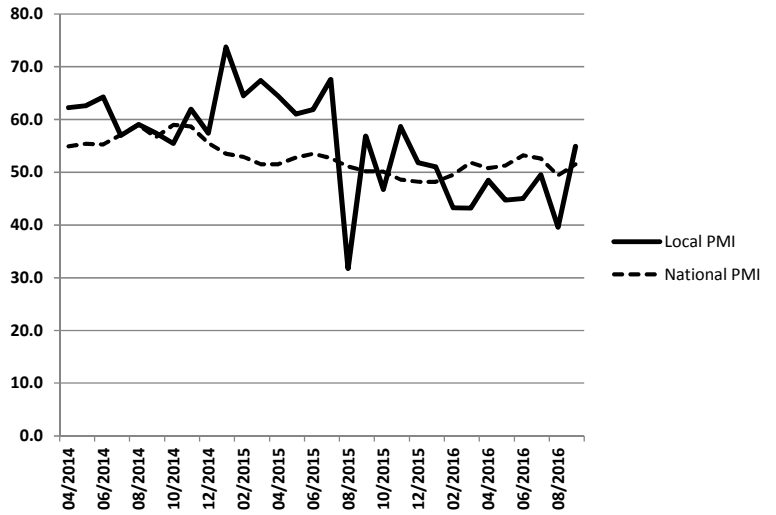


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The PMI Index

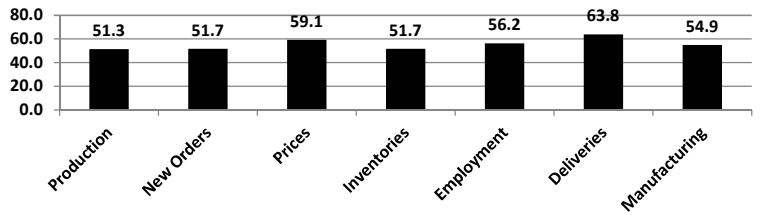
Following seven months in contractionary territory, the local Buffalo-Niagara Manufacturing index registered a value of 54.9 reflecting increased activity in September relative to prior month (where a value of 50.0 indicates increased activity). After what had been consistent underperformance relative to the national index (51.5 in September), we registered a higher index value locally this month. Regionally, the NY Fed's Empire State Manufacturing Survey, which surveys manufacturers statewide, showed contractionary results in its General Business Conditions index which signaled a "slight decline in business activity in September." While I'm glad to see the overall generally positive results this month, I remain hesitant to claim it is a trend for the near to medium term as the results still aren't incredibly strong nor have I heard other clear signals marking increased strength more broadly in the macroeconomy.

Looking to the other local results, essentially all other series show favorable changes to prior month (excepting the commodity price index). Production and New Orders both climbed into expansionary. They were in the 50s in September so not relating marked increases relative to prior month but they are in positive territory. Inventories broke its long contractionary streak as well showing increases to prior month.



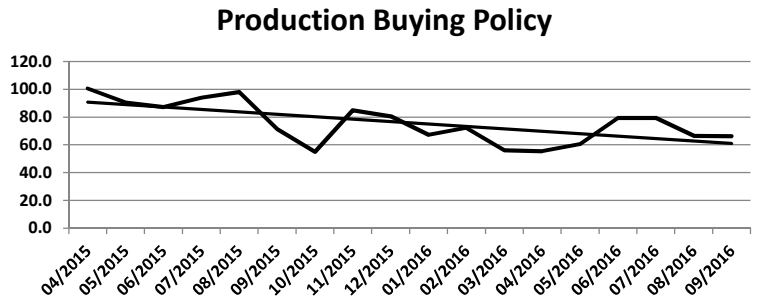
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	51.3	Increasing	Increasing
New Orders	51.7	Increasing	Increasing
Prices	59.1	Increasing	Increasing
Inventories	51.7	Increasing	Increasing
Employment	56.2	Increasing	Decreasing
Deliveries	63.8	Faster	Increasing
Manufacturing	54.9	Increasing	Increasing



