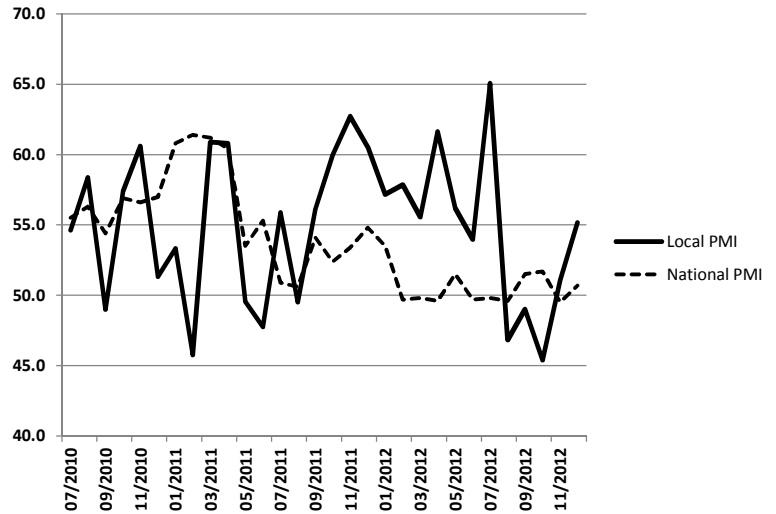


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The PMI Index

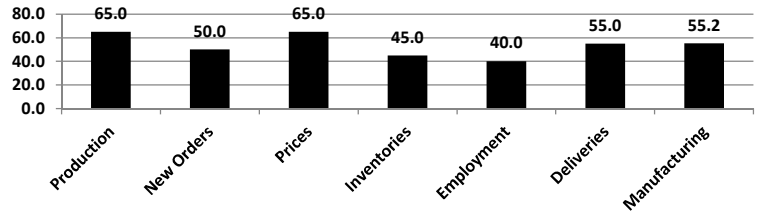
The PMI Index for the local manufacturing sector climbed again in December to 55.2, building upon its movement above 50 last month showing increasing activity at an increasing rate. This is a positive trend compared with the slowing pace of early fall. Moving into the new year with the resolution of the first of two "fiscal cliffs" that are facing the federal government this could be a good sign in the short term. How congress and the president handle the impending issue of the debt ceiling could add instability to economic activity.

The commodity price increases appear to continue to remain strong, and this in the face of relatively weak aggregate demand. If or when banking activity picks up it could foreshadow even stronger increases in price levels. Inventories and Employment levels fell during December with the closing of the year. These two results seem a bit contrarian in the face of increasing deliveries and the overall localized PMI showing a nice rebound in December. With the start of 2013 and a new fiscal year underway at many businesses, this could foreshadow some positive news in the coming months. Overall there could be some signs of life after three straight months of local PMI index contraction.



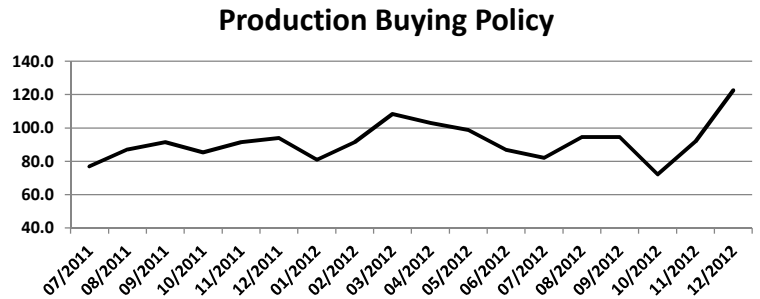
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	65.0	Increasing	Increasing
New Orders	50.0	Flat	Flat
Prices	65.0	Increasing	Increasing
Inventories	45.0	Decreasing	Flat
Employment	40.0	Decreasing	Increasing
Deliveries	55.0	Increasing	Decreasing
Manufacturing	55.2	Increasing	Increasing



