

June 2019

Manufacturing conditions in the region weakened this month, according to firms responding to the June *Manufacturing Business Outlook Survey*. The current activity index declined to a reading just above zero this month. The survey's indexes for new orders, shipments, and employment remained positive but also declined from their May readings. Most of the survey's future activity indexes improved but continue to reflect muted optimism for the remainder of the year.

Current Indicators Suggest Moderating Growth

The diffusion index for current general activity decreased from 16.6 in May to 0.3 this month. This is the lowest reading since February, when the index fell below zero for one month (see Chart 1). The indexes for current shipments and new orders also declined this month: The current new orders index decreased 3 points, while the shipments index fell 11 points.

On balance, the firms continued to report increases in employment. Nearly 25 percent of the responding firms reported increases in employment, while 9 percent reported decreases this month. The employment diffusion index, however, decreased 3 points to 15.4. The average workweek index fell 4 points this month, to 7.3.

More Firms Reported Lower Prices

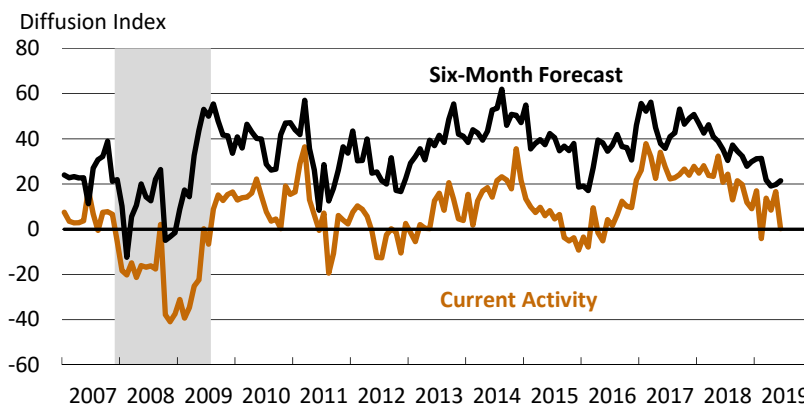
The current prices received index, reflecting the manufacturers' own prices, declined nearly 17 points to a reading of 0.6, its lowest reading since October 2016 (see Chart 2). Price increases for manufacturers' own goods were reported by 10 percent of the firms this month, down from 23 percent last month. Price increases for purchased inputs were reported by 28 percent of the manufacturers this month, and the prices paid diffusion index decreased 10 points to 12.9, also its lowest reading since October 2016.

Most Future Indicators Remain at Relatively Low Readings

The diffusion index for future general activity increased 2 points from its May reading but remains well below readings

Chart 1. Current and Future General Activity Indexes

January 2007 to June 2019



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.

of the last few years (see Chart 1). Nearly 40 percent of the firms expect increases in activity over the next six months, while 19 percent expect declines. The future shipments and new orders indexes also improved: The future shipments index increased 13 points, while the future new orders index increased 10 points. The firms remained optimistic overall about hiring over the next six months: The future employment index was virtually unchanged at 27.0, with over 35 percent of the firms expecting higher employment over the next six months. The future capital spending index improved 5 points to a reading of 28.0, near its average for this year.

Firms Expect Continued Production Expansion Next Quarter

In this month's special questions (see Special Questions on page 3), firms were asked to estimate their total production growth for the second quarter ending this month along with expected growth for the third quarter. The share of firms reporting expected increases in second-quarter production (59 percent) was greater than the share reporting decreases

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The July 2019 *Manufacturing Business Outlook Survey* will be released on July 18, 2019, at 8:30 a.m. ET.

