

July 2018

Regional manufacturing activity continued to expand in July, according to results from this month's *Manufacturing Business Outlook Survey*. All the broad indicators remained positive, with the general activity and new orders indexes improving this month. The survey's price indexes suggest widespread increases for purchased inputs, and more firms reported price increases for their own manufactured goods. Expectations for the next six months continued to moderate but remain positive overall.

Current Indicators Reflect Continued Growth

The diffusion index for current general activity increased 6 points this month (see Chart 1). Over 44 percent of the manufacturers reported increases in overall activity this month, while 19 percent reported decreases. The new orders index rebounded 14 points after falling 23 points in June. Nearly 46 percent of the firms reported an increase in orders, and 14 percent reported declines. The current shipments index, however, decreased 4 points. The firms reported, on balance, increases in unfilled orders and longer delivery times this month.

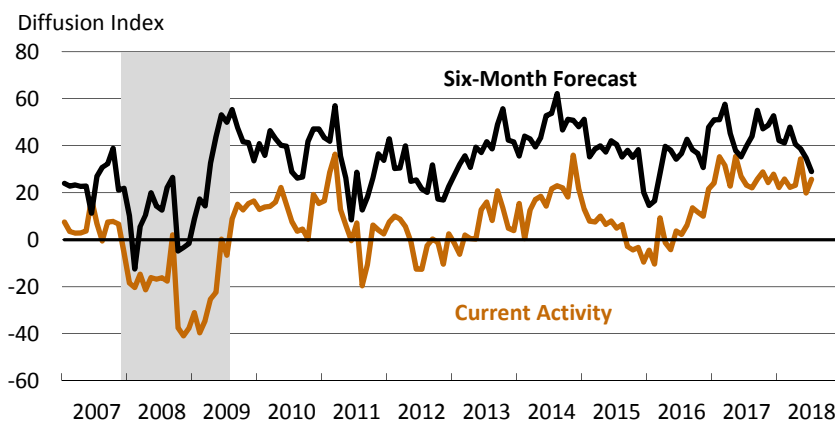
The firms continued to report overall higher employment, but increases were not as widespread this month. Over 24 percent of the responding firms reported increases in employment this month, down from 34 percent last month. The current employment index fell 14 points to 16.8. The current average workweek index declined 11 points.

More Firms Report Price Increases

The manufacturers continued to report higher prices for both purchased inputs and their own manufactured goods. Price increases for purchased inputs were reported by 63 percent of the manufacturers this month, up from 54 percent last month. The index has now risen 30 points since January (see Chart 2). The current prices received index, reflecting the manufacturers' own prices, increased 3 points. Over 36 percent of the firms reported higher prices for their manufactured goods this month.

Chart 1. Current and Future General Activity Indexes

January 2007 to July 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.

Six-Month Indicators Continue to Moderate

The diffusion index for future general activity decreased for the fourth consecutive month, falling from 34.8 in June to 29.0 this month (see Chart 1). Over 42 percent of the firms expect increases in activity over the next six months, while 13 percent expect declines. The future new orders index decreased 10 points, but the future shipments index was virtually unchanged. More than 60 percent of the firms expect price increases for purchased inputs over the next six months. Over 52 percent expect higher prices for their own manufactured goods. The future employment index decreased 7 points to a reading of 27.5, with almost 35 percent of the firms expecting to add workers over the next six months.

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

The August 2018 *Manufacturing Business Outlook Survey* will be released on August 16, 2018, at 8:30 a.m. ET.

The *Manufacturing Business Outlook Survey*, which is the oldest regional Federal Reserve manufacturing survey, turned 50 in May. Read more about the history of the survey at www.PhiladelphiaFed.org/MBOS50.



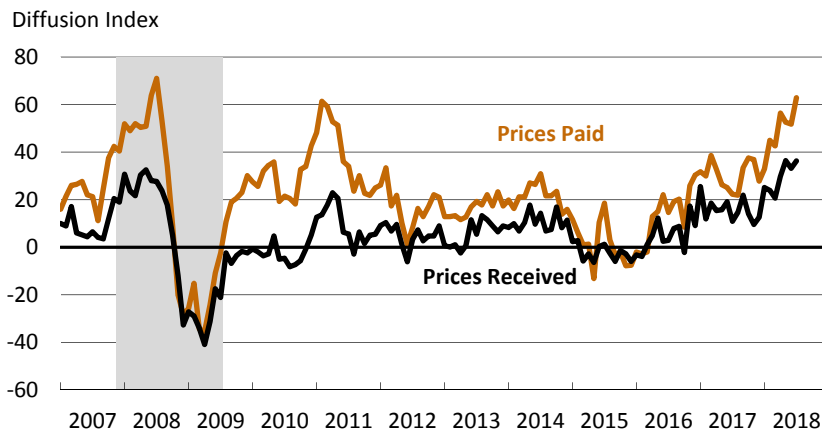
Fewer Firms Report Summer Slowdowns This Year

In this month's special questions (see Special Questions on page 3), firms were asked to assess the importance of seasonal factors in production and whether these seasonal factors have changed in importance over time. Most firms (61 percent) reported that seasonal factors were not significant; however, 36 percent indicated that they were. The firms continued to report that the most common pattern was increased production during the spring and fall and decreased activity in midsummer and during the winter months. Similar to the pattern reported last year, nearly 52 percent of the firms with seasonal patterns reported no difference in seasonal effects, 26 percent saw seasonal patterns as less important, and only 8 percent indicated they were more significant. The firms were also asked about whether they were scheduling plant shutdowns or production slowdowns during the summer months this year. Over 19 percent indicated that such slowdowns were scheduled this summer, down from 26 percent when the question was asked last year.

