

The Buffalo-Niagara Manufacturing index rose reached a three-year high of 82.2 in October (where values of 50.0 or greater are generally consistent with increased activity relative to the prior month), reflecting a large increase in the number of firms reporting higher production, more employment, more new orders, and higher inventories. 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 (58.7 in October) since both measures turned positive in September.

The seasonally-adjusted Production, New Orders, and Inventories indices reached their highest levels in the last 15 years, and the Employment index is consistent with fast expansion of employment. None of the respondents indicated lower values of any of these indicators. Commodity prices grew but slightly slower than last month. Respondents reported that Vendor Deliveries were just as fast this month as last month.

The national PMI (58.7) indicated continued expansion at rates above the 2017 average and similar to 2005. The NY Fed's Empire State Manufacturing Survey's general business index (a statewide measure) indicated strong growth and increasing employment in October and November. National unemployment (4.1%) and other labor underutilization measures from the Bureau of Labor Statistics fell slightly since the summer of 2017, improving on consistently low values for the last year. The long-term unemployment rate fell by .2 percentage points from 1.7% to 1.5% to reach a level not seen since late 2007.

This month (seasonally adjusted)			
Index Name	Index	Direction	Change in Index From Last Month
Manufacturing	82.2	Increasing	Higher growth rate
Production	102.5	Increasing	Higher growth rate
New Orders	95.3	Increasing	Higher growth rate
Inventories	86.6	Increasing	Higher growth rate
Employment	76.1	Increasing	Higher growth rate
Deliveries	50.7	No Change	Less slowdown of deliveries
Prices	66.7	Increasing	Lower growth rate

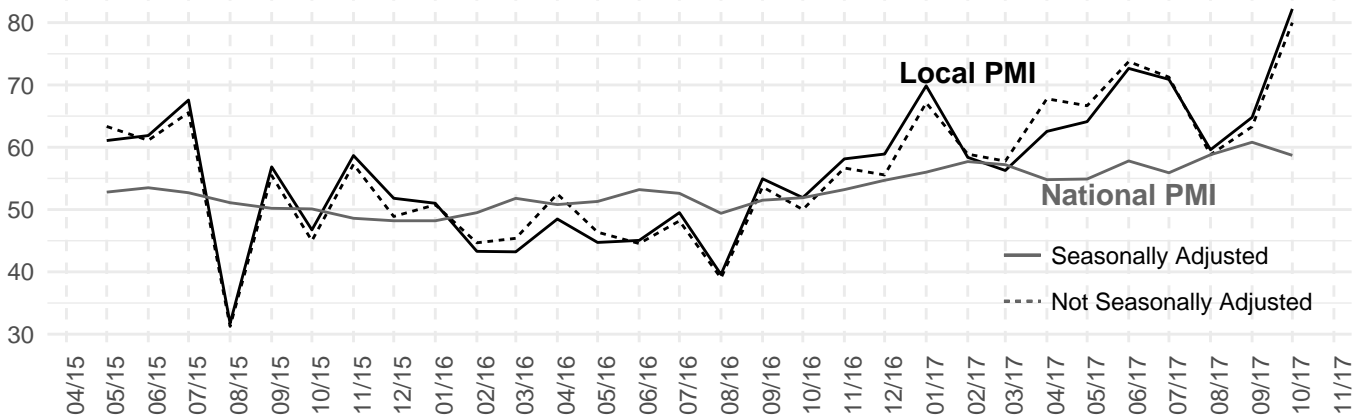


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents fell slightly between September and October from 77.2 to 65.8, a value in line with the long-term trend.

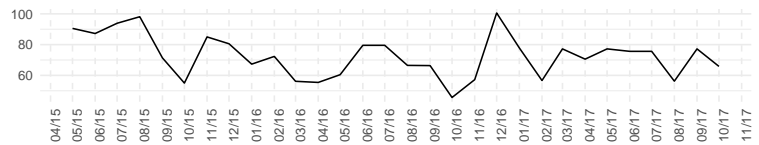


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents fell in October to 26.7 days, although the value is still broadly consistent with fairly stable values around 30 days for the last two years.

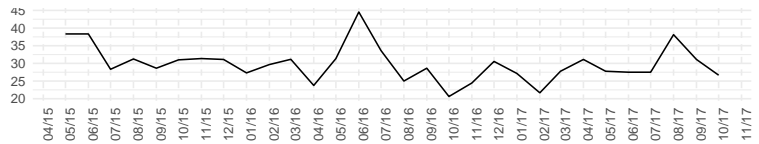


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers report making capital equipment buying commitments an average of 120.0 days ahead in October, lower than in September and August.

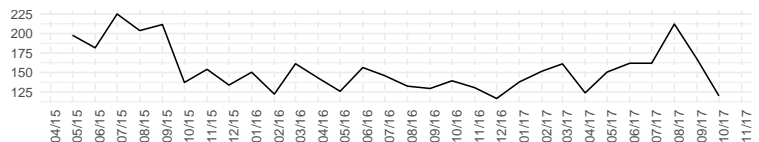


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
Oct 2017	100.0%	0.0%	0.0%	100.0
Sep 2017	66.7%	11.1%	22.2%	72.2
Aug 2017	50.0%	25.0%	25.0%	62.5

The non-seasonally adjusted Production diffusion index rose to 100.0, indicating that every respondent reported higher production in October than in September.

