

# Business Outlook Survey

Research Department

January 1989

Local manufacturers are starting 1989 on a positive note, although they believe business might dip later in the year, according to the January Business Outlook Survey. Among firms participating in the first survey of 1989, 36 percent report business is moving up while only 8 percent say it is slowing; however, looking out six months, 27 percent expect the pace of business to slow while only 18 percent expect further improvement.

Currently, most measures of industrial activity reflect moderate expansion. New orders, shipments, and order backlogs are rising this month, and inventories are edging down. Employment indicators are also positive. On balance, survey participants are increasing working hours this month compared to last and adding marginally to payrolls.

In contrast to today's generally healthy business conditions, local manufacturers predict declining activity by the second half of the year. On balance, firms polled this month foresee the rate of orders holding steady during the first half of the year while shipments rise slightly, leading to a decline in order backlogs as a general slowdown takes hold. Despite this forecast, survey respondents are planning to add workers and boost capital spending between now and summer, indicating, perhaps, that they expect only a short-lived slump.

Industrial prices in the region remain on an upward trend. Sixty-one percent of this month's survey participants say they are paying more for inputs



compared to last month and 38 percent are raising the prices of their own products. Looking ahead to midyear, 73 percent expect further increases in the cost of goods they purchase and 56 percent plan to charge more for the products they make.

In summary, the region's manufacturing sector is entering 1989 on an upward trend, although managers at area firms see a slowdown ahead. But, despite their discouraging forecast for overall business activity, survey respondents plan to continue hiring and to step up capital spending in the first half of the year.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS

JANUARY 1989

INDICATOR	January vs. December			Six Months from Now vs. January		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	8.0	53.8	36.2	27.0	54.2	18.4
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	15.4	48.5	36.1	26.2	44.6	28.2
Shipments	13.9	49.4	36.8	25.0	39.0	36.0
Unfilled Orders	16.6	56.7	26.7	26.1	62.3	11.6
Delivery Time	14.9	73.5	11.7	24.5	71.1	4.4
Inventories	34.4	36.5	29.1	32.5	42.7	24.7
Prices Paid	0.5	38.5	61.0	3.2	22.7	73.2
Prices Received	5.0	56.5	37.7	6.1	34.8	56.1
Number of Employees	12.6	65.6	21.6	18.2	54.0	27.8
Average Employee Workweek	2.4	78.1	18.7	19.1	71.6	9.2
Capital Expenditures				11.0	38.3	50.3

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