

Georgia Purchasing Manager's Index Report

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December 2011 PMI Report

An analysis of the December PMI Report:

New Orders:

New Orders decreased 8.1 points to 50. New Order's decrease was based on 12.9% less respondents reporting higher New Orders for a total of 22.2% and 3.3% more respondents reporting lower New Orders for a total of 22.2%.

Production:

Production decreased 7.8 points to 46.3. Production's decrease resulted from 11.2% less respondents reporting higher Production for a total of 18.5% and 4.3% more respondents reporting lower Production for a total of 25.9%.

Employment:

Employment remained the same at 50 based on 5.1% less respondents reporting higher employment for a total of 11.1% and 5.1% less respondents reporting lower Employment for a total of 11.1%.

Supplier Delivery Time:

Supplier Delivery Time decreased 1.9 points to 48.1 based on 1.7% less respondents reporting slower delivery time for a total of 3.7% and 2% more respondents reporting faster delivery for a total of 7.4%.

Finished Inventory:

Finished Inventory decreased 7.4 points to 42.6 based on 4.1% less respondents reporting higher FI for a total of 14.8% and 10.7% more respondents reporting lower Finished Inventory for a total of 29.6%.

Commodity Price:

Commodity Price increased 4.1 points to 50 based on 0.7% less respondents reporting higher Commodity Price for a total of 7.4% and 8.8% less respondents reporting lower Commodity Price for a total of 7.4%.

Survey Question:

Forty four percent reported higher expected production in the next 3-6 months versus forty three percent in November. Seven percent of respondents expected production to be lower than their current production. The index is 68.5.

Overview:

December's PMI partially reversed its one month rebound of 9.2 points with a 5 point loss. New orders and production were primarily responsible for this decrease based on 8.1 and 7.8 point losses, respectively. Finished inventory's 7.4 decrease was consistent with the weakness in new orders and production. Production's December reading of 46.3 was 4.6 points below its 6-month average. Finished inventory's reading of 42.6 was 7.4 points below its 6-month average. 4th quarter's PMI ended the

year in a fairly volatile pattern.

National PMI Report:

The National December PMI increased 1.2 points to 53.9 was the result of the following: New Orders increased 0.9 of a point to 57.6; Production increased 3.3 points to 59.9; Employment increased 3.3 points to 55.1; Supplier Delivery Time remained the same at 49.9; and Finished Inventory decreased 1.2 points to 47.1.

Commodity Price increased 2.5 points to 47.5.

Of the 18 manufacturing sectors 9 sectors reported growth in December. The 9 sectors include: Apparel, Leather & Allied Products; Printing & Related Support Activities; Textile Mills; Petroleum & Coal Products; Machinery; Food, Beverage & Tobacco Products; Computer & Electronic Products; Primary Metals; and Paper Products.

The nine industries reporting contraction in December include: Plastics & Rubber Products; Nonmetallic Mineral Products; Furniture & Related Products; Chemical Products; Wood Products; Miscellaneous Manufacturing; Fabricated Metal Products; Transportation Equipment; and Electrical Equipment, Appliances & Components.

Industrial Production Report:

The November Industrial Production Report recorded a -0.2% decrease following a 0.7% increase for October. Manufacturing decreased 0.4% down from 0.5% increase in October. Motor Vehicle and parts production decreased 3.4% down from October's increase of 3.4%. Business equipment decreased 0.1% following a 1.4% increase in October. High tech decreased 0.8% following a 1.3% decrease for October. Manufacturing, excluding motor vehicle, decreased 0.2% following a 0.3% increase for October.

November manufacturing capacity decreased from 76.1 in October to 75.8.

4th quarter manufacturing grew at an annualized rate of 3.5% down from 4.9% for the 3rd quarter. Manufacturing less auto production grew at 2.9% annualized rate versus 4.1% for the 3rd quarter. Flooding in Thailand created some supply chain problems that contributed to this slower growth.

Georgia versus the Southeast Survey:

Georgia's decrease of 5 points was greater than the Southeast's (SE) PMI decrease of 2.1 points. The Southeast readings of new orders, production, employment, supplier delivery time, and finished inventory are higher than Georgia's by 0.8, 4.5, 0.8, 5, and 12 points, respectively. Only Southeast's commodity price is lower by 2.3 points.

Georgia versus the National Survey:

In December the Georgia PMI decreased 5 points to 47.4 versus the National PMI's increase of 1.2 points to 53.8. The National

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PMI recorded higher readings than the Georgia PMI components by 6.8, 9.1, 4.3, and 3.4 points for new orders, production, employment, and finished inventory, respectively. Georgia registered higher reading of 3.2 for supplier delivery time. Georgia's commodity price registered 0.2 of a point higher reading than the National's commodity price reading of 47.5.

Comment:

Georgia's December PMI lost 5 points from November's improvement of 9.2 points. Georgia's 4th quarter PMI ended the year with substantial volatility, which limits the ability to foresee the near future trend for the Georgia PMI.

**Change In Percent of Georgia Participants Reporting Higher, Same and Lower
DECEMBER - NOVEMBER**

	Higher	Same	Lower
New Orders	-12.9	9.6	3.3
Production	-11.2	6.9	4.3
Employment	-5.1	10.2	-5.1
Deliveries	-1.7	-0.3	2.0
Finished Inventory	-4.1	-6.6	10.7
Commodity Prices	-0.7	9.5	-8.8

PMI Georgia, PMI Southeast, and PMI National

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Sep-Aug
PMI GA	50.7	58.1	48.7	43.2	52.4	47.4	-5.0
PMI Southeast	53.7	57.8	49.4	47.1	51.9	49.8	-2.1
PMI National	50.9	50.6	51.6	50.8	52.7	53.9	+1.2

COMMENTS FROM SURVEY PARTICIPANTS REGARDING CONDITIONS THAT AFFECT PURCHASING OPERATION:

Specific commodities UP IN PRICE were:

"Energy, some truck freight costs, calcined coke, caustic soda, coal tar pitch, steel beginning to increase @ the margin, proteins, packaging material, zinc oxide, carbon black, steel (HDG, CR, HR), steel, fasteners-petroleum based products, oil based commodities all up 5%, teflon due to increase coming from DuPont in Feb, steel wire, pvc, transformers, None. However, suppliers are positioning themselves for moderate price increases...3%-4%... beginning January 1, 2012, metal lathe, pallets"

Specific commodities DOWN IN PRICE were:

"Polypropylene, polyethylene, metals, most all products declined in price in November, prices are expected to rise in January and February, gasoline, diesel, natural rubber, synthetic rubber, propylene, acetone, platinum, methanol, copper, tin, lead, fuel, some metals, oil, copper, aluminum, refrigerant 134a... approximately 25%"

Items in Short Supply- Specific commodities, materials

or finished products that were in short supply last month are:

PVDF, titanium dioxide, , electronic components, caustic, steel, products made in China, zippers gloves, changed over to a tighter lead-time driven system to increase inventory turns, hard disk drives

Buying Policy- Changes 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:

"Reducing inventories and conserving cash"

"Effective Jan 1, the operations of National Alabama Corporation is being assumed by Navistar Inc. This has resulted in changes in purchasing policies as well as commodities and supplies acquired"

"Taking contract minimums"

"End of the year end of 4th quarter trying to push out orders were possible lower inventory on hand" ■