

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

PRESS RELEASE

Important:

**Do Not Release Until
12:01 a.m. Monday March 31st, 2008**

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of March 2008.

Please note that this IS NOT the national report. This report covers the level of business activity in the Greater Cincinnati Area only – Ohio, Northern Kentucky and Southeastern Indiana.

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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The Greater Cincinnati Report on Business for the month of March shows that reported purchasing activity presents a somewhat improved picture in March. The **Production Index** shows a continued increase in production, with a quickening of growth. The **Employment Index** remained positive in March, still signaling growing economic activity in the region.

The Purchasing Managers Index – Cincinnati measured 52.3 in March compared to 46.6 last month, a 5.7 percentage point increase. Any index value under 50 represents a decrease. The Cincinnati PMI has remained above 50 since January 2003 with four exceptions, three of which occurred in the last six months (since October 2007).

The Composite Price Index – Cincinnati rose in March as the index measured 64.3, up from 48.7 in February. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices accelerated from February as eighty-eight percent of respondents reported increases in the prices they pay, 12 percent reported the same, and zero percent reported declines. The **Equipment Price Index** increased in March, and the **Service Price Index** increased from February's value, staying above the 36 month average of 25.

The **New Orders Index** increased sharply in March, as did the index measuring **Dollars Spent by Purchasing** compared to February's values. The **Backlog of Orders Index** remained negative, but less so than in February.

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INSIDE THIS ISSUE:

<i>New Orders</i>	2
<i>Backlog of Orders</i>	2
<i>Production</i>	2
<i>Employment</i>	3
<i>Vendor Delivery Performance</i>	3
<i>Dollars Spent by Purchasing</i>	3
<i>Commodity Prices</i>	3
<i>Service Prices</i>	3
<i>Equipment Prices</i>	3
<i>Raw Material Inventories</i>	4
<i>Finished Goods Inventories</i>	4
<i>Buying Patterns</i>	4
<i>General Comments by Purchasing Managers</i>	4

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The National Association of Purchasing Management-Cincinnati Report on Business for the Month of March 2008

Following a decrease in February, the **Cincinnati Purchasing Management Index (PMI)** increased in March, rising to 52.3 from 46.6 in February. A year ago, the March Cincinnati PMI stood at 60.0. For reference, the **national PMI** for February 2007 was 48.3, decreasing 2.4 points from its January value of 50.7. The national March 2008 index is not available at this writing.

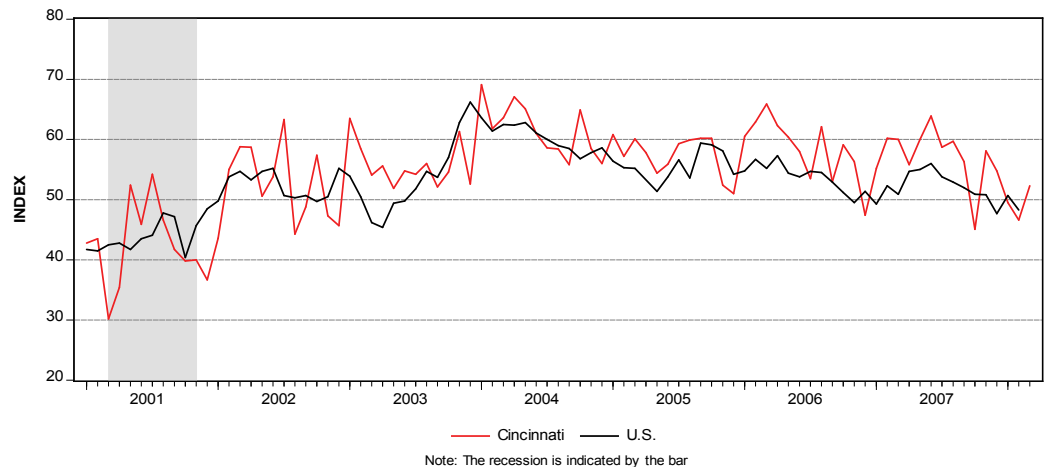


Figure 1. Cincinnati PMI vs. ISM-PMI

HIGHLIGHTS

Data collected during the month of March from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity has increased, and suggests that economic activity has increased. The Cincinnati PMI rose from 46.6 in February to 52.3 in March. The March value is calculated using the new 2008 seasonal adjustment factors from the U.S. Department of Commerce. The various indices are generally reflecting greater or constant economic activity in the region. The new orders index turned positive in March, and the production index rose to a value of 6 compared with 2 in

