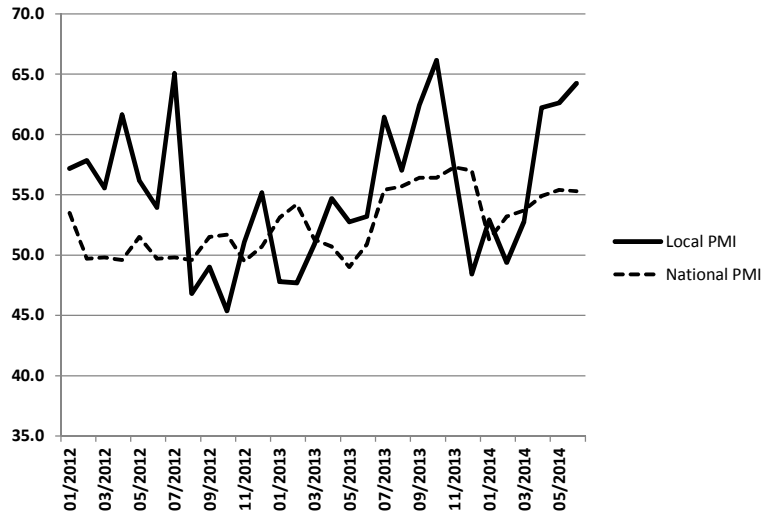


## National Association of Purchasing Management - Buffalo June 2014 Business Survey Monthly Comparison Report

### The PMI Index

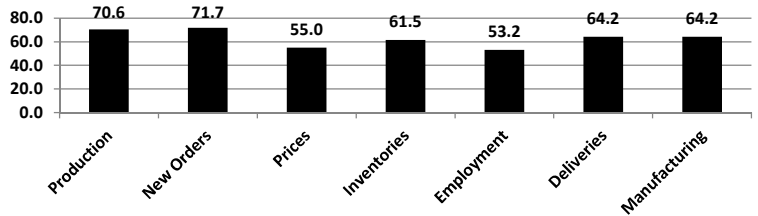
For the third consecutive month the local seasonally adjusted PMI Index exhibited an expansionary result, coming in at 64.2 in June. The favorable results were consistent across all other indicators, although respondents continue to relate rising prices but at a decreasing rate compared to prior month. The seasonally adjusted Employment index rose above the 50.0 mark to 53.2 denoting expansion. Ultimately employment expansion may remain a bit tepid compared to the other indices, but is in expansionary territory. The statewide Empire State Manufacturers Survey showed strong results during June for the second straight month, comparable again to last month's multi-year high. Both locally and for the state manufacturing has had a good run in the second quarter after a bit of softness to open the year.

To be honest it's difficult to see much to find much fault with in June's survey results. Production, New Orders, Inventories, Deliveries, and Employment were up compared to prior month. The recent downward revisions relating declining first quarter GDP for the United States as a whole don't seem to have translated into weakened performance for local and regional manufacturing activity in the second quarter.



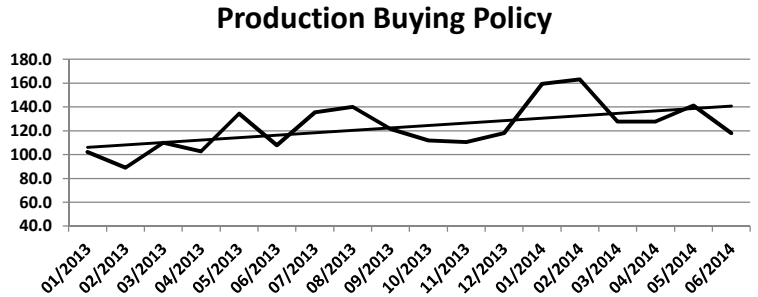
### This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	70.6	Increasing	Decreasing
New Orders	71.7	Increasing	Decreasing
Prices	55.0	Increasing	Decreasing
Inventories	61.5	Increasing	Increasing
Employment	53.2	Increasing	Increasing
Deliveries	64.2	Increasing	Flat
Manufacturing	64.2	Increasing	Flat



