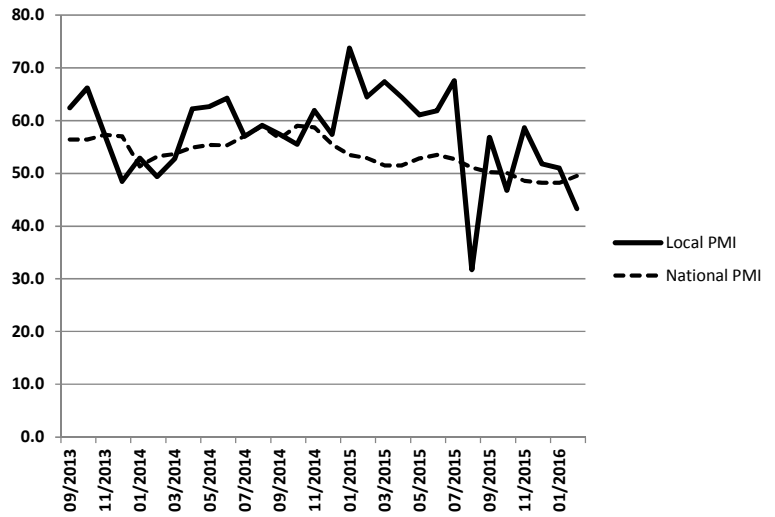


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The PMI Index

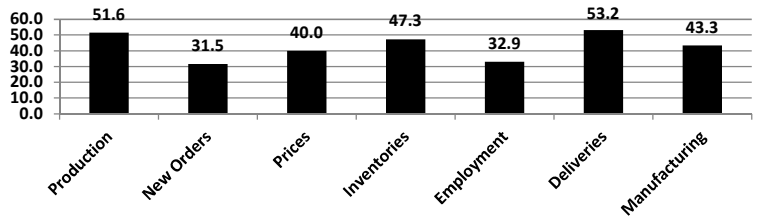
The local Buffalo-Niagara Manufacturing index slipped into contractionary territory at 43.3 in February, falling from January's 51.0. Both the national ISM manufacturing index and the NY Fed's Empire State Manufacturing Survey showed contractions during February. Nationally the ISM manufacturing index increased to 49.5 from 48.2 in January although remained below the 50.0 mark which denotes continued decreases in activity. We had locally continued to expand in recent months, but the broader trends in manufacturing appear to have caught up with local respondents in February. Other national indices being released by the BLS and BEA regarding employment and GDP have remained stable to positive.

Looking to the other local results, the New Orders and Employment indices respectively fell to 31.5 and 32.9 in February. These are the other two indices I watch most closely in gauging local activity. The weakness in New Orders is concerning as a signal for activity over the coming months. We do have two indices that remain in expansionary territory, Production registered 51.6 and Deliveries at 53.2 signaling both expanded relative to January. Otherwise, Prices contracted relative to prior month with the index registering a 37.5. While a single month doesn't necessarily make a trend, with the two broader measures of manufacturing activity still registering contraction I remain muted in my optimism over the short term.



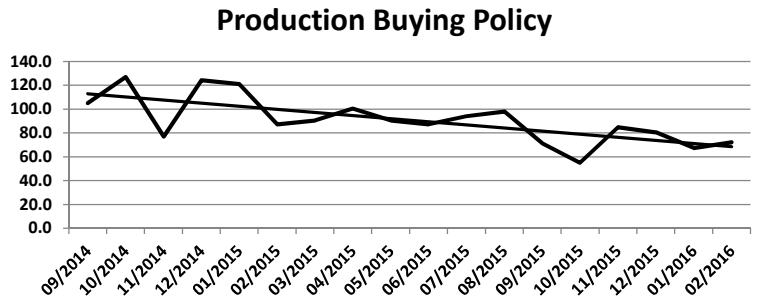
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	51.6	Increasing	Decreasing
New Orders	31.5	Decreasing	Increasing
Prices	40.0	Decreasing	Increasing
Inventories	47.3	Decreasing	Flat
Employment	32.9	Decreasing	Increasing
Deliveries	53.2	Increasing	Flat
Manufacturing	43.3	Increasing	Increasing



Production Buying Policy

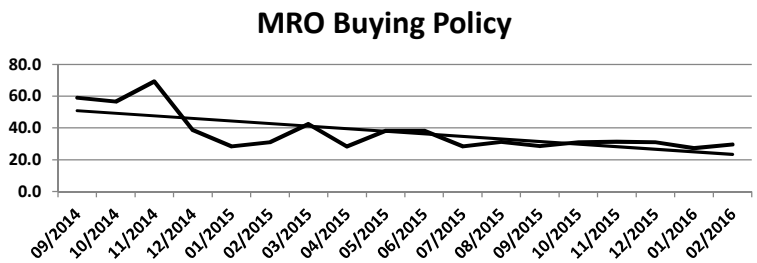
Days ahead production commitments among respondents increased to 72.3 days from last month's average of 67.3 days. This month's value broke slightly above the 18 month term trend, while remaining easily below February's prior year level of 87.2. With the weaker results locally and more broadly, I am uncertain of this series increasing over the near term as well.



