

*B. J. J. J. J.*

# BUSINESS OUTLOOK



FEDERAL  
RESERVE  
BANK OF  
PHILADELPHIA  
Department of  
RESEARCH

SURVEY For: October 1980

This Summary of Returns reports on the October responses to the Business Outlook Survey conducted by the Federal Reserve Bank of Philadelphia. Its purpose is to provide an insight into Third District business conditions. The survey sample polls manufacturing firms with 500 or more employees.

Respondents to the October Business Outlook Survey report widespread pickups in industrial activity over last month, the first such positive sign since May 1979. Reflecting the reports of renewed strength, both new orders and shipments are up significantly from September, and inventories show signs of expansion for the first time in two years. The step-up in manufacturing activity appears to have helped labor as the widespread payroll cuts of recent months are disappearing with only marginal payroll cuts and hour reductions reported.

Looking ahead to the next six months, participants in the survey continue to be optimistic, anticipating a significant upward swing in general industrial activity. New orders and shipments are expected to increase at over half of the firms sampled, while inventory building is planned at a smaller but still significant portion. The brightened outlook may give labor a boost too. Over one-third of the executives surveyed expect to increase the current level of employment at their plants and about 15 percent plan to lengthen the average workweek. Increased capital outlays are projected at about one out of three firms surveyed.

Industrial prices are up again in October, according to the survey, as 60 percent of the respondents report paying more for inputs than they did a month ago, and just over half say they are charging higher prices for their finished products. No relief from

inflation in the coming months is anticipated, as 90 percent expect raw material costs to rise by April and 73 percent plan price hikes for the goods they sell.

In short, local industrial activity has begun to show some healthy signs of a possible turnabout and is expected to continue its climb. Inflation, on the other hand, offers no relief in the near future.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS October 1980

INDICATOR	October vs. September			Six Months from Now vs. October		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	10.0	50.0	40.0	10.0	13.3	73.3
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	13.3	53.3	33.3	13.3	16.7	66.7
Shipments	6.7	63.3	30.0	10.0	23.3	66.7
Unfilled Orders	23.3	56.7	10.0	10.0	50.0	33.3
Delivery Time	13.3	76.7	6.7	10.0	63.3	23.3
Inventories	20.0	53.3	26.7	23.3	36.7	40.0
Prices Paid	0.0	40.0	60.0	0.0	10.0	90.0
Prices Received	0.0	43.3	53.3	0.0	23.3	73.3
Number of Employees	16.7	73.3	6.7	6.7	53.3	40.0
Average Employee Workweek	6.7	86.7	0.0	6.7	70.0	20.0
Capital Expenditures				6.7	53.3	36.7

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