

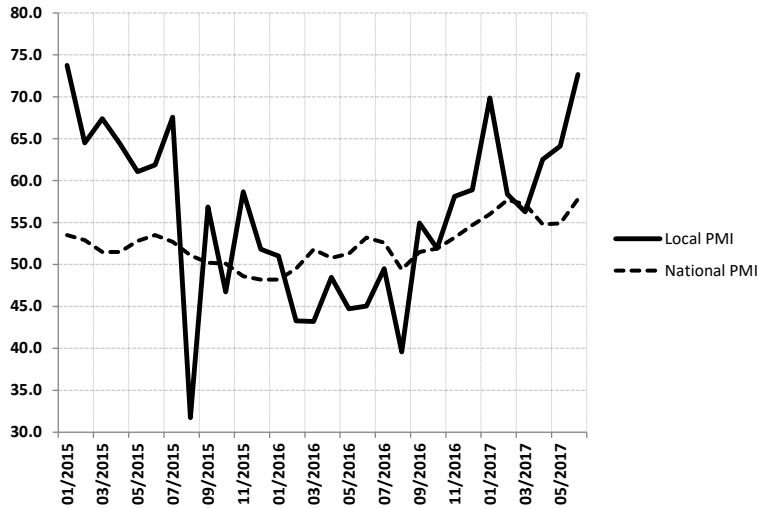
Institute of Supply Management - Buffalo June 2017 Business Survey Monthly Comparison Report

The PMI Index

The Buffalo-Niagara Manufacturing index rose for the third consecutive month to reach a 2.5 year high of 72.7 in June (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 (57.8 in June) since both measures turned positive in September.

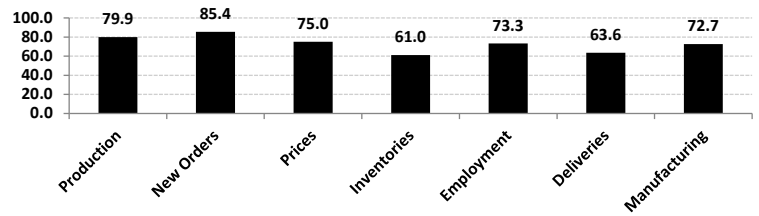
Production growth has been high in May (74.6) and June (79.9) relative to the last report in March (60.6 in February and 63.5 in March). New Orders have also been growing since September, following almost a year of contraction, and June (85.4 percent) saw an acceleration in growth relative to May (63.5). Employment growth reached 73.3, an increase over May of 10 percentage points. Inventory growth has been high relative to the last few years but flat relative to May. Although Commodity prices have been growing for over a year and grew faster in June than in May, the other indices indicate a quite favorable business environment.

The NY Fed's Empire State Manufacturing Survey's general business index (a statewide measure) reached its highest level since 2014 in June, and the national unemployment rate has been in the 4.3 to 4.4 percent range since March, its lowest level since mid-2007. Local indices match the favorable national- and state-level environment.



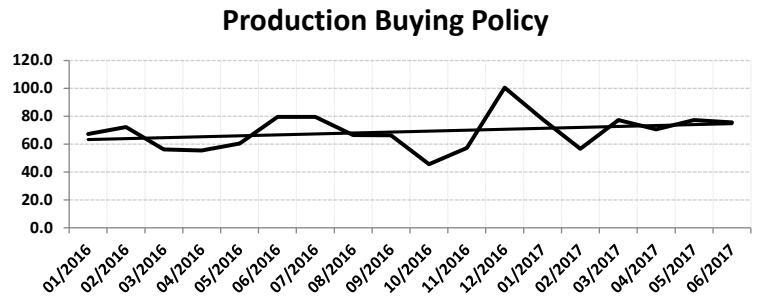
This month (Seasonally Adjusted)

Index	Index	Direction	Rate of Change
Production	79.9	Increasing	Increasing
New Orders	85.4	Increasing	Increasing
Prices	75.0	Increasing	Increasing
Inventories	61.0	Increasing	Flat
Employment	73.3	Increasing	Increasing
Deliveries	63.6	Faster	Increasing
Manufacturing	72.7	Increasing	Increasing



