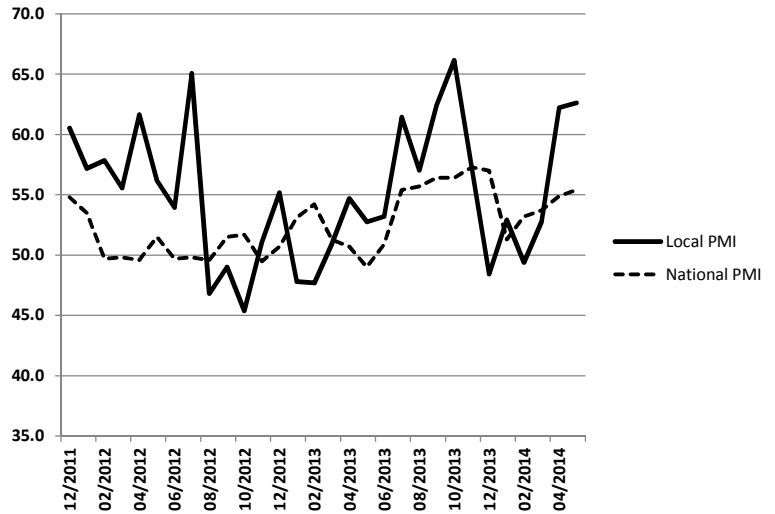


**National Association of Purchasing Management - Buffalo
May 2014 Business Survey Monthly Comparison Report**

The PMI Index

The local seasonally adjusted PMI Index related a second straight nicely expansionary result, also our third straight month in expansionary territory above the 50.0 mark. The favorable results were consistent across the other indicators excepting the Price and Employment indices. The seasonally adjusted Employment index fell slightly below the 50.0 mark relating slight contraction, but with the other strong results it is difficult to find too much fault. We paced the statewide Empire State Manufacturers Survey which showed a strong increase during May, its largest increase in activity in almost four years.

The indices for New Orders and Deliveries increased at an increasing rate in May, relating that it is possible that production activity levels could be anticipated to remain the same or increase over the near term. It seemed as if inflationary pressures had eased in the last half of 2013 although it appears the series relating price changes has shown some increases the past 2-3 months and is something I will personally be watching. The employment series is a bit of a soft spot, but it is mildly contractionary almost in spite of results in other areas. Something to watch, but maybe not something to focus on when you have the strong results locally and NY state as a whole.



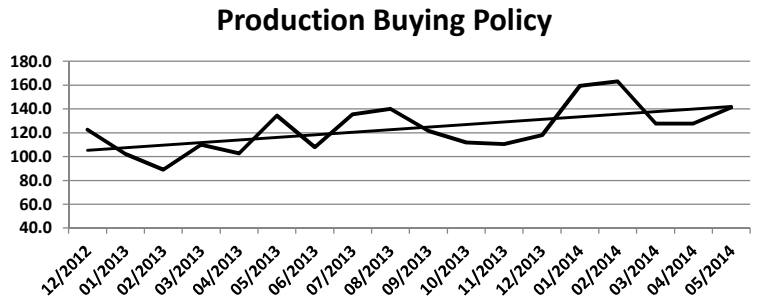
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	75.3	Increasing	Flat
New Orders	78.3	Increasing	Increasing
Prices	72.2	Increasing	Increasing
Inventories	52.2	Increasing	Decreasing
Employment	47.1	Decreasing	Increasing
Deliveries	60.2	Increasing	Increasing
Manufacturing	62.6	Increasing	Flat



Production Buying Policy

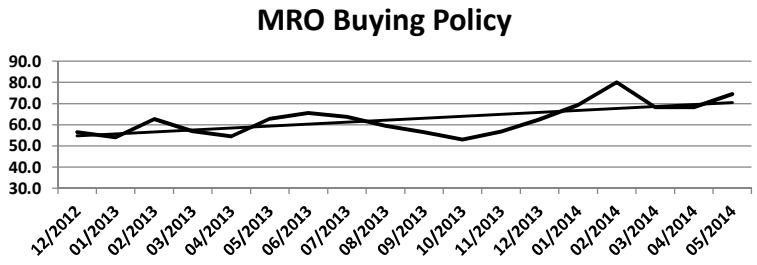
Survey respondents report days ahead commitments for production material converged to the long-term increasing trend line at 141.1 days in May. We seem to be continuing along the long run trend of broad increases in days ahead production buying policy that has been evident over the past 18 months.



MRO Buying Policy

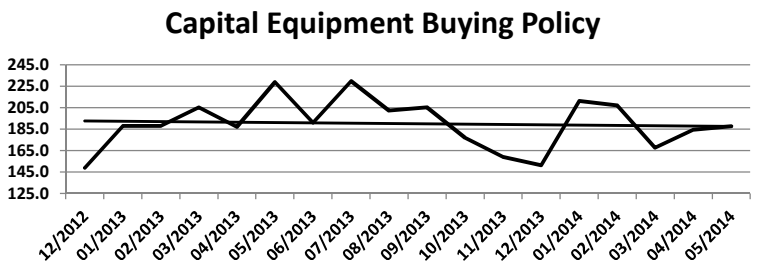
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies increased a bit to 74.4 days ahead compared to 68.3 days of materials in April. The variance was again more minor than the second half of 2013 possibly noting a bit more stability in this series.



