

December 2022

Note: Survey responses were collected from December 5 to December 12.

Manufacturing activity in the region continued to decline overall in December, according to the firms responding to this month's *Manufacturing Business Outlook Survey*. The survey's broad indicators for current activity were all negative. The firms on balance also reported a decline in employment. The future indicators improved, suggesting that the firms expect overall growth over the next six months.

### Current Indicators Suggest Declines

The diffusion index for current general activity remained negative but rose 6 points to -13.8 this month (see Chart 1). This is its fourth consecutive negative reading and sixth negative reading in the past seven months. Thirty-one percent of the firms reported declines in activity, while 17 percent reported increases. The majority (51 percent) reported no change. The indicators for new orders and shipments both declined: The new orders index decreased 9 points to -25.8, its lowest reading since April 2020, and the shipments index fell 13 points to -6.2, its first negative reading since May 2020.

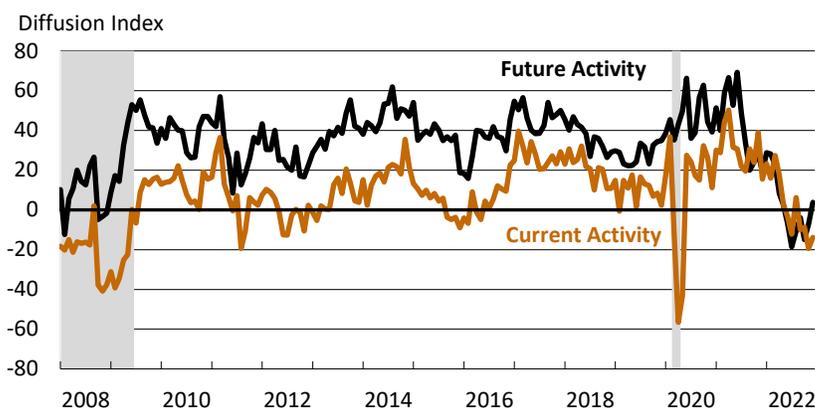
On balance, the firms reported a decline in employment. The employment index dipped into negative territory for the first time since June 2020, falling from 7.1 in November to -1.8 this month. The 19 percent of firms reporting declines in employment narrowly exceeded the 17 percent that reported increases; 64 percent reported steady employment. The average workweek index also turned negative, falling 10 points to -8.9.

### Price Increases Are Less Widespread

The firms continued to report overall increases in prices, but the indexes for prices paid and prices received both declined this month. The current prices paid index decreased 9 points to 26.4, its lowest reading since September 2020 and near its long-run average (see Chart 2). Over 29 percent of the firms reported increases in input prices, while 3 percent reported decreases; 66 percent of the firms reported no change. The

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

January 2008 to December 2022



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.

current prices received index decreased 10 points to 24.3. Roughly one-quarter of the firms reported increases in prices received for their own goods this month, none reported decreases, and 75 percent reported no change.

### Firms' Reports Are Mixed on Production, Higher on Capacity Utilization

In this month's special questions, the firms were asked to estimate their total production growth for the fourth quarter ending this month compared with the third quarter of 2022 (see Special Questions on page 3). A slightly higher share of firms reported a decline in production (41 percent) compared with an increase in production (36 percent). Regarding firms' capacity utilization rate for the current quarter and one year ago, the median current capacity utilization rate reported among the responding firms was 80 to 90 percent, slightly higher than the 70 to 80 percent that

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The January 2023 *Manufacturing Business Outlook Survey* will be released on January 19, 2023, at 8:30 a.m. ET.

The survey's annual revisions, which incorporate new seasonal adjustment factors, will be released on Thursday, January 12, 2023, at 8:30 a.m. ET.

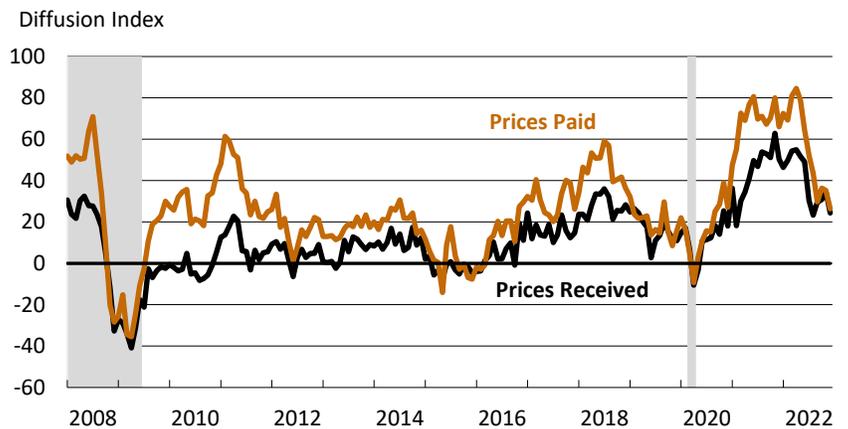


was reported for one year ago. Although most firms reported labor supply and supply chains as slight or moderate constraints to capacity utilization, 30 percent indicated labor as a significant constraint and 23 percent indicated supply chains as a significant constraint. Looking ahead over the next three months, most firms expect the impacts of various factors to stay the same; however, more than 26 percent of the firms expect financial capital impacts to worsen, up from 8 percent when this question was asked in September.

