

THE DETROIT REPORT

2009
March

National Association of Purchasing Management - Metro Detroit

The NAPM – Metro Detroit Purchasing Managers Index 39.2

Detroit Index: March reports reveal that the NAPM-DM composite index rose 0.4 points from February to 39.2.

Employment: Employment fell 9.8 points to 34.0.

Prices: Prices rose 8.9 points to 38.9.

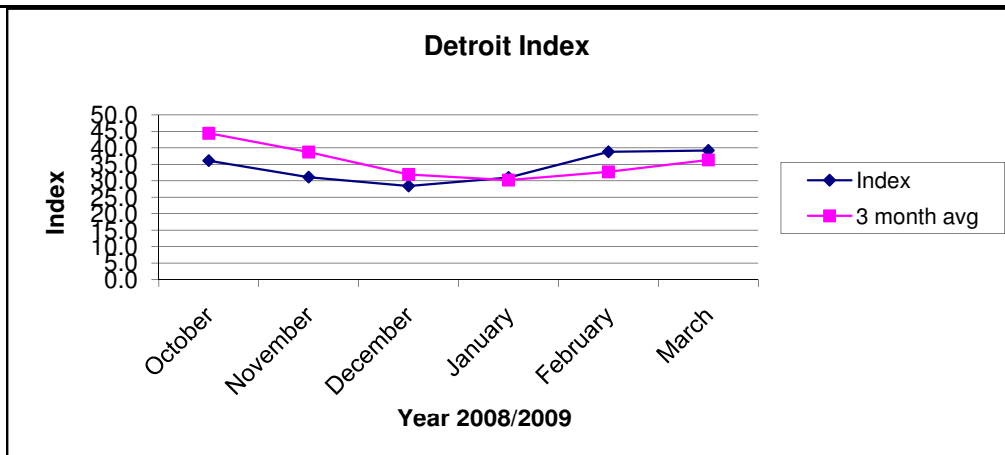
Items up or down in price: March reports indicate a slight upward movement in some prices from February. One respondent noted that copper prices are moving back up from \$1.45/lb to \$1.80/lb. However, the majority of the respondents indicate more reductions in prices. Items cited as being down in price included: steel, aluminium, scrap metal, resins, corrugated, natural gas, diesel fues, flat rolled steel, lumber, and nails. One commenter noted inadequate formed rubber hose with nylon yarn reinforcements.

Economic Issues: The beat goes on -- in March the overall level of the Detroit Metro Purchasing Managers Index of 39.2 reflects the continuation of serious economic problems. All of the activity related index readings (production, new orders, raw and finished goods inventories, and employment) remain below 50.0, thus indicating declining economic performance. Of these indexes only new orders were up over the prior month.

The economic news in March reflected an economy mired in economic turmoil. At the start of the month the Bureau of Labor Statistics reported that the February unemployment rate had risen to 8.1 percent, the highest level in 26 years. At mid-month the Federal Reserve's policy making body announced new plans to pump nearly \$1.2 trillion into the financial system, including \$300 billion for the purchase of U.S. Treasury securities. At month's end the Bureau of Economic Analysis reported that the GDP(final) in the 4th quarter of 2008 decreased at an annual rate of 6.3%. One respondent noted that "business continues to go along without much change". This respondent also noted that in response to the sluggish economic activity that they were "grasping for any business out there". Another firm noted that given the sluggish economy that the firm had frozen wages and started to watch expenses even more than usual. As reported last month, some of our responders noted that the car after-market was providing an offset for the lost sales to the OEMs. Another respondent was concerned with the unstrained purchase of Treasury notes by the Federal Reserve.

Low prices continue to be helping off set for the drop in production. One respondent noted that the material cost reductions were in line with their reduced sales prices. Another respondent noted that "nothing is being purchased for the long-term, just for the short-term" Another reported that the firm is responding by setting shorter work weeks for all hourly workers.

