

Manufacturing conditions in the region showed slight improvement this month, according to firms responding to the November *Manufacturing Business Outlook Survey*. The indicator for general activity was slightly positive this month, following two months in negative territory. Indexes for new orders and shipments remained negative, although they increased from lower readings in October. Firms reported slight increases in overall employment this month but declines in average work hours. Manufactured goods prices were near steady. The survey's future indicators showed improvement. Only a small percentage of firms expect a downturn in business activity over the next six months.

Current Indicators Improved but Weakness Persists

The diffusion index for current activity edged higher this month, from -4.5 to 1.9, its first positive reading in three months (see Chart). The indexes for current new orders and shipments approached zero this month, increasing 7 points and 4 points, respectively. Both indexes remained negative, however, suggesting continued weakness.

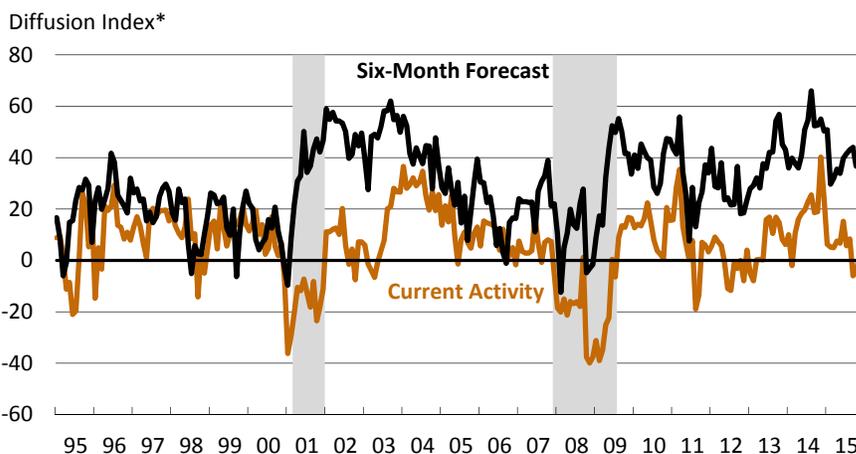
The survey's indicators for labor market conditions were mixed this month. The percentage of firms reporting increases in employment (14 percent) was slightly greater than the percentage reporting decreases (11 percent). The employment index increased 4 points, from -1.7 to 2.6. Firms, however, reported overall declines in average work hours in November. The workweek index registered its second consecutive negative reading and declined 9 points.

Manufactured Goods Prices Are Steady

The surveyed firms reported near-steady prices for their own manufactured goods this month. Most firms (70 percent) reported no changes in prices received, while the percentage of firms reporting lower prices (14 percent) was slightly greater than the percentage reporting higher prices (13 percent). Firms reported, on balance, declines in input prices. The percentage of firms reporting lower input prices

Current and Future General Activity Indexes

(January 1995 to November 2015)



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

(19 percent) was slightly greater than the percentage reporting higher input prices (14 percent). The current prices paid index remained negative for the second consecutive month.

Future Indexes Improve and Still Reflect Optimism

The diffusion index for future general activity increased from a reading of 36.7 in October to 43.4 this month. The percentage of firms expecting increases over the next six months (50 percent) remains significantly greater than the percentage of firms expecting decreases (7 percent). The index still remains below its reading from one year ago (see Chart). Future indexes for new orders and shipments also showed notable improvement this month, increasing 10 points and 7 points, respectively. In addition, firms marked up their forecasts for employment increases. The future employment diffusion index increased 14 points to its highest reading since last November. Thirty-three percent of the firms expect increases in employment over the next six months, up from 25 percent in October.

Released: November 19, 2015, 8:30 a.m. ET.

The December 2015 *Manufacturing Business Outlook Survey* will be released on December 17, 2015, at 8:30 a.m. ET.



Firms Expect Their Own Price Increases to Remain Below the Rate of Inflation

In this month's special questions, firms were asked to forecast the changes in prices of their own products over the next four quarters. The median forecast was for an increase in their own prices of 1 percent, a rate of increase lower than the rate of inflation expected to be faced by the workers they employ regionally (2 percent) and lower than the rate of inflation expected for the average U.S. consumer (2 percent). Firms expect their own per employee compensation costs (wages plus benefits) to rise by 3 percent over the next four quarters. When asked about the average rate of inflation for consumers over the next 10 years, the firms' median forecast was 2.5 percent.

Summary

Regional manufacturers reported slight improvement in the general level of activity in November. Indexes for new orders, shipments, and average work hours, however, continued to suggest weakness. Firms reported slightly improved employment and near-steady manufactured goods prices this month, on balance. The firms' future expectations showed notable improvement, with only a small percentage of firms expecting declines in activity over the next six months. One-third of the surveyed firms expect employment gains over the next six months. ■

Special Questions (November 2015)	
For the period 2015:Q4 to 2016:Q4, please list your expected annual percent change with respect to the following:	
	Percent Change*
1. For Your Firm:	
Prices your firm will receive (for its own goods and services sold).	1.0
Compensation your firm will pay per employee (for wages and benefits).	3.0
2. For your employees:	
Prices your employees will pay (for goods and services where they live).	2.0
3. For U.S. Consumers:	
Prices U.S. consumers will pay (for goods and services).	2.0
For the next 10 years (2015 through 2024), what is your expected annual average percent change with respect to the following:	
4. For U.S. Consumers:	
Prices U.S. consumers will pay (for goods and services).	2.5
*Figures represent median forecasts. At least 62 of the 76 firms responding to the survey also responded to the special questions.	

MANUFACTURING BUSINESS OUTLOOK SURVEY November 2015	November vs. October					Six Months from Now vs. November				
	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?	-4.5	24.7	51.9	22.8	1.9	36.7	50.4	30.9	7.0	43.4
Company Business Indicators										
New Orders	-10.6	25.8	42.9	29.5	-3.7	38.9	57.3	26.7	8.5	48.8
Shipments	-6.1	22.0	49.6	24.5	-2.5	37.1	53.5	30.3	9.6	43.9
Unfilled Orders	-11.7	18.3	65.7	16.0	2.4	8.1	28.0	59.3	12.5	15.5
Delivery Times	-1.2	5.4	89.7	4.9	0.5	-4.2	11.6	71.6	10.0	1.6
Inventories	-17.4	16.5	58.2	24.4	-7.9	-5.1	23.5	45.2	22.3	1.2
Prices Paid	-0.1	14.1	64.8	19.0	-4.9	17.0	33.7	47.0	13.0	20.7
Prices Received	1.3	13.2	69.6	13.6	-0.4	10.6	19.4	65.0	8.9	10.6
Number of Employees	-1.7	13.6	75.4	11.0	2.6	14.0	33.4	56.8	5.2	28.2
Average Employee Workweek	-7.3	7.7	62.1	23.9	-16.2	0.5	27.0	58.5	10.5	16.6
Capital Expenditures	--	--	--	--	--	7.2	38.8	45.3	12.9	25.9
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 November 16, 2015.										

