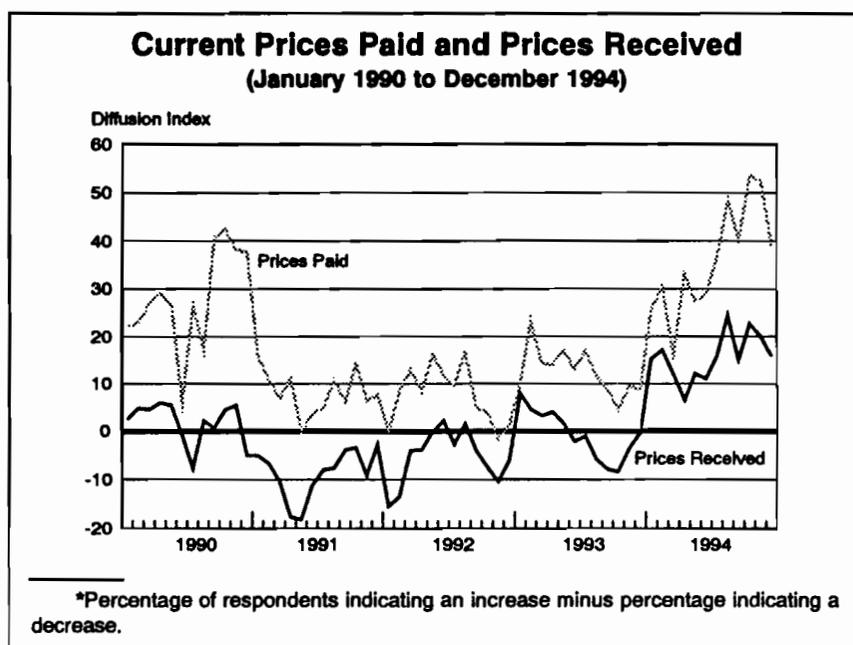


Economic Research Division

The region's manufacturing sector is continuing to grow, according to respondents to this month's *Business Outlook Survey*. Although some current manufacturing indicators weakened again this month, most indicators remained at relatively high levels. In conjunction with the moderating pace of growth, fewer manufacturers are reporting price increases for their products or raw materials. Future economic indicators, reflecting manufacturers' forecasts for the next six months, declined sharply this month, suggesting that firms expect growth will continue, but at a slower pace.

CURRENT CONDITIONS

For the second consecutive month, the survey's current general activity diffusion index declined slightly, from 30.5 in November to 28.9. Although the index remains at a high level relative to the first three quarters of the year, some current indicators suggest that growth is moderating. Indexes for both new orders and shipments registered their second consecutive month of decline and are now at levels comparable to those at mid-year. Almost 23 percent of the manufacturers report increases in new orders this month, and 38 percent report a rise in shipments. Delivery times remain



steady this month: almost the same percentage of firms report longer delivery times (13 percent) as report shorter ones (12 percent). Only a slightly larger percentage of firms report higher unfilled orders (24 percent) than report lower unfilled orders (17 percent).

The current employment diffusion index has now remained positive for four consecutive months, but it declined from a reading of 14.9 in November to 5.7. The current average workweek index declined from 15.0 to 3.1.

PRICES

Diffusion indexes for both current prices paid and prices received declined for the second consecutive month (see Chart). The current prices paid index, which reflects the prices paid for raw materials and other purchased inputs, declined sharply, from 52.3 to 39.1. After steadily increasing since the end of last year and reaching a six-year high in October, the lower level of the index this month suggests some moderating of input price pressures. Nearly 20 percent of those polled report higher prices re-



ceived for final manufactured goods; 4 percent report lower prices. The current prices received index declined from 20.1 to 15.8.

In their forecasts for the next six months, 57 percent of manufacturers expect increases in input prices and 30 percent expect price increases for their own manufactured products. Indexes for both future prices paid and future prices received increased this month.

OUTLOOK

Most of the survey's indicators of future manufacturing activity declined this month. The decline suggests that firms expect the rate of growth to slow over the next six months. The future general activity

diffusion index, which declined markedly from 31.6 to 17.0, is now at its lowest level since January 1991. Despite the decline, firms expecting improved conditions in the next six months outnumber those expecting some deterioration by almost 2:1. Similar responses were made with regard to future shipments and new orders. Reflecting plans to reduce inventories below current levels, the future inventory index declined sharply from -8.3 to -30.1.

While most future indicators declined, the future employment diffusion index increased this month, rising from 4.4 to 11.4. About 25 percent of the reporting firms plan to hire additional workers over the next six months; 14 percent plan reduc-

tions, however. The low future average workweek index, now at 3.4, indicates that manufacturers expect nearly steady work hours during the next six months.

SUMMARY

While the region's manufacturing sector continues to expand, some signs in this month's *Business Outlook Survey* suggest moderating growth. Current shipments, new orders, employment, and price indexes are somewhat lower this month. The survey's future economic indicators, which declined markedly this month, suggest that manufacturers expect some slowing of growth in the period

BUSINESS OUTLOOK SURVEY Summary of Returns December 1994

Indicator	December vs. November				Six Months from Now vs. December			
	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?	1.8	67.5	30.7	28.9	18.3	46.4	35.3	17.0
Company Business Indicators								
New Orders	7.4	69.9	22.6	15.2	16.1	47.3	36.4	20.3
Shipments	13.3	46.5	38.2	24.9	14.4	42.9	40.0	25.6
Unfilled Orders	17.3	55.1	24.3	7.0	19.4	52.7	26.0	6.5
Delivery Times	11.5	72.4	12.9	1.4	22.4	62.4	13.4	-9.1
Inventories	18.8	53.5	25.7	6.9	37.9	53.8	7.8	-30.1
Prices Paid	3.4	54.1	42.5	39.1	0.5	42.5	57.0	56.4
Prices Received	4.1	75.8	19.9	15.8	2.1	67.7	29.9	27.8
Number of Employees	9.8	74.7	15.5	5.7	13.9	58.5	25.3	11.4
Avg. Employee Workweek	9.7	74.5	12.8	3.1	16.0	64.0	19.4	3.4
Capital Expenditures	-	-	-	-	12.1	50.5	26.4	14.3

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.