

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

PRESS RELEASE

Important:

Do Not Release Until
12:01 a.m. Wednesday October 31st, 2007

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of October 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 October shows that reported purchasing activity continues to expand at a slower rate than in September, and slower than one year ago. The **Production Index** signals decreased production, with a decline in growth. The **Employment Index** also showed a reduction, turning negative after September's positive report.

The Purchasing Managers Index – Cincinnati measured 45.1 in September compared to 56.3 last month, an 11.2 percentage point decrease. The Cincinnati PMI had remained above 50 since January 2003 until this September report (with the exception of December 2006). Any reading under 50 represents an decrease.

The Composite Price Index – Cincinnati rose in October as the index value measured 19, up from 10.7 in September. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices accelerated from September as an increased percentage of respondents reported increases in the prices they pay, a decreased percentage reported the same, and an increased percentage reported declines. The **Equipment Price Index** increased slightly in October, and the **Service Price Index** increased substantially over September's value, more in line with the July and August values.

The **New Orders Index** fell substantially in October, and the index measuring **Dollars Spent by Purchasing** also fell substantially compared to September's value. The **Backlog of Orders Index** decreased substantially.

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

After a decrease in September, the **Cincinnati Purchasing Management Index (PMI)** decreased again in October, falling to 45.1 from 56.3 in September. A year ago, the October Cincinnati PMI stood at 59.1. For reference, the **national PMI** for September 2007 decreased 0.9 percentage points to 52 from its August value of 52.9. The national October 2007 index is not available at this writing.

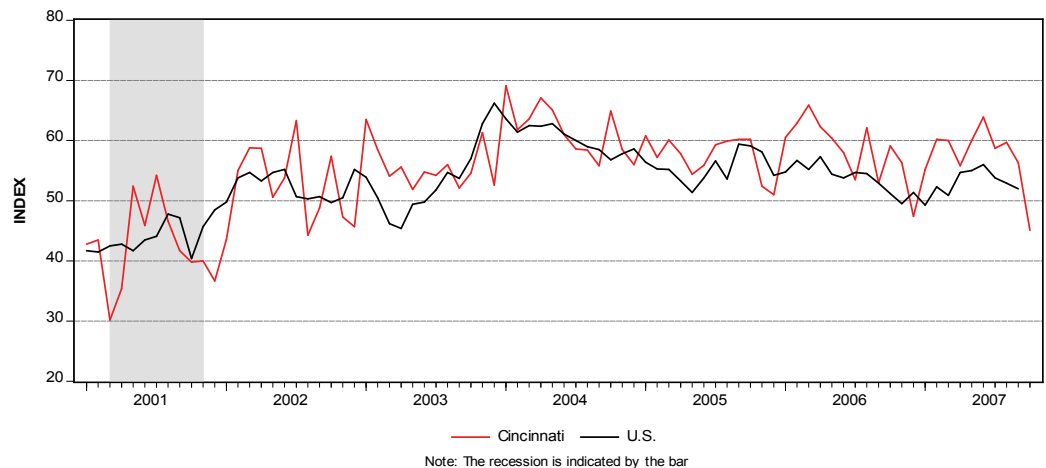


Figure 1. Cincinnati PMI vs. ISM-PMI

HIGHLIGHTS

Data collected during the month of October from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity has declined, reversing a long positive trend (since January 2003) that turned negative once in December of 2006. The Cincinnati PMI fell from 56.3 in September to 45.1 in October. The various indices are suggesting decreasing economic activity. The indices for production and for new orders both turned negative in October. The index for backlog of orders turned more negative compared to the September value. The index of inventories of finished

goods also turned negative this month, compared to the positive value in September. Commodity prices continued to rise in October (index = 9), at the same rate as in the September report. The equipment price index rose slightly from 23 in September to 25 in October, and the service price index rose to 23 in October, suggesting that September's rate of zero was an aberration. Dollars spent in purchasing also turned negative (index = -33) compared to September's value of 10. The reported raw material inventories index fell to 0 from September's value of 6. With respect to geographic buying patterns, in the Americas the index fell to -14 from Sep-

tember's value of -11; the index for buying from across the Atlantic fell to -28 from September's value of zero; buying from across the Pacific shows negative growth with an index of -12, down from last month's 11 (the last negative report was in December of 2005), while the domestic purchasing index fell to 14 from September's value of 28. The **Composite Price Index - Cincinnati** registered an upward movement in October, rising from 10.7 to 19. Any index value that exceeds zero represents an increase in average prices.

