

# BUSINESS OUTLOOK



FEDERAL  
RESERVE  
BANK OF  
PHILADELPHIA  
Department of  
RESEARCH

SURVEY For: August 1980

This Summary of Returns reports on the August 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 August Business Outlook Survey report further decline in area manufacturing activity, extending the slump in the industrial sector to fourteen months. New orders are off again substantially in August, with shipments down also, but to a lesser degree. Hence, producers' backlogs continue to shrink at over 40 percent of the firms surveyed, and inventory liquidation continues to just shy of 20 percent. On the employment front, the situation appears to have worsened with both payrolls and the average workweek reported down by about one-third of the respondents.

As for the future, businessmen polled are sticking with their optimistic six-month forecast of the past three surveys. Area manufacturers anticipate an upward swing in general business activity by the end of the first quarter of next year. New orders and shipments are expected to increase substantially and manufacturers plan to add to inventories. Respondents plan to hold off on new hirings, though, meeting increased production needs with a longer workweek and increased expenditures on plant and equipment.

Industrial prices are up again in August, according to the survey, but at fewer firms than reported earlier this year. Less than half of the respondents report paying higher prices for inputs than they did in July, and only 15 percent report charging more for their finished goods. Manufacturers expect inflation to rekindle in the near future though, as

over three-quarters expect to be paying more for raw materials by February, and about 60 percent are planning price hikes for the goods they sell.

Overall, local industrial activity has continued to slide in August, but, looking ahead, area manufacturers are optimistic. However, no permanent relief from rising prices is expected.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS

August 1980

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?	51.5	36.4	12.1	9.1	24.2	66.7
COMPANY BUSINESS INDICATORS						
New Orders	45.5	39.4	15.2	15.2	27.3	57.6
Shipments	42.4	39.4	18.2	15.2	33.3	51.5
Unfilled Orders	45.5	48.5	3.0	15.2	54.5	27.3
Delivery Time	15.2	75.8	6.1	9.1	81.8	6.1
Inventories	36.4	45.5	18.2	21.2	36.4	42.4
Prices Paid	3.0	51.5	45.5	0.0	21.2	75.8
Prices Received	3.0	75.8	18.2	3.0	30.3	63.6
Number of Employees	36.4	54.5	6.1	24.2	48.5	27.3
Average Employee Workweek	33.3	66.7	0.0	12.1	63.6	21.2
Capital Expenditures				3.0	66.7	27.3

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

# BUSINESS OUTLOOK SURVEY For:



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September 1980

This Summary of Returns reports on the September 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.

Manufacturers responding to the September Business Outlook Survey report a marginal increase in industrial activity this month. This is the first increase noted in fourteen months, and may signal the end of the downward trend in general business. Survey respondents have been predicting a pickup to start since last March. Reflecting the slight upturn in industrial activity in September, new orders, although off fractionally, look better than at any other time since September of '79. Shipments, too, look good, increasing marginally for the first time since March. The employment situation looks improved this month as well with only marginal payroll cuts reported and moderate declines in the average workweek indicated. The only indicator pointing to continued sluggishness is inventory levels, which have been cut somewhat again.

For the longer term, optimism appears to be growing as the largest percentage of survey respondents since April 1977 are projecting a strong boost for industrial activity six months from now. New orders and shipments are expected to increase and producers' backlogs to swell. To meet the renewed demand, area manufacturers plan to increase their payrolls and lengthen the average workweek. Twenty percent of the surveyed manufacturers expect to add to inventories and increase expenditures on plant and equipment as the recovery gets underway.

On the inflation front, industrial prices paid have again risen for 56 percent of the survey participants and about one-quarter of the responding area manufacturers report

charging higher prices for the goods they sell. Looking ahead, no relief from inflation is expected as 94 percent of the survey respondents expect to be paying more for raw materials and 74 percent are preparing to charge more for their finished goods.

In summary, local industrial activity has experienced its first increase this month, albeit a small one, in over a year. Area manufacturers continue to be optimistic about the future despite their expectations of continued inflation.

### BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS  
September 1980

INDICATOR	September vs. August			Six Months from Now vs. September		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	26.5	41.2	32.4	8.8	14.7	76.5
COMPANY BUSINESS INDICATORS						
New Orders	35.3	38.2	26.5	11.8	20.6	67.6
Shipments	23.5	44.1	32.4	14.7	23.5	61.8
Unfilled Orders	41.2	50.0	5.9	17.6	47.1	32.4
Delivery Time	23.5	67.6	5.9	11.8	64.7	20.6
Inventories	35.3	44.1	20.6	26.5	26.5	47.1
Prices Paid	0.0	44.1	55.9	0.0	5.9	94.1
Prices Received	0.0	73.5	23.5	0.0	23.5	73.5
Number of Employees	20.6	64.7	14.7	14.7	50.0	35.3
Average Employee Workweek	20.6	70.6	8.8	5.9	64.7	26.5
Capital Expenditures				11.8	58.8	29.4

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