

# CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

February 2009

## PRESS RELEASE

Important:

Do Not Release Until

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**SUBJECT:** Report on Business Conditions for Greater Cincinnati for the month of February 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 February** shows that reported purchasing activity continues to stutter:

**The Purchasing Managers Index – Cincinnati** measured 32.9 in February, the exact same value as in the previous month; December's figure of 31.7 was the lowest in the past seven years; without December, the January-February number would have been. Any index value below 50 represents a decrease in purchasing activity.

**The Composite Price Index – Cincinnati** fell sharply in again in February; in October the index measured 32.3, and now it has been below zero for three months. Any index value that exceeds zero represents an increase in average prices; deflation is a continuing reality.

The **New Orders Index** is at -43, in February, well down from October's value of 5.



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National  
Association of  
Purchasing  
Management

Cincinnati

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

Following a hard, pessimistic onset of winter, the Cincinnati Purchasing Management Index (PMI) was 32.9 in February, exactly the equal of January's value. The last twelve months have been difficult: the index has been below 50 for ten of those months. The current outlook is that 2009 will not be much better. For reference, the national PMI for January 2009 was 35.6. The national February 2009 index is not available at this writing.

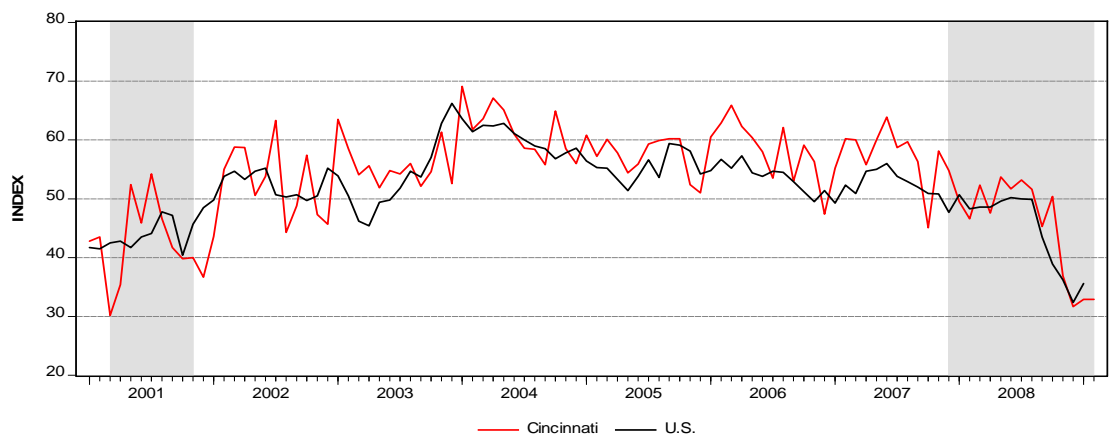


Figure 1. Cincinnati PMI vs. ISM-PMI

## 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 stayed generally level, as most surveyed activities changed little from January. In our last report, the **Cincinnati PMI** looked as though it could rebound, rising to 32.9 after falling to the lowest number reported since the 2001 recession. This month it stayed steady at 32.9, a harrowing number in any context. Most other indices moved little. The February value of PMI is calculated using the new 2009 seasonal adjustment factors from the U.S.

Department of Commerce. The **new orders** index rose slightly to -46. The **production index** sank back to -45, the lowest figure since March 2001. The index for **backlog of orders** fell this month; it has remained negative for 18 months running. The index for **inventories of finished goods** continued to be negative this month; it has been below zero eight times in the past year. The **equipment price** index fell 14 points this month, while the **service price** index fell slightly. The **commodity price** index held steady at -23; before crossing zero in November, it hadn't been below 50 for a year. **Dollars spent in purchasing** rebounded to -37 from January's value of -52. The

reported **raw material inventories** index rose to a level of -18 from -35; optimists will note that it is much higher than September's value of -46. With respect to geographic buying patterns, in the Americas the index held steady at -63; the index for buying from across the **Atlantic** rose to -57; buying from across the **Pacific** rose to -37. The **domestic purchasing** index rose, too, increasing to -27 from January's value of -50. The **Composite Price Index - Cincinnati** stood at -12.0 in January; a year ago it was 48.7. 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 February; the **Production Index** fell from -38 to -45. A year ago, the production index equaled *positive* 2. The **Employment Index** fell also, from -36 in January to -43, with seven respondents now reporting increasing employment (it was only three in December). The **New Orders Index** for February rose slightly from -46 to -43. A year ago, this index was -16. The **Backlog of Orders Index** also fell back to December's level of -50.

