

Institute of Supply Management - Buffalo

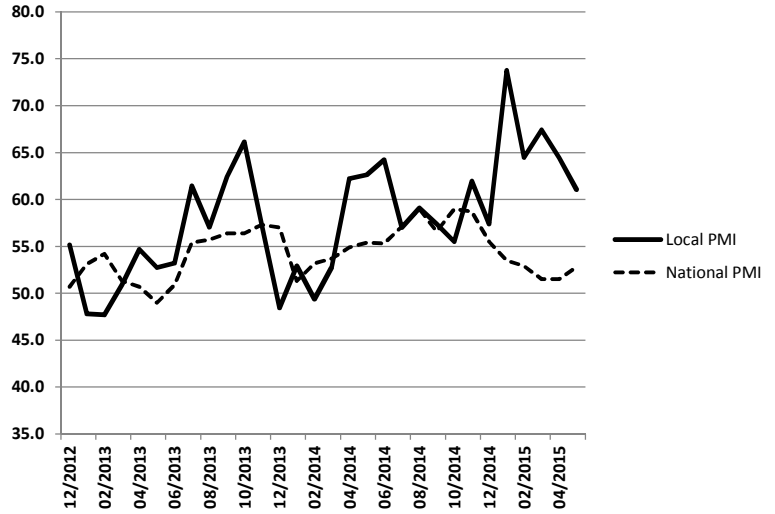
May 2015 Business Survey Monthly Comparison Report

The PMI Index

Local manufacturing activity in the greater Buffalo-Niagara region registered an expansionary index value at 61.1 in May, slightly off April's 64.4 performance. The national PMI Index was also in increasing territory at 52.8, also registering relatively little change compared to April. The local index's outperformance of the national series which began in November 2014 continues in May and May also marks the 15th stright month locally in expansionary territory (denoted by an index value of 50.0 or greater). We were also on pace with the Empire State manufacturing Index, their May report indicated a slight improvement in business versus prior month.

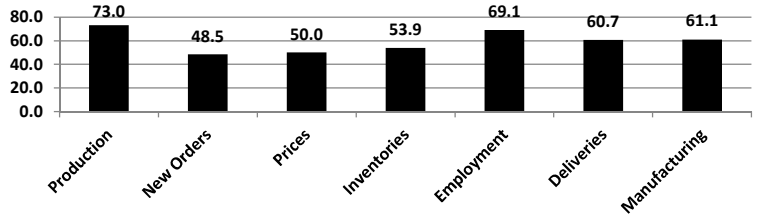
Favorable results were evident across virtually all other seasonally adjusted indices during May excepting New Orders. New Orders fell into contractionary territory (albeit slightly) relative to prior month at 48.5. After the strong performance of late, we could just be down relative to the strong increases. The Price index is again in increasing territory, although tepidly at 50.0. Inventories continued to increase, with May's value of 53.9 almost in line with April's index at 55.4. The Employment activity index again shows increased activity among respondents with a value of 69.1 a couple of points uptick from April's 67.1.

Overall these results appear favorable. This month's softness in New Orders will be something to watch, but with the first quarter contraction of Real GDP (after the data was restated recently) economic activity among respondents in WNY appears to have fared well thus far in 2015.



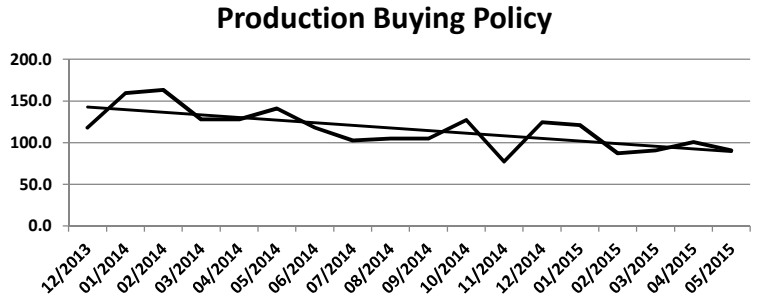
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	73.0	Increasing	Flat
New Orders	48.5	Increasing	Decreasing
Prices	50.0	Increasing	Increasing
Inventories	53.9	Increasing	Decreasing
Employment	69.1	Increasing	Decreasing
Deliveries	60.7	Increasing	Increasing
Manufacturing	61.1	Increasing	Flat



