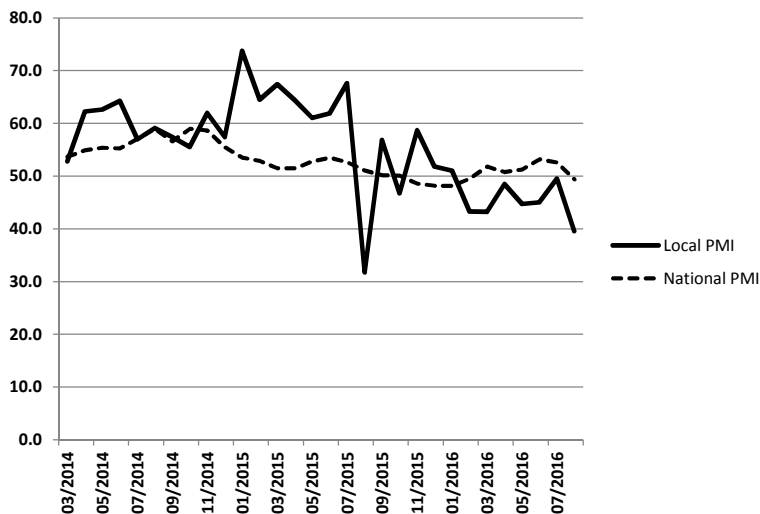


Institute of Supply Management - Buffalo August 2016 Business Survey Monthly Comparison Report

The PMI Index

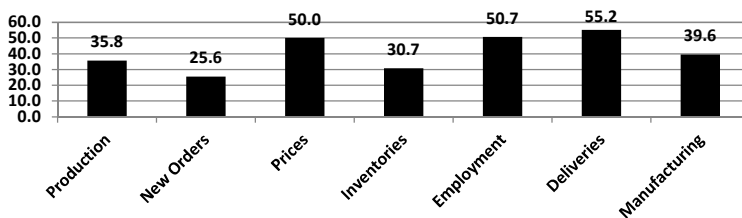
The local Buffalo-Niagara Manufacturing index registered a seventh straight contractionary result in August with a value of 39.6 (where a value of 50.0 indicates increased activity). After closing the gap toward the 50.0 mark since May we have once again deteriorated to the weakest result seen locally since August 2015. The national ISM survey also registered a contractionary result at 49.4 after seven months above the 50.0 mark. Regionally, the NY Fed's Empire State Manufacturing Survey, which surveys manufacturers statewide, also showed contractionary results in its General Business Conditions index. Looking at national macroeconomic statistics outside of manufacturing, there don't appear to be many signals of weakness but locally we are stringing together quite a stretch of weak results. Looking at the other local economic information, it seems manufacturing is bearing the brunt in recent months. Unemployment rates remain low locally and the general business conditions index (available on FRED) remains positive.

Looking to the other local results, there isn't a lot of other favorable news to pass along. Production, New Orders, and Inventories decreased relative to prior month. Employment held steady, slightly increasing, with an index of 50.7 in August. Generally speaking, local ISM manufacturing respondents have not fared well in recent months. I've seen some comments as part of the report the strong dollar have hurt some respondents who export but from the economic news I've seen it has not been highlighted as a recent driving factor.



This month (Seasonally Adjusted)

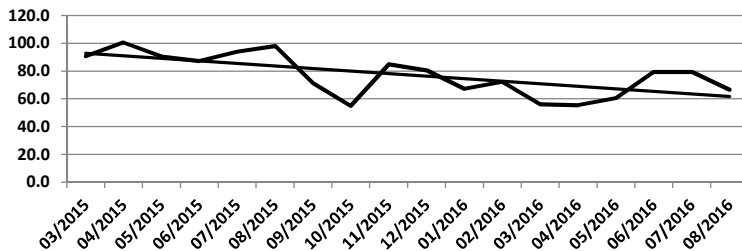
Index	Index	Direction	Rate of Change
Production	35.8	Decreasing	Increasing
New Orders	25.6	Decreasing	Increasing
Prices	50.0	Increasing	Decreasing
Inventories	30.7	Decreasing	Decreasing
Employment	50.7	Increasing	Increasing
Deliveries	55.2	Faster	Flat
Manufacturing	39.6	Decreasing	Increasing



