



# BUSINESS OUTLOOK SURVEY

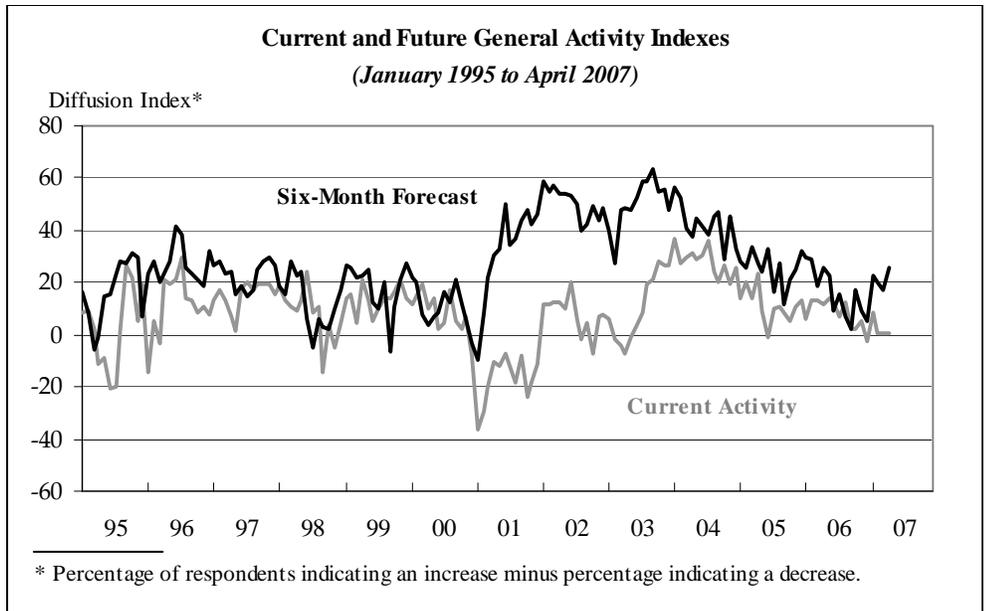
## April 2007

Activity in the region's manufacturing sector was basically unchanged again this month, according to firms polled for the *Business Outlook Survey*. The index for general activity was near zero, and indicators for new orders, shipments, and employment were only slightly positive, suggesting little change from March. Regarding future activity, the region's manufacturing executives were somewhat more optimistic this month than they were in March.

### Growth in Manufacturing Stalled

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, was unchanged at 0.2 this month (see Chart). Forty-four percent of the firms indicated no change in activity from March, and the percentage of firms reporting increases was equal to the percentage reporting decreases (28 percent). Demand for manufactured goods, as represented by the survey's new orders index, reflects virtually no growth again this month. The new orders index, at 2.8, was only one point higher than in March, and the shipments index fell almost three points, to 4.3, suggesting little change from last month. Indexes for delivery times and unfilled orders remained negative, indicating shorter delivery times and a decline in unfilled orders.

Overall employment in the manufacturing sector was steady this month, reflecting the lack of growth in the general indicators. Sixty-three percent of the firms reported near steady employment levels in April, and the percentage of firms reporting increases (19 percent) was only slightly higher than the percentage reporting decreases (16 percent). The current employment index, at 2.5, was basically unchanged from its level in March. The average workweek index edged slightly higher: 18 percent of the



firms reported increased hours; 12 percent reported fewer hours.

### Cost Pressures Remain

Area manufacturers reported higher costs for inputs again this month. The prices paid index edged three points higher and has now increased for three consecutive months. Thirty-seven percent of the firms reported higher input prices, up seven points from March; 13 percent reported lower input prices in April.

Despite increased costs, fewer firms reported higher prices for their own goods this month: 17 percent reported higher prices, down nine points from March. The prices received index fell 11 points, to 5.2, its lowest reading since August 2005.

