

May 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. Friday May 30th, 2008

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of May 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 May shows that reported purchasing activity presents a generally positive picture in May. The **Production Index** moved into positive territory, indicating faster growth. The **Employment Index** rose to seven in May, signaling rising economic activity in the region.

The Purchasing Managers Index – Cincinnati measured 55.2 in May compared to 47.1 last month, an 8.1 percentage point increase. Any index value over 50 represents an increase. The Cincinnati PMI has remained above 50 since January 2003 with five exceptions, four of which occurred in the last seven months (since October 2007).

The Composite Price Index – Cincinnati rose in May as the index measured 67.7, up from 56.7 in April. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices accelerated from April 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** increased in May, as did the **Service Price Index**, remaining above the 36 month average of 26.

The **New Orders Index** increased in May, as did the index measuring **Dollars Spent by Purchasing** compared to April's values. The **Backlog of Orders Index** remained negative, but much less so than in April.

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

Following an decrease in April, the **Cincinnati Purchasing Management Index (PMI)** increased in May, rising to 55.2 from 47.1 in April. A year ago, the May Cincinnati PMI stood at 60.0. For reference, the **national PMI** for April 2008 was 48.6, showing no change from its March value of 48.6. The national May 2008 index is not available at this writing.

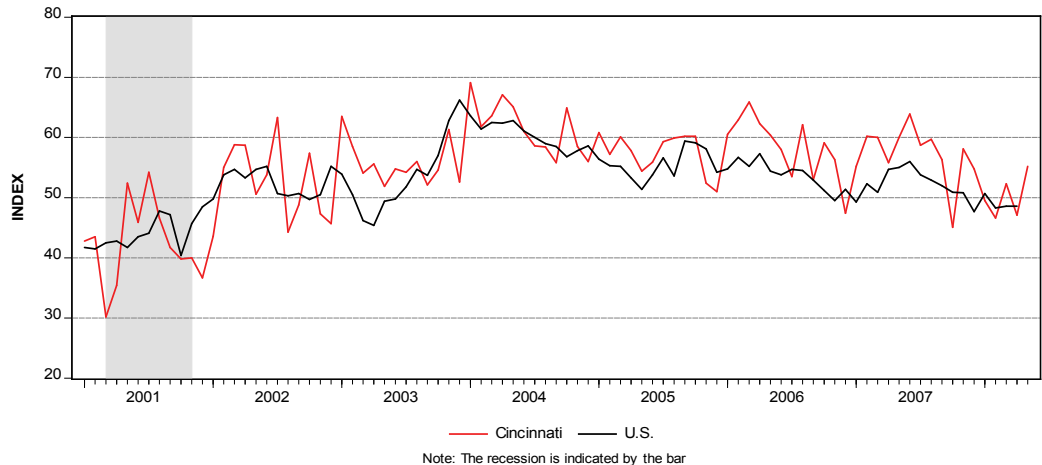


Figure 1. Cincinnati PMI vs. ISM-PMI

HIGHLIGHTS

Data collected during the month of May from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity has increased, and suggests that economic activity has increased in virtually all of the reported categories. The Cincinnati PMI rose from 47.1 in April to 55.2 in May. The May value is calculated using the new 2008 seasonal adjustment factors from the U.S. Department of Commerce. The various indices uniformly are reflecting increased economic activity in the region. The new orders index turned positive in May, and the production index rose to a value

of 26 compared with -8 in April. The index for backlog of orders rose in May, but remains negative. The index for inventories of finished goods rose this month and remains positive. Commodity prices continued to rise in May (index = 93), up from April's report of 81. The equipment price index also rose from 43 in April to 54 in May. Likewise, the service price index rose to 56 from 46 in April. Dollars spent in purchasing increased (index = 67) compared to April's value of 48. The reported raw material inventories index fell to -19 from April's value of -5. With respect to geographic buying patterns, in the Americas the index rose slightly to -6 from

April's value of -8; the index for buying from across the Atlantic rose to 6 from April's value of 4; buying from across the Pacific rose to 29, up from last month's 17, and the domestic purchasing index also rose to 49 from April's value of 32. The **Composite Price Index - Cincinnati** registered an upward movement in May, rising to 67.7 from 56.7 in April. Any index value that exceeds zero represents an increase in average prices.

