

Outlook

Economic Research Division

ATTENTION: Effective with this issue, the release of the *Business Outlook Survey* is changing from the third Friday of the month to the third Thursday. The next scheduled release will be Thursday at 10 AM (eastern time), October 15, 1992.

Manufacturing activity is still expanding, according to this month's *Business Outlook Survey*. Most current economic indicators remain positive; however, little changed from the previous month, and indicators of future activity show marginal improvement this month. Although survey participants report no change in employment from August, their six-month employment forecasts show some improvement. Manufacturing input and output prices remain stable, but more respondents are expecting future price changes.

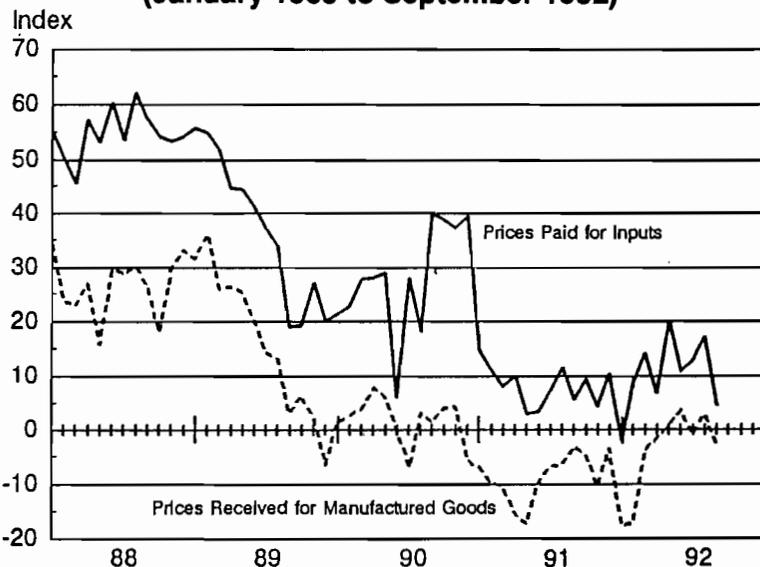
CURRENT CONDITIONS

The general activity diffusion index, which now stands at 14.7, improved slightly this month from a level of 12.5 in August. The index has remained positive for the past seven months. Nearly 55 percent of the survey's respondents indicate no change in activity from the previous month, but those experiencing a pickup in activity (28 percent) outnumber those experiencing a decline (13 percent).

Individual indicators of production activity show little change from last month. Shipments are increasing at nearly 33 percent of the firms reporting, compared with 15 percent reporting declines. New orders remain relatively strong—nearly a third of the reporting firms report increases. The new orders diffusion index which now stands at 20.9, has remained relatively unchanged for the past three months.

Survey respondents report little change in labor market conditions. Nearly 80 percent of reporters indicate no change in the number of workers compared with the previous month. The percentage of reporters increasing the number of workers (11 percent) is close to the percentage reducing the number (10 percent). The employment diffusion index, which now stands at 0.4, has remained near zero for the past three months.

Prices Paid and Prices Received (January 1988 to September 1992)*



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



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PRICES

Despite apparent growth in manufacturing activity recently, prices of manufactured goods are experiencing no upward pressure. The diffusion index for prices received, which now stands at -3.1, has remained near zero for the past seven months (see Chart). A substantial majority (80 percent) report no change in prices this month, and the percentage of firms reporting price reductions (11 percent) edges out the percentage reporting price increases (8 percent). Over the next six months, however, nearly 37 percent of those surveyed expect increases in their prices.

Price increases for raw materials and other purchased inputs have also moderated according to this month's survey. Despite a slight upward drift in recent months in the diffusion index for prices paid, the index fell from a level of 17.2 in August to 4.5 this month. In

their outlook, however, nearly 39 percent of those polled expect an increase in input prices over the next six months, compared with only 2 percent expecting a decline.

OUTLOOK

Most indicators of future economic activity have risen somewhat this month. Sixty-one percent of those polled expect activity to pick up over the next six months, compared with just 5 percent that expect a deterioration. The diffusion index for future activity, which stands at 55.7 this month, increased slightly from a level of 51.3 recorded in August. Expectations regarding new orders and shipments have also risen this month and are consistent with the overall outlook. On balance, those surveyed expect both unfilled orders and delivery times to increase during the next six months.

Reflecting perhaps an improved

outlook, survey participants see an increase in the number of workers employed over the next six months. Nearly 33 percent of those responding to the survey indicate plans to add to current payrolls, compared with just 7 percent expecting reductions. This is in contrast to the previous month when just 19 percent of the reporters indicated plans to hire additional workers and 13 percent expected reductions.

SUMMARY

The September *Business Outlook Survey* indicates that the region's manufacturing sector is still improving. Current indicators suggest that new orders and shipments are increasing and prices of manufactured goods are stable. Although respondents indicate no change in employment this month, their forecasts for the next six months suggest an increase in hiring ahead.

**BUSINESS OUTLOOK SURVEY
Summary of Returns
September 1992**

Indicator	September vs. August				Six Months from Now vs. September			
	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?	13.1	54.8	27.7	14.7	5.3	29.8	61.0	55.7
Company Business Indicators								
New Orders	12.4	51.7	33.3	20.9	7.6	30.7	61.7	54.2
Shipments	15.3	52.0	32.5	17.3	5.0	31.7	63.0	58.0
Unfilled Orders	15.3	76.5	7.1	-8.2	11.2	55.0	33.7	22.5
Delivery Time	7.0	91.5	0.6	-6.4	3.2	77.0	19.5	16.3
Inventories	18.7	58.7	22.5	3.8	29.8	44.9	25.3	-4.5
Prices Paid	3.6	88.3	8.1	4.5	1.9	59.6	38.5	36.5
Prices Received	10.6	79.5	7.5	-3.1	2.5	59.7	36.5	34.0
Number of Employees	10.2	78.7	10.7	0.4	7.0	60.3	32.5	25.6
Average Employee Workweek	13.0	66.2	20.8	7.7	11.0	51.8	35.9	24.9
Capital Expenditures	—	—	—	—	10.6	44.9	35.8	25.2

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