

Southeast Manufacturing Slows in August- Federal Reserve Bank of Atlanta



Southeast manufacturing activity had been fairly sturdy this year, according to the Southeast Purchasing Managers Index (PMI). The PMI averaged a healthy 56.2 reading from January through July and, with the exception of one subpar month, new orders and production levels had been robust. However, the latest report indicated that factories pumped the brakes in August. According to the August report, new orders and production both slowed significantly.

The Atlanta Fed's research department uses the Southeast PMI to track manufacturing activity in the region. The [Econometric Center at Kennesaw State University](#) produces the survey, which examines the manufacturing sector in Alabama, Georgia, Florida, Louisiana, Mississippi, and Tennessee. The PMI is based on a survey of representatives from manufacturing companies in those states and analyzes trends concerning new orders, production, employment, supplier delivery times, and inventory levels. An index reading above 50 indicates that activity is expanding, and a reading below 50 indicates that activity is contracting.

The overall PMI declined 5.5 points from July and now stands at 48.8 (see the chart). The August report marks the first month the overall index has been below the 50-point threshold since November 2014. The most disconcerting aspects of the report centered on the month-over-month declines in the new orders, production, and employment subindexes.

The **new orders** subindex fell 7.1 points from July to a reading of 49.1.

The **production** subindex dropped 15.2 points from the previous month to a reading of 49.1.

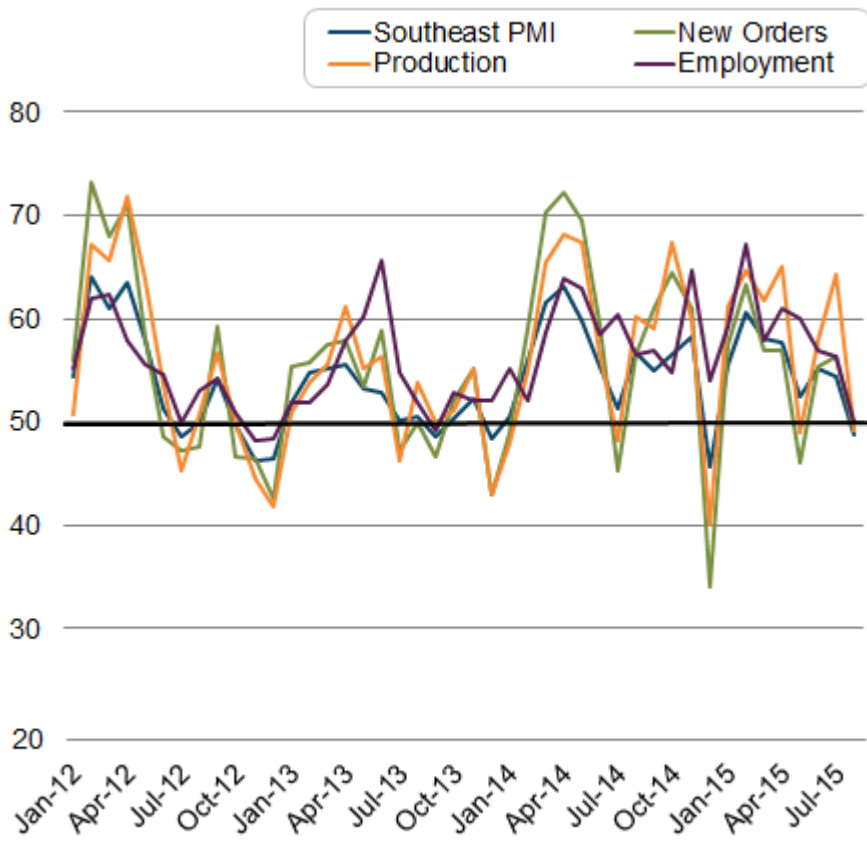
The **employment** subindex declined 6.3 points to a reading of 50.0, which indicates no change in employment levels at Southeast factories.

The **supplier deliveries** subindex increased 3.6 points to 50.9.

The **finished inventory** subindex decreased 2.7 points to 44.6.

The **commodity prices** subindex fell 10.7 points and now reads 34.8.

Southeast Purchasing Managers Index



Source: Kennesaw State University Econometric Center through August 2015

On its own, the fall in the Southeast PMI is nothing to get too worked up about. Historically, the Southeast PMI subindexes are prone to volatile month-over-month fluctuations. Still, there are other factors to consider. For instance, the August national PMI index fell to its lowest reading in more than two years, and the August employment report indicated that the U.S. economy shed 17,000 manufacturing jobs. It's also possible, if not probable, that the strong U.S. dollar coupled with weak global demand is dragging down U.S. exports and reducing demand from domestic manufacturers.

No matter the cause, other aspects of the Southeast and national economy appear strong. We'll be monitoring the developments and hoping for some acceleration in the near future.

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