

## Economic Research Department

Manufacturing activity continues to soften in September, according to the *Business Outlook Survey*. The percentage of respondents reporting slower business has jumped sharply, to 50.8 percent from 32.4 percent in August, making reports of lower activity levels more widespread than at any time since the current downtrend in local industry began in May 1989. With just 2.6 percent of the survey respondents saying business continues to expand, the Survey's diffusion index of manufacturing activity has been pushed down to -48.2 (see chart 1).

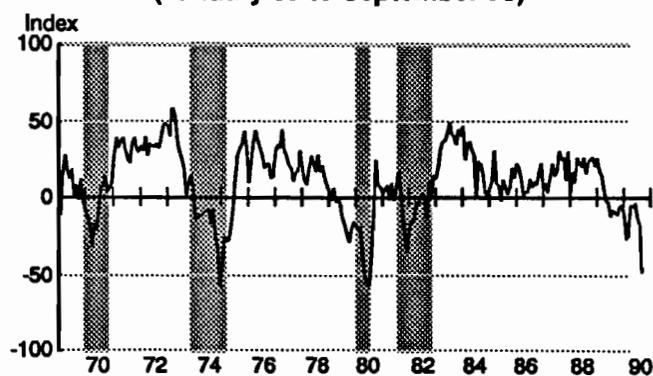
Specific indicators of manufacturing activity are registering drops across the board. Shipments, new orders, and order backlogs are falling, and delivery times are decreasing as a consequence of slackening demand for manufactured goods. Employment is also weakening; while just over 60 percent of the firms polled for the September survey are maintaining steady payrolls and working hours, 31 percent are trimming work forces and 25 percent are cutting hours worked.

Looking ahead, the overall opinion of area manufacturers is that the slowdown will continue through early 1991. While 21 percent of the survey respondents look for a turnaround in the next six months, 41 percent anticipate a further decline in business. Although they expect shipments to run at a steady pace during the next two quarters, survey participants forecast some further slippage in the new order rate and continued shrinkage of their order backlogs. Expecting business activity to continue to

fall off, area firms are scaling back capital spending plans, and they intend to make more cuts in payrolls and working hours over the next six months.

Despite their assessment that business is slowing and will continue to do so, manufacturers in the region report spreading increases in input prices. Forty-four percent of the respondents in the September survey report higher costs relative to a month ago for the goods they purchase, more than in recent surveys but still below the levels registered

CHART 1  
Current Activity  
(January 69 to September 90)\*

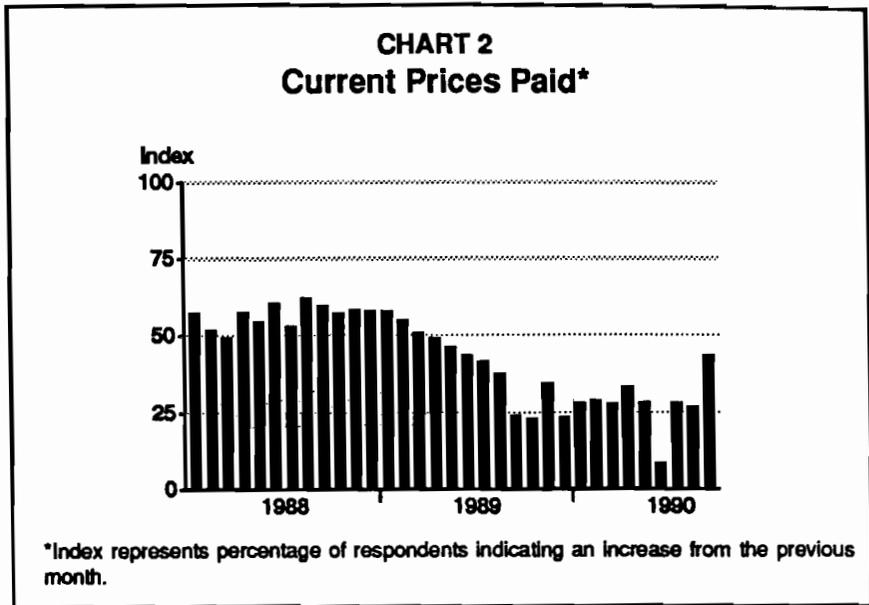


\*Index represents percentage of respondents indicating an increase minus percentage indicating a decrease.



two years ago (see chart 2). Most survey participants indicate that cost increases are not confined to petroleum-based materials or fuels. Looking ahead, 74 percent of the respondents expect input prices to rise further over the next six months.

In summary, reports of slowing business are spreading among area manufacturers in September as the region's goods-producing sector continues on a downward trend. Managers at area plants forecast further weakening over the next six months, and they plan to trim capital spending and make more cuts in employment.



**BUSINESS OUTLOOK SURVEY  
Summary of Returns  
September 1990**

Indicator	September vs. August				Six Months from Now vs. September			
	Decrease	No Change	Increase	Diffusion Index	Decrease	No Change	Increase	Diffusion Index
<b>General Business Conditions</b>								
What is your evaluation of the level of general business activity?	50.8	46.6	2.6	-48.2	41.1	35.4	21.3	-19.8
<b>Company Business Indicators</b>								
New Orders	42.2	48.0	9.8	-32.3	37.4	31.6	30.9	-6.5
Shipments	31.1	50.3	18.6	-12.5	36.2	29.2	34.3	-1.9
Unfilled Orders	49.2	50.3	0.5	-48.7	43.1	39.9	15.7	-27.4
Delivery Time	27.4	66.9	4.2	-23.2	36.9	56.9	6.3	-30.6
Inventories	32.9	38.2	27.1	-5.7	39.3	32.3	28.4	-10.9
Prices Paid	2.7	52.9	43.5	40.8	2.1	24.5	73.5	71.4
Prices Received	11.5	76.3	12.2	0.7	11.0	48.2	40.8	29.7
Number of Employees	30.5	60.8	8.6	-21.8	44.4	39.6	16.0	-28.3
Average Employee Workweek	24.9	64.9	10.3	-14.6	37.2	50.5	12.3	-24.9
Capital Expenditures	—	—	—	—	33.4	36.2	23.2	-10.2

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.