Production Buying Policy

Days ahead production commitments among respondents registered 66.5 days in August, falling from 79.5 days in both June and July. While this series had garnered some hope recently with the June/July results we again converged toward the longer term downward trend. This decline is in line with the general weakness relative to prior month as it is intuitive with lower orders and activity to be looking fewer days ahead in production commitments.

Production Buying Policy

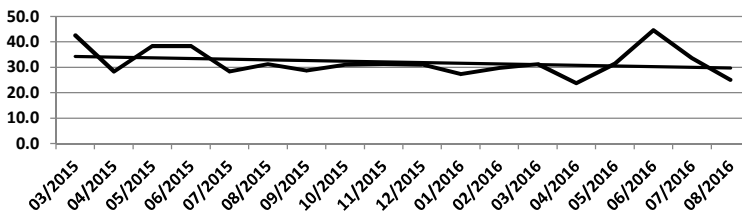


MRO Buying Policy

(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand fell to 25.0 days in August from 33.6 days in July. After the sudden spike in June, we appear to be again converging toward the more common recent levels in the mid 20s to mid 30s in terms of MRO supplies on hand.

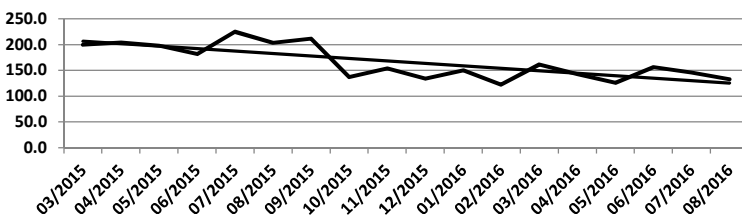
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 132.5 days in August, off from the 145.9 days reported in July. While off from the levels seen in mid 2015, we remain consistent in commitments varying between the 130 to 160 day marks.

Capital Equipment Buying Policy



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
August 2016	20.0%	30.0%	50.0%	35.0	31.3
July 2016	54.5%	9.1%	36.4%	59.1	72.2
June 2016	27.3%	27.3%	45.5%	40.9	61.1

The Production diffusion index registered an index value of 35.0 in August, a rather precipitous drop from July's 59.1 value. Half of this month's respondents report lower production levels in August relative to July. It may be worth noting that last year's August report was also rather weak and proved to be an aberration. While the results were consistently weak across the indices, I remain at least somewhat cautious in having too great a sense of foreboding.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
August 2016	10.0%	30.0%	60.0%	25.0	6.3
July 2016	36.4%	9.1%	54.5%	40.9	66.7
June 2016	36.4%	27.3%	36.4%	50.0	55.6

The non-seasonally adjusted New Orders index shows a second consecutive contractionary value in August at 25.0, off from July's 40.9 value. Of respondents, 60% reported having lower amounts of New Orders in August than July. If I were to be most concerned about any individual result from this month's report, it would likely be this. New Orders generally signal future activity and is the index I tend to watch closely, almost more so than the broader manufacturing index.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
August 2016	10.0%	80.0%	10.0%	50.0	37.5
July 2016	36.4%	54.5%	9.1%	63.6	55.6
June 2016	45.5%	54.5%	0.0%	72.7	38.9

The Commodity Price diffusion index registered a value of 50.0 in August, reflecting positive (although weak) increases in commodity prices relative to prior month. We remain in positive territory, albeit barely. The vast majority, at 80%, of respondents responded that commodity prices held constant to prior month.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
August 2016	10.0%	40.0%	50.0%	30.0	37.5
July 2016	27.3%	18.2%	54.5%	36.4	55.6
June 2016	9.1%	45.5%	45.5%	31.8	66.7

