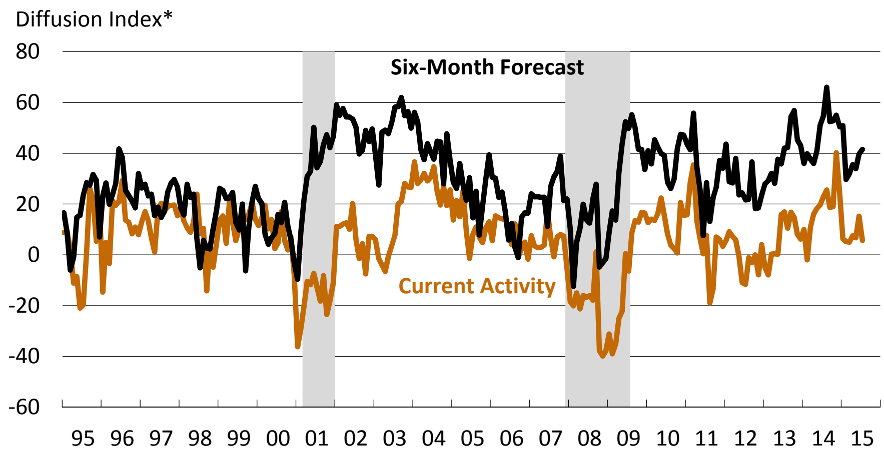
PHILADELPHIAFED

MBOS MANUFACTURING BUSINESS OUTLOOK SURVEY

July 2015

Manufacturing activity in the region increased modestly in July, according to firms responding to this month's *Manufacturing Business Outlook Survey*. Indicators for general activity, new orders, and shipments remained positive, although they declined from their readings in June. Employment was essentially flat at the reporting firms this month. Firms reported higher prices for raw materials and other inputs in July, but prices of manufactured goods were reported as mostly steady. The survey's index of future activity improved slightly, however, indicating that firms expect continuing growth in the manufacturing sector over the next six months.

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



* Percentage of respondents indicating an increase minus percentage indicating a decrease

Indicators Suggest Modest Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, decreased from 15.2 in June to 5.7 this month. With the exception of June's reading, the diffusion index has remained in the single-digit range since the beginning of this year (see Chart 1). The demand for manufactured goods, as measured by the survey's current new orders index, also expanded modestly. The new orders index remained positive but fell 8 points. The current shipments index decreased 10 points from its six-month high reading in June. Both unfilled orders and delivery time indexes were negative this month, suggesting a decline in the backlog of orders and faster delivery times.

Firms' responses suggest steady employment in July. The percentage of firms reporting an increase in employees in July was equal to the percentage reporting a decrease (12 percent). The current employment index fell for the third consecutive month, from a reading of 3.8 in June to -0.4. Firms reported a modest overall increase in the workweek: The workweek index was positive but little changed at 4.0.

Firms Continue to Report Input Prices Increases

Over 25 percent of the firms reported higher input prices this month, up from the 21 percent that reported higher prices last month. The prices paid index has increased for two consecutive months and is now at its highest reading since October (see Chart 2). With respect to the prices received for their own manufactured goods, the percentage of firms reporting higher prices received (12 percent) narrowly exceeded the percentage reporting lower prices (10 percent), although 77 percent reported steady prices. The prices received index fell slightly from 4.8 to 1.7.

Future Indexes Show Continued Improvement

Most of the survey's broad indicators of future growth edged slightly higher this month. The future general activity index increased 2 points to its highest reading since January (see Chart 1). The future index for new orders increased 1 point, while the future shipments index fell 6 points, after reaching a 10-month high in June. The future employment index was essentially unchanged compared with last month. More than 31 percent of the firms expect expansion in their workforce over the next six months, while 9 percent expect a reduction.

Released: July 16, 2015, 10:00 a.m. ET.
The August 2015 *Manufacturing Business Outlook Survey* will be released on August 20, 2015, at 10:00 a.m. ET.

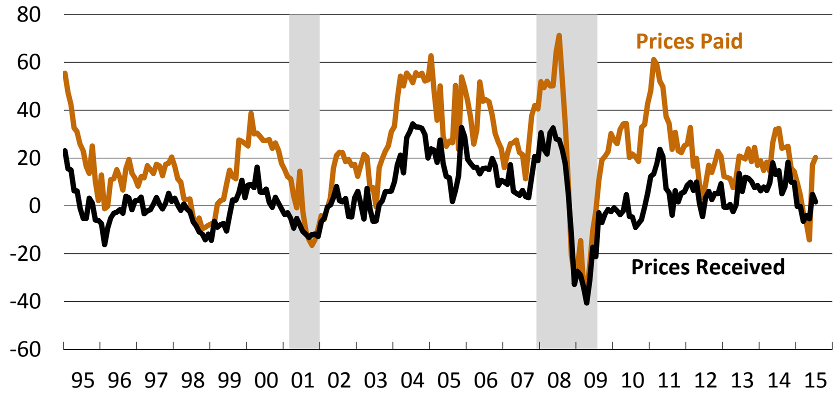
Significant Share Cite Seasonal Factors in Monthly Production Change

In this month's special questions, firms were asked to assess the importance of seasonal factors in monthly production, seasonal changes in their production by month, and whether these seasonal factors have changed in importance over time. Firms reported seasonal increases in production in the spring and during the fall as well as a decrease in activity in mid-summer and during the winter months. These results are detailed on page 3 of this release.

