

NATIONAL ASSOCIATION OF PURCHASING MANAGEMENT-BUFFALO INC.

February 2011 Business Survey Monthly Comparison Report

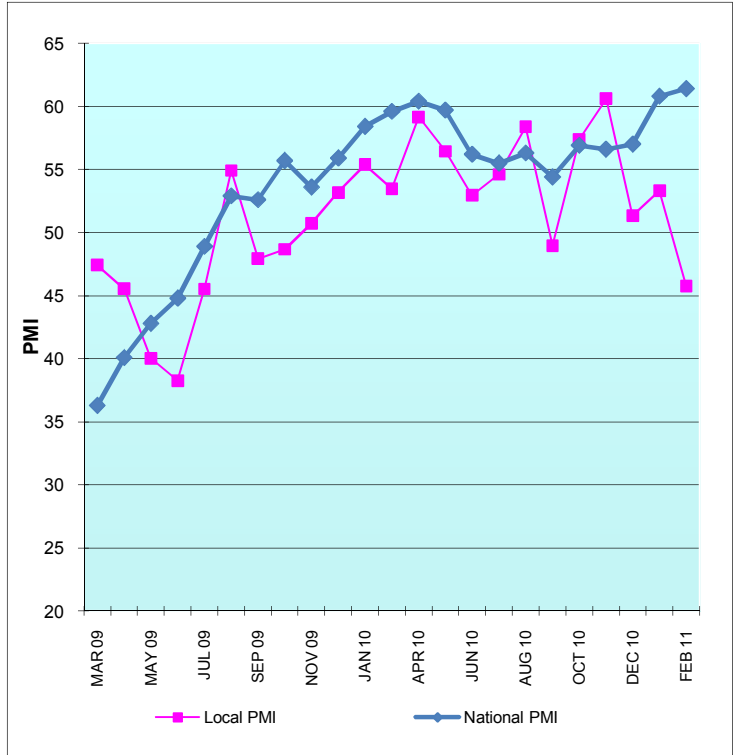
Submitted by: Arthur Aramino, Chairman Business Survey Committee

The PMI Index

The PMI report for the local manufacturing sector was strongly negative for the month of February. The non-seasonally adjusted (NSA) PMI was 45.6 and the seasonally adjusted (SA) PMI was 45.8. Production, New Orders, and Employment indices all dove below 50 with New Orders falling all the way to 32.2 (SA). As the local and national PMI's continue to diverge, the question becomes, which one is lagging the other? Both the local SA and NSA PMI's remain below their respective 3-month moving averages, and the Forecasting Index reached an all-time low of -25.2, indicating a strong disparity between new orders and inventories. Prices continue to rise, fueling inflation as demand decreases. This is not a good combination.

Average lead time for production materials is 86 days, down 14 days. Average lead time for MRO supplies decreased 2 days to 49. Average commitment lead time for capital equipment increased 4 days to 193.

The national PMI registered 61.4%, a 0.6 point increase over December and the highest level since May 2004. 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 and February (61.4%) corresponds to a 6.6% increase in real GDP annually.



This Month, (Seasonally Adjusted)

	Index	Direction	Rate of change
Production	43.7	Contracting	From Expanding
New Orders	32.2	Contracting	From Expanding
Prices	78.1	Increasing	Faster
Inventories	57.4	Expanding	Faster
Employment	41.6	Contracting	From Expanding
Deliveries	53.9	Slower	Faster
Mfg Sector	45.8	Contracting	From Expanding

Items in Short Supply

Metals

Comments from the survey respondents:

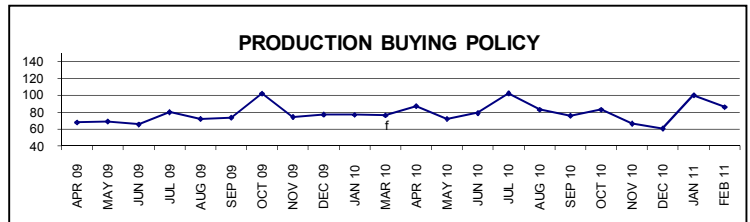
*"Deliveries of most input items are getting extended due to growing industrial demand."

*"Commodity pricing on the rise forcing price hikes for retail products and reevaluation of workforce."

*"Our customers want to automate production before hiring. Business is booming."

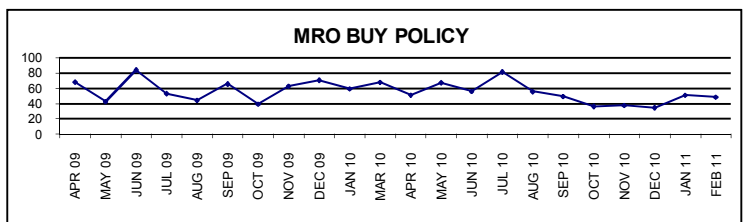
PRODUCTION BUYING POLICY

The survey respondents are reporting the days-ahead commitments for production material is an average 86 days. Last month this average was 100 days.



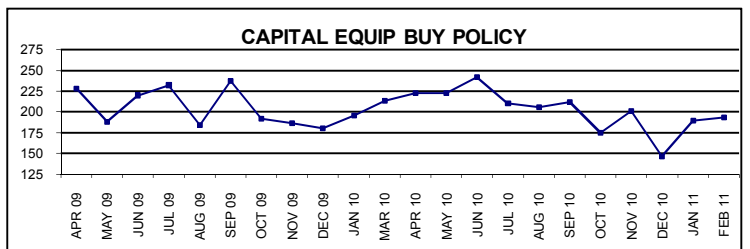
MRO BUYING POLICY

This month the respondents are reporting an average of 49 days ahead for MRO supplies. Last month the average was 51 days.



