

## CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

### PRESS RELEASE

Important:

Do Not Release Until  
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SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of November 2007.

Please note that this IS NOT the national report. This report covers the level of business activity in the Greater Cincinnati Area only – Ohio, Northern Kentucky and Southeastern Indiana.

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** shows that reported purchasing activity continues to expand at a faster rate than in October, and slightly faster than one year ago. The **Production Index** signals increased production, with an increase in growth. The **Employment Index** also showed an increase, turning positive after October's negative report.

**The Purchasing Managers Index – Cincinnati** measured 58.1 in November compared to 45.1 last month, a 13.0 percentage point increase. The Cincinnati PMI has remained above 50 since January 2003 with two exceptions, October 2007 and December 2006. Any reading under 50 represents a decrease.

**The Composite Price Index – Cincinnati** rose in November as the index value measured 41, up from 19 in October. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices accelerated from October as 67 percent of respondents reported increases in the prices they pay, 22 percent reported the same, and 11 percent reported declines. The **Equipment Price Index** increased markedly in November, and the **Service Price Index** decreased from October's value, falling below the 36 month average of 22.

**The New Orders Index** increased substantially in November, and the index measuring **Dollars Spent by Purchasing** also increased substantially compared to October's value. The **Backlog of Orders Index** remained negative, but less so compared to October.

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## The National Association of Purchasing Management-Cincinnati Report on Business for the Month of November 2007

After a decrease in October, the **Cincinnati Purchasing Management Index (PMI)** increased in November, rising to 58.1 from 45.1 in October. A year ago, the November Cincinnati PMI stood at 56.3. For reference, the **national PMI** for October 2007 decreased 1.1 percentage points to 50.9 from its September value of 52. The national November 2007 index is not available at this writing.

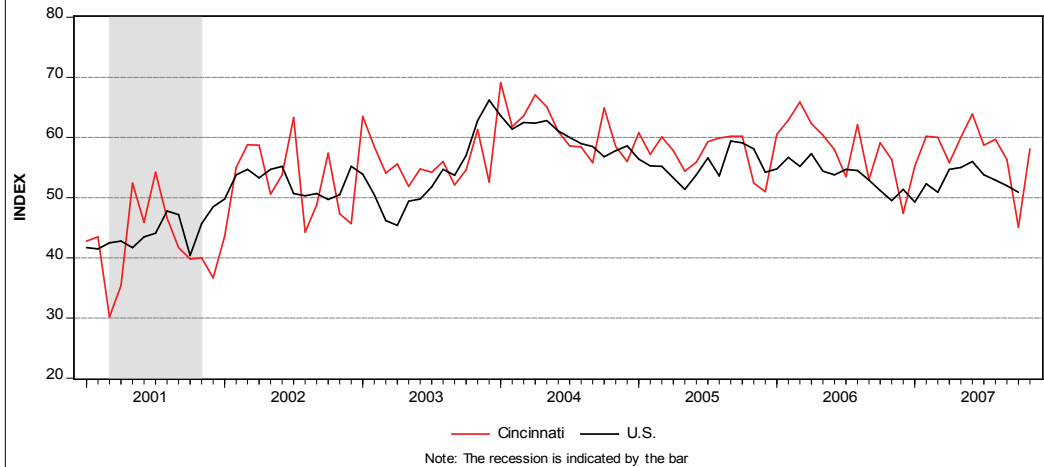


Figure 1. Cincinnati PMI vs. ISM-PMI

## HIGHLIGHTS

Data collected during the month of November from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity has increased, returning to a long positive trend (since January 2003) that had turned negative only once, in December of 2006. The Cincinnati PMI rose from 45.1 in October to 58.1 in November. The various indices are suggesting increasing economic activity. The indices for production and for new orders both turned positive in November. The index for backlog of orders became less negative compared to the October value. The index of invento-

