



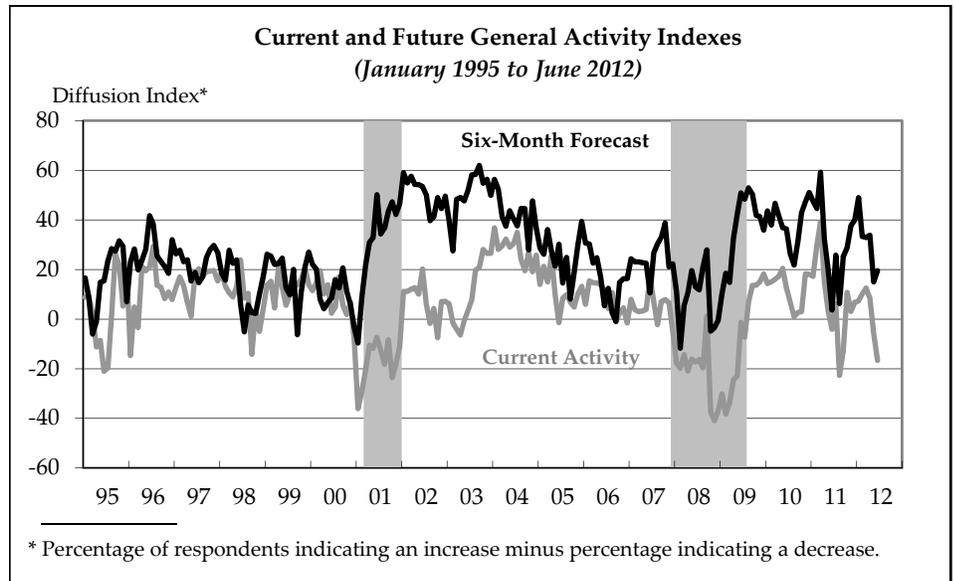
BUSINESS OUTLOOK SURVEY

June 2012

Firms responding to the June *Business Outlook Survey* indicated weaker business conditions this month. The survey's indicators for general activity, new orders, shipments, and average work hours were all negative this month, suggesting overall declines in business. Input price pressures were less in evidence this month, with more firms reporting declines in input prices. And for the second consecutive month, more firms reported declines in prices for their products than reported increases. The survey's indicators of future activity remained positive and improved slightly, suggesting that the current weakness in activity is expected to be short-lived.

Indicators Suggest Decreases in Activity

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, fell from a reading of -5.8 in May to -16.6, its second consecutive negative reading (see Chart 1). Nearly 40 percent of the firms reported declines in activity this month, exceeding the 22 percent that reported increases in activity. Indexes for new orders and shipments also showed notable declines, falling 18 and 20 points, respectively. Indexes for current unfilled orders and delivery times both registered negative readings again this month, suggesting



lower levels of unfilled orders and faster deliveries.

Firms' responses suggest steady employment this month but shorter hours. The percentage of firms reporting higher employment (14 percent) edged out the percentage reporting lower employment (12 percent). The current employment index increased 3 points this month. Firms indicated fewer hours worked this month: the average work-week index decreased 14 points and posted its third consecutive negative reading.

Price Indexes Decline This Month

Indexes for prices paid and prices received both decreased and were negative this month, suggesting that price pressures have moderated notably. The

prices paid index fell to -2.8, its first negative reading since July 2009. Nearly 16 percent of firms reported declines in input prices; 13 percent reported increases. Firms also reported that the prices received for their own products fell: For the second consecutive month, more firms reported a decrease in product prices (17 percent) than reported an increase (10 percent).

Despite Weakening, Outlook Remains Positive

The future general activity index improved from a reading of 15.0 in May to 19.5 in June (see Chart 1). Although area manufacturers are not as optimistic as they were earlier in

Released: June 21, 2012, 10 a.m. ET.
The July Business Outlook Survey will be released on July 19, 2012, at 10 a.m. ET.

the year, the percentage of firms expecting increases in activity over the next six months (34 percent) is higher than the percentage expecting decreases (14 percent). The indexes for future new orders and shipments remained positive and also improved, increasing 12 and 17 points, respectively.

In special questions this month, firms were asked about their plans for capital spending over the next six to 12 months. The share of firms expecting to increase their capital spending on plant and equipment (32 percent) was greater than the share planning reductions (20 percent). On balance, these responses represent some improvement over the responses received when the same question was asked in November 2011. Although slightly fewer firms expect increases than in November, far fewer firms an-

Special Question (June 2012)

Do you expect your firm's spending on new plant and equipment over the next six to 12 months to increase, decrease, or remain unchanged relative to your firm's actual spending over the past six to 12 months?

	2012	2011*
Increase	31.8%	34.7%
Decrease	19.7%	33.3%
Remain unchanged	42.4%	25.0%

*Survey conducted in November 2011.

icipate decreases in capital spending. There was a significant increase in the share of firms that expect to keep capital spending constant (from 25 percent in November to 42 percent in June).

Summary

The June *Business Outlook Survey* suggests that firms in the region's manufacturing sector are experiencing declines in overall activity this month. Firms reported a notable falloff in new orders

and shipments. Overall, employment remained steady, but average work hours were lower. Price pressures continued to recede this month, and more firms reported declines in prices for their own goods than reported increases. The outlook among the reporting firms, while not as optimistic as in the first quarter, suggests that firms believe that activity will rebound over the next six months.

BUSINESS OUTLOOK SURVEY <i>June 2012</i>	June vs. May					Six Months from Now vs. June				
	<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?	-5.8	21.9	39.5	38.5	-16.6	15.0	33.9	47.0	14.3	19.5
Company Business Indicators										
New Orders	-1.2	21.4	35.2	40.2	-18.8	26.3	45.5	41.9	7.3	38.2
Shipments	3.5	23.2	37.0	39.8	-16.6	20.8	46.8	39.3	8.8	38.0
Unfilled Orders	-9.4	10.2	63.3	26.5	-16.3	5.9	15.8	62.2	13.3	2.5
Delivery Times	-14.0	3.1	78.2	18.7	-15.5	-4.3	2.7	81.5	10.0	-7.3
Inventories	4.5	17.6	51.3	26.3	-8.7	-10.8	18.7	48.3	30.6	-12.0
Prices Paid	5.0	12.7	70.9	15.5	-2.8	37.8	28.7	58.1	8.6	20.1
Prices Received	-4.5	10.2	70.8	17.1	-6.9	7.7	23.3	61.3	9.8	13.5
Number of Employees	-1.3	13.6	71.5	11.8	1.8	10.6	26.3	57.8	7.6	18.7
Average Employee Workweek	-5.4	8.8	63.4	27.9	-19.1	-1.1	16.2	62.0	17.0	-0.8
Capital Expenditures	--	--	--	--	--	5.3	30.0	56.8	10.5	19.4

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 June 18, 2012.