

**NATIONAL ASSOCIATION OF PURCHASING MANAGEMENT-BUFFALO INC.**

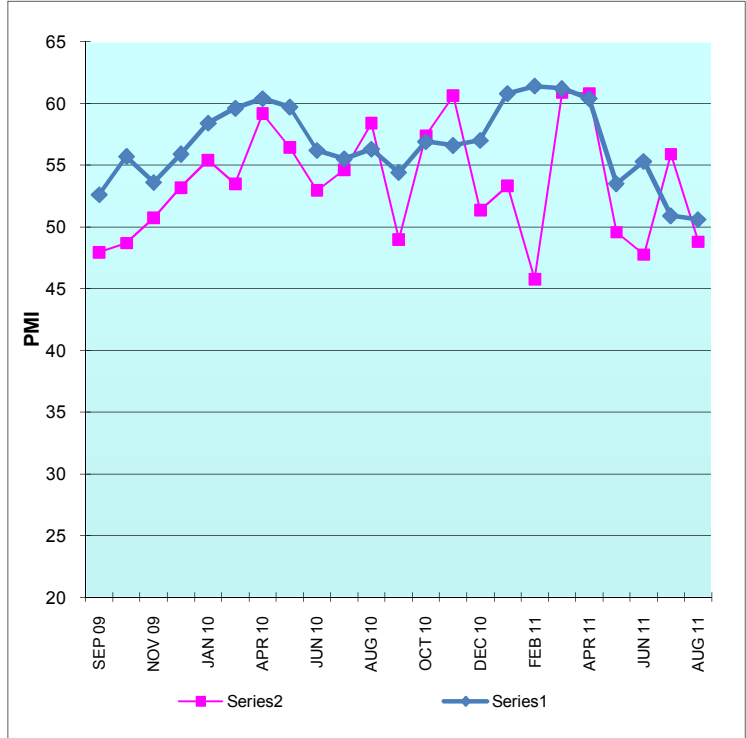
**August 2011 Business Survey Monthly Comparison Report**

Submitted by: Arthur Aramino, Chairman Business Survey Committee

The PMI Index

The PMI Index for the local manufacturing sector retreated in August as the non-seasonally adjusted (NSA) PMI lost 6.7 points to 50.0 while the seasonally adjusted PMI slipped 7.1 points to 48.8. Both the seasonally adjusted and the non-seasonally adjusted PMI indices are below their 3-month moving averages, which remain above 50. The Production Index lost 6.7 points and the New Orders Index fell 13.3 points (NSA). The Commodity Price Index continues to expand at a faster rate climbing 7.2 points to 82.2. The Employment Index dipped 6.7 points while Inventories dropped 7.6 points. The average commitment lead time for Capital Expenditures fell to 167 days while the MRO policy decreased from 180 days to just 42 days as buyers are locking in purchases as early as possible to minimize the increases in costs.

The national PMI registered 50.6%, a 0.3 percentage point decrease from July. A PMI in excess of 42.5%, over a period of time, generally indicates an expansion of the overall economy, even if the manufacturing sector is contracting. According to the Institute for Supply Management, the PMI for January through August (56.8%) corresponds to a 5.0% increase in real GDP annually.



**This Month, (Seasonally Adjusted)**

	Index	Direction	Rate of change
Production	45.1	Contracting	From Expanding
New Orders	43.9	Contracting	From Expanding
Prices	82.2	Increasing	Faster
Inventories	54.8	Expanding	Slower
Employment	45.0	Contracting	From Expanding
Deliveries	55.1	Slower	Faster
Mfg Sector	48.8	Contracting	From Expanding

**Items in Short Supply**

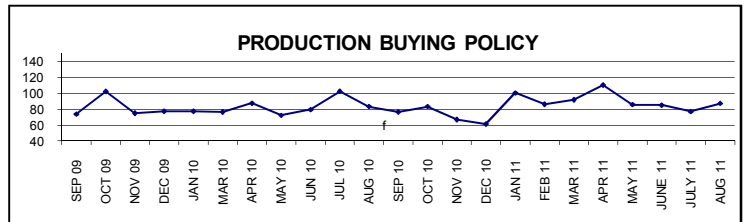
PVDF and PTFE.  
Highly machined off-road components for construction equipment  
Metals

**Comments form the survey respondents:**

Inventory build up at reselling dealers peaked for the 2011 seasonal cycle. Export remains strong with US Dollar weakness.

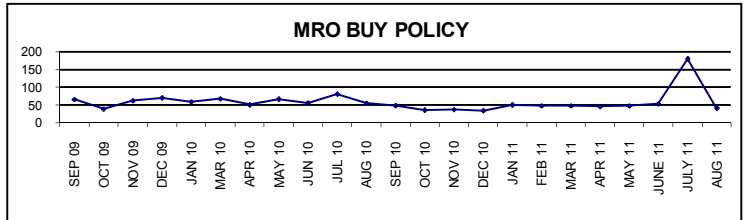
**PRODUCTION BUYING POLICY**

The survey respondents are reporting the days-ahead commitments for production material is an average 87 days. Last month this average was 77 days.



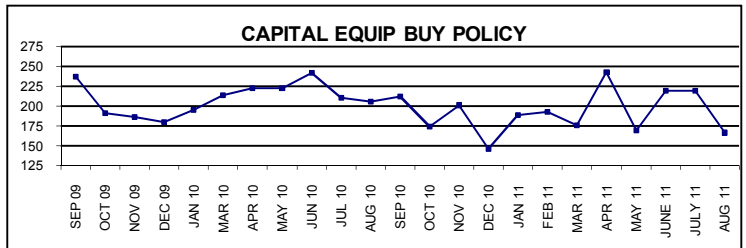
**MRO BUYING POLICY**

This month the respondents are reporting an average of 42 days ahead for MRO supplies. Last month the average was 180 days.



