

April 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. Wednesday April 30th, 2008

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of April 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 April shows that reported purchasing activity presents a uniformly negative picture in April. The **Production Index** fell into negative territory, indicating slowing growth. The **Employment Index** fell to zero in April, signaling unchanged economic activity in the region.

The Purchasing Managers Index – Cincinnati measured 47.1 in April compared to 52.3 last month, a 5.2 percentage point decrease. Any index value under 50 represents an decrease. The Cincinnati PMI had 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 fell in April as the index measured 56.7 down from 64.3 in March. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices decelerated somewhat from March as 84 percent of respondents reported increases in the prices they pay, 14 percent reported the same, and three percent reported declines. The **Equipment Price Index** decreased in April, and the **Service Price Index** also decreased from March's value, remaining above the 36 month average of 25.

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

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

Following an increase in March, the **Cincinnati Purchasing Management Index (PMI)** decreased in April, falling to 47.1 from 52.3 in March. A year ago, the April Cincinnati PMI stood at 55.8. For reference, the **national PMI** for March 2008 was 48.6, increasing 0.3 points from its February value of 48.3. The national April 2008 index is not available at this writing.

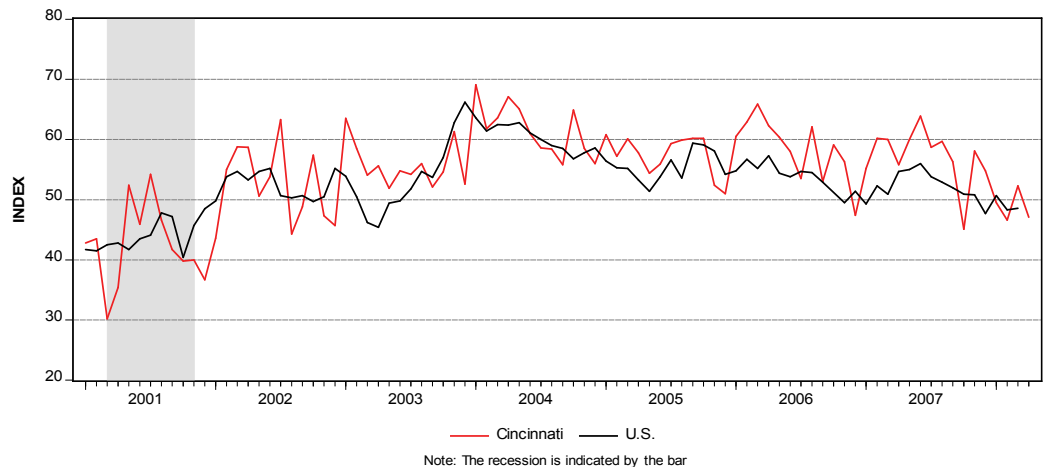


Figure 1. Cincinnati PMI vs. ISM-PMI

HIGHLIGHTS

Data collected during the month of April from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity has decreased, and suggests that economic activity has decreased in all of the reported categories. The Cincinnati PMI fell from 52.3 in March to 47.1 in April. The April value is calculated using the new 2008 seasonal adjustment factors from the U.S. Department of Commerce. The various indices uniformly are reflecting reduced economic activity in the region. The new orders index turned negative in April, and the production index fell to a value of -8

compared with 6 in March. The index for backlog of orders fell in April, remaining negative. The index for inventories of finished goods fell this month, although it remains positive. Commodity prices continued to rise in April (index = 81), although somewhat below March's report of 88. The equipment price index also fell from 49 in March to 43 in April. Likewise, the service price index fell to 46 from 56 in March. Dollars spent in purchasing decreased (index = 48) compared to March's value of 53. The reported raw material inventories index fell to -5 from March's value of zero. With respect to geographic buying patterns, in the Ameri-

cas the index fell again to -8 from March's value of -4; the index for buying from across the Atlantic fell to 4 from March's value of 14; buying from across the Pacific fell to 17, down from last month's 24, and the domestic purchasing index also fell to 32 from March's value of 35. The **Composite Price Index - Cincinnati** registered a downward movement in April, falling to 56.7 from 64.3 in March. 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

fell in April as the **Production Index** decreased from 6 in March to -8 in April. A year ago, the production index equaled 28. The **Employment Index** fell in April to zero from March's value of 6, as 22 percent of the respondents reported increases, 22 percent reported decreases, and 57 percent reported no change in employment. The **New Orders Index** for the month of April fell, as the index moved from 11 to -11. A year ago, the new orders index measured 26. The **Backlog of Orders Index** also fell from -14 in March to -28 this month. A year ago it was -7.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Apr	Mar			
Cincinnati PMI	47.1	52.3	↓	Faster	1
New Orders	-11	11	↓	Same	1
Backlog of Orders	-28	-14	↓	Faster	8
Production	-8	6	↓	Faster	1
Employment	0	6	↔	Slower	1
Vendor Deliveries	6	9	↑	Slower	7
Raw Material Inventories	-5	0	↓	Faster	1
Finished Goods Inventories	5	21	↑	Slower	2
Composite Price Index	56.7	64.3	↑	Slower	55

*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, -16, 11, -11)

The New Orders index in April decreased to a value of -11, a swing of 22 points. This change resulted from 25 percent of replies indicating new orders were "up", 36 percent indicating "down" and 39 percent reporting "the same". A year ago, the new orders index equaled 26.