Production, Employment, New Orders, and Backlog of Orders
Survey respondents report that the rate of production rose in May as the **Production**

Index increased from -8 in April to 26 in May. A year ago, the production index equaled 27. The **Employment Index** rose in May to 7 from April's value of zero, as 26 percent of the respondents reported increases, 19 percent reported decreases, and 56 percent reported no change in employment. The **New Orders Index** for the month of May rose, as the index moved from -11 to 15. A year ago, the new orders index measured 27. The **Backlog of Orders Index** also rose from -28 in April to -4 this month. A year ago it was 33.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	May	Apr			
Cincinnati PMI	55.2	47.1	↑	Faster	1
New Orders	15	-11	↑	Faster	1
Backlog of Orders	-4	-28	↓	Slower	9
Production	26	-8	↑	Faster	1
Employment	7	0	↑	Faster	1
Vendor Deliveries	7	6	↑	Faster	8
Raw Material Inventories	-19	-5	↓	Faster	2
Finished Goods Inventories	16	5	↑	Faster	3
Composite Price Index	67.7	56.7	↑	Faster	56

*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, -11, 15)

The New Orders index in May increased to a value of 15, a swing of 26 points. This change resulted from 41 percent of replies indicating new orders were "up", 26 percent indicating "down" and 33 percent reporting "the same". A year ago, the new orders index equaled 27.

BACKLOG OF ORDERS - Fig. 3
(0, -14, -28, -4)

The backlog of orders index increased in May, rising from -28 in April to -4, an increase of 24 points caused by 22 percent of respondents reporting "up" (8 percent in April), 26 percent reporting "down" (36 in April), and 52

percent reporting "the same" (56 in April).

PRODUCTION - Fig. 4
(23, 6, -8, 26)

The production index increased markedly in May as the index number rose from -8 in April to 26, a 34 point

increase. Thirty-three percent of respondents reported production as "up", 7 percent reported "down", and 59 percent reported "the same". The production index in May of 2007 was 27. The May 2008 index lies above the 36 month average of 23. Its positive value suggests that na-

"The production index increased markedly in May as the index number rose from -8 in April to 26, a 34 point increase."

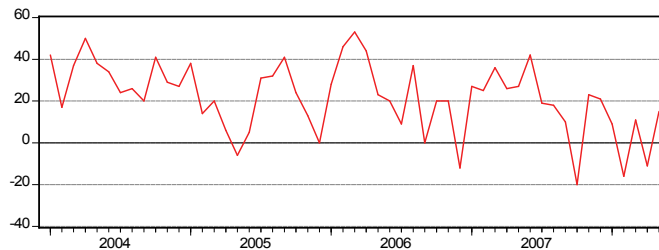


Figure 2. New Orders

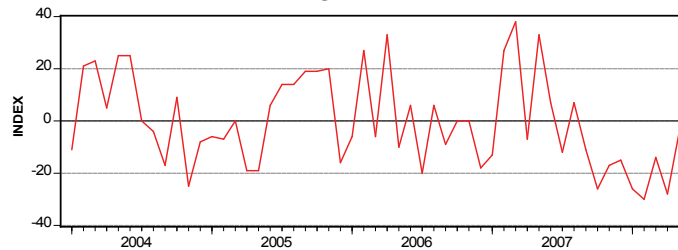


Figure 3. Backlog of Orders

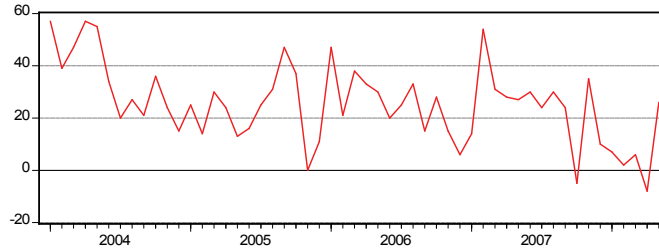


Figure 4. Production

tional trends in production may be reflected in this region's performance. The maximum index value in this 36 month period was 54, reached in February, 2007.

EMPLOYMENT - Fig. 5
(8, 6, 0, 7)

May's employment index was 7, rising from the last months' value of 0. Twenty-six percent of respondents reported increased employment (22 percent in April), and 19 percent reported decreased employment (22 percent in April), while 56 percent of the respondents reported employment remained the same (57 percent in April).

VENDOR DELIVERY PERFORMANCE - Fig. 6
(-6, 9, 6, 7)

The vendor delivery performance index is 7 this month, up from April's value of 6. Eighty-five percent of survey respondents this month reported delivery times as the "same" (78 percent in April). Eleven percent reported faster deliveries (14 in April), and 4 percent reported slower delivery times (8 in April). A year ago, the index value was zero.

DOLLARS SPENT BY PURCHASING - Fig. 7
(23, 53, 48, 67)

The monthly index measuring changing dollar amounts spent by regional purchasers increased substantially in May compared to April, rising 19 points. Seventy-four percent of respondents indicated increased spending, 19 percent reported no change, and 7 percent indicated decreased spending.

