

The Buffalo-Niagara Manufacturing index

Growth in Buffalo-area manufacturing activity continued to be strong in July, according to local supply executives responding to the July survey by ISM-Buffero, Inc. The Buffalo-Niagara Manufacturing index (or PMI®) fell to 68.3 in July after June's value of 76.0. Values of 50.0 or greater are generally consistent with increased business activity relative to the prior month. Although some index values are lower than in recent months, the response rate this month was lower than usual, so we should avoid making strong conclusions based on changes from last 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	68.3	Increasing	Lower growth rate
Production	70.8	Increasing	Lower growth rate
New Orders	61.2	Increasing	Lower growth rate
Inventories	71.4	Increasing	Lower growth rate
Employment	78.4	Increasing	Higher growth rate
Deliveries	59.7	Slower	Less slowdown of deliveries
Prices	100.0	Increasing	Higher growth rate

National indicators

The national PMI® (58.1) 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, but respondents also reported expecting delivery times and unfilled orders to shrink over the next six months.

Overview of sub-indices

The Production, New Orders, and Vendor Deliveries indices are all consistent with strong economic growth, although the indices are lower than in recent months. Most respondents indicated growing inventories and increasing employment last month. Reports of growing commodity prices continue to be the norm, and one respondent in June said that they were already seeing effects of tariffs on steel prices. Every respondent this month reported facing growing commodity prices.

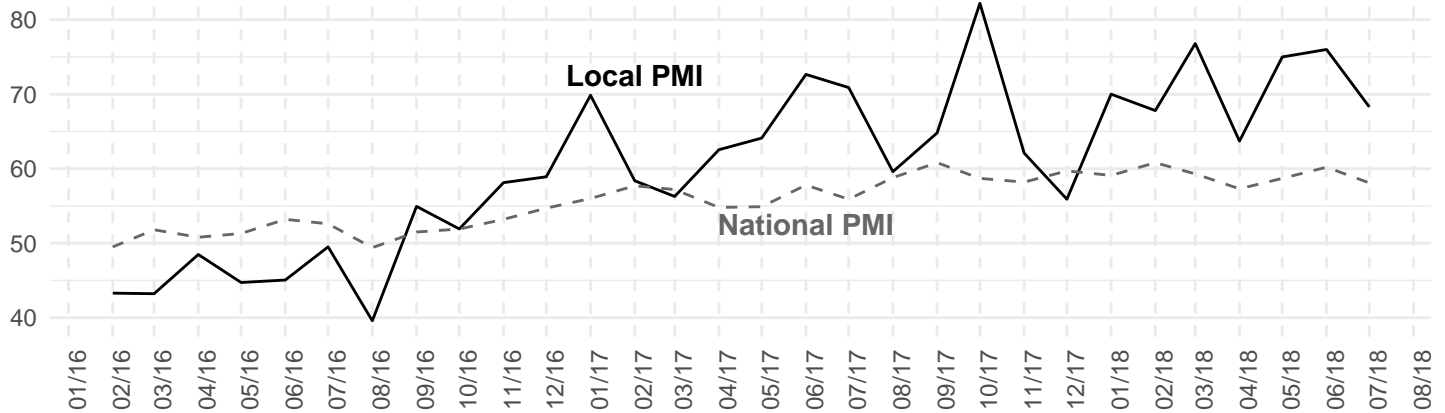


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents remained nearly constant between June and July at a value of 67.0 days. This value has changed little since the beginning of 2017.

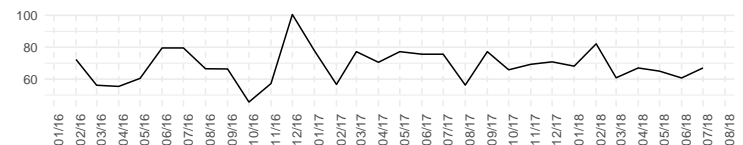


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents stayed nearly constant from June to July at 20.0 days. The values for the last four months have been lower than during the rest of the 2017–2018 period.

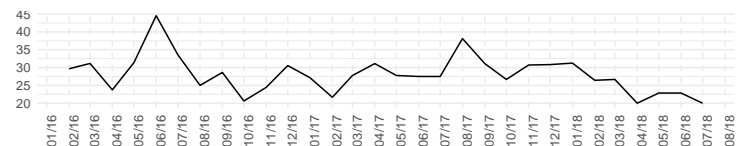


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 96.0 days ahead in July, which is lower than in previous months, but the difference between June and July is not statistically significant.

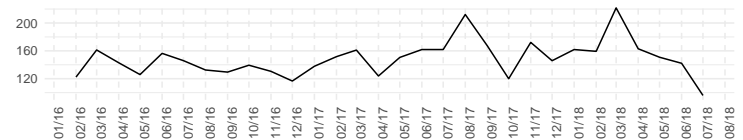


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
Jul 2018	60.0%	20.0%	20.0%	70.0
Jun 2018	85.7%	0.0%	14.3%	85.7
May 2018	85.7%	14.3%	0.0%	92.9

The Production diffusion index continued to signal strong manufacturing growth in July, with a (non-seasonally-adjusted) value of 70.0. This value is about average for the 1017–2018 period.