February. The index for backlog of orders rose in March, although is still negative. The index for inventories of finished goods turned positive this month. Commodity prices continued to rise in March (index = 88), above February's report of 66. The equipment price index also rose from 40 in February to 49 in March, and the service price index rose to 56 from 40 in February. Dollars spent in purchasing increased (index = 53) compared to February's value of 18. The reported raw material inventories index rose to zero from February's value of -25. With respect to geographic buying patterns, in the Americas the index fell again to -4 from

February's value of 8; the index for buying from across the Atlantic rose to 14 from February's value of -7; buying from across the Pacific rose to 24, up from last month's 22, and the domestic purchasing index also rose to 35 from February's value of 14. The **Composite Price Index - Cincinnati** registered an upward movement in March, rising to 64.3 from 48.7 in February. Any index value that exceeds zero represents an increase in average prices.

Production, Employment, New Orders, and Backlog of Orders
Survey respondents report that the rate of production accelerated somewhat in

March as the **Production Index** increased from 2 in February to 6 in March. A year ago, the production index equaled 31. The **Employment Index** remained the same in March as in February, at 6, as 18 percent of the respondents reported increases, 12 percent reported decreases, and 71 percent reported no change in employment. The **New Orders Index** for the month of March rose, as the index moved from -16 to 11. A year ago, the new orders index measured 36. The **Backlog of Orders Index** rose from -30 in February to -14 this month. A year ago it was 38.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Mar	Feb			
Cincinnati PMI	52.3	46.6	↑	Slower	1
New Orders	11	-16	↑	Slower	1
Backlog of Orders	-14	-30	↓	Slower	7
Production	6	2	↑	Faster	5
Employment	6	6	↑	Same	2
Vendor Deliveries	9	10	↑	Slower	6
Raw Material Inventories	0	-25	↔	Slower	1
Finished Goods Inventories	21	-8	↑	Faster	1
Composite Price Index	64.3	48.7	↑	Faster	54

*Number of months moving in current direction

DETAILS

The index numbers reported here indicate the NET CHANGE (number of respondents in each category reporting UP for this month ending minus the number reporting DOWN). For each indicator, from left to right in parenthesis, is the average for the last three years followed by indices for the last three months, ending with the current month index.

NEW ORDERS - Fig. 2
(19, 9, -16, 11)

The New Orders index in March increased to a value of 11, a swing of 27 points. This change resulted from 37 percent of replies indicating new orders were "up", 26 percent indicating "down" and 37 percent reporting "the same". A year ago, the new orders index equaled 36.

BACKLOG OF ORDERS - Fig. 3
(-1, -26, -30, -14)

The backlog of orders index remained negative, but less so, in March, rising from -30 in February to -14, an increase caused by 17 percent of respondents reporting "up" (11 percent in February), 31 percent reporting "down" (41 in February), and

51 percent reporting "the same" (49 in February).

PRODUCTION - Fig. 4
(23, 7, 2, 6)

The production index increased in March as the index number rose from 2 in February to 6, a 4 point increase.

Twenty-nine percent of respondents reported production as "up", 23 percent reported "down", and 49 percent reported "the same". The production index in March of 2007 was 31. Although the March 2008 index lies well below the 36 month average of 23, its positive value sug-

