

# Business Outlook Survey

Research Department

July 1989

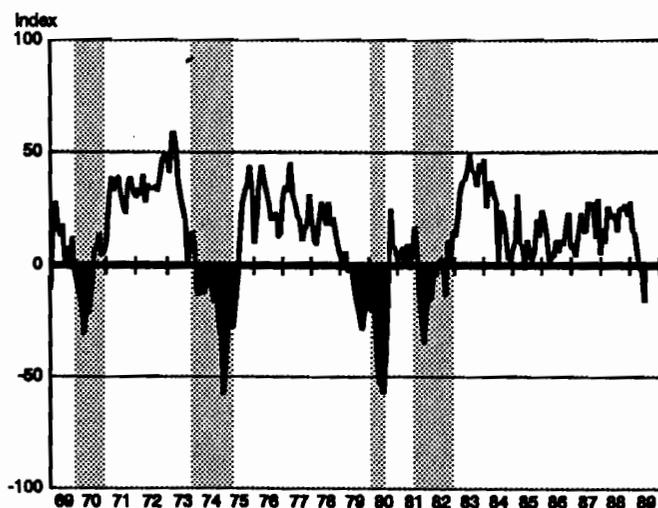
Manufacturing activity in the region is slipping this month, according to the July *Business Outlook Survey*. Respondents in nearly all the goods-producing industries covered by the survey are experiencing declines. Thirty percent of the firms polled for the latest survey report a drop in business relative to June, while only 14 percent note improvement. These results yield a "net change" of -16, the most negative reading from the survey since January 1982 (see chart).

Specific measures of industrial activity generally reflect a slowdown this month. On balance, area firms are receiving fewer orders for their products in July than they did in June, and order backlogs are declining significantly as local companies step up shipments. Also, survey respondents say delivery times for

orders are quicker this month than last, another sign of slackening demand for manufactured goods. Employment indicators are mixed: area firms are adding marginally to payrolls this month, but they are trimming the workweek.

Looking to the future, the balance of opinion among survey participants is that business will stabilize at about its current pace. For the next six months, 41 percent anticipate steady conditions and the remainder are about equally

**Index of Current Business Activity\***  
January 1969 to July 1989 - Seasonally Adjusted



\*Index represents percentage of respondents indicating an increase minus percentage indicating a decrease.

divided between those expecting further slowing and those forecasting a pickup. Firms polled in July expect new orders to run at a steady rate into the beginning of next year, but they anticipate further declines in order backlogs. Despite signs of slower business, area firms intend to maintain current employment levels and working hours, and they plan to boost capital spending, on balance, over the next six months.

On the price front, survey

participants continue to report more increases than decreases; however, the percentage of respondents noting higher prices--for either inputs or outputs--has dropped this month to the lowest level in two years. Nevertheless, area firms generally see the current easing in the extent of price increases as temporary, and they expect the cost of the goods they purchase to rise over the next six months. They intend to charge more for their own products, as well.

In summary, manufacturing activity in the region is slackening in July. Local manufacturers do not anticipate further slowing, but they look for only steady business through the rest of the year. Although survey respondents note less widespread price increases this month compared to last, they expect the rising cost-and-price trend observed in recent months to persist through the end of the year at least.

**BUSINESS OUTLOOK SURVEY**  
**Summary of Returns**  
**July 1989**

Indicator	July vs. June			Six Months from Now vs. July		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>General Business Conditions</b>						
What is your evaluation of the level of general business activity?	29.3	53.6	13.5	27.7	40.6	26.4
<b>Company Business Indicators</b>						
New Orders	34.8	40.0	25.3	30.2	36.5	33.1
Shipments	18.5	44.2	35.6	26.7	39.5	33.8
Unfilled Orders	37.9	53.1	8.7	32.3	52.3	14.8
Delivery Time	21.9	68.0	9.4	31.1	61.6	7.3
Inventories	25.2	49.6	25.2	38.3	35.6	26.1
Prices Paid	7.9	51.1	40.9	5.9	30.7	60.7
Prices Received	4.6	79.3	15.1	3.9	59.9	36.3
Number of Employees	9.6	73.4	17.0	22.4	52.9	24.4
Average Employee Workweek	19.3	69.8	10.5	17.8	69.1	12.6
Capital Expenditures	--	--	--	15.4	36.6	40.4

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

(2) All data seasonally adjusted.