

February 2015

Firms responding to the *Manufacturing Business Outlook Survey* indicated continued modest growth in the region's manufacturing sector in February. Although the current activity index fell for the third consecutive month, it remained positive, and the employment indicator increased from its reading last month. The survey's future activity index also fell but continues to reflect general optimism about manufacturing growth in the region over the next six months.

Indicators Reflect Modest Growth

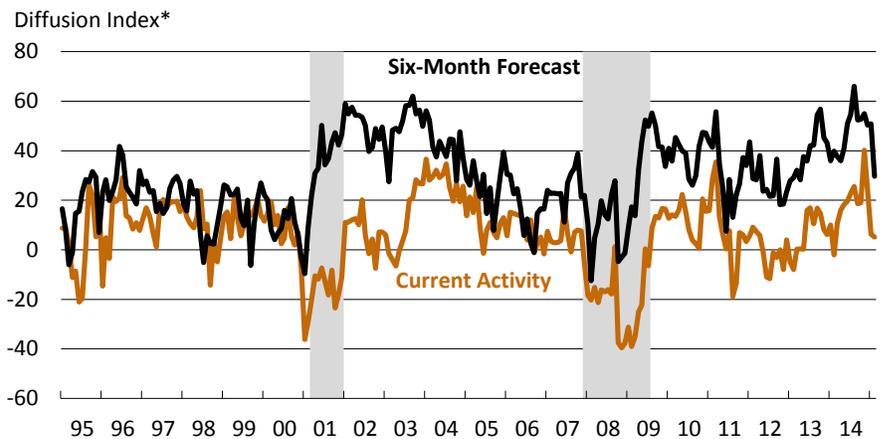
The diffusion index for current general activity fell slightly, from a reading of 6.3 in January to 5.2 this month (see Chart 1). Half of the responding firms indicated there was no change in activity from January to February. The current new orders index fell 3 points, but the shipments and unfilled orders indexes turned positive and rose 15 and 16 points, respectively. The index for delivery times increased 6 points but remained negative, while the index for inventories rose 16 points.

The survey's indicators for current labor market conditions suggest a slight improvement this month, as the employment index increased 6 points and returned to a positive reading (see Chart 2, next page). The percentage of firms reporting increases in employment (21 percent) exceeded the percentage reporting decreases (17 percent). The workweek index was negative with almost no change from last month.

Price Indexes Remain Subdued

Fifteen percent of the firms reported higher prices paid this month, 5 percentage points below the number that reported higher prices paid last month, and the prices paid index fell 5 points. The prices received index remained unchanged at close to zero. Eighty percent of the firms reported no change in prices received, and the percentage of firms reporting higher prices received was equivalent to the percentage reporting lower prices received (10 percent).

Chart 1. Current and Future General Activity Indexes
(January 1995 to February 2015)



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

Firms Expect Growth to Continue

The diffusion index for general future activity fell from a reading of 50.9 in January to 29.7 in February (see Chart 1). Forty-two percent of the firms expect activity to grow six months from now. The survey's indicators of future growth for new orders, shipments, unfilled orders, delivery times, and inventories declined, but future indexes for the number of employees and average workweek showed slight improvement. Thirty-seven percent of the firms are expecting growth in their employment levels over the next six months, compared with 33 percent last month, and the future employment index increased 3 points (see Chart 2, next page).

Firms Expect to Increase Production to Meet Rising Demand

In Special Questions, firms were asked to characterize current demand and production of their manufactured products and make comparisons to the fourth quarter of last year (ex-

