

Economic Research Department

Area manufacturers are reporting another month of weakening activity, according to the December *Business Outlook Survey*. Fifty-four percent of the firms polled this month indicate that business is slowing from November while only 15 percent say business is improving. December marks the twentieth consecutive month in which more negative than positive reports have been filed by survey respondents.

Virtually all measures of business activity tracked by the survey signal further slackening in the demand for manufactured goods in December. Order backlogs are shrinking as both new orders and ship-

ments continue to slip. And, with goods moving out of area plants at a slower pace, inventories, which had been falling for the past three months, are now flat. Employment measures, notching another decline in December, also indicate a lower level of output — forty percent of the firms respond-

ing to the survey this month are cutting back on working hours, and nearly as many are trimming payrolls.

Looking to the future, survey participants with negative views are just barely outnumbered by those with positive forecasts, giving the overall outlook a slightly optimistic cast. Forty-one percent of the firms polled in December predict a turnaround in the next six months while 33 percent expect that business will continue to drop over the period. On balance, survey respondents expect new orders and shipments to edge up between now and June of next year. However, the predicted im-

provement in business is not likely to reinvigorate employment, according to survey respondents. Overall, they plan to make further reductions in payrolls and working hours over the next six months. And, with their forecast calling for only a slight rebound, survey participants plan to hold capi-

tal spending to a steady pace, on balance.

Industrial prices in the region are mixed. Overall, survey participants indicate that input costs continue to rise but prices received for the products they make are flat. Looking ahead, two-thirds of the respondents anticipate more increases in prices for purchased goods over the next six months while nearly half plan to keep the prices of their own products steady.

In summary, area manufacturers are ending the year still on a downward trend. With demand for manufactured goods continuing to slacken, local companies are trimming

employment. Although surveyed firms foresee a slight turnaround in business between now and next summer, they say they still plan to trim employment further and hold capital spending to current levels.



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BUSINESS OUTLOOK SURVEY
Summary of Returns
December 1990

Indicator	December vs. November				Six Months from Now vs. December			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
General Business Conditions								
What is your evaluation of the level of general business activity?	54.0	30.9	14.6	-39.4	32.8	25.5	41.2	8.4
Company Business Indicators								
New Orders	44.6	33.4	20.0	-24.6	34.9	21.1	43.2	8.3
Shipments	39.6	33.6	24.1	-15.6	34.6	22.7	40.0	5.4
Unfilled Orders	41.0	45.5	10.6	-30.4	35.5	45.4	16.5	-19.0
Delivery Time	33.2	58.6	8.3	-24.9	27.2	63.7	9.1	-18.1
Inventories	31.2	41.3	27.5	-3.7	48.2	27.2	20.2	-28.0
Prices Paid	7.5	44.0	48.5	41.1	6.9	23.6	68.4	61.5
Prices Received	21.5	60.8	17.7	-3.8	18.5	48.9	31.4	12.9
Number of Employees	36.2	50.9	12.9	-23.3	39.6	50.4	9.6	-30.0
Average Employee Workweek	40.9	50.8	8.3	-32.6	34.5	46.7	17.9	-16.6
Capital Expenditures	—	—	—	—	22.2	41.1	24.1	1.9

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

(2) All data seasonally adjusted.

(3) Diffusion indexes represent the percentage of respondents indicating an increase minus the percentage indicating a decrease.