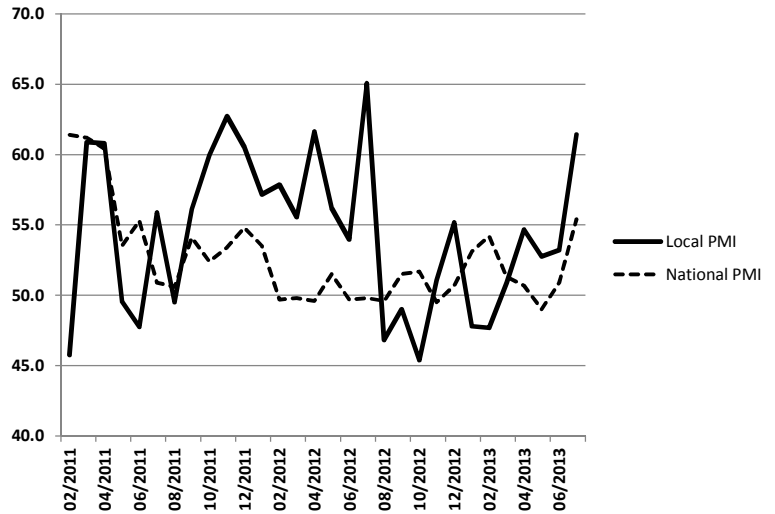


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The PMI Index

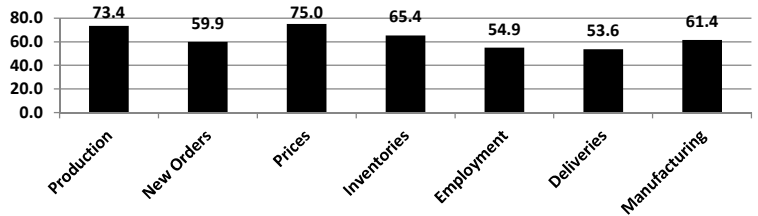
The local seasonally adjusted PMI Index for June is 61.4 improving from last month's 52.8 for the Buffalo-Niagara region. We continue to outpace the national index for the fifth straight month. This is additionally our fifth consecutive month above 50.0, where an index value above 50.0 signifies growth in manufacturing activity. The expansion locally is in line with the Federal Reserve Bank of New York's recently released August Empire State Manufacturing survey which also claimed the third straight month of modestly increasing activity statewide. The Fed's survey reported that manufacturers in NY state expected sales or revenues 5 percent higher than prior year, although employment and capital spending to be little changed.

Monthly seasonally adjusted numbers are featured in the table below. The New Orders index has rebounded above the 50.0 mark this month to 59.9, an increase from last month's 47.6 index value. Upward price pressures continued at an increased rate in July, with an index value of 75.0 up from 61.1 last month. Employment continues in expansionary territory at 54.9, although at a lessened rate compared to last month. Deliveries held essentially flat in expansionary territory, falling slightly to 53.6 from 54.5 in July.



This month (Seasonally Adjusted)

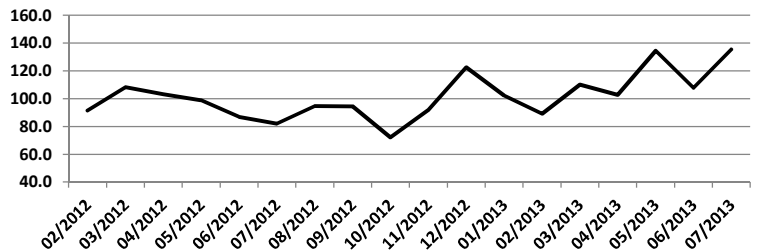
Index	Index	Direction	Rate of Change
Production	73.4	Increasing	Increasing
New Orders	59.9	Increasing	Increasing
Prices	75.0	Increasing	Increasing
Inventories	65.4	Increasing	Increasing
Employment	54.9	Increasing	Decreasing
Deliveries	53.6	Increasing	Decreasing
Manufacturing	61.4	Increasing	Increasing



Production Buying Policy

Survey respondents report days ahead commitments for production material rebounded to 135.4 in July, continuing the longer term increasing trend from the trough in October 2012.

Production Buying Policy

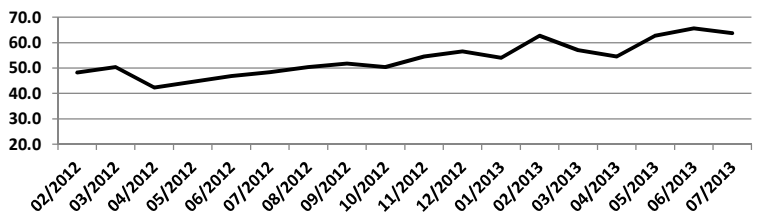


MRO Buying Policy

(Maintenance, Repair, and Operating)

This month respondents report MRO fell slightly to 63.8 from last month's MRO days ahead at 65.6 days. This month's results tempers the slow and steady increasing trend from the past 18 months, and remains one of the consistently steady measures of local activity.

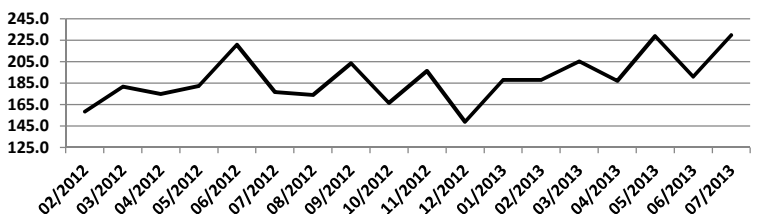
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers are looking out an average of 229.9 days and making commitments for capital equipment, rebounding to May's levels. Locally, there seems to be a general increasing trend of days ahead purchases among respondents in the Buffalo-Niagara region since year end 2012.

