INSTITUTE FOR SUPPLY MANAGEMENT

West Michigan Current Business Trends

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Manufacturing Activity Moderates as Growth Momentum Eases

Key Take-Aways from July 2026 Statistics:

- **NEW ORDERS Index remains positive in July at +30 though lower than June's +49. PRODUCTION Index likewise eased to +19 from +35 previously.**
- **The national and international PMIs all remain positive, although some components have softened slightly.**
- **Many firms remain cautiously positive.**

	Jul.	**Jun.**
NEW ORDERS Index (business improvement)	+30	+49
PRODUCTION Index (aka "output")	+19	+35
EMPLOYMENT Index	+6	+25
LEAD TIMES Index	+28	+27

Key Participant Comments for July

"Our customers requesting lower prices but our suppliers are reaching out to get higher prices due to market conditions."

"New orders and manufacturing continue to remain strong given the current global issues in the markets."

"We continue to be flat, and the ever-changing Middle East conflict seems to be doing harm to the business world."

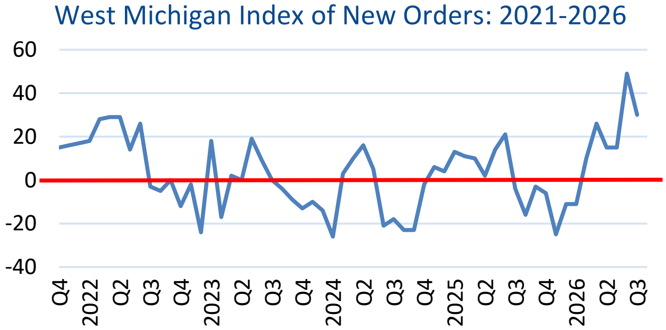
"Almost all refunds from IEEPA tariffs have been received. We're disappointed but not surprised to see a new round of tariffs replacing Section 122."

"We've been negotiating/mitigating price increases to control costs and offset freight"

"We cannot sustain another 4 months in this economy."

The Local Economy. For the sixth consecutive month, our survey of the West Michigan industrial economy paints a positive business environment though indicators point to some softening of economic activity. Based on the PMI Survey data, NEW ORDERS, our index of business improvement, stood at +30 in July from +49 in the previous month. Likewise, the July PRODUCTION Index, or "OUTPUT," eased to +19 from +35 in June. Many respondents reported strong sales, some of which were attributed to increased demand from data centers. However, they remain cautious about the uncertainly emanating from the Iran war and its effect on prices and the supply chain.

West Michigan Index of New Orders: 2021-2026



The U.S. Economy. The national industrial economy also continued to be in expansion territory for the 21st consecutive month in July, according to the national monthly survey compiled by the Institute for Supply Management (ISM). The ISM's index of NEW ORDERS remained positive at +11.4 in July, a slight improvement from the previous month's +8.9. The PRODUCTION Index likewise rose to +14.7 from +6.0 recorded in June, diverging somewhat from the trend seen in West Michigan. Looking at international trade, ISM's index of EXPORTS returned to positive territory from -3 in June to settle at +6 in July. The IMPORTS index also rose from +5.7 to +11.4. Similarly, ISM's ORDER BACKLOG Index went up from +1.0 to +9.9 in July. Meanwhile, the ISM's index of INVENTORIES continued to ease to +0.5 from +1.2 in the prior month. ISM's Composite Index, a compilation of all of these individual indices, rose to 55.6 in July from 53.3 recorded in June. This was the highest reading since May 2022 (55.9 %).

Similarly, the competing survey of the U.S. industrial market produced by the British-based S&P Global indicates that US manufacturing conditions remained positive in July, but warns of softening production and sales growth. The slowdown of output and new order growth in July can be attributed mainly to domestic demand as exports continue to weaken. The report highlights evidence of supply chain disruption as well as increased input costs and selling prices recorded in July, as confidence in the outlook continues to deteriorate. Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, noted:

" Although the headline PMI held steady in July, beneath the survey we see some warning signs about the future growth trajectory. Production rose at a markedly slower rate in July, linked to a third month of weakened growth of new business, in turn reflecting reduced inventory building after the especially strong precautionary stock accumulation reported in the second quarter. Further pressure came from increased supply chain delays, falling exports, and further pushback on high prices from customers. While input cost inflation moderated slightly, inflationary pressures remained elevated thanks principally to the combination of high energy prices and tariffs. In response, producers are either trying to raise selling prices to protect margins or boost productivity, hence July also saw another month of high factory gate price inflation and subdued job gains. In this environment, business optimism about growth prospects slipped to the lowest since last October, underscoring the downside risks to the near-term outlook."

