

Buffalo-area manufacturing activity continued to grow in December. The Buffalo-Niagara Manufacturing index (or PMI®) rose to 73.3 in December after November's value of 65.7. 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., and values of 50.0 or greater are generally consistent with increased business activity relative to the prior month.

Although most of the sub-indices are consistent with economic expansion, they may indicate slower growth than over the last year. Most respondents continued to report increasing production and new orders (although at a lower rate), and no respondents indicated decreasing employment. The tendency to report facing growing commodity prices continued to be lower than the past-year average. Reports of growing inventories rebounded somewhat after November's anomalous low.

This month (seasonally adjusted)			
Index Name	Index	Direction	Change in Index From Last Month
PMI	73.3	Increasing	Higher growth rate
Production	71.0	Increasing	Higher growth rate
New Orders	79.2	Increasing	Higher growth rate
Inventories	70.4	Increasing	Higher growth rate
Employment	78.0	Increasing	Lower growth rate
Deliveries	67.8	Slower	Same slowdown of deliveries
Prices	83.3	Increasing	Higher growth rate

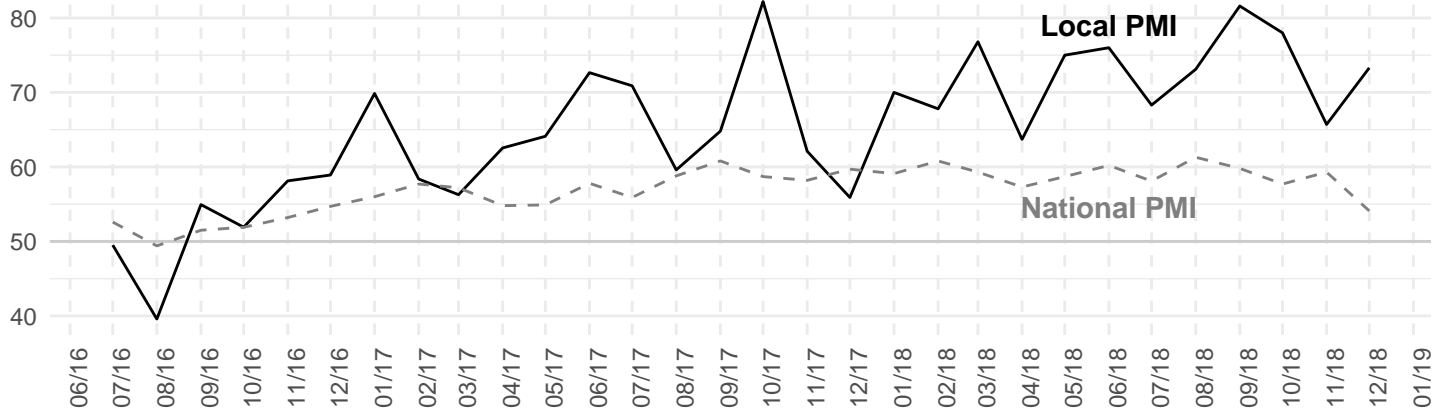


Figure 1: Local and National PMI over the last 2.5 years

**Production Buying Policy**

Days ahead production buying commitments among respondents remained constant between November and December at 65.8 days, similar to levels seen throughout 2018.

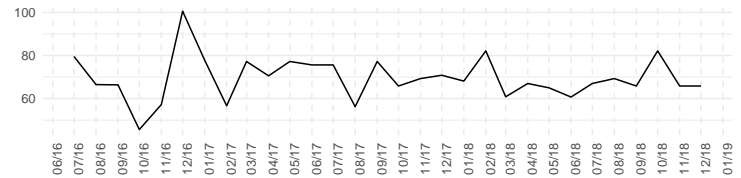


Figure 2: Production Buying Policy

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

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents stayed nearly constant from November to December at 21.7 days. The value has been nearly constant since April, when it fell below the 2017 norm.

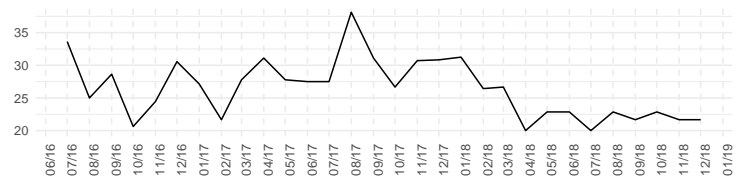


Figure 3: MRO Buying Policy

**Capital Equipment Buying Policy**

Manufacturers reported making capital equipment buying commitments an average of 151.7 days ahead in December, an increase from November's 130.8.

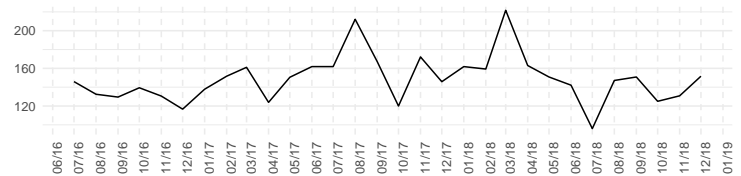


Figure 4: Capital Buying Policy

## Production Level

Month	Higher	Same	Lower	Index
Dec 2018	50.0%	33.3%	16.7%	66.7
Nov 2018	50.0%	33.3%	16.7%	66.7
Oct 2018	85.7%	14.3%	0.0%	92.9

The non-seasonally-adjusted Production diffusion index remained constant at 66.7 in December. The majority of respondents continued to indicate increasing or unchanged production.

