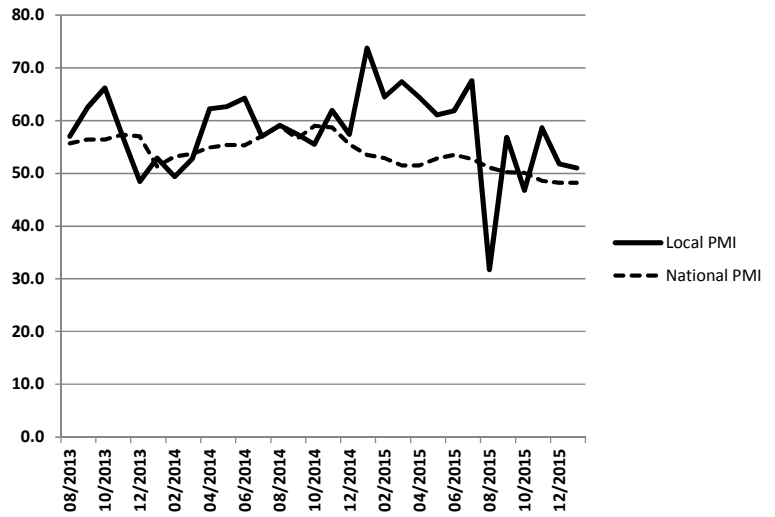


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The PMI Index

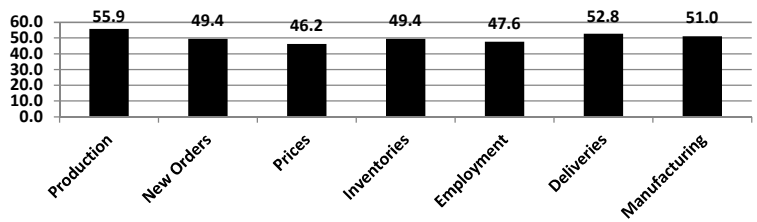
The local Buffalo-Niagara Manufacturing index managed to hold in expansionary territory to open the year with an index value of 51.0, off slightly from December's 51.8. We remain above the 50.0 mark which denotes increases in activity, in spite of the state and national level manufacturing measures showing contraction. Nationally the ISM manufacturing remained at 48.2 for the second straight month. On the statewide level the NY Fed's Empire State Manufacturing Survey showed even greater weakness registering the sixth straight month of contraction and showed the fastest rate of contraction since The Great Recession. We have again outperformed broader indices, although many of the local indices show evidence of weakness or are mixed.

Looking to the other favorable results, Production again increased relative to prior month although at a much slower rate with an index of 55.9. Deliveries also remain in positive territory and continue to increase, although again at a slower pace than December. New Orders remain in contractionary territory at 49.4 during January up from December's 42.1. Prices and inventories remain in contractionary territory, both of which contracted at a slower pace than December. Employment fell below the 50.0 mark to 47.6 which indicates a relative contraction to December's levels. While overall activity expanded, it was definitely a mixed bag in terms of performance in January.



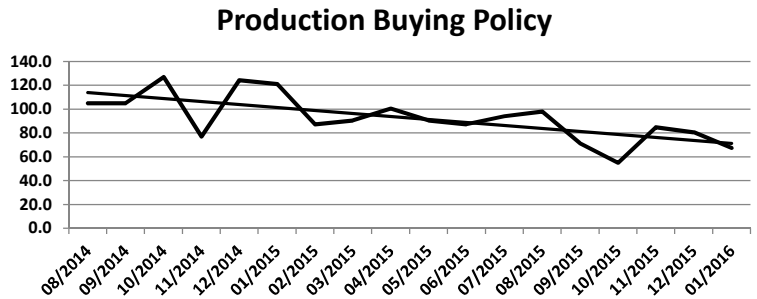
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	55.9	Increasing	Decreasing
New Orders	49.4	Decreasing	Decreasing
Prices	46.2	Decreasing	Flat
Inventories	49.4	Decreasing	Decreasing
Employment	47.6	Decreasing	Decreasing
Deliveries	52.8	Increasing	Decreasing
Manufacturing	51.0	Increasing	Flat



