

December 2020

Note: Survey responses were collected from December 7 to December 14.

Manufacturing activity in the region continued to grow, but growth was less widespread, according to firms responding to the December *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments remained positive for the seventh consecutive month but fell notably from their readings in November. Some future indexes also moderated this month but continue to indicate that firms expect growth over the next six months.

Current Indicators Are Positive but Weaker

The diffusion index for current activity fell 15 points to 11.1 in December, its lowest positive reading following its fall to long-term lows in April and May (see Chart 1). The percentage of firms reporting increases this month (29 percent) exceeded the percentage reporting decreases (18 percent). The index for new orders decreased nearly 36 points to a reading of 2.3. Although nearly 31 percent of the firms reported increases in new orders this month, the share of firms reporting decreases jumped from 11 percent in November to 28 percent this month. The current shipments index fell 11 points to 14.4 in December.

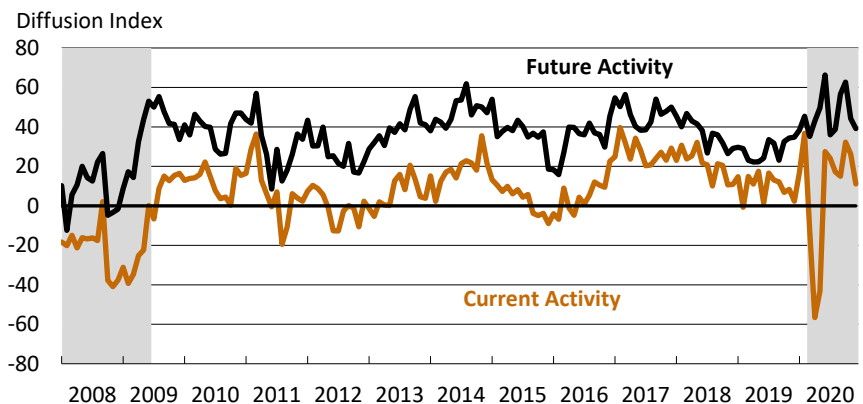
On balance, fewer firms reported increases in manufacturing employment this month. The current employment index has remained positive for six consecutive months but decreased 19 points to 8.5 in December (see Chart 2). Employment increases were reported by 18 percent of the firms, down from 34 percent in November. The average workweek index was positive for the sixth consecutive month but edged down nearly 8 points to 18.0.

Survey Price Indicators Moderate This Month

Price increases were less widespread this month. The prices paid diffusion index decreased 12 points to 27.1. Over 29 percent of the firms reported increases in input prices, compared with 39 percent last month; most firms (63

Chart 1. Current and Future General Activity Indexes

January 2008 to December 2020



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.

percent) reported no change. The current prices received index, reflecting manufacturers' own prices, decreased 7 points to 18.0. Over 20 percent of the firms reported increases in prices of their own manufactured goods, while 2 percent reported declines. The largest percentage of firms (75 percent) reported no change in prices for their manufactured goods.

Firms Expect Highest Cost Increases for Health Benefits

In this month's special questions, the firms were asked about their expectations for changes in various input and labor costs for the coming year. The average expected increase for wages was 2.5 percent, for health benefits costs was 5.3 percent, and for nonhealth benefits costs was 2.4 percent. The average forecasted growth in total wage compensation costs (wages plus benefits) was 3.9 percent. The costs of raw materials and

Released: December 17, 2020, 8:30 a.m. ET.

The January 2021 *Manufacturing Business Outlook Survey* will be released on January 21, 2021, at 8:30 a.m. ET.

The survey's annual historical revisions, which incorporate new seasonal adjustment factors, will be released on Thursday, January 14, 2021, at 8:30 a.m. ET.

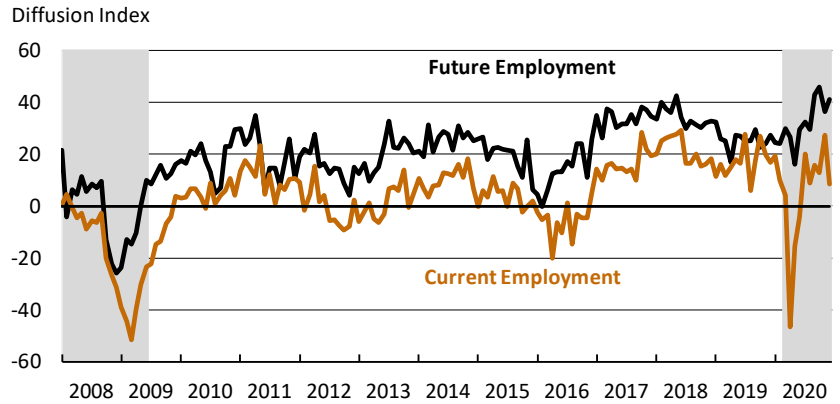


intermediate goods are expected to increase 3.6 percent and 2.4 percent, respectively. Energy costs were forecast to increase 1.2 percent. The firms were also asked how the expected costs for 2021 will compare with this year's costs. On balance, for all categories of expenses, the forecasts indicated increases relative to 2020.

