

The Buffalo-Niagara Manufacturing index

The Buffalo-Niagara Manufacturing index (or PMI®) continued to signal growth in April but at a slower rate than in previous months. The index fell to 63.7 in April after March's value of 76.8. Values of 50.0 or greater are generally consistent with increased business activity relative to the prior month. The index has indicated positive growth in local economic activity since September 2016 and has increased on average over that period. The PMI® is a weighted average of a set of sub-indices calculated from a survey of local supply executives administered by ISM-Buffero, Inc.

Index Name	This month (seasonally adjusted)		
	Index	Direction	Change in Index From Last Month
PMI	63.7	Increasing	Lower growth rate
Production	72.8	Increasing	Lower growth rate
New Orders	45.5	Decreasing	Lower growth rate
Inventories	72.9	Increasing	Lower growth rate
Employment	67.2	Increasing	Lower growth rate
Deliveries	59.9	Slower	Less slowdown of deliveries
Prices	90.0	Increasing	Higher growth rate

National indicators

The national PMI® (57.3) indicated continued expansion, and the seasonally adjusted national unemployment fell from 4.1% to 3.9% in March.

New York indicators

The NY Fed's May 2018 Empire State Manufacturing Survey general business index (a statewide measure covering roughly the same period as the ISM survey) indicated growth of business activity in the state, with new orders, unfilled orders, shipments, employment, average workweek, input prices, inventories, delivery times, and prices all growing.

Overview of sub-indices

The Production, Employment, and Vendor Deliveries indices are all consistent with economic growth, and most respondents indicated growing inventories last month, but all of these indicators are consistent with slower growth than in previous months, and half of respondents indicated lower or the same level of new orders. However, the response rate to the survey was lower in this month than in previous months, so we should not make too much of the dip in growth rates. Most respondents continued to report facing growing commodity prices, and no respondents reported facing shrinking commodity prices.

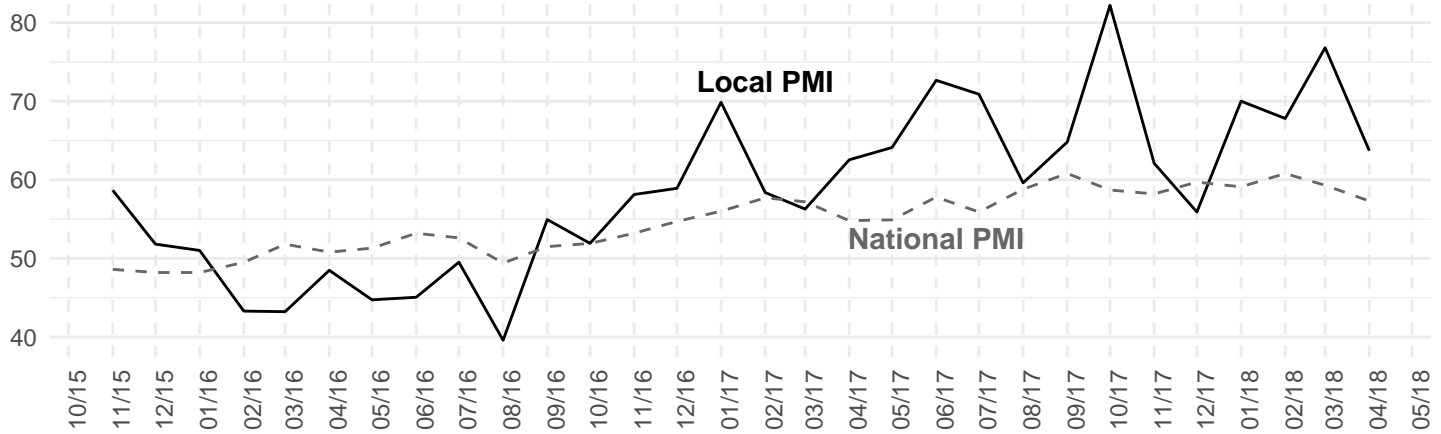


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents rose slightly between March and April, reaching a value of 67.0 days. This value has changed little since the beginning of 2017.

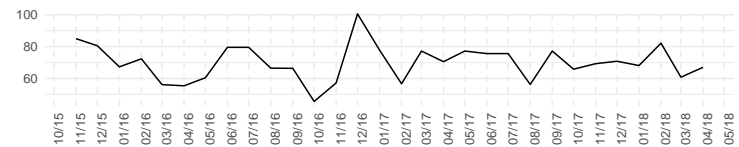


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents fell to 20.0 days in April from 26.7 in March. The value is similar to the 2016 average but low for the 2017–2018 period.

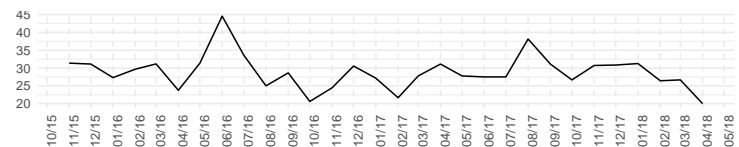


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 163.0 days ahead in April.

