

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

HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of February continued to show an increase in the expansion in the local economy. The Purchasing Managers Index – Cincinnati registered 62.9 as compared to 60.5 last month. Any reading over fifty represents an increase. This month's index exceeds the levels seen during July – October and is the highest since October 2004. All of our activity indices support the expansion in the local economy and our leading index, **New Orders**, increased at almost twice the rate seen last month.

The Composite Price Index – Cincinnati registered 31.7 as compared to 45.7 last

month. Any reading over zero represents an increase. The increase in **Equipment Prices** moderated from last month's near-record high to less than half the rate of increase. It is now similar to the three year average. This month's index also returns us to levels seen prior to last year's severe hurricanes.

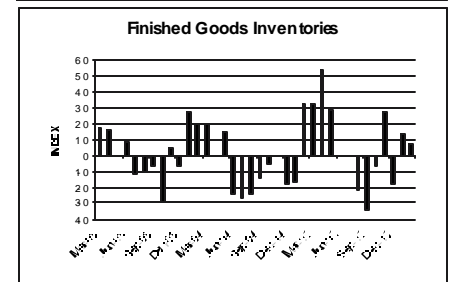
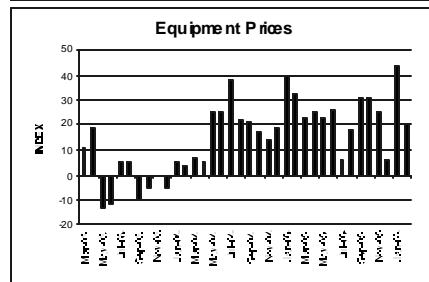
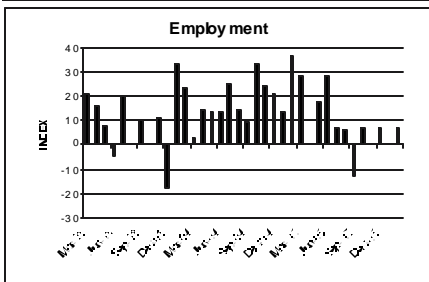
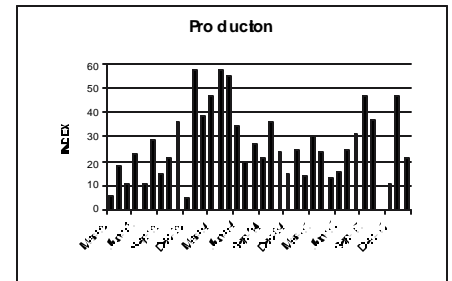
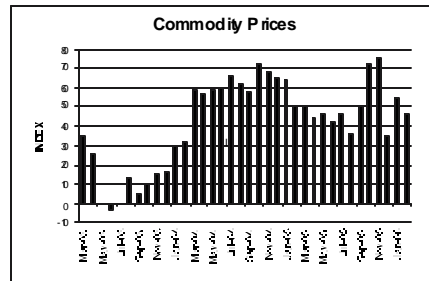
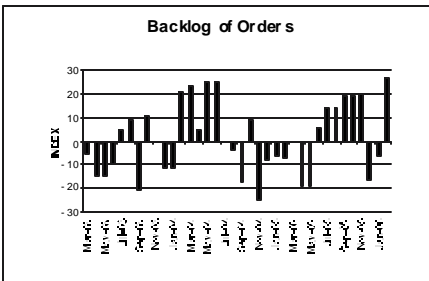
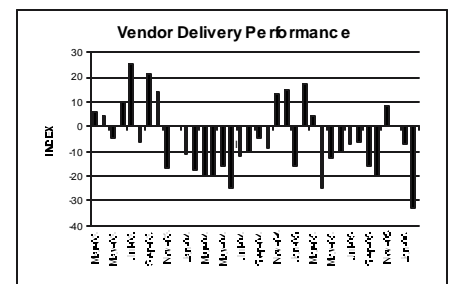
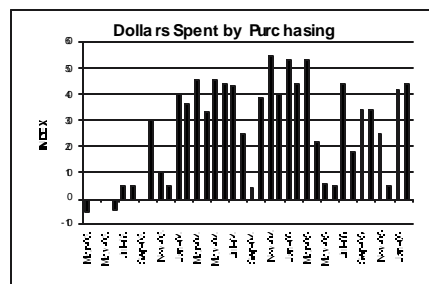
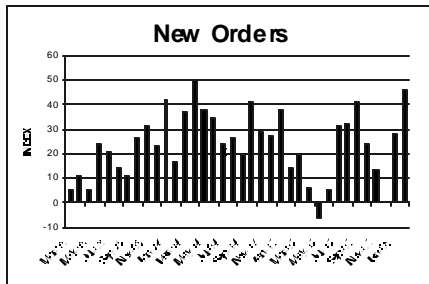
In conclusion, member companies should consider issues potentially created by an increase in the expansion of the local economy.

