



Southeast Purchasing Managers Index Report



Presented by
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September 2008

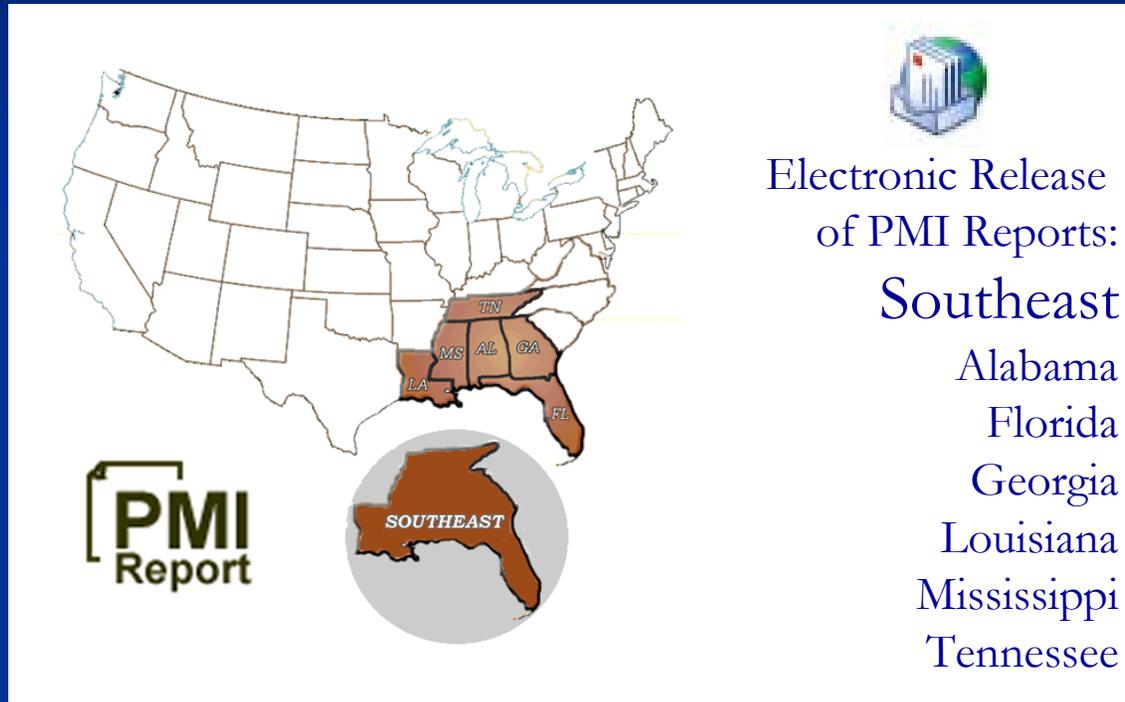
Agenda

- Implementation of the Survey
- Structure of the Survey
- Identifying Participants and maintaining their participation
- Survey Results and Information dissemination

Survey Implementation

Month (timeline)

Day 5



Electronic Release
of PMI Reports:
Southeast
Alabama
Florida
Georgia
Louisiana
Mississippi
Tennessee

Survey Implementation

Month (timeline)



Day 15



Hardcopy **mail-out** of local reports
with reminder of the next month survey

Survey Implementation

Month (timeline)



Southeast PMI Report (snapshot)

Day 15

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PMI Report
SE PMI Decreased 0.9 Points Based On Decreases For
NO, P, and FI

Release: September 5, 2008 August 2008

Southeast PMI	44.7	National PMI	45.9
Aug. 08	-0.9	Aug. 07	-0.8

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Underlying Variables

Underlying Variables	Southeast PMI	National PMI
	Aug. 08	Aug. 07
New Orders (NO)	-0.1	-0.1
Production (P)	-0.6	-0.2
Employment (E)	-0.9	-0.8
Supplier Delivery Time (SD)	-0.8	-0.4
Inventory (I)	-0.2	-0.2
Community Prices (CP)	-0.3	-0.9

Reasons for August's Decrease:
The SE PMI decreased 0.9 points in August based on weakness for NO and decreases of 0.1 and 1.2 points for SD and FI. SD surprisingly jumped to 41.7 in June followed by sharp decreases in July and August. In June, 40% of participants reported higher SD by August only 28.9% reported higher SD. Production followed a similar pattern with sharp decrease in July and August. In June 43.9% reported higher Production, while in August only 17.8% reported higher Production. Employment remains consistently low over this same period. Only 8.9% of participants report higher employment for August. Freighted Inventory on hand decreased 13.2 points to 17.8 with 44.4% of participants reporting lower FI. Supplier Delivery Time was down in August as it dropped 1.1 points to 48.5. As is the case with the National Report, Community Price dropped 1.93 points to 70, which is 7 points lower than Community Price in the National Report. The "chill" was felt by all participants reporting higher prices dropped from 77.8 to 71.7%.

