

Note: Survey responses were collected from June 8 to June 15.

Manufacturing conditions in the region showed signs of improvement this month, according to firms responding to the June *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments returned to positive territory, coinciding with the gradual reopening of the economy in our region and the nation more broadly. The employment index remained negative but increased for the second consecutive month. All future indicators improved, suggesting that the firms expect overall growth over the next six months.

Most Current Indicators Rebound

The diffusion index for current general activity increased from -43.1 in May to 27.5 this month, its first positive reading since February (see Chart 1). Forty-six percent of the firms reported increases this month (up from 15 percent last month), while 19 percent reported decreases (down from 58 percent). The indexes for current shipments and new orders also rose and returned to positive readings this month: The current new orders index increased 42 points to 16.7, while the shipments index rose 56 points to 25.3.

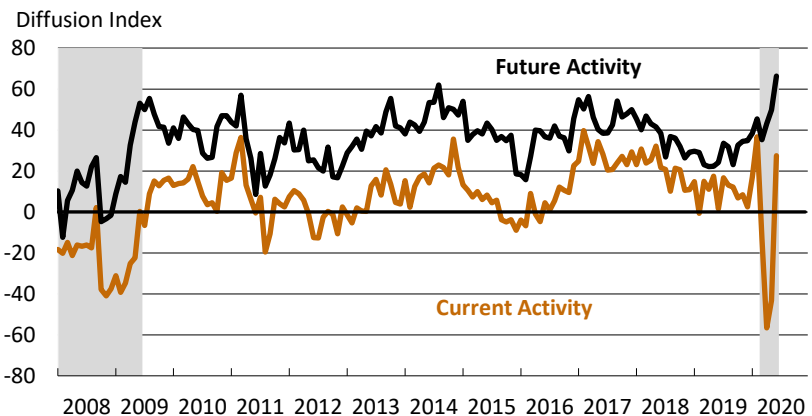
The firms continued to report decreases in employment on balance; however, the employment index increased 11 points. The majority of responding firms (72 percent) reported steady employment levels, and the share reporting decreases (16 percent) exceeded the share reporting increases (12 percent).

Firms Report Overall Increases in Prices

The prices paid diffusion index increased 8 points to 11.1 (see Chart 2). The percentage of firms reporting increases in input prices (16 percent) was higher than the percentage reporting decreases (5 percent); most firms (79 percent) reported no change. The current prices received index, reflecting manufacturers' own prices, rose 14 points to a reading of 11.0, its first positive reading since March.

Chart 1. Current and Future General Activity Indexes

January 2008 to June 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 Lower Production and Capacity Utilization

In this month's special questions (see Special Questions on page 3), the firms were asked to estimate their total production growth for the second quarter ending this month compared with the first quarter of 2020. The share of firms reporting expected decreases in second-quarter production (78 percent) was greater than the share reporting increases (13 percent), and the median response was a decline of 25 to 30 percent. The firms were also asked about their current capacity utilization rate as well as their utilization rate one year ago. The median current capacity utilization rate reported among the responding firms was 70 to 80 percent, lower than the median rate of 80 to 90 percent reported one year ago.

All Future Indicators Improve

The diffusion index for future general activity increased 17 points from its May reading, reaching its highest level in nearly 30 years (see Chart 1). Over 75 percent of the firms expect increases in activity over the next six months, while 9

