



National Association of Purchasing Management  
**Northwest Indiana**



# NEWSLETTER



[www.napmni.org](http://www.napmni.org)

February 2008

[www.ism.ws](http://www.ism.ws)

## Calendar

### **February 20, 2008 Wednesday**

#### **Educational Meeting- NWI BP Expansion**

Tom Keilman BP

#### **NAPM-NI Scholarship Recognition**

Charlie's Ale House  
8940 Calumet Avenue  
Munster, IN 46321

### **March 19, 2008 Wednesday**

#### **Educational Meeting- Branding Northwest IN**

Professor Paul Trapp, Valparaiso University  
Strongbow's Inn  
2405 E US 30  
Valparaiso, IN 46385

### **April 16, 2008 Wednesday**

#### **Plant Tour- Task Force Tips**

2800 E. Evans Ave  
Valparaiso, IN 46383

#### **Educational Meeting**

Valparaiso Country Club  
2501 Country Club Rd  
Valparaiso, IN 46383

### **May 21, 2008 Wednesday**

#### **Educational Meeting- Election- Marty Harper Award**

T. J. Maloney's (Holiday Star & Radisson Hotel)  
I-65 & US 30 800 E 81<sup>st</sup> Ave.  
Merrillville, IN 46410



## President's Pen

by Pam Hale, C.P.M.

Dear NAPM-NI,

I spent 10 days in France skiing – it was fantastic. While we were there, there were only two TV channels that spoke English – MSNBC & BBC. The major segment of the news broadcast (99%) focused on our U.S. economy - potential recession, manufacturing slowdown, employment rate, housing market, stock market decline, PMI index, etc. We were all surprised at the consistent discussions about the U.S. economy. At one point, we thought is this the only thing happening in the world. The U.S. economy was the dominant focus on those two stations, as well as the newspapers. Also, before I left for France, I attended the joint AWMI and NAPM-NI meeting. At that meeting, the PMI index was mentioned - December, 2007 it was recorded at 47.7%. FYI - for January, 2007 it was 49.3%. Then it was above 50% until January, 2002.

For those who are not familiar with this index – here is the definition. Purchasing Managers' Index (PMI) is an indicator of the economic health of the manufacturing sector. The PMI index is based on five major indicators: new orders (.30), inventory levels (.10), production level (.25), supplier deliveries (.15) and the employment level (.20). The PMI magic number is 50. A PMI of more than 50 indicates industry is expanding. If manufacturing is growing, the general economy should be doing the same. It is considered a good indicator of future GDP levels. A reading under 50 represents a contraction, while a reading at 50 indicates no change. Prior to September 1, 2001, the acronym (PMI) stood for Purchasing Managers' Index. The Institute of Supply Management (ISM) now uses only the acronym, PMI. Although the ISM publishes several indexes, the PMI is the most widely followed and is sometimes referred to as the ISM index.

A diffusion process is done to the survey answers, which come in only 3 options; managers can either respond with "better", "same", or "worse" to the questions about the industry as they see it. The resulting PMI figure (which

can be from 0 to 100) is calculated by taking the percentage of respondents that reported better conditions than the previous month and adding to that total half of the percentage of respondents that reported no change in conditions. For example, a PMI reading of 50 would indicate an equal number of respondents reporting "better conditions" and "worse conditions".

### **What it Means for Investors**

PMI is a very important sentiment reading, not only for manufacturing, but also the economy as a whole. Although U.S. manufacturing is not the huge component of total gross domestic product (GDP) that it once was, this industry is still where recessions tend to begin and end. For this reason, the PMI is very closely watched, setting the tone for the upcoming month and other indicator releases.

Many economists will adjust their GDP estimates after reading the PMI report. Another useful figure to remember is 42. An index level higher than 42%, *over time*, is considered the benchmark for economic (GDP) expansion. The different levels between 42 and 50 speak to the strength of that expansion. If the number falls below 42%, recession could be just around the corner.

As with many other indicators, the rate of change from month to month is vital. A reading of 51 (expanding manufacturing industry) coming after a month with a reading of 56 would not be seen favorably by the markets, especially if the economy had been showing solid growth previously.

The PMI can be considered a hybrid indicator in that it has actual data elements but also a confidence element, like the Consumer Confidence Index. Answers are subjective, and may not always relate to events as much as perceptions. Both can have value to investors looking to get a sense of actual experiences as well as see the PMI index level itself.

