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3 Outlook

Research Department

February 1986

Manufacturing activity in the region is expanding, according to this month's Business Outlook Survey. Thirty-four percent of the industrial establishments covered by the February survey report improved business, while only 10 percent report slower activity compared to last month. Slightly more than half of the respondents to the survey say activity was unchanged from January.

With respect to particular measures of business activity, this month's survey reveals gains in both new orders and shipments for local manufacturers, but no change in order backlogs. Two-thirds of the industrial companies replying to the February survey say employment is steady; 20 percent report adding workers and 14 percent indicate workforce reductions. This marks the first time since August 1984 that the percentage of firms increasing payrolls has exceeded the percentage cutting back.

Looking ahead, area manufacturers generally have positive views. Forty-six percent of those participating in the latest survey expect business to pick up during the next six months, while only 11 percent anticipate a slowdown. Around half of the survey respondents forecast a higher rate of new orders and shipments, and almost 40 percent have scheduled increased outlays for new plant and equipment. The outlook for employment is not as optimistic, however; despite the slight gain this month, 60 percent of the companies responding to the February survey expect payrolls to remain level over the next six months.



Industrial prices in the region are stable again in February. More than three-fourths of the companies surveyed note steady prices for both inputs and outputs. Looking to the future, 55 percent see the cost of materials and supplies moving up during the next six months, while 37 percent expect no change. One-third plan to raise prices for their own products, while over half intend to hold the line.

In summary, industrial activity in the region is expanding in February. Manufacturers expect continued improvement over the next six months, and they are planning increases in capital spending. Employment, however, is expected to remain relatively steady.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

FEBRUARY 1986

INDICATOR	February vs. January			Six Months from Now vs. February		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	10.0	55.8	34.2	11.3	40.5	46.0
COMPANY BUSINESS INDICATORS						
New Orders	13.7	51.0	35.3	15.1	32.5	52.1
Shipments	17.7	43.4	38.8	13.5	36.7	48.1
Unfilled Orders	21.1	57.4	20.5	18.1	53.8	23.3
Delivery Time	12.1	71.2	15.6	10.4	66.4	18.8
Inventories	37.4	34.5	27.2	33.6	50.8	15.3
Prices Paid	8.4	76.9	14.7	8.1	36.7	55.0
Prices Received	6.9	81.5	11.3	6.6	55.1	34.4
Number of Employees	13.9	65.5	19.9	22.2	59.8	18.1
Average Employee Workweek	10.5	70.6	14.2	6.6	89.4	1.3
Capital Expenditures				13.7	46.5	38.7

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