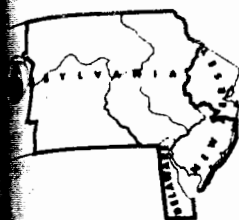


BUSINESS OUTLOOK SURVEY

Department of Research
Federal Reserve Bank of Philadelphia

SEPTEMBER 1982



Respondents to the September Business Outlook Survey report that business conditions in the local manufacturing sector are unchanged from August. Area industry continues to exhibit a lingering weakness that has been evident for the last seven months. Reports of improved manufacturing conditions have been on the rise recently, but there are still no firm indications that the industrial sector has begun to recover.

As a result, specific indicators for September are mixed. On the positive side, new orders and shipments have shown modest growth, their first gains since June. Shipments have again outpaced new orders, however, and forced producers' backlogs down further. Moreover, the improvement in new orders and shipments has failed to avert further cutbacks in either the factory work force or the length of the average workweek, extending labor's slump to a full year. Widespread reports of stock level reductions are also evident again, indicating that inventory liquidation has not yet abated.

In the face of this prevailing softness, survey participants are still highly optimistic that a recovery will occur in the near future, but appear to be maintaining a cautious outlook while awaiting further signs of strength. Nearly 80 percent of the businessmen polled are looking for improved conditions over the next six months. New orders are expected to take off and, with shipments projected to show slightly less growth, growing backlogs and longer delivery times are forecast. Producers indicate that this anticipated spurt in activity between now and March will push payroll working hours upward and bring inventories into check. No additions to stock levels are expected, however, and, reflecting respondents' caution, capital spending increases also will be kept at a minimum.

Change from Now vs. August	
No Change	Increase

1.1	77.8
-----	------

2.7	76.2
7.5	73.0
2.9	44.4
1.4	22.2
3.1	34.9
4.9	63.5
0.8	46.0
2.9	44.4
0.3	30.2
7.1	20.6

Industrial prices are holding steady again in September, having shown little inflationary movement at all since April. Flat input and finished good prices are reported at well over 80 per cent of responding firms this month. As for the next six months, respondents expect that the projected turnaround in manufacturing activity will rejuvenate inflation and put upward pressure on prices. These projections, however, are not as widespread as they have been over the last few years. In March, manufacturers expect only moderate increases in both the cost of raw materials and the prices they charge for their own products.

Overall, local industrial activity has remained in its persistent lull in September. There are, however, some positive notes in this month's survey and area manufacturers are forecasting a rebound by March.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS September 1982

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?	17.9	55.2	22.4	4.5	13.4	79.1
COMPANY BUSINESS INDICATORS						
New Orders	20.9	49.3	29.9	1.5	20.9	74.6
Shipments	17.9	49.3	29.9	7.5	20.9	67.2
Unfilled Orders	26.9	61.2	7.5	6.0	50.7	37.3
Delivery Time	14.9	80.6	0.0	6.0	71.6	16.4
Inventories	38.8	50.7	7.5	25.4	46.3	25.4
Prices Paid	4.5	83.6	11.9	1.5	32.8	64.2
Prices Received	4.5	86.6	4.5	0.0	50.7	43.3
Number of Employees	31.3	62.7	6.0	9.0	47.8	40.3
Average Employee Workweek	17.9	74.6	6.0	7.5	65.7	23.9
Capital Expenditures				14.9	55.2	22.4

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