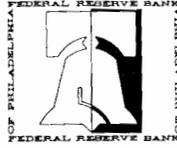


BUSINESS OUTLOOK



FEDERAL
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BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: October 1977

This Summary of Returns reports on the October responses 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.

Business conditions in the region's manufacturing sector are improving this month. Of the executives surveyed, 26 percent say that business is better in October, while only 3 percent say it is worse.

New orders and shipments are higher this month and inventory levels are up somewhat after holding steady since May. Employment, however, is showing only moderate strength. Factory work forces are expanding fractionally in October, and the average workweek is unchanged from last month.

Despite the gains reported in the current period, manufacturers are less optimistic about longer-term prospects. Forty-one percent of the respondents to this month's survey look for higher levels of business activity six months out. This is down somewhat from last month when the proportion expecting longer-term improvement was the lowest in two and a half years. Similarly, new orders and shipments are projected to climb by the lowest proportion of respondents since January 1975. As a result, no expansion in hours worked is anticipated, and plans to hire additional workers six months out are reported at less than one-third of the sampled firms.

Price increases in the industrial sector are less widespread than in previous surveys. Thirty-one percent of those polled this month report paying more for inputs, while only 18 percent say they are receiving higher prices for their finished products. By April, however, inflation is expected to be more widespread. Four out of 5 foresee higher prices for supplies, while about half project higher prices for the products they sell.

In short, business conditions in the region's manufacturing sector are better in October. Over the next two quarters, executives look for additional improvement, but are less optimistic than they have been in the past.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS OCTOBER 1977

INDICATOR	October vs. September			Six Months from Now vs. October		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	2.6	71.8	25.6	7.7	51.3	41.0
COMPANY BUSINESS INDICATORS						
New Orders	10.3	59.0	30.8	12.8	41.0	46.2
Shipments	2.6	66.7	30.8	10.3	48.7	41.0
Unfilled Orders	17.9	64.1	15.4	10.3	53.8	33.3
Delivery Time	2.6	87.2	7.7	10.3	74.4	12.8
Inventories	12.8	64.1	23.1	17.9	53.8	28.2
Prices Paid	0.0	69.2	30.8	0.0	17.9	82.1
Prices Received	7.7	71.8	17.9	2.6	38.5	56.4
Number of Employees	2.6	82.1	15.4	7.7	64.1	28.2
Average Employee Workweek	7.7	79.5	10.3	10.3	76.9	10.3
Capital Expenditures				2.6	53.8	38.5

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