

THE DETROIT REPORT

National Association of Purchasing Management - Metro Detroit

The NAPM – Metro Detroit Purchasing Managers Index 47.3

Detroit Index: June reports reveal that the NAPM-DM composite index rose 0.7 points to 47.3.

Employment: Employment rose to 42.9.

Prices: Prices remain high at 84.7.

Items up or down in price: Prices fell back slightly in June, but remain high for the fourth straight month. The June survey revealed the following items to be up in price: all chemicals, steel (describe by one respondent as “skyrocketing”) and aluminum, freight, resins, copy paper, natural gas, vinyl, textiles, alcohol, all energy products, and copper.

Economic Issues: June showed little significant improvement in the overall index, relative to May. The June composite index rose to 47.3, an increase of only 0.7 index points. A reading below 50 tends to indicate a contraction in the manufacturing sector. Sectors pulling the composite index down include: production (43.1), new orders (50.0), and employment (42.9). Prices remained high in June and the list of products cited by respondents as being up in price remained high for the month.

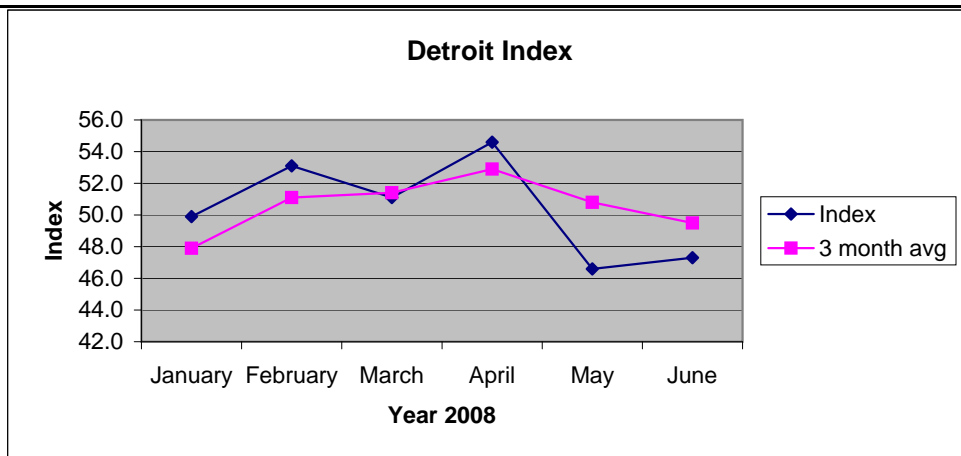
Poor performance in the automotive sector is continuing to have an adverse impact on the southeastern Michigan economy. One respondent noted that instability at Ford and GM continues to put pressure on Tier 1 and 2 suppliers. As a result, spending is down at many businesses, as firms tighten their belts in an effort to weather the downturn. Respondants cited that major layoffs are now hitting the Tier 1 suppliers due to the automotive slump.

High prices and the low value of the dollar continue to an impact upon the local economy's business sector. One respondent noted that steel mills are now holding their prices for only 48 hours, making it impossible to determine pricing to their customers. The low value of the dollar is cited as a reason for moving production back to the local area, which long-term may help employment.

Another respondent noted that raw materials from China require a much longer lead-time and that the prices are higher. It was also noted that based on reports to the supplier, that some Chinese factories are closing to allow for a cleaner environment during the Olympics. This could be a factor in slowing shipments.

Another respondent indicated that they expect oil prices to stabilize in the third quarter and that the economy will adjust as new and more efficient technologies are put in place. While the third quarter was forecast to be a challenge, the expectation is that conditions will start to improve by the fourth quarter.

When asked their view about business prospects 6 months in to the future, 42% indicated they expect a less stable environment, which is up 16 percentage points from the previous month. Only 19% believe the business environment will be more stable by the end of 4th quarter. About 39% of the respondents are of the opinion that conditions (which are not favorable) will be about the same around year-end.



Next Release
1 August 2008

Detroit Index		2008					
		January	February	March	April	May	June
Index		49.9	53.1	51.1	54.6	46.6	47.3
Index	3 month average	47.9	51.1	51.4	52.9	50.8	49.5

Production		2008					
		January	February	March	April	May	June
	Higher	22.6	37.1	27.3	38.5	23.8	33.3
	Same	38.7	34.3	42.4	34.6	33.3	19.4
	Lower	38.7	28.6	30.3	26.9	42.9	47.2
Index		41.9	54.3	48.5	55.8	40.5	43.1
Index	3 month average	46.5	48.7	48.2	52.9	48.3	46.5

Production declines in June

New Orders		2008					
		January	February	March	April	May	June
	Higher	41.9	40.0	30.3	42.3	33.3	38.9
	Same	19.4	25.7	42.4	30.8	33.3	22.2
	Lower	38.7	34.3	27.3	26.9	33.3	38.9
Index		51.6	52.8	51.5	57.7	50.0	50.0
Index	3 month average	49.2	52.5	52.0	54.0	53.1	52.6

New orders show no change

Inventory - Raw Materials		2008					
		January	February	March	April	May	June
	Higher	25.0	20.0	30.3	19.2	14.3	19.4
	Same	46.9	65.7	39.4	65.4	57.1	50.0
	Lower	28.1	14.3	30.3	15.4	28.6	30.6
Index		48.4	52.8	39.4	51.9	42.9	44.4
Index	3 month average	44.7	48.8	46.9	48.0	44.7	46.4

