

CINCINNATI REPORT ON BUSINESS

ISM-CINCINNATI AFFILIATED WITH THE INSTITUTE FOR SUPPLY MANAGEMENT

February 2013

PRESS RELEASE

**Important: Do Not Release Until
12:01 a.m. Monday, March 18, 2013**

- The Cincinnati Purchasing Management Index (PMI) measured 58.7 in February. This index value represents business expansion in the Cincinnati area.
- Purchasing managers reported increasing **Production** as well as **rapidly increasing New Orders**.
- The **Employment index** increased to 64.

SUBJECT: Report on Business Conditions for Greater Cincinnati for the month of February 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](http://www.napm-c.org/).

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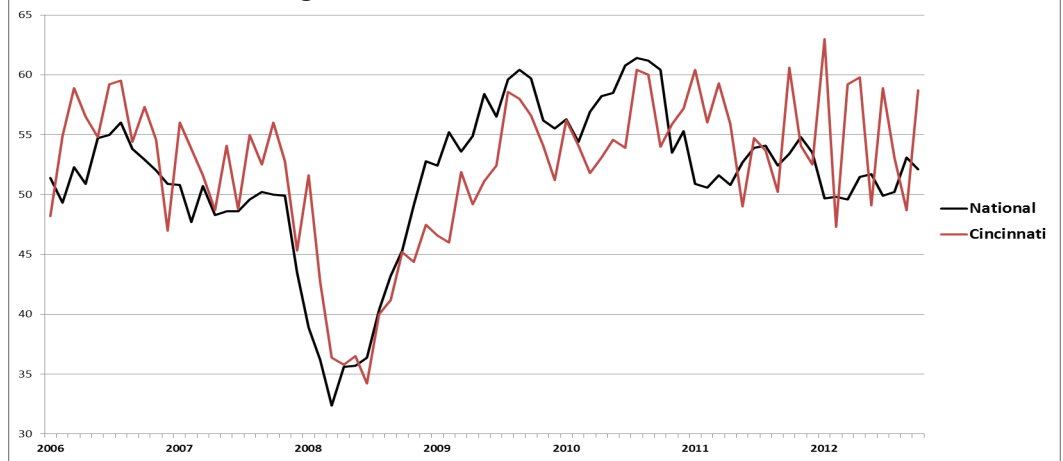
(Financial Sponsorship for compiling the data and publishing this Report provided by Duke Energy)



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

The Cincinnati Purchasing Management Index (PMI) measured 58.7 in February, a figure representing renewed growth in the Cincinnati economy. The national index value measured 52.1 in February, indicating a slight expansion in the national economy.

Figure 1. Cincinnati PMI vs. ISM-PMI



HIGHLIGHTS

In February the ISM-Cincinnati **Purchasing Manager's Index** measured 58.7, signaling renewed growth in Cincinnati's manufacturing sector. The **new orders** index rebounded to 74; this is the highest value for 18 months. The **production** index rose eighteen points to 71, well above the average value of 60 for the previous twelve months. After last month's brief spell of contraction, the **employment** index rose to 64. The **inventories** index continued its slide to 30; since peaking at 52 last fall, it has

current value is the lowest out of the past ten years. The index for **vendor deliveries** fell back to 54, continuing a streak of four months 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 58, an index value higher than all but two out of the previous year. The dollars spent purchasing index rose to 68; it has been greater than *fifty* for seven straight months. The **composite price**

exactly the same as last month's value. The **commodity price** index fell slightly from 67 to 61, while the **service price** and **equipment price** indices both rose ever-so-slightly. Worries about rampant inflation caused by federal fiscal and monetary policy have yet to materialize in higher-than-normal changes in CPI. **Raw material inventories** drifted downward from 33 to 29, while **finished good inventories** tumbled from 42 to 32. A year ago, both of

Highlights (Continued)

these decreases in inventories are signs of sustained demand that will promote expanded investment and hiring. With regard to geographic buying, there were small changes, with a continued emphasis toward Asia: **buying across the Pacific** increased to 72, and **domestic buying** rose to 68 (it has not been in contraction since last summer). **Buying across the Atlantic** decreased to 44, while **buying from elsewhere in the Americas** rose to 56. It has been in the 55-57 range for five months.

As news stories continue to swirl about crises in Washington, a new force for change that is more local is being discussed: expansion of the Ohio Sales Tax base. The tax proposal would include purchases on additional services, which could have an impact on the choices made by our respondents.

