

October 2014

Firms responding to the October *Manufacturing Business Outlook Survey* indicated continued growth in the region's manufacturing sector this month. Most broad indicators of current growth, while positive, weakened from higher readings last month. The current activity, shipments, and employment indexes declined, while the index for new orders was at a higher level compared with September. A larger percentage of firms reported higher prices for their own manufactured goods this month. The survey's indicators for future manufacturing conditions fell from higher readings but continued to reflect general optimism about growth in activity and employment over the next six months.

Indicators Reflect Continuing Growth

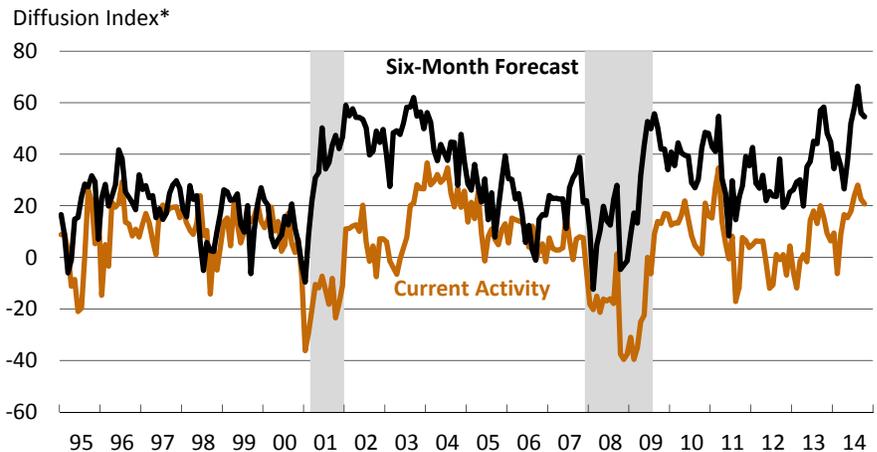
The diffusion index for current activity edged down from a reading of 22.5 to 20.7 this month (see Chart 1). More than 34 percent of the firms reported an increase in activity; nearly 14 percent reported a decrease in activity. The current shipments and employment indexes also declined but remained positive, while the current new orders index increased 2 points. Firms reported an increase in inventories this month; the current inventory index increased 9 points to its highest reading in 10 months.

The survey's indicators for labor market conditions suggest some moderation in employment growth this month. Although positive for the 16th consecutive month, the employment index decreased 9 points. The percentage of firms reporting increases in employment (20 percent) still exceeded the percentage reporting decreases (8 percent). For the first time in eight months, the workweek index was slightly negative.

Firms Report Higher Prices for Manufactured Goods

Input price pressures were reported to be nearly the same as last month: The prices paid index was nearly unchanged

Chart 1. Current and Future General Activity Indexes
(January 1995 to October 2014)



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

from September, at 27.6 (see Chart 2). More than 29 percent of the firms reported higher input prices; 2 percent reported lower input prices. With respect to prices received for manufactured goods, 21 percent of the firms reported higher prices, up from 13 percent last month. The prices received index increased 12 points, to 20.8, its highest reading since April 2011.

Future Indicators Weaken but Still Reflect Expected Growth

The diffusion index for current activity edged down 2 points, to 54.5 (see Chart 1). The future index for new orders held steady, but the future shipments index decreased 7 points. Firms pulled back their expectations about employment growth over the next six months. Nearly 33 percent of the firms are expecting growth in their employment levels over the next six months, compared with 44 percent last month. The future employment index decreased, from 39.6 to 28.0.

For this month's special questions, manufacturers were asked about current capacity utilization rates compared with the same time last year, as well as their plans for different categories of capital spending next year (see Special Questions on page 3). The average capacity utilization rate among