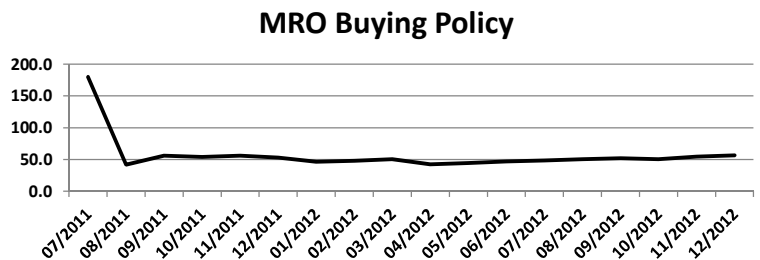
Production Buying Policy

The survey respondents are reporting the days-ahead commitments for production material is an average 122.5 days. Last month this average was 91.8 days, showing a notable increase in days ahead commitments since the November report.



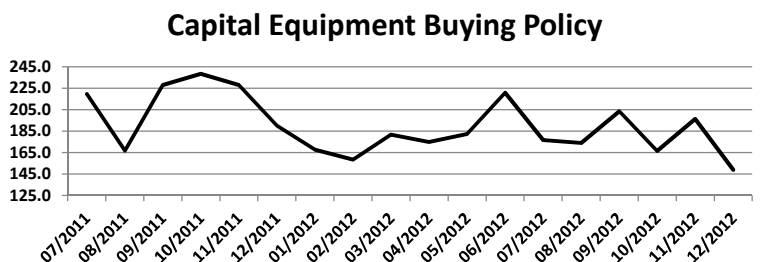
MRO Buying Policy

This month respondents report having 56.5 days ahead for MRO supplies. This has remained relatively unchanged throughout 2012, although a slight improvement from the November 54.5 level.



Capital Equipment Buying Policy

Manufacturers are looking out an average of 149 days and making commitments for capital equipment. This number shows a marked decrease from November levels. There is a notable downward trend since mid-year in decreasing length of commitments, one can't help but wonder about the uncertainty that was caused by the political disagreements over tax policy and the last minute budget and tax deals when looking at this result.

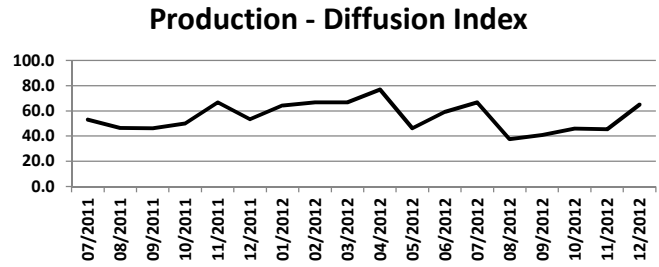


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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
December 2012	40.0%	50.0%	10.0%	65.0	53.3
November 2012	27.3%	36.4%	36.4%	45.5	66.7
October 2012	25.0%	41.7%	33.3%	45.8	50.0

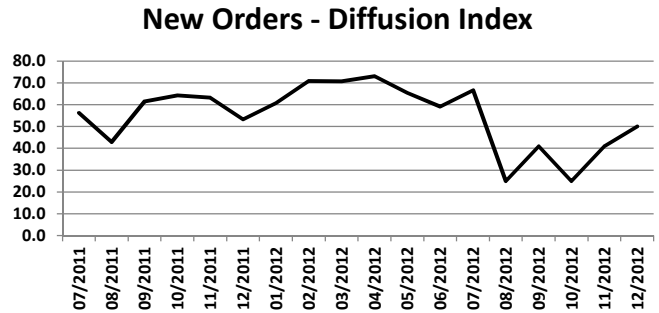
The Production diffusion index showed a marked improvement in December, moving back into expansionary territory.



