

June 2006

HIGHLIGHTS

- Purchasing Managers Index
- The Composite Price Index
- Production
- Employment
- New Orders

DETAILS

- New Orders
- Backlog of Orders
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The National Association of Purchasing Management-Cincinnati Report on Business for the Month of June 2006

HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of June shows the local economy continues to expand. The **Purchasing Managers Index – Cincinnati** measured 58.0 in June 2006. Although the rate of increase in the Cincinnati index has declined since March of this year, the June 2006 index remains 2.1 percentage points above the June 2005 level. Other monthly series suggest the economy is settling into a period of slower, but sustainable growth.

The rate of increase in the **Composite Price Index – Cincinnati** moderated in June as the index value measured 31.4. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices slowed from the May level as 58 percent of survey respondents reported higher prices. Last month's surge in equipment prices abated as 82 percent of participants indicated prices were the same as the preceding month. A smaller percentage also reported higher prices in the service sector.

Production, Employment, and New Orders

Survey respondents report production continued to increase at a slower rate in June than in May and April; the **Production Index**, however, exceeds the index reading for the same month a year ago by approximately 4 percent. The **Employment Index** was mixed as the percentage of responses reporting higher employment levels fell from May and the percentage of responses recording a decrease in jobs moved higher. The moderating growth in the **New Orders Index** in June resulted in the lowest index reading to date in calendar 2006. The **Backlog of Orders** continues to regis-

ter volatility and to maintain the up down cycle that began in February.

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

(26, 44, 23, 20)

The rate of increase in New Orders declined for the third consecutive month in June as a larger percentage

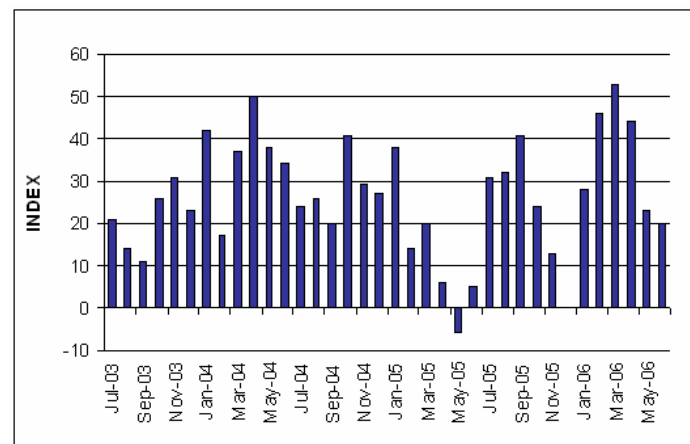


Figure 1. New Orders



“Production increased at a slower rate in June than in May”



of respondents reported orders declining and a larger share of respondents indicated the new orders index remained unchanged from May. This finding well correlates with the slowdown in economic growth Purchasing Managers forecast for the latter half of 2006.

BACKLOG OF ORDERS (3, 33, -10, 6)

The pattern of monthly volatility in the backlog of orders that began in February 2006 continued to be reflected in the June data as the index increased to 6 in June from a negative 10 in May.

PRODUCTION (28, 33, 30, 20)

Production increased at a slower rate in June than in May mirroring the three consecutive month slowdown in the rate of increase in the new orders index. The production index, however, measured 4 percentage points above the index number in June 2005. The moderating increase in the production index resulted from 28 percent of members indicating production levels remained the same and 26 percent reporting output decreases. This finding is consistent with our latest mid year economic forecast suggesting the pace of business activity in Greater Cincinnati is moderating.

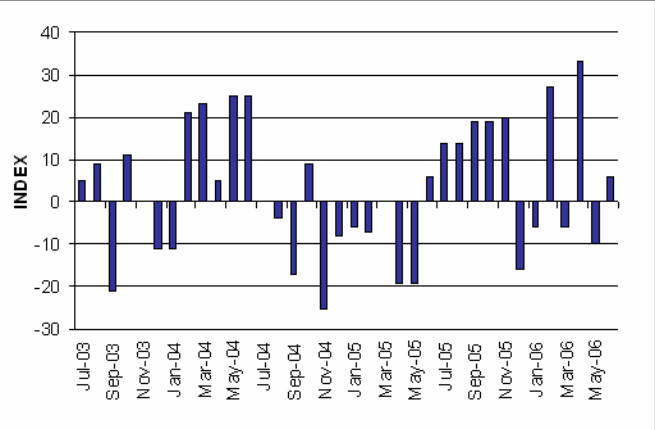


Figure 2. Backlog of Orders

EMPLOYMENT (13, 6, 30, 19)

The employment index increased modestly in June as the net percentage of respondents (those reporting employment increases less those reporting employment decreases) declined to 19 in June from 30 in May. This is expected as changes in the employment index frequently trail changes in the volume of regional production.

VENDOR DELIVERY PERFORMANCE (-8, -18, -10, -16)

Vendor delivery performance erased the improvement in the May index as a greater percentage of purchasers in the monthly sample indicated slowing deliveries and a smaller share reported improvement. We continue to recommend purchasers pay attention to lead times.

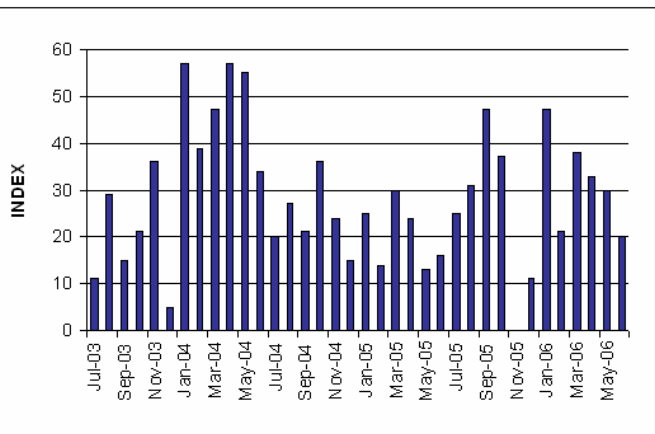


Figure 3. Production



Table 1. Cincinnati Economy at a Glance

Index	Series index		Percentage Point Change	Direction	Rate of change
	June	May			
Cincinnati PMI	58.0	60.4	-2.4	Growing	Slower
New Orders	20.0	23.0	-3.0	Growing	Slower
Backlog of Orders	6.0	-10.0	16.0	Growing	Faster
Production	20.0	30.0	-10.0	Growing	Slower
Employment	19.0	30.0	-11.0	Growing	Slower
Vendor Deliveries	-16.0	-10.0	-6.0	Contracting	Faster
Raw Material Inventories	-42.0	-22.0	-20.0	Contracting	Faster
Finished Goods Inventories	28.0	12.0	16.0	Growing	Faster
Composite Price Index	31.4	47.1	-15.7	Growing	Slower

Table 2. Statistical Summary
Replies as a Percent of Total Replies

	Up	Same	Down
General Business			
Production	46	28	26
New Orders	46	28	26
Backlog Of Orders	26	54	20
Prices & Spending			
Prices for Commodities	58	42	0
Prices for Services	18	82	0
Prices for Equipment	18	82	0
Dollars Spent by Purchasing	41	36	23
Inventories			
Raw Materials	0	58	42
Finished Goods	42	44	14
Employment			
Employment	31	57	12
Deliveries			
	Quicker	Same	Slower
Deliveries	7	70	23
OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:			
Change in the amount spent:	Up	Same	Down
Elsewhere in the Americas	14	58	28
Across the Atlantic	16	68	16
Across the Pacific	71	29	0
Domestically	25	63	12

“The monthly index capturing dollar amounts spent by regional purchasers increased at a significantly slower rate in June than in May”



DOLLARS SPENT BY PURCHASING
(30, 47, 45, 18)

The monthly index capturing dollar amounts spent by regional purchasers increased at a significantly slower rate in June than in May. The percent-

age of purchasers reporting increases in dollars spent declined from 63 in May to 41 percent in June. This rate of change was largely offset by an increase in the percentage of members reporting dollars spent stable at the May rate.

COMMODITY PRICES (47, 53, 64, 58)

The rate of increase in Commodity Prices slowed from the rate of increase posted in May as a higher percentage of respondents reported prices the same while fewer mem-



“May’s surge in equipment prices ended in June as the rate of increase in the equipment price index fell”



bers indicated commodity prices continued to advance at the same rate.

SERVICE PRICES

(22, 31, 33, 18)

The rate of increase in service prices sharply slowed from May’s pace as 82 percent of responses indicated service prices remained the same.

EQUIPMENT PRICES

(17, 12, 42, 18)

May’s surge in equipment prices ended in June as the rate of increase in the equipment price index fell. Compared to May, the index value decreased from 42 to 18 a value in line with the 36 month average.

RAW MATERIAL INVENTORIES

(-7, -7, -22, -42)

The index measuring changes in raw material inventories continued to decline in June. The pro-

gressively larger declines may reflect the expected slowdown in production during the latter half of 2006 as purchasers balance inventory levels with planned production rates in the coming months.

FINISHED GOODS INVENTORIES

(3, 14, 12, 28)

Our index measuring rates of increase in inventories of finished goods increased in June as the percentage of survey participants reporting increases in stocks of finished goods almost doubled the May statistic.

BUYING PATTERNS

These percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (4, 25, 15, -14)
- ACROSS THE ATLANTIC (-6, 28, 16, 0)
- ACROSS THE PACIFIC (33, 50, 46, 71)

DOMESTICALLY (29, 42, 32, 13)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

- Up are: Stainless steel, motors, copy paper, copper, fuel, steel, zinc, resin, gasoline, transportation, corrugated shipping containers, electrical items with copper, metals, hydrochloric acid, caustic soda, copper and aluminum compounds, paper, and toner
- Down is: Aluminum sheet and coil
- In Short Supply is: Gasoline.

