



Purchasing Managers Index Report – Georgia

Release: January 3, 2012

December 2011

GA's PMI Decreased 5 Points Based On Decreases For New Orders, Production, Supply Deliveries, And Finished Inventory

Georgia PMI	47.4	Southeast PMI	49.8	National PMI	53.9
Dec-Nov	-5.0	Dec-Nov	-2.1	Dec-Nov	+1.2

Underlying Variables	Georgia PMI		Southeast	National
	Index	Change	Index	Index
	Dec-11	Dec-Nov	Dec-11	Dec-11
New Orders (NO)	50.0	-8.1	50.8	57.6
Production (P)	46.3	-7.8	50.8	59.9
Employment (E)	50.0	+0.0	50.8	55.1
Supply Deliveries (SD)	48.1	-1.9	53.1	49.9
Finished Inventory (FI)	42.6	-7.4	43.8	47.1
Commodity Prices (CP)	50.0	+4.1	47.7	47.5

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An analysis of the December PMI Report:

New Orders:

New Orders decreased 8.1 points to 50. New Order's decrease was based on 12.9% less respondents reporting higher New Orders for a total of 22.2% and 3.3% more respondents reporting lower New Orders for a total of 22.2%.

Production:

Production decreased 7.8 points to 46.3. Production's decrease resulted from 11.2% less respondents reporting higher Production for a total of 18.5% and 4.3% more respondents reporting lower Production for a total of 25.9%.

Employment:

Employment remained the same at 50 based on 5.1% less respondents reporting higher employment for a total of 11.1% and 5.1% less respondents reporting lower Employment for a total of 11.1%.

Supplier Delivery Time:

Supplier Delivery Time decreased 1.9 points to 48.1 based on 1.7% less respondents reporting slower delivery time for a total of 3.7% and 2% more respondents reporting faster delivery for a total of 7.4%.

Finished Inventory:

Finished Inventory decreased 7.4 points to 42.6 based on 4.1% less respondents reporting higher FI for a total of 14.8% and 10.7% more respondents reporting lower Finished Inventory for a total of 29.6%.

Commodity Price:

Commodity Price increased 4.1 points to 50 based on 0.7% less respondents reporting higher Commodity Price for a total of 7.4% and 8.8% less respondents reporting lower Commodity Price for a total of 7.4%.

Survey Question:

Forty four percent reported higher expected production in the next 3-6 months versus forty three percent in November. Seven percent of respondents expected production to be lower than their current production. The index is 68.5.

Overview:

December's PMI partially reversed its pre-

vious one month rebound of 9.2 points with a 5 point loss. New orders and production were primarily responsible for this decrease based on 8.1 and 7.8 point losses, respectively. Finished inventory's 7.4 decrease was consistent with the weakness in new orders and production. Production's December reading of 46.3 was 4.6 points below its 6-month average. Finished inventory's reading of 42.6 was 7.4 points below its 6-month average. 4th quarter's PMI ended the year with a fairly volatile pattern.

National PMI Report:

The National December PMI increased 1.2 points to 53.9 was the result of the following: New Orders increased 0.9 of a point to 57.6; Production increased 3.3 points to 59.9; Employment increased 3.3 points to 55.1; Supplier Delivery Time remained the same at 49.9; and Finished Inventory decreased 1.2 points to 47.1.

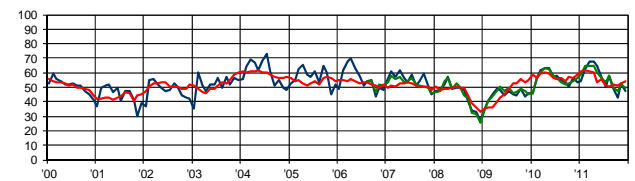
Commodity Price increased 2.5 points to 47.5. Of the 18 manufacturing sectors 9 sectors reported growth in December. The 9 sectors include: Apparel, Leather & Allied Products; Printing & Related Support Activities; Textile Mills; Petroleum & Coal Products; Machinery; Food, Beverage & Tobacco Products; Computer & Electronic Products; Primary Metals; and Paper Products.

The nine industries reporting contraction in December include: Plastics & Rubber Products; Nonmetallic Mineral Products; Furniture & Related Products; Chemical Products; Wood Products; Miscellaneous Manufacturing; Fabricated Metal Products; Transportation Equipment; and Electrical Equipment, Appliances & Components.