### Production Buying Policy

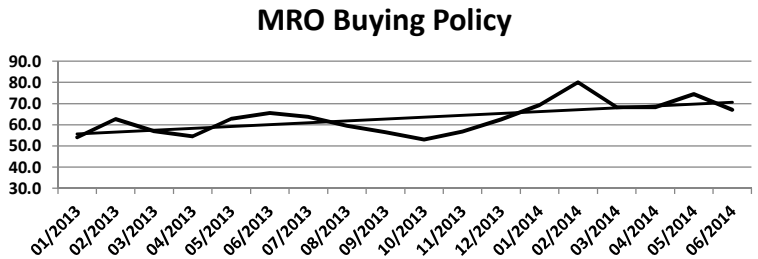
Survey respondents report days ahead commitments for production material dropped a bit below the long term trend line in June to 118.0 days. We're generally following the long term trend, although we may be breaking a bit below with this month's value in terms of production buying policy.



### MRO Buying Policy

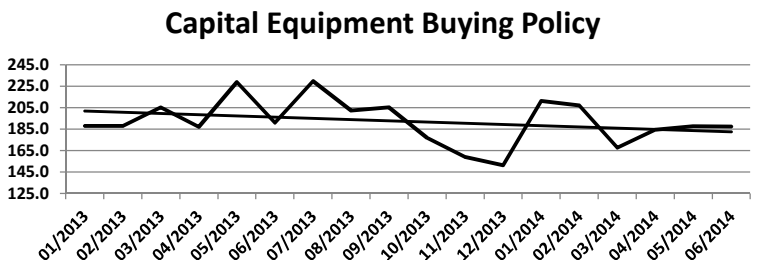
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies decreased slightly to 67.0 days ahead in June compared with 74.4 days ahead in May. The variance is once again relatively smaller in the second quarter of the year compared to the second half of 2013.



### Capital Equipment Buying Policy

Manufacturers are making commitments an average of 187.5 days for capital equipment in June, almost completely flat to May's value of 187.8. This month we moved almost in sync with the long term trend.

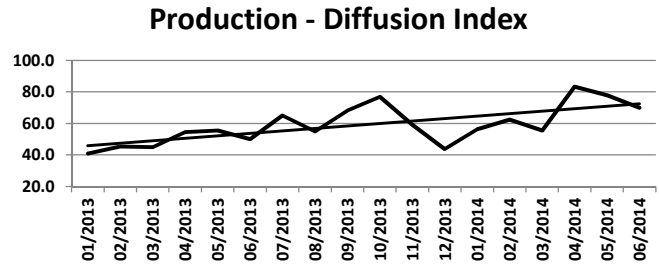


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**The Production level was:**

Period	Higher	Same	Lower	Index	Prior Yr
June 2014	50.0%	40.0%	10.0%	70.0	50.0
May 2014	55.6%	44.4%	0.0%	77.8	55.6
April 2014	66.7%	33.3%	0.0%	83.3	54.5

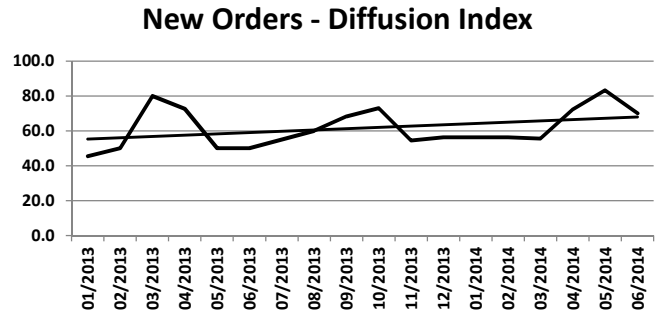
The Production diffusion index continued its sixth straight month in expansionary territory, we eased a bit from April and May's values but remain easily in expansionary territory. We essentially converged to the long term trend this month with a bit more variance this year compared to the same period during 2013.



