

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

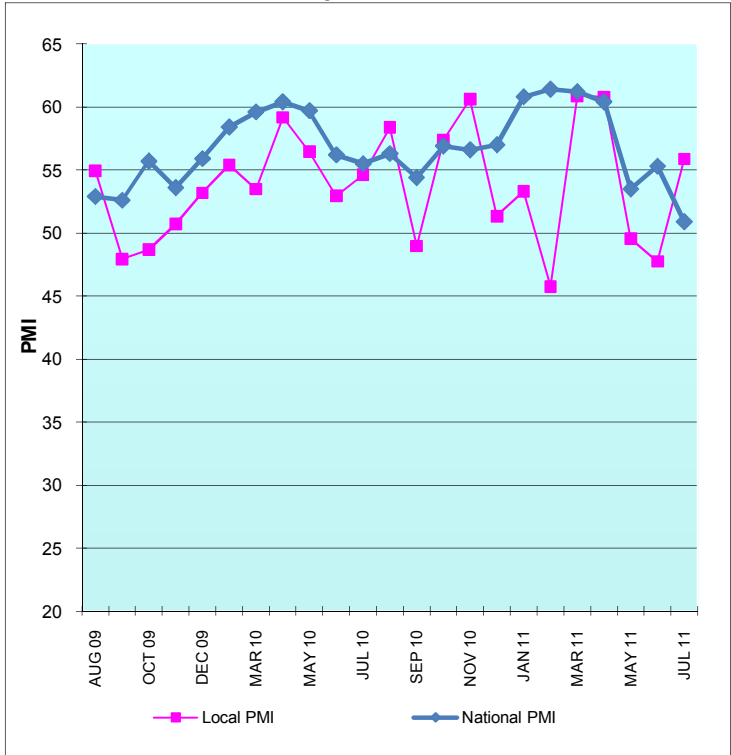
**July 2011 Business Survey Monthly Comparison Report**

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

The PMI Index

The PMI Index for the local manufacturing sector rose significantly in July as the non-seasonally adjusted (NSA) PMI gained 7.4 points to 56.7 while the seasonally adjusted PMI added 8.1 points to 55.9. The Production Index rose 6.6 points and the New Orders Index increased 13.3 points (NSA). The Commodity Price Index continues to expand at a faster rate than June, and inventories jumped 14.8 points to 64.8. The Employment Index received another slight boost of 3.2 points indicating a rather stable employment picture. The average commitment lead time for Capital Expenditures remained at 220 days while the MRO policy increased 126 days to 180 days, indicating buyers are locking in purchases as early as possible to minimize the increases in costs. Overall, the manufacturing is moving strongly into the second half of 2011.

The national PMI registered 50.9%, a 4.4 percentage point decrease from June. A PMI in excess of 42.5%, 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, the PMI for January through July (57.6%) corresponds to a 5.3% increase in real GDP annually.



**This Month, (Seasonally Adjusted)**

	Index	Direction	Rate of change
Production	53.4	Expanding	From Contracting
New Orders	54.8	Expanding	From Contracting
Prices	75.0	Increasing	Faster
Inventories	66.5	Expanding	Faster
Employment	51.2	Expanding	From Contracting
Deliveries	53.5	Slower	Slower
Mfg Sector	55.9	Expanding	From Contracting

**Items in Short Supply**

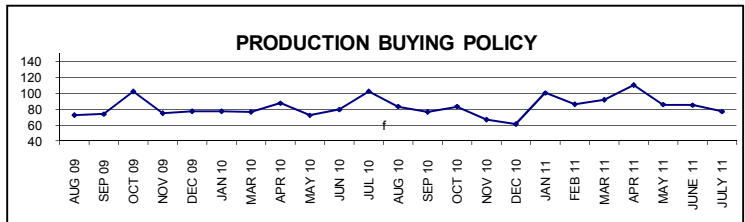
Highly machined drive train components.  
Teflon and PVDF.

**Comments from the survey respondents:**

“Sales continue at moderate pace while lead times are getting longer and outages hamper production. Customers are waiting to get delivery of end product, however.”  
“Great to be too busy. Farming work to local companies.”

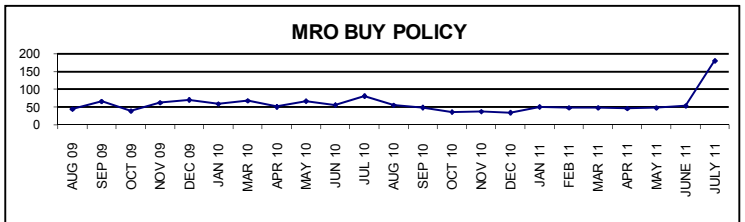
**PRODUCTION BUYING POLICY**

The survey respondents are reporting the days-ahead commitments for production material is an average 77 days. Last month this average was 85 days.



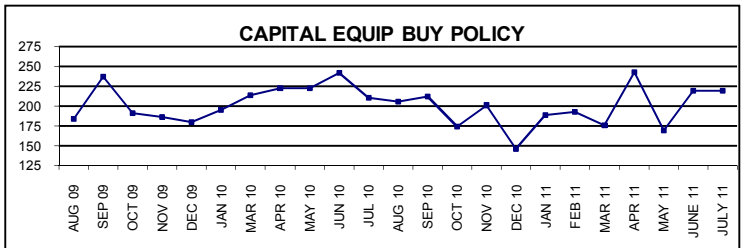
**MRO BUYING POLICY**

This month the respondents are reporting an average of 180 days ahead for MRO supplies. Last month the average was 54 days.



