

## 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 February 29th, 2008**

**SUBJECT:** Report on Business Conditions for Greater Cincinnati for the month of February 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 February** shows that reported purchasing activity presents somewhat of a mixed picture in February. The **Production Index** still indicates an increase in production, but with a lessening in growth. The **Employment Index** turned positive in February, signaling positive yet slowed economic activity in the region.

**The Purchasing Managers Index – Cincinnati** measured 46.6 in February compared to 49.5 last month, a 2.9 percentage point decrease. The Cincinnati PMI had remained above 50 since January 2003 until last month, with the two exceptions of October 2007 and that of December 2006. The February report makes this the fourth decrease since February 2003. Any index value under 50 represents an decrease.

**The Composite Price Index – Cincinnati** fell in February as the index measured 48.7, down from 53.3 in January. Any index value that exceeds zero represents an increase in average prices. The increase in commodity prices decelerated somewhat from January as 71 percent of respondents reported increases in the prices they pay, 24 percent reported the same, and 5 percent reported declines. The **Equipment Price Index** decreased in February, and the **Service Price Index** increased from January's value, staying above the 36 month average of 24.

The **New Orders Index** decreased sharply in February, as did the index measuring **Dollars Spent by Purchasing** compared to January's values. The **Backlog of Orders Index** remained negative, down somewhat from January.

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

Following a decrease in January, the **Cincinnati Purchasing Management Index (PMI)** decreased again in February, falling to 46.6 from 49.5 in January. A year ago, the February Cincinnati PMI stood at 60.2. For reference, the **national PMI** for January 2007 was 50.7, increasing three points from its December value of 47.7. The national February 2008 index is not available at this writing.

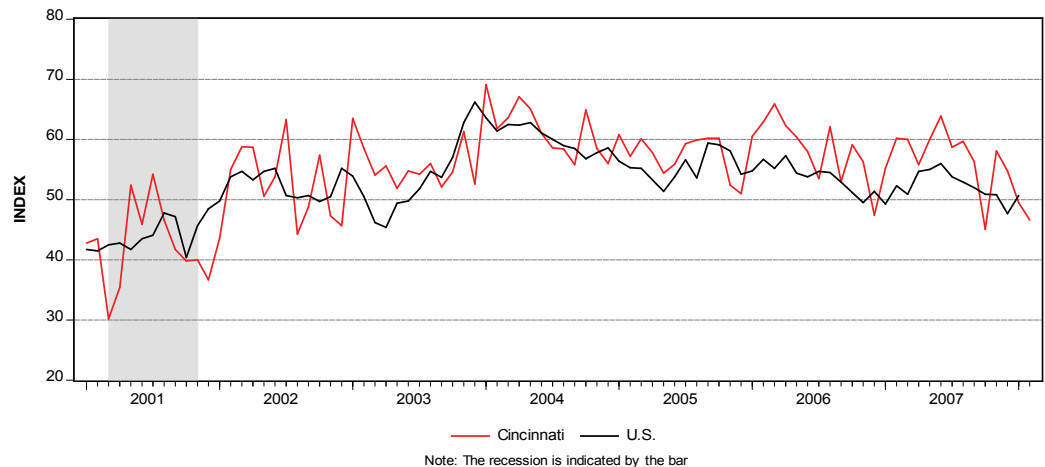


Figure 1. Cincinnati PMI vs. ISM-PMI

## HIGHLIGHTS

Data collected during the month of February from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers show that reported purchasing activity has decreased, and reflects national trends of slowing economic activity. The Cincinnati PMI fell from 49.5 in January to 46.6 in February. The February value is calculated using the new 2008 seasonal adjustment factors from the U.S. Department of Commerce. The various indices are reflecting slowing economic activity in the region. The new orders index turned negative in February, and while the production index fell, it remained positive

