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10/15/2013

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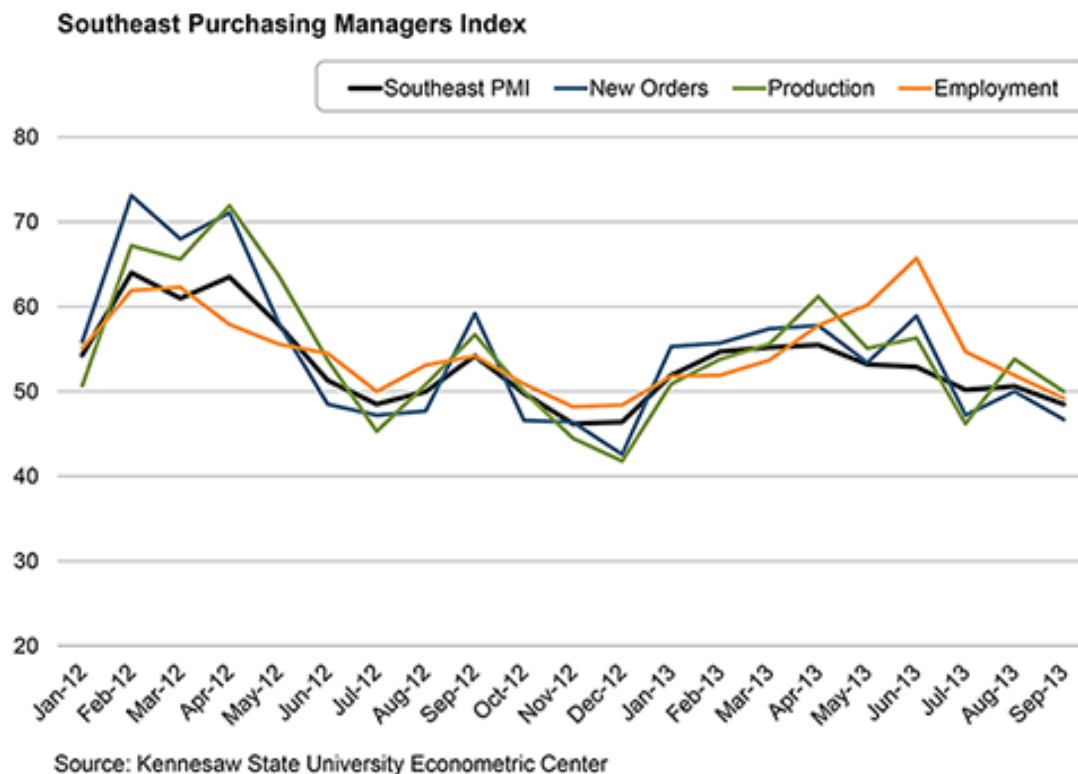
## Regional Manufacturing Cools in September

Summer has officially come to an end and autumn has arrived. We can now look forward to the leaves changing colors and the invigorating, crisp, cool air that fall brings. Of course, we will eventually have to rake leaves and start wearing a coat, but let's look on the bright side. Hot days are mostly in our rear-view mirror as the calendar creeps into the final months 2013. Unfortunately, the temperature isn't the only thing cooling off. The latest report on the southeastern purchasing managers index (PMI) suggests that manufacturing in the region has also cooled. After experiencing expansion for the first eight months of the year, regional manufacturing contracted slightly in September.

The Southeast PMI is produced by the Econometric Center at Kennesaw State University. A reading on the index above 50 represents an expansion in the manufacturing sector, and a reading below 50 indicates a contraction. The survey provides an analysis of manufacturing conditions for the region in the states of Alabama, Georgia, Florida, Louisiana, Mississippi, and Tennessee. Representatives from various manufacturing companies are surveyed regarding trends and activities in new orders, production, employment, supplier delivery time, and finished goods. The survey provides a snapshot of manufacturing activity in the region.

The Southeastern PMI's overall reading of 48.5 for September was a decrease of 2.1 points from August's reading of 50.6 (see the chart). The overall reduction was not dramatic, but every subindex with the exception of supplier delivery time contracted. The 3.3 point decrease in new orders suggests that production may be slowing down in the near future. On the other hand, finished inventories dropped 3.1 points, which could mean that production could possibly ramp up soon as customers look to build back their inventories.

Production fell 3.8 points, but held at the 50-point threshold indicating little or no change. Employment dropped 2.8 points to 49.2. Commodity prices fell 3.9 points to 56.7, indicating that prices remain relatively stable. One bright spot in the PMI report was the 2.6 point increase in supplier delivery time. The increase hints that delivery times are taking a little longer, which could mean that demand is still solid. At the state level, Tennessee saw a significant decline of 12.4 points in its overall reading compared with August. Florida and Alabama led the region and were the only two states reporting overall expansion in September.



Optimism among manufacturing survey respondents dipped again in September, with only 30 percent expecting higher production over the next three to six months, compared to 33 percent in August. Twenty percent expect their production to decrease over that same time period.

The one-month contraction in September is hardly worth getting discouraged about, especially considering the national index from the Institute for Supply Management hit a 29-month high of 56.2 during the same month. Hopefully, this will not become a trend, but merely a bump in the road on our way to a strong fourth quarter. Let's look on the bright side, fall is here. So if you have to rake up leaves, rake them into a pile and jump in (or wait for the invigorating, crisp, cool air to blow them away).

*By Troy Balthrop, a Regional Economic Information Network analyst in the Atlanta Fed's Nashville Branch*

October 15, 2013 in [Economic Indicators](#), [Manufacturing](#), [Productivity](#), [Southeast](#) | [Permalink](#)

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