ries of finished goods turned slightly less negative this month, compared to October. Commodity prices rose markedly in November (index = 56), much above October's report of 9. The equipment price index also rose markedly from 25 in October to 50 in November, although the service price index fell to 17 from 23 in October. Dollars spent in purchasing also turned positive (index = 28) compared to October's value of -33. The reported raw material inventories index fell to -29 from October's value of 0. With respect to geographic buying patterns, in the Americas the index fell to -29 from October's value of -14; the index for buying from across

the Atlantic rose to -12 from October's value of -28; buying from across the Pacific rose to zero, up from last month's -12 (the previous negative report was in December of 2005), while the domestic purchasing index rose to 33 from October's value of 14. The **Composite Price Index - Cincinnati** registered an upward movement in November, rising to 41 from 19 in October. Any index value that exceeds zero represents an increase in average prices.

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

Survey respondents report that the rate of production

accelerated in November as the **Production Index** increased from -5 in October to 35 in November, a 40 point swing. A year ago, the production index equaled 15. The **Employment Index** increased in November as 33 percent of the respondents reported increases, 17 percent reported decreases, and 50 percent reported no change in employment. The **New Orders Index** for the month of November rose markedly, as the index moved from -20 to 23. A year ago, the new orders index measured 20. The **Backlog of Orders Index** rose from -26 in October to -17 this month. A year ago it was 0.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Nov	Oct			
Cincinnati PMI	58.1	45.1	↑	Faster	1
New Orders	23	-20	↑	Faster	1
Backlog of Orders	-17	-26	↓	Slower	3
Production	35	-5	↑	Faster	1
Employment	16	-4	↑	Faster	1
Vendor Deliveries	6	6	↑	Same	2
Raw Material Inventories	-29	0	↓	Faster	1
Finished Goods Inventories	-11	-12	↓	Faster	2
Composite Price Index	41.0	19.0	↑	Faster	50

\*Number of months moving in current direction

DETAILS

The index numbers reported here indicate the NET CHANGE (number of respondents in each category reporting UP from last month minus the number reporting DOWN). For each indicator, from left to right in parenthesis, is the average for the last three years followed by indices for the last three months, ending with the current month index.

**NEW ORDERS** - Fig. 2  
(21, 10, -20, 23)

The New Orders index in October increased to a value of 23, a swing of 43 points. This change resulted from 35 percent of replies indicating new orders were “up”, 12 percent indicating “down” and 53 percent reporting “the same”. A year ago, the new orders index equaled 20.

**BACKLOG OF ORDERS** - Fig. 3  
(1, -11, -26, -17)

The backlog of orders index turned less negative in November, rising to -17 from October’s value of -26, an increase caused by 12 percent of respondents reporting “up”, 29 percent reporting “down”, and 59 percent reporting “the same”.

**PRODUCTION** - Fig. 4  
(25, 24, -5, 35)

The production index increased markedly in November as the index number rose from -5 in October to 35, a 40 point swing. Forty-one percent of respondents reported production as “up”, 6

percent reported “down”, and 53 percent reported “the same”. The production index in November of 2006 was 15. The November 2007 index lies above the 36 month average of 25, suggesting that last month’s negative value was an aberration and that the upward trend in produc-

