

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 September 30th, 2008

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of September 2008.

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 September shows that reported purchasing activity presents a negative picture. The **Production Index** dropped sharply from August's value, becoming negative and indicating continued contraction. The **Employment Index** remained negative, although slightly less so than August, and represents the second negative value since January 2008.

The Purchasing Managers Index – Cincinnati measured in 46.3 September compared to 52.2 for last month, a 5.9 percentage point decrease. Any index value under 50 represents a decrease in purchasing activity. The Cincinnati PMI had remained above 50 since January 2003 with six exceptions, five of which occurred since October 2007.

The Composite Price Index – Cincinnati fell in September as the index measured 56.0, down from 60.7 in August. Any index value that exceeds zero represents an increase in average prices. The increase in **commodity prices** decelerated from August as 79 percent of respondents reported increases in the prices they pay, 13 percent reported the same, and eight percent reported declines. Three percent had reported declines in August. The **Equipment Price Index** rose to 50 from its August value of 47, but the **Service Price Index** fell to 47 from 60 in August, remaining above the 36 month average of 29.

The **New Orders Index** decreased sharply in September, turning negative, as did the index measuring **Dollars Spent by Purchasing** compared to August's values. The **Backlog of Orders Index** remained negative, although somewhat less so than in August.

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The National Association of Purchasing Management-Cincinnati Report on Business for the Month of September 2008

Following a decrease in August, the **Cincinnati Purchasing Management Index (PMI)** decreased in September, falling to 46.3 from 52.2 in August. A year ago, the September Cincinnati PMI stood at 56.3. For reference, the **national PMI** for August 2008 was 49.9, showing a 0.1 point decrease from its June value of 50.0. The national September 2008 index is not available at this writing.

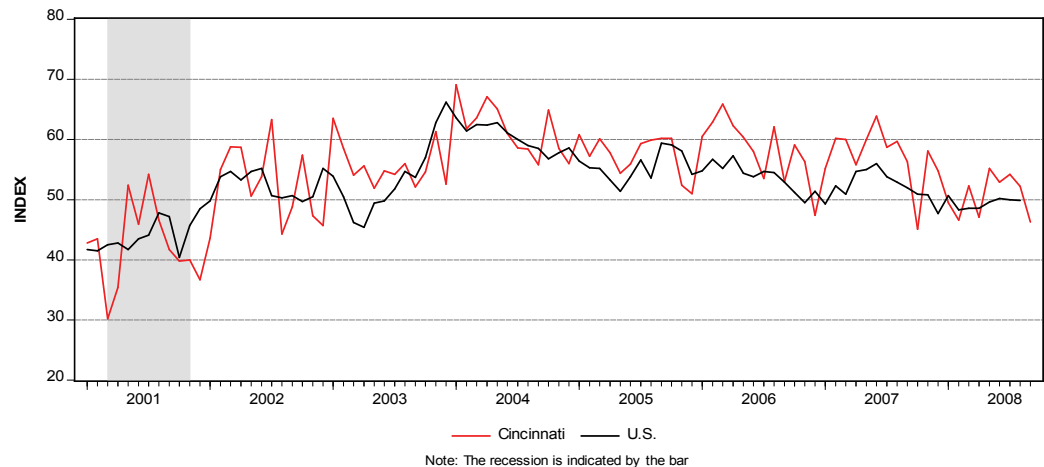


Figure 1. Cincinnati PMI vs. ISM-PMI

HIGHLIGHTS

Data collected during the month of September from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity is a generally negative picture, as all surveyed activities in the region declined. The **Cincinnati PMI** fell from 52.2 in August to 46.3 in September. Values below 50 mean economic contraction. The September value is calculated using the new 2008 seasonal adjustment factors from the U.S. Department of Commerce. The **new orders** index decreased, turning negative in September. The **production** index turned negative, falling to a value of -3 compared to