at a value of 2. The index for backlog of orders fell again in February, becoming more negative. The index for inventories of finished goods became more negative this month. Commodity prices fell slightly in February (index = 66), below January's report of 69. The equipment price index fell from 54 in January to 40 in February, and the service price index rose to 40 from 37 in January. Dollars spent in purchasing decreased (index = 18) compared to January's value of 38. The reported raw material inventories index became more negative at -25, down from January's value of -14. With respect to geographic buying patterns, in the Ameri-

cas the index fell to 8 from January's value of 37; the index for buying from across the Atlantic fell to -7 from January's value of 15; buying from across the Pacific fell to 22, down from last month's 38, and the domestic purchasing index also fell to 14 from January's value of 19. The **Composite Price Index - Cincinnati** registered a downward movement in February, falling to 48.7 from 53.3 in January. 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

decelerated in February as the **Production Index** decreased from 7 in January to 2 in February. A year ago, the production index equaled 54. The **Employment Index** increased in February to 6 from -3 in January as 24 percent of the respondents reported increases, 18 percent reported decreases, and 58 percent reported no change in employment. The **New Orders Index** for the month of February fell, as the index moved from 9 to -16. A year ago, the new orders index measured 25. The **Backlog of Orders Index** fell from -26 in January to -30 this month. A year ago it was 27.

Table 1. The Cincinnati Economy at a Glance					
Index	Series index		Direction	Rate of change	Trend*
	Feb	Jan			
Cincinnati PMI	46.6	49.5	↓	Faster	2
New Orders	-16	9	↓	Faster	1
Backlog of Orders	-30	-26	↓	Faster	6
Production	2	7	↑	Slower	4
Employment	6	-3	↑	Faster	1
Vendor Deliveries	10	10	↑	Same	5
Raw Material Inventories	-25	-14	↓	Faster	4
Finished Goods Inventories	-8	-3	↓	Faster	5
Composite Price Index	48.7	53.3	↑	Slower	53

\*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, 21, 9, -16)

The New Orders index in February decreased to a value of -16, a swing of 25 points. This change resulted from 24 percent of replies indicating new orders were "up", 40 percent indicating "down" and 37 percent reporting "the same". A year ago, the new orders index equaled 25.

**BACKLOG OF ORDERS** - Fig. 3  
(0, -15, -26, -30)

The backlog of orders index turned even more negative in February, falling to -30 from January's value of -26, a decrease caused by only 11 percent of respondents reporting "up" (10 percent in January), 41 percent reporting "down" (36 in January), and

49 percent reporting "the same" (54 in January).

**PRODUCTION** - Fig. 4  
(24, 10, 7, 2)

The production index decreased in February as the index number fell from 7 in January to 2, a 5 point drop.

Twenty-six percent of respondents reported production as "up", 24 percent reported "down", and 50 percent reported "the same". The production index in February of 2007 was 54. Although the February 2008 index lies well below the 36 month average of 24, its positive value sug-

