

Buffalo-area manufacturing activity continued to grow in January, but the data are consistent with slower growth than in previous months. The Buffalo-Niagara Manufacturing index (or PMI®) fell to 69.0 in January after December's value of 73.3. 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., and values of 50.0 or greater are generally consistent with increased business activity relative to the prior month.

Although inventory growth, employment growth, and vendor delivery times continued to signal increased business activity, as many respondents reported decreasing production as reported increasing production, and fewer respondents than in previous months indicated that new orders increased last month. Price growth continued (though at a lower rate than in 2018). Despite some negative signals in this report, the six-month ahead outlook measures from the February Empire State Manufacturing Survey (from the NY Fed) were positive.

This month (seasonally adjusted)			
Index Name	Index	Direction	Change in Index From Last Month
PMI	69.0	Increasing	Lower growth rate
Production	53.0	Increasing	Lower growth rate
New Orders	61.2	Increasing	Lower growth rate
Inventories	78.7	Increasing	Higher growth rate
Employment	85.4	Increasing	Higher growth rate
Deliveries	66.7	Slower	Same slowdown of deliveries
Prices	75.0	Increasing	Lower growth rate

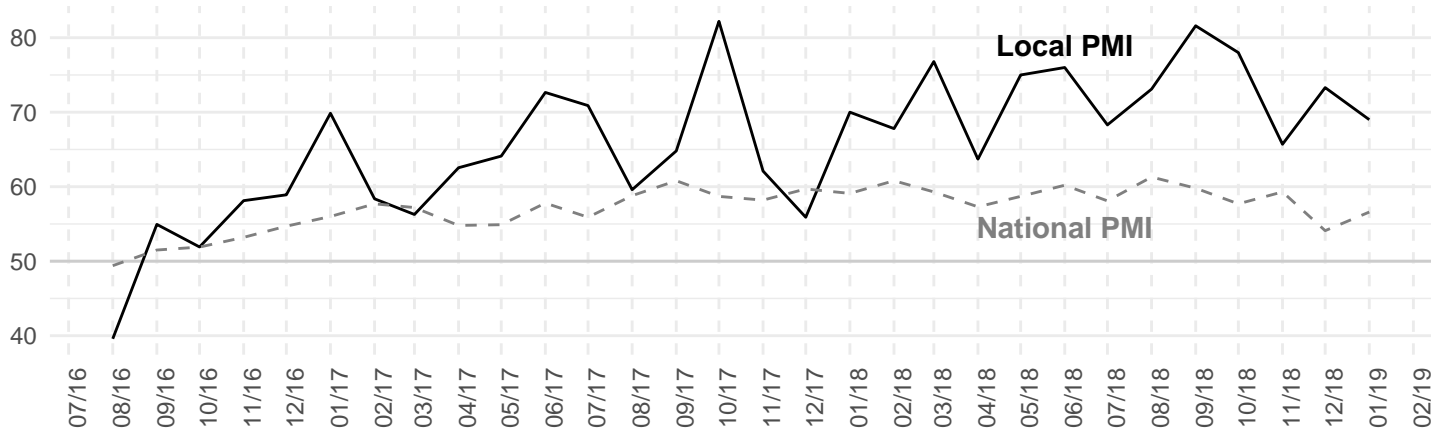


Figure 1: Local and National PMI over the last 2.5 years

**Production Buying Policy**

Days ahead production buying commitments among respondents were unchanged between December and January at 65.8.

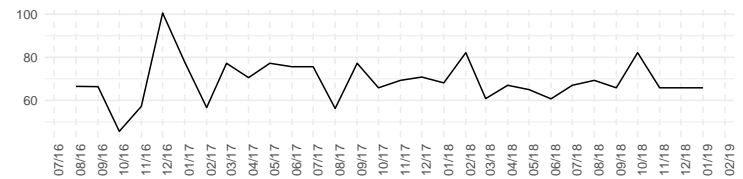


Figure 2: Production Buying Policy

**MRO Buying Policy (Maintenance, Repair, and Operating)**

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents stayed nearly constant from December to January at 21.7 days. The value has been nearly constant since April, when it fell below the 2017 norm.

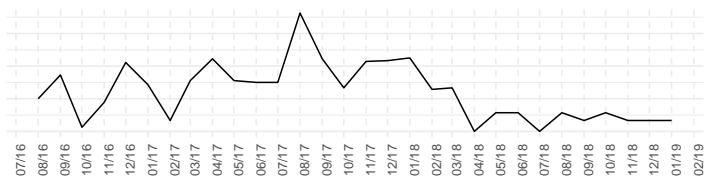


Figure 3: MRO Buying Policy

**Capital Equipment Buying Policy**

Manufacturers reported making capital equipment buying commitments an average of 100.0 days ahead in January, a month less in recent months.

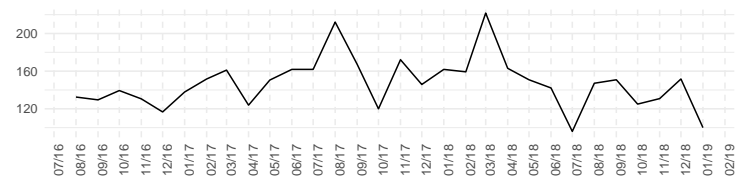


Figure 4: Capital Buying Policy

## Production Level

Month	Higher	Same	Lower	Index
Jan 2019	33.3%	33.3%	33.3%	50.0
Dec 2018	50.0%	33.3%	16.7%	66.7
Nov 2018	50.0%	33.3%	16.7%	66.7

The Production diffusion index fell from 66.7 to 50.0 in January. A value of 50.0 means that as many respondents reported higher production relative to the previous month as reported lower production. This is only the second time in two years that the index was so low. This is a concerning signal, but the reader should remember that these data are quite noisy.

