



BUSINESS OUTLOOK SURVEY

November 2011

Responses to the *Business Outlook Survey* this month suggest that regional manufacturing is expanding, but at a slow pace. The survey's broad indicators for activity, shipments, and new orders recorded positive readings this month, but all declined slightly from their October readings. Employment conditions improved, as indicated by increases in the indexes for employment and average workweek. The broadest indicator of future activity showed marked improvement, and firms were notably more optimistic about future employment.

Indicators Suggest Slight Expansion

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, remained positive for the second consecutive month, but it decreased from 8.7 in October to 3.6 (see Chart). Indexes for current new orders and shipments showed a similar pattern, remaining positive but falling 7 points and 6 points, respectively. Firms reported an overall increase in inventories this month; the inventories diffusion index rose from -7.7 to 6.6.

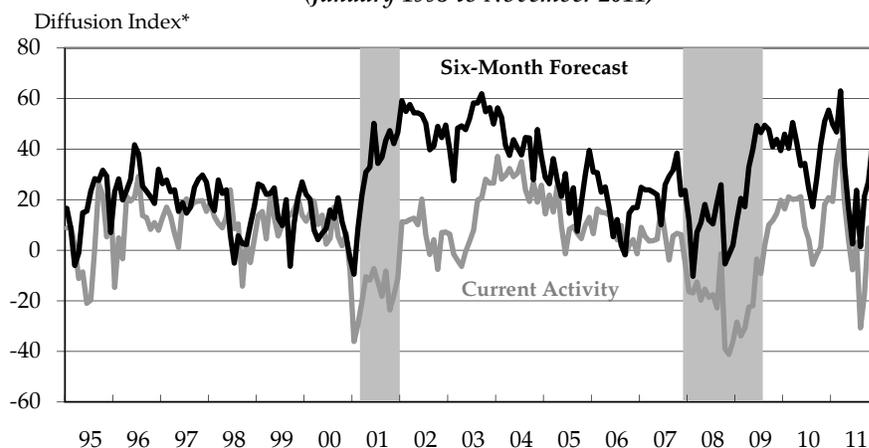
Labor market conditions improved according to the firms responding. Twenty-one percent of the firms reported an increase in employment, a slight increase from 18 percent last month. The current employment index increased 11 points from its reading in October, attributable also to a decline in the share of firms reporting employment decreases. The average workweek index increased 8 points, to its highest level in seven months.

Prices for Manufactured Goods Are Near Steady, but Costs Are Still Increasing

The percentage of firms reporting increases in prices received for their manufactured goods (15 percent) was nearly matched by the percentage reporting decreases (13 percent) this month. The prices received diffusion index increased from a reading of -2.5 last month to 2.6. The majority of firms (69 percent) reported steady prices for their own manufactured products in November.

On balance, increasing costs were slightly more widespread this month compared to last month. The prices paid diffusion index increased 3 points but is near its average reading over the past three months. Thirty-one percent of firms reported paying higher prices for inputs this month, and 9 percent reported lower prices.

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



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

Six-Month Indicators Improve Notably

Indicators of future activity strengthened this month. The broadest indicator of future activity increased nearly 15 points and is now at its highest reading in eight months (see Chart). The indexes for future new orders and shipments both improved, increasing 13 points and 10 points, respectively. Paralleling the increase in other future indicators, the index for future employment rose 11 points. The percentage of firms expecting to increase employment over the next six months (37 percent) is the highest percentage in eight months.

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

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from 73 percent in November 2010 to the current rate of near 75 percent. The share of firms expecting to increase their capital spending on plant and equipment (35 percent) was slightly greater than the share planning reductions (33 percent). On balance, this represents deterioration over last year when the same question was asked. As a group, those firms expecting increases in capital spending had a larger average increase in their capacity utilization rate, compared with last year, than firms expecting to cut back or make no change to their spending.

Summary

According to respondents to the November *Business Outlook Survey*, the region's manufacturing sector is growing at a slow pace this month. Indicators for general activity, new orders, and shipments suggest growth but at a slightly slower rate than in October, while employment has picked up. Firms registered an improved outlook about future growth overall, with a more favorable forecast for hiring.

Special Questions (November 2011)					
1. Which of the following best characterizes your plant's capacity utilization rate current and last year's?					
Capacity Utilization Rate	Current (% of reporters)		Same Time Last Year (% of reporters)		
Less than 60%	12.5		12.5		
60%-65%	5.6		9.7		
65%-70%	9.7		5.6		
70%-75%	22.2		29.2		
75%-80%	16.7		12.5		
80%-85%	8.3		11.1		
85%-90%	11.1		11.1		
90%-95%	8.3		1.4		
95%-100%	1.4		1.4		
Average Utilization Rate	74.7		73.1		
2. Is your firm increasing or decreasing spending on plant and equipment over the next year?					
Average Capacity Utilization Rate for Groups					
	2011	2010	2011	2010	Difference
Increasing	34.7	37.8	80.9	76.5	4.4
Decreasing	33.3	19.5	71.4	71.6	-0.2
No change	25.0	35.4	71.4	70.5	0.9
Average for all surveyed firms			74.7	73.1	1.6
Published U.S. estimate*			75.4**	73.1	2.3
*Source: Federal Reserve Board. ** Shown is most recent published data for October 2011.					

BUSINESS OUTLOOK SURVEY November 2011	November vs. October					Six Months from Now vs. November				
	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index	Previous Diffusion Index	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	8.7	25.4	52.9	21.7	3.6	27.2	46.1	43.9	4.2	41.9
Company Business Indicators										
New Orders	7.8	21.9	57.5	20.6	1.3	26.7	47.1	41.6	7.3	39.8
Shipments	13.6	31.0	45.4	23.7	7.3	27.1	48.7	37.1	11.4	37.3
Unfilled Orders	3.4	15.1	68.3	16.6	-1.5	7.7	21.9	59.0	12.9	9.0
Delivery Times	-0.5	10.3	80.0	7.7	2.5	-1.4	5.5	78.1	9.3	-3.7
Inventories	-7.7	21.5	63.7	14.8	6.6	-4.4	18.7	50.5	29.9	-11.3
Prices Paid	20.0	31.4	56.3	8.5	22.8	44.7	47.8	40.9	6.9	40.9
Prices Received	-2.5	15.4	69.0	12.8	2.6	25.4	37.5	52.5	7.7	29.7
Number of Employees	1.4	21.0	70.0	9.0	12.0	14.5	37.1	46.1	11.7	25.4
Average Employee Workweek	3.1	22.3	66.0	11.4	11.0	9.7	19.9	56.4	16.0	3.9
Capital Expenditures	--	--	--	--	--	12.3	30.2	48.8	14.1	16.1

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 15, 2011.