

FOR  
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2008  
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# THE DETROIT REPORT

National Association of Purchasing Management - Metro Detroit

2008  
October

## The NAPM – Metro Detroit Purchasing Managers Index 36.1

**Detroit Index:** October reports reveal that the NAPM-DM composite index fell 12.7 points to 36.1.

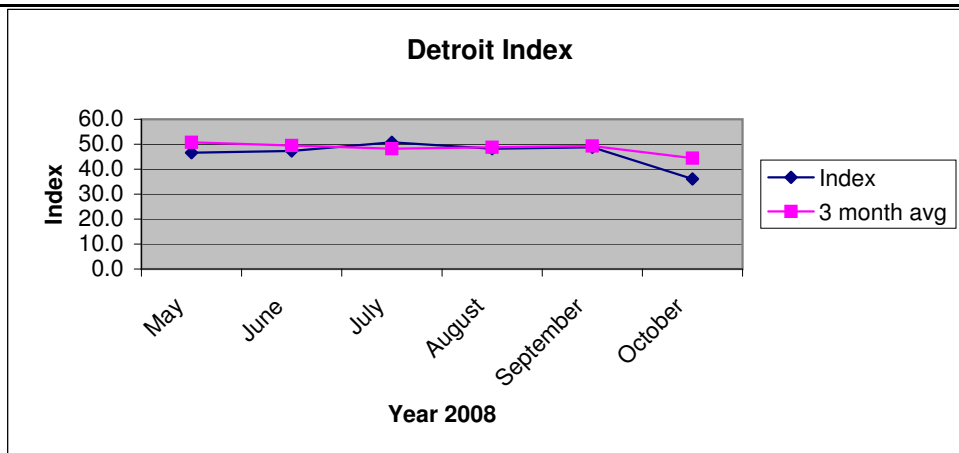
**Employment:** Employment fell. 21.4 points to 30.0.

**Prices:** Prices fell 14.5 points to 46.0.

**Items up or down in price:** October reports indicate a downward movement in commodity prices for the month. Items cited down in price were: stainless steel tubing, nickel, copper (now under \$2), tin, zinc, steel (especially scrap, which was reported down 67% from its high), resin, aluminum, brass, chemical prices, polypropylene, polystyrene, polyethylene, natural gas, and diesel fuel. Items cited as being up in price include: potassium hydroxide, acids, airline fares, rubber, flame retardants, pigments and some chemicals.

**Economic Issues:** The October survey (with a PMI Index of 36.1) not only showed a significant drop from the September report, but it is the lowest reading in more than 4 years. This reading is driven by significantly lower production, new orders, declines in finished goods inventories, reductions in employment and faster vendor deliveries. The October report reflects the significant downturn in the automotive sector of the Michigan economy. Those that responded about the nature of the economy were all negative in their outlook. One respondent noted that due to the poor market conditions for housing and automobiles, they believed that conditions would continue to deteriorate for the coming year. Another respondent felt that the economy was headed into a recession and that the problems would last at least for 18 months. Another respondent noted that a favorable business climate was needed in order to keep business moving in the right direction and to get the economy out of the doldrums. Another noted that the problems were both driven by domestic and global issues. Another respondent cited the election uncertainties as having a negative impact on business.

The concerns about the economy and the significant drops in the index for October are also reflected in the response to the question on the state of the economy. A total of 88 percent of the respondents are of the opinion that the economy is in a recession. This is up sharply from September, where only 16 percent of the respondents felt we were in a recession. When asked their view about business conditions six months into the future, 76 percent were of the opinion that conditions would be worse than they are currently. This is up sharply from the 21 percent in September that believed that conditions would be worse six months out. Now only 4 percent of the respondents are of the opinion that conditions will improve six months out (down from about 14 percent in September). Only 20 percent of the respondents believe that conditions will be about the same six months from now, compared with 57 percent in September. Clearly the October survey reveals a significant decline in both current and expected future business conditions.



Next Release  
**1 December 2008**

Detroit Index		2008					
		May	June	July	August	September	October
Index		46.6	47.3	50.8	48.2	48.8	36.1
Index	3 month average	50.8	49.5	48.2	48.8	49.3	44.4

Production		2008					
		May	June	July	August	September	October
Higher		23.8	33.3	30.0	32.0	23.7	28.0
Same		33.3	19.4	30.0	40.0	39.5	20.0
Lower		42.9	47.2	40.0	28.0	36.8	52.0
Index		40.5	43.1	45.0	52.0	43.4	38.0
Index	3 month average	48.3	46.5	42.9	46.7	46.8	44.5

**Production drops in October**

New Orders		2008					
		May	June	July	August	September	October
Higher		33.3	38.9	46.7	28.0	29.0	20.0
Same		33.3	22.2	20.0	44.0	34.2	20.0
Lower		33.3	38.9	33.3	28.0	36.8	60.0
Index		50.0	50.0	56.7	50.0	46.1	30.0
Index	3 month average	53.1	52.6	52.2	52.2	50.9	42.0

**New orders drop in October**

Inventory - Raw Materials		2008					
		May	June	July	August	September	October
Higher		14.3	19.4	30.0	24.0	13.2	24.0
Same		57.1	50.0	43.3	36.0	65.8	48.0
Lower		28.6	30.6	26.7	40.0	21.0	28.0
Index		42.9	44.4	51.7	42.0	46.1	48.0
Index	3 month average	44.7	46.4	46.3	46.0	46.6	45.4

