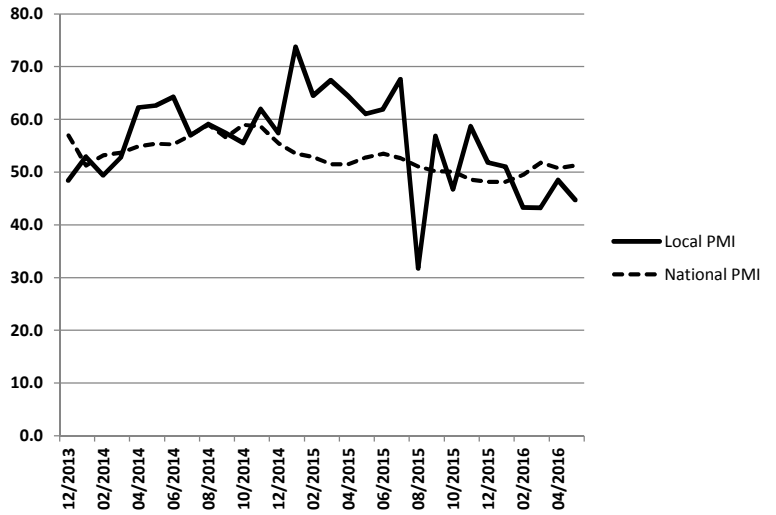


Institute of Supply Management - Buffalo
May 2016 Business Survey Monthly Comparison Report

The PMI Index

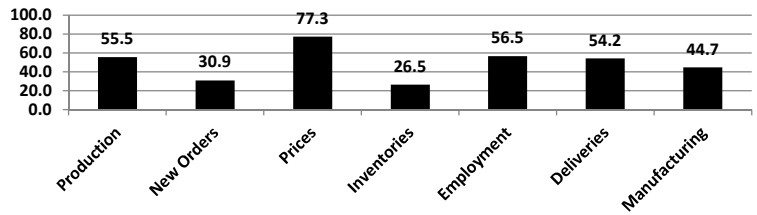
The local Buffalo-Niagara Manufacturing index continued in contractionary territory for the fourth straight month in May, deteriorating to 44.4 from last month's index value of 48.5 (values greater than 50.0 demarcate where manufacturing activity is expanding). The national ISM manufacturing index maintained its position in positive territory with an index value of 51.3 in May, up slightly from the 50.8 value in April. Regionally, the NY Fed's Empire State Manufacturing Survey, which surveys manufacturers statewide, rebounded into positive territory after two consecutive months where respondents reported contraction. Generally the broader macroeconomic indicators continue to be positive nationally, but local respondents have not fared well recently. With the dollar remaining strong versus competing currencies, manufacturers relying on exports have a more difficult competing on price which could be driving some of these results.

Looking to the other local results, Employment and Production are the bright spots with index values of 56.5 and 55.5 respectively. Otherwise, Inventories and New Orders show rather weak index values reflecting decreases relative to April. Commodity prices continue to increase relative to prior month as well. While likely tied to increasing oil and gas prices, inflation is an area I've had long term concerns since the 2008 crisis. Overall, we continue to see relative weakness in manufacturing locally relative to the broader economic indicators.



This month (Seasonally Adjusted)

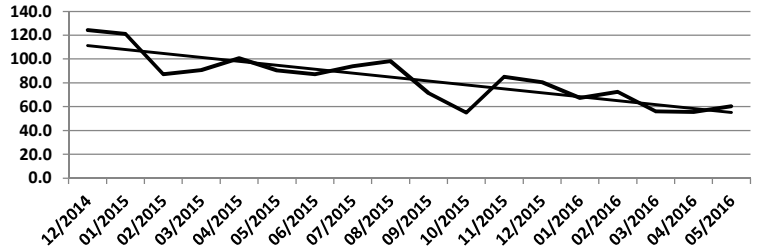
Index	Index	Direction	Rate of Change
Production	55.5	Increasing	Increasing
New Orders	30.9	Decreasing	Increasing
Prices	77.3	Increasing	Increasing
Inventories	26.5	Decreasing	Increasing
Employment	56.5	Increasing	Flat
Deliveries	54.2	Faster	Flat
Manufacturing	44.7	Decreasing	Increasing



