

CINCINNATI REPORT ON BUSINESS

ISM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

June 2013

PRESS RELEASE

**Important: Do Not Release Until
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- The Cincinnati Purchasing Management Index (PMI) measured 48.4 in June, a figure representing slight contraction in the Cincinnati economy.
- Both the **Production** and **New Orders** indices decreased significantly from the previous month. The **Employment** index remained unchanged at 59.
- The **Backlog of Orders** index fell to 45. **Dollars Spent Purchasing** was the most noticeable decline to 33 from 50.

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of June 2013. This report covers the level of business activity in the Greater Cincinnati Area only — Ohio, Northern Kentucky and Southeastern Indiana. Please note that this IS NOT the national report, which is available from the [Institute for Supply Management](#).

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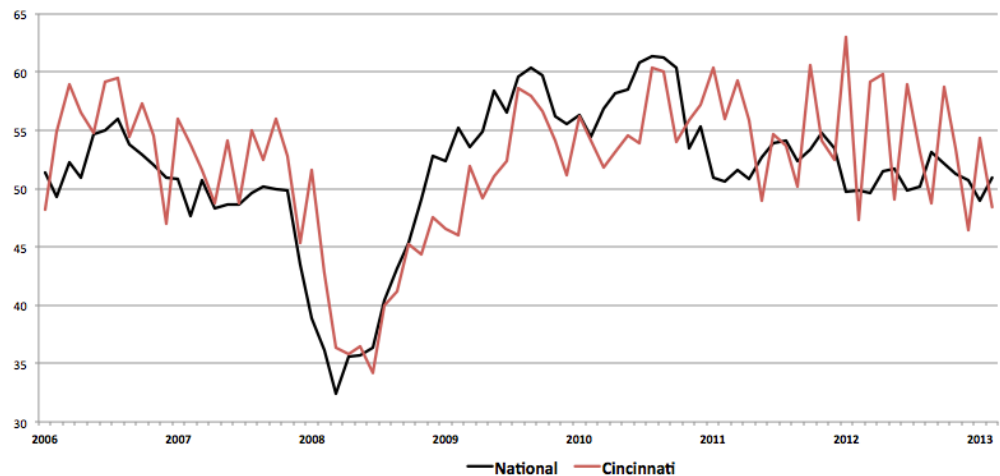
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The National Association of Purchasing Management-Cincinnati Report on Business for the Month of June 2013

The Cincinnati Purchasing Management Index (PMI) measured 48.4 in June; a figure representing slight contraction in the Cincinnati economy. The national index value measured 50.9 in June, indicating a slight expansion in the National economy.

Figure 1. Cincinnati PMI vs. ISM-PMI



HIGHLIGHTS

In June the ISM-Cincinnati **Purchasing Manager's Index** measured 48.4, signaling slight contraction in Cincinnati's manufacturing sector. The **new orders** index lessened to 55. The **production** index fell nine points to 45, which is the third lowest value reported for the previous twelve months. The **employment** index remained at 59, which is comfortably in the region of healthy expansion. The **inventories** index decreased significantly to 33, which is close to its twelve-month minimum of 30 reported in February.

The index for **vendor deliveries** remained unchanged at 50, which is equivalent to its 6-month average. The above indices are all adjusted seasonally using factors provided by the US Department of Commerce. The **backlog of orders** index fell to 45, an index value indicating economic growth from the previous month per survey respondents. The **dollars spent purchasing** index improved to 55; it has been greater than *fifty* for eleven straight months. The **composite price** index decreased to 60,

a slight decrease from last month though equal to the past twelve-month average. The **commodity price** index fell from 55 to 50, while the **service price** index increased one point to 65. The **Equipment price** index fell slightly to 65 from last month's high (68). **Raw material inventories** decreased significantly from 50 to 30, as **finished good inventories** also fell from 50 to 35. The noticeable decrease for both of these indices might indicate a "sell off" in response to seasonal summer slowdown of orders.

