

Firms responding to the *Manufacturing Business Outlook Survey* reported little growth this month. Though the indicator for general activity was positive in June, other broad indicators continued to reflect general weakness in business conditions. The indicators for both employment and work hours remained negative. Forecasts of future activity weakened from last month but continued to suggest that manufacturers expect growth over the next six months.

Current Indicators Are Mixed

The diffusion index for current activity rose almost 7 points, to 4.7, and returned to positive territory this month after two consecutive negative readings (see Chart). About one-quarter of the firms reported increases in activity, similar to last month, while 20 percent of the firms reported decreases, down from 26 percent last month. More than 52 percent of the firms reported steady activity. The current new orders and shipments indexes, however, remained slightly negative, slipping 1 and 2 points, respectively. Nearly 55 percent of the respondents reported no change in new orders this month, and 45 percent reported no change in shipments. As with the other broad indicators this month, the unfilled orders, delivery times, and inventories indexes all remained negative.

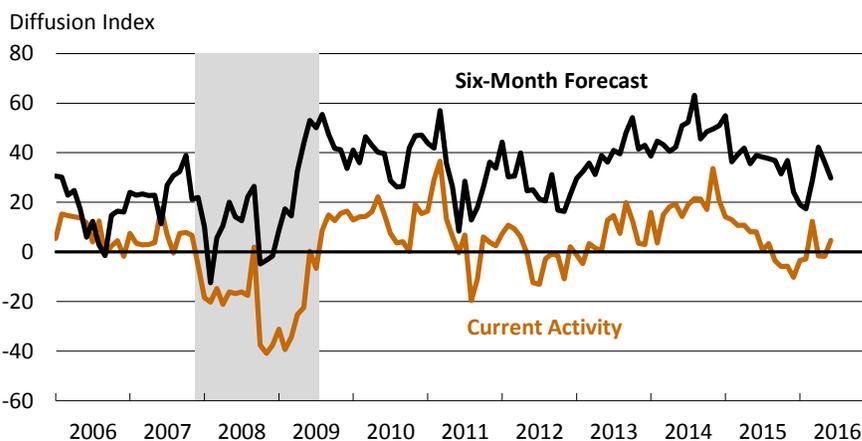
The survey's labor market indicators suggest continued weak employment conditions. The employment index was negative for the sixth consecutive month, falling from -3.3 in May to -10.9 in June. Though nearly 72 percent of the firms reported no change in employment this month, the percentage reporting decreases (20 percent) exceeded the percentage reporting increases (9 percent). The average workweek index edged up slightly but remained negative, at -13.1.

More Firms Report Input Price Increases

Though most firms (68 percent) reported no changes in prices for inputs, more than 26 percent of the firms reported increases in input prices this month. The prices paid index rose for the fourth consecutive month, climbing 7 points to 23.0. The respondents reported moderating prices for their own goods, as the prices received index decreased from 14.8 in May to 3.9 in

Current and Future General Activity Indexes

January 2006 to June 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.

June. The percentage of firms indicating an increase (14 percent) edged out the percentage of firms indicating a decrease (11 percent), and three-quarters of the firms reported no change.

Future Growth Expectations Soften but Remain Positive

The survey's future indicators decreased for the second consecutive month but continue to suggest that firms expect growth through the end of the year. The diffusion index for future general activity declined from 36.1 in May to 29.8 in June (see Chart). More than 46 percent of the firms expect an increase in activity over the next six months, while 16 percent expect a decline. Indicators for future new orders and shipments also declined, falling 10 points and 6 points, respectively. The future employment index edged down slightly, to 11.2. Almost 26 percent of the surveyed firms expect to increase employment levels over the next six months, a slight improvement from last month. Firms also foresee increases in prices: The indexes for future prices paid and received both rose.

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The July 2016 *Manufacturing Business Outlook Survey* will be released on July 21, 2016, at 8:30 a.m. ET.



Most Firms Expect Increased Production in the Third Quarter

In this month's special questions, firms were asked to estimate their total production growth for the second quarter ending this month along with expected growth for the third quarter. The share of firms reporting increases in second-quarter production (44 percent) was slightly greater than the share reporting decreases (40 percent). Looking ahead to the third quarter, 45 percent of the firms forecast acceleration in the rate of production, while 26 percent of the firms forecast deceleration. For those firms expecting to accelerate production, respondents indicated this would be achieved by increasing the productivity of current workers (42 percent) rather than increasing work hours of current staff (29 percent) or hiring additional workers (23 percent).

Summary

This month's *Manufacturing Business Outlook Survey* suggests tepid growth of the region's manufacturing sector. The survey's indicator for general activity returned to positive territory, but indicators for new orders, shipments, and employment remained negative. Though indicators for future conditions fell from last month's readings, firms continued to expect future growth. ■

Special Questions (June 2016)				
1. How will your firm's total production for the second quarter compare with that of the first quarter?*				
		Change attributable to:		
	% of firms	Seasonal factors	Business conditions	Other
Increase	44.4%	23.6%	16.7%	2.8%
No change	13.9%			
Decrease	40.3%	9.7%	29.2%	1.4%
2. For the upcoming third quarter , how much growth do you expect at your plant compared with the second quarter?				
Significant acceleration	1.4%	% of firms reporting acceleration: 44.9%		
Some acceleration	26.1%			
Slight acceleration	17.4%			
No change	29.0%	% of firms reporting deceleration: 26.1%		
Slight deceleration	13.0%			
Some deceleration	11.6%			
Significant deceleration	1.4%			
3. If you expect to increase production in the third quarter , how will this be accomplished?				
Hiring additional workers	22.6%	% of firms reporting increase: 41.9%		
Increasing work hours of current staff, without hiring additional workers	29.0%			
Increasing productivity of current staff, without hiring additional workers	41.9%			
Other	6.5%			
*Subtotals may not sum to totals because of incomplete answers.				

MANUFACTURING BUSINESS OUTLOOK SURVEY June 2016	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?	-1.8	24.7	52.1	20.0	4.7	36.1	46.2	31.7	16.4	29.8
Company Business Indicators										
New Orders	-1.9	20.6	54.7	23.6	-3.0	39.9	45.6	31.0	15.7	29.9
Shipments	-0.5	26.3	45.3	28.4	-2.1	37.9	45.5	33.2	13.3	32.2
Unfilled Orders	-8.8	6.3	74.8	18.9	-12.6	14.5	12.7	67.4	13.4	-0.6
Delivery Times	-14.6	9.8	71.1	18.1	-8.3	-2.2	10.1	74.0	7.7	2.4
Inventories	-2.5	16.9	52.4	26.8	-9.9	-12.0	21.1	46.3	24.2	-3.1
Prices Paid	15.7	26.5	68.2	3.6	23.0	24.8	39.3	51.9	1.5	37.8
Prices Received	14.8	14.4	75.2	10.5	3.9	10.5	28.8	53.1	12.3	16.5
Number of Employees	-3.3	8.7	71.6	19.6	-10.9	12.0	25.9	51.8	14.7	11.2
Average Employee Workweek	-15.1	11.5	61.5	24.7	-13.1	13.7	19.1	65.3	8.1	11.0
Capital Expenditures	--	--	--	--	--	23.6	19.7	59.6	12.7	7.1
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 June 13, 2016.										

