

The Buffalo-Niagara Manufacturing index

Growth in Buffalo-area manufacturing activity continued to be strong in October, according to local supply executives responding to a survey by ISM-Buffero, Inc. The Buffalo-Niagara Manufacturing index (or PMI®) fell slightly to 78.0 in October after September's value of 81.6. Values of 50.0 or greater are generally consistent with increased business activity relative to the prior month. This month's data are consistent with recent trends of economic expansion, increasing employment, and rising prices. The drop in the overall index is almost entirely attributable to a drop in the Employment index that could easily be due to nothing more than statistical noise. 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	78.0	Increasing	Lower growth rate
Production	95.0	Increasing	Same growth rate
New Orders	90.3	Increasing	Lower growth rate
Inventories	82.8	Increasing	Lower growth rate
Employment	57.9	Increasing	Lower growth rate
Deliveries	64.2	Slower	More slowdown of deliveries
Prices	100.0	Increasing	Higher growth rate

National indicators

The national PMI® (57.7) and Bureau of Labor Statistics measures of labor underutilization stayed steady in October and indicated continued expansion. Responding to inflation at the national level, the Federal Reserve is likely to raise rates more next month, and we should expect recent and future rate increases to tame some of the Buffalo-area production boom.

Overview of sub-indices

Every respondent indicated that production, new orders, and inventories were at least as high as last month and that vendor deliveries took at least as long as last month. These data are consistent with very fast growth. The only major change in the indices this month is that fewer respondents reported increasing employment than have in every month of the last year other than in August. Reports of growing commodity prices continue to be the norm.

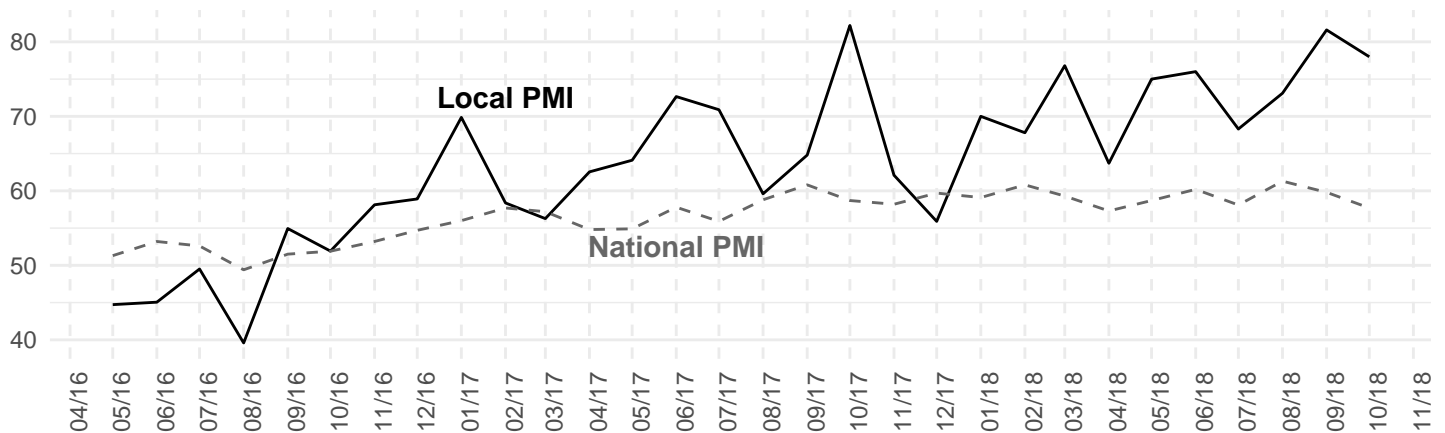


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents increased from 65.8 to 82.1 days between September and October.

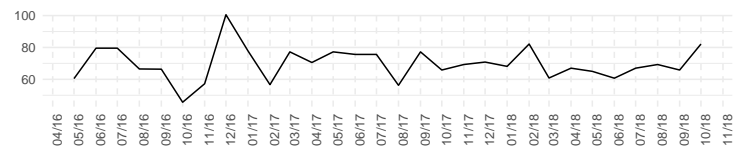


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents stayed nearly constant from September to October at 22.9 days. The values for the last six months have been lower than during the rest of the 2017–2018 period.

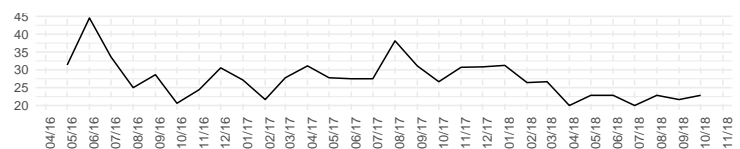


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 125.0 days ahead in October, which is about average for recent months.

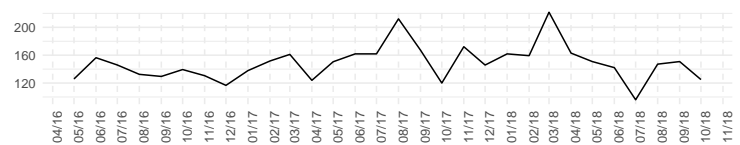


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
Oct 2018	85.7%	14.3%	0.0%	92.9
Sep 2018	83.3%	16.7%	0.0%	91.7
Aug 2018	57.1%	14.3%	28.6%	64.3

The Production diffusion index reached a high for 2018 at 92.9 in October. The majority of respondents continued to indicate increasing production, which has been the norm for two years.

