

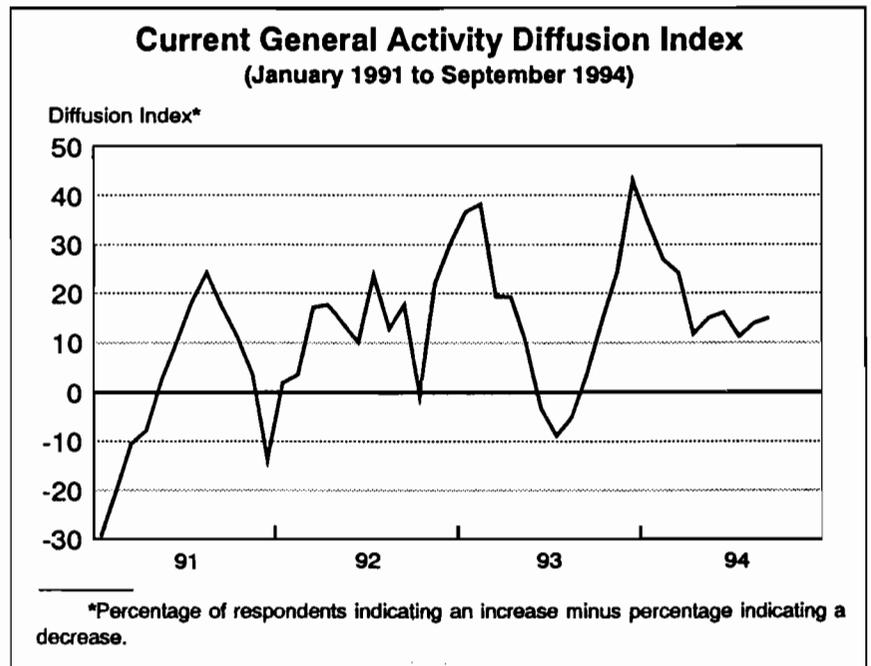
Economic Research Division

Respondents to the September *Business Outlook Survey* indicate that the manufacturing sector is continuing its expansion. Although the survey's current indicators for new orders and shipments suggest growth is continuing, other indicators, such as unfilled orders and delivery times, suggest weakening growth. Current labor market conditions are reported to be unchanged this month, and a significant proportion of firms continue to report price increases for purchased inputs. Most survey indicators measuring manufacturers' forecasts for the next six months remain near their level of the previous month.

CURRENT CONDITIONS

The survey's broadest measure of manufacturing activity, the general activity diffusion index, increased slightly from 13.9 in August to 14.8 this month. The index has been fluctuating within a narrow range for the past six months (see Chart). Nearly 28 percent of manufacturers report increases in activity this month; 13 percent report declines.

Other current indicators suggest a continuation of manufacturing growth. The current new orders index increased from a reading of 5.9 in August to 11.8 this month. About 29 percent of the reporting



firms indicate increases in new orders this month, compared with 17 percent reporting declines. The current shipments index, now at 14.2, declined marginally from 16.5 in August.

Other current indicators point to somewhat weaker growth this month. The current delivery time index turned negative this month, to -8.7, the first negative reading since December. Unfilled orders are also declining, as indicated by the third consecutive negative reading of the

current unfilled orders diffusion index.

Those polled also indicate no improvement in labor market conditions this month. The current employment index, which is now at 1.9, has fluctuated around zero for five months. The percentage of firms reporting increases in employment this month (12 percent) is only slightly higher than the percentage reporting decreases (10 percent).

PRICES

Diffusion indexes for both current



prices paid and prices received declined this month. With regard to prices paid for purchased inputs, 44 percent of the firms indicate higher input prices this month; only 4 percent report lower prices. The current prices paid diffusion index declined somewhat from 48.4 in August to 40.4 this month. With regard to their own manufactured goods, almost 24 percent of the manufacturers polled report higher prices this month; 9 percent report lower prices. The current prices received diffusion index declined from a reading of 24.5 in August to 15.0 this month.

With regard to their forecasts for the next six months, more than 56 percent of manufacturing firms expect price increases for their purchased inputs. Nearly 35 percent of those polled expect price increases for their own manufactured goods.

OUTLOOK

Measures of manufacturing firms' expectations for the next six months remain near the levels recorded in the previous month. The survey's future economic activity diffusion index increased from 26.7 in August to 27.3 this month. Although 51 percent of those polled expect manufacturing growth to continue over the next six months, almost 24 percent of the firms expect a decline. A similar division is seen in responses regarding future shipments and new orders.

On balance, those responding to the survey expect unfilled orders to decline and delivery times to shorten in the next six months. Inventories are expected to fall below current levels. Manufacturing employment is also expected to remain near current levels; the proportion of firms expecting to make additions to their

payrolls (19 percent) is offset by the percentage expecting to make cuts (22 percent).

SUMMARY

The *Business Outlook Survey's* current economic indicators reflect continued growth in the manufacturing sector—although manufacturing employment is reported flat and some indicators suggest slower growth. A large proportion of surveyed manufacturing firms report price increases for purchased inputs. Economic forecasts remain, on balance, optimistic. There are more than twice as many manufacturing firms expecting an expansion of new orders and shipments over the next six months as there are firms expecting a decline. Manufacturing employment, however, is not expected to increase over the same period.

BUSINESS OUTLOOK SURVEY Summary of Returns September 1994

Indicator	September vs. August				Six Months from Now vs. September			
	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?	13.2	57.6	27.9	14.8	23.5	23.6	50.8	27.3
Company Business Indicators								
New Orders	16.7	51.7	28.5	11.8	21.7	29.2	48.7	27.0
Shipments	17.3	49.9	31.5	14.2	20.0	34.2	44.7	24.7
Unfilled Orders	26.4	58.9	14.7	-11.7	24.7	55.9	16.9	-7.8
Delivery Time	14.7	77.7	6.1	-8.7	27.3	56.0	15.6	-11.7
Inventories	25.0	53.5	21.1	-3.9	36.6	41.8	20.9	-15.7
Prices Paid	3.7	52.2	44.1	40.4	3.4	40.2	56.4	53.0
Prices Received	8.8	67.5	23.7	15.0	7.1	57.1	34.7	27.6
Number of Employees	9.8	75.8	11.7	1.9	21.5	59.8	18.7	-2.8
Average Employee Workweek	17.1	67.0	13.7	-3.4	26.0	49.4	24.1	-2.0
Capital Expenditures	—	—	—	—	8.8	47.9	25.3	16.5

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.