

Business Outlook

Survey

Research Department

May 1989

Local manufacturers are seeing business hold steady for the second month in a row, according to the May *Business Outlook Survey*. Over two-thirds of the firms polled this month say overall business activity is running just even with April's pace; the rest are evenly divided between those indicating some improvement and those noting some slackening since last month. This month's report, which comes on the heels of similar results in April, marks only the third multi-month pause in the advance of local manufacturing activity since the 1981-82 recession. Others occurred in April-June 1986 and November-December 1984.

Within the overall context of stable conditions, local firms do report some positive momentum. On balance, new orders are rising this month

and edging ahead of shipments, which are also moving up, giving a slight boost to order backlogs. Nevertheless, area manufacturers do appear to be concerned about the current pause in growth, and they are holding level both the number of employees and working hours this month. The interruption of the expansion apparently has not caught local firms completely unaware, however, as inventories remain in check.

Looking ahead, survey respondents expect business to continue at an even pace over the next six months. On balance, they anticipate virtually no change in the new order rate, and they expect to work down order backlogs marginally with a modest step-up in shipments through the summer and fall. Caution characterizes local firms' planning,

as their responses to the May survey indicate that they will hold the line on employment and make some reductions in working hours over the next six months. Capital spending plans remain in the plus column on balance, but compared to last month fewer firms intend to hike outlays and more expect to cut back between now and November.

On the price front, reports of increases are about as common this month as last month. Forty-five percent of the May survey respondents indicate they are paying more for inputs now than in April and 27 percent are charging more for their own products. Looking ahead, 74 percent expect further increases in the costs of the goods they buy over the next six months and 47 percent plan to raise prices for the products they make.



In summary, local manufacturers report a second month of only steady business in May and, in light of these

conditions, they are holding the line on employment and inventories. Area firms do not foresee a pickup on the near

horizon, and they intend to trim production hours over the summer and possibly into the fall.

BUSINESS OUTLOOK SURVEY
Summary of Returns
May 1989

Indicator	May vs. April			Six Months from Now vs. May		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	14.4	70.2	12.5	30.3	37.9	27.5
Company Business Indicators						
New Orders	14.2	47.9	36.9	33.6	27.4	38.9
Shipments	11.9	53.9	30.4	26.8	29.3	42.7
Unfilled Orders	7.9	68.8	21.1	31.1	47.3	20.8
Delivery Time	13.6	78.2	7.8	26.3	63.4	7.9
Inventories	30.1	40.1	29.7	34.5	44.1	21.5
Prices Paid	4.8	50.1	45.1	7.3	18.7	74.0
Prices Received	1.7	71.1	27.2	6.6	46.6	46.8
Number of Employees	15.4	73.0	10.7	20.7	52.6	24.3
Average Employee Workweek	11.2	72.8	13.9	25.0	63.8	11.2
Capital Expenditures	--	--	--	13.3	51.9	32.9

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

(2) All data seasonally adjusted.