

May 2025

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

Manufacturing activity in the region remained weak, according to the firms responding to the May *Manufacturing Business Outlook Survey*. The current general activity index rose but remained negative. The new orders index turned positive, while the shipments index remained negative and declined further. The employment index rose from a near-zero reading. Both price indexes remained elevated. The firms continued to expect growth over the next six months, and expectations were more widespread.

Most Current Indicators Rise

The diffusion index for current general activity rose from -26.4 to -4.0 in May, paring some of last month's sharp decline but remaining negative (see Chart). Twenty-three percent of the firms reported decreases in general activity this month (down from 39 percent last month), while 19 percent reported increases (up from 13 percent); 58 percent reported no change (up from 41 percent last month). The new orders index rose 42 points to 7.5, offsetting nearly all of April's decline. The shipments index declined for the fourth consecutive month, falling 4 points to -13.0, its lowest reading since November 2023.

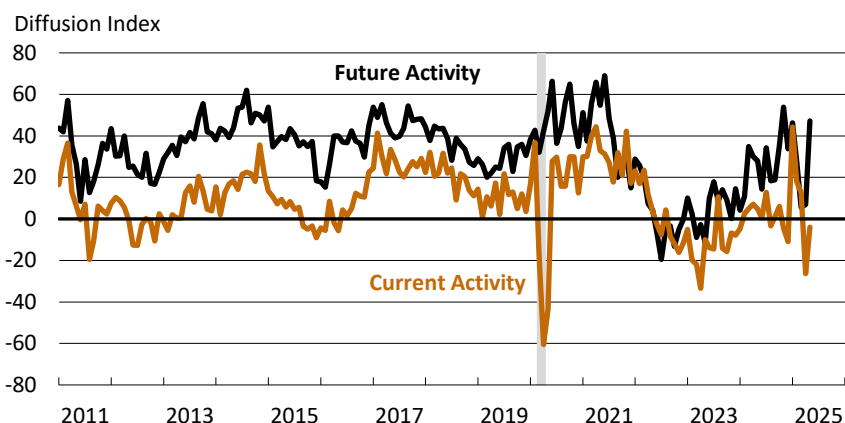
The firms reported overall increases in employment, and the employment index rose 16 points to 16.5 in May. Most firms continued to report no change in employment levels (68 percent), while the share of firms reporting increases (23 percent) exceeded the share reporting decreases (7 percent). The average workweek index rose from -12.7 to 2.0.

Firms Continue to Report Overall Price Increases

Both price indexes rose to their highest readings since June 2022. The prices paid index increased for the sixth consecutive month to 59.8. The current prices received index rose from 30.7 to 43.6. Almost 44 percent of the firms reported increases in prices received, no firms reported decreases, and 56 percent reported no change.

Chart. Current and Future General Activity Indexes

January 2011 to May 2025



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.

Firms Expect Higher Growth for Own Prices and Inflation

In this month's special questions, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters (see Price and Inflation Expectations on page 2). Regarding their own prices over the next year, the firms' median forecast was for an expected increase of 3.8 percent, up from 3.0 percent when this question was last asked in February. The firms reported a median increase of 3.0 percent in their own prices over the past year, the same as last quarter. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 4.0 percent over the next four quarters, up slightly from February. The firms' median forecast for the rate of inflation for U.S. consumers over the next year rose to 3.8 percent from 3.0 percent in February.

The firms were also asked about changes in customer price sensitivity and anticipated cost changes (see Special Questions on page 3). Half of the firms reported their core customers' price sensitivity was about the same as last

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The next *Manufacturing Business Outlook Survey* will be released on June 20, 2025.

MANUFACTURING BUSINESS OUTLOOK SURVEY May 2025	May vs. April					Six Months from Now vs. May				
	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?	-26.4	19.0	58.0	23.0	-4.0	6.9	67.3	12.5	20.2	47.2
Company Business Indicators										
New Orders	-34.2	29.4	48.5	21.9	7.5	6.6	66.1	12.2	16.5	49.7
Shipments	-9.1	14.6	57.5	27.5	-13.0	5.0	71.3	8.5	20.2	51.1
Unfilled Orders	-1.1	20.7	63.4	15.8	4.9	11.4	19.1	63.7	15.8	3.3
Delivery Times	-2.6	5.9	79.1	15.1	-9.2	0.2	17.8	72.7	9.5	8.3
Inventories	-0.9	21.1	64.9	11.4	9.7	-0.2	21.4	59.5	16.0	5.3
Prices Paid	51.0	64.0	31.8	4.2	59.8	63.1	66.0	26.6	4.4	61.6
Prices Received	30.7	43.6	56.4	0.0	43.6	67.7	54.2	41.6	4.2	50.0
Number of Employees	0.2	23.2	68.3	6.6	16.5	-0.6	36.1	50.8	13.1	23.0
Average Employee Workweek	-12.7	9.2	83.6	7.2	2.0	-1.2	30.1	61.8	7.9	22.2
Capital Expenditures	--	--	--	--	--	2.0	31.6	63.3	4.6	27.0

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 May 12, 2025.

Special Questions (May 2025)	
1. Since last quarter, have your core customers become more or less price sensitive?	
	Percent (%)
More sensitive	43.3
About the same	50.0
Less sensitive	3.3
Don't know	3.3

2. Over the near term (roughly the next six months or so), can you clearly anticipate any changes in your industry's costs?	
	Percent (%)
Yes	72.4
No	27.6
2a. How do you anticipate that your competitors will respond?*	
	Percent (%)
Raise prices	85.7
Hold prices steady	4.8
Lower prices	4.8
Don't know	4.8
*Only firms that responded "yes" to question 2 responded to question 2a.	
2b. How soon do you anticipate your competitors will change prices?**	
	Number of months
Median response	2.0
**Only firms that responded "raise prices" or "lower prices" to question 2a responded to question 2b.	