

The Buffalo-Niagara Manufacturing index

The Buffalo-Niagara Manufacturing index (or PMI[®]) continued to signal strong growth in March for the third straight month. The index rose to 76.8 in March after February's value of 67.8. 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[®] and other indices in this report are 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	76.8	Increasing	Higher growth rate
Production	79.5	Increasing	Higher growth rate
New Orders	76.6	Increasing	Higher growth rate
Inventories	76.6	Increasing	Higher growth rate
Employment	85.2	Increasing	Higher growth rate
Deliveries	65.9	Slower	Less slowdown of deliveries
Prices	83.3	Increasing	Lower growth rate

National indicators

The national PMI[®] (59.3) indicated continued expansion at rates similar to the late 2017 average and similar to pre-recession highs from 2005. Seasonally adjusted national unemployment (4.1%) was unchanged in February.

New York indicators

The NY Fed's April 2018 Empire State Manufacturing Survey general business index (a statewide measure) indicated growth of business activity in the state, with new orders, unfilled orders, shipments, employment, average workweek, input prices, inventories, delivery times, and prices all growing but generally at a slower rate than in March (although far more respondents indicated having longer workweeks than in previous months). However, they warned that their index measuring firm's six-month outlooks fell to "its lowest level in more than two years."

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. Most respondents continued to report facing growing commodity prices, and no respondents reported facing shrinking commodity prices, in line with extensive input price increases reported in the NY Fed's March and April 2018 Empire State Manufacturing Surveys.

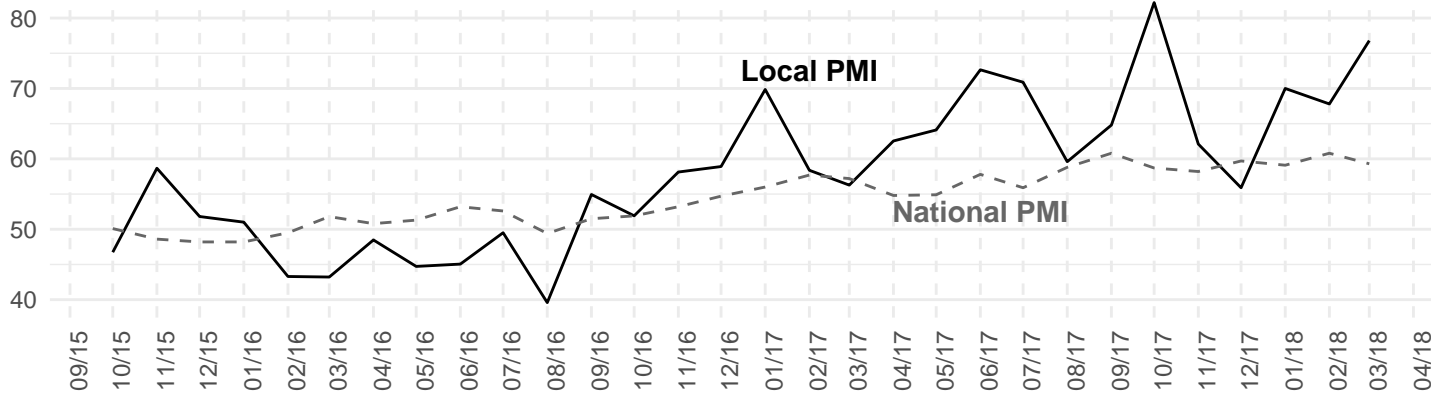


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents fell slightly between February and March, reaching a value of 60.8 days. This value has changed little since the beginning of 2017.

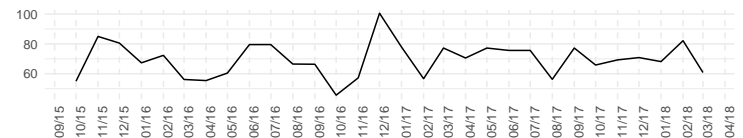


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents stayed steady between February and March at a level of 26.7 days. The value is consistent with fairly stable values around 30 days for the last two years.

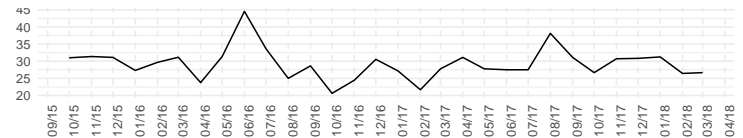


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 221.7 days ahead in March.

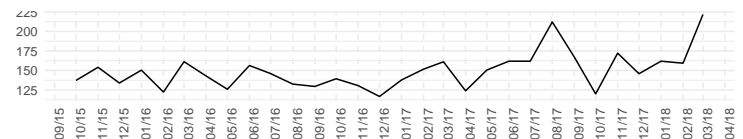


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	57.1%	28.6%	14.3%	71.4
Jan 2018	62.5%	12.5%	25.0%	68.8

The Production diffusion index rose slightly between February and March, reaching a (non-seasonally-adjusted) value of 83.3, indicating strong production growth. No respondents indicated lower production in February than in March, and most reported higher production.

