

# CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

## September 2009

### PRESS RELEASE

**Important:  
Do Not Release Until  
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**SUBJECT:** Report on Business Conditions for Greater Cincinnati for the month of September 2009.

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 September gives many indications that we have reached a bottoming out: the recession may not last much longer.

The Purchasing Managers Index – Cincinnati measured 44.0 in September, ending a run of eight consecutive increases from December's figure of 31.7. Any index value below 50 represents a decrease in purchasing activity.

The New Orders Index regressed from zero, to -9, still much higher than any value from November 2008-July 2009. Most other indicators fell; an exception was the Employment index, which improved from -17 to -10; note that this latter value still reflects decreasing employment.



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## The National Association of Purchasing Management-Cincinnati Report on Business for the Month of September 2009

The Cincinnati Purchasing Management Index (PMI) was 44.0 in September, ending a run of increases that had covered the last eight months. Before the catastrophic collapse in November of last year, the index had remained above 44 for seven years. For reference, the national PMI for August 2009 was 52.9. The national September 2009 index is not available as of this writing. Beginning in November of last year, the national PMI has generally been the higher of the two. A value of PMI below 50 indicates economic contraction; above 50 indicates expansion.

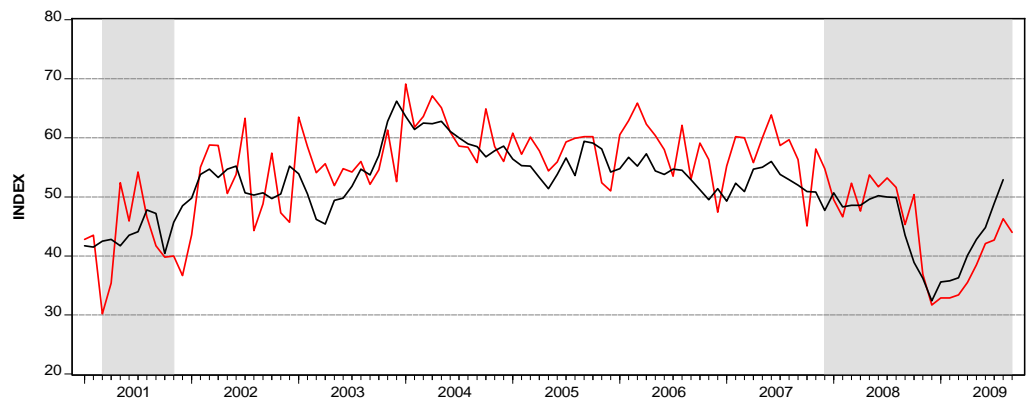


Figure 1. Cincinnati PMI vs. ISM-PMI

## HIGHLIGHTS

Data collected during the month of September from participants in the Greater Cincinnati Report on Business (ROB) monthly survey of purchasing managers indicate that momentum for a recovery may have stalled, at least momentarily. Almost all major indicators got worse, including three of the big four (PMI, New Orders, Production, and Employment) The Cincinnati PMI ended its slow, steady improvement of past months, falling to 44.0; it has only been higher in two out of the past twelve months; there is continued struggle in many other purchasing activities as described below. Note that PMI is seasonally adjusted as prescribed by the U.S. Department of Commerce.

Dollars spent in purchasing rose from -9 to -3, a small change when compared with the tumultuous moves of previous months; the peak value of 67 for that index was reached in May of 2008.

The new orders index regressed from zero to -9. The production index fell from positive 11 to -3; as recently as April of this year, it was at -50. This followed a remarkable double rise for both indices in August. The index for backlog of orders has remained negative for 25 months running. After a brief rise above zero in June, the index for inventories of finished goods fell for a second consecutive month to negative 23. The equipment price index rose from zero to positive 14. The commodity price index is now positive 13; it has been below zero eight months out of the last twelve, but the clear trend lately has been upwards.