Highlights (Continued)

Since late April, the yield on ten-year Treasury bonds has increased considerably to more than 2.3% from 1.7%. Mortgage rates have also jumped to slightly above 4% (fixed 30yr rate); riskier assets such as emerging-market stocks have fallen sharply. U.S. stocks as of this report, have soared back into record territory off of slightly better than forecasted profits by benchmark firms (JPM, MMM, BA, CVX). Most notably, the NASDAQ hit its highest level in over a decade. With regard to geographic buying, there were some increases. **Buying across the Pacific** jumped up to 86, its highest value reported since August 2007. **Domestic buying** remained constant at 55. **Buying across the Atlantic** increased to 50, while **buying from elsewhere in the Americas** also increased to 64 from 50. Of note, this slight contraction of the composite PMI for the Cincinnati MSA region manufacturing sector pushes the last sixth month average to 51.7, which is below last year's first 6 month average of 55.7.

Table 1. The Cincinnati Economy at a Glance

Index	Jun	May	J'12	Direction	Rate of Change	Trend*
Cincinnati PMI	48.4	54.3	52.5	↓	--	1
New Orders	55	59	56	↓	--	3
Backlog of Orders	45	50	53	↓	faster	1
Production	45	54	58	↓	slower	1
Employment	59	59	48	-	same	3
Vendor Deliveries	50	50	50	-	same	2
Raw Material Inventories	30	50	45	↓	slower	1
Finished Goods Inventories	35	50	59	↓	slower	1
Composite Price Index	60	62	65	↓	--	11

*Trend indicates the number of months that a particular indicator has been moving in the same direction

DETAILS

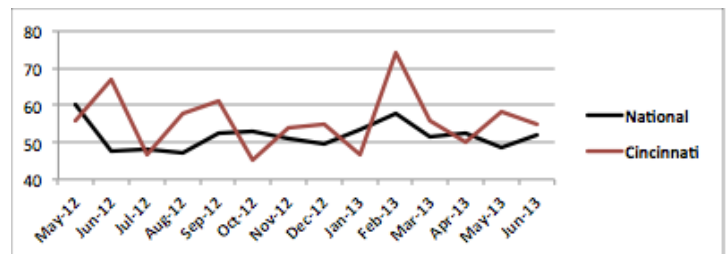
The index numbers reported here indicate a CHANGE based on the same scale as the PMI; values below *fifty* represent contraction, while those above *fifty* represent expansion. For each indicator, we present four numbers in parentheses. From left to right, they are the **average value for the last three years**, followed by index values for each of the three most recent monthly reports, with the rightmost number being the current value.

NEW ORDERS - Fig. 2

(61, 50, 59, 55)

The **new orders** index decreased from 59 to 55 for the month of June. Forty percent of replies indicated new orders were "up" (36 in May), thirty percent indicated "the same" (46 in May) and thirty percent of respondents indicated "down" (18 in May). This indicator's value represents continuous increased orders for Cincinnati Manufacturing. The national value is slightly lower than prior month's value (52 from 49 in May).

Figure 2. New Orders

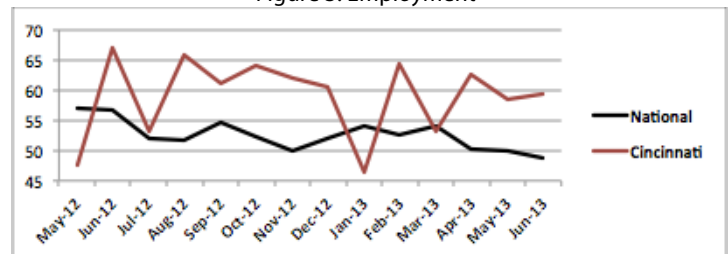


EMPLOYMENT - Fig. 3

(61, 63, 59, 59)

The **employment** index remained at 59 in June. Twenty percent of respondents reported increased employment (29 percent in May), eighty percent of the respondents reported employment remained the same (71 percent in May), and zero percent reported decreased employment (0 percent in May). This is a continuation of steady growth as previously observed over the past year. The national index value decreased to 49.

