



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

June 10, 2026

Growth Positive for a Fourth Continues Month

Key Take-Aways from May 2026 Statistics:

- **NEW ORDERS Index remained unchanged at +15. PRODUCTION Index eased to +14 from +22.**
- **Just like previous months, all other May PMI surveys remain modestly positive, especially in Europe, because of increased military spending.**
- **Uncertainty continues to deepen.**

	May	Apr.
NEW ORDERS Index (business improvement)	+15	+15
PRODUCTION Index (aka "output")	+14	+22
EMPLOYMENT Index	-4	+13
LEAD TIMES Index	+22	+7

Key Participant Comments for May

"Fuel prices continue to impact every aspect of business by acting as a 'hidden tax' on operations, significantly raising costs for transportation, logistics, and production. Rising fuel prices increase the expenses of moving goods via truck, train, or ship, which includes almost all goods, leading to higher consumer prices and lower profit margins for businesses."

"We are mostly automotive and our demand from customers (volume) is surprisingly strong. It might be a stocking strategy by the OEMs, i.e., build inventories now before other supply constraints hold them back."

"We're hoping that the Iran war can wrap up soon to bring direct and indirect pricing back down."

"This war in Iran has drug on longer than anyone thought. It will have far reaching consequences even after it's settled"

"All of our customers seem to be embracing reasonable price increases after an era of depressed pricing, up 0.5% to 7.5%, not including fuel surcharges."

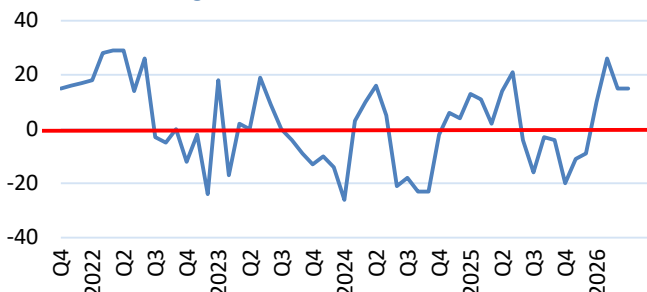
The Local Economy. For the fourth consecutive month, our survey of the West Michigan industrial economy paints a modestly positive business environment. Based on the PMI Survey data collected in May 2026, NEW ORDERS, our index of business improvement, remained at +15 compared to the previous month though down from the YTD peak of +26 recorded in February. Meanwhile, the May PRODUCTION Index, or "OUTPUT," fell to +14 from +22 in the previous month indicating some slowdown in the manufacturing sector. Respondents remain cautious and wary about the Iran War and its impact on supply chains, fuel prices, and domestic inflation. Some highlight how fuel inflation is serving as a "hidden tax" on their businesses, raising costs on every aspect of their operations, which in turn is reflected in increased consumer prices and lower profit margins for business overall. Others note that in certain areas, sales are surprisingly strong due

to demand from data centers and possible stocking strategies by OEMs.

The U.S. Economy. For the nineteenth successive month, the national industrial economy has remained positive, according to the national monthly survey compiled by the Institute for Supply Management (ISM). For May, ISM's index of NEW ORDERS remained double-digit positive, increasing one point to +17 from +16 posted in April. Meanwhile, the PRODUCTION Index eased to +11 from +15, mirroring the trend in West Michigan. Looking at international trade, ISM's index of IMPORTS rose from +0.5 to +6 while the EXPORT Index rebounded from -4 to +1. ISM's ORDER BACKLOG Index remained positive at +4, though lower than February's 30-month high of +13. Reports that some firms are accumulating large amounts of inventory because of threats to the supply chain appear to be reflected in the ISM's index of INVENTORIES which rose to +2 from negative territory (-3) in April. ISM's Composite Index, a compilation of all of these individual indices, stood at 54 percent in May, up 1.3 percentage points from April reflecting the highest reading since May 2022 (55.9 percent). Although ISM data indicate that the overall economy remained in expansion mode for the 19th month in a row, overall business confidence remains cautious, consistent with the sentiment in West Michigan. In the May 2026 report, comments were 69 percent negative while only 25 percent were positive. Key issues raised include Iran war, tariffs, and price volatility. Chris Williamson, the Chief Business Economist at S&P Global, further commented:

