



BUSINESS OUTLOOK SURVEY

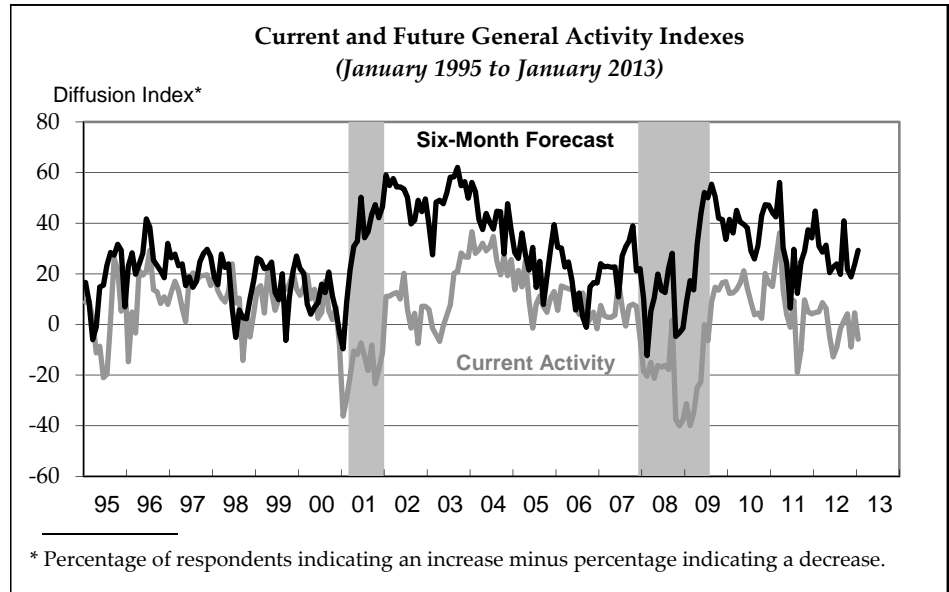
January 2013

Manufacturing activity declined moderately this month, according to firms responding to the January *Business Outlook Survey*. Following reported increases in business activity in late 2012, most indicators fell back from the readings posted last month. The survey's broad indicators of future activity, however, showed some improvement this month.

Indicators Suggest Slight Declines

The survey's broadest measure of manufacturing conditions, the diffusion index of current activity, decreased from a revised reading of 4.6 in December to -5.8 this month (see Chart).^{*} The demand for manufactured goods showed slight declines this month: The new orders index declined from a revised reading of 4.9 in December to -4.3 in January. The shipments index remained slightly positive but suggests no overall growth — the percentage of firms reporting increased shipments was mostly offset by the percentage reporting decreased shipments (26 percent). The indexes for both delivery times and unfilled orders recorded slightly negative readings this month.

Labor market conditions at reporting firms deteriorated this month. The employment index, at -5.2, fell from -0.2 in December. The percentage of firms reporting decreases in employment (16 percent) exceeded the percentage reporting increases (11 percent). Firms also indicated a decrease in the average workweek compared with last month.



Price Indexes Moderate

The indexes for prices received for respondents' own manufactured goods and prices paid for purchased inputs suggest reduced price pressures this month. The prices received index decreased 14 points, from 12.4 to -1.1. The percentage of firms reporting lower prices for their own manufactured goods (9 percent) was slightly greater than those reporting higher prices (8 percent). The prices paid index fell 9 points; 20 percent of firms reported higher costs, compared with 27 percent last month.

Six-Month Indicators Improve

The survey's future indicators suggest that firms expect recent declines to be temporary. The future general activity index increased from a revised reading of 23.7 to 29.2, its second consecutive monthly increase (see Chart). The percentage

expecting increases in activity over the next six months (43 percent) exceeded the percentage expecting decreases (14 percent). The indexes for future new orders and shipments also improved, increasing 4 points and 11 points respectively. The future employment index, however, fell modestly from 11.2 to 10.7. Only 22 percent of firms expect employment to increase over the next six months.

In this month's special questions, firms were asked about the factors that are influ-

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^{*} The survey's annual historical revisions, which incorporate new seasonal adjustment factors, were released on January 10, 2013. The full set of revised historical data is available at:
<http://www.philadelphiafed.org/research-and-data/regional-economy/business-outlook-survey/historical-data/revisions/historical-revisions-2013.cfm>.

encing their hiring plans over the next 12 months (see Special Questions). The most frequently cited factors among firms that plan to restrain hiring were the need to keep operating costs low and low expectations for sales growth. Uncertainty about the cost of health-care insurance and about regulations also ranked high. Thirty-seven percent of the firms indicated that federal fiscal policy developments have decreased hiring plans.

Summary

The January *Business Outlook Survey* suggests that activity in the region's manufacturing sector decreased moderately this month. Firms reported decreases in overall activity, new orders, and employment this month. Firms also reported a moderation in price pressures compared with the previous month. The survey's future activity indexes suggest that firms expect growth over the first six months of 2013.

Special Questions (January 2013)

1. What are the three most important factors, if any, restraining your hiring plans?



2. What effects have federal fiscal policy developments had on your hiring plans?

Increased hiring plans	4.1%
Decreased hiring plans	37.0%
No change in hiring plans	49.3%
NR	9.6%
	100.0%

BUSINESS OUTLOOK SURVEY January 2013	January vs. December					Six Months from Now vs. January				
	<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?	4.6	24.4	45.4	30.2	-5.8	23.7	42.9	38.1	13.8	29.2
Company Business Indicators										
New Orders	4.9	26.8	42.2	31.1	-4.3	28.3	45.1	36.1	12.5	32.5
Shipments	14.7	26.0	41.2	25.6	0.4	28.0	49.1	35.4	10.2	38.9
Unfilled Orders	-2.0	12.2	70.4	13.2	-1.0	2.7	13.3	64.7	10.4	2.9
Delivery Times	-6.0	8.5	73.4	10.5	-2.0	2.5	6.0	71.3	14.4	-8.5
Inventories	-7.8	9.1	74.4	15.6	-6.5	-2.5	18.9	50.8	21.2	-2.3
Prices Paid	23.5	20.1	71.0	5.4	14.7	45.8	38.0	51.2	3.7	34.3
Prices Received	12.4	7.9	83.0	9.0	-1.1	25.6	28.9	57.8	7.2	21.7
Number of Employees	-0.2	10.6	70.5	15.8	-5.2	11.2	22.2	59.8	11.6	10.7
Average Employee Workweek	0.4	9.1	72.5	17.4	-8.3	14.4	19.9	63.2	11.0	8.9
Capital Expenditures	--	--	--	--	--	10.4	23.3	50.7	17.3	6.0

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 January 15, 2013.