

CINCINNATI REPORT ON BUSINESS

NAPM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT



INSIDE THIS ISSUE:

New Orders	2
Backlog of Orders	2
Production	2
Employment	3
Vendor Performance	3
Dollars Spent Purchasing	3
Commodity Prices	3
Service Prices	4
Equipment Prices	4
Raw Material Inventories	4
Finished Goods Inventories	4
Buying Patterns	4
General Comments by Purchasing Managers	4

For Further Information

Contact:

Dr. Michael Jones,
Director of Research
The Economics Center
Department of Economics,
90 W Daniels St.
Cincinnati, Ohio 45221-0223
phone: 513.556.2491
m.jones@uc.edu

<http://www.economicresearch.org>

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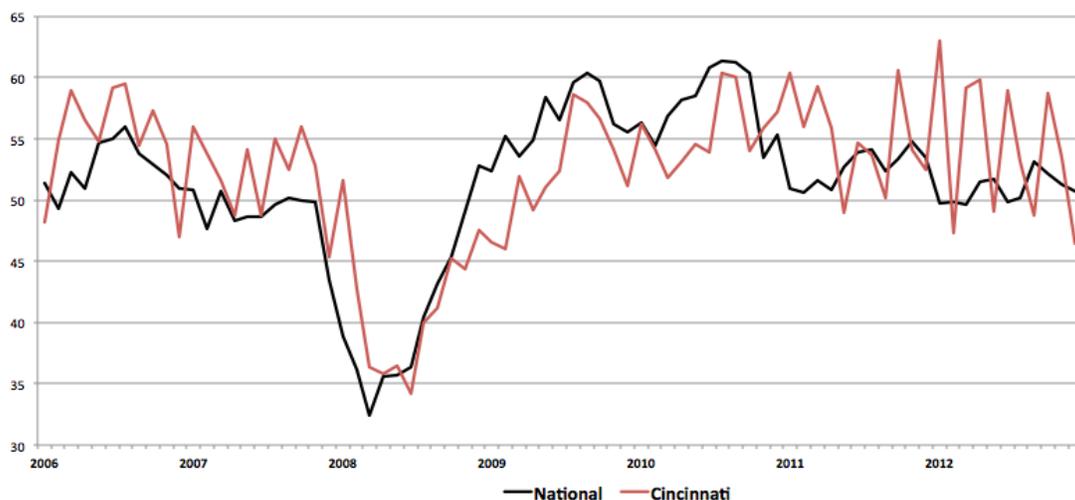
Energy)



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

The Cincinnati Purchasing Management Index (PMI) measured 46.4 in April, a figure representing slight contraction in the Cincinnati economy. The national index value measured 51.3 in April, indicating a slight expansion in the national economy.

Figure 1. Cincinnati PMI vs. ISM-PMI



HIGHLIGHTS

In April the ISM-Cincinnati Purchasing Manager's Index fell again to 46.4. This figure signals slight contraction in Cincinnati's manufacturing sector. It's the lowest value reported since October 2009. This signifies that local manufacturing has weakened slightly in the short run. The **new orders** index fell again this month from

56 to 50; this is the lowest value reported for this index since October 2012. The **production** index fell from 65 to 42. These results are pretty consistent with the recent decline in manufacturing employment in the Cincinnati Region. Not everything was discouraging, as the **employment** index jumped ten points to 63.

The index for vendor deliveries fell to 41. The **inventories** index decreased to 36; this is a return to the previously troublesome low territory reported in February. The backlog of orders index increased from 37 to 45. The decrease in this index had been a warning sign before the last recession. Given the recent improvement, next month we will monitor this index closely.