Production Buying Policy

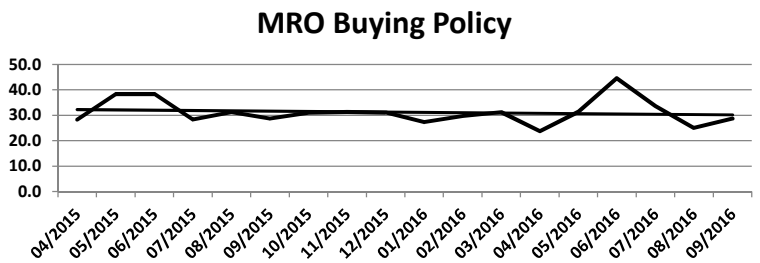
Days ahead production commitments among respondents registered 66.4 days in September, essentially flat to August's 66.5 days. While we remain below levels of 18 months ago in terms of the number of days of production commitments, we may have found some support near current levels. We are now seeing the fourth month above the long term trend line.



MRO Buying Policy

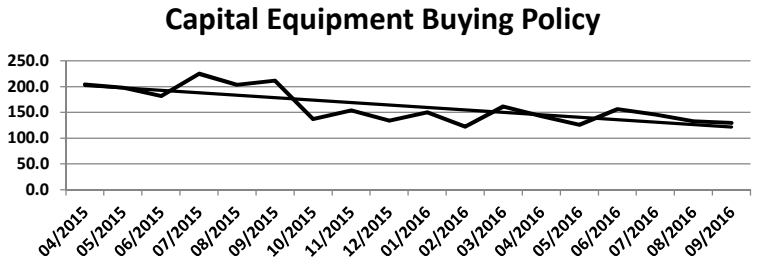
(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand increased to 28.6 days in September from August's 25.0 days. After the sudden spike in June, we appear to be converging toward the more common recent levels of MRO supplies on hand for one of the most consistent series I've seen during my tenure generating this report in terms of reported values.



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 129.5 days in September, down slightly from 132.5 days in August. Although only exhibiting a slight decline in September, this is following the broader trend over the past 18 months of generally shorter buying commitments among western New York respondents.



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
September 2016	45.5%	9.1%	45.5%	50.0	63.6
August 2016	20.0%	30.0%	50.0%	35.0	31.3
July 2016	54.5%	9.1%	36.4%	59.1	72.2

The non-seasonally adjusted Production diffusion index registered an index value of 50.0 in September just eking out an expansionary value. This month was a notable improvement relative to August's index value of 35.0. This series has had more variance than many of the others in recent months and while the overall seasonally adjusted results are heartening, I find it a bit disconcerting that the same percentage of respondents reported lower production levels as higher during September.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
September 2016	36.4%	27.3%	36.4%	50.0	45.5
August 2016	10.0%	30.0%	60.0%	25.0	6.3
July 2016	36.4%	9.1%	54.5%	40.9	66.7

The non-seasonally adjusted New Orders index rebounded into expansionary territory in September registering a value of 50.0 after two consecutive months of contractionary index values. Just like with the production index directly above, there is a dichotomy in what the respondents were seeing in September with the same percentage reporting higher New Orders as lower.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
September 2016	27.3%	63.6%	9.1%	59.1	50.0
August 2016	10.0%	80.0%	10.0%	50.0	37.5
July 2016	36.4%	54.5%	9.1%	63.6	55.6

The Commodity Price diffusion index registered a value of 59.1 in September, up from the recent low of 50.0 in August. While we are not seeing the stronger price increases that were evident among respondents in the middle of the year, there still remain at least some inflationary pressures.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
September 2016	36.4%	27.3%	36.4%	50.0	45.5
August 2016	10.0%	40.0%	50.0%	30.0	37.5
July 2016	27.3%	18.2%	54.5%	36.4	55.6