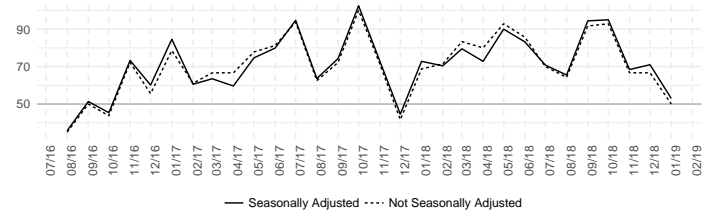


Figure 5: Production Diffusion Index

## New Orders

Month	Higher	Same	Lower	Index
Jan 2019	50.0%	16.7%	33.3%	58.3
Dec 2018	66.7%	16.7%	16.7%	75.0
Nov 2018	50.0%	33.3%	16.7%	66.7

The non-seasonally-adjusted New Orders index fell to 58.3 in January, the lowest value since July.

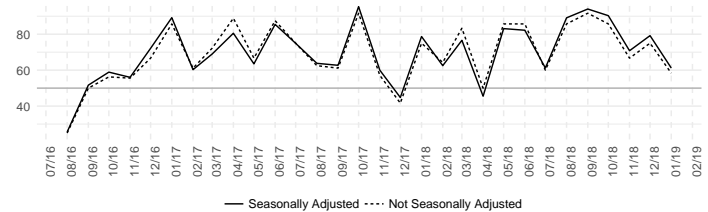


Figure 6: New Orders Diffusion Index

## Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Jan 2019	50.0%	50.0%	0.0%	75.0
Dec 2018	50.0%	33.3%	16.7%	66.7
Nov 2018	33.3%	16.7%	50.0%	41.7

Reports of inventory growth were the norm in January, with a non-seasonally-adjusted Inventories of Purchased Goods index of 75.0.

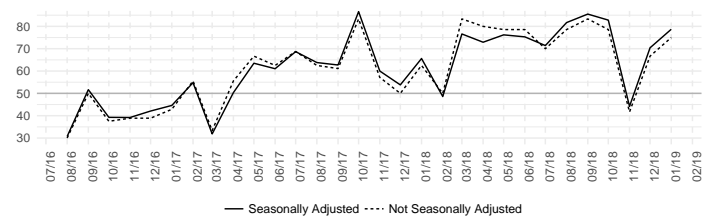


Figure 7: Purchased Inventories Diffusion Index

## Employment Levels

Month	Higher	Same	Lower	Index
Jan 2019	66.7%	33.3%	0.0%	83.3
Dec 2018	50.0%	50.0%	0.0%	75.0
Nov 2018	50.0%	50.0%	0.0%	75.0

Respondents continued to report increasing employment levels in January, with an index value of 83.3.

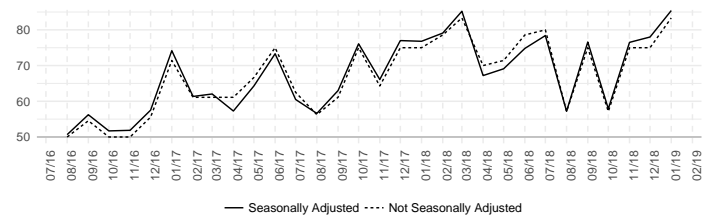


Figure 8: Employment Diffusion Index

## Vendor Deliveries

Month	Slower	Same	Faster	Index
Jan 2019	33.3%	66.7%	0.0%	66.7
Dec 2018	33.3%	66.7%	0.0%	66.7
Nov 2018	33.3%	66.7%	0.0%	66.7

Despite the decreased reports of increasing production, there was no evidence of quickening deliveries in January. A higher index value represents slower deliveries (longer delivery times), as slower deliveries are generally consistent with increasing shipments and increasing economic activity.

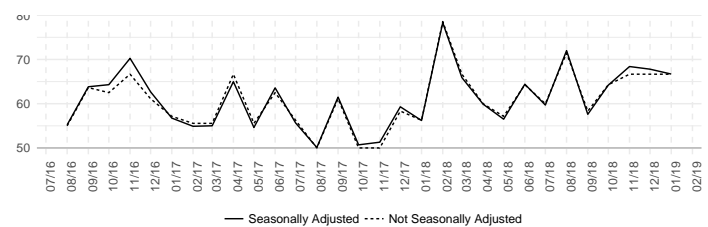


Figure 9: Vendor Deliveries Diffusion Index

## Commodity Prices

Month	Higher	Same	Lower	Index
Jan 2019	50.0%	50.0%	0.0%	75.0
Dec 2018	66.7%	33.3%	0.0%	83.3
Nov 2018	50.0%	33.3%	16.7%	66.7

Respondents continued to report commodity price growth for the 26<sup>th</sup> consecutive month, though at a lower rate than in 2018. The December Empire State Manufacturing Survey (from the NY Fed) also shows a moderate decrease in the growth of prices paid.

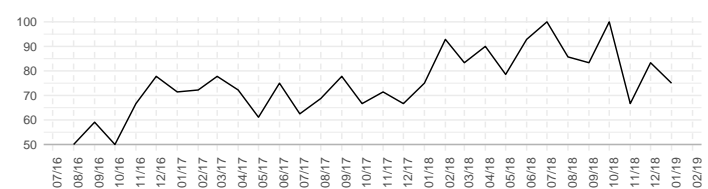


Figure 10: Commodity Prices Diffusion Index