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BUSINESS OUTLOOK SURVEY

SEPTEMBER 1981

Department of Research
Federal Reserve Bank of Philadelphia

Manufacturers responding to the September Business Outlook Survey report a fractional increase in industrial activity this month. This is the second month in a row area manufacturers have reported a slight pickup in overall activity, possibly signalling the start of the upward trend in business they've been predicting for some months. Reflecting the slight upturn in industrial activity in September, reports of rising new orders and shipments are more widespread than at any time since April 1977. The employment situation looks a little better as well this month. Manufacturers responding to the survey report lengthening the average workweek, marginally, for the first time in over two years. However, no real changes in payrolls are reported.

Looking ahead, survey participants continue to be optimistic as over one-half of the respondents are projecting a strong boost in industrial activity by March. New orders and shipments are expected to take off and producer backlogs to swell by then also. Labor stands to gain from the upbeat outlook as well, as survey participants plan to add hours to the workweek and hire new employees within the next six months. Increased expenditures on plant and equipment are also forecast at over 1 out of 3 firms polled.

On the inflation front, industrial prices are up again in September with over one-half of the survey participants paying more for raw materials than they did in August, and about one-third charging more for their finished products. No relief from inflation is expected within the next two quarters, as nearly 9 out of 10 survey respondents anticipate higher input costs by March and 8 out of 10 plan price hikes for the goods they sell.

Overall, industrial activity this month in the Delaware Valley posted its second consecutive increase and may be starting on an upward trend. Area manufacturers continue to be optimistic about the future despite their expectations of continued inflation.

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SUMMARY OF RETURNS September 1981

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?	12.3	50.7	37.0	11.0	23.3	65.8
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COMPANY BUSINESS INDICATORS

New Orders	13.7	39.7	46.6	12.3	17.8	69.9
Shipments	8.2	43.8	47.9	11.0	23.3	65.8
Unfilled Orders	20.5	50.7	24.7	19.2	41.1	38.4
Delivery Time	13.7	72.6	9.6	17.8	67.1	12.3
Inventories	34.2	46.6	17.8	31.5	46.6	21.9
Prices Paid	0.0	46.6	52.1	1.4	8.2	90.4
Prices Received	2.7	58.9	35.6	0.0	19.2	79.5
Number of Employees	19.2	64.4	15.1	15.1	58.9	26.0
Average Employee Workweek	2.7	83.6	11.0	6.8	72.6	19.2
Capital Expenditures				6.8	47.9	39.7

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