

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

**May 2010 Business Survey Monthly Comparison Report**

**Submitted by: Arthur Aramino, Chairman Business Survey Committee**

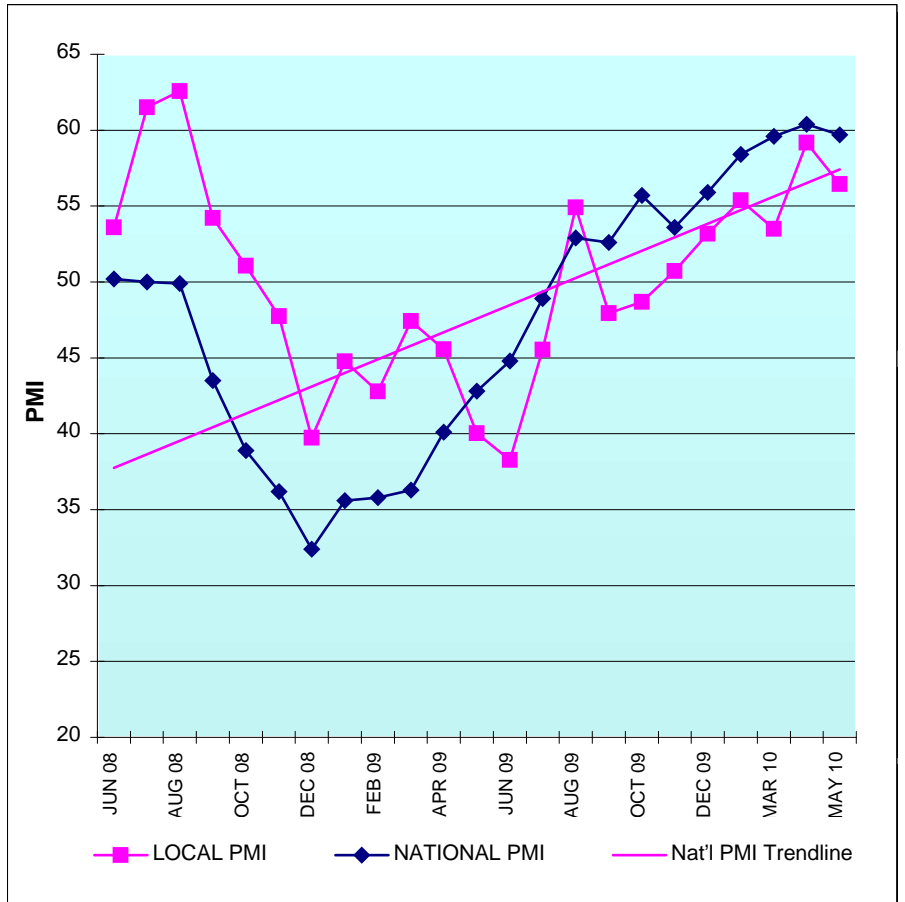
The PMI Index

The local manufacturing sector continued to grow in May, but at a slower pace than in April. The non-seasonally adjusted index fell 3.8% to 57.5, and the seasonally adjusted index slipped 2.8% to 56.4. This is the 6<sup>th</sup> consecutive month of expansion for the WNY manufacturing sector.

However, New Orders and Inventories fell off sharply while Production remained unchanged, indicating a possible leveling off of the growth rate. We also see a decrease in the commitment lead time for purchasing production materials, indicating manufacturers are only buying what they need short term.

The decrease in the Commodities Price Index may help slow the decline, but the overall fragility of the recovery, talked about in previous months, remains. Nationally, the PMI has moved within a 2 point range over the past 4 months indicating a stagnant growth rate. Still, growth is better than contraction, regardless of the rate of growth.

A PMI in excess of 42%, 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, if the average January through May PMI (58.9%) is annualized, it corresponds to a 5.7% increase in real GDP annually.



This Month, (Seasonally Adjusted)

	Index	Direction	Rate of change
Production	62.9	Expanding	Faster
New Orders	47.6	Contracting	From Expanding
Prices	65.7	Increasing	Slower
Inventories	46.6	Contracting	From Expanding
Employment	58.1	Expanding	Slower
Deliveries	67.0	Slower	Faster
Mfg Sector	56.4	Expanding	Slower

