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JULY 1981



# BUSINESS OUTLOOK SURVEY

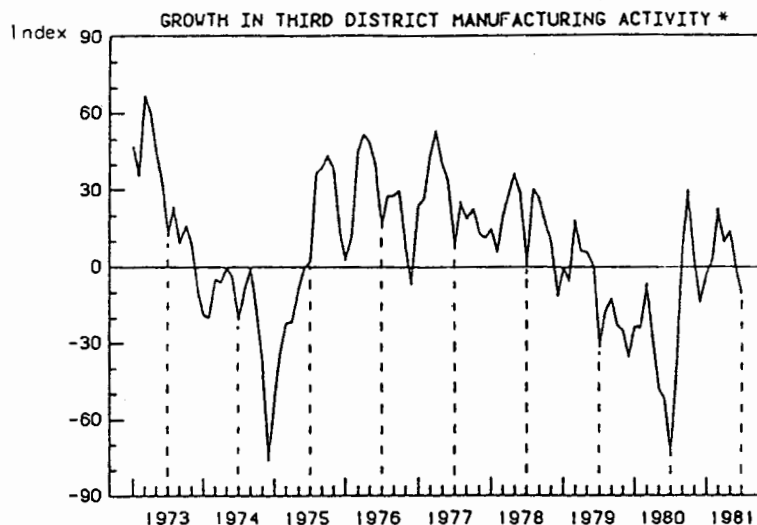
Department of Research  
Federal Reserve Bank of Philadelphia

Manufacturers responding to the July Business Outlook Survey say that business slipped somewhat this month, the first such negative indication so far this year. The dip may turn out, however, to be only a seasonal slowdown, typical of area industrial activity in July. Such a midsummer lull has been recorded by the survey each year for the past eight, with the exception of 1975 when the U.S. economy was recovering from its worst recession in over 35 years (see Chart).

Turning to specific indicators for July, new orders are reported to be off only very marginally, while shipment levels are just about where they were last month. Delivery times have grown shorter and producer backlogs have shrunk, though, leading many manufacturers in the area to pare inventories a bit

further. On the employment front, however, the situation appears to be a bit more promising. Survey participants report small increases in their payrolls for the first time since April of '79. No change in working hours is indicated.

As for the future, survey participants are maintaining their optimism about economic conditions over the next six months, anticipating a widespread upswing in general industrial activity by the start of the new year. Both new orders and shipments are expected to grow between now and January, and,



\*Index represents percentage of respondents indicating an increase in general business activity less the percentage indicating a decrease. Broken lines indicate July of each year.

as production picks up, area manufacturers plan to make at least small additions to stock levels. The step-up in manufacturing could give area factory labor a boost as well, as survey respondents plan to increase employment while also lengthening the workweek. Increased capital outlays are projected at better than 1 out of 3 of the firms surveyed.

Prices paid to suppliers have risen again for about one-half of the survey participants in July, and over one-third of the area manufacturers responding to this month's survey report charging higher prices for their finished products. No relief from inflation in the coming months is anticipated as 9 out of 10 of the respondents expect to be paying more for raw materials by January and nearly 7 out of 10 plan price hikes for the goods they sell.

In short, local industrial activity showed a few signs of slipping in July, but has probably, for the most part, remained basically unchanged. Manufacturers are anticipating a general pickup within the next six months, giving area employment a boost in the process.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS JULY 1981

#### INDICATOR

July vs. June			Six Months from Now vs. July		
Decrease	No Change	Increase	Decrease	No Change	Increase

#### GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	27.3	54.5	15.9	5.7	15.9	75.0
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#### COMPANY BUSINESS INDICATORS

New Orders	27.3	46.6	22.7	8.0	14.8	75.0
Shipments	25.0	46.6	23.9	6.8	21.6	68.2
Unfilled Orders	29.5	53.4	10.2	13.6	36.4	44.3
Delivery Time	17.0	71.6	5.7	8.0	58.0	29.5
Inventories	34.1	37.5	23.9	22.7	34.1	39.8
Prices Paid	0.0	43.2	54.5	0.0	9.1	90.9
Prices Received	1.1	58.0	36.4	0.0	29.5	68.2
Number of Employees	10.2	65.9	21.6	6.8	51.1	42.0
Average Employee Workweek	11.4	78.4	8.0	5.7	64.8	29.5
Capital Expenditures				8.0	38.6	46.6

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