

April 2020

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

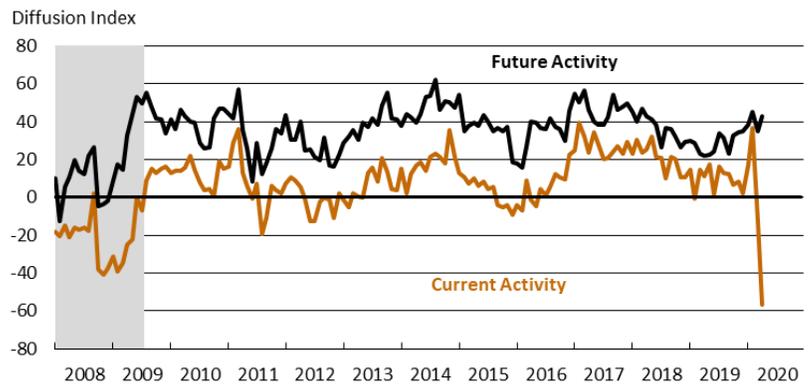
Manufacturing firms reported continued weakening in regional manufacturing activity this month, according to results from the *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments once again fell sharply this month to long-term low readings, coinciding with ongoing developments related to the coronavirus pandemic. The indexes for employment and the average workweek, which had both remained positive last month, fell into negative territory this month. The firms expect the current letup in manufacturing activity to last less than six months, as the broadest indicator of future activity strengthened further from last month's reading; furthermore, the firms continue to expect overall growth in new orders, shipments, and employment over the next six months.

Most Current Indicators Reach Long-Term Lows

The diffusion index for current activity declined strikingly for the second consecutive month from -12.7 in March to -56.6 this month, falling below its nadir during the Great Recession (see Chart 1). This is the current activity index's lowest reading since July 1980. The percentage of firms reporting decreases (60 percent) this month far exceeded the percentage reporting increases (4 percent). The index for new orders fell further into negative territory, from -15.5 to -70.9, its lowest reading ever. Also reaching an all-time low, the current shipments index fell 74 points after remaining slightly positive in March. Unfilled orders fell 6 points further into negative territory, while delivery times rose 13 points to 4.1, suggesting longer delivery times.

The firms reported widespread decreases in manufacturing employment this month, as the current employment index fell 51 points to -46.7, its lowest reading since March 2009. The average workweek index fell 55 points to -54.5, its lowest reading ever.

Chart 1. Current and Future General Activity Indexes
January 2008 to April 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 Price Declines

The firms reported overall negative price movements for inputs and for their own manufactured goods. The prices paid diffusion index decreased 14 points to -9.3, its lowest reading since May 2015 (see Chart 2). While most firms reported stable input prices (70 percent), the percentage of firms reporting decreases in input prices (18 percent) was higher than the percentage reporting increases (9 percent). The current prices received index, reflecting the manufacturers' own prices, declined 17 points to a reading of -10.6, its lowest since July 2009.

Most Future Indicators Remain Elevated

Despite the current weakened conditions, the respondents remained optimistic about growth over the next six months. The diffusion index for future general activity rose 8 points to 43.0, mostly offsetting a 10 point decline last month (see Chart 1). Over 53 percent of the firms expect increases in activity over the next six months, while 10

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The May 2020 *Manufacturing Business Outlook Survey* will be released on May 21, 2020, at 8:30 a.m. ET.

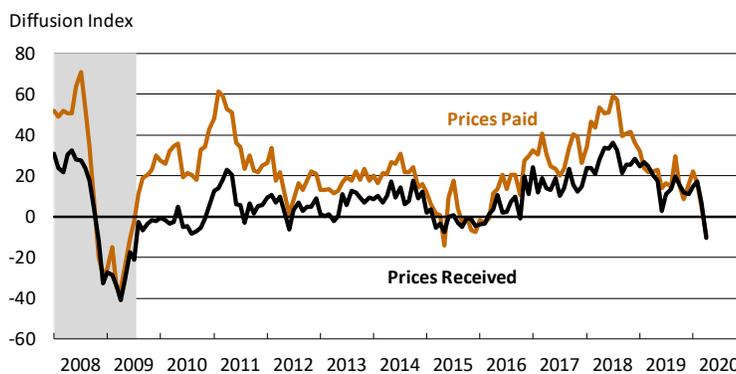


percent expect declines. The future new orders index held steady, while the future shipments index increased by 4 points this month. The future inventories index edged down 3 points to a reading of 13.7.

The firms' expectations for future prices remain positive this month: The future prices paid index rose 7 points to 25.5, and the future prices received index fell 5 points to 16.9.

The firms' expectations for employment over the next six months moderated slightly, with the future employment index decreasing 3 points. Nearly 35 percent of the firms expected higher employment, while 8 percent expected lower employment. The firms' plans for future capital spending held steady this month after falling notably in March.

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

Summary

Responses to the April *Manufacturing Business Outlook Survey* indicated a continued prominent weakening in manufacturing activity. The indicators for current activity, new orders, and shipments continued their slide to long-term lows from relatively high readings earlier this year. Both prices paid and prices received indexes entered negative territory. The survey's future indexes, however, remained elevated, suggesting that respondents expect growth in manufacturing activity to pick back up over a horizon of six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY April 2020	April vs. March					Six Months from Now vs. April				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	-12.7	3.5	15.4	60.1	-56.6	35.2	53.4	7.3	10.4	43.0
Company Business Indicators										
New Orders	-15.5	0.0	28.1	70.9	-70.9	36.7	54.7	19.1	18.2	36.5
Shipments	0.2	2.7	19.6	76.8	-74.1	41.8	60.1	14.6	14.1	46.0
Unfilled Orders	-7.4	16.7	52.2	30.2	-13.5	15.0	34.0	37.4	17.0	17.0
Delivery Times	-9.1	23.9	55.6	19.8	4.1	10.7	20.7	48.3	19.3	1.4
Inventories	1.7	21.3	44.9	31.5	-10.2	16.9	30.6	40.0	16.9	13.7
Prices Paid	4.8	8.7	70.0	18.0	-9.3	18.5	32.9	51.3	7.4	25.5
Prices Received	6.8	0.0	87.7	10.6	-10.6	21.5	25.1	54.5	8.1	16.9
Number of Employees	4.1	0.0	52.5	46.7	-46.7	29.8	34.7	44.7	8.1	26.6
Average Employee Workweek	0.5	0.1	41.9	54.6	-54.5	14.5	37.9	40.7	11.8	26.0
Capital Expenditures	--	--	--	--	--	12.0	28.2	41.1	15.9	12.4

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 April 13, 2020.