



BUSINESS OUTLOOK SURVEY

August 2013

Manufacturing firms responding to the August *Business Outlook Survey* indicated that regional manufacturing activity expanded this month. The survey's broadest indicators for general activity and new orders were positive for the third consecutive month, although they fell back from higher readings last month. Responses indicated flat shipments and only slight increases in overall employment this month. The survey's indicators of future activity, although not as high as in July, continue to suggest that firms expect continued growth over the next six months.

Indicators Suggest Continued Growth

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, decreased from 19.8 (its highest reading since March 2011) to 9.3 this month (see Chart). The index has now been positive for three consecutive months. The percentage of firms reporting increased activity this month (28 percent) was greater than the percentage reporting decreased activity (19 percent).

Other current indicators suggest growth moderated this month. The demand for manufactured goods as measured by the current new orders index remained positive for the third consecutive month but fell 5 points to 5.3. The shipments index fell 15 points to just below zero, its first negative reading in three months. Both unfilled orders and delivery times indexes were negative this month, suggesting continued slack conditions.

Labor market indicators showed only modest improvement this month. The cur-

rent employment index, at 3.5, fell 4 points but has been slightly positive for two consecutive months. The percentage of firms reporting increases in employment (19 percent) exceeded the percentage reporting decreases (16 percent).

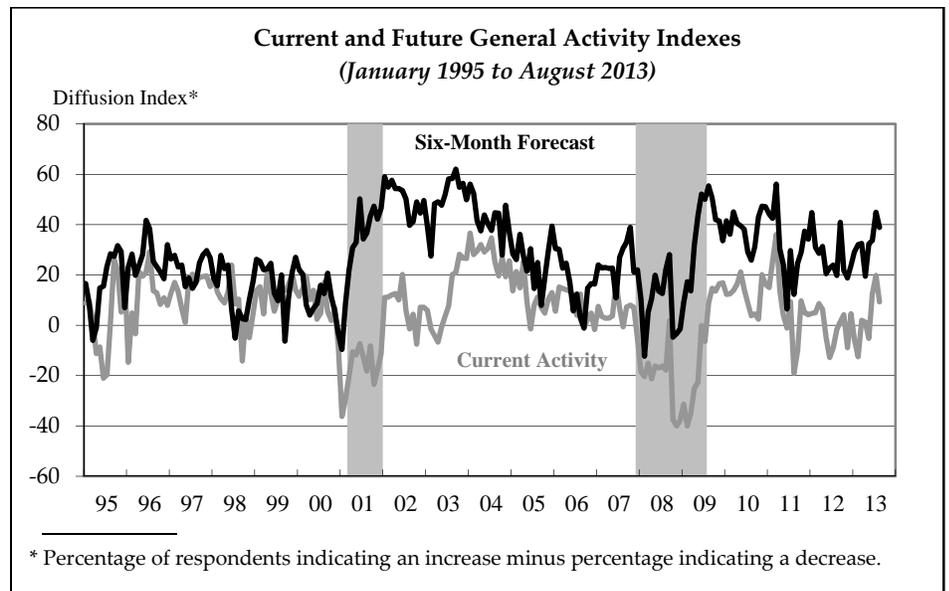
Price Indexes Suggest Moderate Pressures

The index for prices paid decreased, suggesting that price pressures are slightly less widespread compared with July. The prices paid index edged 4 points lower. Twenty-four percent of the firms reported higher prices for inputs this month, compared with 29 percent last month. Firms reported a rise in prices for their own manufactured goods: More firms reported price increases (17 percent) than reported decreases (8 percent), although 71 percent reported no change in prices. The prices received index increased 3 points.

Six-Month Indicators Still Optimistic

The survey's future indicators suggest continued optimism among the reporting manufacturers, although future indicators fell back from higher readings in July. The future activity index decreased 6 points from its reading in July but still remains well above its average readings over the past year (see Chart). Nearly 53 percent of firms are expecting increases in activity over the next six months. The future new orders and shipments indexes also fell back this month, decreasing 19 points and 11 points, respectively. The future employment index also weakened, falling 14 points. Nearly 29 percent of firms expect increases in employment over the next six months.

In special questions this month, firms were asked about the importance of seasonal factors in production and the scheduling of summer production declines (see Special



Questions). About 36 percent of firms indicated that they scheduled shutdowns or slowdowns during July this year, nearly the same that indicated shutdowns in July last year (35 percent). For July, the largest percentage of firms (23 percent) indicated that production decreases were about the same as in past years. The number of firms reporting that the July production decreases were greater than usual (8 percent) edged out the number indicating that decreases were less than usual (3 percent). However, far fewer (11 percent) scheduled production decreases in August, and this was notably less than the reported shutdowns in August 2012 (26 percent).

Summary

The August *Business Outlook Survey* indicates growth in manufacturing activity this month, with most broad indicators pointing to positive growth. However, employment growth is still lackluster. Firms' responses suggest some deterioration of optimism this month, but the six-month indicators over the

past two months remain well above those of the previous year.

Special Questions (August 2013)		
1. Did you schedule plant shutdowns or production slowdowns during the summer months this year?		
	July (%)	August (%)
Yes	36.3	11.3
No	62.5	81.3
NR	1.2	7.4
2. If yes, which of the following best characterizes your situation for this July and August?		
	July	August
Production decreases greater than usual	7.5	5.0
Production decreases about the about the same as usual	22.5	5.0
Production decreases less than usual	2.5	0.0
NR	3.8	1.3
	Total	11.3
	Total (2012)*	26.2
* Percent of firms reporting seasonal-related shutdowns or slowdowns for respective months last year (based on August 2012 survey data).		

BUSINESS OUTLOOK SURVEY August 2013	August vs. July					Six Months from Now vs. August				
	<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?	19.8	27.9	53.5	18.6	9.3	44.9	52.6	30.7	13.8	38.9
Company Business Indicators										
New Orders	10.2	27.7	49.8	22.4	5.3	58.8	52.0	27.4	12.6	39.5
Shipments	14.3	26.0	46.5	26.9	-0.9	51.2	54.0	24.2	13.8	40.1
Unfilled Orders	-1.8	15.1	65.5	18.1	-2.9	25.8	24.6	54.7	12.3	12.3
Delivery Times	0.5	14.2	62.6	23.2	-9.0	12.9	12.1	69.7	9.2	2.9
Inventories	-21.6	17.7	53.4	28.9	-11.3	22.0	26.8	41.1	23.5	3.3
Prices Paid	21.5	23.9	65.5	6.6	17.3	42.1	39.4	53.9	0.7	38.7
Prices Received	7.0	17.4	70.8	7.5	9.9	23.9	27.1	60.0	4.1	23.0
Number of Employees	7.7	19.2	65.0	15.8	3.5	36.2	28.8	58.8	6.5	22.3
Average Employee Workweek	6.6	16.4	63.1	19.0	-2.6	14.6	28.6	50.4	13.6	15.0
Capital Expenditures	--	--	--	--	--	27.7	27.9	57.7	7.0	20.8

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 August 13, 2013.