

March 2023

Note: Survey responses were collected from March 6 to March 13.

Manufacturing activity in the region continued to decline overall, according to the firms responding to March's *Manufacturing Business Outlook Survey*. The survey's broad indicators for current activity were all negative. On balance, the firms also reported a decline in employment. Most future indicators weakened, suggesting that the firms continue to have tempered expectations for growth over the next six months.

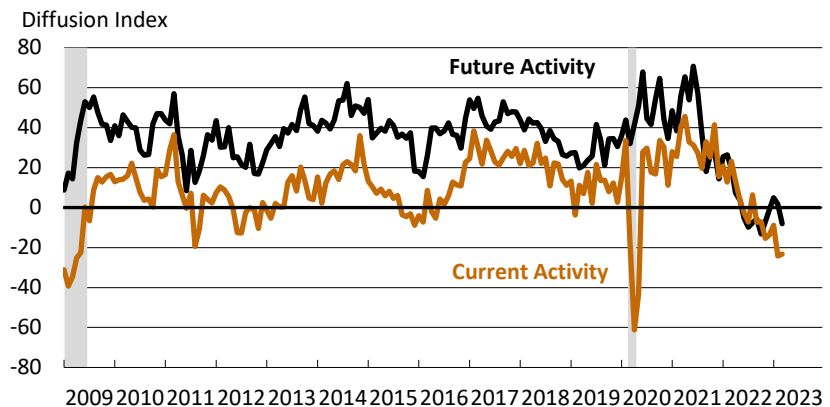
Current Indicators Weaken

The diffusion index for current general activity remained negative but ticked up 1 point to -23.2, its seventh consecutive negative reading (see Chart 1). More than 34 percent of the firms reported declines in activity, while 11 percent reported increases; the majority (53 percent) reported no change. The indicators for new orders and shipments both declined to their lowest readings since May 2020: The shipments index dropped sharply from 8.7 last month to -25.4 this month, and the new orders index fell 15 points to -28.2. Over 35 percent of the firms reported declines in new orders (unchanged from last month), while 7 percent reported increases (down from 22 percent); 58 percent reported no change (up from 41 percent).

On balance, the firms reported a decline in employment. The employment index decreased from 5.1 to -10.3, the index's second negative reading since June 2020 and its lowest reading since May 2020. Over 73 percent of the firms reported steady employment levels (up from 61 percent last month), 16 percent reported lower employment (up from 15 percent), and 6 percent reported higher employment (down from 21 percent). The average workweek index fell from -3.2 to -22.0.

Chart 1. Current and Future General Activity Indexes

January 2009 to March 2023



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.

Price Indexes Remain Near Long-Run Averages

The firms continued to report overall increases in prices, but the indexes for prices paid and prices received both declined. The current prices paid index ticked down 3 points to 23.5, its lowest reading since August 2020 and near its long-run average (see Chart 2). Nearly 35 percent of the firms reported increases in input prices, while 11 percent reported decreases; 53 percent of the firms reported no change. The current prices received index decreased 7 points to 7.9, its lowest reading since June 2020. Roughly 23 percent of the firms reported increases in prices received for their own goods this month, while 15 percent reported decreases; 62 percent reported no change.

Firms Report Higher Production, Little Change in Capacity Utilization

In this month's special questions, the firms were asked to estimate their total production growth for the first quarter ending this month compared with the fourth quarter of 2022 (see Special Questions on page 3). A higher share of firms reported an increase in production (46 percent) compared

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The April 2023 *Manufacturing Business Outlook Survey* will be released on April 20, 2023, at 8:30 a.m. ET.

