

April 2021

Note: Survey responses were collected from April 5 to April 12.

Manufacturing conditions in the region continued to improve this month, according to firms responding to the April *Manufacturing Business Outlook Survey*. The indicators for general activity, shipments, and employment all rose. The firms continued to report increases in prices. The survey's future indexes indicate continued optimism about growth over the next six months.

Current Indicators Remain Elevated

The index for current manufacturing activity rose from a revised reading of 44.5 in March to 50.2 this month, its highest point in nearly 50 years (see Chart 1).^{*} Nearly 59 percent of the firms reported increases in current activity this month; only 8 percent reported decreases. The current new orders index edged down 2 points to 36.0 in April, while the current shipments index increased 3 points to 25.3.

The firms continued to add to their payrolls this month. The current employment index increased from a revised reading of 27.4 in March to 30.8 this month, its highest recorded reading. Over 35 percent of the responding firms reported increases in employment, while only 4 percent of the firms reported decreases. The current workweek index fell 7 points to 29.8.

Price Indexes Suggest Increasing Prices

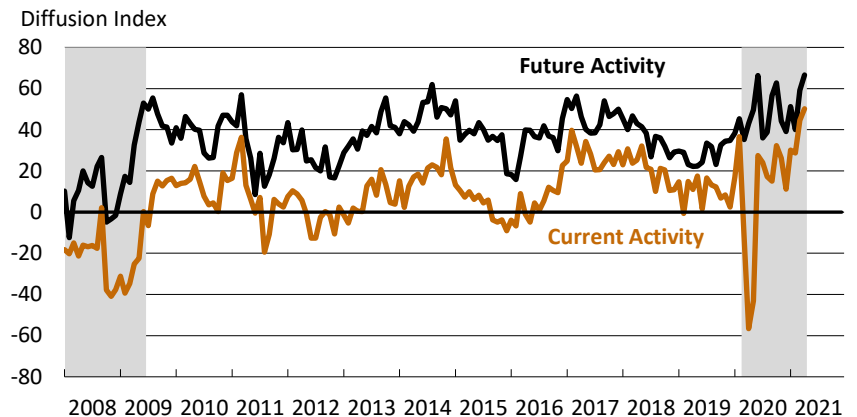
The firms continued to report price pressures from purchased inputs. The prices paid index edged down 4 points to 69.1 in April after reaching a 40-year high in March (see Chart 2). Over 71 percent of the firms reported higher input prices this month, while only 2 percent of the firms reported lower input prices. The firms also reported overall increases in prices for their own manufactured goods: The prices received index increased 4 points to 34.5.

Firms Remain Optimistic About Growth

The diffusion index for future general activity rose 8 points to 66.6 this month, its highest reading since October 1991 (see Chart 1). Seventy-one percent of the firms expect increases in activity over the next six months, while 4 percent expect declines. The future new orders and shipments indexes also increased, rising 11 points and 10 points, respectively. The

Chart 1. Current and Future General Activity Indexes

January 2008 to April 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.

future employment index rose 9 points to 55.7. Over 56 percent of the firms expect to increase employment over the next six months; hardly any firms expect to decrease employment. The future capital spending index rose 3 points to 36.7.

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 budget for the rest of the year, and the components of these changes (see Special Questions on page 3). Nearly 65 percent of the firms indicated increases in wages and compensation costs over the past three months, 35 percent reported no change, and none reported decreases.

^{*}With the April report, Philadelphia Fed researchers released revised historical data, which incorporate adjusted seasonal factors for 2020 and 2021. The full set of historical data and a brief discussion of the revisions are available at www.philadelphiafed.org/surveys-and-data/regional-economicanalysis/mbos-historical-revisions-2021.

Released: April 15, 2021, 8:30 a.m. ET.

The May 2021 *Manufacturing Business Outlook Survey* will be released on May 20, 2021, at 8:30 a.m. ET.



