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Manufacturing activity in the region continues to slip as the new year begins. Forty-seven percent of the industrial firms polled for the January *Business Outlook Survey* indicate that business is falling off from December while just 12 percent note improvement. Nondurable goods producers generally are experiencing relatively weaker conditions than durable goods makers although negative reports predominate in virtually every manufacturing sector in the region.

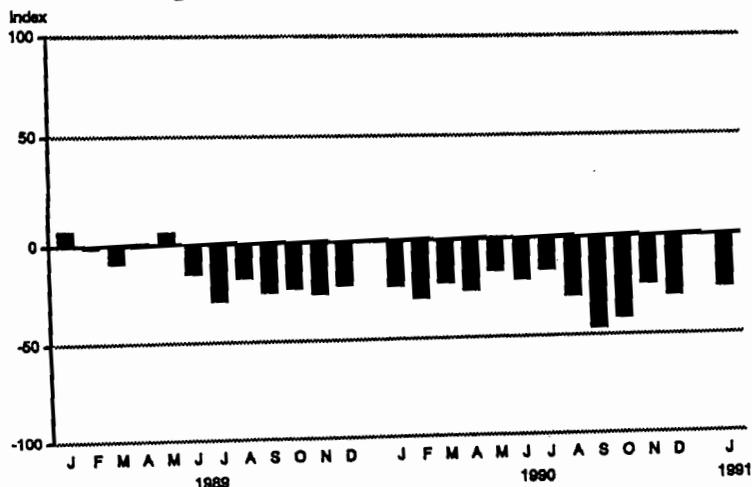
Overall, local manufacturers say new orders are continuing to fall off. Shipments are easing only marginally, however, as area firms fill some prior orders even though backlogs have been shrinking since June 1989 (see chart). The current pace of shipments is also resulting in lower inventories at local plants. Survey participants also continue to

report weakening employment, on balance. While half are maintaining steady employment this month compared to last, one-third are cutting work forces and a similar number are reducing working hours.

Looking ahead, negative expectations edge out positive views among area manufacturers, and the balance of opinion is that the current down trend in industrial activity will

continue to midyear. Forty percent of the January survey participants anticipate further slowing over the next six months while 30 percent look for an upturn. Individual forecasts vary considerably but, overall, managers at area plants expect virtually no growth in either new orders or shipments over the next six months. In response to the dim outlook, local manufactur-

Order Backlogs Have Been Shrinking Since Mid-1989



Index represents percentage of respondents saying unfilled orders increased from a month earlier minus percentage saying they decreased from a month earlier.



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ers plan to trim employment further and they intend to scale back capital spending slightly between now and midsummer.

Industrial prices are apparently responding to the slackness in the manufacturing sector. Twenty-two percent of the firms covered by the survey are reducing charges for the products they make versus only 15 percent who are raising prices. For inputs, 30

percent of the January respondents note rising costs while 15 percent indicate that the prices of the goods they buy are down from a month ago. Looking to the future, survey respondents expect output prices to be fairly stable over the next six months although they anticipate some increase in the cost of purchased goods.

In summary, industrial activity in the region starts 1991

still on the downward trend that characterized 1990. Local manufacturers continue to trim employment in the face of ongoing weakness in shipments and orders. They anticipate further softening in the first half of this year, and they plan to stick with a program of trimming personnel and capital expenditures through the period.

BUSINESS OUTLOOK SURVEY
Summary of Returns
January 1991

Indicator	January vs. December				Six Months from Now vs. January			
	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?	47.2	34.6	12.2	-34.9	40.1	24.8	29.8	-10.3
Company Business Indicators								
New Orders	44.3	32.8	22.9	-21.3	32.6	28.5	36.7	4.1
Shipments	30.8	44.8	24.4	-6.5	33.6	28.8	35.8	2.2
Unfilled Orders	37.1	51.9	9.9	-27.1	39.4	37.7	20.2	-19.2
Delivery Time	26.4	65.8	7.7	-18.6	28.0	58.0	14.0	-13.9
Inventories	35.2	43.0	21.8	-13.5	37.1	39.2	23.2	-13.9
Prices Paid	14.2	56.3	29.5	15.3	12.2	49.3	37.5	25.2
Prices Received	22.2	61.0	14.8	-7.5	14.2	61.4	20.9	6.6
Number of Employees	31.6	53.0	13.4	-18.2	34.4	52.3	12.6	-21.8
Average Employee Workweek	35.0	53.6	7.5	-27.5	20.7	61.7	15.0	-5.7
Capital Expenditures	—	—	—	—	24.6	51.3	18.4	-6.1

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.