

Cincinnati

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

HIGHLIGHTS

The Greater Cincinnati Report on Business for the month of January showed a stronger expansion in the local economy. The Purchasing Managers Index – Cincinnati registered 60.5 as compared to 51 last month. This month's increase returned to the levels seen in July – October. Any reading over 50 indicates an expansion in the local economy. Employment showed no change as compared to an increase last month indicating a Productivity improvement in our local economy.

The Composite Price Index – Cincinnati increased significantly to 45.7 as compared to 24.4 last month. Any reading over zero indicates an increase. Equipment Prices increased at the second highest rate since the

survey began in May 1982. Commodity Prices returned to a rate of increase which is similar to what was seen in 2004; however, it continues to be below the highs seen immediately after the hurricanes. This month's survey is in contrast to the slower expansion and lower inflation seen last month.

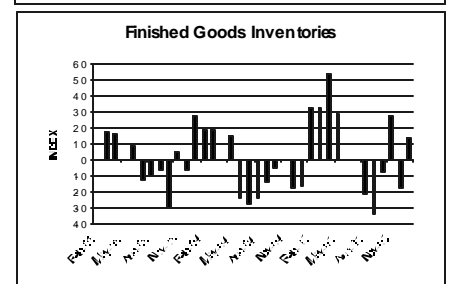
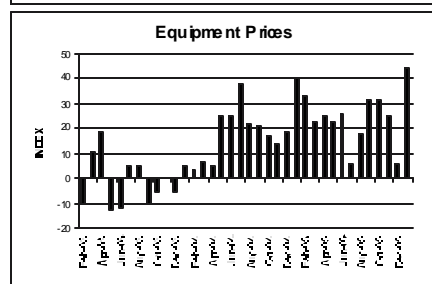
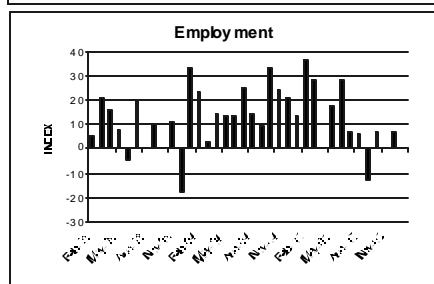
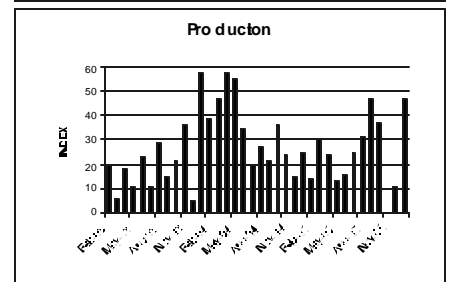
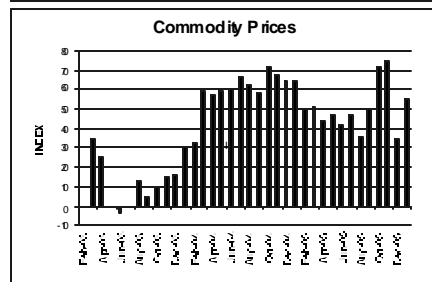
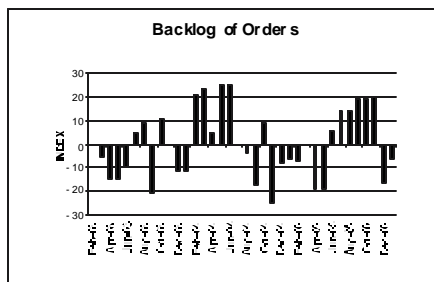
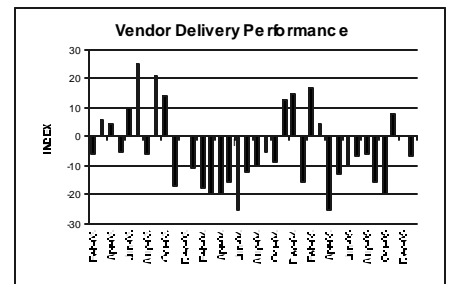
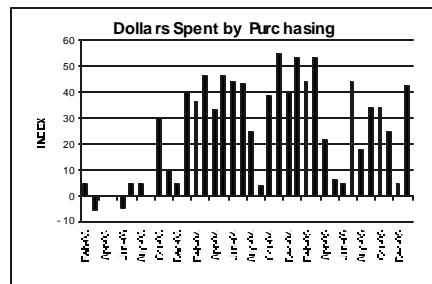
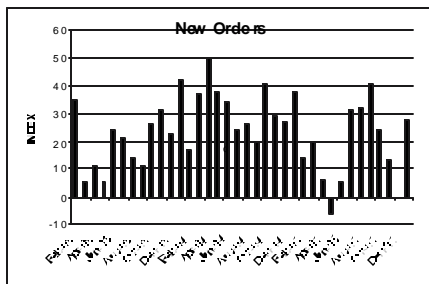
DETAILS

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** (23, 13, 0, 28) increased significantly as compared to no change last month which has begun to reverse the prior 3 month declining trend. This change

was primarily due to 50% of our respondents reporting an increase as compared to 26% last month. The volatility in this index has increased with only 28% of our respondents reporting no change. Currently this volatility is biased towards increases in New Orders.

