

s Outlook

Survey

Research Department

June 1990

Manufacturers in the region are indicating that the year-long decline in activity might be levelling off, according to the June *Business Outlook Survey*. Over half of the firms surveyed say business is running at a steady pace, and the percentage of firms reporting improvement from last month (21 percent) nearly matches the percentage noting declining business (24 percent). Although the general level of manufacturing activity shows little change this month compared to last, results by industry are mixed: further slowing is being reported by nondurable goods producers, while makers of durable goods are posting some gains.

Overall, local manufacturers note a steady rate of new orders and a marginal pickup in shipments. Order backlogs continue to fall under these

conditions; however, local companies are managing to work down inventories given the current rate of shipments. Although most of the firms surveyed are maintaining steady employment levels and working hours they continue to make fractional cuts in personnel and hours, on net.

Industrial prices in the region are steady, with three-fourths of the companies polled holding prices of their own products constant and nearly nine-out-of-ten reporting stable input costs. Expectations of price increases in the second half of the year are common, however. While around half of the survey participants anticipate steady prices for the next six months, 43 percent predict higher costs for the goods they purchase, and 40 percent intend to raise the prices of the goods they produce.

Looking ahead, area manufacturers generally foresee improvement. Thirty-seven percent of the June survey respondents expect business to pick up in the second half of the year, while 16 percent anticipate that the downward trend will resume. On balance, survey participants expect gains in new orders and they plan to boost shipments accordingly, without a buildup in order backlogs. Although they expect to step up the pace of production, area firms plan to hold the line on working hours and to make some further cuts in payrolls by the end of the year. Overall, capital spending plans at area firms call for only slight increases in spending in the next two quarters.

In summary, Third District manufacturers report virtually steady business in June, on



balance, and they note stable future, local firms forecast they plan to continue to trim prices. Employment continues to slip, however. For the second half of the year, but some improvement in the payrolls during the period.

BUSINESS OUTLOOK SURVEY
Summary of Returns
 June 1990

Indicator	June vs. May			Six Months from Now vs. June		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	24.2	54.0	20.5	16.4	41.3	36.7
Company Business Indicators						
New Orders	28.3	43.3	27.6	20.0	33.8	46.2
Shipments	25.7	43.4	30.8	15.7	48.9	35.5
Unfilled Orders	33.4	50.2	14.0	18.0	58.6	19.4
Delivery Time	20.7	66.3	12.9	24.9	70.8	0.5
Inventories	31.4	51.6	17.0	26.2	42.1	28.9
Prices Paid	5.2	85.9	8.5	5.3	51.5	43.1
Prices Received	12.2	76.5	11.3	8.1	49.2	39.6
Number of Employees	19.7	72.8	7.5	24.9	61.9	11.0
Average Employee Workweek	17.6	73.8	4.2	14.3	74.5	10.1
Capital Expenditures	--	--	--	16.6	47.8	28.1

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