



# BUSINESS OUTLOOK SURVEY

June 2014

Manufacturing firms responding to the June *Business Outlook Survey* indicated that regional manufacturing activity expanded this month. The survey's indicators for general activity, new orders, and shipments were positive for the fourth consecutive month and improved from their readings in May. Current employment was also higher among the reporting firms this month. The survey's indicators of future activity improved notably, suggesting that firms are more optimistic about continued growth over the next six months.

## Indicators Reflect Continued Growth

The diffusion index of current general activity increased from a reading of 15.4 in May to 17.8 this month. The index has remained positive for four consecutive months and is at its highest reading since last September (see Chart). The current new orders and shipments indexes also moved higher this month, increasing 6 points and 1 point, respectively.

Indicators also suggest improved labor market conditions this month. The employment index remained positive for the 12th consecutive month and increased 4 points. The percentage of firms reporting increases in employment (22 percent) remained higher than the percentage reporting decreases (11 percent). The workweek index was also positive for the fourth consecutive month and increased 4 points.

## Firms Report Higher Input Prices

The surveyed respondents indicated that price increases for purchased inputs were

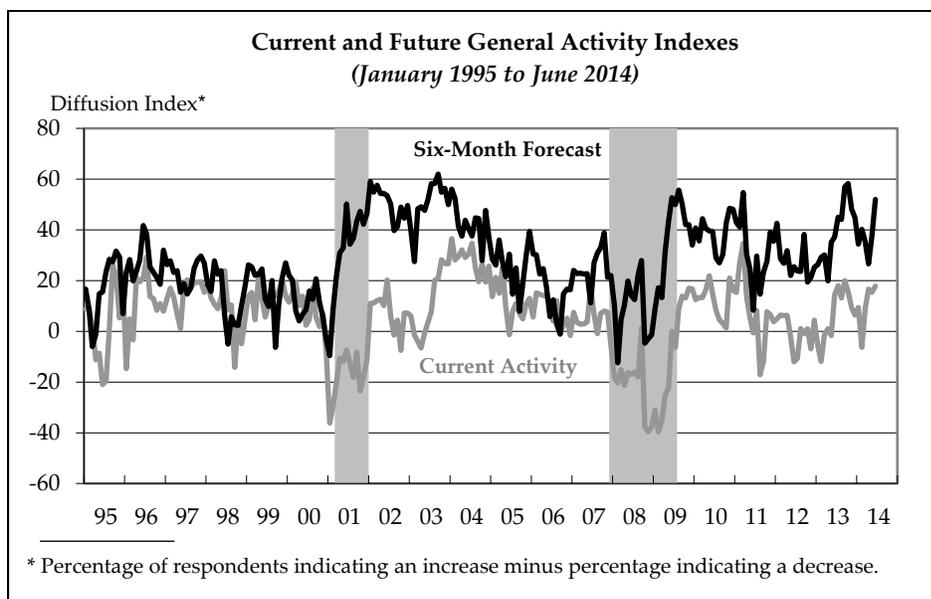
more widespread this month. The prices paid index increased 12 points and has now increased 24 points over the past two months. Over 36 percent of the firms reported higher input prices this month compared with 25 percent last month. The prices received index, reflecting firms' own final goods prices, however, declined from 17.0 to 14.1. The percent of firms reporting higher prices (22 percent) exceeded the percentage reporting lower prices (8 percent), but 71 percent of the firms reported steady prices.

## Forecast Indicators Show Notable Improvement

Most of the survey's broad indicators of future growth showed notable improvement this month. The future general activity index increased 15 points and is at its highest reading since October (see Chart). The future indexes for new orders and shipments also showed improvement, increasing 21 points and 9 points, respectively. In addition, firms

were more optimistic with respect to employment growth: The future employment index rose 7 points. The percentage of firms expecting growth in their employment edged higher, from 31 percent in May to 35 percent this month.

