

BUSINESS

O U T L O O K Survey

March 1997

The region's manufacturers report continued improvements in business conditions this month. Firms report healthy increases in new orders and shipments. Moreover, responding firms increased their payrolls this month. Those surveyed remain relatively optimistic that recent gains will continue over the next six months.

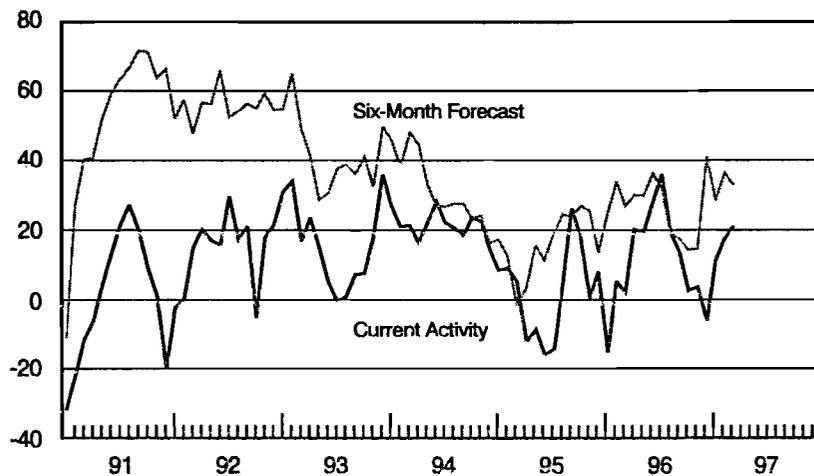
Current Indicators Suggest Balanced Growth

The survey's current general activity index increased for the third consecutive month, rising from 17.4 in February to 21.1 (see Chart). About 35 percent of the manufacturers reported increases in activity this month; 14 percent reported declines. The percentage of firms reporting increases in activity has risen steadily over the past four months. The current shipments index registered a strong gain in March, rising from 10.0 in February to 23.9. Although growth in new orders remained relatively strong—nearly 39 percent of the firms reported increases—the current new orders index fell slightly, from 20.7 to 18.8.

Other survey measures suggest that the recent reported growth in manufacturing demand is not exceeding supply. The unfilled orders index remained negative and even declined slightly, from -6.2 to -7.7. Delivery times remained fairly steady: nearly the same percentage of firms reported shorter delivery times (12 percent) as reported increased delivery times (9 percent). The current index for delivery times remained negative but increased from -8.4 to -3.1. More firms reported decreases

Current and Future Activity Indexes
(January 1991 to March 1997)

Diffusion Index*



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

in current inventories (33 percent) than reported increases (22 percent), and the current inventories index declined from -8.4 to -11.1.

Increases in manufacturing activity are resulting in greater demand for labor. Manufacturers report increases in both employment and average work hours. The percentage of firms reporting increases in employment (24 percent) is higher than the percentage reporting declines (14 percent). The current employment index increased markedly from 0.1 to 10.5. The percentage of firms reporting increases in the average workweek (24 percent) also exceeded the percentage reporting a shorter one (16 percent). The current average workweek index increased from -3.2 to 7.3.

Input Prices Are Higher, but Output Prices Are Steady

While survey responses suggest some upward drift in input prices in recent months, prices for final manufactured goods show little signs of upward pressure. The percentage of firms reporting lower prices (17 percent) exceeded the percentage reporting higher prices (14 percent). With regard to prices for purchased inputs and other raw materials, 20 percent of the firms polled reported increases this month; 7 percent reported decreases. The current prices paid index moved slightly higher for the

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second consecutive month, increasing from 6.3 to 13.3. The current prices received index declined slightly, from 0.8 to -2.4.

Expectations for increases in both input and output prices over the next six months have been slightly elevated in the past few months. Nearly 33 percent of the manufacturers expect higher prices for their products over the next six months; 38 percent expect higher input prices. Both the future prices paid and future prices received indexes are now at their highest levels in the past year.

Manufacturers Expect Continued Growth

When asked about their forecasts for business over the next six months, manufacturers reported continued optimism.

The percentage of firms expecting an improvement in general business remained about the same as in the previous survey (45 percent), although the overall future general activity index fell slightly, from 36.4 in February to 32.7. Over half of the firms expect growth in new orders and shipments over the next six months.

Unfilled orders are expected to rise over the next six months, although firms are expecting to shorten delivery times. Current inventory levels are also expected to be reduced over the next six months.

The generally favorable business forecast is evident in firms' responses regarding their employment plans. Although 61 percent of the firms expect to keep current employment levels, the percentage expecting increases in their work

force (27 percent) exceeds the percentage planning reductions (13 percent).

Summary

A steady rise in current manufacturing indicators in the past few months suggests a somewhat more rapid pace of growth. While the current shipments index this month suggests an acceleration, responses regarding new orders suggest a steady rate of growth. Moreover, little is reported in the way of unbalanced growth this month—unfilled orders are not rising and delivery times are near steady. Reported increases in manufacturing employment this month reflect manufacturers' optimism that the demand for manufactured goods will grow over the next six months.

BUSINESS OUTLOOK SURVEY

Summary of Returns March 1997

	March vs. February				Six Months from Now vs. March			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
What is your evaluation of the level of general business activity?	14.0	47.4	35.1	21.1	12.3	42.3	45.0	32.7
Company Business Indicators								
New Orders	19.9	39.8	38.7	18.8	11.8	33.8	50.7	38.8
Shipments	14.5	43.3	38.5	23.9	6.3	42.6	51.1	44.9
Unfilled Orders	20.7	64.8	13.1	-7.7	19.2	51.5	29.2	10.0
Delivery Time	12.2	78.8	9.0	-3.1	21.5	63.7	14.8	-6.7
Inventories	33.2	44.7	22.1	-11.1	36.5	41.4	22.1	-14.5
Prices Paid	7.1	72.6	20.3	13.3	4.4	57.7	38.0	33.6
Prices Received	16.7	68.7	14.4	-2.4	9.9	56.3	32.7	22.7
Number of Employees	13.7	60.1	24.2	10.5	12.5	58.2	27.3	14.9
Average Employee Workweek	16.4	57.7	23.7	7.3	14.4	60.9	24.7	10.4
Capital Expenditures	—	—	—	—	13.4	42.8	30.1	16.8

- 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.