Table 1. The Cincinnati Economy at a Glance

Index	Feb	Jan	F'12	Direction	Rate of Change	Trend*
Cincinnati PMI	58.7	48.7	50.2	↑	--	2
New Orders	74	47	50	↑	--	1
Backlog of Orders	58	53	42	↑	faster	2
Production	71	53	55	↑	faster	3
Employment	64	46	52	↑	--	1
Vendor Deliveries	54	57	47	↑	Slower	8
Raw Material Inventories	29	33	48	↓	faster	5
Finished Goods Inventories	32	47	45	↓	faster	2
Composite Price Index	60	60	70	↑	same	7

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

DETAILS

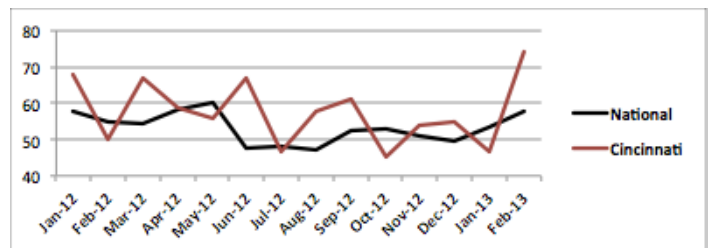
The index numbers reported here indicate a CHANGE based on the same scale as the PMI; values below *fifty* represent contraction, while those above *fifty* represent expansion. For each indicator, we present four numbers in parentheses. From left to right, they are the **average value for the last three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

(62, 55, 47, 74)

The **new orders** index increased from 47 to 74 for the month of February. Fifty-seven percent of replies indicated new orders were "up" (27 in January), thirty-six percent indicated "the same" (40 in January) and seven percent of respondents indicated "down" (33 in January). This indicator's value is an optimistic turn for increased orders for Cincinnati Manufacturing. The national value is slightly higher than last month's value (58 from 53 in January).

Figure 2. New Orders

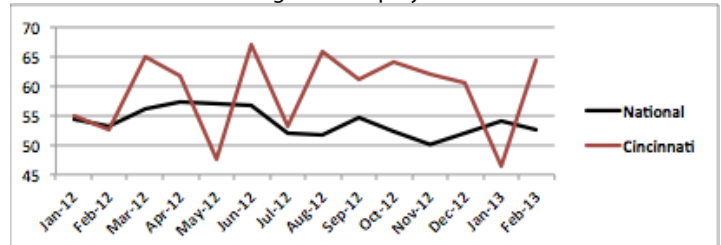


EMPLOYMENT - Fig. 3

(61, 60, 46, 64)

The **employment** index made a brisk return in February from 46 to 64. Twenty-nine percent of respondents reported increased employment (20 percent in January), seventy-one percent of the respondents reported employment remained the same (53 percent in January), and zero percent reported decreased employment (27 percent in January). This is a pleasant return to previous employment levels achieved in the area over the last year. The national index value decreased slightly to 52.

Figure 3. Employment

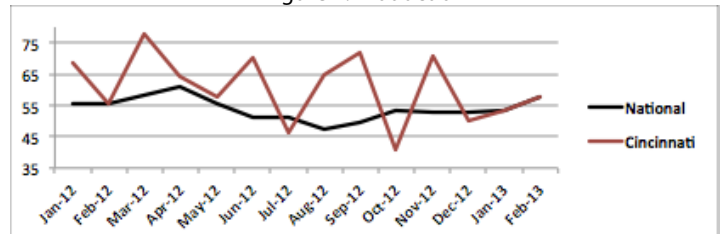


PRODUCTION - Fig. 4

(64, 50, 53, 71)

The **production** index increased significantly to 71. Fifty-seven percent of respondents reported production as "up" (27 in January), twenty-nine percent reported "the same" (53 in January), and fourteen percent reported "down" (20 in January). The graph clearly shows continuing volatility observed for most of the past year, greatly in excess of what the national index shows. At the moment it appears the Cincinnati index is strongly correlated with the National index.

Figure 4. Production



BACKLOG OF ORDERS – Fig. 5

(53, 41, 53, 58)

The **backlog of orders** index increased to 58 in February. The breakdown of respondents was thirty-one percent of respondents reporting “up” (33 percent in January), fifty-four percent reporting “the same” (40 in January), and fifteen percent reporting “down” (27 in January). The current value is above fifty for the second consecutive month. With the exception of December, Cincinnati has healthily outperformed the National index for much of the past year. Only over the last few months has the National started gaining momentum to return values over 50.

