

March 2018

Results from the March *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. Although the survey's index for general activity moderated, the indexes for new orders and shipments improved. The survey's future indexes, measuring expectations for the next six months, reflected continued optimism.

Current Indicators Suggest Continued Growth

The diffusion index for current general activity remained positive but declined, from 25.8 in February to 22.3 this month (see Chart 1). Nearly 37 percent of the manufacturers reported increases in overall activity this month, while 14 percent reported decreases. The indexes for current new orders and shipments recorded notable improvements this month. The current new orders index increased 11 points, with 52 percent of the firms reporting an increase in new orders. The shipments index increased 17 points. The indexes for unfilled orders and delivery times were positive and increased 6 points and 10 points, respectively. Inventories were higher this month: The current inventories index increased from -0.9 to 16.5.

The firms continued to report increases in employment. Nearly 35 percent of the responding firms reported increases in employment, while 9 percent reported decreases this month. The current employment index edged slightly higher to 25.6, its highest reading in five months.

Firms Report Cost Pressures

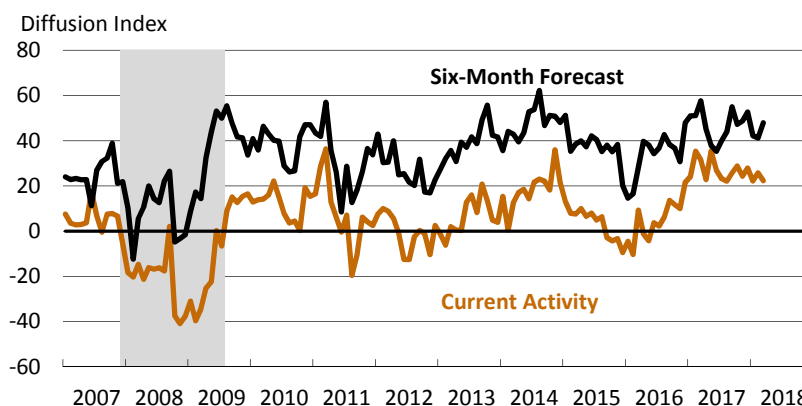
Price increases for purchased inputs were reported by 44 percent of the manufacturers this month. The prices paid diffusion index fell 2 points to 42.6 but remains near last month's reading, which was the highest since 2011 (see Chart 2). The current prices received index, reflecting the manufacturers own prices, declined 3 points to a reading of 20.7.

Firms Remain Optimistic

The diffusion index for future general activity increased from 41.2 in February to 47.9 this month (see Chart 1). Nearly 58 percent of the firms expect increases in activity over the next six months, while 10 percent expect declines. The future new orders and shipments indexes remain at high readings but fell

Chart 1. Current and Future General Activity Indexes

January 2007 to March 2018



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.

this month: The future new orders index fell less than 1 point, while the future shipments index fell 8 points. Nearly 64 percent of the firms expect price increases for purchased inputs over the next six months, while 54 percent expect higher prices for their own manufactured goods. The future prices received index is now at its highest reading since December 1988.

Firms Report Difficulties Finding Skilled Workers in Tight Labor Market

In special questions this month, firms were asked about current conditions in the labor market (see Special Questions). The firms were asked generally about worker shortages, any perceived mismatch between skill requirements and labor supply, and how they were dealing with such skills shortages. Nearly 64 percent of the firms reported labor shortages, while a higher percentage (70 percent) indicated skills mismatches between requirements and available labor. These percentages were slightly higher than the responses the last time the questions were asked in March 2017. Nearly 48 percent of the surveyed firms also reported that they had positions that have remained vacant for more than 90 days.

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The April 2018 *Manufacturing Business Outlook Survey* will be released on April 19, 2018, at 8:30 a.m. ET.

