

The Buffalo-Niagara Manufacturing index

Growth in Buffalo-area manufacturing activity was strong in May, according to local supply executives responding to the May survey by ISM-Buffero, Inc. The Buffalo-Niagara Manufacturing index (or PMI[®]) rose to 75.0 in May after April's value of 63.7. 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	75.0	Increasing	Higher growth rate
Production	90.0	Increasing	Higher growth rate
New Orders	83.1	Increasing	Higher growth rate
Inventories	76.2	Increasing	Higher growth rate
Employment	69.1	Increasing	Higher growth rate
Deliveries	56.5	Slower	Less slowdown of deliveries
Prices	78.6	Increasing	Lower growth rate

National indicators

The national PMI[®] (58.7) indicated continued expansion, and the seasonally adjusted national unemployment fell from 3.9% to 3.8% in April.

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.

New York indicators

The NY Fed's June 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 new orders, unfilled orders, shipments, employment, average workweek, input prices, inventories, delivery times, and prices all growing.

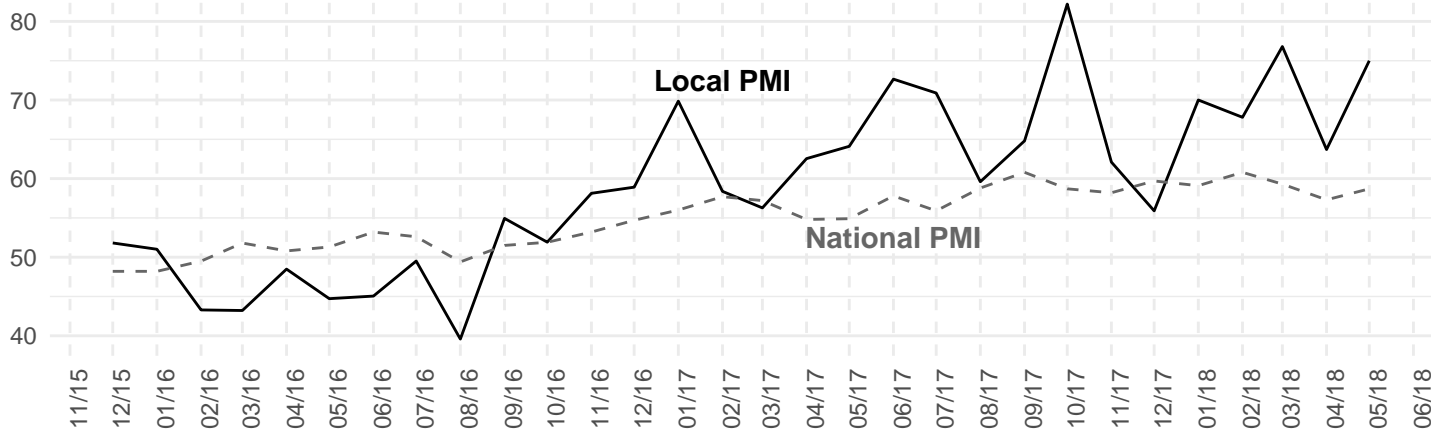


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents remained nearly constant between April and May at a value of 65.0 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 rose slightly to 22.9 days in May after falling in April. The value is similar to the 2016 average but low for the 2017–2018 period.

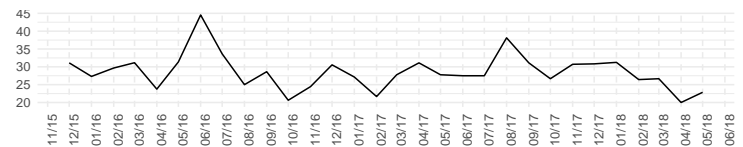


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 150.8 days ahead in May.

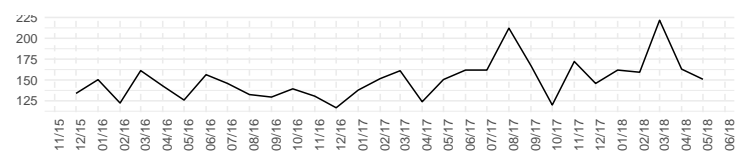


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
May 2018	85.7%	14.3%	0.0%	92.9
Apr 2018	60.0%	40.0%	0.0%	80.0
Mar 2018	66.7%	33.3%	0.0%	83.3

The Production diffusion index continued to signal strong manufacturing growth in May, with a (non-seasonally-adjusted) value of 92.9. No respondents indicated lower production in May than in April, and almost all reported higher production.

