

**The PMI Index**

The Buffalo-Niagara Manufacturing index fell to 59.6 in August relative to the July value of 70.9 (where values of 50.0 or greater are generally consistent with increased activity relative to the prior month), reflecting a large drop in the number of firms reporting higher production. The index has indicated expansion relative to the previous month every month since September, 2016. Our local measure has typically been above the national ISM index (58.8 in August) since both measures turned positive in September.

Production growth fell dramatically to (63.6), still indicating expansion but at a lower rate than in recent months. New Order (63.8) and Employment (56.6) growth were positive despite slower growth than in June and July, whereas Inventory growth (63.8) barely changed relative to July. Commodity prices grew faster relative to July, and vendor deliveries were less likely to be slower (which can indicate fewer deliveries).

The national PMI rose slightly in August, but the August number was fairly typical for 2017, which has seen consistently high PMI levels (similar to 2005). The NY Fed's Empire State Manufacturing Survey's general business index (a statewide measure) held steady in August, continuing strong growth numbers over the last year. National unemployment and other labor underutilization measures from the Bureau of Labor Statistics remained low in August, consistent with the last year.

Index Name	This month (seasonally adjusted)		
	Index	Direction	Change in Index From Last Month
Manufacturing	59.6	Increasing	Lower growth rate
Production	63.6	Increasing	Lower growth rate
New Orders	63.8	Increasing	Lower growth rate
Prices	68.8	Increasing	Higher growth rate
Inventories	63.8	Increasing	Lower growth rate
Employment	56.6	Increasing	Lower growth rate
Deliveries	50.1	No Change	Less slowdown of deliveries

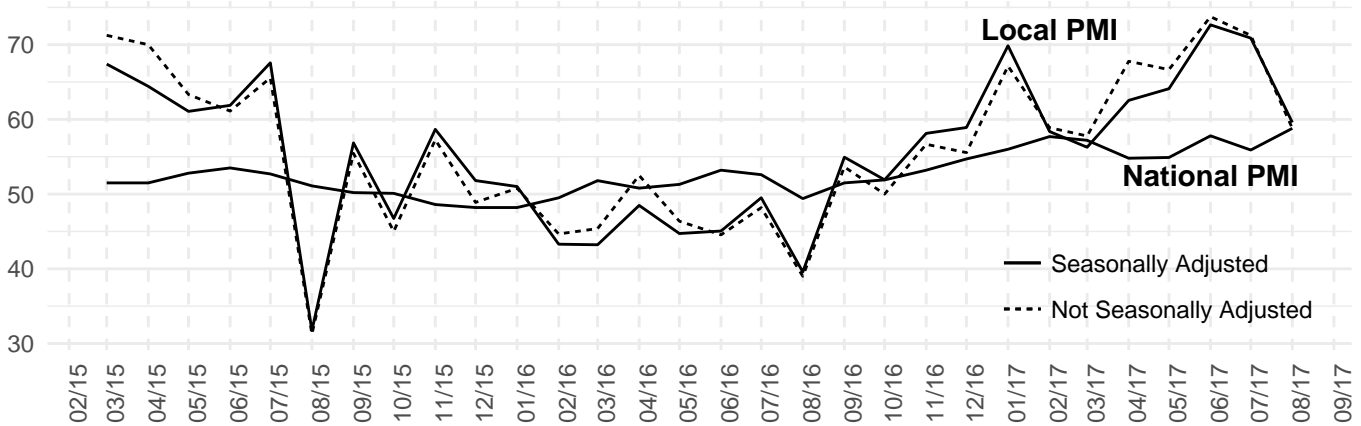


Figure 1: Local and National PMI over the last 2.5 years

**Production Buying Policy**

Days ahead production buying commitments among respondents fell between July and August from 75.6 to 56.2, slightly below the long-term trend.

