

The Buffalo-Niagara Manufacturing index

Growth in Buffalo-area manufacturing activity was strong in June, according to local supply executives responding to the June survey by ISM-Buffero, Inc. The Buffalo-Niagara Manufacturing index (or PMI®) stayed steady at 76.0 in June after May's value of 75.0. 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.

This month (seasonally adjusted)

Index Name	Index	Direction	Change in Index From Last Month
PMI	76.0	Increasing	Same growth rate
Production	83.2	Increasing	Lower growth rate
New Orders	82.2	Increasing	Same growth rate
Inventories	75.3	Increasing	Same growth rate
Employment	74.8	Increasing	Higher growth rate
Deliveries	64.4	Slower	More slowdown of deliveries
Prices	92.9	Increasing	Higher growth rate

National indicators

The national PMI® (60.2) indicated continued expansion. Early estimates by the Bureau of Economic Analysis put US GDP growth at an annualized rate of 4.1% over the most recent quarter, the highest rate since 2014. The growth rate in the first quarter of 2018 was 2.2%.

Overview of sub-indices

The Production, New Orders, Employment, and Vendor Deliveries indices are all consistent with strong economic growth, and most respondents indicated growing inventories last month. There were no dramatic changes in any of the indices over the month except that respondents were much more likely than in previous months to indicate that they faced growing commodity prices. Over 85% of respondents reported facing growing commodity prices, and no respondents reported facing shrinking commodity prices.

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, but firms' expected future capital and technology expenditures fell to their lowest level in about a year.

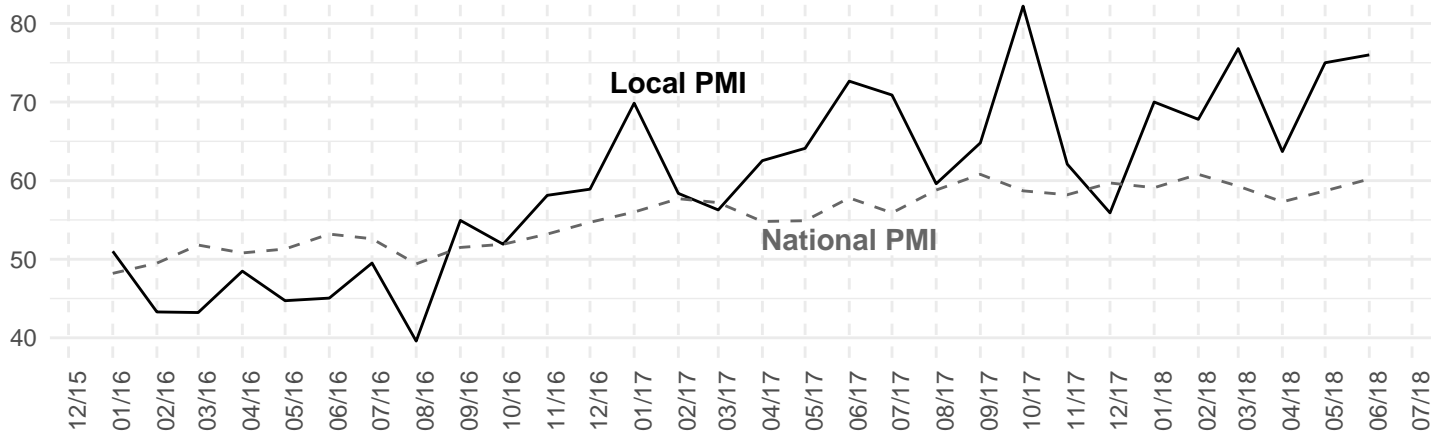


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents remained nearly constant between May and June at a value of 60.7 days. This value has changed little since the beginning of 2017.

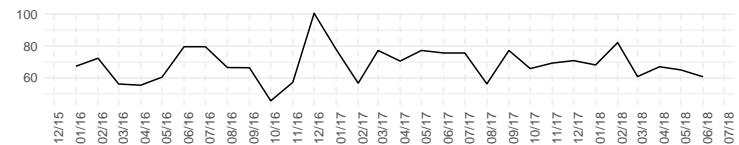


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents stayed constant at 22.9 days in June after falling in May. The value is similar to the 2016 average but low for the 2017-2018 period.

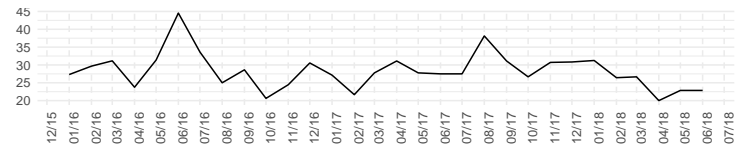


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 142.1 days ahead in June.

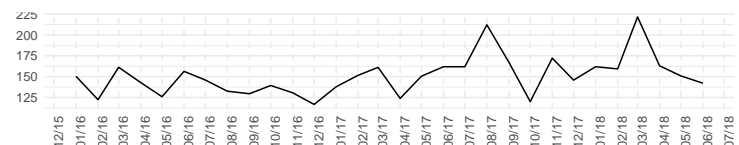


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
Jun 2018	85.7%	0.0%	14.3%	85.7
May 2018	85.7%	14.3%	0.0%	92.9
Apr 2018	60.0%	40.0%	0.0%	80.0

The Production diffusion index continued to signal strong manufacturing growth in June, with a (non-seasonally-adjusted) value of 85.7. Almost all respondents indicated higher production in June than in May.