Respondents were asked their opinion as to their view of the economy six months into the future. About 44 percent are of the opinion that conditions will be "less stable". This is down 2 percentage points from the views in February. Another 33 percent feel that conditions will be "about the same" as they are now, which is 5 percentage points down from February. In March 22 percent of the responders feel that conditions will be improved, which is up 5 percentage points from February. The sentiment has shifted slightly towards a more positive attitude regarding business prospects. We will watch in the coming reports to see if this becomes a trend.



Next Release
1 May 2009

Detroit Index		2008			2009		
		October	November	December	January	February	March
Index		36.1	31.1	28.4	31.0	38.8	39.2
Index	3 month average	44.4	38.7	31.9	30.2	32.7	36.3

Production		2008			2009		
		October	November	December	January	February	March
	Higher	28.0	12.5	10.0	12.5	20.0	18.5
	Same	20.0	25.0	20.0	25.0	36.0	37.0
	Lower	52.0	62.5	70.0	62.5	44.0	44.4
Index		38.0	25.0	20.0	25.0	38.0	37.0
Index	3 month average	44.5	35.5	27.7	23.3	27.7	33.3

Production up slightly in March, but remains at very low levels

New Orders		2008			2009		
		October	November	December	January	February	March
	Higher	20.0	10.0	12.5	16.7	12.0	18.5
	Same	20.0	25.0	20.0	25.0	36.0	40.7
	Lower	60.0	65.0	67.5	58.3	52.0	40.7
Index		30.0	22.5	22.5	29.2	30.0	38.9
Index	3 month average	42.0	32.9	25.0	24.7	27.2	32.7

New orders rise 8.9 points in March

Inventory - Raw Materials		2008			2009		
		October	November	December	January	February	March
	Higher	24.0	15.0	17.5	16.7	16.0	3.7
	Same	48.0	40.0	32.5	33.3	48.0	44.4
	Lower	28.0	45.0	50.0	50.0	36.0	51.9
Index		48.0	35.0	33.8	33.3	40.0	25.9
Index	3 month average	45.4	43.0	38.9	34.0	35.7	33.1

Raw materials drop 14.1 points, lowest in past 6 months

Inventory - Finished Goods		2008			2009		
		October	November	December	January	February	March
	Higher	24.0	15.0	15.0	12.5	20.0	11.1
	Same	40.0	42.5	42.5	37.5	48.0	51.9
	Lower	36.0	42.5	42.5	50.0	32.0	37.0
Index		44.0	36.3	36.3	31.3	44.0	37.0
Index	3 month average	45.1	45.2	38.9	34.6	37.2	37.4

Finished goods inventories fell 7.0 points in March.

Employment		2008			2009		
		October	November	December	January	February	March
	Higher	8.0	13.9	2.8	4.8	20.8	8.0
	Same	44.0	41.7	50.0	47.6	45.8	52.0
	Lower	48.0	44.4	47.2	47.6	33.3	40.0
Index		30.0	34.7	27.8	28.6	43.8	34.0
Index	3 month average	42.4	38.7	30.8	30.4	33.4	35.5

