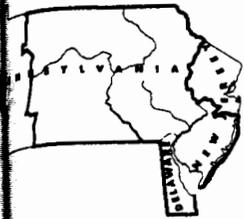


BUSINESS OUTLOOK SURVEY

OCTOBER 1981

Department of Research
Federal Reserve Bank of Philadelphia



Respondents to the October Business Outlook Survey report a slight drop in area manufacturing activity from September levels. Although better than half of the executives polled said business conditions are about the same as they were a month ago, 24 percent indicated some deterioration in the business climate, while only 17 percent noted improvement. In terms of specific indicators, new orders, after posting gains over the last two months, have held steady in October. Shipments, on the other hand, are up marginally this month but to a lesser degree than in August and September. Inventories have been trimmed slightly again in October. As for labor, the situation looks a little dimmer as manufacturers report fractional cuts in factory work forces. No change in working hours is indicated.

Looking ahead, respondents to the survey remain optimistic as over one-half of the survey participants project an upswing in general industrial activity by April. New orders and shipments are expected to show widespread improvement over the next six months, and, as production picks up, many manufacturers anticipate adding to their payrolls, lengthening the workweek, and boosting capital expenditures. Despite the anticipated strength though, inventory liquidation is expected to continue, albeit marginally, through the beginning of spring.

Inflation continues in the local industrial sector in October, according to the survey, but price hikes are less prevalent this month than they've been in some time. Just under one-half of the respondents report paying higher input costs than they did in

Now
rease
5.8
9.9
5.8
8.4
2.3
1.9
0.4
9.5
6.0
9.2
9.7

nd
ers
ed

September while about one-fourth say they are charging more for their finished products. Manufacturers expect inflation to rekindle in the near future, however, as over three-quarters of the respondents expect to be paying more for raw materials by April and nearly two-thirds plan to raise the prices of the goods they sell.

In short, indications from this month's survey point to a slight slowdown in general industrial activity in October. Manufacturers look forward to a boost within the next six months, but are playing a close hand and keeping a watchful eye on inventories.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS

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?	24.2	57.6	16.7	7.6	31.8	59.1
COMPANY BUSINESS INDICATORS						
New Orders	31.8	39.4	28.8	6.1	24.2	68.2
Shipments	22.7	45.5	28.8	6.1	24.2	66.7
Unfilled Orders	30.3	56.1	9.1	10.6	42.4	40.9
Delivery Time	16.7	72.7	7.6	12.1	65.2	18.2
Inventories	33.3	42.4	22.7	33.3	36.4	27.3
Prices Paid	3.0	51.5	43.9	0.0	16.7	81.8
Prices Received	4.5	68.2	25.8	0.0	36.4	60.6
Number of Employees	21.2	71.2	7.6	12.1	56.1	30.3
Average Employee Workweek	13.6	75.3	9.1	10.6	63.6	22.7
Capital Expenditures				16.7	37.9	40.9

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