

FOR
RELEASE:
January 2,
2009
6am EST

THE DETROIT REPORT

2008
December

National Association of Purchasing Management - Metro Detroit

The NAPM – Metro Detroit Purchasing Managers Index 28.4

Detroit Index: December reports reveal that the NAPM-DM composite index fell 2.7 points to 28.4.

Employment: Employment down 10.3 points to 27.8.

Prices: Prices fell 1.2 points to 23.8.

Items up or down in price: It is obvious from the respondents' comments that price pressures are no longer an issue. The price index fell in December to 23.8 after reaching a high in May of 2008 of 86.9. Respondents indicated that prices are down for aluminum, steel, energy and petro chemicals, technology equipment, natural gas, san, soda ash, fasteners, surcharges, zinc, resin prices and plastic packaging. When asked about what commodities had decreased in price, one respondent replied "everything".

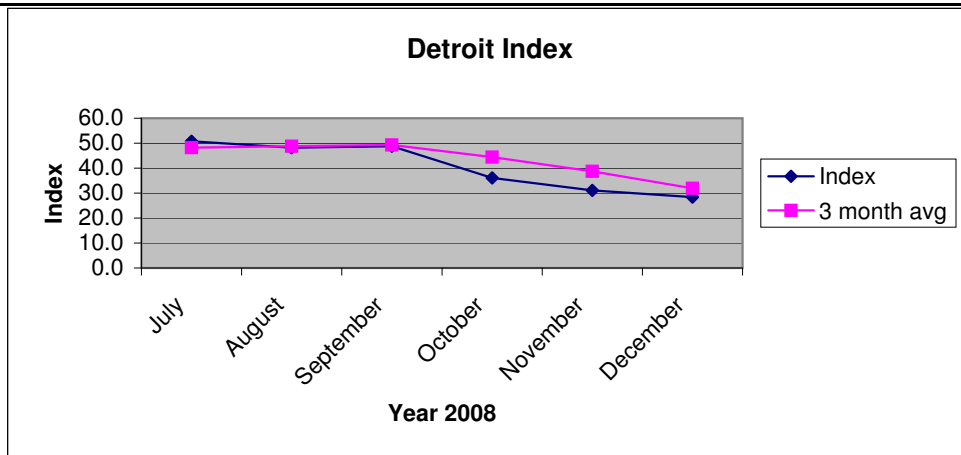
Economic Issues: Metro Detroit Purchasing Managers Index fell in December to 28.4, the lowest reading in 2008. The high water point of the year was reached in April when the Index stood at 54.6. As we look back on 2008 it is interesting to note that the Detroit Index only exceeded 50.0 in 5 of the 12 monthly reports. Four of the five readings above 50 were established in the first four months of 2008, and the Index basically declined for the remainder of the year. The weak index numbers are supported by the comments received over the year from the survey respondents.

The December report reveals continued drops in the area of production (index of 20.0); new orders (index of 22.5); raw materials inventories (index of 33.8); finished goods inventories (36.3); and employment (27.8). Clearly the only bright spot was the declined noted in commodity prices, which are attributed to the declining level of economic activity.

While we would like to think that December might be a low point in this cycle, that is probably not the case. A strong 55% of our respondents are of the opinion that the economy over the next six months will be even less stable. Prospects for the automotive sector are still clouded by sales concerns and financial problems of the automotive manufacturers and suppliers.

The respondents to the December survey noted that the drastic reductions in US vehicle productions remain a great concern for the industry. Another noted that while they have been able to manage the risks, that "we are going to be faced with unexpected supplier failures" in the future. This respondent also noted that they are having to stay in very close contact with their suppliers, and are probably sharing more business information than ever before. The respondent notes that "it's time for us to close ranks and find a way to be the last man standing".

Another respondent noted a long list of economic ills facing the industry. The list included: increasing unemployment, tight credit and lending policies, declines in housing and automotive sectors, negative effects in declining oil supplies, few supply chain alternatives, increasing bankruptcies, and plant closures. Others noted the possibility of more layoffs in the coming months. Clearly, the tone of the industry respondents' comments ended the year in a very negative light.



Next Release
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Detroit Index		2008					
		July	August	September	October	November	December
Index		50.8	48.2	48.8	36.1	31.1	28.4
Index	3 month average	48.2	48.8	49.3	44.4	38.7	31.9

Production		2008					
		July	August	September	October	November	December
	Higher	30.0	32.0	23.7	28.0	12.5	10.0
	Same	30.0	40.0	39.5	20.0	25.0	20.0
	Lower	40.0	28.0	36.8	52.0	62.5	70.0
Index		45.0	52.0	43.4	38.0	25.0	20.0
Index	3 month average	42.9	46.7	46.8	44.5	35.5	27.7

Production drops in December

New Orders		2008					
		July	August	September	October	November	December
	Higher	46.7	28.0	29.0	20.0	10.0	12.5
	Same	20.0	44.0	34.2	20.0	25.0	20.0
	Lower	33.3	28.0	36.8	60.0	65.0	67.5
Index		56.7	50.0	46.1	30.0	22.5	22.5
Index	3 month average	52.2	52.2	50.9	42.0	32.9	25.0

New orders at same low in December

Inventory - Raw Materials		2008					
		July	August	September	October	November	December
	Higher	30.0	24.0	13.2	24.0	15.0	17.5
	Same	43.3	36.0	65.8	48.0	40.0	32.5
	Lower	26.7	40.0	21.0	28.0	45.0	50.0
Index		51.7	42.0	46.1	48.0	35.0	33.8
Index	3 month average	46.3	46.0	46.6	45.4	43.0	38.9

