B. Turnbull

BUSINESS OUTLOOK SURVEY

JUNE 1982

Department of Research
Federal Reserve Bank of Philadelphia

Area manufacturing activity remained unchanged for the fourth consecutive month in June according to respondents to the most recent Business Outlook Survey. While there are some encouraging signs that activity in the industrial sector is gaining strength, there has been little real recovery from the recent slump. Activity in the durable goods sector seems to have stabilized following a long downturn, and manufacturers of nondurables have reported slight improvement since May.

Further indications of strength in local manufacturing are evident in new orders and shipments, both of which posted fractional gains in June. As a result, inventory liquidation, although still with us, has tapered off after reaching a two-year high in May. Labor's situation has not improved, however, as cutbacks in payrolls and working hours are still reported.

The softness in current conditions appears to have only slightly tempered survey participants' optimism about the future. About two-thirds of the businessmen polled expect some improvement in general economic conditions by December. Further gains in new orders and shipments are anticipated over the next six months and manufacturers are planning to expand both their work forces and the length of the average workweek. But, while an end to inventory cutting is also predicted, respondents apparently do not anticipate a recovery strong enough to warrant additional capital expenditures.

Industrial prices, which were stable in May, have not changed significantly this month either. And, while area manufacturers foresee some renewed inflation over the next six months, at least some of the present sluggishness in prices is expected to continue through the fall. In June, more respondents than at any other time since the last months of the 1973-75 recession say that both raw material costs and finished good prices will remain stable over the next six months.

Overall, area manufacturers report that both manufacturing activity and prices have held st this month. Local businessmen expect an improvement in general business conditions by Decembe

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SUMMARY OF RETURNS
June 1982

INDICATOR	June vs. May			Six Months from Now vs. June		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	17.9	58.2	22.4	7.5	19.4	70.1
COMPANY BUSINESS INDICATORS						
New Orders	16.4	56.7	26.9	4.5	23.9	70.1
Shipments	16.4	53.7	28.4	9.0	25.4	62.7
Unfilled Orders	25.4	64.2	7.5	6.0	53.7	35.8
Delivery Time	16.4	76.1	4.5	7.5	74.6	13.4
Inventories	37.3	49.3	13.4	23.9	41.8	31.3
Prices Paid	4.5	77.6	16.4	3.0	37.3	58.2
Prices Received	10.4	77.6	10.4	3.0	55.2	38.8
Number of Employees	29.9	55.2	14.9	6.0	47.8	44.8
Average Employee Workweek	17.9	73.1	7.5	4.5	61.2	31.3
Capital Expenditures				13.4	64.2	16.4

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