

FEDERAL RESERVE BANK  
OF  
PHILADELPHIA



Research Department

BUSINESS OUTLOOK SURVEY  
Summary of Returns  
December 1968

This Summary of Returns reports on the December 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.

The general business outlook for six months from now is more optimistic than for the current month, according to manufacturers in the Third Federal Reserve District. The most recent Business Outlook Survey, taken in December, shows that two-thirds of the business executives polled expect a more buoyant economy at mid-year, although over 80 per cent of them look for no change or even a decline in business activity for January. While confidence for the six-month outlook has been growing since September, only in the last two surveys has it become so dominant.

In September, for example, less than 40 per cent of the respondents expected new orders to be up six months hence; in the current survey, nearly 60 per cent anticipate more orders one-half year ahead. Similar shifts in sentiment for the longer term also occurred for shipments and unfilled orders. As a result, some businessmen expect delivery times to lengthen in the coming months, but a substantial majority still forecasts "no change" in delivery times and thus appears confident at meeting higher volume demands.

Along with increased business activity, manufacturing executives also anticipate more inflation. Nearly 85 per cent expect to be paying higher prices, while three out of five believe they will be receiving higher prices six months from now.

For the January outlook, the higher-than-usual showing of those expecting a decrease in business activity for the month ahead may be attributable to December's performance. Last month turned out to be a better month for manufacturers in the Third District than had been anticipated in November. Manufacturers may feel that some of December's volume was "borrowed" from January; consequently, expectations for January may have been scaled down to allow wholesalers and retailers time for inventory adjustments. Inventory adjustments may be unnecessary, however, if retail sales were strong in December. In that case, January -- like December -- could be stronger than Third District manufacturers anticipate.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS

December 1968

INDICATOR	November vs. October			December vs. November			January vs. December			Six Months From Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS												
What is your evaluation of the level of general business activity?	10.9	56.5	28.3	15.2	63.0	19.6	32.6	50.0	13.0	10.9	19.6	67.4
COMPANY BUSINESS INDICATORS												
New Orders	23.9	39.1	28.3	26.1	43.5	21.7	19.6	45.7	28.3	15.2	19.6	58.7
Shipments	26.1	34.8	37.0	21.7	45.7	32.6	26.1	39.1	34.8	21.7	19.6	58.7
Unfilled Orders	28.3	41.3	21.7	30.4	47.8	13.0	19.6	54.3	17.4	19.6	32.6	39.1
Delivery Time	8.7	80.4	4.3	8.7	78.3	6.5	13.0	71.7	8.7	15.2	63.0	15.2
Inventories	26.1	34.8	32.6	15.2	50.0	30.4	15.2	58.7	21.7	13.0	43.5	39.1
Prices Paid	0.0	71.7	23.9	0.0	69.6	28.3	0.0	65.2	32.6	0.0	13.0	84.8
Prices Received	2.2	73.9	19.6	0.0	87.0	10.9	6.5	67.4	23.9	0.0	37.0	60.9
Number of Employees	6.5	71.7	17.4	6.5	76.1	15.2	6.5	78.3	13.0	10.9	50.0	37.0
Average Employee Work Week	4.3	76.1	13.0	8.7	80.4	6.5	17.4	69.6	8.7	19.6	47.8	26.1
Capital Expenditures										2.2	52.2	32.6

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