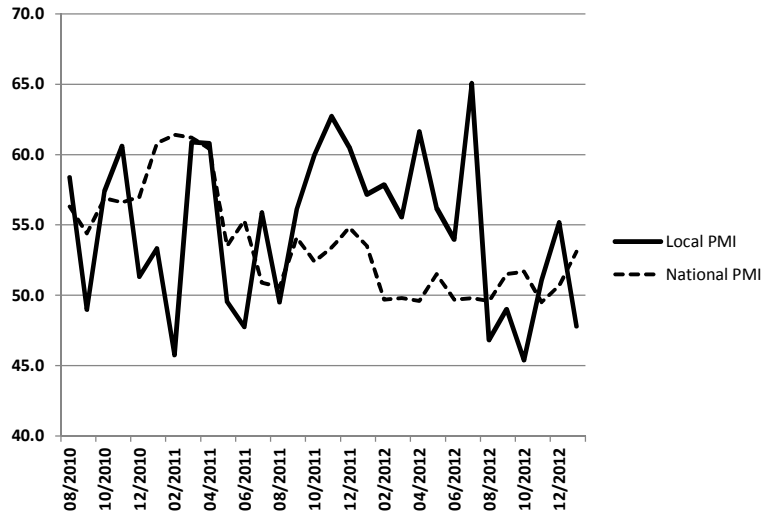


## National Association of Purchasing Management - Buffalo January 2013 Business Survey Monthly Comparison Report

### The PMI Index

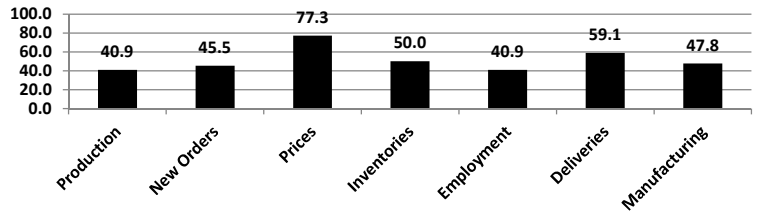
The PMI Index for the local manufacturing sector fell back below the 50 mark in January toward contraction at 47.8. The national number showed expansion at 53.1. This may be a bit of noise in the data, the Buffalo/Niagara region showed better than national average results in production throughout the last quarter of 2011 through around 2012 Q3 since which we've been seeing weakness excepting last month's short rebound.

The commodity price increases are strong again this month. This to me foreshadows what could be the story for 2013 if it continues. The continued quantitative easing by the federal reserve may be turning into the increased inflationary pressures that many have called for since 2008. A data string I consult often is the Excess Reserves value that is reported by the St. Louis Federal Reserve FRED reporting system. If reserves were to finally drop post crisis it could lead to notable increases in the money supply and further inflationary pressures.



### This month (Seasonally Adjusted)

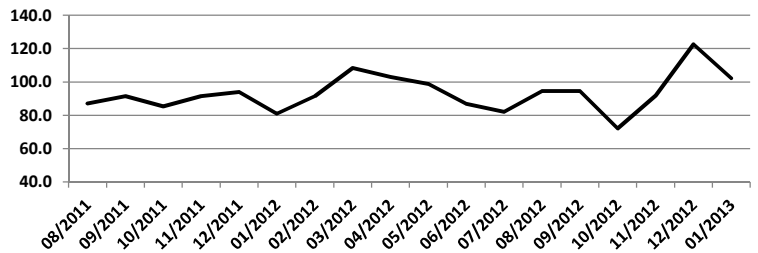
Index	Index	Direction	Rate of Change
Production	40.9	Decreasing	Increasing
New Orders	45.5	Decreasing	50 last month, flat
Prices	77.3	Increasing	65 last month, increasing
Inventories	50.0	Flat	45 last month, flat
Employment	40.9	Decreasing	40 last month, flat
Deliveries	59.1	Increasing	Increasing
Manufacturing	47.8	Decreasing	Increasing



### Production Buying Policy

The survey respondents are reporting the days-ahead commitments for production material is an average 102.3 days. Last month this average was 122.5 days, showing a bit of a decrease in days ahead commitments since the December report.

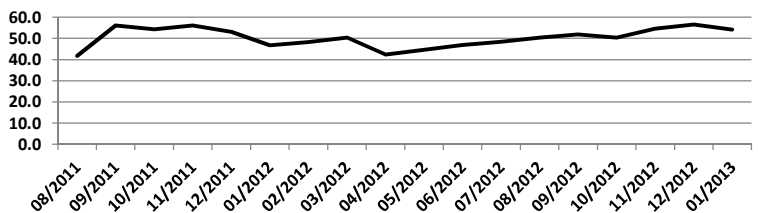
### Production Buying Policy



### MRO Buying Policy

This month respondents report having 54.5 days ahead for MRO supplies. This has remained relatively unchanged throughout 2012, although slightly off from December's 56.5 level.

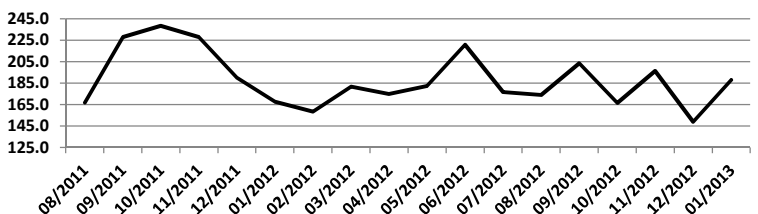
### MRO Buying Policy



### Capital Equipment Buying Policy

Manufacturers are looking out an average of 188.2 days and making commitments for capital equipment. This number shows a marked increase from December levels. There is a notable downward trend since mid-year in decreasing length of commitments, with individual months see sawing up and down. In spite of the "fiscal cliff's" resolution there seems to remain marked uncertainty to government spending in the near term which may be having spillovers.

