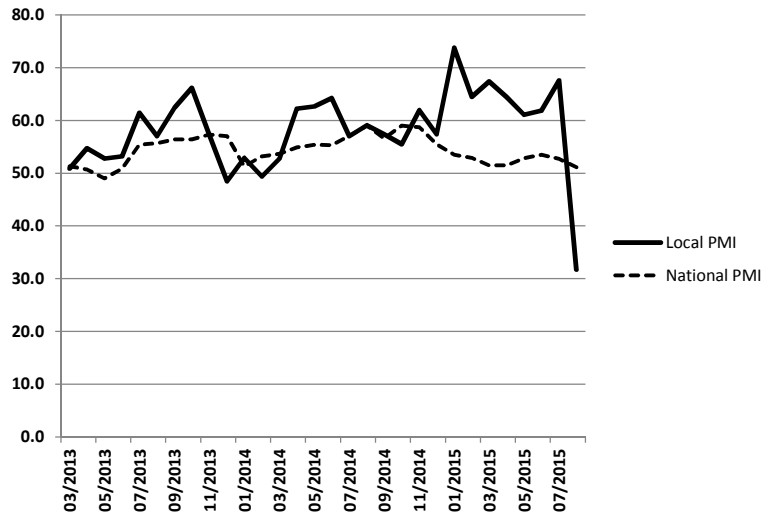


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The PMI Index

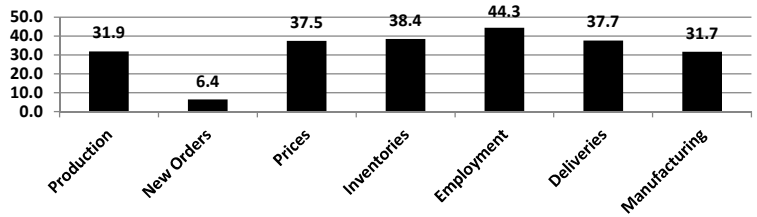
After numerous months in expansionary territory for the greater Buffalo Niagara region, we registered a contractionary value in August. The local manufacturing index registered a 31.7 value, falling from 67.6 in July (where values of 50.0 or greater denote increases in activity). Nationally the PMI Index remained in increasing territory at 51.1, slightly down relative to prior month. Regionally, the NY Fed's Empire State Manufacturing report also shows decreases in activity during August with their general business conditions index falling to the lowest level since 2009. While we do have numerous indices with contractionary results, I may hold my absolute judgment in the seriousness of these results for another month. We have exhibited so many expansionary months in a row it may have simply been a bit of a reprieve. Just this week we've had positive news releases regarding employment nationally, and other national data series haven't shown this significant weakness.

Looking to the other local indices, New Orders also fared poorly. In the individual responses on page two of the report the vast majority of respondents reported lower activity. Otherwise, all the remaining indices consistently showed relatively weaker results when compared to prior month. Inventories, employment, deliveries, and production all had index values relating contraction.



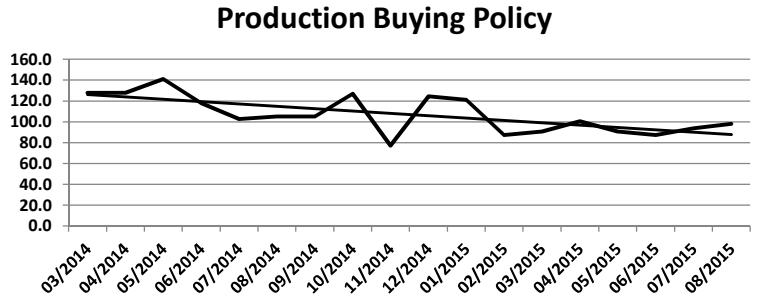
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	31.9	Decreasing	Increasing
New Orders	6.4	Decreasing	Increasing
Prices	37.5	Decreasing	Increasing
Inventories	38.4	Decreasing	Increasing
Employment	44.3	Decreasing	Increasing
Deliveries	37.7	Decreasing	Increasing
Manufacturing	31.7	Decreasing	Increasing



Production Buying Policy

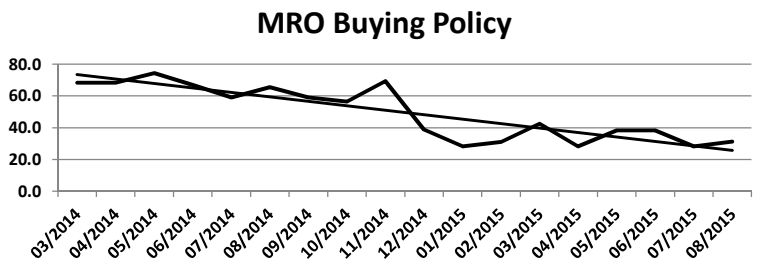
Survey respondents reported days ahead commitments increased to 98.1 in August from 93.9 days in July. We continued for the second month above the long term trend line and have a bit of push back from the general downward trend line this series has shown over the eighteen month window.