Raw materials fell in June

Inventory - Finished Goods		2008					
		January	February	March	April	May	June
	Higher	28.1	11.4	21.2	11.5	16.7	11.1
	Same	53.1	62.9	57.6	61.5	54.8	61.1
	Lower	18.8	25.7	21.2	26.9	28.6	27.8
Index		54.7	42.8	50.0	42.3	44.1	41.7
Index	3 month average	45.7	46.5	49.2	45.0	45.5	42.7

Finished goods inventories fall in June

Employment		2008					
		January	February	March	April	May	June
	Higher	12.9	22.9	25.0	24.0	22.0	17.1
	Same	74.2	54.3	53.1	60.0	41.5	51.4
	Lower	12.9	22.9	21.9	16.0	36.6	31.4
Index		50.0	50.0	51.6	54.0	42.7	42.9
Index	3 month average	44.8	50.0	50.5	51.9	49.4	46.5

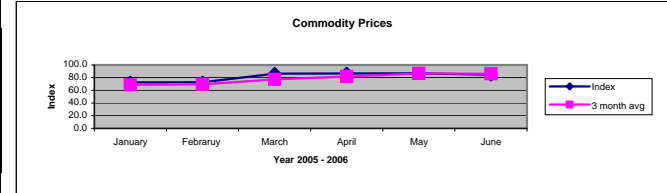
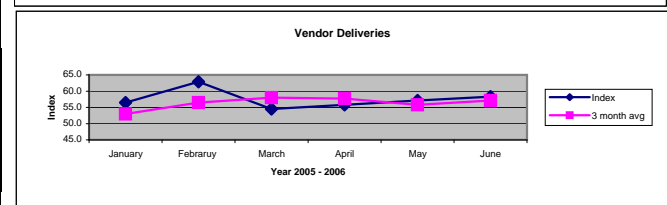
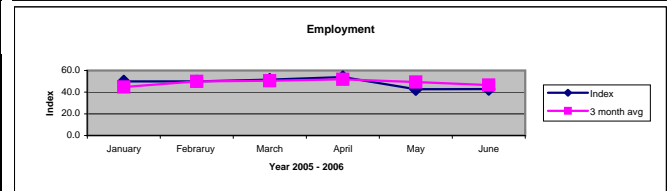
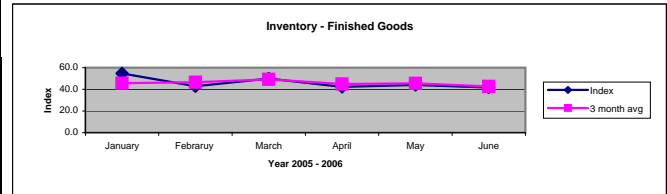
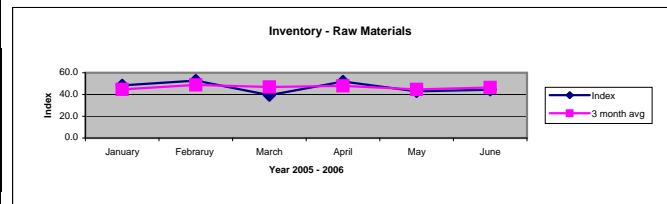
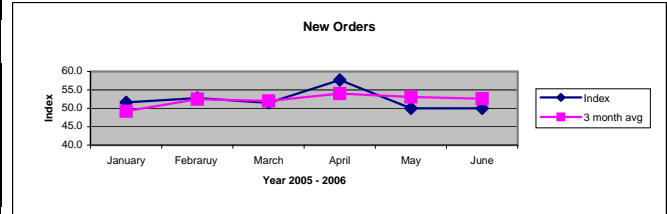
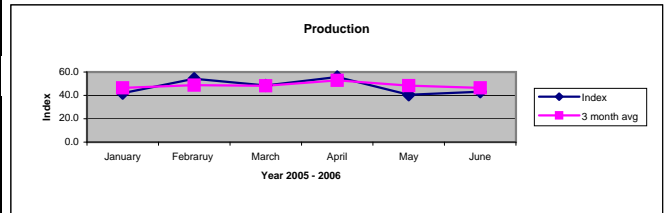
Employment drops in June

Vendor Deliveries		2008					
		January	February	March	April	May	June
	Faster	3.2	0.0	12.1	3.9	0.0	2.8
	Same	80.6	74.3	66.7	80.8	85.7	77.8
	Slower	16.1	25.7	21.2	15.4	14.3	19.4
Index		56.5	62.9	54.5	55.8	57.1	58.3
Index	3 month average	53.0	56.5	58.0	57.7	55.8	57.1

Vendor deliveries slow in June

Commodity Prices		2008					
		January	February	March	April	May	June
	Higher	48.4	51.4	75.8	76.9	76.2	75.0
	Same	48.4	42.9	21.2	19.2	21.4	19.4
	Lower	3.2	5.7	3.0	3.9	2.4	5.6
Index		72.6	72.8	86.4	86.5	86.9	84.7
Index	3 month average	68.6	69.4	77.3	81.9	86.6	86.0

Commodity prices remain high in June



Expectations of Business Environment

6 months into the future:

Less Stable	41.7	percent
About the same	38.9	percent
More Stable	19.4	percent

Expectations of Business Environment



About the Same 38.9%

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