

**April 2007**

# CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

## PRESS RELEASE

**Important:**

**Do Not Release Until  
12:01 a.m. Monday April 30, 2007**

**SUBJECT:** Report on Business Conditions for Greater Cincinnati for the month of April 2007.

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 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 April** shows that reported purchasing activity continues to expand, but at a slower rate than in March and also slower than a year ago. The PRODUCTION Index signals increased production, with growth at a slower rate than that in March, but still positive. Movement in the EMPLOYMENT Index showed no growth in employment now for two months.

**The Purchasing Managers Index – Cincinnati** measured 55.8 in April compared to 60.0 last month, a 4.2 percentage point decline. 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 rate of increase in the **Composite Price Index – Cincinnati** fell in April as the index value measured 21.7, down from 25 in March. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices decelerated from March as a larger percentage of survey respondents reported unchanged prices, fewer reported increased prices, and none reported lower prices. The equipment price index led the way, while commodity and service price indices declined.

The **New Orders Index** decreased in April, as did the index measuring **Dollars Spent by Purchasing**. The **Backlog of Orders Index** also decreased and became negative.

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

After a slight drop in March, the **Cincinnati Purchasing Management Index (PMI)** decreased in April, moving down 4.2 percentage points to 55.8 from 60.0 in March. A year ago, the April Cincinnati PMI stood at 62.3. For reference, the national PMI decreased 1.4 percentage points in March 2007 from its February value. The national April 2007 index is not available at this writing.

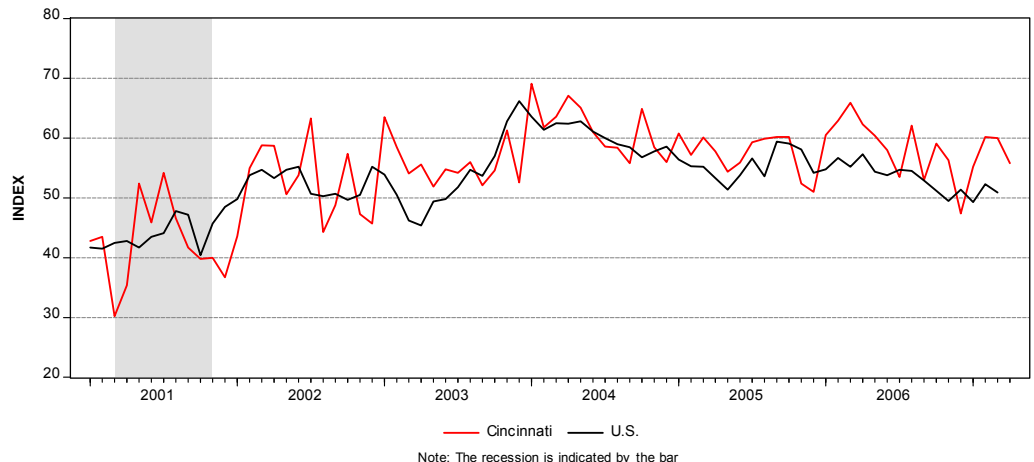


Figure 1. Cincinnati PMI vs. ISM-PMI

## HIGHLIGHTS

Data collected during the month of April from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity continues to expand but at a slower rate than in March, and slower than a year ago. The Cincinnati PMI fell from 60.0 in March to 55.8 in April, a measurable amount. The various indices are suggesting a slowing of activity in April. The indices for production and for new orders fell in April, while both indices for backlog of orders and raw material inventories reversed direction to become negative. The index of inventories of finished goods also reversed

direction this month, becoming positive. As measured by the commodity price index, commodity prices continued to rise in April although less rapidly than in the March report. The equipment price index rose from 14 to 20 and the service price index dropped from 21 in March to 14 in April. Dollars spent in purchasing continued to increase but at a slower rate than in March. Reported raw material inventories decreased substantially from March. Decreasing production rates nonetheless did not increase the backlog of orders in April as it fell substantially compared to March. With respect to geographic buying patterns, in the Americas the

index rose to 25 from March's value of 17; the index for buying from across the Atlantic decreased to zero, compared to last month's index of 16; buying from across the Pacific still shows growth with an index of 38 up somewhat from last month's 34, while the domestic purchasing index fell to -28, down sharply from 17 in March. The **Composite Price Index - Cincinnati** registered a downward movement in April, dropping to 21.7. 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 April as the **Production Index** decreased from 31 in March to 28 in April. A year ago, the production index equaled 33. The **Employment Index** remained unchanged in April as equal numbers of respondents indicated increases and decreases in employment in April (60 percent reported no change). The **New Orders Index** for the month of April fell as the index moved from 36 to 26. A year ago, the new orders index measured 44. The **Backlog of Orders Index** fell from 38 in March to -7 this month, a 45 percentage point decline.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Apr.	Mar.			
Cincinnati PMI	55.8	60.0	↑	Slower	4
New Orders	26.0	36.0	↑	Slower	4
Backlog of Orders	-7.0	38.0	↓	Slower	1
Production	28.0	31.0	↑	Slower	17
Employment	0.0	0.0	↔	Same	2
Vendor Deliveries	8.0	-9.0	↑	Slower	1
Raw Material Inventories	-36.0	30.0	↓	Faster	1
Finished Goods Inventories	16.0	-9.0	↑	Faster	1
Composite Price Index	21.7	25	↑	Slower	43

\*Number of months moving in current direction

DETAILS

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

**NEW ORDERS** - Fig.2  
(24, 25, 36, 26)

The New Orders index in April fell to a value of 26. This change resulted from a decline in the percentage of replies indicating new orders were "up" and also an increase in the number of "down" replies. A year ago, the new orders index equaled 44; all of the new orders indices since then have been lower.

**BACKLOG OF ORDERS** - Fig.3  
(2, 27, 38, -7)

The backlog of orders index turned negative in April, dropping a total of 45 percentage points, with less than half of the March respondents reporting increases, and double the number reporting decreases, suggesting continu-

ing declines in demand compared to previous months.

**PRODUCTION** - Fig.4  
(26, 54, 31, 28)

The production index decreased again in April as the index number fell to 28 from 31 the previous month. While

the number of "up" replies increased by 4 percentage points, there was a 7 percentage point increase in the number reporting "down" and an 11 percentage point decrease in those reporting "same". The production index in April of 2006 was 33. The April 2007 index, while lower

*"The production index decreased again in April as the index number fell to 28 from 31 the previous month"*

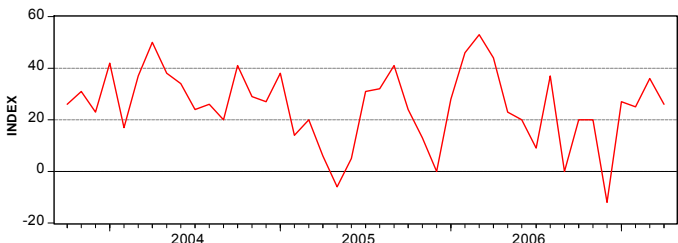


Figure 2. New Orders

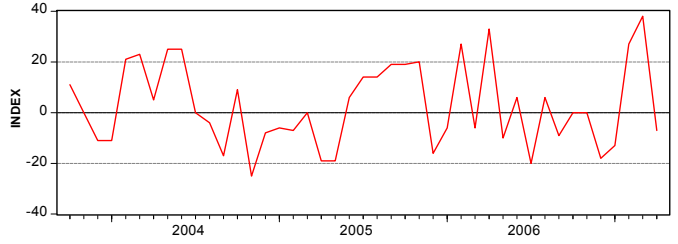


Figure 3. Backlog of Orders

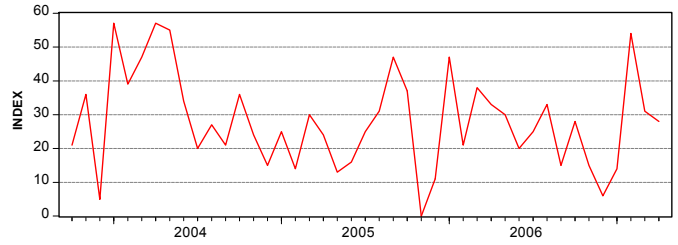


Figure 4. Production

than March, still lies slightly above the 36 month average of 26, suggesting that the upward trend in production continues, although less strongly. The maximum index value in this 36 month period was 57, reached in April 2004.