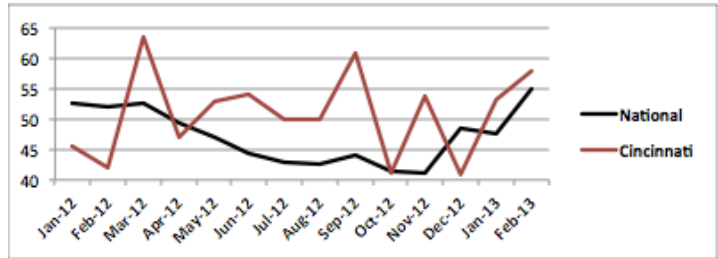


Figure 5. Backlog of Orders

VENDOR DELIVERY PERFORMANCE - Fig. 6

(45, 55, 57, 54)

The **vendor delivery performance** index measured fifty-four. Fourteen percent of respondents reported faster deliveries (27 percent in January), seventy-nine percent of survey respondents this month reported delivery times as the “same” (60 percent in January), and seven percent reported slower delivery times (13 percent in January). This index has been surprisingly above 50 since spring 2012 despite other indicators’ good values (note that values less than *fifty* imply more economic growth). The national index has also followed the same pattern at a slightly lower level. It’s now above *fifty* as well.

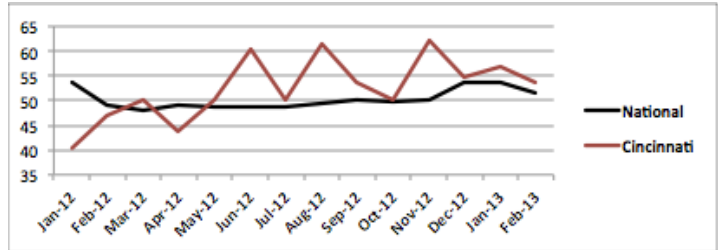


Figure 6. Vendor Delivery Performance

INVENTORIES - Fig. 7

RAW MATERIALS(46, 36, 33, 29)

FINISHED GOODS(44, 55, 47, 32)

The **raw material inventories** index fell in February to 29. Seven percent of the reports indicated increased inventories, 43 percent reported “no change”, and 50 percent of respondents indicated decreases.

The **finished goods inventories** index decreased significantly to 32. 7 percent of respondents indicated increased inventories, 50 percent reported the same, and 43 percent reported them “down”.

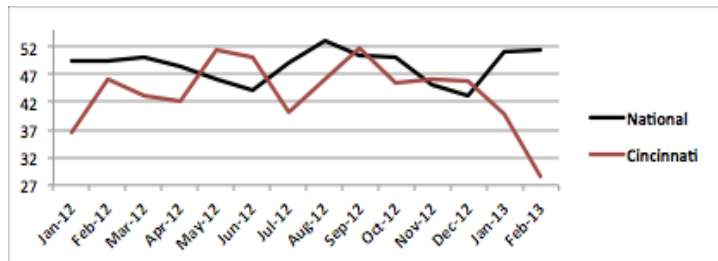


Figure 7. Inventories

COMMODITY PRICES - Fig. 8

(72, 73, 67, 61)

The **commodity prices** index decreased in February to sixty-one. Fifty percent of respondents reported higher prices (40 percent in January), twenty-one percent reported the “same” (53 percent in January), and twenty-nine percent reported lower prices (7 percent in January). This value reflects a second consecutive decrease from the previous local peak of seventy-three. The national index increased to a matching 61 for the month of February.

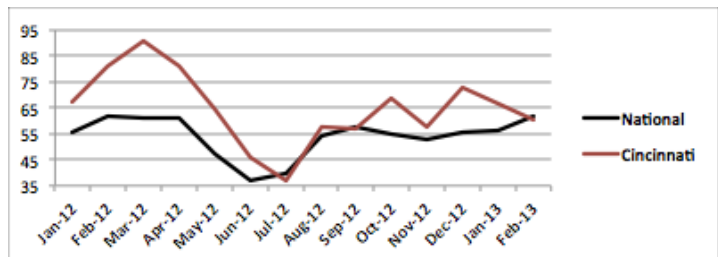


Figure 8. Commodity Prices

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, 55, 57, 58)

The service price index increased to 58 in February. This month's value was designated by 23 percent of respondents reporting increases, 69 percent reporting no change in prices, and 8 percent of respondents reporting price decreases.

EQUIPMENT PRICES

(61, 64, 57, 61)

The equipment price index increased from 57 in January to 61 in February. Twenty-one percent of respondents reported increases, 79 percent reported no change, and zero percent of respondents reported decreases.

DOLLARS SPENT PURCHASING

(69, 73, 63, 68)

The index measuring dollar amounts spent by regional purchasers decreased to sixty-three. Forty-seven percent of respondents indicated increased spending (55 percent in

January); thirty-three percent reported no change (36 percent in January), while twenty percent indicated decreased spending (9 percent in January). This value indicates that purchasing budgets continue to expand.

