

Business Outlook Survey

Research Department

September 1989

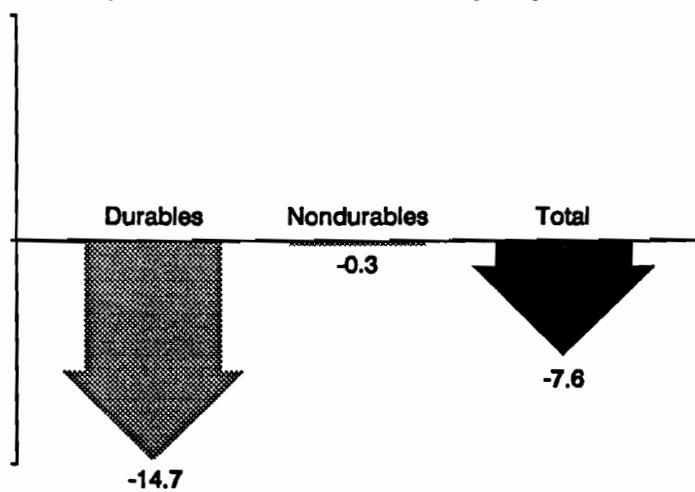
Manufacturing activity in the region is slowing for the third consecutive month, according to the September *Business Outlook Survey*. While 49 percent of the firms contacted this month noted steady business, 29 percent said they were experiencing a drop in activity. Durable goods producers, particularly manufacturers of heavy equipment, report the sharpest drop in activity, while makers of non-durable goods generally see their business as flat (see figure).

On balance, area firms are stepping up shipments; however, they are taking new orders at just a steady rate, leading to a drop in order backlogs. Employment is also showing some weakness, as area firms are reducing payrolls and working hours.

Looking ahead, managers at area plants generally expect a further decline in business. Among firms polled for this report, 35 percent anticipate weakening activity over the next six months and only 27 percent look for improving

conditions. On balance, area companies expect a pickup in orders, but they expect to step up shipments to meet this demand while order backlogs continue to fall. With some further slippage on the horizon, local firms plan to trim

Index of Current Business Activity*
September 1989 - Seasonally Adjusted



*Index represents percentage of respondents indicating an increase minus percentage indicating a decrease.

payrolls and working hours further between now and next spring. Despite this relatively pessimistic consensus, however, more firms plan to boost capital spending in the next six months than plan to cut back.

Managers at area plants note continued slackening in the pace of price increases for both inputs and outputs. Nearly three-fourths of the firms participating in the September survey say prices for pur-

chased goods are steady compared to last month; only one-fifth report increases. For their own products, most respondents say they are holding the line on prices. Looking to the future, 61 percent of the survey participants expect the prices of the goods they buy to increase over the next six months, and 37 percent intend to raise prices for the products they manufacture.

In summary, the region's

industrial sector appears to be softening for the third month in row, and survey participants expect some further weakening over the next two quarters. With both the current picture and the outlook growing somewhat dimmer, area manufacturers are trimming payrolls this month and they intend to make further cuts during the fall and winter.

BUSINESS OUTLOOK SURVEY
Summary of Returns
September 1989

| Indicator | September vs. August | | | Six Months from Now vs. September | | |
|--|----------------------|-----------|----------|-----------------------------------|-----------|----------|
| | Decrease | No Change | Increase | Decrease | No Change | Increase |
| General Business Conditions | | | | | | |
| What is your evaluation of the level of general business activity? | 28.9 | 49.0 | 21.3 | 35.2 | 30.1 | 27.2 |
| Company Business Indicators | | | | | | |
| New Orders | 34.0 | 35.1 | 30.9 | 29.3 | 26.6 | 44.1 |
| Shipments | 17.3 | 50.1 | 31.7 | 30.4 | 30.7 | 38.9 |
| Unfilled Orders | 33.3 | 62.1 | 4.7 | 29.4 | 57.7 | 11.4 |
| Delivery Time | 17.0 | 72.7 | 7.8 | 30.8 | 58.0 | 9.0 |
| Inventories | 25.2 | 52.8 | 20.5 | 33.3 | 44.2 | 22.5 |
| Prices Paid | 2.6 | 73.5 | 22.2 | 6.8 | 32.7 | 60.5 |
| Prices Received | 13.7 | 69.6 | 16.7 | 4.6 | 58.3 | 37.1 |
| Number of Employees | 21.5 | 66.6 | 11.9 | 37.0 | 36.9 | 26.2 |
| Average Employee Workweek | 26.1 | 67.1 | 6.8 | 25.3 | 63.5 | 10.2 |
| Capital Expenditures | -- | -- | -- | 13.8 | 47.9 | 36.3 |

Notes: (1) Items may not add up to 100 percent because of omission by respondents.

(2) All data seasonally adjusted.