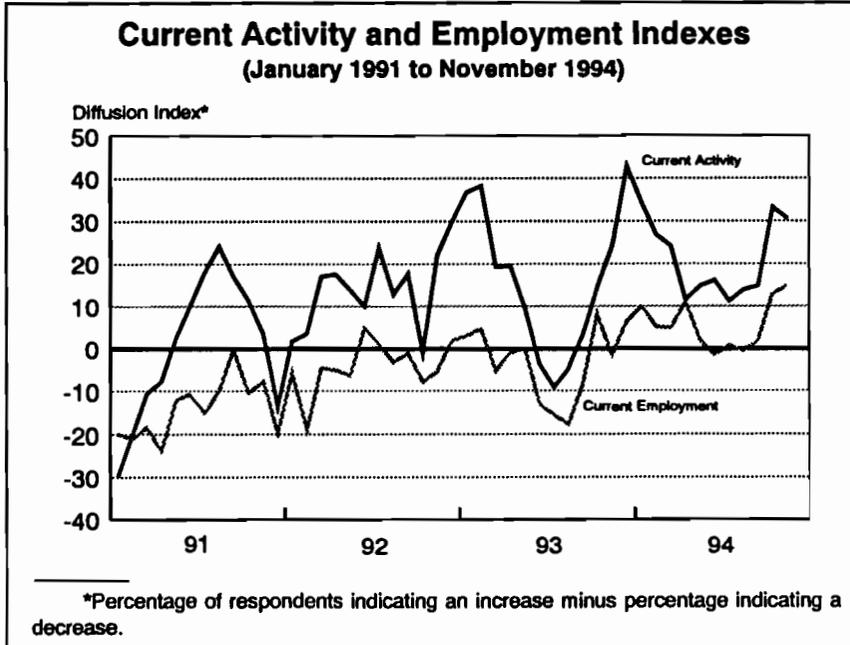


Economic Research Division

The region's manufacturing sector continues to expand at a healthy pace, according to this month's *Business Outlook Survey*. Although most indexes of current activity declined modestly this month, their levels remain higher than those recorded over most of the year. In addition to increases in new orders and shipments, those surveyed report increases in employment and the average workweek. Manufacturers remain generally optimistic about further improvement in business conditions over the next six months, and most future indicators increased modestly this month.

CURRENT CONDITIONS

The survey's index of current general activity declined from 33.2 to 30.5. Since the index increased significantly last month, it remains well above the levels recorded over the previous six months (see Chart). Most of the survey's other current economic indicators also show a decline this month, but remain above earlier levels. The current new orders diffusion index declined from 27.8 to 19.7. The current shipments index edged down from 33.7 to 27.2. Although the unfilled



orders index dipped below zero, suggesting a smaller backlog of orders, the delivery time index remained positive, suggesting that delivery times are lengthening. Inventories are reported steady this month: nearly the same percentage of firms report a decline as report an increase.

Growth in the region's manufacturing sector is increasing the demand for labor, according to those surveyed. The current employment diffusion index increased

from 12.8 to 14.9, the third consecutive month of increase (see Chart). The average workweek lengthened as well.

PRICES

Diffusion indexes for both current prices paid and current prices received declined this month, but remain at relatively high levels. The index for prices paid for purchased inputs fell from 53.6 to 52.3, with 56 percent of those surveyed reporting higher prices this month, and



just 4 percent reporting lower prices. With regard to prices for their own manufactured goods, the current prices received index declined from 22.7 to 20.1. Nearly 27 percent report higher prices received, and 6 percent report lower prices received.

Over the next six months, nearly 56 percent of those polled expect higher input prices, and 7 percent expect lower input prices. Nearly 37 percent of those polled expect higher prices for their final manufactured goods over this same period, but 11 percent expect price declines. Indexes for future prices paid and future prices received increased modestly this month.

OUTLOOK

When asked to provide forecasts for the next six months, nearly half

of the manufacturers polled (48 percent) indicate that they expect improved business conditions over the next six months; only 16 percent expect some deterioration. The overall future activity diffusion index increased modestly from 26.6 in October to 31.6 and is only slightly above its average level for the last six months. Similar optimism is expressed with regard to forecasts for new orders and shipments.

In tandem with a forecast of rising activity over the next six months, almost 21 percent of the manufacturers plan increases in employment. About 16 percent, however, expect to make employment cuts. The overall future employment index now stands at 4.4, somewhat lower than its reading of 11.4 in October. Firms are more sanguine about plans for capital expendi-

tures: nearly 44 percent expect increases in capital expenditures over the next six months. The future capital expenditures diffusion index, which has risen in the last two months, is now at its highest level since 1989, 37.2.

SUMMARY

The region's manufacturing sector is growing at a healthy pace, according to the manufacturers polled in this month's *Business Outlook Survey*. Most of the survey's measures of current economic activity declined modestly this month, but remain above levels achieved during the first three quarters of the year. Measures of future economic activity indicate that manufacturers expect a continuation of growth into 1995.

BUSINESS OUTLOOK SURVEY
Summary of Returns
 November 1994

Indicator	November vs. October				Six Months from Now vs. November			
	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?	4.2	60.0	34.8	30.5	16.2	34.9	47.9	31.6
Company Business Indicators								
New Orders	15.2	49.0	34.9	19.7	12.5	40.5	47.0	34.4
Shipments	11.5	49.9	38.6	27.2	14.6	38.5	45.7	31.1
Unfilled Orders	25.1	53.5	18.0	-7.1	15.9	56.3	24.5	8.6
Delivery Time	6.0	77.6	13.4	7.4	18.6	73.5	7.9	-10.7
Inventories	27.3	43.1	29.6	2.2	29.7	45.4	21.4	-8.3
Prices Paid	3.8	40.2	56.0	52.3	6.8	36.5	55.6	48.8
Prices Received	6.4	67.1	26.5	20.1	11.0	52.1	36.9	25.9
Number of Employees	5.9	72.3	20.8	14.9	16.3	61.6	20.7	4.4
Average Employee Workweek	5.5	72.6	20.5	15.0	22.0	56.3	21.7	-0.3
Capital Expenditures	—	—	—	—	6.4	40.9	43.6	37.2

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.