

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

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

After increasing in February, the **Cincinnati Purchasing Management Index (PMI)** very slightly decreased in March, moving down 0.2 percentage points to 60.0 from 60.2 in February. A year ago, the Cincinnati PMI measured 65.9, higher than this year. For reference, the national PMI increased 3 percentage points in February 2007. The national March 2007 index is not available at this writing.

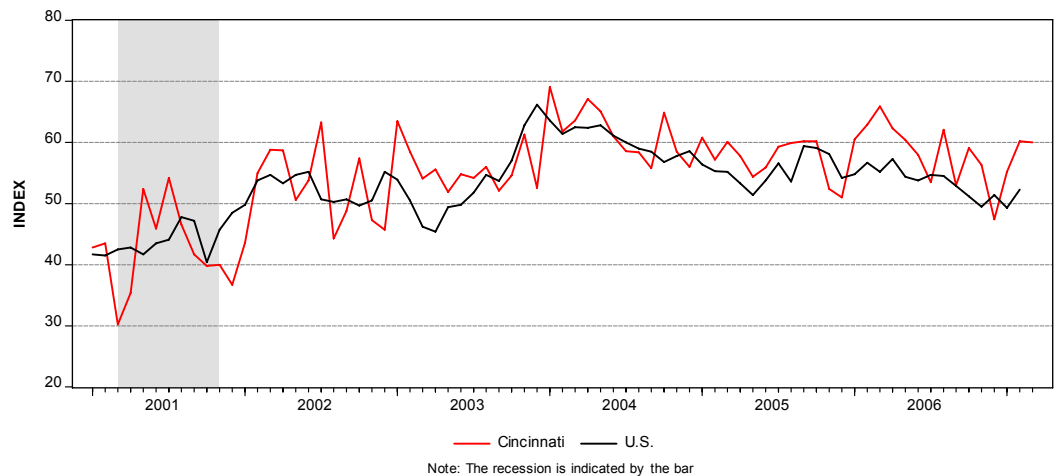


Figure 1. Cincinnati PMI vs. ISM-PMI

HIGHLIGHTS

Data collected during the month of March from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity continues to expand at essentially the same rate as in February but slower than a year ago. The Cincinnati PMI fell only slightly from 60.2 in February to 60.0 in March, a statistically insignificant amount. The various indices are giving mixed signals. The indices for new orders, backlogged orders and raw material inventories advanced in March, while they fell for production, employment, vendor deliveries and finished goods inventories. As measured by the commodity

price index, commodity prices rose rapidly in March. The equipment price index fell slightly from 15 to 14 and the service price index rose sharply from 0 in February to 21 in March. Dollars spent in purchasing continued to increase but at a slower rate than in February. Reported raw material inventories increased substantially from February. Falling production rates increased the backlog of orders. With respect to geographic buying patterns, in the Americas the index remained at February's value of 17 (still showing growth); buying increased from across the Atlantic, up from last month's index of -17; buying from across the Pacific still

shows growth with an index of 34 but less than last month's 67, and similarly for domestic purchases, at 17 in March compared with February's 28. The rate of increase in the **Composite Price Index - Cincinnati** registered an upward movement in March rising 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 in March as the **Production Index** decreased from 54 in February

to 31 in March. A year ago, the production index equaled 38. The **Employment Index** fell from 10 in February to 0 in March as equal numbers of respondents indicated increases and decreases in employment in March (almost three quarters of the respondents reported employment remained the same). The **New Orders Index** for the month of March posted another strong increase as the index moved from 25 to 36. A year ago, the new orders index measured 53.0, substantially higher. The **Backlog of Orders Index** rose from 27 in February to 38 this month, an 11 percentage point gain.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Mar.	Feb.			
Cincinnati PMI	60.0	60.2	↑	Slower	3
New Orders	36.0	25.0	↑	Faster	3
Backlog of Orders	38.0	27.0	↑	Faster	2
Production	31.0	54.0	↑	Slower	16
Employment	0.0	10.0	↔	Slower	1
Vendor Deliveries	-9.0	10.0	↓	Slower	1
Raw Material Inventories	30.0	-10.0	↑	Faster	1
Finished Goods Inventories	-9.0	-10.0	↓	Slower	2
Composite Price Index	25	4.9	↑	Faster	42

*Number of months moving in current direction

DETAILS

The index numbers 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 last month to the right.

NEW ORDERS - Fig.2
(25, 27, 25, 36)

New orders in March advanced strongly to an index value of 36. This change largely resulted from a sharp increase in the percentage of replies indicating new orders were "up" and a small decline in the number of "down" replies. A year ago, the new orders index equaled 53.

BACKLOG OF ORDERS - Fig.3
(3, -13, 27, 38)

The backlog of orders index remained positive and increased again in March. The positive 11 percentage point change reflects a strong increase in the number of replies indicating "up" combined with a small decline in those indicating "down", suggesting continuing increases in demand over previous months.

