

# is Outlook

## Research Department

January 1986

Industrial activity in the region is expanding as the new year begins, according to this month's Business Outlook Survey. Thirty-seven percent of the manufacturers replying to the January survey say they have stepped up operations, while only 11 percent say their business is off from last month. Half of the survey respondents report no change in overall activity at their plants since December.

With respect to specific business indicators, area manufacturers report gains in new orders and shipments, but note that order backlogs are holding steady. Employment is also at a standstill; nearly two-thirds of the January survey respondents say payrolls are stable this month, and more than three-fourths are holding the line on working hours.

In their outlook for the next six months, area manufacturers are generally optimistic. Fifty-three percent of those surveyed this month expect business to improve during the first half of 1986, while only 13 percent believe a slowdown is on the horizon. Around half of this month's survey respondents anticipate rising orders and shipments, and one-third plan to increase expenditures for new plant and equipment. The prospects for factory employment are not as bright, however; responses to this month's survey indicate that payrolls may be trimmed during the next few months.

Prices of most industrial goods in the region are stable this month. Although 20 percent of the companies surveyed in January note increases in the costs of materials



and other items purchased for their plants, three-fourths say both their input costs and output prices are unchanged. Looking ahead, 61 percent of the survey respondents expect input costs to rise during the next six months, while 34 percent expect no change. Forty-four percent plan to charge more for the products they make, while an equal number will maintain current prices.

In summary, industrial activity in the region is improving in January. Local manufacturers foresee continued gains during the first half of the year, and they are scheduling increases in capital spending. Employment is not expected to share in this pickup, however, as survey respondents anticipate some cutbacks in their workforces over the next six months.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS

JANUARY 1986

| INDICATOR  | January<br>vs.<br>December |              |          | Six Months from Now<br>vs.<br>January |              |          |
|--|----------------------------|--------------|----------|---------------------------------------|--------------|----------|
|  | Decrease                   | No<br>Change | Increase | Decrease                              | No<br>Change | Increase |
| <b>GENERAL BUSINESS CONDITIONS</b>                                 |                            |              |          |                                       |              |          |
| What is your evaluation of the level of general business activity? | 10.5                       | 51.3         | 37.1     | 12.9                                  | 26.0         | 52.6     |
| <b>COMPANY BUSINESS INDICATORS</b>                                 |                            |              |          |                                       |              |          |
| New Orders   | 12.7                       | 42.2         | 43.8     | 10.4                                  | 30.9         | 55.1     |
| Shipments  | 18.8                       | 40.5         | 38.3     | 10.5                                  | 33.0         | 51.7     |
| Unfilled Orders  | 25.2                       | 46.6         | 25.9     | 9.4                                   | 55.8         | 34.0     |
| Delivery Time  | 15.8                       | 69.3         | 13.5     | 7.1                                   | 73.9         | 17.2     |
| Inventories  | 31.8                       | 47.3         | 17.7     | 31.2                                  | 37.9         | 25.8     |
| Prices Paid  | 7.4                        | 72.0         | 20.5     | 3.5                                   | 33.7         | 61.2     |
| Prices Received  | 12.7                       | 76.6         | 10.8     | 10.9                                  | 44.3         | 43.7     |
| Number of Employees  | 18.6                       | 63.2         | 17.3     | 26.3                                  | 55.0         | 16.8     |
| Average Employee Workweek  | 6.8                        | 77.5         | 14.3     | 7.8                                   | 73.4         | 16.4     |
| Capital Expenditures   |                            |              |          | 5.7                                   | 51.7         | 34.0     |

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