

ECONOMIC FORECAST

for the Latter Half of 2006 and the First Half of 2007

Greater Cincinnati Report on Business

OUTLOOK

- Third and Fourth Quarters of 2006
- First and Second Quarters of 2007
- Forecast for the Last Half of 2006 and the First Half of 2007

INDICATORS

- New Orders
- Employment
- Commodity Prices
- Dollars Spent by Purchasing
- Raw Materials Inventories

During May 2006 members of the National Association of Purchasing Management –Cincinnati were surveyed to gather primary statistical data on their outlook and forecast for the Greater Cincinnati regional economy during the final two quarters of 2006 and the first two quarters of 2007. Participants were asked to provide general predictions on the overall direction of business activity and to respond to specific questions regarding changes in the volume of new orders,

employment levels, expected movements in commodity prices, total dollars spent by purchasing, and how raw material inventories are likely to vary.

Respondents expect the economic expansion in the Greater Cincinnati region to continue throughout 2006 and into 2007 as 50 percent forecast higher levels of business activity over the next 12 months. The percentage of members reporting increases,

however, declined from November 2006 when 58 percent predicted continuing growth. A year ago, 64 percent predicted overall improvements in business conditions.

Based on survey responses, it seems likely the rate of regional growth will moderate during the first half of 2007 as the percentages of those expecting growth rates in new orders to be down increased from 11 to 28 percent and the percent-

Table I. Outlook for the Third and Fourth Quarter of 2006

<u>2nd Half of 2006</u>	<u>Up</u>	<u>Same</u>	<u>Down</u>	<u>Net Percent</u>
New Orders	56	33	11	44
Employment	28	56	17	11
Commodity Prices	67	33	0	67
Dollars spent by Purchasing	72	17	11	61
Raw Materials Inventories	13	53	33	-20

Table 2. Outlook for the First and Second Quarter of 2007

1st Half of 2007	<u>Up</u>	<u>Same</u>	<u>Down</u>	<u>Net Percent</u>
New Orders	44	28	28	17
Employment	17	44	39	-22
Commodity Prices	56	39	6	50
Dollars spent by Purchasing	61	22	17	44
Raw Materials Inventories	13	75	13	0

“New Orders are projected to increase during the final 6 months of 2006 ”

age of those expecting employment to drop rose from 17 to 39 percent. As reflected in our sample data, 72 percent of Cincinnati area Purchasing Managers plan to spend more during the last half of 2006; the percentage of survey participants planning increases in dollar amounts of purchases in the first 2 quarters of 2007 equals 61 percent. The slowdown in growth rates in dollars spent by purchasers parallels that in new orders.

New Orders are projected to increase during the final 6 months of 2006 as 56 percent of survey participants forecast increasing order volumes. In November 2005, the “up” percentage measured 27 percent. For the first two quarters of 2007, the percentage of Association members expecting rising rates of increases in new orders declines to 44 percent.

Employment is forecast to increase by 28 percent of responding members in the latter half of 2006 and by 17 percent during the first two quarters of 2007. As reflected by the data, the rate of increase drops significantly; a year ago, 41 percent expected increases in area jobs. Moreover, the percentage of respondents reporting they expected employment “down” rose from 8 percent in May 2005 to 17 percent in May 2006.

Commodity Prices are forecast to rise throughout 2006 and the first two quarters of 2007. Percentages expecting commodity prices to increase matched the “up” response in November. The rate of increase, however, is forecast to moderate during the first and second quarters of 2007.

Dollars Spent by Purchasing are predicted to increase by 72 percent of survey respondents. Results compiled from the data collected in the November 2005 survey indicated only 16 percent of responding members forecast an increase during the latter 6 months of 2006. Increases in dollars spent by purchasing are expected in the first half of 2007 although the rate of increase will slow.

Raw Materials Inventories, according to 53 percent of survey participants, will remain the same during the remainder of the year. In November, 70 percent of respondents reported stable stocks of raw materials. For the first half of 2007, the percentage of responding members who project same levels of raw materials inventories rises to 75 percent.



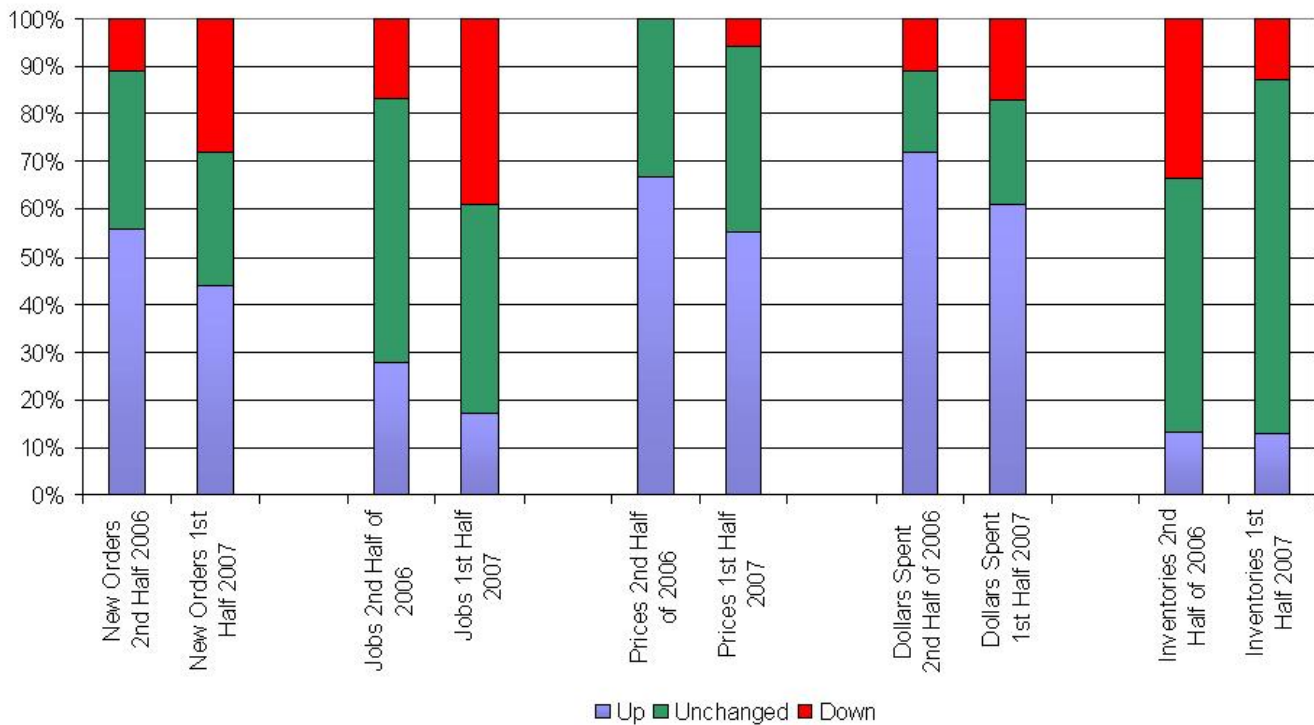
“Commodity Prices are forecast to rise throughout 2006 and the first two quarters of 2007”



Table 3. Statistical Summary
Forecast for the Last Half of 2006 and the First Half of 2007
 (Percent Responses)

	<u>Up</u>	<u>Same</u>	<u>Down</u>	<u>Net</u> <u>Percent</u>
2nd Half of 2006				
New Orders	56	33	11	44
Employment	28	56	17	11
Commodity Prices	67	33	0	67
Dollars spent by Purchasing	72	17	11	61
Raw Materials Inventories	13	53	33	-20
1st Half of 2007				
New Orders	44	28	28	17
Employment	17	44	39	-22
Commodity Prices	56	39	6	50
Dollars spent by Purchasing	61	22	17	44
Raw Materials Inventories	13	75	13	0
Change in Outlook over the next 12 months				
New Orders	-11	-6	17	
Employment	-11	-11	22	
Commodity Prices	-11	6	6	
Dollars spent by Purchasing	-11	6	6	
Raw Materials Inventories	-1	22	-21	
Overall the economy in the next 12 months will be				
	50	33	17	29
Note: Net percent is the difference between Up and Down frequencies.				

Figure I. Forecast for the Second Half of 2006 and the First Half of 2007



For Further Information

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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.

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