

December 2021

Note: Survey responses were collected from December 6 to December 13.

Manufacturing growth in the region continued but was less widespread, according to the firms responding to the December *Manufacturing Business Outlook Survey*. The survey's indicators for general activity, shipments, and new orders all declined to their lowest readings in 2021 but remained positive this month. However, the employment index improved somewhat. Both price indexes declined but remained elevated. The survey's future general activity and new orders indexes moderated, but the surveyed firms remained generally optimistic about growth over the next six months.

Current Indicators Soften

The diffusion index for current general activity fell 24 points to 15.4 this month (see Chart 1). Nearly 27 percent of the firms reported increases (down from 42 percent last month) in current activity this month, while 11 percent reported decreases (up from 3 percent). The current shipments index decreased 17 points, to 15.3, in December. Over 28 percent of the firms reported increases in shipments this month, while 13 percent reported decreases. The index for new orders fell 34 points to a reading of 13.7 after two consecutive months of increases. Nearly 29 percent of the firms reported increases in new orders this month (down from 48 percent last month), while 15 percent reported decreases (up from 0 percent last month).

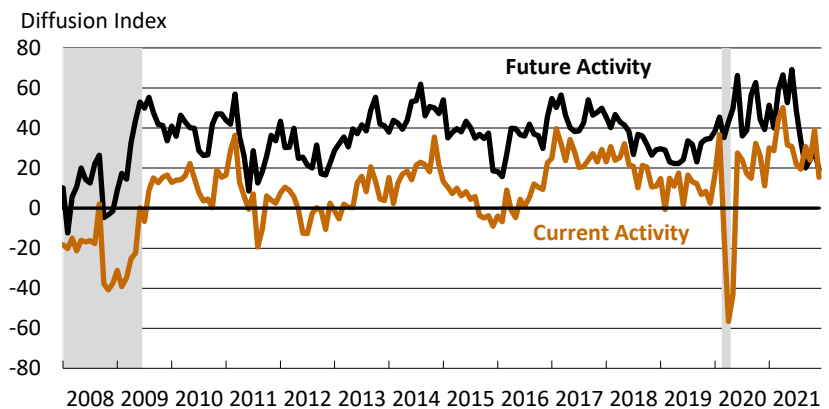
On balance, the firms continued to report increases in employment, and the employment index rose from 27.2 in November to 33.9 this month. The majority of responding firms (56 percent) reported steady employment levels, and the share reporting increases (39 percent) exceeded the share reporting decreases (5 percent). The average workweek index was essentially unchanged at 30.4.

Price Increases Remain Widespread

The indicators for prices paid and prices received remained elevated but posted declines this month. The

Chart 1. Current and Future General Activity Indexes

January 2008 to December 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.

prices paid index declined 14 points to 66.1 (see Chart 2). The percentage of firms reporting increases in input prices (68 percent) far exceeded the percentage reporting decreases (2 percent); 27 percent of the firms reported no change. The current prices received index fell 13 points to 50.4. Nearly 51 percent of the firms reported increases in prices received for their own goods this month, none reported decreases, and 49 percent reported no change.

Firms Report Higher Production and Capacity Utilization

In this month's special questions, the firms were asked to estimate their total production growth for the fourth quarter ending this month compared with the third quarter of 2021 (see Special Questions on page 3). The share of firms reporting expected increases in fourth-quarter production (50 percent) was greater than the share reporting decreases (27 percent). The firms were also asked about their current capacity utilization rate as well as their utilization rate one year ago. The median current capacity utilization rate reported among the responding firms was 80 to 90 percent, higher than the median rate of 70 to 80 percent reported for

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one year ago. Most firms reported supply chain (90 percent) and labor (76 percent) issues as factors constraining current capacity utilization.

