



# BUSINESS OUTLOOK SURVEY

October 2012

Firms responding to the October *Business Outlook Survey* reported a modest improvement in business activity this month. The survey's indicators for general activity returned to positive territory, while new orders and shipments recorded levels near zero. But firms reported continuing declines in employment and hours worked. Indicators for the firms' expectations over the next six months remained positive.

### Indicators Suggest Modest Improvement

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased 8 points, to 5.7, marking the first positive reading since April (see Chart). A little over 28 percent of firms reported increases in activity this month, up from 21 percent last month. The demand for manufactured goods, as measured by the current new orders index, decreased 2 points, to -0.6. Shipments rebounded from last month but were roughly flat this month. The current shipments index increased 21 points, to -0.2; inventories were near steady; 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 dipped 3 points, to -10.7, its lowest reading since September 2009. Twice as many firms reported decreases in employment (22 percent) as reported increases (11 percent). Firms also indicated fewer hours worked: The average workweek index, at -7.6, was negative for the seventh consecutive month.

Current and Future General Activity Indexes  
(January 1995 to October 2012)



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

### Price Indexes Increase Slightly

More firms reported paying higher prices for inputs, and the prices received for manufactured goods rose modestly this month. The prices paid index increased from 8 last month to 19 in October, with 30 percent of the firms reporting input price increases. With respect to their own manufactured goods, the percentage reporting an increase in prices (19 percent) was greater than the percentage reporting a decrease (14 percent). The prices received index rose to 5.4 from -0.2.

### Six-Month Indicators Positive, But Subdued

Most of the survey's future indicators remained positive this month but fell from September's readings. The future general activity index decreased from 41.2 to 21.6 (see Chart). Despite the drop in the index, the percentage of firms expecting increases in activity over the next six months (42 percent) was twice the percentage expecting decreases (20 percent). This was also the case for the indexes for fu-

ture new orders and shipments: Despite decreases of 28 and 22 points, respectively, roughly twice as many firms still expect increases in new orders and shipments than decreases over the next six months. The future employment index also fell from September but remained positive at 8.0. The share of firms expecting to increase employment over the next six months (22 percent) was greater than the share expecting to decrease employment (14 percent). The percentage of firms expecting to decrease capital spending (19 percent) is slightly higher than the percentage expecting to increase it (18 percent). The future capital expenditures index decreased 7 points, to -1.9 in October, its first negative reading since September 2009.

For this month's special questions, manufacturers were asked about changes in their workforce and the changing use of flexible workers over the past year (see Special Ques-

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tions). The share of firms that increased their total workforce over the past year (32 percent) narrowly outnumbered those that decreased their workforce (31 percent), and the mix of employment has changed for many firms. For example, 65 percent of firms indicated that they use temporary or agency workers, and 28 percent of these firms indicated that they have increased the total share of these workers over the past year.

### Summary

The October *Business Outlook Survey* suggests that activity among the region's manufacturing sector has steadied, following several months of reported declines. However, firms reported flat new orders and shipments and declines in employment. Prices for firms' manufactured goods were moderately higher this month, while increases in input prices were more widespread. The future activity index decreased this month but remained positive, and firms are still generally optimistic regarding growth over the next six months.

<b>Special Questions (October 2012)</b>						
1. Has your total workforce decreased, increased, or stayed the same over the last year?						
Decreased	31.1%					
Stayed the same	32.4%					
Increased	32.4%					
No response	4.1%					
Total	100.0%					
2. How has your mix of total employees changed between the various categories of employees over the last year?						
	Percentage That Use This Type of Labor	Percentages (excluding nonresponses)				
		Not Used	Decreased Share	No Change	Increased Share	Total
Regular Full-Time	100.0	0.0	26.0	54.8	19.2	100.0
Regular Part-Time	66.2	33.8	5.6	50.7	9.9	100.0
Short-Term Workers	55.5	44.8	7.5	43.3	4.5	100.0
On-Call Workers	40.9	59.1	1.5	36.4	3.0	100.0
Temporary or Agency Workers	65.2	34.8	10.1	27.6	27.5	100.0
Independent Contract Workers	46.3	53.7	1.5	34.3	10.5	100.0

<b>BUSINESS OUTLOOK SURVEY</b> <b>October 2012</b>	October vs. September					Six Months from Now vs. October				
	<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>-1.9</b>	28.4	46.7	22.7	<b>5.7</b>	<b>41.2</b>	41.7	32.1	20.1	<b>21.6</b>
Company Business Indicators										
New Orders	<b>1.0</b>	26.7	45.1	27.3	<b>-0.6</b>	<b>49.4</b>	41.0	33.6	19.8	<b>21.2</b>
Shipments	<b>-21.2</b>	30.3	39.3	30.5	<b>-0.2</b>	<b>42.9</b>	41.4	33.5	20.9	<b>20.6</b>
Unfilled Orders	<b>-8.2</b>	17.1	56.2	23.4	<b>-6.3</b>	<b>13.8</b>	23.7	56.2	13.0	<b>10.7</b>
Delivery Times	<b>-8.4</b>	6.8	67.3	22.7	<b>-15.9</b>	<b>6.8</b>	16.8	61.9	17.1	<b>-0.3</b>
Inventories	<b>-21.7</b>	23.1	51.5	21.1	<b>2.1</b>	<b>-4.7</b>	18.4	53.3	18.0	<b>0.5</b>
Prices Paid	<b>8.0</b>	29.5	59.1	10.6	<b>19.0</b>	<b>38.0</b>	51.2	39.4	2.1	<b>49.1</b>
Prices Received	<b>-0.2</b>	18.9	67.6	13.5	<b>5.4</b>	<b>27.2</b>	22.9	62.5	8.0	<b>14.9</b>
Number of Employees	<b>-7.3</b>	10.9	67.5	21.6	<b>-10.7</b>	<b>21.4</b>	22.2	57.6	14.2	<b>8.0</b>
Average Employee Workweek	<b>-7.3</b>	16.8	54.0	24.4	<b>-7.6</b>	<b>14.6</b>	28.2	51.8	17.1	<b>11.1</b>
Capital Expenditures	--	--	--	--	--	<b>4.8</b>	17.5	56.9	19.4	<b>-1.9</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 October 16, 2012.