



# BUSINESS OUTLOOK SURVEY

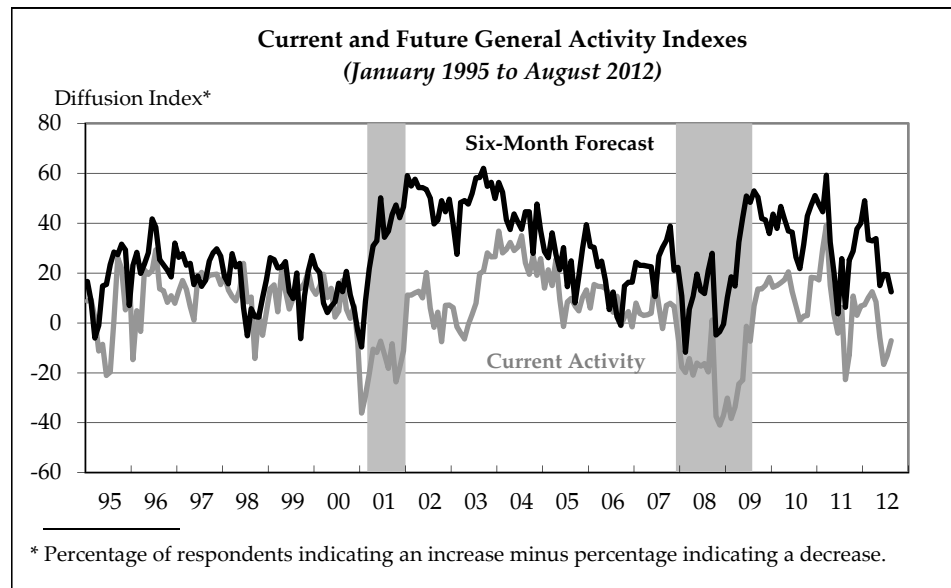
## August 2012

Firms responding to the August *Business Outlook Survey* continued to report weakness in overall business conditions. The survey's indicators for general activity and new orders remained negative for the fourth consecutive month, but both increased slightly from July. Firms also reported slight overall declines in employment and shorter work hours this month. Indicators of expected activity over the next six months remained positive but moderated for the second consecutive month.

### Indicators Suggest Continued Weakness

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased 6 points, to a reading of -7.1. This marks the fourth consecutive negative reading for the index but also its highest reading since May (see Chart 1). Nearly 30 percent of firms reported declines in activity this month, exceeding the 22 percent that reported increases. Indexes for new orders and shipments remained negative. The new orders index improved one point, while the shipments index fell 3 points.

Labor market conditions at the reporting firms deteriorated slightly this month. The current employment index, at -8.6, remained near its reading in the previous month. The percent of firms reporting decreases in employment (15 percent) exceeded the percent reporting increases (7 percent). Firms also indicated fewer hours worked this month: The average workweek index increased 3 points but posted its fifth consecutive negative reading.



### Price Indexes for Output Near Steady

Indexes for prices paid and prices received both increased from their readings in July. The prices paid index increased from 3.7 to 11.2. The percentage of firms reporting higher input prices was 26 percent; 19 percent reported higher prices last month. Fifteen percent of the firms reported declines in input prices. With respect to their own manufactured goods, however, firms reported near-steady prices. While the percentage reporting an increase in product prices (13 percent) was slightly higher than the percentage reporting a decrease (10 percent), 73 percent reported steady prices. The prices received index edged up slightly, from 1.6 to 2.8.

### Six-Month Indicators Moderate

Most of the survey's future indicators deteriorated from their readings in July but still suggest that firms are expecting growth over the next six months. The future general activity index decreased

slightly, from 19.3 to 12.5 (see Chart 1). The percentage of firms expecting increases in activity over the next six months (35 percent) remains higher than the percentage expecting decreases (23 percent). The indexes for future new orders and shipments remained positive but also fell, decreasing 8 and 7 points, respectively. The future employment index was virtually unchanged, with the share of firms expecting to increase employment (20 percent) greater than the share expecting to decrease employment (9 percent).

