

Business Outlook Survey

Research Department

January 1988

The region's manufacturing sector is only marking time in the first month of the year, after expanding through most of 1987. Two-thirds of the industrial firms participating in the January Business Outlook Survey report steady business as 1988 begins, while the number of companies indicating they are starting the new year at a slower pace nearly equals the number noting a pickup in activity.

Specific measures of industrial activity show little change in January from December. Order backlogs are leveling off this month and inventories are higher, indicating an easing from last year's operating pace. However, fractional increases in new orders and shipments are still reported. Employment is also posting a slight gain for the ninth consecutive month; although 75 percent of the companies surveyed in January are maintaining steady payrolls, 19 percent are adding workers while only 6 percent are making cuts.

January's pause in manufacturing growth appears to be coloring survey participants' views of the future. Neither production nor employment is expected to change from current levels in the first half of 1988. These expectations, combined with an anticipated modest increase in shipments, should work to reverse this month's inventory buildup.



Despite the apparent stall in growth in January, survey respondents report continuing upward movement in prices. Comparing this month to last, 60 percent say input costs are higher, and nearly 40 percent have raised prices for their own products. Looking to the first half of 1988, nearly three-fourths of the respondents predict further increases in the prices of goods they purchase, and somewhat less than half plan to charge more for the goods they make.

In summary, the upward trend in manufacturing that the region experienced in the last three quarters of 1987 has not carried into the first month of 1988. Local manufacturers do not expect a resumption of growth in the first half of the new year, and they plan to limit employment to current levels.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

JANUARY 1988

INDICATOR	January vs. December			Six Months from Now vs. January		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	11.8	67.7	16.3	20.6	47.3	24.8
COMPANY BUSINESS INDICATORS						
New Orders	17.3	53.6	29.2	24.1	47.3	27.3
Shipments	16.6	52.6	30.7	20.8	46.2	30.3
Unfilled Orders	22.8	56.4	20.8	18.4	67.5	14.1
Delivery Time	16.8	71.2	12.0	26.0	70.5	3.4
Inventories	24.2	40.0	35.8	35.2	38.5	23.5
Prices Paid	0.7	38.8	60.3	3.7	24.1	72.1
Prices Received	3.8	55.4	39.4	3.1	53.1	40.6
Number of Employees	5.6	75.5	18.5	19.2	60.7	20.1
Average Employee Workweek	8.1	75.5	12.9	22.0	66.4	10.6
Capital Expenditures				11.3	59.8	20.8

Notes: (1) Items may not add to 100 percent because of omission by respondents.
 (2) All data seasonally adjusted.