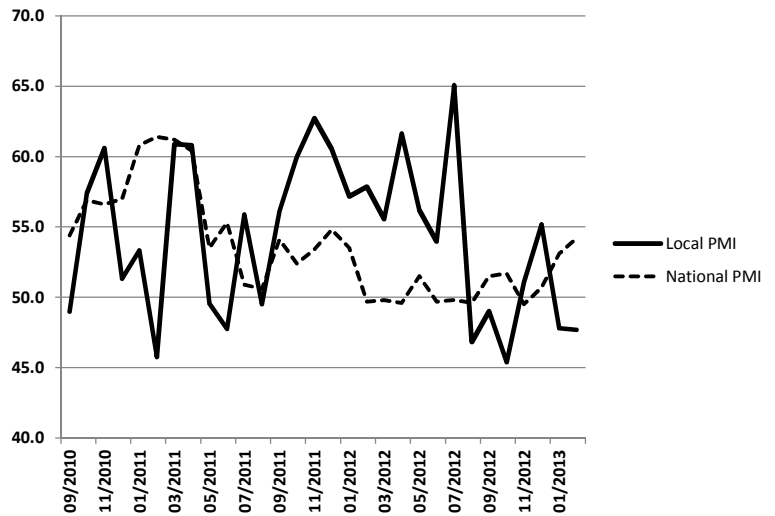


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The PMI Index

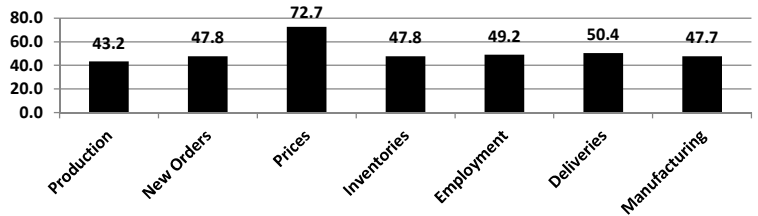
The seasonally adjusted PMI Index for the local manufacturing sector held steady slightly below 50 at 47.7 this month. National PMI shows continued improvement for the second month in a row. Although dipping, our three month moving average is still hanging on above 50 at 50.2, although excepting November and December we've consistently been seeing results reflecting weakness in activity since July. A bit of a disappointing trailoff for the Niagara region following late 2011 through mid-2012 showing expanding production in the survey results.

The seasonally adjusted numbers in the table below are likewise relatively flat excepting the continued upward pressure in commodity prices. As spring draws near and temperatures creep upward, hopefully so too will manufacturing activity in western New York. Continued events in the Eurozone cast a bit of a pall over activity in worldwide markets this week, with the recent Cyprus bailout leaving bank depositors concerned over the safety of their savings. That is the macro news story I will be watching in the weeks to come.



This month (Seasonally Adjusted)

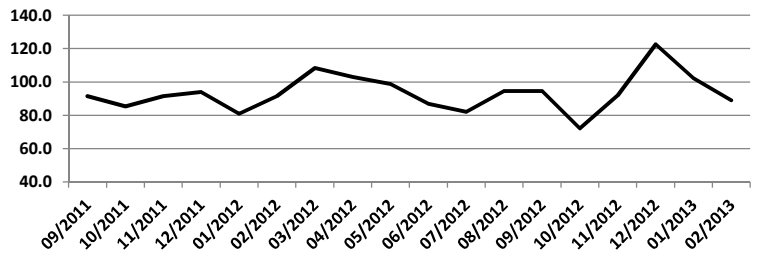
Index	Index	Direction	Rate of Change
Production	43.2	Decreasing	Decreasing
New Orders	47.8	Decreasing	Decreasing
Prices	72.7	Increasing	77.3 last month, slightly off
Inventories	47.8	Decreasing	49.9 last month, flat
Employment	49.2	Decreasing	Right at the 50 mark, flat
Deliveries	50.4	Increasing	Decreasing
Manufacturing	47.7	Decreasing	Flat, 47.8 last month



Production Buying Policy

Survey respondents report days-ahead commitments for production material are an average 89.1 days, falling a bit from last month's 102.3 day average. This has fallen for the third straight month after the recent peak above 120 days in December.

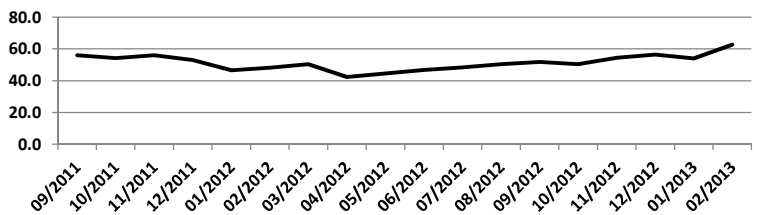
Production Buying Policy



MRO Buying Policy

This month respondents report having 62.7 days ahead for MRO supplies, slightly up from January's 54.5. This has exhibited a slow but steady and consistent upward trend since last year's bottom in April.

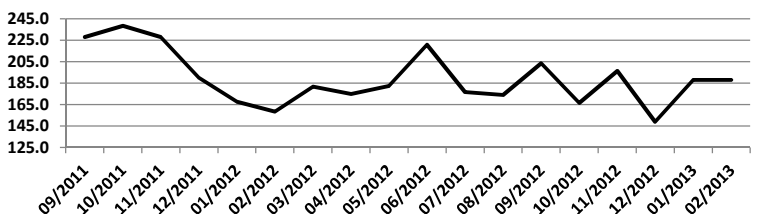
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers are looking out an average of 188.2 days and making commitments for capital equipment, unchanged from January survey results. This number is hopefully stabilizing above the trend of decline that was evident the last half of 2012.