Production Buying Policy

Days ahead production commitments among respondents registered 60.5 days in May up from to 55.4 days in April. We pulled slightly above the 18 month long term trend in May, we have had recent lows in October 2015 and March/April of this year. There appears to be support near the mid 50 day mark in terms of production buying policy.

Production Buying Policy

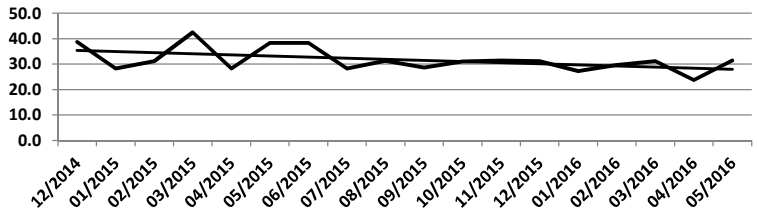


MRO Buying Policy

(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand increased to 31.4 days during May, rebounding from April's 23.8 days. While this series was remarkably stable from July of last year until March 2016, we've had more fluctuation the past couple of months.

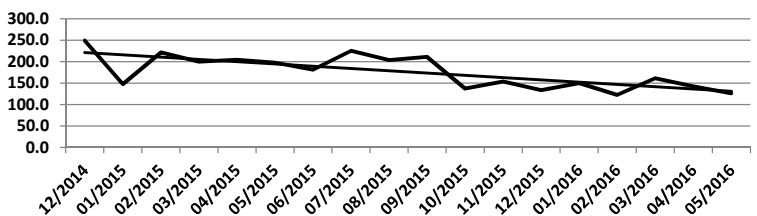
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 125.9 days ahead in May, down from 142.9 days ahead in April and 161.3 days ahead in March. We are easily below prior year levels, with this being the lowest number of day commitments in the past three years that have been captured as part of the report. As mentioned last month, these lower days ahead commitments represent what might be perceived as weakness in that manufacturers of capital equipment are able to deliver items ordered more quickly (fewer orders queued).

Capital Equipment Buying Policy



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
May 2016	45.5%	27.3%	27.3%	59.1	77.8
April 2016	41.7%	25.0%	33.3%	54.2	72.2
March 2016	23.1%	53.8%	23.1%	50.0	68.8

The Production diffusion index registered an index value of 59.1 in May. Although other areas of the non-seasonally adjusted report show weakness, it may be worth pointing out there has not been a contractionary index value in production relative to prior month since October of last year.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
May 2016	9.1%	45.5%	45.5%	31.8	50.0
April 2016	33.3%	41.7%	25.0%	54.2	83.3
March 2016	23.1%	38.5%	38.5%	42.3	87.5

The non-seasonally adjusted New Orders index fell back into contractionary territory in May with an index value of 31.8. After last month's positive result, New Orders fell relative to prior month and continues its relatively large fluctuations witnessed over the 18 month window shown in the graph to right.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
May 2016	63.6%	27.3%	9.1%	77.3	50.0
April 2016	33.3%	66.7%	0.0%	66.7	55.6
March 2016	15.4%	69.2%	15.4%	50.0	43.8

The Commodity Price diffusion index registered a value of 77.3 in May, up from April's 66.7 value. The graph to right shows the rather stark difference the past two months, with what had been relative absence of price inflation showing up from March 2016 onward. I anticipate that the rebound in oil prices may be creeping into other areas in terms of the price strength in recent months.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
May 2016	0.0%	54.5%	45.5%	27.3	55.6
April 2016	16.7%	41.7%	41.7%	37.5	61.1
March 2016	7.7%	46.2%	46.2%	30.8	81.3

