



## SouthPoint

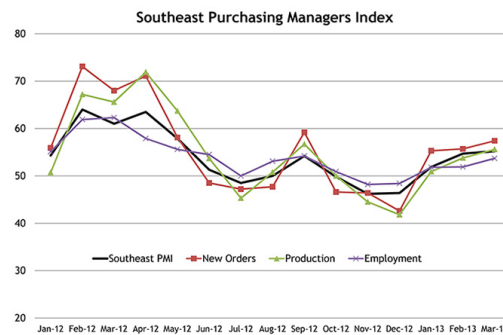
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04/15/2013

### Regional Manufacturing Remains Positive in March (and in the Longer-Term View)

Southeastern manufacturers reported expanding factory activity for the third consecutive month in March, according to the Econometric Center at Kennesaw State University. The increase in overall regional manufacturing activity reported from February to March was not as substantial as the prior two periods, but this sector continues to be one of the brighter spots in the economy. The southeastern Purchasing Managers Index (PMI) reading in March was 5.2 points above the expansion benchmark of 50 and is at its highest level since May 2012. The continued strength in manufacturing activity in the region was a result of an increase in all southeastern PMI components except for finished inventory. Of the six states that make up the Atlanta Fed's region, four reported activity to be expanding, with Tennessee and Georgia showing the highest activity levels.

In addition, the manufacturing outlook remained healthy as well, although the March survey showed that the percentage of southeastern manufacturing contacts who expect production to be higher in the next three to six months was a bit lower than the past few months. Thirty-three percent expect production to be higher in the next three to six months, versus 45 percent for February. Still, the index level for the outlook remains a very healthy 61.



Source: Kennesaw State University Econometric Center

[\(enlarge\)](#)

Employment data also show that the manufacturing sector is growing. Since its trough in February 2010, total manufacturing employment in the region had risen by 65,600, or 4.5 percent, a welcome sign after the manufacturing sector experienced significant job losses during the recent recession.

Recent studies also offer encouraging news for the long-term outlook of the manufacturing sector. A recent report by [Capital Economics](#), an independent macroeconomic research company, addressed [onshoring](#) and current conditions in the manufacturing sector that could lead to a potential renaissance. In part, it said:

The offshoring boom does appear to have largely run its course but there is, as yet, little evidence of any significant onshoring. Nevertheless, with US labour costs becoming relatively more competitive, domestic energy prices falling and new technologies being developed, the medium-term outlook for the US manufacturing sector is brighter than it has been for a long time.

While many plants remain shuttered or are producing well below capacity, changes are expected to come over the next decade. Harold Sirkin, a partner at Boston Consulting Group, provides supporting comments for onshoring trends in his report [Made in America, Again](#). Huffington Post provides support of the onshoring trend in an article, [Why Onshoring High-tech Manufacturing Jobs Makes Economic Sense](#).

Looking more closely at the region, the latest [Economic Report to the Governor](#), from the University of Tennessee's [Center for Business and Economic Research](#), addressed the emergence of advanced manufacturing, which is leading to changes in the types of workers manufacturers are looking to hire:

There is no simple definition of advanced manufacturing, but it generally entails the integration of technology and sophisticated labor skills to the manufacturing process. Advanced manufacturing in principle could apply to any manufacturing firm in any sector of the economy. Robotics and additive manufacturing such as 3D printing are good examples of advanced manufacturing processes in practice.

Surveys of manufacturing activity, data regarding employment levels, and longer-term studies all point to a healthy rebound and continued expansion in the region's manufacturing sector.

By Amy Pitts, a senior Regional Economic Information Network analyst in the Atlanta Fed's Nashville Branch

April 15, 2013 in [Employment](#), [Manufacturing](#), [Productivity](#), [Southeast](#) | [Permalink](#)

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