

The Buffalo-Niagara Manufacturing index

Growth in Buffalo-area manufacturing activity continued to be strong in August, according to local supply executives responding to a survey by ISM-Buffero, Inc. The Buffalo-Niagara Manufacturing index (or PMI®) rose to 73.1 in August after July's value of 68.3. Values of 50.0 or greater are generally consistent with increased business activity relative to the prior month. This month's data are consistent with recent trends of economic expansion, increasing employment, and rising prices. 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.

This month (seasonally adjusted)

| Index Name | Index | Direction | Change in Index From Last Month |
|-------------|-------|------------|---------------------------------|
| PMI | 73.1 | Increasing | Higher growth rate |
| Production | 65.5 | Increasing | Lower growth rate |
| New Orders | 89.1 | Increasing | Higher growth rate |
| Inventories | 81.7 | Increasing | Higher growth rate |
| Employment | 57.2 | Increasing | Lower growth rate |
| Deliveries | 72.0 | Slower | More slowdown of deliveries |
| Prices | 85.7 | Increasing | Lower growth rate |

National indicators

The national PMI® (61.3) stayed steady and indicated continued expansion.

New York indicators

The NY Fed's July 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 firm managers expecting growth to continue for the next six months.

Overview of sub-indices

Production, New Orders, and Inventories are growing, and Vendor Deliveries are slowing quickly. Respondents remained more likely to report increasing employment than decreasing employment, but a larger share indicated unchanged employment than in past months, and some respondents indicated decreasing employment for only the second time in 11 months. Reports of growing commodity prices continue to be the norm.

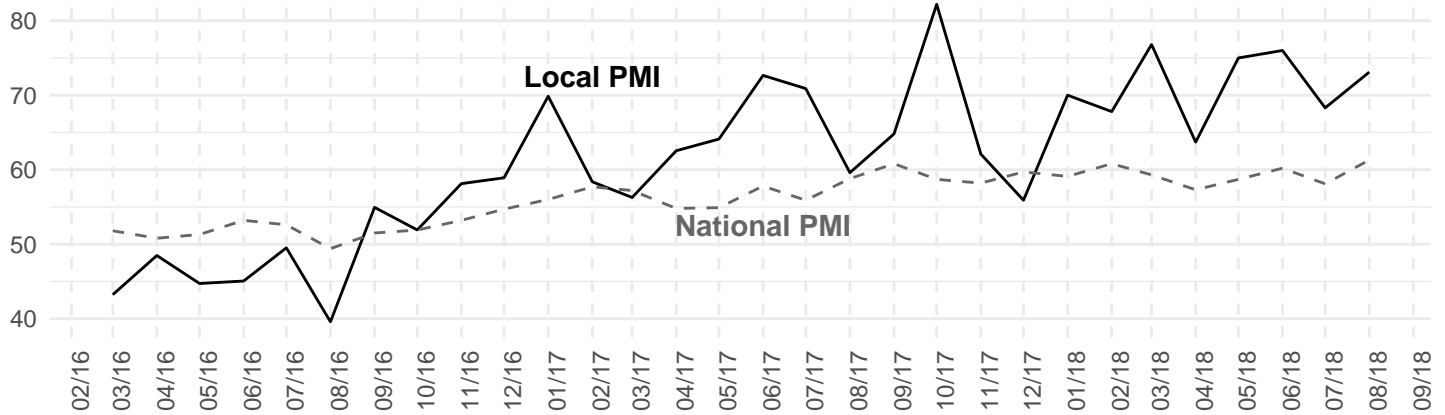


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents remained nearly constant between July and August at a value of 69.3 days. This value has changed little since the beginning of 2017.

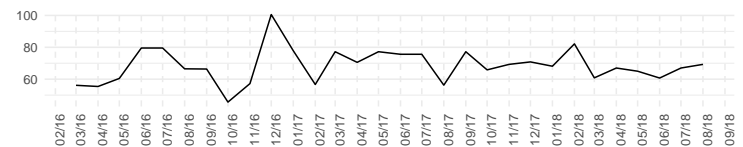


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents stayed nearly constant from July to August at 22.9 days. The values for the last five months have been lower than during the rest of the 2017-2018 period.

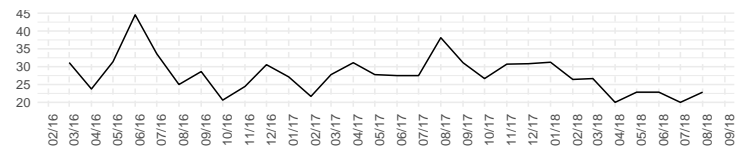


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 147.1 days ahead in August, which is average for recent months.

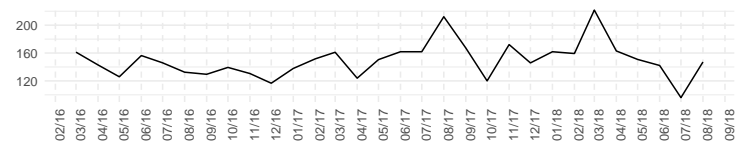


Figure 4: Capital Buying Policy

Production Level

| Month | Higher | Same | Lower | Index |
|----------|--------|-------|-------|-------|
| Aug 2018 | 57.1% | 14.3% | 28.6% | 64.3 |
| Jul 2018 | 60.0% | 20.0% | 20.0% | 70.0 |
| Jun 2018 | 85.7% | 0.0% | 14.3% | 85.7 |

The Production diffusion index fell slightly from 70.0 to 64.3 in August but continued to signal strong manufacturing growth. The majority of respondents continued to indicate increasing production.

