

January 2021

Note: Survey responses were collected from January 11 to January 19.

Manufacturing activity in the region continued to grow, according to firms responding to the January *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments increased notably this month and remained positive for the eighth consecutive month. The survey's future indexes remained at high readings and continue to indicate that firms expect growth over the next six months.

Current Indicators Are Positive and Higher

The diffusion index for current activity increased from a revised reading of 9.1 in December to 26.5 (see Chart 1).* The percentage of firms reporting increases this month (40 percent) exceeded the percentage reporting decreases (13 percent). The index for new orders increased 28 points to a reading of 30.0, its highest reading in three months. Over 45 percent of the firms reported increases in new orders this month. The current shipments index increased 11 points to 22.7 in January.

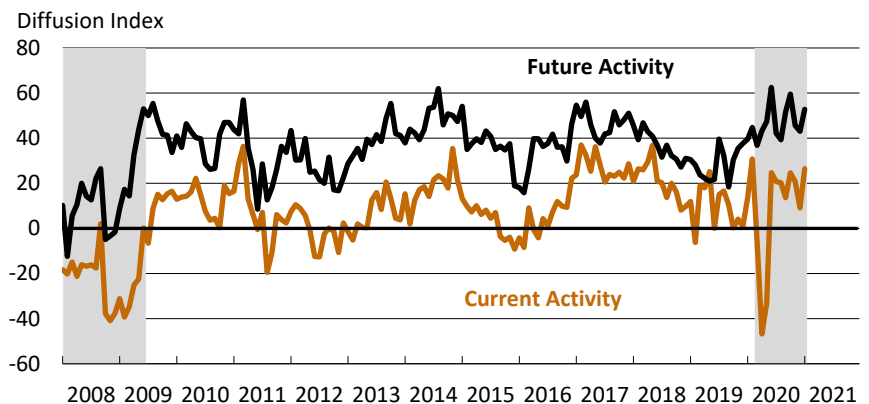
On balance, more firms reported increases in manufacturing employment this month. The current employment index has remained positive for seven consecutive months and increased 17 points to 22.5 in January. Employment increases were reported by 33 percent of the firms, while 10 percent reported decreases. The average workweek index was also positive for the seventh consecutive month and edged 3 points higher to 18.6.

Price Indicators Increase This Month

Price increases were more widely reported this month. The prices paid diffusion index increased 21 points to 45.4 (see Chart 2). Over 47 percent of the firms reported increases in input prices, while only 2 percent reported decreases. The current prices received index, reflecting manufacturers' own prices, also increased 21 points to 36.6. Over 38 percent of the firms reported increases in prices of

Chart 1. Current and Future General Activity Indexes

January 2008 to January 2021



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.

their own manufactured goods, while 2 percent reported declines. The largest percentage of firms (60 percent) reported no change in prices for their manufactured goods.

Firms Expect to Increase Production in the Near Term

In the Special Questions this month, the firms were asked to characterize demand for their products over the past few months and to forecast their production for the first quarter of the year (see Special Questions on page 3). Most firms (64 percent) reported an increase in underlying demand, but 18 percent characterized underlying demand as decreasing in recent months. Over 69 percent of the firms anticipate increasing production in the first quarter, while 24 percent expect decreases. Among the firms expecting an increase in

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The February 2021 *Manufacturing Business Outlook Survey* will be released on February 18, 2021, at 8:30 a.m. ET.

* The survey's annual historical revisions, which incorporate new seasonal adjustment factors, were released on January 14, 2021. The full set of revised historical data is available at www.philadelphiafed.org/surveys-and-data/regional-economic-analysis/mbos-historical-revisions-2021.



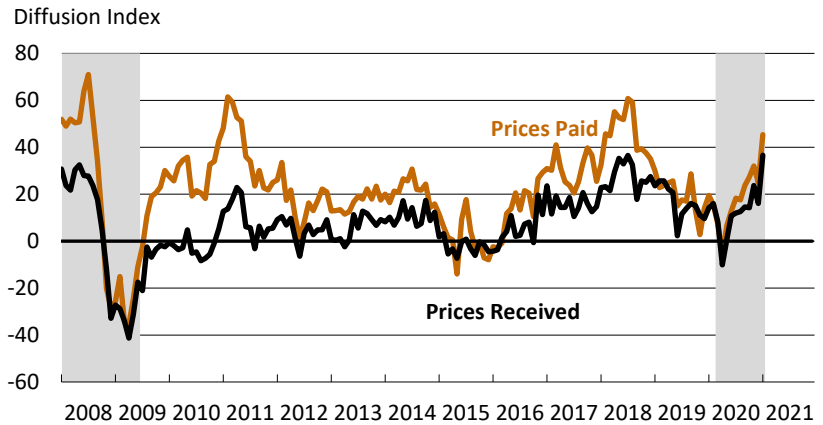
production, 51 percent indicated that this would be accomplished with additional workers. Most of the remaining firms indicated higher production would be accomplished without additional hiring: Nearly 23 percent would increase the hours of existing workers, and 20 percent indicated production could be increased with higher productivity of existing workers.

