



# BUSINESS OUTLOOK SURVEY

## November 2010

Results from the *Business Outlook Survey* suggest that regional manufacturing activity showed improvement in November. All of the survey's broad indicators of economic performance showed improvement from their reading in October, and firms reported an increase in employment and work hours. More firms reported increases in input prices this month, although downward pressure on the prices of firms' manufactured goods was still evident. The survey's broad indicators of future activity suggest that firms remain optimistic about growth over the next six months.

### Indicators Suggest Improvement

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from a reading of 1.0 in October to 22.5 in November (see Chart). This is the highest reading in the index since last December. Indexes for new orders and shipments also improved this month, and each index increased 15 points. Indexes for both delivery times and unfilled orders changed from negative to positive this month, suggesting improvement.

Labor market conditions also showed some improvement this month, paralleling the improvement in other broad indicators. This month, firms also reported some growth in employment and a longer workweek. The percentage of firms reporting increases in employment (27 percent) was greater than the percentage of firms reporting decreases (14 percent). The index for employment was positive for the third consecutive month and increased 11 points. The

average workweek index increased significantly, from -6.0 to 10.9.

### Higher Input Prices Are Widespread

Price increases for inputs remain relatively widespread this month. Thirty-eight percent of the firms reported higher prices for inputs this month. The prices paid index, which had increased in the previous month, increased 3 points. On balance, firms continued to report declines in prices for their own manufactured goods: Slightly more firms reported decreases in prices (16 percent) than reported increases (14 percent). The prices received index remained negative for the sixth consecutive month, although it increased 7 points this month.

### Firms Remain Optimistic About Growth

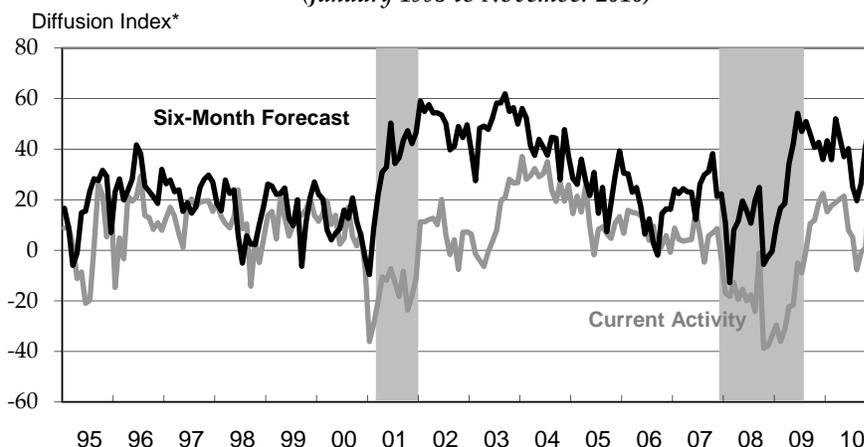
The future general activity index increased 8 points, to a reading of 49.0, its highest reading in eight months (see Chart). The future new orders and shipments indexes also re-

mained at relatively high readings, with about half of the reporting firms expecting growth over the next six months. More firms expect to increase employment over the next six months (29 percent) than expect to decrease employment (7 percent). The future employment index edged 1 point higher to its highest reading in six months.

The survey's index for future prices showed continued increases this month. The future prices paid and prices received indexes increased 7 points and 18 points, respectively.

For this month's special questions, manufacturers were asked about current capacity utilization rates compared with the same time last year, as well as their plans for capital spending (see Special Questions). The average capacity utilization rate among the firms polled increased from 69 percent in November 2009 to the current rate of 72 percent. The

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



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

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share of firms expecting to increase their capital spending on plant and equipment (38 percent) was greater than the share planning reductions (20 percent), which represents a marked improvement over last year when the same question was asked. And as a group, the firms expecting higher spending had a larger average increase in their capacity utilization rate compared with last year.

### Summary

According to respondents to the November *Business Outlook Survey*, regional manufacturing showed a pickup in activity. All of the broad economic indicators, including new orders, showed improvement this month. However, input price pressures were still evident this month. Firms reported higher employment this month, and the average workweek also increased compared with October. Firms continued to expect growth in their manufacturing business over the next six months, and the degree of confidence has improved notably over the past several months.

### Special Questions (November 2010)

1. Which of the following best characterizes your plant's current capacity utilization rate and last year's?

Capacity Utilization Rate	Current (% of reporters)	Same Time Last Year (% of reporters)
Less than 60%	15.4	29.1
60%-65%	14.1	13.9
65%-70%	11.5	17.7
70%-75%	21.8	12.7
75%-80%	9.0	7.6
80%-85%	12.8	3.8
85%-90%	9.0	5.1
90%-95%	1.3	8.9
95%-100%	5.1	1.3
Average Utilization Rate	72.4	68.7

2. Is your firm increasing or decreasing spending on plant and equipment over the next year?			The average capital utilization rate for the group from responses to question one:		
	2010	2009	2010	2009	Difference
Increasing	37.8	16.3	73.2	65.6	7.6
Decreasing	19.5	40.7	74.5	75.6	-1.1
No change	35.4	25.6	68.8	63.7	5.1
Average for all surveyed firms			72.4	68.7	3.7
Published U.S. estimate*			72.9**	68.9	4.0

\*Source: Federal Reserve Board. \*\* Shown is most recent published data for October 2010.

<b>BUSINESS OUTLOOK SURVEY November 2010</b>	November vs. October					Six Months from Now vs. November				
	<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?	1.0	39.9	41.4	17.4	<b>22.5</b>	<b>41.0</b>	58.3	27.1	9.2	<b>49.0</b>
Company Business Indicators										
New Orders	<b>-5.0</b>	35.8	35.5	25.4	<b>10.4</b>	<b>43.0</b>	49.7	34.4	10.3	<b>39.4</b>
Shipments	<b>1.4</b>	37.7	38.2	20.9	<b>16.8</b>	<b>32.3</b>	51.8	31.5	12.3	<b>39.5</b>
Unfilled Orders	<b>-8.9</b>	21.7	57.8	18.0	<b>3.7</b>	<b>11.4</b>	23.3	57.4	13.5	<b>9.8</b>
Delivery Times	<b>-0.3</b>	12.9	73.7	10.9	<b>2.1</b>	<b>2.2</b>	14.8	66.8	11.0	<b>3.8</b>
Inventories	<b>-18.6</b>	18.5	57.0	24.5	<b>-5.9</b>	<b>3.7</b>	16.8	49.6	29.6	<b>-12.8</b>
Prices Paid	<b>31.5</b>	37.9	56.6	3.9	<b>34.0</b>	<b>46.7</b>	54.8	39.1	1.0	<b>53.9</b>
Prices Received	<b>-9.0</b>	13.7	66.6	15.8	<b>-2.1</b>	<b>15.0</b>	40.3	44.4	6.9	<b>33.4</b>
Number of Employees	<b>2.4</b>	27.1	56.0	13.8	<b>13.3</b>	<b>21.0</b>	28.7	56.3	7.0	<b>21.7</b>
Average Employee Workweek	<b>-6.0</b>	22.3	60.6	11.4	<b>10.9</b>	<b>25.7</b>	26.0	56.6	7.0	<b>19.0</b>
Capital Expenditures	--	--	--	--	--	<b>21.4</b>	29.6	51.4	9.4	<b>20.2</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 November 16, 2010.