



BUSINESS OUTLOOK SURVEY

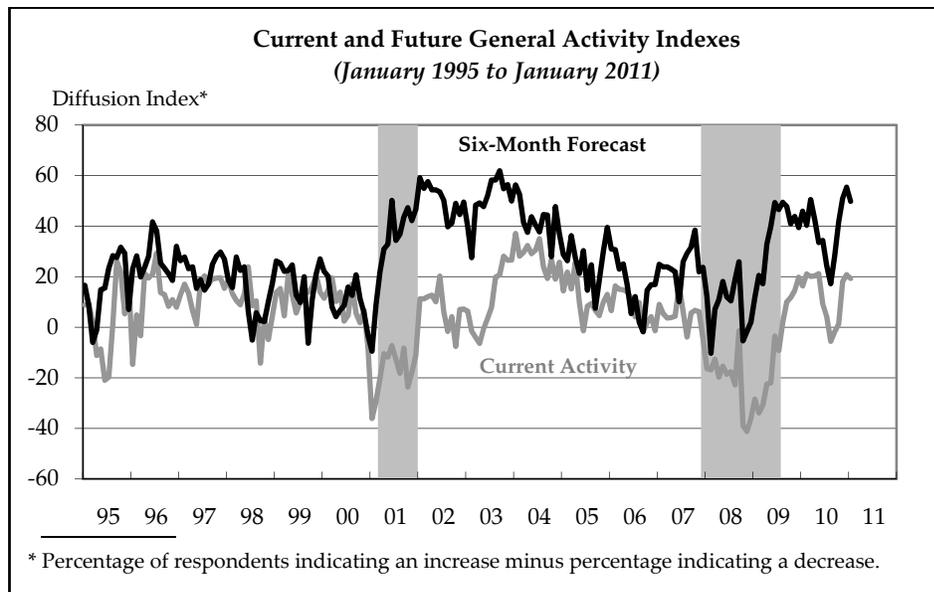
January 2011

Results from the *Business Outlook Survey* suggest that regional manufacturing activity continues to expand in January. All of the broad indicators remained positive this month and there was an apparent pickup in new orders and employment. Increases in input prices continue to be widespread this month, and more firms reported increases in prices for their manufactured goods. The survey's broad indicators of future activity suggest that firms expect a continued expansion in activity over the next six months.

Indicators All Point to Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, edged down slightly from a revised reading of 20.8 in December to 19.3 in January.* The index has been positive for four consecutive months, following a two-month dip into negative territory (see Chart). The demand for manufactured goods is showing continued improvement this month: The new orders index increased 13 points this month, the fourth consecutive monthly increase. The shipments index also improved, increasing 8 points.

Firms' responses continue to suggest that labor market conditions are improving. The current employment index increased 13 points, and for the fifth consecutive month, the percentage of firms reporting an increase in employment (25 percent) is higher than the percentage reporting a decline (7 percent). Twice as many firms reported a longer workweek (22 percent) than reported a shorter one (11 percent).



Higher Prices Are Reported

Price increases for inputs as well as firms' own manufactured goods are more widespread this month. Fifty-four percent of the firms reported higher prices for inputs, compared with 52 percent in the previous month. The prices paid index, which increased 6 points in January, has increased 42 points over the past four months. On balance, firms also reported a rise in prices for manufactured goods: More firms reported increases in prices (26 percent) than reported decreases (9 percent), and the prices received index increased 8 points, its second consecutive positive reading.

Firms Expect Growth to Continue

The future general activity index remained positive for the 26th consecutive month but fell back 5 points, from a revised reading of 55.4 to 49.8 (see Chart). The indexes for future new orders and shipments remained at rela-

tively high levels but also declined, falling 7 and 3 points, respectively. The future employment index decreased 1 point, remaining near its highest reading in eight months. More firms expect to increase employment over the next six months (38 percent) than expect to decrease employment (7 percent).

In this month's special questions, firms were asked about the factors that are influencing their hiring plans (see Special Questions).

Released: January 20, 2011, 10 a.m. ET.
The February *Business Outlook Survey* will be released on February 17, 2011, at 10 a.m. ET.

