

Note: Survey responses were collected from December 11 to December 18.

Manufacturing activity in the region continued to decline overall, according to the firms responding to the December *Manufacturing Business Outlook Survey*. The survey's indicators for general activity and shipments remained negative. Furthermore, the index for new orders declined sharply and turned negative. The employment index dipped into negative territory but continues to suggest mostly steady levels of employment overall. The price indexes neared their long-run averages. Most future activity indicators rose, suggesting more widespread expectations for overall growth over the next six months.

Current Indicators Remain Weak

The diffusion index for current general activity declined from -5.9 in November to -10.5 in December (see Chart 1). This is the index's 17th negative reading in the past 19 months. Almost 26 percent of the firms reported decreases (up from 18 percent last month), exceeding the 15 percent reporting increases (up from 12 percent); 56 percent of the firms reported no change in current activity (down from 70 percent last month). The new orders index dropped sharply from 1.3 to -25.6 in December. The shipments index rose 7 points from last month but remained negative at -10.8.

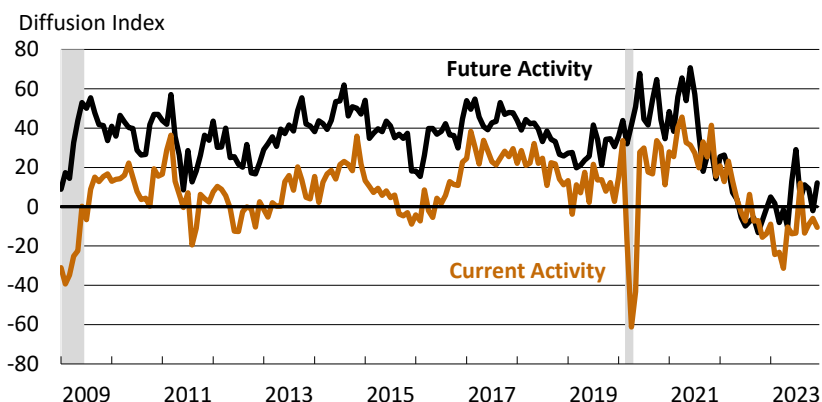
On balance, the firms continued to report mostly steady levels of employment. The employment index declined 3 points to -1.7 in December. Similar shares of the firms reported decreases (15 percent) and increases (14 percent) in employment; most firms (71 percent) reported steady employment levels. The average workweek index remained negative but rose 6 points to -5.0.

Price Indexes Are Near Long-Run Averages

On balance, the firms reported overall increases in prices. However, most firms reported no change in prices, and both price indexes neared their long-run averages. The prices paid index rose 10 points to 25.1 in December (see Chart 2). More than 33 percent of the firms reported increases in input

Chart 1. Current and Future General Activity Indexes

January 2009 to December 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.

prices, while 8 percent reported decreases; 57 percent reported no change. The current prices received index edged down 1 point to 13.6. More than 23 percent of the firms reported increases in the prices of their own goods, 10 percent reported decreases, and 67 percent reported no change.

Firms Report Lower Production, Little Change in Capacity Utilization

In this month's special questions, the firms were asked to estimate their total production growth for the fourth quarter ending this month compared with the third quarter of 2023 (see Special Questions on page 3). A higher share of firms reported a decrease in production (44 percent) compared with the share reporting an increase (21 percent). Regarding firms' capacity utilization rate for the current quarter and one year ago, the median current capacity utilization rate

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The January 2024 *Manufacturing Business Outlook Survey* will be released on January 18, 2024, at 8:30 a.m. ET.

The survey's annual revisions, which incorporate new seasonal adjustment factors, will be released on Thursday, January 11, 2024, at 8:30 a.m. ET.



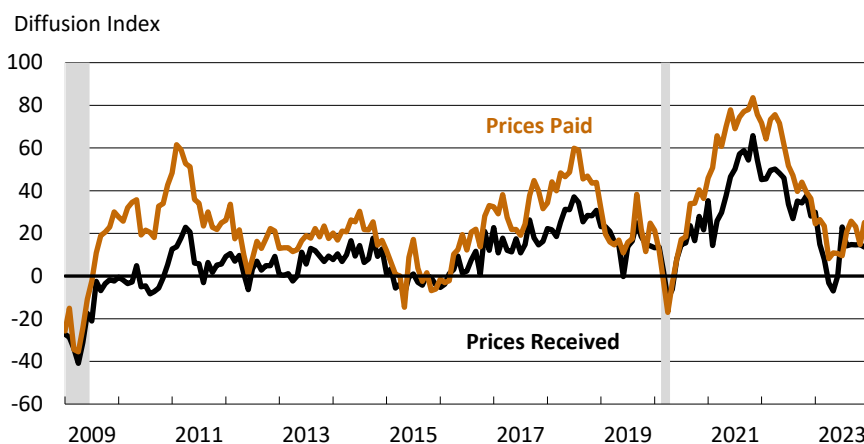
reported among the responding firms was unchanged at 70 to 80 percent.

