

# CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

## PRESS RELEASE

Important:

Do Not Release Until  
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SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of August 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 August** shows that reported purchasing activity presents a mixed picture. The **Production Index** rose from July's value, indicating continued growth, and somewhat faster than July. In contrast, the **Employment Index** decreased to minus four in August, the first negative value since January 2008.

**The Purchasing Managers Index – Cincinnati** measured in 52.2 August compared to 54.2 for last month, a two percentage point decrease. Any index value over 50 represents an increase in purchasing activity. The Cincinnati PMI has remained above 50 since January 2003 with five exceptions, four of which occurred since October 2007.

**The Composite Price Index – Cincinnati** fell in August as the index measured 60.7, down from 69.7 in July. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices decelerated from July as 78 percent of respondents reported increases in the prices they pay, 19 percent reported the same, and three percent reported declines. The **Equipment Price Index** fell to 47 from its July value of 50, as did **Service Price Index**, which fell to 60 from 68 in July, remaining above the 36 month average of 29.

The **New Orders Index** decreased in August, as did the index measuring **Dollars Spent by Purchasing** compared to July's values. The **Backlog of Orders Index** remained negative, and more so than in July.

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## INSIDE THIS ISSUE:

<i>New Orders</i>	2
<i>Backlog of Orders</i>	2
<i>Production</i>	2
<i>Employment</i>	3
<i>Vendor Delivery Performance</i>	3
<i>Dollars Spent by Purchasing</i>	3
<i>Commodity Prices</i>	3
<i>Service Prices</i>	3
<i>Equipment Prices</i>	3
<i>Raw Material Inventories</i>	4
<i>Finished Goods Inventories</i>	4
<i>Buying Patterns</i>	4
<i>General Comments by Purchasing Managers</i>	4

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

Following an increase in July, the **Cincinnati Purchasing Management Index (PMI)** decreased in August, falling to 52.2 from 54.2 in July. A year ago, the August Cincinnati PMI stood at 59.7. For reference, the **national PMI** for July 2008 was 50.0, showing a 0.2 point decrease from its June value of 50.2. The national August 2008 index is not available at this writing.

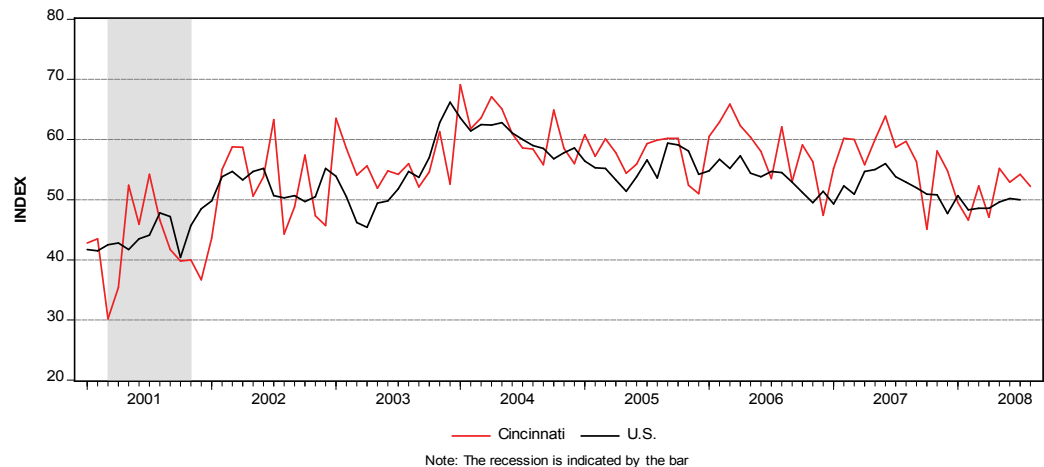


Figure 1. Cincinnati PMI vs. ISM-PMI

## HIGHLIGHTS

Data collected during the month of August from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity is a mixed picture, as production and new orders continue to grow, but employment has decreased. The Cincinnati PMI fell from 54.2 in July to 52.2 in August. Values above 50 mean economic expansion. The August value is calculated using the new 2008 seasonal adjustment factors from the U.S. Department of Commerce. With the exception of employment, the various indices generally are reflecting continued modest expansion of economic activity in the