### Six-Month Forecasts Improve

The outlook for manufacturing growth over the next six months showed some improvement this month. The future general activity index increased from 17.4 to 25.8,

the highest reading since April 2006 (see Chart). The indexes for future new orders and shipments remained near their readings in March. Forty-one percent of the firms expect increases in new orders over the next six months; 42 percent expect increases in shipments. Firms are more cautious in their responses about expected increases in employment over the next six months. Twenty-seven percent expect employment increases; 15 percent expect decreases. The future employment index, however, increased three points from its March reading.

In special questions this month, firms were asked about their recent experience filling job openings (see Special Questions). Sixty-four percent of the firms said they had recently experienced problems filling job openings because applicants lacked sufficient skills. The percentage of firms experiencing this problem has risen over the three years this question has been asked. The most frequently cited skills that applicants

lacked were skills in the use of production machines or tools; specific plant and system operator skills; and supervision, management, or administrative skills. About 30 percent of the respondents indicated that the gap between required skills and available skills has grown over the past year.

### Summary

Overall activity in the region's manufacturing sector was steady this month, and indicators for new orders, shipments, and employment were only slightly positive. Upward pressures on input costs continue to be reported by a significant share of the firms, but only a slightly higher percentage of firms reported increased prices for their own manufactured goods than reported a decrease. The manufacturers' outlook remains optimistic, and most of the survey's six-month indicators were slightly higher than in March.

### Special Questions (April 2007)

1. Has your firm experienced problems filling job openings in the past three months because applicants did not have sufficient qualifications?

	April 2007	March 2006	April 2004
Yes	64.3%	51.4%	42.0%
No	22.6%	37.2%	36.1%
Have had no openings	13.1%	11.4%	21.9%
Total	100.0%	100.0%	100.0%

If yes, what are the three most significant skill categories that applicants are lacking?

	Percent choosing specific skill category*
Skills in the use of production machines or tools	76.7%
Specific plant and system operator skills	69.5%
Supervisory, management, or admin. skills	57.1%
Basic skills (reading, writing, math)	48.0%
English language skills	25.0%
Computer skills	19.1%

\* Totals sum to more than 100% because each respondent could select multiple categories.

2. In general, how has the gap between required skills and available skills changed over the following periods?

	Now, compared to six months ago	Now, compared to one year ago
Larger	18.0%	30.3%
Smaller	6.4%	10.5%
Same	75.6%	59.2%
Total	100.0%	100.0%

<b>BUSINESS OUTLOOK SURVEY (April 2007)</b>	April vs. March					Six Months from Now vs. April				
	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?	0.2	27.9	44.4	27.7	0.2	17.4	44.4	34.7	18.6	25.8
Company Business Indicators										
New Orders	1.9	32.2	37.5	29.4	2.8	23.3	41.2	36.9	17.8	23.5
Shipments	6.8	30.0	44.4	25.7	4.3	22.5	42.4	32.7	17.6	24.8
Unfilled Orders	-20.9	12.3	59.7	26.0	-13.7	-1.1	18.1	55.6	21.2	-3.2
Delivery Times	-13.2	6.0	71.2	17.9	-11.9	-16.5	9.5	68.0	16.1	-6.7
Inventories	-3.7	19.7	57.4	22.8	-3.1	-9.8	25.0	44.5	25.7	-0.6
Prices Paid	21.8	36.8	47.8	12.6	24.3	26.9	41.5	44.8	9.2	32.3
Prices Received	16.3	17.3	70.6	12.1	5.2	15.0	30.3	58.6	9.8	20.4
Number of Employees	2.3	18.5	62.5	16.0	2.5	8.9	27.0	54.0	15.2	11.7
Average Employee Workweek	-4.9	17.8	62.6	12.3	5.5	6.4	22.2	54.8	16.3	6.0
Capital Expenditures	--	--	--	--	--	25.3	23.3	47.3	10.9	12.3

#### 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 April 17, 2007.