Industrial Production Report:

The November Industrial Production Report recorded a -0.2% decrease following a 0.7% increase for October. Manufacturing decreased 0.4% down from 0.5% increase in October. Motor Vehicle and parts production decreased 3.4% down from October's increase of 3.4%. Business equipment decreased 0.1% following a 1.4% increase in October. High tech decreased 0.8% following a 1.3%

PMI Georgia, PMI Southeast, and PMI National							
	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Dec-Nov
PMI Georgia	50.7	58.1	48.7	43.2	52.4	47.4	-5.0
PMI Southeast	53.7	57.8	49.4	47.1	51.9	49.8	-2.1
PMI National	50.9	50.6	51.6	50.8	52.7	53.9	+1.2



Change in Percent	December – November		
	Higher	Same	Lower
New Orders	-12.9	9.6	3.3
Production	-11.2	6.9	4.3
Employment	-5.1	10.2	-5.1
Deliveries	-1.7	-0.3	2.0
Finished Inventory	-4.1	-6.6	10.7
Commodity Prices	-0.7	9.5	-8.8

decrease for October. Manufacturing, excluding motor vehicle, decreased 0.2% following a 0.3% increase for October.

November manufacturing capacity decreased from 76.1 in October to 75.8. 4th quarter manufacturing grew at an annualized rate of 3.5% down from 4.9% for the 3rd quarter. Manufacturing less auto production grew at 2.9% annualized rate versus 4.1% for the 3rd quarter. Flooding in Thailand created some supply chain problems that contributed to this slower growth.

Georgia versus the Southeast Survey:

Georgia's decrease of 5 points was greater than the Southeast's (SE) PMI decrease of 2.1 points. The Southeast readings of new orders, production, employment, supplier delivery time, and finished inventory are higher than Georgia's by 0.8, 4.5, 0.8, 5, and 12 points, respectively. Only Southeast's commodity price is lower by 2.3 points.

Georgia versus the National Survey:

In December the Georgia PMI decreased 5 points to 47.4 versus the National PMI's increase of 1.2 points to 53.8. The National PMI recorded higher readings than the Georgia PMI components by 6.8, 9.1, 4.3, and 3.4 points for new orders, production, employment, and finished inventory, respectively. Georgia registered higher reading of 3.2 for supplier delivery time. Georgia's commodity price registered 0.2 of a point higher reading than the National's commodity price reading of 47.5.

Comment:

Georgia's December PMI lost 5 points from November's improvement of 9.2 points. The Georgia's 4th quarter PMI ended the year with substantial volatility, which limits the ability to foresee the near future trend for the Georgia PMI.

* The Econometric Center draws the Purchasing Managers Index report from a sample of Georgia's manufacturers. The PMI is a composite index that is based on five indicators equally weighted: new orders, production, employment, supplier delivery time, and finished goods. A PMI index over 50 indicates that manufacturing is expanding while anything below 50 means that the industry is contracting.

Manufacturing Sector Analysis:

Auto production flipped from an annualized growth rate of 50% in October to -34% in November. November's auto production decrease was tied to supply-chain disruptions from flooding in Thailand. Auto production should continue to improve in 2012 with some estimates reaching 13 million units.

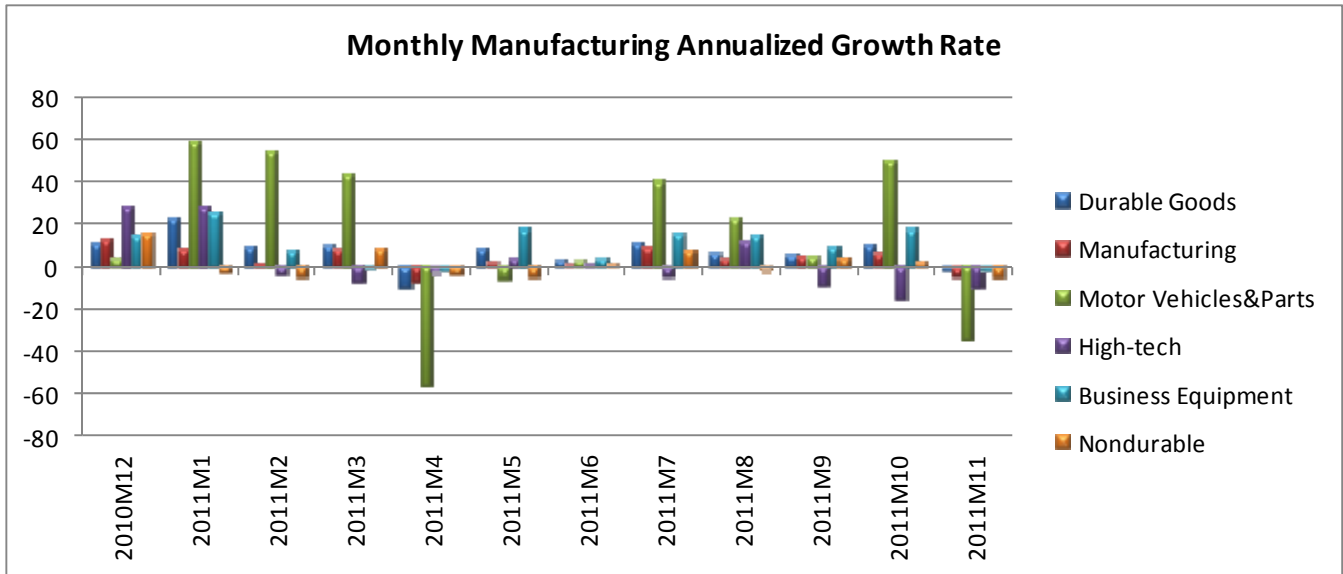
Fourth quarter manufacturing increased 3.5% down from 4.9% third quarter growth rate. Manufacturing excluding motor vehicle increased 2.9% down from a 4.1% for the third quarter.