Comparison of States:
The Southeast's August PMI decreased by 0.9 points to 44.7. AL and TN's PMIs recorded the lowest PMIs and LA and MS registered the highest PDI. FL had the lowest NO and MS had the highest at 71.5. LA had the highest Production and AL the lowest. FI recorded the lowest E and LA the highest. LA reported the closest delivery time at 41.7 and MS had the lowest FI at 28.5 and GA had the highest at 50, having the lowest level of 46 points.

The SE experienced more weakness than expected in August. SE's August PMI of 44.7 was lower than expected and should improve in September. Weaknesses in several of the manufacturing sector remain weak.

National PMI Report:
The National PMI decreased 0.1 of a point to 45.9. New Orders increased 0.3 points to 48.3 as Production decreased 0.2 of a point to 45.1. Employment decreased 2.2 points to 40.7. Freighted Inventory increased 4.3 points to 49.3. Supplier Delivery Time decreased 4.8 points to 50.3.

National NO is 1.6 points higher than SE's NO. National P is 0.2 points higher than SE's 41.6. National E is 49.7 versus SE's 44.4. National FI of 48.3 is 11.5 points higher than SE's 37.8 points.

Industrial Production Report:
The July Industrial Production Report reported manufacturing production increased 0.2 percent following a 0.4 % increase in June. CMI manufacturing experienced a 0.4 % increase following a 0.3 % increase for June. Consumer goods increased 0.3 %, while business equipment increased 0.3 % following a 0.2 % increase in June. Construction supply increased 0.3 % following a 0.2 % decrease for June. Business supplies decreased 0.7% following a 0% increase for June. Manufacturing capacity utilization increased to 79.9 a slight increase over June's reading of 79.6.

August's Variable and Trends:
August's Southeast CEI PMI decrease of 0.9 points to 44.7 is tied to NO and P's decrease. As noted earlier, NO's decrease in the last two months has led to adjustments in FI and has led to lower levels of P and continued low levels of E. The SE participants' descriptive that manufacturing remains weak based on their individual market weakness and uncertainty for the general economy. However, because reports remain strong some manufacturers have benefited in lieu of domestic market weakness. SE's long-term trend over the past six months supports the manufacturing sector is weak and not growing.

SE PMI vs. PDI Index

Year	SE PMI	PDI
2000	48.5	48.5
2001	47.5	47.5
2002	46.5	46.5
2003	45.5	45.5
2004	44.5	44.5
2005	43.5	43.5
2006	42.5	42.5
2007	41.5	41.5
2008	40.5	40.5

SE PMI vs. PDI Index

Year	SE PMI	PDI
2000	48.5	48.5
2001	47.5	47.5
2002	46.5	46.5
2003	45.5	45.5
2004	44.5	44.5
2005	43.5	43.5
2006	42.5	42.5
2007	41.5	41.5
2008	40.5	40.5

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New Orders

Region	Aug. 08	Aug. 07	Aug. 06	Aug. 05	Aug. 04	Aug. 03	Aug. 02	Aug. 01
Higher	50.0	49.0	48.0	47.0	46.0	45.0	44.0	43.0
Lower	40.0	39.0	38.0	37.0	36.0	35.0	34.0	33.0
National	48.3	47.5	46.5	45.5	44.5	43.5	42.5	41.5

Southeast's NO increased 0.1 points due to a 0.1% rise in participants reporting higher NO and 0.9% more participants reporting lower NO.

Production

Region	Aug. 08	Aug. 07	Aug. 06	Aug. 05	Aug. 04	Aug. 03	Aug. 02	Aug. 01
Higher	45.0	44.0	43.0	42.0	41.0	40.0	39.0	38.0
Lower	35.0	34.0	33.0	32.0	31.0	30.0	29.0	28.0
National	45.1	44.2	43.3	42.4	41.5	40.6	39.7	38.8

Southeast's P increased 0.2 points due to a 1.6% rise in participants reporting higher P.

Employment

Region	Aug. 08	Aug. 07	Aug. 06	Aug. 05	Aug. 04	Aug. 03	Aug. 02	Aug. 01
Higher	40.0	39.0	38.0	37.0	36.0	35.0	34.0	33.0
Lower	30.0	29.0	28.0	27.0	26.0	25.0	24.0	23.0
National	40.7	39.7	38.7	37.7	36.7	35.7	34.7	33.7

Southeast's E remained the same.

