

April 2022

Note: Survey responses were collected from April 11 to April 18.

Manufacturing activity continued to expand in the region, according to the firms responding to the April *Manufacturing Business Outlook Survey*. The survey's indicators for current general activity, shipments, and new orders declined from last month's readings but remained positive. The employment index and both price indexes edged higher and remain elevated. The future indicators for general activity and new orders fell sharply, but overall the firms continued to expect growth over the next six months.

Current Indicators Remain Positive

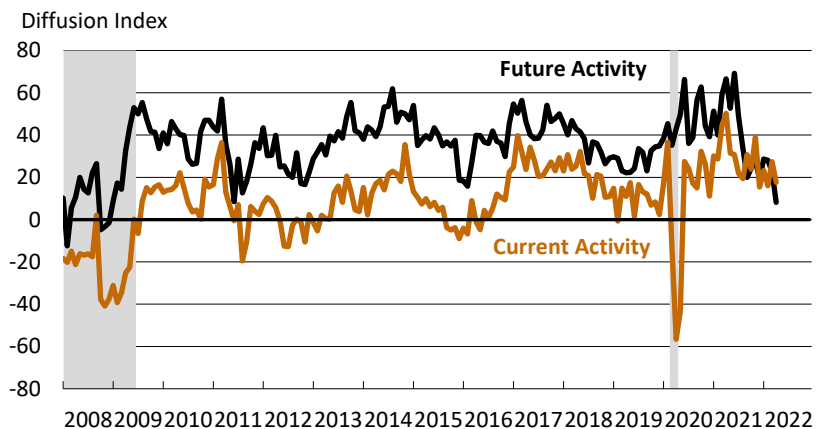
The diffusion index for current general activity decreased 10 points to 17.6 in April, mostly offsetting its increase from last month (see Chart 1). More than 34 percent of the firms reported increases in current activity this month, while 17 percent reported decreases. The index for new orders declined 8 points to 17.8, and the current shipments index fell 11 points to 19.1.

On balance, the firms continued to report increases in employment. The employment index — which reached an all-time high last month — inched up higher, to 41.4. Although a majority of responding firms (56 percent) reported steady employment levels, the share reporting increases (42 percent) far exceeded the share reporting decreases (1 percent). The average workweek index ticked down from 21.4 to 20.8.

Price Increases Remain Widespread

The indicators for prices paid and prices received continued to suggest widespread price increases and inched higher this month. The prices paid index rose 4 points to 84.6, its highest reading since June 1979 (see Chart 2). More than 85 percent of the firms reported increases in input prices, while 1 percent reported decreases; 11 percent of the firms reported no change. The current prices received index edged up from 54.4 to 55.0. Almost 57 percent of the firms reported increases in prices received for their own goods this

Chart 1. Current and Future General Activity Indexes
January 2008 to April 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.

month, 2 percent reported decreases, and 36 percent reported no change.

Firms Expect Highest Cost Increases for Raw Materials

In this month's special questions, the firms were asked about changes in wages and compensation over the past three months as well as their updated expectations for changes in various input and labor costs for the coming year (see Special Questions on page 3). Eighty percent of the firms indicated wages and compensation costs had increased over the past three months, 20 percent reported no change, and none reported decreases. The majority of firms have reported adjusting their 2022 budgets for wages and compensation since the beginning of the year, with 65 percent noting they are planning to increase wages and compensation by more than originally planned and 33 percent noting they are planning to increase wages and compensation sooner than originally planned.

The firms still expect higher costs across all categories of expenses in 2022: Responses indicate a median expected

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increase of 10 to 12.5 percent for raw materials and of 7.5 to 10 percent for energy and for intermediate goods, higher than when this question was asked back in January. The median expected change for total compensation (wages plus benefits) was unchanged at 5 to 7.5 percent.

Future Indicators Decline but Remain Positive

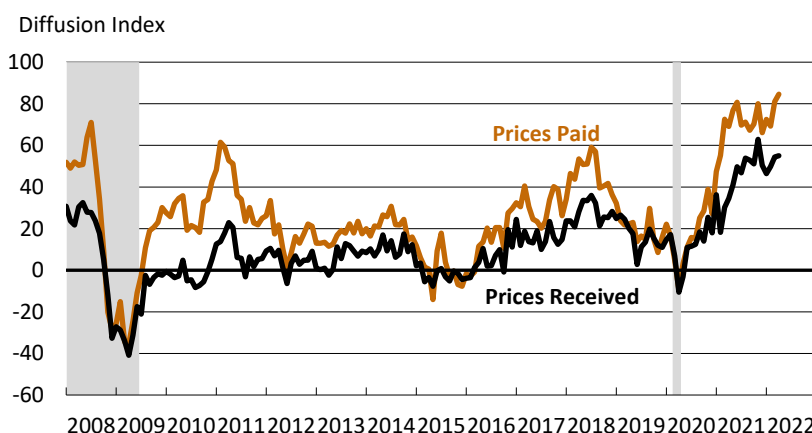
The diffusion index for future general activity decreased 15 points to 8.2, its lowest reading since December 2008 (see Chart 1). More than 37 percent of the firms expect increases in future activity (down from 41 percent last month) compared with 29 percent that expect decreases (up from 18 percent). The future new orders index fell 18 points to 3.7, while the future shipments index edged down 1 point to 29.9. The future employment index ticked down 2 points but remains elevated. Nearly 55 percent of the firms expect steady employment levels over the next six months, 40 percent of the firms expect to increase employment, and 1 percent expect employment declines.