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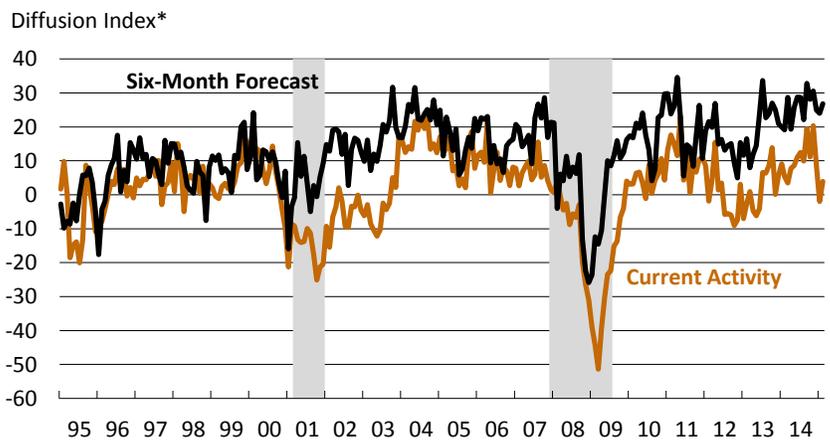


cluding seasonal effects). Most firms (55 percent) reported an increase in underlying demand, while 20 percent reported a decrease. Fifty-four percent of the firms anticipate increasing production, and 33 percent expect to cut production.

Summary

Responses to the February *Manufacturing Business Outlook Survey* suggest continued modest expansion of the region's manufacturing sector. Firms reported that overall activity continued to rise, and the survey's future activity indexes remain positive, suggesting continued optimism about manufacturing growth. Firms also remain optimistic about employment increases over the next six months.

Chart 2. Current and Future Number of Employees Indexes
(January 1995 to February 2015)



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

MANUFACTURING BUSINESS OUTLOOK SURVEY February 2015	February vs. January					Six Months from Now vs. February				
	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?	6.3	27.7	49.9	22.5	5.2	50.9	42.0	37.0	12.3	29.7
Company Business Indicators										
New Orders	8.5	33.4	37.8	28.0	5.4	44.8	55.5	26.5	12.7	42.8
Shipments	-6.9	34.7	38.7	26.6	8.1	40.8	50.6	31.8	12.4	38.2
Unfilled Orders	-8.6	22.7	61.9	15.3	7.3	9.7	22.5	56.5	14.6	7.9
Delivery Times	-11.0	10.9	73.5	15.5	-4.6	8.1	15.9	61.0	16.1	-0.2
Inventories	-0.7	27.5	56.4	12.3	15.2	7.2	21.0	48.7	21.1	0.0
Prices Paid	9.8	14.7	75.3	10.0	4.7	26.0	36.7	55.9	4.5	32.2
Prices Received	-0.2	9.7	80.4	9.9	-0.2	20.7	26.0	62.9	6.7	19.3
Number of Employees	-2.0	20.9	55.8	17.0	3.9	24.0	37.0	44.9	10.2	26.8
Average Employee Workweek	-6.7	12.8	66.3	18.8	-6.0	13.0	24.6	59.7	10.5	14.1
Capital Expenditures	--	--	--	--	--	13.2	29.3	54.0	8.3	20.9

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 February 17, 2015.

Special Questions (February 2015)

1. Since the beginning of the year, how would you characterize the underlying demand for your manufactured products? Exclude any purely seasonal effect.

Increase significantly	6.7%	Total Increase: 55.0%
Increase modestly	48.3%	
No change	25.0%	
Decrease modestly	18.3%	Total Decrease: 20.0%
Decrease significantly	1.7%	

2. What change, if any, do you anticipate in your firm's production during the first quarter of 2015 compared with the fourth quarter of last year?

Increase of more than 4%	19.7%	Total Increase: 54.1%
Increase of 2-4%	23.0%	
Increase of less than 2%	11.4%	
No change	13.1%	
Decrease of less than 2%	9.8%	Total Decrease: 32.8%
Decrease of 2-4%	9.9%	
Decrease of more than 4%	13.1%	

Average expected growth for all firms: 0.69%

Average expected growth for firms attributing growth to seasonal factors: - 0.96%*

Average expected growth for firms attributing growth to changes in conditions: 2.41%*

3. Would this represent an acceleration or deceleration from the fourth quarter?

Significant acceleration	8.2%	Acceleration: 49.2%
Some acceleration	41.0%	
No change	19.7%	
Some deceleration	23.0%	Deceleration: 31.1%
Significant deceleration	8.1%	

**The calculation is based on responses to a separate question about whether the expected change was due to seasonal factors, change in business conditions, or other factors.*