region. The new orders index decreased but remained positive in August. The production index remains positive, and rose to a value of 19 compared to 9 in July. The index for backlog of orders fell in August, and remains negative. The index for inventories of finished goods decreased this month, falling to six. The commodity price index fell in August (index = 75), down 16 points from July's value. The equipment price index also declined, falling to 47 from July's value of 50. The service price index fell to 60 from 68 in July. Dollars spent in purchasing decreased (index = 44) compared to July's value of 59. The reported raw material inventories index fell to

zero from July's value of 5. With respect to geographic buying patterns, in the Americas the index fell to -5 from July's value of 27; the index for buying from across the Atlantic fell from July's value of zero to -20; buying from across the Pacific fell to 14, down from last month's 27, and the domestic purchasing index also fell, decreasing to 37 from July's value of 55. The **Composite Price Index - Cincinnati** registered a downward movement in August, falling to 60.7 from 69.7 in July. 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 in August as the **Production Index** increased from 9 in July to 19 in August. A year ago, the production index equaled 30. The **Employment Index** decreased in August to -4 from July's value of 9, as 13 percent of the respondents reported increases, 17 percent reported decreases, and 70 percent reported no change. The **New Orders Index** for August decreased, moving from 18 to 3. A year ago, this index was 42. The **Backlog of Orders Index** also fell from -13 in July to -28 this month.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Aug	July			
Cincinnati PMI	52.2	54.2	↑	Slower	4
New Orders	3	18	↑	Slower	4
Backlog of Orders	-28	-13	↓	Faster	12
Production	19	9	↑	Faster	4
Employment	-4	9	↓	Slower	1
Vendor Deliveries	6	14	↑	Slower	11
Raw Material Inventories	0	5	<->	Slower	2
Finished Goods Inventories	6	15	↑	Slower	6
Composite Price Index	60.7	69.7	↑	Slower	59

\*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  
(18, 7, 18, 3)

The New Orders index in August decreased to a value of 3, down 15 points from the July value. This change resulted from 25 percent of replies indicating new orders were "up", 22 percent indicating "down" and 53 percent reporting "the same". A year ago, the new orders index equaled 18.

**BACKLOG OF ORDERS** - Fig. 3  
(-3, -11, -13, -28)

The backlog of orders index decreased in August, falling from -13 in July to -28, a decrease of 15 points caused by 13 percent of respondents reporting "up" (17 percent in July), 41 percent reporting "down" (30 in July), and 47

percent reporting "the same" (52 in July).

**PRODUCTION** - Fig. 4  
(22, 18, 9, 19)

The production index increased in August as the index number rose from 9 in July to 19, an 10 point in-

crease. Twenty-eight percent of respondents reported production as "up", 9 percent reported "down", and 63 percent reported "the same". The production index in August of 2007 was 30. The August 2008 index lies below the 36 month average of 22. Its positive value indicates that this

