

Cincinnati

The National Association of Purchasing Management - Cincinnati Report on Business for the Month of August 2005

HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of August continued to show an increase in the expansion of the local economy and at a similar rate to last month.

The Purchasing Managers Index – Cincinnati registered 59.9 as compared to 59.3 last month. All of our activity based indices supported the expansion. The Composite Price Index – Cincinnati increased to 26.9 as compared to 21.1 last month. Interestingly Commodity Prices increased at a somewhat lower rate than last month and at exactly our three year average, while Service and Equipment Prices increased at higher rates than last month which put both indices above our three year averages. The recent significant increases in

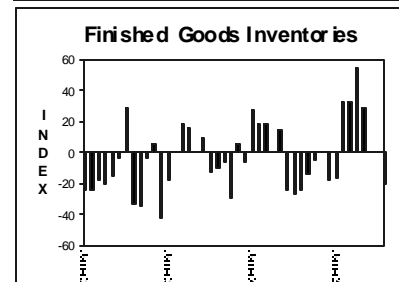
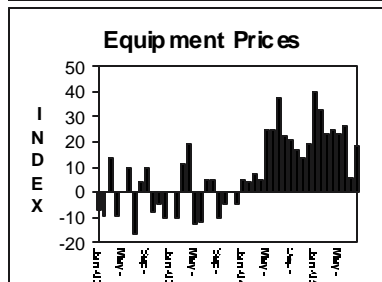
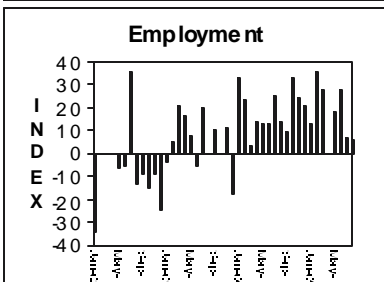
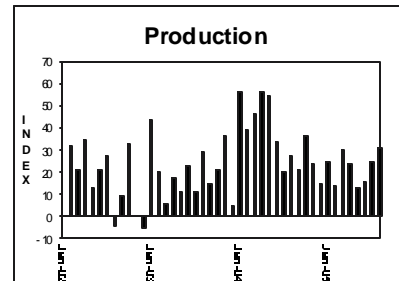
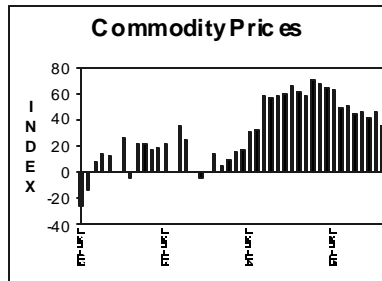
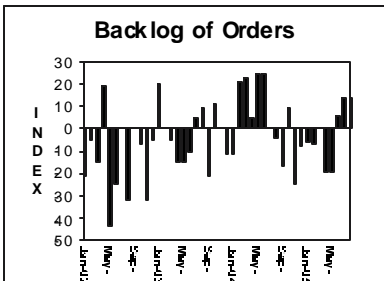
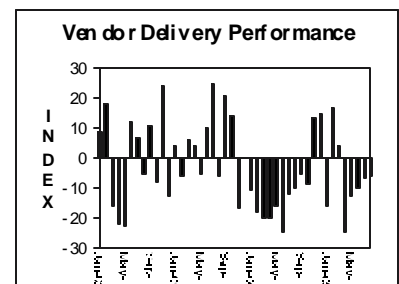
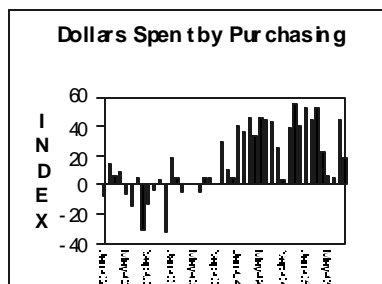
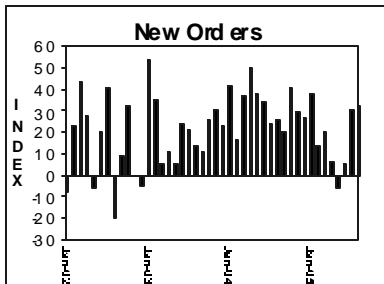
petroleum prices might be reflected in an increase in this index in future months. Purchasers should work to understand the cost drivers in their materials purchases.

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** (23, 5 31, 32) increased at a slightly higher rate than last month and at the highest rate since January and for the third month in a row. 50% of our respondents reported an increase while only 18% reported a decrease. This compares to 43% reporting an increase last month while 12% reported a decrease.

- **BACKLOG OF ORDERS** (-1, 6, 14, 14) increased at the same rate as last month, however only 28% reported an increase as compared to 40% last month. This was offset by only 15% of our respondents reporting a decrease as compared to 26% last month. This index has increased for the third month in a row after decreasing for 6 out of the prior 7 months.
- **PRODUCTION** (25, 16, 25, 31) increased at a slightly greater rate than last month. This was totally the result of 12% of our respondents reporting a decrease as compared to 18% last month.
- **EMPLOYMENT** (10, 28, 7, 6) increased at a slightly lower rate than last month. However, 26% of our respondents reported an increase as compared to 20%



STATISTICAL SUMMARY for month of August 2005

Replies as a Percent of Total Replies

	Up	Same	Down
GENERAL BUSINESS —			
Production	43	45	12
New Orders	50	32	18
Backlog Of Orders	28	58	14
PRICES & SPENDING —			
Prices for Commodities	47	42	11
Prices for Services	31	63	6
Prices for Equipment	18	82	0
Dollars Spent by Purchasing	43	32	25
INVENTORIES —			
Raw Materials	28	58	14
Finished Goods	12	55	33
EMPLOYMENT—			
Employment	26	54	20
DELIVERIES —			
Deliveries	6	82	12
OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:			
CHANGE IN THE AMOUNT SPENT:			
Else where in the Americas	12	76	12
Across the Atlantic	0	75	25
Across the Pacific	62	13	25
Domestically	40	40	20

last month; while 20% reported a decrease as compared to 13% last month. This change adds slightly more volatility to this index.