Highlights (Continued)

The **dollars spent purchasing** index increased to 59; it has been greater than *fifty* for nine consecutive months. The **composite price** index increased slightly to 64. It once again has shown only slight change since last summer. The **commodity price** index jumped up to 68, while the **service price** index rose to 64, while **equipment price** index fell to 59 from 63. People have noticed the slight increase in the price of petroleum, but this is not out of line with a normal spring increase for the summer busy travel season. **Raw material inventories** rose from 37 to 43. **Finished good inventories** dropped from 50 last month to exactly 32, which is the value reported in February. In past economic recoveries, decreases in inventories are signs of sustained demand that will promote expanded investment and hiring. With regard to geographic buying, International purchases are generally up from previous reports: **buying across the Pacific** increased to 64, while **domestic buying** also increased to 55. **Buying across the Atlantic** increased to 50 (even), and **buying from elsewhere in the Americas** remained at 57. It has been in the 55-57 range for seven months.

Table 1. The Cincinnati Economy at a Glance

Index	Apr	Mar	A'12	Direction	Rate of Change	Trend*
Cincinnati PMI	46.4	53.5	60.6	↓	Slower	1
New Orders	50	56	59	↓	Slower	2
Backlog of Orders	45	37	47	↑	Faster	3
Production	42	65	64	↓	Slower	1
Employment	63	53	62	↑	Faster	2
Vendor Deliveries	41	50	44	↓	Slower	9
Raw Material Inventories	41	37	41	↑	-	6
Finished Goods Inventories	32	50	44	↓	-	1
Composite Price Index	64	61	65	↑	-	8

*Trend indicates the number of months that a particular indicator has been moving in the same direction (for example, vendor deliveries has been less than 50 for nine months)

DETAILS

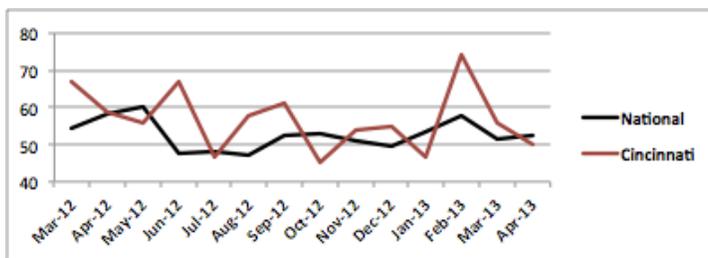
The index numbers reported here indicate a CHANGE based on the same scale as the PMI; values below *fifty* represent contraction, while those above *fifty* represent expansion. For each indicator, we present four numbers in parentheses. From left to right, they are the **average value for the last three 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, 74, 56, 50)

The **new orders** index decreased from 56 to 50 for the month of April. Twenty-seven percent of replies indicated new orders were "up" (33 in March), forty-six percent indicated "the same" (47 in March) and twenty-seven percent of respondents indicated "down" (20 in March). This decrease in value resembles a potential summer slowdown for Cincinnati Manufacturing. The national value is slightly higher than last month's value (52 from 51 in March), but not significant growth.

Figure 2. New Orders

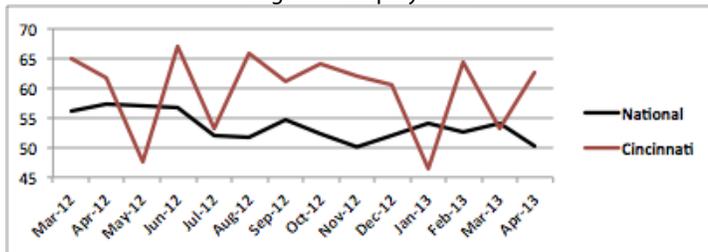


EMPLOYMENT - Fig. 3

(61, 64, 53, 63)

The **employment** index sees a rare positive for April, as it increased from 53 to 63. Thirty-six percent of respondents reported increased employment (13 percent in March), fifty-five percent of the respondents reported employment remained the same (80 percent in March), and nine percent reported decreased employment (7 percent in March). The national index value fell from 54 to 50.

