



BUSINESS OUTLOOK SURVEY

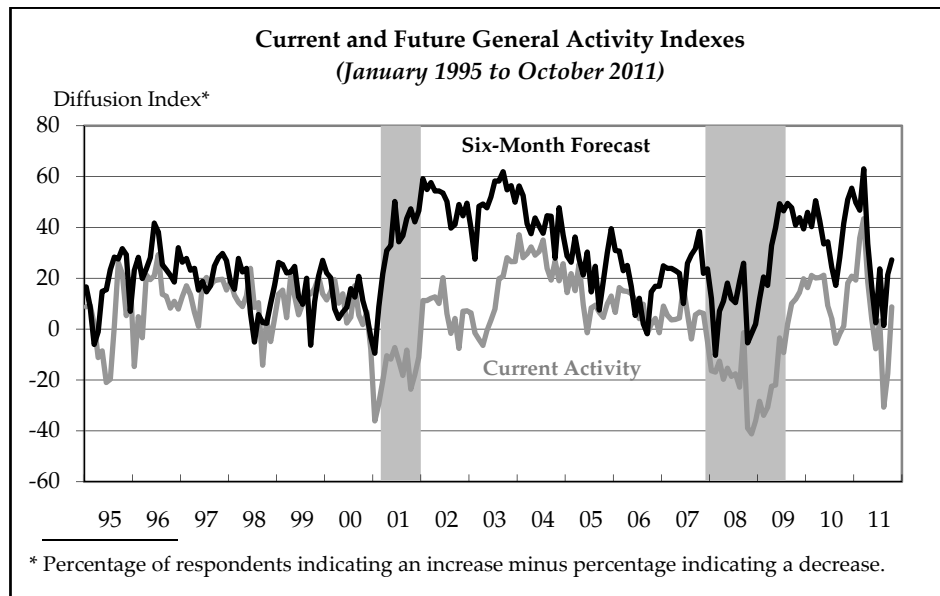
October 2011

Responses to the *Business Outlook Survey* this month suggest that regional manufacturing is showing signs of recovering, following several months of decline. The survey's broad indicators for activity, shipments, and new orders recorded positive readings after two months in negative territory. Responding firms indicated that employment was slightly higher this month. The broadest indicator of future activity remained positive and showed marginal improvement over its reading last month.

Indicators Suggest Improvement

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from -17.5 in September to 8.7, the first positive reading in three months (see Chart). The current new orders index paralleled the rise in the general activity index, increasing 19 points and returning to positive territory. The shipments index also recorded a positive reading, increasing from -22.8 in September to 13.6 this month.

Labor market conditions improved only slightly this month. Nearly 18 percent of the firms reported an increase in employment, but 17 percent reported a decrease. The current employment index remained slightly positive but decreased 4 points from its reading in September. The average workweek index increased notably from -13.7 to 3.1. However, the percentage of firms reporting a longer workweek (15 percent) was only slightly greater than the percentage reporting a shorter one (12 percent).



Prices for Manufactured Goods Are Near Steady

The percentage of firms reporting decreases in prices for their manufactured goods (15 percent) was slightly higher than the percentage reporting price increases (12 percent) this month. The prices received diffusion index decreased from a reading just above zero last month to -2.5. The majority of firms (69 percent) reported steady prices for their own manufactured products in October.

Increasing costs were, on balance, slightly less widespread this month compared to last month. The prices paid diffusion index decreased 3 points. Nearly 31 percent of firms reported paying higher prices for inputs this month, and 11 percent reported lower prices.

Six-Month Indicators Improve

Indicators for future activity remained positive and strengthened moderately this

month. The broadest indicator of future activity improved, increasing 6 points, and is now at its highest reading in six months (see Chart). The indexes for future new orders and shipments also improved modestly, increasing 5 points and 2 points, respectively. The index for future employment paralleled the increase in other future indicators, rising 3 points. The percentage of firms expecting to increase employment over the next six months (25 percent) is higher than the percentage expecting to decrease employment (11 percent).

For this month's special questions, manufacturers were asked about changes in their workforce and the changing use of flexible workers over the past year (see Special Questions). The share of firms that increased their total workforce over the past year (46 percent)

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outnumbered those decreasing their workforce (24 percent), and the mix of employment has changed for many firms. For example, 74 percent of firms indicated that they used temporary or agency workers, and 36 percent of these firms indicated that they have increased the total share of these workers over the past year.

Summary

According to respondents to the October *Business Outlook Survey*, the region's manufacturing sector is recovering, following several months of decline. The survey's current indicators suggest an overall increase in the demand for manufactured goods in October, and activity and shipments were reported to be higher. Firms were slightly more optimistic about future growth overall, with all of the survey's future indicators showing improvement over their levels in September.

Special Questions (October 2011)						
1. Has your total workforce decreased, increased, or stayed the same over the last year?						
Decreased	24.0%					
Stayed the same	29.1%					
Increased	45.6%					
No response	1.3%					
Total	100.0%					
2. How has your mix (as a share) of total employees changed between the various categories of employees over the last year?						
	Percentage That Use This Type of Labor	Percentages (excluding nonresponses)				
		Not Used	Decreased Share	No Change	Increased Share	Total
Regular Full-Time	100.0	0.0	20.3	50.6	29.1	100.0
Regular Part-Time	73.0	27.0	10.8	51.4	10.8	100.0
Short-Term Workers	47.8	52.2	8.7	33.3	5.8	100.0
On-Call Workers	41.8	58.2	6.0	34.3	1.5	100.0
Temporary or Agency Workers	74.0	26.0	8.2	30.1	35.6	100.0
Independent Contract Workers	54.5	45.5	9.1	37.9	7.6	100.0

BUSINESS OUTLOOK SURVEY October 2011	October vs. September					Six Months from Now vs. October				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	-17.5	30.3	47.6	21.6	8.7	21.4	39.1	44.8	11.8	27.2
Company Business Indicators										
New Orders	-11.3	32.0	43.8	24.2	7.8	21.6	41.6	38.2	15.0	26.7
Shipments	-22.8	34.6	44.4	21.0	13.6	25.2	40.4	41.8	13.4	27.1
Unfilled Orders	-10.4	22.1	56.8	18.6	3.4	4.7	26.2	48.5	18.5	7.7
Delivery Times	-7.0	14.4	70.3	15.0	-0.5	-4.8	14.6	64.7	16.0	-1.4
Inventories	10.2	17.7	55.1	25.4	-7.7	-14.1	21.6	42.0	26.0	-4.4
Prices Paid	23.2	30.6	58.1	10.6	20.0	36.3	51.4	35.4	6.7	44.7
Prices Received	0.9	12.2	69.3	14.7	-2.5	18.2	34.3	48.9	8.9	25.4
Number of Employees	5.8	17.9	64.9	16.5	1.4	11.2	25.2	59.9	10.7	14.5
Average Employee Workweek	-13.7	15.0	68.7	11.9	3.1	7.4	23.2	62.9	13.5	9.7
Capital Expenditures	--	--	--	--	--	5.5	26.7	46.6	14.4	12.3

NOTES:

- (1) Items may not add up to 100 percent because of omission by respondents.
- (2) All data are seasonally adjusted.
- (3) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
- (4) Survey results reflect data received through October 18, 2011.