



BUSINESS OUTLOOK SURVEY

Department of Research
Federal Reserve Bank of Philadelphia

AUGUST 1981

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Respondents to the August Business Outlook Survey say that the local industrial sector is showing some signs of expansion this month as area plants rebound from a seasonal slump. Supporting the claims of renewed strength, shipments are reported to be significantly higher than they were a month ago. New orders are also up, the first time since March, but by less than shipments, causing a shrinkage of producers' backlogs. Manufacturers have also added to inventories in August, although only fractionally. On the labor scene, it appears that factory employment has received at least a small boost from the industrial spurt too. Survey participants report marginal increases in their payrolls but no change in working hours is indicated.

For the longer term, respondents to the survey remain optimistic, and continue to forecast a widespread upswing in general industrial activity over the next six months. Over two-thirds of the survey participants predict climbing levels of new orders and shipments between now and February. Plans for meeting the anticipated demand include hiring more labor (at 35 percent of the firms polled), lengthening the workweek (at 26 percent), and boosting expenditures on plant and equipment (at 44 percent).

Industrial prices are up again in August, according to the survey, as 44 percent of the respondents report paying more for raw materials than they did in July and about one-quarter report charging higher prices for their finished goods. Looking ahead, 9 out of 10 of those polled expect to be paying higher input costs by February, while about 7 out of 10 plan price hikes for the goods they sell.

In summary, business activity in the manufacturing sector, according to survey participations, has begun to show some healthy signs in August and is expected to

continue its climb. On the other hand, little relief from inflation is foreseen in the near future.

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SUMMARY OF RETURNS August 1981

INDICATOR

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

GENERAL BUSINESS CONDITIONS

What is your evaluation of the level of general business activity?	10.6	63.6	25.8	7.6	18.2	72.7
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COMPANY BUSINESS INDICATORS

New Orders	21.2	42.4	34.8	9.1	15.2	74.2
Shipments	15.2	47.0	36.4	6.1	19.7	72.7
Unfilled Orders	19.7	63.6	13.6	13.6	39.4	43.9
Delivery Time	9.1	74.2	13.6	9.1	60.6	27.3
Inventories	21.2	43.9	34.8	37.9	34.8	27.3
Prices Paid	0.0	56.1	43.9	0.0	9.1	90.9
Prices Received	0.0	74.2	24.2	0.0	24.2	74.2
Number of Employees	6.1	80.3	13.6	7.6	57.6	34.8
Average Employee Workweek	6.1	86.4	6.1	4.5	68.2	25.8
Capital Expenditures				3.0	47.0	43.9

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