

May 2015

Manufacturing activity in the region increased modestly in May, according to firms responding to this month's *Manufacturing Business Outlook Survey*. Indicators for general activity, new orders, and shipments were positive but remain at low readings. Employment increased at the reporting firms, but the employment index moderated compared with April. Firms reported continued price reductions in May, with indicators for prices of inputs and the firms' own products remaining negative. The survey's indicators of future activity suggest that firms expect continuing growth in the manufacturing sector over the next six months.

### Indicators Suggest Slight Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, decreased from 7.5 in April to 6.7 in May. The index has remained in a single-digit range for the first five months of this year (see Chart 1). The demand for manufactured goods, as measured by the survey's current new orders index, edged 3 points higher this month, with less than one-third of the firms reporting higher new orders in May compared with April. The current shipments index also increased 3 points to a reading of 1.

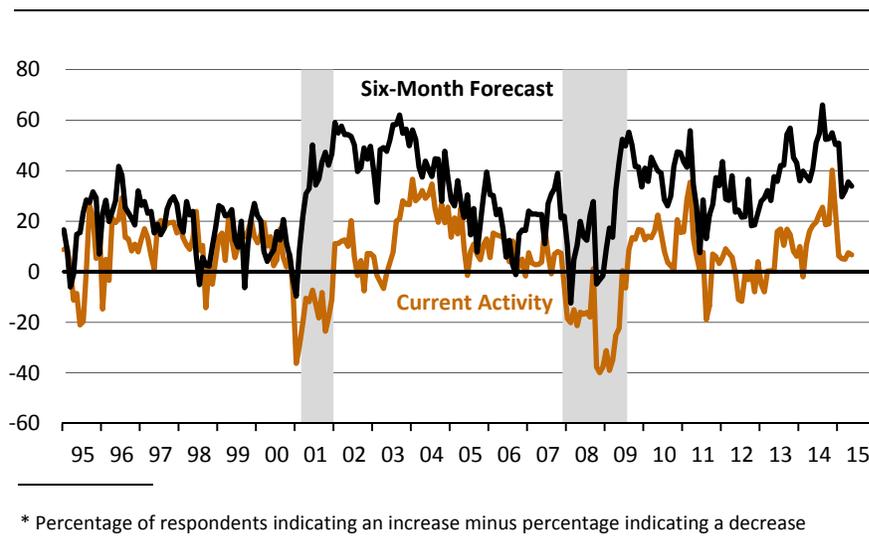
Firms' responses suggest some weakening in labor market conditions this month compared with April. The percentage of firms reporting an increase in employees in May (19 percent) exceeded the percentage reporting a decrease (13 percent). The current employment index, however, fell 5 points, to 6.7. Firms reported an overall modest decrease in the workweek: The percentage of firms reporting a shorter workweek (25 percent) was greater than the percentage reporting a longer workweek (19 percent).

### Notable Share of Firms Report Price Reductions

Input prices continued to fall for many of the reporting manufacturers: The prices paid index fell 7 points, to -14.2, its third consecutive negative reading and seventh consecutive monthly decline in the diffusion index (see Chart 2). Although 75 percent of the firms reported that input prices were unchanged, the per-

### Current and Future General Activity Indexes

(January 1995 to May 2015)



centage of firms reporting price reductions (19 percent) exceeded the percentage reporting price increases (5 percent). With respect to prices received for manufactured goods, the largest percentage of firms (76 percent) reported no change in prices. The percentage of firms reporting price reductions for their own products (15 percent) exceeded the percentage reporting price increases (9 percent) for the fifth consecutive month.

### Future Indexes Remain Below Last Year's Levels

Overall, firms remain optimistic about business and employment conditions over the next six months, although not at levels seen for most of last year. The diffusion index for future activity edged down slightly, from 35.5 in April to 33.9 in May, remaining well below the readings in 2014 (see Chart 1). Individual future indicators were little changed. The future index for shipments fell 2 points, while the future new orders index increased 1 point. About 32 percent of the firms expect expansion in their workforce over the next six months, while 11 percent expect a reduction. The future employment index edged slightly higher this month, to 21.5.