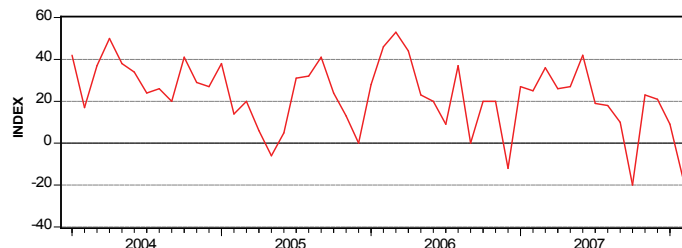


Figure 2. New Orders

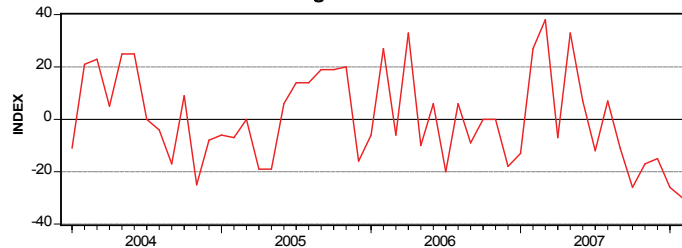


Figure 3. Backlog of Orders

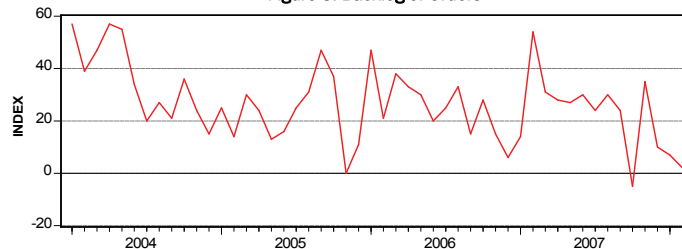


Figure 4. Production

*"The production index decreased in February as the index number fell from 7 in January to 2, a 5 point drop."*

gests that the upward trend in production continues, although at a much slower rate. The maximum index value in this 36 month period was 54, reached in February, 2007.

**EMPLOYMENT - Fig. 5**  
(9, 10, -3, 6)

February's employment index rose to 6, up 9 points from January's value. Twenty-four percent of respondents reported increased employment (18 percent in January), and 18 percent reported decreased employment (21 percent in January), while 58 percent of the respondents reported employment remained the same (61 percent in January).

**VENDOR DELIVERY PERFORMANCE - Fig. 6**  
(-7, 5, 10, 10)

The vendor delivery performance index is 10 this month, the same as January's value. Sixty-eight percent of survey respondents this month reported delivery times as the "same", the same as January. Twenty-one percent reported faster deliveries (also 21 in January), and 11 percent reported slower delivery times (also 11 in January). A year ago, the index value was 10.

**DOLLARS SPENT BY PURCHASING - Fig. 7**  
(21, 20, 38, 18)

The monthly index measuring changing dollar amounts spent by regional purchasers decreased markedly in February compared to January, falling 20 points. Forty-two percent of respondents indicated increased spending, 34 percent reported no change, and 24 percent indicated decreased spending.

**COMMODITY PRICES - Fig. 8**  
(43, 70, 69, 66)

The commodity price index in February dropped slightly to 66, with 71 percent of re-

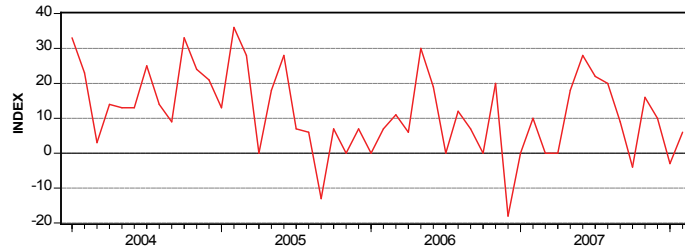


Figure 5. Employment

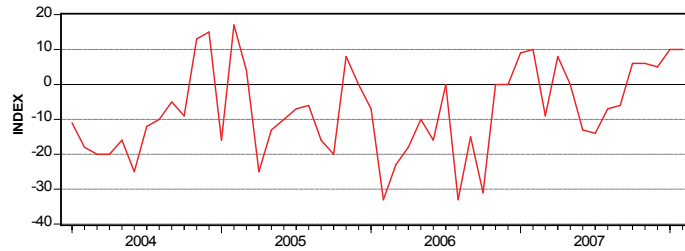


Figure 6. Vendor Delivery Performance

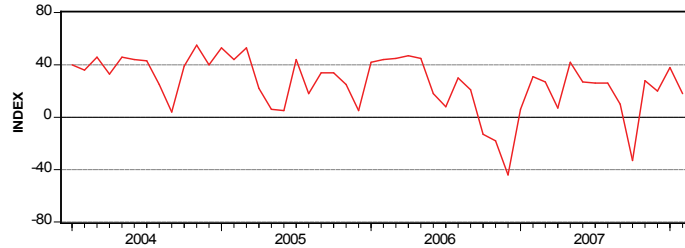


Figure 7. Dollars Spent by Purchasing

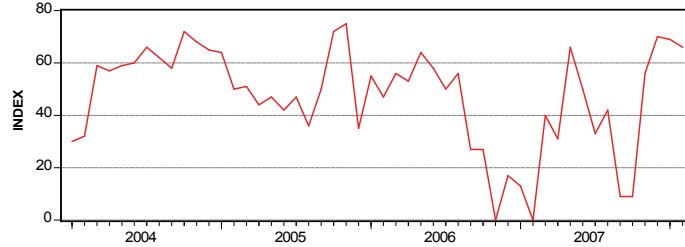


Figure 8. Commodity Prices

spondents reporting higher prices, 24 percent reporting the "same", and 5 percent reporting lower prices. In February 2007, the index measured 0.

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**  
(24, 35, 37, 40)

The service price index rose in February, with an index value of 40, up slightly from January's value of 37. This was

caused by 40 percent of respondents reporting increases, 61 percent reporting no change in prices and 0 percent reporting price decreases. A year ago the service price index equaled 0.

**EQUIPMENT PRICES**  
(24, 30, 54, 40)

The equipment price index fell sharply to 40 in February, down from 54 in January, and remains above the three year average of 24, suggesting continuing price pressure. A year ago, the index was 15.

*"February's employment index rose to 6, up 9 points from January's value."*

**RAW MATERIAL INVENTORIES**

(-7, -16, -14, -25)

The index measuring changes in raw material inventories fell this month to -25. Seventeen percent of the reports indicated increased inventories, and 42 percent of respondents indicated decreases, with 42 percent reporting no change.

**FINISHED GOODS INVENTORIES**

(4, -5, -3, -8)

The index for finished goods inventories decreased somewhat in February to -8 compared to -3 in January. Twenty-four percent indicated increased inventories, 43 percent reported the same, and 32 percent reported finished goods inventories as "down".

**BUYING PATTERNS**

- DOMESTICALLY  
(20, 15, 19, 14)

The following percentages consider only those firms that buy internationally.

- ELSEWHERE IN THE AMERICAS (3, -13, 37, 8)
- ACROSS THE ATLANTIC (-4, 0, 15, -7)
- ACROSS THE PACIFIC (34, -13, 38, 22)

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

- Up are: carbon & stainless steel pipe, domestic juices, steel, polyethylene, polystyrene, copper, aluminum, paper, toner, gasoline, office

space rentals, flour, resin, electric motors, brass, freight, metals, services, dairy, meat, produce, coal, major monomers, corn-based raw materials, paper, oleochemicals, soy bean oil, plastic resins, all raw materials.

- Down are: cheese, stainless steel, aluminum, materials, IT hardware, commodity goods (negotiated).

- In short supply: exotic juices, wheat gluten, some grades of steel, armor steel plate, sheet steel, chrome, silicon metal, coal, dairy, general inventories.

**STATISTICAL SUMMARY**

Replies as a Percent of Total Replies

**General Business**

Index	Up	Same	Down
Production	26	50	24
New Orders	24	37	40
Backlog Of Orders	11	49	41
Employment	24	58	18

**Prices & Spending**

Index	Up	Same	Down
Prices for Commodities	71	24	5
Prices for Services	40	61	0
Prices for Equipment	43	54	3
Dollars Spent by Purchasing	42	34	24

**Inventories**

Index	Up	Same	Down
Raw Materials	17	42	42
Finished Goods	24	43	32

**Deliveries**

Index	Quicker	Same	Slower
Deliveries	21	68	11

**Change in the Amount Spent**

Change in the amount spent	Up	Same	Down
Domestically	40	34	26
<b>For Firms Purchasing Internationally</b>			
Elsewhere in the Americas	19	70	11
Across the Atlantic	4	85	11
Across the Pacific	33	56	11

**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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