

June 2022

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

Manufacturing activity in the region weakened, according to the firms responding to the June *Manufacturing Business Outlook Survey*. The indicators for current activity and new orders turned negative, and the shipments index also declined but remained positive. However, the firms reported continued increases in employment. Both price indexes declined but remained elevated. Expectations for growth over the next six months deteriorated, as the future general activity, new orders, and shipment indexes fell sharply.

Current Indicators Weaken

The diffusion index for current general activity declined for the third consecutive month, falling 6 points to -3.3. This is the index's first negative reading since May 2020 (see Chart 1). Although most firms reported no change in activity (64 percent), the share of firms reporting decreases (20 percent) exceeded the share reporting increases (16 percent). The indicators for new orders and shipments decreased more sharply: The new orders index fell 35 points to -12.4, and the shipments index fell 25 points but remained positive at 10.8.

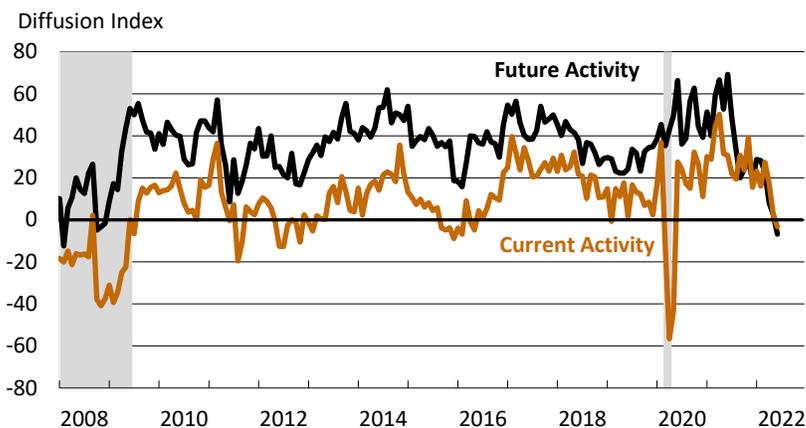
On balance, the firms continued to report increases in employment, and the employment index moved up from 25.5 to 28.1. More than 31 percent of the firms reported increases in employment, compared with 3 percent that reported decreases; 66 percent reported no change. The average workweek index decreased 4 points, to 11.8.

Price Increases Remain Widespread, but Indexes Decline

The indicators for prices paid and prices received continue to indicate widespread price increases but decreased this month. The prices paid index declined for the second consecutive month, down 14 points to 64.5 (see Chart 2). More than 70 percent of the firms reported increases in input prices, while 6 percent reported decreases; 24 percent of the firms reported no change. The current prices received index edged down from 51.7 to 49.2. Nearly 52 percent of

Chart 1. Current and Future General Activity Indexes

January 2008 to June 2022



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.

the firms reported increases in prices received for their own goods this month, 2 percent reported decreases, and 46 percent reported no change.

Firms Report Higher Production and Capacity Utilization

In this month's special questions, the firms were asked to estimate their total production growth for the second quarter ending this month compared with the first quarter of 2022 (see Special Questions on page 3). The share of firms reporting expected increases in first-quarter production (72 percent) far exceeded the share reporting decreases (9 percent). The firms were also asked about their current capacity utilization rate for the current quarter and one year ago as well as factors constraining capacity utilization in the current quarter. Relative to last year, a higher share of firms reported a utilization rate of 90 to 100 percent (16 percent versus 7 percent, respectively). The median current capacity utilization rate reported among the responding firms was 80 to 90 percent, slightly higher than what was reported for one year ago.

Released: June 16, 2022, 8:30 a.m. ET.

The July 2022 *Manufacturing Business Outlook Survey* will be released on July 21, 2022, at 8:30 a.m. ET.

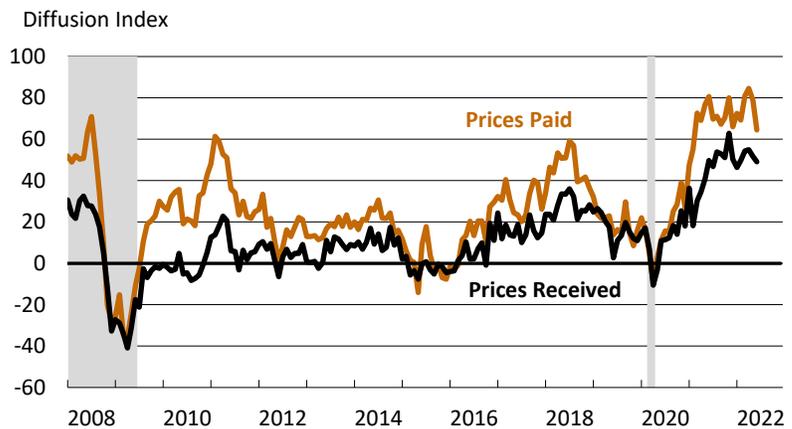


Regarding factors constraining capacity utilization in the current quarter, nearly all firms reported labor supply and supply chains as constraints to some degree, with similar shares indicating each factor significantly constrained utilization (40 percent and 42 percent, respectively). Looking ahead over the next three months, the firms were evenly split (21 percent each) over whether supply chain impacts would worsen or improve. Nearly 55 percent of the firms reported that energy markets were not acting as a constraint in the current quarter; however, 44 percent expected the impacts from energy markets to worsen over the next three months.

