

BUSINESS OUTLOOK SURVEY

Department of Research
Federal Reserve Bank of Philadelphia

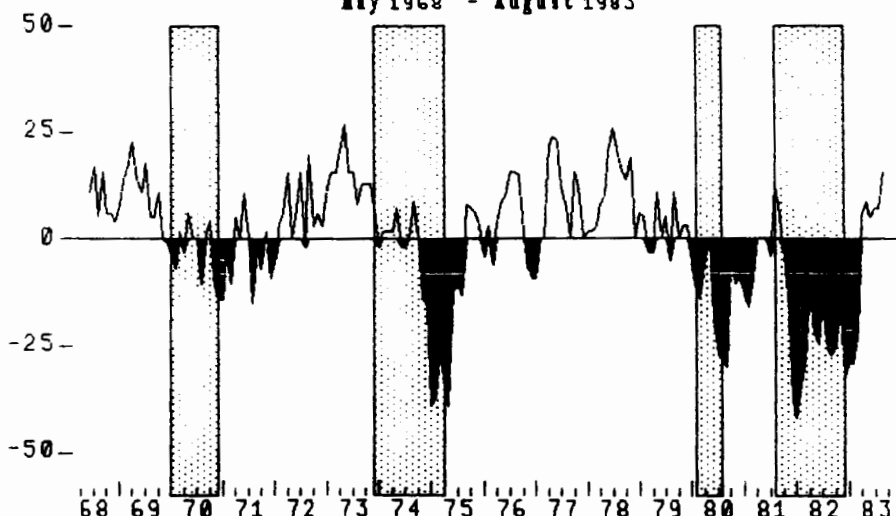
AUGUST 1983

Business conditions in the local manufacturing sector continue to improve this month, according to the August Business Outlook Survey. For the seventh consecutive month, overall activity at area factories has registered a strong pick-up. Almost half of the survey respondents report that conditions are better in August than in July, and only eight percent point to a decline in recent industrial activity.

The strength of the industrial expansion is apparent in the specific indicators for August, all of which show strong upward movement. New orders have posted their best gains of the summer, shipments have rebounded soundly from seasonally depressed July levels, and producers' backlogs have grown more substantially than in quite some time. As a result, delivery times are growing longer and manufacturers continue to draw down inventories to keep pace with demand. On the employment front, recent boosts in production have finally led to solid gains for factory workers. Payrolls show the biggest increase in almost five years this month (see graph), and a slight lengthening of the average workweek is reported.

The outlook for industrial activity and employment remains upbeat. More than 80 percent of participating businessmen expect that conditions in the manufacturing sector will improve even more by February. Respondents say new orders and

INDEX OF CURRENT MANUFACTURING EMPLOYMENT *
BUSINESS OUTLOOK SURVEY
May 1968 - August 1983



*Index represents the percentage of respondents reporting an increase in employees from the previous month minus the percentage reporting a decrease in employees. Shaded bars denote recessions.

shipments should continue to expand vigorously, and some inventory growth is projected. Further employment gains are a likely result. Local manufacturers indicate that they will hire more workers and lengthen working hours as needed to keep pace with demand. Producers also plan to step up their investment in plant and equipment over the next six months.

Manufacturing prices continue to drift upward, but survey results indicate that, on average, the pace remains slower than in the past. Roughly one-third of the participating businessmen report paying higher input prices since July and another fifth have raised their final products' prices this month. Further increases in industrial prices seem likely. Nearly 80 percent of the survey respondents forecast price hikes for raw materials over the next six months, and just over 60 percent expect to boost prices for finished goods by February.

In short, area manufacturers report further improvement in industrial activity and employment in August and forecast more growth for the next six months. The increased activity has pushed industrial prices up again, and that upward pressure is likely to remain in force in the future.

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SUMMARY OF RETURNS

August 1983

INDICATOR	August vs. July			Six Months from Now vs. August		
	Decrease	No Change	Increase	Decrease	No Change	Increase

GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	8.1	41.9	48.4	0.0	16.1	82.3
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COMPANY BUSINESS INDICATORS

New Orders	9.7	41.9	48.4	0.0	17.7	80.6
Shipments	9.7	35.5	53.2	0.0	22.6	75.8
Unfilled Orders	9.7	54.8	32.3	4.8	59.7	32.3
Delivery Time	1.6	74.2	21.0	3.2	75.8	17.7
Inventories	27.4	53.2	17.7	17.7	38.7	41.9
Prices Paid	1.6	64.5	33.9	0.0	21.0	79.0
Prices Received	3.2	74.2	21.0	0.0	37.1	61.3
Number of Employees	12.9	58.1	29.0	4.8	48.4	46.8
Average Employee Workweek	8.1	72.6	16.1	0.0	71.0	27.4
Capital Expenditures				8.1	48.4	40.3

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