MRO Buying Policy

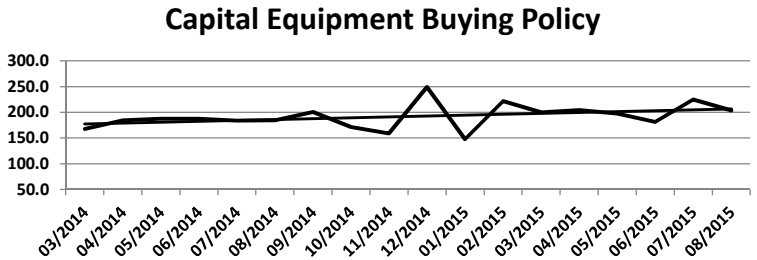
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies increased to 31.3 days in August from 28.3 in July. MRO supplies on hand levels appear to be holding near what appears to be their new normal in the high 20s to the 40 day range.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 203.8 days in August, an easing from the 225.0 days reported last month. This series reverted back toward the long term trend of steady, albeit slow increases over the past 18 months.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
August 2015	12.5%	37.5%	50.0%	31.3	50.0
July 2015	44.4%	55.6%	0.0%	72.2	54.5
June 2015	44.4%	33.3%	22.2%	61.1	70.0

The Production diffusion index fell sharply with an index value of 31.3 in August. This index is definitely a notable drop to recent levels with half of this month's respondents reporting lower production levels relative to prior month. We still have some respondents reporting higher production levels, although they were certainly not in the majority.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
August 2015	0.0%	12.5%	87.5%	6.3	50.0
July 2015	44.4%	44.4%	11.1%	66.7	54.5
June 2015	33.3%	44.4%	22.2%	55.6	70.0

The non-seasonally adjusted New Orders result is one of the most notable of the month. No respondents reported higher New Orders relative to July amounts. It's possible that the uncertainty surrounding what appeared to be a major stock market correction spooked customers, as the major stock market fluctuation last month was taking place near when respondents would have been responding.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
August 2015	0.0%	75.0%	25.0%	37.5	66.7
July 2015	22.2%	66.7%	11.1%	55.6	68.2
June 2015	0.0%	77.8%	22.2%	38.9	55.0

The Commodity Price diffusion index slipped back into contractionary territory in August after swinging above and below the 50.0 mark that denotes increasing/decreasing values. With the sporadic movement, there doesn't seem to be a truly strong case for either big increases or decreases in prices for the near term.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
August 2015	12.5%	50.0%	37.5%	37.5	55.6
July 2015	22.2%	66.7%	11.1%	55.6	40.9
June 2015	44.4%	44.4%	11.1%	66.7	60.0

The Inventories of Purchased Goods index fell off this month, dropping to 37.5 in August from 55.6 in July. So, while not the only contractionary month for inventories of purchased goods out of the past year and a half (July 2014) it is only one of two in a series that has been relatively steady.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
August 2015	12.5%	62.5%	25.0%	43.8	61.1
July 2015	33.3%	55.6%	11.1%	61.1	54.5
June 2015	22.2%	77.8%	0.0%	61.1	55.0

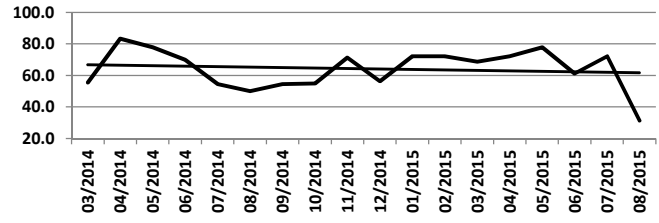
The non-seasonally adjusted Employment index fell below the 50.0 mark noting contraction in August. Three-fourths of respondents reported the same or higher employment levels, with over half claiming to the same employment levels as July.

Vendor Deliveries were:

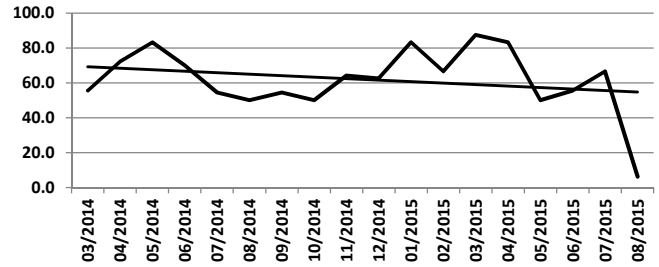
Period	Higher	Same	Lower	Index	Prior Yr
August 2015	0.0%	75.0%	25.0%	37.5	66.7
July 2015	44.4%	55.6%	0.0%	72.2	68.2
June 2015	33.3%	55.6%	11.1%	61.1	65.0

The Vendor Deliveries index had a notable drop in August following what was a sizeable upward movement during July. No respondents reported higher vendor deliveries during August, although last month there were no respondents reporting lower vendor deliveries. Much like the other indices, we've seen an increased period of variance in index values in recent months.

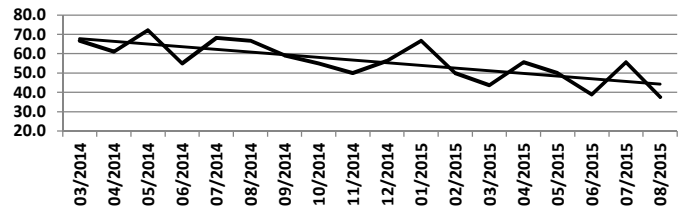
Production - Diffusion Index



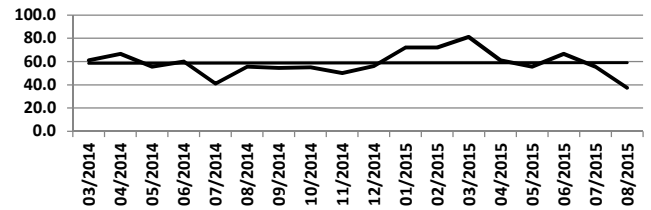
New Orders - Diffusion Index



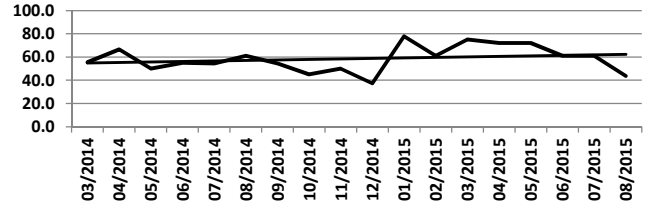
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

