

# CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

## PRESS RELEASE

Important:

**Do Not Release Until  
12:01 a.m. Tuesday July 31, 2007**

**SUBJECT:** Report on Business Conditions for Greater Cincinnati for the month of July 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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**FOR FURTHER INFORMATION CONTACT:**

**Dr. Haynes C. Goddard**  
Applied Economics Research Institute  
Department of Economics  
University of Cincinnati  
1605 Crosley Tower  
Cincinnati, OH 45221-0371  
513.556.2621  
Haynes.Goddard@uc.edu

**The Greater Cincinnati Report on Business for the month of July** shows that reported purchasing activity continues to expand but at a slower rate than in June and faster than one year ago. The **Production Index** signals increased production, with growth at a somewhat slower rate than that in June. The **Employment Index** showed continued growth in employment, but down from June's report.

**The Purchasing Managers Index – Cincinnati** measured 58.7 in June compared to 63.9 last month, a 5.2 percentage point decrease. The Cincinnati PMI has remained above 50 since January 2003 with the exception of one month. Any reading over 50 represents an increase.

**The Composite Price Index - Cincinnati** - The **Composite Price Index – Cincinnati** fell in July as the index value measured 25, down from 31 in June. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices decelerated from June as a decreased percentage of respondents reported increases in the prices they pay, an increased percentage reported the same, and an increased percentage reported declines. The **Equipment Price Index** decreased in July, and the **Service Price Index** increased compared to June's value.

The **New Orders Index** fell in July, and the index measuring **Dollars Spent by Purchasing** declined slightly. The **Backlog of Orders Index** declined sharply, as it did in June.

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### For Further Information Contact:

Dr. Haynes C. Goddard,  
Applied Economics  
Research Institute,  
Department of Economics,  
University of Cincinnati,  
1605 Crosley Tower,  
Cincinnati, Ohio 45221-0371  
Telephone: 513.556.2621  
Haynes.Goddard@uc.edu  
<http://www.uc.edu/aeri>



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

After an increase in June, the **Cincinnati Purchasing Management Index (PMI)** decreased in July, moving down 5.2 percentage points to 58.7 from 63.9 in June. A year ago, the July Cincinnati PMI stood at 53.5. For reference, the **national PMI** increased one percentage point in June 2007 from its May value. The national July 2007 index is not available at this writing.

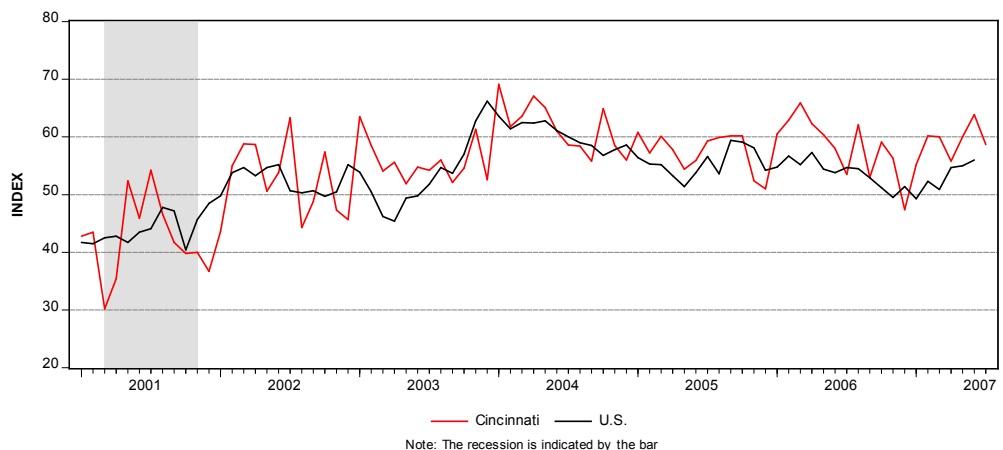


Figure 1. Cincinnati PMI vs. ISM-PMI

## HIGHLIGHTS

Data collected during the month of July from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity continues to expand, although at a slower rate than in June, but at a faster rate than one year ago. The Cincinnati PMI fell from 63.9 in June to 58.7 in July. The various indices are suggesting increasing economic activity in July. The indices for production and for new orders both remained positive in July, although down from the June report. The index for backlog of orders fell from the June value, and turned negative. The index of inventories of fin-

