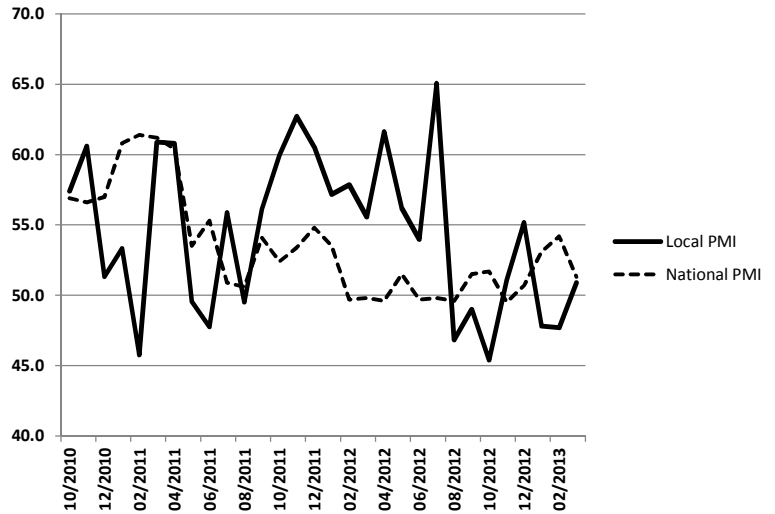


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The PMI Index

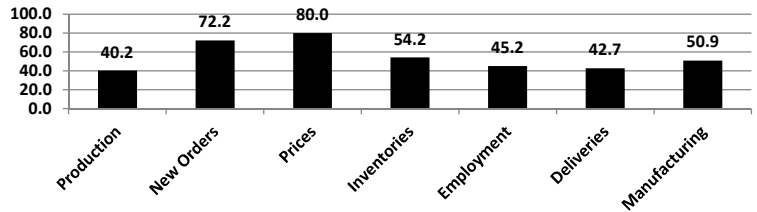
The seasonally adjusted PMI Index for the local manufacturing sector crossed back above into positive territory this month showing expansion, however tepidly, at 50.9. National PMI deteriorated some although remains in expansionary territory at 51.3. The past two months of weaker results currently have our three month moving average in contractionary territory at 48.8. Broadly speaking there does seem to be a slight upward trend from the lows experienced in the 3rd quarter of 2012 and will be something to watch as we progress through the year.

Monthly seasonally adjusted numbers are featured in the table below, with a couple of interesting results and some continuing trends. There was a marked increase in New Orders this month, bouncing off the last two months' index values of 47.8 and 49.9 respectively. This shows some strength as the spring thaw continues to set in for WNY in earnest. Upward price pressures continue as the Prices index climbed from 72.7 to 80.0 in March. Overall below the measures are a bit of a mixed bag, without a clear story to tell for the month. The Cyprus bank account confiscation was the major macro story from the past month for me, and the Euro zone continues to drive my concerns in the near term.



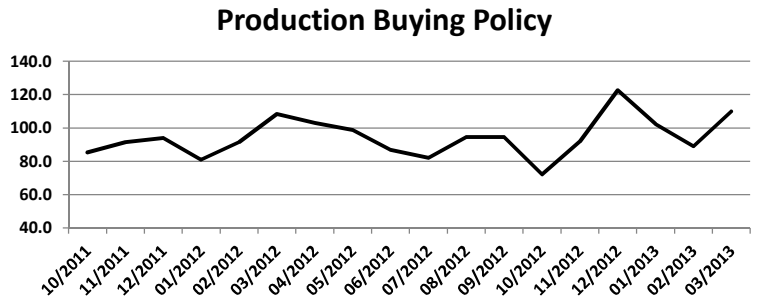
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	40.2	Decreasing	Decreasing
New Orders	72.2	Increasing	Increasing
Prices	80.0	Increasing	Increasing
Inventories	54.2	Increasing	Increasing
Employment	45.2	Decreasing	Decreasing
Deliveries	42.7	Decreasing	Decreasing
Manufacturing	50.9	Increasing	Slightly up, 47.7 last month



