



BUSINESS OUTLOOK SURVEY

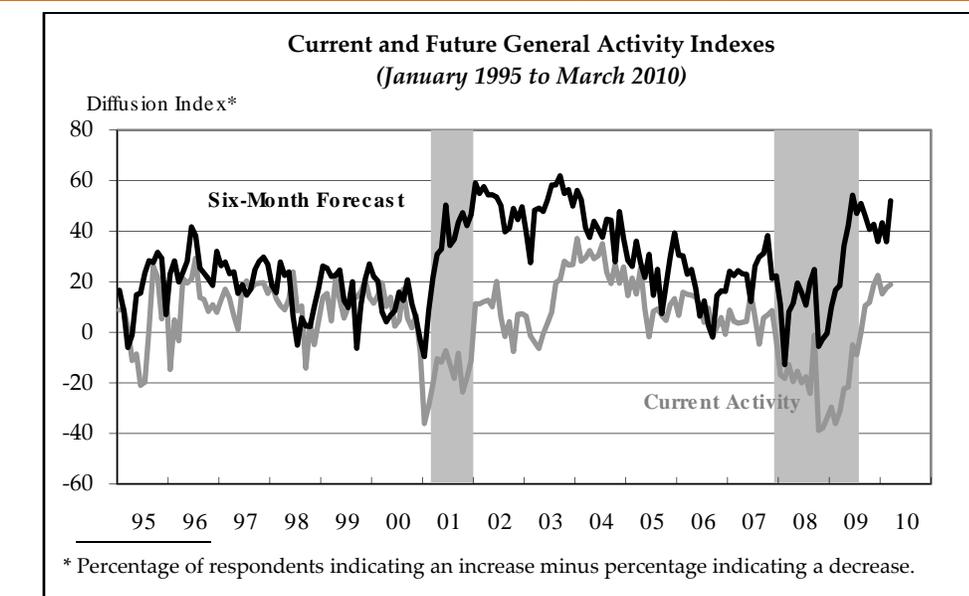
March 2010

The region's manufacturing sector is continuing to show signs of growth, according to firms polled for this month's *Business Outlook Survey*. Indexes for general activity, new orders, shipments, and employment all remained positive this month. The survey's broad indicators of future activity continued to suggest that the region's manufacturing executives expect business activity to increase over the next six months.

Indicators Suggest Continued Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from a reading of 17.6 in February to 18.9 this month. The index has now remained positive for seven consecutive months (see Chart). Although still positive and suggesting growth, indexes for current new orders and shipments fell back from their readings in February: The new orders index fell 13 points, and the shipments index fell 6 points. The current inventory index moved back into negative territory after recording its first positive reading since September 2007 last month.

Firms' responses continued to suggest that labor market conditions have been stabilizing in recent months. For the fourth consecutive month, the percentage of firms reporting an increase in employment is greater than the percentage reporting declines. The current employment index edged 1 point higher and is at its highest reading since October 2007, yet only 17 percent of the firms reported an increase in employment this month. The workweek index



was 6 points higher and has now remained positive for five consecutive months.

Prices for Manufactured Goods Are Steady, Although Higher Costs Reported

Respondents have been reporting higher costs for inputs over the past six months. Thirty-nine percent of firms reported higher prices paid; no firms reported lower prices paid. On balance, however, firms reported near-steady prices for their own manufactured goods: The percentage of firms (13 percent) reporting increases was the same as that reporting decreases. The largest percentage, 74 percent, reported no change in prices for their manufactured goods.

Firms' Outlook Remains Optimistic

The future general activity index remained positive for the 15th consecutive month and increased from 35.8 in February to 52.0 in March (see Chart). The future new orders index edged 4 points higher, but the future

shipments index fell 7 points. For the 11th consecutive month, the percentage of firms expecting employment to increase over the next six months (33 percent) exceeded the percentage expecting declines (9 percent). Firms continue to forecast increases in unfilled orders, delivery times, and inventories. The planned capital spending index fell 16 points, after reaching its highest reading in almost three years last month.

In special questions this month, firms were asked about their expectations for production growth for the upcoming second quarter (see Special Questions). Nearly 57 percent of the firms expect increases in production in the second quarter; 17 percent expect decreases. This is in contrast to the situation in March of last year, when more firms were expecting

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declines in production than were expecting increases. Forty-eight percent of the firms said second-quarter production growth would represent an acceleration in growth (although only 7 percent characterized it as "significant acceleration"); 17 percent said the expected growth represented deceleration.

Summary

According to respondents to the March *Business Outlook Survey*, regional manufacturing activity continues to expand. Although indicators for new orders and shipments moderated from February, all of the broad indicators remained positive. Firms expect continued growth over the next six months, and nearly half indicated that they expect their rate of production to accelerate during the second quarter.

Special Questions (March 2010)			
1. What change, if any, do you anticipate in your firm's production during the second quarter of 2010 compared to the first quarter?			
	2010	2009	
Decrease of more than 5%	8.7%		
Decrease of 3-5%	5.8%		
Decrease of less than 3%	2.9%		
Total decrease		17.4%	44.5%
No change	26.1%		
Increase of less than 3%	10.2%		
Increase of 3-5%	15.9%		
Increase of more than 5%	30.4%		
Total increase		56.5%	34.9%
2010: Average 1.8% Median: 1.5%		2009: Average: -2.4% Median: 0.0%	
2. Would this represent an acceleration or deceleration of growth from the first quarter of 2010?			
Significant deceleration	4.2%	Deceleration:	
Some deceleration	12.7%	16.9%	
No change	26.8%		
Some acceleration	40.8%	Acceleration:	
Significant acceleration	7.0%	47.8%	
3. Does the expected increase or decrease reflect seasonal factors or a change in business conditions?			
Seasonal		32.4%	
Expected changes in business conditions		39.4%	
Other		2.8%	
Percentages may not add to 100 percent because some firms did not respond to every question.			

BUSINESS OUTLOOK SURVEY March 2010	March vs. February					Six Months from Now vs. March				
	<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?	17.6	34.5	49.4	15.6	18.9	35.8	60.0	30.8	7.9	52.0
Company Business Indicators										
New Orders	22.7	29.6	48.7	20.4	9.3	41.3	55.0	34.2	9.8	45.2
Shipments	19.7	30.5	52.7	16.8	13.6	51.0	52.0	39.4	7.8	44.3
Unfilled Orders	-7.5	16.8	61.4	21.7	-4.9	14.1	31.4	55.8	12.8	18.6
Delivery Times	-2.1	14.9	76.5	7.0	7.9	9.0	10.3	78.7	9.6	0.7
Inventories	3.2	12.7	63.7	23.6	-11.0	15.4	29.8	47.8	21.7	8.1
Prices Paid	32.4	38.6	60.0	0.0	38.6	51.2	60.2	33.7	6.1	54.1
Prices Received	3.7	12.8	73.7	13.2	-0.4	26.4	32.2	58.5	9.3	22.9
Number of Employees	7.4	16.6	75.2	8.2	8.4	13.8	33.0	56.5	8.7	24.4
Average Employee Workweek	1.9	21.9	63.8	14.3	7.6	23.9	35.9	56.9	7.2	28.6
Capital Expenditures	--	--	--	--	--	26.0	22.1	65.6	12.3	9.7

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 March 15, 2010.