### Future Indicators Improve

The diffusion index for future general activity increased for the second consecutive month, rising 10 points to 3.8, its first positive reading since May (see Chart 1). The share of firms that expected increases in activity (37 percent) slightly exceeded the share of firms that expected decreases (33 percent); 27 percent expected no change. The future new orders index turned positive, climbing 18 points to 13.6, and the future shipments index increased from 10.2 to 22.5. The firms continued to expect increases in employment over the next six months, and the future employment index rose 7 points to 18.4. Nearly 29 percent of the firms expect to increase employment in their manufacturing plants over the next six months; 11 percent anticipate employment declines. The future capital expenditures index increased from 6.4 to 18.0.

**Chart 2. Current Prices Paid and Prices Received Indexes**  
January 2008 to December 2022



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.

### Summary

Responses to the December *Manufacturing Business Outlook Survey* suggest continued declines for the region's manufacturing sector. The survey's indicators for general activity, new orders, and shipments were all negative, and the firms reported a decline in employment, on balance. The survey's broad indicators for future activity improved and indicate firms expect growth overall over the next six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY December 2022	December vs. November					Six Months from Now vs. December				
	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?	-19.4	17.2	51.2	31.0	-13.8	-7.1	36.7	26.5	32.9	3.8
Company Business Indicators										
New Orders	-16.2	17.2	39.2	43.0	-25.8	-4.8	39.8	26.2	26.1	13.6
Shipments	7.0	23.5	46.8	29.7	-6.2	10.2	43.5	29.8	21.0	22.5
Unfilled Orders	-22.9	15.5	54.0	30.2	-14.7	-11.8	22.7	37.4	33.8	-11.1
Delivery Times	-8.8	18.3	51.5	30.2	-11.9	-13.0	12.8	45.7	35.3	-22.4
Inventories	-6.5	19.0	57.7	21.7	-2.7	-9.1	15.3	43.8	31.4	-16.1
Prices Paid	35.3	29.2	65.9	2.9	26.4	18.5	49.4	36.0	10.2	39.2
Prices Received	34.6	24.6	75.1	0.3	24.3	15.7	46.0	33.9	13.3	32.7
Number of Employees	7.1	17.1	63.8	19.0	-1.8	11.1	28.9	55.2	10.5	18.4
Average Employee Workweek	1.4	12.1	66.8	21.0	-8.9	-12.1	14.4	64.2	15.1	-0.7
Capital Expenditures	--	--	--	--	--	6.4	28.2	55.4	10.2	18.0

**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 because of rounding, omission by respondents, or both.
- (4) Survey results reflect data received through December 12, 2022.

Special Questions (December 2022)		
1. How will your firm's total production for the <b>fourth quarter of 2022</b> compare with that of the <b>third quarter of 2022</b> ?		
<b>An increase of:</b>	% of firms	Subtotals
10% or more	12.8	% of firms reporting an increase: 35.9
5–10%	7.7	
0–5%	15.4	
No change	23.1	
<b>A decline of:</b>		
0–5%	15.4	% of firms reporting a decrease: 41.0
5–10%	15.4	
10% or more	10.2	

2. Which of the following best characterizes your plant's percentage capacity utilization <b>currently</b> (2022:Q4) and <b>one year ago</b> (2021:Q4)?		
Capacity Utilization Rate	2022:Q4 % of reporters	2021:Q4 % of reporters
Less than 30%	0.0	2.6
30–40%	2.6	2.6
40–50%	0.0	2.6
50–60%	5.1	5.3
60–70%	25.6	28.9
70–80%	15.4	18.4
80–90%	30.8	18.4
90–100%	20.5	21.1
Median Utilization Rate	80–90	70–80

3. In the <b>current quarter</b> , to what degree have the following factors acted as constraints on capacity utilization?					4. Over the <b>next three months</b> , how do you expect the impacts of the following factors as constraints on capacity utilization to change?		
	Not at all (%)	Slightly (%)	Moderately (%)	Significantly (%)	Worsen (%)	Stay the same (%)	Improve (%)
COVID-19 mitigation measures	74.4	23.1	2.6	0.0	10.3	82.1	7.7
Energy markets	69.2	17.9	7.7	5.1	20.5	66.7	12.8
Financial capital	84.6	12.8	2.6	0.0	26.3	73.7	0.0
Labor supply	15.0	27.5	27.5	30.0	12.5	70.0	17.5
Supply chains	15.0	40.0	22.5	22.5	15.0	65.0	20.0
Other factors	66.7	4.8	9.5	19.0	15.8	78.9	5.3

