



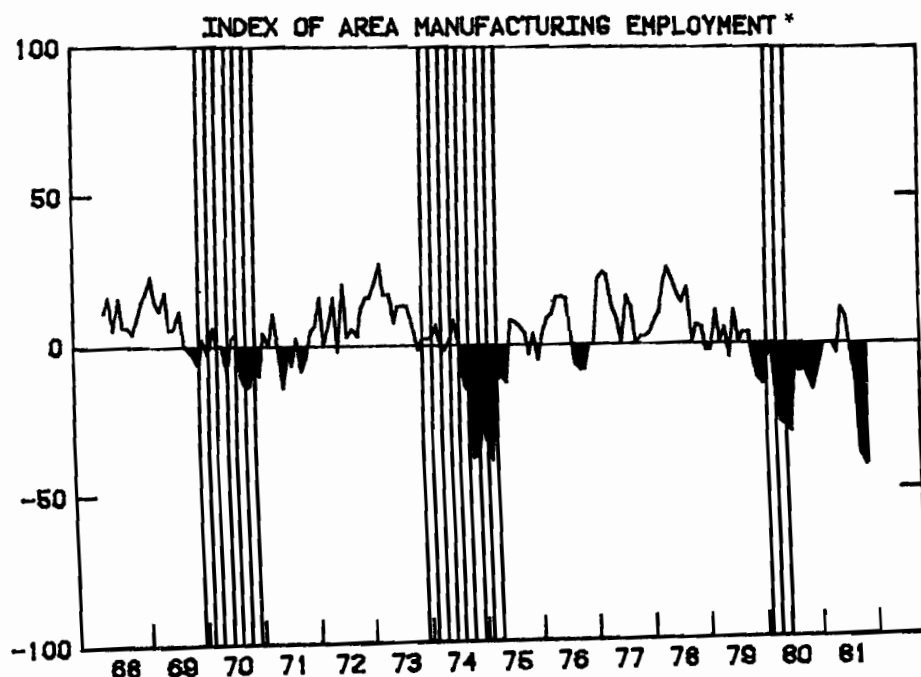
BUSINESS OUTLOOK SURVEY

Department of Research
Federal Reserve Bank of Philadelphia

DECEMBER 1981

Respondents to the December Business Outlook Survey report a substantial decline in area manufacturing activity from November levels. About 65 percent of the executives polled in December indicated deterioration in the business climate, while only 7 percent noted improvement. These results suggest the most pervasive one-month drop in local industrial activity in over a year. In specific terms, over half of the survey respondents reported a decrease in new orders and shipments in December and inventories were cut back for the fourth consecutive month. This drop in activity spelled trouble for area workers. The largest percentage of respondents since the Survey began in 1968 reported payroll cuts in December, and the Survey's Index of Area Manufacturing Employment hit recession level (see graph).

As for the future, manufacturers remain optimistic in the face of this month's slowdown. Approximately three-quarters of the survey participants project an upswing in general industrial activity by mid-1982, and about two-thirds predict climbing levels of new orders and shipments over the same



*Index represents percentage of respondents indicating an increase in employment at their firm minus the percentage indicating a decrease. Vertical lines denote recessions.

period. However, it appears that manufacturers will wait for stronger signals on the economy before really preparing for a boom. Despite reported plans to expand employment and lengthen the workweek over the next six months, many survey respondents plan to keep a lid on inventories and capital expenditures.

Industrial prices are up again in December, but price hikes are less prevalent this month than in November. Two-thirds of the respondents report stable input costs in December, and three-quarters say they have held the line on the prices of their finished products. Manufacturers expect inflation to rekindle in the near future though, as 8 out of 10 of those polled expect to be paying more for raw materials by June, while nearly 6 out of 10 plan price hikes for the goods they sell.

Overall, area manufacturers report a substantial decline in industrial activity this month. The future looks brighter though, as manufacturers anticipate some improvement within the next six months, with a boost for employment in the process.

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SUMMARY OF RETURNS
December 1981

INDICATOR	December vs. November			Six Months from Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	64.9	27.0	6.8	5.4	14.9	78.4
COMPANY BUSINESS INDICATORS						
New Orders	62.2	27.0	10.8	10.8	12.2	75.7
Shipments	58.1	31.1	8.1	8.1	16.2	74.3
Unfilled Orders	54.1	37.8	4.1	13.5	31.1	52.7
Delivery Time	27.0	67.6	1.4	8.1	62.2	25.7
Inventories	43.2	33.8	23.0	32.4	39.2	28.4
Prices Paid	4.1	67.6	25.7	0.0	17.6	79.7
Prices Received	6.8	74.3	16.2	0.0	39.2	58.1
Number of Employees	45.9	50.0	4.1	16.2	37.8	45.9
Average Employee Workweek	31.1	66.2	1.4	8.1	58.1	32.4
Capital Expenditures				13.5	48.6	32.4

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