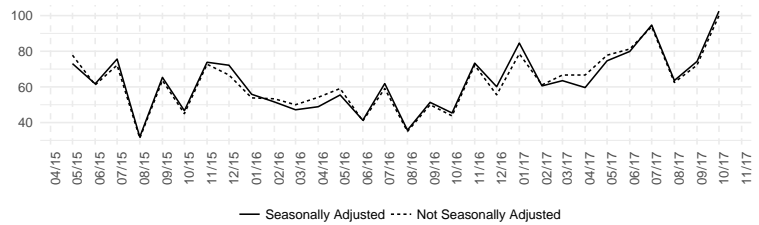


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
Oct 2017	83.3%	16.7%	0.0%	91.7
Sep 2017	55.6%	11.1%	33.3%	61.1
Aug 2017	50.0%	25.0%	25.0%	62.5

The non-seasonally adjusted New Orders index rose to 91.7 in October from September's value of 61.1. Most respondents reported the same or higher number of new orders relative to last month. Since August of last year, this series has consistently been in expansionary territory.

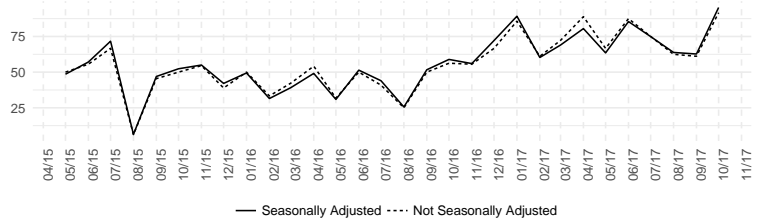


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Oct 2017	66.7%	33.3%	0.0%	83.3
Sep 2017	44.4%	33.3%	22.2%	61.1
Aug 2017	50.0%	25.0%	25.0%	62.5

The Inventories of Purchased Goods index continued to indicate increasing inventories on average for the sixth month in a row in October.

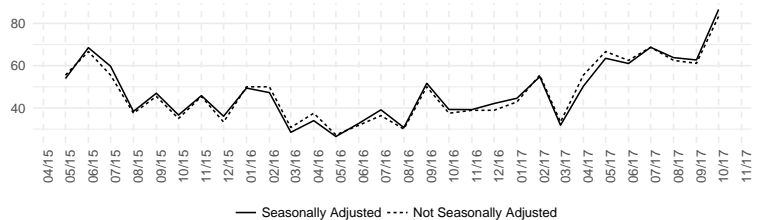


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
Oct 2017	50.0%	50.0%	0.0%	75.0
Sep 2017	44.4%	33.3%	22.2%	61.1
Aug 2017	37.5%	37.5%	25.0%	56.2

The non-seasonally adjusted Employment index rose to 75.0 in October from September's level of 61.1, with no respondents indicating lower employment in October than in September.

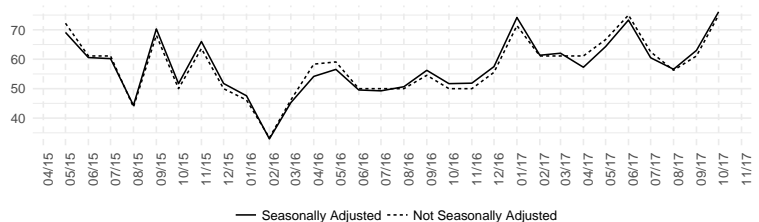


Figure 8: Employment Diffusion Index

Vendor Deliveries

Month	Slower	Same	Faster	Index
Oct 2017	0.0%	100.0%	0.0%	50.0
Sep 2017	22.2%	77.8%	0.0%	61.1
Aug 2017	12.5%	75.0%	12.5%	50.0

The Vendor Deliveries index registered a value of 50.0 in October, with every respondent indicating that deliveries were neither faster or slower than last month. Over the last year, deliveries have been getting slower on average but at a decreasing rate.

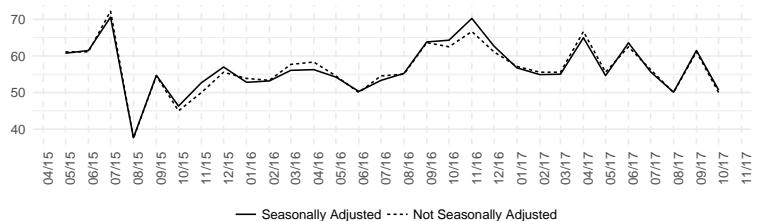


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
Oct 2017	33.3%	66.7%	0.0%	66.7
Sep 2017	55.6%	44.4%	0.0%	77.8
Aug 2017	37.5%	62.5%	0.0%	68.8

Commodity Prices continued to grow (66.7) in October (but at a slower rate) after almost two years of rising prices.

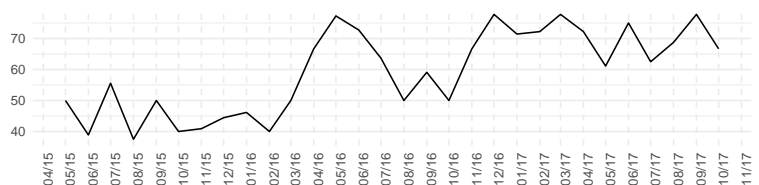


Figure 10: Commodity Prices Diffusion Index