

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 February 2007

According to the February reading of the **Cincinnati Purchasing Management Index (PMI)**, the Greater Cincinnati economy continues to expand but at a slower rate than a year ago. The Cincinnati PMI increased 4.6 percentage points from January to 60.2 in February. This is the second consecutive monthly advance of the Cincinnati PMI and is the highest index value since May 2006. The PMI, however, is still below the year ago level of 62.9.

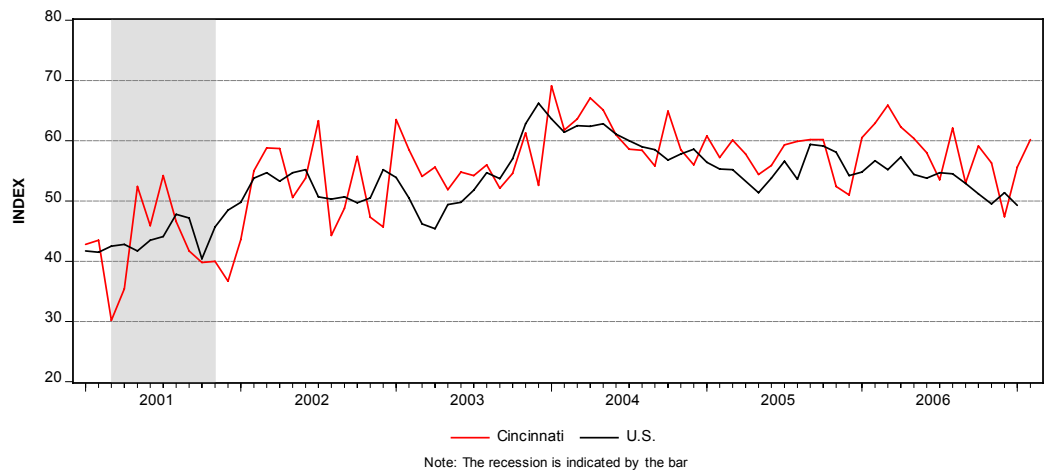


Figure 1. Cincinnati PMI vs. ISM-PMI

HIGHLIGHTS

Data collected during the month of February from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers suggest the Greater Cincinnati economy continues to expand following an abrupt contraction in December but the rate of increase is slower than a year ago. Although the production and employment indices exceeded their year earlier values, the new orders and inventories indices dropped beneath the levels of February 2006. Consequently, even though the Cincinnati PMI increased 4.6 percentage points above the

January number, the PMI remains 2.7 percentage points or 4.3% below the February 2006 reading. Dollars spent by purchasers surged because of the increased growth rate of domestic purchases and imports from the Pacific rim. The rate of increase in the **Composite Price Index – Cincinnati** slowed as the index value fell from 17.9 to 4.9 after an upward surge in January. Any index value that exceeds zero represents an increase in average prices. Members reported slower price increases for equipment. Both the commodity price index and the service price index declined to 0 in

February. Noteworthy, 100 percent of replies indicated service prices remained unchanged.

Production, Employment, New Orders, and Backlogs

Survey respondents report the rate of increase in production continued to accelerate in February as the **Production Index** increased from 14 in January to 54 in February. It is the highest reading since May 2004. A year ago, the production index equaled 21. The **Employment Index** rose from 0 in January to 10 in Febru-

ary, which is 3 percentage points above the year ago reading. The **New Orders Index** decreased 2 percentage points from the previous month, which puts it 21 percentage points below the February 2006 number. The **Backlog of Orders Index** switched polarity jumping from -13 in January to 27 in February as the number of responses indicating the activity is “up” more than doubled. This is the highest value for the past 9 months.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Feb.	Jan.			
Cincinnati PMI	60.2	55.6	↑	Faster	2
New Orders	25.0	27.0	↑	Slower	2
Backlog of Orders	27.0	-13.0	↑	Faster	1
Production	54.0	14.0	↑	Faster	15
Employment	10.0	0.0	↑	Faster	1
Vendor Deliveries	10.0	9.0	↑	Faster	2
Raw Material Inventories	-10.0	-14.0	↓	Slower	2
Finished Goods Inventories	-10.0	7.0	↓	Faster	1
Composite Price Index	4.9	17.9	↑	Slower	41

*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
(24, -12, 27, 25)

The rate of increase in new orders declined 2 percentage points from 27 to 25, approaching the average for the last three years. This index was 21 percentage points below its value a year ago.

BACKLOG OF ORDERS - Fig.3
(2, -18, -13, 27)

The backlog of orders index resumed growth and advanced strongly to a value of 27 from a negative 13 in January. The percent of responses indicating the backlog of orders is “up” more than doubled. The positive change suggests the acceleration in production did not keep up with the growth in new orders the previous month. The backlog of orders index remained flat from its value a year ago.

