



BUSINESS OUTLOOK SURVEY

October 2010

Results from the *Business Outlook Survey* suggest that regional manufacturing activity was steady in October. Although the broad survey measures showed marginal improvement this month, the new orders index continued to suggest weak demand for manufactured goods. More firms reported increases in input prices this month, although the prices of firms' manufactured goods continued to decline. The survey's broad indicators of future activity suggest that optimism among the region's manufacturing executives improved notably this month.

Indicators Suggest Steady Activity

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from a reading of -0.7 in September to 1.0 in October. The index had been negative for two consecutive months (see Chart). Indexes for new orders and shipments continued to indicate weakness this month: The new orders index increased 3 points but remained negative for the fourth consecutive month. The shipments index increased 9 points, moving the index above zero for the first time in three months. Firms continue to report overall declines in inventories and unfilled orders and shorter delivery times.

Firms reported near steady employment again this month, but lower average work hours for existing employees. The percentage of firms reporting increases in employment (20 percent) narrowly edged out the percentage of firms reporting decreases (17 percent). The index for employment was slightly positive for the second consecutive

month but increased just 1 point. Indicative of still weak activity, more firms reported declines in average work hours for existing employees (22 percent) than reported increases (16 percent).

Higher Input Prices Are Reported

Price increases for inputs were more widespread this month. The prices paid index, which had declined 33 points over the previous five months, increased 22 points. Thirty-four percent of the firms reported higher prices for inputs, compared with 23 percent in the previous month. On balance, firms continued to report declines in prices for their own manufactured goods: More firms reported decreases in prices (16 percent) than reported increases (7 percent). And the prices received index remained negative for the fifth consecutive month.

Optimism Rebounds This Month

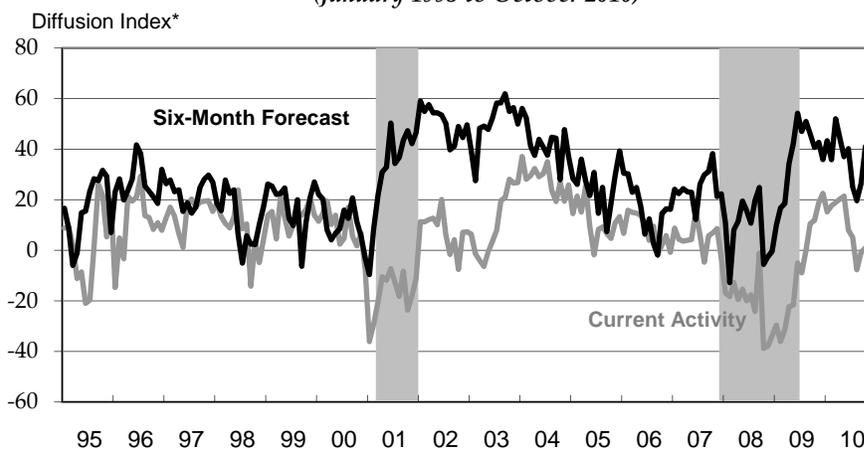
The future general activity index remained

positive for the 22nd consecutive month and increased 15 points, to a reading of 41.0, its highest reading in six months (see Chart). The future new orders and shipments indexes also showed improvement, increasing 22 and 13 points, respectively. More firms expect to increase employment over the next six months (32 percent) than expect to decrease employment (11 percent). The future employment index increased 11 points to its highest reading in five months.

Firms' expectations for future price increases showed a noteworthy increase this month. The future prices paid and prices received indexes increased 25 points and 6 points, respectively.

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). Although the share of firms that in-

Current and Future General Activity Indexes
(January 1995 to October 2010)



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

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creased their total workforce over the past year (40 percent) narrowly outnumbered those decreasing their workforce (35 percent), the mix of employment changed for many firms. For example, 64 percent of firms indicated that they used temporary or agency workers, and 32 percent indicated that they increased the total share of these workers over the past year.

Summary

According to respondents to the October *Business Outlook Survey*, regional manufacturing activity was nearly steady this month. Indicators for growth, although improving from last month, remained at levels that suggest slight growth, at best. Firms maintained nearly steady employment levels this month, but average work hours fell, as in the previous month. Firms continued to expect growth in their manufacturing business over the next six months, and the degree of confidence improved notably from the surveys conducted during the summer months.

Special Questions (October 2010)						
1. Has your total workforce decreased, increased, or stayed the same over the last year?						
Decreased	34.6%					
Stayed the same	13.6%					
Increased	39.5%					
No response	12.3%					
Total	100.0%					
2. How has your mix (as a share) of total employees changed between the various categories of employees over the last year?						
	Percentage That Use This Type of Labor	Percentages (excluding nonresponses)				
		Not Used	Decreased Share	No Change	Increased Share	Total
Regular Full-Time	100.0	0.0	31.0	38.0	31.0	100.0
Regular Part-Time	73.4	26.6	10.9	50.0	12.5	100.0
Short-Term Workers	52.3	47.6	3.2	27.0	22.2	100.0
On-Call Workers	40.0	60.0	8.3	25.0	6.7	100.0
Temporary or Agency Workers	63.5	36.5	9.5	22.2	31.8	100.0
Independent Contract Workers	51.6	48.4	9.7	30.6	11.3	100.0

BUSINESS OUTLOOK SURVEY October 2010	October vs. September					Six Months from Now vs. October				
	<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?	-0.7	25.4	46.6	24.4	1.0	26.3	53.1	33.0	12.1	41.0
Company Business Indicators										
New Orders	-8.1	25.1	44.1	30.1	-5.0	20.7	52.2	33.1	9.2	43.0
Shipments	-7.1	21.2	56.8	19.9	1.4	19.8	47.6	31.1	15.3	32.3
Unfilled Orders	-8.5	11.5	64.8	20.3	-8.9	-2.9	27.6	49.4	16.2	11.4
Delivery Times	-4.1	8.9	76.3	9.2	-0.3	-12.0	9.4	75.9	7.2	2.2
Inventories	-16.7	16.5	45.0	35.1	-18.6	-11.6	22.0	51.7	18.3	3.7
Prices Paid	9.8	34.0	58.6	2.5	31.5	21.6	49.2	42.8	2.4	46.7
Prices Received	-13.9	6.9	74.9	15.8	-9.0	9.5	24.9	59.4	9.9	15.0
Number of Employees	1.8	19.7	60.9	17.3	2.4	10.2	31.9	52.0	10.9	21.0
Average Employee Workweek	-21.6	15.9	59.2	21.9	-6.0	3.4	35.9	50.4	10.2	25.7
Capital Expenditures	--	--	--	--	--	11.6	34.4	45.5	13.1	21.4

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 19, 2010.