

April 2018

Results from the April *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. Although the survey's indexes for general activity and employment improved slightly, the indexes for new orders and shipments moderated. The firms also reported higher prices for both inputs and their own manufactured goods this month. 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 edged 1 point higher, from 22.3 in March to 23.2 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 remained positive but fell 17 points and 9 points, respectively.

The firms continued to report overall increases in employment. Over 31 percent of the responding firms reported increases in employment, while 4 percent reported decreases this month. The current employment index edged 2 points higher to 27.1, its highest reading in six months. The firms also reported a longer average workweek this month: The current average workweek index increased 9 points.

Price Indexes Suggest Increasing Prices

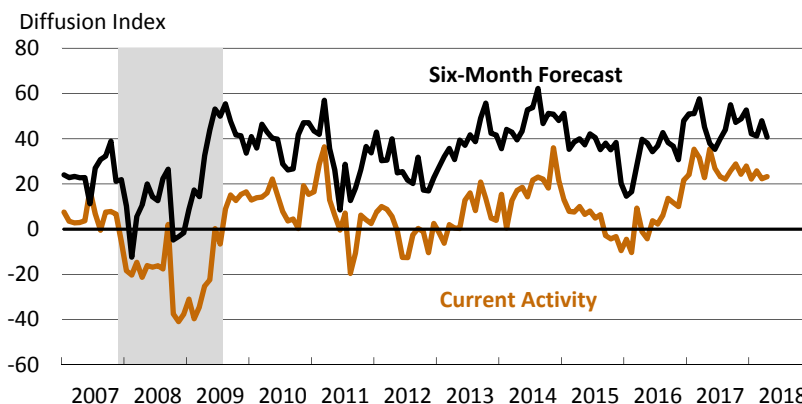
Price increases for purchased inputs were reported by 59 percent of the manufacturers this month, up notably from 44 percent in March. The prices paid diffusion index increased 14 points to its highest reading since March 2011 (see Chart 2). The current prices received index, reflecting the manufacturers' own prices, increased 9 points to a reading of 29.8, its highest reading since May 2008.

Firms Remain Optimistic

The diffusion index for future general activity decreased from 47.9 in March to 40.7 this month (see Chart 1). Nearly 50 percent of the firms expect increases in activity over the next six months, while 9 percent expect declines. The future new orders index fell 12 points, while the future shipments index rose 5 points. Slightly more than 68 percent of the firms expect price increases for purchased inputs over the next six months, and 50

Chart 1. Current and Future General Activity Indexes

January 2007 to April 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.

percent expect higher prices for their own manufactured goods. Nearly 42 percent of the firms expect to add workers over the next six months. Although the future employment index declined 3 points, it remains at a high reading of 34.6.

Firms Expect Higher Capital Spending in 2018

In special questions this month, firms were surveyed about their capital spending plans for 2018 compared with actual spending levels in 2017 (see Special Questions). Most of the special questions were also asked last April. Nearly 53 percent of the firms indicated that total capital spending would increase this year compared with 2017, while 19 percent indicated that spending would decrease. Over 27 percent of the firms indicated that the recent tax changes had positively affected their planned capital spending for 2018. Nearly 19 percent of the firms were not yet sure of the impacts on spending plans. The need to replace capital goods and expected high sales growth were the most cited reasons for the increase in capital spending plans. Among the firms that indicated that capital spending would increase, 71 percent indicated that the majority of the spending would occur in the second half of the year.

Released: April 19, 2018, 8:30 a.m. ET.

The May 2018 *Manufacturing Business Outlook Survey* will be released on May 17, 2018, at 8:30 a.m. ET.

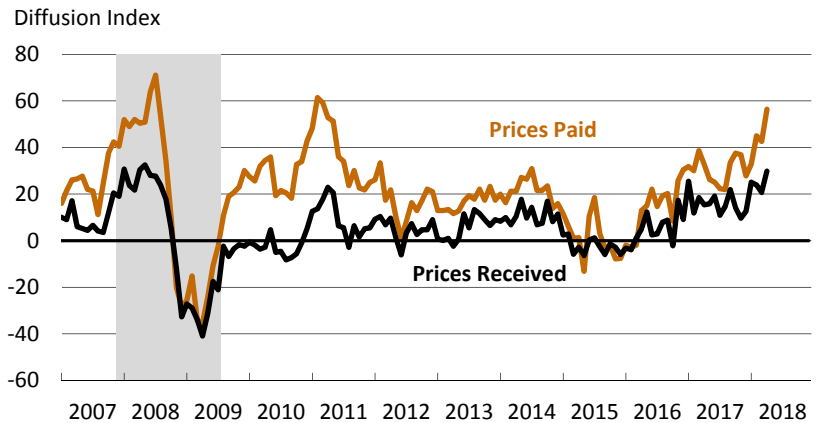


Among the firms that do not plan to increase capital spending, the most cited reasons were limited need to replace capital goods and information technology equipment.

