists, are often inaccurate. Of course, some forecasts will undoubtedly be right, based on the basic principle that a broken clock is exactly right twice a day. Since our last report, we had hoped to hear about progress toward ending the trade war between the U.S. and Canada. It is worth repeating that these talks are critical to Michigan, largely because of our huge volume of cross-border business with Ontario. However, the president and all of Washington are now obviously focused on other issues.

Given that the local, national, and international surveys are all positive, a recession starting in the next few months is highly unlikely. However, inflation is likely to remain stuck at or near the current level for the remainder of 2026. Political pressure and new Fed leadership may result in a few more interest rate reductions, but cutting rates too many times too fast could weaken the dollar in the world marketplace. It is wise to remember that the dollar is now a cybercurrency that is only backed by the "full faith of the U.S. government." It is currently the strongest currency in the world, but a few wrong steps by the Fed could change that status.

March 2026 Survey Statistics

	UP	SAME	DOWN	N/A	Feb. Index	Jan. Index	Dec. Index	25 Year Average
Sales (New Orders)	46%	34%	20%	0%	+26	+10	-11	+14
Production (Gross Output)	37%	37%	21%	7%	+16	+ 8	- 5	+14
Employment	22%	55%	22%	0%	+ 0	+ 2	- 2	+ 8
Purchases	26%	55%	17%	2%	+ 9	- 6	- 5	+ 7
Prices Paid (major commodities)	39%	57%	4%	0%	+35	+25	+26	+15
Lead Times (from suppliers)	11%	79%	4%	4%	+ 7	+ 9	+ 4	+11
Purchased Materials Inv. (Raw materials & supplies)	28%	42%	15%	15%	+13	+ 0	- 7	- 4
Finished Goods Inventory	24%	43%	21%	2%	+ 3	+ 0	+ 7	- 2
Short Term Business Outlook (Next 3-6 months)	41%	35%	24%	0%	+17	+12	+ 4	-
Long Term Business Outlook (Next 3-5 years)	48%	37%	13%	2%	+35	+40	+44	-

Items in short supply:

Steel, ground calcium carbonates, aluminum and some aluminum items, RAM chips, electronics, hardware, fuel, CDL drivers, engineers.

Prices on the UP side:

Aluminum, brass, copper, plastics, steel, steel components, fuel (gasoline and diesel), fuel surcharges, carbide tooling price, transportation charges, paper roll stock, all oil derivatives (polyols, UV inhibitors, HALS, skim milk powder, polypropylene, PA6, ABS, HDPE, anything tariff related).

Prices on the DOWN side:

Some plastics.

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 (Jan.)	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

MARCH COMMENTS FROM SURVEY PARTICIPANTS

“Will high fuel prices damage the economy past a tipping point? Signs are evident that this year wants to be a good year. Good signs seem to continue, but will they?”

“Fuel surcharges are beginning to start coming in while other price increases are being discussed for non-freight items based on concern for inflation. Our outside service firms increased wages at the beginning of the year and are now looking to pass those costs on.”

“Finding qualified and reliable drivers continues to be a heavy lift. We had one that was all about it, experienced etc., and then ghosted us for training. No notice, nothing.”

“Hemp can be used for fuel, oils, building materials, textiles, food, and medicine. Yet, this country cannot get on-board with growing more industrial hemp. Hemp can literally save the world. Hemp requires no pesticides or herbicides, fibers are 10X stronger than cotton, requires only half the acreage of cotton, can grow anywhere in the world, uses less water than cotton, doesn't deplete the soil, produces 4X more fiber than cotton on the same amount of land. Nobody is growing it, because of government regulations. Our government has too much interest in oil.”

“There are still some lingering issues with steel supply due to the industry consolidation that occurred last year.”

“Carbide tooling price increases are unprecedented! 20% to 50% increases! I don't see things leveling out any time soon.”

“While we have not accepted any price increases, we have received many requests for increases on resins due to petroleum costs. We are also receiving increase requests on packaging materials.”

“U.S. NFDM (Skim Milk Powder) production has declined for multiple years in a row. Even with the abundance of milk, less is being dried into powder, tightening supply and driving the price up.”

“With layoffs in the area, there is less wage pressure on hiring roles. Entry level roles have more applicants than in the past.”

“While we remain optimistic, the conflict in the Middle East has added some risk.”

“We're still waiting on new business to develop. It's looking very slow until the 3rd or 4th quarter.”

“We continue to deal with freight challenges and surcharges due to the ongoing conflicts. The IEEPA (tariff) refund process has been slow as everyone knows.”

“Business is booming through the first quarter, but there's lots of uncertainty based on the global conflict and fire at a major propylene oxide plant in Lyondell, TX. We're anticipating significant cost increases over the next 4-6 weeks.”

