

FED  
PHIL  
HC  
01  
B978

C. Aldrich

Federal Reserve Bank  
of Philadelphia

# BUSINESS

## OUTLOOK Survey

September 1997

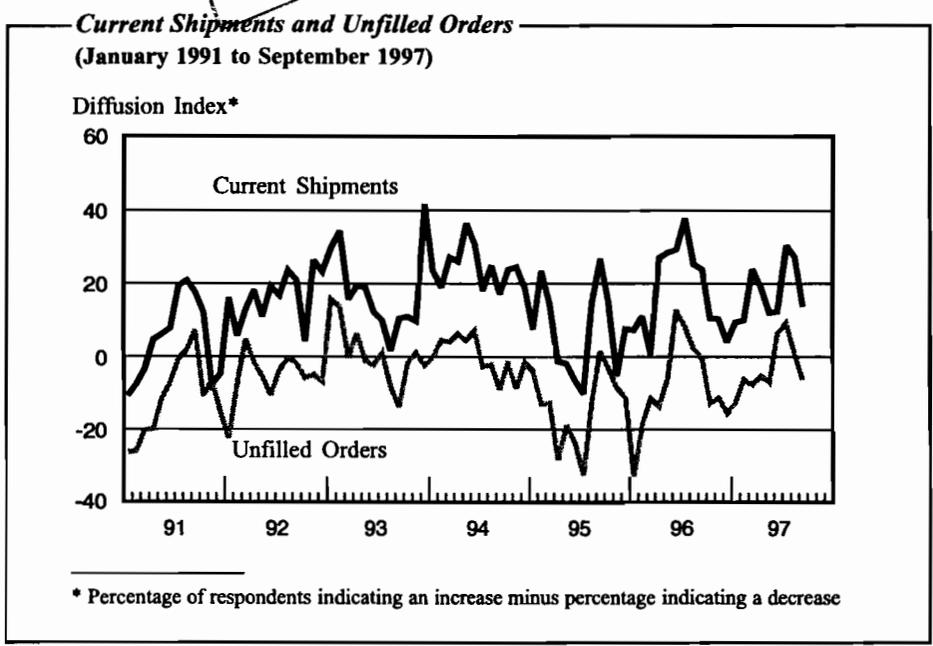


Economic growth in the region's manufacturing sector continues, but survey responses suggest a slight moderation in the rate of growth this month. The recent reported growth in manufacturing employment, however, stalled this month. The survey's future indicators, reflecting the manufacturers' expectations for the next six months, showed improvement, but hiring plans remain modest. Survey respondents continue to report little upward pressure on prices.

### Current Indicators Point to Moderate Growth

The survey's diffusion index for current general activity declined from 24.3 in August to 20.4 this month. The decline was the second consecutive one for this indicator, but the index continues to suggest overall growth for regional manufacturing as the percentage of firms indicating growth (38 percent) continues to be greater than the percentage indicating declines (17 percent).

The current indexes for new orders and shipments showed similar declines this month. The current shipments index fell sharply, from 27.3 to 13.8. The current new orders index also declined, but more moderately, from 25.1 to 19.2. Responses suggest that the manufacturers polled are maintaining a balance between shipments and demand, with overall declines in the level of unfilled orders this month and no lengthening of delivery times. The current unfilled orders index dipped from 0.9 to -6.4 (see Chart). The



delivery time index is close to zero, decreasing from 5.7 to -1.0.

Also this month, fewer manufacturers reported increases in employment. For the first time this year, more firms reported a decline in employment (14 percent) than reported increases (11 percent). The current employment diffusion index fell from 14.2 to -3.0.

### Survey Price Indicators Fall Again This Month

Manufacturers indicate near steady prices for the goods they produce and no upward pressure on the prices paid for raw materials and other purchased inputs. For the first time in four months, the percentage of firms reporting

declines in the prices for their manufactured goods (13 percent) exceeded the percentage reporting increases (9 percent). The current prices received index declined slightly, from 1.2 to -3.4. Survey responses this month also show no upward pressure on input prices. Although the percentage of firms reporting higher input prices (21 percent) is greater than the percentage reporting declines (6 percent), the current prices paid index declined for the second consecutive month, from 16.1 to 15.1.

To subscribe to this publication call (215) 574-6428. This publication can be found on the Internet using the World Wide Web at 'http://www.phil.frb.org'.

**Economic Forecasts Improve**

Future economic indicators suggest that manufacturers expect continued growth over the next six months. They are also more optimistic than in previous months. The survey's future activity diffusion index increased from 7.9 in August to 18.1, its highest reading since April. Indexes for future shipments and new orders also increased sharply, returning to readings recorded in the first quarter of this year. On balance, the manufacturers expect levels of unfilled orders to remain near current ones and delivery times to shorten over the next six months.

Despite improved expectations for new orders and shipments, the firms have a less rosy forecast for manufacturing employment. The percentage of firms expecting increases in employment over the next six months (15 percent) is only slightly higher than the percentage expecting declines (14 percent). The future employment index declined from 2.0 in August to 0.9.

**Summary**

Survey indicators for September suggest that growth in the manufacturing sector continues at a relatively healthy pace. Although some indicators fell this

month — most notably for employment and current shipments — demand remains strong: the percentage of firms reporting increases in new orders outnumbers the percentage reporting declines 2:1. Pressures on input prices remain moderate, and prices of final manufactured goods are reported near steady. While current indicators suggest some slowing this month, most future indicators, which reflect firms' expectations for the next six months, showed improvement. Expectations for employment growth, however, are less optimistic than expectations for business overall.

**BUSINESS OUTLOOK SURVEY**

**Summary of Returns  
September 1997**

	September vs. August				Six Months from Now vs. September			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
What is your evaluation of the level of general business activity?	17.1	45.4	37.5	20.4	15.3	49.3	33.4	18.1
Company Business Indicators								
New Orders	20.8	38.8	39.9	19.2	13.1	48.0	37.4	24.4
Shipments	18.9	47.6	32.7	13.8	11.5	43.9	40.0	28.5
Unfilled Orders	27.4	51.7	20.9	-6.4	21.0	56.1	19.9	-1.1
Delivery Time	15.6	66.1	14.5	-1.0	24.9	56.4	11.7	-13.2
Inventories	22.5	58.7	18.7	-3.8	25.1	47.4	25.1	0.1
Prices Paid	6.3	71.2	21.3	15.1	5.9	58.9	32.9	27.1
Prices Received	12.6	75.6	9.2	-3.4	9.7	70.0	18.8	9.0
Number of Employees	14.2	73.8	11.2	-3.0	14.2	68.0	15.1	0.9
Average Employee Workweek	20.4	64.9	14.1	-6.3	9.9	63.8	17.1	7.2
Capital Expenditures	—	—	—	—	10.8	49.3	26.9	16.1

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.

