



BUSINESS OUTLOOK SURVEY

August
~~July~~ 1982

Department of Research
Federal Reserve Bank of Philadelphia

Manufacturers responding to this month's Business Outlook Survey say local industrial activity stabilized in August, after taking a seasonal drop in July. This month's results again point to continued weakness in the industrial sector, which seems to have bottomed out in February but has yet to show any real sign of recovery.

All of the specific indicators reflect the continuing weakness in overall activity. New orders have dropped off marginally from July levels, while shipments have remained flat, causing further shrinkage of producer backlogs. Stock levels have been reduced again, marking a full year of inventory liquidation. Further payroll cutbacks and a shorter average workweek are reported as well.

Despite the continuing slump in industrial activity, survey respondents remain optimistic about future business conditions. About three-quarters of participating manufacturers expect business conditions to improve by February. Strength in new orders and shipments is predicted, as well as healthy growth in unfilled orders and delivery times. Local manufacturers plan to respond to the increased activity by expanding manpower and working hours. Projections of weakness in both inventory growth and capital spending continue to raise doubts as to the real strength of the recovery, however.

The prevailing sluggishness in local manufacturing continues to have a stabilizing effect on industrial prices. At over 80 percent of participating firms, neither prices paid for raw materials nor prices charged for finished products have changed since July. Looking ahead, however, predictions of continued stability in prices, apparent in the June and July surveys, have diminished somewhat this month.

In summary, both business activity and prices are flat in August as the industry slump lingers on. Area manufacturers are expecting a rebound that will lead to at least slightly improved conditions by February.

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SUMMARY OF RETURNS August 1982

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?	23.8	55.6	19.0	9.5	11.1	77.8
COMPANY BUSINESS INDICATORS						
New Orders	27.0	52.4	20.6	11.1	12.7	76.2
Shipments	22.2	52.4	25.4	9.5	17.5	73.0
Unfilled Orders	31.7	61.9	4.8	11.1	42.9	44.4
Delivery Time	12.7	82.5	3.2	4.8	71.4	22.2
Inventories	46.0	34.9	19.0	27.0	38.1	34.9
Prices Paid	6.3	81.0	12.7	1.6	34.9	63.5
Prices Received	11.1	81.0	6.3	1.6	50.8	46.0
Number of Employees	38.1	50.8	11.1	12.7	42.9	44.4
Average Employee Workweek	19.0	71.4	7.9	7.9	60.3	30.2
Capital Expenditures				15.9	57.1	20.6

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