

Business Outlook Survey

July 1989

Economic Research Department

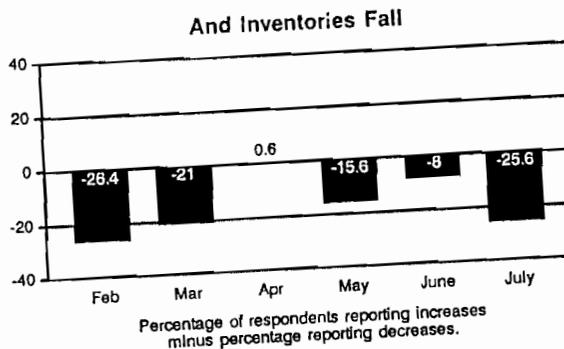
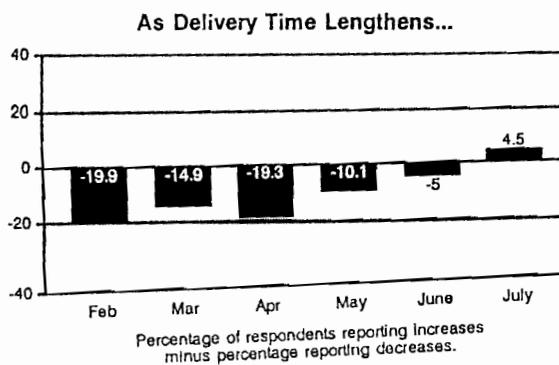
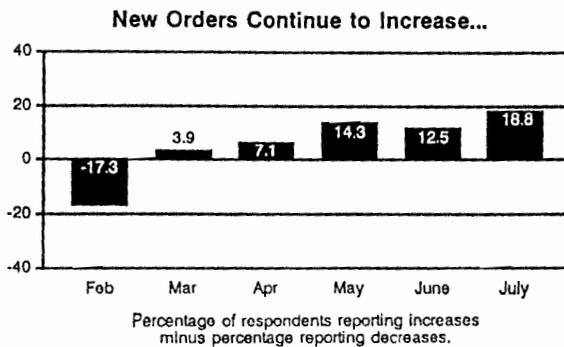
Manufacturing activity in the area continues to pick up, according to the July *Business Outlook Survey*. Survey participants, on average, note an increase in activity for the third month in a row, and most expect conditions to improve further over the next six months.

CURRENT CONDITIONS

July marks the third month in a row in which area manufacturers note an increase in business. Although half currently see no change in conditions, those experiencing a pickup in activity outnumber, by a 3 to 1 margin, those facing a slowdown. As a result, the diffusion index for general activity now stands at its highest level since January 1989.

The individual indicators also suggest that business is on an upward trend. Both new orders and shipments are up compared to last month. And, for the first time in more than two years, slightly more firms than not report increases both in delivery time and in unfilled orders. At the same time, respondents are reporting lower inventory levels. Taken together, these indicators suggest that production may not be keeping pace with demand (see chart).

Improved business conditions are not being accompanied by increases



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in employment, however. Most firms report no change in the length of the workweek, and those reporting increases are just offsetting those reporting decreases. Similarly, most firms also indicate that they are holding the line on payrolls in July, although those reporting reductions exceed those reporting expansions by a 2 to 1 margin.

THE OUTLOOK

Looking ahead, most firms surveyed continue to see business picking up over the next six months. Some 63 percent forecast a pickup in general conditions, while only 7 percent see conditions worsening.

The individual indicators paint a similar picture. More than half of the

firms see new orders and shipments rising, while only a third forecast no change in either. And firms seem to be backing up their forecasts for new orders with plans to increase both labor usage and capital expenditures. Nearly four times as many firms are planning to boost payrolls as are planning cuts, while half are planning to maintain employment at its current level. Capital expenditures are also likely to rise in the coming months: more than one-third of the firms plan to step up spending and only 10 percent anticipate cuts.

PRICES

On the whole, firms report that prices are holding steady in July. Over three-fourths of the firms sur-

veyed report no change in their own product prices or in the prices paid for inputs. Over the next six months, however, firms foresee price increases, particularly in the price of inputs. Over half anticipate paying more for their inputs, while only a handful expect to pay less.

SUMMARY

Area manufacturers report that business is picking up in July, which marks the third month in a row that conditions have improved even as payrolls remain weak. Many plan on increasing employment over the next six months, however, as the forecast for general activity remains optimistic.

BUSINESS OUTLOOK SURVEY Summary of Returns July 1991

Indicator	July vs. June				Six Months from Now vs. July			
	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?	12.0	48.9	36.9	24.9	6.6	24.8	63.4	56.8
Company Business Indicators								
New Orders	14.7	51.9	33.4	18.8	7.3	28.6	63.1	55.7
Shipments	14.1	42.9	38.8	24.7	11.0	31.9	56.0	45.0
Unfilled Orders	14.9	68.1	16.9	2.0	15.0	57.5	27.4	12.4
Delivery Time	10.8	74.0	15.3	4.5	11.6	68.3	18.4	6.8
Inventories	40.5	44.7	14.9	-25.6	26.4	44.2	29.4	3.0
Prices Paid	7.6	78.7	13.3	5.7	7.1	39.0	53.3	46.2
Prices Received	15.2	76.8	8.0	-7.2	11.1	47.1	41.8	30.7
Number of Employees	24.0	65.7	10.0	-14.0	9.1	54.2	34.5	25.4
Average Employee Workweek	14.6	66.4	14.8	0.2	3.8	70.9	20.5	16.6
Capital Expenditures	—	—	—	—	9.7	42.1	35.0	25.3

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.