



# BUSINESS OUTLOOK SURVEY

July 2013

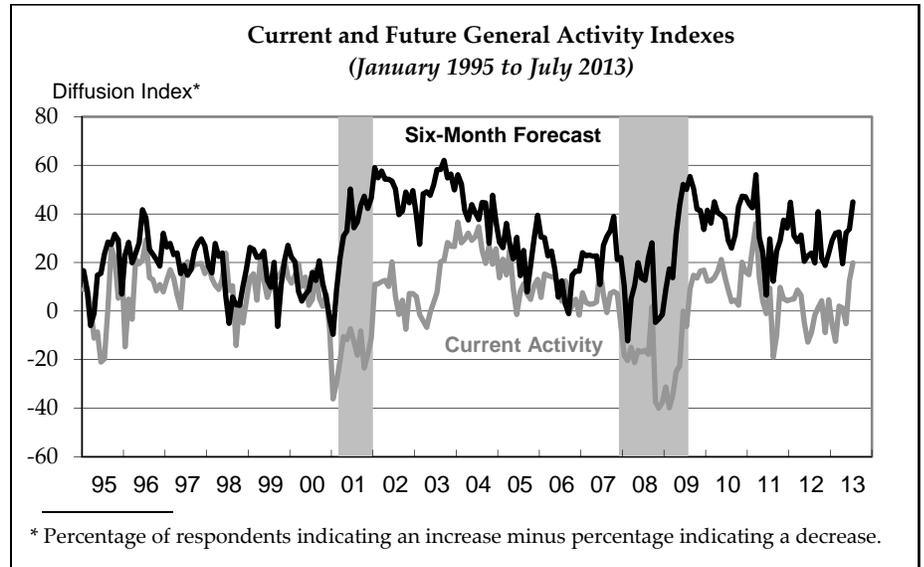
Manufacturing firms responding to the July *Business Outlook Survey* indicated that regional manufacturing conditions improved this month. All of the survey's broadest current indicators were positive, and most showed improvement from last month. The survey's indicators of future activity also showed a notable rise, suggesting that firms expect a pickup in business over the next six months.

### Indicators Suggest Pickup in Activity

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from 12.5 in June to 19.8, its highest reading since March 2011 (see Chart). The percentage of firms reporting increased activity this month (37 percent) was greater than the percentage reporting decreased activity (17 percent).

Other current indicators suggest continued growth this month. The shipments index increased notably, from 4.1 in June to 14.3. The demand for manufactured goods as measured by the current new orders index remained positive, although it fell back 6 points to 10.2. Firms reported a drawdown of inventories this month: The inventory index fell 15 points, from -6.6 to -21.6.

Labor market conditions showed a notable improvement this month. The current employment index, at 7.7, registered its first positive reading in four months. The percentage of firms reporting increases in employment (18 percent) exceeded the percentage reporting decreases (10 percent). Firms also indicated an increase in the average workweek compared with June.



### Price Indexes Suggest Moderate Pressures

With regard to purchased inputs, 29 percent of firms reported paying higher prices for inputs, while 8 percent reported lower input prices. The prices paid index edged down 1 point. The prices received index, reflecting firms' own manufactured goods prices, decreased 8 points, to 7.0. Over 14 percent of the firms reported higher prices for their own manufactured goods, while 7 percent reported lower prices. Nearly 76 percent reported steady prices for their own products.

### Six-Month Indicators Improve

The survey's future indicators suggest improved optimism among the reporting manufacturers. The future activity index increased 11 points from its reading in June (see Chart). Nearly 52 percent of firms are expecting increases in activity over the next six months, up from 45 percent in June. The new orders and future shipments indexes

improved, increasing 17 points and 14 points, respectively. The future employment index also improved this month, increasing 9 points. Nearly 41 percent of firms expect increases in employment over the next six months, compared with 33 percent last month.

In special questions this month, firms were asked about the Affordable Care Act (ACA) and its effects on firms' health insurance plans and workforce (see Special Questions). Over 70 percent of the surveyed firms indicated that they have not made or do not plan to make changes in their health insurance plans. Nearly 14 percent of the firms indicated they would be cutting back or dropping health insurance coverage, and 10 percent indicated that their firms were too small to be subject to the employer mandate.

