

Cincinnati

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

HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of February shows a continuation of the expansion of the local economy but at a somewhat lower rate than last month. The Purchasing Managers Index – Cincinnati is 57.2 as compared to 60.8 last month. All of our indices except Backlog of Orders and Vendor Delivery Performance supported this increase.

Employment increased at the highest rate since it was the identical rate in July 2002. The previous higher rate of increase was March 1995. Purchasers should caution management against a tightening labor market. Notice in General Comments by Purchasing Managers that good workers are in short supply. The Composite Price Index –

Cincinnati is 36.6 which is lower than the January reading of 42.6 and similar to December's 36.8. Significantly Service Prices increased at the highest rate since November 2000.

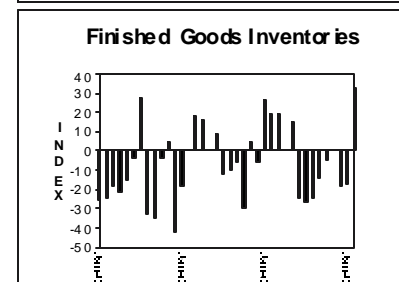
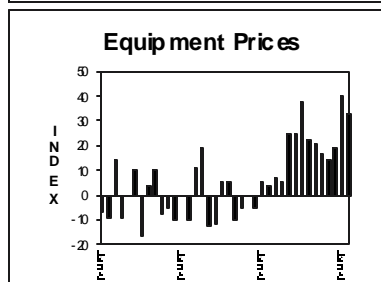
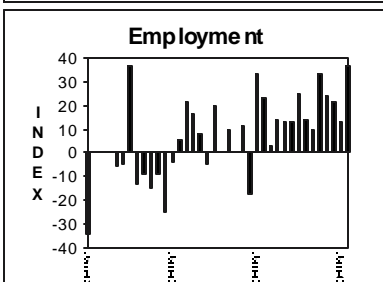
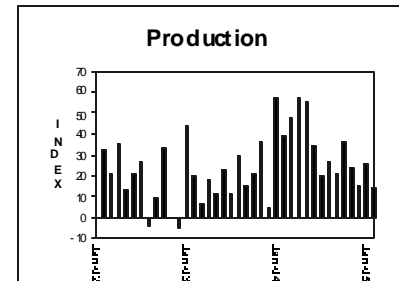
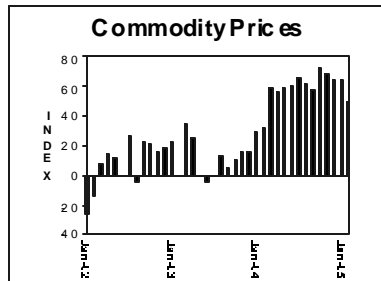
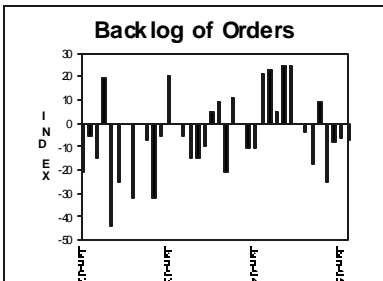
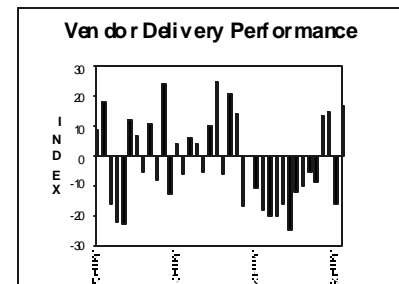
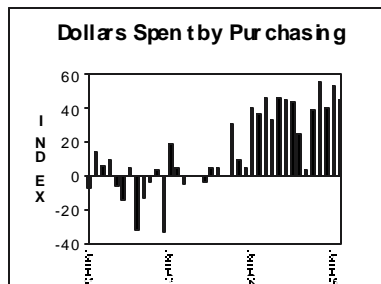
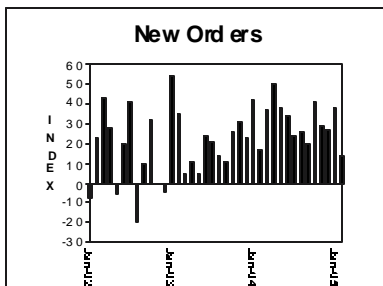
Inventories increased as compared to decreases during prior months. Finished Goods Inventories increased at the highest rate since the survey started in May 1982. Purchasers should exercise caution since the expansion seems to be stabilizing instead of accelerating.

with the last month to the right.

