

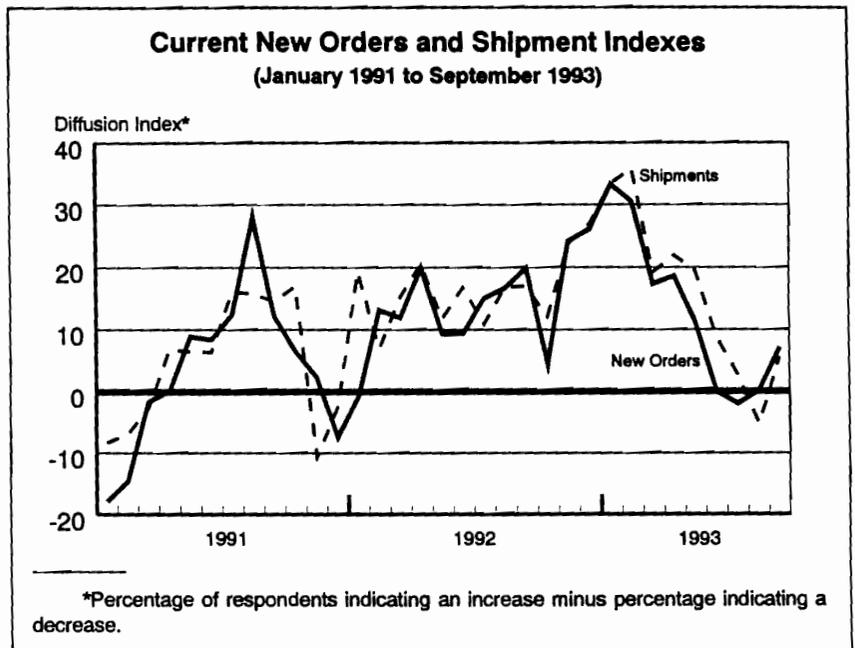


Economic Research Division

The region's manufacturing sector is showing signs of improvement, according to this month's *Business Outlook Survey*. The general activity diffusion index turned positive this month, following three consecutive months in the negative range. Although firms report continued declines in manufacturing employment, indexes for shipments and new orders improved this month. Manufacturers responding to the survey remain generally optimistic about improvement in business conditions over the next six months. A sizable percentage of firms report declines in prices for their manufactured goods, and expectations for future price increases have also moderated considerably.

CURRENT CONDITIONS

The survey's broadest measure of manufacturing activity, the general activity diffusion index, increased from -8.7 in August to 0.7 this month. About 19 percent of those responding to the survey report increases in activity, compared with the previous month, and 18 percent report declines. Some of the survey's other current economic indicators point to an improving manufacturing sector as well. The diffusion index for new orders increased from near zero in August to 7.1 this month; the new orders index had remained near zero during the previous three months (see chart). The current shipment index, following a one-month dip into the negative range, increased from



-5.2 in August to 5.6 this month. On the other hand, unfilled orders are declining this month, and delivery times are shortening.

The region's manufacturers report continued declines in employment this month. About 17 percent of firms report declines in employment, compared with almost 10 percent reporting increases. The diffusion index for current employment, which now stands at -7.7, has been negative for the past four months. The average workweek diffusion index, which has been negative for five consecutive months, increased from -9.6 to -2.5,

suggesting that recent declines in the average workweek may be stabilizing.

PRICES

A considerable percentage of manufacturers report declines in manufacturing prices this month. About 18 percent of the reporting firms indicate lower prices for their output, compared with 9 percent reporting higher prices. The current diffusion index for prices received, which has remained below zero for three of the last four months, stands at -9.1, the lowest level since December of last year.

Cost pressures originating from



increases in input prices have also been tempered recently, according to those polled. Input prices are reported stable at 73 percent of the reporting firms, and although the percentage of firms reporting increases (18 percent) outnumbers those reporting declines (9 percent), the diffusion index for prices paid is now at its lowest level since January.

Expectations regarding price increases over the next six months have also moderated. Although the percentage of firms expecting price increases (20 percent) outnumbers the percentage expecting price reductions (10 percent), the diffusion index, at 9.5, is at its lowest level in three and one-half years.

OUTLOOK

Most of the survey's primary indicators of future economic activity are little changed this month. The overall

diffusion index for future activity remained virtually unchanged from August and now reads 36.1. Nearly 48 percent of the manufacturers expect increases in activity over the next six months, while only 11 percent expect declines. Both the future new orders and future shipments indexes reflect similar optimism over the next six months.

While firms are expecting increased output, they are not expecting to increase manufacturing jobs over the next six months. The survey's index for future employment deteriorated somewhat this month, declining from 2.0 in August to -4.5 this month. The index has been negative for four of the past five months. Of the employers surveyed, the largest percentage (67 percent) expects no change in the number of workers over the next six months, and the percentage expecting to make additions to work forces (15

percent) is offset by the percentage expecting to make cuts (19 percent). Nearly one-third of the firms polled expect increases in capital spending in the next six months; 14 percent expect declines in capital spending over the same period.

SUMMARY

Following several months of weakening conditions, the September *Business Outlook Survey* indicates some improvement for the region's manufacturing sector. In particular, nearly one-quarter of polled firms report increases in shipments and new orders this month. On the price front, firms report another month of moderating input price increases, and many firms are reporting declines in their manufactured goods prices. In the near term, the executives polled expect overall conditions to improve for their businesses over the next six months.

BUSINESS OUTLOOK SURVEY Summary of Returns September 1993

Indicator	September vs. August				Six Months from Now vs. September			
	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?	18.0	61.2	18.7	0.7	11.4	41.1	47.5	36.1
Company Business Indicators								
New Orders	17.1	55.0	24.1	7.1	13.5	40.4	46.2	32.7
Shipments	19.4	55.5	25.0	5.6	10.5	42.5	47.0	36.5
Unfilled Orders	29.9	58.6	11.5	-18.3	12.8	67.7	19.1	6.4
Delivery Time	14.1	80.6	4.6	-9.6	5.0	82.4	10.3	5.3
Inventories	21.7	56.6	21.7	-0.0	24.3	56.8	18.9	-5.5
Prices Paid	9.0	72.8	18.2	9.1	7.4	50.9	41.7	34.3
Prices Received	17.6	72.3	8.5	-9.1	10.4	69.6	19.9	9.5
Number of Employees	17.4	71.4	9.8	-7.7	18.9	66.6	14.5	-4.5
Average Employee Workweek	14.7	73.0	12.2	-2.5	14.9	67.6	16.3	1.5
Capital Expenditures	—	—	—	—	14.0	42.6	32.3	18.3

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.