

The Buffalo-Niagara Manufacturing index

Growth in Buffalo-area manufacturing activity continued to be strong in September, according to local supply executives responding to a survey by ISM-Buffalo, Inc. The Buffalo-Niagara Manufacturing index (or PMI®) rose to 81.6 in September after August's value of 73.1. Values of 50.0 or greater are generally consistent with increased business activity relative to the prior month. This month's data are consistent with recent trends of economic expansion, increasing employment, and rising prices. The PMI® is a weighted average of a set of sub-indices calculated from a survey of local supply executives administered by ISM-Buffalo, Inc.

This month (seasonally adjusted)

Index Name	Index	Direction	Change in Index From Last Month
PMI	81.6	Increasing	Higher growth rate
Production	94.4	Increasing	Higher growth rate
New Orders	94.0	Increasing	Higher growth rate
Inventories	85.5	Increasing	Higher growth rate
Employment	76.6	Increasing	Higher growth rate
Deliveries	57.6	Slower	Less slowdown of deliveries
Prices	83.3	Increasing	Lower growth rate

National indicators

The national PMI® (59.8) stayed steady and indicated continued expansion, and all of the major Bureau of Labor Statistics measures of labor underutilization continued to fall in September.

Overview of sub-indices

Last month's dip in some of the sub-indices reversed this month, with Production, New Orders, and Inventories reaching highs for 2018 and Employment growing quickly. The Vendor Deliveries index is consistent with slowly growing delivery times. Reports of growing commodity prices continue to be the norm, and one respondent reported facing higher prices of MRO goods with stainless steel content.

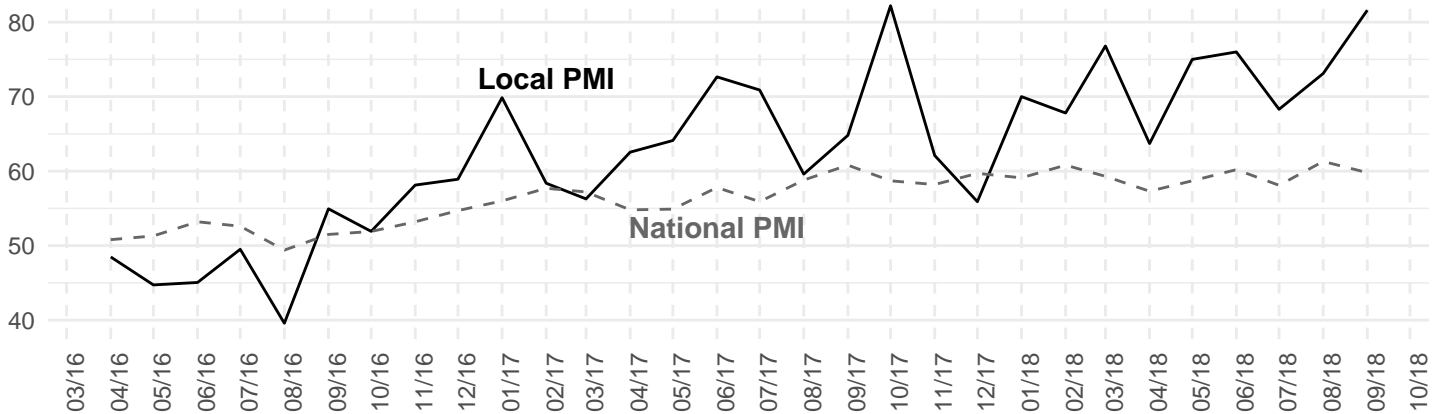


Figure 1: Local and National PMI over the last 2.5 years

Production Buying Policy

Days ahead production buying commitments among respondents remained nearly constant between August and September at a value of 65.8 days. This value has changed little since the beginning of 2017.

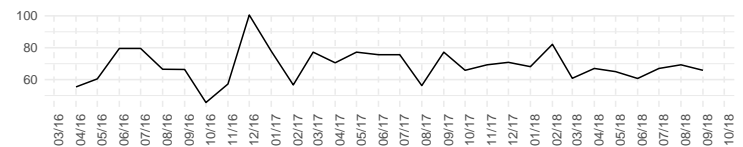


Figure 2: Production Buying Policy

MRO Buying Policy (Maintenance, Repair, and Operating)

Maintenance, Repair, and Operating (MRO) supplies on hand among respondents stayed nearly constant from August to September at 21.7 days. The values for the last six months have been lower than during the rest of the 2017-2018 period.

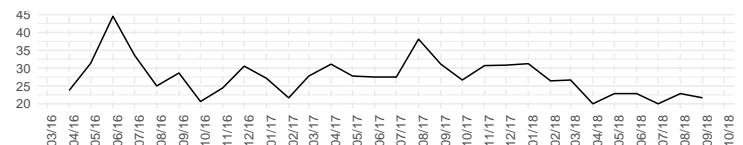


Figure 3: MRO Buying Policy

Capital Equipment Buying Policy

Manufacturers reported making capital equipment buying commitments an average of 150.8 days ahead in September, which is about average for recent months.

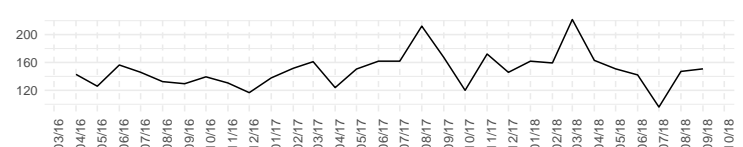


Figure 4: Capital Buying Policy

Production Level

Month	Higher	Same	Lower	Index
Sep 2018	83.3%	16.7%	0.0%	91.7
Aug 2018	57.1%	14.3%	28.6%	64.3
Jul 2018	60.0%	20.0%	20.0%	70.0

The Production diffusion index reached a high for 2018 at 91.7 in September. The majority of respondents continued to indicate increasing production, which has been the norm for two years.

