



# BUSINESS OUTLOOK SURVEY

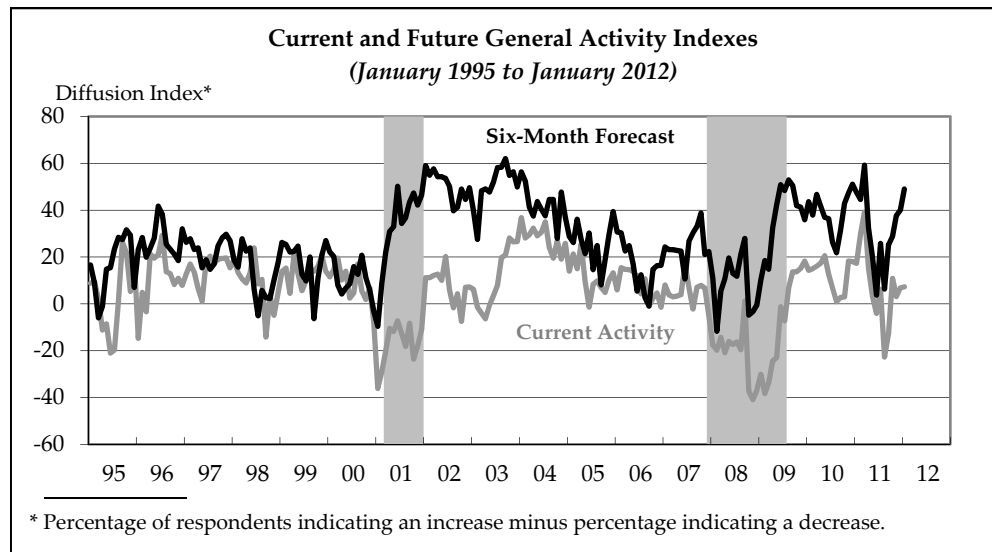
## January 2012

Results from the *Business Outlook Survey* suggest that regional manufacturing activity continued to expand at a moderate pace in January. All of the broad indicators remained positive this month, and firms continued to report increases in employment. Firms polled reported higher input prices this month, with a notable share of firms reporting price increases for their own manufactured goods. The survey's broad indicators of future activity improved again this month.

### Indicators Suggest Continued Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, edged up slightly from a revised reading of 6.8 in December to 7.3 in January.\* The demand for manufactured goods showed continued growth this month: The new orders index remained positive for the fourth consecutive month but declined from a revised reading of 10.7 in December to 6.9 this month. The shipments index also remained positive but fell 3 points. The indexes for both delivery times and unfilled orders recorded slightly negative readings this month.

Firms' responses continue to suggest that labor market conditions are improving. The current employment index has now been positive for five consecutive months but was virtually unchanged from last month's reading. The percentage of firms reporting an increase in employment (21 percent) was higher than the percentage reporting a decline (10 percent). Firms reporting a longer workweek (23 percent) only



narrowly outnumbered those reporting a shorter one (18 percent).

### Prices Edge Higher

Indexes for prices paid and prices received increased slightly this month. Thirty-five percent of the firms reported higher prices for inputs. The prices paid index increased 1 point and has now edged higher for three consecutive months. On balance, firms also reported a rise in prices for manufactured goods: More firms reported increases in prices (21 percent) than reported decreases (10 percent). The prices received index increased 1 point, marking its third consecutive increase.

### Firms' Outlook Improves

The future general activity index increased from a revised reading of 40 in December to 49 this month. The index has increased for five consecutive months and is now at its highest reading in 10 months (see Chart). The

indexes for future new orders and shipments remained at relatively high levels and also improved, increasing 6 points and 12 points, respectively. The future employment index increased 8 points. Firms expecting to increase employment over the next six months (28 percent) outnumber those expecting to decrease it (9 percent).

In this month's special questions, firms were asked about the factors that are influencing their hiring plans over the next 12 months (see Special Questions). Among

Released: January 19, 2012, 10 a.m. ET.  
The February *Business Outlook Survey* will be released on February 16, 2012, at 10 a.m. ET.

\* The survey's annual historical revisions, which incorporate new seasonal adjustment factors, were released on January 12, 2012. Revisions for selected series from 2007 to 2011 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-2012.cfm>.

## Special Questions

firms 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 factors among firms restraining hiring were the need to keep operating costs low and low expectations for sales growth. Uncertainty about regulations and government policies and the inability to find workers with required skills were also highly ranked factors.

