

May 2024

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

Manufacturing activity in the region weakened overall, according to the firms responding to the May *Manufacturing Business Outlook Survey*. The survey's indicators for current general activity, new orders, and shipments all declined, with the latter two turning negative. The employment index suggests declines in employment overall. Both price indexes indicate overall increases in prices but remain below their long-run averages. The firms continue to expect growth over the next six months.

Most Current Indicators Decline

The diffusion index for current general activity remained positive but declined 11 points to 4.5 in May, mostly undoing its increase from last month (see Chart). More than 29 percent of the firms reported increases in general activity this month (down from 38 percent last month), while 25 percent reported decreases (up from 22 percent); 46 percent reported no change (up from 40 percent). The index for new orders declined from 12.2 to -7.9, its first negative reading since February, and the shipments index fell from 19.1 to -1.2, its first negative reading since January.

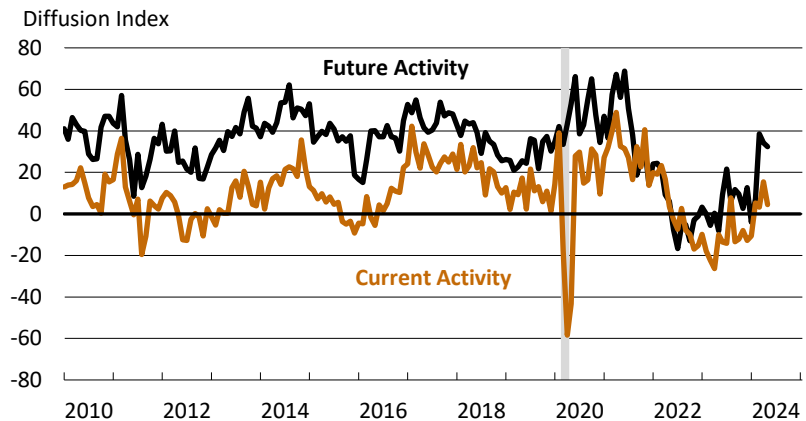
Although employment indicators rose, the firms continued to report a decline in employment, on balance. The employment index moved up 3 points to -7.9. Two-thirds of the firms reported no change in employment levels this month, while the share of firms reporting decreases (20 percent) exceeded the share reporting increases (12 percent). The average workweek index rose 10 points but remained negative at -8.3.

Price Indexes Remain Below Long-Run Averages

On balance, the firms continued to report overall increases in prices. After rising 19 points last month, the prices paid index declined 4 points to 18.7 in May. Almost 19 percent of the firms reported increases in input prices, while none reported

Chart. Current and Future General Activity Indexes

January 2009 to May 2024



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.

decreases; 78 percent of the firms reported no change. The current prices received index ticked up 1 point to 6.6. Almost 13 percent of the firms reported increases in prices received for their own goods, 6 percent reported decreases, and 78 percent reported no change.

Firms Expect Own Price Increases to Match Inflation

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 3.0 percent, unchanged from when this question was last asked in February. The firms reported a median increase of 2.7 percent in their own prices over the past year, down slightly from 3.0 percent last quarter. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.5 percent over the next four quarters, down from 4.0 percent. The firms' median forecast

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for the rate of inflation for U.S. consumers over the next year was unchanged at 3.0 percent.

Firms Remain Optimistic Overall

The diffusion index for future general activity edged down from 34.3 in April to 32.4 in May (see Chart). The share of firms expecting increases in activity over the next six months (45 percent) exceeded the share expecting decreases (12 percent); 43 percent expect no change. The future new orders index decreased 3 points to 39.7, while the future shipments index climbed 17 points to 46.2. Expectations for overall increases in employment over the next six months were more widespread, as the future employment index rose 9 points to 21.7. The future capital expenditures index was essentially unchanged at 20.1.

Summary

Responses to the May *Manufacturing Business Outlook Survey* suggest softer regional manufacturing activity this month. The indicator for current activity remained positive but declined, and the new orders and shipments indexes turned negative. On balance, the firms indicated a decline in employment, and price indexes were below their long-run averages. The survey's broad indicators for future activity continued to suggest widespread expectations for growth over the next six months. ■

Special Questions (May 2024)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Feb. 2024)
For your firm:		
<i>Forecast for next year (2024Q2–2025Q2)</i>		
1. Prices your firm will receive (for its own goods and services sold).	3.0	3.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.5	4.0
<i>Last year's price change (2023Q2–2024Q2)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.7	3.0
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	3.0	3.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2024–2033).	3.0	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 2024	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?	15.5	29.2	46.1	24.7	4.5	34.3	44.7	43.0	12.3	32.4
Company Business Indicators										
New Orders	12.2	24.4	43.1	32.3	-7.9	42.8	55.2	27.6	15.4	39.7
Shipments	19.1	27.9	43.0	29.1	-1.2	29.3	54.9	36.5	8.6	46.2
Unfilled Orders	0.8	9.7	65.8	21.2	-11.5	13.0	28.4	68.6	1.7	26.7
Delivery Times	-9.4	9.1	80.6	9.9	-0.8	0.7	23.7	69.1	7.2	16.5
Inventories	-8.9	13.7	57.3	23.7	-10.1	2.0	24.3	54.0	14.8	9.4
Prices Paid	23.0	18.7	77.6	0.0	18.7	54.5	40.1	51.0	4.7	35.4
Prices Received	5.5	12.6	78.4	6.0	6.6	34.4	35.2	59.1	3.8	31.4
Number of Employees	-10.7	11.8	66.5	19.7	-7.9	12.8	34.4	50.8	12.7	21.7
Average Employee Workweek	-18.7	8.1	75.4	16.5	-8.3	17.3	22.9	67.7	6.4	16.6
Capital Expenditures	--	--	--	--	--	20.0	26.5	61.4	6.4	20.1
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 May 13, 2024.										