

BUSINESS OUTLOOK



FEDERAL
RESERVE
BANK OF
PHILADELPHIA
Department of
RESEARCH

SURVEY For: December 1977

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.

Manufacturing activity in the Delaware Valley continues to show signs of weakness in December. The majority of the respondents to this month's survey (about 70 percent) say that business conditions are no better than last month, and only about 20 percent report improvement, indicating that the slowdown that started in November is continuing. Manufacturers of nondurable goods appear to be bearing more of the burden than durables producers.

Reflecting the reports of slower growth, new orders and shipments are up only fractionally in December, while inventory levels are unchanged for the second consecutive month. At the same time, no improvement is reported on the employment scene.

The continued sluggishness has not, however, cast a gloom on manufacturers' forecasts. Over half of those responding to the survey say they expect business conditions to get better by June, and slightly higher proportions look for increases in new orders and shipments. Moreover, the pickup in economic activity is expected to give a boost to local employment. Thirty-nine percent of the executives polled look to add to their work forces over the next two quarters, and 10 percent foresee a lengthening of the workweek. Increases in spending on plant

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1.5
1.6
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1.8
1.3
1.2
1.5
1.3
3.4
1.6

and equipment are planned at about 40 percent of the sampled firms--up from last month. The only major indicator not projected to increase is inventories, which are expected to remain at their current levels through June.

On the price front, reports of increases are still less widespread than they were earlier this year. In December, about one-fourth of the respondents say they are paying more for raw materials, and only one-tenth report getting higher prices for the goods they sell. For the longer term, manufacturers expect inflation to pick up as business improves. About 85 percent of those polled expect the cost of inputs to go up by June, and about 70 percent expect to be charging higher prices for their finished products by that time.

BUSINESS OUTLOOK SURVEY

SUMMARY OF RETURNS DECEMBER 1977

INDICATOR	December vs. November			Six Months from Now vs. December		
	Decrease	No Change	Increase	Decrease	No Change	Increase
GENERAL BUSINESS CONDITIONS						
What is your evaluation of the level of general business activity?	10.3	69.2	20.5	5.1	41.0	53.8
COMPANY BUSINESS INDICATORS						
New Orders	15.4	64.1	20.5	2.6	35.9	61.5
Shipments	15.4	61.5	23.1	2.6	38.5	59.0
Unfilled Orders	23.1	59.0	15.4	0.0	59.0	38.5
Delivery Time	2.6	84.6	10.3	2.6	89.7	5.1
Inventories	17.9	66.7	15.4	28.2	38.5	33.3
Prices Paid	0.0	74.4	25.6	0.0	15.4	84.6
Prices Received	2.6	82.1	10.3	2.6	25.6	69.2
Number of Employees	7.7	82.1	10.3	2.6	59.0	38.5
Average Employee Workweek	2.6	84.6	10.3	0.0	87.2	10.3
Capital Expenditures				2.6	53.8	41.0

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