Summary

Responses to the April *Manufacturing Business Outlook Survey* suggest continued expansion in regional manufacturing conditions this month. The indicators for current activity, new orders, and shipments all decreased but remained positive. The firms continued to indicate overall increases in employment and widespread increases in prices.

Chart 2. Current Prices Paid and Prices Received Indexes

January 2008 to April 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.

The indicators for future general activity and new orders fell notably, but the respondents continue to expect growth overall over the next six months. ■

| MANUFACTURING BUSINESS OUTLOOK SURVEY April 2022 | April vs. March | | | | | Six Months from Now vs. April | | | | |
|--|--------------------------------|----------|--------------|----------|--------------------|--------------------------------|----------|--------------|----------|--------------------|
| | 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? | 27.4 | 34.2 | 45.2 | 16.6 | 17.6 | 22.7 | 37.4 | 31.0 | 29.2 | 8.2 |
| Company Business Indicators | | | | | | | | | | |
| New Orders | 25.8 | 37.8 | 40.8 | 20.0 | 17.8 | 22.0 | 32.7 | 36.0 | 29.0 | 3.7 |
| Shipments | 30.2 | 34.9 | 47.8 | 15.8 | 19.1 | 30.6 | 44.9 | 34.1 | 15.0 | 29.9 |
| Unfilled Orders | 21.0 | 25.3 | 54.1 | 19.6 | 5.7 | -15.9 | 19.7 | 43.9 | 33.1 | -13.4 |
| Delivery Times | 39.7 | 28.9 | 57.2 | 11.0 | 17.9 | -6.2 | 11.0 | 56.2 | 30.1 | -19.1 |
| Inventories | 0.5 | 24.7 | 57.9 | 12.8 | 11.9 | 30.8 | 31.9 | 44.0 | 14.6 | 17.3 |
| Prices Paid | 81.0 | 85.1 | 11.1 | 0.5 | 84.6 | 71.3 | 73.9 | 21.2 | 3.8 | 70.1 |
| Prices Received | 54.4 | 56.6 | 36.2 | 1.7 | 55.0 | 68.5 | 67.0 | 23.0 | 4.5 | 62.4 |
| Number of Employees | 38.9 | 42.2 | 56.0 | 0.7 | 41.4 | 40.7 | 39.5 | 54.6 | 0.8 | 38.7 |
| Average Employee Workweek | 21.4 | 23.0 | 72.9 | 2.2 | 20.8 | 14.5 | 12.8 | 69.5 | 15.3 | -2.6 |
| Capital Expenditures | -- | -- | -- | -- | -- | 24.8 | 26.3 | 62.8 | 6.5 | 19.9 |

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 April 18, 2022.

| Special Questions (April 2022) | |
|--|-------------|
| 1. How have wages and compensation changed at your firm over the past three months? | |
| | Percent (%) |
| Increased | 80.0 |
| No change | 20.0 |
| Decreased | 0.0 |
| 2. Since the beginning of the year, have you adjusted your budget for wages and compensation for 2022?* | |
| | Percent (%) |
| Yes, and we are planning to increase wages and compensation by more than originally planned. | 65.2 |
| Yes, and we are planning to increase wages and compensation sooner than originally planned. | 32.6 |
| No, we have not needed to make adjustments. | 26.1 |
| Other | 2.2 |
| *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 2022?* | | | | | | | |
|---|----------------|---------------------|--------------------|-------------|-----------------|--------------------|--|
| | Energy | Other Raw Materials | Intermediate Goods | Wages | Health Benefits | Nonhealth Benefits | Wages + Health Benefits + Nonhealth Benefits |
| | (%) | (%) | (%) | (%) | (%) | (%) | (%) |
| Decline of more than 1% | 0.0 | 0.0 | 0.0 | 2.2 | 0.0 | 0.0 | 2.4 |
| No change | 4.5 | 0.0 | 2.7 | 2.2 | 17.8 | 34.1 | 4.9 |
| Increase of 1–2% | 2.3 | 0.0 | 5.4 | 0.0 | 4.4 | 9.1 | 0.0 |
| Increase of 2–3% | 2.3 | 0.0 | 2.7 | 11.1 | 11.1 | 11.4 | 4.9 |
| Increase of 3–4% | 11.4 | 0.0 | 0.0 | 17.8 | 6.7 | 9.1 | 7.3 |
| Increase of 4–5% | 13.6 | 11.1 | 16.2 | 17.8 | 20.0 | 22.7 | 26.8 |
| Increase of 5–7.5% | 9.1 | 15.6 | 21.6 | 31.1 | 11.1 | 4.5 | 19.5 |
| Increase of 7.5–10% | 18.2 | 17.8 | 27.0 | 6.7 | 11.1 | 4.5 | 19.5 |
| Increase of 10–12.5% | 18.2 | 17.8 | 18.9 | 6.7 | 11.1 | 0.0 | 7.3 |
| Increase of more than 12.5% | 0.0 | 8.9 | 2.7 | 2.2 | 4.4 | 4.5 | 2.4 |
| Median Expected Change | 7.5–10% | 10–12.5% | 7.5–10% | 4–5% | 4–5% | 2–3% | 5–7.5% |
| Median Expected Change (January 2022) | 5–7.5% | 7.5–10% | 5–7.5% | 5–7.5% | 5–7.5% | 3–4% | 5–7.5% |
| **The firms responded to more detailed changes than shown in the provided ranges. | | | | | | | |