

NATIONAL ASSOCIATION OF PURCHASING MANAGEMENT-BUFFALO INC.

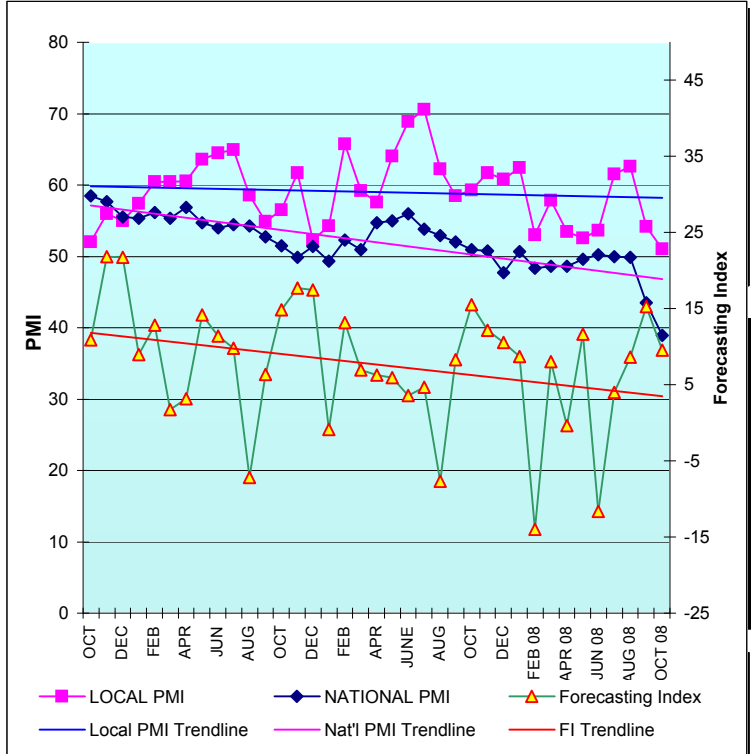
January 2009 Business Survey Monthly Comparison Report

Submitted by: Arthur Aramino, Chairman Business Survey Committee

The PMI Index

The January PMI nosed up slightly from December's low. The non-seasonally adjusted PMI rose 5.5% to 41.7 and the seasonally adjusted PMI climbed 7.2% above December's mark. By comparison, the national PMI rose 2.7 points to 35.6. The increases locally are primarily due to increases in the Production and Vendor Deliveries indices. However, the manufacturing sector remains in a state of contraction and the 8.6% decline in New Orders indicates a continuation of the recessionary pressures on the regional economy. Commodity prices rose for the second straight month, ending their brief 2-month decline. The Forecasting Index fell to 10.5 as the Inventories Index did not decline as much as the New Orders Index, but overall indicates no major correction is expected.

When the PMI is above 50% the manufacturing economy is generally expanding; when it drops below the 50% mark, the economy is considered to be contracting. A PMI over 41.1%, over a period of time, means the overall economy is generally expanding. According to the Institute for Supply Management (ISM), the average national PMI for January through December (45.6%) corresponds to a 1.4% increase in real GDP. If the PMI for December (32.4%) is annualized, it corresponds to a 2.7% decrease in real GDP annually.



This Month, (Seasonally Adjusted)

	Index	Direction	Rate of change
Production	45.3	Contracting	Slower
New Orders	38.1	Contracting	Faster
Prices	50.0	Neutral	From Decreasing
Inventories	27.4	Contracting	Faster
Employment	44.5	Contracting	Slower
Deliveries	68.6	Slowing	From Neutral
Mfg Sector	44.8	Contracting	Slower

Items in Short Supply –

Some welding products (due to low stock levels).

