

Business Outlook Survey

Research Department

November 1989

Manufacturing activity in the region is edging down again this month, according to the November *Business Outlook Survey*. Twenty-six percent of the firms participating in this month's survey note decreasing activity, while 20 percent say they are stepping up the pace of their operations; the result is a "net change" of -6 percent. Overall, however, negative reports from survey respondents are less prevalent than in the four months since the slowdown developed, suggesting, perhaps, that the decline may level off soon.

Specific measures of industrial activity, while mixed, generally reflect an overall picture of softening business. Although shipments are increasing, new orders are virtually flat; the resulting drop in

unfilled orders continues a downward trend that started in June. And while employment is being held steady, on balance, area firms apparently are trimming production in response to the weak orders situation by cutting working hours slightly.

As for the future, responses to the November survey indicate a glimmer of optimism among area manufacturers. There are slightly more respondents (38 percent) predicting improvement over the next six months than those predicting further slowing (31 percent). Any improvement is likely to be modest, though. While firms polled this month expect an upturn in orders and shipments by the spring of next year, they expect order backlogs to continue edging down. Survey

participants anticipate some cuts in payrolls, as well.

On the price front, survey results are mixed. Thirty-five percent of the November respondents indicate paying higher input charges this month, an increase from recent surveys but still below the percentage that reported rising costs earlier this year and in 1988. Only 9 percent are raising the prices of their own products this month, half the percentage that boosted prices last month. Looking ahead, respondents generally say their expectations are unchanged from surveys taken earlier in the year. On balance, they expect to see price increases over the next six months for both the goods they buy and for the products they make.

In summary, industrial



activity in the region is dropping again in November, although the decline is not as widespread among area firms as it was following July, when

this downtrend began. Employment is being held steady this month; however, survey respondents indicate some cuts may lie ahead, despite

their expectations that the current slowdown will end by next spring.

BUSINESS OUTLOOK SURVEY
Summary of Returns
 November 1989

Indicator	November vs. October			Six Months from Now vs. November		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	25.7	54.4	19.9	31.1	31.0	38.0
Company Business Indicators						
New Orders	21.9	50.9	27.1	26.9	24.4	45.6
Shipments	19.8	44.5	35.7	25.7	31.6	42.6
Unfilled Orders	37.8	53.0	9.2	30.6	48.1	21.3
Delivery Time	19.4	76.1	3.2	28.4	57.0	13.8
Inventories	34.7	48.6	16.7	33.3	37.0	29.7
Prices Paid	1.5	62.3	34.9	8.1	37.6	54.4
Prices Received	7.5	82.5	9.3	9.1	57.4	33.3
Number of Employees	16.3	68.4	15.0	28.3	48.0	21.1
Average Employee Workweek	20.5	62.3	10.9	22.0	56.8	18.7
Capital Expenditures	--	--	--	18.9	52.0	27.1

Notes: (1) Items may not add up to 100 percent because of omission by respondents.
 (2) All data seasonally adjusted.