Production, Employment, New Orders, and Backlogs

Survey respondents report the rate of production decelerated in October as the **Production Index** decreased from 24 in September to -5 in October. A year ago, the production index equaled 28. The **Employment Index** fell in October as 19 percent of the respondents reported increases, 23 percent reported decreases, and 58 percent reported no change in employment. The **New Orders Index** for the month of October fell markedly, as the index moved from 10 to -20. A year ago, the new orders index measured 20. The **Backlog of Orders Index** fell from -11 in September to -26 this month.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Oct	Sept			
Cincinnati PMI	45.1	56.3	↓	Slower	1
New Orders	-20	10	↓	Faster	1
Backlog of Orders	-26	-11	↓	Faster	2
Production	-5	24	↓	Slower	1
Employment	-4	9	↓	Slower	1
Vendor Deliveries	6	-6	↑	Same	1
Raw Material Inventories	0	6	↔	Slower	1
Finished Goods Inventories	-12	11	↓	Faster	1
Composite Price Index	19	10.7	↑	Faster	49

*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, 18, 10, -20)

The New Orders index in October decreased to a value of -20, a swing of 30 points. This change resulted from a decrease in the percentage of replies indicating new orders were "up", an increase in the number of "down" and "same" replies. A year ago, the new orders index equaled 20.

BACKLOG OF ORDERS - Fig. 3
(1, 7, -11, -26)

The backlog of orders index turned more negative in October, falling from September's value of -11, a decrease caused by an increase in those reporting "down", reinforcing a decrease in those reporting "up". Those report-

ing "the same" also decreased.

PRODUCTION - Fig. 4
(24, 30, 24, -5)

The production index decreased in October as the index number fell from 24 in September to -5, a 29 point

swing. The number of "up" replies decreased by 16 percentage points; there was a 13 point increase in the number reporting "down" and a 3 percentage point increase in those reporting the "same". The production index in October of 2006 was 28. The October 2007 index is substan-

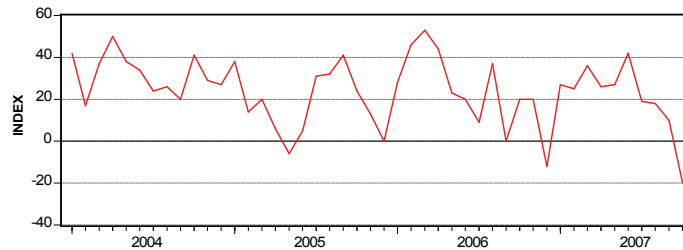


Figure 2. New Orders

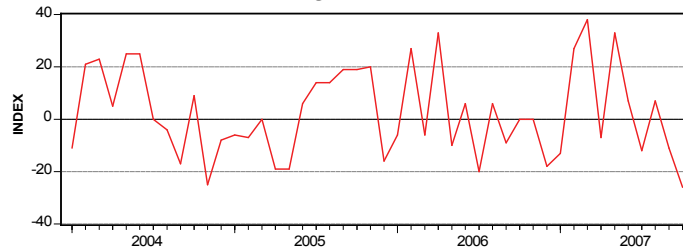


Figure 3. Backlog of Orders

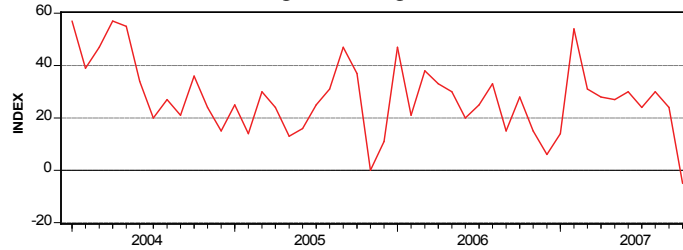


Figure 4. Production

"The production index decreased in October as the index number fell from 24 in September to -5, a 29 point swing"

tially below the 36 month average of 24, possibly suggesting a reversal of the previously observed upward trend in production.

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

EMPLOYMENT - Fig. 5

(11, 20, 9, -4)

October's employment index also fell, to -4, down 13 points from September's value. Nineteen percent of respondents reported increased employment (23 percent in September), and 23 percent reported decreased employment (14 percent in September), while 58 percent of the respondents reported employment remained the same (63 percent in September).

VENDOR DELIVERY PERFORMANCE - Fig. 6

(-7, -7, -6, 6)

The vendor delivery performance index increased from -6 in September to 6 in October. Ninety-four percent of survey respondents this month reported delivery times as the "same", up from 84 percent in September. Six percent reported faster deliveries (5 in September), and zero reported slower delivery times (11 in September). A year ago, the index value was -31.

DOLLARS SPENT BY PURCHASING - Fig. 7

(23, 26, 10, -33)

The monthly index measuring changing dollar amounts spent by regional purchasers decreased markedly in October compared to September, dropping by 43 points. There was a 19 percentage point drop in the number of respondents reporting increases, and a 24 point rise in those reporting decreases. There was a 5 percentage point decrease in those reporting purchases as the "same".