Business equipment spending fell from 17% to -1.7%. High-tech, computers,

communications equipment, and semiconductors, registered a -9% in November down from a -14.9% for October.

Durable goods dropped from 10.6% annualized growth rate in October to -1.7% for November. Nondurable goods decreased 5% for November down from a 2.3% increase in October.

Past inventory liquidation is expected to lead to rebuilding inventories based on anticipated strength for auto, aircraft, and capital spending on business equipment.



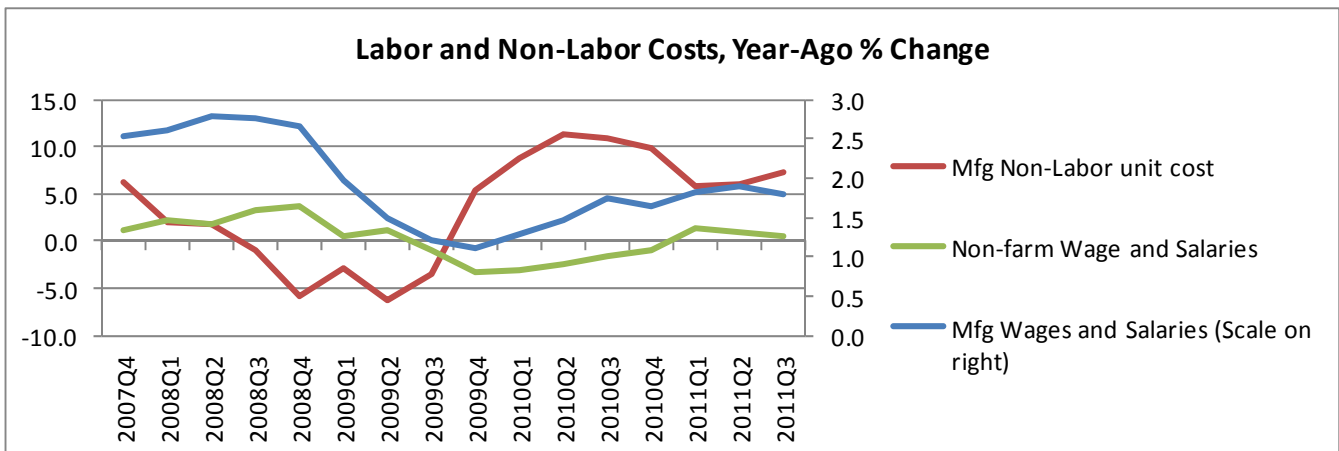
Manufacturing, Non-farm salary and wage cost and Non-farm labor Cost:

Manufacturing labor costs remain stable based on year-ago percentage change. 2011 labor costs for the first three quarters averaged 1.8%. 3rd quarter manufacturing labor costs was 1.8%.

Manufacturing non-labor unit costs averaged 6.4% higher for the first three quarters of 2011 compared to 2010. 3rd quarter non-labor costs was

7.4% higher than 3rd quarter 2010. Overall non-farm wages unit costs for 2011's first three quarters averaged 1% higher compared to 2010. 3rd quarter non-farm wage and salary costs is 0.4% higher. This broader measure of labor costs confirms the continued weakness in the overall job market.

Manufacturing labor costs increases continue to outpace overall labor costs.



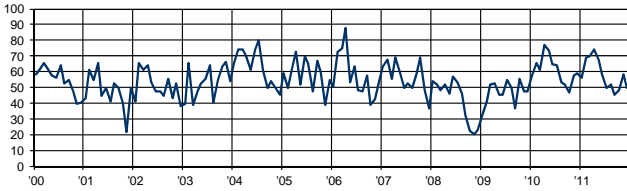
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New Orders

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Dec - Nov
Higher	23.3	18.5	23.3	22.6	35.1	22.2	-12.9
Same	53.3	66.7	43.3	51.6	45.9	55.6	+9.6
Lower	23.3	14.8	33.3	25.8	18.9	22.2	+3.3
INDEX	50.0	51.9	45.0	48.4	58.1	50.0	-8.1

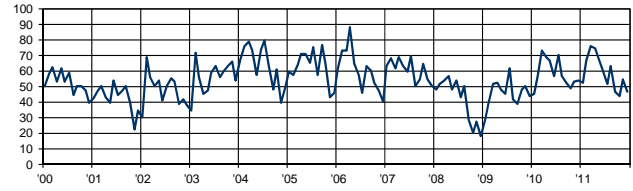
GA's NO decreased 8.1 points due to 12.9% less participants reporting 'Higher' NO and 3.3% more participants reporting 'Lower' NO.