Items in Short Supply

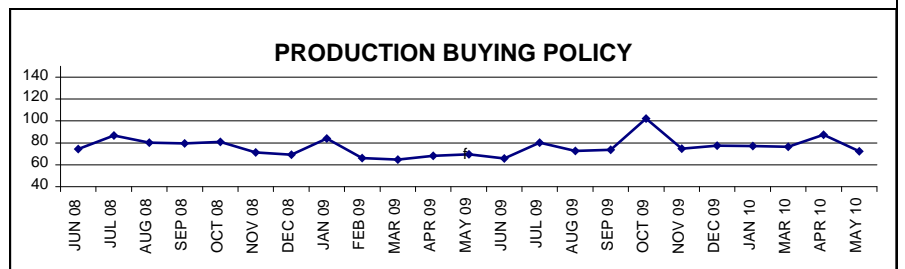
Hydraulic pumps and motors  
Cocao  
Crude Raw Material

Comments from the survey respondents:

"Company will do a 60 employee reduction in force next month."  
"Our seasonal demand for construction machines exceeds 2009 at this time."  
"Seasonal increase in production and hiring."  
"Finally business is better."  
"Pipe and tubing mills 14-16 weeks lead time."

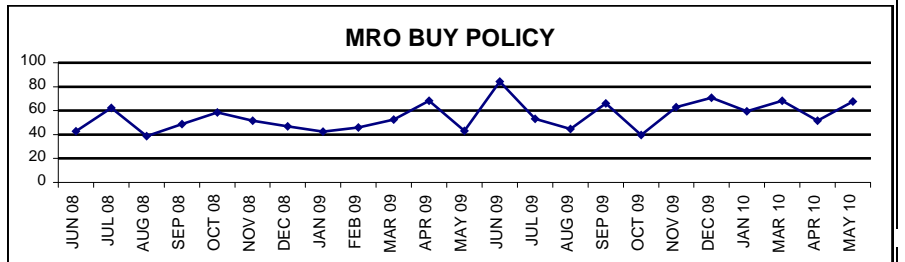
PRODUCTION BUYING POLICY

The survey respondents are reporting the days-ahead commitments for production material is an average 72 days. Last month this average was 87 days.



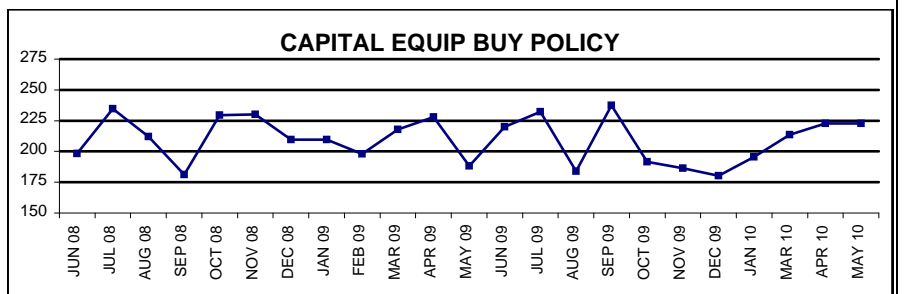
MRO BUYING POLICY

This month the respondents are reporting an average of 68 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 223 days and making commitments for capital equipment. Last month the average was 223 days.



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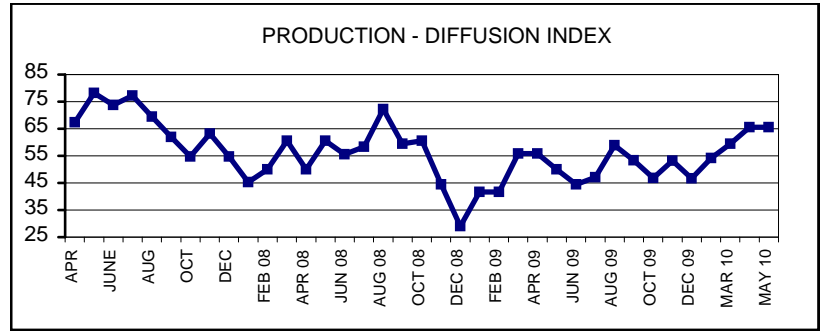
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**Not Seasonally Adjusted**

**The Production level was:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr
May	50.0%	31.2%	18.8%	65.6	50.0
Apr	56.2%	18.8%	25.0%	65.6	47.7

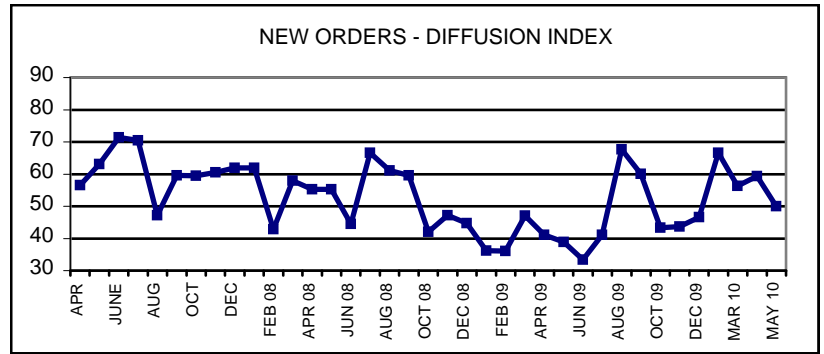
The Production Index did not change, remaining at 65.6% with 81.2% of respondents reporting the same or higher levels of production.



