

PURCHASING MANAGERS INDEX

The survey of purchasing managers, by Brian Long of the Institute of Supply Management at Grand Valley State University, shows improvement at the start of 2017. Following a slower second half of 2016, the index returned to above 50 in the new year. Index values over 50 indicate that the manufacturing sector is growing.

The same held true for the category of “new orders.” Following a slower December, new orders increased at the beginning of the year. “Production,” “purchases,” and “inventories” also increased at the start of the year.

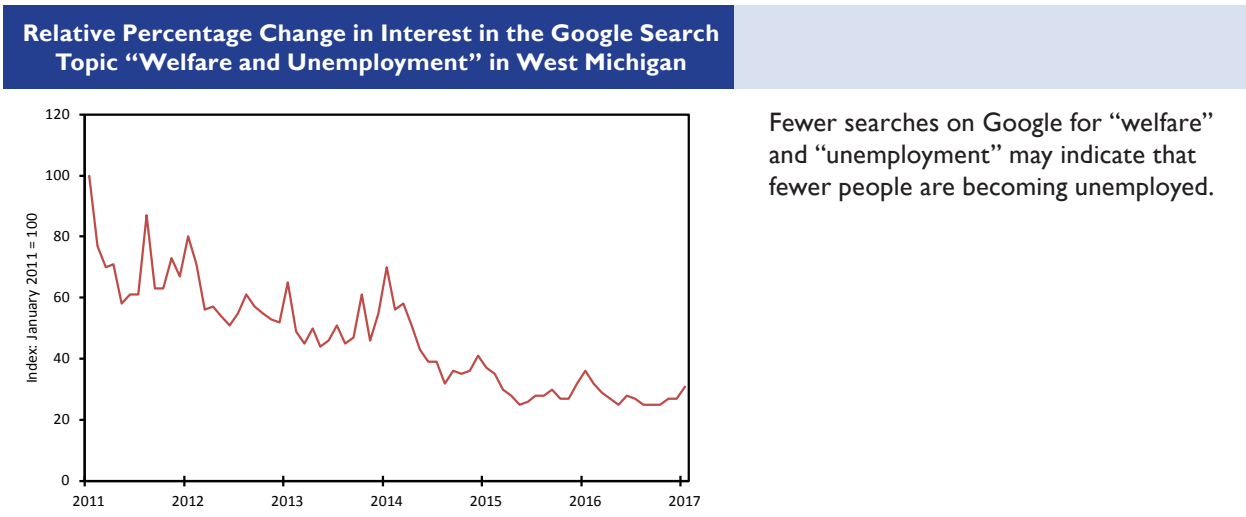
The furniture and auto industries, while looking strong, are both concerned about possibly having reached peak production. As discussed earlier in this issue, U.S. auto sales seem to have hit a high-water mark. And according to Long, some firms in the furniture industry are having record sales but are concerned about “topping out.” But the capital equipment industry, which manufactures equipment used by other industries to produce commodities, had a strong start to the year. According to the most recent *Beige Book* report from the Chicago Federal Reserve, producers of heavy machinery across the region reported end-of-year growth in sales.



Scores above 50 on the Purchasing Managers Index indicate a growing manufacturing sector.

The red line in the figure shows a moving average of the purchasing managers index. While most of 2016 indicated that the manufacturing industry was growing, the rate slowed during the year, possibly hampered by the labor shortages across west Michigan.

On the labor side, residents of west Michigan remain relatively secure in their employment status. The figure below shows an index of Google searches on “welfare” and “unemployment” from 2011 through the start of 2017. While the data are somewhat noisy through 2014, the index appears to settle down in the middle of 2015, carrying through to the present. The data are not seasonally adjusted, and there appears to be a peak at the start of each year, but even that bump is modest for 2016 and 2017.



Fewer searches on Google for “welfare” and “unemployment” may indicate that fewer people are becoming unemployed.