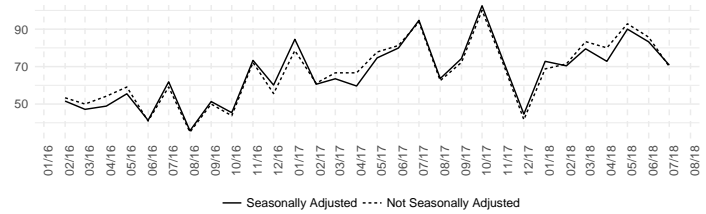


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
Jul 2018	40.0%	40.0%	20.0%	60.0
Jun 2018	85.7%	0.0%	14.3%	85.7
May 2018	85.7%	0.0%	14.3%	85.7

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

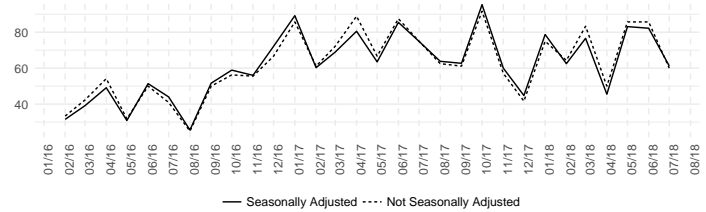


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Jul 2018	60.0%	20.0%	20.0%	70.0
Jun 2018	71.4%	14.3%	14.3%	78.6
May 2018	57.1%	42.9%	0.0%	78.6

The non-seasonally-adjusted Inventories of Purchased Goods index remained high in July at 70.0.

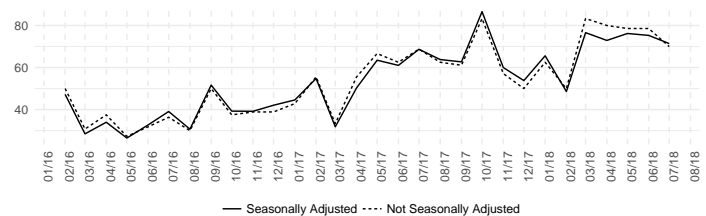


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
Jul 2018	60.0%	40.0%	0.0%	80.0
Jun 2018	57.1%	42.9%	0.0%	78.6
May 2018	42.9%	57.1%	0.0%	71.4

Employment growth continued at a rapid pace, with the non-seasonally-adjusted Employment index at a value of 80.0 in July. The index has been rising on average over the last two years, and every respondent for nine of the last ten months has indicated increasing or unchanged employment. According to the August Empire State Manufacturing Survey, firm managers expect employment to keep growing quickly over the next six months.

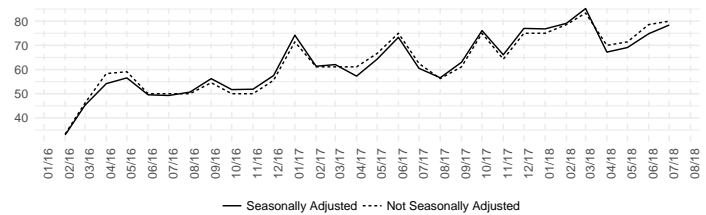


Figure 8: Employment Diffusion Index

Vendor Deliveries

Month	Slower	Same	Faster	Index
Jul 2018	20.0%	80.0%	0.0%	60.0
Jun 2018	28.6%	71.4%	0.0%	64.3
May 2018	14.3%	85.7%	0.0%	57.1

The Vendor Deliveries slowdown continued in July. A higher index value represents slower deliveries, as slower deliveries are generally consistent with increasing shipments and increasing economic activity. Firm managers responding to the August Empire State Manufacturing Survey expect delivery times and unfilled orders to shrink over the next six months.

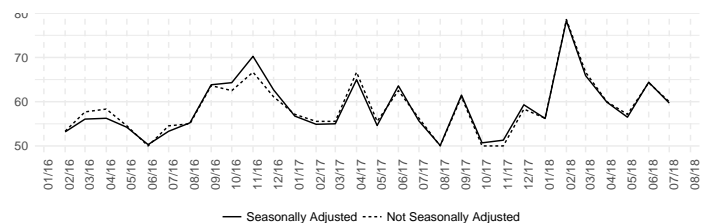


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
Jul 2018	100.0%	0.0%	0.0%	100.0
Jun 2018	85.7%	14.3%	0.0%	92.9
May 2018	57.1%	42.9%	0.0%	78.6

Every respondent reported facing growing commodity prices in July. No respondent has indicated facing lowering commodity prices during the last eight months. One respondent in June suggested that they may already be seeing higher steel prices from tariffs. The NY Fed's Empire State Manufacturing Surveys also revealed high price growth across the state for the last year.

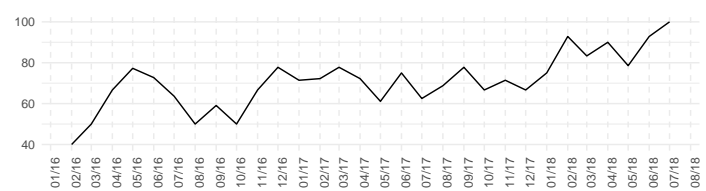


Figure 10: Commodity Prices Diffusion Index