

# CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

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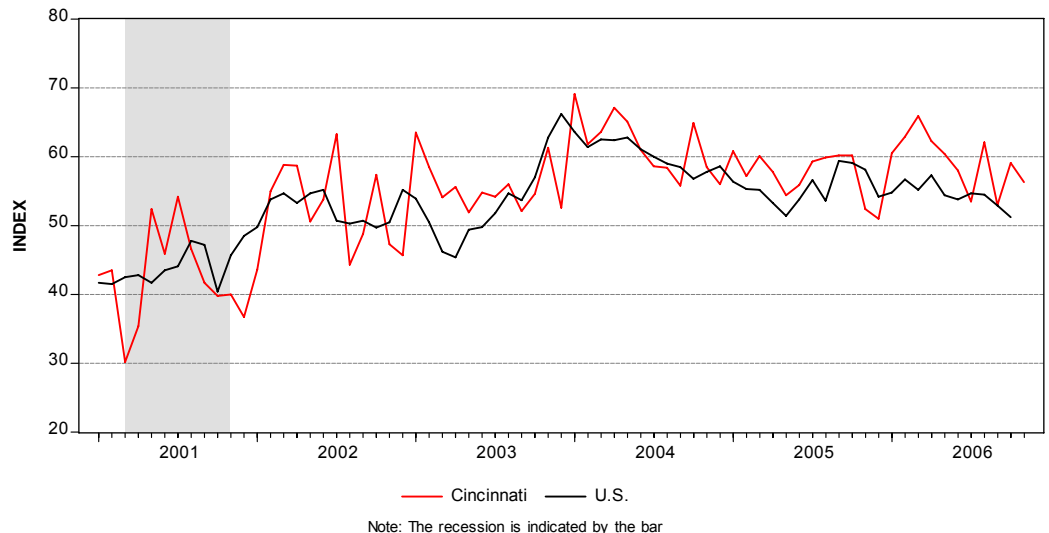
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## The National Association of Purchasing Management-Cincinnati Report on Business for the Month of November 2006

The Greater Cincinnati regional economy continues to expand but at a slower rate according to the November reading of the **Cincinnati Purchasing Management Index (PMI)**. The Cincinnati PMI measured 56.3 in November some 2.8 percentage points beneath the October index but 3.9 percentage points above the index a year earlier. Recent movements in the Cincinnati PMI echo the sluggishness of macro economic performance. The upward trend in the Cincinnati Purchasing Management Index, however, stretches to 47.



**Figure 1. Cincinnati PMI vs. ISM-PMI**

### HIGHLIGHTS

Data collected during the month of November from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers suggest the regional economy continues to expand. The indicators, however, are mixed. New orders remained stable at the October level, the production index declined, the backlog of orders was unchanged, vendor delivery performance improved, service prices were largely unchanged but the rate of increase in equipment

prices accelerated in November as the employment index rose from 0 in October to 20 in November. The rate of increase in the **Composite Price Index – Cincinnati** continued to slow during the month of November as the price index declined from 17.3 in October to 13.7 in November. Any index value that exceeds zero represents an increase in average prices. Members reported price increases for services advancing at a rate comparable to that posted in

October but a jump in the equipment price index.

#### **Production, Employment, New Orders, and Backlogs**

Survey respondents report the rate of increase in production declined during November. The **Production Index** fell from 28 in October to 15 in November. A year ago, the production index equaled 0. The **Employment Index** for November increased to 20. The percentage of replies

reporting increases in employment matched that of October but fewer participants reported employment decreases. The percentage of replies indicating employment the same as the preceding month increased 20 points. The **New Orders Index** for the month of November increased at the same rate as in October. New orders are 7 percentage points above the November 2005 index. The **Backlog of Orders index** stabilized breaking the monthly up down pattern that began in January 2006.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Nov.	Oct.			
Cincinnati PMI	56.3	59.1	↑	Slower	47
New Orders	20.0	20.0	↑	Same	2
Backlog of Orders	0.0	0.0	↔	Same	2
Production	15.0	28.0	↑	Slower	12
Employment	20.0	0.0	↑	Faster	1
Vendor Deliveries	0.0	-31.0	↔	Slower	1
Raw Material Inventories	-9.0	9.0	↓	Same	1
Finished Goods Inventories	-17.0	-8.0	↓	Faster	4
Composite Price Index	13.7	17.3	↑	Slower	38

\*Number of months moving in current direction

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 average for the last three years on the left followed by indices for the last three months, with the last month to the right.

