DECISION ECONOMICS, INC.
Information for Decisions™

New York: 212 884 9440
London: 011 44 20 7814 6706
Boston: 617 994 0500
Email: decisioneconomics@pdeeco.com

Pierre Ellis

April 21, 2011

Philadelphia Fed Survey

The April Philadelphia Fed Survey comes in weaker than expected, with the headline index dropping a more-than-forecast 24.9 points (Consensus: -7.4 points; Decision Economics: -1.4 point) to 18.5.

Declines, of varying sizes, were seen in most of the independently surveyed activity indexes--confirming that a significant narrowing of growth took place in the month. A narrowing, of at least some proportions, would be expected after the quite-extreme breadth indication given by the 43.4 headline index last month--and a simple across-the-board flattening of activity would pull the index down to zero--but the narrowing actually seen boarders on being threatening.

Movements in the activity indexes were generally less dramatic over the two months than was the case with the headline index. But, there was a very significant exception in the new orders index, which dropped 21.5 points (to 18.8), after jumping 16.6 points last month. As with the headline number, the new level of the index would not be considered unhealthy in the abstract--but the fact that there has been a net loss of ground over the two latest months is troubling.

There was an even worse indication from the employment index, which fell 5.9 points in April (to 12.3), on the heels of a 5.4-point decline in March. That is a clear signal that decision makers are becoming less confident in the immediate outlook.

There is a hint of an offset to that deterioration in the behavior of the six-month-ahead employment index, which rose in both March (+6.3 points) and April (+7.0 points). Meanwhile, however, the longer-term readings for both the headline and new orders indexes showed up-and-down moves, for a net loss, just like the current-month numbers.

As seems to be almost usual, the combination of the Philadelphia Fed and Empire State numbers gives a very foggy picture of the national situation--with the Empire State numbers looking as credibly strong as the Philadelpia numbers look week. Odds are, the moves are reflecting purely local conditions, and the national trend is more stable.

© 2010 Decision Economics, Inc. All rights reserved. Reproduction in whole or in part without the written permission of the copyright owner is prohibited.