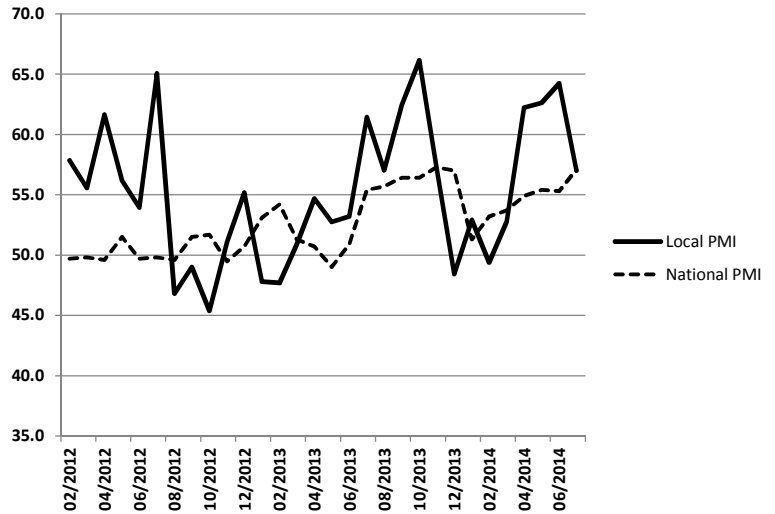


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The PMI Index

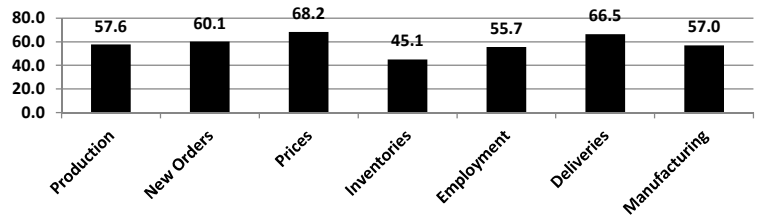
For the fourth consecutive month the local seasonally adjusted PMI Index was in expansionary territory at 57.0 signaling increasing manufacturing activity to prior month. July's increase was slightly more modest to June's 64.2 index value, while remaining above the 50.0 mark which denotes expansion. Favorable results are notable in most of the other survey categories, although inventories drew down some in July relative to June and prices rose at a faster pace than June. The seasonally adjusted Employment index continues in positive territory at a rate that is comparable to June's levels. On a broader scale, the headline number for business activity from the Empire State Manufacturing Survey completed by the NYC regional Fed Branch reported business conditions for NY state as a whole improving notably and was that index's third consecutive month relating expansionary results.

With the exception of continued price pressures and how one interprets the easing inventories, July results seem to point toward another positive local month in terms of manufacturing activity among respondents.



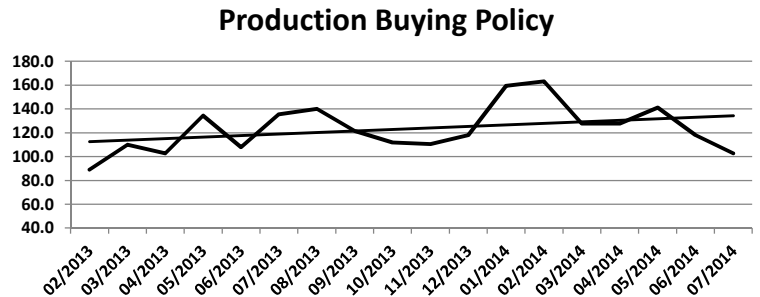
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	57.6	Increasing	Decreasing
New Orders	60.1	Increasing	Decreasing
Prices	68.2	Increasing	Increasing
Inventories	45.1	Decreasing	Increasing
Employment	55.7	Increasing	Flat
Deliveries	66.5	Increasing	Flat
Manufacturing	57.0	Increasing	Decreasing



Production Buying Policy

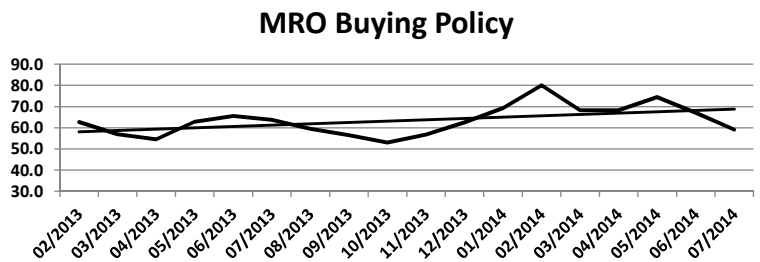
Survey respondents report days ahead commitments for production material fell again in July to 102.7 days from June's 118.0. We have fallen below the long term trend the past two months, roughly in line with a comparable decrease in 2013. New Orders continue to show increases to prior month in recent months, so it will be something to watch.



MRO Buying Policy

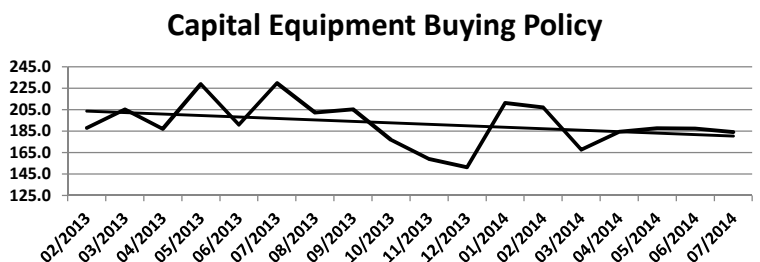
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies decreased slightly to 59.1 days ahead in July compared with 67.0 days ahead in June. Following what appears to have been a recent peak in terms of days of materials held on hand in March, this index seems to be generally trending downward.