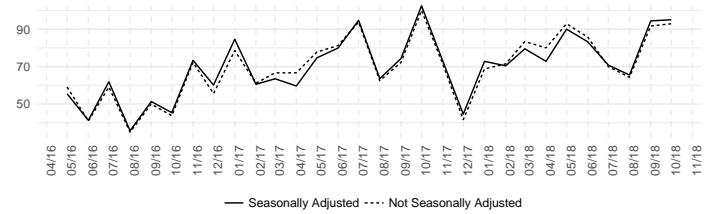


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
Oct 2018	71.4%	28.6%	0.0%	85.7
Sep 2018	83.3%	16.7%	0.0%	91.7
Aug 2018	85.7%	0.0%	14.3%	85.7

The non-seasonally-adjusted New Orders index stayed high at 85.7 in October.

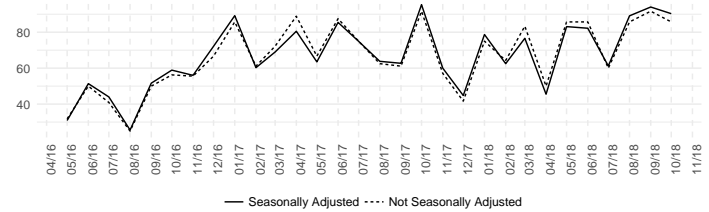


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Oct 2018	57.1%	42.9%	0.0%	78.6
Sep 2018	66.7%	33.3%	0.0%	83.3
Aug 2018	71.4%	14.3%	14.3%	78.6

Inventory growth remained high, with and non-seasonally-adjusted Inventories of Purchased Goods index of 78.6 in October.

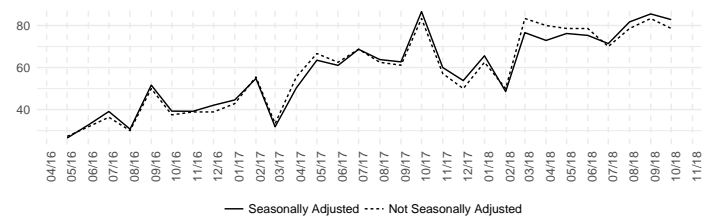


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
Oct 2018	28.6%	57.1%	14.3%	57.1
Sep 2018	50.0%	50.0%	0.0%	75.0
Aug 2018	28.6%	57.1%	14.3%	57.1

The non-seasonally-adjusted Employment index fell in October back to the level from August, 57.1. Volatility in the indices should be expected.

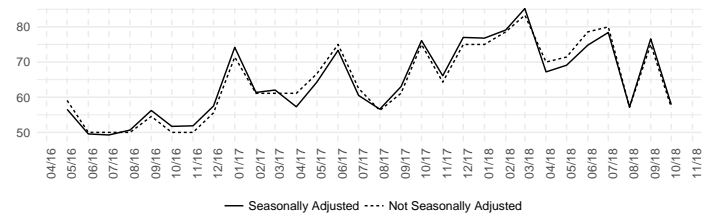


Figure 8: Employment Diffusion Index

Vendor Deliveries

Month	Slower	Same	Faster	Index
Oct 2018	28.6%	71.4%	0.0%	64.3
Sep 2018	16.7%	83.3%	0.0%	58.3
Aug 2018	42.9%	57.1%	0.0%	71.4

The Vendor Deliveries index is consistent with a moderate slowdown (longer delivery times), although most respondents in October reported no change in delivery times. A higher index value represents slower deliveries, as slower deliveries are generally consistent with increasing shipments and increasing economic activity.

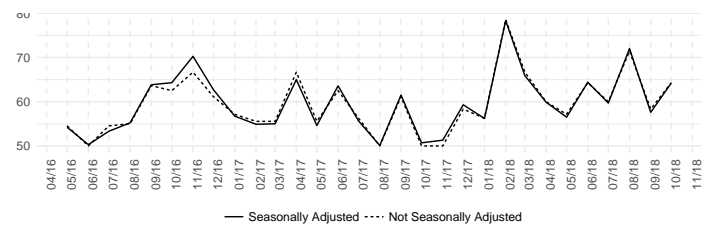


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
Oct 2018	100.0%	0.0%	0.0%	100.0
Sep 2018	66.7%	33.3%	0.0%	83.3
Aug 2018	85.7%	0.0%	14.3%	85.7

Every respondent reported facing growing commodity prices in October. We already see the Fed responding to inflation at the national level by raising interest rates, and we should expect these policies to tame some of the Buffalo-area production boom.

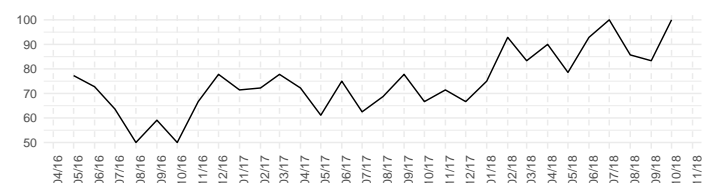


Figure 10: Commodity Prices Diffusion Index