

NATIONAL ASSOCIATION OF PURCHASING MANAGEMENT-BUFFALO INC.

January 2008 Business Survey Monthly Comparison Report

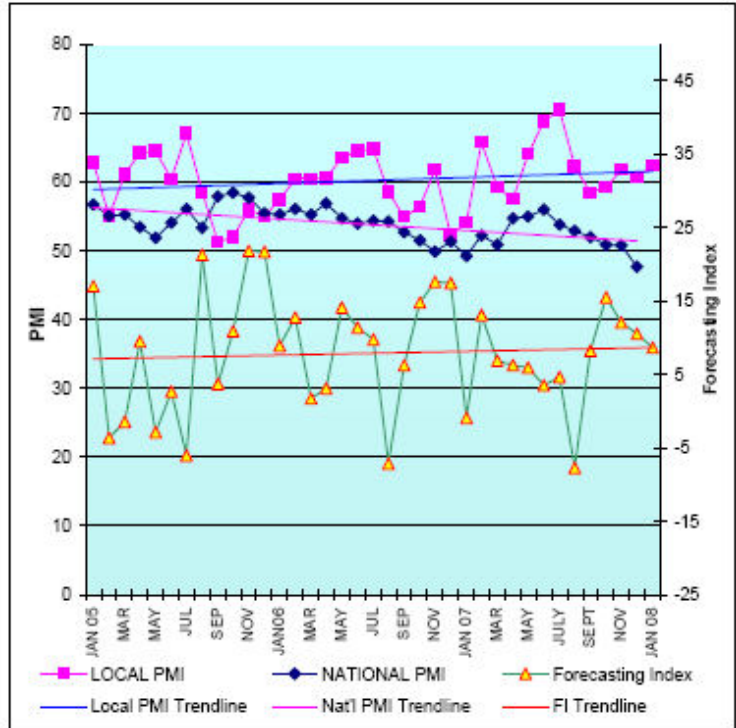
Submitted by: Arthur Aramino, Chairman Business Survey Committee

The Purchasing Managers' Index

After a long exhaustive study with input from professionals, educators, and economists, the Institute for Supply Management (ISM) has adjusted the weighting factors of the individual indices to compute the PMI Index. Their research showed that the revised formula more closely predicts the GDP. The formula does have a slight effect when computing the change in PMI from December to January. Under the new formula, the non-seasonally adjusted PMI (local) for January is 60.0 and the seasonally adjusted index is 62.4. Using the old formula, the indices would have been 59.2 and 62.1 respectively.

Of note this month is the Production Index dropped below 50, but New Orders, Inventory, and Employment continue to expand and Vendor Deliveries continue to slow, all positive signs. The Forecasting Index, which measures the difference between the New Orders Index and the Inventories Index, decreased slightly as Inventories increased 1 point while New Orders decreased .6 points.

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 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	48.5	Contracting	From Expanding
New Orders	66.0	Increasing	Unchanged
Prices	81.0	Increasing	Faster
Inventories	57.3	Increasing	Faster
Employment	67.3	Increasing	Faster
Deliveries	73.2	Slowing	Faster

Items in Short Supply

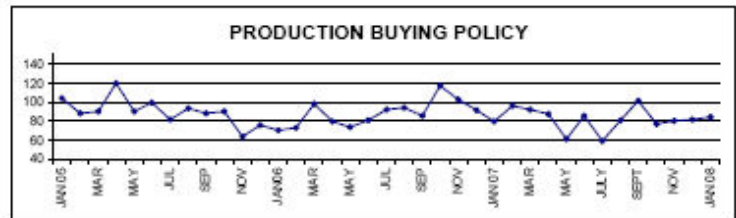
Transmissions, axles, gear boxes.

Comments from the survey respondents:

“Terms are being looked at very seriously in order to increase cash flow.”
 “The business itself is in financial difficulty.”

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 81 days.



MRO BUYING POLICY

This month the respondents are reporting an average of 49 days ahead for MRO supplies. Last month the average was 37 days.



CAPITAL EQUIPMENT BUYING POLICY

The local manufacturers are looking out 217 days and making commitments for capital equipment. Last month the average was 206 days.