* The survey's annual historical revisions, which incorporate new seasonal adjustment factors, were released on January 13, 2011. Revisions for selected series from 2006 to 2010 are listed on pages 3-4 of this release. The full set of revised historical data is available at: <http://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/historical-data/revisions/historical-revisions-2011.cfm>

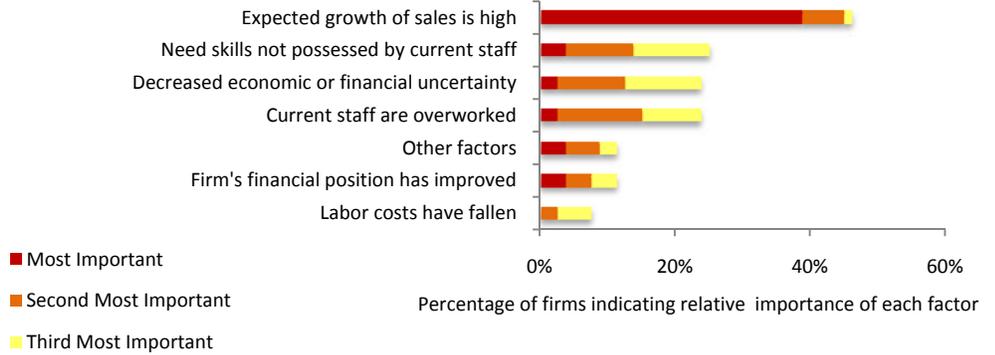
Special Questions

Among firms that are planning to increase employment over the next six to 12 months, the most frequently cited reason influencing this decision was the expectation of high sales growth. The most frequently cited factor among those firms restraining hiring was low expectations for sales growth. Uncertainty about regulations and government policies was the second most important factor cited, followed by high labor costs.

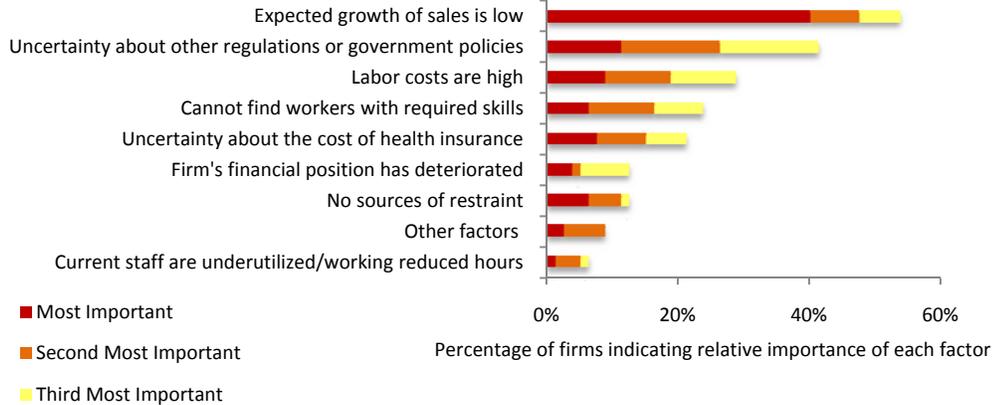
Summary

According to respondents to the January *Business Outlook Survey*, the region's manufacturing sector continued to expand this month. All of the broad indicators remained positive, with more firms reporting increases in new orders. Firms also reported a pickup in hiring. Increases in input prices continue to be reported, and some price increases for manufactured goods are also in evidence. Firms remain quite confident that an expansion of manufacturing activity will continue through the first half of the year.

Factors Influencing Increasing Employment



Factors Restraining Hiring



BUSINESS OUTLOOK SURVEY January 2011	January vs. December					Six Months from Now vs. January				
	<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?	20.8	33.1	51.6	13.9	19.3	55.4	56.0	31.3	6.2	49.8
Company Business Indicators										
New Orders	10.6	36.0	50.3	12.4	23.6	49.9	52.5	33.1	9.2	43.3
Shipments	5.2	31.0	49.6	17.6	13.4	46.3	54.4	33.0	11.6	42.7
Unfilled Orders	4.0	21.9	62.3	13.2	8.7	14.4	24.4	59.0	12.6	11.8
Delivery Times	7.0	12.7	75.9	10.3	2.3	9.8	19.8	72.2	6.3	13.5
Inventories	-5.9	23.6	57.1	16.7	6.8	5.1	29.1	53.1	15.2	13.9
Prices Paid	47.9	54.3	45.6	0.0	54.3	61.3	66.4	31.5	0.0	66.4
Prices Received	9.4	25.9	65.3	8.8	17.1	27.5	42.5	44.9	4.3	38.2
Number of Employees	4.3	24.7	67.1	7.1	17.6	32.1	38.2	50.8	7.2	31.0
Average Employee Workweek	16.8	21.9	54.2	11.3	10.6	25.5	28.7	56.2	5.8	22.9
Capital Expenditures	--	--	--	--	--	30.0	35.0	52.3	6.0	29.0

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 January 18, 2011.

(2006 - 2010)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current General Activity												
2006	6.6	16.3	15.0	14.8	14.0	11.5	4.1	9.8	-1.7	1.9	4.2	-1.4
2007	9.0	5.4	3.6	3.8	4.4	16.7	6.1	-3.9	5.6	6.7	6.2	-4.6
2008	-16.4	-16.9	-12.6	-19.7	-15.4	-18.6	-17.6	-22.8	-1.4	-38.9	-41.2	-36.1
2009	-28.4	-33.9	-30.8	-22.5	-22.0	-3.5	-9.2	2.0	10.0	11.7	14.5	19.8
2010	16.3	21.1	20.1	20.3	21.2	9.2	4.2	-5.6	-1.8	1.2	18.1	20.8
Current New Orders												
2006	13.6	16.0	23.0	13.7	3.3	15.3	7.2	9.5	-4.1	11.3	0.4	-1.5
2007	4.9	3.7	5.4	5.5	8.4	14.5	7.8	2.2	10.5	3.7	4.8	9.7
2008	-11.4	-8.2	-3.8	-14.0	-2.5	-18.4	-15.0	-17.1	3.1	-29.8	-32.3	-28.9
2009	-20.3	-29.0	-35.1	-22.1	-22.4	-11.6	-5.1	2.1	2.6	8.0	11.0	4.7
2010	8.0	22.3	12.4	14.0	6.5	5.8	-4.5	-7.5	-7.4	-3.3	8.0	10.6
Current Shipments												
2006	17.8	26.0	25.0	21.2	13.5	19.7	9.5	18.0	-10.4	10.4	7.4	10.5
2007	22.1	6.1	9.6	10.3	8.5	6.0	18.8	9.1	8.7	1.3	3.8	14.0
2008	-3.3	-6.3	-2.7	0.2	0.4	-8.5	-8.6	-7.5	-5.4	-15.4	-22.2	-31.6
2009	-18.2	-27.3	-23.5	-27.2	-19.8	-1.4	-12.8	-0.9	3.3	5.7	12.4	12.8
2010	11.9	20.1	15.6	10.9	14.1	12.6	3.0	-3.4	-7.1	1.1	14.4	5.2
Current Unfilled Orders												
2006	1.3	9.2	9.0	6.4	-2.9	-0.8	-9.3	-5.2	-6.9	-9.7	-4.7	-17.7
2007	-14.4	-10.6	-14.8	-13.3	-9.1	-0.9	0.6	-6.7	-5.3	-6.8	-8.8	-3.2
2008	-6.2	-8.3	-13.7	-16.4	-17.6	-11.3	-19.3	-16.7	-14.4	-27.8	-28.3	-31.1
2009	-31.3	-28.5	-21.0	-19.6	-17.7	-20.2	-16.1	-11.8	-8.3	-2.3	-5.6	-0.6
2010	2.2	-5.2	-3.9	-1.1	-1.5	-1.3	-8.0	-7.7	-7.3	-8.9	2.7	4.0
Current Delivery Times												
2006	7.9	8.1	5.5	-3.2	9.0	-0.2	-2.5	-0.3	-1.6	-4.9	3.1	-6.3
2007	-7.4	-4.1	-9.2	-12.3	-8.2	-4.3	-2.4	-4.1	-8.7	1.6	-10.7	-3.5
2008	-3.8	-2.6	-5.2	1.4	-13.4	-9.5	-12.1	-11.7	-8.5	-18.8	-18.5	-25.0
2009	-26.3	-25	-28.3	-18.3	-18.6	-21.9	-11.7	-7.8	-10.0	-8.6	-9.8	2.9
2010	6.0	0.5	8.1	3.8	-0.8	3.5	-7.3	-8.9	-4.1	0.8	2.0	7.0
Current Inventories												
2006	6.7	10	14.1	-4.9	-3.2	-3.3	-1.4	5.5	1.9	10.5	2.3	-3.5
2007	0.4	-1.7	0.4	4.1	-4.1	-9	-2.4	-7.3	0.8	-14.7	-0.7	-9.9
2008	-10.2	-13.6	-7.6	-17.4	-11.0	-15.6	-13.6	-12.3	-24.3	-20.3	-19.7	-35.1
2009	-33.3	-27.3	-48.2	-34.9	-27.0	-22.1	-21.5	-2.7	-18.6	-27.8	-16.9	-9.2
2010	-2.1	0.8	-5.6	1.4	-6.6	-0.3	2.0	-9.9	-16.2	-13.6	-5.5	-5.9
Current Prices Paid												
2006	44.5	37.2	26.5	32.8	51.8	43.4	43.7	41.9	37.3	29.6	26.3	23.9
2007	17.2	23.1	27.5	28.0	27.8	21.5	19.8	8.5	23.0	36.4	41.2	40.5
2008	53.6	52.9	55.4	52.7	50.6	62.1	68.1	48.2	31.2	7.2	-21.7	-26.7
2009	-21.4	-9.1	-29.0	-31.2	-25.2	-14.9	-7.6	4.1	14.4	17.7	21.5	33.1
2010	33.9	35.7	38.2	39.2	34.0	12.3	14.0	11.4	12.4	29.5	33.7	47.9

