

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

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ECONOMIC FORECAST

for the First and the Second Halves of 2008

Greater Cincinnati Report on Business

During November and December 2007 members of the National Association of Purchasing Management – Cincinnati were surveyed to gather primary statistical data on their outlooks and forecast of business conditions for the Greater Cincinnati regional economy during 2008. Participants were asked to predict changes in the volume of their new orders, employment levels, expected movements in commodity prices, total dollars spent by purchasing, and raw material inventories. Participants were also asked to indicate whether they believe the regional economy would expand, stabilize at present levels, or contract over the next 12 months.

OVERVIEW

In contrast to the last survey done in May 2007, respondents in this survey express lower expectations about the regional economy over the next 12 months. In particular, only 30 percent of respondents expect the regional economy to be growing over the next 12 months, while 35 percent expect it to slow.

The survey also suggests that respondents expect that the last six months of 2008 may have slightly stronger economic outcomes than the first six months. Growth in new orders, commodity prices, and expenditures by purchasing in the second half of 2008 are all forecast to slightly exceed the growth in the first half. They expect employment to be somewhat weaker in the second half.

Table 1. Outlook for the First Half of 2008

	Up	Same	Down	Net Percent Change
New Orders	42	47	11	31
Employment	21	68	11	10
Prices	63	32	5	58
Dollars Spent by Purchasing	53	37	11	42
Raw Material Inventories	11	61	28	-17

Table 2. Outlook for the Second Half of 2008

	Up	Same	Down	Net Percent Change
New Orders	45	40	15	30
Employment	20	65	15	5
Prices	65	25	10	55
Dollars Spent by Purchasing	60	30	10	50
Raw Material Inventories	16	63	21	-5

DETAILS

New Orders are expected to increase over the first six months of 2008, as 42% of the survey respondents expect new orders to rise, and 11% expect them to decline, giving a net of 31% expecting increases. This is more optimistic than what the respondents indicated in May 2007 for the first six months of 2008. Then only a net of 18% anticipated increasing new orders. Consequently, over the first six months of 2008, new orders are predicted to continue to increase at a faster rate than was expected in May of 2007. For the final half of 2008, respondents expect new orders to increase also, but not as strongly as the first half, since while 45% expect orders to rise, 15% expect them to fall, giving a net of 30% expecting new orders to rise.

Employment is predicted to increase over the first six months of 2008 as 21% of respondents indicated rising employment, and

11% of respondent expect a drop in employment, with a positive net expected change. As with new orders, employment is forecast to continue to grow, but somewhat less so in the second half of 2008, with 20% of respondents predicting an increase in employment, 15% predicting a decrease, and the majority (65%) expecting it to remain stable.

Commodity Prices are strongly expected to increase over the first six months of 2008 as 63% of survey participants are forecasting increases, and only 5% forecasting decreases. Rising commodity prices are also forecast for the final six months of 2008, with 65% indicating increases, and 10% indicating decreases. The net percent indicating increases in the second half of the year is 55%, while it is 58% in the first half, indicating a expectation that price pressures may attenuate in the second half.

Dollars spent by Purchasing are predicted to increase by 53 percent of respondents over the first half of 2008, while 11% expect a decline, yielding a net increase of 42 percent expecting increases in their purchases. The forecasts for the second half of 2008 are somewhat stronger, with 60% of respondents expecting their purchases to increase, and 10% expecting decreases.

Raw Material Inventories are expected to decline during the first half of 2008,. Only 11% expect increases, while 28% expect decreases, and so on balance 17% more respondents are expecting declines than increases. The forecast for the second half of the year is similar but less negative, with 16% expecting inventory increases, 21% expecting decreases, leading to a net 5% expecting raw material inventories to decrease.

“New Orders are expected to increase over the first six months of 2008 . . . ”

Figure 1. Forecast for First and Second Halves of 2008

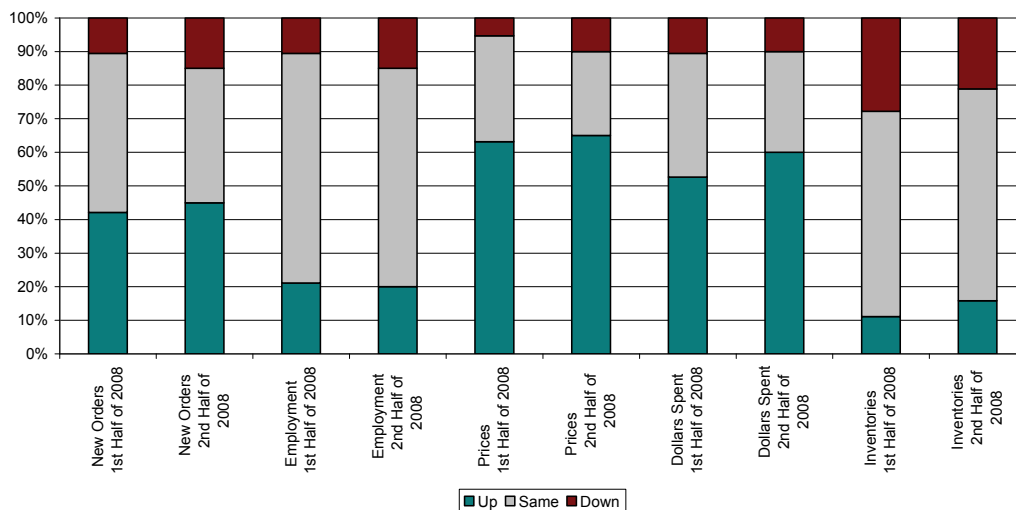


Table 3. Statistical Summary
Forecast for the First and Second Halves of 2008
 (Percent Responses)

	Up	Same	Down	Net Percent
First Half of 2008				
New Orders	42	47	11	31
Employment	21	68	11	10
Prices	63	32	5	58
Dollars Spent by Purchasing	53	37	11	42
Raw Material Inventories	11	61	28	-17
Second Half of 2008				
New Orders	45	40	15	30
Employment	20	65	15	5
Prices	65	25	10	55
Dollars Spent by Purchasing	60	30	10	50
Raw Material Inventories	16	63	21	-5
Change in Outlook over the next 12 months (1st half minus 2nd)				
New Orders	3	-7	5	-2
Employment	-1	-3	5	-6
Commodity Prices	2	-7	5	-3
Dollars Spent by Purchasing	7	-7	-1	8
Raw Material Inventories	5	2	-7	11
Overall the economy in the next 12 months will be				
	30	35	35	-5

Note: Net percent is the difference between Up and Down frequencies; rounding errors may preclude net percents from equaling Up minus Down.

Why This Report is Produced

The Semiannual Economic Forecast for Greater Cincinnati provides vital information about the expectations of Purchasing Managers for regional economic conditions over the next calendar year. Purchasing Managers are a key participant in all businesses, and this forecast is based on a survey of Purchasing Managers from Greater Cincinnati firms of all sizes in a variety of industries.

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