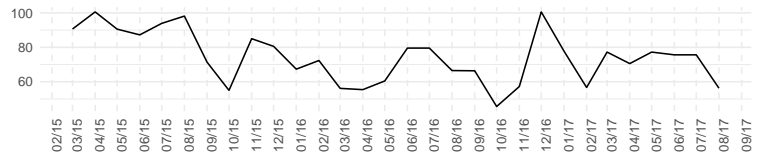


Figure 2: Production Buying Policy

**MRO Buying Policy (Maintenance, Repair, and Operating)**

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents grew in August to 38.1 days, although the value is still broadly consistent with fairly stable values around 30 days for the last two years.

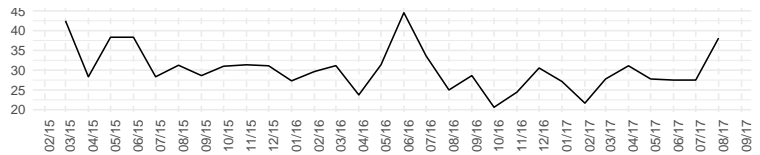


Figure 3: MRO Buying Policy

**Capital Equipment Buying Policy**

Manufacturers report making capital equipment buying commitments an average of 212.1 days ahead in August, higher than in July and the highest level since September, 2015, coincident with the manufacturing turn-around.

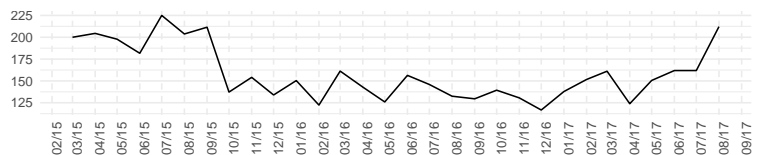


Figure 4: Capital Buying Policy

## Production Level

Month	Higher	Same	Lower	Index
Aug 2017	50.0%	25.0%	25.0%	62.5
Jul 2017	87.5%	12.5%	0.0%	93.8
Jun 2017	75.0%	12.5%	12.5%	81.2

The non-seasonally adjusted Production diffusion index fell to 62.5 in August from 93.8 in July. The proportion of respondents reporting negative growth of production was higher than in past months, but the index still indicates expansion, and readers should be cautious in making too much of fluctuations over a period as short as one month.

## New Orders

Month	Higher	Same	Lower	Index
Aug 2017	50.0%	25.0%	25.0%	62.5
Jul 2017	62.5%	25.0%	12.5%	75.0
Jun 2017	75.0%	25.0%	0.0%	87.5

The non-seasonally adjusted New Orders index fell slightly to 62.5 in August from July's value of 75.0. Most respondents reported the same or higher number of new orders relative to last month. Since August of last year, this series has consistently been in expansionary territory.

## Commodity Prices

Month	Higher	Same	Lower	Index
Aug 2017	37.5%	62.5%	0.0%	68.8
Jul 2017	37.5%	50.0%	12.5%	62.5
Jun 2017	50.0%	50.0%	0.0%	75.0

Commodity Prices grew at a fairly constant rate over the last year with a slight increase in growth (68.8) in August relative to August (62.5). The three-month average might hint at slightly slower inflation relative to early in 2017.

## Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Aug 2017	50.0%	25.0%	25.0%	62.5
Jul 2017	62.5%	12.5%	25.0%	68.8
Jun 2017	37.5%	50.0%	12.5%	62.5

The Inventories of Purchased Goods index continued to indicate increasing inventories on average for the fourth month in a row in August.

## Employment Levels

Month	Higher	Same	Lower	Index
Aug 2017	37.5%	37.5%	25.0%	56.2
Jul 2017	50.0%	25.0%	25.0%	62.5
Jun 2017	62.5%	25.0%	12.5%	75.0

The non-seasonally adjusted Employment index fell to 56.2 in August from July's level of 62.5, consistent with levels of employment growth seen in early 2017. The apparent erosion of the high employment growth experience of May and June is somewhat concerning, but growth is still positive and well above typical levels from 2015 and 2016.