Production

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Dec - Nov
Higher	20.0	29.6	23.3	16.1	29.7	18.5	-11.2
Same	63.3	66.7	46.7	54.8	48.6	55.6	+6.9
Lower	16.7	3.7	30.0	29.0	21.6	25.9	+4.3
INDEX	51.7	63.0	46.7	43.5	54.1	46.3	-7.8

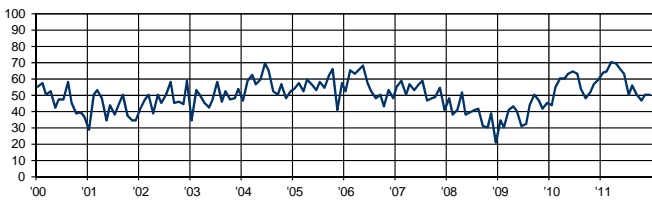
GA's P decreased 7.8 points due to 11.2% less participants reporting 'Higher' P and 4.3% more participants reporting 'Lower' P.



Employment

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Dec - Nov
Higher	13.3	18.5	16.7	9.7	16.2	11.1	-5.1
Same	73.3	74.1	66.7	74.2	67.6	77.8	+10.2
Lower	13.3	7.4	16.7	16.1	16.2	11.1	-5.1
INDEX	50.0	55.6	50.0	46.8	50.0	50.0	+0.0

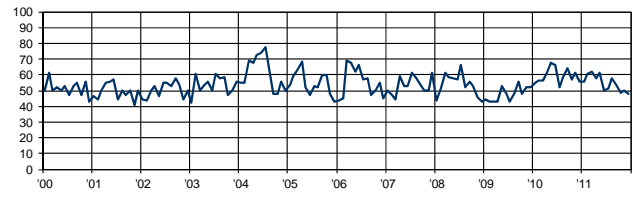
GA's E remained the same..



Supplier Delivery Time

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Dec - Nov
Slower	13.3	22.2	13.3	6.5	5.4	3.7	-1.7
Same	76.7	70.4	80.0	83.9	89.2	88.9	-0.3
Faster	10.0	7.4	6.7	9.7	5.4	7.4	+2.0
INDEX	51.7	57.4	53.3	48.4	50.0	48.1	-1.9

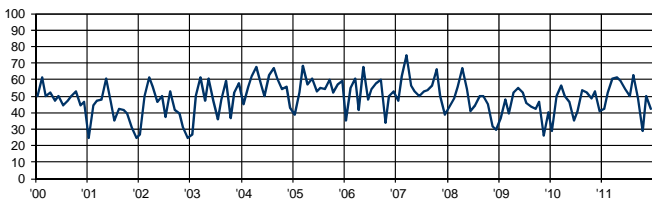
GA's SD decreased 1.9 points based on 1.7% less participants reporting 'Slower' SD and 2% more participants reporting 'Faster' SD.



Finished Inventory

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Dec - Nov
Higher	26.7	33.3	26.7	6.5	18.9	14.8	-4.1
Same	46.7	59.3	43.3	45.2	62.2	55.6	-6.6
Lower	26.7	7.4	30.0	48.4	18.9	29.6	+10.7
INDEX	50.0	63.0	48.3	29.0	50.0	42.6	-7.4

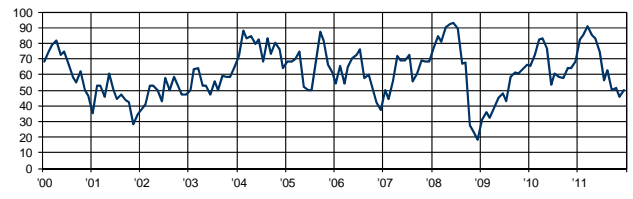
GA's FI decreased 7.4 points based on 4.1% less participants reporting 'Higher' FI and 10.7% more participants reporting 'Lower' FI.



Commodity Prices

	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Dec-11	Dec - Nov
Higher	23.3	33.3	10.0	16.1	8.1	7.4	-0.7
Same	66.7	59.3	80.0	71.0	75.7	85.2	+9.5
Lower	10.0	7.4	10.0	12.9	16.2	7.4	-8.8
INDEX	56.7	63.0	50.0	51.6	45.9	50.0	+4.1

GA's CP increased 4.1 points as a result of 8.8% less participants reporting 'Lower' CP.



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