

Cincinnati

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

HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of October continued to show an increase in the expansion of the local economy and at the same rate as last month. **Employment** increased this month as compared to a one month decrease in September. With increasing **Backlogs of Orders**, decreasing **Vendor Delivery Performance** and reductions in **Raw and Finished Goods Inventories**, member companies should manage their production and procurement carefully. Shortages of products to ship and materials to make those products could become more of an issue.

The other major concern in this month's survey is Pricing. The Composite Price Index – Cincinnati again increased significantly to 51.8

as compared to 42.0 last month and 26.9 in August. This month's increase is the highest since this index began in January 2000.

Commodity Prices tied the highest rate of increase since the survey began in May 1982 and **Service Prices** increased at its second highest rate. The increase in **Service Prices** could be related to higher transportation costs.

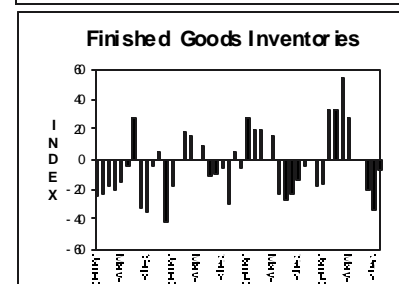
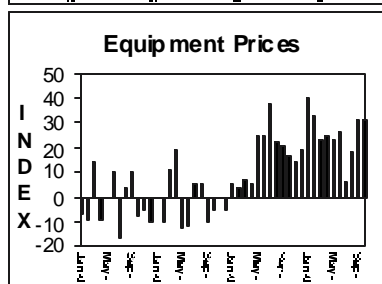
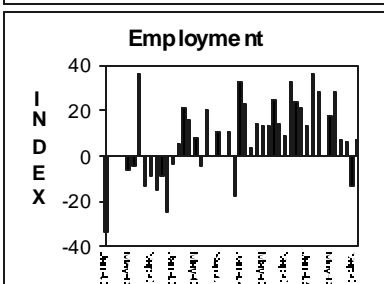
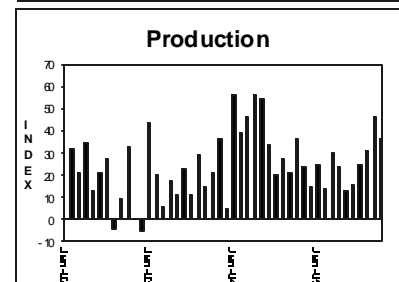
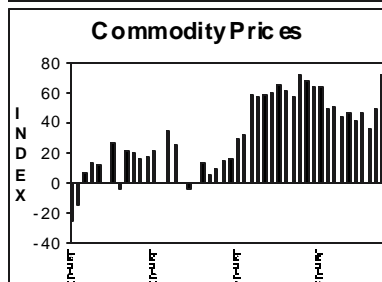
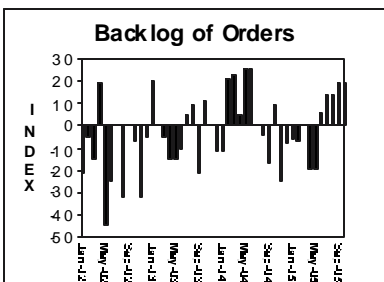
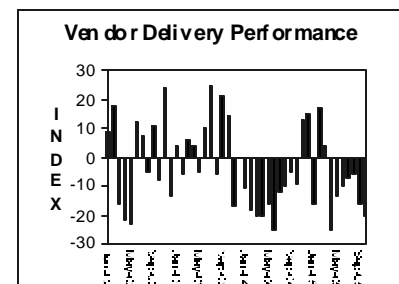
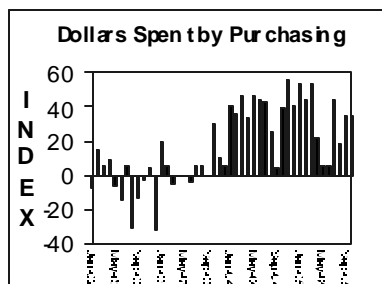
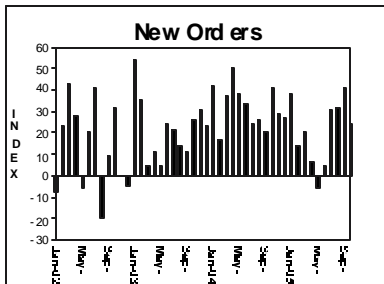
DETAILS

