



# BUSINESS OUTLOOK SURVEY

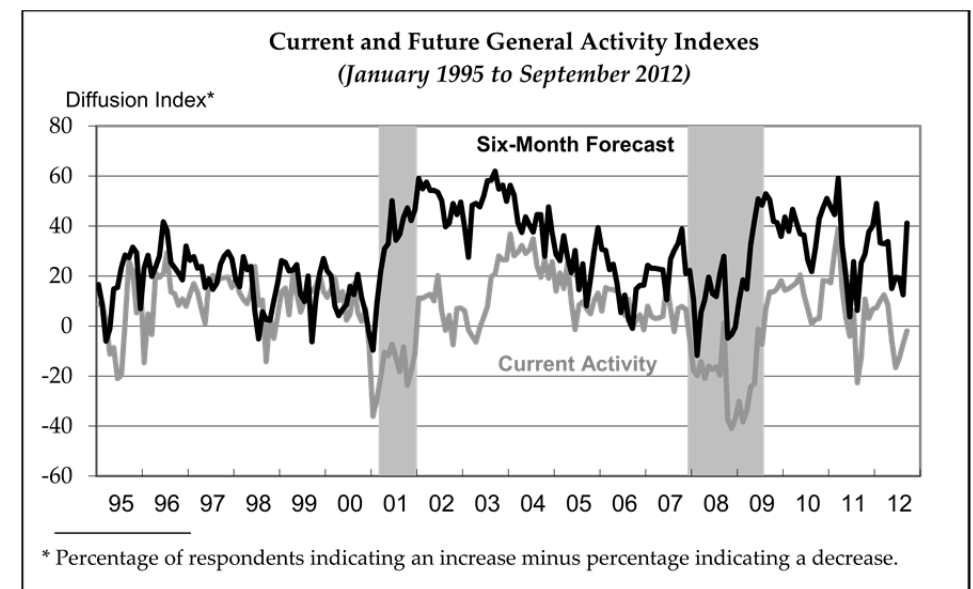
## September 2012

Firms responding to the September *Business Outlook Survey* reported nearly flat business activity this month. The survey's indicators for general activity and new orders both improved from last month but recorded levels near zero. Firms reported continuing declines in shipments, employment, and hours worked. Indicators for the firms' expectations over the next six months, however, improved notably this month, although the same firms forecast continued deceleration in production growth in the fourth quarter.

### Indicators Suggest Flat Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased 5 points, to a reading of -1.9. Although this marks the fifth consecutive negative reading for the index, the index has been edging nearer to zero over the last three months (see Chart 1). Nearly 23 percent of firms reported declines in activity this month, down from 30 percent last month. The demand for manufactured goods, as measured by the current new orders index, improved 7 points from last month and recorded its first positive reading in five months. Shipments fell notably this month, however: The current shipments index fell 10 points to 21.2. Declines in inventories were more widespread this month, and firms reported continued declines in unfilled orders and shorter delivery times.

Labor market conditions at the reporting firms remained weak this month. The current employment index, at -7.3, was little changed from its reading in July and August. The per-



centage of firms reporting decreases in employment (22 percent) exceeded the percentage reporting increases (15 percent). Firms also indicated fewer hours worked: The average workweek index increased 7 points but posted its sixth consecutive negative reading.

### Price Indexes for Output Remain Steady

The prices firms paid for purchased inputs rose modestly this month, while prices for their final manufactured goods remained steady. The prices paid index decreased from 11.2 to 8.0, with 24 percent of the firms reporting input price increases. With respect to their own manufactured goods, firms reported steady prices, on balance. The percentage reporting an increase in product prices was offset by the same percentage reporting a decrease (13 percent).

### Six-Month Indicators Show Improvement

Most of the survey's future indicators improved from their readings in August. The

future general activity index increased from 12.5 to 41.2 (see Chart 1). The percentage of firms expecting increases in activity over the next six months (50 percent) exceeded the percentage expecting decreases (9 percent) by a large margin. The indexes for future new orders and shipments also increased, each rising 31 points. The future employment index also improved, increasing 11 points. The share of firms expecting to increase employment over the next six months (32 percent) was greater than the share expecting to decrease employment (11 percent).

