

BUSINESS OUTLOOK SURVEY For:



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

MAY 1981

This Summary of Returns reports on the May response 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 May Business Outlook Survey say that although business conditions have improved somewhat this month, actual overall manufacturing activity is only slightly, if at all, ahead of its April level. Manufacturers have been reporting little to no growth for five consecutive months now. In terms of specific indicators, shipments are up slightly in May and inventories, after six months of holding steady, have increased marginally as well. New order levels, on the other hand, remain unchanged from April. As for labor, the situation is about the same as last month with no real changes in either payrolls or the average workweek reported.

Looking ahead, respondents to the survey continue to be optimistic, projecting a sharp upswing in general activity by November. Both new orders and shipments are expected to grow within the next six months, and, to meet the renewed demand, area manufacturers plan to make at least small additions to their inventories. Labor stands to gain from the upbeat outlook, as survey participants plan to add hours to the workweek and hire new employees within the next six months. Increased capital expenditures are also forecast.

On the inflation front, industrial prices are up again in May as nearly 70 percent of the survey respondents report paying more for raw materials than they did in April, and almost 45 percent say they are charging more for their finished products. No relief from

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inflation is expected as nearly 9 out of 10 survey participants anticipate higher input costs by November and about 8 out of 10 plan price hikes for the goods they sell.

In summary, local industrial activity showed a few signs of expansion in May, but has, for the most part, remained basically unchanged. Manufacturers look forward to a boost within the next six months. Rising prices, however, are expected to continue with no foreseeable relief.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

May 1981

INDICATOR	May vs. April			Six Months from Now vs. May		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	11.1	63.9	25.0	8.3	8.3	80.6
COMPANY BUSINESS INDICATORS						
New Orders	22.2	52.8	25.0	11.1	11.1	75.0
Shipments	13.9	61.1	25.0	8.3	13.9	77.8
Unfilled Orders	22.2	66.7	8.3	16.7	44.4	36.1
Delivery Time	11.1	72.2	13.9	11.1	63.9	22.2
Inventories	22.2	47.2	30.6	25.0	44.4	30.6
Prices Paid	0.0	30.6	69.4	0.0	11.1	88.9
Prices Received	0.0	52.8	44.4	0.0	22.2	75.0
Number of Employees	8.3	83.3	8.3	8.3	63.9	27.8
Average Employee Workweek	8.3	80.6	8.3	5.6	63.9	27.8
Capital Expenditures				5.6	66.7	25.0

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