"At first glance, the manufacturing sector seems to be firing on all cylinders but lift the hood and the picture is not so clear. The headline PMI has hit a four-year high, with strong factory

West Michigan Index of New Orders: 2021-2026



production growth for a second successive month in response to a further marked upturn in order books, but since the outbreak of war in the Middle East we have seen production and demand buoyed by stock building as companies worry over rising prices and supply difficulties. This stockpiling was again widely evident in May and makes it hard to take an accurate reading on the underlying health of the manufacturing economy, as growth will cool once this stock build has run its course. The incidence of supply chain delays is the highest since August 2022, with the buying of safety stocks not only adding to the supply squeeze from the closure of the Strait of Hormuz but also ushering prices higher for a wide variety of inputs. The resulting steep jump in producer costs sends a worrying signal that broader economy inflation has further to rise in the coming months."

The World Economy. J. P. Morgan's Global Manufacturing PMI for May remained unchanged from the four year high of 52.6 that it reached in April. This was the 10th consecutive month that it was above the neutral reading of 50. The Netherlands, Taiwan, the United States, India, South Korea, and Japan had the highest PMIs, while major economies with PMIs of lower than 50 included Russia, Brazil, Poland, Mexico, and Turkey. Manufacturing production experienced its fastest rate of expansion since summer of 2021 although much of this was driven by companies purchasing goods in anticipation of supply shortages and price increases resulting from the conflict in the Middle East. Relatedly, average input prices rose at their highest pace in nearly four years, while business optimism fell to its lowest level in seven months. Maia Crook, Global Economist at J.P. Morgan, commented:

"The J.P. Morgan global manufacturing output PMI ticked up 0.1-pt to 53.5, signalling the fastest rate of expansion since July 2021. Producers continue to cite a lift from precautionary demand, and indeed the finished goods inventories PMI continued its recent surge to a seven-month high. Arguably the clearest conflict impact has been on manufacturing business confidence (as measured by the future output PMI) and the output price PMI; both moved sideways in May after sharp moves up in prior months."

The S&P Global Eurozone Manufacturing PMI, which is constructed from survey panels of approximately 3000 private manufacturing companies in Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece, fell from 52.2 in April to 51.6 in May. Despite the decrease, this number is still one of the highest in the last four years. The largest gain came from the Netherlands with a PMI Index above 55, Germany fell back to just above 50, and France dropped below 50. On the downside, declines in factory employment continued for the 36th consecutive month, and the PMI measure for input prices rose to its highest level in four years. Chris Williamson, Chief Business Economist at S&P Global Market Intelligence noted:

"Although euro area manufacturers reported an expansion for a fourth successive month in May, the sector is showing signs of struggling under the weight of rising prices and supply disruptions emanating from the war in the Middle East. A key development in May was yet another surge in energy and raw material prices, causing the largest monthly jump in firms' costs for four years. The incidence of supply chain delays has meanwhile risen to the highest since the pandemic supply squeeze of 2022, adding further upward pressure to prices. Factories are having to pass higher costs on to customers, which will inevitably drive up inflation in the coming months. However, demand is being hit by higher prices, with May seeing order books stall after three successive monthly improvements. Policymakers will be eager to stamp out the rise in inflation, but will also be cautious as to how far rate rises go given the indications of faltering demand that are already appearing."

