

Economic Research Department

Manufacturing activity in the region continues to advance, according to the June *Business Outlook Survey*. Survey participants note rising activity, on balance, this month compared to last, and they forecast relatively solid improvement during the balance of the year.

CURRENT CONDITIONS

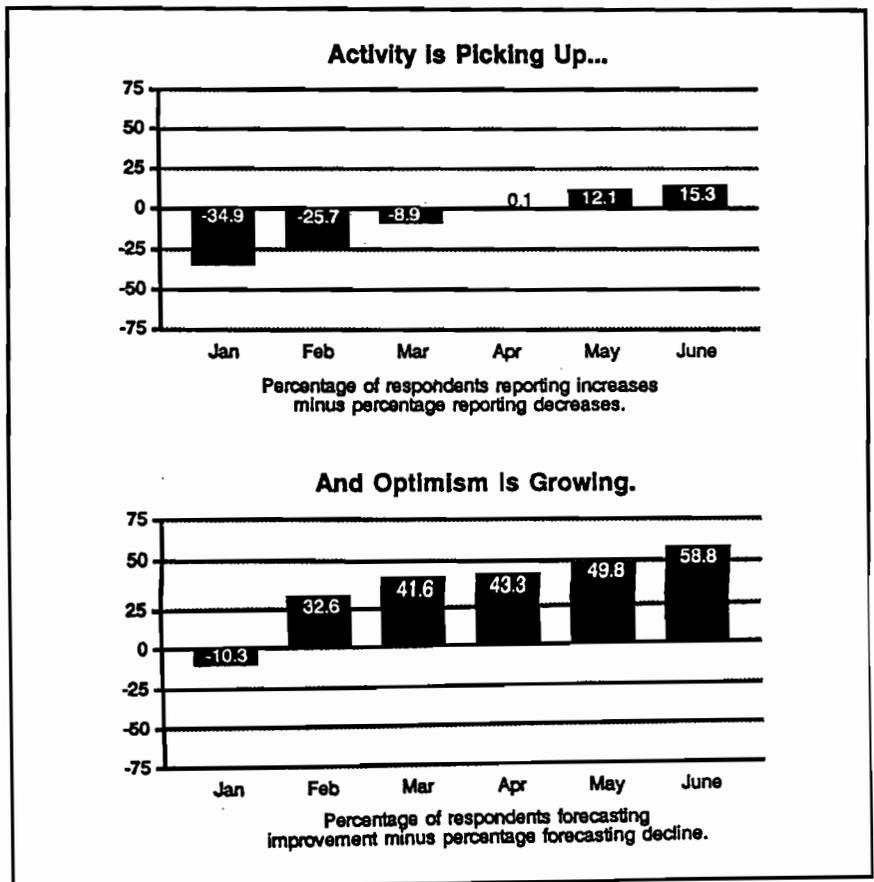
Area manufacturers indicate that business may be moving onto an upward track as they report improvement again this month, following an upturn in May. Thirty-four percent of the firms responding to the June survey report an increase in business for the month while 19 percent note declining activity and 45 percent say their operations are steady. June marks the fourth consecutive month in which the percentage of survey respondents reporting improvement has risen, further evidence suggesting that an upward trend is building.

Specific measures of industrial activity indicate that demand for goods produced by area firms is increasing. Although nearly half of the firms polled say shipments are running at just a steady pace, 30 percent note increases. One-third of the survey respondents also report that new orders are rising while only one in five note a drop. Although

business appears to be growing for area manufacturers, most are not adding to payrolls or extending the workweek. On balance, working hours at industrial plants in the region are steady and payrolls are marginally down compared to last month.

THE OUTLOOK

Looking ahead, most survey participants expect business to continue to improve this year. Sixty-one percent forecast further gains during the second half while only 2 percent anticipate a downturn. On balance, manufacturing executives predict



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healthy gains in orders and shipments. And, they indicate they intend to act on their optimism—one-third plan to add to their work forces and nearly half say they will step up capital spending over the next two quarters.

PRICES

Overall, industrial prices in the region are reported to be steady in June. More than 70 percent of the firms surveyed this month indicate

that both input costs and output prices are unchanged from May, and one in five survey participants say they are reducing charges for their products. Looking ahead, nearly 60 percent of the respondents forecast steady prices for the goods they purchase as well as the products they make, but just over 30 percent expect prices for both to rise over the next six months. Nevertheless, expectations of price increases are no greater now than they were over the winter.

SUMMARY

Area manufacturers are reporting another month of rising activity in June, as both shipments and orders post gains. While the current employment situation remains soft, survey participants indicate they are likely to step up hiring during the rest of the year as they see further improvement in business conditions ahead.

BUSINESS OUTLOOK SURVEY Summary of Returns June 1991

Indicator	June vs. May				Six Months from Now vs. June			
	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?	18.7	44.7	34.0	15.3	2.0	32.7	60.8	58.8
Company Business Indicators								
New Orders	20.1	46.9	32.6	12.5	8.1	33.1	58.8	50.7
Shipments	20.1	47.8	29.5	9.3	11.4	40.1	48.5	37.1
Unfilled Orders	25.5	55.9	18.1	-7.4	9.6	57.7	27.5	18.0
Delivery Time	15.4	74.1	10.5	-5.0	3.8	80.8	13.4	9.6
Inventories	28.3	51.5	20.2	-8.0	30.1	52.1	17.8	-12.4
Prices Paid	11.2	76.5	11.2	0.0	6.6	59.3	33.9	27.3
Prices Received	19.0	71.1	7.9	-11.1	8.9	58.5	30.5	21.6
Number of Employees	20.0	66.2	13.8	-6.2	14.6	52.8	32.6	17.9
Average Employee Workweek	19.1	66.2	14.7	-4.4	5.6	61.8	30.2	24.6
Capital Expenditures	—	—	—	—	15.6	28.0	45.1	29.5

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