Supplier Delivery Time

Region	Aug. 08	Aug. 07	Aug. 06	Aug. 05	Aug. 04	Aug. 03	Aug. 02	Aug. 01
Higher	45.0	44.0	43.0	42.0	41.0	40.0	39.0	38.0
Lower	35.0	34.0	33.0	32.0	31.0	30.0	29.0	28.0
National	48.5	47.5	46.5	45.5	44.5	43.5	42.5	41.5

Southeast's SD decreased 1.1 points based on 20% less participants reporting lower SD and 8.1% more participants reporting higher SD.

Inventory

Region	Aug. 08	Aug. 07	Aug. 06	Aug. 05	Aug. 04	Aug. 03	Aug. 02	Aug. 01
Higher	45.0	44.0	43.0	42.0	41.0	40.0	39.0	38.0
Lower	35.0	34.0	33.0	32.0	31.0	30.0	29.0	28.0
National	49.3	48.3	47.3	46.3	45.3	44.3	43.3	42.3

Southeast's FI decreased 1.2 points due to a 1.1% rise in participants reporting higher FI and 0.9% more participants reporting lower FI.

Community Prices

Region	Aug. 08	Aug. 07	Aug. 06	Aug. 05	Aug. 04	Aug. 03	Aug. 02	Aug. 01
Higher	70.0	69.0	68.0	67.0	66.0	65.0	64.0	63.0
Lower	60.0	59.0	58.0	57.0	56.0	55.0	54.0	53.0
National	69.7	68.7	67.7	66.7	65.7	64.7	63.7	62.7

Southeast's CP decreased 1.0 points as a result of 26.7% less participants reporting higher CP and 11.1% more participants reporting lower CP.

SE PMI vs. PDI Index

Year	SE PMI	PDI
2000	48.5	48.5
2001	47.5	47.5
2002	46.5	46.5
2003	45.5	45.5
2004	44.5	44.5
2005	43.5	43.5
2006	42.5	42.5
2007	41.5	41.5
2008	40.5	40.5

SE PMI vs. PDI Index

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2004	44.5	44.5
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2007	41.5	41.5
2008	40.5	40.5

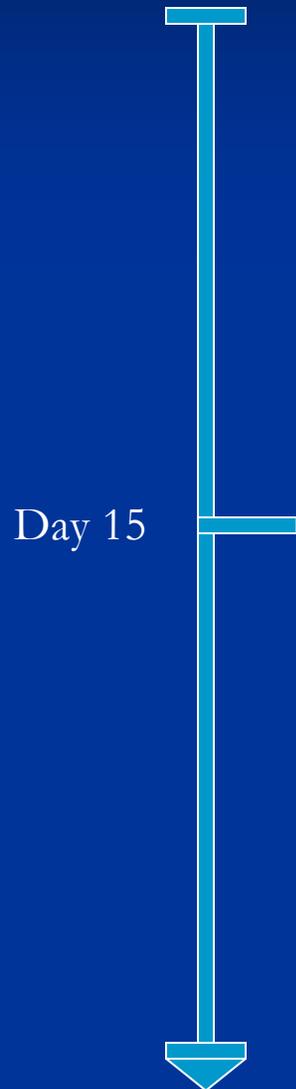
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The Econometric Center's Southeast Region Report surveys purchasing manager participants from the states of Georgia, Alabama, Florida, Tennessee, Louisiana, and Mississippi. The PMI is a composite index that tracks the following: new orders, production, employment, supplier delivery time, and freighted goods inventory. A PMI index over 50 indicates that manufacturing is expanding while anything below 50 means that the industry is contracting.

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Survey Implementation

Month (timeline)



Survey Form

1. Sales (New Orders)- The value of new orders received by my plant/division/company last month was:
 Higher than prior month Same as prior month Lower than prior month
2. Production- Last month's production level at my plant/division/company was:
 Higher than prior month Same as prior month Lower than prior month
3. Employment- The level of employment at my plant/division/company last month was:
 Higher than prior month Same as prior month Lower than prior month
4. Vendor Deliveries- Time taken to deliver orders to my plant/division/company last month was:
 Slower than prior month Same as prior month Faster than prior month
5. Purchased Materials Inventories (Raw materials and supplies)- Last month, the general inventory level of purchased materials, as measured in units, was:
 Higher than prior month Same as prior month Lower than prior month
6. Finished Goods Inventory- Last month, the general inventory level of finished goods, as measured in units was:
 Higher than prior month Same as prior month Lower than prior month

Survey Implementation

Month (timeline)

Survey Form (continued)

