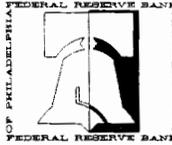


B. Turnbull

# BUSINESS OUTLOOK



FEDERAL  
RESERVE  
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PHILADELPHIA  
Department of  
RESEARCH

SURVEY For: May 1980

This Summary of Returns reports on the May responses to the Business Outlook Survey conducted by the Federal Reserve Bank of Philadelphia. Its purpose is to provide an insight into Third District business conditions. The survey sample polls manufacturing firms with 500 or more employees.

Respondents to the May Business Outlook Survey indicate another significant drop in area manufacturing activity, continuing the slump in the industrial sector that began eleven months ago. New orders are off again substantially in May, with shipments down also, but to a lesser degree. Consequently, producers' backlogs have diminished quite a bit. At the same time, inventory liquidation has continued, as in recent months, and the employment situation appears to have worsened somewhat, with both payrolls and the average workweek declining at about one-fourth of the firms surveyed.

As for the future, survey respondents are projecting only marginal relief from the downward trend in general business activity. New orders and shipments are expected to increase, but inventories will still be tight. It does not appear, however, that this slight pickup, even if realized, will be enough to restore any lost jobs, as employers expect to cut work forces further and shorten the workweek somewhat.

Industrial prices are up again in May, according to the survey, with nearly 70 percent of the respondents paying more for inputs and over 40 percent charging more for their finished products. Manufacturers do not expect a break in inflation in the near future, as over three-quarters say they anticipate increases in raw materials prices between now and November and two-thirds plan price hikes for the goods they sell.

Overall, industrial activity has continued to slide in May. Looking ahead, manufacturers are more hopeful about general business conditions, but foresee no relief from rising prices.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS

May 1980

INDICATOR	May vs. April			Six Months from Now vs. May		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	55.6	36.1	8.3	30.6	30.6	38.9
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	61.1	25.0	11.1	13.9	41.7	41.7
Shipments	36.1	44.4	16.7	25.0	36.1	36.1
Unfilled Orders	50.0	38.9	5.6	25.0	58.3	11.1
Delivery Time	30.6	63.9	0.0	27.8	61.1	5.6
Inventories	38.9	38.9	19.4	27.8	47.2	22.2
Prices Paid	2.8	25.0	69.4	2.8	13.9	77.8
Prices Received	2.8	50.0	41.7	2.8	25.0	66.7
Number of Employees	22.2	72.2	2.8	27.8	52.8	16.7
Average Employee Workweek	27.8	63.9	5.6	25.0	63.9	8.3
Capital Expenditures				19.4	55.6	22.2

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