The World Economy J.P. Morgan's Global Manufacturing PMI for July dropped slightly for the second straight month to 52.1. All five components of the index (output, new orders, stocks of purchases, vendor delivery times, and employment) were consistent with improved conditions. This is the 12th consecutive month that the index was above 50. However, tariffs, energy prices, and global conflicts raise concerns about future factory production, and business sentiment remained rather stagnant. With respect to individual economies, Taiwan, Japan, the Netherlands, Greece, and Thailand had the highest PMIs, while major economies with PMIs of lower than 50 included Poland, Türkiye, Brazil, and Kazakhstan. Alex Gallin, Global Economist at J.P. Morgan, commented:

"The J.P. Morgan global manufacturing output PMI moderated 0.3-point to 52.7 in July, a second consecutive decline from its May high. Nevertheless, the index still suggests a solid pace of expansion in global manufacturing. Forward-looking indicators continue to send mixed signals: the future output PMI ticked up from an eight-month low, while the new orders PMI lost further ground from its recent peak. Both the input and output price PMIs continued to fall but remain above their pre-conflict levels."

The S&P Global Eurozone Manufacturing PMI rose from 51.4 in June to 51.9 in July and is now very close to its four-year high. The strongest report again came from the Netherlands, although its index ticked back below 55.0. Greece came in just below the Netherlands, with Germany, Austria, and Italy following. Spain hovered just above the 50.0 break-even point while France fell below it. Business confidence rose to its highest level since February, although it is still below its long-run average. Average supplier delivery times increased again, but at the lowest rates since the conflict broke out in the Middle East while factory employment continued its decline. Chris Williamson, Chief Business Economist at S&P Global Market Intelligence commented:

"Eurozone factories are enjoying something of a summer growth spurt, with production rising at its fastest rate for four and a half years. However, there are signs that this good news may prove short-lived, with momentum at risk of fading as autumn approaches. Germany, the Netherlands, Austria and Greece are reporting robust production growth, but output is falling in France and Spain, while Italy is seeing only a modest gain. These divergences underscore how large parts of the region continue to struggle amid weak demand, high prices and supply delays. Although supply bottlenecks and energy-linked price pressures eased slightly in the July survey period, supply chain stress and energy prices remain elevated amid ongoing tensions in the Middle East, threatening to constrain production and further dampen demand in the coming months. New work inflows therefore remain worryingly weak, meaning producers are having to rely on orders placed in prior months to drive the latest increase in production. As a result, factories continue to reduce headcounts amid concerns over a potential lack of work in the coming months, highlighting that the manufacturing economy is not quite as healthy as the headline numbers might suggest."

Automotive. According to the Bureau of Economic Analysis (BEA), total vehicle sales fell in July by -1.5% relative to June, after having month-over-month increases in both May and June. Excluding the sale of light and heavy trucks, domestic auto sales (includes all vehicles assembled in the U.S., Canada, and Mexico) experienced minimal growth of just 1.05% month-over-month, making up some ground after the decline experienced in June. Relative to July of last year, total vehicle sales are down -1.3%, while domestic auto sales are up nearly 4.9%. This apparent gap between domestic auto sales and total vehicle sales is accounted for by the decline in light truck sales of -2.5% relative to July of last year.

Consumer Confidence. Consumer confidence has started pulling away from the historical lows observed over the last 6 months. According to the University of Michigan's Consumer Sentiment Index, confidence rose by 11.5% from June (49.5) to July (55.2), marking consecutive months of growth. The constituent components of the index, namely the Current Conditions Index and the Expected Condition Index, noted month-over-month increases in consumer perceptions about the current and future states of the economy. Relative to June, the Current Conditions Index rose by 14.9% while the Expected Conditions Index rose by 9.3%.

