

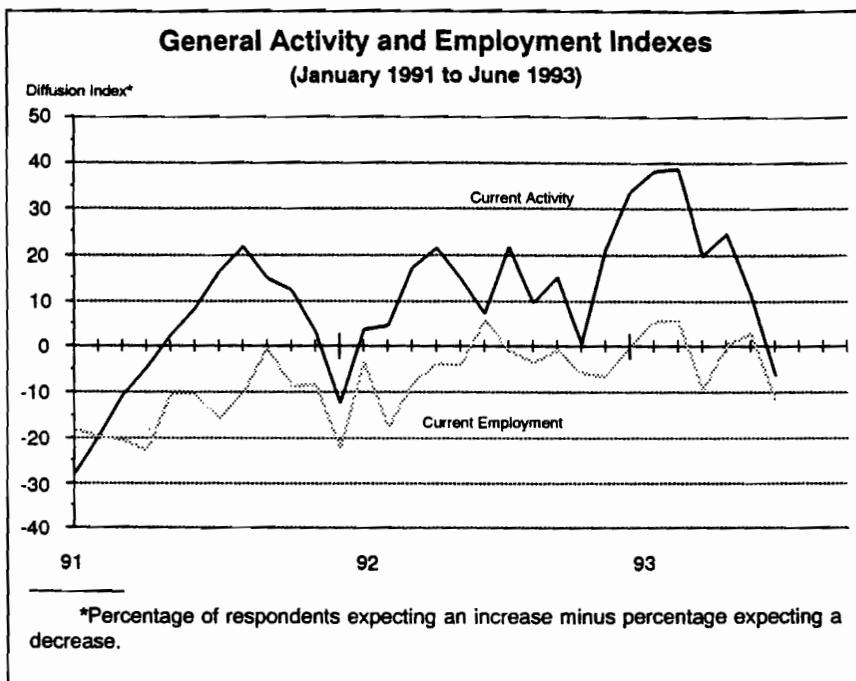
Economic Research Division

According to this month's *Business Outlook Survey*, overall conditions in the region's manufacturing sector have deteriorated. The survey's broadest measure of economic activity declined from 11.3 in May to -6.5 this month. Although reported shipments for the month are somewhat higher than in the previous month, new orders are virtually flat, and manufacturing employment is down. Prices for manufactured goods are steady, and respondents' expectations of future price increases have moderated considerably.

CURRENT ACTIVITY

June survey results suggest that manufacturing growth has stalled. The percentage of firms indicating a decline in manufacturing activity (27 percent) outnumbers those reporting an increase (21 percent). The overall general activity diffusion index, which now stands at -6.5, has declined precipitously from a peak of 38.8 in February, and the June index is the first negative reading since December 1991 (see Chart).

Individual indicators also signal a deterioration in manufacturing activity this month. Although shipments are, on balance, higher this month, survey results suggest that the reported deterioration in overall conditions stems from a recent slowing in new orders. Almost 52 percent of the reporting firms indicate no change in orders for the month, and the



percentage of firms that report increased new orders (24 percent) matches those that report declines (24 percent). The survey's other diffusion indexes are indicative of weakened demand: unfilled orders and delivery times are both declining this month.

The manufacturing establishments polled for this month's survey report continuing work-force contraction. Although 62 percent of the firms report stable employment for the month, 25 percent of the firms report declines in employment, compared with 13 per-

cent reporting increases. The average workweek is also shorter this month. The average workweek diffusion index declined from a level of -0.7 in May to -12.7 this month and is the first reading substantially below zero in over one year.

PRICES

Prices received for manufactured goods remain virtually unchanged this month. Nearly 74 percent of the firms report no change in their own prices, and the percentage of firms reporting declines (13 percent) once again outnum-



bers those reporting increases (12 percent). The prices-received diffusion index, which is now slightly negative at -1.0, had remained positive over the previous five months. The proportion of firms reporting price increases for their inputs (21 percent) outnumbers those reporting price declines (7 percent). Nevertheless, about 70 percent of the manufacturing firms report no change in input prices this month.

This month's survey suggests that manufacturers have become less optimistic about the possibility of higher prices for their manufactured products over the next six months. The diffusion index for future prices received fell from a reading of 27.2 in May to 11.1 this month. About 21 percent of those polled forecast price increases over the next six months; in contrast, nearly 34 percent forecast price increases for the May survey.

OUTLOOK

Although current manufacturing conditions have reportedly weakened, those surveyed expect improvement over the next six months. About 37 percent of the firms forecast an increase in activity over the next six months, compared with 17 percent that expect a decline. The overall future general activity index, at 20.2 this month, is virtually unchanged. This figure is substantially below the peak of 70.7 in February. The indexes for new orders and shipments also remain significantly below levels recorded earlier in the year and below levels that had been sustained over the previous 12 months.

Diffusion indexes for future employment, delivery times, unfilled orders, and inventories are consistent with expectations of weakening demand over the next six months. The future employment diffusion index, which is now -9.5, suggests further contraction in the manufac-

turing work force. This index has now remained negative in three of the last four months, after having remained positive since early 1991. Unfilled orders are expected to decline, and delivery times will be shortened. Only 11 percent of the firms polled forecast increases in their inventories, while 35 percent forecast decreases.

SUMMARY

Those firms surveyed for the June *Business Outlook Survey* report a deterioration of conditions in the manufacturing sector and a small decline in overall activity and flat new orders. Firms continue to reduce their payrolls and report that, for the first time this year, they are reducing the average workweek. Prices for manufactured goods remain stable, and recent weakening in overall conditions may be moderating firms' expectations regarding future price increases.

BUSINESS OUTLOOK SURVEY Summary of Returns June 1993

Indicator	June vs. May				Six Months from Now vs. June			
	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?	27.1	52.2	20.6	-6.5	17.0	43.9	37.3	20.2
Company Business Indicators								
New Orders	24.1	51.5	24.1	-0.1	20.2	41.7	38.1	17.8
Shipments	21.3	46.8	30.2	8.9	20.5	38.6	38.0	17.5
Unfilled Orders	21.8	58.3	16.8	-5.0	21.5	57.0	16.7	-4.8
Delivery Time	17.9	75.5	5.5	-12.4	16.9	77.3	5.8	-11.1
Inventories	30.0	47.2	20.2	-9.9	35.0	54.5	10.5	-24.6
Prices Paid	6.7	70.4	20.9	14.1	1.9	46.4	51.7	49.8
Prices Received	13.0	73.9	11.9	-1.0	10.1	68.7	21.2	11.1
Number of Employees	24.9	62.2	12.9	-12.0	23.6	62.4	14.1	-9.5
Average Employee Workweek	23.3	62.8	10.6	-12.7	18.2	71.8	10.0	-8.2
Capital Expenditures	—	—	—	—	14.5	48.4	21.6	7.1

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.