



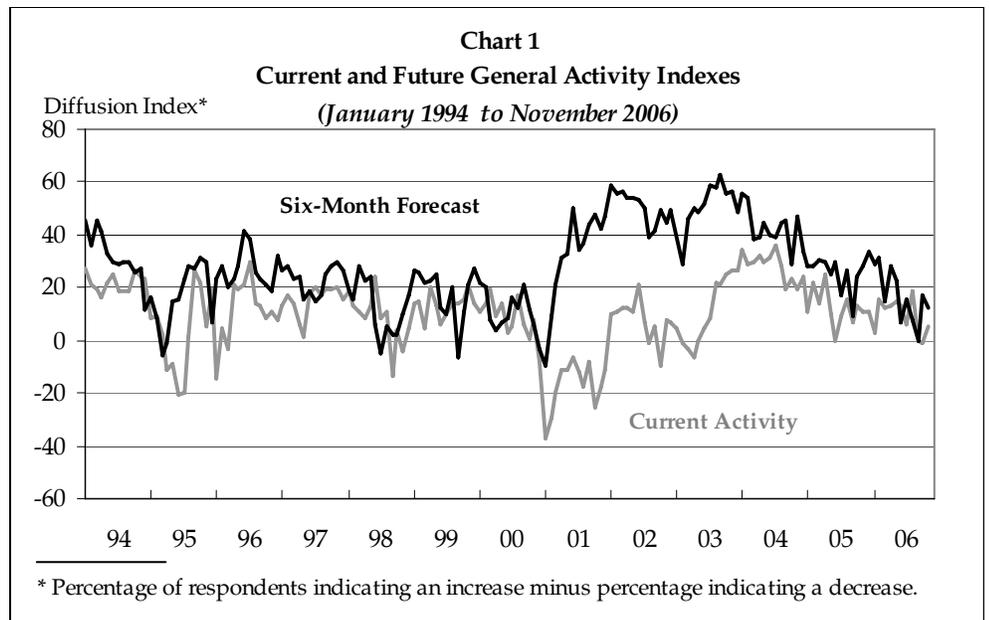
BUSINESS OUTLOOK SURVEY

November 2006

Economic conditions in the region's manufacturing sector improved slightly in November, according to firms polled for this month's *Business Outlook Survey*. Indicators for general activity and shipments increased modestly from their readings in October, but indicators for new orders and employment weakened. Firms continued to report higher prices for inputs and their own manufactured goods, although the survey's price indicators continued to decrease. The region's manufacturing executives were slightly less optimistic about future activity, with most future indicators declining from their readings in October.

Indicators Suggest Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from -0.7 in October to 5.1 this month. The index was slightly below zero in August and September, following 14 consecutive months of positive readings (see Chart 1). Thirty percent of the firms reported increased activity this month; 25 percent reported decreased activity. The new orders and shipments indexes provided mixed signals of growth this month. The new orders index fell 17 points, to -3.7, erasing the 15-point gain of the previous month. The shipments index remained positive and edged one point higher than in October. Delivery times lengthened this month: The delivery time diffusion index increased 15 points to its first posi-



tive reading in three months. The unfilled orders index remained negative but rose seven points.

Evidence of weakness in manufacturing growth is suggested by replies concerning employment and hours worked this month. The percentage of firms reporting increased employment matched that of firms reporting decreased employment (21 percent); however, the current employment index fell nine points from its October reading. The average workweek index remained close to zero, and the percentage of firms reporting increased hours (22 percent) was the same as the percentage reporting decreased hours.

