

February 2017

Results from the February *Manufacturing Business Outlook Survey* suggest that growth in regional manufacturing is broadening. The diffusion indexes for general activity, new orders, and shipments were all positive this month and increased notably from their readings last month. The surveyed firms continued to report growth in employment and work hours. Although they moderated from last month, the future indexes for growth over the next six months continued to reflect a high degree of optimism.

### Current Indicators Suggest Broadening Expansion

The index for current manufacturing activity in the region increased from a reading of 23.6 in January to 43.3 this month and has remained positive for seven consecutive months (see Chart). The share of firms reporting growth continues to increase: More than 48 percent of the firms reported increases in activity this month compared with 40 percent last month. The index for current new orders increased 12 points this month (with 44 percent of the firms reporting increases and just 6 percent reporting decreases). The shipments index increased 8 points. Other broad indicators also corroborate growth. Both the delivery times and unfilled orders indexes were positive for the fourth consecutive month, suggesting longer delivery times and an increase in unfilled orders.

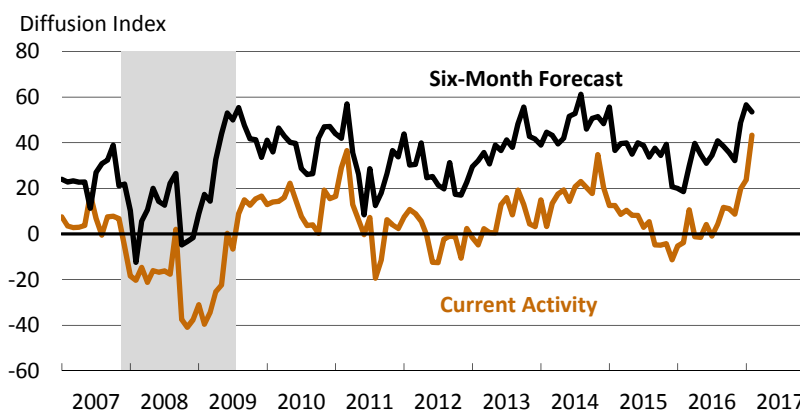
Firms continued to report overall increases in manufacturing employment this month. The percentage of firms reporting an increase in employment (15 percent) exceeded the percentage reporting a decrease (4 percent). However, the largest share of firms reported no change in employment (74 percent). The current employment index fell 2 points but has now registered its third consecutive positive reading. Firms reported an increase in work hours this month: The average workweek index increased 7 points and has now been positive for four consecutive months.

### Price Pressures Moderate

The survey's diffusion indexes for prices remained positive but moderated from their readings in January. On the cost side, 33 percent of the firms reported increases in the prices paid for inputs; only 3 percent reported paying lower prices. The prices paid index edged 3 points lower to 29.9. With respect to prices

**Chart 1. Current and Future General Activity Indexes**

January 2007 to February 2017



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.

received for firms' own manufactured goods, 22 percent of the firms reported higher prices, down from 31 percent in January. The prices received index decreased 16 points but remains positive at 10.6.

### Firms Expect Price Increases for Their Own Products to Match Inflation

In this month's special questions, firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters (see Special Questions). The median forecast was for an increase in their own prices of 2.0 percent, the same as when the question was asked in the fourth quarter of 2016. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.2 percent, nearly the same as the 2.3 percent that was forecast last quarter. Firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise at a pace of 3.0 percent over the next four quarters.

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The March 2017 *Manufacturing Business Outlook Survey* will be released on March 16, 2017, at 8:30 a.m. ET.



## Six-Month Indexes Moderate from High Readings

The diffusion index for future general activity decreased slightly from a reading of 56.6 in January to 53.5 this month (see Chart). Over 58 percent of the firms expect increases in activity over the next six months, down from 67 percent in January. The indexes for future new orders and shipments, which remain at high levels, also showed declines this month, decreasing 3 points and 7 points, respectively. With respect to employment, 34 percent of the firms expect increases in payrolls over the next six months, down from 43 percent in January. The future employment diffusion index fell 10 points.

## Summary

Responses to the February *Manufacturing Business Outlook Survey* suggest broader growth for the region's manufacturing sector. The indexes for general activity and new orders, in particular, showed notable improvement this month. The employment and average workweek indexes indicated continued expansion. Indicators reflecting firms' expectations for the next six months remained at high levels, although they moderated from high readings in January. ■

## Special Questions (February 2017)

Over the next year (2017:Q1 to 2018:Q1), please list your expected annual percent change with respect to the following:

	Percent Change over Next Year*	
	First Quarter 2017 Forecast	Fourth Quarter 2016 Forecast
<b>1. For your firm:</b>		
Prices your firm will receive (for its own goods and services sold).	2.0	2.0
Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
<b>2. For your employees:</b>		
Prices your employees will pay (for goods and services where they live).	2.0	2.0
<b>3. For U.S. consumers:</b>		
Prices U.S. consumers will pay (for goods and services).	2.2	2.3
<b>For the next 10 years (2017 through 2026), 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).	3.0	2.7
* Numbers represent median forecasts.		

MANUFACTURING BUSINESS OUTLOOK SURVEY February 2017	February vs. January					Six Months from Now vs. February				
	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?	23.6	48.2	42.0	4.8	43.3	56.6	58.1	26.0	4.6	53.5
Company Business Indicators										
New Orders	26.0	43.9	44.1	5.9	38.0	54.5	58.8	28.5	7.3	51.5
Shipments	20.5	37.7	52.5	9.1	28.6	59.1	58.3	28.6	6.6	51.7
Unfilled Orders	10.7	24.7	57.1	14.1	10.7	25.8	24.8	59.9	5.3	19.5
Delivery Times	5.4	8.8	82.9	4.8	4.1	14.2	18.0	69.5	6.6	11.5
Inventories	12.2	11.6	68.0	16.3	-4.7	10.9	28.5	45.0	14.5	14.1
Prices Paid	32.5	33.3	63.3	3.4	29.9	49.0	53.4	38.7	2.3	51.1
Prices Received	26.8	21.7	64.5	11.1	10.6	27.5	35.1	46.7	11.6	23.5
Number of Employees	12.8	15.3	74.0	4.2	11.1	38.6	34.1	47.2	5.6	28.5
Average Employee Workweek	6.8	21.1	66.1	7.5	13.6	22.5	29.9	50.0	10.0	19.9
Capital Expenditures	--	--	--	--	--	21.9	30.3	48.1	8.3	22.1
<b>NOTES:</b>										
(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 February 13, 2017.										