Production Buying Policy

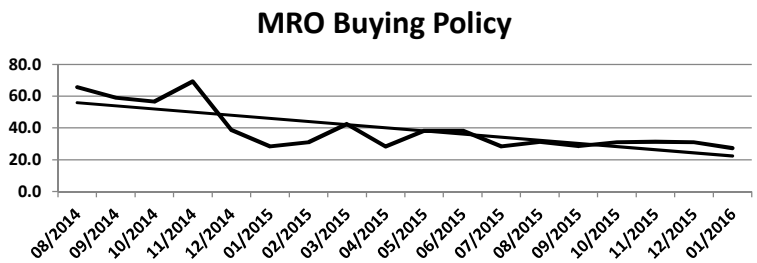
Days ahead production commitments among respondents fell to an average of 67.3 days to start the year from 80.6 days in December. This month's move put us below the longer term linear trendline, which has generally shown a declining number of days over the past 18 months. With the weakness in New Orders continuing and overall weakness nationally I am not bullish in terms of significant rebounds for the near term.



MRO Buying Policy

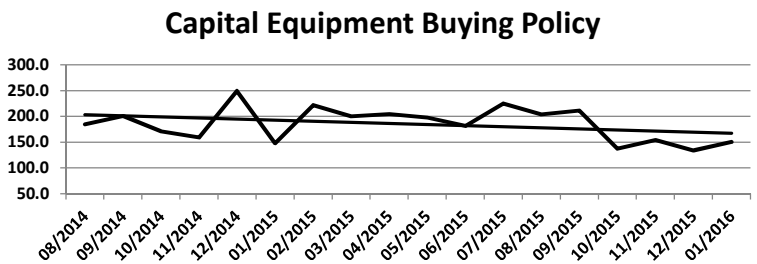
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand fell to 27.3 days on hand from December's 31.1 remaining generally in line with recent supply levels. Although this is a bit of a decrease month to month, we continue in the general level evident since this time last year.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 150.4 days in January, up slightly from 133.9 days in December. This is the fourth consecutive month we have bounced between approximately 130 and 150 days, well below the 200 plus day levels where we were in the 3rd quarter of 2015.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
January 2016	30.8%	46.2%	23.1%	53.8	72.2
December 2015	55.6%	22.2%	22.2%	66.7	56.3
November 2015	63.6%	18.2%	18.2%	72.7	71.4

The Production diffusion index fell for the second straight month to 53.8 following the recent high of 72.7 in November and 66.7 in December. This denotes three consecutive months of expansion in production in spite of the broader geographic trends.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
January 2016	30.8%	38.5%	30.8%	50.0	83.3
December 2015	22.2%	33.3%	44.4%	38.9	62.5
November 2015	27.3%	54.5%	18.2%	54.5	64.3

The non-seasonally adjusted New Orders index eked back into expansionary territory with an index value of 50.0 in January. While favorable, with the overall performance in other indices I remain guarded in interpreting this relatively modest increase too favorably.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
January 2016	15.4%	61.5%	23.1%	46.2	66.7
December 2015	22.2%	44.4%	33.3%	44.4	56.3
November 2015	9.1%	63.6%	27.3%	40.9	50.0

The Commodity Price diffusion index continued in contractionary territory at 46.2 in January again easing up from December's 44.4 and November's 40.9 values. This marks the fourth straight month where local respondents have reported lower commodity prices relative to prior month. The near term outlook for the Fed has been their continued plan to increase rates this year with what they have stated is a relatively robust labor market.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
January 2016	23.1%	53.8%	23.1%	50.0	72.2
December 2015	0.0%	66.7%	33.3%	33.3	56.3
November 2015	27.3%	36.4%	36.4%	45.5	50.0

