



BUSINESS OUTLOOK SURVEY

August 2014

Indicators for the August *Business Outlook Survey* suggest that the region's manufacturing sector is continuing to grow. The survey's indicator for general activity was higher this month, but indicators for new orders, shipments, and employment, while positive, fell from their readings in July. The survey's broad indicators of future activity increased, suggesting that firms remain optimistic about continued growth over the next six months.

Activity Index Highest Since 2011

The diffusion index of current general activity increased from a reading of 23.9 in July to 28.0 this month. The index has increased for three consecutive months and is at its highest reading since March 2011 (see Chart). The new orders and shipments indexes remained positive but fell to near their levels in June. The new orders index decreased 20 points, while the shipments index decreased 18 points.

The current indicators for labor market conditions suggested continued modest expansion in employment. The employment index remained positive for the 14th consecutive month but declined 3 points from its reading in July. The percentage of firms reporting increases in employment (25 percent) exceeded the percentage reporting decreases (16 percent). The workweek index was positive for the sixth consecutive month and increased 1 point.

Price Pressures Moderate

Nearly 30 percent of the firms reported higher input prices this month, but this was

lower than the 36 percent that reported input price increases last month. The prices paid index decreased nearly 10 points from July to its lowest reading in three months. The prices received index, which reflects firms' own final goods prices, also decreased, from 16.8 to 4.2. The 12 percent of firms reporting higher prices was notably lower than the 21 percent reporting higher prices last month. Over 79 percent of the firms reported steady prices for their own products this month.

Six-Month Indicators Improve

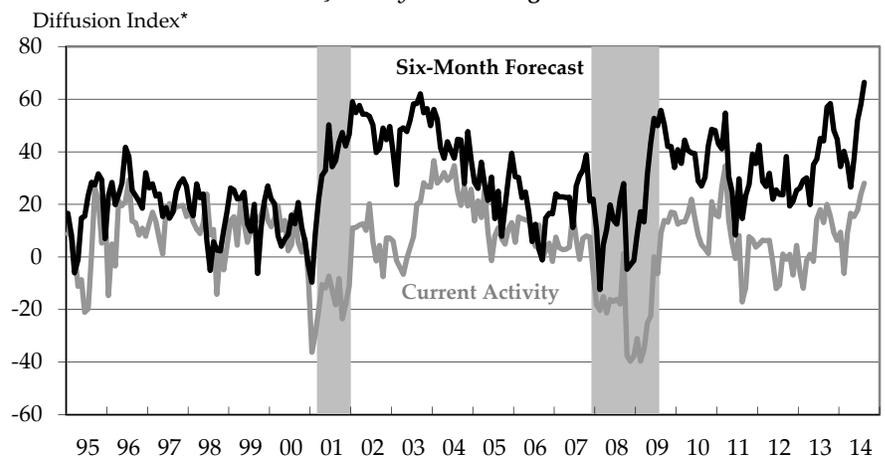
Most of the survey's broad indicators of future growth showed improvement this month. The future general activity index increased 8 points and is at its highest reading since June 1992 (see Chart). The index has increased for four consecutive months. The future indexes for new orders and shipments also improved this month, in-

creasing 5 and 10 points, respectively. Firms remained relatively optimistic with respect to employment growth, although the future employment index fell 4 points. Nearly 37 percent of the firms are expecting growth in their employment levels over the next six months, but 12 percent of the firms expect employment reductions.

While most broad indicators of future growth have been improving, the survey's future capital spending index has been slipping. Although the index decreased just 1 point this month, its reading, at 17.5, is now the lowest it has been in seven months.

In special questions this month, firms were asked qualitative questions about the effects of the Affordable Care Act (ACA) and how, if at all, they are making changes to their employment and compensation, including benefits. Over 18 percent of the

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



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

Released: August 21, 2014, 10:00 a.m. ET.
The September *Business Outlook Survey* will be released on September 18, 2014, at 10:00 a.m. ET.

firms indicated that the number of workers they employ was lower because of the ACA; 3 percent indicated higher levels. The same percentage (18 percent) indicated that the proportion of part-time workers had increased. Regarding health insurance benefit coverage, 41 percent said their coverage was unchanged, but 52 percent indicated modifications to their offerings. Among those modifying their health insurance coverage, higher deductibles (91 percent), higher worker contributed premiums (88 percent), and higher out-of-pocket maximums (77 percent) were the most cited changes.

Summary

The August *Business Outlook Survey* suggests continued expansion of the region's manufacturing sector, although some indicators returned to near their readings in June. Firms reported overall continued increases in general activity, new orders, shipments, and employment this month. The survey's future activity continued to improve, indicating that firms expect continued growth in manufacturing over the next six months.

Special Questions (August 2014)			
1. How, if at all, are you changing (or have you changed) any of the following because of the effects the Affordable Care Act (ACA) is having on your business?			
	Lower %	Higher %	No change %
The number of workers we employ (including full time and part time) is...	18.2	3.0	78.8
The proportion of workers who are part time is...	1.5	18.2	80.3
The amount of work we outsource to other firms is...	3.0	13.7	83.3
Our wage and salary compensation per worker is...	15.1	16.7	68.2
Prices we charge to our customers are...	0.0	28.8	71.2
2 a. Select one (1) of the following five (5) responses as to how your business is changing (or has changed) its health coverage policies in response to the ACA:			
We do not offer health insurance and don't plan to.	0.0		
We are keeping our plan unchanged.	40.9		
We are dropping health insurance.	3.0		
We are planning to offer coverage for the first time.	0.0		
We made (or are making) modifications.	51.5		
b. Companies that made (or are making) modifications:			
	Lower	Higher	No change
The proportion of our employees covered is...	14.7	17.6	67.6
Our employee contribution to premiums is...	2.9	88.2	8.8
Deductibles are...	0	91.2	8.8
Out-of-pocket maximums are...	2.9	76.5	20.6
Copays are...	2.9	64.7	32.4
The range of medical coverage is...	41.2	2.9	55.9
The size/breadth of the network is...	26.5	0	73.5
<i>Note: The manufacturing firms responding to the survey reported an average of 247 full-time and part-time employees; 5.8 percent of the employees were part time.</i>			

BUSINESS OUTLOOK SURVEY August 2014	August vs. July					Six Months from Now vs. August				
	<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?	23.9	34.6	58.9	6.5	28.0	58.1	66.4	33.6	0.0	66.4
Company Business Indicators										
New Orders	34.2	32.3	50.2	17.6	14.7	53.5	61.4	32.4	2.6	58.9
Shipments	34.2	32.1	50.3	15.7	16.5	57.9	67.4	28.8	0.0	67.4
Unfilled Orders	9.1	14.1	65.8	18.3	-4.1	13.8	26.7	68.4	0.1	26.6
Delivery Times	9.6	14.1	76.3	9.6	4.5	4.7	15.1	76.8	5.7	9.4
Inventories	4.8	20.8	66.7	12.5	8.3	0.5	23.3	59.0	12.8	10.5
Prices Paid	34.7	29.6	65.0	4.7	24.9	38.2	50.3	46.4	0.0	50.3
Prices Received	16.8	11.8	79.3	7.6	4.2	23.5	35.9	52.4	6.4	29.5
Number of Employees	12.2	24.7	59.7	15.6	9.1	29.1	36.7	51.0	12.0	24.7
Average Employee Workweek	12.5	21.2	70.8	8.0	13.3	14.4	25.0	65.8	7.3	17.8
Capital Expenditures	--	--	--	--	--	18.9	24.9	63.6	7.4	17.5

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 August 19, 2014.