Production Buying Policy

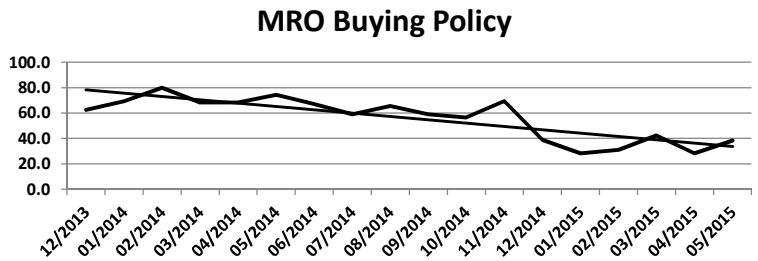
Survey respondents reported days ahead commitments fell slightly to 90.6 days from 100.6 days in April. We again converged to the long term trend line signaling generally shorter periods of days ahead commitments over the past year and a half.



MRO Buying Policy

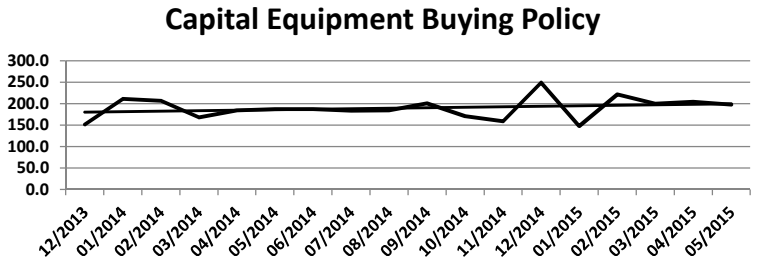
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies increased a bit to 38.3 days in May, up from last month's 28.3 day low. We had some increase this month, but this still doesn't make me think we've left the lower number of days on held on hand behind as a possible new normal.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 197.8 days ahead in May, off slightly from 204.4 days ahead in April. After what had been a spot of increased volatility, the past four months have shown themselves to be relatively stable. In looking back through historical values of this series the past 4-5 years, the past year and a half has been more stable than some of the recent previous years where much more notable swings were evident.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
May 2015	55.6%	44.4%	0.0%	77.8	77.8
April 2015	55.6%	33.3%	11.1%	72.2	83.3
March 2015	62.5%	12.5%	25.0%	68.8	55.6

The Production diffusion index increased slightly to 77.8 in May from 72.2 in April. We pulled slightly above the long-term trend line with no local respondents reporting lower production levels compared to prior month.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
May 2015	33.3%	33.3%	33.3%	50.0	83.3
April 2015	66.7%	33.3%	0.0%	83.3	72.2
March 2015	87.5%	0.0%	12.5%	87.5	55.6

The non-seasonally adjusted New Orders index fell pretty markedly from the past two months index values to a value of 50.0, this still being in increasing territory (this is non-seasonally adjusted, remember the adjusted value is slightly below). I'd think that a single month's result for New Orders shouldn't necessarily be enough to claim the start of a trend, but this will be something to watch.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
May 2015	11.1%	77.8%	11.1%	50.0	72.2
April 2015	22.2%	66.7%	11.1%	55.6	61.1
March 2015	12.5%	62.5%	25.0%	43.8	66.7

The Commodity Price diffusion index fell to right at the 50.0 mark in May, moving in tandem with the long-term trendline and still (slightly) in expansionary territory. My concerns about inflationary pressures post Great Recession have still not really made themselves evident. I've heard on a national level there has been a bit more evidence of late but we don't seem to be seeing it locally.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
May 2015	22.2%	66.7%	11.1%	55.6	55.6
April 2015	22.2%	77.8%	0.0%	61.1	66.7
March 2015	62.5%	37.5%	0.0%	81.3	61.1