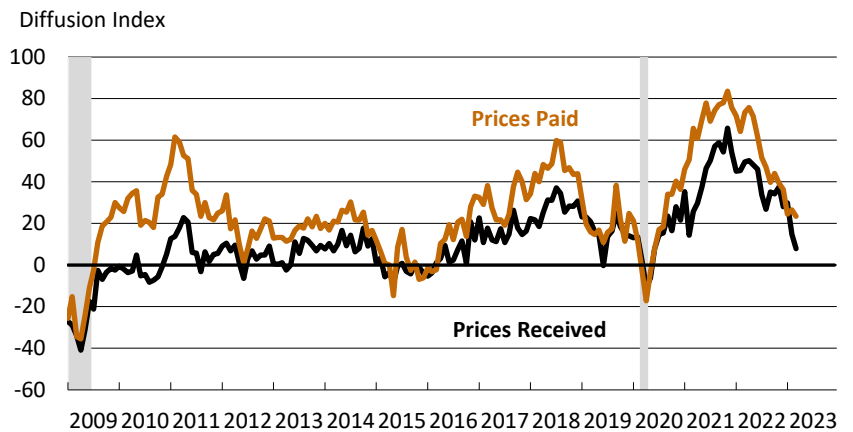


with the share reporting a decrease (32 percent). Regarding firms' capacity utilization rate for the current quarter and one year ago, the median current capacity utilization rate reported among the responding firms was unchanged at 70 to 80 percent. Although most firms reported labor supply and supply chains as slight or moderate constraints to capacity utilization, 27 percent indicated labor as a significant constraint and 12 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, 23 percent of the firms expect financial capital impacts to worsen, down slightly from 26 percent when this question was asked in December.

Future Indicators Soften

The diffusion index for future general activity decreased for the second consecutive month, falling 10 points to -8.0 (see Chart 1). The share of firms that expect decreases in activity (29 percent) exceeded the share of firms that expect increases (21 percent); 45 percent expect no change. The future new orders index declined 5 points but remained positive at 4.6, while the future shipments index increased from 4.6 to 7.8. On balance, the firms continued to expect increases in employment over the next six months, but the future employment index ticked down 1 point to 6.9. Although the future prices paid index rose 9 points to 26.8, both future price indexes were below their long-run

Chart 2. Current Prices Paid and Prices Received Indexes
January 2009 to March 2023



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.

averages. The future capital expenditures index decreased from 7.5 to -3.8, the index's first negative reading since September 2009.

Summary

Responses to the March *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 continued to suggest subdued expectations for growth over the next six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY March 2023	March vs. February					Six Months from Now vs. March				
	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?	-24.3	10.9	53.4	34.1	-23.2	1.7	21.4	45.4	29.4	-8.0
Company Business Indicators										
New Orders	-13.6	7.0	57.8	35.2	-28.2	9.2	33.2	38.1	28.6	4.6
Shipments	8.7	5.8	61.6	31.2	-25.4	4.6	32.0	43.8	24.2	7.8
Unfilled Orders	-17.0	4.4	65.6	25.7	-21.3	-12.4	13.5	57.2	26.6	-13.1
Delivery Times	-13.6	0.0	75.7	24.3	-24.3	-24.0	4.9	63.8	28.9	-24.0
Inventories	15.3	10.6	66.6	21.8	-11.2	-4.9	19.0	46.9	31.8	-12.9
Prices Paid	26.5	34.8	52.7	11.3	23.5	17.9	40.2	46.4	13.4	26.8
Prices Received	14.9	22.8	62.4	14.8	7.9	19.1	23.6	57.8	15.8	7.9
Number of Employees	5.1	6.1	73.3	16.4	-10.3	8.1	20.0	66.9	13.1	6.9
Average Employee Workweek	-3.2	0.9	73.1	22.9	-22.0	-2.1	15.0	77.6	7.2	7.8
Capital Expenditures	--	--	--	--	--	7.5	12.6	71.0	16.4	-3.8

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 March 13, 2023.

Special Questions (March 2023)		
1. How will your firm's total production for the first quarter of 2023 compare with that of the fourth quarter of 2022 ?		
An increase of:	% of firms	Subtotals
10% or more	7.3	% of firms reporting an increase: 46.3
5–10%	19.5	
0–5%	19.5	
No change	22.0	
A decline of:		
0–5%	7.3	% of firms reporting a decrease: 31.7
5–10%	12.2	
10% or more	12.2	

2. Which of the following best characterizes your plant's percentage capacity utilization currently (2023:Q1) and one year ago (2022:Q1)?		
Capacity Utilization Rate	2023:Q1 % of reporters	2022:Q1 % of reporters
Less than 30%	0.0	4.9
30–40%	7.3	2.4
40–50%	2.4	2.4
50–60%	7.3	7.3
60–70%	24.4	19.5
70–80%	31.7	29.3
80–90%	14.6	19.5
90–100%	12.2	14.6
Median Utilization Rate	70-80	70-80

3. In the current quarter , to what degree have the following factors acted as constraints on capacity utilization?					4. Over the next three months , 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	85.4	12.2	2.4	0.0	0.0	89.5	10.5
Energy markets	75.6	19.5	2.4	2.4	7.9	76.3	15.8
Financial capital	80.5	7.3	4.9	7.3	23.1	74.4	2.6
Labor supply	26.8	14.6	31.7	26.8	7.5	65.0	27.5
Supply chains	29.3	26.8	31.7	12.2	2.6	56.4	41.0
Other factors	63.6	4.5	13.6	18.2	0.0	87.0	13.0