**Raw materials decline in October**

Inventory - Finished Goods		2008					
		May	June	July	August	September	October
Higher		16.7	11.1	16.7	16.0	29.0	24.0
Same		54.8	61.1	63.3	40.0	52.6	40.0
Lower		28.6	27.8	20.0	44.0	18.4	36.0
Index		44.1	41.7	48.3	36.0	55.3	44.0
Index	3 month average	45.5	42.7	44.7	42.0	46.5	45.1

**Finished goods inventories decline in October**

Employment		2008					
		May	June	July	August	September	October
Higher		22.0	17.1	13.3	21.7	28.6	8.0
Same		41.5	51.4	53.3	47.8	45.7	44.0
Lower		36.6	31.4	33.3	30.4	25.7	48.0
Index		42.7	42.9	40.0	45.7	51.4	30.0
Index	3 month average	49.4	46.5	41.9	42.9	45.7	42.4

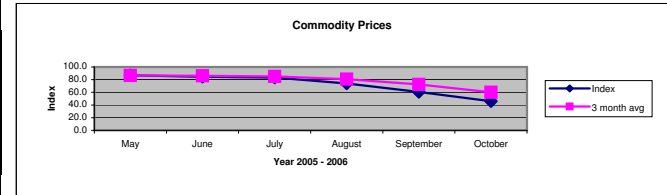
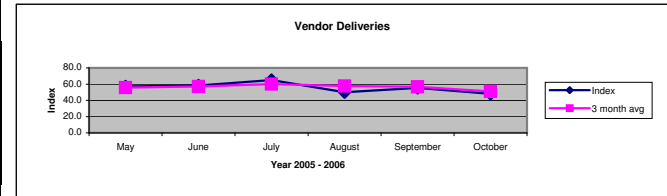
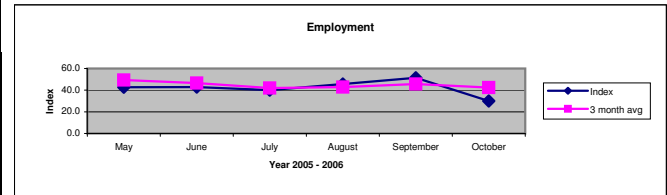
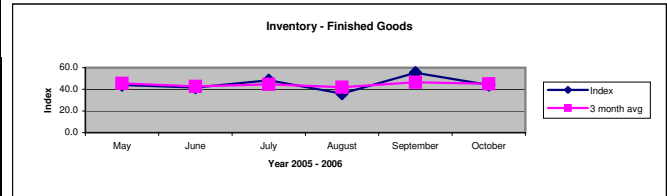
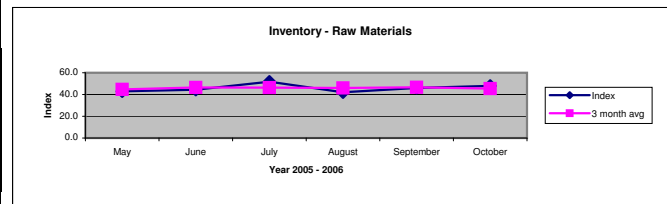
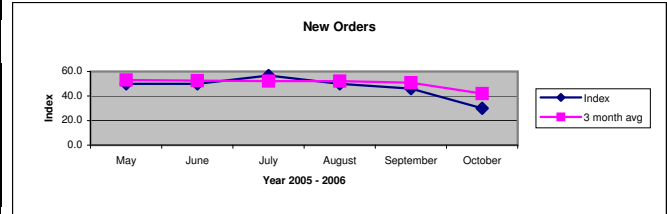
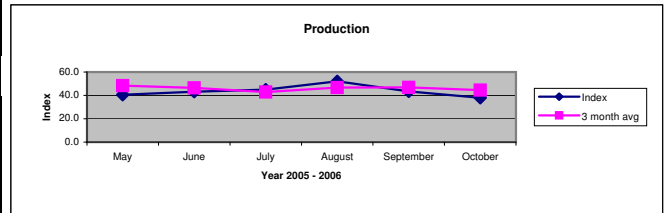
**Employment drops in October**

Vendor Deliveries		2008					
		May	June	July	August	September	October
Faster		0.0	2.8	0.0	12.0	7.9	12.0
Same		85.7	77.8	70.0	76.0	73.7	80.0
Slower		14.3	19.4	30.0	12.0	18.4	8.0
Index		57.1	58.3	65.0	50.0	55.3	48.0
Index	3 month average	55.8	57.1	60.1	57.8	56.8	51.1

**Vendor deliveries faster in October**

Commodity Prices		2008					
		May	June	July	August	September	October
Higher		76.2	75.0	73.3	56.0	42.1	24.0
Same		21.4	19.4	20.0	36.0	36.8	44.0
Lower		2.4	5.6	6.7	8.0	21.1	32.0
Index		86.9	84.7	83.3	74.0	60.5	46.0
Index	3 month average	86.6	86.0	85.0	80.7	72.6	60.2

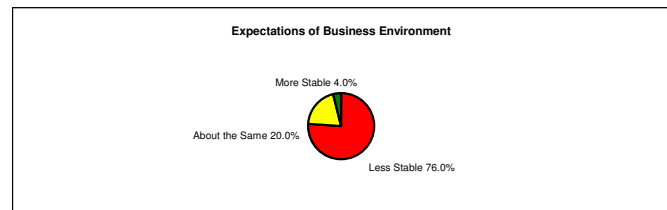
**Commodity prices rising, but move down in October**



**Expectations of Business Environment**

6 months into the future:

Less Stable	76.0	percent
About the same	20.0	percent
More Stable	4.0	percent



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