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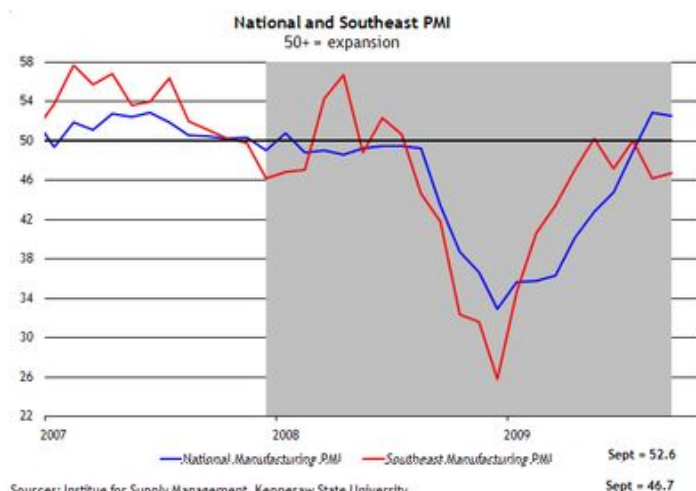
Southeast PMI

The manufacturing sector is a large and economically important piece of the regional economy, making up 10.8 percent of nominal gross domestic product for the states of the Sixth District in 2008. By looking deeper into manufacturing data, we gain insight not only into current production, but into the likely path of near-term output as well. Continued increases in new orders for manufactured goods, for instance, should lead to increased capacity utilization and employment. In the current economy, economic indicators pertaining to manufacturing deserve close monitoring. An important regional manufacturing indicator is the Southeast Purchasing Managers Index (PMI).

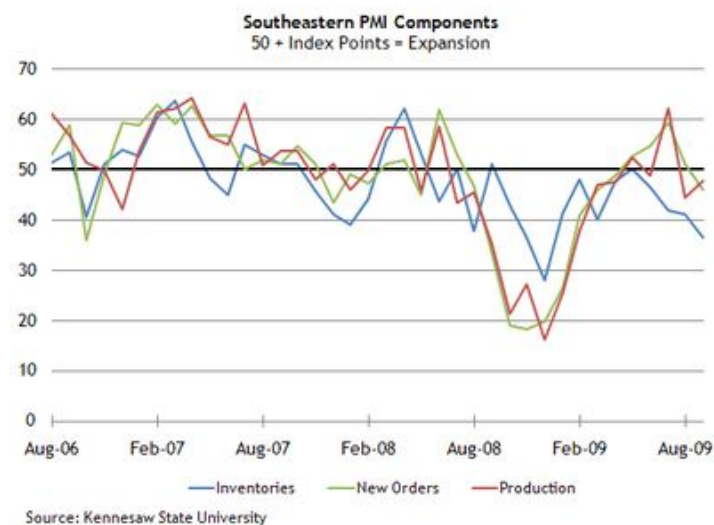
The Southeast PMI has been on an interesting ride throughout the current recession. This valuable economic indicator is produced and managed by [Kennesaw State University's Econometric Center](#) with the cooperation of the Atlanta Fed's Research Department, assists economists and business leaders in taking the temperature of the manufacturing sector, and helps them plan accordingly. Each month, a survey is sent to manufacturers across the Sixth District asking participants to compare new orders, production, employment, deliveries, finished good inventory levels, and commodity prices with levels from the month prior. Responses are then weighted and indexed to give an accurate and timely snapshot of manufacturing activity in the Southeast. Index readings above 50 index points show that the respective component is expanding while readings below 50 reflect contraction.

Like the national PMI, the Southeast PMI hit bottom in December 2008, reaching a low of 25.8, compared with the national PMI's low of 32.9. Though the Southeast figure dipped lower, it returned to normal levels more quickly, barely breaking the 50-point threshold in May 2009 to reach 50.2.

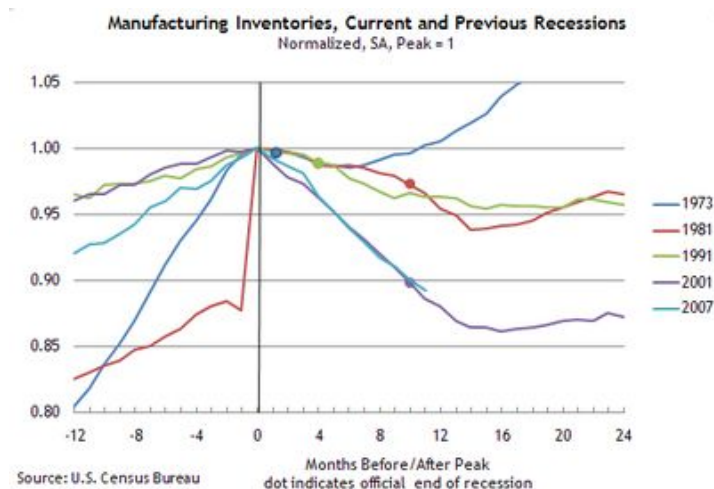
For its August and September readings, the Southeast PMI lagged the national PMI by about 6 index points. The Southeast PMI for September was 46.7, up 0.5 index points from August, compared with a national PMI September reading of 52.6.



The Southeast PMI has several components that are also indexed and useful for gauging the regional manufacturing economy. Along with the headline PMI, new orders, production, and finished goods inventories all bottomed out in December 2008, with new orders and production reaching above 50 in May 2009. July 2009 brought a surge for many Southeast PMI components. In July 2009 alone, production jumped 13.4 index points and new orders gained 4.5 index points, but the trend may not be a lasting one. As of the September release, new orders, production, and finished goods inventories had all contracted.



Another interesting component watched by many economists is the inventory component. Consistent with [national PMI figures](#) and [U.S. census reports](#), the Southeast PMI shows manufacturing inventories are not rebuilding as quickly in this recession as they have in several postwar recessions. Nationally, this recession's manufacturing inventories are most similar to the 2001 recession. The chart below reflects the national trend for manufacturing inventories in the current and previous four recessions.



Participants in the Kennesaw State PMI survey receive a state and regional report on PMI near the beginning of each month. To learn more about the process, to see a survey form, or to begin participating, click [here](#).

By Mark Carter, an economic research analyst in Atlanta Fed's research department

October 14, 2009 in [Forecasts](#), [Manufacturing](#), [Southeast](#) | [Permalink](#)

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