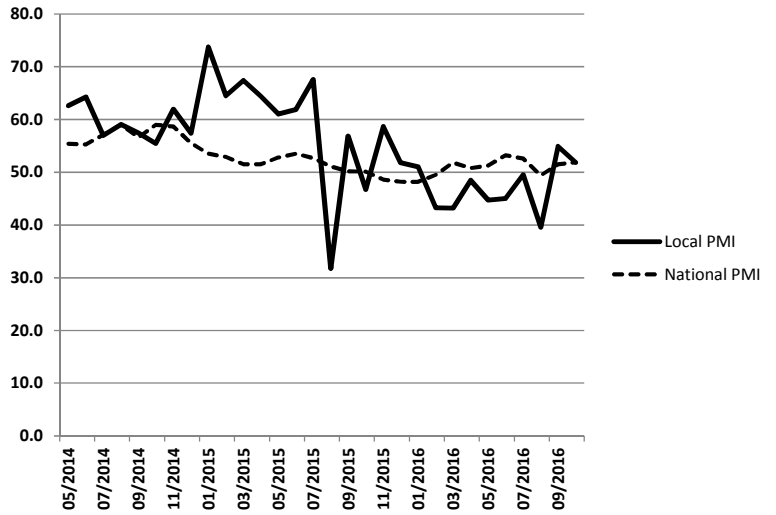


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**The PMI Index**

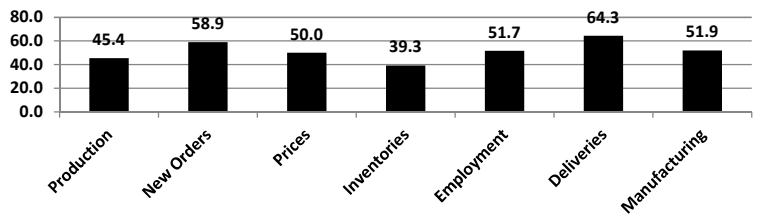
After seven months in contractionary territory ending in August, in October the local Buffalo-Niagara Manufacturing index registered its second straight month in expansionary territory with a value of 51.9. We were slightly off September's index value of 54.9 (where values of 50.0 or greater indicate increased activity). The national ISM manufacturing index coincidentally registered the same value of 51.9 in October as we did locally. Regionally, the NY Fed's Empire State Manufacturing Survey, which surveys manufacturers statewide, showed contractionary results in its General Business Conditions index for the third straight month. While we locally saw increases in manufacturing activity, on a state level firms were not as fortunate.

Looking to the other local indices, production declined relative to September levels among respondents. Following a single month above the 50.0 mark, Inventories fell to 39.3 relating decreasing inventories from September to October. We continue to see favorable results in both New Orders and Employment both of which increased relative to prior month. For a second month we seem to have had generally improving conditions, although I remain concerned due to the NY state results but the long continued slide in 2016 may have eased with a second straight month of (mostly) positive results.



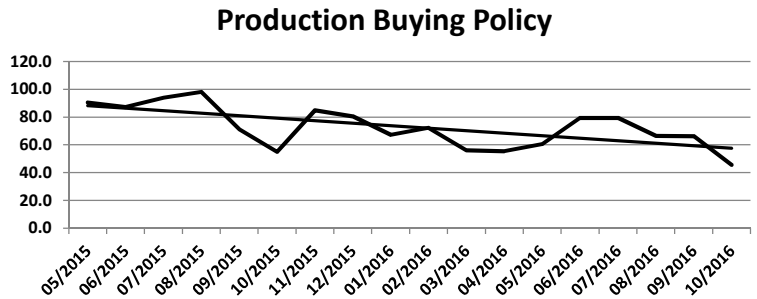
**This month (Seasonally Adjusted)**

Index	Index	Direction	Rate of Change
Production	45.4	Decreasing	Increasing
New Orders	58.9	Increasing	Increasing
Prices	50.0	Increasing	Decreasing
Inventories	39.3	Decreasing	Increasing
Employment	51.7	Increasing	Decreasing
Deliveries	64.3	Faster	Flat
Manufacturing	51.9	Increasing	Decreasing



