



BUSINESS OUTLOOK SURVEY

June 2013

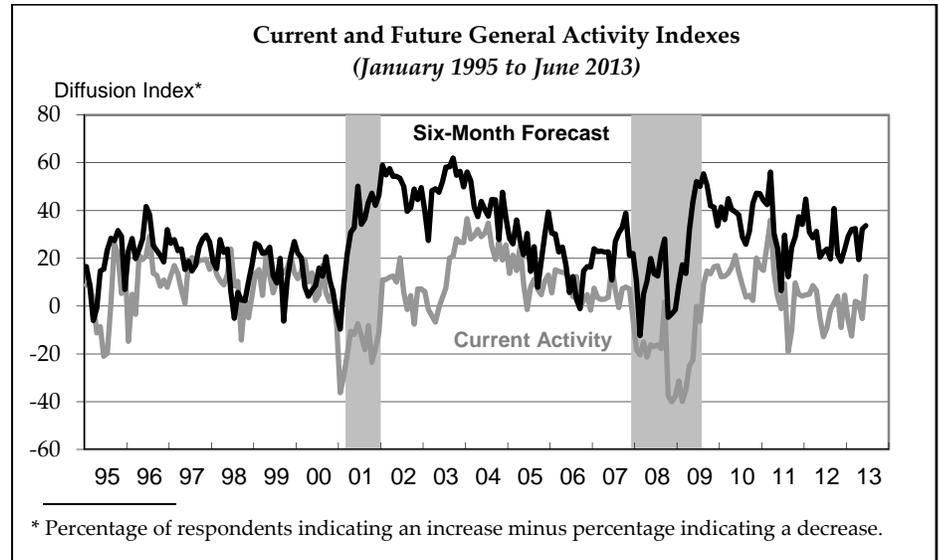
Manufacturing firms responding to the monthly *Business Outlook Survey* indicated that regional manufacturing activity increased this month. Most of the survey's broadest current indicators were positive this month, suggesting an improvement in business conditions. The survey's indicators of future activity continue to suggest that firms expect growth over the next six months.

Indicators Suggest Improvement

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from -5.2 in May to 12.5, its highest reading since April 2011 (see Chart). The percentage of firms reporting increased activity this month (34 percent) was greater than the percentage reporting decreased activity (22 percent).

Other current indicators showed similar notable improvement this month. The demand for manufactured goods as measured by the current new orders index increased, from -7.9 to 16.6. The shipments index also moved back into positive territory, rising 13 points to 4.1.

Labor market conditions showed continued weakness, however, with indexes suggesting lower employment among the reporting manufacturers. Although it increased 3 points to -5.4, the employment index remained negative for the third consecutive month. The percentage of firms reporting employment decreases (20 percent) exceeded the percentage reporting increases (15 percent).



Price Indexes Move Higher This Month

The survey's indexes for prices paid and received rose notably this month. With regard to purchased inputs, 28 percent of firms reported paying higher prices for inputs, while 6 percent reported lower input prices. The prices paid index increased nearly 16 points to its highest reading in six months. The prices received index, reflecting firms' own manufactured goods prices, increased 18 points, to 14.6. The percentage of firms reporting higher prices for their own manufactured goods rose from 7 percent in May to 20 percent this month. Still, the largest share of firms, 76 percent, reported steady prices.

Six-Month Indicators Improve

The survey's future indicators suggest continued optimism among the reporting manufacturers. The future activity index increased slightly (1 point) from its reading in May (see Chart). The percentage of firms

expecting increases in activity over the next six months (45 percent) exceeded the percentage expecting decreases (12 percent) by a significant margin. The future shipments and new orders indexes improved, increasing 6 points and 7 points, respectively. The future employment index also improved this month, increasing 17 points. Thirty-three percent of firms expect increases in employment over the next six months compared with 24 percent last month.

In special questions this month, firms were asked to characterize their plans for production and employment increases over the next six months (see Special Questions). The firms were nearly evenly divided between those expecting production increases (49 percent) and those expecting not to increase production (51 percent). Twenty-five percent of the firms indicated they were expecting production increases and would be

Released: June 20, 2013 at 10 a.m. ET.
The July *Business Outlook Survey* will be released on July 18, at 10 a.m. ET.

hiring additional workers over the next six months. The remaining firms that expect production increases indicated that this would be accomplished by increasing either work hours (12 percent) or productivity (7 percent). For the firms not currently expecting production increases, a larger percentage indicated that increasing production could be accomplished by increasing work hours (17 percent) or productivity (12 percent), rather than increasing employment (11 percent).

Summary

The June *Business Outlook Survey* indicates an expansion of activity this month, with all of the broad indicators — except for employment — recording notable improvement over May. Firms reported higher prices for inputs and their own manufactured goods this month. Firms continue to expect positive growth over the next six months and were relatively more optimistic about adding to payrolls.

Special Questions (June 2013)

1. Which of the following best characterizes your short-run production and employment situation?

We expect to increase production over the next six months	49.3%
We do not expect to increase production over the next six months	50.7%

2. If your firm were to increase production over the next six months (even if it is not currently expected), this would be accomplished by:

	Planning to <i>increase</i> production by:	<i>Not</i> planning to increase production, but could by:	Total
Adding additional workers	25.3%	10.7%	36.0%
Increasing work hours	12.0%	17.3%	29.3%
Increasing worker productivity	6.7%	12.0%	18.7%
Other	5.3%	2.7%	8.0%
NR	0.0%	8.0%	8.0%
Totals	49.3%	50.7%	100 %

BUSINESS OUTLOOK SURVEY June 2013	June vs. May					Six Months from Now vs. June				
	<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?	-5.2	33.9	44.6	21.5	12.5	32.3	45.4	40.2	11.7	33.7
Company Business Indicators										
New Orders	-7.9	38.2	40.2	21.6	16.6	34.5	53.0	30.5	11.5	41.5
Shipments	-8.5	31.3	41.6	27.2	4.1	31.7	51.3	26.7	13.7	37.6
Unfilled Orders	-9.3	15.5	58.6	23.4	-7.9	16.9	27.5	53.8	9.7	17.8
Delivery Times	-6.0	10.7	69.2	20.0	-9.3	1.9	15.4	66.2	10.6	4.8
Inventories	4.1	19.8	53.1	26.5	-6.6	-1.3	23.0	48.7	22.6	0.4
Prices Paid	6.9	28.2	65.7	5.7	22.5	30.7	33.5	55.9	7.1	26.4
Prices Received	-3.3	19.6	75.5	4.9	14.6	18.2	30.2	52.7	6.7	23.5
Number of Employees	-8.7	14.8	61.9	20.2	-5.4	10.0	33.2	50.6	5.9	27.3
Average Employee Workweek	-12.4	18.8	61.5	18.0	0.8	14.1	18.0	55.6	10.6	7.5
Capital Expenditures	--	--	--	--	--	11.5	34.7	42.2	7.4	27.3

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 June 17, 2013.