In supplemental questions, firms were asked to estimate their total production growth for the third quarter ending this month and expected growth for the fourth quarter (see Special Questions). Firms forecasting total decreases in third quarter production (47 percent) exceeded those forecast-

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ing increases (35 percent). The average production growth rate for the reporting group was an expected decline of nearly 1 percent. With regard to the fourth quarter, the percentage of firms expecting a deceleration in the rate of their production growth (45 percent) was greater than the percentage expecting acceleration in growth (32 percent).

### Summary

The September *Business Outlook Survey* suggests that activity among the region's manufacturing sector has steadied, following several months of reported declines. Firms reported declines in shipments and employment, however. Prices of firms' manufactured goods were moderately higher this month, although output prices remained steady. The survey's future indexes recorded notable increases this month, suggesting that firms are more optimistic regarding growth over the next six months. However, firms reported that they expect continued weakness for the remainder of this year.

<b>Special Questions (September 2012)</b>			
1. How will your firm's total production for the <b>third quarter</b> compare with that of the second quarter?			
		%	
Lower		46.8	
No change		18.2	
Higher		35.1	
		Average rate of change: -0.7%*	
2. For the upcoming <b>fourth quarter</b> , what growth do you expect for production at your plant compared to the third quarter?			
		%	subtotals
Significant deceleration		6.4	44.9
Some deceleration		24.4	
Slight deceleration		14.1	
No change		20.5	20.5
Slight acceleration		18.0	32.1
Some acceleration		10.3	
Significant acceleration		3.8	
N.R.		2.5	2.5
Total		100.0	100.0
<i>*Firms provided estimates for third quarter growth within specific numerical ranges.</i>			

<b>BUSINESS OUTLOOK SURVEY September 2012</b>	September vs. August					Six Months from Now vs. September				
	<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>-7.1</b>	20.7	56.8	22.5	<b>-1.9</b>	<b>12.5</b>	50.2	34.6	9.0	<b>41.2</b>
Company Business Indicators										
New Orders	<b>-5.5</b>	24.4	48.9	23.4	<b>1.0</b>	<b>18.5</b>	56.7	28.5	7.3	<b>49.4</b>
Shipments	<b>-11.3</b>	16.4	42.9	37.6	<b>-21.2</b>	<b>11.7</b>	52.4	30.8	9.6	<b>42.9</b>
Unfilled Orders	<b>-16.2</b>	12.0	64.5	20.2	<b>-8.2</b>	<b>1.2</b>	25.6	57.7	11.8	<b>13.8</b>
Delivery Times	<b>-12.2</b>	9.5	70.3	17.9	<b>-8.4</b>	<b>-0.8</b>	19.9	57.9	13.1	<b>6.8</b>
Inventories	<b>-6.9</b>	8.4	59.8	30.1	<b>-21.7</b>	<b>-6.2</b>	21.6	46.0	26.3	<b>-4.7</b>
Prices Paid	<b>11.2</b>	24.0	59.9	16.1	<b>8.0</b>	<b>33.1</b>	44.7	40.5	6.8	<b>38.0</b>
Prices Received	<b>2.8</b>	12.9	74.0	13.1	<b>-0.2</b>	<b>20.3</b>	32.7	52.4	5.4	<b>27.2</b>
Number of Employees	<b>-8.6</b>	14.6	60.1	21.9	<b>-7.3</b>	<b>10.8</b>	32.3	51.8	10.8	<b>21.4</b>
Average Employee Workweek	<b>-14.6</b>	8.5	72.9	15.8	<b>-7.3</b>	<b>4.8</b>	25.7	55.1	11.1	<b>14.6</b>
Capital Expenditures	--	--	--	--	--	<b>9.1</b>	18.2	58.7	13.4	<b>4.8</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 September 18, 2012.