



BUSINESS OUTLOOK SURVEY

MAY 1983

Department of Research
Federal Reserve Bank of Philadelphia

Local manufacturing activity has expanded significantly this month, according to respondents to the May Business Outlook Survey. Area industry has now posted consistently solid gains in every month since January. This month, 45 percent of participating businessmen report that overall conditions have improved since April, while only 3 percent note any deterioration in activity.

Leading the way for further expansion in the industrial sector is the surge in new orders, which has outpaced the rise in shipments again in May. As a result, both unfilled orders and delivery times have grown fractionally for the second month in a row. Industrial employment gains, however, are stalled this month after perking up in April. Employee ranks have held steady and the average workweek is only slightly longer than a month ago. Survey respondents also continue to draw down inventories in May.

Looking ahead, almost 90 percent of the local manufacturers surveyed this month expect general business activity to climb further by November. More growth for new orders and shipments is projected, as well as a continued swelling of producer backlogs. Modest increases in stock levels are also anticipated and capital spending plans are on the rise. In addition, improved activity is expected to restart the stalled labor pick-up, resulting in larger payrolls and longer working hours by late fall.

Increased activity is already pushing industrial prices up slightly in May, according to survey results. Input costs have risen at just over one quarter of the surveyed plants, and a few reports of price hikes for finished products have surfaced this month, too. As the industrial expansion continues over the next six months, respondents expect the upward pressure on prices to build.

In short, area manufacturers report another widespread pick-up in industrial activity in May, as well as a hint of price inflation. Respondents predict continued robust growth in manufacturing, accompanied by higher prices and more jobs, for the next six months.

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SUMMARY OF RETURNS

May 1983

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?	3.1	48.4	45.3	1.6	7.8	87.5
COMPANY BUSINESS INDICATORS						
New Orders	7.8	45.3	46.9	3.1	12.5	82.8
Shipments	6.3	54.7	39.1	3.1	12.5	81.3
Unfilled Orders	18.8	51.6	28.1	6.3	39.1	51.6
Delivery Time	1.6	87.5	9.4	1.6	75.0	20.3
Inventories	32.8	51.6	15.6	20.3	34.4	43.8
Prices Paid	0.0	73.4	26.6	0.0	18.8	79.7
Prices Received	4.7	82.8	10.9	0.0	42.2	53.1
Number of Employees	14.1	67.2	18.8	7.8	35.9	53.1
Average Employee Workweek	7.8	78.1	14.1	6.3	60.9	28.1
Capital Expenditures				4.7	53.1	32.8

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