

March 2020

Note: Survey responses were collected from March 9 to March 16.

Manufacturing firms reported a significant weakening in regional manufacturing activity this month, according to results from the *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments fell precipitously this month, coinciding with developments related to the coronavirus. The firms reported a slight overall increase in employment, however, and a near-steady workweek. The broadest indicator of future activity weakened somewhat but remained elevated; however, firms still expect overall growth in new orders, shipments, and employment over the next six months.

### Firms Report Decreases in New Orders

The diffusion index for current activity declined markedly from a three-year high reading of 36.7 in February to -12.7 this month, its lowest reading since July 2012 (see Chart 1). The percentage of firms reporting decreases (30 percent) this month exceeded the percentage reporting increases (18 percent). The index for new orders also turned negative, falling from 33.6 to -15.5. The current shipments index fell 25 points but remained slightly positive, although its current reading near zero suggests overall shipments were unchanged from February. Both the unfilled orders and delivery times indexes moved into negative territory this month, falling 15 points and 12 points, respectively.

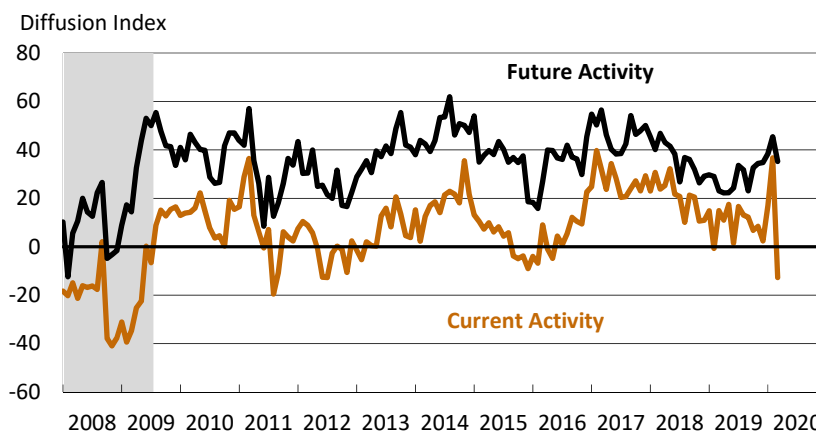
The firms reported an overall slight increase in manufacturing employment this month, but the current employment index decreased 6 points to 4.1, its lowest reading since November 2016. The average workweek index fell 10 points but remained slightly positive at 0.5.

### Firms Report Lower Price Pressures

The firms reported moderating price pressures for inputs and for their own manufactured goods. The prices paid diffusion index decreased 12 points to 4.8 (see Chart 2). The percentage of firms reporting increases in input prices (18

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

January 2008 to March 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.

percent) was only slightly higher than the percentage reporting decreases (14 percent). The current prices received index, reflecting the manufacturers' own prices, declined 10 points to a reading of 6.8.

### Most Future Indicators Moderated

The diffusion index for future general activity fell 10 points to 35.2 but remained at a relatively high reading (see Chart 1). Nearly 51 percent of the firms expect increases in activity over the next six months, while 16 percent expect declines. The future new orders and shipments indexes also decreased this month, by 17 points and 10 points, respectively. The firms expect their inventories to rise over the next six months, as the future inventories index rose 7 points to a reading of 16.9.

The firms' expectations for future prices fell notably this month: The future prices paid index fell 14 points, and the future prices received index fell 16 points.

Released: March 19, 2020, 8:30 a.m. ET.

The April 2020 *Manufacturing Business Outlook Survey* will be released on April 16, 2020, at 8:30 a.m. ET.

