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B. Turnbull

;s Outlook

Survey

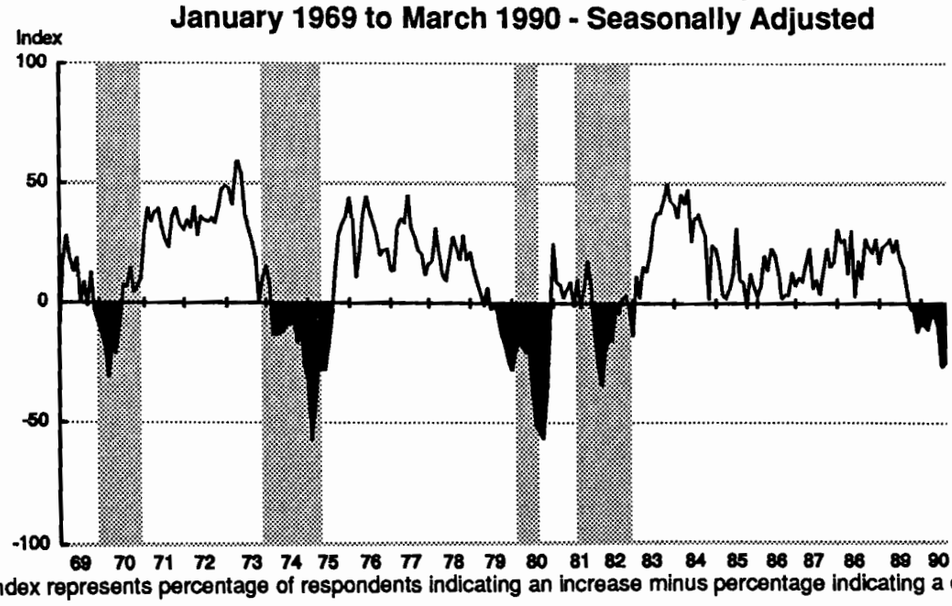
Research Department

March 1990

The region's manufacturing sector is continuing on a downward slide this month, according to the March *Business Outlook Survey*. One-third of the companies polled report further deterioration in the business climate while less than one-tenth indicate that business is picking up, about the same as last month (see chart). As the weakness that developed last summer persists, most measures of industrial activity continue to indicate slackening conditions. Area plants are receiving fewer new orders this month compared to last, and order backlogs are falling. Nevertheless, local companies are maintaining a steady pace of shipments and reducing inventories. Employment indicators, which started registering weakness last summer, remain lackluster; on balance, area firms are cutting both employment levels and working hours again this month.

Despite the continuing weakness, local manufacturers say they believe the downturn may be close to bottoming out. Looking ahead, 45 percent of the March survey partici-

Index of Current Business Activity*
January 1969 to March 1990 - Seasonally Adjusted



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

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pants expect business to rebound in the next six months while 28 percent think that the current downtrend has further to run. Over half of the survey respondents expect new orders and shipments to increase while just over one-fourth believe they will continue to fall. Although they are looking for an upturn in business, survey respondents apparently do not expect a vigorous turnaround as they are not planning increases in either employment or capital spending, on balance, over the next six months.

On the price front, survey respondents generally note relative stability this month although they believe some upward movement could be ahead. Over two-thirds of the manufacturers polled for the March survey report steady prices for both inputs and outputs, but half expect supply costs to increase during the next six months and 40 percent plan to charge more for their own products.

In summary, industrial activity in the region in March continues on the slowing trend that began last summer. With order backlogs being worked down and with fewer new orders being booked, area firms are cutting payrolls and working hours. Looking ahead, more businesses in March than in any recent month expect activity to rebound over the next two quarters. However, survey respondents evidently do not expect any upturn to pose capacity problems; on balance, they plan more employment cuts and a reduction in capital spending through the summer.

BUSINESS OUTLOOK SURVEY
Summary of Returns
March1990

Indicator	March vs. February			Six Months from Now vs. March		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	33.2	57.5	8.5	27.7	23.9	45.1
Company Business Indicators						
New Orders	30.8	50.2	17.7	27.1	19.3	53.7
Shipments	22.7	55.0	22.3	25.6	20.5	52.9
Unfilled Orders	28.1	64.2	6.1	19.3	65.8	14.9
Delivery Time	24.3	67.2	8.0	17.0	83.0	0.0
Inventories	30.2	54.4	15.4	41.8	36.2	22.0
Prices Paid	2.7	69.2	27.8	8.3	42.1	49.3
Prices Received	10.3	73.8	14.7	13.8	46.4	39.8
Number of Employees	26.0	65.2	8.6	29.1	50.2	20.7
Average Employee Workweek	25.3	62.0	11.4	23.5	55.9	16.7
Capital Expenditures	--	--	--	32.6	42.4	22.9

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