ished goods also turned negative this month, compared to the positive value in June. Commodity prices continued to rise in July (index = 33), although less rapidly than in the June report (index was 50). The equipment price index fell from 27 in June to 21 in July, and the service price index rose to 31 from 16 in June. Dollars spent in purchasing continued to increase (index = 26), almost the same as June's value of 27. The reported raw material inventories index remained at June's value of zero. Production rates decreased somewhat, and were coupled with a decline in the backlog of orders index in July. With respect to geographic buying

patterns, in the Americas the index rose to 57 from June's value of 0; the index for buying from across the Atlantic fell to 0 from June's value of 13; buying from across the Pacific shows slower growth with an index of 25, down from last month's 75, while the domestic purchasing index rose to 37 from June's value of 22. The **Composite Price Index - Cincinnati** registered a downward movement in July, falling from 31 to 25. Any index value that exceeds zero represents an increase in average prices.

**Production, Employment, New Orders, and Backlogs**  
Survey respondents report

the rate of increase in production decelerated somewhat in July as the **Production Index** decreased from 30 in June to 24 in July. A year ago, the production index equaled 25. The **Employment Index** fell in July as 22 percent of the respondents reported increases, zero percent reported decreases, and 78 percent reported no change in employment. The **New Orders Index** for the month of June fell substantially, as the index moved from 42 to 19. A year ago, the new orders index measured 9. The **Backlog of Orders Index** fell from 7 in June to -12 this month.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	July	June			
Cincinnati PMI	58.7	63.9	↑	Slower	7
New Orders	19.0	42.0	↑	Slower	7
Backlog of Orders	-12.0	7.0	↓	Faster	1
Production	24.0	30.0	↑	Slower	20
Employment	22.0	28.0	↑	Slower	3
Vendor Deliveries	-14.0	-13.0	↓	Faster	2
Raw Material Inventories	0.0	0.0	↔	Same	2
Finished Goods Inventories	-14.0	21.0	↓	Slower	1
Composite Price Index	25.0	31.0	↑	Slower	46

\*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

(24, 27, 42, 19)

The New Orders index in July decreased to a value of 19. This change resulted from a decrease in the percentage of replies indicating new orders were "up" and an increase in the number of "down" and "same" replies. A year ago, the new orders index equaled 9.

**BACKLOG OF ORDERS** - Fig. 3

(2, 33, 7, -12)

The backlog of orders index turned negative in July, falling from June's value of 7, a drop caused by an large increase in those reporting "down", offsetting a small increase in those reporting "up".

**PRODUCTION** - Fig. 4

(25, 27, 30, 24)

The production index decreased in July as the index number fell from 30 in June to 24 in July. While the number of "up" replies increased by 6 percentage points, there was a 12 percentage point

increase in the number reporting "down" and a 18 percentage point decrease in those reporting the "same". The production index in July of 2006 was 25. The July 2007 index is the very close to the 36 month average of 25, suggesting that the upward trend in production continues.

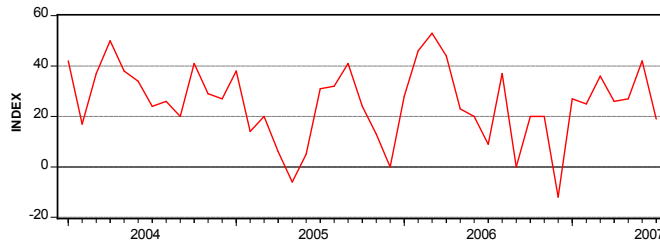


Figure 2. New Orders

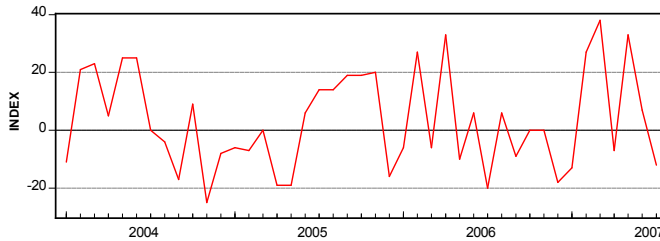


Figure 3. Backlog of Orders

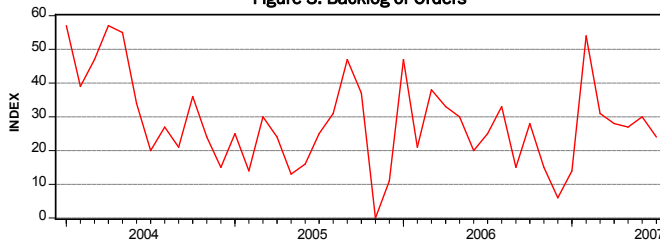


Figure 4. Production

*"The production index decreased in July as the index number fell from 30 of the previous month."*

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

**EMPLOYMENT - Fig. 5**  
(11, 18, 28, 22)

July's employment index fell to 22, down 6 points from June's value. Twenty two percent of respondents reported increased employment (33 percent in June), and 0 percent reported decreased employment (5 percent in June), while 78 percent of the respondents reported employment remained the same (62 percent in June).

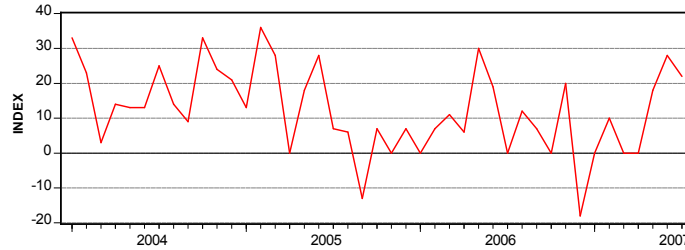


Figure 5. Employment

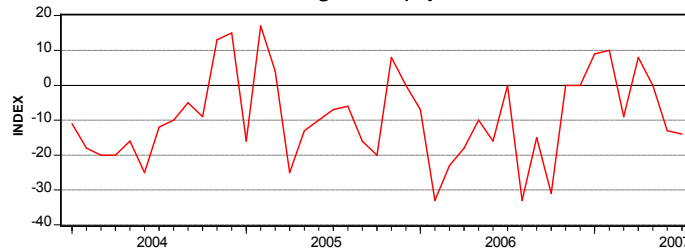


Figure 6. Vendor Delivery Performance

**VENDOR DELIVERY PERFORMANCE - Fig. 6**  
(-8, 0, -13, -14)

The vendor delivery performance index declined slightly from -13 in June to -14 in July. Eighty-six percent of survey respondents this month reported delivery times as the "same", down slightly from 87 percent in June. A year ago, the index value was 0.

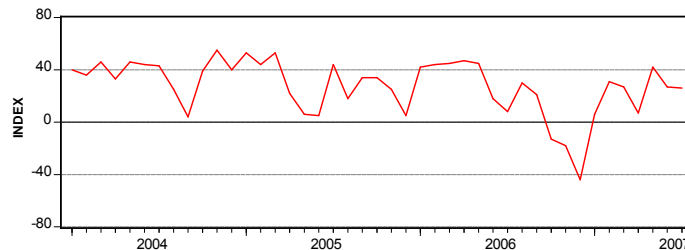


Figure 7. Dollars Spent by Purchasing

**DOLLARS SPENT BY PURCHASING - Fig. 7**  
(25, 42, 27, 26)

The monthly index measuring changing dollar amounts spent by regional purchasers fell only slightly compared to June. The July 2007 index fell 1 percentage point, decreasing from 27 to 26. There was a 9 percentage point rise in the number of respondents reporting increases, and a 10 point rise in those reporting decreases. There was a 19 percentage point decrease in those reporting purchases as the "same".

