

# BUSINESS

Federal Reserve Bank  
of Philadelphia

## OUTLOOK Survey

April 1995

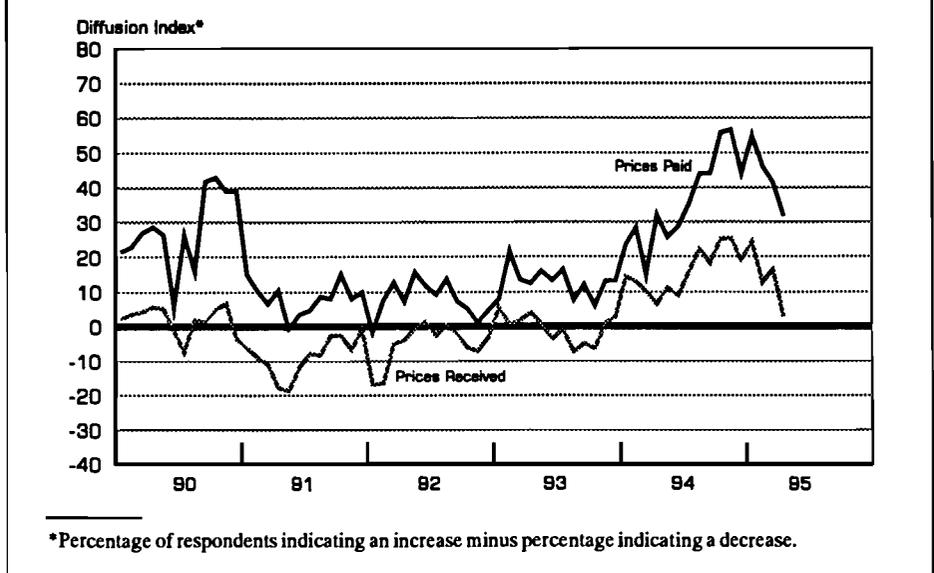
Regional manufacturers report a decline in activity in this month's *Business Outlook Survey*. According to those firms polled, new orders, shipments, delivery times, and employment have declined as well. On the price front, however, manufacturers indicate some moderation in upward price pressure. Over the next six months, the manufacturers expect little improvement in overall business conditions.

### CURRENT INDICATORS SUGGEST DECLINES THIS MONTH

Most of the survey's current diffusion indexes dipped below zero this month, suggesting declines in overall activity. The general activity diffusion index declined markedly from a reading of 3.3 in March to -16.7, the lowest since February 1991. Over 35 percent of the polled firms indicate declines in activity, compared with just 19 percent reporting increases.

Other current diffusion indexes paralleled the decline in the overall general activity diffusion index. The new orders index, which declined from 6.3 to -12.1 this month, reflects weakening demand. The current shipments index also turned slightly negative, declining from a level of 15.7 in March to -2.2. The indexes for unfilled orders and delivery times have remained negative for the past four months and suggest weakening activity.

### Current Prices Paid and Prices Received (January 1990 to April 1995)



The current manufacturing employment index declined sharply this month from 1.0 in March to -20.1, the first negative reading since November 1993. Although 77 percent of the polled manufacturers report no change in employment, those reporting declines (22 percent) outnumber those reporting increases (2 percent). The current average workweek index also suggests declines in average work hours this month.

### CURRENT PRICE MEASURES SHOW MODERATION

Price increases for raw materials and other purchased inputs show some

moderation this month, according to the region's manufacturers. The overall current prices paid diffusion measure, which has now declined for a third consecutive month, decreased from 41.4 in March to 31.7 (see Chart). More than 37 percent report increases in input prices, but 49 percent reported increases in the previous month.

This month the proportion of firms reporting higher prices received for their

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own goods (13 percent) is only slightly higher than the proportion indicating lower prices (11 percent). The current prices received index declined from 16.4 to 2.8, the lowest reading since December 1993 (see Chart).

Recent slowing of manufacturing growth may be moderating firms' expectations of price increases over the next six months. The future prices paid index, which has now declined for two consecutive months, fell from 42.7 in March to 37.4. The future prices received index, which has also declined recently, fell from 26.6 to 20.3.

### MANUFACTURERS SEE LITTLE GROWTH OVER THE NEXT SIX MONTHS

Expectations for future manufacturing growth have been on the wane for the

last several months. Those manufacturers surveyed see current activity holding steady at current levels over the next six months. The overall future activity diffusion index, which has been steadily declining since January, increased marginally from -5.0 to -1.2 this month. The percentage of firms expecting increases in activity during the next six months (30 percent) is offset by those expecting decreases (31 percent). Diffusion indexes for future shipments and new orders are just above zero, suggesting manufacturers expect only marginal improvement over the next six months.

Hiring plans for the next six months indicate that 64 percent of those surveyed will keep employment at current levels. Firms that indicate plans for reductions (22 percent) significantly outnumber those expecting increases in employment

(10 percent). The overall future employment diffusion index, now at -12.0, is lower than its reading of -9.8 in the previous month.

### SUMMARY

The region's manufacturers report declines in overall activity, new orders, and employment this month. The decline follows several months of slowing in the rate of growth of economic activity. Most of the survey's current indicators are now at their lowest levels in several years. For both input and output prices, however, survey responses suggest some moderation from recent increases. Looking ahead six months, manufacturers, on balance, expect little improvement in overall business conditions.

### BUSINESS OUTLOOK SURVEY

Summary of Returns  
April 1995

	April vs. March				Six Months from Now vs. April			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
What is your evaluation of the level of general business activity?	35.4	45.8	18.7	-16.7	31.4	35.7	30.2	-1.2
<b>Company Business Indicators</b>								
New Orders	34.9	40.6	22.8	-12.1	28.3	35.6	34.4	6.1
Shipments	25.4	51.4	23.2	-2.2	22.9	42.9	30.1	7.2
Unfilled Orders	42.6	48.0	7.6	-35.0	23.9	56.9	15.9	-8.0
Delivery Time	26.8	62.9	7.8	-19.0	24.4	57.7	12.1	-12.3
Inventories	36.4	37.5	24.8	-11.6	32.7	44.9	18.2	-14.5
Prices Paid	5.7	55.6	37.4	31.7	4.4	51.0	41.8	37.4
Prices Received	10.5	75.6	13.3	2.8	4.6	61.3	24.9	20.3
Number of Employees	21.6	76.9	1.5	-20.1	21.7	64.3	9.7	-12.0
Average Employee Workweek	24.5	60.0	15.5	-9.0	21.6	61.5	12.5	-9.1
Capital Expenditures	—	—	—	—	14.3	49.7	23.6	9.3

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.