

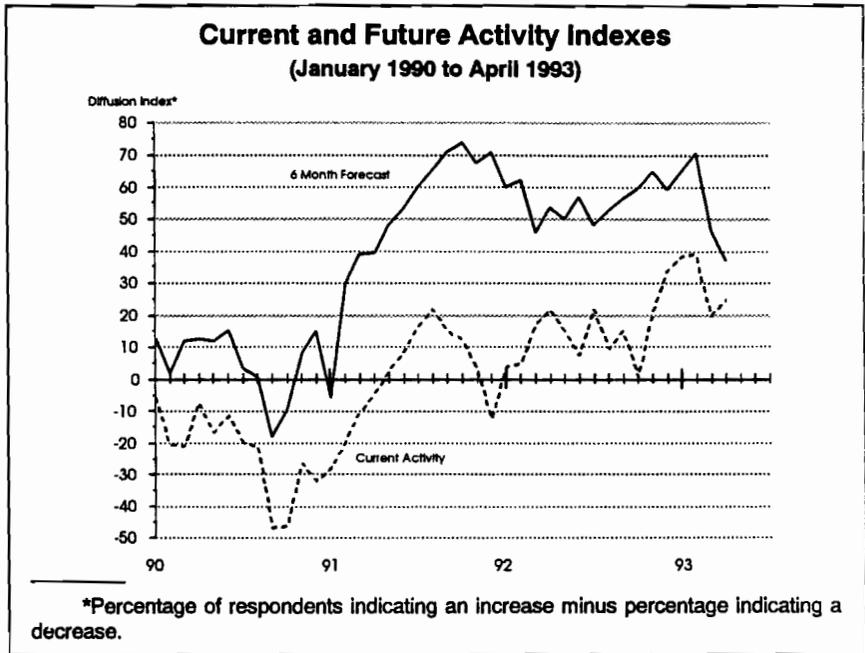
Economic Research Division

Growth in the region's manufacturing sector is continuing, according to this month's *Business Outlook Survey*. Most of the survey's current economic indicators remain near the levels recorded the previous month, and a sizable percentage of the surveyed firms continue to report increases in new orders and shipments. Survey responses suggest that production is rising with the utilization of existing labor resources--on balance, employment is unchanged this month. Although most indicators of activity for the next six months remain positive, they declined again this month, continuing a recent trend toward deterioration of these indexes.

CURRENT CONDITIONS

The survey's general activity diffusion index increased from a level of 19.6 in March to 24.6 this month. Although lower than the levels recorded from December through February, the index suggests that overall business conditions are still improving (see Chart). Almost 41 percent of those polled report increases in overall activity this month, compared with 16 percent reporting declines.

Individual indicators of the manufacturing sector remain positive and close to the levels recorded in the March survey. Shipments are in-



creasing at 32 percent of the firms surveyed, while 56 percent report no change from the previous month. New orders are rising at 38 percent of the firms polled; 42 percent report no change.

Other current economic indicators suggest that manufacturing production is rising with increases in demand. Delivery times are, on balance, steady this month, and the percentage of firms reporting increases in unfilled orders (23 percent) only narrowly outnumber those

with decreases (17 percent). The diffusion index for inventories, which had been negative for several months, is now at a level of 3.8, which suggests that inventory levels have stabilized.

Survey responses regarding employment conditions also suggest that production is increasing without additions to the manufacturing work force. Although 72 percent of the firms report no change in the number of workers in factories this month, the percentage of firms increasing employ-



ment (13 percent) is offset by the number making reductions (13 percent) The average workweek diffusion index, which now stands at 8.9, is up from the reading of 3.8 in March.

PRICES

The diffusion index for prices received by manufacturing firms increased marginally, from a level of 4.3 in March to 7.2 this month. Still, a large majority of firms (73 percent) report no change in prices for the month. About 28 percent of the polled manufacturers, however, expect to raise prices in the next six months.

Prices for materials and other purchased inputs are increasing at 20 percent of the surveyed firms, compared with just 6 percent reporting declines. The diffusion index for prices paid by manufacturers, which now stands at 13.8, is down slightly from the 15.1 recorded in the previous month.

OUTLOOK

Although overall optimism for continued growth in manufacturing persists, most indicators of future activity declined this month. The diffusion index for economic activity for the next six months declined, from a level of 46.0 in March to 36.8 this month. The index has declined nearly 34 points over the past two months (see Chart). Nevertheless, a majority of firms (54 percent) expect current activity to increase over the next six months; about 17 percent expect declines. A large percentage of firms also expect continued increases in both new orders and shipments; almost 46 percent of those polled expect increases in new orders, and 50 percent anticipate increases in shipments.

With regard to their six-month forecast for employment, firms are generally less optimistic. The largest percentage of firms (66 percent) an-

tipates no change in work force, and the percentage of firms anticipating additions (18 percent) only narrowly outnumbers those planning to make reductions (17 percent). The future employment index, which now stands at 1.4, is only slightly higher than the -1.9 recorded in March and lower than levels recorded in December and January.

SUMMARY

Business Outlook Survey respondents indicate that the region's manufacturing sector is continuing to grow. Most current indicators edged higher this month but remain somewhat lower than the levels recorded at the beginning of the year. Employment is flat and is not expected to increase over the next six months. The survey's future economic indicators have deteriorated somewhat during the past two months, but the majority of respondents expect continued expansion.

BUSINESS OUTLOOK SURVEY Summary of Returns April 1993

Indicator	April vs. March				Six Months from Now vs. April			
	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?	16.3	42.9	40.8	24.6	17.1	29.1	53.9	36.8
Company Business Indicators								
New Orders	19.4	41.9	38.0	18.6	16.9	36.8	46.3	29.4
Shipments	9.7	56.4	31.6	21.9	15.1	34.3	50.3	35.2
Unfilled Orders	16.6	59.3	22.5	5.9	21.9	54.6	22.1	0.1
Delivery Time	9.6	76.8	10.0	0.4	17.2	72.3	9.2	-8.0
Inventories	19.6	54.3	23.4	3.8	31.5	49.3	16.5	-15.0
Prices Paid	6.1	72.2	19.9	13.8	0.7	56.7	42.6	41.9
Prices Received	7.4	73.4	14.6	7.2	1.8	66.7	28.3	26.5
Number of Employees	12.9	71.8	12.9	0.1	16.5	65.7	17.9	1.4
Average Employee Workweek	13.7	63.8	22.6	8.9	12.1	63.2	24.6	12.5
Capital Expenditures	—	—	—	—	10.4	45.2	27.8	17.5

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.