

October 2017

Manufacturing firms reported continued growth in regional manufacturing in October. The survey's current indicators for general activity, new orders, shipments, and employment all remained positive this month. Both of the survey's current labor market indicators showed notable improvement. The indexes assessing the six-month outlook suggest that firms remained optimistic about future growth.

Current Indicators Suggest Continued Growth

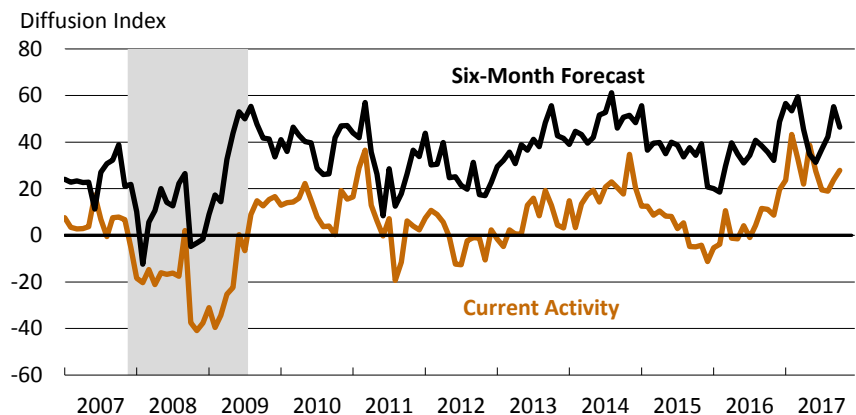
The index for current manufacturing activity in the region increased 4 points to a reading of 27.9 and is now at its highest reading since May (see Chart 1). More than 39 percent of the firms indicated increases in activity this month, while 11 percent reported decreases. Both the new orders and shipments indexes remained positive but fell this month, decreasing 10 points and 13 points, respectively. Both the unfilled orders and delivery times indexes were positive for the 12th consecutive month, suggesting longer delivery times and an increase in unfilled orders.

Firms reported, on balance, an increase in manufacturing employment and longer workweeks this month. Nearly 31 percent of the firms reported higher employment this month compared with 18 percent last month. No firms reported decreases in employment this month. The current employment index increased 24 points to a record high reading of 30.6. The average workweek index also increased 8 points, its highest reading in four months.

Firms Reported Higher Input Prices

Input price increases were in evidence this month. Slightly more than 40 percent of the firms reported increases in the prices paid for inputs this month, while only 2 percent reported price reductions. The prices paid index increased 4 points to its highest reading since March (see Chart 2). With respect to prices received for firms' own manufactured goods, 15 percent of the firms reported higher prices, down from 25 percent in September. The prices received index decreased 9 points. Nearly 81 percent of the responding firms reported stable prices for their own products this month.

Chart 1. Current and Future General Activity Indexes
January 2007 to October 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.

Six-Month Indexes Remain Positive but Moderated

Following three consecutive months of increase, the diffusion index for future general activity decreased from a high reading of 55.2 in September to 46.4 this month (see Chart 1). The percentage of firms expecting an increase in activity (53 percent) remains significantly higher than the percentage expecting a decrease (7 percent). The indexes for future new orders and shipments also fell this month, by 13 points and 11 points, respectively. However, firms boosted their forecast for future employment this month. Nearly 43 percent of the firms expect increases in employment over the next six months, up from 36 percent last month; only 4 percent expect decreases.

Firms Plan to Increase Capital Spending Next Year

For this month's special questions, manufacturers were asked about current capacity utilization rates compared with the same time last year (see Special Questions on page 3). The average capacity utilization rate reported was nearly 77 percent, up 2 percentage points from what was estimated for one year earlier. For the U.S., the capacity utilization rate for the manufacturing