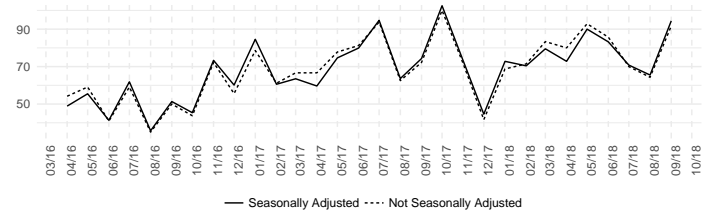


Figure 5: Production Diffusion Index

New Orders

Month	Higher	Same	Lower	Index
Sep 2018	83.3%	16.7%	0.0%	91.7
Aug 2018	85.7%	0.0%	14.3%	85.7
Jul 2018	40.0%	40.0%	20.0%	60.0

The non-seasonally-adjusted New Orders index expanded to 91.7 in September after August's value of 85.7.

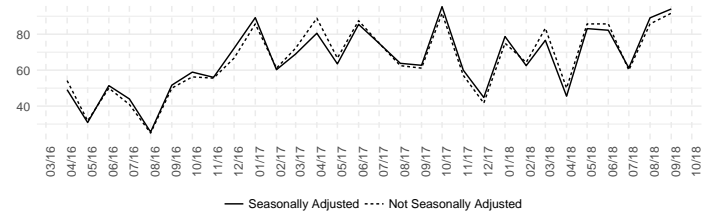


Figure 6: New Orders Diffusion Index

Inventories of Purchased Goods

Month	Higher	Same	Lower	Index
Sep 2018	66.7%	33.3%	0.0%	83.3
Aug 2018	71.4%	14.3%	14.3%	78.6
Jul 2018	60.0%	20.0%	20.0%	70.0

The non-seasonally-adjusted Inventories of Purchased Goods index reached a 2018 high in September at 83.3. Most respondents reported increasing inventories.

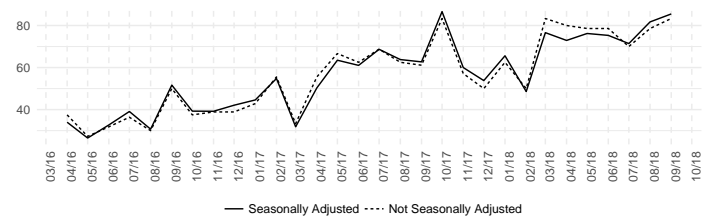


Figure 7: Purchased Inventories Diffusion Index

Employment Levels

Month	Higher	Same	Lower	Index
Sep 2018	50.0%	50.0%	0.0%	75.0
Aug 2018	28.6%	57.1%	14.3%	57.1
Jul 2018	60.0%	40.0%	0.0%	80.0

Employment growth continued, with the non-seasonally-adjusted Employment index rising back to 75.0 in September, a value similar to those from the rest of 2018. After August's dip, we see a return this month to no respondents reporting lower employment.

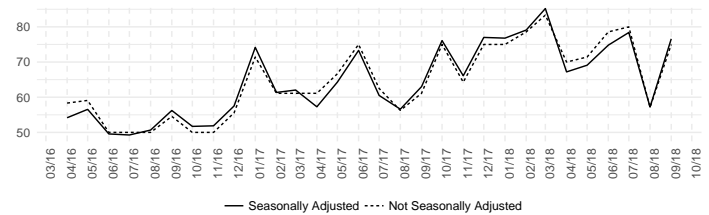


Figure 8: Employment Diffusion Index

Vendor Deliveries

Month	Slower	Same	Faster	Index
Sep 2018	16.7%	83.3%	0.0%	58.3
Aug 2018	42.9%	57.1%	0.0%	71.4
Jul 2018	20.0%	80.0%	0.0%	60.0

The Vendor Deliveries index is consistent with a moderate slowdown (longer delivery times), although most respondents in September reported no change in delivery times. A higher index value represents slower deliveries, as slower deliveries are generally consistent with increasing shipments and increasing economic activity.

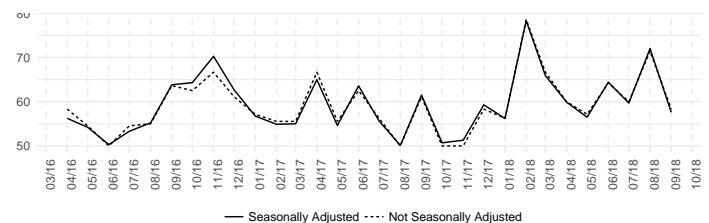


Figure 9: Vendor Deliveries Diffusion Index

Commodity Prices

Month	Higher	Same	Lower	Index
Sep 2018	66.7%	33.3%	0.0%	83.3
Aug 2018	85.7%	0.0%	14.3%	85.7
Jul 2018	100.0%	0.0%	0.0%	100.0

As in recent months, most respondents reported facing growing commodity prices in September. The slight drop in the index over the last two months follows record-breaking highs, and the index value is still well above historical norms. One respondent indicated that prices for MRO products with stainless steel components were increasing.

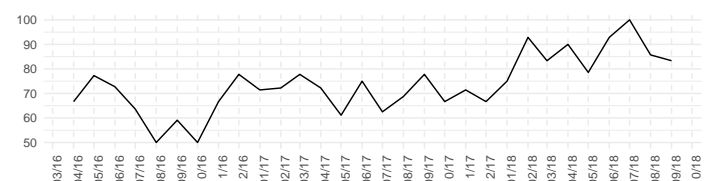


Figure 10: Commodity Prices Diffusion Index