

June 2015

Manufacturing conditions in the region improved in June, according to firms responding to this month's *Manufacturing Business Outlook Survey*. Indicators for general activity, new orders, and shipments remained positive and increased over their readings in May. Employment and average work hours increased, on balance, at the reporting firms. Firms reported higher prices for raw materials and other inputs in June compared with reported price decreases in recent months. The survey's indicators of future activity suggest that firms expect continuing growth in the manufacturing sector over the next six months.

Indicators Suggest Growth

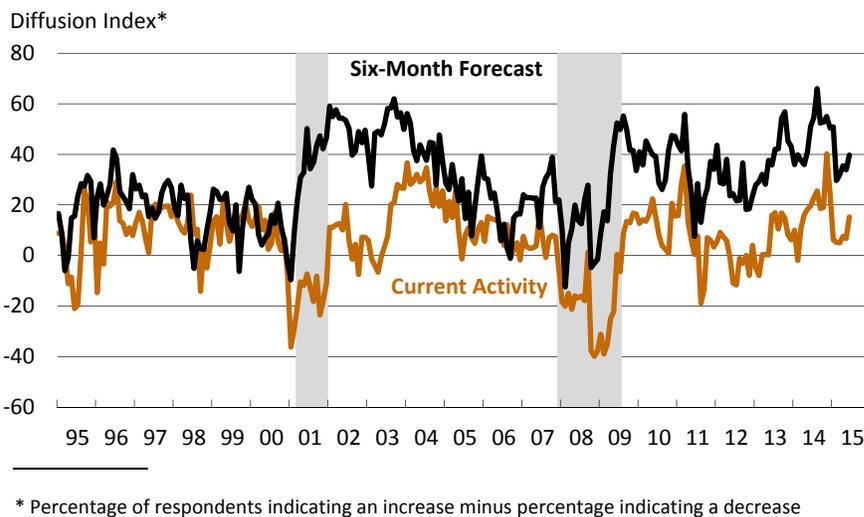
The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from 6.7 in May to 15.2 this month. This is the highest reading for the index since December (see Chart 1). The demand for manufactured goods, as measured by the survey's current new orders index, picked up this month. The new orders index increased 11 points to its highest reading since November. The current shipments index increased 13 points, also the highest reading since November.

Firms' responses suggest modest expansion in employment in June. The percentage of firms reporting an increase in employees in June (22 percent) exceeded the percentage reporting a decrease (18 percent). The current employment index, however, fell nearly 3 points, to 3.8. Firms reported an overall modest increase in the workweek compared with a decrease last month: The workweek index increased from -5.6 to 4.7.

More Firms Report Input Prices Increases

Over 21 percent of the firms reported higher input prices this month, up significantly from the 5 percent that reported higher prices last month. The prices paid index increased 31 points to its highest reading in 8 months (see Chart 2). The prices received index, which reflects firms' own final goods prices, also increased from -5.4 to 4.8, the first positive reading in six months. The percent of firms reporting higher prices received (14 percent) exceeded the percentage reporting lower prices

Chart 1. Current and Future General Activity Indexes
(January 1995 to June 2015)



(10 percent), although 76 percent reported steady prices.

Most Future Indexes Move Higher

Most of the survey's broad indicators of future growth showed marked improvement this month. The future general activity index increased 6 points to its highest reading since January (see Chart 1). The future index for shipments increased 24 points, while the future new orders index increased 13 points. About 31 percent of the firms expect expansion in their workforce over the next six months, while 9 percent expect a reduction. The future employment index was essentially flat, edging just 1 point higher this month. The future capital expenditures index weakened this month, falling 9 points to its lowest reading since March 2013.

Most Firms Expect to Increase Production in the Second Half of 2015

In this month's special questions, firms were asked to appraise the underlying demand for their products as well as expected

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The July 2015 *Manufacturing Business Outlook Survey* will be released on July 16, 2015, at 10:00 a.m. ET.