Capital Equipment Buying Policy

Manufacturers are making commitments an average of 187.8 days for capital equipment in May, a slight increase from April's 184.4 days. This again converges toward the long term trend line which has been moving slightly lower over the past year and a half.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
May 2014	55.6%	44.4%	0.0%	77.8	55.6
April 2014	66.7%	33.3%	0.0%	83.3	54.5
March 2014	22.2%	66.7%	11.1%	55.6	45.0

The Production diffusion index continued its fifth straight month in expansionary territory, we eased a bit in May but remain above the long term trend line. For the second straight month, no individual respondents responded to having lower production levels and over half responded to increased production.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
May 2014	66.7%	33.3%	0.0%	83.3	50.0
April 2014	55.6%	33.3%	11.1%	72.2	72.7
March 2014	33.3%	44.4%	22.2%	55.6	80.0

The non-seasonally adjusted New Orders index again posted a nice increase, this month up to 83.3 from last month's 72.2. No respondents related lower order levels and two-thirds claimed higher orders compared to prior month.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
May 2014	55.6%	33.3%	11.1%	72.2	77.8
April 2014	22.2%	77.8%	0.0%	61.1	63.6
March 2014	33.3%	66.7%	0.0%	66.7	80.0

The Commodity Price diffusion index continues in expansionary territory, showing increases at an increasing rate. Inflationary results, while in positive territory, are less robust compared to prior year although we may be trending a bit above trend the past month or two after bottoming near September last year.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
May 2014	33.3%	44.4%	22.2%	55.6	72.2
April 2014	44.4%	44.4%	11.1%	66.7	59.1
March 2014	33.3%	55.6%	11.1%	61.1	60.0

The Inventories of Purchased Goods index continued in expansionary territory above the 50.0 mark coming in at 55.6 during May. This value converged toward the long term trend line following the past two months above trend.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
May 2014	22.2%	55.6%	22.2%	50.0	44.4
April 2014	33.3%	66.7%	0.0%	66.7	50.0
March 2014	11.1%	88.9%	0.0%	55.6	45.0

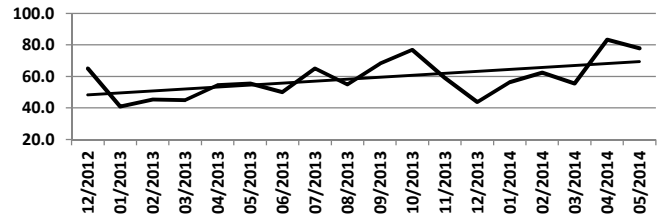
The non-seasonally adjusted Employment index came in at the 50.0 mark during May, while the seasonally adjusted number was a bit lower. The downward seasonal adjustment relates normal increases near this time of year. Ultimately this value may reflect stability from month to month more than an absolute decrease (or increase).

Vendor Deliveries were:

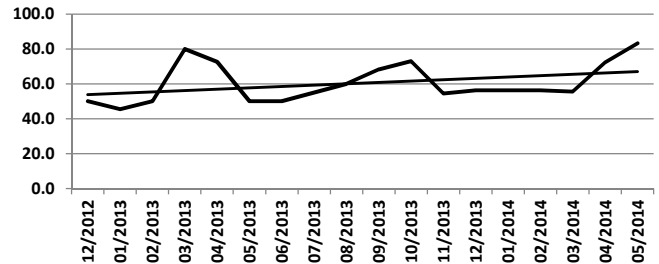
Period	Higher	Same	Lower	Index	Prior Yr
May 2014	22.2%	77.8%	0.0%	61.1	61.1
April 2014	11.1%	88.9%	0.0%	55.6	59.1
March 2014	11.1%	88.9%	0.0%	55.6	45.0

Vendor Deliveries picked up slightly in May to 61.1, continuing on in expansionary territory. WNY manufacturers report mildly expanding vendor deliveries with a bit of an uptick during May.

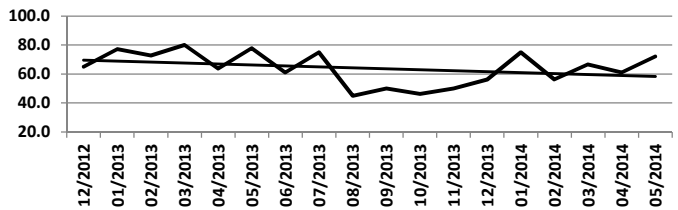
Production - Diffusion Index



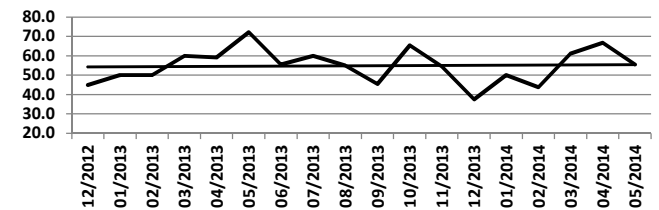
New Orders - Diffusion Index



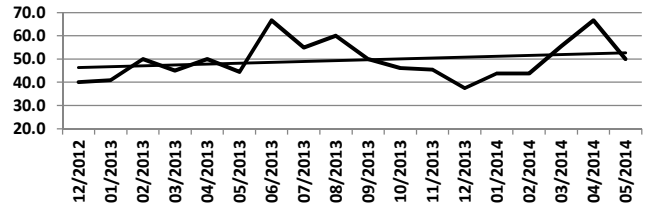
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

