



BUSINESS OUTLOOK

SURVEY

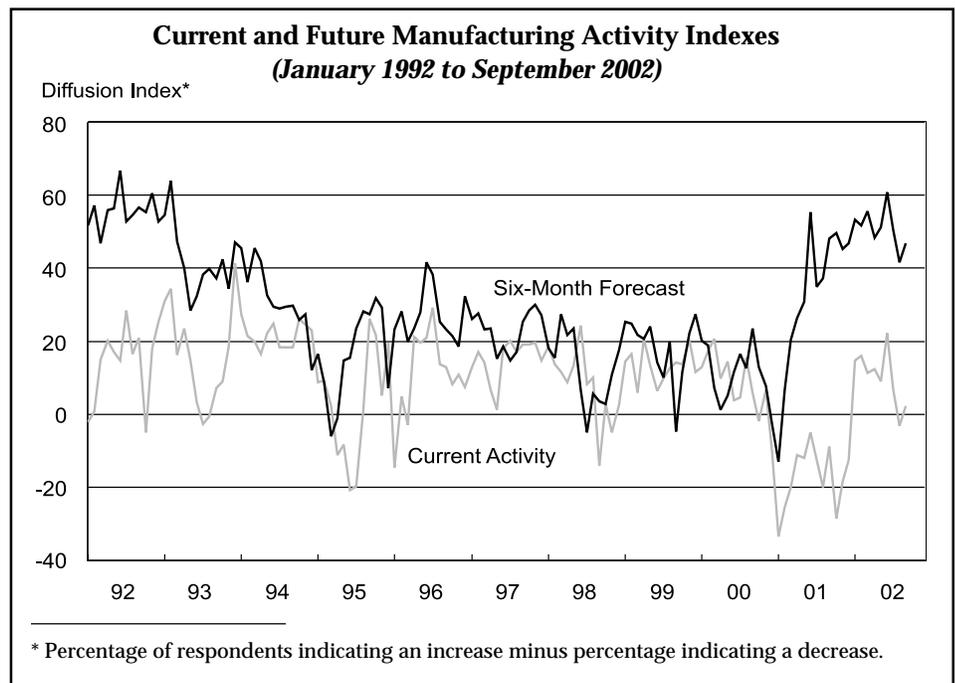
September 2002

Activity in the region's manufacturing sector has improved modestly, according to firms surveyed for this month's *Business Outlook Survey*. Most of the survey's broad indicators of current activity recovered from their negative August readings. Although manufacturing employment declined again this month, losses were not as large as reported in the previous month. Firms remain optimistic about manufacturing growth over the next six months, and the index of future activity improved slightly from August.

Current Indicators Improve

The diffusion index of current activity returned to positive territory this month, increasing from -3.1 in August to 2.3 (see chart). Only slightly more firms reported increases in activity this month (19 percent) than reported decreases (16 percent). Indicators for new orders and shipments also recovered from negative readings in the previous month. The current new orders index increased from -2.7 in August to 5.6 in September, and the current shipments index increased from -3.3 to 10.6.

The index for unfilled orders remained negative for the third consecutive month but increased from -19.6 in August to -3.6. The current delivery times index improved from -5.1 to -0.8. Inventories were reported



lower this month: The current inventories index fell from 8.1 to -9.7.

The demand for labor continues to be weak, but employment losses were less widespread than in the previous month. The current employment index increased from -13.4 to -4.9. Although 64 percent of firms are holding employment steady at their plants, the percentage reporting declines (21 percent) exceeded the percentage reporting increases (16 percent). On balance, the average workweek held steady, with about the same percentage

of firms reporting an increase in average hours as reporting a decrease (17 percent).

Price Pressures Change Little

Although prices of manufactured goods were reported steady by nearly 77 percent of the manufacturers surveyed, the percentage reporting higher prices this month (14 percent) exceeded the percentage reporting lower prices (9 percent). The current prices received index increased modestly from 2.1 in August to 5.2 this month.

For the seventh consecutive month the percentage of firms reporting a rise in input prices (25 percent) was higher than the percentage reporting a decline (6 percent). The diffusion index for current prices paid, however, moderated slightly from 23.9 in August to 19.6 this month.

Manufacturing Forecasts Remain Optimistic

Expectations for future manufacturing growth continue to be favorable. The index of future general activity increased from 41.6 in August to 46.9 in September (see chart). Nearly 55 percent of the firms expect improvement in overall business over the next six months, and only 8 percent expect deterioration in business. Indicators for expected new orders and shipments also improved

somewhat: The future new orders index increased from 42.3 to 46.3, and the future shipments index increased from 42.5 to 46.2. Nearly the same percentage of firms expect declines in inventories over the next six months as expect increases (27 percent). On balance, unfilled orders are expected to rise over the next six months while delivery times remain near steady.

Firms' expectations for future employment improved this month. Although 58 percent of firms expect no employment changes, the percentage expecting increases (25 percent) is higher than the percentage expecting decreases (13 percent). The diffusion index for future employment improved from -0.8 in August to 12.3 this month. On balance, firms expect a rise in average work hours over the next six months. The diffusion

index for future capital expenditures also improved, increasing from 5.1 in August to 13.4.

Summary

Overall manufacturing conditions remain sluggish in the region. Although most current indicators recovered from negative readings in August, their levels suggest manufacturing is growing only slightly. Although survey responses continue to indicate no increases in overall manufacturing employment, the job losses were not as large as in the previous month. Firms remain optimistic about growth in the manufacturing sector over the next six months.

BUSINESS OUTLOOK SURVEY

Summary of Returns September 2002

	September vs. August				Six Months from Now vs. September			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
What is your evaluation of the level of general business activity?	16.2	63.6	18.5	2.3	8.0	37.2	54.8	46.9
Company Business Indicators								
New Orders	23.6	46.1	29.2	5.6	8.9	35.8	55.3	46.3
Shipments	17.8	52.5	28.5	10.6	7.9	37.4	54.0	46.2
Unfilled Orders	17.1	69.3	13.6	-3.6	7.4	59.8	27.9	20.6
Delivery Times	10.7	74.9	9.9	-0.8	10.7	71.9	14.1	3.3
Inventories	25.2	57.3	15.5	-9.7	26.7	44.6	27.4	0.7
Prices Paid	5.7	69.0	25.3	19.6	3.5	55.8	38.6	35.2
Prices Received	8.9	76.5	14.2	5.2	15.6	55.6	27.5	12.0
Number of Employees	20.6	63.7	15.7	-4.9	12.8	58.0	25.2	12.3
Average Employee Workweek	17.1	64.8	16.8	-0.3	9.8	59.4	25.0	15.2
Capital Expenditures	—	—	—	—	8.2	49.8	21.6	13.4

Notes:

- (1) Items may not add up to 100 percent because of omission of respondents.
- (2) All data seasonally adjusted.
- (3) Diffusion indexes represent the percentage indicating an increase minus the percentage indicating a decrease.
- (4) Survey results reflect data received through September 10, 2002.