

Economic Research Department

Manufacturers in the region continue to report declining business activity in October, according to the *Business Outlook Survey*. Fifty-nine percent of the firms polled for this month's survey indicate that their operations are slowing while just 4 percent note improvement. This is the eighteenth consecutive survey in which negative responses outnumber positive replies, and the second month in a row in which more than half of the survey respondents report falling business.

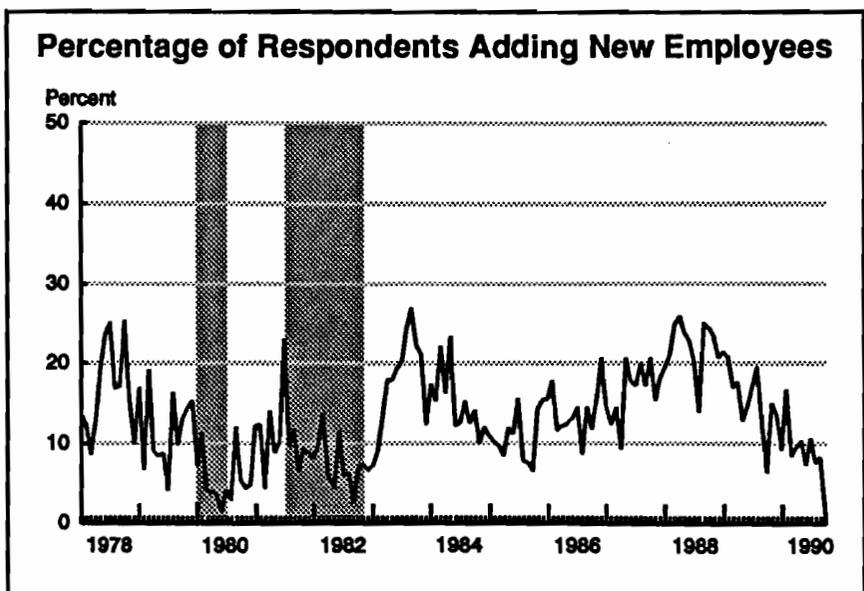
Specific measures of manufacturing activity suggest spreading weakness. On balance, both new orders and shipments are dropping again in October, and the declines are more widespread than a month ago. In tandem with the drop in shipments, reductions in inventories reported by area firms indicate a cutback in output this month. Falling production activity is also reflected in deteriorating employment measures; the portion of respondents adding workers has fallen virtually to zero in October (see chart), while more than a third of

the companies surveyed are scaling back working hours.

The outlook among surveyed manufacturers remains pessimistic, on balance. Although 30 percent of the October survey respondents expect a turn for the better, 43 percent anticipate further weakening in the industrial sector over the next six months. Overall, the managers polled are forecasting a continued slowing trend in new orders and shipments over the winter, and, with the declining pace of

business, survey respondents expect to work down both order backlogs and inventories further between now and next spring. They also plan more cuts in employment under these conditions. In line with their cautious outlook, area manufacturers will hold capital spending to a steady rate over the next six months, on balance.

Industrial prices in the region are mixed this month. Overall, area manufacturers report continued upward pressure on input



costs but say they are holding the line on the prices they charge for their own products. Looking ahead, 54 percent of the survey respondents foresee an upward trend in prices for the goods they will be buying over the next six months and 36 percent plan to

increase prices for the products they make.

In summary, manufacturing activity in the region continues to weaken in October, and reports of slower business, which increased markedly in September, are more widespread. Area firms

note declines in orders and shipments this month, and they expect further drops over the winter. They are trimming employment currently and they plan more cuts over the next six months.

BUSINESS OUTLOOK SURVEY
Summary of Returns
October 1990

Indicator	October vs. September				Six Months from Now vs. October			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
General Business Conditions								
What is your evaluation of the level of general business activity?	58.6	35.6	4.4	-54.1	42.6	22.4	29.6	-13.0
Company Business Indicators								
New Orders	53.2	32.7	12.5	-40.7	41.2	28.2	30.6	-10.6
Shipments	43.5	52.8	3.7	-39.8	40.2	27.6	32.2	-8.1
Unfilled Orders	51.8	39.0	8.7	-43.1	33.5	53.0	13.5	-19.9
Delivery Time	28.1	65.9	6.0	-22.1	27.4	61.8	9.3	-18.1
Inventories	41.7	33.7	24.6	-17.1	51.5	35.1	13.4	-38.2
Prices Paid	3.3	52.7	44.0	40.7	7.2	39.2	53.6	46.5
Prices Received	10.5	72.6	15.7	5.3	13.8	50.6	35.6	21.8
Number of Employees	27.5	71.0	0.2	-27.3	47.6	31.3	20.6	-27.0
Average Employee Workweek	36.8	58.0	5.2	-31.7	39.5	51.8	7.7	-31.8
Capital Expenditures	—	—	—	—	24.1	40.3	24.7	0.6

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

(2) All data seasonally adjusted.

(3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease.