

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

## HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of September continued to show an increase in the expansion of the local economy at a similar rate to last month. Purchasing Managers Index – Cincinnati registered 60.2 as compared to 59.9 last month. Unlike last month Employment decreased for the first time since December 2003. This was more than offset by increases in our other indices. The Composite Price Index – Cincinnati increased significantly to 42 as compared to 26.9 last month. Significant increases were seen in all three of our Pricing Indices, with Service Prices at the highest rate of increase since November 2000. This month's Price Index reading was the third highest since this index started in January 2001.

Significant decreases were seen in both of our Inventory indices. Purchasers should manage their Inventory levels carefully based on a continuing expansion in the local economy and possible effects of the hurricanes.

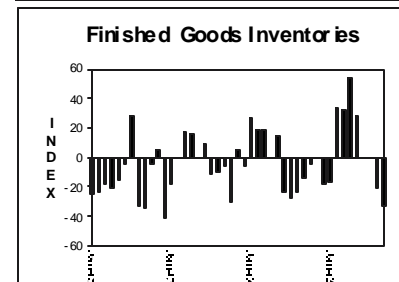
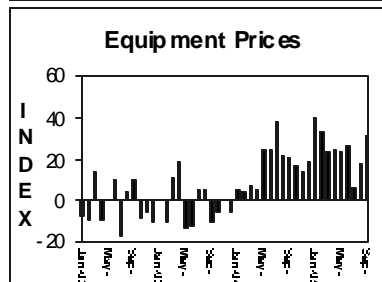
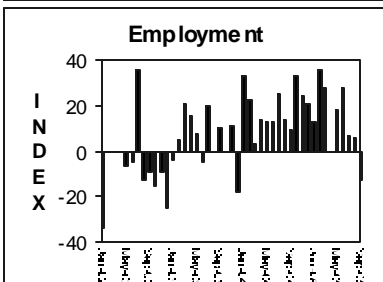
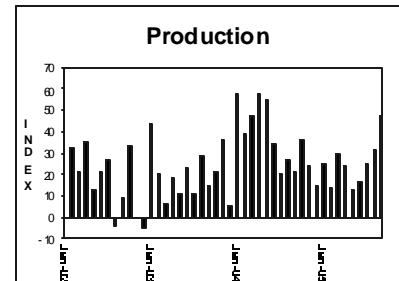
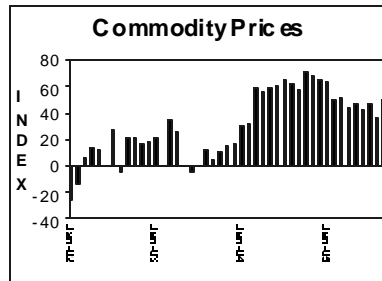
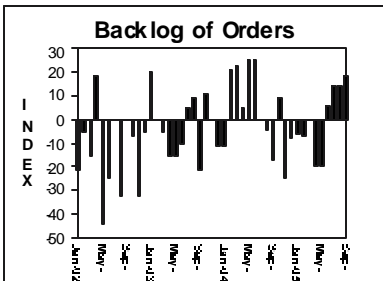
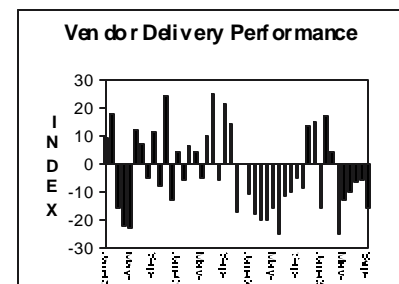
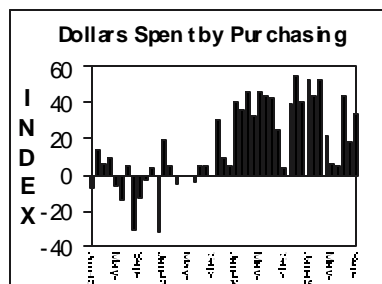
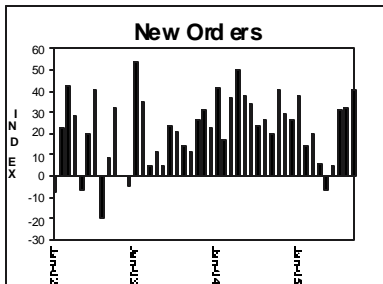
## DETAILS