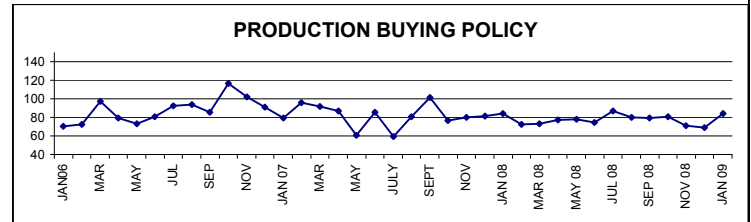
Some petroleum products. Vendor is allocating quantity levels to different distributors to even out the stock levels by regions.

Comments from the survey respondents:

“Continue to run partial schedules. Demand is poor. Orders do not exist.”

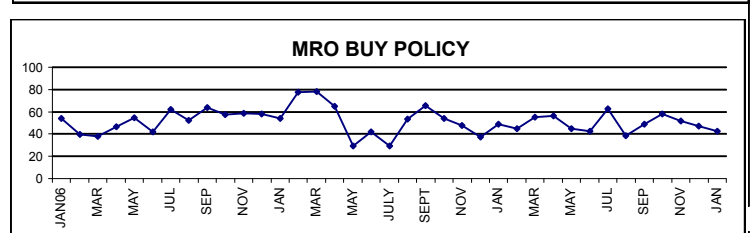
PRODUCTION BUYING POLICY

The survey respondents are reporting the days-ahead commitments for production material is an average 84 days. Last month this average was 69 days.



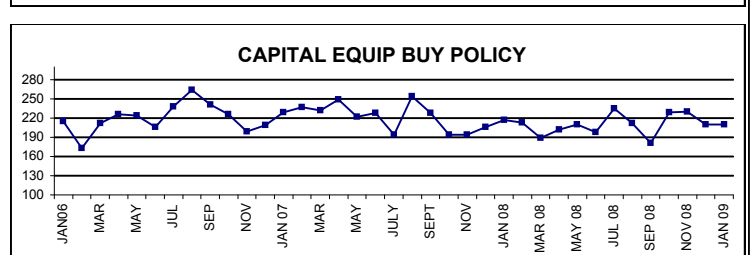
MRO BUYING POLICY

This month the respondents are reporting an average of 43 days ahead for MRO supplies. Last month the average was 47 days.



CAPITAL EQUIPMENT BUYING POLICY

The local manufacturers are looking out 210 days and making commitments for capital equipment. Last month the average was 210 days.



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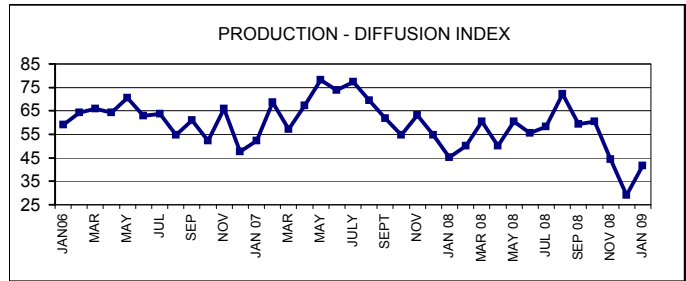
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Not Seasonally Adjusted

The Production level was:

	HIGHER	SAME	LOWER	INDEX	LAST Yr
Jan	22.2%	38.9%	38.9%	41.7	45.3
Dec	5.3%	47.4%	47.4%	29.0	54.8

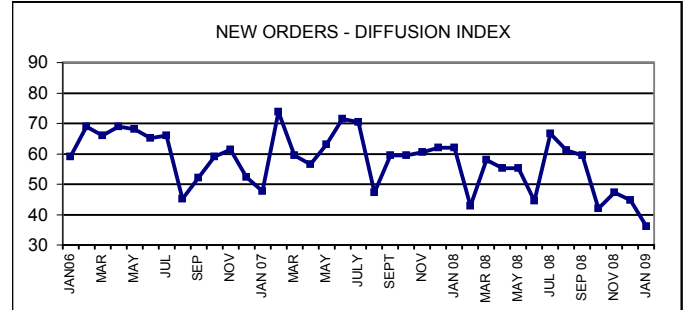
The Production Index climbed 12.7 points to 41.7 as 22% of the respondents reported higher production and the number reporting lower production levels decreased 8.5%.



