West Michigan Current Business Trends

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Industrial Activity Remains Positive Although Growth Pace Slows in September

Key Take-Aways from September 2026 Statistics:

- **NEW ORDERS Index and PRODUCTION Index remained positive although both edged lower to +18 in September.**
- **Global and eurozone PMIs hit a 55-month high, partially driven by defense spendings.**
- **Business confidence remained positive, but consumer confidence worsened considerably in September.**

	Sep.	Aug.
NEW ORDERS Index (business improvement)	+18	+30
PRODUCTION Index (aka "output")	+18	+21
EMPLOYMENT Index	+ 6	+11
LEAD TIMES Index	+30	+36

Key Participant Comments for September

"We are still feeling uncertainty in the market tied to USMCA 2.0 and trade pressures. If not for the war in Iran, prices for some commodities might otherwise have seen some reductions."

"We have concerns about a nationwide steel shortage going into 2027, as well as some steel mills limiting capacity. We really don't know where this is coming from."

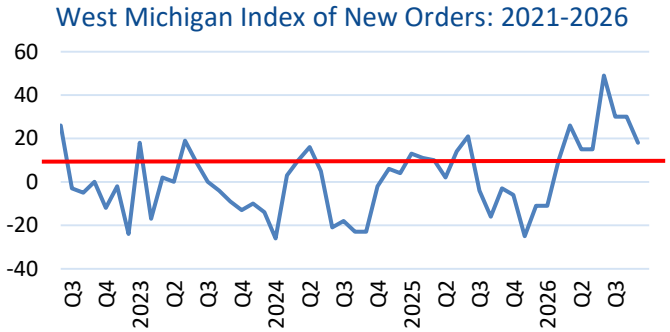
"We are anticipating large price increases as we begin negotiating for 2027 contracts, especially for items that have been locked in for 2026."

"We are seeing a significant slowing across the housing sector."

"Business is good, but not great."

"Prices on everything we do and sell are up, and margins have diminished."

The Local Economy. For the eighth consecutive month, our survey of the West Michigan industrial economy points to a positive business environment although indicators denote some softening of economic activity. Based on the PMI Survey data, NEW ORDERS, our index of business improvement, stood at +18 in September, down from +30 the previous month. Likewise, the September PRODUCTION Index, or "OUTPUT," eased to +18 from +21 in August. Respondents highlight the supply chain and overall business challenges emanating from the Iran war and tariffs.



The U.S. Economy. The national industrial economy also remained in expansion territory for the 23rd consecutive month in September, according to the national monthly survey compiled by the Institute for Supply Management (ISM). The ISM's index of NEW ORDERS rose slightly to +7.9 in September from +3.4 the previous months. This diverged somewhat from the trend seen in West Michigan. The PRODUCTION Index likewise inched up to +13.5 from +13.1 posted in August. Meanwhile, looking at international trade, ISM's index of EXPORTS and IMPORTS decreased to +1.8 and +1.9 in September, respectively, from +6.4 and +4.9 in August. Further, the ISM's ORDER BACKLOG Index rose from +3.6 to +12.8 in September. The ISM's index of INVENTORIES, meanwhile, returned to negative territory, standing at +1.6 from +3.0 in the prior month. ISM's Composite Index, a compilation of all of these individual indices, was broadly steady at 54.5 in September from 54.6 in August.

Meanwhile, the competing survey of the U.S. industrial market produced by the British-based S&P Global appears to indicate a more rosy picture of US industrial activity. The S&P US Manufacturing PMI rose to 55.9 in September, the highest level since May 2022. The increase can be attributed to all five of the components being measured. However, output and new orders posted faster expansion in September driven mainly by improvements in domestic demand. This development also helped increase employment in the country. Meanwhile, tariffs have reduced export orders, and contributed to higher input prices

along with high energy prices and supply concerns with steel and electronics.

Chris Williamson, Chief Business Economist at S&P Global Market Intelligence, noted:

"September has seen the pace of US manufacturing growth pick up a gear again, the PMI lifting to its highest since May 2022 as a surge in new orders encouraged factories to lift output sharply higher and take on workers in increasing numbers. Order book backlogs are rising and suppliers are increasingly busy, pointing to stretched capacity as companies struggle to meet demand across both consumer-facing and business sectors. This is most notable in the investment and production of machinery and equipment, linked in many cases to rising AI-related spend. Safety stock building amid price and supply chain worries also continues to support demand, though the ongoing loss of export orders remains a disappointment. While sending an encouraging signal for further growth of manufacturing capacity in the coming months, the indication that demand is outstripping supply also means inflationary pressures remain a key area of concern, especially amid high oil prices. The combination of accelerating growth, increased hiring and elevated price gauges will add to speculation of a further imminent rate hike from the FOMC."