The reported raw material inventories index improved to -26, while finished goods inventories fell to -23; the former index has been below zero for the last thirteen months beginning with last September's value of -46. With respect to geographic buying

patterns, we saw mixed results: buying in the Americas rose to an index value of positive five from -30; the index for buying from across the Atlantic also improved—although it is still well below zero—while the index for buying from across the Pacific fell to -5 points from positive 5. Many are optimistic that improvement in world markets is an essential part of any recovery; these new results suggest that worldwide recovery may finally be getting under way. The domestic purchasing index fell from -22 to negative 29; there remains a large difference between this value and January's low of -50. The Composite Price Index - Cincinnati stood at 12.3 in September; last June it was 70.3. Any index value above zero represents an increase in average prices, and some respondents are now reporting significant worries about further price increases.

**Production, Employment, New Orders, and Backlog of Orders**

Respondents report that the rate of production fell back in September; the **Production Index** decreased from August's value of *positive* 11 down to -3. In September of last year, the production index was -3, and it had been below zero only two times in the previous five years; it has now been above zero only twice out of the previous year. For some good news, the **Employment Index** improved to -10 with nineteen percent of respondents now reporting increasing employment (only three percent reported that in December 2008). The **New Orders Index** for September followed August's significant rise by regressing from *zero* to -9. In August of last year, this index was *positive* 19, a number not approached since. The **Backlog of Orders Index** improved to -16. This index value has now been negative for over two years.

**Table 1. The Cincinnati Economy at a Glance**

Index	Series Sept.	Index Aug.	Direction	Rate of Change	Trend*
Cincinnati PMI	44.0	46.3	↓	Slower	11
New Orders	-9	0	↓	Faster	1
Backlog of Orders	-16	-20	↓	Slower	25
Production	-3	11	↓		1
Employment	-10	-17	↓	Slower	11
Vendor Deliveries	13	6	↑	Faster	24
Raw Material Inventories	-26	-34	↓	Slower	13
Finished Goods Inventories	-23	-18	↓	Faster	3
Composite Price Index	12.3	4.0	↑	Faster	4

\*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

(-1, -21, 0, -9)

The New Orders index in September fell to a value of -9; while disappointing when compared to the optimism of last month, this is still 51 points above the December low. Twenty-three percent of replies indicated new orders were "up", forty-five percent indicated "the same" and thirty-two percent reporting "down". In September of 2008, the new orders index equaled *negative* 10; it has only been positive in one other month since then. We have emphasized in this publication the importance of new orders as a leading indicator of an economic recovery. The regression this month represents a disappointment.

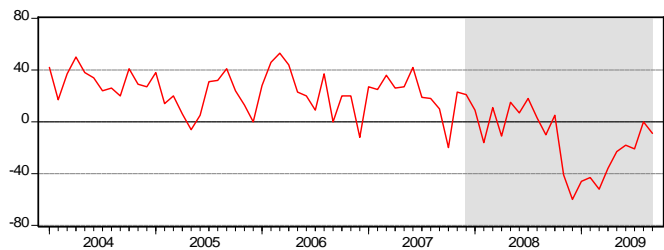


Figure 2. New Orders

**BACKLOG OF ORDERS** - Fig. 3

(-18, -21, -20, -16)

The backlog of orders index improved slightly from the previous month; it is now at it's highest value since July 2008 and far above March's catastrophic value of -72. This month's result came from 13 percent of respondents reporting "up" (11 percent in August), 58 percent reporting "the same" (57 in August), and 29 percent reporting "down" (31 in August). A year ago the index was -30.

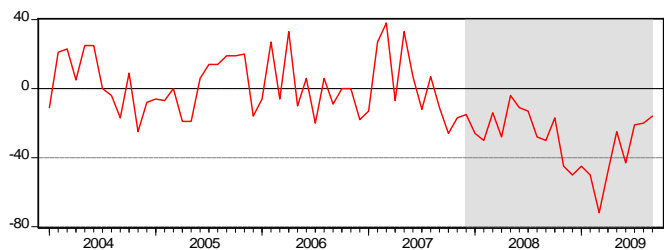


Figure 3. Backlog of Orders

**PRODUCTION** - Fig. 4

(4, -9, 11, -3)

The production index fell from August's value of 11 to September's value of *negative* 3. Thirty-four percent of respondents reported production as "up" (34 in August), forty-three percent reported "the same" (43 in August), and twenty-three percent reported "down" (23 in August). The maximum index value in this 36 month period was 54, reached in February, 2007. This reading is exactly the same as that of September 2008, the month in which the economic crisis officially began; the index has been negative for ten out of the last eleven months.

