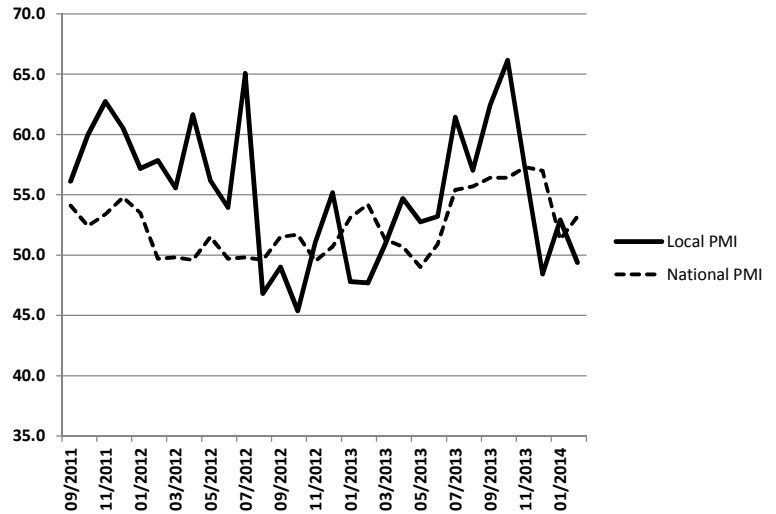


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The PMI Index

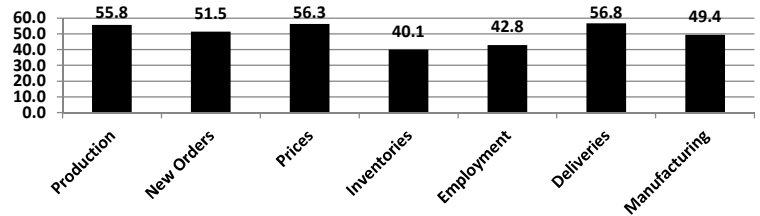
The local seasonally adjusted PMI Index dropped back into contractionary territory in February to 49.4 from January's modest expansionary pace at 51.3. It appears as if we've hit a relatively stable period in manufacturing activity, bouncing slightly above and below the breakpoint for expansionary activity at 50.0 the past three months. Additionally on a regional note, the business conditions index from the Empire State manufacturing index continues in mild expansionary territory. I don't feel as if these results signal a large shift toward decreasing activity, but rather a possible break from the increases that were evident from March to November of 2013.

Employment remains in contractionary territory again this month at 42.8, relatively flat to last month's 44.8. This value seems to me to be the most concerning of the results, but it does follow as there were also declining inventories related by the 40.1 index value for the month. Overall, as we come into the third month of the year, the draw down of inventories combined with steady production levels should hopefully turn into increased activity in the coming months. The strong inflation index value in January eased to a more modest 56.3 in February relating continued increasing prices, but at a slower rate than January.



This month (Seasonally Adjusted)

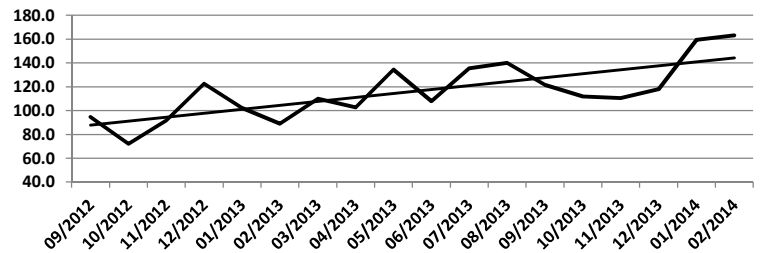
Index	Index	Direction	Rate of Change
Production	55.8	Increasing	Flat
New Orders	51.5	Increasing	Flat
Prices	56.3	Increasing	Decreasing
Inventories	40.1	Decreasing	Increasing
Employment	42.8	Decreasing	Flat
Deliveries	56.8	Increasing	Decreasing
Manufacturing	49.4	Decreasing	Increasing



Production Buying Policy

Survey respondents report days ahead commitments for production material increased to 163.1 from 159.4 last month. Producers are looking out further into the future regarding purchasing commitments for production. We continue above the long term trend following the drop below in the 4th quarter of the year.

Production Buying Policy

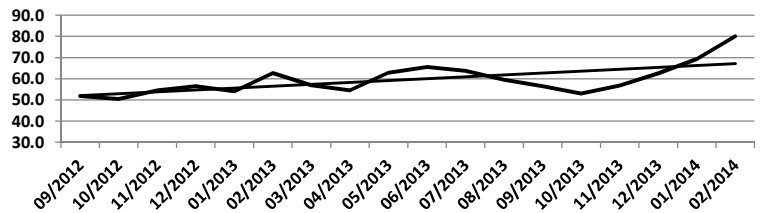


MRO Buying Policy

(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies increased to an average of 80.0 days this month from 69.4 days in January. These last five months are definitely the most variance we've seen in the past year and a half in the amount of MRO supplies.

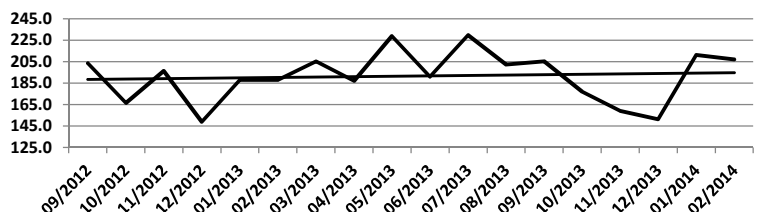
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers are making commitments an average of 207.1 days for capital equipment in February, relatively flat from January's result of 211.3 days and the second straight month above trend. Following the sharp drop in Q4 2013, firms are continuing to look out further for capital equipment purchases during the second month of the year.