Released: July 18, 2013 at 10 a.m. ET.  
The August *Business Outlook Survey* will be released on August 15, at 10 a.m. ET.

(All survey responses were received after the announcement earlier this month of a delay of the employer mandate until 2015.) With regard to workforce changes to date, 71 percent reported minimal or no changes related to the ACA. But 11 percent indicated there has been more outsourcing of work, and 6 percent indicated shifts from full-time to part-time workers attributable to the ACA. With regard to future workforce changes, 18 percent of firms indicated they would outsource more work over the next year, and 8 percent indicated they would substitute part-time workers for full-time workers.

### Summary

The July *Business Outlook Survey* indicates a pickup of manufacturing activity this month, with most broad indicators, including employment, pointing to improvement over June. Firms' responses suggest an improvement in the six-month outlook, and firms were more optimistic about adding to payrolls over the next six months.

Special Questions (July 2013)	
<b>1. What changes, if any, have you made or do you plan to make to your firm's health plan in response to the requirements of the Affordable Care Act (ACA)? Please check all that apply.</b>	
None. Our firm has fewer than 50 full-time employees (FTEs) to be subject to the employer mandate.	9.7%
None. We already offer health insurance to our employees that satisfies the requirements of the ACA.	72.2%
We are making our health insurance benefits more comprehensive to be compliant with the ACA.	2.8%
We are expanding our health insurance coverage to all those working 30 hours or more per week.	4.2%
We are cutting back or dropping health insurance.	13.9%
Other	9.7%
No Response	5.6%
<b>2. What changes to your workforce, if any, have you already made in response to the ACA? Please check all that apply.</b>	
Fire/refrain from hiring in order to keep payroll under 50 FTEs.	2.8%
Shift from full-time to part-time workers.	5.6%
More outsourcing of work.	11.1%
Minimal or no changes in response to the ACA.	70.8%
Other	9.7%
No Response	8.3%
<b>3. What changes to your workforce, if any, do you anticipate making over the next year in response to the ACA? Please check all that apply.</b>	
Fire/refrain from hiring in order to keep payroll under 50 FTEs.	5.6%
Shift from full-time to part-time workers.	8.3%
More outsourcing of work.	18.1%
Minimal or no changes in response to the ACA.	54.2%
Other	12.5%
No Response	9.7%
NOTES:	
All responses were received after the announcement of a delay in deadline for the employer mandate until 2015.	
The average size of the firms surveyed was 236 employees. Percentages do not add to 100% due to multiple selections.	

BUSINESS OUTLOOK SURVEY July 2013	July vs. June					Six Months from Now vs. July				
	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?	12.5	36.5	41.5	16.7	19.8	33.7	51.5	33.2	6.6	44.9
Company Business Indicators										
New Orders	16.6	35.1	35.6	24.9	10.2	41.5	59.6	32.2	0.8	58.8
Shipments	4.1	38.0	35.2	23.7	14.3	37.6	54.5	30.2	3.2	51.2
Unfilled Orders	-7.9	14.7	67.5	16.4	-1.8	17.8	28.2	62.6	2.4	25.8
Delivery Times	-9.3	12.5	70.8	12.0	0.5	4.8	13.7	73.3	0.7	12.9
Inventories	-6.6	10.9	54.0	32.5	-21.6	0.4	31.4	46.3	9.4	22.0
Prices Paid	22.5	29.2	61.7	7.7	21.5	26.4	44.7	42.7	2.6	42.1
Prices Received	14.6	14.2	75.7	7.3	7.0	23.5	29.1	56.2	5.2	23.9
Number of Employees	-5.4	17.9	69.7	10.2	7.7	27.3	40.5	47.1	4.3	36.2
Average Employee Workweek	0.8	21.5	57.2	15.0	6.6	7.5	26.4	54.2	11.8	14.6
Capital Expenditures	--	--	--	--	--	27.3	34.4	52.0	6.7	27.7

### 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 July 16, 2013.