

November 2018

Growth in manufacturing activity slowed in November, according to results from this month's *Manufacturing Business Outlook Survey*. The survey's broad indicators for general activity, new orders, shipments, employment, and work hours remained positive but fell from their readings last month. The firms remained generally optimistic about future growth.

### Current Indicators Are Positive but Weaken

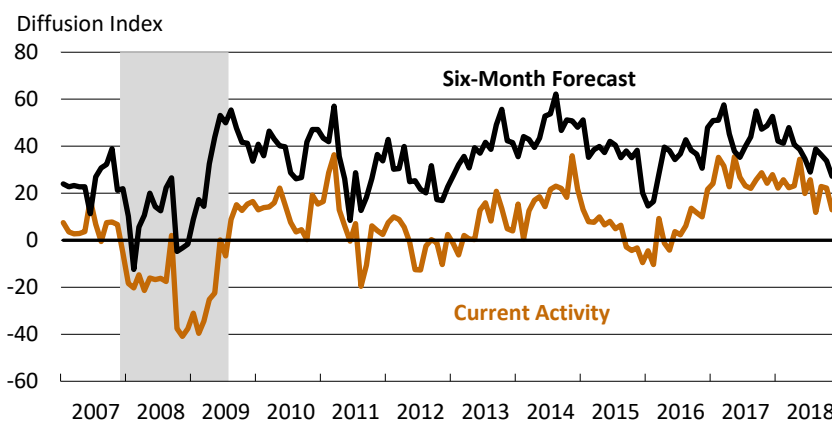
The diffusion index for current general activity decreased from 22.2 in October to 12.9 in November, its lowest reading since August (see Chart 1). Nearly 35 percent of the manufacturers reported increases in overall activity this month, while 22 percent reported decreases. The new orders index decreased 10 points to 9.1, while the current shipments index decreased 3 points to 21.6. The firms reported an overall increase in inventories during November: After two months of negative readings, the inventories index increased 10 points to 9.5.

The firms continued to report overall higher employment. Almost 25 percent of the responding firms reported increases in employment this month, while 8 percent of the firms reported decreases in employment. The current employment index remained positive but declined 3 points to 16.3. The current workweek index fell nearly 15 points to 6.3, its lowest reading in two years.

### Price Indexes Stay Positive but Lower Than Earlier in 2018

The survey's diffusion indexes for prices remained positive but lower than their readings for most of this year (see Chart 2). With respect to prices received for firms' own manufactured goods, 24 percent of the firms reported higher prices compared with 2 percent that reported decreases. The prices received index decreased 2 points. On the cost side, 41 percent of the firms reported increases in the prices paid for inputs. The prices paid index edged up 1 point but remains 24 points lower than its peak in July.

**Chart 1. Current and Future General Activity Indexes**  
January 2007 to November 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 Remain Positive

The diffusion index for future general activity declined from a reading of 33.8 in October to 27.2 this month (see Chart 1). Over 42 percent of the firms expect increases in activity over the next six months, while 15 percent expect declines. The future new orders and shipments indexes, however, increased 3 points and 2 points, respectively. The future employment index also increased 2 points, with 40 percent of the firms indicating that they expect to add workers over the next six months.

### Firms Expect Their Price Increases to Match Rate of Inflation

In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters. Regarding their own prices, the firms' median forecast was for an increase of 3.0

Released: November 15, 2018, 8:30 a.m. ET.

The December 2018 *Manufacturing Business Outlook Survey* will be released on December 20, 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](http://www.PhiladelphiaFed.org/MBOS50).

