



Economic Research Department

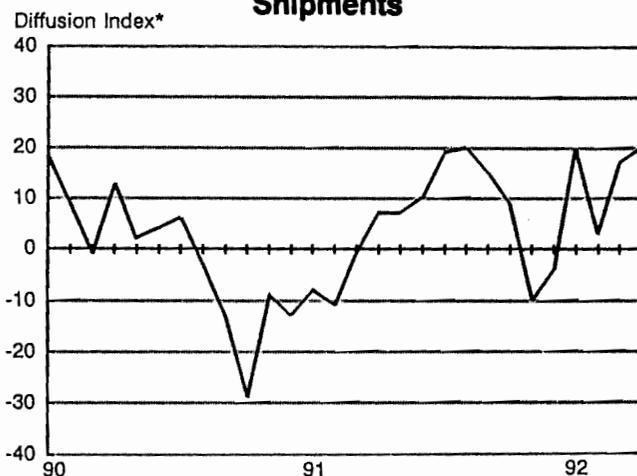
For the second consecutive month, respondents to the *Business Outlook Survey* report increasing manufacturing activity. The diffusion index for overall activity has increased significantly over the past two months. The expansion in manufacturing activity is reflected in the growing number of new orders and shipments. The apparent improvement, however, has not yet resulted in expanding payrolls.

CURRENT CONDITIONS

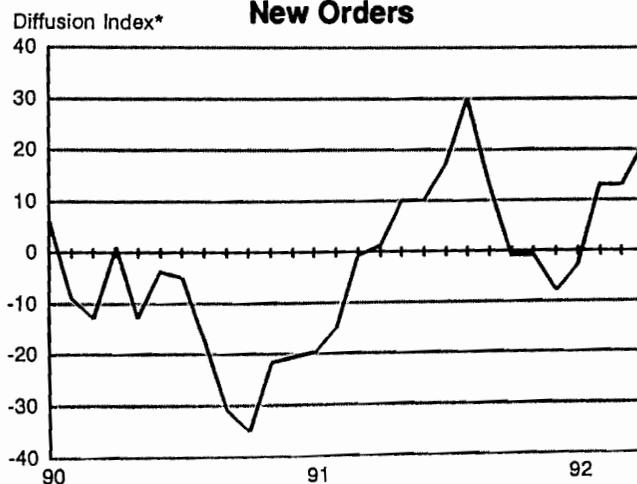
The diffusion index for overall business conditions, which increased from 18.4 to 24.6 in April, suggests that production is expanding in the manufacturing sector. Thirty-nine percent of the polled firms indicate that activity increased over March, while only 15 percent indicate that activity declined. The increase in the diffusion index has paralleled a rise in both shipments and new orders over the past several months (see Charts). The April survey indicates that 39 percent of the firms polled report increases in shipments and 41 percent report increases in new orders. Manufacturers are keeping up with the increase in demand, as firms, on balance, report that the level of unfilled orders and delivery times remain virtually unchanged.

The apparent increase in demand for manufactured goods has not yet translated into an increase in demand for labor; the April survey indi-

Signs of Manufacturing Recovery Shipments



New Orders



*Percentage of respondents indicating an increase minus percentage indicating a decrease.



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cates little improvement on the employment front. Almost 67 percent of the firms polled report no change from the previous month in their employment levels. The percentage of firms adding workers (15 percent) is slightly outnumbered by the percentage making cuts (17 percent). The average workweek, however, is increasing at 23 percent of the firms polled: this compares with just 6 percent that reported an increase in the workweek in March.

PRICES

Manufacturing prices are stable this month according to *Business Outlook Survey* respondents. Three-quarters of the reporters indicate that the prices of their goods were unchanged from March. The percentage of firms indicating price declines (13 percent) narrowly outnumbers those indicating price increases (11 percent). Fifty-six percent of the firms expect these prices to remain the same during the next six months;

about 32 percent anticipate price increases over the same period.

Input prices remain steady at nearly 76 percent of the reporting manufacturers during April. One-third of the reporters, however, anticipate an increase in these prices during the next six months.

OUTLOOK

The diffusion index of future activity, which stands at 53.1 for April, indicates that firms expect further improvement in manufacturing activity over the next six months. Sixty-five percent of the firms polled expect the recent expansion of activity to continue. Similar optimism is expressed in forecasts for new orders and shipments. On balance, unfilled orders are expected to increase, but delivery times are expected to remain steady.

The rise in recent manufacturing activity may be contributing to an increase in optimism regarding employment: the diffusion index for fu-

ture employment increased from 2.0 in March to 15.9 in April. Although about 44 percent of the firms surveyed in April expect no change in their employment numbers during the next six months, about 36 percent forecast an increase in employment over that period. On balance, the average workweek is expected to increase as well during the next six months.

SUMMARY

The April *Business Outlook Survey* indicates that manufacturing activity is increasing for the second consecutive month. The survey's individual indicators for shipments, new orders, and average workweek corroborate this trend. Surveyed firms forecast a continuation of the recent expansion over the next six months and are marginally more optimistic with respect to increases in future employment.

BUSINESS OUTLOOK SURVEY
Summary of Returns
April

Indicator	April vs. March				Six Months from Now vs. April			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
General Business Conditions								
What is your evaluation of the level of general business activity?	14.7	43.2	39.4	24.6	11.4	24.1	64.5	53.1
Company Business Indicators								
New Orders	20.0	37.8	41.1	21.1	11.8	21.7	60.5	48.7
Shipments	18.4	41.4	38.9	20.5	15.9	20.4	61.3	45.4
Unfilled Orders	22.0	55.5	22.4	0.4	12.7	45.7	37.3	24.6
Delivery Time	7.3	83.5	5.6	-1.6	7.3	77.8	10.9	3.6
Inventories	30.6	48.4	19.6	-11.0	27.9	55.7	13.8	-14.1
Prices Paid	8.3	76.1	15.0	6.7	2.9	58.9	37.2	34.3
Prices Received	12.6	75.4	10.9	-1.7	9.4	56.0	32.2	22.8
Number of Employees	17.3	66.7	14.6	-2.7	19.8	44.4	35.8	15.9
Average Employee Workweek	17.2	59.7	23.1	5.9	15.3	45.9	37.1	21.8
Capital Expenditures	—	—	—	—	11.2	50.8	27.0	15.8

Notes: (1) Items may not add up to 100 percent because of omission by respondents.

(2) All data seasonally adjusted.

(3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating