



# BUSINESS OUTLOOK SURVEY

## August 2011

Responses to the *Business Outlook Survey* this month suggest that regional manufacturing activity has dipped significantly. The survey's broad indicators for activity, shipments, and new orders all declined sharply from last month. Firms indicated that employment and average work hours are lower this month. Price indexes continued to show a trend of moderating price pressures. The broadest indicator of future activity also weakened markedly, but firms still expect overall growth in shipments, new orders, and employment over the next six months. The collection period for this month's survey ran from August 8-16, overlapping a week of unusually high volatility in both domestic and international financial markets.

### All Indicators Show Declines

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, decreased from a slightly positive reading of 3.2 in July to -30.7 in August. The index is now at its lowest level since March 2009 (see Chart). The demand for manufactured goods, as measured by the current new orders index, paralleled the decline in the general activity index, falling 27 points. The current shipments index fell 18 points and recorded its first negative reading since September of last year. Suggesting weakening activity, indexes for inventories, unfilled orders, and delivery times were all in negative territory this month.

Firms' responses suggest a deterioration in the labor market compared with July. The current employment index fell 14 points, recording its first negative reading in

12 months. About 18 percent of the firms reported an increase in employment, but 23 percent reported a decrease. The percentage of firms reporting a shorter workweek (28 percent) was greater than the percentage reporting a longer one (14 percent). The workweek index fell 9 points.

### Price Indexes Show Further Moderation

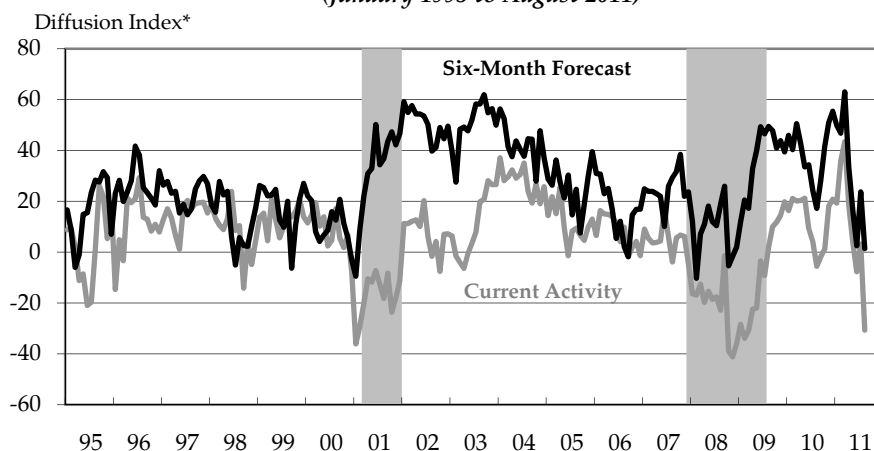
Diffusion indexes for prices paid and prices received were lower this month and suggest a continued trend of moderating price pressures. The prices paid index declined 12 points and has now declined 36 points over the last three months. More firms reported declines in prices received for their products this month (19 percent) than reported increases (10 percent). The prices received index decreased 10 points, resulting in the first negative reading since last November.

### Six-Month Indicators Dip But Remain Positive

The survey's indicators for future activity fell 22 points this month, more than reversing the increase of 21 points in July (see Chart). The indexes for future new orders and shipments also fell 12 and 10 points, respectively. The index for future employment decreased more modestly, by 2 points, and remains well below average readings in the first quarter of this year. More firms expect to increase employment over the next six months (32 percent) than expect to decrease it (24 percent).

In special questions this month, firms were asked about the importance of seasonal factors on production (see Special Questions). Almost 40 percent of firms indicated that seasonal factors have a significant influence on

Current and Future General Activity Indexes  
(January 1995 to August 2011)



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

Released: August 18, 2011, 10 a.m. ET.  
The September *Business Outlook Survey* will be released on September 15, 2011, at 10 a.m. ET.

monthly production levels. Nearly 29 percent of the firms had scheduled shutdowns or slowdowns during the summer months this year. But, on balance, production levels were not particularly unusual this year: The number of firms indicating that production decreases were greater than usual during July and August was only slightly higher than the number indicating that production decreases were less than usual.

### Summary

According to respondents to the August *Business Outlook Survey*, the region's manufacturing sector is much weaker this month. The survey's indicators suggest a decline in demand for manufactured goods, and shipments and employment were also in decline. Price measures suggest continued moderation in price pressures, and more firms reported price declines for their manufactured goods this month. The broadest indicators for growth over the next six months, including employment, fell back notably this month but remain slightly favorable to expansion.

<b>SPECIAL QUESTIONS (August 2011)</b>		
1) How important are seasonal factors in your monthly production levels?		
Significant	39.5	
Not Significant	59.2	
NR	1.3	
2) Have seasonal factors become more or less important for your business over time?		
More important	13.2	
Less important	15.8	
No difference over time	60.5	
NR	10.5	
3) Will you schedule plant shutdowns or production slowdowns during the summer months this year?		
Yes	29.0	
No	60.5	
NR	10.5	
If yes, which of the following best characterizes your expected shutdowns/slowdowns for this month and next?		
	<i>July</i>	<i>August</i>
Production decreases <b>greater</b> than usual	6.6	6.6
Production decreases <b>about the same</b> as usual	17.1	5.3
Production decreases <b>less</b> than usual	5.3	5.3
Not applicable	71.0	82.8

<b>BUSINESS OUTLOOK SURVEY August 2011</b>	August vs. July					Six Months from Now vs. August				
	<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?	3.2	14.7	39.2	45.4	-30.7	<b>23.7</b>	32.6	31.3	31.1	<b>1.4</b>
Company Business Indicators										
New Orders	<b>0.1</b>	20.2	32.8	47.0	<b>-26.8</b>	<b>27.8</b>	40.5	30.3	24.2	<b>16.3</b>
Shipments	<b>4.3</b>	22.7	39.5	36.6	<b>-13.9</b>	<b>23.0</b>	39.0	29.8	26.4	<b>12.6</b>
Unfilled Orders	<b>-16.3</b>	16.7	45.1	37.6	<b>-20.9</b>	<b>2.9</b>	20.8	52.8	24.3	<b>-3.5</b>
Delivery Times	<b>6.4</b>	8.8	64.4	26.9	<b>-18.1</b>	<b>3.4</b>	12.7	66.3	17.8	<b>-5.1</b>
Inventories	<b>1.4</b>	23.6	43.1	33.3	<b>-9.8</b>	<b>5.0</b>	15.0	41.4	41.2	<b>-26.2</b>
Prices Paid	<b>25.1</b>	26.1	59.4	13.3	<b>12.8</b>	<b>38.7</b>	42.6	48.7	8.0	<b>34.6</b>
Prices Received	<b>1.1</b>	10.1	69.9	19.1	<b>-9.0</b>	<b>8.3</b>	30.1	54.6	13.6	<b>16.5</b>
Number of Employees	<b>8.9</b>	18.1	54.8	23.3	<b>-5.2</b>	<b>10.1</b>	31.8	42.6	24.0	<b>7.8</b>
Average Employee Workweek	<b>-5.4</b>	13.9	57.7	28.4	<b>-14.4</b>	<b>4.1</b>	17.1	57.5	22.4	<b>-5.3</b>
Capital Expenditures	--	--	--	--	--	<b>18.1</b>	26.7	39.1	21.5	5.2

### 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 August 16, 2011.