

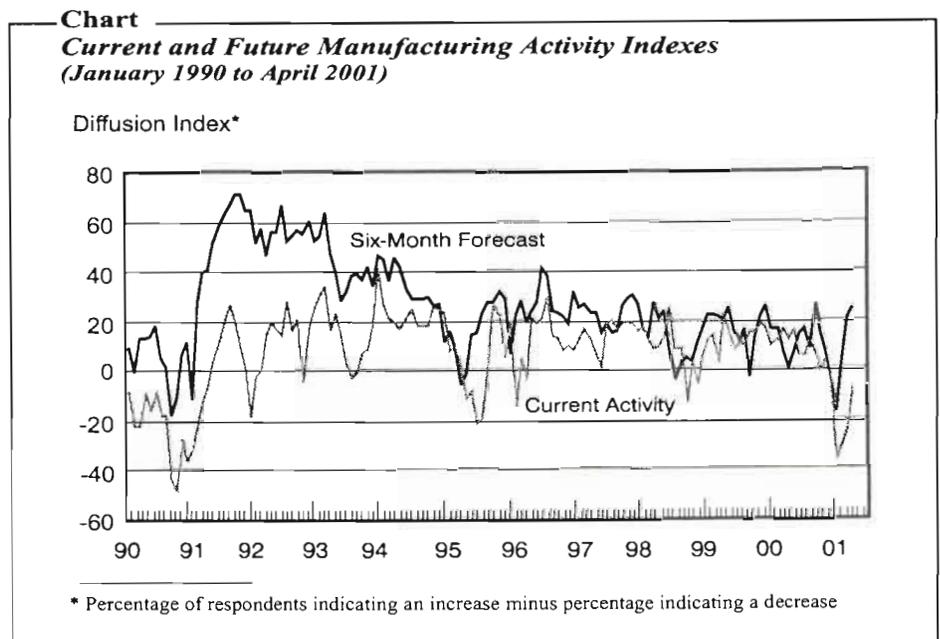
April 2001

The region's manufacturing firms report continued weakness in business activity this month. Although most indicators of current performance improved from their readings in the previous month, they still suggest overall declines in business. Factory employment and average work hours declined again this month. The firms remain relatively optimistic, however, that business will recover from current depressed levels over the next six months.

### Manufacturing Remains Weak

For the fifth consecutive month, a larger percentage of firms reported declines in business activity (34 percent) than reported increases (27 percent). Although the current activity index suggests continued deterioration in manufacturing business, it increased from -23.5 in March to -7.2 this month (see Chart).

The demand for manufactured goods remains weak: the percentage of firms indicating declines in new orders (34 percent) was larger than the percentage indicating increases (30 percent). The current new orders index, at -3.9, changed little from its reading of -3.1 in the previous month but is more than 20 points higher than its average reading in January and February. Shipments improved slightly: the index increased from -3.6 in March to 1.3 this month. The percentage of firms reporting increases in shipments (31 percent) was nearly the same as the percentage reporting declines



(30 percent). Although readings for unfilled orders and delivery times rose somewhat, they remain weak. The unfilled orders index increased only slightly, from -19.2 in March to -18.9 this month, and the delivery times index increased from -22.0 to -15.7. Firms continue to reduce inventories; the current inventories index stands at -16.6 this month, up from -22.0 in March.

Firms report weaker manufacturing employment this month. The diffusion index of current employment fell from -6.3 in March to -12.9 and has remained negative for six consecutive months. The percentage of firms reporting declines in

employment (29 percent) exceeded the percentage reporting increases (16 percent). The average workweek also declined: the current workweek index fell from -13.2 to -28.0.

### Upward Price Pressures Diminish

Eighteen percent of the firms surveyed reported price increases for inputs, but nearly 11 percent reported decreases this month. The current prices paid index suggests continued moderation of input price pressures: the index declined

Starting June 2001, the *Business Outlook Survey* will be released at 12 noon E.T. on the third Thursday of each month instead of its current time of 10 a.m. E.T. The release schedule for 2001 is available at: <http://www.phil.frb.org/econ/bos/bosschedule.html>.

To subscribe to this publication call (215) 574-6428. This publication can be found on the Internet using the World Wide Web at <http://www.phil.frb.org>.

from 15.2 to 7.0, its lowest reading since May 1999.

With regard to their own manufactured goods, the largest percentage of firms surveyed (nearly 74 percent) reported no change in prices this month. Probably reflecting overall weak conditions in the manufacturing sector, the percentage of firms reporting price decreases (18 percent) was greater than the percentage reporting increases (9 percent), and the prices received index fell from -3.6 in March to -8.4.

### Expectations Remain Optimistic

Despite continued weakness in manufacturing, expectations about the next six months remain relatively optimistic. More than 46 percent of firms expect an improvement in business conditions over the next six months, compared with 21 percent expecting deterioration. The future index of general activity increased modestly from 20.9 in

March to 25.7 in April (see Chart). Similar optimism is reported for future new orders and shipments. The future shipments index increased from 24.0 in March to 32.0, and the future new orders index increased from 25.8 to 27.5.

Firms' expectations regarding employment are also encouraging. More than 35 percent of the manufacturers expect increases in employment over the next six months, compared with 18 percent expecting decreases. The future employment index increased significantly, from 0.9 to 17.8, its highest reading since February 2000. Plans for capital expenditures, however, continue to be depressed. The percentage of firms expecting to increase capital expenditures over the next six months (22 percent) is nearly the same as the percentage expecting to decrease (20 percent). Despite improvement in the other future indicators, the future capital expenditure diffusion index declined from a very a

low reading of 3.1 in March to 1.7 and has remained at low levels since the beginning of the year.

### Summary

Although most current indicators improved from their readings in the past few months, the responses suggest continued deterioration in business conditions. Although declines in new orders were not as large as in the first two months of this year, the share of firms reporting declines is still larger than the share reporting increases. Responses this month suggest a continuation of manufacturing job losses in the region. Respondents suggest, however, that the current weakness in the manufacturing sector will not last long. Most indicators of future growth, except for capital expenditures, showed further improvement this month.

## BUSINESS OUTLOOK SURVEY

### Summary of Returns April 2001

	April vs. March				Six Months from Now vs. April			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
What is your evaluation of the level of general business activity?	33.7	39.9	26.5	-7.2	20.7	22.5	46.4	25.7
Company Business Indicators								
New Orders	34.1	35.8	30.2	-3.9	20.4	23.7	47.9	27.5
Shipments	29.5	37.7	30.8	1.3	19.0	21.2	51.1	32.0
Unfilled Orders	29.0	58.7	10.1	-18.9	21.9	51.3	19.8	-2.1
Delivery Times	22.9	69.2	7.2	-15.7	20.6	66.7	6.3	-14.2
Inventories	35.6	44.1	19.0	-16.6	32.4	43.7	16.4	-16.0
Prices Paid	10.8	70.8	17.9	7.0	4.3	60.9	30.4	26.1
Prices Received	17.5	73.5	9.1	-8.4	7.5	62.4	24.7	17.2
Number of Employees	29.3	53.9	16.4	-12.9	17.5	41.7	35.3	17.8
Average Employee Workweek	35.3	57.5	7.2	-28.0	21.2	51.1	20.1	-1.1
Capital Expenditures	—	—	—	—	20.3	40.5	22.0	1.7

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.

(4) Survey results reflect data received through April 10, 2001.