BACKLOG OF ORDERS - Fig. 3
(-1, -30, -14, -28)

The backlog of orders index turned more negative in April, falling from -14 in March to -28, a decrease caused by 8 percent of respondents reporting "up" (17 percent in March), 36 percent reporting "down" (31 in March), and 56

percent reporting "the same" (51 in March).

PRODUCTION - Fig. 4
(22, 2, 6, -8)

The production index decreased in April as the index number fell from 6 in March to -8, a 14 point decrease.

Twenty-five percent of respondents reported production as "up", 33 percent reported "down", and 42 percent reported "the same". The production index in April of 2007 was 28. The April 2008 index lies well below the 36 month average of 22, its negative value suggests that national

"The production index decreased in April as the index number fell from 6 in March to -8, a 14 point decrease."

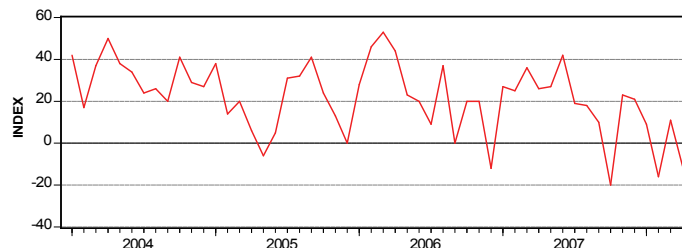


Figure 2. New Orders

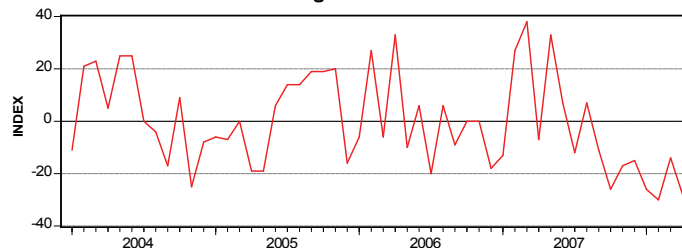


Figure 3. Backlog of Orders

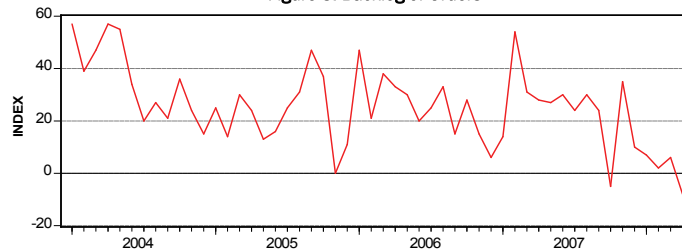


Figure 4. Production

trends in production may now 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, 6, 0)

April's employment index was zero, falling from the previous two months' value of 6. Twenty-two percent of respondents reported increased employment (18 percent in March), and 22 percent reported decreased employment (12 percent in March), while 57 percent of the respondents reported employment remained the same (71 percent in March).

VENDOR DELIVERY PERFORMANCE - Fig. 6
(-6, 10, 9, 6)

The vendor delivery performance index is 6 this month, down from March's value of 9. Seventy-eight percent of survey respondents this month reported delivery times as the "same" (68 percent in March). Fourteen percent reported faster deliveries (21 in March), and 8 percent reported slower delivery times (12 in March). A year ago, the index value was 8.

DOLLARS SPENT BY PURCHASING - Fig. 7
(21, 18, 53, 48)

The monthly index measuring changing dollar amounts spent by regional purchasers decreased somewhat in April compared to March, falling 5 points. Sixty-two percent of respondents indicated increased spending, 24 percent reported no change, and 14 percent indicated decreased spending.

COMMODITY PRICES - Fig. 8
(45, 66, 88, 81)

The commodity price index in April fell somewhat to 81, but remains high compared to the 36 month average of 45.

