

Institute of Supply Management - Buffalo
July 2017 Business Survey Monthly Comparison Report

The PMI Index

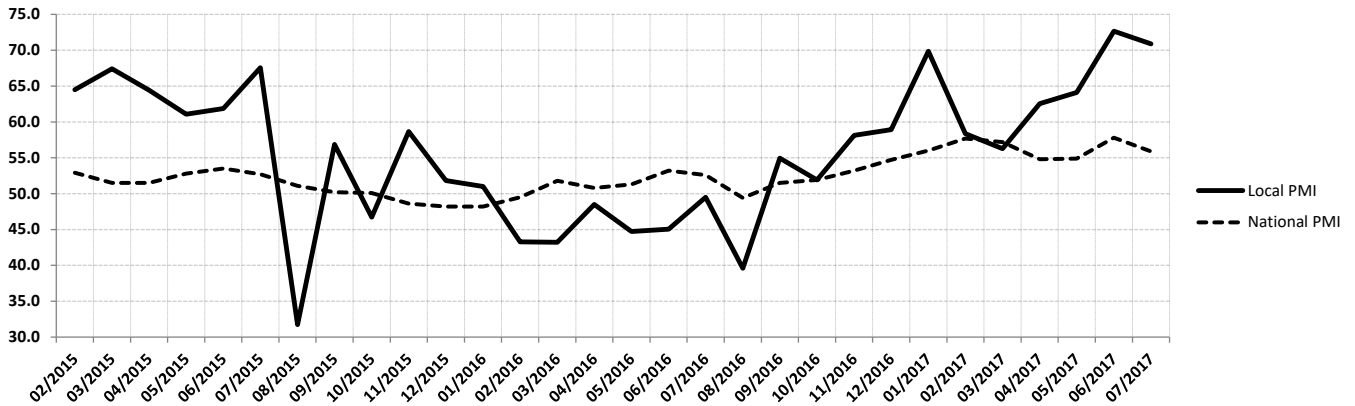
The Buffalo-Niagara Manufacturing index fell very slightly to 70.9 in July (where values of 50.0 or greater are generally consistent with increased activity relative to the prior month). The index has indicated expansion relative to the previous month every month since September, 2016. Our local measure has typically been above the national ISM index (55.9 in July) since both measures turned positive in September.

Production growth reached its highest level (94.7) in at least two decades, continuing the upward trend since April. New Order (74.9) and Employment (60.5) growth were positive despite slower growth than in June, whereas Inventory growth (68.7) sped up relative to June. Commodity price growth slowed relative to June, falling below the past year average.

The national PMI fell slightly in July, but the July number was fairly typical for 2017, which has seen consistently high PMI levels (similar to 2005). The NY Fed's Empire State Manufacturing Survey's general business index (a statewide measure) also saw a slight dip in July (like both the national and Buffalo-Niagara numbers) but has been up again in August. Both months indicate growth of business activity in the state. National unemployment and other labor underutilization measures from the Bureau of Labor Statistics remained low in July, consistent with previous months.

This month (Seasonally Adjusted)

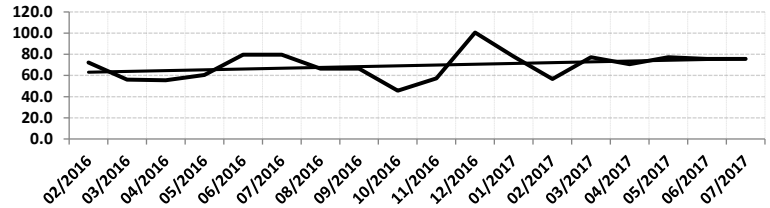
Index	Index	Direction	Rate of Change
Production	94.7	Increasing	Increasing
New Orders	74.9	Increasing	Decreasing
Prices	62.5	Increasing	Decreasing
Inventories	68.7	Increasing	Increasing
Employment	60.5	Increasing	Decreasing
Deliveries	55.6	Faster	Decreasing
Manufacturing	70.9	Increasing	Slight decrease



Production Buying Policy

Days ahead production buying commitments among respondents remained constant between June and July at 75.6. This value is broadly consistent with the long-term trendline, and the index has been stable for four months.

Production Buying Policy

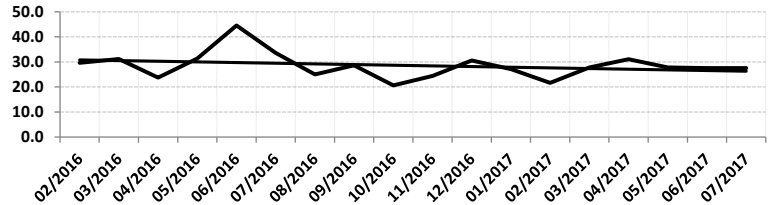


MRO Buying Policy

(Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand remained constant at 27.5 days among respondents in July, consistent with fairly stable values around 30 days for the last two years.

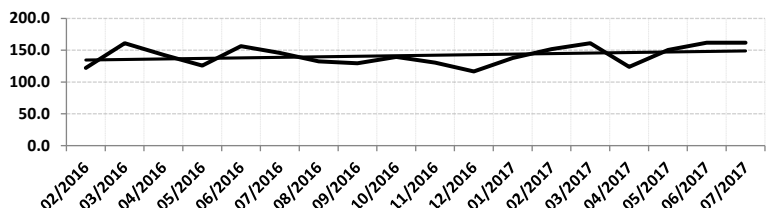
MRO Buying Policy



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 161.9 days ahead in July, the same level as June and the highest level since September, 2015, coincident with the manufacturing turn-around.

