

B. Turnbull

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Business Outlook
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Survey

OCT 20 1988

FEDERAL RESERVE BANK
OF PHILADELPHIA October 1988

Research Department

Area manufacturers in October are reporting the ninth consecutive month of rising output, according to the Business Outlook Survey.

Thirty-two percent of the firms participating in the survey say business has picked up from September levels while only 5 percent note a drop.

Nearly all measures of industrial activity are showing some improvement in October. New orders and shipments are up at more than 40 percent of the plants in this month's survey, and order backlogs are higher at one-fourth of the firms. While delivery times remain unchanged for most local companies, 14 percent note longer lags on orders in October versus September. Employment also shows continuing strength: 26 percent of the industrial establishments covered by the October survey are adding workers, and 19 percent are extending working hours.

In their overall assessment of the near future, survey participants foresee modest growth; 30 percent expect further increases in business over the next six months, while 19 percent anticipate a slowdown. On balance, survey responses indicate moderate advances in new orders and shipments over the winter and marginal gains in employment. With 41 percent of the companies polled in October planning to boost outlays for plant and equipment, capital spending should pick up as well.



Price increases remain a feature of the area's industrial expansion. Over half of the survey respondents are paying more for inputs in October than they did in September, and nearly one-fourth have raised the prices of their own products. While expectations of further price increases predominate among survey respondents, the percentage anticipating further hikes has moderated somewhat from surveys taken during the summer.

In summary, industrial activity in the region continues to increase in October, bringing further gains in employment. Area manufacturers expect modest growth for another six months at least, and they plan to step up capital spending by next spring.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

OCTOBER 1988

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?	4.7	60.3	31.8	18.8	47.4	29.5
COMPANY BUSINESS INDICATORS						
New Orders	8.8	47.3	43.5	19.0	44.2	36.8
Shipments	8.3	42.6	48.5	15.8	50.0	33.3
Unfilled Orders	10.3	62.1	25.0	17.0	63.9	15.8
Delivery Time	0.0	85.6	14.4	18.1	72.5	6.7
Inventories	15.9	58.0	26.1	29.1	52.2	17.6
Prices Paid	1.5	39.3	57.5	7.4	23.4	66.5
Prices Received	3.0	72.9	23.3	5.8	38.8	52.1
Number of Employees	6.4	66.7	26.4	9.1	69.9	17.0
Average Employee Workweek	2.7	78.7	18.6	16.9	59.1	14.9
Capital Expenditures				18.9	37.0	41.4

Notes: (1) Items may not add to 100 percent because of omission by respondents.
 (2) All data seasonally adjusted.