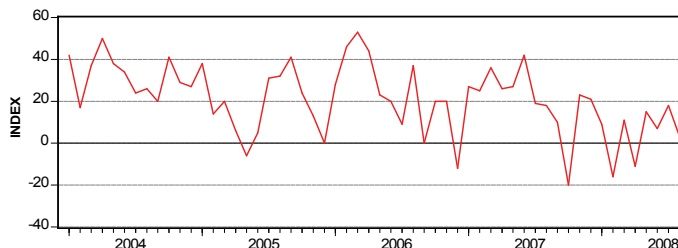


Figure 2. New Orders

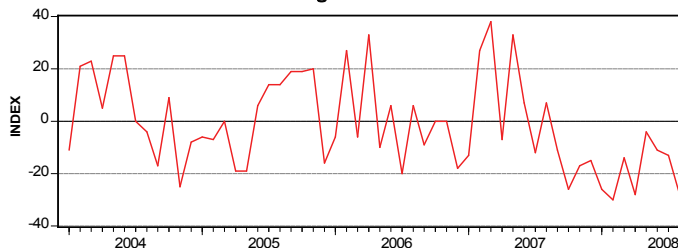


Figure 3. Backlog of Orders

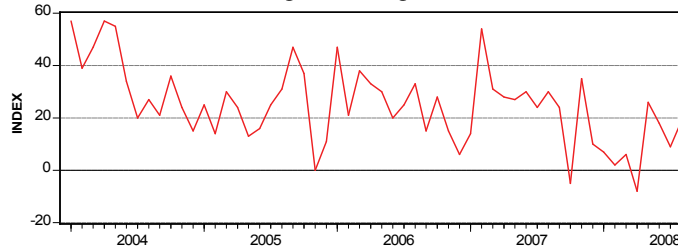


Figure 4. Production

*"The production index increased in August as the index number rose from 9 in July to 19, an 10 point decrease."*

region's production continues to increase. The maximum index value in this 36 month period was 54, reached in February, 2007.

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

August's employment index was -4, falling from the last months' value of 9. Thirteen percent of respondents reported increased employment (27 percent in July), and 17 percent reported decreased employment (18 percent in July), while 70 percent of the respondents reported employment remained the same (55 percent in July).

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

The vendor delivery performance index is 6 this month, down from July's value of 14. Sixty-eight percent of survey respondents this month reported delivery times as the "same" (76 percent in July). Nineteen percent reported faster deliveries (19 also in July), and 13 percent reported slower delivery times (5 in July). A year ago, the index value was -7.

**DOLLARS SPENT BY PURCHASING - Fig. 7**  
(25, 50, 59, 44)

The monthly index measuring changing dollar amounts spent by regional purchasers decreased in August compared to July, falling 15 points. Sixty-three percent of respondents indicated increased spending, 19 percent reported no change, and 19 percent indicated decreased spending, up from zero last month.

**COMMODITY PRICES - Fig. 8**  
(50, 93, 91, 75)

The commodity price index in August fell 16 points to 75, and remains high compared to the 36 month average of 50. Seventy-eight percent of

