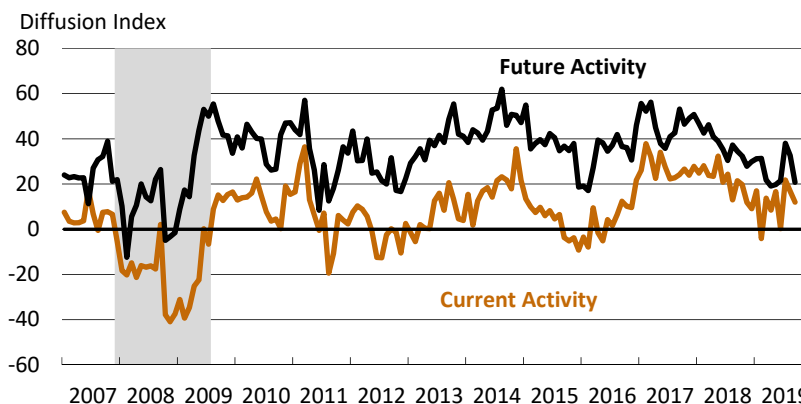


September 2019

Manufacturing activity in the region continued to expand this month, according to results from the September *Manufacturing Business Outlook Survey*. The survey's broad indicators remained positive, although their movements were mixed: The indexes for general activity and new orders fell, while the indexes for shipments and employment increased. The survey's price indexes increased notably this month. The survey's future general activity index moderated but continues to suggest growth over the next six months.

Chart 1. Current and Future General Activity Indexes

January 2007 to September 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.

Current Indexes Indicate Growth

The diffusion index for current general activity fell 5 points this month to 12.0 (see Chart 1). Over 28 percent of the firms indicated an increase in activity, and 16 percent reported a decrease. The index for current new orders declined slightly, from 25.8 in August to 24.8 in September. The current shipments index, however, increased 7 points. Both the unfilled orders and delivery times indexes remained positive this month, suggesting higher unfilled orders and slower delivery times.

The firms reported overall improvement in manufacturing employment this month. Nearly 25 percent of the firms reported higher employment, while 9 percent reported lower employment. The employment index increased 12 points, and the average workweek index increased 6 points.

Survey Price Measures Rise This Month

Price increases were more widespread this month. On the cost side, nearly 38 percent of the firms reported increases in the prices paid for inputs this month, up from 25 percent in August. The prices paid index increased 20 points to 33.0, its highest reading since December 2018 (see Chart 2). With respect to prices received for firms' own manufactured goods, 26 percent of the firms reported higher prices, up from 16 percent in August. The diffusion index for prices received increased 8 points to 20.8, its highest reading since March.

Modernization of Manufacturing Processes Is Most Cited Goal Among Firms

In this month's special questions, the firms were asked about spending plans related to achieving company growth (see Special Questions on page 3). Modernization of manufacturing processes was the most frequently cited goal of capital spending (69 percent), followed by expansion of facilities (29 percent), and the launching of new units (24 percent). Still reporting notable percentages, fewer firms indicated other goals to achieve growth: internationalization (17 percent), the purchase of other companies' assets (12 percent), and acquisition of other companies (12 percent). Joint venture goals were cited by only 5 percent of the respondents.

The firms were also asked about how these same cited goals had changed over the past few years. Over 60 percent of the firms indicated that modernization has become more

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important, while only 2 percent indicated it is less important. The firms were evenly divided on the change in importance of expanding facilities (29 percent). The firms that indicated capital spending for facilities expansion and process modernization have become less important cited the following reasons: fewer profitable opportunities (19 percent), policy uncertainty, weaker economic conditions, and international trade policies (each cited by 17 percent of the respondents).

