



BUSINESS OUTLOOK SURVEY

MARCH 1982

Department of Research
Federal Reserve Bank of Philadelphia

Manufacturers responding to the March Business Outlook Survey report that overall industrial activity has held steady this month, owing, for the most part, to a strong showing by nondurable goods industries. Strength in that sector was sufficient to offset the deterioration reported by manufacturers of durables. Such results provide more evidence that, for some industries, the business slump may be bottoming out.

Further indications of a levelling off in overall local manufacturing activity include a pickup in both new orders and shipments, which have rebounded in March from their winter slump. Inventories, however, are being drawn down again in March, paced by sharp reductions in the durable goods sector. Cutbacks in payrolls are still reported, but are much less prevalent than in recent months. There is no change reported in working hours.

Looking ahead to the next six months, businessmen polled are optimistic but, in spite of the current signs of strength, their outlook has softened since February. While over 50 percent of the participating firms expect general conditions to improve by September, a small but significant number now foresee a drop in activity. Strong growth in new orders and shipments is expected, although not as strong as predicted in recent surveys. Local manufacturing employment may benefit from stepped-up activity, but producers are still cautious, and plan little expansion of either inventories or plant and equipment through late summer.

Industrial price hikes are more prevalent this month. Over one-third of responding manufacturers report higher input costs in March and nearly one-quarter say they are charging more for their own products. On the other hand, a small portion of the firms polled report price cuts. There is a widespread expectation of renewed inflation within the next six months. More than 75 percent of

responding businessmen expect costs to go up by September and over 50 percent plan price hikes the goods they sell.

Overall, area manufacturers report that business activity has flattened out this month. Low manufacturers anticipate some recovery over the next six months that should include a boost for labor along with higher prices.

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SUMMARY OF RETURNS

March 1982

INDICATOR	March vs. February			Six Months from Now vs. March		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	21.7	55.1	21.7	14.5	15.9	66.7
COMPANY BUSINESS INDICATORS						
New Orders	17.4	46.4	34.8	13.0	18.8	66.7
Shipments	14.5	44.9	36.2	13.0	24.6	58.0
Unfilled Orders	26.1	56.5	14.5	13.0	43.5	40.6
Delivery Time	13.0	78.3	5.8	11.6	65.2	20.3
Inventories	39.1	43.5	15.9	21.7	49.3	27.5
Prices Paid	8.7	53.6	36.2	2.9	18.8	78.3
Prices Received	7.2	65.2	23.2	2.9	36.2	55.1
Number of Employees	29.0	52.2	17.4	17.4	36.2	46.4
Average Employee Workweek	13.0	72.5	11.6	10.1	66.7	20.3
Capital Expenditures				15.9	46.4	31.9

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