Capital Equipment Buying Policy



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
February 2014	37.5%	50.0%	12.5%	62.5	45.5
January 2014	25.0%	62.5%	12.5%	56.3	40.9
December 2013	12.5%	62.5%	25.0%	43.8	65.0

The Production diffusion index continued its second straight month in expansionary territory following the trailing results to end the year. February closed the gap to the 18 month linear trend.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
February 2014	37.5%	37.5%	25.0%	56.3	50.0
January 2014	25.0%	62.5%	12.5%	56.3	45.5
December 2013	37.5%	37.5%	25.0%	56.3	50.0

The New Orders index again continues its consistent and expansionary performance the past three months. While a 56.3 index value on New Orders has not been enough to knock the blues off of employment levels it does continue to signal increased orders for product amongst local responding manufacturers.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
February 2014	25.0%	62.5%	12.5%	56.3	72.7
January 2014	50.0%	50.0%	0.0%	75.0	77.3
December 2013	12.5%	87.5%	0.0%	56.3	65.0

The commodity price diffusion index seems to have pulled back toward its long run trend line. Although the series continues in expansionary territory at 56.3, the inflationary pressures seemed to have eased from January's strong 75.0 value.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2014	12.5%	62.5%	25.0%	43.8	50.0
January 2014	12.5%	75.0%	12.5%	50.0	50.0
December 2013	12.5%	50.0%	37.5%	37.5	45.0

The Inventories of Purchased Goods index dropped below the 50.0 mark to 43.8 in February. This signifies decreasing overall local inventories in the second month of the year with the majority of respondents stating that inventories were holding the same.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2014	0.0%	87.5%	12.5%	43.8	50.0
January 2014	12.5%	62.5%	25.0%	43.8	40.9
December 2013	0.0%	75.0%	25.0%	37.5	40.0

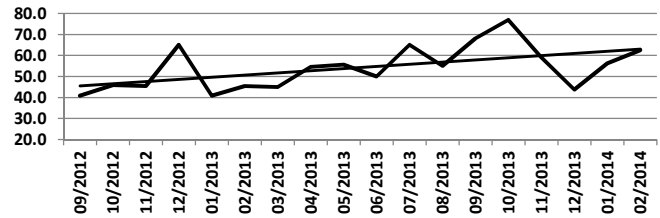
Employment marked another month in contractionary territory among respondents, staying flat at 43.8 from January. After bouncing off the recent low in December, employment remains sluggish.

Vendor Deliveries were:

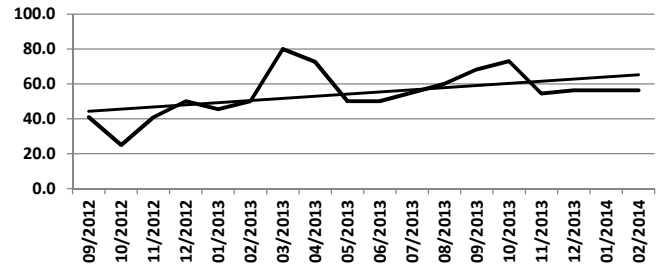
Period	Higher	Same	Lower	Index	Prior Yr
February 2014	12.5%	87.5%	0.0%	56.3	50.0
January 2014	25.0%	75.0%	0.0%	62.5	59.1
December 2013	12.5%	75.0%	12.5%	50.0	55.0

Vendor Deliveries remain in expansionary territory, with a value of 56.3 signifying a less robust month of increases after an index value of 62.5 in January. This series continues to relate expansion in local vendor deliveries.

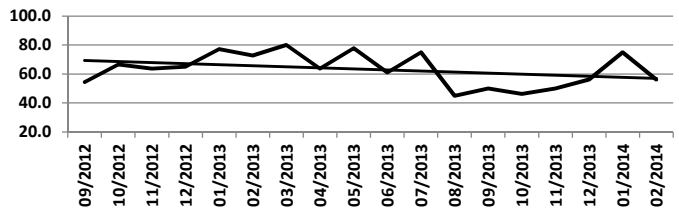
Production - Diffusion Index



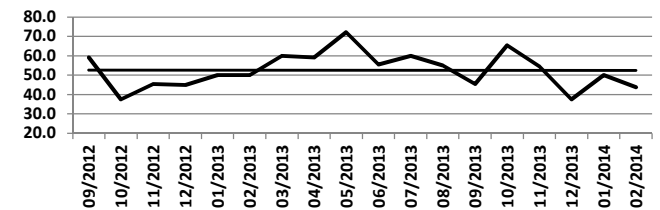
New Orders - Diffusion Index



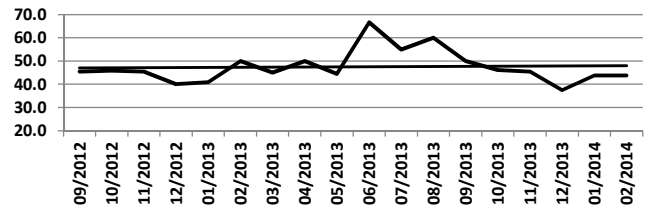
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