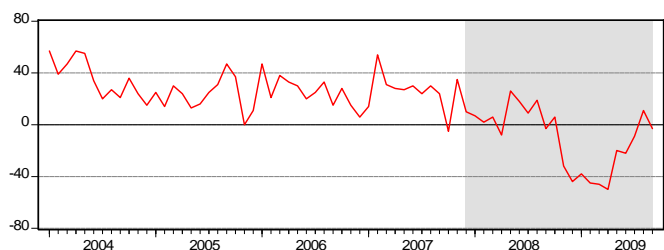


Figure 4. Production

**EMPLOYMENT** - Fig. 5  
(-4, -9, -17, -10)

September's employment index was -10, an improvement from August's value and the third-highest value out of the last year. While 19 percent of respondents reported increased employment (15 percent in August), 52 percent of the respondents reported employment remained the same (53 percent in August), and 29 percent reported decreased employment (32 percent in August). The index has been negative for eleven consecutive months. Since World War II, recoveries typically see all other economic indicators rise before employment does, if it rises at all.

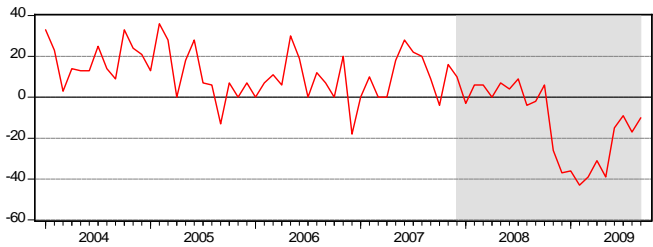


Figure 5. Employment

**VENDOR DELIVERY PERFORMANCE** - Fig. 6  
(6, 9, 6, 13)

The vendor delivery performance index is 13 this month, reversing a string of two consecutive declines. Twenty-three percent of respondents reported faster deliveries (9 in August), sixty-eight percent of survey respondents this month reported delivery times as the "same" (88 percent in August), and ten percent reported slower delivery times (3 in August). The index value for September 2008 was zero; it's been higher than this for every month following.

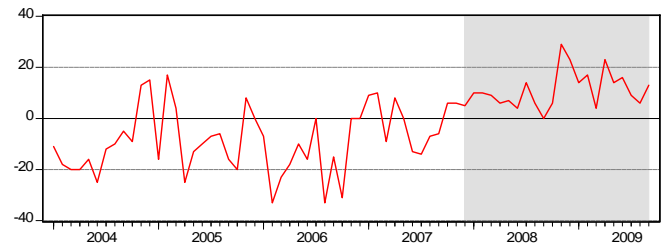


Figure 6. Vendor Delivery Performance

**DOLLARS SPENT BY PURCHASING** - Fig. 7  
(7, -46, -9, -3)

The monthly index measuring changing dollar amounts spent by regional purchasers decreased disastrously in July, falling thirty-five points to -46; in August, it regained those same 35 points, finishing at -9; it has now increased again, although this time only slightly. Twenty-nine percent of respondents indicated increased spending (34 percent in August), thirty-nine percent reported no change (23 percent in August), and thirty-two percent indicated decreased spending (43 percent in August). Like many other indicators in this report, it has now been negative for the past ten months.

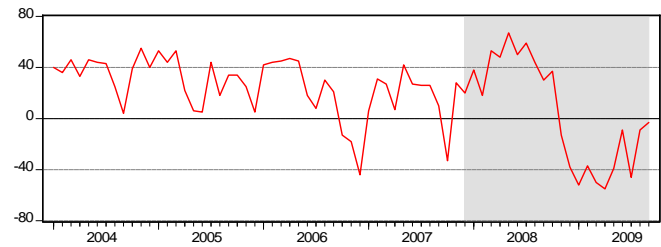


Figure 7. Dollars Spent By Purchasing

**COMMODITY PRICES** - Fig. 8  
(30, -3, 9, 13)

The commodity price index rose slightly in September. In June 2008, the index measured 93, before dropping sharply for six months in a row. Since then, it had languished in the negative, before rising above zero for the first time since October 2008 in June 2009; this publication has been more leary of deflation than inflation, but the reality that this measure is now positive cannot be ignored any longer: look for further increases to come! Twenty-nine percent of respondents reported higher prices (23 percent in August), fifty-five percent reported the "same" (63 percent in August), and sixteen percent reported lower prices (14 in August).

