

Institute of Supply Management - Buffalo
January 2017 Business Survey Monthly Comparison Report

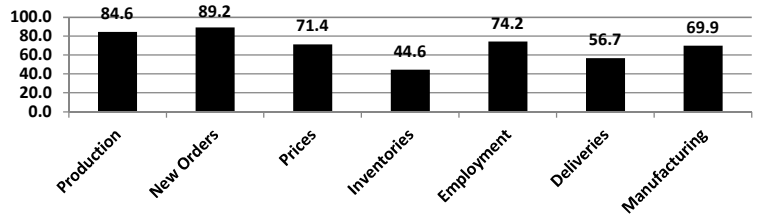
The PMI Index

The Buffalo-Niagara Manufacturing index started 2017 with a strong showing of 69.9, up 11.0 percentage points from December's 58.9. This marks our fourth straight month in expansionary territory (where values of 50.0 or greater indicate increased activity) and is our highest index value since January 2016. The national ISM index rose again registering a 56.0 and regionally the NY Fed's Empire State Manufacturing Survey also showed favorable results with its general business index registering another month in positive territory. Although there remain some unknowns on the horizon regarding policy with the new administration (the tariff on Mexican goods comes to mind) that could affect factor prices, there remains a generally positive trend in economic indicators to start the year. We find ourselves to be in much the same situation in WNY, with broadly positive index values across these measures.

Looking to the other local indices, production was markedly stronger this month with a seasonally adjusted index value of 84.6, up from December's 60.1. New Orders and Employment were both strong, both increasing at a faster pace relative to the already favorable index values in December. Inventories again registered a value less than 50.0 marking lower inventories to prior month, and respondents appear to be doing more with less on hand which is generally favorable for profitability. Commodity prices continue to feel some upward pressure. January registered a value of 71.4, down from December's 77.8.

This month (Seasonally Adjusted)

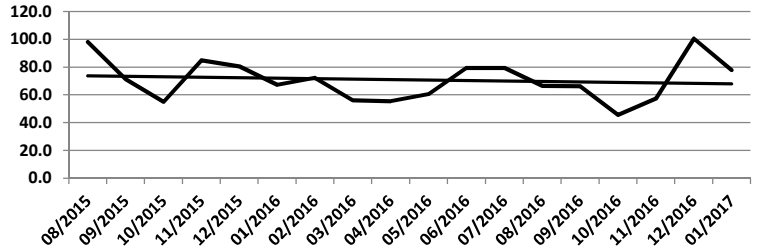
Index	Index	Direction	Rate of Change
Production	84.6	Increasing	Increasing
New Orders	89.2	Increasing	Increasing
Prices	71.4	Increasing	Decreasing
Inventories	44.6	Decreasing	Flat
Employment	74.2	Increasing	Increasing
Deliveries	56.7	Faster	Decreasing
Manufacturing	69.9	Increasing	Increasing



Production Buying Policy

Days ahead production commitments among respondents registered 77.9 days in January, falling from 100.6 days in December. This is more in line with historical levels, although remaining above the long term trend. The December value appears as if it may have been an aberration in the current context, although the other strong index values could creep in to this series according to where respondents are relative to capacity.

Production Buying Policy

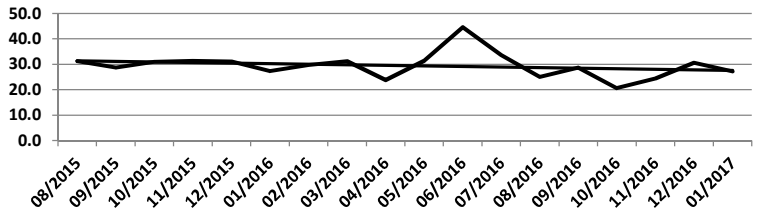


MRO Buying Policy

(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand declined to 27.1 days in January from 30.6 days in December. We converged again to the long term trend line this month as the series has been comfortably in this range the past 18 months excepting June of last year.

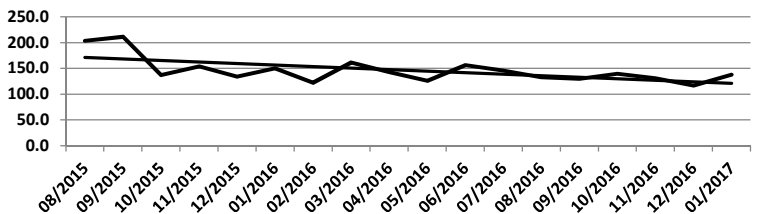
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 137.9 days in January, bouncing off of the recent minimum of 116.7 days in December and a bit above November levels. With the opening of 2017, it appears respondents are looking a bit 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
January 2017	71.4%	14.3%	14.3%	78.6	53.8
December 2016	44.4%	22.2%	33.3%	55.6	66.7
November 2016	55.6%	33.3%	11.1%	72.2	72.7

The non-seasonally adjusted Production diffusion index registered an index value of 78.6 in January, a notable increase from December's value. Relative to some of the other indices we note in the report, this has had more variance in recent months registering some contractionary values as recently as the beginning of the fourth quarter of 2016.