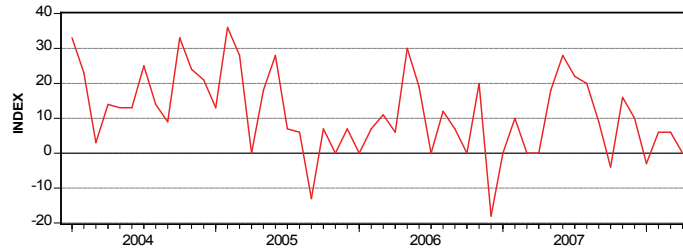


Figure 5. Employment

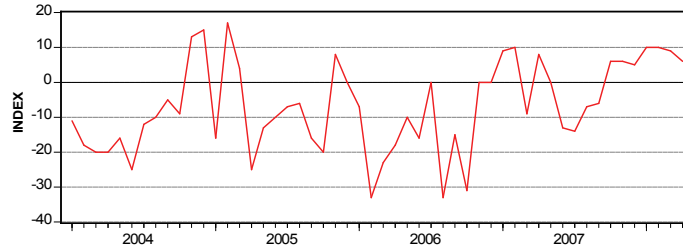


Figure 6. Vendor Delivery Performance

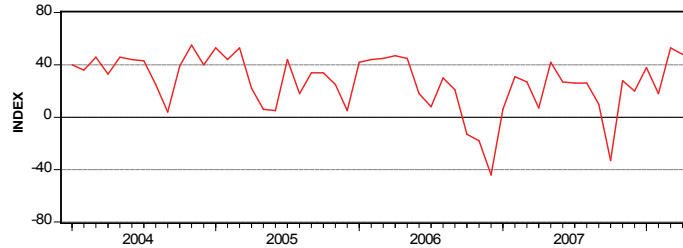


Figure 7. Dollars Spent by Purchasing

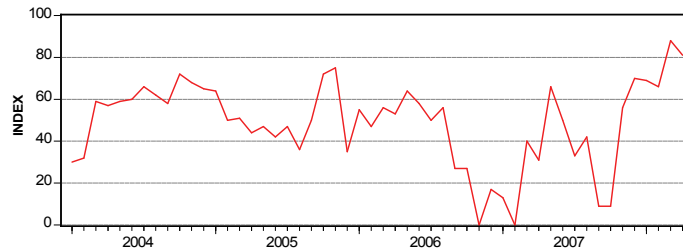


Figure 8. Commodity Prices

Eighty-four percent of respondents reported higher prices, 14 percent reported the "same", and three percent reported lower prices. In April 2007, the index measured 31.

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
(25, 40, 56, 46)

The service price index fell in April, with an index value of 46, down 10 points from

March's value of 56. This was caused by 46 percent of respondents reporting increases, 54 percent reporting no change in prices and zero percent reporting price decreases. A year ago the service price index equaled 14.

EQUIPMENT PRICES
(25, 40, 49, 43)

The equipment price index fell to 43 in April, down from 49 in March, and remains above the three year average of 25, suggesting continuing price pressure. A year ago, the index was 20.

"April's employment index was zero, falling from the previous two months' value of 6."

RAW MATERIAL INVENTORIES

(-9, -25, 0, -5)

The index measuring changes in raw material inventories fell this month to -5 from zero in March. Seventeen percent of the reports indicated increased inventories, and 22 percent of respondents indicated decreases, with 61 percent reporting no change.

FINISHED GOODS INVENTORIES

(2, -8, 21, 5)

The index for finished goods inventories decreased in April to 5 compared to 21 in March, a 16 point decline. Twenty-two percent indicated increased inventories, 61 percent reported the same, and 17 percent reported finished goods inventories as "down".

BUYING PATTERNS

- DOMESTICALLY (20, 14, 35, 32)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (2, 8, -4, -8)
- ACROSS THE ATLANTIC (-4, -7, 14, 4)
- ACROSS THE PACIFIC (33, 22, 24, 17)

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

- Up are: metals, materials, copper, aluminum, petroleum-based commodities, soy, soybean oil, toner, paper, gasoline, steel, nickel, stainless

steel (and components), freight, glycerin, steel drums, packaging, carbon steel, currency (exchange rate), nutraceutical chemicals, polystyrene, polypropylene, polyethylene, benzene, motors, blowers, plastic parts & resins, dairy, transportation, capital equipment, helium, natural gas, fuel.

- Down are: some raw materials.

- In short supply: steel, carbon plate, flour, anesthesia masks, circuits, commodities, EVA resins, raw materials, stainless steel (including pipe & fittings), dairy, helium, ethoxylates.

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

General Business

Index	Up	Same	Down
Production	25	42	33
New Orders	25	39	36
Backlog Of Orders	8	56	36
Employment	22	57	22

Prices & Spending

Index	Up	Same	Down
Prices for Commodities	84	14	3
Prices for Services	46	54	0
Prices for Equipment	43	57	0
Dollars Spent by Purchasing	62	24	14

Inventories

Index	Up	Same	Down
Raw Materials	17	61	22
Finished Goods	22	61	17

Deliveries

Index	Quicker	Same	Slower
Deliveries	14	78	8

Change in the Amount Spent

Change in the amount spent	Up	Same	Down
Domestically	51	30	19
For Firms Purchasing Internationally			
Elsewhere in the Americas	4	84	12
Across the Atlantic	12	80	8
Across the Pacific	25	67	8

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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