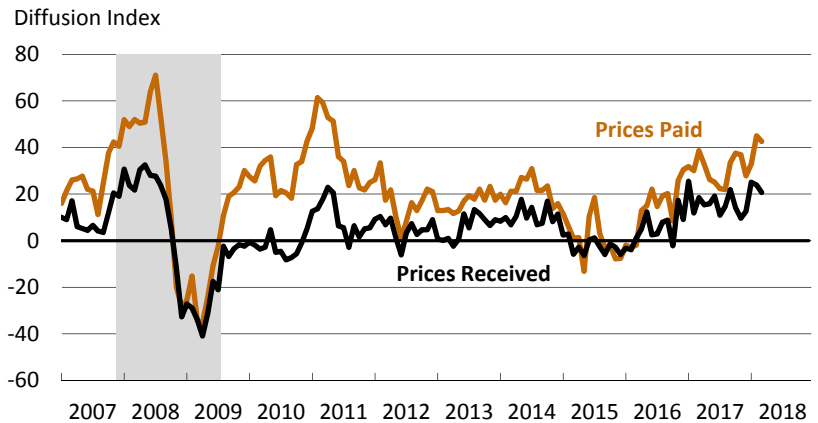


The scope of the perceived labor and skills shortages were evident in responses to specific questions about hiring difficulties. Over 41 percent of the firms indicated a significant shortage in qualified applicants for some skills and positions, while 35 percent of the firms said they were seeing a tightening labor market, but it was still possible to fill positions.

Summary

Responses to the March *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. The indexes for general activity, new orders, shipments, and employment all indicated continued expansion this month. In responses to special questions, the firms reported difficulties finding skilled workers, especially those with specific machine and tool skills, and over half of the firms are raising wages to address these shortages. Looking ahead six months, the firms continued to be optimistic about the outlook for manufacturing in the region. ■

Chart 2. Current Prices Paid and Prices Received Indexes
January 2007 to March 2018



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 March 2018	March vs. February					Six Months from Now vs. March				
	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?	25.8	36.5	45.1	14.3	22.3	41.2	57.8	29.7	9.9	47.9
Company Business Indicators										
New Orders	24.5	52.1	31.4	16.4	35.7	49.1	60.3	27.1	11.5	48.8
Shipments	15.5	44.8	38.7	12.5	32.4	51.7	54.7	28.8	11.3	43.4
Unfilled Orders	14.5	29.4	59.6	9.3	20.1	18.8	24.8	58.6	14.0	10.8
Delivery Times	4.5	22.5	69.0	8.5	14.0	16.6	20.8	63.5	11.2	9.6
Inventories	-0.9	28.4	59.1	11.9	16.5	27.5	32.7	46.3	18.4	14.3
Prices Paid	45.0	43.7	54.8	1.1	42.6	65.2	64.0	32.5	1.2	62.8
Prices Received	23.9	21.7	76.3	1.1	20.7	49.5	53.7	43.8	2.5	51.3
Number of Employees	25.2	34.6	55.5	9.0	25.6	40.4	43.2	47.3	6.1	37.1
Average Employee Workweek	13.7	20.0	70.6	7.2	12.8	14.7	29.0	57.0	7.1	21.8
Capital Expenditures	--	--	--	--	--	40.4	45.4	39.1	9.5	35.9

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 March 12, 2018.



Special Questions (March 2018)		
1. Has your firm experienced any significant labor shortages or mismatches between labor skill requirements and labor supply? (Check as many as apply.)*		
	2018 (%)	2017 (%)
Labor shortages	63.8	60.3
Skills mismatches	69.6	67.6
Job vacancies remaining more than three months	47.8	47.1
2. Is your firm experiencing a labor shortage in general or in certain skills, abilities, or positions?		
We are hiring and receive a sufficient number of qualified applicants to fill open positions.	1.5	-
We are seeing a significant shortage in qualified applicants for some skills and positions.	41.2	-
We are seeing a tightening labor market, such that it is getting harder to fill positions in general, but still possible to fill them.	35.3	-
We are seeing a broad labor shortage, such that it is hard to fill any position.	7.4	-
We are not hiring.	7.4	-
Not applicable	2.9	-
No response	4.4	-
3. Rank the following categories of skills shortages in terms of their current economic importance to your firm. (Percentage of firms reporting the category in its top three rankings)*		
Skills in the use of production machines or tools	67.2	91.2
Specific plant and systems operator skills	63.8	64.9
Supervisory, management, or administrative skills	44.8	49.1
Basic skills (reading, writing, and math)	31.0	35.1
Computer skills	34.5	24.6
English language skills	20.7	8.8
Other skills	8.6	5.3
4. What actions has your firm taken to address skills shortages? (Check as many actions as apply.)*		
Increase recruitment efforts	75.4	77.9
Provide additional training to existing staff	52.2	54.4
Increase wages	50.7	45.6
Expand recruitment outside region	24.6	29.4
Partner with educational institution to align curriculum with talent needs	34.8	29.4
Increase recruitment incentives	15.9	20.6
Increase benefits	14.5	11.8
Decrease production	4.3	7.4
Use phased retirement program to retain older workers	10.1	8.8
Other	0.0	8.8
*Percentage will not sum to 100 percent because more than one action could be selected.		

