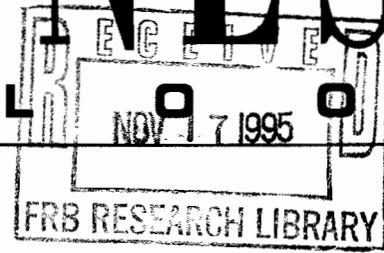


BUSINESS

Federal Reserve Bank
of Philadelphia

O U T L O O K



Survey

November 1995

The pace of growth in the region's manufacturing sector has diminished, according to this month's *Business Outlook Survey*. While indexes for overall activity and new orders were modestly positive, they were sharply lower than last month's. Indexes for shipments, unfilled orders, delivery times, and employment were all negative. The survey's measures of manufacturing prices also fell back to near their lowest levels of the past several years.

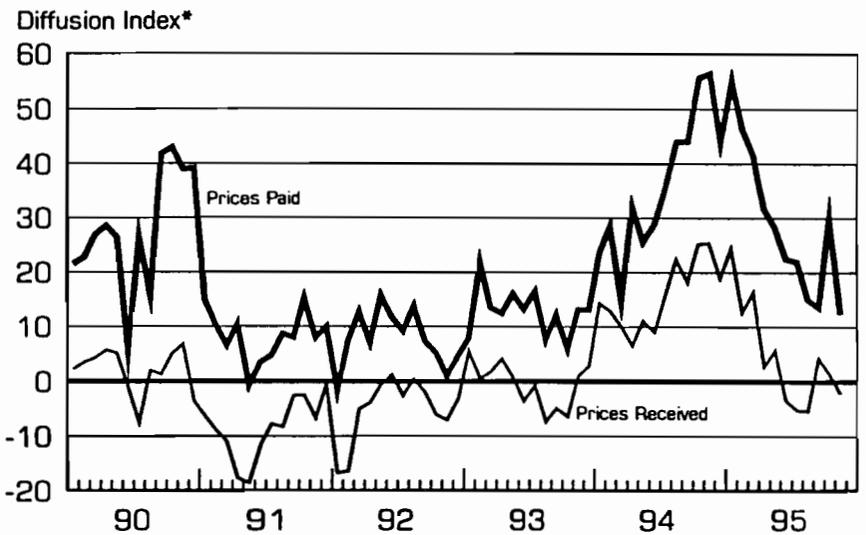
Most Current Indicators Retreat From Levels Achieved in Prior Two Months

The survey's current general activity diffusion index fell sharply from 25.5 in October to 7.9. While the index has now remained positive for four consecutive months, the lower level suggests a slower pace of activity than reported in recent months. Although 35 percent of responding manufacturers report a rise in activity, 27 percent report a decline. In contrast, October's survey reported increases of 40 percent and declines of only 15 percent.

Weakened activity is evident in many of the other current economic indicators this month. The current new orders index declined from 22.9 to 5.5. The current shipments index also declined sharply, from 18.6 to -2.0. The current unfilled orders index indicates shipments are in step with orders this month and delivery times are, on balance, steady.

Those manufacturers polled are

Current Prices Paid and Prices Received (January 1990 to November 1995)



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

almost evenly divided on employment changes this month. Almost 70 percent of the firms report no change in the number of factory workers this month, and the percent reporting increases (15 percent) is only slightly smaller than the percent reporting decreases (16 percent). The current employment diffusion index, at -1.4, is slightly lower than the reading of 3.0 in October. Also, more firms reported a decline in average workweek (21 percent) than reported an increase (16 percent).

Survey Price Measures Near Lowest Level in Past Year

Weaker indexes for current activity

are accompanied by a decline in indexes for both current input and output prices this month (see Chart). The current prices paid index, which measures changes in firms' prices for raw materials and other purchased inputs, fell to its lowest reading in more than two years. Following a rise in October, the index fell back considerably this month, from 30.0 to 12.3.

For prices received by manufacturers

To subscribe to this publication, call (215) 574-6428. This publication can be found on the Internet using World Wide Web at <http://libertynet.org/~fedresrv/fedpage.html>

for their own products, more firms reported a decline in prices (13 percent) than reported an increase (11 percent). The current prices received index fell from 1.4 to -2.2, the first negative reading since August.

Manufacturing Forecasts Remain Generally Optimistic

Despite a decline in most current indicators this month, future indicators, which reflect manufacturers' expectations for the next six months, remain buoyant. The survey's broadest measure of future conditions, the future general activity index, rose slightly from 28.9 to 29.4 and has been trending up over the

past few months. Future indicators for new orders and shipments declined modestly, but remain at relatively high levels: about 45 percent expect increases in new orders and shipments over the next six months; only 18 percent expect declines. Unfilled orders and delivery times are, on balance, expected to remain steady. Inventories, on the other hand, are expected to decline from current levels.

Forecasts for future manufacturing employment show modest improvement this month. More firms plan to hire additional workers (24 percent) than plan to make cuts (15 percent). The future employment diffusion index increased from 3.4 to 8.3, and although it remains

at a relatively low level, this is the highest reading in almost two years.

Summary

Business Outlook Survey responses this month indicate a more sluggish pace for manufacturing activity than in the previous two months. Most of the survey's broadest current indicators declined this month, but remain positive. Manufacturers report steady prices for their own goods, while increases for input prices are on the wane. Forecasts of manufacturing activity for the next six months remain optimistic, despite the reported slowdown in current activity this month.

Business Outlook Survey

Summary of Returns
November 1995

	November vs. October				Six Months from Now vs. November			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
What is your evaluation of the level of general business activity?	27.1	37.0	35.0	7.9	12.9	44.8	42.3	29.4
Company Business Indicators								
New Orders	26.5	40.1	32.0	5.5	18.2	35.5	45.4	27.2
Shipments	32.0	38.0	30.0	-2.0	18.5	33.7	45.2	26.6
Unfilled Orders	21.5	57.2	18.3	-3.2	21.3	52.7	25.5	4.2
Delivery Times	10.7	76.1	10.3	-0.5	16.7	69.9	13.5	-3.2
Inventories	23.3	49.6	27.1	3.8	33.1	45.1	20.2	-12.9
Prices Paid	10.7	65.8	23.0	12.3	4.3	55.7	40.0	35.7
Prices Received	13.4	74.9	11.2	-2.2	7.5	72.8	19.7	12.2
Number of Employees	15.9	69.6	14.5	-1.4	15.3	59.8	23.6	8.3
Average Employee Workweek	21.4	60.0	15.9	-5.4	16.1	62.4	21.5	5.4
Capital Expenditures	-	-	-	-	15.3	39.1	32.2	16.9

- Notes: (1) Items may not add to 100 percent because of omission by respondents.
 (2) All data are seasonally adjusted.
 (3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease.