



BUSINESS OUTLOOK SURVEY

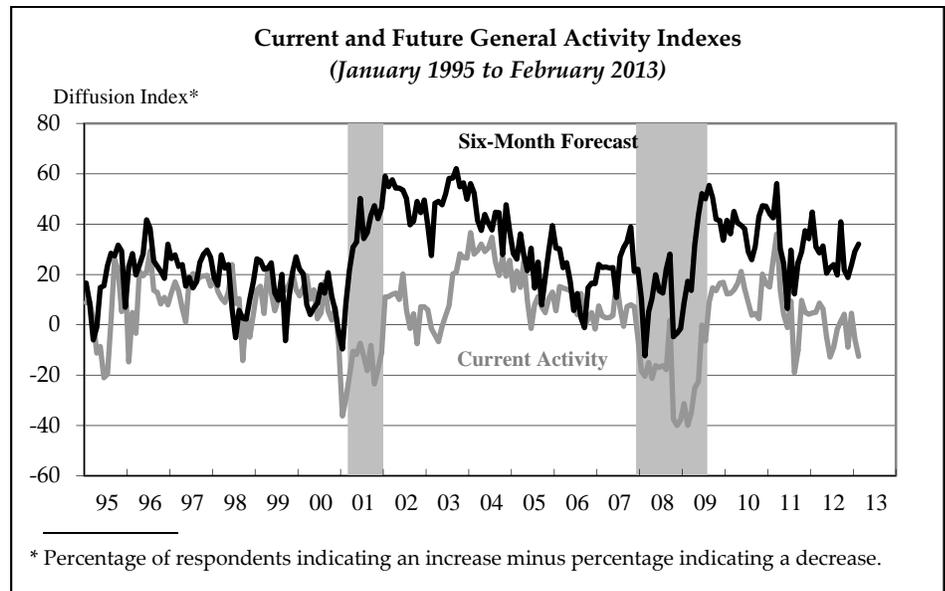
February 2013

Manufacturers responding to the February *Business Outlook Survey* reported declines in activity this month. Following reported growth in late 2012, indicators for general activity and new orders have now registered negative readings for the past two months. However, indicators for shipments and employment were slightly positive this month. The survey's broad indicators of future activity edged higher this month.

Indicators Suggest Decline in Activity

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, decreased from a reading -5.8 in January to -12.5 this month (see Chart). The demand for manufactured goods also showed slight declines this month: The new orders index declined from a reading of -4.3 in January to -7.8 in February. Despite negative readings for general activity and new orders, the shipments index showed improvement: The index remained positive and edged slightly higher to 2.4. The percentage of firms reporting increased shipments (25 percent) was slightly greater than the percentage reporting declines (22 percent).

Labor market conditions showed signs of stabilizing this month. The employment index increased from -5.2 in January to 0.9 this month, its first positive reading in eight months. The percentage of firms reporting employment increases (15 percent) narrowly exceeded the percentage reporting decreases (14 percent).



Price Indexes Continue to Moderate

The price indexes suggest continued moderation in price pressures this month. For the second consecutive month, the prices received index was slightly negative. The percentage of firms reporting lower prices for their own manufactured goods (9 percent) was nearly matched by the percentage reporting higher prices. With regard to purchased inputs, 13 percent of firms reported paying higher prices for inputs, compared with 20 percent last month. The prices paid index fell for the third consecutive month and, at 8.9, is now at its lowest reading in eight months.

Six-Month Indicators Improve

The survey's future indicators suggest that firms expect recent declines to be temporary. The future general activity index increased from a reading of 29.2 to 32.1, its third consecutive monthly in-

crease (see Chart). The percentage expecting increases in activity over the next six months (47 percent) exceeded the percentage expecting decreases (15 percent). The indexes for future new orders and shipments showed a mixed pattern this month. The future new orders index increased 6 points, while the future shipments index fell 9 points. The future employment index improved modestly, increasing from 10.7 to 14.9. Twenty-five percent of firms expect to increase employment over the next six months; 10 percent expect to decrease it.

In special questions this month, firms were asked about their expectations for production growth for the first quarter (see Special Questions). Nearly 54 percent of the firms expect

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increases in production in the first quarter; 25 percent expect decreases. Nearly 47 percent of the firms said first quarter production growth would represent an acceleration in growth (only 9 percent characterized it as “significant acceleration”; 38 percent said the expected growth represented “some acceleration”).

Summary

The February *Business Outlook Survey* indicated weakness in the region’s manufacturing sector this month. Firms reported decreases in overall activity and slight declines in new orders. A slight rise in shipments was one positive sign, along with an apparent stabilization of labor market conditions. Firms reported a continued trend of moderation in price pressures. Responses suggest that firms expect declines to be short-lived, since first quarter production is expected to rise and orders and shipments are expected to increase over the next six months.

Special Questions (February 2013)			
1. What change, if any, do you anticipate in your firm’s production during the first quarter of 2013 compared to the fourth quarter of last year?			
	Expected First Quarter Production Growth		
Increase of more than 5%	16.9%	53.6%	
Increase of 3-5%	14.1%		
Increase of less than 3%	22.6%		
Total increase			
No change	21.1%	25.1%	
Decrease of less than 3%	8.1%		
Decrease of 3-5%	5.6%		
Decrease of more than 5%	11.3%		
Total decrease			
Average growth expected for all firms: 0.9%			
Average growth for firms attributed to seasonal factors*: 1.6%			
Average growth attributed to change in conditions*: 0.4%			
2. Would this represent an acceleration or deceleration of growth from the fourth quarter?			
Significant acceleration	8.5%	Acceleration:	
Some acceleration	38.0%	46.5%	
No change	18.3%		
Some deceleration	32.4%	Deceleration:	
Significant deceleration	0.0%	32.4%	
3. Does the expected change reflect seasonal factors or a change in business conditions?			
Seasonal factors		33.8%	
Change in business conditions		32.4%	
Other		16.9%	
*Calculation based on responses to question 3.			
Percentages may not add to 100 percent because not all firms answered all questions.			

BUSINESS OUTLOOK SURVEY February 2013	February vs. January					Six Months from Now vs. February				
	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index	<i>Previous Diffusion Index</i>	Increase	No Change	Decrease	Diffusion Index
What is your evaluation of the level of general business activity?	-5.8	19.3	48.6	31.8	-12.5	29.2	46.7	26.0	14.6	32.1
Company Business Indicators										
New Orders	-4.3	21.8	48.5	29.6	-7.8	32.5	50.7	27.0	12.7	38.0
Shipments	0.4	24.8	52.9	22.4	2.4	38.9	48.3	24.8	18.0	30.3
Unfilled Orders	-1.0	11.1	63.2	22.2	-11.2	2.9	18.8	53.4	14.4	4.3
Delivery Times	-2.0	13.0	71.0	12.8	0.2	-8.5	15.1	55.6	15.5	-0.4
Inventories	-6.5	12.9	62.0	22.8	-10.0	-2.3	21.2	45.6	23.8	-2.6
Prices Paid	14.7	13.2	82.6	4.3	8.9	34.3	27.5	57.8	1.1	26.4
Prices Received	-1.1	8.6	79.8	9.2	-0.5	21.7	32.8	50.2	7.5	25.4
Number of Employees	-5.2	15.0	68.0	14.1	0.9	10.7	24.6	56.3	9.7	14.9
Average Employee Workweek	-8.3	15.0	66.4	16.5	-1.6	8.9	18.1	62.1	11.7	6.5
Capital Expenditures	--	--	--	--	--	6.0	30.6	40.2	15.0	15.7

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 February 19, 2013.