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

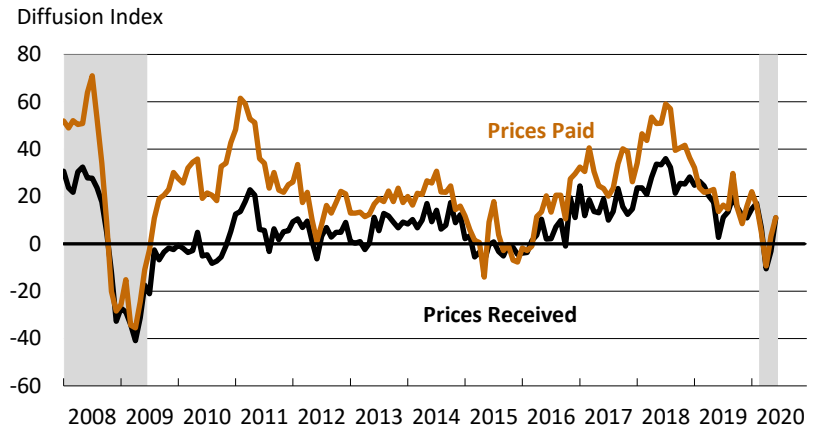


percent expect declines. The future shipments and new orders indexes also improved, increasing 19 points and 13 points, respectively. The firms are optimistic overall about hiring over the next six months: The future employment index rose 13 points to 29.6, with over 36 percent of the firms expecting higher employment over the next six months. The future capital spending index improved 11 points to a reading of 26.3, near its average for last year.

Summary

Responses to the June *Manufacturing Business Outlook Survey* suggest improvement in regional manufacturing conditions compared with last month. The indexes for current activity, new orders, and shipments returned to positive territory after negative readings over the past few months. The survey's price indexes suggest positive pressure in both the prices of firms' inputs and manufactured goods. The survey's future indexes indicate that respondents expect growth over the remainder of the year. ■

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

MANUFACTURING BUSINESS OUTLOOK SURVEY June 2020	June vs. May					Six Months from Now vs. June				
	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?	-43.1	46.0	34.6	18.5	27.5	49.7	75.3	9.1	8.9	66.3
Company Business Indicators										
New Orders	-25.7	41.5	32.9	24.8	16.7	54.7	76.4	10.8	8.5	67.9
Shipments	-30.3	47.2	30.9	21.9	25.3	46.0	73.4	12.9	8.3	65.0
Unfilled Orders	-13.7	25.1	49.2	25.1	-0.1	6.0	42.2	41.2	10.7	31.5
Delivery Times	-6.7	12.9	74.4	12.5	0.4	5.1	26.7	59.8	8.2	18.5
Inventories	11.7	25.5	48.9	25.6	0.0	-1.4	31.1	36.8	28.2	2.9
Prices Paid	3.2	16.3	78.5	5.2	11.1	21.2	47.2	42.9	2.9	44.3
Prices Received	-3.1	13.2	83.9	2.2	11.0	15.6	33.2	55.0	4.3	28.9
Number of Employees	-15.3	11.8	72.2	16.0	-4.3	16.2	36.4	52.4	6.8	29.6
Average Employee Workweek	-7.1	12.1	69.2	18.7	-6.5	19.6	35.0	48.2	9.1	25.9
Capital Expenditures	--	--	--	--	--	15.2	37.4	45.8	11.1	26.3

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 June 15, 2020.

Special Questions (June 2020)		
1. How will your firm's total production for the second quarter of 2020 compare with that of the first quarter?		
An increase of:	% of firms	Subtotals
20% or more	2.2	% of firms reporting an increase: 13.3
15–20%	0.0	
10–15%	2.2	
5–10%	4.4	
0–5%	4.4	
No change	8.9	
A decline of:		
0–5%	13.3	% of firms reporting a decrease: 77.8
5–10%	11.1	
10–15%	13.3	
15–20%	13.3	
20–25%	8.9	
25–30%	11.1	
30–35%	4.4	
35–40%	0.0	
40% or more	2.2	

2. Which of the following best characterizes your plant's percentage capacity utilization currently (2020:Q2) compared with a year ago (2019:Q2)?		
Capacity Utilization Rate	2020:Q2 % of Reporters	2019:Q2 % of Reporters
Less than 30%	2.2	2.2
30–40%	2.2	0.0
40–50%	4.4	0.0
50–60%	11.1	2.2
60–70%	24.4	10.9
70–80%	33.3	19.6
80–90%	20.0	28.3
90–100%	2.2	37.0
Median Utilization Rate	70–80	80–90