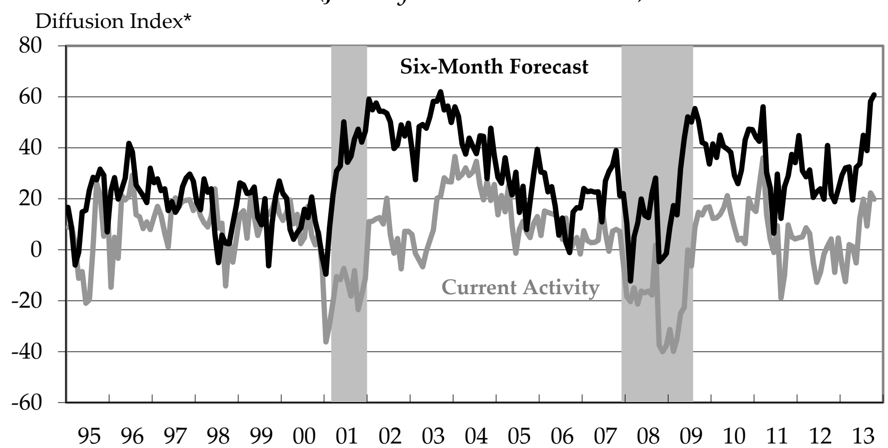
BUSINESS OUTLOOK
SURVEY

October 2013

Manufacturing growth in the region continued in October, according to firms responding to this month's *Business Outlook Survey.* The survey's broadest indicators for general activity, new orders, shipments, and employment were positive, signifying growth. The survey's indicators of future activity suggest continued optimism about growth over the next six months.

Current and Future General Activity Indexes
(January 1995 to October 2013)



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

Indicators Suggest Continuing Expansion

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, edged down from 22.3 in September to 19.8 this month (see Chart). The index has now been positive for five consecutive months. The percentage of firms reporting increased activity this month (36 percent) was greater than the percentage reporting decreased activity (16 percent).

The demand for manufactured goods, as measured by the current new orders index, increased 6 points, to 27.5, its highest reading since March 2011. Shipments continued to expand: The index fell 1 point to 20.4, following a 22 point increase last month. The diffusion indexes for inventories, delivery times, and unfilled orders were all positive and higher than last month.

Labor market indicators showed improvement this month. The current employment index increased 5 points, to 15.4, its highest reading since May 2011. The percentage of firms reporting increases in employment (23 percent) exceeded the percentage reporting decreases (8 percent).

Price Indexes Suggest Moderate Pressures

The indexes for prices reflected moderate price pressures this month. Input price pressures were slightly less widespread this month: The prices paid index fell 4 points, to 21.7. With respect to prices received for manufactured goods, 21 percent of firms reported higher prices, and 7 percent reported lower prices. The prices received index increased 2 points, to 14.2.

Six-Month Indicators Reflect Optimism

The survey's future indicators have suggested markedly improved optimism among the reporting manufacturers in recent months. The future general activity index increased 3 points, from 58.2 to 60.8, exceeding its previous highs since the end of the recession in 2009 (see Chart). Slightly over 63 percent of firms expect increases in activity over the next six months; only 2 percent of firms indicated that they expect decreases over the next six months. The indexes for future new orders and shipments also remained at relatively high levels. Over 67 percent of firms expect increases in new orders and 57 percent of firms expect increases in shipments over the next six months. The future employment index fell 4 points; however, nearly 37 percent of the firms expect to increase employment over the next six months.

For this month's special questions, manufacturers were asked about changes in their workforce and the changing use of flexible workers over the past year (see Special Questions). The share of firms that increased their total workforce over the past year (51 percent) was significantly greater than those that decreased their workforce (27 percent), reflecting a marked improvement from when the question was asked last year. The mix of employment has changed for many firms. For example, 76 percent of firms indicated that they use part-time workers. Of this number, 15 percent of firms

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indicated that their share of the total part-time workforce has increased over the past year, whereas 5 percent of the firms decreased their share of these workers. Fewer firms use temporary/agency workers (65 percent) and contract workers (39 percent) compared with part-time workers. Among the firms that use temporary/agency and contract workers, these workers account for nearly 10 percent of their workforce.