**NEW ORDERS** - Fig.2  
(26, 0, 20, 20)

The rate of increase in new orders in November increased at the same rate as in October. The percentage point change in survey replies indicating new orders were up exactly offset the percentage point change in survey replies indicating new orders were down. The current month index number is 7 percentage points above the year earlier reading.

**BACKLOG OF ORDERS** - Fig.3  
(2, -9, 0, 0)

The pattern of monthly up down swings in the backlog of orders that began in January 2006 was broken in November as the backlog of orders index was unchanged from October.

**PRODUCTION** - Fig.4  
(28, 15, 28, 15)

The rate of increase in the production index declined in November as the index number moved lower by 13 percentage points. The decrease largely resulted from a shift in the percentage of replies

indicating production rates the “same” to the “down” category. A year ago, the index was 0. Overall, the behavior of the production index correlates with moderating business activity. November marks the 12<sup>th</sup> month the production measure has moved in the same direction.

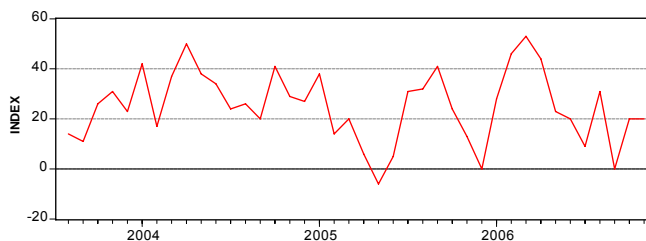


Figure 2. New Orders

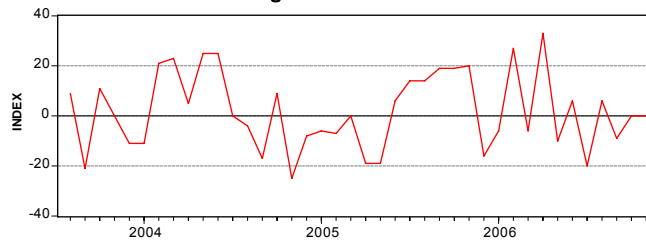


Figure 3. Backlog of Orders

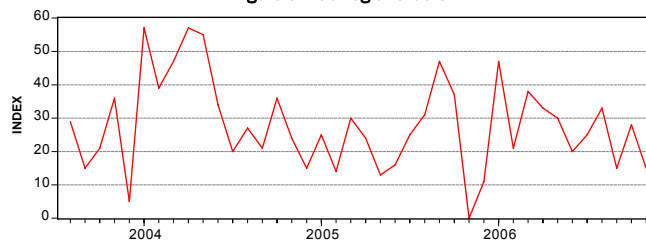


Figure 4. Production

*“The pattern of monthly up down swings in the backlog of orders that began in January 2006 was broken in November “*

**EMPLOYMENT - Fig. 5**  
(13, 7, 0, 20)

November's employment index recovered from the index declines in September and October and advanced to a value of 20. This is an increase in the index of 20 percentage points over the November 2005 number. Changes in the employment index often trail changes in production and possibly the upward movement reflects rising production during the preceding month coupled with an increase in new orders in October.

