

Manufacturing activity in the region fell slightly in July, according to firms responding to this month's *Manufacturing Business Outlook Survey*. Although the indicator for current general activity turned negative, indicators for new orders and shipments were positive. Employment was flat at the reporting firms this month. Firms reported higher prices paid for materials and other inputs in July, but prices received for manufactured goods were relatively steady. The survey's index of future activity improved slightly, and firms expect growth in new orders and shipments over the next six months.

Indicators for Current Growth Were Mixed

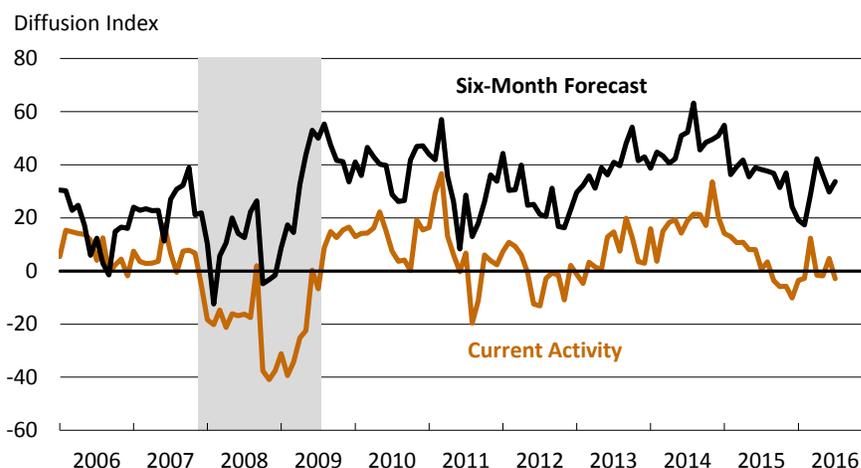
The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, fell from 4.7 in June to -2.9 this month. For nine of the past 11 months, this diffusion index has been negative (see Chart 1). Twenty-two percent of the firms reported an increase in activity, 3 points lower than last month, and the percent of firms that reported decreases rose from 20 to 25. Fifty-one percent of the firms reported steady activity this month, similar to the share that reported steady activity last month.

Demand for manufactured goods, as measured by the survey's current new orders index, expanded in July. The new orders index rose from -3.0 in June to 11.8 this month, and the current shipments index increased as well, from -2.1 to 6.3. The share of firms reporting an increase in new orders was 28 percent, up 7 points from last month, and 53 percent reported no change in new orders. The share of firms reporting an increase in shipments was 29 percent, up 3 points from last month, and 48 percent reported no change in shipments. Both unfilled orders and the delivery times were relatively flat this month.

Firms' responses suggest steady employment in July. The share of firms reporting no change in employees in July was 77 percent, up from 72 percent in June, and the current employment index rose from a reading of -10.9 last month to -1.6 this month. While firms reported a slight decline in the workweek in July, the -3.6 reading for this indicator is an improvement over June's reading of -13.1.

Chart 1. Current and Future General Activity Indexes

January 2006 to July 2016



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.

Firms Reported Steady Prices for Their Own Goods

Seventy-two percent of the firms reported no change in input prices this month, up from the 68 percent that reported no change last month. The prices paid index fell 13 points and is now at 9.9. With respect to prices received for their own manufactured goods, 76 percent of the firms reported no change, almost unchanged from June, and the prices received index fell from 3.9 to 0.3.

Future Indexes Signal Optimism

The survey's broad indicator of future growth moved slightly higher this month: The diffusion index for future general activity increased 4 points to 33.7, which is close to its average of 35.9 during the past five years (see Chart 1). Forty-six percent of the firms expect an increase in activity over the next six months, almost unchanged from last month, but the percentage of firms that expect a decrease in activity fell from 16 percent to 12 percent.

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The August *Manufacturing Business Outlook Survey* will be released on August 18, 2016, at 8:30 a.m. ET.



The future index for new orders held steady at 29.2, and the future shipments index fell 5 points, to 27.2. While both of these specific company-level diffusion indexes are below their five-year averages of 38.5 and 37.1, respectively, they show that firms are optimistic about prospects for growth. The future employment index rose slightly, to 12.8, in July. Twenty-four percent of the firms expect to expand their workforce over the next six months.

Special Questions About Seasonal Factors

In this month's special questions, firms were asked to assess the importance of seasonal factors in production, seasonal changes in their production by month, and whether these seasonal factors have changed in importance over time. Most firms (62 percent) reported that seasonal factors were not significant. Of the firms that reported significant seasonal patterns, the most common pattern was increased production during the spring and fall and decreased activity in midsummer and during the winter months. This year, 57 percent of the firms with seasonal patterns reported that seasonal effects have not changed; 30 percent saw seasonal patterns as less important (see Chart 2).



sector. The indicator for general activity was negative, but the indicators for new orders and shipments were positive. Employment and output prices were reported as steady. Firms' expectations for the next six months showed an improvement in the outlook for general activity. ■

Summary

This month's *Manufacturing Business Outlook Survey* gave mixed signals for current activity in the region's manufacturing

MANUFACTURING BUSINESS OUTLOOK SURVEY July 2016	July vs. June					Six Months from Now vs. July				
	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?	4.7	22.2	51.0	25.1	-2.9	29.8	45.5	32.2	11.8	33.7
Company Business Indicators										
New Orders	-3.0	27.6	52.7	15.8	11.8	29.9	43.7	32.5	14.5	29.2
Shipments	-2.1	29.2	47.9	22.9	6.3	32.2	41.4	34.5	14.2	27.2
Unfilled Orders	-12.6	15.5	67.5	13.6	1.9	-0.6	18.0	66.5	5.9	12.1
Delivery Times	-8.3	10.2	78.7	8.9	1.3	2.4	8.7	71.3	8.2	0.5
Inventories	-9.9	18.0	53.5	22.3	-4.3	-3.1	22.0	45.5	21.6	0.3
Prices Paid	23.0	17.2	71.9	7.3	9.9	37.8	29.7	56.1	3.3	26.4
Prices Received	3.9	10.8	76.1	10.6	0.3	16.5	28.4	54.5	4.3	24.1
Number of Employees	-10.9	9.4	76.9	11.0	-1.6	11.2	23.6	56.8	10.7	12.8
Average Employee Workweek	-13.1	17.4	57.3	21.0	-3.6	11.0	18.1	62.6	9.7	8.4
Capital Expenditures	--	--	--	--	--	7.1	22.3	60.5	7.2	15.1
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 percent because of rounding, omission by respondents, or both.										
(4) Survey results reflect data received through July 18, 2016.										

