

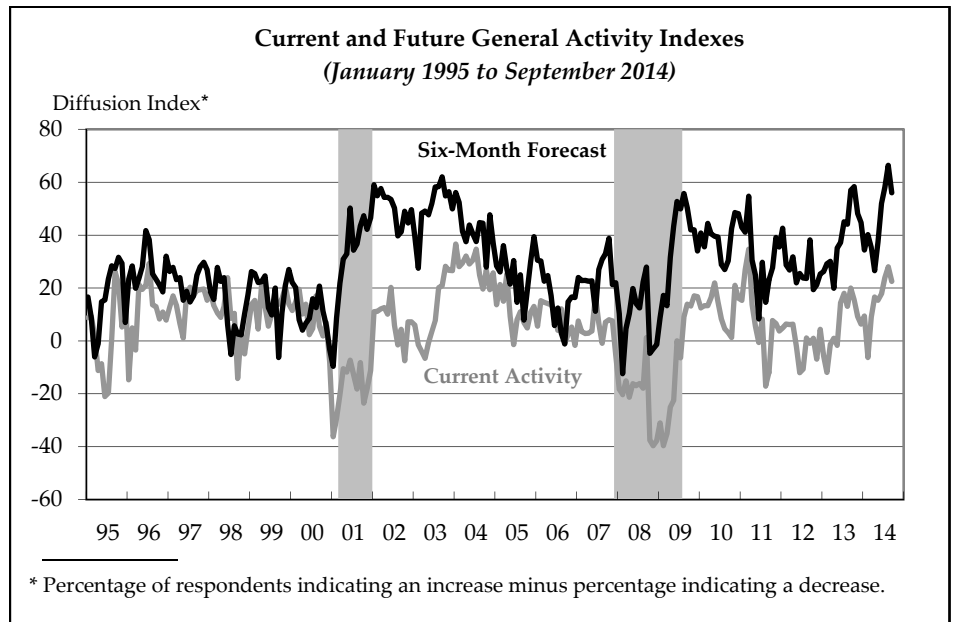
September 2014

Firms responding to the *Manufacturing Business Outlook Survey* indicated continued growth in the region's manufacturing sector in September. Although the current activity index fell from its relatively high reading in August, the other broad indicators increased from their readings last month. The survey's indicators for future manufacturing conditions reflect general optimism about growth in activity and employment over the next six months.

Indicators Reflect Continuing Growth

The diffusion index for current activity fell from a reading of 28.0, its highest reading since March 2011, to 22.5 this month (see Chart). The current new orders and shipments indexes edged higher this month, however, increasing 1 point and 5 points, respectively. Indexes for both unfilled orders and delivery times were positive this month, suggesting continued strengthening conditions.

The survey's indicators for labor market conditions suggest notable improvement this month. The employment index increased 12 points to its highest reading since May 2011. The percentage of firms reporting increases in employment (26 percent) exceeded the percentage reporting decreases (5 percent). The workweek index was positive for the seventh consecutive month but fell nearly 9 points.



Price Indexes Increase Moderately

Over 31 percent of the firms reported higher input prices this month, just slightly higher than the level reported last month. The prices paid index increased 2 points. The prices received index, which reflects firms' own final goods prices, also edged slightly higher, from 4.2 to 8.8. The percent of firms reporting higher prices (13 percent) exceeded the percentage reporting lower prices (4 percent), although nearly 80 percent of the firms reported steady prices.

Firms Expect Increases in Employment

Most of the survey's indicators of future growth declined from their 22-year high readings reached last month. The future general activity index decreased 10 points (see Chart). The future indexes for new orders and shipments also decreased this month, declining 7 and 9 points, respectively. Firms raised

their expectations about employment growth over the next six months. Nearly 44 percent of the firms are expecting growth in their employment levels over the next six months, compared with 37 percent last month. The future employment index increased sharply, from 24.7 to 39.6, its highest reading since September 1983.

In Special Questions, firms were asked to estimate their total production growth for the third quarter ending this month along with expected growth for the fourth quarter. Firms anticipating increases in third quarter production (59 percent) exceeded those anticipating decreases (29 percent). Firms expect average production growth of 2 percent in the third quarter. With regard to the fourth quarter, the percentage of firms forecasting acceleration in the rate of

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The October *Manufacturing Business Outlook Survey* will be released on October 16, 2014, at 10:00 a.m. ET.



their production growth (54 percent) was greater than the percentage forecasting deceleration in growth (21 percent).