- **BACKLOG OF ORDERS** (0, 20, -16, -6) decreased for the second month in a row however at approximately half of the rate seen last month. The increase in New Orders was more than offset by increases in Production.
- **PRODUCTION** (26, 0, 11, 47) increased for the second month in a row at a rate more than four times higher than last month. 64% of our respondents reported an increase as compared to 17% last



STATISTICAL SUMMARY for month of January 2006

Replies as a Percent of Total Replies

	Up	Same	Down
GENERAL BUSINESS —			
Production	64	19	17
New Orders	50	28	22
Backlog Of Orders	17	60	23
PRICES & SPENDING			
Prices for Commodities	55	45	0
Prices for Services	38	62	0
Prices for Equipment	44	56	0
Dollars Spent by Purchasing	63	16	21
INVENTORIES —			
Raw Materials	12	45	43
Finished Goods	31	51	18
EMPLOYMENT—			
Employment	12	76	12
DELIVERIES —			
Deliveries	0	93	7
OF THOSE FIRMS THAT PURCHASE INTERNATIONALLY:			
CHANGE IN THE AMOUNT SPENT:			
	Up	Same	Down
Elsewhere in the Americas	20	70	10
Across the Atlantic	10	90	0
Across the Pacific	45	46	9
Domestically	63	22	15

month.

- **EMPLOYMENT** (12, 0, 7, 0) showed no change as compared to an increase last month. As indicated last month the slow down in hiring increases availability of Employment candidates in the local market. However, based on the increase in the Purchasing Manager's Index this month, member companies might anticipate a tighter labor market. Stable Employment coupled with the expanding local economy indicates increased Productivity.
- **VENDOR DELIVERY PERFORMANCE** (-5, 8, 0, -7) decreased as compared to no change last month. Based on the significant increase in the PMI - Cincinnati, member companies will need

to watch their lead times more carefully.

- **DOLLARS SPENT BY PURCHASING** (25, 25, 5, 42) surged after a lackluster December. 63% of our respondents reported an increase as compared to 35% last month; while only 21% of our respondents reported a decrease as compared to 30% last month.
- **COMMODITY PRICES** (41, 75, 35, 55) increased at a moderately higher rate than last month. This rate of increase is somewhat higher than the increases prior to the effects of the hurricanes.
- **SERVICE PRICES** (21, 37, 26, 38) increased at a somewhat higher rate than last month and continues to be above our three year average. This index continues the upward trend which began in

December 2003.

- **EQUIPMENT PRICES** (14, 25, 6, 44) increased at the highest rate since January 1995 and at the second highest rate since the index started in May 1982.
- **RAW MATERIALS INVENTORIES** (-6, 13, -25, -31) decreased for the second month in a row. Based on the strength in this month's survey and the increases in Commodity Prices, Purchasers should manager their Raw Materials Inventories carefully.
- **FINISHED GOODS INVENTORIES** (1, 27, -18, 13) increased as compared to a decrease last month.

BUYING PATTERNS

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

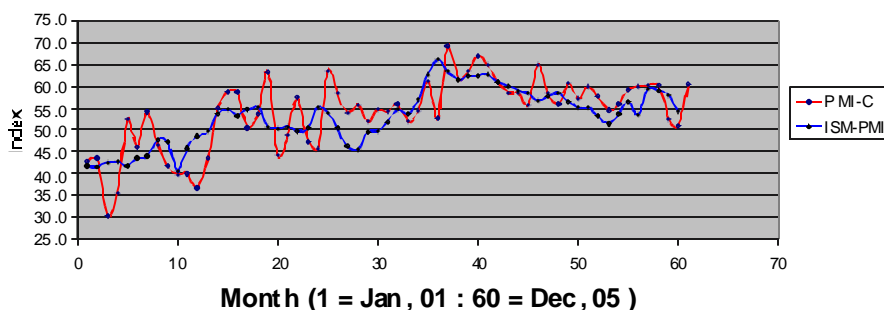
- **ELSEWHERE IN THE AMERICAS** (2, 0, -20, 10) **ACROSS THE ATLANTIC** (-7, 11, -20, 10) **ACROSS THE PACIFIC** (35, 11, -10, 36) **DOMESTICALLY** (23, 21, -5, 48)

General Comments by Purchasing Managers

Noticeable Price Changes:

- **Up are:** Aluminum, stainless steel, plastics, fuel/gasoline for deliveries, copper, corrugated cartons, rubber parts, plastic parts, vinyl, energy, pressure label stocks, brand label products, copper derivatives.
- **Down are:** Foam, galvanized steel, resin, fuel.
- **In Short Supply:** Blowers, motors, grain oriented silicon steel, paraffin wax.

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.

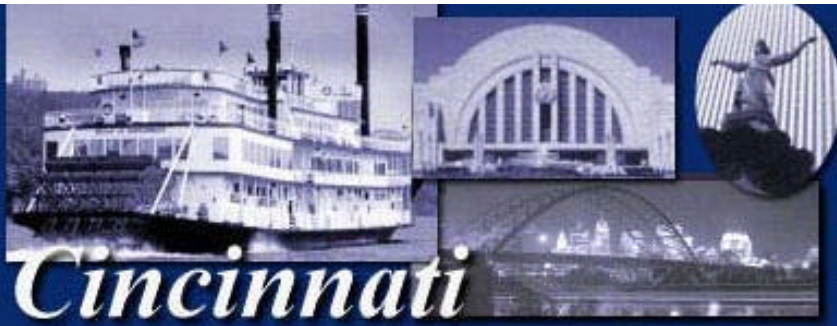
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Cincinnati

PRESS RELEASE

Important:

Do Not Release Until

12:01 a.m. Tuesday, January 31, 2006

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of January 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 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 showed a resurgence in the expansion of the local economy. **The Purchasing Managers Index – Cincinnati registered 60.5 as compared to 51 last month.** Any reading over 50 indicates an expansion. This month's index has returned to the level of expansion recorded during the period from July to **October.**

The Composite Price Index – Cincinnati increased to 45.7 as compared to 24.4 last month. Any reading over zero indicates an increase. Significantly **Equipment Prices** increased at the second highest rate seen since the survey began in May 1982.