Firms Continue to Expect Growth

The survey's future indicators for activity and new orders were slightly weaker this month, but future indicators for shipments and employment improved. The diffusion index for general activity over the next six months decreased 5 points to 39.2 in December (see Chart 1). The percentage of firms expecting growth over the next six months (53 percent) remained significantly greater than the percentage expecting declines (14 percent). The future new orders index fell 7 points but remains at an elevated reading of 41.5. The future shipments index increased 2 points to 45.3 this month. The future employment index also showed improvement, edging 5 points higher (see Chart 2). Over 45 percent of the firms expect to increase employment in their manufacturing plants over the next six months. The future capital spending index declined 2 points to 23.8.

Chart 2. Current and Future Employment Indexes
January 2008 to December 2020



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.

Summary

Responses to the *Manufacturing Business Outlook Survey* suggested a slower expansion for the region's manufacturing sector in December. Indicators for general activity, new orders, shipments, and employment remained positive but were weaker in December. Changes in future indexes were mixed this month but suggest that overall growth is expected to continue over the next six months. ■

| MANUFACTURING BUSINESS OUTLOOK SURVEY December 2020 | 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? | 26.3 | 29.0 | 50.8 | 17.9 | 11.1 | 44.3 | 52.7 | 23.7 | 13.5 | 39.2 |
| Company Business Indicators | | | | | | | | | | |
| New Orders | 37.9 | 30.7 | 38.6 | 28.4 | 2.3 | 48.1 | 56.0 | 23.4 | 14.4 | 41.5 |
| Shipments | 24.9 | 35.5 | 42.2 | 21.1 | 14.4 | 43.1 | 55.4 | 30.5 | 10.1 | 45.3 |
| Unfilled Orders | 22.2 | 19.4 | 60.6 | 18.0 | 1.4 | 13.2 | 22.6 | 63.7 | 9.3 | 13.3 |
| Delivery Times | 18.0 | 25.1 | 67.2 | 6.6 | 18.5 | 4.7 | 17.5 | 66.2 | 9.9 | 7.7 |
| Inventories | 1.8 | 26.4 | 56.6 | 16.1 | 10.3 | 20.3 | 24.6 | 52.8 | 17.2 | 7.4 |
| Prices Paid | 38.9 | 29.1 | 63.4 | 2.1 | 27.1 | 49.4 | 54.4 | 33.3 | 7.8 | 46.6 |
| Prices Received | 25.4 | 20.1 | 75.2 | 2.1 | 18.0 | 37.2 | 41.3 | 46.1 | 5.8 | 35.5 |
| Number of Employees | 27.2 | 18.3 | 71.8 | 9.9 | 8.5 | 36.2 | 44.7 | 49.5 | 3.7 | 41.0 |
| Average Employee Workweek | 25.7 | 22.9 | 72.0 | 4.9 | 18.0 | 20.9 | 28.1 | 58.0 | 11.1 | 17.0 |
| Capital Expenditures | -- | -- | -- | -- | -- | 25.5 | 32.5 | 56.0 | 8.7 | 23.8 |

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 December 14, 2020.

Special Questions (December 2020)

1. What percentage change in costs do you expect for the following categories in 2021?

| | Energy (%) | Other Raw Materials (%) | Intermediate Goods (%) | Wages (%) | Health Benefits (%) | Nonhealth Benefits (%) | Wages + Health Benefits + Nonhealth Benefits (%) |
|--------------------------------|------------|-------------------------|------------------------|------------|---------------------|------------------------|--|
| Decline of more than 4% | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Decline of 3–4% | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Decline of 2–3% | 1.8 | 3.6 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Decline of 1–2% | 3.6 | 1.8 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| No change | 36.4 | 7.1 | 18.2 | 8.9 | 19.6 | 26.8 | 3.6 |
| Increase of 1–2% | 32.7 | 21.4 | 27.3 | 16.1 | 3.6 | 19.6 | 7.3 |
| Increase of 2–3% | 14.5 | 23.2 | 23.6 | 46.4 | 12.5 | 32.1 | 34.5 |
| Increase of 3–4% | 5.5 | 14.3 | 14.5 | 21.4 | 21.4 | 7.1 | 25.5 |
| Increase of 4–5% | 3.6 | 8.9 | 9.1 | 5.4 | 5.4 | 10.7 | 14.5 |
| Increase of 5–7.5% | 1.8 | 7.1 | 5.5 | 1.8 | 12.5 | 0.0 | 5.5 |
| Increase of more than 7.5% | 0.0 | 12.5 | 1.8 | 0.0 | 25.1 | 3.6 | 9.1 |
| Average Expected Change | 1.2 | 3.6 | 2.4 | 2.5 | 5.3 | 2.4 | 3.9 |

2. How do these expected cost changes compare with those in 2020?

| | | | | | | | |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Higher | 37.0 | 50.0 | 46.3 | 50.0 | 53.6 | 33.9 | 60.7 |
| Same | 53.7 | 37.5 | 50.0 | 41.1 | 35.7 | 60.7 | 32.1 |
| Lower | 9.3 | 12.5 | 3.7 | 8.9 | 10.7 | 5.4 | 7.1 |
| Diffusion Index (Higher Minus Lower) | 27.7 | 37.5 | 42.6 | 41.6 | 42.9 | 28.5 | 53.6 |

**The firms responded to more detailed changes than shown in the provided ranges.*