Bond markets may look more intently at the growth in supplier deliveries and prices paid areas of the report, as these have been historical pivot points for inflationary concerns. Bond markets will usually move in advance of an anticipated interest rate move, sending yields lower if rate cuts are expected and vice versa.

PMI is considered a leading indicator in the eyes of the Fed. There are regional purchasing manager reports, some of which come out earlier than the PMI for a given month, but the PMI is the only national indicator.

### **Strengths:**

Very timely, coming out on the first day of the month following the survey month

A good predictor of future releases, such as GDP and the Bureau of Labor Statistics (BLS) manufacturing reports

Anecdotal remarks within the release can provide a more complete perspective from actual professionals

Report displays point changes from the previous report, along with the length in months of any long-term trends shown for the "sub-indicators", such as inventories or prices.

Commodities, such as silver, steel and copper are reported individually regarding the supply tightness and price levels noted in the previous month.

### **Weaknesses:**

Only covers manufacturing sector - the *PMI Non-Manufacturing Business Report* covers many other industries in the same manner

Survey is very subjective in its data retrieval compared to other indicators.

Regional reports released earlier (Philly Fed, Chicago NAPM) may have high correlations and can take some of the steam out of this release.

### **Closing Line**

The PMI is a uniquely constructed, timely indicator with a lot of value on Wall Street. It is most useful when taken in context with more data-driven indicators, such as the Producer Price Index and GDP, or in conjunction with the *ISM Report Non-Manufacturing Report on Business*.

Details in the article are from investopedia.com.

I hope to see everyone at our February Meeting. Patty Grove has arranged to have Gus Brown from BP to be our speaker. His topic will be the BP expansion and what it means to NW Indiana businesses and diversity. Also, we will be awarding our 2007-2008 Scholarship to David Fisher from Purdue University Calumet. I will not be able to attend due to company business. Tim will be filling in for me.

Take care.

Pam

## **PLEASE NOTE CHANGES IN LOCATION ON OUR FEBRUARY EVENT**

### ***Wednesday February 20, 2008***

Please plan on joining us at Charlie's Ale House in Munster to hear Tom Keilman, from BP for an overview of the expansion of BP refinery in Whiting. This should prove to be a wealth of information for all of us! We will also announce our NAPM-NI scholarship winner David Fisher. Here is what David had to say when notified of his award.

I was excited to find out I had received the NAPM-NI Scholarship and so grateful that I would be able meet so many people in the fields that I am studying. I am looking forward to meeting the members of the NAPM-NI organization, because I'm sure they work in the fields that I hope to end up working in. It is the greatest thing to talk to someone that has been out in the business world dealing with real situations. I look forward to telling fellow students about the NAPM-NI organization and how they can learn and gain so much by becoming associated with it. David Fisher

**Please make your reservations on-line now at the NAPM-NI website.**

## **Spread the Word — Sharing the Value of Supply Management - Resolutions for Success**

It's a new year, and along with the standard, personal resolutions — lose weight, be organized, pay off debt — why not set a few resolutions for yourself as a supply management professional? Here are some ideas that can make 2008 a banner year.

**Resolve to ...  
... get your CPSM certification.**

Endorsed by business and thought-leaders across the globe, the knowledge, skills and abilities represented in the CPSM will enable professionals to excel in 21st-century strategic supply management. For additional information on the CPSM program and to sign up for CPSM e-mail updates, log on to [www.ism.ws/certification](http://www.ism.ws/certification) and select Certified Professional in Supply Management (CPSM) Program.

**Resolve to ...  
... solicit story ideas for your local newspaper concerning your affiliate.**

Whether you are hosting a toy drive, participating in a community event or promoting an upcoming meeting — try submitting a news release to your local publications and later following up with a phone call to the editor. Make this the year your affiliate gets publicity!

**Resolve to ...  
... attend a professional development seminar or networking lunch.**

One form of PR can be overlooked simply because it is so easy ... word-of-mouth. This can happen naturally at seminars geared toward professionals or local networking lunches. Why not sign up for one and meet other like-minded professionals? Just be sure to bring a stack of business cards!