Closely related to consumer confidence are inflation expectations. According to the aforementioned survey, consumer "one year ahead" inflation expectations ticked down to 4.2% in July, relative to 4.6% in June. Their "five year ahead" inflation expectations remained flat at 3.3%, which is the level experienced in January/February earlier this year.

An alternative measure of consumer confidence, elicited from a survey conducted by the Conference Board, suggests a notably less rosy picture of consumer confidence. Their Present Situation Index fell by -3.6 pts, marking its third consecutive month-over-month decline. Their Expectations Index remained unchanged month-over-month. Chief Economist at the Conference Board, Dana Peterson, noted that:

"Consumer confidence moderated slightly in July, continuing a general downward sloping trajectory since late 2021. The Present Situation Index was less positive for a third consecutive month while the Expectations Index remained in negative territory. Consumer appraisals of current business conditions and, to a lesser extent, perceptions of the current labor market both softened. Looking ahead, consumers anticipate little improvement in business conditions over the next six months, but expectations for the labor market were slightly less negative. Expectations for household incomes moderated but remained optimistic overall."

Business Confidence. According to the monthly West Michigan survey, business confidence in our economy experienced a decline in July. The SHORT-TERM BUSINESS OUTLOOK Index, asking West Michigan firms about their business perceptions for the next 3 to 6 months, declined to +17 in July relative to +33 in June. This decline ended three consecutive months of increasing short-term business expectations. Looking at the next 3 to 5 years, the LONG-TERM BUSINESS OUTLOOK index also declined to +42 in July, down from +54 in June. Considering small businesses across the country, the National Federation of Independent Business (NFIB) Chief Economist Bill Dunkelberg commented on the most recent data for June stating:

"Current economic conditions present small business owners with both encouraging developments and ongoing challenges. Lower fuel costs provide welcome relief for businesses as well as consumers, with firms anticipating improved operating conditions over the next six months. While there have been improvements in the overall environment, high interest rates and modest economic growth are causing owners to approach hiring and capital spending with caution."

Industrial Inflation. Industrial inflation in West Michigan ticked upward in July after experiencing a much-needed break in June. In July, the PRICES Index rose slightly to +55, up from +51 in June and down from +62 in May. The 25-year average is +19. From ISM, raw material prices increased for the 22nd consecutive month, albeit with the growth rate of prices slowing notably. In July, the ISM PRICES I% index reading was +42.1, down from +45.9 in June and +64.1 in May. On the global level, the S&P Global PMI report indicates that manufacturing growth continued in July but just how persistent this growth will be in the coming months is not yet clear. In his commentary on the latest report, Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, noted that:

> *"Global manufacturing output continued to expand solidly in July, according to PMI survey data, supported by rising new orders and precautionary stock building. However, growth momentum cooled for a second month as input buying slowed, inventory accumulation eased and business confidence remained relatively weak. Supply delays and cost pressures moderated, but geopolitical and economic uncertainty, including concerns over tariffs, conflicts and energy prices, continued to weigh on demand and raised downside risks for factory production in the months ahead."*

Consumer Inflation. The most recent reading of consumer inflation, released by the Bureau of Labor Statistics (BLS) on July 14, 2026, reported a month-over-month decline in consumer prices of 0.4% from May to June. This one-month decline was the largest since April 2020, which marked the onset of the COVID-19 pandemic and lockdown policies across most of the United States. However, relative to June of last year, consumer prices have risen by 3.5% over the last 12 months.

Notably, the sub-index for consumer energy prices fell by 5.7% from May to June, but remain about 15.5% higher than this time last year. In fact, energy prices were the largest contributor to the monthly decline in the headline CPI, a markedly different story than we've experienced over the past 6 months. Core CPI, which excludes food and energy prices due to their historical volatility, declined month-over-month by -0.01%, essentially remaining flat relative to May. Over the last 12 months, Core CPI suggests prices have risen by 2.5%, slightly above the growth rate experienced in January/February this year.

The Fed's preferred measure of inflation, Personal Consumption Expenditures (PCE) from the BEA, reaffirmed most of the readings of the CPI numbers. Although methodological differences exist between the two, from May to June PCE inflation was -0.11%, while relative to the same time last year, PCE inflation was 3.67%. Month-over-month, Core PCE inflation was 0.13% while year-over-year the reading was 3.3%.