Automotive. According to the Bureau of Economic Analysis (BEA), total vehicle sales ticked up in May by 0.5% after a minor decline in April of -0.8%. Excluding the sale of light and heavy trucks, domestic auto sales (includes all vehicles assembled in the U.S., Canada, and Mexico) declined by -0.8% in May after experiencing gains in April (2.9%), March (2.5%), and February (4.2%). Interestingly, May was the first month of positive year-over-year growth in total vehicle sales (2.8%) since September of last year. For domestic autos, the growth in sales from May 2025 to May 2026 was 3.4% reflecting the first month of positive growth

since March 2025. Together, this suggests that while sales are up relative to the start of 2025, sales declined in May after notable gains between February and April.

The decline in May domestic auto sales was not simply a switching of purchases to their foreign counterparts. In May, sales of foreign autos fell by -2.7% month-over-month and are down -6% year-over-year. The latter is the 11th consecutive month decline in foreign auto sales. From its recent high of 1.1 million units sold in March 2025, foreign auto sales were approximately 880,000 units in May 2026, about half the amount of their domestic counterparts (1.7 million units). Commenting on the April automotive market, David Oakley of GlobalData opined:

"Affordability continues to be the watchword, as lower levels of trade-in equity — with more consumers facing negative equity — make new purchases more difficult. However, it is important to remember that new-vehicle buyers are significantly more affluent than the average American consumer, often enabling a path for deals to be made, even as lower and middle-income individuals are priced out of the new-vehicle market."

Consumer Confidence. Consumer confidence continued to retreat to near historical lows in May. According to the University of Michigan's Consumer Sentiment Index, confidence fell 10% from April (49.8) to May (44.8), reaching the lowest level recorded in the surveys nearly 70-year history. The constituent components of the index, namely the Current Conditions Index and the Expected Condition Index, reflect that consumers have never had a more negative perspective on the current state of the economy, achieving a historical low of 47.8. Similarly, their outlook on the future state of the economy is nearing historical lows, reaching 48.5 which is notably below its pandemic era low. On a related note, the consumer "one year ahead" inflation expectation remained steady from April to May at 4.8%; however, the "five year ahead" expectation increased from 3.5% in April to 3.9% in May.

An alternative measure of consumer confidence, elicited from a survey conducted by the Conference Board, also suggests a negative perspective on the current state of the economy by consumers. Their Present Situation Index fell by -3.2 between April and May, a 2.6% decline. In contrast, the Expectations Index, offering a better outlook on the economy going forward, showed an increase of +1.0 (1.4%). Chief Economist at the Conference Board, Dana Peterson, noted that:

"Consumer confidence edged downward in May as the inflationary impacts of the war in the Middle East intensified. Consumer appraisals of current business conditions and the current labor market were moderately less positive compared to last month. This was somewhat offset by modest improvements in consumers' expectations for business conditions and the labor market six months from now. Meanwhile, income expectations eased in May, as those anticipating less income rose."

Consumer inflation expectations, according to survey participants, ticked downward between April and May but remain markedly elevated relative to the end of 2025. These elevated inflation expectations are accompanied by a majority of respondents anticipating higher interest rates over the next 12 months.

Business Confidence. According to the monthly West Michigan survey, business confidence in our economy continues to hold. The SHORT-TERM BUSINESS OUTLOOK Index, asking West Michigan firms about their business perceptions for the next 3 to 6 months, rose slightly to +14 in May relative to +11 in April. Considering the next 3 to 5 years, the LONG-TERM BUSINESS OUTLOOK Index declined noticeably in May to +26 relative to +44 in April and +35 in March. Considering small businesses across the country, the most recent data from the National Federation of Independent Business (NFIB), the Small Business Employment Index showed almost no change from April to May remaining below its 2025 average. Although Michigan specific data is unavailable, the state director of NFIB Amanda Fisher stated:

"Small business hiring stalled in May as owners continue to report challenges with finding qualified workers for their open positions. Small employers are facing a variety of increased cost pressures, with rising labor costs being a top concern. We

encourage lawmakers in Lansing to consider the small business labor market when debating new regulations on Main Street."

