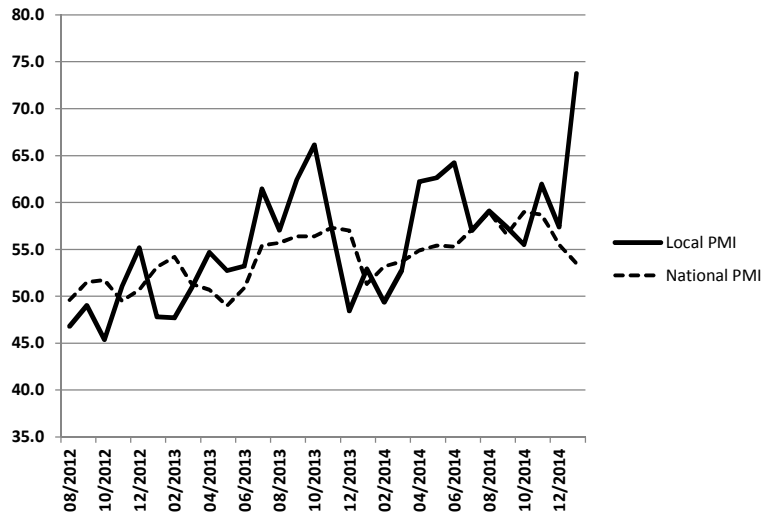


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The PMI Index

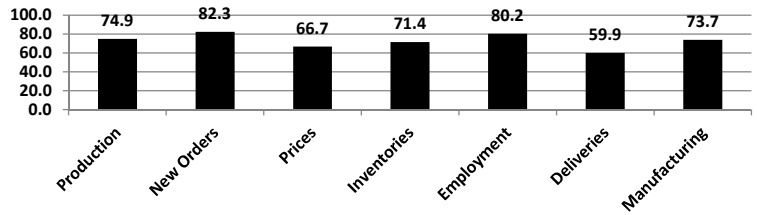
Manufacturing activity noticeably increased to start the year with January's local PMI value registering 73.7, well up from December's 57.4. The national PMI Index's 53.5 value also signaled increased manufacturing activity for the country as a whole compared to prior month levels. In looking at January's statewide index, the Empire State Manufacturing Report generated by the NYC Federal Reserve Branch also related increasing activity following December's decrease. The Empire State report showed mixed results for new orders and labor market conditions, which I point out to highlight the impressive increases locally. While a single month does not a trend make, January was a favorable month for respondents here in WNY. One respondent's comment in their survey response was, "It seems distributors had good year end in 2014 and need to restock." Maybe that will continue.

For the other seasonally adjusted indices, there isn't much to report other than there were consistently favorable results. Production, New Orders, and maybe most importantly Employment all had solid increases to prior month. Although Employment was the weak spot for December it seems to have rebounded to begin the year.



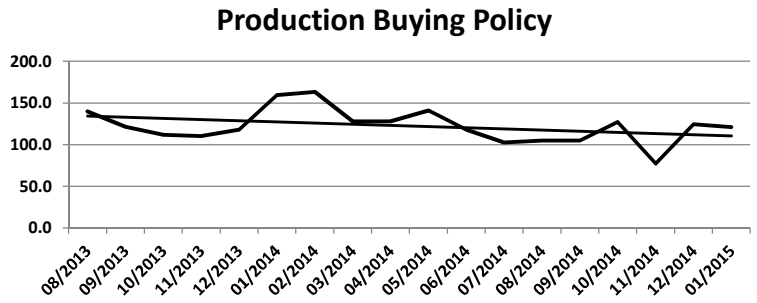
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	74.9	Increasing	Increasing
New Orders	82.3	Increasing	Increasing
Prices	66.7	Increasing	Increasing
Inventories	71.4	Increasing	Increasing
Employment	80.2	Increasing	Increasing
Deliveries	59.9	Increasing	Flat
Manufacturing	73.7	Increasing	Increasing



Production Buying Policy

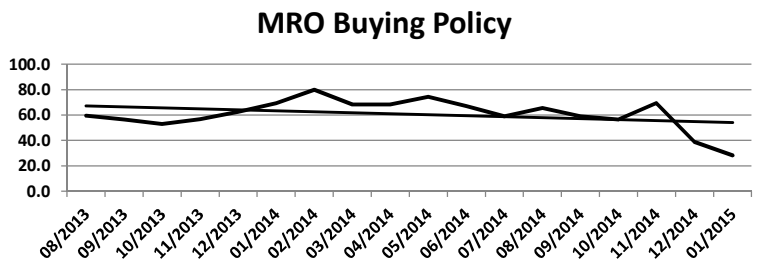
Survey respondents reported days ahead commitments slid slightly in January to 121.1 days from December's 124.4 days. This series held relatively steady, although we appear to be in a current state where days ahead commitments are lower compared to this point last year.



