

May 2023

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

Manufacturing activity in the region continued to decline overall, according to the firms responding to the May *Manufacturing Business Outlook Survey*. The survey's indicators for general activity, new orders, and shipments rose from last month but remained negative. On balance, the firms also reported a decline in employment. The price indexes remained below long-run averages, with the prices received index declining further. The survey's future indexes continued to reflect muted expectations for growth over the next six months.

### Current Indicators Remain Negative

The diffusion index for current general activity rose from a reading of -31.3 last month to -10.4 this month (see Chart), its ninth consecutive negative reading. Nearly 35 percent of the firms reported decreases (unchanged from last month), exceeding the 25 percent reporting increases (up from 3 percent); 41 percent of the firms reported no change in current activity (down from 59 percent last month). The indexes for new orders and shipments both increased for the second consecutive month but remained negative. The index for current new orders rose 14 points to -8.9, and the current shipments index edged up 3 points to -4.7.

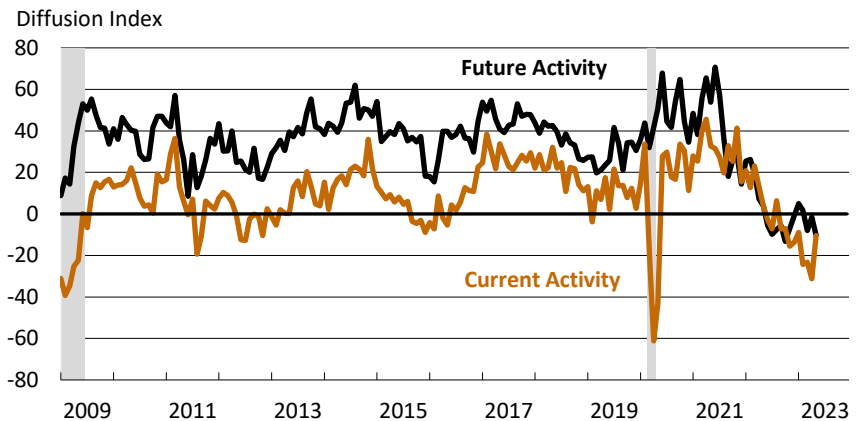
On balance, the firms reported a decline in employment. The employment index fell from -0.2 to -8.6, the index's third consecutive negative reading. Over 15 percent of the firms reported a decrease in employment, and 7 percent reported an increase; most firms (76 percent) reported no change. The average workweek index was little changed at -7.7.

### Price Indexes Remain Below Long-Run Averages

The prices paid diffusion index ticked up 3 points to 10.9, after reaching a near three-year low last month. Over one-quarter of the firms reported increases in input prices, and 15 percent reported decreases; 59 percent reported no change. The current prices received index fell 4 points to -7.0,

Chart. Current and Future General Activity Indexes

January 2009 to May 2023



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.

its fourth consecutive decline and lowest reading since April 2020. Twenty-two percent of the firms reported decreases in the prices of their own goods, 15 percent reported increases, and 63 percent reported no change.

### Firms Expect Steady Increases in Prices from Last Quarter

In this month's special questions, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters (see Special Questions). Regarding their own prices over the next year, the firms' median forecast was for an expected increase of 4.5 percent, unchanged from when this question was last asked in February. The firms reported a median increase of 6.0 percent in their own prices over the past year, down from 7.0 percent in February. The firms' median forecast for the rate of inflation for U.S. consumers over the next year was 5.0 percent, up from 4.0 percent in February. Over the long run, the firms' median forecast for the 10-year average inflation rate was 3.3 percent, up from 3.0 percent in February.

Released: May 18, 2023, 8:30 a.m. ET.

The June 2023 *Manufacturing Business Outlook Survey* will be released on June 15, 2023, at 8:30 a.m. ET.



## Future Indicators Soften

The diffusion index for future general activity declined 9 points to -10.3, the index's third consecutive negative reading (see Chart). Almost 37 percent of the firms expect a decrease in activity over the next six months, exceeding the 27 percent that expect an increase. The future new orders index fell from 9.8 to -2.3, and the future shipments index declined from 13.3 to 4.5. The firms expect increases in employment overall, as the future employment index rose 9 points to 12.6. Both future price indexes rose but remain below their long-run averages. The future capital expenditures index rose 8 points to 2.5, after negative readings in the prior two months.

## Summary

Responses to the May *Manufacturing Business Outlook Survey* suggest continued overall declines in the region's manufacturing sector this month. The indicators for current activity, new orders, and shipments rose, but all three remained in negative territory. The firms continued to indicate overall increases in prices paid and decreases for prices received. The survey's future indexes continued to suggest tempered expectations for growth over the next six months. ■

Special Questions (May 2023)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Feb. 2023)
<b>For your firm:</b>		
<i>Forecast for next year (2023Q2–2024Q2)</i>		
1. Prices your firm will receive (for its own goods and services sold).	4.5	4.5
2. Compensation your firm will pay per employee (for wages and benefits).	4.0	4.8
<i>Last year's price change (2022Q2–2023Q2)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	6.0	7.0
<b>For U.S. consumers:</b>		
4. Prices U.S. consumers will pay for goods and services over the next year.	5.0	4.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2023–2032).	3.3	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 May 2023	May vs. April					Six Months from Now vs. May				
	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?	-31.3	24.5	40.5	34.9	-10.4	-1.5	26.6	36.6	36.8	-10.3
Company Business Indicators										
New Orders	-22.7	27.4	33.6	36.3	-8.9	9.8	23.2	45.6	25.5	-2.3
Shipments	-7.3	21.4	52.5	26.1	-4.7	13.3	34.1	31.7	29.6	4.5
Unfilled Orders	-11.1	20.7	51.8	20.0	0.8	-16.2	14.5	55.3	24.5	-10.1
Delivery Times	-25.0	7.8	73.8	17.1	-9.3	-28.1	4.9	53.8	36.0	-31.0
Inventories	-17.9	18.5	63.9	12.1	6.4	-5.7	17.7	47.5	20.0	-2.2
Prices Paid	8.2	25.5	59.4	14.6	10.9	20.0	40.9	40.6	12.6	28.3
Prices Received	-3.3	14.9	63.1	22.0	-7.0	11.2	41.9	38.4	17.8	24.1
Number of Employees	-0.2	6.6	76.3	15.1	-8.6	3.8	23.6	60.5	11.0	12.6
Average Employee Workweek	-8.4	5.0	82.4	12.6	-7.7	-0.1	9.7	77.2	9.9	-0.2
Capital Expenditures	--	--	--	--	--	-5.4	15.5	64.7	13.0	2.5
<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 because of rounding, omission by respondents, or both.										
(4) Survey results reflect data received through May 15, 2023.										