According to the Conference Board, confidence about the state of the economy amongst CEOs of some of the nation's largest businesses also fell in May. Their CEO Confidence Index fell from 59 in Q1 2026 to 47 in Q2 2026, a 20.3% decline. An index value below 50 reflects that the 141 CEOs included in the survey shared more negative than positive responses. This turn to pessimism is highlighted by the fact that, relative to 6 months ago, 47% of CEOs surveyed current economic conditions as being worse, whereas only 8% classified economic conditions as being worse in Q1 2026.

Industrial Inflation. Industrial inflation in West Michigan persisted in May, where the PRICES Index rose to +62, up from +52 and +35 in April and March, respectively. This most recent reading is noticeably above the 25-year average of +15. From ISM, raw material prices increased for the 20th consecutive month; however, this increase slowed in May, indicated by the PRICES Index falling from +69 to +64. On the global level, the S&P Global PMI report indicates continued supply pressures with respect to both shortages and prices. In May, 19 of 20 commodities were experiencing above-average shortages, while 25 of 26 commodities were experiencing above-average price increases. Usamah Bhatti, Economist at S&P Global Market Intelligence, summarized their recent report:

"... a marked intensification of commodity price and supply pressures since the start of the conflict has pushed manufacturing costs higher and placed considerable strain on supply chains. The S&P Global PMI Commodity Price & Supply Indicators pointed to a potential peaking of price pressures in April, having eased slightly in May, but price inflation remains historically elevated. Reported supply shortages, however, have crept higher in each month since February to now stand at the highest for three-and-a-half years."

Consumer Inflation. The most recent reading of consumer inflation, released by the Bureau of Labor Statistics (BLS) on June 10, 2026 suggests that the headline CPI rate for May was 4.2% year-over-year. At an annualized rate, average consumer prices rose by nearly 7.96% between March and April, which is below the February to March increase of 10.9%. Core CPI, which excludes food and energy due to historical volatility, rose for the third consecutive month. Relative to last year, the Core CPI in April was up 2.7%, 2.6% in March, and 2.5% in February. Considering the annualized March to April change, consumer prices rose by 4.6%, nearly double their February to March increase of 2.3%. Energy prices are the major driver of inflation for the time being. From March to April, the one-month percent change in average energy prices was a staggering 3.8%, with the sub-index indicating energy prices increased 17.5% relative to last year.

While methodological differences apply, the Fed's preferred measure of inflation, Personal Consumption Expenditures (PCE) from the BEA, reaffirmed the reported CPI numbers. Relative to April of last year, PCE suggested a 3.8% increase in average prices, with core PCE slightly lower at 3.3%. From March to April, prices rose by an annualized rate of 4.9%, down from the February to March rate of 8.3%. Excluding food and energy, these annualized rates were markedly lower at 2.9% in April and 3.6% in March.

With respect to home prices, the latest Case-Shiller National Home Price Index, released on May 26 for the month of March, posted a 0.7% increase over the past 12 months, slightly below the previous month reading of 0.8%. This March reading constitutes the tenth consecutive month of inflation outpacing home price appreciation.

West Michigan Unemployment. According to the Michigan Department of Technology, Management, and Budget (DTMB), the April unemployment rate has fallen to 5.0 percent, down from 5.3 as recently as March. According to DTMB's most recent report, most West Michigan counties are reporting modest improvements in unemployment. For Kent County, the April year-over-year unemployment rate fell to 3.6 percent from 4.2 percent. The unemployment rate for Barry County downticked to 4.1 from 4.8. Calhoun County unemployment eased to 4.7 from 5.7 percent, Kalamazoo County unemployment fell to 5.1 from 5.5, and the Ottawa County rate fell to 3.4 from 5.4 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.

GDP. On May 28, the BEA released their second estimate of growth for Q1 2026, coming in at 1.6%. This estimate is a revision downward of 0.4 percentage points relative to their initial estimate the previous month. This downward revision primarily reflects negative adjustments to investment (due to manufacturing and retail trade) and consumer spending (due to negative revision in services but partly offset by positive revision in goods).

