

# BUSINESS

REGISTERS  
MAR 1 1995  
FRB RESEARCH LIBRARY

# OUTLOOK

Federal Reserve Bank  
of Philadelphia

## Survey

March 1995

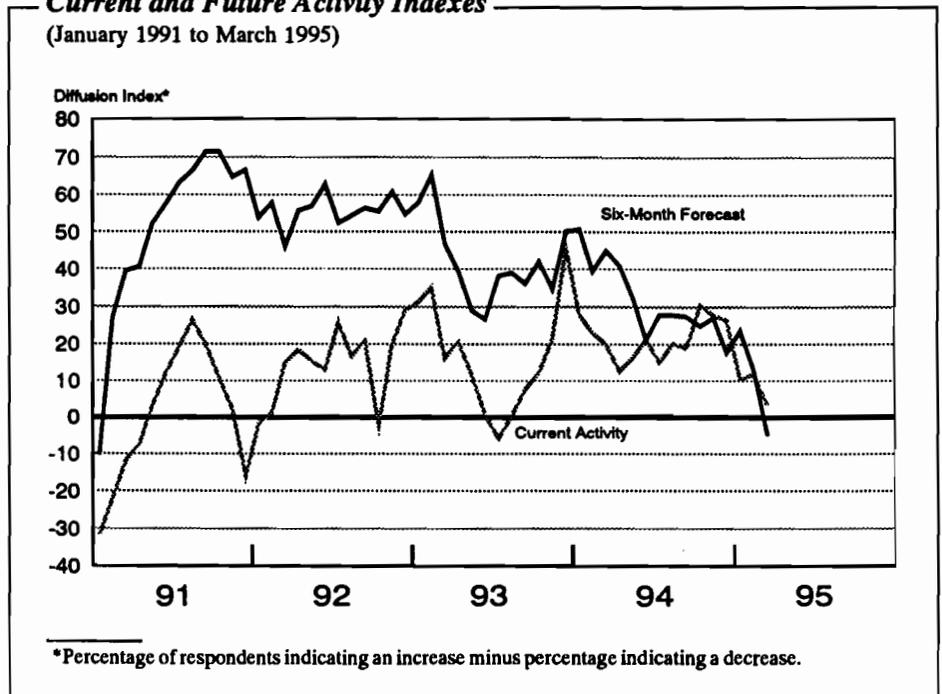
The region's manufacturers report virtually no growth in this month's *Business Outlook Survey*. The index of current activity has been moving downward over the past three months, and most of the Survey's current economic indicators are below the levels of the third and fourth quarters of 1994. This month's Survey also shows evidence of diminished optimism about the continued expansion of the region's manufacturing sector over the next six months.

### CURRENT CONDITIONS SHOW WEAKENED GROWTH

There was a break in growth of the region's manufacturing sector this month. The general activity diffusion index declined from a reading of 11.9 in February to 3.3 this month, the lowest reading since August 1993 (see Chart). Both unfilled orders and delivery times also offer evidence of weakening activity. For the third consecutive month, negative diffusion indexes for both indicate declines in unfilled orders and faster delivery of finished goods.

The current employment diffusion index, which declined from 10.5 in February to 1.0, suggests steady employment this month. The percentage of firms reporting increases in employment (21 percent) nearly matches the percentage reporting employment declines (20 percent). The current average workweek index, which has remained negative for three consecu-

**Current and Future Activity Indexes**  
(January 1991 to March 1995)



tive months, suggests relatively weaker demand for labor.

Indexes for current shipments and new orders, while staying positive, declined as well. Although over 30 percent of reporters indicate increases in shipments and new orders, the shipments index fell from 26.7 to 15.7, and the new orders index, from 13.0 to 6.3.

### INPUT PRICES SHOW DIMINISHING PRESSURE

Slower growth may be responsible for diminishing pressure on input prices. About 49 percent of the polled firms re-

port higher prices for raw materials and other purchased inputs, but 8 percent report lower prices. Although it remains at a relatively high level, the current diffusion index for prices paid declined for the second consecutive month, from 46.2 to 41.4. Over half of the firms forecast higher input prices over the next six months.

For their own manufactured goods,

To subscribe to this publication call (215) 574-6428. This publication can be found on the Internet using World Wide Web at <http://compstat.wharton.upenn.edu:8001/~siler/fedpage.html>

24 percent report higher prices this month, but 8 percent report lower prices. The diffusion index for current prices received edged up from 12.7 to 16.4. Over the next six months, nearly 36 percent expect to receive higher prices for their manufactured products.

#### FIRMS' OUTLOOK DIMS

Manufacturers' forecasts for the next six months show continued deterioration. The overall diffusion index for future activity has declined markedly over the past several months (see Chart) and fell from a reading of 13.2 in February to -5.0. For

the first time since January 1991, the percentage of firms expecting to expand over the next six months (29 percent) is smaller than the percentage expecting to contract (34 percent). Diffusion indexes for new orders and shipments also fell below zero this month, indicating that firms expect declines from current levels in the period ahead.

Indicators for future employment also deteriorated this month. The future employment index declined from -3.6 to -9.8. The index had been positive for the four months before February. On balance, surveyed manufacturers also expect de-

clines in average working hours over the same period.

#### SUMMARY

There was virtually no expansion of the region's manufacturing sector last month, according to those firms polled for this month's Survey. Many of the Survey's current indicators over the past three months have been lower than the levels achieved over much of 1994. Expectations about future expansion of manufacturing have also diminished markedly over the past several months.

#### BUSINESS OUTLOOK SURVEY

Summary of Returns  
March 1995

	March vs. February				Six Months from Now vs. March			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
What is your evaluation of the level of general business activity?	23.6	49.5	26.8	3.3	33.9	37.2	28.9	-5.0
<b>Company Business Indicators</b>								
New Orders	24.0	44.6	30.4	6.3	33.2	42.3	24.5	-8.7
Shipments	16.9	48.1	32.6	15.7	31.7	41.1	26.2	-5.5
Unfilled Orders	25.4	57.9	12.6	-12.8	38.2	46.5	13.3	-24.9
Delivery Time	23.7	66.4	7.3	-16.5	35.9	55.6	5.7	-30.2
Inventories	34.2	42.3	23.5	-10.8	32.8	44.5	22.7	-10.1
Prices Paid	7.8	43.1	49.1	41.4	8.3	40.8	50.9	42.7
Prices Received	8.0	67.5	24.4	16.4	8.9	55.6	35.5	26.6
Number of Employees	20.1	56.2	21.2	1.0	24.8	57.9	15.0	-9.8
Average Employee Workweek	24.2	54.4	20.2	-4.0	30.0	53.0	15.0	-15.0
Capital Expenditures	—	—	—	—	11.7	50.4	18.2	6.5

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.