**New Orders were reported:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
May	43.8%	12.4%	43.8%	50.0	38.9
Apr	50.0%	18.8%	31.2%	59.4	41.2

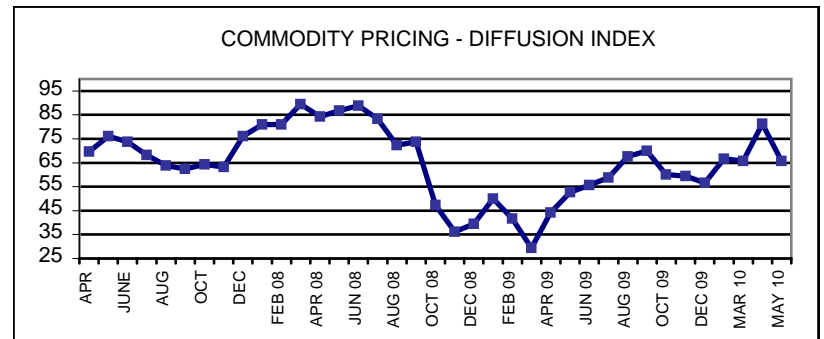
The New Order index fell 9.4% with the same number of respondents reporting higher or lower levels.



**Commodity Prices are:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
May	43.8%	43.8%	12.4%	65.7	52.8
Apr	62.5%	37.5%	0.0%	81.3	44.2

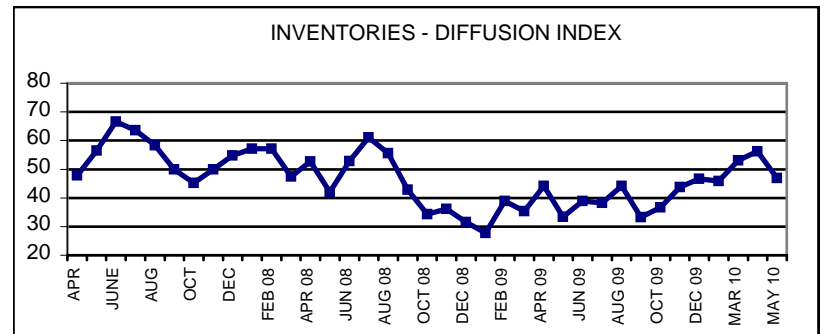
The Commodity Price Index dropped to 65.7%, reversing the April increase. 12.4% of respondents reported lower prices in May.



**Inventories of purchased goods were:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
May	31.3%	31.3%	37.4%	47.0	33.4
Apr	43.8%	25.0%	31.2%	56.3	44.1

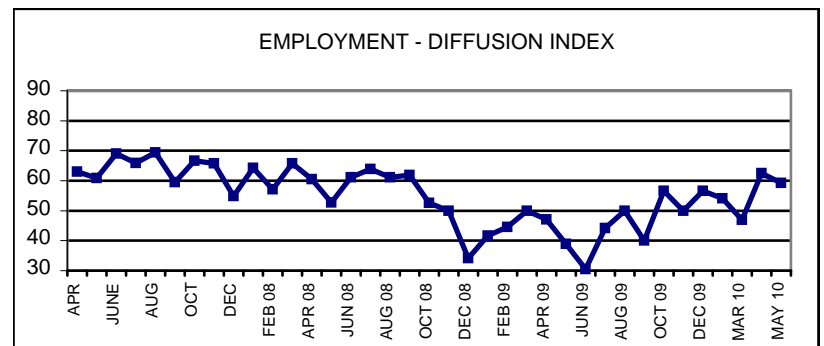
The Inventories Index lost 9.3% in response to the decrease in new orders and lack of growth in production.



**Employment levels were:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
May	37.4%	43.8%	18.8%	59.3	38.9
Apr	31.2%	62.5%	6.2%	62.5	47.1

The Employment Level Index slid 3.2% with 18.8% of the respondents reporting lower employment levels compared to just 6.2% last month.



**Vendor deliveries were:**

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
May	31.3%	68.7%	0.0%	65.6	47.2
Apr	25.0%	75.0%	0.0%	62.5	50.1

The Vendor Deliveries Index rose 3.1% with all the respondents reporting slower or the same speed of vendor deliveries as in April.