New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
December 2012	30.0%	40.0%	30.0%	50.0	53.3
November 2012	27.3%	27.3%	45.5%	40.9	63.3
October 2012	8.3%	33.3%	58.3%	25.0	64.3

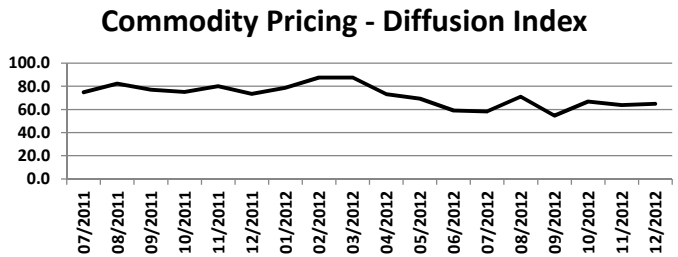
Gains continued into December for New Orders with the index hitting the 50, or stable, mark for the first time since mid year. 70% of respondents claimed the same or higher New Orders during the month of December.



Commodity prices are:

Period	Higher	Same	Lower	Index	Prior Yr
December 2012	40.0%	50.0%	10.0%	65.0	73.3
November 2012	36.4%	54.5%	9.1%	63.6	80.0
October 2012	41.7%	50.0%	8.3%	66.7	75.0

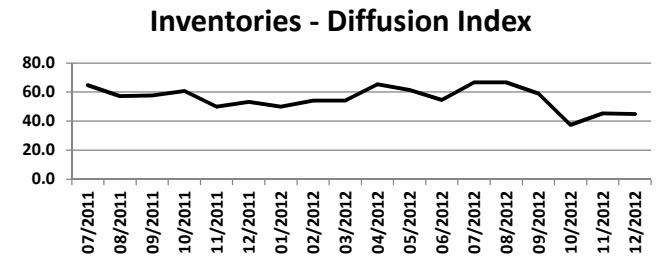
Commodity price pressures remain high, although better than late 2011 early 2012. Continued treasury purchases by the Federal Reserve should broadly continue this trend in 2013.



Inventories of purchased goods were:

Period	Higher	Same	Lower	Index	Prior Yr
December 2012	20.0%	50.0%	30.0%	45.0	53.3
November 2012	27.3%	36.4%	36.4%	45.5	50.0
October 2012	16.7%	41.7%	41.7%	37.5	60.8

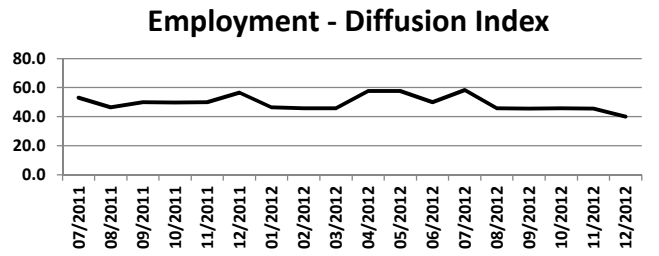
The Inventories of purchased goods index remained flat in Decembers with a slight trend toward decline. This value seems to have stabilized above the October 37.5 number.



Employment levels were:

Period	Higher	Same	Lower	Index	Prior Yr
December 2012	0.0%	80.0%	20.0%	40.0	56.7
November 2012	9.1%	72.7%	18.2%	45.5	50.0
October 2012	0.0%	91.7%	8.3%	45.8	49.7

Slight decline in the employment measure from December. No respondents reported higher employment levels. This may result from basic end of the year noise with many businesses likely putting hiring decisions off until after the start of the year.



Vendor Deliveries were:

Period	Higher	Same	Lower	Index	Prior Yr
December 2012	10.0%	90.0%	0.0%	55.0	60.0
November 2012	27.3%	72.7%	0.0%	63.6	60.0
October 2012	16.7%	83.3%	0.0%	58.3	64.3

Vendor deliveries showed relayed steadiness to close out the year. 90% of respondents reported the same level of vendor deliveries during the month.

