

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT



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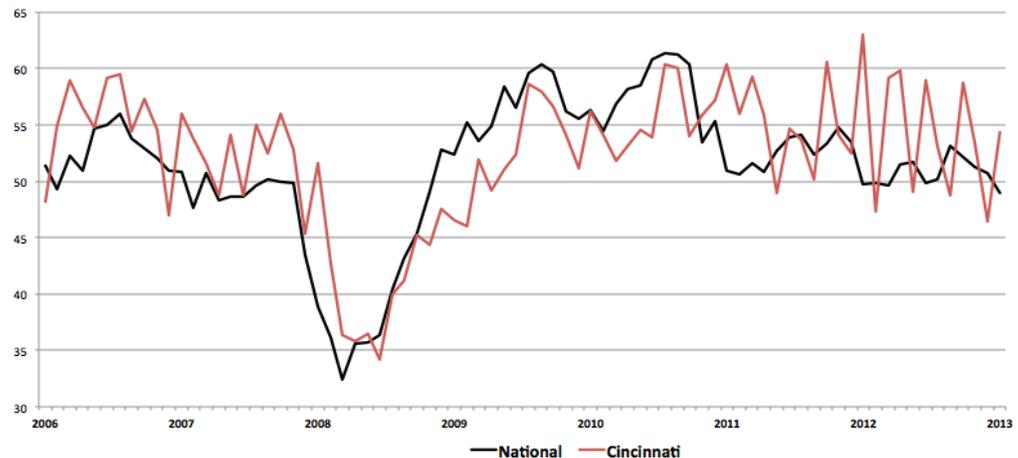
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The National Association of Purchasing Management-Cincinnati Report on Business for the Month of May 2013

The Cincinnati Purchasing Management Index (PMI) measured 54.3 in May; a figure representing renewed growth in the Cincinnati economy. The national index value measured 49 in May, indicating a slight contraction in the national economy.

Figure 1. Cincinnati PMI vs. ISM-PMI



HIGHLIGHTS

In May the ISM-Cincinnati **Purchasing Manager's Index** measured 54.3, signaling slight growth in Cincinnati's manufacturing sector. The **new orders** index rebounded to 59; this is the highest value since February. The **production** index rose twelve points to 54, slightly below the average value of 58 for the previous twelve months. The **employment** index fell to 59, but still is well in the region of healthy expansion. The **inventories** index increased to 50, which is close to its recent peak at 52 last September and May.

The index for **vendor deliveries** declined to 50, but continued a trend above *fifty*. The above indices are all adjusted seasonally using factors provided by the US Department of Commerce. The **backlog of orders** index rose to 50, an index value indicating no change from the previous month per survey respondents. The **dollars spent purchasing** index fell to 50; it has been greater than *fifty* for ten straight months. The **composite price** index decreased to 62,

a slight decrease from last month though consistent with the last few months' values. The **commodity price** index fell from 68 to 55, while the **service price** index remained at 64. The **Equipment price** index rose to a new high since July 2011 (70). **Raw material inventories** increased from 41 to 50, while **finished good inventories** jumped from 32 to 50. The recognized increase for both of these indices might be an observed reaction due to seasonal summer slowdown of orders.

Highlights (Continued)

After recent across the board increases on the Dow Jones Industrial Average, this week has witnessed a slight decrease below the 15,000 mark. Investors seem to fear the risks posed by U.S. Federal Reserve pulling back on its bond-buying program and taking liquidity out of the market. With regard to geographic buying, there were very minimal changes. **Buying across the Pacific** and **domestic buying** remained constant at 64 and 55 respectively. **Buying across the Atlantic** decreased to 43, while **buying from elsewhere in the Americas** decreased to 50 from 57. It had been in the 55-57 range for seven consecutive months. The improvement in the composite PMI appears consistent with the increase in overall employment in the Cincinnati MSA region.

Table 1. The Cincinnati Economy at a Glance

Index	May	Apr	M'12	Direction	Rate of Change	Trend*
Cincinnati PMI	54.3	46.4	52.5	↑	--	1
New Orders	59	50	56	↑	--	2
Backlog of Orders	50	45	53	↑	faster	1
Production	54	42	58	↑	faster	3
Employment	59	63	48	↓	--	2
Vendor Deliveries	50	41	50	↑	slower	1
Raw Material Inventories	50	41	45	↑	faster	1
Finished Goods Inventories	50	32	59	↑	faster	1
Composite Price Index	62	64	65	↓	same	10

