

B. L.

BUSINESS OUTLOOK SURVEY

MAY 1982

Department of Research
Federal Reserve Bank of Philadelphia



Manufacturers responding to the May Business Outlook Survey say general business conditions are unchanged from April. There has been relatively little change in the industrial sector at all since it levelled off from a five-month decline in March. Again, as in the last two months, a slight improvement in nondurable activity is responsible for the overall stability in manufacturing. The decline in durables, however, has moderated this month and has caused the gap between durables and nondurables to narrow.

In specific terms, survey respondents report that new orders, after two months of moderate growth, are stalled at their April levels. Shipments held steady as well, as they have all this year aside from a spurt in March. The prevailing sluggishness in current activity apparently has pushed stock liquidation even higher in May; inventory cutting is more widespread this month than it's been in over two years. In addition, reductions in both the factory work force and the length of the average work week are reported.

Despite continued weakness in the industrial sector, local manufacturers remain highly optimistic about the next six months. Over 70 percent of this month's respondents foresee improved business conditions by November. Upswings in both new orders and shipments are expected, and increases in payrolls and working hours are planned. Despite the positive outlook, however, only small additions to stock levels or capital spending are projected. Respondents' caution in these areas suggests that any recovery over the next six months is likely to be weak.

The recent slowdown in manufacturing activity has virtually halted industrial price inflation. Almost 80 percent of participating firms, both finished good and input prices have remained constant. Despite the present lull in inflation, local manufacturers anticipate higher prices by

November. In recent months, however, these expectations have been much less prevalent than during the past several years. In fact, more than one-quarter of this month's respondents expect costs to stay the same between now and November, and nearly one-half plan to maintain their products' current prices over that period.

In summary, business activity and prices in the manufacturing sector are flat this month. Although industrialists are expecting some growth between now and November, however, which should improve labor's situation and curtail inventory liquidation.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

May 1982

INDICATOR

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

GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	17.6	60.3	17.6	4.4	17.6	73.5
--	------	------	------	-----	------	------

COMPANY BUSINESS INDICATORS

New Orders	17.6	61.8	20.6	4.4	19.1	76.5
Shipments	19.1	55.9	20.6	7.4	14.7	72.1
Unfilled Orders	22.1	63.2	10.3	11.8	42.6	41.2
Delivery Time	16.2	75.0	4.4	5.9	73.5	16.2
Inventories	48.5	39.7	10.3	22.1	47.1	29.4
Prices Paid	5.9	79.4	13.2	1.5	26.5	70.6
Prices Received	11.8	76.5	10.3	0.0	48.5	50.0
Number of Employees	27.9	66.2	4.4	8.8	44.1	44.1
Average Employee Workweek	17.6	73.5	7.4	2.9	51.5	41.2
Capital Expenditures				16.2	57.4	22.1

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