COMMODITY PRICES - Fig. 8
(47, 88, 81, 93)

The commodity price index in May rose to 93, and remains high compared to the 36 month average of 47. Ninety-three percent of respondents

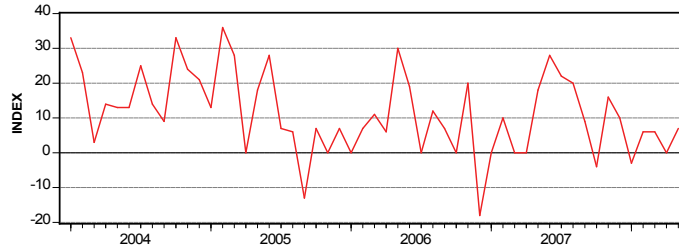


Figure 5. Employment

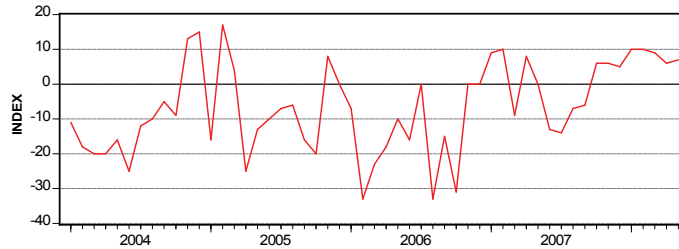


Figure 6. Vendor Delivery Performance

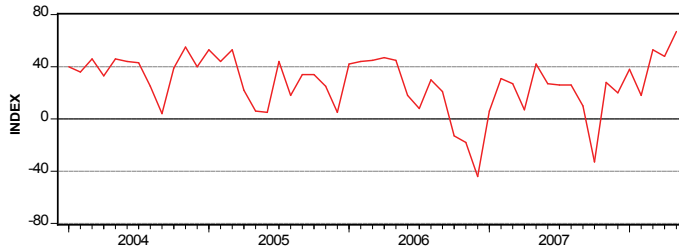


Figure 7. Dollars Spent by Purchasing

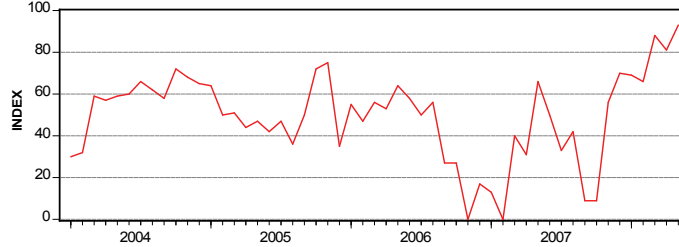


Figure 8. Commodity Prices

reported higher prices, 7 percent reported the "same", and none reported lower prices. In May 2007, the index measured 66.

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
(26, 56, 46, 56)

The service price index rose in May with an index value of 56, up 10 points from April's value of 46. This was caused by 56 percent of respondents

reporting increases, 44 percent reporting no change in prices and zero percent reporting price decreases. A year ago the service price index equaled 16.

EQUIPMENT PRICES
(26, 49, 43, 54)

The equipment price index rose to 54 in May, up from 43 in April, and remains above the three year average of 26, suggesting continuing price pressure. A year ago, the index was 8.

"May's employment index was 7, rising from the last months' value of 0. "

RAW MATERIAL INVENTORIES

(-9, 0, -5, -19)

The index measuring changes in raw material inventories fell this month to -19 from -5 in April. Eight percent of the reports indicated increased inventories, and 27 percent of respondents indicated decreases, with 65 percent reporting no change.

FINISHED GOODS INVENTORIES

(2, 21, 5, 16)

The index for finished goods inventories increased in May to 16 compared to 5 in April, an 11 point increase. Thirty-nine percent indicated increased inventories, 39 percent reported the same, and 23 percent reported finished goods inventories as "down".

BUYING PATTERNS

- DOMESTICALLY (21, 35, 32, 49)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (2, -4, -8, -6)
- ACROSS THE ATLANTIC (-3, 14, 4, 6)
- ACROSS THE PACIFIC (32, 24, 17, 29)

per, steel, aluminum, energy, services, transportation, IBC's, totes, steel drums, paper bags, glycerine, soybean oil.

- Down are: some office supplies.
- In short supply: certain grades of polypropylene, pipe, tube, flour, medical IV sets, special motors, cranberry juice concentrate, steel, helium, armor plate, oil.

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

- Up are: resin related products, metals, paper, gasoline, toners, multifunctional equipment, flour, cheese, plastics, motors, drive assembly, cop-

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

General Business

Index	Up	Same	Down
Production	33	59	7
New Orders	41	33	26
Backlog Of Orders	22	52	26
Employment	26	56	19

Prices & Spending

Index	Up	Same	Down
Prices for Commodities	93	7	0
Prices for Services	56	44	0
Prices for Equipment	54	46	0
Dollars Spent by Purchasing	74	19	7

Inventories

Index	Up	Same	Down
Raw Materials	8	65	27
Finished Goods	39	39	23

Deliveries

Index	Quicker	Same	Slower
Deliveries	11	85	4

Change in the Amount Spent

Change in the amount spent	Up	Same	Down
Domestically	56	37	7
For Firms Purchasing Internationally			
Elsewhere in the Americas	6	82	12
Across the Atlantic	12	82	6
Across the Pacific	35	59	6

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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