

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

November 2010

PRESS RELEASE

**Important: Do Not Release Until
12:01 a.m. Tuesday, November 30, 2010**

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of November 2010.

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 Purchasing Managers Index – Cincinnati measured 57.5 in November. Its continuance above fifty is a welcome indication of sustained expansion in the Cincinnati MSA.

Although the Production Index fell from 37 to 28, it remained strongly positive. The Employment Index jumped substantially from -7 to 22; we are pleased to see this improvement.

CINCINNATI REPORT ON BUSINESS

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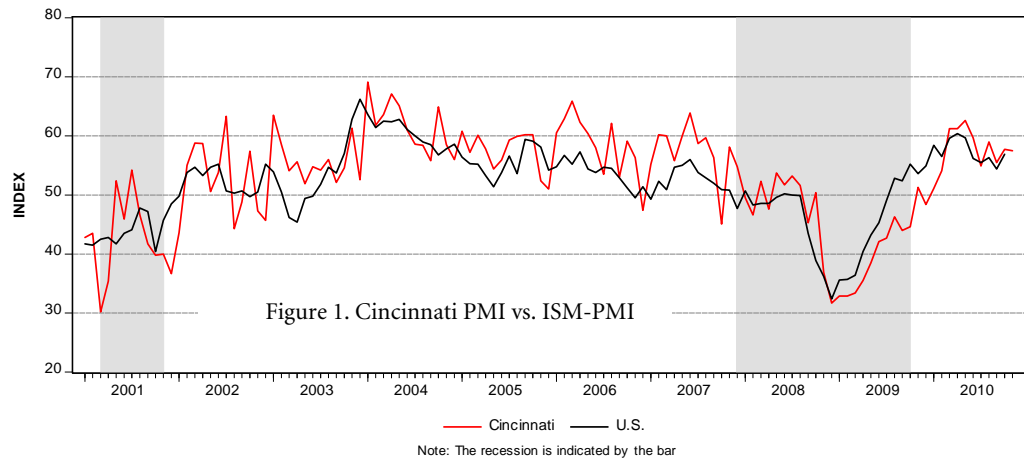


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The National Association of Purchasing Management-Cincinnati Report on Business for the Month of November 2010

The Cincinnati Purchasing Management Index (PMI) was 57.5 in November. A year ago, the national PMI was at 51.3, ending a full year in which the index was below 50. This month's index value indicates a solid sustained recovery; the PMI has now been above 50 for eleven months. The national October index value was 56.9; the national November index is not available as of this writing. A value of PMI above 50 indicates economic expansion.



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HIGHLIGHTS

In November the PMI decreased marginally, maintaining solid ground above 50. The Cincinnati PMI inched down to 57.5 from 57.7. The index has now been above fifty for eleven consecutive months, which has not happened since the affluent era of 2007. PMI is seasonally adjusted as prescribed by the U.S. Department of Commerce; other indices are unadjusted. Though there was a small decrease in PMI this month, its still-healthy level is a welcome sign of continued recovery. Our optimism about the state of the economy continues. Most encouraging this month was a rise in the Employment index, which has shown a significant increase far in excess of the thirty-six month average.

The Dollars spent in purchasing index increased for the second consecutive month from 33 to 44. The new orders index dipped from 41 to 32. The production index also dipped slightly, but stayed strong at 28. The volatile index for backlog of orders also declined from positive 14 to positive 4. Firms continue to spend down their inventories of finished goods; this index remained strongly negative at -32. The index for equipment prices increased to 21 from 15; the service prices index decreased to 21 from 26. The commodity price index increased significantly to 53 in November, from a value of 37 in October. The Federal Reserve has commenced its second round of quantitative easing; inflation has not yet become a concern, but we are watching.

The raw material inventories index dropped down to negative 27. That index has only been positive for one month in the past two years. In addition to business cycle shifts, we propose that long-term structural trends toward leaner manufacturing are driving this. We attribute this month's improvement in the employment index to continued depletion of inventories as well. The domestic purchasing index rose for a second month to 47 from 30; buying elsewhere in the Americas also rose to 17 from 8. The index for buying from across the Atlantic dropped to zero, despite the euro being at a two-month low. Buying from across the Pacific rose to 27 from 15.