The Inventories of Purchased Goods index fell again to a value of 27.3 in May, falling from April's 37.8 value of 30.8. Minus January and February registering values of 50.0 there have been inventory drawdowns relative to prior month the remaining months so far this year and the past three consecutive months.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
May 2016	36.4%	45.5%	18.2%	59.1	72.2
April 2016	33.3%	50.0%	16.7%	58.3	72.2
March 2016	23.1%	46.2%	30.8%	46.2	75.0

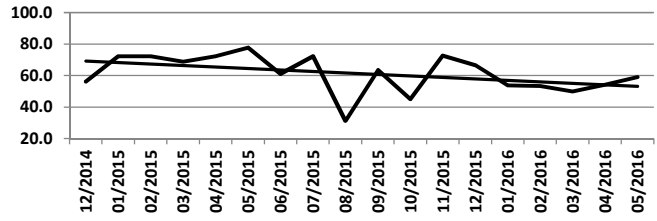
The non-seasonally adjusted Employment index remained in expansionary territory at 59.1 in May, slightly up from April's 58.3 value. While many of the other areas of the report relate weakness, this second consecutive month of employment level increases to prior month offer some consolation. After all, production levels have also remained stalwart above the 50.0

Vendor Deliveries were:

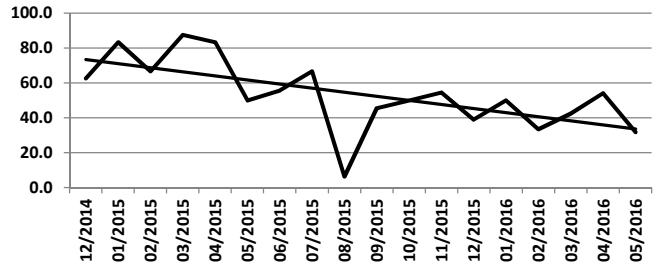
Period	Faster	Same	Slower	Index	Prior Yr
May 2016	9.1%	90.9%	0.0%	54.5	61.1
April 2016	16.7%	83.3%	0.0%	58.3	61.1
March 2016	15.4%	84.6%	0.0%	57.7	43.8

The Vendor Deliveries index registered a value of 54.5 in May, relatively stable relative to the past two months. The index relates faster deliveries relative to prior month with the vast majority of respondents reporting speed of delivery was the same relative to prior month.

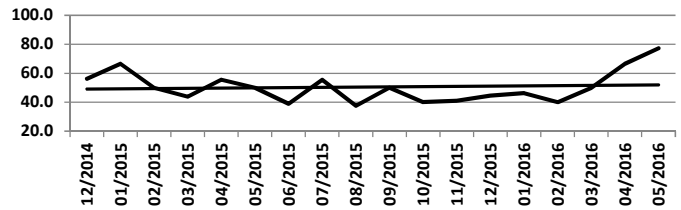
Production - Diffusion Index



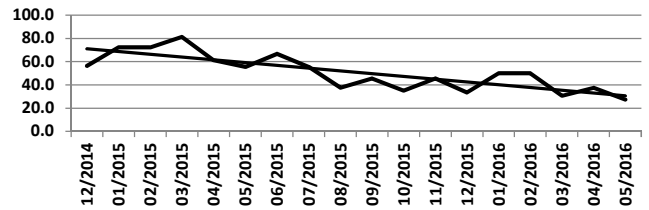
New Orders - Diffusion Index



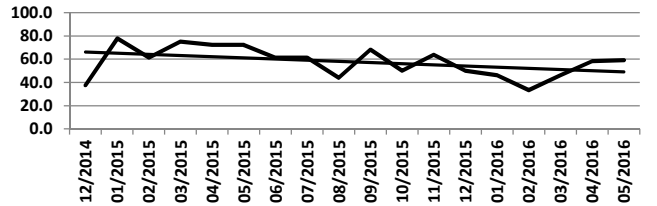
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

