



# BUSINESS OUTLOOK SURVEY

## September 2011

Responses to the *Business Outlook Survey* this month suggest that regional manufacturing activity is continuing to contract, but declines are less widespread than in August. The survey's broad indicators for activity, shipments, and new orders all remained negative for the second consecutive month. Responding firms, however, indicated that employment was slightly higher this month. The broadest indicator of future activity remained positive and rebounded this month, suggesting that recent declines are not expected to continue over the next six months.

### Indicators Suggest Continuing Weakness

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from a very low reading of -30.7 in August to -17.5 in September. The index has been negative in three of the last four months (see Chart). The current new orders index paralleled the general activity index, increasing 16 points and remaining negative. The current shipments index fell 9 points.

Firms' responses suggest a slight improvement in hiring this month compared with August. The current employment index increased 11 points, after recording its first negative reading in 12 months in August. Over 22 percent of the firms reported an increase in employment, but 16 percent reported a decrease. The percentage of firms reporting a shorter workweek (23 percent) remained greater than the percentage reporting a longer one (9 percent).

### Prices for Manufactured Goods Are Steady

The percentage of firms reporting increases in prices for their own manufactured goods (18 percent) was about the same as the percentage reporting price decreases (17 percent). The prices received index, which was -9.0 in August (its first negative reading in nine months), increased to just above zero this month. The majority of firms (62 percent) reported steady prices for their own products in September.

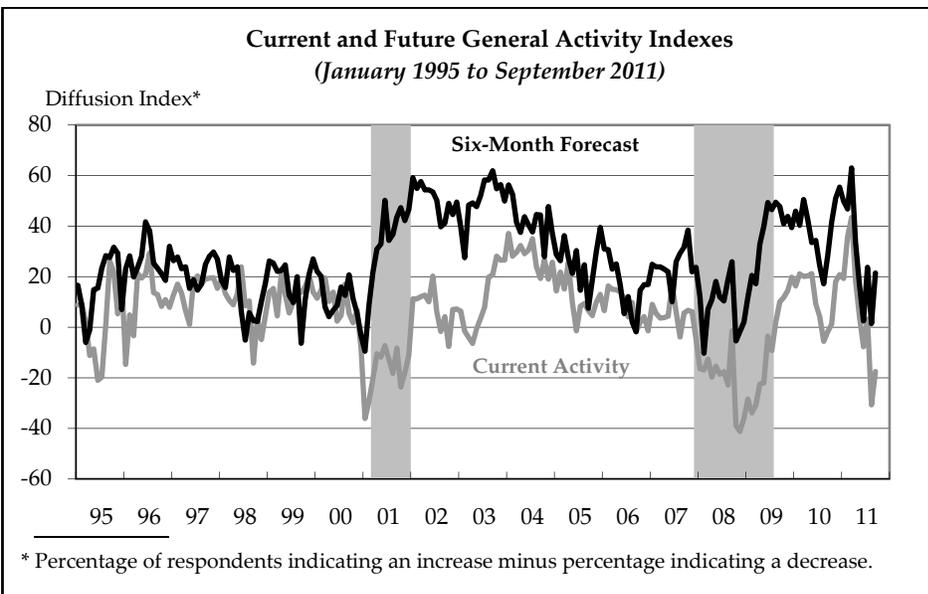
Increasing costs were somewhat more widespread this month compared to last month. Nearly 29 percent of firms reported paying higher prices for inputs this month. Only 6 percent reported lower prices. The prices paid diffusion index increased 10 points, its first one-month increase in seven months.

### Six-Month Indicators Rebound

Indicators for future activity remained positive and strengthened this month. The

broadest indicators for future activity improved notably, increasing 20 points and nearly reversing the 22-point decline in August (see Chart). The indexes for future new orders and shipments also improved, increasing 5 points and 13 points, respectively. The index for future employment increased a modest 3 points. The percentage of firms expecting to increase employment over the next six months (25 percent) is higher than the percentage expecting employment to decrease (13 percent).