MRO Buying Policy

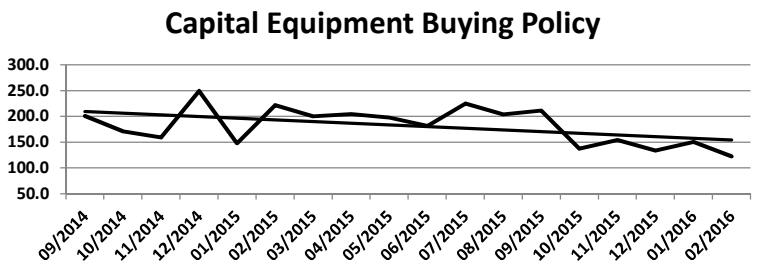
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand increased to 29.7 days in February from January's 27.3 days. This series remains remarkably consistent after its movement to the new lower levels. We are near aging out of what had been the normal historical levels near 60 days in our 18 month window.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 122.3 days in February, a drop from 150.4 days in January. We continue to bounce in the range from approximately 150 days or fewer days since October of last year although this month's level is the lowest over the past 18 months.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
February 2016	33.3%	40.0%	26.7%	53.3	72.2
January 2016	30.8%	46.2%	23.1%	53.8	72.2
December 2015	55.6%	22.2%	22.2%	66.7	56.3

The Production diffusion index registered an index value of 53.3 in February, off slightly from January's 53.8. We remain in expansionary territory for production in both the seasonally adjusted and non-seasonally adjusted indices in spite of weakness in other areas.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
February 2016	13.3%	40.0%	46.7%	33.3	66.7
January 2016	30.8%	38.5%	30.8%	50.0	83.3
December 2015	22.2%	33.3%	44.4%	38.9	62.5

The non-seasonally adjusted New Orders index fell back into contractionary territory in February to an index value of 33.3, below's December's recent low of 38.9. Excepting the August 2015 outlier, we have been generally following the general longer term downward trend in recent months.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
February 2016	13.3%	53.3%	33.3%	40.0	50.0
January 2016	15.4%	61.5%	23.1%	46.2	66.7
December 2015	22.2%	44.4%	33.3%	44.4	56.3

The Commodity Price diffusion index continued in contractionary territory at 40.0 in February. This marks the fifth straight month local respondents have reported lower commodity prices relative to prior month, with September being the last time we saw price increases relative to prior month.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2016	26.7%	46.7%	26.7%	50.0	72.2
January 2016	23.1%	53.8%	23.1%	50.0	72.2
December 2015	0.0%	66.7%	33.3%	33.3	56.3

The Inventories of Purchased Goods index remained at the 50.0 mark in February, consistent with January's index value. This is the second consecutive month index values indicate increased inventories among respondents, with July 2015 being the most recent month until January.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2016	0.0%	66.7%	33.3%	33.3	61.1
January 2016	30.8%	30.8%	38.5%	46.2	77.8
December 2015	22.2%	55.6%	22.2%	50.0	37.5

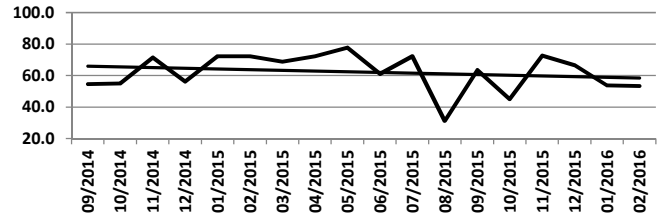
The non-seasonally adjusted Employment index remained in contractionary levels during February following the series trailing into contractionary territory among respondents in January. This is only the second month since August of last year we have witnessed a decrease in employment levels relative to prior month.

Vendor Deliveries were:

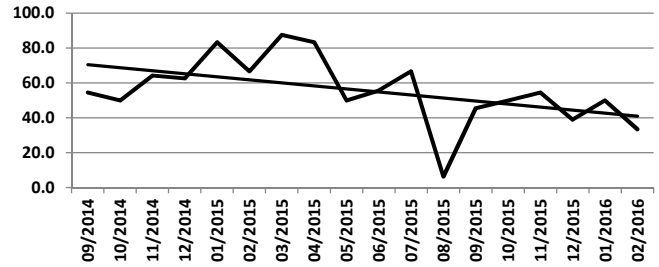
Period	Faster	Same	Slower	Index	Prior Yr
February 2016	6.7%	93.3%	0.0%	53.3	61.1
January 2016	7.7%	92.3%	0.0%	53.8	61.1
December 2015	11.1%	88.9%	0.0%	55.6	56.3

The Vendor Deliveries index registered a value of 53.3 value in February, off slightly from January's 53.8 value. We again see faster deliveries relative to prior month, although with the vast majority (over 90 percent) of respondents reporting speed of delivery was the same relative to January.

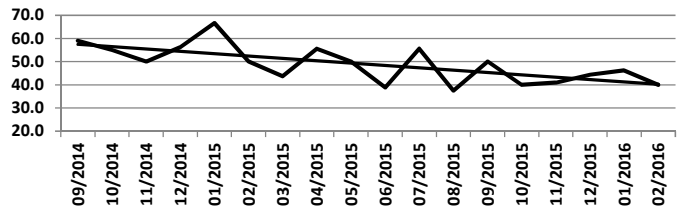
Production - Diffusion Index



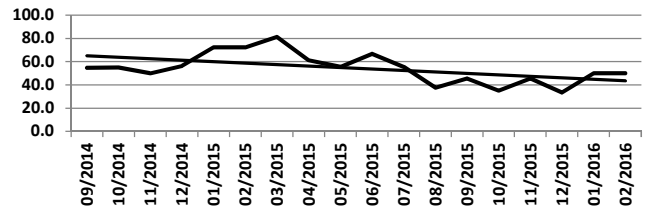
New Orders - Diffusion Index



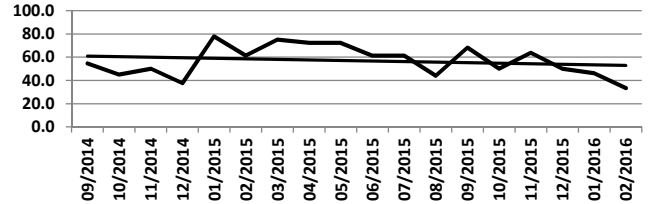
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