Forecasters are currently expecting growth performance in Q2 2026 to be markedly better. The Atlanta Fed's GDPNow forecast (as of June 1st) is 3%, slightly down from their mid-May forecast of 4.3%. This is slightly higher than the New York Fed's Nowcast for Q2 2026 of 2.7% as of June 5. Both forecasts are higher than the consensus estimates of professional forecasters, which sits at 2.1% according to the Survey of Professional Forecasters conducted by the Philadelphia Fed.

Looking Forward. Indeed, the industrial economy at all levels from West Michigan to JPM's international PMI appears to be modestly solid. However, we are beginning to fear that our statistics are getting ahead of reality and could be building a bubble. Much of the recent enthusiasm is apparently predicated on optimism that the Iran war could be over at any moment, resulting in the economy bouncing to meet the good news. However, we have been hearing that a deal is only a few hours or days away for well over two months, and we may now be wondering if and when a "good" deal will be coming anytime soon, if at all. Alternatively, the president, feeling domestic pressure to reach a deal, may accept a suboptimal solution that leaves the Iranian regime in power to rebuild their military and reinstate their proxy terrorist groups over the next few years. This is obviously what the regime expects, assuming they can outlast the president.

Over the next month, we obviously need to keep an eye on consumer confidence. Although it has not happened so far, lower and lower consumer confidence ultimately becomes too low and spills over into lower business confidence. Even though West Michigan has experienced about a 1 percent increase in unemployment over the last two years, most of the layoffs have been through attrition and minor plant closings, not by a market collapse. This trend should continue as long as NEW ORDERS at the local, national, and international levels remain marginally positive. However, if the industrial market does finally crater, we are almost assured that we will soon be entering another recession.

Note: Portions of this report have been written by Josh York, Ph.D., Chris Cruz, Ph.D., and Daniel Giedeman, Ph.D., all faculty of the Economics Department at the Seidman College at Business, Grand Valley State University. – BGL

May 2026 Survey Statistics

	UP	SAME	DOWN	N/A	May Index	Apr. Index	Mar. Index	25 Year Average
Sales (New Orders)	42%	31%	27%	0%	+15	+15	+26	+10
Production (Gross Output)	36%	31%	22%	11%	+14	+22	+16	+11
Employment	16%	62%	20%	2%	-4	+13	0	+8
Purchases	29%	49%	18%	4%	+11	+18	+9	+5
Prices Paid (major commodities)	62%	33%	0%	4%	+62	+52	+35	+19
Lead Times (from suppliers)	27%	71%	0%	2%	+27	+22	+7	+14
Purchased Materials Inv. (Raw materials & suppliers)	29%	47%	7%	18%	+22	+16	+13	+2
Finished Goods Inventory	13%	47%	24%	16%	-11	+9	+3	-4
Short Term Outlook (Next 3-6 months)	38%	38%	24%	0%	+14	+11	+17	-
Long Term Outlook (Next 3-5 years)	33%	56%	7%	4%	+26	+44	+35	-

Items in short supply:

Steel, hot rolled carbon steel, lubricants, coolants, colorant, HDPE, electronics, aluminum, wood products, rollstock paper, nonfat dry milk (NFDM), commercial hemp, RAM memory, raw material ingredients from China, qualified/experienced people.

Prices on the UP side:

Aluminum extrusions, die castings, resins, steel, sealants, fuel, fuel surcharges, fuel additives, freight, copper, freight, manufacturing contract services, polypropylene, nylon, ABS, copper, brass, polyols, tin-based catalysts, IPDI, oil derivatives, aluminum, HDGC steel, U.S. postage, corrugated, metal surcharges, carbide, carbide cutters, RAM memory, rubber.

Prices on the DOWN side:

Freight.*

*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.

