
Economic Research Department

Manufacturing activity in the region continues to weaken, according to the August *Business Outlook Survey*. While half of the firms participating in the survey indicate that their business remains steady, nearly one-third report a slowdown from last month.

Nearly all specific measures of manufacturing activity are signalling further softening this month. While shipments are nearly steady at area plants, on balance, the order situation is deteriorating—new orders are falling for more than one-third of the establishments covered by the survey and order backlogs are dropping commensurately. With the easing in orders, delivery times continue to narrow. As business conditions continue to weaken in the manufacturing sector, area firms are making further cuts in employment.

Nearly one-quarter of the companies participating in the survey are reducing working hours and a similar percentage are trimming payrolls. On balance, survey participants have been scaling back employment since March.

Looking ahead, survey participants have mixed views on the course of business, but, on balance, they think current conditions will be maintained over the next six months. Overall, they forecast only marginal gains in new orders and shipments, but they anticipate further reductions in order backlogs. Planning for stable conditions, at best, area firms are slating reductions in employment and only a slight increase in capital spending, overall, during the next six months.

Industrial prices in the region remain nearly level. Sixty percent of the firms polled

for the August survey say input costs are unchanged from last month, and 70 percent are holding the line on prices for their own products. Looking ahead, however, survey participants expect rising prices in the next six months for both the goods they purchase as well as for the products they make.

In summary, the region's manufacturing sector continues to face weakening conditions in August as area firms report a falloff in orders. While the balance of opinion among surveyed firms is that business will run at an even pace into next winter, survey participants do not expect a rebound in orders. In line with this forecast, they plan only limited increases in capital spending and they intend to continue trimming employment.



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BUSINESS OUTLOOK SURVEY
Summary of Returns
August 1990

Indicator	August vs. July				Six Months from Now vs. August			
	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?	32.4	53.1	14.4	-18.0	31.7	37.3	31.0	-0.8
Company Business Indicators								
New Orders	36.8	47.3	15.5	-21.3	26.6	39.5	31.9	5.3
Shipments	22.3	59.6	18.1	-4.3	25.9	38.0	34.1	8.2
Unfilled Orders	36.4	59.8	2.1	-34.4	31.9	47.5	18.4	-13.5
Delivery Time	21.9	67.4	6.6	-15.4	23.3	63.6	7.7	-15.7
Inventories	32.5	36.1	27.7	-4.7	42.2	42.7	13.7	-28.5
Prices Paid	10.4	60.7	27.0	16.6	11.6	38.7	49.2	37.6
Prices Received	12.6	70.5	16.9	4.4	14.8	51.9	32.2	17.4
Number of Employees	26.6	65.7	7.7	-19.0	28.7	49.4	20.4	-8.3
Average Employee Workweek	21.4	74.8	3.8	-17.6	18.6	69.1	11.6	-6.9
Capital Expenditures	—	—	—	—	22.3	37.1	28.2	5.9

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.