

## Economic Research Division

**ATTENTION:** Effective September 1992, the release of the Business Outlook Survey will change from the third Friday of the month to the third Thursday. The next scheduled release will be Thursday at 10 AM (eastern time), September 17, 1992.

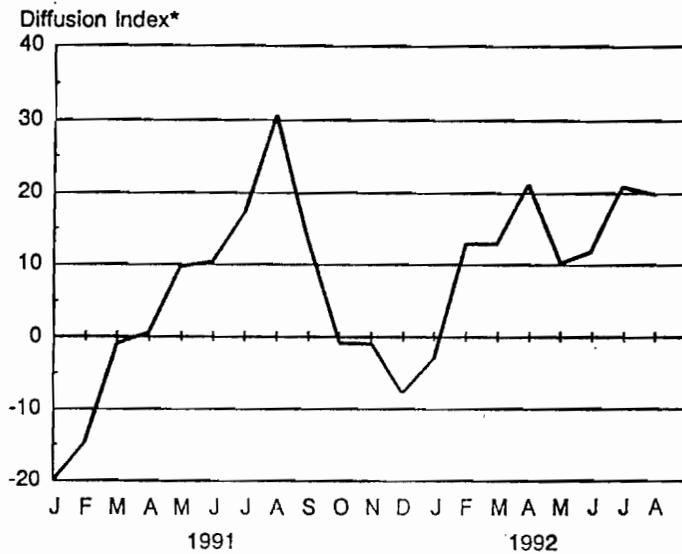
Business activity in the manufacturing sector continues to expand, according to this month's *Business Outlook Survey*. Although the overall activity diffusion index was lower than in July, the index registered its sixth consecutive positive reading. New orders and shipments remain relatively strong and most respondents expect continued improvement in activity over the next six months.

### CURRENT CONDITIONS

The general activity diffusion index, which now stands at 12.5, indicates continued growth in the region's manufacturing sector, although at perhaps a lower rate than in July when the index stood at 27. Although 62 percent of those firms polled indicate no change in activity from the previous month, more than twice as many firms report increasing activity (25 percent) as do firms that report declines in activity (12 percent).

Individual indicators of economic activity in the manufacturing sector continue to show relative strength. New

### New Orders Show Continued Strength (January 1991 to August 1992)\*



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

orders are growing at nearly 34 percent of those manufacturers surveyed, compared with 14 percent indicating declines. The diffusion index for new orders has remained positive for the past seven months and has persisted at a relatively high level over the past several months (see Chart). Shipments have been strong this month as well. Other indicators suggest that production is at an even pace with demand--the level of unfilled orders

and delivery times are, on balance, stable.

Labor market conditions remain weak, according to survey participants. Almost 71 percent of the firms responding to the survey indicate no change in employment levels this month. The percentage of firms indicating declines in employment (14 percent) narrowly outnumbers those indicating increases in employment (12 percent). The majority of manufacturers (81 percent)



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report no change in the average workweek, and the percentage indicating increasing hours (13 percent) outnumber those with declining hours (6 percent).

#### PRICES

Industrial prices remain stable, according to survey participants. About 89 percent of the manufacturing firms report no change in prices this month, and the percentage of firms indicating higher prices (6 percent) nearly matches the percentage indicating lower prices (3 percent). Despite apparent increases in manufacturing activity, the diffusion index for prices received by manufacturers has remained close to zero over the past six months. Although the majority of manufacturers (71 percent) forecast that current prices will hold steady over the next six months, the percentage of firms expecting price increases (24 percent), however, outnumbers those expecting declines (5 percent).

Prices for raw materials and other purchased inputs are unchanged at 79 percent of the firms polled this month. However, 19 percent report price increases, compared with only 2 percent reporting price declines. About 41 percent of the firms expect further input price increases the next six months, compared with only 5 percent of the firms expecting input price reductions.

#### OUTLOOK

Looking ahead six months, area manufacturers see further improvement in their business. Almost 61 percent of the August survey respondents expect activity to pick up in the second half of this year. Only 10 percent of those polled are expecting a decline in activity. On balance, survey participants expect similar gains in new orders and expect to boost shipments accordingly. Unfilled orders are expected to increase over the next six months, but delivery times are expected to remain steady.

Although overall production is expected to increase, survey participants, on balance, are anticipating little increase in employment. Nearly 68 percent of those firms polled indicate that there will be no change from current employment levels in the next six months. Although 19 percent of the firms expect increases in employment, 13 percent of the firms expect employment reductions. On the other hand, the average workweek is expected to increase at nearly 30 percent of the firms, compared with 4 percent expecting average workweek reductions.

#### SUMMARY

Respondents to the August *Business Outlook Survey* indicate that manufacturing activity continues to grow. New orders and shipments are increasing at about one-third of the polled manufacturing firms in the region, but employment levels remain generally unchanged. Firms expect the recovery in manufacturing to continue over the next six months.

### BUSINESS OUTLOOK SURVEY Summary of Returns August 1992

Indicator	August vs. July				Six Months from Now vs. August			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
<b>General Business Conditions</b>								
What is your evaluation of the level of general business activity?	12.1	62.4	24.6	12.5	9.5	29.6	60.8	51.3
<b>Company Business Indicators</b>								
New Orders	13.7	52.7	33.5	19.8	13.0	25.5	61.5	48.5
Shipments	11.8	55.3	32.9	21.1	11.6	24.6	63.8	52.1
Unfilled Orders	20.5	60.1	19.4	-1.0	15.4	49.5	35.1	19.7
Delivery Time	12.0	79.0	9.0	-3.0	15.5	70.8	12.6	-2.8
Inventories	15.3	62.3	22.4	7.2	27.2	47.9	23.5	-3.7
Prices Paid	1.9	78.9	19.2	17.2	5.3	53.5	41.2	36.0
Prices Received	3.3	89.1	6.2	2.9	4.6	70.5	24.0	19.4
Number of Employees	14.4	70.7	11.8	-2.6	13.0	67.6	19.0	6.0
Average Employee Workweek	6.4	80.5	13.2	6.8	3.7	61.3	30.0	26.3
Capital Expenditures	—	—	—	—	6.6	46.8	26.9	20.3

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