B. Turnbull

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iness Outlook Survey

Research Department

March 1989

Manufacturing activity in the region continues to gain slightly in March, according to the latest *Business Outlook Survey.* Twenty-six percent of the survey participants say their business is moving up from last month while 12 percent report slower operations. Specific measures of industrial activity reflect fractional improvement this month, but suggest some slackening in the growth of demand for the products of local manufacturers. Currently, area firms are stepping up shipments and booking more new orders; however, new bookings have not grown enough to keep order backlogs from slipping a bit. Inventories are virtually level with last month, and employment shows only a little improvement as both payrolls and working hours are moving up just marginally.

Looking ahead, local manufacturers forecast steady activity for the next six months, an improvement from the January and February surveys in which expectations of a downturn prevailed. The balance of responses to the most recent poll indicates that managers at area plants expect the rate of both new orders and shipments to be flat for the next two quarters, while they anticipate a further decline in order backlogs. In accordance with these expectations, employment plans at local firms call for steady payrolls and some shortening of the workweek between now and September.

Survey respondents continue to report rising prices, although such indications do not appear to be as widespread this month as they generally have been over the past year. One-half of the firms polled for the March survey are paying higher prices for purchased goods compared to a month ago, and one-quarter are charging more for their own products. Two-thirds of the survey respondents expect the prices of the goods they buy to climb further during the next six months, and one-half plan to charge more for the products they make.

In sum, the region's manufacturers continue to make progress in March, albeit moderate, but they anticipate only a steady pace of operations during the spring and summer as growth levels off. Survey respondents also indicate that a pause in employment growth is likely if expectations of flat business are realized.

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FEDERAL RESERVE BANK OF PHILADELPHIA

BUSINESS OUTLOOK SURVEY
Summary of Returns
March 1989

Indicator	March vs. February			Six Months from Now vs. March		
	Decrease	No Change	Increase	Decrease	No Change	Increase
General Business Conditions						
What is your evaluation of the level of general business activity?	11.9	62.1	26.0	26.8	40.9	28.4
Company Business Indicators						
New Orders	13.6	42.0	42.6	29.2	40.0	30.9
Shipments	12.3	50.8	36.6	25.1	43.0	30.3
Unfilled Orders	26.3	62.5	11.2	35.8	46.8	16.3
Delivery Time	15.6	72.4	11.9	33.7	53.1	13.3
Inventories	28.4	47.5	24.0	42.1	26.4	30.9
Prices Paid	0.0	48.9	49.4	4.4	28.8	66.8
Prices Received	0.9	71.3	26.4	4.5	45.8	49.7
Number of Employees	8.4	74.6	16.7	14.3	69.6	16.1
Average Employee Workweek	9.0	74.4	16.0	28.3	57.0	14.6
Capital Expenditures	--	--	--	17.2	46.2	35.8

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