

November 2016

Results from the November *Manufacturing Business Outlook Survey* suggest that regional manufacturing activity continued to expand. The indexes for general activity, new orders, and shipments all remained positive this month. Overall, labor market conditions remained weak, however. More firms reported increases in prices in November compared with October. Firms expect continued growth for manufacturing over the next six months, although expectations were less optimistic than last month.

New Orders and Shipments Pick Up

The index for current manufacturing activity in the region edged down, from a reading of 9.7 in October to 7.6 this month. The index has been positive now for four consecutive months (see Chart 1). Other broad indicators showed improvement. The current new orders and shipments indexes increased from their readings in October, by 2 points and 4 points, respectively. Both the delivery times and unfilled orders indexes were positive this month, suggesting longer delivery times and an increase in unfilled orders. The current inventories index moved into positive territory for the first time in 17 months.

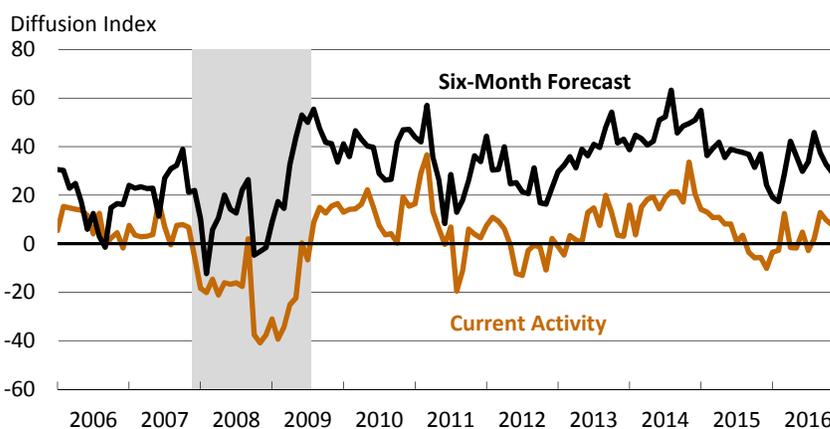
Firms reported continued weakness in manufacturing employment. The percentage of firms reporting a decrease in employment in November (20 percent) exceeded the percentage reporting an increase (18 percent). The current employment index, which has now remained negative for 11 consecutive months, edged 1 point higher to -2.6. One sign of improvement was the average workweek index, which was positive for the first time in eight months.

Firms Report Higher Prices

Firms reported increases in the prices paid for inputs and the prices received for their own manufactured goods this month. The prices paid index increased 21 points, to 27.5. Twenty-nine percent of the firms reported higher input prices this month, compared with 15 percent last month. Most firms (69 percent), however, reported that input prices were unchanged. With respect to prices received for firms' own manufactured goods, more firms reported higher prices this month. Although the largest percentage of firms (75 percent) reported no change in prices, 20 percent of the firms reported price increases for their own products this month, compared with 6 percent last month. The index for current prices received increased 20 points.

Chart 1. Current and Future General Activity Indexes

January 2006 to November 2016



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.

Expectations Are Still Positive but Moderated

Firms remained optimistic about overall business conditions over the next six months, but the survey's six-month general activity index moderated 3 points from last month (see Chart 1). Nearly 36 percent of the firms expect increases in activity over the next six months, lower than the 45 percent that expected increases last month. The indexes for future new orders and shipments also fell from their October readings, by 2 points and 11 points, respectively. The future employment index also fell 14 points. One-quarter of the manufacturers said they expect to expand employment over the next six months, while 13 percent expect to reduce employment.

Firms Expect Price Increases to Nearly Match the Rate of Inflation

In this month's special questions, firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters (see Special Questions). The median forecast was for an increase in their own prices of 2 percent, up from a 1 percent forecast in the third quarter. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 2.3 percent, which was slightly higher than the 2 percent that was forecast last quarter. Firms

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expect their employee compensation costs (wages plus benefits on a per employee basis) to rise at a pace of 3 percent over the next four quarters.

Summary

Responses to the November *Manufacturing Business Outlook Survey* suggest continued modest growth in the region's manufacturing sector. The indexes for general activity, new orders, and shipments all indicated expansion. The survey's price indexes were notably higher this month. Firms reported continued reductions in overall employment this month, although average work hours increased. Firms remained generally optimistic about increases in overall business activity over the next six months, although forecasts were less optimistic than in October. ■

Special Questions (November 2016)		
Over the next year (2016:Q4 to 2017:Q4), please list your expected annual percent change with respect to the following:		
	Percent Change over Next Year*	
	Fourth Quarter Forecast	Third Quarter Forecast
1. For your firm:		
Prices your firm will receive (for its own goods and services sold).	2.0	1.0
Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
2. For your employees:		
Prices your employees will pay (for goods and services where they live).	2.0	2.0
3. For U.S. consumers:		
Prices U.S. consumers will pay (for goods and services).	2.3	2.0
For the next 10 years (2016 through 2025), what is your expected annual average percent change with respect to the following:		
4. For U.S. consumers:		
Prices U.S. consumers will pay (for goods and services).	2.7	2.5
* Numbers represent median forecasts.		

MANUFACTURING BUSINESS OUTLOOK SURVEY November 2016	November vs. October					Six Months from Now vs. November				
	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?	9.7	23.7	60.2	16.1	7.6	32.6	35.9	49.6	6.6	29.3
Company Business Indicators										
New Orders	16.3	36.4	45.9	17.7	18.6	39.3	47.2	39.2	9.8	37.4
Shipments	15.3	34.8	49.3	15.4	19.5	40.8	42.4	43.5	12.2	30.2
Unfilled Orders	-0.7	15.6	72.9	11.5	4.1	15.3	21.1	65.6	13.0	8.1
Delivery Times	-0.3	10.6	84.9	4.5	6.1	6.2	17.0	69.9	11.6	5.4
Inventories	-12.8	28.4	56.0	15.0	13.4	14.0	21.9	56.5	15.7	6.2
Prices Paid	7.0	28.8	69.0	1.3	27.5	42.4	40.1	55.4	3.4	36.7
Prices Received	-3.7	19.6	75.0	3.5	16.0	29.2	33.6	61.4	2.6	31.0
Number of Employees	-4.0	17.5	61.6	20.1	-2.6	25.9	25.1	56.7	13.3	11.8
Average Employee Workweek	-2.2	20.5	62.1	13.2	7.4	15.7	20.0	68.0	11.9	8.1
Capital Expenditures	--	--	--	--	--	21.2	25.0	65.3	5.9	19.1
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 November 14, 2016.										

