

# NATIONAL ASSOCIATION OF PURCHASING MANAGEMENT-BUFFALO INC.

## February 2008 Business Survey Monthly Comparison Report

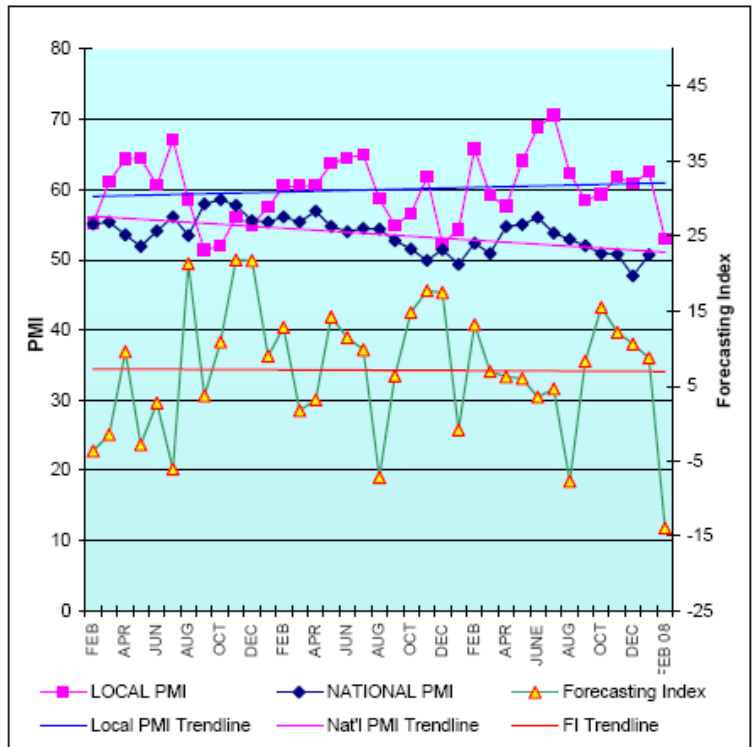
Submitted by: Arthur Aramino, Chairman Business Survey Committee

### The Purchasing Managers' Index

With all the warnings of a coming recession or even stagflation, we knew at some point a major correction in the PMI was inevitable, and February seems to be the chosen month. Even so, the non-seasonally adjusted PMI came in at 53.8, and the seasonally adjusted index was 53.0, so manufacturing continues to expand in WNY, but at a slower rate.

The Production Index gained some of the ground it lost in January, peaking out above the 50 mark, but New Orders tumbled over 19 points to 42.9, which is the lowest reading since June 2003. Inventories and Commodity Prices were unchanged and continue to grow at the same rate as in January. Vendor Deliveries continue to slow, but at a slower rate. The Forecasting Index, which measures the difference between the New Orders Index and the Inventories Index, dove down to -14 indicating a period of adjustment may be ahead. However, it may just be a result of the growth in New Orders the prior several months exceeding the growth in Production by a fairly wide margin, and now Production needs to catch up.

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 41.9%, over a period of time, means the overall economy is generally expanding, and below 41.9%, it is generally declining.



### This Month, (Seasonally Adjusted)

	Index	Direction	Rate of change
Production	49.8	Neutral	From Contracting
New Orders	41.2	Contracting	From Expanding
Prices	81.0	Increasing	Unchanged
Inventories	55.2	Growing	Slower
Employment	56.0	Growing	Slower
Deliveries	62.7	Slowing	Slower
Mfg Sector	53.0	Growing	Slower

### Items in Short Supply

Precious metals (gold, silver, platinum), power train items, drive axles, transmissions, hydraulic motors.

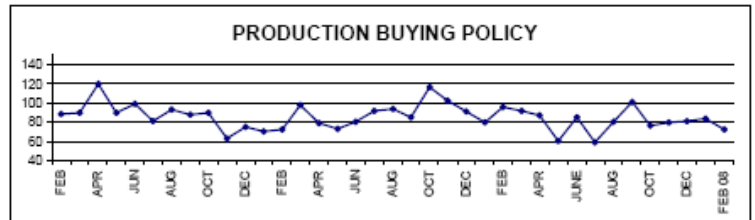
### Comments from the survey respondents:

"New orders indicate a slower 2008 than 2007 at this time. Export with the weak dollar is growing. The spring will be the acid test of the economic strength of the US in 2008."

"Steel price increases: 3 in January, 1 in February, March scheduled."

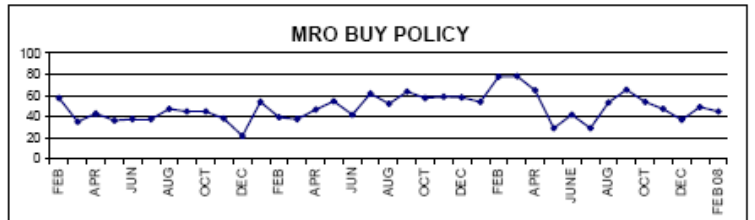
### PRODUCTION BUYING POLICY

The survey respondents are reporting the days-ahead commitments for production material is an average 73 days. Last month this average was 84 days.



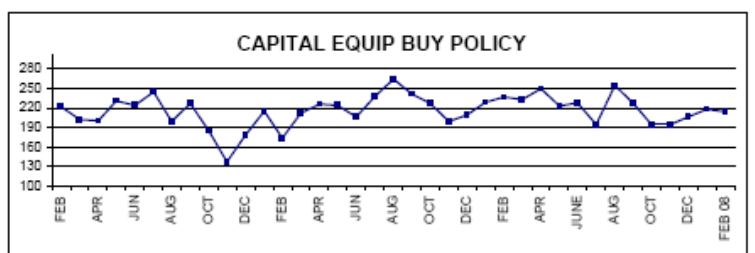
### MRO BUYING POLICY

This month the respondents are reporting an average of 45 days ahead for MRO supplies. Last month the average was 49 days.



