

## Economic Research Department

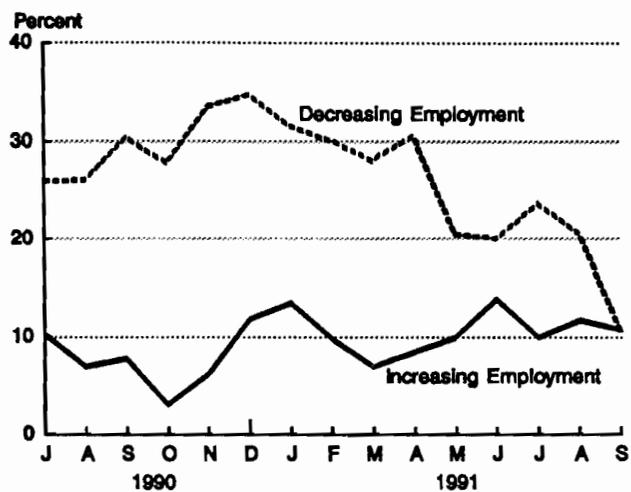
Manufacturing activity continues to grow, according to respondents to the *Business Outlook Survey*. Of those firms polled during September, 25 percent report increases in output while only 11 percent indicate declines. The percentage of firms reporting increases in activity is down somewhat from August, when 40 percent reported increases. Nevertheless, the survey's broadest measure of manufacturing activity, the diffusion index of general business conditions, has now been positive for six months. That is, more firms have reported increases in activity than have reported declines for six successive months.

### CURRENT CONDITIONS

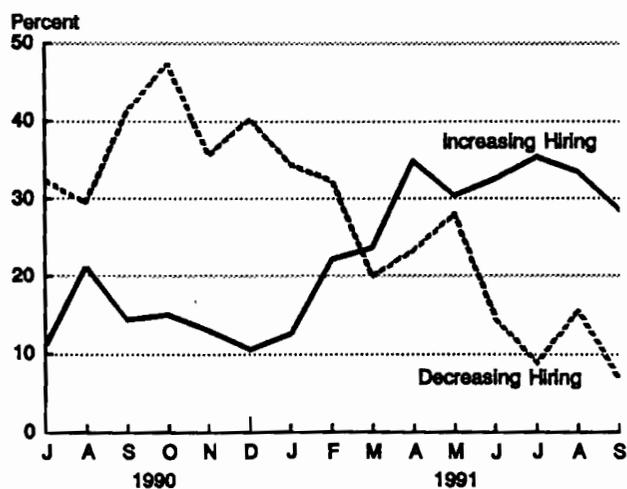
Individual indicators for September reflect continued growth in industrial activity, but they also suggest some moderation in the rate of increase. About 29 percent of the firms polled are experiencing an increase in orders during September, but this contrasts with 47 percent in August. Likewise, shipments are increasing at 30 percent of the regions's manufacturers compared with 40 percent in August.

In previous survey months, the growth in demand for manufacturers' output had failed to translate into parallel growth in employment. Likewise, during September, 78 percent

### Manufacturing Employment Recovering...



### And Employment Forecasts Improving



of respondents indicated no change in employment from the previous month. Since the beginning of the year, however, the percentage of firms reporting declining employment has dropped steadily (see chart). For the first time in over a year, the percent of manufacturers increasing employment now matches the percent of firms indicating reductions. On balance, over the past three months the average workweek has lengthened and inventories have fallen compared with the previous three months. These trends portend potential increases in employment ahead.

#### THE OUTLOOK

The majority of firms continue to see improvements over the next six months, as 70 percent expect increases in overall business. Manufacturers are similarly optimistic about continued growth in new orders and

shipments. Optimism is also growing regarding prospects for future employment growth. While 65 percent anticipate no growth in employment, 29 percent expect employment increases and only 7 percent plan reductions. Similarly, employers are forecasting a lengthening of the average workweek over the same period.

#### PRICES

The growth in demand for manufactured goods has not given rise to an increase in the prices of produced goods. Seventy-eight percent report no change in their prices from August to September. Approximately the same percentage of respondents (10 percent) report price increases as report price decreases (12 percent). The cost of raw materials and other manufacturing inputs is also steady, as 77 percent of manufacturers indicate no change in the prices

they face. The percent of reporters indicating reductions in prices, however, grew from 1 percent in August to 8 percent in September. In line with the anticipated growth in output and employment in the next six months, area manufacturers forecast increases in the cost of their raw materials, as well as an increase in the prices received for their products.

#### SUMMARY

Area manufacturers report continued growth in September; however, the diffusion index for overall economic activity was down somewhat from the previous two months. Continued strong growth in shipments and new orders suggests possible employment gains over the near term. Indeed, most firms forecast an increase in general activity over the next six months and many firms plan increases in employment.

### BUSINESS OUTLOOK SURVEY Summary of Returns September 1991

Indicator	September vs. August				Six Months from Now vs. September			
	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?	10.5	59.9	25.1	14.6	0.3	24.4	70.4	70.1
<b>Company Business Indicators</b>								
New Orders	16.5	54.0	28.6	12.0	5.3	23.9	70.8	65.4
Shipments	15.0	54.8	29.5	14.5	7.0	26.3	66.6	59.6
Unfilled Orders	15.6	65.5	18.9	3.3	4.2	59.3	36.6	32.4
Delivery Time	12.1	73.7	12.3	0.3	10.8	67.6	21.7	10.9
Inventories	38.9	48.0	13.0	-25.9	25.4	47.3	27.2	1.8
Prices Paid	8.2	77.0	14.8	6.6	3.2	49.6	47.2	44.0
Prices Received	11.6	78.4	9.9	-1.7	4.1	58.1	37.8	33.7
Number of Employees	10.3	78.2	10.7	0.4	6.7	64.7	28.6	22.0
Average Employee Workweek	7.5	81.6	9.3	1.7	9.9	64.1	25.4	15.5
Capital Expenditures	—	—	—	—	14.0	49.2	25.0	11.0

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