The World Economy. J.P. Morgan's Global Manufacturing PMI came in at 53.0 in September, its highest reading in 55 months. As in August, all five sub-components of the Index (expansion of output, new orders, employment, stocks of purchases, and suppliers' delivery times) were at levels consistent with improving conditions. Manufacturing production increased at its highest rate in more than five years. Countries with the highest PMIs were Thailand, Ireland, India, and Taiwan, while Brazil, Kazakhstan, and Australia had the lowest PMIs of countries in the survey with readings significantly below 50. Maia Crook, Global Economist at J.P. Morgan, commented:

"The J.P. Morgan Global Manufacturing Output PMI continues to impress: the index climbed a further 0.7-point in September, and at 53.8 suggests the strongest manufacturing pace since the mid-2021 goods sector boom. Demand indicators (new orders and export orders) are similarly at multi-year highs, and an ongoing surge in the employment index reinforces our call for a labor market acceleration. This upbeat activity news is coupled with still-sticky input and output price indicators, with the former moving up amidst supply disruptions, higher transport costs, and elevated energy prices."

The S&P Global Eurozone Manufacturing PMI increased again in September to 52.9, reaching its highest level in 52 months. For the first time in four years, all eight of the nations included in the survey posted Manufacturing PMIs above 50 with the Netherlands and Ireland leading the way. While inflation pressures increased, they are below their higher levels from back in May. Business confidence rose again to a seven month high signaling increased optimism. Chris Williamson, Chief Business Economist at S&P Global Market Intelligence remarked:

"September has seen a further encouraging improvement in manufacturing growth across the eurozone, with the rising tide lifting all ships as the upturn has also broadened out to cover all surveyed member states. Measured across the euro area, production is rising at a rate not seen for four and a half years as firms boost capacity to meet rising demand. Order book growth is also now sufficiently strong to encourage factories to take on additional staff, ending the continual loss of factory jobs that had been reported over the prior three years. The upturn is being driven by rising demand for investment goods such as machinery and equipment, with output of these capital goods growing in September at a rate not seen since the post-COVID rebound five years ago. This reflects higher demand for AI and defense-related equipment in particular. Demand for consumer goods continues to fall, however, with the increased cost of living acting as a drag on household spending. It's therefore worrying to see both input costs and selling prices rising at increased rates again in September, which will fuel speculation about additional rate hikes from the ECB."

Automotive. Due to revisions by the Bureau of Economic Analysis (BEA) and the Fed, motor vehicle data published for August have changed. Relative to July, the month of August saw total vehicle sales increased by a seasonally-adjusted annualized rate (SAAR) of 2.4%. Excluding heavy trucks, light weight vehicle sales rose by 2.6% SAAR. Relative to August of last year, these year-over-year rates were 1.4% for both of the car/truck sales categories. Domestic auto sales – excludes light/heavy trucks but includes all vehicles assembled in the U.S., Canada, and Mexico – fell by -1.6% SAAR between July and August, the second consecutive monthly decline. However, domestic auto sales are still up over August of last year, reading in about 1.2% higher.

Consumer Confidence. Consumer confidence worsened noticeably in September, moving nearer to the historical lows observed over the last 6 months. According to the University of Michigan's Consumer Sentiment Index, subcomponent "Confidence Index" fell by -7% between September (48.1) and August (51.7), reflecting the third consecutive month of declining consumer sentiment. The constituent components of the index, namely the Current Conditions Index and the Expected Condition Index, both exhibited month-over-month declines, indicating worsening perceptions on the part of consumers about the current and future state of the U.S. economy. While the Current Conditions Index fell by only -1.9%, relative to August, the Expected Conditions Index fell by a notable -10.1%.

Closely related to consumer confidence are their inflation expectations. According to the aforementioned survey, consumer "one year ahead" inflation expectations rose to 4.6%, up 0.6 percentage points from August. This is the largest one-month increase in consumer inflation expectations since April 2025, which negates the previous three months of declining inflation expectations. Over a longer horizon, their "five year ahead" inflation expectations rose slightly to 3.4%, a 0.1 percentage point increase, after remaining flat since June. Although steady, these longer-term inflation expectations remain notably above the U.S. Federal Reserve's goal of around 2%.