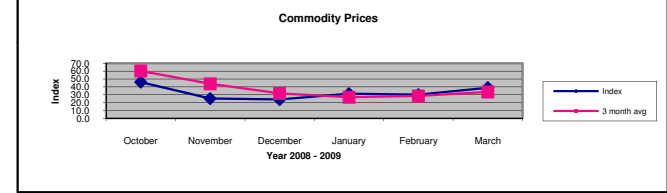
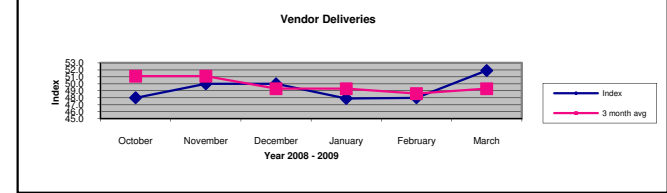
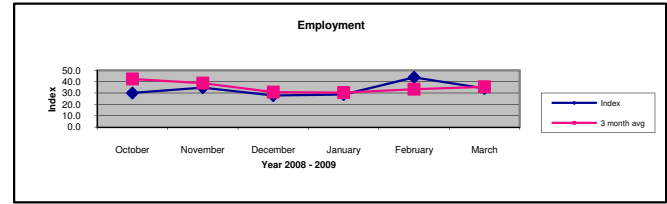
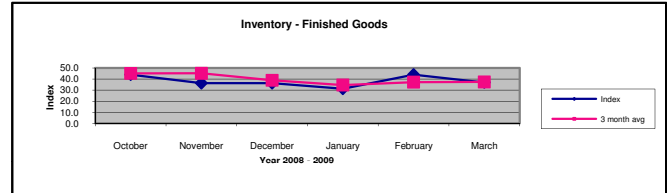
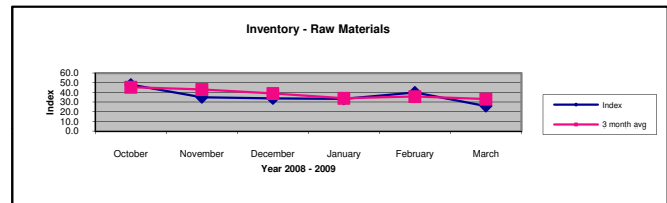
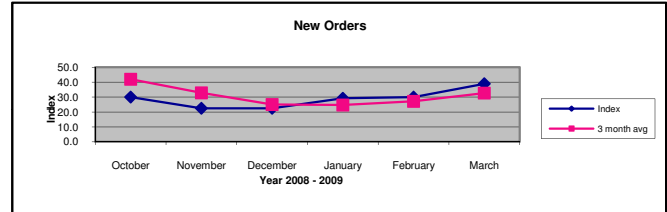
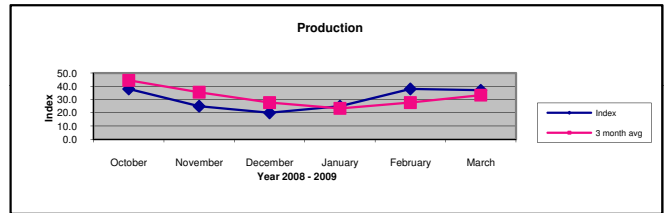
Employment falls back in March by 9.8 points

Vendor Deliveries		2008			2009		
		October	November	December	January	February	March
	Faster	12.0	10.0	12.5	8.3	20.0	18.5
	Same	80.0	80.0	75.0	87.5	64.0	59.3
	Slower	8.0	10.0	12.5	4.2	16.0	22.2
Index		48.0	50.0	50.0	47.9	48.0	51.9
Index	3 month average	51.1	51.1	49.3	49.3	48.6	49.3

Vendor deliveries slow down in March, may be due to labor cuts

Commodity Prices		2008			2009		
		October	November	December	January	February	March
	Higher	24.0	5.0	2.5	4.2	4.0	11.1
	Same	44.0	40.0	42.5	54.2	52.0	55.6
	Lower	32.0	55.0	55	41.7	44.0	33.3
Index		46.0	25.0	23.8	31.3	30.0	38.9
Index	3 month average	60.2	43.8	31.6	26.7	28.4	33.4

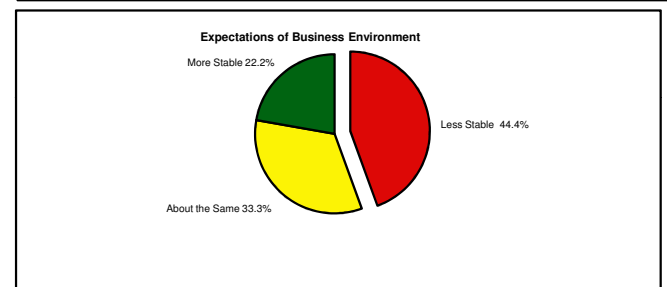
Commodity prices rise 8.9 points in March, but still low



Expectations of Business Environment

6 months into the future:

Less Stable	44.4	percent
About the same	33.3	percent
More Stable	22.2	percent



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