Raw materials decline in December

Inventory - Finished Goods		2008					
		July	August	September	October	November	December
	Higher	16.7	16.0	29.0	24.0	15.0	15.0
	Same	63.3	40.0	52.6	40.0	42.5	42.5
	Lower	20.0	44.0	18.4	36.0	42.5	42.5
Index		48.3	36.0	55.3	44.0	36.3	36.3
Index	3 month average	44.7	42.0	46.5	45.1	45.2	38.9

Finished goods inventories at same low in December

Employment		2008					
		July	August	September	October	November	December
	Higher	13.3	21.7	28.6	8.0	13.9	2.8
	Same	53.3	47.8	45.7	44.0	41.7	50.0
	Lower	33.3	30.4	25.7	48.0	44.4	47.2
Index		40.0	45.7	51.4	30.0	34.7	27.8
Index	3 month average	41.9	42.9	45.7	42.4	38.7	30.8

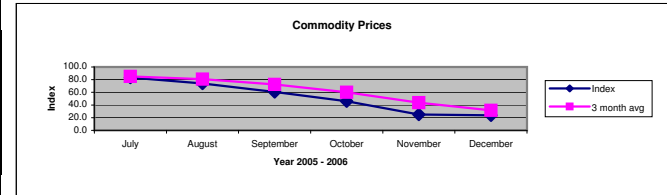
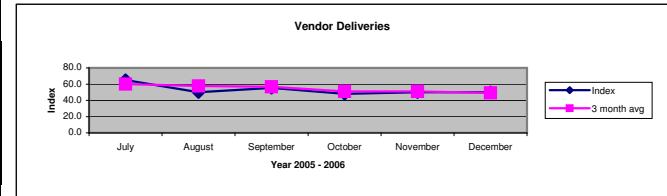
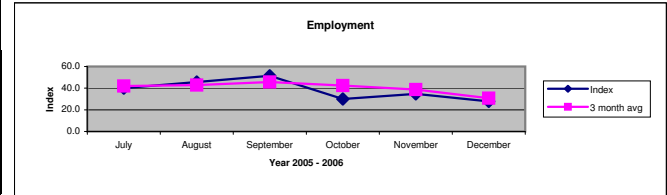
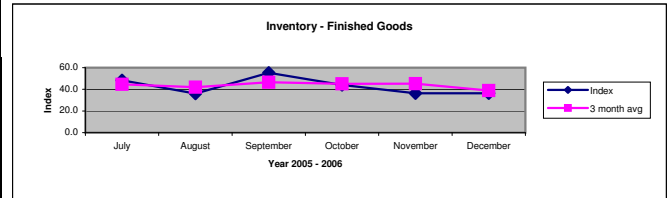
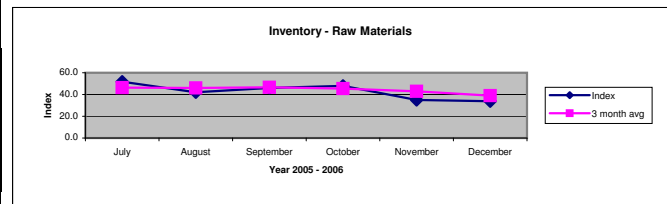
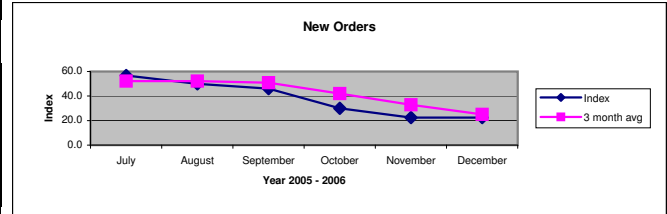
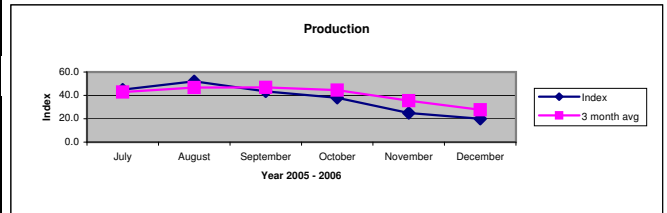
Employment drops in December

Vendor Deliveries		2008					
		July	August	September	October	November	December
	Faster	0.0	12.0	7.9	12.0	10.0	12.5
	Same	70.0	76.0	73.7	80.0	80.0	75.0
	Slower	30.0	12.0	18.4	8.0	10.0	12.5
Index		65.0	50.0	55.3	48.0	50.0	50.0
Index	3 month average	60.1	57.8	56.8	51.1	51.1	49.3

Vendor deliveries slow in December

Commodity Prices		2008					
		July	August	September	October	November	December
	Higher	73.3	56.0	42.1	24.0	5.0	2.5
	Same	20.0	36.0	36.8	44.0	40.0	42.5
	Lower	6.7	8.0	21.1	32.0	55.0	55
Index		83.3	74.0	60.5	46.0	25.0	23.8
Index	3 month average	85.0	80.7	72.6	60.2	43.8	31.6

Commodity prices move down in November



Expectations of Business Environment

6 months into the future:

Less Stable	55.0	percent
About the same	35.0	percent
More Stable	10.0	percent

Expectations of Business Environment



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