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

DETAILS

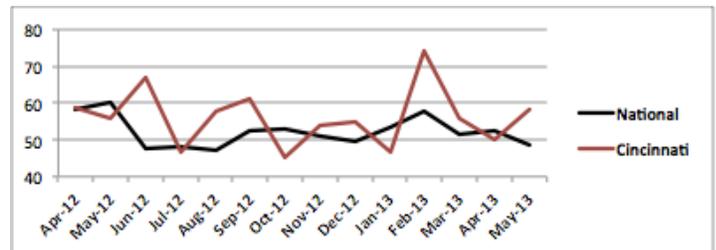
The index numbers reported here indicate a CHANGE based on the same scale as the PMI; values below *fifty* represent contraction, while those above *fifty* represent expansion. For each indicator, we present four numbers in parentheses. From left to right, they are the **average value for the last three 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, 56, 50, 59)

The **new orders** index increased from 50 to 59 for the month of May. Thirty-six percent of replies indicated new orders were "up" (27 in April), forty-six percent indicated "the same" (46 in April) and eighteen percent of respondents indicated "down" (27 in April). This indicator's value represents continuous increased orders for Cincinnati Manufacturing. The national value is slightly lower than prior month's value (49 from 52 in April).

Figure 2. New Orders

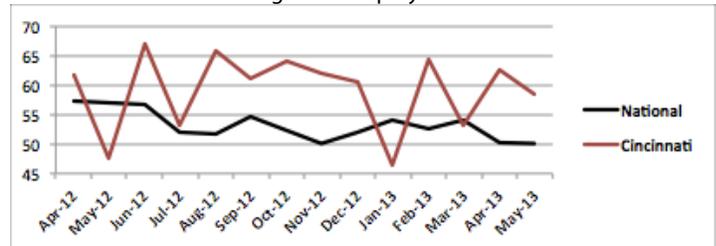


EMPLOYMENT - Fig. 3

(61, 53, 63, 59)

The **employment** index made a slight drop in May from 63 to 59. Twenty-nine percent of respondents reported increased employment (36 percent in April), seventy-one percent of the respondents reported employment remained the same (55 percent in April), and zero percent reported decreased employment (9 percent in April). This is a continuation of steady growth as previously observed over the past year. The national index value remained at 50.

Figure 3. Employment

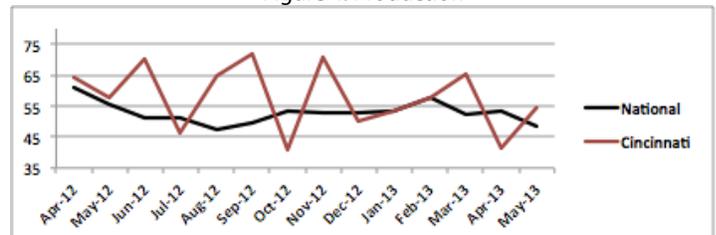


PRODUCTION - Fig. 4

(63, 65, 42, 54)

The **production** index increased to 54. Twenty-seven percent of respondents reported production as "up" (27 in April), fifty-five percent reported "the same" (27 in April), and eighteen percent reported "down" (46 in April). The graph clearly shows continuing volatility observed for most of the past year, greatly in excess of what the national index shows. The current Cincinnati index remains strongly correlated with the National index (48).

Figure 4. Production



BACKLOG OF ORDERS - Fig. 5

(52, 37, 45, 50)

The **backlog of orders** index increased to 50 in May. The breakdown of respondents was eighteen percent of respondents reporting "up" (18 percent in April), sixty-four percent reporting "the same" (55 in April), and eighteen percent reporting "down" (27 in April). The current value marks an observed "no change" from last month's backlog of orders. With the exception of December, Cincinnati has healthily outperformed the National index for much of the past year. The National decreased to 48, which is the first value under 50 since January.

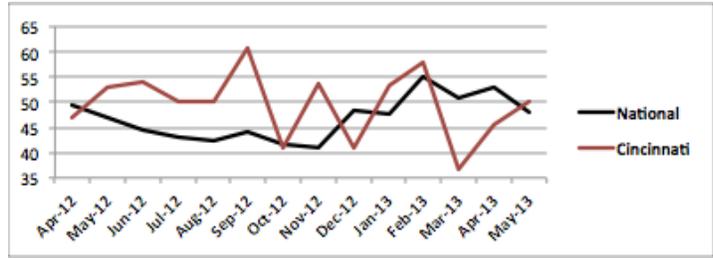


Figure 5. Backlog of Orders

VENDOR DELIVERY PERFORMANCE - Fig. 6

(45, 50, 41, 50)

The **vendor delivery performance** index measured exactly 50. Zero percent of respondents reported faster deliveries (0 percent in April), one hundred percent of survey respondents this month reported delivery times as the "same" (82 percent in April), and zero percent reported slower delivery times (18 percent in April). It is of note that values less than *fifty* imply more economic growth. The national index fell to 49 currently, but is also consistently above 50 during recent months.