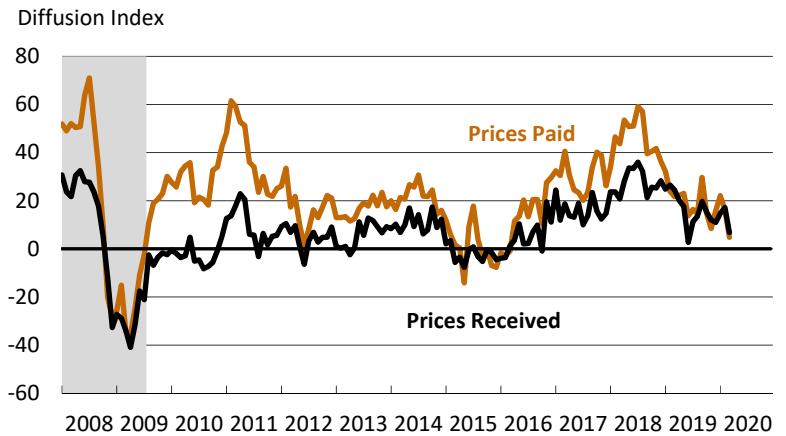


The firms' expectations for employment over the next six months strengthened somewhat with the future employment index increasing 6 points. Over 30 percent of the firms expected higher employment, about the same as in February. Only 1 percent expected lower employment, down from February. The firms' plans for future capital spending showed notable weakening this month: The future capital spending index decreased nearly 18 points to a reading of 12.0, its lowest reading since September 2016.

### Summary

Responses to the March *Manufacturing Business Outlook Survey* indicated a notable weakening in manufacturing activity. The indicators for current activity, new orders, and shipments decreased markedly from their readings in February. The survey's current employment and workweek indexes remained positive but also moderated. Both prices paid and prices received indexes reflected easing price pressures. The survey's future indexes suggest that respondents expect declines to be short-lived, inasmuch as they continue to expect growth in manufacturing activity over a horizon of six months. ■

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

<b>MANUFACTURING BUSINESS OUTLOOK SURVEY March 2020</b>	<b>March vs. February</b>					<b>Six Months from Now vs. March</b>				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>
What is your evaluation of the level of general business activity?	<b>36.7</b>	17.7	51.2	30.3	<b>-12.7</b>	<b>45.4</b>	50.7	29.1	15.5	<b>35.2</b>
Company Business Indicators										
New Orders	<b>33.6</b>	15.6	50.2	31.1	<b>-15.5</b>	<b>54.0</b>	49.1	34.7	12.4	<b>36.7</b>
Shipments	<b>25.2</b>	21.0	54.9	20.8	<b>0.2</b>	<b>51.9</b>	51.7	37.0	9.9	<b>41.8</b>
Unfilled Orders	<b>7.4</b>	11.4	69.9	18.7	<b>-7.4</b>	<b>17.6</b>	24.7	59.6	9.7	<b>15.0</b>
Delivery Times	<b>2.7</b>	4.6	81.3	13.7	<b>-9.1</b>	<b>9.3</b>	16.4	73.8	5.7	<b>10.7</b>
Inventories	<b>11.8</b>	22.3	56.9	20.6	<b>1.7</b>	<b>10.2</b>	32.1	46.0	15.1	<b>16.9</b>
Prices Paid	<b>16.4</b>	18.3	68.2	13.5	<b>4.8</b>	<b>32.2</b>	24.7	65.3	6.1	<b>18.5</b>
Prices Received	<b>17.1</b>	14.3	77.7	7.4	<b>6.8</b>	<b>37.9</b>	27.7	61.6	6.2	<b>21.5</b>
Number of Employees	<b>9.8</b>	16.5	67.8	12.4	<b>4.1</b>	<b>24.0</b>	30.4	64.7	0.6	<b>29.8</b>
Average Employee Workweek	<b>10.3</b>	13.1	71.4	12.6	<b>0.5</b>	<b>26.8</b>	20.9	67.9	6.4	<b>14.5</b>
Capital Expenditures	--	--	--	--	--	<b>29.8</b>	18.3	69.8	6.3	<b>12.0</b>

**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 March 16, 2020.