

July 2019

Manufacturing conditions in the region showed improvement this month, according to firms responding to the July *Manufacturing Business Outlook Survey*. The survey's indexes for general activity, new orders, shipments, and employment remained positive and increased from their June readings. Most of the survey's future activity indexes increased, suggesting improved optimism about growth for the next six months.

Current Indicators Suggest Growth

The diffusion index for current general activity more than recovered from its decline last month, increasing from 0.3 in June to 21.8 this month (see Chart 1). The indexes for current shipments and new orders also improved this month: The current new orders index increased 11 points, while the shipments index increased 8 points.

The firms reported increases in manufacturing employment and longer workweeks this month. Over 36 percent of the firms reported higher employment, compared with 25 percent last month. Only 6 percent reported decreases in employment this month. The current employment index increased 15 points to 30.0, its highest reading since October 2017 (see Chart 2). The average workweek index also increased 16 points, hitting its highest reading in 14 months.

Most Firms Report Modest Increase in Recent Demand

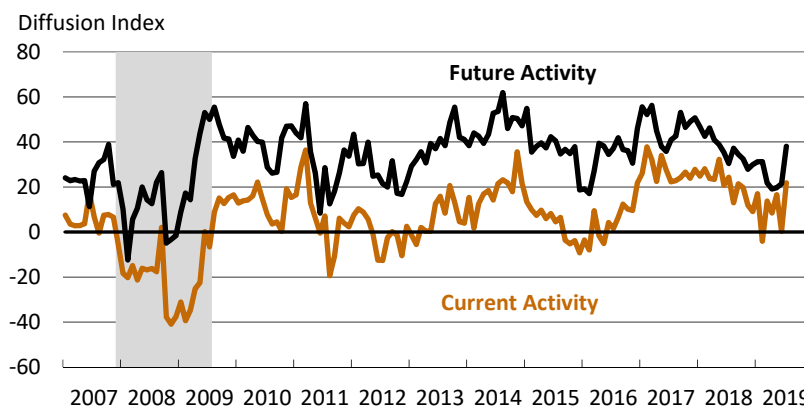
In this month's special questions, the firms were asked to characterize the underlying demand for their manufactured products over recent months (see Special Questions). While 32 percent of the firms indicated recent decreases in underlying demand, 56 percent indicated that demand had increased. The largest share, 51 percent, characterized the increase in demand as modest.

Price Indexes Suggest Modest Price Pressures

The prices paid and prices received indexes both increased this month but remained well below their readings over the

Chart 1. Current and Future General Activity Indexes

January 2007 to July 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.

past few years. The current prices received index, reflecting the manufacturers' own prices, increased 9 points to a reading of 9.5. Price increases for manufacturers' own goods were reported by 16 percent of the firms this month, up from 10 percent last month. Price increases for purchased inputs were reported by 29 percent of the manufacturers this month, but 13 percent reported price decreases. The prices paid diffusion index increased 3 points to 16.1.

Most Future Indicators Increased

The diffusion index for future general activity increased 17 points to its highest reading since May 2018 (see Chart 1). Nearly 53 percent of the firms expect increases in activity over the next six months, while 15 percent expect declines. The future new orders index increased 14 points, while the future shipments index was unchanged from an elevated reading. The firms remained optimistic overall about hiring over the next six months: Although the future employment index decreased 2 points, 34 percent of the firms expect higher employment over the next six months. The future

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The August 2019 *Manufacturing Business Outlook Survey* will be released on August 15, 2019, at 8:30 a.m. ET.



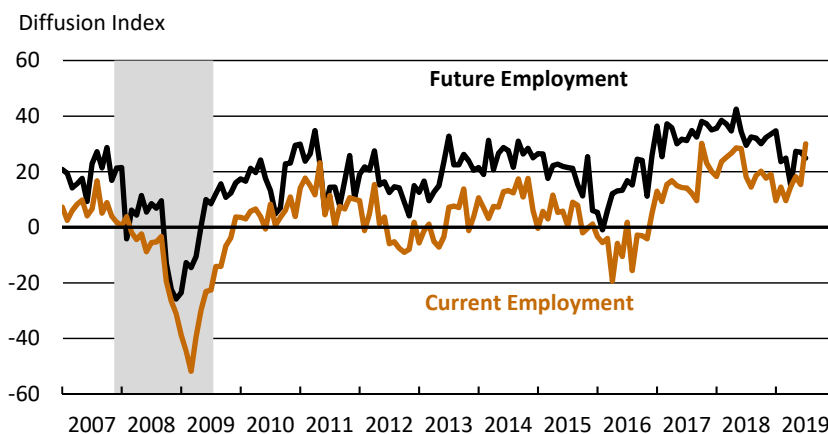
capital spending index improved 9 points this month to a reading of 36.9, its highest reading in 17 months.

Summary

Responses to the July *Manufacturing Business Outlook Survey* suggest an improvement in regional manufacturing conditions compared with last month. The new orders index, which reflects demand for manufactured goods, showed improvement this month, and more firms added to their payrolls. The survey's future indexes indicate that respondents continue to expect growth over the next six months. ■

Chart 2. Current and Future Employment Indexes

January 2007 to July 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.

Special Question (July 2019)		
Over the past several months, how would you characterize the underlying demand for your manufactured products? <i>Exclude any purely seasonal effects.</i> (%)		
Significantly increasing	5.3	% of firms reporting increasing demand: 56.1
Modestly increasing	50.8	
No change	12.3	% of firms reporting decreasing demand: 31.6
Modestly decreasing	26.3	
Significantly decreasing	5.3	

MANUFACTURING BUSINESS OUTLOOK SURVEY July 2019	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?	0.3	34.8	50.7	13.0	21.8	21.4	52.8	27.0	14.8	38.0
Company Business Indicators										
New Orders	8.3	35.7	43.8	16.8	18.9	31.5	59.4	25.8	13.7	45.7
Shipments	16.6	43.6	37.4	18.7	24.9	41.3	60.8	19.7	19.5	41.3
Unfilled Orders	10.2	22.6	55.2	18.9	3.7	-2.3	25.6	52.8	17.9	7.7
Delivery Times	15.6	20.1	72.1	5.2	15.0	2.4	15.7	74.7	9.6	6.2
Inventories	2.4	24.6	58.2	16.5	8.1	-0.9	23.6	55.1	21.3	2.3
Prices Paid	12.9	28.6	57.5	12.5	16.1	30.2	41.6	50.2	6.3	35.3
Prices Received	0.6	15.8	77.1	6.3	9.5	24.4	40.8	48.9	6.6	34.1
Number of Employees	15.4	36.1	54.2	6.1	30.0	27.0	34.0	56.0	9.1	24.9
Average Employee Workweek	7.3	23.5	75.9	0.6	23.0	11.4	24.3	58.1	16.4	7.9
Capital Expenditures	--	--	--	--	--	28.0	43.1	47.9	6.2	36.9

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 July 15, 2019.