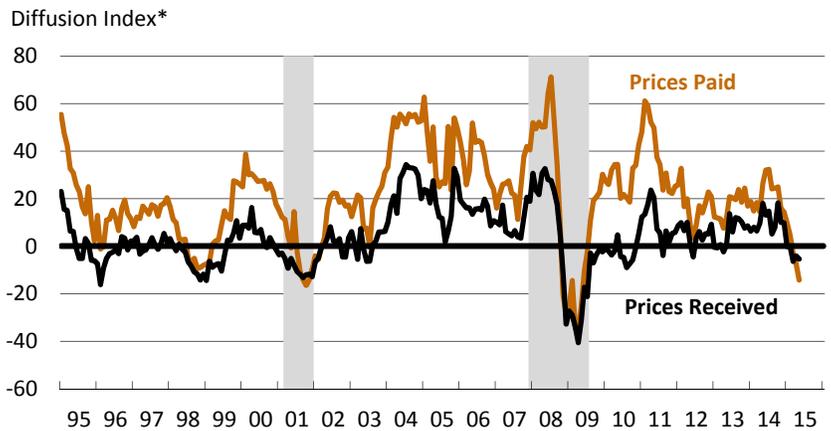


In this month's special questions, firms were surveyed about plans for hiring over the next year and about recent trends in compensation and wages. Although more than half of the firms are planning to increase employment over the next year, many firms reported increasing wages to retain and attract qualified workers. Over one-fifth of the firms reported increasing difficulty in filling openings over the past 12 months. These results are detailed on pages 3–4 of this release.

### Summary

The *Manufacturing Business Outlook Survey* suggests modest expansion of the region's manufacturing sector in May. The indicators for general activity and new orders both suggest expansion, but at a continued modest pace. Firms reported an increase in employment this month. A notable share of respondents continued to report downward price pressures for inputs. For their own manufactured products, more firms reported price decreases than reported price increases, although the majority reported steady prices. Indicators reflecting firms' expectations for the next six months were near steady this month, and firms remained optimistic about future employment growth. ■

**Current Prices Paid and Prices Received Indexes**  
(January 1995 to May 2015)



\* Percentage of respondents indicating an increase minus percentage indicating a decrease

Released: May 21, 2015, 10:00 a.m. ET.  
The June 2015 *Manufacturing Business Outlook Survey* will be released on June 18, 2015, at 10:00 a.m. ET.

MANUFACTURING BUSINESS OUTLOOK SURVEY May 2015	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?	7.5	27.0	50.3	20.3	6.7	35.5	48.8	26.2	14.9	33.9
Company Business Indicators										
New Orders	0.7	31.4	41.2	27.4	4.0	30.8	45.4	28.7	13.8	31.7
Shipments	-1.8	29.6	41.9	28.5	1.0	34.0	45.1	28.3	13.1	32.0
Unfilled Orders	-7.1	21.9	55.1	23.0	-1.1	16.6	24.8	52.4	8.9	15.9
Delivery Times	0.5	11.8	70.0	15.4	-3.6	-0.2	13.4	65.7	8.0	5.4
Inventories	1.5	19.1	59.0	20.9	-1.8	-5.4	17.9	46.8	21.9	-4.0
Prices Paid	-7.5	4.8	74.6	19.1	-14.2	19.9	24.0	56.9	3.1	20.9
Prices Received	-4.1	9.1	76.2	14.5	-5.4	10.7	24.8	54.8	5.4	19.4
Number of Employees	11.5	19.4	67.9	12.7	6.7	20.6	32.1	45.4	10.5	21.5
Average Employee Workweek	3.4	19.2	55.3	24.8	-5.6	2.4	18.7	58.6	9.4	9.3
Capital Expenditures	--	--	--	--	--	15.8	25.9	50.6	9.1	16.8

