

s Outlook

Survey

Research Department

February 1990

Manufacturing activity in the region continues to decline this month, and indications from the February *Business Outlook Survey* are that the downturn is steepening. Forty-three percent of the firms responding to the survey report slower business this month compared to last, while only 17 percent note improvement. At -26, the current difference between positive and negative responses is more than twice that recorded last month (-10).

Most measures of industrial activity indicate a slower pace of business this month. While shipments are edging up slightly, the rate of gain has slipped from the pace set in the past three months, and new orders, which had held up through the fall, are now declining. Delivery times reported by survey participants also continue to grow shorter, reflecting the softening order situation. Despite the drop in

orders, firms polled for the February survey generally report they are working down inventories. And, although the overall picture is dimming, employment measures show little change; while area firms are trimming hours somewhat, overall, payrolls are being held steady.

Current conditions may be coloring survey participants' views of the future, as pessimistic opinions slightly outnumber positive forecasts this month, in contrast to the glimmer of optimism in the January survey. Thirty-seven percent of the firms participating in the February survey expect the downward trend to continue over the next six months, while 31 percent anticipate a rebound. On balance, survey respondents expect both new orders and shipments to run at steady rates. The slower pace of business observed since the beginning of the new year

apparently is affecting production plans, however, as local firms indicate they will pare back employment and working hours over the next six months. Survey respondents also plan to trim spending on plant and equipment, on the whole. This marks the first time since March 1975 that significantly more firms expect to cut back capital outlays than plan to boost such spending.

Industrial prices in the region show some signs of stabilizing. While 29 percent of the firms polled in February note increases from last month for input prices, 61 percent say prices are steady, and the number seeing prices drop is growing. Three-fourths of the survey participants are holding the line on prices for their own products. For the future, while some further increases in input costs are anticipated, most survey respondents expect stable or declining



prices both for the goods they make and for the products they purchase.

In summary, the region's manufacturing sector continues on a downward path in

February, with the orders picture even dimmer than in the past few months. Negative opinions about the future edge out positive views among respondents, and the current

downturn appears to be prompting plans to trim employment and capital spending at area plants over the next six months.

BUSINESS OUTLOOK SURVEY
Summary of Returns
February 1990

Indicator	February vs. January			Six Months from Now vs. February		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	43.1	37.3	16.6	37.4	31.2	31.4
Company Business Indicators						
New Orders	39.1	34.4	26.5	35.0	31.4	32.8
Shipments	26.7	38.1	34.9	34.0	26.5	34.6
Unfilled Orders	38.3	56.5	5.3	37.0	41.8	21.2
Delivery Time	24.8	70.2	4.9	32.5	58.0	9.5
Inventories	37.9	39.3	19.1	36.8	38.5	20.6
Prices Paid	9.3	61.1	29.0	20.4	38.9	38.9
Prices Received	11.4	74.0	14.6	20.0	56.6	22.9
Number of Employees	14.0	67.8	16.7	30.7	48.2	21.1
Average Employee Workweek	21.5	71.4	7.1	31.4	51.1	17.5
Capital Expenditures	--	--	--	30.5	48.2	18.8

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

(2) All data seasonally adjusted.