

June 2023

Note: Survey responses were collected from June 5 to June 12.

Manufacturing activity in the region continued to decline overall, according to the firms responding to the June *Manufacturing Business Outlook Survey*. The survey's indicators for general activity and new orders remained negative. However, the index for shipments rose and turned positive. The employment index suggests steady employment overall. The price indexes remained below long-run averages. Most future indicators improved, but expectations for growth over the next six months remained tempered.

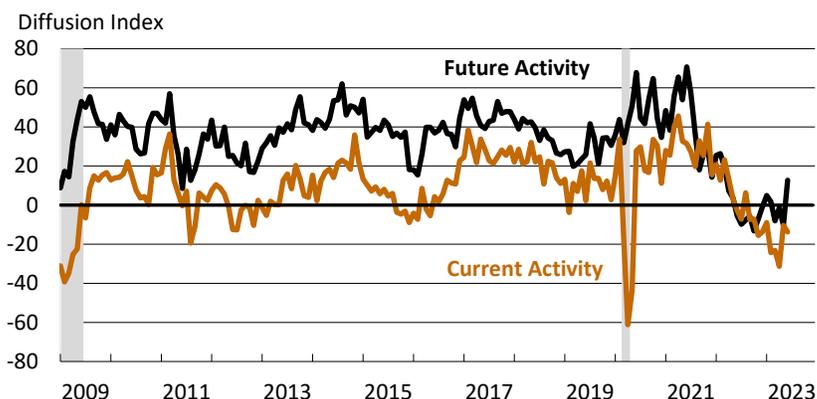
### Current Indicators Remain Weak

The diffusion index for current general activity declined from a reading of -10.4 last month to -13.7 this month (see Chart 1), its 10th consecutive negative reading. One-third of the firms reported decreases, exceeding the 20 percent reporting increases; 45 percent of the firms reported no change in current activity. The index for new orders declined 2 points to -11.0, the index's 13th consecutive negative reading. The current shipments index rose 15 points to 9.9, its highest reading since January. Over 31 percent of the firms reported increases in shipments (up from 21 percent last month) compared with 21 percent that reported decreases (down from 26 percent); 45 percent reported no change (down from 53 percent). The index for delivery times fell 7 points to -16.1, the index's 10th consecutive negative reading.

On balance, the firms reported mostly steady levels of employment. The employment index rose 8 points to a near-zero reading. Similar shares of the firms reported increases and decreases in employment (11 percent); most firms (75 percent) reported no change. The average workweek index ticked down from -7.7 to -8.2.

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

January 2009 to June 2023



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.

### Price Indexes Remain Below Long-Run Averages

The prices paid diffusion index was little changed at 10.5 (see Chart 2). Twenty-two percent of the firms reported increases in input prices, and 12 percent reported decreases; 66 percent reported no change. On balance, the firms reported no change in the prices of their own goods. The current prices received index rose 7 points from a three-year low in May to 0.1 in June, marking the index's first increase since January. More than 59 percent of the firms reported no change, 19 percent reported increases, and 19 percent reported decreases.

### Firms Report Higher Production, Little Change in Capacity Utilization

In this month's special questions, the firms were asked to estimate their total production growth for the second quarter ending this month compared with the first quarter of 2023 (see Special Questions on page 3). A higher share of firms reported an increase in production (46 percent) compared with the share reporting a decrease (24 percent). Regarding firms' capacity utilization rate for the current quarter and one year ago, the median current capacity utilization rate reported among the responding firms was unchanged at 70 to 80 percent. Although most firms

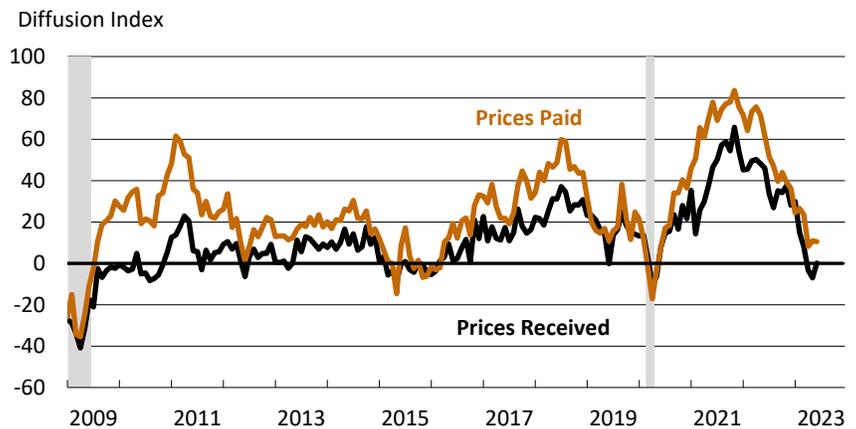


reported labor supply and supply chains as slight or moderate constraints to capacity utilization, 22 percent indicated labor as a significant constraint, and 16 percent indicated supply chains as a significant constraint. Looking ahead over the next three months, most firms expect the impacts of various factors to stay the same; however, 25 percent of the firms expect the impacts of energy markets to worsen, up from 8 percent when this question was asked in March. Additionally, 23 percent of the firms expect financial capital impacts to worsen over the next three months, unchanged from March.

