

s Outlook

Survey

Research Department

April 1990

Manufacturing activity in the region is edging down again this month, according to the April *Business Outlook Survey*, but responses by survey participants indicate that the downward trend may be easing after relatively steep declines in February and March. The percentage of respondents reporting slower business this month — 18 percent — marginally exceeds the percentage noting improvement — 12 percent.

Although some indicators of industrial activity show improvement this month, most are signalling continued weakness. Shipments are increasing and new orders are inching up, reversing two months of decline. But other measures of business conditions are still falling. Managers at area plants say this month's increase in new orders has not

been enough to boost order backlogs, which are shrinking in April for the eleventh month in a row. Other signs of the ongoing downtrend in the manufacturing sector are delivery times, which continue to decrease, and employment; both personnel and working hours are being reduced at area plants, on balance.

Looking ahead, survey respondents express some optimism despite lackluster current conditions. In their forecasts for the six months ahead, 42 percent expect business to pick up while 22 percent think the current downturn has further to run. Survey participants generally expect the decline in order backlogs to level off, but they do not expect business to improve enough between now and October to increase that backlog. Respondents do not fore-

see any improvement in employment, either; although they intend to hold payrolls steady, they plan further reductions in working hours, on balance. Some indication of a more optimistic outlook for business in the longer term is given by capital spending plans at area plants. After two months in which more companies reduced spending plans than increased them, scheduled expenditures for new plant and equipment are being boosted marginally; 22 percent of the firms polled for the April survey said they will hike capital outlays over the next six months while 14 percent indicated they will make cuts.

Industrial prices in the region remain soft. Most local companies say they are holding the prices of their own products steady, while one-third of the firms polled this



month note rising input costs. On balance, survey participants expect prices to drift up over the next six months; 58 percent anticipate increases in the prices of the goods they purchase and 41 percent plan to charge more for the products they make.

In summary, activity in the region's industrial sector remains slow in April, although business is off only marginally this month compared to the much greater drops experienced in the previous two months. Looking to the future, participants in this month's

survey are expecting some improvement. They see a pickup in orders over the next two quarters, but do not expect the possible rebound to justify expanding employment soon.

BUSINESS OUTLOOK SURVEY
Summary of Returns
 April 1990

Indicator	April vs. March			Six Months from Now vs. April		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	18.0	65.6	12.4	21.6	34.7	41.7
Company Business Indicators						
New Orders	18.5	53.8	27.7	17.7	29.1	48.0
Shipments	12.5	58.6	28.9	16.1	29.9	50.1
Unfilled Orders	35.1	54.2	9.5	25.5	49.4	21.9
Delivery Time	27.9	72.1	0.0	23.8	65.9	7.9
Inventories	29.8	52.6	16.5	38.2	35.2	24.3
Prices Paid	3.8	62.7	33.5	7.6	32.3	57.7
Prices Received	4.8	81.7	10.2	5.2	49.3	40.8
Number of Employees	17.0	72.3	9.5	23.1	55.8	21.1
Average Employee Workweek	20.8	73.5	3.6	23.1	62.7	14.3
Capital Expenditures	--	--	--	13.8	52.4	22.1

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