**EMPLOYMENT - Fig. 5**  
(11, 10, 0, 0)

April's employment index remained at zero as in March, with equal percentages of respondents, 20 percent, reporting increased and decreased employment, while 60 percent of the respondents reporting employment remained the same. Both those reporting increases and those reporting decreases increased by five points, from 15 to 20 percentage points each.

**VENDOR DELIVERY PERFORMANCE - Fig. 6**  
(-8, 10, -9, 8)

As reflected by the vendor delivery performance index, deliveries, according to Cincinnati purchasing managers, improved from March to April. According to survey respondents, there was an 8 percentage point increase in those reporting "quicker", a 9 percentage point decrease in those indicating "slower", while 92 percent of replies indicated vendor delivery performance the "same", up one point from March. A year ago, the index value was -18.

**DOLLARS SPENT BY PURCHASING - Fig.7**  
(26, 31, 27, 7)

The monthly index measuring changing dollar amounts spent by regional purchasers remained positive, but substantially less so compared to previous two months. The April 2007 index declined 20 percentage points, falling from 27 to 7. There was a 15 percentage point decline in respondents reporting increases, and a 5 point in

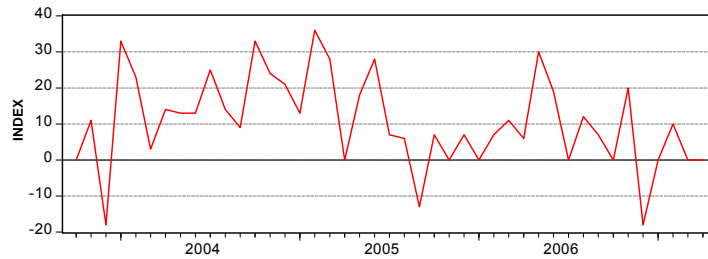


Figure 5. Employment

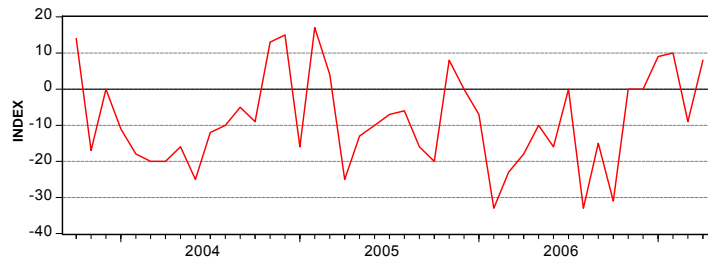


Figure 6. Vendor Delivery Performance

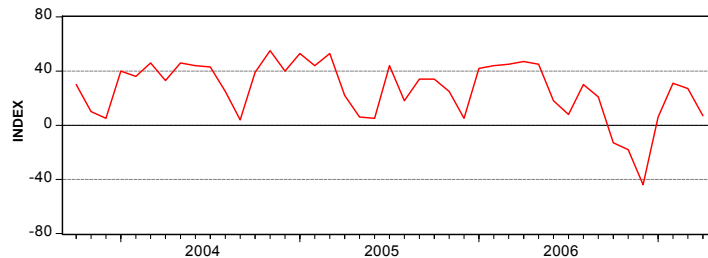


Figure 7. Dollars Spent by Purchasing

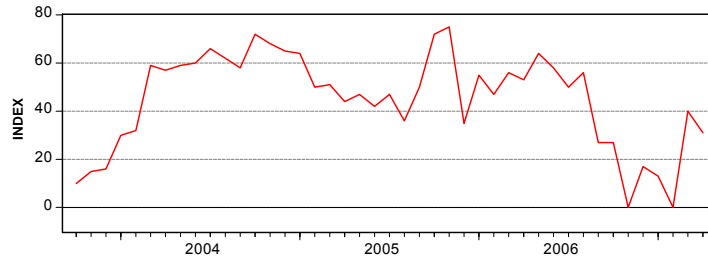


Figure 8. Commodity Prices

crease in those reporting decreases. There was a 10 percentage point increase in those reporting purchases as the "same".

**COMMODITY PRICES - Fig. 8**  
(48, 0, 40, 31)

The commodity price index in April continued its move upward, although with a 9 percentage point decrease in those respondents reporting higher prices, and with no one reporting lower prices, as was true in March. Those reporting the "same" increased from 60 to 69 percent of those responding to the survey. In April 2006 the index measured 53. In May 2006 the

index peaked at 64 and declined generally thereafter to the current month. The noticeable price increases reported by survey participants are summarized in the "General Comments by Purchasers" section of the Cincinnati monthly Report on Business.

**SERVICE PRICES**  
(25, 0, 21, 14)

Service prices continued upward in April, but with fewer respondents reporting increases compared to last month's report. Compared to March, the service price index declined from 21 to 14. Six percent of respondents re-