19 in August. The index for **backlog of orders** fell again in September, and remains substantially negative. The index for **inventories of finished goods** decreased this month, falling to -16. The **commodity price** index fell in September (index = 71), down 4 points from August's value. The **equipment price** index rose to 50 from August's value of 47. The **service price** index fell to 47 from 60 in August. **Dollars spent in purchasing** decreased (index = 30) compared to August's value of 44. The reported **raw material inventories** index fell to -46 from August's value of 0. With respect to geographic buying patterns, in the Americas the index remained at -5;

the index for buying from across the **Atlantic** rose from August's value of -20 to -13; buying from across the **Pacific** fell to -9, down from last month's 14, and the **domestic purchasing** index also fell, decreasing to 27 from August's value of 37. The **Composite Price Index - Cincinnati** registered a downward movement in September, falling to 56.0 from 60.7 in August. Any index value that exceeds zero represents an increase in average prices.

Production, Employment, New

Orders, and Backlog of Orders

Respondents report that the rate of production fell markedly in September as the **Production Index** decreased from 19 in August to -3 in September. A year ago, the production index equaled 24. The **Employment Index** rose in September to -2 from August's value of -4, as 14 percent of the respondents reported increases, 16 percent reported decreases, and 70 percent reported no change. The **New Orders Index** for September decreased, moving from 3 to -10. A year ago, this index was 10. The **Backlog of Orders Index** also fell from -28 in August to -30 this month.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Sep	Aug			
Cincinnati PMI	46.3	52.2	↓	Slower	1
New Orders	-10	3	↓	Faster	1
Backlog of Orders	-30	-28	↓	Faster	13
Production	-3	19	↓	Slower	1
Employment	-2	-4	↓	Slower	2
Vendor Deliveries	0	6	<->	Slower	12
Raw Material Inventories	-46	0	↓	Faster	1
Finished Goods Inventories	-16	6	↓	Faster	1
Composite Price Index	56.0	60.7	↑	Slower	60

*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 for this month ending 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
(17, 18, 3, -10)

The New Orders index in September decreased to a value of -10, down 13 points from the August value. This change resulted from 22 percent of replies indicating new orders were "up", 32 percent indicating "down" and 46 percent reporting "the same". A year ago, the new orders index equaled 10.

BACKLOG OF ORDERS - Fig. 3
(-4, -13, -28, -30)

The backlog of orders index decreased again in September, falling from -28 in August to -30, a decrease of 2 points caused by 11 percent of respondents reporting "up" (13 percent in August), 41 percent reporting

"down" (41 in August), and 49 percent reporting "the same" (47 in August).

PRODUCTION - Fig. 4
(20, 9, 19, -3)

The production index decreased in September as the index number fell from 19 in

August to -3, a 22 point swing, indicating contraction. Twenty-two percent of respondents reported production as "up", 25 percent reported "down", and 53 percent reported "the same". The production index in September of 2007 was 24. The September 2008 index lies well be-

