

BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: January 1981

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.

The new year appears to be starting out on a stable note, as manufacturers responding to the January Business Outlook Survey indicate no real change in overall industrial activity from last month. Rebounding from December's reported downturn in general manufacturing activity, this could mean that the recovery hinted at in September, October, and November of last year may have finally started, although it is a bit early to draw any hard conclusions. In terms of specific indicators, new orders and shipments remain unchanged from December, and inventories have held steady for the third consecutive month. On the employment front, however, payrolls continue to shrink in January while manufacturers report a further shortening of the average workweek.

For the longer term, survey respondents remain optimistic, anticipating a significant upswing in general industrial activity within the next six months. Over one-half of the survey participants expect new orders to grow in the first half of 1981, while a slightly smaller portion project increased shipments between now and July. Manufacturers are playing a close hand, however, and are planning cautiously. Respondents to the survey are projecting no changes in stock levels or the average workweek and plan to hold off on new hirings as well. Increased expenditures on plant and equipment, however, are anticipated.

Industrial prices took another jump in January as 61 percent of the survey participants report paying more for raw materials than they did in December and about

40 percent say they are charging more for their finished goods. Looking ahead, 9 out of 10 of the respondents expect to be paying higher input costs by July, while about 8 out of 10 plan price hikes for the goods they sell.

In short, business activity in the industrial sector has remained at virtually the same level as last month. The future looks brighter, though, as manufacturers anticipate improvement by July.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS January 1981

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? | 19.4 | 64.5 | 16.1 | 6.5 | 25.8 | 64.5 |
|--------------------------------------------------------------------|------|------|------|-----|------|------|

COMPANY BUSINESS INDICATORS

| | | | | | | |
|---------------------------|------|------|------|------|------|------|
| New Orders | 16.1 | 64.5 | 19.4 | 12.9 | 25.8 | 61.3 |
| Shipments | 16.1 | 64.5 | 19.4 | 16.1 | 29.0 | 54.8 |
| Unfilled Orders | 22.6 | 67.7 | 6.5 | 16.1 | 54.8 | 25.8 |
| Delivery Time | 16.1 | 77.4 | 3.2 | 9.7 | 74.2 | 9.7 |
| Inventories | 19.4 | 58.1 | 22.6 | 32.3 | 35.5 | 32.3 |
| Prices Paid | 0.0 | 38.7 | 61.3 | 3.2 | 6.5 | 90.3 |
| Prices Received | 0.0 | 61.3 | 38.7 | 3.2 | 12.9 | 83.9 |
| Number of Employees | 25.8 | 64.5 | 9.7 | 22.6 | 58.1 | 19.4 |
| Average Employee Workweek | 9.7 | 83.9 | 3.2 | 22.6 | 51.6 | 22.6 |
| Capital Expenditures | | | | 16.1 | 51.6 | 32.3 |

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