	Apr. 2026	Apr. 2025	Aug. 2009*	25-Year Low
State of Michigan (Apr.)	5.0%	5.2%	14.6%	3.2%
State of Michigan (Unadj.)	4.5%	4.7%	14.1%	2.9%
Kent County	3.6%	4.2%	11.9%	2.1%
Kalamazoo County	3.9%	4.3%	11.1%	2.1%
Calhoun County	4.7%	5.4%	12.8%	2.7%
Ottawa County	3.4%	3.9%	13.3%	1.8%
Barry County	4.1%	4.8%	10.9%	2.2%
Kalamazoo City	4.8%	5.3%	15.2%	3.2%
Portage City	3.4%	3.8%	8.7%	1.3%
Grand Rapids City	4.4%	5.0%	16.1%	3.0%
Kentwood City	4.2%	4.9%	10.7%	1.4%
Plainfield Twp.	3.5%	4.1%	8.0%	1.4%
U.S. Official Rate (May)	4.3%	3.9%	9.6%	3.4%
U.S. Rate (Unadjusted)	4.0%	3.7%	9.6%	3.1%
U.S. U-6 Rate (May)**	8.1%	7.8%	22.9%	6.7%

* August 2009 = low point before the Great Recession

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

MAY COMMENTS FROM SURVEY PARTICIPANTS

“We received our first tariff refunds in early May - with interest!”

“We are expecting a downward trend in housing market through end of the year which will drive down spend, sales, etc.”

“We are mostly automotive and our demand from customers (volume) is surprisingly strong. It might be a stocking strategy by the OEMs, i.e., build inventories now before other supply constraints hold them back.”

“We’re hoping that the Iran war can wrap up soon to bring direct and indirect pricing back down.”

“May is a continuation of a strong year that started in March.”

“Supply challenges due to Lyondell Propylene Oxide plant fire (February) remain, but resolution appears to be on the 3-month horizon.”

“Prices remain volatile due to global conflicts.”

“Prices continue to escalate due to fuel prices and inflation increasing.”

“This war in Iran has drug on longer than anyone thought. It will have far reaching consequences even after it's settled.”

“Fuel prices continue to impact every aspect of business by acting as a ‘hidden tax’ on operations, significantly raising costs for transportation, logistics, and production. Rising fuel prices increase the expenses of moving goods via truck, train, or ship, which includes almost all goods, leading to higher consumer prices and lower profit margins for businesses.”

“The war, tariffs, and lack of leadership are destroying this country financially.”

“We continue to struggle with late or delayed steel and aluminum orders from our mill sources.”

“Sales are higher than expected this month. We have one product line that is applicable to data centers, and the orders are starting to roll in. Capacity is strained; we typically slow down this time of year.”

“Self-induced price increases and lead times are causing harm to our supply chain.”

“Steel availability and lead-times continue to be challenging. Now we are starting to see labor-driven supply constraints in other areas. We have two suppliers who are not able to keep enough workers. Not sure if it's the company or a labor shortage in the area.”

“Laws keep the hemp industry from thriving. Nobody wants to grow hemp when the laws continue to push back on the farmers.”

