

February 2021

Note: Survey responses were collected from February 8 to February 16.

Manufacturing activity in the region continued to grow, according to firms responding to the February *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments declined from January's readings but remained elevated. Additionally, employment increases were more widespread this month. Most future indexes moderated this month but continue to indicate that firms expect growth over the next six months.

Current Indicators Remain Positive

The diffusion index for current activity remained positive for the ninth consecutive month but decreased 3 points to 23.1 in February (see Chart). The percentage of firms reporting increases this month (35 percent) exceeded the percentage reporting decreases (11 percent). The index for new orders decreased 7 points to a reading of 23.4. Over 37 percent of the firms reported increases in new orders this month, compared with 45 percent last month. The current shipments index edged down 1 point to 21.5 in February.

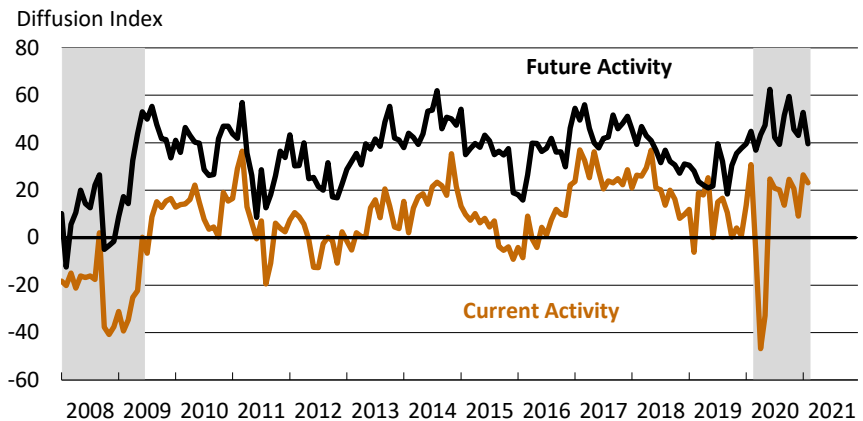
On balance, the firms reported increases in manufacturing employment for the eighth consecutive month. The current employment index increased 3 points to 25.3. Employment increases were reported by 30 percent of the firms, while 5 percent reported decreases. The average workweek index was also positive for the eighth consecutive month and rose 12 points to 30.6.

More Firms Report Increases in Input Prices

Price increases were more widespread this month for inputs but less widespread for firms' own goods. The prices paid diffusion index increased 9 points to 54.4. Nearly 55 percent of the firms reported increases in input prices, compared with 47 percent last month. More than 45 percent of the firms reported no change. The current prices received index, reflecting manufacturers' own prices, decreased 20

Chart. Current and Future General Activity Indexes

January 2008 to February 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.

points to 16.7. Nearly 18 percent of the firms reported increases in prices of their own manufactured goods, compared with 38 percent in January; most firms (80 percent) reported stable output prices.

Firms Expect Own Prices to Match Higher Rate of Inflation

In this month's special questions, the firms were asked to forecast the changes in the prices of their own products and for U.S. consumers over the next four quarters. Regarding their own prices, the firms' median forecast was for an increase of 3.0 percent, higher than the 2.0 percent that was forecast when the question was asked in November. The firms' actual price change over the past year was 2.0 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 3.0 percent over the next four quarters, the same as in November. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 3.0 percent, an increase from 2.0 percent in the previous quarter. The firms' median forecast for the long-run (10-year average) inflation

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rate was 3.0 percent, an increase from 2.5 percent in the previous quarter.

Firms' Outlook Softens but Continued Growth Is Expected

The respondents recorded weaker expectations for growth compared with January. The diffusion index for future general activity decreased 13 points to 39.5 in February (see Chart). Nearly 55 percent of the firms expect growth over the next six months (down from 64 percent last month), while only 15 percent expect declines (up from 12 percent). The future new orders index fell 11 points to 36.6, and the future shipments index decreased 14 points to 32.3 this month. The future employment index fell 4 points to 34.7. Over 40 percent of the firms expect to increase employment in their manufacturing plants over the next six months, compared with 6 percent that anticipate employment declines.

Summary

Responses to the February *Manufacturing Business Outlook Survey* suggest continued expansion for the region's manufacturing sector. The indicators for current activity, new orders, and shipments fell slightly from last month but remained elevated, and the current employment index increased slightly. The survey's future indexes moderated this month but continue to suggest expected growth over the next six months. ■

Special Questions (February 2021)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Nov. 2020)
For your firm:		
<i>Forecast for next year (2021Q1–2022Q1)</i>		
1. Prices your firm will receive (for its own goods and services sold).	3.0	2.0
2. Compensation your firm will pay per employee (for wages and benefits).	3.0	3.0
<i>Last year's price change (2020Q1–2021Q1)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.0	1.0
For U.S. consumers:		
4. Prices consumers will pay for goods and services over the next year.	3.0	2.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2021–2030).	3.0	2.5
The numbers represent medians of the individual forecasts (percent changes). For question 5, firms reported a 10-year annual-average change.		

MANUFACTURING BUSINESS OUTLOOK SURVEY February 2021	February vs. January					Six Months from Now vs. February				
	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?	26.5	34.6	47.2	11.4	23.1	52.8	54.7	24.1	15.2	39.5
Company Business Indicators										
New Orders	30.0	37.2	46.2	13.9	23.4	47.5	49.4	35.8	12.8	36.6
Shipments	22.7	39.2	40.4	17.7	21.5	46.1	45.8	33.6	13.5	32.3
Unfilled Orders	25.6	20.0	71.4	7.4	12.6	10.8	24.2	54.7	18.3	6.0
Delivery Times	30.0	22.2	70.8	7.0	15.1	8.1	17.7	64.3	18.0	-0.3
Inventories	12.6	33.0	48.4	13.0	20.0	14.0	30.1	47.8	18.5	11.6
Prices Paid	45.4	54.6	45.2	0.2	54.4	41.3	56.7	35.5	3.2	53.6
Prices Received	36.6	17.9	79.8	1.2	16.7	33.9	43.3	48.1	5.5	37.8
Number of Employees	22.5	30.0	63.5	4.7	25.3	38.9	40.3	49.8	5.7	34.7
Average Employee Workweek	18.6	35.0	59.6	4.3	30.6	14.7	21.9	64.0	11.7	10.3
Capital Expenditures	--	--	--	--	--	35.4	32.4	58.5	7.2	25.2
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 February 16, 2021.										