

## How Supply Managers See Business

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- Economists brushed off last month's report showing a hiccup in the Conference Board's closely watched monthly Index of Leading Economic Indicators. The index fell 0.2% in September, representing its first decline since March. But that decline tied back to a drop in mortgage refinance applications and was largely offset by gains in more solid components, like consumer goods orders, capital goods orders and stock prices.
- More good news for manufacturing. The Federal Reserve's latest *Beige Book* roundup (released Oct. 15) finds a majority of districts reporting "a pickup in manufacturing activity, with several indicating significant improvement in a wide variety of industries." Sectors showing strengthening included machine tools, semiconductors and construction-related. Still weak: Aerospace and textiles. Mixed: Transportation-related manufacturing. On the commodity price front, the Fed notes sharp increases for wood products, steel and natural gas.
- Jobs growth sighted on horizon. Global Insight now predicts that, by mid-2004, payroll employment will be growing at a monthly rate of around 250-300K jobs. Reason: Productivity growth is expected to decelerate to a rate that is slower than GDP growth, forcing corporations to act on their pent-up demand for labor. "Companies have been squeezing a lot of productivity out of their existing workforces. As they begin to believe that the current upturn in growth is likely to be sustained, they will relent and begin hiring once again." However, the forecasters note that, because labor force participation is also expected to rise in '04, the unemployment rate won't change much over the coming 12 months.
- Housing remains among the strongest end-markets for manufacturing. That explains, perhaps, why upward pricing trends are strongest for such commodities as plywood, steel and copper. U.S. homebuilders started work on new units to the tune of 1.89 million annualized units in September (that is, if they built at that rate all year long, total starts for the year would be 1.89 million). Builders' confidence, tracked by the National Association of Home Builders, surged in October to its highest level in four years as 30-year fixed mortgage rates peddled back from a September high of 6.44%.
- Price panelists wanted. To find out if you're eligible to be included on PURCHASING's Transaction Price Survey panel, e-mail a list of commodities you buy in volume quantities to [amillenporter@reedbusiness.com](mailto:amillenporter@reedbusiness.com). Incentive to participate: Free access to a monthly price data report from PURCHASING.

Tracking the economy	Period	Latest Period	Previous Period	Year Ago	% Chg vs. Year Ago
Indicator					
Industrial production ('92=100)	Sept	110.6	110.2	111.2	-0.5
Manufacturing capacity utilization (%)	Sept	73.1	72.7	74.1	-
Housing starts (000s, saar)	Sept	1888	1826	1810	4.3
Housing market index	Oct	72	68	63	14.3
Mfg employment (000s)	Sept	14556	14585	15196	-4.2
Producer price index (core, '82=100)	Sept	149.7	149.9	149.5	0.1
Consumer price index ('82-'84=100)	Sept	185.2	184.6	180.8	2.6
Purchasing managers' index (mfg)	Sept	53.7	54.7	50.7	-
Purchasing managers' index (nonmfg)	Sept	63.3	65.1	53.9	-