“It will be interesting to layer in the impact of fuel increases throughout the supply chain with tariffs still impacting our steel pricing.”

“Steel mills have communicated that they have oversold their capacity and are expecting to go on allocations later this year.”

“We've had a tough start for the first quarter. With the conflict in Iran, there is no clear certainty of impact to materials or projects.”

“Business has never been this bad. Even 2020 was better than today. 15 months of negative sales. We will be closing our local retail store within the next two months, which has been open for 7 years. My dream of owning my own retail store has been destroyed by this current administration.”

“Sales are 'okay' but a little soft. Down slightly. Longer term forecast appears more positive, but we shall have to wait and see the fallout of current conditions in the world.”

“We are seeing a nice boost in sales this month, but we're not clear what is driving it. We are keeping the yearly forecast the same for now.”

“Market uncertainty continues to put downward pressure on the housing markets.”

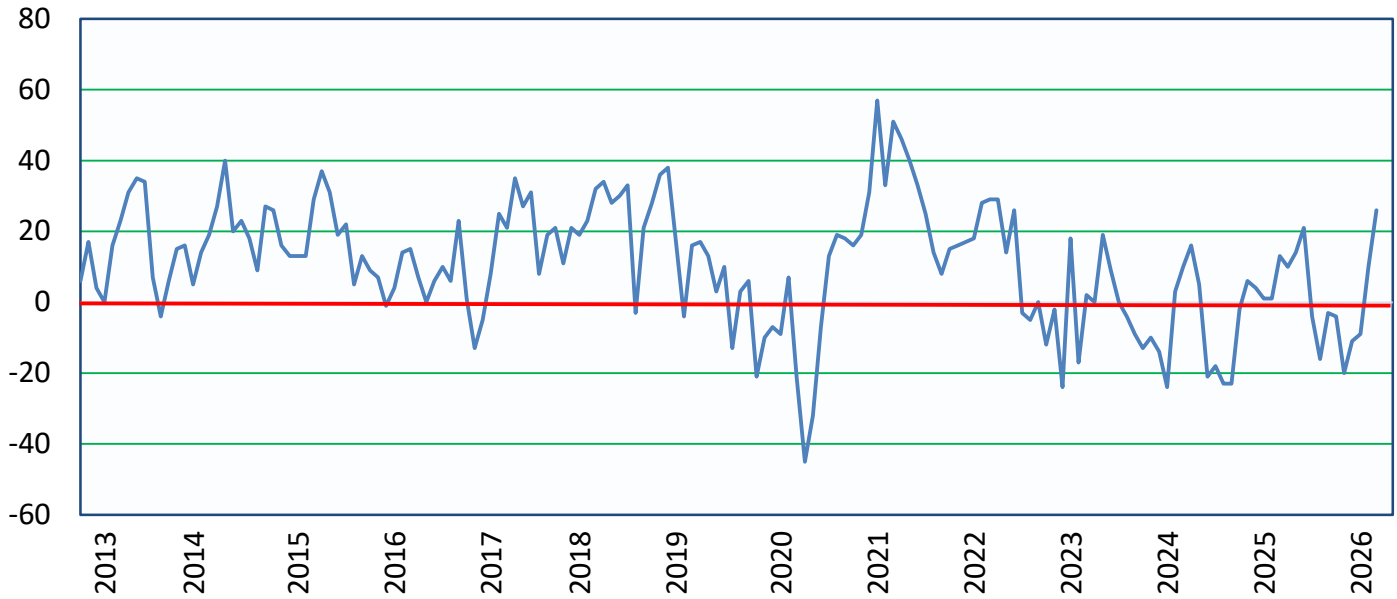
“The conflict in the Middle East gave many of the producers in the plastics industry the 'event' that they needed to prop up markets and raise prices.”

“War in Iran is a major concern. Fuel prices and overseas freight is expected to increase.”

“The war is creating a lot of order risk. Not for us directly, but indirectly, as other suppliers to our customers will likely have issues with supply.”