#### NOTES:

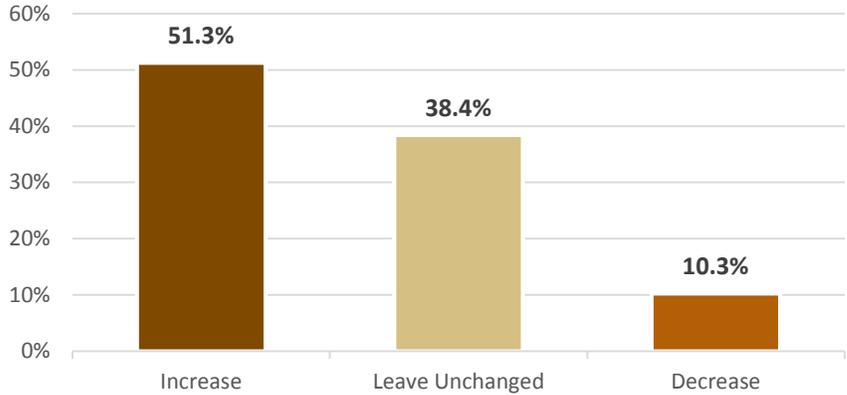
- (1) Items may not add up to 100 percent because of omission by respondents.
- (2) All data are seasonally adjusted.
- (3) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
- (4) Survey results reflect data received through May 19, 2015.

# MBOS SPECIAL QUESTIONS

May 2015

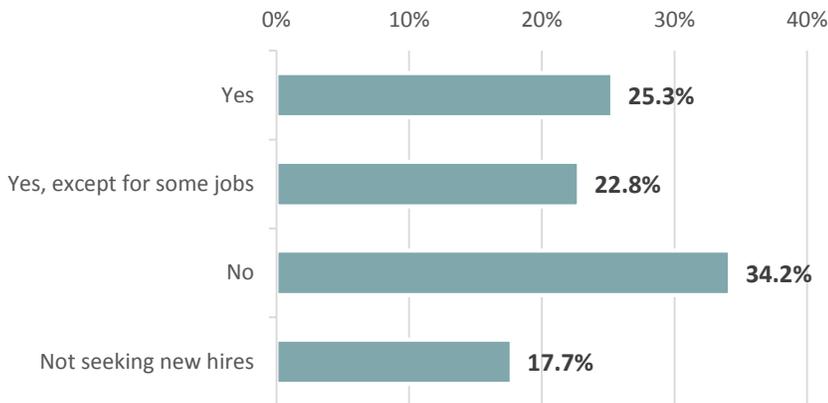
**1. Do you expect your firm to increase employment, leave employment unchanged, or decrease employment over the next 12 months?**

The majority of surveyed manufacturing firms are planning to hire workers over the next year.



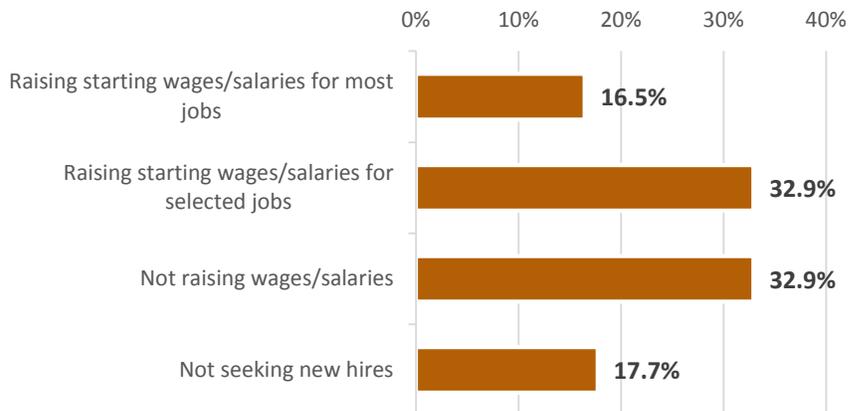
**2. In general, do you currently have enough qualified job candidates from which to choose to fill job vacancies?**

More than 34 percent of the firms surveyed did not have enough qualified candidates to fill job vacancies.



