

FEDERAL RESERVE BANK

OF

PHILADELPHIA

DEPARTMENT OF RESEARCH

BUSINESS OUTLOOK SURVEY  
Summary of Returns  
February 1971

This Summary of Returns reports on the February 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.

Area executives expect the mild business expansion which got underway in January to continue. The latest Business Outlook Survey shows that for February, more than five times as many manufacturers polled in Third Federal Reserve District are registering increases in sales and new orders than are realizing decreases. Regional executives are also optimistic about March.

However, part of this increased tempo reflects a rebound from the business-depressing effects of the GM strike rather than a major shift in economic trends. Consequently, area businessmen are reluctant to hire additional employees until more solid evidence of a recovery is apparent. Although this "no-hire" policy will keep layoffs to a minimum, it still implies some unemployment problems for the economy as a whole. The reason is that with an expanding pool of manpower because of increasing population and returning servicemen, new jobs need to be created, not just old ones maintained -- if the ranks of the unemployed are not to grow.

Although area executives are interpreting the current pick up in business cautiously, they are growing more optimistic about economic

activity during the second half of 1971. In anticipation of increased sales, nearly one-third of the responding firms expect to be adding to their payrolls six months from now. Realization of these hiring plans would provide some relief on the unemployment front by midyear.

The outlook for prices remains inflationary, with most manufacturers canvassed expecting to pay as well as receive higher prices half a year ahead. In short, despite their cautious mood at present, area businessmen forecast an expanding economy for 1971; but they see inflation as a continuing problem.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS

FEBRUARY 1971

| INDICATOR  | January<br>vs.<br>December |              |          | February<br>vs.<br>January |              |          | March<br>vs.<br>February |              |          | Six Months From Now<br>vs.<br>February |              |          |
|--|----------------------------|--------------|----------|----------------------------|--------------|----------|--------------------------|--------------|----------|--|--------------|----------|
|  | Decrease                   | No<br>Change | Increase | Decrease                   | No<br>Change | Increase | Decrease                 | No<br>Change | Increase | Decrease                               | No<br>Change | Increase |
| GENERAL BUSINESS CONDITIONS  |                            |              |          |                            |              |          |                          |              |          |  |              |          |
| What is your evaluation of the level of general business activity? | 22.4                       | 40.8         | 36.7     | 2.0                        | 57.1         | 40.8     | 0.0                      | 26.5         | 71.4     | 0.0                                    | 12.2         | 87.8     |
| COMPANY BUSINESS INDICATORS  |                            |              |          |                            |              |          |                          |              |          |  |              |          |
| New Orders   | 30.6                       | 26.5         | 40.8     | 6.1                        | 51.0         | 40.8     | 4.1                      | 30.6         | 61.2     | 6.1                                    | 16.3         | 75.5     |
| Shipments  | 34.7                       | 26.5         | 38.8     | 8.2                        | 44.9         | 44.9     | 2.0                      | 34.7         | 61.2     | 6.1                                    | 20.4         | 73.5     |
| Unfilled Orders  | 30.6                       | 53.1         | 12.2     | 8.2                        | 65.3         | 22.4     | 16.3                     | 44.9         | 32.7     | 10.2                                   | 40.8         | 44.9     |
| Delivery Time  | 4.1                        | 89.8         | 4.1      | 6.1                        | 83.7         | 8.2      | 6.1                      | 83.7         | 6.1      | 8.2                                    | 73.5         | 16.3     |
| Inventories  | 30.6                       | 46.9         | 22.4     | 26.5                       | 61.2         | 12.2     | 20.4                     | 61.2         | 16.3     | 14.3                                   | 44.9         | 40.8     |
| Prices Paid  | 0.0                        | 61.2         | 36.7     | 2.0                        | 73.5         | 22.4     | 0.0                      | 63.3         | 32.7     | 2.0                                    | 20.4         | 75.5     |
| Prices Received  | 6.1                        | 79.6         | 12.2     | 4.1                        | 85.7         | 8.2      | 2.0                      | 73.5         | 18.4     | 2.0                                    | 40.8         | 55.1     |
| Number of Employees  | 30.6                       | 65.3         | 2.0      | 16.3                       | 75.5         | 6.1      | 6.1                      | 73.5         | 16.3     | 10.2                                   | 55.1         | 32.7     |
| Average Employee Workweek  | 14.3                       | 73.5         | 10.2     | 14.3                       | 75.5         | 8.2      | 2.0                      | 73.5         | 18.4     | 6.1                                    | 61.2         | 28.6     |
| Capital Expenditures   |                            |              |          |                            |              |          |                          |              |          | 12.2                                   | 63.3         | 18.4     |

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