

## The National Association of Purchasing Management-Cincinnati Report on Business for the Month of April 2006

### HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of April shows the local economy continues to expand. The **Purchasing Managers Index – Cincinnati** measured 62.3 in April 2006. While down from the 65.9 index number recorded during the month of March, the regional economy continues to grow as an index reading over 50 reflects an increase in the volume of business activity.

**The Composite Price Index – Cincinnati** increased 7 percentage points to 29.4 in April from 22.4 in March. Any value greater than zero represents an increase in average prices. Equipment prices registered a modest increase from April; as mentioned last month, the modest increase suggests purchasers would be wise to lock in contract pricing. Service prices, however, reversed the decline reported in March and increased significantly during April.

### Production, Employment, Pricing, and New Orders

Survey respondents report production increased at a slower rate in April than in March; the **Production Index**, however, exceeds the index reading for the same month a year ago. An increased percentage of members indicates employment and equipment prices remain relatively stable as service prices surged from March. Strength in **New Orders** and an increase in **Backlogs** point to an expanding local economy during the second quarter.

### DETAILS

The index numbers indicate the **NET CHANGE** (number reporting UP from last month minus the number reporting (DOWN)). For each indicator, in parenthesis, is the average for the last three years on the left followed by indices for the last three months, with the last month to the right.

### NEW ORDERS (26, 46, 53, 44)

The rate of increase in New Orders declined in April from the March level as fewer respondents reported orders increasing and larger percentage indicated new orders decreasing. The index, however, remained above the April 2005 level.

### BACKLOG OF ORDERS (2, 27, -6, 33)

The backlog of orders increased significantly from the March 2006 statistic. Volatility, however, increased as 87 percent of survey respondents reported backlogs up or at the same level. The monthly change mirrored the index's behavior between January and February of 2006.

### PRODUCTION (28, 21, 38, 33)

Production increased at a slower rate in April than in March yet the index measured a higher rate of activity than registered during the same month a year ago. Survey respondents reporting production fell from March were largely offset by increase numbers reporting production staying the same. This finding is

consistent with continuing and sustainable growth in the region.

#### **EMPLOYMENT (12, 7, 11, 6)**

Member firms report employment continues to increase but with less vigor than in March. The number of firms indicating growth fell almost 11 percent from March; this decline was matched, however, by an increased percentage of respondents reporting employment stable.

#### **VENDOR DELIVERY PERFORMANCE (-7, -33, -22, -18)**

Some modest improvement in Vendor Delivery Performance was noted in April although the same number of respondents reported performance was down. We continue to caution purchasers to monitor lead times closely.

#### **DOLLARS SPENT BY PURCHASING (28, 44, 45, 47)**

Dollars spent by purchasing advanced in April compared to March caused by a shift from fewer purchasers indicating dollars spent fell to an increased percentage reporting the volume of purchases stabilized.

#### **COMMODITY PRICES (44, 47, 56, 53)**

The rate of increase in Commodity Prices abated somewhat from the rate of increase in March as higher percentage of respondents reported prices the same and a slightly smaller percentage indicated increases.

#### **SERVICE PRICES (22, 33, 6, 31)**

Service prices increased at a significantly higher rate in April than in March. Some 37 percent of Cincinnati purchasers reported higher prices compared to 11 percent a month earlier.

#### **EQUIPMENT PRICES (15, 20, 11, 12)**

There was no significant change in average equipment prices as measured by this index number as the index value closely mirrored that reported last month. We continue to recommend purchasers take advantage of the relative price stability to lock in contract prices.

#### **RAW MATERIAL INVENTORIES (-7, 7, 6, -7)**

Raw material inventories declined for the first time since January as rising new orders and ramped up production during the first quarter of 2006 moved supply and demand toward balance. The index reflects

improved inventory management.

#### **FINISHED GOODS INVENTORIES (2, 7, 34, 14)**

Our index measuring changes in inventories of finished goods also moved to a lower level in April as a smaller percentage of survey respondents reported easing inventories and a larger percentage indicating finished goods stocks remained the same.

