

July 2008

## CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

### PRESS RELEASE

Important:

Do Not Release Until  
12:01 a.m. Thursday July 31st, 2008

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of July 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 July** shows that reported purchasing activity presents a generally positive picture, and somewhat more so than in June. The **Production Index** remained in positive territory, indicating continued growth, although slower than June. The **Employment Index** rose to nine in July, and its positive value indicates that economic activity in the region continues to expand.

**The Purchasing Managers Index – Cincinnati** measured in 54.2 July compared to 52.9 for last month, a 1.3 percentage point increase. 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 very slightly in July as the index measured 69.7, down from 70.3 in June. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices decelerated from June as 91 percent of respondents reported increases in the prices they pay, 9 percent reported the same, and zero percent reported declines. The **Equipment Price Index** fell to 50 from its June value of 54, although the **Service Price Index** rose to 68, remaining above the 36 month average of 28.

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

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

Following an decrease in June, the **Cincinnati Purchasing Management Index (PMI)** increased in July, rising to 54.2 from 52.9 in June. A year ago, the July Cincinnati PMI stood at 58.7. For reference, the **national PMI** for June 2008 was 50.2, showing a 0.6 point increase from its May value of 49.6. The national July 2008 index is not available at this writing.

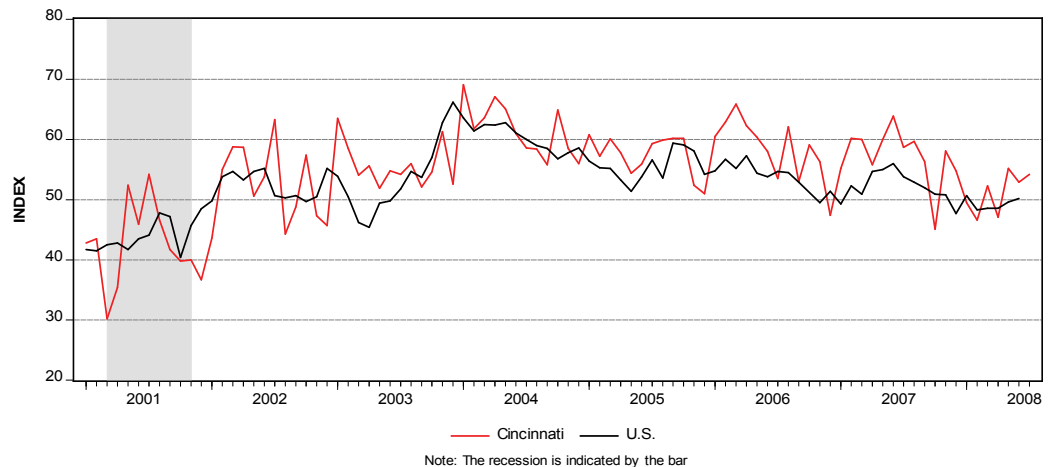


Figure 1. Cincinnati PMI vs. ISM-PMI

## HIGHLIGHTS

Data collected during the month of July from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity is showing continued positive growth, as economic activity has increased in most of the reported categories. The Cincinnati PMI rose from 52.9 in June to 54.2 in July. Values above 50 mean economic expansion. The July value is calculated using the new 2008 seasonal adjustment factors from the U.S. Department of Commerce. The various indices generally are reflecting continued modest expansion of economic activity in the region. The new or-

ders index increased and remained positive in July. The production index remains positive, although it fell to a value of 9 compared to 18 in June. The index for backlog of orders fell in July, and remains negative. The index for inventories of finished goods increased this month, and also remains positive. Commodity prices fell slightly in July (index = 91), down 2 points from June's value. The equipment price index also declined, falling to 50 from June's value of 54. The service price index rose to 68 from 64 in June. Dollars spent in purchasing increased (index = 59) compared to June's value of 50. The reported raw material invento-

ries index rose to 5 from June's value of -18. With respect to geographic buying patterns, in the Americas the index rose to 27 from June's value of -11; the index for buying from across the Atlantic rose to zero from June's value of -16; buying from across the Pacific rose to 27, up from last month's 11, and the domestic purchasing index also rose, increasing to 55 from June's value of 36. The **Composite Price Index - Cincinnati** registered a slight downward movement in July, falling to 69.7 from 70.3 in June. 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 July as the **Production Index** decreased from 18 in June to 9 in July. A year ago, the production index equaled 24. The **Employment Index** increased in July to 9 from June's value of 4, as 27 percent of the respondents reported increases, 18 percent reported decreases, and 55 percent reported no change. The **New Orders Index** for July increased, moving from 7 to 18. A year ago, this index was 42. The **Backlog of Orders Index** also fell from -11 in June to -13 this month. A year ago it was -12.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	July	June			
Cincinnati PMI	54.2	52.9	↑	Faster	3
New Orders	18	7	↑	Faster	3
Backlog of Orders	-13	-11	↓	Faster	11
Production	9	18	↑	Slower	3
Employment	9	4	↑	Faster	3
Vendor Deliveries	14	4	↑	Faster	10
Raw Material Inventories	5	-18	↑	Slower	1
Finished Goods Inventories	15	7	↑	Faster	5
Composite Price Index	69.7	70.3	↑	Slower	58

\*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  
(19, 15, 7, 18)

The New Orders index in July increased to a value of 18, up 11 points from the June value. This change resulted from 35 percent of replies indicating new orders were "up", 17 percent indicating "down" and 48 percent reporting "the same". A year ago, the new orders index equaled 19.

