

Economic growth continued in January, according to the firms responding to this month's *Manufacturing Business Outlook Survey*. The broadest measures of current conditions remained positive this month, although indexes for general activity, new orders, and employment declined from their readings in December. The firms reported higher prices for both inputs and their own manufactured goods this month. The future indexes reflecting expected growth over the next six months remained at high levels, although the indexes fell from their readings in December.

### Current Indicators Show Continued Growth

The index for current manufacturing activity in the region decreased from a revised reading of 27.9 in December to 22.2 this month.\* Although now at its lowest reading in five months, the index has stayed within a relatively narrow range over the past eight months (see Chart 1). The other broad indicators continue to suggest overall growth. The shipments index remained at a high reading and increased 6 points. The index for current new orders, however, decreased 18 points. Nearly 36 percent of the firms reported an increase in new orders this month, but 26 percent reported declines. Both the delivery times and unfilled orders indexes decreased this month: The unfilled orders index was negative for the first time in 16 months, and the index of delivery times fell to its lowest reading in 10 months.

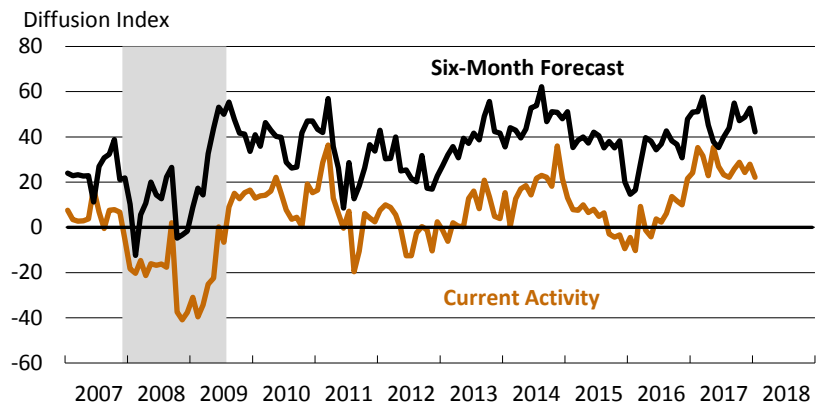
The firms reported an increase in manufacturing employment this month. The current employment index, while still positive, fell 3 points to 16.8. The percentage of firms reporting an increase in employment (24 percent) exceeded the percentage reporting a decrease (8 percent). The firms reported a slight increase in work hours this month: The average workweek index increased 4 points to 16.7.

### Firms Report Price Increases

Price increases were more widespread this month. On the cost side, nearly 33 percent of the firms reported increases in the prices paid for inputs; no firms reported paying lower prices. The prices paid index edged 5 points higher (see Chart

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

January 2007 to January 2018



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.

2). With respect to prices received for firms' own manufactured goods, 27 percent of the firms reported higher prices, while only 2 percent reported lower prices. The prices received index increased 13 points to its highest reading in 12 months.

### Future Indexes Decline

The diffusion index for future general activity decreased from a revised reading of 52.7 in December to 42.2 this month (see Chart 1). Over 50 percent of the firms expect increases in activity over the next six months, but only 8 percent expect decreases. The indexes for future new orders and shipments also showed moderation this month, decreasing 13 points and 2 points, respectively. The firms' forecasts for employment increases remained nearly steady. Over 40 percent of the firms expect increases in employment over the next six months, and the future employment diffusion index decreased just 1 point.

Released: January 18, 2018, 8:30 a.m. ET.

The February 2018 *Manufacturing Business Outlook Survey* will be released on February 15, 2018, at 8:30 a.m. ET.

\* The survey's annual historical revisions, which incorporate new seasonal adjustment factors, were released on January 11, 2018. The full set of revised historical data is available at [www.philadelphiafed.org/mbos-histrev2018](http://www.philadelphiafed.org/mbos-histrev2018).