Capital Equipment Buying Policy



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
July 2013	50.0%	30.0%	20.0%	65.0	66.7
June 2013	33.3%	33.3%	33.3%	50.0	59.1
May 2013	33.3%	44.4%	22.2%	55.6	46.2

The Production diffusion index increased to 65.0 in July, from the modest positive results in May and June. This relates continued expansion, and possibly a bit of strength moving into late summer.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
July 2013	50.0%	10.0%	40.0%	55.0	66.7
June 2013	44.4%	11.1%	44.4%	50.0	59.1
May 2013	44.4%	11.1%	44.4%	50.0	65.4

New Orders bounced up a bit in July, relating a continued expansion following two months at the 50.0 mark. Prior year there were issues with New Orders from July through November, watching to see if seasonal factors play out in 2013 will be of interest in as we head to the latter part of the year.

Commodity prices are:

Period	Higher	Same	Lower	Index	Prior Yr
July 2013	50.0%	50.0%	0.0%	75.0	58.3
June 2013	33.3%	55.6%	11.1%	61.1	59.1
May 2013	55.6%	44.4%	0.0%	77.8	69.2

Commodity price pressure continues, rebounding from slightly less strong increases in June. Continued monetary expansion has been signaled by the fed, which increases inflationary pressures. This is a trend I personally tend to expect to continue.

Inventories of purchased goods were:

Period	Higher	Same	Lower	Index	Prior Yr
July 2013	30.0%	60.0%	10.0%	60.0	66.7
June 2013	22.2%	66.7%	11.1%	55.6	54.5
May 2013	55.6%	33.3%	11.1%	72.2	61.5

The Inventories of purchased goods index stayed in expansionary territory, with an faster rate of expansion than prior month. The last three months' movements seem to follow prior year results. Could these be due to seasonal factors with the holiday season approaching?

Employment levels were:

Period	Higher	Same	Lower	Index	Prior Yr
July 2013	20.0%	70.0%	10.0%	55.0	58.3
June 2013	33.3%	66.7%	0.0%	66.7	50.0
May 2013	11.1%	66.7%	22.2%	44.4	57.7

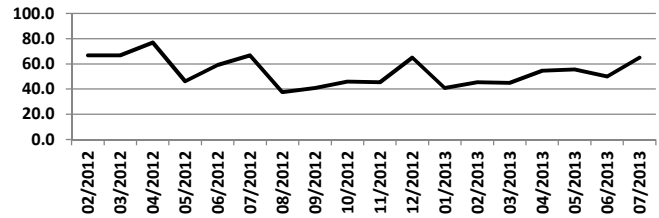
Employment again stayed above the 50.0 mark this month at 55.0 relating modest expansion. 90.0% of respondents reported the same or higher employment levels during July.

Vendor Deliveries were:

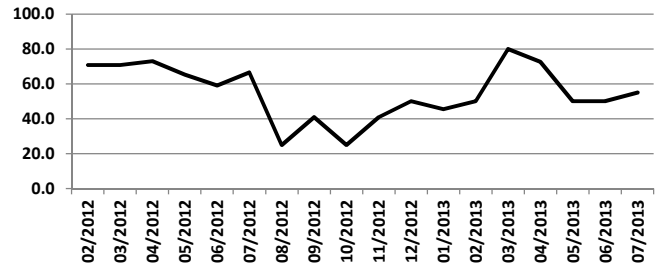
Period	Higher	Same	Lower	Index	Prior Yr
July 2013	10.0%	90.0%	0.0%	55.0	58.3
June 2013	11.1%	88.9%	0.0%	55.6	59.1
May 2013	22.2%	77.8%	0.0%	61.1	61.5

Vendor deliveries held steady at 55.0, essentially steady from last month's 55.6 value. We remain in expansionary territory above 50.0 and remain approximately in line with results from the past 18 months excepting the decrease in the 1st quarter of 2013.

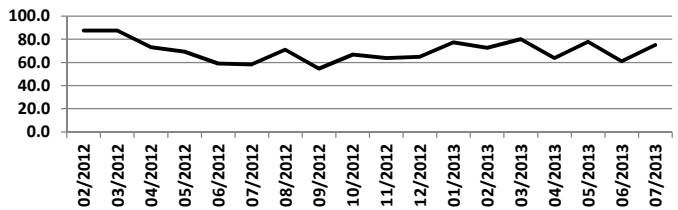
Production - Diffusion Index



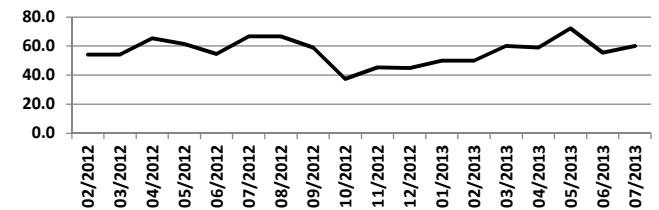
New Orders - Diffusion Index



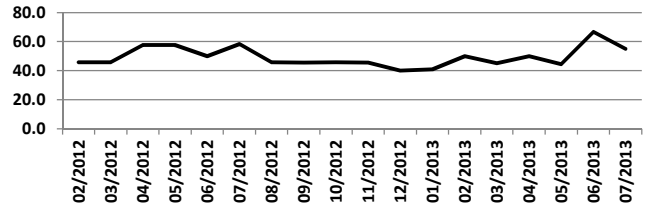
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

