

September 2020

Note: Survey responses were collected from September 8 to September 14.

Manufacturing activity in the region continued to expand this month, according to firms responding to the September *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments remained positive for the fourth consecutive month. The employment index improved in September and remained in positive territory for the third consecutive month. Nearly all of the future indexes increased, suggesting more widespread optimism among firms about growth over the next six months.

### Most Current Indicators Remain Positive

The diffusion index for current activity fell 2 points to 15.0 in September, its fourth consecutive positive reading after reaching long-term lows in April and May (see Chart 1). The percentage of firms reporting increases (33 percent) exceeded the percentage reporting decreases (18 percent). The index for new orders increased from 19.0 to 25.5. Nearly 42 percent of the firms reported increases in new orders this month, while 16 percent reported decreases. The current shipments index increased 27 points to 36.6 in September. Over 45 percent of the firms reported higher shipments this month, compared with 26 percent last month.

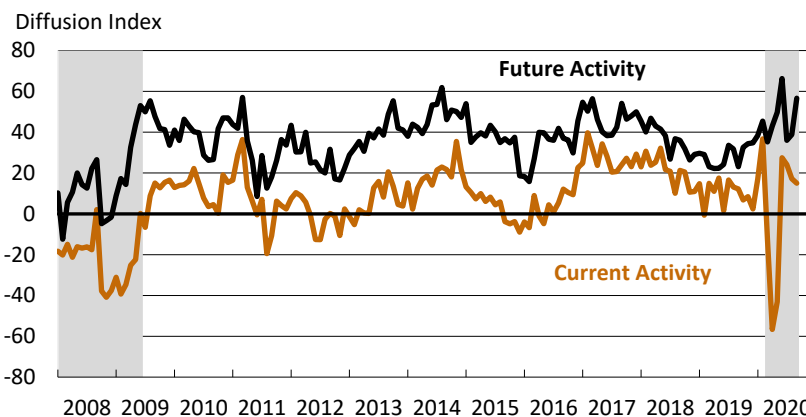
On balance, the firms reported increases in manufacturing employment for the third consecutive month: The current employment index increased 7 points to 15.7 this month. Employment increases were reported by 31 percent of the firms, while 16 percent reported decreases. The average workweek index was positive for the third consecutive month but fell 4 points to 7.8.

### More Firms Report Increases in Prices

The survey's price indicators remained positive and increased this month (see Chart 2). The prices paid diffusion index increased 10 points to 25.1. Nearly 29 percent of the firms reported increases in input prices, and 4 percent

**Chart 1. Current and Future General Activity Indexes**

January 2008 to September 2020



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

reported decreases; most firms (68 percent) reported no change. The current prices received index, reflecting manufacturers' own prices, increased 6 points to 18.4. Over 22 percent of the firms reported increases in prices of their own manufactured goods, up from 16 percent in August.

### Firms Expect Higher Production During the Fourth Quarter

In this month's special questions, the firms were asked to estimate their total production growth for the third quarter ending this month along with expected growth for the fourth quarter (see Special Questions). The share of firms reporting increases in third-quarter production (51 percent) was greater than the share reporting decreases (40 percent). The firms have yet to recover production losses experienced during the widespread closures in April and May. The firms indicated that third-quarter production was still 85 percent of pre-pandemic levels. Looking ahead to the fourth quarter, 62 percent of the firms expect an increase in production compared with the third quarter, while 29 percent of the firms expect decreases. For those firms forecasting an increase in production, 11 percent

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will need to hire additional workers, 20 percent will increase work hours without hiring additional workers, and 22 percent will increase production through higher productivity without hiring additional workers.

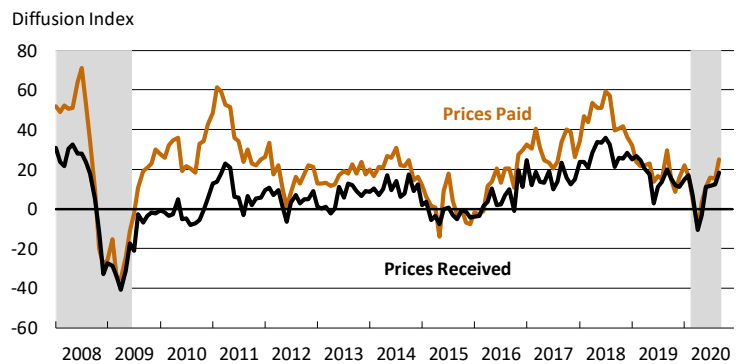
### Firms Are More Optimistic About Future Growth

The respondents remained optimistic about growth over the next six months. The diffusion index for future general activity increased 18 points to 56.6 in September (see Chart 1). The future new orders index rose 2 points and remained at an elevated reading of 56.9, while the future shipments index edged up 1 point to 47.9 this month. The firms continued to expect increases in employment over the next six months, as the future employment index increased 13 points. Nearly 46 percent of the firms expected higher employment, compared with 38 percent in August. The index for future capital spending increased 8 points to 31.0, with nearly 36 percent of the firms expecting to increase spending over the next six months.