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 index for the last 3 years on the

left followed by the indices for the last 3 months, with the last month to the right.

- **NEW ORDERS** (24, 0, 28, 46) increased at a somewhat higher rate than last month. This increase was caused by none of our respondents reporting a decrease as compared to 22% last month however it was somewhat offset by 46% of our respondents reporting an increase as compared to 50% last month.
- **BACKLOG OF ORDERS** (1, -16, -6, 27) increased as compared to a decrease for the prior 2 months and has returned to the increasing trend that began in June 2005. This is the highest reading in this index since July 1998. Based on the strength of New Orders, Purchasers should monitor their Production levels carefully.



STATISTICAL SUMMARY for month of February 2006

Replies as a Percent of Total Replies

	Up	Same	Down
GENERAL BUSINESS —			
Production	35	51	14
New Orders	46	54	0
Backlog Of Orders	40	47	13
PRICES & SPENDING			
Prices for Commodities	53	41	6
Prices for Services	33	67	0
Prices for Equipment	20	80	0
Dollars Spent by Purchasing	56	32	12
INVENTORIES —			
Raw Materials	35	37	28
Finished Goods	28	51	21
EMPLOYMENT—			
Employment	21	65	14
DELIVERIES —			
Deliveries	0	67	33
OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:			
CHANGE IN THE AMOUNT SPENT:			
	Up	Same	Down
Elsewhere in the Americas	14	72	14
Across the Atlantic	0	84	16
Across the Pacific	28	58	14
Domestically	60	34	6

- **PRODUCTION** (26, 11, 47, 21) increased at a moderately lower but more sustainable rate than last month. 87% of our respondents reported the same or higher levels, 35% reported an increase and 51% reported the same. The volatility seen in this index declined with 51% of our respondents reporting the same level as compared to 19% last month.
- **EMPLOYMENT** (12, 7, 0, 7) increased as compared to no change last month. 21% of our respondents reported an increase as compared to 12% last month; however 14% reported a decrease as compared to 12% last month. Based on the strength of this month's survey, member companies might anticipate a tighter labor market.
- **VENDOR DELIVERY PERFORMANCE** (-5, 0, -7, -33) decreased at a moderately higher rate than last month. This is the slowest rate seen in this index since February 2000. Based on the strength of this month's survey, purchasers should carefully monitor their scheduled delivery dates.
- **DOLLARS SPENT BY PURCHASING** (26, 5, 42, 44) increased at a similar rate to last month.
- **COMMODITY PRICES** (42, 35, 55, 47) increased at a slightly lower rate than last month. This month's reading is consistent with a lower rate of increase since the hurricanes and is similar to our 3 year average.
- **SERVICE PRICES** (22, 26, 38, 33) increased at a slightly lower rate than last

month and have returned to increasing at a similar rate to the same period last year.

- **EQUIPMENT PRICES** (15, 6, 44, 20) increased at a moderately lower rate than last month. Only 20% of our respondents reported an increase as compared to 44% last month.
- **RAW MATERIALS INVENTORIES** (-5, -25, -31, 7) increased as compared to decreases the prior 2 months. Based on the strength in this month's survey and the increase in Backlog of Orders, Purchasers should manage their Raw Materials Inventories carefully.
- **FINISHED GOODS INVENTORIES** (2, -18, 13, 7) increased at a slightly lower rate than last month.

