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BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: November 1977

This Summary of Returns reports on the November 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.

Activity in the region's industrial sector is showing signs of leveling off after three straight months of expansion. Over three-fourths of the respondents to this month's survey say that business conditions are unchanged from October, and less than one-fifth indicate improvement. The small gains that have been reported appear to be concentrated in durable goods industries.

Supporting the claims of slower growth, both new orders and shipments are unchanged in November, and no improvement is seen on the employment front. Inventory levels are stable after rising slightly last month.

The current slowdown has not put a damper on manufacturers' forecasts, however. About half of the respondents say they expect economic conditions to improve over the next six months--up sharply from last month--and a similar number foresee increases in new orders and shipments. This optimism is reflected in hiring and spending plans. About one-fourth of those sampled expect to add to their payrolls by May, while a slightly smaller fraction anticipate a longer workweek by that time. Increases in capital spending are planned at one-third of the sampled firms.

Price hikes in the industrial sector continue to become less prevalent. In the current survey, 21 percent of those polled say they are paying more

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for inputs this month, and only 13 percent report higher prices for their finished products. For the longer term, 4 out of 5 forecast higher prices for raw materials over the next six months, while 3 out of 5 expect to boost the prices of the goods they sell in that period.

In summary, business conditions in the manufacturing sector are virtually the same as last month. However, over the next two quarters manufacturers expect a pickup in activity, along with higher prices.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS NOVEMBER 1977

INDICATOR	November vs. October			Six Months from Now vs. November		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	5.3	76.3	18.4	5.3	34.2	55.3
COMPANY BUSINESS INDICATORS						
New Orders	13.2	73.7	13.2	2.6	34.2	60.5
Shipments	10.5	73.7	15.8	5.3	39.5	52.6
Unfilled Orders	23.7	65.8	5.3	5.3	57.9	31.6
Delivery Time	2.6	84.2	7.9	7.9	71.1	15.8
Inventories	21.1	60.5	15.8	23.7	47.4	26.3
Prices Paid	2.6	73.7	21.1	2.6	10.5	84.2
Prices Received	5.3	76.3	13.2	0.0	34.2	60.5
Number of Employees	5.3	86.8	5.3	0.0	71.1	26.3
Average Employee Workweek	5.3	81.6	5.3	2.6	73.7	18.4
Capital Expenditures				5.3	57.9	31.6

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