

October -  
2009

# THE SOUTHEAST MICHIGAN REPORT



(FOR RELEASE:  
October 1, 2009

Institute for Supply Management - Southeast Michigan

## The ISM - Southeast Michigan Purchasing Managers Index (PMI) at 51.3

**ISM-SEM Index:** October reports reveal that the ISM-SEM composite dropped back down from September's 62.5 to a more stable 51.3, which is still considered a sign of improving conditions.

**Employment:** Employment rose 10.3 points to a stable 50.0

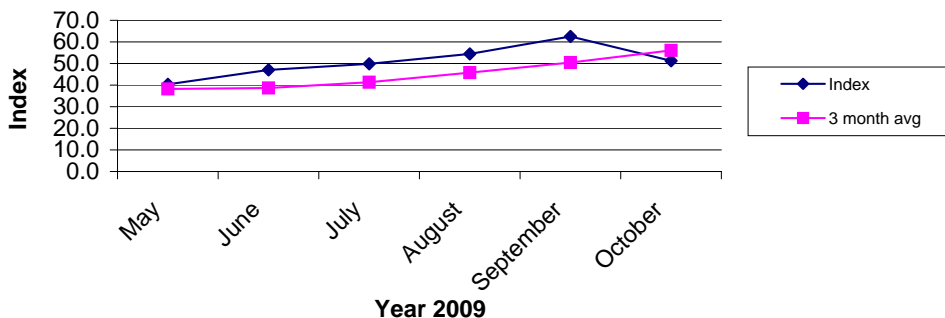
**Prices:** Prices increased by another 5.6 points to 69.4

**Items up or down in price:** October shows mostly increases in price. Our survey revealed the following: Paints and Acrylics are up, Caustic Soda - up, Sulfuric Acid - up, Automotive Fittings - up, Metals - up, Oil Related Products - up, Plastic Fabricated Parts - up, Rubber - up, Resin - up (but expected to go back down next month), Aluminum - up slightly, Steel - up, Copper over \$3/lb Comex, Natural Gas - edged up but went on a downward turn as inventories remain high, Packaging - down. One might speculate that the steady increase in price is based on increased demand. Information comes from multiple responses of our Survey Respondents

**Economic Issues:** The October survey shows what might at first glance be a cooling of the 3 month steady rise in the PMI. However, if the PMI remains above 50.0, it means that the modest improvement in conditions has held, which is also reflected in Dow's stability at or just beneath 10,000 points. For those with short memories, it reached 10,000 for the first time in history on March 17, 1997. However, the PMI is a better measure of production than investment activity. The mood amongst respondents seems to be mild pessimism. Some of the comments from our membership include:

- There is a pickup 3d and 4th quarter.
- Continued destabilization combined with deflationary pressure.
- Some slight improvement being seen.
- The current "bounce" is not fundamentally sustainable
- Leveling off
- Easing of finance restrictions and covenants is critical to keep the recovery going.
- Inflation is likely to be an issue in the next 6 months
- Looking as everyone else is, for the stimulus monies to jump start our business
- General economic recovery and loosening of commercial credit funds
- As auto companies rebuild inventory, our sales will drop off dramatically.
- It is critical that there is not downturn to the stabilizing economy
- Suppliers of critical materials will have to stay on schedule. We cannot continue to absorb the costs of overtime.
- The automotive OEMS do not seem to have learned from their brush with death earlier this year. How can it possibly make sense to break
- Ability of North American suppliers to export to growing automotive markets
- Position of U S dollar in relation to other major currencies
- Let's not grow too fast as we did before. Financial markets seem to be too optimistic right now.

Southeast Michigan Index



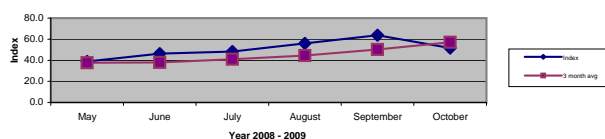
Next Release  
1 December 2009

ISM-SEM Index		2009					
		May	June	July	August	September	October
Index		40.4	47.0	49.8	54.5	62.5	51.3
Index	3 month average	38.2	38.7	41.3	45.8	50.4	56.1

Production		2009					
		May	June	July	August	September	October
	Higher	22.2	29.3	25.0	44.0	44.8	35.5
	Same	33.3	34.1	46.4	24.0	37.9	32.3
	Lower	44.4	36.6	28.6	32.0	17.2	32.3
Index		38.9	46.3	48.2	56.0	63.8	51.6
Index	3 month average	37.6	37.9	41.0	44.5	50.2	57.1

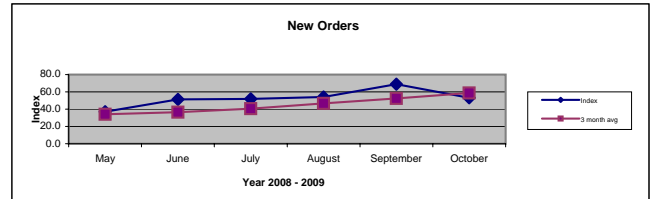
Production remains above 50.0, but acceleration appears to have cooled

Production



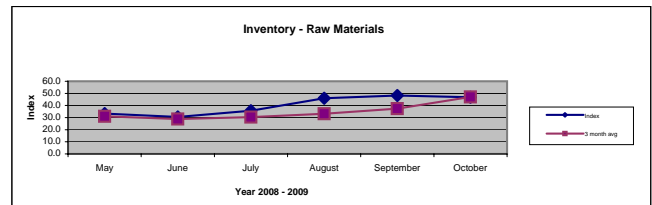
New Orders		2009					
		May	June	July	August	September	October
	Higher	25.9	39.0	28.6	32.0	55.2	41.9
	Same	22.2	24.4	46.4	44.0	27.6	22.6
	Lower	51.9	36.6	25.0	24.0	17.2	35.5
<b>Index</b>		37.0	51.2	51.8	54.0	69.0	53.2
<b>Index</b>	3 month average	34.1	36.4	40.5	46.7	52.3	58.7