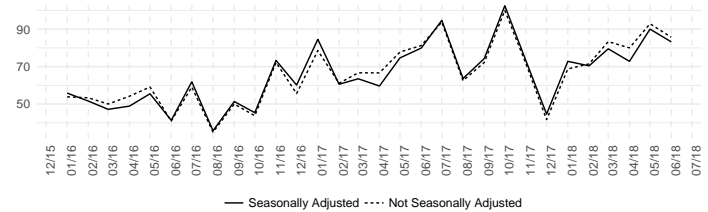


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
Jun 2018	85.7%	0.0%	14.3%	85.7
May 2018	85.7%	0.0%	14.3%	85.7
Apr 2018	40.0%	20.0%	40.0%	50.0

The non-seasonally-adjusted New Orders index remained as high in June as in May at 85.7. Most respondents indicated increasing new orders.

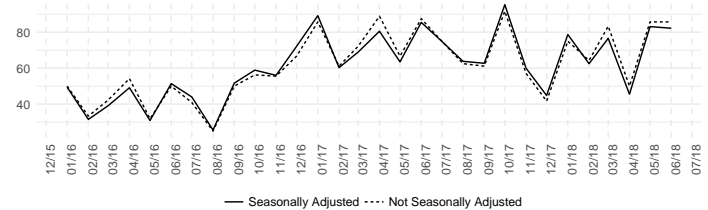


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Jun 2018	71.4%	14.3%	14.3%	78.6
May 2018	57.1%	42.9%	0.0%	78.6
Apr 2018	60.0%	40.0%	0.0%	80.0

The non-seasonally-adjusted Inventories of Purchased Goods index remained high in June at 78.6. More respondents reported increasing inventories than in recent months.

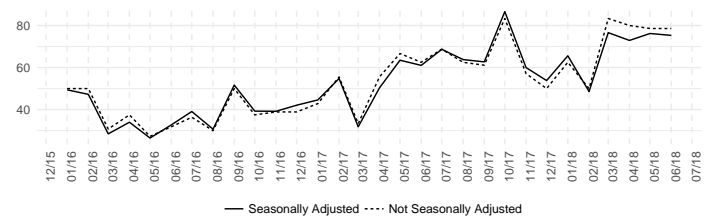


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
Jun 2018	57.1%	42.9%	0.0%	78.6
May 2018	42.9%	57.1%	0.0%	71.4
Apr 2018	40.0%	60.0%	0.0%	70.0

Employment growth continued at a rapid pace, with the non-seasonally-adjusted Employment index at a value of 78.6 in June. The index has been rising on average over the last two years, and every respondent for eight of the last nine months has indicated increasing or unchanged employment. According to the July Empire State Manufacturing Survey, firm managers expect employment to keep growing quickly over the next six months.

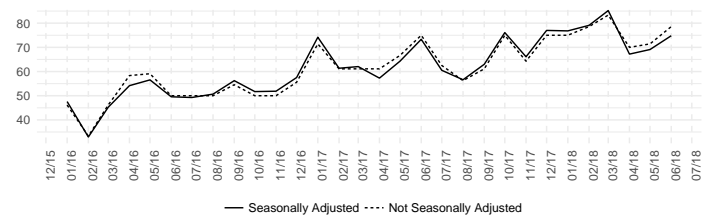


Figure 8: Employment Diffusion Index

Vendor Deliveries

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

There is some evidence that the Vendor Deliveries slowdown continued in June. A higher index value represents slower deliveries, as slower deliveries are generally consistent with increasing shipments and increasing economic activity.

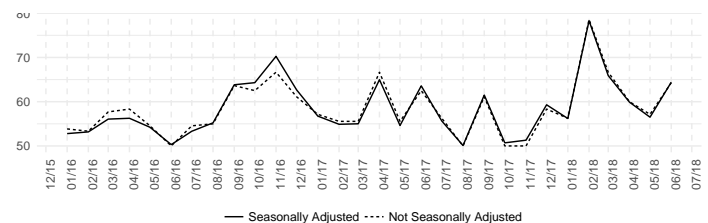


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
Jun 2018	85.7%	14.3%	0.0%	92.9
May 2018	57.1%	42.9%	0.0%	78.6
Apr 2018	80.0%	20.0%	0.0%	90.0

Commodity Prices continued to grow for almost all respondents, with an index of 92.9 in June. No respondent has indicated facing lowering commodity prices during the last seven months, and most respondents indicated facing growing prices this month. The NY Fed's Empire State Manufacturing Surveys also revealed high price growth across the state for the last half year.

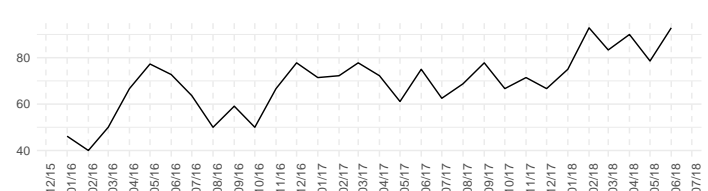


Figure 10: Commodity Prices Diffusion Index