Day 15



7.	Commodity prices- Last month, the prices of commodities I buy were generally : <input type="radio"/> Higher than prior month <input type="radio"/> Same as prior month <input type="radio"/> Lower than prior month
8.	Specific commodities up or down in price were: <input type="text"/>
9.	Items in Short Supply- Specific commodities, materials or finished products I buy that were in short supply last month are: <input type="text"/>
10.	Buying Policy- Report here any change during the last month, versus the prior month, in the number of days ahead you are committing for purchases of production materials, MRO supplies and capital spending: <input type="radio"/> No change in policy <input type="radio"/> Policy change-explain <input type="text"/>
11.	General Remarks- Give your frank opinion on any conditions, local, national or international, that affect your purchasing operation or your company's outlook <input type="text"/>

Survey Implementation

Month (timeline)



Day 25



Follow up **fax blast** to non respondents



Follow up **e-mail blast** to non respondents

Survey Implementation

Month (timeline)



Day 28



Follow up **phone calls** to non respondents
for two consecutive months

Survey Implementation

Month (timeline)



Day 30/31

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

Close the survey cycle and
prepare the reports of the month

Structure of the Survey

- Participants: Purchasing managers with access to monthly information for
 - New Orders (NO),
 - Production (P),
 - Employment (E),
 - Supplier Delivery Time (SDT),
 - Finished Inventory (FI), and
 - Commodity Prices.

- Diffusion Index

- Higher=1,
- Same=.5 and
- Lower=0

- $$PMI = \frac{1}{5} \left[\frac{1}{n} \sum_{i=1}^n NO_i + \frac{1}{n} \sum_{i=1}^n P_i + \frac{1}{n} \sum_{i=1}^n E_i + \frac{1}{n} \sum_{i=1}^n SDT_i + \frac{1}{n} \sum_{i=1}^n FI_i \right]$$

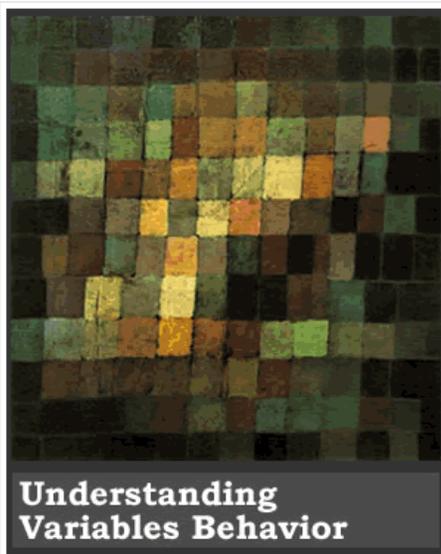
- Geographic area includes Alabama, Florida, Georgia, Louisiana, Mississippi, and Tennessee.
- Participants are limited to manufacturing firms only.

Identifying Participants and maintaining their participation

- Partnering with ISM-Associations
 - Partnership Benefits
 - Annual presentations of results
 - Monthly PMI State and SE Reports
 - Monthly State Report for Newsletter
- Association presidents send letters to their members
- Follow-up phone contacts.
- Partnering with other organizations



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Understanding Variables Behavior

Founded in 1990, the Econometric Center is a research unit of Kennesaw State University, the second largest university in Metro Atlanta. The Center specializes in manufacturing, industry, and macroeconomic analysis.

Over the years, the Center has developed ties with purchasing associations and purchasing managers in various states. Since 2006, the Center has prepared a set of purchasing managers index reports for the U.S. Southeast.

The Econometric Center focuses on data-intensive projects. Using advanced statistics and computing, we discover patterns and relationships that otherwise would be difficult to identify. Currently, the Center is working on the second version of PriceQuantics, a web-based infrastructure that intelligently collects, analyzes, and forecasts price changes of more than 5,000 commodities and products sold in the U.S.



The Econometric Center, partnering with local purchasing associations, prepares the monthly Purchasing Managers Index (PMI) Report. This PMI report provides an analysis of the most current market conditions for the manufacturing sector in Georgia, Florida, Alabama, Tennessee, Mississippi, and Louisiana. [Learn more Report Releases](#)



The Econometric Center in conjunction with the Georgia Industry Association, Georgia Quick Start and the accounting firm Habib, Arogeti & Wynne, LLP is glad to present the study: 2007 Performance and Practices of Georgia's Manufacturing Firms. [Learn more](#)



PriceQuantics®, version 1.0 released on May 15, 2007, is a web-based infrastructure that intelligently collects, analyzes, and forecasts prices of over 5,000 commodity and industrial products, based on price indexes elaborated by the Bureau of Labor Statistics. [Learn more](#)



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