

Wanted: Several Good Members to Help Make History!

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Do you know which committee has been meeting every month for over 80 years? It's the same group whose monthly report is written up in major newspapers and reported in television and radio newscasts. This committee's report is so well respected that the US government policy makers as well as major banks and security market traders worldwide watch it closely.

It's the Business Survey Committee, who works diligently each and every month reviewing and analyzing the information provided by you, our members. Those of you who faithfully fill out the monthly questionnaire on your current business conditions play an important role in this process. This is the information that the committee uses when constructing the report that is released the last day of each month.

For those of you unaware of the process, the committee routinely solicits volunteers from the membership to fill out a quick and easy questionnaire each month. Information is requested on current conditions of production, new orders, order backlogs, inventories, employment, supplier deliveries, prices paid and lead-times for production materials, M.R.O. supplies and capital equipment. A check mark is put next to the answer that most suits your business. It's as simple as that! Volunteers who provide this important information come from companies providing services, such as hospitals, banks and hotels as well as manufactures throughout Chicagoland. They have titles anywhere from buyer to owner and everything in between. The information they provide is an intricate part of the success of this highly visible report.

The Chicago Report originates from the 1920's when it was first conceived by the Purchasing Agents Association of Chicago (now known as NAPM – Chicago) as a tool to provide its members with an analogy of current economic conditions. In the late 1970's, Kingsbury International, Ltd., the firm who works hand in hand with the committee and releases the monthly information, refined the report and trademarked it as we see it today. Jack Bishop of Kingsbury explains "The report is a picture of current economic movement that provides insights to future economic activity. It was developed to provide a better leading indicator of the US economy".

It's important to know how this report and the information it contains can help Purchasing Professionals in their day-to-day business dealings. Each category is an indicator of the current economic conditions of the companies in Chicago.

Easy Guide to Reading the Report

- **Over 50 – improving / Under 50 – declining**
- **The higher the number the better**
- **Above 50 and month to month declines indicates continued strength at a slower rate**
- **Below 50 and falling month to month indicates receding business and rate is worsening**

Production – A number that rises above 50 is a good indicator that the economy is good and/or getting better. As a purchasing professional you could expect orders to increase. However, due to the increased competition for the materials you need to procure, your bargaining power decreases.

New Orders – New Orders and Production go hand in hand. The New Orders number increasing indicates a strong economy.

Order Backlog – As New Orders and Production increases so should Order Backlog. An increasing number supports strength in the economy.

Inventories – There are two ways to look at the increasing Inventories number. Marketing looks at a larger inventory as a way to better serve its customers. They "know" and are confident that the more product they have the better chance they'll have to sell it. The economist looks at a high inventory numbers as "unintentional" savings. Product that is made because the Marketing Department knew it was good, but it didn't sell.

Employment – It stands to reason that as the Production, New Orders and Order Backlog numbers rise, so should the Employment number. Companies' highering is a good indicator that they are confident that business conditions will continue to improve. It's important to note that a Production number that increases while the Employment number stays flat may be an indication that

many companies are outsourcing or manufacturing offshore.

Supplier Deliveries – As your suppliers business increases so do their lead times. A number that climbs (slower deliveries) indicates an economy that is good.

Prices Paid – Higher pricing is a good indication that business is sufficiently robust. There is more competition for the materials you need making it a sellers market.

Buying Policy/Production Materials – A rising number means the economy is good. Lead-times increase as business picks up and more orders are placed with the suppliers.

Buying Policy/MRO Supplies – A rising number in this category is a sensitive indicator of production activity.

Buying Policy/Capital Equipment – The Capital Equipment number gives us a long-term view of the economy. It shows that companies are confident and spending money on higher dollar expenditures. As business increase for those supplying capital equipment, so do their lead-times.

Hey! What do those arrows mean???? Ever notice the arrows that point up or down in each category? Those arrows are the 3-month indicators and are a good snap shot of what direction the trend is headed. You'll notice from month to month that the actual numbers reported can fluctuate up and down. This indicator takes those fluctuations into consideration and averages the numbers to give you a true picture of the past 3 months.

The last and most important number to look at is the Business Barometer number. This number captures Production, New Orders, Order Backlog, Employment and Deliveries in a single number signaling the current economic condition for the month.

You and your company can be a part of this history making report. The Business Survey committee is currently looking for volunteer companies of all sizes and in all industries. Please contact the office to get more information on this exciting opportunity and become one of the many volunteers who help make this closely watched report the success it is.

Doreen Huro Michelini, C.P.M. is currently President of China Mexico Solutions LLC, consulting with companies wanting to source, manufacture or re-locate to Mexico or China. She is past President and current Treasurer of NAPM-Chicago and currently chairs the Business Survey committee.