## Vendor Deliveries

Month	Slower	Same	Faster	Index
Aug 2017	12.5%	75.0%	12.5%	50.0
Jul 2017	12.5%	87.5%	0.0%	56.2
Jun 2017	25.0%	75.0%	0.0%	62.5

The Vendor Deliveries index registered a value of 50.0 in August, down from 56.2 in July. This reflects a slightly higher proportion of respondents reporting faster deliveries.

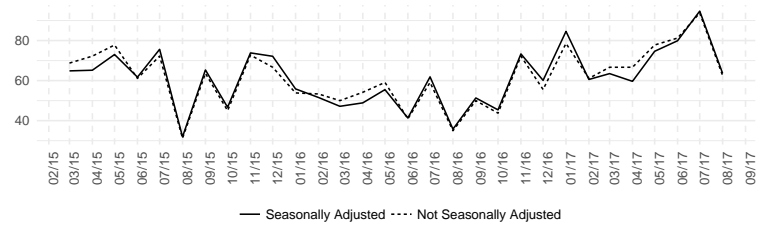


Figure 5: Production Diffusion Index

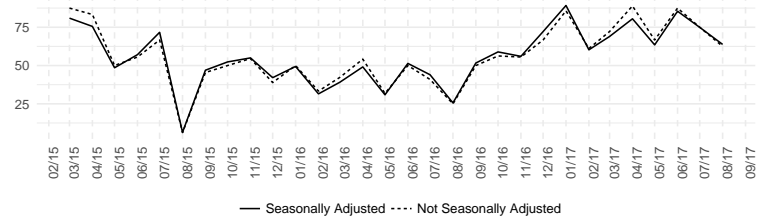


Figure 6: New Orders Diffusion Index

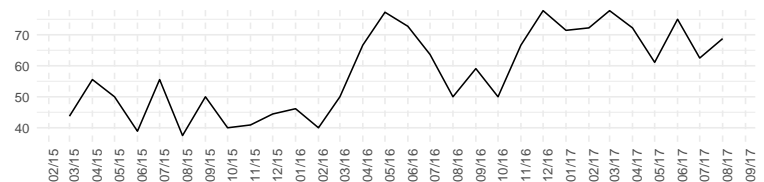


Figure 7: Commodity Prices Diffusion Index

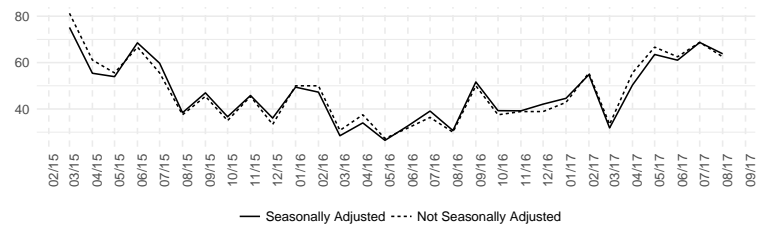


Figure 8: Purchased Inventories Diffusion Index

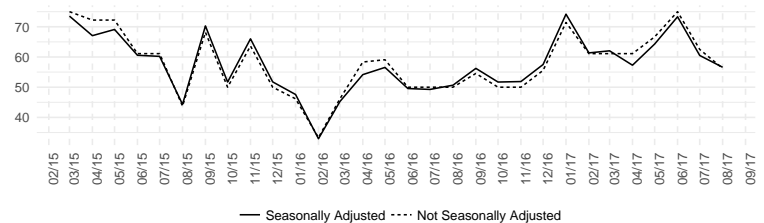


Figure 9: Employment Diffusion Index

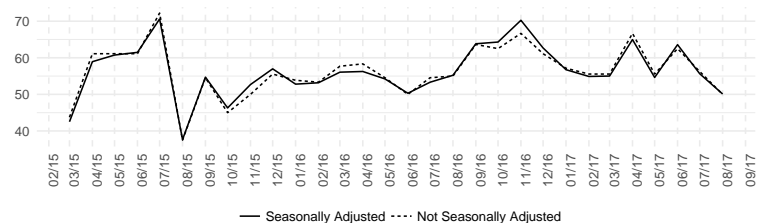


Figure 10: Vendor Deliveries Diffusion Index