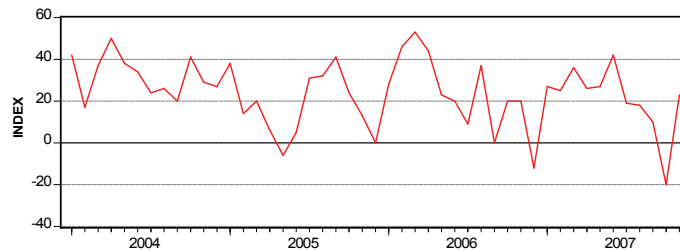


Figure 2. New Orders

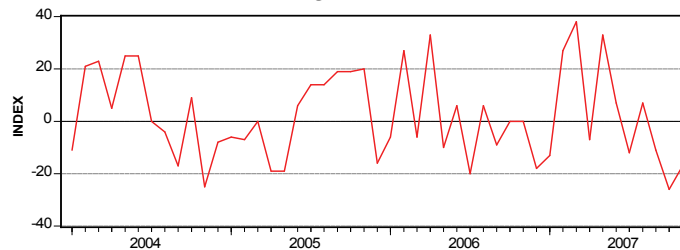


Figure 3. Backlog of Orders

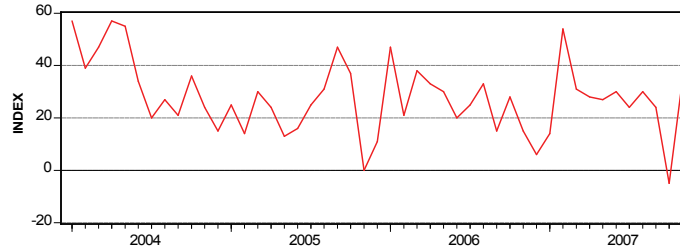


Figure 4. Production

*“The production index increased markedly in November as the index number rose from -5 in October to 35, a 40 point swing.”*

tion continues. The maximum index value in this 36 month period was 54, reached in February, 2007.

**EMPLOYMENT - Fig. 5**  
(10, 9, -4, 16)

November's employment index also rose to 16, up 20 points from October's value. Thirty-three percent of respondents reported increased employment (19 percent in October), and 17 percent reported decreased employment (23 percent in October), while 50 percent of the respondents reported employment remained the same (58 percent in October).

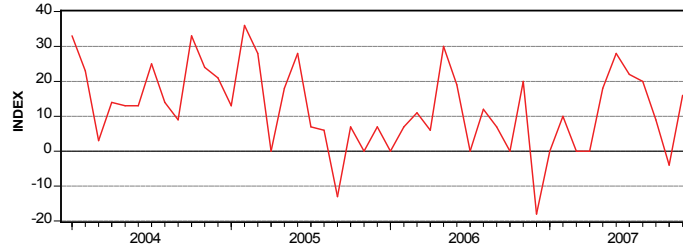


Figure 5. Employment

**VENDOR DELIVERY PERFORMANCE - Fig. 6**  
(-7, -6, 6, 6)

The vendor delivery performance index remained at 6, the same as in October. Seventy-two percent of survey respondents this month reported delivery times as the "same", down from 94 percent in October. Seventeen percent reported faster deliveries (6 in October), and 11 percent reported slower delivery times (0 in October). A year ago, the index value was 0.

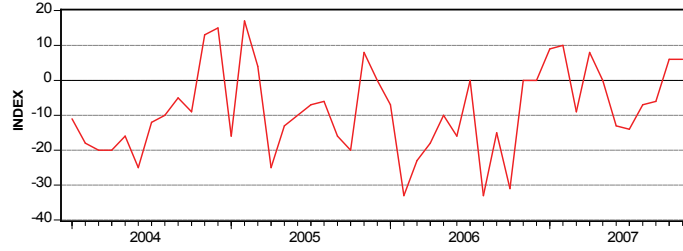


Figure 6. Vendor Delivery Performance

**DOLLARS SPENT BY PURCHASING - Fig. 7**  
(22, 10, -33, 28)

The monthly index measuring changing dollar amounts spent by regional purchasers increased markedly in November compared to October, increasing by 61 points. Thirty-nine percent of respondents indicated increased spending, 50 reported no change, and 11 percent indicated increased purchases.