Summary

Responses to the July *Manufacturing Business Outlook Survey* indicate continued expansion for the region's manufacturing sector. The firms reported increases in new

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

orders, but employment growth was less widespread than in June. The firms also continued to report higher prices for inputs and their own manufactured goods. Looking ahead six months, the firms remain optimistic overall, but the survey's future indicators continued to moderate. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY July 2018	July vs. June					Six Months from Now vs. July				
	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?	19.9	44.1	37.4	18.5	25.7	34.8	42.1	32.8	13.1	29.0
Company Business Indicators										
New Orders	17.9	45.7	33.9	14.2	31.4	38.2	43.8	35.4	15.5	28.3
Shipments	28.7	41.6	41.5	16.9	24.7	37.0	53.0	30.6	15.8	37.2
Unfilled Orders	-2.7	25.0	59.9	14.0	11.0	17.2	21.2	58.1	17.8	3.3
Delivery Times	9.6	16.6	75.8	5.6	11.0	1.5	9.0	77.7	10.6	-1.6
Inventories	10.2	27.2	59.6	12.8	14.4	17.2	20.1	63.0	11.2	9.0
Prices Paid	51.8	62.9	37.1	0.0	62.9	62.6	60.4	36.2	0.7	59.7
Prices Received	33.2	36.3	63.7	0.0	36.3	56.6	52.2	43.4	1.6	50.6
Number of Employees	30.4	24.1	64.8	7.4	16.8	34.1	34.6	56.8	7.1	27.5
Average Employee Workweek	24.2	24.4	65.0	10.7	13.7	14.1	25.9	63.2	8.3	17.7
Capital Expenditures	--	--	--	--	--	36.5	40.5	46.8	9.1	31.4

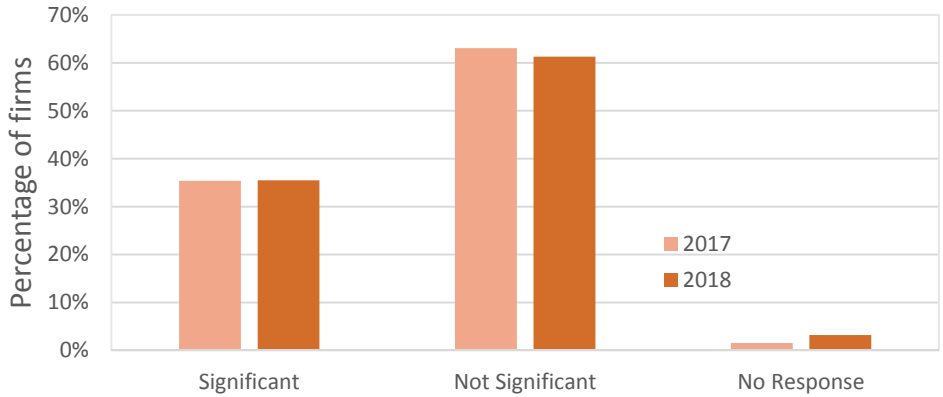
NOTES:

- (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 July 16, 2018.

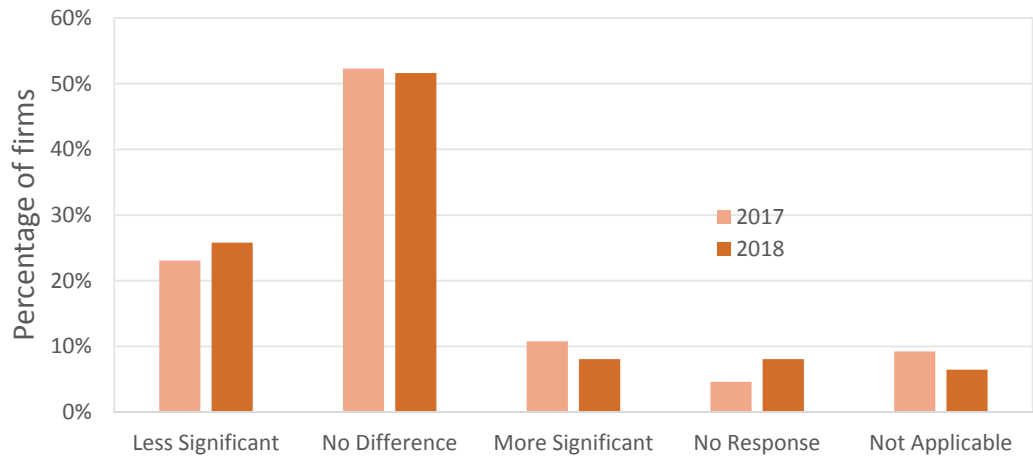


Special Questions (July 2018)

1. How important are seasonal factors in your monthly production levels?



2. Have seasonal factors become more or less important for your business over time?



3. Are you scheduling plant shutdowns or production slowdowns during the summer months this year?

	July 2018 (%)	July 2017 (%)
Yes	19.3	26.2
No	75.8	70.8
NR	4.8	3.1

