

Georgia Purchasing Manager's Index Report

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AUGUST 2010 PMI Report

An analysis of the August PMI Report:

New Orders:

New Orders decreased 11 points to 53.3. New Orders decrease was based on 16.9% less respondents reporting higher New Orders for a total of 36.7% and 5% more respondents reporting lower New Orders for a total of 30%.

Production:

Production decreased 13 points to 56.7. Production's decrease resulted from 16.9% less respondents reporting higher Production for a total of 36.7% and 9% more respondents reporting lower Production for a total of 23.3%.

Employment:

Employment decreased 9.2 points to 53.3 based on 16% less respondents reporting higher employment for a total of 23.3% and 2.4% more respondents reporting lower Employment for a total of 16.7%.

Supplier Delivery Time:

Supplier Delivery Time increased 6.5 points to 58.3 based on 9.3% more respondents reporting slower delivery time for a total of 20% and 3.8% less respondents reporting faster delivery for a total of 3.3%.

Finished Inventory:

Finished Inventory increased 12.3 points to 53.3 based on 12.4% more respondents reporting higher FI for a total of 26.7% and 12.1% less respondents reporting lower Finished Inventory for a total of 20%.

Commodity Price:

Commodity Price decreased 2.4 points to 58.3 based on 12.4% less respondents reporting higher Commodity Price for a total of 23.3% and 7.6% less respondents reporting lower Commodity Price for a total of 6.7%.

Survey Question:

Twenty three percent reported higher expected production in the next 3-6 months versus thirty two percent of respondents in July. Sixteen percent expected production to be lower than their current production. The index is 53.3.

Overview:

August New Orders, Production and Employment experienced large decreases, which accounts for the 2.9 point PMI decrease. Supplier Delivery Time increased 6.5 points suggesting delivery time is still increasing. Finished Inventory increased 12.3 points, which could be the result of an involuntary increase due to the sharp decreases in New Orders and Production. Commodity Price continues to decrease from its high mark of 83.3 in April.

A comparison of 3-month averages for March through May to June through August suggests the rate of growth is slowing. New Orders and Production's averages of 60.7 and 60.9 are 9.7 and 8.1

points lower than the earlier 3-month averages. Employment's most current 3 month average of 60.1 is only .6 of a point lower. Supplier Delivery's most recent 3-month average of 58.7 is 3.3 points lower. Finished Inventory's 3-month average of 43.3 is 7.7 points lower than the earlier average. Commodity Price's 3-month average of 57.4 is 23.4 points lower than the earlier 3-month average.

National PMI Report:

The National August PMI increased 0.8 of a point to 56.3, which was the result of the following: New Orders decreased 0.4 of a point to 53.1; Production increased 2.9 points to 59.9; Employment is up 1.8 points to 60.4; Supplier Delivery Time is down 1.7 points to 56.6; and Finished Inventory is up 1.2 points to 51.4.

Commodity Price increased 4.0 points to 61.5.

Eleven of 18 manufacturing industries reported growth in August. Five industries reported contraction: The Nonmetallic mineral products; Furniture & Related Products; Petroleum & Coal; Plastics & Rubber; and Machinery.

Industrial Production Report:

The July Industrial Production Report reported a total production increase of 1.0% following a 0.1% decrease for June. Manufacturing increased 1.1% following a 0.5% decrease in June. Durable goods was up 2.1% following a 0.1% decrease for June. Motor Vehicles and parts increased 9.9% following a 2.5% decrease for June. Business equipment and high tech increased 1.8% and 0.8% respectively following increases of 0.5 and 0.4 increases in June.

Part of the increase was related to GM keeping plants open in July when they would normally be closed for restoration. Manufacturing excluding auto is still 3% higher this quarter. Computer and peripheral equipment is up an annualized 13% for the first two months of the third quarter.

Manufacturing capacity utilization of 72.2% continues to increase from its low point of 65% a year ago.

Georgia versus the Southeast Survey:

August Southeast (SE) and Georgia (GA) PMIs tracked each other with decreases of 3.1 and 2.9 points respectively. The SE PMI's decreases for New Orders, Production and Employment of 5, 9.1 and 4.3 respectively, were less than Georgia's decreases. SE's increases for Supplier Delivery Time and Finished Inventory were lower than the increases for Georgia.

The Three Survey Comparison:

The August National, SE and Georgia PMIs are 56.3, 53.2, and 55. August decreases for SE and Georgia's PMIs moved opposite from the National PMI because of increases for National's Production and Employment. So far, the PMI surveys continue to portray growth for the manufacturing sector, but at a slower pace. The moratorium on drilling in the Gulf may have contributed to the lower SE PMI in August.

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Comment:

The Georgia and Southeast August PMI respondents are demonstrating similar pattern for its underlying variables. SE's overall

change was slightly greater at a decrease of 3.1. Manufacturing in Georgia and the Southeast continues to grow, but at a slower rate than in the second quarter.

Change In Percent of Georgia Participants Reporting Higher, Same and Lower AUGUST - JULY

	Higher	Same	Lower
New Orders	-16.9	11.9	5.0
Production	-16.9	7.9	9.0
Employment	-16.0	13.6	2.4
Deliveries	9.3	-5.5	-3.8
Finished Inventory	12.4	-0.2	-12.1
Commodity Prices	-12.4	20.0	-7.6

PMI Georgia, PMI Southeast, and PMI National

	Mar-10	Apr-10	May-10	Jun-10	Jul-10	Aug-10	Aug-Jul
PMI GA	61.3	63.3	63.2	57.4	57.9	55.0	-2.9
PMI Southeast	59.9	63.3	62.7	57.9	56.3	53.2	-3.1
PMI National	59.6	60.4	59.7	56.2	55.5	56.3	+0.8

COMMENTS FROM SURVEY PARTICIPANTS REGARDING CONDITIONS THAT AFFECT PURCHASING OPERATION:

PRODUCTS WITH HIGHER PRICES

"Software, Aluminum, steel, lead, aluminum, polypropylene, natural rubber, zinc oxide"

PRODUCTS WITH LOWER PRICES

"All wood based products, steel, oil based commodities and fuel, steel acetone, isopropyl alcohol dropped about \$.03/lb, copper carbonate, sulfuric acid"

ITEMS IN SHORT SUPPLY

"Finished nonwoven fabric, electronic components, plastic resins, TIO2, paint resins, acrylic resins, flame retardants for plastics"

BUYING POLICY CHANGE

"Reduced buying to take inventories lower as confidence in a rebound has fallen"

"More PO's for future purchases have been issued compared to prior month"

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

"As Washington continues to blunder, all economic confidence

is gone. We need pro business policies to create jobs, without jobs all is lost, We do not need more payment for unemployment, we need job with stimulus spending coming to end, cautiously optimistic on general economic growth"

"Improvement still appears to be lagging due to slow improvement in manufacturing activity and consumer demand for goods"

"Lack of jobs continue to be the root cause effecting home building"

"Market confusion and lack of federal direction/policy and poor prioritization delaying recovery"

"Starting to see improvement six to eight months out"

"Busy is steady"

"Financing continues to be a concern and locker to many sales opportunities"

"Seems to be more skepticism about the economy and spending in general"

"China is restricting export of rare earth materials causing price increases up to 400%"

"Planned maintenance in Polyurethanes is causing early buy-ins. Also planned transition to new FR materials are reducing supply of some brominated materials"