West Michigan Unemployment. According to the Michigan Department of Technology, Management, and Budget (DTMB), the June unemployment rate remained steady at 5.0%, which it has hovered around since September of last year. This is slightly above the national unemployment rate of 4.1%. According to DTMB's most recent report, most West Michigan counties are reporting modest improvements in unemployment. For Kent County, the June year-over-year unemployment rate fell to 4.2 % from 4.8 %. The unemployment rate for Barry County downticked to 4.6 from 5.3%. Calhoun County unemployment eased to 5.1 from 6.1%, Kalamazoo County unemployment fell to 4.5 from 5.1, and the Ottawa County rate fell to 4.1 from 4.7%.

GDP. On July 30, the BEA released their initial, or so-called advance, estimate of GDP for Q2 2026, coming in at 1.5%. As has historically been the case, the major contributing factor to the increase in real GDP was consumer spending, however this was partially offset by a decrease in government spending, and slowing investment spending. This reading comes in below expectations. Throughout May of this year, the Atlanta FED's GDPNow forecast hovered near 4%, fell to 2.5% by the end of June, and fell further in July to about 1.5% right before the official release by the BEA. By comparison, the New York FED's Nowcast for Q2 2026 was 2.9%, while the consensus estimate of professional forecasters interviewed by the Philadelphia Fed was 2.1%. Currently, the Atlanta Fed's forecast for Q3 2026 is 5.9% while the New York Fed's forecast is 2.9%.

Looking Forward. The news media has filled the air with concern over consumer inflation. However, for this survey, inflation at the industrial level has become a major problem as well. Although the tariffs on imported items are obvious price drivers, the sudden rise in demand for competing domestic manufacturers has resulted in nearly equal price hikes. Furthermore, the PMIs for most of the world remain positive, resulting in equally positive demand for most major commodities like copper, steel, aluminum, oil, and most oil-based products. Because we have become increasingly technology dependent, the surge in the construction of data centers has driven up the price for nearly all electronic components, especially RAM memory chips. Some pessimistic proponents caution that all this data-center optimism could be building another dangerous bubble similar to the dot com boom and bust 26 years earlier. Although this is possible, the limited volume of a "data center bust" seem unlikely to cause a recession by itself.

Looking ahead for the rest of the year, many businesspeople remain cautiously optimistic, despite the high cost of oil driving prices higher for a wide range of products and services. This caution by many businesspeople may help mitigate the development of an economic bubble that could burst. Conversely, it seems obvious that the end of the war in Iran might spawn a new wave of optimism followed by a new wave of spending by both the consumer and industrial communities. However, even a sudden end of the war would be unlikely to result in a sudden drop in inflation resulting from an equally sudden drop in the price of crude oil. It will take time for the world's oil supply chains to restock the world's depleted inventories, and it takes even longer for crude oil to be converted into useful products and be sold in the marketplace. However, despite all these factors, our current survey of the industrial market remains positive resulting in the West Michigan economy remaining positive as well.

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Note: This report is published monthly with the assistance of Roberta (Bobbie) Biby, Affiliate Faculty of Instructor of Economics, and Karen Ruedinger, Assistant Dean, both of the Seidman College at Business, Grand Valley State University.

July 2026 Survey Statistics

	UP	SAME	DOWN	N/A	Jul. Index	Jun. Index	May Index	25 Year Average
Sales (New Orders)	43%	45%	13%	0%	+30	+49	+15	+11
Production (Gross Output)	30%	49%	11%	11%	+19	+35	+14	+11
Employment	23%	57%	17%	2%	+6	+25	-4	+8
Purchases	28%	57%	11%	4%	+17	+34	+11	+6
Prices Paid (major commodities)	55%	40%	0%	4%	+55	+51	+62	+19
Lead Times (from suppliers)	30%	64%	2%	4%	+28	+27	+27	+15
Purchased Materials Inv. (Raw materials & suppliers)	30%	51%	13%	6%	+17	+32	+22	+3
Finished Goods Inventory	11%	49%	30%	11%	-19	0	-11	-4
Short Term Outlook (Next 3-6 months)	36%	45%	19%	0%	+17	+33	+14	-
Long Term Outlook (Next 3-5 years)	51%	38%	9%	2%	+42	+54	+26	-

Items in short supply:

All metals, copper, aluminum, aluminum coil, steel, stainless steel, cold rolled steel, steel coils, HRPO steel (some sizes), freight charges, some oil-based products, resin colorant, RAM, PCB, engineers, qualified drivers, maintenance staff, customers.