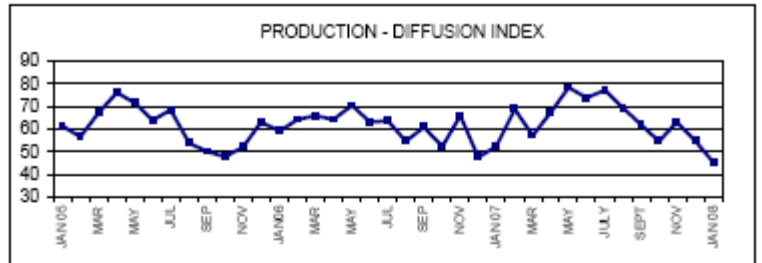


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Not Seasonally Adjusted

The Production level was:

	HIGHER	SAME	LOWER	INDEX	LAST Yr
Jan	14.3%	61.9%	23.8%	45.3	52.4
Dec	23.8%	61.9%	14.3%	54.8	47.6

The Production Index declined 9.5 points this month to drop below 50 for the first time since Dec. 2006. What is interesting is that the number of respondents reporting Higher or Lower swapped from December's report.



New Orders were reported:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan	42.9%	38.1%	19.0%	62.0	47.6
Dec	47.6%	28.6%	23.8%	61.9	52.4

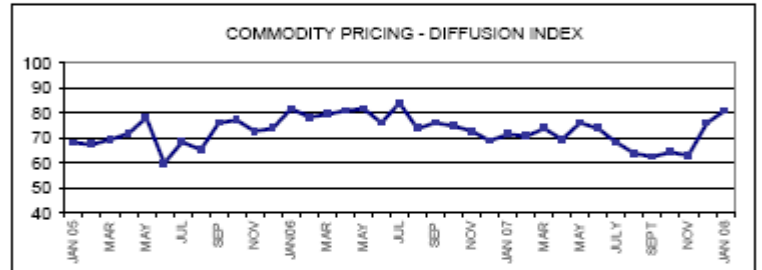
The New Order index continues its steady climb, if only by .1 which could indicate a turning point as the number of respondents reporting Higher or Lower decreased by the same amount.



Commodity Prices are:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan	61.9%	38.1%	0.0%	81.0	71.4
Dec	57.1%	38.1%	4.8%	76.2	69.0

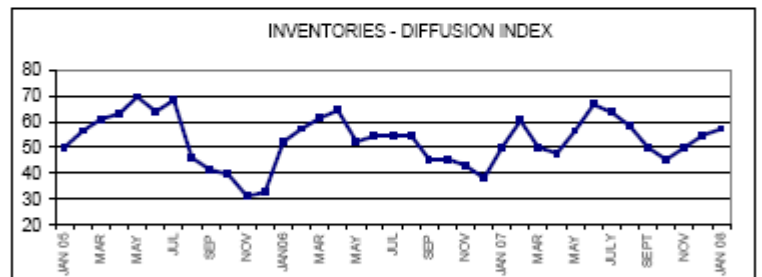
The Commodity Prices Index rose another 4.8 points with none of the respondents reporting lower prices. The last time the Commodity Prices Index topped 80 was in July 2006.



Inventories of purchase goods were:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan	38.1%	38.1%	23.8%	57.2	50.0
Dec	33.3%	42.9%	23.8%	54.8	38.1

The Inventories Index increased 2.4 points in January, with slightly more respondents reporting higher inventories.. Manufacturers may be expanding inventories in response to higher new orders.



Employment levels were:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan	38.1%	52.4%	9.5%	64.3	64.3
Dec	28.6%	52.4%	19.0%	54.8	57.1

The Employment Level Index jumped 9.5 points to match last year's index at 64.3 and recouping nearly all of December's loss.



Vendor deliveries were:

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
Jan	42.86%	52.4%	0.0%	71.4	52.4
Dec	28.6%	66.7%	4.8%	61.9	47.6

Vendor deliveries continue to slow at a faster rate, increasing by 18.7 points over the last two-month period. A reading above 50.0 indicates slower deliveries and longer lead times, generally due to higher customer demand.

