

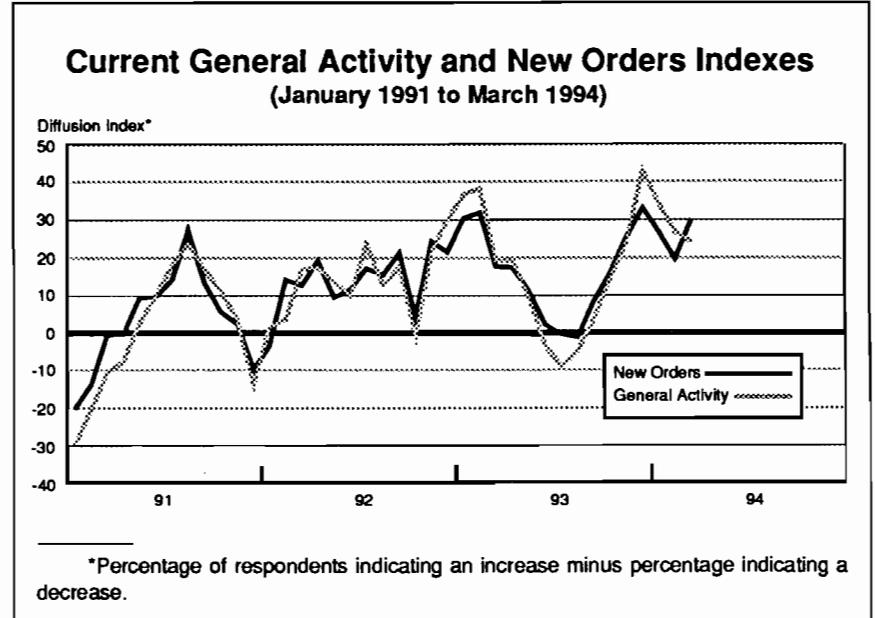
Economic Research Division

Respondents to this month's *Business Outlook Survey* report that growth is continuing in the region's manufacturing sector. Although the survey's general activity index declined slightly from its level in February, indexes for new orders and shipments increased. Most future economic indicators rose this month, and manufacturers forecast continued improvement in business conditions over the next six months.

CURRENT CONDITIONS

The survey's general activity diffusion index declined slightly from a level of 26.7 in February to 24.1 this month. Although the index has edged lower in the past three months, it remains above levels recorded over most of the past year (see Chart).

Individual indicators of current economic performance corroborate evidence of continued strength in the manufacturing sector. The index for shipments increased from a reading of 21.6 in February to 32.1 this month. Thirty-eight percent of manufacturers report higher shipments this month; 6 percent report a decline. The new orders index also rebounded this month. The index, which was at 19.8 last month, increased to 30.1 for this month's survey (see Chart). The current new orders index is now near its highest level in the past three years. Almost 39 percent of the firms report increases in new orders this month,



compared with 9 percent reporting declines. Those surveyed this month also report steady inventories and unchanged delivery times. The proportion of firms reporting higher unfilled orders (21 percent) only narrowly outnumbers those reporting a lower level (15 percent).

Despite the recent expansion in activity, manufacturing employment is increasing only slightly. The overall index for current employment, which is virtually unchanged from the previous month, now stands at 4.9. The index has remained just above zero for five of the past six months, in contrast to negative readings for most

of 1993. Even though employment growth is still slow, the average workweek is longer this month: nearly 29 percent of the firms report an increase in average hours; 10 percent report a decline.

PRICES

The diffusion index for prices paid declined somewhat from its relatively high reading of the past two months. The current prices paid index, which now stands at 16.0, compares with a reading of 25.7 and 30.4 in January and February, respectively. About 27 percent of the manufacturers polled report higher input prices, but this is partially



offset by 11 percent of firms reporting lower prices.

With regard to the prices manufacturers receive for their final products, the survey's current prices received index declined from a reading of 17.2 in February to 12.0 this month. Although more than 76 percent of the manufacturers indicate no change in their manufactured goods prices, 18 percent report price increases, and 6 percent report declines. The index has now remained positive for three consecutive months; it had been negative over the preceding seven months.

Survey results also indicate that manufacturing firms expect price increases to accompany a continued expansion in manufacturing activity over the next six months. Indexes for future prices paid and future prices received have increased notably dur-

ing the past several months. Over half of the polled firms expect higher input prices in the next six months, and over one-third expect higher prices for their own goods.

OUTLOOK

Most of the region's manufacturers expect continued improvement in conditions for their businesses over the next six months. The overall future general activity index increased from 41.6 in February to 47.6 this month. Over 54 percent of those polled expect increases in overall business during the next six months; 7 percent expect a decline. About one-half of the manufacturers expect increases in both new orders and shipments over the same period.

Although the majority of firms are optimistic about the continued strength

in manufacturing, firms are nearly evenly divided with regard to their plans for changes in their work forces. While nearly 24 percent of the firms expect to hire additional workers in the next six months, about 19 percent expect to make cuts. The overall index for future employment, which now stands at 4.8, is slightly higher than the level recorded last month.

SUMMARY

Respondents to this month's *Business Outlook Survey* report another month of increasing manufacturing activity, with shipments and new orders showing particular strength. With regard to their forecasts for the next six months, surveyed firms expect growth to continue. Firms remain guarded, however, with respect to hiring additional workers over the next six months.

BUSINESS OUTLOOK SURVEY Summary of Returns March 1994

Indicator	March vs. February				Six Months from Now vs. March			
	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?	12.4	49.3	36.5	24.1	6.7	38.7	54.3	47.6
Company Business Indicators								
New Orders	8.5	51.8	38.7	30.1	7.6	40.4	52.1	44.5
Shipments	5.9	52.2	38.0	32.1	10.7	39.3	50.0	39.2
Unfilled Orders	14.8	58.9	20.6	5.7	13.9	60.7	25.4	11.5
Delivery Time	10.2	77.1	10.4	0.2	12.2	79.0	5.5	-6.7
Inventories	21.5	58.9	18.9	-2.7	20.9	56.3	22.8	1.9
Prices Paid	11.3	61.2	27.2	16.0	0.8	48.0	51.2	50.4
Prices Received	5.9	76.2	17.9	12.0	3.9	61.5	34.6	30.7
Number of Employees	11.5	70.3	16.4	4.9	19.1	55.2	23.9	4.8
Average Employee Workweek	10.1	55.6	28.6	18.5	13.1	66.4	20.6	7.5
Capital Expenditures	—	—	—	—	7.0	40.0	40.1	33.1

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.