

B. Turnbull
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Business Outlook

Survey

Research Department

May 1987

The local industrial sector is taking a step forward this month, according to the May Business Outlook Survey. Of the manufacturers covered by the survey, 30 percent report improved business from April, while only 9 percent say their activity has dropped; 61 percent are operating at a steady pace.

Most indicators of industrial activity also reflect improvement this month. New orders and shipments are up, and employment is increasing as well. With 21 percent of the firms polled in May adding workers and only 7 percent cutting back, the employment index shows a net change of +14 percent, the highest positive reading in three years. On the negative side, order backlogs remain weak, dropping marginally for the fourth month in a row.

Despite signs of improvement at the moment, the outlook among manufacturers participating in this month's survey is only marginally optimistic. Although 29 percent forecast further gains during the next six months, over 40 percent expect only steady conditions and 23 percent anticipate slower business. Overall, survey respondents expect some gains in orders and shipments, but they do not foresee continued growth in employment, and they project a further decline in order backlogs as well. However, responses to the May survey indicate that local industrial firms plan to step up capital spending somewhat in the second half of the year.



Prices of industrial goods in the region are mostly stable, although survey respondents note some upward movement in input costs. While three-fourths of the firms contacted in May say charges for the goods they buy are steady, one-fourth are paying more this month than they did in April. Local manufacturers are holding the line on the prices of their own goods. Looking ahead, respondents are projecting higher prices in the second half of 1987. More than half of those polled anticipate higher charges for purchased goods in the next six months, and one-fourth plan increases for their own products.

In summary, industrial activity in the region is accelerating this month and employment is picking up. Looking ahead to the rest of the year, however, local manufacturers expect the pace of business to remain unchanged, but they anticipate higher prices for both inputs and finished products.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

MAY 1987

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?	8.6	60.9	29.8	23.2	42.8	29.4
COMPANY BUSINESS INDICATORS						
New Orders	13.6	50.0	30.6	17.6	43.3	34.5
Shipments	12.3	51.9	28.9	23.3	46.0	30.7
Unfilled Orders	23.2	58.2	17.5	25.7	53.8	17.2
Delivery Time	19.1	69.5	11.1	19.4	72.8	3.1
Inventories	29.2	53.3	17.5	41.0	32.2	26.1
Prices Paid	0.7	72.6	26.1	1.9	37.4	56.1
Prices Received	13.8	72.0	14.2	8.0	66.3	25.6
Number of Employees	7.3	71.4	21.3	18.8	65.4	15.0
Average Employee Workweek	14.1	72.4	11.6	17.6	60.8	21.6
Capital Expenditures				9.5	64.1	26.5

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