Capital Equipment Buying Policy

Manufacturers are making commitments an average of 184.1 days for capital equipment in July, falling slightly from June's value of 187.5. For the third straight month we are exhibiting relatively low variance in this index and a general movement in tandem with the long term trend.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
July 2014	45.5%	18.2%	36.4%	54.5	65.0
June 2014	50.0%	40.0%	10.0%	70.0	50.0
May 2014	55.6%	44.4%	0.0%	77.8	55.6

The Production diffusion index continued its seventh straight month in expansionary territory, although falling below the long term trend line in July to 54.5. Broadly speaking, we appear to be following the longer term trend of positive increases in production with this month's results being a bit of an exception.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
July 2014	45.5%	18.2%	36.4%	54.5	55.0
June 2014	60.0%	20.0%	20.0%	70.0	50.0
May 2014	66.7%	33.3%	0.0%	83.3	50.0

The non-seasonally adjusted New Orders index again reflected an expansionary result, easing a bit to 54.5 from the notably stronger values of 70.0 and 83.3 in the two prior months. Less than half of respondents reported higher levels of orders this month, although over 60 percent still report the same or higher.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
July 2014	36.4%	63.6%	0.0%	68.2	75.0
June 2014	20.0%	70.0%	10.0%	55.0	61.1
May 2014	55.6%	33.3%	11.1%	72.2	77.8

The Commodity Price diffusion index continues in expansionary territory at 68.2, relating a bit more strength in terms of price increases compared to June's index at 55.0. No survey respondents reported lower commodity prices this month although the majority still reported prices were unchanged.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
July 2014	18.2%	45.5%	36.4%	40.9	60.0
June 2014	50.0%	20.0%	30.0%	60.0	55.6
May 2014	33.3%	44.4%	22.2%	55.6	72.2

The Inventories of Purchased Goods index fell into decreasing territory during July after enjoying increases through the past few months, with the overall trend in index values the past 18 months easing downward. As new orders remain expansionary this could be a seasonal adjustment or it could signal structural changes toward respondents generally holding less inventory.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
July 2014	27.3%	54.5%	18.2%	54.5	55.0
June 2014	20.0%	70.0%	10.0%	55.0	66.7
May 2014	22.2%	55.6%	22.2%	50.0	44.4

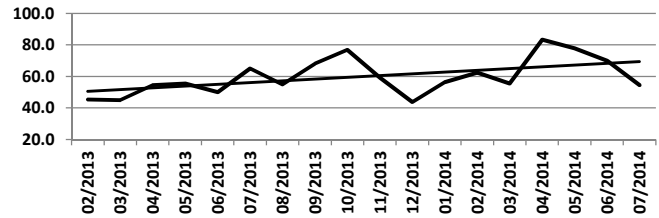
The non-seasonally adjusted Employment index came in at the 54.5 mark during July, progressing along in expansionary territory. This index is relatively unchanged to prior month and employment has shown less variance than other indices this quarter.

Vendor Deliveries were:

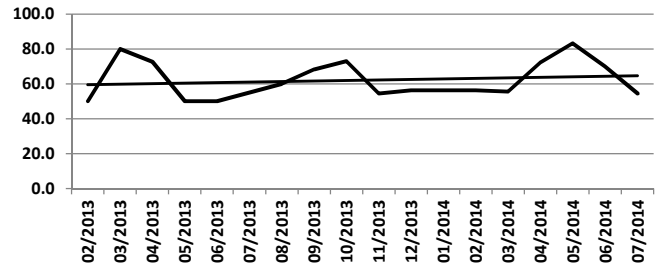
Period	Higher	Same	Lower	Index	Prior Yr
July 2014	36.4%	63.6%	0.0%	68.2	55.0
June 2014	30.0%	70.0%	0.0%	65.0	55.6
May 2014	22.2%	77.8%	0.0%	61.1	61.1

Vendor Deliveries increased again in July to 68.2 from 65.0 in June, continuing in expansionary territory. For the second straight month we broke above the long term trendline while maintaining the broad trend upward in index values the past 18 months.

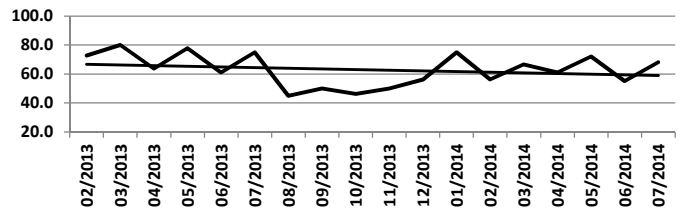
Production - Diffusion Index



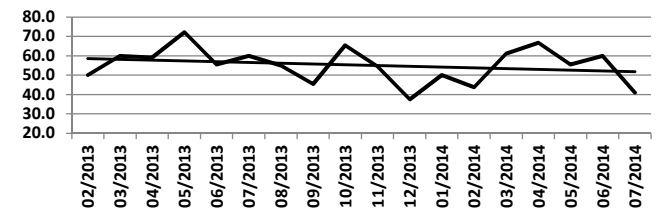
New Orders - Diffusion Index



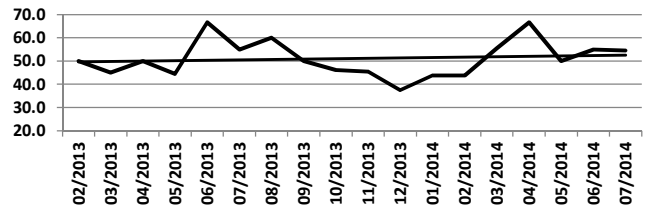
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