Production, Employment, New Orders, and Backlog of Orders

The major indicators generally showed expansion this month, but lesser increases than in the month of October. The exception this month was the Employment Index, which reversed its course and showed strong improvement. The employment indicator bounced back from an outlying month of negative territory. Because this indicator lags other indicators, specifically the New Orders and Production indices, it is encouraging to confirm that the recovery seems sound enough to warrant new job creation.

We maintain that a steady and robust recovery is underway. The main indicators have been considerably stable for the duration of 2010. A recent study by the Economics Center for Education and Research indicates a bustling holiday season; as December approaches we expect a healthy conclusion to the year.

Table 1. The Cincinnati Economy at a Glance

Index	Series Index		Direction	Rate of Change	Trend*
	Nov.	Oct.			
Cincinnati PMI	57.5	57.7	↑	Slower	10
New Orders	32	41	↑	Slower	11
Backlog of Orders	4	14	↑	Slower	2
Production	28	37	↑	Slower	11
Employment	22	-7	↑	Faster	1
Vendor Deliveries	-22	-30	↓	Slower	10
Raw Material Inventories	-27	-16	↓	Faster	7
Finished Goods Inventories	-32	-33	↓	Slower	11
Composite Price Index	31.7	26.0	↑	Faster	18

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 parentheses, 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

(2, 35, 41, 32)

The New Orders index stayed strong at 32 this month; new orders are expanding at a healthy pace. Fifty percent of replies indicated new orders were “up” (56 in October), thirty-two percent indicated “the same” (30 in October) and eighteen percent indicated “down” (15 in October). The New Orders Index has held steady positive ground for over a year and is an encouraging indication of business expansion.

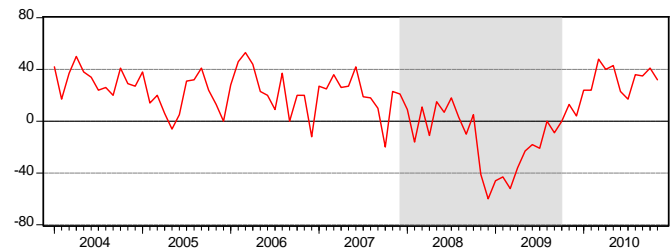


Figure 2. New Orders

BACKLOG OF ORDERS - Fig. 3

(-16, -3, 14, 4)

In October the Backlog of Orders index jumped to *positive* 14; this month it retreated to 4. This month’s result came from twenty-five percent of respondents reporting “up” (33 percent in October), fifty-four percent reporting “the same” (48 in October), and twenty-one percent reporting “down” (19 in October). A sustained positive value for this index may foreshadow an increase in employment in coming months.

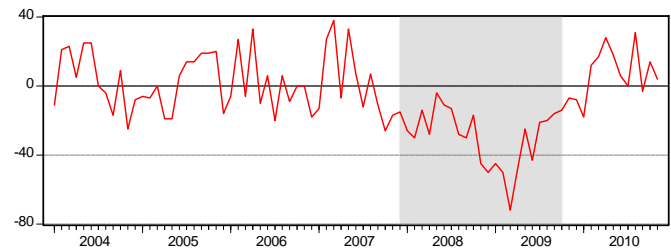


Figure 3. Backlog of Orders

PRODUCTION - Fig. 4

(4, 27, 37, 28)

The Production index decreased in November to a value of 28 from 37 in October. This index has been above *zero* since January. Respondents have reported increasing production for the entirety of this year. Forty-six percent of respondents reported production as “up” (52 in October), thirty-six percent reported “the same” (33 in October), and eighteen percent reported “down” (15 in October).

