

May 2021

Note: Survey responses were collected from May 10 to May 17.

Manufacturing activity in the region continued to grow, according to the firms responding to the May *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments declined from April's readings but remained elevated. Additionally, employment increases were less widespread this month, while both price indexes reached long-term highs. Most future indexes moderated this month but continue to indicate that the firms expect growth over the next six months.

### Current Indicators Remain Positive

The diffusion index for current activity decreased 19 points to 31.5 in May, after reaching long-term high readings in March and April (see Chart). Over 43 percent of the firms reported increases in current activity this month (down from 59 percent last month), while 12 percent reported decreases (up from 8 percent). The index for new orders decreased 4 points to a reading of 32.5. The current shipments index fell 4 points to 21.0 in May. Over 42 percent of the firms reported increases in shipments this month, while 21 percent reported decreases.

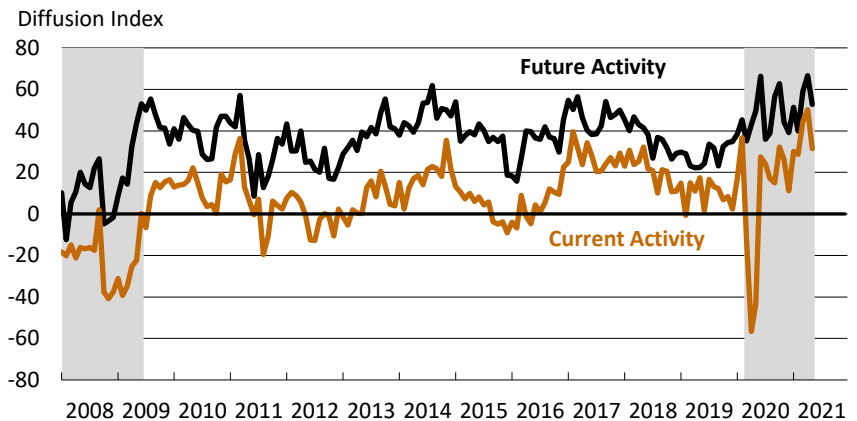
On balance, the firms reported increases in manufacturing employment, but increases were less widespread, as the current employment index decreased 12 points to 19.3. Almost 26 percent of the firms reported higher employment, 6 percent reported lower employment, and 65 percent reported no change. The average workweek index rose 6 points to 35.5.

### Price Indicators Reach 40-Year Highs

Price increases were more widespread this month for the firms' inputs and own goods. The prices paid diffusion index increased 8 points to 76.8, its highest reading since March 1980. Nearly 77 percent of the firms reported increases in input prices, while none reported decreases. The current prices received index increased 7 points to 41.0, its highest

Chart. Current and Future General Activity Indexes

January 2008 to May 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.

reading since May 1981. Nearly 43 percent of the firms reported increases in prices of their own manufactured goods, up from 36 percent in April; most firms (55 percent) reported stable output prices.

### Firms Expect Own Prices to Rise Faster Than 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 5.0 percent, an increase from 3.0 percent when the question was last asked in February. The firms' actual price change over the past year was 2.3 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 4.0 percent over the next four quarters, an increase from 3.0 percent in the previous quarter. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 4.0 percent, an increase from 3.0 percent in the previous quarter. The firms' median forecast for the long-run

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The June 2021 *Manufacturing Business Outlook Survey* will be released on June 17, 2021, at 8:30 a.m. ET.



(10-year average) inflation rate was 3.0 percent, the same as in February.

### Firms Remain Optimistic About Growth

The respondents continue to expect growth over the next six months, although most of the survey's future indexes declined. The diffusion index for future general activity decreased 14 points to 52.7 in May after reaching a 20-year high last month. Nearly 57 percent of the firms expect growth over the next six months, down from 71 percent last month. The future new orders index fell 9 points to 50.3, and the future shipments index decreased 6 points to 57.4 this month. The future employment index fell 4 points to 52.1. Nearly 55 percent of the firms expect to increase employment in their manufacturing plants over the next six months, compared with only 3 percent that anticipate employment declines.

### Summary

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

Special Questions (May 2021)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Feb. 2021)
<b>For your firm:</b>		
<i>Forecast for next year (2021Q2–2022Q2)</i>		
1. Prices your firm will receive (for its own goods and services sold).	5.0	3.0
2. Compensation your firm will pay per employee (for wages and benefits).	4.0	3.0
<i>Last year's price change (2020Q2–2021Q2)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	2.3	2.0
<b>For U.S. consumers:</b>		
4. Prices consumers will pay for goods and services over the next year.	4.0	3.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2021–2030).	3.0	3.0
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 May 2021	May vs. April					Six Months from Now vs. May				
	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?	50.2	43.4	44.6	11.9	31.5	66.6	56.9	35.5	4.3	52.7
Company Business Indicators										
New Orders	36.0	43.5	45.2	11.0	32.5	59.5	55.5	36.6	5.2	50.3
Shipments	25.3	42.3	36.0	21.3	21.0	63.0	64.3	24.9	6.9	57.4
Unfilled Orders	27.2	42.2	55.5	1.8	40.4	4.9	29.5	52.4	13.6	15.9
Delivery Times	27.8	44.6	49.0	3.1	41.5	3.5	22.9	47.7	26.9	-4.0
Inventories	17.3	37.8	44.6	12.2	25.6	21.7	30.2	47.4	13.3	16.9
Prices Paid	69.1	76.8	21.5	0.0	76.8	71.5	74.3	12.7	7.7	66.7
Prices Received	34.5	42.9	54.9	1.9	41.0	63.6	69.8	17.3	11.4	58.4
Number of Employees	30.8	25.6	65.0	6.3	19.3	55.7	54.9	39.2	2.8	52.1
Average Employee Workweek	29.8	38.9	56.8	3.4	35.5	22.0	28.4	62.0	5.4	23.1
Capital Expenditures	--	--	--	--	--	36.7	44.9	41.6	7.5	37.4
<b>NOTES:</b>										
(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 May 17, 2021.										