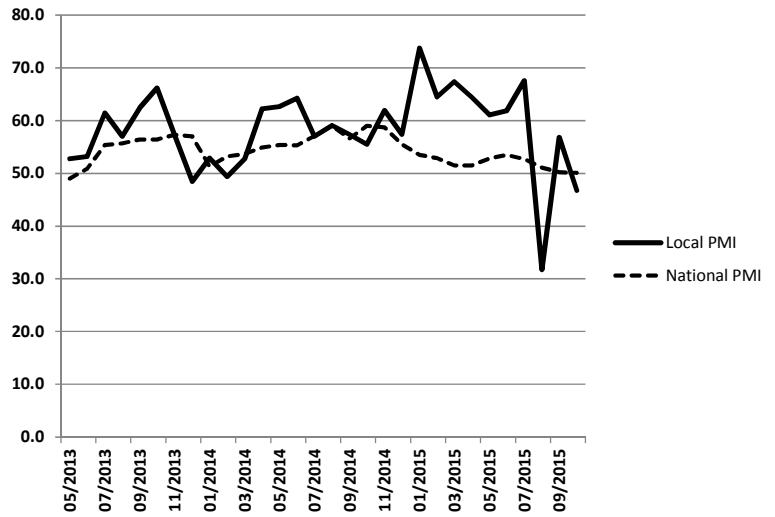


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The PMI Index

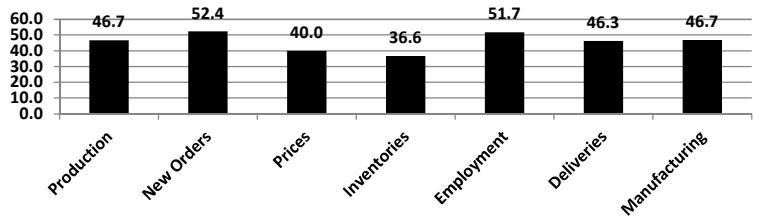
Following September's bounce back into expansionary territory with an index value of 56.8 we have slipped back into contractionary territory for the overall manufacturing number to 46.7. On the statewide level, the NY Fed's Empire State Manufacturing Survey continued to show weakness, showing declining business activity for three straight months. While the statewide report was generally lackluster across all measures, we did have a few bright spots locally. Before discussing those, it's worth mentioning that the national ISM manufacturing index stayed in expansionary territory at 50.1 although slipping from prior month. The national macroeconomic indicators have appeared more robust than what these local numbers appear with the Federal Reserve threatening to increase the target federal funds rate for the first time since the 2008 recession.

Looking to the other local indices, production and deliveries slipped into contractionary territory. In spite of the negative results, there remain favorable changes relative to prior month with New Orders and Employment increasing relative to September levels. The increases in these series were more muted relative to September's index values. This month's results make me more cautious over the near term. The national macroeconomic indicators appear positive, but locally we've hit some softness coming into the fourth quarter of the year.



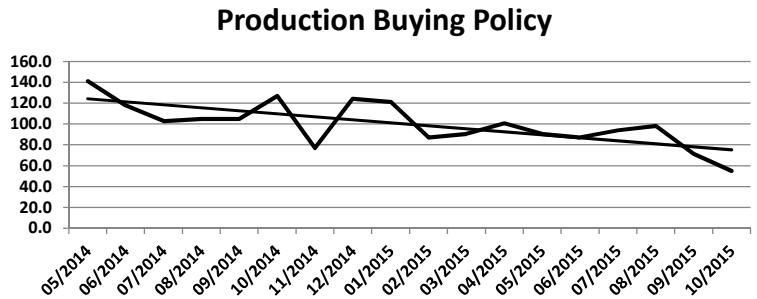
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	46.7	Decreasing	Increasing
New Orders	52.4	Increasing	Increasing
Prices	40.0	Decreasing	Increasing
Inventories	36.6	Decreasing	Increasing
Employment	51.7	Increasing	Decreasing
Deliveries	46.3	Decreasing	Increasing
Manufacturing	46.7	Decreasing	Increasing



