

Cincinnati

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

HIGHLIGHTS

The **Greater Cincinnati Report on Business for the month of January** shows a strengthening of the expansion in the local economy with the **Purchasing Managers Index – Cincinnati** reading **60.8** as compared to 56.0 last month. All of our indices supported the expansion with **Dollars Spent by Purchasing** increasing at only a slightly lower rate than November 2004 which was the highest since March 1989.

The **Composite Price Index – Cincinnati for January** is **42.6** as compared to 36.8 last month. This is the highest reading in this index since July of last year. All three of our pricing indices showed significant increases with **Equipment Prices** increasing at their highest

level since January 1995. Purchasers should be especially conscious of Equipment Price increases. Purchasers should also anticipate higher interest rates related to Equipment Purchases.

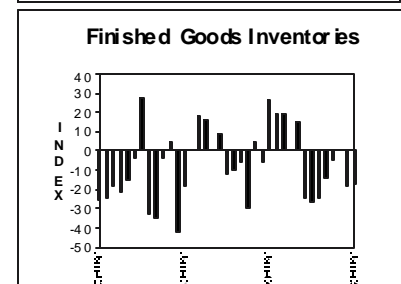
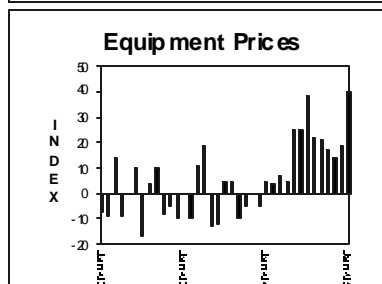
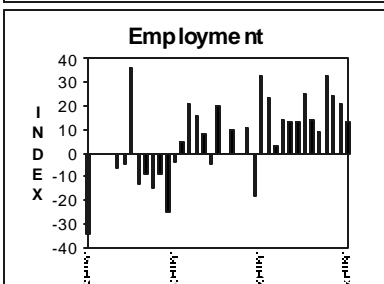
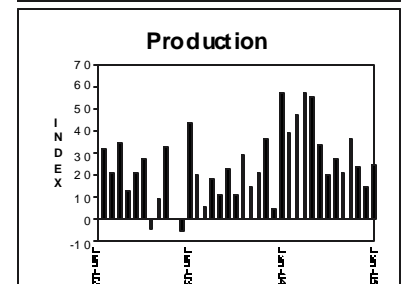
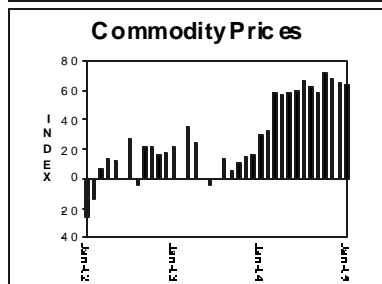
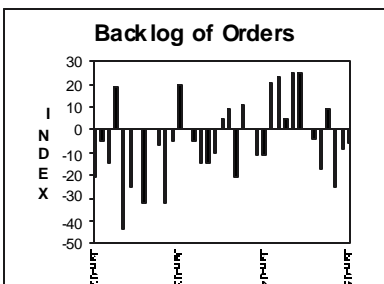
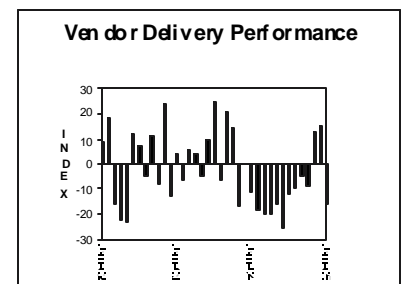
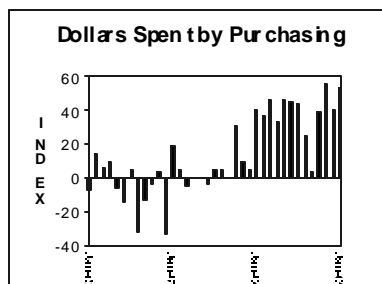
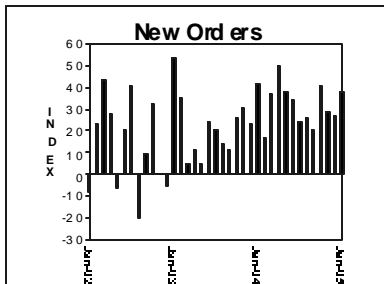
DETAILS

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, 29, 27, 38) increased at a somewhat higher rate than last month and at the highest rate since October. 50% of our respondents reported an increase as compared to only 12% reporting a decrease. This index has increased every

month since January 2003.

- **BACKLOG OF ORDERS** (-4, -25, -8, -6) decreased at a slightly lower rate than last month. This change is totally attributed to 26% of our respondents reporting a decrease compared to 28% last month. 20% of our respondents reported an increase in both months.
- **PRODUCTION** (24, 24, 15, 25) increased at a somewhat higher rate than last month. However the rate of increase has still not returned to the high levels seen a year ago. This index has also increased every month since January 2003.
- **EMPLOYMENT** (7, 24, 21, 13) increased at a slightly lower rate than last month with 26% of our respondents reporting an increase as compared to 29% last month; 3% reported a decrease as compared to 8%



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

	Up	Same	Down
GENERAL BUSINESS —			
Production	43	39	18
New Orders	50	38	12
Backlog Of Orders	20	54	26
PRICES & SPENDING —			
Prices for Commodities	64	36	0
Prices for Services	25	75	0
Prices for Equipment	40	60	0
Dollars Spent by Purchasing	58	37	5
INVENTORIES —			
Raw Materials	7	70	23
Finished Goods	8	67	25
EMPLOYMENT—			
Employment	26	61	13
DELIVERIES —			
Deliveries	7	70	23
OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:			
CHANGE IN THE AMOUNT SPENT:			
Elsewhere in the Americas	28	58	14
Across the Atlantic	14	72	14
Across the Pacific	42	44	14
Domestically	66	28	6

last month. This index has increased every month since January 2004.