Capital Equipment Buying Policy

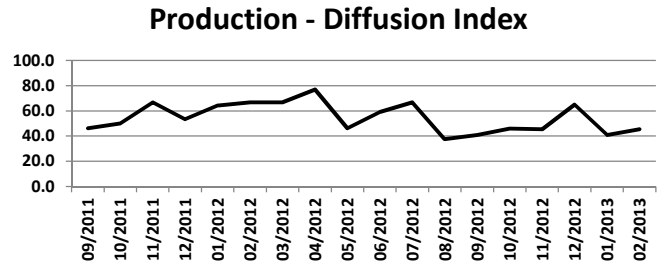


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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
February 2013	27.3%	36.4%	36.4%	45.5	66.7
January 2013	27.3%	27.3%	45.5%	40.9	64.3
December 2012	40.0%	50.0%	10.0%	65.0	53.3

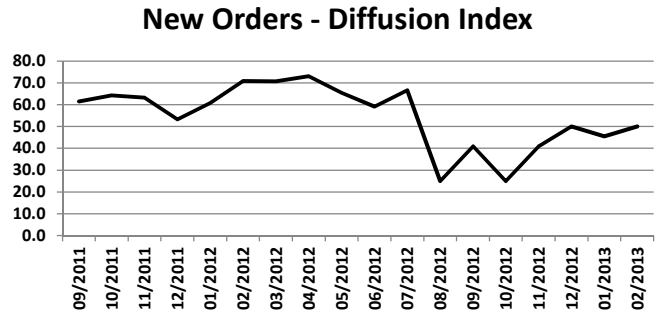
The Production diffusion index rebounded a bit in February to 45.5, still in declining territory but above last month's number.



New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
February 2013	36.4%	27.3%	36.4%	50.0	70.8
January 2013	27.3%	36.4%	36.4%	45.5	60.7
December 2012	30.0%	40.0%	30.0%	50.0	53.3

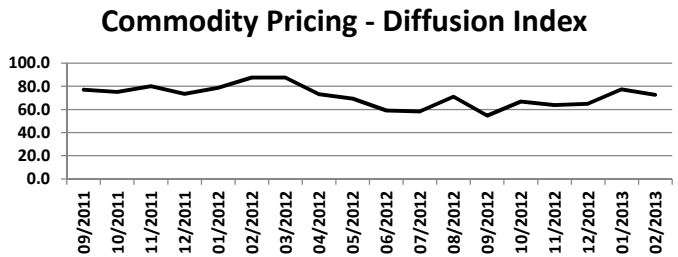
New orders rebounded slightly to the 50 mark reflecting no lower or higher levels in new orders in the month. Compared to last year we are lower versus the strong results that were being posted, but steady is to be preferred to contraction.



Commodity prices are:

Period	Higher	Same	Lower	Index	Prior Yr
February 2013	54.5%	36.4%	9.1%	72.7	87.5
January 2013	63.6%	27.3%	9.1%	77.3	78.6
December 2012	40.0%	50.0%	10.0%	65.0	73.3

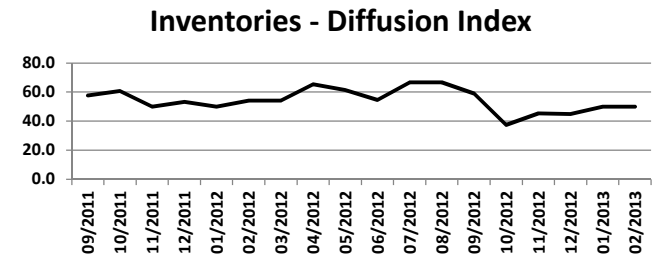
Commodity price pressures continue, although they do seem to be coming in below prior year values at this time. With that stated, core CPI continues to come in at "acceptable" levels for the Federal Reserve. Unless broad unemployment decreases I expect to continue to see the monetary expansion by the Fed.



Inventories of purchased goods were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2013	36.4%	27.3%	36.4%	50.0	54.1
January 2013	36.4%	27.3%	36.4%	50.0	50.0
December 2012	20.0%	50.0%	30.0%	45.0	53.3

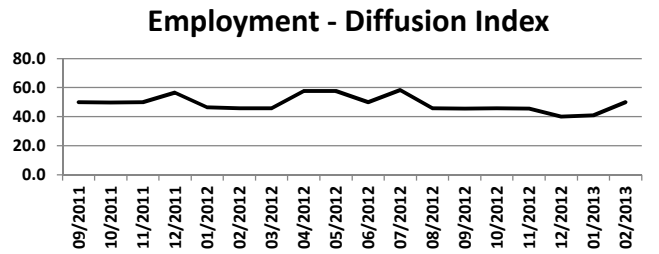
The Inventories of purchased goods index held flat at the 50 mark, keeping in tone with the slow upward trend from the 4th quarter of 2012.



Employment levels were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2013	9.1%	81.8%	9.1%	50.0	45.8
January 2013	9.1%	63.6%	27.3%	40.9	46.4
December 2012	0.0%	80.0%	20.0%	40.0	56.7

Slight fall in employment measure from January, but likely within the margin of error of holding steady. While not showing large gains in employment, these measures seem to be holding relatively steady since mid 2012



Vendor Deliveries were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2013	9.1%	81.8%	9.1%	50.0	66.6
January 2013	18.2%	81.8%	0.0%	59.1	57.1
December 2012	10.0%	90.0%	0.0%	55.0	60.0

Vendor deliveries trailed a bit during February, falling to the 50 mark and showing a bit of weakness. This continues the slow decrease since November of 2012.