In special questions this month, firms were asked to provide estimates of production growth for the second half of the year compared with the first half. Nearly 74 percent of the firms forecast positive growth in the second half of the year. Only 13 percent of the firms forecast declines in the second half. About 56 percent of the firms indicated that production growth would represent an acceleration compared with the growth in the first half of the year. Only 17 percent indicated that growth would represent a deceleration. Firms were also asked how



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production increases would be accomplished in terms of increases in labor inputs. Twenty-nine percent of the firms indicated that they would hire additional workers; 28 percent said the increases would be accomplished by increasing the productivity of their existing workforce without hiring; and 12 percent indicated that they would increase the hours of existing staff without hiring additional workers.

### Summary

The June *Business Outlook Survey* suggests continued expansion of the region's manufacturing sector. Firms reported continued increases in overall activity, new orders, shipments, and employment this month. An increased share of firms reported higher input prices this month. The survey's future activity indexes showed a notable improvement, indicating that firms expect continued growth and employment increases over the next six months.

<b>Special Questions (June 2014)</b>		
1. What change, if any, do you anticipate in your firm's production during the second half of 2014 compared with the first half of the year?		
Increase of more than 4%	47.8%	<b>Total Increase: 73.9%</b>
Increase of 2-4%	18.8%	
Increase of less than 2%	7.3%	
No change	13.0%	<b>Total Decrease: 13.1%</b>
Decrease of less than 2%	7.3%	
Decrease of 2-4%	0%	
Decrease of more than 4%	5.8%	
Average expected growth for all firms: 3.0%		
2. Would this represent an acceleration or deceleration of growth from the first half of 2014?		
Significant acceleration	7.6%	<b>Acceleration: 56.1%</b>
Some acceleration	48.5%	
No change	27.3%	<b>Deceleration: 16.6%</b>
Some deceleration	10.6%	
Significant deceleration	6.0%	
3. If you expect to increase production over the next six months, this will be accomplished by:		
Hiring additional workers		29.0%
Increasing productivity of current staff, without hiring		27.5%
Increasing work hours of current staff, without hiring		11.6%
Other		4.3%
We do not anticipate increases in production		27.6%

<b>BUSINESS OUTLOOK SURVEY June 2014</b>	June vs. May					Six Months from Now vs. June				
	<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>15.4</b>	36.4	42.5	18.6	<b>17.8</b>	<b>37.4</b>	58.5	31.5	6.5	<b>52.0</b>
Company Business Indicators										
New Orders	<b>10.5</b>	39.2	38.2	22.4	<b>16.8</b>	<b>36.5</b>	59.7	33.6	1.9	<b>57.8</b>
Shipments	<b>14.2</b>	35.6	42.0	20.1	<b>15.5</b>	<b>38.7</b>	52.4	32.9	4.4	<b>48.0</b>
Unfilled Orders	<b>-2.5</b>	25.4	59.1	14.0	<b>11.5</b>	<b>17.0</b>	27.7	59.5	2.9	<b>24.7</b>
Delivery Times	<b>-4.2</b>	17.2	71.6	11.2	<b>6.0</b>	<b>3.1</b>	9.2	74.5	12.7	<b>-3.5</b>
Inventories	<b>-0.5</b>	16.7	59.2	23.4	<b>-6.7</b>	<b>15.7</b>	33.0	61.5	2.6	<b>30.5</b>
Prices Paid	<b>23.0</b>	36.2	60.6	1.2	<b>35.0</b>	<b>36.1</b>	44.5	54.1	0.0	<b>44.5</b>
Prices Received	<b>17.0</b>	21.7	70.7	7.6	<b>14.1</b>	<b>29.5</b>	35.0	55.3	5.0	<b>30.0</b>
Number of Employees	<b>7.8</b>	22.4	65.9	10.5	<b>11.9</b>	<b>24.1</b>	34.8	55.5	3.4	<b>31.4</b>
Average Employee Workweek	<b>2.9</b>	19.7	65.2	12.4	<b>7.3</b>	<b>8.9</b>	23.0	62.4	6.2	<b>16.7</b>
Capital Expenditures	<b>--</b>	--	--	--	<b>--</b>	<b>24.4</b>	36.3	48.8	5.3	<b>31.0</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 June 16, 2014.