

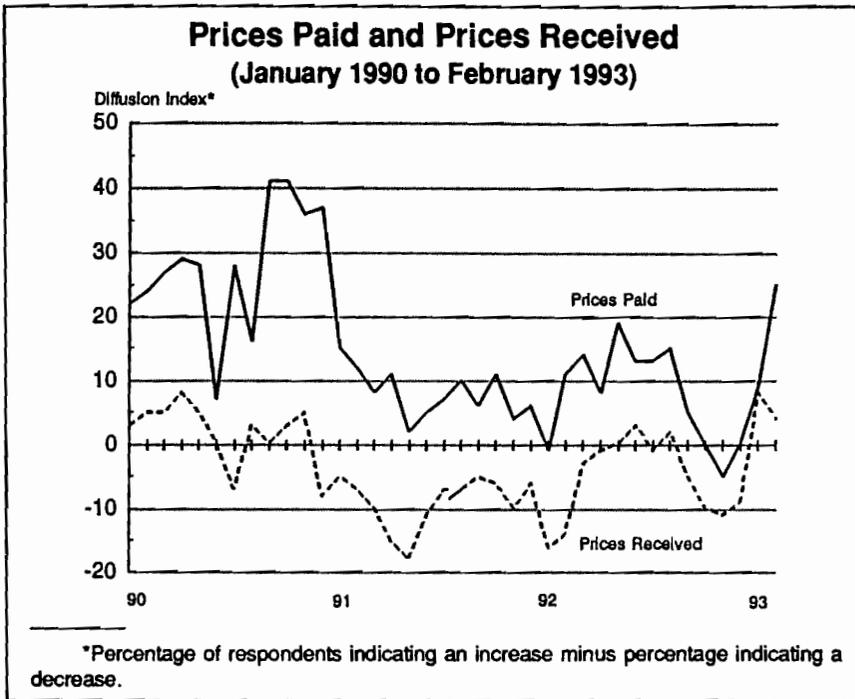
## Economic Research Division

The region's manufacturing sector is continuing to expand, according to this month's *Business Outlook Survey*. The survey's broadest measure of economic performance, the diffusion index of general activity, remains near the high levels recorded during the previous two months. Both shipments and new orders show continued strength this month, but indicators of current manufacturing employment remain virtually unchanged. Prices of finished manufacturing goods are reported to be steady, although a larger percentage of firms report higher prices for inputs this month.

### CURRENT CONDITIONS

The general activity diffusion index, which now stands at 38.8, is virtually unchanged from last month. The index, which has remained positive over the past year, has remained at a relatively high level for the past three months, indicating a significant improvement in manufacturing activity. About 48 percent of the manufacturers polled report an increase in activity from the previous month, compared with just 9 percent reporting a decline.

Individual indicators highlight a manufacturing sector that has gained strength. Nearly 49 percent of the surveyed firms report increases in shipments this month, compared with about 13 percent reporting declines. New-order statistics show similar strength: 49 percent of the firms report increases and 19 percent report declines. Diffusion indexes for both shipments and new orders have remained at relatively high levels for the past three



months and are near their highest levels in more than four years.

The manufacturing establishments polled this month report unfilled orders diffusion index has been increasing over the past three months and has now been positive for two consecutive months. The diffusion index for current inventories, after declining precipitously over the past two months, increased from a level of -29.6 in January to -8.9, suggesting inventory levels have been stabilizing. About 59 percent of the manufacturers report no change in inventory

levels this month, and the percentage of firms reporting declines (25 percent) narrowly outnumbers the percentage reporting increases (16 percent).

Current manufacturing employment statistics show little change from January. About 67 percent of the firms polled report no change in employment over January, and the percentage of firms reporting increases in their work force (19 percent) only narrowly exceeds the percentage with work-force reductions (14 percent). The average workweek diffusion index remained positive, declining from a level of 11.9 in January to 6.7 this month.



## PRICES

Surveyed manufacturers report higher prices for purchased inputs this month. The diffusion index for prices paid by manufacturers increased from a level of 8.6 in January to 25.2 this month (see chart), representing the highest level for this index since 1990. Although 74 percent of the surveyed firms report no change in input prices, about 25 percent of the firms reported higher prices this month than in January and no firms reported input price reductions. Furthermore, nearly 48 percent of the firms polled expect input price increases over the next six months.

Despite reported increases in the prices of raw materials and other purchased inputs, manufactured-goods prices remain, on balance, steady. Eighty-three percent of the firms report no change in their prices, and the percentage of firms reporting price increases (10 percent) only narrowly exceeds the percentage reporting price reductions (7 percent).

A growing number of firms have reported in recent months that they expect

manufactured-goods prices to increase over the next six months. The future-prices-received diffusion index increased from a level of 25.8 in January to 36 this month. About 36 percent of those polled expect price increases over the next six months, compared with almost no reporters expecting price reductions.

## OUTLOOK

The February survey reflects continued optimism among the region's manufacturers, and most future indicators remain near the levels recorded in recent months. The overall diffusion index for future economic activity increased from a level of 65.1 to 70.7 this month, reflecting the expectation of 73 percent of respondents that current conditions will improve over the next six months.

Other indicators of future economic activity reflect manufacturers' plans to boost production in step with anticipated increases in demand. New orders and shipments are expected to increase from current levels at about 62 percent of the firms responding to the survey. Nearly

26 percent of the firms expect employment levels to rise, compared with 14 percent of the firms expecting lower employment levels. On balance, the average workweek is expected to increase for nearly 30 percent of the firms reporting. Nevertheless, unfilled orders will increase over the next six months and delivery times will lengthen, according to those firms surveyed.

## SUMMARY

Results from the February *Business Outlook Survey* indicate continued improvement in the manufacturing sector. In particular, individual indicators for shipments and new orders show considerable strength. Although prices of purchased inputs are reported to be higher this month, current manufactured-goods prices remain steady. With regard to the next six months, survey results reflect continued optimism that the recent improvement in the manufacturing sector will continue.

### BUSINESS OUTLOOK SURVEY Summary of Returns February 1993

Indicator	February vs. January				Six Months from Now vs. February			
	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?	8.7	37.8	47.5	38.8	1.8	20.6	72.5	70.7
<b>Company Business Indicators</b>								
New Orders	18.8	31.9	49.3	30.5	4.4	28.0	61.9	57.5
Shipments	12.7	35.7	48.5	35.8	3.3	31.1	61.1	57.8
Unfilled Orders	11.6	52.6	32.3	20.7	14.7	52.6	29.7	15.0
Delivery Time	6.6	75.1	16.7	10.1	8.7	66.9	20.6	11.9
Inventories	24.5	58.9	15.7	-8.9	29.4	44.5	25.0	-4.4
Prices Paid	0.0	74.4	25.2	25.2	0.0	52.5	47.5	47.5
Prices Received	6.6	83.0	10.4	3.7	0.2	62.8	36.2	36.0
Number of Employees	13.6	67.3	19.1	5.5	14.0	58.0	25.8	11.8
Average Employee Workweek	11.2	66.8	17.9	6.7	3.1	62.7	30.3	27.2
Capital Expenditures	—	—	—	—	8.9	40.9	30.3	21.4

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.