

Regional manufacturing activity continued to expand in November, according to results from this month's *Manufacturing Business Outlook Survey*. The indexes for general activity and shipments fell from their October readings but remained positive, while the survey's index for new orders rose. The employment index fell but remained elevated. Almost all of the future indicators rose, and firms continue to expect growth in both activity and employment over the next six months.

Current Activity Continues to Expand

The diffusion index for current manufacturing activity in the region remained positive but decreased from a reading of 27.9 in October to 22.7 in November (see Chart). The index has been positive for 16 consecutive months. Nearly 35 percent of the firms indicated increases in activity this month, down slightly from October. The shipments index fell 3 points to 21.7, while the new orders index rose 2 points to 21.4. Both the delivery times and unfilled orders indexes remained positive, suggesting longer delivery times and increases in unfilled orders. In addition, the inventories index turned negative, falling 15 points to -8.6.

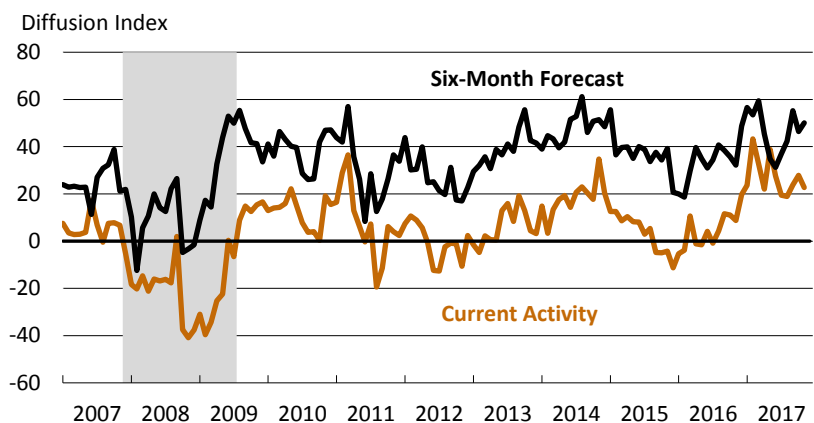
Firms continued to report increases in employment, though at a slower pace relative to last month. While the current employment index has been positive for 12 consecutive months, it fell 8 points to 22.6 in November. Almost 28 percent of the responding firms reported increases in employment, while 5 percent of the firms reported decreases. The average workweek index also fell, dropping 6 points to 13.7. This index has been positive for 13 consecutive months.

Price Pressures Show Little Change

The survey's prices paid index held relatively steady at 39.0, suggesting little change in input price pressures in November. Thirty-nine percent of the respondents reported higher input prices, while no firms reported decreases. Most firms (59 percent) reported no change in input prices. With respect to prices received for their own goods, 14 percent of the firms reported increases, and 6 percent reported decreases, up slightly from last month. The prices received index decreased 6

Current and Future General Activity Indexes

January 2007 to November 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.

points this month, with 79 percent of the firms reporting no change in their own prices.

Firms Expect Growth to Continue

Almost all of the survey's six-month indicators increased this month. The diffusion index for future general activity rose from 46.4 in October to 50.1 in November (see Chart). Almost 57 percent of the manufacturers expect increases in activity over the next six months, while 6 percent expect declines. The indexes for future new orders and shipments also rose: The future new orders index increased 13 points, while the future shipments index rose 3 points. The future employment diffusion index rose 3 points to 41.2. Forty-three percent of the firms expect to increase employment over the next six months.

Firms Expect Their Own Price Increases to Be Similar to Consumer Inflation

In this month's special questions, firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters (see Special Questions). Regarding their own prices, the firms' median

Released: November 16, 2017, 8:30 a.m. ET.
The December 2017 *Manufacturing Business Outlook Survey* will be released on December 21, 2017, at 8:30 a.m. ET.



forecast was for an increase of 2.0 percent, the same as when the question was last asked in August 2017. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was also 2.0 percent, a slight decrease from the previous forecast of 2.5 percent in August. Firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, the same as the previous forecast. Firms' forecast for the long-run (10-year average) inflation rate fell from 3.0 percent to 2.5 percent.

Summary

Responses to the November *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. While the current activity and shipment indexes fell, they remained positive, and the new orders index rose. The employment indexes also continued to reflect growth in labor demand in the region's manufacturing sector. Almost all of the indicators reflecting expectations for the next six months rose, suggesting that growth is expected to continue. ■

Special Questions (November 2017)		
Over the next year (2017:Q4 to 2018:Q4), please list your expected annual percent change with respect to the following:		
	Current Forecast	Previous Forecast (August 2017)
1. For your firm:		
Prices your firm will receive (for its own goods and services sold).	2.0	2.0
Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
2. For your employees:		
Prices your employees will pay (for goods and services where they live).	2.0	2.4
3. For U.S. consumers:		
Prices U.S. consumers will pay (for goods and services).	2.0	2.5
For the next 10 years (2017 through 2026), 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	3.0
The numbers represent medians of the individual forecasts (as percent changes). The forecasts are over the next year for questions 1 to 3 and an annual average for the next 10 years for question 4.		

MANUFACTURING BUSINESS OUTLOOK SURVEY November 2017	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?	27.9	34.7	53.3	12.0	22.7	46.4	56.5	32.8	6.4	50.1
Company Business Indicators										
New Orders	19.6	36.3	48.4	15.0	21.4	43.7	60.9	34.2	4.5	56.4
Shipments	24.4	39.1	43.5	17.4	21.7	45.3	53.6	39.8	5.8	47.8
Unfilled Orders	10.9	27.5	62.0	10.5	17.0	18.8	28.8	64.2	6.7	22.1
Delivery Times	21.6	24.1	66.4	9.5	14.6	2.4	21.3	63.4	13.6	7.6
Inventories	6.0	14.1	61.7	22.7	-8.6	12.4	41.2	40.8	13.1	28.1
Prices Paid	38.1	39.0	59.0	0.0	39.0	60.2	55.9	37.8	1.9	54.0
Prices Received	14.2	14.1	79.1	5.5	8.6	41.1	48.8	47.1	3.8	45.0
Number of Employees	30.6	27.8	67.0	5.2	22.6	38.7	42.9	50.8	1.7	41.2
Average Employee Workweek	19.4	20.7	70.7	7.0	13.7	18.6	24.0	70.8	5.2	18.8
Capital Expenditures	--	--	--	--	--	37.7	42.2	45.5	5.5	36.7
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 November 13, 2017.										