The Inventories of Purchased Goods index fell in August to 30.0, off slightly from July's 31.8 value. The decreases in inventory levels of purchased goods to prior month are rather consistent this year. January and February registered the most recent months where there were inventory increases relative to prior month.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
August 2016	20.0%	60.0%	20.0%	50.0	43.8
July 2016	18.2%	63.6%	18.2%	50.0	61.1
June 2016	18.2%	63.6%	18.2%	50.0	61.1

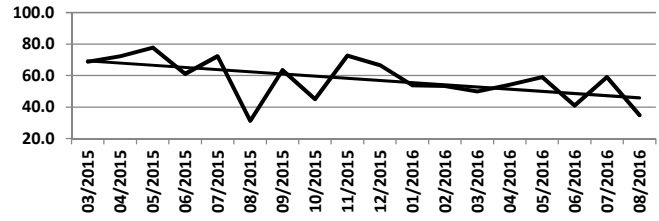
The non-seasonally adjusted Employment index remained just in expansionary territory at 50.0 for the third straight month in August. It is a slightly positive note to mention that employment rates have held steady in what has been a mostly forgettable month.

Vendor Deliveries were:

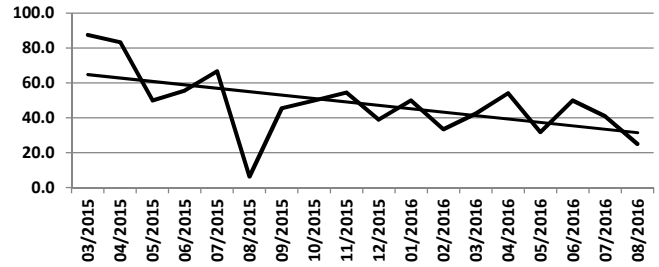
Period	Faster	Same	Slower	Index	Prior Yr
August 2016	10.0%	90.0%	0.0%	55.0	37.5
July 2016	9.1%	90.9%	0.0%	54.5	72.2
June 2016	0.0%	100.0%	0.0%	50.0	61.1

The Vendor Deliveries index registered a value of 55.0 in August, essentially flat relative to July's 54.5 value. Again, the index relates faster deliveries relative to prior month although the vast majority of respondents (at 90%) relate that vendor delivery speed was the same in August relative to July.

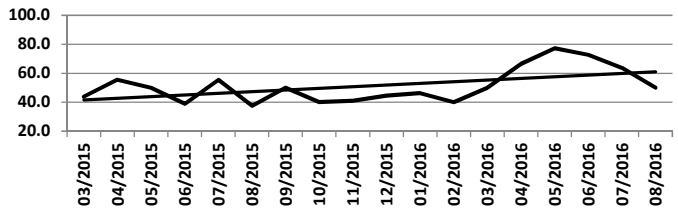
Production - Diffusion Index



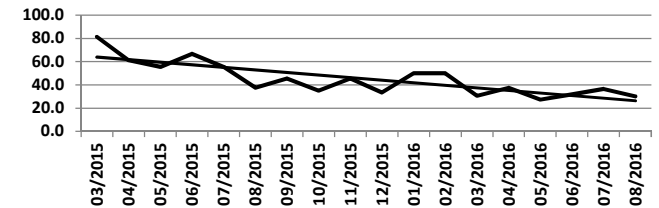
New Orders - Diffusion Index



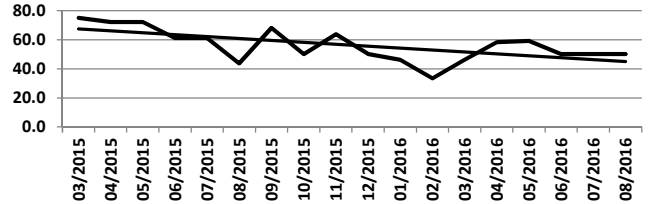
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

