

# THE DETROIT REPORT

National Association of Purchasing Management - Metro Detroit

## The NAPM – Metro Detroit Purchasing Managers Index 38.8

**Detroit Index:** February reports reveal that the NAPM-DM composite index rose 7.8 points from January to 38.8.

**Employment:** Employment rose 15 points to to 43.8.

**Prices:** Prices fell 1.3 points to 30.0.

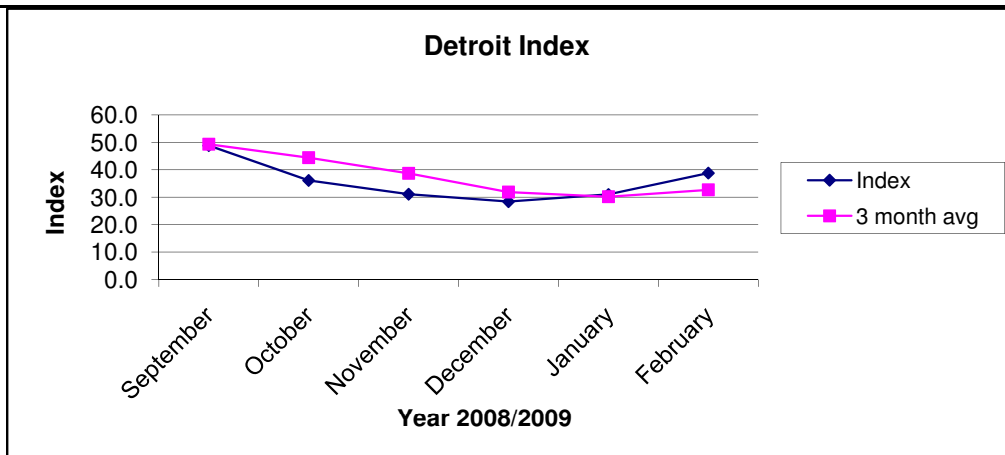
**Items up or down in price:** February reports indicate continued downward movement in prices from January. Respondents indicate reductions in several basic commodity prices. Items cited as being down in price included: fuel surcharges, natural gas, steel, temporary labor, chemicals, plastics, most resins, colorants, additives, pallets and aluminum. Price signals were mixed on polypropylene. Respondents noted some shortage of polypropylene based fabrics and components shipped from Europe.

**Economic Issues:** February looks like a repeat of January. The overall level of the February Detroit Metro Purchasing Managers Index of 38.8 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.

As in January, concerns over the depressed performance of the automotive industry is the primary concern. Comments in the media in February have focused on the questionable impact of the "stimulus" package, the \$3.6 trillion budget proposal for fiscal 2010, and continued downward movement in the economy. Fourth quarter GDP for 2008 declined at a 6.2% annual rate, the steepest decline since 1982. GM reported a \$30.9 billion loss for 2008. Under these conditions it is not surprising that the February comments were largely negative in tone. One responder noted that OEM production schedules are causing the supplier to cut production. Another noted that output and employment were both up from January. However, this responder noted that a high degree of uncertainty remains in the automotive sector and that the Administration needs to "act on the GM and Chrysler situation with all due haste." Another respondent noted that a bankruptcy of either Chrysler or GM will have sever ripple effects into the US economy. In addition, such a failure to prevent bankruptcy "will not be forgotten in the manufacturing sector as a whole." One respondent noted that there is a developing "general lack of confidence in the current administration and its ability to create near term change." Another responder indicated that credit is hard for their customers to obtain.

Low prices seem to be helping off set the significant drop in production. One respondent noted that they were now able to lock in on material pricing while prices are low. Also on the positive side, one supplier noted that business activity and sales are up in the aftermarket for automotive parts. This helps to off set the declines in OEM sales and allows the supplier to keep their production up.

