

Institute of Supply Management - Buffalo
June 2016 Business Survey Monthly Comparison Report

The PMI Index

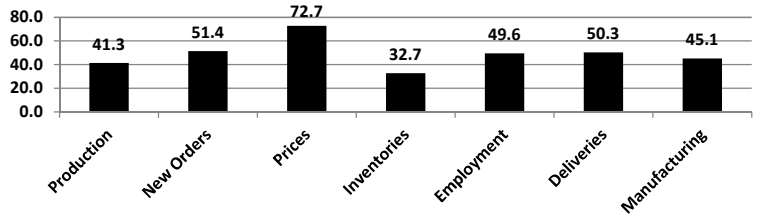
The local Buffalo-Niagara Manufacturing index registered a fifth straight contractionary result in June, up slightly to 45.1 from last month's index value of 44.7 (with values greater than 50.0 demarcating where manufacturing activity is expanding). The national ISM manufacturing index increased relative to prior month to 53.2 in June from 51.3 in May. Regionally, the NY Fed's Empire State Manufacturing Survey, which surveys manufacturers statewide, registered its second straight month of expansionary results (although modest in June). The biggest macroeconomic news of the month was the Brexit vote, which I think will be less of an issue for the United States (or WNY) as Britain is a relatively smaller trading partner. My thoughts are that this will encourage the Federal Reserve to be more hesitant to increase interest rate targets over the near to medium term.

Looking to the other local results, Production has fallen into decreasing territory after being one of the bright spots in last month's report. New Orders eased above the 50.0 mark to 51.4 signaling increases relative to May. Commodity prices continue their strong increases with an index value of 72.7 in June. As a trend I thought would play out more quickly, inventories continue to show decreases relative to prior month with his month's index of 32.7 again reflecting declines. Excepting New Orders being up slightly relative to May levels, things weren't the best for local respondents in June. Certainly not the weakest results I've seen, but we continue to underperform locally relative to broader manufacturing indicators.



This month (Seasonally Adjusted)

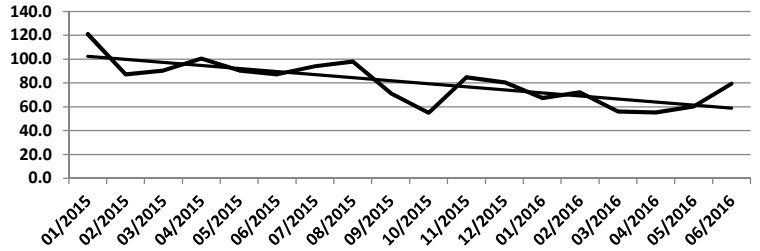
Index	Index	Direction	Rate of Change
Production	41.3	Decreasing	Increasing
New Orders	51.4	Increasing	Increasing
Prices	72.7	Increasing	Decreasing
Inventories	32.7	Decreasing	Decreasing
Employment	49.6	Decreasing	Increasing
Deliveries	50.3	Faster	Flat
Manufacturing	45.1	Decreasing	Flat



Production Buying Policy

Days ahead production commitments among respondents registered 79.5 days in June relative to 60.5 and 55.4 days in May and April, respectively. We may have made a break this month to what has been a generally downward trend over the past 18 months. This could be construed as a possible sign of future strength to the extent the increased production buying commitments signal increased future activity.

Production Buying Policy

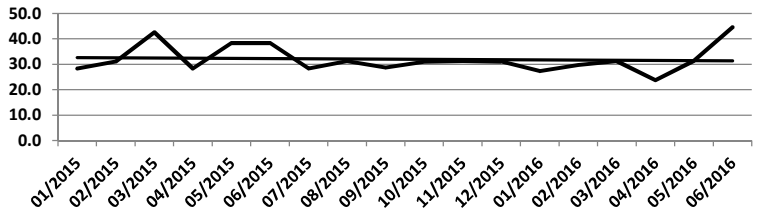


MRO Buying Policy

(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand increased to 44.5 days during June, up from 31.4 days during May. Following a prolonged stretch vacillating between the mid 20s to 30s I am hesitant to call this a trend quite yet, but is an interesting increase.

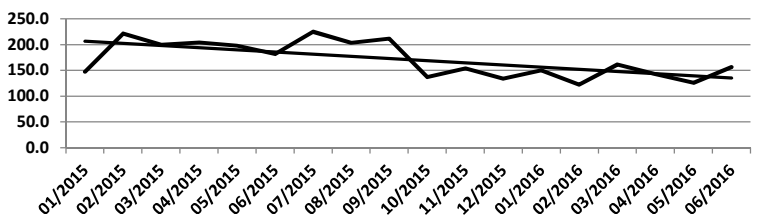
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 156.4 days in June, an increase relative to the 125.9 days ahead in May. We remain below prior year levels, although June is near the 2016 high in March of 161.3 days. We seem to have at least found a bottom in terms of the length of commitments.

Capital Equipment Buying Policy



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
June 2016	27.3%	27.3%	45.5%	40.9	61.1
May 2016	45.5%	27.3%	27.3%	59.1	77.8
April 2016	41.7%	25.0%	33.3%	54.2	72.2

The Production diffusion index registered an index value of 40.9 in June falling notably relative to May's 59.1 value. While not as notable as August's sharp drop, this seems as if it may be a bit of an outlier. It is broadly in line with the general downward trend, but this seems to be too sharp relative to the just meager weakness otherwise locally.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
June 2016	36.4%	27.3%	36.4%	50.0	55.6
May 2016	9.1%	45.5%	45.5%	31.8	50.0
April 2016	33.3%	41.7%	25.0%	54.2	83.3

The non-seasonally adjusted New Orders index pulled just even to being in expansionary territory at 50.0 in June. This series continues to show relatively large rates of variation relative to other non-seasonally adjusted series, also showing the greatest range between minimum and maximum values.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
June 2016	45.5%	54.5%	0.0%	72.7	38.9
May 2016	63.6%	27.3%	9.1%	77.3	50.0
April 2016	33.3%	66.7%	0.0%	66.7	55.6

The Commodity Price diffusion index registered a value of 72.7 in June off slightly from May's 77.3 value. Again, the graph to right shows the notable difference during the past three months, with price increases becoming strong from March 2016 onward.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
June 2016	9.1%	45.5%	45.5%	31.8	66.7
May 2016	0.0%	54.5%	45.5%	27.3	55.6
April 2016	16.7%	41.7%	41.7%	37.5	61.1

The Inventories of Purchased Goods index increased slightly to 31.8 in June from May's 27.3 value. These broad decreases in inventory levels continue relative to prior month as only January and February have registered index values which demarcated increases to prior month during 2016.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
June 2016	18.2%	63.6%	18.2%	50.0	61.1
May 2016	36.4%	45.5%	18.2%	59.1	72.2
April 2016	33.3%	50.0%	16.7%	58.3	72.2

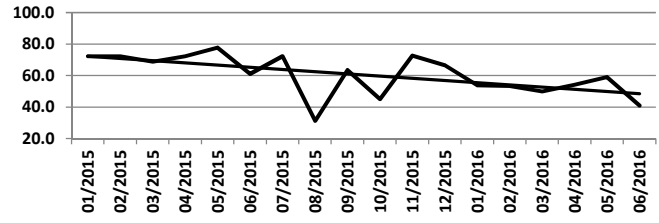
The non-seasonally adjusted Employment index stayed just in expansionary territory at 50.0 in June, off from May's 59.1 value. While many of the other areas of the report relate weakness this third consecutive month of employment level increases offer some consolation.

Vendor Deliveries were:

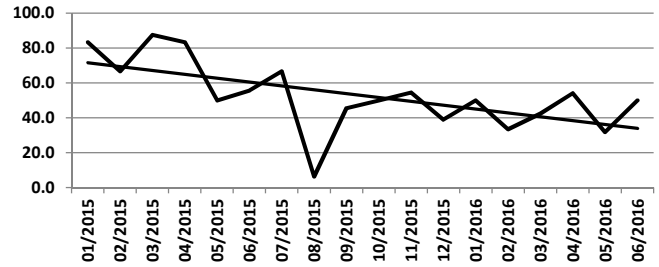
Period	Faster	Same	Slower	Index	Prior Yr
June 2016	0.0%	100.0%	0.0%	50.0	61.1
May 2016	9.1%	90.9%	0.0%	54.5	61.1
April 2016	16.7%	83.3%	0.0%	58.3	61.1

The Vendor Deliveries index registered a value of 50.0 in June off slightly relative to May's 54.5 value. The index relates faster deliveries relative to prior month with all respondents claiming deliveries at the same speed relative to May levels. So far this year less variance is evident in vendor delivery speeds, as can be noted in the index graph to the right.

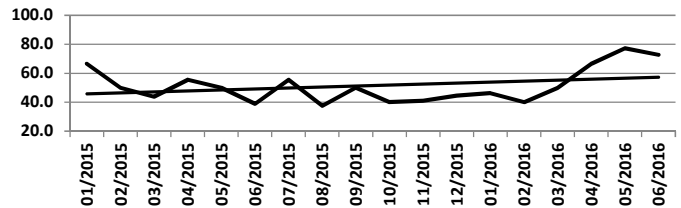
Production - Diffusion Index



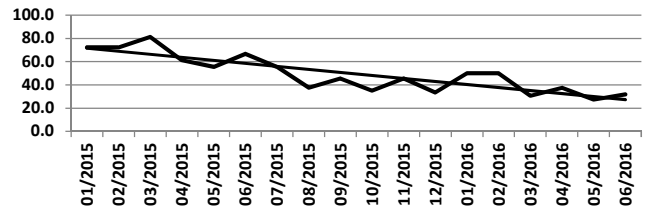
New Orders - Diffusion Index



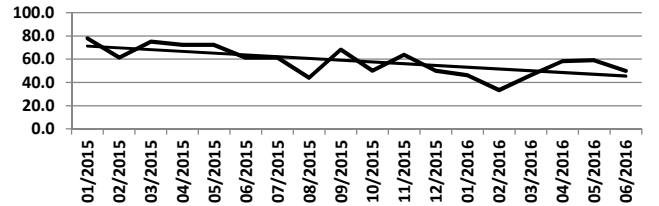
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

