

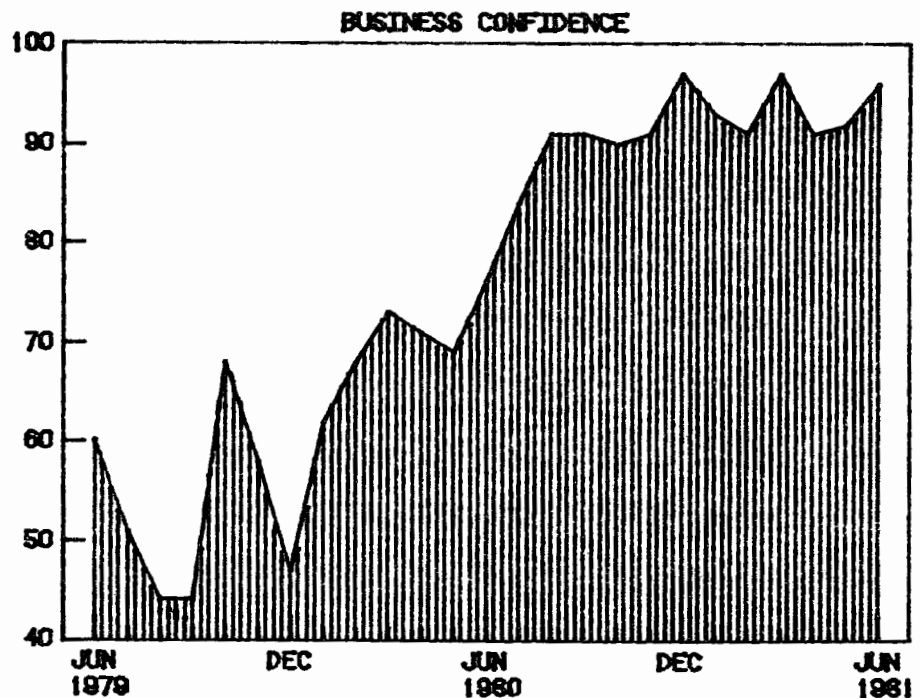
BUSINESS OUTLOOK SURVEY

Department of Research
Federal Reserve Bank of Philadelphia

JUNE 1981

Nineteen eighty-one has thus far been characterized by little to no growth for area industry, according to manufacturers responding to the Business Outlook Survey, and this month appears to be no exception. Respondents to the June survey again report no change in overall manufacturing activity from last month. In terms of specific indicators, shipments have remained basically the same as in May, while new orders are said to be off slightly for the first time this year. Inventories, following last month's spurt, have slipped back fractionally in June. The first half of the year has been a period of stagnation for area factory workers as well. June survey participants report, for the fifth consecutive month, no real change in either employment or the average workweek.

Despite the sluggishness that has beset area industry since January, manufacturers have retained the business confidence built throughout 1980 (see graph). Respondents to the June survey are confident as well, predicting a strong boost for business within the next six months. Over one-half of the respondents anticipate new orders to take off between now and December, while a slightly smaller portion project increased



*Index represents percentage of respondents expecting no change in business conditions over the next six months plus percentage expecting improvement.

shipments by year-end. Producers' backlogs are expected to swell marginally. The upbeat outlook may be good news for area labor, as manufacturers plan to increase payrolls and lengthen working hours as well in the second half of 1981. Growing expenditures on plant and equipment are also forecast.

On the inflation front, industrial prices have jumped in June. Nearly 60 percent of the survey participants report paying more for raw materials than they did in May, and about 36 percent say they are charging more for their finished products. Area manufacturers expect inflation to continue, at least for the balance of '81, as over three-quarters of the respondents expect higher input costs and about two-thirds plan price hikes for the goods they sell.

Overall, business activity in the local industries sector has, according to the survey, remained basically unchanged throughout the first half of 1981. Manufacturers remain confident about the future, though, anticipating improvement by year-end.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS JUNE 1981

INDICATOR

June vs. May			Six Months from Now vs. June		
Decrease	No Change	Increase	Decrease	No Change	Increase

GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	17.9	64.3	17.9	3.6	28.6	64.3
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COMPANY BUSINESS INDICATORS

New Orders	28.6	53.6	17.9	10.7	25.0	60.7
Shipments	25.0	46.4	28.6	17.9	21.4	57.1
Unfilled Orders	21.4	71.4	3.6	14.3	57.1	21.4
Delivery Time	7.1	85.7	3.6	3.6	75.0	14.3
Inventories	32.1	46.4	21.4	28.6	46.4	21.4
Prices Paid	0.0	42.9	57.1	3.6	10.7	82.1
Prices Received	0.0	60.7	35.7	0.0	32.1	60.7
Number of Employees	17.9	67.9	14.3	7.1	64.3	21.4
Average Employee Workweek	10.7	75.0	10.7	0.0	78.6	14.3
Capital Expenditures				14.3	50.0	32.1

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