

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

## HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of November showed a significant slowing in the expansion in the local economy. **Production and Employment** showed no change while **Vendor Delivery Performance** increased for the first time in eight months. **The Purchasing Managers Index – Cincinnati** registered **52.4** as compared to 60.2 last month. This is the lowest reading in this index since September 2003. **The Composite Price Index – Cincinnati** decreased slightly to **49.4** as compared to 51.8 last month which was the highest reading since this index started in January 2000. **Commodity Prices** increased at a slightly higher rate than last month which was somewhat offset by slightly

lower rates of increase in Service and Equipment Prices.

Based on the 2006 forecast attached to this survey, member companies expect the local economy to continue to increase. However, **Dollars Spent by Purchasing** is expected to decrease in the last 6 months of the year with only a slight increase in **New Orders** during that period.

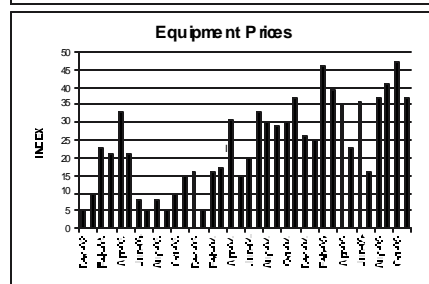
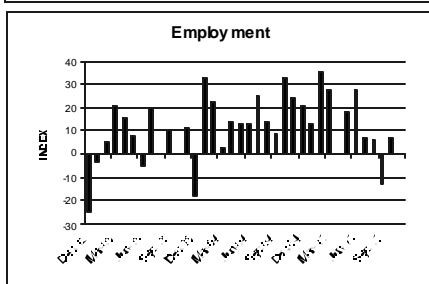
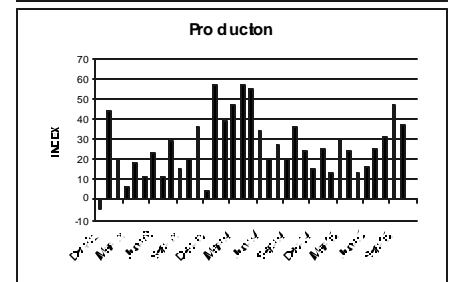
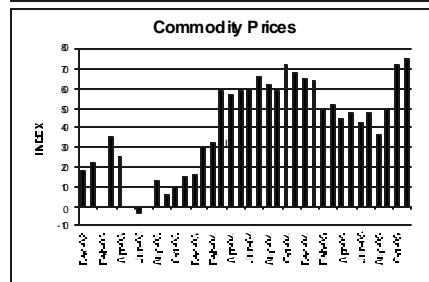
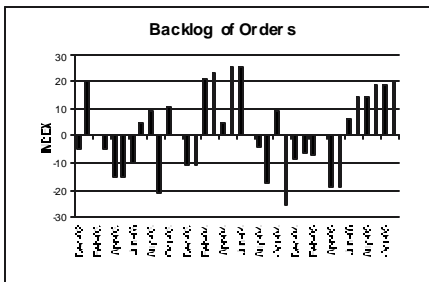
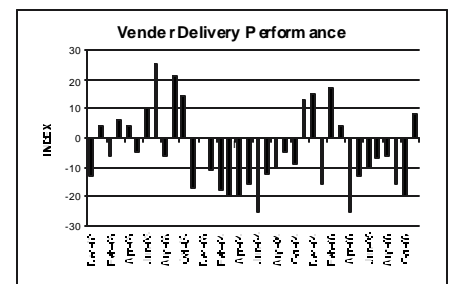
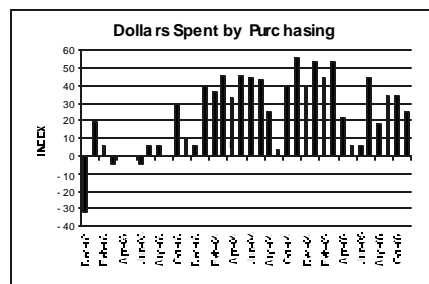
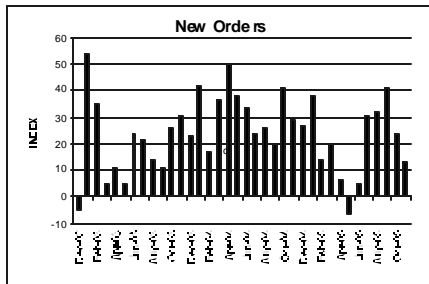
## DETAILS

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, 41, 24, 13) increased at a somewhat lower rate than last month and below our 3 year average for the first

time in 5 months. After 2 strong months of increase, October and November have trended down in their rates of increase.

