

Business Outlook

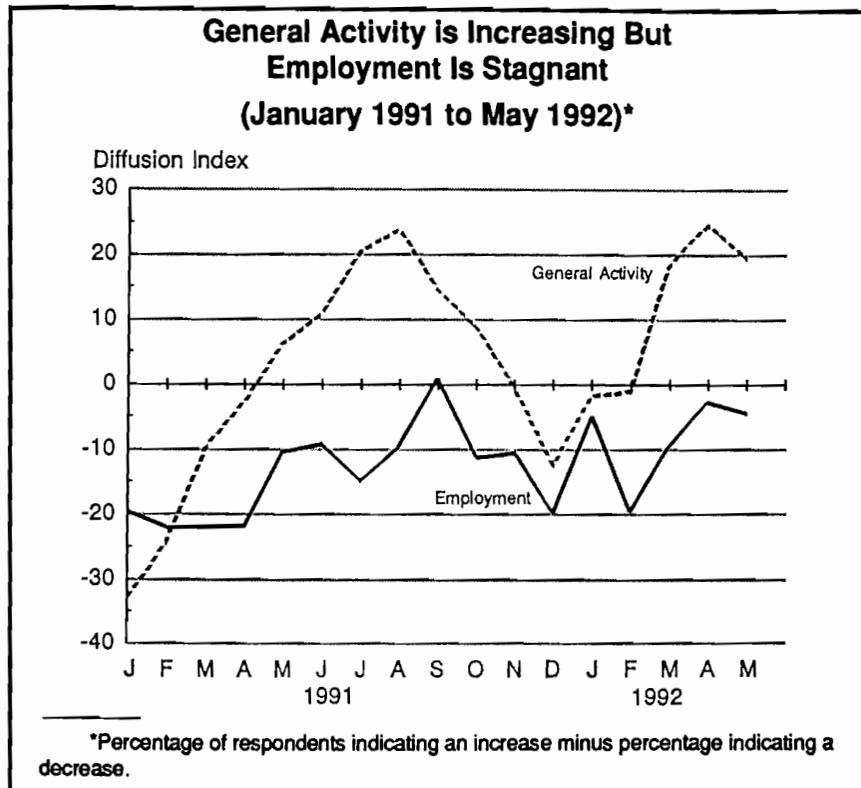
Economic Research Department

Manufacturing activity continues to grow, according to respondents to the May *Business Outlook Survey*. For the third consecutive month, the diffusion index for overall activity remains positive. Despite an apparent increase in activity in recent months, few firms report an increase in manufacturing employment, and prices of manufactured goods remain steady.

CURRENT CONDITIONS

On balance, business conditions in the region's manufacturing sector continue to improve. Although 51 percent of respondents report no change in activity from the previous month, the percentage of firms reporting increased activity (34 percent) outnumbers the percentage reporting declines (14 percent). The diffusion index for overall activity, which has been positive for the past three months, now stands at 19.6, down slightly from the 24.6 registered in April.

Individual indicators of manufacturing activity has shown similar patterns recently. The diffusion index for new orders and shipments have remained positive over the past four months, though fewer firms reported increases in May. While more than half of the reporting manufacturers indicate no change in new orders during May, almost 28 percent indicate an increase. This compares with 41 per-



cent of reporters indicating rising new orders in April. Delivery times are marginally shorter this month, and the level of unfilled orders is down somewhat from the previous month. Inventory levels remain generally steady at reporting manufacturers.

Despite the increases in activity in recent months, firms have not yet begun to expand payrolls (see Chart). At

67 percent of the firms polled employment levels are unchanged from the previous month. Firms reporting declines in employment (18 percent) narrowly outnumber those reporting increases (14 percent). Employment levels have stabilized somewhat in recent months, with fewer firms reporting declining payrolls. The percentage of firms reporting increases in employ-



ment, however, has remained little changed since the end of last year.

PRICES

Industrial prices remain generally steady, according to *Business Outlook Survey* reporters. About 86 percent of surveyed firms report no change in the prices received for their products. The overall diffusion index for manufacturing prices has remained near zero for the past three months. Nearly 70 percent anticipate current prices will remain the same over the next six months. About 26 percent of firms, however, anticipate price increases in the next six months, compared with just 4 percent expecting price reductions.

Prices of raw materials and other purchased inputs are steady at 79 percent of polled firms. For input prices, 20 percent report increases over those of the previous month, and less than 1 percent report a reduction. Almost 34

percent of reporting firms forecast that input prices will continue to rise over the next six months, while 64 percent anticipate no change.

OUTLOOK

Most survey participants remain optimistic that business conditions will continue to improve. Sixty-one percent anticipate increases in overall activity in the next six months, and just 13 percent forecast a deterioration of activity. Similar optimism is expressed for both shipments and new orders. On balance, reporters anticipate delivery times will remain steady and unfilled orders will increase.

The recent rise in manufacturing activity has been accompanied by a slightly more favorable forecast for employment in the next six months. Although currently 54 percent of surveyed manufacturers indicate no plans to change current levels of employment, more than twice as many firms

(31 percent) report plans to increase employment as those reporting plans to cut back on employment (15 percent).

Increases in capital expenditures are planned at 27 percent of the firms polled; this compares with 13 percent that expect to cut capital expenditures. The largest block of reporters (51 percent) indicates no change in capital spending from current levels.

SUMMARY

The May *Business Outlook Survey* indicates that manufacturing activity continues to increase in the region. New orders and shipments continue to rise, although the percentage of firms reporting increases declined in May. Reporters anticipate continued improvement in general business conditions over the next six months and marginal increases in employment levels.

BUSINESS OUTLOOK SURVEY Summary of Returns May 1992

Indicator	May vs. April				Six Months from Now vs. May			
	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?	13.9	50.9	33.5	19.6	13.0	24.6	61.0	48.1
Company Business Indicators								
New Orders	17.5	54.8	27.7	10.3	12.0	24.6	63.0	51.0
Shipments	16.5	53.3	28.9	12.4	12.1	22.1	59.5	47.4
Unfilled Orders	20.2	62.2	14.8	-5.4	13.7	58.6	27.7	14.0
Delivery Time	16.3	79.0	4.7	-11.5	11.9	73.5	14.6	2.6
Inventories	18.4	60.8	20.8	2.4	26.5	54.2	19.3	-7.1
Prices Paid	0.3	79.4	20.3	20.0	1.2	63.7	34.3	33.1
Prices Received	6.5	86.3	7.2	0.8	4.3	69.5	26.2	21.9
Number of Employees	18.1	67.3	13.8	-4.3	14.6	53.5	30.9	16.3
Average Employee Workweek	21.2	63.6	15.3	-5.9	12.5	61.6	25.1	12.6
Capital Expenditures	—	—	—	—	13.0	51.0	26.5	13.5

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.