

# PURCHASING MANAGEMENT ASSOCIATION OF CLEVELAND

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## Business Survey Report

for

April 2006

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### GENERAL BUSINESS CONDITIONS

The Northeast Ohio Manufacturing economy leveled off as March survey results show none of the responding purchasing managers reporting increased production or increased orders. FG inventories rose slightly, while raw inventories held the same. Employment moderated. Prices continued their upward march as three times as many PMs reported higher prices than lower.

The Cleveland area Barometer is +34.25 and the Forecast Index is -0.5.

Barometer readings above "0" indicate that the manufacturing sector of the economy is generally expanding. Readings below "0" mean generally declining.

Month	Apr-06	Mar-06	Feb-06	Apr-05
Cleveland Barometer-%	+34.25	+39.50	+34.44	+21.11
Cleveland Forecast-%	-0.5	+14.5	+13.9	-26.3

Eighty percent of our PMs reported the same level of production for the month. Twenty percent reported lower levels and none higher. Production Index is -37.0.

Production	%Better	%Same	%Worse	Net	Index
April 2006	0	80	20	-20	-37.0
March 2006	72	14	14	+58	+52.0
February 2006	37	50	13	+24	+19

New orders dropped off as eighty-three percent of respondents reported the same levels as March and seventeen percent reported lower levels. New Order index is -36.

New Orders	%Better	%Same	%Worse	Net	Index
April 2006	0	83	17	-17	-36.0
March 2006	72	14	14	58	+50.0
February 2006	37	50	13	+24	+19

### EMPLOYMENT

Only seventeen percent of our purchasing managers reported higher employment levels.

Eighty-three percent reported the same levels. The Employment Index is now +6.

Employment	%Greater	%Same	%Lower	Net	Index
April 2006	17	83	0	+17	+6
March 2006	58	42	0	58	+54
February 2006	29	71	0	+29	+34

## **INVENTORIES**

### **RAW MATERIALS**

Once again, the same % of PMs reported increased raw material inventory levels as did those who reported decreased levels. 66% stayed the same. Raw Material Inventory Index is now -5.

#### **Raw Material**

<b>Inventories</b>	<b>%Higher</b>	<b>%Same</b>	<b>%Lower</b>	<b>Net</b>	<b>Index</b>
April 2006	17	66	17	0	-5
March 2006	14	72	14	0	-10
February 2006	37	26	37	0	0

### **FINISHED GOODS**

Finished Goods inventories rose as all of our respondents reported the same or higher levels. The Finished Goods Inventory Index is now +17.

#### **Finished Goods**

<b>Inventories</b>	<b>%Higher</b>	<b>%Same</b>	<b>%Lower</b>	<b>Net</b>	<b>Index</b>
April 2006	17	83	0	+17	+17
March 2006	14	58	28	-14	-17
February 2006	0	37	63	-63	-59

## BUYING POLICIES

Production material forward commitments lengthened a bit, indicating longer lead times. Seventy-five percent of our purchasing managers reported 60 days or longer commitments for production material. MRO supplies essentially remained the same.

75% of our respondents show capital expenditure commitments ranging from 90 days to one year.

## PERCENT REPORTING

	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos	1 Year
<b>PRODUCTION MATERIALS</b>						
April 2006	25	0	50	25	0	0
March 2006	43	0	43	14	0	0
February 2006	38	12	38	0	12	0
<b>MRO SUPPLIES</b>						
April 2006	60	20	20	0	0	0
March 2006	58	28	14	0	0	0
February 2006	76	12	0	12	0	0
<b>CAPITAL EXPENDITURES</b>						
April 2006	0	25	0	25	25	25
March 2006	17	0	33	33	17	0
February 2006	32	17	17	17	0	17

## COMMODITY PRICES

Sixty percent of our respondents reported higher prices, up from fifty-eight; however, the Commodity Price Index dropped to +35 from +37.

Commodity Prices	%Higher	%Same	%Lower	Net	Index
April 2006	60	20	20	+40	+35
March 2006	58	28	14	+44	+37
February 2006	29	57	14	+15	+13

## COMMODITY CHANGES:

*Prices Up:* Steel scrap, copper, aluminum ingot  
*Prices Down:* Natural gas surcharges are gone, HDPE resin, PE pipe  
*Items in Short Supply:* Steel, castings, hastelloy rod(8 months LT)

## FROM GENERAL REMARKS:

"Increasing cost of energy...may be having a long term effect on economy..."

"...have not experience normal 'spring rush' of business"

"Our business remains strong, but there is continuous pricing pressure from customers."