

PURCHASING MANAGEMENT ASSOCIATION OF CLEVELAND
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BUSINESS SURVEY REPORT

For

September 2005

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GENERAL BUSINESS CONDITIONS

With another hurricane hitting the Gulf Coast this month, most regions of the country are being impacted with significantly higher costs of doing business. This is primarily energy related. Northeast Ohio's survey results show new orders, production, employment, and commodity prices higher. Inventory levels declined. The Cleveland Barometer increased to +31.63. The Forecast Index now stands at "+3.50". Readings above "0" indicate the manufacturing sector of the economy is generally expanding. Readings below "0" mean generally declining.

Month	Sept 2005	Aug 2005	July 2005	Sept 2004
Cleveland Barometer-%	+31.63	+20.56	+11.86	+37.58
Cleveland Forecast-%	+3.50	+11.50	+4.00	+22.44

Fifty percent of our purchasing managers reported higher production levels. No one said they were lower. Comments note business is still very good and increasing. The Production Index now stands at +53.0".

Production	%Better	%Same	%Worse	Net	Index
September 2005	50	50	0	+50	+53
August 2005	25	63	12	+13	+21
July 2005	40	30	30	+10	+15

Fifty percent of our purchasing managers also indicated an increase in new orders, but 12 percent said they decreased. Comments note that a lot of their increased business was due to the hurricanes. The New Order Index increased to +38.0".

New Orders	%Better	%Same	%Worse	Net	Index
September 2005	50	38	12	+38	+38
August 2005	25	50	25	0	+4
July 2005	36	37	27	+9	+17

EMPLOYMENT

The employment indicator increased according to 25 percent of our purchasing managers. Comments note selective hiring is taking place with a lot of temporary help being used to meet the demand of the current order surge. The Employment Index is now "+18.0".

Employment	%Greater	%Same	%Lower	Net	Index
September 2005	25	63	12	+13	+18
August 2005	37	63	0	+37	+35
July 2005	36	46	18	+18	+14

INVENTORIES RAW MATERIALS

Thirty-seven percent of our respondents reported lower inventory levels while no one said levels were higher. Comments indicate that strong demand plus aggressive inventory reduction programs have contributed to lower levels. The Raw Material Inventory Index decreased to "-37.0".

Raw Material Inventories	%Higher	%Same	%Lower	Net	Index
September 2005	0	63	37	-37	-37
August 2005	25	50	25	0	+2
July 2005	46	27	27	+19	+16

FINISHED GOODS

Finished goods inventory levels were reported lower by 25 percent of our respondents. Only 12 percent said they were higher. The Finished Goods Inventory Index now stands at "-7.00".

Finished Goods Inventories	%Higher	%Same	%Lower	Net	Index
September 2005	13	62	25	-12	-7
August 2005	13	37	50	-37	-37
July 2005	9	55	36	-27	-31

BUYING POLICIES

Production material forward commitments increased in the 90-day and one year time periods. Maintenance, repair and operating supplies are being procured by more than three-fourths of our respondents. Capital expenditures decreased in the six month and greater time period.

PERCENT REPORTING

PRODUCTION MATERIALS	Hand to Mouth	30 Days	60 Days	90 Days	6 Mos	1 Year
September 2005	26	25	25	12	0	12
August 2005	42	29	29	0	0	0
July 2005	27	27	37	0	9	0

MRO SUPPLIES

September 2005	76	12	0	12	0	0
August 2005	72	14	14	0	0	0
July 2005	73	18	0	9	0	0

CAPITAL EXPENDITURES

September 2005	40	20	0	0	20	20
August 2005	20	0	0	20	20	40
July 2005	28	0	18	18	18	18

COMMODITY PRICES

The hurricane impact is evident this month due to the fact that 100 percent of our purchasing managers reporting an overall increase in commodity prices. The Commodity Price Index now stands at 100 percent.

Commodity Prices	%Higher	%Same	%Lower	Net	Index
September 2005	100	0	0	+100	+100
August 2005	38	50	12	+ 26	+31
July 2005	22	67	11	+ 11	+16

COMMODITY CHANGES:

Prices Up: fuel surcharges, hydrocarbon resins, natural gas, oil, petroleum waxes, plastics including HDPE, LDPE, PE and PP.

Prices Down: aluminum ingot and corrugated boxes.

Items in Short Supply: hydrogen, titanium dioxide, and titanium tubing.

FROM GENERAL REMARKS:

“Concerned about how natural gas prices will affect steel prices.”

“Suppliers using warnings of potential delays or shortages due to hurricane.”