Figure 3. Employment

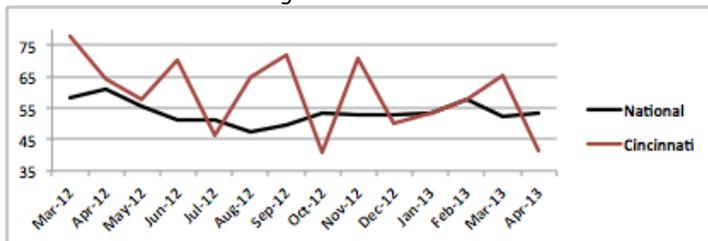


PRODUCTION - Fig. 4

(64, 71, 65, 42)

The **production** index decreased drastically to 42. Twenty-seven percent of respondents reported production as "up" (33 in March), twenty-seven percent reported "the same" (67 in March), and forty-six percent reported "down" (0 in March). This is the lowest value reported since October of last year. Traditionally this index lags new orders and is corresponding accurately. The national index increased from 52 to 53, hovering at very slight expansion.

Figure 4. Production



BACKLOG OF ORDERS – Fig. 5

(53, 58, 37, 46)

The **backlog of orders** index increased to forty-six in April. The breakdown of respondents was eighteen percent of respondents reporting “up” (13 percent in March), fifty-five percent reporting “the same” (47 in March), and twenty-seven percent reporting “down” (40 in March). The current value is a satisfying move back in the right direction after last month’s very dismal figure. The National index increased marginally to 53.

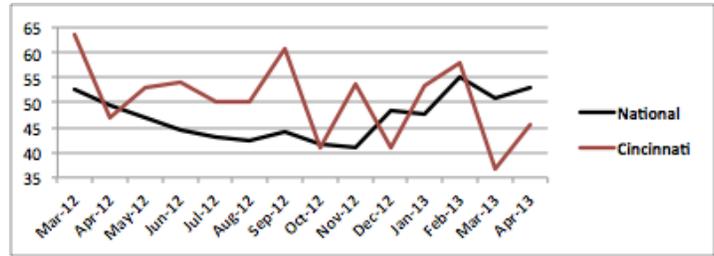


Figure 5. Backlog of Orders

VENDOR DELIVERY PERFORMANCE - Fig. 6

(45, 54, 50, 41)

The **vendor delivery performance** index measured forty-one. Zero percent of respondents reported faster deliveries (13 percent in March), eighty-two percent of survey respondents this month reported delivery times as the “same” (73 percent in March), and eighteen percent reported slower delivery times (13 percent in March). This month’s index value is very optimistic and is the continuation of a downward trend from last couple of months (note that values less than *fifty* imply more economic growth for this index). The national index is now fifty-one.

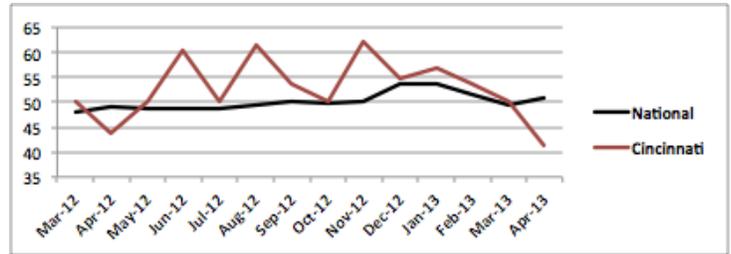


Figure 6. Vendor Delivery Performance

INVENTORIES - Fig. 7

RAW MATERIALS(45, 29, 37, 41)

FINISHED GOODS(43, 32, 50, 32)

The **raw material inventories** index increased in April to 41. Nine percent of the reports indicated increased inventories, 64 percent reported “no change”, and 27 percent of respondents indicated decreases.

The **finished goods inventories** index decreased back to 32, which was February’s value. Zero percent of respondents indicated increased inventories, 64 percent reported the same, and 36 percent reported them “down”.