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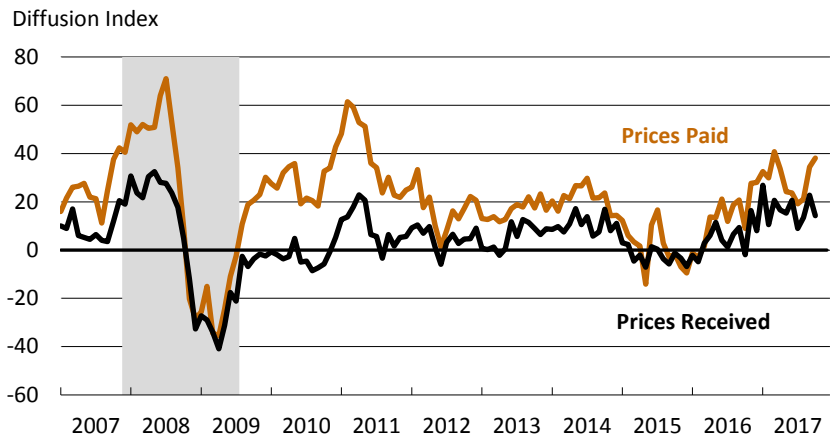


sector, overall, is estimated to be almost 76 percent, nearly the same as one year ago. Firms were also asked about their plans for different categories of capital spending next year. For nearly all categories of investment spending, the share of firms expecting to increase spending was higher than the share of firms expecting to decrease spending. Only the energy-saving investment category had more firms expecting decreases. Slightly more than half of the firms indicated that they will increase investment in noncomputer equipment. Only 13 percent of the surveyed firms indicated that the planned capital spending plans assumed that there would be changes in the federal tax policy for 2018.

Summary

Responses to the October *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. The index for general activity increased, while the indexes for new orders and shipments moderated this month but remain at relatively high levels. The current employment index reached a record high this month. Firms also reported input price pressures this month, but the manufacturing firms' own prices were less widespread. Firms' overall forecast for the next six months remained generally positive. ■

Chart 2. Current Prices Paid and Prices Received Indexes
January 2007 to October 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 October 2017	October vs. September					Six Months from Now vs. October				
	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?	23.8	39.2	47.9	11.3	27.9	55.2	52.9	35.2	6.5	46.4
Company Business Indicators										
New Orders	29.5	36.9	43.6	17.3	19.6	56.9	52.0	38.3	8.3	43.7
Shipments	37.8	38.7	44.8	14.2	24.4	55.8	52.3	35.5	7.0	45.3
Unfilled Orders	17.0	26.8	57.2	15.9	10.9	12.2	29.6	59.0	10.8	18.8
Delivery Times	14.5	26.8	67.8	5.1	21.6	4.6	19.3	60.4	16.9	2.4
Inventories	-1.4	22.2	61.7	16.1	6.0	18.9	28.3	53.9	15.9	12.4
Prices Paid	34.4	40.1	54.0	2.0	38.1	46.2	60.4	37.9	0.2	60.2
Prices Received	22.8	15.1	80.5	0.8	14.2	31.7	47.2	43.8	6.1	41.1
Number of Employees	6.6	30.6	69.4	0.0	30.6	30.1	42.9	52.0	4.2	38.7
Average Employee Workweek	11.9	24.2	70.6	4.9	19.4	18.1	21.7	71.0	3.2	18.6
Capital Expenditures	--	--	--	--	--	39.0	37.7	56.2	0.0	37.7

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 October 16, 2017.



Special Questions (October 2017)				
1. Which of the following best characterizes your plant’s current capacity utilization rate (current and last year)?				
Capacity Utilization Rate*	Current (% of reporters)	Same Time Last Year (% of reporters)		
Less than 60%	9.7	14.8		
60%–70%	22.6	18.0		
70%–80%	21.0	28.0		
80%–90%	29.0	27.9		
Greater than 90%	17.8	11.5		
Average utilization rate	76.9	75.0		
U.S. utilization rate**	75.5	75.4		
2. Do you expect the following capital expenditure categories over the next year (2018) to be higher than, the same, or lower than in the current year?				
	Higher (% of reporters)	Same (% of reporters)	Lower (% of reporters)	Diffusion Index
Noncomputer equipment	50.8	41.4	9.8	41.0
Software	25.9	67.2	6.9	19.0
Computer & related hardware	26.7	65.5	10.0	16.7
Structures	24.1	60.3	15.5	8.6
Other	10.0	44.8	3.3	6.7
Energy-saving investments	8.8	79.3	10.5	-1.8
3. Do these plans assume changes in the federal tax policy for 2018?				
	% of reporters			
Yes	12.9			
No	87.1			
*Firms provided more specific rates of utilization than shown in the provided ranges. **Capacity Utilization: U.S. Manufacturing (NAICS) “Current” shows the rate for September 2017; “Same Time Last Year” shows the rate for October 2016. Sources: Federal Reserve Board, Haver Analytics				