- **NEW ORDERS** (23, 27, 38, 14) increased at a moderately lower rate than last month and at the lowest rates since September 2003. 40% of our respondents reported an increase as compared to 50% last month. Additionally 26% of our respondents reported a decrease as compared to 12% last month. This month's reading of 14 is slightly lower than the 3 year average of 23.
- **BACKLOG OF ORDERS** (-4, -8, -6, -7) decreased for the third month in a row indicating that Production is more than able to keep up with demand.
- **PRODUCTION** (24, 15, 25, 14) increased at a somewhat lower rate than last month and below our 3 year average of 24. This is the smallest increase since December of 2003 and is significantly lower than increases

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,



STATISTICAL SUMMARY for month of February 2005
Replies as a Percent of Total Replies

| | Up | Same | Down |
|--|----|------|------|
| GENERAL BUSINESS — | | | |
| Production | 40 | 34 | 26 |
| New Orders | 40 | 34 | 26 |
| Backlog Of Orders | 26 | 41 | 33 |
| PRICES & SPENDING — | | | |
| Prices for Commodities | 56 | 38 | 6 |
| Prices for Services | 40 | 54 | 6 |
| Prices for Equipment | 33 | 67 | 0 |
| Dollars Spent by Purchasing | 62 | 20 | 18 |
| INVENTORIES — | | | |
| Raw Materials | 23 | 62 | 15 |
| Finished Goods | 58 | 17 | 25 |
| EMPLOYMENT— | | | |
| Employment | 50 | 36 | 14 |
| DELIVERIES — | | | |
| Deliveries | 25 | 67 | 8 |
| OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY: | | | |
| CHANGE IN THE AMOUNT SPENT: | | | |
| Elsewhere in the Americas | 37 | 38 | 25 |
| Across the Atlantic | 25 | 38 | 37 |
| Across the Pacific | 37 | 51 | 12 |
| Domestically | 73 | 21 | 6 |

seen in the first part of 2004.

- **EMPLOYMENT** (8, 21, 13, 36) increased at a moderately higher rate than last month and at the highest rate since it was the same rate in July 2002. In 2002 the increase was an isolated incident. The current Employment index has now increased for 14 months in a row and we would anticipate it continuing to increase but at a lower rate. The previous higher rate was in March 1995. 50% of our respondents reported an increase.
- **VENDOR DELIVERY PERFORMANCE** (-3, 15, -16, 17) increased as compared to a decrease last month. Last month 7% of our respondents reported an increase while 23% reported a decrease. This month is almost exactly the opposite with 25% of our respondents reporting an increase and 8%

reporting a decrease.

- **DOLLARS SPENT BY PURCHASING** (15, 40, 53, 44) increased at a slightly lower rate than last month and for the 17th month in a row. 62% of our respondents reported an increase as compared to 58% last month. However, 18% reported a decrease as compared to 5% last month. This month's reading of 44 is still significantly higher than our 3 year average of 15.
- **COMMODITY PRICES** (30, 65, 64, 50) increased at a somewhat lower rate than last month and at the lowest rate since February 2004.
- **SERVICE PRICES** (13, 20, 25, 34) increased at a slightly greater rate than last month and at the highest rate since November 2000. With the increase seen in

Employment this month, Purchasers should anticipate higher Service Prices due to a tightening local labor market.

