

June 2017

Regional manufacturing continues to expand, according to results from the June *Manufacturing Business Outlook Survey*. The diffusion index for general activity fell from its reading in May but remained positive and continued to reflect growth. Although many of the future indicators also declined, firms continue to expect growth over the next six months. About one-third of the firms expect to add to their payrolls through the end of the year.

Current Indicators Reflect Continued Growth

The index for current manufacturing activity in the region decreased from a reading of 38.8 in May to 27.6 this month (see Chart 1). The index has been positive for 11 consecutive months. Forty-two percent of the firms indicated increases in activity in June, down from 51 percent last month. The shipments index decreased 11 points, while the new orders index was little changed. Both the delivery times and unfilled orders indexes were positive for the eighth consecutive month, suggesting longer delivery times and increases in unfilled orders.

Firms reported overall increases in manufacturing employment this month, but the current employment index fell 1 point. The index has remained positive for seven consecutive months. The percentage of firms reporting an increase in employment was 21 percent, down slightly from 23 percent last month. Firms also reported an increase in work hours this month: The average workweek index remained positive for the eighth consecutive month but decreased 1 point.

Price Indexes Are Mixed

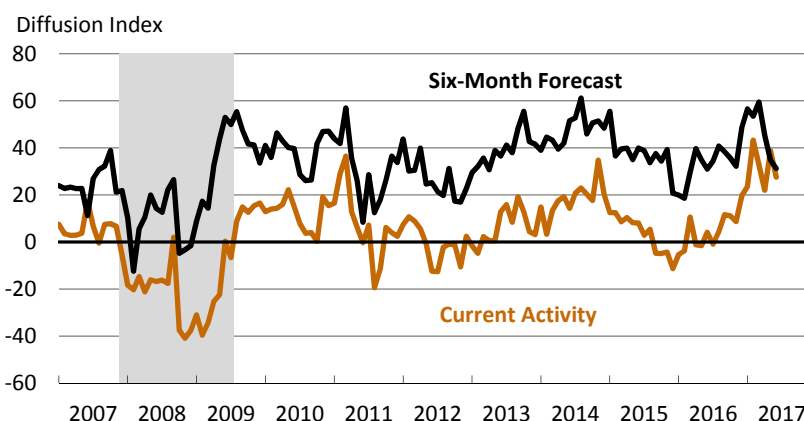
The survey's price indicators suggest little change in input price pressures in June, but more firms reported price increases for their own products this month. With regard to prices paid for inputs, 28 percent of the respondents reported higher input prices compared with 31 percent last month. The current prices paid index fell 1 point but has declined for three consecutive months. The prices received index, however, increased 5 points, with the percentage of firms reporting higher prices at 24 percent (see Chart 2), up from 21 percent last month. The index remains well above its average readings of last year.

Firms Expect Growth, but Optimism Has Waned in Recent Months

Most of the survey's six-month indicators decreased further from the higher readings seen at the beginning of the year. The diffusion index for future general activity decreased from 34.8 in

Chart 1. Current and Future General Activity Indexes

January 2007 to June 2017



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.

May to 31.3 this month, its third consecutive decline (see Chart 1). Forty-two percent of the manufacturers expect increases in activity over the next six months, while 10 percent expect declines. The indexes for future new orders and shipments were mixed: The future new orders index decreased 15 points, while the future shipments index was virtually unchanged. The future employment diffusion index, at 30, increased 1 point. Thirty-four percent of the firms expect to increase employment over the next six months.

Most Firms Expect Increased Production in the Near Term

In this month's special questions, firms were asked to estimate their total production growth for the second quarter ending this month along with expected growth for the third quarter (see Special Questions on page 3). The share of firms reporting increases in second-quarter production (60 percent) was greater than the share reporting decreases (17 percent). Looking ahead to the third quarter, 54 percent of the firms expect acceleration in the rate of production, while 18 percent of the firms expect deceleration. For those firms expecting an acceleration in production, 26 percent of the firms expect to hire additional workers. The remaining firms indicated that they would increase the work hours of current workers (36 percent)

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The July 2017 *Manufacturing Business Outlook Survey* will be released on July 20, 2017, at 8:30 a.m. ET.