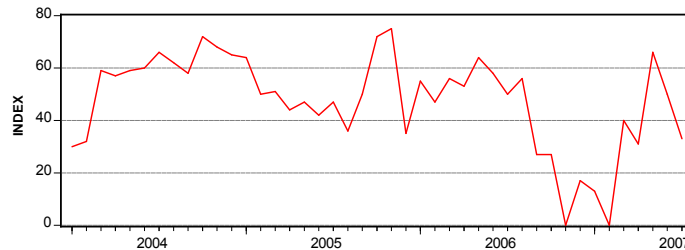


Figure 8. Commodity Prices

**COMMODITY PRICES - Fig. 8**  
(47, 66, 50, 33)

The commodity price index in July fell 17 percentage points compared to June, with 38 percent of respondents reporting higher prices and 57 percent reporting the "same". Five percent reported lower prices, the first report of lower

prices since February. Those reporting the "same" increased from 50 to 57 percent of those responding to the survey. In July 2006 the index measured 50.

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**  
(25, 16, 16, 21)

Service prices continued upward in July at a higher rate compared to June, with an index value of 21. This was

caused by 21 percent of respondents reporting increases, up from 16 in June, and 79 percent reporting no change in prices, down from 84 percent in last month's report. Zero percent reported price decreases. A year ago the service price index equaled 17.

**EQUIPMENT PRICES**  
(21, 8, 27, 21)

The equipment price index fell to 21 in July, down from 27 in June, suggesting somewhat reduced price pressure, causing the index to return to the three year average of 21. A year ago, the index was 27.

*"July's employment index fell to 22, down 6 points from June's value."*

**RAW MATERIAL INVENTORIES**  
(-8, 11, 0, 0)

The index measuring changes in raw material inventories remained unchanged this month at zero. Twenty percent of the reports indicated increased inventories, and also 20 percent of respondents indicated decreases.

**FINISHED GOODS INVENTORIES** (3, 33, 21, -14)

The index for finished goods inventories decreased in July to -14 compared to June, a 35 point decline. Compared to June, there was a 2 percentage point decrease in

those reporting increased finished goods inventories, a 31 point decrease in those reporting the "same", and a 33 point increase in the "down" category.

**BUYING PATTERNS**

- DOMESTICALLY (24, 22, 22, 37)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (2, 20, 0, 57)
- ACROSS THE ATLANTIC (-6, 0, 13, 0)
- ACROSS THE PACIFIC (36, 60, 75, 25)

**GENERAL COMMENTS BY PURCHASING MANAGERS**

Noticeable Price Changes

- Up are: resin, lube and zinc, energy, air fares, armor plate, logistics, stainless steel, copper products, soapstone, performance fluids, glycerin, mushrooms, fresh produce, soybean oil.
- Down is: steel, aluminum sheet and coil
- In short supply: armor plate, aluminum, performance fluids, glycerin, mushrooms, fresh produce.

**STATISTICAL SUMMARY**

Replies as a Percent of Total Replies

**General Business**

Index	Up	Same	Down
Production	41	42	17
New Orders	37	45	18
Backlog Of Orders	35	18	47
Employment	22	78	0

**Prices & Spending**

Index	Up	Same	Down
Prices for Commodities	38	57	5
Prices for Services	21	79	0
Prices for Equipment	26	69	5
Dollars Spent by Purchasing	47	32	21

**Inventories**

Index	Up	Same	Down
Raw Materials	20	60	20
Finished Goods	26	34	40

**Deliveries**

Index	Quicker	Same	Slower
Deliveries	0	86	14

**Change in the Amount Spent**

Change in the amount spent	Up	Same	Down
Domestically	62	13	25
<b>For Firms Purchasing Internationally</b>			
Elsewhere in the Americas	57	43	0
Across the Atlantic	12	76	12
Across the Pacific	37	51	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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