**CAPITAL EQUIPMENT BUYING POLICY**

The local manufacturers are looking out an average of 167 days and making commitments for capital equipment. Last month the average was 220 days.

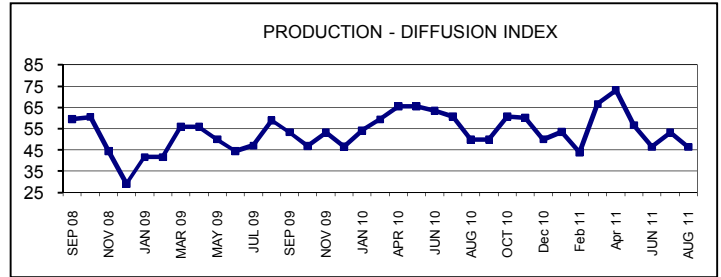


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**Not Seasonally Adjusted**

**The Production level was:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Aug	35.7%	21.4%	42.9%	46.4	50.0
Jul	37.5%	31.2%	31.3%	53.1	60.8

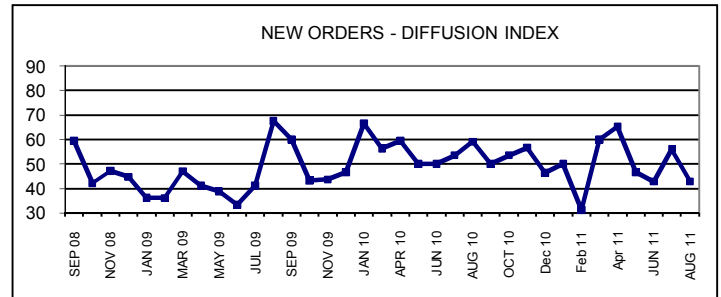
The Production Index lost 6.7 points in August with the number of respondents reporting lower production levels increasing 11.6 points.



**New Orders were reported:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Aug	28.6%	28.6%	42.8%	42.9	59.1
Jul	43.7%	25.0%	31.3%	56.2	53.6

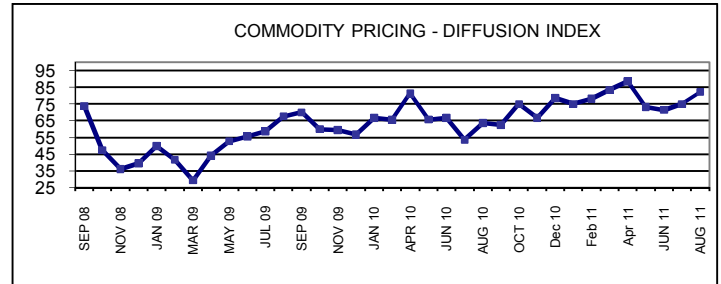
The New Order index fell 13.3 points as the number of respondents reporting lower new order levels increased 11.5 points.



**Commodity Prices are:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Aug	64.3%	35.7%	0.0%	82.2	63.7
Jul	56.2%	37.5%	6.3%	75.0	53.6

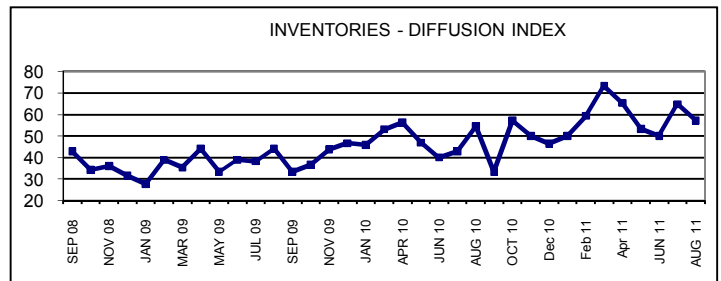
The Commodity Price Index gained 7.2 points as 64.3% of the respondents reported higher prices and none reported lower prices.



**Inventories of purchased goods were:**

	HIGHER	SAME	LOWER	INDEX	LAST YR.
Aug	35.7%	42.9%	21.4%	57.2	54.6
Jul	52.3%	25.0%	18.7%	64.8	42.9

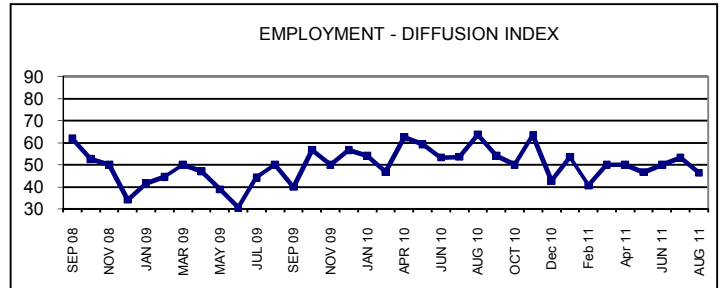
The Inventories Index dropped 7.6 points as the percentage of respondents reporting higher inventories decreased 16.6 points from July.



**Employment levels were:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Aug	14.3%	64.3%	21.4%	46.5	63.7
Jul	25.0%	56.3%	18.7%	53.2	53.6

The Employment Level Index declined 6.7 points as 85.7% of the respondents reported the same or lower levels compared to July.



**Vendor deliveries were:**

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
Aug	14.3%	85.7%	0.00%	57.2	63.7
Jul	12.5%	87.5%	0.00%	56.3	64.3

The Vendor Deliveries Index added .9 points as all of the respondents reported Slower or the Same delivery rate as July. Slower deliveries usually indicate higher demand, but can also mean insufficient supplier inventories.

