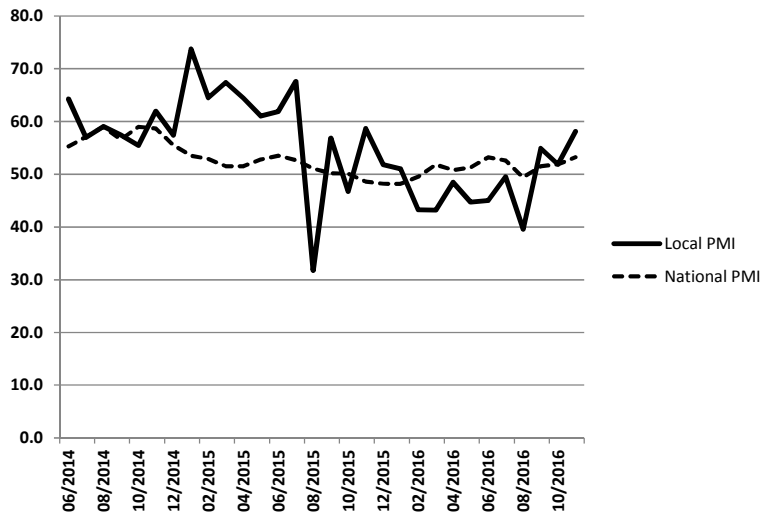


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The PMI Index

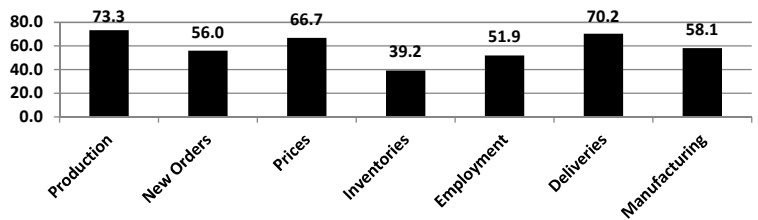
Favorable local results continued in November with a Buffalo-Niagara Manufacturing index value of 58.1, our third straight month in expansionary territory (where values of 50.0 or greater indicate increased activity). We improved relative to last month's local index value of 51.9 and bested the national ISM manufacturing index which registered a 53.2 in November. Regionally, the NY Fed's Empire State Manufacturing Survey, which surveys manufacturers statewide, registered its first positive result in the General Business Conditions index after three months of contracting activity. This is the first time in numerous months that the national ISM, Empire State Survey, and local PMI all aligned reflecting increasing business activity to prior month. After the weakness through the first part of the year it is heartening to see things broadly improving moving into December.

Looking to the other local indices, production increased strongly relative to October levels with a seasonally adjusted index value of 73.3. Both New Orders and Employment registered increases relative to prior month as well. Inventories registered another contractionary value relative to October levels, and decreasing inventories relative to prior month has been one of the persistent recent local trends among respondents. As one thing to watch, the commodity price index increased a bit from last month's 50.0 mark to 66.7. There has been widespread speculation the Federal Reserve may increase Federal Funds Rate targets at the December FOMC meeting.



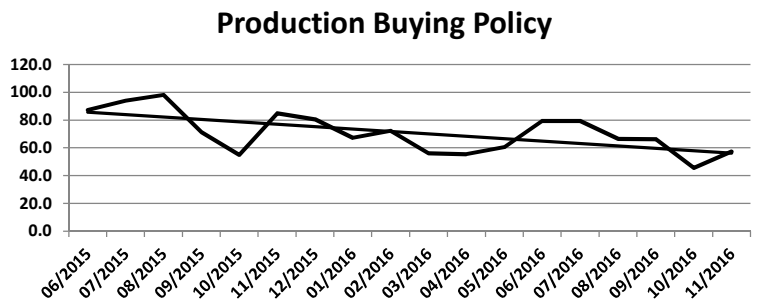
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	73.3	Increasing	Increasing
New Orders	56.0	Increasing	Flat
Prices	66.7	Increasing	Increasing
Inventories	39.2	Decreasing	Flat
Employment	51.9	Increasing	Flat
Deliveries	70.2	Faster	Increasing
Manufacturing	58.1	Increasing	Increasing



