



SouthPoint

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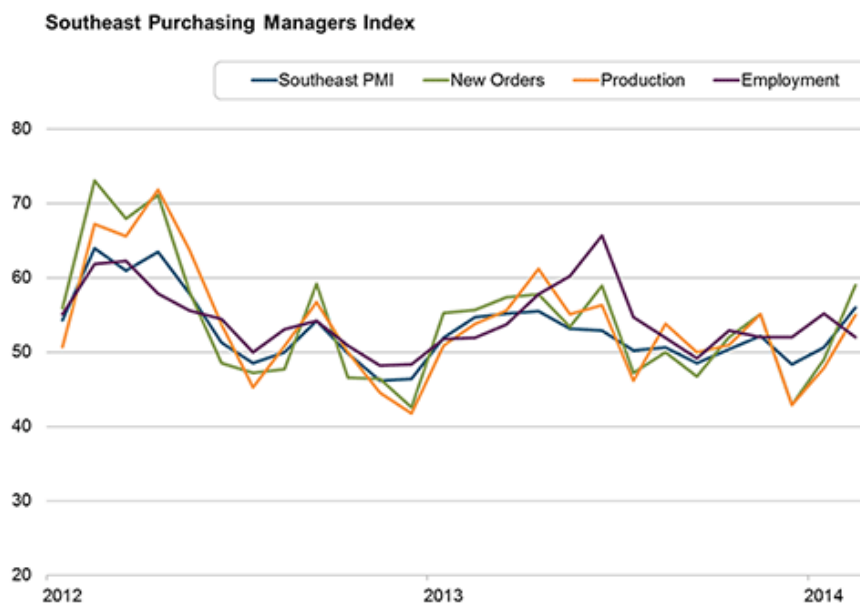
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Has Regional Manufacturing Weathered the Storm?

The weather has been a sore topic among manufacturing contacts across the nation this year, and the Southeast is no different. Inclement winter weather has been extreme and widespread in 2014, but hopefully it is close to being over. Production has been slowed across much of the nation as employees were unable to travel to work and supply deliveries to manufacturing facilities were delayed. The [Institute for Supply Management \(ISM\)](#) specifically identified the weather as having an adverse impact on manufacturing activity in January and February. However, the latest Southeast purchasing managers index (PMI) suggests that maybe the South has weathered the storm.

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 Alabama, Georgia, Florida, Louisiana, Mississippi, and Tennessee. The survey asks representatives from various manufacturing companies about trends and activities in new orders, production, employment, supplier delivery time, and finished inventories.

The February PMI increased 5.4 points over January and represents a healthy overall increase, considering the harsh weather conditions (see the chart). The new orders subindex rebounded strongly in February with an increase of 10.0 points to 59 points. The production subindex also had a solid increase of 7.1 points to 55.0. New orders and production had both been contracting in late 2013 and early 2014, so the increases last month were a welcome development. The employment subindex decreased 3.2 points from January's 55.2. The supplier delivery times subindex and finished inventories subindex both increased during the month, and the prices subindex fell 7.6 points compared with January.



Source: Kennesaw State University Econometric Center

Looking ahead, manufacturing contacts are not as optimistic as they had been in recent months. When asked for their production expectations, only 46 percent of survey participants expect production to be higher in the next three to six months. That expectation is in stark contrast to January when 62 percent of survey respondents expected higher production over the same timeframe.

Hopefully the weather was only a temporary headwind for manufacturing activity. As the mercury begins rising and snow stops falling on the roadways, maybe manufacturing activity will strengthen in March. Then Old Man Winter can go on a nice, long, sunny vacation.

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

March 11, 2014 in [Economic conditions](#), [Employment](#), [Manufacturing](#), [Productivity](#), [Southeast](#), [Weather](#) | [Permalink](#)

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