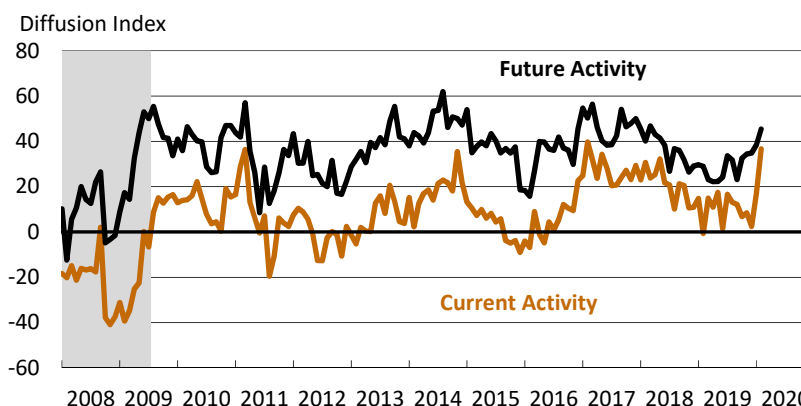


February 2020

Manufacturing firms reported an improvement in regional manufacturing activity, according to results from the February *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments increased this month, suggesting more widespread growth. The firms reported expansion in employment, although at a moderated pace from January. The survey's broad future indexes also showed improvement this month, indicating that growth is expected to continue over the next six months.

### Current and Future General Activity Indexes

January 2008 to February 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.

### Firms Report Increases in New Orders

The diffusion index for current general activity rose nearly 20 points this month to 36.7, its highest reading since February 2017 (see Chart). The percentage of firms reporting increases (52 percent) this month exceeded the percentage reporting decreases (15 percent). The index for new orders increased 15 points to 33.6, its highest reading since May 2018. Over 50 percent of the firms reported an increase in new orders, up from 46 percent in January. The current shipments index increased 2 points. Both the unfilled orders and delivery times indexes moved into positive territory this month, suggesting slightly higher unfilled orders and slower delivery times.

The firms reported overall increases in manufacturing employment this month, but the current employment index decreased 10 points to 9.8. Just 18 percent of the firms reported higher employment, compared with 28 percent last month. The average workweek index, however, increased 5 points.

### Firms Report Slight Softening of Input Price Pressures

The firms continued to report overall increases in prices paid for inputs and received for goods. The prices paid diffusion index decreased 6 points to 16.4. The percentage of firms reporting increases in input prices (23 percent) remained higher than the percentage reporting decreases (7 percent). The current prices received index, reflecting the

manufacturers' own prices, edged up 2 points to a reading of 17.1.

### Firms Still Expect Own Prices to Rise Faster Than Inflation

In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters. The firms' median responses were identical to those in the previous quarter. Regarding their own prices, the firms' median forecast was for an increase of 2.5 percent, unchanged from the previous forecast in November. The firms' actual price change over the past year was 2.0 percent. The firms continued to expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was unchanged at 2.0 percent. The firms' median forecast for the long-run (10-year average) inflation rate remained at 2.5 percent.

Released: February 20, 2020, 8:30 a.m. ET.

The March 2020 *Manufacturing Business Outlook Survey* will be released on March 19, 2020, at 8:30 a.m. ET.



## Most Future Indicators Show Improvement

The diffusion index for future general activity rose 7 points to 45.4, its fifth consecutive month of improvement (see Chart). Nearly 56 percent of the firms expect increases in activity over the next six months, while 10 percent expect declines. The future new orders and shipments indexes also increased this month, by 12 points and 10 points, respectively. The firms' expectations for employment over the next six months remained positive but were little changed this month: Over 31 percent of the firms expect higher employment; 7 percent expect lower employment. The future capital spending index decreased 3 points to a reading of 29.8.

## Summary

Responses to the February *Manufacturing Business Outlook Survey* suggest a pickup in growth in manufacturing activity this month. The indicators for current activity, new orders, and shipments increased from their readings in January. The survey's current employment index remained positive but moderated this month. The survey's future indexes indicate that respondents continue to expect growth in manufacturing activity over the next six months. ■

Special Questions (February 2020)		
Please list the annual percent change with respect to the following:		
	Current	Previous (November 2019)
<b>For your firm:</b>		
<i>Forecast for next year (2020Q1–2021Q1)</i>		
1. Prices your firm will receive (for its own goods and services sold).	2.5	2.5
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
<i>Last year's price change (2019Q1–2020Q1)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.0	2.0
<b>For U.S. consumers:</b>		
4. Prices consumers will pay for goods and services over the next year.	2.0	2.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2020–2029).	2.5	2.5
The numbers represent medians of the individual forecasts (percent changes). For question 5, firms reported a 10-year annual average change.		

MANUFACTURING BUSINESS OUTLOOK SURVEY February 2020	February vs. January					Six Months from Now vs. February				
	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?	17.0	51.8	33.1	15.1	36.7	38.4	55.6	31.6	10.2	45.4
Company Business Indicators										
New Orders	18.2	50.3	33.0	16.7	33.6	41.9	62.9	25.2	9.0	54.0
Shipments	23.4	44.0	37.1	18.8	25.2	42.4	60.0	28.7	8.1	51.9
Unfilled Orders	-3.7	21.8	61.6	14.3	7.4	17.9	29.5	57.5	11.9	17.6
Delivery Times	-0.4	12.6	77.4	10.0	2.7	2.7	16.3	75.6	6.9	9.3
Inventories	-2.3	25.4	58.2	13.7	11.8	10.1	27.2	52.8	17.1	10.2
Prices Paid	22.1	23.4	68.0	7.0	16.4	41.9	38.1	52.4	5.8	32.2
Prices Received	14.7	18.4	78.3	1.4	17.1	34.0	41.5	52.2	3.6	37.9
Number of Employees	19.3	18.0	73.7	8.1	9.8	24.3	31.3	57.9	7.3	24.0
Average Employee Workweek	5.2	18.5	73.3	8.2	10.3	13.2	34.9	54.7	8.1	26.8
Capital Expenditures	--	--	--	--	--	32.9	33.9	55.1	4.1	29.8
<b>NOTES:</b>										
(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 February 18, 2020.										