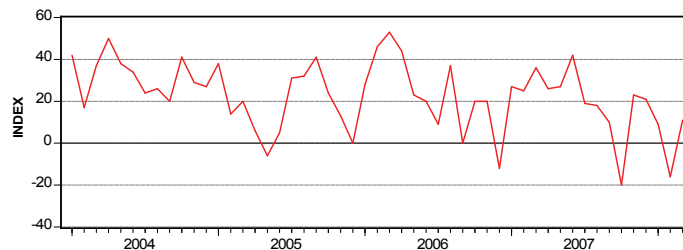


Figure 2. New Orders

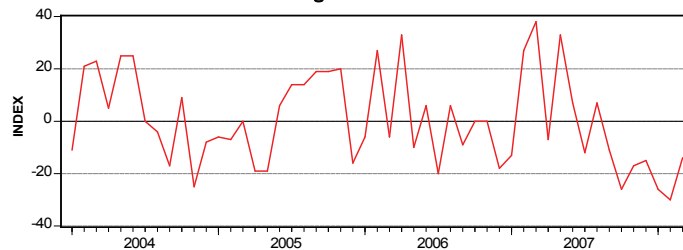


Figure 3. Backlog of Orders

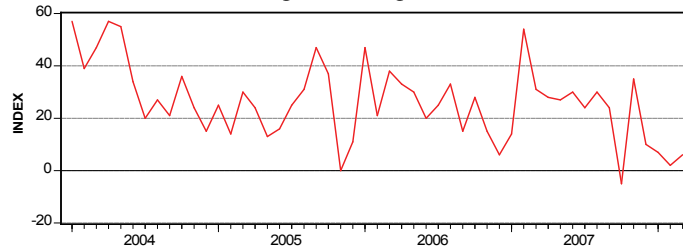


Figure 4. Production

"The production index increased in March as the index number rose from 2 in February to 6, a 4 point increase."

gests that the upward trend in production continues, although at a much slower rate. The maximum index value in this 36 month period was 54, reached in February, 2007.

EMPLOYMENT - Fig. 5
(8, -3, 6, 6)

March's employment index was 6, the same as February's value. Eighteen percent of respondents reported increased employment (24 percent in February), and 12 percent reported decreased employment (18 percent in February), while 71 percent of the respondents reported employment remained the same (58 percent in February).

VENDOR DELIVERY PERFORMANCE - Fig. 6
(-7, 10, 10, 9)

The vendor delivery performance index is 9 this month, down slightly from February's value of 10. Sixty-eight percent of survey respondents this month reported delivery times as the "same", the same as February. Twenty-one percent reported faster deliveries (also 21 in February), and 12 percent reported slower delivery times (11 in February). A year ago, the index value was -9.

DOLLARS SPENT BY PURCHASING - Fig. 7
(21, 38, 18, 53)

The monthly index measuring changing dollar amounts spent by regional purchasers increased markedly in March compared to February, rising 35 points. Sixty-eight percent of respondents indicated increased spending, 18 percent reported no change, and 15 percent indicated decreased spending.

COMMODITY PRICES - Fig. 8
(44, 69, 66, 88)