Production Buying Policy

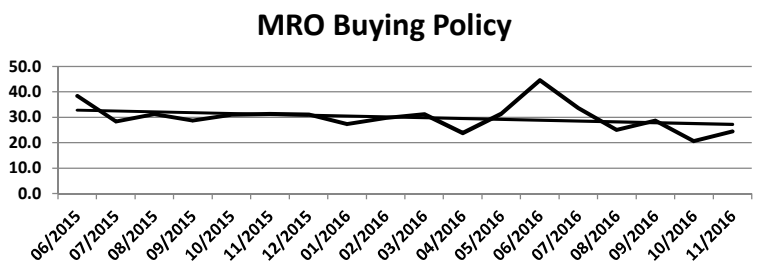
Days ahead production commitments among respondents registered 57.2 days in November, up from 2016's yearly low of 45.6 days in October. We converged this month to the long term trend line and have generally been seeing a lower number of days relative to 12-18 months ago. Just like October 2015, it appears the precipitous droplast month may be a short term fall in days ahead production commitments. With the strength we see overall in the report, this average may continue to move upward as we close out the year.



MRO Buying Policy

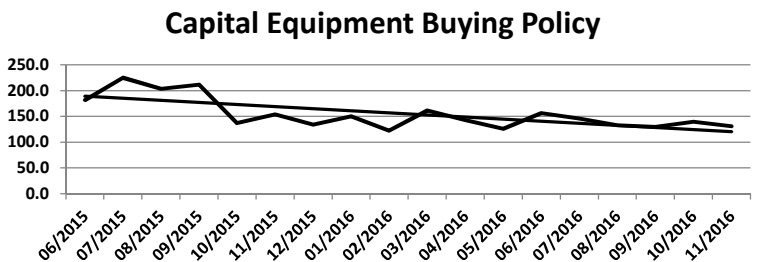
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand increased to 24.4 days in November, up from October's 20.6 days. As we move toward the end of the year this series seems to have stabilized, the notably higher values from approximately 2 years ago having aged out of the window and the small spike in the summer seemingly an aberration.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 130.6 days in November, off 8.8 days from 139.4 days in October. This series has been stable since third quarter 2015 broadly in the 130-150 day range.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
November 2016	55.6%	33.3%	11.1%	72.2	72.7
October 2016	25.0%	37.5%	37.5%	43.8	45.0
September 2016	45.5%	9.1%	45.5%	50.0	63.6

The non-seasonally adjusted Production diffusion index registered an index value of 72.2 in November with over half of the respondents communicating increased production levels to prior month. We seem to have broken the generally degenerative trend ended in August with the index trending upward since that time. There was a similar pattern in last year's index values with November as a local peak which may signal increases of this strength are not sustainable.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
November 2016	33.3%	44.4%	22.2%	55.6	54.5
October 2016	37.5%	37.5%	25.0%	56.3	50.0
September 2016	36.4%	27.3%	36.4%	50.0	45.5

The non-seasonally adjusted New Orders index stayed essentially flat relative to last month's value in positive territory and has registered three relatively stable months following what you can note are marked fluctuations earlier in the year. As we move to close the year, three consecutive months is easily the longest consecutive month over month trend of increasing new orders in 2016.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
November 2016	44.4%	44.4%	11.1%	66.7	40.9
October 2016	12.5%	75.0%	12.5%	50.0	40.0
September 2016	27.3%	63.6%	9.1%	59.1	50.0

The Commodity Price diffusion index registered a value of 66.7 in November, up from October's 50.0 mark. Following relatively lower values from mid 2015 until early 2016 we witnessed some increases to mark the middle of 2016. I'm not quite ready to call this month's higher value a sign of increasing commodity prices to come but 2016 has seen more price strength than last year with its decline in oil prices.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
November 2016	0.0%	77.8%	22.2%	38.9	45.5
October 2016	12.5%	50.0%	37.5%	37.5	35.0
September 2016	36.4%	27.3%	36.4%	50.0	45.5