Price Pressures Moderate Again

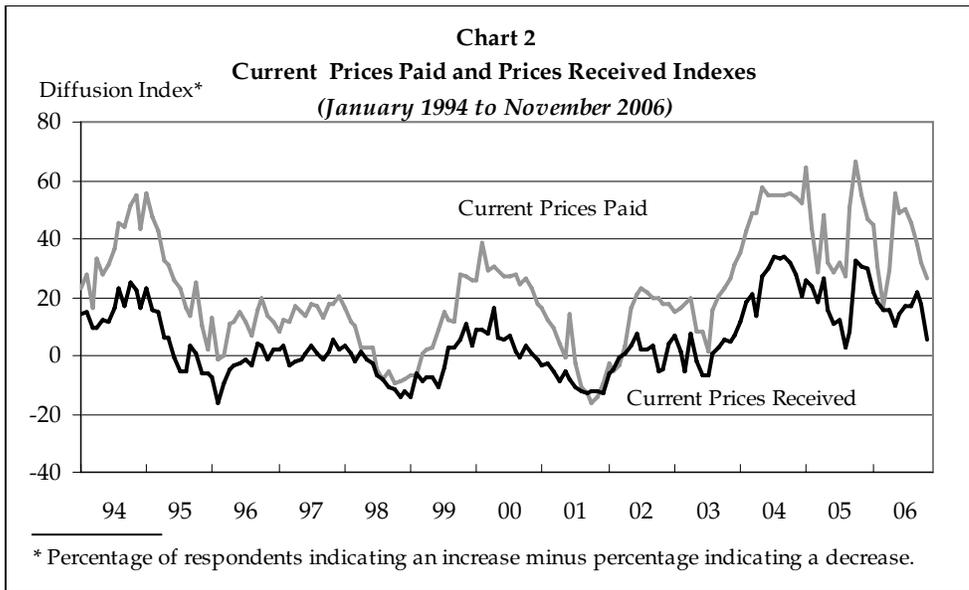
Respondents reported higher costs for inputs again this month, but increases were not as widespread as in

previous surveys. The prices paid index fell five points this month. The index has fallen in four consecutive months and is now at its lowest reading in eight months (see Chart 2). Thirty-six percent of the firms reported higher input prices; 9 percent reported lower input prices.

Seventeen percent of the firms reported higher prices for their final manufactured goods, down slightly from 22 percent last month. Eleven percent of the firms reported lower prices this month; the prices received index fell 12 points, to its lowest reading in 15 months (see Chart 2).

Forecast Remains Moderate

Expectations for future manufacturing growth moderated slightly this month, following a 17-point increase last month. Indicators for future activ-



rose 12 points, to its highest mark in eight months.

Summary

Conditions in the region's manufacturing sector improved slightly this month. Indicators for general activity and shipments suggest some growth, although indicators for new orders and employment weakened. Input price pressures continued to moderate, and fewer firms reported increases for finished manufactured goods this month. Indicators for the next six months suggest that firms are slightly less optimistic about future conditions this month than they were in October.

ity, new orders, and shipments remained positive but decreased from their readings in October. The future general activity index decreased from 16.7 to 12.4 (see Chart 1). Paralleling the decline in the future general activity index, the index for future new orders

and shipments decreased 12 points and 11 points, respectively. The future employment index was virtually unchanged from October. Firms' expectations for future capital spending showed a notable improvement: The diffusion index for capital expenditures

BUSINESS OUTLOOK SURVEY <i>(November 2006)</i>	November vs. October					Six Months from Now vs. November				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<i>Diffusion Index</i>	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	<i>Diffusion Index</i>
What is your evaluation of the level of general business activity?	-0.7	29.9	45.3	24.8	5.1	16.7	35.4	35.0	23.0	12.4
Company Business Indicators										
New Orders	13.4	29.5	37.3	33.2	-3.7	29.2	35.5	42.6	18.5	17.1
Shipments	5.3	31.4	43.4	24.9	6.5	34.4	42.4	34.7	18.9	23.5
Unfilled Orders	-11.1	18.6	58.3	22.6	-3.9	0.7	18.5	56.7	18.8	-0.3
Delivery Times	-9.4	18.9	68.1	13.0	5.9	1.4	15.3	62.8	15.5	-0.1
Inventories	13.2	27.6	49.2	23.2	4.4	-8.8	28.7	38.5	29.1	-0.4
Prices Paid	32.0	35.7	54.2	9.0	26.7	33.8	42.1	41.3	8.8	33.4
Prices Received	17.8	16.5	72.7	10.8	5.7	23.5	27.8	54.5	12.0	15.7
Number of Employees	9.4	21.2	57.9	20.9	0.2	13.1	24.7	54.8	11.5	13.2
Average Employee Workweek	-2.0	22.3	52.3	21.9	0.4	7.9	17.4	62.5	11.0	6.4
Capital Expenditures	--	--	--	--	--	8.0	33.1	35.2	13.2	19.9

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 November 14, 2006.