

# Cincinnati

## 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 May** shows a continuation of the slowing trend in the expansion of the local economy. The **Purchasing Managers Index – Cincinnati is 54.4** this month as compared to 57.8 last month. This continues a decreasing trend that started in January 2004. Both **New Orders and Backlog of Orders** decreased this month. This was the first decrease in New Orders since December 2002. Based on the attached semi-annual forecast, purchasers are expecting a continuation in the expansion which should principally keep the PMI-C above 50.

The Composite Price Index – Cincinnati continues to moderate with a reading of 29.1 as compared to 30.6 last month and 42.6 in

January. Increases in Inventories moderated after the significant increases last month but still continue a significant rate of increase, especially **Finished Goods Inventories**. With the continued moderation in the expansion in the local economy, purchasers should continue to closely manage inventories

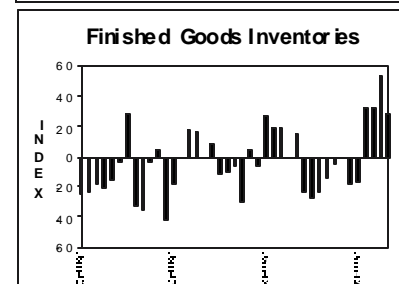
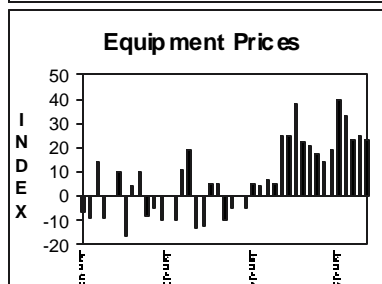
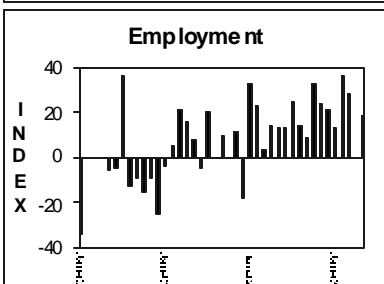
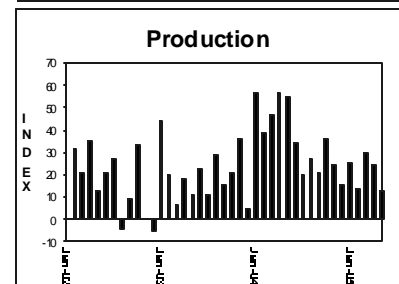
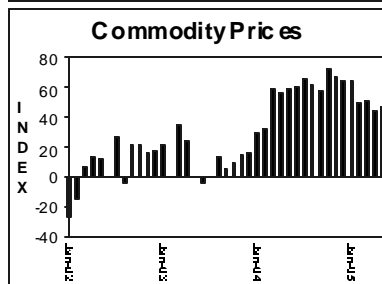
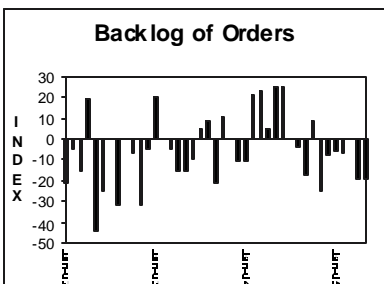
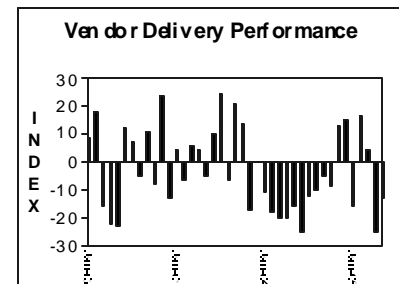
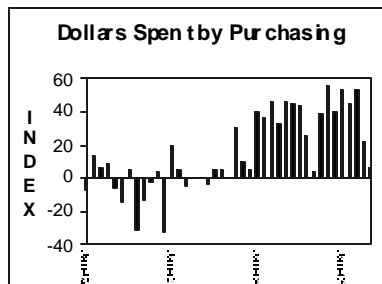
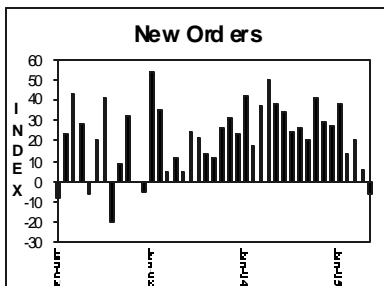
### DETAILS

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** (22, 20, 6, -6) declined for the first time since December 2002. 31% of our respondents reported an increase as compared to 41% last month. 37% reported a decrease; similar to 35% last month. As

was pointed out last month, this index has been trending down since May 2004.