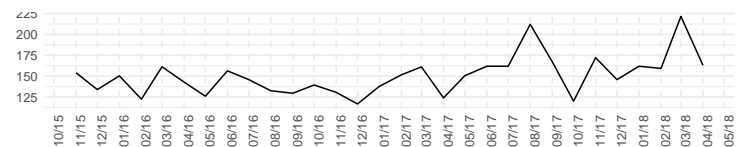


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
Apr 2018	60.0%	40.0%	0.0%	80.0
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	57.1%	28.6%	14.3%	71.4

The Production diffusion index stayed almost constant between March and April, with a (non-seasonally-adjusted) value of 80.0, indicating strong production growth. No respondents indicated lower production in April than in March, and most reported higher production.

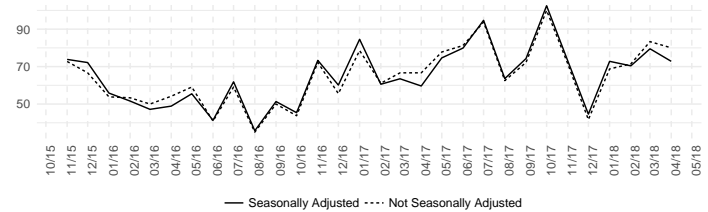


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
Apr 2018	40.0%	20.0%	40.0%	50.0
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	57.1%	14.3%	28.6%	64.3

The non-seasonally-adjusted New Orders index fell in April to 50.0, with the same proportion of respondents indicating decreased orders as increased orders.

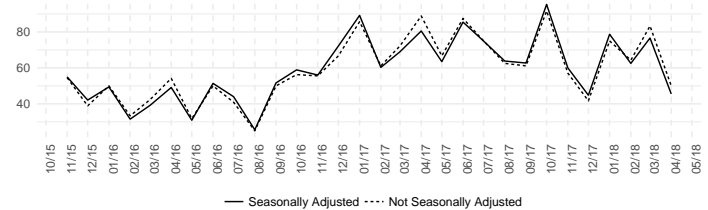


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Apr 2018	60.0%	40.0%	0.0%	80.0
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	42.9%	14.3%	42.9%	50.0

The non-seasonally-adjusted Inventories of Purchased Goods index remained high in April at 80.0. As with production, no respondents indicated lowering inventories.

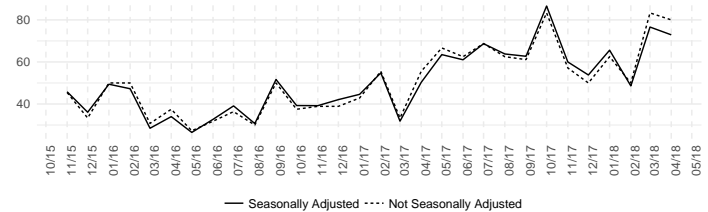


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
Apr 2018	40.0%	60.0%	0.0%	70.0
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	57.1%	42.9%	0.0%	78.6

Employment growth continued at a rapid pace, with the non-seasonally-adjusted Employment index at a value of 70.0 in April (lower than in previous months but still quite high). The index has been rising on average over the last two years, and every respondent for six of the last seven months has indicated increasing or unchanged employment.

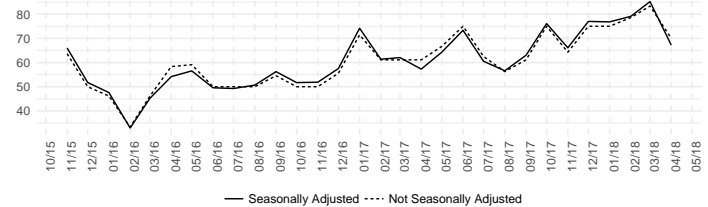


Figure 8: Employment Diffusion Index

Vendor Deliveries

Month	Slower	Same	Faster	Index
Apr 2018	20.0%	80.0%	0.0%	60.0
Mar 2018	33.3%	66.7%	0.0%	66.7
Feb 2018	57.1%	42.9%	0.0%	78.6

The Vendor Deliveries slowdown continued in April though at a lower rate than in previous months. A higher index value represents slower deliveries, as slower deliveries are generally consistent with increasing shipments and increasing economic activity.

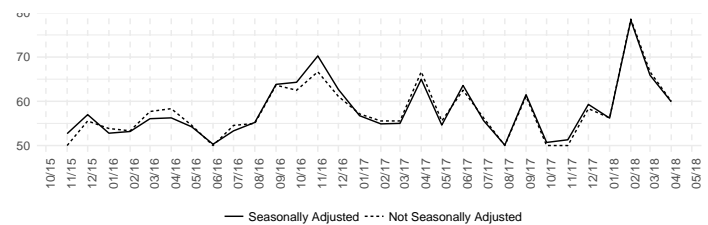


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
Apr 2018	80.0%	20.0%	0.0%	90.0
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	85.7%	14.3%	0.0%	92.9

Commodity Prices continued to grow for many respondents, with an index of 90.0 in April. No respondent has indicated facing lowering commodity prices during the last six months, and most respondents indicated facing growing prices this month. The NY Fed's March, April, and May 2018 Empire State Manufacturing Surveys also revealed high price growth across the state.

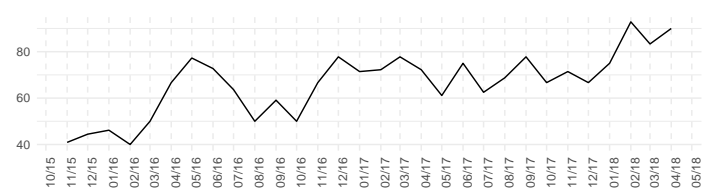


Figure 10: Commodity Prices Diffusion Index