**New Orders were reported:**

Period	Higher	Same	Lower	Index	Prior Yr
June 2014	60.0%	20.0%	20.0%	70.0	50.0
May 2014	66.7%	33.3%	0.0%	83.3	50.0
April 2014	55.6%	33.3%	11.1%	72.2	72.7

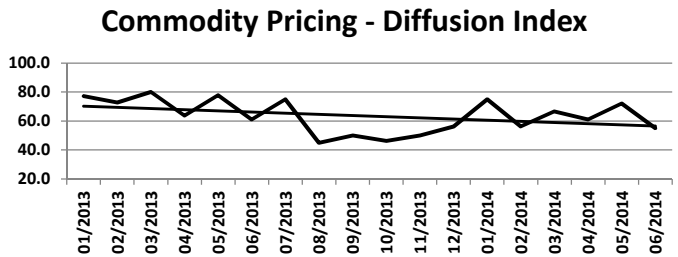
The non-seasonally adjusted New Orders index again reflected an expansionary result, easing a bit to 70.0 from May's 83.3 index value. The majority of respondents at 60.0% reported having higher levels of new orders relative to May's levels.



**Commodity Prices are:**

Period	Higher	Same	Lower	Index	Prior Yr
June 2014	20.0%	70.0%	10.0%	55.0	61.1
May 2014	55.6%	33.3%	11.1%	72.2	77.8
April 2014	22.2%	77.8%	0.0%	61.1	63.6

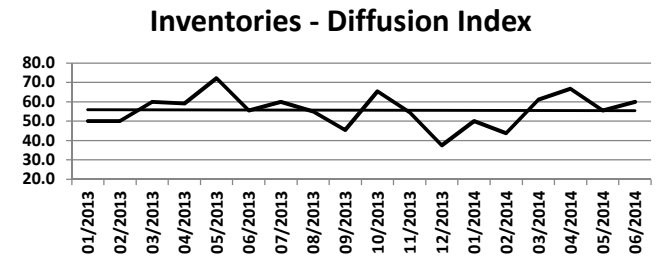
The Commodity Price diffusion index continues in expansionary territory at 55.0, easing from May's index value of 72.2. This month's value converged with the longer term downward trend. I may be a bit of a contrarian but I remain concerned about the possibility of increased inflation over the mid to long term due to the continued excess reserves commercial banks hold at the Fed.



**Inventories of Purchased Goods were:**

Period	Higher	Same	Lower	Index	Prior Yr
June 2014	50.0%	20.0%	30.0%	60.0	55.6
May 2014	33.3%	44.4%	22.2%	55.6	72.2
April 2014	44.4%	44.4%	11.1%	66.7	59.1

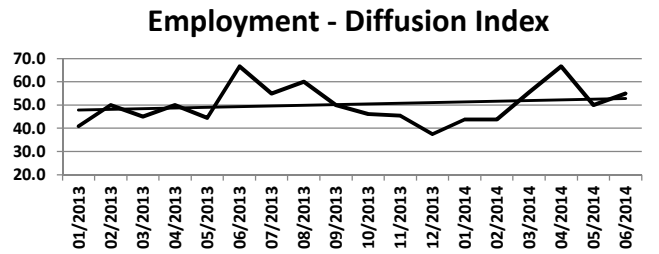
The Inventories of Purchased Goods index continued in expansionary territory above the 50.0 mark coming in at 60.0 during June. We increased a bit from May's 55.6 value, but varied relatively little since last month.



**Employment Levels were:**

Period	Higher	Same	Lower	Index	Prior Yr
June 2014	20.0%	70.0%	10.0%	55.0	66.7
May 2014	22.2%	55.6%	22.2%	50.0	44.4
April 2014	33.3%	66.7%	0.0%	66.7	50.0

The non-seasonally adjusted Employment index came in at the 55.0 mark during June, with the seasonally adjusted number slightly lower in expansionary territory. While not as strong as some of the other indices during June we are in positive territory.



**Vendor Deliveries were:**

Period	Higher	Same	Lower	Index	Prior Yr
June 2014	30.0%	70.0%	0.0%	65.0	55.6
May 2014	22.2%	77.8%	0.0%	61.1	61.1
April 2014	11.1%	88.9%	0.0%	55.6	59.1

Vendor Deliveries increased again in June to 65.0 from 61.1 in May, continuing in expansionary territory. We broke a bit above the long term trend line, with the index exhibiting more variance relative to earlier in the year.