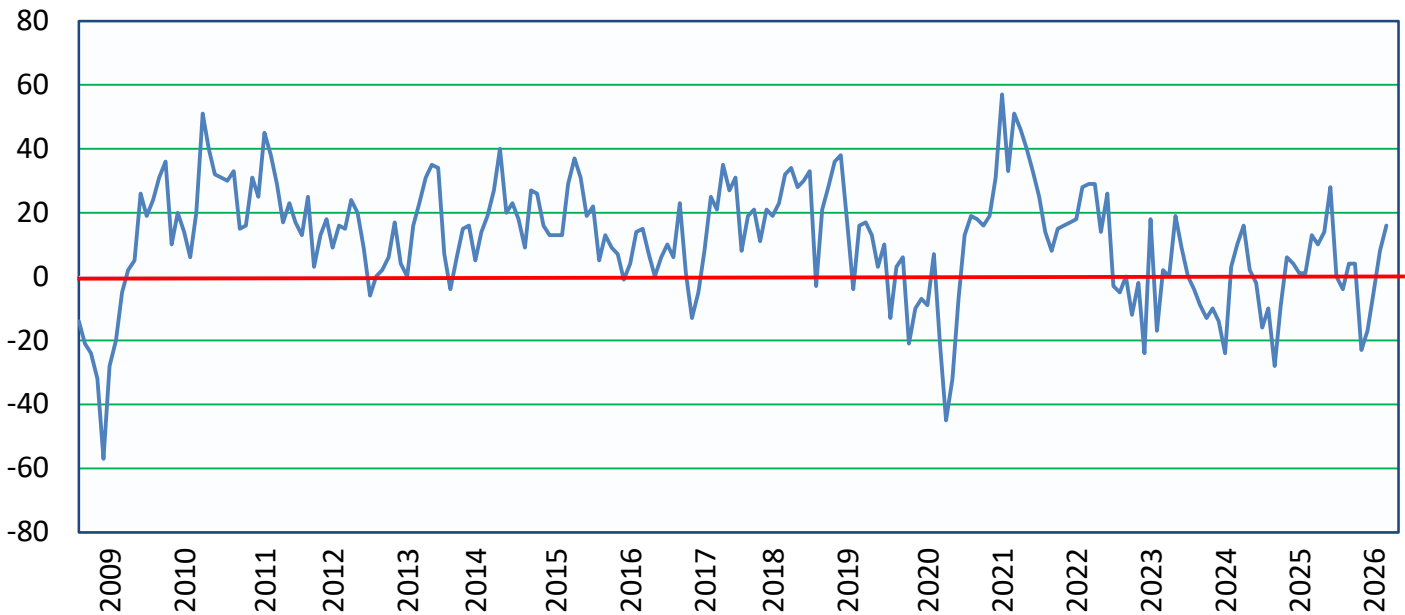
West Michigan Index of New Orders: 2013-2026

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.



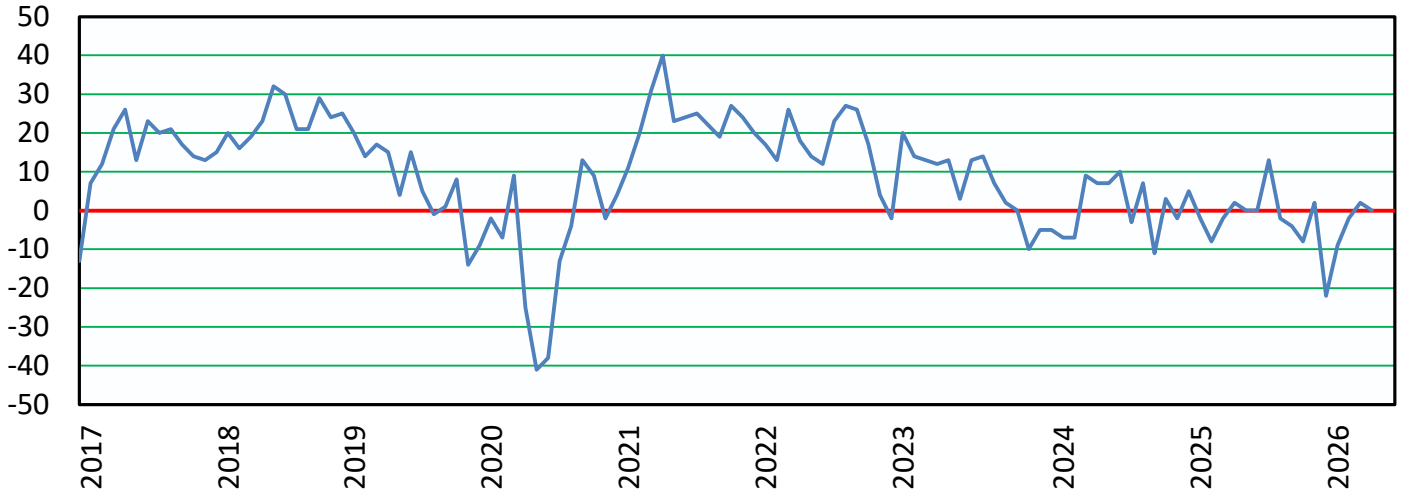
West Michigan Index of Production (Output): 2008-2026

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: 2013-2026

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)