New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
January 2017	71.4%	28.6%	0.0%	85.7	50.0
December 2016	44.4%	44.4%	11.1%	66.7	38.9
November 2016	33.3%	44.4%	22.2%	55.6	54.5

The non-seasonally adjusted New Orders index increased to 85.7 in January, the highest value this index has registered in the past 18 months. Over 70% of those responding in January reported higher new orders relative to December levels. After last month's favorable index value, this is a bit of a surprise to see this much movement. It's a statement about the general movement in manufacturing and generally consistent with my knowledge of other measures of activity.

Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
January 2017	57.1%	28.6%	14.3%	71.4	46.2
December 2016	55.6%	44.4%	0.0%	77.8	44.4
November 2016	44.4%	44.4%	11.1%	66.7	40.9

The Commodity Price diffusion index registered a value of 71.4 in January, off slightly from December's 77.8 index value. We remain toward the higher end of the index value range from the past 18 months in this series, with the more broadly positive economic indicators it's possible we could see this inflationary pressure trickling into stronger consumer prices in the months to come.

Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
January 2017	14.3%	57.1%	28.6%	42.9	50.0
December 2016	0.0%	77.8%	22.2%	38.9	33.3
November 2016	0.0%	77.8%	22.2%	38.9	45.5

The Inventories of Purchased Goods index ticked up a bit to 42.9 in January, while remaining in contractionary territory. We did have a minority of respondents (28.6%) claim higher inventories of purchased goods of purchased goods. To put this series in context, only three months out of the past 18 have reflected increases relative to prior

Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
January 2017	57.1%	28.6%	14.3%	71.4	46.2
December 2016	33.3%	44.4%	22.2%	55.6	50.0
November 2016	11.1%	77.8%	11.1%	50.0	63.6

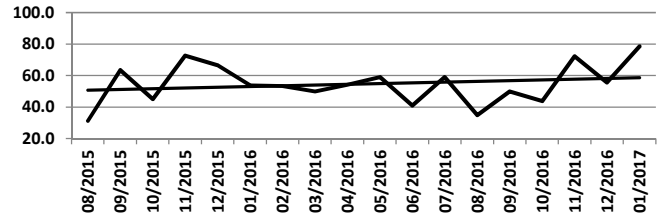
The non-seasonally adjusted Employment index broke out a bit in January following December's move above 50.0 after two straight months at that value. Over half of respondents at 57.1% relate greater employment activity relative to December to start the year.

Vendor Deliveries were:

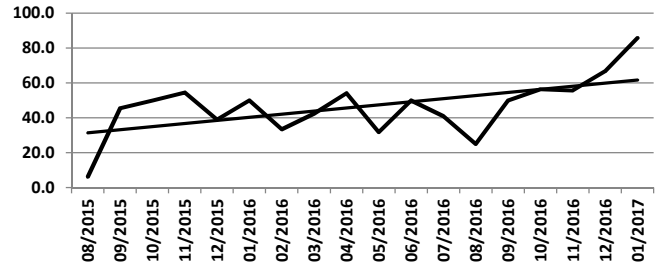
Period	Faster	Same	Slower	Index	Prior Yr
January 2017	14.3%	85.7%	0.0%	57.1	53.8
December 2016	22.2%	77.8%	0.0%	61.1	55.6
November 2016	33.3%	66.7%	0.0%	66.7	50.0

The Vendor Deliveries index registered a value of 57.1 in January, off a bit from the 61.1 registered in December but still easily above the 50.0 mark which denotes whether deliveries are arriving more quickly relative to promise date.

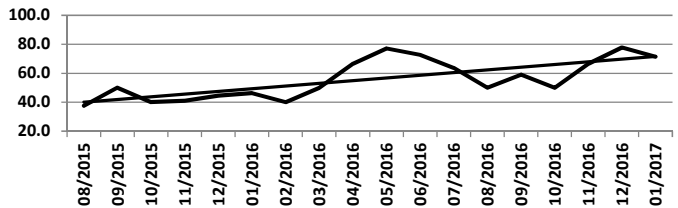
Production - Diffusion Index



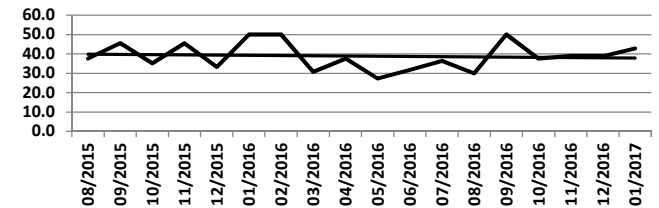
New Orders - Diffusion Index



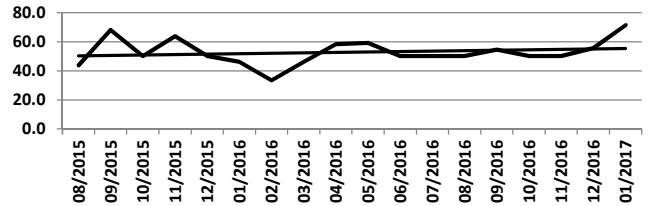
Commodity Pricing - Diffusion Index



Inventories - Diffusion Index



Employment - Diffusion Index



Vendor Deliveries - Diffusion Index