The Inventories of Purchased Goods index bounced to 50.0 during September after showing contractionary levels since February of this year. Although this may be a harbinger of building inventories in anticipation of sales, this remains a weak signal and could simply be due to respondent companies drawing down inventory as much as possible.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
September 2016	27.3%	54.5%	18.2%	54.5	68.2
August 2016	20.0%	60.0%	20.0%	50.0	43.8
July 2016	18.2%	63.6%	18.2%	50.0	61.1

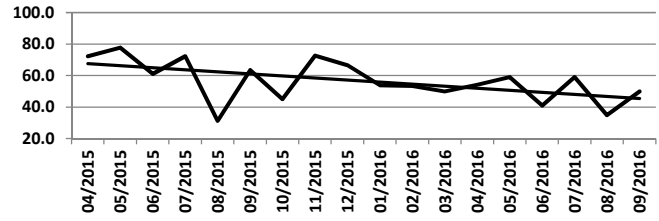
The non-seasonally adjusted Employment index pulled a bit further into expansionary territory in September registering a value of 54.5. While there has been general weakness in recent months, employment has shown consistently expansionary values not having been below 50.0 since March of this year.

Vendor Deliveries were:

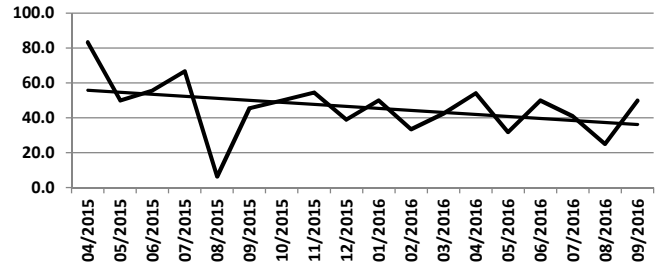
Period	Faster	Same	Slower	Index	Prior Yr
September 2016	27.3%	72.7%	0.0%	63.6	54.5
August 2016	10.0%	90.0%	0.0%	55.0	37.5
July 2016	9.1%	90.9%	0.0%	54.5	72.2

The Vendor Deliveries index registered a value of 63.6 in September, up from 55.0 in August. After having been very consistent during 2016 we see an uptick this month in terms of vendor delivery speeds although the majority of respondents still claim speeds are the same relative to prior month.

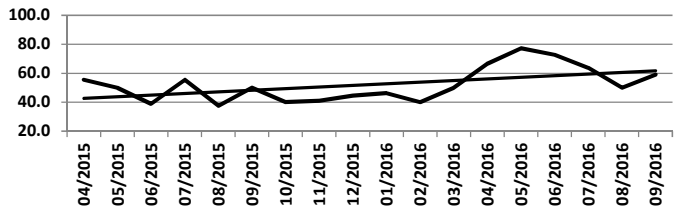
Production - Diffusion Index



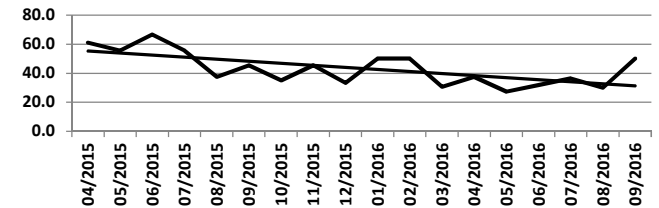
New Orders - Diffusion Index



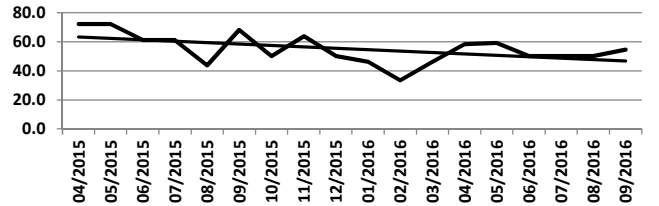
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

