

The Buffalo-Niagara Manufacturing index

The Buffalo-Niagara Manufacturing index (or PMI®) rose to 70.0 in January (where values of 50.0 or greater are generally consistent with increased business activity relative to the prior month), a welcome turn after the last two months of apparently slowing growth. The trend since 2016 has been upward, but the trend since the middle of 2017 has been downward (though very noisy). The PMI® and other indices in this report are calculated from a survey of local supply executives administered by ISM-Buffero, Inc.

National and state indicators

The national PMI® (59.1) indicated continued expansion at rates similar to the 2017 average and similar to pre-recession highs from 2005. Seasonally adjusted National unemployment (4.1%) and other labor underutilization measures from the Bureau of Labor Statistics were unchanged from December to January and have been falling slowly over the last year. Combined with the well-publicized 2.9% year-on-year average hourly earnings growth for all private, nonfarm employees (BLS, “Employment Situation News Release”, report USDL-18-0154 from Feb 2, 2018), these numbers suggest strong growth of economic activity in the US. The NY Fed’s Empire State Manufacturing Survey’s (Feb, 2018) general business index (a statewide measure) indicated that “business activity continued to expand, though at a somewhat slower pace than last month.”

This month (seasonally adjusted)

Index Name	Index	Direction	Change in Index From Last Month
PMI	70.0	Increasing	Higher growth rate
Production	72.8	Increasing	Higher growth rate
New Orders	78.7	Increasing	Higher growth rate
Inventories	65.6	Increasing	Higher growth rate
Employment	76.8	Increasing	Same growth rate
Deliveries	56.2	Slower	Less slowdown of deliveries
Prices	75.0	Increasing	Higher growth rate

Overview of sub-indices

The Production, New Orders, and Inventories indices have bounced back up slightly this month to reach levels close to those in early 2017, while Employment continued its strong growth among respondents. Despite the positive signals, the six-month trends for Production and New Orders still suggest some caution, and the Production index is still in the bottom half of values from 2017. Respondents again reported facing growing commodity prices.

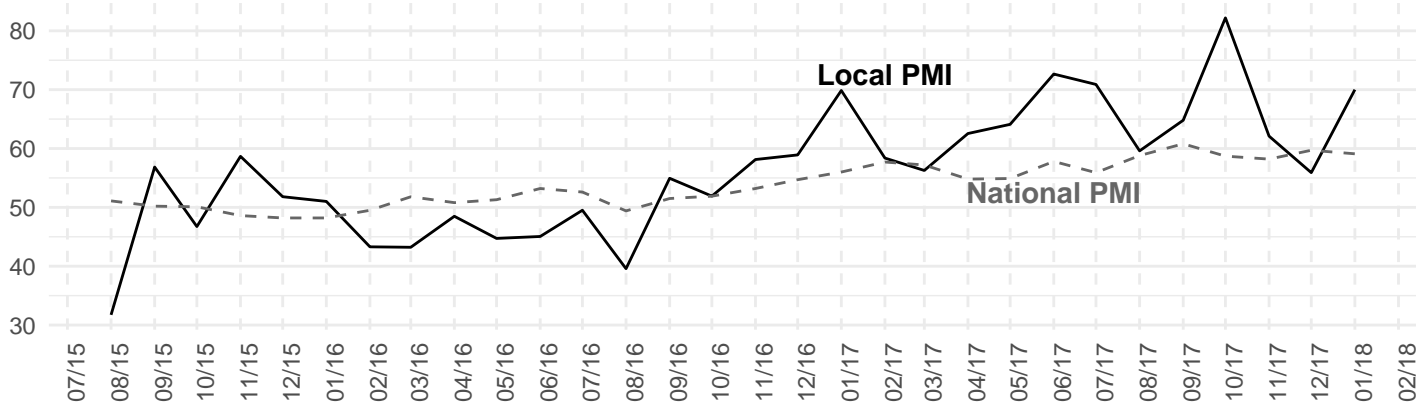


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents remained nearly constant between October and January with a value of 68.1 days. This value has changed little since the beginning of 2017.

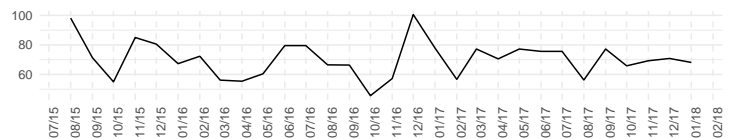


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents were also unchanged between November and January at 31.2 days. The value is broadly consistent with fairly stable values around 30 days for the last two years.

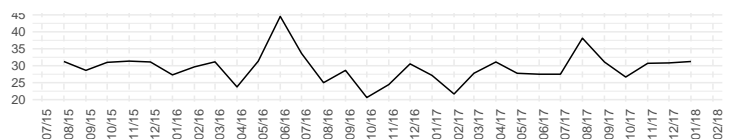


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 161.9 days ahead in January. The value is generally consistent with the previous two years.

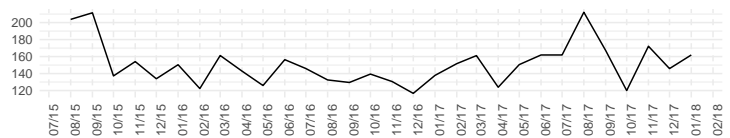


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
Jan 2018	62.5%	12.5%	25.0%	68.8
Dec 2017	33.3%	16.7%	50.0%	41.7
Nov 2017	71.4%	0.0%	28.6%	71.4

The non-seasonally adjusted Production diffusion index bounced back to 68.8. This value is still in the bottom half of values for the last 12 months and gives us the third straight month without a return to the upward trend that started in mid-2016.