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, 32, 41, 24) increased at a somewhat lower rate than last month with 41% of our respondents reporting an increase as compared to 52% last month while 17% reported a decrease as compared to 11% last

month. The current rate of increase is similar to the last half of 2004.

- **BACKLOG OF ORDERS** (0, 14, 19, 19) increased at the same rate as last month, however only 31% of our respondents reported an increase as compared to 37% last month while 12% reported a decrease as compared to 18% last month. This index has increased for 5 months after only increasing once out of the prior 11 months.
- **PRODUCTION** (26, 31, 47, 37) increased at a slightly lower rate than last month however only 6% of our respondents reported a decrease as compared to 17% last month. This month's increase is consistent with an increasing trend in this index since May of this year.
- **EMPLOYMENT** (11, 6, -13, 7) increased as compared to last month's one month decrease. 20% of our respondents reported



STATISTICAL SUMMARY for month of October 2005

Replies as a Percent of Total Replies

	Up	Same	Down
GENERAL BUSINESS —			
Production	43	51	6
New Orders	41	42	17
Backlog Of Orders	31	57	12
PRICES & SPENDING			
Prices for Commodities	72	28	0
Prices for Services	47	53	0
Prices for Equipment	31	69	0
Dollars Spent by Purchasing	50	34	16
INVENTORIES —			
Raw Materials	13	54	33
Finished Goods	13	67	20
EMPLOYMENT—			
Employment	20	67	13
DELIVERIES —			
Deliveries	0	80	20
OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:			
CHANGE IN THE AMOUNT SPENT:			
	Up	Same	Down
Elsewhere in the Americas	12	76	12
Across the Atlantic	0	75	25
Across the Pacific	37	51	12
Domestically	52	31	17

an increase in both months, while only 13% reported a decrease as compared to 33% last month.

- **VENDOR DELIVERY PERFORMANCE** (-4, -6, -16, -20) decreased at a slightly greater rate than last month with none of our respondents reporting quicker deliveries. This index has decreased for 19 of the last 24 months. Purchasers should continue to monitor their deliveries carefully based on this index and the increase in the Backlog of Orders index.
- **DOLLARS SPENT BY PURCHASING** (22, 18, 34, 34) increased at the same rate as last month and at a somewhat greater rate than our 3 year average. This index has not decreased since June of 2003 and has returned to the stronger levels seen prior to April of 2005.
- **COMMODITY PRICES** (38, 36, 50, 72)

increased at a moderately higher rate than last month. This month's increase tied the highest reading on this index which occurred in October of 2004. 72% of our respondents reported an increase as compared to 61% last month while none reported a decrease as compared to 11% last month. This index is increasing at a significantly higher rate than August which was similar to our 3 year average.

- **SERVICE PRICES** (19, 25, 41, 47) increased at a slightly higher rate than last month and at the highest rate since November 2000 and at the second highest rate since the index started in May 1982. This index is solidly trending upwards with last month's index recording the 4th highest reading since the survey began. Since transportation costs are a likely contributor to this increase, moderation in the rate of increase might be

expected in future months.

- **EQUIPMENT PRICES** (12, 18, 31, 31) increased at the same rate as last month which was the highest rates since February 2005. This index is increasing at almost 3 times our 3 year average.
- **RAW MATERIALS INVENTORIES** (-5, 14, -40, -20) decreased at a somewhat lower rate than last month's significant decrease and for the second month in a row. This index increased for 6 of the 7 months prior to September. Purchasers should continue to manage their Raw Materials Inventories carefully based on slower Vendor Deliveries
- **FINISHED GOODS INVENTORIES** (-1, -21, -34, -7) decreased at a moderately lower rate than last month and for the 3rd month in a row. With the increases in Backlog of Orders, Purchasers should manage their Finished Goods Inventories carefully.