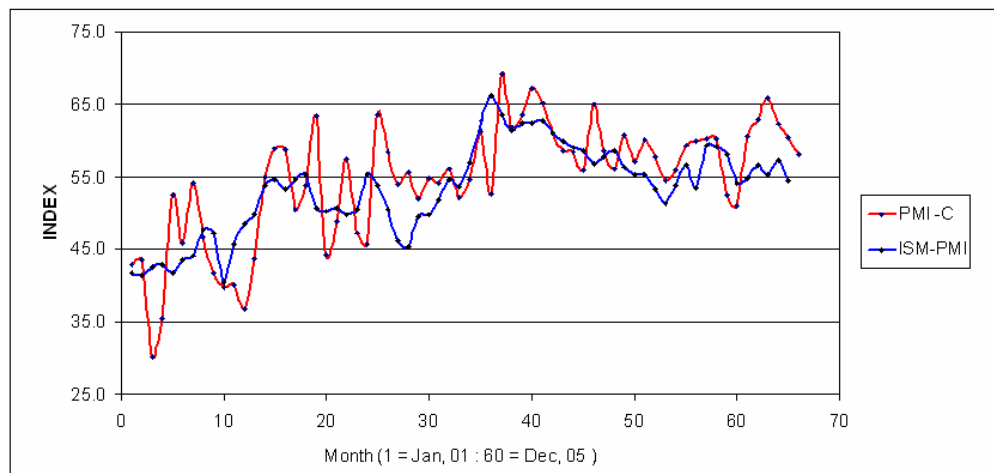


Figure 5. Cincinnati PMI vs. ISM-PMI

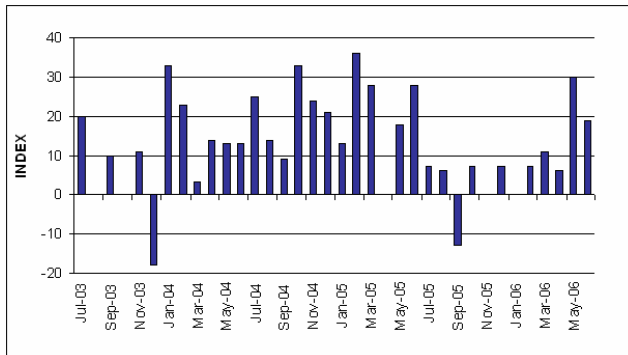


Figure 6. Employment

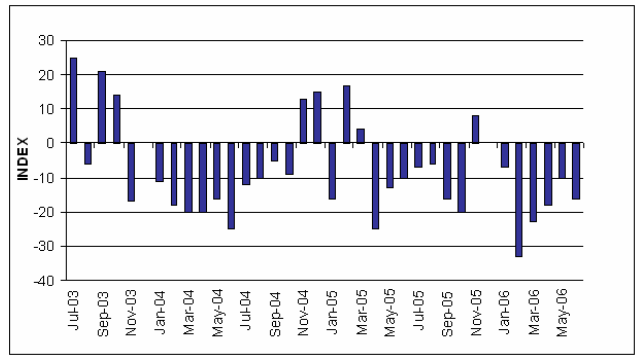


Figure 7. Vendor Delivery Performance

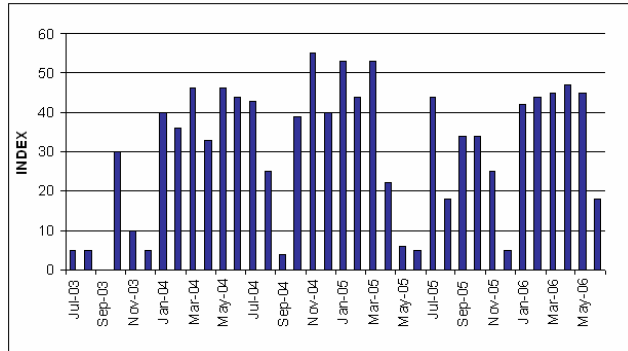


Figure 8. Dollars Spent by Purchasing

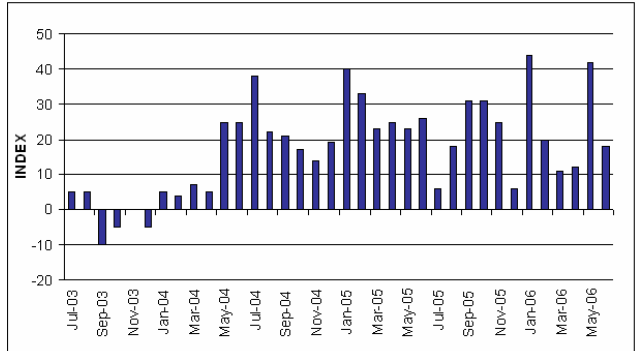


Figure 9. Equipment Prices

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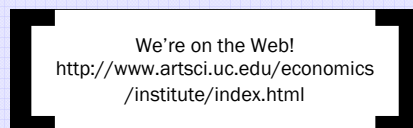
Why This Report is Produced

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. Wednesday June 30, 2006**

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

Please note that this IS NOT the national report. This report covers the level of business activity in the Greater Cincinnati Area only.

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The Greater Cincinnati Report on Business for the month of June confirms the local economy continues to expand although the data suggest the rate of increase is moderating. The PRODUCTION Index increased at a slower rate than in May following the slowdown that began during April 2006. Movement in the EMPLOYMENT Index paralleled that registered in production as the net percentage statistic (numbers reporting an increase less those reporting a decrease) for both indices was changed by roughly the same amount.

The Purchasing Managers Index – Cincinnati equaled 58.0 for June compared to 60.4 last month for a 2.4 percentage point decline. The Cincinnati PMI measured 55.9 in June 2005. Any reading over 50 represents an increase.

The Composite Price Index- Cincinnati - The rate of increase in the **Composite Price Index – Cincinnati** moderated in June as the index value measured 31.4. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices slowed from the May level as 58 percent of survey respondents reported higher prices. Last month's surge in equipment prices abated as 82 percent of participants indicated prices the same as the preceding month. A smaller percentage also reported higher prices in the service sector.

New Orders and Dollars Spent by Purchasing increased at a slower rate in June as the index capturing changes in the backlog of orders moved from a negative to a positive value.