



# BUSINESS OUTLOOK SURVEY

## February 2011

According to respondents to the February *Business Outlook Survey*, growth in the region's manufacturing sector picked up this month. Most of the broad indicators showed an improvement over their readings in January, and employment among reporting firms increased. Increases in input prices continued to be widespread this month, and slightly more firms reported increases in prices for their own manufactured goods. The survey's broad indicators of future activity suggest that firms expect a continued expansion in activity over the next six months.

### Indicators All Point to Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from 19.3 in January to 35.9 this month. This is the highest reading since January 2004 (see Chart). The demand for manufactured goods is showing continued strength: Although the new orders index was virtually unchanged in February, it has increased over the past six months. The shipments index also improved markedly, increasing 22 points. Firms also reported a rise in unfilled orders and longer delivery times this month.

Firms' responses continue to indicate improving labor market conditions. The current employment index increased 6 points, and for the sixth consecutive month, the percentage of firms reporting an increase in employment (29 percent) is higher than the percentage reporting a decline (5 percent). More than twice as many firms reported a longer workweek (23 percent) than

reported a shorter one (10 percent).

### Firms Report Higher Prices

Price increases for inputs as well as firms' own manufactured goods were more widespread again this month. Sixty-seven percent of the firms reported higher prices for inputs, compared with 54 percent in the previous month. The prices paid index, which increased 13 points in February, has now increased 55 points over the past five months. On balance, firms also reported a rise in prices for their own manufactured goods. The prices received index increased 4 points and has steadily increased over the past four months. Twenty-nine percent of firms reported higher prices for their own goods this month, compared to 26 percent in January.

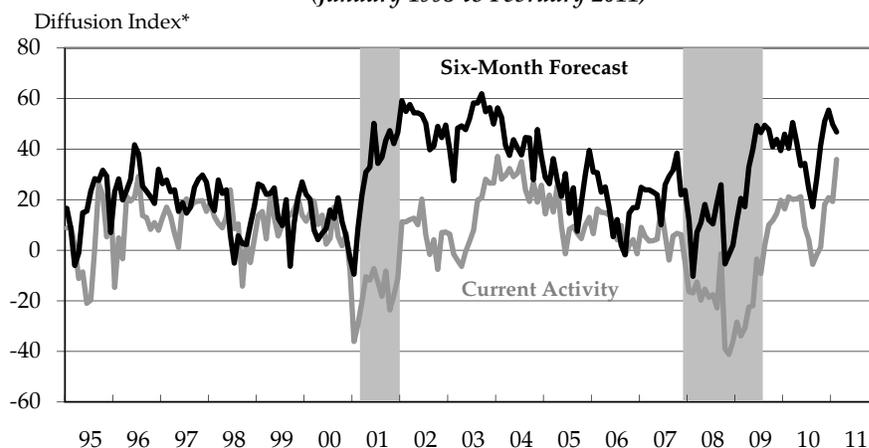
### Firms Expect Growth to Continue

The future general activity index remained positive for the 27th consecutive month but fell back 3 points, from 49.8 in January to 46.8

(see Chart). The indexes for future new orders and shipments remained at relatively high levels. The future shipments index increased 9 points, but the future new orders index fell 1 point. The future employment index decreased 7 points but continues to reflect optimism about employment growth overall. More firms expect to increase employment over the next six months (32 percent) than expect to decrease employment (8 percent).

In this month's special questions, firms were asked about pricing of their products since the beginning of the year and their expectations for price changes in the near future (see Special Questions). Since the beginning of the year, 57 percent of the responding firms indicated some increase in prices for their own goods, with the most frequently cited range of increase between 3 and 4 percent.

Current and Future General Activity Indexes  
(January 1995 to February 2011)



\* Percentage of respondents indicating an increase minus percentage indicating a decrease.

Fifty-nine percent indicated that they expect increases over the next three months, with the most frequently cited range also between 3 and 4 percent. Nearly 29 percent of firms reported currently experiencing shortages or delayed delivery of critical raw or intermediate products, with the most commonly cited products being steel or steel-related and other metals.