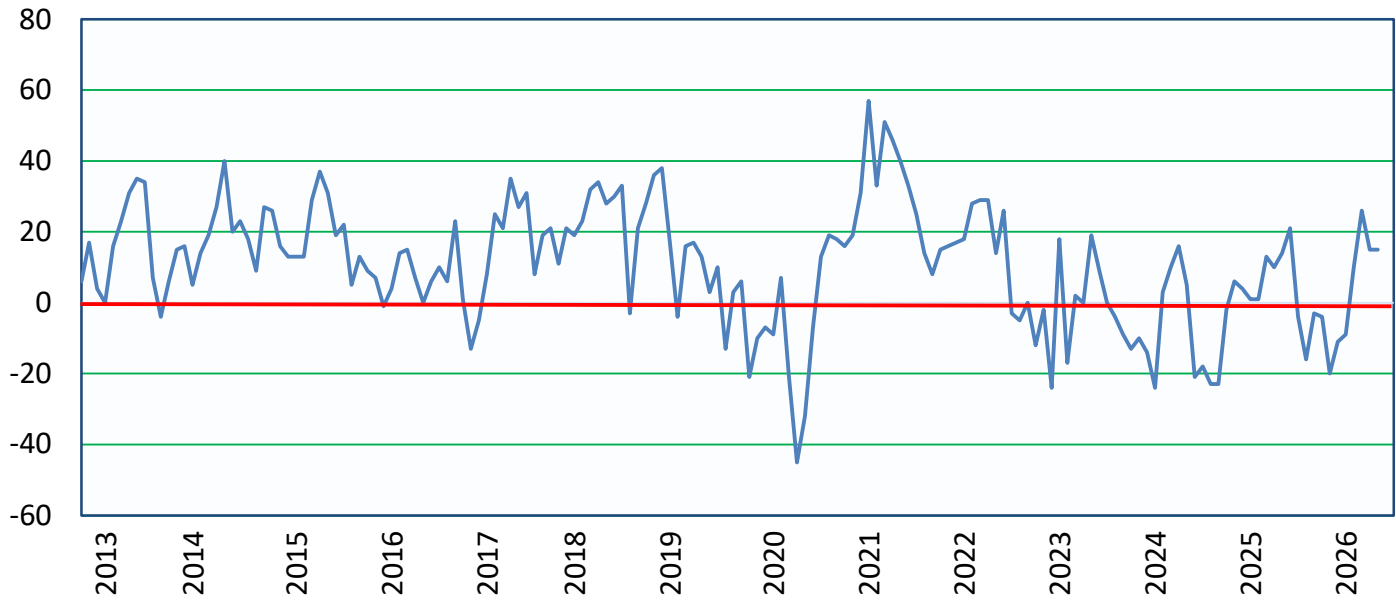
“NFDM is at a record high. A milk shortage is not driving the run-up. A wave of new dairy plant investments, combined with surging demand for protein in nearly every form, has redirected milk away from dryers and toward cheese vats and filtration lines.”

“Postage just shot up again. A package that I used to ship through USPS for \$3.60 is now \$5.20 in less than a year. Fuel costs are up causing everything else to go up.”

“All of our customers seem to be embracing reasonable price increases after an era of depressed pricing, up 0.5% to 7.5%, not including fuel surcharges.”

