

Economic Research Department

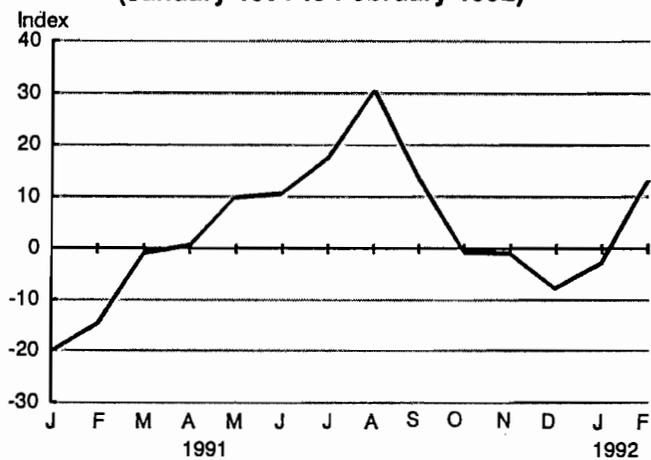
Business activity in the manufacturing sector is holding steady, according to the February *Business Outlook Survey*. The majority of manufacturers polled report no change in overall activity from the previous month. Although some indicators show marginal improvement, most continue to show overall weakness in the manufacturing sector.

CURRENT CONDITIONS

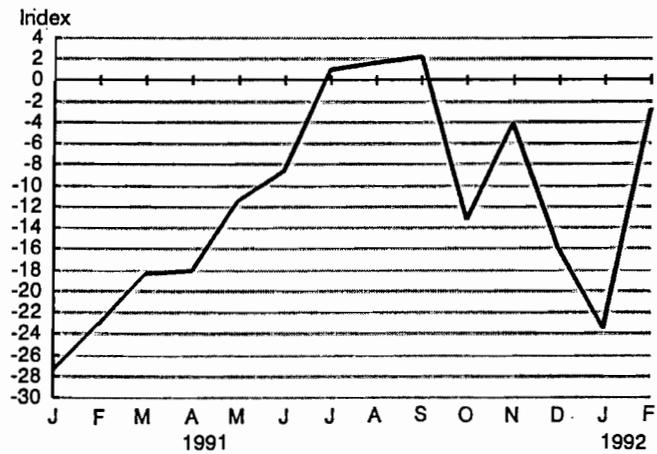
The diffusion index for overall business conditions, which now stands at -0.9, indicates that manufacturing activity is flat. The index has remained near zero for the past two months. Nearly 54 percent of manufacturers polled report no change in activity levels in February. Shipments were also steady, as 50 percent of the polled manufacturers report no change and the percentage reporting increases was nearly the same as those reporting decreases.

On the positive side, manufacturers report a marginal improvement in new orders for February. The new orders diffusion index, which stood at -3.0 in January, now stands at 13 this month (see Chart). About 33 percent of those firms surveyed report higher new orders this month, compared with just 19 percent in January. The diffusion index for unfilled orders, while slightly negative at -2.8, improved from -23.5 in January. About 20 percent of those polled report an increase in unfilled orders in February, compared with just 7 percent that reported an increase in the previous month. The increase in firms reporting unfilled orders suggests higher produc-

New Orders May Be Recovering... (January 1991 to February 1992)*



And Unfilled Orders Shows Improvement.



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



tion in the near term.

Employment levels continue to reflect the overall weakness in the region's manufacturing sector. Nearly 64 percent of survey respondents indicate no change in the number of workers in February. Only 8 percent of manufacturers are adding workers this month, compared with 27 percent reporting a reduction. The employment diffusion index, which was at -4.9 in January, now stands at -19.5.

PRICES

Survey responses suggest that prices received for manufactured goods are being constrained by weak demand and competition. The substantial majority (79 percent) report no change in prices in February, and 19 percent report price declines. The diffusion index of prices received remains near its lowest level in the 24-year history of the series.

Somewhat similar price pressure for raw materials and other purchased inputs is evident from survey responses--

the diffusion index for prices paid is also low relative to its 24-year history. About 81 percent report no change in input prices in February, and only 14 percent observe increases.

THE OUTLOOK

Even though the manufacturing sector remains weak, respondents expect conditions to improve within the next six months. Only a small percentage of firms (4 percent) see a deterioration of activity during the next six months. About 20 percent expect current activity levels to prevail, but most, 69 percent, expect improvement.

With respect to employment levels, area firms are more cautious. A little more than half of those contacted see no change in the total number of workers over the next six months and about 30 percent expect an increase over this period. The diffusion index for future employment now stands at 14.4. Firms are also projecting longer average workweeks.

On the price front, 61 percent of firms anticipate steady prices for their manufactured goods over the next six months while nearly 31 percent expect increases. Although most reporters expect no change in the prices of raw materials and other purchased inputs in the next six months, 38 percent expect input prices to increase. Only 2 percent expect input prices to decline.

SUMMARY

Business Outlook Survey respondents indicate that the region's manufacturing sector remains flat. Despite marginal improvement in some indicators (most notably, new orders), most indicators suggest continued sluggishness. Six-month forecasts indicate that few firms expect a further deterioration in activity. A large percentage of reporters remain optimistic that conditions will improve by summer.

BUSINESS OUTLOOK SURVEY Summary of Returns February 1992

Indicator	February vs. January				Six Months from Now vs. February			
	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?	23.2	53.5	22.3	-0.9	4.4	20.1	69.1	64.7
Company Business Indicators								
New Orders	19.9	46.7	32.9	13.0	12.0	20.6	64.2	52.2
Shipments	21.7	50.1	24.1	2.5	9.6	29.8	56.7	47.2
Unfilled Orders	22.6	53.6	19.8	-2.8	13.1	55.5	31.4	18.2
Delivery Time	16.0	75.1	7.3	-8.7	5.8	84.4	7.8	2.0
Inventories	26.2	58.5	13.6	-12.6	25.9	45.3	26.2	0.3
Prices Paid	4.8	80.7	13.5	8.8	1.5	58.8	38.0	36.4
Prices Received	19.2	78.5	2.2	-17.0	6.4	60.6	31.3	24.9
Number of Employees	27.4	63.7	7.9	-19.5	15.6	52.6	30.1	14.4
Average Employee Workweek	22.8	62.6	11.9	-10.9	6.8	61.0	28.2	21.4
Capital Expenditures	—	—	—	—	11.7	39.2	40.1	28.4

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