#### **BUYING PATTERNS**

These percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (3, 0, 13, 25)
- ACROSS THE ATLANTIC (-7, -16, 0, 28)
- ACROSS THE PACIFIC (33, 14, 25, 50)
- DOMESTICALLY (28, 54, 39, 42)

#### **GENERAL COMMENTS BY PURCHASING MANAGERS**

##### Noticeable Price Changes

- Up are: Copper, aluminum, molding material, steel, copy paper, plastic and rubber parts, gasoline, and foam.
- Down is: Resin
- In Short Supply are: Steel and copy paper.

**Table 1. Statistical Summary**

**Replies as a Percent of Total Replies**

	Up	Same	Down
<b>General Business</b>			
Production	46	41	13
New Orders	56	32	12
Backlog Of Orders	46	41	13
<b>Prices &amp; Spending</b>			
Prices for Commodities	58	37	5
Prices for Services	37	57	6
Prices for Equipment	12	88	0
Dollars Spent by Purchasing	52	43	5
<b>Inventories</b>			
Raw Materials	28	37	35
Finished Goods	21	72	7
<b>Employment</b>			
Employment	18	70	12
<b>Deliveries</b>			
	<b>Quicker</b>	<b>Same</b>	<b>Slower</b>
Deliveries	5	72	23
<b>OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:</b>			
<b>Change in the amount spent:</b>			
	<b>Up</b>	<b>Same</b>	<b>Down</b>
Elsewhere in the Americas	25	75	0
Across the Atlantic	28	72	0
Across the Pacific	50	50	0
Domestically	47	48	5

**Why This Report is Produced**

The Greater Cincinnati Report on Business provided by the National Association of Purchasing Management-Cincinnati (NAPM-C), prepared and reported by the Applied Economics Research Institute, Department of Economics, University of Cincinnati, tells us RIGHT NOW the condition of business in the Greater Cincinnati region. It is a flash pool that secures information from a key economic participant in all businesses, the Purchasing Manager. The report is a summary of information reported by the Purchasing Managers for Greater Cincinnati firms of all sizes in a variety of industries.

**Issued:** On the last business day of each month by the Applied Economics Research Institute, Department of Economics, University of Cincinnati in collaboration with the National Association of Purchasing Management-Cincinnati.