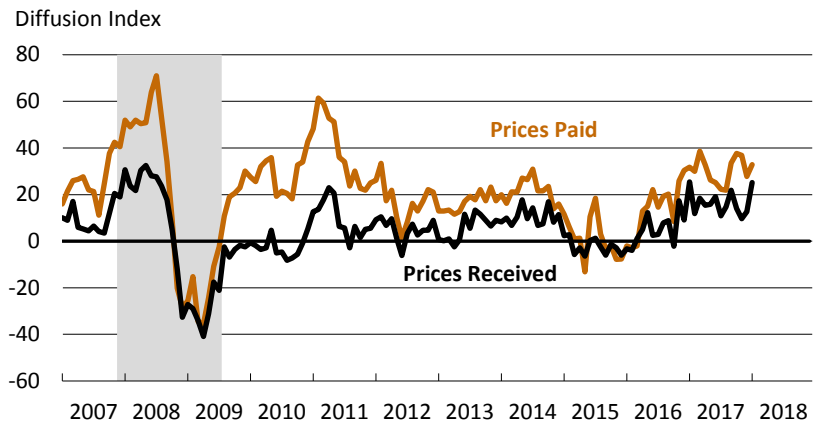
## Firms Expect to Increase Production to Meet Rising Demand

In Special Questions, the firms were asked to characterize current demand and production of their manufactured products over the past few months and to forecast their production increases for the first quarter of the year (see Special Questions on page 3). Most firms (72 percent) reported an increase in underlying demand; 12 percent characterized underlying demand as increasing significantly, while 60 percent characterized it as increasing modestly. Nearly 70 percent of the firms anticipate increasing production in the first quarter, although 22 percent expect decreases.

### Summary

Responses to the January *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. The indexes for general activity, new orders, and employment all fell from their December levels but continued to indicate overall growth. The firms reported an increase in both input prices and prices for their own products this month. The firms remain optimistic about growth over the next six months, but all of the survey's broad future indicators decreased this month. ■

**Chart 2. Current Prices Paid and Prices Received Indexes**  
January 2007 to January 2018



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 January 2018	January vs. December					Six Months from Now vs. January				
	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?	27.9	34.2	51.7	12.0	22.2	52.7	50.1	34.7	7.9	42.2
Company Business Indicators										
New Orders	28.2	35.6	39.0	25.5	10.1	59.0	53.6	32.0	7.4	46.2
Shipments	23.9	44.4	40.3	14.1	30.3	51.8	57.0	29.0	7.6	49.4
Unfilled Orders	12.8	14.1	69.9	15.9	-1.8	12.4	22.2	56.8	14.0	8.2
Delivery Times	11.0	14.1	77.1	8.0	6.1	-2.2	18.7	60.6	14.9	3.8
Inventories	-1.1	25.8	53.2	16.4	9.4	29.7	33.1	40.9	20.3	12.8
Prices Paid	27.8	32.9	67.1	0.0	32.9	56.0	54.6	41.1	0.4	54.2
Prices Received	12.6	26.8	71.5	1.7	25.1	39.4	45.6	47.8	1.4	44.1
Number of Employees	19.7	24.4	67.2	7.6	16.8	36.1	40.3	49.5	5.3	34.9
Average Employee Workweek	12.6	26.9	63.0	10.2	16.7	18.5	20.6	62.9	9.9	10.6
Capital Expenditures	--	--	--	--	--	38.5	40.2	50.4	4.0	36.2

**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 January 15, 2018.



<b>Special Questions (January 2018)</b>		
<b>1. Over the past several months, how would you characterize the underlying demand for your manufactured products? Exclude any purely seasonal effects.</b>		
Increase significantly	11.7%	Total increase: 71.7%
Increase modestly	60.0%	
No change	16.7%	
Decrease modestly	10.0%	Total decrease: 11.7%
Decrease significantly	1.7%	
<b>2. How will your firm's total production for the first quarter compare with that of the last quarter?</b>		
Increase of more than 6%	16.9%	Total increase: 69.5%
Increase of 4–6%	11.9%	
Increase of 2–4%	28.8%	
Increase of less than 2%	11.9%	
No change	8.5%	
Decrease of less than 2%	3.4%	Total decrease: 22.0%
Decrease of 2–4%	3.4%	
Decrease of 4–6%	5.1%	
Decrease of more than 6%	10.1%	

