

Business Outlook

Survey

Research Department

February 1989

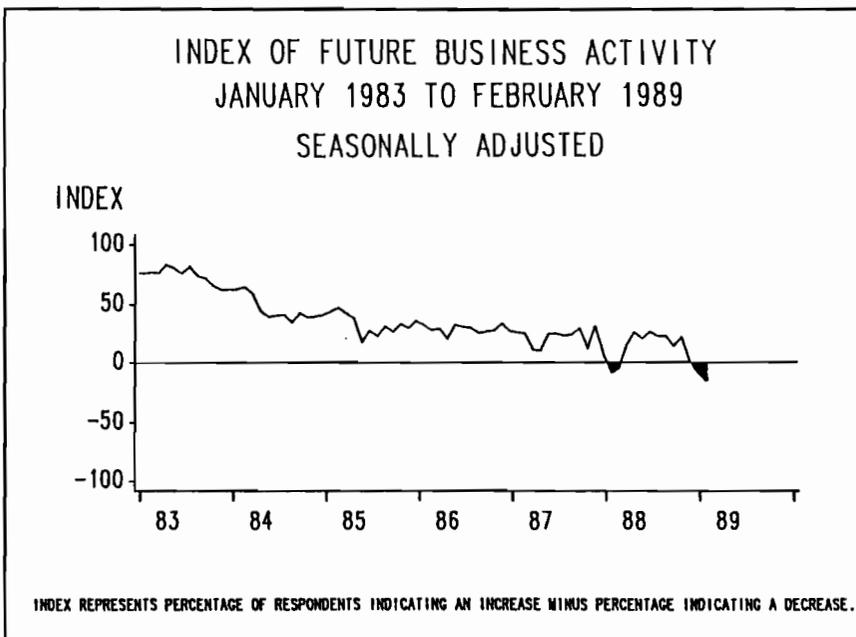
The region's manufacturers are posting modest gains this month, according to the February *Business Outlook Survey*. Thirty percent of the survey respondents report improvement from last month while only 14 percent note slower business. Specific measures of industrial activity indicate continuing progress, but with some slackening in the pace of advance. Order backlogs are slipping marginally as rising shipments this month outstrip a pickup in new orders. Also indicating some easing in the growth of industrial demand is the quicker delivery on orders noted by local firms this month compared to last. Employment measures, however, show little change. Although adding marginally to payrolls, survey participants are holding working hours constant.

Looking ahead, local manufacturers still see the pace of business slipping by summer. As in last month's survey, more

respondents forecast a downturn than an improvement (see chart). On balance, firms polled for the February survey expect to step up shipments slightly over the next six months as they fill back orders, but they anticipate slower operations overall as the rate of new orders falls. And, with the possibility of slower business on the horizon, local firms are trimming employment plans. After adding workers for more

than a year, survey respondents now plan to hold the line on payrolls and to schedule reduced working hours sometime during the next six months. Capital spending plans still call for greater expenditures, on balance, but the percentage of respondents stepping up outlays has slipped from the level of the past few months.

The upward trend in industrial prices in the region remains intact despite manufac-



turers' reports of slower growth. Fifty-five percent of the February survey participants note higher input costs compared to last month, and 40 percent are raising the prices of their own products. Looking forward six months, 68 percent

expect the prices of the goods they purchase to continue to increase, and 44 percent intend to charge more for the products they make.

In summary, industrial activity in the region is moving up marginally in February, but

local manufacturers remain somewhat pessimistic in their six-month forecasts. In line with this outlook, survey respondents are growing cautious about hiring and appear to be scaling back planned increases in capital spending.

BUSINESS OUTLOOK SURVEY
Summary of Returns
February 1989

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?	14.1	51.5	29.5	37.3	36.4	22.3
Company Business Indicators						
New Orders	22.7	39.2	38.1	37.8	30.8	29.6
Shipments	11.9	51.4	36.3	31.2	29.5	38.4
Unfilled Orders	28.0	49.7	22.2	31.5	46.4	22.1
Delivery Time	19.8	69.7	10.5	33.4	59.6	7.0
Inventories	34.5	44.5	17.0	36.8	35.4	23.6
Prices Paid	0.0	44.9	55.1	3.0	27.3	68.3
Prices Received	1.1	59.2	39.8	7.4	46.6	44.2
Number of Employees	10.4	66.2	21.2	24.8	53.8	21.4
Average Employee Workweek	17.1	67.3	15.6	30.6	59.3	10.2
Capital Expenditures	--	--	--	17.9	42.1	34.2

Notes: (1) Items may not add up to 100 percent because of omission by respondents.

(2) All data seasonally adjusted.