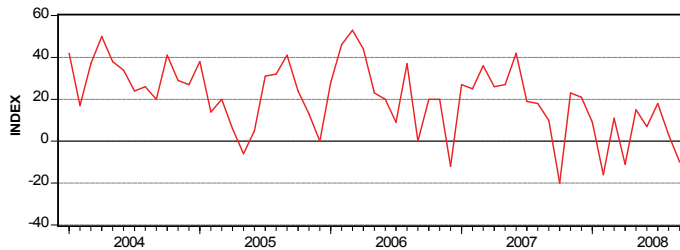


Figure 2. New Orders

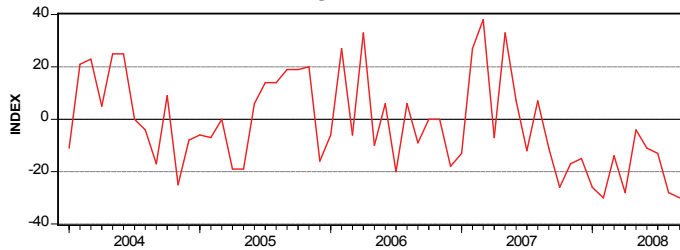


Figure 3. Backlog of Orders

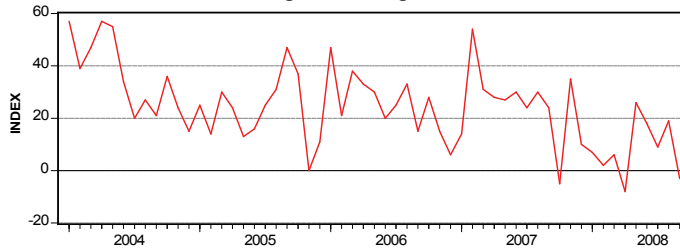


Figure 4. Production

"The production index decreased in September as the index number fell from 19 in August to -3, a 22 point swing."

low the 36 month average of 20. The maximum index value in this 36 month period was 54, reached in February, 2007.

EMPLOYMENT - Fig. 5
(7, 9, -4, -2)

September's employment index was -2, rising from the last months' value of -4. Fourteen percent of respondents reported increased employment (13 percent in August), and 16 percent reported decreased employment (17 percent in August), while 70 percent of the respondents reported employment remained the same (70 percent in August also).

VENDOR DELIVERY PERFORMANCE - Fig. 6
(-4, 14, 6, 0)

The vendor delivery performance index is zero this month, down from August's value of 6. Seventy-three percent of survey respondents this month reported delivery times as the "same" (68 percent in August). Fourteen percent reported faster deliveries (19 also in August), and 14 percent reported slower delivery times (13 in August). A year ago, the index value was -6.

DOLLARS SPENT BY PURCHASING - Fig. 7
(25, 59, 44, 30)

The monthly index measuring changing dollar amounts spent by regional purchasers decreased in September compared to August, falling 14 points. Fifty-seven percent of respondents indicated increased spending, 16 percent reported no change, and 27 percent indicated decreased spending, up from 19 last month.

COMMODITY PRICES - Fig. 8
(51, 91, 75, 71)

The commodity price index in September fell 4 points to 71, and remains high compared to the 36 month average of