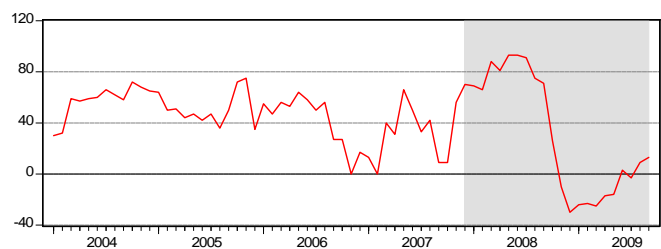


Figure 8. Commodity Prices

The most noticeable price changes reported by survey participants are summarized below in the "General Comments by Purchasers" section of the Cincinnati monthly Report on Business.

## SERVICE PRICES

(21, -3, 3, 10)

The service price index rose in September, with an index value of *positive* 10. This was caused by 23 percent of respondents reporting increases, 65 percent reporting no change in prices and 13 percent reporting price decreases. In the past year, it has varied between 37 and -14.

## EQUIPMENT PRICES

(22, 10, 0, 14)

The equipment price index rose in September, from zero to *positive* 14; it was 50 in September 2008. Twenty-seven percent of respondents reported increases, sixty percent reported no change, and thirteen percent of respondents reported decreases.

## RAW MATERIAL INVENTORIES

(-13, -35, -34, -26)

The index measuring changes in raw material inventories rose this month: it was -34 in August, and it is -26 now. Seven percent of the reports indicated increased inventories, sixty percent reported "no change", and thirty-three percent of respondents indicated decreases. In August 2008 the index was *zero*, before beginning its catastrophic decline.

## FINISHED GOODS INVENTORIES

(-2, -15, -18, -23)

During 2009, the finished goods inventories index has been negative for all but two months: it fell to -23 in September. This was caused by 10 percent of respondents indicating increased inventories, 57 percent reporting the same, and 33 percent reporting finished goods inventories as "down".

## BUYING PATTERNS

### DOMESTICALLY

(4, -37, -22, -29)

The following percentages consider only those firms that buy internationally; compared to previous months, they show definite improvement from the depths of a serious global downturn that was evident in previous months.

### ELSEWHERE IN THE AMERICAS

(-10, -30, -38, 5)

### ACROSS THE ATLANTIC

(-18, -30, -38, -23)

## ACROSS THE PACIFIC

(10, -5, 5, -5)

## GENERAL COMMENTS BY PURCHASING MANAGERS

### Noticeable Price Changes

**Up are:** \*Medical supplies, \*Chlorine products, Steel, Stainless steel, Nickel, Copper, Paper, Toner, \*Gasoline, \*Plastic office supplies, \*Sugar, \*Services, \*Aluminum, \*Brass, \*HDPE and PP resins, \*Beef, \*Sheet metal

**Down are:** \*Freight, Furan binder, \*Natural gas, Wheat, Soy, Corrugated board, Resins, \*Services

**In short supply:** Natural gas, \*Machined parts, \*Furan binder, \*Silicon carbide, \*Electrica steel, \*Flour, \*Soy, \*Chemicals

\*indicates a change from the previous report; some goods may appear in multiple lists because of aggregation of multiple reports

## STATISTICAL SUMMARY

Replies as a Percent of Total Replies

Index	Up	Same	Down
Production	26	45	29
New Orders	23	45	32
Backlog of Orders	13	58	29
Employment	19	52	29

Index	Up	Same	Down
Prices for Commodities	29	55	16
Prices for Services	23	65	13
Prices for Equipment	27	60	13
Dollars Spent by Purchasing	29	39	32

Index	Up	Same	Down
Raw Materials	7	60	33
Finished Goods	10	57	33

Index	Quicker	Same	Slower
Deliveries	23	68	10

Change in the amount spent	Up	Same	Down
Domestically	19	32	48
For Firms Purchasing Internationally			
Elsewhere in the Americas	29	47	24
Across the Atlantic	12	53	35
Across the Pacific	17	61	22

### 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.*

*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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