Most firms reported labor supply as at least a slight constraint to capacity utilization in the current quarter, although the share reporting it as a moderate or significant constraint (35 percent) declined from when this question was asked in September (49 percent). Half of the firms reported supply chains were not at all a constraint in the current quarter, up from 46 percent from the previous quarter. Looking ahead over the next three months, most firms expect the impacts of various factors to stay the same. However, the share of firms expecting the impacts to stay the same or improve was higher across all factors compared with when this question was asked in September.

Future Indicators Rise but Remain Below Long-Run Averages

The diffusion index for future general activity rose from a reading of -2.1 in November to 12.1 in December, its highest reading since July (see Chart 1). Nearly 39 percent of the firms expect an increase in activity over the next six months, exceeding the 27 percent that expect a decrease; 28 percent expect no change. The future new orders index increased 9 points to 20.2, and the future shipments index rose 6 points to 21.5. On balance, the firms expect mostly steady employment over the next six months, and the future employment index declined from a reading of 4.3 to 1.4. The future prices received index ticked down for the second

Chart 2. Current Prices Paid and Prices Received Indexes
January 2009 to December 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.

consecutive month, and the future prices paid index dropped 18 points to 19.9, falling below its long-run average. The index for future capital expenditures fell 6 points to -7.5.

Summary

Responses to the December *Manufacturing Business Outlook Survey* suggest overall declines in the region's manufacturing sector. The indicators for current activity, new orders, and shipments were all negative. On balance, the firms continued to indicate overall increases in prices and mostly steady employment. The survey's broad indicators for future activity improved, suggesting more widespread expectations for growth over the next six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY December 2023	December vs. November					Six Months from Now vs. December				
	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?	-5.9	15.4	56.2	25.9	-10.5	-2.1	38.8	27.6	26.7	12.1
Company Business Indicators										
New Orders	1.3	15.8	39.0	41.4	-25.6	11.3	47.1	20.6	26.9	20.2
Shipments	-17.9	22.3	44.3	33.1	-10.8	16.3	44.3	30.0	22.8	21.5
Unfilled Orders	-9.8	12.7	66.7	20.6	-7.9	-7.8	22.8	57.6	16.7	6.0
Delivery Times	-8.7	2.8	76.2	19.6	-16.8	-22.4	8.3	71.4	18.0	-9.7
Inventories	-3.1	19.5	54.2	23.7	-4.2	0.1	22.0	52.6	18.1	3.9
Prices Paid	14.8	33.1	57.0	8.0	25.1	37.9	36.3	45.5	16.4	19.9
Prices Received	14.8	23.1	67.3	9.5	13.6	34.5	42.3	42.7	13.7	28.6
Number of Employees	0.8	13.5	71.2	15.3	-1.7	4.3	12.7	72.8	11.3	1.4
Average Employee Workweek	-11.4	5.1	84.7	10.1	-5.0	-0.1	10.2	73.7	12.5	-2.3
Capital Expenditures	--	--	--	--	--	-1.3	15.2	57.4	22.7	-7.5

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 December 18, 2023.

Special Questions (December 2023)		
1. How will your firm's total production for the fourth quarter of 2023 compare with that of the third quarter of 2023 ?		
An increase of:	% of firms	Subtotals
10% or more	5.9	% of firms reporting an increase: 20.6
5–10%	14.7	
0–5%	0.0	
No change	35.3	
A decline of:		
0–5%	5.9	% of firms reporting a decrease: 44.1
5–10%	23.5	
10% or more	14.7	

2. Which of the following best characterizes your plant's percentage capacity utilization currently (2023:Q4) and one year ago (2022:Q4)?		
Capacity Utilization Rate	2023:Q4 % of reporters	2022:Q4 % of reporters
Less than 30%	0.0	0.0
30–40%	8.6	2.9
40–50%	2.9	2.9
50–60%	2.9	2.9
60–70%	22.9	17.1
70–80%	25.7	34.3
80–90%	31.4	28.6
90–100%	5.7	11.4
Median Utilization Rate	70-80	70-80

3. In the current quarter , to what degree have the following factors acted as constraints on capacity utilization?					4. Over the next three months , 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	12.1	87.9	0.0
Energy markets	81.8	18.2	0.0	0.0	3.0	93.9	3.0
Financial capital	78.8	12.1	9.1	0.0	5.9	85.3	8.8
Labor supply	34.3	31.4	17.1	17.1	5.7	74.3	20.0
Supply chains	50.0	38.2	5.9	5.9	0.0	73.5	26.5
Other factors	80.0	0.0	5.0	15.0	4.5	90.9	4.5