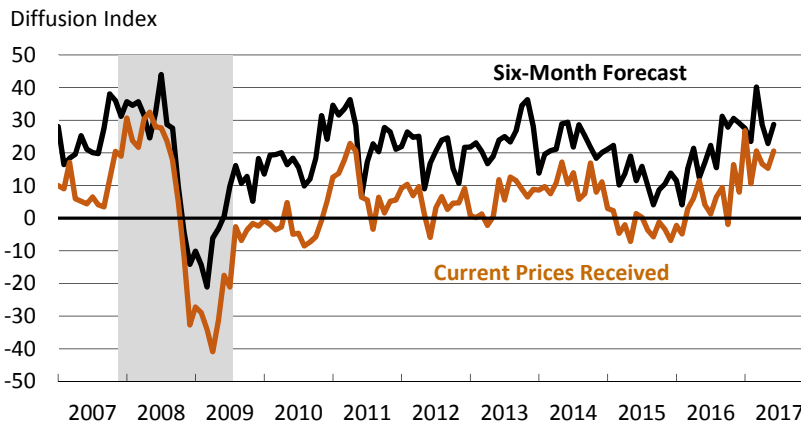


or increase productivity of current workers (36 percent) rather than increasing the number of workers.

Summary

Responses to the June *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. All the broad indicators remained at high positive readings, suggesting continued expansion. The survey's employment indexes continued to reflect overall employment growth and an increase in work hours. Many of the indicators reflecting firms' expectations for the next six months continued to retreat from recent highs but, on balance, suggest that growth is expected to continue through the end of the year. ■

Chart 2. Current and Future Prices Received Indexes
January 2007 to June 2017



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.

MANUFACTURING BUSINESS OUTLOOK SURVEY June 2017	June vs. May					Six Months from Now vs. June				
	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?	38.8	42.4	41.7	14.9	27.6	34.8	41.7	37.8	10.4	31.3
Company Business Indicators										
New Orders	25.4	44.8	36.3	18.9	25.9	47.2	47.5	31.3	15.6	31.9
Shipments	39.1	40.3	44.7	11.8	28.5	38.5	49.6	34.4	10.9	38.7
Unfilled Orders	9.0	25.1	63.1	11.1	14.0	11.5	18.2	57.4	14.8	3.4
Delivery Times	6.4	19.7	71.2	5.8	13.9	7.8	13.2	67.5	13.0	0.2
Inventories	1.4	20.5	63.2	14.6	5.8	7.4	31.3	50.0	10.9	20.4
Prices Paid	24.2	27.6	66.4	4.0	23.6	42.7	47.7	38.5	6.8	40.9
Prices Received	15.3	24.4	67.6	3.8	20.6	22.9	34.3	53.9	5.6	28.7
Number of Employees	17.3	20.7	71.4	4.7	16.1	29.2	33.7	55.7	3.7	30.0
Average Employee Workweek	21.7	25.0	66.2	4.5	20.5	0.3	21.5	57.8	13.1	8.4
Capital Expenditures	--	--	--	--	--	32.6	36.1	50.3	7.5	28.6

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 June 12, 2017.



Special Questions (June 2017)				
1. How will your firm's total production for the second quarter compare with that of the first quarter?*				
		Change attributable to (%):		
	% of firms	Seasonal factors	Business conditions	Other
Increase	60.3	17.2	36.2	3.4
No change	22.4			
Decrease	17.2	13.8	3.4	0.0
*Subtotals may not sum to totals because of incomplete answers.				
2. For the upcoming third quarter , how much growth do you expect at your plant compared with the second quarter?				
Significant acceleration	1.8	% of firms expecting acceleration: 54.4		
Some acceleration	33.3			
Slight acceleration	19.3			
No change	28.1	% of firms expecting deceleration: 17.5		
Slight deceleration	5.3			
Some deceleration	12.3			
Significant deceleration	0.0			
3. If you expect to increase production in the third quarter , how will this be accomplished?				
Hiring additional workers	25.8			
Increasing work hours of current staff, without hiring additional workers	35.5			
Increasing productivity of current staff, without hiring additional workers	35.5			
Other	3.2			