Prices on the UP side:

Fuel, freight charges (but easing), corrugated, tariffs, aluminum (but easing), internationally produced pharmaceutical raw materials, fuel, tractors, health insurance, paint, steel, sheet steel, copper and copper bearing products, ABS, HDPE, HIPS, RAM memory, discrete semiconductor components, carbide, labels, utilities, rents, any material with a tariff.

Prices on the DOWN side:

Plastic packaging, ABS, PC, PP, PA6, PA66, fuel,* freight.*

*Items reported as both up AND down in price.

Latest Unemployment Reports:

Data are NOT seasonally adjusted, except as noted.

	June 2026	June 2025	Aug. 2009*	25-Year Low
State of Michigan (June)	5.0%	5.0%	14.6%	3.2%
State of Michigan (Unadj.)	5.1%	5.2%	14.1%	2.9%
Kent County	4.2%	4.8%	11.9%	2.1%
Kalamazoo County	4.5%	5.1%	11.1%	2.1%
Calhoun County	5.1%	6.1%	12.8%	2.7%
Ottawa County	4.1%	4.7%	13.3%	1.8%
Barry County	4.6%	5.3%	10.9%	2.2%
Kalamazoo City	5.5%	6.3%	15.2%	3.2%
Portage City	4.0%	4.6%	8.7%	1.3%
Grand Rapids City	5.1%	5.8%	16.1%	3.0%
Kentwood City	4.9%	5.6%	10.7%	1.4%
Plainfield Twp.	4.1%	4.7%	8.0%	1.4%
U.S. Official Rate (June)	4.2%	4.1%	9.6%	3.4%
U.S. Rate (Unadjusted)	4.4%	4.4%	9.6%	3.1%
U.S. U-6 Rate (June)**	7.9%	7.1%	22.9%	6.7%

**August 2009 is unemployment low point before the Great Recession*

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

JULY COMMENTS FROM SURVEY PARTICIPANTS

“The constant trade instability is driving up pricing in a soft housing market. We don't think the housing market has hit bottom yet.”

“Almost all refunds from IEEPA tariffs have been received. We’re disappointed but not surprised to see a new round of tariffs replacing Section 122.”

“Aluminum prices will probably ease a bit. Freight surcharges have also eased some, but are still high!”

“Shipping cost went up again today. It’s another big hit for small businesses. Packaging, labels, all materials, utilities, and rent are all up right now. Gas is still also up and part of the reason everything else is up. Our profit margin has diminished, as well as my customer’s spending. Unfortunately, it looks like this small retail shop will not be able to stay open another 4 months at this rate.”

“We sell German manufacturing equipment and have had a price increase because of raising costs.”

“If the economy doesn't react to high fuel prices, we think we're looking at a good run.”

“We’re struggling to maintain margins between pressure from buyers and increases from vendors. But volume remains solid.”

“We’ve had a really good month, which was better than most Julys for our construction related products.”

"We continue to be flat, and the ever-changing Middle East conflict seems to be doing harm to the business world.”

"New orders and manufacturing continue to remain strong given the current global issues in the markets.”

“We've been negotiating/mitigating price increases to control costs and offset freight.”

“The high intensity sweetener market is constrained because major domestic producers are facing prolonged production challenges.”

“Because of higher prices, it takes time to approved source capacities and time to validate new sources and then finally climb the learning curve to bring the new sources up to speed.”

“Steel coils continue to be in tight supply due to mill capacity management.”

“Sales continue to be strong.”

“We continuing to see the extension of lead times.”

“We are witnessing the lead times for raw materials for PCBs increase by 2X.”

“Data center orders are driving our sales higher than forecasted for this time of year.”

“We are extremely busy!”

