

PURCHASING MANAGEMENT ASSOCIATION OF CLEVELAND

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Business Survey Report

for

June 2006

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GENERAL BUSINESS CONDITIONS

The Northeast Ohio Manufacturing economy continued to flatten as May survey results again show none of the responding purchasing managers reporting increased production or increased orders. Both FG and Raw inventories rose. While 29% of our respondents reported higher employment, 14% reported lower employment.. Prices continued upward with 83% of the respondents reported higher prices and no respondents reported lower price.

The Cleveland area Barometer is +8.0 and the Forecast Index is -19.5.

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

Month	Jun-06	May-06	Apr-06	Jun-05
Cleveland Barometer-%	+26	+17	25.89	+8.03
Cleveland Forecast-%	+19.5	0	+1.9	-25.3

Thirty-eight percent of respondents reported higher production, while sixty-two percent reported the same level. None reported lower levels. Production Index is +36.0.

Production	%Better	%Same	%Worse	Net	Index
June 2006	38	62	0	38	+36.0
May 2006	0	71	29	-29	-37.0
April 2006	0	80	20	-20	-37.0

New orders picked up as twenty-five percent of respondents reported increased orders. Sixty-two percent reported the same levels and thirteen percent reported lower levels. New Order index is +13.0.

New Orders	%Better	%Same	%Worse	Net	Index
June 2006	25	62	13	12	+13.0
May 2006	0	71	29	-17	-35.0
April 2006	0	83	17	+58	+36.0

EMPLOYMENT

Fifty percent of our purchasing managers reported higher employment levels, up from twenty-nine percent in May. The Employment Index is now +33.

Employment	%Greater	%Same	%Lower	Net	Index
June 2006	50	38	12	+12	+33.0
May 2006	29	57	14	+12	+10.0
April 2006	17	83	0	+58	+6.0

INVENTORIES

RAW MATERIALS

Forty-three percent of our responding PMs reported increased raw material inventory levels, while none reported lower levels. Raw Material Inventory Index is now +37.

Raw Material

Inventories	%Higher	%Same	%Lower	Net	Index
June 2006	25	75	0	+25	+24.0
May 2006	43	57	0	+43	+37.0
April 2006	17	66	17	0	-5.0

FINISHED GOODS

Finished Goods inventories moderated as 25 percent of our respondents reported higher levels and eighteen percent reported lower levels. The Finished Goods Inventory Index is now +5.0.

Finished Goods

Inventories	%Higher	%Same	%Lower	Net	Index
June 2006	25	62	18	+13	+5.0
May 2006	33	67	0	+33	+31.0
April 2006	17	83	0	+17	+17.0

BUYING POLICIES

While most of our respondents remained at 60 days forward commitment for production materials, seventeen percent reported 30 days and seventeen percent reported 60 days. Forward commitments for MRO Supplies moved out as sixty-seven percent reported 30 days or more. Commitments for capital goods essentially remained the same at 90 days or less.

PERCENT REPORTING

	Hand to	30	60	90	6	1
PRODUCTION MATERIALS	Month	Days	Days	Days	Mos	Year
June 2006	0	17	66	0	17	0
May 2006	0	0	100	0	0	0
April 2006	25	0	50	25	0	0
MRO SUPPLIES						
June 2006	33	50	0	17	0	0
May 2006	60	20	20	0	0	0
April 2006	60	20	20	0	0	0
CAPITAL EXPENDITURES						
June 2006	0	20	20	60	0	0
May 2006	20	0	0	80	0	0
April 2006	0	25	0	25	25	25

COMMODITY PRICES

All of our respondents reported higher prices, up from eighty-three percent in May. The Commodity Price Index increased from +77 to +97.

Commodity Prices	%Higher	%Same	%Lower	Net	Index
June 2006	100	0	0	+100	+97
May 2006	83	17	0	+83	+77
April 2006	60	20	20	+40	+35

COMMODITY CHANGES:

Prices Up: Steel plate;copper; steel scrap surcharges; LDPE and HDPE

Prices Down: Aluminum ingot finally dropped a few cents

Items in Short Supply: Structural steel, mainly due to Katrina construction

LEAD TIMES:

"Lead times for steel fabricators have increased significantly, some not taking new orders until 2007, especially in southern U.S.."

"Lead time for aluminum foil out to 6 months."

FROM GENERAL REMARKS:

"Still busy, but not as busy as March and April--but busier than last five years!."

"Fairly busy now, but will slow at end of 2006."

"Sales remain strong, but downward pricing pressure from customers continues."

"Very difficult to pass through higher costs."

"Due to influx of imported parts, will adjust (reduce) inventory in July."

"New hires in engineering and project management."

"All inventories are up because we are running full out and trying to build inventory before maintenance shutdown."

"Expected spring rush in orders has not happened yet."