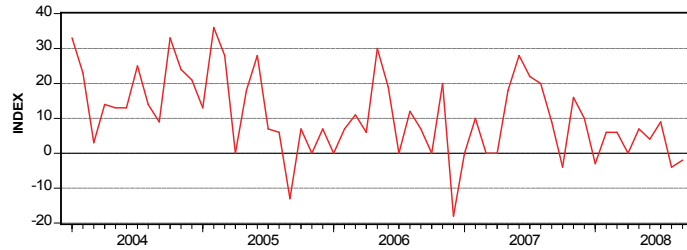


Figure 5. Employment

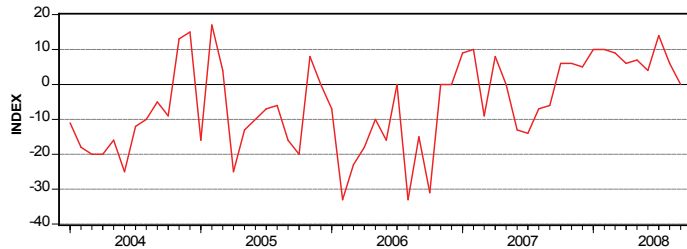


Figure 6. Vendor Delivery Performance

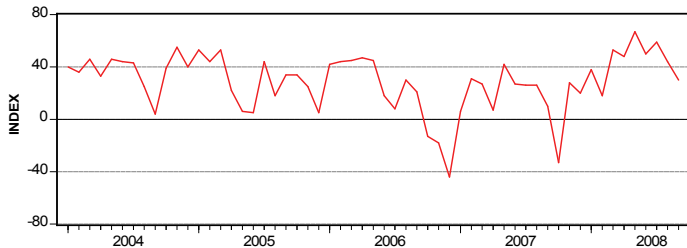


Figure 7. Dollars Spent by Purchasing

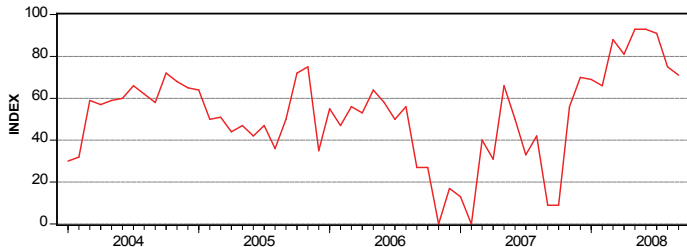


Figure 8. Commodity Prices

51. Seventy-nine percent of respondents reported higher prices, 13 percent reported the "same", and 8 percent reported lower prices. In September 2007, the index measured 9.

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
(29, 68, 60, 47)

The service price index fell in September with an index value of 47, down 13 points

from August's value of 60. This was caused by 47 percent of respondents reporting increases, 53 percent reporting no change in prices and zero percent reporting price decreases. A year ago the service price index equaled 0.

EQUIPMENT PRICES
(29, 50, 47, 50)

The equipment price index was 50 in September, rising by 3 points, and remains well above the three year average of 29, suggesting continuing price pressure. A year ago, the index was 23.

"September's employment index was -2, rising from the last months' value of -4."

RAW MATERIAL INVENTORIES
(-10, 5, 0, -46)

The index measuring changes in raw material inventories fell this month to -46 from 0 last month. Three percent of the reports indicated increased inventories, and 49 percent of respondents indicated decreases, with 49 percent reporting no change (these sum to greater than 100 because of rounding).

FINISHED GOODS INVENTORIES (4, 15, 6, -16)

The index for finished goods inventories decreased in September to -16 compared to 6 in August, a 22 point decrease. Sixteen percent indicated increased inventories, 51 percent reported the

same, and 32 percent reported finished goods inventories as "down".

BUYING PATTERNS

- DOMESTICALLY
(22, 55, 37, 27)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (2, 27, -5, -5)
- ACROSS THE ATLANTIC (-4, 0, -20, -13)
- ACROSS THE PACIFIC (30, 27, 14, -9)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

- Up are: paper label stocks,

paper, toner, electricals, silicon carbide, silicon ferroalloys, steel plate, plastic, carbon steel, fuel surcharges, food items, steel, resins, liner board, plastic resins, films, chemicals, cardboard, oil, coal, polyethylene, EPDM, PVC, metal gaskets, hydraulic hoses, and fittings.

- Down are: steel sheet, scrap, nickel, copper, aluminum, oil based items, and natural gas.

- In short supply: silicon ferroalloys, steel plate, medical supplies gloves, plastics, blowers, motors, stainless steel, phenol, paper products, inventories in general, paper products, alcohol, helium, steel, EPDM, and EVA resin.

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

General Business

Index	Up	Same	Down
Production	22	53	25
New Orders	22	46	32
Backlog Of Orders	11	49	41
Employment	14	70	16

Prices & Spending

Index	Up	Same	Down
Prices for Commodities	79	13	8
Prices for Services	47	53	0
Prices for Equipment	53	45	3
Dollars Spent by Purchasing	57	16	27

Inventories

Index	Up	Same	Down
Raw Materials	3	49	49
Finished Goods	16	51	32

Deliveries

Index	Quicker	Same	Slower
Deliveries	14	73	14

Change in the Amount Spent

Change in the amount spent	Up	Same	Down
Domestically	46	35	19
For Firms Purchasing Internationally			
Elsewhere in the Americas	17	61	22
Across the Atlantic	8	71	21
Across the Pacific	17	57	26

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, gives us the current 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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