Summary

The September *Manufacturing 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. The survey's future activity indexes remained at high readings, suggesting continued optimism about manufacturing growth. Firms were more optimistic about employment increases over the next six months.

On Tuesday, September 23, at 10:00 a.m. ET, the Bank will launch the release of the *Nonmanufacturing Business Outlook Survey*.

| Special Questions (September 2014)* | | |
|--|-------------------|--|
| 1. How will your firm's total production for the third quarter compare with that of the second quarter? | | |
| An increase of: | % of firms | Subtotals |
| 10% or more | 8.8% | % of firms reporting an <u>increase</u> 58.8% |
| 8-10% | 6.3% | |
| 6-8% | 11.3% | |
| 4-6% | 6.3% | |
| 2-4% | 11.3% | |
| 0-2% | 15.0% | |
| <u>No change</u> | 12.5% | % of firms reporting a <u>decline</u> 28.7% |
| A decline of: | | |
| 0-2% | 6.3% | |
| 2-4% | 8.8% | |
| 4-6% | 6.3% | |
| 6-8% | 5.0% | |
| 8-10% | 2.5% | |
| 10% or more | 0% | |
| Average growth expected for all firms: 2.0% | | |
| 2. For the upcoming fourth quarter , how much growth do you expect at your plant compared with the third quarter? | | |
| Significant acceleration | 1.3% | Acceleration 53.8% |
| Some acceleration | 22.5% | |
| Slight acceleration | 30.0% | |
| <u>No change</u> | 25.0% | |
| Slight deceleration | 8.8% | Deceleration 21.2% |
| Some deceleration | 11.3% | |
| Significant deceleration | 1.3% | |
| *Percentages may not add to 100 percent because not all firms answered all questions. | | |

| MANUFACTURING BUSINESS OUTLOOK SURVEY September 2014 | September vs. August | | | | | Six Months from Now vs. September | | | | |
|--|--------------------------------|----------|--------------|----------|--------------------|-----------------------------------|----------|--------------|----------|--------------------|
| | Previous Diffusion Index | Increase | No Change | Decrease | Diffusion Index | Previous Diffusion Index | Increase | No Change | Decrease | Diffusion Index |
| What is your evaluation of the level of general business activity? | 28.0 | 42.2 | 38.0 | 19.8 | 22.5 | 66.4 | 56.0 | 38.6 | 0.0 | 56.0 |
| Company Business Indicators | | | | | | | | | | |
| New Orders | 14.7 | 37.6 | 37.0 | 22.1 | 15.5 | 58.9 | 55.1 | 36.6 | 3.4 | 51.7 |
| Shipments | 16.5 | 40.4 | 40.8 | 18.8 | 21.6 | 67.4 | 58.8 | 33.9 | 0.0 | 58.8 |
| Unfilled Orders | -4.1 | 23.8 | 56.7 | 18.8 | 5.0 | 26.6 | 27.2 | 58.3 | 7.6 | 19.6 |
| Delivery Times | 4.5 | 11.4 | 79.7 | 7.6 | 3.8 | 9.4 | 15.9 | 68.9 | 9.1 | 6.8 |
| Inventories | 8.3 | 21.9 | 58.7 | 15.8 | 6.1 | 10.5 | 26.2 | 52.0 | 14.3 | 11.9 |
| Prices Paid | 24.9 | 31.1 | 64.5 | 4.2 | 27.0 | 50.3 | 49.3 | 38.4 | 3.1 | 46.2 |
| Prices Received | 4.2 | 13.0 | 79.7 | 4.2 | 8.8 | 29.5 | 36.8 | 49.2 | 5.5 | 31.3 |
| Number of Employees | 9.1 | 25.7 | 69.8 | 4.5 | 21.2 | 24.7 | 43.6 | 46.7 | 4.0 | 39.6 |
| Average Employee Workweek | 13.3 | 18.9 | 66.6 | 14.5 | 4.4 | 17.8 | 24.4 | 52.8 | 15.5 | 8.9 |
| Capital Expenditures | -- | -- | -- | -- | -- | 17.5 | 31.1 | 52.7 | 7.4 | 23.7 |

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 15, 2014.