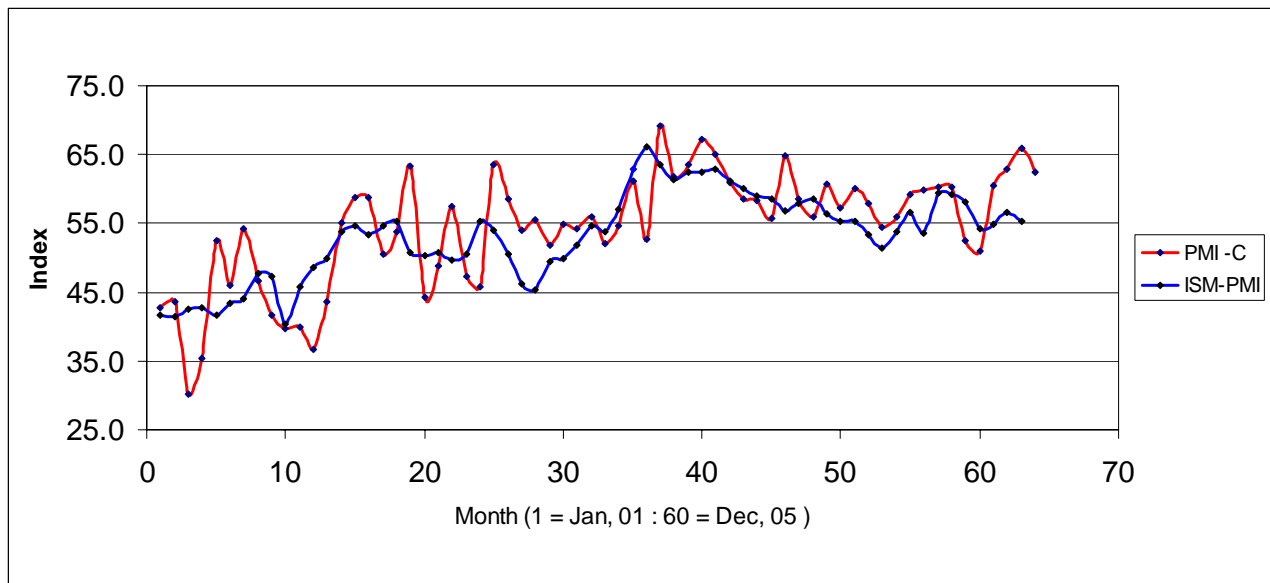
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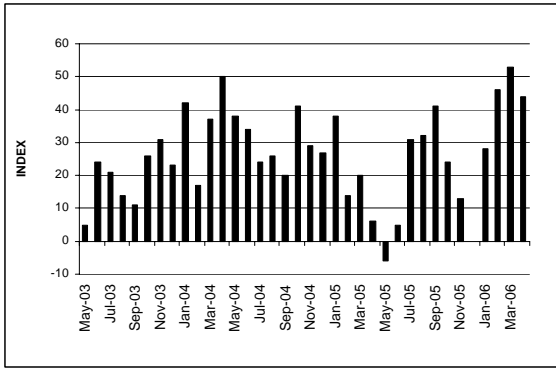
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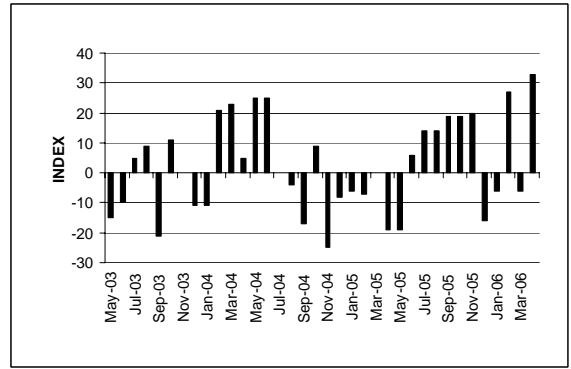
**Figure 1. Cincinnati PMI vs ISM-PMI**