The Inventories of Purchased Goods index edged into expansionary territory with a value of 50.0 this month. This marks the first month since July that local respondents have reported increases in inventories relative to prior month levels, albeit relatively modest ones.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
January 2016	30.8%	30.8%	38.5%	46.2	77.8
December 2015	22.2%	55.6%	22.2%	50.0	37.5
November 2015	45.5%	36.4%	18.2%	63.6	50.0

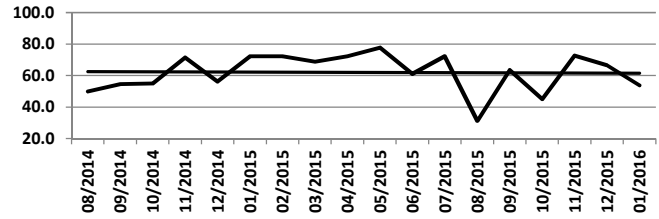
The non-seasonally adjusted Employment index slid to contractionary levels to open the year, registering a value of 46.2 in January. This marks the first month since August of last year we have witnessed a decrease in employment levels relative to prior month.

Vendor Deliveries were:

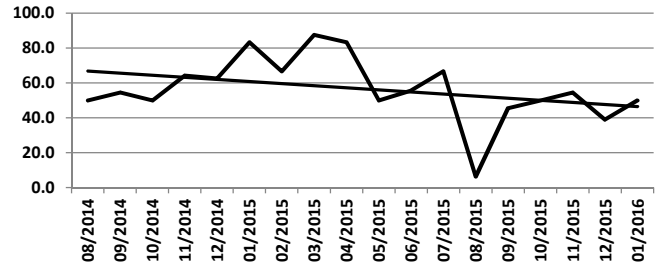
Period	Faster	Same	Slower	Index	Prior Yr
January 2016	7.7%	92.3%	0.0%	53.8	61.1
December 2015	11.1%	88.9%	0.0%	55.6	56.3
November 2015	9.1%	81.8%	9.1%	50.0	57.1

The Vendor Deliveries index registered a 53.8 value in January, off slightly from December's 55.6 value. We again see faster deliveries relative to prior month, although over 90 percent of respondents reported the speed of delivery was the same relative to prior month.

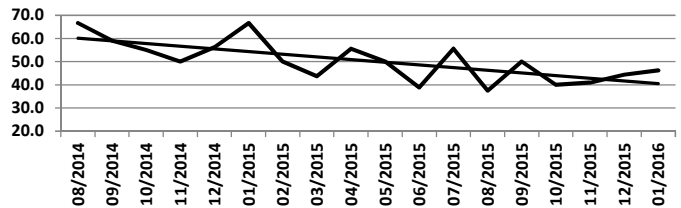
Production - Diffusion Index



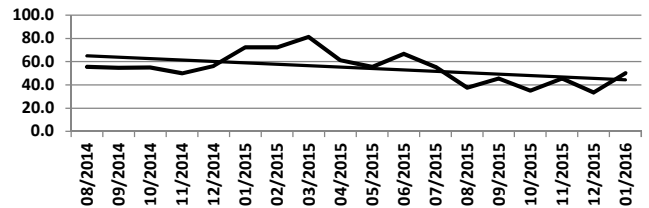
New Orders - Diffusion Index



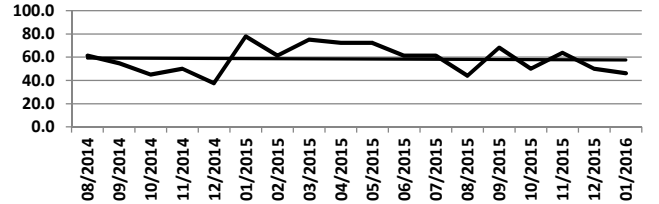
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