**Resolve to ...  
... read and share a business book.**

ISM created a CPSM supplemental reading list to help CPSM candidates prepare for their exams. The list is

currently comprised of eight business books that range from finance to global competition. Consider purchasing one of the books online (prices range from \$12 to \$129) and writing a short book review for your affiliate newsletter or Web site. Books also make great speaker appreciation gifts or can be gifted to libraries at your local university business school or community college. Just remember to affix a small book plate to the inside front page that indicates your goodwill gesture: "*This book compliments of [Affiliate Name].*"

**Resolve to ...  
... download and listen to a podcast on a business topic.**

You can search for podcasts using the following Web sites:

[www.podscope.com](http://www.podscope.com)

[www.everyzing.com](http://www.everyzing.com)

[www.podcasts.yahoo.com](http://www.podcasts.yahoo.com)

**Resolve to ...  
... become part of the supply management blogger's community.**

You can search for blogs using the following Web site:

[www.technorati.com](http://www.technorati.com)

Start off reading and becoming familiar with specific blogs. Determine who is behind the blog by checking the About or Profile links.

**Read comments left by others or participate in the blog by posting your own comment.**

## **93rd Annual International Supply Management Conference**

Mark Your Calendar for the 93rd Annual International Supply Management Conference and Educational Exhibit

On May 20, 1927, Charles Lindbergh took off from Roosevelt Airfield in Long Island, New York, in his *Spirit of St. Louis* airplane and made a successful touchdown almost 34 hours later at the Le Bourget Aerodrome in Paris, France. This was the first nonstop solo trans-Atlantic flight and was also the first nonstop flight from New York to Paris. Since then, the *Spirit of St. Louis* has come to represent the vision and dedication needed for great achievements. *The Spirit of St. Louis* continues today at the ISM 93rd Annual International Supply Management Conference on May 4-7, 2008 in St. Louis, where the Certified Professional in Supply Management (CPSM) qualification will officially take off.

Mark Your Calendar 2008 Summer Leadership Workshops

## **ISM's Summer Leadership Workshops will be held as follows:**

**Charlotte, NC, June 27-28, 2008**

[www.visitcharlotte.com](http://www.visitcharlotte.com)

**Boston, MA, July 25-26, 2008**

[www.bostonusa.com](http://www.bostonusa.com)

**Las Vegas, NV, August 1-2, 2008**

[www.visitlasvegas.com](http://www.visitlasvegas.com)

ISM's Leadership Training Workshops are tailored specifically for affiliate leadership. The workshops offer invaluable networking opportunities as well as sessions addressing the tactical, strategic and interpersonal training necessary to run a successful affiliate.

## **January 16, 2008 Meeting Recap**

### **Chicago-2008 Outlook - 25th Anniversary AWMI Chicago**

Our January meeting was another great insight into the economic forecast for 2008 and how it relates specifically to the Northwest Indiana markets, specifically steel. Sheila Janin of ArcelorMittal gave her outlook on the year ahead.

With the current news that we are heading into a recession, we heard a little more optimism on the economy and conditions. Looking at some of the major indicators, Pipeline construction, Sheet and plate usage, Appliances, Automotive, and housing, housing was the only market that had really taken a downturn. However, even with the new housing starts slow, those who own houses are in the remodeling market, softening the effect on appliances and related industries.

It was interesting to watch her presentation, and supporting documentation which contained the ISM Report on Business! If we look at this indicator, and this past month specifically we see that we have trended below the magical 50 mark. The 50 mark normally signals a shrinking of the economy, but as Sheila noted, one month does not paint the entire picture. If this trend holds for 2-3 months, then there may be a better indication of the economy shrinking. I made me feel very good inside as we sat there, that our profession, and professionals in that area, continue to supply the data, reliable data that others use to make their forecast on the economy.

Thank you to AWMI for another informative exchange, and another year of our joint meetings!

## **ISM Revises PMI;**

### **Develops New Composite Index for Non-Manufacturing Sector (NMI)**

Institute for Supply Management™ (ISM) announces a revision in the formula for calculating the PMI (composite index for the manufacturing sector). ISM also announces the development of a similar composite index for the non-manufacturing sector, NMI (Non-Manufacturing Index).

In late 2006, ISM asked a group of supply management professionals, educators and leading economists to study the relationship between the PMI Index and GDP (gross domestic product). After extensive study, the revised formula was determined to more closely predict GDP. While the impact of the change is marginal, it does provide a more precise measure than the previous formula.

A similar study was conducted with the various indexes in the non-manufacturing sector. The NMI was developed as an overall indicator for the non-manufacturing sector, and is a better indicator of the relationship to GDP than the Business Activity Index alone.