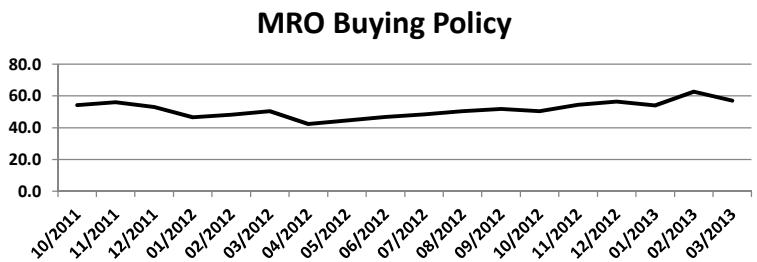
Production Buying Policy

Survey respondents report days-ahead commitments for production material increased from 89.1 to 110.0 days, a nice rebound following last month's fall. This broke the slide following the recent peak above 120 days in December.



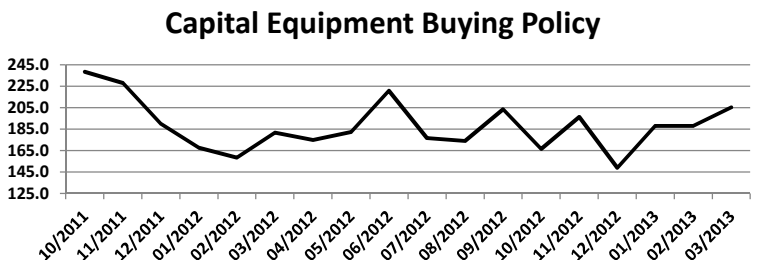
MRO Buying Policy

This month respondents report having 57.0 days ahead for MRO supplies, a slight decrease from February's 62.7. The slow but steady and consistent upward trend since last year's bottom in April seems to be generally holding, although may be something to watch as we enter the second quarter.



Capital Equipment Buying Policy

Manufacturers are looking out an average of 205.5 days and making commitments for capital equipment, a slight increase from the last two months which were near 188 days. This number may be showing a bit of strength and breaking the slight downward trend that had been evident since June 2012.

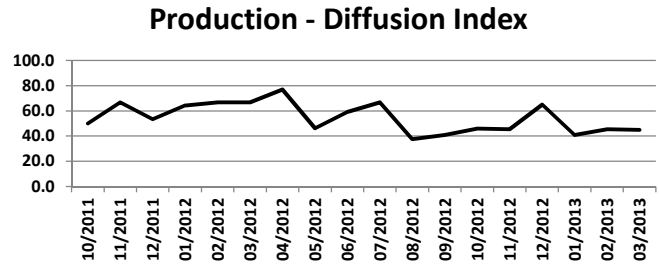


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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
March 2013	30.0%	30.0%	40.0%	45.0	66.7
February 2013	27.3%	36.4%	36.4%	45.5	66.7
January 2013	27.3%	27.3%	45.5%	40.9	64.3

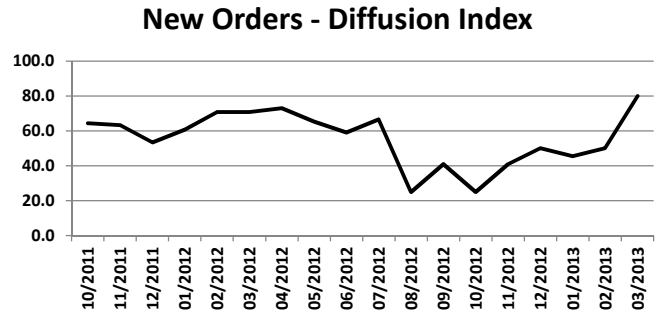
The Production diffusion index remains relatively flat at 45.0, still below the 50 mark relating contracting activity and kind of languishing without any clear movements up or down.



