



# BUSINESS OUTLOOK SURVEY

July 2014

Firms responding to the *Business Outlook Survey* indicated continued expansion in the region's manufacturing sector in July. The survey's indicators for general activity, new orders, shipments, and employment were all positive this month and increased from their readings in June. The survey's indicators of future activity also increased or stayed at high levels, suggesting that firms remain optimistic about continued growth over the next six months.

## Activity Index at Highest Level Since 2011

The diffusion index of current general activity increased from a reading of 17.8 in June to 23.9 this month. The index has remained positive for five consecutive months and is at its highest reading since March 2011 (see Chart). The current new orders and shipments indexes increased notably this month, increasing 17 points and 19 points, respectively. Both unfilled orders and delivery times indexes were positive for the second consecutive month, suggesting continued strengthening conditions.

The current indicators for labor market conditions also suggest improved conditions this month. The employment index remained positive, and, although it increased less than 1 point, it has improved for four consecutive months. The percentage of firms reporting increases in employment (24 percent) exceeded the per-

centage reporting decreases (12 percent). The workweek index was positive for the fifth consecutive month and increased 5 points.

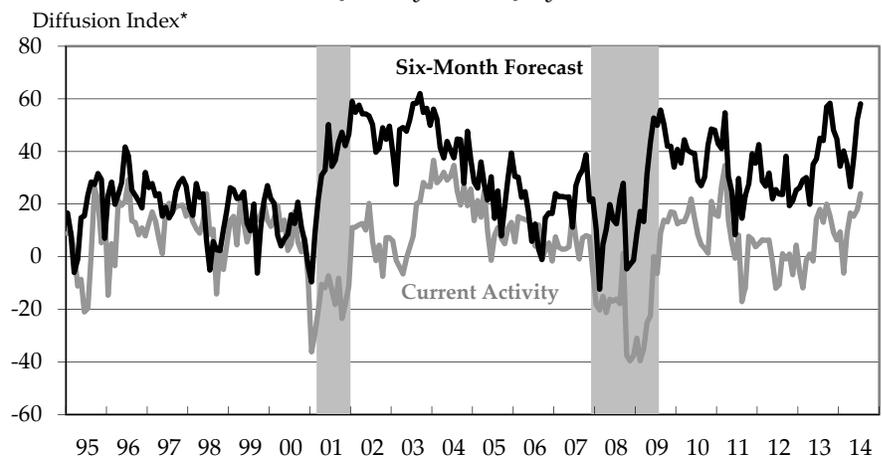
## Some Firms Report Higher Prices

About 36 percent of the firms reported higher input prices this month, near the level reported last month. The prices paid index changed little from its reading in June, although it had increased 24 points over the previous two months. The prices received index, which reflects firms' own final goods prices, increased slightly, from 14.1 to 16.8. The percent of firms reporting higher prices (21 percent) exceeded the percentage reporting lower prices (4 percent), although 72 percent of the firms reported steady prices.

## Indicators Reflect Continued Optimism

Most of the survey's broad indicators of future growth showed improvement again this month. The future general activity index increased 6 points and is at its highest reading since last October (see Chart). The index has increased for three consecutive months. The future indexes for new orders and shipments moved in opposite directions this month, but both remained at very high readings. Firms remained relatively optimistic with respect to employment growth, although the future employment index fell 2 points. Nearly one-third of the firms are expecting growth in their employment levels over the next six months. Only 4 percent of the firms expect employment reductions.

Current and Future General Activity Indexes  
(January 1995 to July 2014)



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

In special questions this month, manufacturing firms were asked about the contribution of growth in export business over the past year. Among the manufacturing firms that export, exports as a percentage of sales have increased at 39 percent of the firms; however, most of the firms (37 percent) indicated their export share had increased modestly. About 7 percent indicated that exports as a share of sales have decreased. Firms were also asked about the type of products being exported. Intermediate products represented the most cited type of products being exported (40 percent), followed by final business products (25 percent), capital goods (19 percent), and final consumer products (11 percent).

<b>Special Questions (July 2014)*</b>		
1. Over the past year, exports as a share of your total sales have:		
Increased substantially	1.8%	<b>Increased: 38.6%</b>
Increased modestly	36.8%	
No change	54.4%	<b>Decreased: 7.0%</b>
Decreased modestly	7.0%	
Decreased substantially	0%	
2. Which one of the following categories best characterizes the type of products being exported?		
Intermediate products		39.6%
Final business products		24.5%
Capital goods		18.9%
Final consumer products		11.3%
Other		5.7%
*Over 83 percent of the reporting firms reported export business.		

### Summary

The July *Business Outlook Survey* suggests continued broad-based expansion of the region's manufacturing sector. Firms

reported continued increases in overall activity, new orders, shipments, and employment this month. The survey's future activity indexes remained at high read-

ings, indicating that firms expect continued growth, including employment increases, over the next six months.

<b>BUSINESS OUTLOOK SURVEY July 2014</b>	July vs. June					Six Months from Now vs. July				
	<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>17.8</b>	32.8	53.8	8.9	<b>23.9</b>	<b>52.0</b>	59.8	33.9	1.7	<b>58.1</b>
Company Business Indicators										
New Orders	<b>16.8</b>	40.2	51.1	6.0	<b>34.2</b>	<b>57.8</b>	56.1	38.2	2.6	<b>53.5</b>
Shipments	<b>15.5</b>	45.3	43.6	11.1	<b>34.2</b>	<b>48.0</b>	60.4	31.0	2.6	<b>57.9</b>
Unfilled Orders	<b>11.5</b>	22.7	60.6	13.6	<b>9.1</b>	<b>24.7</b>	21.6	66.2	7.9	<b>13.8</b>
Delivery Times	<b>6.0</b>	17.3	72.8	7.7	<b>9.6</b>	<b>-3.5</b>	16.0	66.6	11.3	<b>4.7</b>
Inventories	<b>-6.7</b>	15.7	69.1	11.0	<b>4.8</b>	<b>30.5</b>	15.6	62.3	15.1	<b>0.5</b>
Prices Paid	<b>35.0</b>	35.8	63.1	1.1	<b>34.7</b>	<b>44.5</b>	40.9	50.3	2.7	<b>38.2</b>
Prices Received	<b>14.1</b>	21.0	71.9	4.2	<b>16.8</b>	<b>30.0</b>	31.1	54.9	7.5	<b>23.5</b>
Number of Employees	<b>11.9</b>	24.3	63.7	12.0	<b>12.2</b>	<b>31.4</b>	32.6	56.8	3.5	<b>29.1</b>
Average Employee Workweek	<b>7.3</b>	22.7	64.4	10.2	<b>12.5</b>	<b>16.7</b>	29.1	56.0	14.8	<b>14.4</b>
Capital Expenditures	--	--	--	--	--	<b>31.0</b>	26.8	60.9	8.0	<b>18.9</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 July 15, 2014.