



# BUSINESS OUTLOOK SURVEY

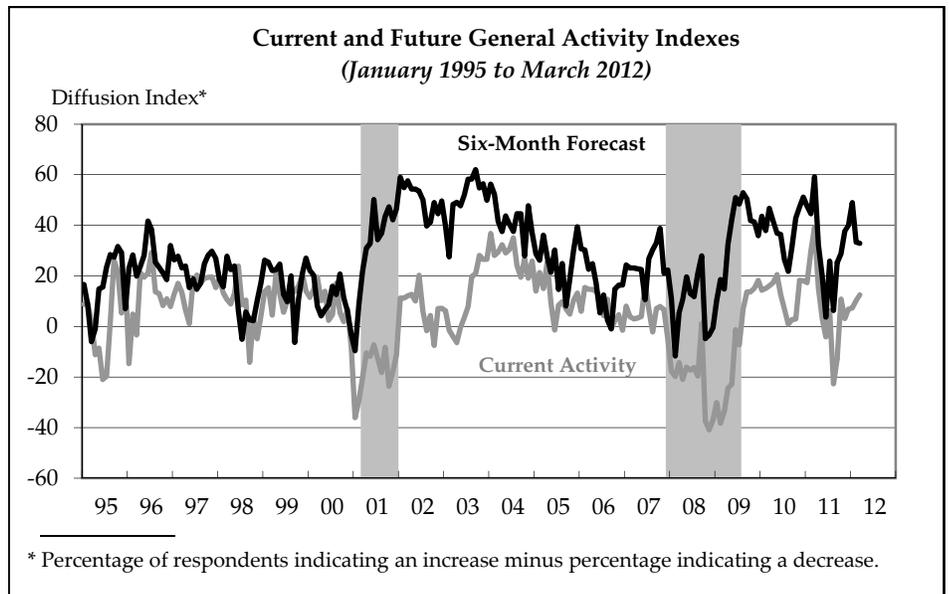
## March 2012

Manufacturing firms responding to the monthly *Business Outlook Survey* suggest that regional manufacturing activity continued to grow at a moderate pace in March. The survey's broad indicators for general activity, new orders, shipments, and employment all remained positive. Firms continued to report price pressures, but responses suggest that pressures have eased from the previous month. The survey's broad indicators of future activity remained at levels consistent with continued optimism.

### Indicators Suggest Continued Expansion

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, edged slightly higher, from a reading of 10.2 in February to 12.5, its highest reading since April of last year (see Chart). Indexes for new orders and shipments remained positive but weaker than their February levels. The new orders index decreased 8 points, to 3.3, while the shipments index declined 12 points, to 3.5. The indexes for both delivery times and unfilled orders, which recorded slightly positive readings last month, fell back into negative territory this month, suggesting faster deliveries and a decline in unfilled orders.

Firms' responses suggest a slight pickup in levels of employment this month. The current employment index, which has been positive for seven consecutive months, increased 6 points. Twenty-two percent of the firms reported an increase in employment, compared to 15 percent in February. Firms reporting a longer workweek (20 percent)



only narrowly outnumbered those reporting a shorter one (17 percent), and the current workweek index decreased 7 points.

### Upward Price Pressures Moderate

Indexes for prices paid and prices received both decreased this month, although positive diffusion indexes for both suggest that overall price pressures remain. Twenty-four percent of the firms reported higher prices for inputs this month, down from 42 percent last month. The prices paid index decreased 20 points, to 18.7, its first monthly decline in five months. On balance, firms also reported a rise in prices for their own manufactured goods: More firms reported price increases (19 percent) than reported decreases (11 percent). The prices received index, however, declined 7 points, the first decrease in five months.

### Firms' Outlook Still Optimistic

The future general activity index fell modestly, from a reading of 33.3 in February to

32.9 this month. The index remains at a relatively high level (see Chart). The indexes for future new orders and shipments showed slight improvement, increasing 4 points and 2 points, respectively. The future employment index showed little overall change this month. Firms expecting to increase employment over the next six months (33 percent) outnumber those expecting to decrease it (11 percent).

In special questions this month, firms were asked about their expectations for production growth for the upcoming second quarter (see Special Questions). Fifty-nine percent of the firms expect increases in production in the second quarter; 23 percent expect decreases. This is in contrast to the situation in March of last year, when 75 percent of the firms were expecting growth and 10 percent were ex-

Released: March 15, 2012, 10 a.m. ET.  
The April *Business Outlook Survey* will be released on April 19, 2012, at 10 a.m. ET.

pecting declines in production. The average growth expected among the reporting firms for the second quarter was about 1.4 percent. Nearly 58 percent of the firms said second-quarter production growth would represent an acceleration in growth (6 percent characterized it as "significant acceleration"; 51 percent said the expected growth represented "some acceleration").

### Summary

According to respondents to the March *Business Outlook Survey*, the region's manufacturing sector showed modest improvement this month. All of the broad indicators remained positive, but firms reported only weak growth in new orders and shipments this month. The reporting firms also added to their payrolls this month, suggesting continued improvement in business conditions. Although price pressures remain, they are less widespread than in recent months. The firms' outlook and employment plans for the next six months remain generally optimistic.

<b>Special Questions (March 2012)</b>			
1. What change, if any, do you anticipate in your firm's production during the second quarter of 2012 compared to the first quarter?			
		2012	2011
Increase of more than 5%	24.2%	59.0%	75.3%
Increase of 3-5%	10.3%		
Increase of less than 3%	24.4%		
Total increase			
No change	17.9%	23.1%	10.4%
Decrease of less than 3%	9.0%		
Decrease of 3-5%	0.0%		
Decrease of more than 5%	14.1%		
Total decrease			
2012: Average 1.4%, Median: 1.5%			
2011: Average 2.7%, Median: 3.5%			
2. Would this represent an acceleration or deceleration of growth from the first quarter of 2012?			
Significant acceleration	6.4%	Acceleration:	
Some acceleration	51.3%	57.7%	
No change	23.1%		
Some deceleration	11.5%	Deceleration:	
Significant deceleration	6.4%	17.9%	
3. Does the expected increase or decrease reflect seasonal factors or a change in business conditions?			
Seasonal factors		20.5%	
Change in business conditions		51.3%	
Other		11.5%	
<i>Percentages may not add to 100 percent because not all firms answered all questions.</i>			

<b>BUSINESS OUTLOOK SURVEY</b> <i>March 2012</i>	March vs. February					Six Months from Now vs. March				
	<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?	<b>10.2</b>	40.3	28.1	27.7	<b>12.5</b>	<b>33.3</b>	45.4	42.1	12.5	<b>32.9</b>
Company Business Indicators										
New Orders	<b>11.7</b>	37.0	27.8	33.7	<b>3.3</b>	<b>32.5</b>	44.0	44.8	7.6	<b>36.4</b>
Shipments	<b>15.0</b>	33.6	34.8	30.1	<b>3.5</b>	<b>29.0</b>	44.3	42.6	13.0	<b>31.3</b>
Unfilled Orders	<b>2.2</b>	12.7	62.3	23.8	<b>-11.0</b>	<b>8.3</b>	18.1	69.7	9.1	<b>9.1</b>
Delivery Times	<b>1.5</b>	9.3	72.9	16.3	<b>-7.1</b>	<b>-2.7</b>	12.6	70.3	12.6	<b>0.1</b>
Inventories	<b>-12.9</b>	21.4	58.2	20.5	<b>0.9</b>	<b>3.9</b>	22.6	55.5	16.8	<b>5.8</b>
Prices Paid	<b>38.7</b>	24.3	67.2	5.6	<b>18.7</b>	<b>50.4</b>	43.4	52.6	4.0	<b>39.4</b>
Prices Received	<b>15.0</b>	19.1	69.5	10.7	<b>8.4</b>	<b>32.0</b>	32.3	59.1	6.7	<b>25.6</b>
Number of Employees	<b>1.1</b>	22.2	62.4	15.4	<b>6.8</b>	<b>22.5</b>	32.7	51.1	10.9	<b>21.8</b>
Average Employee Workweek	<b>10.1</b>	19.7	58.9	17.0	<b>2.7</b>	<b>10.8</b>	22.7	62.6	11.4	<b>11.2</b>
Capital Expenditures	<b>--</b>	--	--	--	<b>--</b>	<b>18.5</b>	28.9	48.1	14.8	<b>14.1</b>

#### 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 13, 2012.