

FOR
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THE DETROIT REPORT

National Association of Purchasing Management - Metro Detroit

2008
November

The NAPM – Metro Detroit Purchasing Managers Index 31.1

Detroit Index: November reports reveal that the NAPM-DM composite index fell 5.0 points to 31.1.

Employment: Employment up 4.7 points to 34.7.

Prices: Prices fell 21.0 points to 25.0.

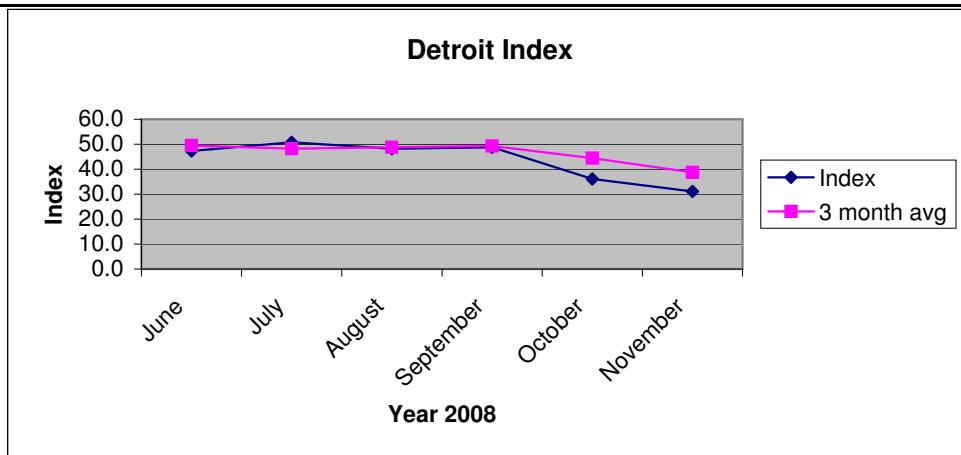
Items up or down in price: November reports indicate a strong downward movement in prices from October. Respondents indicate numerous reductions in basic commodity and energy prices, with some reporting prices being “down precipitously”. Items cited as being down in price included: steel, galvanized and stainless steel, copper, zinc, lead, aluminum, resin, soda ash, steel scrap, nickel, resins, propane, fuels, natural gas, and shrink wrap products. One respondent noted that “scrap steel is virtually worthless”. Another noted that one vendor rescinded a pending price increase for copper.

Economic Issues: Almost all respondents to the November survey responded that both the U.S. and Michigan economies were in dire economic condition. The tone of the comments reflects a high degree of anxiety. This reaction is not surprising, since the survey results were collected at the same time that Detroit’s Big Three auto leaders were making their case to Congress; with lukewarm support, for \$25 billion in bridge loan funding.

One respondent noted that the “financial crisis has thrown the US economy into a tailspin recession, and all signs are indicating that we are headed for a full depression.” Another noted that “Michigan will see more of a downturn economically and will plunge this state into turmoil not to mention home foreclosures will increase exponentially throughout the state”. The respondent noted that the negative impacts will not be concentrated in just the manufacturing sector, but will spread to tourism, entertainment and consumer goods spending. Expect more business failures and significant erosion in the tax base of the state and local governments.

Another noted that “everything depends on the car company bailout.” The conclusion was that if the loan was granted then things should stay the same. However, if the loan was not extended, then “anticipate a drastic drop in production and facility closings.” Concerns are also high in the retail sector regarding the outlook for holiday sales. One supplier to the retail sector noted that due to the long global supply chain, they were committed to filling and completing orders with the Asian partners and were concerned that they will be stuck with large inventories if the buyer fails to accept delivery.

Given these strongly negative comments, it is not surprising that 95% of the respondents were of the view that the economy is in a recession. When asked about their view of the economy six months into the future, 70% of the respondents believe that the economy will be less stable than it is today. Only eight percent felt conditions would be more stable and about 22 percent were of the opinion that conditions would be about the same as they are today.



Next Release
2 January 2009

Detroit Index		2008					
		June	July	August	September	October	November
Index		47.3	50.8	48.2	48.8	36.1	31.1
Index	3 month average	49.5	48.2	48.8	49.3	44.4	38.7

Production		2008					
		June	July	August	September	October	November
Higher		33.3	30.0	32.0	23.7	28.0	12.5
Same		19.4	30.0	40.0	39.5	20.0	25.0
Lower		47.2	40.0	28.0	36.8	52.0	62.5
Index		43.1	45.0	52.0	43.4	38.0	25.0
Index	3 month average	46.5	42.9	46.7	46.8	44.5	35.5

Production drops in November

New Orders		2008					
		June	July	August	September	October	November
Higher		38.9	46.7	28.0	29.0	20.0	10.0
Same		22.2	20.0	44.0	34.2	20.0	25.0
Lower		38.9	33.3	28.0	36.8	60.0	65.0
Index		50.0	56.7	50.0	46.1	30.0	22.5
Index	3 month average	52.6	52.2	52.2	50.9	42.0	32.9

New orders drop in November

Inventory - Raw Materials		2008					
		June	July	August	September	October	November
Higher		19.4	30.0	24.0	13.2	24.0	15.0
Same		50.0	43.3	36.0	65.8	48.0	40.0
Lower		30.6	26.7	40.0	21.0	28.0	45.0
Index		44.4	51.7	42.0	46.1	48.0	35.0
Index	3 month average	46.4	46.3	46.0	46.6	45.4	43.0

