



BUSINESS OUTLOOK SURVEY

FEBRUARY 1983

Department of Research
Federal Reserve Bank of Philadelphia

General industrial activity surged ahead this month, according to respondents to the February Business Outlook Survey. The current gains are the most substantial in well over a year and mark the second consecutive month of positive reports from local manufacturers. Such robust growth is a good indication that some industrial rebuilding is underway, but it still remains to be seen whether it will carry over into a sustained recovery. Specific indicators are somewhat mixed.

New orders, leading the surge in activity, shot upward again in February, even outdistancing the substantial increases noted a month ago. Shipments, although more subdued than factory orders, followed suit; delivery times remained unchanged for the second month in a row. Cutbacks in the average workweek have subsided, at least temporarily, but manufacturing payrolls have been cut again. In addition, inventories at area plants continued to diminish.

Future gains for local manufacturing are more widely anticipated than at any other time in the last six years. Almost 90 percent of participating businessmen foresee further improvement in overall conditions in the next six months, accentuated by increases in new orders and, to a slightly lesser extent, shipments. Growing backlogs are a likely result, as well as slight additions to stock levels. Employers' plans include expansion of both the factory workforce and employee working hours but

caution is still evident in capital spending forecasts. Few increases plant and equipment expenditures are planned through August.

Industrial prices have held steady in February. Neither input nor finished good prices have changed from their January levels. Although projected business pickup is expected to recharge inflation, price increases will be moderate over the next six months, according to the survey. Forecasts of future price hikes and increased costs remain much less prevalent than in recent years.

In short, local industrial activity posted healthy gains in February. Area businessmen expect more of the same growth through late summer and expect that growth to benefit the current weak employment situation.

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SUMMARY OF RETURNS February 1983

INDICATOR

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

GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	7.7	61.5	27.7	1.5	7.7	87.7
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COMPANY BUSINESS INDICATORS

New Orders	12.3	50.8	36.9	1.5	16.9	81.5
Shipments	7.7	67.7	23.1	4.6	18.5	75.4
Unfilled Orders	20.0	67.7	9.2	4.6	50.8	41.5
Delivery Time	1.5	93.8	1.5	3.1	76.9	15.4
Inventories	33.8	49.2	13.8	21.5	46.2	30.8
Prices Paid	4.6	86.2	9.2	1.5	36.9	61.5
Prices Received	13.8	73.8	9.2	1.5	52.3	44.6
Number of Employees	26.2	67.7	4.6	9.2	43.1	44.6
Average Employee Workweek	10.8	83.1	4.6	6.2	60.0	32.3
Capital Expenditures				10.8	70.8	16.9