### Summary

According to respondents to the February *Business Outlook Survey*, the region's manufacturing sector is gaining strength. All of the broad indicators showed improvement, with new orders continuing to expand. Firms also reported a pickup in hiring with a higher percentage of firms expanding payrolls. Increases in input prices continue to be reported, and more firms have been reporting higher prices for their own manufactured goods. Firms remain confident that an expansion of manufacturing activity will continue over the next six months.

SPECIAL QUESTIONS (February 2011)					
1. Many firms have been reporting cost increases since the beginning of the year. What impacts are these recent increases having, or expected to have, on the prices of your finished products over the next three months?					
<b>a. Since the beginning of the year, we have already increased our prices by:</b>		Sub-total	<b>b. Over the next three months we expect price <u>increases</u> of approximately:</b>		Sub-total
0%	38.2%	38.2%	We expect <b>steady</b> prices for our goods	34.2%	34.2%
1-2%	19.7%	56.5%	We expect increases of 1-2%	14.5%	59.2%
3-4%	21.1%		We expect increases of 3-4%	30.3%	
5-6%	9.2%		We expect increases of 5-6%	7.9%	
7-8%	2.6%		We expect increases of 7-8%	3.9%	
9-10%	2.6%		We expect increases of 9-10%	0.0%	
greater than 10%	1.3%		We expect increases of greater than 10%	2.6%	
			We expect price <b>decreases</b> for our goods	1.3%	1.3%
2. Are you currently experiencing shortages or delayed delivery of any critical raw or intermediate products?*					
Yes :	28.9%	No:	67.1%	No Response:	3.9%
*The most commonly cited products were steel and steel-related products and other metals.					
Percentages may not add to 100 percent because not all firms answered all questions.					

<b>BUSINESS OUTLOOK SURVEY February 2011</b>	February vs. January					Six Months from Now vs. February				
	<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?	19.3	45.5	41.6	9.6	<b>35.9</b>	<b>49.8</b>	55.8	30.9	9.0	<b>46.8</b>
Company Business Indicators										
New Orders	<b>23.6</b>	42.4	36.3	18.7	<b>23.7</b>	<b>43.3</b>	48.8	37.7	6.7	<b>42.1</b>
Shipments	<b>13.4</b>	44.3	46.5	9.1	<b>35.2</b>	<b>42.7</b>	56.7	29.4	5.5	<b>51.2</b>
Unfilled Orders	<b>8.7</b>	23.5	66.4	8.5	<b>14.9</b>	<b>11.8</b>	29.4	55.9	7.2	<b>22.2</b>
Delivery Times	<b>2.3</b>	13.0	80.6	3.0	<b>10.0</b>	<b>13.5</b>	12.4	72.2	7.8	<b>4.7</b>
Inventories	<b>6.8</b>	24.8	51.1	22.7	<b>2.1</b>	<b>13.9</b>	25.1	51.3	15.7	<b>9.4</b>
Prices Paid	<b>54.3</b>	67.2	32.8	0.0	<b>67.2</b>	<b>66.4</b>	74.7	15.2	1.6	<b>73.1</b>
Prices Received	<b>17.1</b>	28.5	60.7	7.6	<b>21.0</b>	<b>38.2</b>	45.0	43.7	4.9	<b>40.1</b>
Number of Employees	<b>17.6</b>	29.0	64.5	5.4	<b>23.6</b>	<b>31.0</b>	32.4	54.6	8.0	<b>24.4</b>
Average Employee Workweek	<b>10.6</b>	23.3	62.1	10.4	<b>12.8</b>	<b>22.9</b>	24.2	53.1	10.3	<b>13.9</b>
Capital Expenditures	--	--	--	--	--	<b>29.0</b>	24.4	61.7	8.2	<b>16.2</b>

### 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 February 14, 2011.