

Business Outlook

Survey

Research Department

December 1989

The region's five-month-long decline in manufacturing activity appears to be leveling off, according to the December *Business Outlook Survey*. Responses to the latest survey indicate that local industry is operating at a nearly steady pace: 60 percent of the companies polled this month indicate business is running even with November, 19 percent report improvement, and 21 percent say business is slowing.

While survey respondents assess business conditions in a more positive light this month, specific measures of manufacturing activity remain mixed. On balance, area firms are receiving more new orders this month and they are stepping up shipments, but order backlogs continue to shrink. Some

weakness is also indicated for employment. Payrolls are being trimmed slightly at area plants, although working hours are being held nearly constant.

Looking to the future, December survey participants see business stabilizing in the first half of 1990. They expect shipments to run at their current pace, and they look for a marginal pickup in orders. However, respondents do not anticipate that the improvement in orders will be sufficient to reverse the downward trend in backlogs, which has now run for seven months. With no upturn expected in the near future, local firms are scheduling capital spending at just a steady rate for the next two quarters. And, they plan to cut back working hours, although they intend to maintain current

employment levels.

The slowness in the region's manufacturing sector is reflected in the price picture. Three out of four firms polled in December report no change from last month in input prices, and four out of five indicate they are holding the prices of their own products constant. Expectations of rising prices have not subsided, however; for the first half of next year, just over half of the survey participants anticipate increases in the prices of the products they buy and nearly one-third intend to charge more for the goods they make.

In summary, manufacturers in the region indicate that the five-month-long business downturn is leveling off in December and that orders are picking up. Managers at area



plants do not expect a quick rebound in the first half of the new year, however, as they are forecasting just steady

activity. The lackluster outlook for early 1990 is leading survey respondents to hold the line on capital spending and

employment plans for the next two quarters.

BUSINESS OUTLOOK SURVEY
Summary of Returns
 December 1989

Indicator	December vs. November			Six Months from Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	21.4	60.0	18.6	33.3	30.5	29.0
Company Business Indicators						
New Orders	15.0	46.7	35.6	31.2	29.3	38.3
Shipments	11.9	52.0	33.2	31.6	30.3	33.8
Unfilled Orders	34.1	51.4	13.7	30.7	53.5	14.7
Delivery Time	15.4	74.0	10.6	19.6	71.5	8.8
Inventories	36.6	36.8	26.5	27.7	47.3	24.4
Prices Paid	2.6	74.5	22.9	7.0	39.9	52.8
Prices Received	11.7	82.6	5.7	24.8	44.0	31.2
Number of Employees	20.7	65.9	13.4	23.9	50.4	25.6
Average Employee Workweek	17.0	70.2	12.7	18.1	78.0	3.9
Capital Expenditures	--	--	--	24.1	43.0	28.8

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

(2) All data seasonally adjusted.