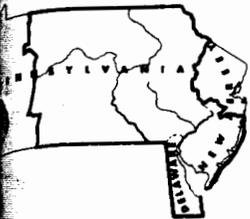


BUSINESS OUTLOOK SURVEY

JULY 1983

Department of Research
Federal Reserve Bank of Philadelphia



Area manufacturing has continued its rapid ascent in July, according to the most recent Business Outlook Survey. Survey results indicate that general activity has shown widespread improvement for the sixth straight month in July, a month in which we normally expect a seasonal slowdown in local industry. After adjusting for seasonal pressures, this month's overall growth is the most substantial observed so far this year.

Most of the specific indicators of industrial activity are still climbing strongly this month, although some moderating seasonal forces are apparent. New orders and shipments are up over June levels but their growth is not as significant as in recent surveys. Backlogs at local factories have continued to swell, delivery times have lengthened and, for the first time in two years, inventory liquidation has slowed to marginal levels. Major gains for labor have been slow in coming, however, as manufacturers report only slight expansion of either employee ranks or the average workweek since June.

Looking ahead, the recovery in the industrial sector is expected to forge ahead over the next six months. Three quarters of participating manufacturers foresee better overall conditions by next January; none predict any deterioration in conditions over that time. New orders are projected to continue to outrun shipments, resulting in higher levels of unfilled orders, and manufacturing inventories are expected to grow. Respondents to the July survey also say they will increase their capital spending by early 1984 and are likely to hire more employees and lengthen working hours as well.

Industrial prices have risen again in July. Reports of price hikes are slightly more prevalent than in June, as 30 percent of the respondents indicate that input costs are higher this month, and under 20 percent say they have raised their own prices. Projections of further price inflation January are widespread. Increases in both raw material and finished good prices are expected by a majority of participants.

In summary, local manufacturing posted major gains again in July, despite some downward seasonal pressure, while prices crept slightly higher. Industrial growth is expected to remain healthy into 1984 and to put more upward pressure on prices.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

July 1983

| 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? | 5.4 | 44.6 | 44.6 | 0.0 | 19.6 | 75.0 |
| COMPANY BUSINESS INDICATORS | | | | | | |
| New Orders | 12.5 | 48.2 | 37.5 | 0.0 | 25.0 | 75.0 |
| Shipments | 19.6 | 41.1 | 35.7 | 1.8 | 28.6 | 66.1 |
| Unfilled Orders | 10.7 | 66.1 | 21.4 | 1.8 | 57.1 | 39.3 |
| Delivery Time | 1.8 | 82.1 | 12.5 | 1.8 | 85.7 | 10.7 |
| Inventories | 28.6 | 48.2 | 21.4 | 16.1 | 42.9 | 39.3 |
| Prices Paid | 1.8 | 67.9 | 30.4 | 0.0 | 17.9 | 82.1 |
| Prices Received | 1.8 | 78.6 | 17.9 | 0.0 | 39.3 | 58.9 |
| Number of Employees | 12.5 | 67.9 | 19.6 | 5.4 | 58.9 | 35.7 |
| Average Employee Workweek | 7.1 | 80.4 | 12.5 | 0.0 | 67.9 | 28.6 |
| Capital Expenditures | | | | 12.5 | 50.0 | 32.1 |

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