Summary

According to respondents to the October *Business Outlook Survey*, the region's manufacturing sector continued to grow this month. All the broad indicators were positive, with firms reporting improvements in new orders and hiring. Input price pressures were slightly less widespread this month. Firms' outlook has shown notable improvement in recent months, with a majority of firms now expecting to expand manufacturing activity over the next six months and more than one-third expecting to add workers.

Special Questions (October 2013)

1. Has your total workforce decreased, increased, or stayed the same over the past year?

	October 2013	October 2012
Decreased	27.2%	31.1%
Stayed the same	20.0%	32.4%
Increased	51.4%	32.4%
No response	1.4%	4.1%
Total	100.0%	100.0%

2. Indicate whether over the past year the following categories of workers have increased as a share of your total workforce, decreased as a share of your total workforce, not changed as a share of your total workforce, or are not used at your firm.

	Percentage That Use This Type of Labor	Percentages				
		Not Used	Decreased Share	No Change	Increased Share	Total
Regular Full-Time	100.0	0.0	15.9	49.3	34.8	100.0
Regular Part-Time	76.1	23.9	4.5	56.7	14.9	100.0
Short-Term Workers	39.7	60.3	1.6	23.8	14.3	100.0
On-Call Workers	28.1	71.9	1.6	20.3	6.2	100.0
Temporary or Agency Workers	65.2	34.8	10.1	29.0	26.1	100.0
Independent Contract Workers	39.1	60.9	0.0	28.1	11.0	100.0

3. Approximately what percent of your total workforce is accounted for by temporary/agency workers and contract workers?

	Percentage of total workforce for those firms using these categories of workers
Average	9.5%
Median	5.0%

BUSINESS OUTLOOK SURVEY *October 2013*	October vs. September					Six Months from Now vs. October				
	Previous Diffusion Index	Increase	No Change	Decrease	**Diffusion Index**	*Previous Diffusion Index*	Increase	No Change	Decrease	**Diffusion Index**
What is your evaluation of the level of general business activity?	**22.3**	36.0	46.6	16.3	**19.8**	**58.2**	63.1	34.6	2.3	**60.8**
Company Business Indicators										
New Orders	**21.2**	40.6	44.4	13.0	**27.5**	**62.2**	67.4	29.0	3.7	**63.7**
Shipments	**21.2**	36.1	47.0	15.7	**20.4**	**58.3**	56.9	40.0	3.1	**53.8**
Unfilled Orders	**4.3**	19.7	67.2	10.6	**9.1**	**18.5**	23.4	70.7	5.5	**17.8**
Delivery Times	**-1.2**	13.5	77.8	7.4	**6.1**	**8.3**	8.3	81.1	10.6	**-2.3**
Inventories	**-1.8**	22.8	58.4	15.4	**7.3**	**13.6**	26.6	54.4	17.2	**9.4**
Prices Paid	**25.3**	25.3	70.0	3.6	**21.7**	**43.1**	47.1	50.9	1.0	**46.1**
Prices Received	**12.7**	21.3	70.5	7.1	**14.2**	**31.7**	40.2	50.3	4.6	**35.6**
Number of Employees	**10.3**	23.1	69.2	7.6	**15.4**	**31.0**	36.5	53.3	9.4	**27.2**
Average Employee Workweek	**12.2**	22.4	61.7	14.0	**8.5**	**16.2**	25.4	58.5	16.1	**9.3**
Capital Expenditures	**--**	--	--	--	**--**	**27.7**	34.8	53.1	11.3	**23.4**

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 October 15, 2013.