

May 2022

Note: Survey responses were collected from May 9 to May 16.

Manufacturing activity in the region continued to expand overall this month, according to the firms responding to the May *Manufacturing Business Outlook Survey*. The survey's current general activity index declined, while the indicators for new orders and shipments rose. The employment index decreased, and the price indexes remained elevated but edged down. The survey's future indexes remained positive but reflect muted optimism for growth over the next six months.

### Current Indicators Move in Mixed Directions

The diffusion index for current activity fell 15 points to 2.6 in May, its lowest reading in two years (see Chart). Most firms (57 percent) reported no change in current activity this month, while the share of firms reporting increases (22 percent) narrowly exceeded the share reporting decreases (20 percent). The index for new orders rose 4 points to a reading of 22.1, and the current shipments index climbed 16 points to 35.3, its highest reading since October 2020.

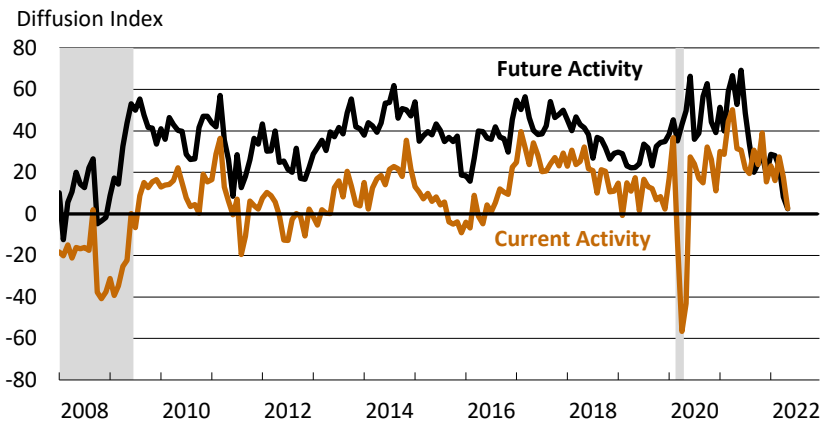
On balance, the firms reported increases in manufacturing employment, but the current employment index fell 16 points to 25.5. Although most firms (71 percent) reported steady employment levels, almost 27 percent of the firms reported higher employment (down from 42 percent last month), while only 1 percent reported lower employment (similar to last month). The average workweek index decreased 5 points to 16.1.

### Price Indexes Remain Elevated

The firms continued to report increases in prices for inputs and their own goods. The prices paid diffusion index — which hit a near-43-year high last month — declined 6 points to 78.9. More than 81 percent of the firms reported increases in input prices, and 17 percent reported no change. The current prices received index edged down 3 points to 51.7. Nearly 52 percent of the firms reported increases in the

Chart. Current and Future General Activity Indexes

January 2008 to May 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.

prices of their own goods, and 47 percent reported no change.

### Firms Expect Own Price Increases to Lag 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). The firms' median forecast for the rate of inflation for U.S. consumers over the next year was 6.5 percent, up from 5.0 percent from when the question was last asked in February. Regarding their own prices over the next year, the firms' median forecast was for an increase of 5.0 percent, unchanged from February and below the median reported own price change over the past year of 6.0 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, the same as in February. The firms' median forecast for the long-run (10-year average) inflation rate was 3.5 percent, up from 3.0 percent in February.

Released: May 19, 2022, 8:30 a.m. ET.

The June 2022 *Manufacturing Business Outlook Survey* will be released on June 16, 2022, at 8:30 a.m. ET.



### Future Indicators Remain Positive but Are Relatively Low

Although the firms continued to expect growth over the next six months, most indexes are below readings recorded from the past two years. The diffusion index for future general activity declined from a reading of 8.2 in April to 2.5 in May, its lowest reading in more than 13 years (see Chart). Over 24 percent of the firms expect growth over the next six months (down from 37 percent last month), 22 percent expect a decrease in activity (down from 29 percent), and 46 percent expect no change (up from 31 percent). The future new orders index climbed 12 points to 16.1, and the future shipments index edged up 2 points to 32.1. The future employment index decreased 10 points to 29.2; about one-third of the firms expect to increase employment. The future capital expenditures index fell 10 points to 9.6, its lowest reading since February 2016, suggesting less widespread expectations for capital spending.

### Summary

Responses to the *May Manufacturing Business Outlook Survey* suggest continued overall expansion for the region's manufacturing sector. Although the indicator for current activity fell, the new orders and shipments indexes rose. The firms continued to indicate overall increases in employment and widespread increases in prices paid and received. The survey's future indexes suggest muted optimism for growth over the next six months. ■

Special Questions (May 2022)		
Please list the annual percent change with respect to the following:		
	Current	Previous (Feb. 2022)
<b>For your firm:</b>		
<i>Forecast for next year (2022Q2–2023Q2)</i>		
1. Prices your firm will receive (for its own goods and services sold).	5.0	5.0
2. Compensation your firm will pay per employee (for wages and benefits).	5.0	5.0
<i>Last year's price change (2021Q2–2022Q2)</i>		
3. Prices your firm did receive (for its own goods and services sold) over the last year.	6.0	5.0
<b>For U.S. consumers:</b>		
4. Prices U.S. consumers will pay for goods and services over the next year.	6.5	5.0
5. Prices U.S. consumers will pay for goods and services over the next 10 years (2022–2031).	3.5	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 2022	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?	17.6	22.2	56.7	19.7	2.6	8.2	24.4	45.8	22.0	2.5
Company Business Indicators										
New Orders	17.8	36.3	49.4	14.2	22.1	3.7	37.3	39.8	21.2	16.1
Shipments	19.1	45.9	43.4	10.7	35.3	29.9	40.7	47.8	8.6	32.1
Unfilled Orders	5.7	27.4	63.1	9.5	17.9	-13.4	9.5	50.6	34.0	-24.5
Delivery Times	17.9	24.3	68.8	6.8	17.5	-19.1	5.7	55.6	34.8	-29.1
Inventories	11.9	19.5	61.4	16.3	3.2	17.3	23.8	49.9	19.2	4.6
Prices Paid	84.6	81.1	16.5	2.2	78.9	70.1	62.6	29.8	3.3	59.4
Prices Received	55.0	51.9	47.0	0.2	51.7	62.4	62.5	31.0	3.6	58.9
Number of Employees	41.4	26.7	70.7	1.2	25.5	38.7	33.4	60.4	4.2	29.2
Average Employee Workweek	20.8	19.5	77.1	3.4	16.1	-2.6	19.7	69.0	8.1	11.7
Capital Expenditures	--	--	--	--	--	19.9	27.0	52.3	17.4	9.6
<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 because of rounding, omission by respondents, or both.										
(4) Survey results reflect data received through May 16, 2022.										