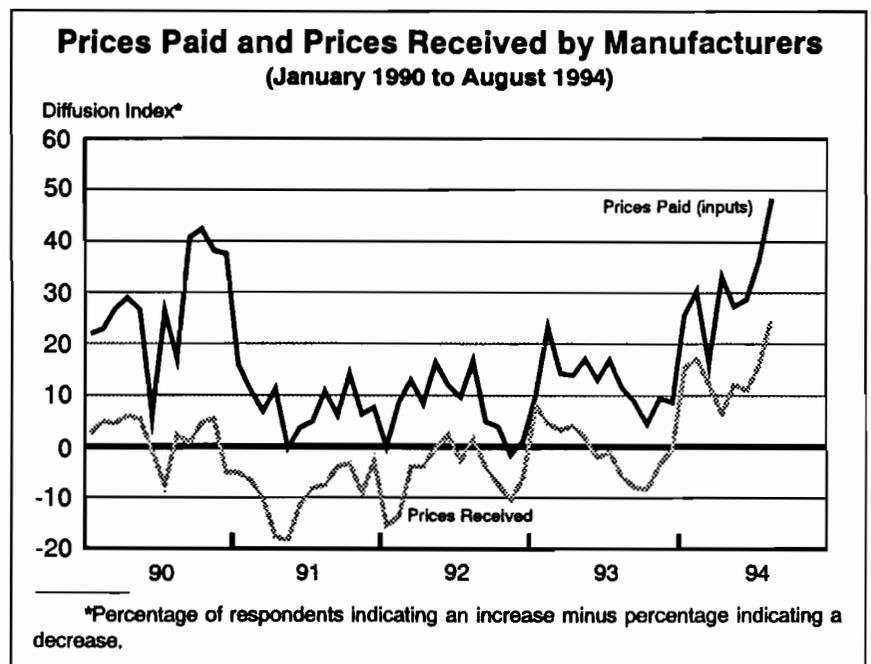


Economic Research Division

This month's *Business Outlook Survey* indicates that the manufacturing sector continues to expand. Some indicators, however, suggest growth has slowed. The new orders index edged lower again this month, and current employment indexes indicate that employment is not increasing with output. On the price front, indexes for current prices paid and current prices received increased sharply again this month.

CURRENT CONDITIONS

The survey's general activity index improved slightly from a reading of 11.3 in July to 13.9 this month. Over the past five months the index has fluctuated within a narrow range, but has remained well below levels recorded earlier in the year. The current shipments index rebounded somewhat to 16.5 this month. Thirty-four percent of the reporting firms indicate a rise in shipments; 18 percent report declines. The current delivery time index indicates steady delivery times this month. Employment is also reported steady. The percentage of firms reporting an increase in the number of workers is matched by the percentage report-



ing a decline (both 15 percent). The average workweek is also reported steady this month.

Other current indicators suggest a slower growth rate for manufacturing. The current new orders index fell from a level of 13.3 in July to 5.9 in August, the lowest reading in a year. The new orders index has been moving downward for three months. The current unfilled orders index is slightly negative this month, suggesting weak-

ness. This index has now been negative for two consecutive months.

PRICES

The percentage of firms reporting higher prices for purchased inputs increased sharply this month. The overall current prices paid diffusion index, which stood at 36.4 in July, increased to 48.4 this month, the highest reading in more than five years (see Chart). About 51



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percent of firms report higher prices for purchased inputs this month.

Many firms report that prices for their own manufactured goods are higher (27 percent); only 3 percent report lower prices. The current prices received index jumped from 15.8 in July to 24.5.

In their forecasts for the next six months, a sizable percentage of manufacturers expect increases in both input prices (66 percent) and manufactured goods prices (49 percent). The indexes for future prices paid and future prices received increased this month.

OUTLOOK

Most indicators of future manufacturing activity remain near their levels of the previous month. The overall diffusion index for future

economic activity increased only slightly, from 24.7 in July to 26.7 this month, remaining well below levels recorded earlier in the year.

Firms expecting increases in new orders and shipments over the next six months continue to outnumber those expecting declines by more than two to one. Unfilled orders are expected to remain near current levels, but delivery times are expected to decline. With regard to their forecasts for manufacturing employment over the next six months, the percentage of firms expecting to hire additional workers (20 percent) is nearly offset by the percentage expecting to reduce payrolls (17 percent). The future employment index, now at 2.4, has remained near its current level for the past six months. Despite cau-

tious employment forecasts, a large percentage of firms (31 percent) anticipate increases in capital expenditures over the next six months; only 7 percent anticipate reductions.

SUMMARY

This month's *Business Outlook Survey* suggests a continuation of growth for the manufacturing sector. Survey indicators, however, reveal some signs of weakening activity, namely, slower growth in new orders, a decline in unfilled orders, and flat employment. But on the price front, a larger percentage of firms report increases in both input prices and the price of manufactured goods this month.

BUSINESS OUTLOOK SURVEY Summary of Returns August 1994

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?	20.4	45.0	34.3	13.9	21.3	28.1	48.0	26.7
Company Business Indicators								
New Orders	25.0	44.1	30.9	5.9	24.1	21.3	53.9	29.8
Shipments	17.5	46.4	34.0	16.5	20.3	31.1	47.3	26.9
Unfilled Orders	22.0	60.0	18.0	-4.0	22.8	51.7	22.4	-0.4
Delivery Time	19.9	58.2	20.3	0.5	25.6	58.2	13.9	-11.7
Inventories	23.0	50.4	26.6	3.6	27.9	43.4	28.5	0.7
Prices Paid	3.0	45.6	51.4	48.4	4.8	26.5	65.8	61.0
Prices Received	2.5	70.2	27.1	24.5	8.2	42.6	49.2	41.0
Number of Employees	15.2	66.8	14.7	-0.5	17.2	60.9	19.6	2.4
Average Employee Workweek	15.5	70.2	13.3	-2.2	23.3	52.1	18.1	-5.1
Capital Expenditures	—	—	—	—	7.4	49.5	31.2	23.9

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.