BUYING PATTERNS

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

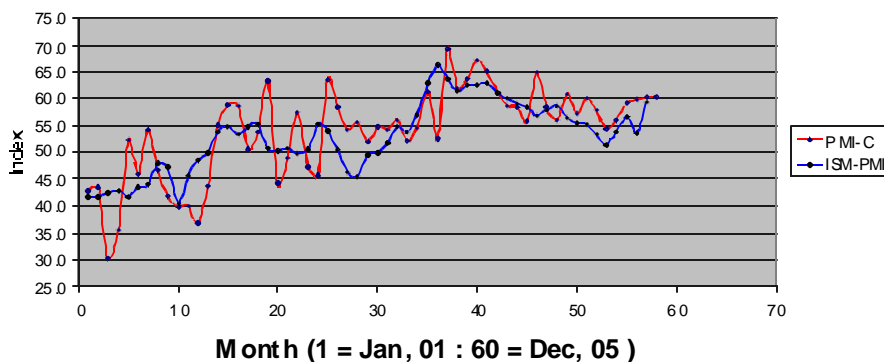
- **ELSEWHERE IN THE AMERICAS** (4, 0, 0, 0)
- **ACROSS THE ATLANTIC** (-7, -25, -14, -25)
- **ACROSS THE PACIFIC** (38, 37, 42, 25)
- **DOMESTICALLY** (21, 20, 53, 35)

General Comments by Purchasing Managers

Noticeable Price Changes:

- **Up are:** PVC molded parts, most everything, fuel, paper items, copper, aluminum, screws, plastics, natural gas, castings.
- **Down are:** Corrugated, fasteners, nothing, steel.
- **In Short Supply:** PVC Resin, flatbed trucks, all plastics/etc. out of the Gulf.

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.

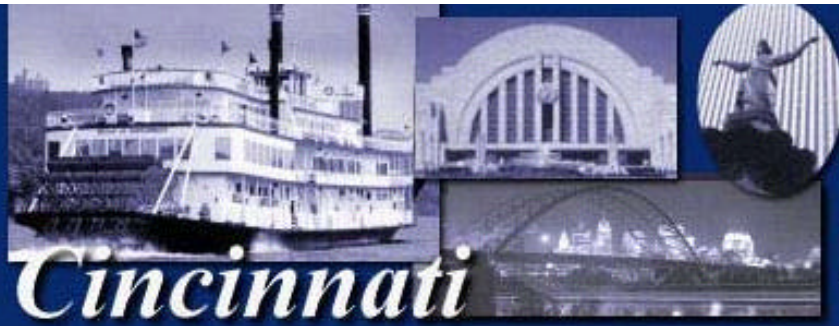
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National
Association of
Purchasing
Management
Cincinnati

PRESS RELEASE

Important:

Do Not Release Until

12:01 a.m. Monday, October 31, 2005

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of October 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 October showed an economic expansion similar to the last three months. The area economy has seen the most stable four month period of significant expansion since the index was started in January 2001. **The Purchasing Managers Index – Cincinnati registered 60.2.** Any reading over 50 indicates an expansion. **Employment** increased as compared to a one month decrease last month. Issues with **Vendor Deliveries** and **Backlog of Orders** also increased.

By far the biggest concern in this month's survey is increases in Prices. **The Composite Price Index – Cincinnati increased significantly to 51.8** as compared to 42.0 last month, 26.9 in August and 20.1 in July. This month's index is the highest since the index began in January 2000. **Services Prices** increased at their second highest level while **Commodity Prices** tied the highest level of increase since these indices started in May 1982. Transportation cost could be a major component of the increase in **Service Prices**.