



BUSINESS OUTLOOK SURVEY

SEPTEMBER 1983

Department of Research
Federal Reserve Bank of Philadelphia

Respondents to the September Business Outlook Survey indicate that local industrial activity has picked up the pace in its upward advance this month. September returns reveal the widespread improvement in general business conditions since March 1973, as over 60 percent of businessmen polled report an increase in activity since August. In fact, the consistently high level of growth in the survey so far this year has established one of the strongest sustained expansions observed in survey results to date.

Most specific indicators also point to vastly improved manufacturing activity in September. Both new orders and shipments are up significantly over August levels, and producer backlogs have increased at many factories, as well. The increasing production activity has again prompted employers to add to payrolls and to lengthen the average workweek. This month's employment push is the most prevalent in over five years.

Despite the vigorous expansion currently underway in the manufacturing sector, survey respondents' outlooks have mellowed somewhat this month. Although it is obvious that those who expect the recovery to continue, they seem to be anticipating a slower rate of expansion over the next six months. Two-thirds of the participating businessmen expect further improvement in the next six months, fewer than at any time in the last year. Climbing levels of new orders and shipments are forecast, but by fewer respondents than in recent months, and further expansion of factory workforces and working hours are planned as well. Capital expenditure plans are still fairly weak, but solid growth in inventories by end of the first quarter is projected.

Prices in the manufacturing sector have risen modestly again in September, according to survey results. As in August, about one-third of the manufacturers polled are paying more for raw materials this month. Price hikes for finished goods, on the other hand, while still with us, are less prevalent than they were a month ago. There are even a few reports of final product price reductions. Prices are expected to continue their upward drift over the next six months, however. Projections of high prices for both inputs and finished goods by March of 1984 are widespread.

Overall, local manufacturing activity surged ahead strongly in September, encouraging some employment gains along the way. Survey respondents foresee continued expansion, but apparently at a slower rate, over the next six months.

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SUMMARY OF RETURNS September 1983

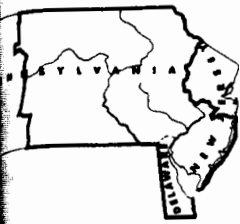
INDICATOR	September vs. August			Six Months from Now vs. September		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	6.6	27.9	63.9	3.3	26.2	67.2
COMPANY BUSINESS INDICATORS						
New Orders	11.5	36.1	50.8	8.2	23.0	65.6
Shipments	11.5	36.1	49.2	8.2	29.5	57.4
Unfilled Orders	16.4	47.5	32.8	3.3	59.0	32.8
Delivery Time	4.9	77.0	14.8	6.6	72.1	16.4
Inventories	31.1	42.6	24.6	8.2	42.6	45.9
Prices Paid	3.3	62.3	34.4	0.0	19.7	78.7
Prices Received	8.2	72.1	18.0	1.6	29.5	65.6
Number of Employees	8.2	62.3	29.5	3.3	59.0	37.7
Average Employee Workweek	6.6	62.3	27.9	3.3	75.4	19.7
Capital Expenditures				4.9	63.9	26.2

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

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OCTOBER 1983



Manufacturers responding to the October Business Outlook Survey report more good news about local industrial activity this month. About 45 percent of participating executives indicate that overall business conditions have improved in October, and only a very small number of respondents report any drop off since September. It appears that area manufacturing activity is entering the fourth quarter of 1983 with much the same strength as shown in the three previous quarters of the year.

Specific indicators of that overall strength include new orders and shipments, which continue to display widespread growth in October. Unfilled orders and delivery times increased slightly, as well, but local producers report another marginal decline in inventories this month. The rundown of industrial stocks, however, is centered in the durable goods sector; inventories at nondurable good producers have held steady over the last few months. Employment gains also remain solid. Many manufacturers say they have added to factory payrolls or lengthened working hours since September.

Looking ahead, general activity is expected to continue to expand over the next six months, but, as in September, respondents' forecasts seem to predict a moderation of the recovery. Roughly two thirds of the businessmen polled forecast better conditions within six months; that is about the same as a month ago, but noticeably less than earlier in the year. Nevertheless, strong gains in new orders and shipments are likely to continue and some inventory growth is projected. Manufacturers are planning to hire more workers and to expand the average workweek, but their expenditures for plant and equipment are expected to remain relatively weak.

Industrial prices continue to reflect the rapid expansion of manufacturing activity. The prices of both inputs and final products have risen again in October, and further escalation is projected over the next six months. More than three quarters of the participating manufacturers foresee higher materials costs by next spring and one half expect to up their own products' prices over that time.

In summary, local manufacturing conditions have improved again in October, pushing industrial prices and employment higher. More gains in activity are expected for the next six months, along with some inventory investment and upward price pressures.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS October 1983

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?	3.1	50.8	44.6	4.6	18.5	72.3
COMPANY BUSINESS INDICATORS						
New Orders	7.7	47.7	44.6	7.7	21.5	69.2
Shipments	6.2	49.2	43.1	6.2	24.6	66.2
Unfilled Orders	13.8	58.5	23.1	10.8	44.6	38.5
Delivery Time	4.6	80.0	12.3	10.8	64.6	20.0
Inventories	29.2	50.8	18.5	12.3	43.1	41.5
Prices Paid	1.5	58.5	40.0	0.0	16.9	80.0
Prices Received	6.2	73.8	18.5	1.5	40.0	53.8
Number of Employees	7.7	67.7	23.1	6.2	56.9	33.8
Average Employee Workweek	1.5	80.0	16.9	4.6	69.2	23.1
Capital Expenditures				12.3	50.8	30.8

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