

PURCHASING MANAGEMENT ASSOCIATION OF CLEVELAND

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Business Survey Report for January 2006

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GENERAL BUSINESS CONDITIONS

New Year's optimism has come through for the Northeast Ohio Manufacturing economy. January survey results show production increasing, while inventories decreased. Employment rose slightly and prices rose, as well.

The Cleveland area Barometer is up to +28.75 and the Forecast Index is +4.

Readings above "0" indicate that the manufacturing sector of the economy is generally expanding.

Readings below "0" mean generally declining.

Month	Jan-06	Dec-05	Nov-05	Jan-05
Cleveland Barometer-%	+28.75	+24.25	+26.08	+28.47
Cleveland Forecast-%	+4	-7	-3.4	+9.2

Fifty percent of our Purchasing Managers reported increased production for the month. The Production Index is now +54.

Production	%Better	%Same	%Worse	Net	Index
January 2006	50	40	10	+40	+54
December 2005	22	56	22	0	+10
November 2005	44	34	22	+22	+20

Forty-four percent of our purchasing managers said the incoming order level was better than last month. The New Order Index increased to +46.

New Orders	%Better	%Same	%Worse	Net	Index
January 2006	44	45	11	+33	+46
December 2005	22	33	45	-23	-12
November 2005	44	12	44	0	+3

EMPLOYMENT

Twenty percent of our purchasing managers reported employment levels were higher. The Employment Index is +16.

Employment	%Greater	%Same	%Lower	Net	Index
January 2006	20	70	10	+10	+16
December 2005	33	45	22	+11	+19
November 2005	11	89	0	+11	+17

INVENTORIES

RAW MATERIALS

Raw material inventory levels decreased according to 50 percent of our respondents. The Raw Material Inventory Index now stands at -25.

Raw Material

Inventories	%Higher	%Same	%Lower	Net	Index
January 2006	20	30	50	-30	-25
December 2005	22	45	33	-11	-1
November 2005	11	45	44	-33	-26

FINISHED GOODS

Sixty percent of our respondents said finished goods inventory levels were lower. The Finished Goods Inventory Index is now -44.

Finished Goods

Inventories	%Higher	%Same	%Lower	Net	Index
January 2006	10	30	60	-50	-44
December 2005	0	57	43	-43	-42
November 2005	11	33	56	-45	-46

BUYING POLICIES

Production material forward commitments were mixed, with fifty percent of our purchasing managers reporting 30 days or less forward commitments for production material, yet 10 percent report six months. MRO supplies shifted toward hand-to-mouth, while 57% of our respondents show capital expenditure commitments ranging from 90 days to one year.

PERCENT REPORTING

PRODUCTION MATERIALS	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos	1 Year
January 2006	30	20	30	10	10	0
December 2005	37	0	50	13	0	0
November 2005	34	33	22	11	11	0
MRO SUPPLIES						
January 2006	70	20	10	0	0	0
December 2005	67	22	0	11	0	0
November 2005	67	22	11	0	0	0
CAPITAL EXPENDITURES						
January 2006	29	0	0	43	14	14
December 2005	23	11	22	22	11	11
November 2005	33	0	17	33	17	0

COMMODITY PRICES

Sixty-seven percent of our respondents reported higher prices. The Commodity Price Index dropped to +63 from +91.

Commodity Prices	%Higher	%Same	%Lower	Net	Index
January 2006	67	33	0	+67	+63
December 2005	89	11	0	+89	+91
November 2005	56	33	11	+45	+45

COMMODITY CHANGES:

Prices Up:	Aluminum ingot, steel, oil, natural gas, corrugated, plastics, alloys
Prices Down:	LDPE
Items in Short Supply:	High carbon wire, 17-7 SS, "engineers"

FROM GENERAL REMARKS:

"We do not see the good economic conditions that the politicians talk about."

"Orders picked up after first of year, very busy now."

"Looking good and expect to have a very good 2006, especially early on."