

# NATIONAL ASSOCIATION OF PURCHASING MANAGEMENT-BUFFALO INC.

## February 2007 Business Survey Monthly Comparison Report

Submitted by: William Ellis C.P.M., CPIM Chairman Business Survey Committee

### The Purchasing Managers' Index

This month the PMI made a significant improvement. In January the PMI 54.2 and in February there was an 11.6 point jump to come in at 65.8. People went back to work and the Production Index jumped up 14.0 points to 67.6. The New Order Index turned up and climbed 22.1 points to 70.5. The Employment Index improved with an increase to 67.5. The Price Index continued to show that prices are increasing but the growth rate declined and the index came in at 70.8. The Inventories Index came in at 57.3, a reading; which means that inventories are once again starting to build. This month vendor deliveries came in at 56.6 indicating that factories are busy. The survey respondents are experiencing a significant improvement in business with most indices showing an improving trend.

Nationally the December PMI indicated that business was expanding with a reading of 51.4. In January the index dropped to 49.3 with the New Orders expanding, but Production, Employment, and Inventories continue contracting along with vendor deliveries slowing.

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 declining. A PMI over 43.9%, over a period of time, means the overall economy is generally expanding, and below 43.9%, it is generally declining.



### This Month, (Seasonally Adjusted)

	Index	Direction	Rate of change
Production	67.6	Increasing	Faster
New Orders	70.5	Increasing	Faster
Prices	70.8	Increasing	Slower
Inventories	57.3	Increasing	Faster
Employment	67.3	Increasing	Faster
Deliveries	56.6	Slowing	Faster

### Items in Short Supply

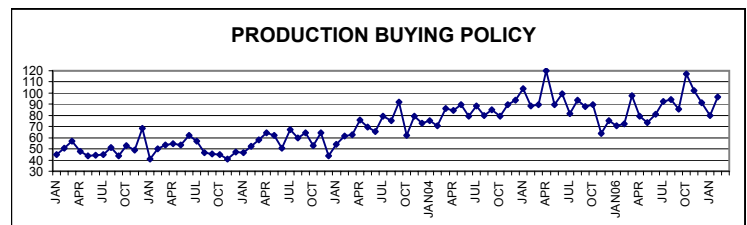
1. Drive train components, axles, transmissions and final drives
2. Potato Starch
3. Epoxy Resin

### Comments form the survey respondents:

1. It looks like Zinc has peaked
2. Energy dollars spent are a concern
3. Waiting for the Spring pickup in the business cycle.

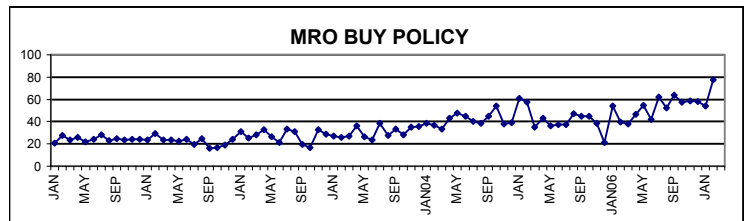
### PRODUCTION BUYING POLICY

The survey respondents are reporting the days-ahead commitments for production material is an average 96 days. Last month this average was 80 days.



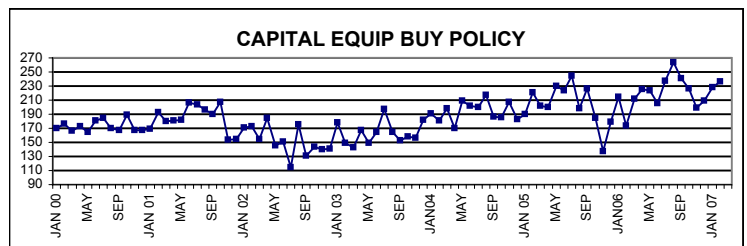
### MRO BUYING POLICY

This month the respondents are reporting an average of 78 days ahead for MRO supplies. Last month the average was 58 days.



### CAPITAL EQUIPMENT BUYING POLICY

The local manufacturers are looking out 237 days and making commitments for capital equipment. Last month the average was 229 days.

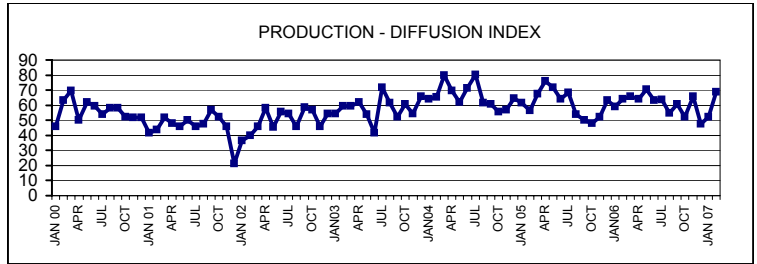


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**Not Seasonally Adjusted**

**The Production level was:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	50.0%	37.5%	12.5%	68.8	64.0
Jan 07	33.3%	38.1%	28.6%	52.4	59.1

