

3 Outlook

Survey

Research Department

May 1990

The region's manufacturing sector continues on a downward trend this month, according to the *May Business Outlook Survey*, with the extent of the decline about the same as it was in April. Activity is falling at 30 percent of the firms polled this month and rising at 24 percent, giving a margin of negative over positive responses of -6, the same as last month. Survey responses exhibit greater variance this month, however, with fewer participants reporting "no change" and more in the "slower" and "improving" categories than in April. Overall, the falloff in area manufacturing has moderated in the past two months.

Specific measures of industrial activity show continued slowness, across the board. Order backlogs at area manufacturing establishments

are off fractionally and the rate at which local plants are receiving new orders is slipping. Shipments this month are running just even with last month's pace. Softness in the manufacturing sector is also indicated by delivery times, which are reported to be shorter for the seventeenth month in a row, and by inventories, which are levelling off after nine months during which they were steadily reduced. The continuing slackness in manufacturing is prompting further employment cuts at local factories where, on balance, both the number of employees and working hours are being trimmed.

Looking to the future, survey respondents generally remain optimistic, despite the absence of improvement this month. Forty-three percent expect business to pick up

between now and November, while 24 percent anticipate further slowing. Although respondents do not expect to build up their order backlogs, they are forecasting increases in new orders and shipments, on balance. However, survey participants apparently expect only moderate gains, as they plan to trim payrolls further and hold the line on capital spending.

On the price front, most survey respondents say both input and output prices are stable this month, but expectations of increases during the next six months persist. Fifty-five percent of the firms polled this month anticipate rising costs for the goods they purchase and 39 percent intend to raise charges for their own products.

In summary, industrial activity in the region continues



to slow in May, with the extent of the decline about the same as it was in April, on balance.

Area firms are reducing employment and holding capital spending steady although they

do expect business to improve over the next six months.

BUSINESS OUTLOOK SURVEY
Summary of Returns
May 1990

Indicator	May vs. April			Six Months from Now vs. May		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	30.0	45.9	24.1	24.1	28.9	42.8
Company Business Indicators						
New Orders	31.7	44.2	24.1	19.0	33.8	46.5
Shipments	24.7	47.8	26.5	16.3	37.4	43.3
Unfilled Orders	22.2	62.8	10.3	23.4	54.9	20.5
Delivery Time	18.5	74.1	7.4	24.7	67.2	8.1
Inventories	18.3	60.6	21.1	27.9	48.5	23.6
Prices Paid	3.0	68.7	28.4	9.7	32.7	54.9
Prices Received	10.4	74.0	15.6	11.7	47.7	39.4
Number of Employees	24.6	65.0	10.4	20.6	63.6	12.7
Average Employee Workweek	16.8	73.3	5.8	18.2	64.2	13.8
Capital Expenditures	--	--	--	24.6	38.0	27.7

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

(2) All data seasonally adjusted.