An alternative measure of consumer confidence, elicited from a survey conducted by the Conference Board, also detected a worsening perspective on the part of U.S. consumers. Their Present Situation Index – based on consumers' assessment of current business and labor market conditions – fell by 7.9 points from August to September. This offsets the July to August reading, where the index rose by 6.8 points. Their Expectations Index – based on consumers' short-term outlook for income, business, and labor market conditions – fell by 5.9 points, its third consecutive monthly decline. Chief Economist at the Conference Board, Dana Peterson, noted that:

"Consumer confidence moderated slightly in August for a second consecutive month. The Expectations Index slipped further into negative territory, which was offset by a moderate rise in the Present Situation Index after declining in the past three months. Consumer appraisals of current business conditions were mildly positive. Perceptions of the current labor market improved, reversing three months of moderate decline. Looking ahead, consumers were more pessimistic about business conditions and the labor market over the next six months. Expectations for household incomes moderated but remained optimistic overall."

Business Confidence. According to the monthly West Michigan survey, business confidence in our economy ticked downward In September relative to August. The SHORT-TERM BUSINESS OUTLOOK index which asks West Michigan firms about their business perceptions for the next 3 to 6 months, ticked down to +12 in September from an August reading of +19. Considering the next 3 to 5 years, the LONG-TERM BUSINESS OUTLOOK Index declined for the third consecutive month, down to +24 in September from its August (+34), July (+42), and June (+54) readings.

On August 6, the Conference Board released its CEO confidence index, a quarterly survey of the CEOs of some of the nation's largest businesses. For Q3 2026, their index read at 52, an increase from the Q2 reading of 47, but it remains below the level of 59 recorded in Q1. An index value below 50 reflects that the 136 CEOs included in the survey shared more negative than positive responses. While

the most recent reading doesn't suggest that CEOs are optimistic about current economic conditions, it certainly does suggest less pessimism. For Q3 2026, 23% of CEOs said economic conditions were better than six months ago (up from 15% in Q2 2026), while 26% said economic conditions were worse (down significantly from 47%). Dana Peterson, Conference Board's chief economist, noted that:

"CEO confidence revived somewhat in Q3 2026, potentially reflecting some easing in oil prices and geopolitical tensions. The reading suggests cautious optimism among leaders of large US firms. CEOs' assessments of current economic conditions recovered after plummeting in Q2 but remained slightly negative at a reading of 49. Meanwhile, expectations for economic conditions six months from now improved into slightly positive territory. Regarding their own industries, CEOs' views of current conditions and expectations six months hence improved in Q3 and were more optimistic than their views of the overall economy."

Industrial Inflation. Industrial inflation in West Michigan reversed course from its July-August decline and jumped up in September, according to the West Michigan Survey PRICES Index. In September, the PRICES Index jumped to +60, up from August (+47), July (+55), and June (+51). The 25-year average is +19. From ISM, raw material prices increased for the 24th consecutive month and noticeably so between August and September. In September, the ISM PRICES Index was +55.8, up from August (+42.2), July (+42.1), and June (+45.9).

On the global level, the S&P Global PMI Commodity Price and Supply Indicators highlighted continuing price pressures stemming from accelerating energy and transportation costs. While August constituted a six-month low, surging fuel and energy prices further increased inflationary pressures. In fact, the September reading was nearly two-times higher than the long-run survey average. Commenting on the latest results, Tim Moore, Economics Director at S&P Global Market Intelligence, said:

"Renewed energy market volatility, primarily linked to elevated geopolitical tensions in the Middle East, resulted in surging oil and gas prices during September. This fueled a rise in overall commodity price pressures for the first time since April. The number of global manufacturers reporting higher transport costs was six times the long-run survey average, while energy price pressures were the highest recorded since May. This more than offset an easing in semiconductor price pressures from August's four-year peak. Global supply shortages were also driven by energy market disruptions and surging demand for technology hardware. Stretched logistics capacity and international shipping delays added to supply challenges for global manufacturers. Detailed data showed that supply shortages were experienced across a range of essential items, including copper, oil, semiconductors and transport. Moreover, the survey's measure of electrical items availability was the worst in just over three-and-a-half years."

Consumer Inflation. The most recent reading of consumer inflation, released by the Bureau of Labor Statistics (BLS) on September 11, 2026, reported a slight month-over-month increase in consumer prices of 0.4% from July to August, after only increasing by 0.1% from June to July. Relative to August of last year, consumer prices have risen by 3.4%. Accounting for nearly one-third of the headline inflation rate, the index for gasoline rose by 3.9% from July to August, and is up 27.4% relative to August 2025.

The sub-index for consumer energy prices rose by 2.1% from July to August, ending two consecutive months of declining energy prices. This reversal in consumer energy prices is certainly unwelcome, especially considering that energy prices have risen by 16% since August of last year. Excluding both food and energy prices due to their historical volatility, Core CPI rose by 0.29% between July and August and relative to August of last year, it rose by 2.5%.

The Fed's preferred measure of inflation, Personal Consumption Expenditures (PCE) from the BEA, generally echoed most of the readings of the CPI numbers. Although methodological differences exist between the two, from July to August PCE inflation was up 0.31%, while relative to the same time last year, PCE inflation was up 3.4%. Month-over-month, Core PCE inflation read 0.29% while the year-over-year reading was 3.0%.

West Michigan Unemployment. According to the Michigan Department of Technology, Management, and Budget (DTMB), the August unemployment rate (latest month available) ticked up to 5.0% for Michigan, remaining relatively stable since June 2025. This is above the national unemployment rate of 4.1%, with Michigan having the 4th highest unemployment rate in the country for August. According to DTMB's most recent report, many West Michigan counties reported lower unemployment rates in August. Relative to August of last year, the Kent County unemployment rate fell from 4.5% to 4.3%. For Barry County, the unemployment rate fell from 4.7% to 4.6%, Calhoun County declined from 5.8% to 5.3%, the Kalamazoo County downticked from 4.8% to 4.5%, and the August Ottawa County unemployment eased from 4.2% to 4%.

GDP. On September 30, the BEA released their final estimate of Real GDP growth for Q2 2026, coming in at 2.2%. This is an upward revision of 0.7 percentage points, primarily reflecting upward revisions to investment, consumer spending, and government spending. Consistent with historical trends in the U.S., yhe primary driver of Q2 2026 growth was consumer spending but was aided by growth in investment as well. Additionally, the BEA also revised upward Real GDP growth for Q1 2026 by 0.4 percentage points, putting it at 2.5%. This revision primarily reflected upward revisions to exports of services and consumer spending on both goods and services.

On September 30, the Atlanta Fed's GDPNow forecast for growth in Q3 2026 was revised down to 3.7%, reflecting the revised information published by the BEA. Previously, the forecast had hovered around 4.9% since July, and was at 4.7% at the time of our last monthly release. On September 25, the New York Fed released their updated forecast of 2.3% for current quarter growth. Updates to the consensus forecasts of professional forecasters, interviewed by the Philadelphia Fed, remains at 2.5% since the survey is only conducted once a quarter.

Looking Forward. The outlook for West Michigan industrial activity remains positive, although the pace of growth is likely to moderate as firms continue to contend with several external headwinds. While national indicators continue to signal expansion, the primary concerns remain inflationary pressures and supply chain disruptions related to the Iran war and ongoing tariff policies. These concerns help explain the Federal Reserve's decision to raise the federal funds target range in September. Although the Federal Open Market Committee noted that economic activity remains solid, supported by strong productivity growth, resilient consumer spending, and robust capital investment, policymakers also emphasized that inflation remains elevated and that the latest rate increase is intended to support a more timely return to the Fed's 2-percent inflation objective.

As we head into Q4 2026, we expect West Michigan manufacturing to remain in expansion territory. However, higher borrowing costs, persistent cost-push inflation, tariff-related uncertainty, and geopolitical risks are likely to moderate the pace of growth. Together, these factors are expected to keep many firms cautious as they plan for 2027, even as underlying demand remains generally favorable.

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

September 2026 Survey Statistics

	UP	SAME	DOWN	N/A	Sep. Index	Aug. Index	Jul. Index	25 Year Average
Sales (New Orders)	40%	38%	22%	0%	+18	+30	+30	+11
Production (Gross Output)	32%	44%	14%	10%	+18	+21	+19	+11
Employment	22%	60%	16%	2%	+6	+11	+6	+8
Purchases	30%	54%	12%	4%	+18	+23	+17	+6
Prices Paid (major commodities)	60%	36%	0%	4%	+60	+47	+55	+19
Lead Times (from suppliers)	36%	54%	6%	4%	+30	+36	+28	+15
Purchased Materials Inv. (Raw materials & suppliers)	26%	44%	14%	16%	+12	+26	+17	+3
Finished Goods Inventory	22%	46%	18%	14%	+4	+2	-19	-4
Short Term Outlook (Next 3-6 months)	32%	48%	20%	0%	+12	+19	+17	-
Long Term Outlook (Next 3-5 years)	34%	52%	10%	4%	+24	+34	+42	-

Items in short supply:

Steel, some aluminum, some types of cement, student curriculum materials, certain building materials, specialty tooling components, ocean freight, some valves and pipe fittings, solvents, electronics, discrete electronic components, RAM and electronic components, resin colorant, castings, glass fibers, oil and oil-based products, electrical engineers, mechanical engineers, and machine builders.

Prices on the UP side:

Tariffs, steel, steel containers, aluminum, copper, brass, paint, corrugated packaging, paper, freight, fuel, diesel, petroleum based products, all metals, cement, aggregates, software, devices, contingent labor, steel, certain building materials, chemicals, plastic resins, ABS, PA6, nylon, RAM, SOMS.

Prices on the DOWN side:

Propylene, some HDPE products, aluminum.*

*Item reported as both up AND down in price.

Latest Unemployment Reports:

The data are NOT seasonally adjusted, except as noted.

	Aug. 2026	Aug. 2025	Aug. 2009*	25-Year Low
State of Michigan (Aug.)	5.0%	4.9%	14.6%	3.2%
Kent County	4.3%	4.5%	11.9%	2.1%
Kalamazoo County	4.5%	4.5%	11.1%	2.1%
Calhoun County	5.3%	5.8%	12.8%	2.7%
Ottawa County	4.0%	4.2%	13.3%	1.8%
Barry County	4.6%	4.7%	10.9%	2.2%
Muskegon County	5.3%	5.7%	15.9%	3.4%
St. Joseph County	5.0%	5.0%	15.9%	3.4%
Van Buren County	4.6%	5.0%	12.7%	3.0%
Otsego County	4.4%	5.2%	14.1%	3.6%
Muskegon SMSA**	5.3%	5.7%	16.0%	3.9%
Kalamazoo-Portage**	4.5%	4.8%	15.2%	3.2%
Grand Rapids-Wyoming**	4.2%	4.4%	16.1%	3.0%
Battle Creek**	5.3%	5.8%	10.7%	1.4%
U.S. Official Rate (Sept.)	4.2%	4.41	9.6%	3.5%
U.S. U-6 Rate (Sept.)***	7.6%	8.1%	22.9%	6.7%

** August 2009 = Approximate Great Recession Peak*

*** Denotes SMSA (Standard Metropolitan Statistical Area)*

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

SEPTEMBER COMMENTS FROM SURVEY PARTICIPANTS

"We are staying busy, mostly driven by data center demands for one of our product lines. However, sales seem to be slowing everywhere else."

"We are still feeling uncertainty in the market tied to USMCA 2.0 and trade pressures. If not for the war in Iran, prices for some commodities might otherwise have seen some reductions."

"Sales remains strong. Ocean freight rates are elevated and not likely to abate in the near future."

"We are seeing continued growth powered by commercial construction."

"It seems like all chips are stacked against us."

"A significant backlog exists for castings. Many customers are vying for capacity with a limited number of qualified sources in our specific market."

"We have concerns about a nationwide steel shortage going into 2027, as well as some steel mills limiting capacity. We really don't know where this is coming from."

"Fuel prices continue to drive freight costs up."

"Many chemicals are starting to show accelerating cost increases."

"We are anticipating large price increases as we begin negotiating for 2027 contracts, especially for items that have been locked in for 2026."

"Prices on everything we do and sell are up, and margins have diminished."

"We are noting some relief in the labor rates. While not going down, we are not feeling the same level of wage pressure that we were at the beginning of the year."

"For the question, 'Prices on the DOWN side,' the answer is 'Ha ha, very funny.'"

"We are seeing a significant slowing across the housing sector."

"We continue to work through a longer-term strategy because of the impact of the tariffs between the U.S. and Canada."