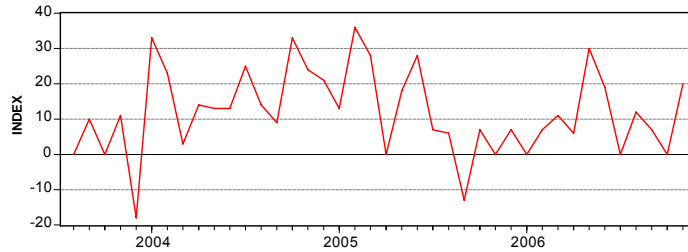


Figure 5. Employment

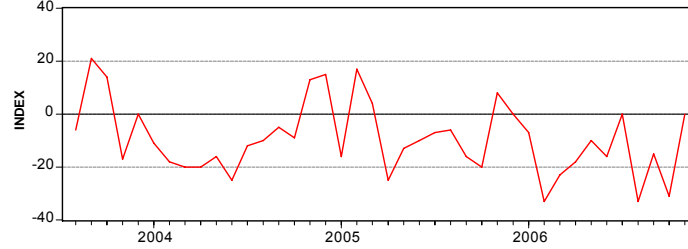


Figure 6. Vendor Delivery Performance

**VENDOR DELIVERY PERFORMANCE - Fig. 6**  
(-11, -15, -31, 0)

As reflected by the vendor delivery performance index, deliveries, according to Cincinnati purchasing managers, improved significantly during November as a smaller percentage of replies indicated deliveries slowed and a higher percentage of respondents reporting deliveries the same.

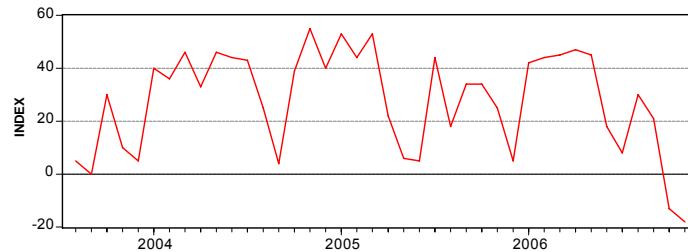


Figure 7. Dollars Spent by Purchasing

**DOLLARS SPENT BY PURCHASING - Fig.7**  
(30, 21, -13, -18)

The monthly index measuring changing dollar amounts spent by regional purchasers continued the fall that started in September. The November index is the second consecutive negative this year; the last time the index registered back to back negatives was 2002. For comparison, a year ago, the dollars spent index was 25. The data are suggestive of the widely expected and likely economic slowdown in the first six months of 2007. Changes in this measure merit close attention.

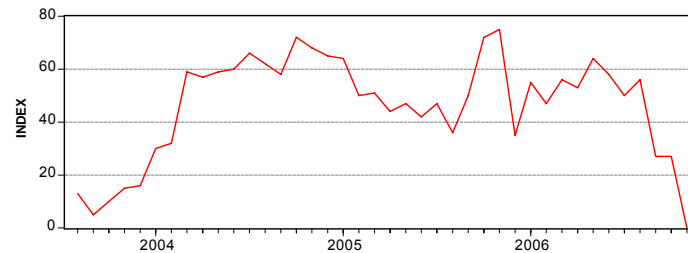


Figure 8. Commodity Prices

**COMMODITY PRICES - Fig. 8**  
(50, 27, 27, 0)

The commodity price index in November fell to 0 following September and October when

the index recorded the same rate of increase. As mentioned in the October report on business, survey data suggest commodity prices peaked in May 2006. Members do report higher prices for steel, aluminum, and injected molded plastic parts.

**SERVICE PRICES**  
(26, 14, 13, 13)

The rate of increase in service prices stabilized in November matching the price increase in October. Over the most current 3 months, the rate of increase in service prices was largely unchanged. In Novem-

ber 2005, the index measured 37.

**EQUIPMENT PRICES**  
(21, 14, 13, 27)

The rate of increase in equipment prices accelerated in November as the equipment price index jumped from 13 in October to 27 in November. The equipment price index measured 25 a year ago. A 1 month surge does not imply a trend yet purchasers may want to note the increase.

*“November’s employment index recovered from the index declines in September and October and advanced to a value of 20”*

**RAW MATERIAL INVENTORIES**  
(-7, -18, 9, -9)

The index measuring changes in raw material inventories again reversed direction moving down to a -9 in November from a positive 9 in October. This swing in direction may reflect higher production rates during the preceding month.

