



BUSINESS OUTLOOK SURVEY

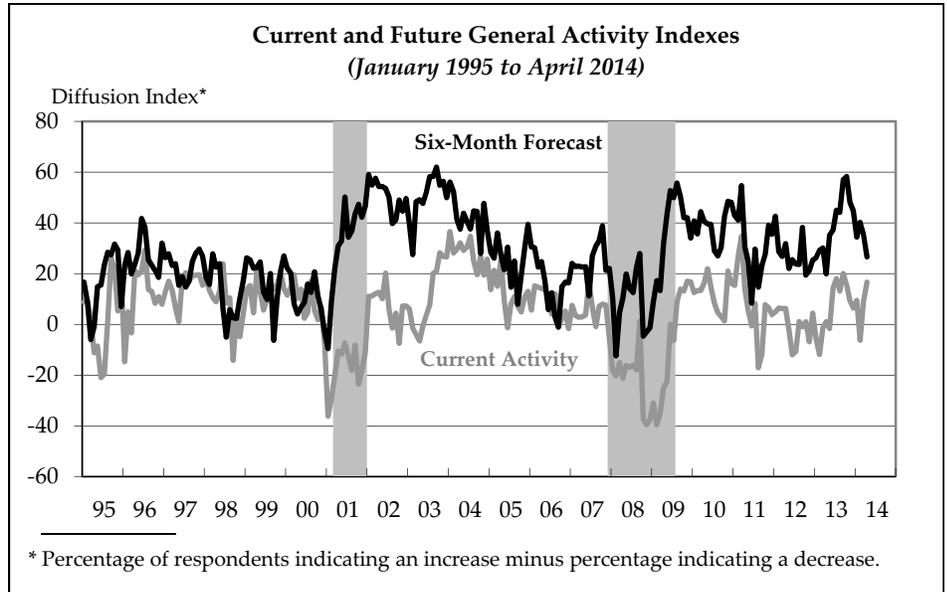
April 2014

Manufacturing activity in the region increased in April, according to firms responding to this month's *Business Outlook Survey*. The survey's broadest indicators for general activity, new orders, shipments, and employment all remained positive and increased from their readings in March. Price pressures remain modest. The survey's indicators of future activity reflected optimism about continued expansion over the next six months, although the indicators have fallen from higher readings in recent months.

Indicators Signal Growth This Month

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, increased from a reading of 9.0 in March to 16.6 this month, its highest reading since last September (see Chart). The index has now increased for two consecutive months, following the weather-influenced negative reading in February. The new orders and current shipments indexes also moved higher this month, increasing 9 points and 17 points, respectively.

Indicators suggest slightly improved labor market conditions this month. The employment index remained positive for the 10th consecutive month and increased 5 points, suggesting overall improvement. The percentage of firms reporting increases in employment (20 percent) edged out the percentage reporting decreases (13 percent). The workweek index was also positive for the second consecutive month, edging 2 points higher.



Price Pressures Are Relatively Moderate

The survey's price diffusion indexes continue to suggest overall moderate rates of increase. The prices received index was unchanged at 4.3. Nearly 76 percent of the firms reported no change in their final goods prices, and the percentage of firms reporting increases (13 percent) was only slightly greater than the percentage reporting decreases (9 percent). The prices paid index edged slightly lower, to 11.3, its third consecutive month of decline. Seventeen percent of the firms reported higher input prices, down from 19 percent in March.

Indicators for the Future Remain Positive

Firms remain optimistic about the growth of overall manufacturing activity for the next six months. The future general activity index remained positive; however, the index decreased nearly 9 points from its reading in March (see Chart). Indexes for future new orders and shipments also edged lower. The

future new orders index decreased 3 points, while the future shipments index decreased 8 points. Firms' responses about future employment continued to reflect overall confidence about future conditions. The percentage of firms expecting employment growth (27 percent) was greater than the percentage expecting employment declines (11 percent). The index, however, decreased 13 points, exactly reversing a 13-point increase in March.

In special questions this month, firms were asked about regional factors influencing their location decisions (see Special Questions). Firms were also asked to rank, by relevance, each factor influencing their decision to remain in the region. According to the firms' responses, the three most reported factors influencing the decision were

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(1) the availability of skilled labor; (2) the cost of labor; and (3) taxes, subsidies, and regulation. About 30 percent of the firms responding indicated that the cost of energy and the proximity to customers and distribution channels were also very or most relevant. The three most reported categories above, plus the cost of energy, were also reported to have become more important than other factors in recent years (Question 2).

Summary

The April *Business Outlook Survey* suggests that activity in the region's manufacturing sector continued on a path of growth this month. Firms reported increases in overall activity, new orders, shipments, and employment this month. Price pressures remained moderate. The survey's future activity indexes, on balance, indicate that firms expect continued growth and employment increases over the next six months.

Special Questions (April 2014)*				
1. How important are the following factors in influencing your firm's decision to remain in the three-state region?				
	Very or most relevant	Somewhat relevant	Not relevant	
Availability of skilled labor	61.1%	29.2%	6.9%	
Cost of labor	50.0%	34.7%	11.1%	
Taxes/subsidies/regulation	41.7%	36.1%	19.4%	
Cost of energy	33.3%	47.2%	15.3%	
Proximity of customers	30.6%	29.2%	37.5%	
Proximity to distribution channels	29.2%	23.6%	43.1%	
Proximity to suppliers/raw materials	16.7%	31.9%	48.6%	
2. Have the same factors become <u>more or less important</u> in recent years?				
	Less	Same	More	Diffusion Index (More-Less)
Availability of skilled labor	1.4%	58.3%	33.3%	31.9%
Cost of labor	0%	61.1%	31.9%	31.9%
Taxes/subsidies/regulation	4.2%	62.5%	26.4%	22.2%
Cost of energy	4.2%	68.1%	18.1%	13.9%
Proximity to suppliers/raw materials	15.3%	75.0%	2.8%	-12.5%
Proximity to distribution channels	18.1%	70.8%	5.6%	-12.5%
Proximity of customers	19.4%	69.4%	5.6%	-13.9%
*Items may not add up to 100 percent because of omission by respondents.				

BUSINESS OUTLOOK SURVEY April 2014	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?	9.0	33.7	40.7	17.0	16.6	35.4	43.1	31.8	16.5	26.6
Company Business Indicators										
New Orders	5.7	37.4	39.1	22.6	14.8	32.2	47.1	29.6	17.3	29.7
Shipments	5.7	40.7	40.6	18.0	22.7	41.1	50.2	26.8	17.4	32.8
Unfilled Orders	2.6	19.4	61.3	17.4	2.0	-1.3	15.9	62.1	14.4	1.5
Delivery Times	-2.7	6.4	71.8	20.7	-14.3	5.4	16.3	64.3	10.6	5.7
Inventories	-6.8	22.7	52.0	24.2	-1.5	12.2	21.8	51.6	17.0	4.8
Prices Paid	13.9	17.2	74.5	5.9	11.3	29.4	41.9	47.1	6.8	35.1
Prices Received	4.3	13.0	75.8	8.7	4.3	15.9	19.8	65.0	6.8	13.0
Number of Employees	1.7	19.8	67.1	12.9	6.9	29.1	26.9	58.8	11.0	15.9
Average Employee Workweek	3.1	17.9	68.5	12.9	5.0	-0.3	13.8	68.4	14.3	-0.5
Capital Expenditures	--	--	--	--	--	31.3	29.5	56.9	3.4	26.0

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 15, 2014.