



BUSINESS OUTLOOK SURVEY

OCTOBER 1982

Department of Research
Federal Reserve Bank of Philadelphia

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Local industrial activity has picked up markedly since September, according to manufacturers participating in the October Business Outlook Survey. This month's survey indicates the most widespread general improvement reported in over a year and the only significant growth in area industry noted thus far in 1982. While these results may indicate that the long-awaited recovery is finally taking hold, a few more months of expansion will be necessary before the recession can be officially pronounced dead. Meanwhile, it is evident that the local industrial sector continues to struggle.

As in September, specific indicators are mixed and inconclusive. For the second straight month, new orders and shipments have both shown improvement. Orders at area manufacturing plants have climbed strongly this month, enough to surpass shipments which were reported to have posted only marginal gains. With the pick-up in activity, working hours appear to have stabilized somewhat after slipping since April. Manufacturers continue to put the squeeze on industrial payrolls, however, and no let up in inventory liquidation has appeared yet.

Respondents to the October survey remain very optimistic that expansion in the industrial sector will continue over the next six months. Although it appears that the strength of the rebound is still in doubt, manufacturers' outlooks have brightened even more since September. Roughly 80 percent of participating businessmen foresee further improvement in general activity between now and April characterized by robust growth in new orders, shipments and backlogs. Should the upturn in production take hold, expanded payrolls and a longer average workweek will likely follow, along with higher stock levels. While the turnaround for labor and inventories is widely predicted, capital spending plans remain weak, emphasizing respondents' caution regarding recovery.

Industrial prices also are reported to have shown further improvement this month. The prices firms charge for their own products dropped marginally in October, the first report of price cut since the end of the 1973-75 recession. Input costs remain largely unchanged despite a few reports of escalation. Manufacturers predict price hikes on both raw materials and finished goods between now and April.

In short, area manufacturers report overall improvement in local industrial conditions in October. This upturn is expected to continue over the next six months, boosting local business out of its persistent slump.

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SUMMARY OF RETURNS October 1982

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?	12.7	57.1	30.2	3.2	17.5	79.4
COMPANY BUSINESS INDICATORS						
New Orders	14.3	52.4	30.2	3.2	20.6	73.0
Shipments	22.2	44.4	30.2	4.8	23.8	68.3
Unfilled Orders	27.0	60.3	7.9	6.3	50.8	38.1
Delivery Time	15.9	77.8	1.6	4.8	73.0	17.5
Inventories	42.9	49.2	6.3	19.0	47.6	31.7
Prices Paid	1.6	85.7	11.1	1.6	42.9	55.6
Prices Received	12.7	79.4	4.8	1.6	49.2	44.4
Number of Employees	25.4	66.7	7.9	7.9	52.4	38.1
Average Employee Workweek	12.7	76.2	7.9	3.2	74.6	22.2
Capital Expenditures	12.7	63.5	19.0	12.7	63.5	19.0

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