New Orders were reported:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan	16.7%	38.9%	44.4%	36.2	62.0
Dec	31.6%	26.3%	42.1%	44.8	61.9

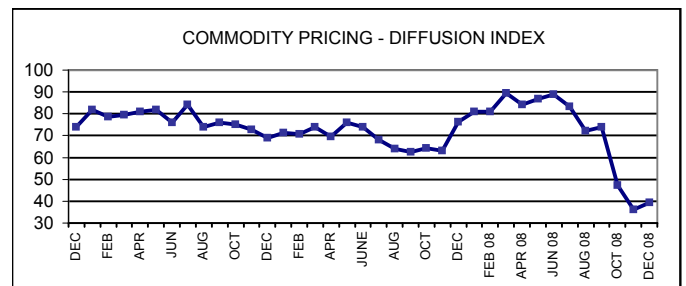
The New Order index fell another 8.6 points, posting it's lowest level since January 2002. If the same pattern holds true in 2009, we should see an increase in orders in February.



Commodity Prices are:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan	27.8%	44.4%	27.8%	50.0	81.0
Dec	15.8%	47.4%	36.8%	39.5	76.2

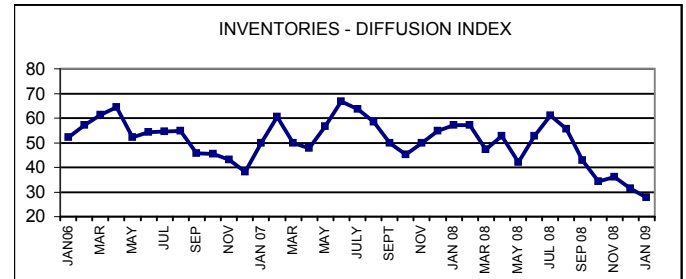
The Commodity Price index rose for the second straight month. Unlike last month when the increase was due to fewer respondents reporting lower prices, January's 10.5% increase was due to more respondents reporting higher prices.



Inventories of purchased goods were:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan	11.1%	33.3%	55.6%	27.8	57.2
Dec	10.5%	42.1%	47.4%	31.6	54.8

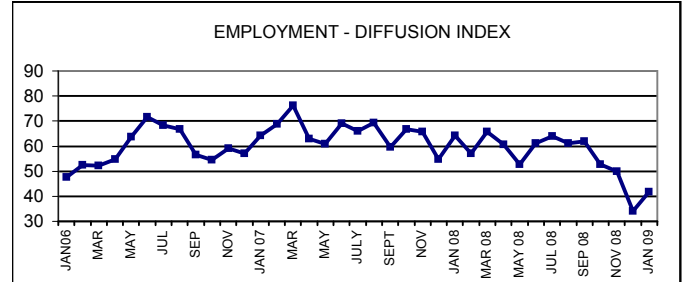
The Inventories Index fell another 3.8% as over half of the respondents reported lower inventories due to lower orders. This is the lowest the index has been since January 2003.



Employment levels were:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan	16.7%	50.0%	33.3%	41.7	64.3
Dec	10.5%	42.1%	42.1%	34.2	54.8

The Employment Level Index inched up 7.5 points in January in response to the increase in production. Whether this increase can be sustained in light of the lower New Orders index remains to be seen.



Vendor deliveries were:

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
Jan	33.3%	66.7%	0.0%	66.7	71.4
Dec	15.8%	68.4%	15.8%	50.0	61.9

The Vendor Deliveries increased 16.7 points from December. The increase indicates slower supplier deliveries, usually due to higher customer demand. However, in light of the decrease in New Orders over the past 2 months, it may also indicate suppliers are reducing their delivery frequency as a cost cutting measure.