- **BACKLOG OF ORDERS** (1, 19, 19, 20) stayed substantially the same for the third month in a row. With the slowing of the economic expansion seen in this month's survey, pressure should be easing in relation to this index.
- **PRODUCTION** (26, 47, 37, 0) showed no change as compared to increases for the prior 34 months. 21% of our respondents reported an increase as compared to 43% last month while 21% reported a decrease as compared to 6% last. This month is a significant change in the increasing trend in this index for the past 5 months.
- **EMPLOYMENT** (11, -13, 7, 0) showed no



**STATISTICAL SUMMARY for month of November 2005**  
Replies as a Percent of Total Replies

	Up	Same	Down
<b>GENERAL BUSINESS —</b>			
Production	21	58	21
New Orders	26	61	13
Backlog Of Orders	33	54	13
<b>PRICES &amp; SPENDING —</b>			
Prices for Commodities	75	25	0
Prices for Services	37	63	0
Prices for Equipment	25	75	0
Dollars Spent by Purchasing	50	25	25
<b>INVENTORIES —</b>			
Raw Materials	26	64	13
Finished Goods	40	47	13
<b>EMPLOYMENT—</b>			
Employment	21	58	21
<b>DELIVERIES —</b>			
	<b>Quicker</b>	<b>Same</b>	<b>Slower</b>
Deliveries	16	76	8
<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	11	78	11
Across the Atlantic	22	67	11
Across the Pacific	22	67	11
Domestically	42	37	21

change as compared to an increase last month and a decrease the prior month. 21% of our respondents reported a decrease as compared to a similar 20% last month however 21% also reported a decrease as compared to 13% last month. We now have 5 months of levels below our 3 year average.

- **VENDOR DELIVERY PERFORMANCE** (-5, -16, -20, 8) increased for the first time in 8 months. 16% of our respondents reported an increase as compared to 0% last month while only 8% reported a decrease as compared to 20% last month. Purchasers should continue to monitor deliveries since Backlog of Orders and New Orders continue to increase and

Production levels remain flat.

- **DOLLARS SPENT BY PURCHASING** (23, 34, 34, 25) increased at a slightly lower rate than the last 2 months and is currently just above our 3 year average. This change was totally a result of 25% of our respondents reporting a decrease as compared to 16% last month.
- **COMMODITY PRICES** (39, 50, 72, 75) increased at a rate slightly higher than last month and at the fourth highest rate since the survey started in May 1982. November 1995 was our highest rate at 80. With more stability in petroleum product supply, we might expect a lower rate of increase next month.
- **SERVICE PRICES** (20, 41, 47, 37)

increased at a somewhat lower rate than last month; which was the highest rate since November 2000. With diesel prices finally starting to trend down and no increase in Employment we might see some moderation in these increases.

- **EQUIPMENT PRICES** (13, 31, 31, 25) increased at a slightly lower rate than last month; reversing a 3 month increasing trend.
- **RAW MATERIALS INVENTORIES** (4, -40, -20, 13) increased as compared to decreasing the prior 2 months. 26% of our respondents reported an increase as compared 13% last month while only 13% reported a decrease as compared to 31% last month.
- **FINISHED GOODS INVENTORIES** (0, -34, -7, 27) increased for the first time since June.

**BUYING PATTERNS**

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

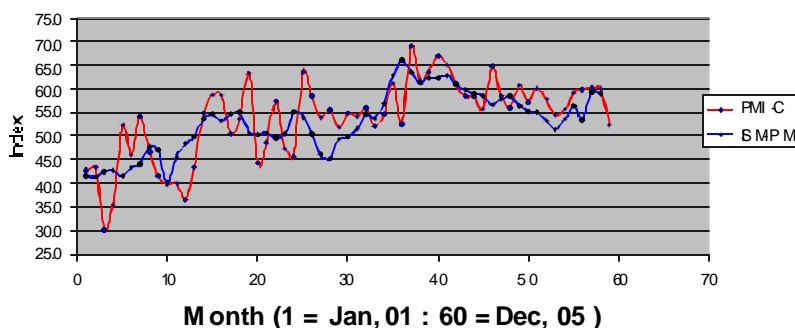
- **ELSEWHERE IN THE AMERICAS** (4, 0, 0, 0) **ACROSS THE ATLANTIC** (-7, -14, -25, 11) **ACROSS THE PACIFIC** (37, 42, 25, 11) **DOMESTICALLY** (22, 53, 35, 21)

**General Comments by Purchasing Managers**

Noticeable Price Changes:

- **Up are:** Natural gas, plastics, bearings, linear slides, copper, aluminum, petroleum bases products, transportation, solvents, caustic soda, hydrochloric acid, acetic acid, freight fuel surcharges.
- **Down are:** No decreases were reported.
- **In Short Supply:** Aluminum plate.

