

**BUSINESS  
OUTLOOK**  
SURVEY For:



FEDERAL  
RESERVE  
BANK OF  
PHILADELPHIA  
Department of  
RESEARCH

MARCH 1981

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This Summary of Returns reports on the March response 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 March Business Outlook Survey say that although the local industrial sector showed a few signs of expansion this month, manufacturing activity overall was pretty much as it was in February. With these results in, it appears that the first quarter of 1981, in general, has been a period of little or no growth for area industry. An interesting note from the March survey however: there were no reports of decreased manufacturing activity, the first time this has occurred since October 1975.

In terms of specific indicators this month, new orders and shipments are up from February. Inventories, however, have held steady for the fifth month in a row, as manufacturers may be waiting for stronger signals on the economy before building stock levels. As for labor, the continued stability in manufacturing activity in March may have put a halt, at least temporarily, to the cuts in factory employment observed since last April. Survey participants report no real change in their payrolls or the average workweek over last month.

Looking ahead, respondents to the survey continue to be optimistic about economic conditions over the next two quarters, anticipating a sharp upswing in general industrial activity by fall. Over one-half of the survey participants expect new orders and shipments to grow between now and September, and, as production picks up, at least

marginal increases in payrolls and longer working hours are projected. Growing expenditures on plant and equipment are also forecast.

On the inflation front, industrial prices have jumped again in March, as over one-half of the respondents report paying more for raw materials than they did last month, and about one-fifth say they are charging more for their finished products. Prices are expected to continue climbing, as 9 out of 10 of the survey participants anticipate higher input costs by September and nearly 8 out of 10 plan price hikes for the goods they sell.

Overall, business activity in the industrial sector shows some signs of an upturn, but has, according to the survey, remained basically unchanged throughout the first quarter of 1981. Manufacturers look forward to an upswing within six months, but no relief from inflation is expected.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS March 1981

INDICATOR	March vs. February			Six Months from Now vs. March		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	0.0	76.7	23.3	3.3	23.3	73.3
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	6.7	60.0	33.3	6.7	33.3	60.0
Shipments	3.3	63.3	33.3	6.7	36.7	56.7
Unfilled Orders	23.3	60.0	13.3	10.0	60.0	26.7
Delivery Time	20.0	66.7	13.3	6.7	73.3	16.7
Inventories	33.3	36.7	30.0	36.7	46.7	16.7
Prices Paid	0.0	46.7	53.3	0.0	10.0	90.0
Prices Received	6.7	66.7	26.7	0.0	23.3	76.7
Number of Employees	6.7	86.7	6.7	13.3	66.7	20.0
Average Employee Workweek	6.7	80.0	10.0	6.7	70.0	23.3
Capital Expenditures				10.0	53.3	33.3

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