

BUSINESS OUTLOOK SURVEY For:



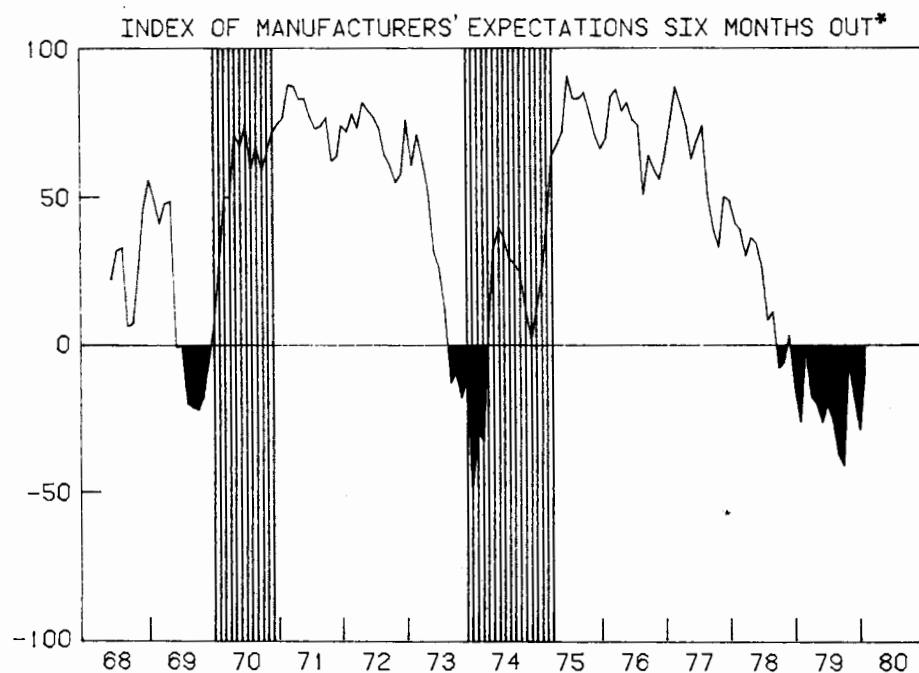
FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

January 1980

This Summary of Returns reports on the January 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 January Business Outlook Survey say the '80s have begun with further slippage in the local industrial sector. About one-third of the respondents this month say general business conditions are worse than they were in December, while less than a tenth report improvement. In terms of specific indicators, new orders are down again in January, but shipments have remained stable. So, once again, producers'

backlogs have diminished, and a commensurate cut in inventories is noted. On the employment front, payrolls have been trimmed somewhat at area plants for the first time since the slump



*Index is percentage of respondents expecting improvement in business conditions six months from date of survey minus percentage expecting a decline. Vertical lines represent recessionary periods, shaded areas periods when more respondents are predicting a slowdown than are forecasting expansion.

began some seven months ago, and many managers have cut working hours to some extent as well.

Looking ahead to the next six months, responding manufacturers predict further decay of general business conditions, as they've been doing for over a year now (see Chart). New orders are expected to increase only marginally between now and July, while a more significant pickup in shipments is forecast. The cautious mood of businesspeople is reflected in their plans to maintain current inventory positions for a while and hold the line on hiring. Working hours will probably be pared fractionally in coming months.

Industrial prices are on the upswing again in January, according to survey participants. Over three-quarters of the manufacturers polled this month report paying higher prices for raw materials than they did last month, and well over one-third say they are charging more for their finished products. For the longer term, almost 9 out of 10 respondents expect the cost of inputs to be higher by midsummer, while about 8 out of 10 plan price hikes by that time for the goods they sell.

In short, January has been another down month in the local industrial sector, and manufacturers are expecting more of the same through July.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

January 1980

INDICATOR

January vs. December			Six Months from Now vs. January		
Decrease	No Change	Increase	Decrease	No Change	Increase

GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	32.4	58.8	8.8	38.2	32.4	29.4
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COMPANY BUSINESS INDICATORS

New Orders	32.4	55.9	11.8	32.4	26.5	38.2
Shipments	23.5	55.9	20.6	26.5	29.4	41.2
Unfilled Orders	23.5	64.7	8.8	26.5	50.0	20.6
Delivery Time	11.8	82.4	2.9	17.6	61.8	17.6
Inventories	38.2	55.9	5.9	29.4	47.1	23.5
Prices Paid	0.0	23.5	76.5	0.0	11.8	88.2
Prices Received	0.0	58.8	38.2	2.9	11.8	82.4
Number of Employees	17.6	73.5	5.9	14.7	61.8	14.7
Average Employee Workweek	20.6	73.5	2.9	23.5	61.8	11.8
Capital Expenditures				8.8	58.8	26.5

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