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Economic Research Department

Manufacturing activity has increased, according to the March *Business Outlook Survey*. The diffusion index for overall activity registered the first positive value since October of last year. Although respondents reported continuing declines in employment and hours, most other indicators were positive. Most respondents expect continued improvement in business activity over the next six months.

CURRENT CONDITIONS

The diffusion index for general activity jumped from -0.9 to 18.4 in March, suggesting that output in the region's manufacturing sector is again growing (see Chart). Almost 32 percent of those polled indicate increased activity from the previous month; about 54 percent say that activity was unchanged, and 14 percent report activity had declined.

Individual indicators for March also suggest improved activity. Shipments are increasing at one-third of the firms polled, and the diffusion index stands at +17.0—the third consecutive month at a positive level. The rise in shipments is associated with an apparent increase in new orders over the

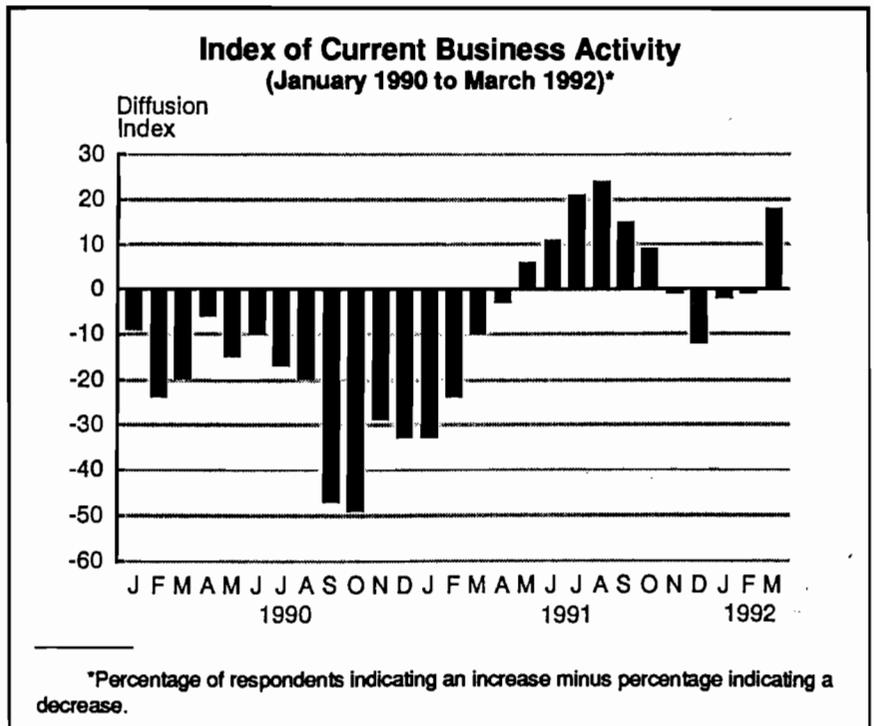
past two months. New orders are increasing at almost 28 percent of the manufacturing firms polled; almost 33 percent reported increases in new orders in February. The diffusion index for unfilled orders also turned positive in March (+7.2), suggesting higher production levels in the near term.

On the other hand, the March survey shows no improvement in employment. About 75 percent of

those polled indicate no change in employment levels from the previous month. Only 7 percent of the firms report an increase in payrolls and 17 percent of the firms report reductions. The average employee workweek declined as well, according to those polled.

PRICES

March survey responses suggest little change in the prices re-



ceived for manufactured goods. Sluggish demand and competition continue to place downward pressure on prices. The percentage of manufacturers reporting price reductions narrowly exceeds the percentage reporting price increases--9 percent and 5 percent, respectively. The diffusion index for prices received, which stands now at -3.8, has remained negative since December 1990. With respect to input prices, about 79 percent report no change from February. The percentage of firms reporting input price increases (17 percent) exceeds those reporting decreases (3 percent). Most firms (69 percent) expect their prices to remain steady over the next six months, although firms expect the price of purchased inputs to rise over the next six months.

OUTLOOK

Expectations continue to be positive among the majority of the region's manufacturers, but the diffusion index, which now stands at +43.3, declined from a level of +64.7 in February. The percentage of firms expecting activity to decline over the next six months increased (from 4 percent in February to 13 percent in March), and the percentage expecting an increase in activity decreased (from 69 percent to 57 percent).

On the employment front, 55 percent of the firms surveyed expect no change in their employment levels through the end of summer. The remaining firms are nearly divided between those expecting increases in employment and those expecting declines. Capital spend-

ing, on the other hand, is expected to increase at about one-third of the firms reporting, and only 6 percent anticipate capital spending reductions.

SUMMARY

The March *Business Outlook Survey* suggests that the region's manufacturing sector may be recovering after at least a quarter of stagnation. Current indicators suggest a pickup in both shipments and new orders. The labor market, however, shows little sign of improvement; on balance, reporting firms expect to maintain current employment levels over the next six months. A majority of reporting firms continue to expect general improvement in business activity over the next six months.

BUSINESS OUTLOOK SURVEY Summary of Returns March 1992

Indicator	March vs. February				Six Months from Now vs. March			
	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?	13.5	54.4	31.9	18.4	13.3	28.2	56.6	43.3
Company Business Indicators								
New Orders	15.0	56.1	27.9	12.9	12.9	25.3	60.4	47.5
Shipments	15.9	48.2	32.9	17.0	14.5	24.7	54.8	40.3
Unfilled Orders	15.1	57.3	22.4	7.2	10.0	51.5	33.5	23.5
Delivery Time	10.5	78.4	7.6	-2.9	7.1	76.3	11.3	4.2
Inventories	23.8	50.4	22.6	-1.2	32.1	42.3	20.9	-11.2
Prices Paid	2.5	79.3	16.7	14.2	1.2	59.8	36.5	35.3
Prices Received	9.0	84.0	5.2	-3.8	3.3	68.5	24.0	20.7
Number of Employees	16.5	75.1	7.0	-9.5	20.5	55.3	22.5	2.0
Average Employee Workweek	15.9	69.2	5.8	-10.2	6.8	57.4	30.1	23.2
Capital Expenditures	—	—	—	—	5.5	50.7	34.1	28.6

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.