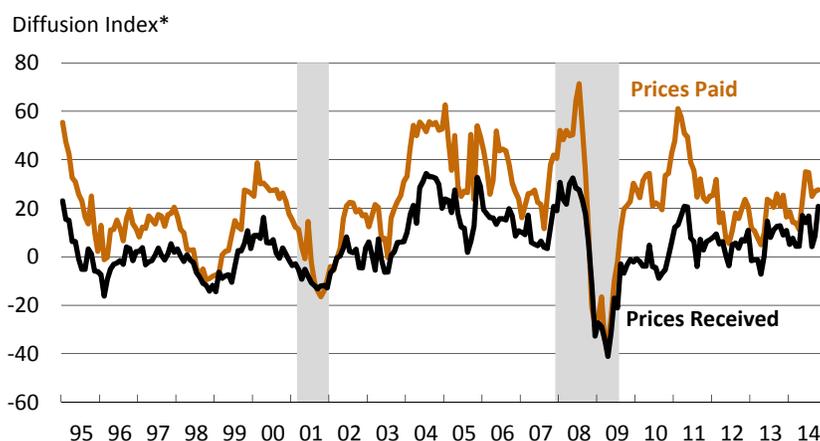


the firms polled was slightly more than 78 percent, which was an increase from the rate indicated one year earlier (76.5 percent). The share of firms expecting to increase spending on all capital categories (except structures) was higher than the share of firms expecting decreases. For most capital spending categories, higher capacity utilization rates were associated with expected increases in spending. For example, the current utilization rate among firms expecting to increase spending on noncomputer equipment (84 percent) was notably higher than those expecting to decrease spending (69 percent).

Summary

The October *Manufacturing Business Outlook Survey* suggests continued expansion of the region's manufacturing sector. Firms reported continued increases in new orders but slower growth in activity, shipments, and employment this month. The survey's future activity indexes remained at high readings, suggesting continued optimism about manufacturing growth. Firms were less optimistic about employment increases over the next six months, but one-third of the firms still expect to hire additional workers. ■

Chart 2. Current Prices Paid and Prices Received Indexes
(January 1995 to October 2014)



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

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The November *Manufacturing Business Outlook Survey* will be released on November 20, 2014, at 10:00 a.m. ET.

MANUFACTURING BUSINESS OUTLOOK SURVEY October 2014	October vs. September					Six Months from Now vs. October				
	<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?	22.5	34.2	50.4	13.5	20.7	56.0	57.8	31.1	3.3	54.5
Company Business Indicators										
New Orders	15.5	36.2	43.1	18.9	17.3	51.7	58.0	32.7	6.6	51.4
Shipments	21.6	34.3	47.0	17.7	16.6	58.8	58.5	33.3	6.2	52.3
Unfilled Orders	5.0	24.0	63.5	12.4	11.6	19.6	23.7	62.9	11.6	12.1
Delivery Times	3.8	11.9	76.3	11.3	0.6	6.8	16.1	76.1	3.4	12.8
Inventories	6.1	29.1	55.4	14.3	14.8	11.9	27.2	46.7	18.4	8.9
Prices Paid	27.0	29.4	68.4	1.8	27.6	46.2	38.5	50.8	5.6	32.9
Prices Received	8.8	20.8	79.2	0.0	20.8	31.3	27.1	64.9	4.7	22.5
Number of Employees	21.2	20.4	70.6	8.3	12.1	39.6	33.1	58.2	5.1	28.0
Average Employee Workweek	4.4	12.6	70.1	13.9	-1.3	8.9	22.6	65.6	6.4	16.2
Capital Expenditures	--	--	--	--	--	23.7	28.3	52.2	9.4	18.9

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 October 14, 2014.

Special Questions (October 2014)

1. Which of the following best characterizes your plant's current and past capacity utilization rate?

Capacity Utilization Rate	Current (% of reporters)	Same Time Last Year (% of reporters)
Less than 60%	13.4	10.8
60%-65%	3.0	7.7
65%-70%	10.5	13.8
70%-75%	10.5	6.2
75%-80%	11.9	20.0
80%-85%	13.4	16.9
85%-90%	19.4	13.8
90%-95%	10.4	3.1
95%-100%	7.5	7.7
Average utilization rate	78.1	76.5
U.S. utilization rate*	78.0	76.9

2. Do you expect the following capital expenditure categories over the next year to be higher than, the same, or lower than in the current year?

	Higher (% of reporters)	Same (% of reporters)	Lower (% of reporters)	Diffusion Index
Software	28.8	54.5	16.7	12.1
Computer & related hardware	27.3	59.1	13.6	13.6
Noncomputer equipment	31.3	46.8	21.9	9.4
Energy-saving investments	17.7	72.6	9.7	8.1
Structure	17.7	56.5	25.8	-8.6

Exhibit 1: Average percent capacity utilization rates for firms in categories above.

	Capacity Utilization Rate for Higher Spending in Category	Capacity Utilization Rate for Same Spending in Category	Capacity Utilization Rate for Lower Spending in Category
Software	81.6	78.2	71.1
Computer & related hardware	78.8	78.5	74.4
Noncomputer equipment	84.0	79.6	69.3
Energy-saving investments	78.2	78.2	76.7
Structure	81.4	78.4	75.5
Average utilization rate	80.8	78.6	73.4

*Capacity Utilization: U.S. Manufacturing (NAICS)

"Current" shows rate for August 2014; "Same Time Last Year" shows rate for October 2013.

