

Business Outlook Survey

Research Department

October 1989

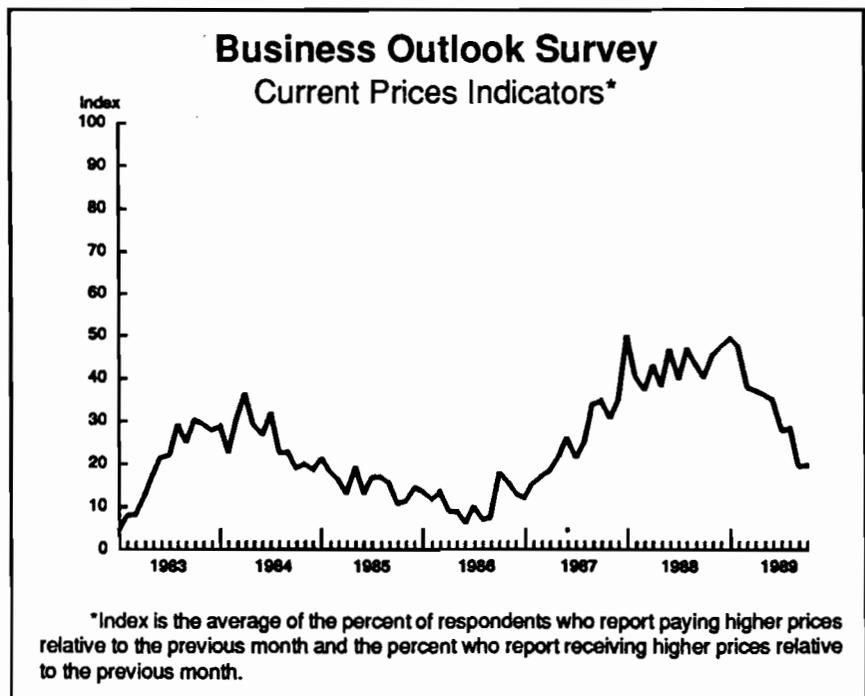
Area manufacturers are reporting another month of declining business—the fourth in a row—according to the October *Business Outlook Survey*. Among firms participating in this month's survey, 28 percent say business is dropping from September while only 18 percent say it is improving.

Overall, area firms are shipping their products at a steady rate; however, new orders are falling slightly, leading to a drop in order backlogs. About two-thirds of the firms polled this month are holding employment steady. On balance, however, survey respondents are cutting both payrolls and working hours as the region's manufacturing sector enters a second quarter of slowing activity. Respondents also report shorter delivery times again this month, con-

tinuing a trend that began in January and indicating slackening demand for industrial goods.

Looking ahead, managers at plants in the region say the current business downturn could end within the next six

months. Nearly 40 percent of those responding this month say business should stabilize over the winter, and the rest are about evenly divided between those expecting activity to turn up and those anticipating further deterioration. On



balance, survey participants foresee a level rate of new orders and marginal gains in shipments, although they expect continued declines in order backlogs over the next six months. With current backlogs being worked down and no surge in new orders on the horizon, area firms plan further cuts both in employment and in working hours. The lackluster outlook apparently is prompting local firms to pare back capital spending plans, as well. For the first time since December 1979, survey responses indicate that outlays for plant and equipment will

not be increased in the upcoming six-month period.

Industrial prices in the region are moving up but at a slackening pace, according to local manufacturers. While increases are still noted, three-fourths of the October survey respondents report no changes from last month in the prices of either the goods they purchase or the products they make. Overall, this month's survey indicates that price pressures continue to moderate, as they have since January (see chart). Expectations of future price increases, while common among respondents, are also

receding. Nearly three-fourths intend to hold the line on the prices of their own products and just half anticipate further hikes in input costs.

In summary, the region's manufacturing sector is entering the last quarter of the year on a downward trend as it posts a fourth consecutive month of slower activity; however, managers at local plants forecast a leveling off over the winter. Nevertheless, employment is being trimmed at area firms this month, and more cutbacks are planned over the next two quarters.

BUSINESS OUTLOOK SURVEY
Summary of Returns
 October 1989

| Indicator | October vs. September | | | Six Months from Now vs. October | | |
|--|-----------------------------|-----------|----------|---------------------------------------|-----------|----------|
| | Decrease | No Change | Increase | Decrease | No Change | Increase |
| General Business Conditions | | | | | | |
| What is your evaluation of the level of general business activity? | 28.1 | 54.0 | 17.9 | 29.8 | 39.3 | 28.5 |
| Company Business Indicators | | | | | | |
| New Orders | 27.9 | 49.6 | 22.5 | 30.3 | 35.0 | 34.7 |
| Shipments | 19.7 | 61.2 | 18.6 | 28.9 | 36.4 | 34.7 |
| Unfilled Orders | 36.5 | 45.6 | 14.3 | 28.3 | 55.4 | 13.4 |
| Delivery Time | 20.0 | 66.9 | 13.2 | 18.2 | 74.8 | 7.0 |
| Inventories | 30.5 | 44.2 | 25.3 | 38.7 | 42.5 | 16.6 |
| Prices Paid | 2.0 | 75.2 | 22.8 | 5.2 | 44.4 | 50.3 |
| Prices Received | 7.6 | 73.6 | 16.6 | 9.4 | 72.6 | 18.0 |
| Number of Employees | 22.7 | 67.8 | 7.3 | 28.4 | 55.9 | 12.6 |
| Average Employee Workweek | 24.8 | 65.7 | 9.5 | 22.6 | 64.0 | 10.7 |
| Capital Expenditures | -- | -- | -- | 24.5 | 47.1 | 21.7 |

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

(2) All data seasonally adjusted.