"Oil prices and the war in Iran continues to challenge costs in U.S. manufacturing."

"The war and the tariffs have killed the economy and destroyed small business. Our small retail store is closing the end of November. The 'American Dream' is now a nightmare. "

"The 'tariff' war and conflict in Iran are hammering global supply and making it a really crappy time to manage supply chains."

"We continue to see price increases across many commodities. Lead times are also increasing."

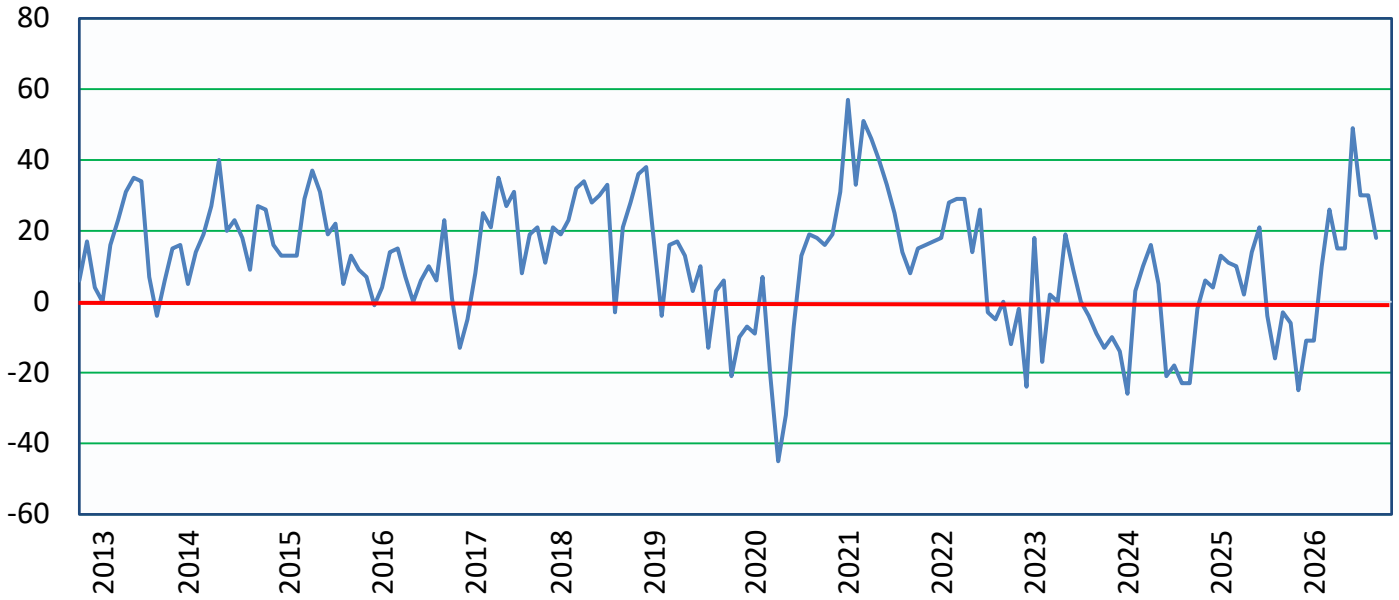
"We are concerned about where the government is taking us."

"Getting material coverage through spot buys for both steel and aluminum have become very challenging."

"Business is good, but not great."