Figure 3. Employment

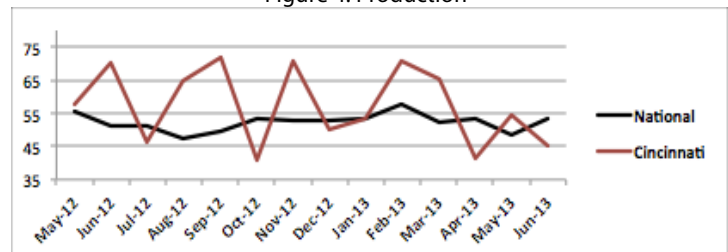


PRODUCTION - Fig. 4

(63, 42, 54, 45)

The **production** index decreased to 45. Thirty percent of respondents reported production as "up" (27 in May), thirty percent reported "the same" (55 in May), and forty percent reported "down" (18 in May). The graph clearly shows continuing volatility observed for most of the past year, greatly in excess of what the national index shows. The National index increased to 54 from 49.

Figure 4. Production



BACKLOG OF ORDERS – Fig. 5

(52, 45, 50, 45)

The **backlog of orders** index decreased to 45 in June. The breakdown of respondents was thirty percent of respondents reporting “up” (18 percent in May), thirty percent reporting “the same” (64 in May), and forty percent reporting “down” (18 in May). The current value marks a move in the right direction from last month’s value. (Note that values below *fifty* indicate economic growth for this index) Cincinnati continues to outperform the National index for much of the past year. The National decreased one point to 47.

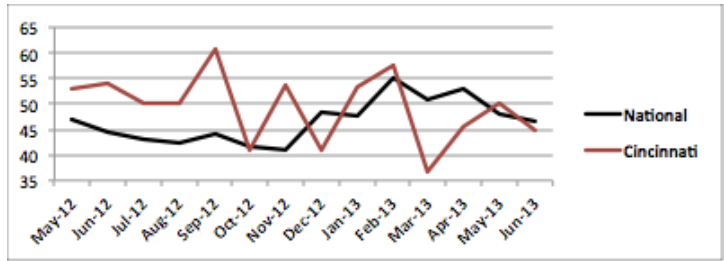


Figure 5. Backlog of Orders

VENDOR DELIVERY PERFORMANCE - Fig. 6

(45, 41, 50, 50)

The **vendor delivery performance** index remained at exactly 50. Ten percent of respondents reported faster deliveries (0 percent in May), eighty percent of survey respondents this month reported delivery times as the “same” (100 percent in May), and ten percent reported slower delivery times (0 percent in May). It is of note that values less than *fifty* imply more economic growth. The national index increased to 50 currently.

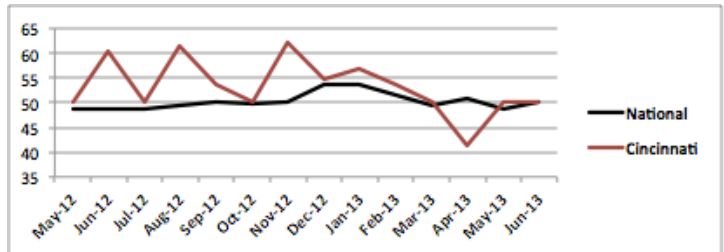


Figure 6. Vendor Delivery Performance

INVENTORIES - Fig. 7

RAW MATERIALS(44, 41, 50, 30)

FINISHED GOODS(43, 32, 50, 35)

The **raw material inventories** index decreased in June to 30. Zero percent of the reports indicated increased inventories, 60 percent reported “no change”, and 40 percent of respondents indicated decreases.

The **finished goods inventories** index decreased to 35. Ten percent of respondents indicated increased inventories, 50 percent reported the same, and 40 percent reported them “down”.

