

Business Outlook Survey

Research Department

January 1990

Manufacturing activity in the Third District is falling off marginally, according to the January *Business Outlook Survey*. After a respite in December from a five-month decline, area manufacturers are experiencing some further weakness this month. In nearly all of the industries covered by the January survey, firms reporting slower business edge out those experiencing some improvement. Overall, 31 percent of the companies polled this month indicate business is slowing, while 21 percent note improvement; 44 percent say business is running at a steady pace.

Specific measures of business conditions generally reflect slowing activity this month. Area manufacturers indicate that new orders are rising

slightly as the new year begins, but the order rate is lagging behind shipments, leading to a drop in order backlogs. Local firms have been reporting shrinking order books since mid-1989. Lagging demand for manufactured goods is also indicated by shorter delivery times. As area firms adjust production to the slow growth in orders, they are generally allowing inventories to decline; and, while most are holding employment steady, some are trimming payrolls.

Looking ahead, area manufacturers have mixed views, although slightly more firms expect improvement than anticipate further slowing in the first half of the year. On balance, managers at area plants expect marginal gains in new orders. They expect to step

up shipments at least as much, however, which will prevent order backlogs from growing. Plant managers also anticipate some further trimming of employment and hours. On balance, plans at area plants call for just a steady rate of capital spending through the first half of the year.

The slackness in the manufacturing sector appears to be bringing some stability to industrial prices; two-thirds of

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the firms surveyed report no change since last month in input costs, and three-fourths say they are holding prices constant for their own products. While expectations of further price increases persist overall, the percentage of survey respondents who an-

ticipate steady prices, for both inputs and outputs, has been growing. Around half now foresee a levelling off for at least the first half of the year.

In summary, the region's manufacturing sector appears to be returning to a slowing trend in January, and the lack-

luster order picture suggests only a modest rebound ahead. Fortunately, survey participants are reporting only marginal cuts in employment.

BUSINESS OUTLOOK SURVEY
Summary of Returns
January 1990

Indicator	January vs. December			Six Months from Now vs. January		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	31.0	44.3	20.5	29.2	34.0	36.3
Company Business Indicators						
New Orders	26.2	42.6	31.3	29.4	26.6	39.3
Shipments	15.7	47.8	36.4	34.0	20.4	44.5
Unfilled Orders	32.9	57.1	10.0	32.2	47.2	17.5
Delivery Time	21.8	71.1	7.2	25.1	63.4	6.3
Inventories	32.4	52.9	14.7	38.7	34.2	22.9
Prices Paid	4.5	67.5	28.1	9.3	46.1	43.4
Prices Received	11.7	74.7	12.8	8.3	57.4	31.9
Number of Employees	16.7	73.7	9.3	27.1	50.4	20.6
Average Employee Workweek	14.5	69.9	13.2	28.5	59.6	7.3
Capital Expenditures	--	--	--	25.1	38.5	26.3

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

(2) All data seasonally adjusted.