**BACKLOG OF ORDERS** - Fig. 3  
(-2, -4, -11, -13)

The backlog of orders index decreased in July, falling from -11 in June to -13, a decrease of 2 points caused by 17 percent of respondents reporting "up" (25 percent in June), 30 percent reporting "down" (36 in June), and 52

percent reporting "the same" (39 in June).

**PRODUCTION** - Fig. 4  
(22, 26, 18, 9)

The production index decreased in July as the index number fell from 18 in June to 9, an 9 point decrease.

Twenty-six percent of respondents reported production as "up", 17 percent reported "down", and 57 percent reported "the same". The production index in July of 2007 was 24. The July 2008 index lies below the 36 month average of 22. Its positive value suggests that national trends

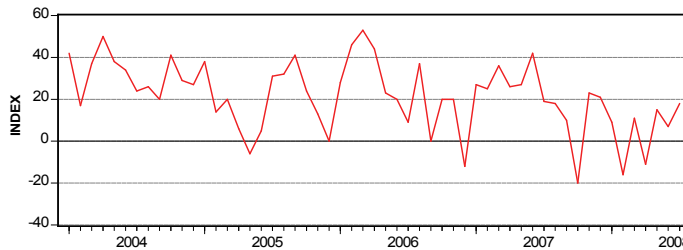


Figure 2. New Orders

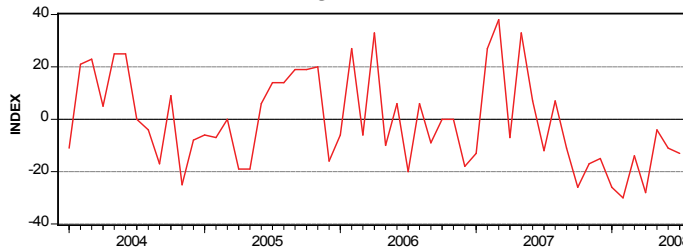


Figure 3. Backlog of Orders

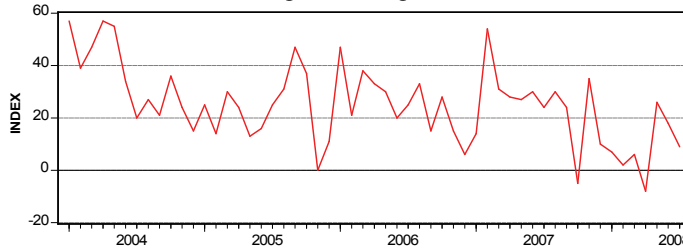


Figure 4. Production

*"The production index decreased in July as the index number fell from 18 in June to 9, an 9 point decrease."*

in production are reflected in this region's July performance. The maximum index value in this 36 month period was 54, reached in February, 2007.

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

July's employment index was 9, rising from the last months' value of 4. Twenty-seven percent of respondents reported increased employment (18 percent in June), and 18 percent reported decreased employment (14 percent in June), while 55 percent of the respondents reported employment remained the same (68 percent in June).

**VENDOR DELIVERY PERFORMANCE - Fig. 6**  
(-5, 7, 4, 14)

The vendor delivery performance index is 14 this month, up from June's value of 4. Seventy-six percent of survey respondents this month reported delivery times as the "same" (68 percent in June). Nineteen percent reported faster deliveries (18 in June), and 5 percent reported slower delivery times (14 in June). A year ago, the index value was -14.

**DOLLARS SPENT BY PURCHASING - Fig. 7**  
(25, 67, 50, 59)

The monthly index measuring changing dollar amounts spent by regional purchasers increased in July compared to June, rising 9 points. Fifty-nine percent of respondents indicated increased spending, 41 percent reported no change, and zero percent indicated decreased spending.

**COMMODITY PRICES - Fig. 8**  
(49, 93, 93, 91)

The commodity price index in July fell two points to 91, and remains high compared to the 36 month average of 49.