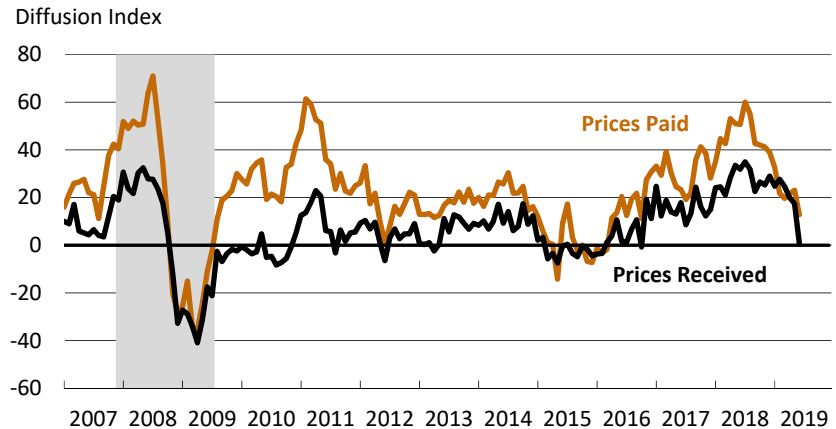


(26 percent). Looking ahead to the third quarter, 49 percent of the firms expect an acceleration in the growth rate of production, while 26 percent of the firms expect a deceleration. For those firms expecting an increase in production, 35 percent expect to hire additional workers. The remaining firms indicated that they would increase the productivity of current workers (30 percent) or increase the work hours of current workers (27 percent) rather than increasing the number of workers.

Summary

Responses to the June *Manufacturing Business Outlook Survey* suggest weaker regional manufacturing conditions compared with last month. The indexes for current activity, new orders, shipments, and employment remained positive but decreased from their May readings. The survey's price indexes suggest a notable moderation in price pressures. The survey's future indexes indicate that respondents continue to expect growth over the remainder of the year. ■

Chart 2. Current Prices Paid and Prices Received Indexes
January 2007 to June 2019



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 June 2019	June vs. May					Six Months from Now vs. June				
	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?	16.6	31.2	36.9	30.9	0.3	19.7	39.9	32.4	18.5	21.4
Company Business Indicators										
New Orders	11.0	38.2	32.0	29.9	8.3	21.3	51.4	28.2	19.9	31.5
Shipments	27.6	37.8	40.3	21.2	16.6	28.3	56.7	25.2	15.4	41.3
Unfilled Orders	1.9	24.0	62.2	13.8	10.2	-10.6	14.8	63.2	17.1	-2.3
Delivery Times	3.4	20.7	71.7	5.2	15.6	4.5	15.6	67.8	13.2	2.4
Inventories	-3.1	17.5	63.8	15.1	2.4	-2.4	18.9	57.1	19.8	-0.9
Prices Paid	23.1	28.0	55.2	15.1	12.9	42.3	38.3	51.2	8.1	30.2
Prices Received	17.5	9.8	80.0	9.2	0.6	38.6	28.8	62.7	4.4	24.4
Number of Employees	18.2	24.8	63.8	9.4	15.4	27.3	35.1	53.7	8.1	27.0
Average Employee Workweek	10.9	18.7	68.2	11.4	7.3	9.2	29.3	50.9	17.9	11.4
Capital Expenditures	--	--	--	--	--	23.3	32.8	57.5	4.8	28.0

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 June 17, 2019.

Special Questions (June 2019)		
1. How will your firm's total production for the second quarter of 2019 compare with that of the first quarter?		
An increase of:	% of firms	Subtotals
10% or more	6.9	% of firms expecting an increase: 58.7
8-10%	5.2	
6-8%	8.6	
4-6%	5.2	
2-4%	19.0	
1-2%	12.1	
Less than 1%	1.7	
No change	15.6	
A decline of:		
Less than 1%	5.2	% of firms expecting a decrease: 25.7
1-2%	3.4	
2-4%	6.9	
4-6%	3.4	
6-8%	3.4	
8-10%	0.0	
10% or more	3.4	
2. For the upcoming third quarter , what do you expect for the pace of growth in production at your plant compared with the current second quarter?		
Significant acceleration	10.5	% of firms expecting acceleration: 49.1
Some acceleration	22.8	
Slight acceleration	15.8	
No change	24.6	
Slight deceleration	15.8	% of firms expecting deceleration: 26.3
Some deceleration	8.8	
Significant deceleration	1.8	
3. If you expect to increase production in the next quarter, by what means will this be accomplished?		
		% of firms
Hiring additional workers		35.1
Increasing work hours of current staff without hiring additional workers		27.0
Increasing productivity of current staff without hiring additional workers		29.7
Other		8.1