PRODUCTION - Fig.4
(27, 14, 54, 31)

The production index decreased in March as the index number fell to 31 from 54 the previous month. While the number of "down" replies fell slightly by 2 percentage points, there was a 25 per-

centage point decline in the number reporting "up" and a 27 percentage point increase in those reporting "same". The production index in March of 2006 was 38. The March index, while lower than February, still lies above the 36 month average of 27, suggesting that the upward trend

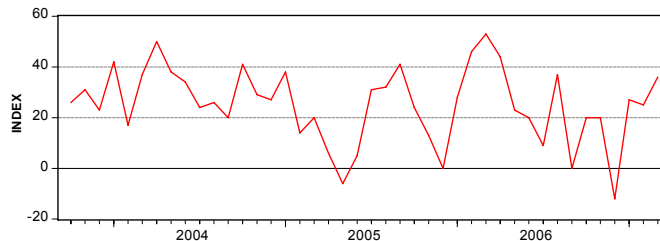


Figure 2. New Orders

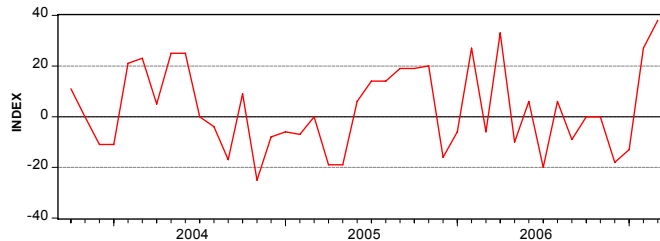


Figure 3. Backlog of Orders

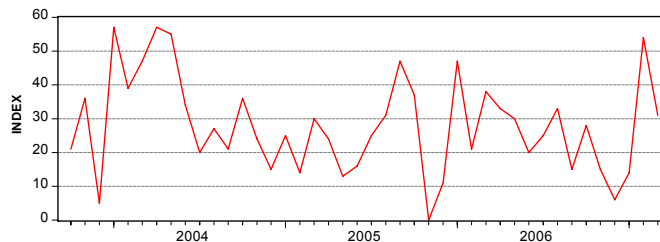


Figure 4. Production

"The production index decreased in March as the index number fell to 31 from 54 the previous month"

in production continues. The maximum index value in this 36 month period was 57, reached in April 2004.

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

March's employment index fell to zero from February's increase, with almost three quarters of the respondents reporting employment remained the same. The drop of 10 percentage points largely resulted from a decrease in the percentage of replies reporting higher employment levels, and a 20 percentage point increase in those reporting no change in employment levels. Nonetheless, the number of respondents reporting decreased employment also declined.

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

As reflected by the vendor delivery performance index, deliveries, according to Cincinnati purchasing managers, worsened from February. According to survey respondents, there was a 10 percentage point decline in those reporting "quicker", a 9 percentage point indicating "slower", while 91 percent of replies indicated vendor delivery performance the "same", up one point from February. A year ago, the index value was -23.

DOLLARS SPENT BY PURCHASING - Fig.7
(27, 6, 31, 27)

The monthly index measuring changing dollar amounts spent by regional purchasers continued strongly positive, with three months running showing increases. The March 2007 index declined 4 percentage points, falling slightly from 31 to 27. There were small declines in respondents reporting increases and decreases in purchasing expenditures, and an 8 percentage