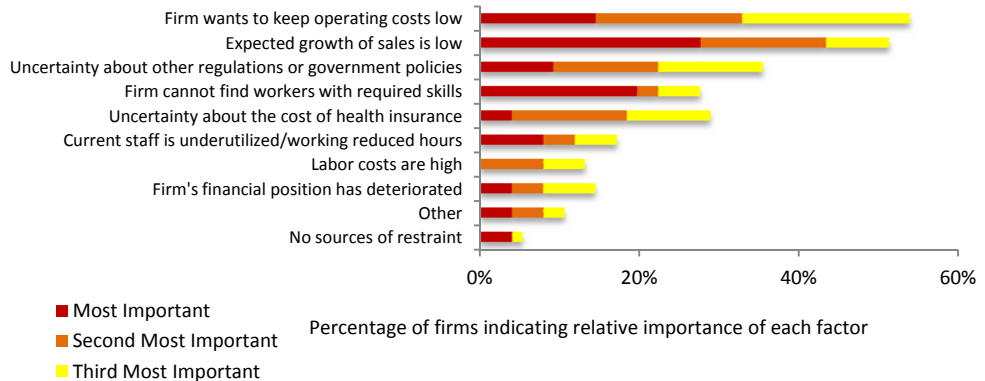
### Summary

According to respondents to the January *Business Outlook Survey*, the region's manufacturing sector continued to expand at a moderate pace this month. All of the broad indicators remained positive, with firms reporting a pickup in hiring in recent months. Firms' outlook showed further improvement this month, with a majority of firms expecting to expand manufacturing activity through the first half of the year.

### Factors Influencing Increasing Employment



### Factors Restraining Hiring



<b>BUSINESS OUTLOOK SURVEY</b> <i>January 2012</i>	January vs. December					Six Months from Now vs. January				
	<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?	6.8	29.6	45.7	22.3	7.3	40.0	55.7	34.3	6.8	49.0
Company Business Indicators										
New Orders	10.7	34.5	37.8	27.6	6.9	44.1	55.1	34.7	5.4	49.7
Shipments	9.1	34.5	34.9	28.8	5.7	36.4	53.8	36.8	5.6	48.2
Unfilled Orders	5.1	17.7	60.5	21.8	-4.1	5.7	19.6	69.2	4.9	14.7
Delivery Times	1.3	15.9	61.1	19.7	-3.8	-0.4	12.5	65.2	18.1	-5.6
Inventories	-11.5	19.3	54.5	25.6	-6.3	-5.0	25.0	49.7	21.7	3.3
Prices Paid	30.4	34.8	59.4	3.0	31.8	49.4	53.3	43.3	0.6	52.7
Prices Received	10.3	21.3	68.0	10.2	11.2	26.4	29.4	62.3	5.6	23.8
Number of Employees	11.5	21.3	67.2	9.7	11.6	10.8	27.8	59.0	8.7	19.1
Average Employee Workweek	2.8	23.3	54.5	18.3	5.0	4.5	22.6	60.8	13.4	9.2
Capital Expenditures	--	--	--	--	--	10.8	37.1	40.2	14.2	22.9