### CAPITAL EQUIPMENT BUYING POLICY

The local manufacturers are looking out 217 days and making commitments for capital equipment. Last month the average was 214 days.

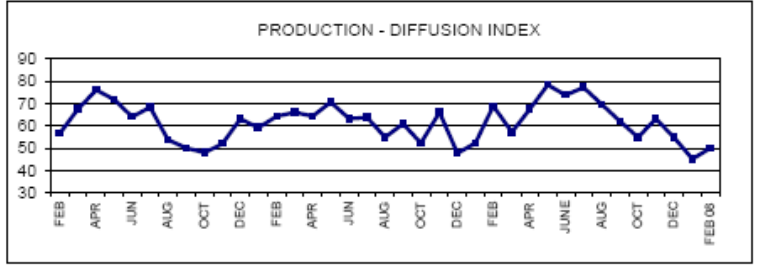


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**Not Seasonally Adjusted**

**The Production level was:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr
Feb	28.6%	42.9%	28.6%	50.1	68.1
Jan	14.3%	61.9%	23.8%	45.3	52.4

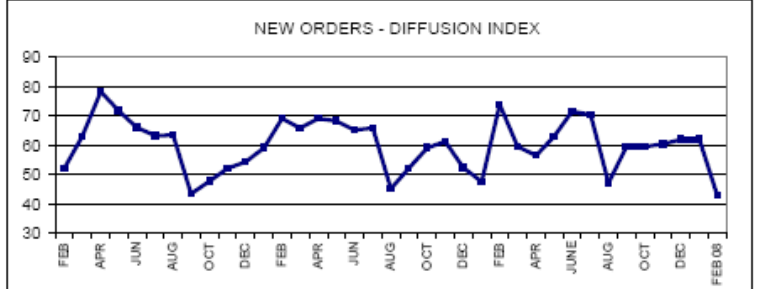
The Production Index was one bright spot this month, increasing nearly 6 points to move from a contracting position to basically neutral.



**New Orders were reported:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	23.8%	38.1%	38.1%	42.9	73.8
Jan	42.9%	38.1%	19.0%	62.0	47.6

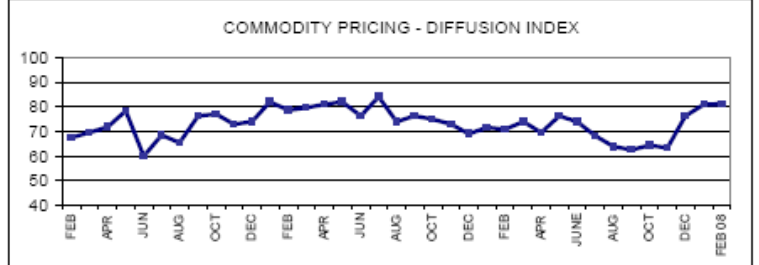
The New Order index took a nose dive, free falling nearly 20 points from January. A turn was expected, but a sharp decrease is often followed by another turn upward and a gradual increase over several months.



**Commodity Prices are:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	66.7%	28.6%	4.8%	81.0	70.8
Jan	61.9%	38.1%	0.0%	81.0	71.4

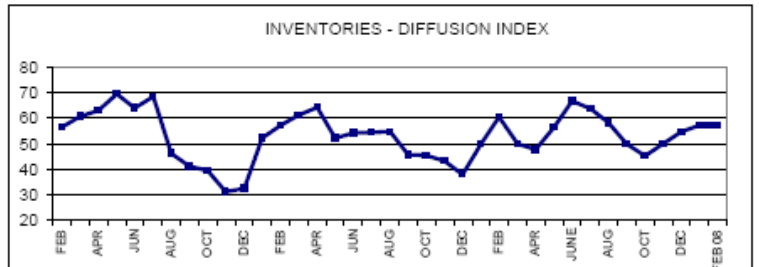
The good news is the index didn't grow any larger; the bad news is it's still over 80. We are hoping prices have peaked and will start to fall with the decreased demand.



**Inventories of purchase goods were:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	33.3%	47.6%	19.0%	57.2	60.4
Jan	38.1%	38.1%	23.8%	57.2	50.0

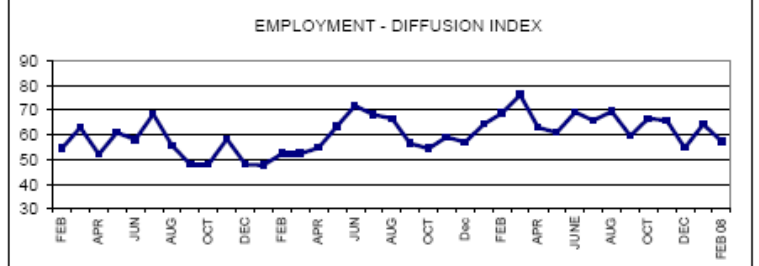
The Inventories Index remained steady at 57.2 reflecting the neutral growth in the Production Index and contraction in the New Orders Index.



**Employment levels were:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Feb	23.8%	66.7%	9.5%	57.2	68.8
Jan	38.1%	52.4%	9.5%	64.3	64.3

The Employment Level Index fell 7.1 points from the January level, but settled a few points higher than December's index of 54.8.



**Vendor deliveries were:**

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
Feb	23.8%	76.2%	0.0%	61.9	56.3
Jan	42.9%	52.4%	0.0%	71.4	52.4

Vendor deliveries continue to slow, but at a slower rate, as the index dropped 1.5 points from January. A reading above 50.0 indicates slower deliveries and longer lead times, generally due to higher customer demand.

