

B. Turnbull  
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# IS Outlook

June 1985

## Research Department

The pace of manufacturing activity in the region is basically unchanged for the third consecutive month, according to the June Business Outlook Survey, although negative signals are becoming stronger. While 70 percent of this month's respondents say business conditions are unchanged from May, 18 percent report deterioration and only 11 percent indicate improvement. Although this "net change" of -7 percent is small, it marks the first negative month-to-month change for local industry since September 1982.

The rate of new orders at local industrial plants is falling this month, the first decline since July of last year. Shipments are holding steady, however, resulting in a cut in producers' backlogs. Employment is generally stable. Although workforces were reduced at one-fifth of the manufacturing establishments surveyed this month, two-thirds of the survey respondents say employment at their plants in June has not changed.

Most area manufacturers remain optimistic about economic conditions in the future. About 40 percent of those replying to this month's survey expect present business conditions to persist for the rest of the year, and another 40 percent anticipate some improvement in general activity. Both new orders and shipments are expected to pick up speed over the next six months. Little change in factory employment is likely, however; more than half of the June survey respondents plan to hold employment at present levels, and nearly one-fourth



plan to reduce payrolls by the end of the year. The outlook for expenditures on new plant and equipment is also becoming less positive. The portion of manufacturers scheduling increases in capital spending fell to 20 percent of those participating in the survey this month, the lowest level yet this year.

Prices of industrial goods are steady this month. More than 80 percent of the survey respondents say the prices of goods they buy are the same as they were last month, and 77 percent say they have not changed the prices of the goods they produce. Looking ahead, however, 60 percent of the survey respondents expect input costs to rise over the next six months, while 30 percent plan to raise the prices of the products they manufacture.

Overall, local manufacturing activity has held steady again in June. The majority of area manufacturers contacted this month maintain a positive outlook for the balance of the year, although prospects for increased employment and capital spending are dimming.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS

JUNE 1985

INDICATOR	June vs. May			Six Months from Now vs. June		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	17.8	69.8	11.0	21.2	40.1	38.6
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	22.5	61.7	13.9	14.3	48.1	35.0
Shipments	20.0	53.4	21.5	14.1	46.8	34.0
Unfilled Orders	20.9	65.7	8.0	16.8	66.3	11.6
Delivery Time	6.5	81.2	8.7	10.6	80.6	7.1
Inventories	29.2	63.1	3.1	32.6	53.7	10.9
Prices Paid	1.1	85.0	10.4	0.0	37.2	61.3
Prices Received	5.8	77.1	12.6	0.0	65.2	31.2
Number of Employees	20.7	66.5	12.2	23.6	55.5	17.9
Average Employee Workweek	12.6	78.7	5.6	23.8	59.1	10.1
Capital Expenditures				14.3	61.6	23.1

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

(2) All data seasonally adjusted

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