

# Business Outlook

## Survey

Research Department

August 1989

Manufacturing activity in the region is edging down again this month, according to the August *Business Outlook Survey*. Thirty-one percent of the companies polled for the most recent survey say business is slipping compared to a month ago, while 22 percent note improvement and 47 percent say they are operating at a steady pace.

Most measures of industrial activity show some slippage this month. On balance, shipments have eased to an even pace while new orders are declining, triggering a drop in order backlogs. Manufacturers appear to be trimming inventories in response to softening orders as 39 percent of the firms polled this month are reducing stocks. Another indication of slacken-

ing demand in the industrial sector is the shorter delivery times being reported by survey participants. Employment is also showing some signs of weakening this month as local firms continue to reduce working hours; however, payrolls at area plants are holding steady, on balance.

Looking ahead, area manufacturers expect business to level off at about its current pace. Over the next six months, 43 percent of the firms surveyed in August expect steady conditions, 31 percent anticipate further weakening, and 27 percent look for an upturn. On balance, survey respondents forecast a steady rate of new orders and shipments, but they expect a further decline in order backlogs. The outlook for

employment is dimming. Responses to the August survey suggest that area firms will be cutting both payrolls and working hours over the next six months.

Industrial prices in the region continue to rise, but at the slower pace noted by survey participants in recent months. Consistent with this trend, area manufacturers' inflation expectations are receding. While the overall view in the August survey is for higher input and output prices in the next six months, the percentage of respondents expecting price increases--for either raw materials or finished goods--exceeds the percentage anticipating declining prices by the smallest margin in over three years.

In summary, area manu-



facturers in August report slower business for the second month in a row. Although they generally expect business to level off near its current pace,

area firms may cut back employment over the next six months. On a positive note, the rate at which prices are increasing appears to have

peaked and survey respondents do not foresee it accelerating.

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

Indicator	August vs. July			Six Months from Now vs. August		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>General Business Conditions</b>						
What is your evaluation of the level of general business activity?	31.2	46.7	22.0	30.5	42.8	26.7
<b>Company Business Indicators</b>						
New Orders	35.4	35.8	27.9	31.2	35.8	30.9
Shipments	26.7	44.9	28.4	28.4	41.7	30.0
Unfilled Orders	32.3	55.3	12.3	30.3	60.8	8.9
Delivery Time	18.8	71.1	7.1	28.2	65.0	6.8
Inventories	39.2	34.7	21.7	40.6	30.1	24.8
Prices Paid	5.0	56.6	38.4	7.6	45.4	47.0
Prices Received	5.2	76.5	18.4	9.4	65.1	24.0
Number of Employees	17.7	60.3	20.8	35.1	43.1	21.7
Average Employee Workweek	19.1	70.8	6.2	31.0	62.0	4.7
Capital Expenditures	--	--	--	9.2	57.1	33.3

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

(2) All data seasonally adjusted.