

FEDERAL RESERVE BANK



OF

PHILADELPHIA

DEPARTMENT OF RESEARCH

BUSINESS OUTLOOK SURVEY

Summary of Returns

October 1974

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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.

September was a slow month for many manufacturing concerns in the region. The latest Business Outlook Survey of large manufacturers in the Third Federal Reserve District shows that the general level of manufacturing activity has declined since last month. Nearly three times as many firms reported a slowing in their business during the month as reported a pickup. New orders were lower, and order backlogs were being reduced. Shipments rose slightly during the month and delivery times on orders in process were cut. On balance, inventories were being reduced. These businessmen also report some softening in their needs for labor.

This short-term sluggishness is reflected in the outlook the respondents hold for the months ahead. Overall, they still expect business conditions to improve by early spring, but the ranks of the pessimists are slowly growing. Most of the executives expect new orders to be up only slightly in the next half year. Unemployment will probably be higher in these industries as manufacturers shrink both their workforces and average workweeks. Capital spending during the next six months is not expected to change much from current levels.

Inflation shows little sign of slowing in the foreseeable future. The businessmen anticipating higher prices for both the goods they buy and the ones they sell outnumber those expecting prices to hold steady

by more than two to one. Only a handful of respondents expect any reduction in prices by March.

In short, area businessmen report that the current business climate is soft, but some degree of recovery is still expected by spring. While new orders should be up by then, unemployment may also be higher. Continuing inflation is a near certainty.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS OCTOBER 1974

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?	28.0	60.0	10.0	26.0	34.0	38.0
COMPANY BUSINESS INDICATORS						
New Orders	32.0	52.0	12.0	26.0	34.0	34.0
Shipments	18.0	56.0	26.0	16.0	44.0	38.0
Unfilled Orders	40.0	44.0	12.0	38.0	44.0	12.0
Delivery Time	24.0	70.0	4.0	20.0	68.0	6.0
Inventories	40.0	32.0	28.0	30.0	38.0	28.0
Prices Paid	0.0	22.0	78.0	4.0	18.0	76.0
Prices Received	0.0	46.0	54.0	6.0	28.0	62.0
Number of Employees	18.0	78.0	4.0	16.0	70.0	12.0
Average Employee Workweek	14.0	78.0	4.0	10.0	80.0	6.0
Capital Expenditures				22.0	50.0	24.0

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