#### 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 17, 2012.

(2007 - 2011)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current General Activity												
2007	8.0	3.8	3.0	3.3	3.9	17.1	6.8	-2.2	7.1	7.9	6.7	-4.9
2008	-17.7	-19.8	-14.3	-20.9	-16.1	-17.3	-16.3	-19.6	1.2	-37.4	-40.9	-37.0
2009	-30.1	-38.3	-33.7	-24.4	-22.9	-1.3	-7.3	6.8	13.6	13.7	15.1	18.2
2010	14.3	15.0	16.1	17.3	20.5	12.6	6.8	0.9	2.7	3.0	18.3	18.1
2011	17.3	29.8	39.2	15.1	3.2	-4.1	6.2	-22.7	-12.7	10.8	3.1	6.8
Current New Orders												
2007	3.1	3.6	4.5	5.0	8.3	14.4	8.1	3.1	12.1	4.6	5.7	10.8
2008	-14.3	-8.9	-5.7	-15.2	-2.5	-18.0	-14.7	-15.1	5.7	-28.7	-30.8	-27.7
2009	-24.2	-30.3	-38.0	-24.2	-22.4	-10.7	-4.8	5.2	6.4	9.2	13.4	6.0
2010	1.9	19.9	8.8	11.0	7.2	7.1	-4.1	-3.2	-2.4	-2.6	10.4	11.7
2011	16.6	20.8	36.8	15.3	6.6	-6.5	0.5	-22.2	-5.5	8.5	3.5	10.7
Current Shipments												
2007	21.4	5.1	8.9	9.6	8.1	5.9	19.5	9.6	10.9	2.0	4.1	15.0
2008	-4.3	-8.7	-4.2	-1.7	0.0	-8.6	-7.0	-5.9	-2.0	-14.6	-22.1	-30.1
2009	-19.4	-31.3	-26.0	-30.5	-20.3	-1.5	-10.2	2.0	8.1	6.4	12.2	15.1
2010	10.6	14.6	12.5	6.7	14.0	12.1	6.4	0.9	-1.3	1.5	13.6	7.5
2011	12.1	29.2	31.7	25.2	6.3	2.8	8.2	-8.9	-16.6	13.6	6.0	9.1
Current Unfilled Orders												
2007	-14.4	-11.1	-15.3	-13.7	-8.7	-0.5	1.2	-6.1	-5.1	-6.6	-8.6	-3.6
2008	-6.5	-9.4	-15.2	-17.2	-16.9	-10.1	-17.8	-15.9	-13.8	-27.6	-28.0	-31.9
2009	-31.9	-30.3	-23.7	-21.0	-16.5	-18.2	-13.6	-10.7	-7.4	-2.2	-5.2	-1.6
2010	1.3	-7.4	-7.8	-3.2	0.2	1.4	-4.4	-6.4	-5.8	-9.1	3.1	2.4
2011	7.6	13.0	10.5	10.2	-5.7	-13.3	-11.9	-19.6	-8.7	2.9	-1.3	5.1
Current Delivery Times												
2007	-7.7	-4.7	-9.5	-13.9	-8.3	-2.6	-2.3	-3.8	-8.3	2.0	-10.1	-3.7
2008	-4.3	-3.9	-6.2	-0.8	-13.6	-6.6	-11.8	-10.7	-7.6	-18.4	-18.2	-25.2
2009	-26.9	-26.9	-30.0	-20.9	-18.7	-17.4	-11.3	-6.1	-8.8	-8.1	-10.0	2.3
2010	5.4	-1.8	5.6	0.5	-0.6	8.6	-6.9	-6.5	-2.1	1.2	1.5	5.8
2011	1.5	7.8	5.8	7.4	-2.0	-14.9	6.8	-15.1	-4.9	0.1	1.7	1.3
Current Inventories												
2007	0.4	-2.0	-0.2	4.3	-4.9	-9.0	-2.8	-7.0	0.9	-12.0	-1.4	-9.2
2008	-10.9	-14.1	-8.8	-17.3	-11.2	-15.7	-14.6	-11.9	-24.6	-16.3	-20.3	-33.7
2009	-34.8	-28.3	-50.2	-35.0	-26.6	-22.5	-23.0	-2.0	-19.2	-22.6	-17.0	-6.8
2010	-4.4	-0.9	-7.5	1.0	-5.6	-1.4	0.1	-8.8	-17.5	-7.0	-5.3	-2.7
2011	4.0	-0.6	10.5	1.5	-4.1	-10.4	-1.0	-8.5	8.7	0.0	7.2	-11.5
Current Prices Paid												
2007	16.5	21.4	26.2	27.2	27.5	22.2	21.1	10.7	23.7	37.7	42.2	41.0
2008	52.7	49.1	52.6	51.5	49.6	63.9	70.4	52.2	32.3	9.3	-20.2	-27.5
2009	-23.9	-14.9	-33.3	-33.4	-23.9	-11.7	-4.3	9.5	15.7	20.7	23.8	32.6
2010	30.7	27.8	33.4	36.6	33.0	17.3	18.6	18.6	14.0	32.8	36.3	46.3
2011	51.9	63.2	59.8	54.4	46.4	32.8	30.2	20.1	25.0	23.5	25.9	30.4

(2007 - 2011)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Current Prices Received												
2007	10.2	9.5	17.4	6.1	4.7	4.2	6.3	3.7	2.8	12.2	20.8	19.2
2008	31.1	24.5	22.2	30.5	31.6	27.7	27.2	23.0	16.7	4.9	-11.4	-32.4
2009	-26.2	-27.2	-33.1	-40.7	-33.1	-18.1	-22.0	-3.7	-8.4	-3.8	-0.9	-1.0
2010	0.8	0.8	-2.3	-2.5	1.6	-5.7	-6.2	-10.1	-9.2	-6.1	0.1	7.9
2011	14.5	17.5	19.3	23.0	16.3	5.2	3.9	-6.0	3.9	1.6	6.2	10.3
Current Employment												
2007	7.7	2.6	6.5	9.0	9.9	4.2	5.7	15.8	4.8	8.2	4.1	2.3
2008	0.5	4.3	-0.4	-3.5	-2.6	-9.2	-6.2	-6.4	-3.7	-20.7	-26.7	-30.2
2009	-38.6	-44.0	-51.1	-37.7	-30.3	-23.8	-23.7	-14.9	-14.9	-7.9	-4.2	5.0
2010	4.0	4.1	7.4	8.7	2.6	-1.7	6.9	0.2	2.8	4.6	10.5	5.2
2011	15.2	19.5	16.5	14.0	21.1	3.1	9.5	-0.9	7.3	5.0	10.6	11.5
Current Average Workweek												
2007	0.5	-10.5	-2.2	5.4	-4.0	0.4	2.4	12.1	6.5	4.3	0.8	5.4
2008	-16.0	-1.2	-7.9	-8.1	-5.4	-7.1	-11.5	-12.9	-10.3	-19.6	-25.2	-34.1
2009	-31.9	-42.8	-31.7	-35.9	-23.8	-24.5	-16.5	-5.4	-3.0	-4.4	-3.8	3.7
2010	2.4	1.4	5.1	9.8	5.1	-0.3	1.9	-11.7	-15.5	-4.8	5.2	17.3
2011	8.7	10.7	9.9	16.3	3.6	1.7	-3.9	-11.2	-6.2	4.2	7.1	2.8