



BUSINESS OUTLOOK SURVEY

JULY 1982

Department of Research
Federal Reserve Bank of Philadelphia

Respondents to the July Business Outlook Survey indicate a fractional downturn in overall business conditions in the local industrial sector this month. Much of the drop, however, can be attributed to seasonal factors. July is traditionally a weak month for area industry, and it would be premature to conclude that area business has started to slip from the plateau it's been on since March. The change in activity in July is evenly balanced between manufacturers of durable and nondurable goods; similar drops are reported in both sectors.

The slowdown in general activity in July is characterized by sharp reductions in new orders and shipments. In response, inventory liquidation has burst upward past the two year high set in May, and employers are continuing to cut back on working hours and the number of employees.

Looking ahead to the next six months, local manufacturers' already upbeat outlook has brightened further. Roughly three-quarters of the survey participants are forecasting an upswing in industrial activity by early 1983. New orders and shipments are expected to grow over the next two quarters, and an improved labor situation should result, evidenced by expanded payrolls and a longer average workweek. Respondents have no plans for inventory building however, and foresee only very slight additions to capital outlays by January. Hesitation in expanding these items most likely reflects participants' expectations of a relatively weak recovery.

For the third consecutive month local industrial prices are holding steady. About 80 percent of participating businessmen report that input and finished goods prices are

unchanged from June. Area manufacturers do expect some renewed price inflation over the next six months, but projections of continuing softness in prices are still widespread.

In short, indications from this month's survey point to a drop in local industrial activity due mainly to seasonal factors. Prices have remained unchanged this month, as well. Manufacturers are optimistic about a recovery by January.

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SUMMARY OF RETURNS

July 1982

INDICATOR	July vs. June			Six Months from Now vs. July		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	23.9	62.7	11.9	3.0	19.4	76.1
COMPANY BUSINESS INDICATORS						
New Orders	29.9	56.7	11.9	3.0	23.9	73.1
Shipments	34.3	53.7	10.4	7.5	22.4	68.7
Unfilled Orders	32.8	58.2	6.0	11.9	46.3	38.8
Delivery Time	17.9	76.1	3.0	10.4	77.6	7.5
Inventories	50.7	41.8	7.5	26.9	44.8	28.4
Prices Paid	6.0	82.1	11.9	1.5	35.8	62.7
Prices Received	11.9	79.1	7.5	3.0	58.2	35.8
Number of Employees	31.3	64.2	4.5	9.0	50.7	38.8
Average Employee Workweek	29.9	62.7	6.0	7.5	59.7	31.3
Capital Expenditures				11.9	58.2	22.4

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