### Future Indicators Rise

The diffusion index for future general activity jumped from a reading of -10.3 in May to 12.7 in June, the index's first positive reading in four months and highest reading since March 2022 (see Chart 1). Nearly 33 percent of the firms expect an increase in activity over the next six months (up from 27 percent last month), and 20 percent expect a decrease (down from 37 percent); 44 percent expect no change (up from 37 percent). The future new orders index increased 16 points to 14.1, while the future shipments index climbed 24 points to 28.3. On balance, the firms continued to expect increases in employment over the next six months. The future employment index edged up from a reading of 12.6 to 13.1. The future price indexes suggest that firms expect price increases over the next six months, but both indexes declined and remained below their long-run averages. The

**Chart 2. Current Prices Paid and Prices Received Indexes**  
January 2009 to June 2023



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.

future capital expenditures index increased from 2.5 to 9.9, its highest reading since January.

### Summary

Responses to the June *Manufacturing Business Outlook Survey* suggest continued overall declines in the region's manufacturing sector this month. The indicators for current activity and new orders remained negative, while the index for shipments turned positive. The firms reported relatively no change in prices received and continued to indicate overall increases in prices paid. The survey's future indexes improved but continued to suggest subdued expectations for growth over the next six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY June 2023	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?	-10.4	19.5	44.9	33.2	-13.7	-10.3	32.6	43.9	19.9	12.7
Company Business Indicators										
New Orders	-8.9	23.3	39.1	34.4	-11.0	-2.3	36.3	38.6	22.2	14.1
Shipments	-4.7	31.2	45.2	21.2	9.9	4.5	37.8	51.1	9.5	28.3
Unfilled Orders	0.8	6.7	66.7	25.2	-18.5	-10.1	16.2	56.6	26.0	-9.8
Delivery Times	-9.3	1.0	80.2	17.1	-16.1	-31.0	12.0	64.9	22.7	-10.6
Inventories	6.4	14.1	65.3	17.6	-3.5	-2.2	16.8	44.8	36.3	-19.5
Prices Paid	10.9	22.0	65.5	11.5	10.5	28.3	34.0	53.7	10.5	23.5
Prices Received	-7.0	18.7	59.2	18.6	0.1	24.1	33.2	49.6	15.8	17.4
Number of Employees	-8.6	11.1	74.8	11.4	-0.4	12.6	22.8	66.7	9.8	13.1
Average Employee Workweek	-7.7	1.9	86.6	10.1	-8.2	-0.2	10.7	79.1	10.1	0.6
Capital Expenditures	--	--	--	--	--	2.5	26.7	54.8	16.8	9.9

#### 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 because of rounding, omission by respondents, or both.
- (4) Survey results reflect data received through June 12, 2023.

Special Questions (June 2023)		
1. How will your firm's total production for the <b>second quarter of 2023</b> compare with that of the <b>first quarter of 2023</b> ?		
<b>An increase of:</b>	% of firms	Subtotals
10% or more	13.5	% of firms reporting an increase: 45.9
5–10%	8.1	
0–5%	24.3	
No change	29.7	
<b>A decline of:</b>		
0–5%	13.5	% of firms reporting a decrease: 24.3
5–10%	2.7	
10% or more	8.1	

2. Which of the following best characterizes your plant's percentage capacity utilization <b>currently</b> (2023:Q2) and <b>one year ago</b> (2022:Q2)?		
Capacity Utilization Rate	2023:Q2 % of reporters	2022:Q2 % of reporters
Less than 30%	0.0	0.0
30–40%	2.6	0.0
40–50%	2.6	2.6
50–60%	5.3	7.9
60–70%	21.1	7.9
70–80%	34.2	36.8
80–90%	18.4	23.7
90–100%	15.8	21.1
Median Utilization Rate	70-80	70-80

3. In the <b>current quarter</b> , to what degree have the following factors acted as constraints on capacity utilization?					4. Over the <b>next three months</b> , how do you expect the impacts of the following factors as constraints on capacity utilization to change?		
	Not at all (%)	Slightly (%)	Moderately (%)	Significantly (%)	Worsen (%)	Stay the same (%)	Improve (%)
COVID-19 mitigation measures	100.0	0.0	0.0	0.0	0.0	90.9	9.1
Energy markets	80.6	8.3	11.1	0.0	25.0	75.0	0.0
Financial capital	70.3	16.2	10.8	2.7	22.9	77.1	0.0
Labor supply	21.6	24.3	32.4	21.6	8.3	72.2	19.4
Supply chains	27.0	40.5	16.2	16.2	5.7	62.9	31.4
Other factors	75.0	0.0	10.0	15.0	4.8	95.2	0.0