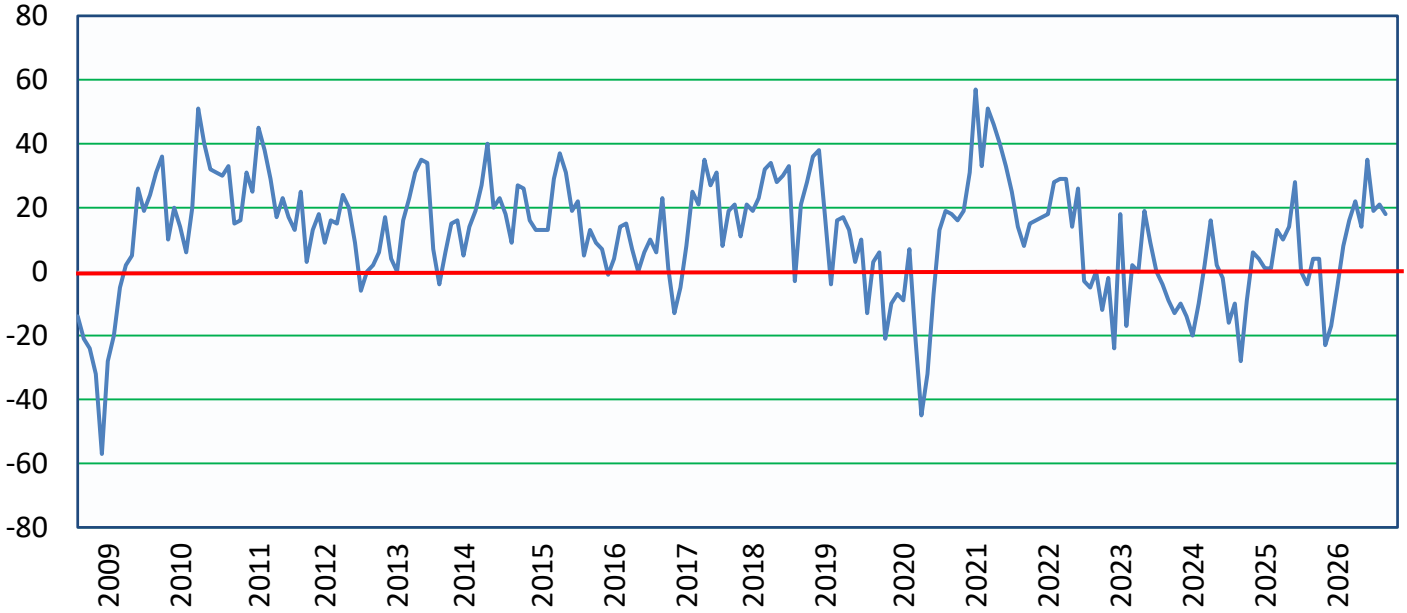
West Michigan Index of New Orders: 2013-2026

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.



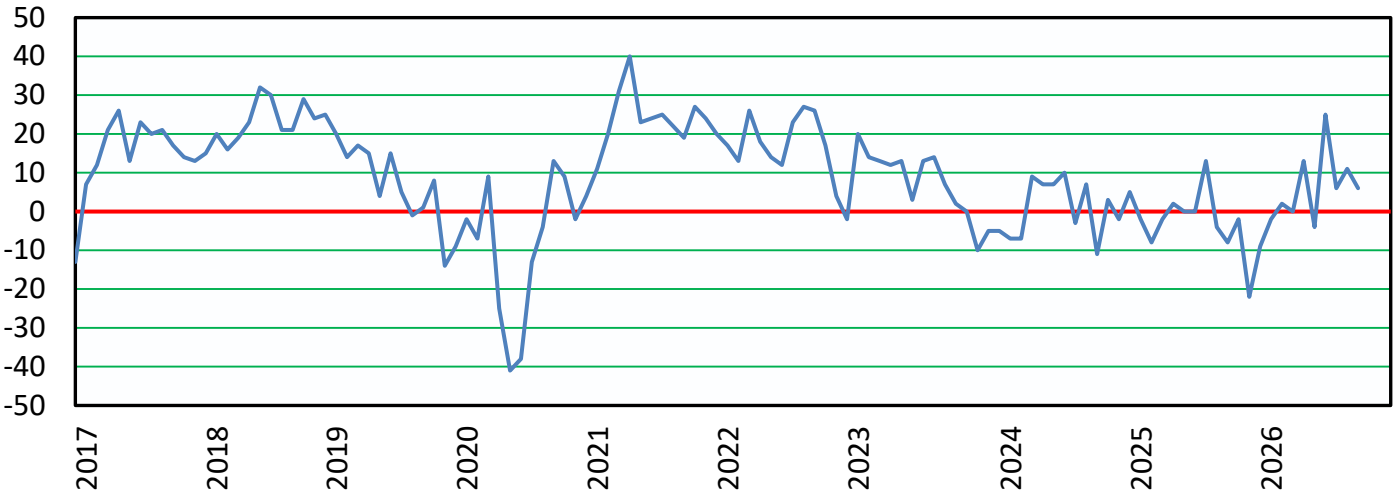
West Michigan Index of Production (Output): 2008-2026

As new orders come in and materials arrive at the loading dock, production schedules are posted to meet customer'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 compiles all firm's aggregate 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 of current and future attitudes of the business community. Traditionally, most businesses are more optimistic about the long term, although current events 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.

