

PURCHASING MANAGEMENT ASSOCIATION OF CLEVELAND

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Business Survey Report for September 2006

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GENERAL BUSINESS CONDITIONS

The Northeast Ohio Manufacturing economy expanded in September.

Production, new orders and inventories have all increased from last month.

Cleveland area Barometer rose to +19.50 and the Forecast Index has swung to a strong positive +30.00.

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

Readings below "0" mean generally declining.

Month	Sep-06	Aug-06	Jul-06	Sep-05
Cleveland Barometer-%	+19.50	+16.88	+23.50	+37.75
Cleveland Forecast-%	+30.00	+2.00	+3.11	+7.44

Eighty-three percent of our respondents reported same or higher production levels.

Production Index is +36.0.

Production	%Better	%Same	%Worse	Net	Index
September 2006	50	33	17	+33	+36
August 2006	20	60	20	0	+8
July 2006	22	78	0	+22	+27

New orders rebounded as 100% of respondents reported increased or same level of orders vs. 70% percent last month.

New Order index is at a very healthy +67.

New Orders	%Better	%Same	%Worse	Net	Index
September 2006	67	33	0	+67	+67
August 2006	10	60	30	-20	-16
July 2006	11	67	22	-11	-3

EMPLOYMENT

Employment levels of our respondents stabilized--17% reporting greater employment and 17% reporting lower levels. The majority of 66% reported the same levels. The Employment Index is now +5.

Employment	%Greater	%Same	%Lower	Net	Index
September 2006	17	66	17	0	+5
August 2006	20	70	10	+10	+8
July 2006	33	67	0	+33	+29

INVENTORIES

RAW MATERIALS

In response to higher orders, raw material inventories rose in September. 50% of respondents reported higher levels. Raw Material Inventory Index is now +17..

Raw Material

Inventories	%Higher	%Same	%Lower	Net	Index
September 2006	50	17	33	+17	+17
August 2006	10	70	20	-20	-8
July 2006	11	56	33	-22	-25

FINISHED GOODS

Finished Goods inventories also rose as 50% of our respondents reported higher levels . The Finished Goods Inventory Index is now +38.

Finished Goods

Inventories	%Higher	%Same	%Lower	Net	Index
August 2006	50	33	17	+33	+38
August 2006	10	60	30	-20	-20
July 2006	11	56	33	-22	-26

BUYING POLICIES

Production materials forward commitments stretched out as 66% of our respondents reported 60 days or more.

Forward commitments for MRO Supplies stayed almost the same as in August.

Forward commitments for capital goods shortened slightly, as 60 % reported 60 days or less.

PERCENT REPORTING

	Hand to Month	30 Days	60 Days	90 Days	6 Mos	1 Year
PRODUCTION MATERIALS						
September 2006	17	17	50	0	16	0
August 2006	25	25	50	0	0	0
July 2006	22	45	33	0	0	0
MRO SUPPLIES						
September 2006	50	33	17	0	0	0
August 2006	67	22	11	0	0	0
July 2006	67	22	0	11	0	0
CAPITAL EXPENDITURES						
September 2006	40	0	20	40	0	0
August 2006	25		25	38	0	12
July 2006	12	12	26	38	0	12

COMMODITY PRICES

Price increases moderated again as 40 percent of respondents reported higher prices, down from 50 percent. The Commodity Price Index is now +47.

Commodity Prices	%Higher	%Same	%Lower	Net	Index
September 2006	40	60	0	+40	+47
August 2006	50	50	0	+50	+55
July 2006	78	22	0	+78	+82

COMMODITY CHANGES:

Prices Up: SS surcharges (nickel), polyethylene, steel,

Prices Down: Aluminum ingot (slightly)

Items in Short Supply: Some steel beams, corzan sheet,

LEAD TIMES: Polyethylene LT increasing

FROM GENERAL REMARKS:

"Increases are only slightly above prior month. Still seeing FSC (Fuel service charge) and an increase in order minimums.

"Business is steady"

"Economy is slowing down due to lull in housing starts. The interest rates and energy prices are finally surfacing at the consumer level.

"Still going at strong pace and many quotes to our customers are being ordered."