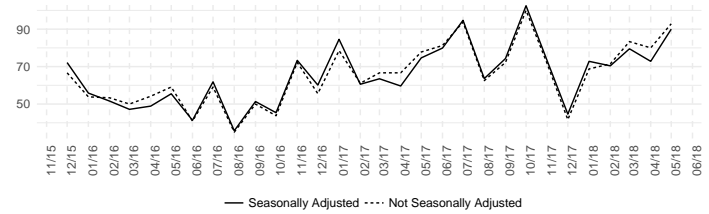


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
May 2018	85.7%	0.0%	14.3%	85.7
Apr 2018	40.0%	20.0%	40.0%	50.0
Mar 2018	66.7%	33.3%	0.0%	83.3

The non-seasonally-adjusted New Orders index rose in May to 85.7 after April's brief dip. Most respondents indicated increasing new orders.

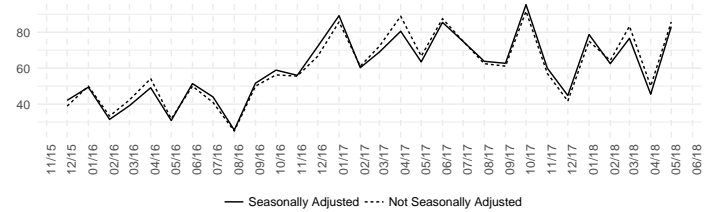


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
May 2018	57.1%	42.9%	0.0%	78.6
Apr 2018	60.0%	40.0%	0.0%	80.0
Mar 2018	66.7%	33.3%	0.0%	83.3

The non-seasonally-adjusted Inventories of Purchased Goods index remained high in May at 78.6. As in recent months, no respondents indicated lowering inventories.

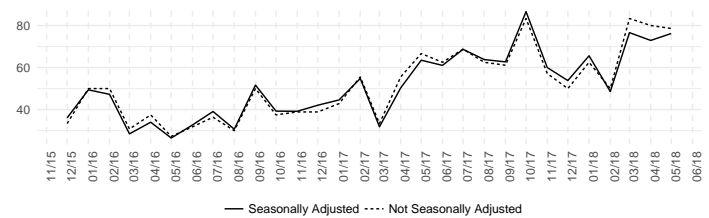


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
May 2018	42.9%	57.1%	0.0%	71.4
Apr 2018	40.0%	60.0%	0.0%	70.0
Mar 2018	66.7%	33.3%	0.0%	83.3

Employment growth continued at a rapid pace, with the non-seasonally-adjusted Employment index at a value of 71.4 in May (lower than in previous months but still quite high). The index has been rising on average over the last two years, and every respondent for seven of the last eight months has indicated increasing or unchanged employment.

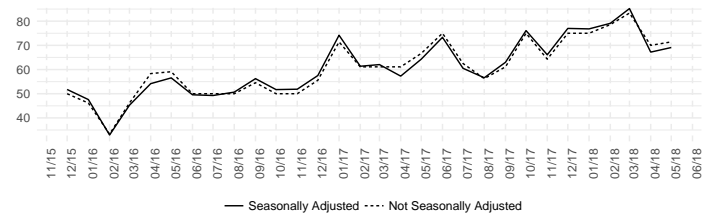


Figure 8: Employment Diffusion Index

Vendor Deliveries

Month	Slower	Same	Faster	Index
May 2018	14.3%	85.7%	0.0%	57.1
Apr 2018	20.0%	80.0%	0.0%	60.0
Mar 2018	33.3%	66.7%	0.0%	66.7

There is weak evidence that the Vendor Deliveries slowdown continued in May though at a lower rate than in previous months. A higher index value represents slower deliveries, as slower deliveries are generally consistent with increasing shipments and increasing economic activity.

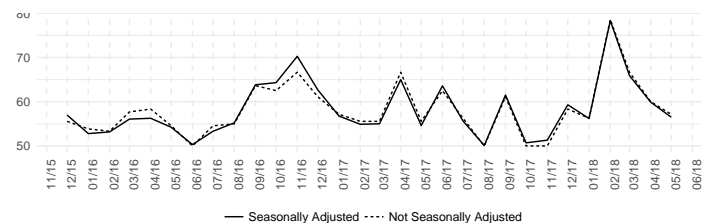


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
May 2018	57.1%	42.9%	0.0%	78.6
Apr 2018	80.0%	20.0%	0.0%	90.0
Mar 2018	66.7%	33.3%	0.0%	83.3

Commodity Prices continued to grow for many respondents, with an index of 78.6 in May. 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 five months.

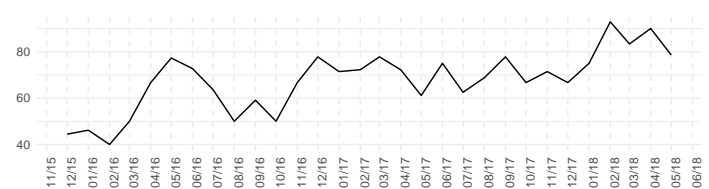


Figure 10: Commodity Prices Diffusion Index