

PURCHASING MANAGEMENT ASSOCIATION OF CLEVELAND

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Business Survey Report

for

July 2006, revised 8/08/06

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GENERAL BUSINESS CONDITIONS

The Northeast Ohio Manufacturing economy continues its moderate expansion and the barometer is higher than the same time last year. While production and new orders have decreased from last month, and both FG and Raw inventories have also decreased, indicating that production is keeping pace with the order volume. The Cleveland area Barometer is +33.75 and the Forecast Index is +4.5.

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

Month	Jul-06	Jun-06	May-06	Jul-05
Cleveland Barometer-%	+33.75	+29.88	+23.67	+11.86
Cleveland Forecast-%	+4.5	+12.0	+1.11	+4.0

Twenty-two percent of respondents reported higher production, while thirty-eight percent reported the same level. None reported lower levels. Production Index is +27.0.

Production	%Better	%Same	%Worse	Net	Index
July 2006	22	78	0	22	+27.0
June 2006	38	62	0	38	+36.0
May 2006	0	71	29	-29	-37.0

New orders softened a bit as eleven percent of respondents reported increased orders.

Sixty-seven percent reported the same levels and twenty-two percent reported lower levels.

New Order index is -3.0

New Orders	%Better	%Same	%Worse	Net	Index
July 2006	11	67	22	-11	-3
June 2006	25	62	13	-17	+13
May 2006	0	71	29	+58	-35

EMPLOYMENT

Thirty-three percent of our purchasing managers reported higher employment levels, down from fifty percent in June. The Employment Index is now +29.

Employment	%Greater	%Same	%Lower	Net	Index
July 2006	33	67	0	+33	+29
June 2006	50	38	12	+12	+33
May 2006	29	57	14	+58	+10

INVENTORIES

RAW MATERIALS

Eleven percent of our responding PMs reported increased raw material inventory levels, while thirty-three percent reported lower levels. Raw Material Inventory Index is now -25.

Raw Material

Inventories	%Higher	%Same	%Lower	Net	Index
July 2006	11	56	33	-22	-25
June 2006	25	75	0	+43	+24
May 2006	43	57	0	0	+37

FINISHED GOODS

Finished Goods inventories moderated again as 11 percent of our respondents reported higher levels and 33 percent reported lower levels. The Finished Goods Inventory Index is now -26.

Finished Goods

Inventories	%Higher	%Same	%Lower	Net	Index
July 2006	11	56	33	-22	-26
June 2006	25	62	18	+13	+5
May 2006	33	67	0	+33	+31

BUYING POLICIES

Sixty-seven percent of our respondents reported 30 days or less forward commitment for production materials, while thirty-three percent reported 60 days.

Forward commitments for MRO Supplies also moved in as eighty-nine percent reported 30 days or less. Commitments for capital goods spread out with responses in nearly every category.

PERCENT REPORTING

	Hand to	30 Days	60 Days	90 Days	6 Mos	1 Year
PRODUCTION MATERIALS						
July 2006	22	45	33	0	0	0
June 2006	0	17	66	0	17	0
May 2006	0	0	100	0	0	0
MRO SUPPLIES						
July 2006	67	22	0	11	0	0
June 2006	33	50	0	17	0	0
May 2006	60	20	20	0	0	0
CAPITAL EXPENDITURES						
July 2006	12	12	26	38	0	12
June 2006	0	20	20	60	0	0
May 2006	20	0	0	80	0	0

COMMODITY PRICES

Price increases moderated a bit as 78 percent of respondents reported higher price, down from 100 percent. The Commodity Price Index is now +82.

Commodity Prices	%Higher	%Same	%Lower	Net	Index
July 2006	78	22	0	+78	+82
June 2006	100	0	0	+100	+97
May 2006	83	17	0	+83	+77

COMMODITY CHANGES:

Prices Up: Steel, HDPE resin, electrical, motors, titanium, coated abrasives, August hardwood.

Prices Down: None reported.

Items in Short Supply: Some steel items, wide flanged steel beams.

LEAD TIMES:

Steel fabricators in Midwest and South.

FROM GENERAL REMARKS:

"Our business is still up 30% from a year ago."

"Steel fabricators in Midwest and South running at full capacity--Some booked into 2007."

"Materials (valves, pumps, instruments) required on expedited delivery for refineries."

"Overall business a bit slow--waiting for stock orders."

"Inventories and production are up because of planned shut down in July--trying to recover lost production and faced with increased demand--very challenging."