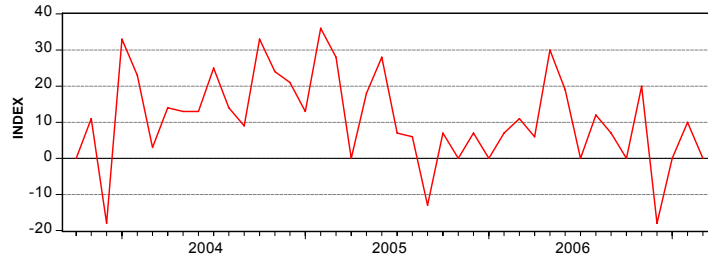


Figure 5. Employment

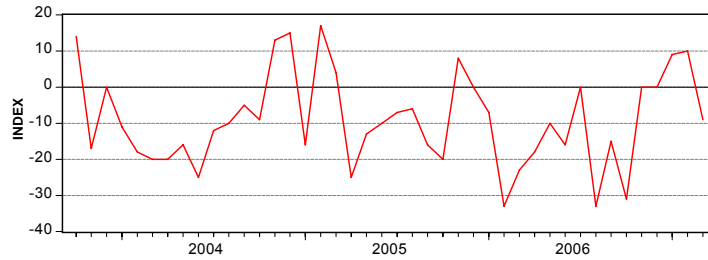


Figure 6. Vendor Delivery Performance

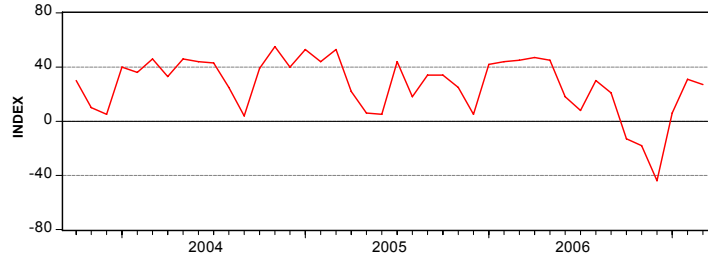


Figure 7. Dollars Spent by Purchasing

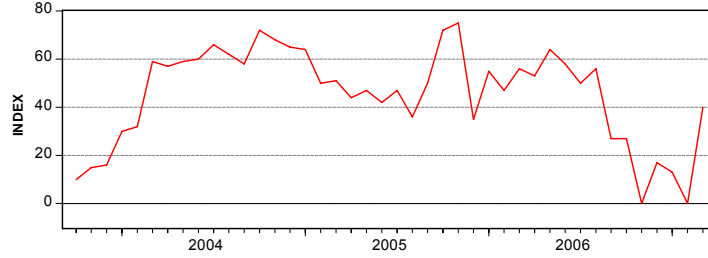


Figure 8. Commodity Prices

point increase in those reporting purchases as the "same".

COMMODITY PRICES - Fig. 8
(48, 13, 0, 40)

The commodity price index in March moved sharply upward, with a 25 percentage point jump in those respondents reporting higher prices, a 15 point decline in those reporting lower prices, with no one reporting lower prices. Those reporting the "same" declined from 70 to 60 percent of those responding to the survey. In March 2006 the index measured 56. In May 2006 the index peaked at 64 and declined generally thereafter until 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
(26, 20, 0, 21)

Service prices accelerated in March as the service price index advanced to 21 from a 0 the preceding month. A year ago the service price index equaled 6, although that seems unrepresentative of the last 12 months, with most index values during the period higher than that. Compared to

"March's employment index fell to zero from February's increase, with almost three quarters of the respondents reporting employment remained the same"

February when no survey replies indicated rising prices, 21 percent of respondent replies in March reported prices were “up”, and the 100 percent of replies in February reporting no change declined to 79 percent.

EQUIPMENT PRICES

(22, 20, 15, 14)

The equipment price index continued the decline reported in February, falling one percent point, remaining below the last 36 month average. A year ago, the index was 11. Price pressures here may be moderating.

RAW MATERIAL INVENTORIES

(-8, -14, -10, 30)

The index measuring changes in raw material inventories

reversed direction increasing from -10 in February to 30 in March, a 40 percentage point swing. Decreases in production may be responsible for this change.

FINISHED GOODS INVENTORIES (1, 7, -10, -9)

The index for finished goods inventories increased slightly in March compared to February, but the index is essentially unchanged. Respondent replies in both the “up” and “down” categories declined, while increasing in the “same” category.

BUYING PATTERNS

These percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (0, 25, 17, 17)
- ACROSS THE ATLANTIC (-6, 0, -17, 16)
- ACROSS THE PACIFIC (35, 50, 67, 34)
- DOMESTICALLY (26, 13, 28, 17)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

- Up are: resin, ABS, rubber compounds, aluminum, stainless steel
- Down are: electrical components
- In Short Supply are: none reported.

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

General Business

Index	Up	Same	Down
Production	38	55	7
New Orders	50	36	14
Backlog Of Orders	53	32	15
Employment	15	70	15

Prices & Spending

Index	Up	Same	Down
Prices for Commodities	40	60	0
Prices for Services	21	79	0
Prices for Equipment	14	86	0
Dollars Spent by Purchasing	40	47	13

Inventories

Index	Up	Same	Down
Raw Materials	40	50	10
Finished Goods	18	55	27

Deliveries

Index	Quicker	Same	Slower
Deliveries	0	91	9

Change in the Amount Spent

Change in the amount spent	Up	Same	Down
Elsewhere in the Americas	33	51	16
For Firms Purchasing Internationally			
Across the Atlantic	16	84	0
Across the Pacific	50	34	16
Domestically	33	51	16

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.

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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PRESS RELEASE

Important:

**Do Not Release Until
12:01 a.m. Friday March 30, 2007**

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of March 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 March shows that reported purchasing activity continues to expand at essentially the same rate as in February but slower than a year ago. The PRODUCTION Index signals increased production, with growth at a slower rate than that in February, but still positive. Movement in the EMPLOYMENT Index showed no growth in employment this month.

The Purchasing Managers Index – Cincinnati measured 60.0 in March compared to 60.2 last month for a 0.2 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** rose markedly in March as the index value measured 25, up from 4.9 in February. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices accelerated from the February as a larger percentage of survey respondents reported higher prices, fewer reported prices as the same, and none reported lower prices. Service and commodity price indices led the way, while the equipment price index was essentially the same.

The **New Orders Index** and the **Backlog of Orders Index** both increased in March, while the index measuring **Dollars Spent by Purchasing** decreased slightly compared to February.