



## SouthPoint

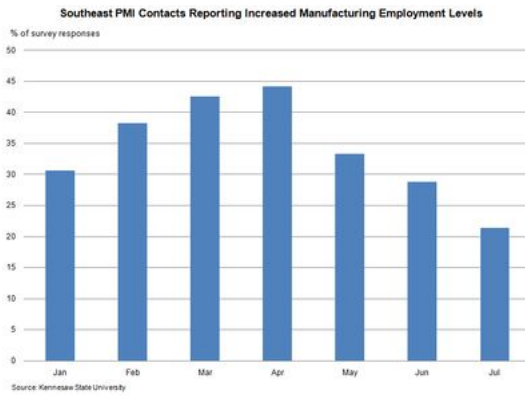
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08/09/2011

### The Southeast PMI: Q1 giveth, Q2 taketh away

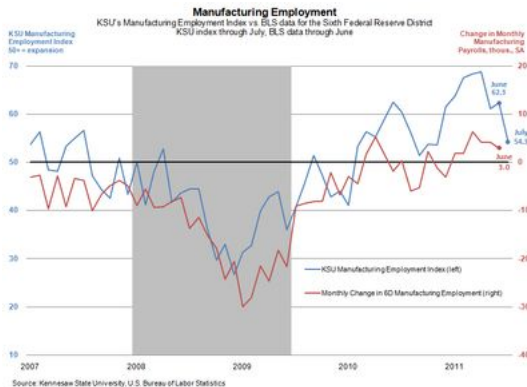
The pace of growth in the Southeast's manufacturing sector slowed again in July, according to Kennesaw State University's (KSU) Southeast Purchasing Managers Index (PMI). The overall PMI dipped 2.9 index points over the month of July to reach 53.7 points, a level still indicating growth, but representing the slowest month for the Southeast's manufacturing sector since October 2010. The index is back to where it was around last fall, before any of us were talking about a "manufacturing-led recovery."

Components of the PMI that measure the health of manufacturers' new orders, production, employment, and commodity prices all fell in July, with the largest decline being a slide of 8 index points in the employment component. Though manufacturing employment in the Sixth District is still on the rise with a reading of 54.3 points (on a scale where anything above 50 indicates growth), the Southeast PMI indicates the momentum in manufacturing employment has, like the overall index, slowed. To vividly illustrate this, just a few months ago in April, about 45 percent of manufacturers surveyed said their employment levels had increased compared to the previous month. In July, the number was less than half of April's level.



[\(enlarge\)](#)

How seriously can we take this index as an indicator for actual changes in Sixth District manufacturing employment? Below, we've plotted the KSU manufacturing employment component with actual changes in manufacturing employment (as measured by the U.S. Bureau of Labor Statistics's (BLS) state payroll employment report) across the Sixth District, the same geographic area the PMI survey covers. As you can see, the employment index correlates relatively well with actual changes in manufacturing employment. A beneficial feature for an economic analyst is that the Southeast PMI report is released around two weeks prior to the BLS's report on regional payroll employment, giving us a potential glimpse at forthcoming employment data.



[\(enlarge\)](#)

In June, the Sixth District added a net total of 3,000 manufacturing jobs while the KSU employment component hovered at an elevated level of 62.3 points. Once the BLS releases its regional employment report on August 19, we'll see how the decline of 8 index points in the July KSU employment index translated into actual job growth for the sector last month.

Other highlights of the report offer contrasts of July's manufacturing health against how the sector was performing just a few months ago. New orders, a bellwether for future manufacturing activity, and production, a measure of current activity, are 11.9 points and 10.5 points below their six-month averages, respectively. The release

offers some comparisons to April, a particularly good month for Southeast manufacturers:

	April 2011 SE PMI	July 2011 SE PMI	April-July change
New Orders	72.1	51.4	-20.7
Production	70.1	52.9	-17.2
Employment	68.8	54.3	-14.5
Supplier Deliveries	59.7	54.3	-5.4
Finished Inventory	53.2	55.7	2.5

Source: Kennesaw State University

Details of the latest BLS regional employment report (detailing June) [are available](#).

July's data on the regional level will be available Friday, August 19, at 10 a.m.

Those interested can [read more](#) about the Southeast PMI, including details of its calculation and how to interpret the PMI.



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

August 9, 2011 in [Employment, Manufacturing](#) | [Permalink](#)

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