Summary

Responses to the *April 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. The indexes for prices paid and received also increased notably this month. In responses to special questions, over half of the firms indicated plans to increase capital spending this year. Looking ahead six months, the firms continued to be optimistic about the outlook for manufacturing activity. ■

Chart 2. Current Prices Paid and Prices Received Indexes
January 2007 to April 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 April 2018	April vs. March					Six Months from Now vs. April				
	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?	22.3	36.9	48.1	13.7	23.2	47.9	49.8	35.7	9.1	40.7
Company Business Indicators										
New Orders	35.7	40.8	36.4	22.4	18.4	48.8	47.8	39.3	10.6	37.2
Shipments	32.4	43.3	36.4	19.4	23.9	43.4	55.2	32.3	7.3	47.9
Unfilled Orders	20.1	21.1	64.7	13.4	7.8	10.8	19.4	68.6	11.8	7.6
Delivery Times	14.0	24.3	71.0	3.6	20.7	9.6	20.6	68.2	11.0	9.6
Inventories	16.5	31.0	47.5	21.5	9.5	14.3	36.5	40.3	20.0	16.5
Prices Paid	42.6	58.9	38.1	2.5	56.4	62.8	68.3	24.5	1.5	66.8
Prices Received	20.7	34.9	59.9	5.1	29.8	51.3	50.4	46.0	2.5	47.9
Number of Employees	25.6	31.2	64.7	4.1	27.1	37.1	41.8	46.8	7.2	34.6
Average Employee Workweek	12.8	30.1	60.5	8.5	21.6	21.8	23.6	64.3	9.5	14.0
Capital Expenditures	--	--	--	--	--	35.9	38.8	42.5	9.0	29.8

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 April 16, 2018.



Special Questions (April 2018)				
1. In 2018, do you expect the following capital expenditure categories to be lower than, the same, or higher than last year?				
	Lower (%)	Same (%)	Higher (%)	Diffusion (%)
Noncomputer equipment	15.9	37.7	46.4	30.4
Software	17.4	50.7	31.9	14.5
Computers and related hardware	18.8	47.8	33.3	14.5
Structures	19.7	48.5	31.8	12.1
Energy-saving investments	14.3	73.0	12.7	-1.6
Total Capital Spending	19.1	27.9	52.9	33.8
2. If you plan to increase capital spending, what will be the impact of tax reform passed in December 2017 on your planned total capital spending for 2018?*				
		2017 (%)	2018 (%)	
Significant increase in total capital spending (>10 percent)		-	10.0	
Moderate increase in total capital spending		-	7.1	
Slight increase in total capital spending		-	10.0	
Not sure		-	18.6	
No response		-	5.7	
3. If your firm plans to increase total capital spending, what are the other major factors behind your plan?***				
		2017 (%)	2018 (%)	
Need to replace other capital goods		42.4	64.7	
High expected sales growth		51.5	52.9	
Improved cash flow or balance sheet position at the firm		21.2	35.3	
Need to replace information technology equipment		33.3	35.3	
High current capacity utilization		30.3	32.4	
Need to replace equipment that consumes too much energy		6.1	8.8	
Lower cost or better availability of external financing		0.0	5.9	
4. If your firm plans to increase total capital spending, when do you expect the majority of this spending to occur?				
		2017 (%)	2018 (%)	
First half of year		36.7	29.0	
Second half of year		63.3	71.0	
5. If your firm does not plan to increase total capital spending, what are the major factors behind your decision?***				
		2017 (%)	2018 (%)	
Limited need to replace other capital goods		54.5	76.9	
Limited need to replace information technology equipment		36.4	53.8	
Low current capacity utilization		54.5	30.8	
Poorer cash flow or balance sheet position at the firm		27.3	23.1	
Low expected sales growth		27.3	15.4	
*Percentages reflect all responding firms, not only those that indicated higher expected levels of total capital spending.				
**Percentages will not sum to 100 percent because more than one response could be selected.				