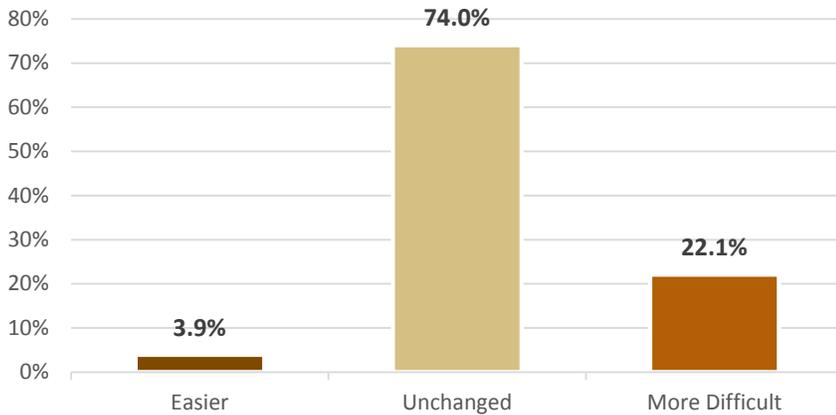
**3. Which of the following best describes your use of changes in starting wages and/or salaries to attract new hires?**

More than 49 percent of the firms are raising wages for either selected job categories (33 percent) or most job categories (17 percent).



# MBOs SPECIAL QUESTIONS

May 2015

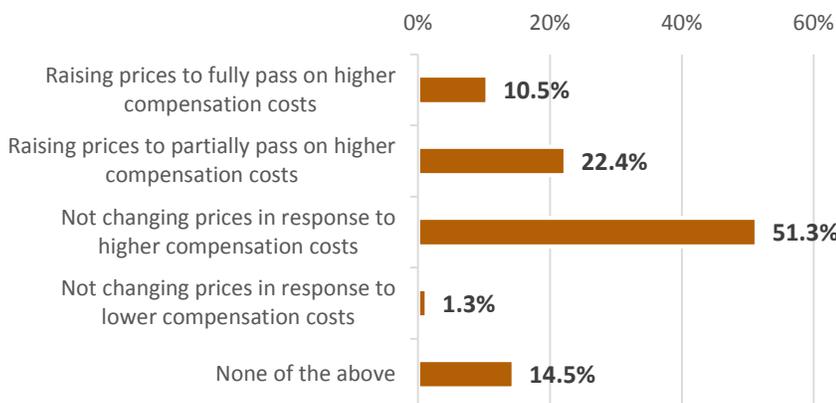
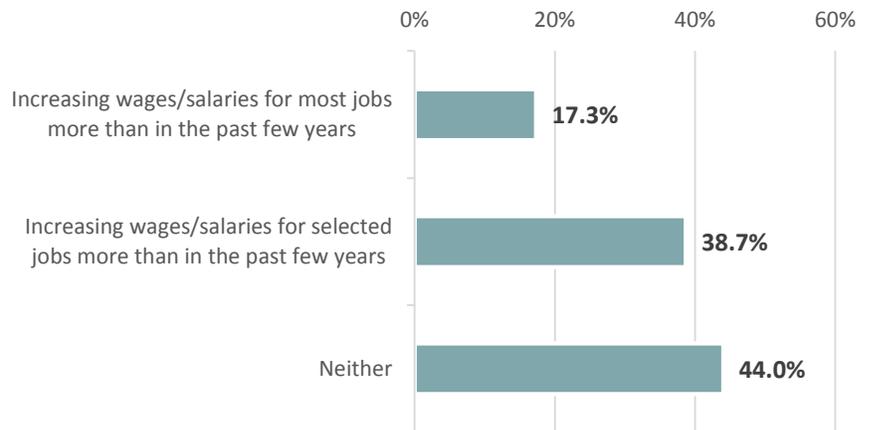


**4. Over the past 12 months, has your ability to retain employees become easier, remained unchanged, or become more difficult?**

About one-fifth of the firms surveyed are finding it more difficult to retain employees.

**5. Which of the following best describes your use of changes in wages and salaries to retain existing employees?**

The majority of firms surveyed reported that they were increasing wages and salaries for either all or some jobs.



**6. Which of the following best describes how your firm is changing the prices it charges for products and/or services in response to changes in compensation costs?**

Almost one-third of the firms surveyed reported that they were raising prices in response to higher compensation costs.

Note: No surveyed firms reported lowering prices in response to a change in compensation costs.