For this month's special questions, firms were asked to estimate their total production growth for the third quarter and expected growth for the upcoming fourth quarter. Firms were evenly divided in their estimates for third quarter growth: The percentage of firms expecting to achieve positive production growth was the same as the percentage



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expecting declines (41 percent). The average production growth rate for the reporting group was just 0.3 percent. With regard to the upcoming fourth quarter, the percentage of firms expecting a deceleration in the rate of their production growth (49 percent) was greater than the percentage expecting an acceleration in growth (38 percent).

### Summary

According to respondents to the September *Business Outlook Survey*, the region's manufacturing sector contracted for the second consecutive month. The survey's indicators suggest an overall decline in demand for manufactured goods in September, although the breadth of decreases was not as great as in August. On balance, employment was slightly higher at reporting firms this month. The broadest indicators for future growth improved notably this month, suggesting that firms expect a recovery in activity over the next six months. Responses to special questions, however, suggest that the firms expect further weakening in their rate of production growth during the fourth quarter.

### Special Questions (September 2011)

1. How will your firm's total production for the **third quarter** compare with that of the second quarter?

	%	
Lower	41.1	
No change	17.8	
Higher	41.1	
Average increase: 0.3%*		

2. For the upcoming **fourth quarter**, what growth do you expect for production at your plant compared to the third quarter?

	%	subtotals
Significant deceleration	8.1	48.7
Some deceleration	21.6	
Slight deceleration	18.9	
No change	10.8	10.8
Slight acceleration	16.2	37.8
Some acceleration	17.6	
Significant acceleration	4.1	
NR	2.7	2.7
Total	100.0	100.0

\*Firms provided estimates within specific numerical ranges.

<b>BUSINESS OUTLOOK SURVEY</b> <i>September 2011</i>	September vs. August					Six Months from Now vs. September				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<b>Diffusion Index</b>
What is your evaluation of the level of general business activity?	-30.7	19.0	40.8	36.5	-17.5	<b>1.4</b>	41.5	33.8	20.1	<b>21.4</b>
Company Business Indicators										
New Orders	<b>-26.8</b>	25.9	32.6	37.3	<b>-11.3</b>	<b>16.3</b>	43.4	28.5	21.8	<b>21.6</b>
Shipments	<b>-13.9</b>	17.0	38.7	39.8	<b>-22.8</b>	<b>12.6</b>	46.1	26.6	20.9	<b>25.2</b>
Unfilled Orders	<b>-20.9</b>	10.6	62.8	21.1	<b>-10.4</b>	<b>-3.5</b>	19.4	60.4	14.7	<b>4.7</b>
Delivery Times	<b>-18.1</b>	11.3	66.7	18.2	<b>-7.0</b>	<b>-5.1</b>	7.8	73.0	12.6	<b>-4.8</b>
Inventories	<b>-9.8</b>	26.4	53.5	16.2	<b>10.2</b>	<b>-26.2</b>	16.5	48.6	30.6	<b>-14.1</b>
Prices Paid	<b>12.8</b>	28.9	58.1	5.7	<b>23.2</b>	<b>34.6</b>	44.2	44.8	7.9	<b>36.3</b>
Prices Received	<b>-9.0</b>	17.5	61.6	16.7	<b>0.9</b>	<b>16.5</b>	27.6	56.5	9.4	<b>18.2</b>
Number of Employees	<b>-5.2</b>	22.1	56.5	16.4	<b>5.8</b>	<b>7.8</b>	24.5	56.5	13.3	<b>11.2</b>
Average Employee Workweek	<b>-14.4</b>	9.3	59.8	23.0	<b>-13.7</b>	<b>-5.3</b>	21.6	58.2	14.3	<b>7.4</b>
Capital Expenditures	--	--	--	--	--	<b>5.2</b>	27.7	44.1	22.2	5.5

#### 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 September 13, 2011.