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Southeast manufacturing PMI continues to indicate expansion in March

Kennesaw State University's Purchasing Managers Index (PMI) continued to indicate expansion in March, though the index did slip somewhat from February's reading. The Southeast PMI lost 3 points in March, which would be more of a concern if the prior month's reading was not such a strong reading of 64 points.

In fact, most components of the Southeast PMI appeared to adjust after the significant gains seen in February's report. The new orders index lost 5.1 index points but still remains at 68 points, a reading indicating solid growth in orders. The production component slipped 1.6 points to reach 65.6 for the month. Manufacturers also indicated that inventory building is occurring at a somewhat slower rate; the finished-goods measure lost 6.3 index points but still indicates growth at 54.1 points.

The brightest part of March's Southeast PMI report was the employment component. While most components seemed to adjust downward from elevated levels in February, the employment index tacked on 0.4 points to reach 62.3 points, indicating steady growth in manufacturing employment for the Sixth District states. The national measure of manufacturing employment also had a good month in March, adding 2.9 index points to reach 56.1.

Here's a look at how March's Southeast PMI report compares with the national manufacturing PMI, produced by the Institute of Supply Management (ISM):

	Southeast PMI		National PMI	
	March 2012 Reading	M/M Change	March 2012 Reading	M/M Change
PMI	61.0	-3.0	53.4	+1.0
New Orders	68.0	-5.1	54.5	-0.4
Production	65.6	-1.6	58.3	+3.0
Employment	62.3	+0.4	56.1	+2.9
Supply Deliveries	54.9	-2.5	48.0	-1.0
Finished Inventories	54.1	-6.3	50.0	+0.5

Sources: Institute for Supply Management, Kennesaw State University
[\(enlarge\)](#)

And this chart shows March's current Southeast PMI levels in the context of the survey's history, which began in 2006:



Notes: The gray bar indicates recession. Source: Kennesaw State University

[\(enlarge\)](#)

Of course, the Federal Reserve is always interested in changes in prices. The national and Southeast PMI surveys ask a monthly question about changes in prices relative to the prior month's level, but this information does not get factored into the aggregate index (the overall PMI) of either survey. Regardless, it tends to be a good signal for prices at the early stages of the supply chain.

In March, southeastern manufacturers indicated that prices were rising, but the rate was a bit slower than in February. The Southeast Commodity Price index registered 68 points in March, down 2.9 points from February's reading. The national (ISM) survey indicated roughly the same thing—that manufacturers are continuing to see input prices rise, but at a slightly slower pace. The national price reading for March was 61 points, down 0.5 index points from February's reading.



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

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