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# BUSINESS

## O U T L O O K Survey

November 1997

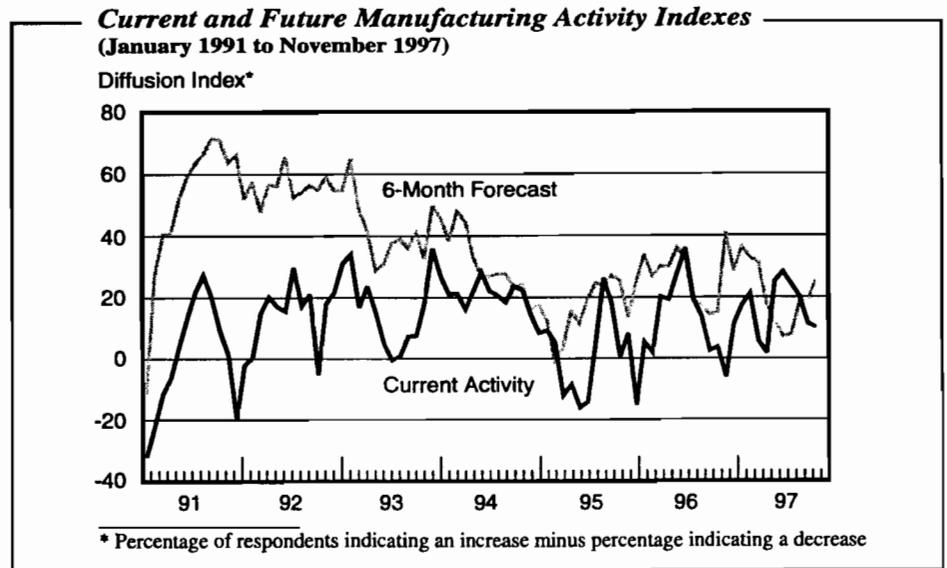
Economic growth in the region's manufacturing sector continues, although survey responses— especially those about changes in new orders and shipments—suggest a slowing of growth in recent months. While most current indicators demonstrate some moderation in growth, the survey's future indicators, which reflect manufacturers' expectations for the next six months, showed modest improvement.

### Current Indicators Point to Moderate Growth

The survey's diffusion index for current general activity declined modestly this month to 10.1, from 11.5 in October. Although November's reading represents the fourth consecutive month of decline, this indicator continues to suggest growth for regional manufacturing, but at a slower pace (see Chart). The percentage of firms indicating growth this month (27 percent) is greater than the percentage indicating declines (17 percent).

Although the percentage of firms reporting increases in new orders and shipments exceeds the percentage reporting decreases, diffusion indexes for both new orders and shipments have paralleled the decline in the general activity index over the past four months. The current shipments index fell to 5.7 from 11.4 in October, and the current new orders index fell to 8.7 from 11.5.

Firms' production is easily keeping pace with the modest growth in orders. In fact, the number of unfilled orders is decreasing overall: 27 percent of



respondents say the number of unfilled orders is tapering off; 13 percent report increases. Delivery times are also shorter, on balance: 18 percent report shorter delivery times and 7 percent, longer. Indexes for both unfilled orders and delivery times have remained negative for three consecutive months.

Manufacturers' responses point to nearly steady levels of employment this month. About 16 percent report decreases in employment, and 14 percent report increases. The current employment diffusion index showed a modest increase, to -2.4 from -4.9. This index has remained slightly negative over the past three months, following eight months in the positive range. Average work hours were reported lower at about 17 percent of firms, only slightly higher

than the 9 percent reporting longer hours this month.

### Price Indicators Show Modest Increases

Prices of final manufactured goods are higher at 15 percent of the surveyed firms, lower at 7 percent, and steady at the remaining 78 percent. The current prices received index increased to 7.7 this month from 1.2. The percentage of firms reporting higher input prices (21 percent) remains greater than the percentage reporting lower prices (3 percent). The current index for input

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prices increased to 17.8 this month, from 15.5 in October.

#### Forecasts Improve Moderately

Respondents continue to expect growth for their manufacturing firms over the next six months. Forty-two percent expect business conditions to improve during that period, but 17 percent expect a deterioration in conditions. The future activity index increased to 25.4 from 18.9 in October. Similar expectations prevail with regard

to future new orders and shipments. On balance, unfilled orders are expected to remain near steady, and delivery times are expected to shorten.

Firms' forecasts for employment changes over the next six months also reflect a degree of caution: Although 40 percent expect increases in general business and new orders, only 21 percent expect to increase the number of workers; 12 percent expect the number to go down. The future employment index was virtually unchanged at 8.8.

#### Summary

Manufacturers report moderate growth in business activity this month. Responses about changes in new orders and shipments suggest some slowing of growth in recent months. Likewise, employment is reported near steady, and indicators show some increase for output prices, although it is not widespread. Despite the apparently slower current growth, manufacturers are slightly more optimistic about growth in business activity over the next six months.

### BUSINESS OUTLOOK SURVEY

#### Summary of Returns November 1997

	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?	16.5	53.9	26.6	10.1	16.6	41.4	42.0	25.4
Company Business Indicators								
New Orders	17.8	55.6	26.4	8.7	13.9	44.0	39.3	25.5
Shipments	25.1	44.0	30.9	5.7	15.9	43.9	37.3	21.4
Unfilled Orders	26.6	57.6	13.3	-13.3	13.8	66.3	16.1	2.3
Delivery Time	18.4	71.7	7.3	-11.1	18.7	68.7	12.2	-6.5
Inventories	27.3	53.2	17.0	-10.3	32.9	43.4	22.9	-10.0
Prices Paid	3.2	75.8	21.0	17.8	3.2	57.8	36.8	33.6
Prices Received	7.2	77.8	14.9	7.7	8.6	70.5	20.8	12.2
Number of Employees	16.3	69.5	14.0	-2.4	12.0	64.5	20.8	8.8
Average Employee Workweek	17.4	71.8	8.7	-8.7	16.7	57.9	21.1	4.4
Capital Expenditures	—	—	—	—	10.4	49.4	24.1	13.8

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 a decrease.