Future Indicators Decline

The diffusion index for future general activity decreased for the fifth consecutive month, to -6.8, its first negative reading since December 2008 (see Chart 1). Almost 42 percent of the firms expect activity to decrease over the next six months (up from 22 percent last month), while 36 percent expect activity to increase (up from 24 percent). The future new orders index declined 24 points, to -7.4, and the future shipments index fell 29 points, to 3.6. The firms continued to expect overall increases in employment over the next six months; however, the future employment index fell 19 points to 10.5. Over 20 percent of the firms expect to increase employment in their manufacturing plants over the next six months; 10 percent anticipate employment declines.

Chart 2. Current Prices Paid and Prices Received Indexes
January 2008 to June 2022



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 June *Manufacturing Business Outlook Survey* suggest weakened conditions for the region's manufacturing sector. The survey's indicators for general activity, new orders, and shipments all declined, with the former two turning negative, but the indicator for employment moved higher. The price indexes declined but continue to suggest widespread increases in prices. The survey's future indexes indicate deterioration in the respondents' expectations for growth over the next six months, as higher shares of firms expect decreases compared with last month. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY June 2022	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?	2.6	16.3	64.1	19.6	-3.3	2.5	35.7	19.4	42.4	-6.8
Company Business Indicators										
New Orders	22.1	16.5	53.8	28.9	-12.4	16.1	32.3	25.7	39.7	-7.4
Shipments	35.3	27.3	56.1	16.5	10.8	32.1	36.2	27.8	32.5	3.6
Unfilled Orders	17.9	19.5	54.0	26.5	-7.0	-24.5	9.9	46.4	41.9	-32.0
Delivery Times	17.5	21.0	67.8	11.1	9.9	-29.1	5.1	50.1	41.4	-36.3
Inventories	3.2	16.0	65.8	18.2	-2.2	4.6	16.8	62.6	18.5	-1.7
Prices Paid	78.9	70.1	24.3	5.6	64.5	59.4	61.8	32.0	3.3	58.5
Prices Received	51.7	51.5	45.5	2.3	49.2	58.9	53.7	35.8	7.0	46.7
Number of Employees	25.5	31.3	65.5	3.2	28.1	29.2	20.1	67.9	9.6	10.5
Average Employee Workweek	16.1	15.5	79.1	3.7	11.8	11.7	13.9	70.3	7.5	6.4
Capital Expenditures	--	--	--	--	--	9.6	18.9	70.1	7.2	11.7

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 because of rounding, omission by respondents, or both.
- (4) Survey results reflect data received through June 13, 2022.

Special Questions (June 2022)		
1. How will your firm's total production for the second quarter of 2022 compare with that of the first quarter of 2022 ?		
An increase of:	% of firms	Subtotals
10% or more	16.3	% of firms reporting an increase: 72.1
5–10%	30.2	
0–5%	25.6	
No change	18.6	
A decline of:		
0–5%	7.0	% of firms reporting a decrease: 9.3
5–10%	2.3	
10% or more	0.0	

2. Which of the following best characterizes your plant's percentage capacity utilization currently (2022:Q2) and one year ago (2021:Q2)?		
Capacity Utilization Rate	2022:Q2 % of reporters	2021:Q2 % of reporters
Less than 30%	0.0	2.3
30–40%	2.3	2.3
40–50%	2.3	2.3
50–60%	4.7	4.7
60–70%	14.0	14.0
70–80%	25.6	27.9
80–90%	34.9	39.5
90–100%	16.3	7.0
Median Utilization Rate	80–90	70–80

3. In the current quarter , to what degree have the following factors acted as constraints on capacity utilization?					4. Over the next three months , how do you expect the impacts of the following factors as constraints on capacity utilization to change?		
	Not at all (%)	Slightly (%)	Moderately (%)	Significantly (%)	Worsen (%)	Stay the same (%)	Improve (%)
COVID-19 mitigation measures	64.3	26.2	7.1	2.4	2.5	85.0	12.5
Energy markets	54.8	19.0	14.3	11.9	44.2	51.2	4.7
Financial capital	82.9	14.6	2.4	0.0	17.9	79.5	2.6
Labor supply	9.3	23.3	27.9	39.5	20.9	69.8	9.3
Supply chains	7.0	20.9	30.2	41.9	20.9	58.1	20.9
Other factors	54.5	13.6	0.0	31.8	0.0	90.0	10.0