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, 31, 32, 41) increased at a slightly higher rate than last month and at the highest rate since October 2004. This higher increase was substantially a result of 11% of our respondents reporting a decrease as compared to 18% last month. 52% of our respondents reported an increase compared to 50% last month. The decreasing trend

seen in this index in the first 5 months of the year has reversed itself for the last 4 months.

- **BACKLOG OF ORDERS** (-1, 14, 14, 19) increased at a slightly higher rate than last month and for the fourth month in a row reversing the decreases seen earlier in the year.
- **PRODUCTION** (26, 25, 31, 47) increased at a somewhat greater rate than last month and at the highest rate since May of 2004. 64% of our respondents reported an increase as compared to 43% last month. This was somewhat offset by 17% of our respondents reporting a decrease as compared to 12% last month. This index has not decreased since December 2002.
- **EMPLOYMENT** (10, 7, 6, -13) decreased for the first time since December 2003. 20% of our respondents reported an increase as compared to 26% last month, while 33%



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

	Up	Same	Down
<b>GENERAL BUSINESS —</b>			
Production	64	19	17
New Orders	52	37	11
Backlog Of Orders	37	45	18
<b>PRICES &amp; SPENDING</b>			
Prices for Commodities	61	28	11
Prices for Services	41	59	0
Prices for Equipment	31	69	0
Dollars Spent by Purchasing	50	34	16
<b>INVENTORIES —</b>			
Raw Materials	6	48	46
Finished Goods	6	54	40
<b>EMPLOYMENT—</b>			
Employment	20	47	33
<b>DELIVERIES —</b>			
Deliveries	<b>Quicker</b> 7	<b>Same</b> 70	<b>Slower</b> 23
<b>OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:</b>			
<b>CHANGE IN THE AMOUNT SPENT:</b>			
Else where in the Americas	Up 14	Same 72	Down 14
Across the Atlantic	0	86	14
Across the Pacific	42	58	0
Domestically	64	25	11

reported a decrease as compared to 20% last month. Based on the continuing strength in the survey, the anticipation would be that this index will return to an increase.

- **VENDOR DELIVERY PERFORMANCE** (-4, -7, -6, -16) decreased at a somewhat higher rate than last month.
- **DOLLARS SPENT BY PURCHASING** (21, 44, 18, 34) increased at a somewhat higher rate than last month, with 50% reporting an increase as compared to 43% last month. 16% reported a decrease as compared to 25% last month. This index has shown solid increases for the last 3 months and is above the 3 year average of 21.
- **COMMODITY PRICES** (36, 47, 36, 50) increased at a somewhat higher rate than last month and at the highest rate since March.

However, the rate of increase is less than what was generally seen in 2004. The continuing effects of the hurricanes in the Gulf region should continue to affect this index.

- **SERVICE PRICES** (18, 6, 25, 41) continue to increase at a somewhat higher rate than last month and at our highest rates since November 2000 and is the third highest increase since the index started in June of 1982.
- **EQUIPMENT PRICES** (11, 6, 18, 31) increased at a somewhat higher rate than last month and at our highest rate since February. It will be important for purchasers to develop a strategy for managing pricing over the next 12 months.
- **RAW MATERIALS INVENTORIES**(-5, 7, 14, -40) decreased significantly as compared to

increases for the prior 2 months. Only 6% of our respondents reported an increase as compared to 28% last month. While 46% reported a decrease as compared to 14% last month. With the decrease in Vendor Delivery Performance, Purchases should review their Raw Materials Inventory levels.