Firms Continue to Expect Growth

The survey's indicators for future general activity improved this month, and although other future indicators declined somewhat, they remained at elevated readings. The diffusion index for general activity over the next six months increased 10 points, from a revised reading of 43.1 to 52.8 in January (see Chart 1). The percentage of firms expecting growth over the next six months (64 percent) remained significantly greater than the percentage expecting declines (12 percent). The future new orders index held steady at an elevated reading of 47.5, and the future shipments index decreased 2 points to 46.1 this month. The future employment index fell 2 points: Over 44 percent of the firms expect to increase employment in their manufacturing plants over the next six months. The future capital spending index showed notable improvement, increasing 12 points to 35.4.

Chart 2. Current Prices Paid and Prices Received Indexes

January 2008 to January 2021



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 continued expansion for the region's manufacturing sector in January. Indicators for general activity, new orders, shipments, and employment remained positive and were stronger in January. Changes in future indexes were mixed this month, but levels remained positive, suggesting that overall growth is expected to continue over the next six months. ■

MANUFACTURING BUSINESS OUTLOOK SURVEY January 2021	January vs. December					Six Months from Now vs. January				
	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?	9.1	39.5	44.2	13.0	26.5	43.1	64.4	15.1	11.6	52.8
Company Business Indicators										
New Orders	1.9	45.3	38.7	15.3	30.0	47.5	63.2	16.2	15.6	47.5
Shipments	12.0	43.4	35.9	20.7	22.7	48.2	62.6	16.8	16.5	46.1
Unfilled Orders	-0.1	31.7	56.7	6.2	25.6	15.4	26.8	51.4	16.0	10.8
Delivery Times	17.3	32.6	64.8	2.6	30.0	7.4	22.2	59.5	14.1	8.1
Inventories	7.7	23.5	64.0	10.9	12.6	8.3	29.4	52.0	15.4	14.0
Prices Paid	24.9	47.3	50.0	1.9	45.4	45.1	46.2	43.5	4.9	41.3
Prices Received	16.1	38.1	60.3	1.5	36.6	34.3	36.9	56.5	3.0	33.9
Number of Employees	5.6	32.8	53.6	10.3	22.5	41.3	44.1	45.3	5.2	38.9
Average Employee Workweek	15.5	28.9	60.8	10.3	18.6	19.2	25.9	58.8	11.2	14.7
Capital Expenditures	--	--	--	--	--	23.8	39.9	51.8	4.5	35.4

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 January 19, 2021.

Special Questions (January 2021)		
1. Over the past several months, how would you characterize the underlying demand for your manufactured products? <i>Exclude any purely seasonal effects.</i>		
	% of firms	Subtotals
Significant increase	20.0	% of firms reporting increasing demand: 63.6
Modest increase	43.6	
No change	18.2	
Modest decrease	14.5	% of firms reporting decreasing demand: 18.2
Significant decrease	3.6	
2. How will your firm's total production for the first quarter of 2021 compare with that of the last quarter of 2020?		
An increase of:		
10% or more	16.4	% of firms expecting an increase: 69.1
8–10%	1.8	
6–8%	7.3	
4–6%	16.4	
2–4%	10.9	
1–2%	14.5	
less than 1%	1.8	
No change	7.3	
A decline of:		
less than 1%	0.0	% of firms expecting a decrease: 23.6
1–2%	1.8	
2–4%	1.8	
4–6%	7.3	
6–8%	1.8	
8–10%	0.0	
10% or more	10.9	
3. If you expect to increase production in the next quarter, this will be accomplished by:		
	% of firms	
Hiring additional workers	51.4	
Increasing work hours of current staff, without hiring additional workers	22.9	
Increasing productivity of current staff, without hiring additional workers	20.0	
Other	5.7	