

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

PRESS RELEASE

Important:

Do Not Release Until
12:01 a.m. Monday June 30th, 2008

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

The Purchasing Managers Index – Cincinnati measured 52.9 in June compared to 55.2 for last month, a 2.3 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 in the last eight months (since October 2007).

The Composite Price Index – Cincinnati rose in June as the index measured 70.3, up from 67.7 in May. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices accelerated from May as 93 percent of respondents reported increases in the prices they pay, 7 percent reported the same, and zero percent reported declines. The **Equipment Price Index** was unchanged in June at 54, although the **Service Price Index** rose to 64, remaining above the 36 month average of 27.

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

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

Following an increase in May, the **Cincinnati Purchasing Management Index (PMI)** decreased in June, falling to 52.9 from 55.2 in May. A year ago, the June Cincinnati PMI stood at 63.9. For reference, the **national PMI** for May 2008 was 49.6, showing a one point change from its April value of 48.6. The national June 2008 index is not available at this writing.

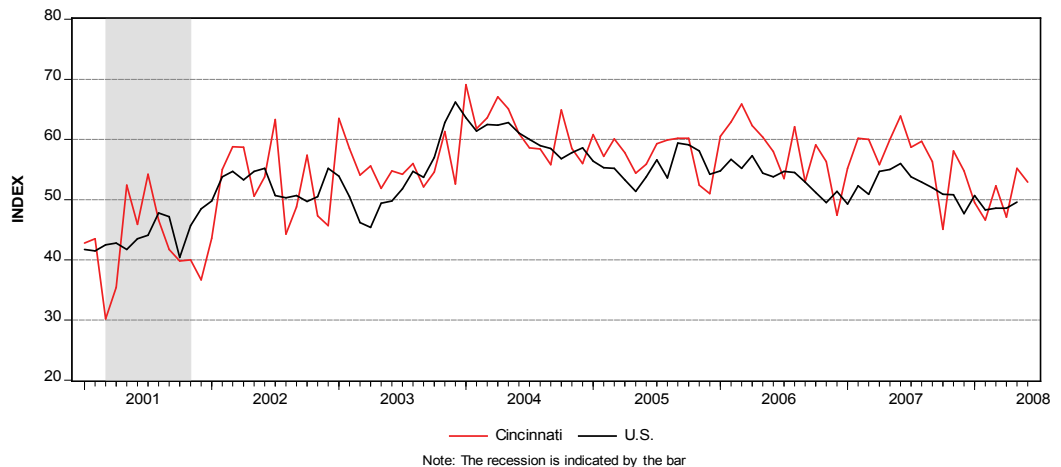


Figure 1. Cincinnati PMI vs. ISM-PMI

HIGHLIGHTS

Data collected during the month of June from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity is showing positive if somewhat slower growth, as economic activity has increased in most of the reported categories. The Cincinnati PMI fell from 55.2 in May to 52.9 in June. Values above 50 mean economic expansion. The June value is calculated using the new 2008 seasonal adjustment factors from the U.S. Department of Commerce. The various indices generally are reflecting increased economic activity in the region, although somewhat slower than

May. The new orders index remained positive in June. The production index remains positive, although it fell to a value of 18 compared to 26 in May. The index for backlog of orders fell in June, and remains negative. The index for inventories of finished goods fell this month, but also remains positive. Commodity prices continued to rise in June (index = 93), the same as May's value. The equipment price index also remained at 54 as in May. The service price index rose to 64 from 56 in May. Dollars spent in purchasing decreased (index = 50) compared to May's value of 67. The reported raw material inventories index rose slightly to -18

from May's value of -19. With respect to geographic buying patterns, in the Americas the index fell to -11 from May's value of -6; the index for buying from across the Atlantic fell to -16 from May's value of 6; buying from across the Pacific fell to 11, down from last month's 29, and the domestic purchasing index also fell to 36 from May's value of 49. The **Composite Price Index - Cincinnati** registered an upward movement in June, rising to 70.3 from 67.7 in May. 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 June as the **Production Index** decreased from 26 in May to 18 in June. A year ago, the production index equaled 30. The **Employment Index** fell in June to 4 from May's value of 7, as 18 percent of the respondents reported increases, 14 percent reported decreases, and 68 percent reported no change. The **New Orders Index** for June fell, moving from 15 to 7. A year ago, this index was 42. The **Backlog of Orders Index** also fell from -4 in May to -11 this month. A year ago it was 7.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	June	May			
Cincinnati PMI	52.9	55.2	↑	Slower	2
New Orders	7	15	↑	Slower	2
Backlog of Orders	-11	-4	↓	Faster	10
Production	18	26	↑	Slower	2
Employment	4	7	↑	Slower	2
Vendor Deliveries	4	7	↑	Slower	9
Raw Material Inventories	-18	-19	↓	Slower	3
Finished Goods Inventories	7	16	↑	Slower	4
Composite Price Index	70.3	67.7	↑	Faster	57

*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, -11, 15, 7)

The New Orders index in June decreased to a value of 7, down 8 points from the June value. This change resulted from 36 percent of replies indicating new orders were "up", 29 percent indicating "down" and 36 percent reporting "the same". A year ago, the new orders index equaled 42.

