

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

## HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of December showed as last month that the expansion in the local economy has slowed significantly. The Purchasing Manager's Index – Cincinnati registered 51.0 as compared to 52.4 last month and 60.2 in October. A reading of 50 indicates no expansion. Backlog of Orders decreased as compared to increases for the prior six months. This was offset by slight increases in Production, Employment and Dollars Spent by Purchasing. The Composite Price Index – Cincinnati decreased significantly to 24.4 as compared to 49.4 last month and 51.8 in October. The effects

on Commodity Prices due to the hurricanes in the Gulf have moderated; while Service and Equipment Prices seem to be responding to the slower increase in the local economy.

Member companies, as they enter 2006, might anticipate a slower expansion and lower inflation than was seen in the last half of this year.

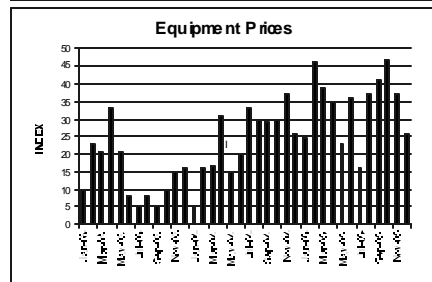
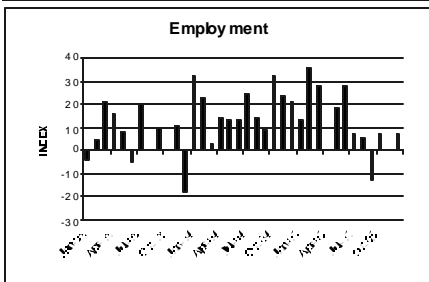
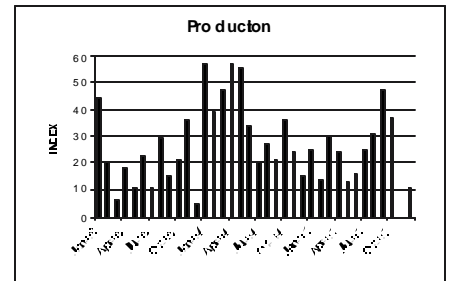
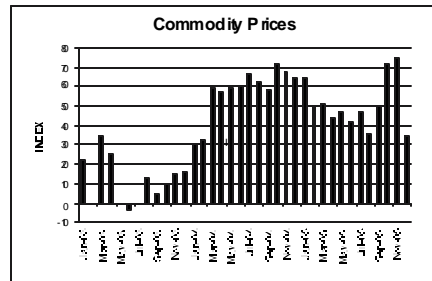
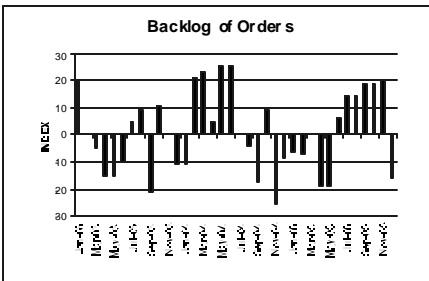
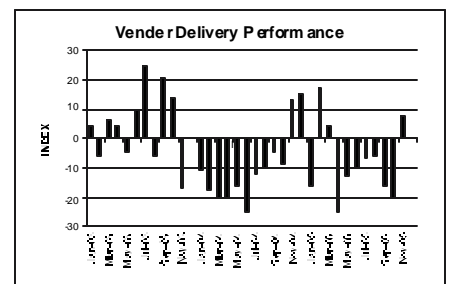
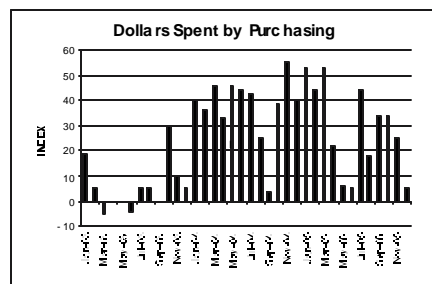
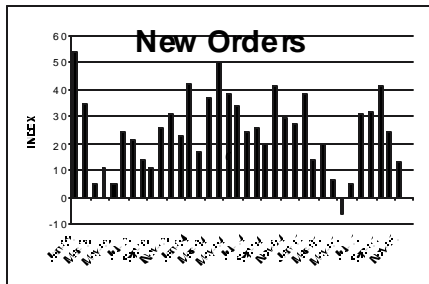
## DETAILS

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, 24, 13, 0) were

unchanged as compared to increases for the prior 6 months. This month continues the trend of the prior 2 months towards a decrease in this index. There is some degree of volatility in this index with 26% of our respondents reporting an increase as compared to 26% reporting a decrease. We will want to watch this index carefully next month to see how this volatility resolves itself.

- **BACKLOG OF ORDERS** (1, 19, 20, -16) decreased as compared to increases for the prior 6 months.
- **PRODUCTION** (26, 37, 0, 11) increased as compared to no change last month; however this index remains below our 3 year average. This month's increase is principally a result of 33% of our



## STATISTICAL SUMMARY for month of December 2005

Replies as a Percent of Total Replies

	Up	Same	Down
<b>GENERAL BUSINESS —</b>			
Production	43	45	22
New Orders	26	48	26
Backlog Of Orders	11	62	27
<b>PRICES &amp; SPENDING</b>			
Prices for Commodities	35	65	0
Prices for Services	26	74	0
Prices for Equipment	11	84	5
Dollars Spent by Purchasing	35	35	30
<b>INVENTORIES —</b>			
Raw Materials	18	39	43
Finished Goods	25	32	43
<b>EMPLOYMENT—</b>			
Employment	21	65	14
<b>DELIVERIES —</b>			
Deliveries	6	88	6
<b>OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:</b>			
<b>CHANGE IN THE AMOUNT SPENT:</b>			
	Up	Same	Down
Elsewhere in the Americas	0	80	20
Across the Atlantic	0	80	20
Across the Pacific	10	70	20
Domestically	30	35	35

respondents reporting an increase as compared to 21% last month.

- **EMPLOYMENT** (12, 7, 0, 7) increased as compared to no change last month. This increase was due to 14% of our respondents reporting a decrease as compared to 21% last month. Member companies based on this month's survey can anticipate an increase of available employment candidates.
- **VENDOR DELIVERY PERFORMANCE** (-4, -20, 8, 0) was unchanged as compared to an increase last month. Based on the weakness of the increase in the local economy, member companies should anticipate improved Vendor Delivery Performance.
- **DOLLARS SPENT BY PURCHASING**

(24, 34, 25, 5) increased at a moderately lower rate than last month and is significantly below our 3 year average.

This change was due primarily to 35% of our respondents reporting an increase as compared to 50% last month.

- **COMMODITY PRICES** (40, 72, 75, 35) increased at a much lower rate than the last 3 months returning to a level similar to August 2005. 35% of our respondents reported an increase as compared to 75% last month which was the 4<sup>th</sup> highest increase in the history of the survey. The spikes in this index caused by the hurricanes in the prior 3 months have disappeared.
- **SERVICE PRICES** (20, 47, 37, 26) increased at a somewhat lower rate than

last month; however, this index continues slightly above our 3 year average.

- **EQUIPMENT PRICES** (13, 31, 25, 6) also increased at a somewhat lower rate than last month and below our 3 year average.
- **RAW MATERIALS INVENTORIES** (-5, -20, 13, -25) decreased as compared to an increase last month. 43% of our respondents reported a decrease as compared to 13% last month. Only 18% reported an increase as compared to 16% last month.
- **FINISHED GOODS INVENTORIES** (1, -7, 27, -18) also decreased as compared to an increase last month.

## BUYING PATTERNS

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

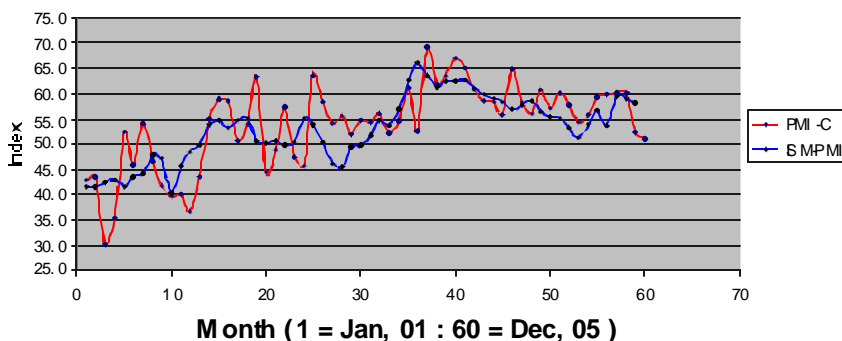
- **ELSEWHERE IN THE AMERICAS** (3, 0, 0, -20) **ACROSS THE ATLANTIC** (-7, -25, 11, -20) **ACROSS THE PACIFIC** (36, 25, 11, -10) **DOMESTICALLY** (23, 35, 21, -5)

## General Comments by Purchasing Managers

Noticeable Price Changes:

- **Up are:** Copper, UREA, electric motors, aluminum sheet and coil, plastics, resin, plastics additives, energy.
- **Down are:** Steel, corrugated.
- **In Short Supply:** Paraffin wax.
- Our labor force is locked out.

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.

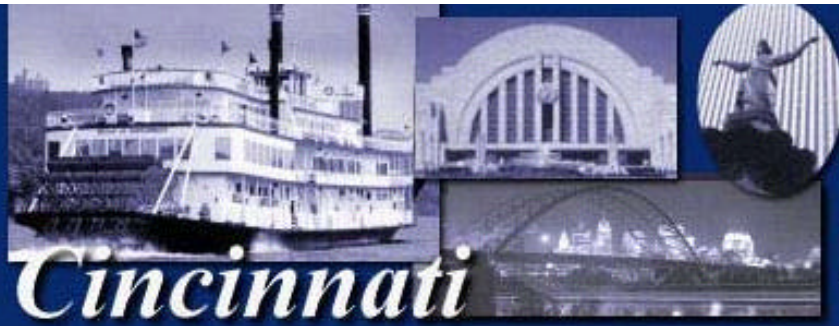
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## PRESS RELEASE

**Important:**

**Do Not Release Until**

**12:01 a.m. Friday, December 30, 2005**

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of December 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 December** continues to show a significant slowing of the expansion in the local economy. **The Purchasing Manager's Index – Cincinnati registered 51.0** as compared to 52.4 last month. The current reading trails the higher readings of approximately 60 for the prior four months.

A positive aspect of this month's survey is the **Composite Price Index – Cincinnati reading of 24.4** as compared to 49.4 last month and 51.8 in October which was the highest reading since the index started in January 2000. Any reading over zero indicates an increase. Concern that the Gulf hurricanes would have a longer term effect on **Pricing** appears to have dissipated.