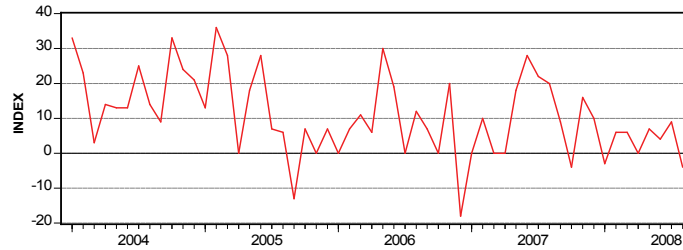


Figure 5. Employment

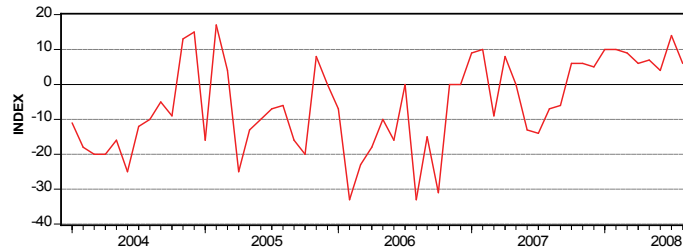


Figure 6. Vendor Delivery Performance

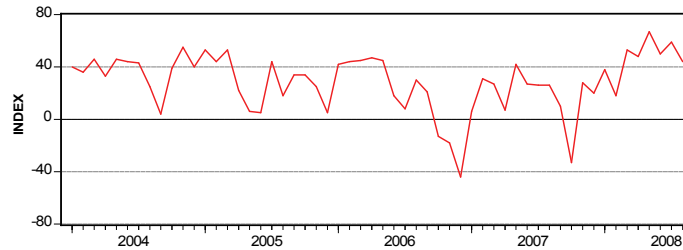


Figure 7. Dollars Spent by Purchasing

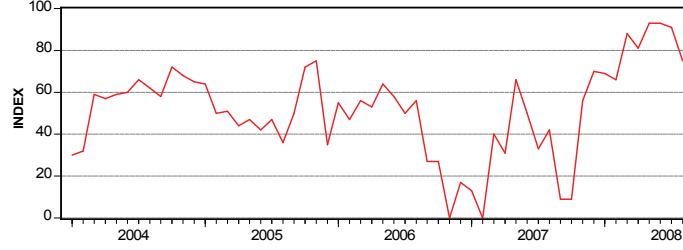


Figure 8. Commodity Prices

respondents reported higher prices, 19 percent reported the "same", and 3 percent reported lower prices. In August 2007, the index measured 42.

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, 64, 68, 60)

The service price index fell in August with an index value of 60, down 8 points from July's value of 68. This was caused

by 63 percent of respondents reporting increases, 34 percent reporting no change in prices and 3 percent reporting price decreases. A year ago the service price index equaled 21.

**EQUIPMENT PRICES**  
(28, 54, 50, 47)

The equipment price index was at 47 in August, falling by 3 points, and remains well above the three year average of 28, suggesting continuing price pressure. A year ago, the index was 22.

*"August's employment index was -4, falling from the last months' value of 9."*

**RAW MATERIAL INVENTORIES**

(-10, -18, 5, 0)

The index measuring changes in raw material inventories fell this month to 0 from 5. Sixteen percent of the reports indicated increased inventories, and 16 percent of respondents indicated decreases, with 68 percent reporting no change.

**FINISHED GOODS INVENTORIES**

(3, 7, 15, 6)

The index for finished goods inventories decreased in August to 6 compared to 15 in July, a 9 point decrease. Twenty-nine percent indicated increased inventories, 48 percent reported the same, and 23 percent reported finished goods inventories as "down".

**BUYING PATTERNS**

- DOMESTICALLY (23, 36, 55, 37)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (2, -11, 27, -5)
- ACROSS THE ATLANTIC (-4, -16, 0, -20)
- ACROSS THE PACIFIC (31, 11, 27, 14)

**GENERAL COMMENTS BY PURCHASING MANAGERS****Noticeable Price Changes**

- Up are: tomato paste, fuel, delivery charges, power transmissions, raw metals, plastics, resins, styrene resin, toner, paper, steel, card-

board, electric motors, aluminum, desiccants, silicon alloy, furan binder, silicon carbide, natural gas, IBC's, steel drums, paper valve bags, corrugated packing material, gearboxes, blowers, and electric controls.

- Down are: gasoline, nickel, nickel mag, stainless steel, glycerine, and copper.

- In short supply: HVP's, plastics, polystyrene, steel plate, furfural alcohol, silicon alloy, motors, blowers, and stainless steel.

**STATISTICAL SUMMARY**

Replies as a Percent of Total Replies

**General Business**

Index	Up	Same	Down
Production	28	63	9
New Orders	25	53	22
Backlog Of Orders	13	47	41
Employment	13	70	17

**Prices & Spending**

Index	Up	Same	Down
Prices for Commodities	78	19	3
Prices for Services	63	34	3
Prices for Equipment	53	41	6
Dollars Spent by Purchasing	63	19	19

**Inventories**

Index	Up	Same	Down
Raw Materials	16	68	16
Finished Goods	29	48	23

**Deliveries**

Index	Quicker	Same	Slower
Deliveries	19	68	13

**Change in the Amount Spent**

Change in the amount spent	Up	Same	Down
Domestically	56	25	19
<b>For Firms Purchasing Internationally</b>			
Elsewhere in the Americas	15	65	20
Across the Atlantic	5	70	25
Across the Pacific	38	38	24

**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.

**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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