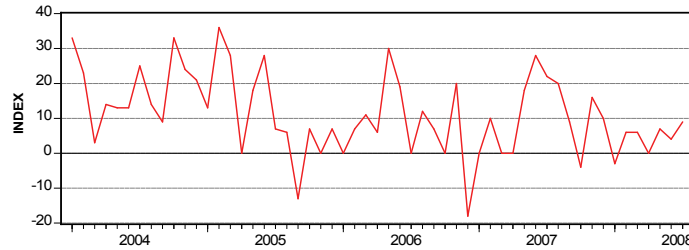


Figure 5. Employment

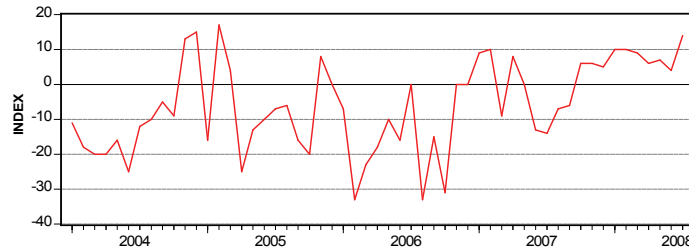


Figure 6. Vendor Delivery Performance

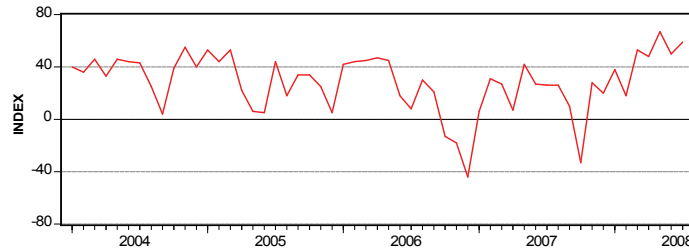


Figure 7. Dollars Spent by Purchasing

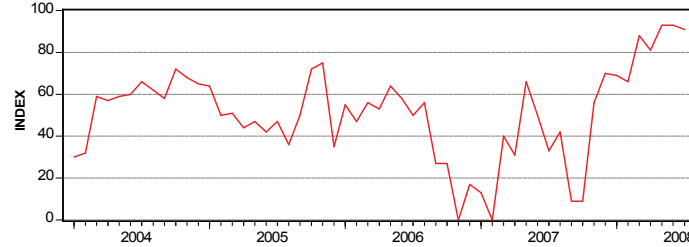


Figure 8. Commodity Prices

Ninety-one percent of respondents reported higher prices, 9 percent reported the "same", and none reported lower prices. In July 2007, the index measured 33.

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**  
(28, 56, 64, 68)

The service price index rose in July with an index value of 68, up 4 points from June's value of 64. This was caused by 68

percent of respondents reporting increases, 32 percent reporting no change in prices and zero percent reporting price decreases. A year ago the service price index equaled 21.

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

The equipment price index was at 50 in July, falling by 4 points, and remains above the three year average of 28, suggesting continuing price pressure. A year ago, the index was 21.

*"July's employment index was 9, rising from the last months' value of 4."*

**RAW MATERIAL INVENTORIES**  
(-10, -19, -18, 5)

The index measuring changes in raw material inventories rose markedly this month to 5 from -18 in June, a swing of 23 points. Twenty-four percent of the reports indicated increased inventories, and 19 percent of respondents indicated decreases, with 57 percent reporting no change.

**FINISHED GOODS INVENTORIES** (3, 16, 7, 15)

The index for finished goods inventories increased in July to 15 compared to 7 in June, an 8 point increase. Twenty-nine percent indicated increased inventories, 57 percent reported the same, and

14 percent reported finished goods inventories as "down".

**BUYING PATTERNS**

- DOMESTICALLY (23, 49, 36, 55)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (2, -6, -11, 27)
- ACROSS THE ATLANTIC (-4, 6, -16, 0)
- ACROSS THE PACIFIC (32, 29, 11, 27)

**GENERAL COMMENTS BY PURCHASING MANAGERS**

Noticeable Price Changes

- Up are: plastics, carbon steel, fuel, paper, toner,

power transmissions, chicken, dairy, plastic resin, and gasket materials.

- Down are: paper products and steel
- In short supply: metals, dairy, polypropylene, and steel plates.
- Other: force majeure issues

**STATISTICAL SUMMARY**

Replies as a Percent of Total Replies

**General Business**

Index	Up	Same	Down
Production	26	57	17
New Orders	35	48	17
Backlog Of Orders	17	52	30
Employment	27	55	18

**Prices & Spending**

Index	Up	Same	Down
Prices for Commodities	91	9	0
Prices for Services	68	32	0
Prices for Equipment	55	41	5
Dollars Spent by Purchasing	59	41	0

**Inventories**

Index	Up	Same	Down
Raw Materials	24	57	19
Finished Goods	29	57	14

**Deliveries**

Index	Quicker	Same	Slower
Deliveries	19	76	5

**Change in the Amount Spent**

Change in the amount spent	Up	Same	Down
Domestically	55	46	0
<b>For Firms Purchasing Internationally</b>			
Elsewhere in the Americas	36	55	9
Across the Atlantic	17	67	17
Across the Pacific	36	55	9

**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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