- **BACKLOG OF ORDERS** (-4, 0, -19, -19) decreased at the same rate as last month; consistent with the decrease in New Orders and the increase in Finished Goods Inventories.
- **PRODUCTION** (24, 30, 24 13) increased at a somewhat lower rate than last month and at the lowest rate since December 2004. With the decrease in New Orders while inventories continue to increase, purchasers should manager their Production levels carefully.
- **EMPLOYMENT**(10, 28, 0, 18) increased as compared to no change last month. 23% of our respondents reported an increase which was similar to the 20% last month. However, only 5% reported a decrease as compared



## STATISTICAL SUMMARY for month of May 2005

Replies as a Percent of Total Replies

|  | Up | Same | Down |
|--|----|------|------|
| <b>GENERAL BUSINESS —</b>                            |    |      |      |
| Production   | 33 | 47   | 20   |
| New Orders   | 31 | 32   | 37   |
| Backlog Of Orders                                    | 12 | 57   | 31   |
| <b>PRICES &amp; SPENDING —</b>                       |    |      |      |
| Prices for Commodities                               | 52 | 43   | 5    |
| Prices for Services                                  | 23 | 77   | 0    |
| Prices for Equipment                                 | 23 | 77   | 0    |
| Dollars Spent by Purchasing                          | 23 | 60   | 17   |
| <b>INVENTORIES —</b>                                 |    |      |      |
| Raw Materials  | 28 | 58   | 14   |
| Finished Goods                                       | 42 | 44   | 14   |
| <b>EMPLOYMENT—</b>                                   |    |      |      |
| Employment   | 23 | 72   | 5    |
| <b>DELIVERIES —</b>                                  |    |      |      |
| Deliveries   | 12 | 63   | 25   |
| <b>OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:</b> |    |      |      |
| <b>CHANGE IN THE AMOUNT SPENT:</b>                   |    |      |      |
| Elsewhere in the Americas                            | 11 | 67   | 22   |
| Across the Atlantic                                  | 22 | 56   | 22   |
| Across the Pacific                                   | 66 | 23   | 11   |
| Domestically   | 31 | 44   | 25   |

**BULLET = RAW MATERIALS INVENTORIES** (-6, 15, 38, 14) increased at a moderately lower rate than last month's extraordinary increase. As was cautioned last month, purchasers were very careful with increases in Raw Materials Inventories based on a slower expansion in the local economy and should continue this practice. Purchasers might want to consider reducing Raw Materials Inventories as 18% of our respondents did.

- **FINISHED GOODS INVENTORIES** (0, 32, 54, 28) also increased at a moderately lower rate than last month's extraordinary increase. Although lower than the prior 3 months, this rate is still higher than any other month in the survey since the index started in May 1982 with the exception of July 2002 which was the same rate as this month. As cautioned last month, purchasers should manage their Finished Goods Inventories **VERY CAREFULLY**.

## BUYING PATTERNS

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

- **ELSEWHERE IN THE AMERICAS** (3, 6, 12, -11) **ACROSS THE ATLANTIC** (-6, -12, 12, 0) **ACROSS THE PACIFIC** (35, 30, 37, 55) **DOMESTICALLY** (16, 64, 6, 6)

## General Comments by Purchasing Managers

Noticeable Price Changes:

- **Up are:** Paper, film, label stocks, glass, energy.
- **Down are:** Steel.
- **In Short Supply:** Electronics.
- We are building inventory in preparation for the expiration of our labor contract.

to 20% last month.

- **VENDOR DELIVERY PERFORMANCE** (-2, 4, -25, -13) decreased at a somewhat lower rate than last month and for the second month in a row. Based on the lower rate of growth in the local economy, purchasers should anticipate fewer vendor delivery issues in the future.
- **DOLLARS SPENT BY PURCHASING** (17, 53, 22, 6) increased slightly and at a somewhat lower rate than last month and at a significantly lower rate than March. 44% of our respondents reported an increase last month; this was almost cut in half by 23% of our respondents reporting an increase this month and was somewhat offset by 17% of our respondents reporting a decrease as compared to 22% last month. Much of the volatility has been removed from this index
- **COMMODITY PRICES** (33, 51, 44, 47) increased at a slightly greater rate than last month. The increases in Commodity Prices have been at a similar rate for the last 4 months. These rates are somewhat lower than what was seen in the prior 11 months.
- **SERVICE PRICES** (15, 33, 35, 23) increased at a somewhat lower rate than last month and at the lowest rate since December 2004.
- **EQUIPMENT PRICES** (9, 23, 25, 23) increased at a slightly lower rate than last month and at the same rate as March. With moderation in steel pricing (see General Comments by Purchasing Managers) we would expect Equipment Price increases to moderate.

## 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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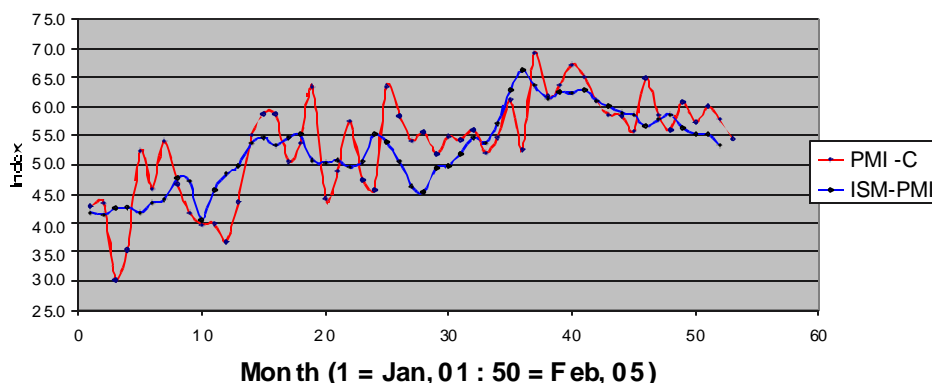
[www.napm-c.org](http://www.napm-c.org)