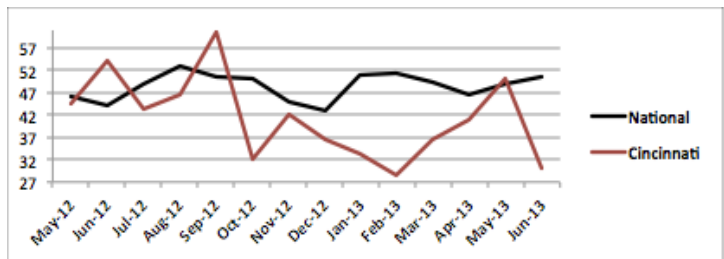


Figure 7. Inventories

COMMODITY PRICES - Fig. 8

(70, 58, 55, 50)

The **commodity prices** index decreased in June to 50. Twenty percent of respondents reported higher prices (27 percent in May), sixty percent reported the “same” (55 percent in May), and twenty percent reported lower prices (18 percent in May). This value reflects a continuous decrease from the previous local peak of seventy-three in December. The national index increased to 53 for the month of June.

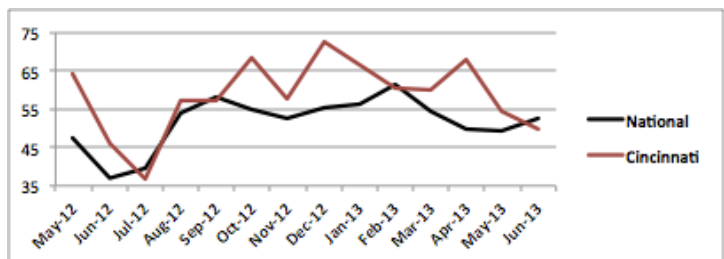


Figure 8. Commodity Prices

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

(62, 64, 64, 65)

The service price index increased slightly to 65 in June. This month's value was designated by 30 percent of respondents reporting increases, 70 percent reporting no change in prices, and 0 percent of respondents reporting price decreases.

EQUIPMENT PRICES

(62, 59, 68, 65)

The equipment price index decreased from 68 in May to 65 in June. Thirty percent of respondents reported increases, 70 percent reported no change, and 0 percent of respondents reported decreases.

DOLLARS SPENT PURCHASING

(68, 59, 50, 55)

The index measuring dollar amounts spent by regional purchasers increased to fifty-five. Forty percent of respondents indicated increased spending (27 percent in May);

thirty percent reported no change (46 percent in May), while thirty percent indicated decreased spending (27 percent in May). This value indicates that purchasing budgets increased for the month of June.

BUYING PATTERNS

DOMESTICALLY

(66, 55, 55, 55)

The following percentages consider only those firms that buy internationally; they show continued economic expansion of a global reach.

ELSEWHERE IN THE AMERICAS

(59, 57, 50, 64)

ACROSS THE ATLANTIC

(53, 50, 43, 50)

ACROSS THE PACIFIC

(65, 64, 64, 86)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

Up are: Resins, Nickel, Cardboard*, Packaging*, and Oil.

Down are: Steel Products, Stainless Steel, Aluminum, Cast Iron* and Commodities*.

In short supply: Medical Supplies, Fruit, Electrical Parts and Bacon*.

*indicates a change from the previous report; occasionally goods in this list appear multiple times because of aggregation of many separate reports.

Why This Report is Produced

The Greater Cincinnati Report on Business provided by the Institute for Supply Management-Cincinnati (ISM-C), prepared and reported by the Economics Center, 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. Financial sponsorship is generously provided by Duke Energy.

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STATISTICAL SUMMARY

Percent of Total Replies

Index	Up	Same	Down
Production	30	30	40
New Orders	40	30	30
Backlog Of Orders	30	30	40
Employment	20	80	0

Index	Up	Same	Down
Prices for Commodities	20	60	20
Prices for Services	30	70	0
Prices for Equipment	30	70	0
Dollars Spent by Purchasing	40	30	30

Index	Up	Same	Down
Raw Material Inventories	0	60	40
Finished Goods Inventories	10	50	40

Index	Quicker	Same	Slower
Deliveries	10	80	10

Change in the amount spent	Up	Same	Down
Domestically	40	30	30
For Firms Purchasing Internationally			
Elsewhere in the Americas	29	71	0
Across the Atlantic	0	100	0
Across the Pacific	71	29	0