Production Buying Policy

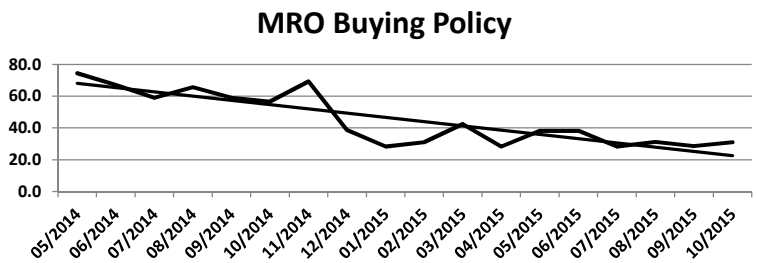
Survey respondents reported days ahead production commitments dropped to 55.0 days in October from the reported 71.4 days in September. This month's value has dropped easily below the long term trend in term of production commitments and is below any value we've had over the recent 18 month time horizon. Firms appear to be pulling back their production commitments, although with this month being such an outlier compared with recent to medium term values I find it difficult to believe this won't rebound.



MRO Buying Policy

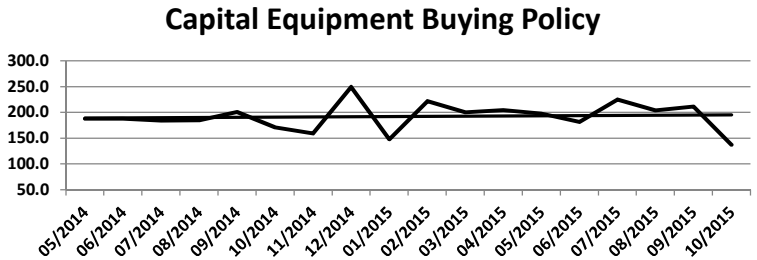
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies rebounded to 31.0 days on hand in October up from 28.6 days in September. After what was a notable decline in the fourth quarter of 2014 into first quarter of 2015 we continue to see what appears to be the "new normal" of fewer MRO supplies being held.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 137.2 days in October, a notable drop from the 211.5 days reported in September. This value is easily below the long term linear trend and below any individual value witnessed over the past 18 months. The general weakness overall seems to have come through in the amount of capital equipment to which local respondents are willing to commit.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
October 2015	30.0%	30.0%	40.0%	45.0	55.0
September 2015	54.5%	18.2%	27.3%	63.6	54.5
August 2015	12.5%	37.5%	50.0%	31.3	50.0

The Production diffusion index fell back into contractionary territory during October following last month's strong rebound. Sixty percent of respondents reported production levels being either the same or higher relative to September. While not as concerning as August's very sharp drop, I think these two contractionary months have started to reflect what may be some local weakness.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
October 2015	20.0%	60.0%	20.0%	50.0	50.0
September 2015	36.4%	18.2%	45.5%	45.5	54.5
August 2015	0.0%	12.5%	87.5%	6.3	50.0

The non-seasonally adjusted New Orders index eased upward again relative to September, just making the 50.0 mark that denotes expansions relative to prior month. Looking at the individual responses, 80% of those firms responding locally reported either the same amount or more new orders relative to September.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
October 2015	10.0%	60.0%	30.0%	40.0	55.0
September 2015	18.2%	63.6%	18.2%	50.0	59.1
August 2015	0.0%	75.0%	25.0%	37.5	66.7

The Commodity Price diffusion index slipped into contractionary territory to 40.0 in October from last month's just expansionary 50.0 mark. The general softness in commodity prices appears to be continuing with this month's index value returning very near the long term trend line. In absence of upward movement in the price of oil, I suspect this general price steadiness to continue.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
October 2015	20.0%	30.0%	50.0%	35.0	55.0
September 2015	27.3%	36.4%	36.4%	45.5	54.5
August 2015	12.5%	50.0%	37.5%	37.5	55.6