- **VENDOR DELIVERY PERFORMANCE** (-3, 13, 15, -16) returned to a decrease after increasing for the last 2 months. 7% of our respondents reported quicker deliveries as compared to 20% last month; while 23% reported slower deliveries as compared to 5% last month. Purchasers should continue to watch their deliveries carefully with the strengthening of the local economy this month.
- **DOLLARS SPENT BY PURCHASING** (14, 55, 40, 53) increased at a somewhat higher rate than last month and at only a slightly lower rate than November 2004 which was the highest rate since March 1989. This is significantly higher than our 3 year average

of 14.

- **COMMODITY PRICES** (28, 68, 65, 64) increased at a similar rate to last month; with 64% of our respondents reporting an increase. This continues the significant levels of increase seen in this index since March of last year.
- **SERVICE PRICES** (11, 29, 20, 25) increased at a slightly higher rate than last month. Purchasers should continue to anticipate pressure on Service Prices with the anticipation of additional wage cost pressure.
- **EQUIPMENT PRICES** (6, 14, 19, 40) increased at a significantly higher rate than last month and at the highest rate since January 1995. 40% of our respondents reported an increase with none reporting a

decrease. This increase could reflect the dramatic increases in metals prices last year. Purchasers should review their equipment requirements carefully based upon the increases in this index and likely increases in interest rates.

BULLET = RAW MATERIALS INVENTORIES (-11, -17, -27, -16) decreased at a somewhat lower rate than last month; continuing a decreasing trend that started in June of last year.

- **FINISHED GOODS INVENTORIES** (-7, 0, -8, -17) also decreased and at a slightly lower rate than last month. This index showed an increasing trend from mid 2003 until January of 2004. It has had a decreasing trend since then and has not increased since June of last year. Purchasers should manage their inventories carefully based upon a continuation in the expansion in the local economy.

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

- **ELSEWHERE IN THE AMERICAS** (2, 8, -7, 14) **ACROSS THE ATLANTIC** (-5, -15, -13, 0) **ACROSS THE PACIFIC** (32, 38, 40, 28) **DOMESTICALLY** (13, 45, 44, 60)

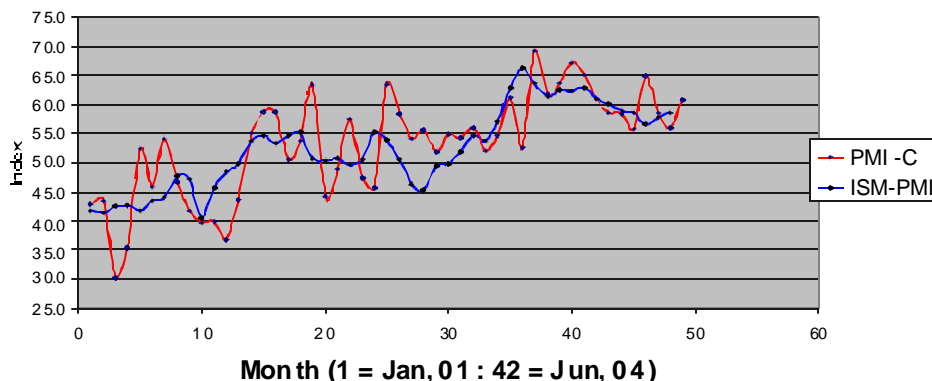
General Comments by

Purchasing Managers

Noticeable Price Changes:

- **Up are:** HDPE, adhesive, vinyl, label materials, resins, alcohol, steel including processing, fuel, stretch film, plastics.
- **Down are:** Copper, fuel, energy.
- **In Short Supply:** Propylene glycol, alcohol, stainless steel, various resin/compounds.

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.

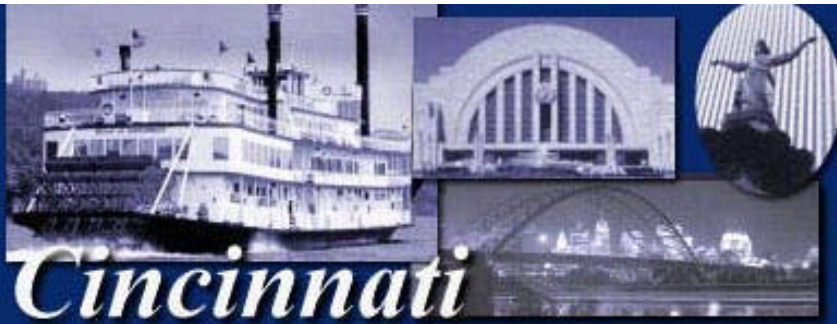
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National
Association of
Purchasing
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Cincinnati

PRESS RELEASE

Important:

Do Not Release Until

12:01 a.m. Monday, January 31st, 2005

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of January 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 January shows a strengthening in the expansion of the local economy. **The Purchasing Managers Index – Cincinnati registered 60.8** as compared to 56.0 last month. The expansion was supported by all of the indices in the survey including **Employment**.

Inflation in the local economy became a greater concern this month. **The Composite Price Index – Cincinnati registered 42.6** as compared to 36.8 last month. This is the highest reading since July of 2004. Significant increases were seen in **Commodity, Service and Equipment Prices** with Equipment prices increasing at the greatest rate since January 1995.