**Production Buying Policy**

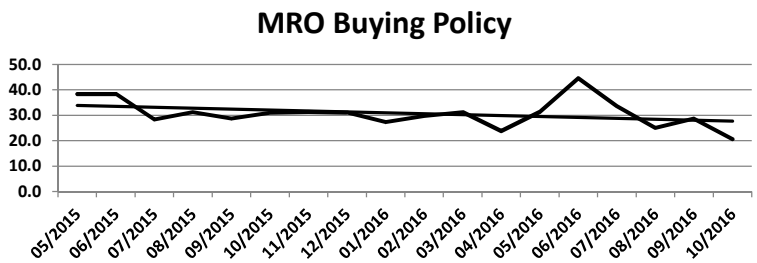
Days ahead production commitments among respondents registered 45.6 days in October, notably down from 66.4 days in September. Although a concerning fall, it's worth noting there was a comparable decline in October 2015 which rebounded. While no guarantee of improvement, it does offer some hope production buying policy may not be declining due to decreased expectations of activity as we progress toward the end of the year.



**MRO Buying Policy**

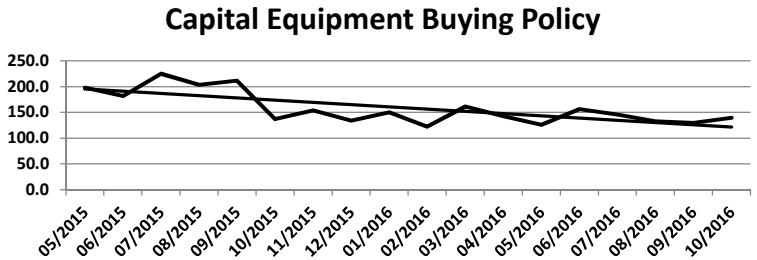
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand fell to 20.6 days from the 28.6 days we witnessed in September. Following the large upward movement in number of days in the middle of the year we have generally been declining the past three to four months.



**Capital Equipment Buying Policy**

Manufacturers report making capital equipment buying commitments an average of 139.4 days in October, up from 129.5 days in September. We see a small departure upward this month relative to the longer term trend line. This series has been reasonably consistent at lower values following the greater number of days reported in the May to September period of 2015.



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**The Production level was:**

Period	Higher	Same	Lower	Index	Prior Yr
October 2016	25.0%	37.5%	37.5%	43.8	45.0
September 2016	45.5%	9.1%	45.5%	50.0	63.6
August 2016	20.0%	30.0%	50.0%	35.0	31.3

The non-seasonally adjusted Production diffusion index registered an index value of 43.8 in October, falling from the barely expansionary value of 50.0 in September. One-fourth of respondents still reported higher production levels relative to September while 37.5% of respondents reported lower. This dichotomy was enough to pull the series into negative territory. We converged to the long-term trend line this month which has been generally declining since November of last year.

**New Orders were reported:**

Period	Higher	Same	Lower	Index	Prior Yr
October 2016	37.5%	37.5%	25.0%	56.3	50.0
September 2016	36.4%	27.3%	36.4%	50.0	45.5
August 2016	10.0%	30.0%	60.0%	25.0	6.3

The non-seasonally adjusted New Orders index nudged further upward into expansionary territory in October to 56.3 from last month's 50.0 value. This marks one of the few times this year we've witnessed two consecutive months of increases in the New Orders index in 2016. This series has largely vacillated above and below the 50.0 mark signifying increases and decreases relative to prior month.

**Commodity Prices are:**

Period	Higher	Same	Lower	Index	Prior Yr
October 2016	12.5%	75.0%	12.5%	50.0	40.0
September 2016	27.3%	63.6%	9.1%	59.1	50.0
August 2016	10.0%	80.0%	10.0%	50.0	37.5

The Commodity Price diffusion index registered a value of 50.0 in October, off relative to September's 59.1 value. While the index value still demarcates increases in commodity prices among respondents, these are relatively weak with the index just even with 50.0 mark. We continue to see relatively weaker increases in prices relative to the changes respondents saw during the middle of the year.