The Inventories of Purchased Goods index remained in contractionary territory in November with no respondents reporting increasing inventories relative to October levels. This continues to be the other area that has made interesting changes to historical levels with persistent index values in contractionary territory this year.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
November 2016	11.1%	77.8%	11.1%	50.0	63.6
October 2016	12.5%	75.0%	12.5%	50.0	50.0
September 2016	27.3%	54.5%	18.2%	54.5	68.2

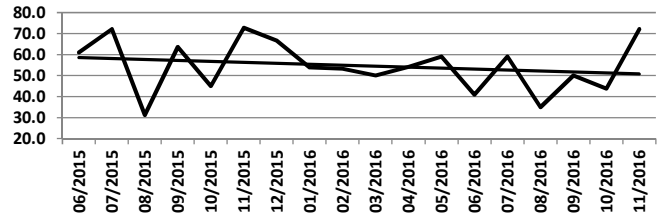
The non-seasonally adjusted Employment index remained steady at 50.0 during November, signaling (weakly) increasing employment relative to October levels. The vast majority of respondents at 77.8% reported employment levels that were the same relative to prior month, following the decline to start the year this index has seen relative stability at or near expansionary values.

Vendor Deliveries were:

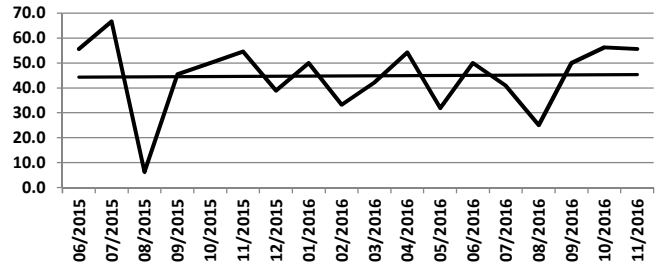
Period	Faster	Same	Slower	Index	Prior Yr
November 2016	33.3%	66.7%	0.0%	66.7	50.0
October 2016	25.0%	75.0%	0.0%	62.5	45.0
September 2016	27.3%	72.7%	0.0%	63.6	54.5

The Vendor Deliveries index registered a value of 66.7 in November, up slightly from October's 62.5 value. November marks our third straight month above the long term trend line, with vendors continuing to generally perform well in their deliveries arriving on time or faster than promise date.

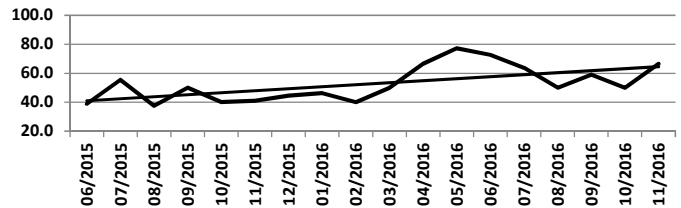
Production - Diffusion Index



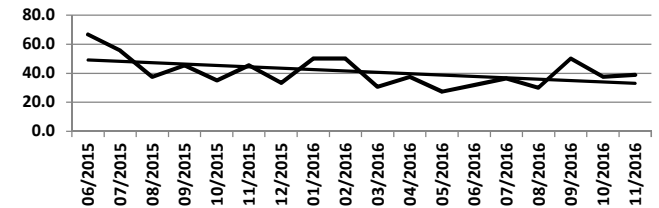
New Orders - Diffusion Index



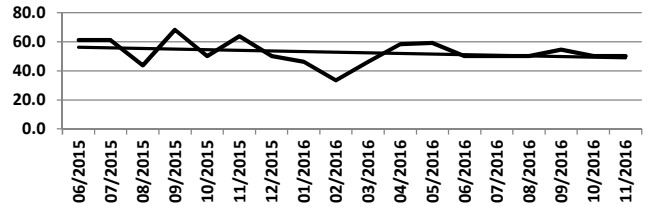
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