The Inventories of Purchased Goods index signaled contracting inventories for the third straight month in October registering a 35.0. A full 50% of those responding to the survey reported lower inventories relative to September levels.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
October 2015	20.0%	60.0%	20.0%	50.0	45.0
September 2015	45.5%	45.5%	9.1%	68.2	54.5
August 2015	12.5%	62.5%	25.0%	43.8	61.1

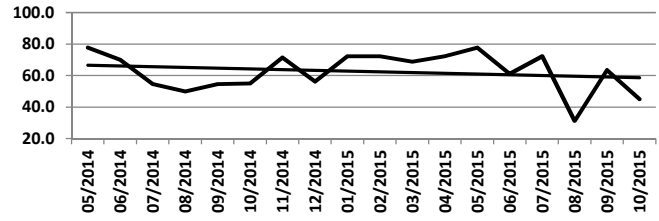
The non-seasonally adjusted Employment index slid back to the 50.0 mark in October denoting continued increasing employment activity among respondents in the greater Buffalo area. With the remaining indices largely weak, this remains a positive bit of news.

Vendor Deliveries were:

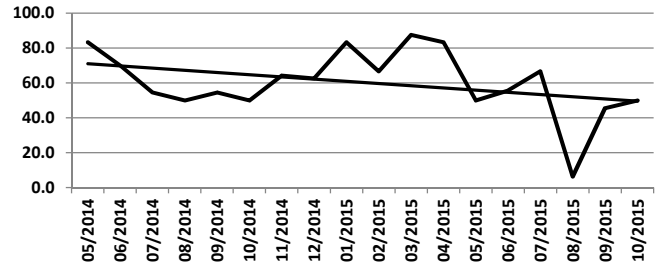
Period	Faster	Same	Slower	Index	Prior Yr
October 2015	10.0%	70.0%	20.0%	45.0	55.0
September 2015	9.1%	90.9%	0.0%	54.5	59.1
August 2015	0.0%	75.0%	25.0%	37.5	66.7

The Vendor Deliveries index reflects slower vendor deliveries relative to expectations. The vast majority of respondents stated vendors performed the same as to on time deliveries compared to September. Following what had generally been a stable time period with year from June 2014 to June 2015 it appears as if vendors have been less reliable in terms of deliveries of late.

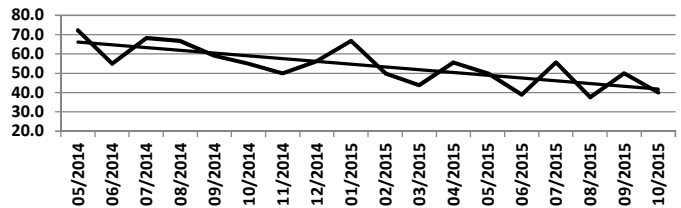
Production - Diffusion Index



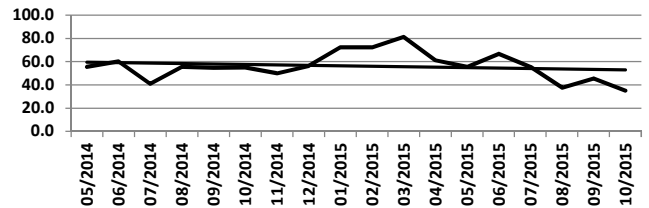
New Orders - Diffusion Index



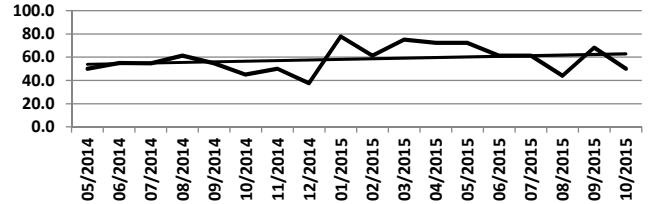
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