- **VENDOR DELIVERY PERFORMANCE** (-3, -10, -7, -6) decreased at a similar rate to last month and for the fifth month in a row.
- **DOLLARS SPENT BY PURCHASING** (20, 5, 44, 18) increased at a moderately lower rate than last month. The volatility in this index increased with 43% of our respondents reporting an increase, 25% reporting a decrease, while 32% indicated the same level. With the strength in the rest of the survey, the anticipation would be that this index would continue to

increase.

- **COMMODITY PRICES** (36, 42, 47, 36) decreased at a somewhat lower rate than last month, with 47% reporting an increase as compared to 58% the prior month. Based on our comments made by Purchasing Managers these increases span more than petrochemical products.
- **SERVICE PRICES** (17, 36, 6, 25) increased at a somewhat greater rate than last month and at a rate more similar to the prior 12 months. 31% of our respondents reported an increase as compared to only 11% last month.
- **EQUIPMENT PRICES** (10, 26, 6, 18) increased at a somewhat higher rate than last month and at a rate more similar to the

prior 14 months.

- **RAW MATERIALS INVENTORIES** (-5, -5, 7, 14) increased at a slightly higher rate than last month.
- **FINISHED GOODS INVENTORIES** (-1, 0, 0, -21) decreased as compared to no change the prior 2 months and significant increases the 4 months prior to that. This decrease was achieved with increases in New Orders and Production while Backlog of Orders remained the same. The concern over inventory buildup in the spring of this year seems to have been addressed.

BUYING PATTERNS

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

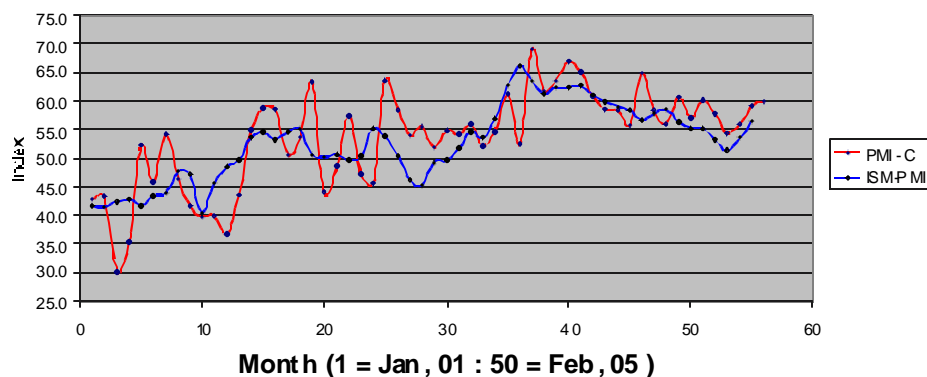
- **ELSEWHERE IN THE AMERICAS** (3, 0, 25, 0) **ACROSS THE ATLANTIC** (-6, 0, 12, -25) **ACROSS THE PACIFIC** (7, 27, 37, 37) **DOMESTICALLY** (18, 0, 37, 20)

General Comments by Purchasing Managers

Noticeable Price Changes:

- **Up are:** All fuels, energy, fuel surcharge, oil, cement, gasoline, aluminum, copper, perishable tooling, plastic, rubber parts, grease, motors, castings.
- **Down are:** Adhesives, vinyl, steel including cold rolled and stainless resin, glass.
- **In Short Supply:** No shortages were reported.
- Our materials management department has been cut from four and a half to three persons.

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.

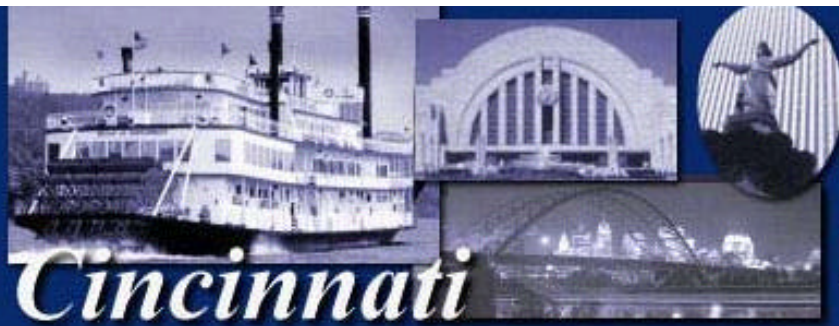
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National
Association of
Purchasing
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Cincinnati

PRESS RELEASE

Important:

Do Not Release Until

12:01 a.m. Wednesday, August 31, 2005

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of August 2005.

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.

FOR FURTHER INFORMATION CONTACT:

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The Greater Cincinnati Report on Business for the month of August showed an economic expansion similar to last month. **The Purchasing Managers Index – Cincinnati registered 59.9** as compared to 59.3 last. Any reading over 50 indicates an expansion. **Employment** continues to increase slightly and at a rate similar to our 3 year average. **The Composite Price Index – Cincinnati increased somewhat to 26.9** as compared to 20.1 last month. A positive reading indicates an increase. However, this continues to be substantially lower than the 42.6 registered in January. The recent petroleum price increases could put additional pressure on this index.