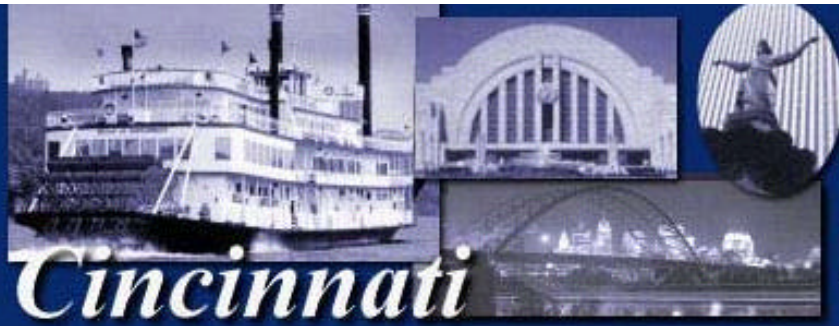
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## Cincinnati PMI vs ISM-PMI





National  
Association of  
Purchasing  
Management  
Cincinnati

## PRESS RELEASE

**Important:**

**Do Not Release Until**

**12:01 a.m. Tuesday, May 31, 2005**

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

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**The Greater Cincinnati Report on Business for the month of May** shows a continuation of the expansion but at a somewhat lower rate. **The Purchasing Managers Index – Cincinnati registered 54.4 as compared to 57.8 last month.** Any reading over 50 indicates an expansion. Significantly there were decreases in **New Orders**, the first decrease since December 2002, and **Backlog of Orders**.

Our semi-annual forecast issued in May indicates a continuation of the expansion for the next 12 months. This forecast is more optimistic than our November 2004 forecast.

Price increases continue to moderate this month with the Composite Price Index – Cincinnati registering 29.1 as compared to 30.6 last month and 42.6 in January. **Raw Materials Inventories** increased at a more manageable level than was seen last month however, **Finished Goods Inventories** continued to increase at a higher rate than has been generally seen except for the last three months.

## Report on Business for Greater Cincinnati for the month of May 2005

### Special Question

This month our respondents addressed some specific questions relating to the second half of 2005 and to the first half of 2006.

**New Orders** are forecast to increase for the next 12 months and at higher rates than were forecast since November 2003 for the next 6 month period, and in November 2001 for the second 6 month period. None of our respondents are forecasting a decrease for the last half of this year; while 14% are forecasting a decrease for the first 6 months of next year. This is more than offset by 64% of our respondents reporting an increase.

**Employment** is forecast to increase for the next 12 months. However, as compared to the prior 3 forecasts, the increases are expected to be at a lower rate for the first 6 months and a similar rate for the last 6 months. This moderation will help keep the local labor market from tightening excessively.

**Commodity Prices** are forecast to increase for the entire 12 months, however at a more moderate rate than was forecast last November and May. This moderating trend should help stabilize our local price index.

**Dollars Spent by Purchasing** is forecast to increase for the entire 12 months. As compared to the prior 3 forecasts, this increase will be at a significantly lower rate for the first 6 months. However, the increase for the 6-12 month period is forecast to be at a higher rate than the prior 3 forecasts: November 2003, May 2004 and November 2004.

**Raw Materials Inventories** are forecast to decrease for the entire 12 month period. This would be a change from what we have seen in the last 4 months

**Overall** the economy is forecast to increase over the next 12 months. With 64% of our respondents reporting an increase while only 7% reported a decrease. This is slightly more optimistic than our November 2004 forecast while at a slightly lower rate of increase as compared to November 2003 and May 2004.

#### STATISTICAL SUMMARY and NET PERCENT for Forecast

Replies as a Percent of Total Replies

|                             | Up | Same | Down | Net% |
|-----------------------------|----|------|------|------|
| <b>2nd half of 2005 —</b>   |    |      |      |      |
| New Orders                  | 71 | 29   | 0    | 71   |
| Employment                  | 35 | 51   | 14   | 21   |
| Prices for Commodities      | 50 | 36   | 14   | 36   |
| Dollars Spent by Purchasing | 50 | 29   | 21   | 29   |
| Raw Materials               | 8  | 59   | 33   | -25  |
| <b>1st half of 2006 —</b>   |    |      |      |      |
| New Orders                  | 64 | 22   | 14   | 50   |
| Employment                  | 21 | 72   | 7    | 14   |
| Prices for Commodities      | 42 | 44   | 14   | 28   |
| Dollars Spent by Purchasing | 57 | 29   | 14   | 43   |
| Raw Materials               | 8  | 67   | 25   | -17  |
| <b>Overall —</b>            |    |      |      |      |
| Overall                     | 64 | 29   | 7    | 57   |