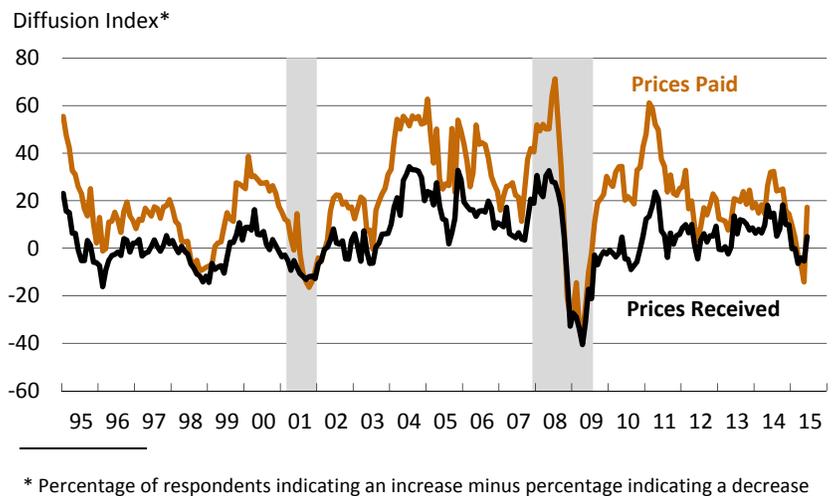


production growth for the second half of the year compared with the first half. Firms were also asked to evaluate how production increases would be achieved, by either increases in employment, work hours, or productivity gains. These results are detailed on pages 3–4 of this release.

Summary

The *Manufacturing Business Outlook Survey* suggests expansion of the region’s manufacturing sector in June. The survey’s indicators for general activity, new orders, and shipments all improved from their readings in May. Firms reported a modest increase in employment this month. A notable share of respondents reported higher prices of inputs this month. For their own manufactured products, more firms reported price increases than reported price decreases. Indicators reflecting firms’ expectations for the next six months improved this month, most notably for future new orders and shipments. ■

Chart 2. Current Prices Paid and Prices Received Indexes
(January 1995 to June 2015)

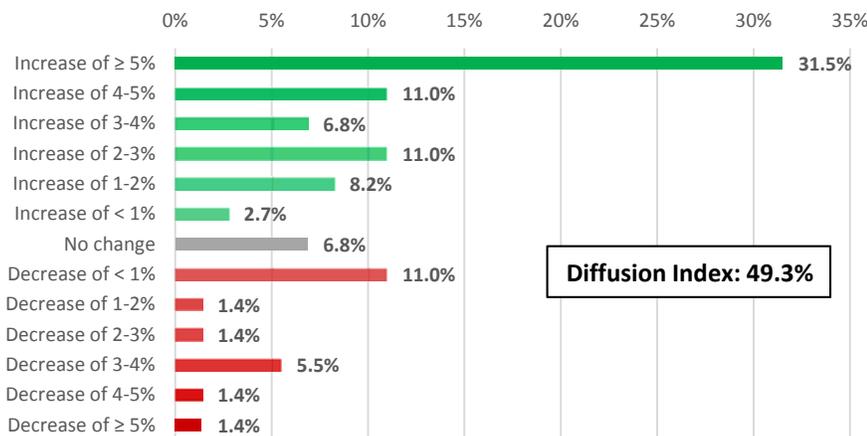
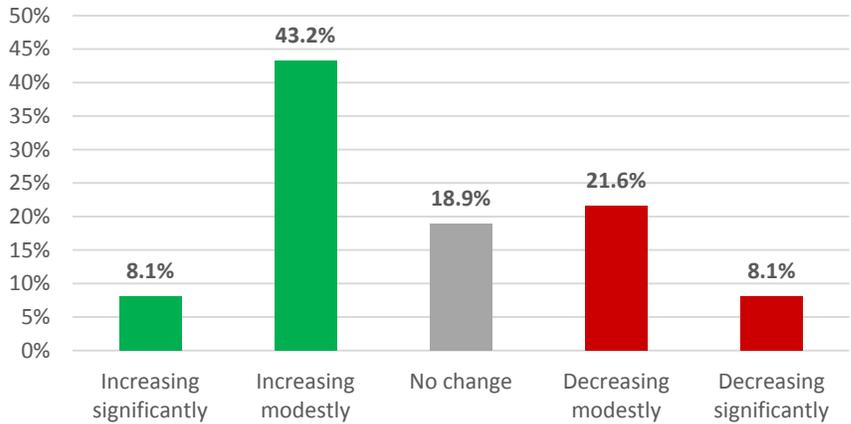