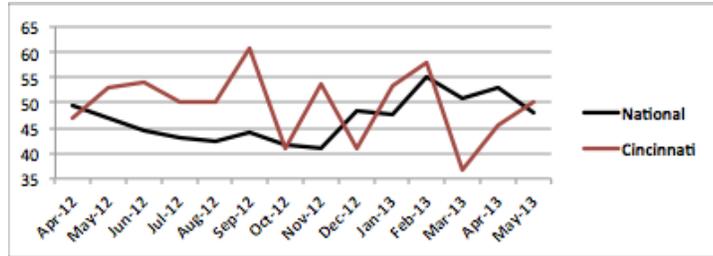


Figure 6. Vendor Delivery Performance

INVENTORIES - Fig. 7

RAW MATERIALS(45, 37, 41, 50)

FINISHED GOODS(43, 50, 32, 50)

The **raw material inventories** index increased in May to 50. Eighteen percent of the reports indicated increased inventories, 64 percent reported "no change", and 18 percent of respondents indicated decreases.

The **finished goods inventories** index increased significantly to 50. Eighteen percent of respondents indicated increased inventories, 64 percent reported the same, and 18 percent reported them "down".

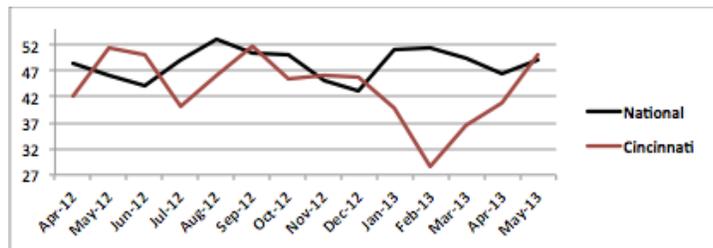


Figure 7. Inventories

COMMODITY PRICES - Fig. 8

(71, 60, 58, 55)

The **commodity prices** index decreased in May to 55. Twenty-seven percent of respondents reported higher prices (46 percent in April), fifty-five percent reported the "same" (46 percent in April), and eighteen percent reported lower prices (9 percent in April). This value reflects a continuous decrease from the previous local peak of seventy-three in December. The national index remained unchanged at 50 for the month of May.

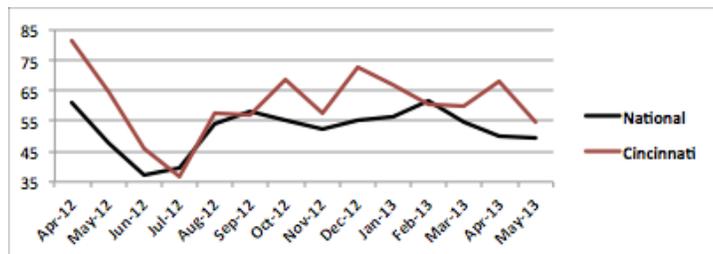


Figure 8. Commodity Prices

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, 60, 64, 64)

The service price index remained at 64 in May. This month's value was designated by 27 percent of respondents reporting increases, 73 percent reporting no change in prices, and 0 percent of respondents reporting price decreases.

EQUIPMENT PRICES

(62, 63, 59, 68)

The equipment price index increased from 59 in April to 68 in May. Thirty-six percent of respondents reported increases, 64 percent reported no change, and zero percent of respondents reported decreases.

DOLLARS SPENT PURCHASING

(69, 54, 59, 50)

The index measuring dollar amounts spent by regional purchasers decreased to fifty. Twenty-seven percent of respondents indicated increased spending (46 percent in

April); forty-six percent reported no change (27 percent in April), while twenty-seven percent indicated decreased spending (27 percent in April). This value indicates that purchasing budgets remain unchanged.

BUYING PATTERNS

DOMESTICALLY

(67, 46, 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, 57, 50)

ACROSS THE ATLANTIC

(53, 29, 50, 43)

ACROSS THE PACIFIC

(64, 50, 64, 64)

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.

STATISTICAL SUMMARY

Percent of Total Replies

Index	Up	Same	Down
Production	27	55	18
New Orders	36	46	18
Backlog Of Orders	18	64	18
Employment	27	64	9

Index	Up	Same	Down
Prices for Commodities	27	55	18
Prices for Services	27	73	0
Prices for Equipment	36	64	0
Dollars Spent by Purchasing	27	46	27

Index	Up	Same	Down
Raw Material Inventories	18	64	18
Finished Goods Inventories	18	64	18

Index	Quicker	Same	Slower
Deliveries	0	100	0

Change in the amount spent	Up	Same	Down
Domestically	36	36	27
For Firms Purchasing Internationally			
Elsewhere in the Americas	14	71	14
Across the Atlantic	14	57	29
Across the Pacific	43	43	14

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.

Issued: On or near the 15th day of each month by the Economics Center, Department of Economics, University of Cincinnati in collaboration with the Institute for Supply Management-Cincinnati.

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