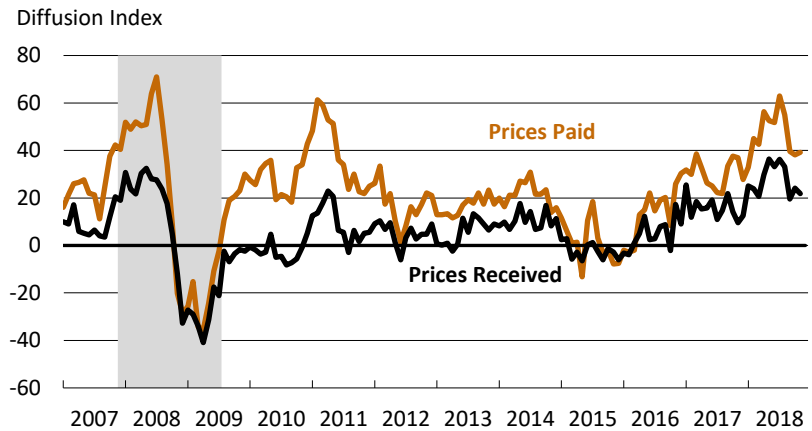


percent, unchanged from when the same question was last asked in August. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, the same as the previous forecast. When asked about the rate of inflation for U.S.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

### Summary

The firms' responses indicated slower growth in regional manufacturing in November. The survey's broad current indicators remained positive, and firms continued to report increases in overall employment. The survey's future indexes indicate that respondents continue to expect growth over the next six months. ■

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

<b>MANUFACTURING BUSINESS OUTLOOK SURVEY November 2018</b>	<b>November vs. October</b>					<b>Six Months from Now vs. November</b>				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>
What is your evaluation of the level of general business activity?	<b>22.2</b>	34.5	43.7	21.6	<b>12.9</b>	<b>33.8</b>	42.4	33.6	15.2	<b>27.2</b>
Company Business Indicators										
New Orders	<b>19.3</b>	32.3	44.0	23.2	<b>9.1</b>	<b>43.4</b>	57.5	29.3	11.0	<b>46.5</b>
Shipments	<b>24.5</b>	39.3	42.4	17.6	<b>21.6</b>	<b>36.9</b>	50.2	37.5	11.3	<b>38.9</b>
Unfilled Orders	<b>-2.3</b>	13.1	69.0	17.9	<b>-4.8</b>	<b>3.4</b>	24.4	63.3	11.4	<b>13.1</b>
Delivery Times	<b>0.2</b>	13.9	77.1	8.9	<b>5.0</b>	<b>-4.9</b>	13.6	70.0	11.2	<b>2.5</b>
Inventories	<b>-0.8</b>	23.0	60.6	13.5	<b>9.5</b>	<b>12.4</b>	26.0	53.2	16.0	<b>10.0</b>
Prices Paid	<b>38.2</b>	41.4	56.1	2.1	<b>39.3</b>	<b>54.1</b>	60.2	32.4	0.8	<b>59.5</b>
Prices Received	<b>24.1</b>	23.8	70.2	1.9	<b>21.9</b>	<b>51.1</b>	58.6	38.3	0.0	<b>58.6</b>
Number of Employees	<b>19.5</b>	24.7	67.0	8.4	<b>16.3</b>	<b>30.2</b>	40.0	49.3	7.5	<b>32.5</b>
Average Employee Workweek	<b>20.8</b>	20.0	64.6	13.7	<b>6.3</b>	<b>17.6</b>	28.4	58.7	8.9	<b>19.5</b>
Capital Expenditures	--	--	--	--	--	<b>25.2</b>	43.2	45.3	7.1	<b>36.1</b>

**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, 2018.



<b>Special Questions (November 2018)</b>		
<b>Over the next year (2018:Q4 to 2019:Q4), please list your expected annual percent change with respect to the following:</b>		
	<b>Current Forecast</b>	<b>Previous Forecast (August 2018)</b>
<b>1. For your firm:</b>		
Prices your firm will receive (for its own goods and services sold).	<b>3.0</b>	3.0
Compensation your firm will pay per employee (for wages and benefits).	<b>3.0</b>	3.0
<b>2. For your employees:</b>		
Prices your employees will pay (for goods and services where they live).	<b>2.5</b>	3.0
<b>3. For U.S. consumers:</b>		
Prices U.S. consumers will pay (for goods and services).	<b>3.0</b>	3.0
<b>For the next 10 years (2018 through 2027), what is your expected annual average percent change with respect to the following:</b>		
<b>4. For U.S. consumers:</b>		
Prices U.S. consumers will pay (for goods and services).	<b>3.0</b>	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.		

