
Economic Research Department

Industrial activity in the region continues to decline, but the severity of the downturn appears to be diminishing a bit, according to manufacturers polled for the November *Business Outlook Survey*. Forty-four percent of the firms responding report that business is slipping from last month, while 14 percent indicate a pickup in activity.

Particular indicators of manufacturing activity reflect the continuing slowdown, but they suggest some moderation in the rate of decline. New orders, shipments, and order backlogs continue to shrink at area plants overall, but more respondents report gains this month than in October. Twenty-four percent of the November respondents say they are stepping up shipments compared to just 4 percent last month, and 22 percent of the November respondents are posting increases in orders

compared to 13 percent last month. Order backlogs are up at 18 percent of the firms polled for this survey, twice the percentage that noted gains in October. Employment measures for the area's manufacturing sector this month are falling at about the same rate as last month. While half of the survey respondents are maintaining steady payrolls and working hours, more than one-third are trimming work forces and cutting hours.

Looking ahead, area manufacturers are raising their sights after two months of pessimistic forecasts. Thirty-eight percent of the November survey respondents forecast an upturn in business over the next six months, while 26 percent expect continued weakening. On balance, survey respondents predict modest increases in orders and shipments. However, with only a slight improvement in business on the

horizon, they plan further reductions in employment.

Area manufacturers continue to turn in mixed reports on industrial prices. While nearly half of the November survey respondents say their input costs are moving up this month from last, two-thirds say they are maintaining steady prices for the products they make. For the future, two-thirds anticipate rising prices over the next six months for the goods they purchase; and while nearly half say they will hold the line on prices for their own products, more than one-third plan increases.

In summary, although business is picking up at more industrial firms in the area this month than last month, overall manufacturing activity in the region remains on a downward trend. Local firms continue to pare back employment and they anticipate further cuts over the next six months.



FEDERAL
RESERVE BANK OF
PHILADELPHIA

Ten Independence Mall, Philadelphia, PA 19106-1574, (215) 574-6448

However, in contrast to the past two months, the November survey reveals a glimmer of optimism, as the percentage of respondents forecasting improvement between now and next spring edges out the percentage anticipating continued slowing.

BUSINESS OUTLOOK SURVEY
Summary of Returns
November 1990

Indicator	November vs. October				Six Months from Now vs. November			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
General Business Conditions								
What is your evaluation of the level of general business activity?	44.2	40.1	14.2	-29.9	26.2	35.5	37.6	11.4
Company Business Indicators								
New Orders	41.9	35.9	21.7	-20.3	24.7	40.7	34.6	10.0
Shipments	32.7	42.8	24.4	-8.3	27.8	33.3	38.8	11.0
Unfilled Orders	42.9	38.7	18.3	-24.5	34.9	42.9	21.7	-13.2
Delivery Time	27.2	64.9	5.8	-21.5	28.1	63.9	8.0	-20.1
Inventories	42.0	36.1	21.9	-20.1	43.2	45.4	11.4	-31.8
Prices Paid	2.7	47.7	46.5	43.9	3.1	31.0	65.6	62.5
Prices Received	12.1	68.6	17.3	5.2	12.8	47.5	38.4	25.6
Number of Employees	34.4	58.0	7.2	-27.2	35.5	47.1	12.5	-22.9
Average Employee Workweek	37.5	50.7	9.4	-28.1	24.4	54.8	18.2	-6.3
Capital Expenditures	—	—	—	—	28.2	39.3	25.6	-2.6

- Notes: (1) Items may not add up to 100 percent because of omission by respondents.
(2) All data seasonally adjusted.
(3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease.