

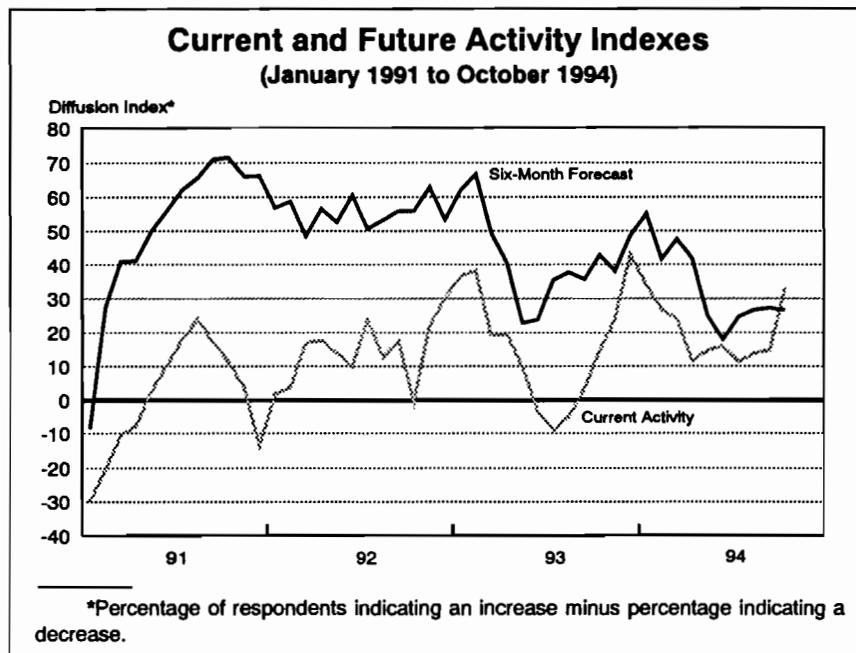
Economic Research Division

This month's *Business Outlook Survey* reveals a strong acceleration of activity in the region's manufacturing sector, and most of the survey's measures of current manufacturing conditions show large gains. A sizable proportion of firms continue to report price increases for raw materials and other purchased inputs, and a significant proportion also report higher prices for their own manufactured goods. Despite reported improvement in current manufacturing activity, most future economic indicators are unchanged this month.

CURRENT CONDITIONS

The survey's general activity diffusion index increased sharply this month, from 14.8 in September to 33.2. Over the previous six months the index had remained within a narrow range (see Chart).

Most of the survey's current economic indicators show an improvement in manufacturing conditions this month. The current new orders diffusion index increased from 11.8 in September to 27.8. About 39 percent of the manufacturers polled indicate increases in new orders this month; 12 percent report decreases. About 46 percent



of the firms report rising shipments this month. Indicative of improved conditions, indexes for both delivery times and unfilled orders moved slightly above the zero mark, after remaining negative for the past several months.

Those polled indicate increases in both employment and the average workweek. Although 75 percent of the manufacturers polled indicate no change in the number of workers, those reporting increases (19 percent) outnumber those re-

porting decreases (6 percent). The current employment diffusion index increased from 1.9 in September to 12.8.

PRICES

Survey measures of both current prices paid and current prices received increased this month. Nearly 54 percent of the surveyed firms report increases in prices paid for raw materials and other purchased inputs. The current prices paid diffusion index increased



sharply from a reading of 40.4 in September to 53.6 this month, the highest reading since February 1989. Almost 30 percent of the manufacturers indicate higher prices received: just 7 percent report lower prices. The current prices received index increased from 15.0 in September to 22.7 this month.

In their price forecasts, 49 percent of manufacturing firms expect price increases for inputs over the next six months, and 30 percent expect price increases for their own manufactured goods. Indexes for both future prices paid and future prices received, however, moderated from their September levels.

OUTLOOK

Most of the survey's indicators for manufacturing activity remained near their levels of the previous

month. The broadest measure, the future general activity diffusion index, declined slightly from 27.3 in September to 26.6 and has remained relatively steady for the past five months (see Chart). Almost 45 percent of the firms polled expect improved conditions over the next six months, while 18 percent expect some deterioration. About 46 percent of the firms expect increases in shipments and new orders over the same period. Delivery times are expected to remain steady, and a slightly larger percentage of firms expect a higher level of unfilled orders than the percentage expecting a lower level.

One encouraging sign in this month's survey is firms' forecast for employment. Although 69 percent of the firms expect no change

in employment over the next six months, firms expecting to hire additional workers (21 percent) outnumber those expecting to make cuts (10 percent). The future employment diffusion index, now at 11.4, is the highest reading since January.

SUMMARY

Responses to this month's *Business Outlook Survey* indicate strong increases in manufacturing activity along with considerable upward pressure on both input and output prices. Indexes for new orders, shipments, and employment registered increases. Although most future indicators are holding steady, firms are more optimistic this month about their hiring plans for the next six months.

BUSINESS OUTLOOK SURVEY Summary of Returns October 1994

Indicator	October vs. September				Six Months from Now vs. October			
	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?	7.7	51.4	40.9	33.2	18.4	36.7	44.9	26.6
Company Business Indicators								
New Orders	11.6	49.1	39.3	27.8	19.1	34.5	46.4	27.3
Shipments	12.6	40.8	46.4	33.7	17.4	35.9	46.7	29.3
Unfilled Orders	15.0	61.7	21.4	6.4	26.9	46.3	26.3	-0.6
Delivery Time	17.2	64.9	17.8	0.6	19.6	69.3	11.2	-8.4
Inventories	27.6	52.4	20.0	-7.6	37.0	41.6	21.4	-15.6
Prices Paid	0.2	44.7	53.8	53.6	6.4	44.5	49.1	42.8
Prices Received	6.7	63.4	29.5	22.7	4.9	65.5	29.6	24.7
Number of Employees	6.4	74.5	19.1	12.8	9.9	68.8	21.3	11.4
Average Employee Workweek	4.1	72.7	22.3	18.3	18.1	60.5	21.5	3.4
Capital Expenditures	—	—	—	—	8.3	40.0	33.7	25.5

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.