

BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: August 1980

This Summary of Returns reports on the August 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.

Respondents to the August Business Outlook Survey report further decline in area manufacturing activity, extending the slump in the industrial sector to fourteen months. New orders are off again substantially in August, with shipments down also, but to a lesser degree. Hence, producers' backlogs continue to shrink at over 40 percent of the firms surveyed, and inventory liquidation continues to just shy of 20 percent. On the employment front, the situation appears to have worsened with both payrolls and the average workweek reported down by about one-third of the respondents.

As for the future, businessmen polled are sticking with their optimistic six-month forecast of the past three surveys. Area manufacturers anticipate an upward swing in general business activity by the end of the first quarter of next year. New orders and shipments are expected to increase substantially and manufacturers plan to add to inventories. Respondents plan to hold off on new hirings, though, meeting increased production needs with a longer workweek and increased expenditures on plant and equipment.

Industrial prices are up again in August, according to the survey, but at fewer firms than reported earlier this year. Less than half of the respondents report paying higher prices for inputs than they did in July, and only 15 percent report charging more for their finished goods. Manufacturers expect inflation to rekindle in the near future though, as

over three-quarters expect to be paying more for raw materials by February, and about 60 percent are planning price hikes for the goods they sell.

Overall, local industrial activity has continued to slide in August, but, looking ahead, area manufacturers are optimistic. However, no permanent relief from rising prices is expected.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

August 1980

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?	51.5	36.4	12.1	9.1	24.2	66.7
COMPANY BUSINESS INDICATORS						
New Orders	45.5	39.4	15.2	15.2	27.3	57.6
Shipments	42.4	39.4	18.2	15.2	33.3	51.5
Unfilled Orders	45.5	48.5	3.0	15.2	54.5	27.3
Delivery Time	15.2	75.8	6.1	9.1	81.8	6.1
Inventories	36.4	45.5	18.2	21.2	36.4	42.4
Prices Paid	3.0	51.5	45.5	0.0	21.2	75.8
Prices Received	3.0	75.8	18.2	3.0	30.3	63.6
Number of Employees	36.4	54.5	6.1	24.2	48.5	27.3
Average Employee Workweek	33.3	66.7	0.0	12.1	63.6	21.2
Capital Expenditures				3.0	66.7	27.3

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