

Georgia Purchasing Manager's Index Report

Furnished by Don Sabbarese, Ph.D., Kennesaw State University Econometric Center

Reasons for February PMI's Increase:

New Orders:

New Orders increased 7.3 points to 65.2. New Orders increase was based on 8.3% more respondents reporting higher New Orders for a total of 45.5% and 11.2% less respondents reporting lower New Orders for a total of 15.2%.

Production:

Production increased 11.3 points to 56.1. Production's increase resulted from 4.0% more respondents reporting higher Production for a total of 30.3% and 18.7% less respondents reporting lower Production for a total of 18.2%.

Employment:

Employment increased 11.1 points to 54.5 based on 12.9% more respondents reporting higher employment for a total of 18.2% and 9.3% less respondents reporting lower Employment for a total of 9.1%.

Supplier Delivery Time:

Supplier Delivery Time increased 0.8 of a point to 50 based on 2% more respondents reporting slower delivery time for a total of 15.2% and 0.4% more respondents reporting faster delivery for a total of 3.0%.

Finished Inventory:

Finished Inventory increased 21.1 points to 50 based on 19% more respondents reporting higher FI for a total of 24.2% and 23.1% less respondents reporting lower Finished Inventory for a total of 24.2%.

Commodity Price:

Commodity Price increased 6.9 points to 72.7 based on 14.3% more respondents reporting higher Commodity Price for a total of 48.5% and 0.4% more respondents reporting lower Commodity Price for a total of 3.0%.

Survey Question:

Forty eight percent of respondents reported higher expected Production in the next 3-6 months, which is up from forty two percent for January. Nine percent expect it to be lower than their current production. The index is 69.6.

Overview:

New Orders has increased 17.6 points over the last two months. February's 65.2 reading is 13.4 points above the

six month average of 51.7. As a result, Production increased 11.3 points and Finished Inventory jumped 21.1 points. The sharp rise in Production and Inventory suggests these respondents anticipate the higher New Orders may continue for the near future. Finished Inventory's sharp increase may also be related to very low inventory levels for November through January and some stockpiling to protect against anticipated rising commodity prices. February Production is 9.2 points above its six month average of 46.9. Employment's increase of 11.1 points to 54.5 is its first substantive increase. Employment is 7.7 points above the 46.8 point average. The increase in Supplier Delivery Time although not substantial is consistent with stronger New Orders and Production.

Commodity Prices jumped 6.9 points to 72.7 points, which is 7.8 points above its 6 month average.

Georgia and the Southeast PMIs are both more than 10 points higher in February.

National PMI Report:

The National February PMI decreased 1.9 points to 56.5, which was the result of the following decreases: 6.4 points to 59.5 for New Orders and 7.8 points to 58.4 for Production. Employment increased 2.8 points to 56.3, Supplier Delivery Time increased 1 point to 61.1 and Inventories increased 0.8 of a point to 47.3.

Commodity Price decreased 3 points to 67 points. Eleven of the 18 manufacturing industries reported growth in February.

Industrial Production Report:

The January Industrial Production Report reported an increase of 0.9% following a 0.7% increase for December. Manufacturing excluding motor vehicle and parts increased 0.8. Business equipment increased 0.9 and High tech improved 1.9%. These improvements were broad based across a number of industries. Capacity Utilization increased from 71.9 to 72.6.

Georgia versus the Southeast Survey:

February Southeast (SE) and Georgia (GA) PMIs increases of 11 and 10.3 are moving closely together. The same is true for their underlying variables.

The Three Survey Comparison:

The February SE and Georgia PMIs are up 11 and 10.3 to 56.8 and 56.4, while the National PMI slipped 1.9 points to

continued on next page

56.5. It is too early to tell if the SE and Georgia PMIs improvements are sustainable as is the case for the National PMI, which has followed this trend since August 2009. Georgia and the SE underlying variables for New Orders and Inventories are higher than for the National PMI Survey.

Comment:

The Georgia and Southeast February PMIs and their underlying variables have reached the National PMI levels. While the National PMI has established a sustainable trend, it will take at least a three month trend to discern if Georgia and the Southeast PMIs are in sync with the National PMI. February's underlying variables are appreciably above their six month averages.