MANUFACTURING BUSINESS OUTLOOK SURVEY June 2015	June vs. May					Six Months from Now vs. June				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	6.7	29.9	51.9	14.7	15.2	33.9	47.5	35.6	7.8	39.7
Company Business Indicators										
New Orders	4.0	35.0	40.8	19.7	15.2	31.7	51.5	34.1	6.6	44.9
Shipments	1.0	30.3	52.5	16.0	14.3	32.0	58.1	27.7	2.4	55.8
Unfilled Orders	-1.1	21.7	60.3	18.0	3.7	15.9	30.7	56.7	7.3	23.4
Delivery Times	-3.6	12.2	70.9	16.9	-4.6	5.4	25.0	65.4	3.9	21.1
Inventories	-1.8	22.9	53.1	19.8	3.1	-4.0	27.6	46.4	16.3	11.3
Prices Paid	-14.2	21.1	70.0	4.0	17.2	20.9	46.3	46.9	0.0	46.3
Prices Received	-5.4	14.3	76.1	9.5	4.8	19.4	20.7	62.7	7.9	12.8
Number of Employees	6.7	21.5	58.7	17.7	3.8	21.5	31.3	49.9	9.0	22.3
Average Employee Workweek	-5.6	26.2	52.1	21.4	4.7	9.3	28.3	58.7	2.2	26.1
Capital Expenditures	--	--	--	--	--	16.8	28.4	42.5	20.3	8.1
NOTES:										
(1) Items may not add up to 100 percent because of omission by respondents.										
(2) All data are seasonally adjusted.										
(3) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.										
(4) Survey results reflect data received through June 16, 2015.										



1. Over the past three months, how would you characterize the underlying demand for your manufactured products?

Slightly more than 50 percent of the surveyed firms reported an increase in demand for manufactured products, although 43 percent characterized the increase as modest.

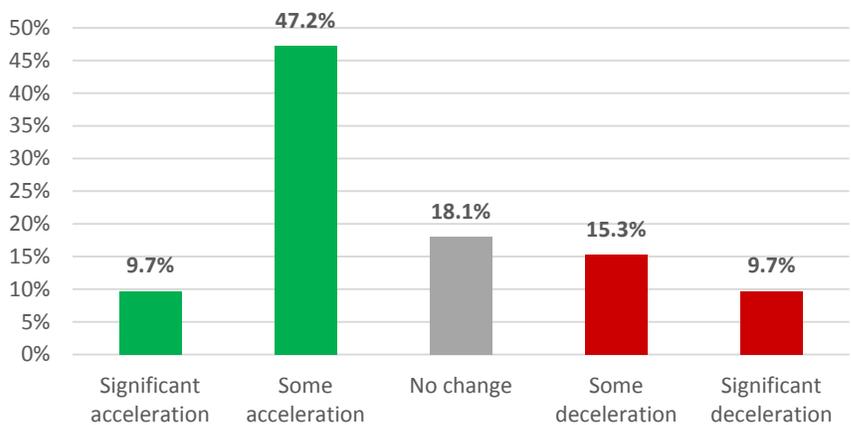


2a. What change, if any, do you anticipate in your firm's production during the second half of 2015 compared with the first half of the year?

The majority of firms reported that they expect to increase production in the second half of 2015, with 31.5 percent of the firms expecting increases of over 5 percent.

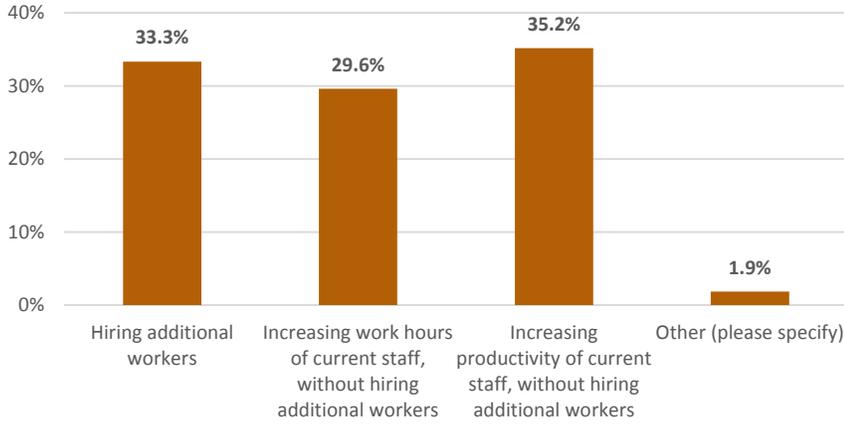
2b. Would this represent an acceleration or deceleration of growth from the first half of 2015?

Nearly 57 percent of the surveyed firms reported that they expect an acceleration in growth from the first half of 2015.



MBOs SPECIAL QUESTIONS

June 2015



3. If you expect to increase production over the next six months, how will this be accomplished?

In regard to increasing production, manufacturers indicated that hiring additional workers (33 percent) was roughly as likely as increasing productivity of current workers (35 percent) or increasing work hours of current staff (30 percent).