- **FINISHED GOODS INVENTORIES** (-1, 0, -21, -34) decreased at a somewhat higher rate than last month as compared to no change or increases for the prior 6 months. With the strength in New Orders and Backlog of Orders, Purchasers should also manage their Finished Goods Inventories carefully.

**BUYING PATTERNS**

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

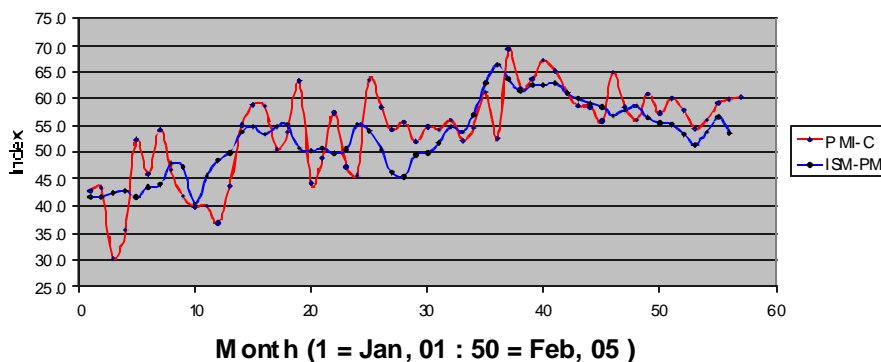
- **ELSEWHERE IN THE AMERICAS** (3, 25, 0, 0) **ACROSS THE ATLANTIC** (-7, 12, -25, -14) **ACROSS THE PACIFIC** (38, 37, 37, 42) **DOMESTICALLY** (20, 37, 20, 53)

**General Comments by Purchasing Managers**

Noticeable Price Changes:

- **Up are:** Fuel related items, motors, copper, aluminum, oil products, rubber, fuel, electric rates, freight costs, gasoline, natural gas, vinyl, shipping, lumber oil, natural gas, resin, PVC, ABS, steel asphalt, freight rates, delivery fees.
- **Down are:** Aluminum, stainless steel, steel coke.
- **In Short Supply:** Propylene glycol, common sense.
- The effects of Katrina, some contrived and many true, have driven much of our business costs up significantly and unexpectedly.
- 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.

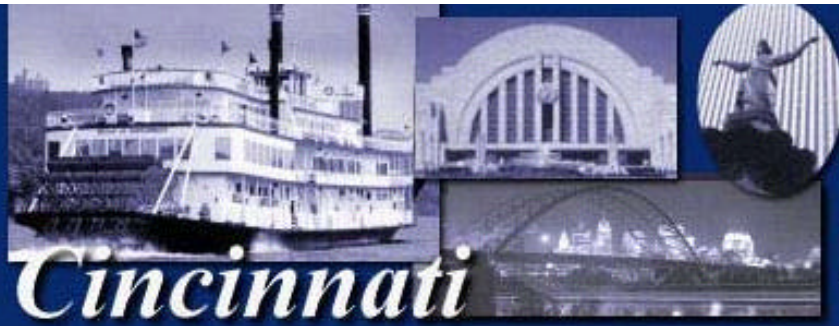
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**National  
Association of  
Purchasing  
Management  
Cincinnati**

*Cincinnati*

## **PRESS RELEASE**

**Important:**

**Do Not Release Until**

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

**SUBJECT:** Report on Business Conditions for Greater Cincinnati for the month of September 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 September showed an economic expansion similar to the last two months. The Purchasing Managers Index – Cincinnati registered 60.2. Any reading over 50 indicates an expansion. The local economy continues to show greater strength than the National Manufacturing Index reported by the Institute of Supply Management. The ISM National Index for September was 53.6. Significantly Employment decreased in September for the first time since December 2003.

The Composite Price Index – Cincinnati increased significantly to 42 as compared to 26.9 last month. A positive reading indicates an increase. Significant increases were seen in all three of our Pricing Indices, with Service Prices at the highest rate of increase since November 2000. This month's Price Index reading was the third highest since this index started in January 2001.