



BUSINESS OUTLOOK SURVEY

Department of Research
Federal Reserve Bank of Philadelphia

JANUARY 1982

Manufacturers responding to the January Business Outlook Survey report further decline in area manufacturing activity, extending the slump in the local industrial sector to four months. Thirty-nine percent of the executives polled indicate deterioration in the business climate while only 13 percent report improvement. In terms of specific indicators, new orders are off in January but to a lesser degree than in November and December. Shipments, on the other hand, have held steady following two months of decline. Inventories have been trimmed slightly again in January. On the employment front, payrolls continue to shrink while manufacturers report a further shortening of the workweek.

The continued slowdown has not put a damper on manufacturer's forecasts, however, as approximately three-quarters of the survey participants anticipate improvement in general activity within the next six months. Over two-thirds of the respondents expect new orders and shipments to take off between now and July, and, as production picks up, manufacturers foresee increases in payrolls along with longer working hours. Survey respondents continue to be cautious, however, and many plan to keep a lid on stock levels. Capital expenditures will be fairly soft in coming months as well.

On the inflation front, industrial prices are up again in January but price hikes appear to be softening. Almost two-thirds of the survey participants report stable input costs in January, and nearly three-quarters say they've kept the prices on their finished products the same as in December. Looking ahead, close to 8 out of 10 of those polled expect to be paying more for raw materials by July and about 6 out of 10 plan price hikes for the goods they sell.

In short, indications from this month's survey point to a continued slowdown in industrial activity in January. Manufacturers are optimistic about the future, though, anticipating some improvement mid-summer.

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SUMMARY OF RETURNS January 1982

INDICATOR

January vs. December			Six Months from Now vs. January		
Decrease	No Change	Increase	Decrease	No Change	Increase

GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	38.8	47.8	13.4	6.0	14.9	79.1
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COMPANY BUSINESS INDICATORS

New Orders	31.3	46.3	22.4	9.0	13.4	77.6
Shipments	26.9	40.3	29.9	9.0	11.9	76.1
Unfilled Orders	35.8	53.7	6.0	9.0	32.8	52.2
Delivery Time	16.4	77.6	3.0	7.5	64.2	23.9
Inventories	31.3	49.3	17.9	28.4	38.8	31.3
Prices Paid	6.0	64.2	28.4	1.5	20.9	74.6
Prices Received	7.5	71.6	17.9	0.0	34.3	61.2
Number of Employees	38.8	56.7	4.5	13.4	41.8	44.8
Average Employee Workweek	22.4	73.1	3.0	4.5	56.7	37.3
Capital Expenditures				13.4	52.2	29.9

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