

Business Outlook Survey

Research Department

December 1987

Library - 4

B. Turnbull

The manufacturing expansion that got underway in the region last spring is still on track as the year comes to a close. Although there has been some concern for the viability of the industrial pickup in the wake of the stock market drop in October, the December Business Outlook Survey indicates that the area's goods-producing sector is still healthy. One-third of the firms participating in the survey this month report improving business and two-thirds say business is steady; no respondents indicate slower activity.

Overall, local manufacturers report good increases in new orders and shipments. Area firms are also sharing in the growth of manufacturing employment that is being reported nationally. Although three-fourths of this month's survey respondents are maintaining steady payrolls, 16 percent are hiring more workers and only 6 percent are reducing personnel. This is the eighth consecutive month in which surveyed companies boosting employment have outnumbered those cutting back.

Area manufacturers are generally optimistic about the new year. In their forecasts for the first half of 1988, most expect steady or improving business; only 1 out of 10 anticipates a slowdown. On balance, local firms expect modest gains in orders and shipments, and they are planning to step up hiring and capital spending somewhat.



Although a majority of respondents to the survey continue to indicate stability in industrial prices, upward price pressure remains apparent. Overall, a greater portion of respondents has indicated rising prices in the fourth quarter of this year than at any time since 1981. Looking ahead, survey participants expect further increases in prices, as nearly two-thirds of the respondents expect to pay more for the goods they purchase in the next six months, and more than 40 percent plan to raise the prices of the goods they make.

In summary, industrial activity in the region remains on an upward trend in December, accompanied by further employment gains and higher industrial prices. Local manufacturers look for moderate growth to continue through the first half of 1988 and plan to add to payrolls accordingly.

**BUSINESS OUTLOOK SURVEY
SUMMARY OF RETURNS**

DECEMBER 1987

INDICATOR	December vs. November			Six Months from Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	0.0	67.4	32.6	11.5	43.6	42.4
COMPANY BUSINESS INDICATORS						
New Orders	0.0	55.6	44.4	18.8	48.4	31.8
Shipments	0.0	57.4	42.6	11.9	52.3	35.8
Unfilled Orders	8.3	63.7	26.1	19.1	69.5	11.4
Delivery Time	18.9	72.9	8.1	27.4	64.6	7.9
Inventories	31.2	45.2	21.1	23.1	56.3	20.6
Prices Paid	0.0	54.8	44.3	2.2	33.8	63.4
Prices Received	0.0	72.8	26.1	1.2	54.8	43.9
Number of Employees	6.4	75.8	15.6	2.9	83.9	12.2
Average Employee Workweek	1.0	75.6	21.7	13.5	70.0	15.0
Capital Expenditures				11.5	61.0	27.6

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