**Change In Percent of Georgia Participants Reporting Higher, Same and Lower
FEBRUARY - JANUARY**

	Higher	Same	Lower
New Orders	3.3	7.8	-11.2
Production	4.0	14.7	-18.7
Employment	12.9	-3.6	-9.3
Deliveries	2.0	-2.4	0.4
Finished Inventory	19.0	4.1	-23.1
Commodity Prices	14.3	-14.7	0.4

PMI Georgia, PMI Southeast, and PMI National

	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Feb-Jan
PMI GA	44.6	48.9	43.5	45.9	46.1	56.4	+10.3
PMI Southeast	46.7	49.2	47.5	45.2	45.8	56.8	+11.0
PMI National	52.6	55.7	53.6	55.9	58.4	56.5	-1.9

COMMENTS FROM SURVEY PARTICIPANTS REGARDING CONDITIONS THAT AFFECT PURCHASING OPERATION:

PRODUCTS WITH HIGHER PRICES

"Steel, steel wire, pvc, steel, linerboard, resins, steel, cooper, pallets, sulfuric acid, caustic soda, metal prices are starting to rise-nickel, chrome, moly, alloy scrap, fab steel scrap, chemicals, refrigerant 13% (\$.15/lb, copper \$.05/lb), plastics, raw form, wood mouldings, wood door jams, treated lumber, grains, cheese, aluminum, oil based products-diesel, stainless steel"

PRODUCTS WITH LOWER PRICES

"Chemicals (concentrate admixtures), aluminum and copper fell this past month, but a surge in the opposite direction. As confidence builds in the economy, these two metals will probably take off, paper, capital equipment"

ITEMS IN SHORT SUPPLY

"Machining and casting vendors, 12L14 small diameter bar stock, some steel products, kraft paper and lumber for pallets, caustic soda market tightening due to several force majeure, chemicals from China-Holiday, maleic resins, eva resins, tomatoes"

BUYING POLICY CHANGE

"Looking for cheaper pricing in all categories, reduce cycles...but the problem is companies have been cutting back on capacity to cut cost, new requisition to paty policies, investing in larger inventory of raw material inventory to hedge against anticipated price increases, global purchasing project was established, purchasing mouldings for 120 to 150 days of inventory-expecting more increases"

continued on next page

Georgia Purchasing Manager's Index Report

Continued from previous page

GENERAL REMARKS - Give your frank opinion on any conditions, local, national or international, that affect your purchasing operation or your company's outlook

"Optimism is fading ...orders for next year very thin...see additional layoffs local and national"

"Homebuilding is still sluggish due to harsh winter weather"

"Continue to purchase minimum quantities because of economic uncertainties"

"Overall outlook for near term looks positive"

"Many suppliers are pushing for price increases, but we are

having pretty good success pushing back"

"Incoming orders have increased the last 2 months. However, spending and headcount changes will not be revised until the end of fiscal Q1'

"Weakened supply chain for material due to plant closing and bad weather"

"Tight credit and lack of new home construction activity holding down any expansion"

"Overall a steady increase in business-we are close to adding back our night shift" ■

The Reality of Green

Continued from page 10

budget, implementation, timing, project management, federal contract requirements, measurement methodology, CO2 data collection and reporting are likely will to the C-suite within months before implementation. One potential solution is scope control or management. What is CO2 Footprint Reduction Scope control? There are many definitions but one common concept examples includes separating business units, operations, and services. By controlling the scope, by the way for some large manufacturers and importers report to the Environmental Protection Agency the data collection methodology by April 1, 2010, strategic sourcing can implement supplier carbon reduction in segments over time. This scope control is a preferred methodology when it comes to risk management also.

Communications and collaboration are always key to any strategic sourcing initiative. This is especially true as the Green Supply Chain revolution steams forward. The sourcing team must consider three major tasks early in the Sustainability Planning process. Those considerations are external data reporting security, communication depth (tier 1 and tier 2), and internal reporting approach. The sourcing team may need to seek communications planning guidance

from the sales and marketing team in order to closely align carbon management with the organization's sales approach.

The last step in the Sustainability Performance Model, Risk Management, is the most complex for the strategic sourcing team. Why? This phase involves an early judgment call in the sustainability performance planning, usually when there is limited direction and little or inaccurate data. The CPO may need to make trade-offs on project scope and its supply base. Supplier trade offs may include manufacturer location, transportation mode, energy costs etc.. The second Risk Management challenge could involve social-economic pressures. The CPO must take a position early yet must be prepare to change as social trends change.

In summary, if the strategic sourcing team takes a step back (s) he will notice the Sustainability Performance Planning Process isn't much different than the standard CPO operating model. The key is understanding the current state and future action plans. Second and third quarter, 2010 sustainability planning is key a successful 2011. These concepts apply to companies that sell to both the private and public sectors. ■