The PMI, first implemented in 1984, summarizes change in the manufacturing sector and is often used as a basis of comparison to changes in GDP. The new formula for the PMI includes the same five indexes as the past formula but at equal weights, instead of the previous weighted formula. The new formula more closely predicts the GDP for the past several years.

Both the revised PMI Index formula and the new NMI Index will be implemented with the January 2008 Report On Business® monthly economic reports to be released in early February.

In late January, ISM will release the annual revised seasonal adjustment factors and the revised seasonally adjusted index numbers. The newly revised PMI Index numbers, revised back to January 2001, will also be released at that time.

The manufacturing and non-manufacturing indexes are reported monthly in the ISM Report On Business® and available at [www.ism.ws](http://www.ism.ws). The Institute for Supply Management™, established in 1915, is the largest supply management organization in the world as well as one of the most respected. ISM's mission is to lead the supply management profession through its standards of excellence, research, promotional activities and education.

## **ISM and USD Launch Educational Relationship Over Specialized Master's Degree**

### **Web-based program focuses on flexible, interactive skill development for supply chain management professionals.**

(TEMPE, Ariz.) Oct. 4, 2007 — Institute for Supply Management™ (ISM), in collaboration with the University of San Diego School of Business Administration, is

pleased to announce it has approved one of the private institution's specialized master's degree programs. The ISM Approved Master of Science in Supply Chain Management (MS-SCM) is available to supply chain management professionals currently working in the field. USD's MS-SCM is the first program to receive ISM's approval.

According to ISM CEO Paul Novak, C.P.M., A.P.P., shared educational and professional values held by both institutions led to the alliance. "ISM's mission to lead supply management and extend the global impact of supply management aligns with the format and blended learning approach of this specialized graduate degree," Novak says. "ISM offers supply professionals educational opportunities, knowledge, resources and certifications that span a broad spectrum of components and functional areas. The interdisciplinary nature of the MS-SCM at USD is a valuable opportunity for professionals who seek career success and advancement in those same functional areas."

Simon R. Croom, Ph.D., executive director, USD Supply Chain Management Institute (SCMI), and USD faculty member, asserts that both organizations are passionate about developing and providing skills needed by supply chain management professionals.

"USD's Supply Chain Management Institute has established a global reputation for its expertise in the field and so we are naturally delighted that the Institute for Supply Management™ has chosen our master's degree in supply chain management as their only approved specialized program. We see this as a great affirmation of the quality of the curriculum, our faculty and our MS-SCM graduates. ISM and SCMI share common goals and ideals in terms of professional development and we look forward to continuing to support ISM in its mission," says Croom.

The MS-SCM is a 36-unit program delivered in two phases. Phase I of the program leads to a Graduate Certificate in Supply Chain Management (GC-SCM). Students have the option of completing Phase I only or matriculating into Phase II to complete the MS-SCM. The program is offered online and requires 26 months for completion. Distinguishing features of the MS-SCM degree program include:

Cohort-based curriculum

Flexible, interactive learning environment

Applied projects

Personalized faculty attention

Development of a lifelong personal and professional network

Online interactions are supplemented with face-to-face sessions conducted three times a year at the University of San Diego. The target enrollment date for the next cohort

is December 3, 2007 with the program starting February 6, 2008. The following cohort will begin July 16, 2008 with a target enrollment date of May 16, 2008. Enrollment requirements for the MS-SCM can be found on the University of San Diego School of Business Administration Website at [www.sandiego.edu/msscsm](http://www.sandiego.edu/msscsm).

## ISM to Launch New E-Publication

Debuting this winter, *eSide Supply Management: Essential Principles for Professional Growth* is a new e-publication written with entry- and mid-level supply management professionals in mind. This bimonthly digital magazine will feature practical, service-oriented articles, research and industry updates for up-and-coming supply management professionals — directors, managers, buyers and purchasers.

Upper-level supply management executives who want to stay current with the trends and information important to their employees will also benefit from *eSide*.

Distributed exclusively to ISM members, every edition of *eSide* will deliver career advice, survey results, global business tips, informative reports on social responsibility and more.

For more information, contact RaeAnn Slaybaugh at [rslybaugh@ism.ws](mailto:rslybaugh@ism.ws).

## NAPM-NI Employment Opportunities

**We continue to receive employment opportunities which we share with those members interested. I would like to update the list of those who wish to receive these notifications. If you are interested, please send an e-mail to me at [ttimm@csinet.net](mailto:ttimm@csinet.net).**

Thanks

Tim