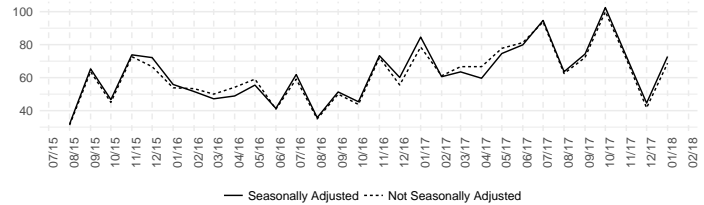


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
Jan 2018	75.0%	0.0%	25.0%	75.0
Dec 2017	33.3%	16.7%	50.0%	41.7
Nov 2017	57.1%	0.0%	42.9%	57.1

The non-seasonally adjusted New Orders index rose to 75.0 in January, matching values seen throughout most of 2017, but the fraction of respondents reporting decreasing new orders has been higher every month of the last three months than at any time in the rest of 2017.

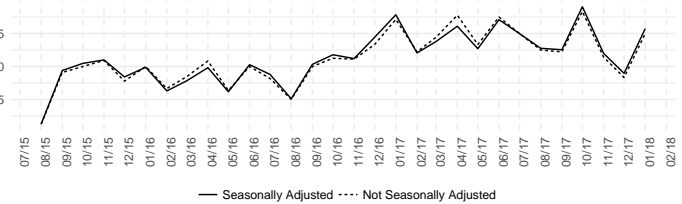


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Jan 2018	50.0%	25.0%	25.0%	62.5
Dec 2017	50.0%	0.0%	50.0%	50.0
Nov 2017	57.1%	0.0%	42.9%	57.1

The Inventories of Purchased Goods index rebounded to 62.5 in January as production picked up.

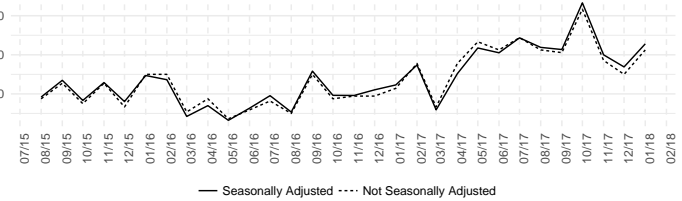


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
Jan 2018	50.0%	50.0%	0.0%	75.0
Dec 2017	50.0%	50.0%	0.0%	75.0
Nov 2017	42.9%	42.9%	14.3%	64.3

The non-seasonally adjusted Employment index maintained its very-high value of 75.0 in January, indicating continued expansion of employment. The index has been rising on average over the last two years, and every respondent for three of the last four months has indicated increasing or unchanged employment.

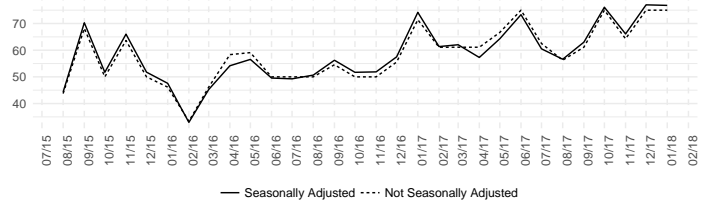


Figure 8: Employment Diffusion Index

Vendor Deliveries

Month	Slower	Same	Faster	Index
Jan 2018	12.5%	87.5%	0.0%	56.2
Dec 2017	16.7%	83.3%	0.0%	58.3
Nov 2017	0.0%	100.0%	0.0%	50.0

The Vendor Deliveries index registered a value of 56.2 in January, with most respondents indicating that deliveries were neither faster nor slower than last month. Slower deliveries are generally consistent with increasing economic activity. Since late 2016, deliveries have been getting slower on average but at a decreasing rate.

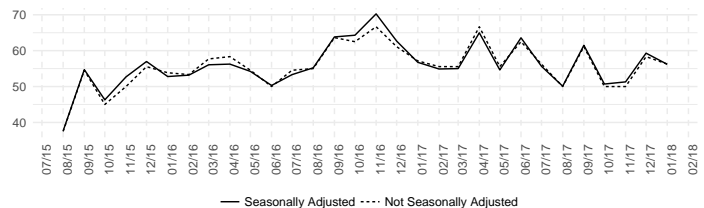


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
Jan 2018	50.0%	50.0%	0.0%	75.0
Dec 2017	33.3%	66.7%	0.0%	66.7
Nov 2017	42.9%	57.1%	0.0%	71.4

Commodity Prices continued to grow for many respondents, with an index of (75.0) in January. No respondent has indicated facing lowering commodity prices during the last six months.

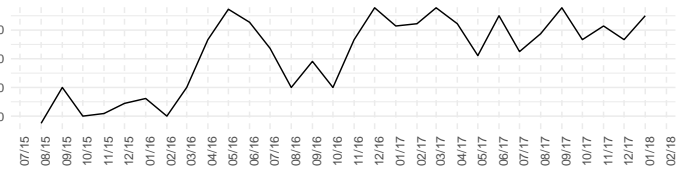


Figure 10: Commodity Prices Diffusion Index