The Inventories of Purchased Goods index continues in expansionary territory, but is below the long term trend line for the second straight month in May. Following the marked increases in the first quarter of the year, this may signify a return to more normal activity in inventory levels.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
May 2015	44.4%	55.6%	0.0%	72.2	50.0
April 2015	44.4%	55.6%	0.0%	72.2	66.7
March 2015	50.0%	50.0%	0.0%	75.0	55.6

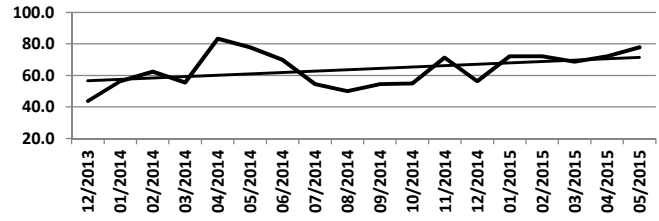
The non-seasonally adjusted Employment index was 72.2 again in May, the second straight month with the same index value. The strong performance in employment during May. As we move further from March's dip into contractionary territory, it looks more as if it may have been an anomaly.

Vendor Deliveries were:

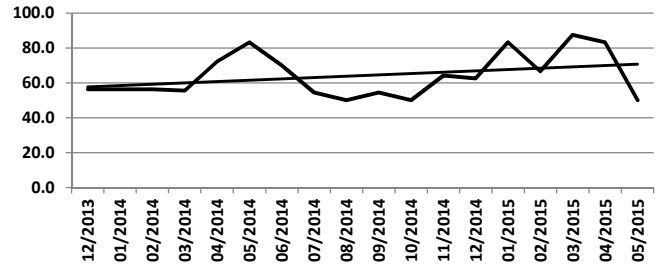
Period	Higher	Same	Lower	Index	Prior Yr
May 2015	22.2%	77.8%	0.0%	61.1	61.1
April 2015	22.2%	77.8%	0.0%	61.1	55.6
March 2015	0.0%	87.5%	12.5%	43.8	55.6

The Vendor Deliveries index is again in expansionary territory at 61.1, actually holding steady to last month's value. No respondents reported a smaller amount of vendor deliveries during May. As we move further from March's dip into contractionary territory, it looks more as if it may have been an anomaly.

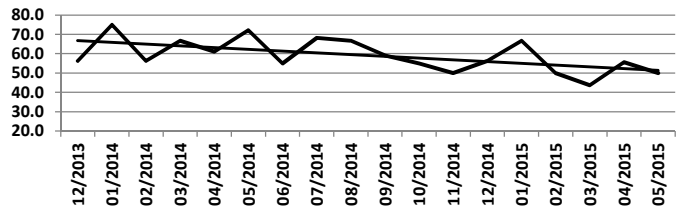
Production - Diffusion Index



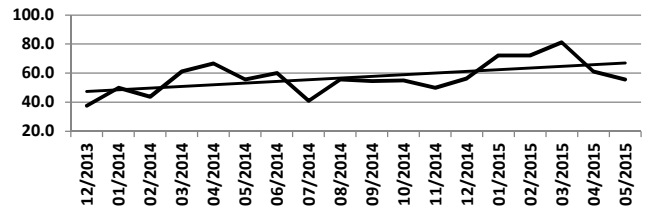
New Orders - Diffusion Index



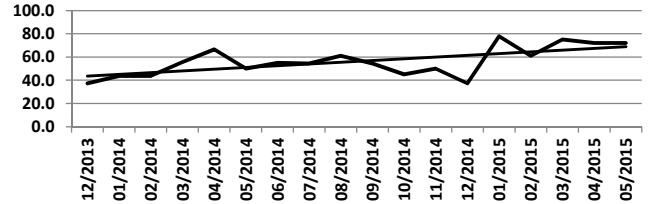
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