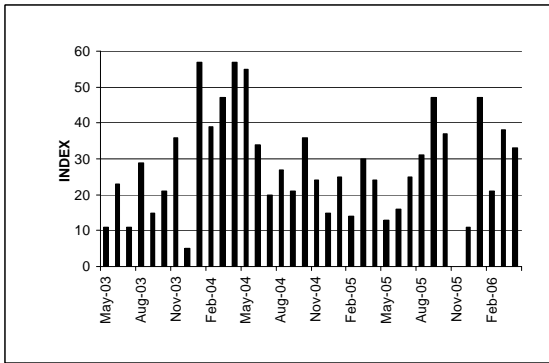
**Figure 2. New Orders**



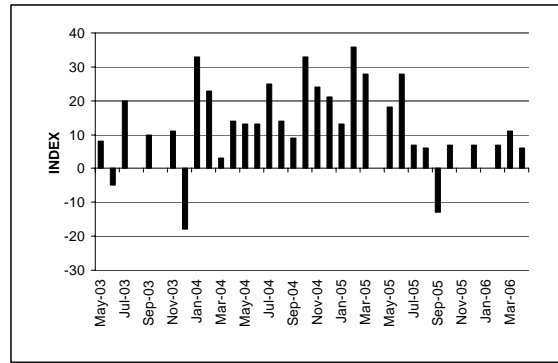
**Figure 3. Backlog of Orders**



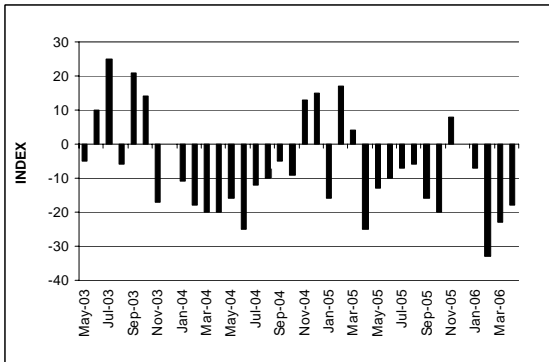
**Figure 4. Production**



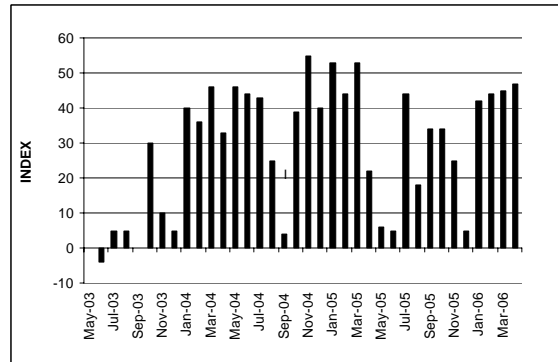
**Figure 5. Employment**



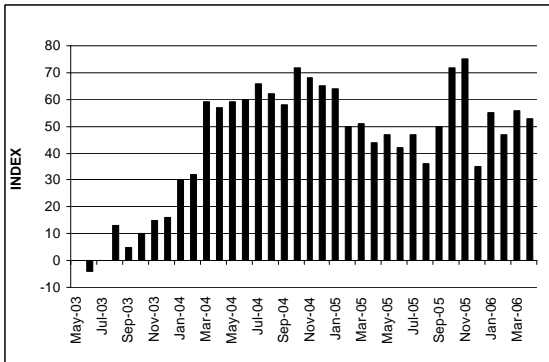
**Figure 6. Vendor Delivery Performance**



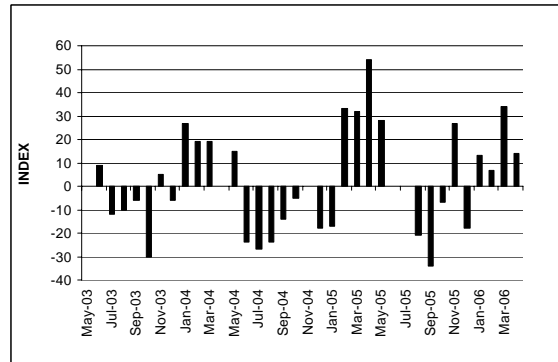
**Figure 7. Dollars Spent by Purchasing**



**Figure 8. Commodity Prices**



**Figure 9. Finished Goods Inventories**



## **PRESS RELEASE**

### **Important:**

**Do Not Release Until  
12:01 a.m. Friday April 28, 2006**

**SUBJECT:** Report on Business Conditions for Greater Cincinnati for the month of April 2006.

- Please note that this IS NOT the national report. This report covers the level of business activity in the Greater Cincinnati Area only.

**ISSUED:** On the last business day of each month by the Applied Economics Research Institute, Department of Economics, University of Cincinnati in collaboration with the National Association of Purchasing Management-Cincinnati.

**PERMISSION:** Is granted to duplicate, publish, or quote in whole or part, with proper credit to NAPM-Cincinnati.

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**The Greater Cincinnati Report on Business for the month of April** confirms the local economy continues to expand although PRODUCTION and EMPLOYMENT index levels were beneath March 2006 values.

**The Purchasing Managers Index – Cincinnati registered 62.3 as compared to 65.9** last month for a 3.6 percentage point decline. Any reading over 50 represents an increase.

**The Composite Price Index- Cincinnati surged from 22.4 in March to 29.4 in April.** Any reading over zero represents an increase. Equipment Prices remained relatively stable as service prices climbed significantly. Purchasers would be wise to lock in contract pricing for equipment while they have an opportunity.

**New Orders, Backlogs, and Dollars Spent by Purchasing** point towards solid second quarter growth in the Greater Cincinnati regional economy and to output and job gains for the rest of the year.