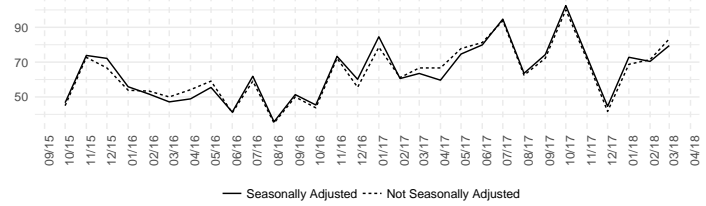


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	57.1%	14.3%	28.6%	64.3
Jan 2018	75.0%	0.0%	25.0%	75.0

The non-seasonally-adjusted New Orders index also rose in March to 83.3, a value similar to the 2017 average. This series has been in expansionary territory since October of 2016, and the three-month moving average has picked up again after decreasing fairly steadily since May.

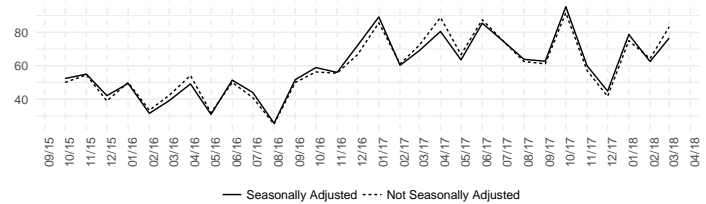


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	42.9%	14.3%	42.9%	50.0
Jan 2018	50.0%	25.0%	25.0%	62.5

The non-seasonally-adjusted Inventories of Purchased Goods index jumped to 83.3 in March. As with production and new orders, no respondents indicated lowering inventories.

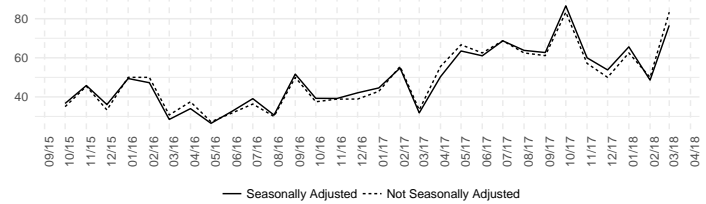


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	57.1%	42.9%	0.0%	78.6
Jan 2018	50.0%	50.0%	0.0%	75.0

Employment growth continued at a rapid pace, with the non-seasonally-adjusted Employment index reaching a very-high value of 83.3 in March. The index has been rising on average over the last two years, and every respondent for five of the last six months has indicated increasing or unchanged employment.

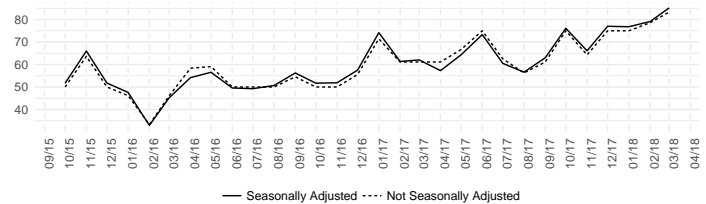


Figure 8: Employment Diffusion Index

Vendor Deliveries

Month	Slower	Same	Faster	Index
Mar 2018	33.3%	66.7%	0.0%	66.7
Feb 2018	57.1%	42.9%	0.0%	78.6
Jan 2018	12.5%	87.5%	0.0%	56.2

The Vendor Deliveries slowdown continued in March after February's record-breaking slowdown. Slower deliveries are generally consistent with increasing economic activity.

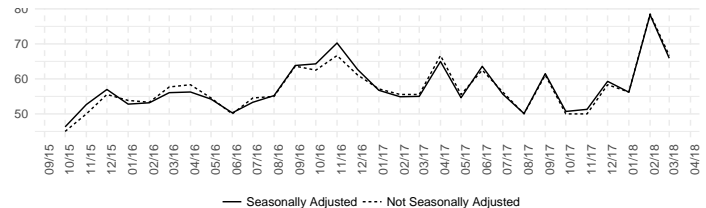


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
Mar 2018	66.7%	33.3%	0.0%	83.3
Feb 2018	85.7%	14.3%	0.0%	92.9
Jan 2018	50.0%	50.0%	0.0%	75.0

Commodity Prices continued to grow for many respondents, with an index of 83.3 in March. No respondent has indicated facing lowering commodity prices during the last six months, and most respondents indicated facing growing prices this month. The NY Fed's March and April 2018 Empire State Manufacturing Surveys also revealed high price growth across the state.

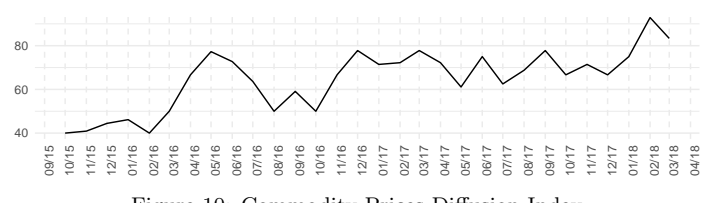


Figure 10: Commodity Prices Diffusion Index