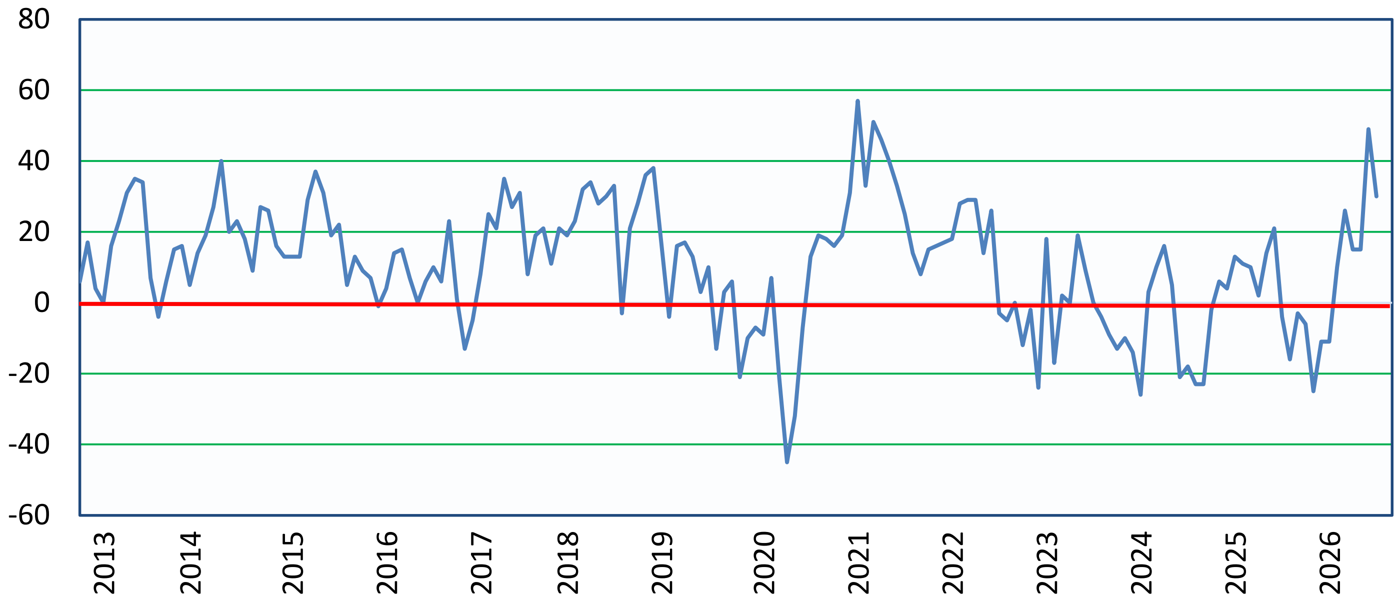
“I own a small retail business and belong to several boards for non-profit organizations. All of them have seen hardship in the last year and a half. Many of my good friends with businesses have already closed their doors. I cannot sustain another 4 months in this economy.”

“We’ve had an uptick in sales.”

“Our customers are requesting lower prices but our suppliers are reaching out to get higher prices due to market conditions.”