**CAPITAL EQUIPMENT BUYING POLICY**

The local manufacturers are looking out an average of 180 days and making commitments for capital equipment. Last month the average was 220 days.

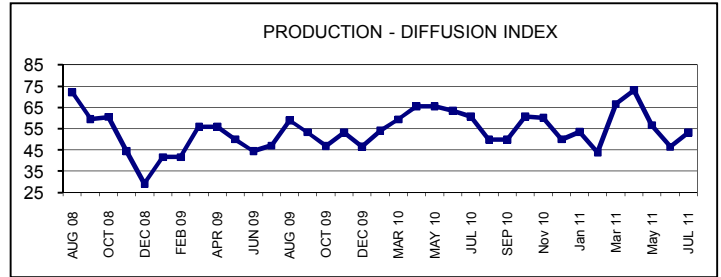


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**Not Seasonally Adjusted**

**The Production level was:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr
Jul	37.5%	31.2%	31.3%	53.1	60.8
Jun	28.6%	35.7%	35.7%	46.5	63.4

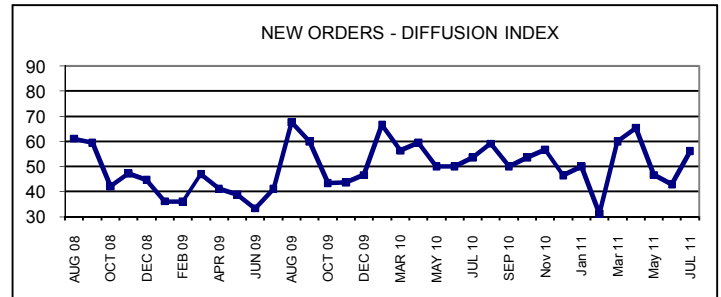
The Production Index gained 6.6 points in July with the number of respondents reporting higher production levels increasing 8.9 points.



**New Orders were reported:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jul	43.7%	25.0%	31.3%	56.2	53.6
Jun	35.7%	14.3%	50.0%	42.9	50.0

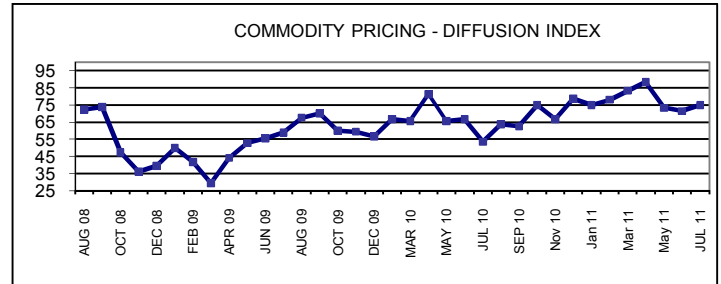
The New Order index rose 13.3 points as the number of respondents reporting higher new order levels increased 8.0 points.



**Commodity Prices are:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jul	56.2%	37.5%	6.3%	75.0	53.6
Jun	50.0%	42.9%	7.1%	71.5	66.7

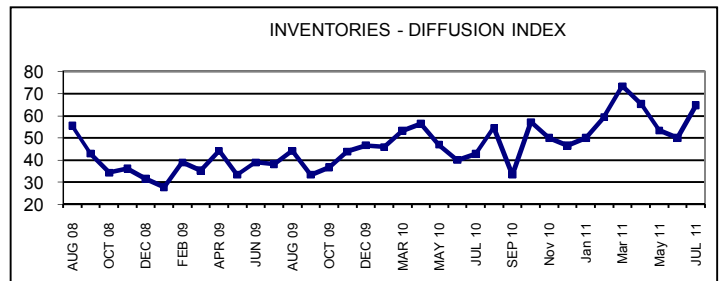
The Commodity Price Index gained 3.5 points as 56.2% of the respondents reported higher prices in July.



**Inventories of purchased goods were:**

	HIGHER	SAME	LOWER	INDEX	LAST YR.
Jul	52.3%	25.0%	18.7%	64.8	42.9
Jun	35.7%	28.6%	35.7%	50.0	40.0

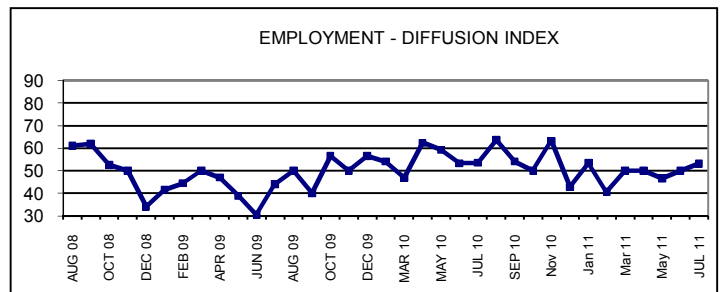
The Inventories Index jumped 14.8 points as the percentage of respondents reporting higher inventories increased 16.6 points over June.



**Employment levels were:**

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jul	25.0%	56.3%	18.7%	53.2	53.6
Jun	21.4%	57.2%	21.4%	50.0	53.4

There was some positive movement in the Employment Level Index which gained 3.2 points. This is the second consecutive month of growth.



**Vendor deliveries were:**

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
Jul	12.5%	87.5%	0.00%	56.3	64.3
Jun	14.3%	85.7%	0.00%	57.2	57.5

The Vendor Deliveries Index lost .9 points as all of the respondents reported Slower or the Same delivery rate as June. Slower deliveries usually indicates higher demand, but can also mean insufficient supplier inventories.

