

Silver linings: Hard times, but reasons for hope for local businesses

by Ryan Bentley

Petoskey News Review

January 14, 2010

THE BANK OF

northern michigan

The challenges that have hindered Northwest Michigan's economy in the past year or two haven't disappeared entirely, but observers of the local business community do see some reasons for optimism in 2010.

"We're still struggling," said Andy Hayes, president of the Northern Lakes Economic Alliance. "It's tough to move forward. But there are glimpses of good things on the horizon."

For some companies looking to launch or expand, Hayes noted that access to the necessary financial capital continues to present challenges.

"There are companies wanting to move forward that can't put the financial packages together to help them move forward," he said. "There are other companies that are still cautious about moving ahead."

While lending institutions do have funds available for clients with strong creditworthiness, Hayes noted that entrepreneurs with less-proven visions for businesses still may face reluctance.

"I see the entrepreneur that has the dream, and they're convinced that they can make it happen," he said. "That bank or financial institution needs to help them think that through."

Even though conditions may be holding back some businesses' development plans, Hayes said some projects are moving forward in the region. Examples include the manufacturing relocation and expansion that Kilwin's Chocolates is planning in Petoskey and the One Water Street development in progress in downtown Boyne City.

After the recent auto-industry restructuring and downsizing that's had impacts around Michigan, Petoskey Regional Chamber of Commerce president Carlin Smith said, "I think what we're going to do in 2010 is try to put our arms around what the new normal will be economically."

While the state's auto sector may not return to the large scale that it once had, "I think the worst is behind us," Smith added.

Following the recent slump in the auto industry, Hayes said he sees auto-related manufacturers in the area looking to diversify into other products — and seeing some success.

Petoskey Plastics is one local manufacturer that's seen the automotive side of its business take a hit as the industry has slowed production since 2008. The company's offerings includes plastic covers that help protect vehicle seats during the assembly process.

Despite the considerable decline in demand for those covers through the industry slump, Petoskey Plastics president Paul Keiswetter said the company has seen solid performance for other product lines lately, and that December 2009 was one of its strongest months ever in terms of sales and shipments.

"What's really helped us is we've made a major effort to diversify into other products to adapt into this downturn that we've had," he said.

Trash bags and can liners made with recycled plastics are among the products that have brought recent success, Keiswetter noted. Plastic products for the automotive aftermarket — such as sheeting and seat covers used by repair and body shops — continue to do well, and the company has been pursuing markets overseas for some of these.

"We're very very optimistic," the company president said. "I feel a lot better going into 2010 than going into 2009."

Kathy Erber, senior vice president at The Bank of Northern Michigan, noted that the stock market's rebound since last spring has added to people's sense of wealth and economic well-being, and that interest rates at historic lows may prove beneficial as well.



The bank recently has been developing a business resource lending program to provide opportunities for businesses that are creditworthy but otherwise may not qualify for conventional financing. Governmental guarantees for part of the loan amount help make this financing available.

Looking at the economy in general, "Certainly we have challenges that are going to remain for the coming year," Erber added. "Unemployment is certainly a challenge, especially in Northern Michigan. It's hard to say you're out of a recession when you're feeling that."

From a tourism standpoint, Petoskey Area Visitors Bureau executive director Peter Fitzsimons recently has seen some favorable economic news: the recent progress made by state legislators toward a long-term funding program for Michigan's national tourism promotions.

If 2010 is to be successful for local tourism, Fitzsimons said the Great Lakes area will need more warm summer weather — the type that entices city-dwellers to head north — than it saw last year.

"This year, Mother Nature has to give us a break," he said.