B. Turnbull

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iness Outlook Survey

Research Department

June 1989

Local manufacturers say overall business is just holding steady for the third consecutive month, according to the June *Business Outlook Survey*. Just over half of the firms surveyed indicate their activity this month is running even with May's pace, and the rest are evenly divided between those noting a pickup since last month and those for whom business is slower.

Firms in the region are seeing a leveling off in the rate of new orders this month, in contrast to the steady growth they had been experiencing, and order backlogs are falling as shipments continue on an upward trend. Nevertheless, inventory reduction, which had been reported for several months, appears to have stalled in June. Despite these indications of slackening demand for manufactured goods, industrial firms in the region are maintaining employment levels, although working hours are being trimmed at some plants.

Looking ahead, sentiment among Third District manufacturers is widely dispersed but slightly negative overall. On balance, managers at area plants forecast slower business during the second half of the year, with new orders running just steady and shipments declining as order backlogs are worked down. In line with their forecasts of reduced output, local firms plan to trim payrolls and working hours somewhat by year-end. They intend to reduce inventories, as well. Capital spending plans still call for increased outlays over the next six months, on balance; however, compared to reports over the past 12 months, fewer firms are boosting spending and more are cutting back on plans.

On the price front, increases in input costs are noted by 46 percent of the companies contacted for this report and 24 percent are raising the prices of their own products. For the future, 54 percent of this month's respondents anticipate further price increases for the goods they will be buying in the next six months and 40 percent plan to charge more for the products they make. Reports of current price increases, as well as expectations of further hikes, are not quite as widespread as they had been earlier this year.

In summary, the June survey indicates only steady activity for the region's manufacturers for the third month in a

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row. Having completed a full quarter without gains after nearly three years of virtually uninterrupted growth, managers at area industrial firms are lowering their sights for the balance of the year. In anticipation of a slower period ahead, they plan to trim payrolls over the next six months and they will try to work down inventories, as well.

BUSINESS OUTLOOK SURVEY
Summary of Returns
June 1989

Indicator	June vs. May			Six Months from Now vs. June		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	20.9	58.9	17.8	34.7	31.7	28.9
Company Business Indicators						
New Orders	24.6	49.4	25.7	38.6	25.9	35.5
Shipments	21.1	43.5	34.6	40.9	26.9	31.9
Unfilled Orders	29.0	56.0	15.0	42.5	36.1	20.7
Delivery Time	24.8	65.3	9.8	32.5	54.6	10.4
Inventories	33.1	32.4	32.8	47.7	23.0	27.7
Prices Paid	5.4	48.9	45.7	6.5	38.8	54.3
Prices Received	4.8	71.1	24.2	5.9	54.3	39.7
Number of Employees	14.1	72.4	13.5	32.1	47.5	20.4
Average Employee Workweek	14.6	75.6	8.0	31.9	55.7	12.1
Capital Expenditures	--	--	--	17.9	48.1	29.0

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