

NATIONAL ASSOCIATION OF PURCHASING MANAGEMENT-BUFFALO INC.

January 2005 Business Survey Monthly Comparison Report

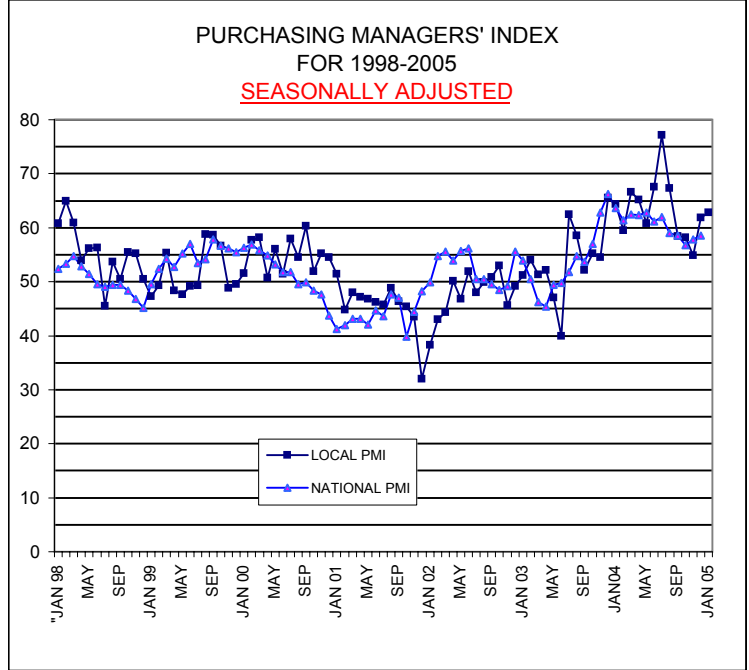
Submitted by: William Ellis C.P.M., CPIM Chairman Business Survey Committee

The Purchasing Managers' Index

The Purchasing Manager's Index improved over last month's increased and was recorded at 62.8. New orders started coming in last month and they are holding at the same rate this month. The Production index went down but the decline was minimal. It should be noted that the Commodity Pricing Index has been slowly dropping which means the rate of price increases has slowed down. The Employment Index shows some signs of improvement. This month vendor deliveries slowed, not a dramatic change, but it could mean that others are seeing more business.

The Institute of Supply Management reported the National Index for December was 58.6, which indicated that nationally business continued to expand and the rate of expansion improved. The November reading of 57.8 points was an improvement in the index over the October reading. Nationally there was expansion in Production, and New Orders, Employment grew, Inventories grew, and Supplier Deliveries slowed.

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	62.2	Increasing	Slower
New Orders	66.4	Increasing	Faster
Prices	68.2	Increasing	Slower
Inventories	49.4	Decreasing	Faster
Employment	63.1	Increasing	Faster
Deliveries	65.1	Slower	

Items in Short Supply

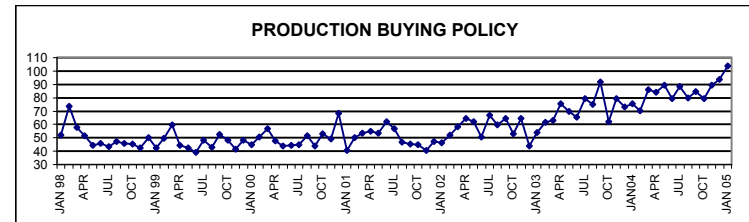
1. Foreign made electronic connectors
2. There is a short supply of antioxidants, in the chemical field
3. Custom Stainless steel shell pipe
4. Iron and steel foundry lead-times continue to grow
5. Steel

Comments from the survey respondents:

1. We had a record month for the number of new jobs/orders written.
2. 2005 Looks like 2004, that's the good news. Inflation may have been reignited.
3. Raw material chemical pricing seems to continue to rise monthly.

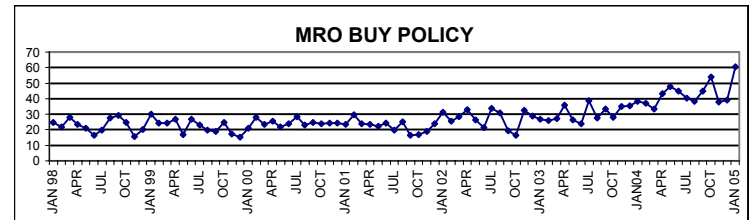
PRODUCTION BUYING POLICY

The survey respondents are reporting the days-ahead commitments for production material is an average 104 Days. Last month this average was 94 days.



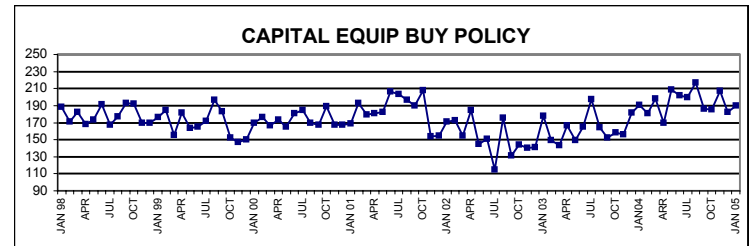
MRO BUYING POLICY

This month the respondents are reporting an average of 61 days ahead for MRO supplies. Last month the average was 39 days.



CAPITAL EQUIPMENT BUYING POLICY

The local manufacturers are looking out 190 days and making commitments for capital equipment. Last month the average was 182 days. The overall average is currently 169 days.