Production Buying Policy

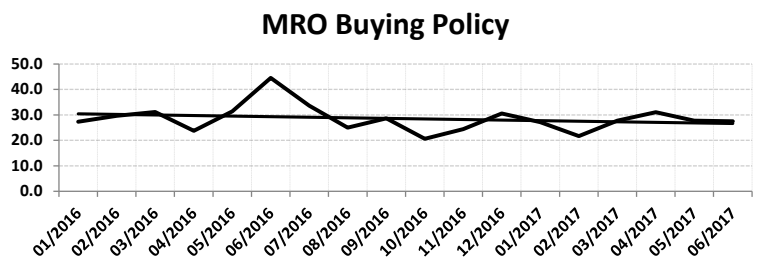
Days ahead production buying commitments among respondents remained fairly stable at 75.6 since May's value of 77.2. These values are broadly consistent with the long term trendline, and the index has been stable for four months.



MRO Buying Policy

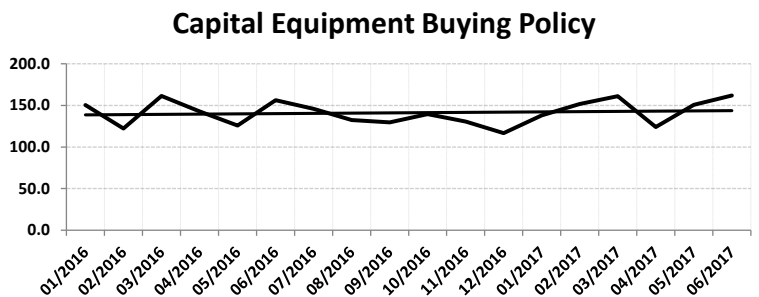
(Maintenance, Repair, and Operating)

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



Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 161.9 days ahead in March, reaching its highest level since September, 2015, coincident with the manufacturing turn-around. These values also reflect a shorter-term a steady increase since late 2016 (other than a dip in April). This might reflect an increase in confidence when combined with the other favorable results over the last two months.

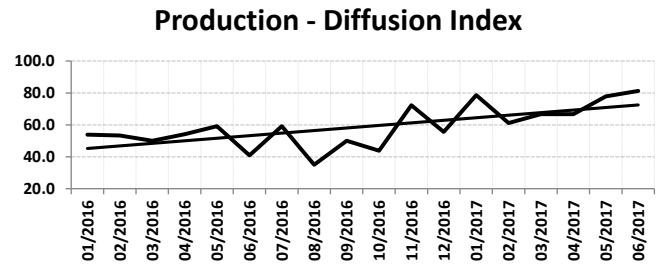


Institute of Supply Management - Buffalo
June 2017 Business Survey Monthly Comparison Report

The Production level was:

Period	Higher	Same	Lower	Index	Prior Yr
June 2017	75.0%	12.5%	12.5%	81.3	40.9
May 2017	66.7%	22.2%	11.1%	77.8	59.1
April 2017	55.6%	22.2%	22.2%	66.7	54.2

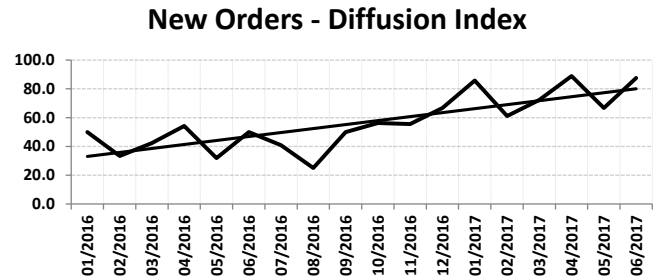
The non-seasonally adjusted Production diffusion index increased to 81.3 in July from 77.8 in May. The proportion of respondents reporting positive growth of production was higher than in past months, while the proportion reporting lower production was generally lower than in past months. Growth of production 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
June 2017	75.0%	25.0%	0.0%	87.5	50.0
May 2017	44.4%	44.4%	11.1%	66.7	31.8
April 2017	77.8%	22.2%	0.0%	88.9	54.2

