

BUSINESS OUTLOOK



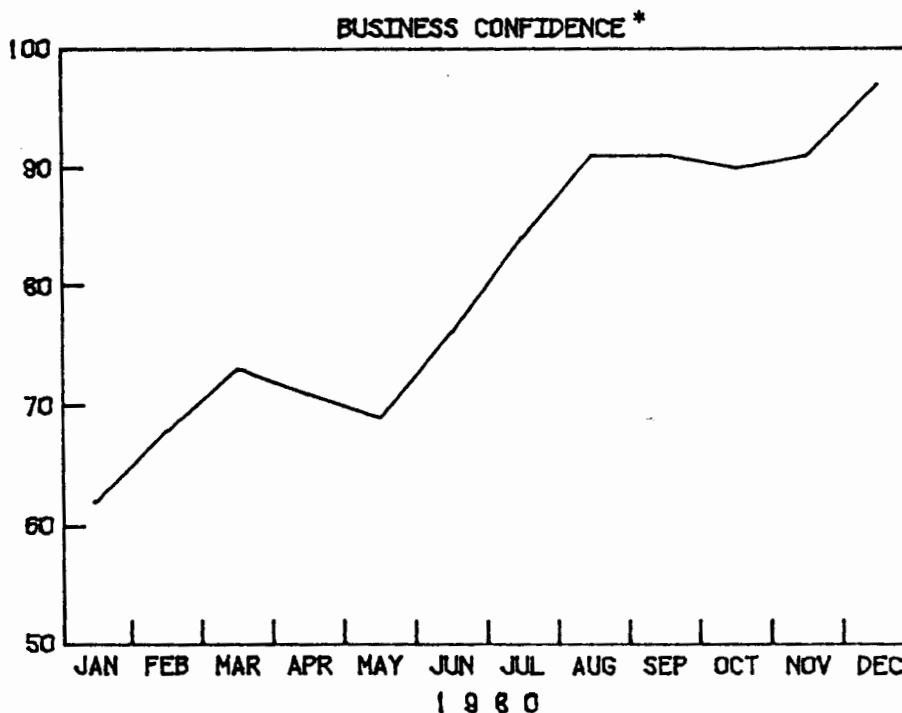
FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: December 1980

This Summary of Returns reports on the December 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 December Business Outlook Survey indicate a sharp downturn in general industrial activity this month relative to November. This follows a three-month respite from the downward trend area industry has been in since mid-1979. Supporting the claims of decreased activity, both new orders and shipments are down substantially. The employment situation looks dimmer as well, as payrolls have been cut fractionally and the average workweek has been shortened again. Inventories, on the other hand, have remained stable for the second month in a row.

Despite the prolonged downward trend in industrial activity in this area, business confidence has been on the increase throughout the year (see graph). This month's survey participants also cast their "vote of confidence" as over three-quarters of the respondents



*Index represents percentage of respondents expecting no change in business conditions over the next six months plus percentage expecting improvement.

anticipate a strong boost for business within six months. In terms of specific indicators, about 70 percent of the manufacturers polled forecast climbing levels of new orders and shipments. To meet the renewed demand, manufacturers plan to add to inventories, lengthen the workweek, and recruit new employees by next June. Increased capital outlays also are projected at about one-third of the firms surveyed.

On the inflation front, industrial prices are up again in December, as 53 percent of the respondents report paying more for raw materials than they did last month, and about one-fifth indicate charging higher prices for their finished goods. No relief from inflation is expected, as 9 out of 10 of the managers surveyed anticipate input costs to rise by next June, and better than 7 out of 10 plan price hikes for the goods they sell.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS
December 1980

INDICATOR	December vs. November			Six Months from Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	26.7	60.0	13.3	3.3	16.7	80.0
COMPANY BUSINESS INDICATORS						
New Orders	26.7	63.3	10.0	6.7	16.7	76.7
Shipments	33.3	56.7	10.0	6.7	16.7	76.7
Unfilled Orders	26.7	63.3	6.7	6.7	53.3	36.7
Delivery Time	16.7	73.3	6.7	6.7	73.3	16.7
Inventories	26.7	46.7	26.7	23.3	36.7	40.0
Prices Paid	0.0	46.7	53.3	0.0	6.7	90.0
Prices Received	3.3	70.0	23.3	0.0	23.3	73.3
Number of Employees	13.3	86.7	0.0	3.3	50.0	46.7
Average Employee Workweek	6.7	86.7	0.0	3.3	60.0	33.3
Capital Expenditures				3.3	53.3	36.7

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