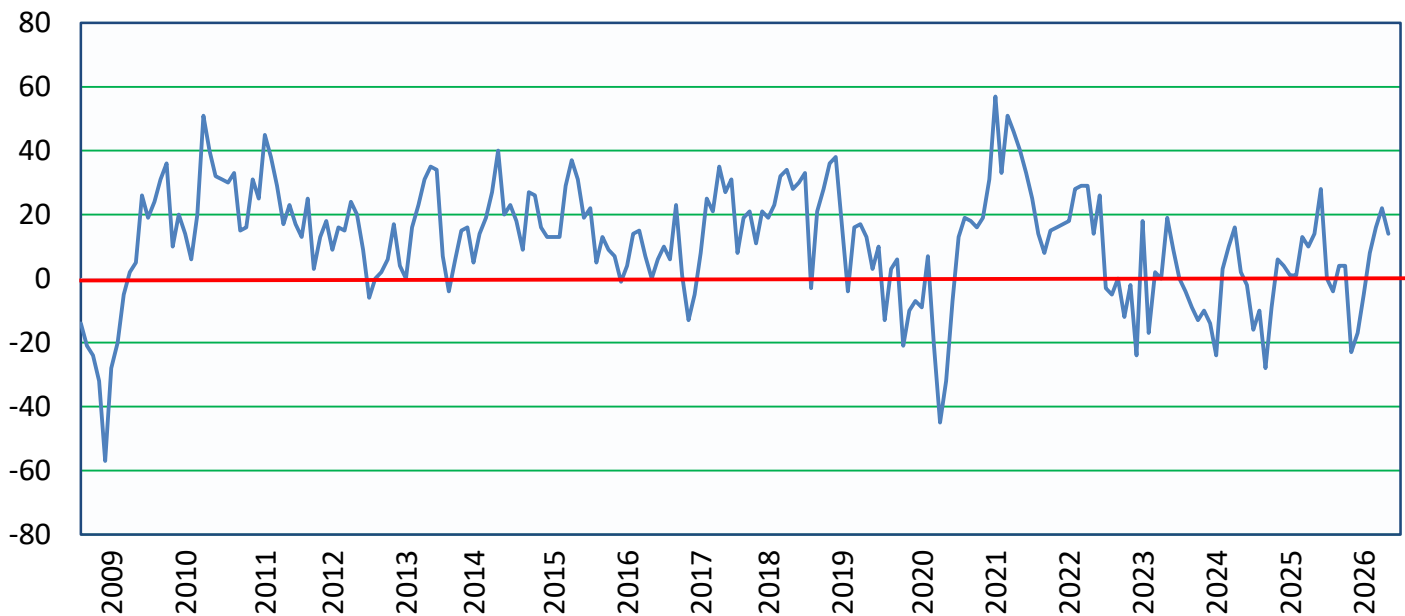
West Michigan Index of New Orders: 2013-2026

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.



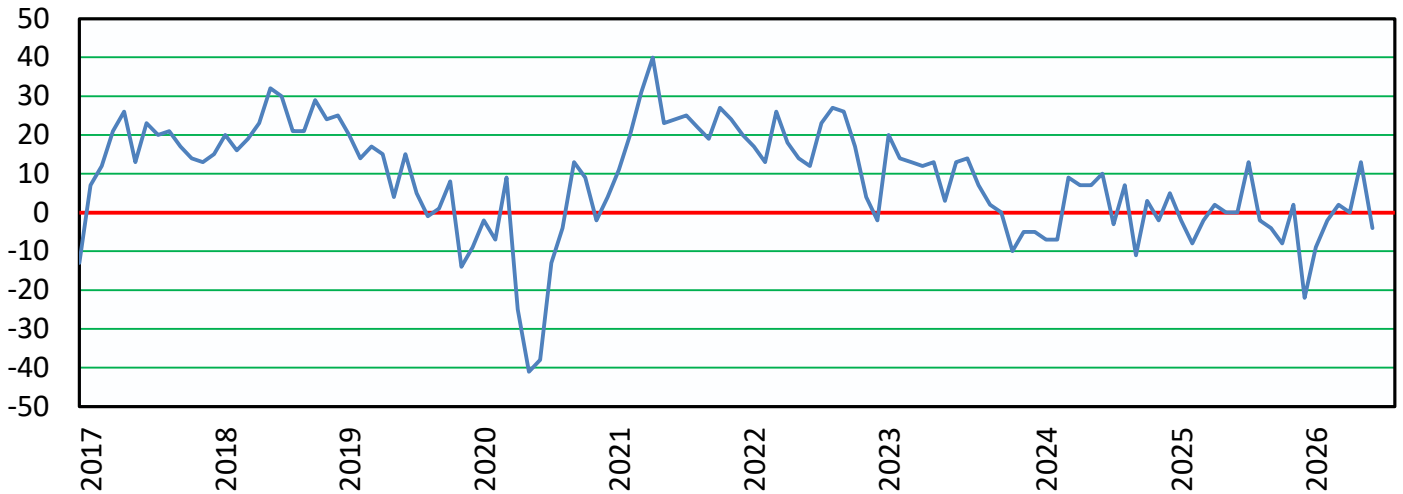
West Michigan Index of Production (Output): 2008-2026

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)

