

BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For July 1980

This Summary of Returns reports on the July 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.

Manufacturers responding to the July Business Outlook Survey indicate another significant drop in area industrial activity. July seasonal factors have combined with the continuing downturn to produce the largest one-month drop in general activity since December 1974. Survey participants report new orders to have taken a sharp dip as have shipments. Consequently, producer's backlogs continue to shrink as they have done consistently since May 1979. At the same time, inventory trimming appears to have resumed, after a temporary halt last month, and the employment situation is reported to have worsened somewhat. Both payrolls and the average workweek have declined significantly this month at over 25 percent of the firms surveyed.

For the longer term, respondents to the survey are sticking to their optimistic forecasts of last month and are anticipating an upward swing in general business activity six months from now. Both new orders and shipments are expected to increase significantly, and manufacturers are planning to add to inventories, although only marginally. The brightened outlook may be good news for labor as respondents expect to maintain the current level of factory employment while lengthening the average workweek.

On the inflation front, industrial prices paid have risen again for about 40 percent of the survey participants and approximately 30 percent of the area manufacturers report charging higher prices for their finished goods. No relief from inflation in the

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ever,

Now
increase
48.5
54.5
48.5
27.3
21.2
21.2
31.8
59.7
21.2
21.2
21.2

coming months is anticipated as nearly 80 percent of the responding manufacturers expect to be paying more for raw materials and 70 percent plan price hikes for the goods they sell.

In short, the downward slide in local industrial activity has continued in July, but area manufacturers continue to be optimistic about future business conditions. Rising prices, however, are realized and are expected to continue throughout the next six months.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS July 1980

INDICATOR	July vs. June			Six Months from Now vs. July		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	78.1	18.8	3.1	15.6	31.3	53.1
COMPANY BUSINESS INDICATORS						
New Orders	68.8	25.0	6.3	12.5	34.4	53.1
Shipments	59.4	25.0	12.5	18.8	31.3	50.0
Unfilled Orders	59.4	37.5	0.0	28.1	50.0	18.8
Delivery Time	28.1	65.6	6.3	15.6	75.0	6.3
Inventories	34.4	46.9	15.6	21.9	46.9	31.3
Prices Paid	3.1	56.3	40.6	0.0	18.8	78.1
Prices Received	3.1	68.8	28.1	0.0	31.3	68.8
Number of Employees	31.3	65.6	3.1	18.8	59.4	21.9
Average Employee Workweek	28.1	71.9	0.0	3.1	75.0	18.8
Capital Expenditures				15.6	50.0	31.3

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