### Summary

Responses to the September *Manufacturing Business Outlook Survey* suggest continued recovery for the region's manufacturing sector. The indicators for current activity, new orders, shipments, and employment all remained positive. The survey's future indexes suggest more widespread optimism about manufacturing activity over the next six months. ■

**Chart 2. Current Prices Paid and Prices Received Indexes**  
January 2008 to September 2020



Note: The diffusion index is computed as the percentage of respondents indicating an increase minus the percentage indicating a decrease; the data are seasonally adjusted.

MANUFACTURING BUSINESS OUTLOOK SURVEY September 2020	September vs. August					Six Months from Now vs. September				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	17.2	33.3	47.9	18.3	15.0	38.8	65.9	18.5	9.3	56.6
Company Business Indicators										
New Orders	19.0	41.7	42.1	16.2	25.5	55.1	72.4	11.7	15.5	56.9
Shipments	9.4	45.2	43.7	8.5	36.6	46.9	63.6	17.9	15.6	47.9
Unfilled Orders	-0.6	13.1	74.2	12.7	0.4	18.0	33.2	54.5	9.2	24.0
Delivery Times	7.3	18.1	75.6	5.9	12.2	7.3	18.5	64.2	11.3	7.2
Inventories	-1.9	10.9	65.4	21.7	-10.8	6.1	24.9	61.4	13.5	11.4
Prices Paid	15.3	28.6	67.8	3.5	25.1	37.7	57.7	39.0	0.0	57.7
Prices Received	12.4	22.2	73.9	3.8	18.4	30.2	42.9	51.4	0.5	42.4
Number of Employees	9.0	31.3	51.5	15.6	15.7	29.5	45.9	47.7	3.2	42.7
Average Employee Workweek	11.3	18.5	69.9	10.8	7.8	19.1	37.7	52.4	7.4	30.3
Capital Expenditures	--	--	--	--	--	23.0	35.6	56.8	4.6	31.0

**NOTES:**

- (1) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
- (2) All data are seasonally adjusted.
- (3) Percentages may not sum to 100 percent because of rounding, omission by respondents, or both.
- (4) Survey results reflect data received through September 14, 2020.

## September 2020

1. How will your firm's total production for the third quarter compare with that of the second quarter?	
Increase by:	Percent of Reporters
10% or more	22.2
8–10%	6.7
6–8%	4.4
4–6%	8.9
2–4%	6.7
1–2%	2.2
Less than 1%	0.0
<b>Subtotal</b>	<b>51.1</b>
<b>No Change</b>	<b>8.9</b>
Decrease by:	Percent of Reporters
Less than 1%	0.0
1–2%	0.0
2–4%	6.7
4–6%	15.6
6–8%	0.0
8–10%	6.7
10% or more	11.1
<b>Subtotal</b>	<b>40.0</b>
No Response	0.0
<b>Total</b>	<b>100.0</b>

2. How does your production in the third quarter compare with pre-pandemic levels?	
Our production is about ___% of pre-pandemic levels.	
Median	85.0

3. For the upcoming fourth quarter, what do you expect for production at your plant compared with the third quarter?	
Increase:	Percent of Reporters
Significantly	6.7
Some	28.9
Slightly	26.7
<b>Subtotal</b>	<b>62.2</b>
<b>No Change</b>	<b>8.9</b>
Decrease:	Percent of Reporters
Slightly	8.9
Some	8.9
Significantly	11.1
<b>Subtotal</b>	<b>28.9</b>
No Response	0.0
<b>Total</b>	<b>100.0</b>

4. If you expect to increase production in the next quarter, this will be accomplished by:	
	Percent of Reporters
Hiring additional workers	11.1
Increasing work hours of current staff without hiring additional workers	20.0
Increasing productivity of current staff without hiring additional workers	22.2
Other	8.9
No Response	37.8