

# BUSINESS OUTLOOK



FEDERAL  
RESERVE  
BANK OF  
PHILADELPHIA  
Department of  
RESEARCH

SURVEY For: February 1978

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.

There has been virtually no expansion in regional manufacturing activity since last month according to area executives participating in the February Survey. This is the first time since mid-1977 that business conditions have been reported to be unchanged, although only weak improvement has been indicated in the last four surveys. Supporting the claims of a slowdown, responding manufacturers say there has been no change in new orders and only a slight increase in shipments. Nor has there been any improvement on the local job scene. Neither the size of factory work forces nor the length of the average workweek have expanded since last month.

Although manufacturers are still generally bullish about future economic conditions (nearly half of those surveyed look for further improvement over the next six months) general optimism is diminishing as we move further into the current economic expansion. In fact, the proportion of respondents anticipating continued growth has been declining (on a quarterly basis) since the beginning of 1977. Nevertheless, responding executives see enough steam left in the current expansion to boost employment projections and capital spending plans over the next six months. In the current Survey, over one-third of the executives polled foresee more jobs for

Delaware Valley workers. A similar proportion reports intentions to spend more on plant and equipment six months down the road.

On the inflation front, price hikes among manufacturers are no more prevalent than they were in January. About one-half of those polled report higher prices for inputs, while about one-fourth say they're getting more for their finished products. For the longer-term, manufacturers continue to foresee boosts in the cost of raw materials and in the prices of the goods they sell.

In summary, business activity in the local industrial sector in February remains sluggish for the fourth straight month. For the future, manufacturers look for some expansion, but they are steadily becoming less optimistic.

### BUSINESS OUTLOOK SURVEY

#### SUMMARY OF RETURNS FEBRUARY 1978

INDICATOR	February vs. January			Six Months from Now vs. February		
	Decrease	No Change	Increase	Decrease	No Change	Increase
<b>GENERAL BUSINESS CONDITIONS</b>						
What is your evaluation of the level of general business activity?	7.9	78.9	13.2	7.9	42.1	47.4
<b>COMPANY BUSINESS INDICATORS</b>						
New Orders	10.5	73.7	15.8	7.9	47.4	44.7
Shipments	7.9	71.1	21.1	5.3	50.0	44.7
Unfilled Orders	10.5	73.7	13.2	5.3	60.5	31.6
Delivery Time	0.0	92.1	5.3	7.9	78.9	10.5
Inventories	7.9	71.1	21.1	15.8	55.3	28.9
Prices Paid	2.6	50.0	47.4	2.6	13.2	84.2
Prices Received	0.0	71.1	26.3	0.0	34.2	60.5
Number of Employees	5.3	86.8	7.9	5.3	55.3	39.5
Average Employee Workweek	0.0	97.4	2.6	5.3	86.8	7.9
Capital Expenditures				0.0	52.6	39.5

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