

February 2022

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

Manufacturing activity in the region continued to expand this month, according to the firms responding to the February *Manufacturing Business Outlook Survey*. The survey's current indicators for general activity, new orders, and shipments declined from last month's readings but remained positive. The employment index rose, and the price indexes remained elevated. The future indexes continue to indicate that the firms expect growth over the next six months.

Current Indicators Remain Positive

The diffusion index for current activity decreased 7 points to 16.0 in February, mostly offsetting its increase from last month (see Chart). More than 26 percent of the firms reported increases in current activity this month, while 10 percent reported decreases. Most firms (63 percent) reported no change. The index for new orders declined 4 points to a reading of 14.2, and the current shipments index fell 7 points to 13.4, its lowest reading since August 2020.

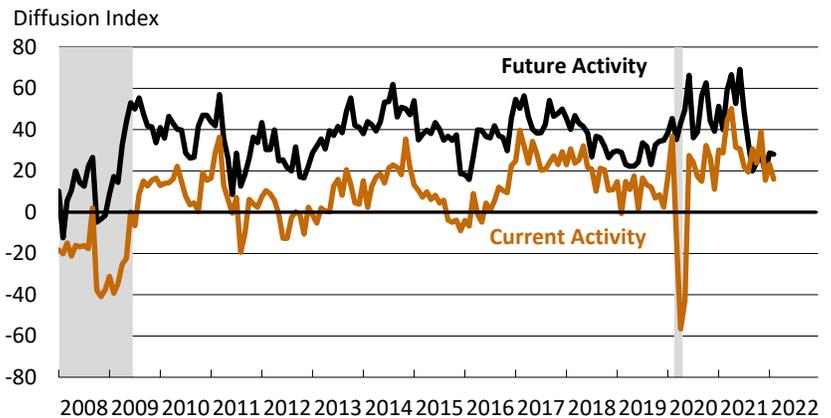
On balance, the firms reported increases in manufacturing employment, and the current employment index rose 6 points to 32.3. Over 38 percent of the firms reported higher employment, 6 percent reported lower employment, and 56 percent reported no change. The average workweek index ticked up 1 point to 10.8.

Price Indexes Remain Elevated

The firms continued to report increases in prices for inputs and their own goods. The prices paid diffusion index edged down 3 points to 69.3. Nearly 74 percent of the firms reported increases in input prices, while 5 percent reported decreases. The current prices received index increased 3 points to 49.8. More than 54 percent of the firms reported increases in prices of their own manufactured goods, while 4 percent reported decreases.

Chart. Current and Future General Activity Indexes

January 2008 to February 2022



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.

Firms Expect Own Price Increases to Match Inflation Rate

In this month's special questions, the firms were asked to forecast the changes in prices of their own products and for U.S. consumers over the next four quarters (see Special Questions). Regarding their own prices, the firms' median forecast was for an increase of 5.0 percent, down slightly from 5.3 percent when the question was last asked in November. The firms' reported own price change over the past year was 5.0 percent. The firms expect their employee compensation costs (wages plus benefits on a per employee basis) to rise 5.0 percent over the next four quarters, a slight increase from 4.8 percent in November. When asked about the rate of inflation for U.S. consumers over the next year, the firms' median forecast was 5.0 percent, the same as in November. The firms' median forecast for the long-run (10-year average) inflation rate was 3.0 percent, a decrease from 3.5 percent in November.

Released: February 17, 2022, 8:30 a.m. ET.

The March 2022 *Manufacturing Business Outlook Survey* will be released on March 17, 2022, at 8:30 a.m. ET.



Firms Continue to Expect Growth

The respondents continued to anticipate growth over the next six months. The diffusion index for future general activity inched down from a reading of 28.7 in January to 28.1 in February (see Chart). Over 38 percent of the firms expect growth over the next six months, 10 percent expect a decrease in activity, and 45 percent expect no change. The future new orders index decreased 5 points to 24.9, and the future shipments index edged down 1 point to 44.8. The future employment index declined 2 points to 36.6. More than 38 percent of the firms expect to increase employment in their manufacturing plants over the next six months, 2 percent anticipate employment declines, and 55 percent expect steady employment levels.

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 all decreased from last month but remained positive. The firms also indicated overall increases in employment and more widespread increases in prices paid and received. The survey's future indexes continue to suggest expected growth over the next six months. ■

Special Questions (February 2022)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Nov. 2021)
For your firm:		
<i>Forecast for next year (2022Q1–2023Q1)</i>		
1. Prices your firm will receive (for its own goods and services sold).	5.0	5.3
2. Compensation your firm will pay per employee (for wages and benefits).	5.0	4.8
<i>Last year's price change (2021Q1–2022Q1)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	5.0	5.0
For U.S. consumers:		
4. Prices U.S. consumers will pay for goods and services over the next year.	5.0	5.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2022–2031).	3.0	3.5
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 2022	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?	23.2	26.3	63.4	10.3	16.0	28.7	38.3	45.3	10.2	28.1
Company Business Indicators										
New Orders	17.9	31.4	51.3	17.3	14.2	29.4	36.2	50.8	11.4	24.9
Shipments	20.8	31.0	51.3	17.7	13.4	45.6	52.3	38.3	7.5	44.8
Unfilled Orders	23.5	25.4	64.6	9.5	15.8	-6.9	8.6	62.3	26.8	-18.2
Delivery Times	25.2	33.0	56.6	10.0	23.0	-2.3	10.3	57.2	32.5	-22.3
Inventories	3.1	21.8	59.4	17.9	4.0	11.8	23.7	55.2	19.5	4.3
Prices Paid	72.5	73.9	21.4	4.7	69.3	76.4	67.8	19.6	7.5	60.2
Prices Received	46.4	54.1	41.4	4.4	49.8	62.6	59.9	29.6	6.6	53.3
Number of Employees	26.1	38.2	55.8	5.8	32.3	38.4	38.5	54.9	1.9	36.6
Average Employee Workweek	9.6	16.8	77.3	5.9	10.8	9.0	7.5	83.9	5.1	2.4
Capital Expenditures	--	--	--	--	--	26.2	24.4	64.0	2.9	21.5
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 February 14, 2022.										