BACKLOG OF ORDERS - Fig. 3
(-1, -28, -4, -11)

The backlog of orders index decreased in June, falling from -4 in May to -11, an decrease of 7 points caused by 25 percent of respondents reporting "up" (22 percent in May), 36 percent reporting "down" (26 in May), and 39

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

PRODUCTION - Fig. 4
(23, -8, 26, 18)

The production index decreased in June as the index number fell from 26 in May to 18, an 8 point decrease.

Thirty-two percent of respondents reported production as "up", 14 percent reported "down", and 54 percent reported "the same". The production index in June of 2007 was 30. The June 2008 index lies above the 36 month average of 23. Its positive value suggests that national trends

"The production index decreased in June as the index number fell from 26 in May to 18, an 8 point decrease."

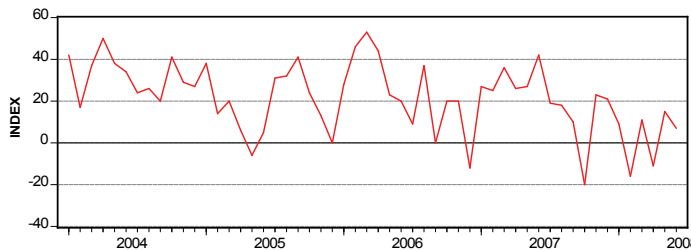


Figure 2. New Orders

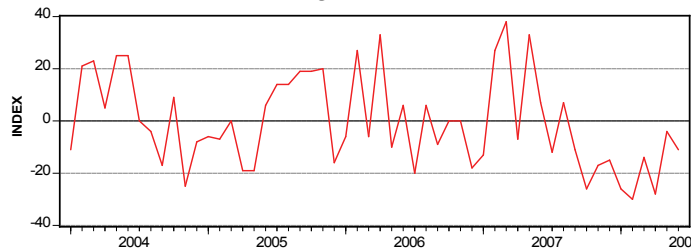


Figure 3. Backlog of Orders

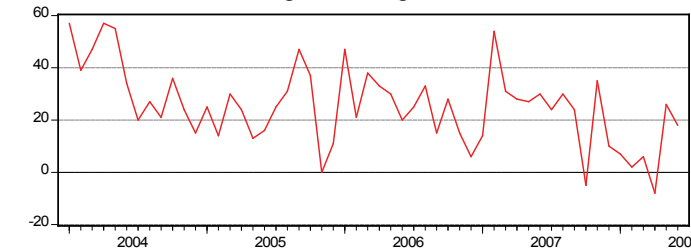


Figure 4. Production

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

EMPLOYMENT - Fig. 5
(7, 0, 7, 4)

June's employment index was 4, falling from the last months' value of 7. Eighteen percent of respondents reported increased employment (26 percent in May), and 14 percent reported decreased employment (19 percent in May), while 68 percent of the respondents reported employment remained the same (56 percent in May).

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

The vendor delivery performance index is 4 this month, down from May's value of 7. Sixty-eight percent of survey respondents this month reported delivery times as the "same" (85 percent in May). Eighteen percent reported faster deliveries (11 in May), and 14 percent reported slower delivery times (4 in May). A year ago, the index value was zero.

DOLLARS SPENT BY PURCHASING - Fig. 7
(24, 48, 67, 50)

The monthly index measuring changing dollar amounts spent by regional purchasers decreased in June compared to May, falling 17 points. Fifty-seven percent of respondents indicated increased spending, 36 percent reported no change, and 7 percent indicated decreased spending.

COMMODITY PRICES - Fig. 8
(48, 81, 93, 93)

The commodity price index in June stayed at 93, and remains high compared to the 36 month average of 48. Ninety-three percent of re-