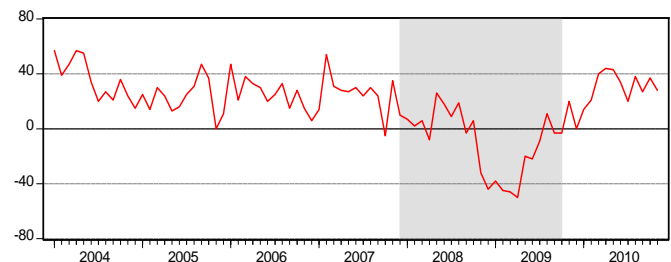


Figure 4. Production

EMPLOYMENT - Fig. 5
(-3, 10, -7, 22)

We are pleased to see that the Employment index has bounced back strongly in November, climbing to a value of *positive 22* this month from *negative 7* in October. Thirty-six percent of respondents reported increased employment (19 percent in October), fifty percent of the respondents reported employment remained the same (56 percent in October), and fourteen percent reported decreased employment (26 percent in October). Last month many businesses shed jobs; this month many were adding jobs. This indicator lags the others. Our general outlook on employment remains positive.

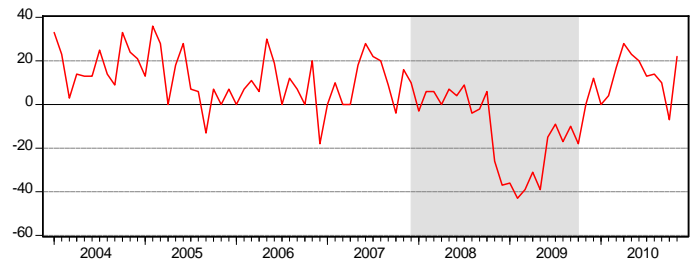


Figure 5. Employment

VENDOR DELIVERY PERFORMANCE - Fig. 6
(2, -7, -30, -22)

The vendor delivery performance index remained low at *negative twenty-two* in November. The negative index value implies that delivery performance continues to deteriorate, likely due to increases in new orders. This indicator was generally positive for the duration of the recession. Seven percent of respondents reported faster deliveries (*zero* percent in October), sixty-four percent of survey respondents this month reported delivery times as the “same” (70 percent in October), and twenty-nine percent reported slower delivery times (30 percent in October).

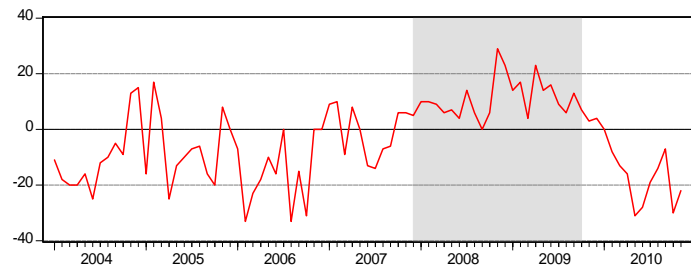


Figure 6. Vendor Delivery Performance

DOLLARS SPENT BY PURCHASING - Fig. 7
(16, 24, 33, 44)

The index measuring dollar amounts spent by regional purchasers increased for the second consecutive month from 33 to 44. This level remains strongly above the three-year moving average and has been positive for over a year. Sixty-three percent of respondents indicated increased spending (59 percent in October); nineteen percent reported no change (15 percent in October), while nineteen percent indicated decreased spending (26 percent in October). Analysts believe that increased spending activity will have beneficial ripple effects throughout the economy.

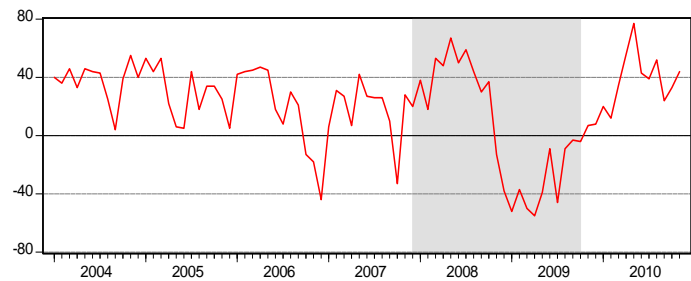


Figure 7. Dollars Spent By Purchasing

COMMODITY PRICES - Fig. 8
(33, 38, 37, 53)

In November the commodity price index increased substantially from 37 to 53; commodity prices have risen steadily all year. Fifty-seven percent of respondents reported higher prices (41 percent in October), thirty-nine percent reported the “same” (56 percent in October), and four percent reported lower prices (4 percent in October). Though commodity prices are not increasing at the alarming rate that we saw before the financial crisis, there has been a noticeable upward trend in 2011.

