

August 2020

Note: Survey responses were collected from August 10 to August 17.

Manufacturing activity in the region continued to expand this month, according to firms responding to the August *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments remained positive for the third consecutive month but fell from their readings in July. The employment index also fell from its reading in July but remained in positive territory for the second consecutive month. Most of the future indicators remained elevated, suggesting that the firms expect growth over the next six months.

### Most Current Indicators Remain Positive

The diffusion index for current activity fell 7 points to 17.2 in August, its third consecutive positive reading after reaching long-term lows in April and May (see Chart). The percentage of firms reporting increases (28 percent) exceeded the percentage reporting decreases (11 percent). The index for new orders decreased from 23.0 to 19.0. Over 34 percent of the firms reported increases in new orders this month, while 15 percent reported decreases. The current shipments index fell 6 points to 9.4 in August.

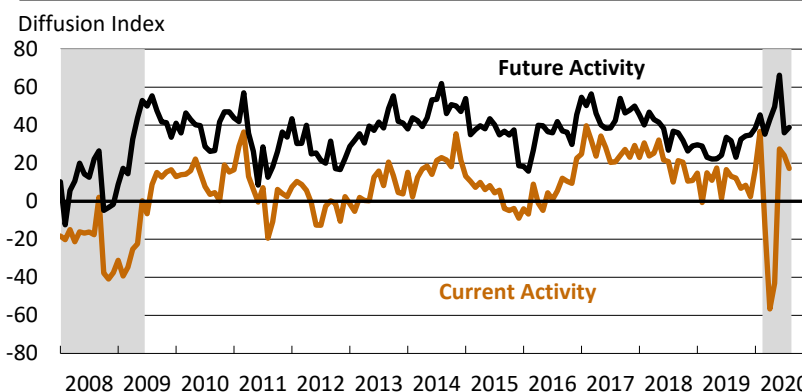
On balance, the firms reported increases in manufacturing employment for the second consecutive month, but the current employment index fell 11 points to 9.0 this month. Employment increases were reported by 23 percent of the firms, down from 29 percent in July. The average workweek index remained positive for the second consecutive month but fell 6 points to 11.3.

### Some Firms Report Increases in Prices

The survey's price indicators remained positive and were little changed this month. The prices paid diffusion index was essentially unchanged at 15.3. More than 21 percent of the firms reported increases in input prices, and 6 percent reported decreases; most firms (73 percent) reported no change. The current prices received index, reflecting

### Chart. Current and Future General Activity Indexes

January 2008 to August 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.

manufacturers' own prices, increased 1 point to 12.4. Over 16 percent of the firms reported increases in prices of their own manufactured goods, and 4 percent reported decreases; most firms (80 percent) reported no change.

### Firms Expect Own Prices to Match Rate of 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. Regarding their own prices, the firms' median forecast was for an increase of 2.0 percent, higher than the 1.0 percent that was forecast when the same question was last asked in May. The firms' actual price change over the past year was 1.5 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, an increase from 2.5 percent in the previous quarter. 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 was 2.8 percent, a slight decrease from 3.0 percent in the previous quarter.

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

The September 2020 *Manufacturing Business Outlook Survey* will be released on September 17, 2020, at 8:30 a.m. ET.



## Firms Remain Optimistic About Future Growth

The respondents remained optimistic about growth over the next six months. The diffusion index for future general activity edged 3 points higher to 38.8 in August (see Chart). The future new orders index ticked down 1 point and remained at an elevated reading of 55.1, while the future shipments index decreased 4 points to 46.9 this month. The firms continued to expect increases in employment over the next six months, although the future employment index edged down 3 points. Nearly 38 percent of the firms expected higher employment, while 8 percent expected lower employment. The index for future capital spending fell 4 points to 23.0, with roughly one-third of the firms expecting to increase spending over the next six months.

### Summary

Responses to the August *Manufacturing Business Outlook Survey* suggest continued recovery for the region's manufacturing sector. The indicators for current activity, new orders, shipments, and employment remained positive, although all decreased from their readings in July. The survey's future indexes suggest that respondents continue to expect growth in manufacturing activity over the next six months. ■

Special Questions (August 2020)		
Please list the annual percent change with respect to the following:		
	Current	Previous (May 2020)
<b>For your firm:</b>		
<i>Forecast for next year (2020Q3–2021Q3)</i>		
1. Prices your firm will receive (for its own goods and services sold).	2.0	1.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	2.5
<i>Last year's price change (2019Q3–2020Q3)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	1.5	0.0
<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).	2.8	3.0
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 August 2020	August vs. July					Six Months from Now vs. August				
	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?	24.1	28.1	55.4	10.8	17.2	36.0	54.1	18.1	15.3	38.8
Company Business Indicators										
New Orders	23.0	34.1	50.9	15.1	19.0	55.6	62.1	27.2	7.1	55.1
Shipments	15.3	25.7	58.0	16.3	9.4	51.3	58.2	28.1	11.3	46.9
Unfilled Orders	3.9	21.4	56.5	22.0	-0.6	22.0	27.7	58.2	9.7	18.0
Delivery Times	-6.4	19.2	68.9	11.9	7.3	10.5	21.5	58.9	14.2	7.3
Inventories	-11.8	18.5	58.9	20.4	-1.9	8.9	29.7	42.7	23.6	6.1
Prices Paid	15.7	21.2	72.9	5.9	15.3	43.0	41.6	52.1	3.9	37.7
Prices Received	11.5	16.4	79.7	4.0	12.4	24.7	32.8	60.2	2.6	30.2
Number of Employees	20.1	23.0	63.0	14.0	9.0	32.4	37.8	53.2	8.3	29.5
Average Employee Workweek	17.2	18.3	70.9	7.0	11.3	27.3	30.0	53.2	10.9	19.1
Capital Expenditures	--	--	--	--	--	26.6	32.8	52.4	9.8	23.0
<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 August 17, 2020.										