Summary

The *Manufacturing Business Outlook Survey* suggests modest expansion of the region's manufacturing sector in July. The survey's indicators for general activity, new orders, and shipments all remained positive but moderated from their readings in June. Firms reported near-steady employment this month. A notable share of respondents reported higher prices of inputs again this month. For their own manufactured products, firms reported that prices were steady this month. Indicators reflecting firms' expectations for the next six months showed some improvement.

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



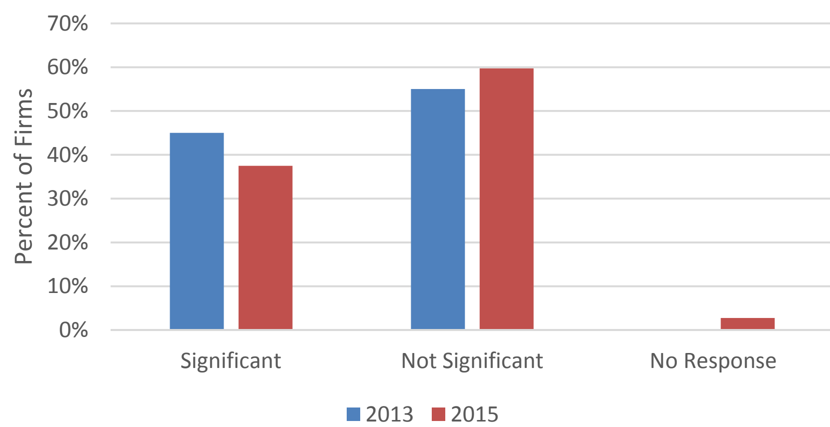
* Percentage of respondents indicating an increase minus percentage indicating a decrease

MANUFACTURING BUSINESS OUTLOOK SURVEY July 2015	**July vs. June**					**Six Months from Now vs. July**				
	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?	**15.2**	26.8	51.2	21.2	**5.7**	**39.7**	50.0	35.0	8.6	**41.5**
Company Business Indicators										
New Orders	**15.2**	31.7	40.8	24.7	**7.1**	**44.9**	53.0	34.6	6.6	**46.3**
Shipments	**14.3**	23.5	56.5	19.1	**4.4**	**55.8**	56.6	30.4	6.9	**49.7**
Unfilled Orders	**3.7**	11.6	68.5	17.9	**-6.3**	**23.4**	36.0	53.6	2.4	**33.6**
Delivery Times	**-4.6**	8.3	77.0	12.8	**-4.5**	**21.1**	14.7	70.8	4.5	**10.3**
Inventories	**3.1**	15.8	60.0	21.5	**-5.7**	**11.3**	18.9	47.5	20.2	**-1.3**
Prices Paid	**17.2**	25.4	69.5	5.2	**20.2**	**46.3**	39.5	54.5	2.2	**37.3**
Prices Received	**4.8**	12.0	76.5	10.2	**1.7**	**12.8**	24.5	65.6	4.3	**20.2**
Number of Employees	**3.8**	12.0	75.0	12.4	**-0.4**	**22.3**	31.3	56.9	9.1	**22.2**
Average Employee Workweek	**4.7**	14.2	71.5	10.3	**4.0**	**26.1**	21.4	64.5	8.7	**12.7**
Capital Expenditures	**--**	--	--	--	**--**	**8.1**	24.1	52.8	16.4	**7.7**

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 July 13, 2015.

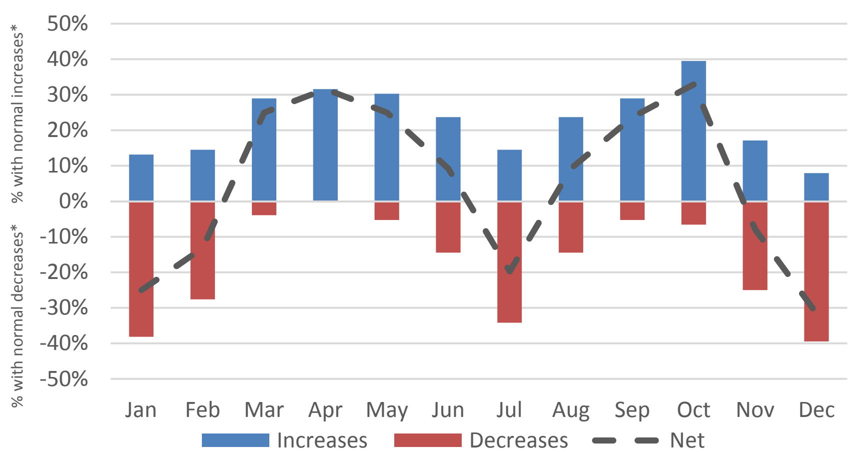
1. *How important are seasonal factors in your monthly production levels?*

Nearly 38 percent of the surveyed manufacturing firms reported that seasonal factors are significant in monthly production levels, down from 45 percent when the question was asked two years ago.



2. *During what months does your firm experience seasonal increases or decreases?*

Surveyed manufacturing firms reported seasonal increases in production in the spring and the fall as well as a decrease in activity in mid-summer and during the winter months.



* Percentage of firms reporting seasonal increases or decreases (shown as negative) in production by month

3. *Have seasonal factors become more or less important for your business over time?*

The majority of the firms surveyed reported that the importance of seasonal factors for their businesses has not changed over time. The firms reported similar percentages between 2012 and 2015 for all responses.