

PURCHASING MANAGEMENT ASSOCIATION OF CLEVELAND

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Business Survey Report for December 2006

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GENERAL BUSINESS CONDITIONS

The Cleveland manufacturing economy grew slowly again, as the barometer is +5.6. The outlook is good as the Forecast Index is +6.5.

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

Month	Dec-06	Nov-06	Oct-06	Dec-05
Cleveland Barometer-%	5.63	5.38	12.56	25.14
Cleveland Forecast-%	6.50	-4.50	13.78	-0.33

More respondents reported lower production than higher.
Production Index dropped to -1.

Production	%Better	%Same	%Worse	Net	Index
December 2006	22	45	33	-11	-1
November 2006	25	63	12	13	+11
October 2006	13	62	25	-12	-12

New orders improved as 78% of respondents reported increased or same level of orders..

New Order index now stands at +22.

New Orders	%Better	%Same	%Worse	Net	Index
December 2006	33	45	22	11	+22
November 2006	24	38	38	-14	-11
October 2006	13	62	25	+67	-14

EMPLOYMENT

While fewer respondents reported lower levels of employment than in November, none of our respondents reported higher levels.

The Employment Index is now -3.

Employment	%Greater	%Same	%Lower	Net	Index
December 2006	0	89	11	-11	-3
November 2006	12	50	38	-26	-20
October 2006	25	63	12	+13	+13

INVENTORIES

RAW MATERIALS

More respondents reported higher than lower raw material inventories.
The Raw Material Inventory Index is now +21..

Raw Material

Inventories	%Higher	%Same	%Lower	Net	Index
December 2006	33	45	22	+11	+21
November 2006	12	50	38	-26	-19
October 2006	37	38	25	+12	+

FINISHED GOODS

Finished Goods inventories increased slightly as more respondents reported higher levels than lower. The Finished Goods Inventory Index is now +12.

Finished Goods

Inventories	%Higher	%Same	%Lower	Net	Index
December 2006	33	45	22	+11	+12
November 2006	25	50	25	0	-1
October 2006	13	62	25	-12	-16

BUYING POLICIES

Production materials and MRO forward commitments shifted toward hand-to-mouth. .
Forward commitments for capital goods stretched out.

PERCENT REPORTING

	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos	1 Year
PRODUCTION MATERIALS						
December 2006	42	29	29	0	0	0
November 2006	17	17	49	17	0	0
October 2006	17	17	50	16	0	0
MRO SUPPLIES						
December 2006	89	11	0	0	0	0
November 2006	66	17	17	0	0	0
October 2006	86	14	0	0	0	0
CAPITAL EXPENDITURES						
December 2006	13	0	25	37	25	0
November 2006	33	0	33	34	0	0
October 2006	17	0	17	32	17	17

COMMODITY PRICES

Prices climbed more sharply as no respondents reported lower prices and 50 % reported higher prices.

The Commodity Price Index is now +53..

Commodity Prices	%Higher	%Same	%Lower	Net	Index
December 2006	50	50	0	+50	+53
November 2006	43	43	14	29	+32
October 2006	43	57	0	+43	+48

COMMODITY CHANGES:

Prices Up: Stainless steel,aluminum castings,malleable iron castings,plastic containers, containers,aluminum ingot

Prices Down: Steel scrap

Items in Short Supply: Metal fabrication, skilled machinists

LEAD TIMES: Nothing reported

FROM GENERAL REMARKS:

"Project awards from customers for capital spending driving additional hiring for 2007."

"We have negative view going into 2007 due to automotive going down and continued negative effects of globalization"

"Seeing seasonal slowdown."

"Incoming order rate remains below expectaions."