Table 1. The Cincinnati Economy at a Glance						
Index	Series Index		Direction	Rate of Change	Trend*	
	Feb	Jan				
Cincinnati PMI	32.9	32.9	—	Constant	4	
New Orders	-43	-46	↓	Slower	4	
Backlog of Orders	-50	-45	↓	Faster	18	
Production	-45	-38	↓	Faster	4	
Employment	-43	-36	↓	Faster	4	
Vendor Deliveries	17	14	↑	Faster	17	
Raw Material Inventories	-18	-35	↓	Slower	6	
Finished Goods Inventories	-24	-22	↓	Faster	3	
Composite Price Index	-12.0	-6.7	↓	Faster	3	

\*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**  
(9, -60, -46, -43)

The New Orders index in February increased to a value of -43, up 17 points from the extremely low December value of -60. This change resulted from 14 replies indicating new orders were “up”, 29 percent indicating “the same” and 57 percent reporting “down”. A year ago, the new orders index equaled -16.

**BACKLOG OF ORDERS - Fig. 3**  
(-11, -50, -45, -50)

The backlog of orders index decreased slightly in February, falling from -45 back to -50, a repeat of December's value; this decrease of 5 points came from 11 percent of respondents reporting “up” (7 percent in January), 29 percent reporting “the same” (41 in January), and 61 percent reporting “down” (52 in January).

**PRODUCTION - Fig. 4**  
(13, -44, -38, -45)

The production index decreased in February as the index number fell from -38 in January to -45, a modest decline. Seven percent of respondents reported production as “up” (13 in January), forty-one percent reported “the same” (thirty-five in January), and fifty-two percent reported “down” (fifty-two in January). The production index in February of 2008 was 2. The February 2009 index lies well below the 36 month average of 13. The maximum index value in this 36 month period was 54, reached in February, 2007.

**EMPLOYMENT - Fig. 5**  
(3, -37, -36, -43)

February's employment index was -43, slightly down from the last months' value of -36. While 7 percent of respondents reported increased employment (7 percent in January), 43 percent of the respondents reported employment remained the same (50 percent in January), and 50

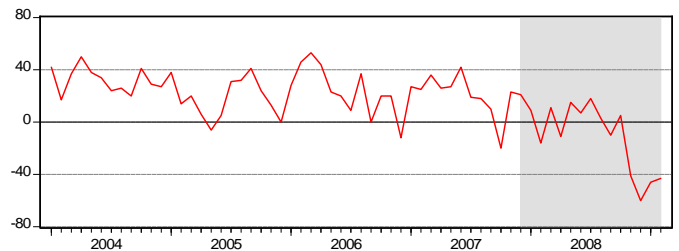


Figure 2. New Orders

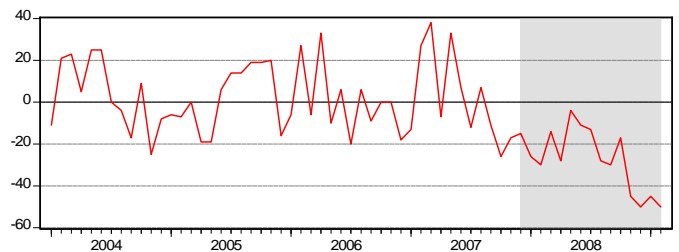


Figure 3. Backlog of Orders

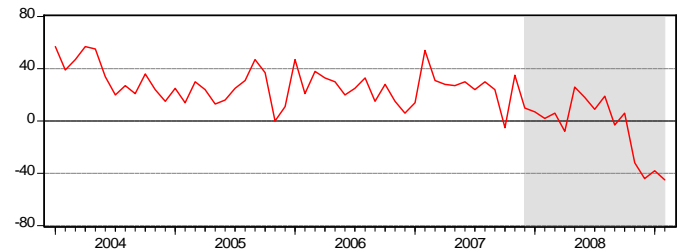


Figure 4. Production

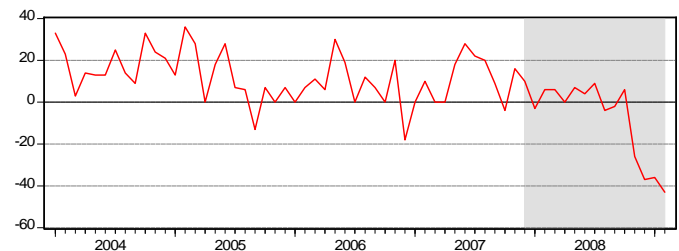


Figure 5. Employment

percent reported decreased employment (43 percent in January). In February 2008 the index was *positive* 6.

#### VENDOR DELIVERY PERFORMANCE - Fig. 6 (0, 23, 14, 17)

The vendor delivery performance index is 17 this month, down from December's value of 23. Twenty-seven percent reported faster deliveries (28 in January), sixty-three percent of survey respondents this month reported delivery times as the "same" (50 percent in January), and ten percent reported slower delivery times (14 in January). Last years index value for February 2008 was 10.

#### DOLLARS SPENT BY PURCHASING - Fig. 7 (18, -38, -52, -37)

The monthly index measuring changing dollar amounts spent by regional purchasers increased markedly in February compared to January, rising 15 points. Thirteen percent of respondents indicated increased spending, thirty-seven percent reported no change, and fifty percent indicated decreased spending. A year ago the index was 18.