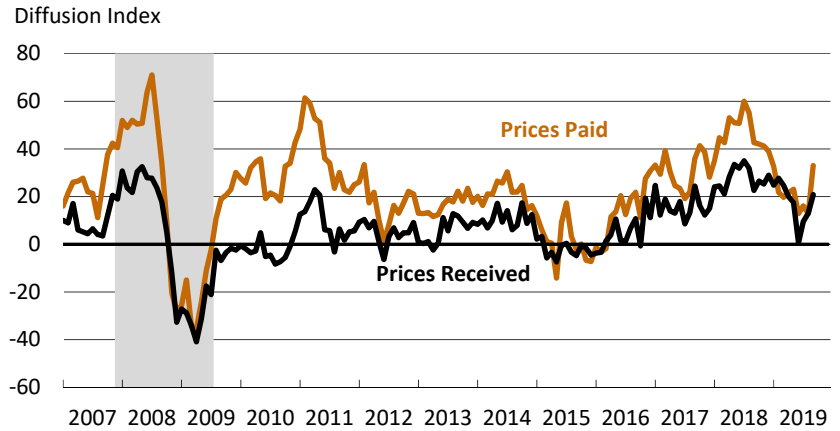
Firms Remain Optimistic Overall

The diffusion index for future general activity fell 12 points to 20.8 (see Chart 1). Over 37 percent of the firms expect increases in activity over the next six months, while 16 percent expect declines. The future new orders index decreased 9 points, and the future shipments index decreased 2 points. The firms remained optimistic about future hiring, and the future employment index increased 6 points. The firms also expect prices to move higher in the next six months: The future prices paid index increased 10 points, and the future prices received index increased 9 points.

Summary

Responses to the September *Manufacturing Business Outlook Survey* suggest continued expansion in

Chart 2. Current Prices Paid and Prices Received Indexes
January 2007 to September 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 activity this month. The current activity and new orders indexes, however, moderated from their August readings. The firms reported continued increases in hiring. More firms also reported increases in prices this month. Although most future indexes moderated this month, the firms continue to expect increases in activity and employment over the next six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY September 2019	September vs. August					Six Months from Now vs. September				
	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?	16.8	28.3	54.8	16.3	12.0	32.6	37.2	39.2	16.4	20.8
Company Business Indicators										
New Orders	25.8	38.4	47.2	13.7	24.8	44.1	47.3	39.4	12.1	35.2
Shipments	19.0	36.6	49.9	10.3	26.4	43.5	54.5	31.0	13.1	41.3
Unfilled Orders	9.1	24.3	69.0	6.7	17.6	8.0	18.2	70.4	9.7	8.5
Delivery Times	9.3	17.1	75.4	5.6	11.6	1.5	11.4	77.3	8.9	2.6
Inventories	8.7	30.5	59.3	8.7	21.8	11.0	21.2	60.0	13.2	8.0
Prices Paid	12.8	37.6	57.8	4.6	33.0	39.0	52.7	41.5	4.0	48.7
Prices Received	13.0	26.0	68.9	5.1	20.8	27.8	44.5	44.3	8.2	36.3
Number of Employees	3.6	24.6	66.5	8.8	15.8	25.0	35.4	58.6	4.9	30.6
Average Employee Workweek	6.8	19.6	73.7	6.7	13.0	7.7	20.1	65.1	14.8	5.3
Capital Expenditures	--	--	--	--	--	22.6	30.8	60.6	4.9	25.9

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 September 16, 2019.

1. Which of the following best characterizes your company's spending plan goals with regard to achieving future growth?*

	Percentage of Respondents Indicating Goals
Modernization of manufacturing processes	69.0
Expansion of manufacturing facilities	29.3
Launching of new units	24.1
Internationalization	17.4
Acquisition of another company	12.1
Purchase of other company assets	12.1
Joint ventures	5.1
Other	3.5

*Percentages do not sum to 100 because firms could choose more than one category. Over 98 percent of the surveyed firms answered the special questions.

2. Over the past few years, how have the above goals changed in importance?

	More Important %	Same Importance %	Less Important %	Diffusion Index†
Modernization of manufacturing processes	60.3	31.0	1.7	58.6
Expansion of manufacturing facilities	29.3	34.5	29.3	0.0
Launching of new units	31.0	29.3	19.0	12.1
Internationalization	17.2	44.8	13.8	3.4
Acquisition of another company	15.5	32.8	27.6	-12.1
Purchase of other companies' assets	15.5	37.9	20.7	-5.2
Joint ventures	8.6	32.8	31.0	-22.4
Other	3.4	17.2	8.6	-5.2

†The diffusion index is computed as the percentage responding "more important" minus the percentage responding "less important."

3. For firms that indicated capital spending for expansion of facilities or the modernization of processes is "less important," which of the following are the reasons?‡

	Percentage of Respondents
Fewer profitable opportunities	19.0
Policy uncertainty	17.2
Weak economic conditions	17.2
International trade policies	17.2
Other	15.5
Regulations	12.1
Tax policies	1.7

‡Only firms that responded "less important" to changed goals of modernization of manufacturing processes or expansion of manufacturing facilities in question 2 responded to this question, but percentages are for all reporters. Firms could choose more than one reason.