MRO Buying Policy

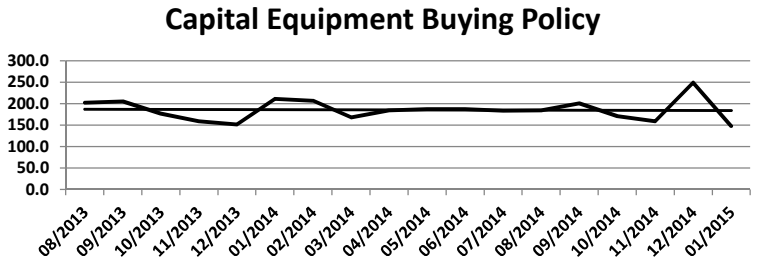
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies fell off during January to 28.3 days from December's 38.8. The activity the past 2-3 months has been the most movement I've seen in what has generally been a predictable series during my time following the local survey results. This is something to watch, although I'm still not certain we've fallen to a lower "new normal" amount of MRO supplies on hand.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 147.8 days ahead, with December's 249.4 days result an outlier with this quick return toward more historical levels. As a general comment, most of the series still continue to be favorable although there has tended to be more volatility in recent months. This could be concerning in itself due to volatility by its nature increasing uncertainty about what may happen in future periods.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
January 2015	55.6%	33.3%	11.1%	72.2	56.3
December 2014	50.0%	12.5%	37.5%	56.3	43.8
November 2014	57.1%	28.6%	14.3%	71.4	59.1

The Production diffusion index increased to 72.2 during January from December's 56.3 result. Local production activity continues to fare well, the vast majority of respondents report higher or the same production levels compared to prior month.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
January 2015	66.7%	33.3%	0.0%	83.3	56.3
December 2014	50.0%	25.0%	25.0%	62.5	56.3
November 2014	57.1%	14.3%	28.6%	64.3	54.5

The non-seasonally adjusted New Orders index increased notably to 83.3 during January with no respondents reporting lower orders relative to prior month. This improvement in orders combined with the employment index rebounding are possibly the largest favorable movements in January.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
January 2015	33.3%	66.7%	0.0%	66.7	75.0
December 2014	12.5%	87.5%	0.0%	56.3	56.3
November 2014	14.3%	71.4%	14.3%	50.0	50.0

The Commodity Price diffusion index marked another month in expansionary territory at 66.7. We increased a bit relative to December's 56.3 mark and are now in line with the 18 month trend line. In spite of the recent decline in energy and gas prices, commodities have continued to show upward pressure for respondents.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
January 2015	44.4%	55.6%	0.0%	72.2	50.0
December 2014	37.5%	37.5%	25.0%	56.3	37.5
November 2014	28.6%	42.9%	28.6%	50.0	54.5

The Inventories of Purchased Goods index was another index that showed a strong upward movement in January to 72.2 with no respondents reporting falling inventories. This could be spillover of the new orders increase as companies build stocks of product to ship.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
January 2015	55.6%	44.4%	0.0%	77.8	43.8
December 2014	12.5%	50.0%	37.5%	37.5	37.5
November 2014	28.6%	42.9%	28.6%	50.0	45.5

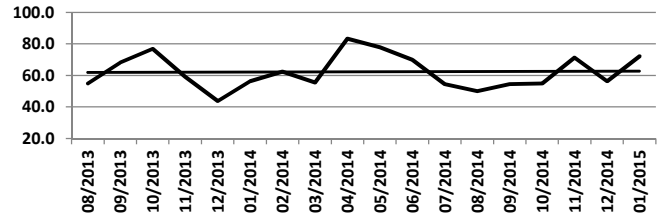
The non-seasonally adjusted Employment index was 77.8 in January, the highest index value for this series during my tenure generating the report. No individual responses noted lower employment levels with over half increasing hiring relative to December. The volatility is still a concern, although improvements in employment are a welcome increase in this series.

Vendor Deliveries were:

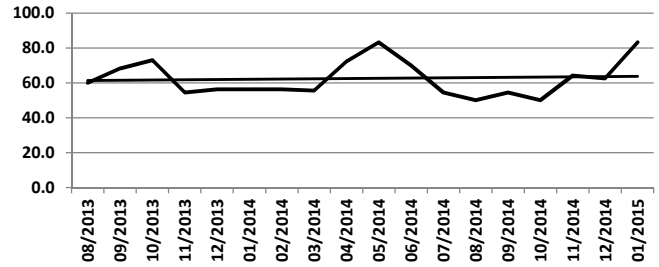
Period	Higher	Same	Lower	Index	Prior Yr
January 2015	22.2%	77.8%	0.0%	61.1	62.5
December 2014	12.5%	87.5%	0.0%	56.3	50.0
November 2014	28.6%	57.1%	14.3%	57.1	54.5

The Vendor Deliveries index increased slightly less than 5 points to 61.1 relative to December's value. This denotes continued increases in deliveries, and compared with the other results this month is much more in line with recent performance.

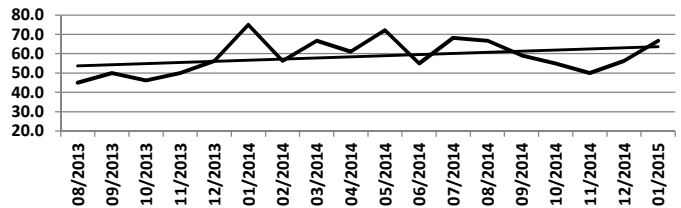
Production - Diffusion Index



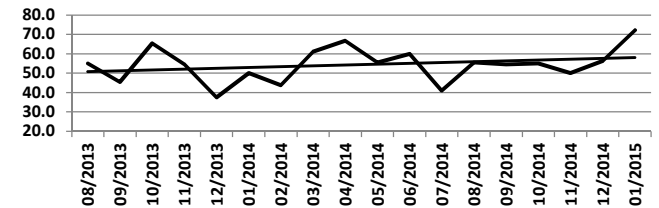
New Orders - Diffusion Index



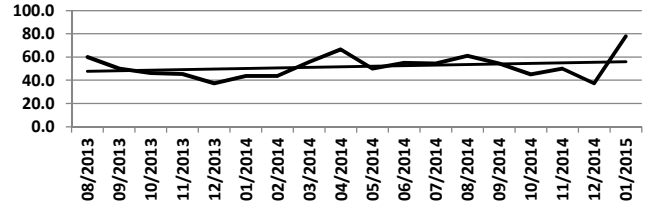
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