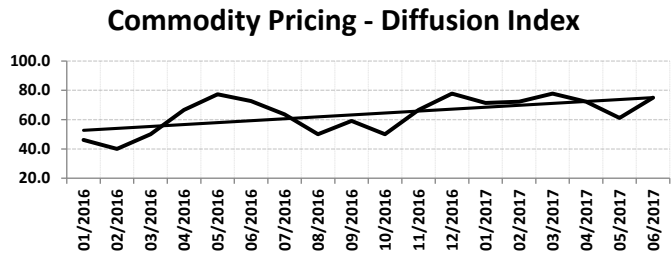
The non-seasonally adjusted New Orders index increased to 87.5 in June from a dip in May to 66.7. Every respondent reported the same or higher number of new orders, which happened three times in 2017 but had not happened before then since April 2015. Since August of last year this series has consistently been in expansionary territory. Its continued strength bodes well for general activity over the near to medium term.



Commodity Prices are:

Period	Higher	Same	Lower	Index	Prior Yr
June 2017	50.0%	50.0%	0.0%	75.0	72.7
May 2017	33.3%	55.6%	11.1%	61.1	77.3
April 2017	55.6%	33.3%	11.1%	72.2	66.7

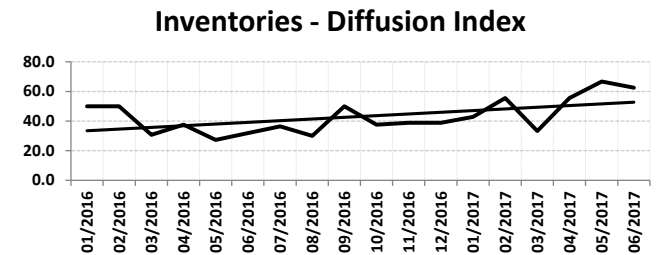
Commodity Prices rebounded from May's index of 61.1 to 75.0 in June. We remain in the higher range of index values from the past 18 months in this series. While broader economic indices continue to be positive, these inflationary signals remain a concern.



Inventories of Purchased Goods were:

Period	Higher	Same	Lower	Index	Prior Yr
June 2017	37.5%	50.0%	12.5%	62.5	31.8
May 2017	55.6%	22.2%	22.2%	66.7	27.3
April 2017	44.4%	22.2%	33.3%	55.6	37.5

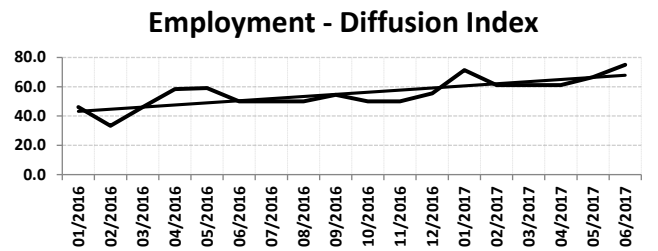
The Inventories of Purchased Goods index continued to indicate increasing inventories on average for the third month in a row in June. However, more firms reported constant inventory purchases from May to June (50%) than from April to May (22%), and the number of respondents stating that inventory purchases increased fell this month (from 56% to 38%). Cautious optimism seems warranted by the high inventory purchases over the last three months and the positive trend since early 2016.



Employment Levels were:

Period	Higher	Same	Lower	Index	Prior Yr
June 2017	62.5%	25.0%	12.5%	75.0	50.0
May 2017	55.6%	22.2%	22.2%	66.7	59.1
April 2017	33.3%	55.6%	11.1%	61.1	58.3

The non-seasonally adjusted Employment index increased to 75.0 in June from May's level of 66.7, which was also an increase over previous months. Almost 90% of respondents reported having employment levels that were the same or higher than May levels. We remain broadly in line with the long term trend line and comfortably in increasing territory.



Vendor Deliveries were:

Period	Faster	Same	Slower	Index	Prior Yr
June 2017	25.0%	75.0%	0.0%	62.5	50.0
May 2017	11.1%	88.9%	0.0%	55.6	54.5
April 2017	33.3%	66.7%	0.0%	66.7	58.3

The Vendor Deliveries index registered a value of 62.5 in June, up from 55.6 in May.