### Capital Equipment Buying Policy

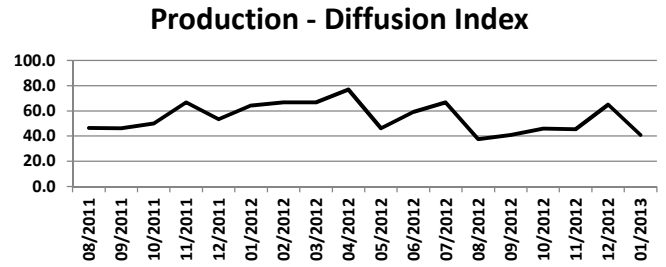


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**The Production level was:**

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

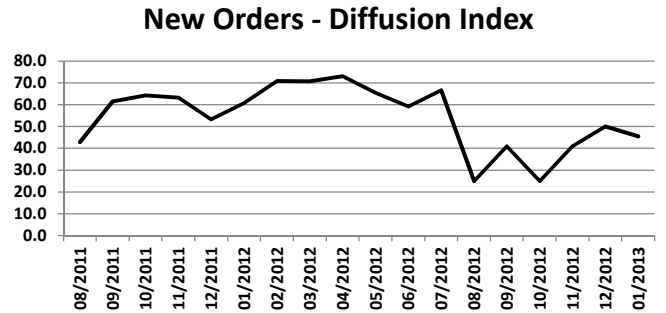
The Production diffusion index slipped a bit in January, moving back into declining territory after a single month above the 50 mark.



**New Orders were reported:**

Period	Higher	Same	Lower	Index	Prior Yr
January 2013	27.3%	36.4%	36.4%	45.5	60.7
December 2012	30.0%	40.0%	30.0%	50.0	53.3
November 2012	27.3%	27.3%	45.5%	40.9	63.3

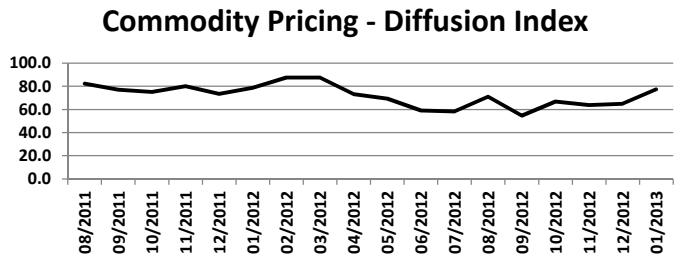
New orders opened the year with a bit of softness compared with last month. We are remaining above levels of the 3rd quarter 2012 which offers some room for optimism.



**Commodity prices are:**

Period	Higher	Same	Lower	Index	Prior Yr
January 2013	63.6%	27.3%	9.1%	77.3	78.6
December 2012	40.0%	50.0%	10.0%	65.0	73.3
November 2012	36.4%	54.5%	9.1%	63.6	80.0

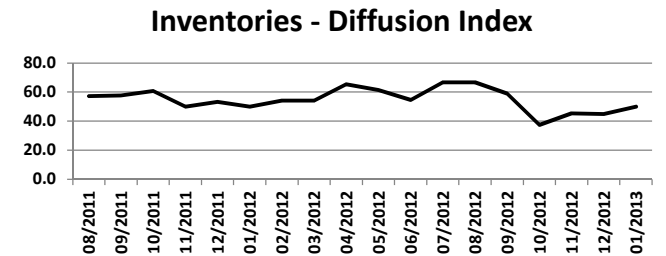
Commodity price pressures remain high, in what seems to be the single category where there is continued signs of increasing (at an increasing rate). With treasury purchases by the Federal Reserve planned throughout the year this trend should be broadly expected for the near to medium term.



**Inventories of purchased goods were:**

Period	Higher	Same	Lower	Index	Prior Yr
January 2013	36.4%	27.3%	36.4%	50.0	50.0
December 2012	20.0%	50.0%	30.0%	45.0	53.3
November 2012	27.3%	36.4%	36.4%	45.5	50.0

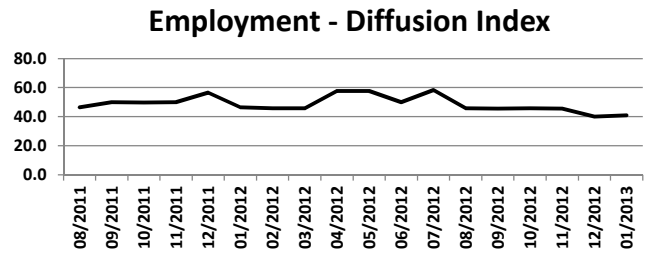
The Inventories of purchased goods index improved slightly in January to the 50 mark. Values seem to be generally trending up a bit since October 2012.



**Employment levels were:**

Period	Higher	Same	Lower	Index	Prior Yr
January 2013	9.1%	63.6%	27.3%	40.9	46.4
December 2012	0.0%	80.0%	20.0%	40.0	56.7
November 2012	9.1%	72.7%	18.2%	45.5	50.0

Slight improvement in the employment measure from December. Seem to be relatively stable in this measure since mid 2012 with slight trail off at year end.



**Vendor Deliveries were:**

Period	Higher	Same	Lower	Index	Prior Yr
January 2013	18.2%	81.8%	0.0%	59.1	57.1
December 2012	10.0%	90.0%	0.0%	55.0	60.0
November 2012	27.3%	72.7%	0.0%	63.6	60.0

Vendor deliveries continue to show strength, increasing at an increasing rate. All respondents reported the same level of vendor deliveries or higher during the month.