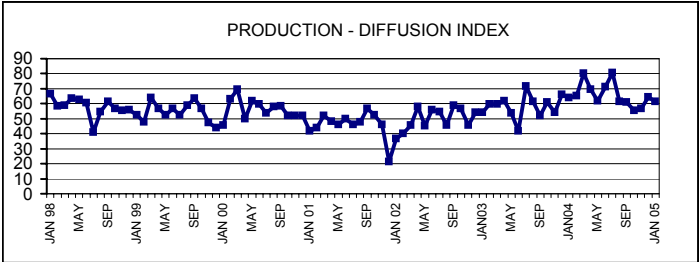


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Not Seasonally Adjusted

The Production level was:

	HIGHER	SAME	LOWER	INDEX	LAST Yr
Jan 05	40.9%	40.9%	18.2%	61.4	64.0
Dec	45.8%	37.5%	16.7%	64.6	65.9

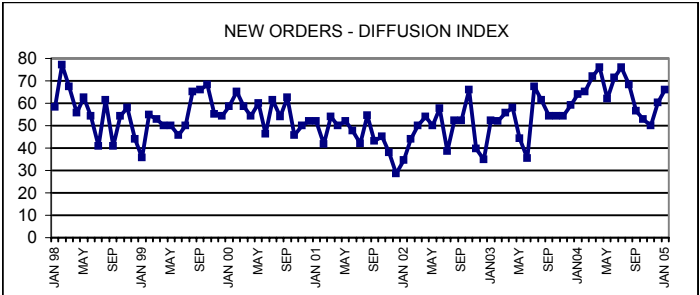
This month there has been a decrease in those reporting higher production and there was increase in those reporting lower production. This translated into 3.2 point decrease in the index, when compared to last month. But, overall the production index is indicating that production continues to improve.



New Orders were reported:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan 05	40.9%	50.0%	9.1%	65.9	64.0
Dec	41.7%	37.5%	20.8%	60.4	59.1

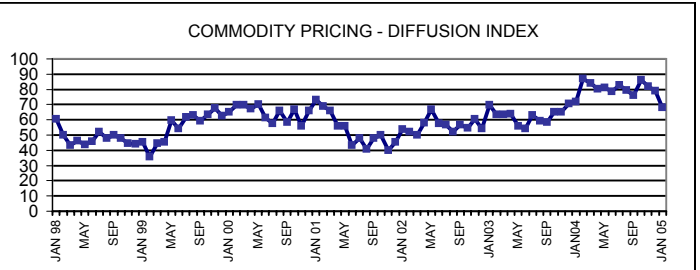
This month the New Order index indicates that the growth in incoming orders has continued to increase. A review of the data indicates that the majority are holding at a rate that they achieved last month.



Commodity Prices are:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan 05	40.9%	54.5%	4.5%	68.2	72.0
Dec	62.5%	33.3%	4.2%	79.2	70.5

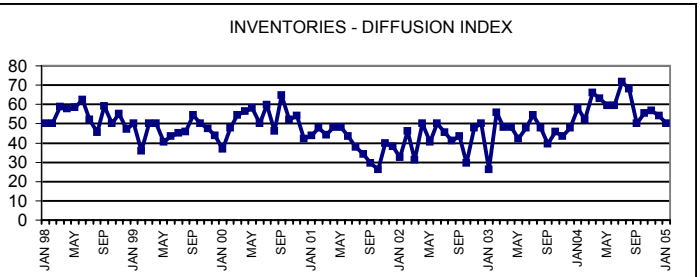
This month the majority of the survey respondents are reporting that prices are holding at last months levels. Only a small percentage of the respondents are reporting lower prices. Some have seen steel prices stabilize, but other prices continue to go up.



Inventories of purchase goods were:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan 05	27.3%	45.5%	27.3%	50.0	58.0
Dec	45.8%	16.7%	37.5%	54.2	47.7

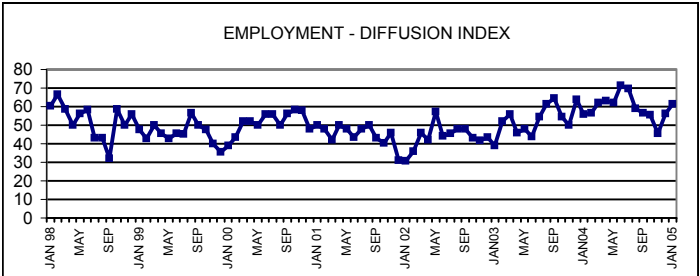
The Purchased Goods Inventory index is indicating that inventories are not growing. This month the index decreased 4.2 points, but the majority is reporting that their inventory levels are holding steady when compared to last month.



Employment levels were:

	HIGHER	SAME	LOWER	INDEX	LAST Yr.
Jan 05	36.4%	50.0%	13.6%	61.4	56.0
Dec	20.8%	70.8%	8.3%	56.3	63.6

This month the index is indicating that the employment levels have improved. The index improved in spite of an increase in those reporting lower employment. The respondents reporting higher employment jumped 5.6 points, leaving the majority reporting that employment is holding steady.



Vendor deliveries were:

	SLOWER	SAME	FASTER	INDEX	LAST Yr.
Jan 05	27.3%	72.7%	0.0%	63.6	68.0
Dec	16.7%	79.2%	4.2%	56.2	54.6

This month the majority of the survey respondents are reporting that deliveries are the same as last month. Business activity is up and lead-times are out. It appears that manufacturing is experiencing an increase in demand which translates into the longer lead-times.