- **EQUIPMENT PRICES** (7, 19, 40, 33) increased at a slightly lower rate than last month but well above our 3 year average. As purchasers see metal prices move through the manufacturing process, higher equipment prices are likely to continue.
- **RAW MATERIALS INVENTORIES** (-10, -27, -16, 8) increased for the first time since May 2004 and counter to our 3 year average of decreasing levels.
- **FINISHED GOODS INVENTORIES** (-5, -8, -17, 33) increased as compared to a decrease for the prior 2 months and 7 out of the 8 prior months. This month's increase is the largest since the survey began in May 1982. 58% of our respondents reported an increase as compared to 8% last month while 25% reported a decrease both months

BUYING PATTERNS

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

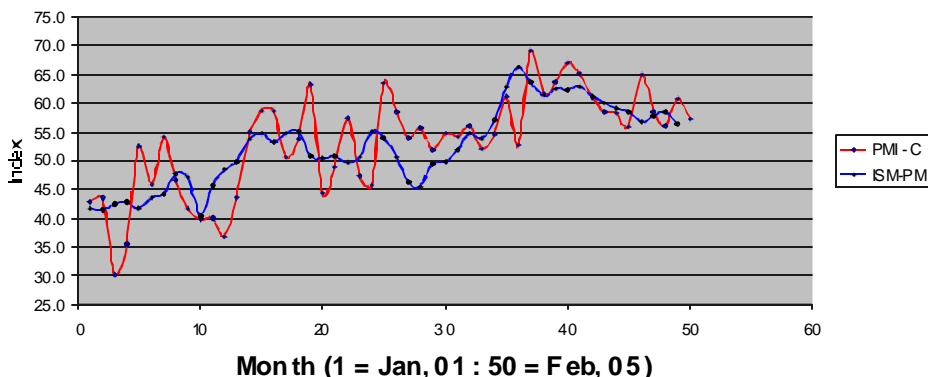
- **ELSEWHERE IN THE AMERICAS** (3, -7, 14, 12) **ACROSS THE ATLANTIC** (-6, -13, 0, -12) **ACROSS THE PACIFIC** (33, 40, 28, 25) **DOMESTICALLY** (14, 44, 60, 67)

General Comments by Purchasing Managers

Noticeable Price Changes:

- **Up are:** Steel parts, plastic parts, PVC, process aids, fuel, HDPE, bad workers. PET, aluminum, motors.
- **Down are:** Steel including surcharges.
- **In Short Supply:** Good workers, some electronic parts.

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.

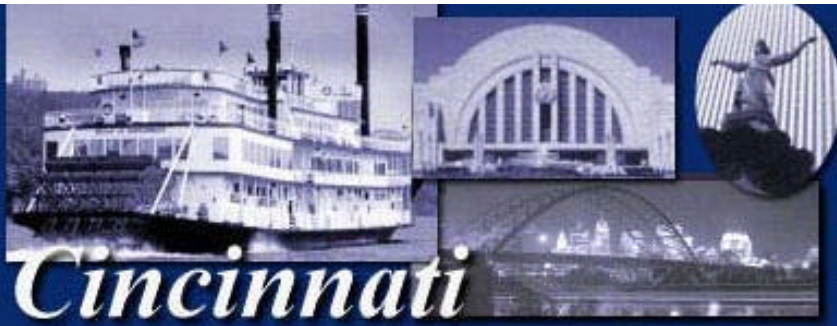
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National
Association of
Purchasing
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Cincinnati

PRESS RELEASE

Important:

Do Not Release Until

12:01 a.m. Monday, February 28th, 2005

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of February 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 February shows a continuation of the expansion. **The Purchasing Manager's Index – Cincinnati registered 57.2** slightly lower than the 60.8 from last month. Any reading over 50 indicates an expansion. **Employment** increased at the highest rate since it was the same rate in July 2002. This month's increase has not been exceeded since March 1995. 50% of our respondents reported an increase in **Employment**.

Price increases moderated this month with the **Composite Price Index – Cincinnati registering 36.6** as compared to 42.6 last month. Any reading above zero on this index indicates an increase. Inventories increased this month with **Finished Goods Inventories** achieving the greatest increase since the survey started in May 1982.