PRODUCTION - Fig.4
(27, 6, 14, 54)

The rate of increase in the production index accelerated in February as the index reached 54, the largest number since May 2004. The per-

cent of survey responses indicating production is “up” almost doubled and the percent of replies reporting production is the “same” or “down” declined. The February 2006 production index measured 21.

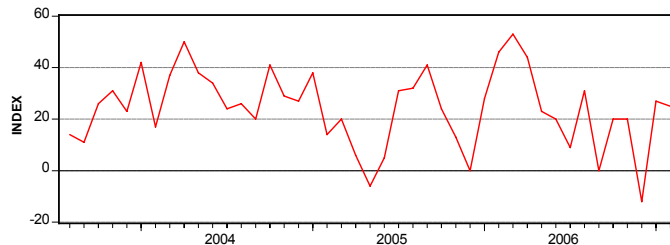


Figure 2. New Orders

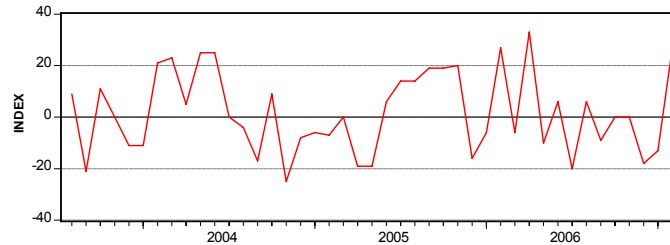


Figure 3. Backlog of Orders

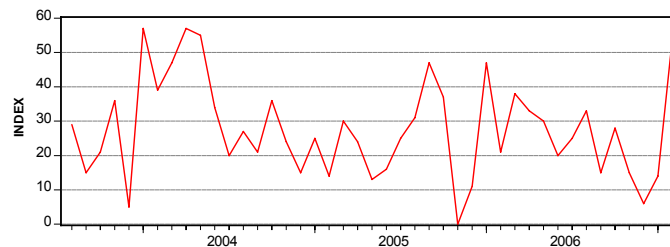


Figure 4. Production

“The rate of increase in the production index accelerated in February as the index reached 54”

EMPLOYMENT - Fig. 5

(11, -18, 0, 10)

The employment index increased from 0 in January to 10 in February. The percent of responses indicating increases in employment climbed as the percent indicating the same employment levels decreased. Consistent with the January indices, the increase in the growth rate of employment coupled with the rise in the production index may be signaling the December drop in the employment index to be a seasonal abnormality.

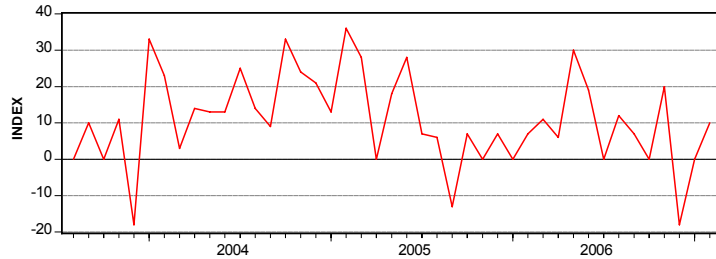


Figure 5. Employment

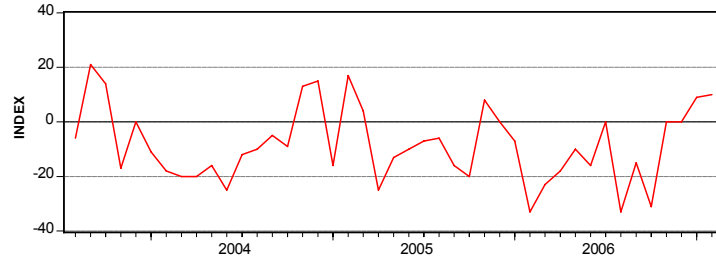


Figure 6. Vendor Delivery Performance

VENDOR DELIVERY PERFORMANCE - Fig. 6

(-9, 0, 9, 10)

As reflected by the vendor delivery performance index, deliveries continued to improve. The index number increased from 9 in January to 10 in February. Analogous to the January survey responses, the majority indicated the delivery performance the "same" as the preceding month and none reported slower delivers. A year ago, the index value was -33.