**Inventories of Purchased Goods were:**

Period	Higher	Same	Lower	Index	Prior Yr
October 2016	12.5%	50.0%	37.5%	37.5	35.0
September 2016	36.4%	27.3%	36.4%	50.0	45.5
August 2016	10.0%	40.0%	50.0%	30.0	37.5

The Inventories of Purchased Goods index fell back into contractionary territory in October, this signifies that respondents on average reported lower inventories relative to September's levels. We continue to see weak results in this series. The majority of months during 2016 respondents have reported having lower inventories of purchased goods relative to prior month.

**Employment Levels were:**

Period	Higher	Same	Lower	Index	Prior Yr
October 2016	12.5%	75.0%	12.5%	50.0	50.0
September 2016	27.3%	54.5%	18.2%	54.5	68.2
August 2016	20.0%	60.0%	20.0%	50.0	43.8

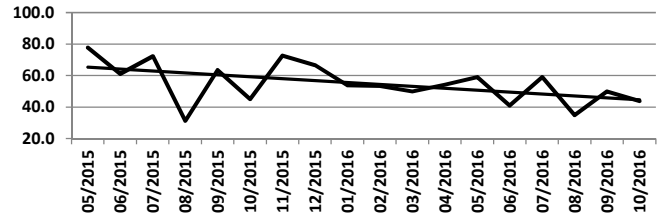
The non-seasonally adjusted Employment index fell back to 50.0 during October, signaling (weakly) increasing employment relative to September levels. The vast majority of respondents at 75.0% reported employment levels that were the same relative to prior month.

**Vendor Deliveries were:**

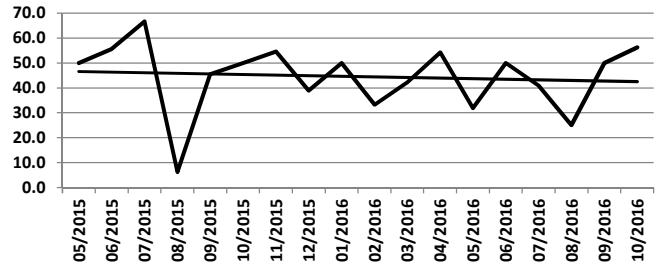
Period	Faster	Same	Slower	Index	Prior Yr
October 2016	25.0%	75.0%	0.0%	62.5	45.0
September 2016	27.3%	72.7%	0.0%	63.6	54.5
August 2016	10.0%	90.0%	0.0%	55.0	37.5

The Vendor Deliveries index registered a value of 62.5 in October, off slightly from 63.6 in September. October marks our second straight month above the long term trend line, with vendors appearing to be generally performing well in their deliveries arriving on time or faster than the promise date.

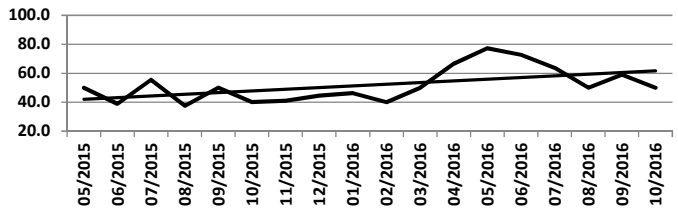
**Production - Diffusion Index**



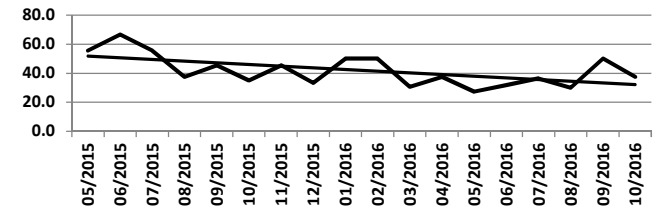
**New Orders - Diffusion Index**



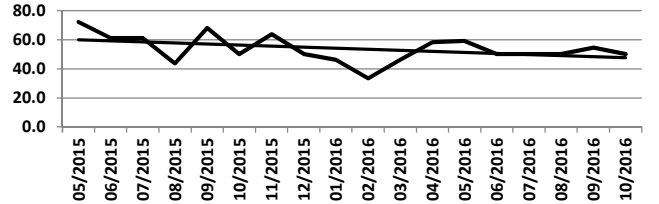
**Commodity Pricing - Diffusion Index**



**Inventories - Diffusion Index**



**Employment - Diffusion Index**



**Vendor Deliveries - Diffusion Index**