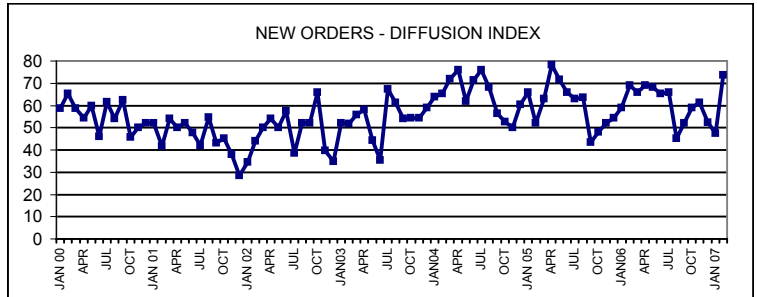
This month there was an improvement 16.4 in the index. This was the result of the significant improvement in the number of respondents reporting an increase in production. This improving trend started last month and it continues this month.



**New Orders were reported:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	50.0%	47.6%	8.3%	73.8	69.0
Jan 07	28.6%	38.1%	33.3%	47.6	59.1

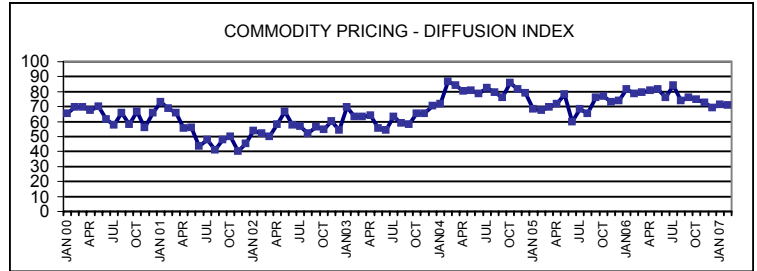
This month the New Order index indicates that the rate of incoming orders accelerated and the index improved 26.2 points. When compared to last month, this was a significant change and it appears that production should continue to improve.



**Commodity Prices are:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	45.8%	50.0%	4.2%	70.8	78.6
Jan 07	42.9%	57.1%	0.0%	72.7	81.8

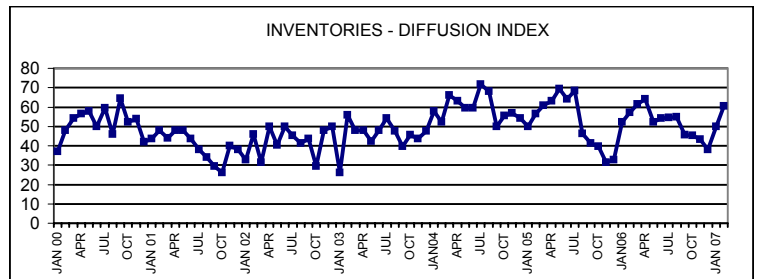
This month the survey respondents are reporting that prices are continuing to increase but the rate of increase dropped as indicated by the 1.9 point drop in the index. A review of the data does indicate that there was a slight increase in those reporting higher prices and this month there were a few reporting lower prices.



**Inventories of purchase goods were:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	33.3%	54.2%	12.5%	60.4	57.1
Jan 07	23.8%	52.4%	23.8%	50.0	52.3

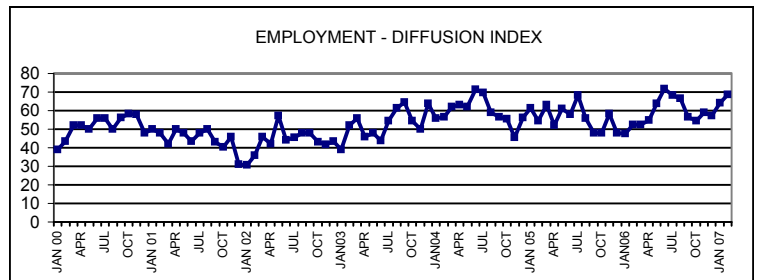
This month those reporting higher levels of purchased inventory increased, and it contributed to the improvement in the index. This continuing trend could be a leading indicator of further business improvement.



**Employment levels were:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	41.7%	54.2%	4.2%	68.8	52.4
Jan 07	33.3%	61.9%	4.8%	64.3	47.7

This month the index is indicating that employment is continuing to grow and the rate of growth improved, when compared to last month. A review of the data indicates that the majority of the survey respondents are experiencing steady employment.



**Vendor deliveries were:**

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
Feb	29.2%	54.2%	16.7%	56.3	57.1
Jan 07	14.3%	76.2%	9.5%	52.4	63.6

This month the majority of the survey respondents are reporting that deliveries are running the same as last month. But, those reporting that deliveries were slower increased. Business is improving and lead-times are growing longer.

