

Manufacturing activity in the region increased in August, according to firms responding to this month's *Manufacturing Business Outlook Survey*. The indicators for general activity are holding fairly steady and suggest modest growth. While firms reported increased shipments compared with the prior month, the current indicators for new orders and employment suggest steady conditions. The survey's indicators of future activity predict a continuation of growth in the region's manufacturing sector over the next six months.

Firms Report Slight Growth

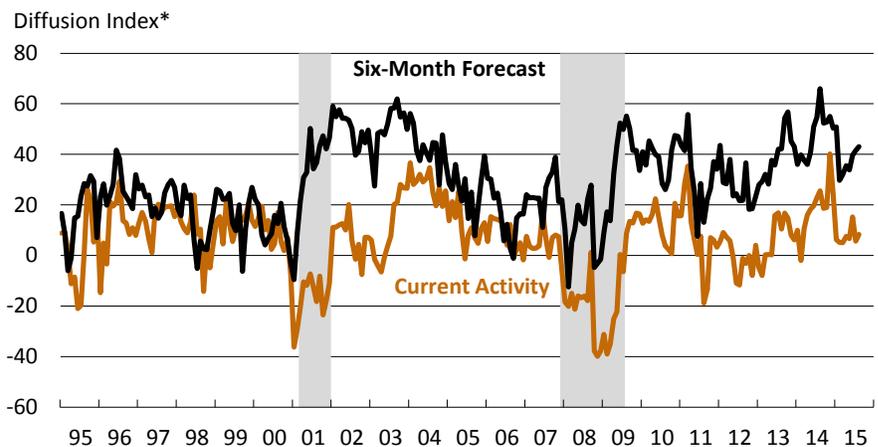
The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from 5.7 in July to 8.3 in August. This index has hovered in a low range since the beginning of the current year, far below the highs of late 2014 (see Chart). The demand for manufactured goods, as measured by the survey's current new orders index, remains low as well, falling slightly more than 1 point to 5.8 in August. However, the current shipments index rebounded 12 points to 16.7.

Firms' responses suggest steady conditions in the regional labor market. The percentage of firms reporting an increase in employees in August (21 percent) exceeded the percentage reporting a decrease (16 percent), and the corresponding diffusion index for current employment increased 6 points, to 5.3. Firms reported modest increases in the workweek: The percentage of firms reporting a longer workweek (16 percent) was greater than the percentage reporting a shorter workweek (7 percent).

Firms Report Minor Price Changes

Input price pressures were subdued: The prices paid index fell 14 points, to 6.2. Although 78 percent of the firms reported that input prices were unchanged, the percentage of firms reporting price increases (13 percent) exceeded those reporting reductions (7 percent). With respect to prices received for manufactured goods, a majority of firms (81 percent) reported no change in prices. The percentage of firms reporting reductions in prices received (11 percent) exceeded those reporting in-

Current and Future General Activity Indexes
(January 1995 to August 2015)



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

creases in prices received (6 percent) for the first time in three months.

Manufacturers Expect Growth over the Next Six Months

The diffusion index for future activity increased from 41.5 in July to 43.1 this month and remains well entrenched as an indicator of continued growth (see Chart). The future index for new orders was virtually unchanged at 46.4, while the future shipments index decreased 12 points to 37.6. The future employment index held relatively steady at 21.5. Most firms (over 61 percent) are expecting no change in their employment levels over the next six months.

Export Shares Are Lower

In this month's special questions, firms were asked about the growth of exports as a percentage of their total sales over the past year. The firms reporting decreases (23 percent) outnumbered those reporting increases (19 percent), producing a diffu-

Released: August 20, 2015, 10:00 a.m. ET.

The September 2015 *Manufacturing Business Outlook Survey* will be released on September 17, 2015, at 10:00 a.m. ET.



sion index of -4.2. The last time this question was asked (slightly more than one year ago), the share of firms reporting increases was much higher than the share reporting decreases (39 percent versus 7 percent), which resulted in a diffusion index of 31.6. Firms were also asked about the type of products they were exporting: Intermediate products held the largest share at 35 percent, followed by final business products at 23 percent and capital goods at 21 percent.

Summary

The *Manufacturing Business Outlook Survey* suggests a continuation of modest expansion of the region's manufacturing sector. The indicators for general activity and new orders and shipments remain positive, and firms reported a slight increase in employment in August. Price pressures for inputs are subdued, and although more firms reported price decreases for their own products than reported price increases, a strong majority reported steady prices received. The indicators reflecting firms' expectations about regional business conditions for the next six months were almost unchanged and remain strong. The responding firms also predict future employment growth. ■

Special Questions		
1. Over the past year, exports as a share of your total sales have:	July 2014	August 2015
Increased substantially	1.8%	6.3%
Increased modestly	36.8%	12.5%
Remained unchanged	54.4%	58.2%
Decreased modestly	7.0%	16.7%
Decreased substantially	0.0%	6.3%
Diffusion Index	31.6	-4.2
2. Which one of the following categories best characterizes the type of products being exported?	July 2014	August 2015
Final consumer products	11.3%	11.6%
Final business products	24.5%	23.3%
Intermediate products	39.6%	34.9%
Capital goods	18.9%	20.9%
Other	5.7%	9.3%
Note: Responses are not seasonally adjusted.		

MANUFACTURING BUSINESS OUTLOOK SURVEY August 2015	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?	5.7	30.1	46.9	21.9	8.3	41.5	55.0	30.4	11.9	43.1
Company Business Indicators										
New Orders	7.1	31.7	42.3	25.9	5.8	46.3	58.1	25.8	11.6	46.4
Shipments	4.4	36.0	43.3	19.3	16.7	49.7	54.1	29.3	16.6	37.6
Unfilled Orders	-6.3	13.6	68.2	14.6	-1.0	33.6	32.0	59.3	5.8	26.2
Delivery Times	-4.5	11.5	76.7	11.9	-0.4	10.3	10.6	76.3	9.6	1.0
Inventories	-5.7	19.1	62.0	18.9	0.2	-1.3	30.3	49.7	17.9	12.4
Prices Paid	20.2	13.4	77.8	7.2	6.2	37.3	38.4	58.7	0.0	38.4
Prices Received	1.7	6.1	81.2	11.0	-4.9	20.2	19.1	66.1	10.4	8.7
Number of Employees	-0.4	21.1	63.1	15.8	5.3	22.2	30.0	61.5	8.5	21.5
Average Employee Workweek	4.0	15.9	75.4	7.3	8.5	12.7	16.9	60.0	15.7	1.2
Capital Expenditures	--	--	--	--	--	7.7	28.6	55.6	10.1	18.4
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 August 17, 2015.										