BUYING PATTERNS

(started June 90) These percentages consider only those firms that buy internationally.

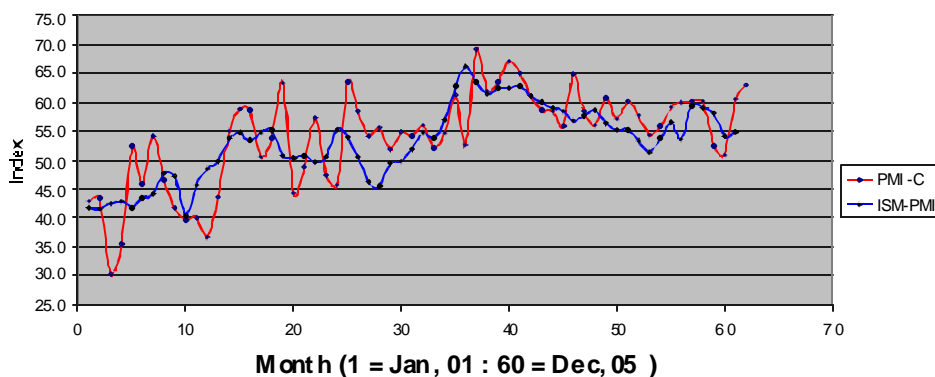
- **ELSEWHERE IN THE AMERICAS** (2, -20, 10, 0) **ACROSS THE ATLANTIC** (-8, -20, 10, -16) **ACROSS THE PACIFIC** (34, -10, 36, 14) **DOMESTICALLY** (25, -5, 48, 54)

General Comments by Purchasing Managers

Noticeable Price Changes:

- **Up are:** Copper, aluminum including sheet and coil, corrugated boxes, platinum, gasoline/energy, plastic additives, label stocks.
- **Down is:** Steel.
- **In Short Supply:** Gasoline/energy, steel.

Cincinnati PMI vs ISM-PMI



Why This Report is Produced

The Greater Cincinnati Report on Business provided by the National Association of Purchasing Management - Cincinnati (NAPM-C), tells us RIGHT NOW, the condition of business in the Greater Cincinnati Area. It is a flash pool that secures information from a key economic player in all businesses, the Purchasing Manager. The Report is a summary of information reported by the Purchasing managers for fifty Greater Cincinnati firms of all sizes, in a variety of businesses.

Issued: On the last business day of each month by the National Association of Purchasing Management - Cincinnati.

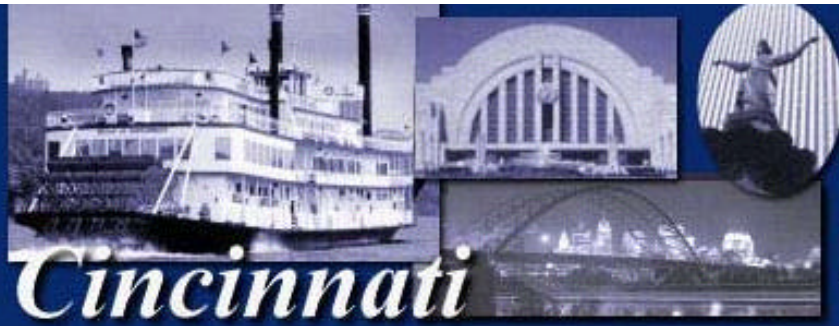
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PRESS RELEASE

Important:

Do Not Release Until

12:01 a.m. Tuesday, February 28, 2006

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of February 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 first of each month by 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 February showed the highest rate of expansion in the local economy since October 2004. **The Purchasing Managers Index – Cincinnati registered 62.9** as compared to 60.5 last month. Any reading over fifty represents an increase. All of our activity indices support the expansion in the local economy including **Employment** which showed a slight increase this month.

The Composite Price Index – Cincinnati registered 31.7 as compared to 45.7 last month. Any reading over zero represents an increase. The pricing indices have moderated from the high levels seen last month. Last month's near-record high seen in **Equipment Prices** seems to have been a temporary blip.