*April's employment index remained at zero as in March, with equal percentages of respondents, 20 percent, reporting increased and decreased employment, while 60 percent of the respondents reporting employment remained the same."*

ported price decreases, and 74 percent reported prices as the same, down from 79 percent in March. A year ago the service price index equaled 31.

**EQUIPMENT PRICES**

(22, 15, 14, 20)

The equipment price index rose to 20 in April, up from 14 in March, suggesting price pressure, but still remaining below the three year average. A year ago, the index was 12.

**RAW MATERIAL INVENTORIES**

(-9, -10, 30, -36)

The index measuring changes in raw material inventories reversed direction, decreasing from 30 in March to -36 in April, a 66 percentage point swing. No reports indicated

increased inventories, and 36 percent of respondents indicated decreases.

**FINISHED GOODS INVENTORIES** (1, -10, -9, 16)

The index for finished goods inventories increased substantially in April, compared to March, causing a 25 point swing in the index. There was a 23 percentage point increase in those reporting increased finished goods inventories, a 21 point drop in those reported "the same", and only a 2 point drop in the "down" category.

**BUYING PATTERNS**

These percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (0, 17, 17, 25)
- ACROSS THE ATLANTIC (-6, -17, 16, 0)
- ACROSS THE PACIFIC (35, 67, 34, 38)
- DOMESTICALLY (25, 28, 17, -28)

**GENERAL COMMENTS BY PURCHASING MANAGERS**

Noticeable Price Changes

- Up are: aluminum, fuel, steel, stainless, paper, toner, plastics, caustic soda, resin, freight.
- Down is: methanol.
- In short supply is: aluminum plate.

**STATISTICAL SUMMARY**

Replies as a Percent of Total Replies

**General Business**

Index	Up	Same	Down
Production	42	44	14
New Orders	46	34	20
Backlog Of Orders	23	47	30
Employment	20	60	20

**Prices & Spending**

Index	Up	Same	Down
Prices for Commodities	31	69	0
Prices for Services	20	74	6
Prices for Equipment	20	80	0
Dollars Spent by Purchasing	25	57	18

**Inventories**

Index	Up	Same	Down
Raw Materials	0	64	36
Finished Goods	41	34	25

**Deliveries**

Index	Quicker	Same	Slower
Deliveries	8	92	0

**Change in the Amount Spent**

Change in the amount spent	Up	Same	Down
Elsewhere in the Americas	25	75	0
<b>For Firms Purchasing Internationally</b>			
Across the Atlantic	25	50	25
Across the Pacific	50	38	12
Domestically	14	44	42

**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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