#### COMMODITY PRICES - Fig. 8 (41, -30, -24, -23)

The commodity price index in February stayed almost level; during 2008, it had dropped sharply for six months in a row. Despite the increase, it is still far below the 36 month average of 41. Twenty percent of respondents reported higher prices (21 percent in January), 37 percent reported the "same" (35 percent in January), and forty-three percent reported lower prices (45 in January). In February 2008, the index measured 66. 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 (26, 13, 0, -3)

The service price index fell again in February, with an index value of -3, down 50 points from September's value of 47. This was caused by 17 percent of respondents reporting increases, 63 percent reporting no change in prices and 20 percent reporting price decreases. A year ago the service price index equaled 40.

#### EQUIPMENT PRICES (27, 7, 4, -10)

The equipment price index fell in February, from 4 to -10; it was 40 in February 2008. 14 percent of respondents reported increases, 62 percent reported no change, and 24 percent of respondents reported decreases. It is now well below the three year average of 27.

#### RAW MATERIAL INVENTORIES (-11, -13, -35, -18)

The index measuring changes in raw material inventories rose this month to -18 from -35 last month. Seventeen percent of the reports indicated increased inventories, 48 percent reported "no

change", and 35 percent of respondents indicated decreases. A year ago the index was at minus 25.

#### FINISHED GOODS INVENTORIES (2, -7, -22, -24)

The index for finished goods inventories decreased for the fourth consecutive month in February; it is now at -24 compared to -7 in December. 14 percent indicated increased inventories, 48 percent reported the same, and 38 percent reported finished goods inventories as "down".

#### BUYING PATTERNS

##### DOMESTICALLY (14, -44, -50, -27)

The following percentages consider only those firms that buy internationally; they show a global downturn that is increasingly thorough and severe.

##### ELSEWHERE IN THE AMERICAS (-4, -63, -63, -38)

##### ACROSS THE ATLANTIC (-10, -71, -67, -57)

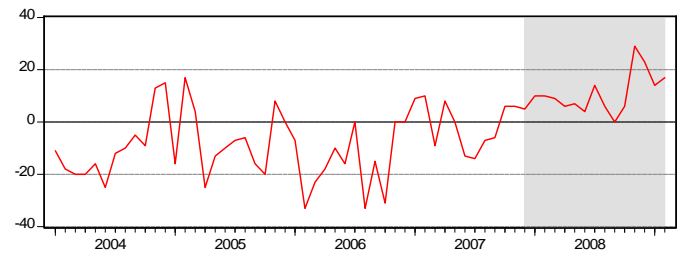


Figure 6. Vendor Delivery Performance

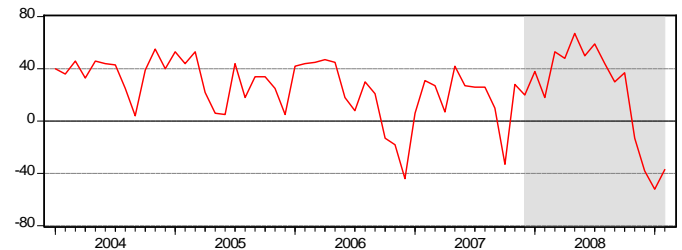


Figure 7. Dollars Spent by Purchasing

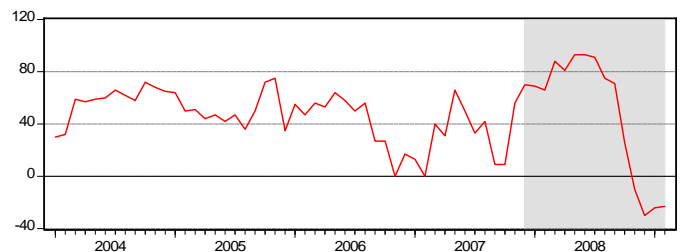


Figure 8. Commodity Prices

#### ACROSS THE PACIFIC (22, -63, -60, -37)

#### GENERAL COMMENTS BY PURCHASING MANAGERS

##### Noticeable Price Changes

**Up are:** beef, office supplies, plastic parts, heavy equipment, valves, fittings.

**Down are:** electronic components, freight charges, chemicals, stainless steel, aluminum, plastic raw materials, steel, electrical parts, sheet metal, polyethylene, PVC, compound ingredients.

**In short supply:** plastics, some steels, specialty raw materials.

## STATISTICAL SUMMARY

Replies as a Percent of Total Replies

Index	Up	Same	Down
Production	7	41	52
New Orders	14	29	57
Backlog of Orders	11	29	61
Employment	7	43	50

Index	Up	Same	Down
Prices for Commodities	20	37	43
Prices for Services	17	63	20
Prices for Equipment	14	62	24
Dollars Spent by Purchasing	13	37	50

Index	Up	Same	Down
Raw Materials	17	48	35
Finished Goods	14	48	38

Index	Quicker	Same	Slower
Deliveries	27	63	10

Change in the amount spent	Up	Same	Down
Domestically	20	33	47
For Firms Purchasing Internationally			
Elsewhere in the Americas	6	50	44
Across the Atlantic	7	29	64
Across the Pacific	13	38	50

### 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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