(2006 - 2010)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Prices Received												
2006	19.6	18.2	17.0	16.2	13.6	15.7	15.6	14.9	18.2	16.5	8.0	10.8
2007	10.6	10.0	18.7	6.7	5.2	4.4	5.9	3.1	1.1	11.1	19.4	19.1
2008	32.0	25.8	24.4	32.3	32.2	27.6	26.2	21.6	14.4	2.9	-13.7	-31.5
2009	-24.5	-24.9	-30.1	-38.9	-32.5	-18.6	-23.7	-5.9	-11.0	-6.8	-4.2	-0.1
2010	3.1	4.0	1.3	1.8	2.1	-6.6	-8.6	-13.0	-12.1	-9.8	-3.3	9.4
Current Employment												
2006	11.6	13.0	9.8	21.5	1.1	7.6	12.6	3.7	7.8	6.3	2.6	8.1
2007	8.1	3.4	6.9	8.5	10.6	4.6	5.8	14.7	4.3	7.3	4.0	1.3
2008	1.5	6.2	0.6	-4.2	-1.9	-8.7	-6.2	-8.4	-4.5	-22.3	-26.5	-31.3
2009	-37.1	-41	-49.6	-38.8	-29.8	-23.2	-23.7	-18.1	-16.1	-10.4	-3.5	3.7
2010	6.2	8.0	9.3	7.4	3.4	-1.0	6.6	-3.9	1.4	1.4	11.7	4.3
Current Average Workweek												
2006	6.5	9.0	9.2	8.4	11.1	8.6	-0.8	10.3	0.6	-2.0	2.3	-3.4
2007	0.8	-10.1	-1.8	7.4	-4.5	0.4	2.0	11.1	5.0	3.5	0.8	5.4
2008	-15.2	-0.2	-6.8	-5.6	-6.0	-6.9	-12.4	-14.5	-13.5	-20.6	-24.5	-34.3
2009	-30.6	-41.2	-29.8	-33.3	-24.3	-24.1	-17.9	-7.7	-7.9	-5.4	-2.0	3.1
2010	4.2	3.5	7.9	12.2	4.9	0.0	0.2	-14.5	-22.2	-5.7	8.2	16.8