

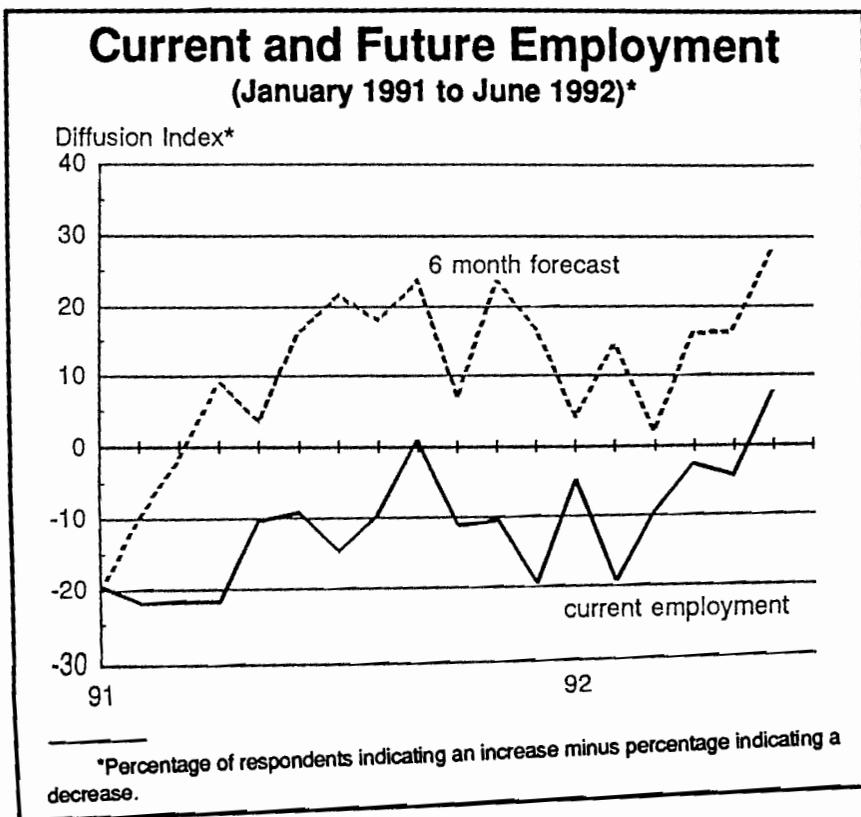
Economic Research Division

Manufacturing activity continues to grow, although somewhat less rapidly than in the past three months, according to this month's *Business Outlook Survey*. The recent growth has resulted in the first report of increased manufacturing employment in nine months. Survey responses indicate plans to increase hiring over the next six months as well.

CURRENT CONDITIONS

The diffusion index for overall activity stands at 10.9, the fourth consecutive month it has remained positive. The index is down, however, from 19.6 in May, suggesting a slower rate of growth. Almost 32 percent of reporting firms indicated an expansion of activity over the previous month, compared with 21 percent that indicated a decline. About 44 percent of the firms reported no change in activity from the previous month.

The increase in manufacturing activity over the past several months has apparently increased firms' demand for labor. The diffusion index for employment registered 7.6 in June, which was the highest value for the index since March 1989. The only other time in the past 34 months that the index has been positive was in September of last year (see Chart). Although 61 percent of the polled



firms reported no change in employment over the previous month, 24 percent reported higher employment, and only 16 percent report lowered employment.

Individual indicators confirmed that the manufacturing sector is continuing its recent growth. Shipments were up this month at nearly 34 percent of the firms; 13 percent re-

ported a decline. Increases in new orders for June also pointed toward continued growth in manufacturing activity. New orders were rising at 31 percent of the firms polled; 19 percent reported a decline. On the other hand, statistics on the level of unfilled orders suggested that firms were keeping up with the expansion of business. Unfilled orders were un-



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changed at 60 percent of the firms polled, while 24 percent reported a reduction, and only 11 percent indicated an increase.

PRICES

Despite the pickup in manufacturing activity in recent months, prices of manufactured goods remained stable. About 84 percent of firms reported no change in prices this month. The percentage of firms reporting higher prices (10 percent) narrowly outnumbered those reporting lower prices (6 percent). Input prices were unchanged at 86 percent of the firms polled, and only 12 percent of the firms reported increasing input prices.

The majority of firms participating in the survey (74 percent) expected no change in prices over the next six months. The percentage forecasting higher prices (21 percent) exceeded the percentage forecasting

price declines (5 percent). Input prices were expected to increase for 43 percent of the firms and to remain steady for 55 percent.

OUTLOOK

Although the current activity diffusion index has declined somewhat over the past two months--suggesting a slowing of growth--survey respondents were optimistic about the next six months. The diffusion index for future activity increased from 48.1 in May to 60.4 this month. About 62 percent of the manufacturers polled expected an increase in activity over the next six months. Nearly 31 percent of the manufacturers expected no change, and only 2 percent expected activity to decline. Similarly, those surveyed expected the recent growth in shipments and new orders to continue.

Increased optimism about the next six months was accompanied by a

more favorable picture for future employment. The future employment diffusion index, which has been increasing over the past three months, now stands at 28.3, the highest level since March 1984. Although 54 percent of those polled expected no change from current levels, 37 percent of the region's manufacturers indicated plans for hiring additional workers in the next six months. Only 9 percent reported that employment levels were likely to be lower.

SUMMARY

Manufacturing activity continues to grow according to this month's *Business Outlook Survey*. Surveyed manufacturers expect growth to continue over the next six months. In addition to improving business conditions, respondents indicate that employment will be increasing over the next six months as well.

BUSINESS OUTLOOK SURVEY Summary of Returns June 1992

Indicator	June vs. May				Six Months from Now vs. June			
	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?	21.0	43.9	31.9	10.9	1.9	30.9	62.2	60.4
Company Business Indicators								
New Orders	18.6	50.4	30.6	11.9	9.3	35.3	55.5	46.2
Shipments	13.2	50.9	33.5	20.3	9.2	28.7	62.0	52.8
Unfilled Orders	24.4	60.1	11.1	-13.3	14.2	52.3	26.2	12.0
Delivery Time	8.2	81.2	7.9	-0.4	10.5	73.4	12.1	1.6
Inventories	24.6	48.2	26.8	2.2	27.0	51.7	21.4	-5.6
Prices Paid	1.3	85.9	12.1	10.9	1.7	55.2	43.1	41.3
Prices Received	6.2	83.8	10.0	3.7	4.9	73.9	21.2	16.3
Number of Employees	16.0	60.5	23.5	7.6	9.0	53.5	37.3	28.3
Average Employee Workweek	19.6	62.7	17.7	-1.9	9.1	57.9	33.0	23.9
Capital Expenditures	—	—	—	—	3.9	40.3	41.5	37.6

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.