**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.

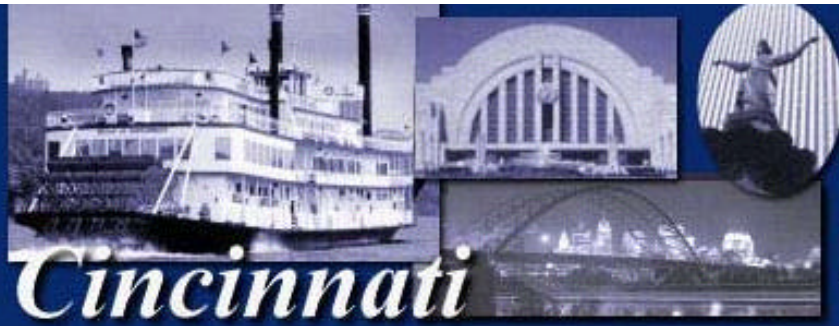
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National  
Association of  
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Cincinnati

## PRESS RELEASE

Important:

Do Not Release Until

**12:01 a.m. Tuesday, November 29, 2005**

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of November 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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Cincinnati, OH 45242

**The Greater Cincinnati Report on Business for the month of November** showed a significant slowing in the expansion in the local economy. **The Purchasing Managers Index – Cincinnati registered 52.4** as compared to 60.2 last month. Any reading over 50 indicates an expansion. This is the lowest reading in this index since September 2003.

**The Composite Price Index – Cincinnati decreased slightly to 49.4** as compared to 51.8 last month which was the highest reading since this index started in January 2000. Any reading over zero indicates an increase. This month's increase was the second highest to October since this index started in January 2000. **Commodity Prices** increased at a slightly higher rate than last month which was offset by slightly lower rates of increase in **Service and Equipment Prices**.

Based on our semi-annual forecast presented in May and November, the expansion of the local economy is expected to continue through 2006. However, the forecast shows some moderation in growth for the last six months of the year. **Employment** is expected to increase for the entire year.

## Report on Business for Greater Cincinnati for the month of November 2006

### Special Question

This month our respondents addressed some specific questions relating to the first half of 2006 and the second half of 2006.

**New Orders** are forecast to increase for 2006; however, the rate of increase for the last 6 months of the year is the lowest rate of increase since this forecast started in 1996. It should be noted that this index forecast a decrease for the first half of 2001.

**Employment** is forecast to increase for 2006. As with New Orders, the rate of increase is substantially lower for the last 6 months of the year. Only 8% of our respondents are forecasting a decrease in Employment during the entire year.

**Commodity Prices** are forecast to continue to increase for 2006. However, the rate of increase is expected to moderate as the year progresses.

**Dollars Spent by Purchasing** are forecast to increase for the first 6 months of next year and decrease during the last 6 months of the year. This is significantly different than what was forecast 6 months ago.

**Raw Materials Inventories** are forecast to decline moderately for the first 6 months of this year while increasing slightly during the last 6 months.

**Overall** the economy is forecast to increase by 58% of our respondents. This is similar but somewhat lower than the 64% that was forecast in increase in May and is identical to the forecast a year ago.

#### STATISTICAL SUMMARY and NET PERCENT for Forecast Replies as a Percent of Total Replies

	Up	Same	Down	Net%
<b>1st half of 2006 —</b>				
New Orders	45	55	0	45
Employment	41	51	8	33
Prices for Commodities	66	34	0	66
Dollars Spent by Purchasing	58	34	8	50
Raw Materials	0	64	36	-36
<b>2nd half of 2006 —</b>				
New Orders	27	55	18	9
Employment	16	76	8	8
Prices for Commodities	33	51	16	17
Dollars Spent by Purchasing	16	59	25	-9
Raw Materials	20	70	10	10
<b>Overall —</b>				
Overall	58	34	8	50