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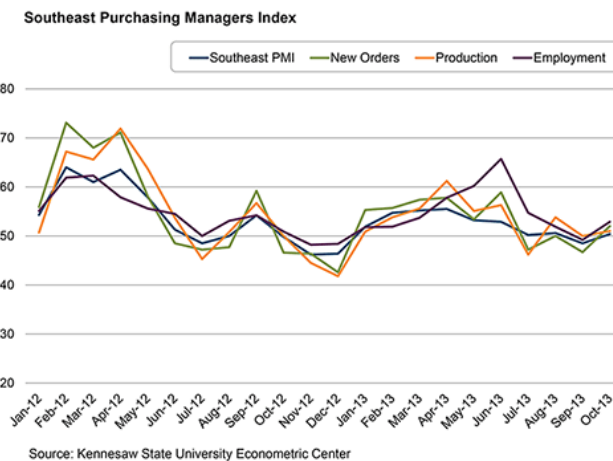
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### Regional Manufacturing Rebounds in October

The southeastern purchasing managers index (PMI) rebounded slightly in October after a lackluster showing in September. However, the rebound was not spectacular. The index increased to a level that still does not signify a major uptick in activity. The good news is the October report put regional manufacturing back into expansion territory and headed in a positive direction. The bad news is that optimism among purchasing managers continues to go in the opposite direction.

Produced by the Econometric Center at Kennesaw State University, the southeastern PMI surveys purchasing managers in the Southeast concerning manufacturing activity. The survey includes Alabama, Georgia, Florida, Louisiana, Mississippi, and Tennessee. The survey asks questions concerning activity in new orders, production, employment, supplier delivery time, and finished goods. A reading on the index above 50 represents an expansion in the manufacturing sector, and a reading below 50 indicates a contraction.

The October index came in at 50.4 points and reported gains in every subindex, with the exception of supplier deliveries. A very encouraging increase of 5.3 points in new orders led the way. Another optimistic sign was the increase of 3.8 points in employment. The rise in new orders and employment could indicate that manufacturers are expecting production to increase in the coming months. Other subindex increases included gains of 1.0 point in production, 2.1 points in finished inventory, and 2.2 points in commodity prices. Supplier deliveries decreased 2.6 points during the month, meaning purchasing managers are receiving orders from their suppliers more quickly, but this decline could be the result of lower demand for products across the board. At the state level, all states in the region were in expansion territory with the exception of Tennessee and Mississippi.



Optimism among purchasing managers has been declining, and it continued on a downward trend in October. When asked about their production expectations for the next three to six months, only 27 percent of respondents expect higher production, down from 30 percent in September. Optimism has been dropping for several months among survey respondents.

As optimism continues to wane, we can only wonder what might be the underlying causes that are dampening purchasing managers confidence. It may simply be the result of the larger hit to confidence resulting from the recent fiscal policy turmoil. As Atlanta Fed President Dennis Lockhart noted in his [November 12 speech](#) in Montgomery, Alabama:

My greater concern relates to fiscal policy uncertainty because it can affect consumer and business confidence. I've recently heard opinions among contacts in the region to the effect that consumer confidence took a hit with the debt ceiling drama and the shutdown.

It remains to be seen if the trend President Lockhart noted affects manufacturing. It would be encouraging to see the confidence level of purchasing managers in the Southeast begin to rise, and as we enter the holiday season, we will continue to monitor this indicator.

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