New orders also remain a favorable 53.2



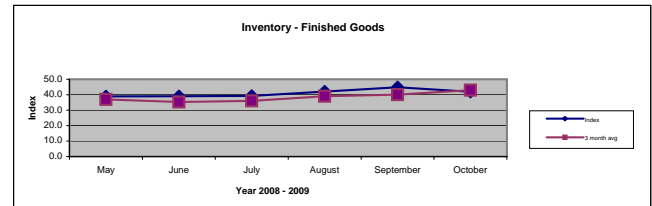
Inventory - Raw Materials		2009					
		May	June	July	August	September	October
	Higher	14.8	4.9	10.7	24.0	17.2	16.1
	Same	37.0	51.2	50.0	44.0	62.1	61.3
	Lower	48.1	43.9	39.3	32.0	20.7	22.6
<b>Index</b>		33.3	30.5	35.7	46.0	48.3	46.8
<b>Index</b>	3 month average	31.1	28.8	30.4	33.2	37.4	47.0

Raw materials inventories remain in check, below 50.0



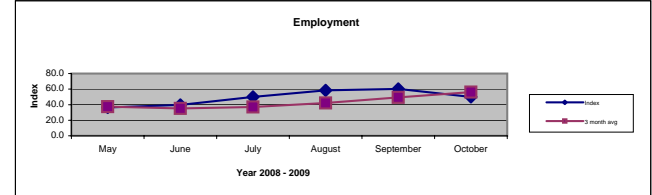
Inventory - Finished Goods		2009					
		May	June	July	August	September	October
	Higher	22.2	12.2	14.3	20.0	13.8	6.5
	Same	33.3	53.7	50.0	44.0	62.1	71.0
	Lower	44.4	34.1	35.7	36.0	24.1	22.6
<b>Index</b>		38.9	39.0	39.3	42.0	44.8	41.9
<b>Index</b>	3 month average	37.0	35.3	36.0	39.1	40.1	42.9

Finished goods inventories appear stable for the last 6 months.



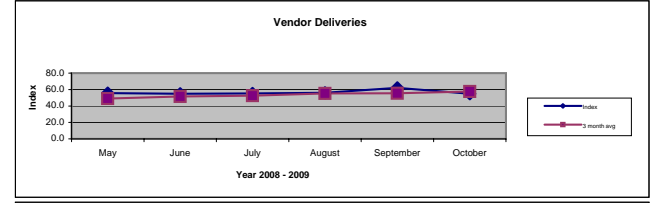
Employment		2009					
		May	June	July	August	September	October
	Higher	19.2	12.8	21.4	29.2	27.6	20.0
	Same	34.6	53.8	57.1	58.3	65.5	60.0
	Lower	46.2	33.3	21.4	12.5	6.9	20.0
<b>Index</b>		36.5	39.7	50.0	58.3	60.3	50.0
<b>Index</b>	3 month average	37.5	35.1	37.0	42.1	49.4	56.2

Employment dropped back to 50.0, but is still favorable over the 2nd Q



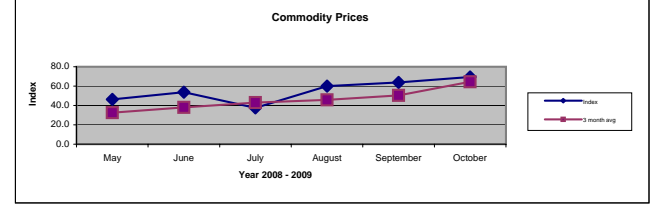
Vendor Deliveries		2009					
		May	June	July	August	September	October
	Faster	11.1	4.9	7.1	4.0	0.0	6.5
	Same	66.7	80.5	75.0	80.0	75.9	77.4
	Slower	22.2	14.6	17.9	16.0	24.1	16.1
<b>Index</b>		55.6	54.9	55.4	56.0	62.1	54.8
<b>Index</b>	3 month average	49.0	51.5	52.5	55.3	55.4	57.6

Deliveries remain well above 50, and have throughout the last 6 months



Commodity Prices		2009					
		May	June	July	August	September	October
	Higher	18.5	19.5	7.1	32.0	34.5	41.9
	Same	55.6	68.3	60.7	56.0	58.6	54.8
	Lower	25.9	12.2	32.1	12.0	6.9	3.2
<b>Index</b>		46.3	53.7	37.5	60.0	63.8	69.4
<b>Index</b>	3 month average	32.6	38.0	42.9	45.8	50.4	64.4

Commodity prices up significantly, by 9.4 points over August.

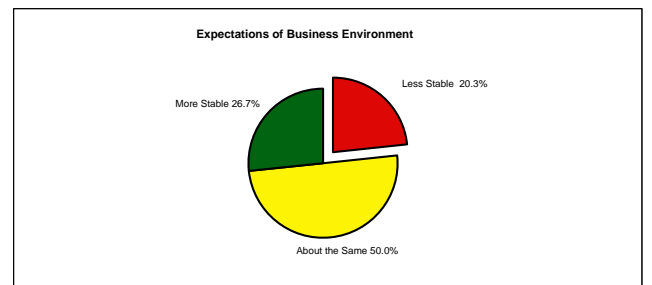


#### Expectations of Business Environment

6 months into the future:

Less Stable	23.3	percent
About the same	50.0	percent
More Stable	26.7	percent

For more information about the Survey or to obtain copies of previous surveys, visit our website at [www.ism-sem.org](http://www.ism-sem.org) and click on "Economic Surveys"



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