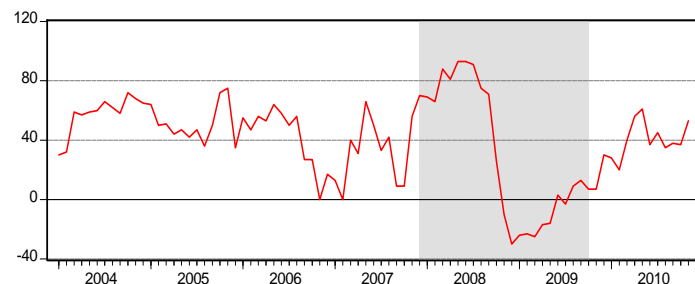


Figure 8. Commodity Prices

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

(22, 31, 26, 21)

The service price index dipped down slightly to 21 in November, from a value of 26 in October. This change was caused by 25 percent of respondents reporting increases, 71 percent reporting no change in prices, and 4 percent of respondents reporting price decreases. This index has been *positive* or *zero* for sixteen consecutive months.

EQUIPMENT PRICES

(19, 21, 15, 21)

The equipment price index increased in November, to a value of *positive* 21 from *positive* 15. 17 percent of respondents reported increases, 76 percent reported no change, and 7 percent of respondents reported decreases. This index has not been negative since the Spring of 2009.

RAW MATERIAL INVENTORIES

(-18, -14, -16, -27)

The raw material inventories index decreased again this month, falling to *negative* twenty-seven from *negative* sixteen. This index has been mainly negative or *zero* since the Fall of 2007 and the subsequent financial crisis. Eighteen percent of the reports indicated

increased inventories, fifty percent reported “no change”, and thirty-two percent of respondents indicated decreases.

FINISHED GOODS INVENTORIES

(-11, -34, -33, -32)

The finished goods inventories index increased marginally in November; inventories remain on the decline at *negative* 32. This was caused by only seven percent of respondents indicating increased inventories, fifty-four percent reporting the same, and thirty-nine percent reporting finished goods inventories as “down”.

BUYING PATTERNS

DOMESTICALLY

(11, 28, 30, 47)

The following percentages consider only those firms that buy internationally; compared to previous months, they show continued improvement from the global downturn.

ELSEWHERE IN THE AMERICAS

(-7, 27, 8, 17)

ACROSS THE ATLANTIC

(-17, 16, 24, 0)

ACROSS THE PACIFIC

(4, 22, 15, 27)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

Up are: *Gasoline, *Cardboard, Copper, *Flour, *Nickel, Resin, *Silicon Carbide, Toner.

Down are: *Plastic, *Cheese, natural gas, Steel.

In short supply: *Alcohol, *Lemon, *Iron-Ore, *Linear motion devices (Bearings and ballscrews), Garlic.

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

STATISTICAL SUMMARY

Replies as a Percent of Total Replies

Index	Up	Same	Down
Production	46	36	18
New Orders	50	32	18
Backlog Of Orders	25	54	21
Employment	36	50	14

Index	Up	Same	Down
Prices for Commodities	57	39	4
Prices for Services	25	71	4
Prices for Equipment	25	71	4
Dollars Spent by Purchasing	63	19	19

Index	Up	Same	Down
Raw Material Inventories	15	42	42
Finished Goods Inventories	7	54	39

Index	Quicker	Same	Slower
Deliveries	7	64	29

	Up	Same	Down
Change in the amount spent Domestically	61	25	14
For Firms Purchasing Internationally			
Elsewhere in the Americas	25	67	8
Across the Atlantic	17	67	17
Across the Pacific	36	55	9

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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