

May 2019

Results from the May *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. The survey's indexes for general activity, shipments, and employment increased from their April readings. The new orders index remained positive but decreased modestly. The survey's future activity index, after falling in recent months, was little changed, while the firms' forecast for future employment improved.

Current Indicators Suggest Continued Growth

The diffusion index for current general activity increased from 8.5 in April to 16.6 this month (see Chart 1). Over 25 percent of the manufacturers reported increases in overall activity this month, while 9 percent reported decreases. The indexes for current shipments and new orders moved in opposite directions this month: The current shipments index increased 9 points, while the new orders index fell 5 points. The current inventories index fell 6 points to its first negative reading in four months.

On balance, the firms continued to report increases in employment. The employment diffusion index increased 4 points to 18.2, its highest reading in five months. Nearly 27 percent of the responding firms reported increases in employment, while 8 percent reported decreases this month. The average workweek index remained essentially unchanged at 10.9.

Price Indexes Suggest Continued Modest Price Pressures

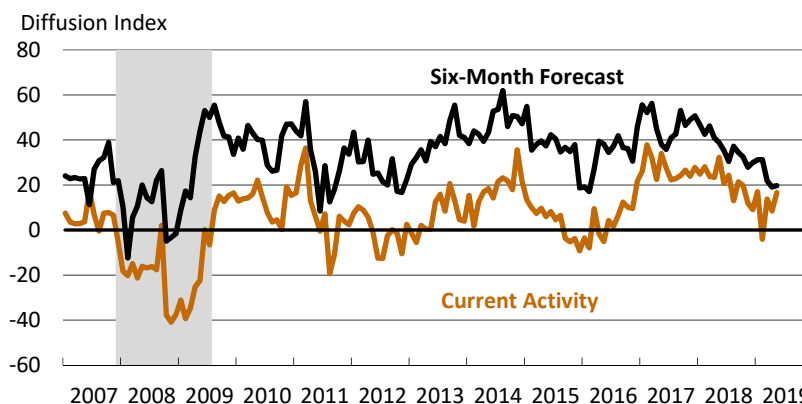
Price increases for purchased inputs were reported by 32 percent of the manufacturers this month, up from 26 percent last month. The prices paid diffusion index increased 2 points to 23.1 but remained well below readings over the past two and a half years. The current prices received index, reflecting the manufacturers' own prices, declined 3 points to a reading of 17.5, its lowest reading in 17 months.

Most Future Indicators Remain at Relatively Low Readings

The diffusion index for future general activity increased 1 point from its April reading, which was its lowest since February 2016 (see Chart 1). Over 41 percent of the firms expect increases in activity over the next six months, while 22 percent expect declines. Movements in the future shipments and new

Chart 1. Current and Future General Activity Indexes

January 2007 to May 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.

orders indexes were mixed: The future shipments index increased 5 points, while the future new orders index fell 3 points. The indicators for future prices paid and prices received rose notably this month, increasing 16 points and 13 points, respectively. The firms were more optimistic about hiring over the next six months: The future employment index increased 12 points to 27.3, its highest reading in four months. The future capital spending index, however, fell 8 points to a reading of 23.3. Nearly 34 percent of the firms plan increases in capital spending over the next six months; 10 percent plan decreases.

Firms' Expectations for Own Prices Changed Little

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 2.8 percent, about the same as when the question was last asked in February. 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.

Released: May 16, 2019, 8:30 a.m. ET.

The June 2019 *Manufacturing Business Outlook Survey* will be released on June 20, 2019, at 8:30 a.m. ET.



consumers over the next year, the firms' median forecast was 2.5 percent, an increase from 2.3 percent in the previous quarter. The firms' median forecast for the long-run (10-year average) inflation rate remained steady at 2.5 percent.

Summary

Responses to the May *Manufacturing Business Outlook Survey* suggest continued growth for the region's manufacturing sector. The indexes for general activity, new orders, shipments, and employment all indicated continued expansion this month. The firms continued to be cautiously optimistic about growth over the next six months. Although some future indicators registered improvement, most indexes remain at relatively low readings. ■

Special Questions (May 2019)		
Over the next year (2019:Q2 to 2020:Q2), please list your expected annual percent change with respect to the following:		
	Current Forecast	Previous Forecast (February 2019)
For your firm:		
1. Prices your firm will receive (for its own goods and services sold).	2.8	2.9
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
For U.S. consumers:		
3. Prices U.S. consumers will pay (for goods and services).	2.5	2.3
For the next 10 years (2019 through 2028), what is your expected annual average percent change with respect to the following:		
4. Prices U.S. consumers will pay (for goods and services).	2.5	2.5
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.		

MANUFACTURING BUSINESS OUTLOOK SURVEY May 2019	May vs. April					Six Months from Now vs. May				
	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?	8.5	25.4	62.4	8.8	16.6	19.1	41.4	27.6	21.7	19.7
Company Business Indicators										
New Orders	15.7	28.8	50.6	17.7	11.0	23.9	44.0	27.4	22.7	21.3
Shipments	18.4	42.0	42.7	14.4	27.6	23.1	44.4	34.3	16.1	28.3
Unfilled Orders	0.4	13.7	72.3	11.8	1.9	3.9	19.1	45.3	29.8	-10.6
Delivery Times	-5.1	11.8	77.6	8.3	3.4	2.0	16.1	65.3	11.5	4.5
Inventories	2.6	20.2	52.8	23.3	-3.1	-7.6	24.9	41.1	27.4	-2.4
Prices Paid	21.6	31.8	57.2	8.6	23.1	26.0	48.7	39.3	6.4	42.3
Prices Received	20.0	23.4	70.7	5.9	17.5	25.4	43.1	45.8	4.5	38.6
Number of Employees	14.7	26.6	63.0	8.4	18.2	14.9	35.6	49.5	8.2	27.3
Average Employee Workweek	11.2	20.2	70.3	9.3	10.9	3.6	22.1	58.5	13.0	9.2
Capital Expenditures	--	--	--	--	--	30.9	33.5	52.0	10.2	23.3
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 May 13, 2019.										