Future Indicators Remain Positive

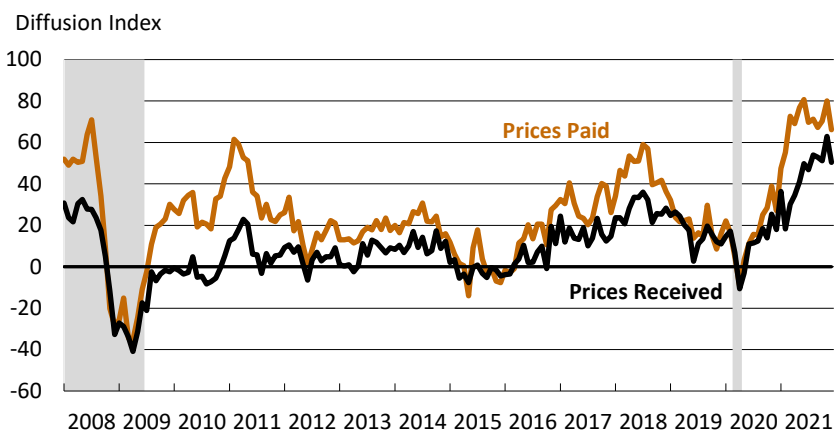
The diffusion index for future general activity fell 10 points to 19.0, its lowest reading since February 2016 (see Chart 1). Thirty-eight percent of the firms expect increases (down from 45 percent last month) in future activity this month, while 19 percent reported decreases (up from 17 percent). The future new orders index declined 4 points, while the future shipments index declined 8 points. The firms continued to expect overall increases in employment over the next six months, with the future employment index rising 7 points to 56.6. Nearly 57 percent of the firms expect to increase employment in their manufacturing plants over the next six months; none anticipate employment declines.

Summary

Responses to the December *Manufacturing Business Outlook Survey* suggest less widespread expansion in regional manufacturing conditions this month. The indicators for current activity, shipments, and new orders all fell from their November readings. The price indexes remain elevated and continue to suggest widespread increases in prices. Most of the survey's future indexes moderated this month but indicated that respondents continue to expect overall growth over the next six months. ■

Chart 2. Current Prices Paid and Prices Received Indexes

January 2008 to December 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 December 2021	December vs. November					Six Months from Now vs. December				
	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?	39.0	26.8	59.1	11.4	15.4	28.5	38.0	35.6	19.0	19.0
Company Business Indicators										
New Orders	47.4	28.9	55.3	15.2	13.7	28.0	40.1	37.3	15.8	24.2
Shipments	32.1	28.1	57.5	12.8	15.3	39.8	47.3	30.7	15.3	32.0
Unfilled Orders	27.4	24.6	61.9	13.2	11.4	-0.8	14.9	59.2	20.9	-6.0
Delivery Times	35.7	37.0	57.4	5.6	31.4	-1.6	26.5	48.5	19.8	6.8
Inventories	13.5	32.2	45.6	19.0	13.2	14.1	31.5	41.0	19.5	12.0
Prices Paid	80.0	68.3	27.3	2.3	66.1	63.9	62.4	23.6	8.6	53.8
Prices Received	62.9	50.7	49.0	0.3	50.4	59.4	59.5	30.2	4.6	54.9
Number of Employees	27.2	39.0	55.8	5.2	33.9	49.3	56.8	38.6	0.2	56.6
Average Employee Workweek	30.6	30.4	69.5	0.0	30.4	9.7	14.9	71.5	8.4	6.5
Capital Expenditures	--	--	--	--	--	31.1	30.1	52.6	10.1	20.0

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 December 13, 2021.

Special Questions (December 2021)		
1. How will your firm's total production for the fourth quarter of 2021 compare with that of the third quarter ?		
An increase of:	% of firms	Subtotals
10% or more	10.4	% of firms reporting an increase: 50.0
5–10%	22.9	
0–5%	16.7	
No change	22.9	
A decline of:		
0–5%	16.7	% of firms reporting a decrease: 27.1
5–10%	4.2	
10% or more	6.3	
2. Which of the following best characterizes your plant's percentage capacity utilization currently (2021:Q4) compared with a year ago (2020:Q4)?		
Capacity Utilization Rate	2021:Q4 % of Reporters	2020:Q4 % of Reporters
Less than 30%	0.0	2.2
30–40%	4.3	0.0
40–50%	2.2	2.2
50–60%	2.2	6.7
60–70%	15.2	17.8
70–80%	19.6	28.9
80–90%	28.3	26.7
90–100%	28.3	15.6
Median Utilization Rate	80–90	70–80
3. Have any of the factors below acted as constraints on capacity utilization this quarter?*		
	% of Reporters	
Labor issues	75.5	
Supply chain issues	89.8	
COVID-19 mitigation measures (e.g., reduced operations, distancing)	28.6	
Other factors	10.2	
*Percentages will not add to 100 because more than one action could be selected.		