**FINISHED GOODS INVENTORIES** (3, -9, -8, -17)

Finished goods inventories shrank in November. This decline may be in anticipation of a continuing slowdown in the expansion of the regional economy and an unusual

seasonal pattern. This too mirrors change in the recent movement in the production index.

**BUYING PATTERNS**

These percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (2, -17, -25, -50)
- ACROSS THE ATLANTIC (-5, 0, 0, -37)
- ACROSS THE PACIFIC (35, 33, 12, 25)
- DOMESTICALLY (29, 20, -19, -19)

**GENERAL COMMENTS BY PURCHASING MANAGERS**

## Noticeable Price Changes

- Up are: Steel, gasoline, plastic additives, computer equipment, aluminum, injection molded plastic parts
- Down are: resin, stainless steel, label paper
- In Short Supply are: Aluminum plate, armor steel plate, steel forgings, craft boilermakers (labor market).

**STATISTICAL SUMMARY**

Replies as a Percent of Total Replies

**General Business**

Index	Up	Same	Down
Production	38	39	23
New Orders	46	28	26
Backlog Of Orders	28	44	28
Employment	26	68	6

**Prices & Spending**

Index	Up	Same	Down
Prices for Commodities	12	76	12
Prices for Services	13	87	0
Prices for Equipment	33	61	6
Dollars Spent by Purchasing	25	32	43

**Inventories**

Index	Up	Same	Down
Raw Materials	18	55	27
Finished Goods	16	51	33

**Deliveries**

Index	Quicker	Same	Slower
Deliveries	8	84	8

**Of those Firms that Purchase Internationally**

Change in the amount spent	Up	Same	Down
Elsewhere in the Americas	0	50	50
Across the Atlantic	0	63	37
Across the Pacific	37	51	12
Domestically	18	45	37

**Why This Report is Produced**

The Greater Cincinnati Report on Business provided by the National Association of Purchasing Management-Cincinnati (NAPM-C), prepared and reported by the Applied Economics Research Institute, Department of Economics, University of Cincinnati, tells us RIGHT NOW the condition of business in the Greater Cincinnati region. It is a flash pool that secures information from a key economic participant in all businesses, the Purchasing Manager. The report is a summary of information reported by the Purchasing Managers for Greater Cincinnati firms of all sizes in a variety of industries.

**Issued:** On the last business day of each month by the Applied Economics Research Institute, Department of Economics, University of Cincinnati in collaboration with the National Association of Purchasing Management-Cincinnati.

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## PRESS RELEASE

Important:

Do Not Release Until  
12:01 a.m. Thursday November 30, 2006

**SUBJECT:** Report on Business Conditions for Greater Cincinnati for the month of November 2006.

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 last business day of each month by the Applied Economics Research Institute, Department of Economics, University of Cincinnati in collaboration with the National Association of Purchasing Management-Cincinnati.

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**The Greater Cincinnati Report on Business for the month of November** suggests the 15 county Greater Cincinnati regional economy continues to expand although the rate of increase in the PRODUCTION Index declined by 13 percentage points. The EMPLOYMENT Index for November recovered from the declines in September and October and advanced to a value of 20.

**The Purchasing Managers Index - Cincinnati measured 56.3 in November compared to 59.1 last month for** a 2.8 percentage point decrease. A year ago, the Cincinnati PMI equaled 52.4. Recent movements in the Cincinnati PMI echo the sluggishness of macro economic performance. Any reading over 50 represents an increase.

**The Composite Price Index - Cincinnati** - The rate of increase in the **Composite Price Index - Cincinnati** continued to slow during the month of November as the price index declined from 17.3 in October to 13.7 in November. Any index value that exceeds zero represents an increase in average prices. Members reported price increases for services advancing at a rate comparable to that posted in October but a jump in the equipment price index.

The **New Orders Index** increased at the same rate as in October. **The Backlog of Orders** stabilized breaking the monthly up down pattern that began in January 2006. The monthly index measuring **Dollars Spent by Purchasing** continued the fall that started in September.