

July 2021

Note: Survey responses were collected from July 6 to July 12.

Manufacturing activity in the region continued to expand this month, according to firms responding to the July *Manufacturing Business Outlook Survey*. The indicators for general activity, shipments, and new orders all declined but remain elevated. The firms continued to report increases in employment and prices. Most of the survey's future indexes tempered but continue to indicate overall optimism about growth over the next six months.

Current Indicators Remain Elevated

The diffusion index for current manufacturing activity fell from a reading of 30.7 in June to 21.9 this month (see Chart 1). Thirty-three percent of the firms reported increases in current activity this month, while only 11 percent reported decreases. The majority of firms (51 percent) reported no change in current activity. The current new orders index decreased 5 points to 17.0 in July, while the current shipments index fell 3 points to 24.6.

The firms continued to add to their payrolls this month. The current employment index edged down from a reading of 30.7 in June to 29.2 this month. Over 38 percent of the responding firms reported increases in employment, while only 9 percent of the firms reported decreases. The current workweek index fell 2 points to 18.4.

Price Indexes Suggest Increasing Prices

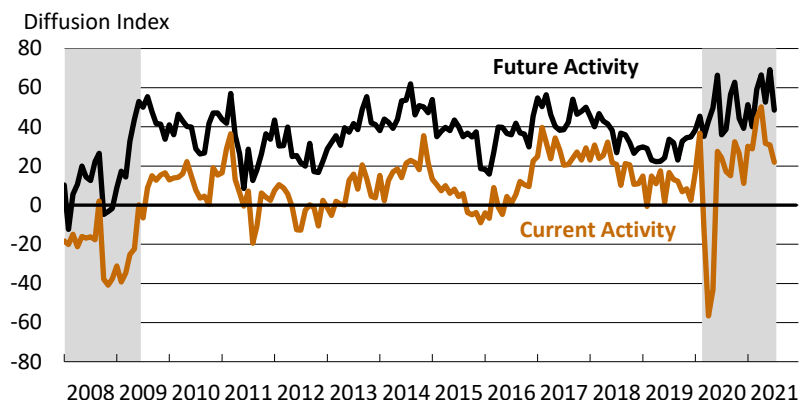
The firms continued to report price pressures; however, both price indexes declined this month. The prices paid index decreased 11 points to 69.7 in July after reaching a 42-year high in June (see Chart 2). Over 72 percent of the firms reported higher input prices this month (down from 82 percent last month), while only 2 percent of the firms reported lower input prices (up from 1 percent). The firms also reported overall increases in prices for their own manufactured goods: The prices received index decreased 3 points to 46.8.

Firms Remain Optimistic About Growth

The diffusion index for future general activity fell 21 points from a near 30-year high reading in June to 48.6 this month (see Chart 1). Nearly 59 percent of the firms expect increases in

Chart 1. Current and Future General Activity Indexes

January 2008 to July 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.

activity over the next six months, while 10 percent expect declines. The future new orders and shipments indexes also decreased, falling 23 points and 6 points, respectively. The future employment index rose 3 points to 56.6. Nearly 63 percent of the firms expect to increase employment over the next six months, whereas only 6 percent of the firms expect to decrease employment. The future capital spending index edged up 1 point to 41.2.

Firms Report Increases in Wages and Compensation

In special questions this month, the firms were asked generally about changes in wages and compensation over the past three months, how these recent or planned changes will affect their budgets for the rest of the year, and the components of these changes (see Special Questions on page 3). Nearly 74 percent of the firms indicated increases in wages and compensation costs over the past three months, 26 percent reported no change, and none reported decreases.

The majority of the firms have reported adjusting their 2021 budgets for wages and compensation since the beginning of the year, with 57 percent indicating they are planning to increase wages and compensation by more than originally

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The August 2021 *Manufacturing Business Outlook Survey* will be released on August 19, 2021, at 8:30 a.m. ET.



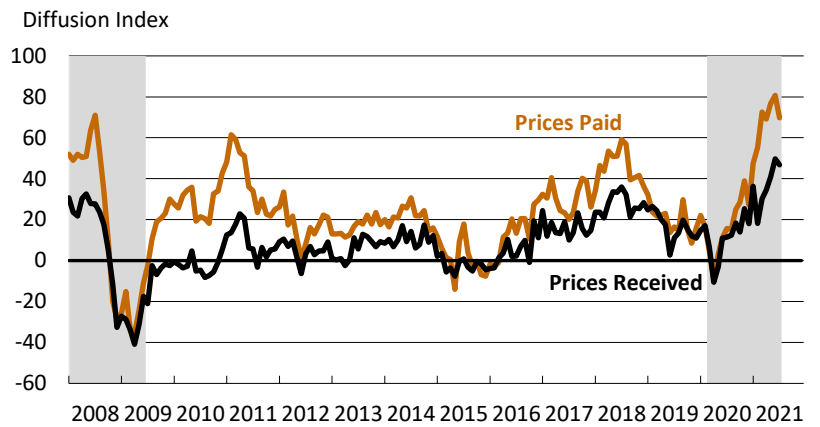
planned and 36 percent indicating they are planning to increase wages and compensation sooner than originally planned. Based on the median reporter, the firms expect wages to increase by 4 to 5 percent and total compensation to increase by 4 to 5 percent in 2021.

Summary

The firms' responses continued to suggest ongoing growth in the region's manufacturing sector this month. The survey's indicators for general activity, new orders, and shipments remain elevated but declined. The firms also continued to report increases in prices. The survey's future indexes indicate that the firms remain optimistic about growth over the next six months.

Chart 2. Current Prices Paid and Prices Received Indexes

January 2008 to July 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.

MANUFACTURING BUSINESS OUTLOOK SURVEY July 2021	July vs. June					Six Months from Now vs. July				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	30.7	33.0	51.4	11.2	21.9	69.2	58.9	25.9	10.3	48.6
Company Business Indicators										
New Orders	22.2	32.7	51.4	15.7	17.0	68.4	61.1	20.6	15.8	45.3
Shipments	27.2	35.7	53.0	11.1	24.6	71.9	72.8	15.9	7.1	65.6
Unfilled Orders	22.5	24.1	69.5	5.0	19.0	19.2	24.1	54.0	17.5	6.7
Delivery Times	29.3	35.9	59.7	2.5	33.3	20.6	19.5	46.3	29.9	-10.4
Inventories	17.9	8.5	71.0	12.5	-4.0	9.8	33.3	46.0	20.7	12.6
Prices Paid	80.7	72.1	24.9	2.4	69.7	71.1	71.2	18.1	8.2	63.0
Prices Received	49.7	49.7	47.5	2.9	46.8	67.8	64.7	24.9	8.1	56.5
Number of Employees	30.7	38.1	52.9	8.9	29.2	54.0	62.7	29.4	6.0	56.6
Average Employee Workweek	20.1	29.1	60.2	10.7	18.4	21.6	30.1	64.0	3.2	27.0
Capital Expenditures	--	--	--	--	--	40.4	45.6	49.5	4.4	41.2

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 because of rounding, omission by respondents, or both.
- (4) Survey results reflect data received through July 12, 2021.

Special Questions (July 2021)	
1. How have wages and compensation changed at your firm over the past three months?	
	Percent (%)
Increased	73.6
No Change	26.4
Decreased	0.0

2. Since the beginning of the year, have you adjusted your budget for wages and compensation for 2021?*	
	Percent (%)
Yes, and we are planning to increase wages and compensation by more than originally planned.	56.6
Yes, and we are planning to increase wages and compensation sooner than originally planned.	35.8
No, we have not needed to make adjustments.	20.8
Other	1.9

*Percentages do not sum to 100 because more than one option could be selected.

3. What percentage change in costs do you now expect for the following categories over all of 2021?**				
	Wages (%)	Health Benefits (%)	Nonhealth Benefits (%)	Wages + Health + Nonhealth (%)
Decline of 3% or more	0.0	2.0	0.0	4.1
Decline of 2–3%	0.0	0.0	0.0	0.0
Decline of 1–2%	0.0	0.0	0.0	0.0
No Change	1.9	31.4	32.7	2.0
Increase of 1–2%	7.7	5.9	12.2	6.1
Increase of 2–3%	17.3	5.9	20.4	6.1
Increase of 3–4%	21.2	21.6	16.3	24.5
Increase of 4–5%	19.2	2.0	14.3	16.3
Increase of 5–7.5%	21.2	3.9	2.0	16.3
Increase of 7.5–10%	1.9	13.7	2.0	8.2
Increase of 10% or more	9.6	13.7	0.0	16.3
Median Expected Change	4–5%	3–4%	2–3%	4–5%

**Percentages may not sum to 100 because of rounding.

