



BUSINESS OUTLOOK SURVEY

September 2013

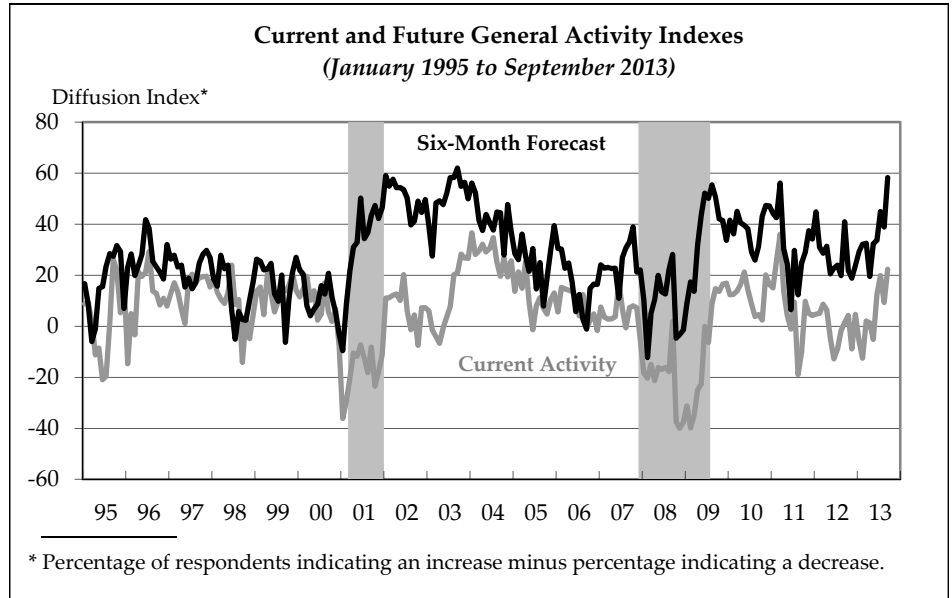
Manufacturing activity picked up in September, according to firms responding to this month's *Business Outlook Survey*. The survey's broadest indicators for general activity, new orders, shipments, and employment were all positive and higher than in August. The survey's indicators of future activity were significantly higher, suggesting improved optimism about growth over the next six months.

Indicators Suggest Expansion

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from 9.3 in August to 22.3 this month (see Chart). The index has now been positive for four consecutive months and is at its highest reading since March 2011. The percentage of firms reporting increased activity this month (36 percent) was greater than the percentage reporting decreased activity (14 percent).

The demand for manufactured goods, as measured by the current new orders index, increased 16 points, to 21.2. Shipments rebounded from last month: The current shipments index increased 22 points. The diffusion indexes also suggest that, on balance, inventories and deliveries were near steady this month, while unfilled orders increased slightly.

Labor market indicators showed improvement this month. The current employment index increased 7 points, to 10.3, its highest reading since April of last year. The percentage of firms reporting increases in employment (21 percent) exceeded the percentage reporting decreases (10 percent).



Firms also reported a longer average work-week compared with last month, and the index increased 15 points, to 12.2.

Price Indexes Suggest Moderate Pressures

The indexes for prices paid for purchased inputs and for prices received for respondents' own manufactured goods moved higher this month. The prices received index increased 3 points, to 12.7, but the increase was attributable to fewer firms reporting lower prices rather than more firms reporting price increases. With respect to their purchased inputs, the percentage of firms reporting higher prices increased from 24 percent last month to 32 percent this month. The prices paid index increased 8 points, to 25.3, its highest reading in 10 months.

Six-Month Indicators Improve

The survey's future indicators suggest markedly improved optimism among the

reporting manufacturers. The future general activity index increased from 38.9 to 58.2, exceeding its previous highs since the end of the recession in 2009 (see Chart). Slightly over 58 percent of firms expect increases in activity over the next six months; no firms indicated that they expect decreases over the next six months. The indexes for future new orders and shipments also improved, rising 23 and 18 points, respectively. The future employment index also increased 9 points. Over 37 percent of the firms expect to increase employment over the next six months.

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 increases in third quarter production

Released: September 19, 2013, at 10 a.m. ET.
The October *Business Outlook Survey* will be released on October 17, 2013, at 10 a.m. ET.

(56 percent) exceeded those forecasting decreases (29 percent). The calculated average production growth rate for the reporting group was an expected increase of nearly 1.6 percent. With regard to the fourth quarter, the percentage of firms expecting acceleration in the rate of their production growth (44 percent) was greater than the percentage expecting deceleration in growth (30 percent).

Summary

According to respondents to the September *Business Outlook Survey*, the region's manufacturing sector continued to grow this month. All the broad indicators were positive, with firms reporting a pickup in general activity, new orders, shipments, and hiring. Price pressures were slightly more widespread this month, with more firms reporting higher prices for their purchased inputs. Firms' outlook showed notable improvement this month, with a majority of firms now expecting to expand manufacturing activity over the next six months and one-third that expect to add workers.

Special Questions (September 2013)		
1. How will your firm's total production for the third quarter compare with that of the second quarter?		
Expected Third Quarter Production Growth:	% of firms	
Increase of more than 6%	12.5	56.3%
Increase of 2-6%	20.0	
Increase of less than 2%	23.8	
Total increase		
No change	13.8	28.8%
Decrease of less than 2%	6.3	
Decrease of 2-6%	11.3	
Decrease of more than 6%	18.8	
Total decrease		
Average growth expected for all firms: 1.6%*		
2. For the upcoming fourth quarter , what growth do you expect for production at your plant compared with third quarter growth?		
Significant acceleration	5.0	Acceleration: 43.8%
Some acceleration	21.3	
Slight acceleration	17.5	
No change	25.0	Deceleration: 30.1%
Slight deceleration	11.3	
Some deceleration	11.3	
Significant deceleration	7.5	
*Firms provided more precise growth rates than shown in table. Percentages may not add to 100 percent because not all firms answered all questions.		

BUSINESS OUTLOOK SURVEY <i>September 2013</i>	September vs. August					Six Months from Now vs. September				
	<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?	9.3	36.2	50.0	13.8	22.3	38.9	58.2	36.8	0.0	58.2
Company Business Indicators										
New Orders	5.3	38.5	40.5	17.3	21.2	39.5	62.8	31.5	0.6	62.2
Shipments	-0.9	37.2	44.6	16.0	21.2	40.1	59.9	32.9	1.6	58.3
Unfilled Orders	-2.9	17.3	64.9	13.0	4.3	12.3	27.5	56.9	9.0	18.5
Delivery Times	-9.0	12.9	70.4	14.1	-1.2	2.9	16.7	69.5	8.4	8.3
Inventories	-11.3	21.7	50.5	23.5	-1.8	3.3	29.8	46.9	16.2	13.6
Prices Paid	17.3	31.7	60.5	6.4	25.3	38.7	44.6	46.9	1.5	43.1
Prices Received	9.9	15.9	80.2	3.1	12.7	23.0	32.3	60.3	0.6	31.7
Number of Employees	3.5	20.7	68.3	10.4	10.3	22.3	37.2	50.5	6.2	31.0
Average Employee Workweek	-2.6	25.8	59.5	13.6	12.2	15.0	26.7	56.1	10.5	16.2
Capital Expenditures	--	--	--	--	--	20.8	36.3	43.9	8.5	27.7

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 September 16, 2013.