



BUSINESS OUTLOOK SURVEY

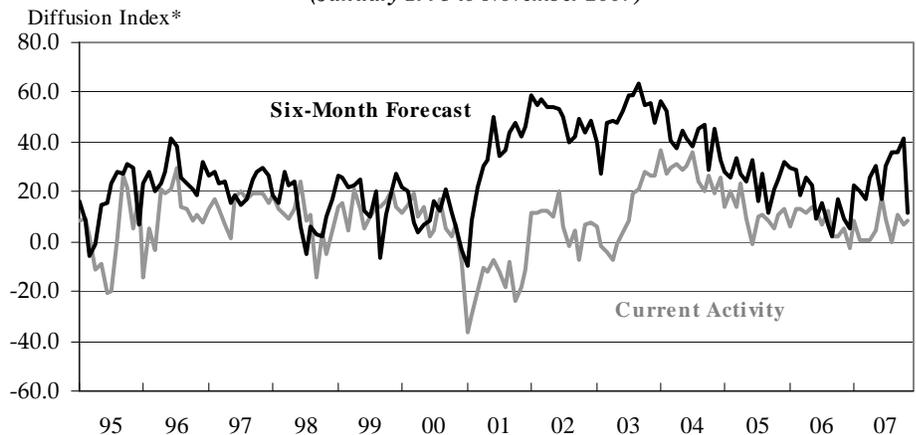
November 2007

Activity in the region's manufacturing sector continued to expand in November at about the same modest pace as in October, according to firms responding to this month's *Business Outlook Survey*. Indicators for general activity and new orders remained positive and increased slightly from their readings last month. The employment index, while remaining positive, fell notably this month. Firms continued to report a rise in prices for inputs, and prices for the firms' own manufactured goods have increased in recent months. The region's manufacturing executives were substantially less optimistic about future activity than they were in October, and responses to special questions indicated that some firms are cutting back on fourth-quarter production plans.

Indicators Suggest Modest Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, rose slightly, from 6.8 in October to 8.2 this month (see Chart). Forty-two percent of the firms reported no change in activity from October, but the percentage of firms reporting increases (33 percent) remained greater than the percentage reporting decreases (24 percent). Other broad indicators suggest slow growth this month. The survey's new orders index, which reflects the demand for manufactured goods, remained positive but increased by less than one point from its relatively low reading last month. The current shipments index, which fell below zero last month, increased from -4.1 to 4.7, suggesting that shipments rebounded this month. There were indications of weakness in growth, however; the indexes for unfilled orders and delivery times were both negative this month.

Current and Future General Activity Indexes
(January 1995 to November 2007)



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

Weakness in growth is also evident in replies about employment and hours worked. The percentage of firms reporting an increase in employment (21 percent) was higher than the percentage reporting a decrease (16 percent), but the current employment index declined eight points, to its lowest reading in four months. The average workweek index remained positive but edged four points lower.

Firms Report Higher Prices

A sizable share of firms reported higher prices for inputs again this month: 44 percent of the firms reported higher input prices, compared to 46 percent in October. The prices paid index declined three points but is well above its average reading for the year.

The prices received index, which increased six points, has now increased in two consecutive months. Although 73 percent of the firms reported steady prices for their own manufactured goods, 23 percent re-

ported higher prices, and 4 percent reported lower prices.

Six-Month Forecasts Fall Sharply

The outlook for manufacturing growth over the next six months appeared to reflect less confidence this month as all future indicators fell from their October readings. The future general activity index decreased from 41.5 in October to 11.6 this month, its lowest reading this year (see Chart). The indexes of future new orders and shipments followed suit: The two indexes declined 23 points and 20 points, respectively. Firms were also less optimistic about future increases in employment: The future employment index dropped 13 points, to its lowest reading since June.

Released: November 15, 2007
12:00 noon E.T.

NOTICE: Effective January 2008, the *Business Outlook Survey* will be released at 10 a.m. ET, instead of at noon, on the third Thursday of the month.

In special questions this month, firms were asked about expected growth in production during the fourth quarter and whether, among other things, the increase or decrease reflected a change in business conditions (see Special Questions). Sixty-six percent of the firms indicated that production would decrease in the fourth quarter; 27 percent said the decrease was due to a change in business conditions. Thirty-two percent of the firms indicated that production would increase; 12 percent indicated that the increase was the result of a change in business conditions.

Summary

Indicators of current activity suggest a continuation of modest growth in the region's manufacturing sector in November. Forty-four percent of firms surveyed continued to report cost pressures, and 23 percent reported higher prices for their manufactured goods. Overall, firms expect improvement in manufacturing business over the next six months, although most six-month indicators were down dramatically from last month. Over one-quarter of the firms surveyed indicated that fourth-quarter

Special Questions (November 2007)				
1. What change, if any, do you anticipate in your firm's production during the fourth quarter of 2007 compared to the third quarter?				
	<i>All Firms Reporting</i>		<i>Firms Attributing Expected Change to Altered Business Conditions</i> <i>(% of all firms reporting)</i>	
	%	subtotals	%	subtotals
Decline of more than 4%	15.9	65.8	8.5	26.8
Decline of 3-4%	7.3		3.7	
Decline of 2-3%	8.5		2.4	
Decline of 1-2%	8.5		3.7	
Decline of less than 1%	25.6		8.5	
Increase of less than 1%	0.0	31.8	0.0	12.2
Increase of 1-2%	9.8		4.9	
Increase of 2-3%	11.0		3.7	
Increase of 3-4%	6.1		2.4	
Increase of more than 4%	4.9		1.2	
No change	2.4	2.4	0.0	0.0
Totals	100.0%	100.0%	39.0%	39.0%

production cutbacks are planned and that they are attributable to recent changes in business conditions.

BUSINESS OUTLOOK SURVEY November 2007	November vs. October					Six Months from Now vs. November				
	<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?	6.8	32.5	42.0	24.3	8.2	41.5	32.4	44.1	20.8	11.6
Company Business Indicators										
New Orders	2.7	34.7	34.1	31.2	3.5	43.5	40.3	37.0	19.8	20.5
Shipments	-4.1	34.8	34.3	30.2	4.7	38.7	37.9	39.2	19.5	18.5
Unfilled Orders	-8.2	15.1	60.5	24.3	-9.2	3.6	18.0	56.4	19.7	-1.7
Delivery Times	0.9	9.4	69.4	21.1	-11.7	-4.8	4.3	67.5	21.0	-16.7
Inventories	-15.0	27.2	48.2	24.6	2.5	-8.9	14.7	53.1	25.1	-10.4
Prices Paid	40.3	43.6	50.5	5.9	37.7	51.5	53.5	35.5	4.9	48.6
Prices Received	12.4	22.5	72.7	3.9	18.6	38.1	35.1	50.3	8.0	27.1
Number of Employees	12.6	20.7	63.4	15.9	4.8	26.9	30.6	45.0	17.0	13.6
Average Employee Workweek	5.1	17.6	64.3	16.0	1.6	6.3	16.9	57.7	17.8	-0.9
Capital Expenditures	--	--	--	--	--	20.5	25.0	48.9	18.0	7.1

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 November 13, 2007.