BUYING PATTERNS

DOMESTICALLY

(68, 68, 64, 68)

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

ELSEWHERE IN THE AMERICAS

(60, 56, 55, 56)

ACROSS THE ATLANTIC

(53, 50, 50, 44)

ACROSS THE PACIFIC

(64, 75, 65, 72)

GENERAL COMMENTS BY PURCHASING MANAGERS

Noticeable Price Changes

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

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

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	57	29	14
New Orders	57	36	7
Backlog Of Orders	31	54	15
Employment	29	71	0

Index	Up	Same	Down
Prices for Commodities	50	21	29
Prices for Services	23	69	8
Prices for Equipment	21	79	0
Dollars Spent by Purchasing	57	21	21

Index	Up	Same	Down
Raw Material Inventories	7	43	50
Finished Goods Inventories	7	50	43

Index	Quicker	Same	Slower
Deliveries	14	79	7

Change in the amount spent	Up	Same	Down
Domestically	57	21	21
For Firms Purchasing Internationally			
Elsewhere in the Americas	22	67	11
Across the Atlantic	0	89	11
Across the Pacific	56	33	11

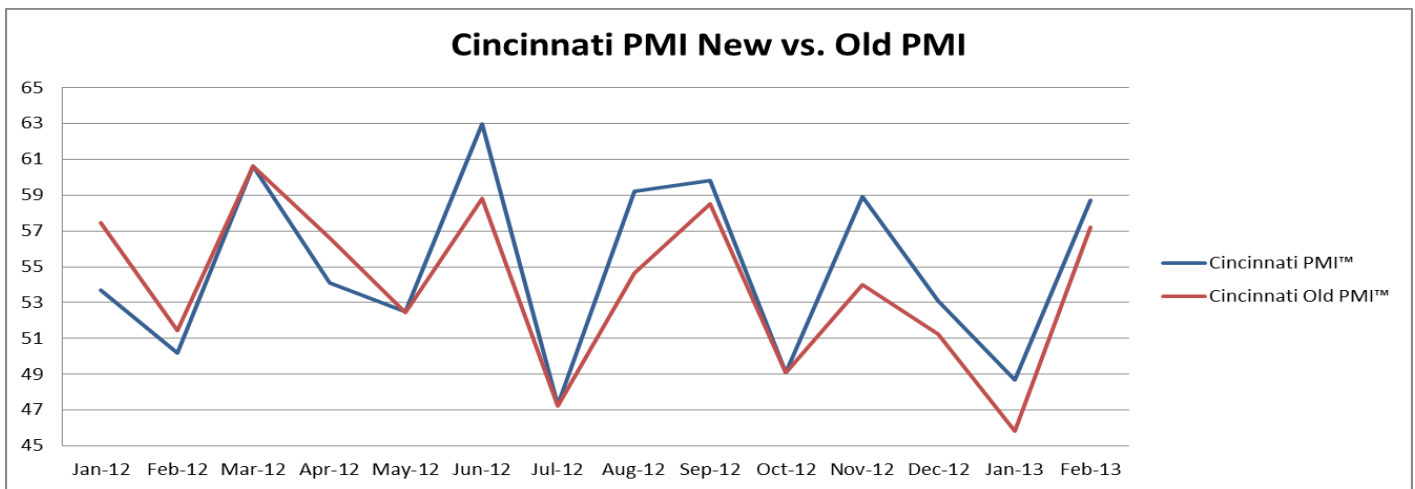
Why This Report is Produced

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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Explanation of Changes to the Survey

While we have been consistent in the output of this report, we are unafraid to make changes when those changes can improve the quality of the report. For reports in 2013, the Economics Center has worked to enhance both comparability and readability. We've worked with the National Institute for Supply Management to re-word our survey items to make our results more comparable to the national survey. Additionally, the scales for key indices

have been re-centered to match the national ISM report, with values above fifty representing expansion, and values below fifty indicating contraction (previously the line was zero). We present the accompanying chart to show how these slight changes modify the PMI as reported in this report.

In addition, we've changed the timing of data collection to allow respondents maximum opportunity to incorporate

relevant data from their companies. We've worked hard to expand the base of participants within the manufacturing community, as well as adding purchasers from other firms in Cincinnati. Finally, we are continually upgrading the clarity of the writing and data presentation so that the report is more accessible and compelling. Our goal is to maintain the status of the *Report on Business* as presenting the premier economic indicator of the Cincinnati area.