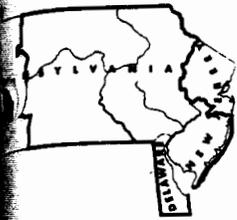


BUSINESS OUTLOOK SURVEY

FEBRUARY 1982

Department of Research
Federal Reserve Bank of Philadelphia



Respondents to the February Business Outlook Survey say there has been further softening in the local industrial sector this month. There are indications, however, that the decline is moderating. While it is true, for instance, that nearly one-fourth of this month's respondents say there has been further deterioration in the business climate in February, over two-thirds report no change in business conditions. This may be an indication that the trough of the manufacturing slump has been reached.

Turning to specifics, factory shipments have held steady for two consecutive months after taking a nosedive at the end of 1981, according to the survey. The real plunge in new orders seems to be over as well, although they did drop slightly in February thus shrinking producer backlogs further. Inventory liquidation, however, does not appear to have slowed, and on the labor scene, payroll cutbacks are less prevalent but still definitely with us. Only minor reductions in working hours are reported.

As for the future, the apparent moderation of the industrial slump seems to have underscored the already upbeat outlook reflected in recent surveys. Over 80 percent of respondents foresee an upswing in general business activity within six months. Widespread growth in new orders and shipments is anticipated, along with longer delivery times. Manufacturers plan to both hire new workers and lengthen the workweek if the expansion takes hold. There is a note of caution in the responses, however. Little inventory building is forecast, as producers work off current excess stock, and capital expenditure plans are fairly soft, possibly a result of current low levels of capacity utilization.

Industrial prices are rising again in February, but inflation, too, seems to be easing off. Flat prices for both inputs and finished products were reported by over two-thirds of the respondents. In addition, a small but significant number of those polled noted falling prices in both categories. Expectations of price inflation remain strong, however, as 70 percent of responding manufacturers

expect to be paying more for raw materials over the next six months and nearly 60 percent plan to raise prices on their own products.

In summary, business activity in the manufacturing sector is down again this month, but there are signs that we may be entering a flatter period. There is widespread anticipation among manufacturers of recovery, accompanied by higher prices, by late summer.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

February 1982

INDICATOR	February vs. January			Six Months from Now vs. February		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	23.5	67.6	7.4	5.9	11.8	80.9
COMPANY BUSINESS INDICATORS						
New Orders	25.0	61.8	13.2	4.4	14.7	79.4
Shipments	20.6	61.8	17.6	5.9	17.6	75.0
Unfilled Orders	29.4	66.2	2.9	8.8	41.2	47.1
Delivery Time	14.7	76.5	4.4	4.4	66.2	23.5
Inventories	36.8	51.5	11.8	29.4	30.9	38.2
Prices Paid	5.9	66.2	27.9	1.5	25.0	72.1
Prices Received	5.9	76.5	16.2	0.0	39.7	57.4
Number of Employees	33.8	60.3	5.9	14.7	42.6	41.2
Average Employee Workweek	14.7	75.0	5.9	4.4	63.2	29.4
Capital Expenditures				10.3	52.9	33.8

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