

Economic Research Department

For the fourth consecutive month, respondents to the *Business Outlook Survey* report increasing manufacturing activity. Of the manufacturers polled during August, 40 percent report an increase in business compared to the previous month, while 14 percent note a decline. Some 44 percent report no change. The percentage of respondents indicating improved business activity has climbed markedly since January 1991, when only 12 percent were reporting growth.

CURRENT CONDITIONS

Specific measures of industrial activity reflect continued improvement in business conditions and suggest growth in demand for industrial output. More firms report increases in shipments, new orders, and unfilled orders, especially during the last two months. The diffusion index for new orders now stands at its highest level since March 1989 (see chart). At the same time, inventories are reported to be declining.

The apparent increase in demand for manufactured goods, however, has not yet translated into similar growth in employment. Sixty-three percent of surveyed firms report no changes in levels since July and those indicating declines in employment exceed those reporting in-

creases. Meanwhile, little change in the average workweek was registered, with the majority (68 percent) indicating no change.

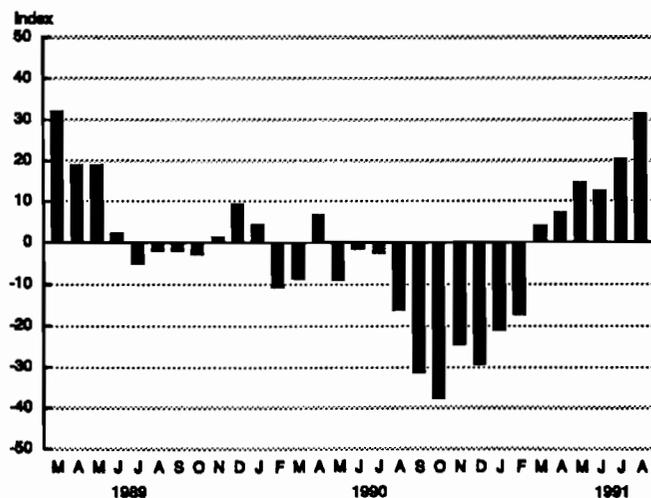
OUTLOOK

Most area manufacturers expect demand for their goods to grow during the next six months. Seventy percent—the highest level in seven years—now anticipate increasing business in the next six months. There is similar optimism for future

shipments and new orders.

Area manufacturers are cautiously optimistic about further employment growth and capital spending. Of the reporting firms, 34 percent anticipate employment growth in the next six months while 51 percent expect no change. Although manufacturing managers plan, on average, to increase capital expenditures over the next six months, the percentage with such intentions is down somewhat from the previous two months.

New Orders on the Rise



Percentage of respondents reporting increase minus percentage reporting decrease.



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PRICES

Respondents to the August survey report steady prices. Eighty-six percent report no change in their cost of raw materials and other purchased items from July to August. The prices of goods produced show a parallel pattern and over 75 percent of respondents indicate no change. Accompanying the expected

increase in demand for manufactured goods, the firms foresee their own prices rising over the next six months, but this pattern of expectations has not changed appreciably over recent months.

SUMMARY

Overall business activity continues to increase for area manufactur-

ers during August. Survey respondents note an increase in orders and shipments and are optimistic regarding their continued growth. To date, respondents report little change in employment trends but are cautiously optimistic regarding higher employment levels during the next six months.

**BUSINESS OUTLOOK SURVEY
Summary of Returns
August 1991**

Indicator	August vs. July				Six Months from Now vs. August			
	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?	14.2	44.1	40.0	25.7	9.0	20.8	70.3	61.3
Company Business Indicators								
New Orders	14.9	37.3	46.5	31.5	6.3	26.5	66.7	60.4
Shipments	22.0	38.2	39.8	17.9	5.4	29.8	64.0	58.6
Unfilled Orders	18.1	56.6	20.4	2.2	9.0	58.6	29.7	20.6
Delivery Time	9.4	78.9	8.6	-0.9	11.3	68.5	19.4	8.1
Inventories	38.1	36.2	23.5	-14.6	20.9	57.4	18.6	-2.3
Prices Paid	1.4	86.0	12.6	11.2	2.9	47.0	50.0	47.1
Prices Received	14.3	75.2	8.6	-5.7	3.2	56.5	40.2	37.0
Number of Employees	20.5	63.4	11.7	-8.8	15.6	51.0	33.5	17.9
Average Employee Workweek	17.0	67.7	15.3	-1.7	10.3	67.4	19.7	9.3
Capital Expenditures	—	—	—	—	13.7	44.2	29.2	15.5

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.