

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

April 2009

PRESS RELEASE

**Important:
Do Not Release Until
12:01 a.m. Thursday April 30th, 2009**

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of April 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.

PERMISSION: Is granted to duplicate, publish, or quote in whole or in part, with proper credit to the Applied Economics Research Institute and the NAPM-Cincinnati.

FOR FURTHER INFORMATION CONTACT:

Dr. Benjamin Passty
Applied Economics Research Institute
Department of Economics
University of Cincinnati
1605 Crosley Tower
Cincinnati, OH 45221-0371
513.556.0791
Benjamin.Passty@uc.edu
<http://www.artsci.uc.edu/collegedepts/economics/aeri/>

NAPM-Cincinnati
<http://www.napm-c.org/>

PO Box 54777
Cincinnati, OH 45254
513.385.4144

The Greater Cincinnati Report on Business for the month of April shows that reported purchasing activity continues to stutter:

The Purchasing Managers Index – Cincinnati measured 35.5 in April, another slight nudge up from the previous months; December's figure of 31.7 was the lowest in the past seven years, and the six month run of values below 40 represent the sharpest decline since the 2001 recession. Any index value below 50 represents a decrease in purchasing activity.

The Composite Price Index – Cincinnati stayed below zero (measured at -3) for the fifth straight month. The **New Orders Index** is at -36, well below the peak value of 42 reached in June 2007.

**National
Association of
Purchasing
Management**

Cincinnati

UNIVERSITY OF
Cincinnati

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT



INSIDE THIS ISSUE:

<i>New Orders</i>	2
<i>Backlog of Orders</i>	2
<i>Production</i>	2
<i>Employment</i>	3
<i>Vender Delivery Performance</i>	3
<i>Dollars Spent by Purchasing</i>	3
<i>Commodity Prices</i>	3
<i>Service Prices</i>	3
<i>Equipment Prices</i>	3
<i>Raw Material Inventories</i>	3
<i>Finished Goods Inventories</i>	3
<i>Buying Patterns</i>	3
<i>General Comments by Purchasing Managers</i>	3

For Further Information Contact:

Dr. Benjamin Passty,
Applied Economics
Research Institute,
Department of Economics,
University of Cincinnati,
1605 Crosley Tower,
Cincinnati, Ohio 45221-0371
Telephone: 513.556.0791
Benjamin.Passty@uc.edu
<http://www.uc.edu/aeri>

(sponsor)
NAPM-Cincinnati
<http://www.napm-c.org/>

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

The Cincinnati Purchasing Management Index (PMI) was 35.3 in April, slightly higher than March's value, but still far below even. The index has been below 50 for the last six months, as it's been clear that the Cincinnati MSA is settling into a severe recession. For reference, the national PMI for March 2009 was 36.3. The national April 2009 index is not available at this writing.

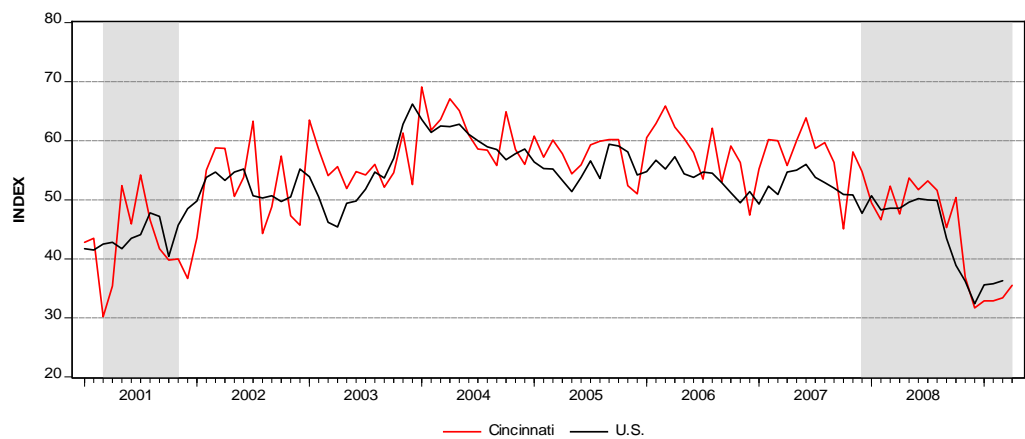


Figure 1. Cincinnati PMI vs. ISM-PMI

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 the MSA economy is continuing to contract; while most surveyed indices improved slightly from March, it is important to keep in mind that they represent rates of change: the economy is still deteriorating substantially, but the pace at which it is doing so has moderated. The **Cincinnati PMI** continues to increase slowly but steadily, rising to its highest value since November 2008: while it is 3.8 points higher than its trough, it is still indicative of a severe downturn in purchasing activities. Note that PMI is seasonally adjusted with weights from the U.S. Department of Commerce. Most other indices did improve slightly.

