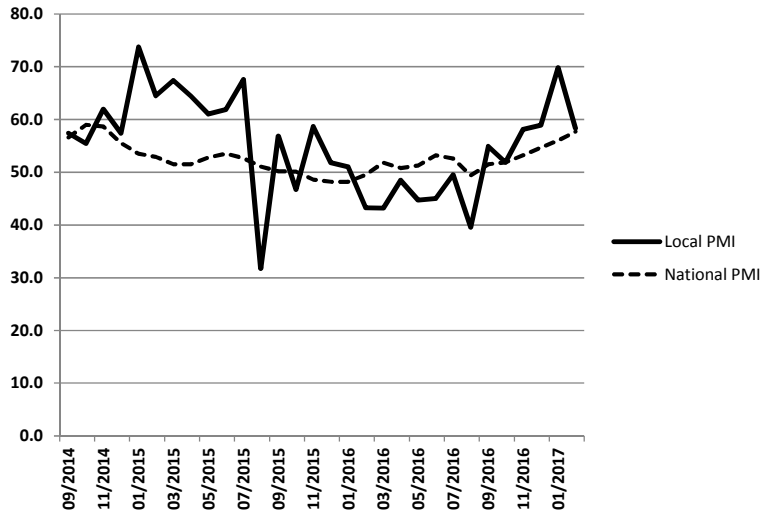


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The PMI Index

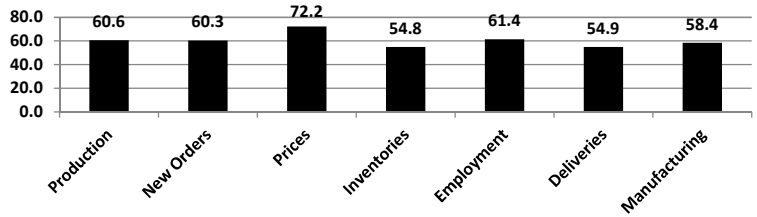
The Buffalo-Niagara Manufacturing index remained easily in positive territory during February registering a 58.4 (where values of 50.0 or greater indicate increased activity to prior month). This marks our fifth straight month of expansionary activity relative to prior month. We converged toward the national ISM index last month which registered a 57.7 and the NY Fed's Empire State Manufacturing Survey's (a statewide measure) general business index registered it's highest value in over two years. We continue to see favorable economic indicators across many measures both locally and more broadly with this month being no exception

Looking to the other local indices, Production remained in positive territory at 60.6 although off from January's 84.6 value. The New Orders and Employment indices both registered positive results again in February, with New Orders at 60.3 and Employment at a 61.4 index value. Regarding Inventories, the index registered a 54.8 marking higher inventories relative to prior month. An anomaly relative to consistent recent drawdowns among respondents in WNY. The commodity price index continues to show consistently increasing values, registering a 72.2 in February with both December and January index values also above the 70 mark at 77.8 and 71.4, respectively.



This month (Seasonally Adjusted)

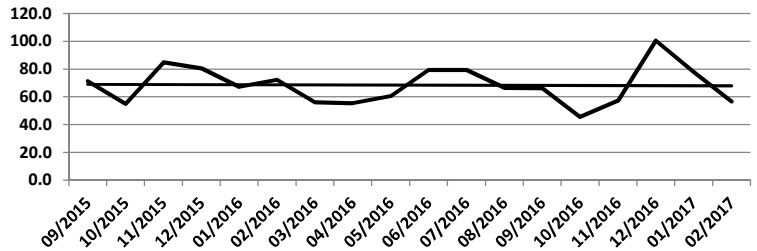
Index	Index	Direction	Rate of Change
Production	60.6	Increasing	Decreasing
New Orders	60.3	Increasing	Decreasing
Prices	72.2	Increasing	Flat
Inventories	54.8	Increasing	Increasing
Employment	61.4	Increasing	Decreasing
Deliveries	54.9	Faster	Flat
Manufacturing	58.4	Increasing	Decreasing



Production Buying Policy

Days ahead production buying commitments among respondents fell to 56.7 days in February, down from 77.9 days in January. Excepting what appears to be an outlier to the high side in December, we have fallen back in line with historical levels and were below the 18 month linear trend line in February. While the overall mood from the indices appears positive, days ahead production buying commitments did not extend further into the future.

Production Buying Policy

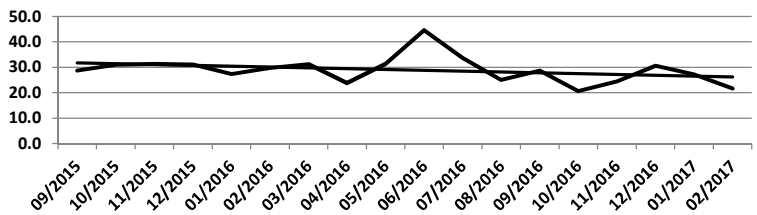


MRO Buying Policy

(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand fell to 21.7 days in February from January's 27.1. We are again near the 18th month low of 20.6 days from October 2016. Excepting June 2016, responding firms are continuing to consistently hold 20-30 days of MRO supplies on hand.

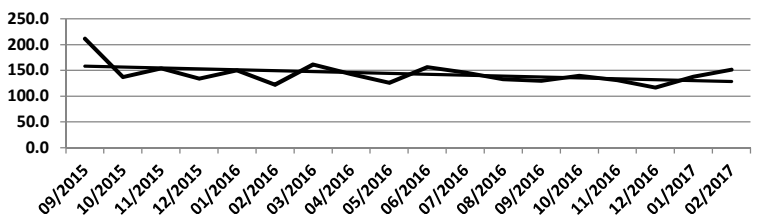
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 151.7 days ahead in February, up from 137.9 days in January. This series has been in a gentle decline the past few months ended December which had an 18 month low of 116.7 days. With the first two months of 2017 respondents are planning further into the future in terms of their capital equipment purchases.