Raw materials decline in November

Inventory - Finished Goods		2008					
		June	July	August	September	October	November
Higher		11.1	16.7	16.0	29.0	24.0	15.0
Same		61.1	63.3	40.0	52.6	40.0	42.5
Lower		27.8	20.0	44.0	18.4	36.0	42.5
Index		41.7	48.3	36.0	55.3	44.0	36.3
Index	3 month average	42.7	44.7	42.0	46.5	45.1	45.2

Finished goods inventories decline in November

Employment		2008					
		June	July	August	September	October	November
Higher		17.1	13.3	21.7	28.6	8.0	13.9
Same		51.4	53.3	47.8	45.7	44.0	41.7
Lower		31.4	33.3	30.4	25.7	48.0	44.4
Index		42.9	40.0	45.7	51.4	30.0	34.7
Index	3 month average	46.5	41.9	42.9	45.7	42.4	38.7

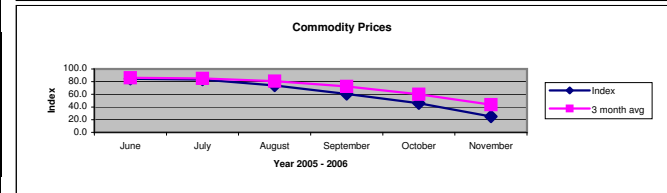
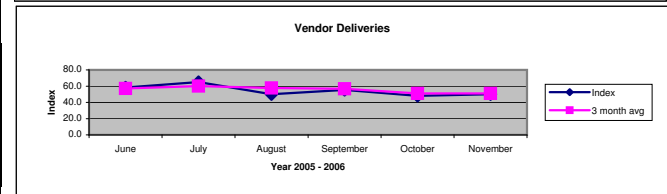
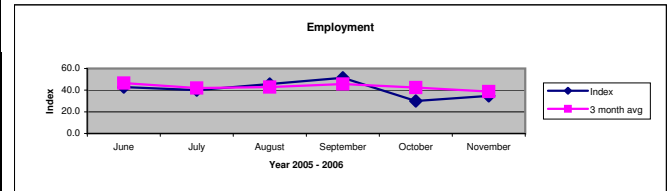
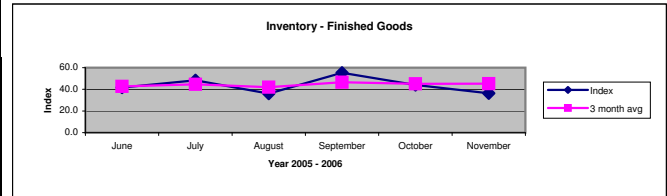
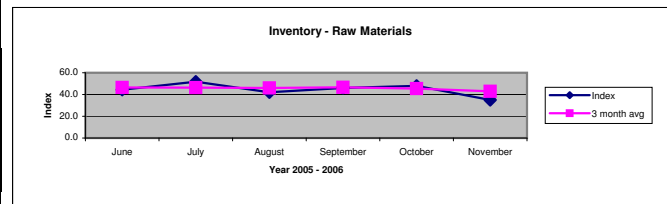
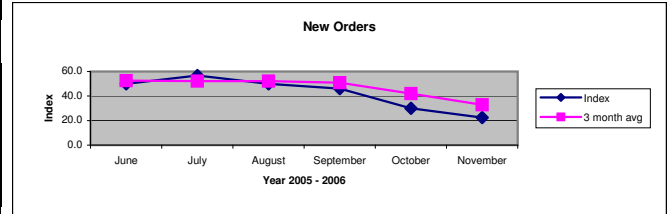
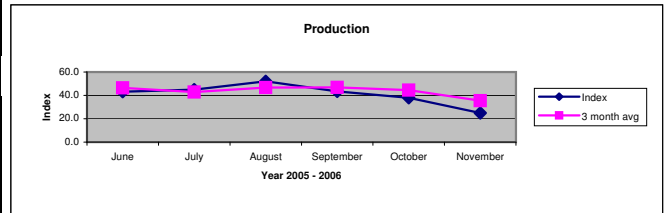
Employment drops in November

Vendor Deliveries		2008					
		June	July	August	September	October	November
Faster		2.8	0.0	12.0	7.9	12.0	10.0
Same		77.8	70.0	76.0	73.7	80.0	80.0
Slower		19.4	30.0	12.0	18.4	8.0	10.0
Index		58.3	65.0	50.0	55.3	48.0	50.0
Index	3 month average	57.1	60.1	57.8	56.8	51.1	51.1

Vendor deliveries slow in November

Commodity Prices		2008					
		June	July	August	September	October	November
Higher		75.0	73.3	56.0	42.1	24.0	5.0
Same		19.4	20.0	36.0	36.8	44.0	40.0
Lower		5.6	6.7	8.0	21.1	32.0	55.0
Index		84.7	83.3	74.0	60.5	46.0	25.0
Index	3 month average	86.0	85.0	80.7	72.6	60.2	43.8

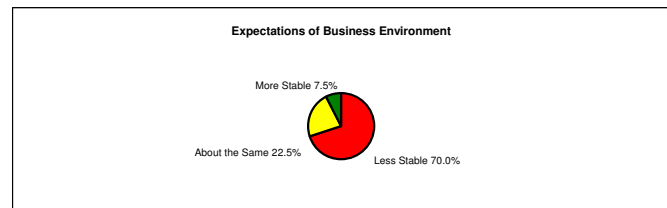
Commodity prices move down sharply in November



Expectations of Business Environment

6 months into the future:

Less Stable	70.0	percent
About the same	22.5	percent
More Stable	7.5	percent



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