

Business Outlook Survey

Research Department

December 1984

Activity in the local manufacturing sector is showing more signs of cooling off, according to respondents to this month's Business Outlook Survey. Although this is largely attributable to seasonal factors, the evidence of a chill persists even after adjusting for the usual December lull. Three out of five survey respondents report no change in production levels in December, continuing a trend started in late spring. Since June, at least half of the executives polled in each survey have indicated that business activity was unchanged from the previous month.

Reports on specific indicators, heavily influenced by seasonal factors, are fairly glum. New orders and producers' backlogs are down this month, and shipments show a minus after several months of gains. Inventories and delivery times are unchanged since November, while three-quarters of the executives polled say they are maintaining payrolls and working hours at last month's levels.

In contrast to the current scenario, the outlook for manufacturing over the next six months remains relatively bright: 59 percent of the manufacturers polled anticipate a pick-up in general business by June of 1985; less than 20 percent expect a decline. This optimistic outlook is reflected in forecasts for the specific indicators. Projections include growth in new orders, shipments, and capital spending. Employee payrolls and the average workweek are expected to advance marginally, but no change in inventory levels is planned.

The vast majority of area manufacturers report that industrial prices have remained stable at November levels. About 80 percent of the survey respondents report no change in either prices paid for inputs or prices received for finished goods. Manufacturers are anticipating future price hikes, though. Four out of five of those polled expect to have higher costs by June, while three out of five predict higher prices for the products they sell.

In summary, current business has cooled down further this month, even after adjusting for the usual December slump, and indicators of business activity reflect these reports. The six-month outlook, however, remains bright.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS DECEMBER 1984

INDICATOR	December vs. November			Six Months from Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	33.3	58.8	7.8	17.6	21.6	58.8
COMPANY BUSINESS INDICATORS						
New Orders	39.2	45.1	15.7	9.8	27.5	62.7
Shipments	41.2	33.3	21.6	7.8	25.5	62.7
Unfilled Orders	25.5	62.7	7.8	13.7	51.0	31.4
Delivery Time	7.8	84.3	3.9	5.9	78.4	11.8
Inventories	29.4	45.1	23.5	27.5	39.2	31.4
Prices Paid	3.9	80.4	15.7	0.0	21.6	78.4
Prices Received	5.9	80.4	11.8	2.0	37.3	58.8
Number of Employees	17.6	74.5	7.8	17.6	54.9	27.5
Average Employee Workweek	19.6	74.5	3.9	5.9	72.5	21.6
Capital Expenditures				5.9	58.8	33.3

Note: Items may not add to 100 per cent because of omission by respondents.