Capital Equipment Buying Policy



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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
February 2017	44.4%	33.3%	22.2%	61.1	53.3
January 2017	71.4%	14.3%	14.3%	78.6	53.8
December 2016	44.4%	22.2%	33.3%	55.6	66.7

The non-seasonally adjusted Production diffusion index registered an index value of 61.1 in February, off from 78.6 in January, while remaining comfortably in expansionary territory relative to prior month. This series remains volatile in its month to month movement although did converge toward the long term trend in February.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
February 2017	55.6%	11.1%	33.3%	61.1	33.3
January 2017	71.4%	28.6%	0.0%	85.7	50.0
December 2016	44.4%	44.4%	11.1%	66.7	38.9

The non-seasonally adjusted New Orders index fell to 61.1 in February from January's 85.7 value. We remain easily in positive territory with another favorable month-to-month movement following January's highest index value in the past 18 months. The continued increasing new orders relative to prior month hopefully bode well for continued production increases as we progress into 2017.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
February 2017	44.4%	55.6%	0.0%	72.2	40.0
January 2017	57.1%	28.6%	14.3%	71.4	46.2
December 2016	55.6%	44.4%	0.0%	77.8	44.4

The Commodity Price diffusion index registered a value of 72.2 in February, only slightly off January's 71.4 value. We are again in the the higher range of index values from the past 18 months in this series. While the broader economic indices continue to be positive, this continuing inflationary pressure may eventually force the Fed to act if/when this places pressure at the retail price level.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2017	44.4%	22.2%	33.3%	55.6	50.0
January 2017	14.3%	57.1%	28.6%	42.9	50.0
December 2016	0.0%	77.8%	22.2%	38.9	33.3

The Inventories of Purchased Goods index pulled above the 50.0 mark for the first time in the past 18 months, signifying increasing inventories relative to prior month (although three months we did reach 50.0 without crossing). Less than half of respondents at 44.4% report increased inventories relative to January levels.

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
February 2017	22.2%	77.8%	0.0%	61.1	33.3
January 2017	57.1%	28.6%	14.3%	71.4	46.2
December 2016	33.3%	44.4%	22.2%	55.6	50.0

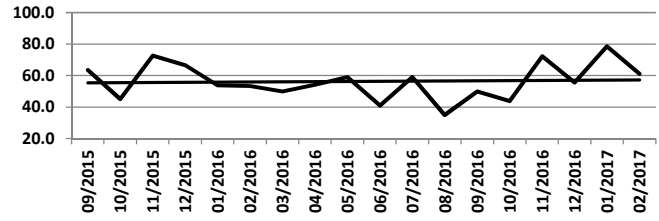
The non-seasonally adjusted Employment index fell to 61.1 in February while remaining comfortably in increasing territory. Only 22.2 percent of respondents reported greater levels of employment relative to prior month while no respondent reported lower employment levels in February relative to prior month.

Vendor Deliveries were:

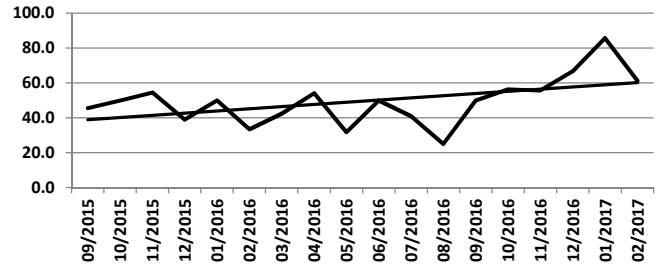
Period	Faster	Same	Slower	Index	Prior Yr
February 2017	11.1%	88.9%	0.0%	55.6	53.3
January 2017	14.3%	85.7%	0.0%	57.1	53.8
December 2016	22.2%	77.8%	0.0%	61.1	55.6

The Vendor Deliveries index registered a value of 55.6 in February, off slightly from 57.1 in January. February marks a continued streak where vendors outperformed promised delivery dates, the last month respondents reported vendors were slower relative to promise dates was October 2015.

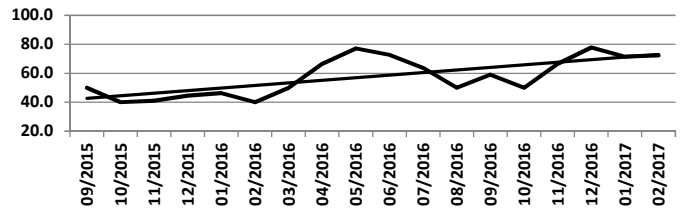
Production - Diffusion Index



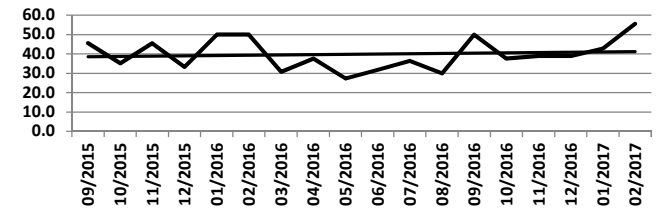
New Orders - Diffusion Index



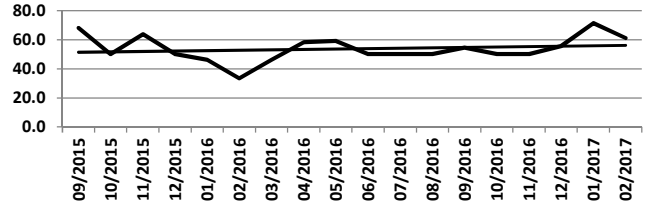
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