New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
March 2013	70.0%	20.0%	10.0%	80.0	70.8
February 2013	36.4%	27.3%	36.4%	50.0	70.8
January 2013	27.3%	36.4%	36.4%	45.5	60.7

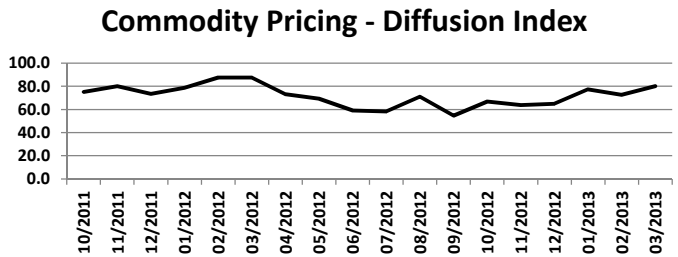
New orders rebounded strongly this month, and is likely the biggest news of the March survey. Hopefully this will translate into a trend moving forward, there has been a general trend since the trough in the 3rd quarter toward increased new orders.



Commodity prices are:

Period	Higher	Same	Lower	Index	Prior Yr
March 2013	60.0%	40.0%	0.0%	80.0	87.5
February 2013	54.5%	36.4%	9.1%	72.7	87.5
January 2013	63.6%	27.3%	9.1%	77.3	78.6

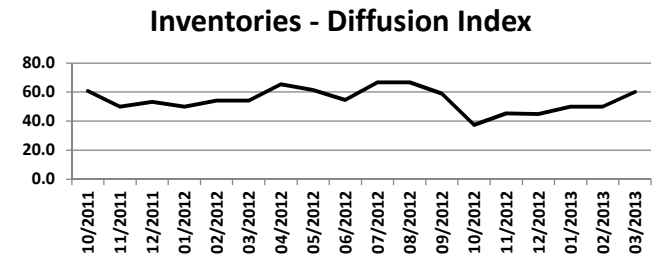
Commodity price pressures continue, with no suppliers relating lower prices. This will hopefully be a seasonal issue as commodity price pressures seem to have peaked in approximately the same months last year. With the large amount of money creation since 2008 I personally have concerns with inflationary risk.



Inventories of purchased goods were:

Period	Higher	Same	Lower	Index	Prior Yr
March 2013	40.0%	40.0%	20.0%	60.0	54.1
February 2013	36.4%	27.3%	36.4%	50.0	54.1
January 2013	36.4%	27.3%	36.4%	50.0	50.0

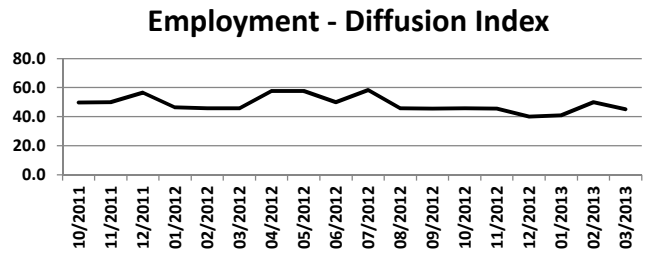
The Inventories of purchased goods index increased into positive territory in March. This seems to be a general trend since the 3rd quarter, something that is consistent across a few of the measures captured in the survey.



Employment levels were:

Period	Higher	Same	Lower	Index	Prior Yr
March 2013	0.0%	90.0%	10.0%	45.0	45.9
February 2013	9.1%	81.8%	9.1%	50.0	45.8
January 2013	9.1%	63.6%	27.3%	40.9	46.4

Employment survey results once again slipped below the 50 mark relating continuing weakness, this is approximately at last year's levels for the same time period.



Vendor Deliveries were:

Period	Higher	Same	Lower	Index	Prior Yr
March 2013	0.0%	90.0%	10.0%	45.0	58.3
February 2013	9.1%	81.8%	9.1%	50.0	66.6
January 2013	18.2%	81.8%	0.0%	59.1	57.1

Vendor deliveries continue to lag, falling below the 50 mark in March. This continues the slow but consistent downward trend since November of 2012.