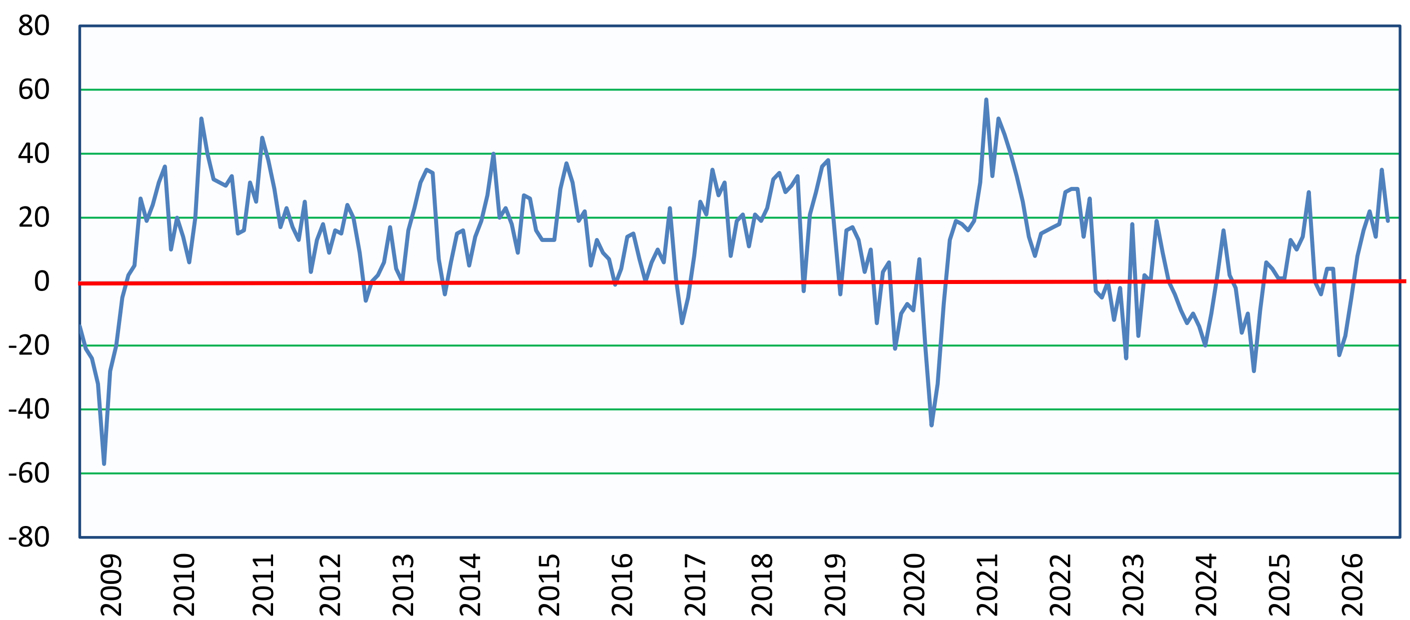
West Michigan Index of New Orders: 2013-2026

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.



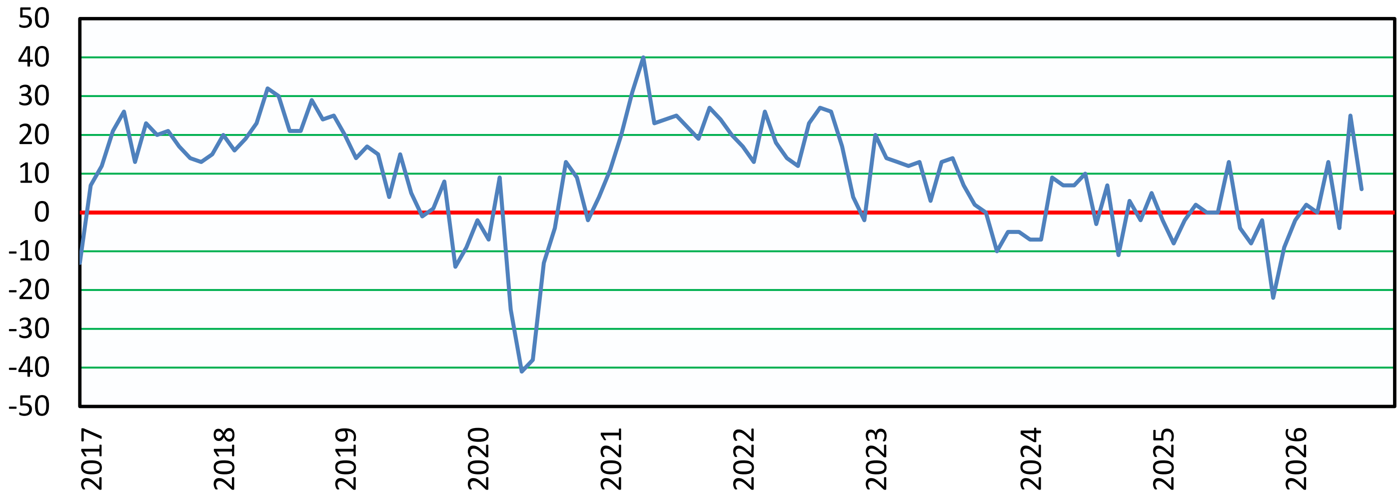
West Michigan Index of Production (Output): 2008-2026

As new orders come in and materials arrive at the loading dock, production schedules are posted to meet customer 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 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.