The **new orders** index rose slightly to -36. The **production index** sank back to -50, the lowest figure since March 2001. The index for **backlog of orders** fell this month; it has remained negative for 20 months running. The index for **inventories of finished goods** rose back to zero this month; it had been below zero for the previous four months running. The **equipment price** index rose 14 points this month; the **service price** index also rose. The **commodity price** index rose to -17; before crossing zero in November, it hadn't been below 50 for a year. **Dollars spent in purchasing** sank to negative 55, which is 122 points below the peak value of 67 for that index, which was reached in May of 2008.

The reported **raw material inventories** index rose to a level of -26; it has been below zero for ten of the last twelve months, but optimists will note that it is currently much higher than September's value of -46. With respect to geographic buying patterns, we saw substantial improvement, as in the Americas the index rose to -29; the index for buying from across the **Atlantic** rose to -46; buying from across the **Pacific** rose to -29. Many are optimistic that improvement in world markets is an essential part of any recovery. The **domestic purchasing** index rose, too, increasing to -29 from January's low of -50. The **Composite Price Index - Cincinnati** stood at -3.0 in March; a year ago it was 56.7. Any index value below zero represents a decrease in average prices.

Production, Employment, New Orders, and Backlog of Orders

Respondents report that the rate of production decreased in April; the **Production Index** fell from -46 to -50. A year ago, the production index fell to -8, marking only the second time in the previous five years it had been below zero; it has now been negative for six consecutive months. The **Employment Index** rose from -39 in March to -31, with eight percent of respondents now reporting increasing employment (it was only three in December). The **New Orders Index** for April rose substantially from -52 to -36. A year ago, this index was -11. The **Backlog of Orders Index** also rose from oblivion to -48, a number much closer to December's level of -50.

Table 1. The Cincinnati Economy at a Glance					
Index	Series Apr	Index Mar	Direction	Rate of Change	Trend*
Cincinnati PMI	35.5	33.4	↓	Faster	6
New Orders	-36	-52	↓	Slower	6
Backlog of Orders	-48	-72	↓	Slower	20
Production	-50	-46	↓	Faster	6
Employment	-31	-39	↓	Slower	6
Vendor Deliveries	23	4	↑	Faster	19
Raw Material Inventories	-26	-32	↓	Slower	8
Finished Goods Inventories	0	-25	↔	Slower	1
Composite Price Index	-3.0	-15.7	↓	Slower	5

*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
(3, -43, -52, -36)

The New Orders index in April increased to a value of -36, up 24 points from the extremely low December value of -60. This change resulted from 17 replies indicating new orders were "up", 31 percent indicating "the same" and 53 percent reporting "down". A year ago, the new orders index equaled -11.

BACKLOG OF ORDERS - Fig. 3
(-15, -50, -72, -48)

The backlog of orders index increased in April, rising from March's catastrophic value of -72 back to -48; this increase of 24 points came from 8 percent of respondents reporting "up" (7 percent in March), 36 percent reporting "the same" (14 in March), and 56 percent reporting "down" (79 in March).

PRODUCTION - Fig. 4
(8, -45, -46, -50)

The production index decreased for the third consecutive month in April as the index number fell from -46 in March to -50. Six percent of respondents reported production as "up" (11 in March), thirty-nine percent reported "the same" (32 in March), and fifty-six percent reported "down" (57 in March). The production index in April of 2008 was 2. The April 2009 index lies well below the 36 month average of 8. The maximum index value in this 36 month period was 54, reached in April, 2007.