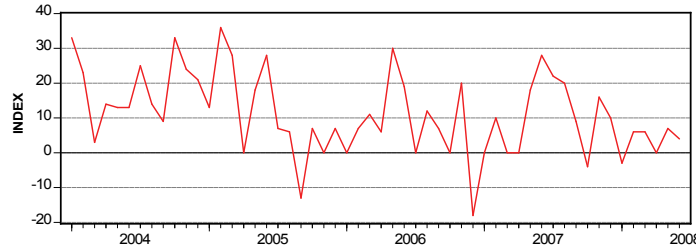


Figure 5. Employment

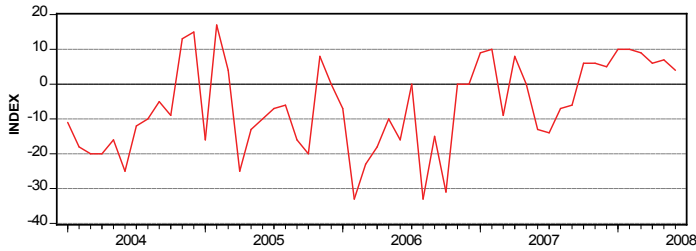


Figure 6. Vendor Delivery Performance

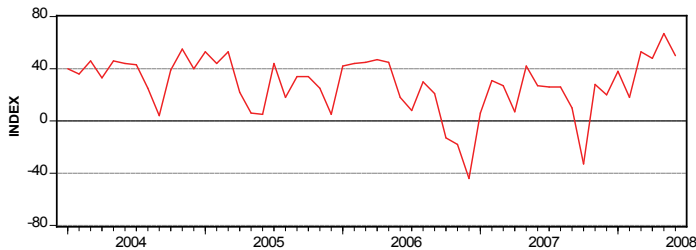


Figure 7. Dollars Spent by Purchasing

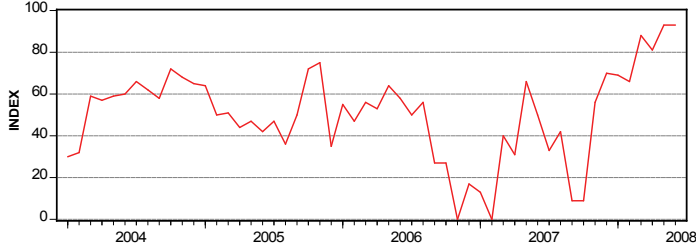


Figure 8. Commodity Prices

spondents reported higher prices, 7 percent reported the "same", and none reported lower prices. In June 2007, the index measured 50.

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
(27, 46, 56, 64)

The service price index rose in June with an index value of 64, up 8 points from May's value of 56. This was caused by 64 percent of respondents

reporting increases, 36 percent reporting no change in prices and zero percent reporting price decreases. A year ago the service price index equaled 16.

EQUIPMENT PRICES
(26, 43, 54, 54)

The equipment price index was at 54 in June, the same as May, and remains above the three year average of 26, suggesting continuing price pressure. A year ago, the index was 27.

"June's employment index was 4, falling from the last months' value of 7."

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

The index measuring changes in raw material inventories rose slightly this month to -18 from -19 in May. Nineteen percent of the reports indicated increased inventories, and 37 percent of respondents indicated decreases, with 44 percent reporting no change.

FINISHED GOODS INVENTORIES (2, 5, 16, 7)

The index for finished goods inventories decreased in June to 7 compared to 16 in May, an 9 point decrease. Thirty-three percent indicated increased inventories, 41 percent reported the same, and

26 percent reported finished goods inventories as "down".

BUYING PATTERNS

- DOMESTICALLY (22, 32, 49, 36)
- The following percentages consider only those firms that buy internationally.
- ELSEWHERE IN THE AMERICAS (2, -8, -6, -11)
- ACROSS THE ATLANTIC (-4, 4, 6, -16)
- ACROSS THE PACIFIC (32, 17, 29, 11)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

- Up are: steel, plastic products, oil based products, met-

als, aluminum, plastic resin, toner, paper, gasoline, transportation, delivery costs, raw materials, labor, chain/power transmission, IBCs, cheese, flour, enzymes, meat, vegetables, commodities, energy, paint, hydraulic and electrical components, motors.

- Down are: copper and whey
- In short supply: alcohol, helium, hydrogen, respiratory therapy and anesthesia supplies, stainless steel, armor plate, aluminum, raw materials, specialty/fine chemicals, spices, exotic metals.

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

General Business

Index	Up	Same	Down
Production	32	54	14
New Orders	36	36	29
Backlog Of Orders	25	39	36
Employment	18	68	14

Prices & Spending

Index	Up	Same	Down
Prices for Commodities	93	7	0
Prices for Services	64	36	0
Prices for Equipment	54	46	0
Dollars Spent by Purchasing	57	36	7

Inventories

Index	Up	Same	Down
Raw Materials	19	44	37
Finished Goods	33	41	26

Deliveries

Index	Quicker	Same	Slower
Deliveries	18	68	14

Change in the Amount Spent

Change in the amount spent	Up	Same	Down
Domestically	50	36	14
For Firms Purchasing Internationally			
Elsewhere in the Americas	6	78	17
Across the Atlantic	6	72	22
Across the Pacific	28	56	17

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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