Respondents were asked their opinion as to their view of the economy six months into the future. About 46 percent are of the opinion that conditions will be "less stable". This is up 8.3 percentage points from the views in January. Another 38 percent feel that conditions will be about the same as they are now, which is 4.2 percentage points down from January. In February only 17 percent of the responders feel that conditions will be improved, which is down 4.1 percentage points from January. The sentiment is tilting towards more uncertainty regarding business prospects. Another question asked of respondents was related to their knowledge of any of thier customers having problems obtaining credit. Seventy-nine indicate that they knew of no problems at this time.

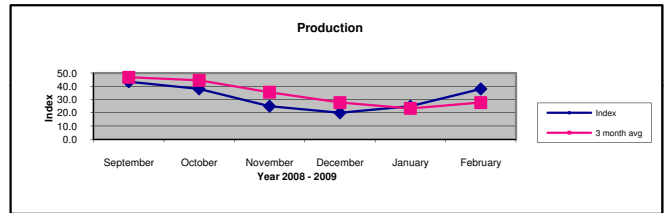


Next Release  
**1 April 2009**

Detroit Index		2008					2009
		September	October	November	December	January	February
Index		48.8	36.1	31.1	28.4	31.0	<b>38.8</b>
Index	3 month average	49.3	44.4	38.7	31.9	30.2	<b>32.7</b>

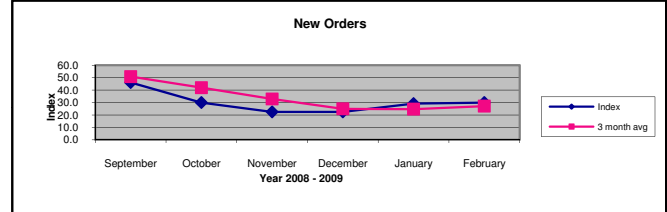
Production		2008					2009
		September	October	November	December	January	February
Higher		23.7	28.0	12.5	10.0	12.5	20.0
Same		39.5	20.0	25.0	20.0	25.0	36.0
Lower		36.8	52.0	62.5	70.0	62.5	44.0
Index		43.4	38.0	25.0	20.0	25.0	38.0
Index	3 month average	46.8	44.5	35.5	27.7	23.3	27.7

Production up in February, but at very low levels



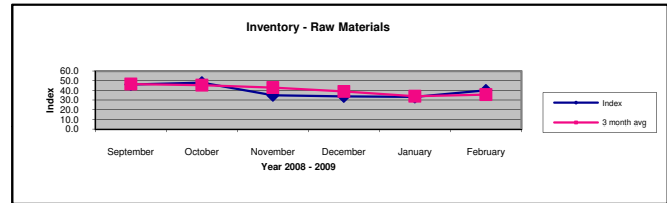
New Orders		2008					2009
		September	October	November	December	January	February
Higher		29.0	20.0	10.0	12.5	16.7	12.0
Same		34.2	20.0	25.0	20.0	25.0	36.0
Lower		36.8	60.0	65.0	67.5	58.3	52.0
Index		46.1	30.0	22.5	22.5	29.2	30.0
Index	3 month average	50.9	42.0	32.9	25.0	24.7	27.2

New orders drop rise marginally 0.8 points in February



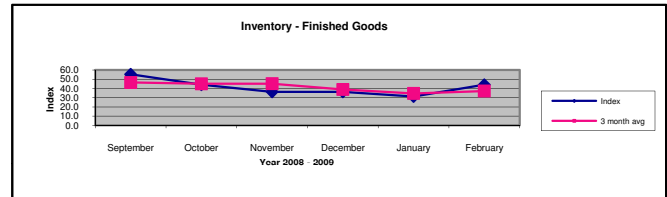
Inventory - Raw Materials		2008					2009
		September	October	November	December	January	February
Higher		13.2	24.0	15.0	17.5	16.7	16.0
Same		65.8	48.0	40.0	32.5	33.3	48.0
Lower		21.0	28.0	45.0	50.0	50.0	36.0
Index		46.1	48.0	35.0	33.8	33.3	40.0
Index	3 month average	46.6	45.4	43.0	38.9	34.0	35.7