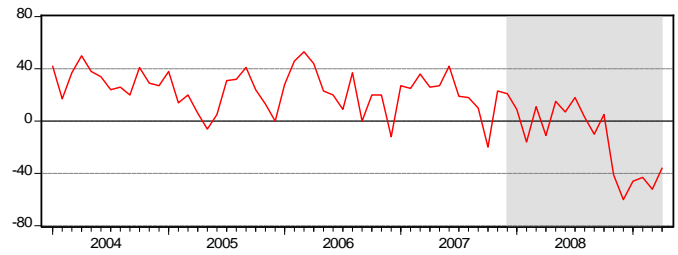


Figure 2. New Orders

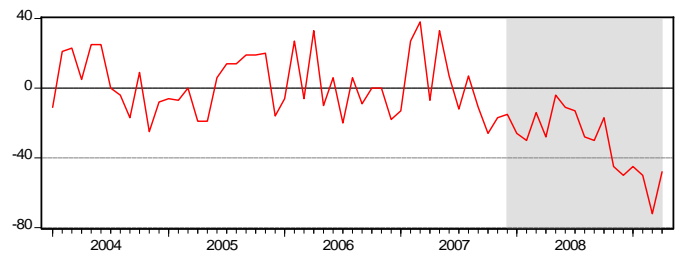


Figure 3. Backlog of Orders

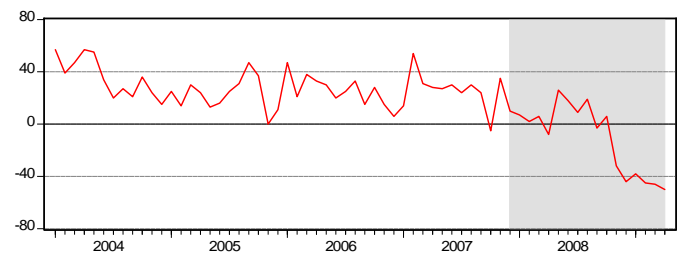


Figure 4. Production

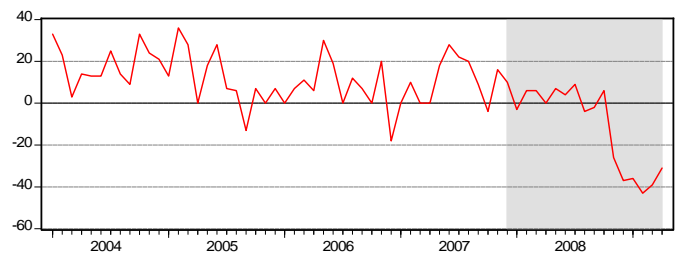


Figure 5. Employment

EMPLOYMENT - Fig. 5
(0, -43, -39, -31)

April's employment index was -31, a slight improvement from the last month's value of -39. While 8 percent of respondents reported increased employment (7 percent in March), 53 percent of the respondents reported employment remained the same (46 percent in March), and 39 percent reported decreased employment (46 percent in March). In April 2008 the index was zero.

VENDOR DELIVERY PERFORMANCE - Fig. 6
(2, 17, 4, 23)

The vendor delivery performance index is 23 this month, exactly level with December's value. Thirty-one percent reported faster deliveries (29 in March), sixty-one percent of survey respondents this month reported delivery times as the "same" (46 percent in March), and eight percent reported slower delivery times (25 in March). Last year's index value for April 2008 was 6.

DOLLARS SPENT BY PURCHASING - Fig. 7
(13, -37, -50, -55)

The monthly index measuring changing dollar amounts spent by regional purchasers decreased in April compared to March, falling 5 points. Six percent of respondents indicated increased spending, thirty-three percent reported no change, and sixty-one percent indicated decreased spending. A year ago the index was 48.

COMMODITY PRICES - Fig. 8
(37, -23, -25, -17)

The commodity price index in April increased slightly; during 2008, it had dropped sharply for six months in a row. Despite the most recent increase, it is still far below the 36 month average of 37. Twenty-two percent of respondents reported higher prices (19 percent in March), 39 percent reported the "same" (37 percent in March), and 39 percent reported lower prices (44 in March). In April 2008, the index measured 88. 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
(25, -3, -11, 5)

The service price index rose in April, with an index value of 5, down 63 points from July's value of 68. This was caused by 19 percent of respondents reporting increases, 67 percent reporting no change in prices and 14 percent reporting price decreases. A year ago the service price index equaled 46.

EQUIPMENT PRICES
(26, -10, -11, 3)

The equipment price index rose in April, from -11 to 3; it was 43 in April 2008. 21 percent of respondents reported increases, 62 percent reported no change, and 18 percent of respondents reported decreases. It is still substantially below the three year average of 26.