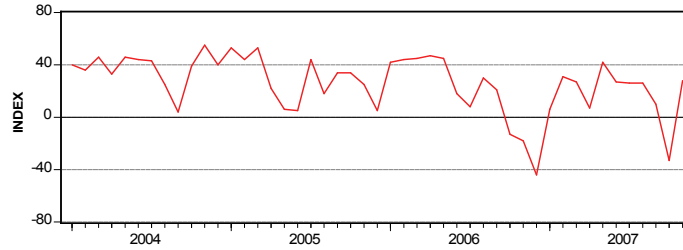


Figure 7. Dollars Spent by Purchasing

**COMMODITY PRICES - Fig. 8**  
(43, 9, 9, 56)

The commodity price index in November increased markedly to 56, with 67 percent of respondents reporting higher prices and 22 percent report-

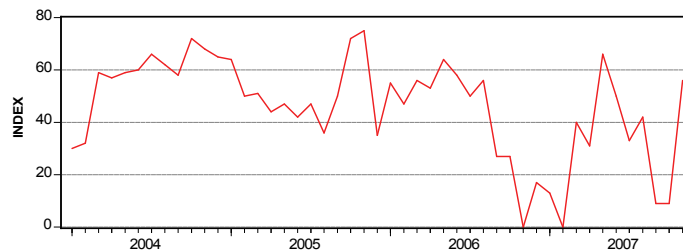


Figure 8. Commodity Prices

ing the "same", and eleven percent reported lower prices. In November 2006 the index measured zero.

The noticeable price changes reported by survey participants are summarized in the "General Comments by Purchasers" section of the Cincinnati monthly Report on Business.

**SERVICE PRICES**  
(23, 0, 23, 17)

The service price index remained positive in November, with an index value of 17, down slightly from October's value of 23. This was caused by 17 percent of respondents

reporting increases, 83 percent reporting no change in prices and zero percent reporting price decreases. A year ago the service price index equaled 13.

**EQUIPMENT PRICES**  
(23, 23, 25, 50)

The equipment price index rose markedly to 50 in November, up from 25 in October, suggesting increasing price pressure, causing the index to remain above the three year average of 23. A year ago, the index was 27.

*"November's employment index also rose to 16, up 20 points from October's value."*

**RAW MATERIAL INVENTORIES**

(-6, 6, 0, -29)

The index measuring changes in raw material inventories fell this month to -29. Eighteen percent of the reports indicated increased inventories, and 47 percent of respondents indicated decreases, with 35 percent reporting no change.

**FINISHED GOODS INVENTORIES** (4, 11, -12, -11)

The index for finished goods inventories increased somewhat in November to -11 compared to -12 in October. Eighteen percent indicated increased inventories, 53 percent reported the same, and 29 percent reported the "down".

**BUYING PATTERNS**

- DOMESTICALLY (23, 28, 14, 33)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (3, -11, -14, -29)
- ACROSS THE ATLANTIC (-5, 0, -28, -12)
- ACROSS THE PACIFIC (35, 11, -12, 0)

**GENERAL COMMENTS BY PURCHASING MANAGERS**

Noticeable Price Changes

- Up are: motors, stainless steel, toner, copy paper, paper, gasoline, steel, aluminum, apple juice concentrate, packaging, fresh produce, oil,

PVC resin, fuel, TiO<sub>2</sub>, other plastics additives, metal products, chemicals, stainless steel pipe and fittings

- Down are: cold & hot rolled steel, alumina, aluminum, steel.

- In short supply: stainless steel, fresh produce, armor plate, chemicals, basic inventories.

**STATISTICAL SUMMARY**

Replies as a Percent of Total Replies

**General Business**

Index	Up	Same	Down
Production	41	53	6
New Orders	35	53	12
Backlog Of Orders	12	59	29
Employment	33	50	17

**Prices & Spending**

Index	Up	Same	Down
Prices for Commodities	67	22	11
Prices for Services	17	83	0
Prices for Equipment	50	50	0
Dollars Spent by Purchasing	39	50	11

**Inventories**

Index	Up	Same	Down
Raw Materials	18	35	47
Finished Goods	18	53	29

**Deliveries**

Index	Quicker	Same	Slower
Deliveries	17	72	11

**Change in the Amount Spent**

Change in the amount spent	Up	Same	Down
Domestically	44	44	11
<b>For Firms Purchasing Internationally</b>			
Elsewhere in the Americas	0	71	29
Across the Atlantic	13	63	25
Across the Pacific	17	67	17

**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 poll 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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