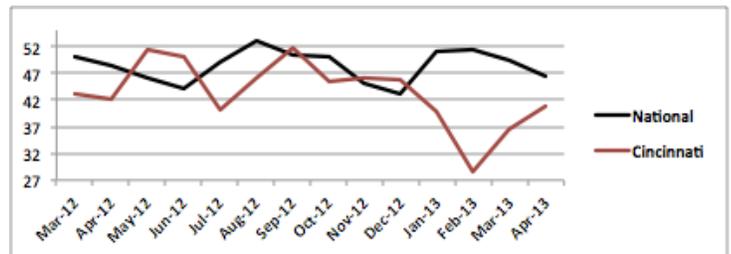


Figure 7. Inventories

The **Inventories** index is aggregated for comparison to the national value. The national index showed contraction this month.

COMMODITY PRICES - Fig. 8

(72, 61, 60, 68)

The **commodity prices** index increased in April to sixty-eight. Forty-six percent of respondents reported higher prices (40 percent in March), forty-six percent reported the “same” (40 percent in March), and nine percent reported lower prices (20 percent in March). This value reflects a move back very close to the local peak of seventy-three from December. The national index decreased to 50 for the month of April.

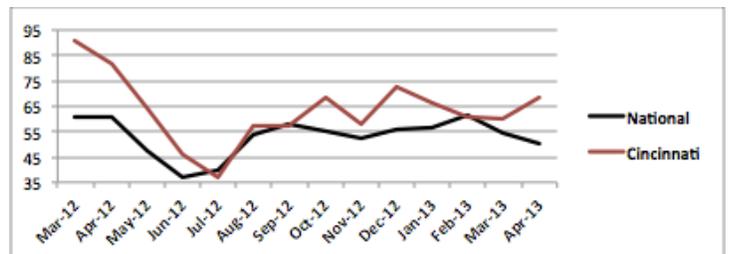


Figure 8. Commodity Prices

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, 58, 60, 64)

The service price index increased to 64 in April. 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, 61, 63, 59)

The equipment price index decreased from 63 in March to 59 in April. Eighteen percent of respondents reported increases, eighty-two percent reported no change, and zero percent of respondents reported decreases.

DOLLARS SPENT PURCHASING

(70, 68, 54, 59)

The index measuring dollar amounts spent by regional purchasers increased to fifty-nine. Forty-six percent of respondents

indicated increased spending (29 percent in March); twenty-seven percent reported no change (50 percent in March), while twenty-seven percent indicated decreased spending (21 percent in March).

BUYING PATTERNS

DOMESTICALLY

(68, 68, 46, 55)

The following percentages consider only those firms that buy internationally; this month they showed contraction compared to previous month's domestic buying patterns.

ELSEWHERE IN THE AMERICAS

(60, 56, 57, 57)

ACROSS THE ATLANTIC

(53, 44, 29, 50)

ACROSS THE PACIFIC

(65, 72, 50, 64)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

Up are: Nickel, Bacon, Packaging, Oil, and Plastic Parts.

Down are: Steel Products, Stainless Steel, Aluminum, Cast Iron, Thermal Transfer Ribbons (PET), Resins*.

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	27	46
New Orders	27	46	27
Backlog Of Orders	18	55	27
Employment	36	55	9

Index	Up	Same	Down
Prices for Commodities	46	46	9
Prices for Services	27	73	0
Prices for Equipment	18	82	0
Dollars Spent by Purchasing	46	27	27

Index	Up	Same	Down
Raw Material Inventories	9	64	27
Finished Goods Inventories	0	64	36

Index	Quicker	Same	Slower
Deliveries	0	82	18

Change in the amount spent	Up	Same	Down
Domestically	36	36	27
For Firms Purchasing Internationally			
Elsewhere in the Americas	14	86	0
Across the Atlantic	0	100	0
Across the Pacific	29	71	0

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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