



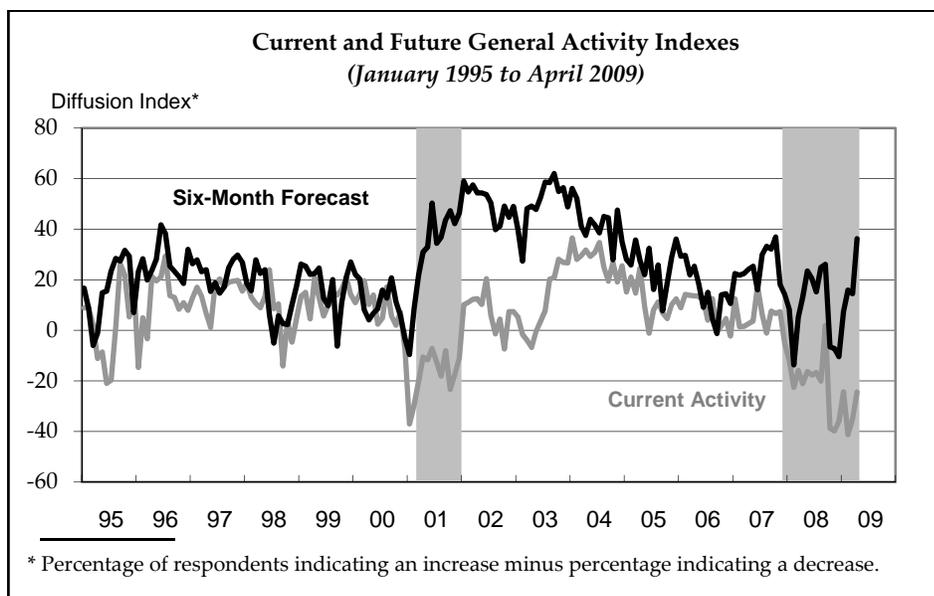
BUSINESS OUTLOOK SURVEY

April 2009

The region's manufacturing sector contracted less severely this month, according to firms polled for the April *Business Outlook Survey*. Indexes for general activity, new orders, and employment remained negative but improved somewhat from March. Indicative of continued weakness, firms reported declines in input prices and prices for their own manufactured goods, and the corresponding price indexes reached record lows this month. Most of the survey's broad indicators of future activity improved notably this month, suggesting that the region's manufacturing executives expect declines to bottom out over the next six months.

Some Indicators Suggest Declines May Be Diminishing

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from -35.0 in March to -24.4 this month. Although clearly indicating continued overall decline, this reading is the highest since January. The index has been negative for 16 of the past 17 months, a span that corresponds to the current recession (see Chart). The new orders index remained negative but showed similar improvement, increasing 16 points from a 29-year low in March. The survey's shipments index decreased nine points, to -35.7, its lowest reading since the beginning of the survey in 1968. The survey's index of current inventories increased 15 points from its record low reading of -55.6 last month. The survey's indexes for delivery times and unfilled orders showed similar improvement this month but continued to reflect overall weakness.



Employment losses remained widespread this month, with over 45 percent of the firms reporting declines. The current employment index, though still negative at -44.9, increased seven points from its record low reading last month. Over 44 percent of the firms also reported fewer work hours this month, and the average workweek index decreased 10 points.

Price Indexes Reach Record Lows

Firms reported declines in the prices paid for inputs and the prices received for their own manufactured goods; corresponding price indexes also reached record lows this month. Thirty-six percent of the firms reported paying lower prices for inputs; only 5 percent reported paying higher prices this month. The prices paid index decreased only slightly but reached a record low reading of -31.5. Over 41 percent of the firms reported receiving lower prices for their own manufactured goods; no firms reported receiving higher prices. The prices received index

remained negative for the sixth consecutive month, reaching a record low of -41.4 after dropping nine points.

Six-Month Indicators Show Marked Improvement

Broad indicators of future activity showed significant improvement this month. The future general activity index remained positive for the fourth consecutive month and increased markedly from 14.5 in March to 36.2, its highest reading in 18 months (see Chart). The indexes for future new orders and shipments also improved — increasing 23 and 24 points, respectively. Despite the expected improvement in general activity, firms still indicated that employment will continue to fall over the next six months: The future employment index remained negative for the seventh consecutive month, although

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it increased five points. More than twice as many firms expect employment to decline over the next six months (23 percent) as expect it to rise (11 percent). The six-month capital expenditure index showed improvement, increasing from a record low reading of -21.8 in March to -4.0 this month.

In special questions this month, firms were asked about the impact of credit conditions on their operations (see Special Questions). About 27 percent of the firms indicated they were having difficulty obtaining financing for long-term uses such as capital spending (7 percent cited substantial difficulty and 3 percent extreme difficulty). Moreover, 22 percent of the firms indicated difficulty obtaining credit for financing short-term uses such as paying workers or acquiring inventories (8 percent cited substantial difficulty and 3 percent extreme difficulty). Sixteen percent of the responding firms indicated that difficulty obtaining credit had reduced production or sales.

Summary

According to respondents to the April survey, activity in the region's manufacturing sector continued to decline this month, but some indexes suggest that the declines are diminishing. However, indicators for general activity, new orders, shipments, and employment all remained negative. Even

more strongly indicative of continued weakness were the indexes for prices, which reached record lows. In contrast, most broad indicators for future business conditions improved this month, suggesting that the region's manufacturing executives expect a recovery in business activity over the next six months.

Special Questions (April 2009)					
	No difficulty	Some difficulty	Substantial difficulty	Extreme difficulty	NR
Percentage of Respondents					
1. To what extent is your business having difficulty obtaining financing for desired long-term uses such as capital expenditures?	58.4%	18.1%	6.5%	2.6%	14.4%
2. To what extent is your business having difficulty obtaining financing for desired short-term uses such as paying workers and acquiring inventories of material or supplies?	66.2%	11.7%	7.8%	2.6%	11.7%
3. Have problems obtaining credit either for capital expenditures or short-term needs reduced your firm's production and/or sales?	No: 61.0%		Yes: 15.6%		NR: 23.4%

BUSINESS OUTLOOK SURVEY April 2009	April vs. March					Six Months from Now vs. April				
	<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?	-35.0	15.9	42.7	40.3	-24.4	14.5	49.3	32.2	13.0	36.2
Company Business Indicators										
New Orders	-40.7	19.8	35.0	44.1	-24.3	10.6	46.0	34.5	12.9	33.1
Shipments	-26.5	13.1	38.0	48.8	-35.7	7.9	45.3	38.2	13.3	32.0
Unfilled Orders	-22.8	12.0	52.7	31.4	-19.5	-10.3	20.9	65.0	11.6	9.3
Delivery Times	-30.8	1.0	79.6	18.1	-17.1	-7.6	14.9	74.0	8.1	6.8
Inventories	-55.6	7.6	44.6	47.8	-40.2	-24.1	9.7	46.6	40.9	-31.2
Prices Paid	-31.3	4.6	57.8	36.1	-31.5	-3.0	19.1	60.7	13.2	5.9
Prices Received	-32.6	0.0	58.6	41.4	-41.4	-20.6	16.2	61.9	20.0	-3.7
Number of Employees	-52.0	0.2	52.2	45.1	-44.9	-16.5	11.4	62.0	23.4	-12.0
Average Employee Workweek	-31.6	3.1	50.6	44.2	-41.2	-1.5	25.8	51.4	17.9	7.9
Capital Expenditures	--	--	--	--	--	-21.8	23.5	44.3	27.5	-4.0

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 14, 2009.