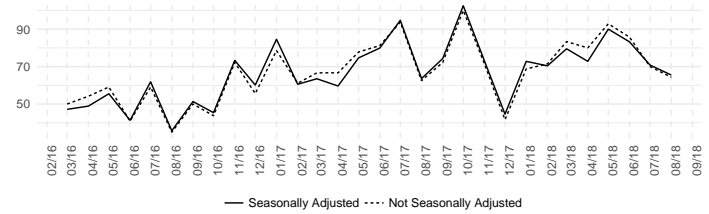


Figure 5: Production Diffusion Index

New Orders

| Month | Higher | Same | Lower | Index |
|----------|--------|-------|-------|-------|
| Aug 2018 | 85.7% | 0.0% | 14.3% | 85.7 |
| Jul 2018 | 40.0% | 40.0% | 20.0% | 60.0 |
| Jun 2018 | 85.7% | 0.0% | 14.3% | 85.7 |

The non-seasonally-adjusted New Orders index expanded to 85.7 in August after July's value of 60.0.

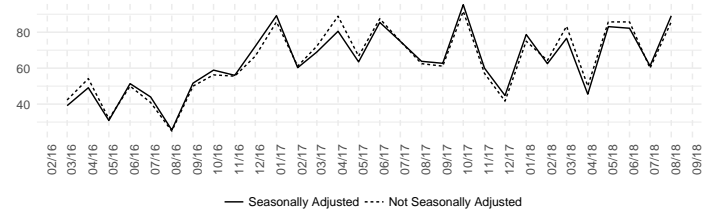


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

| Month | Higher | Same | Lower | Index |
|----------|--------|-------|-------|-------|
| Aug 2018 | 71.4% | 14.3% | 14.3% | 78.6 |
| Jul 2018 | 60.0% | 20.0% | 20.0% | 70.0 |
| Jun 2018 | 71.4% | 14.3% | 14.3% | 78.6 |

The non-seasonally-adjusted Inventories of Purchased Goods index remained high in August at 78.6.

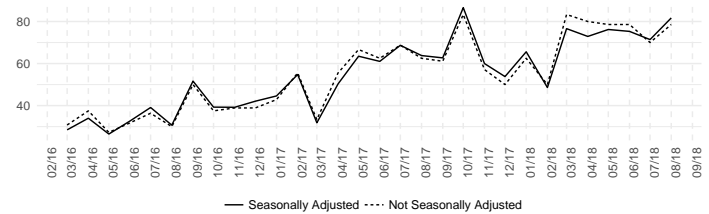


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

| Month | Higher | Same | Lower | Index |
|----------|--------|-------|-------|-------|
| Aug 2018 | 28.6% | 57.1% | 14.3% | 57.1 |
| Jul 2018 | 60.0% | 40.0% | 0.0% | 80.0 |
| Jun 2018 | 57.1% | 42.9% | 0.0% | 78.6 |

Employment growth continued but at a slower pace, with the non-seasonally-adjusted Employment index falling to 57.1 in August. The index has been rising on average over the last two years, and every respondent in nine of the ten months before August indicated increasing or unchanged employment. In August, however, some respondents indicated lower employment, and most reported unchanged employment.

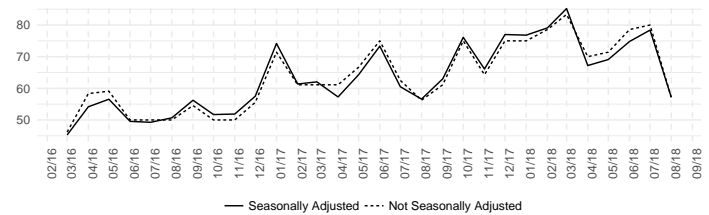


Figure 8: Employment Diffusion Index

Vendor Deliveries

| Month | Slower | Same | Faster | Index |
|----------|--------|-------|--------|-------|
| Aug 2018 | 42.9% | 57.1% | 0.0% | 71.4 |
| Jul 2018 | 20.0% | 80.0% | 0.0% | 60.0 |
| Jun 2018 | 28.6% | 71.4% | 0.0% | 64.3 |

The Vendor Deliveries slowdown accelerated in August. A higher index value represents slower deliveries, as slower deliveries are generally consistent with increasing shipments and increasing economic activity.

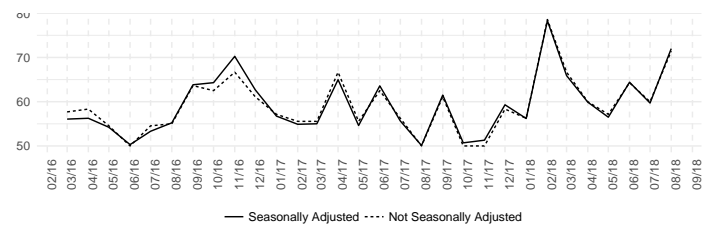


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

| Month | Higher | Same | Lower | Index |
|----------|--------|-------|-------|-------|
| Aug 2018 | 85.7% | 0.0% | 14.3% | 85.7 |
| Jul 2018 | 100.0% | 0.0% | 0.0% | 100.0 |
| Jun 2018 | 85.7% | 14.3% | 0.0% | 92.9 |

As in recent months, most respondents reported facing growing commodity prices in August, but some respondents indicated facing lower prices for the first time in three quarters.

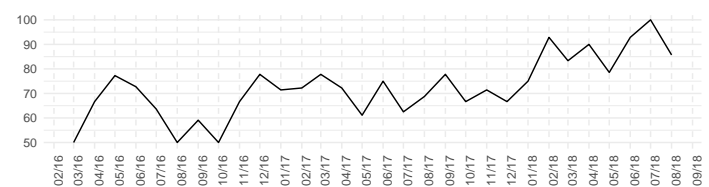


Figure 10: Commodity Prices Diffusion Index