

# Business Outlook Survey

Research Department

April 1989

Activity in the region's industrial sector is easing to a steady pace, according to the April *Business Outlook Survey*. Just over half of the firms participating in the latest survey report that business is unchanged from last month, and the number noting improvement barely exceeds the number indicating that their business is slowing from March. These results imply that the region is tracking the nation, for which recent reports suggest some slackening of growth in the goods-producing industries.

For our region, specific measures of industrial activity are mixed, with some registering slight improvement this month while others are flat. New orders are rising modestly while shipments are being stepped up just fractionally and order backlogs are holding level. Area firms are permitting inventories to run down

for the fourth month in a row, perhaps as a result of cautious production planning in response to signs of slower growth. Despite these signs, employment is holding up as area firms are adding marginally to payrolls this month. However, they are holding the line on average weekly working hours.

Looking ahead, local manufacturers see virtually steady conditions over the next six months. Thirty-two percent of those polled in April expect improvement while nearly as many—27 percent—anticipate slower business between now and October. On balance, survey respondents foresee modest growth in new orders and shipments but they expect order backlogs just to remain steady. Without a strong forecast for orders, survey respondents plan to work inventories down further from current levels. On the

employment front, industrial firms in the region plan to maintain steady payrolls, but survey responses indicate that some reduction in the workweek may be made during the spring and summer. Despite the generally lackluster outlook, local firms continue to plan increases in spending for plant and equipment, on balance, over the next six months.

Industrial prices in the region continue to rise, according to survey participants. Nearly half of the April respondents say input costs are rising compared to last month and one-fourth are raising the prices of the products they make. The increase does not appear to be accelerating, however, as reports of higher prices are not quite as common this month as they were in surveys taken over the winter. Nevertheless, firms polled in April generally expect continued upward price pressure.



Nearly three-fourths predict further increases in the costs of the goods they purchase and almost one-half intend to raise the prices of their own products.

In summary, as the region's manufacturers assess the

overall business situation in April, they see a pause in growth that may extend through the summer. Although orders and shipments continue to advance in April, gains are not as widespread as they were last month, and survey respon-

dents expect only slight improvement over the next six months. Nevertheless, a degree of optimism is evident in local firms' plans to maintain employment and boost capital outlays.

**BUSINESS OUTLOOK SURVEY**  
**Summary of Returns**  
**April 1989**

Indicator	April vs. March			Six Months from Now vs. April		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>General Business Conditions</b>						
What is your evaluation of the level of general business activity?	17.3	56.9	21.9	26.5	41.5	31.9
<b>Company Business Indicators</b>						
New Orders	10.6	57.2	32.2	22.3	38.1	39.6
Shipments	17.7	52.0	30.3	20.1	39.8	40.2
Unfilled Orders	22.0	53.1	24.9	26.3	48.3	23.4
Delivery Time	13.8	75.6	8.3	32.4	61.9	5.5
Inventories	30.5	52.7	14.7	38.4	39.0	22.0
Prices Paid	3.9	47.4	48.7	7.5	20.5	71.5
Prices Received	0.4	72.8	25.5	5.2	47.0	47.5
Number of Employees	10.7	68.9	20.3	20.3	62.4	17.3
Average Employee Workweek	7.9	81.4	9.7	27.7	62.6	8.4
Capital Expenditures	--	--	--	8.4	44.0	41.7

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

(2) All data seasonally adjusted.