

Economic Research Department

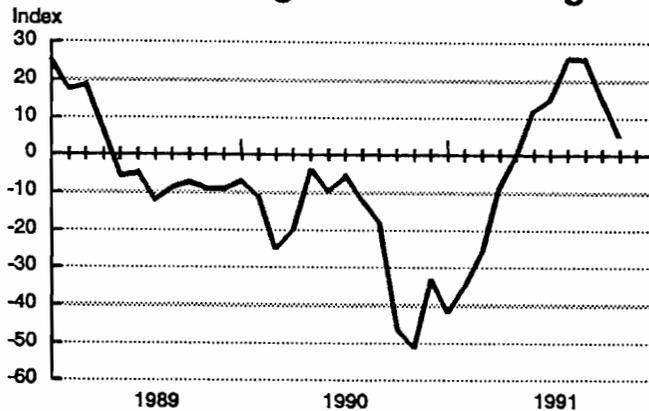
For the fifth straight month, respondents to the October *Business Outlook Survey* report increased manufacturing activity. Survey responses suggest, however, that growth has slowed in the past three months. Although demand may be slackening, area manufacturers remain optimistic that business will improve over the next six months.

CURRENT CONDITIONS

Almost 61 percent of those surveyed in October report no change in overall business. The percentage of manufacturers experiencing increases in business (22 percent) just exceeds the percentage experiencing declines (17 percent). Although remaining positive, the diffusion index of overall business has declined the last three months (see Chart 1), suggesting that growth has slowed.

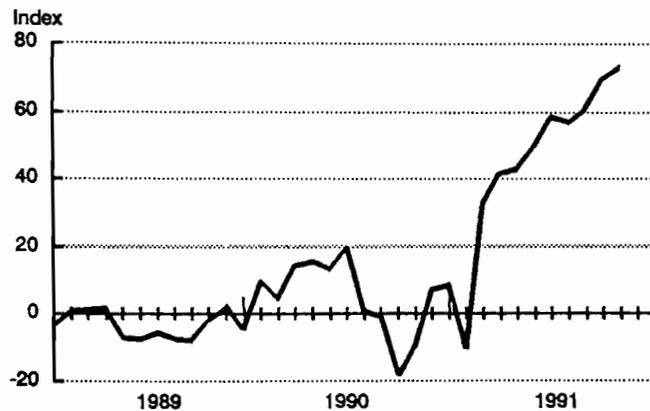
The recent slowing in manufacturing growth is reflected in survey responses regarding new orders. Of those surveyed, 56 percent indicate no change in new orders for October; however 25 percent report decreases and only 20 percent report increases. In August and September, the percentage reporting increases was 47 percent and 29 percent, respectively. Over the past three months, delivery times have shortened and unfilled orders have

Manufacturing Growth Slowing...



Percentage of respondents reporting an increase in business activity minus percentage indicating a decrease.

But Forecasts Remain Optimistic



Percentage of respondents forecasting an increase in business activity in the next six months minus percentage forecasting a decrease.



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decreased, suggesting a slackening of demand.

Employment levels, on balance, are declining at surveyed manufacturing firms; almost 24 percent of employers have reduced levels of employment since September, while only 8 percent report increases.

OUTLOOK

The October survey reflects continued optimism among the region's manufacturers: 77 percent of those surveyed expect increases in business over the next six months. Similarly, new orders and shipments will rise, according to survey participants.

The slowing growth in manufacturing may be contributing to a more pessimistic forecast for future em-

ployment growth. About 42 percent report that employment levels will not change in the next six months, and the percentage reporting plans to hire additional workers matches the percentage planning layoffs.

PRICES

Prices for manufactured goods are holding steady in October. Almost 68 percent of the firms polled report no change in prices received, and the percentage of firms indicating declines slightly outnumbers those with increases. Prices of raw materials and other purchased inputs are rising at 24 percent of the firms, but 65 percent indicate no change. In line with their forecasts of expanding activity in the next six

months, survey participants anticipate, on balance, an increase in their costs and in the prices of goods they manufacture.

SUMMARY

Manufacturing activity continues to increase in the region, but evidence suggests that the pace has slowed. Fewer firms report growing business and the number reporting increases in new orders has dropped, suggesting a dampening of demand for manufactured goods. Despite the recent slowing of growth, the region's manufacturers expect improving business in the next six months.

BUSINESS OUTLOOK SURVEY Summary of Returns October 1991

Indicator	October vs. September				Six Months from Now vs. October			
	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?	17.1	60.5	22.4	5.3	3.1	17.0	76.6	73.5
Company Business Indicators								
New Orders	24.9	55.5	19.6	-5.3	6.1	16.3	76.1	70.0
Shipments	20.9	50.5	28.5	7.6	7.9	22.2	69.9	62.0
Unfilled Orders	30.0	57.5	11.0	-18.9	9.0	51.2	35.1	26.1
Delivery Time	16.5	76.1	7.4	-9.1	8.3	71.2	14.5	6.2
Inventories	42.7	39.8	17.5	-25.2	33.6	39.9	22.6	-11.0
Prices Paid	10.7	64.6	23.7	13.0	5.3	29.9	60.8	55.5
Prices Received	14.9	67.9	12.1	-2.8	4.0	55.1	35.6	31.6
Number of Employees	23.9	67.7	8.3	-15.6	25.1	41.6	24.7	-0.3
Average Employee Workweek	17.5	66.1	16.5	-1.0	13.1	57.4	26.5	13.4
Capital Expenditures	—	—	—	—	9.4	48.5	32.0	22.6

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.