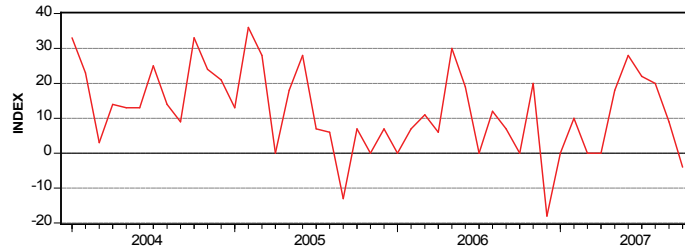


Figure 5. Employment

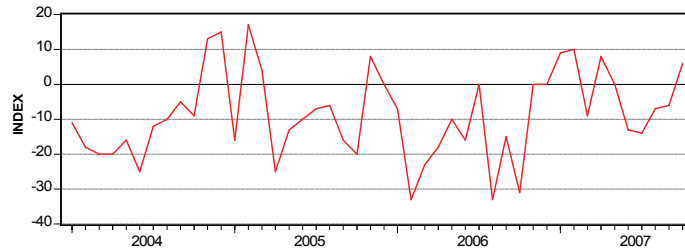


Figure 6. Vendor Delivery Performance

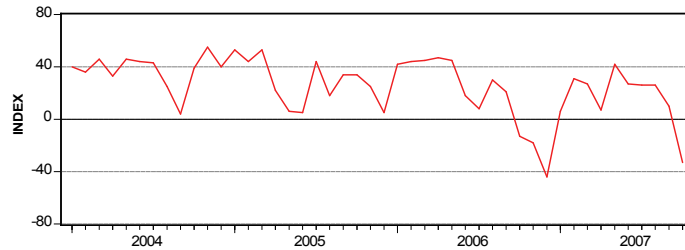


Figure 7. Dollars Spent by Purchasing

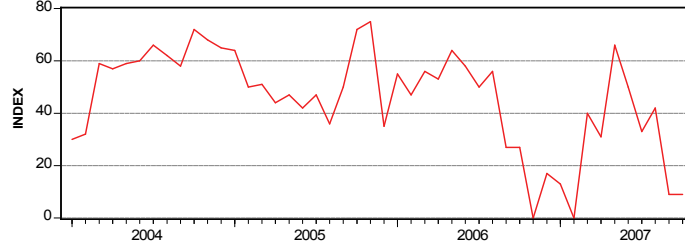


Figure 8. Commodity Prices

COMMODITY PRICES - Fig. 8

(43, 42, 9, 9)

The commodity price index in October was unchanged at 9, with 28 percent of respondents reporting higher prices and 53 percent reporting the "same". Nineteen percent reported lower prices, the fourth report of lower prices since February. Those reporting the "same" decreased from 63 to 53 percent of those responding to the survey. In October 2006 the index measured 27.

The noticeable price changes reported by survey participants are summarized in the "General Comments by Pur-

chasers" section of the Cincinnati monthly Report on Business.

SERVICE PRICES

(23, 21, 0, 23)

The service price index resumed its upward movement in October, with an index value of 23. This was caused by 23 percent of respondents reporting increases, up from 4 in September, and 77 percent reporting no change in prices, down from 92 percent in last month's report. Zero percent reported price decreases, down from 4 in September. A year ago the service price index equaled 13.

"October's employment index also fell, to -4, down 13 points from September's value."

EQUIPMENT PRICES

(22, 22, 23, 25)

The equipment price index rose slightly to 25 in October, up from 23 in September, suggesting somewhat increasing price pressure, causing the index to remain above the three year average of 22. A year ago, the index was 13.

RAW MATERIAL INVENTORIES

(-6, 7, 6, 0)

The index measuring changes in raw material inventories fell this month to zero. Twenty-three percent of the reports indicated increased inventories, and 23 percent of respondents indicated decreases, with 54 percent reporting no change.

FINISHED GOODS INVENTORIES (5, 13, 11, -12)

The index for finished goods inventories decreased markedly in October to -12 compared to 11 in September, a 23 point swing. Compared to September, there was a 5 point drop in those reporting increased finished goods inventories, a 13 point decrease in those reporting the "same", and a 18 point increase in the "down" category.

BUYING PATTERNS

- DOMESTICALLY (24, 33, 28, 14)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (4, 25, -11, -14)
- ACROSS THE ATLANTIC (-5, -28, 0, -28)
- ACROSS THE PACIFIC (36, 71, 11, -12)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

- Up are: paper, toner, gasoline, PVC, plastics and plastic byproducts, ferrosilicon, inoculants, binder, copper, electronic parts, gears, R22, oils, freight fuel, liner board
- Down are: nickel, stainless steel, aluminum sheet and coil, stainless sheet and coil, label stocks
- In short supply: furfuryl alcohol for sand binder, aluminum, armor plate, fresh produce.

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

General Business

Index	Up	Same	Down
Production	25	45	30
New Orders	20	40	40
Backlog Of Orders	10	54	36
Employment	19	58	23

Prices & Spending

Index	Up	Same	Down
Prices for Commodities	28	53	19
Prices for Services	23	77	0
Prices for Equipment	25	75	0
Dollars Spent by Purchasing	14	39	47

Inventories

Index	Up	Same	Down
Raw Materials	23	54	23
Finished Goods	17	54	29

Deliveries

Index	Quicker	Same	Slower
Deliveries	6	94	0

Change in the Amount Spent

Change in the amount spent	Up	Same	Down
Domestically	28	58	14
For Firms Purchasing Internationally			
Elsewhere in the Americas	0	86	14
Across the Atlantic	0	72	28
Across the Pacific	0	88	12

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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