The commodity price index in March rose markedly to 88,

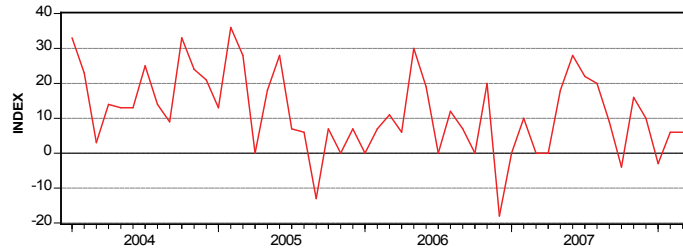


Figure 5. Employment

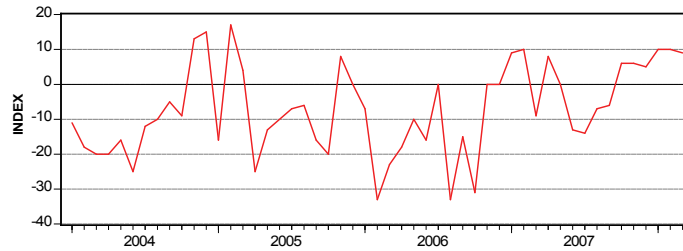


Figure 6. Vendor Delivery Performance

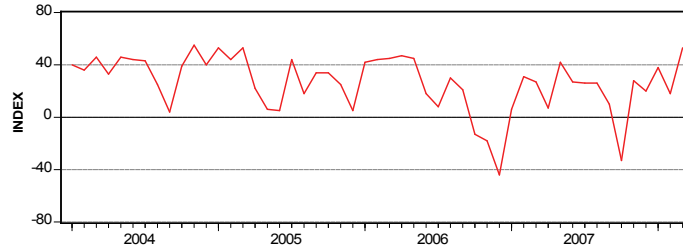


Figure 7. Dollars Spent by Purchasing

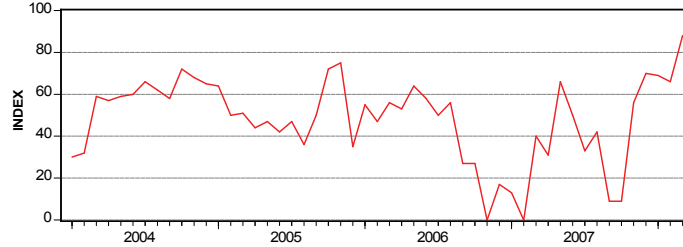


Figure 8. Commodity Prices

with 88 percent of respondents reporting higher prices, 12 percent reporting the "same", and zero percent reporting lower prices. In March 2007, the index measured 40.

The noticeable price changes reported by survey participants are summarized in the "General Comments by Purchasers" section of the Cincinnati monthly Report on Business.

SERVICE PRICES
(25, 37, 40, 56)

The service price index rose sharply in March, with an index value of 56, up from

February's value of 40. This was caused by 56 percent of respondents reporting increases, 44 percent reporting no change in prices and zero percent reporting price decreases. A year ago the service price index equaled 21.

EQUIPMENT PRICES
(24, 54, 40, 49)

The equipment price index rose to 49 in March, up from 40 in February, and remains above the three year average of 24, suggesting continuing price pressure. A year ago, the index was 14.

"March's employment index was 6, the same as February's value."

RAW MATERIAL INVENTORIES

(-7, -14, -25, 0)

The index measuring changes in raw material inventories rose this month to zero from -25 in February. Twenty-five of the reports indicated increased inventories, and 25 percent of respondents indicated decreases, with 50 percent reporting no change.

FINISHED GOODS INVENTORIES

(4, -3, -8, 21)

The index for finished goods inventories increased markedly in March to 21 compared to -8 in February, a 29 point swing. Thirty-four percent indicated increased inventories, 53 percent reported the same, and 13 percent reported finished goods inventories as "down".

BUYING PATTERNS

- DOMESTICALLY (19, 19, 14, 35)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (3, 37, 8, -4)
- ACROSS THE ATLANTIC (-3, 15, -7, 14)
- ACROSS THE PACIFIC (34, 38, 22, 24)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

- Up are: copper, chromite sand, freight, abrasives, medical surgical items, flour, polystyrene, oil based products, metals, cheese, chicken, plas-

tics & plastic extrusions, all steel, all metal, all grains, energy, aluminum, services, toner, gasoline, paper, food items, transportation (due to fuel surcharge), raw materials, resin based packaging, armor plate steel.

- Down are: stainless steel, non-fat milk, production parts, base juices & concentrates.

- In short supply: structural steel, chromite sand, ferroalloys, respiratory therapy supplies, flour, chopped onion, granulated garlic, 420 stainless, fresh product, miscellaneous steels, resources, alcohols, coffee/cocoa based concentrates, raw metals, armor plate steel, platinum.

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

General Business

Index	Up	Same	Down
Production	29	49	23
New Orders	37	37	26
Backlog Of Orders	17	51	31
Employment	18	71	12

Prices & Spending

Index	Up	Same	Down
Prices for Commodities	88	12	0
Prices for Services	56	44	0
Prices for Equipment	49	52	0
Dollars Spent by Purchasing	68	18	15

Inventories

Index	Up	Same	Down
Raw Materials	25	50	25
Finished Goods	34	53	13

Deliveries

Index	Quicker	Same	Slower
Deliveries	21	68	12

Change in the Amount Spent

Change in the amount spent	Up	Same	Down
Domestically	56	24	21
For Firms Purchasing Internationally			
Elsewhere in the Americas	10	76	14
Across the Atlantic	24	67	10
Across the Pacific	43	38	19

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, gives us the current condition of business in the Greater Cincinnati region. It is a flash poll 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.

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