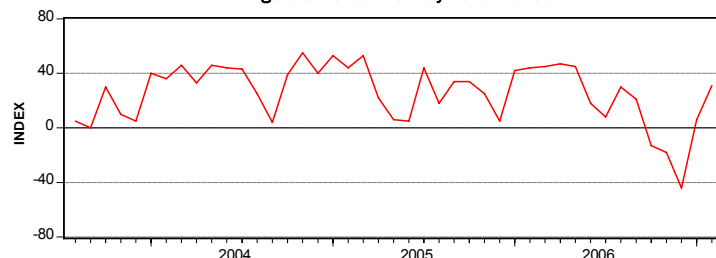


Figure 7. Dollars Spent by Purchasing

DOLLARS SPENT BY PURCHASING - Fig.7

(27, -44, 6, 31)

The monthly index measuring changing dollar amounts spent by regional purchasers continued accelerating following the increase in production. The index value advanced to 31, gaining 25 percentage points from January. This brings it above the 3-year average of 27 but still far below a year ago value of 44. Most of the increase in spending can be attributed to the domestic purchases and imports from across the Pacific.

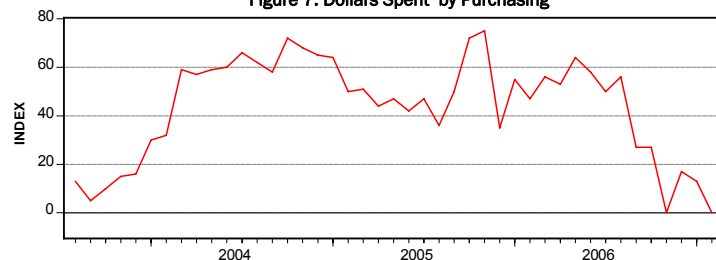


Figure 8. Commodity Prices

COMMODITY PRICES - Fig. 8

(49, 17, 13, 0)

The commodity price index declined 13 percentage points to 0 in February. This change resulted from an in-

crease in the percentage of replies indicating prices remained unchanged and a fall in the percentage of replies indicating rising prices. February's index value of 0 is a sizable decline from the year ago reading of 47. Some members do report higher prices for stainless steel while other members state a slight decrease in prices for steel. Other comments include an increase in prices for aluminum and a decrease in prices for copper.

SERVICE PRICES

(25, 0, 20, 0)

The service price index dropped 20 percentage points matching the December reading of 0. A year ago, the service price index equaled 33. Noteworthy, 100 percent of replies indicated service prices remained unchanged.

EQUIPMENT PRICES

(22, 0, 20, 15)

After surging upward in January, the rate of increase in equipment prices moderated

"The monthly index measuring changing dollar amounts spent by regional purchasers continued accelerating following the increase in production"

as the index decreased to 15 in February. The majority of responses, 85 percent, indicated equipment prices remained the same while none of the responses indicated equipment prices “down.”

RAW MATERIAL INVENTORIES (-9, 7, -14, -10)

Raw material inventories continued to decline but at a slower rate. The index equaled -10 in February, 4 percentage points up from -14 in January. Again, it seems likely that increases in production are responsible.

FINISHED GOODS INVENTORIES (2, 7, 7, -10)

Finished goods inventories also declined as the increase in production trailed the rate of growth in new orders. The index fell from 7 in January to -10 in February, which is 17 percentage points below a year ago number.

BUYING PATTERNS

These percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (-1, -13, 25, 17)

- ACROSS THE ATLANTIC (-6, 0, 0, -17)

- ACROSS THE PACIFIC (36, 25, 50, 67)

- DOMESTICALLY (26, -33, 13, 11)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

- Up are: Stainless steel, aluminum, plastic shipping envelopes
- Down are: Copper, steel

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

General Business

Index	Up	Same	Down
Production	63	28	9
New Orders	41	43	16
Backlog Of Orders	45	37	18
Employment	30	50	20

Prices & Spending

Index	Up	Same	Down
Prices for Commodities	15	70	15
Prices for Services	0	100	0
Prices for Equipment	15	85	0
Dollars Spent by Purchasing	46	39	15

Inventories

Index	Up	Same	Down
Raw Materials	30	30	40
Finished Goods	30	30	40

Deliveries

Index	Quicker	Same	Slower
Deliveries	10	90	0

Of those Firms that Purchase Internationally

Change in the amount spent	Up	Same	Down
Elsewhere in the Americas	33	51	16
Across the Atlantic	16	51	33
Across the Pacific	83	1	16
Domestically	33	45	22

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 pool 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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PRESS RELEASE

Important:

Do Not Release Until
12:01 a.m. Wednesday February 28, 2007

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of February 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 Purchasing Managers Index – Cincinnati measured 60.2 in February compared to 55.6 last month for a 4.6 percentage point increase. A year ago, the Cincinnati PMI equaled 62.9. Any reading over 50 represents an increase.

The Composite Price Index - Cincinnati - The rate of increase in the **Composite Price Index – Cincinnati** slowed as the index value fell from 17.9 to 4.9 after an upward surge in January. Any index value that exceeds zero represents an increase in average prices. Members reported slower price increases for equipment. Both the commodity price index and the service price index declined to 0 in February.

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