RAW MATERIAL INVENTORIES
(-13, -18, -32, -26)

The index measuring changes in raw material inventories rose this month to -26 from -32 last month. Fourteen percent of the reports indicated increased inventories, 46 percent reported "no change", and 40 percent of respondents indicated decreases. A year ago the index was -5.

FINISHED GOODS INVENTORIES
(0, -24, -25, 0)

The index for finished goods inventories evened out to zero after fourth consecutive negative months. 33 percent indicated increased inventories, 33 percent reported the same, and 33 percent reported finished goods inventories as "down". Evening of inventories is a positive sign for future employment prospects and a possible recovery.

BUYING PATTERNS
DOMESTICALLY
(10, -27, -33, -29)

The following percentages consider only those firms that buy internationally; compared to previous months, they still show a serious global downturn, but with some glimmers of hope.

ELSEWHERE IN THE AMERICAS
(-8, -38, -67, -29)

ACROSS THE ATLANTIC
(-14, -57, -73, -46)

ACROSS THE PACIFIC
(18, -37, -40, -29)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

Up are: Copper, Motors, Fans/Blowers, Resin, Ethynol, Gasoline, Beef and Pork

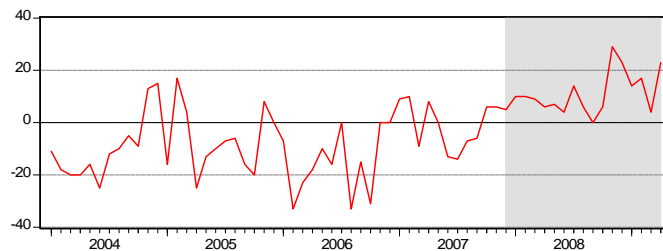


Figure 6. Vendor Delivery Performance

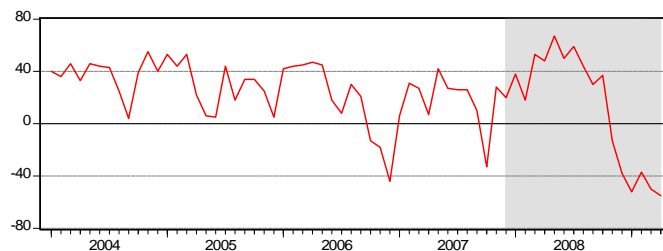


Figure 7. Dollars Spent by Purchasing

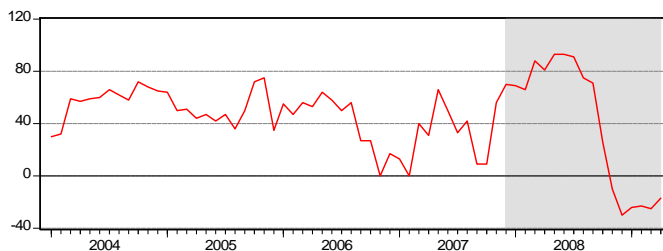


Figure 8. Commodity Prices

Products, Oil, Copper, Toner, Equipment,
Liner Board, Printing Inks, Cleaning
Supplies, Paper, Food, Sugars, Chemicals

Products, Corrugated, Lumber, Metal Fab,
Plastics, Ibc's, Gas, Polyethylene, PVC,
Aluminum

Down are: Steel, Carbon Steel, Sheet
Metal, Paper and Petroleum Based

In short supply: fans, blowers, latex goods

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

Index	Up	Same	Down
Production	6	39	56
New Orders	17	31	53
Backlog of Orders	8	36	56
Employment	8	53	39

Index	Up	Same	Down
Prices for Commodities	22	39	39
Prices for Services	19	67	14
Prices for Equipment	21	62	18
Dollars Spent by Purchasing	6	33	61

Index	Up	Same	Down
Raw Materials	14	46	40
Finished Goods	33	33	33

Index	Quicker	Same	Slower
Deliveries	31	61	8

Change in the amount spent	Up	Same	Down
Domestically	17	37	46
For Firms Purchasing Internationally			
Elsewhere in the Americas	4	63	33
Across the Atlantic	8	38	54
Across the Pacific	4	63	33

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.

Permission: is granted to duplicate, publish, or quote in whole or part, with proper credit to the Applied Economics Research Institute, Department of Economics, University of Cincinnati and the NAPM-Cincinnati.

www.napm-c.org