Capital Equipment Buying Policy

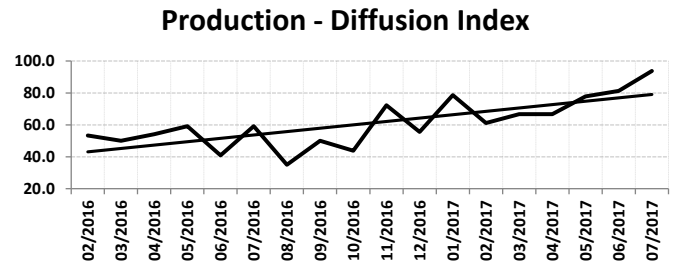


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The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
July 2017	87.5%	12.5%	0.0%	93.8	59.1
June 2017	75.0%	12.5%	12.5%	81.3	40.9
May 2017	66.7%	22.2%	11.1%	77.8	59.1

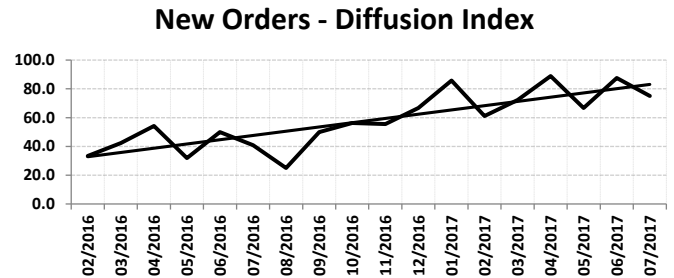
The non-seasonally adjusted Production diffusion index increased to 93.8 in July from 81.3 in June. The proportion of respondents reporting positive growth of production was higher than in past months, while the proportion reporting lower production was lower than in past months. Growth of production has been steady, increasing, and broadly shared between firms since February with lower volatility than in 2016.



New Orders were reported:

Period	Higher	Same	Lower	Index	Prior Yr
July 2017	62.5%	25.0%	12.5%	75.0	40.9
June 2017	75.0%	25.0%	0.0%	87.5	50.0
May 2017	44.4%	44.4%	11.1%	66.7	31.8

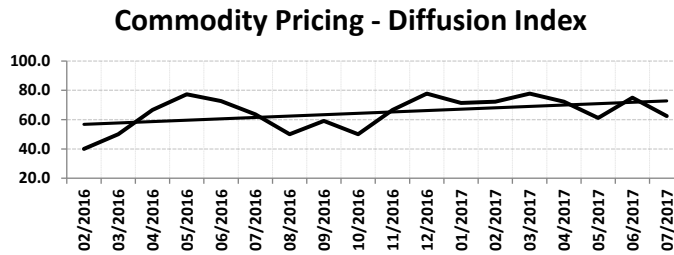
The non-seasonally adjusted New Orders index fell to 75.0 in July from June's value of 87.5. Most respondents reported the same or higher number of new orders. Since August of last year, this series has consistently been in expansionary territory.



Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
July 2017	37.5%	50.0%	12.5%	62.5	63.6
June 2017	50.0%	50.0%	0.0%	75.0	72.7
May 2017	33.3%	55.6%	11.1%	61.1	77.3

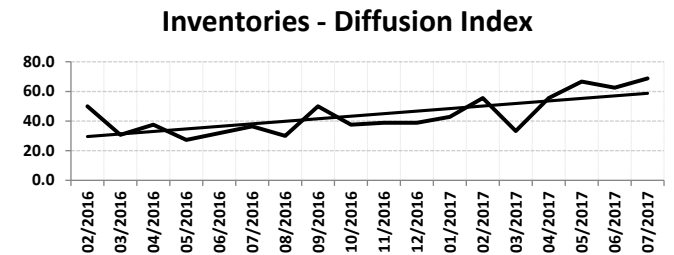
Commodity Prices grew more slowly in July, with the index falling from 75.0 to 62.5, which is about average for the last year but low compared to the rest of 2017. The three-month average might hint at slightly slower inflation relative to early in 2017.



Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
July 2017	62.5%	12.5%	25.0%	68.8	36.4
June 2017	37.5%	50.0%	12.5%	62.5	31.8
May 2017	55.6%	22.2%	22.2%	66.7	27.3

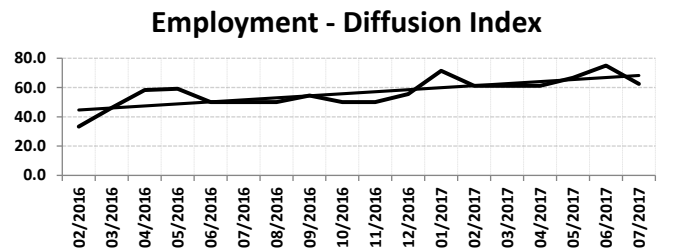
The Inventories of Purchased Goods index continued to indicate increasing inventories on average for the fourth month in a row in July, and firms were substantially more likely to report higher inventory purchases in July than in June.



Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
July 2017	50.0%	25.0%	25.0%	62.5	50.0
June 2017	62.5%	25.0%	12.5%	75.0	50.0
May 2017	55.6%	22.2%	22.2%	66.7	59.1

The non-seasonally adjusted Employment index fell to 62.5 in July from June's level of 75.0, returning us to levels of employment growth seen consistently in early 2017. The apparent erosion of the high employment growth experience of May and June is somewhat concerning, but growth is still positive and well above typical levels from 2015 and 2016.



Vendor Deliveries were:

Period	Faster	Same	Slower	Index	Prior Yr
July 2017	12.5%	87.5%	0.0%	56.3	54.5
June 2017	25.0%	75.0%	0.0%	62.5	50.0
May 2017	11.1%	88.9%	0.0%	55.6	54.5

The Vendor Deliveries index registered a value of 56.3 in July, down from 62.5 in June. This reflects a slightly lower proportion of respondents reporting faster deliveries and is similar to May.

