



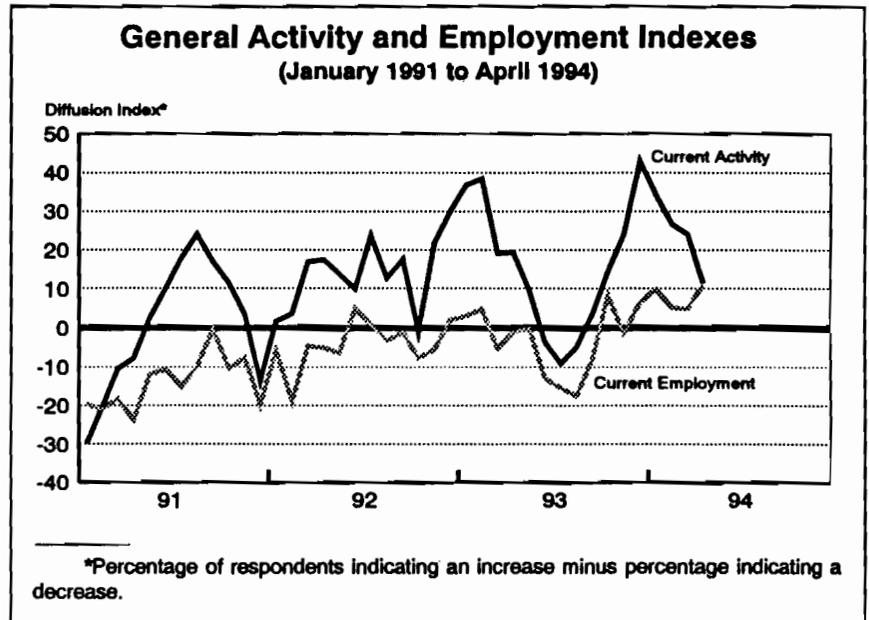
## Economic Research Division

The April *Business Outlook Survey* indicates that the region's manufacturing sector continues to grow, but at a slower pace than in the previous month. Despite the slower pace, manufacturing employment continues to improve. Expectations about future growth and price increases moderated somewhat this month.

### CURRENT CONDITIONS

The diffusion index for overall business activity declined from a level of 24.1 in March to 11.6 this month. Although a positive reading indicates continued growth for manufacturing, the index has been edging lower over the past four months (see Chart).

Individual indicators for April also parallel the decline in the survey's general activity index. Indexes for both new orders and shipments declined in April. The new orders index dropped from a level of 30.1 in March to 18.4 this month. Over 36 percent of the reporting manufacturers report increases in new orders; 18 percent report declines. The shipments index declined modestly from 32.1 to 25.7: 42 percent of the reporting firms indicate increases in shipments this month and 16 percent report declines. One possible



explanation for the relatively larger decline in new orders compared with shipments is that conditions are returning to normal following the harsh winter across the mid-Atlantic region in January and February and a relatively strong month of March.

Those surveyed this month report an overall increase in manufacturing employment. About 17 percent of the manufacturers report an increase in the number of workers this month, compared with 6 percent reporting a decline. The current employment diffusion index, which has now remained positive

for five consecutive months, is at its highest level for the past several years (see Chart). With regard to the average hours of employed workers, the proportion of firms indicating increases in hours this month (19 percent) is nearly offset by the proportion reporting a decline (17 percent).

### PRICES

Prices for materials and other purchased inputs are reported unchanged at 67 percent of the polled firms this month; 33 percent, however, report higher prices. The diffusion index for current prices paid in-



creased from a reading of 16.0 in March to 33.1 this month and is near the relatively high levels recorded in January and February.

Nearly 80 percent of the polled firms report no change this month in prices actually received for their manufactured goods, and the proportion reporting increases (13 percent) outnumbers those reporting reductions (7 percent). The index for current prices received, which now stands at 6.4, declined from 12.0 in March.

With regard to their forecasts for prices over the next six months, both future prices paid and future prices received indexes declined significantly this month. The future prices paid index, which stood at 50.4 in March, dropped to 38.8 this month, and the future prices received index fell from a reading of 30.7 to 13.7.

#### OUTLOOK

Most of the survey's future economic indicators declined this month. The overall diffusion index for future activity fell from 47.6 to 41.7 this month, and future indexes for new orders and shipments paralleled the decline in the future activity index. Although unfilled orders are expected to increase over the next six months, delivery times are expected to remain at current levels. A sizable proportion of firms (30 percent) expect inventories to rise above current levels over the next six months.

Although polled firms expect manufacturing activity to continue growing over the next six months, they see no pickup in manufacturing employment. Nearly 64 percent of polled firms expect to maintain current employment levels, and the proportion of firms expecting to hire addi-

tional workers (17 percent) is offset by the proportion expecting to make cuts (18 percent). The future employment index, at -0.8, compares with a reading of 4.8 in March.

#### SUMMARY

This month's *Business Outlook Survey* indicates that the region's manufacturing sector is still expanding, but current indicators suggest that the pace has slowed. A sizable proportion of firms reporting increases in new orders and shipments, however, suggests continued underlying strength. Although a significant number of firms report price increases for inputs this month, manufactured goods prices show less upward movement. Expectations regarding price increases for the next six months have also moderated, according to survey results.

### BUSINESS OUTLOOK SURVEY Summary of Returns April 1994

Indicator	April vs. March				Six Months from Now vs. April			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
<b>General Business Conditions</b>								
What is your evaluation of the level of general business activity?	15.4	57.6	27.0	11.6	12.9	31.9	54.6	41.7
<b>Company Business Indicators</b>								
New Orders	18.0	43.6	36.4	18.4	17.0	34.6	48.4	31.3
Shipments	15.9	40.8	41.6	25.7	16.9	33.2	48.0	31.2
Unfilled Orders	13.8	66.7	17.2	3.4	11.7	56.5	30.3	18.6
Delivery Time	11.9	68.4	17.2	5.3	15.0	68.7	13.3	-1.7
Inventories	27.9	44.6	26.8	-1.0	18.0	48.1	29.5	11.5
Prices Paid	0.0	66.9	33.1	33.1	1.8	56.7	40.6	38.8
Prices Received	6.7	79.5	13.1	6.4	9.3	63.5	23.0	13.7
Number of Employees	6.3	76.1	17.3	11.1	17.9	63.7	17.1	-0.8
Average Employee Workweek	16.5	64.4	19.1	2.6	15.0	58.8	22.4	7.4
Capital Expenditures	—	—	—	—	8.2	57.0	26.9	18.7

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 a decrease.