In special questions this month, firms were asked about the importance of seasonal factors in production (see Special Questions). About 43 percent of firms indicated that seasonal factors have a significant influence on monthly production levels. Over 32 percent of the firms sched-

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uled shutdowns or slowdowns during July and August this year, only slightly more than in the previous year when the same question was asked. But, on balance, the effects of shutdowns on production 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 lower than the number indicating that production decreases were less than usual.

### Summary

The August *Business Outlook Survey* suggests that firms in the region's manufacturing sector are continuing to experience weaker overall activity. More firms reported declines in new orders, shipments, and employment than reported increases. Prices of firms' manufactured goods were near steady this month, although input prices edged slightly higher. The outlook, while not as optimistic as last month, suggests that firms still believe that activity will increase from current levels over the next six months.

<b>SPECIAL QUESTIONS (August 2012)</b>				
1) How important are seasonal factors in your monthly production levels?				
	<b>2012 (%)</b>		<b>2011 (%)</b>	
Significant	43.2		39.5	
Not Significant	54.3		59.2	
NR	2.5		1.3	
2) Have seasonal factors become more or less important for your business over time?				
More important	12.4		13.2	
Less important	19.8		15.8	
No difference over time	61.7		60.5	
NR	6.2		10.5	
3) Did you schedule plant shutdowns or production slowdowns during the summer months this year?				
Yes	32.1		29.0	
No	66.7		60.5	
NR	1.2		10.5	
If yes, which of the following best characterizes your expected shutdowns/slowdowns for this July and August?				
	<b>2012 (%)</b>		<b>2011 (%)</b>	
	<i>July</i>	<i>August</i>	<i>July</i>	<i>August</i>
Production decreases <b>greater</b> than usual	8.6	6.2	6.6	6.6
Production decreases <b>about the same</b> as usual	27.2	19.8	17.1	5.3
Production decreases <b>less</b> than usual	11.1	11.1	5.3	5.3
Not applicable	53.1	63.0	71.0	82.8

<b>BUSINESS OUTLOOK SURVEY</b> <i>August 2012</i>	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?	<b>-12.9</b>	22.4	48.1	29.5	<b>-7.1</b>	<b>19.3</b>	35.3	32.2	22.7	<b>12.5</b>
Company Business Indicators										
New Orders	<b>-6.9</b>	29.3	35.8	34.8	<b>-5.5</b>	<b>26.1</b>	38.9	28.4	20.4	<b>18.5</b>
Shipments	<b>-8.6</b>	25.7	37.4	37.0	<b>-11.3</b>	<b>19.0</b>	38.3	24.3	26.6	<b>11.7</b>
Unfilled Orders	<b>-9.5</b>	11.9	59.5	28.0	<b>-16.2</b>	<b>3.3</b>	17.8	55.8	16.6	<b>1.2</b>
Delivery Times	<b>-15.7</b>	5.6	75.6	17.8	<b>-12.2</b>	<b>-13.0</b>	10.5	65.5	11.3	<b>-0.8</b>
Inventories	<b>-7.5</b>	21.3	50.6	28.1	<b>-6.9</b>	<b>-16.0</b>	16.4	50.4	22.6	<b>-6.2</b>
Prices Paid	<b>3.7</b>	26.2	58.8	15.0	<b>11.2</b>	<b>22.8</b>	41.5	39.9	8.4	<b>33.1</b>
Prices Received	<b>1.6</b>	12.8	72.7	10.1	<b>2.8</b>	<b>14.6</b>	30.0	48.3	9.8	<b>20.3</b>
Number of Employees	<b>-8.4</b>	6.8	77.0	15.4	<b>-8.6</b>	<b>11.3</b>	19.5	59.8	8.7	<b>10.8</b>
Average Employee Workweek	<b>-17.3</b>	10.4	64.7	24.9	<b>-14.6</b>	<b>14.5</b>	19.6	52.0	14.9	<b>4.8</b>
Capital Expenditures	<b>--</b>	--	--	--	<b>--</b>	<b>3.3</b>	25.1	44.7	16.1	<b>9.1</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 August 14, 2012.