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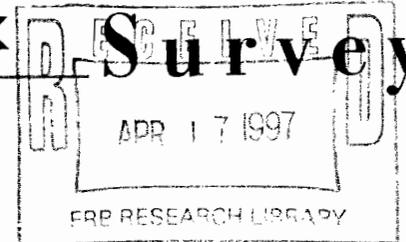
Federal Reserve Bank
of Philadelphia

BUSINESS

O U T L O O K

Survey

April 1997



Responses of the region's manufacturers to this month's *Business Outlook Survey* suggest that the rate of growth is slower than it has been in recent months. Indicators of future activity, which reflect the manufacturers' six-month forecasts, are slightly weaker as well. Despite the indications of slowing growth, respondents report an uptick in prices for manufacturing inputs.

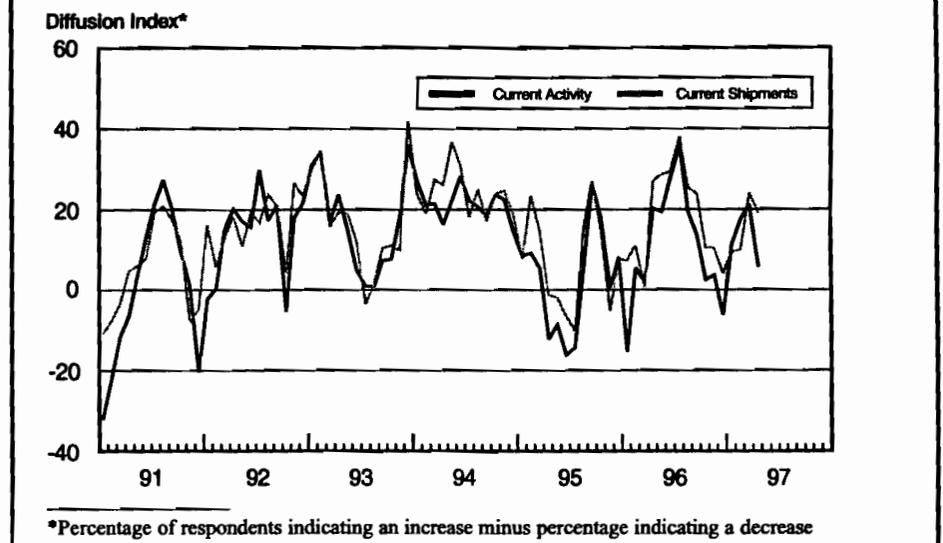
Pace Slows After Three Months Of Increase

The survey's current general activity diffusion index fell sharply this month, from 21.1 to 5.7. The index had been steadily increasing over the previous three months (see Chart). Nearly 25 percent of manufacturers surveyed reported an improvement in general business conditions, compared with 35 percent in March. The current new orders index fell this month, from 18.8 to 10.5, which is consistent with the apparent slowing of growth.

Other indicators, while posting smaller changes, are also consistent with a slowing of the growth rate. The current shipments index fell moderately, from 23.9 to 19. The delivery time indexed decreased from -3.1 to -9.0. The current unfilled orders index was virtually unchanged at -5.3; it stood at -7.7 in March.

Despite the apparent slowing in activity, manufacturing employment growth remained positive. While 71 percent of firms reported no change in employment this month, the percentage reporting increases in the

Current Activity and Shipment Indexes
(January 1991 to April 1997)



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

number of workers (16 percent) was higher than the percentage reporting decreases (11 percent). The employment index declined from 10.5 in March to 4.1, but it has remained positive for four consecutive months. Average work hours are steady: 16 percent of firms reported increases in hours, and the same percentage reported decreases.

More Firms Report Rising Input Prices; Own Prices Are Steady

Nearly 79 percent of those polled reported steady prices for their final manufactured goods. The percentage reporting declines (12 percent) was above the percentage reporting increases (10 percent). The current prices received index increased negligibly, from -2.4 to -1.8.

The index for raw materials and other purchased inputs — the prices paid index — edged higher this month, from 13.3 to 19.9, its third consecutive monthly increase. Input prices increased at 23 percent of the firms this month and declined at just 3 percent. This index is at its highest since October 1995.

Six-Month Indicators Fall Moderately

The survey's future economic activity index fell slightly this month, from 32.7 to 31.3. The number of firms

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expecting continued increases in activity (42 percent) was greater than the number expecting decreases (10 percent). Similarly, 49 percent of respondents expect increases in new orders, and 44 percent expect a rise in shipments over the next six months. Unfilled orders and delivery times are expected to remain at current levels: nearly the same percentage of firms expect increases as expect decreases for each.

Firms were somewhat less optimistic this month regarding additions to current

payrolls over the next six months.

Although 24 percent expect to increase and only 14 percent to decrease employment, the future employment index declined from 14.9 to 9.6. Firms continue to expect a rise in the average work hours of their production workers, however; the future average workweek index increased from 10.4 to 13.3.

Summary

Although manufacturing indexes had risen steadily over the previous three

months, most indicators of current activity fell in April. While not indicating a decline in activity, the fall suggests a reduction in the pace of growth reported in previous months. Those polled reported continued growth in shipments this month, but growth in new orders moderated. Surveyed manufacturers also reported little change in labor market conditions. And although more firms reported a rise in input prices in recent months, prices for their own manufactured goods are holding steady.

BUSINESS OUTLOOK SURVEY								
Summary of Returns April 1997								
	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?	18.9	56.0	24.6	5.7	10.3	44.7	41.6	31.3
Company Business Indicators								
New Orders	18.7	51.2	29.1	10.5	12.2	39.1	48.6	36.3
Shipments	13.6	53.8	32.6	19.0	10.2	44.1	43.9	33.8
Unfilled Orders	24.3	56.7	19.0	-5.3	14.3	67.1	17.1	2.8
Delivery Time	15.0	79.0	6.0	-9.0	10.5	76.6	9.1	-1.4
Inventories	25.4	54.1	20.2	-5.2	33.4	45.0	21.6	-11.9
Prices Paid	2.8	73.2	22.7	19.9	5.1	51.3	41.3	36.2
Prices Received	11.6	78.5	9.8	-1.8	6.5	66.2	21.4	14.8
Number of Employees	11.4	71.1	15.5	4.1	14.1	59.1	23.7	9.6
Average Employee Workweek	15.7	68.7	15.6	-0.1	9.9	63.2	24.7	14.8
Capital Expenditures	—	—	—	—	18.2	36.2	31.5	13.3

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 a decrease.