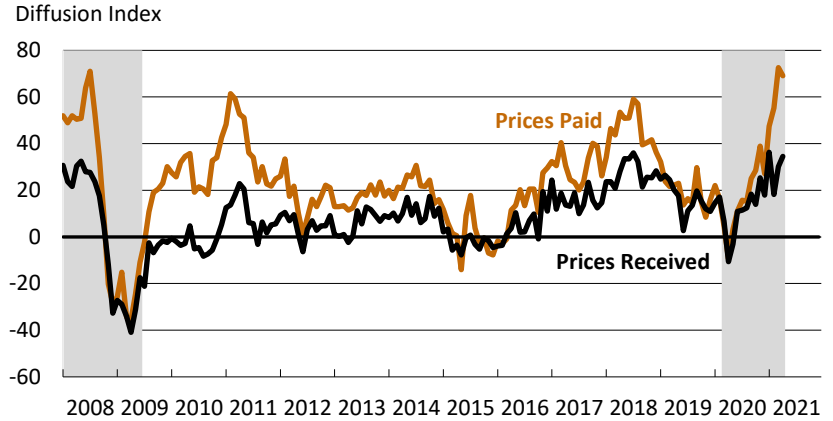
Nearly 60 percent of the firms reported adjusting their 2021 budgets for wages and compensation since the beginning of the year, with 39 percent indicating they are planning to increase wages and compensation by more than originally planned and 21 percent of the firms indicating they are planning to increase wages and compensation sooner than originally planned. Based on the median reporter, firms expect wages to increase by 3 to 4 percent and total compensation to increase by 4 to 5 percent in 2021.

Summary

The firms' responses continued to suggest widespread growth in the region's manufacturing sector this month. The survey's indicators for activity, employment, new orders, and shipments all remain elevated, with the former two indexes reaching long-term highs. The firms also continued to report price pressures. The survey's future indexes indicate that firms remain optimistic about growth over the next six months.

Chart 2. Current Prices Paid and Prices Received Indexes

January 2008 to April 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 April 2021	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?	44.5	58.6	29.3	8.4	50.2	59.1	71.0	22.5	4.4	66.6
Company Business Indicators										
New Orders	38.2	49.1	36.3	13.1	36.0	48.2	65.5	25.0	6.0	59.5
Shipments	22.0	39.8	45.7	14.5	25.3	53.4	68.1	23.4	5.1	63.0
Unfilled Orders	19.3	36.0	54.2	8.8	27.2	10.0	26.9	50.5	22.0	4.9
Delivery Times	28.2	33.6	59.9	5.8	27.8	16.4	17.6	65.9	14.1	3.5
Inventories	14.4	24.1	65.0	6.8	17.3	24.3	36.9	39.6	15.2	21.7
Prices Paid	72.6	71.4	23.0	2.3	69.1	63.4	74.5	20.1	3.0	71.5
Prices Received	30.2	35.7	59.7	1.3	34.5	46.9	65.7	29.4	2.0	63.6
Number of Employees	27.4	35.1	59.6	4.2	30.8	46.5	56.1	38.9	0.4	55.7
Average Employee Workweek	36.4	35.5	56.9	5.7	29.8	11.4	31.4	55.7	9.3	22.0
Capital Expenditures	--	--	--	--	--	33.8	40.1	52.4	3.5	36.7

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 12, 2021.

Special Questions (April 2021)	
1. How have wages and compensation changed at your firm over the past three months?	
	Percent (%)
Increased	64.9
No Change	35.1
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.	38.6
Yes, and we are planning to increase wages and compensation sooner than originally planned.	21.1
No, we have not needed to make adjustments.	40.4
Other	3.5
*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 3–4%	0.0	1.8	0.0	0.0
Decline of 2–3%	1.8	0.0	0.0	1.8
Decline of 1–2%	1.8	1.8	1.8	3.6
No Change	1.8	25.5	45.5	3.6
Increase of 1–2%	10.5	1.8	25.5	7.1
Increase of 2–3%	31.6	12.7	7.3	14.3
Increase of 3–4%	24.6	9.1	14.5	16.1
Increase of 4–5%	15.8	12.7	3.6	23.2
Increase of 5–7.5%	5.3	12.7	1.8	16.1
Increase of 7.5–10%	1.8	7.3	0.0	8.9
Increase of 10% or More	5.3	14.5	0.0	5.4
Median Expected Change	3–4%	3–4%	1–2%	4–5%
**Percentages may not sum to 100 because of rounding.				

