

BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: March 1980

This Summary of Returns reports on the March 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 March Business Outlook Survey indicate only a marginal drop from last month in area industrial activity, a welcome change from the steady and significant declines that have been reported each month since last July. Whether this signals a real end to the slowdown, or just a breather, remains to be seen, however. Reflecting this moderation of the turndown, shipments at area plants are up for the first time in five months. The employment situation appears to have stabilized too, with only marginal payroll cuts and no change in working hours reported. New orders, however, remain off, but by a smaller magnitude than reported in recent surveys. Inventory liquidation, after abating last month, has resumed.

As for the future, survey participants have responded optimistically for the second consecutive month. Having been forecasting nothing but gloom and doom since December '78, manufacturers now predict a small pickup in overall business within the next two quarters, with commensurate jumps in new orders and shipments anticipated. This brighter outlook should be good news for area factory workers who have taken their lumps in the last few months, as work forces are expanded fractionally and capital expenditures get a boost.

Industrial prices are surging ahead again this month, according to the survey, with 4 out of 5 of the respondents paying more for inputs than they did last month, and 1 out of 2 charging more for the goods they sell. For the longer term, nearly nine-tenths of the

manufacturers polled expect costs to go up by September, and three-fourths are planning price hikes for the goods they sell.

In summary, the industrial downturn appears to have halted, at least temporarily, in March. Looking ahead, manufacturers are more optimistic about business conditions than they've been in the recent past, but see no relief from inflation.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS March 1980

| 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? | 18.2 | 66.7 | 12.1 | 27.3 | 33.3 | 33.3 |
| COMPANY BUSINESS INDICATORS | | | | | | |
| New Orders | 27.3 | 54.5 | 15.2 | 24.2 | 27.3 | 39.4 |
| Shipments | 15.2 | 54.5 | 30.3 | 24.2 | 30.3 | 42.4 |
| Unfilled Orders | 24.2 | 60.6 | 12.1 | 27.3 | 45.5 | 21.2 |
| Delivery Time | 12.1 | 72.7 | 12.1 | 18.2 | 57.6 | 18.2 |
| Inventories | 36.4 | 48.5 | 15.2 | 21.2 | 48.5 | 27.3 |
| Prices Paid | 0.0 | 18.2 | 81.8 | 0.0 | 9.1 | 87.9 |
| Prices Received | 0.0 | 48.5 | 51.5 | 0.0 | 21.2 | 75.8 |
| Number of Employees | 12.1 | 81.8 | 6.1 | 9.1 | 66.7 | 21.2 |
| Average Employee Workweek | 6.1 | 87.9 | 6.1 | 15.2 | 72.7 | 9.1 |
| Capital Expenditures | | | | 3.0 | 60.6 | 27.3 |

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