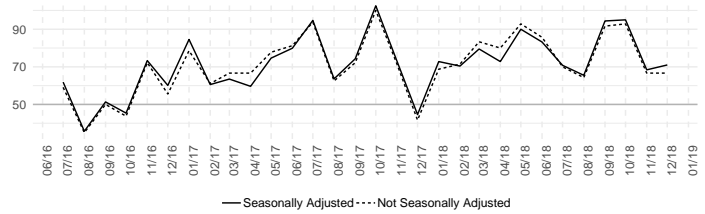


Figure 5: Production Diffusion Index

## New Orders

Month	Higher	Same	Lower	Index
Dec 2018	66.7%	16.7%	16.7%	75.0
Nov 2018	50.0%	33.3%	16.7%	66.7
Oct 2018	71.4%	28.6%	0.0%	85.7

The non-seasonally-adjusted New Orders index increased to 75.0 in December, with most respondents indicating increased orders from November to December.

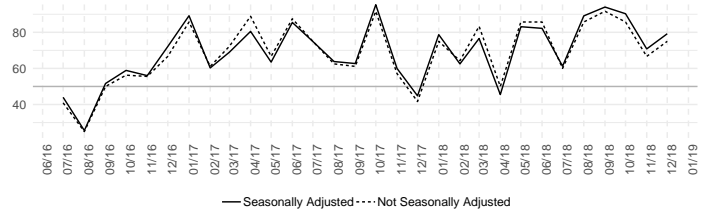


Figure 6: New Orders Diffusion Index

## Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Dec 2018	50.0%	33.3%	16.7%	66.7
Nov 2018	33.3%	16.7%	50.0%	41.7
Oct 2018	57.1%	42.9%	0.0%	78.6

Reports of inventory growth recovered somewhat in December after November's anomalous low. Half of respondents reported increasing inventories.

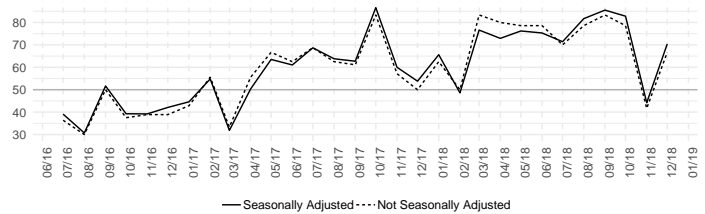


Figure 7: Purchased Inventories Diffusion Index

## Employment Levels

Month	Higher	Same	Lower	Index
Dec 2018	50.0%	50.0%	0.0%	75.0
Nov 2018	50.0%	50.0%	0.0%	75.0
Oct 2018	28.6%	57.1%	14.3%	57.1

The non-seasonally-adjusted Employment index remained high in December, with a value of 75.0.

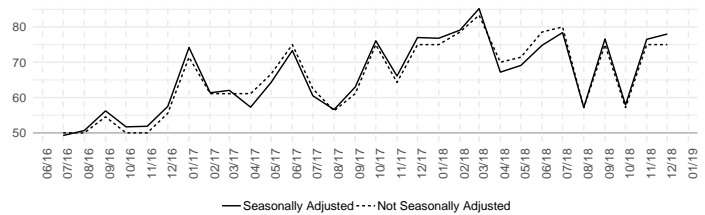


Figure 8: Employment Diffusion Index

## Vendor Deliveries

Month	Slower	Same	Faster	Index
Dec 2018	33.3%	66.7%	0.0%	66.7
Nov 2018	33.3%	66.7%	0.0%	66.7
Oct 2018	28.6%	71.4%	0.0%	64.3

Vendor Deliveries continued to be slower than promised for many respondents in December. A higher index value represents slower deliveries (longer delivery times), as deliveries that are slower than expected are generally consistent with increasing shipments and increasing economic activity.

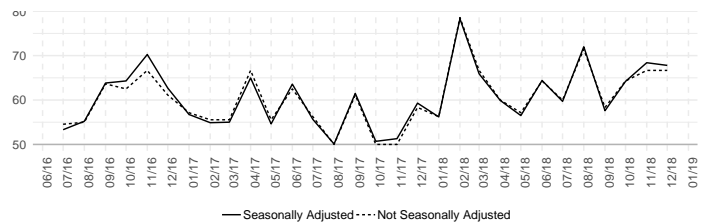


Figure 9: Vendor Deliveries Diffusion Index

## Commodity Prices

Month	Higher	Same	Lower	Index
Dec 2018	66.7%	33.3%	0.0%	83.3
Nov 2018	50.0%	33.3%	16.7%	66.7
Oct 2018	100.0%	0.0%	0.0%	100.0

Reports of commodity price growth were much less common than in recent months (other than November), but the majority of respondents still reported facing increasing prices.

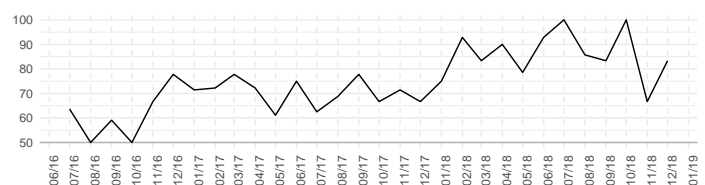


Figure 10: Commodity Prices Diffusion Index