Raw materials rise 6.7 points, but remain low in February



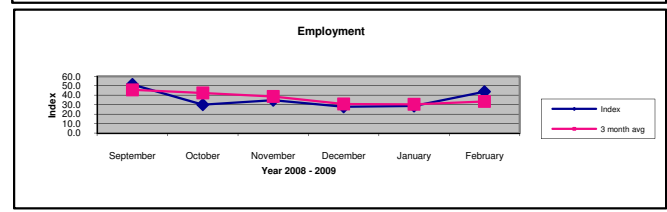
Inventory - Finished Goods		2008					2009
		September	October	November	December	January	February
Higher		29.0	24.0	15.0	15.0	12.5	20.0
Same		52.6	40.0	42.5	42.5	37.5	48.0
Lower		18.4	36.0	42.5	42.5	50.0	32.0
Index		55.3	44.0	36.3	36.3	31.3	44.0
Index	3 month average	46.5	45.1	45.2	38.9	34.6	37.2

Finished goods inventories rose 12.7 points in February



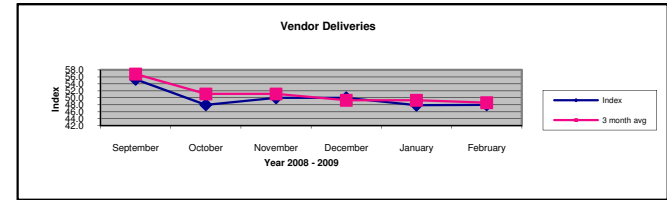
Employment		2008					2009
		September	October	November	December	January	February
Higher		28.6	8.0	13.9	2.8	4.8	20.8
Same		45.7	44.0	41.7	50.0	47.6	45.8
Lower		25.7	48.0	44.4	47.2	47.6	33.3
Index		51.4	30.0	34.7	27.8	28.6	43.8
Index	3 month average	45.7	42.4	38.7	30.8	30.4	33.4

Employment rises in February by 15.2 points - watch this next month



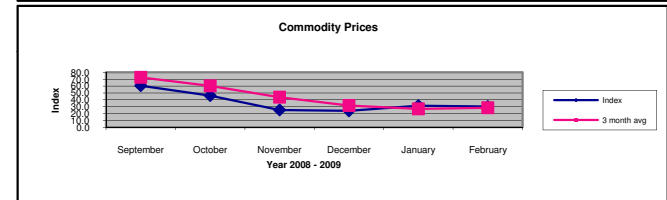
Vendor Deliveries		2008					2009
		September	October	November	December	January	February
Faster		7.9	12.0	10.0	12.5	8.3	20.0
Same		73.7	80.0	80.0	75.0	87.5	64.0
Slower		18.4	8.0	10.0	12.5	4.2	16.0
Index		55.3	48.0	50.0	50.0	47.9	48.0
Index	3 month average	56.8	51.1	51.1	49.3	49.3	48.6

Vendor deliveries basically unchanged from January



Commodity Prices		2008					2009
		September	October	November	December	January	February
Higher		42.1	24.0	5.0	2.5	4.2	4.0
Same		36.8	44.0	40.0	42.5	54.2	52.0
Lower		21.1	32.0	55.0	55	41.7	44.0
Index		60.5	46.0	25.0	23.8	31.3	30.0
Index	3 month average	72.6	60.2	43.8	31.6	26.7	28.4

Commodity prices move down 1.3 points in February

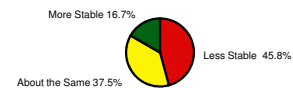


### Expectations of Business Environment

6 months into the future:

Less Stable	45.8	percent
About the same	37.5	percent
More Stable	16.7	percent

### Expectations of Business Environment



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