



BUSINESS OUTLOOK SURVEY

March 2011

Results from the *Business Outlook Survey* suggest that regional manufacturing activity continued to show improvement in March. The survey's broadest indicators either improved from their readings in February or remained at relatively high levels. Increases in input prices continue to be widespread, and more firms have been reporting increases in prices for their manufactured goods in recent months. The survey's broad indicators of future activity also showed notable improvement this month. Most firms also indicated that they expect acceleration in production over the next quarter.

Indicators Suggest Growth Picked Up

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from 35.9 in February to 43.4 this month (see Chart). This is the highest reading since January 1984. The demand for manufactured goods is showing continued strength: The new orders index increased 17 points this month, the sixth consecutive monthly increase. The shipments index was little changed this month and remains at a high level. Firms also reported that unfilled orders and delivery times rose again this month. Twice as many firms reported increases in inventories this month (24 percent) than reported decreases (12 percent). And the current inventory index has now been positive for three consecutive months and is at its highest reading in four years.

Firms' responses continue to indicate overall improved labor market conditions. The current employment index fell back 5

points, but for the seventh consecutive month, the percentage of firms reporting an increase in employment (25 percent) is higher than the percentage reporting a decline (7 percent). Over twice as many firms reported a longer workweek (25 percent) than reported a shorter one (12 percent).

Firms Continue to Report Higher Prices

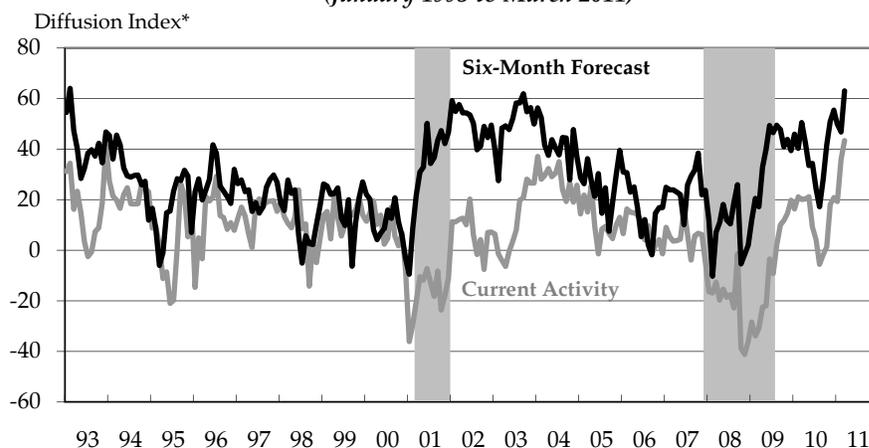
Firms continue to report price increases for inputs as well as their own manufactured goods. The prices paid index declined 3 points this month but has still increased 51 points over the past six months. Sixty-four percent of the firms reported higher prices for inputs this month. On balance, firms also reported a rise in prices for manufactured goods: The prices received index increased 2 points and has steadily increased in recent months. Thirty-two percent of firms reported higher prices of their own goods this month, compared with 29 percent in February.

Manufacturing Outlook Improves

The future general activity index increased 16 points, to a reading of 63.0, its highest reading since February 1993 (see Chart). The indexes for future new orders and shipments also improved, increasing 18 and 8 points, respectively. Continuing to reflect optimism about employment expansion in the manufacturing sector, the future employment index increased 6 points. More firms expect to increase employment over the next six months (33 percent) than expect to decrease employment (2 percent).

In special questions this month, firms were asked about their expectations for production growth for the upcoming second quarter (see Special Questions). Over 75 percent of the firms expect increases in production in the second quarter; 10 percent expect

Current and Future General Activity Indexes
(January 1993 to March 2011)



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

Released: March 17, 2011, 10 a.m. ET.

The April *Business Outlook Survey* will be released on April 21, 2011, at 10 a.m. ET.

decreases. This is in contrast to the situation in March of last year, when 57 percent of the firms were expecting growth and 17 percent were expecting declines in production. Sixty-six percent of the firms said second quarter production growth would represent an acceleration in growth (16 percent characterized it as "significant acceleration"; 49 percent said the expected growth represented "some acceleration").

Summary

According to respondents to the March *Business Outlook Survey*, the region's manufacturing sector continued to expand this month. The survey's broad indicators remain at high levels, and responses suggest a notable improvement in new orders this month. Increases in input prices continue to be reported, and more firms have been reporting higher prices for their own manufactured goods in recent months. Firms' outlook for the next six months also showed a notable improvement this month.

Special Questions (March 2011)			
1. What change, if any, do you anticipate in your firm's production during the second quarter of 2011 compared to the first quarter?			
	2011		2010
Decrease of more than 5%	6.5%	10.4%	17.4%
Decrease of 3-5%	2.6%		
Decrease of less than 3%	1.3%		
Total decrease			
No change	14.3%	75.3%	56.5%
Increase of less than 3%	24.6%		
Increase of 3-5%	13.0%		
Increase of more than 5%	36.4%		
Total increase			
2011: Average 2.7%, Median: 3.5%			
2010: Average 1.8%, Median: 1.5%			
2. Would this represent an acceleration or deceleration of growth from the first quarter of 2011?			
Significant deceleration	3.8%	Deceleration:	
Some deceleration	6.3%	10.1%	
No change	19.0%		
Some acceleration	49.3%	Acceleration	
Significant acceleration	16.4%	65.8%	
3. Does the expected increase or decrease reflect seasonal factors or a change in business conditions?			
Seasonal factors		24.1%	
Change in business conditions		50.6%	
Other		8.9%	
<i>Percentages may not add to 100 percent because not all firms answered all questions.</i>			

BUSINESS OUTLOOK SURVEY March 2011	March vs. February					Six Months from Now vs. March				
	<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?	35.9	54.6	32.3	11.2	43.4	46.8	66.2	27.7	3.2	63.0
Company Business Indicators										
New Orders	23.7	54.5	30.7	14.2	40.3	42.1	64.2	27.0	4.2	60.1
Shipments	35.2	51.0	33.0	16.0	34.9	51.2	63.8	29.6	4.5	59.3
Unfilled Orders	14.9	25.6	63.0	10.7	14.9	22.2	26.8	61.7	8.3	18.5
Delivery Times	10.0	15.4	77.5	6.9	8.5	4.7	15.1	77.3	4.7	10.4
Inventories	2.1	24.4	63.1	12.4	12.0	9.4	30.0	48.6	16.0	14.0
Prices Paid	67.2	63.8	36.2	0.0	63.8	73.1	68.4	28.9	1.2	67.2
Prices Received	21.0	31.5	59.7	8.8	22.6	40.1	43.7	48.4	5.6	38.1
Number of Employees	23.6	25.4	67.4	7.2	18.2	24.4	32.6	59.2	1.9	30.7
Average Employee Workweek	12.8	24.8	63.6	11.6	13.2	13.9	25.3	63.0	8.3	17.0
Capital Expenditures	--	--	--	--	--	16.2	37.0	57.7	2.4	34.5

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 March 14, 2011.