CAPITAL EQUIPMENT BUYING POLICY

The local manufacturers are looking out an average of 193 days and making commitments for capital equipment. Last month the average was 189 days.

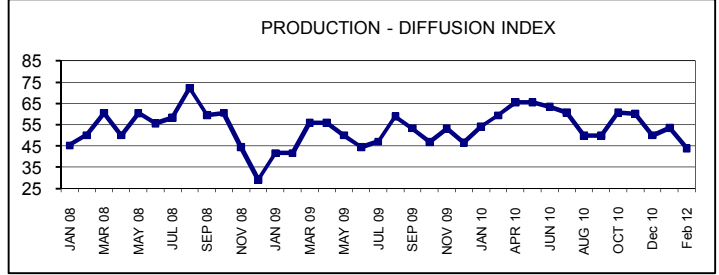


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Not Seasonally Adjusted

The Production level was:

	HIGHER	SAME	LOWER	INDEX	LAST Yr
Feb	18.8%	50.0%	31.2%	43.8	N/A
Jan	35.7%	35.7%	28.6%	53.6	54.2

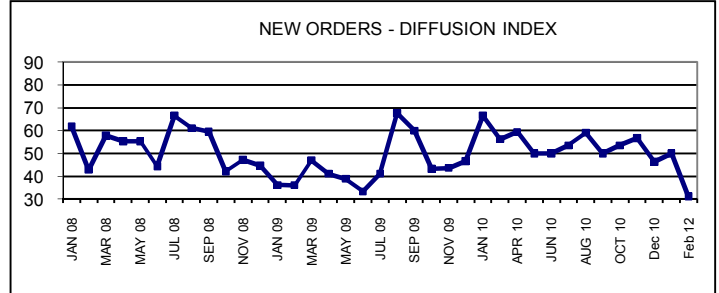
The Production Index lost 9.8 pts. as the number of respondents reporting lower or the same production levels totaled 69.6% compared to only 18.8% reporting higher levels.



New Orders were reported:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	6.2%	50.0%	43.8%	31.2	N/A
Jan	42.9%	14.3%	42.9%	50.0	66.7

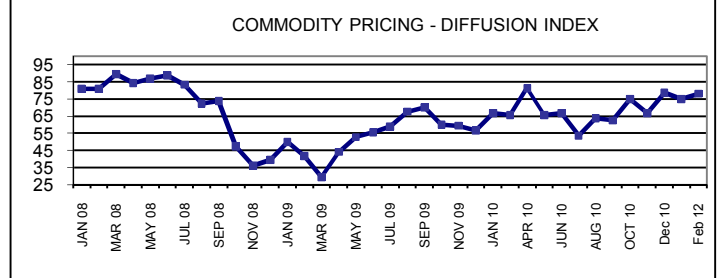
The New Order index plummeted 18.8 pts. with only 6.2% reporting higher levels of new orders and 93.8% reporting the same or lower levels.



Commodity Prices are:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	62.5%	31.3%	6.2%	78.1	N/A
Jan	50.0%	50.0%	0.0%	75.0	66.7

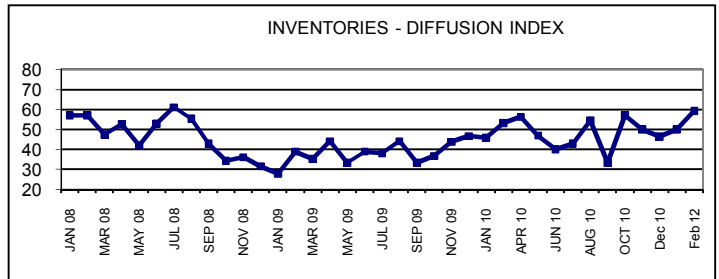
The Commodity Price Index rose 3.1 points as 62.5% of respondents reported higher prices in February.



Inventories of purchased goods were:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	43.8%	31.2%	25.0%	59.4	N/A
Jan	35.7%	28.6%	35.7%	50.0	45.8

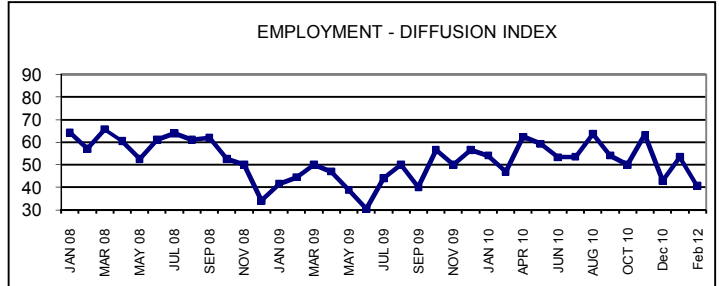
The Inventories Index gained 9.4 points over January with 75% of the respondents reporting higher or the same inventory levels.



Employment levels were:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	12.5%	56.3%	31.3%	40.7	N/A
Jan	28.6%	50.0%	21.4%	53.6	54.2

The Employment Level Index fell 24% as the number of respondents reporting higher employment fell 16.1 pts. and those reporting lower employment levels increased 12.9 points.



Vendor deliveries were:

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
Feb	18.8%	68.7%	12.5%	53.1	N/A
Jan	7.1%	85.7%	7.1%	50.0	45.2

The Vendor Deliveries Index rose 3.1 points the number of respondents reporting slower deliveries increasing 11.7 points. Slower deliveries usually indicates higher demand, but can also mean insufficient supplier inventories.

